

Corporate Credit Rating

New Update

Sector: Specialty Vehicles & Equipment, Defense

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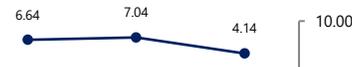
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RATINGS

		Long Term	Short Term	
National	Local Rating	A+ (Trk)	A-1 (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	-	-	
International	Foreign Currency	BB	B	
	Local Currency	BB	B	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
Sponsor Support	2	-		
Stand-Alone	A	-		
Sovereign*	Foreign Currency	BB	-	
	Local Currency	BB	-	
	Outlook	FC	Stable	-
		LC	Stable	-

*Assigned by JCR on May 31, 2021

Adjusted Net Debt / EBITDA (x)



EBITDA Margin (%)



ROAA (%)



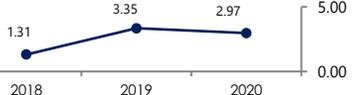
ROAE (%)



Net Profit Margin (%)



Current Ratio (x)



KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SAN. VE TİC. A.Ş. and Its Subsidiaries

JCR Eurasia Rating, has evaluated **Katmerciler Araç Üstü Ekipman San. ve Tic. A.Ş. and its subsidiaries**, in investment-level category on the national scale and assigned the ratings on the Long-Term National Scale as **'A+ (Trk)'** and the Short-Term National Scale as **'A-1 (Trk)'** with **'Stable'** outlooks.

Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A. Ş. ("Company" or "Katmerciler") was established in 1985 by registered to İzmir Trade Registry. The Company and its subsidiaries("Group") operate in all manner of onboard equipment manufacturing, painting workshop and weld workshop fields. The Company is a producer of specialty vehicles, equipment and machinery such as defense industry vehicles, firefighting, garbage, jetting, rescue and tipping trucks and water cannon vehicles (Toma). The Company has a wide exports network reaching more than 50 countries in the Middle East, Europe, Africa and Asia. Katmerciler was ranked as the 341st largest industrial corporation in Turkey in terms of revenues generated from production according to the Istanbul Chamber of Commerce's Second Top 500 List as of 2020. (2019: 392nd) The Company continues its operations at its headquarter located in Izmir, as well as its offices located in Ankara, Istanbul and Iraq, as well as at its two factories in Ankara.

Company shares were offered to the public in 2010, as of 2Q2021, 79.85% (FYE 2020: 68.59%) of shares are trading Istanbul Stock Exchange Inc. (Borsa İstanbul).

As of 2Q2021, the total number of people employed by the Group is 412 (FYE2020: 402).

The ultimate parent of Group is İsmail Katmerci.

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

Strengths

- Equity increases through continuous cash injections in reviewed periods
- Increasing EBITDA margin in 2020
- Acceptable liquidity metrics as a result of the long-term spread of borrowing
- Ongoing investments in the defense and other industries providing growth potential in the upcoming periods and sizable order backlog supporting revenue visibility
- Effective export network and export focused production and sales, diminishing the country risk and providing hedging against FX exposure
- Modest collection risk due to the customer profile populated with Government entities and major vehicle producers

Constraints

- Due to unrealized foreign exchange expenses, incurred net losses
- Despite the fact that a significant part of the liabilities spread to the long term, high leverage ratios
- Susceptibility of particularly defense industry sales due to potential trade restrictions due to external developments
- Severe competition environment in the sector

Considering the aforementioned points, The Company's Long-Term National Rating has been assigned as **A+ (Trk)'**. Export network and sales, low collection risk, cash injections from capital increase, increasing profitability indicators, acceptable liquidity metrics have been evaluated as important indicators for the stability of the ratings and the outlooks for Long- and Short-Term National ratings are determined as **'Stable'**. On the other hand, the Company's revenue and profitability performance, trend of trade receivables, risk impacts of the TRY's depreciation on activities and local and global macroeconomic indicators during Covid-19 pandemic 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.

The financial strength and the expected support of Katmerciler's shareholders constitute the foundation for the Company's sponsor support evaluation. The main shareholder of the Company is Katmerci Family and It is considered to be willing to support Katmerciler in case of a possible need for their support. The Sponsor Support notes and risk assessments carried out reflect the financial and nonfinancial standings and expected support of the main controlling corporate shareholder of Katmerciler. It is assumed that the Company's shareholders have the experiences to provide efficient operational and financial support to Katmerciler and its subsidiaries and the sufficient propensity to obtain long term liquidity or equity if needed. Taking into consideration the main shareholder's role in the sector, investments and activities the Company's Sponsor Support grade has been determined as **(2)** on JCR Eurasia Rating's notation scale. This grade signifies an adequate external support to the Company.

The Stand Alone note of the Company has been constituted particularly with respect to the Company's FX revenues, profitability indicators and liquidity metrics. It is assumed that Company has enough experience and accumulation of infrastructure to manage risks incurred in the balance sheet without shareholder support. Within this context, the Stand Alone note of the Company has been determined as **(A)** in the JCR Eurasia Rating notation system.