JCR Eurasia Rating
"JCR-ER, Group of Japan Credit Rating Agency, Ltd."

Corporate Credit Rating

☐New ☒Update

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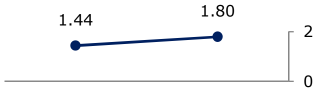
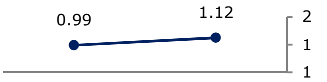
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA+ (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating Profile)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

** Assigned by JCR on May 10, 2024*

EBITDA Margin (%)

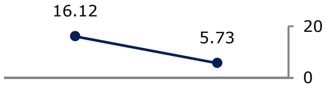


Current Ratio (x)

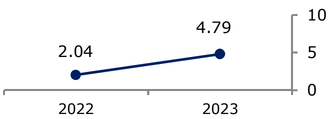


Adj.Net Debt/EBITDA (x)

Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



Aygaz A.Ş.

JCR Eurasia Rating has evaluated **"Aygaz A.Ş." (Aygaz/the Company)** in the investment-level category with very high credit quality and revised the Long-Term National Issuer Credit Rating from **'AA (tr)'** to **'AA+ (tr)'** and 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 Republic of Türkiye.

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 five filling plants, eight 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 2,182 cylinder gas dealers and 1,830 autogas stations across Türkiye at the end of 2023. 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.

Aygaz is a subsidiary of Koç Holding which is the Türkiye's largest industrial and services group in terms of revenues, exports, number of employees and total market capitalization on Borsa Istanbul. Koç Holding is the only Turkish company to be listed in Fortune Global 500 list in 2023. Koç Group has leading brands in energy, automotive, consumer durables, finance sectors. Combined revenues of the Koç Group correspond to ~8% of Türkiye's GDP and Group's exports account for ~7% of Türkiye's total exports. As of FYE2023, Koç Holding and publicly traded companies of the Group at BIST 100 accounted for ~22% of the total market capitalization of the companies listed on BIST 100.

Strengths

- Sales volume and EBITDA growth in FY2023
- Improvement in financial leverage metrics and net cash position as of FYE2023 with received dividends and cash flow from operations
- Competitive advantages provided through strong supply chain, sales & distribution network and having one of the few R&D centers in Türkiye's LPG sector
- Leading profile in LPG industry with dominant market share in the sector and strong brand recognition through long lasting presence
- High level of compliance regarding corporate governance implementations
- Being a subsidiary of one of the Türkiye's leading investment holding companies; Koç Holding

Constraints

- Limited EBITDA margins with maintaining negative effect of Sendeo investment's ramp up period on the profitability despite the anticipated reduction of impact after the planned merger transaction
- Declining sales volume in 1Q2024
- Import dominance in commodity supply and fluctuation of commodity prices
- Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised from **'AA (tr)'** to **'AA+ (tr)'**. Leading profile of the Company in LPG sector, proven successful track record with high experience, net cash position and capability to access funding resources as well as geopolitical risks-driven uncertainties and global interest rate hiking cycle 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, asset and equity growth, FX position, regulation's effect on the performance, 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.