

## Corporate Credit Rating

New  Update

**Sector:** Specialty Vehicles & Equipment, Defense

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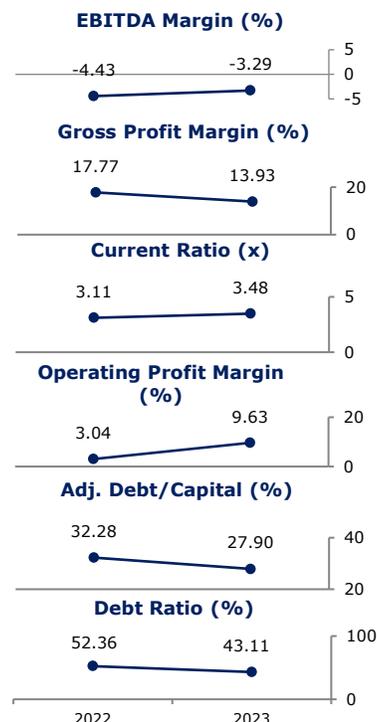
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BB (tr)	J3 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	B+	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	B+	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

\* Assigned by JCR on May 10, 2024



## Katmerciler Araç Üstü Ekipman San. ve Tic. A.Ş.

JCR Eurasia Rating, has evaluated "Katmerciler Araç Üstü Ekipman San. ve Tic. A.Ş." in the speculative grade category and revised the Long-Term National Issuer Credit Rating from 'A+ (tr)' to 'BB (tr)' and the Short-Term National Issuer Credit Rating from 'J1 (tr)' to 'J3 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'B+/Stable' in line with the global and national scale rating matching published by JCR Eurasia Rating.

**Katmerciler Araç Üstü Ekipman San. ve Tic. A.Ş.** (hereinafter referred to as "Katmerciler" or "the Company" or "the Group), founded in 1985 in İzmir, engages in a variety of activities such as onboard equipment manufacturing, painting, and welding. The Company focuses on producing specialized vehicles, machinery, and equipment, including those for the defense industry, firefighting, waste collection, jetting, rescue operations, tipping, armored vehicles, heavy-duty armored machinery, and water cannon vehicles. The Company has built an extensive export network spanning over 50 countries in Africa, the Middle East, Europe, and Asia. With its headquarters in İzmir, the Group runs factories in both İzmir and Ankara, and maintains offices in Ankara, İstanbul and Iraq.

As of 1Q2024, the Company employs 327 personnel (FYE2023: 354). The Company's shares have been publicly traded since 2010, and as of 1Q2024, approximately 79.85% of shares are listed on the Borsa İstanbul (BİST).

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

### Strengths

- Slight improvement in equity size supported by increased paid-in capital despite notable bottom-line loss as of FYE2023,
- Remarkable backlog size with local and global orders in the production of defense industry vehicles and on-board equipment,
- Export sales provide natural hedge opportunities against FX exposure to a certain extent,
- Level of compliance with the corporate governance practices as a publicly listed company.

### Constraints

- Delays in repayment of bank loans in 2024,
- Weak financial leverage and coverage metrics against high financial debt due to the failure to generate EBITDA for two consecutive year-end periods due to mainly inflation accounting standards, despite EBITDA generation capacity return to positive as of 1Q2024,
- Net period loss continued due to the impact of high financing expenses despite the moderate increase in operating profitability in FY2023,
- Due to the nature of the business, the long cash conversion cycle requires external resources,
- Political, commercial, and operational risks specific to the defense industry related to trade restrictions imposed by countries,
- High competition environment in the sector,
- 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.

Considering the aforementioned points, the Company's the Long-Term National Rating has been revised from 'A+ (tr)' to 'BB (tr)'. Despite prolonged delay records in current loan repayments and decline in EBITDA generation capacity, the Company's equity level, export volume and backlog value have been evaluated as important indicators for the stability of the ratings and the outlooks for long-term and short-term national ratings are determined as 'Stable'. The Company's loan repayment performance, profitability metrics and asset quality together with the trends in financing opportunity and defense sectors are going to be monitored by JCR Eurasia Rating, as well as the macroeconomic indicators at national and international markets and legal frame about the sector.