

Corporate Credit & Issue Rating

New Update

Sector: Energy, Mining
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Senior Analyst

Özgür Fuad Engin, CFA
 +90 212 352 56 73
 ozgur.engin@jcrer.com.tr

RATINGS

| | | Long | Short |
|-----------------|------------------|-----------|-----------|
| International | Foreign Currency | BBB- | A-3 |
| | Local Currency | BBB- | A-3 |
| | Outlook | FC Neg. | Neg. |
| | | LC Neg. | Neg. |
| | Issue Rating | - | - |
| National | Local Rating | BBB (Trk) | A-3 (Trk) |
| | Outlook | Stable | Stable |
| | Issue Rating | BBB (Trk) | A-3 (Trk) |
| Sponsor Support | | 3 | - |
| Stand-Alone | | B | - |
| Sovereign* | Foreign Currency | BBB- | - |
| | Local Currency | BBB- | - |
| | Outlook | FC Neg. | - |
| | | LC Neg. | - |

*Affirmed by JCR on November 27, 2018

Odaş Elektrik Üretim Sanayi Ticaret A.Ş.

Company Overview

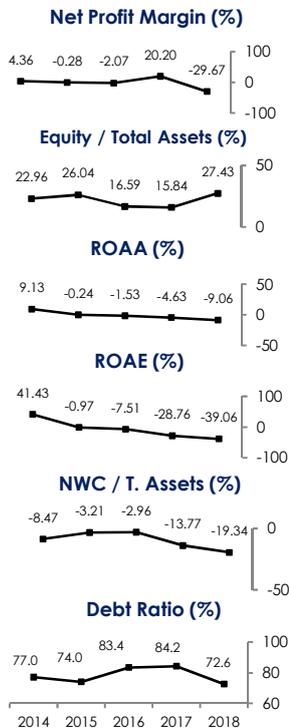
| Financial Data | 2019/3** | 2018* | 2017* | 2016* | 2015* |
|-------------------------------------|-----------|-----------|-----------|---------|---------|
| Total Assets (000 USD) | 560,412 | 584,703 | 472,003 | 270,384 | 222,735 |
| Total Assets (000 TRY) | 3,154,222 | 3,076,063 | 1,780,348 | 951,537 | 647,624 |
| Equity (000 TRY) | 895,149 | 843,864 | 281,953 | 157,858 | 168,642 |
| Net Income (000 TRY) | -329,413 | -263,103 | 124,122 | -10,722 | -1,375 |
| Sales (000 TRY) | 837,350 | 886,645 | 614,530 | 517,421 | 484,914 |
| Net Profit Margin (%) | -39.34 | -29.67 | 20.20 | -2.07 | -0.28 |
| ROAA (%) | n.a | -9.06 | -4.63 | -1.53 | -0.24 |
| ROAE (%) | n.a | -39.06 | -28.76 | -7.51 | -0.97 |
| Equity / Total Assets (%) | 28.38 | 27.43 | 15.84 | 16.59 | 26.04 |
| Net Working Capital / T. Assets (%) | -18.66 | -19.34 | -13.77 | -2.96 | -3.21 |
| Debt Ratio (%) | 71.62 | 72.57 | 84.16 | 83.41 | 73.96 |
| Asset Growth Rate (%) | n.a | 72.78 | 87.10 | 46.93 | 54.68 |

* Audited financial statements, ** Unaudited interim financial statements as of 1Q2019, sales and net income are LTM

Odaş Elektrik Üretim Sanayi Ticaret A.Ş. (referred to as Odaş, the Company, or the Group) is a consolidated group operating in electricity generation, distribution and mining of precious metals. Founded in 2010, Odaş acquired several assets and realized investments in order to expand its production capacity in both mining and energy generation.

Odaş's electricity generation business comprises a coal fired power (CFPP) with a capacity of 340 MWm, initiating the ramp-up process in August 2018 and commercially operational March 2019 and onwards, a natural gas combined cycle (NGCC) facility of 140.25MW and a hydroelectric power plant (HEPP) with 8.2MW. Energy distribution business comprises sales to the energy exchange, bilateral contracts and to end consumers. Mining business comprises coal, gold, silver and antimony reserves. Additionally, Odaş Group holds a wholesale natural gas distribution license. Given the current ramp-up and subsequently full capacity operation of Çan-2 CFPP, revenue base is expected to increase notably.

As of 1Q2019, 58.73% of Odaş Group's shares were traded on Borsa Istanbul. The Group has a workforce larger than 900.



Strengths

- Additional cash flow generation via capacity-based subsidy mechanism for Çan CFPP and higher average price for operational plants
- Revised financing schedule, matching the operationalization of CFPP
- Mining revenues from high-quality coal and antimony reserves
- Off-balance precious metal reserves and positive outlook for gold and antimony markets in the near term
- Comprehensive corporate governance policies and effective investor relations communication

Constraints

- High leverage stemming from long-term financing facilities used for acquisition and investments and revaluation fund-heavy equity structure
- EUR dominated financial loans, underpinning the importance of natural hedge via energy and mining revenue prices
- Significant impact of regulations concerning production and distribution
- Energy sector loans in the banking sector limiting the creditors' risk appetite given the challenges in the Sector
- Competitive pressures with excess supply, partly balanced with regional supply/demand dynamics