

Corporate Credit Rating

New Update

Sector: FMCG

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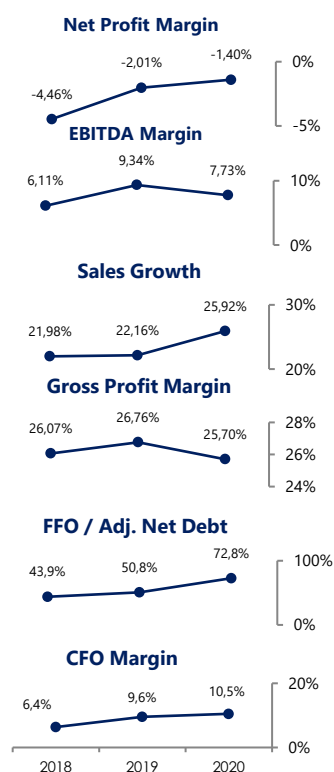
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RATINGS

		Long Term	Short Term
National	Local Rating	AA+ (Trk)	A-1+ (Trk)
	Outlook	Stable	Stable
	Issue Rating	-	-
International	Foreign Currency	BB	B
	Local Currency	BB	B
	Outlook	FC Stable LC Stable	Stable Stable
Sponsor Support	Stand-Alone	1	-
	Foreign	A	-
	Local	BB	-
Sovereign	Foreign	BB	-
	Local	BB	-
	Outlook	FC Stable LC Stable	- -

*Assigned by JCR on May 31, 2021



Migros Ticaret A.Ş. and Its Subsidiaries

JCR Eurasia Rating evaluated the consolidated structure of “**Migros Ticaret A.Ş.**” in an investment grade category at national level and assigned the ratings as “**AA+ (Trk)**” on the Long-Term National Scale and as “**A-1+ (Trk)**” on the Short-Term National Scale with “**Stable**” outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as “**BB/ Stable**”.

Migros Ticaret A.Ş. (hereinafter referred to as "Migros" or "the Company") was established in Istanbul on July 26, 1954 as a joint venture of Switzerland the Federation of Migros Cooperatives and the Istanbul Municipality and approximately 40% of its shares were acquired by Anadolu Group in 2015 and the Group acquired approximately 50% of the shares in 2017. Migros' shares are listed in Borsa Istanbul (BIST) since 1991 with the ticker 'MGROS'. As of 1Q2021, 49.18% of Migros' shares are publicly traded. The Company which conducts its operations through its 2,330 store and 706 online sales centers located in Turkey in 81 cities, steadily expanded its business to become the one of the largest players in the Turkey National Supermarket chain.

Migros provides service with its Migros Jet, M, MM, MMM, 5M and Migros Toptan format stores with 2,266 stores in 81 provinces, and with Macrocenter in 64 stores in 7 provinces of Turkey. In addition, the Company, Migros Sanal Market, established in 1997 as Turkey's first food retail e-commerce site, offers services in 81 cities today, as well as Macrocenter's online service channel Macroonline, Migros Hemen and its priority is natural nutrition with Tazedirekt, which increases its privileged service network to its customers via online channels.

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

Strengths

- Maintaining EBITDA generation capacity and gross profit margins,
- Deleverage of financial debts and clearing FX dominated bank loans decreasing vulnerability,
- Omni-channel capabilities in line with its scale,
- Benefiting household consumption stemming from the Covid-19 Pandemic,
- Resilient business model through economic cycles,
- Suitable operational performance indicators thanks to the income stream quality,
- Strong financial profile and cash buffer through strengthened FFO generation easing liquidity structure,
- Predominantly liquid asset-weighted qualified asset structure.

Constraints

- Remarkable low level of capital structure,
- Competitive market structure in FMCG sector pressuring profitability indicators.

Considering the aforementioned points, the Company's Long-term National Rating has been assigned at “**AA+ (Trk)**”. Taking into account of the branch network and online sales channels investments, sales growth, EBITDA generation capacity, predictable cash flow generation, experienced and qualified organizational structure, assets growth and preventing FX dominated debts, as well as, geopolitical risks-driven uncertainties; the Company's outlook for Long and Short-Term National ratings has been determined as “**Stable**”. An achievement of budget targets of the Company, debt ratio, profit margins and sustainability demand, regulations, as well as market conditions regarding the sector are the priority issues to be monitored in the following period.

The Sponsor Support notes and risk assessments carried out reflect the financial and nonfinancial standings and expected support of Anadolu Group. It has been assessed that the main shareholder Anadolu Group has the willingness and financial strength to provide long term liquidity or equity for and the adequate experience to provide efficient operational support to the Company. Taking into consideration the shareholder's role in the sector, investments and activities the Company's Sponsor Support grade has been determined as **(1)** on JCR Eurasia Rating's notation scale. This grade denotes a high-level external support to the Company.

The Stand-Alone Note is constituted regarding assets quality, equity structure, risk management practices, market shares, growth rates and development of market and operational condition risk. JCR Eurasia Rating has determined that Migros and its subsidiaries have reached sufficient knowledge and experience to manage the risk in their balance sheet without shareholder support. The Stand-Alone grade has been assigned as **(A)** considering the ability of the Company to manage its undertaken incurred risks based on its own and current capitalization.