

**CREDIT RATING REPORT**

**DATE:** 26.08.2019

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**ISSUER:** TİMUR GAYRİMENKUL GELİŞTİRME YAPI VE YATIRIM A.Ş.

**ISSUE:** -

**CORE BUSINESS:** REAL ESTATE DEVELOPMENT

**NEW:**



**UPDATE:**



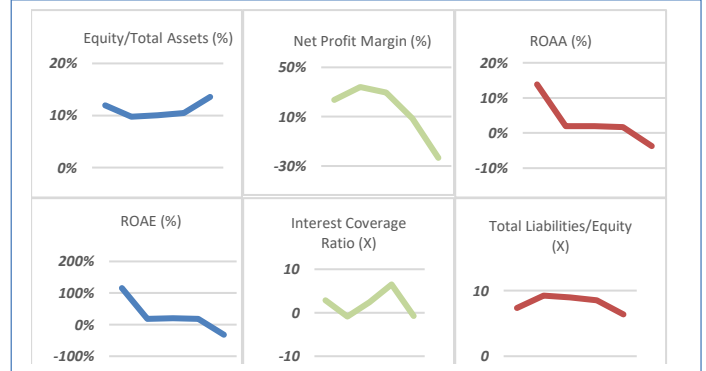
TİMUR GAYRİMENKUL GELİŞTİRME YAPI VE YATIRIM A.Ş. Esentepe Mah. Ali Kaya Sk. Apanef Plaza No:3 Kat:5-6 Şişli / İstanbul Tel: +90 212 386 90 00 <a href="http://www.nef.com.tr">www.nef.com.tr</a>	RATINGS*					
	ISSUER RATING		OUTLOOK	ISSUE RATING		OUTLOOK
	LONG TERM	SHORT TERM		LONG TERM	SHORT TERM	
INTERNATIONAL FOREIGN CURRENCY	-	-	-	-	-	
INTERNATIONAL LOCAL CURRENCY	-	-	-	-	-	
NATIONAL RATING	TR A NR	TR A-2 NR	Negative NR			

\*If the report is an update, previous ratings are at the bottom right of the cells. **NR:** Not rated by DRC RATING. **Outlook:** Positive, Negative, Stable, Developing.

**SUMMARY:** Timur Gayrimenkul Geliştirme Yapı ve Yatırım A.Ş. (hereafter Timur Gayrimenkul or the Company) has been assigned a **long-term national credit rating of TR A, a short-term national credit rating of TR A-2 and outlook Negative**. The credit ratings reflect the market position of the Company, innovative projects completed successfully under Nef brand, expected positive contribution to revenues and profitability of the ongoing projects in the short and medium term and the ability and willingness of the shareholders to support the Company. Increasing share of revenue from foreign customers' FX-indexed real estate sales, diversified and geographically widespread sales channels and government incentives and supports are factors that affect positively the ratings. On the other hand depreciation in the value of TL has increased the cost of projects and financing, furthermore, the contraction in demand for real estate due to economic slowdown, and the Company's financial liabilities that concentrate on short-term and net TL loss in 2018 put pressure on its ratings.

**Key Financial Data (million TL)**

	2014	2015	2016	2017	2018
<b>Total Assets</b>	1,624	2,682	3,681	4,390	5,114
<b>Equity</b>	194	262	370	460	694
<b>Sales</b>	475	122	209	814	757
<b>EBITDA</b>	70	-43	128	122	-65
<b>Net Profit/Loss</b>	112	42	62	70	-177
<b>Financial Liabilities</b>	558	879	937	1,172	1,277



Istanbul, August 26th, 2019

**Financial Data**

December 31st, 2018

(Million TL)

Total Assets	5.114
Net Sales	757
Inventories	1.924
Deferred Income	2.563
Total Financial Liab.	1.277
Equity	694
Net Profit/Loss	-177

**Financial Ratios**

Total Fin. Liab./ Common Equity(x)	1,9
Equity/Total Assets (%)	13,6%
Current Ratio (x)	1,0
ROAA (%)	-3,7
ROAE(%)	-32,0

**Ratings Rationale, Outlook and Important Factors For the Future:**

The ratings assigned by DRC Rating for Timur Gayrimenkul are a reflection of the Company's position in the sector, its innovative projects successfully completed under the Nef brand, the positive contribution to the sales revenue and profitability of the projects planned to be completed in the short and medium term, and the power and willingness of the partners to provide full support to the Company when necessary.

The Company's continued increase of sales revenues from foreigners buying pre-paid FX-indexed real estate and increase of its share in total sales, diversified and geographically widespread sales channels, government incentives and other supports are important factors positively affecting the credit ratings. On the other hand, increased project and financing costs due to depreciation in TL, decreased housing demand due to downturn in economic activities, the Company's short-term financial debts and the net loss in 2018 are important factors putting pressure on credit ratings.

DRC RATING assigned a **“Negative”** Outlook on the National Long-Term Rating of Timur Gayrimenkul. When determining the Outlook, The Company's business partnerships and sales figures coupled with the weakening of the growth expectation due to the shrinkage in housing demand, ongoing collection risk, positive track record of repayment of debt instruments issued, flexibility thanks to customer diversity, brand awareness and branded projects developed with innovative approach, funding composition, liquidity flexibility, the economies of

scale in providing financing, global as well as country specific macroeconomic expectations, expectations of housing and commercial loan interest rates not to fall enough in the short/medium term and the volatility of TL are taken into consideration as positive/negative factors.

Timur Gayrimenkul is conducting negotiations with banks to extend their short-term bank loan liabilities over the long term. Despite the fact that Turkish economy is going through a tough period recently, relatively large size of Timur Gayrimenkul, its relations with financial institutions coupled with its past accomplishments contribute to the Company's financial flexibility positively.

In the consolidated audit report dated 31 Dec. 2018, the auditor notified limited positive opinion based on Turkish Financial Reporting Standards (TFRS) 15. Auditor determined significant financial components regarding payment timing in the preliminary contracts for sale and its impact of the profit/loss due to time value of money for the period. Because these significant financial components are not calculated by the Company, the auditor could not identify whether there must be any revision at the profit/loss of the period.

Important factors to consider for the future change in ratings and/or outlook:

**Positive:**

- Increase in revenues with title deed transfer,
- Increase in revenues from real estate sales to foreigners,
- Improvement in financial leverage levels of the Company,
- Cash flow generation from overseas projects,
- Decreasing interest rates,
- Improved terms of loans to the real estate sector provided by the financial sector with the help of the coordination and incentives provided by the Turkish government.

**Negative:**

- Increased collection risk of the Company,
- Depreciation of TL against hard foreign currencies,
- Contraction of demand in Turkish real estate market,
- Significant increase in the Company's financial leverage.

DRC RATING will continue to monitor developments related to the projected forecasts and the factors listed above.



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