

Corporate Credit Rating

□New ☑Update

Sector: Energy

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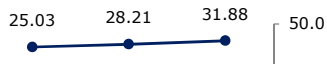
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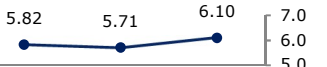
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A-(tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	J3
	International FC ICR Outlooks	Stable	Stable
	International LC ICR	BB	J3
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Stable	Stable
	National ISR	A-	J2 (tr)
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 31, 2021

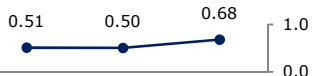
EBITDA Margin (%)



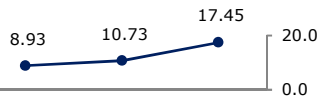
Adj.Net Debt/EBITDA (x)



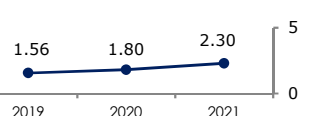
Current Ratio (x)



Equity/Total Assets (%)



EBITDA/Adj.Interest (x)



Zorlu Enerji Elektrik Üretim Anonim Şirketi

JCR Eurasia Rating, has evaluated "Zorlu Enerji Elektrik Üretim A.Ş." in the high investment-level category and affirmed the Long-Term National Issuer Credit Rating at 'A-(tr)' and the Short-Term National Issuer Credit Rating at 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been assigned as 'BB/Stable' according to JCR-ER's national-global mapping methodology.

Zorlu Enerji Elektrik Üretim A.Ş. (hereinafter referred to as "Zorlu Enerji" or "the Company") was established in 1993 as the first company of Zorlu Energy Group, and today the Company is one of the leading players in the Turkish energy sector. Zorlu Enerji operates in various areas of the industry with an integrated corporate combination, including electricity and steam generation, retail electricity sales, electricity distribution, solar panel sales and installation, natural gas sales and distribution, construction, management and maintenance of power plants and EV charging stations network.

Mainly focusing on geothermal energy investments in Türkiye, Zorlu Enerji is the leading player in geothermal energy in Türkiye with its 305 MW of installed capacity. The Company has power plants in Türkiye, Israel, Pakistan and Palestine. Zorlu Enerji's production portfolio consists of 7 hydroelectric power plants, 4 geothermal power plants, 5 natural gas power plants, 2 wind power plants and 1 solar power plant in total. Zorlu Enerji aims to increase its total capacity via especially hybrid solar power licenses. The Company, headquartered in Istanbul, employed an average workforce of 2,493 as of March 31, 2022. The Company is registered to the Capital Markets Board and its shares have been publicly traded on the Borsa Istanbul since 2000.

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

Strengths

- Satisfactory EBITDA generation capacity on the back of rising trend in energy prices and also regulated distribution activities,
- Diversified and balanced portfolio of assets in the growing markets,
- Natural hedge opportunity provided by USD denominated feed-in tariff mechanism to a certain extent,
- High support of sectoral authority in energy generation from renewable sources and energy distribution areas,
- Effective use of diversified debt instruments through capital market issuances,
- High level of compliance with the corporate governance implementations due to the listed status along with attaching high importance to ESG criteria

Constraints

- Highly leveraged balance sheet due to ongoing project finance investments,
- Adverse effect of net financing expenses on bottom line despite hedge implementation,
- Net working capital deficit pressuring liquidity indicators,
- Recovery in equity by non-cash method as a result of valuation of tangible assets

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed at 'A-(tr)'. The Company's sustainable EBITDA generation capacity, ability to obtain additional funding resources, high support level of sectoral authority for renewable energy production, the Company's remarkable installed capacity and experience in the sector, have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The Company's indebtedness volume, sales growth, profitability and liquidity indicators 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.