Corporate Credit Rating

☐New ☒Update

Sector: Food Products Industry
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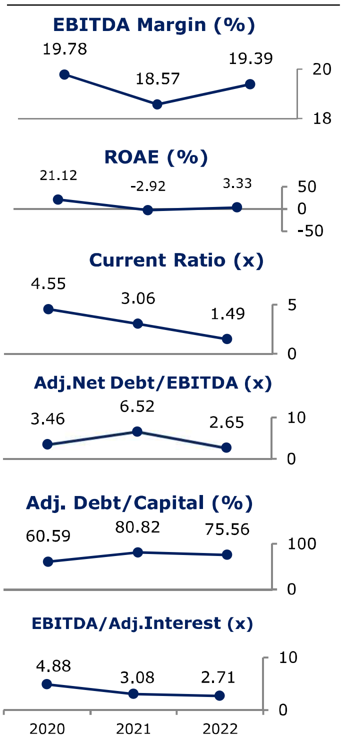
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**AA (tr)**	**J1+ (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

** Assigned by JCR on Aug 18, 2022*



Ülker Bisküvi Sanayi A.Ş.

JCR Eurasia Rating, has evaluated **"Ülker Bisküvi Sanayi A.Ş."** in the investment-level category and revised the Long-Term National Issuer Credit Rating from **'AA- (tr)'** to **'AA (tr)'** and affirmed the Short-Term National Issuer Credit Rating at **'J1+ (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'** as parallel to international ratings and outlooks of Republic of Türkiye.

"Ülker Bisküvi Sanayi A.Ş." (hereinafter referred to as "Ülker Bisküvi" or "the Company") was established 78 years ago by Sabri Ülker and Asım Ülker, two brothers, starting operations at a small workshop in İstanbul as a small bakery. Producing, selling, and marketing biscuits, chocolate-covered biscuits, crackers, cakes, chocolate, and wafers in Türkiye and abroad are the Company's primary business activities. In addition to nine factories for biscuit, cake, cracker & chocolate production in Türkiye, Ülker Bisküvi also operates two factories in Saudi Arabia, one in Kazakhstan and one in Egypt. The Company's thirteen facilities have a total manufacturing capacity of approximately 1.4 million tons per year as of FYE2022. In terms of market share in Türkiye, the Company has been the market leader in the biscuit and chocolate categories and ranked second in the cake category.

The Company which is registered at the Capital Markets Board, merged under its own title with Anadolu Gıda Sanayi A.Ş., whose shares have been quoted on Borsa Istanbul A.Ş. ("BIST"), formerly named as Istanbul Stock Exchange, since 30 October 1996. As of the report date, the main shareholder and controlling party of the Company is pladis Foods Ltd ("pladis") with 47.23% of the shares, the Ülker family members and Yıldız Holding A.Ş. ("Yıldız Holding") have 13.13% shares and 39.64% shares of the Company are traded on BIST with the ticker ULKER. The ultimate parent of the Company is Yıldız Holding that pladis is a subsidiary of it. Yıldız Holding is managed by Ülker Family.

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

Strengths

- Borrowing capacity from international institutions, along with liquid assets, demonstrates the sustained strength of the liquidity outlook in 1H2023,
- Enhanced operating profit margins in FY2022 and 1H2023 intervals, attributable to efficient cost measures and inventory management,
- Recovery in cash cycle and cash flow metrics in FYE2022,
- Formidable inter/national presence and brand recognition support pricing and growth,
- High level emphasis on sustainability and compliance with Corporate Governance Practices.

Constraints

- High financial debts' dominant share in the liability mix, despite the recovery in leverage indicators,
- Financial expenses leading to low net profits / losses, which may continue due to increased interest rates and FC weighted financial liabilities,
- Despite the tightening monetary environment, the steep hike in raw material costs, coupled with the fierce competition in the industry, may impede profitability.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised from **'AA- (tr)'** to **'AA (tr)'**. Predictability of cash flow supported by a variety of income sources, production and export power, being the market leader of Türkiye in biscuit and chocolate categories, the steady revenue and EBITDA growth trend, high coherence to corporate governance practices, as well as high amount of debt with and short foreign currency position 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 cash flow and liquidity level, EBITDA margin and net profit indicators, outcomes of the acquisition and its financing, intra group relations, financial structure, fluctuations of the exchange rates and increasing raw material prices 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.