

Corporate Credit Rating

New Update

Sector: Household Appliances & Electronics
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RATINGS

		Long Term	Short Term	
National	Local Rating	AAA (Trk)	A-1+ (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	-	-	
International	Foreign Currency	BB	B	
	Local Currency	BB	B	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
Sponsor Support	1	-		
Stand-Alone	A	-		
Sovereign*	Foreign Currency	BB	-	
	Local Currency	BB	-	
	Outlook	FC	Stable	-
		LC	Stable	-

*Assigned by JCR on May 31, 2021

Arçelik A.Ş. and its Subsidiaries

JCR Eurasia Rating evaluated “**Arçelik A.Ş.**” in the highest investment grade category and assigned the ratings on the Long and Short-Term National Scales as ‘**AAA (Trk)**’ and ‘**A-1+ (Trk)**’, respectively, along with the ‘**Stable**’ outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings of the Company are assigned as ‘**BB/Stable**’, in compatible with the country ceiling level of Turkey.

Arçelik A.Ş. (referred to as ‘the Company’, ‘the Group’ or ‘Arçelik’) was established in 1955 and operates in the fields of production, marketing, sales, after sales, export and import of household durables and consumer electronics at present. Arçelik A.Ş. conducts its manufacturing activities via 28 factories which are located in Turkey, Romania, Russia, Republic of South Africa, Thailand, Pakistan, China and Bangladesh as of 30.09.2021. The Company had sales and marketing offices in 48 countries and the Company served to more than 150 countries worldwide as of 30.09.2021. According to the audited statements of 9M2021, Europe was the leading region in the revenue breakdown with 43.71% share in net sales. Turkey and APAC followed Europe with 32.58% and 13.99% shares, respectively. Moreover, 67% of the total production was made in production plants located in Turkey. In the domestic market, Arçelik A.Ş. -with its Arçelik brand- was the market leader in MDA6, in free-standing segment and built-in segment and the second largest brand in total Western Europe MDA6 market with its ‘Beko’ brand as of September, 30, 2021. Arçelik A.Ş. ranked 7th in the ‘Turkey’s Top 500 Industrial Enterprises 2020’ list of Istanbul Chamber of Industry (FYE2019: 6th) and takes place in the scope of Turquality Support Program of the Republic of Turkey Ministry of Trade with its ‘Beko’ and ‘Blomberg’ brands. Moreover, the Company ranked 6th in the general ranking and 2nd in the sectoral ranking in the ‘Turkey’s Top 1000 Exporters 2020’ survey of Turkish Exporters Assembly. Koç Holding A.Ş. which is one of the leading investment holding companies (conglomerates) of Turkey was the principal shareholder of the Company with 40.56% shares in capital and the Company is ultimately controlled by Koç Group with 57.24% share in capital. The shares of Arçelik have been publicly traded on Borsa İstanbul (BIST) since 1986 with ‘ARCLK’ ticker, currently takes place in the list of constituents of ‘BIST Stars’, ‘BIST100’, ‘BIST 30’, ‘BIST Corporate Governance’ and ‘BIST Sustainability’ indices and the actual outstanding share ratio of the Company was 25.15% as of 30.09.2021.

Key rating drivers, as strengths and constraints, are provided below.

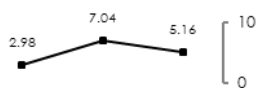
Strengths

- Significant improvement in sales performance via organic and inorganic growth over the years along with consistent profitability figures
- Geographically expanding business network on top of strong presence in the domestic market
- Moderate liquidity profile guarding against immediate cash outflows
- Low level of net debt/EBITDA multiplier and diversified borrowing facilities
- Notably collateralized receivables portfolio contributing to asset quality
- Particular emphasis on R&D and strong perception of sustainability and ESG criteria
- High level of conformity with the corporate governance principles as a publicly traded company
- Being a subsidiary of Koç Holding which is one of the leading investment holding companies of Turkey

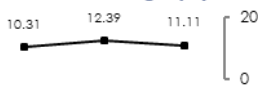
Constraints

- Challenging global conditions for industrials due to the rising trend of raw material prices
- Potential repressive impact of depreciation of TRY on margins to a certain degree
- Covid-19 outbreak creating vagueness on global and local economic activity

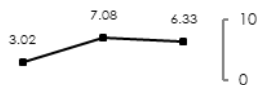
Net Profit Margin (%)



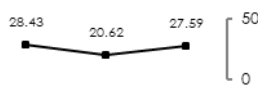
EBITDA Margin (%)



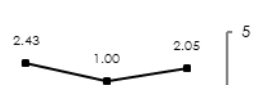
ROAA (%)



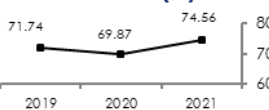
NWC/T.Assets (%)



Net Debt/EBITDA (x)



Debt Ratio (%)



According to JCR Eurasia Rating's Calculations

Considering the aforementioned points, the Company's the Long-Term National Rating has been assigned as ‘**AAA (Trk)**’. The Company's ever-growing operations' risk mitigation and cost efficiency advantages, rising overseas revenues, steady margins, moderate level of liquid assets with globally rising raw material prices, macroeconomic uncertainties and depreciation of TRY against hard currencies have been evaluated as important indicators for ‘**Stable**’ outlooks for the Short and Long-Term National Ratings. The Company's revenue generation performance, revenue and production distribution, liquidity profile, indebtedness structure, rising raw material prices and profitability margins along with domestic and global market conditions and local and global macroeconomic indicators are the major issues which will be monitored by JCR Eurasia Rating in the upcoming period.

The Sponsor Support note of Arçelik A.Ş. has been resolved in deference to financial strength, financial capacity and willingness of the majority shareholder, Koç Holding A.Ş. along with the financial capacity and willingness of Koç Group (Koç Holding A.Ş., Koç Family, Koç Foundations and Temel Ticaret ve Yatırım A.Ş.) as the ultimate controlling party. Within this scope, the Sponsor Support note of the Company has been determined as (1) in JCR Eurasia Rating's notation system, indicating strong external support possibility. On the other hand, considering the Company's solid market presence both in domestic and overseas markets, notable FC-denominated revenue generation performance, high tech and flexible production capacity, established borrowing mechanisms, ample cash credit lines, risk management implementations and skills and experience of the senior management, the Stand-Alone grade of the Company has been assigned as ‘**A**’ in the JCR Eurasia Rating notation system.