

Corporate Credit Rating

New Update

Sector: Construction

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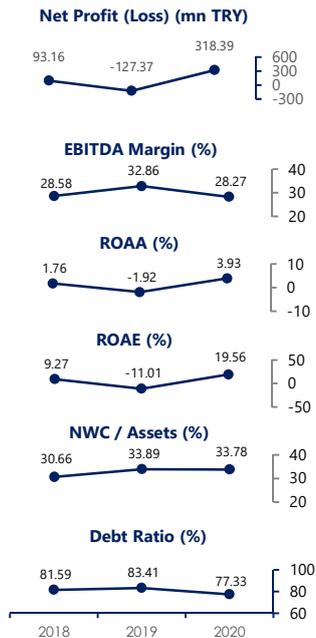
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RATINGS

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

*Assigned by JCR on May 31, 2021



Sur Yapı, Gayrimenkul Geliştirme ve Enerji Şirketleri

JCR Eurasia Rating, has evaluated **Sur Yapı, Gayrimenkul Geliştirme ve Enerji Şirketleri** in an investment grade category at national level and affirmed the ratings on the Long-Term National Scale as **'A- (Trk)'** and the Short-Term National Scale as **'A-1 (Trk)'** with **'Stable'** outlooks. On the other hand, the Long-Term International Foreign and Local Currency Ratings of the Company have been assigned as **'BB'** with **'Stable'** outlooks.

Sur Yapı, Gayrimenkul Geliştirme ve Enerji Şirketleri (hereinafter referred to as 'Sur Yapı' or 'the Company' or 'the Group'), is a leading real estate development company, founded under the trade name Sur Yapı İnşaat Taahhüt Ticaret Limited Şirketi on October 13, 1992 in Turkey. The Group's main operation is to develop residential real estate projects primarily for sale and to undertake construction contracts. In addition, the Group develops office buildings and other commercial real estate projects, lease and manage shopping malls and has investments in the renewable energy production sector. With an operational track record spanning 29 years, the Group has built more than 6mn square meters living space and completed many remarkable residential real estate projects such as Exen İstanbul, Lavender, Ilkbahar, Gölbağçe, Şehir Konakları, Mirage, Vitrin, Idilia, Tilia, Metrogarden, and Corridor. The Company has also built the outstanding shopping center projects of Axis İstanbul, Axis Kağıthane, Marka Bursa and Metrogarden. Core projects expected to generate revenue in the upcoming years include the Antalya Urban Transformation Project in Antalya Kepez-Santral region, prestigious Kosuyolu Excellence project in Kadıköy, the Tempo City, Bahçeyaka and Topkapı Residentials on the European side and the Muhit, and Yeşilmavi projects on the Anatolian side of İstanbul. The Antalya Urban Transformation Project in the Kepez and Santral districts of Antalya is Europe's largest urban transformation project with a construction area of 2,500,000 m² consisting of approximately 19,000 independent units. The project is expected to reach TRY 13.6bn in turnover. Company shares are fully owned by the Elmas Family. The number of personnel employed across operations was 405 as of 31 December 2020 (as of 31 December 2019: 463).

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

Strengths

- Increased visibility for future revenues arising from the Company's expanding business territory and sound project backlog
- Operations in different fields apart from housing sales creating revenue diversification
- High share of received advances, contributing to the liquidity level despite being displayed as debt in accounting standards
- Brand recognition in the sector and need-oriented marketing serving as a buffer against sales risk
- Demographic figures underpinning the Turkish housing market

Constraints

- Exposure to foreign currency risk stemming from financial liabilities, pressurizing profitability
- Deterioration in Adjusted Net Debt/EBITDA
- Increasing construction costs constraining the investor's appetite and current mortgage interest rates pressuring housing demand
- Intensive competition among construction contractors in key markets, downwardly pressuring profit margins
- Room for improvement regarding corporate governance compliance level
- Covid-19 outbreak creating vagueness on global and local economic activity

Considering the aforementioned points, the Company's the Long-Term National Rating has been affirmed at **'A- (Trk)'**. Increased revenue for future revenues, operation in different fields, brand recognition in the sector and need-oriented marketing, demographic figures of Turkey, intensive competition among construction contractors, exposure to foreign currency risk, vagueness of Covid-19 outbreak have been evaluated as important indicators. Consequently, the outlooks for long and short terms national ratings have been determined as **'Stable'**. The macroeconomic indicators at national and international markets, indebtedness ratio, foreign currency position, the national and international impact of the COVID-19 pandemic will be continued to be monitored by JCR Eurasia Rating.

It is considered that the Company's main shareholder has the propensity to offer financial support within their financial capability when liquidity and equity needs arise in the short or long-term perspective. In this regard, the Company's Sponsor Support grade has been determined as **(2)** on JCR Eurasia Rating's notation scale.

Sur Yapı's 'stand-alone rating' has been determined with regard to the Company's brand, sales growth, asset quality, equity structure, risk management policies, and the trends of the existing risks in the markets and the business environment by taking its internal sources into account. Within this context, the Stand-alone note of **Sur Yapı** has been determined as **(B)** in the **JCR Eurasia Rating** notation system.