



## Fitch Reviews Turkish Corporates Following Sovereign Action

**Link to Fitch Ratings' Report(s):** Fitch Reviews Turkish Corporates Following Sovereign Action (<https://www.fitchratings.com/site/re/10038662>)

Fitch Ratings-London-19 July 2018: Fitch Ratings has reviewed the ratings of 11 Turkish corporates following the downgrade of Turkey's sovereign ratings.

On 13 July 2018 Fitch downgraded Turkey's Long-term Foreign Currency Issuer Default Rating (IDR) to 'BB'/Outlook Negative (see 'Fitch Downgrades Turkey to 'BB'; Outlook Negative' at [www.fitchratings.com](http://www.fitchratings.com)).

### KEY RATING DRIVERS

Coca-Cola Icecek (see 'Fitch Rates Coca-Cola Icecek's Planned Unsecured Eurobond Issue 'BBB(EXP)' dated 5 September 2017)

The downgrade of Coca-Cola Icecek's (CCI) Long-Term Foreign Currency IDR to 'BBB-' follows the downgrade of Turkey's Country Ceiling to 'BB+'. Fitch assumes a one notch uplift from the Country Ceiling to reflect the strong implied support of The Coca-Cola Company (TCCC) (A/Stable), which owns 20.1% of CCI and exercises a large degree of influence over major decisions.

Affirmation of the Long-Term Local Currency 'BBB' IDR reflects Fitch's view that the credit profile of the group is not likely to be materially affected by the potential deterioration in the operating environment in Turkey due to its leading market positions and resilient nature of the soft drinks industry in Turkey. The 'BBB' rating is also

supported by a large portion of its overseas operations, as well as implied support from TCCC.

Emlak Konut Gayrimenkul Yatirim Ortakligi A.S. (see 'Fitch Assigns Emlak Konut Local Currency and National Ratings' dated 18 April 2017)

The downgrade reflects that Emlak Konut operates under the ownership of TOKI, which Fitch views as a government-related entity, and is exposed to a weakening Turkish economy and a volatile domestic housing market.

Baskent Elektrik Dagitim A.S. (see 'Fitch Affirms Baskent Elektrik Dagitim at 'AA(tur)'; Outlook Stable' dated 22 June 2017)

Enerjisa Enerji A.S. (see 'Fitch Affirms Enerjisa Enerji A.S. at 'AA(tur)'; Outlook Stable' dated 19 December 2017)

These affirmations reflect both Baskent's and Enerjisa's high percentage of earnings from regulated activities with returns adjusted for inflation leading to more predictable cash flows than peers'. Both companies have some flexibility over the timing of their investments as both have invested more at the beginning of the current regulatory period (RP3 lasts from 2016 to 2020).

Compared with some domestic peers, Enerjisa and Baskent operate at minimum cash balances and rely on uncommitted credit lines from local banks and Fitch regards liquidity as a rating constraint. Funding is in local currency and exposure to foreign currency debt (EUR63 million before hedges at end-2017) is immaterial.

Arcelik (see 'Fitch Affirms Arcelik at 'BB+', Outlook Stable' dated 22 June 2017)

The affirmation reflects Arcelik's solid export revenue backed by the company's geographically diverse footprint. Arcelik has become a more geographically diverse white-goods manufacturer, with less exposure to the Turkish economy in the past 10

years. Revenue from the domestic market declined to 36% in 2017 from 50% in 2008, as Arcelik made solid market share gains in Europe and expanded into new emerging markets, further supporting hard currency cash inflows.

Migros Ticaret A.S. (see 'Fitch Assigns Migros First-Time National Long-Term Rating of 'AA-(tur)' dated 7 May 2018)

The affirmation of the Migros' national scale rating reflects our expectation that the company will maintain its free cash flow (FCF) generation and deleveraging capacity, despite a weakened operating environment and Turkish lira depreciation. The rating benefits from Migros' strong market position and a favourable food retail market structure with a high share of traditional retailers.

Ronesans Gayrimenkul Yatirim A.S. (see Fitch Assigns Ronesans Gayrimenkul Yatirim a Final IDR of 'BB+' dated 4 May 2018)

The affirmation of the Ronesans' national scale rating reflects the company's position as a leading Turkish property investment company, with a portfolio of retail and office assets with a diversified tenant base.

Turk Telekomunikasyon A.S. (TT) (see 'Fitch Affirms Turk Telekom at 'BBB-'; Outlook Negative' dated 18 September 2017)

The downgrade reflects TT's exposure to a weakening Turkish economy as the leading integrated telecoms player in Turkey.

Turkcell Iletisim Hizmetleri A.S (see 'Fitch Revises Turkcell Outlook to Stable; Affirms at 'BBB-' dated 29 March 2018)

The downgrade reflects Turkcell's exposure to a weakening Turkish economy as Turkey's leading mobile operator.

Turkcell Finansman A.S. (TFS) (see 'Fitch Revises Turkcell Finansman's Outlook to

Stable; Affirms at 'BB+' dated 11 April 2018)

The downgrade reflects the similar rating action on TFS's parent, Turkcell Iletisim Hizmetleri A.S. TFS's ratings are based on potential support from the parent Turkcell. Fitch believes Turkcell would have a strong propensity to support TFS given (i) its 100% stake and full operational control; (ii) the close integration of the subsidiary with its parent; and (iii) TFS's role in customer base acquisition for Turkcell. The one-notch difference between the ratings of Turkcell and TFS reflects the subsidiary's focus on a different segment (finance rather than telecom services) and short operating history.

Turkiye Petrol Rafinerileri A.S. (Tupras) (see 'Fitch Assigns Tupras' Notes Final 'BBB-' Rating' dated 17 October 2017)

The downgrade reflects the sovereign risk factors. Around 80% of Tupras' revenue is domestic sales and most of the company's predominantly foreign-currency cash balances are kept at Turkish banks.

#### DERIVATION SUMMARY

See relevant rating action commentaries (RACs) for each issuer

#### KEY ASSUMPTIONS

See relevant RACs for each issuer

#### RATING SENSITIVITIES

For those issuers, which were downgraded, the additional positive rating sensitivity is a positive sovereign rating action on Turkey.

For other rating sensitivities determined in the most recent ratings committees for individual issuers see relevant RACs.

#### LIQUIDITY

See relevant RACs for each issuer

## FULL LIST OF RATING ACTIONS

See attached Rating Action report

Contact:

See attached Rating Action Report

Summary of Financial Statement Adjustments - See relevant RACs for each issuer

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com). For regulatory purposes in various jurisdictions, the supervisory analyst named above is deemed to be the primary analyst for this issuer; the principal analyst is deemed to be the secondary.

### **Applicable Criteria**

Corporate Rating Criteria (pub. 23 Mar 2018)

(<https://www.fitchratings.com/site/re/10023785>)

Corporates Notching and Recovery Ratings Criteria (pub. 23 Mar 2018)

(<https://www.fitchratings.com/site/re/10024585>)

National Scale Ratings Criteria (pub. 18 Jul 2018)

(<https://www.fitchratings.com/site/re/10038626>)

Non-Bank Financial Institutions Rating Criteria (pub. 22 Jun 2018)

(<https://www.fitchratings.com/site/re/10034715>)

Non-Financial Corporates Exceeding the Country Ceiling Rating Criteria (pub. 23 Jan 2018) (<https://www.fitchratings.com/site/re/916483>)

Parent and Subsidiary Rating Linkage (pub. 16 Jul 2018)

(<https://www.fitchratings.com/site/re/10036366>)

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