

17 August 2017

GARANTİ FİLO YÖNETİM HİZMETLERİ A.Ş.

Credit Rating

Rating

(National): Long Term

(TR) AA-

Outlook:

Stable

Rating

(National): Short Term

(TR) A1+

Outlook:

Stable

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Rating Summary

Garanti Filo Yönetim Hizmetleri A.Ş. (Garanti Filo) was established on January 10, 2007 to provide fleet rental services for passenger cars. Garanti Finansal Kiralama A.Ş. is the sole owner of Garanti Filo which has increased its paid-in capital to TL 10 million in 2008. Garanti Filo's financials are consolidated including its subsidiary Garanti Filo Sigorta Aracılık Hizmetleri A.Ş. which provides vehicle insurance services.

Garanti Filo offers fleet management services for all brands and models of passenger vehicles sold in Turkey, providing rental services to companies of all sizes from SMEs to corporate enterprises as well as individual customers. As of end of June 2017, Garanti Filo increased its active fleet by 39% from 14,340 to 19,916 vehicles and its active client size by 35% from 4,325 to 5,852. With an asset size of approximately TL 1.32 billion as of June 2017, Garanti Filo is among the top ten companies in the operational leasing sector. Despite the relative contraction in the passenger car market, Turkey's fleet leasing sector continued its growth trend with an annual growth rate of 19.3% in 2016. In the first half of 2017, the continuing growth trend was 14.9% compared to the same period of last year. Garanti Filo is performing well above the growth rate of the sector, relatively increasing its share in this competitive market to 6.2% by mid-2017.

Following our analysis of the position of the Company in the sector since its inception, its corporate structure as a Garanti group of companies as well as the level of its risk management, Garanti Filo's Long Term National rating of **(TR)AA-**, Short Term National rating of **(TR)A1+** and a **Stable** outlook for both ratings have been confirmed.

Strengths and Risks

Strengths

- Strong parent company structure and respective corporate governance.
- High growth rate of the sector and the Company's stable growth performance.
- Effective risk management.

Risks

- Negative effect of foreign exchange losses on equity due to volatility in exchange rates.
- Trend of slowdown in business volume of the automotive sector.

Outlook

Operational leasing sector continues its high growth trend despite the slowdown observed in the automotive sector in the past year and a contraction of up to 3% in the first half of this year. In parallel, the Company preserves its high growth performance and growth of its active fleet.

Rising exchange rates in 2016 have led to an increase in exchange rate losses and thus to a relative erosion in equity. However in the first half of 2017, the process has been reversed and a slight recovery is observed. Progress of equity depending upon exchange rate volatility will be monitored in the second half of 2017.

Methodology

SAHA's credit rating methodology is composed of quantitative and qualitative sections to affect the final note with specific weights. Quantitative analysis components consist of SAHA Score, Company's distance from the point of default, its performance compared to the sector, analysis of the financial risks, and the assessment of cash flow projections. Default point analysis measures the distance from the point of default and it is based on relevant sector firms' past financial performances, ratios derived from a distinctive default statistics, and statistically derived coefficients. Since the data of the companies operating in the same branch with Garanti Filo data is not available to the public and cannot be provided from private sources neither, our comparative group comparison analysis could not be performed. Therefore, opinions constituting the rating results are based on basic features and risks of the sector and Garanti Filo's performance in the last five years. The financial risk analysis of our methodology covers the evaluation of the Company's financial ratios on the basis of objective criteria. Liquidity, leverage, asset quality, profitability, volatility and concentration are treated as sub-headings in this analysis. Finally, scenario analysis tackles the Company's future base and stress scenario projections subject to scrutiny in the context of the firm's financing tool and assesses the risks of fulfillment of obligations.

Qualitative analysis covers operational issues such as sector and company risks as well as administrative risks in the context of corporate governance practices. Sector analysis evaluates the nature and rate of growth of the sector, its competitive structure, structural analysis of customers and creditors, and sensitivity of the sector to risks at home and abroad. Company analysis discusses market share and efficiency, growth trend, cost structure, service quality, organizational stability, access to domestic and foreign funding sources, off-balance sheet liabilities, accounting practices, and parent / subsidiary company relationships.

Corporate governance plays an important role in our methodology. The importance of corporate governance and transparency outshines once again in the current global financial crisis we witness. Our methodology consist of four main sections; shareholders, public disclosure and transparency, stakeholders, and board of directors. The corporate governance methodology of SAHA can be accessed at www.saharating.com.

Rating Definitions

Our long term credit rating results start from AAA showing the highest quality and continue all the way to the lowest rating of D (default). Plus (+) and minus (-) signs are used to make a more detailed distinction between the categories of AA and CCC.

Companies and securities rated with long-term AAA, AA, A, BBB and short-term A1 +, A1, A2, A3 categories should be considered “investment worthy” by the market.

Short Term	Long Term	Rating Definitions
(TR) A1+	(TR) AAA (TR) AA+ (TR) AA (TR) AA-	The highest credit quality. Ability to meet financial obligations is extremely high. If securities; carries a little more risk than the risk-free government bonds.
(TR) A1	(TR) A+ (TR) A	Credit quality is very high. Very high ability to fulfill financial obligations. Sudden changes at the company and economic and financial conditions may increase investment risk, but not at a significant level.
(TR) A2	(TR) A- (TR) BBB+	High ability to fulfill financial obligations, but may be affected by adverse economic conditions and changes.
(TR) A3	(TR) BBB (TR) BBB-	Sufficient financial ability to fulfill its obligations, but carries more risk in adverse economic conditions and changes. If securities; has adequate protection parameters, but issuer’s capacity to fulfill its obligations may weaken due to adverse economic conditions and changes.

Companies and securities rated with long-term BB, B, CCC, and short-term B, C categories should be considered “speculative” by the market.

(TR) B	(TR) BB+ (TR) BB (TR) BB-	Carries minimum level of speculative features. Not in danger in the short term, but face to face with negative financial and economic conditions. If securities; under the investment level, but on-time payment exist, or under less danger than other speculative securities. However, if the issuer’s capacity to fulfill its obligations weakens, serious uncertainties may appear.
(TR) C	(TR) B+ (TR) B (TR) B-	Currently has the capacity to fulfill financial obligations, but highly sensitive to adverse economic and financial conditions. If securities; there is a risk of on-time payment. Financial protection factors can show high fluctuations according to the status of the economy, the sector, and the issuer.
(TR) C	(TR) CCC+ (TR) CCC (TR) CCC-	Well below the category of investment. In danger, and economic, sectoral and financial conditions should have a positive development to fulfill its financial obligations. If securities; there are serious uncertainties about the timely payment of principal and interest.
(TR) D	(TR) D	Event of default. Company cannot meet its financial obligations or cannot pay the principal and/or interest of the relevant securities.

Disclaimer

This Credit Rating Report has been prepared by Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. (SAHA Corporate Governance and Credit Rating Services, Inc.) in collaboration with Garanti Filo Yönetim Hizmetleri A.Ş. and is based on information disclosed to public by Garanti Filo Yönetim Hizmetleri A.Ş.

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