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RATING ACTION COMMENTARY

Fitch Affirms Enerjisa at 'A(tur)'; Outlook Stable

Wed 04 Nov, 2026 - 12:10 ET

Fitch Ratings - Dubai - 04 Nov 2026: Fitch Ratings has affirmed Enerjisa Enerji A.S.'s National Long-Term Rating at 'A(tur)' with a Stable Outlook.

The affirmation and Stable Outlook reflect Fitch's expectation of gradual inflation moderation and continued policy rate cuts in Turkiye, although at a slower pace. This should reduce Enerjisa's cost of debt and improve its funds from operations (FFO) interest coverage to levels consistent with the rating over 2026-2029. Weak FFO interest coverage (1.3x-1.5x in 2023-2025) and the liquidity risk from the short-term debt maturity profile and reliance on uninterrupted access to external funding are the main constraints on the rating.

Enerjisa's rating reflects mostly regulated earnings, a framework prone to social or political pressure that could lead to revenue underperformance and cash flow volatility, some geographical diversification across Turkiye with presence in three regions, moderate leverage and low FX risk.

KEY RATING DRIVERS

Weak Interest Coverage: High interest expense limits Enerjisa's financial flexibility, as about 85% of its debt is linked to the Turkish Central Bank's policy interest rate. This decreased to 36% in October 2026 from 47.5% at end-2024, but the pace of decrease has been slower than our expectations. Fitch forecasts further policy rate cuts to 25.5% by end-2027 and 23% by end-2028 due to inflation moderating. This should improve Enerjisa's FFO interest coverage to 1.6x-1.7x over 2026-2029 from 1.3x-1.5x over 2023-2025. Lower interest expenses should also reduce the liquidity gap.

Financial Access Key: In 2026, Enerjisa issued about TRY16 billion of local bonds under a floating rate linked to the key policy rate with two- or three-year tenor and one TRY10 billion issuance with a seven-year tenor. The average remaining maturity of debt is close to two years. The average borrowing rate decreased to 39% in 9M26 from 45%-47% in 2024-2025. Fitch forecasted further policy rate cuts should benefit interest coverage ratios.

Continued uninterrupted access to funding is key for the rating, especially given the increased capex allowance in the new regulatory period. Enerjisa's liquidity remains tight, which is somewhat mitigated by uninterrupted access to funding even during macroeconomic crises.

Moderate Leverage, Negative FCF: We forecast FFO net leverage will gradually increase towards 3x by 2029 (1.6x in 2025), still strong for the rating. We forecast healthy cash flow from operations at around TRY24 billion a year on average for 2026-2029. However, we forecast deeply negative free cash flow (FCF), mostly driven by capex, and to a lesser extent, working-capital outflow and dividends.

New Regulatory Period: In the fifth regulatory period (2026-2030), the regulator, EMRA, has maintained a balanced regulatory framework that reflects real financing costs and supports investments in networks. The real weighted average cost of capital (WACC) increased to 13.5% from 12.3%, while the capex reimbursement period remains 10 years. Enerjisa's annual capex allowance has increased by 37% in real terms from the previous

regulatory period. An excess of 10% on top of allowed capex could be remunerated without EMRA approval (up from 5%). The minimum annual capex is 75% of the regulatory allowance (up from 65%).

Regulatory Weaknesses: The framework's functioning is clear in theory, but regulatory weaknesses include delayed and insufficient tariff increases, creating a tariff deficit in the energy system, mismatch between opex allowances and actual spending affected by high inflation, or delayed payments from the state. Regulatory decisions may be influenced by social and political pressure to cap utility bill growth. The cash flow predictability of Turkish network companies remains a negative outlier relative to peers in other markets.

Reasonable Tariff Growth: We forecast distribution tariffs in Turkiye will continue growing, broadly in line with inflation from 2027. EMRA increased the distribution fee by 32% from April 2026, largely in line with our expectation for 2026 average inflation. Previous distribution fee indexations were 34.5% from April 2025, 59% in July 2024 and 10% in July 2023. We believe it is particularly important that tariffs are timely updated to reflect inflation, in view of the increased capex allowance in 2026-2030. Tariff increases consistently below inflation could fail to cover the higher capex reimbursement and returns for the new regulatory period, weakening Enerjisa's credit profile.

Regulatory Framework with Long Record: Turkish electricity distribution tariffs have been based on the regulated asset base since 2006 and are protected from volume and inflation risks. Any deviation of actual results from projected figures is corrected via tariffs with a moderate lag alongside adjustments to compensate for the lag. Enerjisa's existing concessions are until 2036 for Baskent and until 2042 for Ayedas and Toroslar, with the potential for extension.

Low FX Risks: Enerjisa's debt is Turkish lira denominated, which protects it from risks of lira depreciation. We view the low FX exposure as positive for the rating compared with many Turkish corporate peers.

PEER ANALYSIS

Enerjisa's 'A(tur)' National Long-Term Rating balances limited financial flexibility and tight liquidity with mostly regulated revenue, low FX risks and proven access to domestic funding. The rating of Arcelik A.S. (A-(tur)/Negative), a white goods producer, reflects weak trading conditions, with softer demand in Turkiye and international markets, driving margins compression, higher external funding needs and weaker credit metrics.

Migros Ticaret A.S. (AA+(tur)/Stable), a leading food retailer, has strong leverage, underpinned by continued positive FCF margins and improving profitability. Like Enerjisa, Migros has limited FX risks but has stronger liquidity, with a net cash position. Turk Telekomunikasyon A.S. (AAA(tur)/Stable), benefits from a strong market position as the country's incumbent integrated telecoms operator and sound profitability.

Enerjisa is larger and more geographically diversified within the country than its electricity distribution sector peers in Turkiye, like GDZ Elektrik Dagitim Anonim Sirketi (GDZ; BB-/Stable). However, this is balanced by Enerjisa's considerably weaker interest coverage, weaker liquidity, exposure to the volatile supply business and more negative forecast FCF.

Enerjisa benefits from an attractive regulated rate of allowed return, a shorter principal payback period of 10 years and lower leverage than European networks. However, we consider electricity distribution companies in Turkiye higher risk, due to regulatory weaknesses and weaker operating environment.

FITCH'S KEY RATING-CASE ASSUMPTIONS

- Average interest rate for new debt gradually going down from 39% in 2026 to 23% in 2029

- Distribution fee increase at about the rate of inflation, which we expect at 31.4% in 2026, 25.7% in 2027 and 20.1% in 2028

- Real returns on regulated asset base in 2026-2030 at 13.49% and capex reimbursement period of 10 years, as assumed by the regulatory framework

- Capex on average at TRY58 billion a year over 2026-2029

- Dividends payout ratio close to 70% over 2027-2029

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Weaker access to bank and bond market funding

- FFO interest coverage below 1.7x and FFO net leverage above 5.5x, both on a sustained basis

- Working-capital outflow leading to an accelerated increase in short-term debt

- Adverse regulation effects including delays in reimbursement of investments

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Improvement in FFO interest coverage above 2.3x, together with maintaining FFO net leverage below 4.5x, both on a sustained basis

- Improvement in liquidity position and debt maturity profile, with lower reliance on short-term debt

- Greater stability of the regulatory framework through consistent tariff adjustments as foreseen by regulation and reduced cash flow volatility

LIQUIDITY AND DEBT STRUCTURE

We continue to view liquidity and debt management as rating constraints. At end-3Q26, Enerjisa had cash and deposits of TRY12.4 billion against short-term debt of TRY47.1 billion. Enerjisa has largely secured its funding needs in 2026, after placing new bonds, attracting rediscount loans and signing a seven-year loan agreement with European Bank for Reconstruction and Development for about TRY10 billion (USD207 million equivalent) with an interest rate linked to Turkiye's policy rate. However, there is a liquidity gap from 2027. Our expectation of negative FCF over 2027-2029 adds to funding requirements.

Access to the local capital market, including bonds and loans on an uncommitted basis, remains key for Enerjisa's liquidity management. Enerjisa has also about TRY9 billion of rediscount loans related to the tariff burden. The company is also negotiating new long-term loans with international financial institutions. We will monitor the impact of the recent investment funds crisis on Enerjisa's financial access.

At end-3Q26, Enerjisa's debt mostly comprised local bonds (TRY46.7 billion) and bank loans (TRY47 billion).

ISSUER PROFILE

Enerjisa is an electricity distribution and supply company operating in three regions of Turkiye. Enerjisa is owned by E.ON (40%) and Haci Omer Sabanci Holding (40%) and has 20% free float since its IPO in 2018.

SUMMARY OF FINANCIAL ADJUSTMENTS

Fitch-calculated EBITDA and FFO include cash-effective capex and WACC reimbursements related to service concession arrangements, and exclude financial income accrued but not yet paid.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

RATING ACTIONS

ENTITY / DEBT	RATING TYPE	RATING	RATING ACTION	PRIOR
Enerjisa Enerji A.S.	Natl LT	A(tur) Rating Outlook Stable	Affirmed	A(tur) Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

National Scale Rating Criteria (pub. 22 Dec 2020)

Corporate Rating Criteria (pub. 09 Jan 2026) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub. 09 Jan 2026)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (1)

ADDITIONAL DISCLOSURES

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Enerjisa Enerji A.S.	-

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