JCR Eurasia Rating
"JCR-ER, Group of Japan Credit Rating Agency, Ltd."

Corporate Credit Rating

☐New ☒Update

Sector: Retail Industry
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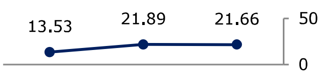
Team Leader
Demet Kızgınel
+90 212 352 56 73
demet.kizginel@jcrer.com.tr
Senior Analyst
Pelin Erarslan
+90 212 352 56 73
pelin.erarslan@jcrer.com.tr

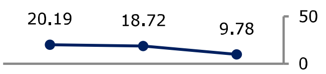
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A+ (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB Stable	-
	Local Currency	BB Stable	-

** Assigned by JCR on May 10, 2024*

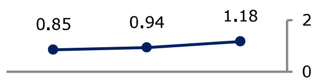
EBITDA Margin (%)



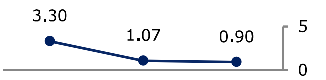
CFO Margin (%)



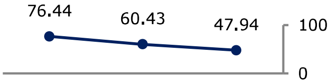
Current Ratio (x)



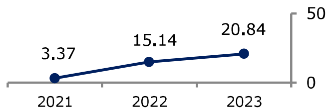
Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of **"Koton Mağazacılık Tekstil Sanayi ve Ticaret Anonim Şirketi"** in the investment grade category with high credit quality and affirmed the Long-Term National Issuer Credit Rating at **'A+ (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 are determined as **'BB/Stable'** in line with the sovereign ratings and outlooks of Republic of Türkiye.

Founded in 1988 in İstanbul, **Koton Mağazacılık Tekstil Sanayi ve Ticaret Anonim Şirketi** (hereinafter referred to as **"Koton"** or **"the Group"**)'s field of activity is to design and manufacture all kinds of ready-to-wear clothing products and to sell them wholesale or retail through its chain stores, website and market places. The initial public offering process (IPO) of Koton carried out in May, 2024. As of report date 13.16% of shares are publicly traded on the BIST with the ticker symbol "KOTON". As of December 31, 2024, the total number of the Company's stores reached 451, including 213 company owned and 31 franchise stores in Türkiye and 134 company owned and 73 franchise stores abroad and the number of employees of the Group was 7,923 (2023: 8,391). Koton's 19 subsidiaries operating in different countries are included in consolidation. As of September 30, 2024, Koton's shareholders are Nemo Apparel BV, Yılmaz Yılmaz, Şükriye Gülden Yılmaz and publicly traded part with the shares of 39.60%, 23.61%, 23.61% and 13.18%, respectively.

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

Strengths	Constraints
• Sustained EBITDA figure in FY2023 driven by increased demand, store area efficiency and supply policies, • Strong solvency proven by coverage and leverage indicators in both FYE2023 and 3Q2024, • Contrary to previous periods, positive net working capital in FYE2023 indicating stronger liquidity, • Ongoing foreign market expansion powered by well-known brand name and market influence, • Diversified product range and sales channel feeding revenue stream, • Limited collection risk and supporting asset quality, • Compliance with corporate governance practices and quality standards as a publicly traded company,	• Net profit margin contraction in 3Q2024 due to lower operating FX gains and lower net monetary position gains, • Partial decline in cash flow from operations (CFO) in FY2023, • Relatively high operational expense due to the nature of business, • Intense competition through pushing low-price and shift the selections quickly in the readymade garment industry by fast-fashion retailers, • Revenues exposed to different country risk elements, • As actions for a global soft landing gain prominence, decisions with the potential to adversely affect global trade are engendering considerable uncertainty.

Considering the aforementioned points, Group's Long-Term National Issuer Credit Rating has been affirmed at **'A+ (tr)'**. The Group's sustained EBITDA generation capacity, solid coverage and leverage indicators, closed NWC deficit in FYE2023, well-known brand name and market impact, limited collection risk and increased corporate governance as well as, net profit margin contraction in 3Q2024, partial decline in CFO, high level of operating expense, high competition in sector have been evaluated as important indicators for the **'Stable'** outlooks for the Short and Long-Term National Issuer Credit Ratings. The Group's revenue generation performance, leverage profile, liquidity metrics, profitability margins will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will also be monitored.