

Corporate Credit Rating

New Update

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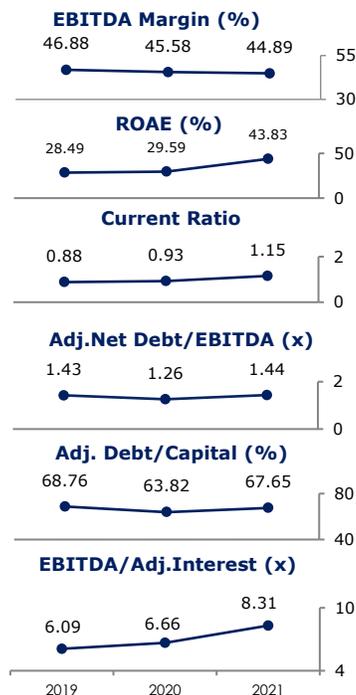
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	AAA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
ISRs (Issue Specific Profile)	International LC ICR	BB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

* Assigned by JCR on August 18, 2022



TÜRK TELEKOMÜNİKASYON A.Ş.

JCR Eurasia Rating, has evaluated the "Türk Telekomünikasyon A.Ş." (referred to as "the Company" or "Türk Telekom") in the investment-level category and affirmed the Long-Term National Issuer Credit Rating at 'AAA (tr)' and 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.

Türk Telekom has its roots back to 1840s, as a state-owned entity operating in the fields of postal services. Throughout the history, the Company was the pioneer of the communication of Türkiye, not only as a company but also as a sector creator. After a long history offering the citizens postal services, telegraph, telex, fixed phones, Türk Telekom has transformed into a multidimensional telecommunication group. The Company is privatized in 2005 and as of December 2018, 55% of the shares are owned by LYY Telekomünikasyon A.Ş. (LYY), whose shareholders are the creditor banks that provided loans to OTAŞ (Ojer Telekomünikasyon A.Ş.) Finally, on March 31, 2022, all the shares of LYY Telekomünikasyon A.Ş. were taken over by the Türkiye Wealth Fund. Up to date, 60% of the Company's shares are owned by the Türkiye Wealth Fund 25% by the Turkish Treasury and 15% are publicly traded and quoted in Borsa Istanbul (BIST) with ticker of TTKOM.

Türk Telekom is a market leader in fixed broadband and fixed voice segments, and it stands at third place in mobile segment which operations comprises the bulk of the Company's revenue. The Company is the first integrated telecommunications operator in Türkiye. In 2016, the Company gathered its mobile, fixed broadband, voice and TV products under the single brand name, Türk Telekom.

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

Strengths

- Diversified business portfolio and revenue stream
- Continuous revenue growth thanks to solid customer onboarding and increase in customer penetration
- Strong brand image and awareness
- Remarkable receivable collection ability due to Telco's business nature enhances the liquidity
- The strong shareholder structure
- Steady profitability growth pattern
- Long-term debt structure and its service capacity due to strong upward trend in cash generation metrics
- Low level of leverage due to the impact of liquid assets
- A large amount of capital expenditure creates barriers for new entries and affords competitive advantages against other small capped competitors

Constraints

- Industry specific high tax rates and its complexity level
- Double-digit CPI figures pressure the ARPU growth on real basis
- Current hedge portfolio and continuity of hedge policies, high volatility in FX rates suppresses the bottom line and equity, in a certain amount

Considering the aforementioned points, the Company's the Long-Term National Rating has been affirmed as 'AAA (Tr)'. The Company's operational sustainability and profitability level have been evaluated as important indicators for the stability of the ratings and the outlooks for long- and short-term national ratings are determined as 'Stable'. Sustainability of the Company's profitability performance, indebtedness level and cash generation capacity together with the trends in the industry are to be monitored by JCR Eurasia Rating. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored.