

Corporate Credit Rating

☐ New ☒ Update

Sector: Coolers and Freezers
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Team Leader

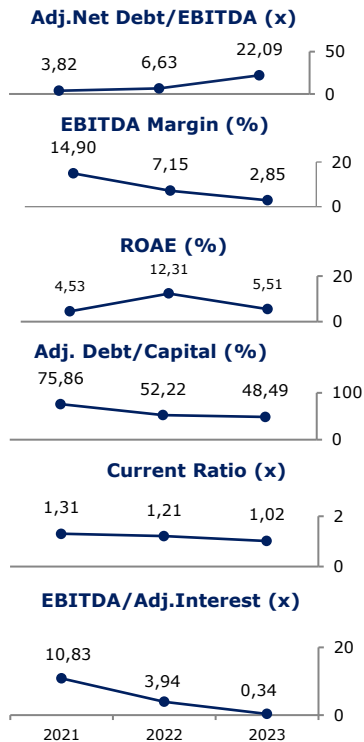
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	BBB (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	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 investment level category and revised the Long-Term National Issuer Credit Rating from '**A- (tr)**' to '**BBB (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 were assigned as '**BB/Negative**' 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 1,327 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**", "**Metalfrio**", "**Caravell**", "**Metalfrio Solutions**" and "**Derby**". The Company exports more than 100 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**". Remaining shares held by "Metalfrio Solution Soğutma San. ve Tic. A.Ş." which is controlled by Metalfrio Solution Group based in Brazilian.

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

Strengths

- Natural hedge mechanism through export-oriented business model in a certain extent despite contraction in oversea sales in FY2023,
- Versatile product range technically strengthened along customer requirements ensuring positive cash flow,
- Long-lasting relationship with 'Blue-Chip' client profile limiting counterparty risk,
- Broad operational scope and solid linkages with group companies,
- R&D investments and CAPEX providing sustainable development,
- High level of compliance with corporate governance practices.

Constraints

- Muted sales performance and relatively increased personnel expenses leading to weak EBITDA capacity and operating loss in FY2023,
- Notable deterioration in financial leverage metrics in FY2023,
- Inability to cover interest expenses with EBITDA in FY2023,
- Sizeable part of equity stemming from foreign currency translation differences and revaluation gains in FY2023,
- Increasing short-term external fund requirement attributable to longer cash cycle period in FY2023,
- Still high level of other receivables from related parties distorting the integrity of balance sheet,
- 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 Issuer Credit Rating has been revised from "**A- (tr)**" to "**BBB (tr)**". Long-lasting track record, strong brand recognition, top-tier customer base, profitability margins and leverage metrics 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 sales growth, borrowing profile, operational performance, liquidity/cash flow metrics along with macroeconomic indicators at national and international markets and market conditions will be closely monitored by JCR Eurasia Rating in upcoming periods.