

Corporate Credit Rating

New Update

Sector: REIT

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	A- (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Profile)	International FC ISR	-	-
	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
Sovereign*	Local Currency	BB (Negative)	-

* Assigned by JCR on August 18, 2022

Fuzul Gayrimenkul Yatırım Ortaklığı A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of **Fuzul Gayrimenkul Yatırım Ortaklığı A.Ş.** in investment-level category and revised the Long-Term National Issuer Credit Rating to '**A- (tr)**' from '**BBB+ (tr)**' and affirmed the Short-Term National Issuer Credit Rating at '**J2 (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.

Fuzul Gayrimenkul Yatırım Ortaklığı A.Ş. (hereinafter referred to as 'Fuzul GYO' or 'the Company') was established in 1992 with the title of "Fuzul Dış Ticaret Anonim Şirket" in Istanbul. The amendment to the articles of association regarding the transformation of the Company into a REIT and the change of title was registered on March, 2023 and its title became "Fuzul Gayrimenkul Yatırım Ortaklığı Anonim Şirketi". Fuzul GYO started operating in the construction sector in 2000 and has turned to the development of branded housing projects since 2009. The projects undertaken by Fuzul GYO include the completed Kent Evila, Kent Arıva, Olimpa Park, Vadiyaka Başakşehir, Başakcity, Tem Avrasya, Başakşehir Avrasya, Fatih Hotel and the ongoing Barbaros 48, Başakşehir Avrasya 2 and Başakşehir Avrasya 3 projects. The Company employed a total workforce of 128 as of FYE2022 (FYE2021: 1,417). Fuzul GYO's shares have been listed on the Borsa Istanbul (BIST) with the ticker symbol of 'FZLGY' since July 2023 with a current free-float rate of 28.88%.

The main partner of the Company, Fuzul Holding, started its activities in 1992 with Fuzul Oto. Fuzul Holding, which has expanded its activities since its establishment, operates in the finance, insurance, tourism, electronic payment systems, real estate sales and development sectors. Among the companies operating under the holding are Fuzul Yapı, FuzulEv, FuzulOto, Nevita, Akva Sigorta, Rubik Para, Olimpa Avm, NewInn brands.

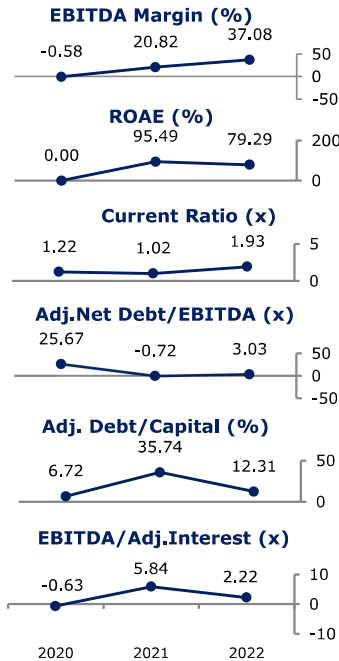
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Noteworthy increase in sales revenue in 9M2023 with the contribution of completed Başakşehir Avrasya Project
- Improvement in financial leverage metrics along with satisfactory LTV ratio in 9M2023
- Growth in equity level, mainly driven by bottom line from fair value gains
- Adequate level of current ratio
- Significant level of deferred revenue from pre-sales supporting revenue predictability
- Ongoing foreigners' demand in Turkish real estate market despite recent decline
- Improvement on compliance with the corporate governance practices following public offering

Constraints

- Contraction in core profitability margins in 9M2023
- High level of cash conversion cycle
- Negative cash flow metrics, resulting funding need for the operational cycle
- Increasing construction costs pressuring profitability in the construction industry along with the contraction in the housing market due to rising housing prices and mortgage rates
- Potential operational and management risks due to the nature of construction business
- Leading economic indicators signal global economic slowdown whereas 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 revised to '**A- (tr)**'. The Company's sizeable share of deferred revenue, satisfactory leverage metrics and liquidity indicators along with ongoing uncertainties arisen from geopolitical tensions as well as global tight financial conditions 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 growth strategy, profitability indicators, financial leverage and asset quality 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.