

Corporate Credit & Issue Rating

New Update

Sector: Telecommunication
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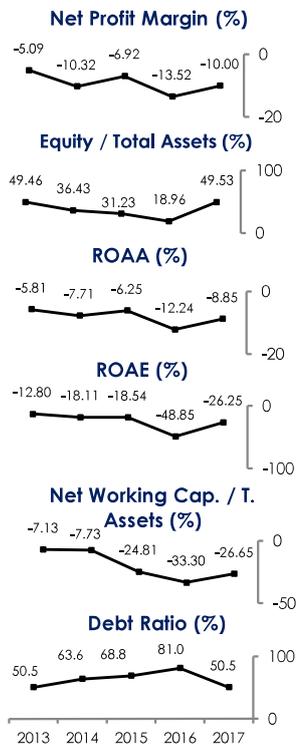
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RATINGS

		Long Term	Short Term	
International	Foreign Currency	BBB-	A-3	
	Local Currency	BBB-	A-3	
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
	Issue Rating	-	-	
National	Local Rating	BBB- (Trk)	A-3 (Trk)	
	Outlook	Positive	Positive	
	Issue Rating	BBB- (Trk)	A-3 (Trk)	
Sponsor Support	2	-	-	
Stand-Alone	B	-	-	
Sovereign*	Foreign Currency	BBB-	-	
	Local Currency	BBB-	-	
	Outlook	FC	Negative	-
LC		Negative	-	

*Assigned by JCR on August 14, 2018



Turknet İletişim Hizmetleri A.Ş.

Company Overview

Financial Data	3Q2018*	2017	2016	2015	2014
Total Assets (000 USD)	29,611	45,073	51,849	61,874	70,131
Total Assets (000 TRY)	176,657	170,012	182,468	179,904	162,627
Equity (000 TRY)	86,709	84,207	34,595	56,192	59,241
Net Profit (000 TRY)	1,388	-13,880	-21,330	-11,989	-13,377
Sales (000 TRY)	127,061	138,804	157,819	173,360	129,575
Net Profit Margin (%)	1.09	-10.00	-13.52	-6.92	-10.32
ROAA (%)	N/A	-8.85	-12.24	-6.25	-7.71
ROAE (%)	N/A	-26.25	-48.85	-18.54	-18.11
Equity / Total Assets (%)	49.08	49.53	18.96	31.23	36.43
Net Working Capital / T. Assets (%)	-25.34	-26.65	-33.30	-24.81	-7.73
Debt Ratio (%)	50.92	50.47	81.04	68.77	63.57
Asset Growth Rate (%)	N/A	-6.83	1.43	10.62	10.93

*For information purposes only. Source: 3Q2018 interim trial balance. Adjusted by JCR Eurasia Rating. Consider that figures are unaudited and not suitable for exact comparison with IFRS results.

'Turknet İletişim Hizmetleri A.Ş.', (hereinafter referred to as 'Turknet' or 'the Company') was established in 1996 under the name of 'NetOne Telekom' to provide internet access to corporate customers. The Company has changed its name to 'Turknet' after the acquisition of *Turk.net* brand from Sabancı Group. Starting from 2010, Turknet started to build its own infrastructure to provide broadband internet services. Currently, the Company is internet service provider for retail and business segment customers, besides fixed-line telephone services. Turknet also offers carrier services and servers for international operators. Turknet has a 1.7% market share in broadband internet market as of 2Q2018.

Turknet is one of the fastest growing companies among internet service providers. In 2018, the Company's paid in capital was increased from TRY 8mn to TRY 26.7mn. The Company's fiber backbone infrastructure over 400 kilometers is spread over 20 different cities. The Company positions itself as an alternative operator and takes place in the market with its differentiated and simplified pricing and marketing strategy. The Company earned Alfa Awards Trophy in 'Best Customer Experience Management' in 2016 and 2017.

As of September 31, 2018, the Company employed a workforce of 254 (December 31, 2017: 235).

Strengths

- Sharp decline in overall debt ratio and strengthening equity level
- Potential of becoming a *game changer* in fixed broadband market and differentiation in business
- Positive EBITDA generation capacity
- Experienced management team in telecommunication sector
- Nationwide known brand: Turknet
- Better compliance with Corporate Governance Principles

Constraints

- High net loss recorded for the last five consecutive years
- Negative net working capital despite recovery in the last year
- Decline in revenue volume in 2017 but a recovery is up ahead for the upcoming periods
- Macroeconomic indicators and its negative effects on cost of funding and investments