

## Corporate Credit & Issue Rating

New  Update

Sector: Tourism/Chance Games  
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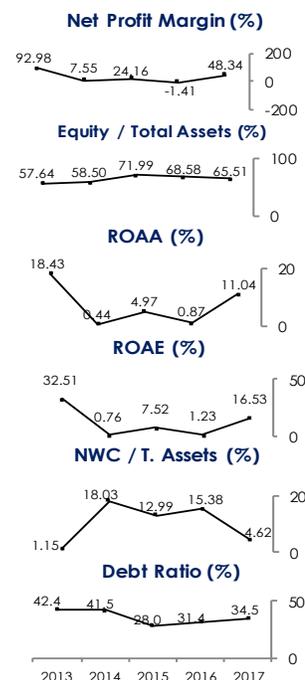
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## RATINGS

		Long	Short
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	FC Negt. LC Negt.	Negt. Negt.
	Issue Rating	-	-
National	Local Rating (Trk)	A	A-1
	Outlook	Post.	Post.
	Issue Rating (Trk)	A	A-1
Sponsor Support		2	-
Stand-Alone		B	-
Sovereign*	Foreign Currency	BBB-	-
	Local Currency	BBB-	-
	Outlook	FC Negt. LC Negt.	- -

\*Affirmed by JCR on August 14, 2018



## Net Holding A.Ş. and Cons. Subsidiaries

Financial Data	1H2018**	2017*	2016*	2015*	2014*	2013*
Total Assets (000 USD)	983,843	1,167,207	874,238	974,273	938,541	705,737
Total Assets (000 TRY)	4,487,012	4,402,589	3,076,619	2,832,798	2,176,384	1,506,255
Equity (000 TRY)	2,788,846	2,884,104	2,110,097	2,039,391	1,273,091	868,214
Net Profit (000 TRY)	-124,099	315,112	-6,656	97,379	23,293	181,047
Sales (000 TRY)	311,450	651,870	471,950	403,136	308,439	194,717
Net Profit Margin (%)	-39.85	48.34	-1.41	24.16	7.55	92.98
ROAA (%)	n.a.	11.04	0.87	4.97	0.44	18.43
ROAE (%)	n.a.	16.53	1.23	7.52	0.76	32.51
Equity / Total Assets (%)	62.15	65.51	68.58	71.99	58.50	57.64
Net Working Capital / T. Assets (%)	1.23	4.62	15.38	12.99	18.03	1.15
Debt Ratio (%)	37.85	34.49	31.42	28.01	41.50	42.36
Asset Growth Rate (%)	1.92	43.10	8.61	30.16	44.49	144.97

\*End of year,\*\*half-year results

### Company Overview

With a track record dating back to 1974, **Net Holding A.Ş.** (referred to as the Group or the Company) entered the casino management industry in 1985 and was listed on the Borsa Istanbul (BIST) index in 1989. Through capacity extensions and ongoing investments, the Company currently occupies the leading position in the TRNC luxury hotel and casino gaming sectors under the Merit brand and is in the process of diversifying its operations geographically through the establishment of 4 casinos and 1 hotel in Montenegro, Croatia and Bulgaria over the last two years with plans for further expansion. In addition to deriving the majority of revenues from the hotel and tourism sectors, the Company owns a sizeable real estate portfolio in the TRNC, Azerbaijan and Turkey along with operations in luxury car rental services and touristic publications.

The Company completed the merger of Net Turizm A.Ş. in October 2017 through the take-over of all its assets and liabilities which contributed to the elimination of the cross-holding structure with subsequent efficiency savings and strengthened its capital structure. As of the 1H2018, the number of consolidated subsidiaries stood at 20, a substantial reduction from 34 in the 1H2017 and employment across Group operations reached 4,153. **Mr. Besim TIBUK** is the qualified shareholder and Chairman of the Company that had a free-float rate of 69.88% in the 1H2018.

### Strengths

- Leading market share in the TRNC hotel and gaming industry under the Merit brand further strengthened by additional capacity and greenfield investments
- Maintenance of strong revenue and EBITDA growth throughout FY2017 and the 1H2018 with a focus on cost-control along with low levels of financial leverage
- Completion of the merger with Net Turizm in FY2017 with positive impact on corporate structure and productivity supported by compliance with international gaming regulations
- Regional expansion strategy in the Balkans through asset-light operating model with reduced concentration risk on the TRNC market
- Abundance of hard currency revenues owing to international client base creating a natural hedge mechanism against FX risk
- Recovery of the tourism sector in Turkey and TRNC following subdued growth in FY2016 along with upside potential for the global gaming sector

### Constraints

- Upward trend in in financing expenses stemming from FX losses expected to be compensated via strong income generation in the 3<sup>rd</sup> and 4<sup>th</sup> quarters
- Contribution of sizeable non-cash valuation income from tangible assets/investment property to profitability and equity in the completed fiscal year
- Despite the strong returns from the Montenegro market, inability of the Croatian gaming operations to meet management expectations with respect to earnings
- Effects of seasonality and high operating leverage inherent across the sector
- Potential negative impact of economic volatility and persistent high interest rates on financing expenses in the upcoming period
- International isolation of the TRNC limiting the island's development potential and competition capability with other gaming destinations