Corporate Credit Rating

☐New ☒Update

Sector: Energy Group
Publishing Date: 31/07/2023

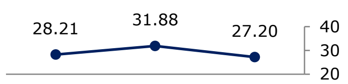
Team Leader
Elif Kırlangıç Keçeli
+90 212 352 56 73
elif.keceli@jcrer.com.tr

Assistant Analyst
Esra Bingöl
+90 212 352 56 73
esra.bingol@jcrer.com.tr

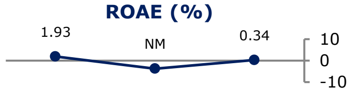
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	**National ICR**	**A- (tr)**	**J2 (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

** Assigned by JCR on Aug 18, 2022*

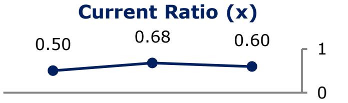
EBITDA Margin (%)



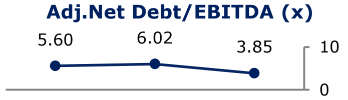
ROAE (%)



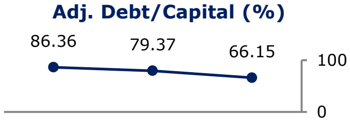
Current Ratio (x)



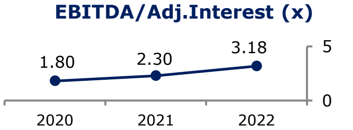
Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



Zorlu Enerji Elektrik Üretim Anonim Şirketi

JCR Eurasia Rating, has evaluated **"Zorlu Enerji Elektrik Üretim A.Ş."** in the high investment grade category and affirmed the Long-Term National Issuer Credit Rating at **'A- (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 have been assigned as **"BB/Negative"** as parallel to international ratings and outlooks of Republic of Türkiye.

Zorlu Enerji Elektrik Üretim A.Ş. (hereinafter referred to as **"Zorlu Enerji"** or **"the Group"**) was established in 1993 as the first company of Zorlu Energy Group, and today the Company is one of the leading players in the Turkish energy sector. Zorlu Enerji operates in various areas of the industry with an integrated corporate combination, including electricity and steam generation, retail electricity sales, electricity distribution, solar panel sales and installation, natural gas sales and distribution, construction, management and maintenance of power plants and EV charging stations network.

Mainly focusing on geothermal energy investments in Türkiye, Zorlu Enerji is the leading player in geothermal energy in Türkiye with its 305 MW of installed capacity. The Company has power plants in Türkiye, Israel, Pakistan and Palestine. Zorlu Enerji's production portfolio consists of 7 hydroelectric power plants, 4 geothermal power plants, 5 natural gas power plants, 2 wind power plants and 1 solar power plant in total. Zorlu Enerji aims to increase its total capacity via especially hybrid solar power licenses. The Company, headquartered in Istanbul, employed an average workforce of 2,662 as of March 31, 2023. Zorlu Enerji is registered to the Capital Markets Board and its shares have been publicly traded on the Borsa Istanbul since 2000.

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

Strengths	Constraints
• Maintenance of EBITDA generation capacity on the back of rising trend in energy prices and also regulated distribution activities, • Diversified revenue stream through operations in different energy fields in both domestic and foreign markets, • Effective use of diversified debt instruments through capital market issuances, • High support of sectoral authority in energy generation from renewable sources and energy distribution areas, • High level of compliance with the corporate governance implementations due to the listed status along with attaching high importance to ESG criteria.	• Leveraged balance sheet due to ongoing project finance investments, though having mostly long-term funding structure with a regressed debt balance in 2023 thanks to new partnership, • Net working capital deficit pressuring liquidity indicators, • Ongoing other receivables from related parties distorting balance sheet integrity, • Low level of equity even after significant share of non-cash contribution of revaluation gains despite the recent capital increase, • Ongoing high level of short foreign currency position due to hard currency weighted borrowing profile despite partially mitigated by USD denominated feed-in tariff mechanism.

Considering the aforementioned points, the Group's the Long-Term National Issuer Credit Rating has been affirmed at **'A- (tr)'**. The Group's growing sales and EBITDA generation capacity, ability to obtain additional funding resources with usage of debt instruments, high support level of sectoral authority for renewable energy production, decent installed capacity in different energy fields and experience in the sector 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 determined as **'Stable'**. The Group's profitability indicators along with cost management capability, leveraged structure, liquidity management and cash generation 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.