

TURKEY– REITS

AKFEN GYO

Riding the post-pandemic bounce-back

AKFEN GYO– a diversified rental income yielding asset portfolio. AKFEN REIT's asset portfolio mainly consists of ACCOR hotels in Turkey and Russia and Cyprus Merit Hotel. The company has also added two new assets to its portfolio in 2020– Student Dormitories (Isparta and Kütahya) and Bodrum LOFT Resort. In addition to these assets, AKFEN REIT operates an office space in Samara, Russia and is currently developing a retail asset in one of Istanbul's busiest underground stations– Söğütlüçeşme, Istanbul. The company's revenues are fully comprised of property rental income, 75% of which is either directly or indirectly euro-denominated.

Strong recovery in tourism is expected in the aftermath of the pandemic. According to the UN World Tourism Organization (UNWTO) figures, the total number of tourists declined by 90% y/y globally as of the end of 2020 due to the closures caused by the pandemic. Parallel to this, the number of foreign visitors in Turkey decreased by 70% y/y as of the end of 2020. On the other hand, the decrease in the number of hotel overnight stays of domestic residents in Turkey was more limited at 30% y/y. In Russia, the total number of stays in hotels declined by about 35% y/y in 2020 due to 1) the relatively lower weight of foreign visitors in the tourism sector, 2) the inability of Russian citizens to travel abroad, especially to Turkey, and 3) the government's cash holiday support. The UNWTO expects post-pandemic world tourism to rapidly reach pre-pandemic levels in the 2022-2023 period, as vaccinations proliferate globally leading to the removal of pandemic-related travel restrictions. We believe that spending by tourists from the advanced economies with high purchasing power will lead to a rapid recovery in the activity in popular holiday destinations, especially in Turkey. In addition, we think that business travels will gradually recover in the post-pandemic period and contribute positively to hotel occupancy rates. In Turkey, we expect the total number of foreign visitors to surpass its pre-pandemic level of 52 mn in 2023 generating a total tourism revenue of USD43 bn (vs. USD12 bn in 2020).

EBITDA to recover sharply in 2021-2022. Following a decline of 55% y/y as of the end of 2020, we expect the company's rental revenues to double to EUR16.5 mn by the end of 2021E on the back of 1) a gradual recovery in occupancy rates, 2) a rise in average room rates and revenues, 3) the increase in rental income share agreement with ACCOR management from 75% to 95% and 4) rental income generation from the dormitory business and Bodrum LOFT resort. Roughly 65% of the expected increase in rental revenues in 2021 is estimated to come from the dormitory business and Bodrum Loft. With strict cost efficiency measures taken by the management and a larger rental income generating asset base, we expect the company's adjusted EBITDA (i.e. ex-asset revaluation gains/losses) to more than double to EUR14 mn by the end of 2021.

Lower debt and higher EBITDA - Initiating with a BUY rating. We expect the company's net debt to decline sharply to EUR130 mn post-capital increase, pushing the reported NAV to EUR221 mn as of the end of 2021 from EUR81 mn a year ago. Our DCF model which takes into account the contractual duration of leasehold and allotted assets implies a fair 12MF equity value of EUR187 mn corresponding to a 12MF target share price of TL6.25. On our estimates, an average Capitalization Rate of 6% in 2022-2025 implies a price-to-rent ratio of 16.5x corresponding to an equity value of about EUR190 mn post-net debt which is also in line with our DCF estimate. Thus, we initiate AKFEN GYO with a BUY recommendation offering 60% upside relative to current price.

AKFEN GYO

(eur mn)	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Total Rental Income	17	17	8	17	23	24	26	28
Adj. EBITDA*	14	14	5	14	21	22	24	25
Reported BV of Portfolio	339	355	290	350	355	360	365	370
Net Debt	229	221	209	129	122	117	107	96
Reported NAV	110	134	81	221	233	243	258	274
Rental Yield of Portfolio (%)**	5.0	4.9	2.4	5.2	6.4	6.8	7.3	7.6
Capitalization Rate (%)**	4.1	3.9	1.9	4.0	5.8	6.2	6.5	6.9

Source: Company data, INFO Research estimates

*excludes asset revaluation gains/losses

** in eur terms

BUY

Price: TL3.91

Price Target: TL6.25

Company Data

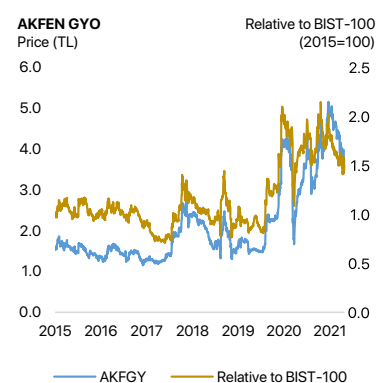
Stock Ticker	AKFGY
Stock Rating	BUY
Price Target	6.25
Up/downside to PT	60%
Share Price	3.91
52-week range (TL)	2.9-5.16
No. of shares (mn)	345
Free Float	13%
MCAP (TL mn)	1,348
MCAP (EUR mn)	131
EV (TL mn)	3,114
EV (EUR mn)	326
Net Debt (TL mn)	1,767
Net Debt (EUR mn)	181
3M ADV (USD mn)	0.54
3M ADV/FF MCAP (%)	3.2%

Valuation

	21E	22E	23E
P/E (x)	4.01	2.86	3.93
P/BV (x)	0.58	0.50	0.46
P/NAV (x)	0.59	0.56	0.54
P/EBITDA (x)	9.4	6.3	5.9
Capitalization Rate (%)	4.0	5.8	6.2

Source: INFO Research estimates

Price Performance



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For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

Exhibit 1. Financial Summary**Income Statement**

(TL mn)	2018	2019	2020	2021E	2022E	2023E	2023E	2024E
Net Sales	98	482	65	160	242	274	309	344
Cost of Sales	-14	-321	-9	-10	-12	-14	-15	-17
Gross profit (loss)	84	161	56	150	230	260	294	327
Operating Expenses	-14	-12	-9	-15	-11	-12	-14	-15
Core EBIT	71	149	47	135	219	248	280	312
Inc. & Exp. from Other Operations	420	194	266	500	443	277	294	312
Reported EBIT	491	342	313	635	662	524	573	623
Financial Income/Expenses	-331	-139	-524	-251	-149	-157	-128	-107
Other income	0	0	0	6	7	5	6	6
PBT from continuing operations	160	203	-211	390	519	373	451	523
Tax on Continuing Operations	-57	-32	-29	-55	-49	-30	-32	-34
Profit from continuing operations	103	171	-240	335	470	342	419	489
Net Profit	104	165	-240	335	470	342	419	489
Adj. EBITDA	79	87	44	135	219	248	280	312
Adj. EBITDA (eur mn)	14	14	5	14	21	22	24	25

Balance Sheet

(TL mn)	2018	2019	2020	2021E	2022E	2023E	2023E	2024E
Current Assets	183	71	38	49	92	120	135	149
Cash and Marketable Securities	7	33	14	20	29	18	20	22
ST Trade and Related Receivables	17	20	10	9	33	67	76	85
Inventories	147	3	1	0	0	0	0	0
Other Short-Term Assets	12	15	13	20	30	34	39	43
Long Term Assets	2,254	2,592	2,866	4,025	4,493	4,791	5,108	5,448
Fixed Assets	0	0	0	7	7	8	9	10
Intangible Assets	0	0	0	0	0	0	0	0
LT Receivables	35	42	76	90	108	119	131	144
Other Long-Term Assets	2,218	2,550	2,790	3,928	4,378	4,664	4,969	5,294
Total Assets	2,437	2,663	2,904	4,074	4,585	4,910	5,243	5,597
Short Term Liabilities	259	189	528	212	189	185	179	174
ST Financial Payables	136	155	466	153	161	162	157	150
ST Trade and Other Payables	75	32	53	50	19	23	22	24
Other Short-Term Liabilities	48	2	8	9	10	1	0	0
Long Term Liabilities	1,434	1,514	1,658	1,526	1,659	1,785	1,858	1,909
LT Financial Payables	1,253	1,349	1,451	1,270	1,332	1,329	1,276	1,202
Other Long-Term Liabilities	131	165	207	256	328	456	582	708
Equity	744	960	718	2,312	2,712	2,916	3,182	3,489
Total Paid-in Capital	184	184	184	900	900	900	900	900
Treasury Stock	-6	-10	-10	-10	-10	-10	-10	-10
Accumulated Profit/Loss	425	591	351	686	1,086	1,289	1,555	1,863
Reserves and Other Items	63	111	111	111	111	111	111	111
Total Liabilities and Sh. Equity	2,437	2,663	2,904	4,074	4,585	4,910	5,243	5,597

Source: Company data, INFO RESEARCH estimates

Exhibit 2. Key Operating Indicators and Macro Estimates
Financial Analysis

	2018	2019	2020	2021E	2022E	2023E	2023E	2024E
Margins								
Gross Margin (%)	85.9	33.4	86.0	93.5	95.0	95.0	95.0	95.0
Adj. EBITDA Margin (%)	80.1	79.5	71.2	84.1	90.5	90.5	90.5	90.5
Profitability								
Rental Yield (% in eur terms)	5.0	4.9	2.4	5.2	6.4	6.8	7.3	7.6
Capitalization Rate (% in eur terms)	4.1	3.9	1.9	4.0	5.8	6.2	6.5	6.9
Leverage								
Net Debt/EBITDA (x)	16.5	16.1	38.2	9.2	5.9	5.3	4.5	3.8
Net Debt/Equity (x)	1.9	1.5	2.7	0.6	0.6	0.5	0.5	0.4
Net Debt/Reported Portfolio Value (x)	0.7	0.6	0.7	0.4	0.3	0.3	0.3	0.3

KOI

	2018	2019	2020	2021E	2022E	2023E	2023E	2024E
No. of Hotels: ACCOR Turkey	15	15	15	15	15	15	15	15
No. of Hotels: ACCOR Russia	4	4	4	4	4	4	4	4
Total No. of ACCOR Hotels	19	19	19	19	19	19	19	19
No. of Rooms: ACCOR Turkey	2,477	2,477	2,477	2,477	2,477	2,477	2,477	2,477
No. of Rooms: ACCOR Russia	865	865	865	865	865	865	865	865
Total No. of ACCOR Hotels Rooms	3,342	3,342	3,342	3,342	3,342	3,342	3,342	3,342
Occupancy Ratio (%) ACCOR Turkey	67.1	69.7	33.1	50.0	66.5	68.5	70.0	71.5
Occupancy Ratio (%) ACCOR Russia	62.8	60.5	32.9	50.0	55.0	57.0	62.0	65.0
Occupancy Ratio (%) Avg. ACCOR Hotels	66.4	68.9	33.0	48.7	62.6	64.6	67.1	68.9

Macro Estimates

	2018	2019	2020	2021E	2022E	2023E	2023E	2024E
Turkey								
Real GDP growth (y/y %)	3.0	0.9	1.8	6.0	3.0	3.0	4.0	4.0
CPI (%) (eop)	20.3	11.8	14.6	15.0	12.0	12.0	10.0	10.0
EURTRY (eop)	6.0	6.7	9.1	10.9	12.0	12.6	13.3	13.9
EURTRY (avg.)	5.7	6.4	8.0	9.6	10.6	11.1	11.7	12.3
Russia								
Real GDP growth (y/y %)	2.8	2.0	-3.1	3.8	3.8	2.1	1.8	1.8
CPI (%) (eop)	2.9	4.5	3.4	4.5	3.4	3.8	4.0	4.0
EURUB (avg.)	75	73	83	92	96	101	106	111

Source: Company data, INFO RESEARCH estimates

Valuation

We value AKFEN GYO shares with a DCF valuation utilizing our free cash flows to firm (FCFF) estimates. The key valuation assumptions are as follows:

- 1) Free cash flow estimates are estimated in eur terms since some 75% of the company's rental income is either eur denominated or eur-linked,
- 2) Risk-free rate of 4.8% (eur implied yield of Turkey 2041 USD Eurobond),
- 3) Equity risk premium of 7%,
- 4) Stock beta of 1.0 based on the last 2-year trading history,
- 5) Terminal growth rate of 2% in eur terms,
- 6) Contract termination dates on leasehold and allotted assets are factored into the DCF estimates, while the NPV of freehold assets are assigned a terminal value.

Exhibit 3. AKFEN GYO DFC Valuation

(eur mn)	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Adj. Core EBIT	13.9	13.7	5.5	14.0	20.6	22.2	23.9	25.4
- Taxes	10.1	5.0	3.7	5.7	4.6	2.7	2.8	2.8
=NOPAT	3.8	8.7	1.8	8.3	16.0	19.5	21.1	22.6
+ Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Capex	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0
- Change in working capital	-12.2	10.5	6.2	-0.8	-6.1	-3.9	-1.3	-0.9
Free cash flow to firm (FCFF)	15.9	-1.9	-4.8	9.1	22.1	23.4	22.4	23.5
Discount factor				0.97	0.90	0.84	0.78	0.73
DCF for projected period (2021-2025)	83							
DCF for leasehold assets until term end (2026-2067)	207							
DCF for freehold assets for perpetuity	61							
Enterprise Value (eur mn)	351							
+ Participations	0							
- Latest net debt	181							
- Minority interest	2							
Current Fair Equity Value (eur mn)	167							
12MF Fair Equity Value (eur mn)	187							
Implied 12MF Price Target (TL)	6.25							
Current Price (TL)	3.91							
Potential upside (%)	60							
WACC								
Risk free rate	4.8%	<< Implied eur yield of TR Government 2041 USD Eurobond						
Beta	1.0							
Equity risk premium	7.0%							
Cost of equity	11.8%							
Cost of debt, after tax	4.5%							
Capitalisation rate	60%							
Weighed average cost of capital	7.4%							
Terminal growth rate	2.1%	<< in eur terms						
12MF EURTRY	11.5							

Source: Company data, INFO RESEARCH estimates

Exhibit 4. MSCI EM Hotels and Restaurants Index

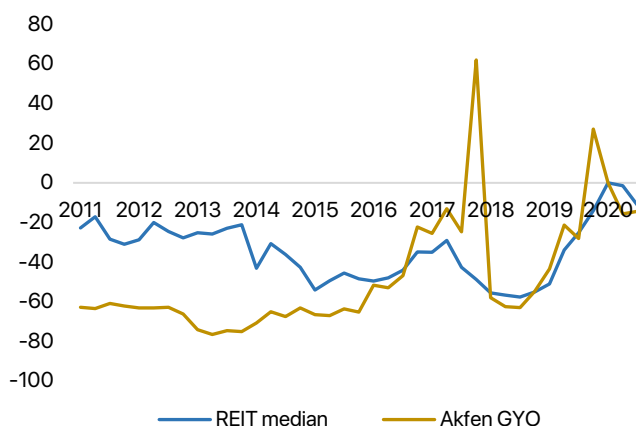
MSCI EM Hotels and Restaurants Index



Source: Bloomberg

Exhibit 5. BIST REIT Reported NAV Premium/Discount

BIST REIT Reported NAV Prem./Disc (%)



Source: EquityRT, INFO Research Estimates

Exhibit 6. AKFEN GYO Relative Valuation*

REIT	Ticker	MCAP (TL mn)	Equity (TL mn)	Portfolio MV (TL mn)	NAV			P/BV (x)	P/MV (x)	P/NAV (x)	LTM Net Sales (TL mn)	LTM Net Income (TL mn)	Net Debt (TL mn)	LTM EBITDA (TL mn)**
					NAV (TL mn)	Prem/Disc. (%)	NAV							
Emlak	EKGYO	7,182	14,764	16,993	14,048	-49	0.49	0.42	0.51	4,638	972	2,945	1,196	
Torunlar	TRGYO	2,860	8,655	12,049	7,637	-63	0.33	0.24	0.37	1,026	284	4,412	1,301	
Ziraat	ZRGYO	7,510	5,111	4,783	4,451	69	1.47	1.57	1.69	167	370	332	355	
İş	ISGYO	1,812	4,135	4,264	3,262	-44	0.44	0.42	0.56	554	291	1,003	451	
Akiş	AKSGY	1,441	3,636	5,278	2,972	-52	0.40	0.27	0.48	266	-591	2,306	145	
Özak	OZKGY	1,412	3,583	1,860	2,103	-33	0.39	0.76	0.67	1,188	631	-244	721	
Halk	HLGYO	2,489	2,935	3,332	2,836	-12	0.85	0.75	0.88	136	342	496	49	
Reysaş	RYGYO	1,006	2,091	3,026	1,910	-47	0.48	0.33	0.53	272	426	1,116	697	
Yeni Gimat	YGGYO	2,255	2,090	1,705	2,114	7	1.08	1.32	1.07	158	110	-409	113	
Alarko	ALGYO	1,320	1,868	1,035	1,233	7	0.71	1.28	1.07	28	369	-197	369	
Sinpaş	SNGYO	4,025	1,812	1,689	-2,459	-264	2.22	2.38	-1.64	1,923	1,358	4,149	2,593	
Servet	SRVGY	4,397	1,794	1,194	2,065	113	2.45	3.68	2.13	1,333	903	-871	1,094	
Vakıf	VKGYO	1,490	1,474	917	1,273	17	1.01	1.62	1.17	49	146	-356	82	
Kiler	KLGYO	1,085	1,242	532	936	16	0.87	2.04	1.16	194	-1	-404	-8	
Panora	PAGYO	529	918	913	917	-42	0.58	0.58	0.58	45	22	-3	23	
Deniz	DZGYO	752	561	352	221	240	1.34	2.14	3.40	372	8	130	7	
Doğuş	DGGYO	2,596	554	1,918	555	368	4.69	1.35	4.68	146	-371	1,363	-	
Median						-12	0.85	1.28	0.88					
Akfen GYO	AKFGY	1,344	1,506	3,334	1,567	-14	0.89	0.40	0.86	70	-52	1,767	323	

Source: EquityRT, INFO RESEARCH estimates

*as of 2021/1Q

**including asset revaluation gain/loss

Risks

- 1) A return to Covid-related travel restrictions due to new virus variants,
- 2) A slower than expected economic recovery in Turkey and Russia,
- 3) High unemployment and borrowing costs suppressing tourism spending in Turkey,
- 4) High financial debt

Company Overview

A diversified asset portfolio

AKFEN GYO's asset portfolio mainly consists of 19 Accor hotels (IBIS and Novotel) located in Turkey and Russia under a long-term management contract with Accor International. In addition to these assets, AKFEN GYO owns a hotel in Cyprus (Merit Hotel) and an office space in Samara, Russia. The company has also added two new assets to its portfolio in 2020: two student dormitories in Isparta and Kütahya and Bodrum LOFT Resort, a luxury hotel (**Exhibit 8**). The company is currently developing a retail asset in one of Istanbul's busiest underground stations– Söğütlüçeşme, Istanbul. The company's revenues fully comprise of property rental income 75% of which is either directly or indirectly euro-denominated. Geographical and revenue diversification supported by long-term lease and management contracts as well as revenue guarantees extended in the dormitory management business offer natural hedge against economic cycles.

Strong core shareholder

AKFEN Holding and Hamdi Akın collectively owns about 87% of the company's shares, while the free float is 13%. Akfen Holding has operations in energy, transportation, port management, mining and construction.

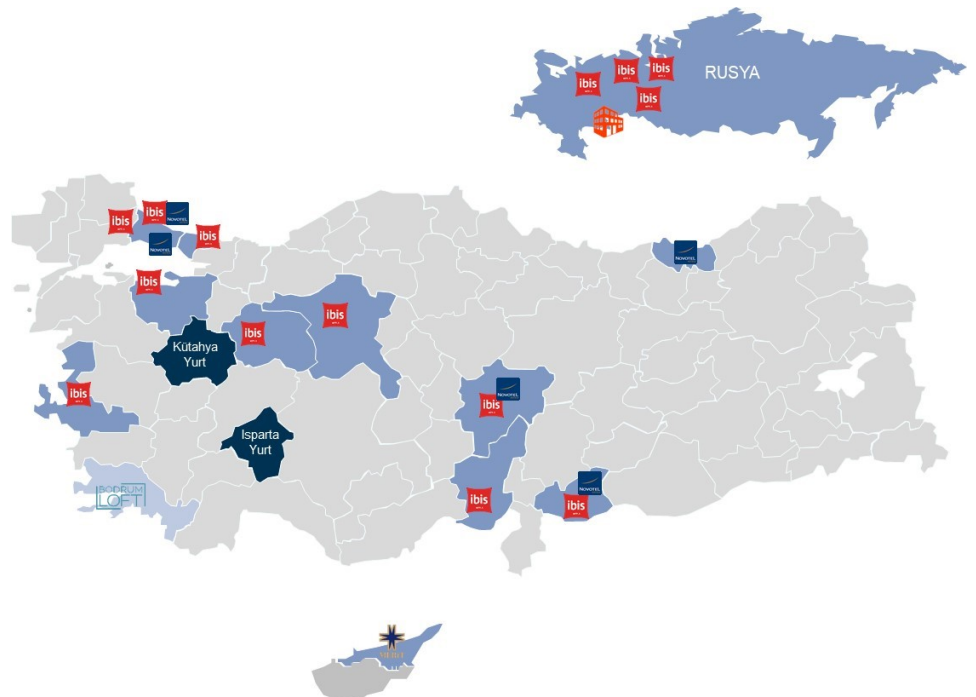
Exhibit 7. **AKFEN GYO** Shareholder Structure*

Shareholder	Share in Total Capital (TL)	Share in Total Capital (%)	Voting Rights Ratio (%)
Hamdi Akın	195,718,267	56.8	56.8
Akfen Holding	104,654,831	30.4	30.4
Halka Açık	44,273,234	12.8	12.8
Total	344,646,332	100.0	100.0

Source: KAP

*as of 02/07/2021

Exhibit 8. **AKFEN GYO** Geographic Location of Asset Portfolio



Source: Source: Company data

Exhibit 9. AKFEN GYO Asset Portfolio

Portfolio	Capacity	Start of Operation	Land Lease Term	Market Value (TL mn)	Market Value (eur mn)	Share in Total Portfolio (%)
Novotel ve Ibis Hotel Zeytinburnu	208 / 228 rooms	Mar-07	2067	291	30	9
Novotel Trabzon	200 rooms	Oct-08	2058	134	14	4
Novotel ve Ibis Hotel Gaziantep	92 / 177 rooms	Jan-10	2038	69	7	2
Novotel ve Ibis Hotel Kayseri	96 / 160 rooms	Mar-10	2058	65	7	2
Novotel Karaköy	200 rooms	Feb-16	2058	474	49	15
Ibis Hotel Eskişehir	108 rooms	Apr-07	2029	13	1	0
Ibis Hotel Bursa	200 rooms	Nov-10	2040	48	5	1
Ibis Hotel Adana	165 rooms	Sep-12	Freehold	68	7	2
Ibis Hotel Esenyurt	156 rooms	Jan-13	Freehold	75	8	2
Ibis Hotel İzmir Alsancak	140 rooms	Jun-13	2059	67	7	2
Ibis Hotel Ankara Airport	147 rooms	Sep-14	Freehold	82	8	3
Ibis Hotel Tuzla	200 rooms	Apr-17	Freehold	95	10	3
Turkey ACCOR Hotels				1,481	152	44
Ibis Hotel Yaroslavl	177 rooms	Sep-11	Freehold	80	8	2
Ibis Hotel Samara	204 rooms	Mar-12	Freehold	78	8	2
Ibis Hotel Kaliningrad	167 rooms	Aug-13	Freehold	107	11	3
Ibis Hotel Moskova	317 rooms	Jul-15	2059	279	29	9
Russia ACCOR Hotels				544	56	16
Total ACCOR Hotels				2,025	207	61
Merit Park Hotel	286 rooms	Apr-07	2052	622	64	19
Samara Office	4637 m ²	Mar-12	Freehold	58	6	2
Bodrum Loft	92 rooms	Jul-20	2067	281	29	9
Isparta Dormitory	4,032 beds	Dec-18	2042	161	16	5
Kütahya Dormitory	3,032 beds	Sep-19	2045	121	12	4
Total Other Assets				1,243	127	37
Total Portfolio				3,267	334	98
Land Lease Assets (IFRS-16)				65	7	2
Total Portfolio (post-IFRS-16)				3,332	341	100
Freehold				642	66	
share in NAV				20%		
Leasehold + Alloted Land				2,690	275	
share in NAV				80%		

Source: Company data

ACCOR Hotels constitute the backbone of the portfolio

AKFEN GYO owns 14 Accor hotels in Turkey and 5 Accor hotels in Russia under a long-term management contract with ACCOR International. The room capacity of the ACCOR hotels is 3,342 located in 10 cities in Turkey (including İstanbul, Ankara, İzmir) and 4 cities in Russia (including Moscow). About 80% of the company's assets in its portfolio comprises of leasehold and allotted assets in terms of portfolio value, while the rest is owned by the company as freehold assets. The average duration of AKFEN GYO's leasehold and allotted assets is about 30 years ranging from 2029 to 2067 (**Exhibit 9**). The reported market value of the company's portfolio stood at EUR341 mn as of the end of 2021/1Q.

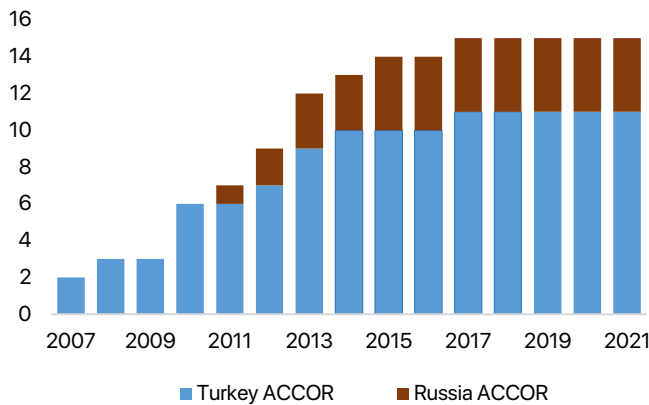
Cyprus Merit Hotel and Karaköy Novotel are the most valuable assets in the portfolio by reported market value as of the end of 2021/1Q. We also note that the company owns three of the four hotels in Russia, while there is a purchase option on IBIS Moscow hotel by the end of lease contract.

AKFEN GYO has also acquired the management of two student dormitories with revenue guarantees contracted by Higher Education Student Loans and Dormitories Institution (KYK) for 15 years.

AKFEN GYO has invested EUR42 mn in Bodrum LOFT Resort under a 49 year land allotment contract.

Exhibit 10.

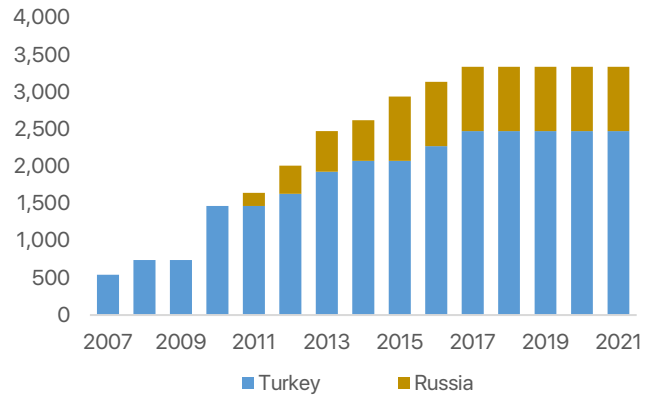
AKFEN GYO Total Number of ACCOR Hotels



Source: Company data

Exhibit 11.

AKFEN GYO ACCOR Hotels Total Room Capacity



Source: Company data

Turkey has become a major touristic destination in the world in the past 20 years

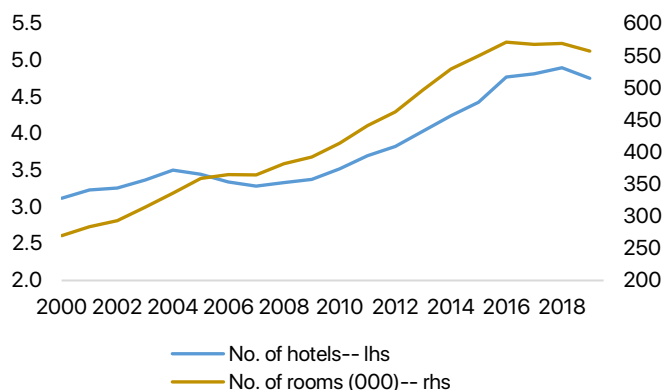
Turkey ranked no. 7 in the top global touristic destinations in 2009 with 32 mn foreign visitors at the end of 2009 moving up from no. 20 in 2000 with 10 mn visitors. Due to the political tensions with Russia in 2015-2016, the number of foreign tourists decreased by 25% y/y in 2016 before recovering rapidly in 2017-2019 where the total number of foreign visitors reached its historical peak with 52 million tourists in 2019 (**Exhibit 13**). We see that in the 2000-2019 period, the number of foreign visitors grew at a compound annual rate of 8.8%, nearly 3 times the world average.

Turkey's high performance in tourism has also brought about a rapid development in tourism infrastructure. While the number of facilities with tourism certificates was 3,124 in 2000, it increased by 52% and reached 4,761 at the end of 2019. The total number of rooms doubled in the same period and reached 557 thousand at the end of 2019 (**Exhibit 12**). At the end of 2019, the total number of beds in facilities with tourism certificates in Turkey doubled in 2000-2020.

On the other hand, while the total number of overnight stays of foreign tourists coming to facilities with tourism certificates and those certified by local administrations grew by 8.5% annually in the 2000-2019 period, the growth rate in the total number of overnight stays of domestic tourists was 5%.

Exhibit 12.

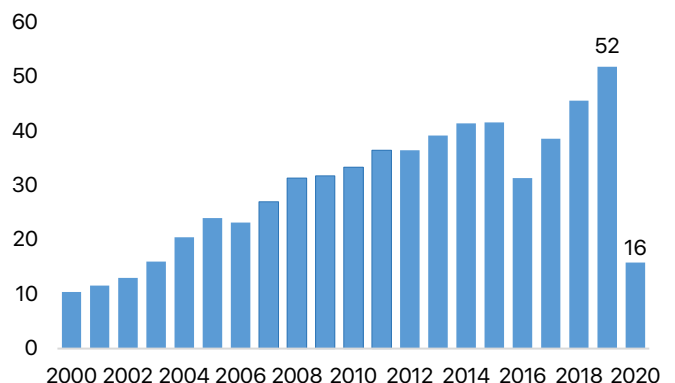
Turkey Total No. of hotels (000)



Source: TurkStat

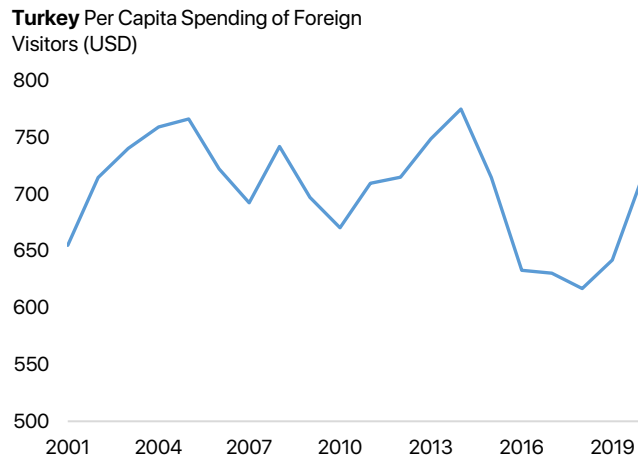
Exhibit 13.

Turkey No. of Foreign Visitors (mn)



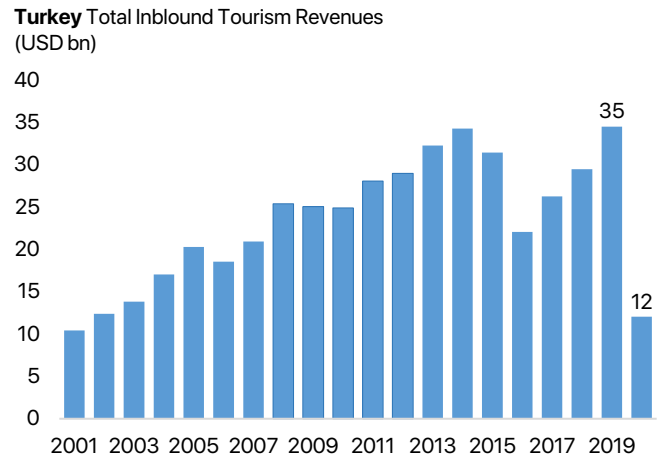
Source: TurkStat

Exhibit 14.



Source: TurkStat

Exhibit 15.



Source: TurkStat

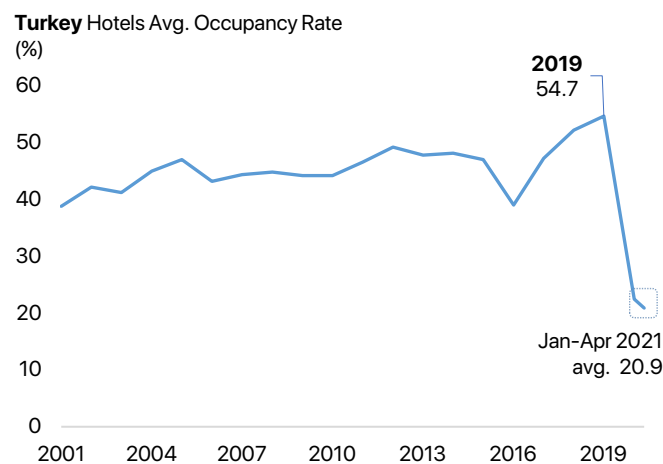
The pandemic has affected the global tourism industry and Turkey very negatively

Domestic and foreign tourism is one of the sectors most negatively affected by the Covid pandemic, which started to show its effect in the first quarter of 2020. As a result of the rapidly implemented health measures and long-term closures in the world and in Turkey, the number of global tourists decreased by 86% at the end of 2020 compared to the previous year (UNWTO). Parallel to this, the total number of foreign visitors to Turkey (including non-resident Turkish citizens) decreased by 70% at the end of 2020 compared to the previous year to 16 million.

While the decrease in the number of domestic trips was 45% at the end of 2020, the decrease in the total number of overnight stays was more limited at 26%. The most important reason for this is that the average number of overnight stays of domestic tourists increased from 8.0 at the end of 2019 to 10.9 at the end of 2020. As a result of these developments, the average occupancy rate of tourism facilities in Turkey decreased rapidly from the record occupancy level recorded in 2019 to 20% in 2020 (Exhibit 16).

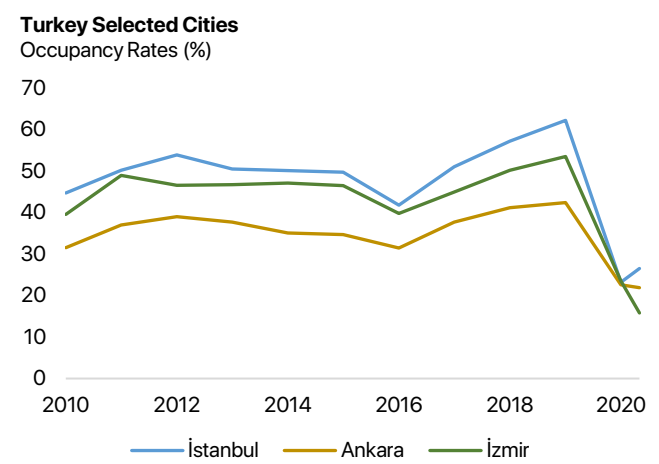
Parallel to the rapid decline in the number of tourists, tourism revenues from foreign visitors decreased by 65% year-on-year to 12 billion USD at the end of 2020 (Exhibit 15). Domestic travel expenditures, on the other hand, decreased by 34% in nominal terms and reached 32 billion TL at the end of 2020.

Exhibit 16.



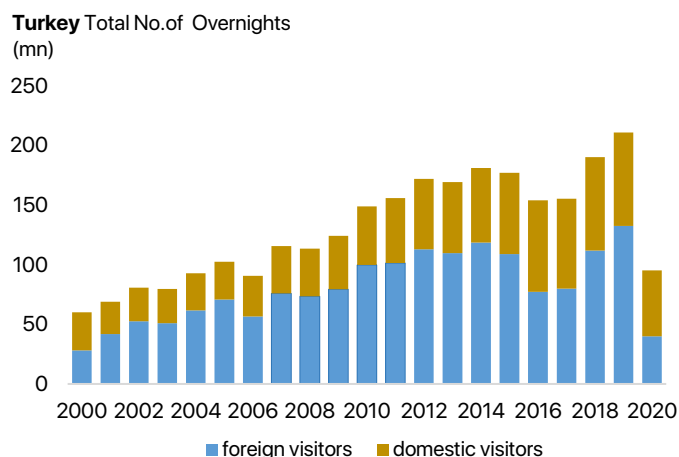
Source: TurkStat

Exhibit 17.



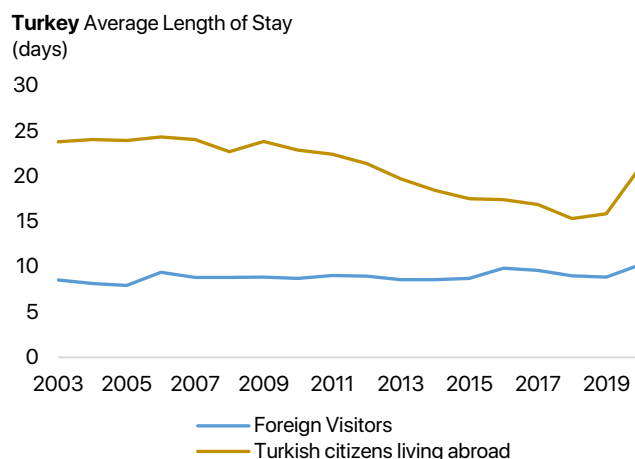
Source: TurkStat

Exhibit 18.



Source: TurkStat

Exhibit 19.



Source: TurkStat

Domestic tourism market in Turkey maintains its importance

According to TURKSTAT Household Domestic Tourism Research figures, total travel expenditures of domestic residents increased by 7.5% annually in real terms during the 2009-2019 period and reached 49 billion TL at the end of 2019. Travel expenditures per capita rose to 615 TL at the end of 2019, and grew by 12% annually in real terms between 2009 and 2019 (**Exhibit 20**).

However, as a result of the rapid depreciation of TL, total domestic expenditures in USD terms declined to 20% of the total tourism expenditures of domestic and foreign visitors in 2019 from 30% at the end of 2016.

On the other hand, we note that the average number of overnight stays of residents has hovered around 8 nights in the last 10 years. While the average overnight stay of foreign visitors was approximately 9 nights in the period 2009-2019, the average number of overnight stays of Turkish citizens residing abroad decreased from 23 nights recorded in the 2003-2013 period to 16 nights at the end of 2019. This figure has increased to 21 nights in 2020 due to the effect of the pandemic (**Exhibit 19**).

Exhibit 20. Turkey Domestic Tourism Figures

	No. of trips (mn)	No. of overnight stays (mn)	Avg. Length of Stay (days)	Travel Expenditures (TL bn)	Travel Expenditures (USD bn)	Real Change (y/y %)	Share in Total Tourism Revenues (%)	Avg. Spending pc (TL)	Real Change (y/y %)
2009	61	511	8.4	12	7.9		24.1	201	
2010	68	555	8.1	14	9.2	5.9	26.8	202	-5.7
2011	66	558	8.5	16	9.4	5.6	24.8	238	9.6
2012	65	557	8.6	17	9.3	-1.8	24.3	258	-0.4
2013	68	557	8.1	18	9.7	2.4	23.1	269	-2.8
2014	71	576	8.1	23	10.3	12.7	23.1	319	8.9
2015	71	589	8.3	24	9.0	0.3	22.2	343	-0.1
2016	68	606	8.8	28	9.3	6.6	29.5	410	10.9
2017	77	665	8.6	35	9.7	13.3	26.9	457	0.4
2018	79	634	8.1	40	8.4	-5.2	22.1	513	-6.8
2019	78	637	8.1	49	8.6	8.6	20.0	625	8.9
2020	43	469	10.9	32	4.6	-42.5	27.6	753	5.1
2021E	60	600	8.5	53	6.0	42.9	24.3	883	2.0
2022E	70	595	8.5	73	7.5	22.5	17.9	1,039	5.0
2023E	72	613	8.5	87	8.2	7.1	16.0	1,210	4.0
2024E	74	631	8.5	102	9.1	6.1	16.1	1,371	3.0
2025E	76	650	8.5	119	10.1	6.1	16.3	1,553	3.0

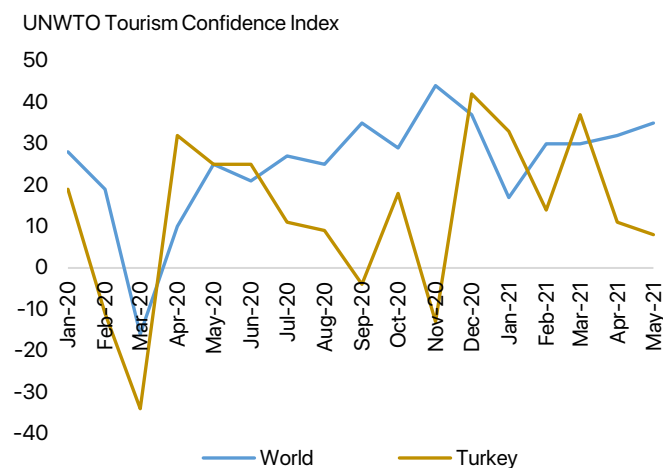
Source: Ministry of Culture and Tourism

The tourism sector is expected to recover sharply in the post-pandemic period

According to UNWTO (United Nations World Tourism Organization) data, the total number of tourists traveling in the world decreased by 86% y/y to 200 million at the end of 2020. With the acceleration of vaccination against Covid, the decrease in the number of tourists at the end of March 2021 increased to 67% y/y, indicating a significant recovery in world tourism.

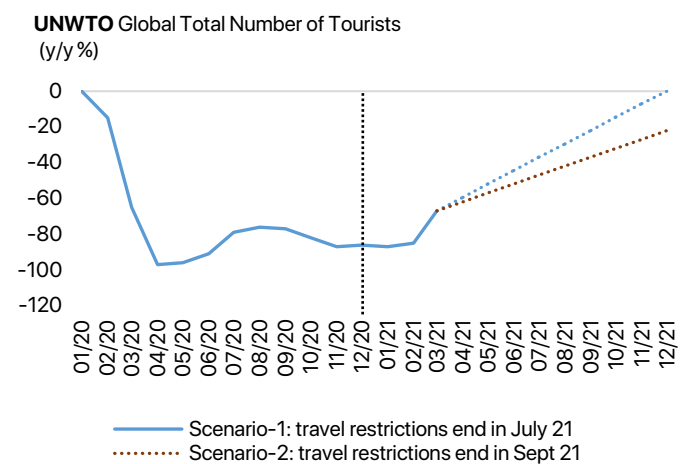
According to the scenario analysis published by UNWTO, if the global travel bans are lifted significantly in July 2021, the number of traveling tourists can be expected to reach the end of 2019 level by the end of 2021. On the other hand, recovery is expected to be slower if travel restrictions extend to September 2021 (**Exhibit 22**). Again, according to UNWTO data, the world tourism confidence index has risen to the levels seen at the end of 2019, implying that the recovery in the tourism sector may be closer to the first scenario (**Exhibit 21**).

Exhibit 21.



Source: UNWTO

Exhibit 22.



Source: UNWTO

In Turkey, on the other hand, we see that the tourism confidence index, which recovered rapidly in the last quarter of 2020, showed a rapid decline in May as a result of the harsh closure measures taken, as Covid cases spiked in the March-April period. In response to the falling number of cases as a result of very rapid vaccination against Covid, the government completely removed travel restrictions as of July 1, 2021. In addition, with Russia allowing tourists to come to Turkey again, there are signs that the summer of 2021 will likely be a very good season.

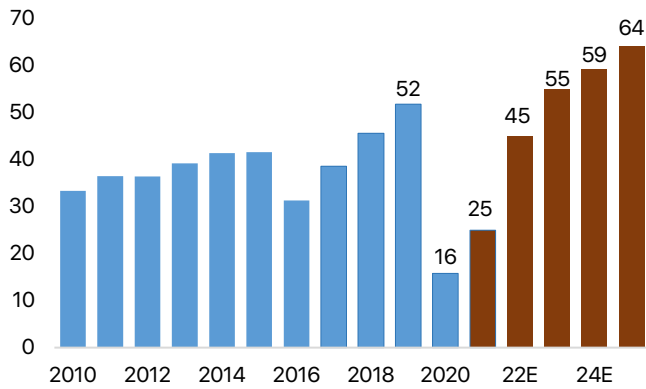
However, according to our estimations, the significant lifting of travel restrictions in the world will be delayed to September. As a result, we estimate that the total number of foreign visitors to Turkey (including Turkish citizens living abroad) will remain around 25 million. Although this figure has increased by 100% compared to 2020, it corresponds to half of the 52 million recorded in 2019. We expect the total number of foreign visitors to exceed the peak level seen in 2019 with 55 million in 2023.

Based on these figures, we expect Turkey's total revenue from foreign visitors to reach approximately 20 billion USD in 2021 and 35 billion USD in 2022 (**Exhibit 24**). We think that the domestic tourism activity of the residents will be a little slower compared to the foreign visitors. We expect high unemployment and household indebtedness to continue to put pressure on travel spending. According to our main scenario, the total number of overnight stays in the country will gradually increase to 635 million in 2024, reaching the peak seen in 2019 (**Exhibit 23**).

We expect total foreign and domestic tourism revenues to peak at 50 billion USD by the end of 2023 (**Exhibit 24**). Our main scenario is based on the disappearance of the effect of the pandemic in 2022. Naturally, if Covid variants show resistance to the vaccines applied, the probability of the expected recovery in tourism to extend beyond 2023 would rise.

Exhibit 23.

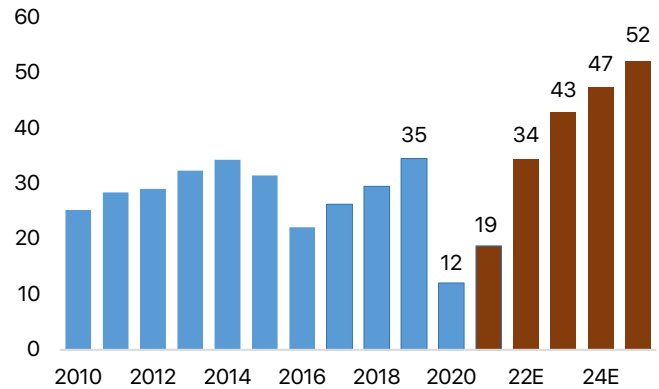
Turkey No. of Foreign Visitors
(mn)



Source: UNWTO

Exhibit 24.

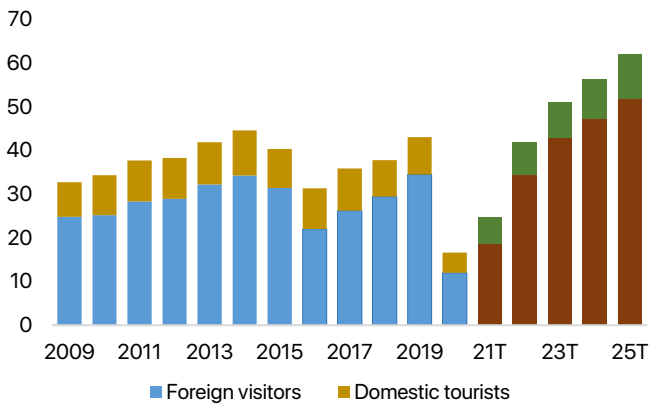
Turkey Inbound Tourism Revenues
(USD bn)



Source: UNWTO

Exhibit 25.

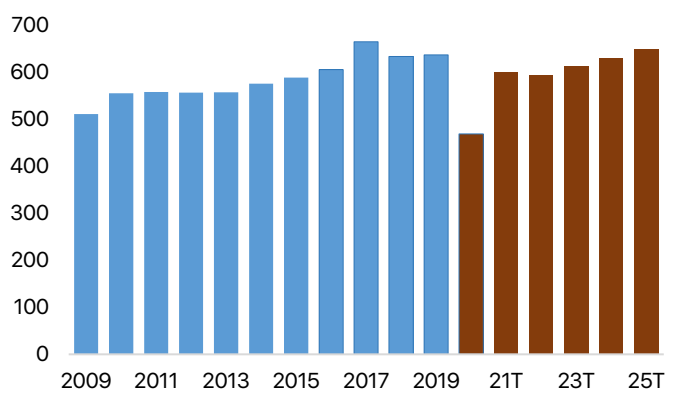
Turkey Domestic and Inbound Tourism Revenues
(USD bn)



Source: UNWTO

Exhibit 26.

Turkey Domestic Tourists Overnight Stays
(mn)



Source: UNWTO

Russia: A market dominated by domestic tourism

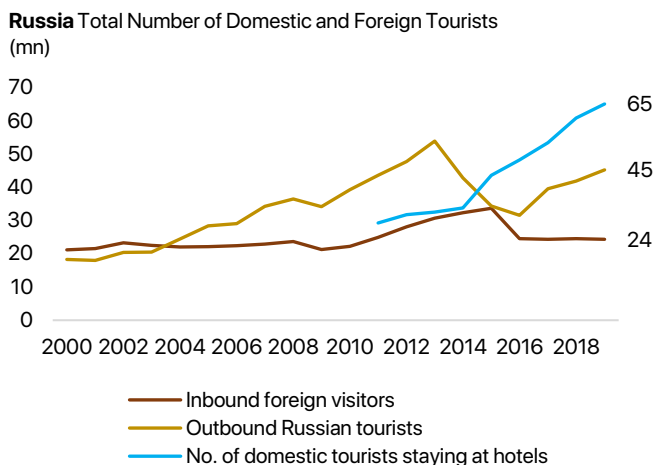
The structure of the tourism sector in Russia has quite different characteristics from that of Turkey. Contrary to Turkey, the number of foreign tourists going to Russia is about half of the number of resident tourists going abroad (**Exhibit 27**). For example, while the number of foreign visitors entering Russia in 2019 was 24 million, the number of those going to other countries from Russia was 45 million. With 6.5 million tourists in 2019, Turkey became the country most visited by Russian citizens.

On the other hand, according to the figures of the Russian Federal Statistical Office, the number of Russian citizens staying in hotels and similar facilities has doubled to 65 million at the end of 2019 compared to the previous five years.

While the tourism revenues of Russia from foreign visitors were 17.6 billion USD in 2019, the tourism expenditures of Russian citizens abroad were 40 billion USD. On the other hand, as a result of the cash support provided by the Russian government to its citizens in 2020 to support domestic tourism, the decrease in the number of residents staying in accommodation facilities was limited to 30% (**Exhibit 28**).

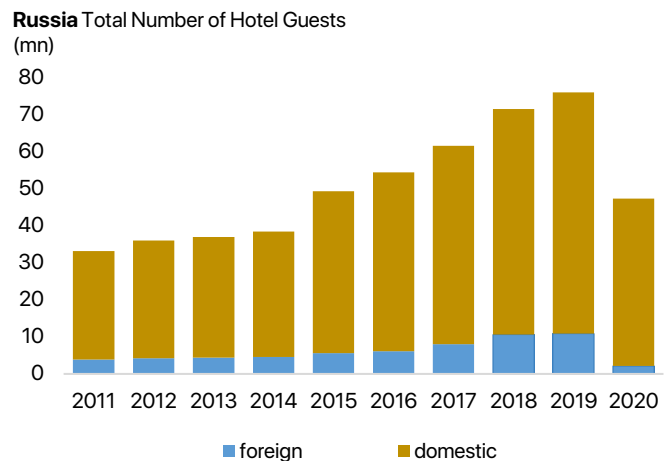
Although the increase in the total number of hotels in Russia was limited between 2004 and 2013, it doubled between 2014 and 2018 and reached the level of 20,000 with the effect of the preparations for the 2014 Sochi Winter Olympics. The total number of beds doubled and exceeded 400 thousand in 2019.

Exhibit 27.



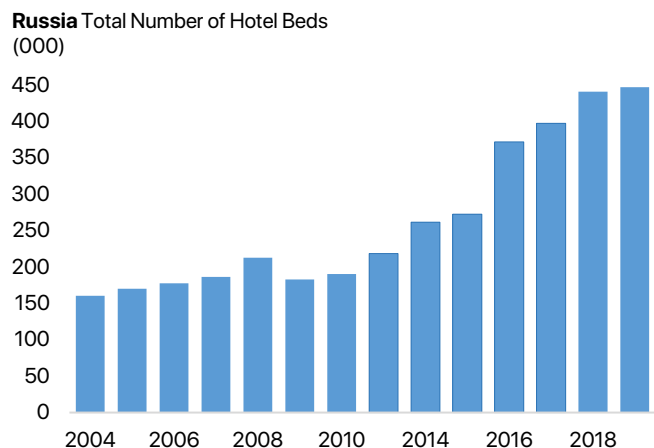
Source: Rosstat

Exhibit 28.



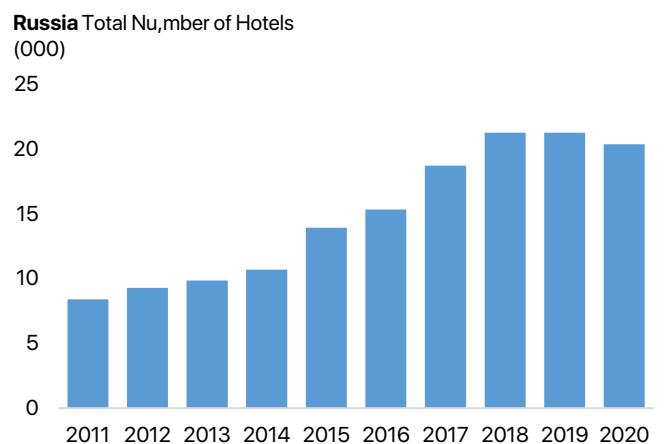
Source: Rosstat

Exhibit 29.



Source: Rosstat

Exhibit 30.



Source: Rosstat

Exhibit 31. International Brand Hotels in Russia

Chain	Total Number (Feb-2021)		
	Hotels	Rooms	% of total
Raddison	37	9,907	22.6
Accor Hotels	52	8,736	19.9
InterContinental	29	6,650	15.2
Marriott International	26	5,857	13.4
Hilton Woldrwide	25	4,661	10.6
Wyndham Hotels	6	877	2.0
Hyatt Hotels	4	997	2.3
Others	31	6,160	14.0
Total	210	43,845	100.0

Source: EY

Exhibit 32.



Source: EY

Between 2004-2020, we see that a total of 210 new foreign brand hotels were opened in Russia. According to Ernst & Young Russian hotel sector figures, Raddison and ACCOR hotels stand out with a share of approximately 20% in the Russian chain hotel market as of February 2021 (**Exhibit 31**). ACCOR ranks second in the market with a total of 52 hotels and 8,736 rooms. According to the report, ACCOR is playing for the market leadership by planning to open 36 new hotels in Russia by 2025.

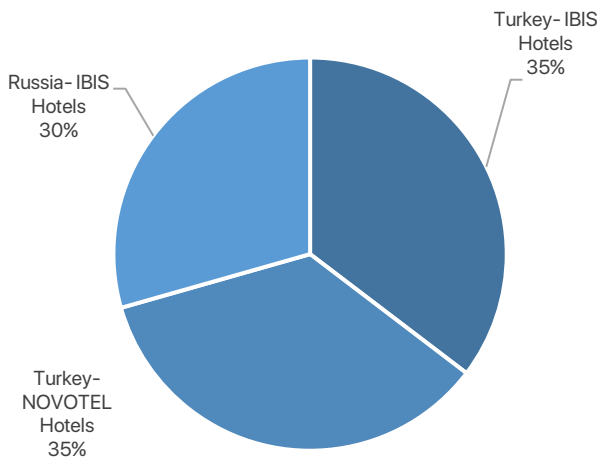
AKFEN GYO Accor Hotels

ACCOR hotel chain operates 15 hotels of AKFEN GYO in Turkey and 4 hotels in Russia. AKFEN GYO leases its hotels under a long-term revenue sharing model with the brands of IBIS and Novotel. In the 2012-2019 period, revenues from ACCOR hotels accounted for 68% of total revenues (**Exhibit 33**). In the same period, revenues from ACCOR hotels in Turkey constituted 70% of total ACCOR hotel revenues.

ACCOR hotels: The long-term revenue sharing model. AKFEN GYO receives 95% of the net income as rental income, after deducting ACCOR management, operation and other (insurance, marketing, etc.) expenses from the revenues of Accor hotels. As per the revised management contract, the average revenue sharing ratio was upped to 95% for all hotels in Turkey and Russia from an average of 75% in 2012-2020 which boosted AKFEN GYO's rental income.

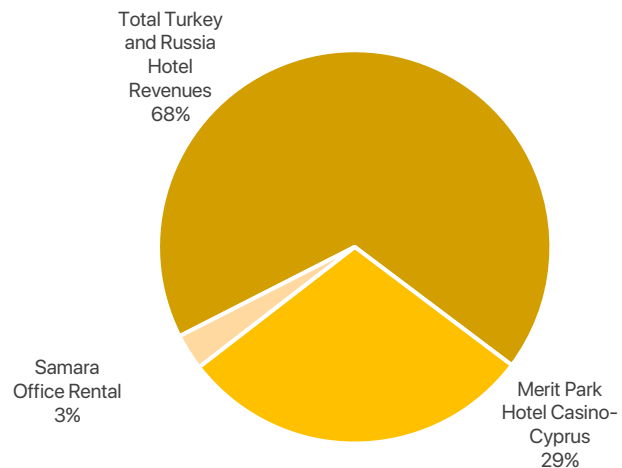
Among the ACCOR hotels in Turkey, Trabzon IBIS, Zeytinburnu IBIS/Novotel and Karaköy Novotel mostly attract foreign tourists, so AKFEN REIT's rental income from these hotels moves in parallel with USD and EUR. ACCOR pays AKFEN GYO in about 50 days with an exchange rate shown on the original invoice date.

Exhibit 33. AKFEN GYO ACCOR Hotels Revenue Mix (2012-2019)



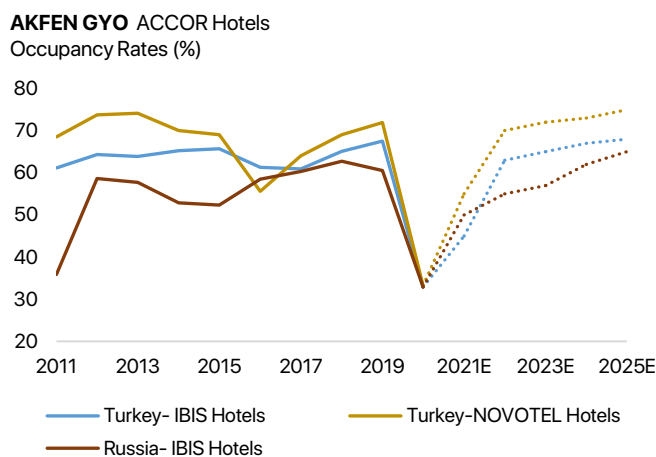
Source: Company data

Exhibit 34. AKFEN GYO Total Revenue Mix (2012-2019)



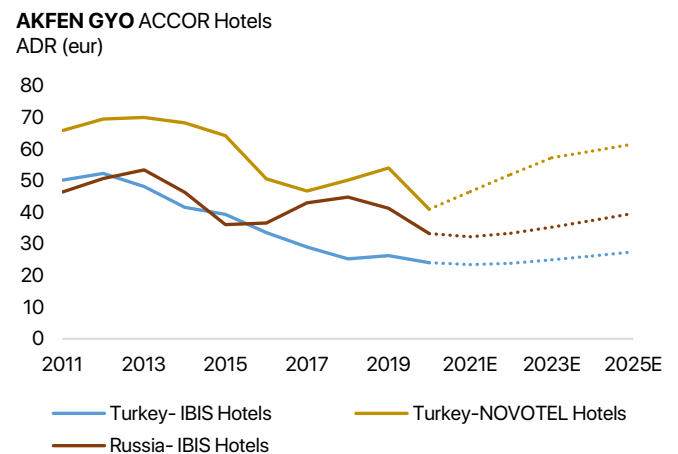
Source: Company data

Exhibit 35. AKFEN GYO ACCOR Hotels Occupancy Rates



Source: Company data

Exhibit 36. AKFEN GYO ACCOR Hotels Average Daily Room Rates (ADR)



Source: Company data

We expect the occupancy rates, which declined sharply during the pandemic, to gradually recover in the coming period. After the average occupancy rate of Accor hotels in Turkey had reached the peak level of 70% in 2019 before the pandemic, it decreased to 33% in 2020 after the pandemic (**Exhibit 38**). When we look at the hotel occupancy rates of the cities where the company has rental income in Turkey, we see that Accor hotels operate with occupancy rates well above the average. For example, in Gaziantep, Accor's occupancy rate was 80% in 2019, while the average occupancy rate in the city was around 43% (**Exhibit 37**).

On the other hand, the occupancy rates of Accor's hotels in Istanbul vary depending on the location. Karaköy Novotel had the highest occupancy rate of 86% in 2019, while Zetinburnu IBIS and Novotel recorded 70% occupancy rates. Tuzla and Esenyurt IBIS hotels, on the other hand, performed well below the chain's other hotels in Istanbul, with an average occupancy rate of approximately 50%.

Exhibit 37. AKFEN GYO Selected Cities Occupancy Rates (%)

	İstanbul	Ankara	İzmir	Kayseri	G Antep	Bursa	Adana	Trabzon	Eskişehir	Average*
AKFEN ACCOR	68.8	64.2	79.3	68.3	80.6	54.7	77.9	56.5	71.2	69.8
All Hotels	62.3	42.4	53.6	42.7	43.4	48.5	45.9	35.7	44.8	48.4

Source: Company data, TurkStat

*for ACCOR hotels weighted by number of rooms sold

Russia ACCOR hotels are recovering rapidly after the pandemic

The occupancy rates of AKFEN REIT's hotels in Russia also differ as in Turkey. For example, Moscow IBIS recorded an average occupancy rate of 70% in 2019, while this rate remained at 57% in Yaroslavl (**Exhibit 39**).

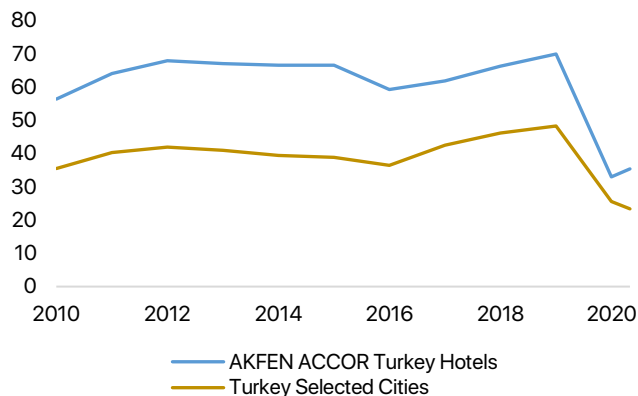
While the occupancy rate of AKFEN Russia Accor hotels decreased to 30% in 2020 due to the effect of the pandemic, it showed a rapid recovery in the first quarter of 2021. The biggest reason for this was the cash support provided by the Russian government to its citizens for domestic tourism, and the emphasis on domestic and travel activities of Russian citizens who could not go abroad due to closures was also effective. According to AKFEN REIT data, the occupancy rate of Accor hotels in Russia jumped to 46% at the end of April 2021. In particular, the occupancy rate of Kalinin IBIS was 60%, almost reaching pre-pandemic levels (**Exhibit 39**).

We expect the occupancy rates in both Turkey and Russia Accor hotels to gradually increase to the levels recorded in 2018-2019 between 2021-2023.

Exhibit 38.

AKFEN ACCOR Turkey Hotels

Occupancy Rates (%)

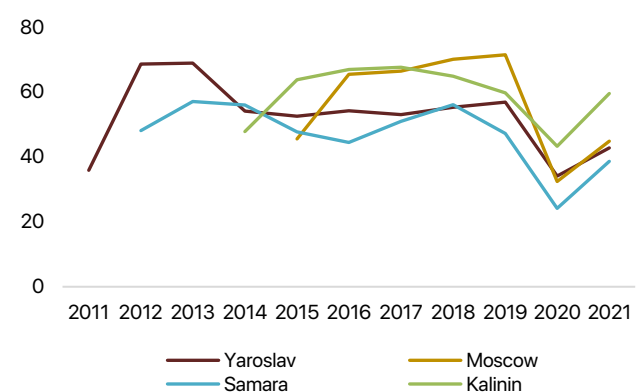


Source: Company data

Exhibit 39.

AKFEN GYO ACCOR Russia Occupancy Rates

(%)



Source: Company data

Exhibit 40. AKFEN GYO ACCOR Hotels Financial Model

ACCOR Hotels KOI

Room Capacity	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Turkey- IBIS Hotels	1,038	1,334	1,481	1,481	1,481	1,681	1,681	1,681	1,681	1,681	1,681	1,681	1,681	1,681
Turkey-NOVOTEL Hotels	596	596	596	596	796	796	796	796	796	796	796	796	796	796
Russia- IBIS Hotels	381	548	548	865	865	865	865	865	865	865	865	865	865	865
Total	2,015	2,478	2,625	2,942	3,142	3,342	3,342	3,342	3,342	3,342	3,342	3,342	3,342	3,342
Occupancy Rates (%)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Turkey- IBIS Hotels	64.3	63.9	65.2	65.7	61.3	60.9	65.1	67.5	32.9	45.0	63.0	65.0	67.0	68.0
Turkey-NOVOTEL Hotels	73.8	74.1	70.0	69.1	55.6	64.1	69.0	71.9	33.2	55.0	70.0	72.0	73.0	75.0
Russia- IBIS Hotels	58.6	57.7	52.9	52.4	58.5	60.3	62.8	60.5	32.9	50.0	55.0	57.0	62.0	65.0
Average	68.0	67.2	66.7	66.6	59.3	61.9	66.4	68.9	33.0	48.7	62.6	64.6	67.1	68.9
No. of rooms sold (000)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Turkey- IBIS Hotels	218	293	327	355	332	363	399	414	203	276	387	399	411	417
Turkey-NOVOTEL Hotels	161	161	152	150	157	186	201	209	97	160	203	209	212	218
Russia- IBIS Hotels	75	93	106	133	185	190	198	191	104	158	174	180	196	205
Total	454	547	585	638	674	739	798	814	404	594	764	788	819	840
Total Hotel Revenues (eur mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Turkey- IBIS Hotels	13.6	16.9	16.3	17.0	13.6	12.8	12.5	13.7	6.2	8.3	11.6	12.6	13.6	14.5
Turkey-NOVOTEL Hotels	16.1	16.4	14.8	13.7	11.6	12.4	13.6	15.2	5.5	10.4	15.0	17.0	17.9	19.1
Russia- IBIS Hotels	5.2	6.7	6.7	6.6	9.4	11.5	12.1	11.1	4.8	7.0	8.1	8.9	10.3	11.4
Total	34.9	40.0	37.9	37.2	34.6	36.7	38.2	40.0	16.5	25.8	34.8	38.5	41.8	44.9
Room Revenues (eur mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Turkey- IBIS Hotels	11.4	14.1	13.6	14.0	11.2	10.6	10.1	10.9	4.9	6.5	9.2	10.0	10.8	11.5
Turkey-NOVOTEL Hotels	11.2	11.3	10.4	9.7	8.0	8.7	10.1	11.3	4.0	7.4	10.6	12.0	12.6	13.4
Russia- IBIS Hotels	3.8	5.0	4.9	4.8	6.8	8.2	8.9	7.9	3.5	5.1	5.8	6.4	7.3	8.1
Total	26.4	30.4	28.9	28.4	25.9	27.4	29.1	30.1	12.3	19.0	25.6	28.3	30.7	33.0
F&B and Other Revenues (eur mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Turkey- IBIS Hotels	2.2	2.7	2.7	3.0	2.4	2.3	2.4	2.8	1.3	1.8	2.4	2.6	2.8	3.0
Turkey-NOVOTEL Hotels	4.9	5.1	4.4	4.0	3.7	3.7	3.6	3.9	1.5	3.0	4.4	5.0	5.3	5.6
Russia- IBIS Hotels	1.4	1.8	1.8	1.8	2.6	3.3	3.2	3.2	1.3	1.9	2.3	2.5	2.9	3.3
Total	8.5	9.6	9.0	8.8	8.7	9.3	9.1	9.9	4.2	6.7	9.2	10.2	11.0	11.9
ADR (eur)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Turkey- IBIS Hotels	52.4	48.2	41.6	39.4	33.7	29.1	25.3	26.3	24.1	23.5	23.9	25.1	26.3	27.5
Turkey-NOVOTEL Hotels	69.5	70.1	68.3	64.3	50.7	46.7	50.2	54.0	41.0	46.6	52.1	57.3	59.4	61.6
Russia- IBIS Hotels	50.7	53.5	46.4	36.2	36.7	43.0	44.8	41.3	33.3	32.3	33.4	35.3	37.5	39.7
Average	58.2	55.5	49.4	44.6	38.5	37.1	36.4	36.9	30.6	32.1	33.6	36.0	37.5	39.3
RevPar (eur)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Turkey- IBIS Hotels	30.2	29.0	25.1	25.9	20.7	17.2	16.5	17.8	8.0	10.6	15.1	16.3	17.6	18.7
Turkey-NOVOTEL Hotels	51.4	51.9	47.9	44.4	27.4	29.9	34.7	38.9	13.7	25.6	36.5	41.2	43.4	46.2
Russia- IBIS Hotels	27.2	24.7	24.5	15.2	21.5	25.9	28.1	25.0	11.0	16.2	18.4	20.1	23.2	25.8
Average	35.9	33.6	30.2	26.5	22.6	22.5	23.8	24.7	10.1	15.6	21.0	23.2	25.2	27.1
T-RevPar (eur)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Turkey- IBIS Hotels	35.9	34.6	30.2	31.5	25.2	20.9	20.4	22.4	10.1	13.6	19.0	20.5	22.2	23.6
Turkey-NOVOTEL Hotels	74.0	75.3	68.2	62.8	40.0	42.6	46.9	52.2	19.0	35.9	51.8	58.6	61.6	65.6
Russia- IBIS Hotels	37.5	33.7	33.7	20.8	29.8	36.3	38.2	35.0	15.1	22.3	25.7	28.2	32.5	36.1
Average	47.5	44.2	39.6	34.7	30.2	30.1	31.3	32.8	13.5	21.1	28.5	31.6	34.2	36.8

Exhibit 41. AKFEN GYO ACCOR Hotels Financial Model

OPEX (eur mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Turkey- IBIS Hotels	6.9	9.2	9.0	9.6	8.2	7.7	7.1	7.8	4.6	5.4	7.0	7.6	8.2	8.7
Turkey-NOVOTEL Hotels	8.9	8.8	8.0	7.6	8.3	7.5	7.1	7.8	4.2	6.8	8.3	9.4	9.8	10.5
Russia- IBIS Hotels	2.8	3.6	3.9	4.0	5.3	6.2	6.2	6.2	3.8	4.9	4.9	5.2	5.6	6.3
Total	18.7	21.7	20.9	21.2	21.7	21.4	20.4	21.9	12.5	17.1	20.1	22.1	23.6	25.4
GOP Ratio (%)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Turkey- IBIS Hotels	49.4	45.4	44.6	43.4	40.0	40.3	43.2	43.0	26.9	35.0	40.0	40.0	40.0	40.0
Turkey-NOVOTEL Hotels	44.5	46.0	46.1	44.6	28.8	39.5	48.0	48.5	24.5	35.0	45.0	45.0	45.0	45.0
Russia- IBIS Hotels	45.5	46.2	42.5	39.0	44.1	45.8	48.3	43.8	19.9	30.0	40.0	42.0	45.0	45.0
Average	46.5	45.8	44.8	43.1	37.4	41.8	46.5	45.3	24.1	33.6	42.2	42.7	43.4	43.4
GOP (eur mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Turkey- IBIS Hotels	6.7	7.7	7.3	7.4	5.4	5.2	5.4	5.9	1.7	2.9	4.7	5.0	5.4	5.8
Turkey-NOVOTEL Hotels	7.2	7.5	6.8	6.1	3.3	4.9	6.5	7.4	1.4	3.6	6.8	7.7	8.1	8.6
Russia- IBIS Hotels	2.4	3.1	2.9	2.6	4.1	5.3	5.8	4.8	1.0	2.1	3.2	3.7	4.6	5.1
Total	16.3	18.3	17.0	16.0	12.9	15.3	17.8	18.1	4.0	8.7	14.7	16.4	18.1	19.5
Adj. GOP (eur mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Turkey- IBIS Hotels	5.2	5.8	5.3	5.3	3.6	3.5	3.9	4.3	0.9	2.2	3.7	4.0	4.4	4.6
Turkey-NOVOTEL Hotels	5.4	5.8	5.1	4.4	1.9	3.4	5.0	5.6	0.6	2.8	5.6	6.3	6.6	7.1
Russia- IBIS Hotels	1.7	2.4	2.1	1.9	3.3	4.2	4.6	3.7	0.4	1.5	2.6	3.0	3.8	4.2
Total	12.3	13.9	12.6	11.7	8.8	11.1	13.5	13.5	1.9	6.6	11.9	13.4	14.8	15.9
Adj. GOP Rent Ratio (%)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Turkey- IBIS Hotels	68.3	70.0	71.7	71.7	73.9	75.0	75.0	75.0	75.0	95.0	95.0	95.0	95.0	95.0
Turkey-NOVOTEL Hotels	67.5	70.0	70.0	70.0	75.0	75.0	75.0	75.0	75.0	95.0	95.0	95.0	95.0	95.0
Russia- IBIS Hotels	75.0	75.0	75.0	77.5	77.5	77.5	77.5	77.5	77.5	95.0	95.0	95.0	95.0	95.0
Total	70.3	71.7	72.2	73.1	75.5	75.8	75.8	75.8	75.8	95.0	95.0	95.0	95.0	95.0
AKFGYO Rent Revenue (eur mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Turkey- IBIS Hotels	3.9	4.8	4.3	4.4	3.5	3.3	3.2	3.6	1.5	2.1	3.5	3.8	4.1	4.4
Turkey-NOVOTEL Hotels	4	4	4	3	2.7	3.1	4.6	5.1	1.1	2.7	5.3	6.0	6.3	6.7
Russia- IBIS Hotels	1.3	1.9	3.0	3.8	5.0	3.7	4.0	3.0	0.8	1.5	2.5	2.9	3.6	4.0
Total	9.1	10.9	11.0	11.7	11.1	10.1	11.8	11.6	3.4	6.3	11.3	12.7	14.0	15.1
AKFGYO Rent Ratio (%)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Turkey- IBIS Hotels	28.6	28.4	26.3	25.7	25.4	25.5	25.8	26.1	24.6	25.7	30.4	30.4	30.4	30.4
Turkey-NOVOTEL Hotels	24.1	25.9	25.6	25.4	23.0	25.3	33.4	33.4	20.5	25.7	35.2	35.2	35.2	35.2
Russia- IBIS Hotels	24.9	28.3	43.8	58.6	53.5	32.2	33.2	26.9	16.3	20.9	30.4	32.3	35.2	35.2
Average	26.0	27.3	29.1	31.4	32.2	27.5	30.9	29.1	20.8	24.4	32.5	32.9	33.6	33.6

Source: Company data, INFO Research Estimates

Exhibit 41. AKFEN GYO ACCOR Hotels Financial Model

Total Rental Revenues

(eur mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Turkey- IBIS Hotels	3.9	4.8	4.3	4.4	3.5	3.3	3.2	3.6	1.5	2.1	3.5	3.8	4.1	4.4
Turkey-NOVOTEL Hotels	3.9	4.2	3.8	3.5	2.7	3.1	4.6	5.1	1.1	2.7	5.3	6.0	6.3	6.7
Russia- IBIS Hotels	1.3	1.9	3.0	3.8	5.0	3.7	4.0	3.0	0.8	1.5	2.5	2.9	3.6	4.0
Total Turkey and Russia Hotel Revenues	9.1	10.9	11.0	11.7	11.1	10.1	11.8	11.6	3.4	6.3	11.3	12.7	14.0	15.1
Merit Park Hotel Casino- Cyprus	4.5	4.8	4.8	4.8	4.8	4.8	4.8	4.8	3.7	3.8	4.8	4.8	4.8	4.8
Samara Office Rental		0.4	0.6	0.6	0.5	0.6	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5
Dormitory Business										2.7	2.7	2.8	3.0	3.1
Bodrum Loft Holiday Resort										3.3	3.4	3.7	4.1	4.5
Total Rental Revenues	13.6	16.1	16.4	17.0	16.4	15.4	17.1	16.9	7.6	16.5	22.7	24.5	26.3	28.0

(TL mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Total COGS	4.5	5.3	5.7	7.5	9.5	9.6	13.8	321.0	9.1	10.4	12.1	13.7	15.4	17.2
Asset sales expenses (-)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	311.0	0.0	0.0	0.0	0.0	0.0	0.0
Operational lease expenses (-)	3.5	3.6	4.3	4.9	5.9	5.3	8.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adj. COGS	1.0	1.7	1.4	2.6	3.6	4.3	5.8	10.0	9.1	10.4	12.1	13.7	15.4	17.2
as % of total revenues	3.1	4.2	2.8	4.8	6.7	6.7	5.9	2.1	14.0	6.5	5.0	5.0	5.0	5.0
Total OPEX (TL mn)	7.9	7.0	5.8	6.9	7.6	8.1	13.6	12.4	8.7	15.0	10.9	12.3	13.9	15.5
Opex/Revenues (%)	7.9	7.0	5.8	6.9	7.6	8.1	13.6	12.4	8.7	11.0				
Opex/Revenues (%) (ex-oneOffs)	25.3	17.2	12.3	13.4	14.0	12.8	14.1	11.5	14.2	9.4	4.5	4.5	4.5	4.5

Income & Expenses from Other Operations (TL mn)	13	204	31	13	-239	211	420	194	266	500	443	277	294	312
Asset revaluation gain (loss)	-4	206	17	13	-237	211	420	193	264	500	443	277	294	312
Asset sales income	0	0	0	0	0	0	0	373	3	0	0	0	0	0
Asset sales expense (-)	0	0	0	0	0	0	0	311	0	0	0	0	0	0
Other	13	-5	10	-5	-8	-5	-8	0	0	0	0	0	0	0
Adj. Income & expense from other operations	9	201	27	8	-245	206	412	255	269	500	443	277	294	312

(TL mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Core EBIT (TL mn)	23	33	44	44	43	51	79	87	44	135	219	248	280	312
Core EBIT (uer mn)	10	13	15	15	13	12	14	14	5	14	21	22	24	25
EBITDA (eur mn)	14	92	24	17	-60	62	87	54	39	66	62	47	49	51
EBITDA (TL mn)	32	233	71	52	-202	257	491	342	313	635	662	524	573	623
Adj. EBITDA (eur mn)	10.1	12.9	15.1	14.6	12.9	12.4	13.9	13.7	5.5	14.0	20.6	22.2	23.9	25.4
Adj. EBITDA (TL mn)	23	33	44	44	43	51	79	87	44	135	219	248	280	312
Ad. EBITDA Margin (%)	72.3	78.9	85.7	82.3	79.4	80.5	80.1	79.5	71.2	84.1	90.5	90.5	90.5	90.5
Net Income (eur mn)	11	47	-1	-16	-77	10	18	26	-30	29	38	26	31	35
Net Income (TL mn)	24	118	-2	-47	-257	39	104	165	-240	275	408	291	363	428

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Reported Portfolio MV (TL mn)	725	904	904	939	958	1,564	2,046	2,363	2,644	3,829	4,272	4,549	4,843	5,155
Change (TL mn)		179	0	35	19	606	482	317	281	1,185	443	277	294	312
Reported Portfolio MV (EUR mn)	309	308	320	295	258	346	339	355	290	350	355	360	365	370
Change (eur mn)										60	5	5	5	5
Reported NAV (eur mn)	186	148	145	79	34	124	110	134	81	221	233	243	258	274
Reported NAV (TL mn)	435	433	410	251	127	560	664	891	741	2,423	2,804	3,072	3,425	3,821
Portfolio Rental Yield (%)	4.4	5.2	5.2	5.5	5.8	5.1	5.0	4.9	2.4	5.2	6.4	6.8	7.3	7.6
Portfolio Asset Value Yield (%)	-0.6	26.3	1.9	1.4	-25.6	16.9	21.6	8.8	10.2	16.2	11.8	6.9	6.9	6.9
Portfolio Net Income Yield (%)	3.4	15.1	-0.3	-5.1	-27.8	3.2	5.4	7.5	-9.3	8.9	10.9	7.3	8.6	9.5
Asset Cap Rate (%)	3.3	4.2	4.7	4.9	5.0	3.6	4.1	3.9	1.9	4.0	5.8	6.2	6.5	6.9

Source: Company data, INFO Research Estimates

Student Dormitory Management

AKFEN GYO has taken over the operating rights of Isparta and Kütahya student dormitories with the operation agreement signed with the Credit and Dormitories Institution. These two dormitories serve students with a total capacity of 7,064 students. According to the agreement, AKFEN GYO is guaranteed income. Accordingly, regardless of the occupancy rate, AKFEN GYO will increase the monthly dormitory fee per person, indexed to PPI, until the end of the operation period.

Exhibit 43. AKFEN GYO Dormitories Financial Model

	2021E	2022E	2023E	2024E	2025E
No. of beds	7,064	7,064	7,064	7,064	7,064
Avg. Revenue per bed (TL/month)	350	391	430	473	521
Total Revenue (TL mn)	29.7	33.2	36.5	40.1	44.1
OPEX (TL mn)	3.9	4.3	4.7	5.2	5.7
Gross Margin (%)	87.0	87.0	87.0	87.0	87.0
EBITDA Margin (%)	87.0	87.0	87.0	87.0	87.0
EBITDA (TL mn)	25.8	28.8	31.7	34.9	38.4
EBITDA (eur mn)	2.7	2.7	2.8	3.0	3.1

Source: Company data, INFO Research Estimates

Bodrum LOFT Resort

AKFEN GYO has invested in a 5-star hotel on a land allotted by the Ministry of Tourism until 2067 in Bodrum with an investment of 42 million Euros. The hotel has 92 rooms in 36 villas. In addition, well-known restaurant brands such as Papermoon and Sunset serve the guests. The occupancy rate of the facility, which was put into operation in the summer of 2021, is expected to be over 90% according to the current reservation figures.

Exhibit 44. AKFEN GYO Bodrum LOFT Resort

	2021E	2022E	2023E	2024E	2025E
No. of villas	33	33	33	33	33
Max. room selling capacity (rooms per month)	990	990	990	990	990
Avg. Occupancy Rate (%)	92	92	90	90	90
No. of days sold per year	184	184	184	184	184
Total Annual No. of Rooms Sold	5,586	5,586	5,465	5,465	5,465
ADR (eur)	450	473	520	572	629
Room Revenues (eur mn)	2.51	2.64	2.84	3.12	3.44
F&B and Other Revenues (eur mn)	0.75	0.79	0.85	0.94	1.03
as % of Room Revenues	30	30	30	30	30
Total Revenues (eur mn)	3.27	3.43	3.69	4.06	4.47
Total OPEX (eur mn)	1.63	1.72	1.85	2.03	2.23
Opex/Total Revenues (%)	50	50	50	50	50
Gross Operating Profit (eur mn)	1.63	1.72	1.85	2.03	2.23
Gross Operating Profit after profit sharing (eur mn)	1.55	1.63	1.75	1.93	2.12

Source: Company data, INFO Research Estimates

Other Assets

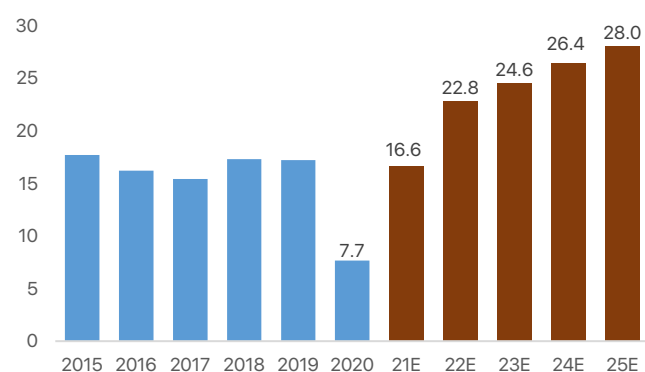
Merit Park Cyprus: AKFEN GYO has the right to use this hotel until 2052. While the hotel's rental income was 4.8 mn euros per year before the pandemic, this cost decreased to 3.8 mn euros in 2020 due to the pandemic. Starting from 2022, the rental price has increased to 4.8 mn euros again.

Samara Office: AKFEN, which leases the office part of the hotel it owns in Samara, Russia, generates an annual rental income of approximately 500 thousand euros.

Exhibit 45.

AKFEN GYO Rental Revenues

(eur mn)

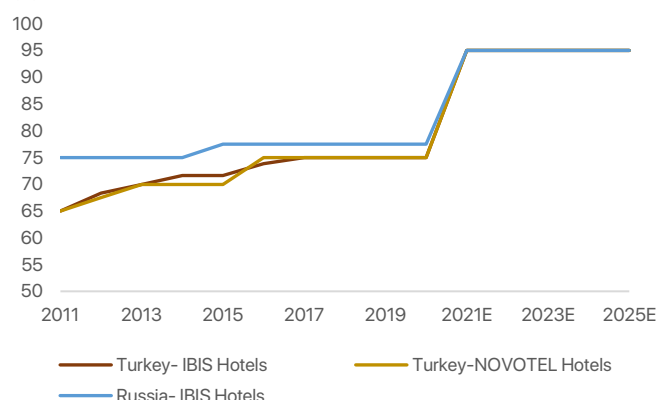


Source: Company data, INFO Research Estimates

Exhibit 46.

AKFEN GYO Adj. GOP Rental Sharing Ratios

(%)



Source: Company data, INFO Research Estimates

We expect total rental income to reach 18 million euros in 2021. The main theme we use in our financial model is the expectation that the tourism sector in Russia and Turkey will recover gradually as of the second half of 2021 and exceed the peaks seen in 2019 in the 2022-2023 period (**Exhibit 45**).

67% of the expected increase in AKFEN REIT's total revenues in 2021 compared to the previous year comes from student dormitories and Bodrum Loft revenues. We calculate that the contribution of Accor hotels will be 32% (**Exhibit 47**). The most important driving factor of the increase we expect in rental incomes in the 2021-2025 period is the increase in income sharing rates, and the income generation of the dormitory and Bodrum Resort. According to the agreement the company has made with Accor, while approximately 75% of the gross profit was paid to AKFEN REIT in the 2010-2020 period, this ratio increased to 95% with the revision made. As a result of the impact of this revision on rental income, we expect about half of the cumulative change in rental income between 2021-2025 to come from Accor hotels in Turkey and Russia.

We anticipate that approximately one third of the change in this period will come from Student Dormitories and Bodrum Loft. We believe that Merit park Kıbrıs Hotel will maintain its importance in AKFEN REIT's revenues with a contribution of 20% (**Exhibit 47**).

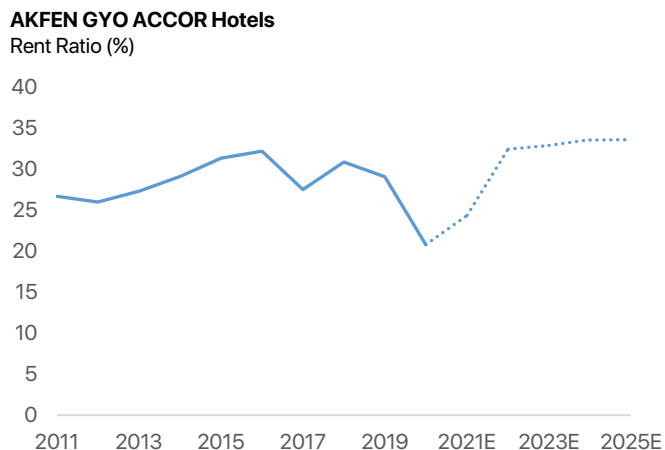
We expect Turkey and Russia Accor Rental Income Ratio to exceed 30% by the end of 2022. Based on our rental income estimations based on revenue sharing ratios and gross operating profitability, we predict that AKFEN REIT's Rental Income Ratio from Accor hotels will rise to 32.5% by the end of 2022, and then gradually to 34% by the end of 2025 (**Exhibit 48**).

Exhibit 47. AKFEN GYO Rental Revenues (contribution of portfolio assets)

(eur mn)	2019	2020	2021E	2020-2021E chng		2022E-2025E chng
				(eur mn)	share (%)	share (%)
Turkey- IBIS Hotels	3.6	1.5	2.1	0.6	6.8	15.7
Turkey-NOVOTEL Hotels	5.1	1.1	2.7	1.5	17.4	23.9
Russia- IBIS Hotels	3.0	0.8	1.5	0.7	7.8	12.8
Total Turkey and Russia Hotel Revenues	11.6	3.4	6.3	2.8	32.0	52.4
Merit Park Hotel Casino- Cyprus	4.8	3.8	3.8	0.0	0.0	18.7
Samara Office Rental	0.6	0.5	0.5	0.0	0.3	2.0
Dormitory Business			2.7	2.7	30.1	11.5
Bodrum Loft Holiday Resort			3.3	3.3	36.8	15.4
Total Rental Revenues	16.9	7.6	16.5	8.9	100.0	100.0

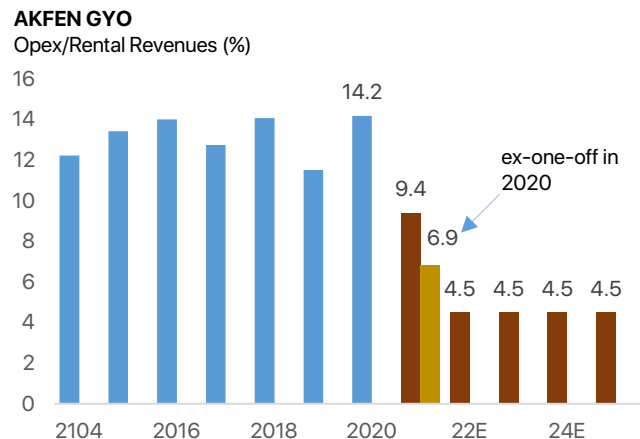
Source: Company data, INFO Research Estimates

Exhibit 48.



Source: Company data, INFO Research Estimates

Exhibit 49.



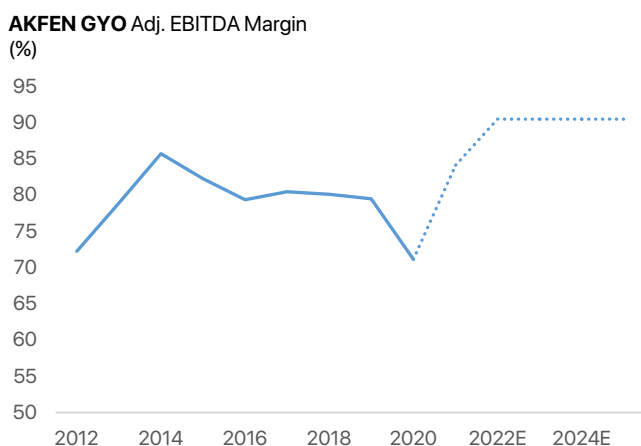
Source: Company data, INFO Research Estimates

A significant improvement in margins as a result of the increase in the Rental Income Ratio and the normalization of operating expenses. We expect the company's EBITDA margin to reach 90% in the 2021-2025 period (**Exhibit 50**). Key drivers include: 1) Rent-sharing Ratio rises to 95%, 2) student dormitories and Bodrum Loft are operational with high EBITDA margins, 3) the expanding asset portfolio has limited impact on general administrative expenses, and 4) prioritizing effective cost management.

The increase in the Portfolio Rental Income will also lead to a significant improvement in the Capitalization Rates. According to our estimates, the Portfolio Rental Yield (PRY) calculated by dividing the rental income of the assets in AKFEN REIT's portfolio by the portfolio value, will gradually increase to 7.5% in euro terms by the end of 2025.

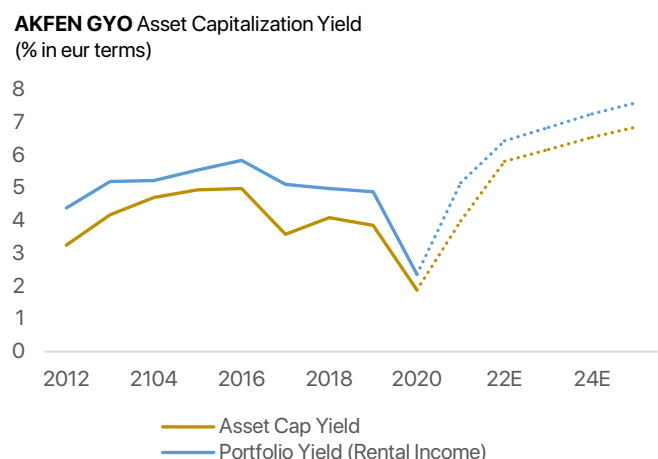
Based on our adjusted EBITDA estimates that include only rental income, we predict that the Capitalization Rate of the assets in the company's portfolio will increase to 7% by the end of 2025 (**Exhibit 51**). In other words, we expect the rental/price ratio, which was 24 years in 2021, to decrease to 15 years by the end of 2025.

Exhibit 50.



Source: Company data, INFO Research Estimates

Exhibit 51.

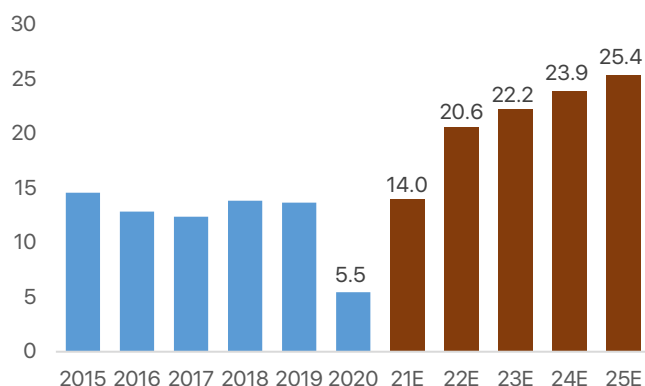


Source: Company data, INFO Research Estimates

Exhibit 52.

AKFEN GYO

Adj. EBITDA (eur mn)

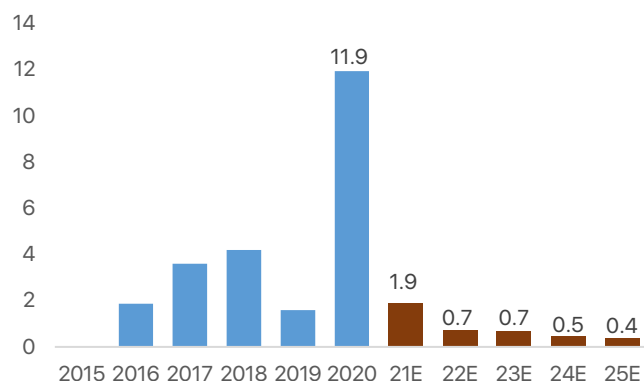


Source: Company data, INFO Research Estimates

Exhibit 53.

AKFEN GYO

Net Financial Expenses*/EBITDA (x)



Source: Company data, INFO Research Estimates

*including fx gain/losses

After the announced paid capital increase, financial debt will decrease significantly.

The company's total financial debt at the end of 2021/IQ stood at 183 mn euros. Of this amount, 23 mn euro consisted of short-term financial debt and the rest consists of long-term financial debt. The company's financial debt are in EUR and the average annual interest is 6%. The average maturity is around 10 years.

On the other hand, the company has issued convertible bonds amounting to TL170 mn on 17 January 2018. As of April 14, 2020, all of the issued bonds, together with Akfen Holding's rights, principal and legal interest, were transferred to Hamdi Akın, the controlling shareholder of the company. With the CMB approval dated 7 January 2021, the bond with an interest-bearing balance of 238,627,431 TL was redeemed on 12 January 2021, and a capital increase of 59,066,196 TL was realized at a conversion price of 4.04 TL.

After the announced capital increase, the financial debts will decline with the new resource entering the company. Company management stated that this amount will be around 40-45 million euros. Therefore, we estimate that the total financial debt of the company by the end of 2021 will be about 130 million euros. According to our projections, the company's Net Debt/Equity ratio will decrease from 2.65x at the end of 2020 to 0.62x at the end of 2021. We expect the company's leverage ratio to decline to 0.4x by the end of 2025 (Table 17). As a result of reduced indebtedness, we expect the company's Net Finance Expenses (including foreign exchange differences) to decrease to 3.8 times adjusted EBITDA by the end of 2025.

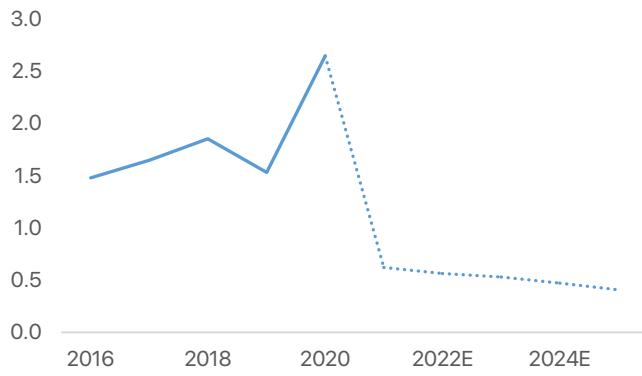
Exhibit 54. AKFEN GYO Financial Debt and Expenses

	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Total Debt (eur mn)	226	224	230	226	210	130	124	118	108	97
Total Debt (TL mn)	839	1,010	1,389	1,505	1,917	1,422	1,492	1,491	1,433	1,351
Net Debt (TL mn)	831	1004	1382	1472	1903	1,406	1,468	1,477	1,417	1,334
Net Debt (eur mn)	224	222	229	221	209	129	122	117	107	96
Interest Payments (eur mn)	-11.6	-12.8	-16.7	-18.6	-18.3	-8.0	-7.8	-8.0	-7.8	-7.0
Interest Payments (TL mn)	-39	-53	-95	-118	-147	-77	-83	-89	-91	-86
Net fx gain (loss) (eur mn)	-13	-32	-42	-3	-47	-19	-7	-7	-4	-2
Net fx gain (loss)	-42	-132	-236	-21	-377	-180	-73	-73	-43	-27
Total Net Financial Expenses (eur mn)	-24	-45	-58	-22	-65	-27	-15	-15	-11	-9
Total Net Financial Expenses	-81	-185	-331	-139	-524	-257	-156	-162	-134	-113
Net Debt/Adj. EBITDA (x)	17.4	17.9	16.5	16.1	38.2	9.2	5.9	5.3	4.5	3.8
Net Debt/Equity (x)	1.48	1.65	1.86	1.53	2.65	0.61	0.54	0.51	0.45	0.38
Net Debt/Portfolio Value (x)	0.87	0.64	0.68	0.62	0.72	0.37	0.34	0.32	0.29	0.26

Source: Company data, INFO Research Estimates

Exhibit 55.

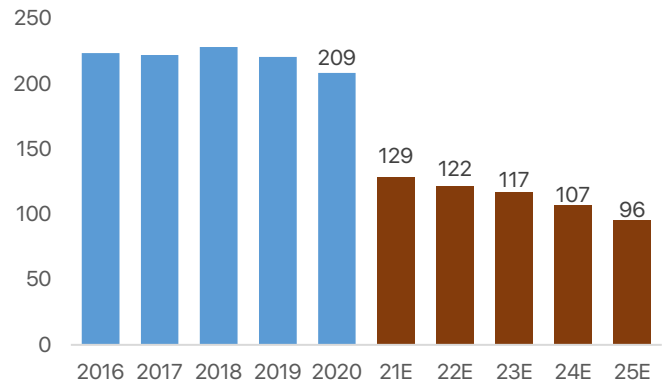
AKFEN GYO Net Debt/Equity (x)



Source: Company data, INFO Research Estimates

Exhibit 56.

AKFEN GYO Total Net Financial Debt (eur mn)



Source: Company data, INFO Research Estimates

*including fx gain/losses

DISCLAIMER & DISCLOSURES

Analyst Certification

I, Oytun Altaşlı Widmer, hereby certify that the views expressed in this research report accurately reflect the personal views of the INFO Research team, regarding the securities and issuers referred to therein and that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report.

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Rating Methodology:

We employ Discounted Cash Flow (DCF) model and peer multiple analysis to derive at our target prices. Our recommendation methodology is as follows:

Buy: If Target Price is 5 percentage points higher than the estimated Cost of Equity

Hold: If Target Price is within -5 and 5 percentage points of the estimated Cost of Equity

Sell: If Target Price is lower than 5 percentage points of the estimated Cost of Equity

Please note that the analyst's short-term view may occasionally diverge from the stock's longer-term fundamental rating.

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AKFEN GYO announced a capital increase of TL555 mn via a rights issue on June 02, 2021. The rights issue process will be carried out by İno Yatırım Menkul Değerler A.Ş.