

Corporate Credit Rating

New Update

Sector: Packaging & Glass Industry

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	AA+ (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BBB-	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BBB-	-
ISRs (Issue Specific Profile)	International LC ICR Outlooks	Stable	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

JCR Eurasia Rating, has evaluated "Türkiye Şişe ve Cam Fabrikaları A.Ş." in the investment grade category with very high credit quality and revised the Long-Term National Issuer Credit Rating from 'AAA (tr)' to 'AA+ (tr)' and affirmed 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 affirmed at 'BBB-/Stable'.

Türkiye Şişe ve Cam Fabrikaları A.Ş. (hereinafter referred to as "Şişecam" or "the Company" or "the Group") was established 88 years ago by Türkiye İş Bankası A.Ş. in Türkiye, being one of the largest Turkish private commercial banks, to meet Türkiye's need for basic glass products. Şişecam has also transformed into a global player in all key areas of the glass industry, such as flat glass/architectural, glassware, glass packaging, automotive glasses and glass fiber as well as in soda and chromium compounds. The Company is currently one of the global leading glass, soda ash, chemical producers with production operations located in 14-countries on four continents, with 45 plants and more than 24,000 employees. Şişecam sells its products to over 150 countries, of which constitute 61% of its total sales in 1Q2024. In addition, Şişecam is the only global producer operating in all three key areas of the global glass industry: flat glass, glassware and glass packaging. Şişecam is the largest glassware producer globally, and among the top five global producers in glass packaging and flat glass. Şişecam is also second largest producers of soda ash and a world leader in chromium chemicals.

The shares of the Company have been publicly traded on the Borsa Istanbul A.Ş. ("BIST"), since January 3, 1986. As of report date, İş Bankası holds 51.06% of the shares and retains the control of the Company, 6.77% by Efes Holding A.Ş., 2.25% shares classified as repurchased shares and the remaining 39.92% listed on Borsa Istanbul.

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

Strengths

- Robust equity structure via internal means,
- Maintenance of a moderate level of net working capital and cash flow metrics along with cash equivalents, enhancing liquidity profile,
- Asset quality supported by low collection risk and partially collateralized receivables,
- Diversification of funding structure through corporate bond issuances,
- Maintained presence in domestic and foreign markets with planned new investments in addition to ongoing large-scale investments,
- Competitive advantage via globally known brand recognition and diversified revenue stream,
- Significant emphasis on sustainability and efficient production alongside with compatibility to corporate governance principles.

Constraints

- Revenue decline in most of the core segments, coupled with high OpEx leading to pressured profitability margins in 2023 and 1Q2024,
- Diminishing interest coverage ratios in recent periods,
- Despite the increased but adequate leverage metrics as of FY2023, the contracted EBITDA with increasing financial debt in 1Q2024 indicates a potential suppression that is expected to increase in the upcoming period,
- Leading economic indicators signal global economic slowdown while quantitative tightening actions aiming 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 revised from 'AAA (tr)' to 'AA+ (tr)'. Şişecam's outlook is determined with respect to the long track record of Company, liquidity profile, upward trend of cash flow metrics, term structure of existing debt facilities, equity structure, being one of the biggest sectoral players in the world, substantial revenue potential with continued investments, and sectoral developments 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 affirmed at 'Stable'. The Company's sales and profitability performance, operational expenses, cash loan exposure, and impact of regional tensions on demand or international relations 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.

