

Corporate Credit & Issue Rating

New Update

Sector: Telecommunication
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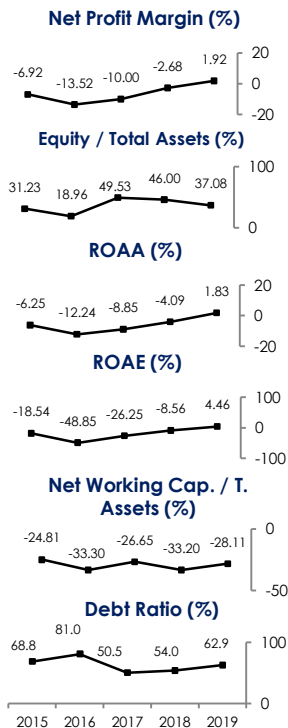
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RATINGS

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

* Assigned by JCR on April 10, 2020



Turknet İletişim Hizmetleri A.Ş.

Company Overview

Financial Data	2019	2018	2017	2016	2015
Total Assets (000 USD)	37,567	32,534	45,073	51,849	61,874
Total Assets (000 TRY)	223,149	171,158	170,012	182,468	179,904
Equity (000 TRY)	82,747	78,738	84,207	34,595	56,192
Net Profit (000 TRY)	4,795	-4,859	-13,880	-21,330	-11,989
Sales (000 TRY)	250,326	181,575	138,804	157,819	173,360
Net Profit Margin (%)	1,92	-2,68	-10,00	-13,52	-6,92
ROAA (%)	1,83	-4,09	-8,85	-12,24	-6,25
ROAE (%)	4,46	-8,56	-26,25	-48,85	-18,54
Equity / Total Assets (%)	37,08	46,00	49,53	18,96	31,23
Net Working Capital / T. Assets (%)	-28,11	-33,20	-26,65	-33,30	-24,81
Debt Ratio (%)	62,92	54,00	50,47	81,04	68,77
Asset Growth Rate (%)	30,38	0,67	-6,83	1,43	10,62

'Turknet İletişim Hizmetleri A.Ş.', (hereinafter referred to as 'Turknet' or 'the Company') was established in 1996 and provides services in the fields of fixed broadband internet, voice, private virtual network, data center and hosting. The Company both uses its own high capacity network and infrastructure of other providers. Turknet defines itself as dynamic and agile brand in telecommunication sector and customer satisfaction is in the core of the Company's values. Turknet offers internet with no bandwidth limit and no fair usage quota and the brand is differentiated within the fixed broadband market. The Company's fiber backbone infrastructure is 800 kilometers and it is placed in 20 different cities. In addition, Turknet has a network operation center located in Gayrettepe/Istanbul.

In 2018, the Company's paid in capital was increased from TRY 8mn to TRY 26.7mn and Gulf Credit Lending S.A.R.L. became major shareholder of Turknet. Thanks to the Company's efficiency focused strategy, operational costs (such as branches or POPs) are minimized to offer best pricing to its customers. The Company has a 2.5% market share as ISP as of 2019 year-end (2018: 1.9%). As of April 30, 2020, the Company employed a workforce of 342 (April 30, 2019: 311).

JCR Eurasia Rating has evaluated Turknet in investment-level category on the national scale and affirmed the rating on the Long Term National Scale at 'BBB (Trk)' and assigned outlooks of national ratings as 'Positive'.

Strengths

- Net profit recorded in 2019 after a long period of time in negative bottom line
- Robust expansion in clientele base, especially in retail segment
- Decline in short FX position, considering the maturity structure of the liabilities
- Strong brand development and successful customer relationship management
- Developments in terms of compliance with Corporate Governance Principles

Constraints

- Low level of control on costs and service quality on bitstream access model despite the increasing share of the services provided through the Company's own infrastructure
- Projected contraction on global and local economy in 2020, triggered by Covid-19 outbreak
- Potential changes in regulatory environment that may create uncertainty in business strategies