

## Corporate Credit Rating

New Update

**Sector:** Packaging and Glass Industry

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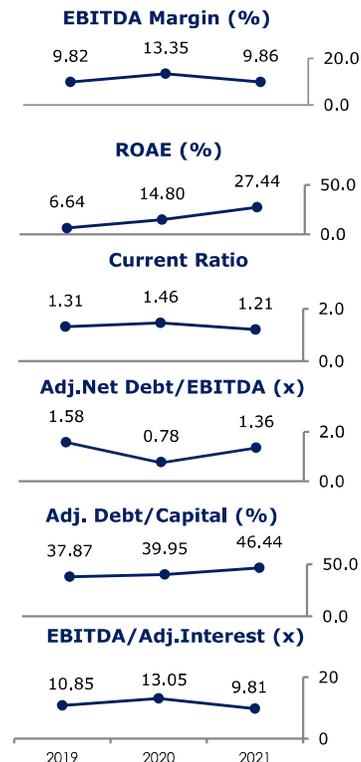
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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA- (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating 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 Aug 18, 2022



## Bak Ambalaj San. ve Tic. A.Ş.

JCR Eurasia Rating, has evaluated the "Bak Ambalaj San. ve Tic. A.Ş." in the high investment-level category and assigned 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/Negative' as parallel to international ratings and outlooks of the Republic of Türkiye.

Bak Ambalaj San. ve Tic. A.Ş. ("Bak Ambalaj" or "the Company") was established in 1973 in İzmir. 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 m<sup>2</sup> with a closed area of 28,717 m<sup>2</sup>. The ultimate parent of the Company is Bakioğlu Holding A.Ş. (Bakioğlu Holding), which holds 62.66% of shares. Cem Bakioğlu also has 16.1% of the Company's shares as of the report date. The shares of the Company, which has a free float of 17.69%, 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 Netherland. Bak Ambalaj is ranked as 477<sup>th</sup> in ISO (İstanbul Chamber of Industry) 500 List in 2021 (2020: 445<sup>th</sup>).

As of Q3 2022, the average number of personnel employed by the Company and its subsidiaries was 684 (FYE2021: 653).

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

### Strengths

- The growth in revenue underpinned by sales volume and price increases,
- Negligible level of impaired receivables thanks to collateralized structure supporting the receivable quality,
- Sufficient leverage metrics supported by EBITDA generation,
- Providing a natural hedge in a high extent through foreign currency denominated revenue composition and export sales,
- Strong interest coverage ratios over years,
- Backward linkages with group companies provide operational synergy in terms of raw material availability and marketing network,
- Attained know-how in R&D studies which supports sustainability projects and emphasis on compliance with international quality standards.

### Constraints

- Dividend payment despite deterioration of cash flow metrics and negative free cash flow in 2021 and 3Q2022,
- Narrowing net working capital, expected to be partially alleviated with the refinancing,
- Susceptibility of profit margins to volatility in raw material prices and the inability to offset rising cost simultaneously,
- The increase in overdue receivables in Q3 2022,
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been assigned as 'AA- (tr)'. The Company's long track record in the industry, EBITDA generation capacity, leverage and coverage ratios, and receivable quality 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 financial structure, revenue and profitability performance, indebtedness level, cash flow and liquidity metrics and the effects of refinancing on financials will be closely monitored by JCR Eurasia Rating in the 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.