

Corporate Credit Rating

New Update

Sector: Packaging and Glass Industry

Publishing Date: 23.12.2024

Team Leader

Hulusi GİRGIN

+90 212 352 56 73

hulusi.girgin@jcrer.com.tr

Analyst

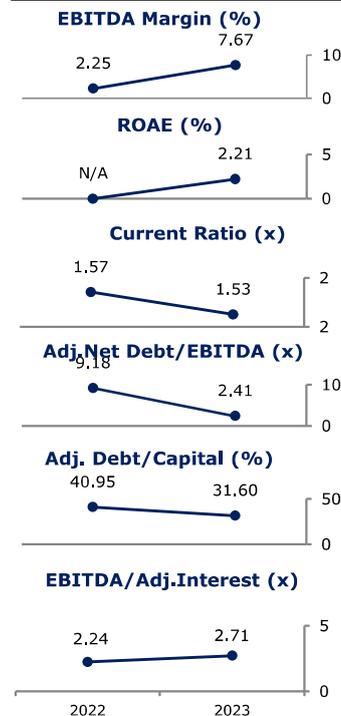
Mehmet Fatih Özbey

+90 212 352 56 73

mehmetfatih.ozbey@jcrer.com.tr

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

* Assigned by JCR on May 10, 2024



N/A: Not Applicable

BAK AMBALAJ SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating, has evaluated "Bak Ambalaj Sanayi ve Ticaret A.Ş." in the investment grade category with high credit quality and revised the Long-Term National Issuer Credit Rating from 'A+ (tr)' to 'A (tr)' and affirmed 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 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 Bakioğlu Holding A.Ş. (Bakioğlu Holding), which holds 62.66% of shares. Cem Bakioğlu 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 İstanbul ("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 2023, the Company ranked 448th among Türkiye's top 500 industrial enterprises compiled by the Istanbul Chamber of Industry (2022: 457th). The average number of personnel employed by the Company was 700 as of September 30, 2023 (FYE2023: 722).

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

Strengths

- Strong equity level backed by retained earnings,
- Low level of doubtful receivables over the analyzed periods,
- Improvement in cash flow metrics in FY2023,
- Maintaining a high share of exports in sales and a net exporter position,
- The obligations of the syndicated loan utilized in 2022, which positively impacted liquidity metrics, were fulfilled in FYE2023 and 1H2024,
- Business contacts with group companies, operating in the same sector, contributing to operational efficiency,
- Emphasis on sustainability supported by R&D activities and investments,
- Over five decades of extensive experience in the industry,
- Compliance with Corporate Governance Practices as a publicly listed company.

Constraints

- Deterioration in leverage and interest coverage metrics due to limited EBITDA generation in 3Q2024 despite declining financial debt,
- Albeit improvement in gross profit, EBITDA and operating profit margins in FY2023, negative EBIT and net loss in 3Q2024,
- Increasing and high OPEX/sales ratio,
- In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing are at the forefront.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised from 'A+ (tr)' to 'A (tr)'. Long lasting industry experience, equity structure, asset quality, increasing export revenues, liquidity metrics, risk factors in the markets, and business environment as well as deterioration in leverage and interest coverage metrics, profitability margins 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, sales 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.