

Corporate Credit Rating

New Update

Sector: Alcoholic Beverages and Tobacco Manufacturing

Publishing Date: 21/02/2023

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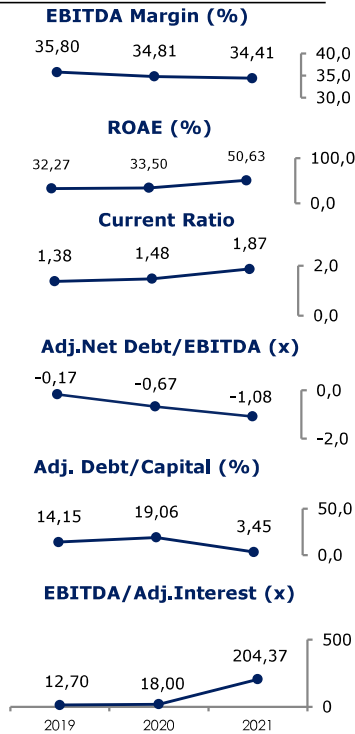
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RATINGS

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	AAA (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 Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022



Türk Tuborg Bira ve Malt Sanayii A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "Türk Tuborg Bira ve Malt Sanayii A.Ş." in the highest investment grade category and affirmed the ratings on the Long -Term National Issuer Credit Rating as "AAA (tr)" and the Short-Term National Issuer Credit Rating as "J1+ (tr)" with "Stable" outlooks. On the other hand, the Long Term International Local and Foreign Currency Issuer Ratings and outlooks of the Company were assigned as "BB/Negative", parallel to the international ratings and outlooks of the Republic of Türkiye.

Türk Tuborg Bira ve Malt Sanayii A.Ş. ("Türk Tuborg" or the "Company") was established in 1969 in Pınarbaşı-Izmir. The main fields of activity of the Company are the production of beer and malt to be sold in domestic and international markets, and their marketing and distribution. Türk Tuborg's factory, which is an integrated facility with an annual production capacity of 36 thousand tons of malt and around 579 million litres of beer, is one of the largest breweries in Türkiye. Türk Tuborg's long-standing cooperation and international partnerships with Carlsberg, the world's 3rd largest beer producer, have made the Company one of the leading companies in the Turkish beer market. In addition, Türk Tuborg exports to 6 continents and 83 countries in total, including prominent export markets such as Iraq, where the Company is the market leader, and England, Canada, Germany and the Turkish Republic of Northern Cyprus.

The Company has been quoted on the Borsa Istanbul Stock Exchange (BIST) since 1989 and **4.31%** of shares are publicly traded on the BIST with the ticker symbol "TBORG" as of FYE2021, while the controlling shareholder is "International Beer Breweries Ltd." with a share of 95.69% as of the report date. Türk Tuborg distributes almost all of the beer it produces via "Tuborg Pazarlama A.Ş.", a subsidiary of which Türk Tuborg owns 99.99% shares. Also, Tuborg Pazarlama makes the domestic sales and distribution of these products around the world. As of FYE2021, the paid in capital and equity of Türk Tuborg Bira ve Malt Sanayii A.Ş. stood at TRY 322.51mn and TRY 2.93bn, respectively.

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

Strengths

- Sound debt service capacity supported with high equity level and low financial leverage
- Cash and cash equivalents covering the total financial debt leading to cash surplus both in short and long term in FYE2021 and 9M2022
- Noteworthy EBITDA margin and steady increase in EBITDA generation capacity through the examined years
- Maintenance of bottom-line and asset growth despite the headwinds of the economy in FY2021 and FY2022
- A large operating scale, wide product range and relatively high utilisation rates result in considerable operating cash flow and stability in operating profit margin
- Solid liquidity management due to robust cash flow metrics together with the notable level of net working capital and FFO
- Established market presence and long-term contracts with well-known customers enabling predictable cash flows
- Emphasis on sustainable and efficient production in addition to adoption of strong corporate governance principles

Constraints

- Relatively high operating expenses to revenues ratio
- Competitive market structure in the brewing sector
- Ongoing potential contraction in Turkish market due to tax regulations
- 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 drivers, the Company's the Long-Term National Issuer Credit Rating has been affirmed as "AAA (tr)". The competitive advantage obtained through its predictable cash-flows, profitability indicators, debt service capacity, robust liquidity position, production and export power, competition and market efficiency in the inter/national market, the steady revenue and EBITDA growth trend in 9M2022 and organizational framework compatible with the Group's size as well as deterioration on local and global economic outlook due to the ongoing geopolitical risks stemming from the Russia-Ukraine tension and global recessionary concerns increasing uncertainties constitute the principle reasons underlying the affirmation the outlooks for the Long and Short-Term National Ratings as "Stable". The Company's equity level, fluctuations of the exchange rates, debt maturity and its level, cash flow and liquidity level, EBITDA margin and net profit indicators are the prior issues to be followed by JCR Eurasia Rating in the upcoming period. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored as well.