Corporate Credit Rating

☐New ☒Update

Sector: Energy Generation
Publishing Date: 30.01.2025

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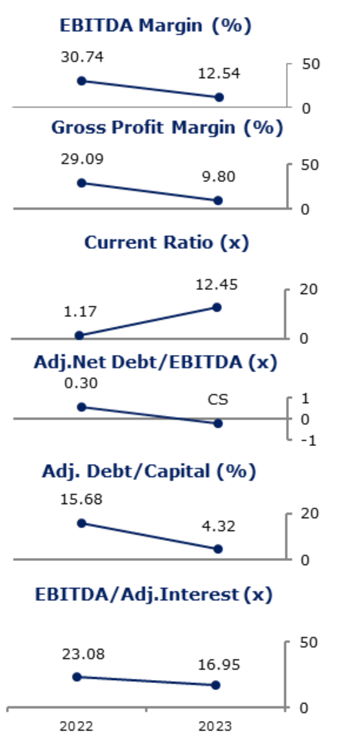
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**BBB+ (tr)**	**J2 (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific 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*



CS: Cash Surplus.

İZDEMİR ENERJİ ELEKTRİK ÜRETİM A.Ş.

JCR Eurasia Rating, has evaluated **"İzdemir Enerji Elektrik Üretim A.Ş."** in the investment level category and revised the Long-Term National Issuer Credit Rating from **'A- (tr)'** to **'BBB+ (tr)'** and the Short-Term National Issuer Credit Rating from **'J1 (tr)'** to **'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'** as parallel to international ratings and outlooks of Republic of Türkiye.

İzdemir Enerji Elektrik Üretim A.Ş. (hereinafter referred to as **"the Company"** or **"İzdemir Enerji"**) was established in 2007 in İzmir. On June 6, 2009, the Company obtained a Generation License valid for 49 years from the Energy Market Regulatory Authority (EMRA). The main activities of the Company include generation, and trading of electricity. Operating in Aliağa/İzmir, the Company manages the Supercritical Thermal Power Plant (TPP) with an installed capacity of 370 MW. Production activities at the power plant began in April 2014, and according to Energy Exchange Istanbul (EXIST) data, it achieved an annual gross electricity generation of 2.47 billion kWh as of the end of 2024. The primary fuel source for the TPP is imported coal. The Company's solar power plant in Manisa/Salihli, with an installed capacity of 75.1 MWe, started operations in 2024. The main shareholder is İzmir Demir Çelik Sanayi A.Ş., and the ultimate main partner is Şahin Şirketler Grubu Holding. While the Company sells a portion of the electricity to other group companies, the remaining part is sold to EXIST. The Company's shares were offered to the public in August 2023 and have been traded on the BIST since then with the ticker name 'IZENR'. The Company's headquarter is located in İzmir, Türkiye. The average number of personnel employed within the Company as of the end of September 2024 was 271 (FYE2023: 247).

As of the end of 3Q2024, the shareholders of the Company are İzmir Demir Çelik Sanayi A.Ş. (63.32%), İDÇ Liman İşletmeleri A.Ş. (6.48%) and others (30.20%).

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

Strengths	Constraints
• Maintained short term cash surplus position in FYE2023 and 3Q2024, • Strong liquidity position thanks to moderate cash balance and long-term liability composition as of FYE2023 and 3Q2024, • Mitigated collection risk through intra-group sales and sales to public institutions, • Solid equity position mainly fed by retained earnings with recently elevated paid-in capital, despite the pressure from the net loss in 3Q2024, • Expected revenue growth and partial diversification via completed and ongoing solar power plant investments, • Compliance with corporate governance practices as a publicly traded company.	• Decline in electricity production volume and capacity utilization rates in 2024, primarily due to planned maintenance shutdowns, • Notable decrease in profitability metrics in FY2023, followed by gross and operational losses in 3Q2024, • Weakening cash flow metrics and negative FOCF due to ongoing capital expenditures in 2023 and 3Q2024, • Import dependency of raw material and ESG pressures on coal-fired thermal power plants, • Regulatory environment and volatile electricity sales tariffs, • In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing are at the forefront.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been revised from **'A- (tr)'** to **'BBB+ (tr)**. Additionally, low level of financial debt utilisation and short term cash surplus position, long term liability composition coupled with strong liquidity structure, low collection risk and asset quality, strong equity level and paid in capital increase through share issuance and compliance with corporate governance practices as well as fall in electricity generation and capacity utilisation in 2024, declining trend and negative gross, operating and net profit in 3Q2024, negative FOCF metrics 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 affirmed as **'Stable'**.

The Company's electricity generation level, debt and equity level, cash flow and liquidity structure, asset quality, financial risk indicators, profit margins, investment expenditures as well as its completion in line with the planned schedule, sectoral regulations and the outlook of the energy generation industry 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.