Corporate Credit Rating

☐New ☒Update

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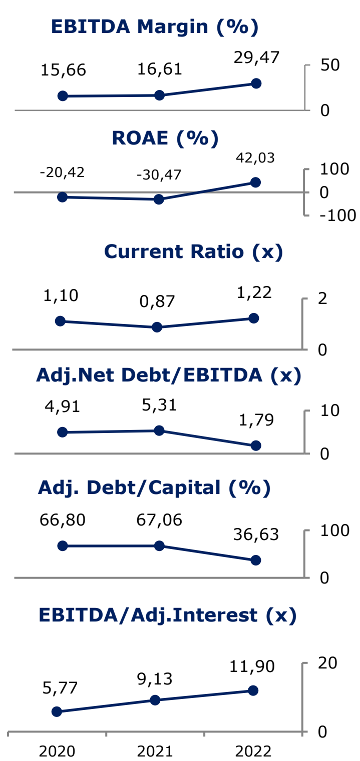
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)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

** Assigned by JCR on Aug 18, 2022*



Menderes Tekstil Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of **"Menderes Tekstil Sanayi ve Ticaret A.Ş."** in the investment grade category with high credit quality and revised the Long-Term National Issuer Credit Rating from **'A- (tr)'** to **'A (tr)'** and the Short-Term National Issuer Credit Rating from **'J2 (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'** in line with the global and national scale rating matching published by JCR Eurasia Rating.

Menderes Tekstil Sanayi ve Ticaret A.Ş. (referred to as 'Menderes Tekstil or 'the Company') was established as Türkiye's first fully integrated facility with the title of Pamuklu Mensucat in 1958 within the borders of Sarayköy district of the province of Denizli. The plant which comprised spinning, weaving and dyeing-finishing departments, is the first integrated textile factory of the region and was put into service in 1962. In 1983, the Company was rebranded as Menderes Tekstil and it became a part of AKÇA Group. It started the production in 1991 by making a dyeing-printing investment equipped with high-tech technology in an indoor space of 12.000 m² within the factory area in 1990 with the increased dyeing and printing process capacity requirements. It also started Finishing Plant investments within the same year. Menderes Tekstil has a world class home textile manufacturing plant with a total factory area of 500.000 m². Today, the Company produces cotton press, electric energy, yarn, fabric, valances, dust ruffles, ruffled and tailored shams, comforter shells, printed towels and linens in integrated cotton and synthetic textile establishment. Furthermore, on 31.03.2021, Akça Enerji Üretim Otoprodüktör Grubu A.Ş. and Tan Elektrik Üretim A.Ş. which were also owned by the Company, merged within Menderes Tekstil with the "Simplified Merger Procedure" method and accordingly, the energy production and sales activities have been included in the operations of Menderes Tekstil. The Company maintains its operations by an average staff force of 2.588 employees as of 9M2023 (FYE2022: 3.213) and its subsidiaries and affiliates are as follows; Smyrna Seracılık Ticaret A.Ş. (makes greenhouse activities) and Aktur İzmir Gayrimenkul A.Ş. (earns rental income from the properties it owns). Menderes Tekstil has a paid-in capital of TRY 277.29mn and Akça Holding is the controlling shareholder with the share of 48.06% as of 9M2023. 49.79% of shares are traded in Borsa Istanbul (BIST) with the stock ticker "MNDRS". Menderes Tekstil is registered with the Capital Markets Board and its publicly held shares have been traded on Borsa Istanbul since 2000.

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

Strengths

- Improvement in revenues in FY2022 mainly triggered by energy sales despite an insignificant growth in 9M2023 compared to the same period of previous year
- Remarkable increase in profitability ratios backed by augmented EBITDA thanks to cost management in FY2022 although a contraction was observed in 9M2023
- Notable recovery in Net Financial Debt/EBITDA multiplier in FY2022
- Ongoing positive cash flow metrics
- Natural hedging opportunity in a certain extent derived from the export sales
- Planned capacity investment in the energy segment, expected to support the revenue growth in upcoming period
- Long-lasting presence dating back to 1950's
- High level of compliance with Corporate Governance Practices and international quality standards

Constraints

- Lower performance in sales and profit margins in 9M2023 in comparison to 9M2022
- Pressure on profitability of high financing expenses mainly arising from unrealized FX losses
- Sizable non-cash contribution of revaluation gains from tangible assets in equity
- Increase in cash conversion cycle in the reviewed period
- Leading economic indicators signal global economic slowdown as quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side

Considering the aforementioned points, Menderes Tekstil's the Long-Term National Issuer Credit Rating has revised from **'A- (tr)'** to **'A (tr)'**. The Company's profitability, asset quality, strong position and experience in the sector along with market conditions 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 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.