

Corporate Credit Rating

New Update

Sector: Energy Generation

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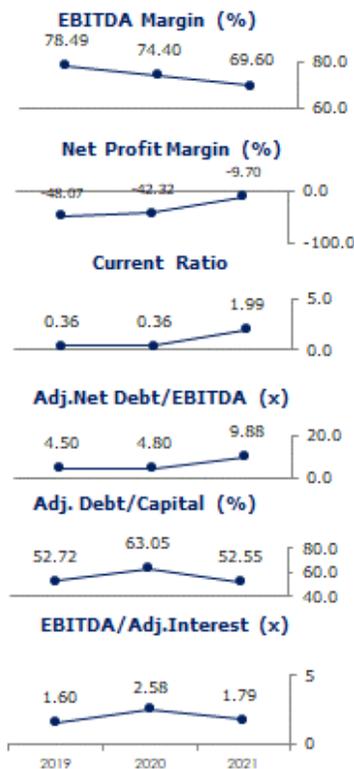
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB+ (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	J3
	International FC ICR Outlooks	Stable	Stable
	International LC ICR	BB	J3
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 31, 2021



AYDEM YENİLENEBİLİR ENERJİ A.Ş.

JCR Eurasia Rating, has evaluated the "Aydem Yenilenebilir Enerji A.Ş." in the investment-level category and 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 assigned as 'BB/Stable' as parallel to international ratings and outlooks of Republic of Turkey.

Aydem Yenilenebilir Enerji A.Ş. (Aydem Yenilenebilir or "the Company") was established as a new entity in 2019 but its operating history in energy sector goes back to 1995 with the foundation of "Bereket Enerji Üretim Otoprodüktör Grubu San. ve Tic. A.Ş.". The Company restructured its operations so as to carry on its business only in the field of energy production from renewable resources in 2019. As of the report date, Aydem Yenilenebilir carries out its operations via its 25 power plants. 83.53% and 15.73% of the total installed capacity (which is 1,020MW) originates from HPPs and WPPs. On the other hand, 36.78% and 27.88% of the installed capacity are located in Mediterranean and Aegean regions, Black Sea and Marmara regions follow them with 25.52% and 9.82% shares, respectively. As of FYE2021, 86.83% of sales originated from YEKDEM revenues. In addition, Aydem Yenilenebilir has the capacity to generate revenues via I-REC (International Renewable Energy Certificate) issuances and carbon sales, as well. The shares of the Company have been publicly traded on BIST since 29.04.2021. The principal shareholder was Aydem Enerji Yatırımları A.Ş. with 81.56% share in paid-in capital and free float rate was 18.44% as of 31.12.2021.

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

Strengths

- Improving profitability performance in Q12022 after deterioration at FYE2021 due to hydrological droughts
- Long-term funding structure via green bond issuance traded on Euronext Dublin
- Benefits of geographical diversification and CAPEX plan for hybrid power plants in order to mitigate climate risks
- Cash flow visibility due to high level of revenues within the context of YEKDEM
- Natural hedge facilities thanks to USD-denominated feed-in tariff mechanism
- Strong emphasis on ESG criteria and sustainability along with the support level of sectoral authority encouraging power generation from renewables
- High level of compliance with the corporate governance implementations due to the listed status

Constraints

- Notably rising net debt/EBITDA at FYE2021 although recovery signals tracked at Q12022
- Adverse effect of net financing expenses on bottom line despite cash flow hedge implementation
- Notable portion of revaluation gains' and retained losses' in shareholder's equity
- Pledge and mortgages in hard currencies due to the bond issuance
- Susceptibility of renewable power generation to climatic conditions and legislative regulations
- Currency switch of feed-in tariffs for newly activated plants as of July 2021

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed as 'BBB+ (tr)'. High support level of the sectoral authority, sizable portion of YEKDEM revenues, sectoral experience, improving profitability performance according to unaudited financial statements of Q12022 along with deterioration in leverage profile and depreciation of TRY against hard currencies 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 Company's revenue and profitability performance, leverage profile, investments within the context of the projected CAPEX plan will be closely monitored by JCR Eurasia Rating in upcoming periods as well as macroeconomic indicators at national and international markets, market conditions and legal framework about the sector.