

NETAŞ

Architect of the Digital Future

**NETAŞ Investor Presentation
Roadshow - London
May 17-18, 2017**

netas.com.tr

 [NetasTR](https://www.facebook.com/NetasTR)  [NetasTR](https://twitter.com/NetasTR)  [NetasTR](https://www.youtube.com/NetasTR)
 [in company/netas](https://www.linkedin.com/company/netas)  blog.netas.com.tr



Company Overview



Netas at a glance



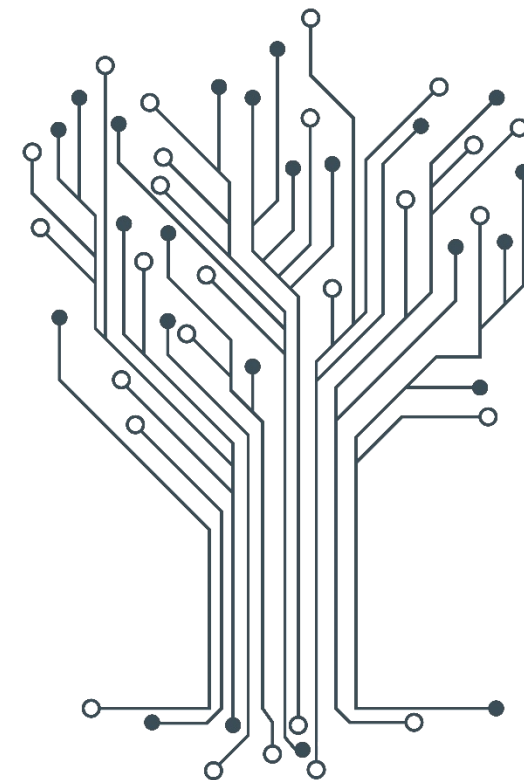
Turkey's #1 System Integrator

2016 Top 500 ICT Companies Survey – “Systems Integrator Of The Year”



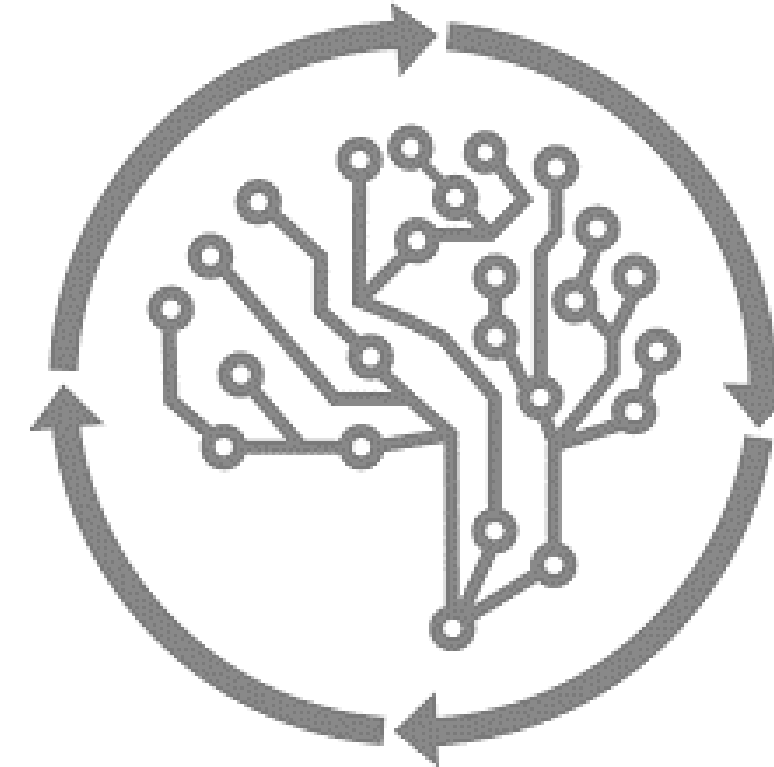
Solid R&D experience in IT sector

\$500M software exports within last 10 years
Turkey's 1st private R&D center (1973)



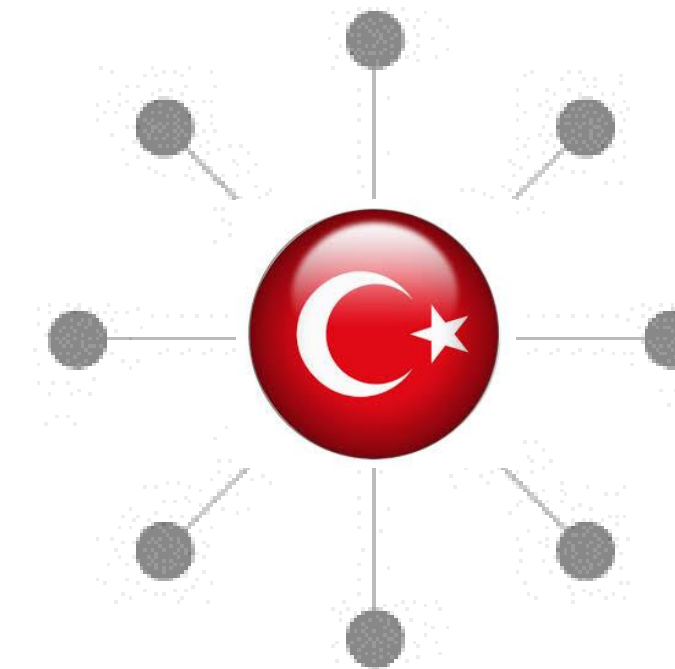
Strong service capacity

Ability to deliver services to all locations in 81 cities nationwide and beyond national



Regional Hub

Poised to act as «Regional Hub» for ICT markets across North Africa, Middle East and the CIS



Accelerating Footprint

International markets including Technology segment constitute 15% of our total sales revenue

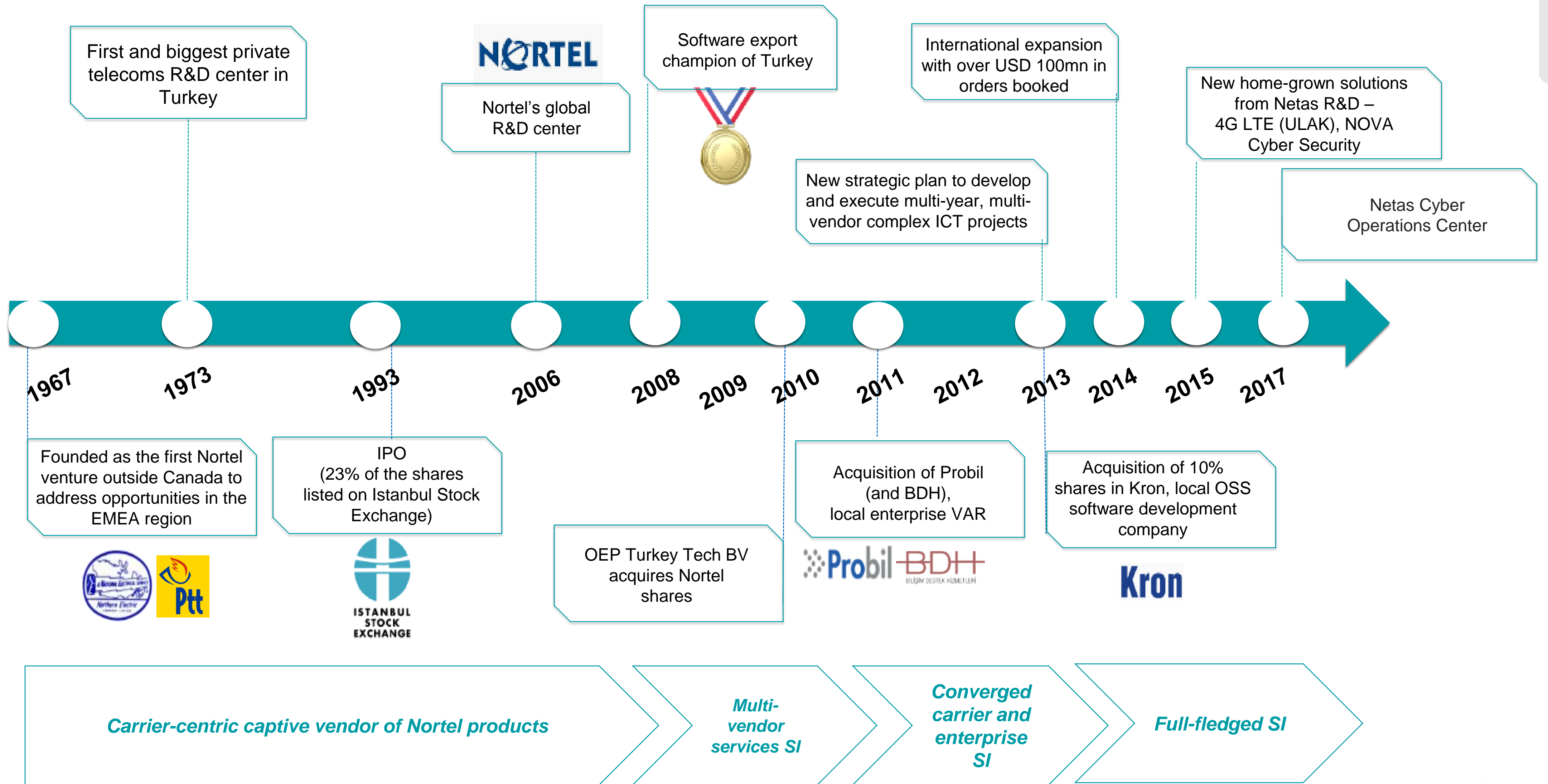


History



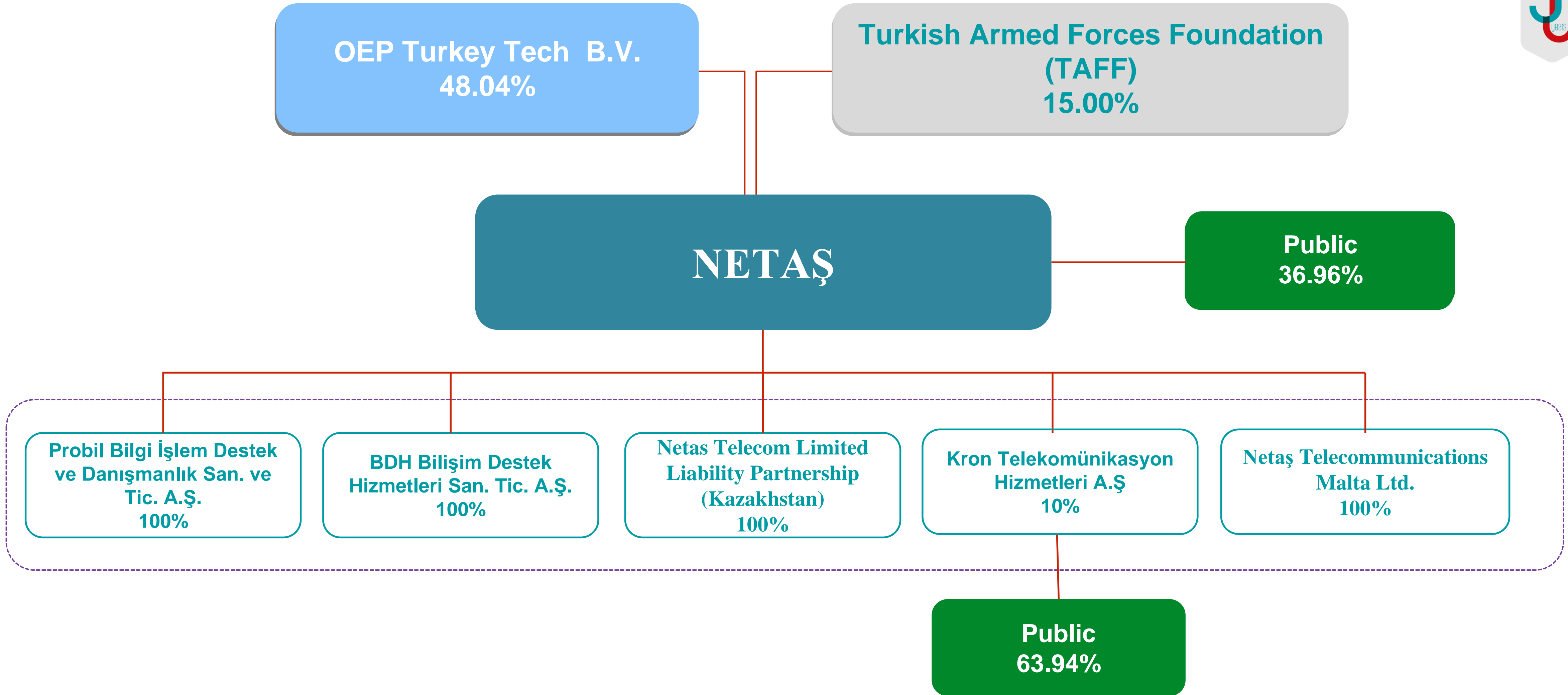
Operational

Corporate



NETAS

Ownership Structure



Business Focus Area

End to end SI

- ✓ Full solution sales with services attached
- ✓ Technology consultancy



Complex multi-year multi-million dollar transformation projects delivered

Tailored for customers

Services

- ✓ Managed Services
- ✓ Deployment and I&C
- ✓ Support/Maintenance
- ✓ Warranty, repair



Servicing customers across Turkey and the Region as per SLA's and high quality standards

Widespread & Reliable

Innovation

- ✓ Own Products & Solutions
- ✓ Custom Software & Application
- ✓ Homegrown 4G LTE solution



Constant innovation & championship in patent applications – applied for 220 patents in the last 3 years

700+ R&D engineers

Manufacturing

- ✓ Telco hardware – firmware – software production in niche verticals
- ✓ Repair center



Development of Hardware & software and customized products in 10K sqm facility

As per global standards

International Markets

Technology Exports to 50 customers in 70 cities

5
years

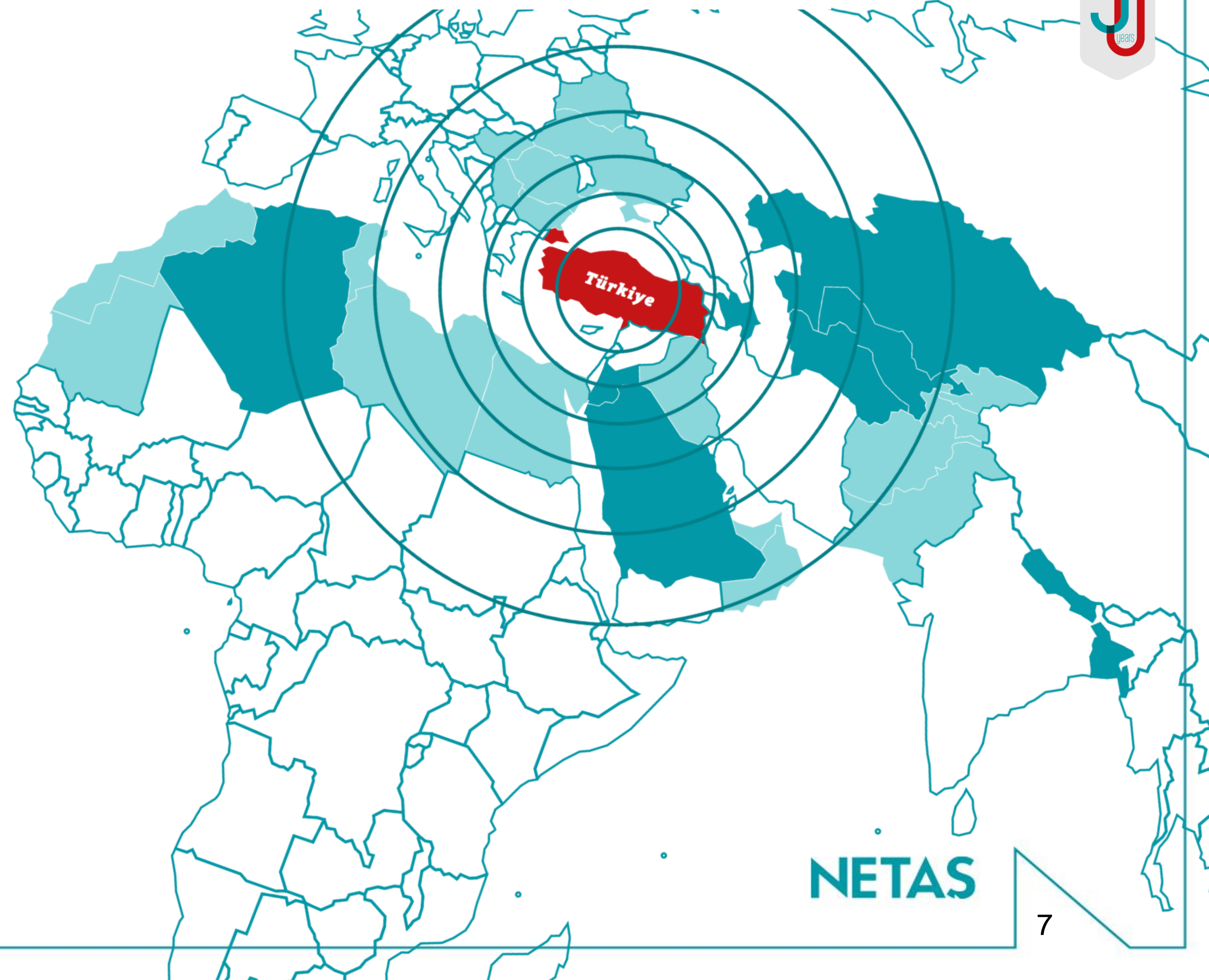
Reputable and trusted brand in the region

Main Territories

North Africa,
Turkic Republics
and Asia Pacific

Major Projects

- Significant projects with government entities, mobile operators and enterprises in Algeria
- Optic infrastructure deployment in Bangladesh
- IP infrastructure solutions provided to telecom operators in Kazakhstan, Uzbekistan, ...
- Data center and next generation technology solutions & services project at Africa's #1 oil and gas company



NETAS

Strong R&D Technology Know-how



Commercial and Academic R&D Output



368%

patent
applications
Growth in the last
3 years



\$500M

software exports
in the last
10 years

Technology Know-how

Cyber Security

Internet of Things

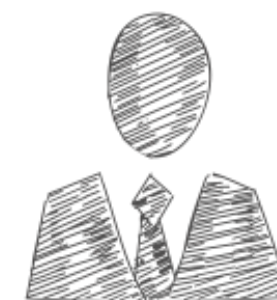
Multimedia

Mobile Broadband (4.5/5G)

**Defense Communication
Solutions**

Application Development

Competent Workforce



700 +
R&D
engineers

Age
Average
33

National and International Partnerships

Vice Chairman of the Board of Celtic Plus

European Union Networld 2020 Board Member

ETSI membership / oneM2M studies

5GIA Membership

4 Celtic Plus, 4 ITEA3, H2020 ongoing projects

4.5G Base Station "ULAK" Consortium

90 collaborations with 18 Different European
Countries within the scope of European Union
Cooperation (62 institutions - 28 universities)

NETAS

Strong R&D Technology Know-how



Recently Commercialized R&D Products



Video Communications Platform



Smart Grid Solutions



Field Management Solutions



Cyber Security Solutions



Mobile Test Automation



New Generation IoT Solutions

Technology Ecosystem and Strategic Partnerships



100 +
partnerships with marquee vendors...





Selected Smart Projects



Vertical Sector Focus



Telco



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

Public



Preferred ICT provider to the Turkish **government & public safety ecosystem**; large share of wallet in major public ICT projects. Strong footprint outside **Turkey**, including contracts with the **Algerian Ministry of National Defense**

Finance



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

Sports and Entertainment



Executed the first **smart stadium** project for Turkish Football Federation in 44 football stadiums

Energy



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

Retail & FMCG



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

Sector Focused Smart Solutions



Public Sector

Disaster and Emergency Management

Managing multiple decision support mechanisms of the government from a single interface during disaster and emergency situations



Audio - Visual Unified Solutions

Increasing the effectiveness and efficiency of the Turkish judicial system with unified communications



Digital Transformation in the Educational System

Empowering the Ministry of Education within the scope of FATİH Project by providing best-of-breed ICT infrastructure and solutions



Sector Focused Smart Solutions



Finance

Unified Communication Solutions

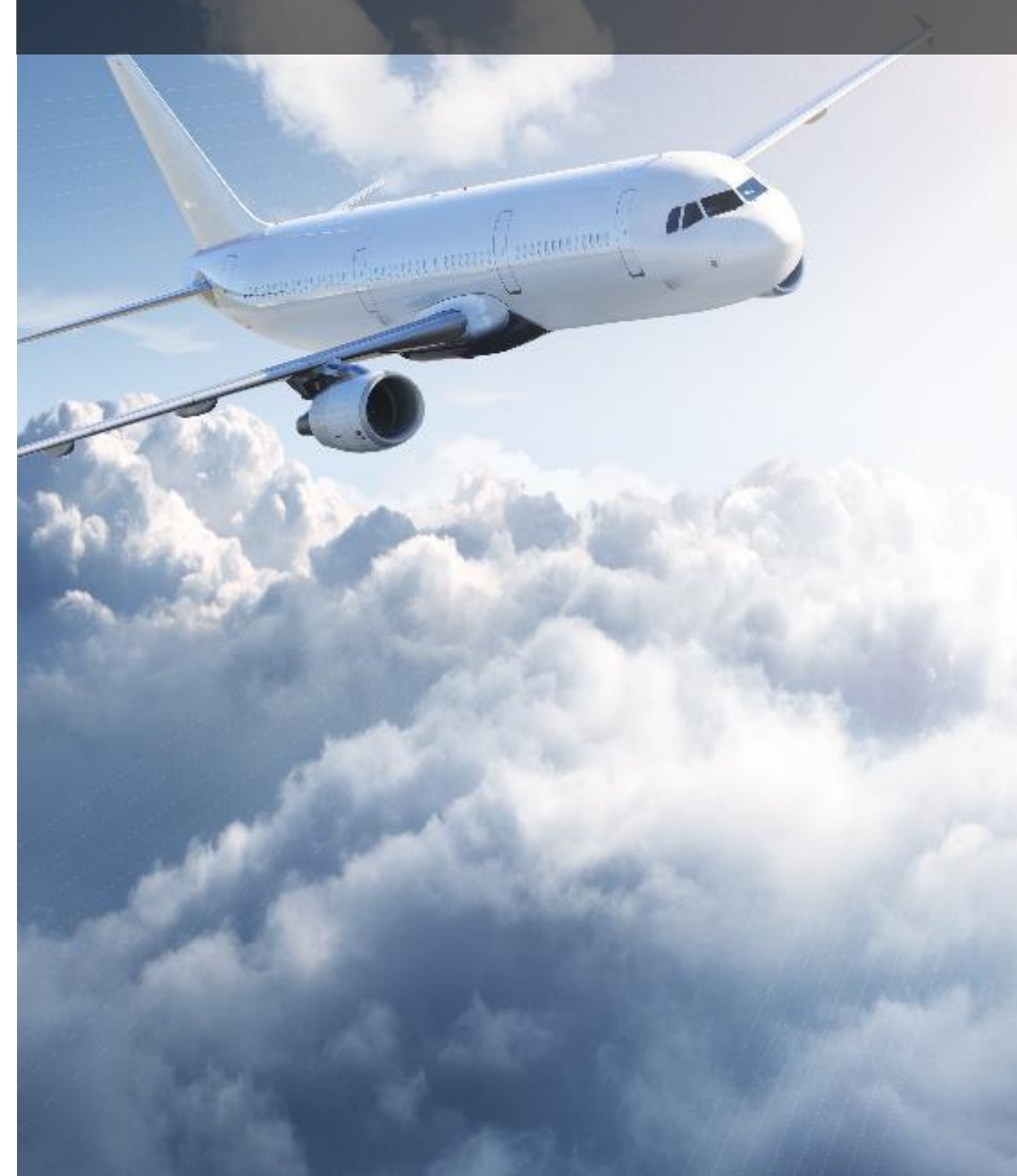
Turkey's biggest cloud based unified communications project deployed at one of Turkey's leading banks



Aviation and Transportation

ICT Infrastructure at Istanbul New Airport

Establishment and operation of all information and communication infrastructure of Istanbul New Airport



Energy & Utilities

Energy Solutions

Automatic counter reading systems, smart grid solutions and IT infrastructure systems



Sector Focused Smart Solutions



Sports & Entertainment

Smart Stadiums

Smart stadium projects covering WiFi systems, stadium operation center, camera integrations, e-ticket solutions for 44 stadiums in 26 cities



Telecommunications

Network Optimization Services

Network optimization project with the leading mobile operator in Algeria



Energy

Cloud Technologies and Services Project

Next-generation data center solutions and related technology services to Africa's 1st, World's 11th biggest oil and gas company



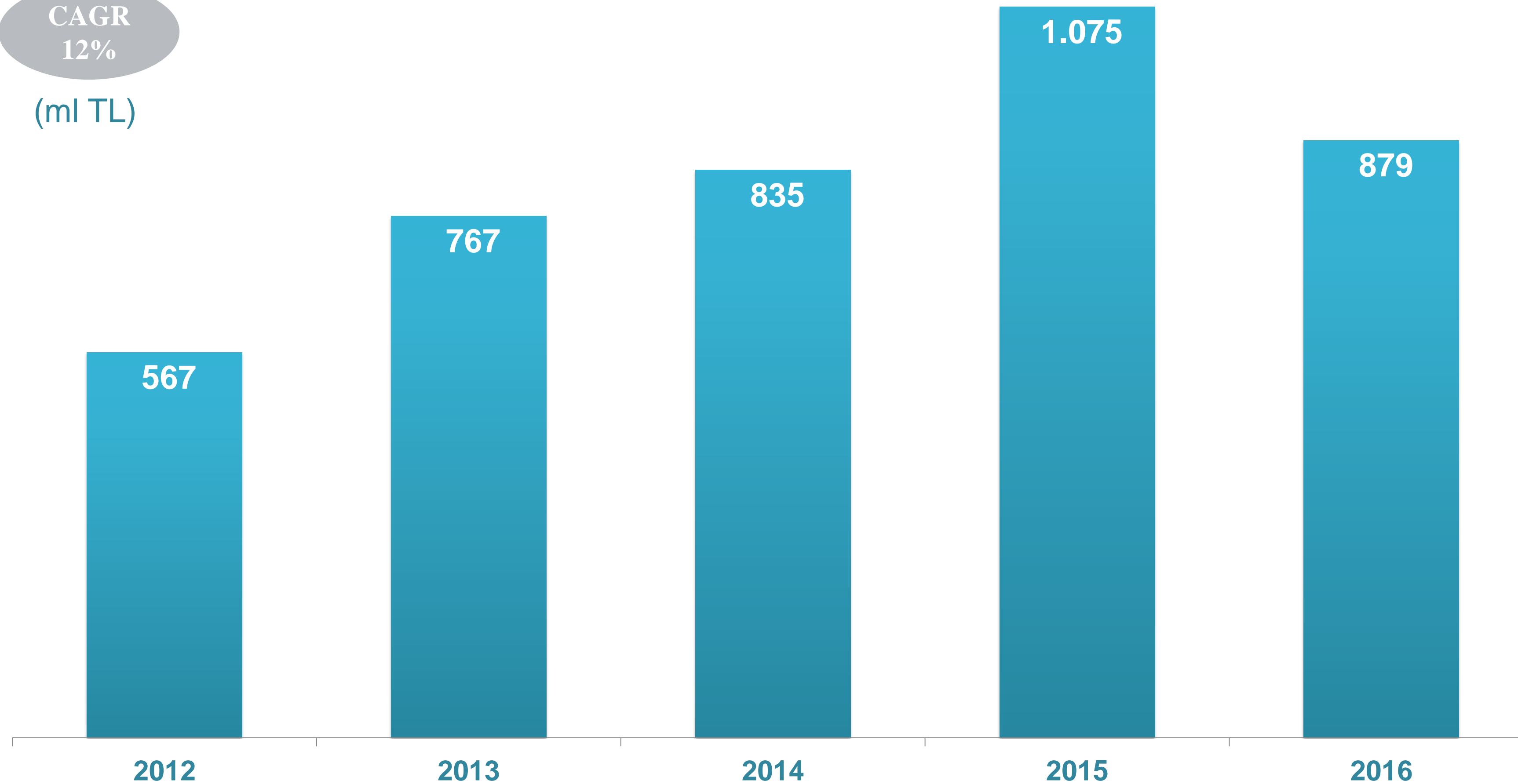


Financial Review



Continued Order Booking Momentum

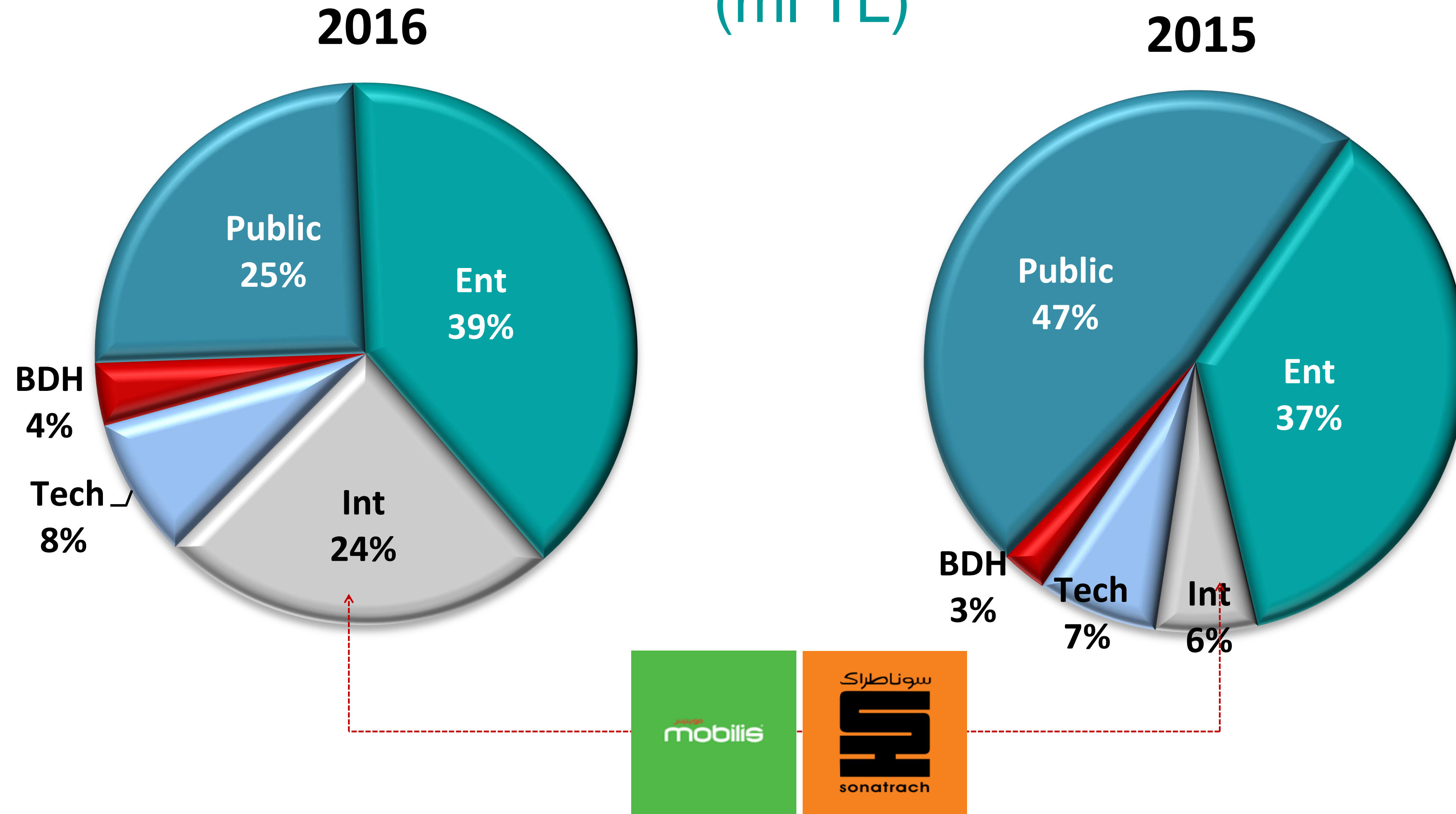
CAGR
12%
(ml TL)



Well diversified customer portfolio enabling order booking momentum

NETAS

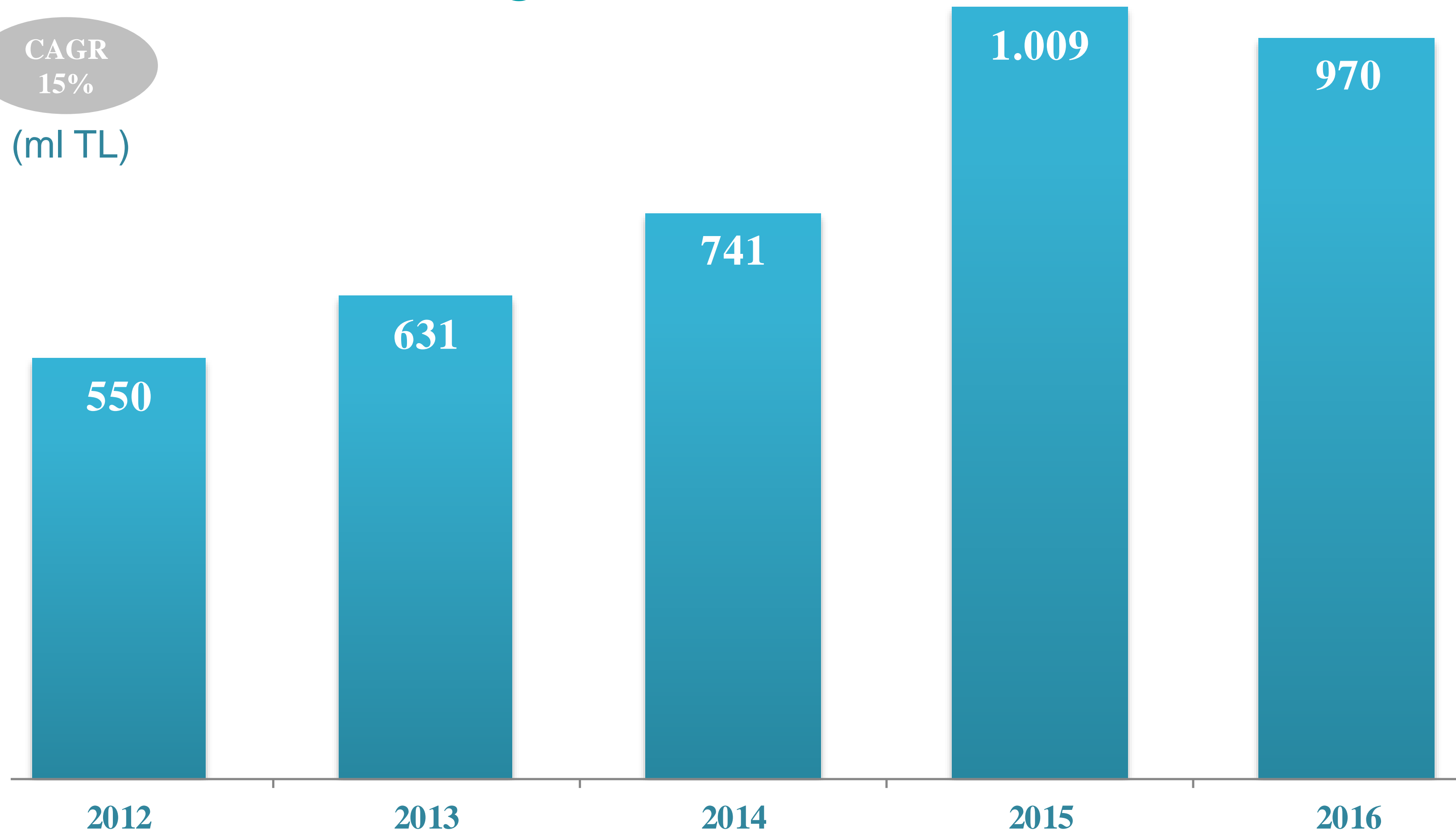
Order Booking Breakdown (ml TL)



Significant order booking performance in international segment
by **220.3%**

Strong Revenue Growth

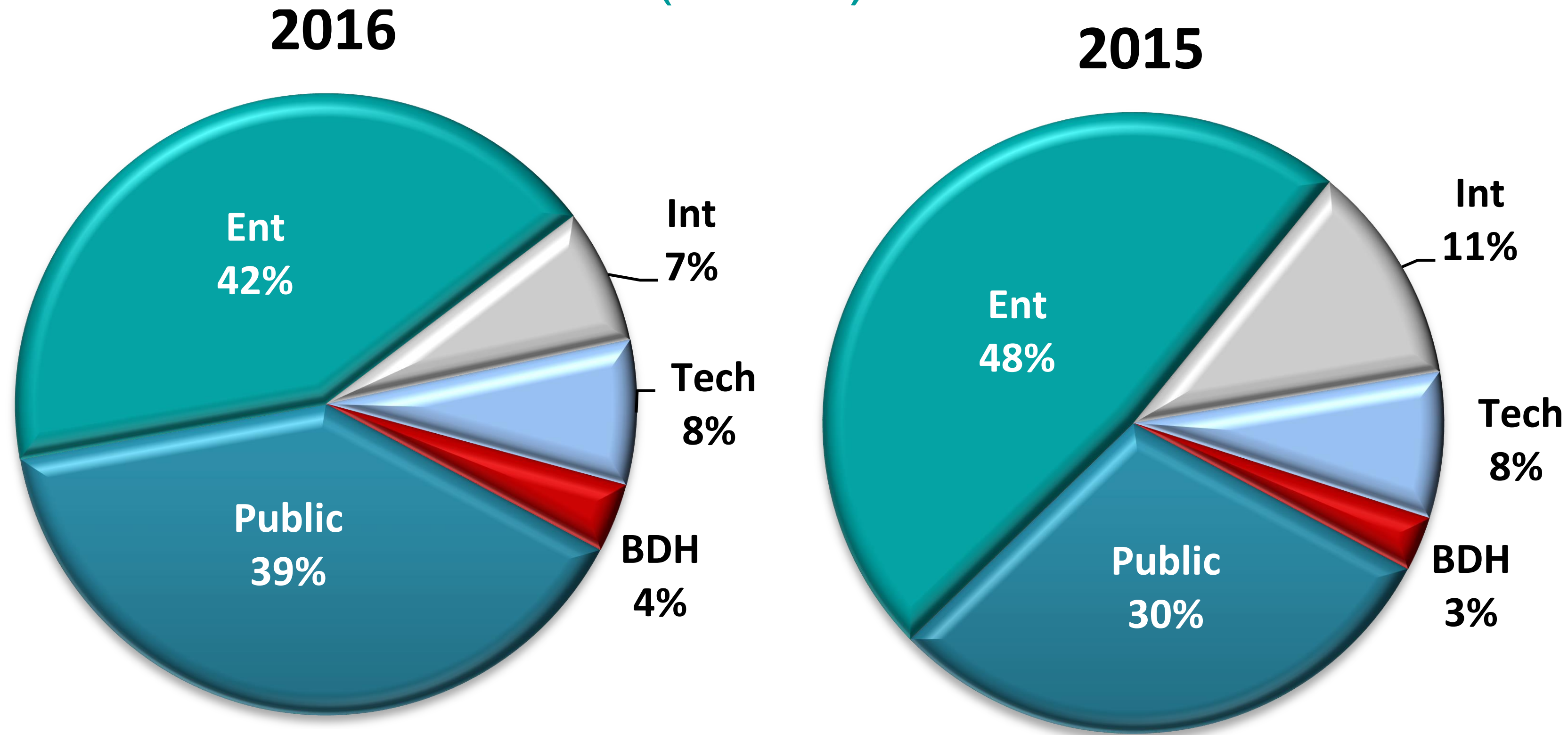
CAGR
15%
(ml TL)



- ✓ Strong brand recognition
- ✓ Diversified business structure
- ✓ Strong backlog

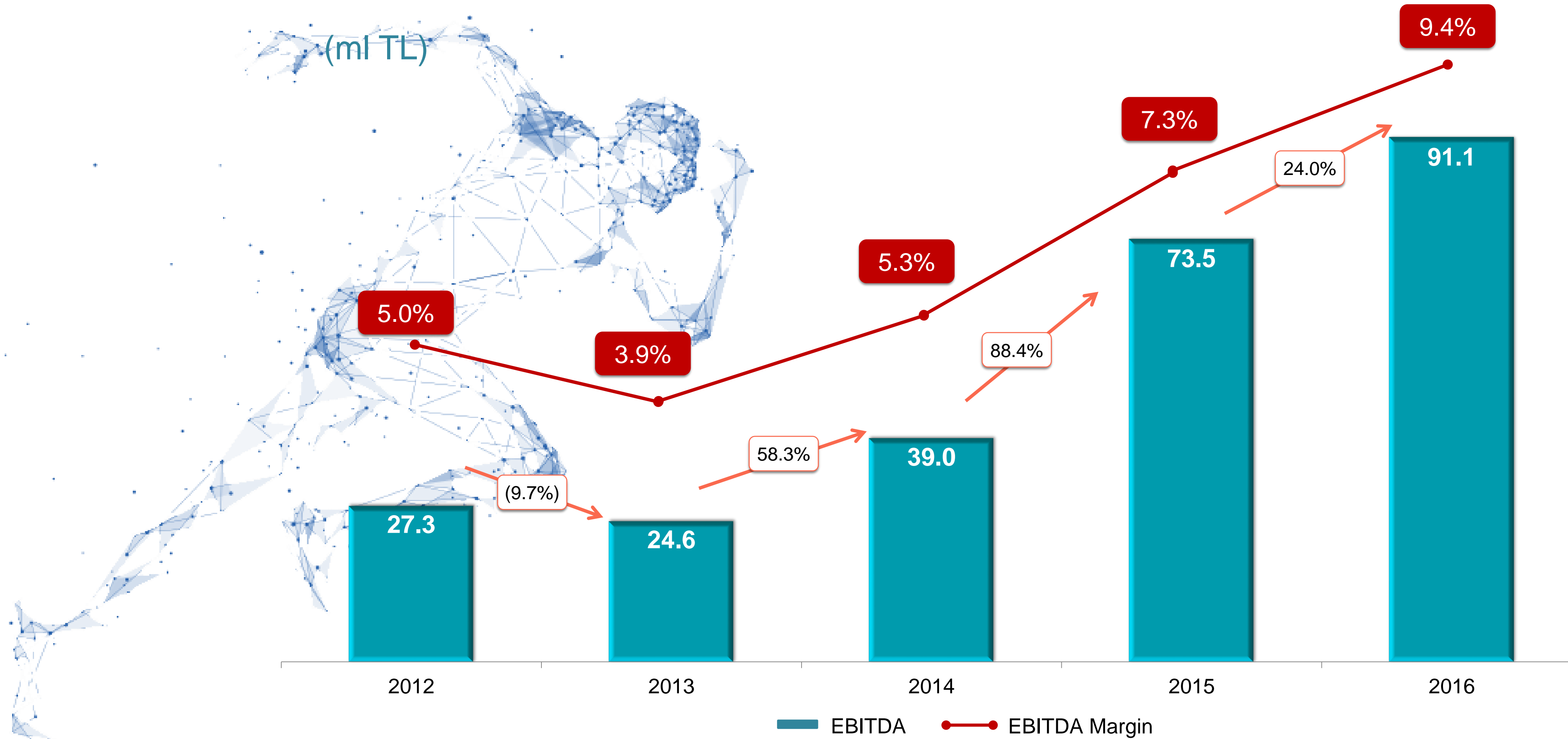
NETAS

Revenue Breakdown (ml TL)



- ✓ Increasing revenue performance in BDH and Public segments
- ✓ Improvement in BDH's revenue by 21%
- ✓ 85% of total revenue generated from operations in Turkey

Sustainable EBITDA Growth



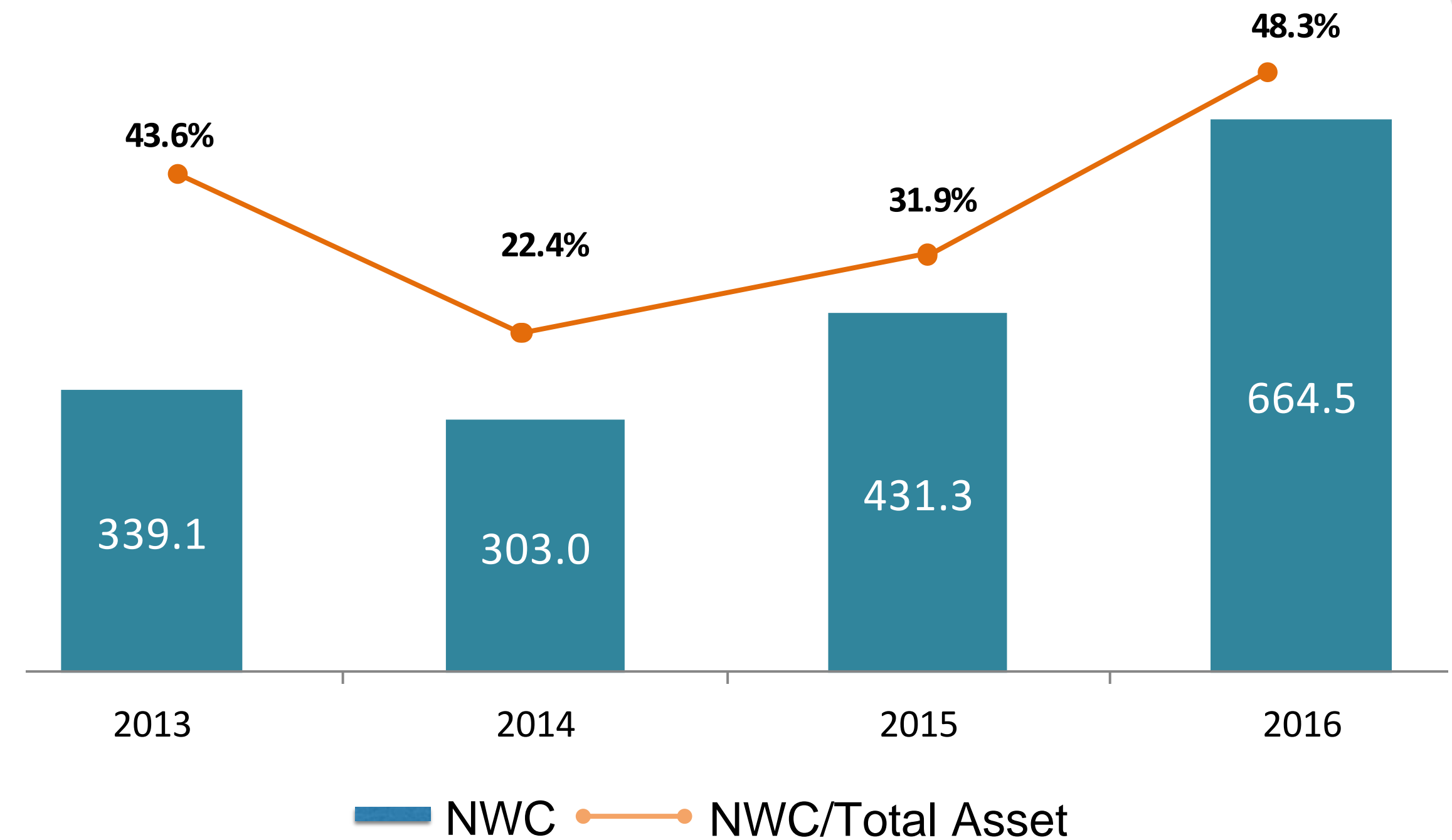
Substantial EBITDA margin increase by 211 bps

Strong Balance Sheet



| (ml TL) | 2016 | 2015 |
|---|----------------|----------------|
| Cash & Cash Equivalents | 115.6 | 226.1 |
| Trade Receivables | 786.3 | 705.7 |
| Property, Plant and Equipment | 40.2 | 40.2 |
| Financial Investments | 1.9 | 0.9 |
| Intangible Assets | 105.9 | 90.0 |
| Total Assets | 1,375.5 | 1,352.6 |
| Trade Payables | 242.4 | 362.9 |
| Total Equity | 549.7 | 437.2 |
| Total Liabilities and Shareholders' Equity | 1,375.5 | 1,352.6 |
| Current Ratio | 1.4 | 1.3 |
| Earnings per Share | 0.2878 | 0.5289 |

Net Working Capital (mlTL)

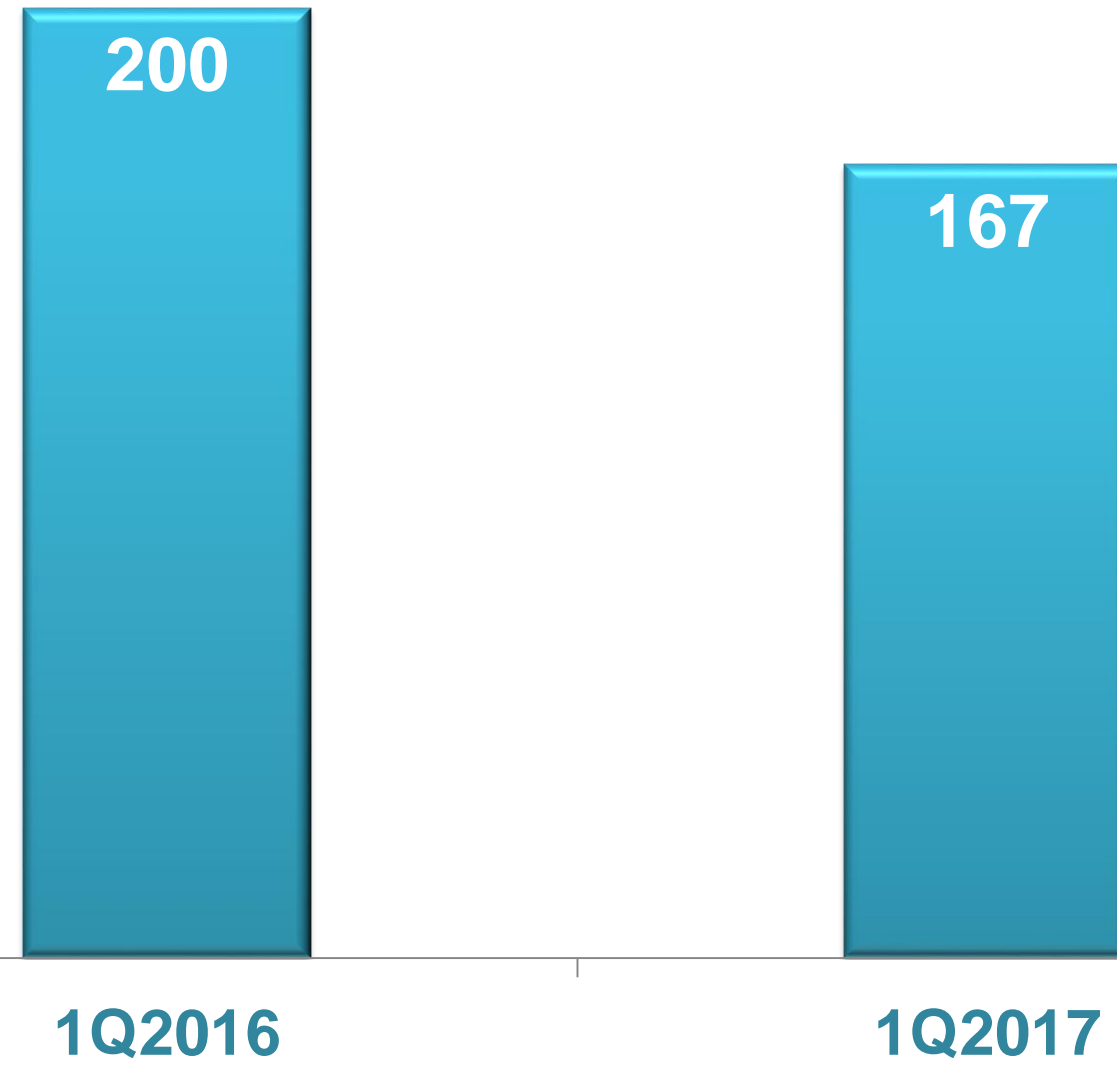


- ✓ Strong balance sheet
- ✓ Optimized capex policy
- ✓ Managing impact of F/X volatility

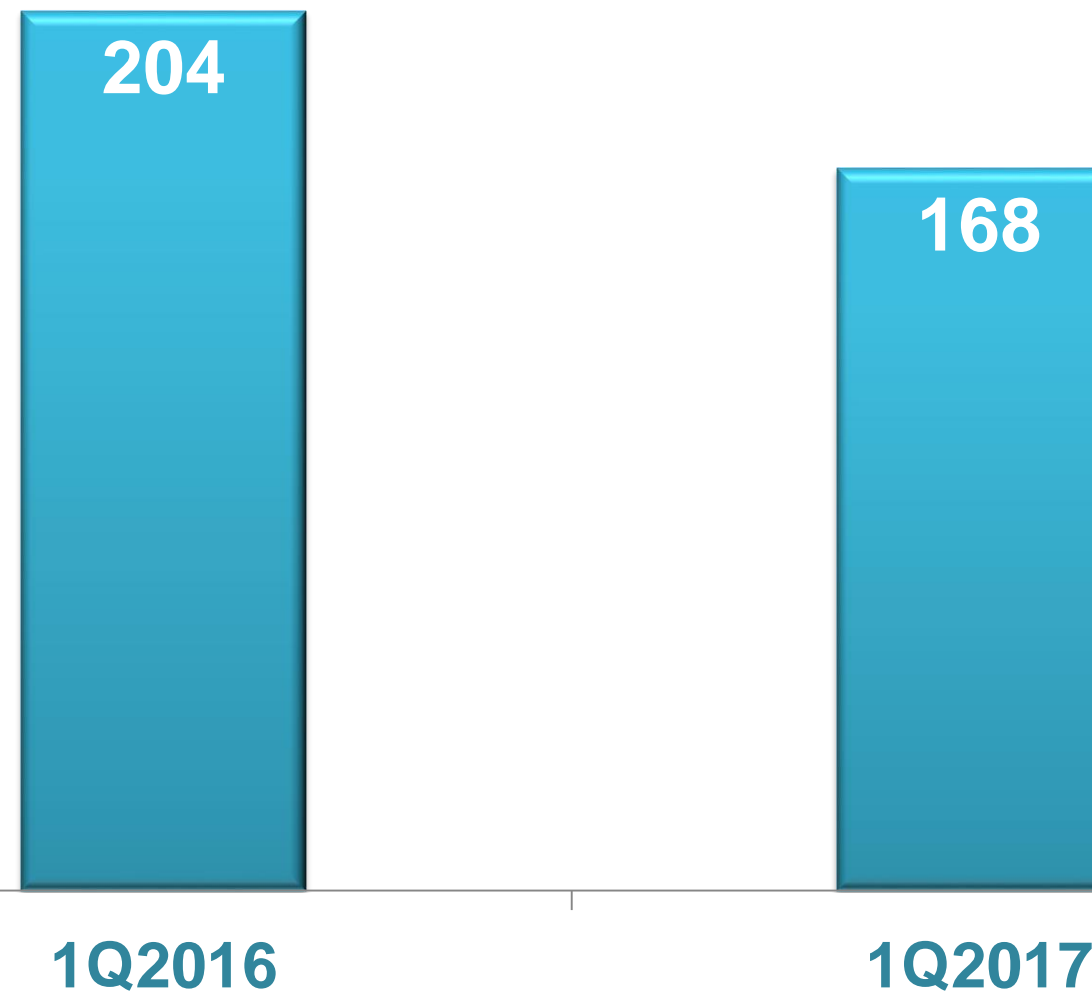
1Q2017 Results



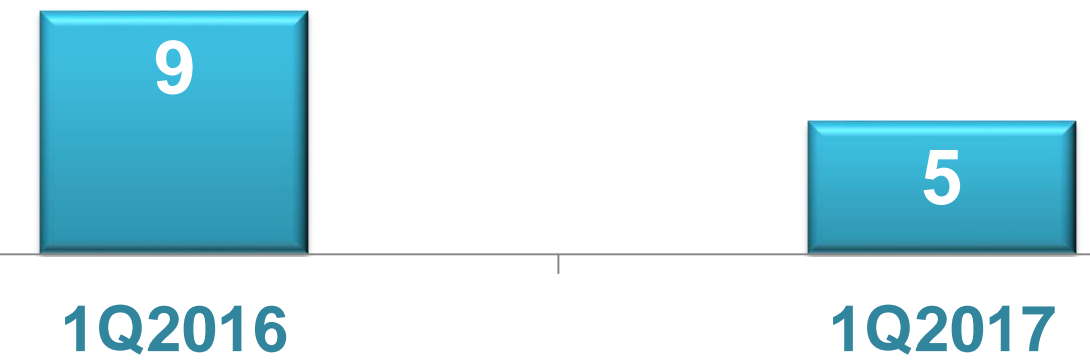
Order Booking Performance (ml TL)



Sales Revenue (ml TL)



EBITDA (ml TL)



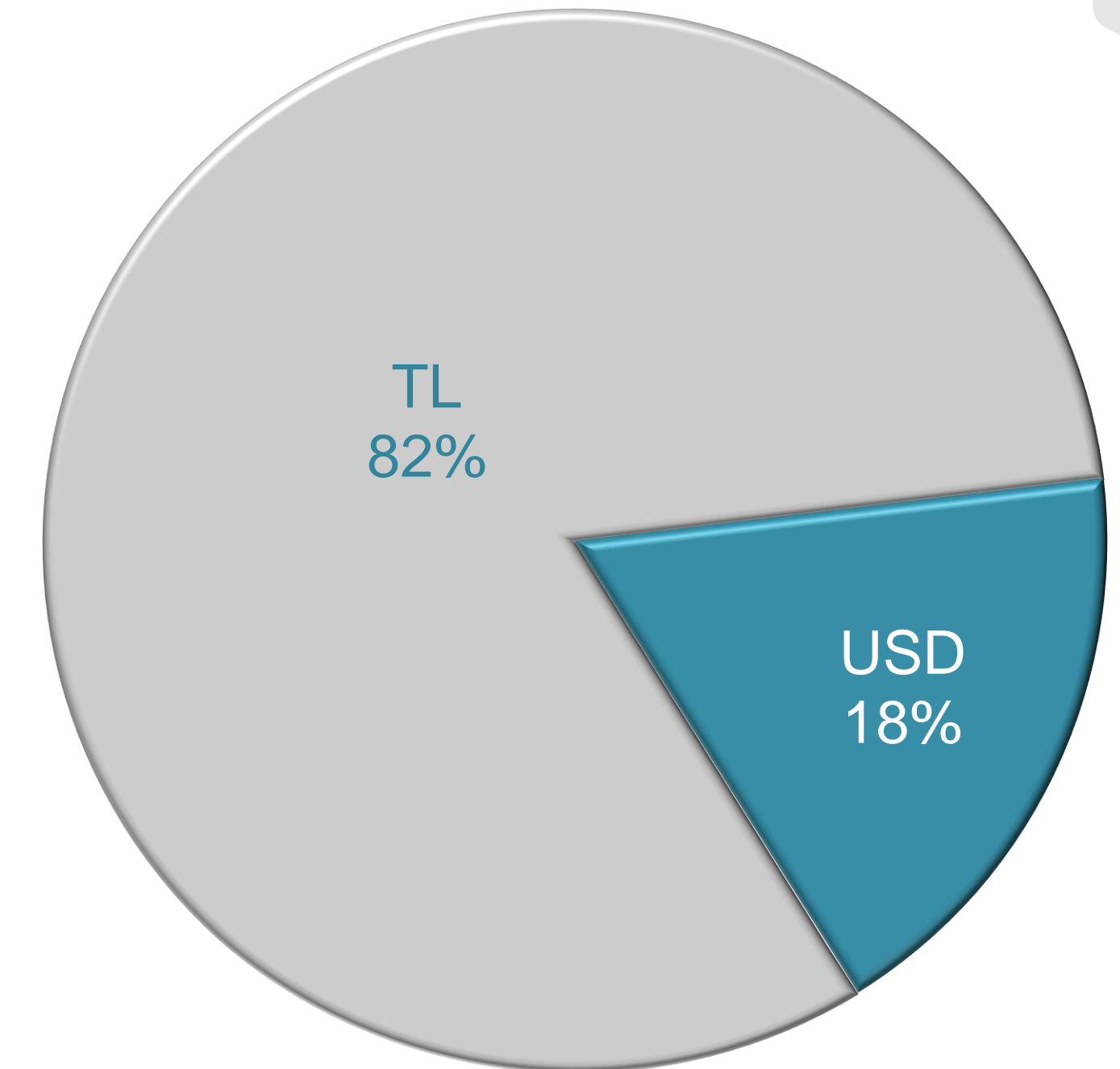
- ✓ Orders booked TL167.3 million (USD 45 million)
- ✓ Order booking performance of international segment up by 79.7% , enterprise segment up by 49.0%

Net Debt

| 2016 | TL | USD |
|--------------------------|--------------|--------------|
| Short Term Debt | 349.5 | 99.3 |
| Credit Interest Accruals | 5.4 | 1.5 |
| Total Debt | 354.9 | 100.8 |

| (TL million) | Consolidated Gross Debt | Cash & Cash Eq. | Net Debt |
|--------------|-------------------------|-----------------|----------|
| 2016 | 354.9 | 115.6 | 239.2 |
| 2015 | 333.1 | 226.1 | 107.0 |

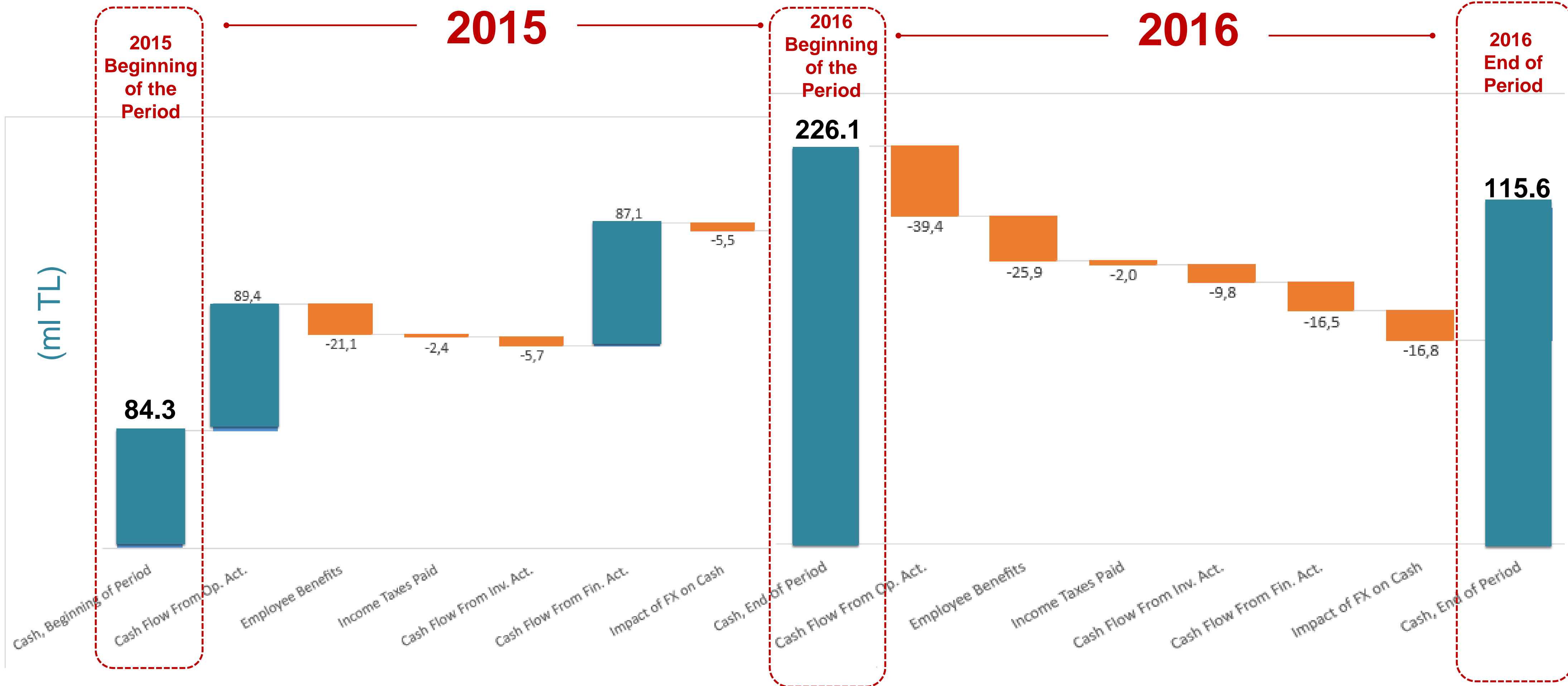
Total Debt Breakdown



As of YE2016;

- ✓ Cash and cash equivalents- TL 115.6 million
- ✓ Net debt position-TL 239.2 million
- ✓ Maturities of financial debts are less than 1 year

Cash Flow Statement



Main Focus Areas

- **Expand vertically in services offerings, homegrown products & software development and realize higher efficiency through optimal resource utilization**
 - Managed and cloud based services through Netas Cyber Operations Center
 - Technology Consultancy and/or solutions delivery in digitalization
 - Local hardware and software development in 4.5/5G mobile broadband
- **Continue to penetrate deeper into existing customers**
- **Increase footprint in existing international markets while penetrating new territories e.g. Middle East**

Market Expectations*

- **Year over year decrease in overall ICT spending in the Turkish market \$18.3B**
- **Stagnation within the Enterprise segment**
- **Fewer new projects in the Public segment**

Key Assumptions

Average TL / USD: \$1 / TL 3.65
Inflation Rate : c.12%

Key Company Metrics

Order Booking : TL basis- Significant **order booking growth**- low-to-mid double digit growth
Revenue : TL basis- **Revenue growth**- low double digit growth
EBITDA : TL basis- **EBITDA growth** – low double digit growth
Cash : **Positive cash flow** generation

NETAS



Appendix



Income Statement

| TL Million | 2016/12 | 2015/12 | y/y % |
|--|--------------|---------------|---------------|
| Revenue | 969.8 | 1009.0 | (3.9%) |
| Cost of Sales | (835.4) | (895.1) | (6.7%) |
| Gross Profit | 134.4 | 113.9 | 18.0% |
| <i>Gross margin %</i> | <i>13.9%</i> | <i>11.3%</i> | <i>257</i> |
| Sales, Marketing & Distribution Expenses | (44.4) | (42.6) | 4.3% |
| General Administrative Expenses | (24.4) | (23.8) | 2.3% |
| Research & Development Expenses | - | (4.0) | n/a |
| Other Income from Operating Activities | 4.8 | 11.1 | n/a |
| Other Expenses from Operating Activities (-) | (50.7) | (30.2) | 67.7% |
| EBIT | 68.7 | 53.2 | 168.4% |
| <i>EBIT margin %</i> | <i>7.1%</i> | <i>5.3%</i> | <i>181</i> |
| EBITDA | 91.1 | 73.5 | 72.2% |
| <i>EBITDA margin %</i> | <i>9.4%</i> | <i>7.3%</i> | <i>211</i> |



Balance Sheet



| (ml TL) | 2016/12 | 2015/12 |
|---------------------------------|----------------|----------------|
| Cash & Cash Equivalents | 115.6 | 226.1 |
| Trade Receivables | 697.7 | 596.2 |
| Other Receivables | 0.5 | 0.3 |
| Derivative Instruments | 0.0 | 0.1 |
| Inventories | 84.0 | 103.0 |
| Deffered Costs | 148.7 | 99.1 |
| Other Current Assets | 76.2 | 69.2 |
| Total Current Assets | 1,122.8 | 1,094.0 |
| Trade Receivables | 88.6 | 109.5 |
| Property, Plant and Equipment | 40.2 | 40.2 |
| Financial Investments | 1.9 | 0.9 |
| Intangible Assets | 105.9 | 90.0 |
| <i>Goodwill</i> | 64.5 | 53.3 |
| <i>Other intangible assets</i> | 41.4 | 36.7 |
| Associates | 5.1 | 2.6 |
| Deferred Tax Assets | 2.3 | 7.3 |
| Other Non-Current Assets | 8.7 | 8.1 |
| Total Non-Current Assets | 252.7 | 258.7 |
| Total Assets | 1,375.5 | 1,352.6 |

| (ml TL) | 2016/12 | 2015/12 |
|---|----------------|----------------|
| Financial Liabilities | 354.9 | 333.1 |
| Derivative Instruments | 2.7 | 0.0 |
| Trade Payables | 240.5 | 350.1 |
| Other Payables | 8.7 | 12.7 |
| Employee Benefit Obligations | 17.8 | 13.0 |
| Deferred Revenues | 59.9 | 67.3 |
| Provisions | 21.2 | 21.4 |
| Advances Received | 78.2 | 66.8 |
| Current Tax Liabilities | 0.3 | 2.0 |
| Total Current Liabilities | 784.1 | 866.4 |
| Trade Payables | 1.9 | 12.8 |
| Provisions | 22.2 | 20.5 |
| Deferred Tax Liabilities | 17.5 | 15.7 |
| Total Non-Current Liabilities | 41.7 | 49.0 |
| Total Equity | 549.7 | 437.2 |
| Total Liabilities and Shareholders' Equity | 1,375.5 | 1,352.6 |

NETAS

Cash Flow



| (ml TL) | 2016/12 | 2015/12 |
|---|----------------|--------------|
| Profit for the year | 18.7 | 34.3 |
| Adjustments to reconcile income for the period | 92.4 | 60.2 |
| Changes in Working Capital | (150.4) | (5.2) |
| Cash Flows (Used in) Generated From Operations | (39.4) | 89.4 |
| Income Taxes Paid | (2.0) | (2.4) |
| Payments Related with Provisions for Employee Benefits | (25.9) | (21.1) |
| Cash flow from investing activities | (9.8) | (5.7) |
| Cash flow from financing activities | (16.5) | 87.1 |
| Cash and Cash Equivalents at The End of The Period | 115.6 | 226.1 |

Market Overview- System Integrators



| | Revenue 2015 (TL) |
|---|-------------------|
| Netas | 1,008,993,097 |
| Koçsistem | 690,762,579 |
| Havelsan | 498,416,717 |
| Innova | 399,209,499 |
| Sentim Bilisim | 366,011,262 |
| Atos | 354,334,734 |
| Data Market | 271,076,698 |
| Bilgikent | 167,360,350 |
| Bimsa | 164,272,015 |
| Teknoser Bilgisayar | 156,413,277 |
| Total Market Size (TRY): 6,353,397,439 (*) | |

(*) «Total Market Size» includes top 108 companies' revenues in Systems Integrators segment
Source: M2S's «Turkey's Top 500 ICT Companies» research



Thank you

netas.com.tr

f NetasTR **t NetasTR** **p NetasTR**

in company/netas **N blog.netas.com.tr**

