

Corporate Credit Rating

New Update

Sector: Energy

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB- (tr)	J3 (tr)
	National ICR Outlooks	Negative	Stable
	International FC ICR	BB-	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB-	-
ISRs (Issue Specific Rating Profile)	International FC ISR	Negative	-
	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
Sovereign*	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "Akenerji Elektrik Üretim A.Ş." in the investment grade category, affirmed the Long-Term National Issuer Credit Rating at 'BBB- (tr)' and revised its outlook to 'Negative' from 'Stable'; revised the Short-Term National Issuer Credit Rating to 'J3 (tr)' from '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 HPP, 1 WPP and 1 NGCCPP with a total installed capacity of 1,224 MW across Türkiye. Akenerji has the capability to generate approximately 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 296 employees as of 9M2024 (FYE2023: 319).

In 2019, with the restructuring of loans within the scope of Financial Restructuring, the short-term liabilities of the Group decreased significantly and spread over the long term as of FYE2022. According to the Loan Agreement, all liabilities denominated in TRY and in USD, which are due in December 2024, were converted into USD and restructured as USD 180mn with an 18-month maturity under the amendment dated September 20, 2024. This adjustment alleviated the cash flow pressure on the Group, positively impacting of the Group's financial sustainability and competitive strength. The remaining USD 331mn amounted loans will continue with their existing terms, maturing in December 2032. According to the information provided by the Group, loan repayments of USD 35mn in 2023 and USD 5mn in 2024 were made ahead of maturity (decreased to USD 511mn as of 9M2024 from USD 859mn as of FYE2019), easing the debt burden and having a positive impact on interest expenses.

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

- Satisfactory sales revenue supported by diversified income stream through sales linked to its core business,
- Positive cash flow metrics in the last two-year period, despite NWC deficit in FY2023 which is expected to improve in 2024 financials,
- Increasing equity level in FYE2023 and 9M2024 mainly through adjustments to share capital regarding TAS 29, despite relatively low level of paid-in capital,
- Diversified electricity generation portfolio mitigating climate and production risks of renewable energy sources,
- Maintaining support level of sectoral authority through capacity usage incentives,
- Compliance with 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 on bottom-line results, despite offsetting through TAS 29,
- Increasing net debt to EBITDA multiplier in FYE2023 and 9M2024 despite relatively decrease in financial debts in foreign currency terms over the years,
- Notable debt level and high exposure to short FX position mainly stemming from long-term weighted financial liabilities as of 9M2024,
- Susceptibility of core profitability indicators to electricity sales prices and relatively high level of CoGS suppressing these margins,
- Sector wide issue of dependency on weather conditions, despite relatively low share in renewable energy resources and balanced production portfolio,
- In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing are at the forefront.

Considering the aforementioned points, the Group's Long-Term National Issuer Credit Rating has been affirmed at 'BBB- (tr)'. Considering the increase in net debt to EBITDA multiplier as of 9M2024 according to the Interim Condensed Report obtained from the Public Disclosure Platform, the outlook for the Long-Term National Issuer Credit Rating is revised to 'Negative' from 'Stable'. The Group's satisfactory sales revenue, positive cash flow metrics and diversified electricity generation portfolio as well as 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 outlook for the Short-Term National Issuer Credit Ratings is determined as 'Stable'. The Group's financial structure, sales and profitability performance, liquidity and leverage indicators 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.

