

Corporate Credit Rating

New Update

Sector: REIT

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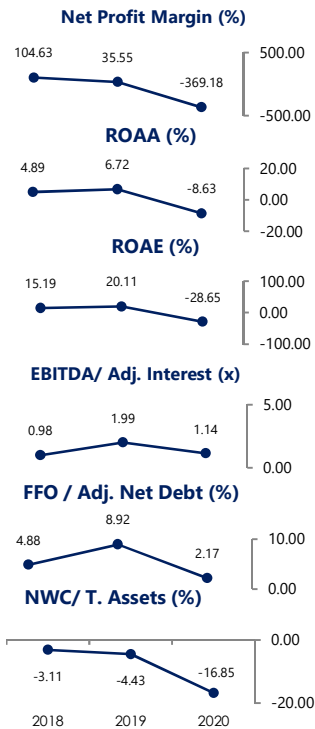
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RATINGS

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

*Assigned by JCR on April 10, 2020



Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. and Consolidated Structure

JCR Eurasia Rating evaluated “Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. and Consolidated Structure” (referred to as ‘the Company’ or ‘Akfen GYO’) in investment level category and assigned the Long-Term National Note at ‘**BBB (Trk)**’ and the Short-Term National Note at ‘**A-3 (Trk)**’ with a ‘**Stable**’ outlooks. The Long Term International Foreign and Local Currency ratings and outlooks were also assigned at ‘**BB/Negative**’.

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, TRNC and Russia with the total room capacity of 3.628, along with 1 office building in Russia with the total rentable area of 4,637m² as of FYE2020.

In the first quarter of 2021, with the funds provided by capital increasing, new assets purchase materialized on the purpose of real estate portfolio diversification and ensure sustainable cash. Akfen GYO purchased all shares of Masanda Turizm Yatırımları A.Ş., which has 5 Star Resort investment in Bodrum (Bodrum Loft); Isparta Yurt Yatırımları A.Ş., which has two dormitory investments with a total bed capacity of 7,232 in Isparta and Kütahya along with Fıratcan İnşaat Ticaret ve Turizm A.Ş. which conducts Söğütluçeşme High Speed Railway Station Project. Having purchased new assets, Akfen GYO’s net asset value reached to TRY 1,503mn as of February, 2021, which was TRY 757mn as of FYE2020.

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

Strengths

- Specialization in hospitality sector provided by dating back many years of experience and being in cooperation with Accor, one of the world’s leading hotel chains
- Predictable cash flow through long-term lease contracts
- In 2021, new assets purchase on the purpose of real estate portfolio diversification and creating sustainable cash
- Advantages of reputable and supporting shareholder structure
- High compliance with corporate governance practices owing to listed status

Constraints

- Contraction in rental income from city hotels caused by restrictions and precautionary action on global and local scale in 2020
- Slowdown in hospitality sector triggered by Covid-19 outbreak
- Excessive indebtedness and FX short position creating fragility under market volatility and pressuring bottom line profit in 2020
- Outstanding deterioration in liquidity metrics owing to increase in short term borrowings in 2020, though eased with restructuring in April, 2021

Considering the aforementioned points, the Company’s the Long Term National Rating has been assigned at ‘**BBB (Trk)**’. In spite of Covid-19 pandemic’s negative effects on hospitality sector, the Company’s predictable cash flow via long term lease contracts along with new assets purchase and equity strengthened by capital increase in 2021 has been evaluated as important indicators for the stability of the ratings and the outlooks for long and short term national ratings are determined as ‘**Stable**’. The Company’s profitability performance, asset quality, equity structure and debt level together with the legal framework about the REIT are to be monitored by JCR Eurasia Rating. The Company’s main shareholders are Hamdi Akın (56.51%) and Akfen Holding (30.37%). The main shareholders are considered to have the willingness and experience to ensure long-term liquidity and equity when required and to provide efficient operational support to Akfen GYO. In this regard, the Company’s Sponsor Support Grade has been assigned at **(1)**, denoting high level of external support in JCR Eurasia Rating’s notation system. The Company’s ‘Stand-Alone Rating’ has been constituted with respect to the Company’s market shares, growth rates, asset quality, equity structure, risk management practices, and the development of existing risks in the markets and business environment by using its internal sources. In this context, the Stand-Alone grade of the Company has been assigned at **(B)** in the JCR Eurasia Rating notation system.