

Corporate Credit & Issue Rating

New Update

Sector: Tourism/Chance Games

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Analyst

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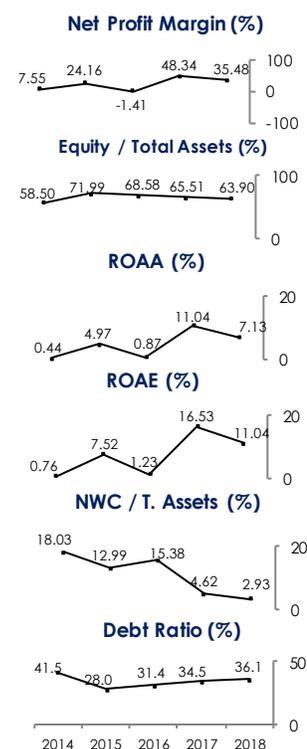
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RATINGS

		Long	Short
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	FC Negt.	Negt.
		LC 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	AB	-	-
Sovereign*	Foreign Currency	BBB-	-
	Local Currency	BBB-	-
	Outlook	FC Negt.	-
		LC Negt.	-

*Affirmed by JCR on November 27, 2018



Net Holding A.Ş. and Cons. Subsidiaries

Financial Data	1H2019**	2018*	2017*	2016*	2015*
Total Assets (000 USD)	1,126,554	1,188,378	1,167,207	874,238	974,273
Total Assets (000 TRY)	6,483,430	6,251,936	4,402,589	3,076,619	2,832,798
Equity (000 TRY)	3,931,158	3,995,147	2,884,104	2,110,097	2,039,391
Net Profit (000 TRY)	-75,661	272,181	315,112	-6,656	97,379
Sales (000 TRY)	396,932	767,144	651,870	471,950	403,136
Net Profit Margin (%)	-19.06	35.48	48.34	-1.41	24.16
ROAA (%)	n.a.	7.13	11.04	0.87	4.97
ROAE (%)	n.a.	11.04	16.53	1.23	7.52
Equity / Total Assets (%)	60.63	63.90	65.51	68.58	71.99
Net Working Capital / T. Assets (%)	0.46	2.93	4.62	15.38	12.99
Debt Ratio (%)	39.37	36.10	34.49	31.42	28.01
Asset Growth Rate (%)	3.70	42.01	43.10	8.61	30.16

*End of year, **half-year results

Company Overview

Originally established under the name of Net Turizm A.Ş. in 1974, Net Holding A.Ş. (referred to as the Group or the Company) was founded in 1981 having stepped into the casino management industry in 1985 and was one of the early entrants into the Borsa Istanbul (BIST) index in 1989. The Company entered the TRNC market in 1998 and following a period of sustained growth, currently holds a portfolio of 7 hotels and 5 casinos across the island under the Merit brand, including the 274 room Merit Royal Garden Hotel currently under construction. Having operationalized 4 casinos and 1 hotel across Montenegro, Croatia and Bulgaria in line with the capex-light regional expansion strategy initiated in FY2016, the Company plans to enlarge its presence via entry into the Macedonian, Ukrainian and Albanian markets in the near-future.

In addition to the core operating fields of luxury hotel and casino management, the Group owns a highly-valued real estate portfolio in the TRNC, Turkey and Azerbaijan along with luxury car rental services and touristic publications to a smaller extent. Having completed the merger with Net Turizm A.Ş. in 2017 which led to the simplification of the corporate structure, the Company operates via 20 subsidiaries and employs 4,230 personnel as of the report date. Mr. **Besim TIBUK** is the qualified shareholder and Chairman of the Company, the shares of which are traded under the ticker-name of NTHOL on the BIST index.

Strengths

- Market leading position in the TRNC luxury hotel and gaming market as the only integrated resort operator holding a chain status
- Diverse client base underpinning revenue and EBITDA growth despite challenging economic circumstances in Turkey since the 2H2018
- Favorable financial leverage levels and hard currency dominated revenue structure offsetting FX risks under persistent high market volatility
- Expansion opportunities offered by the lucrative Asian market along with the maintenance of capex-light growth strategy in the Balkans through entry into new markets
- Large real estate portfolio with the potential for further development subject to improvement in market demand
- Differentiation from competitors due to listed status and compliance with corporate governance practices

Constraints

- Reduction in the gross margin throughout FY2018, to be improved via cost cutting measures in the Balkan markets and high season results
- Significant increase in financing expenses in FY2018 on TRY based results due to FX losses and rising interest rates with an improving trend in the 1H2019
- Notable contribution of non-cash re-valuation and non-recurring collected provision/tax income to equity/profitability figures
- Pressure exerted on net working capital levels due to operational expansion
- Exposure of the TRNC to developments in the Turkish economy along with rising levels of global economic volatility
- Uncertainty created in the long-term by the opening of casinos in the Republic of Cyprus on visitor numbers to the TRNC