

## Corporate Credit Rating

New Update

**Sector:** Information and Communication Technologies

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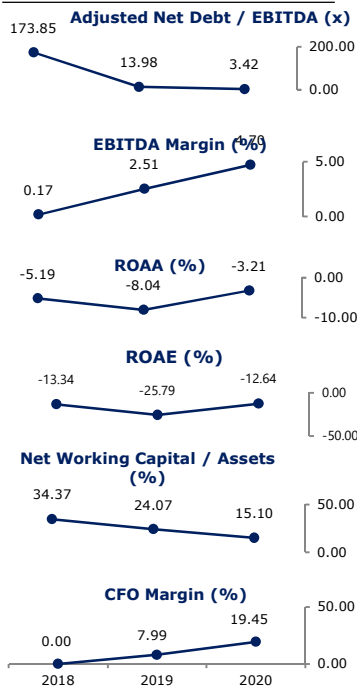
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### RATINGS

		Long Term	Short Term	
National	Local Rating	<b>BBB-(Trk)</b>	<b>A-3 (Trk)</b>	
	Outlook	<b>Stable</b>	<b>Stable</b>	
	Issue Rating	-	-	
International	Foreign Currency	BB	B	
	Local Currency	BB	B	
	Outlook	FC	Stable	stable
		LC	Stable	Stable
Sponsor Support	2	-		
Stand-Alone	BC	-		
Sovereign*	Foreign Currency	BB	-	
	Local Currency	BB	-	
	Outlook	FC	Stable	-
		LC	Stable	-

\*Assigned by JCR on May 31, 2021



## Netaş Telekomünikasyon A.Ş and Its Subsidiaries

JCR Eurasia Rating, has evaluated the "Netaş Telekomünikasyon A.Ş." in the investment-level category and affirmed the Long-Term National Note at 'BBB- (Trk)' and the Short-Term National Note at 'A-3 (Trk)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency ratings and outlooks of the Company are capped as 'BB/Stable' as parallel to international ratings and outlooks of Republic of Turkey.

Netaş Telekomünikasyon A.Ş. (referred to as "Netaş" or "the Company") was established in 1967 with a partnership agreement signed between PTT and Northern Electronic to deploy Turkey's telecommunication infrastructure with local solutions. Netaş provides innovative end-to-end value-added system integration and technology services in the fields of information and communication technologies (ICT). Netaş is engaged in the manufacture and trade of telecommunication equipment, project installation services, technical support, repair and maintenance services, IT services, strategic outsourcing services implementation activities, and associated services. Its customers range from telco providers to public, private enterprises, banks in domestic and international markets. Netaş and its subsidiaries provide services and tech solutions to their customers in the Commonwealth of Independent States (CIS), Kazakhstan, Azerbaijan, Algeria, Nepal and Uzbekistan.

As of September 30, 2021, Netaş' shareholders were ZTE Cooperatief U.A ("ZTE Cooperatief", "ZTE") with 48.05%, The Turkish Armed Forces Foundation with 15% and 36.95% of the total shares were publicly traded on Borsa İstanbul (BIST). Netaş shares have been traded on the Borsa İstanbul (BIST) with the 'NETAS' ticker since 1993. The company currently takes places in the constituents of Sustainability Index, BIST Stars, BIST Technology and BIST Information Technology. Netaş's 48.05% shares in July 2017 was acquired by ZTE's subsidiary ZTE Cooperatief U.A from OEP (One Equity Partners). ZTE engages in telecommunication and information technology and is committed to providing integrated end-to-end innovations to deliver excellence and value to consumers, carriers, businesses and public sector customers around the world to enable increased connectivity and productivity.

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

Strengths	Constraints
<ul style="list-style-type: none"> <li>Steady increase in sales and export revenues, driven by expanding product range and with the support of ZTE Cooperatief's industry know-how,</li> <li>The continuity of the upward trend in orders booked amount especially in public and telecommunication segments,</li> <li>Reputable customer portfolio structure supports the asset quality and renders revenue visibility,</li> <li>Possessing a sturdy market position and collaboration with international brands demonstrated by an ability to asset growth,</li> <li>Competitive advantage of having own R&amp;D center and new product creation power,</li> <li>High level of compliance with Corporate Governance Practices and Sustainability,</li> </ul>	<ul style="list-style-type: none"> <li>Inadequate level of EBITDA generation in contrary to operational and financing expenses,</li> <li>The recurring losses have been deteriorating the equity,</li> <li>Negative cash generation in 9M2021 financials due to foreign currency volatility and delay in receivables,</li> <li>High foreign currency dependency on supply side of the projects in such a volatile economy has been suppressing the profitability,</li> <li>The notable increase in short term and TRY denominated funding structure of the working capital needs have revealed interest rate exposure,</li> <li>Albeit the industry is Covid-19 resilient, pandemic and global chip shortages on global and local economies overhang as a systematic risk,</li> </ul>

Considering the aforementioned points, the Company's the Long-Term National Rating has been affirmed at 'BBB- (Trk)'. The steady revenue and orders booked amount growth, competition and market efficiency with diversified products, well-established customer portfolio, know-how in R&D, as well as the negative EBITDA realization, notable increase in bank loans and ongoing net losses of 9M2021 period, deterioration on local and global economic outlook due to ongoing Covid-19 pandemic on economic activities constitute as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National ratings are determined as 'Stable'. The Company's equity level, fluctuations of exchange rates, cash flow and liquidity, EBITDA margin and profitability indicators are the priority issues will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

Netaş's qualified shareholder, ZTE Cooperatief U.A is 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 Netaş. In this regard, the "Sponsor Support" Grade has been affirmed as (2) in JCR Eurasia Rating's notation system, indicating an adequate level.

Taking into account the Company's market shares, equity level, ongoing operations, liquidity reachability, internal resource generation capacity, growth rates and EBITDA 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 affirmed at (BC) in the JCR Eurasia Rating notation system.