

Corporate Credit Rating

New Update

Sector: Architecture & Engineering

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Manager

Çiğdem Küçükbakırcı

+90 212 352 56 73

cigdem.kucukbakirci@jcrer.com.tr

Assistant Analyst

Özlem Topuk

+90 212 352 56 73

ozlem.topuk@jcrer.com.tr

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A+ (tr)	J1+ (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 Rating 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

KONTROLMATİK TEKNOLOJİ ENERJİ VE MÜHENDİSLİK A.Ş.

JCR Eurasia Rating, has evaluated the "Kontrolmatik Teknoloji Enerji Ve Mühendislik A.Ş." in the 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 '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/Negative'.

Kontrolmatik Teknoloji Enerji ve Mühendislik A.Ş. (Kontrolmatik Teknoloji or "the Company") was established in 2008 in Istanbul. The Company provides services with its two factories, one of which is in operation and the other under construction, and offices in many countries. Main field of the Company consists of Operational Technologies and Industrial Software-Control System, Communication, Information Security and IoT and Power Systems and Project Management. Kontrolmatik Teknoloji provides end-to-end digital solutions in the fields of software, hardware and systems development and integration, energy generation, transmission, distribution, energy storage technologies, internet of things (IoT) for all kinds of engineering solutions and developing environmentally friendly technologies for a carbon-neutral.

The Company's main ultimate controlling shareholders are Sami Aslanhan with 38,10% share and Ömer Ünsalan with 38,10% share and also in October 2020, the Company started to be traded on the Istanbul Stock Exchange (BIST) with the 'KONTR' ticker.

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

Strengths

- Sustaining operational and bottom line profitability as well as the share sales to institutional investors contributing to fundraising diversity for FY2022,
- Solid liquidity structure by dint of high level of cash and cash equivalents and long-term borrowing capability, underpinning the leverage metrics in FYE2022,
- TRY weighted borrowing structure and FC-denominated contracts limiting the FX losses to some extent,
- EPC-F contracts in design and engineering projects supporting revenue stream and receivable quality,
- Improvement in cash flow metrics despite high investment expenditure in FY2022,
- The competitive advantage of owning its own R&D center, along with ongoing investments and a pioneering position in the sector providing value-added production opportunities,
- High level of emphasis on sustainability in addition to compatibility to Corporate Governance Practices and quality standards.

Constraints

- Increasing funding need of the ongoing investments, may cause fluctuation on profitability margins, depending on the investment return period,
- Decline in equity level compared to elevated assets despite internal fund generation and share premiums,
- Presence of operations in countries that are exposed to a political and economic risks,
- 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, the Company's the Long-Term National Issuer Credit Rating has been revised from 'A (tr)' to 'A+ (tr)'. Sustainable growth in sales volume and increasing operational profitability, backlog amount, cash generation capacity, asset quality, capability to access funding resources, financing of contracts by the world bank / international institutions and high earning potential with new contracts and long FX position 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 indebtedness level, cash flow indicators, profitability figures, and equity structure 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.

