

Corporate Credit Rating

New Update

Sector: Telecommunication
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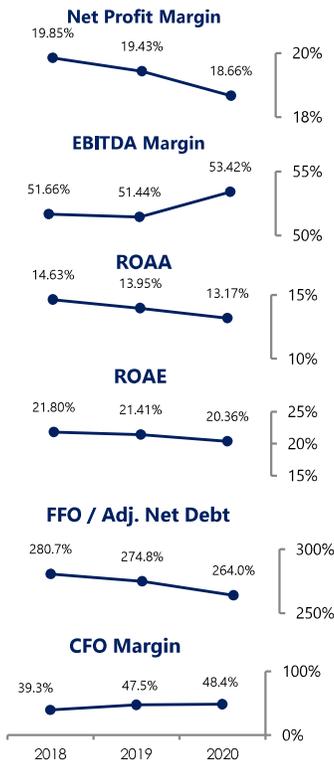
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RATINGS

		Long Term	Short Term
National	Local Rating	AA+ (Trk)	A-1+ (Trk)
	Outlook	Stable	Stable
	Issue Rating	-	-
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	FC Negative LC Negative	Negative Negative
Sponsor Support		1	-
Stand-Alone		A	-
Sovereign*	Foreign Currency	BB+	-
	Local Currency	BB+	-
	Outlook	FC Negative LC Negative	- -

*Assigned by JCR on April 10, 2020



Superonline İletişim Hizmetleri A.Ş.

JCR Eurasia Rating, in its periodic review, has evaluated **Superonline İletişim Hizmetleri A.Ş.** (Turkcell Superonline) in investment-level category on the national and international scales and upgraded the ratings on the Long Term National Scale as **'AA+ (Trk)'** and the Short Term National Scale to **'A-1+ (Trk)'** with **'Stable'** outlooks. International Long Term Local and Foreign Currency Ratings are affirmed at **'BBB-'**.

Superonline İletişim Hizmetleri A.Ş. (referred to as 'the Company' or 'Turkcell Superonline') has strong market share in fixed fiber internet services and integrated communication services. The Company operates under the authorization of ICTA (The Information and Communication Technologies Authority) of Turkey in the fields of ISP (Internet Service Providers), infrastructure operation, fixed telephony, satellite communication, mobile virtual network and broadcasting services. In addition, the Company enlarged its operational base with integration in billing, cross-services, sales network etc., thanks to its shareholder, Turkcell Group. Turkcell Superonline has 50 thousand km of fiber backbone within Turkey. Besides, Turkcell Superonline has 11 border crossings in total with 5 border crossings to Europe.

Turkcell Superonline has issued first corporate lease certificate (sukuk) amounted TRY 125mn on March 2018 for maturity of 176 days. As of reporting date, the Company does not have active exposure on lease certificates and previous ones are paid on time.

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

Strengths

- Growth in subscribers and controlling churn rate
- Robust operational profitability growth and sustainable EBITDA margin
- Strong brand image and awareness
- Having strong market share in fiber segment despite the downward trend
- Being a member of Turkcell Group provides sustainable growth supported with wide product range
- Having a high amount of infrastructure investment creates barriers to the new players in the market and provides competitive advantages against its smaller existing competitors
- High collection ability of receivables thanks to the Company's business model

Constraints

- Potential changes in regulatory environment that may create uncertainty in business strategies
- Growth in ARPU (average revenue per user) underperformed by CPI in fiber segment
- Due to Covid-19 pandemic, increasing uncertainties

Considering the aforementioned points, the Company's the Long Term National Rating has been assigned as **'AA+ (Trk)'**. The Company's high EBITDA generation capacity, solid increase in subscribers in fiber segment and business synergy by being part of the member of Turkcell Group 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.

Superonline İletişim Hizmetleri A.Ş. is a subsidiary of Turkcell Bilişim Servisleri A.Ş. that is fully owned by Turkcell Group. Turkcell is the largest mobile GSM operator of Turkey and operates in 5 countries. Turkcell is the only Turkish company listed on both Borsa İstanbul and on New York Stock Exchanges (NYSE) since 2000. As a group adopted the corporate governance principles, Turkcell Group is considered to have the willingness and experience to ensure long-term liquidity and equity when required and to provide efficient operational support to Turkcell Superonline. In this regard, the Company's Sponsor Support Grade has been affirmed at **(1)** in JCR Eurasia Rating's notation system.

Taking into account the Company's equity level, ongoing operations, liquidity reachability and internal resource generation capacity, we, as JCR Eurasia Rating, state the opinion that the Company has reached the level of adequate experience and facilities to manage the incurred risks on its balance sheet regardless of any assistance from the shareholders, if it preserves its current customer level, efficiency and existing macroeconomic level in the market. Within this context, the Stand-Alone grade of the Company has been upgraded at **(A)** in the JCR Eurasia Rating notation system.