

Corporate Credit Rating

New Update

Sector: Metal Industry

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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	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Stable	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "Ereğli Demir ve Çelik Fabrikaları T.A.Ş." in the investment grade category with the highest credit quality, 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/Stable' in line with the sovereign ratings and outlooks of Republic of Türkiye.

"Ereğli Demir ve Çelik Fabrikaları T.A.Ş." (hereinafter referred to as "Erdemir" or "the Group" or "the Company") was established on May 10, 1960 in Ankara, Türkiye and joined OYAK Group after the privatization in 2006. The Group's headquarter is located in İstanbul, Türkiye.

The Group produces hot and cold rolled, tin, chromium and zinc coated flat steel at international quality standards and provides basic input to the automotive, white goods, energy, construction, pipe and tube, shipbuilding, household appliances, mechanical engineering, heat and pressure vessels, heavy industry, food and packaging sectors.

The Company ranked 10th in the list of Türkiye's Top 500 Industrial Enterprises published by İstanbul Chamber of Industry in 2023 (2022: 5th).

The Group has a total of 12,197 employees as of 3Q2024 (FY2023: 12,487).

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. As of 3Q2024, 46.74% of shares are publicly traded on the Borsa İstanbul (BIST) with the ticker symbol "EREGL".

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

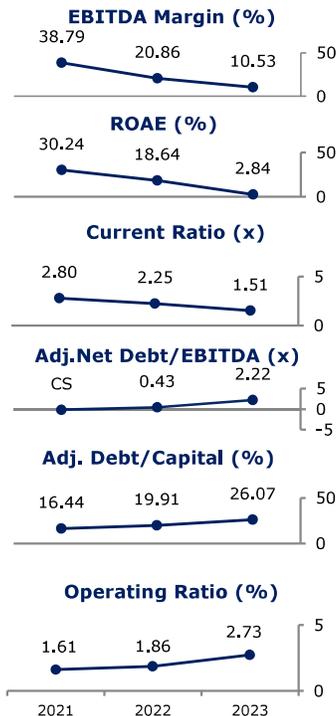
Strengths

- Moderate sales revenue and EBITDA generation capacity over the years despite contraction in FY2023,
- Reasonable net debt to EBITDA multiplier despite an increase in FY2023 mainly due to ongoing investments,
- FX linked revenue stream providing natural hedging opportunity against currency risk in a certain extent,
- Well-positioned subsidiaries providing synergy via diversified region and operations,
- Strong presence in the local market and experience in the sector,
- Strong partnership structure with a proven track record of OYAK and compliance with corporate governance principles.

Constraints

- Ongoing negative FOCF in the last two-year period mainly stemming from CapEx,
- Maintenance of high dividend pay-out ratio over the years except FY2023,
- Fluctuations in external factors affecting revenue and profitability figures,
- 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 'AAA (tr)'. The Group's moderate sales revenue and EBITDA generation capacity, reasonable net debt to EBITDA multiplier and FX linked revenue stream as well as negative FOCF and slowdown signal in the global economy 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 financial structure, sales and profitability performance, liquidity and leverage 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.



* CS: Cash Surplus