

Corporate Credit Rating

☐ New ☒ Update

Sector: Commercial Vehicles & Defense

Publishing Date: 30/05/2025

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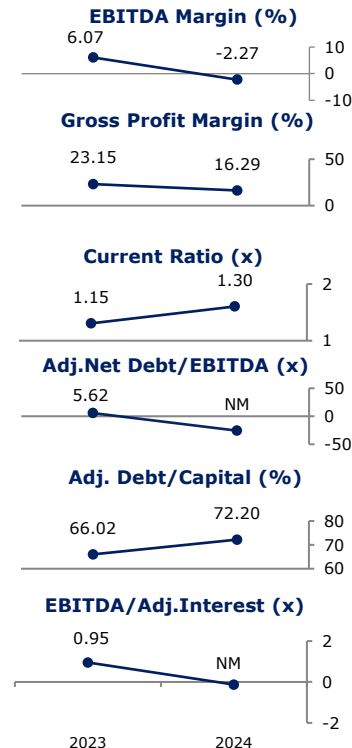
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating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

* Assigned by JCR on May 10, 2024



NM: Not Meaningful

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

JCR Eurasia Rating has evaluated "Otokar Otomotiv ve Savunma Sanayi A.Ş." in the investment grade category with high credit quality and revised the Long-Term National Issuer Credit Rating from 'A+ (tr)' to 'A (tr)' and affirmed the Short-Term National Issuer Credit Rating at 'J1 (tr)' with 'Stable' outlooks. When the global and national scale rating matching published by JCR Eurasia Rating is considered, the Company's Long-Term International Issuer Credit Ratings were assigned as 'BB/Stable' in line with the sovereign ratings and outlooks of the Republic of Türkiye.

Otokar Otomotiv ve Savunma Sanayi A.Ş. ("Otokar", "the Company", or "the Group") was established in 1963 in Türkiye to produce the first intercity buses of the country. Currently, the Company manufactures commercial and defense vehicles at its Arifiye plant in Sakarya, which spans 555,000 m² of production space. The Group's product portfolio includes buses and light trucks for public transportation and logistics, as well as tactical wheeled and tracked armored vehicles and turret systems for defense applications. Otokar has an annual production capacity of 6,000 buses/microbuses, 1,500 trucks/light trucks, 2,000 tactical vehicles, and 950 tactical armored vehicles. In FY2024, capacity utilization stood at 51% (FY2023: 52%). In addition, the Company offers solutions tailored to customer needs with its technologies, designs, and applications. Otokar products are currently sold and used in over 75 countries and 5 continents. The Company is headquartered in İstanbul. The Group had a workforce of 3,772 people as of FYE2024 (FYE2023: 4,393). The shares of Otokar have been traded on the Borsa İstanbul Stock Exchange (BIST) since 1995 with the 'OTKAR' ticker. As of 31.03.2025, the actual outstanding share ratio of the Company continued to be 27.81%. Koç Holding A.Ş. continued to be the parent company of Otokar. The other shareholder is Ünver Holding A.Ş., which the Ünver Family controls.

Koç Holding is Türkiye's largest industrial and services group regarding revenues, exports, number of employees, market capitalization on BIST, and R&D investments. The subsidiary companies of Koç Holding operate in the energy, automotive, consumer durables, finance, food, tourism sectors etc. Koç Holding is the only Turkish company listed among the 'Fortune Global 500' by Fortune magazine and ranked 194th in 2024 (2023: 259th). It also took place in Forbes Magazine's 'Global 2000' and 'World's Best Employers' lists, ranking 309th in the former according to its sales revenues, and 118th in the latter in 2024. The shares of Koç Holding A.Ş. have been traded on the BIST with the ticker "KCHOL" since 1986. Koç Holding is controlled by the Koç Family and the companies owned by the Koç Family.

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

Strengths

- Export-focused growth strategy supported by a significant order backlog,
- Noteworthy decline in the net debt as of 1Q2025,
- Sufficient liquidity metrics along with consistent FFO generation,
- Wide range of products, backed by strong R&D and sustainability efforts,
- Deep-rooted operating history with top-tier positions in Turkish defense and commercial vehicle industries,
- Robust adherence to corporate governance principles, as evidenced by its inclusion in the Borsa İstanbul Corporate Governance Index,
- Being a subsidiary of one of the Türkiye's leading investment holding companies; Koç Holding.

Constraints

- Notable retreatment in revenues and profitability in FY2024, though a YoY recovery tracked as of 1Q2025 results,
- Negative EBITDA figures and bottom-line losses in FY2024 and 1Q2025 due to high level of OPEX and financing expenses,
- Low level of equity regarding the asset size,
- Ongoing long cash conversion cycle,
- Exposure to sector specific operational risks due to the nature of defense industry,
- As actions for a global soft landing gain prominence, decisions with the potential to adversely affect global trade are engendering considerable uncertainty.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been revised from 'A+ (tr)' to 'A (tr)'. The Group's export-oriented growth strategy, order backlog, net debt decline, liquidity metrics, product portfolio, R&D and sustainability studies, sectoral positions, corporate governance compliance level, and shareholder structure along with revenue and profitability performance in FY2024, high OPEX and financing expenses, equity level, cash conversion cycle, 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 sales, profit margins, leverage and coverage 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 the legal framework of the sector will be monitored.