

## Corporate Credit & Issue Rating

New  Update

Sector: Energy  
 Publishing Date: 12/10/2018

### Analyst

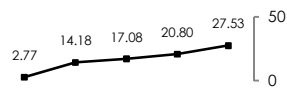
Bora Pakyürek  
 +90 212 352 56 73  
 bora.pakyurek@jcrer.com.tr

### RATINGS

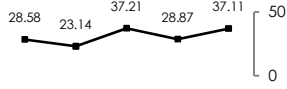
		Long Term	Short Term	
International	Foreign Currency	BBB-	A-3	
	Local Currency	BBB-	A-3	
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
Issue Rating	-	-	-	
National	Local Rating	A (Trk)	A-1 (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	A (Trk)	A-1 (Trk)	
Sponsor Support		2	-	
Stand-Alone		B	-	
Sovereign*	Foreign Currency	BBB-	-	
	Local Currency	BBB-	-	
	Outlook	FC	Negative	-
LC		Negative	-	

\*Affirmed by JCR on August 14, 2018

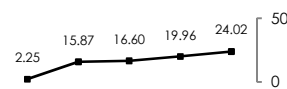
#### Net Profit Margin (%)



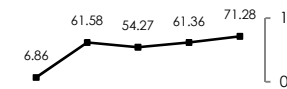
#### Equity / Total Assets (%)



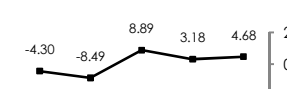
#### ROAA (%)



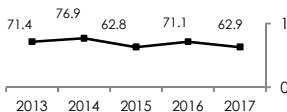
#### ROAE (%)



#### NWC / T. Assets (%)



#### Debt Ratio (%)



## Çalık Enerji Sanayi ve Ticaret A.Ş. Company Overview

Financial Data	2018/6**	2017*	2016*	2015*	2014*
Total Assets (USD mn)	1,607	1,872	1,423	1,346	1,502
Total Assets (TRY mn)	7,331	7,062	5,006	3,915	3,483
Equity (TRY mn)	2,791	2,621	1,445	1,457	806
Net Profit (TRY mn)	434	1,323	739	575	502
Sales (TRY mn)	2,139	4,807	3,552	3,368	3,538
Net Profit Margin (%)	20.29	27.53	20.80	17.08	14.18
ROAA (%)	n.a	24.02	19.96	16.60	15.87
ROAE (%)	n.a	71.28	61.36	54.27	61.58
Equity / Total Assets (%)	38.23	37.11	28.87	37.21	23.14
Net Working Capital / T. Assets (%)	-0.04	4.68	3.18	8.89	-8.49
Debt Ratio (%)	61.77	62.89	71.13	62.79	76.86
Asset Growth Rate (%)	3.38	41.07	27.88	12.39	6.41

\*End of year \*\*Interim audited figures

**Çalık Enerji Sanayi ve Ticaret Anonim Şirketi** ("Çalık Enerji" or "the Company" or "the Group") was established in 1998 in Turkey and continues operations under the main business lines of EPC (Engineering, Procurement and Construction), IPP (Independent Power Producer), and Utility (electric and gas distribution). **Çalık Enerji** has provided turnkey delivery contractor services in the EPC business, mainly for power plant and infrastructure projects, since the early 2000s and has built a solid know-how. The Company completed 21 projects with a total contract value of approximately USD 3.9bn between 2002 and 2017, principally in Turkmenistan. As an independent power producer and private investor in the Turkish energy sector, Çalık Enerji has an installed capacity of 72 MW wind power, 30 MW hydroelectric power, and 25 MW solar power in the IPP business. Utility business comprises Yeşilirmak Elektrik Dağıtım A.Ş. ("**YEDAŞ**"), Yeşilirmak Elektrik Perakende Satış A.Ş., Aras Elektrik Dağıtım A.Ş. ("**ARAS**"), Aras Elektrik Perakende Satış A.Ş., and Kosovo Energy Distribution and Supply Company ("**KEDS**") which serve a population of approximately 5.3mn in Turkey and 1.8mn in Kosovo.

The Company is managed and owned by **Çalık Holding**, the parent company of the Group, holding 95.42% of all Çalık Enerji's shares. The Japanese **Mitsubishi Corporation** purchased a 4.48% stake in Çalık Enerji in June 2015 to build a strategic alliance. The Company employed a staff force of 1,472 as of 30 June 2018 (31 December 2017:1.503). The Group performs its activities in its target markets with a workforce of nearly 5,500, including subcontractors.

### Strengths

- Increase in core operating profitability in the completed financial year due to strong sales growth supported with new EPC contracts
- Reputable brand name with a proven track record in various countries with its position as a first-mover and market leader in the EPC Business
- High growth potential in the EPC business in target markets and established relationships and close ties with global brands, Original Equipment Manufacturers (OEMs)
- Operations in electricity generation and distribution apart from EPC projects creating revenue diversification and steady income generation
- Asset quality strengthened by low collection risks and large share of sovereign and quasi-sovereign institutions contracts in the trade receivables account
- Successive realized bond issues in the past financial year contributing to borrowings term structure and relieving liquidity management
- Strategic and Equity Partnership with Mitsubishi Corporation

### Constraints

- Geopolitical and economic concerns along with the recent exchange rate shock harboring uncertainties and wielding pressure on business prospects
- Severe competition among EPC contractors in key markets, downwardly pressuring profit margins
- Slightly greater business risk due to involvement in increasingly complex and relatively new operational areas
- Persistent political and economic stresses and insurgencies witnessed in neighboring regions in which the Group operates such as the Middle East and North Africa, restraining investment and business prospects and aggregating the riskiness of operations realized in the region
- Abundant state support to Chinese and Korean contractors hardens the global competition environment for other EPC contractors
- Need for a separate and efficient risk management unit and risk committee in the Board of Directors
- Lack of independent members in the Board of Directors