

Corporate Credit Rating

New Update

Sector: Operational Leasing
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB+ (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Negative	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022

Borlease Otomotiv A.Ş.

JCR Eurasia Rating, has evaluated **Borlease Otomotiv A.Ş.** in the investment-level category on the national scales and affirmed the Long-Term National Issuer Credit Rating at '**BBB+ (tr)**' and the Short-Term National Issuer Credit Rating at '**J2 (tr)**' with '**Stable**' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as '**BB/Negative**' as parallel to international ratings and outlooks of Republic of Türkiye.

Borlease Otomotiv A.Ş. ('the Company' or 'Borlease') commenced on its activities in 2013 with an operational fleet leasing service. In 2015, the Company acquired Ayka Sigorta which was established in 2001 with aim of determining the needs and expectations of the customers in order to propose effective insurance solutions. In 2017, in addition to fleet leasing, in order to meet the demand from institutions and individuals, individual car rental company Popy Car which targets to propose a younger fleet with the best prices while ensuring the customer satisfaction with a good operation management and the short-term corporate car rental company Urban Fleet that aims to meet the short-term operational leasing demands of corporate companies and their employees with its expert and experienced team were established. In 2018, the Company bought all the shares of Magdeburger Sigorta from Allianz Sigorta. Magdeburger Sigorta was established in 1844 in Magdeburg, Germany and has become one of the world's leading insurance companies since its establishment. In 2019, the Company acquired Sixt Turkey which provides daily rental services. After the franchise agreement signed with Sixt AG, it was decided to sell the Urban Fleet and Popy Car companies in order to expand the short-term leasing activities by focusing on the global brand Sixt. The Company transferred its shares in Ayka Sigorta to Bor Holding in 2019. Also, the Company has sold its shares in the its subsidiaries Magdeburger Sigorta A.Ş., İstasyon Şarj Hizmetleri A.Ş. and Alesta Sigorta Acentalığı ve Aracılık Hizmetleri Ticaret Ltd. Şti. to Bor Holding A.Ş. in 2022.

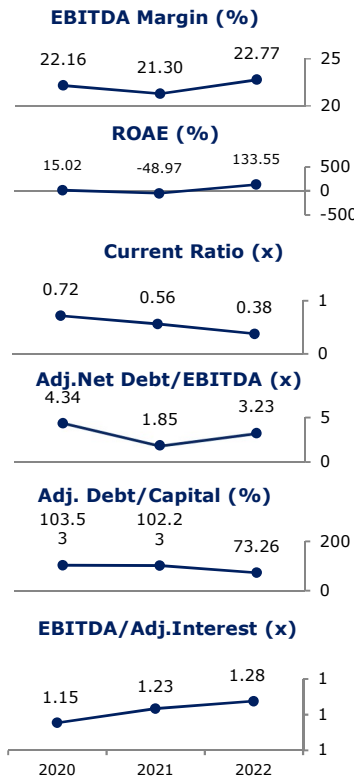
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Steady increase in sales revenue over the analysed years and satisfactory level of EBITDA margin
- Significant improvement in net profit margin in 2022
- Favorable cash conversion cycle
- Enhancement in adjusted debt to capital ratio in 2022
- Diversified customer structure supporting asset quality
- Ongoing strong demand outlook in fleet leasing sector due to willingness of companies to prefer leased vehicles
- Advantage of operating in an integrated group structure

Constraints

- Persistent net working capital deficit coupled with low level of current ratio due nature of business
- Deterioration in cash flow from operations and free operating cash flow figures in 2022
- Ongoing new vehicle supply shortage
- Exposure to second-hand car prices
- Sector specific regulations and high correlation with macroeconomic dynamics may result fluctuations in demand
- Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance



Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed at '**BBB+ (tr)**'. Increasing sales revenue, satisfactory level of EBITDA margin, improvement in net profit margin, enhancement in adjusted debt to capital ratio, favorable cash conversion cycle, persistent net working capital deficit due to nature of business, new vehicle supply shortage along with ongoing uncertainties arisen from geopolitical tensions as well as global tight financial conditions have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as '**Stable**'. The Company's sustainability of profitability performance, sales growth, equity level, developments in the domestic and global economy together with the trends in the industry will be closely monitored by JCR Eurasia Rating in 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.