

## Corporate Credit Rating

New Update

**Sector:** Food Industry/Hazelnut

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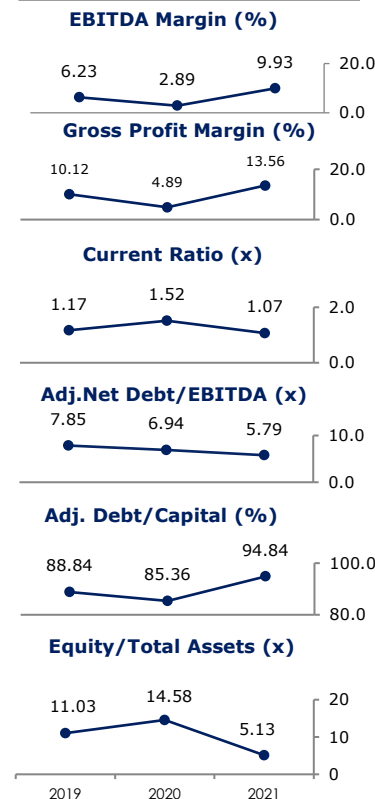
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific 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



## Arslantürk Tarım Ürünleri Sanayi İthalat ve İhracat A.Ş.

JCR Eurasia Rating, has evaluated "Arslantürk Tarım Ürünleri Sanayi İthalat ve İhracat A.Ş." (hereinafter referred to as 'Arslantürk Tarım' or 'the Company') in the investment-level category and upgraded the Long-Term National Issuer Credit Rating from 'BBB- (tr)' to 'BBB (tr)' and the Short-Term National Issuer Credit Rating at 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings of the Company were assigned as 'BB' with 'Negative' outlook as parallel to international ratings and outlooks of the Republic of Türkiye.

Arslantürk Tarım was established in 1983 in Araklı province of Trabzon. The Company takes part in both the domestic and export markets by making the hazelnuts purchased from the Black Sea Region ready for sale in its crushing and processing facilities in Trabzon. These two facilities are built on a total of 19,814 m<sup>2</sup> of land and have an indoor area of 17,057 m<sup>2</sup> with 25,000 tons annual production capacity. Among the products offered for sale are various sizes of roasted/blanched hazelnuts, shelled hazelnuts, hazelnut shells and hazelnut paste. Besides, by joining the Rainforest Alliance program in 2014, it expands its certified product range and produces with more than 1,500 Organic & Rainforest Alliance certified farmers. The current shareholding structure of the Company complies five natural persons: İsmail ARSLANTÜRK, Sebahattin ARSLANTÜRK, Selahattin ARSLANTÜRK, Sait ARSLANTÜRK and Mustafa ARSLANTÜRK each with 20% shares.

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

### Strengths

- Increasing revenue growth over the review periods and in FY2022
- Foreign currency revenue streams and geographical diversification providing natural hedge via export sales in a certain extent
- Access to high quality products as a firm based in Türkiye, the leading country in global hazelnut industry
- Long-lasting presence in the sector and successful track-record

### Constraints

- Significant increase in short-term financing needs resulting from high inventory holding strategy
- The pressure of FX losses on the Company's bottom-line profitability and internal equity generation capacity
- Volatility in product yield in the hazelnut market due to external conditions
- Limited financial analysis due to non-compliance of financial statements with IFRS standards
- Improvement needs in corporate governance practices,
- 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 from 'BBB- (tr)' to 'BBB (tr)'. Revenue growth within the support of export sales, EBITDA generation capability, experience in hazelnut trade as well as high level of short-term weighted indebtedness, significant level of FX losses and volatility in hazelnut market as well as the 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, cash generation capacity and financial indebtedness together with the trends in the industry 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 frame about the sector will be monitored as well.