

Corporate Credit Rating

New Update

Sector: Food Retailing

Publishing Date: 26/01/2023

Manager

Fatih LAP

+90 212 352 56 73

fatih.lap@jcrer.com.tr

Senior Analyst

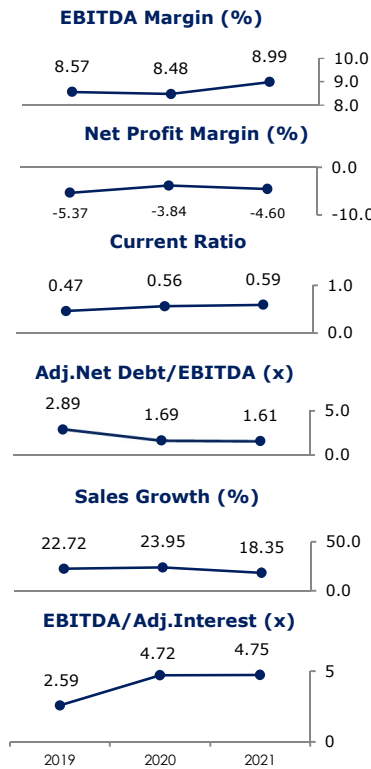
Alperen ADANIR

+90 212 352 56 73

alperen.adanir@jcrer.com.tr

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

* Assigned by JCR on Aug 18, 2022



Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.

JCR Eurasia Rating, has evaluated the "Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş." in the investment-level category and upgraded the Long-Term National Issuer Credit Rating from 'A (tr)' to 'A+ (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 assigned as 'BB/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. (referred to as 'the Company' or 'Carrefoursa') engages in the food retailing industry through its hypermarket and supermarkets in Türkiye. As of December 2022, the Company has 895 total stores, including 23 hypermarkets, 200 franchises, and 672 supermarkets (covering Mini and Gurme formatted stores) with 536k square meters in 45 provinces of Türkiye. The Company shares have been trading on the Borsa Istanbul, with the ticker symbol 'CRFSA' since 2006. The Company was founded in 1991 and is headquartered in Istanbul, with a staff force of 10,745 as of September 2022 (December 2021: 10,174). The major shareholder of Carrefoursa as of reporting date is Hacı Ömer Sabancı Holding A.Ş. (Sabancı Holding) with 57.12% share while Carrefour Nederland BV has 32.16% share in total. Moreover, the remaining part of its shares which is equivalent to 10.72%, were publicly traded. The main shareholder, Sabancı Holding, is one of Türkiye's leading conglomerates with operations in the fields of banking, financial services, energy, industrials, building materials and retail through its subsidiaries and affiliates with the high experience lasting more than 50 years.

As of 3Q2022, the Company reached TRY 7.39bn in total asset size and TRY 12.87bn revenue.

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

Strengths

- Revenue generation capacity backed by alternative sales channels and a wide domestic store network in different formats,
- High receivables turnover along with cash and credit card payments supporting the cash conversion cycle and strong cash generation capacity,
- Sustainable EBITDA generation capacity over the reviewed period,
- Improvement in Net Debt/EBITDA multiplier over the years,
- Adequate level of liquidity indicators provide flexibility to the Company,
- Variety of store formats that optimize growth and profitability,
- High level of compliance with corporate governance best practices,
- Backed by Sabancı group one of the leading groups in Türkiye and the global retail chain Carrefour.

Constraints

- Negative equity due to retained losses, and high debt to capital ratio,
- Continuation of net losses on the bottom line mainly through the financing expenses,
- Competitive market structure in FMCG sector pressuring profitability indicators,
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been upgraded to 'A+ (tr)'. The Company's reputable brand name, strong cash generation capacity, improving operational profitability, capability to access funding resources, solid market share, along with ongoing uncertainties arisen from geopolitical tensions as well as global interest rate hiking cycle, have been evaluated 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'. The Company's profitability performance, asset quality, equity structure, and debt level together with the industry specific developments 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.