

Corporate Credit Rating

New Update

Sector: Tourism/Chance Games

Publishing Date: 27.11.2023

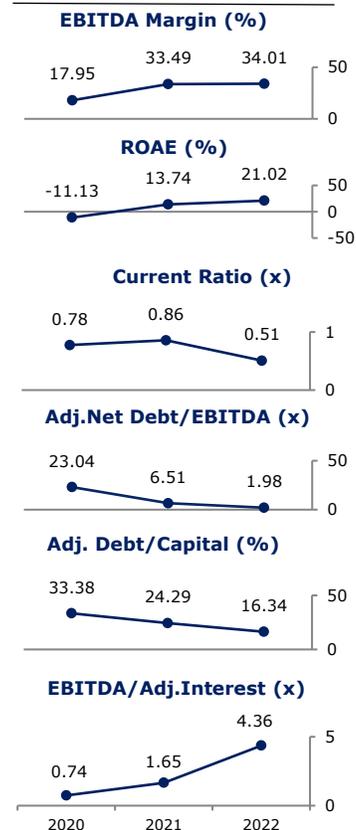
Senior Analyst

Derya Atalay Nemli
 +90 212 352 56 73
derya.nemli@jcrer.com.tr

RATINGS

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A+ (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Negative	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on August 18, 2022



Net Holding A.Ş.

JCR Eurasia Rating, has evaluated the "Net Holding A.Ş." in the investment-level category and revised the Long-Term National Issuer Credit Rating from 'A (tr)' to 'A+ (tr)' and affirmed the Short-Term National Issuer Credit Rating as 'J1 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were affirmed as 'BB/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Net Holding A.Ş. (hereinafter "the Company", "the Group" or "Net Holding") was established in 1981 with an aim of operating in tourism sector and casino management. The Group entered the Turkish Republic of Northern Cyprus (hereinafter "TRNC") market in 1998 and following a period of sustained growth, currently holds a portfolio of 8 hotels and 6 casinos across the island under the Merit brand. The Group operationalized 4 casinos and 1 hotel across Montenegro, Croatia and Bulgaria in line with the regional expansion strategy initiated in FY2016. 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 and Montenegro, Türkiye along with luxury car rental services and touristic publications to a smaller extent. Within the scope of real estate development projects, the Group has 6 ongoing projects in TRNC and Montenegro, named Merit Royal Mansions, Merit Trio Towers, Merit Prestige Residence, Merit Park Town, Merit Starlit Hotel&Residence and shopping centre.

The Group employs 5,829 personnel as of September, 2023. 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 32.72%) is the qualified shareholder and Chairman of the Group.

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

Strengths

- Growing income generation capacity in FY2022 and 3Q2023 supported by geographical and sectoral diversification together with completed investments,
- Improvement in operational profitability indicators and leverage profile in FY2022, in addition 3Q2023 financial results points to further improvement,
- Maintaining brand awareness and strong position in the TRNC gaming and luxury hotel industry,
- Being a publicly listed company obliges to corporate governance compliance policies.

Constraints

- Sizeable non-cash contribution of revaluation gains in equity,
- Increasing net working capital deficit and low level of current ratio over the periods reviewed put pressure on the liquidity structure,
- Foreign currency denominated borrowing structure causes short foreign currency position and high level of foreign exchange losses, thus suppressing bottom-line profitability,
- Leading economic indicators signal global economic slowdown as quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points, the Company's the Long-Term National Rating has been revised from 'A (tr)' to 'A+ (tr)'. On the other hand, the Company's ongoing projects' expected contribution to the revenue in the coming period, as well as many years of experience in the sector have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The Company's revenue and profitability performance, expected contribution of ongoing investments to revenue, real estate properties planned to be sold, the process of acquiring rights of the real estate named Merit Park Hotel & Casino through the acquisition of Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. and bank loans to be utilized within this scope, liquidity metrics, industry specific developments and developments regarding the macro conditions 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.