

Corporate Credit Rating

New Update

Sector: Automotive Suppliers Industry

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Team Leader

Muhammet Başar

+90 212 352 56 73

muhammet.basar@jcrer.com.tr

Assistant Analyst

Şevval Beyza Aydın

+90 212 352 56 73

sevval.aydin@jcrer.com.tr

| RATINGS | | Long Term | Short Term |
|--------------------------------------|-------------------------------|---------------|------------|
| ICRs (Issuer Credit Rating Profile) | National ICR | AAA (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) | National ISR | - | - |
| | International FC ISR | - | - |
| Sovereign* | Foreign Currency | BB (Negative) | - |
| | Local Currency | BB (Negative) | - |

* Assigned by JCR on Aug 18, 2022

EGE ENDÜSTRİ VE TİCARET ANONİM ŞİRKETİ

JCR Eurasia Rating has evaluated the consolidated structure of "Ege Endüstri ve Ticaret A.Ş." in the investment-level category and assigned the Long-Term National Issuer Credit Rating as 'AAA (tr)' and the Short-Term National Issuer Credit Rating as 'J1+ (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/Negative' in line with sovereign ratings and outlooks of Republic of Türkiye.

Ege Endüstri ve Ticaret Anonim Şirketi (hereinafter "Ege Endüstri" or "the Group") was established in 1964, located in Izmir, Türkiye, manufactures axles, axle parts and suspension components. The Group has been designing and producing front and rear axles, additional axles, trailer axles, suspension systems and their parts for commercial vehicles since 1974. Ege Endüstri has been quoted on the Borsa Istanbul Stock Exchange (BIST) since 1986. 34.67% of shares are publicly traded on the BIST with the ticker symbol "EGEEN", while the rest of the shares belong to Ege Endüstri Holding (63.63%) and others, real persons and legal entities with a shareholding of less than 10% (1.70%). The ultimate main shareholder of the Group is the Bayraktar Family.

The headquarter of the Group is located in Izmir and as of 2022, the Group has an investment with 60,000 m² area in the İzmir Free Zone in order to bring together two production facilities in a single facility. As of September 30, 2023, the total number of employees of the Group is 575 (FYE2022: 581).

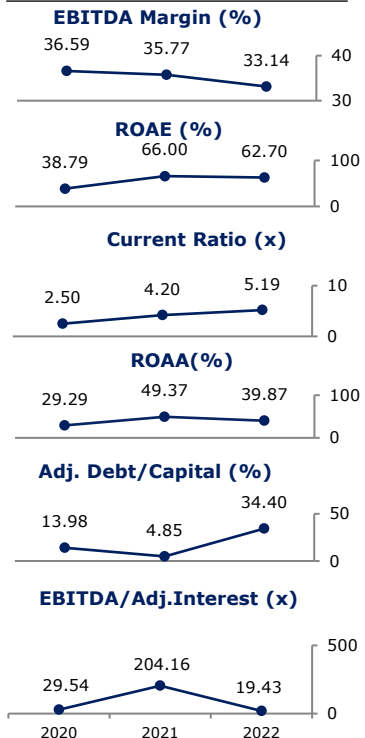
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Solid EBITDA generation capacity driven by the increase in sales revenues through diversified geography and corporate customers,
- Cash surplus position leading sound leverage indicators and expected to maintain strong financial profile in 2023 financials,
- Steady positive cash flow metrics and long-term weighted debt structure facilitating liquidity management,
- High level of interest coverage metrics in FY2022 and expectation of further improvement in 2023 financials thanks to the grace period of investment loans,
- Expectation of increase in business volume and revenue outlook thanks to ongoing investments and long-term deals in abroad,
- As a publicly traded Company, high level of compliance with Corporate Governance Practices,
- Solid market influence thanks to its long-lasting presence in the sector and innovative perspective in R&D projects.

Constraints

- Pressure on efficiency ratios due to low net working capital turnover and long cash conversion cycle through maintaining of inventories as its business base,
- Ongoing low level of paid-in capital in comparison to the equity and asset size,
- Increase in labor costs may put pressure on profitability margins in the upcoming period,
- Leading economic indicators signal global economic slowdown 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 assigned as 'AAA (tr)'. Taking into account, the Group's established market position, strong financial profile and ease of access to affordable & long-term financing, experienced and qualified organizational structure, as well as pressure on efficiency indicators, low level of paid-in capital amount 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, investment processes, efficiency indicators 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.