

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)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Stable	-
	National ISR	A (tr) (Stable)	J1 (tr) (Stable)
	International FC ISR	-	-
Sovereign *	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

Turknet İletişim Hizmetleri A.Ş.

JCR Eurasia Rating, has evaluated the "Turknet İletişim Hizmetleri A.Ş." in the investment-level category with high credit quality and affirmed the Long-Term National Issuer Credit & Issue Rating at 'A (tr)' and the Short-Term National Issuer Credit & Issue 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/Stable' as parallel to international ratings and outlooks of Republic of Türkiye.

Turknet İletişim Hizmetleri A.Ş. (hereinafter referred to as "Turknet" or "the Company") was established in 1996 and provides a variety of services including fixed broadband internet, voice, private virtual network, data center services, and hosting. Turknet utilizes both its proprietary network infrastructure and that of other providers Turknet distinguishes itself in the fixed broadband sector by offering internet services without bandwidth limitations or fair usage policies. The Company's own and leased fiber backbone spans more than 7,957 kilometers (5,012 kilometers leased) and covers 56 cities (27 cities with leased backbone). Additionally, Turknet operates a network operation center based in Gayrettepe/İstanbul.

As of April 2024, Turknet serves around 1.24 million customers, primarily in the retail sector. With a focus on operational efficiency, the Company reduces costs-particularly those associated with physical branches or point of presence (PoPs)-to offer competitive pricing to its customers. By then end of 2024, Turknet's market share, based on customer count, reached 5.82%, reflecting a slight uptick from 5.1% in 2023.

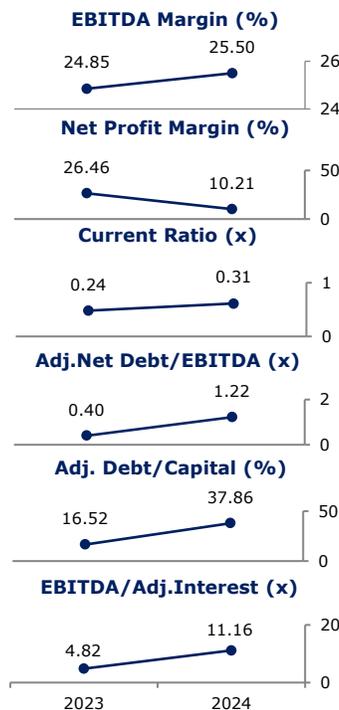
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Increase in sales revenue and EBITDA generation through new customer acquisitions, with sustainable core profitability metrics in FY2024,
- Greater ARPU growth compared to CPI during the analysis periods,
- Manageable leverage indicators despite increased borrowing level for new home pass investments as of FYE2024,
- Low collection risk thanks to the business model and sustainable cash flow metrics, along with a negative cash conversion cycle,
- Compliance with corporate governance principles, supported by the issuance of capital market instruments.

Constraints

- Limited paid-in capital relative to revenue and asset size, despite growth in equity through internal resource generation,
- Uncertainty stemming from potential legislative changes that may adversely affect the sector,
- As actions for a global soft-landing gain prominence, decisions with the potential to adversely affect global trade are engendering considerable uncertainty.



Considering the aforementioned points, the Company's the Long-Term National Rating has been affirmed at 'A (tr)'. The Company's EBITDA generation capacity against debt level, new customer acquisitions, profitability metrics and low collection risk 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.