Corporate Credit Rating

☐New ☒Update

Sector: Energy
Publishing Date: 26.07.2024

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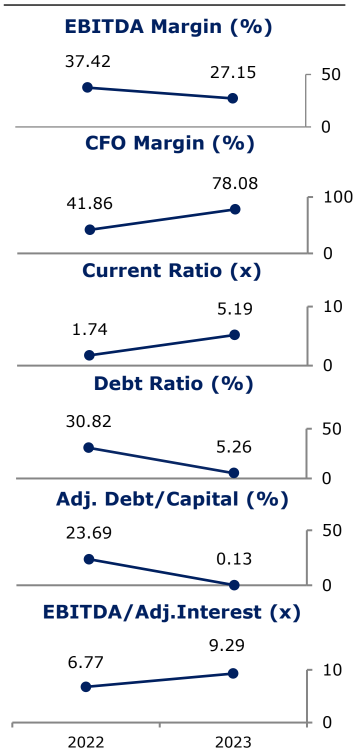
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA- (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating Profile)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

** Assigned by JCR on May 10, 2024*



ÇAN2 Termik A.Ş.

JCR Eurasia Rating, has evaluated **"Çan2 Termik A.Ş."** in the investment grade category with very high credit quality and upgraded the Long-Term National Issuer Credit & Issue Rating from **'BBB+ (tr)'** to **'AA- (tr)'** and the Short-Term National Issuer Credit & Issue Rating from **'J2 (tr)'** to **'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/Stable'** as parallel to international ratings and outlooks of Republic of Türkiye.

Çan2 Termik A.Ş. (hereinafter referred to as "Çan2 Termik" or "the Company") was founded in 2003 and operates in the electricity generation sector with the Çan2 Coal Fired Power Plant ("CFPP") in Çanakkale-Çan. The Company's power plant has a 340 MW installed capacity and utilizes locally sourced fuel. The power plant investment involved relocating a facility from Austria. The total investment cost of approximately EUR 260mn. This investment began in 2014 and was completed in 2018. Test operations were conducted between August 2018 and March 2019, and the power plant has been in full operation since April 2019. In 2023, the power plant operated at a capacity utilization rate ("CUR") of 67%, down from 80% in 2022. The decrease in CUR occurred due to the scheduled maintenance.

92% of the Company's shares were purchased by Odaş Group in 2013 and the remaining was purchased 8% in 2020. The Company was listed on Borsa Istanbul on April 30, 2021. As of the Corporate Credit Rating Report date, the Company's paid-in capital is TRY 7bn, with Odaş Group holding a 40% share and the remaining portion being publicly traded.

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

Strengths	Constraints
• Cash surplus position owing to paying off FX denominated bank borrowings with cash inflows provided through share sales in FY2023, • Low debt ratio thanks to high equity level, • Continuation of reasonable EBITDA generation capacity in FY2023 despite narrowing EBITDA margin, • Low collection risk, which supports asset quality due to the structure of the energy sector, • Benefiting from the capacity mechanism for power plants fueled by domestic coal, • High level of compliance with the corporate governance practices as a publicly listed company.	• Decrease in sales revenue due to decline in electricity generation level owing to additional temporary planned shutdown in FY2023, • Possible negative effects of the ongoing litigation process with Energy Market Regulatory Authority ("EMRA") on the balance sheet structure, • Regulatory environment that ensures the sustainability of the energy sector may suppress profitability, • Stress of ESG practices on coal power plants, • Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points, the Company's the Long-Term National Rating has been upgraded from **'BBB+ (tr)'** to **'AA- (tr)'**. The Company's cash surplus position, low debt ratio, reasonable EBITDA generation capacity and low collection risk have been evaluated as important indicators for the stability of the ratings and the outlooks for long- and short-term national ratings are determined as **'Stable'**. Sustainability of the Company's electricity generation level, cash flow, financial leverage and profitability metrics together with the trends in energy sector will be monitored by JCR Eurasia Rating, as well as the macroeconomic indicators at national and international markets and legal frame about the sector.