

Corporate Credit Rating

New Update

Sector: Energy

Publishing Date: 26.07.2022

Fatih LAP

+90 212 352 56 73

fatih.lap@jcrer.com.tr

Team Leader

Çetincan TOPÇU

+90 212 352 56 73

cetincan.topcu@jcrer.com.tr

Analyst

Zafer Kamil AYDIN

+90 212 352 56 73

zafer.aydin@jcrer.com.tr

R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB (tr)	J2 (tr)
	National ICR Outlooks	Positive	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

ÇAN2 TERMİK ANONİM ŞİRKETİ

JCR Eurasia Rating, has evaluated the "Çan2 Termik A.Ş." (referred to as "the Company" or "Çan2 Termik") in the investment-level category and upgraded the Long-Term National Issuer Credit Rating from 'BBB- (tr)' to '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'.

Founded in 2003, Çan2 Termik A.Ş. is engaged in the electricity generation and trading activities with Çan-2 CFPP which is located in Çanakkale-Çan. The Company's power plant, Çan-2 coal fired power (CFPP) with 340MW capacity uses locally sourced fuel. The power plant investment was made as a relocation of another facility located in Austria and total investment cost was circa EUR 260mn. Power plant investment started in 2014 and completed in 2018. Between August/2018 and March/2019 test generations were made and since April/2019 power plant has started to main generation. Throughout 2021, the power plant was operating at a capacity utilization rate (CUR) of 69%, while in 2020 of 65%.

92% of the Company's shares were purchased by Odaş Group in 2013 and the remaining 8% in 2020. The Company was listed on Borsa Istanbul on April 30, 2021. As a result of the IPO in 2021, the paid in capital of the Company was increased to TRY 320mn.

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

Strengths

- High EBITDA generation capacity with the improving EBITDA margin
- Long term weighted structure of borrowings
- The effect of the increase in electricity prices on the business volume and profitability
- Increase in energy generation level
- Partially natural hedging opportunity
- Low collection risks
- Structural support to domestic coal fueled power plants such as capacity-based subsidy mechanism

Constraints

- Leveraged balance sheet particularly after adjusting for the revaluation gains reported in equity
- Long term weighted FX financed investments weighing on the net income and leverage
- Power plant dependent solely on fossil fuel as an energy source and pressures of ESG factors on coal power plants
- The geopolitical risks stemming from the Russia-Ukraine tension increasing commodity prices and weakening the risk appetite towards EMs

Considering the aforementioned points, the Company's Long-Term National Rating has been upgraded as 'BBB (tr)'. High EBITDA generation capacity, rise in electricity generation level and low collection risk have been evaluated as important indicators for the ratings. The Company's strengthened profitability metrics, remarkable improvements in leverage ratios combined with the high revenue and EBITDA performance shown in the first quarter of 2022 as important indicators for the outlooks for Long-Term National Credit Rating is determined as 'Positive'. On the other hand, the Company's revenue and profitability performance, trend of trade receivables, risk impacts of the TRY's depreciation on activities and local and global macroeconomic indicators 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.

