

Indeks Computer (OP)

2Q15 Financial Results - Neutral

Bottom line dragged down by net financial expenses

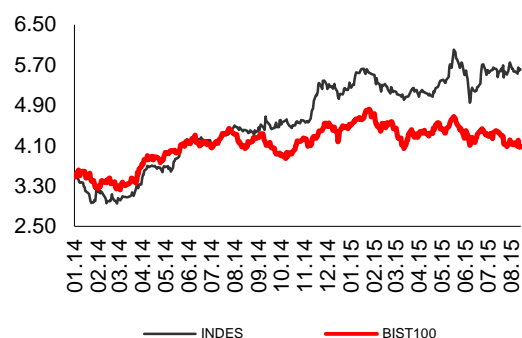
- **Indeks disclosed a net profit of TL7.4mn in 2Q15, up by 84% YoY but down by 30% QoQ. The figure was lower than our net profit estimate of TL8.6mn.**
- **Despite being broadly in line with expectations at the EBITDA level, the deviation at the bottom line stemmed mainly from the higher than expected net financial expenses.**
- **On a YoY basis, the 99% YoY increase at the top line (thanks to higher contribution from DGATE) along with a leaner opex/sales ratio of 2.2% in 2Q15 (from 2.8% in 2Q14), taking the operating margin up by 0.5pp, were the main factors behind the surge at the bottom line.**
- **Compared to the previous quarter, higher COGS and 21% QoQ rise in operating expenses as result of the increase in marketing and general administrative expenses, along with the higher net financial expenses, dragged down the bottom line.**
- **INDES's 2Q15 results were broadly in line with expectations at the operating level but weak at the bottom line. No consensus estimates are available. We expect a neutral market reaction.**

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)	60.5	12.5	8.9	7.4
EV/EBITDA (x)	14.3	11.9	9.8	8.3
EV/Sales (x)	0.41	0.30	0.24	0.21
EPS (TL)	0.09	0.45	0.63	0.76

Current Price (TL)	5.61
12M Target Price (TL)	7.50
Potential Return	34%
Current Mcap (TLmn)	314

2Q15	Ann.	Cons.	GS
Net Sales (TLmn)	774	n.a	751
EBITDA (TLmn)	21	n.a	22
EBITDA Margin (%)	2.7%	n.a	2.9%
Net Profit (TLmn)	7.4	n.a	8.6

Price Performance (TL)



Stock Market Data

Bloomberg/Reuters:	INDES.TI / INDES.IS		
Rel. Performance:	1 mth	3 mth	12 mth
	10%	13%	28%
52 Week Range (TL):	4.32 / 6		
Aver. Daily Vol. (US\$m) 3 mth:	0.3		
YTD TL Return:	5%		
Shares Outstanding (mn):	56		
Free Float (%):	41		

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INDES disclosed TL774mn of revenues in 2Q15, almost doubling YoY and up 3% QoQ. INDES booked TL20.7mn of EBITDA in the quarter, with an EBITDA margin of 2.7%, up by 0.4pp but down by 0.6ppQoQ.

INDES recorded TL9mn of net financial expenses in 2Q15 vs. the TL4mn of net financial expenses in 1Q15 and TL9mn in 1Q14. The Company's net debt position increased from TL271mn at the beginning of 2Q15 to TL355mn 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)	2Q14	3Q14	4Q14	1Q15	2Q15	6M14	6M15	2Q15/2Q14	2Q15/1Q15	6M15/6M14
Net Sales	388	470	853	748	774	884	1,521	99%	3%	72%
Gross Profit	19	22	37	38	37	44	75	94%	-2%	71%
Operating Profit	8	10	23	24	20	21	44	148%	-16%	108%
EBITDA	9	11	23	24	20.7	22	45	138%	-16%	103%
Net Other Income/Expense	5	3	-2	-3	2	4	-2	-69%	n.m.	n.m.
Financial Inc./ Exp. (net)	-9	-6	-4	-4	-9	-12	-13	n.m.	n.m.	n.m.
Tax	0	-1	-4	-3	-2	-3	-6	n.m.	n.m.	n.m.
Net Income	4.0	4.2	11.0	10.6	7.4	10.0	18.0	84%	-30%	81%
Net Cash	-69	-45	-21	-271	-355	-69	-355			
Working Capital	162	175	123	380	425	162	425			
Shareholders Equity	152	158	172	186	175	152	175			
Ratios										
Gross Margin	4.9%	4.7%	4.4%	5.1%	4.8%	4.9%	4.9%	-0.1 pp	-0.3 pp	0 pp
Operating Margin	2.1%	2.2%	2.7%	3.2%	2.6%	2.4%	2.9%	0.5 pp	-0.6 pp	0.5 pp
EBITDA Margin	2.2%	2.3%	2.7%	3.3%	2.7%	2.5%	3.0%	0.4 pp	-0.6 pp	0.5 pp
Net Profit Margin	1.0%	0.9%	1.3%	1.4%	1.0%	1.1%	1.2%	-0.1 pp	-0.5 pp	0.1 pp

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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.
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