

Corporate Credit & Issue Rating

New Update

Sector: Energy

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RATINGS

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

*Assigned by JCR on April 10, 2020

Zorlu Enerji Elektrik Üretim A.Ş.

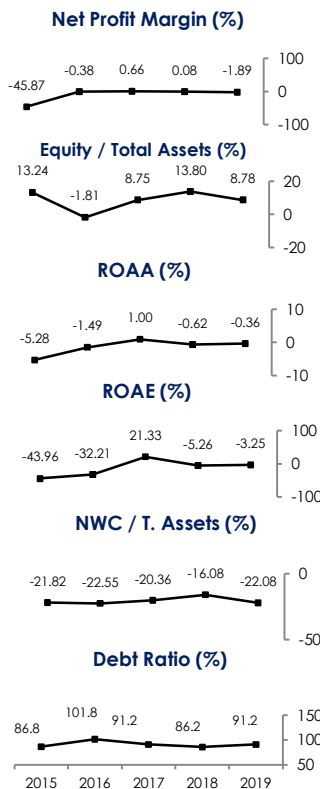
Company Overview

Financial Data	2019*	2018*	2017*	2016*	2015*
Total Assets (mn USD)	3,144	3,263	3,215	2,165	1,953
Total Assets (mn TRY)	18,676	17,164	12,126	7,620	5,678
Equity (mn TRY)	1,640	2,369	1,061	-138	752
Sales (mn TRY)	8,361	5,970	4,988	1,195	575
EBITDA (mn TRY)	2,034	1,854	1,016	413	260
Net Profit (mn TRY)	-158	5	33	-5	-264
Net Profit Margin (%)	-1.89	0.08	0.66	-0.38	-45.87
ROAA (%)	-0.36	-0.62	1.00	-1.49	-5.28
Equity / Total Assets (%)	8.78	13.80	8.75	-1.81	13.24
Net Work.Cap./ T. Assets (%)	-22.08	-16.08	-20.36	-22.55	-21.82
Debt Ratio (%)	91.22	86.20	91.25	101.81	86.76
Asset Growth Rate (%)	8.81	41.55	59.13	34.20	14.41

*Consolidated and audited financial statements

Zorlu Enerji Elektrik Üretim A.Ş. ("Zorlu Enerji" or "the Company") commenced operations in 1993 as the first company of the Zorlu Energy Group and is today one of the leading players in the Turkish energy sector. As of the reporting day, Zorlu Enerji operates on various fields of the sector with an integrated corporate combination including electricity and steam generation and their 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. In 2019, Zorlu Enerji agreed to sell its wholly-owned subsidiary Zorlu Rüzgar Enerjisi Elektrik Üretimi AŞ, the owner of the Santepe and Demirciler Wind Power Plants, to Akfen Yenilenebilir Enerji AŞ. The sale was completed by February 2020.

Mainly focusing on geothermal energy investments in Turkey, Zorlu Enerji is the leading player in geothermal energy in Turkey with its 305 MW of installed capacity. As of the end of June 2020, Zorlu Enerji's production portfolio comprised 7 hydroelectric power plants, 4 geothermal power plants, 3 natural gas power plants, and 1 wind power plant in Turkey and 1 wind farm in Pakistan and 3 natural gas power plants in Israel. The active power plants reached a total installed capacity of **1,006 MW**, adjusted for its stakes in the power plants of Israel. Zorlu Enerji holds licenses both in renewable energy sources and natural gas power plants and aims to increase its total capacity. The Company, headquartered in Istanbul, employed a staff force of 2,254 as of FYE2019. The Company is registered to the Capital Markets Board and shares have been publicly traded on the Borsa Istanbul since 2000. Zorlu Enerji's Long Term National Grade has been affirmed as **"BBB+ (Trk)"** in JCR Eurasia Rating's notation.



Strengths

- Notable surge in revenues mainly derived from the strong growth in OEDAŞ's sales revenues, higher YEKDEM revenues due to Turkish Lira's depreciation and increase in retail and wholesale revenues on the back of increasing electricity tariff
- Focus on higher margin renewable energy and sustainable EBITDA growth as outputs are sold at guaranteed tariffs and ongoing deleveraging with strong EBITDA
- High support of sectoral authority encouraging the use of renewable energy
- Increased visibility for future revenues arising from the Company's YEKDEM sales and stable cash flows arising from the Osmangazi Electricity Distribution region and the regional gas distribution companies of Trakya Doğal Gaz and Gaziantep Doğal Gaz
- Balanced generation portfolio through renewable energy power plants and diversifying geographical risk through investments in attractive markets
- Asset quality strengthened by the large share of tangible assets, low collection risks, and negligible credit risk exposure
- Diversified funding opportunities through debt issuances contributing to borrowings term structure and relieving liquidity management

Constraints

- Ongoing uncertainties arising from the global Covid-19 pandemic, pressuring the global economic outlook
- Existing leveraged balance sheet due to long-term financing facilities used for acquisitions and investments with negative effects on profitability by financial expenses
- Volatility in net profit figures and profitability ratios throughout the reviewed period
- Foreign currency risk exposure through financial liabilities with past negative effects on profitability along with future volatility potential, requiring close monitoring despite FX linked revenues providing natural hedge
- Slightly greater business risk due to involvement in relatively new operational areas such as smart systems and solar energy despite promising affluent return potential in near future
- Persistent political and economic stresses along with regional tensions hosting uncertainties and exerting downward pressure on risk appetite of investors