

## Corporate Credit Rating

New  Update

**Sector:** Paper and Forest Products

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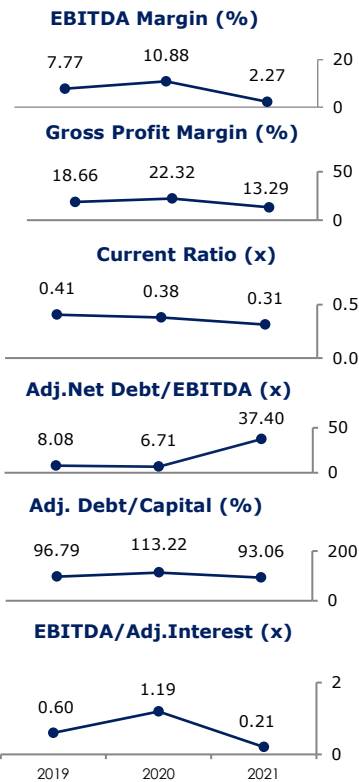
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific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

\* Assigned by JCR on Aug 18, 2022



## VİKİNG KAĞIT VE SELÜLOZ ANONİM ŞİRKETİ

JCR Eurasia Rating has evaluated "Viking Kağıt ve Selüloz Anonim Şirketi" in the investment grade category and assigned the Long-Term National Issuer Credit Rating at 'BBB (tr)' and the Short-Term National Issuer Credit Rating at 'J2 (tr)' with 'Stable' outlooks. When the global and national scale rating matching published by JCR Eurasia Rating is considered, the Company's Long-Term International Issuer Credit Ratings are assigned as 'BB'. Additionally, the outlooks on the International Long-Term Issuer Credit Rating perspectives of the Company have been assigned as 'Negative' in line with the sovereign rating outlook of the Republic of Türkiye.

**Viking Kağıt ve Selüloz Anonim Şirketi** ("Viking Kağıt" or "the Company") was established in 1969 in Aliağa/İzmir as the first privately-owned industrial paper mill in Türkiye. The Company entered into the tissue paper sector in 1996 and still engages in the production, marketing and sales of semi-finished and finished sanitary papers for the domestic and foreign markets. It has more than 80 final consumer products under toilet paper, paper towel, napkin, box tissue, wet wipe, cologne and toilet seat cover categories, which are offered under the following brands: "Premia", "Lily", "Senso", "Pufla" for in-home consumption, "Select" for non-domestic consumption such as HoReCa sector (hotels, cafes and restaurants), hospitals and schools, and "Select Nature" for both segments. In addition to finished products, Viking Kağıt supplies semi-finished products to producers in various sectors in domestic and international markets and also has manufacturing capabilities to anticipate the demand for private label products. The Company is headquartered in Aliağa/İzmir and its production plant operates with an annual capacity of 45.80k tonnes. As of 30.09.2022, the Company had an average staff force of 202 people (FYE2021: 205). The main revenue stream channels of Viking Kağıt have been domestic sales but it had a steady export ratio of 24% on average in the analysis period as well. The Company distributes its products through more than 200 sales points over 50 dealers in Türkiye while exporting to more than 20 countries.

The shares of Viking Kağıt have been traded on BIST since 1994 with 'VKING' ticker. Yaşar Holding A.Ş. was the principal shareholder of the Company with a share of 78.48%.

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

### Strengths

- Improvement in sales revenues with a recovery of EBITDA margin at 9M2022,
- Export revenues providing FC risk mitigation opportunities,
- Maintained asset quality thanks to the low level of doubtful receivables,
- High compatibility with the corporate governance practices as a publicly traded company,
- Ability to comply with international quality standards and emphasis on sustainability,
- Successful track record as being Türkiye's first private sector paper factory,
- Advantages of being a group company of Yaşar Holding along with its commitment to support the Company operations,
- Reduction of VAT rates on hygiene products from 18% to 8% supporting sales and profit margins of the industry.

### Constraints

- Severe deterioration in leverage profile proven by net debt/EBITDA multiplier at FYE2021 though a recovery tracked as of 9M2022,
- Import dependency on raw material purchases leading to notable decline in gross profit margin at FYE2021,
- High level of FX losses and financing expenses pressuring profitability performance,
- Accumulated net losses distorting equity structure and increasing cash injection needs,
- Notable non-cash contribution of revaluation gains in equity,
- Insufficient CFO and FOCF generation capacity increasing external financing needs and leading to net working capital deficit,
- Consecutively recorded FX short position creating fragility against possible currency shocks,
- 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 Company's the Long-Term National Issuer Credit Rating has been assigned as 'BBB (tr)'. The Company's sales revenues, asset quality, corporate governance practices and shareholder support along with leverage and liquidity metrics, input costs, FX short position, equity level and composition, and deterioration in local and global macroeconomic conditions have been evaluated as important indicators for the 'Stable' outlooks for the Short and Long-Term National Issuer Credit Ratings. The Company's sales, leverage, liquidity and profitability metrics, solvency, and raw material costs will be closely monitored by JCR Eurasia Rating in the 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.