

Corporate Credit & Issue Rating

New Update

Sector: Cement

Publishing Date: 25/11/2019

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RATINGS

	Long	Short
International	Foreign Currency	BBB- A-3
	Local Currency	BBB- A-3
	Outlook	FC Negative Negative LC Negative Negative
	Issue Rating	- -
National	Local Rating	A+ (Trk) A-1 (Trk)
	Outlook	Stable Stable
	Issue Rating	A+ (Trk) A-1 (Trk)
Sovereign*	Sponsor Support	2 -
	Stand-Alone	AB -
	Foreign Currency	BBB- -
	Local Currency	BBB- -
	Outlook	FC Negative - LC Negative -

*Affirmed by JCR on November 27, 2018

Çimsa Çimento Sanayi ve Ticaret A.Ş. Company Overview

Financial Data	2019Q3**	2018*	2017*	2016*	2015*	2014*
Total Assets (000 USD)	673,196	662,242	859,633	721,901	681,157	650,191
Total Assets (000 TRY)	3,809,684	3,483,989	3,242,450	2,540,512	1,980,533	1,507,727
Equity (000 TRY)	1,505,707	1,451,479	1,422,350	1,358,987	1,291,102	1,169,732
Net Sales (000 TRY)	1,284,713	1,699,958	1,490,580	1,170,310	1,171,146	1,094,321
Net Profit (000 TRY)	9,974	153,857	247,285	249,060	247,552	198,540
Net Profit Margin (%)	0.78	9.05	16.59	21.28	21.14	18.14
ROAA (%)	N/A	5.21	10.24	13.55	17.33	16.79
ROAE (%)	N/A	12.19	21.28	23.11	24.56	21.55
Equity / T. Assets (%)	39.52	41.66	43.87	53.49	65.19	77.58
NWC / T. Assets (%)	-6.86	-14.25	-7.29	-13.00	12.26	11.12
Debt Ratio (%)	60.48	58.34	56.13	46.51	34.81	22.42
Asset Growth Rate (%)	9.35	7.45	27.63	28.27	31.36	4.70

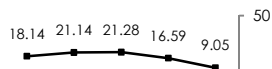
*Audited year-end financial statements, ** September-end 2019 financial statements, NWC: Net Working Capital

Çimsa Çimento Sanayi ve Ticaret A.Ş. (hereinafter "the Company" or "Çimsa"), was established on December 21, 1972 in Mersin to operate in the cement industry. Core business operations include manufacturing and sales of cement (white, gray, and calcium aluminate cement), clinker and ready mixed concrete. Today, Çimsa is one of the leading companies of the Turkish cement industry, carrying out its manufacturing operations with its five integrated plants in Mersin, Eskişehir, Kayseri, Niğde and Afyonkarahisar, a grinding facility in Ankara and cement packing facility in Malatya. In addition to cement manufacturing, Çimsa also had 17 ready-mixed concrete production facilities in Adana, Mersin, Kayseri, Kahramanmaraş, Nevşehir, Niğde, Aksaray, Adapazarı, Bursa, Eskişehir, Denizli, and Afyon.

In 2019Q1, Çimsa reached an agreement for the acquisition of "Buñol White Cement Factory" owned by **Cemex Espana S.A.** to a publicly disclosed amount of USD 180mn. As one of the world's top white cement manufacturers, Çimsa is an international cement manufacturer with terminals in Hamburg (Germany), Trieste (Italy), Sevilla (Spain), Alicante (Spain), Famagusta (T.R.N.C.), Constanza (Romania), and Novorossiysk (Russia). In 2018, Çimsa produced 5.8 million tons of cement (1.2 mn tons of white and 4.5 mn tons of gray), comprising 8% of Turkey's total cement production.

Çimsa is registered to the Capital Markets Board and its shares have been publicly traded on the Borsa Istanbul (BİST) since January 1986. As of September-end 2019, 35.7% of Company shares were traded on the BİST. As of November 15, 2019, market capitalization of the Company amounted to USD 180mn. In 2018, Çimsa was ranked as the 127th (2017: 100th) largest industrial corporation in Turkey in terms of revenues generated from production according to Istanbul Chamber of Commerce's Top 500 List, when it was also ranked as the 133th (FY2017: 139th) largest exporter company by the Turkish Exporters Assembly. Çimsa's primary shareholder, **Hacı Ömer Sabancı Holding A.Ş.** ("Sabancı Holding"), is one of the leading conglomerates of Turkey with companies operating in 13 countries and marketing their products in regions across Europe, the Middle East, Asia, North Africa, and America. Sabancı Holding's market capitalization amounted to USD 3.3bn as of November 15, 2019. Sabancı Holding had total assets size of TRY 394.19bn as of June-end 2019 and recorded net sales revenues amounting to TRY 9.10bn for the first half of 2019 (FY2018: TRY 16.26bn).

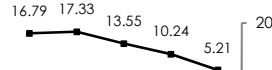
Net Profit Margin (%)



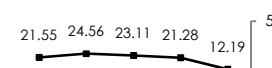
Equity / Total Assets (%)



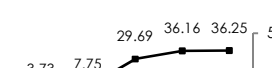
ROAA (%)



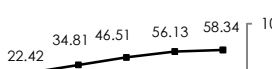
ROAE (%)



NFB / T. Assets (%)



Debt Ratio (%)



(* NFB: Net Financial Borrowings
Debt Ratio: T.Liabilities/T.Assets

Strengths

- Increasing net sales revenues supported by robust export sales growth reflecting the Company's sales revenue generation capacity
- Leading producer of white cement globally, robustly supporting the Company's export capacity
- Operating as a subsidiary of Sabancı Holding, providing significant competitive advantages to Çimsa
- Significant capex realized in previous periods supporting the future revenue and profit growth
- Robust profit generation supported by competitive and balanced product portfolio granting stability and resilience to operational profitability and efficiency
- Access to export markets and trade routes, granting flexibility in diversifying sales markets
- Robust equity financing of assets despite diminishing share in total assets volume during the review period
- Significant R&D activities supporting future growth
- Proven track record in sound implementation of corporate governance principles

Constraints

- High share of financial liabilities within total assets volume exerting pressure on the Company's profit generation capacity and equity growth
- Regular dividend distributions curtailing contributions of internally generated funds to equity
- Slow-down in economic growth, construction sector activities and infrastructure spending negatively impacting the domestic demand for the cement sector
- Diminishing profit margins pressuring the equity growth rate
- High level of competition in the Turkish grey cement market leading to margin pressures
- Increasing energy prices and changes in interest and foreign exchange rates pressure the Company's operational profitability and increase the inherent risk factors