

## Corporate Credit Rating

New  Update

**Sector:** Tourism/Chance Games

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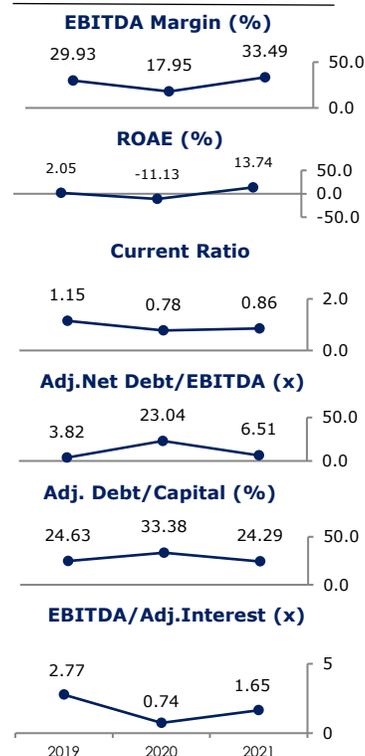
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## RATINGS

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 investment-level category and revised the Long-Term National Issuer Credit Rating from 'A- (tr)' to 'A (tr)' and assigned the Short-Term National Issuer Credit Rating at '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/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, Turkey along with luxury car rental services and touristic publications to a smaller extent. Within the scope of real estate development projects, the Group has 5 ongoing projects in TRNC and Montenegro, named Merit Royal Mansions, Merit Trio Towers, Merit Prestige Residence, Merit Park Town and Merit Starlit Hotel&Residence.

The Group employs 5,217 personnel as of September, 2022. 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

- Increase in sales revenues in 3Q2022 with contribution of completed investments during the period and recovery after Covid-19 outbreak,
- Improvement in financial leverage together with increase in EBITDA generation capacity in FY2021, additionally 3Q2022 financial results points to further improvement,
- Strong position in the TRNC gaming and luxury hotel industry,
- Geographical diversity in revenue generation and the growth strategy in different geographies,
- Large real estate portfolio with the additional revenue potential,
- High level of compliance in corporate governance practices.

### Constraints

- Sizeable non-cash contribution of revaluation gains in equity,
- Net working capital deficit pressuring liquidity management,
- High financing expenses arising from mainly foreign exchange losses pressuring the profitability,
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections.

Considering the aforementioned points together the Company's the Long-Term National Issuer Credit Rating has been revised from 'A- (tr)' to 'A (tr)'. Expected positive contribution that the ongoing projects of the Group will create on the future cash flow, decrease in financial leverage as of 3Q2022, growth in sales, increase in EBITDA generation capacity, long lasting presence 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 growth strategy, financial leverages, profitability indicators, level of indebtedness 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 sector will be monitored as well.