

Corporate Credit Rating

New Update

Sector: Aerospace & Defense Industry

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| R A T I N G S | | 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 | Stable | - |
| | International LC ICR | BB | - |
| ISRs (Issue Specific Rating Profile) | International LC ICR Outlooks | Stable | - |
| | National ISR | - | - |
| | International FC ISR | - | - |
| Sovereign* | International LC ISR | - | - |
| | Foreign Currency | BB (Stable) | - |
| | Local Currency | BB (Stable) | - |

* Assigned by JCR on May 10, 2024

Aselsan Elektronik Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated "Aselsan Elektronik Sanayi ve Ticaret A.Ş." in the highest investment level category 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 were assigned 'BB/Stable' as parallel to international ratings and outlooks of Republic of Türkiye.

Aselsan Elektronik Sanayi ve Ticaret A.Ş. ("Aselsan" or "the Company" or "the Group") was established for the purpose of performing for all types of organizations, enterprises and consumers; all sorts of research, development, engineering, production, test, assembly, integration and sales services, provisioning of after sales services, merchandising, having merchandise; in relation to various software, device, system tools, equipment and platforms within the scope of electrical, electronics, microwave, electro-optics, guidance, computer, informatics, cryptology, security, mechanics, chemistry and similar subjects within the field of land, air, sea and space appliances; and for the purpose of conducting all kinds of undertakings and activities within the scope of project engineering, consultancy, servicing, training, contracting, construction, publishing, commercial, administration of business enterprise and internet services. The Company was established at the end of 1975 and started its production activities in Ankara Macunköy facilities at the beginning of 1979.

The main shareholder of the Company is the Turkish Armed Forces Foundation ("TAFF"), which holds 74.20% of its capital. TAFF was established on June 17, 1987 with the Law 3388 to enhance the warfare of capability of Turkish Armed Forces through national defense industry establishing new defense industry areas and procuring warfare armament by providing the financial and spiritual support of Citizens. The Company is registered in the Capital Markets Board ("CMB") and its shares have been traded in Borsa İstanbul A.Ş. ("BIST") since 1990. As of December 31, 2023, the Company's free float is 25.80% (2022: 25.80%). The average number of employees of the Company as of December 31, 2023 was 11,550 (2022: 10,948).

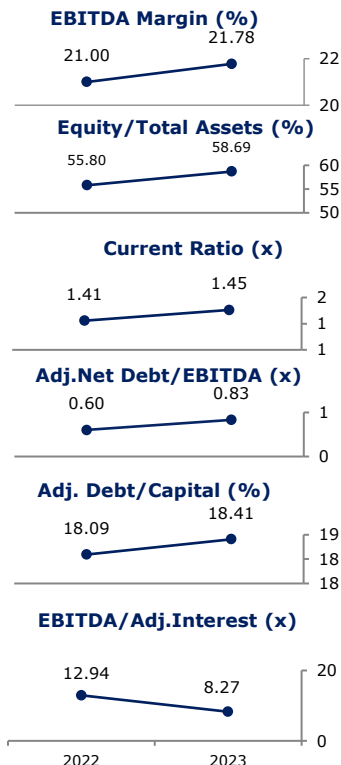
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Dominant stand in a strategic sector for the country in parallel with its competitiveness on an international scale via R&D studies supported by the government,
- Continuation of satisfactory profitability metrics,
- Notable level of the hard currency-backed contracts partially contributing to the consistent cost management,
- Substantial internal fund generation and financial standing,
- Receivables mainly from government institutions, and well-known related party transactions, supporting the asset quality,
- Despite the long duration of the projects, the expectation of a continued increase in revenue in line with the receiving advances at the beginning of the projects, and reflection of cost increases to the contracts,
- Solid partnership structure enhancing market presence,
- High level of compliance with Corporate Governance Practices as a publicly listed company.

Constraints

- In spite of robust leverage indicators, rising and short-term weighted net debt indicates a partial retreat from moderate liquidity approach,
- About a year-long cash conversion period, mainly resulting from long-term and significantly extended trade receivables as a nature of the business,
- Necessity of highly qualified personnel in the face of intense international competition exerts pressure on OpEx.



Considering the aforementioned points together with additional public support, the Company's Long-Term National Issuer Credit Rating has been affirmed at 'AAA (tr)'. Aselsan's long track record, being one of the biggest players in the sector, sustained growth in sales, profitability and contract amount, focusing technological R&D investments, liquidity profile, term structure of existing debt facilities and sectoral developments as well as market conditions and regulations 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 affirmed at 'Stable'. The Company's sales and profitability performance, operational expenses, contract and backlog amount, cash generation, cost management capability, indebtedness level and impact of regional tensions on demand or international relations 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.