

Corporate Credit Rating

New Update

Sector: Brewing
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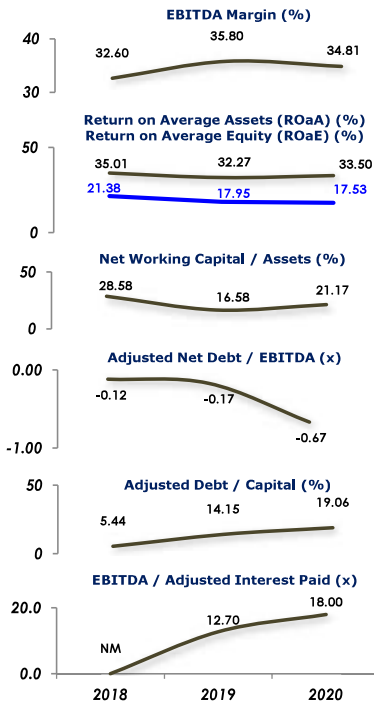
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RATINGS

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	AAA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	J3
	International FC ICR Outlooks	Stable	Stable
	International LC ICR	BB	J3
	International LC ICR Outlooks	Stable	Stable
ISRs (Issue Specific Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 31, 2021



Türk Tuborg Bira ve Malt Sanayii A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of "Türk Tuborg Bira ve Malt Sanayii A.Ş." in the high-level investment grade category and assigned the ratings on the Long -Term National Issuer Credit Rating as "AAA (tr)" and the Short-Term National Issuer Credit Rating as "J1+ (tr)" with "Stable" outlooks. On the other hand, the Long Term International Local and Foreign Currency Issuer Ratings and outlooks of the Company were assigned as "BB/Stable", parallel to international ratings and outlooks of Republic of Turkey.

Türk Tuborg Bira ve Malt Sanayii A.Ş. ("Türk Tuborg" or the "Company") was established in 1969 in Pınarbaşı-İzmir. The primary activities of the Company are the production of beer and malt to be sold in domestic and international markets, and their marketing and distribution. Türk Tuborg's factory, which is an integrated facility with an annual production capacity of 36 thousand tons of malt and around 579 million liters of beer, is one of the largest breweries in Turkey. Türk Tuborg's long-standing cooperation and international partnerships with Carlsberg, the world's 3rd largest beer producer, have made the Company one of the biggest companies in the Turkish beer market. In addition, Türk Tuborg exports to 6 continents and 83 countries in total, including prominent export markets such as Iraq, where the Company is the market leader, and England, Canada, Germany and the Turkish Republic of Northern Cyprus.

The Company has been quoted on the Borsa Istanbul Stock Exchange (BIST) since 1989 and 4.31% of shares are publicly traded on the BIST with the ticker symbol "TBORG" as of FY2020, while the controlling shareholder is "International Beer Breweries Ltd.". Türk Tuborg distributes almost all of the beer it produces via "Tuborg Pazarlama A.Ş.", a subsidiary of which the Company owns 99.99% shares and Tuborg Pazarlama makes the domestic sales and distribution of these products around the world. As of FY2020, the paid in capital and equity of Türk Tuborg Bira ve Malt Sanayii A.Ş. stood at TRY 322.51mn and TRY 1.83bn, respectively. International Beer Breweries Ltd. is the ultimate shareholder of the Company with a share of 95.69% as of the report date.

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

Strengths

- Prudent debt service capacity supported with resilient operating cash flow and strong equity
- Maintenance of the satisfactory profitability indicators throughout FY2020 and 9M2021 reinforced by low financial leverage and strong debt metrics
- Steady increase in sales revenues promotes continuous striking performance in net income generation capacity
- Predictable cash flows with strong EBITDA margin and consistent improvement in EBITDA growth due to well-managed costs despite the headwinds of the economy
- Effective financial management with the support of robust cash flow metrics
- Net working capital level and steady upward trend in FFO provide solid liquidity management
- Market power in the local area with the support of well-established parent company and collaboration through important international brands namely, Carlsberg
- High compliance with international quality standards and supports sustainability projects

Constraints

- Dependency on raw material prices dictated by foreign suppliers
- Competitive market structure in the brewing sector
- Potential contraction in Turkish market due to tax regulations
- Uncertainties on global and local economy, triggered by ongoing coronavirus outbreak

Considering the aforementioned drivers, the Company's the Long-Term National Issuer Credit Rating has been assigned as "AAA (tr)". The competitive advantage obtained through its predictable cash flows, profitability indicators, satisfactory debt service capacity, production and export power, competition and market efficiency in the inter/national market, the steady revenue and EBITDA growth trend and organizational framework compatible with the group size as well as deterioration on local and global economic outlook due to ongoing Covid-19 pandemic on economic activities constitute the principle reasons underlying the assignment the outlooks for the Long and Short-Term National Ratings as "Stable". The Company's equity level, fluctuations of the exchange rates, debt maturity and its level, cash flow and liquidity level, EBITDA margin and net profit indicators are the priority issues to be followed by JCR Eurasia Rating in the upcoming period. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored as well.