

Corporate Credit Rating

□New ☒Update

Sector: Aerospace & Defense Industry

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Manager

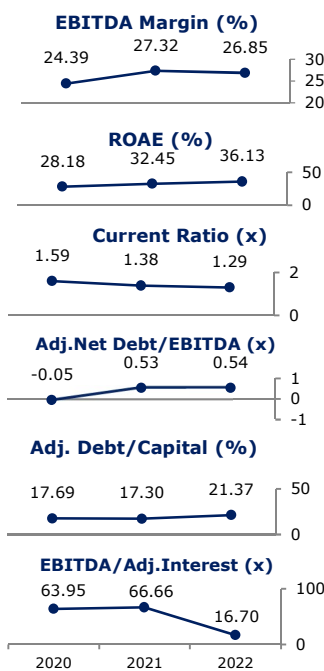
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AAA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific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

* Assigned by JCR on Aug 18, 2022



Aselsan Elektronik Sanayi ve Ticaret A.Ş.

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

Aselsan Elektronik Sanayi ve Ticaret A.Ş. ("Aselsan" or "the Company") 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 17 June 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 Istanbul A.Ş. ("BIST") since 1990. As of 31 December 2022, the Company's free float is 25.80% (2021: 25.80%). The average number of employees of the Company as of 31 December 2022 is 10,948 (2021: 9,905).

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

Strengths

- Leading position in a strategic sector for the country and global recognition provided by product development capability to compete on an international scale thanks to the incentivized R&D activities,
- Satisfactory profitability metrics despite partial contraction in FY2022,
- Sustained backlog level as well as ongoing upward trend in long FX position,
- Receivables, predominantly from public institutions supporting the asset quality,
- Solid equity contribution mainly fed by internal fund generation capacity,
- Receiving advances at initial stage and project-based business model increases revenue predictability,
- High level of compliance with Corporate Governance Practices.

Constraints

- Cash conversion period of approximately one year, mainly resulting from long-term and high-amount trade receivables as a result of nature of the industry,
- Increasing and short term weighted net debt pointing to partial concession from moderate liquidity stance, despite strong leverage metrics,
- Exposure to operational risks as a result of operating in an industry that is part of international political competition.

Considering the aforementioned points together with additional public support, the Company's the Long-Term National Issuer Credit Rating has been affirmed at 'AAA (tr)'. The long existence of Company, being the biggest players in sector, continuous increase in sales and profitability, liquidity profile, term structure of existing debt facilities and sectoral developments 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 profit and equity indicators, contract and backlog amount macroeconomic indicators at national and international markets, as well as market conditions and regulations 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.