

Corporate Credit Rating

New Update

Sector: Restaurant Companies

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A- (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Negative	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022.

TAB GIDA SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating, has evaluated "Tab Gıda Sanayi ve Ticaret A.Ş." in the investment level category and revised the Long-Term National Issuer Credit Rating from 'BBB+ (tr)' to 'A- (tr)' and affirmed the Short-Term National Issuer Credit Rating at 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were affirmed as 'BB/Negative'.

Tab Gıda Sanayi ve Ticaret A.Ş (referred to as 'Tab Gıda' or 'the Company') was established on 4 August 1994 by Kurdoğlu Family as main shareholder. The main field of activity of the Company is the management of fast food hamburger, pizza and chicken restaurants under Burger King, Popeyes, Sbarro, Arby's, Usta Dönerci, Usta Pideci and Subway brands. Currently, Tab Gıda operates the largest fast food hamburger restaurants chain in Türkiye in terms of the number of restaurants. As of September 2023, the Company has 1,572 restaurants 653 of which are as franchise. In addition, the Company has two subsidiaries in Georgia and Macedonia which have totally 18 restaurants.

Tab Gıda's main shareholder is TFI Tab Gıda Yatırımları A.Ş. (TFI, TFI Tab Gıda or "the Group"), which is controlled by Kurdoğlu family. TFI Tab Gıda is a Master Franchisee of Burger King, Popeyes, Sbarro, Arby's and Subway brands and also the owner of Usta Dönerci and Usta Pideci brands. The Group has been the exclusive developer of Burger King restaurants in Türkiye since 1995 and expanded its operations in 2012 by becoming the Master Franchisee for Burger King China. As of September 2023, total restaurant number of the Group is 3,049 in Türkiye and China. The franchise agreement between Tab Gıda, Burger King China and RBI (Restaurants Brand International) will continue until 2032 and 2033 respectively for Türkiye and China operations.

Tab Gıda's shares started to be traded on the Istanbul Stock Exchange (BIST) with the ticker of 'TABGD' on October 26, 2023. After the initial public offering of Tab Gıda, the capital share has changed and the share of TFI Tab Gıda has decreased from 100% to 79.91% and 20.09% has been quoted to the public. Within the scope of the public offering, a total of TRY 6,825,000,000 revenue was generated as TFI group and TRY 3,608,093,233 of this revenue came to the accounts of Tab Gıda.

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

Strengths

- Solid EBITDA and cash flow generation underpinning satisfactory leverage and coverage multipliers in 2022 and 3Q2023,
- Publicly listed company as of October, 2023,
- Credit repayment realized with the funds obtained from public offering eased indebtedness profile in 4Q2023,
- Steady increase in number of restaurants, renovation of existing ones, new openings and digitalization may further contribute to growth of the business volume and profitability figures,
- Collection of all other receivables from related parties in 4Q2023 and insured structure of inventories strengthening asset quality,
- Vertically integrated group structure and strong cash conversion cycle via retail sales,
- Market leadership provided by being main franchisee of well-known brands in the sector through long-term agreements contributes to revenue sustainability,
- Advantages arising from long-lasting presence in the sector.

Constraints

- Notably high level of non-cash revaluation gains and low level of paid-in capital compared to asset size,
- Increases in food and commodity costs and intense competition in fast-food sector,
- Leading economic indicators signal global economic slowdown as quantitative tightening actions aim 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 'BBB+ (tr)' to 'A- (tr)'. Increase in revenues with renovation and digitalization, improvement in profitability figures, having long-term franchisee agreements with well-known brands in the portfolio, significant amount of loan repayment in October, 2023 with the funds from the IPO and extension of the franchise agreement with RBI have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings affirmed as 'Stable'. The Company's profitability metrics, revenue growth and number of restaurants, indebtedness indicators, equity level and composition, cash flow indicators, utilization of the income generated from IPO, and market share 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.

