

## Corporate Credit Rating

New  Update

**Sector:** Wholesale Trading

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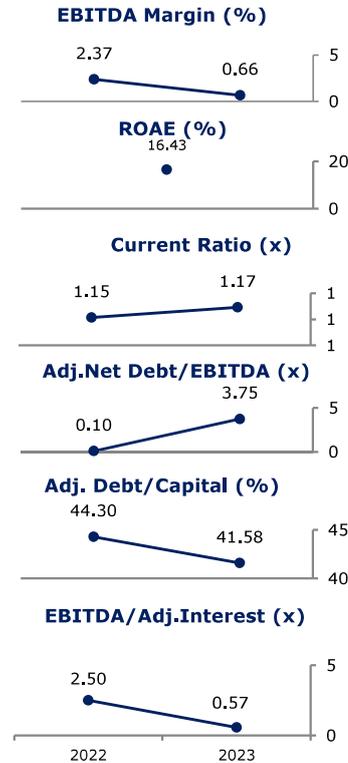
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	BBB- (tr)	J3 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB-	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB-	-
ISRs (Issue Specific Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

\* Assigned by JCR on August 10, 2024



## Sınırlı Sorumlu Güney Eczacıları Üretim Temin ve Dağıtım Kooperatifi

JCR Eurasia Rating, has evaluated "Sınırlı Sorumlu Güney Eczacıları Üretim Temin ve Dağıtım Kooperatifi" in the investment grade category on the national scales and revised the Long-Term National Issuer Credit Rating to 'BBB- (tr)' from 'BBB (tr)' and the Short-Term National Issuer Credit Rating to 'J3 (tr)' from 'J2 (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'.

**Sınırlı Sorumlu Güney Eczacıları Üretim Temin ve Dağıtım Kooperatifi** (hereinafter referred to as "Güney Ecza" or "the Company") was established in 1987. The Company operates as a pharmaceutical warehouse and supplies various types of medicines, medical supplies and devices to pharmacies. Güney Ecza sells products to Mersin, Adana, Hatay, İskenderun, Gaziantep, Kahramanmaraş, Şanlıurfa, Osmaniye, Kilis, Kayseri, Karaman, Niğde, Sivas and Nevşehir regions. The Company's headquarters is located in Mersin and has a total of 7 branches in Adana, Gaziantep, İskenderun, Mersin, Kayseri, Çukurova and Şanlıurfa provinces. Güney Ecza ranked 386th on the Fortune 500 list for 2023 (2022: 459th). The paid-in capital of the Company is TRY 280,200 as of FYE2023 (FYE2022: TRY 255,300).

Güney Ecza has 2,964 members as of reporting date. The number of employees of the Company as of 2023 was 440 (2022: 480).

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

### Strengths

- Steady revenue growth thanks to increase in sales volume and unit price increases during the analyzed years which continued in FY2024
- Positive net working capital and adequate level of current ratio in the analyzed years
- Asset quality supported by diversified customer base and wide sales network as well as rapid cash conversion cycle
- Advantage of being exempted from corporate tax due to being a cooperative association
- Pharmaceutical industry promises further growth in the future thanks to population growth and innovative studies in the health sector
- Long track record in the sector

### Constraints

- Low level of operating profitability indicators in the review periods and deterioration in EBITDA generation capacity in FY2023
- Worsening of leverage and interest coverage metrics in FY2023
- Low paid-in capital and equity base compared to growing asset size over the analyzed years
- Negative cash flow from operations and free operating cash flow in the reviewed periods
- Intense competition in the pharmaceutical warehouses
- State regulated structure of the sector and fixed exchange rate regime putting 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 Company's the Long-Term National Issuer Credit Rating has been revised to 'BBB- (tr)'. The Company's sales revenue growth, sector experience, profitability, leverage and coverage metrics, liquidity and equity structure along with ongoing uncertainties arisen from geopolitical tensions as well as global tight financial conditions have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National ratings are determined as 'Stable'. The Company's profitability indicators, cash flow figures, asset quality, liquidity position and debt structure 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.