

Corporate Credit Rating

New Update

Sector: Paper and Forest Products

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Chief Analyst

Kasim Fatih ÖZÜDOĞRU

+90 212 352 56 73

fatih.ozudogru@jcrer.com.tr

Team Leader

Sami AKSU

+90 212 352 56 73

sami.aksu@jcrer.com.tr

Assistant Analyst

Neslihan OYGUR

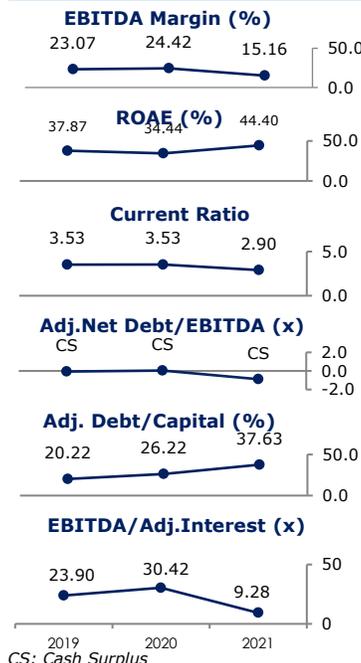
+90 212 352 56 73

neslihan.oygur@jcrer.com.tr

RATINGS

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

* Assigned by JCR on Aug 18, 2022



EUROPAP TEZOL KAĞIT SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating has evaluated the "Europap Tezol Kağıt Sanayi ve Ticaret A.Ş." in the high investment-level category and assigned the Long-Term National Issuer Credit Rating at 'AA (tr)' and the Short-Term National Issuer Credit Rating at 'J1+ (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Europap Tezol Kağıt Sanayi ve Ticaret A.Ş. ("Europap Tezol" or "the Company") was established in 1969 to operate in the field of the tobacco trade in İzmir under the name of Tezol Tütün İhracat Dahili Ticaret İthalat A.Ş., then started to operate in the tissue paper sector in 2000. The Company's current field of activity is to produce and sell tissue paper in the form of both parent reels and finished products such as towels, napkins, and toilet paper. The Company carries out its domestic sales mainly to chain markets through 20 well-known private-label and has 4 main brands of its own such as Softy, Mare, Ecco, and Dolce. The Company has three tissue production mills and 21 converting lines with a total open area of 111,484 m² and a closed area of 61,395 m² in İzmir and Mersin. The Company has a total of 608 employees as of FYE2021. (FYE2020:606). The shares of the Company have been publicly traded on the Borsa İstanbul A.Ş. ("BIST") since September 15, 2021. As of 1H-2022, the Company's shareholders are Tezol family members with 63.41% share, Kuşçu family members with 12.66% share, and 23.93% listed on Borsa İstanbul.

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

Strengths

- Steady increase in sales volume on ton bases and upward trend in revenue supported by export sales, which also mitigates FX risk,
- Solid profitability indicators and EBITDA generation capacity,
- Robust financial position and strengthened cash generation, easing liquidity structure,
- Sufficient equity structure supported by retained earnings,
- Ongoing investments are expected to generate high earnings potential and support production capacity,
- Strong customer portfolio provided by private label productions,
- Long experience in the sector and conformity to international standards,
- High level of compliance with corporate governance practices due to being publicly listed company.

Constraints

- High cash conversion cycle days due to business profile,
- High dependency on FC-denominated raw material prices,
- Increasing freight and energy costs put pressure on profitability, particularly in 2021 and 2022.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been assigned as 'AA (tr)'. The Company's steady increasing in revenue, solid profitability indicators, robust financial position, sufficient equity structure, as well as high cash conversion cycle are important indicators for the stability of the ratings, and the outlooks are determined for Long-Term National and Short-Term Issuer Credit Ratings as 'Stable'. The Company's liquidity structure, profitability performance, and debt and equity level 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 the legal framework about the sector will be monitored as well.