

Fitch Revises Outlook on Dogan Yayin Holding to Positive; Affirms at 'B+'

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Fitch Ratings-London/Istanbul-14 November 2012: Fitch Ratings has revised the Outlook on Dogan Yayin Holding (DYH) to Positive from Stable and affirmed its Long-term foreign and local currency Issuer Default Ratings (IDRs) at 'B+'.

The ratings reflect the company's dominant position in the Turkish media sector but still high FFO adjusted net leverage at YE 2012 of 6.5x. The Positive Outlook reflects Fitch's expectation that this will substantially reduce in 2013, mainly from the disposal proceeds of Star TV as well as improved performance at key operating subsidiary, D-SMART.

DYH's underlying creditworthiness will be mainly driven by the improved operational performance of its broadcasting subsidiaries, and the credit quality of its main operating subsidiaries, Hurriyet Gazetecilik ve Matbaacilik A.S. ('B+/Positive) in print and Kanal D in broadcasting.

Fitch recognises that the group structure is much clearer since tax obligations to the Turkish Treasury were completed in September 2012. This was achieved through capital increases at both DYH and Dogan TV level, (TRY1bn and TRY832m, respectively) and additional borrowing of USD170m at Dogan TV level. The agency expects continued growth in ad spend in line with economic growth in Turkey, but also notes that short to mid-term volatility may be expected if economic growth continues to suffer due to the weaker global environment.

D-SMART, DYH's digital platform will continue to reflect negative free cash flow carry in 2012 and 2013 despite positive EBITDA, but borrowing needs for its capex spending will gradually decline starting from 2013. D-SMART is still gaining net subs in H212 ahead of management targets, and there is potential for future growth in the new digital environment (analogue switch-off has been delayed but is still expected over the next few years). This business poses the main risk for the broadcasting segment although it reached positive EBITDA in Q212 due to the continuing growth of its subscriber base.

DYH's maturities are concentrated in 2013 and 2014 (USD586m and USD224m, respectively, based on management accounts at September 2012). The company's consolidated cash position of USD233m at Q312 and significant cash inflows from the asset sales in 2013 are strong enough to offset liquidity needs until H213. Healthy cash flow generation due to lower capex and higher broadcasting EBITDA as well as D-SMART's reduced cash needs will also help support cash flow.

WHAT COULD TRIGGER A RATING ACTION?

Positive: Future developments that may, individually or collectively, lead to positive rating action include:

- More evidence on the sustainability of the operating performance at D-SMART
- Deleveraging to FFO adjusted net leverage of 4x may result in an upgrade

Negative: Future developments that may, individually or collectively, lead to negative rating action include:

- Releveraging above 6x on weak operating results would be negative for the rating

DYH is owned by the Dogan Group through Dogan Sirketler Grubu A.S. (74.53%), the Dogan Family (2.3%) and Aydin Dogan Vakfi (0.67%), giving the Dogan Group a combined 77.5% equity holding and voting interests. The remaining 22.5% of DYH's shares are free float.

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Additional information is available on www.fitchratings.com. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable criteria, 'Corporate Rating Methodology, dated 08 August 2012, is available at www.fitchratings.com.

Applicable Criteria and Related Research:

[Corporate Rating Methodology](#)

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