

Corporate Credit Rating

New Update

Sector: Aerospace and Defense Industry

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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	Stable	-
ISRs (Issue Specific Rating Profile)	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
	National ISR	-	-
Sovereign*	International FC ISR	-	-
	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

*Assigned by JCR on May 10, 2024

Altınay Savunma Teknolojileri Anonim Şirketi

JCR Eurasia Rating, has evaluated "Altınay Savunma Teknolojileri Anonim Şirketi" in the investment grade category with very high credit quality and revised the Long-Term National Issuer Credit Rating from 'AA- (tr)' to 'AA (tr)' and the affirmed 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/Stable' as parallel to international ratings and outlooks of the Republic of Türkiye.

Altınay Savunma Teknolojileri A.Ş. (referred to as 'the Company' or 'Altınay Savunma'), named "Altınay Havaçılık ve İleri Teknolojiler Sanayi Ticaret Anonim Şirketi," was established as a joint stock company in İstanbul on May 27, 2014. In 2021, it changed its trade name to "Altınay Savunma Teknolojileri Anonim Şirketi". The main activity of the Company is to operate in the fields of design, development, manufacturing, system integration/modernization, and after-sales services of motion control systems, unmanned systems, weapon systems, invisibility systems, ammunition disposal, and critical production systems. The Company continues its engineering and R&D activities in Teknopark İstanbul campus and production and engineering activities in Şekerpinar campus. As of May 2024, the Company's R&D and production facility, with a closed area of 12,349 m², commenced operations in the Machinery Organized Industrial Zone, located in Dilovası, Kocaeli. The Company also operates two branches in Kocaeli and one branch in Ankara.

The Company's ultimate controlling shareholder is Hakan Altınay, holding a 63% share. Letven Capital Girişim Sermayesi Portföy Yönetimi A.Ş. Milres GSYF holds 12%, while the remaining 25% of the Company's shares have been publicly traded on Borsa İstanbul (BİST) with the ticker of 'ALTNY' since May 2024. As of FYE2024, the consolidated financial statements include the Company and its subsidiaries, which are Dasal Havaçılık Teknolojileri A.Ş. ("Dasal") and Taac Havaçılık Teknolojileri San. ve Tic. A.Ş. ("Taac"), are mainly active in the production of UAVs and flight and motion control systems in the National Aviation and Aerospace sector, respectively. As of FYE2024, the Company and its subsidiaries employed a total of 617 people (FYE2023: 462).

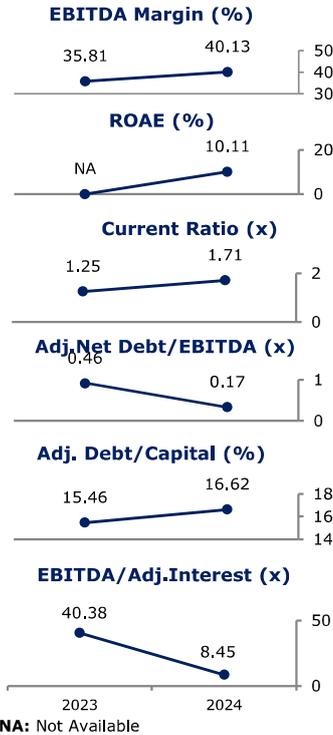
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Accumulation of completed projects, and increased backlog level thanks to the expansion of business volume, indicating growth trajectory in a certain extent for the upcoming periods,
- Sound leverage metrics and short-term cash surplus position with proceeds from the IPO in FYE2024,
- Strong interest coverage ratios supported by the utilization of an investment incentive-backed loan from the Central Bank and the predominance of relatively low-cost foreign currency loans,
- Solid and increasing gross and EBITDA margins in 2024,
- Robust equity position primarily driven by the contribution of retained earnings and share premium in 2024,
- Receiving advances in the initial stage of the contracts easing liquidity management in a certain extent,
- Working with well-known institutions mitigating collection risk and contributing to asset quality,
- Achieving a competitive advantage through branding, as well as innovative product and technology development capabilities strengthened by ongoing R&D efforts.

Constraints

- Negative CFO and FOCF metrics driven by both rising net working capital needs and investment expenditures,
- Exposing to customer concentration risk in terms of current backlog as a nature of business, and defense-industry specific risks,
- As actions for a global soft-landing gain prominence, decisions with the potential to adversely affect global trade are engender considerable uncertainty.



Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been revised from 'AA- (tr)' to 'AA (tr)'. Considering the Company's sizeable backlog level, strong leverage and interest coverage indicators, solid profit margins, contribution of the received advances for ongoing projects to liquidity, asset quality, customer portfolio as well as contraction in FOCF due to factory investment, customer concentration risk, and tight financial conditions have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings have been affirmed at 'Stable'. The Company's progress in ongoing projects, capability of undertaking new projects, indebtedness level, profitability figures, liquidity metrics, debt service capacity, the consequences of the investment on the operations and the possible impacts of the global macroeconomic policies on Türkiye's economy and its effects on the Company's activities 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.