

Corporate Credit Rating

New Update

Sector: Information Technology

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Team Leader

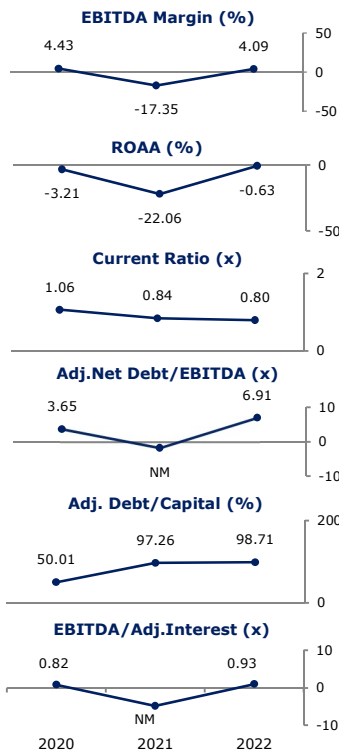
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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	BBB- (tr)	J3 (tr)
	National ICR Outlooks	Positive	Stable
	International FC ICR	BB-	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB-	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Profile)	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022



Netaş Telekomünikasyon A.Ş.

JCR Eurasia Rating has evaluated "Netaş Telekomünikasyon A.Ş." in the investment grade category and affirmed the Long-Term National Issuer Credit Rating at "BBB- (tr)" and the Short-Term National Issuer Credit Rating at "J3 (tr)", outlook for Long-Term National Issuer Credit Rating has been revised from 'Negative' to 'Positive'. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been assigned as "BB-/Negative" according to JCR-ER's national-global mapping methodology.

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 Türkiye'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, Malta and Uzbekistan.

As of September 30, 2023, Netaş' shareholders are ZTE Cooperatief U.A ("ZTE Cooperatief", "ZTE") with 48.05% share, The Turkish Armed Forces Foundation with 15% share and 36.95% of the total shares are publicly traded on Borsa Istanbul (BIST). Netaş shares have been traded on the 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 was acquired by ZTE's subsidiary ZTE Cooperatief U.A from OEP (One Equity Partners) in July 2017. ZTE Corporation is a Chinese partially state-owned technology company that specializes in telecommunication. ZTE's core business is wireless, exchange, optical transmission, data telecommunications gear, telecommunications software, and mobile phones.

The number of people employed across Group as of 3Q2023 is 1,731 (FYE2022: 1,885 FYE2021: 2,171)

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

Strengths

- Maintained revenue growth supported by orders booked amount,
- Reputable shareholder structure with high brand recognition and ZTE Cooperatief's extensive industry know-how and support,
- Ongoing efforts to reduce operating expenses to revenues ratio,
- The established client portfolio ensuring income predictability,
- High level of compliance with corporate governance practices.

Constraints

- Ongoing high indebtedness with short-term weighted funding profile,
- High leverage due to continuing low profitability despite recovery attained at FY2022 figures with further improvement expectation for FY2023,
- Further decrease in equity as a result of accumulated losses,
- Ongoing low level of profitability and FFO suppressing liquidity management,
- Inadequate level of debt service coverage via generated EBITDA
- High level of overdue but not impaired receivables as a nature of the business in 3Q2023,
- Relatively high level of doubtful trade receivables even though fully provisioned and stemming from previous periods,
- 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 Issuer Credit Rating has been affirmed as "BBB- (tr)". The outlook for Long-Term National Issuer Credit Rating has been revised from 'Negative' to 'Positive' considering the Company's maintained growth, extensive know-how transfer from the main shareholder ZTE Cooperatief, recovery in EBITDA generation in FY2022 and 3Q2023, well-established customer portfolio, as well as notable decrease in equity level due to ongoing net losses, high indebtedness level, uncertainties arisen from geopolitical tensions and global tight financial conditions. The Company's orders book amount, indebtedness level, liquidity profile, profitability metrics, cash flow indicators and asset quality 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 business will be monitored as well.