

Corporate Credit Rating

New Update

Sector: Tourism/Chance Games

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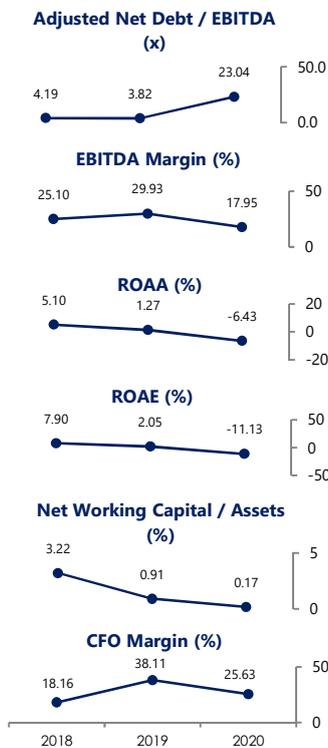
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RATINGS

		Long Term	Short Term	
National	Local Rating	A- (Trk)	A-1 (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	-	-	
International	Foreign Currency	BB	B	
	Local Currency	BB	B	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
Sponsor Support	2	-		
Stand-Alone	B	-		
Sovereign*	Foreign Currency	BB	-	
	Local Currency	BB	-	
	Outlook	FC	Stable	-
		LC	Stable	-

*Assigned by JCR on May 31, 2021



Net Holding A.Ş. and Its Subsidiaries

JCR Eurasia Rating, in its periodic review, has evaluated “**Net Holding A.Ş. and Its Subsidiaries**” in an investment-level category on the national scales and affirmed the rating on the Long Term National Scale at ‘**A- (Trk)**’ and assigned outlook of this rating as ‘**Stable**’. The Long Term International Foreign and Local Currency ratings and outlooks were also assigned at ‘**BB/Stable**’.

Net Holding A.Ş. (referred to as **Net Holding** or **the Group**) was founded in 1981 with an aim of operating in tourism sector and casino management. The Group entered the TRNC market in 1998 and following a period of sustained growth, currently holds a portfolio of 7 hotels and 6 casinos across the island under the Merit brand. Merit Royal Imperial Hotel which is under construction in TRNC, is expected to be finished before 2022 summer season. Having operationalized 4 casinos and 1 hotel across Montenegro, Croatia and Bulgaria in line with the regional expansion strategy initiated in FY2016, the Group has aimed to maintain its presence in the Montenegro, Ukrainian and Albanian markets. In this context, the Group started Merit Starlit Hotel&Casino project in Montenegro. This project of which pre-sales has started is expected to be completed by June 2022.

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 along with luxury car rental services and touristic publications to a smaller extent. Within the scope of real estate development projects, the company has 4 ongoing projects in TRNC, named Merit Royal Mansions, Merit Trio Towers, Merit Prestige Residence, Merit Park Town.

The Group operates its business via 22 subsidiaries, 1 affiliate and employs 3,923 personnel as of September, 2021. Net Holding’s shares have been traded on Borsa Istanbul (BIST) index with a ticker-name of NTHOL since 1989 and **Mr. Besim TIBUK** (as of report date 32.16%) is the qualified shareholder and Chairman of the Group.

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

Strengths

Constraints

- Improvement signs in cash generation with vaccination efforts in 2021, after severe deterioration in 2020
- Strong position in the TRNC gaming and luxury hotel industry
- The maintenance of growth strategy in the TRNC, and Balkans along with attempt to enter new markets such as Ukrainian and Albanian
- Hard currency dominated revenue structure offsetting FX risks under persistent high market volatility in a certain extent
- Large real estate portfolio with the additional revenue potential
- High compliance with corporate governance practices owing to listed status

- Covid-19 pandemic still containing high uncertainty for the upcoming period
- Weak debt coverage indicators in 2020 due to decrease in EBITDA generation capacity as a result of coronavirus, despite improvement in 2021
- Increasing financing expenses which were mainly driven by FX Loss pressuring net profitability
- Growing financial liabilities and financial leverage as of 2020
- Sizeable portion of the equity consisted of revaluation surplus

Considering the aforementioned points, the Company’s Long Term National Rating has been affirmed at ‘**A- (Trk)**’. The Group’s operations have been adversely affected by pandemic in 2020. With the vaccination efforts which started all over the world as of 2021, tourism sector has improved in certain extent on a global scale. Taking into account the improvement in the tourism sector, albeit partially, and the expected positive contribution that the ongoing projects of the company will create on the future cash flow, JCR Eurasia Rating has assigned a ‘**Stable**’ outlook on the long and short term national ratings perspectives of Net Holding. The prolonged effects of the coronavirus, the macroeconomic indicators at national and international markets, profitability indicators as well as market conditions and legal frame about the sector will be continued to be observed in the upcoming period. It is considered that the main shareholder, **Mr. Besim TIBUK** has the willingness and experience to the ensure long term liquidity and equity within their financial capability when required and to provide efficient operational support to **Net Holding A.Ş.**. In this regard, the Group’s Sponsor Support Grade has been affirmed at **(2)** in JCR Eurasia Rating’s notation system. Taking into account, the Group’s overseas operations, income structure predominantly in foreign currency, liquidity reachability and asset quality, we, as JCR Eurasia Rating, state the opinion that the Group 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 Group has been assigned at **(B)** in the JCR Eurasia Rating notation system.