

## Corporate Credit Rating

New  Update

**Sector:** REIT

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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A- (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	J3
	International FC ICR Outlooks	Stable	Stable
	International LC ICR	BB	J3
ISRs (Issue Specific Rating Profile)	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

\* Assigned by JCR on May 31, 2021

## Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.

JCR Eurasia Rating, has evaluated the "Akfen Gayrimenkul Yatırım Ortaklığı A.Ş." ("Akfen GYO" or "the Company" or "the Group") in an investment-level category and revised the Long-Term National Issuer Credit Rating from **BBB (tr)** to **'A- (tr)'** and the Short-Term National Issuer Credit Rating at **'J2 (tr)'** with **'Stable'** outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as **'BB/Stable'**.

With foundation dating back 1997, Akfen GYO operates in the fields of investing in real estate, real estate projects and other market instruments, as described on Capital Markets Board (CMB) Communiqué. The Company, converted into "Real Estate Investment Trust" on August 25, 2006 upon application to the CMB, was listed on Borsa Istanbul Index on May 11, 2011 with a ticker-name of "AKFGY". Akfen GYO's real estate portfolio consisted of 20 hotels in Turkey (15), Russia (4), and TRNC (1) with the total room capacity of 3.628, 1 holiday village including 36 villas, 2 dormitories with the total bed capacity of 7.372, and 1 office building in Russia with the total rentable area of 4,637m<sup>2</sup> as of FYE2021. In the first quarter of 2021, the new assets purchase was carried out on the purpose of enrich and diversify the real estate portfolio along with ensure more sustainable cash flow. Akfen GYO purchased all shares of Masanda Turizm Yatırımları ("Masanda") A.Ş., which has 5 Star Resort investment in Bodrum (Bodrum Loft); Isparta Yurt Yatırımları A.Ş. ("Isparta Yurt"), which has two dormitory investments in Isparta and Kütahya on February 9, 2021. On June 30, 2021, Masanda Turizm and Isparta Yurt companies merged with Akfen GYO. Having purchased new assets, Akfen GYO's net asset value reached to TRY 4,395mn as of FYE2021, which was TRY 757mn in the previous year.

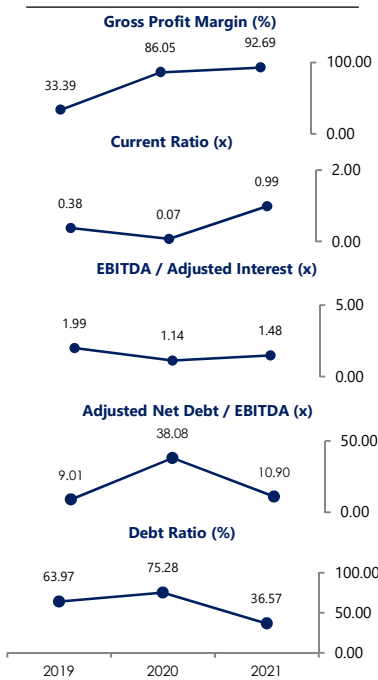
Key rating drivers, as strengths and constraints, are provided below.

### Strengths

- Specialization in hospitality sector provided by dating back long experience and being in cooperation with Accor, one of the world's leading hotel chains
- Equity structure reinforced by paid-in capital and net profitability mainly resulting from the revaluation gains on investment properties
- Predictable cash flow through long-term lease contracts
- In 2021, new assets purchase on the purpose of real estate portfolio diversification creating expected sustainable cash flow
- Advantages of reputable and supporting ultimate shareholder
- Improvement in short-term debt service capacity in 2021 mainly owing to debt restructuring
- High compliance with corporate governance practices owing to listed status

### Constraints

- Despite the long-term weighted funding structure and relatively improvement in EBITDA generation in FY2021, high level of leverage metrics
- Short FX position mainly derived from FC dominated financial borrowings despite having EUR and EUR-linked revenues
- The geopolitical risks stemming from the Russia-Ukraine tension may cause the contraction in the hospitality sector



Considering the aforementioned, the Company's the Long-Term National Issuer Credit Rating has been upgraded as **'A- (tr)'**. Akfen GYO's specialization in hospitality sector, strengthened equity structure, predictable cash flow via long terms lease contracts, facilitation of liquidity to a certain extent owing to debt restructuring and new assets purchase have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as **'Stable'**. The Company's revenue and profitability performance, liquidity position, indebtedness, and local and global macroeconomic indicators will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.