



**3Q 2020**

# **Finance and Business Update**

**December 2020**



# History

Corporate

Operational

Founded as the first Nortel venture outside Canada to address opportunities in the EMEA region

**NORTEL**

1967

**⚡ IPO**  
(23% of the shares listed (Istanbul Stock Exchange))

1993

1973

First and biggest private telecoms R&D center in Turkey

2006

Nortel's global R&D center

2008



Software export champion of Turkey

OEP Turkey Tech BV (JP Morgan Chase Private Equity arm) acquires Nortel shares

2010

Acquisition of Probil (Netaş Bilişim) and BDH

2011

Acquisition of 10% shares in Kron, local software development company

2013

New strategic plan to develop and execute complex ICT projects

2014

International expansion with over USD 100mn in orders booked

2015

New homegrown solutions from Netas R&D – 4G LTE (ULAK), NOVA Cyber Security

2016

Netas Cyber Operations Center

2017

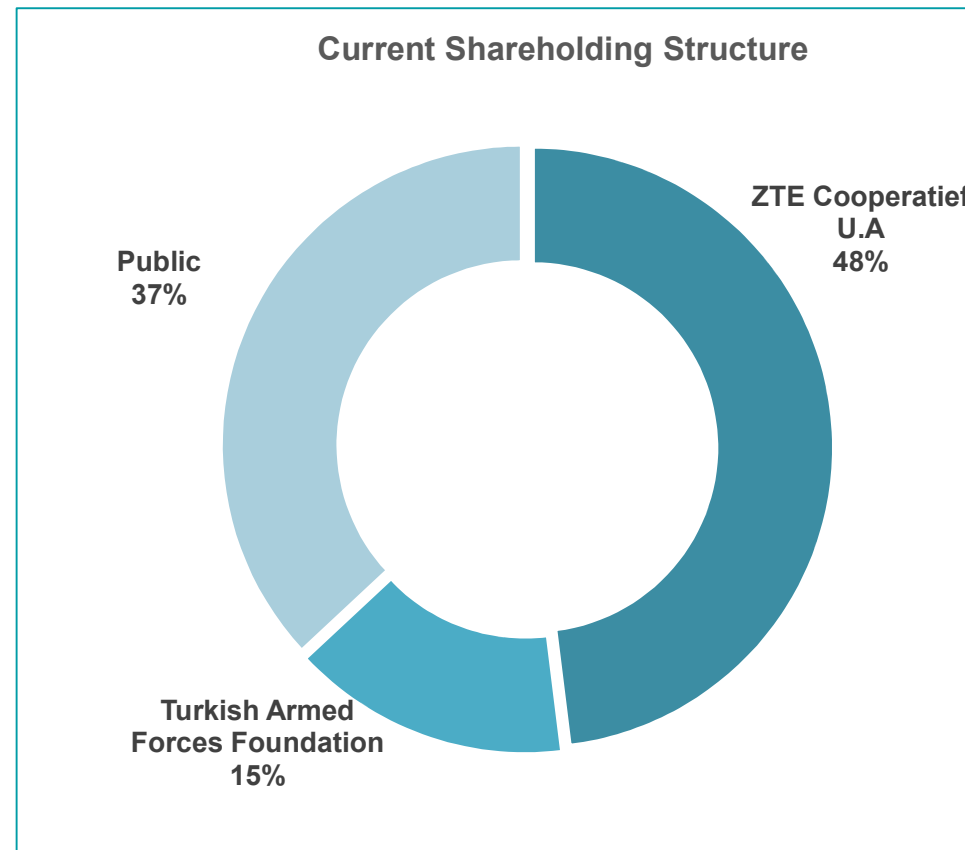
ZTE Cooperatief U.A. becomes the largest shareholder of Netas

**NETAS**

## Company Profile

### Shareholding Structure

- In 2017, world leader in telecommunication technologies ZTE, acquired 48% of Netaş shares through its subsidiary ZTE Cooperatief U.A. from One Equity Partners (OEP).



# Netas At A Glance

## Wide Services Capabilities

- Nationwide distribution and services platform serving 81 cities throughout Turkey with ~1,200 qualified service personnel

## High Brand Reputation

- Trusted partner for Turkey's blue chip enterprises across major vertical industries and government institutions

## Large and Solid Structure

- Large, acclaimed, well-managed and financially solid company attracting the best Turkish engineers

## Highly Skilled Talent

- 100% English speaking R&D personnel

## Strong R&D Technology Know-How

- 45 years of homegrown R&D solutions
- supported by cooperation with global and local technology giants

## International Markets

- Turkey's #1 software exporter
- Highly capable on complex SI Projects
- International markets constitute 12.6% of total net sales revenue in 2019.

## Technology Ecosystem

- More than 120 vendors
- Strategic business partnership with the best in the industry

## Turkey's #1 Systems Integrator

- Strong integration competency with R&D skills
- Competency in integration projects involving multi-technology domain
- Deep understanding of clients needs, end -to-end solutions



2017 Top 500 ICT Companies Survey  
"Systems Integrator Of The Year"

**NETAS**

# Company Profile

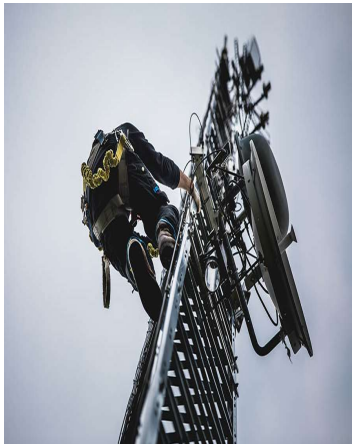
## Business Focus

End to end SI	Telco Grade Solution Provider	Services	Innovation	Production
<ul style="list-style-type: none"><li>• Turn key solution with services attached</li><li>• Technology consultancy</li></ul>	<ul style="list-style-type: none"><li>• World tech giant ZTE's solution vendor, exclusive in certain markets</li><li>• Deep technical know how in telco sector</li></ul>	<ul style="list-style-type: none"><li>• After sales services</li><li>• IT consultancy</li><li>• Vendor warranty</li><li>• IT outsource services</li></ul>	<ul style="list-style-type: none"><li>• Authentic products &amp; solutions</li><li>• Custom software &amp; application</li><li>• Homegrown 4G LTE solution</li></ul>	<ul style="list-style-type: none"><li>• Telco hardware firmware – software production in niche verticals</li><li>• Repair center</li></ul>
Delivering complex multi-year multi-million dollar digital transformation projects in telco carrier & enterprise segments		High quality nationwide customer service as per SLA's		Development of hardware & software and customized products in 10K sqm facility

# Company Profile

*Serving wide range of sectors*

## Telecom



## Public



## Finance



## Sports & Entertainment



## Energy



## Retail & FMCG



Providing services to major **telecom service providers in Turkey**. Also serving major operators in the **CIS, North Africa and Bangladesh**.

**Preferred ICT provider** to the **Turkish government & public safety ecosystem**; large share in major public ICT projects. Strong footprint also outside of Turkey.

Addressing majority of the IT infrastructure within **major banks & financial institutions in Turkey**; 5.000 bank branches being served nationwide

Executed the first **smart stadium project** for Turkish Football Federation in more than 50 football stadiums

Designing and delivering ICT solutions for the top **energy companies**

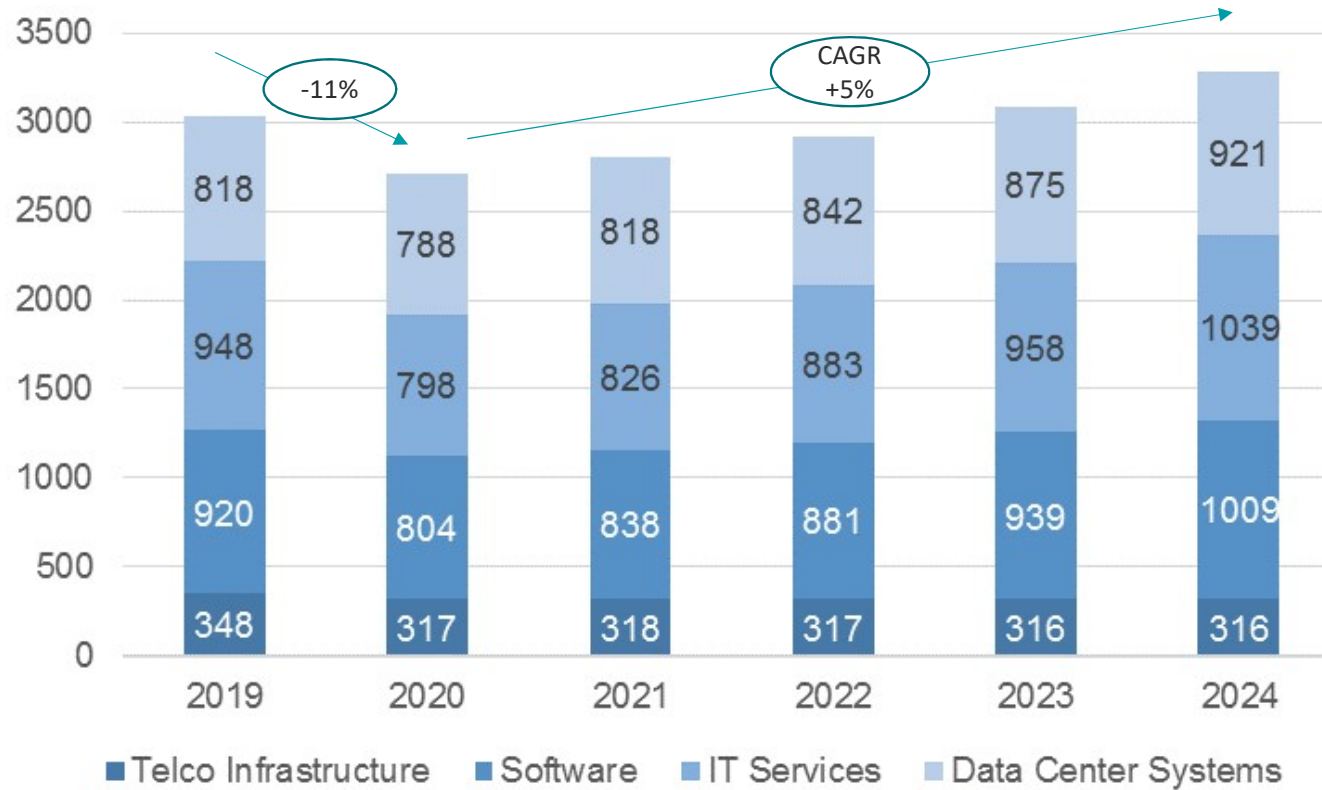
70% share within the ICT infrastructure of Turkey's top **conglomerates**

GENEL- PUBLIC



## ICT Market

### Addressable ICT Market by Segment in USD



- +5% CAGR in addressable market over 2020-2024

Source: International Data Corporation (IDC)

\*Fixed and mobile telecom services are excluded

\*Telco Infrastructure in IDC includes only equipment for operators

# ICT

## Market Trends

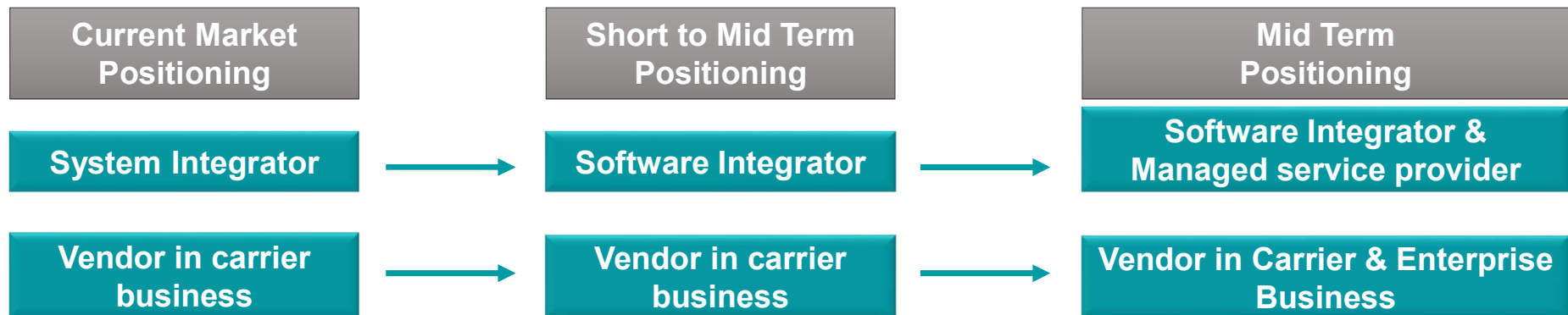
- Leading software (SW) vendors (Microsoft, SAP, Oracle) are shifting towards cloud deployment in Turkey as well.
- IT Infrastructure market is dominated by five major vendors, with Huawei gaining strong market share in Server and Storage segments.
- Network spending is expected to reach 366M USD by 2021 while software defined infrastructures become an integral part of the architecture.
- Security market is expected to grow with 5% CAGR led by Software and Services.
- Share of smart phones and tablets in enterprise end-point spending are decreasing.
- IoT spending is expected to increase dramatically led by manufacturing industry and module/sensor spending.



# Netaş

## Strategic Objectives

- Transformation of Netaş based on new digital technologies and raised customer needs & expectations, increase market share.
- Create high margin new business areas (i.e Grow in SDN, Cloud, business applications (SAP & Salesforce), infrastructure software and security, test services).
- Positioning ZTE and localized products to public institutions.
- Market penetration with ZTE products in Georgia, Azerbaijan, Kazakhstan.
- Engaging with multiple vendors in emerging technologies/reduced US based vendor dependency.



## 3Q 2020

### Commentary

Better year over year performance compared to 3Q 2019

#### Compared to 3Q 2019 Actuals

- Order is down by c.\$21 mn
- Revenue is better by c.\$19 mn
- EBIT is better by c.\$7 mn
- Net debt is better by c.\$21 mn
- EBT is better by c.\$18 mn
- Net Profits is better by c.\$19 mn

## 3Q 2020

### Summary Income Statement (\$ mn)

-  Despite unfavorable conditions, **improvement in the financial performance** as compared to both budget and the previous year.

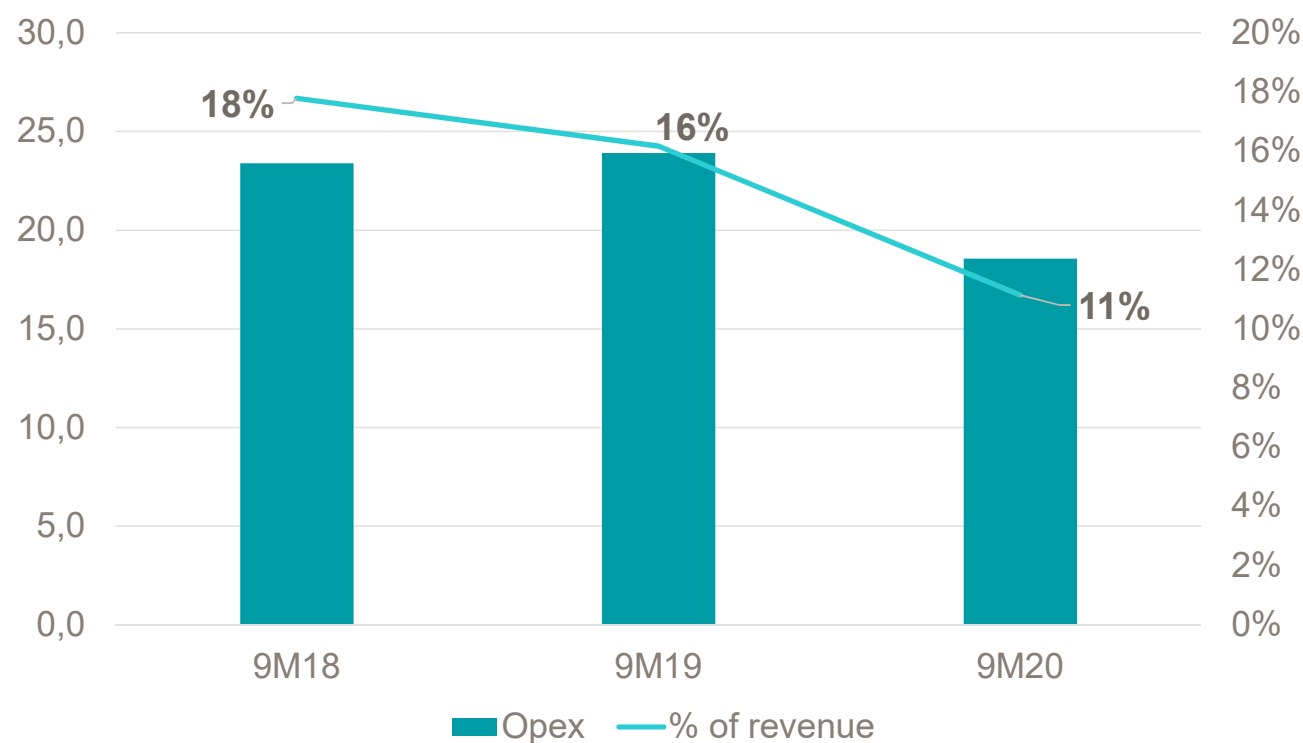
	3Q 2020	3Q 2019
<b>Order</b>	<b>151,7</b>	<b>173,5</b>
<b>Revenue</b>	<b>166,7</b>	<b>148</b>
<b>Gross Profits</b>	<b>16,6</b>	<b>14,9</b>
OPEX	-18,6	-23,9
<b>EBIT</b>	<b>-2</b>	<b>-8,9</b>
Other income/(expense)	-6,1	1,2
Finance income/(expense)	3,6	-14,9
<b>EBT</b>	<b>-4,4</b>	<b>-22,7</b>
<b>EBITDA</b>	<b>6,4</b>	<b>-1</b>
<b>Net Profits</b>	<b>-1</b>	<b>-20</b>

- 13% and 11% US Dollar based growth in revenues and gross profit, respectively.
- Sound improvement in EBIT, EBT, EBITDA and net profit line attributable to declining OPEX and recovering financial income.

## 3Q 2020

### Operational Expenses

 500 basis point decrease was achieved in the Operating Expense / Revenue ratio, y-o-y.



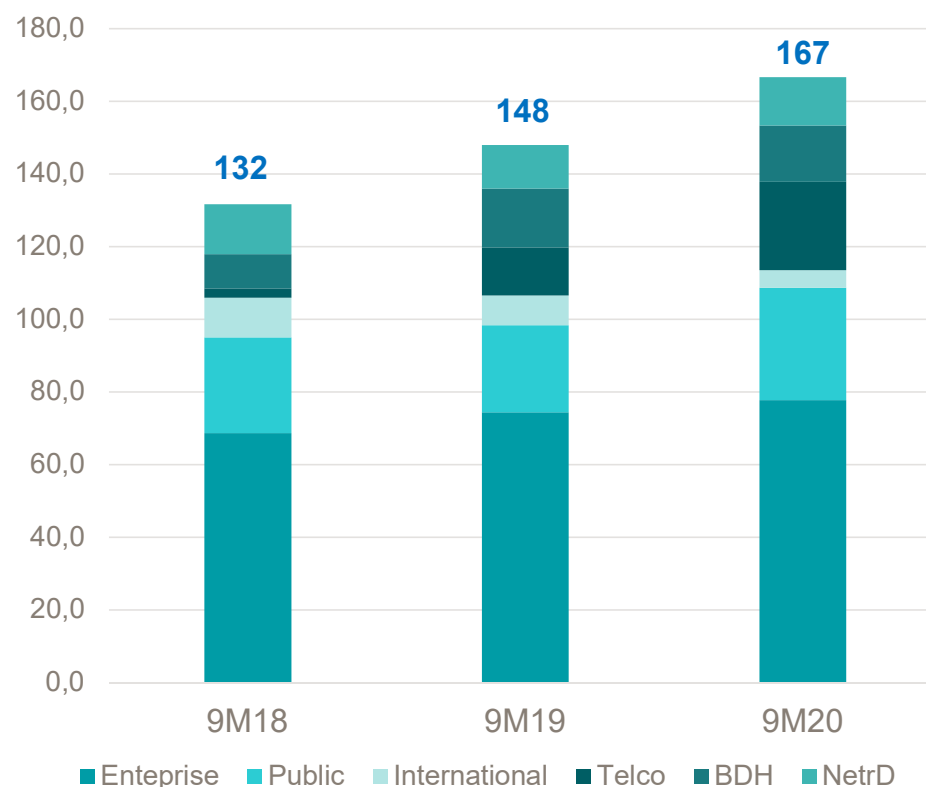
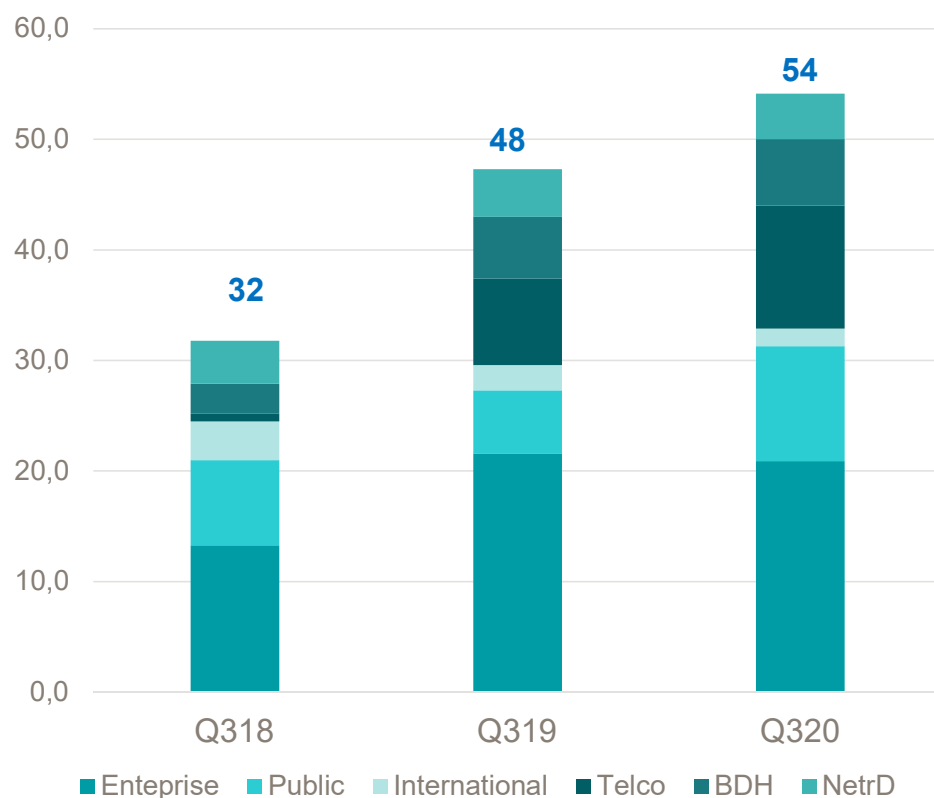
- Regular actions taken to reduce operating expenses showed their effects.

- An annual saving of \$5.3 mn has been achieved, carrying opex/revenues ratio to 11% from 16%, y-o-y.

## 3Q 2020

### Revenues & Revenue Breakdown (\$mn)

Revenues increased 13% in USD basis in 9M20, y-o-y, reflecting a consecutive increase in the last three years.

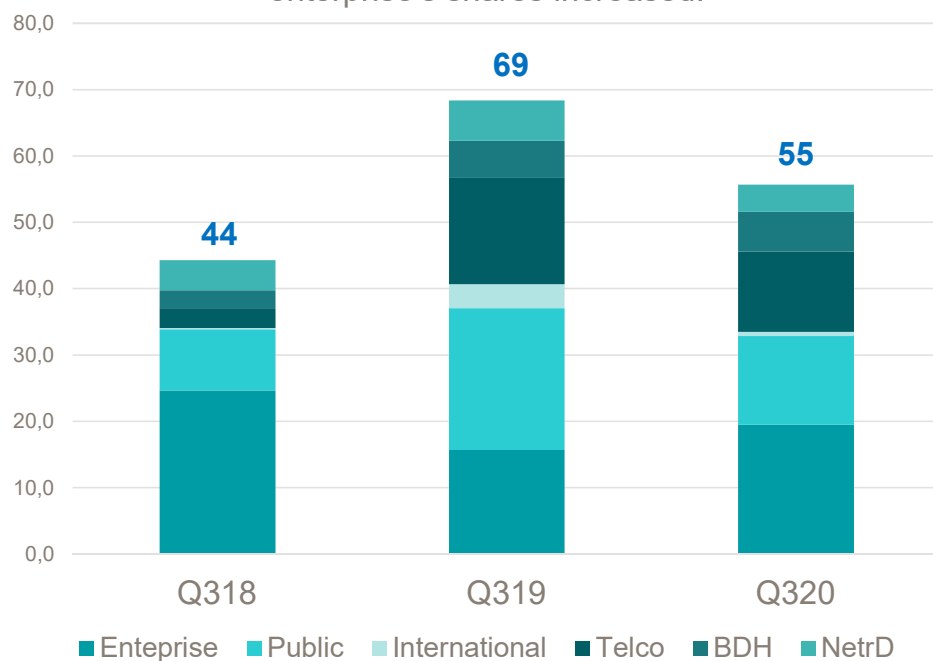


## 3Q 2020

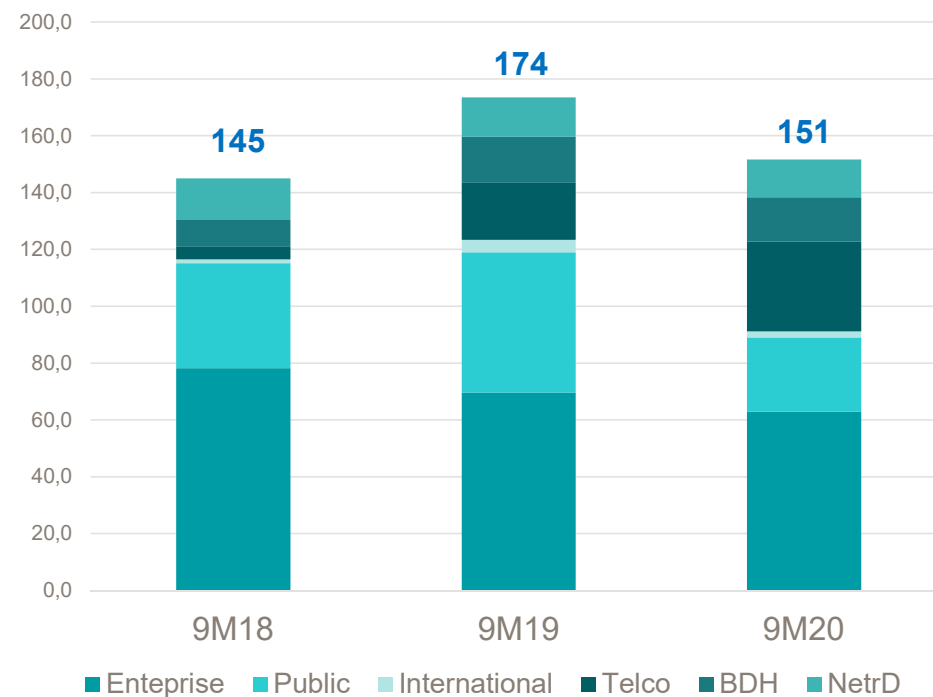
### Orders & Order Breakdown (\$mn)

Despite negative impact of Covid-19 and severe macro economic conditions, order contraction is kept at minimum.

Due to delays in large public projects, public's share in total orders declined whereas telecom and enterprise's shares increased.



Despite decline in orders, 9M20 order booking is in line with estimations.

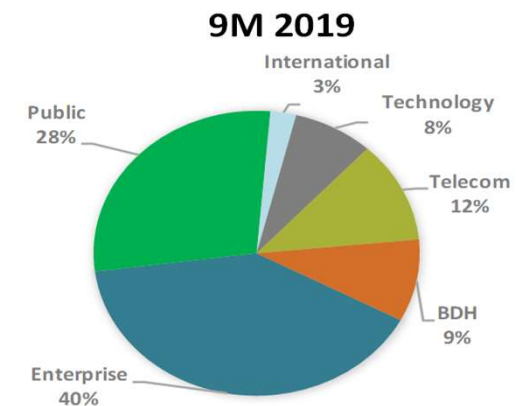
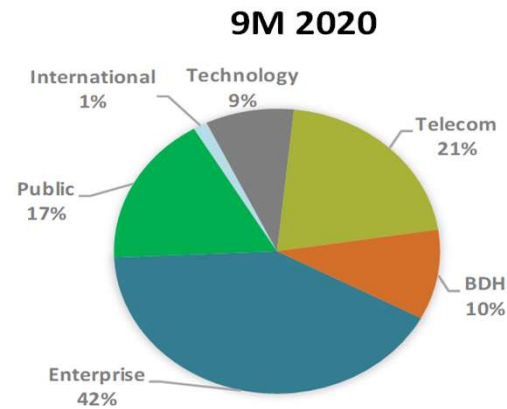


## 3Q 2020

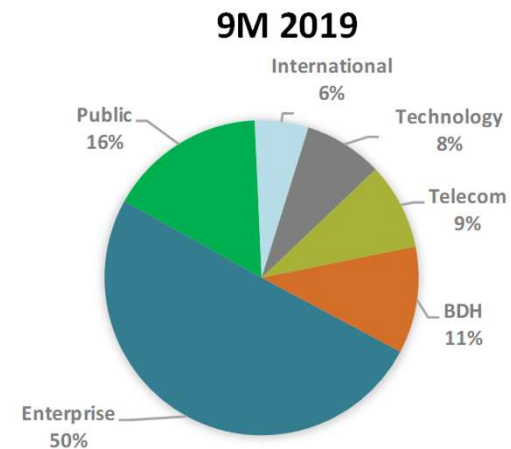
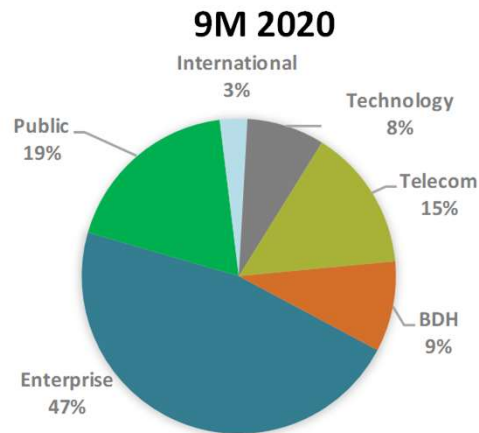
### Order and Revenue Breakdown

Telecom segment increased its share in orders however enterprise is still the main revenue generator by far. Despite declining share of public within orders, it was ranked as second revenue.

Order performance of segments



Revenue performance of segments



## 3Q 2020 B/S

### Net Debt (\$mn)



Net Debt decreased by \$21 mn compared to 2019 year end.

Sound improvement in Net Debt Position in 2020.



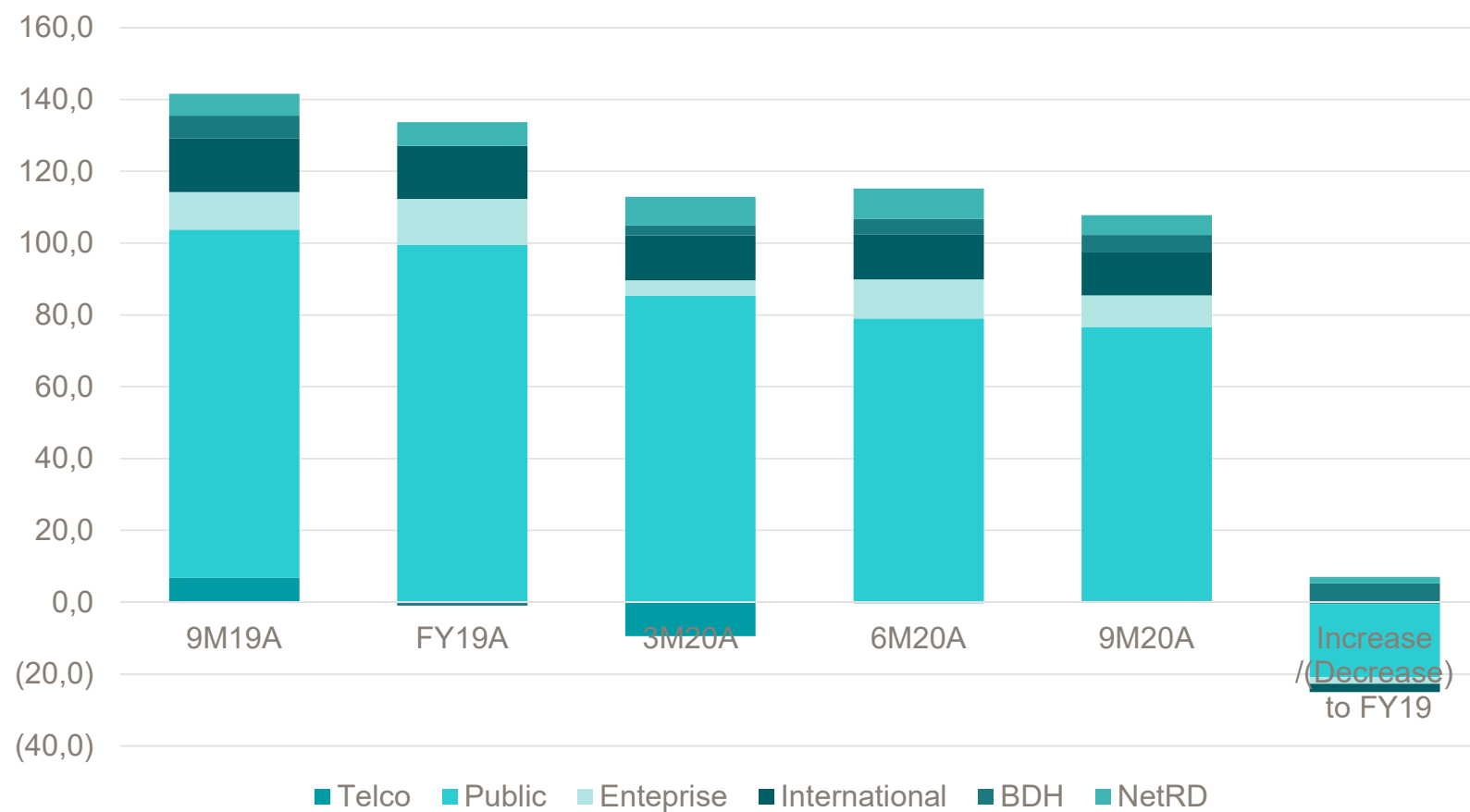
- 65% of total debt is short term – was 67% as of 2019 YE.
- Currency composition of debt:
  - 88% of total debt is in TL.
  - \$3.38m in USD
  - €5m in Euro
- Average cost of borrowing in TL is 10,16% – was 15,95% in FY19.



## 3Q 2020

### Net Working Capital (\$mn)

 \$18mn reduction on NWC compared to FY19.



**Thank You**



# Appendix



# Telco Carrier Competitors



Sales increased rapidly y-o-y

Sales fluctuated over years  
and decreased nearly 4 billion  
USD over 2015-2019

Sales stayed flat after  
acquisition of Alcatel-Lucent in  
2015-2016

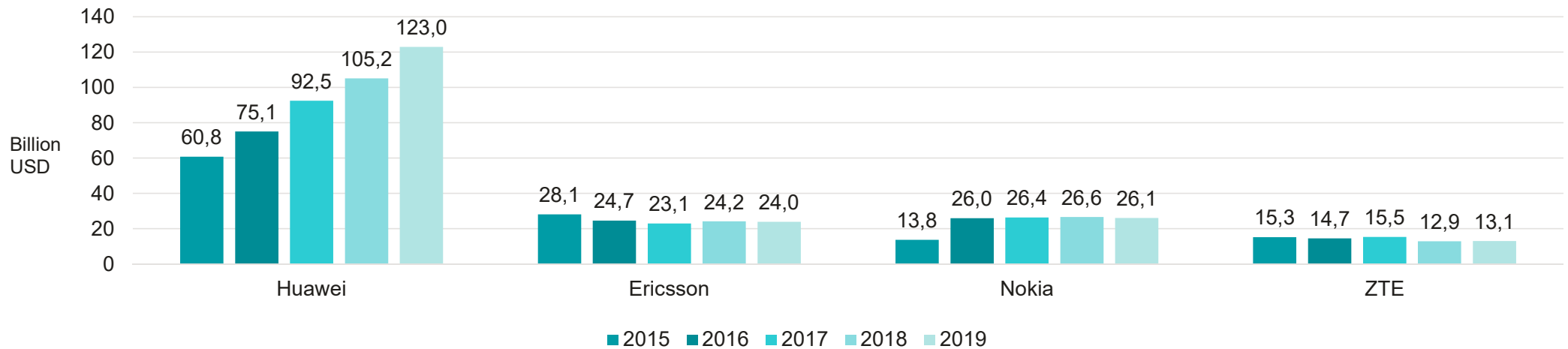
2% sales growth in 2019

CAGR: 19,2%

CAGR: -3,9%

CAGR: 17,3%

CAGR: -3,8%



# History of Covid-19 and imminente actions taken

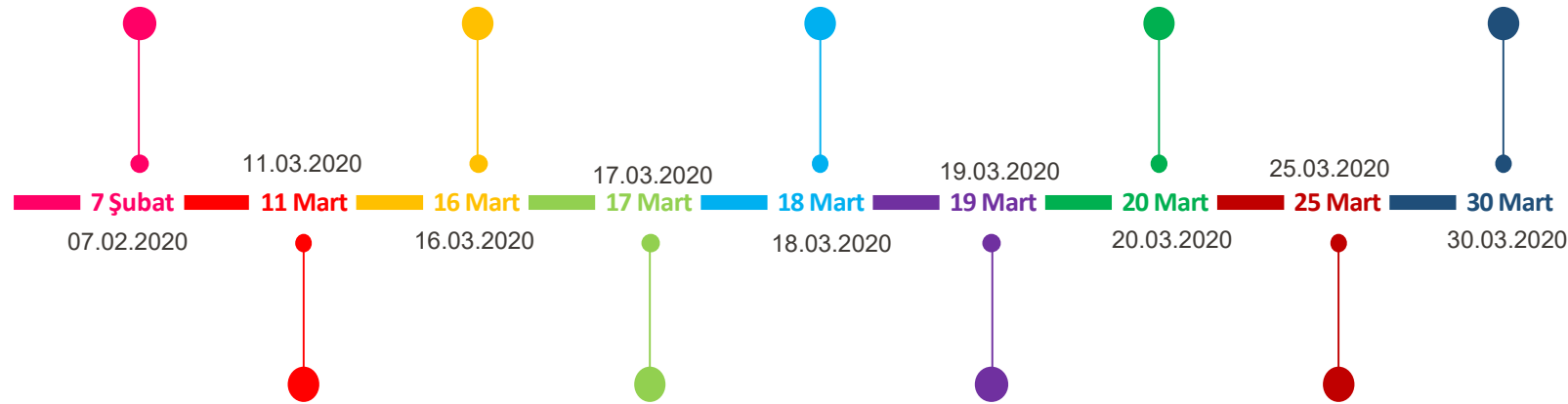
Every foreign guest who visited company buildings declared their visit in advance and went through physical examination prior to entering the buildings.

According to Ministry of Health's announcement, employees who were pregnant, on breastfeeding leave, disabled and other disadvantaged groups who were older than 60 years old besides the executive team, started to work from home.

Netas R&D team started to work from home.

Home Office implementation has been extended until 27th of March.

Work from Home implementation has been extended until further notice.



It was announced that all International travel is subject to CPO's permission.

Disinfection of Office premises and common areas started according to WHO standards.

NETRD team started to work from home.

Distribution of health kits to all employees including personal protection kits to employees on the field according to H&S

Netas departments besides R&D started to work from home..BDH started partial work from home (field staff and R&R staff excluded)

Orhanlı factory was disinfected before resuming production

Work from Home implementation has been extended until 3rd of April

BDH started annual paid leave for field staff not on duty.

# Covid-19 Major Risks For Netaş

