

Corporate Credit Rating

New Update

Sector: Furniture Industry

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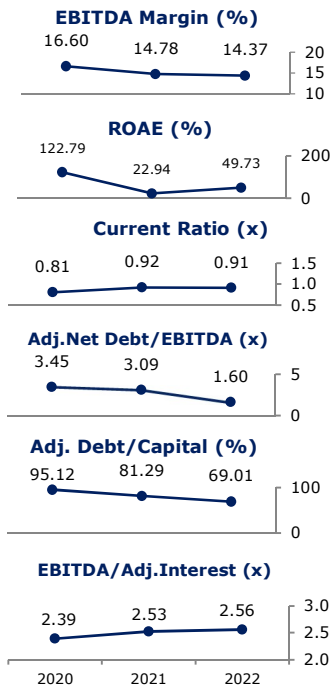
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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	BBB+ (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022



Doğanlar Mobilya Grubu İmalat Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated the "Doğanlar Mobilya Grubu İmalat Sanayi ve Ticaret A.Ş." in the investment- level category and revised the Long-Term National Issuer Credit Rating from 'BBB- (tr)' to 'BBB+ (tr)' and the Short-Term National Issuer Credit Rating from 'J4 (tr)' to 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings and outlooks of the Company were assigned as 'BB/Negative' according to JCR-ER's national-global mapping methodology.

Doğanlar Mobilya Grubu İmalat Sanayi ve Ticaret A.Ş., formerly named as Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. (herein referred to as "Doğanlar Mobilya" or "the Company") commenced its operations in 1935 and 1972 respectively for the brands of 'Kelebek Mobilya' and 'Doğan Mobilya'. 'Kelebek Mobilya' was founded in 1935 for the production of plywood parts of airplane wings. The company continued plywood production at his Haliç facilities in Istanbul under the trademark of Kelebek until 1986. In 1978, 'Kelebek Mobilya' launched its Modular Furniture Factory in Düzce as one of the largest factories (186,000 m2 open area and 42,000 m2 area of indoor) in Europe, with the technical collaboration of projects groups in the world. Currently, Kelebek Mobilya continues to produce furniture, kitchen and bathroom groups, living room groups, and special wooden equipments in its facilities. 'Doğtaş Mobilya' with its former name 'Doğan Mobilya' was founded by Ali Doğan in Biga/Çanakkale, in 1972 and then continues to stand out in the furniture industry with a wide range of products from seating groups to dining room furniture; child, teen, and adult bedroom furniture in its Biga facilities which has an open area of 212,000 m² and a closed area of 72,000 m². As of the end of 2022, Doğanlar Mobilya had a total of 657 stores, 96 stores of which in abroad and conducts its production activities in Düzce and Çanakkale. The Company's shareholders are Doğanlar Yatırım Holding with 49.30% shares and the remaining 50.70% shares are traded on the BIST.

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

Strengths

- Turnover growth supported by gradual diversification of brands and product lines, and large sales points,
- Quantitatively increased EBITDA coupled with advances received from dealers and long-term weighted financial debt structure supported the improvement in leverage indicators in FYE2022,
- Maintaining the strong structure in cash flow metrics,
- Flexibility provided by improvement in receivables turnover via V-POS and consumer finance applications, and inventory turnover, furnishing cost advantageous purchasing conditions,
- Relative decrease in exchange rate risk exposure thanks to the change in loan composition in favour of TRY and increasing oversea activities,
- High level emphasis on sustainability and compliance with Corporate Governance Practices,
- Almost a century of experience in the industry.

Constraints

- High OPEX emanating from the heightened level of marketing expenses, suppressing operational profitability indicators in FY2022,
- Low equity level, despite the dominant share of revaluation gains and slight improvement by dint of bottom line performance in FYE2022,
- Notable level overdue but not provisioned receivables pressuring the asset quality,
- Price-driven competition and volatile input prices causing fluctuations in profitability,
- 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 the Long-Term National Rating has been revised from 'BBB- (tr)' to 'BBB+ (tr)'. Increase in net sales through expanded sales points, improvements in working capital management, Doğanlar Mobilya's sector experience and brand awareness 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 financial structure, equity composition, EBITDA generation capacity, efficiency of new sales points, the possible impacts of the Russia-Ukraine War on the global and Türkiye's economy and its effects on the Company's activities are 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.