

Prefer banks and CPI hedges

■ Private banks are undervalued and financially sound

We prefer Garanti for its strong capitalization, low leverage, high liquidity, robust provisioning, sector-high long FX position and solid ROA. Low leverage, a will to grow combined with high ROA paves the way for higher ROE and hence higher target P/B. We like YKB for its solid provisioning, sector high CPI linker book and likely strong 2Q q-q earnings evolution. A further stake sale by UCI would increase the bank's free float and index weighting, which would result to re-inclusion of YKB to MSCI Index.

■ Be prepared for higher inflation

A pickup in demand coupled with insufficient supply is already pushing up inflation globally. Currency and PPI pass-through may push up inflation beyond current expectations. In our model we are recommending stocks that can cope with higher inflation better than the rest.

■ Shares with low demand elasticity, international revenue stream offering value as well as growth are in the list

BIM offers the best inflation hedge, Koc is a fine portfolio of companies with hard currency linked earnings stream at a bulk discount, Aksa Energy generates more EBITDA internationally and will be growing even faster in foreign markets going forward, Turkcell is undervalued with potential to grow in techfin, Arcelik grows fast in international markets and trades at unjustifiably low multiples, Mavi is an undervalued, high growth post-pandemic pick, Sise trades at less than half of peer multiples, Kardemir turns to net cash in 2Q21 and set to grow faster with more capacity.

■ Our target for BIST100 is 1650

Our 1-y FL target value for BIST100 driven through the valuations of our coverage is 1650, implying ~20% upside.

Share	BIST100 Weighting	Portfolio Weighting	Delta	Beta*	BIST100 Correl.*	Sharpe*	Last Close	Target	Upside
GARAN	5.02%	10%	5.0%	1.5	80%	2.8%	8.53	12.49	46%
YKBNK	1.69%	10%	8.3%	1.4	84%	1.3%	2.28	2.96	30%
AKSEN	0.44%	9%	8.4%	1.1	64%	11.1%	11.8	18.97	61%
ARCLK	1.61%	9%	7.3%	0.6	48%	10.8%	32.72	48.83	49%
BIMAS	6.72%	9%	2.2%	0.4	49%	0.2%	63.25	105.91	67%
INDES	0.24%	9%	8.6%	0.9	39%	11.6%	6.01	12.26	104%
KCHOL	3.24%	9%	5.7%	1.4	87%	4.2%	19.9	27.62	39%
KRDMD	1.46%	9%	7.4%	1.6	79%	13.1%	7.22	11.05	53%
MAVI	0.00%	9%	8.9%	1.4	69%	4.6%	56.5	112.46	99%
SISE	3.38%	9%	5.5%	0.7	59%	5.0%	7.63	11.95	57%
TCELL	5.55%	9%	3.3%	0.7	68%	2.4%	16.02	26.98	68%

Source: A1 Capital Estimates, * Last 1 year

Table of Contents

A. Executive summary	3
B. Garanti	6
C. Yapı Kredi Bank	8
D. Aksa Enerji	10
E. Arcelik	13
F. Bim	16
G. Index Bilgisayar	19
H. Kardemir	22
İ. Koc Holding	25
J. Mavi	27
K. Sisecam	30
L. Turkcell	33
M. Disclaimer	37

A. Executive Summary

Garanti - Buy: Garanti has always been one of the most profitable banks from an ROE point of view despite its massive TRY4.8bn discretionary reserve stock and sector low leverage. The bank's profit evolution is set to be better than peers even when it starts not setting aside additional free provisions let alone reversing those. Garanti is in our top picks as; i. provisions provide cushion at times of asset quality problems, ii. lowest leverage among peers to support already sector topping ROE as balance sheet expands, iii. highest net long FX position to escalate earnings as USDTRY goes north, iv. highest cash net interest income collections as percentage of NII strengthens the bank's cash position. Garanti offers the highest upside after Akbank among the banks in our coverage.

Yapı Kredi Bank - Buy: We include YKB in our top-picks list due to the bank's sector high provision buffer that will protect the bank's P/L in the quarters to follow as well as the sector topping CPI linker portfolio, which will support earnings as inflation goes north. While impending share supply from UCI following 3Q financials could be downbeat for the price, its longer run impact will be upbeat in our view. Such a stake sale may help the bank's free float market capitalization, trading volume and pave the way for possible re-inclusion to MSCI TR Index.

Aksa Enerji - Buy: A hefty 61% of the company's EBITDA stems from foreign operations. With the completion of Uzbekistan business as well as Congo, Cameroon and Libya projects we believe that this ratio will climb up to over 75%. Aksa Enerji currently has 1,470 MW domestic capacity and 476 MW international capacity. Power purchase agreement in Uzbekistan is for a 25 year term and test production will begin in late 2021. The total capacity of Uzbekistan power plants will be a massive 740 MW. Aksa Enerji will become an EPC (engineering, procurement, construction) contractor through its 1,320 MW Libya power plant project. Aksa Enerji's EV/EBITDA multiples are half those of international peers.

Arcelik – Buy: Arcelik generates 64% of its sales from international markets. Western Europe is the primary foreign location making up 31% of revenues followed by Eastern Europe with 13% share. While the company, which has managed to increase its total sales by 67% Y-Y in 1Q21, is guiding for over 30% growth for full year, we believe that it will be over 40% thanks to the contribution of Hitachi acquisition in our view. Other than the purchase of 60% stake in Hitachi's non-Japan consumer durables business, Arcelik also completed the acquisition of Whirlpool's Manisa facilities for EUR75mn. Arcelik will be manufacturing Whirlpool and Indesit branded white goods for the upcoming 3-5 years. Arcelik trades at a discount relative to international peers.

BIM - Buy: Hard discounters like BIM are safe havens in an inflationary environment with a limited SKU base and a focus on basic needs that have low price elasticity. Declining GDP per capita is prompting individuals to shift from more expensive retail chains to discount retailers. We expect BIM, which managed to increase its LFL basket size by 36% Y-Y in 1Q21 to continue increasing its foothold in the sector. We like BIM for its all-time low multiples, inflation hedge, likely market share gains on continued trading down and relative strength under the new retail regulation.

Index Computer - Buy: Index is a dealer of computers, communication devices, printers, software and other IT products. It also is an umbrella company with its subsidiaries such as listed DESPC and DGATE. After having its sales surging by 93% in 2020 due to stay-at-home triggered demand for IT products, Index's top-line growth cut pace in 2021. Still, we are envisaging a 22% expansion for 2021 sales revenues with the risk on the upside. For the short run we are envisaging the revenues to almost match that of 1Q in 2Q. The companies that postponed their investments

started again this year. Margins on products such as servers, cabinets, storage network devices, call center products have margins doubling the current EBITDA margin of the company. Index is growing fast, operates with TRY383mn net cash position and margins are going north. We are not looking for any decline in top line despite strong base as now it is time for renewal demand and corporate investments to kick in. At 3.5x 2021E the company has room to almost double its share price when we compare it with that of peers.

Kardemir – Buy: Kardemir is using the advantage of being an integrated steel producer procuring a chunky 70% of its iron ore needs locally via TL denominated long term contracts. In all, its solid EBITDA generation allowed the company to service its liabilities. We are envisaging the accumulation of net cash position from 2Q21 onwards. China will grow by 8.4%, US will grow by 6% and EU will grow by 4.5% in 2021 according to IMF. Delayed investments will be retriggered, the US will start its major infrastructure plan. Steel prices are unlikely to ease dramatically given these demand conditions. The company aims to increase its crude steel capacity from 2.7 mn tons to 3.5 mn tons through a US\$200mn blast furnace investment until 2H23. Kardemir will also be investing in Filyos port in the next two years, eventually pulling down logistics cost per ton by US\$15-20. We like the company for its impending net cash position, growing demand for steel products, export potential and the appealing valuation.

Koc Holding - Buy: After hovering around 10-20% historically, the NAV discount started widening particularly in the last one year. The foreign ownership dropped by 12% down to 66% Y-Y, as institutional investors preferred the conglomerate as a Turkey proxy. Foreign outflow impacted Koc more due to high base. Current 34% discount to NAV, which used to be 38% before the announcement of the share buyback, is almost double that of historical average. We like Koc Holding for its export oriented business lines, USD linked pricing of energy subsidiaries, attractive multiples of YKB and finally the lower cost to buy the sum than the parts.

Mavi - Buy: Mavi is a casualwear retail chain generating 40% of top-line from jeans. After over a year of stay-at-home, the business dress code is unlikely to revert back to normal. We are envisaging 40% revenue growth with 3-4pp higher margins for Mavi Y-Y, followed by 20%+ top line growth for the foreseeable future. Mavi generates 75% of topline from the domestic market and rest from international. Mavi's store size is expanding from 350sqm for old ones to 800sqm for new stores. This new era does not only help the company to increase its store size but also to pull down rent expense/revenue from 16% down to 12%. We expect the company to move from net debt to net cash in a year, which will help the net profits moving up gradually towards the level of operational earnings.

Sise - Buy: The merger of glass subsidiaries will create a totally new era for the profitability of the company. The impact of related synergies and improving operational efficiency is far from being complete yet. Management is claiming that none of this operational efficiency backed improvement has been reflected to 1Q21 financials and guiding for 200-300bps margin improvement until 2023 from this point onwards. We are penciling in only 90bp further improvement EBITDA margin improvement taking into account already elevated margins due to cyclical factors. Sise's revenues are geographically diversified with 55% stemming from Turkey and rest from international markets. While the sales growth was 23% Y-Y in 1Q21, we are envisaging 33% sales growth and over 50% EBITDA growth for full year. Sise's multiples are less than half of the peers despite such growth.

Turkcell - Buy: Telecom companies dealing with banking businesses are set to be the game changers of the next decade in our view. Turkcell has already been in this business under Financell consumer lending brand with TRY2.5bn loan balance, over 50% yoy earnings growth and a mere 1% cost of risk. Now payment services platform Paycell with ~TRY100mn quarterly revenues and faster growth is on track

to catch up with of Financell's TRY130mn topline. Fundamentally Turkcell has been one of the top beneficiaries of the Covid-19 remote working era. Going forward we expect roaming revenues to gain pace and additional mobile data sales to go up as stay-at-home requirements end. IPOs of Turkcell's businesses such as Superonline, Global Tower, Paycell could act as catalysts to unlock value. In all, we like the company's footsteps into profitable financial businesses, continuing solid EBITDA growth, potential recovery in international activities, inelastic demand providing inflation hedge, appealing valuation and prospective IPOs of various businesses.

GARANTI BUY

GARAN TI

Massive free provision buffer

■ Already prepared for potential bad surprises

There are many items that differentiate Garanti from the rest of the pack. It is the Turkey proxy with the highest daily trading volume, best management as implied by the ROE level and top notch investor relations support. Increasingly a new item is climbing in this list; the free provision buffer. The bank has a massive TRY4.8bn discretionary reserves that has already passed through the P/L as a negative item and deducted from the capital. It can be reversed on the bank's discretion.

■ Lowest leverage among peers

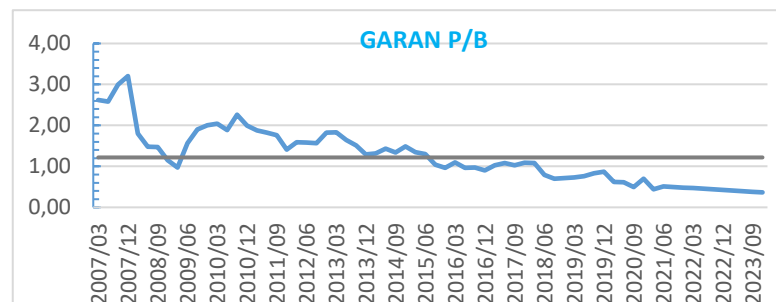
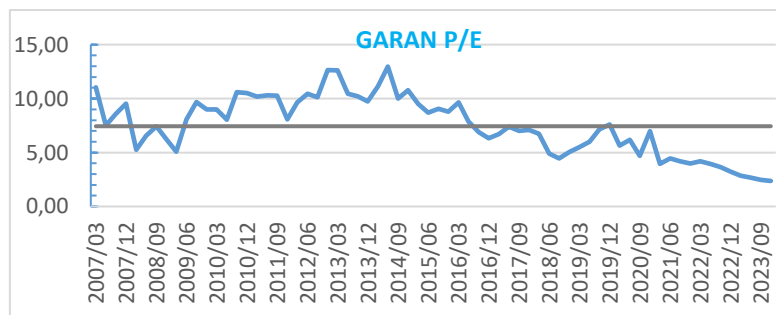
The bank has the lowest asset size relative to its equity. It is extraordinary for any bank to post the best ROE among peers despite such a low leverage and continuous habit of setting aside free provisions. Garanti has huge room to support ROE by inflating its balance sheet under suitable conditions.

■ Highest net long FX position, highest cash NII collections

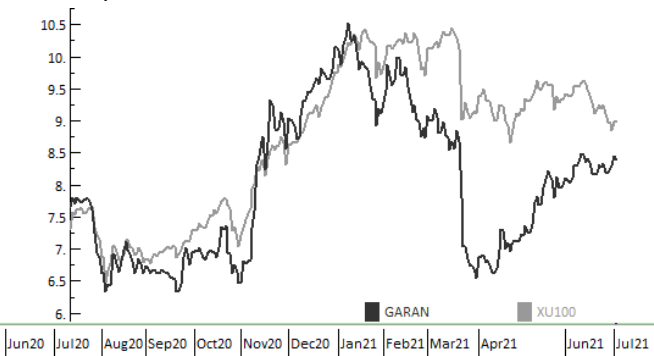
Garanti is the top beneficiary of weaker local currency as its net long FX position corresponds to a sector high 22% of the shareholders' equity. Each 5% increase in USDTRY generates close to TRY700mn profit for the bank. Last but not the least Garanti can actually make collections from its NII account. Cash NII/Accruals is the highest among peers.

■ Valuation appeal

The bank deserves being traded below the book as the ROE remains below the CoE, yet 0.5x 2021F P/B is unfair in our view. Our EVA model yields 0.75x fair P/B for Garanti.



GARAN	12-07-21
Garanti Bankası	
Rating	BUY
Free float	48%
Major Shareholder	BBVA
Share of Major Shareholder	50%
Mcap (USD mn)	4,124.2
Mcap (TRY mn)	35,826.0
Target Mcap (TRY mn)	52,458.0
Share Price (TRY)	8.53
Target Price (TRY)	12.49
Upside	46%
Avg. Daily Trading Vol. (TRY mn)	1,663.39
Latest financials	2021/03
Weekly Return	1.5%
Monthly Return	2.0%
Y-Y Return	10.2%
Weekly Relative return	1.4%
Monthly Relative return	7.3%



Ratios	2020	2021	2022
Multiples			
P/E	6.98	4.28	3.29
P/B (tangible)	0.71	0.48	0.43
Profitability			
ROE tangible	10.9%	12.1%	13.9%
ROE headline	10.8%	12.7%	14.7%
ROA	1.4%	1.6%	1.8%
Leverage	8.0	7.4	7.7
NIM	5.3%	3.2%	3.4%
LTD spread	3.6%	2.6%	3.7%
Efficiency Ratios			
C/I	40%	32%	30%
Net Fees/Costs	52%	51%	53%
Asset Quality			
NPL Ratio	4.6%	4.5%	4.4%
NPL Coverage	63%	65%	64%

Valuation and financial analysis

We are valuing Garanti through our EVA valuation method. Just like the peers Garanti is not able to generate economic profit. We expect the ROE to remain below the CoE for the whole forecast horizon. Yet the 2021 P/B multiple of 0.5x is undeserved in our view. We think that 0.75x should be the base given such a profit potential.

	2021	2022	2023	2024	2025
P/B	0.51	0.45	0.39	0.33	0.28
TP/B	0.75	0.66	0.56	0.48	0.41
P/E	4.3	3.3	2.4	2.0	1.7
TP/E	6.2	4.8	3.5	2.9	2.4

EVA - Econ value add	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Core business ROE	11.6%	13.8%	16.9%	17.8%	18.5%	18.8%	18.8%	18.6%	18.2%	17.9%
Rf	18.4%	17.9%	17.2%	16.5%	15.8%	15.2%	14.6%	14.0%	13.5%	12.9%
Risk premium	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Beta	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
CoE	23.8%	23.2%	22.5%	21.9%	21.2%	20.6%	20.0%	19.4%	18.9%	18.3%
Incremental spread	-12%	-9%	-6%	-4%	-3%	-2%	-1%	-1%	-1%	0%
Tangible core equity	60,844	68,501	79,274	91,867	107,207	125,582	147,125	172,136	200,964	234,037
Value add	-7,395	-6,466	-4,443	-3,744	-2,919	-2,184	-1,738	-1,434	-1,223	-1,038
Discount factor	1.01	0.82	0.67	0.55	0.45	0.37	0.31	0.26	0.22	0.19
NPV of EP	-7,447	-5,284	-2,963	-2,049	-1,318	-818	-542	-375	-269	-193
NPV terminal EP	-1,400									
Core bus. econ. Val.	-22,657									
Core bus. Eq. 1yFL	63,651									
Subs. 1yFL 20% disc.	11,305									
Target mcap	52,299									
Market cap	35,826									
Number of shares	4,200									
Target price/share	12.49									
Current price/share	8.53									
Upside	46%									

JUNE 2021

BANKING SECTOR

YAPI KREDI BANK BUY

YKBNK TI

Provisions and linkers guard P/L

P/L protection through CPI linked bonds

YKB is the top direct beneficiary of increasing inflation thanks to its sector-high CPI linker bond exposure. The bank does not only have the highest amount of inflation indexed bonds in absolute terms but the highest as a percentage of shareholders' equity as well.

UCI's stake sale will be the road to MSCI re-inclusion

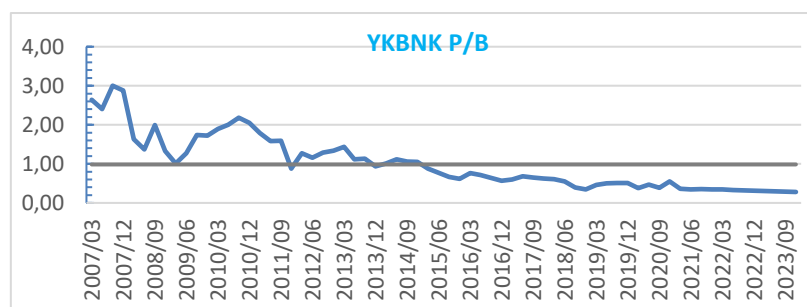
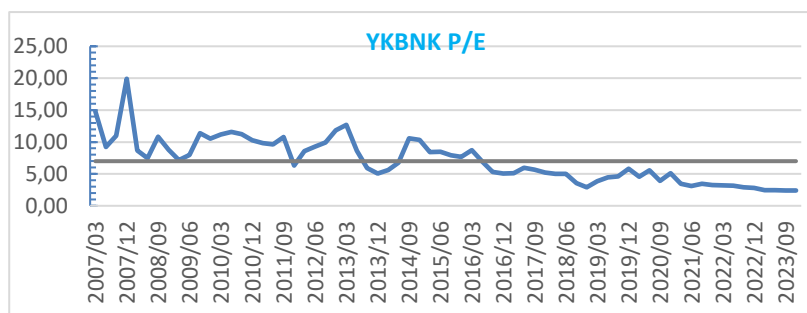
Yapı Kredi Bank was out of MSCI Turkey index starting from May 2021. We expect the free float market cap and daily trading volume to increase following the divestiture of UCI's remaining shares, eventually ending up with re-inclusion of YKB to the Index.

Placement impending

Unicredit still has 20% stake of YKB, the lock up on which will end in mid-November. We are not envisaging such a stake sale to materialize in 2021 as UCI is not in urgent need of capital and YKB's multiples are near all-time lows.

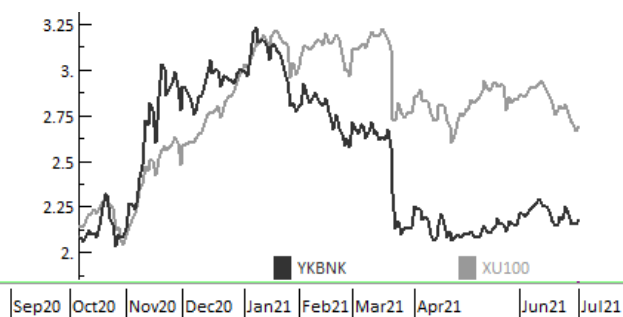
Hefty provision buffer

Instead of boosting its provision buffer through discretionary reserves that hamper auditor opinion, YKB preferred boosting its general and loan loss provisions instead. The share of provisions both on asset side and liability side of the balance sheet to total loans is the highest for YKB. Such high provisioning is set to protect the P/L at times of distress.



YKBNK 12-07-21

Yapı ve Kredi Bank.	
Rating	BUY
Free float	30%
Major Shareholder	Koc Group
Share of Major Shareholder	41%
Mcap (USD mn)	2,230.7
Mcap (TRY mn)	19,343.7
Target Mcap (TRY mn)	25,003.3
Share Price (TRY)	2.28
Target Price (TRY)	2.96
Upside	30%
Avg. Daily Trading Vol. (TRY mn)	486.75
Latest financials	2021/03
Weekly Return	2.7%
Monthly Return	0.9%
Y-Y Return	0.6%
Weekly Relative return	4.1%
Monthly Relative return	7.2%



Ratios			
Multiples	2020	2021	2022
P/E	5.12	3.26	2.81
P/B (tangible)	0.57	0.36	0.33
Profitability			
	2020	2021	2022
ROE tangible	12.0%	11.8%	12.3%
ROE headline	11.5%	11.4%	11.8%
ROA	1.2%	1.2%	1.2%
Leverage	10.1	10.1	10.7
NIM	3.8%	2.5%	2.5%
LTD spread	2.9%	2.7%	2.5%
Efficiency Ratios			
	2020	2021	2022
C/I	44%	45%	45%
Net Fees/Costs	52%	51%	52%
Asset Quality			
	2020	2021	2022
NPL Ratio	6.4%	5.4%	5.4%
NPL Coverage	69%	73%	74%

Valuation

	2021	2022	2023	2024	2025
P/B	0.35	0.31	0.28	0.25	0.23
TP/B	0.45	0.40	0.36	0.33	0.29
P/E	3.3	2.8	2.4	2.2	2.0
TP/E	4.2	3.6	3.1	2.8	2.5

EVA - Econ. val. add	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Core business ROE	12.2%	12.8%	13.4%	13.6%	13.6%	14.4%	14.5%	14.6%	14.6%	14.6%
Rf	18.4%	17.9%	17.2%	16.5%	15.8%	15.2%	14.6%	14.0%	13.5%	12.9%
Risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Beta	1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23
CoE	24.5%	24.0%	23.3%	22.6%	22.0%	21.3%	20.7%	20.2%	19.6%	19.1%
Incremental spread	-12%	-11%	-9.9%	-9.0%	-8.3%	-7.0%	-6.2%	-5.6%	-5.1%	-4.5%
Tangible core equity	41,617	45,463	49,792	54,332	59,295	65,224	71,784	79,087	87,170	96,190
Value add	-5,147	-5,096	-4,928	-4,914	-4,948	-4,539	-4,472	-4,420	-4,409	-4,329
Discount factor	1.01	0.81	0.66	0.54	0.44	0.36	0.30	0.25	0.21	0.18
NPV of EP	-5,184	-4,140	-3,247	-2,641	-2,180	-1,649	-1,345	-1,106	-923	-761
NPV terminal EP	-5,247									
Core bus. econ. Val.	-28,422									
Core bus. equity 1yFL	43,209									
Subs. 1yFL 20% disc.	10,031									
Target mcap	24,817									
Market cap	19,259									
Number of shares	8,447									
Target price/share	2.96									
Current price/share	2.28									

JULY 2021

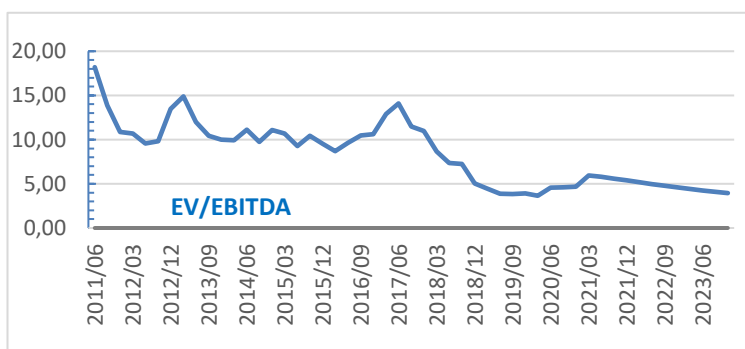
UTILITIES

AKSA ENERJI BUY

AKSEN TI

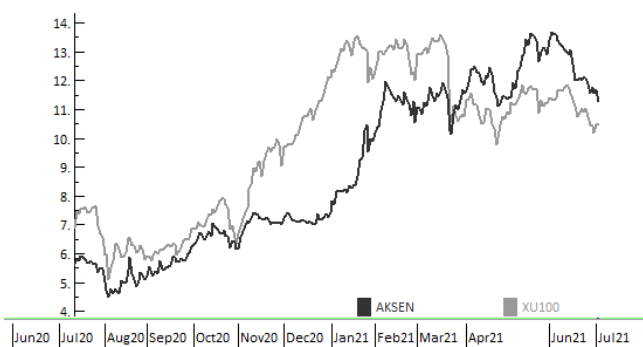
A global electricity company

- 61% of EBITDA, 75% of pre-tax profit from foreign ops.**
 High contribution of international operations could even be higher by a rough 5pp if we include Northern Cyprus as well. Ghana, Madagascar and Mali have the highest contributions to international revenues. Cash capital expenditures are generally recovered in the initial year of agreements. Aksa Enerji currently has 1,470 MW domestic capacity and 476 MW international capacity. Agreement with Congo signed in early 2021 to produce up to 100 MW electricity to further support foreign capacity. Going forward Aksa aims to produce electricity in Cameroon. We expect the share of foreign operations in EBITDA to increase by over 15pp in the next 5 years with the completion of Uzbekistan project.
- 3 Uzbekistan projects in the pipeline**
 There will be a total of 740 MW natural gas based electricity generation capacity bulk of which will be carried from Ankara, Manisa and Van to Uzbekistan. Power purchase agreement is for a 25 year term and test production will begin in late 2021. Other than production, the company is also exporting electricity to Iraq (currently 150 MW, can be increased to 400 MW) and Georgia. It has exported to Syria in the past and aims to sell to Bulgaria.
- Libya business will be a paradigm shift**
 Aksa Enerji will become an EPC (engineering, procurement, construction) contractor through its 1,320 MW Libya power plant project. Normally the company is not a contracting company but electricity producer and distributor. Libya project will be the first construction deal of the company. That reference may pave the way for more of such contracting deals.
- Valuation does not reflect the growth potential**
 Aksa Enerji is trading at 4.5x 2022x EV/EBITDA, half that of international peers. It is worth mentioning that the near-term multiples are significantly overstated as they do not take into account the hefty international growth potential of the company to stem particularly from Uzbekistan and Libya projects.



AKSEN 12-07-21

Aksa Enerji	
Rating	BUY
Free Float	21%
Mcap (USD mn)	832.9
Mcap (TRY mn)	7,235.4
Target Mcap (TRYmn)	11,604.9
Share Price (TRY)	11.80
Target Price (TRY mn)	18.93
Upside	60%
Avg. D. T. Vol. (TRY mn)	120
EV (TRY mn)	9797
Latest Financials	2021/03
Weekly Return	4.70
Monthly Return	-10.54
Y-Y Return	111.47
Weekly Relative R.	4.58
Monthly Relative R.	-5.94
Y-Y Relative R.	77.66



Ratios	2019	2020	2021/03
P/E	7.08	9.71	11.99
P/Sales	0.98	0.99	1.30
EV/EBITDA	3.90	4.68	5.95
P/B	0.67	1.08	1.56
ROE	12.8%	12.2%	14.6%
EBITDA mrg	25.16	21.25	22.97
Net Pr. Mrg.	5.90	6.50	9.68
Net Debt	3,142	2,632	2,697
Net D./EBITDA	2.24	1.71	1.64
Growth Y-Y	2019	2020	2021/03
Sales	19.5%	29.6%	16.1%
EBITDA	32.4%	9.4%	29.1%
Net Profit	1161.5%	42.8%	179.1%
Working Cap.	2019	2020	2021/03
Inventory T.	22	8	8
Rec. Days	125	135	123
Pay. Days (-)	47	47	37
Cash Cycle	100	96	94

Valuation and financial analysis

	2019	2020	2021	2022	2023
EV/EBITDA	7.0	6.4	5.3	4.5	3.9
Net Debt/EBITDA	2.04	1.86	1.74	1.48	1.27
P/E	22.0	15.4	9.9	7.7	6.0
P/B	0.7	1.7	1.5	1.2	1.0
ROE	13%	12%	16%	17%	19%

DCF

TRYmn	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenues	8,250	9,686	11,304	13,116	15,130	17,354	19,790	22,441	25,303	28,370
Revenue Growth	14.1%	17.4%	16.7%	16.0%	15.4%	14.7%	14.0%	13.4%	12.8%	12.1%
EBITDA	1,840	2,161	2,522	2,926	3,375	3,871	4,415	5,006	5,644	6,329
EBITDA Growth	20%	17%	17%	16%	15%	15%	14%	13%	13%	12%
Margin	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%
Effective tax rate	25.0%	23.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Taxes	-146	-177	-202	-239	-282	-330	-383	-443	-510	-583
Net W/C	2,355	2,765	3,227	3,744	4,319	4,954	5,649	6,406	7,223	8,098
W/C as % of Sales	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%
Inc./dec. in W/C	-291	-410	-462	-517	-575	-635	-696	-757	-817	-875
Chg W/C / Sales	-4%	-4%	-4%	-4%	-4%	-4%	-4%	-3%	-3%	-3%
Implied Net Income	732	945	1,214	1,436	1,690	1,977	2,300	2,660	3,059	3,499
Net Income/EBITDA	39.8%	43.8%	48.1%	49.1%	50.1%	51.1%	52.1%	53.1%	54.2%	55.3%
Net Income/Sales	8.9%	9.8%	10.7%	11.0%	11.2%	11.4%	11.6%	11.9%	12.1%	12.3%
Capex (% of sales)	19%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Capex	-1,575	-642	-749	-870	-1,003	-1,150	-1,312	-1,488	-1,677	-1,881
FCF	-172	932	1,108	1,300	1,515	1,757	2,024	2,318	2,640	2,989
Risk Free Rate	18%	17%	17%	16%	15%	15%	14%	14%	13%	12%
Beta	1.13	1.13	1.13	1.13	1.13	1.13	1.13	1.13	1.13	1.13
ERP	5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Cost of Equity	24%	23%	22%	22%	21%	20%	20%	19%	19%	18%
Cost of Debt - Post tax	17%	17%	17%	16%	16%	15%	15%	14%	14%	13%
Weight - Equity	58%	58.2%	58.2%	58.2%	58.2%	58.2%	58.2%	58.2%	58.2%	58.2%
Weight - Debt	42%	41.8%	41.8%	41.8%	41.8%	41.8%	41.8%	41.8%	41.8%	41.8%
WACC	20.9%	20.6%	20.0%	19.4%	18.8%	18.2%	17.7%	17.1%	16.5%	15.9%
Discount Factor *	1.22	1.01	0.84	0.70	0.59	0.50	0.42	0.36	0.31	0.27
Discounted CFs	-99	938	929	913	896	878	860	841	822	803
PV of FCFs	7,780									
Terminal Growth Rate	5%									
Terminal Value	28,708									
PV of TV	7,710									
Value of Firm	15,490									
Planned borrowings	1,188									
Net debt (cash)**	3,885									
12-mo Target Equity Value	11,605									
Number of shares	613									
12-mo TP (TRY)	18.9									
Current price	11.8									
Upside (Discount)	60.4%									

* Discount factor for initial year is more than 1.0 as we aim to attain a forward looking target price.

** Includes additional borrowings for the year ahead

International comparison

Name	Mkt Cap (USD)	EV/EBITDA FY1	EV/EBITDA FY2	P/E FY1	P/E FY2
Median	3,180	8.20	7.89	13.58	11.89
AKSA ENERJI URETİM AS	837			8.98	8.35
ENEL RUSSIA PJSC	391	7.04	4.38	17.49	8.47
TRANSELECTRICA SA	439	4.46	4.55	27.78	35.71
ROSSETI LENENERGO PJSC	894	2.65	2.59	3.99	3.59
REDES ENERGETICAS NACIONAIS	1,871	8.99	9.00	13.34	13.34
UNIPRO PJSC	2,351	6.25	5.20	9.63	7.83
MGE ENERGY INC	2,685	15.80	13.55	26.81	24.42
ROSSETI PJSC	3,674	3.86	3.67	2.89	2.78
FEDERAL GRID CO UNIFIED ENER	3,924	3.66	3.47	4.09	3.09
ELIA GROUP SA/NV	7,552	14.93	13.50	26.82	23.33
RED ELECTRICA CORPORACION SA	10,096	9.93	9.76	12.48	12.34
TERNA SPA	15,300	12.02	12.03	17.71	18.36
E.ON SE	31,740	8.20	7.89	13.83	11.43
NATIONAL GRID PLC	46,062	10.91	9.80	15.53	14.11

Source: Bloomberg

JULY 2021

CONSUMER DURABLES

ARCELIK

ARCLK TI

Exceptional expansion

■ 64% of sales from international markets

Arcelik generates bulk of its sales revenues from international markets. Western Europe is the primary foreign location making up 31% of revenues followed by Eastern Europe with 13% share. While the company, which has managed to increase its total sales by 67% Y-Y in 1Q21, is guiding for over 30% growth for full year, we believe that it will be over 40% thanks to the contribution of Hitachi acquisition in our view.

■ Further inorganic growth underway

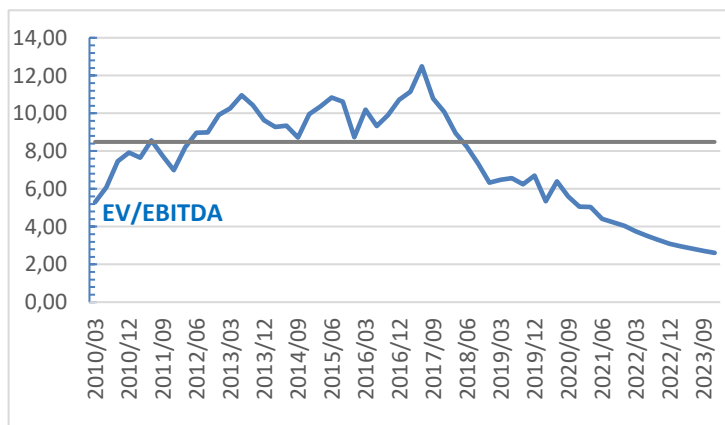
Other than the purchase of 60% stake in Hitachi's non-Japan consumer durables business, Arcelik also completed the acquisition of Whirlpool's Manisa facilities for EUR75mn. Arcelik will be manufacturing Whirlpool and Indesit branded white goods for the upcoming 3-5 years. The share of international revenues in total are likely to climb up to 75% following the completion of those transactions. We expect the company to make its next international move in North or South America, where it does not have any production plant yet.

■ New business areas in the pipeline

Arcelik established a partnership with Nokia and TTKOM to build the first 5G private wireless network in Turkey. This network will provide widespread, reliable and low-latency coverage to enhance automatic guided vehicle performance. Also, new investments are underway for health technologies focusing predominantly on aging population and smart homes.

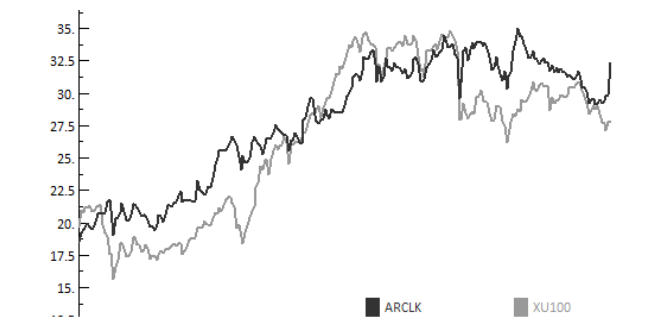
■ Relative valuation has never been this attractive

Arcelik has almost always traded with a premium over Vestel. Lately with an unjustified deep underperformance likely to have stemmed from foreign institutional investor position trimming, the company is trading at ~6x trailing P/E and EV/EBITDA multiples, at par with VESTL and VESBE.



ARCLK 12-07-21

Arçelik	
Rating	BUY
Free Float	25%
Mcap (USD mn)	2,545.3
Mcap (TRY mn)	22,109.8
Target Mcap (TRYmn)	32,913.8
Share Price (TRY)	32.72
Target Price (TRY mn)	48.71
Upside	49%
Avg. D. T. Vol. (TRY mn)	220
EV (TRY mn)	31684
Latest Financials	2021/03
Weekly Return	1.05
Monthly Return	5.28
Y-Y Return	76.26
Weekly Relative R.	0.93
Monthly Relative R.	10.69
Y-Y Relative R.	48.08



Ratios	2019	2020	2021/03
P/E	15.23	7.21	6.00
P/Sales	0.69	0.63	0.69
EV/EBITDA	6.71	5.06	5.03
P/B	1.46	1.49	1.55
ROE	10.4%	24.3%	30.6%
EBITDA Mrg.	10.31	12.39	14.51
Net Pr. Mrg.	2.90	6.97	8.42
Net Debt	8,018	5,073	9,074
N. D./EBITDA	2.43	1.00	1.44
Growth Y-Y	2019	2020	2021/03
Sales	18.7%	28.0%	67.2%
EBITDA	20.8%	53.8%	187.7%
Net Profit	8.6%	207.9%	327.3%
W. Cap.	2019	2020	2021/03
Inventory T.	93	94	107
Rec. Days	107	107	109
Pay. Days (-)	92	128	129
Cash Cycle	108	73	88

Valuation and financial analysis

We attribute the stock's downtrend since 1Q21 closing to the ongoing increase in commodity prices, which is likely to drag down the company's EBITDA margin from 14.5% down gradually to 11% in the final quarter of the year. Metal and plastic index average prices are up by 40% Y-Y in 1Q21. We believe that the peak of the commodity cycle will be over within 2H21, which will support the company's operational performance next year onwards.

	2019	2020	2021	2022	2023
EV/EBITDA	6.7	5.1	4.4	3.4	2.8
Net Debt/EBITDA	1.63	1.06	1.15	0.88	0.74
P/E	15.2	7.2	5.8	4.4	3.7
P/B	1.5	1.5	1.3	1.0	0.8
ROE	10%	24%	24%	25%	23%

DCF

TRYmn	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenues	58,014	79,015	95,071	113,571	134,713	158,679	185,624	215,670	248,899	285,343
Revenue Growth	42%	36%	20%	19%	19%	18%	17%	16%	15%	15%
EBITDA	7,189	9,400	11,140	13,109	15,316	17,770	20,475	23,433	26,637	30,080
EBITDA Growth	42%	31%	19%	18%	17%	16%	15%	14%	14%	13%
Margin	12.4%	11.9%	11.7%	11.5%	11.4%	11.2%	11.0%	10.9%	10.7%	10.5%
Effective tax rate	25.0%	23.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Taxes	-768	-939	-992	-1,167	-1,363	-1,582	-1,823	-2,086	-2,371	-2,678
Net W/C	13,714	19,612	23,598	28,190	33,437	39,386	46,074	53,532	61,780	70,826
W/C as % of Sales	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Inc./dec. in W/C	-4,114	-5,898	-3,985	-4,592	-5,248	-5,949	-6,688	-7,458	-8,248	-9,046
Chg W/C / Sales	-7%	-7%	-4%	-4%	-4%	-4%	-4%	-3%	-3%	-3%
Implied Net Income	3,840	5,021	5,951	7,002	8,181	9,492	10,937	12,517	14,228	16,067
Net Income/Sales	6.6%	6.4%	6.3%	6.2%	6.1%	6.0%	5.9%	5.8%	5.7%	5.6%
Capex (% of sales)	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Capex	-5,855	-3,233	-3,851	-4,555	-5,348	-6,237	-7,223	-8,308	-9,493	-10,774
FCF	-3,548	-671	2,312	2,795	3,356	4,002	4,741	5,580	6,526	7,582
Risk Free Rate	18%	17%	17%	16%	15%	15%	14%	14%	13%	12%
Beta	0.93	0.93	0.93	0.93	0.93	0.93	0.93	0.93	0.93	0.93
ERP	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Cost of Equity	23%	22%	21%	21%	20%	19%	19%	18%	18%	17%
Cost of Debt - Post tax	16%	16%	16%	15%	15%	14%	14%	13%	13%	12%
Weight - Equity	36%	36%	36%	36%	36%	36%	36%	36%	36%	36%
Weight - Debt	64%	64%	64%	64%	64%	64%	64%	64%	64%	64%
WACC	18.6%	18.4%	17.8%	17.3%	16.7%	16.2%	15.6%	15.1%	14.5%	14.0%
Discount Factor	1.19	1.01	0.85	0.73	0.62	0.54	0.46	0.40	0.35	0.31
Discounted CFs	-1,993	-674	1,973	2,034	2,092	2,147	2,200	2,250	2,297	2,341
PV of FCFs	14,665									
Terminal Growth	5%									
Terminal Value	88,503									
PV of TV	27,323									
Value of Firm	41,988									
Net debt (cash)	9,074									
12-mo Target Eq. Value	32,914									
Number of shares	676									
12-mo TP (TRY)	48.7									
Current price	32.72									
Upside (Discount)	49%									

* Discount factor for initial year is more than 1.0 as we aim to attain a forward looking target price.

International comparison

Name	Mkt Cap (USD)	EV/EBITDA FY1	EV/EBITDA FY2	P/E FY1	P/E FY2
Median	4,603	5.90	5.61	12.08	11.71
ARCELIK AS	2,564	4.90	4.44	7.19	7.21
ELICA SPA	266	5.88	5.30	20.88	14.61
SABAF SPA	364	6.90	7.03	11.31	11.92
V-ZUG HOLDING AG	998	9.76	9.37	20.65	20.19
VESTEL BEYAZ ESYA SANAYI VE	1,031	5.10	4.28	8.71	6.02
VESTEL ELEKTRONIK SANAYI	1,235	5.36	4.36	8.55	5.34
DE'LONGHI SPA	6,641	11.17	10.62	20.12	19.02
ELECTROLUX AB-SER B	8,760	5.92	5.93	12.84	13.37
SEB SA	10,196	10.43	9.78	18.81	17.20
WHIRLPOOL CORP	13,605	6.60	6.90	9.20	9.52
LG ELECTRONICS INC	23,721	4.68	4.48	10.19	9.00
PANASONIC CORP	28,847	4.93	4.71	13.55	11.51

Source: Bloomberg

Bare necessities

■ Protection against inflation

Inflation has been trending up due to currency pass through, increasing commodity prices and sudden increase in consumer demand. Hard discounters like BIM are safe havens in an inflationary environment with a limited 800 unit SKU base and a focus on basic needs that have low price elasticity.

■ Trading down having its toll more than ever

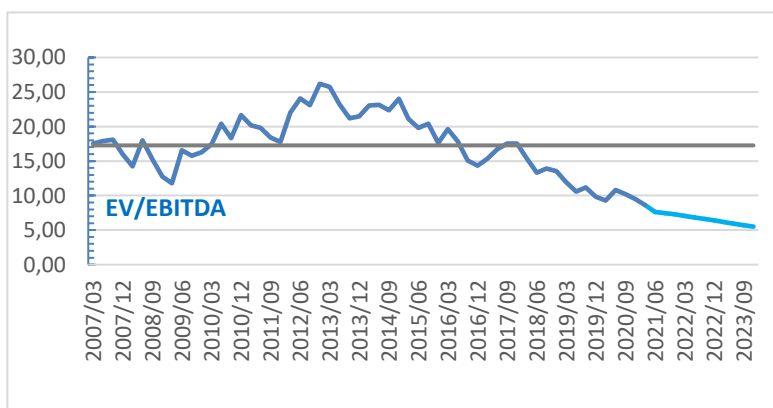
Per capita GDP of Turkey has been shrinking gradually every year since 2013 according to TurkStat. PC GDP slipped down from US\$12.6k in 2013 down to US\$8.6k in 2020 and probably down even more given the appreciation of USDTRY YTD. Declining GDP per capita is prompting individuals to shift from more expensive retail chains to discount retailers. We expect BIM, which managed to increase its LFL basket size by 36% Y-Y in 1Q21 to continue increasing its foothold in the sector.

■ New retail law underway

One of the primary reasons behind the slide in BIM's share price has been the new retail law and related statute, which will impose certain limitations such as not allowing the sale of electronics in stores with less than 1500sqm space, not allowing extra fees for shelf space, limiting max duration of payments to vendors with the life of the good there could be some articles limiting the sale of cigarettes and alcohol. None of those is a concern for BIM but they should be for Migros. Compulsory packaging for fresh fruits and vegetables might increase the costs but it should not be hard to pass it on to the customer. Bringing distance requirements to local grocery shops may hamper growth but BIMs stores are already wide spread. In all we do not see the new regulations as a major concern.

■ Valuation multiples at all-time lows

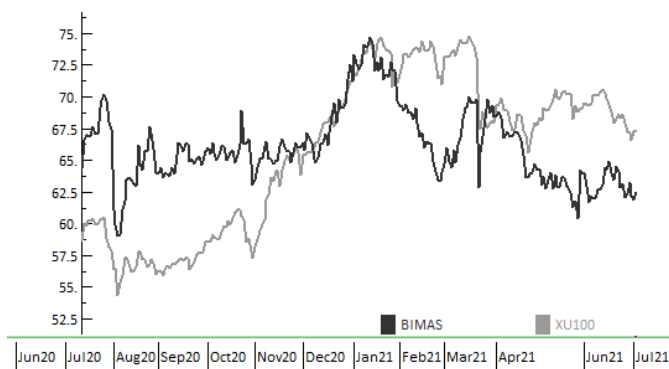
We like BIM for its all-time low multiples, inflation hedge, likely market share gains on continued trading down and relative strength under the new retail regulation.



BIMAS

12-07-21

Bim Mağazalar	
Rating	BUY
Free Float	60%
Mcap (USD mn)	4,421.2
Mcap (TRY mn)	38,405.4
Target Mcap (TRYmn)	64,234.7
Share Price (TRY)	63.25
Target Price (TRY mn)	105.79
Upside	67%
Avg. D. T. Vol. (TRY mn)	239
EV (TRY mn)	46677
Latest Financials	2021/03
Weekly Return	1.28
Monthly Return	0.96
Y-Y Return	-2.79
Weekly Relative R.	1.16
Monthly Relative R.	6.15
Y-Y Relative R.	-18.33



Ratios	2019	2020	2021/03
P/E	23.13	17.59	13.42
P/Sales	0.77	0.87	0.80
EV/EBITDA	9.83	9.50	8.63
P/B	6.69	6.39	5.74
ROE	31.6%	45.7%	50.3%
EBITDA Mrg.	7.83	9.13	8.54
Net Pr. Mrg.	3.05	4.70	4.42
Net Debt	2,615	2,317	3,809
N. D./EBITDA	0.83	0.46	0.70
Growth Y-Y	2019	2020	2021/03
Sales	24.4%	38.0%	23.1%
EBITDA	67.6%	60.9%	34.4%
Net Profit	-2.0%	112.8%	59.0%
W. Cap.	2019	2020	2021/03
Inventory T.	26	34	37
Rec. Days	13	17	15
Pay. Days (-)	60	71	69
Cash Cycle	-22	-20	-18

Valuation and financial analysis

	2019	2020	2021	2022	2023
EV/EBITDA	9.8	9.5	8.1	7.1	6.1
Net Debt/EBITDA	0.64	0.40	0.31	0.27	0.24
P/E	23.1	17.6	12.8	11.2	9.5
P/B	6.7	6.4	3.8	2.8	2.2
ROE	32%	46%	35%	29%	26%

DCF

TRYmn	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenues	67,760	76,975	89,838	104,238	120,247	137,918	157,282	178,347	201,093	225,467
Revenue Growth	22%	14%	17%	16%	15%	15%	14%	13%	13%	12%
EBITDA	5,787	6,574	7,672	8,635	9,663	10,750	11,892	13,080	14,305	15,558
EBITDA Growth	14%	14%	17%	13%	12%	11%	11%	10%	9%	9%
Margin	9%	9%	9%	8%	8%	8%	8%	7%	7%	7%
Effective tax rate	25.0%	23.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Taxes	-598	-642	-675	-767	-867	-974	-1,088	-1,209	-1,335	-1,466
Net W/C	-2,014	-2,288	-2,671	-3,099	-3,575	-4,100	-4,676	-5,302	-5,978	-6,703
W/C as % of Sales	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%
Inc./dec. in W/C	-36	274	382	428	476	525	576	626	676	725
Chg W/C / Sales	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Implied Net Income	2,992	3,433	4,047	4,600	5,199	5,842	6,527	7,251	8,010	8,799
Net Income/Sales	4.4%	4.5%	4.5%	4.4%	4.3%	4.2%	4.2%	4.1%	4.0%	3.9%
Capex (% of sales)	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Capex	-1,810	-2,056	-2,400	-2,785	-3,212	-3,685	-4,202	-4,765	-5,372	-6,024
FCF	3,342	4,149	4,980	5,512	6,059	6,617	7,177	7,733	8,274	8,793
Risk Free Rate	18%	17%	17%	16%	15%	15%	14%	14%	13%	12%
Beta	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51
ERP	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Cost of Equity	21%	20%	19%	19%	18%	17%	17%	16%	15%	15%
Cost of Debt - Post tax	15%	15%	14%	14%	13%	13%	12%	12%	11%	11%
Weight - Equity	69%	69%	69%	69%	69%	69%	69%	69%	69%	69%
Weight - Debt	31%	31%	31%	31%	31%	31%	31%	31%	31%	31%
WACC	18.7%	18.3%	17.7%	17.1%	16.5%	15.9%	15.3%	14.7%	14.1%	13.5%
Discount Factor *	1.19	1.01	0.85	0.73	0.63	0.54	0.47	0.41	0.36	0.32
Discounted CFs	1,880	4,172	4,255	4,022	3,795	3,575	3,363	3,158	2,961	2,771
PV of FCFs	33,952									
Terminal Growth	5%									
Terminal Value	108,165									
PV of TV	34,092									
Value of Firm	68,044									
Net debt (cash)	3,809									
12-mo Target Eq. Value	64,235									
Number of shares	607									
12-mo TP (TRY)	105.8									
Current price	63.25									
Upside (Discount)	67%									

* Discount factor for initial year is more than 1.0 as we aim to attain a forward looking target price.

International comparison

Name	Mkt Cap (USD)	EV/EBITDA FY1	EV/EBITDA FY2	P/E FY1	P/E FY2
Median	8,776	7.81	7.42	16.59	15.24
BIM BIRLESIK MAGAZALAR AS	4,383	7.15	5.89	13.79	11.37
DISTRIBUIDORA INTERNACIONAL	501	5.70	4.67		
CIA BRASILEIRA DE DISTRIBUIC	1,945	6.24	5.85	15.61	13.18
CASINO GUICHARD PERRACHON	3,377	6.96	6.46	12.46	10.80
CENCOSUD SA	5,223	6.85	5.92	13.25	10.73
DAIRY FARM INTL HLDGS LTD	5,723	12.69	11.65	17.70	14.74
AXFOOD AB	5,974	11.46	11.20	25.63	25.45
SHOPRITE HOLDINGS LTD	6,576	7.88	7.42	18.87	16.94
SUN ART RETAIL GROUP LTD	6,693	4.87	4.60	18.07	16.03
YONGHUI SUPERSTORES CO LTD-A	7,094	22.66	19.63	44.22	27.86
MAGNIT PJSC	7,272	5.34	5.66	13.14	12.13
COLRUYT SA	7,629	8.01	7.99	16.36	16.10
DINO POLSKA SA	7,767	23.11	18.49	35.69	28.12
ATACADAO SA	7,907	8.34	7.48	14.51	14.41
SAINSBURY (J) PLC	8,776	5.42	5.32	13.43	12.48
WM MORRISON SUPERMARKETS	8,914	8.65	8.43	18.97	17.95
X 5 RETAIL GROUP NV-REGS GDR	9,374	6.47	5.82	15.89	13.39
ICA GRUPPEN AB	9,575	9.02	8.89	20.05	19.69
JERONIMO MARTINS	12,429	8.20	7.54	25.66	22.01
CARREFOUR SA	16,453	6.02	5.65	12.30	10.87
COLES GROUP LTD	16,880	9.22	8.86	22.62	22.50
LOBLAW COMPANIES LTD	20,978	7.81	7.58	15.34	13.87
TESCO PLC	25,191	7.20	6.85	12.80	11.66
KROGER CO	27,954	7.01	6.98	12.17	12.18
AVENUE SUPERMARTS LTD	29,469	85.34	57.93	134.45	89.01
KONINKLIJKE AHOLD DELHAIZE N	31,478	6.94	6.79	13.10	12.69
WOOLWORTHS GROUP LTD	36,115	10.71	11.48	26.17	27.32
ALIMENTATION COUCHE-TARD -B	39,169	10.02	9.71	16.82	15.75
SEVEN & I HOLDINGS CO LTD	41,488	5.52	5.15	17.42	16.07

Source: Bloomberg

JULY 2021

ELECTRONICS DISTRIBUTOR

INDEX

İNDESTE

Lucrative growth at a discount

■ Full-fledged distribution of IT products

Standalone Index is a dealer of computers, communication devices, printers, software and other IT products. Index is also an umbrella company with its subsidiaries such as listed DESPC and DGATE. DESPC (Despec) distributes IT consumables such as toner, ink cartridge, ribbon and backup products. DGATE (Datagate) is distributing smart phones, modems and mobile device accessories to Turk Telekom stores. It is the authorized distributor of many brands including Apple, Samsung, LG, Sony, Huawei, Lenovo to Turk Telekom dealers. Other than these two, Netex is dealing with network solutions, IT automation, cloud software, security solutions and Teklos is the logistics company used for distribution of those products.

■ Topline growth cuts pace but still continues

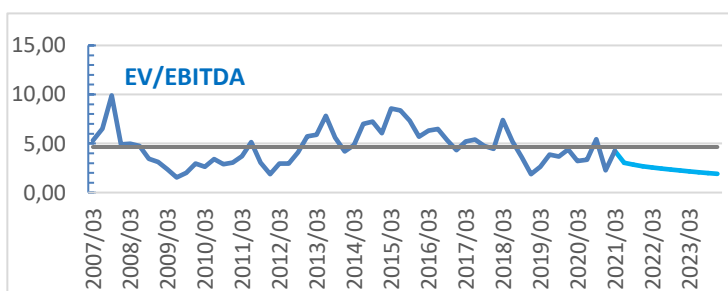
After having its sales surging by 93% in 2020 due to stay-at-home triggered demand for IT products, Index's top-line growth cut pace in 2021. Still, we are envisaging a 22% expansion for 2021 sales revenues with the risk on the upside. For the short run we are envisaging the revenues to almost match that of 1Q in 2Q, but the bottom-line could be a tad softer due to lower FX gains. Microchip supply problems are about to be over. Last year the company was receiving as low as 60% of its microchip orders from suppliers, which has gradually increased to reach 95% nowadays. Relief on this front is set to contribute to revenues.

■ Margins are improving

The share of mobile devices that have lower margins increased in 2020. The companies that postponed their investments started again this year. Margins on products such as servers, cabinets, storage network devices, call center products have margins doubling the current EBITDA margin of the company.

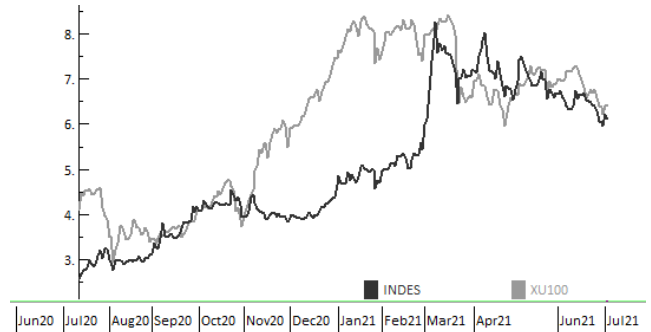
■ Growth and valuation all at once

Index is growing fast, operates with TRY383mn net cash position and margins are going north. We are not looking for any decline in top line despite strong base as now it is time for renewal demand and corporate investments to kick in. At 3.5x 2021E the company has room to almost double its share price.



İNDESTE 12-07-21

İndeks Bilgisayar	
Rating	BUY
Free Float	61%
Mcap (USD mn)	155.0
Mcap (TRY mn)	1,346.2
Target Mcap (TRYmn)	2,739.7
Share Price (TRY)	6.01
Target Price (TRY mn)	12.23
Upside	104%
Avg. D. T. Vol. (TRY mn)	110
EV (TRY mn)	1274
Latest Financials	2021/03
Weekly Return	-1.64
Monthly Return	-4.91
Y-Y Return	127.03
Weekly Relative R.	-1.75
Monthly Relative R.	-0.01
Y-Y Relative R.	90.73



Ratios	2019	2020	2021/03
P/E	5.87	7.47	7.83
P/Sales	0.14	0.06	0.11
EV/EBITDA	4.40	2.27	4.24
P/B	1.24	1.93	2.18
ROE	22.7%	28.8%	32.0%
EBITDA Mrg.	3.22	2.65	2.90
Net Pr. Mrg.	1.74	1.40	1.90
Net Debt	208	-454	-383
N. D./EBITDA	1.22	-1.67	-1.28
Growth Y-Y	2019	2020	2021/03
Sales	35.8%	93.4%	45.1%
EBITDA	68.1%	59.2%	51.7%
Net Profit	-23.9%	54.9%	110.6%
W. Cap.	2019	2020	2021/03
Inventory T.	38	19	21
Rec. Days	98	71	61
Pay. Days (-)	87	84	80
Cash Cycle	50	6	2

Valuation and financial analysis

	2019	2020	2021	2022	2023
EV/EBITDA	4.4	2.3	3.5	2.9	2.5
Net Debt/EBITDA	2.20	1.38	0.50	0.42	0.36
P/E	5.9	7.5	5.6	4.7	4.0
P/B	1.2	1.9	1.7	1.2	1.0
ROE	23%	29%	35%	30%	27%

DCF

TRYm	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenues	12,521	15,176	18,260	21,187	25,131	29,602	34,628	40,233	46,432	53,231
Revenue Growth	22%	21%	20%	16%	19%	18%	17%	16%	15%	15%
EBITDA	365	434	511	581	676	780	894	1,018	1,152	1,294
EBITDA Growth	34%	19%	18%	14%	16%	15%	15%	14%	13%	12%
Margin	2.9%	2.9%	2.8%	2.7%	2.7%	2.6%	2.6%	2.5%	2.5%	2.4%
Effective tax rate	25.0%	23.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Taxes	-48	-53	-56	-64	-74	-85	-98	-111	-126	-141
Net W/C	1,122	1,360	1,636	1,899	2,252	2,653	3,103	3,606	4,161	4,770
W/C as % of Sales	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Inc./dec. in W/C	-892	-238	-276	-262	-353	-401	-450	-502	-556	-609
Chg W/C / Sales	-7%	-2%	-2%	-1%	-1%	-1%	-1%	-1%	-1%	-1%
Implied Net Income	240	284	335	381	443	512	587	668	756	849
Net Income/Sales	1.9%	1.9%	1.8%	1.8%	1.8%	1.7%	1.7%	1.7%	1.6%	1.6%
Capex (% of sales)	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Capex	-22	-27	-33	-38	-45	-53	-62	-72	-83	-95
FCF	-597	115	146	218	204	241	284	333	387	448
Risk Free Rate	18%	17%	17%	16%	15%	15%	14%	14%	13%	12%
Beta	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09
ERP	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Cost of Equity	23%	23%	22%	22%	21%	20%	20%	19%	18%	18%
Cost of Debt - Post tax	17%	17%	16%	16%	15%	15%	14%	14%	13%	13%
Weight - Equity	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Weight - Debt	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
WACC	18.8%	18.7%	18.2%	17.6%	17.1%	16.5%	16.0%	15.5%	14.9%	14.4%
Discount Factor	1.19	1.01	0.85	0.72	0.62	0.53	0.46	0.40	0.34	0.30
Discounted CFs	-336	116	125	157	126	128	130	132	133	135
PV of FCFs	846									
Terminal Growth	5%									
Terminal Value	5,014									
PV of TV	1,510									
Value of Firm	2,356									
Net debt (cash)	-383									
12-mo Target Eq. Value	2,740									
Number of shares	224									
12-mo TP (TRY)	12.2									
Current price	6.01									
Upside (Discount)	104%									

* Discount factor for initial year is more than 1.0 as we aim to attain a forward looking target price.

International comparison

Name	Mkt Cap (USD)	EV/EBITDA FY1	EV/EBITDA FY2	P/E FY1	P/E FY2
Median	1,166	10.49	9.13	14.69	12.82
İNDEKS BİLGİSAYAR	161	2.79	2.30		
DIGIWORLD CORP	258	12.83	9.98	14.24	12.18
AMPACS CORPORATION	493	10.69	6.52	15.52	8.75
ECONOCOM GROUP	828	4.84	4.77	9.52	8.39
ESPRINET SPA	918	10.49	9.41	21.83	18.98
KANEMATSU CORP	1,112			8.11	7.11
AI HOLDINGS CORP	1,125	10.89	10.31	16.84	15.80
EPLUS INC	1,159	8.37	7.87	13.42	12.39
PC CONNECTION INC	1,172	10.71	9.67	17.94	15.12
DICKER DATA LTD	1,456	19.33	17.49	28.97	25.83
DAIWABO HOLDINGS CO LTD	1,653	5.74	5.35	9.79	9.36
UNITED ELECTRONICS CO	2,086	15.16	13.01	20.46	17.03
DIXONS CARPHONE PLC	2,165	4.47	3.95	12.66	8.55
INSIGHT ENTERPRISES INC	3,485	10.06	9.13	14.69	13.15
ALSO HOLDING AG-REG	3,812	12.70	11.57	22.38	19.78
BEST BUY CO INC	27,690	7.61	7.73	13.17	12.82

Source: Bloomberg

JULY 2021

IRON AND STEEL

KARDEMIR

KRDMD TI

Net cash era has arrived

■ Turning from net debt to net cash in 2Q21

Kardemir managed to increase its sales revenues by 80% Y-Y in 1Q21 thanks to surging steel prices on the back of rising demand. Kardemir is using the advantage of being an integrated steel producer procuring a chunky 70% of its iron ore needs locally via TL denominated long term contracts. In all, its solid EBITDA generation allowed the company to service its liabilities. We are envisaging the accumulation of net cash position from 2Q21 onwards. The amount of FX debt is likely to erode down from US\$266mn to below US\$100mn.

■ Global growth to limit downward pressure in steel prices

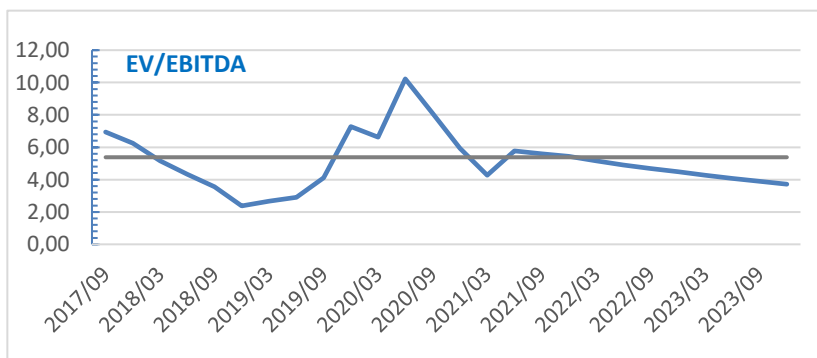
China will grow by 8.4%, US will grow by 6% and EU will grow by 4.5% in 2021 according to IMF. Delayed investments will be retriggered, the US will start its major infrastructure plan. Steel prices are unlikely to ease dramatically given these demand conditions. We expect the company's EBITDA/ton to further climb from US\$196 in 1Q to US\$200-250 band in 2Q21.

■ New capacity to support future growth

The company aims to increase its crude steel capacity from 2.7 mn tons to 3.5 mn tons through a US\$200mn blast furnace investment until 2H23. Kardemir will also be investing in Filyos port in the next two years, eventually pulling down logistics cost per ton by US\$15-20. Although exports are likely to increase 10 fold to 60k in 2021, the share in total volume is still negligible. With the completion of Filyos Port, the company targets to increase the share of exports in revenues to 10% in the next 5 years predominantly via rail, wheel, garret and profile products. Kardemir is the only railway wheel and up to 72 m long rail producer in the region. Increasing demand towards high speed trains is likely to support Kardemir's sales volumes and exports.

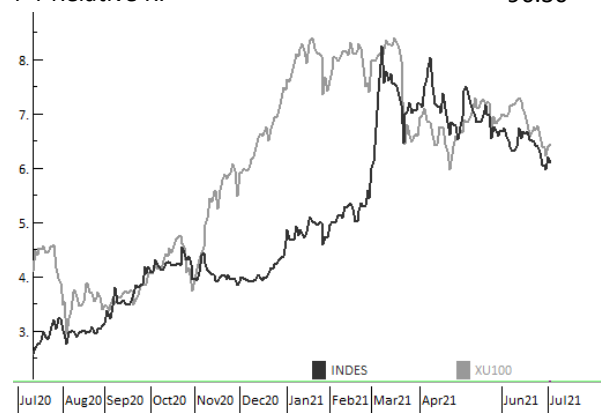
■ We are not there yet

We like the company for its impending net cash position, growing demand for steel products, export potential and the appealing valuation.



KRDMD 12-07-21

Kardemir (D)	
Rating	BUY
Free Float	89%
Mcap (USD mn)	648.5
Mcap (TRY mn)	5,633.2
Target Mcap (TRYmn)	12,618.6
Share Price (TRY)	7.22
Target Price (TRY mn)	11.07
Upside	53%
Avg. D. T. Vol. (TRY mn)	839
EV (TRY mn)	5632
Latest Financials	2021/03
Weekly Return	7.12
Monthly Return	-6.48
Y-Y Return	133.66
Weekly Relative R.	7.00
Monthly Relative R.	-1.67
Y-Y Relative R.	96.30



Ratios	2019	2020	2021/03
P/E	37.60	108.64	11.38
P/Sales	0.78	0.98	0.94
EV/EBITDA	7.28	5.94	4.27
P/B	0.78	1.69	1.87
ROE	2.0%	1.6%	17.8%
EBITDA Mrg.	10.71	16.57	29.84
Net Pr. Mrg.	1.33	0.81	18.35
Net Debt	1,165	554	108
N. D./EBITDA	2.62	0.65	0.08
Growth Y-Y	2019	2020	2021/03
Sales	8.8%	23.8%	80.4%
EBITDA	-63.1%	91.5%	512.6%
Net Profit	-90.1%	-24.8%	-410.1%
W. Cap.	2019	2020	2021/03
Inventory T.	114	103	96
Rec. Days	57	61	39
Pay. Days (-)	151	147	135
Cash Cycle	20	17	0

Valuation and financial analysis

Valuation Ratios

TRYmn

	2019	2020	2021	2022	2023
EV/EBITDA	7.3	5.9	5.7	4.7	3.9
Net Debt/EBITDA	2.91	1.52	0.79	0.66	0.54
P/E	37.6	108.6	6.3	5.5	4.8
P/B	0.8	1.7	2.1	1.5	1.1

DCF

TRYmn	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenues	12,783	15,493	18,641	23,548	29,466	35,620	41,668	48,413	55,872	64,053
Revenue Growth	70%	21%	20%	26%	25%	21%	17%	16%	15%	15%
EBITDA	1,450	1,757	2,114	2,670	3,342	4,039	4,725	5,490	6,336	7,264
EBITDA Growth	70%	21%	20%	26%	25%	21%	17%	16%	15%	15%
Margin	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%
Effective tax rate	25.0%	23.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Taxes	-260	-280	-286	-361	-452	-546	-639	-742	-856	-982
Net W/C	1,040	1,273	1,547	1,973	2,494	3,045	3,597	4,221	4,921	5,697
W/C as % of Sales	8.1%	8.2%	8.3%	8.4%	8.5%	8.5%	8.6%	8.7%	8.8%	8.9%
Inc./dec. in W/C	-457	-233	-274	-427	-521	-551	-553	-624	-699	-777
Chg W/C / Sales	-4%	-2%	-1%	-2%	-2%	-2%	-1%	-1%	-1%	-1%
Implied Net Income	1,302	1,500	1,714	2,165	2,709	3,275	3,831	4,452	5,137	5,890
Net Income/Sales	10.2%	9.7%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%
Capex (% of sales)	4%	11%	11%	4%	4%	4%	4%	4%	4%	4%
Capex	-499	-1,689	-2,032	-918	-1,149	-1,389	-1,625	-1,888	-2,179	-2,498
FCF	233	-445	-477	965	1,220	1,554	1,909	2,236	2,602	3,008
Risk Free Rate	18%	17%	17%	16%	15%	15%	14%	14%	13%	12%
Beta	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27
ERP	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Cost of Equity	24%	24%	23%	22%	22%	21%	21%	20%	19%	19%
Cost of Debt - Post tax	18%	18%	17%	17%	16%	16%	15%	15%	14%	14%
Weight - Equity	43%	43%	43%	43%	43%	43%	43%	43%	43%	43%
Weight - Debt	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%
WACC	20.5%	20.3%	19.7%	19.1%	18.6%	18.0%	17.5%	16.9%	16.4%	15.8%
Discount Factor *	1.21	1.01	0.84	0.71	0.59	0.50	0.43	0.37	0.32	0.27
Discounted CFs	133	-448	-401	681	726	783	819	821	821	819
PV of FCFs	4,755									
Terminal Growth	5%									
Terminal Value	29,257									
PV of TV	7,971									
Value of Firm	12,726									
Net debt (cash)	108									
12-mo Target Eq. Value	12,619									
12-mo T. Eq. Value of D Sh.	8,636									
Number of shares	780									
12-mo TP (TRY)	11.1									
Current price	7.22									
Upside	53%									

* Discount factor for initial year is more than 1.0 as we aim to attain a forward looking target price.

International comparison

Name	Mkt Cap (TRY)	EV/EBITDA FY1	EV/EBITDA FY2	P/E FY1	P/E FY2
Median	50,454	3.60	4.58	5.01	6.73
KARDEMIR KARABUK DEMIR-CL D	7,788	2.25	3.03	3.31	3.56
SONASID	2,190			39.66	35.74
ARCELORMITTAL SOUTH AFRICA	3,739			2.17	3.11
MAANSHAN IRON & STEEL-A	38,119	5.39	5.03	6.59	6.31
EREGLI DEMIR VE CELIK FABRIK	62,790	3.50	4.94	4.88	7.21
NOVOLIPETSK STEEL PJSC	158,750	3.88	5.74	5.14	8.28
POSCO	225,681	3.71	3.83	6.78	7.15
ARCELORMITTAL	290,008	2.85	4.22	3.83	6.30

Source: Bloomberg

JULY 2021

CONGLOMERATES

KOC HOLDING

KCHOL TI

NAV discount unjustified

Discount to current NAV is a hefty 34%

After hovering around 10-20% historically, the NAV discount started widening particularly in the last one year. The foreign ownership dropped by 12% down to 66% Y-Y, as institutional investors preferred the conglomerate as a Turkey proxy. Foreign outflow impacted Koc more due to high base. While being 4pp lower than pre-share-buyback-level, current 34% discount to NAV still doubles the historical average.

Over half of NAV is autos

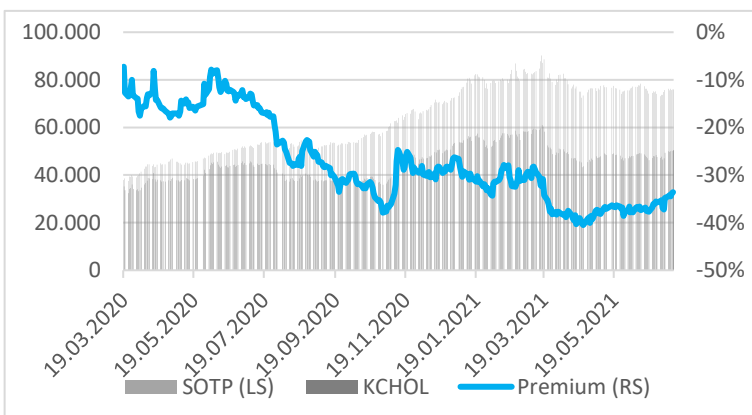
More than half of current SOTP stems from automotive business, the largest of which is Ford Otosan. Export markets constitute 77% of FROTO's, 55% of TOASO's revenues. TTRAK's domestic revenues surged 3 fold Y-Y. OTKAR's international sales are up 70% making up 57% of the total. TUPRS that benefits from higher fuel demand backed upward Brent crude price trajectory is the second largest NAV component with 13% share. ARCLK that increased its revenues by 67% Y-Y in 1Q21 is not the market leader only in Turkey but in UK, Romania, Poland, South Africa and Pakistan as well. Almost matching ARCLK's 11% SOTP share, comes YKBNK. YKB that trades at a mere 0.3x 2021E book has the largest CPI linker bond exposure as percentage of equity and highest provision buffer as percentage of loans, both of which will be P/L protective in our view.

Opportunities ahead

AYGAZ started its operations in Bangladesh in early 2021 and will be expanding its LPG business in 163mn population country. Energy subsidiary Entek is looking for opportunities in wind and solar areas in the region. FROTO will start its TRY20bn investment to produce for Volkswagen. Opet IPO is likely at some point.

Cheaper by the dozen

We like Koc Holding for its export oriented business lines, USD linked pricing of energy subsidiaries, attractive multiples of YKB and finally the lower cost to buy the sum than the parts.



KCHOL 12-07-21

Koç Holding	
Rating	BUY
Free Float	22%
Mcap (USD mn)	5,809.4
Mcap (TRY mn)	50,464.4
Target Mcap (TRYmn)	305,421.5
Share Price (TRY)	19.90
Target Price (TRY mn)	27.73
Upside	39%
Avg. D. T. Vol. (TRY mn)	266
EV (TRY mn)	171184
Latest Financials	2021/03
Weekly Return	2.31
Monthly Return	3.16
Y-Y Return	18.10
Weekly Relative R.	2.19
Monthly Relative R.	8.47
Y-Y Relative R.	-0.78



Ratios	2019	2020	2021/03
P/E	11.73	5.78	6.38
P/Sales	0.48	0.92	0.85
EV/EBITDA	6.92	6.65	5.61
P/B	1.42	1.16	1.01
ROE	12.6%	22.4%	17.6%
EBITDA Mrg.	6.97	13.82	14.66
Net Pr. Mrg.	2.86	5.05	3.69
Net Debt	22,480	115,320	121,963
N. D./EBITDA	2.10	4.54	4.00
Growth Y-Y	2019	2020	2021/03
Sales	7.3%	-6.8%	34.5%
EBITDA	-21.0%	137.4%	155.0%
Net Profit	-20.7%	111.2%	-39.1%
W. Cap.	2019	2020	2021/03
Inventory T.	48	56	64
Rec. Days	45	52	54
Pay. Days (-)	73	87	95
Cash Cycle	20	21	23

SOTP valuation

Subsidiary TRYmn	NAV Ownership (%)	Ticker	Current Valuation Method	Current Val. Multiple	Core Business Value TRYmn	Current Total Value TRYmn	Current KCHOL Stake %	Current KCHOL Value TRYmn
Otokar	44.68	OTKAR	Market val.			6,559	44.68	2,931
Otokoc	96.32	NL	P/BV	2.35	4,505	4,505	96.32	4,339
Turk Traktor	37.50	TTRAK	Market val.			8,987	37.50	3,370
Koc Finans	44.50	NL	P/BV	0.50	243	243	44.50	108
Arcelik	40.51	ARCLK	Market val.			21,813	40.51	8,836
Tat Konserve	43.65	TATGD	Market val.			1,129	43.65	493
Aygaz	40.68	AYGAZ	Market val.			4,311	40.68	1,754
AES Entek	49.62	NL	P/BV	1.80	2,198	2,198	49.62	1,091
Ayvalik Marina	7.72	NL	P/BV	1.00	19	19	7.72	1
Bilkom	69.94	NL	P/BV	1.00	273	273	69.94	191
Koc Sistem	41.11	NL	P/BV	1.00	121	121	41.11	50
Koctas	37.13	NL	P/BV	1.00	185	185	37.13	69
Marmaris Altinyunus	36.81	MAALT	Market val.			1,058	36.81	390
Ram Dis Ticaret	39.74	NL	P/BV	1.00	50	50	39.74	20
RMK Marine	40.53	NL	P/BV	1.00	82	82	40.53	33
Setur	24.05	NL	P/BV	1.00	292	292	24.05	70
Tek-Art Marina	37.33	NL	P/BV	1.00	288	288	37.33	108
Ford Otosan	38.46	FROTO	Market val.			60,813	38.46	23,389
Tofas	37.59	TOASO	Market val.			15,390	37.59	5,785
Arcelik LG Klima	5.00	NL	EV/EBITDA	5.00	755	755	5.00	38
Cesme Altinyunus	30.00	AYCES	Market val.			1,638	30.00	491
Tupras	39.27	TUPRS	Market val.			24,103	39.27	9,465
Yapi Kredi Bankasi	43.60	YKBNK	Market val.			19,344	43.60	8,434
Z. Real Estate	39.54	NL	P/BV	1.00	333	333	39.54	132
Token	54.44	NL	P/BV	1.00	166	166	54.44	90
Value of Participations								71,586
Listed								65,337
Unlisted								6,339
Latest Net Cash (Debt)								4,036
Sum-of-the-parts								75,622
Current Mcap								50,211
Premium to NAV								-34%
Holding Discount								25%
1Y FL target Mcap								70,033
Number of Shares								2,536
Target Price								27.6
Current Price								19.9
Upside								39%

JULY 2021

RETAIL SECTOR

MAVI BUY

MAVI TI

The rise of casualwear

Jean is the new suit

Mavi is a casualwear retail chain generating 40% of top-line from jeans. After over a year of stay-at-home, the business dress code is unlikely to revert back to normal. We are envisaging 40% revenue growth with 3-4pp higher margins for Mavi Y-Y, followed by 20%+ top line growth for the foreseeable future.

A quarter of revenues from international markets

Mavi generates 75% of topline from the domestic market and rest from international. The company sells its jeans at US\$100 in international markets and half that price in Turkey, which is still 2x-3x higher than low-end LCWaikiki and Defacto jeans. Mavi aims to open 15-20 new stores every year on top of its existing 387 domestic 57 international mono brand stores.

Store sizes increase

Mimicking department stores, Mavi's store size is expanding from 350sqm for old ones to 800sqm for new stores. The company is switching from smaller premises to larger corner stores in shopping malls. Larger stores in malls have better locations, larger display window sizes and incoming client spends more time. Bigger sizes also improve operational efficiency and help margins. Credible lessees have more bargaining power due to increasing vacant spaces in malls. Many shopping malls are trying to attract strong brands by offering 6 months of rent-free period and free interior decorations. This new era does not only help the company to increase its store size but also to pull down rent expense/revenue from 16% down to 12%, which is the key reason behind improving margin trend.

Turning to net cash from net debt

While the company has been generating solid operational earnings, this performance barely impacted the bottom lines due to financial costs. We expect the company to move from net debt to net cash in a year, which will help the net profits moving up gradually towards the level of operational earnings. The company is trading at 4x 2022x EV/EBITDA. We can justify double that through our DCF. The P/E on the other hand, which is at 33x as of 1Q21 trailing 4Q slides down to 11% by 2023.

MAVI 12-07-21

Mavi Giyim	
Rating	BUY
Free Float	73%
Mcap (USD mn)	323.0
Mcap (TRY mn)	2,805.6
Target Mcap (TRYmn)	5,571.9
Share Price (TRY)	56.50
Target Price (TRY mn)	112.21
Upside	99%
Avg. D. T. Vol. (TRY mn)	34
EV (TRY mn)	2720
Latest Financials	2021/03
Weekly Return	-0.18
Monthly Return	16.83
Y-Y Return	24.18
Weekly Relative R.	-0.29
Monthly Relative R.	22.84
Y-Y Relative R.	4.32



Ratios	2019	2020	2021/03
P/E	29.82	574.26	32.75
P/Sales	1.14	1.31	0.98
EV/EBITDA	5.12	8.18	5.39
P/B	6.14	5.16	4.80
ROE	23.9%	0.9%	16.5%
EBITDA Mrg.	22.35	16.02	18.39
Net Pr. Mrg.	3.31	0.19	4.09
Net Debt	448	515	571
N. D./EBITDA	0.70	1.34	1.13
Growth Y-Y	2019	2020	2021/03
Sales	21.7%	-16.1%	96.0%
EBITDA	75.3%	-39.9%	622.3%
Net Profit	3.6%	-95.2%	-161.9%
W. Cap.	2019	2020	2021/03
Inventory T.	122	162	155
Rec. Days	29	35	39
Pay. Days (-)	147	185	173
Cash Cycle	4	12	21

Valuation and financial analysis

Valuation Ratios

TRYmn

	2019	2020	2021	2022	2023
EV/EBITDA	6.7	5.1	4.4	3.4	2.8
Net Debt/EBITDA	1.63	1.06	1.15	0.88	0.74
P/E	15.2	7.2	5.8	4.4	3.7
P/B	1.5	1.5	1.3	1.0	0.8
ROE	10%	24%	24%	25%	23%

TRYmn	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenues	3,363	4,075	4,904	5,858	6,948	8,184	9,574	11,124	12,838	14,717
Revenue Growth	40%	21%	20%	19%	19%	18%	17%	16%	15%	15%
EBITDA	539	653	785	910	1,047	1,196	1,357	1,530	1,713	1,904
EBITDA Growth	40%	21%	20%	16%	15%	14%	13%	13%	12%	11%
Margin	16%	16%	16%	16%	15%	15%	14%	14%	13%	13%
Effective tax rate	25.0%	23.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Taxes	-25	-34	-44	-53	-65	-78	-92	-109	-128	-150
Net W/C	254	308	370	442	525	618	723	840	970	1,112
W/C as % of Sales	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%
Inc./dec. in W/C	-101	-54	-63	-72	-82	-93	-105	-117	-129	-142
Chg W/C / Sales	-3%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%
Implied Net Income	126	183	264	321	388	465	554	656	771	900
Net Income/Sales	3.7%	4.5%	5.4%	5.5%	5.6%	5.7%	5.8%	5.9%	6.0%	6.1%
Capex (% of sales)	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Capex	-139	-169	-203	-243	-288	-339	-397	-461	-532	-610
FCF	273	396	475	541	612	686	763	842	922	1,002
Risk Free Rate	18%	17%	17%	16%	15%	15%	14%	14%	13%	12%
Beta	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03
ERP	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Cost of Equity	23%	22%	22%	21%	21%	20%	19%	19%	18%	17%
Cost of Debt - Post tax	17%	17%	16%	16%	15%	15%	14%	14%	13%	13%
Weight - Equity	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%
Weight - Debt	44%	44%	44%	44%	44%	44%	44%	44%	44%	44%
WACC	20.2%	19.9%	19.3%	18.8%	18.2%	17.6%	17.0%	16.5%	15.9%	15.3%
Discount Factor *	1.21	1.01	0.84	0.71	0.60	0.51	0.44	0.37	0.32	0.28
Discounted CFs	156	398	401	384	367	350	333	315	298	281
PV of FCFs	3,284									
Terminal Growth	5%									
Terminal Value	10,200									
PV of TV	2,859									
Value of Firm	6,143									
Net debt (cash)	571									
12-mo Target Eq. Value	5,572									
Number of shares	50									
12-mo TP (TRY)	112.2									
Current price	56.5									
Upside (Discount)	99%									

* Discount factor for initial year is more than 1.0 as we aim to attain forward looking target price.

International comparison

Name	Mkt Cap (USD)	EV/EBITDA FY1	EV/EBITDA FY2	P/E FY1	P/E FY2
Median	4325.87	11.50	9.15	24.87	21.35
MAVI GIYIM SANAYI VE TICA-B	322.58	4.62	3.74	14.27	11.18
BROWN (N) GROUP PLC	362.50	5.88	5.31	7.91	6.33
TED BAKER PLC	388.14	7.37	4.15		25.78
OVS SPA	434.44	6.95	6.34	14.08	8.39
SUPERDRY PLC	480.86	18.78	9.15		53.67
CCC SA	1724.85	10.50	8.59	37.06	21.75
STEVEN MADDEN LTD	3521.31	17.30	14.32	24.87	19.65
URBAN OUTFITTERS INC	3895.31	9.40	9.01	14.71	14.05
HUGO BOSS AG -ORD	3942.12	9.35	7.72	41.77	22.95
FRASERS GROUP PLC	4325.87	11.50	9.73	34.16	22.52
LPP SA	6533.40	13.12	10.71	36.39	28.98
COLUMBIA SPORTSWEAR CO	6706.62	14.04	13.31	22.81	19.55
UNDER ARMOUR INC-CLASS A	9005.97	22.23	17.95	63.46	43.26
LEVI STRAUSS & CO- CLASS A	11318.30	16.63	13.80	24.56	20.04
BURBERRY GROUP PLC	11569.73	11.99	10.76	24.52	21.27
JD SPORTS FASHION PLC	13915.09	9.61	8.65	25.35	21.35
NEXT PLC	14768.22	11.83	11.01	17.24	15.41
HENNES & MAURITZ AB-B SHS	39083.48	10.12	8.70	32.63	21.94
INDUSTRIA DE DISENO TEXTIL	109457.42	12.62	11.61	26.81	23.30

Source: Bloomberg

JULY 2021

GLASS SECTOR

SISECAM BUY

SISE TI

Operational efficiency ahead

■ Margin improvement to continue

The merger of glass subsidiaries will create a totally new era for the profitability of the company. The impact of related synergies and improving operational efficiency is far from being complete yet. Management is claiming that none of this operational efficiency backed improvement has been reflected to 1Q21 financials and guiding for 200-300bps margin improvement until 2023 from this point onwards. We are penciling in only 90bp further improvement EBITDA margin improvement taking into account already elevated margins due to cyclical factors.

■ Natural gas price sensitivity prevails

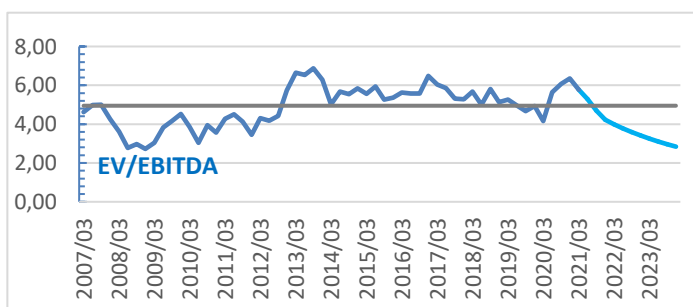
Sensitivity of Sisecam to natural gas prices is far less than they were in the past. Soda ash production was dependent on steam generated from natural gas. However, half of the electricity need comes from coal powered plants since 2017. Every 10% increase in natural gas prices pull down the EBITDA margin by 1.2pp.

■ High capex period until 2025

The company will be spending EUR400-450mn every year for the next 5 years for maintenance and to increase its flat glass capacity from 2 mn to 2.5 mn tons. The company aims to prepare itself for the impending renovation wave for Europe aiming to improve energy gains that will continue for 10 years from 2020 onwards. Well isolated buildings in the EU will help pave the way for a clean energy system. Buildings are one of the largest sources of energy consumption in Europe, responsible for over a third of EU emissions. In this period Sisecam expects glass demand in Europe to increase by 4% every year instead of the previous 1.5%.

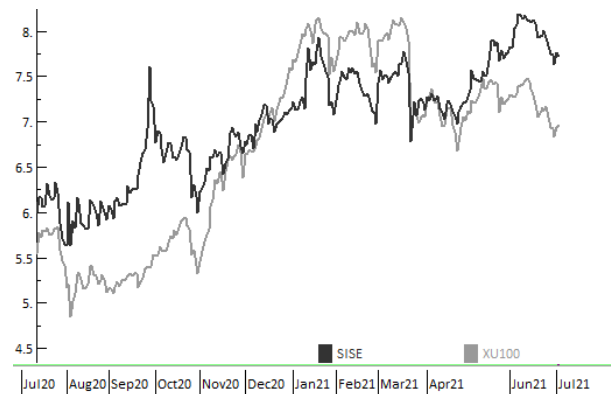
■ Multiples are less than half of the peers

Sisecam's revenues are geographically diversified with 55% stemming from Turkey and rest from international markets. While the sales growth was 23% Y-Y in 1Q21, we are envisaging 33% sales growth and over 50% EBITDA growth for full year. Sisecam's multiples are less than half of the peers despite such growth.



SISE 12-07-21

Şişe Cam	
Rating	BUY
Free Float	49%
Mcap (USD mn)	2,695.3
Mcap (TRY mn)	23,372.3
Target Mcap (TRYmn)	36,603.5
Share Price (TRY)	7.63
Target Price (TRY mn)	11.95
Upside	57%
Avg. D. T. Vol. (TRY mn)	805
EV (TRY mn)	27464
Latest Financials	2021/03
Weekly Return	0.00
Monthly Return	-5.16
Y-Y Return	24.31
Weekly Relative R.	-0.12
Monthly Relative R.	-0.28
Y-Y Relative R.	4.44



Ratios	2019	2020	2021/03
P/E	6.23	10.47	7.77
P/Sales	1.05	1.31	1.23
EV/EBITDA	4.94	6.36	5.78
P/B	0.81	1.01	0.99
ROE	13.9%	11.6%	15.9%
EBITDA Mrg.	21.21	20.64	23.46
Net Pr. Mrg.	10.55	10.02	23.71
Net Debt	7,051	5,627	5,164
N. D./EBITDA	1.84	1.28	1.09
Growth Y-Y	2019	2020	2021/03
Sales	16.1%	18.2%	23.2%
EBITDA	13.2%	15.0%	35.1%
Net Profit	-16.8%	12.3%	205.1%
W. Cap.	2019	2020	2021/03
Inventory T.	113	103	113
Rec. Days	71	73	76
Pay. Days (-)	62	60	57
Cash Cycle	123	116	132

Valuation and financial analysis

Valuation Ratios

TRYmn

	2019	2020	2021	2022	2023
EV/EBITDA	9.8	9.5	8.1	7.1	6.1
Net Debt/EBITDA	0.64	0.40	0.31	0.27	0.24
P/E	23.1	17.6	12.8	11.2	9.5
P/B	6.7	6.4	3.8	2.8	2.2
ROE	32%	46%	35%	29%	26%

DCF

TRYmn	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenues	28,430	34,457	41,459	49,527	58,747	69,198	80,948	94,051	108,542	124,435
Revenue Growth	33%	21%	20%	19%	19%	18%	17%	16%	15%	15%
EBITDA	6,803	8,410	10,118	12,087	14,338	16,888	19,756	22,954	26,490	30,369
EBITDA Growth	54%	24%	20%	19%	19%	18%	17%	16%	15%	15%
Margin	23.9%	24.4%	24.4%	24.4%	24.4%	24.4%	24.4%	24.4%	24.4%	24.4%
Effective tax rate	20.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Taxes	-627	-637	-805	-1,009	-1,257	-1,554	-1,909	-2,329	-2,823	-3,398
Net W/C	7,161	8,679	10,443	12,475	14,797	17,429	20,389	23,689	27,339	31,342
W/C as % of Sales	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%
Inc./dec. in W/C	-1,072	-1,518	-1,764	-2,032	-2,322	-2,632	-2,960	-3,300	-3,650	-4,003
Chg W/C / Sales	-4%	-4%	-4%	-4%	-4%	-4%	-4%	-4%	-3%	-3%
Implied Net Income	3,761	4,882	6,168	7,737	9,636	11,918	14,639	17,858	21,640	26,050
Net Income/Sales	13.2%	14.2%	14.9%	15.6%	16.4%	17.2%	18.1%	19.0%	19.9%	20.9%
Capex (% of sales)	15%	15%	15%	14%	14%	12%	12%	12%	12%	12%
Capex	-4,199	-5,090	-6,124	-7,169	-8,334	-8,344	-9,761	-11,341	-13,088	-15,005
FCF	904	1,165	1,426	1,877	2,424	4,357	5,126	5,983	6,929	7,964
Risk Free Rate	18%	17%	17%	16%	15%	15%	14%	14%	13%	12%
Beta	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99
ERP	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Cost of Equity	23%	22%	22%	21%	20%	20%	19%	18%	18%	17%
Cost of Debt - Post tax	16%	17%	16%	16%	15%	15%	14%	14%	13%	13%
Weight - Equity	49%	49%	49%	49%	49%	49%	49%	49%	49%	49%
Weight - Debt	51%	51%	51%	51%	51%	51%	51%	51%	51%	51%
WACC	19.6%	19.4%	18.8%	18.2%	17.7%	17.1%	16.6%	16.0%	15.4%	14.9%
Discount Factor *	1.20	1.01	0.85	0.72	0.61	0.52	0.45	0.38	0.33	0.29
Discounted CFs	513	1,172	1,207	1,344	1,475	2,263	2,284	2,299	2,307	2,308
PV of FCFs	17,172									
Terminal Growth	5%									
Terminal Value	84,853									
PV of TV	24,595									
Value of Firm	41,767									
Net debt (cash)	5,164									
12-mo Target Eq. Value	36,604									
Number of shares	3,063									
12-mo TP (TRY)	11.9									
Current price	7.63									
Upside (Discount)	57%									

* Discount factor for initial year is more than 1.0 as we aim to attain forward looking target price.

International comparison

Name	Mkt Cap (USD)	EV/EBITDA FY1	EV/EBITDA FY2	P/E FY1	P/E FY2
Median	4188.37	9.79	8.79	12.82	11.83
TURK SISE VE CAM FABRIKALARI	2761.88	4.73	4.05	6.09	5.52
COMPAGNIE DE SAINT GOBAIN	35832.78	6.61	6.33	13.13	12.06
PPG INDUSTRIES INC	40070.78	14.66	13.53	21.08	18.94
ASAHI INDIA GLASS LTD	1174.73	15.79	13.65	31.23	23.73
AGC INC	9503.26	5.34	5.12	11.23	10.32
NIPPON SHEET GLASS CO LTD	511.19	8.72	8.07	6.00	6.28
FUYAO GLASS INDUSTRY GROUP-A	21211.55	20.71	17.75	35.22	28.32
CHINA GLASS HOLDINGS LTD	445.11	4.95	4.15	7.23	5.30
CORNING INC	34411.84	10.51	9.80	19.24	16.96
VITRO S.A.B.-SERIES A	606.35	88.26	71.29		
CSG HOLDING CO LTD - B	3705.75	5.91	4.60	3.91	3.16
TAIWAN GLASS IND CORP	4188.37	9.79	8.79	13.00	12.21
XINYI GLASS HOLDINGS LTD	16544.64	11.70	10.76	12.64	11.60

Source: Bloomberg

JUNE 2021

TELECOM SECTOR

TURKCELL BUY

TCELL TI

Techfin era

■ Telecoms and finance merge to surge

Telecom-banks are set to be the game changers of the next decade in our view. Turkcell has already been in this business under Financell consumer lending brand with TRY2.5bn loan balance, over 50% yoy earnings growth and a mere 1% cost of risk. Now payment services platform Paycell with ~TRY100mn quarterly revenues and faster growth is on track to catch up with of Financell's TRY130mn topline. Paycell has 13k POS terminals and gets the processing service from Visa and MasterCard. Coupled with fast growth techfin also provides hefty profitability. Respective EBITDA margins of Paycell and Financell are 54% and 66%.

■ Best of all worlds, ARPU+, subscribers+, churn-

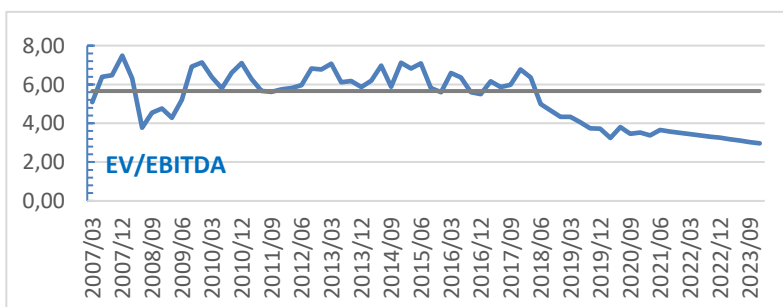
Fundamentally Turkcell has been one of the top beneficiaries of the Covid-19 remote working era. Revenues and EBITDA are up 18% Y-Y in 1Q21, while EPS is up 27%. 1.8% monthly average churn is at 3 year low. It's shares however have underperformed the benchmark BIST100 index by 9% Y-Y due to foreign institutional investor outflow. Going forward we expect roaming revenues to gain pace and additional mobile data sales to go up as stay-at-home requirements end.

■ Ukraine with 42 mn population offers big potential

Turkcell's Ukrainian subsidiary Lifecell, which generates 70% of international revenues has 8 mn subscribers. EBITDA of Turkcell international is up by 38% Y-Y in 1Q21 and now corresponds to 1/10 of consolidated revenues. Ukraine is preparing to apply for EU membership in 2024 to join the union in 2030s.

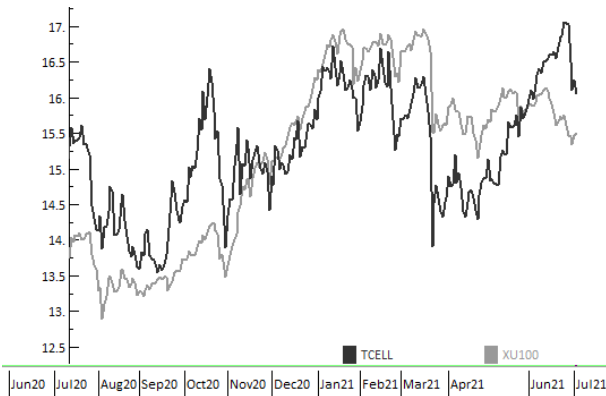
■ Trading at only 3x 2021 EV/EBITDA

DCF offers 68% upside that is confirmed by international peer comparison as well. IPOs of Turkcell's businesses such as Superonline, Global Tower, Paycell could act as catalysts to unlock value. In all, we like the company's footsteps into profitable financial businesses, continuing solid EBITDA growth, potential recovery in international activities, inelastic demand providing inflation hedge, appealing valuation and prospective IPOs of various businesses.



TCELL 12-07-21

Turkcell	
Rating	BUY
Free Float	54%
Mcap (USD mn)	4,057.2
Mcap (TRY mn)	35,244.0
Target Mcap (TRYmn)	59,245.3
Share Price (TRY)	16.02
Target Price (TRY mn)	26.93
Upside	68%
Avg. D. T. Vol. (TRY mn)	413
EV (TRY mn)	43926
Latest Financials	2021/03
Weekly Return	-0.19
Monthly Return	-2.02
Y-Y Return	6.92
Weekly Relative R.	-0.30
Monthly Relative R.	3.02
Y-Y Relative R.	-10.17



Ratios	2019	2020	2021/03
P/E	9.35	8.36	7.89
P/Sales	1.67	1.57	1.49
EV/EBITDA	3.73	3.53	3.37
P/B	1.68	1.70	1.62
ROE	19.1%	21.8%	22.1%
EBITDA Mrg.	44.78	44.56	44.03
Net Pr. Mrg.	13.53	14.99	14.51
Net Debt	9,716	9,024	10,992
N. D./EBITDA	0.90	0.72	0.84
Growth Y-Y	2019	2020	2021/03
Sales	19.0%	17.8%	18.2%
EBITDA	18.1%	17.2%	14.7%
Net Profit	60.6%	30.5%	26.6%
W. Cap.	2019	2020	2021/03
Inventory T.	4	4	6
Rec. Days	47	44	46
Pay. Days (-)	63	66	62
Cash Cycle	-12	-18	-10

Valuation and financial analysis

While the valuation is utterly appealing, the 20% shareholder Letterone's lockup that will end on October 22nd is a risk for share price performance. We do not believe that Letterone will be selling shares at the current low valuation levels. Previous sale for a 5pp stake took place in November at a 7% discount to TCELL's previous closing price.

	2019	2020	2021	2022	2023
EV/EBITDA	3.7	3.5	3.2	2.9	2.7
Net Debt/EBITDA	0.80	0.68	0.70	0.64	0.59
P/E	9.4	8.4	8.0	7.4	6.8
P/B	1.7	1.7	1.4	1.2	1.0
ROE	19%	22%	19%	17%	16%

TRYmn	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenues	32,259	36,646	41,447	46,669	52,316	58,385	64,866	71,742	78,988	86,570
Revenue Growth	14%	14%	13%	13%	12%	12%	11%	11%	10%	10%
EBITDA	13,799	14,891	16,337	17,843	19,402	21,004	22,635	24,283	25,934	27,571
EBITDA Growth	10%	8%	10%	9%	9%	8%	8%	7%	7%	6%
Margin	43%	41%	39%	38%	37%	36%	35%	34%	33%	32%
Effective tax rate	25.0%	23.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Taxes	-881	-889	-869	-949	-1,032	-1,118	-1,204	-1,292	-1,380	-1,467
Net W/C	475	539	610	687	770	859	954	1,055	1,162	1,273
W/C as % of Sales	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Inc./dec. in W/C	-494	-65	-71	-77	-83	-89	-95	-101	-107	-112
Chg W/C / Sales	-2%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Implied Net Income	4,405	4,754	5,216	5,696	6,194	6,705	7,226	7,752	8,279	8,802
Net Income/Sales	13.7%	13.0%	12.6%	12.2%	11.8%	11.5%	11.1%	10.8%	10.5%	10.2%
Capex (% of sales)	20%	20%	32%	20%	20%	20%	20%	20%	20%	20%
Capex	-6,452	-7,329	-13,289	-9,334	-10,463	-11,677	-12,973	-14,348	-15,798	-17,314
FCF	5,972	6,609	2,108	7,483	7,824	8,120	8,362	8,542	8,650	8,678
Risk Free Rate	18%	17%	17%	16%	15%	15%	14%	14%	13%	12%
Beta	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79
ERP	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Cost of Equity	22%	21%	21%	20%	19%	19%	18%	17%	17%	16%
Cost of Debt - Post tax	16%	16%	15%	15%	14%	14%	13%	13%	12%	12%
Weight - Equity	51%	51%	51%	51%	51%	51%	51%	51%	51%	51%
Weight - Debt	49%	49%	49%	49%	49%	49%	49%	49%	49%	49%
WACC	18.9%	18.6%	18.0%	17.5%	16.9%	16.3%	15.7%	15.2%	14.6%	14.0%
Discount Factor *	1.20	1.01	0.85	0.73	0.62	0.53	0.46	0.40	0.35	0.31
Discounted CFs	3,364	6,646	1,796	5,429	4,856	4,333	3,855	3,419	3,021	2,658
PV of FCFs	39,376									
Terminal Growth	5%									
Terminal Value	100,772									
PV of TV	30,861									
Value of Firm	70,238									
Net debt (cash)	10,992									
12-mo Target Eq. Value	59,245									
Number of shares	2,200									
12-mo TP (TRY)	26.9									
Current price	16.02									
Upside (Discount)	68%									

International comparison

Name	Mkt Cap (USD)	EV/EBITDA FY1	EV/EBITDA FY2	P/E FY1	P/E FY2
Median	4078.86	4.76	4.58	10.42	9.98
TURKCELL ILETISIM HIZMET AS	4078.86	3.26	2.88	7.30	6.27
NETIA SA	605.50	6.64	6.55		
KUWAIT TELECOMMUNICATIONS CO	1403.21	4.34	4.34	10.58	10.58
TELECOM EGYPT	1445.74	3.38	3.09	4.06	3.78
MAGYAR TELEKOM TELECOMMUNICA	1468.90	4.34	4.28	9.92	9.98
TELKOM SA SOC LTD	1571.29	2.65	2.51	7.70	6.88
VODAFONE QATAR	1840.46	8.94	8.51	26.85	23.01
INDOSAT TBK PT	2304.26	4.76	4.42	99.48	38.36
TURK TELEKOMUNIKASYON AS	2673.88	2.73	2.49	4.61	4.11
BEZEQ THE ISRAELI TELECOM CO	2975.38	5.08	5.16	8.47	9.02
VONAGE HOLDINGS CORP	3657.71	21.78	19.77	67.36	52.72
TELECOM ARGENTINA S.A.-B	3945.36	5.69	5.26		
SISTEMA PJSFC	4126.64	4.74	4.51	0.84	0.65
ROSTELECOM PJSC	4786.04	4.14	3.87	9.81	8.00
TELEKOM AUSTRIA AG	5711.11	4.67	4.58	10.42	9.71
OOREDOO QPSC	6380.43	4.18	4.07	12.71	12.49
SPARK NEW ZEALAND LTD	6390.75	9.68	9.42	23.12	21.39
ETIHAD ETISALAT CO	6579.71	6.72	6.42	26.71	22.41
TELIA CO AB	18049.89	8.46	8.34	22.79	19.49
TELKOM INDONESIA PERSERO TBK	20696.31	4.76	4.47	13.20	12.09
TELENOR ASA	23855.04	6.30	6.05	17.17	14.67
TELEFONICA SA	26580.58	5.69	5.95	9.34	9.58
ORANGE	29535.20	4.97	4.86	9.39	8.65

Source: Bloomberg

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