

Corporate Credit Rating

New Update

Sector: Wholesale Trade

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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 | - |
| ISRs (Issue Specific Rating Profile) | International LC ICR | BB | - |
| | International LC ICR Outlooks | Stable | - |
| | National ISR | - | - |
| Sovereign* | International FC ISR | - | - |
| | International LC ISR | - | - |
| | Foreign Currency | BB (Stable) | - |
| | Local Currency | BB (Stable) | - |

* Assigned by JCR on May 10, 2024

Termopet Akaryakıt A.Ş.

JCR Eurasia Rating, has evaluated "Termopet Akaryakıt A.Ş." in investment-grade category with high credit quality on the national scale and assigned its Long-Term National Issuer Credit Rating as 'A- (tr)' and the Short-Term National Issuer Credit Rating as '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.

Termopet Akaryakıt A.Ş. (hereinafter referred to as "the Company" or "Termopet") was founded in 1996 in Ankara and started its activities with wholesale fuel sales. Termopet obtained its fuel distributor license on January 4, 2005, and started to continue its activities as a 'Distribution Company'. Termopet continues its distribution activities in all regions of Türkiye with more than 600 licensed dealers. The company mainly sells diesel, gasoline, gas oil, fuel oil, and LPG. The Company supplies its dealers from dispatch points in Ankara, Antalya, Mersin, Marmara Ereğli, İzmir, İzmit, Samsun, Giresun, Kırıkkale, Hatay, and Batman. The Company's dealer network is generally located away from major city centers, with plans to locate in urban and major centers in the coming years. In 2016, with the LPG Distributor license it obtained, it started to offer LPG Autogas service to its dealers.

As of October 2023, the Company's main ultimate controlling shareholder is Cemil Direkçi with 100 % share. In January 2024, the Company's the paid-in capital was increased to TRY 300mn, with TRY 150mn paid in cash from equity. The number of employees of the Company is 107 people as of the end of 2022 (2021: 95 people).

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

Strengths

- Strong financial position underpinned by cash surplus in reviewed years which continued as of FYE2023,
- Improvement in interest coverage metrics in FY2022 thanks to notable growth in EBITDA generation capacity,
- Solid equity structure supported by internal resource generation capacity,
- Positive net working capital and satisfactory level of current ratio during the analyzed periods,
- Continuous demand in the fuel sector thanks to low price elasticity,
- Long track record and wide dealer network in the fuel distribution sector,

Constraints

- Absence of independent audit report for FY2023 limiting comprehensive analysis,
- Slump in market share coupled with low revenue growth in FY2023 according to Corporate Tax Return, considering the inflation rate,
- High doubtful receivables ratio pressuring asset quality,
- Restricted profit margins inherent in the industry together with intense competition in the market due to strong bargaining power of dealers,
- Improvement needs in corporate governance practices,
- 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 assigned as 'A- (tr)'. The Company's strong financial leverage ratios, satisfactory liquidity level, solid equity structure and long experience in the sector 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 Issuer Credit Ratings are determined as 'Stable'. The Company's sales and profitability performance, asset quality structure, sound liquidity metrics and growth strategy will be monitored by JCR Eurasia Rating in the upcoming period. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

