

Corporate Credit Rating

New Update

Sector: Energy Group
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	National ISR	AA (tr)	J1+ (tr)
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi

JCR Eurasia Rating has evaluated the consolidated structure of "Çalık Enerji Sanayi ve Ticaret A.Ş." in the high investment grade category with very high credit quality and affirmed the Long-Term National Issuer Credit Rating at 'AA (tr)' and the Short-Term National Issuer Credit Rating at 'J1+ (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', parallel to international ratings and outlooks of the Republic of Türkiye.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi (hereinafter referred to as "Çalık Enerji" or "the Company" or "the Group") was established in 1998 in Türkiye. The company operates in the fields of Engineering Procurement Construction (EPC) power systems, Independent Power Producer (IPP), and Utility (electricity and gas distribution) through its affiliates across a wide geography, encompassing Middle East, Central Asia, Africa, Europe and the Balkans. Çalık Enerji has 15 branches in these regions. In the field of EPC power systems, the Company has completed 25 power plants in Turkmenistan, Malawi, Iraq, Uzbekistan, Georgia, Yemen and Libya. With a strong track record of achievements, the Company has expanded its EPC business line to new markets including Senegal, Romania, and Angola. Çalık Enerji is in the top 250 international contractors list published by ENR (Engineering News Record). The Company is ranked 117th as of 2022 (157th as of 2021). Çalık Enerji has an installed capacity of 72.5 MW wind power, 30.0 MW hydroelectric power, and 32.8 MW solar power in the IPP business. In the Utility business, the Group currently owns two electricity distribution and trade companies in Türkiye and one in Kosovo.

The consolidated assets of the Company were TRY 29.92bn and consolidated revenues were TRY 22.75bn as of FYE2022. As of 31 December 2022, the number of employees in the Group was 3,661 (As of 31 December 2021: 2,255 employees). Çalık Enerji is managed and owned by Çalık Holding Anonim Şirketi ("Çalık Holding") which was established by Ahmet Çalık in 1997. Çalık Holding mainly operates in various sectors including energy, textile, construction, banking and finance, mining, and marketing. Energy is one of the Çalık Holding's principal operating lines, making up approximately 53% of Çalık Holding's consolidated revenue in FY2022. Besides, Çalık Enerji has established strategic and equity partnership with Mitsubishi Corporation in 2015.

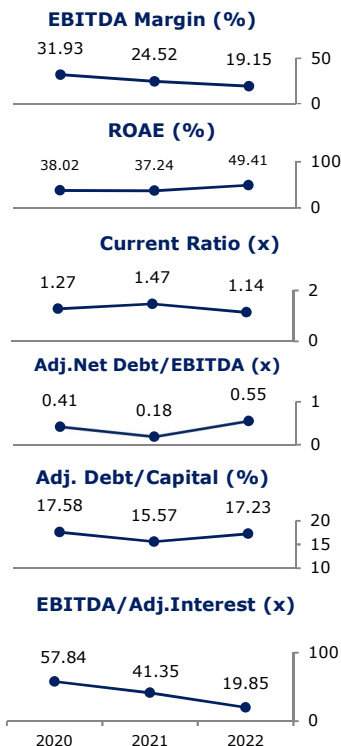
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Ongoing strong leverage profile underpinned by Net Debt/EBITDA multiplier in FY2022
- Robust equity level backed by internal generating capacity
- Revenue diversification owing to different fields of activities in various countries
- Foreign currency denominated contract works providing natural hedge opportunities
- High support from the sectoral authority in the fields of energy production from renewable sources, and energy distribution
- Strategic partnership with well-known corporation creating synergy among the group companies

Constraints

- Decreasing trend in profitability margins
- Fierce competition among construction contractors in key markets
- Unstable market conditions in the countries where the Company operates
- Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, coupled with domestic restrictive financial conditions limit access to finance



Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed at 'AA (tr)'. Considering ongoing strong leverage profile in FY2022, robust equity level, revenue diversification based on different operational segments in various countries, foreign currency denominated revenue composition as well as decreasing trend in profitability margins, intensive competition among construction contractors, global macroeconomic concerns; the outlook for Long-Term National Issuer Credit Ratings has been determined as 'Stable'. The Company's revenue and EBITDA generation performance, backlog to revenue conversion, profitability ratios, indebtedness structure, liquidity profile, equity level and sovereign risk exposure 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.