

Corporate Credit Rating

New Update

Sector: Energy

Publishing Date: 27.01.2023

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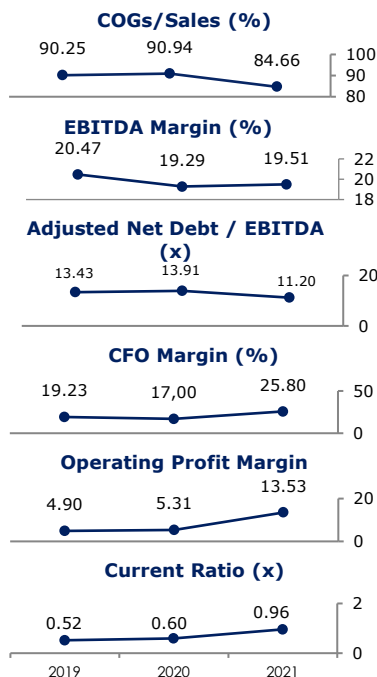
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RATINGS

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 and revised the Long-Term National Issuer Credit Rating to 'BBB- (tr)' from 'BB (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 assigned as 'BB-/Negative'.

Akenerji Elektrik Üretim A.Ş. (hereinafter referred to as 'Akenerji', 'the Company' or 'the Group') was established in 1989 by Akkök Holding A.Ş. and is the first power generation company founded as an auto-producer group in Türkiye. Following the share transfer transactions between Akkök Group and Cez that Cez took over 37.36% stake in Akenerji on May 14, 2009, the Company was turned into a joint venture company formed by Akkök Holding -one of the leading industrial groups in Türkiye- and CEZ Group -one of Europe's leading energy companies-. The main field of activity of Akenerji consists of installation, commissioning and leasing of an electric power generation facility, electricity generation, and sales of the generated electrical energy and / or capacity to customers.

Erzin-Egemer Natural Gas Power Plant, with an installed capacity of 904 MW, commenced operations in 3Q2014 as the largest investment of Akenerji. Over 30 years of experience in the energy sector, with 7 hydroelectric and 1 wind power plants engaged one after another, 320 MW, which constitutes 26% of Akenerji's installed power as of FY2021, is covered by renewable energy resources. The Company has been quoted on the Borsa Istanbul Stock Exchange (BIST) since June, 2000. The control of Akenerji belonged to Cez A.Ş., Akkök Holding A.Ş. and Akarsu Enerji Yatırımları San. ve Ticaret A.Ş. with shares of 37.36%, 20.43% and 16.93%, respectively, while the remaining 25.28% share is publicly traded on the BIST with the ticker symbol "AKENR".

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

Strengths

- Satisfactory production capacity and increased sales revenue through varied sales channels underpinning operational profitability,
- Significant improvement in the net debt to EBITDA ratio as of 3Q2022 along with the net cash position in the short-term,
- Improvement in the cash flow Figures in parallel with the Company's activities,
- Diversified generation portfolio mitigating climate and production risks of renewable energy sources,
- Support level of sectoral authority encouraging the use of renewable energy sources,
- Strategies of optimum and efficient operation in power plants and expanding its field of operations and risk management activities,
- High level of compliance with comprehensive corporate governance practices as a publicly traded company,
- Environmental 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

- Despite improvement in sales revenue and operating profit, increasing financing expenses mainly stemming from unrealized FX losses pressuring on bottom-line results,
- Dependency on weather conditions despite relatively low share in renewable energy resources and balanced production portfolio,
- Notable debt level and High exposure to foreign currency position mainly stemming from long-term weighted financial liabilities,
- Noteworthy contribution of non-cash revaluation to asset and equity size,
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections.

Considering the aforementioned points, the Company's the Long-Term National Rating has been revised to 'BBB- (tr)' from 'BB (tr)'. Cash-generating capacity, improvement in EBITDA generation and net debt to EBITDA ratio as of third quarter of 2022, balanced generation portfolio through renewable energy plants, international and domestic brand identity acquired through sector experience, sustainability of sales capability, despite efforts to decrease the FX risk through the conversion of majority banks loans to TRY with the refinancing process, high debt levels, despite indicating an improvement trend, the probability of recording an inadequate level of operating profit to cover financial expenses derived from FX differences related to long-term foreign currency liabilities pressuring profitability, noteworthy contribution of non-cash revaluation 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'. Financial structure, efficiency of investments, and global outlook affected by the Russia-Ukraine tension and Türkiye's economy and its effects on the Company's activities, the Company's ability to fulfill the repayment plan of refinanced loans on time and repayment performance of current debts and in the level of compliance of credit usage conditions and covenants 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.