

## Corporate Credit Rating

New  Update

**Sector:** Metal Industry

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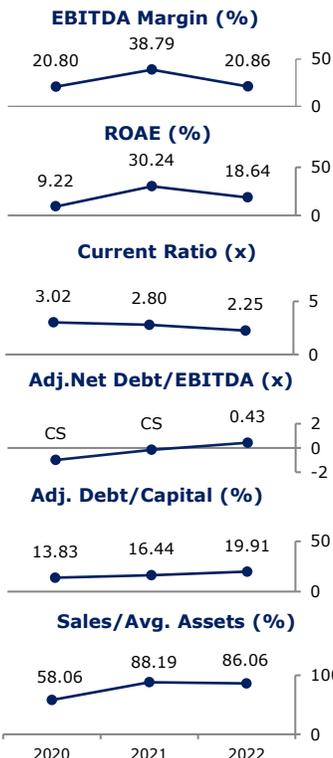
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AAA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

\* Assigned by JCR on Aug 18, 2022



\*CS: Cash Surplus

## Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of "Ereğli Demir ve Çelik Fabrikaları T.A.Ş." in the highest investment level category, affirmed the Long-Term National Issuer Credit Rating at 'AAA (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/Negative', same as country ceiling.

**Ereğli Demir ve Çelik Fabrikaları T.A.Ş.** (hereinafter referred to as 'Erdemir' or 'the Group'), established in 1960, joined OYAK Group after the privatization in 2006. Erdemir currently has two facilities in Ereğli and İskenderun with 3.75mn and 5.80mn tons/year of crude steel production capacity, respectively. Erdemir produces hot and cold rolled, tin, chromium and zinc coated flat steel in international quality standards and provides the basic inputs in automotive, white goods, energy, construction, pipes and tubes, shipbuilding, home appliances, mechanical engineering, heat and pressurized containers, heavy industry, food and packaging sectors. Erdemir ranked respectively 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup>, according to the Istanbul Chamber of Industry (ISO)'s Top 500 Industrial Enterprises, Capital500, Fortune Türkiye.

The Group's main shareholder with 49.29% share is ATAER Holding A.Ş., founded as SPV (Special Purpose Vehicle) for consolidation of OYAK Group Mining & Metallurgy companies. The Group had a staff force of 12,183 together with its affiliates as of June 30, 2023 (December 31, 2022: 12,659). As of the reporting date, 47.16% shares of Erdemir are traded on BIST with the ticker of EREGL. According to the BIST-100, Erdemir is one of the most valuable and top trading companies ranking.

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

### Strengths

- Satisfactory financial leverage indicators in FY2022 and 1H2023 despite net cash position in previous years,
- Balanced revenue and income stream providing predictable EBITDA generation in the analysed period,
- Credible and well-established business supporting sustainable cash flow generation capacity from operations,
- Foreign exchange linked cash flows generation providing natural hedging mechanism,
- Well positioned subsidiaries in region to maintain taking the advantage of high growth rates despite normalization period in line with the sector-wide conditions,
- Strong presence in the local market and experience in the sector,
- Strong partnership structure with a proven track record of OYAK and improved transparency with regard to corporate governance compliance strengthening market position.

### Constraints

- Historically high level of CapEx leading negative FOCF generation in FY2022,
- Maintenance of high and increasing dividend pay-out ratio in the analysed period pressuring UCF metric,
- Fluctuations in external factors affect revenue and profitability figures, particularly to weigh on margins in 1H2023,
- Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance.

Considering the aforementioned factors, the Group's the Long-Term National Rating has been affirmed at 'AAA (tr)'. Strong presence in the local market, well-established business and partnerships, sustainable operational performance, predictable profit margins and cash flow from operations, maintaining asset quality, as well as ongoing uncertainties globally have been evaluated as important 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 debt and equity level, liquidity and profitability indicators will be closely monitored by JCR Eurasia Rating in the 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.