

## Corporate Credit Rating

New  Update

**Sector:** Construction

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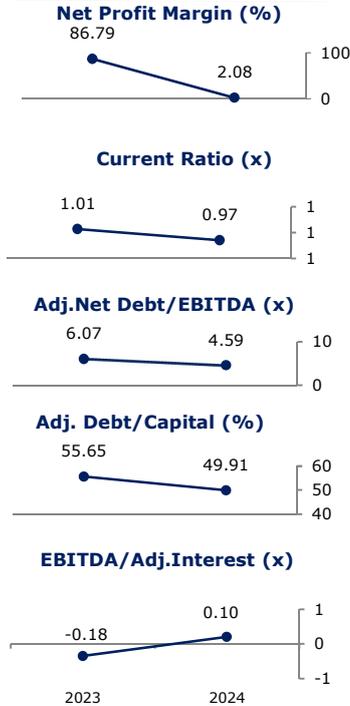
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA+ (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International FC ISR	-	-
	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
Sovereign*	Local Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

\* Assigned by JCR on May 10, 2024



## AKFEN İNŞAAT TURİZM VE TİCARET A.Ş.

JCR Eurasia Rating has evaluated "Akfen İnşaat Turizm ve Ticaret A.Ş." in the investment grade category with very high credit quality and affirmed the Long-Term National Issuer Credit Rating as 'AA+ (tr)' and the Short-Term National Issuer Credit Rating as 'J1+ (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been assigned as 'BB/Stable' as parallel to international ratings and outlooks of Republic of Türkiye.

**Akfen İnşaat Turizm ve Ticaret A.Ş.** (referred to as 'the Company' or 'Akfen İnşaat'), the flagship company of Akfen Holding A.Ş., was established in 1986 to provide construction and contracting services and headquartered in Ankara. The Company completed many superstructure construction projects such as hotels, airport terminals, runways, hospitals, dormitories, schools, and mixed-type real estate projects, as well as different infrastructure works, hydroelectric power plants, water distribution, sewage systems, wastewater treatment, and pipelines. Since its foundation, Akfen İnşaat has completed more than 150 different projects amounting to approx. USD 3.5bn. Furthermore, the Company won the tender of Isparta, Eskişehir, and Tekirdağ city hospitals and completed the construction of facilities, built with the Public-Private Partnership (PPP) model and currently receives guaranteed revenue stream through availability payments by city hospitals along with generating service revenue by providing services to the hospitals. In addition to hospital projects, the Company invested in the Hacettepe student housing project in Ankara, Türkiye, and rented out to Kredi ve Yurtlar Kurumu (KYK), a Turkish governmental organization. As of reporting date, the Company has 5 ongoing construction projects in Türkiye and Croatia.

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

### Strengths

- Strong revenue generation capacity through PPP projects supported by treasury-backed availability payments, as well as other ongoing contracting works,
- Easing debt service capacity through the funds raised by the Initial Public Offering (IPO) process in January 2025, also expected to support financing for new investment,
- Compliance with corporate governance practices while the operations are supported by initiatives in sustainability and social responsibility,
- Financial assets related to concession contracts which provide protection for cash flows against currency and inflation risk creating a barrier against exchange rate risk under a crawling band with predefined floor and ceiling,
- Remarkable accumulation of completed projects and long-lasting presence in the sector with a successful track record,
- Supported by Akfen Group, one of the most experienced brands in Türkiye.

### Constraints

- Increasing costs in hospital service segment due to minimum wage increases,
- Potential downside risk for revenue stream due to possible poor service performance,
- As actions for a global soft landing gain prominence, decisions with the potential to adversely affect global trade are engendering considerable uncertainty.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed 'AA+ (tr)'. The Company's risk averse investment portfolio, guaranteed revenue stream by the authorities, immunity against FX losses, revenue potential of ongoing contracting projects and long experience in the sector, along with ongoing uncertainties arisen from geopolitical tensions as well as global interest rate hiking cycle, 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 profitability performance, asset quality and equity structure 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.