

Corporate Credit Rating

New Update

Sector: Holding

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Tekfen Holding A.Ş.

JCR Eurasia Rating, has evaluated consolidated structure of **Tekfen Holding A.Ş.** in investment-level category on the national scale and affirmed the Long-term National Issuer Credit Rating at **'AA- (tr)'** and assigned the Short-Term National Issuer Credit Rating at **'J1+ (tr)'** with **'Stable'** outlook. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as **'BB/Negative'** as parallel to international ratings and outlooks of Republic of Türkiye.

Tekfen Holding A.Ş. (referred to as 'the Holding' or 'Tekfen Holding' or 'the Group') with an operating track record dating back to 1956, was established in İstanbul in 1971 and is one of the country's leading diversified conglomerates with operations in the fields of engineering & contracting, agricultural production, chemical industry, service and investment through its subsidiaries and affiliates which steers operations in various countries.

Tekfen İnşaat ve Tesisat A.Ş. (Tekfen Construction), the flagship company of the Group, is one of the Türkiye's most established construction companies with 66 years of history and has extensive experience in petroleum, gas, and petrochemical facilities and serves customers in such areas as pipelines, land and sea terminals, tank farms, oil refineries, off-shore platforms, pumping and compressor stations, power plants, industrial facilities, highways, metro and railroad projects, sports complexes, infrastructure, and other civil engineering projects. Toros Tarım Sanayi ve Ticaret A.Ş., which is the one of country's biggest manufacturers of fertilizer in terms of output and market share, is the second largest company in the group. As of 30 September, 2022, the Holding's sales revenue reached TRY 21.22bn while revenue generated from engineering & contracting and chemical industry segments constituted approx. 94% of it.

Tekfen Holding is registered within the Capital Market Board and its shares have been traded on the Borsa İstanbul with the ticker "TKFEN" since November 23, 2007.

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

Strengths

- Solid balance sheet with net cash position
- Despite low pace, ongoing recovery in EBITDA margin
- Diversified portfolio concentration risk in a certain extent
- Hard currency cash flow stream and utilization of derivative instruments provide resilience to the Company
- Low level of receivable collection risk supporting asset quality
- Prominent positions in sub-segments
- Compliance with the corporate governance practices

Constraints

- Persistent net losses stemming from contracting segment put pressure on bottom line
- Fluctuations in raw material prices may be the source of risk for profitability margins of the Company
- Regulations in fertilizer industry may lead fluctuation in export volume
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections

Considering the aforementioned points, the Holding's Long-Term National Rating has been affirmed at **'AA- (tr)'**. The Holding's diversified portfolio, net cash position, sufficient equity level, debt service capacity along with global recession risks and ongoing uncertainties arising from geopolitical tensions as well as global interest rate hiking constitute the principal reasons underlying the assignment the outlooks for the Long and Short-Term National Ratings as **'Stable'**. On the other hand, the Group's revenue and profitability performance, liquidity position, asset quality and local and global macroeconomic indicators as well as market conditions and legal framework about the sector will be closely monitored by JCR Eurasia Rating.

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

* Assigned by JCR on August 18, 2022

