

Corporate Credit Rating

New Update

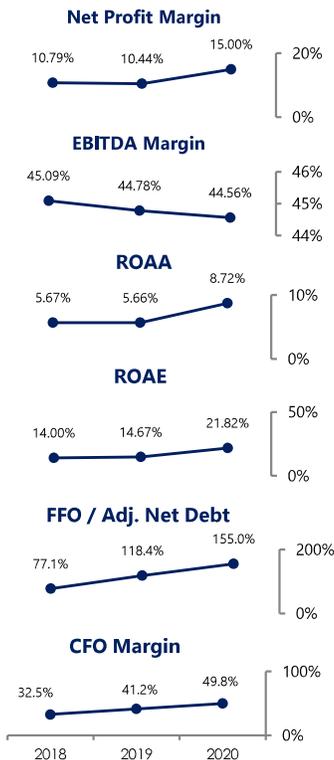
Sector: Telecommunication
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Senior Analyst
 Mustafa Onur İPEK
 +90 212 352 56 73
 onur.ipek@jcrer.com.tr

RATINGS

		Long Term	Short Term	
National	Local Rating	AAA (Trk)	A-1+ (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	-	-	
International	Foreign Currency	BBB-	A-3	
	Local Currency	BBB-	A-3	
	Outlook	FC	Negative	Negative
		LC	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



Turkcell İletişim Hizmetleri A.Ş.

JCR Eurasia Rating, has evaluated **Turkcell İletişim Hizmetleri A.Ş.** in investment-level category on the national scale and assigned the ratings on the Long Term National Scale at **'AAA (Trk)'** with **'Stable'** outlook, and Long Term International Scale as **'BBB-'**.

Turkcell İletişim Hizmetleri A.Ş. (referred to as 'the Company' or 'Turkcell') was founded in 1993 and commenced its operations in 1994 as a global system for mobile communications (GSM) operator. Since its foundation as a GSM operator, Turkcell has become a 'Digital Operator' by widening its product range. Turkcell aims to become an integrated communication and technology services player in the region, operating a converged mobile and fixed network platform and offering a wide range of innovative products and services. Value-added products of Turkcell are as follow: tv platform (TV+), fixed wireless access (Superbox), instant messaging (BilP), video communications (Bip Meet), consumer finance (Financell), payment solutions (Paycell), search engine (Yaani), cloud services (Lifebox) music platform (Fizy) and digital publishing (Dergilik).

Turkcell operates in 4 countries and it is the only Turkish company listed on both Borsa İstanbul and on New York Stock Exchanges (NYSE) since 2000. The company has a staff force of 24,675 employees as of 2020.

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

Strengths

- Steady revenue growth thanks to strong subscriber acquisition along with increased customer penetration
- Steady growth on operational profitability and sustainable margin
- Robust net cash position and long-term debt structure
- Revenue diversification and sustainable growth with value-added product range
- Solid cash flow generation capacity
- Turkcell, one of the most valuable brand name in Turkey
- End of the long-standing dispute in shareholder structure
- Capital intensive feature of telecom business creates barriers to new entries

Constraints

- High CPI environment pressure the real ARPU growth
- Contraction in consumer credit leg
- High rates and complexity of taxes specific for the industry

Considering the aforementioned points, Turkcell's Long Term National Rating has been assigned as **'AAA (Trk)'**. The Company's high EBITDA generation capacity, noteworthy cash balance, its leadership position in mobile segment in terms of subscriber, expansion in digital services 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, indebtedness level and cash generation capacity together with the trends in the industry 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.

As of October, Türkiye Varlık Fonu ("TVF"), the wealth fund of the Republic of Turkey became main shareholder of the Company by acquiring 26.2% shares of Turkcell. TVF, the Republic of Turkey's strategic investment arm and equity solution provider, has a portfolio of assets including 23 companies, 2 licenses and real estates in 8 sectors. As of 2019, the largest minority shareholder, LetterOne's asset size is USD 23.4bn and it has investments in Energy, Technology, Health and Retail sectors. TVF and LetterOne are considered to have the willingness and experience to ensure long-term liquidity and equity within their financial capability when required and to provide efficient operational support to Turkcell. In this regard, the Company's Sponsor Support Grade has been assigned as **(1)** in JCR Eurasia Rating's notation.

Considering 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 assigned as **(A)** in the JCR Eurasia Rating notation system.