

# Daily Bulletin

## IN TODAY'S DAILY

- Somerset Capital Management sold **Aksa Akriklik** shares reducing its shareholding to 4.94%
- **Eregli Demir Celik** proposed dividend of TRY1.38/share with 15.2% yield
- **Iskenderun Demir Celik** proposed dividend of TRY1.21/share with 17.1% yield
- **Selcuk Ecza** posted TRY99mn net income in 4Q18, better than consensus net profit expectations of TRY68mn.
- **Yapi Kredi Bank** announced that it had executed future flow transactions worth US\$712mn.
- **Aviation Sector:** The transfer of the operations of **Turkish Airlines** to the new Istanbul Airport is postponed to April 5, 2019.
- **Banking Sector:** BRSA extended the maximum maturity terms on general purpose consumer loans and some auto loans.
- **Banking Sector:** Chairman of Turkish Bankers Association commented on the credit outlook.

## MARKET SUMMARY

Parallel to the wide-spread positive sentiment in the market, BIST-100 closed with 1.1% gain yesterday. Today we foresee the index to open lower due to the negative trading patterns in global equity markets and lack of fresh data flows on local front, also considering the loss of momentum in buyer activity towards the close in yesterday's trading. US\$/TRY pair is hovering below the 5.31 level in early trades. We are seeing the supports at 103.8k and 103.2k levels whereas resistances are at 104.8k and 105.5k for the BIST-100 index.

## EVENTS CALENDAR

| Date   | Period | Data                            | Last        |
|--------|--------|---------------------------------|-------------|
| 26 Feb | 4Q18   | Financial results: ASELS        |             |
| 27 Feb | Feb    | Economic Confidence Index       | 78.5        |
| 27 Feb | 4Q18   | Financial results: CCOLA        |             |
| 28 Feb | Jan    | Trade Balance                   | -US\$2.67bn |
| 28 Feb | Jan    | Foreign Tourist Arrivals        |             |
| 28 Feb | Jan    | Bloomberg Turkey Eco. Survey    |             |
| 28 Feb | 4Q18   | Financial results: AEFES, BIZIM |             |

## COMPANY and SECTOR NEWS

Somerset Capital Management announced it sold 299,825 shares of **Aksa Akriklik (AKSA TI)** at a price of TRY9.1735 on February 20. As a result, their stake in Aksa Akriklik fell from 5.10% to 4.94%.

**Eregli Demir Celik (EREGL TI)** proposed cash dividend of TRY1.38/share with 15.2% yield on yesterday's closing price. The pay-out ratio is 86% higher than last year's 78%. The proposed dividend is also higher than our estimate of

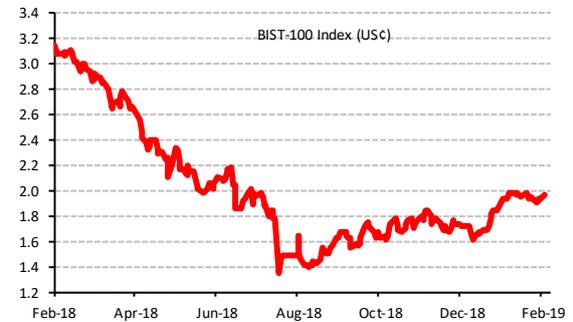
| BIST        | 25/2/19    | PERFORMANCE (TRY) |        |
|-------------|------------|-------------------|--------|
| Indices     | Close (TL) | Daily             | YTD    |
| BIST-100    | 104,330    | 1.11%             | 14.31% |
| BIST-30     | 130,920    | 1.09%             | 14.50% |
| BIST- Banks | 136,282    | 2.21%             | 15.75% |

## EQUITY MARKET DATA

|                                     |         |
|-------------------------------------|---------|
| <b>BIST100 MCap (TRYmn)</b>         | 684,860 |
| Banks MCap (TRYmn)                  | 236,790 |
| <b>BIST Volume (TRYmn -3m avg)</b>  | 7,009   |
| <b>BIST100 Aggregate Free Float</b> | 34.9%   |

## MONEY MARKET

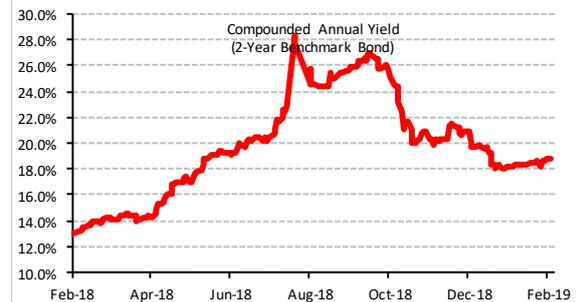
| FX RATES (CBT Bid) | 25/2/19 | Daily  | YTD   |
|--------------------|---------|--------|-------|
| US\$/TRY           | 5.3058  | -0.21% | 0.5%  |
| €/TRY              | 6.0244  | -0.12% | -0.3% |



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

| Maturity      | 25/2/19 |       |
|---------------|---------|-------|
| May 15, 2019* | 18.79%  | -3.0  |
| Sep 22, 2021  | 16.05%  | 0.0   |
| Feb 11, 2026  | 15.15%  | -17.0 |

\* Benchmark bond



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

| Maturity          | 25/2/19 |       |
|-------------------|---------|-------|
| February 5, 2025  | 6.56%   | -12.2 |
| March 17, 2036    | 7.45%   | -6.1  |
| February 17, 2045 | 7.47%   | -5.1  |

TRY1.26/share. A pay-out date was not proposed. Voting on the dividend will take place at the General Assembly to be held on March 21.

**Iskenderun Demir Celik (ISDMR TI)** proposed dividend of TRY1.21/share with 17.1% yield on yesterday's closing price. The pay-out ratio is 85%. A pay-out date was not proposed. Voting on the dividend will take place at the General Assembly to be held on March 21.

**Selcuk Ecza (SELEC TI)** posted TRY99mn of net income in 4Q18, higher than the Ak Investment estimate of TRY58mn and the consensus estimate of TRY68mn. The deviation in the consensus bottom-line estimate stemmed mostly from the better than expected EBITDA margin (actual EBITDA margin was 2.9% vs. consensus estimate of 2.0%). Selcuk Ecza's operating performance (EBITDA and net income) was better than expected. Thus, we expect positive reaction to 4Q18 results. We maintain our "Outperform" rating for Selcuk Ecza shares with a 12M target share price of TRY4.20. Revenues rose by 26% YoY and up by 7% QoQ to reach TRY3,575mn, in line with both our own estimate (TRY3,660mn) and the consensus estimate (TRY3,532mn). Selcuk Ecza's gross margin rose by 0.6pps YoY (and 0.7pps QoQ) to 7.3% in 4Q18. The company's opex/revenues ratio decreased to 4.8% in 4Q18 from 5.0% in 4Q17 with operating leverage that also helped EBITDA. Accordingly, the EBITDA rose by 75% YoY to TRY102mn (higher than our estimate of TRY68mn and the consensus estimate of TRY72mn) with an EBITDA margin of 2.9% in 3Q18, driven by solid gross margin performance. Selcuk's net debt position of TRY139mn turned to net cash position of TRY83mn at the end-4Q18 on the back of improved working capital over revenues ratio to 12.8% in 4Q18 from 14.8% in 3Q18 (12M trailing).

**Yapi Kredi Bank (YKBNK TI)** announced that it had executed future flow transactions worth US\$712mn with maturities of 2025 and 2027 under its "diversified payment rights" program.

**AVIATION SECTOR:** According to media news, the transfer of the operations of **Turkish Airlines (THYAO TI)** to the new Istanbul Airport is postponed to April 5, 2019 from March 3, 2019. THY had originally scheduled to move to the new airport in 4Q18, but the plan was postponed twice. This will let THY gain some more time in preparations for the transfer, hence may be treated as a positive. For **TAV Airports (TAVHL TI)**, the current operator of Istanbul Ataturk Airport (IAA) which will cease operations when the new airport is operational, the news implies the continuation of daily operations (and cash generation) for some time more instead of negotiating for the collection of a cash compensation due to early termination of its concession on IAA, which may also be treated as a positive.

**BANKING SECTOR:** BRSA extended the maximum maturity terms to 60 months from 36 months on general purpose consumer loans, 60 months from 48 months on auto loans (for purchases of autos with a retail price lower than TRY120k). Relevant consumer loan maturity caps were decided as 48 months for auto purchases with a retail price of more than TRY120k, 12 months for computer purchases, 6 months for tablet computers, 12 months for mobile phones (for a retail price of up to TRY3.5k) and 6 months for mobile phones (for a retail price of more than TRY3.5k). In addition to this, the outstanding debt of existing consumer loans could be restructured with up to 60-month maturity. **Comment:** News may be treated as slightly positive for the banking sector and automotive companies. On the other hand, the repercussions of the changes on inflation will be closely followed.

**BANKING SECTOR:** Mr. Huseyin Aydin, GM of state owned Ziraat Bank and chairman of Turkish Bankers Association at an interview with Dunya news Daily stated that, the credit outlook of the banking system is in a recovery for some time adding that total restructured loan amount had reached TRY120bn. According to Mr. Aydin's statement, 483 companies with each having more than TRY100mn bank debt also benefited from loan restructuring program. Mr. Aydin also said that an upgrade on Turkey's international credit rating might be possible in 2019.

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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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