Corporate Credit Rating

☐New ☒Update

Sector: Food Products Industry
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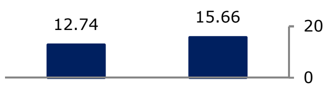
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

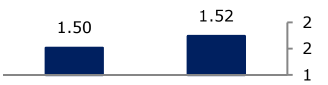
** Assigned by JCR on May 10, 2024*

EBITDA Margin (%)

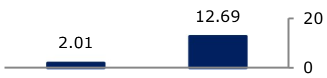
NWC/Assets (%)



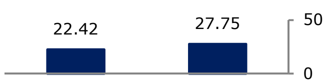
Current Ratio (x)



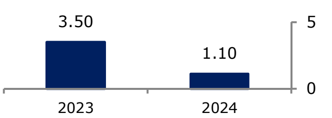
Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



KAYSERİ ŞEKER FABRİKASI ANONİM ŞİRKETİ

JCR Eurasia Rating has evaluated the the consolidated structure of **"Kayseri Şeker Fabrikası Anonim Şirketi"** in the investment level category and revised the Long-Term National Issuer Credit Rating to **'BBB (tr)'** from **'A- (tr)'** and affirmed the Short-Term National Issuer Credit Rating at **'J2 (tr)'** with **'Stable'** outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been determined as **'BB/Stable'** in parallel to sovereign ratings and outlooks of Republic of Türkiye.

Kayseri Şeker Fabrikası Anonim Şirketi (hereinafter referred to as **"Kayseri Şeker"** or **"the Group"**) was established in 1954, started its operations with the establishment of Kayseri Sugar Factory in 1955. The shareholder structure of Kayseri Şeker after the IPO is as follows: Kayseri Beet Planters Cooperative with 49.80% share, Turkey Wealth Fund with 9.41% share and 23 Beet Planters Cooperatives and others with 17.56% share.

The main activity of Kayseri Şeker is the production of crystal sugar from sugar beet. Kayseri Şeker, own 3 sugar factories, has 16.55% of total quota for MY 2024/2025 in Türkiye. The Group ranks 98th among the top 500 industrial companies (İSO 500) in Türkiye. Kayseri Şeker, through its subsidiaries, operates in fields such as livestock, green housing, warehousing, trade and transportation of fuel products and woven sack production.

Kayseri Şeker has been quoted on BIST since May 2023 through the ticker symbol **"KAYSE"** with the free float rate of 23.23%. The Group maintains its operations by staff force of 2,470 employees as of July 31, 2024 (April 30, 2024: 2,055).

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

Strengths	Constraints
• Predetermined sugar quota established by presidential decree and solid market position enhancing the visibility of sales volume, • Strong cash convertibility underpinned by significant level of net working capital derived from inventory capacity and decent current ratio, • Anticipated cash generation capability bolstered by high amount of investment properties, • Powered by its agricultural cooperative model with links to thousands of farmers, • Asset quality bolstered by the low collection risks and credible customer base, • Long-lasting presence dating back to 1955 and successful track-record in the sector, • Compliance with corporate governance practices and quality standards as a publicly traded company.	• Contraction in profitability indicators due to relatively low sugar prices in FY2024 and expected to continue midterm financials, • Distortion in net debt to EBITDA multiplier driven by heavy debt burden and inadequate EBITDA generation in FY2024 despite significant decline in financial debt as of the reporting date, • Negative cash flow metrics due to working capital changes in FY2024, • Remarkably low level of paid in capital compared to total equity, even after the capital increase in FYE2024, • Inherent risks of sugar beet supply due to weather conditions and farmers' crop cultivation decisions, • 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 revised to **'BBB (tr)'** from **'A- (tr)**. Taking into account the Group's solid market position with sugar quota share, strong cash convertibility via inventory capacity, high amount of investment properties, long business track record, experienced and qualified management team as well as, contraction in profitability along with inadequate EBITDA generation, short-term weighted funding profile, negative cash flow metrics, competition in the sector and global tight financial conditions 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 profitability indicators, debt structure, liquidity position and asset quality, as well as market conditions regarding the sector 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.