Corporate Credit Rating

☐New ☒Update

Sector: Furniture Industry
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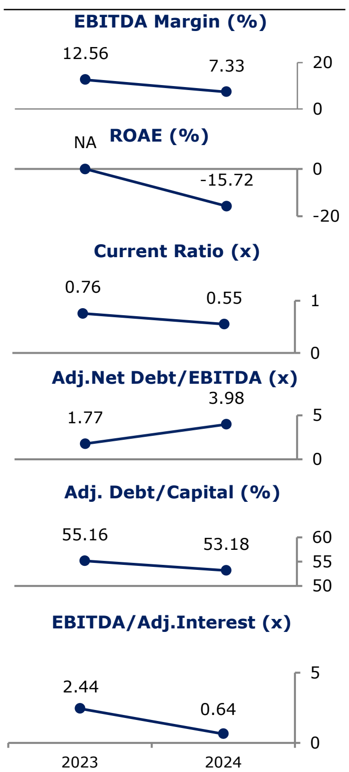
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**BBB+ (tr)**	**J2 (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific 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*



NA: Not Applicable

DOĞANLAR MOBİLYA GRUBU İMALAT SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating, has evaluated **"Doğanlar Mobilya Grubu İmalat Sanayi ve Ticaret A.Ş."** in the investment grade category and affirmed the Long-Term National Issuer Credit Rating at **'BBB+ (tr)'** and the Short-Term National Issuer Credit Rating as **'J2 (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 international ratings and outlooks of Republic of Türkiye.

Doğanlar Mobilya Grubu İmalat Sanayi ve Ticaret A.Ş. (hereinafter referred to as **"Doğanlar Mobilya"** or **"the Company"**), formerly named as Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş., commenced its operations in 1935 and 1972 for the brands of Kelebek and Doğtaş, respectively. 'Kelebek Mobilya' was established in 1935 to manufacture plywood parts for aircraft wings. It continued plywood production under the Kelebek brand at its Haliç, İstanbul facility until 1986. In 1978, Kelebek Mobilya launched its Modular Furniture Factory in Düzce, one of Europe's largest production plants, covering 159,500 m² of open and 62,000 m² of indoor space. 'Doğtaş Mobilya', formerly Doğan Mobilya, was founded by Ali Doğan in Biga/Çanakkale in 1972. The Company currently operates in Biga with a facility covering 247,075 m² of open and 84,000 m² of indoor area, producing a wide range of furniture including living room, dining room, and bedroom furniture for various age groups. As of March 31, 2024, Doğanlar Mobilya operates through six brands: Doğtaş, Kelebek, Lova Sleep, Ruum Store, Kelebek Kitchen & Bathroom, and Biga Home. The Company has a total of 735 sales points, 108 of which are located abroad. In 2023, Doğanlar Mobilya acquired a manufacturing facility in Senegal with an indoor production area of 10,000 m².

Doğanlar Yatırım Holding holds 49.88% of the Company's shares, while the remaining 50.12% are publicly traded on Borsa İstanbul (BIST).

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

Strengths	Constraints
• Franchise-led, multi-brand expansion strengthens domestic and international presence while supporting revenue diversification and market accessibility, • High share of credit card-based sales improves collection quality and shortens the cash conversion cycle, • Positive operating and free cash flows metrics in FY2024, • Solid equity contribution to total resources, largely supported by capital adjustment differences and retained earnings, despite a relatively low paid-in capital and revaluation gains, • End-to-end transformation efforts across digitalization, renewable energy and delivery systems reinforce efficiency, • Compliance with the corporate governance practices as a publicly listed company, • Long-standing experience in the furniture industry.	• Deterioration in net debt to EBITDA ratio in 2024, driven by declining earnings and rising financial indebtedness, leading to increased interest burden and stresses coverage metrics, • Restraining profitability metrics in 2024 amid elevated cost base and muted domestic demand, • Operating loss in 2024 driven by elevated OPEX-to-sales ratio, • High level of doubtful receivables remnant from previous periods, and qualified audit opinion in 2024, with reference to prior-period limitations in receivable confirmations and ongoing inventory validation issues, • Short-term weighted debt structure causing persistent NWC deficit, • As actions for a global soft-landing gain prominence, decisions with the potential to adversely affect global trade are engendering considerable uncertainty.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating affirmed at **'BBB+ (tr)'**. Revenue diversification and market accessibility, High share of credit card-based sales, positive cash flow metrics, solid equity contribution, operational modernization and integrated transformation, long-standing presence as well as deterioration in leverage and coverage metrics, restraining profitability, operating loss, relatively high Opex/Net Sales ratio, high doubtful receivables and NWC deficit 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 at **'Stable'**. The Company's profitability margins, EBITDA generation, liquidity profile, cash flow indicators, asset quality and indebtedness level 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.