Corporate Credit Rating

☐New ☒Update

Sector: Retail Trading
Publishing Date: 22.05.2024

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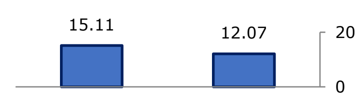
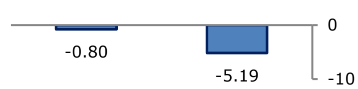
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB- (tr)	J3 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB-	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB-	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

** Assigned by JCR on May 10, 2024*

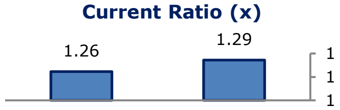
EBITDA Margin (%)



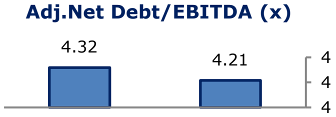
EBIT Margin (%)



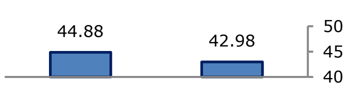
Current Ratio (x)



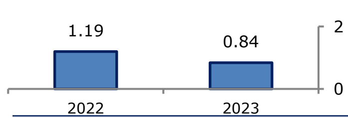
Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



DAGİ GİYİM SANAYİ VE TİCARET ANONİM ŞİRKETİ

JCR Eurasia Rating has evaluated the consolidated structure of **"Dagi Giyim Sanayi ve Ticaret Anonim Şirketi"** in the investment-grade category and revised the Long-Term National Issuer Credit Rating to **'BBB- (tr)'** from **'BBB (tr)'** and the Short-Term National Issuer Credit Rating to **'J3 (tr)'** from **'J2 (tr)'** with **'Stable'** outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been determined as **'BB-'** with **'Stable'** outlooks.

Dagi Giyim Sanayi ve Ticaret Anonim Şirketi (hereinafter referred to as **"Dagi Giyim"** or **"the Group"**) was established in 1984. The Group's shares were acquired by the Koç Family in 2004. Its shareholders are Mahmut Nedim Koç with 55.25%, Mesut Kurukaya with 5.59% as of FYE2023. In addition, Dagi Giyim's shares are listed in Borsa Istanbul (BIST) since 2011 with the ticker "DAGI". As of FYE2023, 44.74% of Dagi Giyim's shares are publicly traded. Mahmut Nedim Koç is the main shareholder of Dagi Giyim.

Dagi Giyim has been serving its customers since 1984 by selling underwear, pajamas, nightgowns, tracksuits, maternity and maternity clothes, swimwear, sea shorts, home wear products. The Group has sales in 122 stores both in Türkiye and abroad as of FYE2023. 86 of the stores are domestic retail stores, 13 are domestic franchising stores and 23 are foreign franchising stores. In addition to the physical stores, the Group also has an online store. The Group maintains its operations by staff force of 767 employees as of FYE2023 (FYE2022: 811).

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

Strengths	Constraints
• Maintaining sales revenue and sales volume, • Consistent outlook in balance sheet leverage profile despite relatively insufficient EBITDA leverage metrics, • Asset quality strengthened by the low collection risks thanks to nature of business, • Diversified income stream thanks to differentiated products and sales channels, • High level of compliance with corporate governance practices.	• Insufficient coverage indicators due to increase in financing expenses, • High financing expenses and expected to continue to increase in 2024 due to short-term weighted financial debt structure pressuring bottom line results, • FX short position due to FC financial debts in 2023, • Low-level of operational efficiency due to high operational expenses and long cash conversion cycle, • 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 Group's Long-Term National Issuer Credit Rating has been revised to **'BBB- (tr)'** from **'BBB (tr)'**. Taking into account the Group's long business track record, sustainable of asset and sales growth, experienced management team, predictability operational performance, as well as short-term weighted debt structure, high financing expenses and FC financial debts; has 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'**. An achievement of budget targets of the Group, debt ratio, profit margins and liquidity indicators, as well as market conditions regarding the sector 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 also be monitored.