

# PINAR ENTEGRE

# Initiation Report

# BUY

## PETUN

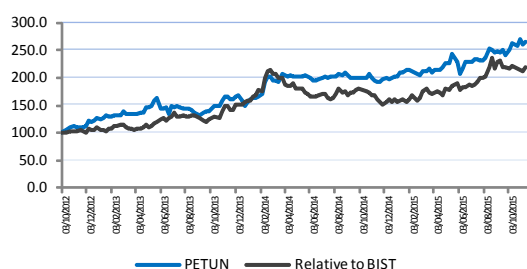
## Meat & Frozen Products

Share Price	TL 11.30
Target Price	TL 15.10
Upside Potential	34%
Market Cap (mn)	\$170
Market Cap (mn)	TL 490
EV (mn)	TL 482
Free Float	33%
Beta	0.71

EPS 15'e	TL 1.28
EPS 16'e	TL 1.30

Price Performance	TL	Rel to BIST-100
1 Month	0.9%	-2.3%
Y to D	31.0%	38.6%
1 Year	36.2%	36.5%
52-week range	TL 11.65 - 8.20	
12M Cumulative Foreign Inflow	-\$1.08	
Ave. Daily Volume (12M) - mn	\$0.12	
Ave. Daily Foreign Trad. Vol. (12M) - mn	\$0.02	

PETUN vs BIST-100 (rebased)



Financials (mn)	2014	2015e	2016e
Revenues	TL 550.9	TL 591.9	TL 637.9
EBIT	TL 36.2	TL 46.3	TL 47.8
EBITDA	TL 45.7	TL 57.3	TL 59.9
Net Income	TL 44.3	TL 55.6	TL 56.2
Revenues Δ y/y	14.9%	7.4%	7.8%
EBITDA y/y	-1.7%	25.5%	4.6%
Net Income Δ y/y	15.7%	25.5%	1.2%
EBITDA Margin	8.3%	9.7%	9.4%
Net Margin	8.0%	9.4%	8.8%
P/E	11.1x	8.8x	8.7x
EV/EBITDA	10.7x	8.5x	8.2x
EV/Sales	0.9x	0.8x	0.8x
BVPS	TL 7.9	TL 8.7	TL 8.9
Dividend Yield	5.8%	9.1%	9.2%

Valuation Method	Weight	Target Value
DCF - mn	60%	TL 652
Peer Comparison - mn	40%	TL 661

Main Assumptions	Peer Metrics
RFR(TL): 9.5%	EV/EBITDA'15e: 9.2x
WACC(TL): 13.3%	EV/EBITDA'16e: 7.7x
TG: 5.0%	P/E'15e: 13.0x
Beta: 0.71	P/E'16e: 12.8x

## Strong profitability, cheap metrics and high dividend yield!

We initiate our coverage on PETUN with TL15.10 per share 12-month forward TP, indicating 34% upside potential and BUY recommendation. PETUN is the leader of Turkey's charcuterie and frozen meat products markets and an important player in frozen dough and seafood products market.

**The Company trades at cheap metrics with high dividend yield;** 8.8x P/E'15e and 8.5x EV/EBITDA'15e (when we adjust EV with subsidiary value, implied EV/EBITDA'15e is 6.4x). PETUN is showing an impressive profitability over the years capitalizing on strong market share and brand strength in the domestic market hence the **high dividend yield** as a result of strong free cash flow. Our forecast for next year is 9.1% dividend yield.

**Growth and profitability supported by brand strength over the years...** PETUN has attained 11.5% topline CAGR for 2009 -2015e period and although the growth has slowed down in 2015 to 7.4% (est.), we estimate that it will regain slight momentum as a result of urbanization, growing population, shift to convenience products and price increases. Meanwhile we estimate stable EBITDA margins over the years. **Our EBITDA margin average for our forecast period is 9.1% vs. c.9.0% between 2011-2014.**

**Flexibility to reflect cost pressures to end-prices thanks to strong branding, new products and high market shares...** PETUN is innovative (launching new added-value products every year), capitalizing on strong branding and already high market shares in processed meat market (which is 24% as of 2015/09 vs. 25% in 2014 and 23% in 2013). PETUN's volumes declined by c.9% y/y as of 2015/09; however, topline growth was realized as 6.6% y/y. Therefore implied product/price mix effect is around 17%.

**Livestock sector is regulated more strictly since 2011...** The government regulates and supports meat production through import controls (via import taxes). The meat prices went through the roof after implementation of taxes especially between 2013 till the end-of 2014; thus to **support supply and mitigate price hikes, the government lowered import taxes for livestock as of Feb'15 and gave state owned institution Et&Sut special permission for carcass imports with lower tax as of Jul'15. Nonetheless, average beef prices increased by c.24% in 2014 and c.27% y/y in 2015/09.** Lack of integrated facilities of large-scale livestock enterprises, lack of technology and limited market access will continue to weigh on prices in the sector.

**Risks...** Prospective minimum wage hike would have negative impact on margins whilst positive impact on growth. Lowering import taxes on carcass would give a temporary relief on the sector in terms of input prices. 50bps lower EBITDA margin estimate until 2021 would lower our TP by 3.5%.

## VALUATION

TLmn	2011	2012	2013	2014	2015e	2016e	2017e	2018e	2019e	2020e	2021e
Revenues	383.7	416.4	479.3	550.9	591.9	637.9	692.2	751.0	814.6	883.7	958.5
EBIT	24.0	32.8	37.8	36.2	46.3	47.8	50.4	53.9	57.7	62.6	67.9
Depreciation	8.0	7.4	8.6	9.5	11.0	12.1	12.9	14.2	15.7	17.2	18.9
EBITDA	32.1	40.3	46.5	45.7	57.3	59.9	63.3	68.2	73.4	79.8	86.8
As % of Revenues	8.4%	9.7%	9.7%	8.3%	9.7%	9.4%	9.1%	9.1%	9.0%	9.0%	9.1%
- Capex	5.4	10.5	23.4	19.6	13.5	13.1	15.9	17.3	18.7	20.3	22.0
As % of Revenues	1.4%	2.5%	4.9%	3.6%	2.3%	2.1%	2.3%	2.3%	2.3%	2.3%	2.3%
- Δ in Working Capital	19.8	-0.1	-28.2	-11.0	-1.7	2.8	3.1	3.5	3.8	4.2	4.5
- Taxes Paid	6.2	7.8	8.5	7.6	6.8	7.6	8.0	8.6	12.2	13.3	14.4
Free Cash Flow	0.7	22.0	42.7	29.5	38.7	36.4	36.2	38.8	38.6	42.1	45.9
Discount Rate (WACC)					13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%
Discount factor					1.00	1.00	0.88	0.78	0.69	0.61	0.53
PV of FCF					15.1	36.4	31.9	30.2	26.5	25.5	24.5
Sum of FCF				190.3							
Terminal Growth Rate				5.0%							
EBITDA after tax				72.4							
x (1+ Long-term growth )				76.1							
Normalized CapEx (-)				19.9							
Incremental NWC (-)				4.7							
Terminal Cash Flow				51.4							
x (1/(r-g))				616.6							
x PV factor				329.6							
Terminal Value				329.6							
EV				519.9							
Net Debt (-)				-7.7							
Estimated Fair Value				527.6							
Minority Interest (-)				0.0							
Total Fair Value TLmn				527.6							
Target Price				12.17							
Current Price				11.30							
Upside Potential				7.7%							

PETUN - Valuation Table		MN TL (per share)	
Base	Weight	Fair Value	Target price
DCF	60.0%	527.6	TL 12.17
Global Peer Comparison	40.0%	537.1	TL 12.39
Subsidiaries (BV & Fair Value) - 10% discount		124.3	TL 2.87
Target mcap - mn		TL 655.7	TL 655.7
Target price per share			TL 15.10
Current price per share			TL 11.30
Upside potential			34%

Peer Metrics	TLm	Int Multiples	Fair Value
2015 EBITDA	57.3	9.23x	553
2015 Adj. Net Income	40.6	13.00x	527
2016 EBITDA	59.9	7.66x	515
2016 Adj. Net Income	43.2	12.80x	553

Source: Pinar Et ve Un, TERA estimates, Bloomberg forecasts

Our long term EBITDA margin average is 9.1%; our gross margin average 16.4% after 2015 (no company guidance is available). Opex makes up around 9-9.5% of revenues. In our forecasts we used 9.2% after 2016. As for capex, we assumed 2.3% of revenues as capital expenditures per annum after 2016.

As a subsidiary value, we take the book values of the subsidiaries which are not fully consolidated and use 10% discount. YBP (Yasar Birlesik Pazarlama) makes up 73% of the total BV of the subsidiaries with c.TL100mn BV. Note that PETUN bought 4.7% of YBP for TL13.17mn on 17 Nov 2014, implying TL278.3mn total value for YBP. The valuation was done by an independent firm. Corresponding value for 42.78% stake would be TL119mn.

We have excluded income from equity pick up subsidiaries in P/E and EV/EBITDA driven peer calculation as we add subsidiary value afterwards to estimated fair value from operations.

## ABOUT PINAR ENTEGRE

Established in 1983, Pinar Entegre, a member of Yasar Group, has been the leader of Turkey's processed and frozen meats and meat product markets for decades. **PETUN obtains the meat from domestic feedlots located in all six of Turkey's geographical regions and carries out own slaughtering in its own facilities. Live turkeys and some live animals are obtained from Camlı Yem**, a Yaşar Group company that PETUN has 23.4% stake and engaged in agricultural production.

**PETUN sells majority of its products through 42.78% subsidiary YBP** (Yasar Birlesik Pazarlama), which is one of the largest distribution network in Turkey. YBP has close to 100 dealers, reaching around 155k selling points. PETUN bought YBP shares from sister companies from 2004 to 2014 in multiple transactions and increased stake from 9.26% to 42.78% and paid total of TL46.5mn for 33.5% stake (implied fair value for the whole company based on the last transaction in 2014 is TL278.3mn. YBP's net income was TL18.6mn in 2014, implying 15.0x P/E as transaction metric.

The Company operates in 46k sqm indoor and 284k sqm outdoor plant. Slaughtering and processing capacities per annum are as follows:

102,000	cattle:	represents 2.7% of the sector in terms of total slaughtered cattles in 2014
408,000	mutton:	represents 7.9% of the sector in terms of total slaughtered muttons in 2014
1,836,000	turkey:	represents 35.5% of the sector in terms of total slaughtered turkeys in 2014

Source: PETUN, TUIK

## SUBSIDIARIES

Company	BV as of 2015/09 – MN TL	Balance Sheet Method	
YDT (1.76%)	0.57	Financial Investment	
Bintur (1.33%)	0.09	Financial Investment	
YBP (42.78%)	99.90	Equity-Pick up	Sales and distribution of products of Pinar Süt, Pinar Et & other food products
Camli Yem (23.38%)	19.96	Equity-Pick up	Agribusiness- Feed production, fish, cattle and turkey farming
Desa Energy (26.41%)	9.38	Equity-Pick up	
Pinar Foods (44.94%)	6.33	Equity-Pick up	Production and distribution of water and food products in Europe
<b>TOTAL</b>	<b>136.22</b>		

Source: PETUN audit report

PETUN has sizable market shares in total market turnover in all product categories.

PETUN - Market Shares	2010/12	2011/12	2012/12	2013/12	2014/12	2015/09
Salami	34.0%	34.0%	38.0%	43.9%	47.9%	45.5%
Sausage	27.0%	25.0%	28.0%	35.3%	38.9%	41.1%
Turkish Sausages**	16.0%	15.0%	16.0%	17.0%	16.9%	14.9%
<b>Total Charcuterie</b>	<b>20.0%</b>	<b>19.0%</b>	<b>21.0%</b>	<b>22.9%</b>	<b>24.9%</b>	<b>23.7%</b>
<b>Frozen Meat Products</b>	<b>58.0%</b>	<b>55.0%</b>	<b>42.0%</b>	<b>45.0%</b>	<b>46.0%</b>	<b>56.0%</b>
<b>Frozen Sea Products</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>39.4%</b>
<b>Frozen Products Market</b>	<b>29.0%</b>	<b>28.0%</b>	<b>27.0%</b>	<b>27.0%</b>	<b>30.7%</b>	<b>n.a.</b>

Source: Nielsen (excl. BIM & A101), PETUN presentations and annual reports \*\* Turkish sausages are similar to Mexican chorizo but made from beef not pork

## SHAREHOLDER STRUCTURE

Shareholder	Stake	
Yasar Holding AS	54.18%	The capital consists of "Class A" registered shares and of "Class B" bearer shares. Each Class A share is entitled to three votes at general meetings of the Company and each Class B share one vote.
Pinar Süt (PNSUT)	12.58%	
Other	33.24%	

Source: Pinar Et ve Un

## HISTORICAL FINANCIALS

PETUN - MN TL	2009/12	2010/12	2011/12	2012/12	2013/12	2014/12	5YR CAGR/Average
Sales Volume (k ton)	37.5	37.5	40.0	44.1	45.0	45.0	3.7%
Revenues	307.8	352.8	383.7	416.4	479.3	550.9	12.3%
Gross Profit	64.7	59.9	60.3	72.4	83.1	82.3	4.9%
<b>Gross Margin</b>	<b>21.0%</b>	<b>17.0%</b>	<b>15.7%</b>	<b>17.4%</b>	<b>17.3%</b>	<b>14.9%</b>	<b>17.2%</b>
EBIT	33.3	30.5	24.0	32.8	37.8	36.2	1.6%
<b>EBIT Margin</b>	<b>10.8%</b>	<b>8.6%</b>	<b>6.3%</b>	<b>7.9%</b>	<b>7.9%</b>	<b>6.6%</b>	<b>8.0%</b>
Depreciation	7.6	7.9	8.0	7.4	8.6	9.5	4.5%
<b>EBITDA</b>	<b>41.0</b>	<b>38.4</b>	<b>32.1</b>	<b>40.3</b>	<b>46.5</b>	<b>45.7</b>	2.2%
<b>EBITDA Margin</b>	<b>13.3%</b>	<b>10.9%</b>	<b>8.4%</b>	<b>9.7%</b>	<b>9.7%</b>	<b>8.3%</b>	<b>10.0%</b>
Other Income inc. Financial	14.3	16.4	11.2	5.9	7.7	13.3	
<b>As % of EBIT</b>	<b>43.0%</b>	<b>53.8%</b>	<b>46.6%</b>	<b>17.9%</b>	<b>20.4%</b>	<b>36.7%</b>	
Pre-tax Profit	47.6	46.9	35.2	38.7	45.6	49.4	0.7%
Net Income	40.1	39.5	29.7	32.7	38.3	44.3	2.0%
<b>NET Margin</b>	<b>13.0%</b>	<b>11.2%</b>	<b>7.7%</b>	<b>7.8%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>9.3%</b>
Net Cash (Debt)	-8.3	-8.8	-27.9	-11.6	12.6	0.9	-163.9%
Capex	-1.6	-2.5	-5.4	-10.5	-23.4	-19.6	
<b>Free Cash Flow</b>	<b>9.7</b>	<b>17.9</b>	<b>0.7</b>	<b>22.0</b>	<b>42.7</b>	<b>29.5</b>	
Gross Dividend TL MN	6.2	31.6	33.4	26.9	27.7	32.5	
DPR	79%	84%	90%	85%	85%	57%	

Source: PETUN reports, Tera estimates

Average gross margin is 17.2% since 2009. In 2010, gross margin declined sharply compared to 2009 level as the beef prices spiked (see below) and the increase was not fully passed on to end-prices. The decline continued in 2011 as a result of increased competition in a growing market. Also, gross margin declined again in 2014 after a spike in beef prices once again. In a nutshell, PETUN's gross margin is susceptible to sudden increase in beef prices as the end-prices reflect cost increases only with a lag.

TL/Kg	2007	2008	2009	2010	2011	2012	2013	2014
Average Beef Prices (period-end)	8.64	9.92	11.05	15.7	14.11	14.59	15.43	18.38
Chg y/y	2.0%	14.8%	11.4%	42.1%	-10.1%	3.4%	5.8%	19.1%

Source: UKON (National Red Meat Council)

Similarly, EBITDA margin average is 10.0% for 2009 – 2014 period. EBITDA margin moves in the same direction as gross margin however fluctuations are less volatile, thanks to opex controls when needed. In addition PETUN records c.35% of EBIT in other income (equity pick up income), supporting bottomline.

### 3Q15 & 9M15 RESULTS

PETUN- MN TL	2015/3Q	2014/3Q	Δ Y/Y	2015/2Q	Δ Q/Q	2015/09	2014/09	Δ Y/Y
<b>Net Sales</b>	161.3	151.6	6%	146.3	10%	445.6	418.0	7%
<b>Gross Profit</b>	25.5	20.8	22%	24.2	5%	74.6	60.7	23%
<i>Gross Margin</i>	15.8%	13.7%	2.1pp	16.6%	-0.8pp	16.7%	14.5%	2.2pp
<b>EBITDA</b>	16.6	13.2	26%	12.3	35%	42.9	33.0	30%
<i>EBITDA Margin</i>	10.3%	8.7%	1.6pp	8.4%	1.9pp	9.6%	7.9%	1.7pp
Other Income (Expenses)	0.4	-0.2	n.m.	-0.1	n.m.	0.5	1.4	-65%
Profit from Subsidiaries	2.6	1.0	167%	5.1	-49%	11.6	7.4	55%
Financial Inc. (Exp.) Net	0.5	0.3	89%	0.6	-14%	1.7	1.2	41%
<b>Pre-tax Profit</b>	17.5	11.8	48%	15.2	15%	48.5	36.0	35%
<b>Net Income</b>	14.6	10.5	40%	13.6	8%	42.1	31.6	33%
<i>NI Margin</i>	9.1%	6.9%	2.2pp	9.3%	-0.2pp	9.5%	7.6%	1.9pp

Source: PETUN reports, Tera estimates

The charcuterie market has grown by 14.5% year-on-year in terms of turnover. However volumes contracted by 0.1% y/y. Salami and sausages sub segments are the main drivers of growth in the market yet Turkish sausage demand contracted. PETUN increased market share in this segment compared to 1h15 however the market share is still lower compared to 2014/12.

Topline has grown by 7% y/y (6% in 3q15), which was purely driven by price appreciations and new product launches (7% of revenues comes from new products).

Average beef prices increased by 27% y/y as of 9m15. Nonetheless the gross margin improved as well as the EBITDA margin which we think market share capture in frozen meat segment in 2015 helped the improvement in margins. The Company does not share segment based topline and profit distribution.

Profit from equity pick-up subsidiaries has increased by 55% y/y to TL11.6mn, thanks to strong performances of YBP and Camli Yem.

## SECTOR

With its favourable geographical conditions and climate, Turkey is considered to be one of the leading countries in the world in the field of food and agriculture.

Food and agriculture industry corresponds to 9% of the overall GVA (gross value added). As part of its targets set for agriculture sector, by 2023 Turkey aims to be among top 5 producers globally (source: Food and Agriculture report at invest.gov.tr).

Meat sector is an important sub-segment of the food and agriculture industry. Although the average per capita consumption is increasing over the years, it is still below world averages. Over two decades, there has been tremendous progress in cattle breed improvement in Turkey as well as livestock nutrition and management. In 1991, the average weight of a beef carcass was 143kg; in 2014, it was nearly 238 kg although in the recent years the average weight is decreasing.

Red meat production (tons) in Turkey has grown by 6.6% CAGR between 2010 – 2014 period. Meanwhile the animal stock has also grown by 8.1% CAGR in the same period. Number of slaughtered animals stayed flat over the year suggesting that meat production per animal is rising, as a sign of improving efficiency. ***As of 2015/06, red meat production increased by 17% y/y, which we suspect high red meat prices were a strong incentive, signalling that annual production could exceed 1.16mn tons (estimated per annum production could reach 14.8kg per capita from 2014's 13.04kg per capita).***

Animal Stock	2010	2011	2012	2013	2014
Mutton	23,089,691	25,031,565	27,425,233	29,284,247	31,115,190
Goat	6,293,233	7,277,953	8,357,286	9,225,548	10,347,159
Cattle	11,369,800	12,386,337	13,914,912	14,415,257	14,122,847
Buffaloe	84,726	97,632	107,435	117,591	121,826
<b>Total</b>	<b>40,837,450</b>	<b>44,793,487</b>	<b>49,804,866</b>	<b>53,042,643</b>	<b>55,707,022</b>
# of slaughtered animals	2010	2011	2012	2013	2014
Mutton	6,873,626	5,479,546	4,541,122	4,958,226	5,197,289
Goat	1,219,504	1,254,092	926,799	1,340,909	1,570,239
Cattle	2,602,246	2,571,765	2,791,034	3,430,723	3,712,281
Buffaloe	15,720	7,255	7,426	2,403	2,176
<b>Total</b>	<b>10,711,096</b>	<b>9,312,658</b>	<b>8,266,381</b>	<b>9,732,261</b>	<b>10,481,985</b>
Meat production ton	2010	2011	2012	2013	2014
Mutton	135,687	107,076	97,334	102,943	98,978
Goat	23,060	23,318	17,430	23,554	26,770
Cattle	618,584	644,906	799,344	869,292	881,999
Buffaloe	3,387	1,615	1,736	366	526
<b>Total</b>	<b>780,718</b>	<b>776,915</b>	<b>915,845</b>	<b>996,155</b>	<b>1,008,272</b>
Meat per Animal - kg	2010	2011	2012	2013	2014
Mutton	19.74	19.54	21.43	20.76	19.04
Goat	18.91	18.59	18.81	17.57	17.05
Cattle	237.71	250.76	286.40	253.38	237.59
Buffaloe	215.47	222.57	233.77	152.44	241.63
<b>Total</b>	<b>72.89</b>	<b>83.43</b>	<b>110.79</b>	<b>102.36</b>	<b>96.19</b>

Source: TUIK, Tera estimates

Chicken meat production (broiler - tons) in Turkey has grown by 7.0% CAGR between 2010 – 2014 period. Meanwhile the animal stock has also grown by 5.1% CAGR in the same period. In addition, turkey meat production (broiler - tons) in Turkey has grown by 7.7% CAGR between 2012 – 2014

period (historical data not available). Meanwhile the animal stock has also grown by 4.1% CAGR in the same period. So net-net, efficiency gains is not an important issue in this segment. ***Estimated per annum production was 25.1kg per capita in 2014. As of 2015/06, chicken and turkey meat production increased by 4.4% y/y.***

Poultry Stock (000)	2010	2011	2012	2013	2014
Broiler	163,985	158,917	169,034	177,433	199,976
Turkey	2,942	2,563	2,761	2,925	2,990
<b>Total</b>	<b>166,927</b>	<b>161,480</b>	<b>171,795</b>	<b>180,358</b>	<b>202,966</b>

# of slaughtered animals	2010	2011	2012	2013	2014
Broiler	843,898	963,245	1,047,783	1,060,673	1,109,742
Turkey			4,764	4,574	5,174
<b>Total</b>	<b>843,898</b>	<b>963,245</b>	<b>1,052,547</b>	<b>1,065,248</b>	<b>1,114,916</b>

White Meat production ton	2010	2011	2012	2013	2014
Broiler	1,444,059	1,613,309	1,723,917	1,758,363	1,894,669
Turkey	n.a.	n.a.	41,930	39,627	48,662
<b>Total</b>	<b>1,444,059</b>	<b>1,613,309</b>	<b>1,765,847</b>	<b>1,797,990</b>	<b>1,943,331</b>

Source: TUIK, Tera estimates

Frozen processed food increased by 12% in current terms to TL375mn and by 3% in total volume terms in 2014. The main contributor to growth was the increasing number of women in the workforce as a consequence of rapid urbanisation. It is expected that frozen processed food will demonstrate a constant value CAGR of 2% over the forecast period. The main factor underlying positive constant growth is continuing urbanisation and busier lifestyles – consumers have less time to cook but can afford to buy packaged food, more women are joining the workforce, and (fridge) freezer ownership is increasing (source: Euromonitor).

Income Statement (TL mn)	2013	2014	2015E	2016E	2017E	2015/9M
Revenues	479.3	550.9	591.9	637.9	692.2	445.6
EBITDA	46.5	45.7	57.3	59.9	63.3	42.9
Depreciation	8.6	9.5	11.0	12.1	12.9	8.2
EBIT	37.8	36.2	46.3	47.8	50.4	34.8
Other Income/Expenses	7.7	13.3	17.9	16.1	17.0	13.7
Profit before tax	45.6	49.4	64.2	63.8	67.4	48.5
Tax	-7.3	-5.2	-8.6	-7.6	-8.0	-6.4
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Reported net earnings	38.3	44.3	55.6	56.2	59.4	42.1
Reported EPS (TL)	0.883	1.021	1.282	1.297	1.371	0.972
Growth	2013	2014	2015E	2016E	2017E	2015/9M
Sales	15.1%	14.9%	7.4%	7.8%	8.5%	6.6%
EBITDA	15.4%	-1.7%	25.5%	4.6%	5.7%	30.1%
Net earnings	17.1%	15.7%	25.5%	1.2%	5.7%	33.1%
Balance Sheet (TL mn)	2013	2014	2015E	2016E	2017E	2015/9M
Cash & cash equivalents	13.8	1.7	24.5	11.5	12.7	13.1
Trade receivables & Inventory	104.0	105.6	111.0	119.7	130.0	139.2
Tangibles & Intangibles	189.7	200.0	202.5	217.7	220.7	202.6
Investments with Equity Method	106.7	129.6	137.5	146.1	155.4	135.6
Financial Investments	0.6	0.6	0.7	0.7	0.7	0.7
Other Assets	26.5	7.2	7.9	8.7	9.5	5.3
Total Assets	441.3	444.8	484.1	504.4	529.1	496.5
Financial borrowing	1.2	0.9	0.0	0.0	0.0	5.4
Trade payables	80.1	73.4	81.0	87.4	95.1	100.0
Other liabilities	27.0	26.1	28.0	30.2	32.7	31.0
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' Equity	333.0	344.4	375.1	386.8	401.3	360.1
Net Debt	-12.6	-0.9	-24.5	-11.5	-12.7	-7.7
Cash Flow Summary (TL mn)	2013	2014	2015E	2016E	2017E	2015/9M
EBIT	37.8	36.2	46.3	47.8	50.4	34.8
Tax	8.5	7.6	6.8	7.6	8.0	5.0
NOPAT	29.3	28.6	39.5	40.2	42.4	29.8
Minority Interests	0.0	0.0	0.0	0.0	0.0	0.0
Capex (net)	-23.4	-19.6	-13.5	-13.1	-15.9	-10.8
Depreciation & Amortization	8.6	9.5	11.0	12.1	12.9	8.2
Net Working Capital Change	-28.2	-11.0	-1.7	2.8	3.1	3.6
Free Cash Flow	42.7	29.5	38.7	36.4	36.2	23.6
DPS	0.75	0.58	1.03	1.04	1.03	--
Key financial ratios	2013	2014	2015E	2016E	2017E	2015/9M
ROE	11.5%	12.9%	14.8%	14.5%	14.8%	15.6%
EBITDA margin	9.7%	8.3%	9.7%	9.4%	9.1%	9.6%
Net Margin	8.0%	8.0%	9.4%	8.8%	8.6%	9.5%
Net debt/Equity	-0.04x	0.00x	-0.07x	-0.03x	-0.03x	-0.02x
Net debt/EBITDA	-0.27x	-0.02x	-0.43x	-0.19x	-0.20x	-0.04x
Equity/Total Assets	75.5%	77.4%	77.5%	76.7%	75.8%	72.5%
Leverage	0.33x	0.29x	0.29x	0.30x	0.32x	0.38x
Interest coverage	-4.89x	-2.72x	-2.59x	-2.98x	-2.96x	-2.54x
Cash dividend pay-out	85.0%	56.8%	80.0%	80.0%	75.0%	--

Source: Pinar Sut, TERA estimates



**TERA MENKUL RATING**

BUY	Upside potential more than estimated CoE*
NEUTRAL	Upside potential between 0% and estimated CoE*
SELL	No upside potential
* Current estimated CoE: 15.0%	

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