JCR-ER JCR Eurasia Rating
"JCR-ER, Group of Japan Credit Rating Agency, Ltd." JCR

Corporate Credit Rating

☐New ☒Update

Sector: Paper and Forest Products
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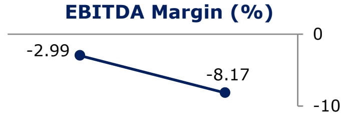
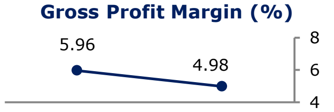
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB- (tr)	J3 (tr)
	National ICR Outlooks	Negative	Stable
	International FC ICR	BB-	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB-	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

** Assigned by JCR on May 10, 2024*

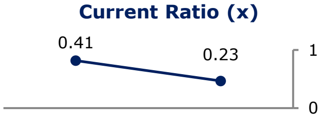
EBITDA Margin (%)



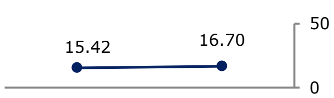
Gross Profit Margin (%)



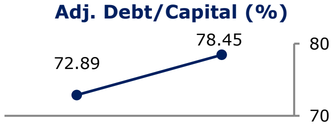
Current Ratio (x)



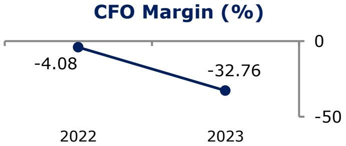
Equity / Total Assets (%)



Adj. Debt/Capital (%)



CFO Margin (%)



VİKİNG KAĞIT VE SELÜLOZ ANONİM ŞİRKETİ

JCR Eurasia Rating has evaluated **"Viking Kağıt ve Selüloz Anonim Şirketi"** in the investment grade category and revised the Long-Term National Issuer Credit Rating from **'BBB (tr)'** to **'BBB- (tr)'** and the Short-Term National Issuer Credit Rating from **'J2 (tr)'** to **'J3 (tr)'**. In addition, the outlook for Long-Term National Issuer Credit Rating has been assigned as **'Negative'**, while the outlook for Short-Term National Issuer Credit Rating has been revised from **'Negative'** to **'Stable'**. When the global and national scale rating matching published by JCR Eurasia Rating is considered, the Company's Long-Term International Issuer Credit Ratings have been assigned as **'BB-'** with **'Negative'** outlooks.

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 the tissue paper sector in 1996 and still engages in producing, marketing, and selling 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", and "Green4U" 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 has an annual capacity of 30k tons. In the first 9 months of FY2024, the Company had an average staff force of 175 people (FY2023: 190). The main revenue stream channels of Viking Kağıt have been domestic sales but it had an average export ratio of 34% in the analyzed period. The Company distributes its products through more than 200 sales points and over 55 dealers in Türkiye while exporting to more than 20 countries (FY2023: 30). The shares of Viking Kağıt have been traded on Borsa İstanbul since 1994 with the 'VKING' ticker. **Yaşar Holding A.Ş.** is the principal shareholder of the Company with a share of 78.48%.

Yaşar Holding A.Ş. was established in 1968 but its operating history dates back to 1927 with the foundation of Durmuş Yaşar Müessesesi to make sales of marine materials and coatings products. As a holding company, it coordinates the activities of and liaises between more than 20 companies in different fields of activities, including food and beverage, coatings, tissue, and tourism. The products of Yaşar Group carry the countrywide well-known food and beverage business brand name 'Pınar' and the coatings business brand names 'Dyo' and 'Dewilux'. Yaşar Holding is registered in İzmir and is ultimately controlled by the Yaşar Family.

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

Strengths	Constraints
• Favorable cash conversion cycle, • Natural hedging opportunities to a certain extent thanks to export revenues, • Maintained asset quality thanks to low level of doubtful receivables, • Compliance with the corporate governance principles as a publicly traded company, • Broad sectoral experience with emphasis on sustainability, • Advantages of operating under Yaşar Holding.	• Downward sales trend with notable declines in 9M2024 and FY2023, • Elevated leverage profile coupled with high amount of financing expenses, • Limited gross profit margins and negative EBITDA figures throughout the analyzed periods, • Equity erosion due to retained losses, increasing cash injection needs, • Inability to generate cash flow leading to weak liquidity indicators, • Sensitivity to cellulose prices, • As actions for a global soft landing gain prominence, decisions with the potential to adversely affect global trade are engendering considerable uncertainty.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been revised from **'BBB (tr)'** to **'BBB- (tr)'**. On the other hand, the outlook for the Long-Term National Issuer Credit Rating has been assigned as **'Negative'** considering the Company's leverage and coverage profile, equity level, profit margins, sales, cash flow and liquidity metrics, and deterioration in local and global macroeconomic conditions along with cash conversion cycle, export revenues, asset quality, compliance with the corporate governance practices, sustainability studies, sectoral experience, and Yaşar Holding's support. The Company's sales, profit margins, leverage and coverage profile, 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 the legal framework of the sector will be monitored.