

Corporate Credit Rating

New Update

Sector: Liquid Petroleum Gas

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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	J3
	International FC ICR Outlooks	Stable	Stable
	International LC ICR	BB	J3
ISRs (Issue Specific Rating 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

Aygaz A.Ş.

JCR Eurasia Rating, has evaluated "Aygaz A.Ş." (Aygaz/Company) in the high investment-level category and affirmed 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/Stable' as parallel to international ratings and outlooks of Republic of Turkey.

Aygaz, founded in 1961 as Koç Group's first company in the energy sector, operates in the LPG industry with activities including the procurement, storage, filling and sale of LPG, as well as production and sales of pressurized containers and LPG equipment. Aygaz is also engaged in maritime transportation of LPG through its own vessel fleet operating companies. Aygaz operates with six filling plants, seven distribution centers, five sea terminals and a pressurized container and accessory manufacturing plant at the company's disposal. The Company manufactures the products such as cylinders, valves, regulators, bulk gas and autogas station tanks at the Gebze Plant. Aygaz has distribution network consisting of nearly 2,300 cylinder gas dealers and over 1,700 autogas stations across Turkey at the end of 2021. The Company also operates in LPG trade by opening a branch office in London in 2019 with the aim of increasing trade volume with third parties in international markets, supporting its domestic operations. Aygaz shares have been traded on Borsa Istanbul since 1988 with ticker symbol "AYGAZ" and 24,27% of its shares have been quoted at Borsa Istanbul. The Company is included in the BIST Corporate Governance and Sustainability Index.

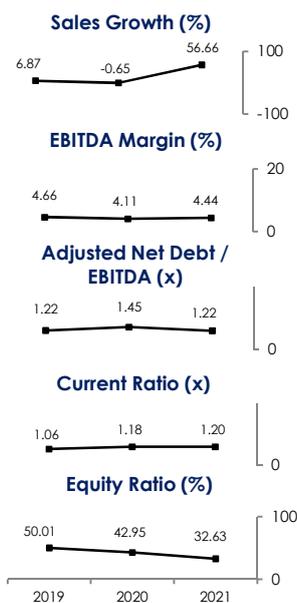
The Koç Group is Turkey's largest industrial and services group in terms of revenues, exports, number of employees and market capitalization. Koç Group has leading brands in energy, automotive, consumer durables, finance sectors. Combined revenues of the Koç Group correspond to ~8% of Turkey's GDP and Group's exports account for ~7% of Turkey's total exports. As of 31st of December 2021, Koç Holding and publicly traded companies of the Group at BIST 100 accounted for ~21% of the total market capitalization of the companies listed on BIST 100.

Strengths

- Leading profile in LPG industry with its long-lasting presence in the sector and strong brands
- Cash flow generation capacity from operations in analyzed years
- Favorable financial leverage profile with reasonable level of net financial debt compared to EBITDA
- Liquid asset level exceeding short-term financial liabilities and mainly long-term structure of financial debt easing liquidity management
- Competitive advantages provided through having one of the few R&D centers in Turkey's LPG sector and strong supply chain, sales & distribution network
- Strategy to diversify its revenue sources through new investments and markets
- High level of compliance regarding corporate governance implementations

Constraints

- Narrow profit margins as a nature of the sector
- Depreciation of TRY against USD along with upsurge in commodity prices during 2022, may put a strain on domestic demand
- Decreasing trend of equity share in the funding structure mainly due to relatively higher asset growth and dividend payments
- Import dominance in commodity supply
- The geopolitical risks stemming from the Russia-Ukraine tension increasing commodity prices and creating uncertainty



Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed as 'AA+ (tr)'. Leading profile of the Company in LPG sector, proven successful track record with high experience, cash generating capacity from operations and considerable liquid asset level, capability to access funding resources along with fluctuations in commodity prices and ongoing uncertainties due to the geopolitical risks 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 flow generation capacity, trend of financial indebtedness, debt-equity ratio, FX position management, asset quality 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.