

Corporate Credit Rating

New Update

Sector:

Engineering and Construction

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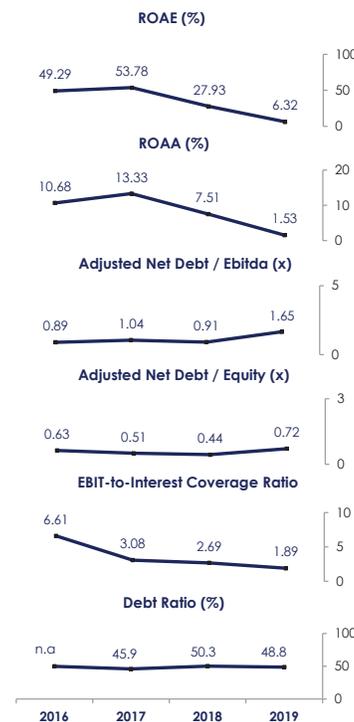
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RATINGS

		Long Term	Short Term	
International	Foreign Currency	BBB-	A-3	
	Local Currency	BBB-	A-3	
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
Issue Rating	-	-		
National	Local Rating	AA-(Trk)	A-1+(Trk)	
	Outlook	Stable	Stable	
	Issue Rating	-	-	
Sponsor Support		2	-	
Stand-Alone		AB	-	
Sovereign*	Foreign Currency	BB+	-	
	Local Currency	BB+	-	
	Outlook	FC	Negative	-
LC		Negative	-	

*Affirmed by JCR on April 10, 2020

RATIOS



Yapı Merkezi İnşaat ve Sanayi A.Ş. and Its Subsidiaries

JCR Eurasia Rating has evaluated the consolidated structure of “**Yapı Merkezi İnşaat ve Sanayi A.Ş. and Its Subsidiaries**” and affirmed the ratings on the Long-Term National Scale as ‘**AA- (Trk)**’ and the Short-Term National Scale at ‘**A-1+ (Trk)**’ with ‘**Stable**’ outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been affirmed as “**BBB-/Negative**”.

Foundations of **Yapı Merkezi İnşaat ve Sanayi A.Ş. and Its Subsidiaries** (hereinafter “**Yapı Merkezi**” or the “**The Company**”) was established in 1965 to create modern-style building projects and to carry out their construction. Yapı Merkezi, together with its subsidiary companies in Turkey and abroad, has established mainly transportation systems, urban rail systems, tunnels, bridges, viaducts; industrial and general service structures, water collection and its supply systems; shopping malls, hotels, real estates; restoration, retrofit and repair work. Yapı Merkezi has successfully completed many national and international turnkey projects in the field of rail systems. In addition, Yapı Merkezi has been ranked 78th in the World's top 250 contractors list in 2020, published annually by the Engineering News Record (ENR). The Company has become one of the most prominent engineering & architecture project organizations in the international platform with the projects which were delivered to the present day with its rapidly growing business growth.

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

Strengths	Constraints
<ul style="list-style-type: none"> • Diversified field of activities underpinning market position with its building projects and construction operations, • An international brand identity via expanding its global footprint, • Accumulation of strong past credentials redounding sustainable volume growth as indicated by large backlog value, • Resilient business model through economic cycles, • Suitable operational performance indicators thanks to the income stream quality, • Maintaining low level of financial risk indicators via regular internal equity generation, • Strong financial profile and cash buffer through strengthened FFO generation easing liquidity structure, • Low collection risk and customer concentration supporting asset quality. 	<ul style="list-style-type: none"> • Restricted investment appetite and postponing the huge infrastructure projects globally due to Covid-19 pandemic, • Revenue composition exposed to different country risk elements, • Structural vulnerability of the sector to global market conditions and intensive market competition,

Considering the aforementioned points, the Company's the Long-Term National Rating has been affirmed at ‘**AA- (Trk)**’. Taking into account expectation of sustenance of asset and business volume growth as indicated by currently large backlog value, diversified revenue source, ability to raise long-term financing from global markets, resilience of foreign exchange-weighted income structure against market fluctuations and experienced and qualified organizational structure; the Company's outlook for Long and Short-Term National ratings has been affirmed as “**Stable**”. Timely completion of ongoing projects in the context of sustainability of income generation and its impacts on profitability indicators will be the monitoring in the following periods.

Yapı Merkezi's International Local and Foreign Currency Ratings have been affirmed at ‘**BBB-**’ considering the fact that the significant foreign currency income generation profile with the investments in the diversified business areas of the Group and expanded geographic coverage in line with the strategic alliances and also foreign currency income generation in Turkey.

It has been assessed that the controlling shareholder Yapı Merkezi Holding A.Ş. has the willingness and financial strength to provide long term liquidity or equity for and the adequate experience to provide efficient operational support to Yapı Merkezi İnşaat ve Sanayi A.Ş. However, no public authority and professional organization exist to provide the sector in general with financial support and to eliminate the possible systemic risks to arise therein. Within this context, JCR Eurasia Rating has affirmed the Sponsor Support note as ‘**2**’ of Yapı Merkezi İnşaat ve Sanayi A.Ş.

Regarding current revenue streams, established borrowing mechanisms and profitability level converging to generating internal equity, it is considered that Yapı Merkezi İnşaat ve Sanayi A.Ş. and its managerial staff have reached the level of adequate experience and facilities to manage its obligations even in case the shareholders do not provide any assistance. In this respect, the Stand Alone note of Yapı Merkezi İnşaat ve Sanayi A.Ş. has been affirmed as ‘**AB**’ in the JCR Eurasia Rating notation system.