

Corporate Credit Rating

New Update

Sector: Textile

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Analyst

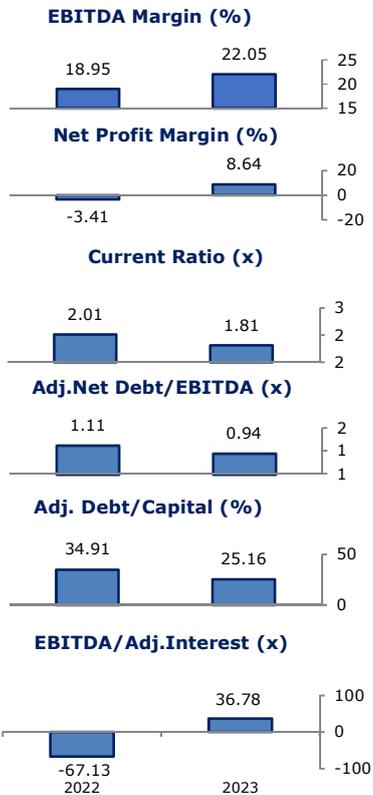
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| RATINGS | | Long Term | Short Term |
|--------------------------------------|-------------------------------|-------------|------------|
| ICRs (Issuer Credit Rating Profile) | National ICR | AA- (tr) | J1+ (tr) |
| | National ICR Outlooks | Stable | Stable |
| | International FC ICR | BB | - |
| | International FC ICR Outlooks | Stable | - |
| | International LC ICR | BB | - |
| 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



İŞBİR SENTETİK DOKUMA SANAYİ ANONİM ŞİRKETİ

JCR Eurasia Rating, has evaluated the consolidated structure of "İşbir Sentetik Dokuma Sanayi Anonim Şirketi" in the investment grade category with very high credit quality and affirmed the Long-Term National Issuer Credit Rating at 'AA- (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 have been determined as 'BB/Stable' as parallel to international ratings and outlooks of Republic of Türkiye.

İşbir Sentetik Dokuma Sanayi Anonim Şirketi (hereinafter referred to as "İşbir Sentetik" or "the Group") was established in 1968 and operates in the field of manufacturing industrial packaging and technical textile products. The products include primarily Big Bags (FIBC), carpet backing, PE fabric, PE film, compound, additive masterbatches and masks. The Group's integrated structure allows to utilize efficiency in production line from raw material to end product. The Group's shares have been publicly traded on the Borsa İstanbul (BIST) under the ticker symbol "ISEN" since November, 2021.

Headquarter of İşbir Sentetik is located in Balıkesir. As of September 2024, İşbir Sentetik's shareholders are İşbir Holding A.Ş. (76.4%), İşbir Sünger A.Ş. (2.1%), Publicly Traded (19.7%) and Others (1.7%).

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

Strengths

- Satisfactory level of EBITDA margin and profitability ratios both in FY2023 and FY2022 despite the deterioration according to 9M2024 financials,
- Improvement in net debt to EBITDA multiplier during the review periods and expected to remain at acceptable level in 2024 financials,
- Equity structure strengthened by paid-in capital increase and net profit recorded in FY2023,
- Positive net working capital and satisfactory level of liquidity metrics over the analyzed years despite the slight deterioration as of FYE2023,
- Export sales and FX linked domestic sales provide natural hedging opportunity for the Group to some extent,
- Geographically diversified customer portfolio and asset quality strengthened by the low collection risk together with mostly collateralized and insured trade receivables,
- Long experience in the sector and advantage of operating under İşbir Holding,
- Compliance with corporate governance principles as a company listed in BIST.

Constraints

- Decrease in sales revenue in FY2023 and 9M2024 financials mainly due to competition in the sector,
- Relatively long cash conversion cycle in FY2023,
- Negative CFO and FOCF both in FY2023 and FY2022 leading external funding requirement for operational cycle,
- High competitive environment, volatile raw material prices and currency fluctuations may put pressure on profitability margins,
- In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing are at the forefront.

Considering the aforementioned points, the Group's Long-Term National Issuer Credit Rating has been affirmed at 'AA- (tr)'. Taking into account, the Group's satisfactory level of EBITDA margin, improvement in net debt to EBITDA multiplier, strong equity structure, satisfactory level of liquidity metrics, geographically diversified customer portfolio, long experience in the sector, as well as decrease in sales revenue in FY2023, relatively long cash conversion cycle, negative CFO and FOCF both in FY2023 and FY2022 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 Group's profitability metrics, sales growth, liquidity position, debt structure and asset quality 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 also be monitored.