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BUY

Target Price: TRY 93.96
Upside: 50.21%
Industry: Energy
Ticker: ENJSA

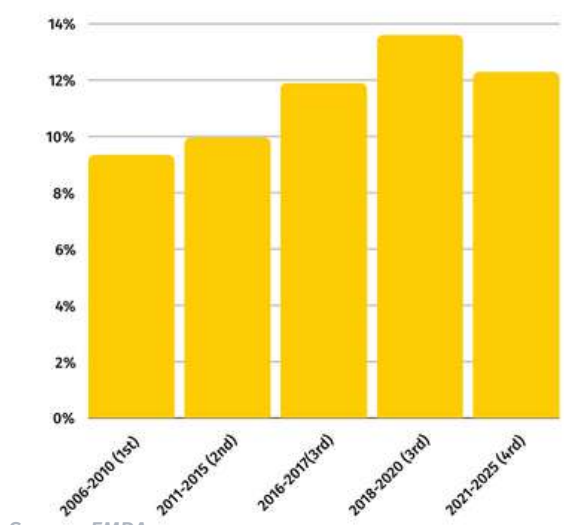
Empowering Growth: Pioneering Türkiye's Energy Future

Figure 1.1: Key Findings for ENJSA

RECOMMENDATION	BUY
Date	JANUARY 3, 2025
Current Price	TRY 62.55
Target Price	TRY 93.96
Upside	50.21 %
Industry	Energy
Ticker	ENJSA
Stock Exchange	Borsa Istanbul
Share Outstanding	1,181,068,967
Market Cap (TRY bn)	73.880
Free Float (%)	20%
Adj. 52 Week Low (TRY/sh)	44.94
Adj. 52 Week High (TRY/sh)	71.80

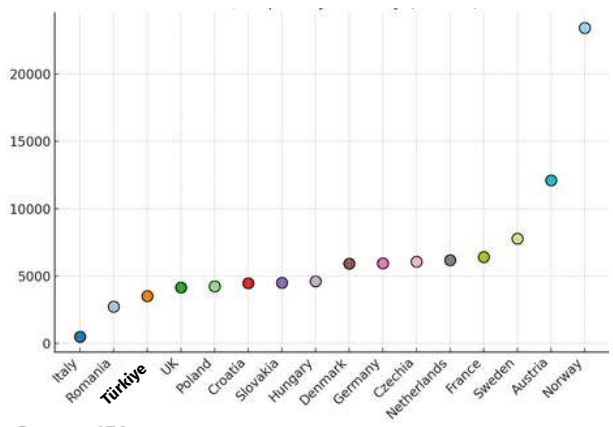
Source: Team Analysis, EquityRT

Figure 1.2: Regulated WACC Progression (%)



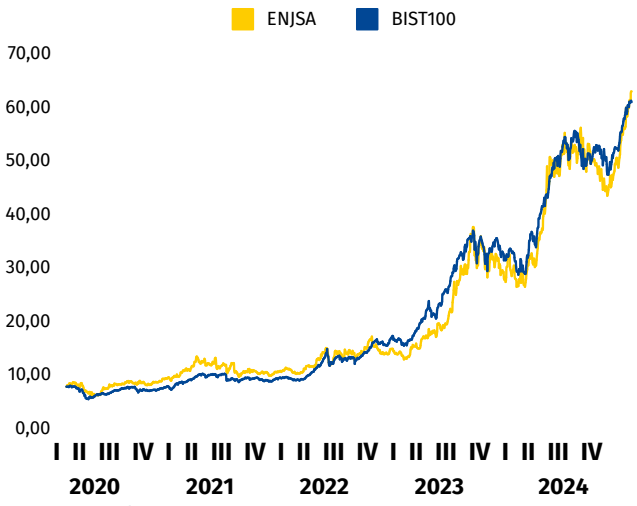
Source: EMRA

Figure 1.3: Electricity Consumption per Capita



Source: IEA

Figure 1.4: Price Movements of ENJSA and BIST 100



Source: EquityRT

We issue a **BUY** recommendation on Enerjisa Enerji (ENJSA) with a target price of TRY 93.96, representing a 50.21% upside potential from its closing price of TRY 62.55 on January 3, 2025. ENJSA has continually demonstrated robust financial performance, solidifying its status as a market leader in Turkey's energy sector. As of 2023, the company attained an impressive 38% annual growth in Operational Earnings and a 30% rise in Underlying Net Income, exceeding shareholder expectations.

POWERING TÜRKİYE: THE UNRIVALED LEADER IN ELECTRICITY DISTRIBUTION AND RETAIL

ENJSA, the top retailer and distributor of electricity in Türkiye, holds a 26% market share in distribution and a 22% market share in retail. While its dominant market position creates operational efficiencies, its strong shareholder structure provides significant competitive advantages, particularly in securing favorable funding terms. ENJSA is likely the strongest compared to its peers. The differential between the financing cost of the grid capital expenditures (CAPEX) and the nominal return component prescribed by Energy Market Regulatory Authority (EMRA) is largely influenced by the strong shareholder structure, enabling ENJSA to maintain its leadership position in the Turkish electricity market.

PROFITIBILITY MEETS OPPORTUNITY

As of January 2025, the Central Bank of Republic of Türkiye (CBRT) is foreseen to implement interest rate cuts, creating conditions for lower cost of financing. As a capital-intensive business, this policy shift presents a major prospect to reduce its cost of debt, thereby, directly enhance profitability and support the company's ability to finance its strategic investments. This macroeconomic advantage, coupled with ENJSA's strong operational cost discipline, positions it as a promising choice for investors looking to harness on Turkey's evolving energy market.

TURKEY'S EMERGING ENERGY MARKET

Turkey's electricity consumption per capita remains significantly lower compared to countries where E.ON, Enerjisa's strategic partner, operates. Turkey's position as an emerging economy, coumpounded with rapid urbanization, a young and dynamic population, digitalization of business and society presents an immense untapped potential for electricity demand growth. By driving efficiency and sustainability in meeting Turkey's rising energy needs, Enerjisa not only addresses a critical infrastructure gap but also creates a fascinating value for investors ambitious to seize the momentum in this transformative energy market.

STABLE RETURNS THROUGH A RESILIENT REGULATORY FRAMEWORK

ENJSA operates within EMRA's supportive regulatory framework, ensuring a 12.30% real return component until 2025. The regulatory environment continues to sustain strong returns, with the weighted average cost of capital (WACC) projected to remain above 10% through 2030, historically ranging between 9.35% and 13.61%. Additionally, ENJSA benefits from a regulated 2.38% profit margin in retail power sales, reinforcing a resilient revenue model that enhances sustainable profitability and operational efficiency.

INFLATION-PROTECTED REVENUE STRUCTURE

ENJSA's distribution operations, the primary driver of its earnings, benefit from an inflation-indexed revenue framework regulated by EMRA. This mechanism ensures revenue stability by mitigating the adverse effects of inflation, safeguarding the company's income stream. Given that revenues are denominated in Turkish Lira, this structure is particularly crucial during periods of currency volatility, reinforcing Enerjisa's resilience and financial sustainability in a dynamic macroeconomic environment.

UNRIVALED DIVIDEND LEADERSHIP IN THE TURKISH ENERGY SECTOR

ENJSA has solidified its position as a leader in shareholder returns, increasing its dividend payout from 65% to 80% in 2023. In 2024, the company will continue to reinforce its financial strength and investor confidence with a dividend policy, ensuring that at least 80% of its Underlying Net Income is distributed to shareholders. This strategic approach aligns with ENJSA's objective of maintaining an attractive and sustainable dividend framework. The company's consistent dividend growth, with Dividend Per Share rising from 0.30 in 2018 to 2.79 in 2024, highlights its ability to generate stable and rewarding returns, positioning it as a compelling investment opportunity.

A BETTER FUTURE FOR EVERYONE

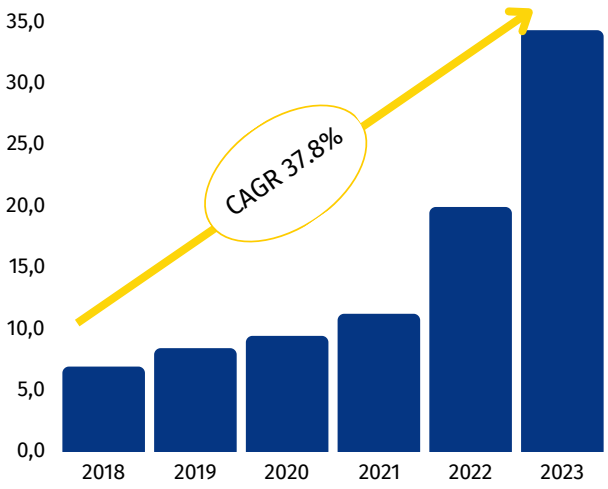
In line with their vision of "A Better Future for Everyone", ENJSA continues their efforts in renewable energy, energy efficiency, decarbonization, digitalization, and e-mobility to support environmental sustainability . Under the roof of "The Energy of My Business", ENJSA offers many environmentally friendly and sustainable energy solutions such as solar power plant installation services, energy efficiency applications, cogeneration/trigeneration applications, electric vehicle charging station management and green energy certification.

Figure 1.5: Key Financial Values

TRY bn	2022A	Δ	2023A	Δ	2024E	Δ	2025-29 Average
Revenue	**84.449**	100%	**168.665**	-1%	**166.295**	89%	**314.163,6**
EBIT	**8.348**	78%	**14.896**	70%	**25.364**	46%	**36.957**
EBITDA Margin	**12%**	-1%	**11%**	5%	**16%**	2%	**14%**
Net Income	**14.498**	-69%	**4.517**	-208%	**-4.875**	454%	**17.239**
DPS	**1.24**	85%	**2.30**	21%	**2.79**	188%	**8.03**
UNI as % of Opertaional Earnings	**29.6%**	-1.6%	**28%**	-16.9%	**11.1%**	15.2%	**26.3%**

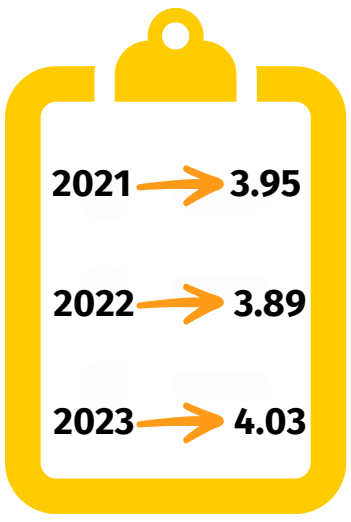
Source: CompanyData, Team Analysis

Figure 1.5: Regulated Asset Base (2018-2023)



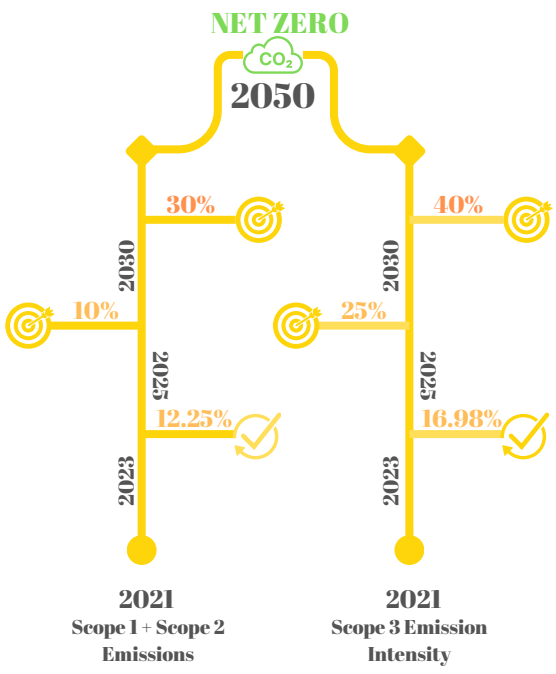
Source: Company Report

Figure 1.6 : Customer Satisfaction Score (out of 5)



Source: Company Report

Figure 1.7: NET Zero Pathway of ENJSA



Source: Team Analysis, Company Reports

Figure 2.1: DCF Output

Base Case (TRY thousand)	
PV of explicit period	56,665,156
PV of 2030-2042	90,695,202
PV of total cash flows	147,360,358
Net Debt	38,152,654
Number of Shares Outstanding	1,181,068
Implied Share Price from DCF	**TRY 92.47**
Premium to Last Close	**%47.83**

Source: Team Analysis

Figure 2.2: Valuation Matrix

Methodology	Weight	Price
DCF	70%	TRY 92.47
Rel Val	30%	TRY 97.44
TARGET PRICE		**TRY 93.96**
Upside Potential		**50.21%**

Source: Team Analysis

INVESTMENT SUMMARY

We initiate our coverage of ENJSA with a BUY recommendation, reflecting a target price of TRY 93.96 per share, representing an upside potential of 50.21% from the current price of TRY 62.55 per share. ENJSA stands out with its state-protected 12.3% real return and Consumer Price Index (CPI)-safeguarded revenue structure, promising Regulated Asset Base (RAB) expansion opportunities, attractive dividend potential, and strong sustainability positioning.

RIDING THE WAVE OF GROWTH: ENJSA'S RAB SURGE

ENJSA's RAB has grown at a CAGR of 206.25% to TRY 34.3bn between 2021-2023. This increase led to higher regulated revenue from the electricity distrubution. We anticipate continued growth in the RAB for several compelling reasons. Firstly, Türkiye is still in a mid-growth phase, driven by late privatization, which creates significant opportunities and demand for investment. Secondly, the country's historically underinvested power grids, combined with a population and electricity consumption growth rate that surpasses the European average, further underscore the need for expansion. Lastly, ENJSA is well-equipped to manage the required investments, thanks to its robust financial strength stemming from a strong market position and a solid shareholding structure. Operational earnings primarily derives from distribution operations, and within these, ENJSA uniquely recovers investments through capex reimbursement, accounting for approximately 30% of total distribution revenue. We expect CAPEX to be TRY 21bn, equal to 9% of total revenue. These expenditures are in guaranteed repayment by the government in 10 years. Along with these reasons we expect total revenue to be TRY 234bn in 2025E.

SHIELDED GROWTH

ENJSA is strategically positioned in Türkiye's rapidly growing Electric Vehicle (EV) market, focusing on DC fast-charging infrastructure to capitalize on increasing demand. The company has achieved an impressive 2644% growth in gross profit from client solutions as of 2024Q3, highlighting its effective execution in the EV charging segment. Unlike competitors concentrating on slower AC charging, ENJSA's emphasis on fast-charging technology provides a significant competitive advantage. This strategic focus, combined with favorable government policies and rising EV adoption rates, suggests strong growth potential for ENJSA's charging station investments, further enhancing its market share and geographic reach.

POWERING THE FUTURE THROUGH INNOVATION

With a commitment to leading the new energy world, ENJSA's strategic focus on innovation, stakeholder engagement, and operational excellence positions it as a leader in customer satisfaction and value creation. By integrating digitalization into its core operations, the company enhances efficiency and service quality through advanced energy, new technology, and network management solutions. ENJSA's commitment to technological advancement and sustainable growth reinforces its competitive edge, making it a compelling investment opportunity in Türkiye's developing energy sector.

LEADING SUSTAINABLE TRANSFORMATION

ENJSA plays a pivotal role in advancing environmental, social, and corporate governance (ESG) principles under its vision of "A Better Future for All." Aligned with its Net Zero Emissions target for 2050, the company invests in renewable energy, circular economy initiatives, and biodiversity conservation. Social responsibility is embedded in its corporate framework through gender equality programs, education initiatives, youth employment efforts, and disaster relief activities. Strengthened by a robust corporate governance framework, ENJSA integrates sustainability objectives into its strategic policies, emphasizing transparency, accountability, and ethical governance. With a strong focus on diversity, innovative governance, and long-term sustainability, ENJSA stands as a benchmark for responsible business practices in both Türkiye and the global energy sector, reinforcing its investment appeal.

EARLY RISK DETECTION: STRENGTHENING RESILIENCE

ENJSA navigates macroeconomic and financial risks, including inflation and EMRA's regulatory interventions, through its proactive risk management framework and adaptive investment strategies. The Early Risk Detection Committee plays a crucial role in mitigating risks, ensuring operational continuity and long-term profitability. Additionally, strategic financial communication and investments in renewable energy, disaster recovery, and smart grid technologies enhance adaptability. These strategies not only mitigate risks but also reinforce ENJSA's resilience, making it a key consideration for investors.

VALUATION

Our target price for ENJSA is determined at TRY 93.96, corresponding a 50.21% upside potential from its closing price of TRY 62.55 as of January 3rd, 2025. We used a robust "Dual-Engine Approach", incorporating 70% Discounted Cash Flow (DCF) and 30% Relative Valuation methodologies. Since our upside potential is higher than cost of equity, we issued a BUY recommendation for ENJSA.

DCF VALUATION: CAPTURING INTRINSIC VALUE

Our DCF valuation model corresponds with ENJSA's strategic goals, allowing us to capture its cash flow potential and long-term growth opportunities while considering macroeconomic uncertainties and regulatory factors. The analysis encompasses ENJSA's consolidated revenue, cost of sales, operational expenses, and other financial variables, starting in 2025. The explicit forecast period is from 2025 to 2029, providing comprehensive short-to-medium-term estimates. Beyond this period, estimates extend through the end of the company's concession term in 2042, providing a robust and comprehensive valuation methodologhy.

Figure 2.3: DCF Summary

Year (TRY bn)	2025E	2026E	2027E	2028E	2029E	2030E	2031-36E	2037-42E
EBIT	20.526	30.620	37.901	44.192	51.544	57.073	483.666	666.411
Tax	5.132	7.655	9.475	11.048	12.886	14.268	120.016	166.603
Capital Expenditures	21.075	25.171	28.328	31.579	35.221	38.522	310.039	353.632
Depreciation & Amortization and Other Inflows	28.100	33.561	37.771	42.105	46.962	51.362	413.385	471.510
Changes in Working Cap.	7.024	8.390	9.442	10.526	11.740	8.560	68.897	78.585
FCFF	15.394	22.965	28.426	33.144	38.658	47.085	397.198	539.101
Discounted FCFF	**11.585**	**13.006**	**12.114**	**10.630**	**9.330**	**9.892**	**50.815**	**29.888**

Source: Team Anaylsis

TWO-STAGE DISCOUNTING: CALIBRATING WACC FOR MARKET REALITIES

In light of Türkiye's economic volatility and risk profile, we applied a dual-WACC approach (Figure 2.4) to address the varying risk dynamics over the forecast period, for the explicit period (2025E-29E), we used 32.88% WACC, capturing elevated country risk premiums and macroeconomic uncertainties. For the extending period, a lower WACC of 14.88% was applied, reflecting a normalization of economic conditions and a decline in systemic risk.

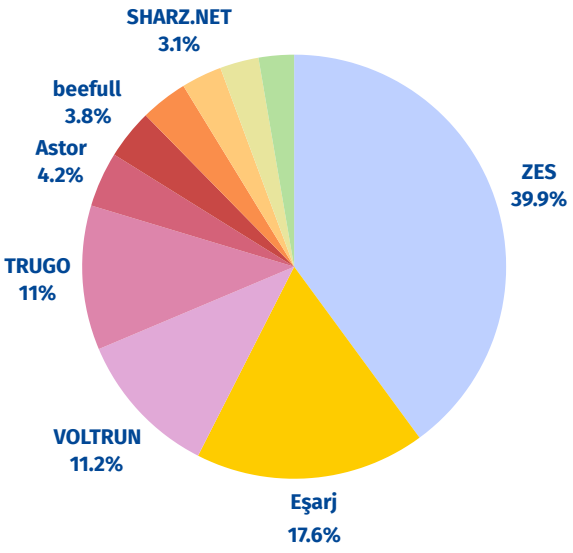
Figure 2.4: WACC Inputs

Wacc Inputs

Inputs	Rate (5Y)	Source	Rate 2030-42	Source
Risk Free Rate	32%	5-year government bond yields	11%	10-year government bond yields historical figures
Beta	0.73	5-year comparison to XU100	0.73	5-year comparison to XU100
Equity Risk Premium	9.10%	Team Analysis	10.24%	Team Analysis
Cost of Equity	38.64%	CAPM Analysis	18.48%	CAPM Analysis
Cost of Debt	37.7%	Risk free rate + Corporate Bond Spread	16%	Risk free rate + Corporate Bond Spread / 2018-2022 Average cost of debt
Tax Rate	0.25	Statutory Tax	0.25	Statutory Tax
D/E Ratio	1.25	Target Level	1.25	Target Level
WACC	**32.88%**		**14.88%**	

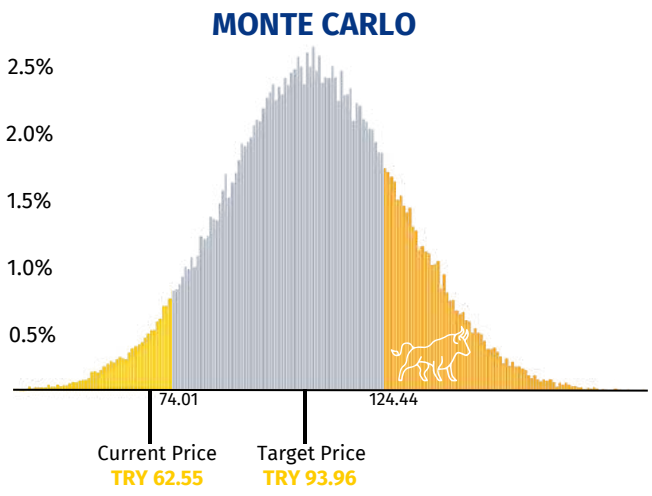
Source: Team Anaylsis

Figure 2.5: Market Share of The Top 10 Companies By Number of Charging Sockets



Source: EMRA Monthly Statistics Report of Charging Service Market

Figure 2.6: Monte Carlo Distribution



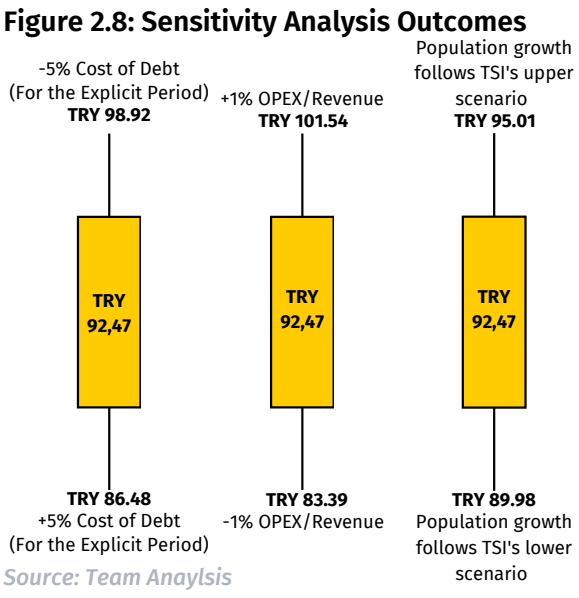
Source: Team Analysis

Figure 2.7: Monte Carlo Statistics

MONTE CARLO STATISTICS	
MEAN	95.13
MEDIAN	95.28
MODE	96
STANDARD DEVIATION	11.89
VARIANCE	140.44
SKEWNESS	0.044
KURTOSIS	-0.027
COEFF. OF VARIATION	0.12
MINIMUM	54.11
MAXIMUM	145.12
RANGE WIDTH	91
MEAN STD. ERROR	0.1154

Source: Team Anaylsis

Figure 2.8: Sensitivity Analysis Outcomes



Source: Team Anaylsis

The cost of equity was calculated using the Capital Asset Pricing Model (CAPM), incorporating Türkiye's equity risk premium. For the explicit period, a risk-free rate derived from 5-year Turkish government bond yields was applied, whereas the extending period utilized 10-year Turkish government bond yields. The cost of debt was determined by adding the implied corporate spread to the risk-free rate, with adjustments reflecting Enerjisa's target leverage ratio. In line with ENJSA's targets and historical performance, a debt-to-equity (D/E) ratio of 1.25 was employed. We determined Enerjisa's beta by using five years weekly prices vs XU100 index in a regression analysis, resulting in a 0.73 beta.

SCENARIO ANALYSIS: MAPPING POTENTIAL FUTURES

To achieve a more comprehensive understanding about the valuation of ENJSA, we carried out a Monte Carlo simulation with 100,000 iterations (Figure 2.6). We have looked into different parameters like electricity consumption, WACC on RAB, and EV Charge market share (Figure 2.5) to evaluate their potential impact on the target price. Additionally, both bull and bear market scenarios were modeled to account for potential fluctuations and adverse market conditions. Our analyses will provide deeper insights into the investment opportunities of ENJSA under the dynamic market conditions.

Figure 2.9: Sceanario Analysis

Sceanarios	Bear Case	Base Case	Bull Case
	Electricity consumption falls below the projections outlined by the International Energy Agency **yearly 1% lower than base case**	Electricity consumption grows in line with the projections of the International Energy Agency	Electricity consumption exceeds the projections established by the International Energy Agency **yearly 1% above than base case**
	WACC applied to the RAB repayment **underperforms initial projections by 2%.**	WACC used for the RAB re-payment is in line with expectations	WACC applied to the RAB repayment **exceeds initial projections by 2%.**
	ENJSA loses its position in the electric vehicle (EV) charging sector and falls behind its competitors. **10% Market Share**	ENJSA maintains its position among its peers in the electric vehicle (EV) charging market. **17.6% Market Share**	ENJSA strengthens its position in the EV charging sector widening the gap with its competitors. **30% Market Share**
Price in TRY	**TRY 74.01**	**TRY 93.96**	**TRY 124.44**
% Change from Target Price	**-20.17%**		**32.44%**

Source: Team Anaylsis, IEA, EMRA

SENSITIVITY ANALYSIS

We evaluate the robustness of our DCF model by conducting a sensitivity analysis of key variables, including WACC, population growth, and OPEX-to-revenue ratio (Figure 2.8) (Appendix A-5). Our findings reveal that if inflation exerts a 10% downward pressure on the regulatory tariff it could affect our "BUY" recommendation; however, this scenario is considered highly unlikely due to strong pricing discipline and a robust order backlog. Additionally, Türkiye's position as an emerging economy and its relatively low electricity consumption per capita compared to developed countries, suggests that growth projections are more likely to exhibit upside potential rather than downside risk. This is further supported by increasing urbanization, industrial growth, and substantial investments in energy infrastructure, positioning Enerjisa to capitalize on the growing demand for electricity in the region.

Figure 2.10: Balance Sheet (TRY bn)

	2023A	2024E	2025E	2026E
Current Assets	**40.686**	**60.451**	**64.780**	**79.525**
Cash and Equivalents	4.501	10.690	8.573	10.937
Short Term Receivables	21.014	29.852	34.378	42.493
Inventories	3.947	5.555	6.880	8.004
Other Current Assets	5.265	4.196	5.420	6.460
Financial Assets	5.959	10.158	9.529	11.632
Non-Current Assets	**91.410**	**130.481**	**150.393**	**170.484**
Intangible and Tangible Assets	41.264	59.769	68.101	72.296
Other Non-Current Assets	24.347	40.238	43.028	50.260
Financial Assets	25.799	30.474	39.265	47.929
Total Assets	**132.096**	**190.932**	**215.174**	**250.009**
Current Liablities	**48.004**	**77.427**	**90.874**	**106.487**
Short Term Loans	20.310	32.494	35.414	45.774
Short Term Trade Payables	16.209	23.800	29.476	31.293
Other Current Liabilities	11.485	21.133	25.983	29.420
Non-Current Liabilities	**26.318**	**32.985**	**31.825**	**34.129**
Long-Term Loans	13.950	19.571	14.586	15.258
Other Non-Current Liabilities	12.368	13.414	17.239	18.871
Shareholders' Equity	**57.774**	**80.520**	**92.476**	**109.393**
Share Capital	1.181	1.181	1.181	1.181
Other Equity Items	33.224	53.217	63.777	74.136
Retained Earnings	23.369	26.122	27.517	34.076
Total Liabilities & Equity	**132.096**	**190.932**	**215.174**	**250.009**

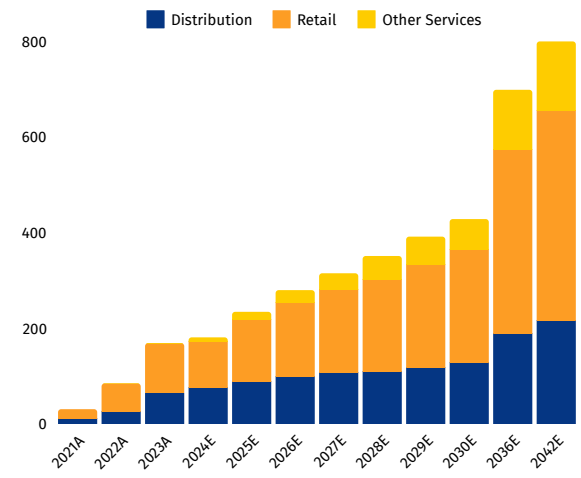
Source: Team Anaylsis

Figure 2.11: Income Statement (TRY mn)

Income Statement	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	84449	168665	166295	234163	279676	314755	350876	391348	428021
Cost Of Sales	-68621	-143110	-129616	-197245	-229479	-254822	-282122	-312410	-340986
Gross Profit	15828	25555	36679	36918	50197	59934	68754	78938	87035
OPEX	-7734	-11501	-13714	-18733	-22374	-25180	-28070	-31308	-34242
Other Income/(Expense)	254	842	2399	2342	2797	3148	3509	3913	4280
EBIT	8348	14896	25364	20526	30620	37901	44192	51544	57073
Financial Income/(Expense)	-3901	-9628	-21060	-16391	-11187	-12590	-14035	-15654	-17121
Profit Before Tax	**4447**	**5268**	**4304**	**4135**	**19433**	**25311**	**30157**	**35890**	**39952**
Tax	10051	-751	-9520	-1034	-4858	-6328	-7539	-8973	-9988
Net Income	**14498**	**4517**	**-5216**	**3101**	**14575**	**18983**	**22618**	**26918**	**29964**

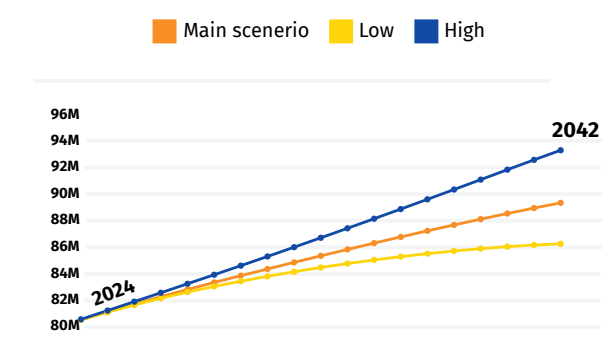
Source: Team Anaylsis

Figure 2.12: Revenue by Segment (TRY bn)



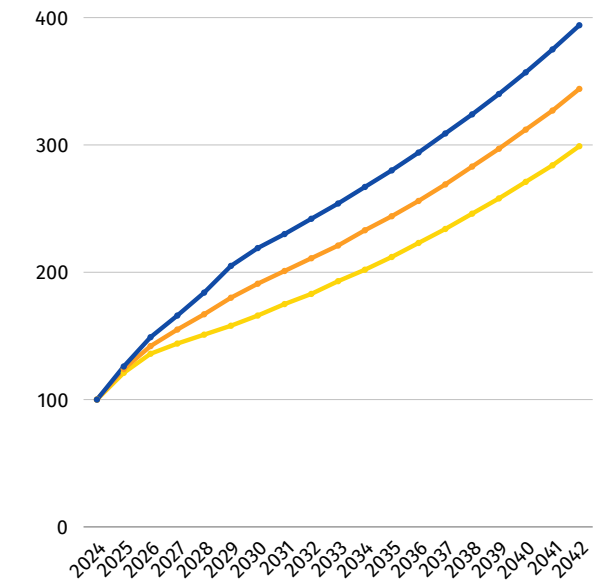
Source: CompanyData, Team analysis

Figure 2.13: Population Growth Projections



Source: TSI (TUIK)

Figure 2.14: TRCPI Projections (2024=100)



Source: CBRT Market Participants Survey, Strategy and Budget Presidency of the Republic of Turkey, Team Analysis

RELATIVE VALUATION: BENCHMARKING SUCCESS

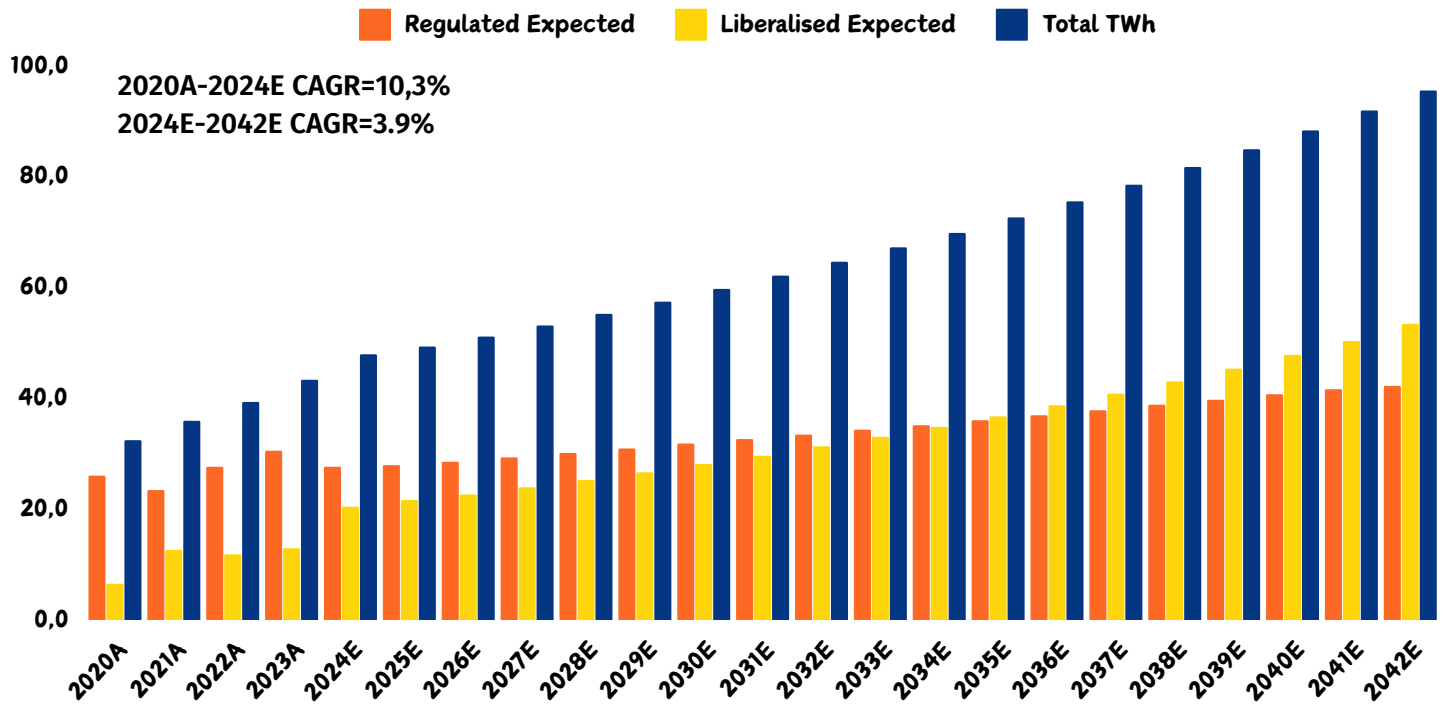
We conducted a relative valuation analysis using key valuation multiples of EV/EBITDA, P/E, and P/Sales to benchmark ENJSA against its peers (Appendix A-3). EV/EBITDA was identified as the most relevant due to its ability to normalize differences in capital structure and provide a clearer comparison of operational performance across peers, while P/E and P/Sales provided additional insights into profitability and revenue growth potential, respectively. Afterwards, we equally weighted the implied target price outcomes from relative valuation. The relative valuation analysis yielded a target price of TRY 97.44 with 55.77% upside potential, but we include it in the overall valuation model with 30% weight due to high disparity with the DCF model.

Figure 2.15: Relative Valuation

Peer Group	#of peers	EV/EBITDA		P/E		P/SALES	
		AVERAGE	MEDIAN	AVERAGE	MEDIAN	AVERAGE	MEDIAN
Closest peers in Turkiye	2	4.16	3.09	6.63	7.29	0.67	0.64
Industry of Turkiye	5	5.62	5.97	5.30	5.71	1.56	0.88
Global Average	5	8.21	7.23	9.67	9.16	2.00	0.72
ENJSA		4.91	4.86	3.53	6.67	0.45	0.45
Target Ratio for ENJSA		**4.5**		**8**		**0.5**	
Implied Target Price		**TRY 105.99**		**TRY 87.24**		**TRY 99.13**	

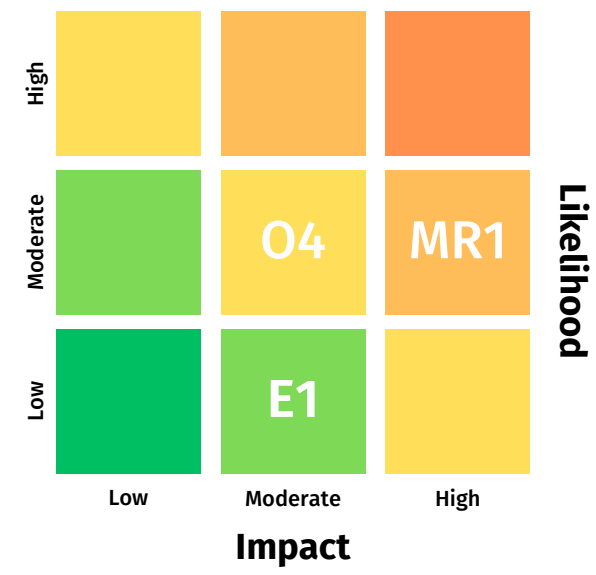
Source: Team Analysis, EquityRT

Figure 2.16: ENJSA Retail Sales Volume Projections by Segment



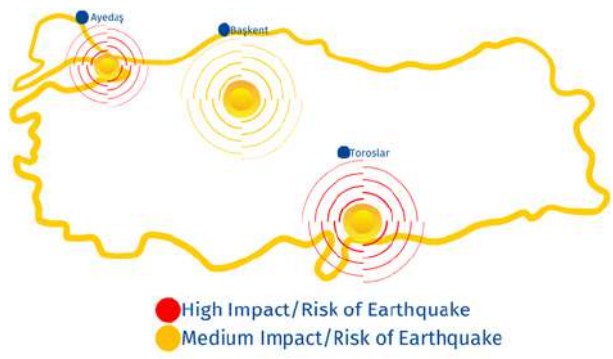
Source: Company Annual Reports

Figure 3.1: Investment Risk Matrix



Source: Company Reports & Team Analysis

Figure 3.2 : ENJSA Earthquake Risk Zones



Source: Earthquake Research Department

INVESTMENT RISKS

ENJSA stands out as a leading company in Türkiye's heavily regulated energy sector. The company has established a comprehensive risk management framework aligned with international standards such as COSO and ISO 31000 to effectively balance dynamic risks and opportunities. It also proactively identifies potential risks through its "Early Risk Detection Committee," aiming to enhance operational resilience and financial stability. This approach provides investors with a robust and reliable perspective on the company's risk management practices.

MACROECONOMIC & REGULATION RISK

(MR1) Instabilities Driven by the Inflationary Environment and Exchange Rate Risk: **From a macroeconomic perspective, the threat of global recession remains significant. Despite the strict and meticulously implemented orthodox monetary policies in the domestic market over the past year, achieving single-digit low inflation rates is still hard. This environment affects all businesses operating within the country and poses an even greater risk for companies like ENJSA, whose beta coefficient closely aligns with the market index (β = 0.73). While ENJSA benefits from relatively higher competitive advantages compared to its peers, it remains vulnerable to potential economic regression scenarios and the broader instabilities created by prevailing inflationary conditions. Besides, YEKDEM (Renewable Energy Support Mechanism) requires regular contribution requirements per TWh, with these obligations being subject to exchange rate fluctuations.**

Mitigation: **ENJSA mitigates its macroeconomic risks through systematic approaches and hedging strategies. The company actively manages inflation and exchange rate risk by utilizing derivative instruments and bond trading to maintain financial stability and safeguard its operations.**

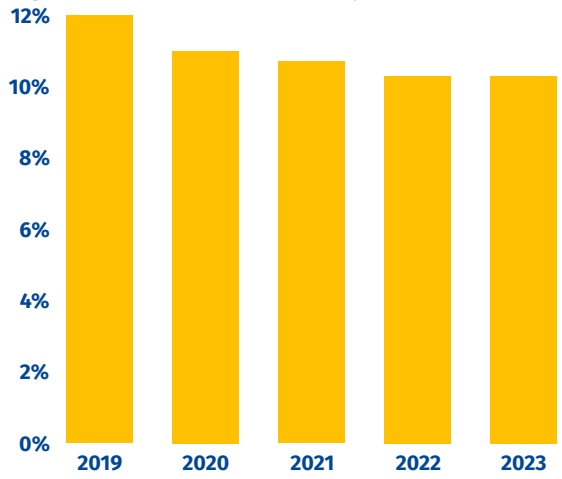
(MR2) Price Risks Stemming from EMRA Regulations: **ENJSA is exposed to price risks due to potential reductions in energy tariffs or changes based on electricity market law components mandated by the EMRA, which place the company in a position of inherent vulnerability to regularity decisions. Changes in tariff structures directly affect ENJSA's projected cash flows, creating challenges such as delays or cancellations of planned investments. Moreover, adjustments to tariff structures can increase costs that ENJSA unable to transfer to its customers, further exacerbating financial strain and undermining profitability. Regulatory price adjustments can alter market-wide demand and supply dynamics, affecting ENJSA and its competitors in similar ways, thereby making this risk an integral part of the company's market exposure.**

Mitigation: **ENJSA manages regulatory risks through regular collaboration with regulatory authorities and industry stakeholders, contributing to the sustainability of the sector and the development of regulatory frameworks. This proactive approach not only mitigates potential regulatory risks but also aligns the company's operations with evolving industry standards and policies, ensuring long-term operational resilience.**

(MR3) Risks Associated with Regulatory Non-Compliance: **ENJSA faces significant risks associated with regulatory non-compliance, primarily due to its dependence on EMRA. Non-compliance with energy pricing regulations could result in sanctions, including fines and penalties, imposed during regulatory inspections. Moreover, potential electricity outages could expose to legal proceedings initiated by various institutions or stakeholders, further compounding the company's exposure to regulatory risks. The most severe consequence of regulatory non-compliance is the potential revocation of critical certifications or licenses, which would have profound implications for the company's operational continuity and financial stability. Regulatory non-compliance affects not only individual companies but also broader market dynamics, influencing investor confidence, competitive positioning, and sector-wide operational practices.**

Mitigation: **ENJSA minimizes regulatory risks by maintaining active communication with regulatory authorities and ensuring compliance with technical standards through systematic and regular audits. Additionally, the company implements comprehensive compliance processes and certification management systems to proactively address potential regulatory challenges and prevent the imposition of sanctions regulatory challenges.**

Figure 3.3: Theft-Loss Türkiye (%)



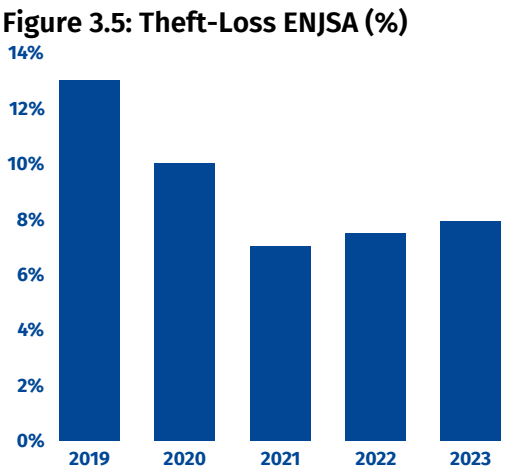
Source: EMRA

Figure 3.4 : Key Risks and Mitigations

Risks	Mitigation Strategy
Instabilities Driven by Inflation	Derivative Instruments and Inflation Hedging
Price Risks (EMRA Tariffs)	Close collaboration with EMRA
Counterparty Credit Risks	Letters of Guarantee and Credit Rating Checks
Technical Losses (Electricity Theft)	National smart Meter Systems
Environmental Damage (Transformer Oils)	ISO 14001 standards and LED lighting projects

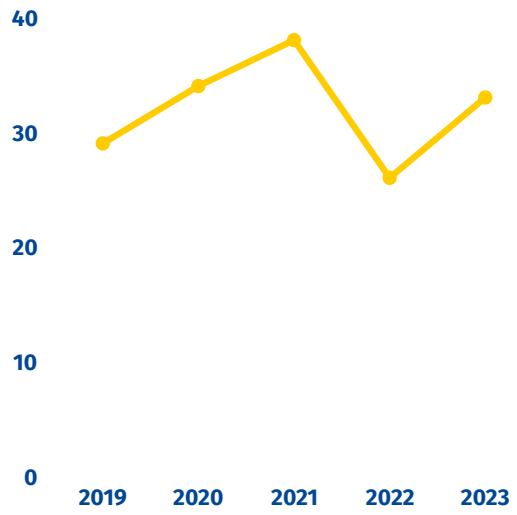
Source: Company Reports & Team Analysis

Figure 3.5: Theft-Loss ENJSA (%)



Source: Company Reports

Figure 3.6: ENJSA Number of Critical Accident



Source: Company Reports

CREDIT RISK

(C1) Credit Risks Arising from Counterparty Risk: In wholesale electricity procurement, the company engages in large-scale purchasing to secure the product it sells. Any failure on the part of a counterparty to meet its financial obligations could lead to substantial credit risk, potentially resulting in financial losses, operational disruptions, and increased costs.

Mitigation: ENJSA manages credit risk by requiring security deposits from regulated customers and letters of guarantee or other forms of collateral from free-market customers. Timely invoicing, efficient receivables management, and credit rating assessments of major clients help the company to minimize credit exposure. To mitigate risks related to electricity theft and payment defaults, ENJSA employs advanced metering systems and inspection mechanisms while optimizing its debt management processes. Additionally, the company prioritizes financial planning and cash flow management to safeguard its credit rating.

(C2) Negative Outlook of Credit Ratings: The ratings given by international credit rating agencies serve as an indicator of the company's debt payment capacity and can provide direction to investors. Fitch Ratings and JCR Eurasia Rating have revised their outlook for ENJSA, signaling a negative Outlook which is mainly influenced by the economic stability and financial strength of the country in which the company operates

Mitigation: Although Fitch Rating has been revised ENJSA's National Long-Term Credit Rating from AA to A, JCR Eurasia reduced it from AAA to AA, ENJSA still has a high credit quality level. ENJSA's activities in financial derivative transactions, its success in operational activities, and maintaining its distribution license for an additonal 25 years suggest that ENJSA may experience an improved credit outlook in the future.

OPERATIONAL RISK

(O1) Operational Cyber Security Risk: ENJSA is exposed to potential disruptions in its operations due to the rising cyber attacks. The misuse of sensitive internal information exposes significant risk to ENJSA such as the revocation of critical certifications. Additionally, unintentional non-compliance with established protocols may increase the company's vulnerability to ransomware attacks, which could disrupt its operational processes and negatively impact overall performance. These risks underscore the importance of robust operational security measures to safeguard ENJSA's certifications, data integrity, and cyber security resilience.

Mitigation: ENJSA proactively addresses operational security risks through the implementation of robust data privacy and cybersecurity measures aligned with corporate policies. The company safeguards customer data privacy through ISO 27001 certification and compliance with PDPL regulations. The company manages cybersecurity risks with its dedicated Cybersecurity Team and cyber risk insurance while providing employees with regular information security training.

(O2) Impact of Technical or Nontechnical Losses: Increased technical and nontechnical losses (electricity theft and malfunctioning meters) reduce revenues for electricty in distribution systems limiting the budget allocated for operational activities such as grid maintenance and expansion investments. This can lead to a decline in service quality and a reduction in customer satisfaction. Over time, sustained revenue losses from electricity theft could adversely affect the company's cash flow and liquidity, creating difficulties in meeting its financial obligations.

Mitigation: ENJSA mitigates the effects of electricity theft by optimizing processes through advanced metering systems such as electromagnetic impact sensor and integration of a national smart meter system (MASS). Additionally, the revenue losses caused by electricity theft pose a potential liquidity risk by adversely impacting cash flow. To counteract these challanges, the company focuses on robust debt management practices and structured cash flow planning to alleviate liquidity pressures and ensure financial stability.

(O3) External Factors and Infrastructural Problems: The importance concequences of force majeure have been reminded by the 2023 Türkiye-Syria earthquakes. ENJSA's Toroslar Electricity Distribution Company, which manages electricity distribution responsibilities across six cities, experienced significant infrastructural damage due to earthquake. The Decree Laws aimed at rebulding infrastructure and covering the financial damage of the disasters, as well as additional taxes on companies and postponement of bill payment deadlines, put financial pressure on ENJSA. Company is protected by insurance mechanisms as operational and grid infrastructure.

Mitigation: ENJSA and Industrial Development Bank of Türkiye (TSKB) agreed to $100 mn with a 1-year grace period and total maturity of 6 years, in order to strengthen the electricity infrastructure in earthquake affected regions. Meanwhile, to provide secure resources and financial flexibility, ENJSA has issued long-term high yield bonds.

(O4) Workplace Accidents: Unveiling Operational Risks: ENJSA, as a distribution company, is exposed to the risks stemming from workplace accidents during installations and technical operations. These risks include potential injuries or even fatalities, among electricians due to hazards such as working at height, a failure during electrical works, as well as uncontrollable events like lightning strikes and natural disasters. Lack of compliance of electrical installations and works with IEC standards and country norms can lead to hazards that can endanger human and property safety. These challenging work culture can lead to accidents that include long-term health issues, posing a significant operational risk over time. These factors highlight the critical importance of stringent OHS protocols, robust training programs, and effective risk mitigation strategies to ensure workplace safety and operational continuity.

Mitigation: ENJSA manages occupational health and safety (OHS) risks in line with ISO 45001:2018 standards, aiming for zero critical injuries. The company uses the Fine-Kinney method to classify risks and takes proactive measures to mitigate them. It is declared that the company provides continuous OHS and technical training and conducting annual audits.

ENVIRONMENTAL RISK

(E1) Carbon and Sustainability Projects: Due to increasing operational activities, ENJSA can pose a risk of inefficiency and potentially deviating from its sustainability objectives. The potential failure of renewable energy projects presents a dual challenge, affecting both sustainability goals and resulting additional costs. Under the Paris Agreement and carbon quota commitments, ENJSA faces significant obligations. Non-compliance with these agreements could expose the company to sanctions from organizations such as CDP. These challenges represent operational risks, as they directly impact the company's operational processes, costs, and regulatory compliance.

Mitigation: ENJSA is committed to becoming a sustainable company and actively addresses challenges that may arise on this journey. ENJSA monitors and reports its carbon emissions under the CDP Climate Change program and develops solutions to comply with the Paris Agreement obligations through R&D projects and collaborations with NGOs. ENJSA Customer Solutions Inc. was established to provide services in energy efficiency issues and offers solutions such as process efficiency projects.

(E2) Physical Environmental Damage: Electricity demand is increasing day by day. An increasing number of data centers, air conditioners, and electrical car charging stations will drive huge amounts of electricity consumption. In order to supply this demand ENJSA could use more fossil energy resources. During this period, it could be subject to carbon law requirements and have to spend more financial resources on renewable electricity. In addition, transformer oils used in distribution systems, lead acid batteries, and high pressure mercury vapor lamps used in street lighting pose risks for environmental damage during maintenance and storage. There are serious financial penalties in case of detection of environmental pollution.

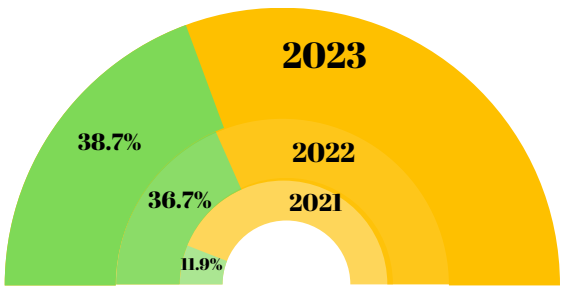
Mitigation: The company minimizes environmental damage risks by managing its operations in compliance with environmentally and sustainability standards such as ISO 14001 environmental management system and implementing insurance solutions to prevent financial losses. It pay great attention to environmental protection by implementing waste management policies. In addition, shifting to new technology such as LED projectors in street lighting is both environmentally friendly and benefical in terms of energy saving policies.

Figure 4.1 : ESG Score of ENJSA

	Enerjisa's Scores	Ranking
Sustainalytics	16.8	Low Risk
Refinitiv	85	5th world among participating electricity distribution and independent power generation companies
FTSE Russell	4	91st percentile in Utilities sector
CDP Climate Change	A-	
CDP Water Security	A	

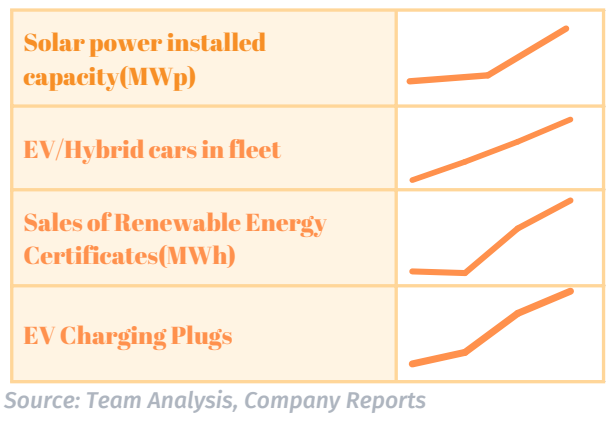
Source: Company Reports

Figure 4.2: Portion of Environment Investments



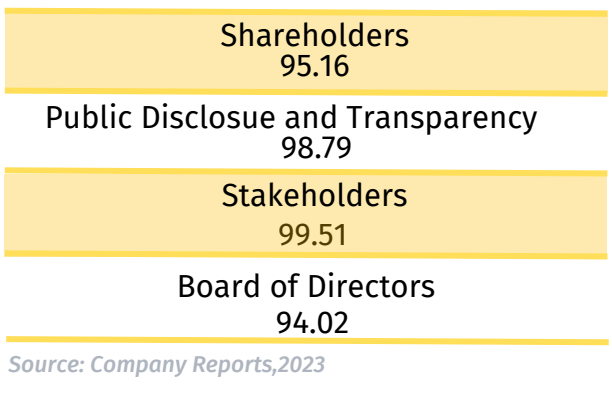
Source: Team Analysis, Company Reports

Figure 4.3 : Renewable Energy Improvements (2020-2024)



Source: Team Analysis, Company Reports

Figure 4.4 : Governance Scorecard



Source: Company Reports,2023

ENVIRONMENT, SOCIAL AND CORPORATE GOVERNANCE

ENJSA is actively shaping the future of sustainable energy with through a clear vision of "A Better Future for Everyone." The company's environmental strategy is driven by science-based goals, including a commitment to achieving net-zero emissions and an impressive remarkable 143.39% growth increase in solar energy capacity. Pioneering innovations like Eşarj, strengthen green energy infrastructure, while recognition from the Carbon Disclosure Project (CDP) highlights its leadership in sustainability. On the social front, ENJSA promotes emphasizes gender equality, workforce development, and community resilience through impactful initiatives like Regional Resource Development Centers (RRDCs), which have supported 1,200 SMEs, and award-winning programs that inspire meaningful volunteer contributions. Strong governance underpins these efforts, with high ratings, transparent practices like the one-share-one-vote system, and a forward-thinking Board of Directors. Collectively, these initiatives position ENJSA as a leader in integrating ESG values to create lasting impact.

ENVIRONMENT

ENJSA has taken a pioneering stance on environmental responsibility by embracing sustainability as a core value to their business within Türkiye's energy sector, in keeping with their vision. The company has committed to achieving Net Zero emissions by 2050 and is making substantial progress toward this goal. Through science-based carbon reduction strategies, ENJSA has developed a comprehensive sustainability framework for its operations. As part of the UN Global Compact, ENJSA pledges to cut its Scope 1 and 2 emissions by 30% by 2030 compared to the baseline year of 2021 in order to promote societal decarbonization. By 2023, ENJSA achieved a 15% reduction in Scope 1 emissions and initiatives and the transition of its vehicle fleet to electric vehicles aim to achieve a 70% reduction in Scope 1 emissions by 2040. For Scope 2 emissions, ENJSA plans to employ 100% of the electricity used in its operational buildings from renewable energy sources. The company's goal for Scope 3 emissions is to reduce the carbon intensity of supply chain and customer activities by 2030, achieving 42.45% of this target as of 2023. ENJSA made considerable network investments in 2023, increasing by more than 200% compared to 2022, to support the integration of renewable energy sources which play a pivotal role in ENJSA's sustainability strategy. ENJSA achieved a 143.39% increase in solar energy capacity by 2024. Through the "Energy of My Business" project, the company installed 40,000 m² of solar panels on the Ali Sami Yen Nef Stadium, earning a Guinness World Record. Subsidiary E-Şarj has contributed to carbon emissions reduction, reinforcing company's leadership in sustainable energy infrastructure. Adopting a circular economy approach, ENJSA promotes waste reduction, reuse, and recycling, trageting zero waste by 2030. In 2023, the company recycled 819 transformers, 238 circuit breakers, and 373 cells. Water-saving initiatives, such as rainwater harvesting reduced employee water consumption by 7.78%, earning a CDP Water Security A score. By 2023, the company protected 17,228 km² of ecosystems, installing 12,000 insulators and 10,000 bird diverters to mitigate avian collisions. ENJSA's initiatives in carbon reduction, renewable energy investments, electric vehicle infrastructure, waste management, biodiversity conservation, and innovative technologies position the company as a frontrunner in Türkiye's energy transition. ENJSA's ability to rapidly adapt to evolving sustainability demands underscores its awareness of its social and environmental responsibilities, serving as a benchmark not only for Türkiye but also for the global energy sector's sustainable future.

SOCIAL

ENJSA demonstrates its commitment to society and individuals through global initiatives, achieving significant milestones in education, inclusivity, and resilience. As one of 12 Turkish companies in the Bloomberg Gender Equality Index, ENJSA prioritizes gender equality with women holding 27% of managerial roles and a target of 35% by 2025. Investments in workforce development are central to ENJSA's strategy, with employees receiving an average of 35 training hours in 2023, a 22% increase compared to the previous year, contributing to a 15% reduction in Lost Time Injury Frequency Rate (LTIFR) and 81% employee satisfaction which outperform the industry average. Post-2023 earthquakes, ENJSA collaborated with the United Nations Development Programme (UNDP) and local chambers of commerce to establish Regional Reconstruction and Development Centers (RRDCs), supporting 1,200 SMEs. Additionally, 16,233 volunteer hours - a 32% year-over-year increase- were dedicated to social initiatives. Lifeline energy support reached 3,291 customers dependent on electrically powered medical devices, while customer satisfaction improved significantly, reflected in a 122 % rise in Net Promoter Score (NPS) in 2023. In education and youth employment, ENJSA stands out with award-winning programs like "Retail X", offering 2,500 hours of training and internship to over 300 students annually, alongside STEM(Science, Technology, Engineering, Math) and initiatives reaching 10,000 students. Investments in social projects and recovery efforts totaled 168 million TL, emphasizing long-term community impact. By fostering diversity, enhancing customer satisfaction, and strengthening societal resilience, ENJSA effectively aligns with sustainable development goals, positioning itself as a leader in corporate social responsibility in the energy sector.

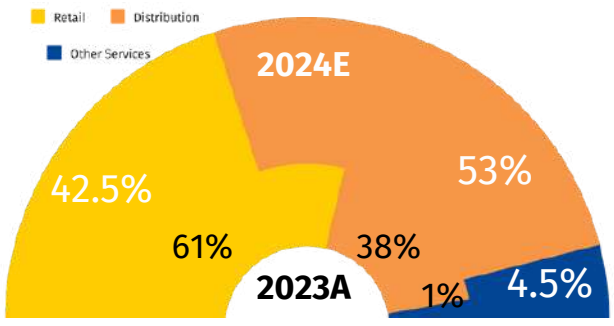
CORPORATE GOVERNANCE

With a corporate governance rating of 9.63/10 in 2023, ENJSA's governance framework exemplifies its commitment to transparency, accountability, and adherence to ethical standards. Its Board of Directors, comprising eight members, including two independent directors, plays a pivotal role in strategic alignment with ESG objectives. Female representation on the board stands at 37.5%, surpassing industry averages. The separation of CEO and Chair roles ensures transparent and impartial governance, while specialized committees -Audit, Corporate Governance, and Early Risk Detection- facilitate expertise-driven decision-making. ENJSA's Human Rights Project focuses on enhancing HR policies, establishing grievance mechanisms, and implementing risk mitigation measures, and its completion is expected in 2024. We are committed to maintaining our ISO 37301 Compliance Management System Certification and integrating ESG performance into executives' and management's remuneration, ensuring alignment with our sustainability objectives. Shareholders are treated fairly through one-share-one-vote, annual elections, and simple majority decisions. ENJSA's ESG integration aligns with global best practices, providing confidence in its pursuit of sustainability objectives. Recommendations to further strengthen governance include implementing board performance evaluations, publishing annual governance reports, and establishing more robust communication channels with shareholders. These measures would position ENJSA as a benchmark for governance excellence in the sector.

FINANCIAL ANALYSIS

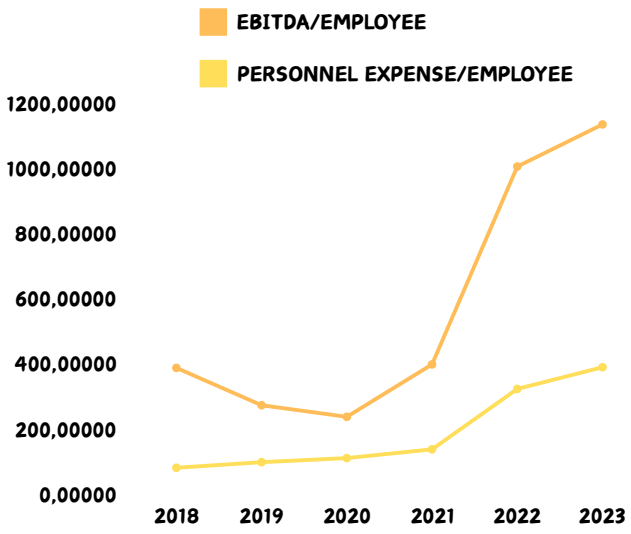
Key Financials - ENJSA (TRY bn)	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2036E	2042E
Revenue	84.449	168.665	166.295	234.163	279.676	314.755	350.876	391.348	428.021	698.172	799.133
EPS	11.04	0.46	-7.61	1.18	5.55	7.23	8.62	10.26	11.42	14.58	11.00
DPS	1.24	2.30	2.79	1.44	6.79	8.84	10.53	12.54	13.95	17.79	13.42
Payout Ratio	10.10%	88.07%	-72.35%	55%	55%	55%	55%	55%	55%	55%	55%
Energy Sales Volume (TWh)	39.2	43	47.8	49.2	51.0	53.0	55.1	57.3	59.6	75.4	95.4
Profitability Ratios											
Gross Margin	19%	13%	22%	16%	18%	19%	20%	20%	20%	22%	25%
EBIT Margin	10%	9%	15%	9%	11%	12%	13%	13%	13%	15%	18%
EBITDA Margin	11.7%	10.7%	15.7%	14.0%	12.6%	13.7%	14.3%	14.9%	15.0%	16.2%	19.3%
Net Income Margin	17.2%	2.7%	-3.1%	1.3%	5.2%	6.0%	6.4%	6.9%	7%	7.5%	7.5%
ROE	67%	11%	-6%	3%	13%	17%	19%	20%	20%	20%	20%
ROIC	60%	8%	-1%	2%	6%	8%	9%	9%	9%	9%	9%
Leverage and Liqiudity Ratios											
D/E	1.74	1.29	1.37	1.33	1.29	1.27	1.25	1.25	1.25	1.25	1.25
NFD/Operational Earnings	0.7x	1.4x	1.1x	0.9x	0.8x	0.9x	1.0x	1.0x	1.0x	1.0x	1.0x
Current Ratio	0.70	0.85	0.78	0.71	0.75	0.76	0.80	0.80	0.80	0.80	0.80
Operational Figures											
CAPEX Reimburements	4.119	8.496	11.908	16.391	19.577	22.032	24.561	27.394	29.661	41.890	47.948
Change in NWC % of Revenue	4.4%	3.58%	3%	3%	3%	3%	3%	2%	2%	2%	2%
Theft-Loss Rate	7,5%	7,9%	8,2%	7.8%	7.6%	7.5%	7.3%	7.2%	7%	6.5%	6%

Figure 5.1: ENJSA 2024E Revenue by Segment



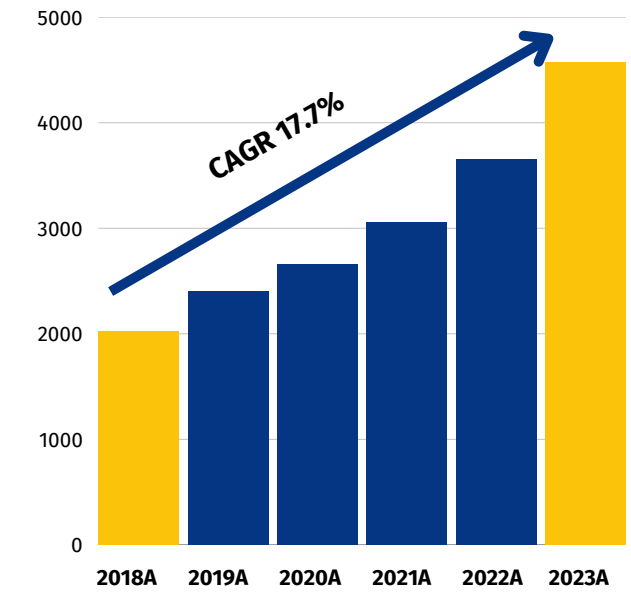
Source: Team Analysis

Figure 5.2 : ENJSA Operational Efficiency



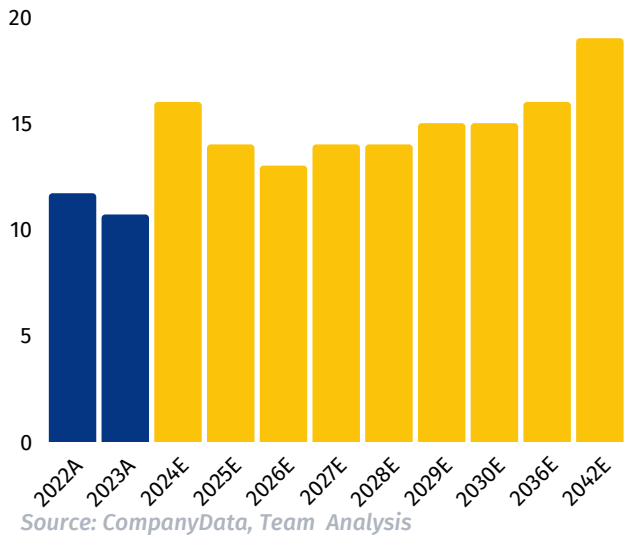
Source: Team Analysis, Company Reports

Figure 5.3: CPI Adjusted CAPEX Reimbursements



Source: Team Analysis, Company Reports

Figure 5.4: EBITDA Margin (%)



Source: CompanyData, Team Analysis

Figure 5.5: ENJSA Issued Bond Information

Issue Amount (million TRY)	Interest/Return Rate (%)	Issue Date	Maturity Date
600	%TLREF + %16	10.2022	10.2024
1.375	33,00%	03.2023	10.2025
950	35,00%	04.2023	04.2025
1.183	42-50%	06.2023	07.2025
3.100	42,50%	07.2023	07.2025
2.260	39.00%	08.2023	08.2025
1.000	48.00%	09.2023	09.2025
2.600	49,50%	10.2023	10.2025
2.000	48.00%	10.2023	01.2025
2.000	TLREF + 4,75%	01.2024	01.2026
3.500	TLREF + 4,25%	02.2024	12.2026
1.100	52,50%	04.2024	04.2025
1.600	52,00%	05.2024	05.2025
1.000	50.20%	05.2024	05.2025
3.255	TLREF + %1	07.2024	07.2026
1.000	TLREF + %1	07.2024	07.2026

Source: Company Reports

RIVING SUSTAINED GROWTH THROUGH CORE EXCELLENCE

ENJSA has achieved robust real (adjusted to CPI) revenue growth with a CAGR of 10.5% (2019-2023), driven by strong core operations in electricity distribution and retail sales, underscoring the company's ability to capitalize on favorable market conditions. In 2023, total revenue reached TRY 168.64 bn (with IAS 29), with 38% from distribution, 61% from retail and 1% from other businesses (Figure 5.1). The company's resilient business model and favorable market conditions suggest continued revenue growth, with the other services segment expected to expand in 2024. Key growth drivers include regulated tariff adjustments, electricity consumption, cost of financing, population growth, market liberalisation, return on RAB, renewable energy and increased adoption of electrical vehicles, ensuring stable performance despite market volatility.

RESILIENT PROFITABILITY AMID CHALLENGES: PATH TO MARGIN EXPANSION

ENJSA achieved an EBITDA margin of 10.7% in 2023, reflecting a decrease from its historical average EBITDA margin of 15.03% (2019-2022). This is mainly due to the unfavorable market conditions stemming from the 2022 inflationary crisis, which negatively impacted company's key value drivers. However, we are confident that EBITDA margins will improve in the upcoming years as the effects of the inflationary pressures diminish. Furthermore, company's focus on enhancing operational performance and implementing strategic cost management initiatives, such as the new subsidiary ENJSA Vehicle Fleet Services, is expected to contribute to the expansion of EBITDA margins (Figure 5.4) . Despite these challenges, ENJSA's return ratios demonstrated a strong degree of financial resilience in adverse market conditions. As of 2023, the company reported a Return on Equity (ROE) of 10.74%, Return on Assets (ROA) of 4.23%, and Return on Invested Capital (ROIC) of 7.55% which provide valauble insights into the company's overall financial health.

COST CONTROL AND OPERATIONAL EFFICIENCY

ENJSA has maintained a strong focus on cost containment and operational efficieny, reflecting the company's commitment to maintaining profitability amidst growth. In 2023, ENJSA demonstrated cost efficieny through its stable operating expense (OPEX) trends, with the OPEX/Revenue ratio remaining at 6.8% (w/IAS29). Total personnel expenses for the year totalled to TRY 4,556 mn, while the EBITDA per employee metric increased to TRY 1,565,311 (Figure 5.2), underlying ENJSA's operational efficiency and productivity. Furthermore, technological advancements and grid modernization initiatives are also instrumental in enhancing ENJSA's operational efficiency and profitability. Investments in smart grids and advanced metering systems reduce network losses, improve energy distribution efficiency, and lower maintenance costs. Automating processes like customer service and billing has also cut administrative expenses and improved service quality. These upgrades not only save costs but also strengthen ENJSA's long-term value proposition, supporting the company for sustained profitability and competitive advantage.

STRATEGIC LEVERAGE AND FINANCIAL FLEXIBILITY UNLOCKING INVESTOR POTENTIAL

ENJSA's leverage optimization and debt strategy are vital factors in its financial analysis, highlighting the company's approach to managing capital structure and interest rate dynamics. As of 2024, ENJSA issued approximately TRY 18bn in floating-rate bonds (figure 5.5), indexed to the key policy rate of 50%, with an additional spread of 1% - 4.75% and a two-year maturity. This represents a significant increase in borrowing costs compared to the 2023 average of 38%. The company aims to use floating-rate bonds to refinance fixed-rate debt, positioning itself to benefit from anticipated interest rate reductions starting in 2025. Although the interest coverage ratio is projected to remain under pressure at 1.5x for 2024-2025, it is expected to strengthen to over 2x by 2026 and approach 3x by 2027, reflecting improved financial resilience. Enerjisa targets a debt-to-equity ratio of 1.0 -1.5 aligns with the company's financial strategy. The ratio stood at 1.29 in 2023, and is projected to rise to 1.37 in 2024E, supported by effective debt management. ENJSA's financial performance is both directly and fundamentally influenced by interest rates fluctuations, presenting a strategic opportunity for investors as expected interest rate cuts, coupled with a deflationary economic environment enhance ENJSA's profitability. Notably, ENJSA's reputable partnership structure and leadership in the energy distribution sector provide a competitive advantage in accessing financing under more favorable terms, both domestically and internationally. These factors not only reduce borrowing costs but also strengthen the company's financial flexibility and competitive positioning.

MAXIMIZING SHAREHOLDER VALUE: A COMMITMENT TO SUSTAINABLE RETURN

ENJSA has consistently demonstrated a commitment to delivering value to its shareholders through a well-structured dividend policy. Historically, the company has maintained a payout ratio between 60% and 70% of its Underlying Net Income, reflecting a balance between rewarding shareholders and sustaining growth through reinvestment. In 2023, ENJSA revised its dividend policy to align with Turkish Financial Reporting Standards (TFRS), basing the payout ratio on Underlying Net Income, thereby enhancing transparency and compliance with national financial reporting standards. Looking ahead, ENJSA has set a target payout ratio of at least 80% of its Underlying Net Income under Inflation Accounting, reflecting its commitment to delivering higher shareholder returns while ensuring sustainable growth. The company's dividend per share (DPS) for 2024 was TRY 2.79, with a dividend yield of 4.1% which is lower than its historical average of 7.14% (2018-2023). In line with our previous expectations, we expect ENJSA's dividend yield to heal and converge to its historical mean in the upcoming years.

SHAPING THE FUTURE OF ENERGY: A VISION FOR TOMORROW'S POWER

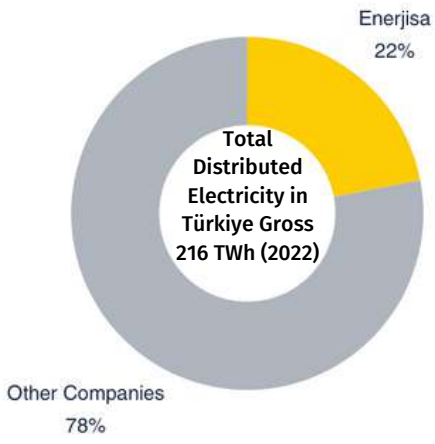
ENJSA stands at the forefront of Türkiye's energy transition, uniquely positioned to capitalize on global megatrends of electrification, decarbonization, and renewable energy adoption. The company's forward-looking objectives are ambitious yet achievable. ENJSA's initiatives not only align with investor priorities on sustainability and innovation but also create tangible pathways for exponential revenue growth. Moreover, ENJSA leverages cost-effective financing through innovative instruments like green bonds, enabling robust investment in high-growth areas without compromising financial resilience. Its proven track record of infrastructure modernization, smart grid technologies, and renewable energy investments showcases a commitment to delivering value for both customers and investors. Investing in Enerjisa represents a stake in the future of energy, a future defined by sustainability, profitability, and significant growth potential. Through its visionary strategy, market leadership, and financial excellence, ENJSA is not just a stock; it's an opportunity to power the world of tomorrow.

Figure 5.6: Profitability Heatmap

	2023A	2024E	2025-29E AVG	2036E	2042E
EBIT Margin	9%	15%	12%	15%	18%
EBITDA Margin	10.7%	15.7%	12.4%	16.2%	19.3%
UNI as % of OE	28%	11%	26%	31%	31%
ROIC	8%	-1%	7%	9%	9%
ROE	11%	-6%	14%	20%	20%

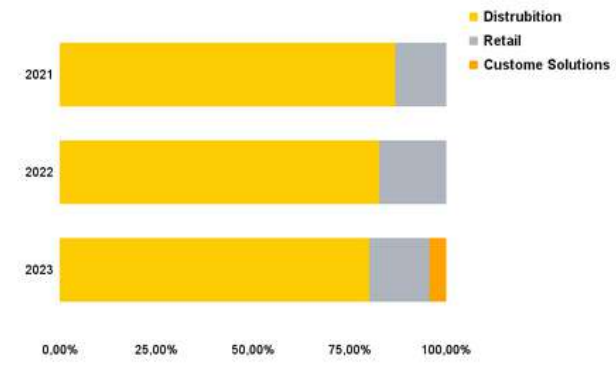
Source: CompanyData, Team Analysis

Figure 6.1 : Market Share of ENJSA- Net Distribution Volume



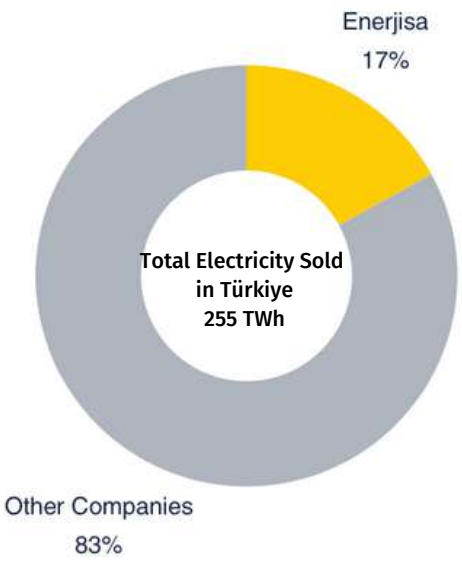
Source: Company Reports

Figure 6.2: Income Breakdown (2021-2023)



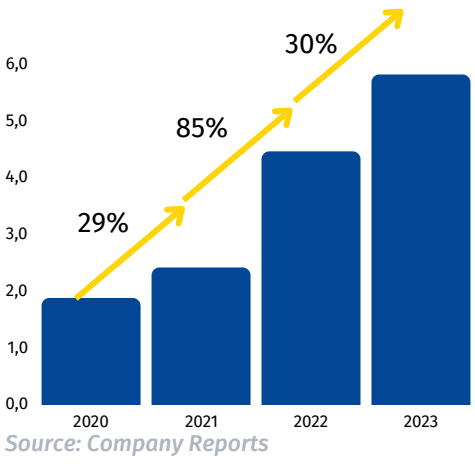
Source: Company Reports

Figure 6.3: Market Share of ENJSA- Electricity Consumption



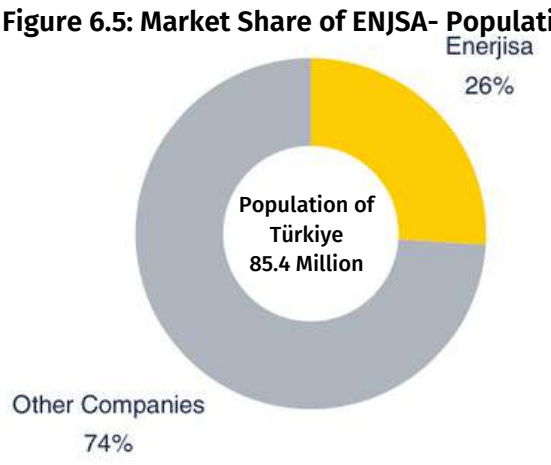
Source: Company Reports

Figure 6.4: Growth of Underlying Net Income



Source: Company Reports

Figure 6.5: Market Share of ENJSA- Population



Source: Company Reports

DRIVING THE ENERGY TRANSITION THROUGH STRATEGIC INVESTMENT

ENJSA has positioned itself as a key player in Türkiye's energy transition through significant and strategic investments, emphasizing infrastructure modernization and network reliability. In 2023, the company's CAPEX reached TRY 16.9bn, with a substantial allocation towards distribution network upgrades and smart grid technologies. CAPEX accounted for 9.99% of revenue, reflecting ENJSA's commitment to sustainable growth while maintaining operational sustainability. As highlighted in the December 2024 investor presentation, ENJSA's CAPEX strategy is focused on grid modernization, improving efficiency, and meeting increasing demands driven by urbanization and electrification trends. Notable investments include expanding Türkiye's largest electricity distribution network and advancing its green energy portfolio. By September 2024, ENJSA had installed over 2,345 EV charging plugs and developed 71.8 MWp of solar power capacity, leveraging the growing demand for sustainable energy solutions. Additionally, ENJSA aims at a significant 89% year-on-year increase in its RAB by 2024E, reaching approximately TRY 57 bn. This underscores the company's impactful investment strategy, which aligns with its long-term vision to lead Türkiye's energy transition.

BUSINESS DESCRIPTION

ENJSA, the frontrunner of the energy transition in Türkiye, was established in 1996 and focuses on distribution, retail, customer solutions, and eMobility. With a unique position throughout the uitility value chain and a focus on sustainable customer solutions and power distribution, ENJSA is a prominent and trusted player of Türkiye's developing electricity market. By extending its high-quality grid in its distribution regions, and continuing to extend its retail operations across the entire country, the company aims to grow profitably and generate long-term value for its shareholders. As of December 31, 2023, ENJSA serves 10.7 mn customers and has approximately 11.9 mn distribution network connections, accounting for approximately 26% of the electricity distribution and 22% of the retail electricity market, serving a population of 22 mn with more than 11 thousand employees. Operating in 14 provinces across 3 major regions; Ayedaş, Başkent, Toroslar, ENJSA not only complies with the changing market dynamics but also sets new standards in the industry through its proactive approach in adopting innovative and differentiated applications; efficiency- and technology-focused business models serving to its customers and the industry; as well as its competitive strategies with a sustainable approach. With its creative and sustainable customer solutions, it also provides services to improve its customers' energy efficiency and reduce carbon emissions.

ENJSA reported a revenue of TRY 168bn in the 2023A. The company managed a total network length of 325,955 kilometers and serviced 12.2mn total connections which is 24.5% of total connections in Türkiye. It distributed a total of 49.26 TWh of electricity and achieved a retail sales volume of 43.2 TWh that 17% of market , reflecting a 10% growth compared to 2022. The company provides uninterrupted 24/7 service to its customers through comprehensive field teams, 39 customer service centers, 69 transaction centers, 10 mobile service vehicles, and digital channels such as an online service center, web, and mobile platforms to deliver higher-quality service and minimize customer issues.

COMPANY STRATEGIES

UNSHAKABLE AND STATE-PROTECTED INCOME

ENJSA is in a unique position to profit from the anticipated drop in interest rates, even in the face of a challenging environment that goes beyond the strength of its business model and the regulatory mechanisms that protect them from inflation, which is especially of importance if the reduction of inflation takes longer than planned or gets interrupted. The Regulated Asset Base's inflation adjustments protect ENJSA's finances in the event that high inflation lasts longer than anticipated. Furthermore, the country's GDP only generates a very small number of revenue streams, therefore ENJSA will not be much impacted if orthodox policies impede economic growth. Therefore, the company expects a sizable increase in its underlying net income in the case of declining interest rates.

UNSATURATED GRID BUSINESS

Türkiye's urbanization rate is at 77.5% in 2023, trailing behind Europe. The steady growth of urbanisation, the current old and inadequate electricity infrastructure due to the delayed privatisation of the energy distribution business, and Türkey's transition to green energy in line with the National Energy Plan, 2053 Net Zero Emission vision, require major investments in the distribution regions to expand its retail sales operations across the whole country and provide innovative and energy efficient solutions to its customers . With these necessary strong growth fundamentals in the sector and favourable position in a growing market, ENJSA's grid investments climbed by more than 200% in 2023 and make commitment to sustainability and continue to prepare for a secure transition to sustainable energy.

BEST-IN-CLASS DIVIDEND PAYOUT AMONGST TURKISH PEERS

ENJSA increased its dividend payout from 65% to 80% in 2023. As of 2024, the company will continue to share its success and financial strength with its investors with a new dividend policy of paying at least 80% of Underlying Net Income to maintain attractive shareholder remuneration in line with Company's commitment to providing a sustainable dividend.

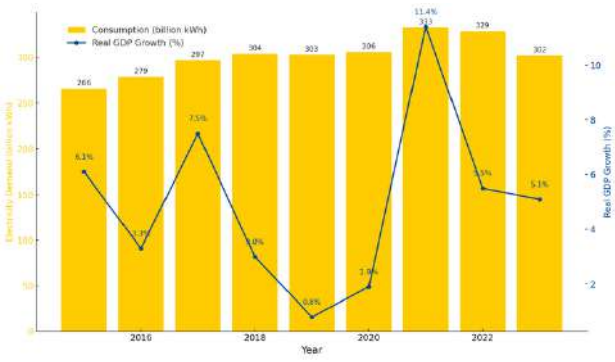
DRIVING SUSTAINABLE INNOVATION IN ENERGY SOLUTIONS

ENJSA is dedicated to promoting renewable energy, enhancing energy efficiency, and driving digital transformation to support environmental sustainability. Through its initiatives, the company delivers a range of innovative and sustainable solutions, such as advanced solar power installations and wind panel projects that ease upfront costs while maximizing energy output. Their focus on energy efficiency includes comprehensive LED upgrades that significantly lower carbon emissions and generate cost savings for clients. Furthermore, ENJSA utilizes Robotic Process Automation (RPA) to optimize workflows across various departments, linking digitalization to enhanced operational efficiency. By expanding electric vehicle charging infrastructure and offering green energy certifications, ENJSA empowers businesses to adopt sustainable practices. Through these initiatives, they enable organizations to implement environmentally friendly solutions more effectively, contributing to a cleaner, greener future.

CUSTOMER-FIRST APPROACH

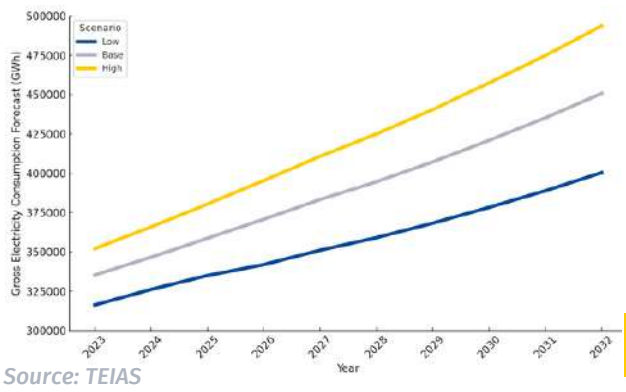
In the retailing business, ENJSA focuses on supplying electricity to a range of different customers such as, residential, commercial and industrial. In its retail sales activities, ENJSA achieves a net profit margin of 2.38% from end-users who are eligible consumers but do not exercise this right or fall below the eligible consumer limit. Aiming to increase its market share in retail sales with its customer-first approach, Enerjisa Enerji diversifies its product portfolio and responds to all kinds of customer needs in order to foster a customer-oriented approach across all operational units and elevating the quality of services provided to customers.

Figure 7.1: Türkiye Electricity Demand (2001-2023)



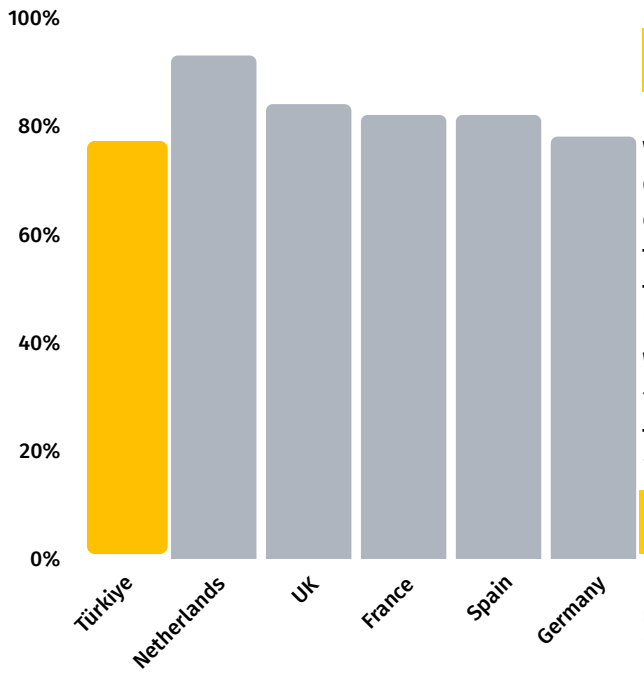
Source: EMRA,TURKSTAT

Figure 7.2: Türkiye Electricity Consumption Forecast (2023-2032E)



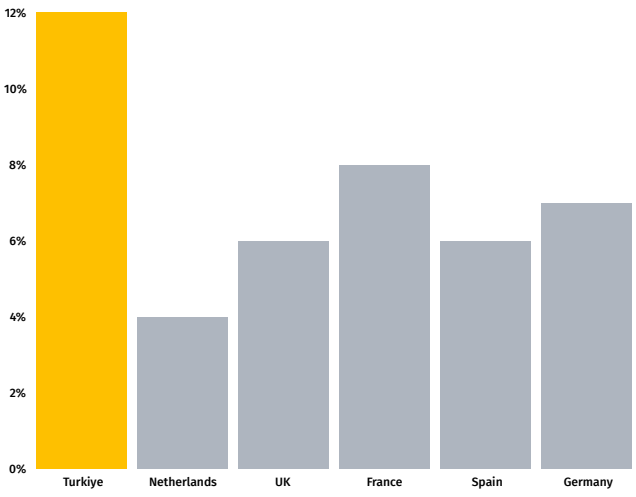
Source: TEIAS
(Turkish Electricity Transmission Corporation)

Figure 7.3 : Favorable Demographics with Increasing Urbanization (2023)



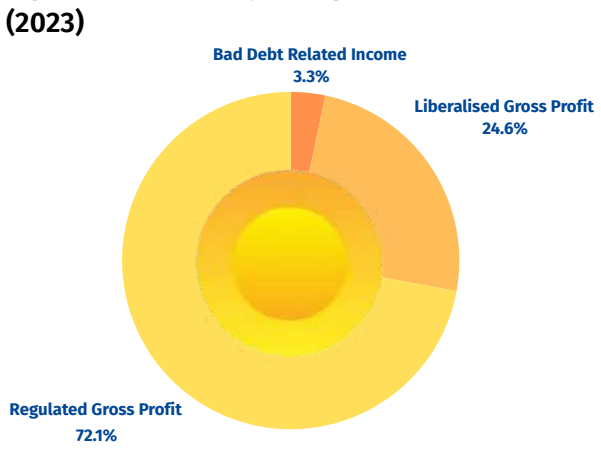
Source: World Bank World Development Indicators

Figure 7.4: EMRA & CEER's WACC (2023)



Source: EMRA, CEER (Council of European Energy Regulators)

Figure 7.5: Retail Opreting Income Breakdown (2023)



Source: Company Reports

INDUSTRY OVERVIEW

Türkiye represents the sixth-largest energy market in Europe and the fourteenth-largest globally, with an installed capacity of 105 GW (PWC Türkiye, 2023). The country holds a significant position in renewable energy production, ranking fifth in Europe and eleventh globally. Its diverse renewable energy portfolio, comprising hydropower, wind, solar, geothermal, and biomass power plants, generates more than 56% of the nation's electricity. The Turkish electricity market is heading toward renewable energy sources, as seen by the government's electricity energy policy, financial incentives for renewable energy, and worldwide pledges to lower carbon emissions. ENJSA has a lot of room to expand because to factors including Türkiye's youthful population, low per capita power consumption when compared to OECD standards, and continuous urbanization. In the energy industry, which is poised for change and expansion, ENJSA stands out due to its robust financial performance, which is particularly significant for the distribution sector, and its capacity to grasp sector dynamics with customer-focused and sustainable solutions.

MARKET DYNAMICS

NO SLOWDOWN IN ELECTRICITY DEMAND

The International Energy Agency's 2024 report indicates that robust economic growth and rapid urbanization, intense climate patterns, and growing use of energy-dependent devices are driving the world's electricity demand to grow at its fastest rate in years, by 3.4% annually through 2026. Emerging and developing economies drive global electricity demand increase as they undergo industrialization and infrastructure development. Turkish electricity demand grew at a CAGR of 4.3% from 2001 to 2023 (PWC Türkiye, 2023) and is expected to grow 4% annually until 2035, surpassing the global average. By leveraging technological advancements and fostering sustainable energy practices, ENJSA aligns its operations with the growing electricity demand while creating sustainable value for customers, business partners, shareholders, and other stakeholders. This proactive approach not only ensures operational resilience in a rapidly evolving market but also positions ENJSA as a key player in addressing Türkiye's energy needs in the face of global climate challenges and increasing electrification trends.

RISING ELECTRICITY DEMAND FUELS ECONOMIC EXPANSION

Our analysis investigated the relationship between the rise in electricity demand and GDP growth rates in Türkiye from 2016 to 2022 and found a 0.8 correlation between the variables. Turkish economic expansion is primarily driven by industrial development, accelerating urbanization, and infrastructure enhancement. The macroeconomic outlook appears increasingly favorable, with projections from the Ministry of Treasury and Finance indicating inflation rates declining to approximately 25% by 2025, supported by their strategic interest rate policies. Furthermore, we anticipate the Central Bank will initiate interest rate reductions in late 2024, which should facilitate more accessible financing conditions in 2025. This combination of declining inflation and improved borrowing conditions is expected to catalyze both industrial output and technological modernization.

SUPPORTIVE REGULATIONS BOOST REAL RETURNS

In contrast to Europe, EMRA, the Energy Market Regulatory Authority, maintains a high real return component, which is crucial for the profitability of the distribution companies. To ensure public access to and consumption of energy, the state, as a public utility, must preserve a high WACC to support distribution companies which encourages ENJSA to invest in infrastructure and growth. EMRA's higher return component is designed to reduce the burden of foreign currency debt on company' balance sheets. ENJSA's operating outlook remains positive for the current tariff period (until 2025), benefiting from a 12.30% real return component in the sector. Given TRY-based revenue stream, depreciation of TRY against the USD, the WACC is crucial for financial stability. Although WACC revisions are determined by EMRA without a set formula, it is anticipated to remain within the 9.35% to 13.61% range from the past decade. WACC will unlikely to fall below 10% in the 2025E–30E period or below 12.30% thereafter, reflecting the sector's financial health and the ongoing need for investments in underdeveloped grids infrastructure to meet rising electricity demand.

THE TURKISH ENERGY SECTOR IS MID-GROWTH AND HAS ROOM TO GROW

Economic growth and energy sector development are closely interlinked, and Türkiye's energy sector presents a unique evolution compared to its European counterparts, particularly in the timing of privatization and liberalization. While European energy markets underwent significant reforms in the early 2000s—privatizing state-owned entities and allowing consumer choice in electricity distribution—Türkiye began liberalizing its energy market during the same period but from an earlier stage of development. Through its strategic relationship with E.ON, ENJSA has become a major player in this dynamic environment. The privatization of key industrial sectors, like construction and logistics, increase energy demand, reinforcing steady growth across the industry. As the industry adopts European standards, operational efficiency and market sophistication are expected to improve, further accelerating industry development.

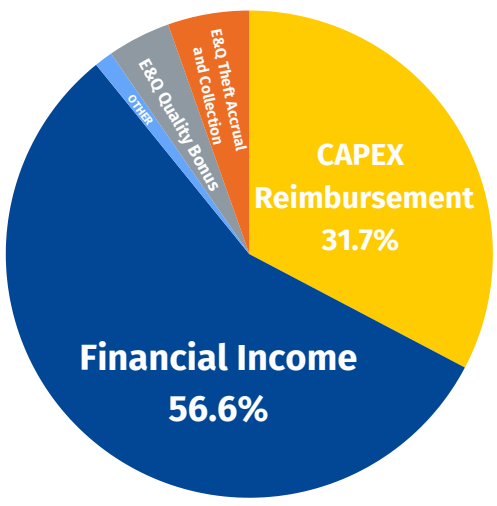
TURKISH ENERGY MARKET: A GROWING HUB OF LIQUIDITY FOR ENERGY DISTRIBUTORS AND SELLERS

A significant regulatory transformation is occuring in the Turkish energy market, with EMRA advancing deregulation. Key changes include reducing the residential last resort tariff maximum from 100 mn kWh/year to 5,000 kWh by 2025, and revising the commercial and industrial consumers threshold from 1 mn kWh to 15,000 kWh. These adjustments diminish state subsidies for high-volume consumers and restructure the payment mechanism, diminishing state contributions and reallocating subsidized portions for future disbursement. This transformation is expected to improve industry's FCF timing, though it may no impact DCF valuations, and should reduce corporate financing requirements. ENJSA stands to benefit from these changes, with direct revenue collection replacing self-financing of operational costs, leading to reduced debt obligations. The retail power sales segment offers growth potential, with regulated profit margins currently at 2.38%. While this regulated margin remains constant, market participation requirements may expand the customer base, driving net income growth and potentially facilitating margin expansion.

AI REVOLUTION DRIVES NEW ENERGY DEMAND IN TÜRKİYE

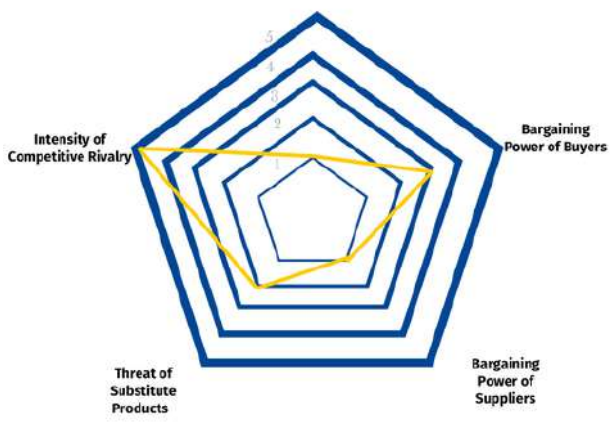
The rapid advancement of artificial intelligence (AI) and data center expansion is driving global electricity demand. AI adoption, accelerated by platforms like ChatGPT, has transformed energy consumption patterns, with a single ChatGPT queries consuming approximately 2.9 watt-hours, compared to 0.3 watt-hours for a Google search, according to the International Energy Agency Reports (2024). Data center expansion's impact on energy consumption is a compelling energy sector development story. Forecasts indicate that data centers could account for 8% of total electricity consumption in U.S. by 2030. With 83 data centers, Türkiye represents 1% of global capacity and has substantial growth potential in line with digital transformation trends. The Turkish government actively supports AI and machine learning businesses to invest in data centers and AI, which benefits numerous sectors. This combination of government incentives, technological innovation, and surging AI-driven energy demand, predicted to grow by 550% by 2026 according to Wells Fargo, presents significant opportunities for Türkiye's energy distribution industry. The sector is well-positioned to benefit from this transformation, aligning energy infrastructure with the accelerating digital and AI revolution.

Figure 7.6: Distribution Operating Income Breakdown (2023)



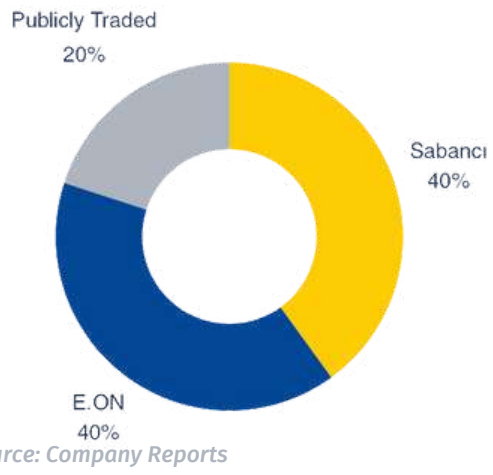
Source: Company Reports

Figure 7.7: Porter's Five Forces



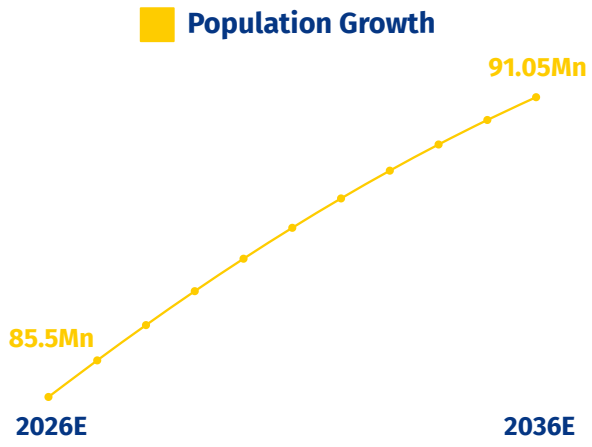
Source: Team Analysis

Figure 7.8 : Ownership Structure



Source: Company Reports

Figure 7.9: Population Estimation of Türkiye



Source: Presidency of Türkiye - Investment Office

COMPETITIVE POSITIONING

IN DISTRIBUTION, ENJSA IS UNMATCHED

ENJSA holds a dominant position in Türkiye's energy distribution sector, leading across three regions and fourteen provinces. With a 2025 eligible consumer threshold of 750 kWh, the company benefits from a regulatory framework that restricts energy distribution to designated corporations within specific geographical zones until license expiration. The regulatory framework provides a distinctive competitive advantage, restricting energy distribution to designated corporations within specified geographical zones until license expiration. This structural constraint ensures market exclusivity, requiring regulated clients to source electricity from their local authorized provider. In 2023, ENJSA made substantial investments totaling TRY 36.73bn, including TRY 4.6bn in Toroslar and TRY 4.1bn in Başkent regions, reinforcing its infrastructure leadership. Beyond regulated markets, ENJSA targets unregulated retail customers nationwide, leveraging bilateral agreements with eligible consumers to expand its customer base and enhance profitability without traditional margin constraints. This strategic approach positions ENJSA to capitalize on broader market opportunities across Türkiye's 85mn population.

STRONG SHAREHOLDING STRUCTURE ENABLES COMPETITIVE FINANCING

Strong shareholding structure enables competitive financing: With equal partnership between Sabancı Holding and E.ON (40% each) since 2013 and a 20% free float since the IPO, ENJSA has the strongest shareholding structure among energy distribution areas, enabling competitive financing. This structure enhances its reputation and access to competitive financing, positioning it favorably compared to peers in Türkiye's energy distribution sector. ENJSA's credibility and operational expertise enable it to secure financing on more favorable terms, reducing borrowing costs and increasing market competitiveness. Additionally, the company's ability to leverage advantageous financing terms contributes significantly to bridging the gap between network capital expenses and the nominal returns regulated by the EMRA, this financial efficiency is a key driver of company's profitability and market leadership in energy distribution.

TÜRKİYE'S EV REVOLUTION: A CATALYST FOR ENJSA'S CHARGING NETWORK EXPANSION

Türkiye is taking major steps to increase the adoption of electric vehicles through significant tax incentives, including a 75% reduction in Motor Vehicles Tax (MVT) and a Special Consumption Tax (SPC) rate of just 10% for EVs, compared to internal combustion engine vehicles. We expect Türkiye to achieve widespread adoption and manufacturing in the electric vehicle sector in partnership with BYD and TOGG. The use of electric vehicles will increase the demand for charging stations, creating huge possibilities for ENJSA investments. In moderate predictions, the Ministry of Science, Industry, and Technology of Türkiye expects 120.000 EV sales and 270,000 EV inventory by 2025. Global EV sales rose 35% to 3.5mn in 2023, marking a six times increase since 2018. Consequently, we anticipate an increase in EV adoption worldwide, particularly in Türkiye as a result of government incentives and expansion. The need for charging stations will rise as more people drive electric cars, opening up enormous opportunities for ENJSA investments. In Türkiye, Zorlu Enerji is ENJSA's main rival in terms of charging stations. Zorlu Enerji is in charge of AC (slow) charging, even if ENJSA is in charge of DC (fast) charging. EV operations are part of ENJSA's client offering. In comparison to the previous year, ENJSA's client solution gross profit increased by 2644% from the ninth month of 2024. We anticipate that this fact will improve its financials more quickly than its other sources of income. The rising trend of sustainable energy is addressed by ENJSA's client solutions.

CLEAN AND SUSTAINABLE ENERGY FOR A BETTER FUTURE

Energy industry demand is shifting toward greener energy sources under Sustainable Development Goals. Governments, businesses, and consumers are prioritizing renewable energy. According to the 2017 National Energy Policy, domestic and renewable energy utilization is a priority. Türkiye ranks 5th in Europe and 12th in the world in renewable energy installed capacity (PWC, 2023). Nearly 80% of the world's electricity needs will come from renewable energy by 2030, up two-thirds. This trend shows the renewable energy industry's huge potential and rapid expansion, which matches Enerjisa's commercial strategies.

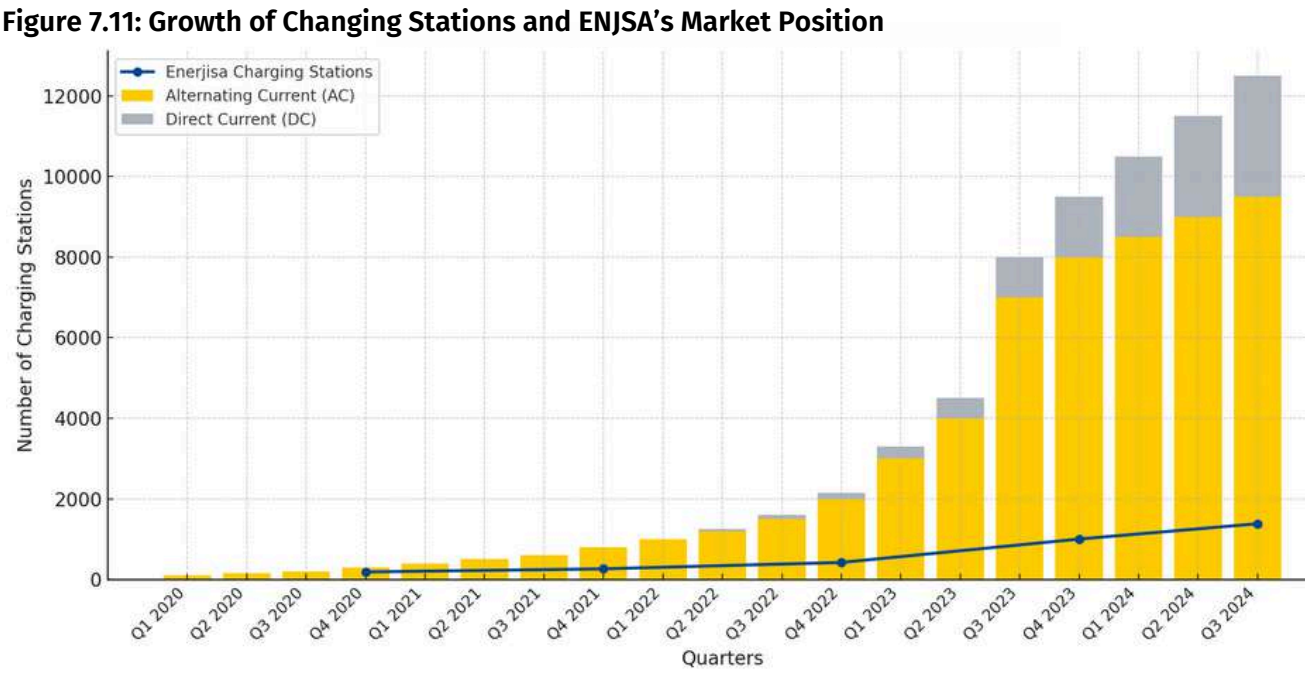
TECHNOLOGICAL EXCELLENCE AND REGULATORY STRENGTH

ENJSA leverages technological advancements to enhance, service quality and operational efficiency, distinguishing itself in Türkiye's energy distribution market. With 1,299,239 infrastructure units across three regions, including 102,498 Automatic Meter Reading Systems, an Outage Management System, and SCADA, the company ensures superior service delivery and regulatory compliance. Investments in automation, such as UiPath has resolved over 15,000 customer complaints, saved USD 35,000, and reduced operational costs by USD 400,000, while reallocating 25 staff members to higher-value tasks. This automation has improved employee satisfaction and productivity, reducing operational costs by USD 400,000. The implementation of ArcGIS Monitor in 2021, further optimized system performance and IT resource utilization. Regulatory frameworks provide additional competitive advantages, ensuring distribution companies earn returns based on WACC and CPI adjustments, protecting against inflation and market volatility.

Figure 7.10: Regions of Operation in Türkiye

Source: Company Reports

Figure 7.11: Growth of Changing Stations and ENJSA's Market Position



Source: EMRA, Statista, Company Reports

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LIST OF ABBREVIATIONS

ABBREVATIONS	FULL-TERM	ABBREVATIONS	FULL-TERM
AC	Alternative Current	**MWp**	Megawatt peak
AI	Artificial Intelligence	**NFD**	Net Financial Debt
AVG	Average	**NGO**	Non-Governmental Agencies
bn	Billion	**NPS**	Net Promoter Score
CAGR	Compound Annual Growth Rate	**NWC**	Net Working Capital
CAPEX	Capital Expenditures	**OHS**	Occupational Health and Safety
CBRT	Central Bank of Republic of Türkiye	**OPEX**	Operating Expenditures
CAPM	Capital Asset Pricing Model	**P/E**	Price-earnings ratio
CDP	Carbon Disclosure Project	**P/Sales**	Price to Sales ratio
COGS	Cost of Goods Sold	**PDPL**	Personal Data Protection Law
CPI	Consumer Price Index	**R&D**	Research and Development
D/E	Debt to Equity	**RAB**	Regulated Asset Base
DC	Direct Current	**ROA**	Return on Assets
DCF	Discounted Cash Flow	**ROE**	Return on Equity
DPS	Dividend Per Share	**ROIC**	Return on Invested Capital
E	Estimation	**RPA**	Robotic Process Automation
EBIT	Earnings before interest and taxes	**RRDC**	Regional Resource Development Centers
EBITDA	Earnings before interest, taxes, depreciation, and amortization	**RRDCs**	Regional Reconstruction and Development Centers
EMRA	Energy Market Regulatory Authority	**SCADA**	Supervisory Control and Data Acquisition
ENJSA	Enerjisa Enerji	**SME**	Small Medium Enterprise
EPS	Earnings Per Share	**SPC**	Special Consumption Tax
ESG	Environmental, Social and Governance	**STEM**	Science, Technology, Engineering, Math
EV	Electric Vehicle	**SWOT**	Strength, Weakness, Opportunities, Threaths Table
EV	Enterprise Value	**TFRS**	Turkish Financial Reporting Standards
FCF	Free Cash Flow	**tn**	Trillion
FCFF	Free Cash Flow to Firm	**TRY**	Turkish Lira
GDP	Gross Domestic Products	**TSI**	Turkish Statistical Institute
IAS 29	Financial Reporting in Hyperinflationary Economies	**TSKB**	Industrial Development Bank of Türkiye
IEA	International Energy Agency	**TWH**	Terawatt per hour
IPO	Inıtial Public Offering	**UN**	United Nations
kWh	Kilowatt per hour	**UNDP**	United Nations Development Programme
LTIFR	Lost Time Injury Frequency Rate	**USD**	United States Dollar
MASS	National Smart Meter System	**WACC**	Weighted average cost of capital
mn	Million	**YEKDEM**	Renewable Energy Support Mechanism
MVT	Motor Vehicles Tax		

APPENDIX A: FINANCIALS

Appendix A-1:Balance Sheet (TRY bn)

Balance Sheet (TLmn)	2023A	2024E	2025E	2026E
Current Assets	**40.686**	**60.451**	**64.780**	**79.525**
Cash and Equivalents	4.501	10.690	8.573	10.937
Short Term Receivables	21.014	29.852	34.378	42.493
Inventories	3.947	5.555	6.880	8.004
Other Current Assets	5.265	4.196	5.420	6.460
Financial Assets	5.959	10.158	9.529	11.632
Non-Current Assets	**91.410**	**130.481**	**150.393**	**170.484**
Intangible and Tangible Assets	41.264	59.769	68.101	72.296
Other Non-Current Assets	24.347	40.238	43.028	50.260
Financial Assets	25.799	30.474	39.265	47.929
Total Assets	**132.096**	**190.932**	**215.174**	**250.009**
Current Liablities	**48.004**	**77.427**	**90.874**	**106.487**
Short Term Loans	20.310	32.494	35.414	45.774
Short Term Trade Payables	16.209	23.800	29.476	31.293
Other Current Liabilities	11.485	21.133	25.983	29.420
Non-Current Liabilities	**26.318**	**32.985**	**31.825**	**34.129**
Long-Term Loans	13.950	19.571	14.586	15.258
Other Non-Current Liabilities	12.368	13.414	17.239	18.871
Shareholders' Equity	**57.774**	**80.520**	**92.476**	**109.393**
Share Capital	1.181	1.181	1.181	1.181
Other Equity Items	33.224	53.217	63.777	74.136
Retained Earnings	23.369	26.122	27.517	34.076
Total Liabilities & Equity	**132.096**	**190.932**	**215.174**	**250.009**

Appendix A-2: Income Statement (TRY mn)

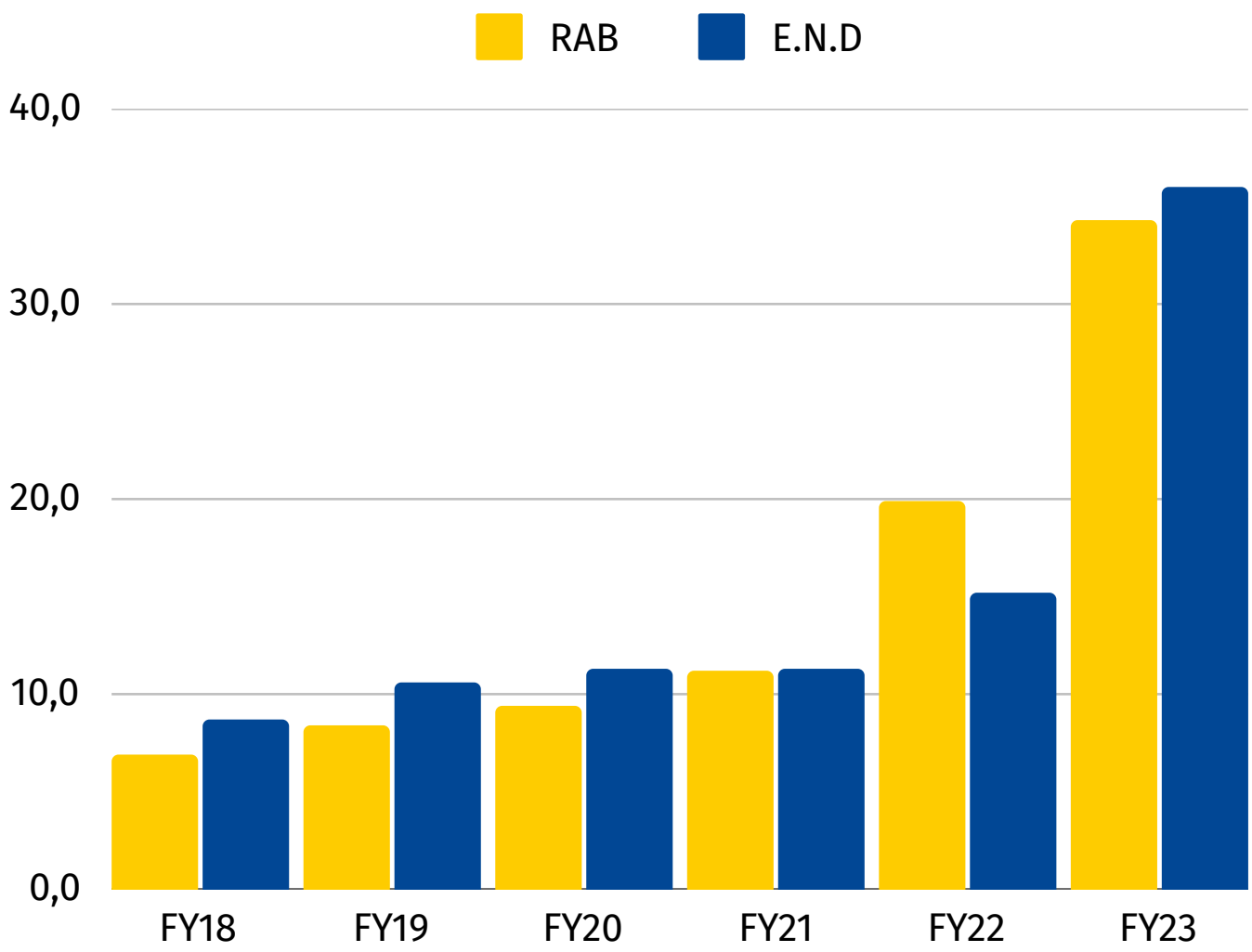
Income Statement	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	84449	168665	166295	234163	279676	314755	350876	391348	428021
Cost Of Sales	-68621	-143110	-129616	-197245	-229479	-254822	-282122	-312410	-340986
Gross Profit	15828	25555	36679	36918	50197	59934	68754	78938	87035
OPEX	-7734	-11501	-13714	-18733	-22374	-25180	-28070	-31308	-34242
Other Income/(Expense)	254	842	2399	2342	2797	3148	3509	3913	4280
EBIT	8348	14896	25364	20526	30620	37901	44192	51544	57073
Financial Income/(Expense)	-3901	-9628	-21060	-16391	-11187	-12590	-14035	-15654	-17121
Profit Before Tax	**4447**	**5268**	**4304**	**4135**	**19433**	**25311**	**30157**	**35890**	**39952**
Tax	10051	-751	-9520	-1034	-4858	-6328	-7539	-8973	-9988
Net Income	**14498**	**4517**	**-5216**	**3101**	**14575**	**18983**	**22618**	**26918**	**29964**

Appendix A-3: Relative Valuation

APPENDIX-PEER COMPARISON	2023	2022	2021	2020	2019	MEAN	MEDIAN
EV/EBITDA							
ENJSA	4.28	3.60	4.86	6.84	4.99	4.91	4.86
AKSEN	10.21	5.64	6.79	4.68	3.90	6.24	5.64
ZOREN	2.24	1.79	2.27	2.23	1.85	2.08	2.23
AYDEM	7.75	6.30	14.66	NA	NA	9.57	7.75
ARASE	2.91	6.77	10.31	NA	NA	6.66	6.77
ALARKO	NA	24.43	NA	9.27	7.12	13.61	9.27
TAURON	NA	7.23	5.49	790.44*	16.16	9.63*	7.23*
REDES	8.74	7.43	8.91	8.30	8.50	8.38	8.50
IREN SPA	4.47	4.98	5.11	5.05	5.58	5.04	5.05
ENEA AB	NA	8.51	19.01	15.25	12.66	13.86	13.95
IGNITIS	4.74	3.96	6.72	5.56	NA	5.25	5.15
P/E							
ENJSA	-13.09	2.06	6.67	13.58	8.44	3.53	6.67
AKSEN	8.58	10.33	7.29	9.71	7.08	8.60	8.58
ZOREN	1.56	1.87	-48.01*	75.02*	-27.48*	1.72*	1.72*
AYDEM	-7.16	3.75	-34.87*	NA	NA	-1.71*	-1.71*
ARASE	2.56	61.32*	13.09	NA	NA	7.87*	7.82*
ALARKO	8.38	2.14	4.23	4.69	6.73	5.23	4.69
TAURON	-8.49	-27.71	13.76	-2.20	-263.49*	-6.16*	-5.34*
REDES	14.86	13.24	15.12	14.61	13.57	14.27	14.61
IREN SPA	3.90	3.62	4.87	4.95	6.50	4.77	4.87
ENEA AB	35.07	8.12*	28.74	28.25	22.62	24.56	28.25
IGNITIS	4.47	4.69	9.49	8.84	NA	6.87	6.76
EV/SALES							
ENJSA	0.60	0.37	0.79	1.11	0.91	0.76	0.79
AKSEN	2.21	0.80	1.21	0.99	0.98	1.24	0.99
ZOREN	2.24	1.79	2.27	2.21	1.85	2.08	2.23
AYDEM	5.22	4.99	10.28	NA	NA	6.83	5.22
ARASE	0.41	0.58	0.97	NA	NA	0.65	0.58
ALARKO	5.21	2.35	2.13	2.78	1.48	2.79	2.35
TAURON	0.67	0.52	0.73	0.95	0.88	0.75	0.73
REDES	7.81	6.75	8.23	8.23	7.69	7.93	7.68
IREN SPA	0.97	0.63	1.08	1.28	1.22	1.04	1.08
ENEA AB	2.65	2.35	7.32	4.70	4.11	4.23	4.11
IGNITIS	1.25	0.54	1.31	1.73	NA	1.21	1.28
P/SALES							
ENJSA	0.39	0.26	0.46	0.68	0.45	0.45	0.45
AKSEN	1.45	0.66	0.88	0.63	0.42	0.81	0.66
ZOREN	0.83	0.46	0.36	0.65	0.40	0.54	0.46
AYDEM	2.26	2.47	3.38	NA	NA	2.74	2.47
ARASE	0.35	0.53	0.96	NA	NA	0.61	0.53
ALARKO	4.88	2.91	2.67	3.64	1.87	3.19	2.91
TAURON	0.20	0.10	0.18	0.23	0.15	0.17	0.18
REDES	4.61	4.37	5.27	4.57	4.83	4.73	4.61
IREN SPA	0.18	0.11	0.30	0.32	0.37	0.26	0.30
ENEA AB	2.43	1.97	6.67	4.39	3.86	3.86	3.86
IGNITIS	0.62	0.31	0.81	1.24	NA	0.75	0.72
EV/SALES							
ENJSA	1.00	0.72	1.63	2.07	1.28	1.34	1.28
AKSEN	1.16	1.95	1.27	1.08	0.67	1.23	1.16
ZOREN	0.37	0.51	0.66	2.27	1.83	1.13	0.66
AYDEM	0.40	0.64	0.43	NA	NA	0.49	0.43
ARASE	1.04	3.30	4.19	NA	NA	2.84	3.30
ALARKO	0.75	1.02	1.46	1.63	1.72	1.32	1.46
TAURON	0.38	0.22	0.28	0.30	0.16	0.27	0.28
REDES	1.71	1.84	2.83	2.64	2.76	2.36	2.64
IREN SPA	0.37	0.30	0.57	0.50	0.67	0.48	0.50
ENEA AB	1.26	0.80	3.24	2.70	2.59	2.12	2.59
IGNITIS	0.61	0.65	0.82	0.83	NA	0.73	0.73

(*) Outliers has been eliminated in order to elevate clearness of variables.

Appendix A-4: Regulated Asset Base



	First Regulatory Period (2006-2010)	Second Regulatory Period (2011-2015)	Third Regulatory Period (2016-2020)	Fourth Regulatory Period (2021-2025)
Mid-year WACC (real, pre-tax)	**9.35%**	**9.97%**	**11.91% - 13.61%**	**12.30%**
Evolution	• "Transition period" designed to provide smooth shift to a cost-based tariff structure post-2010. • RAB-based tariff calculation methodology introduced with RAB set to zero in 2006. • Private Operator Model (Transfer of Operating Rights - TOR) established for privatizations.	• WACC revised up to 9.97%. • Unbundling of distribution and retail operations.	• WACC revised up to 11.91%, for 2016-2017 and 13.61% for 2018-2020. • T&L methodology revised. • Significant increases in Opex and Capex allowances. • Introduction of Quality Incentives. • Increase in retention rate for theft usage detection accrual.	• WACC revised to 12.30%. • Enhanced quality incentives (bonus/malus mechanism with higher % bonus ceiling). • Further increases in Opex and Capex allowance. • For scheduled maintenance a new scope is defined and a new opex allowance is introduced to incentivize improvement in continuity of supply and customer satisfaction. • New Quality Indicators introduced for in-house sourcing and listed companies.
Capex Reimbursement	**5 Years**	**10 Years**		
Revenue components and incentives	**RAB-based framework with incentives given to outperformance** **Regulated Revenue cap** • Real WACC return: Average RAB x Average WACC • Capex reimbursement • Opex allowance • Tax correction mechanism on Capex • No volume and inflation risk **Incentives** • Capex outperformance • Opex outperformance • Theft & Loss margin • Theft accrual & collection • Quality related incentives • Other revenue (Advertisement, rent, lighting margin)			

Statutory Financial Income = { **Average Statutory RAB (real)[1]** X **Regulated mid-year WACC (real)** } X **Adjusted with cumulative Inflation Index (June)**

Appendix A-5: Sensitivity Analysis

Figure A-5.1 DCF Summary
OPEX/REVENUE %1 increase

Year (TRY bn)	2025E	2026E	2027E	2028E	2029E	2030E	2031-36E	2037-42E
EBIT	18.184	27.823	34.753	47.630	47.630	52.793	449.217	627.118
Tax	4.546	6.956	8.688	10.171	11.908	13.198	112.304	156.780
Capital Expenditures	21.075	25.171	28.328	31.579	35.221	38.522	310.039	353.632
Depreciation & Amortization and Other Inflows	28.100	33.561	37.771	42.105	46.962	51.362	413.385	471.510
Changes in Working Cap.	7.025	8.390	9.443	10.526	11.740	8.560	68.897	78.585
FCFF	13.638	20.867	26.065	30.513	35.723	43.875	371.362	509.631
Discounted FCFF	**10.263**	**11.818**	**11.108**	**9.786**	**8.622**	**9.218**	**47.491**	**28.339**

Source: Team Anaylsis

Figure A-5.2 DCF Summary
OPEX/REVENUE %1 decrease

Year (TRY bn)	2025E	2026E	2027E	2028E	2029E	2030E	2031-36E	2037-42E
EBIT	22.868	33.417	41.048	47.701	55.457	61.353	518.115	705.703
Tax	5.717	8.354	10.262	11.925	11.925	15.338	129.529	176.426
Capital Expenditures	21.075	25.171	28.328	31.579	35.221	38.522	310.039	353.632
Depreciation & Amortization and Other Inflows	28.100	33.561	37.771	42.105	46.962	51.362	413.385	471.510
Changes in Working Cap.	7.025	8.390	9.443	10.526	11.740	8.560	68.897	78.585
FCFF	17.151	25.063	30.786	35.776	41.593	50.295	423.035	568.570
Discounted FCFF	**12.907**	**14.193**	**13.120**	**11.474**	**10.039**	**10.567**	**54.139**	**31.636**

Source: Team Anaylsis

Figure A-5.3 DCF Summary
COST OF DEBT DECREASES BY 5% FOR EXPLICIT PERIOD

Year (TRY bn)	2025E	2026E	2027E	2028E	2029E	2030E	2031-36E	2037-42E
EBIT	20.526	30.620	37.901	44.192	51.544	57.073	483.666	666.411
Tax	5.388	8.038	9.949	11.600	13.530	14.982	126.962	174.933
Capital Expenditures	21.075	25.171	28.328	31.579	35.221	38.522	310.039	353.632
Depreciation & Amortization and Other Inflows	28.100	33.561	37.771	42.105	46.962	51.362	413.385	471.510
Changes in Working Cap.	7.025	8.390	9.443	10.526	11.740	8.560	68.897	78.585
FCFF	15.138	22.582	27.952	32.592	38.014	46.372	391.152	530.770
Discounted FCFF	**11.573**	**13.199**	**12.491**	**11.135**	**9.929**	**10.543**	**54.156**	**31.952**

Source: Team Anaylsis

Figure A-5.4 DCF Summary
COST OF DEBT INCREASES BY 5% FOR EXPLICIT PERIOD

Year (TRY bn)	2025E	2026E	2027E	2028E	2029E	2030E	2031-36E	2037-42E
EBIT	20.526	30.620	37.901	44.192	51.544	57.073	483.666	666.411
Tax	4.875	7.272	9.001	10.496	12.242	13.555	114.871	158.273
Capital Expenditures	21.075	25.171	28.328	31.579	35.221	38.522	310.039	353.632
Depreciation & Amortization and Other Inflows	28.100	33.561	37.771	42.105	46.962	51.362	413.385	471.510
Changes in Working Cap.	7.025	8.390	9.442	10.526	11.740	8.560	68.897	78.585
FCFF	15.651	23.348	28.899	33.697	39.302	47.799	403.244	547.431
Discounted FCFF	**11.596**	**12.817**	**11.755**	**10.155**	**8.776**	**9.291**	**47.728**	**28.172**

Source: Team Anaylsis

Population Follows TSI (TUIK) Lower Sceanario

Year (TRY bn)	2025E	2026E	2027E	2028E	2029E	2030E	2031-36E	2037-42E
EBIT	20.114	30.004	37.134	43.293	50.487	55.893	473.325	651.668
Tax	5.029	7.501	9.284	10.823	12.622	13.973	118.331	162.917
Capital Expenditures	21.075	25.170	28.327	31.577	35.219	38.518	309.973	353.492
Depreciation & Amortization and Other Inflows	28.099	33.561	37.769	42.103	46.958	51.357	413.297	471.323
Changes in Working Cap.	7.025	8.390	9.442	10.526	11.740	8.560	68.883	78.554
FCFF	15.086	22.503	27.851	32.469	37.865	46.200	389.435	528.028
Discounted FCFF	**11.353**	**12.744**	**11.869**	**10.414**	**9.139**	**9.706**	**49.826**	**29.374**

Source: Team Anaylsis

Population Follows TSI (TUIK) Upper Sceanario

Year (TRY bn)	2025E	2026E	2027E	2028E	2029E	2030E	2031-36E	2037-42E
EBIT	20.941	31.243	38.679	45.108	52.623	58.283	494.352	681.659
Tax	5.235	7.811	9.670	11.277	13.156	14.571	123.588	170.415
Capital Expenditures	21.075	25.172	28.330	31.582	35.226	38.528	310.135	353.814
Depreciation & Amortization and Other Inflows	28.100	33.563	37.773	42.109	46.968	51.371	413.513	471.752
Changes in Working Cap.	7.025	8.391	9.443	10.527	11.742	8.562	68.919	78.625
FCFF	15.705	23.432	29.009	33.831	39.467	47.993	405.223	550.557
Discounted FCFF	**11.819**	**13.270**	**12.363"**	**10.850**	**9.526**	**10.083**	**51.837**	**30.623**

Source: Team Anaylsis

APPENDIX B: INDUSTRY and SWOT ANALYSIS

Appendix B-1: SWOT Analysis

STRENGTHS

- **Market Leadership:** Enerjisa Enerji is one of Turkey's leading electricity distribution and retail companies, with a strong presence in the energy sector.
- **Strong Shareholder Base:** Enerjisa Enerji is supported by the strategic partnership structure formed by leading companies in Turkey and Europe such as Sabancı Holding and E.ON, providing financial stability and access to global expertise.
- **Regulated Revenue Mechanism:** The electricity distribution activity, which accounts for a large portion of revenue, is regulated, providing predictable cash flow.
- **Technological Innovation:** Investments in smart grids and digital transformation increase operational efficiency and customer experience.
- **Integrated Operations:** Enerjisa Enerji operates in the fields of electricity distribution, retail and customer solutions, providing a diversified revenue stream and thus also achieving operational efficiency.

OPPORTUNITIES

- **Market Growth Potential:** Turkey's growing population, urbanization and industrialization are creating room for expansion by encouraging higher energy demand.
- **Energy Transformation:** The growing need for energy efficiency programs and renewable energy sources is consistent with worldwide sustainability trends and fits in with Turkey's strategic national energy objectives.
- **Supportive Government Policies:** Enerjisa Enerji's Customer Solutions business line is seeing growth potential as a result of initiatives supporting renewable energy and energy efficiency. Additionally, the switch to renewable energy will guarantee that investments in electrical infrastructure continue to be made at increasing rates.
- **Extension of Customer Solutions:** Due to rising demand, Enerjisa Enerji is seeing an increase in income from non-regulated services including energy management systems and infrastructure for electric vehicle (EV) charging.

S W O T

WEAKNESSES

- **Influence of Regulatory Authority:** All electricity distribution and a significant portion of the revenue from retail electricity sales depend on regulated tariffs, which limits flexibility in pricing and profitability.
- **High Operating Costs:** Operating in the energy distribution sector involves significant maintenance and investment costs. Additionally, investments have to be made as reported to the regulating authority. Administrative penalties will be imposed for noncompliance.
- **Restricted Operational Region:** Enerjisa Enerji is limited to operating in the Turkish areas where it has won the tender because all investments in energy distribution are state-owned. Due to its operations in the Turkish market, Enerjisa Enerji is subject to regional political and economic concerns.
- **Debt Ratio:** Energy sector requires high investments and therefore Enerjisa has a high debt burden. Enerjisa's capacity to fund new initiatives may be impacted by this.

THREATS

- **Regulatory Risks:** Revenue, profitability, and operational strategy are all directly impacted by modifications to laws or energy regulations.
- **Economic Instability:** Retail electricity sales and distribution services are offered in a set, static geographic area. Consequently, Turkey's macroeconomic challenges might have an impact on profitability.
- **Technological Disruptions:** In the upcoming years, the necessity for conventional electricity distribution service business models may decline due to the quick advancements in energy storage and alternative energy technology.

Appendix B-2: Porter's Five Forces

Threat of Potential Entrants

(LOW) ***01***

- The energy industry in Turkey is highly regulated, needing permits and government supervision to operate. Until the licenses of current businesses expire, no new businesses are permitted to operate in the power distribution industry in particular.
- New entrants are deterred by the energy distribution sector's high capital requirements, which include substantial infrastructure investments and regulatory compliance. Because of economies of scale, brand recognition, and dependability, established firms like Enerjisa make it challenging for newcomers to compete on cost effectiveness.

Power of Supplier

(LOW) ***02***

- Numerous sources, such as government organizations, unlicensed renewable energy providers, and licensed electricity producers, can provide electricity. Diversification lessens reliance on a single source.
- The Energy Market Regulatory Authority (EPDK) controls electricity rates and supply terms, which restricts providers' ability to affect prices.
- In order to maintain the supply of power and safeguard competition, the Turkish Competition Board also inspects and oversees all businesses.
- Enerjisa is able to lower the risks related to supply chain concentration because of the abundance of energy providers in the market.

Competitive Rivalry

(HIGH) ***05***

- Retail power suppliers face fierce competition as a result of the liberalized retail electricity sales market, which strains their profit margins and client retention rates. The retail market's ease of provider switching, particularly for corporate clients, puts more pressure on businesses to stand out through creative ideas, high-quality services, and competitive pricing.
- Direct price-based competition is limited by the stringent EMRA rules about pricing and service quality. The demand for operational efficiency is heightened by these rules.
- Competition is also fueled by operational effectiveness and the significant investment requirements for technologies like smart grids and digital transformation in order to satisfy regulatory performance standards.
- Because of its significant added value, the Customer Solutions business line is seeing an increase in competition.s

Threat of Substitute

(MODERATE) ***03***

- The threat of substitution of natural gas and other alternative fuels for electricity.
- Allowing unlicensed renewable energy production to be carried out on land anywhere in Turkey and offsetting consumption and production by law could reduce consumers' dependence on grid-supplied electricity and therefore poses a growing threat.
- Developments in battery technology and energy storage solutions could also allow customers to store and manage their energy bypassing traditional utilities.

Power of Buyer

(MODERATE) ***04***

- In retail service, consumers have more options than only Enerjisa Enerji, but in distribution service, consumers have only one choice.
- In places with controlled tariffs, customers have little negotiating leverage; but, in the liberalized retail market, consumers can improve competition by switching suppliers
- Big commercial and industrial clients could have greater negotiating strength because of their larger consumption numberand be able to get better terms or prices.
- The emergence of a consumer group that generates and uses its own power is anticipated as a result of the legalization of unlicensed electricity generation. They could go from being a retail power sales client to a customer solutions buyer.

APPENDIX C: ESG

13 Projects

308 Projects

12 Projects

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