



25 November 2009

# Koc Holding

Reuters: **KCHOL.IS** Bloomberg: **KCHOL TI** Exchange: **IST** Ticker: **KCHOL**

## Raising price target and rating on valuation

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### Upgraded to Buy on 30% upside potential to our revised price target

Following recent revisions to our ratings and price targets on Koc Holding's underliers, we are raising our price target for Koc Holding to TRY4.90/share from TRY3.92/share. Given the relatively wider discount to its current (18%) and target (38%) NAV, diminishing risks related to the economic slowdown and 30% upside implied by our price target, we upgrade Koc Holding to Buy from Hold. We believe that Koc Holding offers exposure to attractive sectors at a discount.

### Financial services segment: compelling proxy for stable interest rate era

The largest contributor to the financial services segment, Yapi Kredi, is likely to generate stronger bottom-line earnings in 2010E on y-o-y basis – thanks to its high FX loan spread generation that would enable the bank to control margin contraction – and has a strong record of fee income generation, potential to improve its cost efficiency and high NPL collection ability. Yapi Kredi is the most exposed bank to the retail segment that should effect volume expansion in 2010E.

### Oil & gas segment: defensive sector offers sustainable dividend yield

Oil & gas segment – includes Tupras and Aygaz – is the only defensive sector in Koc's portfolio that generates strong cash flow for the conglomerate. Specifically, Tupras offers the best value given its sustainable dividend yield. We expect Tupras to continue posting strong earnings in upcoming quarters on the back of higher capacity utilisation and sustainable refining margins.

### Consumer segment: strong candidate for recovery as confirmed by 3Q financials

Although Koc Holding's consumer companies Arcelik, Ford Otosan and Tofas rely on different drivers for the recovery in consumer demand, their attractive multiples compared with their global peers that are supported by stronger-than-expected financials, especially in 3Q09, position these companies as strong beneficiaries of a potential recovery in Turkish consumers' sentiment in 2010.

### Raising price target by 25% to TRY4.90/share from TRY3.92/share

We value Koc Holding with a sum-of-the-parts valuation methodology. We apply a 20% conglomerate discount to our target NAV to derive our TRY11,843m target market cap (see p 8 for details). Key downside risks are: i) a further deterioration in consumer sentiment and demand; ii) TRY depreciation; and iii) poor results at Koc Holding's underliers. (See page 4-5 for detail.)

#### Forecasts and ratios

Year End Dec 31	2007A	2008A	2009E	2010E	2011E
Revenue (TRYm)	51,218	55,837	44,176	49,448	60,967
EBITDA (TRYm)	4,362	4,252	4,125	4,308	5,369
Net Income (TRYm)	2,236	2,031	1,394	1,358	2,220
P/E (DB EPS) (x)	5.1	4.3	6.5	6.7	4.1
EV/EBITDA (x)	5.8	5.3	5.6	5.3	4.3

Source: Deutsche Bank estimates, company data

Deutsche Bank AG/London

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### Forecast Change

#### Buy

Price at 24 Nov 2009 (TRY)	3.78
Price Target (TRY)	4.90
52-week range (TRY)	4.14 - 2.02

#### Key changes

Rating	Hold to Buy	↑
Target Price	3.92 to 4.90	↑ 25.0%

#### Price/price relative



Performance (%)	1m	3m	12m
Absolute	-8.7	-3.6	43.2
ISE 100	-11.4	-4.7	88.6

#### Stock data

Market Cap (TRYm)	9,129.2
Market Cap (US\$m)	6,090.6
Free float (%)	20
ISE 100	45,513.5

#### Key indicators (FY1)

ROE (%)	13.4
ROA (%)	2.1
Net debt/equity (x)	14.7
Book value/share (TRY)	4.6
Price/book (x)	0.8
Net interest cover (x)	69.7
EBIT margin (%)	7.3

Model updated: 24 November 2009

**Running the numbers****Emerging Europe****Turkey****Conglomerates****Koc Holding**

Reuters: KCHOL.IS

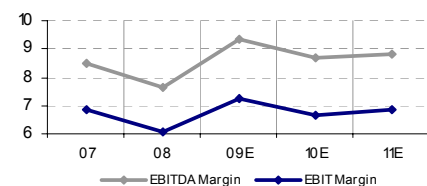
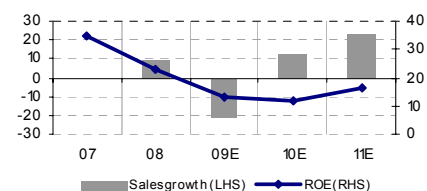
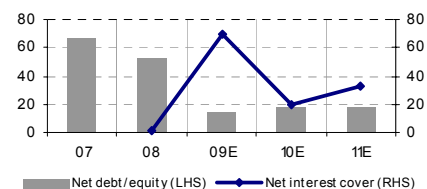
Bloomberg: KCHOL TI

**Buy**

Price (24 Nov 09)	TRY 3.78
Target price	TRY 4.90
52-week Range	TRY 2.02 - 4.14
Market Cap (m)	TRYm 9,129 USDm 6,091

**Company Profile**

Koc Holding is one of the leading Turkish conglomerates. Its core businesses are automotive, consumer durables, financial services, and energy. Historically, a significant portion of the company's operations was consumer driven and cyclical in nature. However, the company made major acquisitions in 2005 and 2006 to strengthen its position in the financial services, retail and energy businesses. Koc Holding now plans to focus on its core sectors and divest its non-core businesses. The company is one of the leading players in each sector and is a good proxy for the Turkish economy as a whole.

**Price Performance****Margin Trends****Growth & Profitability****Solvency****Kerem Tezcan**

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Fiscal year end 31-Dec

**Financial Summary**

	2007	2008	2009E	2010E	2011E
DB EPS (TRY)	0.93	0.84	0.58	0.56	0.92
Reported EPS (TRY)	0.93	0.84	0.58	0.56	0.92
DPS (TRY)	0.00	0.00	0.00	0.00	0.00
BVPS (TRY)	3.3	4.0	4.6	5.2	6.2
Weighted average shares (m)	2,415	2,415	2,415	2,415	2,415
Average market cap (TRYm)	11,303	8,642	9,129	9,129	9,129
Enterprise value (TRYm)	25,103	22,441	22,929	22,929	22,929

**Valuation Metrics**

P/E (DB) (x)	5.1	4.3	6.5	6.7	4.1
P/E (Reported) (x)	5.1	4.3	6.5	6.7	4.1
P/BV (x)	1.70	0.65	0.83	0.73	0.61
FCF Yield (%)	6.9	60.9	84.6	13.8	20.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
EV/Sales (x)	0.5	0.4	0.5	0.5	0.4
EV/EBITDA (x)	5.8	5.3	5.6	5.3	4.3
EV/EBIT (x)	7.1	6.6	7.2	6.9	5.5

**Income Statement (TRYm)**

<b>Sales revenue</b>	<b>51,218</b>	<b>55,837</b>	<b>44,176</b>	<b>49,448</b>	<b>60,967</b>
<b>Gross profit</b>	<b>4,362</b>	<b>4,252</b>	<b>4,125</b>	<b>4,308</b>	<b>5,369</b>
<b>EBITDA</b>	<b>4,362</b>	<b>4,252</b>	<b>4,125</b>	<b>4,308</b>	<b>5,369</b>
Depreciation	847	858	920	1,006	1,190
Amortisation	0	0	0	0	0
<b>EBIT</b>	<b>3,515</b>	<b>3,394</b>	<b>3,205</b>	<b>3,302</b>	<b>4,179</b>
Net interest income(expense)	501	-1,962	-46	-165	-127
Associates/affiliates	0	0	0	0	0
Exceptionals/extraordinaries	0	0	0	0	0
Other pre-tax income/(expense)	612	1,744	-255	-306	-352
<b>Profit before tax</b>	<b>4,627</b>	<b>3,176</b>	<b>2,904</b>	<b>2,830</b>	<b>3,699</b>
Income tax expense	798	588	581	566	0
Minorities	1,593	556	929	906	1,480
Other post-tax income/(expense)	0	0	0	0	0
<b>Net profit</b>	<b>2,236</b>	<b>2,031</b>	<b>1,394</b>	<b>1,358</b>	<b>2,220</b>
DB adjustments (including dilution)	0	0	0	0	0
<b>DB Net profit</b>	<b>2,236</b>	<b>2,031</b>	<b>1,394</b>	<b>1,358</b>	<b>2,220</b>

**Cash Flow (TRYm)**

<b>Cash flow from operations</b>	<b>620</b>	<b>7,000</b>	<b>6,505</b>	<b>2,921</b>	<b>4,992</b>
Net Capex	163	-1,739	1,215	-1,661	-3,170
<b>Free cash flow</b>	<b>783</b>	<b>5,261</b>	<b>7,720</b>	<b>1,260</b>	<b>1,822</b>
Equity raised/(bought back)	0	0	0	0	0
Dividends paid	0	0	0	0	0
Net inc/(dec) in borrowings	-2,615	2,510	419	542	227
Other investing/financing cash flows	-1,245	-3,697	-1,728	-2,355	-2,630
<b>Net cash flow</b>	<b>-3,076</b>	<b>4,074</b>	<b>6,411</b>	<b>-553</b>	<b>-581</b>
Change in working capital	-2,944	3,336	2,960	-821	-377

**Balance Sheet (TRYm)**

Cash and other liquid assets	4,988	9,062	15,473	14,920	14,338
Tangible fixed assets	9,887	10,454	9,003	10,400	12,721
Goodwill/intangible assets	4,405	4,720	4,035	3,292	2,951
Associates/investments	6,741	6,860	6,987	7,438	7,789
Other assets	33,686	33,795	32,571	37,899	45,183
<b>Total assets</b>	<b>59,707</b>	<b>64,890</b>	<b>68,068</b>	<b>73,948</b>	<b>82,982</b>
Interest bearing debt	15,068	17,578	17,997	18,539	18,766
Other liabilities	29,580	31,180	32,943	35,838	40,731
<b>Total liabilities</b>	<b>44,649</b>	<b>48,758</b>	<b>50,940</b>	<b>54,378</b>	<b>59,497</b>
Shareholders' equity	7,852	9,749	11,020	12,515	14,855
Minorities	7,206	6,382	6,108	7,056	8,631
<b>Total shareholders' equity</b>	<b>15,058</b>	<b>16,132</b>	<b>17,128</b>	<b>19,571</b>	<b>23,486</b>
<b>Net debt</b>	<b>10,080</b>	<b>8,516</b>	<b>2,524</b>	<b>3,620</b>	<b>4,427</b>

**Key Company Metrics**

Sales growth (%)	nm	9.0	-20.9	11.9	23.3
DB EPS growth (%)	na	-9.2	-31.4	-2.5	63.4
EBITDA Margin (%)	8.5	7.6	9.3	8.7	8.8
EBIT Margin (%)	6.9	6.1	7.3	6.7	6.9
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	34.6	23.1	13.4	11.5	16.2
Capex/sales (%)	-0.3	3.1	-2.8	3.4	5.2
Capex/depreciation (x)	-0.2	2.0	-1.3	1.7	2.7
Net debt/equity (%)	66.9	52.8	14.7	18.5	18.9
Net interest cover (x)	nm	1.7	69.7	20.0	32.8

Source: Company data, Deutsche Bank estimates

# Reasons for revision

## 28% market-cap weighted price target revision to underliers

Since our last Koc Holding note published on 24 September 2009, *Koc Holding – A proxy to sideways on 10% upside potential*, the market-cap weighted price target revision to underliers has reached 28% (Figure 1). Following the revisions to our price targets on underliers set out in Figure 1, we are raising our price target for Koc Holding by 25% from TRY3.92/share to TRY4.90/share. Consequently, we are upgrading the stock to Buy from Hold due to 30% upside potential to our revised price target.

**Figure 1: Revisions of Koc Holding underliers**

Company name	Date	Old Rating	New Rating	Old price target	New price target	Change
Arcelik	28-Oct-09	HOLD	HOLD	4.28	5.50	28.5%
Aygaz	23-Sep-09	BUY	HOLD	5.65	6.15	8.8%
Ford Otosan	16-Nov-09	BUY	BUY	11.50	14.20	23.5%
Tofas	16-Nov-09	BUY	BUY	4.28	5.55	29.7%
Tupras	7-Oct-09	BUY	BUY	27.75	31.50	13.5%
Yapi Kredi	15-Oct-09	HOLD	Buy	3.10	4.30	38.7%

Source: Deutsche Bank

## Yapi Kredi: compelling proxy for stable interest rate era

Yapi Kredi Bank (TRY2.94, H) was the most affected from the deterioration in NPL outlook, due to its heavy exposure to credit cards. In 1H09, Yapi Kredi's NPL ratio eroded 150bps (y-t-d), vs. the sector average of 130bps during the same period, when the NPL cash coverage ratio increased to 68% (2008: 62%). The bank maintained its stance of not acquiring securities for trading purposes unlike its peers, and in a year when risk aversion was evident, Yapi Kredi placed its funds in liquid instruments and released part of the costly deposits. In 1H09, the bank's NIM expansion was one of the highest (+100bps, y-t-d), and top-line growth was one of the strongest with NII rising 40% (y-o-y) and net fee revenues increasing further 15% (y-o-y). The strong top-line growth in 2009 enabled Yapi Kredi to more than offset the surge in loan loss provisions (due mainly to new NPL generation from credit cards and higher NPL coverage). As a result, the bank managed to increase its net profit by 28% (y-o-y) in the first six months of 2009.

Yapi Kredi is the most exposed bank to the retail segment (including credit cards) among the peer group that should enable it to generate volume expansion in 2010 with the intention to smooth out the possible margin compression. In fact, according to our projections, Yapi Kredi is expected to be the least exposed to the negative impact of TRY loans and securities repricing in 2010E. Due to one of the highest FX loan spread generation as well, we believe margin contraction would be limited to 50bps in 2010E—the lowest among banks under our coverage. Yapi Kredi has the strongest record of fee income generation, has room to improve its cost efficiency, and the highest NPL collection ability. We believe all the aforementioned factors combined should enable the bank to generate stronger bottom-line earnings in 2010E on an annual basis. We expect EPS to increase 13% and ROTC 20% in 2010E (2009E: 21%).

## Valuation

To value Turkish banks, we calculate the target P/BV as the sustainable ROTC less the terminal growth rate (ROTC - g) divided by the cost of equity less the terminal growth rate (COE - g). Thus, we assume that the premium to be paid over a bank's BV increases in tandem with its profitability. We derive our cost of equity (13.0%) for Turkish banks by using 7.0% as the risk-free rate, which is standard for Turkish equities. We add a 5.0% equity risk premium adjusted by banks' beta (1.20x). We use a 5.0% terminal growth rate, assuming

that in the long term, banks will grow in tandem with our projected long-term 5% GDP growth rate for Turkey. We estimate 22% sustainable ROTE for Yapi Kredi. Thus, we derive a 2.2x target P/BV multiple.

Yapi Kredi trades at 2010E adj. P/BV of 1.5x and P/E of 7.5x vs. the EMEA bank averages of adj. P/BV of 1.5x and P/E of 10.1x. With a sustainable ROTE of 22%, our target price of TRY4.30 per share implies an upside potential of 47%.

### **Risks**

We believe that one of the main downside risks to our valuations is a slower-than-expected economic recovery, which would lead to weaker loan volume growth and poorer asset quality for Yapi Kredi. The most significant downside risks for Yapi Kredi are higher-than-expected increase in credit card and SME NPLs and higher-than-anticipated increases in deposit costs. Lower-than-expected growth in high-yielding retail loans would be another downside risk to our valuations.

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## **Tupras: sustainable dividend play**

Tupras (TRY24.90, B) has been among the best-performing stocks over the past month on a relative basis as the stock is perceived as defensive, offering sustainable dividend yield. As a result of its outperformance, the average upside potential has declined, the sector's discount to GEM peers on 2010E P/E has narrowed, and the standardized forward looking P/E is now above historical averages. However, the oil & gas sector is still among our Overweight sectors. We see Tupras as cash cow that offers sustainable dividend yield to its shareholders. We expect Tupras to continue posting strong earnings in the upcoming quarters on the back of higher capacity utilisation and sustainable refining margins. Tupras plans to initiate the residium upgrade project in 4Q09, which would increase the long-term profitability. We also appreciate Tupras' sustainable dividend yield (10% average yield over the next five years on our estimates).

### **Valuation**

We value Tupras with an equally weighted average of DCF analysis and target 2010E EV/EBITDA (6.5x) and P/E (12.0x) multiples. In our DCF analysis, we use a 7.5% risk-free-rate, 5.0% equity risk premium and 8.0% cost of debt. In this report, we have lowered our risk-free rate assumption from 9.0% to 7.5% and equity risk premium assumption from 5.5% to 5.0%, both of which in line with the rest of our Turkish coverage universe. We have also cut our cost of debt assumption from 10.0% to 8.0% and changed the first year in our DCF from 2009E to 2010E. We continue to use a 1% terminal growth rate for Tupras due to the company's capacity constraints and the sector's long-term growth potential.

### **Risks**

We believe that the refining capacity in Turkey and the region and, therefore, the refining trends and margins represent the most significant risk to our price target and recommendation for Tupras. Another downside risk is the competitive landscape if more than one refinery is built in Turkey. Note that there are currently three competing projects by Calik Holding, Petrol Ofisi-OMV and Turcas-SOCAR, which are either still at the approval stage or halted due to insufficient financial resources.

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## **Arcelik: valuation revisited on strong 3Q operational performance**

3Q09 operating results from Arcelik (TRY5.00, H) were much stronger than our and Street's expectations, mainly due to higher gross margin. On top of the strong profitability in 2Q09 and 3Q09, we increased our 2009E EPS by 40%. We also changed the initial DCF year from 2009E to 2010E, and excluded our 2009E peer multiples average from our multiples

comparison valuation. All in all, we increased our price target from TRY4.28/share to TRY5.50/share. We maintain Hold due to limited upside potential.

### Valuation

We value Arcelik based on an equally weighted DCF and multiples comparison analysis. After we revised our DCF assumptions, we increased our DCF-driven dollar target value by 60%. Our multiples analysis-driven dollar target value, on the other hand, increased by 14% on the global re-rating. We have used a 7.5% risk-free rate, which reflects the three-year average of 30-year dollar-denominated sovereign bonds. Other parameters in our DCF analysis are a 1.0x market beta, 5.5% equity risk premium, 12.0% to 10.0% cost of debt, and a 4.0% terminal growth rate to reflect the sector's growth potential in the long term. Our DCF-driven 12-month forward looking target value is US\$2,135m and our average WACC is 11.0%.

### Risks

The key downside risk is the unsustainability of cost-control positive impacts. The 2Q09 results revealed the start of such positive effects. These positive effects continued in 3Q09 in line with our base-case scenario. If the company cannot sustain its strong operating margins, it could have a negative impact on our target value. Another wave of domestic and global demand deterioration is also a downside risk to our operational assumptions and valuation. The upside risk is maintenance of the strong 2009 margins in 2010E following the company's restructuring may lead actual EPS to overshoot our expectations. A sharper-than-expected recovery is also an upside risk to our valuation.

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## Autos: align for drafting

Following the expiration of the government's SCT incentives and its decision not to introduce any further incentive packages to boost the domestic market, we revised our 2009E and 2010E domestic auto market assumptions. After incorporating significantly stronger-than-expected September auto sales, we increased our 2009E domestic market sales volume assumption from 430k units to 501k units. After we raised our 2009E domestic auto sales assumption, the flip side of the coin is that domestic auto sales may not post annual growth in 2010E. In fact, further to the revision in our 2009 assumptions, we now expect an annual decline in domestic auto sales in 2010E (new: -4% vs. old: +6%) to 482k units.

Ford Otosan (TRY8.75, B) and Tofas (TRY 4.08, B) are the top two players in the domestic auto market with respective market shares of 15% and 16% as of 9M09. However, domestic sales constitute 30-40% of these companies' sales volumes and c.40% of their revenues, respectively. Neither Ford Otosan nor Tofas discloses the breakdown of domestic and exports operating margins, but we believe the EBITDA split between domestic sales and exports is around 50-50%. Thus, we believe the companies' export performances will be as critical as domestic sales on the way to recovery.

Because of the structural differences between Ford Otosan and Tofas, the export performances of these two companies are likely to be different from each other in 2009. We expect a 42% decline in Ford Otosan's exports volume in 2009 and a 37% y-o-y recovery in 2010 due to the weak base. For Tofas, 2009E volume contraction should be relatively limited at 21%, thanks to its take-or-pay agreements with Fiat and PSA Group. However, our 2010 recovery expectation for Tofas is relatively limited at 12% due to a stronger base.

Turkish auto companies Ford Otosan and Tofas are relatively attractive compared to their global peers based on style factor comparisons including multiples. In addition, we believe that Turkish auto companies managed the crisis year better than our expectation, and both Ford Otosan and Tofas are well positioned for the post-crisis recovery period in our view. While we remain bullish on Turkish auto companies as a sector, we prefer Ford Otosan over Tofas. Apart from the company's more attractive upside potential to our price target, we

believe that Ford Otosan's exports performance in 2010 will be the differentiating point. As mentioned before, Tofas' 2009 exports were relatively stronger than Ford Otosan due to the take-or-pay agreements and this strength creates a higher base for 2010 exports growth. In other words, Ford Otosan's exports volume growth is likely to be significantly higher than Tofas.

### Valuation

We use an equally weighted average of DCF valuation and global peers' average 2010- 2011E P/E and EV/EBITDA multiples to derive our target values for both Ford Otosan and Tofas. Our RFR and equity risk premium assumptions used in the DCF valuations are 7.5% and 5.5%, respectively, parallel to our Turkish industrial coverage universe. We use a 1% terminal growth rate assumption due to capacity constraints. Other parameters that we use in our DCF valuations are a 1.0 historical beta and a 10% cost of debt (250bps higher than RFR). Our average WACCs for Ford Otosan and Tofas are 12.6% and 12.1%, respectively. Apart from the significant upside potential to our DCF-driven target values, both companies currently trade at considerable discounts to their peer group's average, which we believe confirms our DCF assumptions. Ford Otosan currently trades at a 34% average discount, while Tofas' average discount is 37%.

### Ford Otosan risks

Based on the high sensitivity to underlying macroeconomic drivers such as the cost of debt financing, exchange rates, and consumer sentiment, we believe that our market and operational assumptions for Ford Otosan factor in a relatively limited recovery in 2010E. We believe that if the limited normalisation in both domestic and international auto demand trends do not realise, it will create a significant risk to our valuation. Another company-specific risk to our valuation is potential pressure on Ford Otosan's domestic LCV market share upon the introduction of its biggest competitor's (Tofas) new locally produced LCV models.

### Tofas risks

Although we believe that our assumptions are realistic enough to reflect the limited normalisation in domestic and international trends, we believe that an unexpected deterioration in demand is the key company-specific downside risk. Separately, new model investments are key drivers for Tofas going forward. Tofas successfully completed its new LCV model (Minicargo) in 2008. We expect the upcoming new LCV model (Doblo replacement) investment to be finalised in late 2009. Any potential failure to deliver the expected volumes in this new model is another downside risk to our Tofas valuation.

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## Aygaz: cash cow looking for new growth

For Aygaz (TRY5.10, H) LPG business as a cash cow and believe that the company could grow through investments in the electricity generation sector. Aygaz owns a 20% stake in Enerji Yatirimlari (the SPV that owns Tupras' 51%) and a 2% stake in Koc Financial Services (which owns 81.8% of Yapi Kredi Bank). This participation portfolio is worth \$360m at current market prices. Note that we conservatively apply a 20% discount to Aygaz's participation portfolio in our model. We see Aygaz's power generation company Entek as a long-term growth driver for the company. While Entek benefits from increasing electricity and decreasing natural gas prices, it is likely to become Koc Holding's flagship energy company, through which new power generation investments may take place. We believe that Aygaz can raise capital for these investments through the sale of its participations, unlocking hidden value.

### Valuation

We use an equally-weighted average of discounted cash flow analysis (7.5% risk-free rate, 5.0% equity risk premium, 1.0 beta, 10.0% cost of debt and a 1% terminal growth rate) and

multiples comparison to value Aygaz. For multiples analysis, we use 5x 2011E EV/EBITDA and 10x 2011E P/E target multiples, and use the average target values derived from these multiples. In this report, we are changing our DCF starting year from 2009 to 2010 and using 2011E target multiples instead of 2010E.

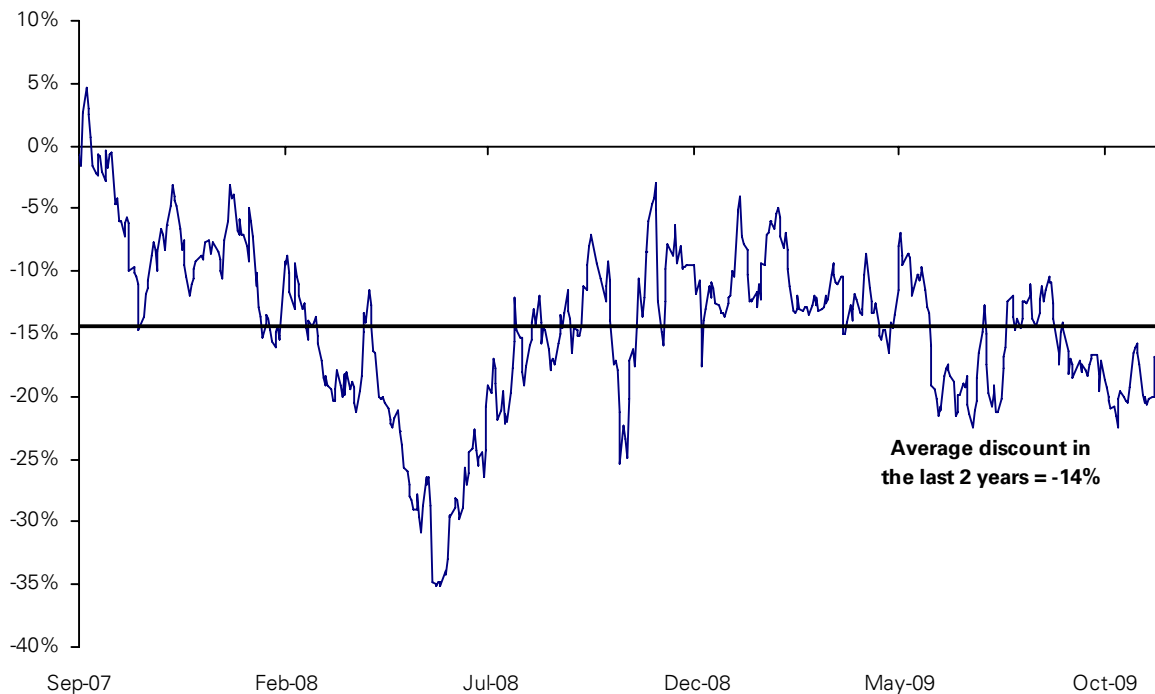
**Risks**

Key downside risks to our Hold rating are: i) a further downturn in the macroeconomic/political outlook for Turkey and ii) quicker-than-anticipated expansion of natural gas (an LPG substitute) in Turkey, thereby increasing the pace of decline in LPG sales to households. Key upside risks are higher-than-expected LPG distribution mark-ups, Aygaz investing in new generation capacity through its subsidiary Entek and crystallising value through the sale of its participation (KFS and Enerji Yatirimlari).

**Figure 2: Koc Holding's NAV (TRYm)**

Price (TRY)		3.78						
Date		24/11/2009						
	Ticker	Current Price (TRY)	Stake	Current Mcap (TRYm)	Current NAV (TRYm)	Valuation method	Target Mcap (TRYm)	Target NAV (TRYm)
<b>LISTED</b>					<b>9,602</b>			<b>13,273</b>
	Koc Financial Services	YKBNK	38%	10,596	3,979	Yapi Kredi*81.8%	15,290	5,742
	Ford Otosan	FROTO	38%	3,070	1,181	Target Mcap	4,983	1,916
	Tofas Fabrika	TOASO	38%	2,040	767	Target Mcap	2,775	1,043
	Otokar	OTKAR	45%	334	149	Current Mcap	334	149
	Turk Traktor	TTRAK	38%	478	180	Current Mcap	478	180
	Arcelik	ARCLK	41%	3,379	1,369	Target Mcap	3,717	1,506
	Enerji Yatirimlari	TUPRS	75%	1,510	1,133	Tupras' target mcap*51% - net debt	2,353	1,765
	Aygaz	AYGAZ	41%	1,530	622	Target Mcap	1,845	751
	Tat Konserve	TATKS	44%	405	177	Current Mcap	405	177
	Altinyunus Cesme	AYCES	30%	97	29	Current Mcap	97	29
	Marmaris Altinyunus	MAALT	37%	44	16	Current Mcap	44	16
<b>NON-LISTED</b>					<b>464</b>			<b>411</b>
<b>Net cash/(debt) at the holding level</b>					<b>1,118</b>			<b>1,118</b>
<b>Koc Holding's NAVs (TRYm)</b>					<b>11,184</b>			<b>14,802</b>
<b>Market cap (TRYm)</b>					<b>9,129</b>			<b>9,129</b>
<b>Premium (Discount) to NAV (%)</b>					<b>-18%</b>			<b>-38%</b>
<b>Fair discount to NAV (%)</b>								<b>-20%</b>
<b>Target Mcap (TRYm)</b>								<b>11,842</b>
<b>Potential Upside (Downside) (%)</b>								<b>30%</b>

Source: ISE market data, Deutsche Bank estimates. Closing price is as of 24 November 2009.

**Figure 3: Koc Holding's historical discount to its current NAV**

Source: ISE market data, Deutsche Bank estimates. Closing price is as of 24 November 2009.

# Appendix 1

## Important Disclosures

Additional information available upon request

### Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Koc Holding	KCHOL.IS	3.78 (TRY) 24 Nov 09	6,8,14

\*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

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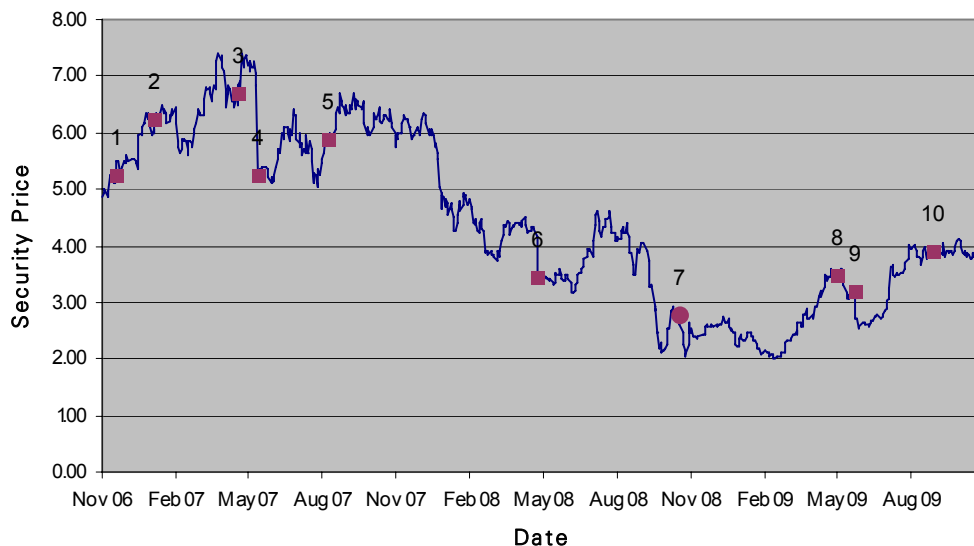
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**Historical recommendations and target price: Koc Holding (KCHOL.IS)**

(as of 24/11/2009)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

\*New Recommendation Structure as of September 9, 2002

1.	14/12/2006:	Buy, Target Price Change TRY6.20	6.	22/5/2008:	Buy, Target Price Change TRY6.30
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5.	4/9/2007:	Buy, Target Price Change TRY7.20	10.	24/9/2009:	Hold, Target Price Change TRY3.92

**Equity rating key** **Equity rating dispersion and banking relationships**

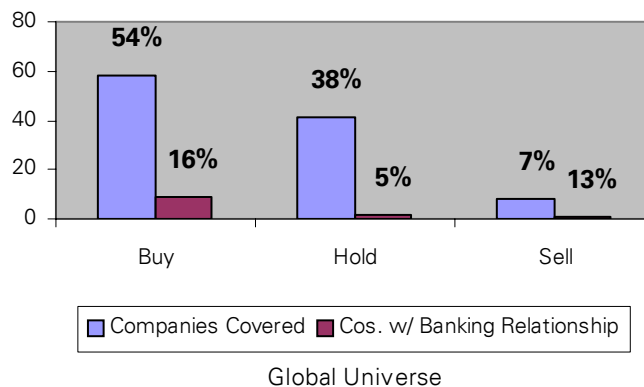
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