

Corporate Credit Rating

New Update

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

* Assigned by JCR on May 10, 2024

BORLEASE OTOMOTİV ANONİM ŞİRKETİ

JCR Eurasia Rating, has evaluated the consolidated structure of "**Borlease Otomotiv Anonim Şirketi**" in the investment grade category with high credit quality and revised the Long-Term National Issuer Credit Rating to '**A- (tr)**' from '**BBB+ (tr)**' and affirmed 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 have been determined as '**BB/Stable**' as parallel to international ratings and outlooks of Republic of Türkiye.

Borlease Otomotiv Anonim Şirketi (hereinafter referred to as "**the Group**" or "**Borlease**") commenced on its activities in 2013 with an operational fleet leasing service. In 2015, the Group 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 2018, the Group 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 Group acquired Sixt Türkiye 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 Group transferred its shares in Ayka Sigorta to Bor Holding in 2019. Also, the Group 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.

The Group's shares have been publicly traded on the Borsa İstanbul (BIST) under the ticker symbol "**BORLS**" since October, 2023.

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

Strengths

Constraints

- Sustained sales revenue balanced with rental income and second-hand vehicles sales,
 - Improvement in net debt to EBITDA multiplier in FY2023,
 - Positive cash flow metrics both in FY2022 and FY2023,
 - Low level of concentration and collection risk due to nature of business along with favorable level of cash conversion cycle,
 - Fleet size growth over the analyzed years and having advantage of well-located rental offices,
 - Compliance with corporate governance principles as a company listed in BIST.
- Low level of EBITDA to adjusted interest paid multiplier,
 - Net working capital deficit and low level of liquidity ratios over the analyzed years,
 - Volatility in second-hand car prices in the market may put pressure on profitability,
 - Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points, the Group's Long-Term National Issuer Credit Rating has been revised to '**A- (tr)**' from '**BBB+ (tr)**'. Taking into account, the Group's sustained sales revenue, improvement in net debt to EBITDA ratio, positive cash flow metrics, favorable level of cash conversion cycle, fleet size growth as well as low level of EBITDA to adjusted interest paid multiplier, net working capital deficit 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 Group's profitability metrics, sales growth, liquidity position, debt structure and asset quality 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 also be monitored.

