Corporate Credit Rating

☐New ☒Update

Sector: Information and Communication Technologies (ICT)
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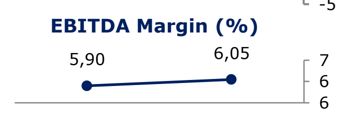
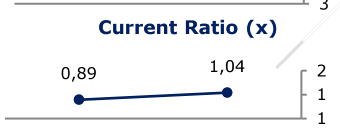
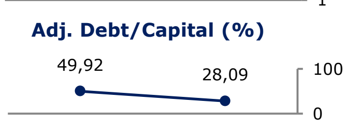
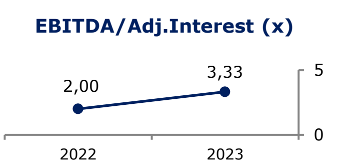
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**AA+ (tr)**	**J1+ (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific 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*









CS: Cash Surplus

Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "**Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.**" in the investment grade category with very high credit quality and revised the Long-Term National Issuer Credit Rating from **'AA (tr)'** to **'AA+ (tr)'** and affirmed the Short-Term National Issuer Credit Rating at **'J1+ (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'** in line with the global and national scale rating matching published by JCR Eurasia Rating.

Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (referred to as '**KoçSistem**' or '**the Group**') was founded as Koç Ticaret Büro Levazımatı A.Ş. in 1945. The dealership agreement concluded with the US based Borroughs Corporation in early foundation times was later enlarged, the Company changed its commercial title as Koç Borroughs in 1953. Koç Borroughs, which operated under this title for more than thirty years, took its new title Koç-Unisys in 1987 following the merger of Borroughs with the Sperry Company. And then, Koç Unisys was changed and updated to its current version as KoçSistem in 1997. KoçSistem provides services for corporate companies regarding consultation from layer of system to layer of business applications, application development, assembling, training services, managed services, cloud computing and shared services, maintenance and support services. KoçSistem was granted permission for "Authorized R&D center which is 16th nationwide and the first in the software field in 2009. According to the "Türkiye's top 500 ICT Companies" list published by the BTHABER, KoçSistem has maintained the leadership since 2008 and ranked as 1st in the "System Integrator and Business Partner" category again in 2023. Besides, the Company was ranked as 166th in the Fortune 500 Türkiye list, which are 500 companies with the largest net turnover in the country, in 2023.

KoçSistem is controlled by its main shareholder Koç Holding A.Ş., Koç Family members and the companies owned by Koç Family members. KoçSistem maintains its operations by a total staff force of 1.108 employees as of FYE2023. (FYE2022: 1.407).

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

Strengths	Constraints
• Cash surplus position along with decreasing net debt level in FY2023 • Revenue growth in FY2023 • Improvement in profitability ratios in FY2023 and recovery in operating loss in 1H2024 compared to 1H2023 according to the independent audit report for interim period • Favorable cash flow metrics • Diversified fund resources through bond issuances in FY2023 • Contractual and longstanding business relationship with well-known clients supporting asset quality • Long-lasting presence dating back to 1940's • Being a subsidiary of one of the Türkiye's leading investment holding companies; Koç Holding	• High level of OPEX with increase in FY2023 • Competitive market conditions suppressing the profitability margins in the industry • 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, KoçSistem's the Long-Term National Issuer Credit Rating has been revised from **'AA (tr)'** to **'AA+ (tr)'.** The Group's long-lasting presence in the sector, cash surplus position along with the downward trend in net debt level in FY2023, improving profit margins in FYE2023 as well as competition in the market 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 revenue growth, EBITDA generation capacity, profitability and leverage, equity level, profit margins and solvency performance 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.