

## Corporate Credit Rating

New  Update

**Sector:** Chance Games/  
Tourism

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

\* Assigned by JCR on May 10, 2024

#### EBITDA Margin (%)

33.14 39.43

#### Gross Profit Margin (%)

35.62 40.04

#### Current Ratio (x)

0.51 0.53

#### Adj.Net Debt/EBITDA (x)

1.76 0.93

#### Adj. Debt/Capital (%)

15.63 13.45

#### EBITDA/Adj.Interest (x)

6.34 18.31

2022 2023

## NET HOLDING A.Ş.

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

Net Holding A.Ş. (hereinafter referred to as "the Company" or "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 (TRNC) market in 1998 and following a period of sustained growth, currently holds a portfolio of 8 hotels and 6 casinos across the TRNC under the Merit brand. The Group operationalized 6 casinos and 2 hotels across Montenegro, Croatia and Bulgaria in line with the regional expansion strategy initiated in FY2016. Additionally, as of June 2022, the Group operates "The Twenty9 Casino by Merit", which is located in the cruise ship "Blue Sapphire" operated by Selectum Blu Cruises. 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, along with luxury car rental services and kids/touristic publications to a smaller extent in Türkiye. Within the scope of real estate development projects, the Group has 5 residential & commercial ongoing projects in TRNC. (Merit Royal Mansions, Merit Prestige Residence, Merit Park Town, Twin Towers and shopping centre)

The Group employs 7,348 personnel as of September, 2024. Net Holding's shares have been traded on Borsa Istanbul (BIST) index with a ticker-name of NTHOL since 1989 and Besim TIBUK (as of the reporting date 36.91%) is the qualified shareholder and Chairman of the Group. As of the reporting date, with 28% actual outstanding shares ratio the Company have been publicly traded on BIST.

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

### Strengths

- Growth-oriented investments, particularly in the casino category, have supported revenue growth over the periods analyzed, and ongoing expansion efforts indicate further revenue growth in the upcoming periods,
- Satisfactory leverage and coverage metrics thanks to strong EBITDA generation capacity despite the increase in debt as of 3Q2024,
- Below-zero cash conversion cycle supports operational efficiency by reducing external financing needs,
- Having a large real estate portfolio supports the asset structure,
- Maintaining brand awareness and strong position in the TRNC gaming and luxury hotel industry,
- Compliance with the corporate governance practices as a publicly listed company.

### Constraints

- Short FX position mainly arising from foreign currency denominated financial liabilities,
- Increasing net working capital deficit and low level of current ratio over the periods reviewed put pressure on the liquidity structure,
- In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing are at the forefront.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised from 'A+ (tr)' to 'AA (tr)'. On the other hand, the expected contribution of the Company's ongoing projects to revenue in the upcoming periods, 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, 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.