

Corporate Credit Rating

New Update

Sector: Paper and Forest Products
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating Profile)	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
	National ISR	-	-
Sovereign (*)	International FC ISR	-	-
	International LC ISR	-	-
Sovereign (*)	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

EUROPAP TEZOL KAĞIT SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "Europap Tezol Kağıt Sanayi ve Ticaret A.Ş." in the investment-level category and assigned the Long-Term National Issuer Credit Rating at 'AA (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 assigned as 'BB/Stable', as parallel to international ratings and outlooks of Republic of Türkiye.

Europap Tezol Kağıt Sanayi ve Ticaret A.Ş. ("Europap Tezol" or "the Company") was established in 1969 to operate in the field of the tobacco trade in İzmir under the name of Tezol Tütün İhracat Dahili Ticaret İthalat A.Ş., then started to operate in the tissue paper sector in 2000. The Company's current field of activity is to produce and sell tissue paper in the form of both parent reels and finished products such as towels, napkins, and toilet paper.

The Company carries out its domestic sales mainly to chain markets through 15 well-known private-label and has 5 main brands of its own such as Softy, Mare, Ecco, Ritmo and Dolce. As of FYE2023, the Company has four tissue production mills and 23 converting lines in İzmir and Mersin factories. The shares of the Company have been publicly traded on the Borsa İstanbul A.Ş. ("BİST") since September 15, 2021. As of Q1-2024, 24.97% of the Company's shares are listed on Borsa İstanbul and the remaining shares are held by Tezol family members.

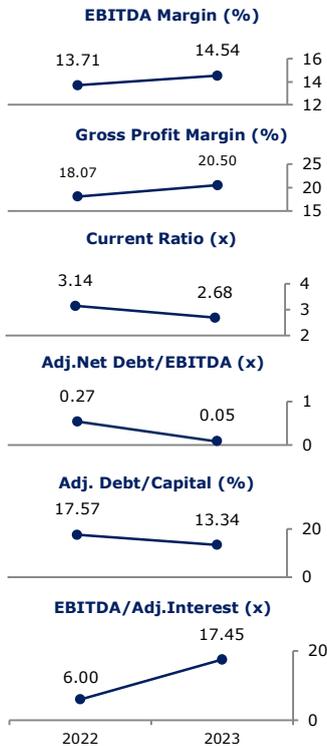
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Despite the decrease in revenue, maintained increase in ton-based sales volume in 2023 and growth expectation through completed investments,
- Foreign currency denominated income stream mitigating currency risk in a certain extent,
- Strong financial indicators and sustainable profit metrics,
- Asset quality supported by sales to chain markets and a diversified international customer portfolio as well as largely insured or collateralised receivables,
- Positive net working capital with strengthening cash flow metrics easing liquidity management in 2023,
- Sound equity level underpinned by retained earnings,
- Integrated production facilities and sectoral experience, along with sustainability studies involving environmentally friendly practices,
- Maintaining high corporate governance practices as a publicly listed Company,

Constraints

- Monetary losses and increasing tax expenses put pressure on Company's bottom-line profit in 2023,
- Import dependency as well as sensitivity to cellulose prices,
- 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.



The Company's consolidated audited financial statements include inflation adjustments. Adjustments have been made in accordance with the terms of IAS 29 "Financial Reporting in Hyperinflationary Economies" regarding the changes in the general purchasing power of the Turkish Lira as of 31 December 2023. Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been assigned at 'AA (tr)'. The Company's sectoral experience, strong financial position along with solid equity level, collateralized receivable structure, and hard-currency generation capacity 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 Company's capital adequacy, financial structure, sales performance, asset quality, growth performance, profitability ratios and the trends of the existing risks in the markets and the business environment 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.