

## Corporate Credit Rating

New  Update

**Sector:** REIT

**Publishing Date:** 22/04/2024

### Team Leader

Cemil ERKÜRK

+90 212 352 56 73

[cemil.erkurk@jcrer.com.tr](mailto:cemil.erkurk@jcrer.com.tr)

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	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Negative	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

\* Assigned by JCR on Aug 18, 2022

## Akfen Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

JCR Eurasia Rating, has evaluated "Akfen Gayrimenkul Yatırım Ortaklığı Anonim Şirketi" in the investment-level category and upgraded the Long-Term National Issuer Credit Rating from 'AA- (tr)' to 'AA (tr)' and affirmed 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 were assigned as 'BB/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Akfen Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (hereinafter referred to as "Akfen GYO" or 'the Company' or 'the Group') was established on June 25, 1997, with the title of "Aksel Turizm Yatırımları ve İşletmecilik A.Ş.". Akfen GYO underwent restructuring in 2006 with the acquisition of the shares of the other founding partner outside the Akfen Group, and subsequently, the Company became a REIT. Akfen GYO's current portfolio in Türkiye and Russia includes resorts, hotels, factory buildings, student dormitories, investment lands, and offices, as well as residential units and an open food market concept of retail projects which are currently ongoing. It is announced on the Company's website that the real estate portfolio has an investment cost of EUR 382.6mn, and the total appraisal values as of 31.12.2023 are EUR 573.8mn. Akfen GYO is part of Akfen Group, one of Türkiye's leading investment groups, and its shares have been traded on Borsa İstanbul with the ticker "AKFGY" since 11 May 2011. As of the rating report date, the Company's free float is 44.50%. The remaining part of the shares belongs to Hamdi Akın and some other companies in the Akfen Group.

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

### Strengths

- Steady revenue and EBITDA generation capacity over the review periods despite a slight contraction in the value of the real estate portfolio in FY2023,
- Recovery in financial leverage metrics due to solid cash inflow despite the increase in financial debt as of FY2023, decrease in loan-to-value (LTV) Ratio of the key assets,
- Satisfactory equity size supported by paid-in capital,
- Steady cash flow and sustainable operational performance thanks to a wide operation range and global brand collaborations,
- High compliance with corporate governance practices owing to listed status,
- Establishment of Akfen Group, one of the leading investment groups in Türkiye.

### Constraints

- Contraction in net profitability in FY2023, mainly due to the pressure of financing expenses,
- Despite the natural hedging mechanism of FX basis rental income and derivative instruments, exposure to high exchange rate risk due to mainly financial liabilities in FX, ongoing FX short position in FY2023,
- Leading economic indicators signal global economic slowdown as quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been upgraded from 'AA- (tr)' to 'AA (tr)'. Steady cash flow thanks to revenue diversification, notable income expectation from ongoing investment projects, growth in EBITDA generation capacity, along with ongoing uncertainties arising from geopolitical tensions as well as the 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, cash generation capacity and indebtedness level, together with the trends in the industry, 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 frames about the sector, will be monitored as well.

