CREDIT RATING REPORT

DATE: 06.09.2021

LEAD ANALİST: TOLGA KARACA
+90 212 232 84 50 tolga.karaca@drcrating.com

ISUER: EKSUN GIDA TARIM SANAYİ ve TİCARET A.Ş.

İSSUE: -

CORE BUSINESS FOOD

NEW: X **UPDATE:** ☐

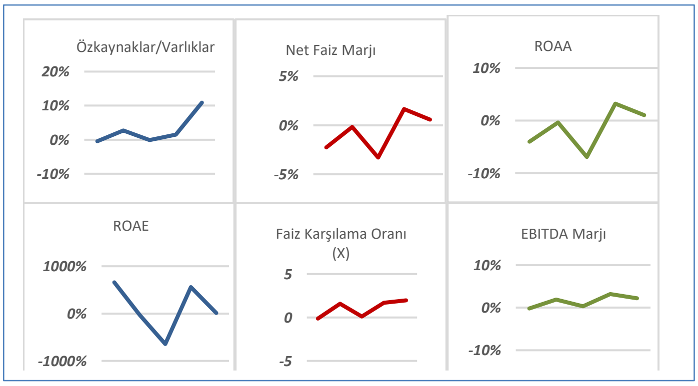
	RATINGS*					
Eksun Gıda Tarım Sanayi ve Ticaret A.Ş. Ord. Prof. Kerim Gökay Caddesi, No: 36, Altunizade / İstanbul Tel: (0216) 544 24 00 www.eksun.com.tr	**ISSUER RATING**		**OUTLOOK**	**ISSUE RATING**		**OUTLOOK**
	LONG TERM	**SHORT TERM**		**LONG TERM**	**SHORT TERM**	
INTERNATIONAL FOREIGN CURRENCY	- (-)	- (-)	- (-)			
INTERNATIONAL LOCAL CURRENCY	- (-)	- (-)	- (-)			
NATIONAL RATING	**TR A-** (**NR**)	**TR A-1** (**NR**)	**Stable** (**NR**)			

***Previous ratings are at the bottom right of the cells. **NR:** Not rated by DRC RATING. **Outlook:** Positive, Negative, Stable, Developing.

SUMMARY: Eksun Gıda Tarım Sanayi ve Ticaret A.Ş. (hereafter Eksun Gıda or the Company) has been assigned **a long-term national credit rating of TR A- a short-term national credit rating of TR A-1 and outlook Stable.** The credit ratings reflect our opinion in the increase of Company's sales and total assets despite Covid-19 Pandemic's impact that has continued since March of 2020 in Turkey which caused deterioration in macroeconomic indicators and slowdown in economic activity, parent company Eksim Yatırım Holding A.Ş. (hereafter Holding) and the stakeholders' financial strength and desire to support the Company, increased product diversity with Aslı Börek, which was purchased with internal resources of the Company this year, sustainable market share, presence of stable and experienced management, strength of marketing channels, increase in doubtful receivables and financial debt, negative equity in 2016 and 2018; though it turned positive in 2019 and 2020, it has low net profits for the period, working with negative working capital.

Key Financial Data (Million ₺)

	2016	2017	2018	2019	2020
Total Assets	295.3	385.2	478.5	475.9	769.2
Trade Receivables	114.3	178.6	219.6	192.7	233.3
Inventories	77.3	108.4	133.3	138.6	281.1
Trade Payables	71.7	127.1	238.7	331.6	357.8
Equity	-1.3	10.3	-0.6	7.0	83.7
Net Profit	-11.2	-1.2	-30.0	15.3	6.2



İstanbul, September 6th, 2021

Financial Data

December 31st, 2020

(Million ₺)	
Total Assets	769.2
Trade Receivables	233.3
Inventories	288.1
Financial Liabilities	292.4
Trade Payables	357.8
Gross Sales	1,215.1
Equity	83.7
Net Profit/Loss	6.2

Financial Ratios

ROAA (%)	1.0
ROAE (%)	13.9
EBITDA Margin (%)	2.2
Equity/Total Assets (%)	10.9
Net Profit Margin (%)	0.6

Ratings Rationale, Outlook and Important Factors for the Future:

The credit ratings reflect our opinion in the increase of Company's sales and total assets despite Covid-19 Pandemic's impact that has continued since March of 2020 in Turkey which caused deterioration in macroeconomic indicators and slowdown in economic activity, parent company Eksim Yatırım Holding A.Ş. (hereafter Holding) and the stakeholders' financial strength and desire to support the Company, increased product diversity with Aslı Börek, which was purchased with internal resources of the Company this year, sustainable market share, presence of stable and experienced management, strength of marketing channels, increase in doubtful receivables and financial debt, negative equity in 2016 and 2018; though it turned positive in 2019 and 2020, it has low net profits for the period, working with negative working capital.

The increase in wheat prices in 2020 due to the increase in demand conditions and exchange rates, had impact on both increase in the gross sales revenue of the Company by 20.7% to 1,215.1 million ₺ compared to the previous year, and increase in the total assets by 61.7% to 769 thousand ₺, with the increase in inventory. In 2019, with the increase of the paid-in capital to 50 million ₺ by using internal resources, the net profits obtained in 2019 and 2020, and the revaluation of the company's factories and lands in Muratlı and Konya in 2020, the low shareholders' equity increased relatively. The Company's low equity level and low return on equity ratios and the increase in foreign exchange risk due to the increase in financial debts in $ denominated financial liabilities put pressure on the credit ratings.

DRC RATING has determined the outlook of Eksun Gıda's National Long-Term Rating as "Stable". Credit lines established in many financial institutions, financing support received from group companies, currency risk management, sukuk planned to be issued, high leverage ratios and fluctuating EBITDA margin rates were taken into account and positive/negative factors were evaluated in determining the outlook. In the days when the pandemic began to affect Turkey, the demand for the flour and derivative products produced by the Company increased rapidly due to sociological and psychological reasons. In the later stages of pandemic, there was a rapid decrease in demand. Barriers in factors of production, restrictions on port operators, supply constraints that vary from country to country, customs practices and national grain policies affects the flour industry deeply.

Eksim Holding, the parent company whose foundations were laid in 1986, is among the leading groups in Turkey with its investments in companies operating in renewable energy generation, electricity distribution and wholesale and retail sale, food, construction and real estate sectors. According to the Holding's independent audit report dated 31 December 2020, its total assets are 11.1 billion ₺, its total liabilities are 5.9 billion ₺ and its net period profit is 1.7 billion ₺, and approximately 7 thousand people work in more than 30 companies under its roof.
Key factors to consider for the future change in rating and outlook are:

Positive

- Recovery in economic activities,
- Growth of EBITDA margin,
- Increasing ROAA and ROAE,
- The level of equity that will increase with the period profit to be obtained and the cash capital injection,

Negative:

- Negative effects on flour producers of the interventions of Turkish Grain Board (TMO) to the market,
- The negative impact of fluctuations in financial debt costs and FX rates on profitability,
- The increase in the collection risk, with the slowdown in economic activities, the increase in the collection risk
- Increase in wheat costs higher than anticipated Due to the drought experienced,

Disclaimer for Translation: This is an unofficial translation into the English language of the credit rating report/summary report (report), for convenience and information purposes only, that originally was prepared in the Turkish language. DRC RATING is not liable for any inaccuracies in translated materials or misunderstandings due to language usage or dialect. While reasonable efforts are made to provide accurate translations, portions may be incorrect, therefore, DRC RATING cannot guarantee the accuracy of the converted text. The full, legal and binding version of the report for all purposes is the Turkish version, filed by DRC RATING with the Capital Market Board of Turkey and published on DRC RATING's website. In the event of a contradiction or inconsistency or a discrepancy between this translation and the Turkish version of this report, the provisions of the Turkish version shall prevail. DRC RATING does not guarantee that the translation fully, correctly or accurately reflects the Turkish version of report and its contents.

Neither DRC RATING, nor any of its directors, employees, advisors or other office holders, accept any responsibility on any grounds whatsoever to any other person in connection with this translation into English of the report. DRC RATING shall not be liable for any inaccuracies or errors in the translation or for any loss or damage of any kind, including without limitation, indirect or consequential loss or damage arising from or in connection with the use of this translated version of the report.

No liability is assumed by DRC RATING for any errors, omissions, or ambiguities in the translations provided in this report. Any person or entity that relies on translated content does so at their own risk. DRC RATING shall not be liable for any losses caused by reliance on the accuracy or reliability of translated information. If you would like to report a translation error or inaccuracy, we encourage you to please contact us. Where there is any question, the English version is always the authoritative version of the report. Any discrepancies or differences created in the translation are not binding and have no legal effect for compliance or enforcement purposes.