

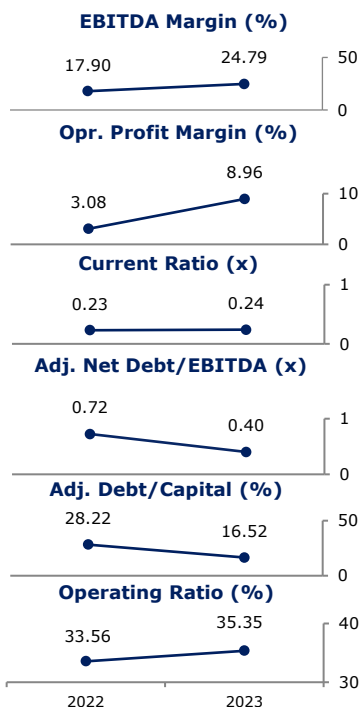
Corporate Credit & Issue Rating

New Update

Sector: Telecommunication
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating Profile)	National ISR	A (tr) (Stable)	J1 (tr) (Stable)
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024



Turknet İletişim Hizmetleri A.Ş.

JCR Eurasia Rating, has evaluated the "Turknet İletişim Hizmetleri A.Ş." in the investment-level category and upgraded the Long-Term National Issuer Credit & Issue Rating from 'A- (tr)' to 'A (tr)' and the Short-Term National Issuer Credit & Issue Rating from 'J2 (tr)' to '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/Stable' as parallel to international ratings and outlooks of Republic of Türkiye.

Turknet İletişim Hizmetleri A.Ş. (hereinafter referred to as "Turknet" or "the Company") was founded in 1996 and offers a range of services including fixed broadband internet, voice, private virtual network, data center services, and hosting. It employs both its own network infrastructure and that of other providers. Turknet stands out in the fixed broadband market by providing internet access without bandwidth restrictions or fair usage quotas. Its fiber backbone network extends over 2,687 kilometers and serves 28 cities. Moreover, Turknet operates a network operation center located in Gayrettepe/Istanbul.

By April 2023, Turknet has approximately 1,055.7k customers, predominantly within the retail sector. Employing an efficiency-driven approach, the Company minimizes operational expenses, such as those related to branches or POPs, in order to provide competitive pricing to its clientele. Turknet's market share, measured by customer numbers, stood at 5.1% by the conclusion of 2023, marking a slight increase from 4.8% in 2022.

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

Strengths

- Higher increase rate in ARPU than CPI in FY2023, even though remains at low level in the long run,
- Growth in sales revenues and EBITDA generation capacity supported by the increase in the number of customers in FY2023,
- Improvement in core profitability metrics in FY2023,
- Sustainable financial leverage indicators as of FY2023, despite increasing financial debt in the current period,
- Reasonable collection ability thanks to the business model,
- Practices to ensure compliance level with corporate governance principles due to the issuance of debt instruments.

Constraints

- The pressure on the bottom line due to financial expenses arising from the borrowing required owing to new home pass investments,
- Low paid-in capital size despite the growth in equity,
- Potential changes in regulatory environment that may create uncertainty in business strategies.

Considering the aforementioned points, the Company's the Long-Term National Rating has been upgraded from 'A- (tr)' to 'A (tr)'. The Company's high EBITDA generation capacity against debt level, new customer acquisitions, improvement in profitability metrics and low collection risk have been evaluated as important indicators for the stability of the ratings and the outlooks for long- and short-term national ratings are determined as 'Stable'. Sustainability of the Company's profitability performance, changes in market share and equity level together with the trends in financing and telecommunication sectors are to be monitored by JCR Eurasia Rating. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored.