

Conglomerates

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Koc Holding (Buy, PT: TRY 9.0)

Maintain Buy, we believe it deserves to trade at par with its parts

We maintain our Buy rating for Koc Holding, with a revised target price of TRY 9.0 (from TRY 6.4) on the back of our updated target prices for its subsidiaries.

We reiterate that Koc Holding continues to be a great proxy for the Turkish market, and believe that it deserves to trade at parity with NAV (we have removed the holding discount from our valuation). This is mainly because: (1) the company is planning to invest TRY 2.7bn in core segments in 2011, one of which is electricity generation; and (2) as of 2010, the company started to pay dividends, channelling the cash generation from subsidiaries to shareholders of the holding company (its subsidiaries Ford Otosan and Tupras are the highest dividend payers in the market).

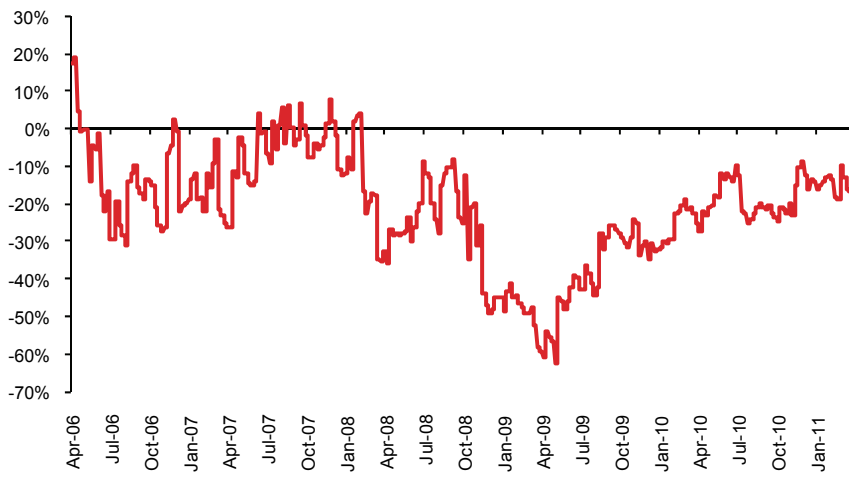
TRYm	Current NAV						Target NAV			
	Direct Stake	Valuation Method	Valuation Multiple	Current Mcap	KCHOL's Stake	Weight in NAV	Valuation Method	Estimated Target Value	KCHOL's Stake	Weight in NAV
Automotive					5,356	26%			6,131	28%
Ford Otosan	38%	Market Value	-	4,860	1,869	9%	DCF	5,264	2,024	9%
Tofas Fabrika	38%	Market Value	-	4,200	1,579	8%	DCF	5,850	2,199	10%
Turk Traktor	38%	Market Value	-	1,654	624	3%	Market Value	1,654	624	3%
Otokar	45%	Market Value	-	631	282	1%	Market Value	631	282	1%
Otokoc	96%	2010A P/Sales	0.5	1,025	987	5%	2010A P/Sales	1,025	987	5%
Others		Book value			15	0%	Book value		15	0%
Consumer Durables					2,148	11%			2,476	11%
Arcelik	41%	Market Value	-	5,271	2,135	11%	DCF	6,081	2,464	11%
Arcelik LG Klima	5%	2010A P/Sales	0.5	248	12	0%	2010A P/Sales	248	12	0%
Energy					4,590	23%			4,398	20%
Enerji Yatirimlari	75%	51% of Tupras (less debt)		4,503	3,377	17%	51% of Tupras (less debt)	4,247	3,185	15%
Turpras		Market Value	-	11,770			DCF	11,269		
Aygaz	41%	Market Value	-	2,982	1,213	6%	Market Value	2,982	1,213	6%
Retail & Food					501	2%			501	2%
Tat Konserve	44%	Market Value	-	499	218	1%	Market Value	499	218	1%
Koctas	37%	2010A P/Sales	0.6	463	172	1%	2010A P/Sales	463	172	1%
Duzey	31%	2010A P/Sales	0.6	358	112	1%	2010A P/Sales	358	112	1%
Finance					6,362	31%			7,003	32%
Koc Financial Services	38%	82% of YKB		16,784	6,302	31%	82% of YKB	18,491	6,943	32%
Yapi Kredi Bankasi		Market Value	-	20,518			DCF	22,605		
Koc Tuketicici Finans	45%	2010A P/BV	1.0	134	60	0%	2010A P/BV	134	60	0%
Other					110	1%			110	1%
Marmaris Altinyunus	37%	Market Value	-	117	43	0%	Market Value	117	43	0%
Cesme Altinyunus	30%	Market Value	-	222	67	0%	Market Value	222	67	0%
Total Value From Participations					19,067	94%	Total Value From Participations		20,620	95%
Listed					17,709	87%	Listed		19,262	88%
Unlisted					1,357	7%	Unlisted		1,357	6%
Net cash (debt) as of YE 2010					1,196	6%	Net cash (debt) as of YE 2010		1,196	5%
Total current NAV					20,263	100%	Total target NAV		21,816	100%
Mcap					19,176		Mcap		19,176	
Premium / (Discount) to current NAV					-5%		Premium / (Discount) to target NAV		-12%	

Source: Datastream, Nomura estimates

Furthermore, the valuation gap between Koc Holding and the MSCI Turkey 12M forward P/E narrowed significantly from 40% in 2009 to 20% in 2010, and is currently around 14%. We would expect the discount to narrow further and trade at par with the Turkish market.

Fig. 33: Koc Holding versus MSCI Turkey (12M forward P/E)

Koc Holding shares are trading at a 14% discount to MSCI Turkey



Source: Datastream, Nomura research