

Corporate Credit Rating

New Update

Sector: Textile

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit 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	-
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 August 18, 2022

Yünsa Yünlü Sanayi ve Ticaret A.Ş. and Its Subsidiaries

JCR Eurasia Rating has evaluated **Yünsa Yünlü Sanayi ve Ticaret A.Ş.** in the investment level category and assigned the Long-Term National Issuer Credit as '**AA+ (tr)**' and 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 assigned as '**BB/Negative**' as parallel to international ratings and outlooks of Republic of Türkiye.

Yünsa Yünlü Sanayi ve Ticaret A.Ş. (referred to as 'the Company' or 'Yunsa') was established in 1973 in Türkiye and operates as one of the leading high-quality worsted wool fabric manufacturers in Europe. Yunsa started producing men's worsted fabrics in 1973 and later added women's fabric to its portfolio in 1998. While a large part of Yunsa's product portfolio consists of 100% wool fabrics; cashmere, silk, viscose, etc. blended woolen fabric production is also included in the product range. Yunsa, which produces and uses its own yarn, has a fabric weaving capacity of 11 million meters, along with an annual production of 4,500 tons of worsted yarn. Exporting to more than fifty countries, Yunsa, with its largest market in Germany, is also a supplier of large international fashion brands. The Company has design offices in Italy and Türkiye; sales offices in UK, Germany, and Italy; and agencies in Italy, France, Japan, Korea, USA, and China.

The Company went public and quoted to Borsa İstanbul Stock Exchange (BIST) in 1990. As of reporting date, Sürmegöz Tekstil Yatırım A.Ş. owns 57,88% of the common stock, the remaining shares publicly traded on the Borsa İstanbul stock exchange. The average number of personnel of the Company is 999 in 2022 (2021: 961).

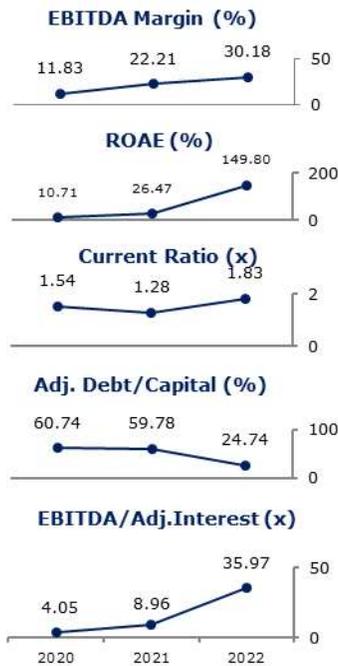
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Steady improvement in revenue and EBITDA generation performance in line with the increase in business volume
- Upward trend in profitability margins during the review period
- Improvement in cash flow and liquidity metrics in 2022
- Foreign currency denominated revenue providing a natural hedging mechanism for fx risk to a certain extent
- Improvement in financial leverage metrics due to strengthened equity level
- Satisfactory level of net debt to EBITDA multiplier indicating a cash surplus as of FYE2022
- Satisfactory level of trade receivable collection performance
- Benefiting from the integrated facilities provides cost and time efficiency in production processes
- Strong sales and marketing channels providing international client base sustaining sales revenue together with diversified product portfolio

Constraints

- Fluctuations in raw material prices may put pressure on profitability margins
- 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 Long-Term National Issuer Credit Ratings has been assigned as '**AA+ (tr)**'. The Company's upward trend in revenue and EBITDA generation performance, satisfactory level of profitability indicators, satisfactory liquidity position, long-lasting presence in the industry, and global interest rate hiking cycle have been evaluated as important indicators for the stability of the ratings and outlooks for Long and Short-Term National Issuer Credit Ratings '**Stable**'. The Company's sales performance, profit margins, and liquidity level 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.