

Corporate Credit Rating

New Update

Sector: Packaging and Glass Industry

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	A+ (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific 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 August 18, 2022

BAK AMBALAJ SANAYİ VE TİCARET A.Ş.

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

Bak Ambalaj San. ve Tic. A.Ş. ("Bak Ambalaj" or "the Company" or "the Group") was established in 1973 in İzmir, Türkiye. The main activity of the Company is the production of intaglio printing, flexo printing and unprinted packaging materials. The Company continues its activities in 4 production facilities which have a total area of 103,983 m² with a closed area of 28,717 m². The ultimate parent of the Company is Bakiöğlü Holding A.Ş. (Bakiöğlü Holding), which holds 62.66% of shares. Cem Bakiöğlü also has 16.01% of the Company's shares as of the report date. The shares of the Company, which has a free float of 17.50%, are traded on the Borsa Istanbul ("BIST") with the ticker of 'BAKAB'. The Company's subsidiary, Bak Ambalaj Dış Ticaret A.Ş. (Bak Ambalaj Dış Ticaret) which operates in foreign trade of packaging materials was established in 2015. The Company's other subsidiary, Bak Flexibles B.V. (Bak Flexibles) which also operates in trade of packaging materials was established in 2015 in the Netherlands. In 2022, the Company ranked 457th among Türkiye's top 500 industrial enterprises compiled by the Istanbul Chamber of Industry (2021: 477th). The average number of personnel employed by the Company was 723 as of September 30, 2023 (FYE2022: 692).

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

Strengths

- Improvement in net working capital and current ratio due to extension of financial debts maturities in 2022 through refinancing and fulfilling the covenants given to banks within the scope of the syndicated loan,
- Low level of doubtful trade receivables thanks to the insured & collateralized receivable structure supporting the asset quality,
- Moderate leverage and adequate interest coverage ratios underpinned by EBITDA and FFO generation,
- Sufficient equity level relative to asset size supported by internal equity generation, despite the contribution of non-cash revaluation gains and low level of paid-in capital,
- Increasing share of exports and strong net exporter position in total sales providing a natural hedge,
- Establishing connections within group companies enables operational synergy,
- Long lasting experience in the sector dating back to 1970s,
- High level of compliance with Corporate Governance Practices and quality standards as a publicly listed company.

Constraints

- Reduction in net profit margin due to the impact of financing expenses over the years,
- Continued deterioration of cash flow metrics and negative free cash flow in 2022, albeit a slight recovery in 3Q2023,
- Leading economic indicators signal global economic slowdown as 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 'A+ (tr)'. Long lasting industry experience, EBITDA generation capacity, equity structure, asset quality, increasing export revenues, risk factors in the markets, and business environment as well as increasing financial expenses, the global recessionary environment and geopolitical risks-driven uncertainties 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 affirmed as 'Stable'. The Company's syndicated loan repayment performance, fulfillment of covenants related to syndicated loan, indebtedness level, financial structure, business volume and profit margins, liquidity and cash flow metrics, and the outlook of the flexible packaging industry, 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.