JCR Eurasia Rating
"JCR-ER, Group of Japan Credit Rating Agency, Ltd."

Corporate Credit Rating

☒New ☐Update

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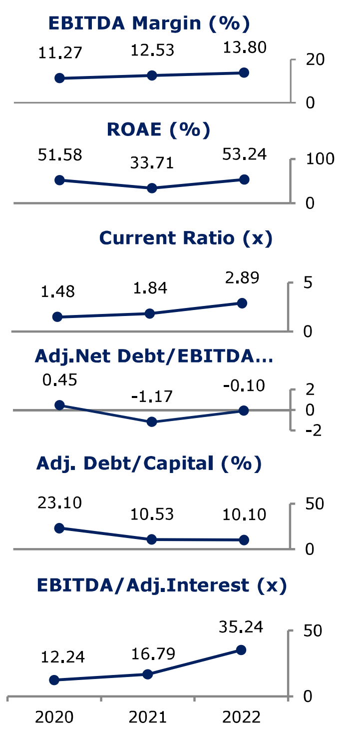
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA+ (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)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

** Assigned by JCR on Aug 18, 2022*



GEN İLAÇ VE SAĞLIK ÜRÜNLERİ SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of **"Gen İlaç ve Sağlık Ürünleri Sanayi ve Ticaret A.Ş."** in the investment-level category and assigned the Long-Term National Issuer Credit Rating as **'AA+ (tr)'** and the Short-Term National Issuer Credit Rating as **'J1+ (tr)'** with **'Stable'** outlook. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as **'BB/Negative'** in line with international ratings and outlooks of Republic of Türkiye.

Gen İlaç ve Sağlık Ürünleri Sanayi ve Ticaret A.Ş. (hereinafter referred to as "**Gen İlaç**", or "**the Group**"), was established in 1998 in Ankara. In addition, the Group has 3 liaison offices in İzmir, İstanbul and Trabzon. The Group operates in the fields of manufacturing, trading, importing and exporting all kinds of medicines and health products for human use. Abidin Gülmüş and his family are the main shareholder and controlling party of the Group. The Group was offered to the public in 2021 and free float rate is 22.65% as of report date.

The Group, which has more than 20 years of experience in drugs used in the treatment of rare diseases, is expanding its activities with 19 global business partners from 10 countries. The number of personnel employed by the Group as of December 31, 2022 was 579 (FYE2021: 542).

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

Strengths	Constraints
• Diversified product mix combined with geographical prevalence providing consistency in revenue stream and EBITDA generation capacity, • Net cash position against financial debt throughout FYE2021 and FYE2022, • Satisfactory liquidity metrics during the analyzed period, • Solid equity level combined with decent equity composition fed by retained earnings and internal resource generation capacity, • Sustainable profit margins on the back of high share of NPP in sales, • Sound efficiency indicators driven by low cash conversion cycle and reasonable operating ratio albeit increasing, • Remarkable R&D activities providing competitive advantages in addition to ongoing capacity-enhancing investment, • Developing sector promises large space for future growth with increasing population, • Long experience in the sector along with high level of compliance with Corporate Governance Practices, as a publicly traded company.	• Fixed exchange rate regime pressuring profitability in the sector, • Newly established factory works with low capacity and its contribution to turnover is realized in the medium term, • Increase in costs due to high import dependency in raw materials and depreciation of TRY, • High competition in the pharmaceutical industry, • 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 points, the Group's Long-Term National Issuer Credit Rating has been assigned as '**AA+ (tr)**'. Consistency in revenue stream and EBITDA generation capacity, net cash position against financial debt, satisfactory liquidity metrics, solid equity level, sustainable profit margins on the back of high share of NPP in sales, sound efficiency indicators driven by low cash conversion cycle and operating ratio, long experience in the sector along with high level of compliance with Corporate Governance Practices, as well as, fixed exchange rate regime, newly established factory works with low capacity, ongoing uncertainties and global economic slowdown 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 level of debt ratio, profitability ratios and EBITDA generation 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 also be monitored.