

07 March 2016

Istanbul Calling

Event Diary:

- Today – Aselsan to announce 4Q15 results (UNLU&Co NI: TL173m, Cons: TL218m)
- Tomorrow – BIM to announce 4Q15 results (UNLU&Co NI: TL150m, Cons: TL140m)
- Tomorrow – Industrial Production (January)
- 10 March – Current Account Deficit (January)
- 10 March – Celebi Ground Handling to announce 4Q15 results (UNLU&Co NI: TL19m)
- 10 March – Deadline for non-financial companies to announce their 4Q15 results

Earnings Previews and Results:

- Aselsan will announce its 4Q15 results today

Sector and Company News:

- Passenger traffic accelerates on higher days in February
- Tofas to export Fiat Egea to Mexico under Dodge brand
- Turk Traktor's sales decline 7% y/y in February
- Sabanci Family member plans to sell Teknosa shares
- One of Emlak REIT's developers applies for bankruptcy protection
- JCR Eurasia Rating puts Dunya Goz Hastanesi under negative watch
- Garanti Bank to distribute TL0.135/share in gross cash dividends
- Vakifbank to distribute TL0.04/share in gross cash dividends
- Petkim will distribute TL0.315/share gross cash dividends
- Enka Insaat to distribute TL0.08/share in cash dividends and undertake a 5% bonus issue

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Market snapshot

BIST indices	Close	Change	Vol.(\$m)
BIST 30	94,803	0.49%	1,243
BIST 100	77,191	0.47%	1,551

BIST 30 futures	Settl.	Change	Vol.(\$m)
April	94.950	0.88%	633.64
June	95.525	0.87%	4.69

BIST 30 top gainers	Daily (TL)	Vol.(\$m)
DOHOL	7.27%	3.89
KOZAL	3.43%	4.09
THYAO	2.83%	253.35

BIST 30 top losers	Daily (TL)	Vol.(\$m)
PGSUS	-3.47%	10.53
PETKM	-2.30%	32.38
ARCLK	-1.96%	24.94

Global equity markets performance

Emerging markets	Daily	3M	Ytd
BIST 100	0.5%	3.9%	7.6%
MSCI EM	1.4%	-2.6%	-0.4%
Hang Seng	-0.1%	-9.3%	-8.0%
Brasil-Bovespa	4.0%	8.2%	13.2%
Russia-MICEX	1.1%	7.0%	6.6%
India-Sensex 30	0.2%	-3.9%	-5.6%
China-Shanghai	0.1%	-18.4%	-18.7%
S. Africa-JSE	0.8%	5.9%	3.0%

Developed markets

Dow Jones	0.4%	-4.7%	-2.4%
S&P 500	0.3%	-4.4%	-2.2%
FTSE 100	1.1%	-0.6%	-0.7%
Euro Stoxx 50 Pr	0.8%	-8.8%	-7.0%
DAX	0.7%	-8.6%	-8.6%
CAC 40	0.9%	-5.5%	-3.9%
IBEX	0.5%	-12.6%	-7.7%
Nikkei	-0.5%	-13.2%	-11.1%

Commodities

* futures	Price	Daily	Ytd
Brent (\$/bbl)*	38.7	4.5%	3.9%
Gold (\$/oz)	1,259	-0.4%	18.6%
Silver (\$/t oz)	16	3.6%	13.3%
Copper (\$/lb)	227	3.0%	6.3%

Fixed income and currency

Foreign exchange rates	Price	Daily	Ytd
USD/TL	2.9199	-0.23%	-0.12%
EUR/USD	1.0982	0.79%	0.50%
TL basket	3.0633	0.28%	0.19%

Interest rates	Yield	Change	Vol.(\$m)
Policy rate (sa)	7.50%		
Benchmark (14-Jun-17)	10.7%	0.0%	15.82

Eurobonds	Price	Yield	Spread
TR (15-Jan-30)	166.64	5.1%	3.2%
US (10-year)		1.9%	0.0%

Source: Rasyonet, Bloomberg

Earnings Previews and Results

Aselsan will announce its 4Q15 results today: Following weak financial results in 2Q15 and 3Q15, we expect Aselsan to improve its project completions. Accordingly, we are looking for close to 50% top line growth with 17.6% EBITDA margin in 4Q15. Net income should also be supported by TL appreciation as the company has short FX position on the back of advances received for its projects.

Aselsan's 4Q15 preview									
TL m	2014	2015E	y/y	4Q14	3Q15	4Q15E	y/y	q/q	Cons.
Revenues	2,498	2,885	16%	717	549	1,064	48%	94%	986
EBITDA	455	548	21%	120	106	187	56%	77%	182
Net Income	350	116	-67%	104	-108	173	65%	NM	218
EBITDA margin	18.2%	19.0%		16.7%	19.2%	17.6%			
Net margin	14.0%	4.0%		14.6%	NM	16.2%			

Source: Rasyonet, UNLU & Co estimates, Consensus

Sector and Company News

Passenger traffic accelerates on higher days in February: Civil Aviation Authority (DHMI) announced pre-liminary February passenger data. Accordingly, the domestic passenger traffic increased 18% y/y in February (January: up 10% y/y), while international passenger traffic increased 7% y/y (January (up 5% y/y)). This brings the increase on total passenger traffic to 14% y/y in the underlying month (January: up 8% y/y). Although there seems an acceleration in the passenger traffic, this is primarily driven by the leap-year effect of February (c.3.5%). If we adjust the series with number of days, the annual traffic increase in domestic and international passengers would decline to 15% and 4% respectively. In addition to this, the increase air traffic movements (domestic: up 21% y/y, international: up 14% y/y) was also ahead of the passenger traffic growth in February, suggesting further weakness in load factor. Low single-digit growth in high yield international traffic along with weakness in load factors support our worries/concerns on the airline operators.

Tofas to export Fiat Egea to Mexico under Dodge brand: In an interview with daily Hurriyet, Tofas CEO Cengiz Eroldu stated that the new sedan Egea will be sold in Mexico under Dodge Brand. Mr. Eroldu did not reveal any details of the agreement with Dodge such as volume and time period. However, given the business model of Tofas, there would probably be a take-or-pay agreement between Tofas and Dodge. The auto sales have been on an upward trend in Mexico on declining interest rates and there were 1.4m PC sold in 2015. Note that Tofas has 75k units capacity for the new sedan Egea, of which 25k units were allocated to exports. The new deal with Dodge will increase the capacity further and create upside risk to our forecast and target price.

Turk Traktor's sales decline 7% y/y in February: According to the official announcement, Turk Traktor's cumulative sales declined 7% y/y in February to 3.5k units following a sharp increase (26% y/y) in January. Both domestic sales and exports declined by 5% y/y and 11% y/y, respectively. The weakness in exports is broadly in-line with our expectation given the declining global tractor sales. On the other hand, the contraction in domestic volume mainly stems from unfavourable base effect of Feb'15 when sales surged by +23% y/y. Therefore, we think the February update is neutral for share price performance.

Sabancı Family member plans to sell Teknosa shares: According to an official announcement, Serra Sabancı plans to sell Teknosa shares in Borsa Istanbul. In a previous announcement filed on 2 November 2015, Serra Sabancı stated that she registered 5.7m Teknosa shares (5.2% of the company). Note that other family members have also registered substantial amount of Teknosa shares in recent months. On 2 and 3 November 2015, Suzan Sabancı Dincer and Sevil Sabancı registered 3.2m (2.9% of the company) and 5.7m (5.2% of the company) shares, respectively. More recently, Ali Sabancı and Emine Kamisli registered 1.2m shares each (2.2% of the company combined). Since November, family members have registered a total of 17m shares (15.5% of the company). Recall that, Teknosa's free float is 12% and Sabancı Family members own 28% of the share capital (including recently registered shares), while the remaining 60% of the company is owned by Sabancı Holding. Given the size of the registered shares, we may see some overhang on the stock in the near future.

One of Emlak REIT's developers applies for bankruptcy protection: According to daily Hurriyet, Yeni Sarp Insaat, which develops a mixed-use project at Istanbul-Atasehir Finance Centre, applied to the court for bankruptcy protection last week. Sarphan Finans Park is a project that is developed by the group that was tendered back at a TL241m price tag, which has a negligible share in Emlak REIT's NAV. Although the company's CEO Aladdin Akar said that they aim to complete the existing projects, we will see how Emlak REIT will act after the company applies for the bankruptcy protection. Note that 92% of the project is already completed.

JCR Eurasia Rating puts Dunya Goz Hastanesi under negative watch: On 4 March Friday, through an announcement on its webpage, JCR Eurasia Rating placed Dunya Goz Hastanesi's ratings on negative watch due to restraints on analytical review due to lack of adequate and appropriate data. Following the press release of JCR Rating, the company made an announcement that audited financial statements are expected to be completed on 15 March. Previously, JCR Eurasia rating assigned Dunya Goz Hastanesi's credit rating at

'BBB- (Trk)' with stable outlook on 28 December 2015. Note that Dunya Goz Hastanesi issued two corporate bonds amounting TL150m on 12 August 2014 with two and three-year maturities and spreads of 375bps and 450bps, respectively.

Garanti Bank to distribute TL0.135/share in gross cash dividends: Garanti Bank's Board of Directors decided to propose a dividend distribution of TL0.135 per share (TL567m in total), implying a dividend yield of 1.8%. Total dividend to be distributed corresponds to a pay-out ratio of 17% (slightly lower than our estimates) and the proposed ex-date is 25 April 2016.

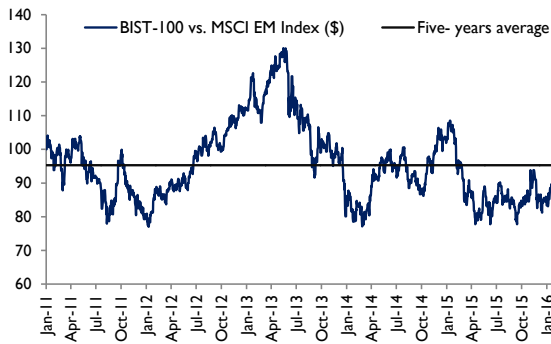
Vakifbank to distribute TL0.04/share in gross cash dividends: Vakifbank's Board of Directors decided to propose a dividend distribution of TL0.04 per share (TL100m in total), implying a dividend yield of 0.9%. Total dividend to be distributed corresponds to a pay-out ratio of 5% (among the lowest in our banking coverage) and the proposed ex-date is 31 May 2016.

Petkim will distribute TL0.315/share gross cash dividends: According to the official company announcement, Petkim's Board of Directors proposed distributing of TL472.5m gross cash dividends corresponding to a TL0.315/share. The proposed amount is 5% higher than what we expecting (TL450m or TL0.30/share) and implies a 9.3% dividend yield at the current prices. The ex-date is 27 June 2016. We expect the dividend announcement would have a positive impact on stock price since the proposed amount is 97% higher than Bloomberg consensus estimate of TL0.16/share.

Enka Insaat to distribute TL0.08/share in cash dividends and undertake a 5% bonus issue: According to the official company announcement, Enka Insaat's Board of Directors decided to propose TL600m cash dividend distribution in its general assembly, TL280m of which was already distributed in advance in 2015. Hence, the total dividend distribution will be TL320m (TL0.08 per share) implying a dividend yield of 1.7%. The planned ex-date is April 20. Additionally, the company will increase its paid-in capital via a 5% bonus issue. The company will convene its annual general assembly on 29 March.

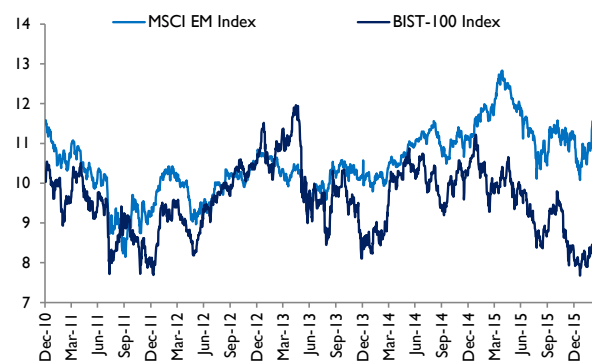
Key charts

Figure 1: BIST-100 Index vs. MSCI EM Index price performance (in USD terms)



Source: Bloomberg Finance LP

Figure 2: One-year forward looking P/E multiple (BIST-100 Index vs. MSCI EM Index)



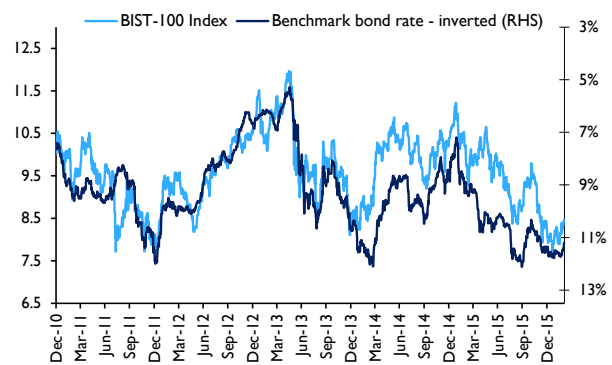
Source: Bloomberg Finance LP

Figure 3: BIST-100 Index one-year forward looking P/E evolution



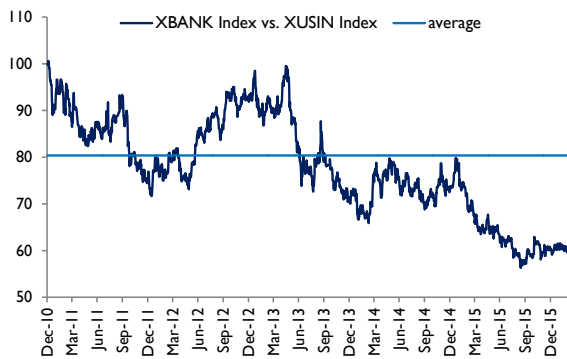
Source: Bloomberg Finance LP

Figure 4: BIST-100 Index one-year forward looking P/E vs. benchmark bond yield



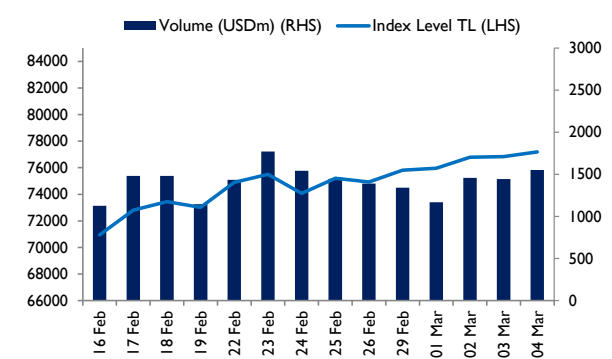
Source: Bloomberg Finance LP

Figure 5: Banks vs. Industrials Index



Source: Bloomberg Finance LP

Figure 6: BIST-100 Index level vs. daily trading volume



Source: Rasyonet

Figure 7: Turkish Equity Coverage

Company Name	Ticker	Current price (TL)	TP (TL)	Upside (%)	Rating	MCAP (USDm)	Free Float (%)	Avg. Vol. (USDm)	P/E		EV/EBITDA*	
									15E	16E	15E	16E
Banks									7.3	5.9	0.8	0.7
Akbank	AKBNK.IS	7.52	9.05	20%	Buy	10,320	52%	67.0	10.0	7.8	1.1	1.0
Albaraka	ALBRK.IS	1.58	1.95	23%	Buy	488	21%	1.0	4.8	4.6	0.7	0.6
Garanti Bank	GARAN.IS	7.48	9.25	24%	Buy	10,778	48%	285.1	9.2	7.2	1.0	0.9
Halkbank	HALKB.IS	10.40	16.00	54%	Buy	4,460	49%	90.3	5.7	5.1	0.7	0.6
Isbank	ISCTR.IS	4.70	6.00	28%	Buy	7,256	31%	68.8	6.9	5.5	0.7	0.6
TSKB	TSKB.IS	1.63	2.05	26%	Buy	979	39%	3.2	7.0	5.5	1.1	1.0
Vakifbank	VAKBN.IS	4.28	5.05	18%	Buy	3,671	25%	51.3	5.5	5.2	0.6	0.6
Yapı Kredi	YKBNK.IS	3.85	4.40	14%	Hold	5,742	18%	28.7	9.0	6.6	0.7	0.7
Insurance									15.6	15.8	2.7	2.5
Akigorta	AKGRT.IS	1.71	1.86	9%	Hold	180	28%	0.2	nm	14.7	1.3	1.2
Anadolu Hayat	ANHYT.IS	5.63	6.75	20%	Buy	792	17%	0.2	15.8	16.0	2.9	2.7
Anadolu Sigorta	ANSGR.IS	1.67	1.62	-3%	Hold	286	42%	0.1	10.4	8.1	0.8	0.7
AvivaSA	AVISA.IS	20.48	24.00	17%	Buy	829	20%	0.2	20.6	24.4	5.9	5.4
Telecoms									17.8	12.3	5.6	5.7
Turk Telekom	TTKOM.IS	5.84	7.40	27%	Buy	7,013	13%	6.9	23.0	11.9	5.7	5.8
Turkcell	TCELL.IS	11.41	12.00	5%	Hold	8,612	35%	15.4	12.6	12.7	5.5	5.7
Conglomerates									12.6	11.5	nm	nm
Akfen Holding	AKFEN.IS	13.69	10.08	-26%	Buy	1,161	11%	2.3	nm	24.2	nm	nm
Dogan Holding	DOHOLIS	0.59	0.76	29%	Buy	530	35%	2.5	nm	9.0	nm	nm
Enka Insaat	ENKA.IS	4.72	5.52	17%	Hold	6,478	12%	4.0	12.2	11.9	5.0	4.5
Gozde Girsim	GOZDE.IS	2.09	3.18	52%	Buy	276	26%	0.9	nm	nm	nm	nm
Koc Holding	KCHOLIS	13.10	14.25	9%	Buy	11,397	22%	17.0	9.3	9.5	nm	nm
Sabancı Holding	SAHOLIS	9.20	11.20	22%	Buy	6,440	44%	37.3	8.6	6.5	nm	nm
Tekfen Holding	TKFEN.IS	4.50	6.50	44%	Buy	571	41%	6.7	7.9	5.4	4.6	3.3
Yazıcılar Holding	YAZIC.IS	13.72	20.00	46%	Hold	753	24%	0.8	24.9	14.3	nm	nm
Commodities									9.9	11.1	7.1	6.4
Aygaz	AYGAZ.IS	11.00	13.00	18%	Buy	1,132	24%	1.1	11.1	9.2	5.7	4.6
Gubre Fabrikalari	GUBRF.IS	6.10	7.20	18%	Hold	699	22%	15.5	12.9	10.2	5.0	4.0
Erdemir	EREGLIS	3.54	4.15	17%	Hold	4,251	48%	19.1	9.4	8.3	6.2	5.5
Kardemir	KRDM.D.IS	1.17	2.00	71%	Buy	489	89%	11.6	nm	19.3	10.5	7.2
Petkim	PETKM.IS	3.40	4.00	18%	Buy	1,750	39%	16.0	8.9	11.6	8.9	10.7
Tupras	TUPRS.IS	75.20	92.10	22%	Buy	6,461	49%	40.0	7.4	8.2	6.6	6.5
Autos & Parts and White Goods									13.3	11.7	9.4	8.8
Arcelik	ARCLK.IS	18.03	16.40	-9%	Hold	4,180	25%	11.1	13.7	14.2	10.2	9.3
Brisa	BRISA.IS	7.63	8.70	14%	Hold	799	10%	0.8	14.0	11.0	9.7	10.2
Dogus Otomotiv	DOAS.IS	10.83	14.30	32%	Sell	817	26%	5.0	7.5	8.0	5.7	5.7
Ford Otosan	FROTO.IS	35.02	37.30	7%	Buy	4,216	18%	4.4	17.1	13.7	11.0	9.2
KordSA	KORDS.IS	4.75	5.70	20%	Buy	317	28%	3.1	11.2	8.8	6.6	5.5
Tofas	TOASO.IS	20.06	19.10	-5%	Hold	3,441	24%	6.8	12.5	12.1	11.2	11.0
Turk Traktor	TTRAK.IS	76.70	88.00	15%	Buy	1,404	24%	1.6	17.4	14.1	11.7	10.4
Defence									23.8	15.1	14.2	12.4
Aselsan	ASELS.IS	18.11	14.80	-18%	Hold	3,107	14%	3.3	23.8	15.1	14.2	12.4
Real Estate									9.6	5.7	11.9	5.3
Emlak GYO	EKGYO.IS	2.56	3.79	48%	Buy	3,338	51%	41.2	9.5	8.8	9.5	8.0
IS GYO	ISGYO.IS	1.77	1.80	2%	Hold	453	48%	1.8	16.6	8.1	6.4	4.2
Sinpas GYO	SNGYO.IS	0.60	0.98	63%	Hold	124	37%	0.3	nm	4.6	23.9	5.0
Torunlar GYO	TRGYO.IS	3.74	4.22	13%	Sell	642	21%	0.6	2.8	1.6	7.8	4.0
Retailers									39.6	38.8	10.9	10.0
Bim	BIMAS.IS	54.00	62.50	16%	Buy	5,625	60%	16.4	28.4	25.2	18.5	15.7
Bizim Toptan	BIZIM.IS	14.87	15.70	6%	Hold	204	46%	1.3	50.7	52.4	8.6	8.0
Migros	MGROS.IS	16.15	23.40	45%	Buy	986	19%	3.4	nm	nm	8.4	7.5
Teknosa	TKNSA.IS	6.28	6.90	10%	Hold	237	11%	0.6	nm	nm	8.0	8.6
Cements									9.4	9.8	6.2	6.9
Akcansa	AKCNS.IS	14.23	16.00	12%	Buy	935	19%	0.9	9.8	9.6	6.2	6.2
Cimsa	CIMSA.IS	15.86	18.00	13%	Buy	735	40%	0.8	9.1	10.1	6.2	7.7
Glass and materials									8.3	7.9	5.0	4.1
Anadolu Cam	ANACM.IS	1.68	2.00	19%	Hold	256	20%	1.6	6.5	7.5	3.5	2.7
Sise Cam	SISE.IS	3.48	3.46	-1%	Hold	2,269	34%	6.7	8.7	8.1	5.3	4.6
Soda Sanayii	SODA.IS	4.82	5.80	20%	Buy	1,091	16%	1.3	7.9	7.9	5.7	4.6
Trakya Cam	TRKCM.IS	1.83	2.90	58%	Buy	562	28%	3.8	10.3	8.3	5.4	4.3
Aviation									14.5	11.9	7.7	7.1
Celebi GH	CLEBI.IS	35.46	48.00	35%	Buy	296	22%	0.5	15.5	12.5	7.7	7.0
DO & CO	DOCO.IS	315.90	306.00	-3%	Buy	1,056	20%	1.0	35.7	25.0	15.3	11.6
Pegasus Airlines	PGSUS.IS	17.23	30.60	78%	Buy	605	35%	5.6	7.8	8.8	4.3	6.1
TAV Airports	TAVHLIS	17.05	23.30	37%	Buy	2,125	40%	9.3	8.9	6.5	6.1	4.6
Turkish Airlines	THYAO.IS	7.63	10.10	32%	Buy	3,613	50%	170.5	4.5	6.4	5.1	6.0
Food and Beverages									20.8	14.9	10.6	9.0
Anadolu Efes	AEFES.IS	18.40	22.90	24%	Hold	3,738	32%	1.5	30.9	18.0	10.6	9.0
Coca Cola Icecek	CCOLA.IS	34.60	52.00	50%	Hold	3,020	25%	6.4	27.3	16.8	10.1	8.4
Pinar Sut	PNSUT.IS	15.83	24.20	53%	Hold	244	38%	0.2	13.5	11.8	7.3	6.1
Tat Gida	TATGD.IS	5.14	8.30	61%	Buy	240	41%	2.2	8.8	8.1	8.3	7.3
Ulker Biskuvi	ULKER.IS	19.97	24.00	20%	Buy	2,343	39%	6.2	23.4	19.8	16.8	14.0
Utilities									nm	nm	11.3	11.6
Ak Enerji	AKENR.IS	0.89	1.07	20%	Sell	223	25%	1.0	nm	nm	14.3	12.3
Aksa Enerji	AKSEN.IS	2.53	3.29	30%	Buy	532	21%	2.0	nm	29.9	9.8	8.7
Odas Elektrik	ODAS.IS	5.81	8.40	45%	Hold	95	37%	1.2	nm	nm	9.9	13.8

Source: UNLU & Co estimates, Bloomberg, * P/BV for financials, **last trading day's closing price

Figure 8: Corporate Bond Coverage

Issuer	ISIN code	Type of Yield	Issuance Date	Maturity Date	Total Issue Nominal Amount (TLm)	Number of Coupons	Next Coupon Date	Next Coupon Rate (%)	Spread (bps)
Ayen Enerji	TR SAYENA1617	FRN	24/12/2014	21/12/2016	70	4	23/03/2016	3.8133	475
Calik Enerji	TR SCLKE11711	FRN	30/01/2015	27/01/2017	150	4	02/05/2016	3.7300	425
Gozde Girisim Sermayesi	TR SGZDFA1611	FRN	29/12/2014	26/12/2016	400	4	28/03/2016	3.5009	350
IC Ictas Enerji	TR SICICA1713	FRN	18/12/2015	15/12/2017	135	4	18/03/2016	3.7751	450
Karsan Otomotiv	TR SKRSN51620	FRN	29/05/2014	26/05/2016	100	4	26/05/2016	3.8027	450
Karsan Otomotiv	TR SKRSNE1713	FRN	21/10/2014	17/10/2017	180	4	19/04/2016	3.7925	450
Karsan Otomotiv	TR SKRSN31812	FRN	27/03/2015	23/03/2018	20	4	25/03/2016	3.7350	450
Palmet Enerji	TR SPALM51713	FRN	11/05/2015	08/05/2017	50	4	09/05/2016	3.9063	500
Soktas Tekstil	TR SKTS41717	FRN	07/04/2015	04/04/2017	25	4	05/04/2016	3.7926	475

Source: Borsa Istanbul

Disclosure Appendix

Important Global Disclosures

The information and opinions in this research report was prepared by UNLU Menkul Degerler A.S ("UNLU & Co").

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