

Corporate Credit Rating

New Update

Sector: Consumer Durables

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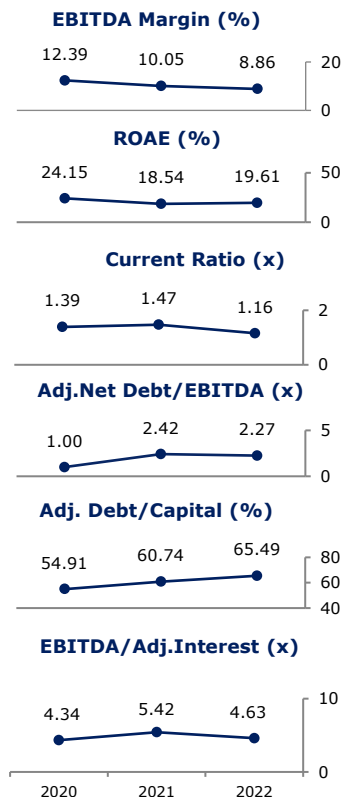
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| RATINGS | | Long Term | Short Term |
|--------------------------------------|-------------------------------|---------------|------------|
| ICRs (Issuer Credit Rating Profile) | National ICR | AAA (tr) | J1+ (tr) |
| | National ICR Outlooks | Stable | Stable |
| | International FC ICR | BB | - |
| | International FC ICR Outlooks | Negative | - |
| | International LC ICR | BB | - |
| ISRs (Issue Specific Rating Profile) | National ISR | - | - |
| | International FC ISR | - | - |
| | International LC ISR | - | - |
| Sovereign* | Foreign Currency | BB (Negative) | - |
| | Local Currency | BB (Negative) | - |
| | | | |

* Assigned by JCR on Aug 18, 2022



ARÇELİK ANONİM ŞİRKETİ

JCR Eurasia Rating has evaluated "Arçelik Anonim Şirketi" in the investment grade category with the highest credit quality and affirmed the Long-Term National Issuer Credit Rating at 'AAA (tr)' and the Short-Term National Issuer Credit Rating at 'J1+ (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been assigned as "BB/Negative" as parallel to international ratings and outlooks of Republic of Türkiye.

Arçelik Anonim Şirketi ("Arçelik", "the Group" or "the Company") was established in 1955 and currently operates in the fields of production, marketing, sales, after sales, export and import of household durables and consumer electronics. The Group conducts its manufacturing activities via 31 factories which are located in Türkiye, Pakistan, Thailand, Russia, Romania, Republic of South Africa, Bangladesh, China and India according to the latest Investor Presentation (December 2022). The Group has 82 subsidiaries in 53 countries and serves to more than 150 countries. In the first nine months of FY2023, Türkiye was the leading region in the revenue breakdown with 38.49% share in net sales while Europe and APAC followed with 37.80% and 14.26% shares, respectively. The Group has 14 brands in its portfolio which includes Arçelik, Beko, Grundig, Blomberg, Elektribregenz, Arctic, Leisure, Flavel, Defy, Altus, Dawlance, Voltas Beko, Singer, and Hitachi. Beko and Blomberg brands take place in the Turquality Support Program of the Ministry of Trade of the Republic of Türkiye. In the domestic market, the Group is the market leader with its Arçelik brand in the white goods and TV segments. Notably, Beko is among the top 3 brands in terms of unit-based market share in the Western Europe and overall European markets while being the market leader in England during the period of January to August 2023. In addition to Western Europe, the Group possesses the market leader position in Romania with Arctic brand (which is followed by Beko), and in South Africa with Defy brand. Arçelik consistently takes place in "Türkiye's Top 500 Industrial Enterprises Survey" of İstanbul Chamber of Industry and has ranked 8th in the 2022 survey in terms of sales from production. Moreover, Arçelik took the 11th place in 2022 (2021: 8th) in the "Fortune 500 Türkiye" study which ranks Türkiye's top 500 companies. Furthermore, thanks to its export power, the Company ranked 8th in the general ranking and 2nd in the sectoral ranking in 'Türkiye's Top 1000 Exporters 2022' survey of Turkish Exporters Assembly.

Koç Holding Anonim Şirketi was the principal shareholder of the Company with 41.43% 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 and currently takes place in the list of constituents of BIST Stars, BIST 30, BIST 50, BIST 100, BIST All Shares, BIST Corporate Governance, BIST Sustainability, BIST Sustainability 25, BIST Industrial, BIST Metal Products, Machinery, BIST İstanbul, and BIST Buyback indices. As of 30.09.2023, publicly traded share ratio of Arçelik was 14.96%.

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

Strengths

- Sustained gross profit and EBITDA margins,
- Moderate level of net debt/EBITDA multipliers,
- Sufficient liquidity profile supported by consistent FFO generation,
- Sound collateral policy leading to asset quality,
- Top-tier positions in pivotal markets through organic growth and strategic acquisitions,
- Omnichannel capabilities and multi-brand portfolio strategy further strengthened by R&D, innovation and sustainability studies,
- Strong compliance with the corporate governance principles,
- Being a subsidiary of one of the Türkiye's leading investment holding companies; Koç Holding.

Constraints

- Rising net financing expenses pressuring bottom line profitability,
- Ongoing sectoral contraction in the main export market,
- Leading economic indicators signal global economic slowdown as quantitative actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed at 'AAA (tr)'. The Group's sales performance, profit margins, leverage and liquidity profile, asset quality, market positions, multi-channel marketing abilities, R&D capabilities, corporate governance compliance practices along with rising financing expenses, and deterioration in local and global macroeconomic conditions have been evaluated as important indicators for the 'Stable' outlooks for the Long and Short-Term National Issuer Credit Ratings. The Group's revenue generation performance, profitability, leverage profile, liquidity and cash flow metrics, and input costs will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.