Corporate Credit Rating

☒New ☐Update

Sector: Wholesale Trade
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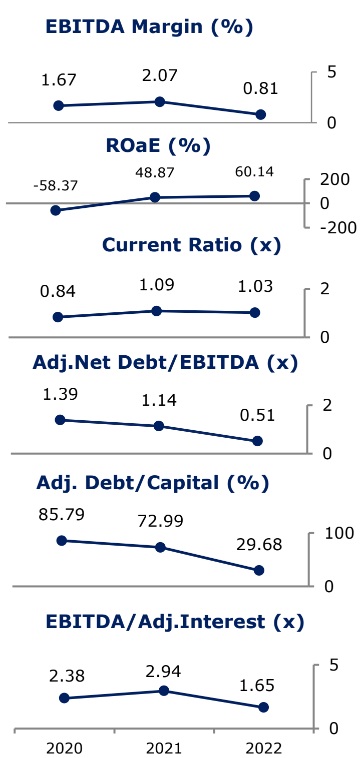
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB+ (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

** Assigned by JCR on Aug 18, 2022*



AK-AY GIDA MÜHENDİSLİK İNŞAAT TURİZM PAZARLAMA SANAYİ VE TİCARET LTD. ŞTİ.

JCR Eurasia Rating, has evaluated **"Ak-ay Gıda Mühendislik İnşaat Turizm Pazarlama Sanayi Ve Ticaret Ltd. Şti."** in the investment-level category and assigned the Long-Term National Issuer Credit Rating at **'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 Issuer Credit Ratings and outlooks were determined as **'BB/Negative'** as parallel to international ratings and outlooks of Republic of Türkiye.

Ak-ay Gıda Mühendislik İnşaat Turizm Pazarlama Sanayi Ve Ticaret Ltd. Şti A.Ş. (hereinafter referred as **"Ak-ay Gıda"** or **"the Company"**) was established in 2002. Main field of the Company consists of the wholesale of alcoholic & non-alcoholic beverages and tobacco products and hotel services. Ak-ay Gıda serves as the distributor of Efes Pilsen, Coca-Cola and Philip Morris and also operates the 5-star Double Tree by Hilton Van hotel in Van. The headquarter of the Company is in Van, Türkiye. The Company employed a staff force of 354 as of FYE2022 (FYE2021: 331).

The Company's main ultimate controlling shareholder is Kurtuluş Akay with 64.90% share.

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

Strengths	Constraints
• Steady increase in sales along with the expectation of further improvement thanks to the new product to be introduced in the upcoming periods, • Satisfactory level of leverage indicators underpinning financial profile, • Enhanced operational efficiency underpinned by operating ratio and fairly low cash conversion cycle accompanied by positive cash flow metrics, • Cooperation of globally and locally recognized brands and widespread domestic sales channels, • Relatively inelastic demand for tobacco products, main revenue segment, provides revenue visibility, • Long-lasting presence and successful track-record in the sector.	• The inherently low profitability ratios arising from the persistently high level of cost of sales, • Regulations on tobacco products together with campaigns to control demand, • Existence of counterfeit and illegal cigarette market, • Besides product versatility, concentrating on a single supplier poses a risk in terms of sustainability of sales, • Improvement needs in the level of compliance with corporate governance practices.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been assigned as **'BBB+ (tr)'**. Ongoing improvement in sales performance, decent financial profile, operational efficiency, proven track record well as high level of cost of goods sold and sectoral regulations 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 sales and profitability performance, cash generation and liquidity structure, cost management capability, and indebtedness level 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.