

Corporate Credit Rating

New Update

Sector: Coolers and Freezers
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Team Leader

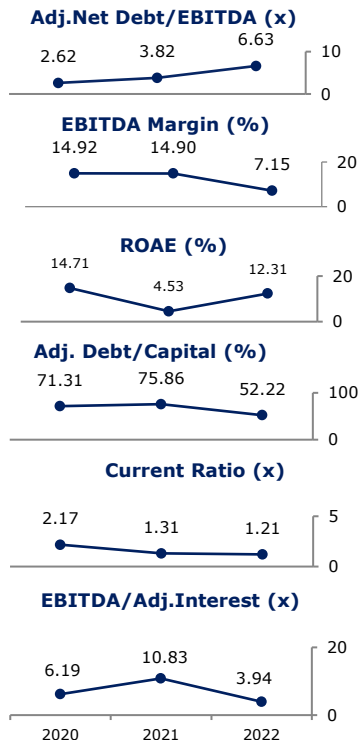
Elif Kirlangıç Keçeli
 +90 212 352 56 73
elif.keceli@jcrer.com.tr

Analyst

Melda Narin
 +90 212 352 56 73
melda.narin@jcrer.com.tr

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	A- (tr)	J2 (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 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



Klimasan Klima San. ve Tic. A.Ş.

JCR Eurasia Rating, has evaluated "Klimasan Klima San. ve Tic. A.Ş." in the high-investment level category and revised the Long-Term National Issuer Credit Rating from 'A (tr)' to 'A- (tr)' and the Short-Term National Issuer Credit Rating from 'J1 (tr)' to 'J2 (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.

Klimasan Klima San. ve Tic. A.Ş. (hereinafter referred to as 'Klimasan Klima', or 'the Company' or 'the Group') was established in 1969 to operate in the production and sales of industrial type coolers and freezers. The main product range items of the Company are coolers of soft drinks, beer and beverages, and fridges for frozen foods and ice cream which has more than 110 models currently. The Company carries out its activities in Manisa Industrial Zone where built on a total production area of 66,412 m² with 1.579 average staff force. The Company has a proven track record throughout its history in the sector of above 50 years with significant presence and know-how with strong regional and global brand recognition, namely "Klimasan", "Senocak", "Metalfrío", "Caravell", "Metalfrío Solutions" and "Derby". The Company exports more 70 than countries operating in Europe, Middle East, Africa, CIS and Asia. The Company has been quoted on the Borsa Istanbul Stock Exchange (BIST) since 1997 and **39%** of its shares are publicly traded on the BIST with the ticker symbol "KLMSN" as of reporting date. "Metalfrío Solution Soğutma San. ve Tic. A.Ş." has been the ultimate shareholder of Klimasan Klima since 2013 and its current ownership in the Company is 61%. "Metalfrío S.A", which is a Brazilian multinational corporation, has all shares of the "Metalfrío Solution Soğutma San. ve Tic. A.Ş."

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

Strengths

- Wide range of product providing continuity of sales figure and positive cash flow,
- Hard-currency income generation capacity through FX-oriented business model,
- Long-standing relationship with 'Blue-Chip' client profile limiting counterparty risk,
- Large scale of operations with strong linkages with group companies creating competitive advantage,
- Benefitting from having own production facilities as well as innovative R&D investments providing sustainable development,
- High level of compliance with corporate governance practices.

Constraints

- Decrease in gross and operating profit margins with tightening EBITDA generation capacity stemming from cost pressure in 2022,
- Remarkable deterioration in leverage indicators in 2022,
- Noteworthy contribution of non-cash revaluation to asset and equity size,
- Ongoing high level of other receivables from related parties distorting the integrity of balance sheet,
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections,

Considering the aforementioned points, together with such additional support factors as long-lasting business track record, strong brand recognition, increasing market efficiency in abroad along with the domestic market, top-tier customer base, as well as the decrease in profitability and deterioration in leverage metrics, the Company's the Long-Term National Issuer Credit Rating has been revised from "A (tr)" to "A- (tr)". The Company's borrowing figure, term structure, multinational parent company and geopolitical risks-driven uncertainties 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 debt ratio, equity trend and turnover growth 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.