## Corporate Credit Rating

☐New ☒Update

**Sector:** Information Technology

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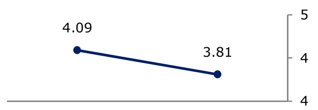
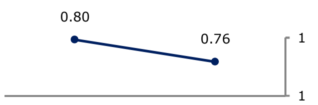
| RATINGS | | Long Term | Short Term |
|---|---|---|---|
| ICRs (Issuer Credit Profile) | **National ICR** | **BBB (tr)** | **J2 (tr)** |
| | National ICR Outlooks | Negative | Stable |
| | International FC ICR | BB | - |
| | International FC ICR Outlooks | Negative | - |
| | International LC ICR | BB | - |
| | International LC ICR Outlooks | Negative | - |
| ISRs (Issue Specific Profile) | National ISR | - | - |
| | International FC ISR | - | - |
| | International LC ISR | - | - |
| Sovereign* | Foreign Currency | BB (Stable) | - |
| | Local Currency | BB (Stable) | - |

** Assigned by JCR on May 10, 2024*

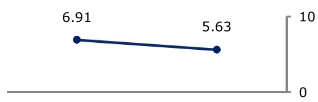
**EBITDA Margin (%)**



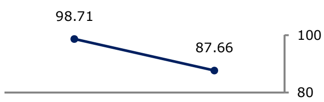

**Current Ratio (x)**



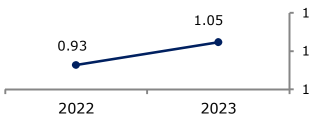

**Adj.Net Debt/EBITDA (x)**




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




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




# 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 **"J2 (tr)".** In addition, outlook for Long-Term National Issuer Credit Rating has been revised from **'Stable'** to **'Negative'**. 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, 2024, 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, recently included in BIST Corporate Governance Index in January 2025. 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 3Q2024 is 1,519 (FYE2023: 1,682)

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

| Strengths | Constraints |
|---|---|
| • Sustained sales growth driven by expanding product range supported by ZTE Cooperatief's industry know-how,<br>• Reputable shareholder structure with high brand recognition,<br>• Revenue predictability through established customer portfolio in a certain extent,<br>• Adherence to high standards of corporate governance. | • Continuing high level of indebtedness with short-term weighted borrowing profile,<br>• High leverage due to deteriorated EBITDA both in nominal and margin basis in 9M2024, despite improved leverage in 2023,<br>• Further deterioration in interest coverage in 9M2024,<br>• Ongoing negative trend of net working capital,<br>• Fairly low level of equity as a result of accumulated losses in 9M2024,<br>• High level of overdue but not impaired receivables as a nature of the business,<br>• Despite being fully provisioned and arising from prior periods, the relatively high level of doubtful trade receivables,<br>• 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 affirmed as **"BBB (tr)"**. The outlooks for Long-Term National Issuer Credit Rating has been revised from **'Stable'** to **'Negative'** considering notable decrease in equity level due to ongoing net losses, high indebtedness, deteriorated EBITDA and high financial leverage in 3Q2024, negative trend of working capital and uncertainties arisen from geopolitical tensions and global tight financial conditions as well as the Company's maintained revenues, extensive know-how transfer from the main shareholder ZTE Cooperatief, well-established customer portfolio. 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.