Corporate Credit Rating

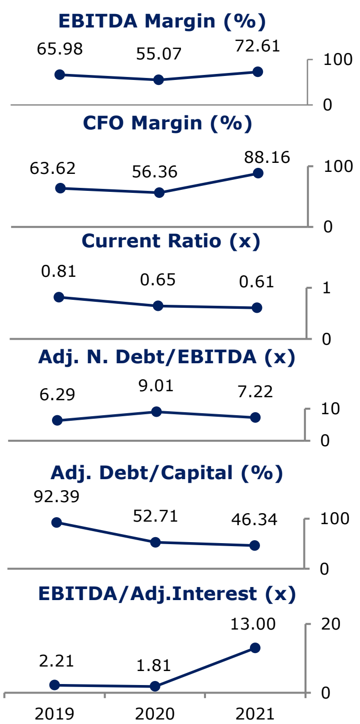
☐New ☒Update

Sector: Energy
Publishing Date: 25/08/2022

Chief Analyst
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
Doğukaan Taşören
+90 212 352 56 73
dogukaan.tasoren@jcrer.com.tr

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	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

** Assigned by JCR on August 18, 2022*



MOGAN ENERJİ YATIRIM HOLDİNG A.Ş.

JCR Eurasia Rating, has evaluated **Mogan Enerji Yatırım Holding A.Ş.** in investment-level category and upgraded the Long-Term National Issuer Credit Rating from **'BBB (tr)'** to **'BBB+ (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'** as parallel to international ratings and outlooks of Republic of Türkiye.

Mogan Enerji Yatırım Holding A.Ş. (Mogan Enerji or "the Group") was initially established in 1980 with the legal name of "Mogan Makina Sanayi A.Ş." and amended to "Mogan Yatırım Holding Anonim Şirketi" in 1997 and finally changed to its current legal name "Mogan Enerji Yatırım Holding Anonim Şirketi" in 2011 with the intention of collecting all the energy companies in Güriş Group under one roof. The Group, which has directed its investments to renewable power plants, maintains Geothermal Power Plants ("GEPP"), Hydroelectric Power Plants ("HEPP") and Wind Power Plants ("WEPP") within its structure and generates its operating revenue via electricity sales from mentioned renewable energy resources. Moreover, Mogan Enerji has 12 subsidiaries in energy sector in Türkiye as of FYE2021 and their production licenses are all registered on Special Purpose Vehicles (SPV). Installed capacity of the Group has reached to 940.92 MW (FYE2020: 877.92 MW) as of FYE2021 and the Group's installed capacity is planned to increase to 1,024.92 MW with ongoing investments. On the other hand, installed capacity has reached to 970.32 MW at 2022/8.

In addition, the Group's registered address is located in Ankara, Türkiye and directly employs 566 personnel (FYE2020: 447) within its structure as of FYE2021. Mogan Enerji's shareholders are Tevfik Yamantürk, Müşfik Hamdi Yamantürk and Güriş İnş. ve Müh. A.Ş with their 44%, 44% and 12% shares, orderly.

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

Strengths	Constraints
• High EBITDA generation capacity and revenue growth by volume and value in FY2021 • Robust increase in net cash generated from operating activities in FY2021 • Low collection risk under USD denominated feed in tariff mechanism • High support level of sectoral authority encouraging the use of renewable energy sources and advantages of GEPPs • Being among the largest renewable energy companies in Türkiye as well as increasing installed capacity through large number of power plants contributing to income diversification • Well known shareholding structure and benefits of being a member of Güriş Holding companies	• Deepening in negative bottom line results and continuing enlargement in financial expenses predominantly due to unrealized FX losses • Continuing high leverage profile despite improvement at certain extent compared to prior fiscal year • High contribution of non-cash revaluation to expansion of asset and equity size • Continuing net working capital deficit increasing external funding needs • Increasing tendency in FX net short position which may put pressure against possible currency shocks • Dependency of WEPP and HEPP's on weather regimes • The geopolitical risks stemming from the Ukraine-Russia tension causing uncertainties

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been upgraded from **'BBB (tr)' to 'BBB+ (tr)'**. High EBITDA generation capacity and revenue growth by volume and value in FY2021, robust increase in net cash generated from operating activities, low collection risk under USD denominated feed in tariff mechanism, high support level of sectoral authority and advantages of GEPP's, being among the largest renewable energy companies in Türkiye and increasing installed capacity in large number of power plants supporting the income diversification and well known shareholding structure 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 deepening in negative bottom line results and continuing enlargement in financing expenses predominantly due to unrealized FX losses, ongoing high leverage profile despite improvement at certain extent compared to prior year, high contribution of non-cash revaluation to the expansion of asset and equity size, continuing net working capital deficit, increasing tendency in FX net short position, dependency of WEPP and HEPP's on weather regimes and geopolitical risks arising from Russia-Ukraine tensions 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.