

Corporate Credit Rating

New Update

Sector: Furniture Industry
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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating 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	-
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 Aug 18, 2022

Doğanlar Mobilya Grubu İmalat Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated "Doğanlar Mobilya Grubu İmalat Sanayi ve Ticaret A.Ş." in the investment- level category and affirmed the Long-Term National Issuer Credit Rating as 'BBB+ (tr)' and the Short-Term National Issuer Credit Rating as 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings and outlooks of the Company were affirmed 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. Kelebek Mobilya continued plywood production at its Haliç facilities in İstanbul 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 March 31, 2024, the number of sales points of Doğanlar Mobilya reached a total of 735, 108 of which located abroad, with 6 main brands named Doğtaş, Kelebek, Lova Sleep, Ruum Store, Kelebek Kitchen Bathroom and Biga Home. The Company's shareholders are Doğanlar Yatırım Holding with 49.88% shares and the remaining 50.12% shares are traded on the BIST.

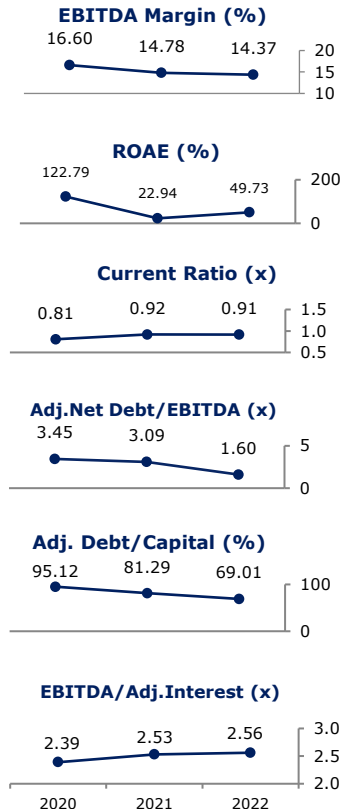
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Share of sales via virtual POS increasing the collection quality and accelerating the account receivables turnover,
- Limiting CapEx-related borrowing needs thanks to the franchising model and rise in EBITDA, contributes to the debt service capacity in FY2022 and 3Q2023,
- Increasing sales points with brand and concept diversification feeding the top-line development,
- Presence in both online and international operations although currently limited contribution to the turnover,
- Prioritising sustainable production in two facilities located near high-demand market areas,
- Long-standing industry experience and compliance with corporate governance practices.

Constraints

- Quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side,
- Low equity contribution and ongoing NWC deficit,
- Qualified opinion in the audit report mainly related to overdue but not provisioned receivables,
- Pressure on operational profitability due to intense competition and fluctuations in input prices,
- Leading economic indicators signal global economic slowdown.



Considering the aforementioned points, the Company's Long-Term National Rating affirmed as '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 affirmed as 'Stable'. The Company's financial structure, equity composition, EBITDA generation capacity, efficiency of new sales points, asset quality, contribution of the abroad investments, and the possible impacts of the current tightening actions 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.