Corporate Credit Rating

☐New ☒Update

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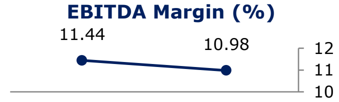
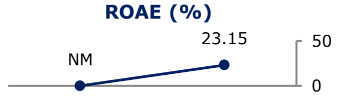
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB (tr)	J2 (tr)
	National ICR Outlooks	Negative	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating Profile)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

** Assigned by JCR on May 10, 2024*

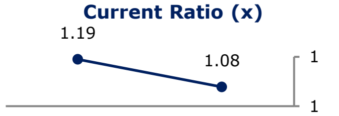
EBITDA Margin (%)



ROAE (%)

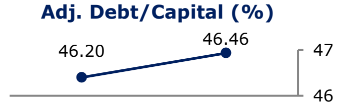


Current Ratio (x)

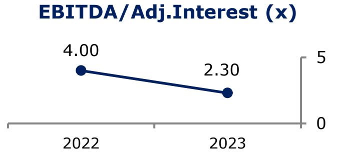


Adj.Net Debt/EBITDA (x)

Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



NM: Not Meaningful

TUĞÇELİK ALÜMİNYUM VE METAL MAMÜLLERİ SAN. VE TİC. A.Ş.

JCR Eurasia Rating has evaluated **"Tuğçelik Alüminyum ve Metal Mamülleri Sanayi ve Ticaret A.Ş."** in the investment-level category and affirmed the Long-Term National Issuer Credit Rating as **'BBB (tr)'** and revised the outlook from **'Stable'** to **'Negative'** outlook. 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 the Republic of Türkiye.

Tuğçelik Alüminyum ve Metal Mamülleri San. ve Tic. A.Ş. ("Tuğçelik Alüminyum" or "the Company") was founded in 1988 in İstanbul, Türkiye. The main activity field of the Company is to manufacture aluminum pieces based on high pressure injection and CNC machining techniques to be used in sectors such as automotive, white goods, electric-electronic, defence industry in line with the demands of customers. The Company engages in manufacturing battery covers, miscellaneous pieces, suspension bellows, wiper arms, cooling systems, convertible and sunroof systems to be used in electric vehicles for the automotive industry. Meanwhile, some important mechanics of the washing machines such as drum pulley, star pieces, engine cover, etc. are manufactured for the white goods sector. The shares of automotive and white goods sectors' in total revenue realized as 49% and 51%, respectively at FYE2023. The Company currently operates with an average staff count of 508 as of the end of 2023.

The shares of the Company were offered to public in June, 2014 with 'TUCLK' ticker. As of March, 2024, the actual outstanding share ratio of the Company was 53.46% and Tuğçelik Alüminyum's main ultimate controlling shareholder was Begüm BİRBEN with 37.67% share.

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

Strengths	Constraints
• FX based revenue stream through exports providing natural hedge in a certain extent against currency fluctuations, • Positive net working capital and cash flow stream from operations relieving liquidity management, • Revenue visibility through long-term sales contracts, • High compliance level with the corporate governance principles, • Long-lasting presence of the Company.	• Increase in indebtedness level and high level of leverage in reviewed years due to new facility investment, • Despite the growth in revenue in FY2023, fluctuations in sales volume in the periods reviewed due to demand, • Contraction in gross profit and EBITDA generation in 2023, particularly in Q1'2024, • Having customer concentration despite working with well-known corporate customers, • 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.

The Company's audited financial statements include inflation adjustments. Adjustments have been made in accordance with the terms of IAS 29 "Financial Reporting in Hyperinflationary Economies" regarding the changes in the general purchasing power of the Turkish Lira as of 31 December 2023. Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed as **'BBB (tr)'**. Ongoing high leverage profile, volatile sales performance, contraction in profitability particularly in Q1-2024 as well as local/global economic conditions have been evaluated as important indicators for the outlook and the outlook for the Long-Term National Issuer Credit Ratings is revised as **'Negative'**. The Company's revenue generation performance, leverage profile, liquidity metrics, profitability margins 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.