

## Corporate Credit Rating

New Update

**Sector:** Farming and Agriculture

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## ÖZSU BALIK ÜRETİM ANONİM ŞİRKETİ

JCR Eurasia Rating has evaluated "Özsu Balık Üretim Anonim Şirketi" in the investment grade category with high credit quality and assigned the Long-Term National Issuer Credit Rating at '**A- (tr)**' and 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/Stable**' in line with sovereign ratings and outlooks of Republic of Türkiye.

**Özsu Balık Üretim Anonim Şirketi** (hereinafter referred to as "**Özsu Balık** or "**the Company**") was established in İzmir in 1995. Following the acquisition by the current partners in 2004, the Company underwent restructuring. While the production capacity was 60 tons/year in 2004, it increased to 5,900 tons/year in 2013. In 2017, the Company completed the investment in a hatchery (juvenile fish production) facility with a capacity of 39 million units/year, built on a total of 30 decares of land in Urla-Demircili Village, İzmir. The Company increased its capacity to 69 million units/year in 2023. The expanding market and increased production capacity enabled the Company to enter international markets. In 2016, Özsu Fish subsidiaries commenced operations in the United Kingdom and the Netherlands. In 2019, the Company began operating a 2,000 m<sup>2</sup> cold chain packaging facility used for fish processing and packaging, the final stage before market distribution. To procure fish feed at lower costs and sustainably, the Company acquired a 50% stake in Unifeed Su Ürünleri Yem Sanayi A.Ş. The Company manages the entire vertical integration from fish feed production to sales and marketing in Europe. The Company's shares were offered to the public on November 22-23, 2022, and have been traded on Borsa İstanbul under the ticker "OZSUB" since November 29, 2022. As of June 10, 2024, the Company's free float rate is 33.33%. The main shareholder of the Company, Şemsettin Kavalı, is 60%, while Hasan Taygan's share is 6.67%.

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

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	<b>A- (tr)</b>	<b>J2 (tr)</b>
	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

### Strengths

- Sustainable and export-oriented sales revenue providing natural hedge to a certain extent,
- Strong financial profile characterized by reasonable level of net debt to EBITDA multiplier despite the increase in FY2023,
- Immaterial level of doubtful receivables and quick cash cycle strengthening efficiency,
- Solid equity level thanks to IPO Premium and retained earnings despite erosion realized due to net loss in FY2023,
- Long-lasting presence in the sector with proven track record and conformity to international quality standards.
- Improvement in the operational productivity and quality of product thanks to synergy created among Group companies,
- Compliance with regulations and transparency regarding adherence to corporate governance as an entity subject to Capital Market Law.

### Constraints

- Contraction in EBITDA generation capacity and profitability margins in parallel with declined fish prices in FY2023
- Short-term borrowing profile along with increasing financing expenses pressuring the bottom-line result and brings weak coverage profile,
- Negative cash flow metrics in FY2023 despite reasonable liquidity metrics,
- Potential operational and management risks due to the nature of fishing business,
- Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been assigned as '**A- (tr)**'. The Company's revenue growth, leverage profile, asset quality, equity structure, long-lasting presence in the sector, the entire vertical integration, suppressed profitability, short-term borrowing profile, cash flow metrics, potential operational and management risks, deterioration in local and global macroeconomic conditions have been evaluated as important indicators for the '**Stable**' outlooks for the Short and Long-Term National Issuer Credit Ratings. The Company's sales, financial leverage, liquidity and efficiency metrics, solvency, profitability margins and cash flow metrics 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 be monitored as well.

