

## Corporate Credit Rating

New  Update

**Sector:** Wood and Wood Products Industry

**Publishing Date:** Jan 24, 2025

### Team Leader

Muhammet Başar

+90 212 352 56 73

[muhammet.basar@jcrer.com.tr](mailto:muhammet.basar@jcrer.com.tr)

### Assistant Analyst

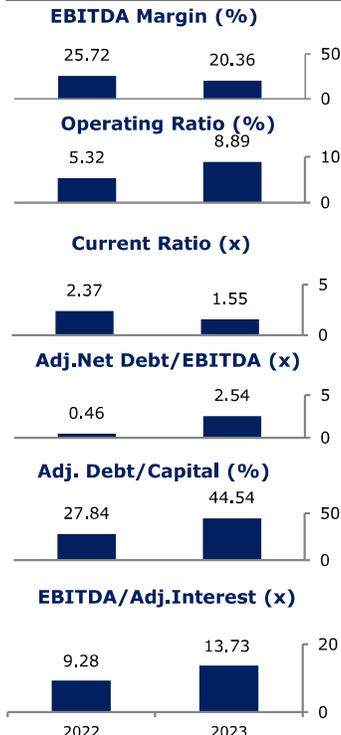
Şevval Beyza Aydın

+90 212 352 56 73

[sevval.aydin@jcrer.com.tr](mailto:sevval.aydin@jcrer.com.tr)

R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A+ (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



## BAREM AMBALAJ SANAYİ VE TİCARET ANONİM ŞİRKETİ

JCR Eurasia Rating, has evaluated the consolidated structure of "Barem Ambalaj Sanayi ve Ticaret Anonim Şirketi" in the investment-grade category with high credit quality and affirmed the Long-Term National Issuer Credit Rating at 'A+ (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 determined as 'BB/Stable' as parallel to sovereign ratings and outlooks of Republic of Türkiye.

**Barem Ambalaj Sanayi ve Ticaret A.Ş.** (hereinafter referred to as "Barem Ambalaj" or "the Group") was established in 1993 with the title of Barem Oluklu Mukavva Kutu Ambalaj Sanayi ve Tic. Ltd. Şti, headquartered in Tire/İzmir. The main activity of the Groups is production and sale of offset printed corrugated cardboard and cardboard boxes. The Group carries out its production activities in 3 different facilities with total production capacity of 112mn kg, located in İzmir, Gaziantep and Karaman with 901 employees as of September 30, 2024. Also, the Group has a new facility investment in Konya with 300,000 tonnes/year production capacity on 100,000m<sup>2</sup> area. As of September 26, 2024, Barem Ambalaj established a new company in the UK called Barem Packaging Limited to increase its visibility in the European market and to make sure that exports are planned and developed there. Thus, Barem Ambalaj switched from an unconsolidated to a consolidated structure.

The Group, which customers spread across different sectors, primarily food, exports over approximately 15% of its sales. In 2023, Barem Ambalaj was ranked as the 369<sup>th</sup> (2022: 196<sup>th</sup>) in the annual list of second 500 Largest Industrial Enterprises of Türkiye. 20% of the Group's shares have been traded on Borsa İstanbul (BIST) with stock ticker 'BARMA' since August 10, 2022. Shareholding structure excluding the publicly traded portion is Recep Taşyanar with a share of 40% and Şenferiye Taşyanar with a share of 40%.

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

### Strengths

- Enhanced sales volume despite the decline in sales revenues caused by the commodity prices in FY2023,
- Solid profitability indicators albeit slight decline in FY2023 and maintenance in 3Q2024,
- Sufficient interest coverage metrics in the reviewed year tough a significant decline in 3Q2024,
- Steady positive cash flows metrics and long-term weighted debt structure,
- Anticipation of an increase in both business volume thanks to product diversity and profitability through facility and SPP investments,
- Compliance with corporate governance practices and quality standards as a publicly traded company,
- Extensive industry knowledge and innovative actions with investments.

### Constraints

- Deterioration in net debt to EBITDA multiplier both in FY2023 and 3Q2024 due to the continuous increase in financial debt for ongoing facility investment,
- Negative FOCF due to cash outflow from investment activities may create further need for external financing,
- Long cash conversion cycle and high operating ratio reducing efficiency level,
- Sensitivity to volatility in commodity prices and fluctuations in exchange rates,
- 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 Group's Long-Term National Issuer Credit Rating has been affirmed at 'A+ (tr)'. Taking into account, the Group's strong profitability indicators, positive momentum on cash flow metrics, innovative facility investments, as well as pressure on efficiency indicators, degradation in net debt to EBITDA multiplier caused by the ongoing increase in financial debt and global economic slowdown signal 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 Group's profitability performance, leverage metrics, efficiency indicators, equity structure and economic conditions in local and global environments are the priority issues to be 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 also be monitored.