

Indeks Computer (OP)

1Q15 Financial Results - Positive

Margins continue to improve

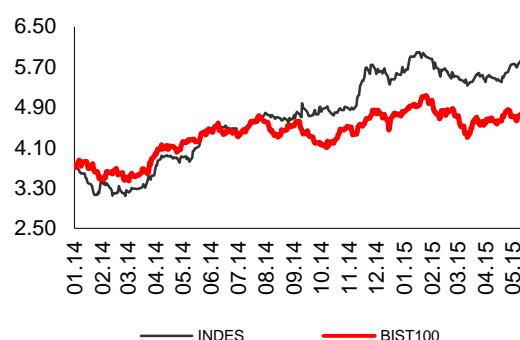
- **Indeks disclosed a net profit of TL10.6mn in 1Q15, up by 78% YoY but down by 4% QoQ. The figure is higher than our net profit estimate of TL8.5mn. The deviation at the bottom line mainly stemmed from the higher than expected operating profitability.**
- **On a YoY basis, 51% YoY increase at the top line (thanks to higher contribution from DGATE) along with the decline in OPEX (Operating margin up by 0.6pp) were the main factors behind the surge at the bottom line.**
- **As the IT sector is subject to seasonality and 4Q is the strongest quarter in terms of revenue generation, a QoQ comparison would not be instructive. However, as a result of the decline in COGS and OPEX, the EBITDA margin up by 0.5pp QoQ.**
- **INDES's 1Q15 results were strong and exceeded our expectations (no consensus estimates available) at the bottom line and EBITDA level. Thus, we expect a positive market reaction.**
- **We maintain our Outperform recommendation for INDES with a 12M target price of TL7.90, implying 36% upside potential.**
- **Note that, INDES will pay a gross cash dividend of TL 0.3657998 per share on May 27.**

| Financials and Ratios | 2013 | 2014 | 2015E | 2016E |
|-----------------------|-------|-------|-------|-------|
| Net Sales (TLmn) | 1,615 | 2,206 | 2,796 | 3,162 |
| EBITDA (TLmn) | 47 | 56 | 68 | 80 |
| Net Profit (TLmn) | 5 | 25 | 35 | 42 |
| EBITDA Margin | 2.9% | 2.6% | 2.4% | 2.5% |
| P/E (x) | 62.8 | 12.9 | 9.2 | 7.7 |
| EV/EBITDA (x) | 12.7 | 10.6 | 8.7 | 7.5 |
| EV/Sales (x) | 0.37 | 0.27 | 0.21 | 0.19 |
| EPS (TL) | 0.09 | 0.45 | 0.63 | 0.76 |

| | |
|-----------------------|------|
| Current Price (TL) | 5.82 |
| 12M Target Price (TL) | 7.90 |
| Potential Return | 36% |
| Current Mcap (TLmn) | 326 |

| 1Q15 | Ann. | Cons. | GS |
|-------------------|------|-------|------|
| Net Sales (TLmn) | 748 | n.a | 705 |
| EBITDA (TLmn) | 24.5 | n.a | 19.0 |
| EBITDA Margin (%) | 3.3% | n.a | 2.7% |
| Net Profit (TLmn) | 10.6 | n.a | 8.5 |

Price Performance (TL)



Stock Market Data

| | | | |
|---------------------------------|---------------------|-------|--------|
| Bloomberg/Reuters: | INDES.TI / INDES.IS | | |
| Rel. Performance: | 1 mth | 3 mth | 12 mth |
| | 4% | 2% | 36% |
| 52 Week Range (TL): | 3.82 / 5.99 | | |
| Aver. Daily Vol. (US\$m) 3 mth: | 0.2 | | |
| YTD TL Return: | 2% | | |
| Shares Outstanding (mn): | 56 | | |
| Free Float (%): | 41 | | |

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INDES disclosed TL748mn of revenues in 1Q15, up by 51% YoY but down by 12% QoQ. The result was slightly higher than our expectation of TL705mn. INDES booked TL24.5mn in EBITDA, with an EBITDA margin of 3.3% in 1Q15 up by 0.5pp both YoY and QoQ.

INDES recorded TL4mn of net financial expenses in 1Q5 vs. the TL3mn of net financial expenses in 1Q14 and TL4mn in 4Q14. The Company's net debt position increased from TL21mn at the beginning of 1Q15 to TL271mn by the end. The increase emanated from the distributorship agreement of DGATE with Avea, within the scope of the financing of the contracted mobile devices.

Summary Financials

| Indeks Bilgisayar Summary Financials | | | | | Change | | |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|---------------|---------------|
| (mn TL) | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 1Q15/1Q14 | 1Q15/4Q14 |
| Net Sales | 495 | 388 | 470 | 853 | 748 | 51% | -12% |
| Gross Profit | 25 | 19 | 22 | 37 | 38 | 54% | 2% |
| Operating Profit | 13 | 8 | 10 | 23 | 24 | 83% | 5% |
| EBITDA | 13.5 | 8.7 | 10.8 | 23.4 | 24.5 | 81% | 5% |
| Net Other Income/Expense | -2 | 5 | 3 | -2 | -3 | n.m. | n.m. |
| Financial Inc./ Exp. (net) | -3 | -9 | -6 | -4 | -4 | n.m. | n.m. |
| Tax | -3 | 0 | -1 | -4 | -3 | n.m. | n.m. |
| Net Income | 6.0 | 4.0 | 4.2 | 11.0 | 10.6 | 78% | -4% |
| Net Cash | -21 | -69 | -45 | -21 | -271 | | |
| Working Capital | 117 | 162 | 175 | 123 | 380 | | |
| Shareholders Equity | 152 | 152 | 158 | 172 | 186 | | |
| Ratios | | | | | | | |
| Gross Margin | 4.9% | 4.9% | 4.7% | 4.4% | 5.1% | 0.1 pp | 0.7 pp |
| Operating Margin | 2.6% | 2.1% | 2.2% | 2.7% | 3.2% | 0.6 pp | 0.5 pp |
| EBITDA Margin | 2.7% | 2.2% | 2.3% | 2.7% | 3.3% | 0.5 pp | 0.5 pp |
| Net Profit Margin | 1.2% | 1.0% | 0.9% | 1.3% | 1.4% | 0.2 pp | 0.1 pp |

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Definition of Stock Ratings

| | |
|---------------------|---|
| OUTPERFORM (OP) | The stock's return is expected to exceed the return of the BIST100 over the next 12 months. |
| MARKET PERFORM (MP) | The stock's return is expected to be in line with the BIST100 over the next 12 months. |
| UNDERPERFORM (UP) | The stock's return is expected to fall below the return of the BIST100 over the next 12 months. |
