

(Bloomberg) -- Turkey's Net Holding, which has interests in tourism and gambling, plans to expand its casino business in the Balkans before starting operations in London and Las Vegas. Net Holding, which currently operates five casinos in Turkish Northern Cyprus and five in the Balkans, plans to open another casino in Bulgaria this year, Chief Financial Officer Orlando Calumeno said in an interview on Thursday. The company expects to earn \$70 million this year in non-consolidated EBITDA, or earnings before interest, taxes, depreciation and amortization, from operations in Northern Cyprus and the Balkans, he said.

"We aim to add four more casinos in the Balkans next year," Calumeno said. "In five years, we want to operate one in London and in the next 10 years, we want to be the first Turkish company having a casino in Las Vegas."

In a bid to attract more corporate investors, increase trading volume and boost market capitalization, the company is simplifying its shareholder structure by consolidating subsidiaries such as Net Turizm, its tourism unit, under the parent Net Holding. The process is expected to be finalized by mid-October, Calumeno said.

"Investors will see a clean-cut Net Holding balance sheet starting as of the new year," he said.

Net Holding is also restructuring its unit Merit Turizm Yatirim, in which it holds about a 48 percent stake, and the process is expected to be completed in the next six months to one year. Once the restructuring is over and investors see the simplified balance sheets, "we may consider a second public offering for Merit Turizm in the second half of 2018," Calumeno said.

Property Revaluation

Net Holding will also revalue its real estate portfolio at the end of the year, a regular process it repeats every two years. Northern Cyprus, the unrecognized, breakaway statelet propped up by Turkey since it invaded in 1974, accounts for about 80 percent of the company's \$540 million property portfolio, Calumeno said.

"With the changes in development plans, and growing interest in Northern Cyprus, property prices rose, which will reflect positively on the company's balance sheet," he said. And that's without taking a possible reunification of the island into account.

Although the latest efforts to reach a deal to end the dispute over the Mediterranean island failed in July, Calumeno sounds optimistic that reunification will eventually be achieved. "And Net Holding stock is the only one that offers equity exposure to the reunification," he said.

Eurobond

The company has a market capitalization of \$250 million and reported a loss of about \$8 million last year. The shares have declined 9.5 percent in 2017, compared with a 38 percent gain on the benchmark Borsa Istanbul 100 index.

Calumeno says the company may tap the eurobond market abroad this and next year amid foreign appetite for emerging-market debt. The company applied to the regulator to sell as much as 50 million euros (\$60 million) in debt to foreign investors. "It's a small amount just to warm up to the emerging debt markets," he said. "If it is successful, we may consider a bigger eurobond sale next year."

He said the company has no plans to issue lira-denominated debt until "the bitter taste" from a string of Turkish corporate defaults this year fades and appetite for local-currency bonds returns.

National Lottery

Net Holding is still interested in Turkey's national lottery company license should the sovereign wealth fund decide to auction it, Calumeno said.

Net Holding and its local partner Hitay Group failed to pay a winning price of \$2.76 billion in a previous auction for the Ankara-based Milli Piyango held in 2014. That auction was canceled in 2015 after the runner-up group of companies, ERG Insaat and Ahlatci Doviz, also failed to get financing to pay their bidding price of \$2.75 billion. The auction was cancelled again earlier this year after the national lottery license was given to the Turkey Wealth Fund.

Net Holding would not be willing to make bid as high as \$2.75 billion next time if terms and conditions on the auction remain the same, he said. The steep depreciation in Turkey's lira since the auction would require a "simple mathematical update" to the price, he said.