

# INVESTOR PRESENTATION

November 29, 2018



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## UPDATE ON THE DECREE 32

An amendment to the Decree No. 32 on the Protection of Value of Turkish Currency (the “Decree 32”) has been published on the Official Gazette dated September 13, 2018. Pursuant to the amendment, Turkish residents will not be able to determine the contract values and the payment obligations in foreign exchange or as foreign currency indexed, in various agreements among Turkish residents.

Communique regarding the Amendment respect to the Decree 32 has been published on the Official Gazette dated October 6, 2018 to determine the scope of the restrictions applicable to the contracts executed in or indexed to foreign currency. The most relevant clause for commercial real estate has been the conversion of contracts to Turkish Lira.

### Existing Contracts

- All existing leasing contracts are converted to Turkish Lira (TL) in October with **5.43** exchange rate for EUR/TL and **4.51** for USD/TL based on a formula applying year-to-date Turkish CPI over the exchange rate on Jan 02, 2018. (Jan 02, 2018 EUR/TL rate of 4.55 is increased by Jan-Sep inflation of 19.36%)
- We have applied the new regulation to all of the existing contracts.

### New Contracts

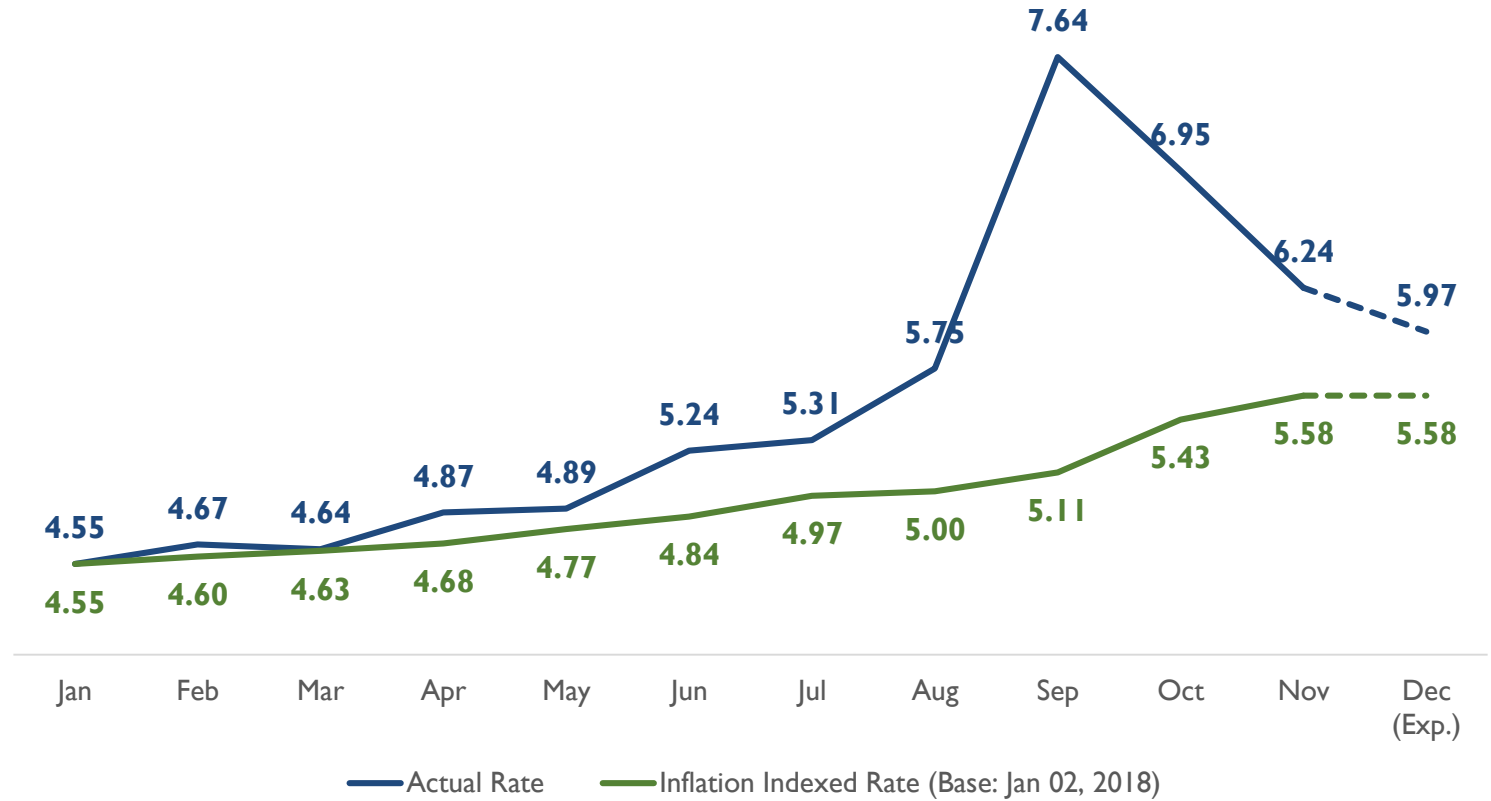
- All new contracts, both for new tenants and tenants whose contracts have expired, should be made in Turkish Lira.
- There is no cap on the indexation over inflation which can be applied for annual rent increase.
- We have turnover rent component in 99% of current rental agreements. The Communique enables us to push rate turnover rents higher during new contract negotiations.

## EUR/TRY

Lira was oversold in August and September compared to the inflation.

Actual and inflation indexed exchange rates have been converging since September.

EUR/TRY vs. Inflation  
2018



# PORTFOLIO OCCUPANCY

Occupancy level has slightly fallen to **94.5%** but it is still in line with the long term trend.

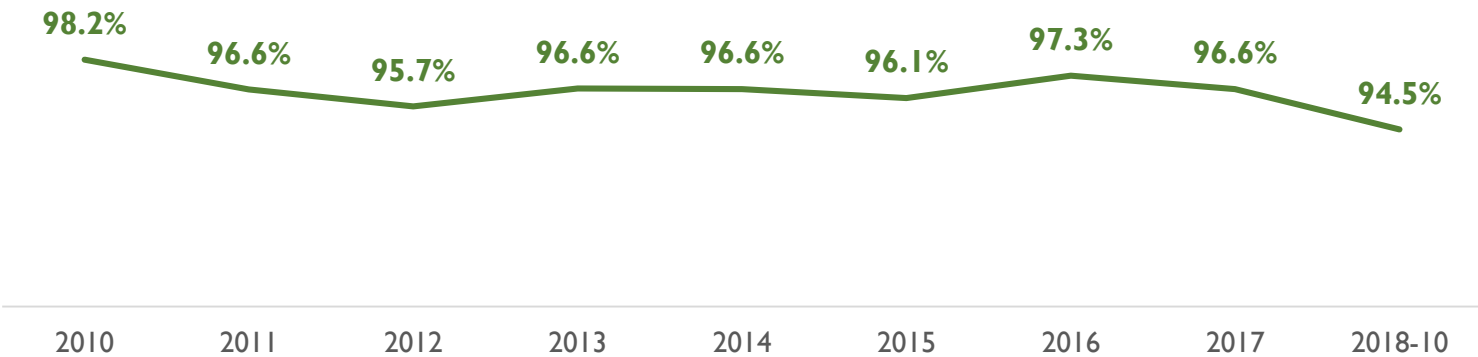
All of RGY's assets are strong as there is no single shopping centre with an occupancy less than **90%**.

Portfolio Occupancy  
Last 12 Months



Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
2017							2018				

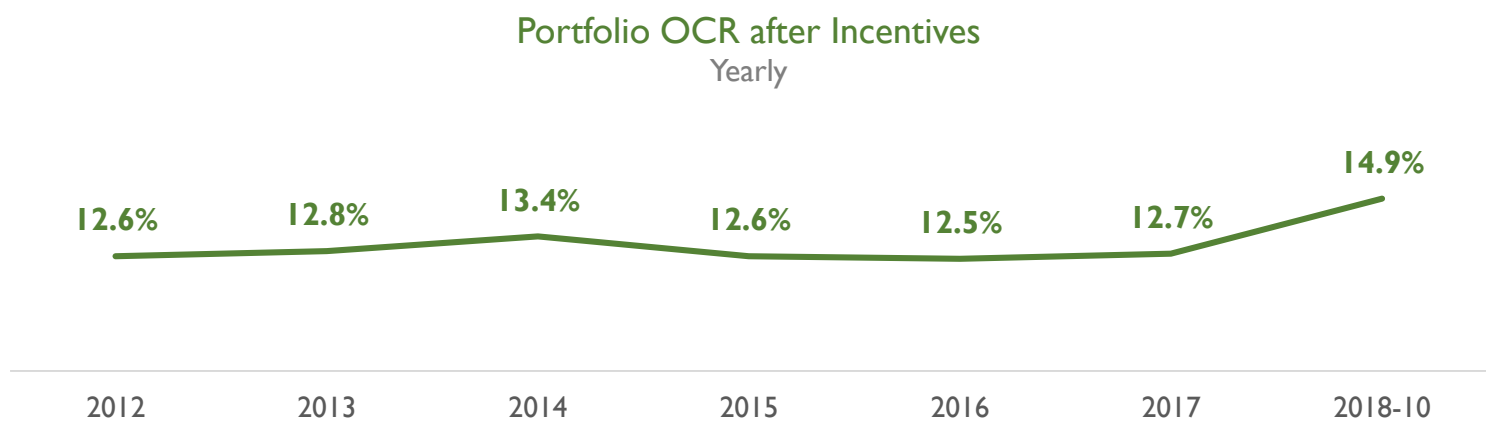
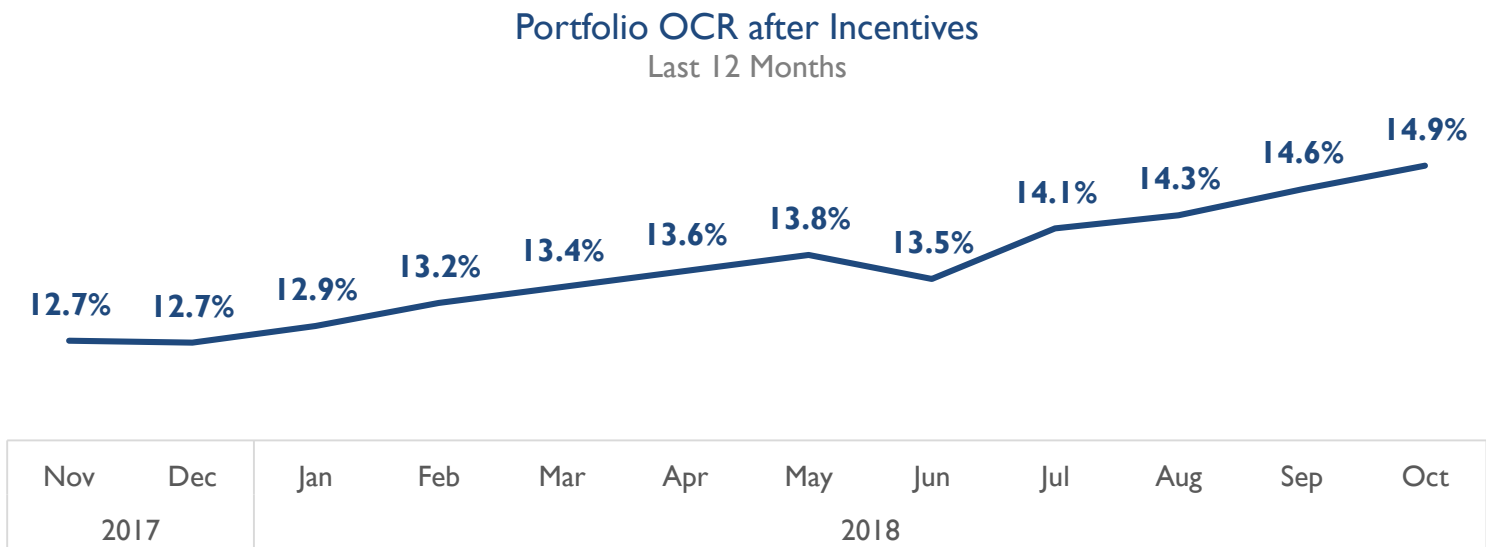
Portfolio Occupancy  
Yearly



# OCCUPANCY COST RATIO (OCR)

Currency depreciation has translated into higher OCR for the tenants.

Conversion of contracts into TL will reduce the indirect exposure of tenants to currency risks due to the mismatch between euro-linked leases and local-currency revenue.



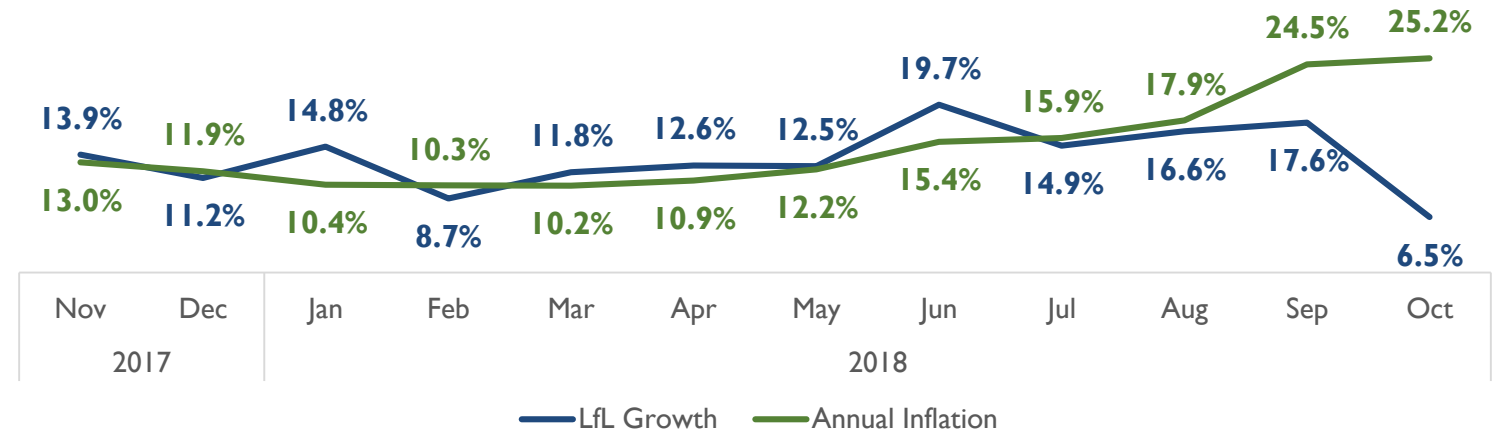
Occupancy Cost Ratio = (Base rent + turnover rent + service charges [incl. management costs] + marketing contribution) / tenants’ sales in preceding 12 months

## TURNOVER & FOOTFALL

Tenants' turnover did not get affected by the currency depreciation until Aug'18. However, divergence was observed in September and October. In the last two months of 2018, we expect to see growth in sales due the seasonality effect.

Footfall in 2018 fell behind previous year by **4.6%** in the same period. New supply in the market including our new openings were effective in the footfall drop on a like for like basis.

Tenants' Turnover Growth vs. Inflation <sup>(1)</sup>  
2017 - 2018



Footfall by Months <sup>(1)</sup>  
million people



(1) Optimum İzmir Extension, opened in Mar'17, Hilltown, opened in Oct'17, Maltepe Piazza, opened in Apr'18, and Maltepe Park, acquired in Jun'18 are excluded for a like-for-like comparison.

# INTERIM NET OPERATING INCOME

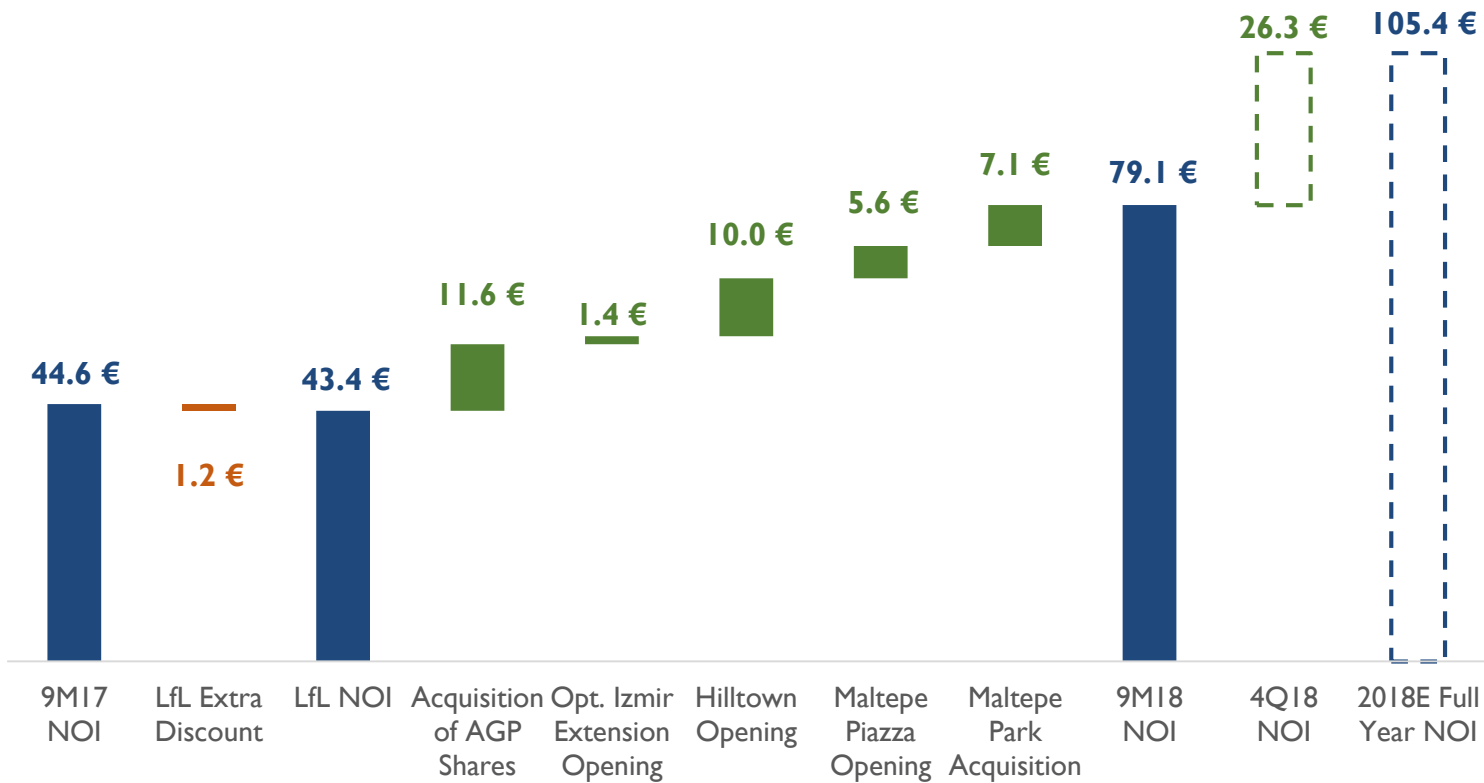
RGY's rental NOI increased **77%** to **€ 79m** in the third quarter, compared with **€ 45m** in the third quarter of 2017.

The growth was mostly fueled by 3 new openings and 5 acquisitions.

Average currency discount granted to the tenants in 2017 and the first three quarters of 2018 were **7.3%** and **7.4%** respectively.

The latest NOI expectation for full year of 2018 was **€ 108m** as of Jun'18. It is revised to **€ 105.4m** by **2.4%** decrease after recent developments. The impact of currency depreciation is expected to remain limited for the period.

Rental NOI (9M17 vs. 9M18) (1) (2) (3) (4)  
Stakebase



(1) Unaudited internal figures prepared by RGY  
 (2) Gross profit/loss due to residential sales in Maltepe Piazza project is excluded for a better comparison of rental performance.  
 (3) Including S&M expenses as per management reporting  
 (4) Expected full year NOI for 2018 is RGY's estimation as of Nov'18.

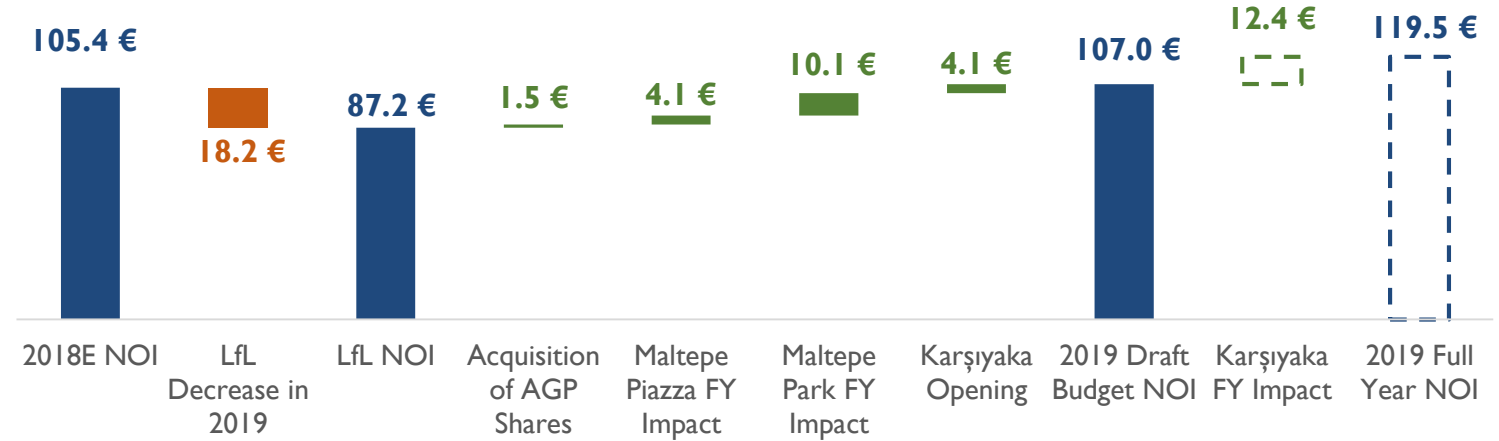


## FULL YEAR NET OPERATING INCOME PROJECTIONS

We will see the impacts of currency depreciation and increased inflation in 2019. We expect to generate **€ 107m** NOI in 2019, which is slightly over the expected NOI in 2019.

40% of rental income up until Jun'19 is hedged at average forward EUR/TRY rate of **6.97** to have a cushion against further currency shocks. The current rate that we can hedge our income for entire 2019 is c. **6.85** after further lira appreciation.

### Rental NOI Projection (2018-2019) <sup>(1) (2) (3)</sup> Stakebase



### Assumptions for 2019:

- Decrease in average retail occupancy from 95.6% in 2018 to 93% in 2019
- Bad debt ratio increasing to 2.5% from 1.5%
- Tenants' turnover increase will be limited around 10% in TL basis, which is lower than the expected inflation.
- Average EUR/TRY rate is assumed to be 7.25 for 2019.
- Maltepe Piazza Office (GLA: 35k sqm), Hilltown Office (GLA: 10k sqm) are vacant.

# UNDER CONSTRUCTION

Type

**Retail**

GLA (sqm)

**62,900**

Pre-lease <sup>(1)</sup>

**48%**

Expected Opening Date <sup>(2)</sup>

**September 2019**

Investment Budget (exc.VAT)

**€ 230m**

Total Loan Facility

**€ 155m**

Current Loan Amount

**€ 74m**

Remaining Equity Need

-



**Karşıyaka Hilltown**

**İzmir, Turkey**



## COVENANT ANALYSIS

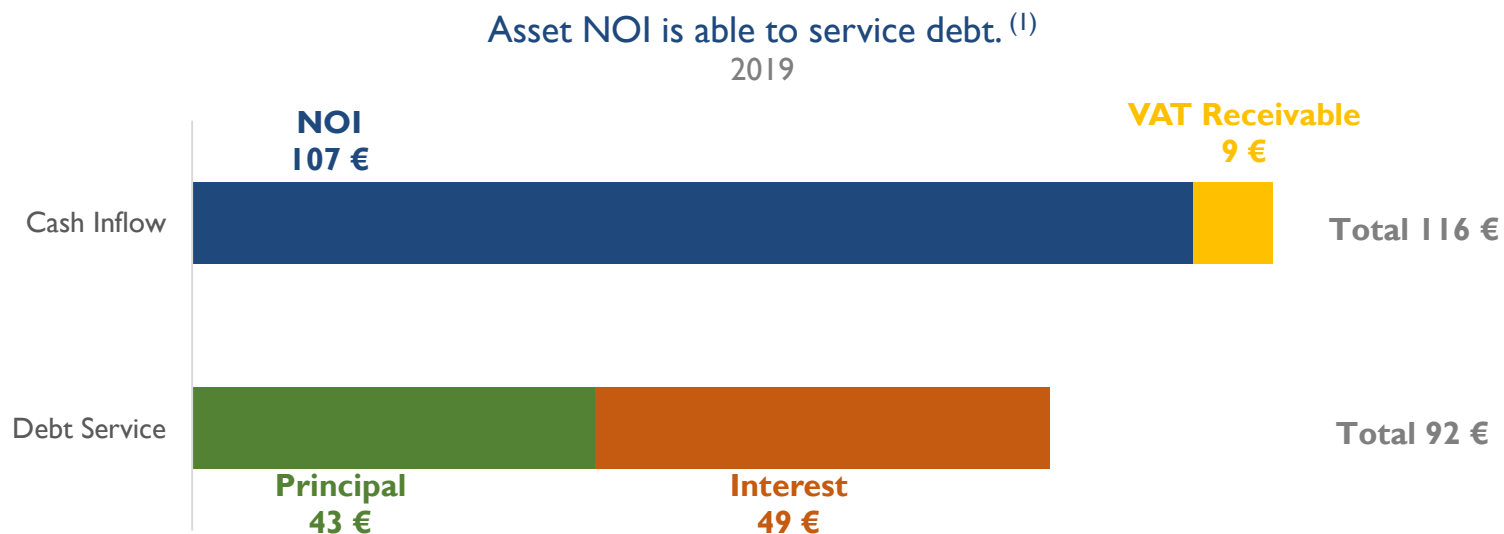
Expected ratios for Eurobond covenants are comfortable and far from any breach risk.

We expect c. 5% GAV decrease by 2018 year-end over 1H18 valuations.

The fall in combined coverage ratio in 2019 is due to the decrease in LfL NOI.

Mecidiyeköy Office loan (c. € 10m) is not planned to be refinanced under current market conditions so it is assumed to be getting unencumbered in 2019. This is the reason behind the increase in unencumbered asset value ratio.

	2017	1H18	2018E	2019E	Covenant
<b>Combined LTV</b>	<b>39%</b>	<b>43%</b>	<b>46%</b>	<b>46%</b>	<b>60%</b>
<b>Combined Coverage Ratio</b>	<b>2.79x</b>	<b>2.85x</b>	<b>2.93x</b>	<b>2.44x</b>	<b>1.50x</b>
<b>Unencumbered Asset Value Ratio</b>	<b>9.3x</b>	<b>2.8x</b>	<b>2.6x</b>	<b>2.7x</b>	<b>1.20x</b>



(1) Corporate loan and bullet repayments are not taken into account.