

Corporate Credit Rating

New Update

Sector: Air Conditioning

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| R A T I N G S | | Long Term | Short Term |
|--------------------------------------|-------------------------------|---------------|------------|
| ICRs (Issuer Credit Rating 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 | - |
| | International LC ICR Outlooks | Negative | - |
| ISRs (Issue Specific Rating Profile) | National ISR | - | - |
| | International FC ISR | - | - |
| | International LC ISR | - | - |
| Sovereign* | Foreign Currency | BB (Negative) | - |
| | Local Currency | BB (Negative) | - |

* Assigned by JCR on August 18, 2022

ALARKO CARRIER SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating, has evaluated **Alarko Carrier Sanayi ve Ticaret A.Ş.** in investment-level category and affirmed the Long-Term National Issuer Credit Rating at '**AA (tr)**' and the Short-Term National Issuer Credit Rating at '**J1+ (tr)**' with '**Stable**' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were also affirmed at '**BB/Negative**' as parallel to international ratings and outlooks of Republic of Türkiye.

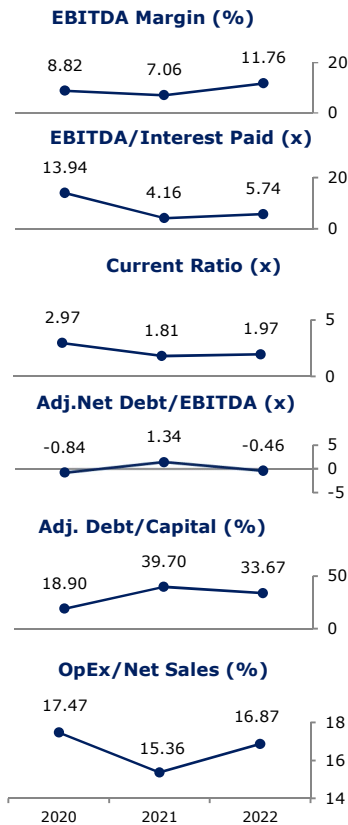
Alarko Carrier Sanayi ve Ticaret Anonim Şirketi (Alarko Carrier or "the Company") was officially established in 1963 in Istanbul with the legal name of "Alarko Sanayi ve Ticaret Anonim Şirketi" and later established an equal partnership with Carrier in 1998. The Company produces and sells heating, cooling, ventilation and water pressurization products under Alarko, Carrier and Toshiba brands along with providing after-sales and engineering services to its clients. In this context, the Company manufactures and imports products including air handling units, roof-tops, appliances, submersible pumps, combi boilers, floor heaters, burners and panel radiators and sells them through its domestic network. Alarko Carrier maintains offices in Gebze, Ankara, Izmir, Antalya, Adana together with 268 specialized dealers and 289 after sales service units.

Moreover, the Company's headquarter is located in Ortaköy, Istanbul and its production facility is located in Gebze. The Company sold its production facility in Dudullu Organized Industrial Zone within 2022; but, production has started at the Eskişehir facility, which was purchased amounted to TRY 167mn, excluding VAT on 2023. The Company's main shareholders are Alarko Holding A.Ş. and Carrier HVACR Investments B.V. with each holding 42.03% of the total shares. The remaining 15.94% are held by parties that maintain less than 10% of shares. In addition, the 14.77% of Alarko Carrier's shares are traded in Borsa Istanbul ("BIST") since January, 1992 with the ticker name of "ALCAR". As of 3Q2023, the Company has 639 working force (FYE2022: 601).

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

Strengths

Constraints



- Still manageable indebtedness profile despite loss of cash surplus position in 3Q2023
- Advantageous access to credit thanks to the new factory's contribution to environmental sustainability through energy efficiency
- Low risk of counterparties' defaults on their obligations supported by Direct Debit System
- Benefit of having Alarko and Carrier groups in the shareholding structure along with prevalent domestic network
- Strong compliance to corporate governance practices owing to listed status
- External funding requirement caused by long cash conversion period, restricting cash generation due to high financing costs, putting pressure on liquidity
- Increased sensitivity to currency risk in 3Q2023 due to low export-to-import coverage ratio despite the use of derivative instruments
- Deteriorating profitability indicators in 3Q2023 and chronically high OpEx despite sustainable sales performance
- Intense competition environment throughout the air conditioning industry
- 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 Long-Term National Issuer Credit Ratings has been affirmed at '**AA (tr)**'. Acceptable leverage profile, access to free-cash credit line aiming to boost sustainability efforts, low collection risks, Alarko & Carrier groups being in the shareholding structure, and high compliance to corporate governance principles as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as '**Stable**'. On the other hand, rising financing costs in ways of currency movement and interest rates, profitability performance with a cash generation capacity, operational efficiency, potential effects of competitors actions in the air conditioning sector and global recession, quantitative tightening actions and other economic indicators will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.