

Corporate Credit Rating

New Update

Sector: Food Products Industry

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RATINGS

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

* Assigned by JCR on Aug 18, 2022

EBITDA Margin (%)



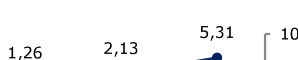
ROAE (%)



Current Ratio (x)



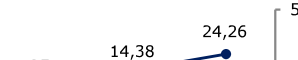
Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



TAT GIDA SANAYİ A.Ş.

JCR Eurasia Rating has evaluated "Tat Gıda Sanayi A.Ş." in the investment grade category with high credit quality and revised the Long-Term National Issuer Credit Rating from "AA+ (tr)" to "AA (tr)" and affirmed the Short-Term National Issuer Credit Rating as "J1+ (tr)" with "Stable" outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Ratings and outlooks have been assigned as "BB/Negative" as parallel to international ratings and outlooks of the Republic of Türkiye.

"Tat Gıda Sanayi A.Ş." (hereinafter referred to as "Tat Gıda" or the "Company") was established in 1967 under the corporate name of "Tat Konserve Sanayi A.Ş." before changing its commercial title to "Tat Gıda Sanayi A.Ş." in 2013. The Company -whose main field of activity includes all kinds of commercial commodities, food, beverages, agricultural, animal foodstuffs and harvests, their raw and primary materials, including frozen, dried, powdered types, auxiliary, additives, sugary and unsweetened products and to carry out the production, distribution, marketing, domestic and international trade and brokerage of semi-finished and whole products of juice and canned food- is a subsidiary of "Koç Holding A.Ş.". The Company has been quoted on the Borsa Istanbul Stock Exchange (BIST) since 1993 and 41.40% of shares are publicly traded on the BIST with the ticker symbol "TATGD", while the controlling shareholder is "Koç Holding A.Ş." with an ownership rate of 43.7% as of September 30, 2023.

As stated in the special circumstance's disclosure dated 22.05.2023; Tat Gıda's main partner is "Koç Holding A.Ş." was initiated a study to evaluate strategic alternatives, including the sale of Tat Gıda shares, and an appointment was made to obtain financial consultancy on the subject. On the other hand, in the special circumstance's disclosure dated November 06, 2023, it was announced to the public that the non-binding offers received from various international and local potential buyers were evaluated and the second phase, which included detailed examination and binding offer stages with the candidates deemed suitable, provided that confidentiality provisions were observed, was started.

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

Strengths

- Notable increase in sales revenues and considerable share of export revenues among total sales in FY2022
- EBITDA generation capacity supported by unit price and sales volume growth in FY2022
- Various product range and wide operational area improving operating profit margin despite the high level of operating expenses
- Maintaining favourable profitability indicators through the analysed years despite the pressured margins in 9M2023
- Low level of doubtful receivables contributing asset quality
- Upward trend in net working capital and FFO level facilitating liquidity management
- Long-lasting track record dating back to 1967 along with high compliance with international quality standards and supporting sustainability projects
- Noteworthy market share of the Company's brands in Turkish market via brand reputation

Constraints

- Remarkable increase in financial leverage underpinned by net debt to EBITDA multiplier in FY2022 and weak interest coverage status in 9M2023
- Seasonality in production activities as main production is based on fresh fruits and vegetables resulting risks such as climatic conditions, drought, flood and disease
- Negative level of CFO and FOCF following the investment period in FY2022 though the improvement seen in 9M2023
- Long cash conversion cycle as a nature of the business
- Leading economic indicators signal global economic slowdown as quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised from "AA+ (tr)" to "AA (tr)". The competitive advantage obtained through its long-lasting presence in the sector, liquidity position, production and export power, competition and market efficiency in the inter/national market as well as augmenting indebtedness level due to investments, leverage profile, political tensions and other global downsides have been evaluated as important indicators for the stability of the ratings and the outlooks for Long-Term and Short-Term National Issuer Credit Ratings are determined as "Stable". The Company's equity level, fluctuations of the exchange rates, debt maturity and its level, cash flow and liquidity level, EBITDA margin and net profit indicators are the prior issues to be followed by JCR Eurasia Rating in the upcoming period. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored as well.