

Corporate Credit Rating

New Update

Sector: Energy

Publishing Date: 26/01/2024

Senior Analyst

Ezgi Çiçek YILMAZ
+90 212 352 56 73

ezgi.yilmaz@jcrer.com.tr

Senior Analyst

Hayrettin ÇELİK
+90 212 352 56 73

hayrettin.celik@jcrer.com.tr

| RATINGS | | Long Term | Short Term |
|--------------------------------------|-------------------------------|---------------|------------|
| ICRs (Issuer Credit Rating Profile) | National ICR | BBB-(tr) | J2 (tr) |
| | National ICR Outlooks | Stable | Stable |
| | International FC ICR | BB- | - |
| | International FC ICR Outlooks | Negative | - |
| | International LC ICR | BB- | - |
| ISRs (Issue Specific Rating Profile) | International LC ICR Outlooks | Negative | - |
| | National ISR | - | - |
| | International FC ISR | - | - |
| Sovereign* | International LC ISR | - | - |
| | Foreign Currency | BB (Negative) | - |
| | Local Currency | BB (Negative) | - |

* Assigned by JCR on Aug 18, 2022

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "Akenerji Elektrik Üretim A.Ş." in the investment level category, affirmed the Long-Term National Issuer Credit Rating at 'BBB- (tr)' and the Short-Term National Issuer Credit Rating at 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were determined as 'BB-/Negative'.

"Akenerji Elektrik Üretim A.Ş." (hereinafter referred to as "Akenerji" or "the Group" or "the Company") was established on May 12, 1989 in İstanbul, Türkiye. The Group operates in the fields of electricity generation and sales, import, export and wholesale trade of electricity, retail sale of electricity, import, export and wholesale trade of natural gas and energy services.

The Group has 7 hydroelectric power plants, 1 wind power plant and 1 natural gas combined cycle power plant with a total installed capacity of 1,224 MW across Türkiye. Akenerji has the capability to generate around 2.5% of energy need of Türkiye.

The Company has 7 subsidiaries, 5 of which are located in İstanbul/Türkiye, 1 in the Netherlands and 1 in Iraq (Contribution Branch).

The Group has a total of 336 employees as of 3Q2023 (FYE2022: 291).

As of the reporting date, the Group's shareholders are "Cez A.S." with 37.36% share, "Akkök Holding A.Ş." with 20.43% share and "Akarsu Enerji Yatırımları San. ve Tic. A.Ş." with 16.93% share. Remaining 25.28% of shares are publicly traded on the Borsa İstanbul (BIST) with the ticker symbol "AKENR".

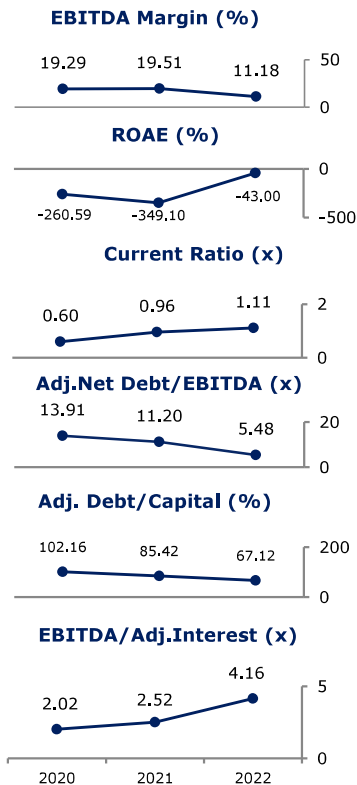
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Improvement in sales revenue supported by diversified income stream through sales linked to its core business,
- Decreasing net debt to EBITDA multiplier along with the net cash position in the short-term in FY2022,
- Significant increase in cash flow metrics in FY2022,
- Diversified electricity generation portfolio mitigating climate and production risks of renewable energy sources,
- Support level of sectoral authority encouraging the use of renewable energy sources and capacity usage incentives,
- High level of compliance regarding corporate governance and sustainability implementations,
- Environmentally friendly approach to activities and integrated management system through varied certificates,
- High recognition and sector experience of parent companies and their operational strength in various countries.

Constraints

- Financing expenses mainly arising from unrealized FX losses pressuring bottom-line results,
- Notable debt level and high exposure to short FX position mainly stemming from long-term weighted financial liabilities despite sizeable cash sweep has been made in 2022 and 2023,
- Contraction in EBITDA margin mainly due to increasing CoGS despite significant EBITDA growth in FY2022,
- Noteworthy non-cash contribution of revaluation gains to expansion of asset and equity size,
- Sector wide issue of dependency on weather conditions despite relatively low share in renewable energy resources and balanced production portfolio,
- Leading economic indicators signal global economic slowdown as quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.



Considering the aforementioned points, the Group's Long-Term National Issuer Credit Rating has been affirmed at 'BBB- (tr)'. The Group's short-term net cash position, increasing sales revenue and cash flow metrics as well as contraction in EBITDA margin, notable debt level and short FX position, slowdown signal in the global economy have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The Group's financial structure, sales and profitability performance, continuity of EBITDA generation capacity and debt structure will be closely monitored by JCR Eurasia Rating in the 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.