

## Corporate Credit Rating

New  Update

**Sector:** Telecommunication

**Publishing Date:** 14.08.2023

### Manager

Fatih LAP

+90 212 352 56 73

[fatih.lap@jcrer.com.tr](mailto:fatih.lap@jcrer.com.tr)

### Team Leader

Çetincan TOPÇU

+90 212 352 56 73

[cetincan.topcu@jcrer.com.tr](mailto:cetincan.topcu@jcrer.com.tr)

### Senior Analyst

Zafer Kamil AYDIN

+90 212 352 56 73

[zafer.aydin@jcrer.com.tr](mailto:zafer.aydin@jcrer.com.tr)

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AAA (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)	National ISR	-	-
	International FC ISR	-	-
	International LC 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 "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 as 'AAA (tr)' and the Short-Term National Issuer Credit Rating as '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, fixed phones, Türk Telekom has transformed into a multidimensional telecommunication group. The Company is privatized in 2005 and as of today, 60% of the Company's shares are owned by the Türkiye Wealth Fund ("TWF"), 25% by the Republic of Türkiye Ministry of Treasury and 15% are publicly traded (of which 1.68% also owned by TWF) and quoted in Borsa Istanbul ("BIST") with ticker of TTKOM.

In 2016, the Company gathered its mobile, fixed broadband, voice and TV products under the single brand name, Türk Telekom. Türk Telekom is a market leader in fixed broadband and fixed voice segments, and it stands at second place in Pay TV segment and 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.

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

### Strengths

- High EBITDA and cash flow generation capacity
- New customer acquisition capability
- Various business segment and revenue stream
- Low collection risk supporting the asset quality
- Reputable shareholder structure
- Strong brand image and awareness
- The high investment requirements in the Telco sector creates barrier to new competitors and offer competitive advantages to Türk Telekom
- High level of compliance with the corporate governance practices as a publicly listed company

### Constraints

- High CPI undermines potentially better ARPU evolution and affects the profitability margins
- Industry specific high tax rates and its complexity level
- Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance

Considering the aforementioned points, the Company's the Long-Term National Rating has been affirmed as 'AAA (tr)'. The Company's EBITDA generation capability, long-term debt structure and brand awareness 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, changes in market share and equity level together with the trends in financing opportunity and telecommunication sectors are going to be monitored by JCR Eurasia Rating, as well as the macroeconomic indicators at national and international markets and legal frame about the sector.

