

Daily Bulletin

IN TODAY'S DAILY

- **Aselsan, Bim, Bizim, Enerjisa and Migros** are scheduled to announce 2Q19 results today after the market close
- **Aselsan** acquiring 50% stake in electronic warfare and tactical command control systems company
- **Enka** suspended Izmir natural gas power plant with expiration of agreement with the state
- **Kordsa** posted 2Q19 net profit slightly better than consensus
- The court session related to **Koza Gold's (KOZAL TI)** owners will be held today
- Foreign investors were net sellers of c.US\$80mn of equities in July

MARKET SUMMARY

Equity market is off to negative start as risk-off tone continues to take hold in global markets. Amidst the perceived flight to safety, we are in the middle of the heaviest week of 2Q earnings with ~20 companies in our coverage scheduled to report this week. Lira opting for sidelines yet among strongest EMFX as USDTRY trades at 5.55 in the early morning, flat vs yesterday's closing. Light macro agenda with July REER at 14:30 local time. Seeing supports at 97.8k, 96.6k and resistances at 99k, 100.5k for BIST-100.

EVENTS CALENDAR

Date		Last
6 August	July	Effective Exchange Rate 72.1
		ASELS, BIMAS, BIZIM, ENJSA, MGROS 2Q19 Financials
6 August		
7 August	July	Cash Budget Balance -11.0bn
		TUPRS, AYGZ, ENJSA, CCOLA, AEFES, ULKER, SAHOL 2Q19 Financials
7 August		
8 August	2 Aug	Foreigners Net Bond Invest. US\$175mn
8 August	2 Aug	Foreigners Net Stock Invest. US\$645mn
		AKSA, EREGL, ISCTR, KCHOL, KOZAL, MPARK, PETKM, PGSUS, THYAO
8 August		2Q19 Financials
9 August	June	Current Account Balance 0.15bn
9 August	August	Expected Inflation (12M) 13.90%
9 August		BOLUC, TRGYO 2Q19 Financials

COMPANY and SECTOR NEWS

Aselsan (ASELS TI) announced it signed a protocol to acquire 50% stake (49% from real persons, 1% from Havelan) in Havelan Ehsim Air Electronic Warfare System Engineering Trade Inc. Upon completion of required

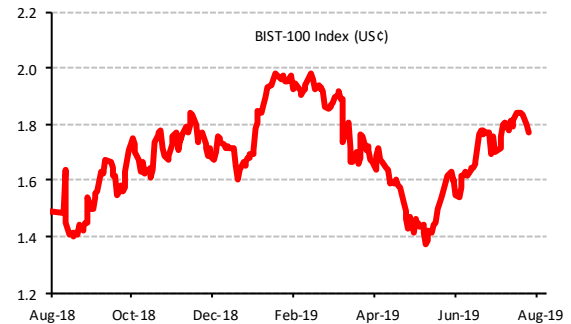
BIST	5/8/19	PERFORMANCE (TRY)	
Indices	Close (TL)	Daily	YTD
BIST-100	98,673	-1.01%	8.11%
BIST-30	123,663	-1.07%	8.15%
BIST- Banks	141,592	-0.52%	20.26%

EQUITY MARKET DATA

BIST100 MCap (TRYmn)	853,820
Banks MCap (TRYmn)	249,222
BIST Volume (TRYmn -3m avg)	6,875
BIST100 Aggregate Free Float	26.5%

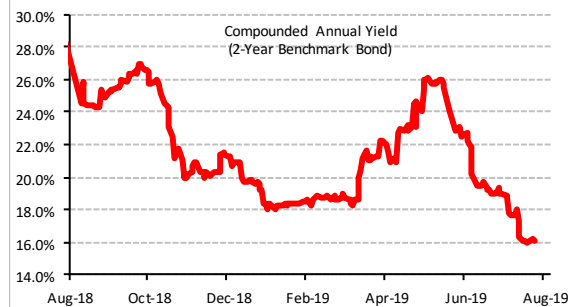
MONEY MARKET

FX RATES (CBT Bid)	5/8/19	Daily	YTD
US\$/TRY		0.00%	5.7%
€/TRY		0.00%	2.0%



BOND MARKET Comp. Ann. Yld. (TRY) Daily Δ (bps)

Maturity	Comp. Ann. Yld. (TRY)	Daily Δ (bps)
Aug 12, 2020	16.08%	-10.0
Feb 11, 2026	15.47%	-9.0



EUROBONDS Comp. Ann. Yld (\$) Daily Δ (bps)

Maturity	Comp. Ann. Yld (\$)	Daily Δ (bps)
February 5, 2025	6.55%	11.7
March 17, 2036	7.34%	10.7
February 17, 2045	7.42%	8.9

payment and legal approval procedures, additional disclosure will be provided. Ehsim Inc. operates mainly in the fields of Electronic Warfare and Tactical Command Control Systems. We deem the news neutral for shares.

Enka Construction (ENKAI TI) suspended its Izmir natural gas power plant after the 16-year off-take agreement with the state-owned Turkish Electricity Generation Company ended. We deem the news to have neutral impact for shares.

Kordsa (KORDS TI) posted TRY98mn net profit in 2Q19 up by 31% YoY and 6% QoQ and is 5% better than the consensus estimate of TRY93mn. Kordsa revenues grew by 60% YoY and 4% QoQ to TRY1,321mn and are in line with the consensus estimate of TRY1,298mn. We note that 2Q19 revenues were boosted by inorganic growth from the acquisition of three composite materials companies in 3Q18. This segment, Advanced Composite Materials, recorded TRY175mn revenues in 2Q19 (12% of total revenues) up from near zero in 2Q18. The Industrial Yarn and Cord Fabric segment revenues grew 37% YoY to TRY1,092mn (73% of total revenues). Kordsa realized EBITDA margin of 15.9% in 2Q19 slightly better than the consensus estimate of 15.3%, but is lower than the year ago margin of 17.3%. It should be noted that Kordsa's EBITDA margin can show fluctuations on a quarterly basis due to raw material price changes, but on a yearly basis typically falls in 15% - 16% range. Kordsa's net debt position was TRY1,463mn at end 2Q19 similar to the level at end 1Q19 of TRY1,380mn. As in the previous two quarters, Kordsa continued to generate positive free cash flow in 2Q19. Year-to-date shares have gained 26% and outperformed the BIST-100 index by 13%. **Comment:** 1H19 operating performance is well within the full year guidance with 1H19 top-line growth of 60% vs. full year guidance of 30% - 40% growth, and EBITDA growth of 55% in 1H19 vs. the guidance of 30% - 40%. This does not include inorganic contribution starting in August with completion of acquisition of Axiom in July. 2Q19 EBTDA margin and net profit are slightly better than expected. We believe share price could see some positive reaction.

The court session related to **Koza Gold's (KOZAL TI)** owners will be held today. As might be remembered, the Ipek family were accused of multiple charges, including support for terrorism and fraud. Resolution of the related uncertainty with a ruling in today's hearing that is in favor of the state would be positive for KOZAL TI, KOZAA TI, and IPEKE TI shares.

Foreign investors activity in equities in July. According to official data, foreign investors bought US\$9.6bn and sold US\$9.5bn worth of equity sales in the BIST during July. Accordingly, net sales of foreign investors in July was approximately US\$80mn. Foreign investors made a net sale of US\$2bn in 2018 and a net sale of about US\$4mn in the first seven months of 2019. Tüpras, Akbank, Yapı Kredi Bank, BIM and Vakıfbank were most heavily bought stocks and THY, Vestel, Soda Sanayii, Ereğli Demir Celik and Arcelik ranked first in net sales by foreigners.

2Q19 FINANCIAL RESULTS ANNOUNCEMENTS DUE TODAY

<u>Company</u>	<u>Ticker</u>	<u>2Q19 net profit estimate (TRYmn)</u>	
		<u>Consensus*</u>	<u>Ak</u>
Aselsan	ASELS	698	754
Bim	BIMAS	306	275
Bizim	BIZIM	7	6
Enerjisa	ENJSA	223	193
Migros	MGROS	-163	-192

*Research Turkey Survey

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Our rating system aims to indicate a relative value and is therefore based on a graduated scale (Outperform, Neutral and Underperform). While the BIST-100 (XU100) Index is treated as the point of reference when assigning our ratings, each analyst also takes into account views towards stocks in relation to the sectors under coverage and the sector call relative to the market. We also categorize the stocks in our coverage under two groups, principally in accordance with their liquidity (based on free-float market capitalization and historical average daily trading volume) as small-cap stocks exhibit different risk/return characteristics than more-liquid large-caps. In conjunction, the individual stock ratings reflect the expected return of the stock relative to the broader market over the next 6 to 12 months. The expected performance equals to the sum of forecasted share price appreciation and expected cash dividend income. It is a function of the near-term company fundamentals, the outlook for the sector, the confidence

in earnings projections and the company valuation, along with other factors. In light of this expected return, the target price for a stock represents the value the analyst expects the stock to reach or sustain over a 12-month horizon. However, this should be interpreted as a notional reference price and must be discounted by the stock's cost of equity to calculate the current fair price estimate.

A key element of our rating system is the benchmarking of the 12-month expected return against the cost of equity. We apply a required rate of return for each stock, calculated on the basis of our assumed risk-free rate and equity risk premium. A stock is normally assigned an Outperform rating if the implied return over the next 12 months exceeds the required rate of return (cost of equity) by at least 10 percentage points for our larger-cap stock coverage, or by 15 percentage points for the small-cap group. As the average potential upside of the stocks in our coverage may be considerably higher or lower than the average cost of equity, we also filter stocks according to their potential upside with respect to other stocks under coverage, with the practical aim of attaching an Outperform rating to the top group (generally 30-50% of the companies under our coverage), a Neutral rating for the next 40-50% and an Underperform rating to the lowest group (no less than 10%, and typically between 10-20% of the coverage group). The expected returns on some stocks may fall outside the range of the applicable rating category, due to movements in market prices and other short-term volatility or trading patterns, or analyst discretion. While temporary deviations from the specified ranges are permitted, they would subsequently become subject to review. Note too that the analyst's short-term view may occasionally diverge from the stock's longer-term fundamental rating.

Outperform. An outperform rating conveys an expectation that the stock will outperform the BIST-100 Index (XU100) within the next 6 to 12 months.

Neutral. A neutral rating would convey an expectation that the stock will perform broadly in line with the BIST-100 (XU100) Total Return Index.

Underperform. An underperform rating conveys an expectation that the stock will yield a return below that of the BIST-100 (XU100) Total Return Index within the next 6- to 12-month period.

Not Rated (N/R). A not rated rating is assigned when the analyst does not have adequate conviction about the stock's total return relative to the BIST-100 (XU100) Total Return Index or to the average total return of the analyst's industry coverage universe, on a risk-adjusted basis, over the next 6 to 12 months.

Under Review (U/R). An under review rating is temporarily assigned when the analyst starts an appraisal process of the rating for a potential revision, or the issuer has a significant material event with further information pending or to be announced. This does not revise the previously published rating, but indicates that the analyst is actively reviewing the investment rating or waiting for sufficient information to re-evaluate the analyst's expectation of total return on equity.

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