Corporate Credit Rating

☐New ☒Update

Sector: Paper & Forest Products
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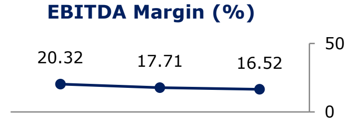
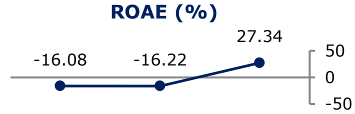
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	A- (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

** Assigned by JCR on Aug 18, 2022*

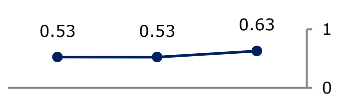
EBITDA Margin (%)



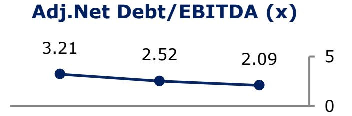
ROAE (%)



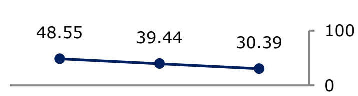
Current Ratio (x)



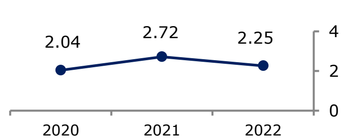
Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



ORMA ORMAN MAHSÜLLERİ İNTEGRE SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating, has evaluated the **"Orma Orman Mahsülleri İntegre Sanayi ve Ticaret A.Ş."** in the investment level category and revised the Long-Term National Issuer Credit Rating from **'BBB+ (tr)'** to **'A- (tr)'** and affirmed the Short-Term National Issuer Credit Rating at **'J2 (tr)'** with **'Stable'** outlooks. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were determined as **'BB/Negative'** in line with international ratings and outlooks of Republic of Türkiye.

Orma Orman Mahsülleri İntegre Sanayi ve Ticaret A.Ş. (hereinafter "**the Company**" or "**Orma**"), was established in 1970. Orma manufactures raw, melamine faced chipboards and humid resistant chipboards in its factory located in Isparta, serving the needs of the furniture, decoration and construction sectors. The Company exports its products 31 countries on 5 continents and app. 45% of its revenue is derived from international markets. Orma's annual production capacity consists of 710.172 m^3 raw chipboards, 600.479 m^3 melamine faced chipboards. The Company also produces melamine coated paper and glue in order to utilize through Orma's production line and supporting cost minimization. The Company employed a staff force of 386 as of 1H2023 (FYE2022:383).

As of 1H2023, the Company's shareholders are Göl Yatırım Holding A.Ş., Göltaş Göller Bölgesi Çimento Sanayi ve Ticaret A.Ş. and other shareholders holding less than 10% of the share-capital with the shares of 67.67%, 16.84% and 3.00%, respectively. Orma is traded in Pre-Market Trading Platform (PMTP) with a 12.49% rate.

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

Strengths	Constraints
• Maintenance of strong revenue and EBITDA generation capacity in parallel with the increasing unit price, • Reasonable share of export sales among net sales and geographical diversification of exports, • Improvement in leverage metrics in the analysed period, • Manageable customer concentration risk supporting asset quality, • Cost advantage gained through economies of scale and new product creation mainly chemicals capability thanks to ongoing investments, • Long-term trend in domestic furniture demand providing room for further growth, • Extensive know-how in the sector and long operating track record.	• Short-term weighted debt structure pressuring liquidity management in the analysed period, • Relatively high level of financial expenses pressuring bottom line results despite decreasing share with respect to net sales in FY2022, • Sizeable contribution of non-cash revaluation gains to expansion of asset and equity size and low level of paid-in capital, • Exposure to short FX position in the analysed period, despite natural hedging opportunity in a certain extent, • Operating in an industry one of the most correlated with business cycle fluctuation, • Further improvement needs in corporate governance practices, whilst traded in Pre-Market Trading Platform, • Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised from **'BBB+ (tr)'** to **'A-(tr)'**. The Company's sustainable EBITDA and revenue generation capacity, export structure, leverage level, profitability indicators, successful track record in the sector and the Company's ongoing investments 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 financial structure, market conditions, EBITDA generation capacity, debt ratios, liquidity ratios and the possible impacts of the Russia-Ukraine War on the global and Türkiye's economy and its effects on the Company's activities will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators in national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.