Corporate Credit Rating

☐New ☒Update

Sector: Paper and Forest Products
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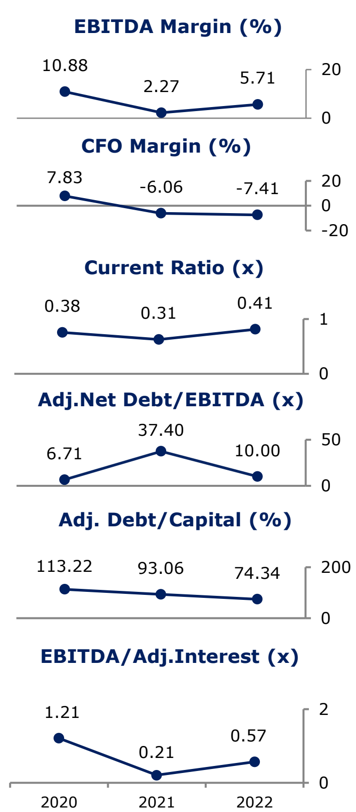
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB (tr)	J2 (tr)
	National ICR Outlooks	Negative	Negative
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating 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*



VİKİNG KAĞIT VE SELÜLOZ ANONİM ŞİRKETİ

JCR Eurasia Rating has evaluated **"Viking Kağıt ve Selüloz Anonim Şirketi"** in the investment grade category and affirmed the Long-Term National Issuer Credit Rating at **'BBB (tr)'** and the Short-Term National Issuer Credit Rating at **'J2 (tr)'** and revised the outlooks from **'Stable'** to **'Negative'**. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been assigned as **"BB/Negative"** as parallel to international ratings and outlooks of 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 100 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. In the first 9 months of FY2023, the Company had an average staff force of 191 people (FY2022: 204). The main revenue stream channels of Viking Kağıt have been domestic sales but it had a steady export ratio of 25% on average in the analyzed period as well. The Company distributes its products through more than 200 sales points over 55 dealers in Türkiye while exporting to more than 20 countries (FY2022: 29).

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

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

Strengths	Constraints
• Strong cash conversion cycle, • High collection ability of receivables as proven by the low level of doubtful receivables, • Export revenues providing foreign currency risk mitigation opportunities to a certain extent, • Emphasis on sustainability leading to innovative production capabilities, • Strong compliance with the corporate governance principles, • Broad sectoral experience along with advantages of being a group company of Yaşar Holding.	• Retreating sales volume coupled with operating and bottom-line losses, • Elevated leverage and coverage profile as a result of weak 9M2023 performance with negative EBITDA and equity figures, • Increasing and high level of FX losses and financing expenses, • Inadequate cash flow generation increasing external financing needs and exacerbating the NWC deficit, • Concentration risk on both customer and supplier sides, • Sensitivity to cellulose prices, • 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.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed at **'BBB (tr)'**. On the other hand, the outlooks for the Long and Short-Term National Issuer Credit Ratings have been revised from **'Stable'** to **'Negative'** considering the Company's cash conversion cycle, asset quality, and Group support along with retreating sales volume, negative EBITDA and equity figures, coverage profile, ongoing net working capital deficit, cash flow metrics, and deterioration in local and global macroeconomic conditions. The Company's sales volume and revenues, profit margins, leverage profile, coverage ratios, liquidity and cash flow metrics, and input 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.