

Corporate Credit Rating

New Update

Sector: Energy Generation

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A- (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
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 10, 2024

BİRLEŞİM GRUP ENERJİ YATIRIMLARI A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of "Birleşim Grup Enerji Yatırımları A.Ş." in the investment level category with high credit quality and affirmed the Long-Term National Issuer Credit Rating at 'A- (tr)' and the Short-Term National Issuer Credit Rating revised to 'J2 (tr)' from 'J1 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been determined as 'BB/Stable' in parallel to the international ratings and outlooks of the Republic of Türkiye.

"Birleşim Grup Enerji Yatırımları A.Ş.", (hereinafter referred to as "Birleşim Grup Enerji", "BG Enerji" or "the Group") was established on September 13, 1978, with the title of "Ersipahi Makina Sanayi A.Ş.". In 2010, the existing shareholders became part of the Group, and the parent company's title was changed to Birleşim Yapı ve Endüstri Tesisleri San. Tic. A.Ş. Previously, BG Enerji was involved in purchasing, selling, and leasing real estate. However, on January 26, 2022, its scope of operation was revised to focus on renewable energy investments, and its title led to the current form.

BG Enerji's main field of activity is investing in power plants and generating electricity. The Group's subsidiaries have a total of 49 solar power plants with different generation capacities, 3 of which are licensed and 46 of which are unlicensed. The SEPPs sell the electricity generated with purchase guarantees, with the scope of Renewable Energy Resources Support Mechanism ("RERSM", in Turkish acronym "YEKDEM"). In addition, Menekşe Yenilenebilir Enerji ve Elektrik Üretim A.Ş. ("Menekşe Enerji"), whose shares were acquired in May/2023, holds a wind power generation license with a capacity of 20 MWe/24MWh wind energy production plant (WEPP). Menekşe WEPP investment process is about to be completed and the plant is planned to be put into operation as of January 2025.

On September 14, 2023, the Group acquired the shares of Birleşim Başakşehir Akaryakıt ve Petrol Ürünleri Pazarlama A.Ş. ("Birleşim Petrol"), a related party of the Group, which is engaged in the operation of fuel station in Başakşehir, İstanbul. Furthermore, all shares of Zen Enerji A.Ş. ("Zen Enerji"), which generates electricity from 12 unlicensed SEPPs via subsidiaries, were acquired on October 12, 2023. Zen Enerji's power plants have a total installed capacity of 48.1 MWp.

The Group's shareholders are Mesut Altan and İdris Çakır, with 50% shares each. The Group continues its operations with an average of 46 personnel as of FYE2023 (FYE2022: 26).

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

Strengths

- Maintained growth in sales revenues in analyzed years due to the increasing energy production capacity thanks to new power plant investments and expanding field of activity,
- Improvement in profitability and EBITDA generation capacity in FY2023,
- Having a revenue model grounded in a regulated framework that provided predictability and low collection risk,
- The maturity structure of power plants' financial debt in line with the fixed price scheduled RERSM utilization period to a large extent,
- High support level of sectoral authority encouraging the usage of renewable energy sources,
- Financial support of shareholders and the synergy created by Birleşim Group.

Constraints

- Relatively high financial leverage profile, despite long-term weighted funding structure,
- Continuation of relatively high net debt to EBITDA multiplier and decline in coverage metrics in FY2023,
- Ongoing net working capital deficit squeezing liquidity management, despite the increasing trend of FFO,
- High non-cash contribution of revaluation gains and FX translation differences on equity,
- Dependency of renewable energy sources on seasonality and weather conditions,
- Potential changes in the regulatory environment creating uncertainty in business strategies,
- In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing at the forefront.

Considering the aforementioned points, the Group's Long-Term National Issuer Credit Rating has been affirmed at 'A- (tr)'. Taking into account the Group's regulated income stream, EBITDA generation capacity, profitability ratios, transparent business profile, and shareholder's support as well as, significant share of non-cash items in equity, increasing trend of indebtedness, the potential negative effects of the volatile weather conditions, risk factors in the markets, and restrictive financial conditions 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 revenue generation capacity, profitability performance, equity level, and liquidity adequacy 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 also be monitored.

