

Corporate Credit Rating

New Update

Sector: Energy

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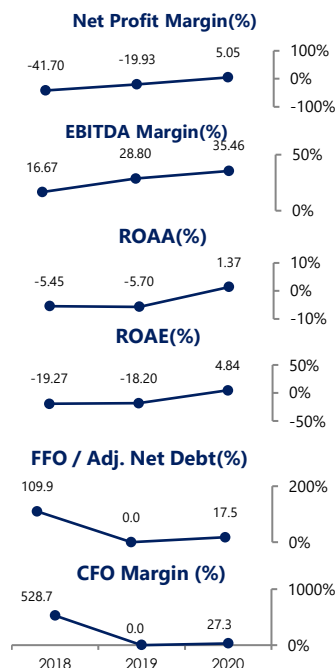
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RATINGS

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

*Assigned by JCR on May 31, 2021



Çan2 Termik A.Ş. and Its Subsidiaries

JCR Eurasia Rating, has evaluated **Çan2 Termik A.Ş.** ("Çan2 Termik" or "Company") in investment-level category on the national scale and assigned the ratings on the Long-Term National Scale as **'BBB- (Trk)'** and the Short-Term National Scale as **'A-3 (Trk)'** with **'Stable'** outlooks.

Founded in 2003, Çan2 Termik A.Ş. is engaged in the electricity generation and trading activities with Çan-2 CFPP which is located in Çanakkale-Çan. The Company's power generator, Çan-2 coal fired power (CFPP) with 340MWm capacity uses locally sourced fuel. The generator investment was made as a relocation of another facility located in Austria and total investment cost was EURO 260mn. Generator investment started in 2014 and completed in 2018. Between June/2018 and April/2019 test productions were made and since April/2019 generator have started work with %75 capacity. The Company's net sales were TRY 739.5mn and total assets were TRY 2.76bn as of FYE 2020, which were TRY 741.9mn and TRY 2.7bn as of FYE 2019, respectively.

Founded in 2003, 92% of the Company's shares were purchased by Odaş Group in 2013 and the remaining 8% in 2020. The Company was listed on Borsa Istanbul on April 30, 2021. As a result of the IPO in 2021, the paid in capital of the Company was increased to TRY 320mn.

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

Strengths

- High EBITDA generation capacity with the improving EBITDA margins
- Long term spread of borrowings
- Long term contract enabling visibility of future revenues and additionally %3 price incentive due to environmental permit and license
- Natural hedging opportunity derived from USD indexed currency denominated contracts
- Low collection risks
- Strong structural support to domestic coal fueled power plants such as capacity-based subsidy mechanism

Constraints

- Leveraged balance sheet particularly after adjusting for the revaluation gains reported in equity
- Ongoing net working capital deficit and external financing requirements to support liquidity
- Debt ratio standing at high side
- Long term spread FX financed investments and currency depreciation weighing on the net income and leverage

Considering the aforementioned points, The Company's Long-Term National Rating has been assigned as **BBB- (Trk)**. EBITDA generation capacity, visibility of future revenues, asset quality, natural hedging opportunity and strong structural support to domestic coal fuelled power plants such as capacity-based subsidy mechanism have been evaluated as important indicators for the stability of the ratings and the outlooks for Long- and Short-Term National ratings are determined as **'Stable'**. On the other hand, the Company's revenue and profitability performance, trend of trade receivables, risk impacts of the TRY's depreciation on activities and local and global macroeconomic indicators during Covid-19 pandemic 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.

Sponsor support rating of the Company indicates the financial capacity and willingness of the shareholders to provide Çan2 Termik with operational and financial assistance if need be. In this sense in April/2021, 23.23% of the Company's share was offered to the public and its paid in capital was increased to TRY 320mn with public offering revenues. In this sense, we consider the possibility of another funding round conservatively as we do not have conclusive information about the retail investors. On the other hand, expected support of the main shareholder of the Company, Odaş Group with respect to willingness is deemed notable. In this context, the Sponsor Support Note is affirmed as **(2)**.

The Company's Stand-Alone class demonstrates its financial strength to cover its commitments and obligations through internally generated funds without resorting to the help of shareholders. The capital structure of Company's Stand Alone Grade is determined as **(B)** accounting for the projected cash flows to be received from the Çan2 CFPP.