

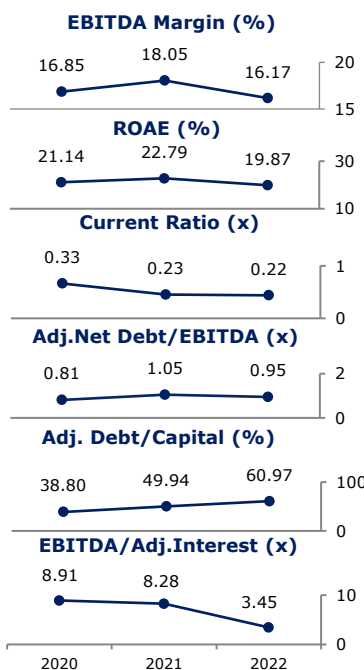
Corporate Credit & Issue Rating

New Update

Sector: Telecommunication
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A- (tr)	J2 (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	A- (tr) (Stable)	J2 (tr) (Stable)
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on August 18, 2022



TURKNET İLETİŞİM HİZMETLERİ A.Ş.

JCR Eurasia Rating, has evaluated the "Turknet İletişim Hizmetleri A.Ş." (referred to as "the Company" or "Turknet") in the investment-level category and affirmed the Long-Term National Issuer Credit & Issue Rating at 'A- (tr)' and the Short-Term National Issuer Credit & Issue Rating at 'J2 (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.

Turknet was established in 1996 and provides services in the fields of fixed broadband internet, voice, private virtual network, data center and hosting. The Company both uses its own capacity network and infrastructure of other providers. Turknet offers internet with no bandwidth limit and no fair usage quota and the brand is differentiated within the fixed broadband market. The Company's fiber backbone infrastructure is 2,485 kilometres and it is placed in 28 different cities. In addition, Turknet has a network operation center located in Gayrettepe/Istanbul.

As of April 2023, Turknet has around 879.4k customers, mostly in retail segment. Thanks to the Company's efficiency focused strategy, operational costs (such as branches or POPs) are minimized to offer best pricing to its customers. The Company's market share based on the number of customers is 4.8% by the end of 2022 (2021: 4.3%).

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

Strengths

- Constant revenue growth ability supported by continuous increase in subscriber level especially in retail segment
- Steady and high EBITDA generation capacity against debt level
- High quality of services and customer relations management
- Acceptable collection ability of receivables thanks to the Company's business model
- Expansion in fiber backbone and further expectation for next periods
- High compliance level in terms of corporate governance principles

Constraints

- Higher operational expenses compared to its competitors due to Bitstream Access Model
- Insufficient liquidity indicators
- The pressure of financing expenses on profitability
- Growth in ARPU impeded by CPI in fiber segment
- Potential changes in regulatory environment that may create uncertainty

Considering the aforementioned points, the Company's the Long-Term National Rating has been affirmed at 'A- (tr)'. JCR The Company's EBITDA generation capacity, consistent revenue growth, high quality of services, acceptable collection ability and well compliance level in terms of corporate governance principles 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 and telecommunication sectors 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.