Corporate Credit Rating

☐New ☒Update

Sector: Iron and Steel
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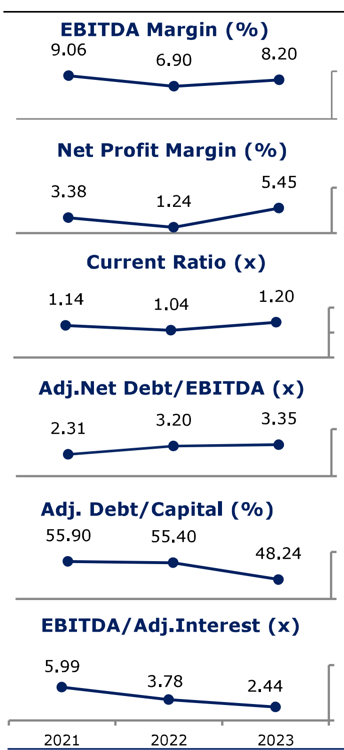
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**A (tr)**	**J1 (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating 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*



Özyaşar Tel ve Galvanizleme Sanayi A.Ş.

JCR Eurasia Rating, has evaluated **"Özyaşar Tel ve Galvanizleme Sanayi A.Ş."** in the investment grade category with the 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 were assigned as **'BB/Stable'** as parallel to international ratings and outlooks of Republic of Türkiye.

Özyaşar Tel ve Galvanizleme Sanayi A.Ş. (hereinafter referred to as 'Özyaşar' or 'the Company), was established by Ahmet ÇOKYAŞAR in 1973. As of reporting date, the paid-in capital of the Company is TRY 103.20mn. The Company's main controlling shareholder is Çokyaşar Holding with an 55.81% share. The Company produces value-added products in the field of wire and wire products, especially hot-dip galvanized wire, and serves the energy, infrastructure, cable, automotive, construction, agriculture, furniture, packaging, white goods, environment and security systems sectors. Headquartered in İstanbul, Özyaşar and its subsidiaries and affiliates production facilities are located in three different locations in Silivri/İstanbul, Düzce and Adana in Türkiye and abroad in Elbasan/Albania. The facilities of the Group were established on an area of 114,765 m^2, of which 68,678 m^2 is a closed area. Özyaşar has an annual production capacity of over 120,000 tons at its Silivri facility, and together with its subsidiaries and affiliates (Çokyaşar Halat, Çokyaşar Tel and CWI Albania are subsidiaries of Özyaşar), it is one of the leading industrial companies in the sector with a total production capacity of 286,000 tons (Total production capacity of Özyaşar, its subsidiaries and affiliate.) in its modern and high-tech facilities. Özyaşar employs more than 400 employees and operates with more than 700 employees including its subsidiaries and affiliates. The Company's average number of personnel employed in 2023 is 434 (2022: 466). The Group's average number of personnel employed in 2023 is 742 (2022: 766).

As of FYE2023, the Company was ranked as the 244th (FYE2022: 56th) largest manufacturer in Türkiye concerning sales revenues generated from production figures in the annual list of the second 500 Largest Industrial Enterprises of Türkiye (ISO Second 500), compiled annually by the İstanbul Chamber of Industry (ISO). As of FYE2023, the Company became the 407th (FYE2022: 381st) most valuable company on Fortune 500 list. In 2023, the Company was also ranked 594th (FYE2022: 404th) largest exporter company of Türkiye in the annual Top 1000 Exporter Companies list compiled by the Turkish Exporters Assembly (TIM). In the same list, the Company was also ranked as the 45th (FYE2022: 49th) largest exporter company of the steel sector in Türkiye.

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

Strengths

- Strengthened cash flow metrics in FY2023,
- Cash inflow from the initial public offering (IPO) in 2024,
- Sufficient equity level reducing dependence on external financial funds,
- Reasonable net working capital and adequate level of current ratio in 2023,
- Insured receivables, DDS and letters of guarantee from third parties supporting the asset quality,
- High share of export sales among total revenues and geographical diversification of exports,
- Long lasting presence and experience in the sector with proven track record.

Constraints

- Contraction in sales volume and revenues in FY2023 despite the improvement expectation in 2024,
- Relatively high level of leverage metrics due to decrease in EBITDA generation in 2023,
- Pressure on bottom-line profitability of high financing expenses to a certain extent,
- High level of OPEX/Net Sales ratio in reviewed periods,
- 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 Long-Term National Issuer Credit Rating has been affirmed at **'A (tr)'**. The Company's proven track record, strengthened cash flow metrics, sufficient equity level, low collection risk, contraction in sales volume and revenues and relatively high level of leverage metrics, high financing expenses, global market conditions of the sector as well as the geopolitical risks-driven uncertainties, and global interest rate hiking cycle 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 indebtedness volume, sales growth, profitability, and liquidity indicators 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.