

**Koc Holding
Conglomerate**

Tax incentives supported the operational performance of durables and automotive segments ...

**KCHOL.IS / KCHOL TI
MARKETPERFORM (Maintained)**

Share Price (TRL)	4.02
Target Share Price (TRL)	4.60
Upside Potential	21%
Mcap (USDm)	6,224
3Q09 Net Debt (USDmn)*	-720
3Q09 Net FX Position (USDmn)	-3,434
* Holding only	
12m High / Low (TRL)	4.14 / 1.68
Avg daily vol (USDmn)	37.9
No. of shares (mn)	2,415
Free Float	21%

Performance	USD	Rel.
1M	-3%	2%
3M	8%	-1%
12M	92%	-10%

Hasan Sener

Senior Analyst
+90 212 319 1315
hasan.sener@oyakmenkul.com.tr

Bottom-line in line with our expectation...

Koc Holding's 3Q09 net income came in as TRL466mn, indicating a YoY decline of 43%. The figure is in line with our expectation of TRL461mn and slightly better than market consensus of TRL434mn. Consolidated EBITDA of TRL1,457mn stood almost constant in 3Q09 on YoY basis on the back of robust performance in durables segment while energy segment's EBITDA was 30% lower.

Revenues of the company declined by 20% YoY in 3Q09 mainly due to lower oil prices...

Lower oil prices on YoY basis and decline in the sales volume resulted in a contraction in Tupras' revenues. On the other hand, revenues in consumer durables and automotive segments were almost constant on the back of tax incentives introduced in these sectors in April-September period.

EBITDA was constant at TRL1,457mn...

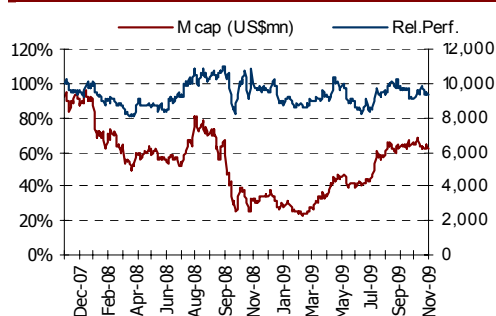
Lower global margins and lower volumes led to lower EBITDA for Tupras in 3Q09. Accordingly EBITDA of the energy segment contracted by 30% YoY to TRL451mn. On the other hand, durables and automotives segment operating performance was better than the same period last year thanks to the tax incentives. On finance segment, despite improvement in net interest margin, losses booked under trading and derivatives resulted in a constant EBITDA for the segment on YoY basis. Accordingly, EBITDA of Koc Holding stood almost constant at TRL1,457mn in 3Q09.

Net income reached TRL1,133mn in 9M09...

The company posted a net FX gain of TRL88mn in 3Q09 driving the net financial income to TRL37mn supporting the bottom-line. Accordingly, Koc Holding's net income reached TRL466mn in 3Q09 with a YoY decline of 43%.

Maintaining MARKETPERFORM rating...

Koc Holding is currently trading at 19% discount to its current NAV, in line with its two-year average of 18%. We maintain our MARKETPERFORM rating for Koc Holding.

Relative Performance Chart

Estimates

USD mn, IFRS	2007	2008	2009E	2010E
Net Sales	39,545	42,980	25,451	30,899
% growth	15%	9%	-41%	21%
EBITDA	3,421	3,585	2,839	2,877
% margin	9.5%	8.3%	11.2%	9.3%
Net Profit	1,765	1,563	967	942
% margin	4.5%	3.6%	3.8%	3.0%
Key Ratios	2007	2008	2009E	2010E
P/E	3.7	4.2	6.7	6.9
EV/EBITDA	n.m.	n.m.	n.m.	n.m.
Dividend Yield	-	-	-	-

Segmental Breakdown											
Revenues	3Q09		3Q08		YoY	9M09		9M08		YoY	
	TRL mn	Share	TRL mn	Share	Chg.	TRL mn	Share	TRL mn	Share	Chg.	
Energy	7,348	58%	10,657	68%	-31%	17,636	54%	27,757	63%	-36%	
Automotive	1,712	13%	1,645	10%	4%	4,211	13%	5,379	12%	-22%	
Durables	1,789	14%	1,758	11%	2%	4,987	15%	5,153	12%	-3%	
Finance	1,220	10%	1,343	9%	-9%	4,183	13%	4,291	10%	-3%	
Others	637	5%	382	2%	67%	1,630	5%	1,417	3%	15%	
Total	12,706	100%	15,784	100%	-20%	32,648	100%	43,997	100%	-26%	

EBITDA	3Q09		3Q08		YoY	9M09		9M08		YoY
	TRL mn	Share	TRL mn	Share	Chg.	TRL mn	Share	TRL mn	Share	Chg.
Energy	451	31%	645	45%	-30%	1,269	32%	1,918	46%	-34%
Automotive	164	11%	145	10%	14%	438	11%	541	13%	-19%
Durables	324	22%	156	11%	108%	658	16%	501	12%	31%
Finance	437	30%	434	30%	1%	1,477	37%	1,054	25%	40%
Others	80	6%	55	4%	45%	170	4%	133	3%	28%
Total	1,457	100%	1,434	100%	2%	4,013	100%	4,147	100%	-3%

EBITDA Margin	3Q09		3Q08		YoY	9M09		9M08		YoY
Energy	6.1%		6.0%		9 bps	7.2%		6.9%		29 bps
Automotive	9.6%		8.8%		81 bps	10.4%		10.1%		34 bps
Durables	18.1%		8.9%		925 bps	13.2%		9.7%		347 bps
Finance	35.8%		32.3%		351 bps	35.3%		24.6%		1076 bps
Others	12.6%		14.5%		-185 bps	10.4%		9.4%		103 bps
Total	11.5%		9.1%		238 bps	12.3%		9.4%		286 bps

Summary P&L Statement									
TRL mn	3Q09	3Q08	YoY Δ	2Q09	QoQ Δ	9M09	9M08	YoY Δ	2008
Revenues	12,706	15,784	-20%	11,211	13%	32,648	43,997	-26%	55,631
Cost of Goods Sold	-10,262	-13,461	-24%	-8,786	17%	-25,986	-37,170	-30%	-47,597
Gross Profit	2,444	2,323	5%	2,425	1%	6,662	6,827	-2%	8,034
Operating Expenses	-1,216	-1,133	7%	-1,102	10%	-3,315	-3,326	0%	-4,334
Operating Profit	1,228	1,190	3%	1,324	-7%	3,348	3,502	-4%	3,700
Depreciation	229	205	12%	223	2%	665	646	3%	855
Severance Provision	12	-1	n.m.	0	n.m.	15	3	379%	85
EBITDA	1,469	1,393	5%	1,546	-5%	4,028	4,150	-3%	4,640
Net Other Income	68	657	-90%	141	-52%	259	2,026	-87%	1,975
Net Other Expenses	-259	-351	-26%	-375	-31%	-813	-600	35%	-639
Financial Expenses	37	-86	n.m.	228	-84%	-248	-674	-63%	-1,955
Profit (Loss) from Subsidiaries	0	0	n.m.	0	n.m.	0	0	n.m.	0
PBT	1,074	1,410	-24%	1,318	-18%	2,546	4,254	-40%	3,081
Taxes	-222	-238	-7%	-133	67%	-462	-720	-36%	-586
Minority Interest	-386	-358	8%	-520	-26%	-950	-1,092	-13%	-554
Net Income	466	814	-43%	664	-30%	1,133	2,442	-54%	1,940
Net Debt	4,655	10,352	-55%	5,767	-19%	4,655	10,352	-55%	9,249
Net FX Position	-5,089	-6,239	-18%	-3,890	31%	-5,089	-6,239	-18%	-3,230
Gross Margin	19.2%	14.7%	452 bps	21.6%	-240 bps	20.4%	15.5%	489 bps	14.4%
EBIT Margin	9.7%	7.5%	213 bps	11.8%	-214 bps	10.3%	8.0%	229 bps	6.7%
EBITDA Margin	11.6%	8.8%	274 bps	13.8%	-223 bps	12.3%	9.4%	290 bps	8.3%
Net Margin	3.7%	5.2%	-149 bps	5.9%	-225 bps	3.5%	5.6%	-208 bps	3.5%

BALANCE SHEET, TRLmn					
	3Q09	2Q09	QoQ Δ	3Q08	YoY Δ
CURRENT ASSETS	34,577	33,550	3.1%	35,242	-1.9%
Liquid Assets	11,267	10,534	7.0%	6,973	61.6%
Short-Term Trade Receivables	5,344	4,799	11.4%	6,537	-18.3%
Inventories	4,004	4,038	-0.8%	5,728	-30.1%
Other Current Assets	13,963	14,180	-1.5%	16,003	-12.8%
LONG TERM ASSETS	31,868	31,779	0.3%	29,960	6.4%
Trade Receivables	146	152	-3.9%	104	40.9%
Financial Investments	5,908	6,038	-2.2%	6,018	-1.8%
Tangible Fixed Assets	10,628	10,430	1.9%	10,164	4.6%
Intangible Fixed Assets	1,199	1,258	-4.6%	1,093	9.7%
Other Long-Term Assets	13,987	13,901	0.6%	12,582	11.2%
TOTAL ASSETS	66,445	65,329	1.7%	65,202	1.9%
					n.m.
SHORT TERM LIABILITIES	38,928	37,892	2.7%	38,919	0.0%
Short-Term Financial Loans	7,900	7,124	10.9%	9,537	-17.2%
Short-Term Trade Payables	5,247	5,073	3.4%	5,224	0.4%
Other Short-Term Liabilities	25,781	25,695	0.3%	24,159	6.7%
LONG TERM LIABILITIES	9,391	10,232	-8.2%	9,181	2.3%
Long-Term Financial Loans	6,475	7,879	-17.8%	7,089	-8.7%
Long-Term Trade Payables	0	0	n.m.	0	n.m.
Other Long-Term Liabilities	2,915	2,353	23.9%	2,092	39.4%
SHAREHOLDERS EQUITY	18,126	17,204	5.4%	17,102	6.0%
TOTAL LIABILITIES AND S.HOLDERS EQUITY	66,445	65,329	1.7%	65,202	1.9%
Financial Ratios					
Debt/Equity	2.7	2.8		2.8	
Current Ratio (x)	0.9	0.9		0.9	
Trade receivables day	38	39		37	
Stock Turn.	35	41		38	
Trade payables day	46	52		35	
Cash Cycle	27	28		41	

Valuation Approach

Valuation tools employed most frequently are Discounted Cash Flow (DCF) and International Peer Group Comparison, though other metrics such as Dividend Discount, Gordon Growth, and Replacement Value Methods are also used wherever appropriate. Oyak Securities analysts may calculate the target return of each stock considering only one method or assigning different weights to more than one method depending on the analyst's opinion. The "Expected Market Return" (**EMR**) of the ISE-100 is determined through aggregate target returns of each stock under coverage based on their respective free float market capitalisation. Our coverage accounts for around 80% of the total market capitalisation of the ISE.

Rating Methodology

Oyak Securities assigns recommendations to each stock according to the following criteria:

Price target for a stock represents the value analyst expects the stock to reach during our performance horizon, which is 12 months. For stocks with an OUTPERFORM recommendation, target return must exceed the EMR by at least 10% over the next 12 months. For a stock to be classified as UNDERPERFORM, the stock must be expected to underperform the EMR more than 10% over the next 12 months. Stocks that an analyst expects to perform parallel to the EMR within a band of +/- 10% are rated as MARKETPERFORM.

Summary of our Rating Methodology

Rating	Target Return of Stock
OUTPERFORM	> Expected Market Return (%) + 10%
MARKETPERFORM	= Expected Market Return (%) +/- 10%
UNDERPERFORM	< Expected Market Return (%) - 10%

Oyak Securities analysts review their recommendations under continuous screening. Nevertheless, at times, target return of a stock may be allowed to move outside our rating intervals as a result of share price fluctuations. Under such circumstances, the analyst may choose not to change his/her recommendation.

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