

## Corporate Credit Rating

New  Update

Sector: Energy Production  
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### RATINGS

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

\*Assigned by JCR on April 10, 2020



## Aydem Yenilenebilir Enerji A.Ş. and its Subsidiaries

JCR Eurasia Rating evaluated “Aydem Yenilenebilir Enerji A.Ş.” in an investment grade category and assigned the ratings on the Long and Short-Term National Scales as ‘**BBB+ (Trk)**’ and ‘**A-2 (Trk)**’, respectively along with the ‘**Stable**’ outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings of the Company are mapped as ‘**BB/Negative**’, according to JCR-ER’s national-global mapping methodology.

**Aydem Yenilenebilir Enerji A.Ş.** (hereinafter the Company or Aydem Yenilenebilir) was established in 1995 under the commercial title of “Bereket Enerji Üretim Otoprodüktör Grubu Sanayi ve Ticaret A.Ş.” Thereafter, the Company has renewed its corporate identity as “Bereket Enerji Üretim A.Ş.” and “Aydem Yenilenebilir Enerji A.Ş.” in years 2004 and 2019, respectively. With a statutory seat in Denizli, Aydem Yenilenebilir particularly operates in the field of electricity generation from domestic and renewable sources after the corporate reorganization made in 2019 which consolidated all subsidiaries operating in renewable energy sector within the body of Aydem Yenilenebilir. Aydem Group possesses a pioneer position in the Turkish Energy Sector by means of building the first private HPP, being the first private electricity distributor and being the first solar panel manufacturer. Aydem Enerji Yatırımları holds 81.56% of Aydem Yenilenebilir’s shares and after the public offering held in April 2021, 18.44% of the Company’s shares have been publicly traded in BIST. Aydem Yenilenebilir has the third largest renewable energy installed capacity in Turkey and has 25 active power plants (20 HPPs, 3 WPPs, 1 GPP and 1 LFG) in its portfolio as of FYE2020. Approximately 89% of the Company’s total revenues were subject to YEKDEM incentive and weighted average of remaining YEKDEM durations of the power plants is 5 years as of 31.12.2020. In addition to renewable energy production activities, Aydem Yenilenebilir is also able to generate revenues (relatively limited when compared to renewables’ revenues) from carbon sales and the Management expects further improvement in this field in the upcoming period. Furthermore, the Company forecasts additional revenue generation via I-REC\* certificate issuances.

\*I-REC: International Renewable Energy Certificate

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

#### Strengths

- Increasing revenues and EBITDA figure in consequence of capacity building efforts
- Long term funding structure underpinning cash flows to a certain extent after debt restructuring made in FY2019
- Noteworthy portion of total revenues taking place in the scope of YEKDEM which contributing to the predictability and stability of cash flows
- Natural hedge to a certain degree deriving from USD denominated feed-in tariff mechanism along with high collectability
- Geographical diversification and extensive know-how supporting sustainability of activities
- Supportive government policies for renewable energy generation and utilization
- Compliance with corporate governance principles of CMB due to its listed status along with attaching high importance to ESG criterias

#### Constraints

- Pledges and mortgages given predominantly in terms of foreign currency despite a downtrend in their ratios to assets and equity
- Revaluation gains’ and retained losses’ significant shares in equity structure
- Net working capital deficit though the Management forecasts favourable FCF generation at FYE2021
- Net financial expenses deteriorating year-end profitability performance though cash flow hedge implementation started in Q12021
- Susceptibility of production capacity of HPPs’ and WPPs’ to climatic conditions
- Currency switch of feed-in tariffs for newly activated plants as of July 2021

Considering the aforementioned points, Aydem Yenilenebilir’s the Long-Term National Rating has been assigned as ‘**BBB+ (Trk)**’. The Company’s, cash flow predictability thanks to YEKDEM, high support level of sectoral authority for renewable energy production and the Company’s remarkable installed capacity -which is the 3<sup>rd</sup> largest renewable energy installed capacity in Turkey- have been evaluated as important indicators for ‘**Stable**’ outlooks of long and short-term national ratings. The Company’s indebtedness and liquidity profile, profitability performance, legislative regulations in the sector, market conditions, local and global macroeconomic indicators are the major issues which will be monitored by JCR Eurasia Rating in the upcoming period.

The sponsor support grade of Aydem Yenilenebilir has been resolved in deference to financial strength, financial capacity and willingness of the principal shareholders. The main shareholder Aydem Enerji Yatırımları A.Ş. and ultimate controlling shareholder Aydem Holding A.Ş. are considered to have the willingness to ensure long-term liquidity and equity when required and to provide operational support to the Company. Considering capital payment and premium payment with amounts of TRY 399.95mn and TRY 1,311mn respectively made in 2019 by the parent company, the parent company’s prepayments to reduce its indebtedness after Aydem Yenilenebilir’s public offering and the support of sectoral authorities to renewables along with the parent company’s and Aydem Holding’s net losses, the Sponsor Support grade of the Company has been determined as (2) in JCR Eurasia Rating’s notation system. On the other hand, due to extended debt payment schedule after the debt restructuring, its broad experience in the sector and its business model providing predictability for revenues, the Stand Alone Note of Aydem Yenilenebilir has been determined as ‘**B**’.