

TAT GIDA SANAYİ A.Ş.



27 May 2021

Credit Rating

Long-term (National):
(TR) AA

Outlook:
Stable

Short-term (National):
(TR) A1+

Outlook:
Stable

Expiry Date:
27 May 2022

TAT GIDA SANAYİ A.Ş.

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Rating Summary

Tat Gıda Sanayi A.Ş. ("Tat Gıda" or "the Company") was established on 1967 under the name of Tat Konserve Sanayi A.Ş. and has changed its title as Tat Gıda Sanayi A.Ş. on November 15, 2013. The Company's main area of activity is production, distribution, marketing, domestic and foreign trade and brokerage of any merchandise, food, drinks, beverages, food articles and products of agricultural and animal origin, and their raw materials and initial materials, auxiliary materials and additives, juices and cans containing sugar or not, semi-processed and finished products.

Company's domestic marketing and sales activities are carried out by Düzey Tüketim Malları Sanayi Pazarlama ve Ticaret A.Ş. ("Düzey Pazarlama"), a Koç Group company. Tat Gıda shares are traded on Borsa İstanbul since 1993. As of end-2020, Tat Gıda is the market leader in tomato paste, ketchup and tomato products market under the Tat brand.

Following our analysis of the position of the Company in the sector, its financial performance, corporate structure as a Koç group of company as well as the level of its risk management, Tat Gıda's previous long term rating of AA (National) and the short term rating of A1+ (National) with Stable outlook dated May 27, 2020 is hereby reconfirmed as long term rating of AA (National) and short term rating of A1+ (National) with Stable outlook.

Outlook

As of the end of 2020, the Company's sales revenues increased by 45% compared to the same period of the previous year to TL 803 million (2019: TL 553 million). Overseas revenues have contributed to the increase with a 27% share in total revenue (2019: 17%). In the same period, Gross Profit increased by 48% and the Operating Profit by 47%. The Company's Net Profit jumped by 152% to reach TL 167 million (2019: TL 66 million). This Net Profit increase includes revenue from the sale of Pastavilla and SEK brands.

Financial liabilities increased by TL 75 million, reaching TL 303 million as of end-2020 (2019: TL 228 million). Again within the same period, 40% of the financial liabilities were short-term and 60% were long-term (2019: 27% short-term, 73% long-term). Despite the increase in financial liabilities, the decrease in financial expenses was a positive factor.

Within the framework of its long-term business plans, Tat Gıda Sanayi A.Ş. has decided to focus on the tomato paste and canned food business, which is its main field of activity, and has sold out its Pastavilla, Kartal, Lunch & Dinner and SEK brands. In 2021, the Company aims to invest 6.0 million

Euros for a tomato paste production line in its production facility in Bursa Karacabey and 3.8 million Euros for a pickled gherkins production line at its production facility at Mustafakemalpaşa in Bursa province. Consequently, it aims to increase the tomato paste production capacity of 71,000 tons to 85,000 tons, and to increase its annual production capacity of 5,000 tons of pickled gherkins to 22,000 tons.

In addition to all these factors, by taking into account its shareholding structure and the industry experience, Tat Gıda Sanayi A.Ş.'s both short and long-term outlooks have been reconfirmed as "**Stable**"

On the other hand, the extraordinary developments in the global trade environment and money markets, resulting from with the Covid-19 outbreak, render the prospective economic consequences of the pandemic still uncertain. The developments will be further monitored.

Methodology

SAHA's credit rating methodology is composed of quantitative and qualitative sections contributing to the final grade with specific weights. The quantitative analysis components consist of SAHA Score which measures the Company's distance from the point of default, its performance compared to industry peers, analysis of the financial risks, and the assessment of cash flow projections. Default probability analysis measures a statistical distance to the point of default making use of industry specific significant financial ratios based on industry peer sample companies' past financial performance and default statistics. Comparative performance analysis determines the relative position of the company as compared with industry peers' financial performances and industry averages. 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 evaluates the Company's performance with respect to its capability to fulfill its obligations under the future projections of a base and a stress scenario.

The qualitative analysis covers operational issues such as industry and company risks as well as administrative risks in the context of corporate governance practices. The industry analysis evaluates factors like the nature and rate of growth of the industry, its competitive structure, structural analysis of customers and creditors, and sensitivity of the sector to risks at home and abroad. The company analysis evaluates market share and efficiency, trends and volatilities in key performance indicators, cost structure, service quality, organizational stability, access to domestic and foreign funding sources, off-balance sheet liabilities, accounting practices, and parent / subsidiary company relationships if any.

Corporate governance plays an important role in our methodology. The importance of corporate governance and transparency is once again revealed 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 ratings reflects our present opinion regarding the mid to long term period of one year and above; Our short term credit ratings reflects our opinion regarding a period of one year. Our long term credit rating results start from AAA showing the highest quality grade and continue downward to the lowest rating of D (default). Plus (+) and minus (-) signs are used to make a more detailed distinction within categories AA to 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. Indicates that ability to meet financial obligations is extremely high. For securities, it is an indication of no more than a slight additional risk as compared to 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 level and/or economic and financial conditions may increase investment risk, but not significantly.
(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 in face of adverse economic conditions and changes.

Companies and securities rated with long-term BB, B, CCC, and short-term B1, B2, C categories should be considered “speculative” by the market.

(TR) B1	(TR) BB+ (TR) BB (TR) BB-	Carries minimum level of speculative features. Not in danger in the short term, but faces negative financial and economic conditions. If securities; below investment level, but on-time payments prevail, or under less danger than other speculative securities. However, if the issuer’s capacity to fulfill its obligations weakens, serious uncertainties may unfold.
(TR) B2	(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 in due payment. Financial protection factors can show high fluctuations depending on the conditions of the economy, the sector, and the issuer.
(TR) C	(TR) CCC+ (TR) CCC (TR) CCC-	Well below investment grade. In considerable danger of default. Fulfillment of its financial obligations depends on the positive performance of economic, sectoral and financial conditions. If securities; there are serious uncertainties about the timely payment of principal and interest.
(TR) D	(TR) D	Event of default. The company cannot meet its financial obligations or cannot pay the principal and/or interest of the relevant securities.

Disclaimer

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This report, edited by SAHA A.Ş. analysts based on their best intentions, knowledge base and experience, is the product of an in-depth study of the available information which is believed to be correct as of this date. It is a final opinion about the overall credibility of the institutions and/or debt instruments they have issued. The contents of this report and the final credit rating should be interpreted neither as an offer, solicitation or advice to buy, sell or hold securities of any companies referred to in this report nor as a judgment about the suitability of that security to the conditions and preferences of investors. SAHA A.Ş. makes no warranty, regarding the accuracy, completeness, or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment decisions or other purposes.

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