

Corporate Credit Rating

New Update

Sector: Industrial Fabric & Composite Technologies

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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 | BBB+ | J2 |
| | International FC ICR Outlooks | Stable | Stable |
| | International LC ICR | BBB+ | J2 |
| ISRs (Issue Specific Rating Profile) | International FC ISR | - | - |
| | International LC ISR | - | - |
| | Foreign Currency | BB (Stable) | - |
| Sovereign* | Local Currency | BB (Stable) | - |

* Assigned by JCR on May 31, 2021

Kordsa Teknik Tekstil Anonim Şirketi

JCR Eurasia Rating, has evaluated the "Kordsa Teknik Tekstil Anonim Şirketi" in the investment-level category and affirmed the Long-Term National Issuer Credit Rating at 'AA+ (tr)' and 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 'BBB+ /Stable'.

Kordsa Teknik Tekstil Anonim Şirketi (Kordsa or "the Company") was established in 1973 as a subsidiary of Hacı Ömer Sabancı Holding A.Ş. ("Sabancı Holding") in İzmit. The Company mainly focuses on tire reinforcement, composite and construction reinforcement technologies and provides input many industries such as automotive, aviation, aerospace, maritime, rail systems and construction of infrastructure and superstructure. Kordsa is a global player thru 12 factories in 5 countries and across 4 continents. The Company conducts its tire reinforcement manufacturing operations with 7 factories in Thailand (1), Indonesia (2), Brazil (1), the USA (2) and Turkey (1); and has composite reinforcement manufacturing operations in the USA (4) and Turkey (1). Also, there are 2 R&D centers for both of these business lines in Turkey (Teknopark İstanbul and İzmit Plants). Kordsa, which generated consolidated sales revenues of TRY 7.89bn as of FY2021, circa 92% of which was from its overseas operations. Average number of employees within the Company is 4.844 in 2021. The Company's main shareholder is Sabancı Holding with a rate of 71.11% as of reporting date. Kordsa shares have been traded on Borsa İstanbul Index (BIST) since 1986 with a free-float rate of 28.89% under ticker-name of "KORDS".

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

Strengths

- Improvement in EBITDA margin and sustainable financial leverage profile,
- Geographically diversified sales structure mitigates concentration risk,
- Having capacity for continuous technological innovation,
- Natural hedging opportunity derived from hard currency denominated revenues,
- High level of compliance with Corporate Governance Practices.

Constraints

- Unit cost price fluctuations and volatility of energy prices may put pressure on profitability margins,
- The geopolitical risks stemming from the Russia-Ukraine tension increasing commodity prices and uncertainty.

Considering the aforementioned the Company's the Long-Term National Issuer Credit Rating has been affirmed as 'AA+ (tr)'. The Covid 19 pandemic had a negative impact on the industry where the Company provided intermediate good input, especially the automotive and aerospace industry, and this caused a limited decrease in the Company's profitability margins in 2020. However, strong financial results of 2021, sustainable financial leverage, equity structure, and steady profitability ratios have been evaluated as important indicators, and the outlooks for long- and short-term national ratings are determined as 'Stable.' The Company's profitability performance, asset quality 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.

