

# Indeks Bilgisayar

## Datagate-driven growth

- We have revised our 12-month target share price for Indeks from TRY6.95 to TRY8.00 and maintain our 'Outperform' rating. This points to 39% upside at the current share price. We believe Indeks Bilgisayar (INDES) makes for a compelling investment as it is the leading broadline IT distributor in Turkey. Its Apple distribution agreement is expected to generate a steady revenue stream in the coming years. Fast growth from its subsidiary, Datagate (through its deal with Avea), is boosting revenue growth above the sector averages. There is a high dividend pay-out this year that is expected to continue in the coming years.
- **Three catalysts make for a compelling case.** First, the Apple products distribution that began in 2H12, which should generate TRY500mn in annual revenues; secondly, the Datagate - Avea deal that started in 2H14 and should generate c.TRY720mn in annual revenues from 2015, and thirdly, the generous 6.4% dividend yield that we expect to be paid in June. With at least US\$60mn in income expected from the real estate development project over the next three years, the dividend pay-out should remain high as the Company plans to pay-out half of the proceeds from the real estate project (US\$30mn) as dividends in the coming years, in addition to contributions from its net profit.
- **Moderate growth likely from INDES on a solo basis.** In the two areas INDES operates, the Turkish IT market is expected to post a US\$-based CAGR of 3% between 2014 – 2018 while the smart phone market is projected to grow at a US\$-based CAGR of 2% in the same period. On a solo basis (broadline IT and mobile phone distribution), we conservatively forecast a 1% US\$ CAGR during this period.
- **Expecting much faster growth from Datagate.** Datagate revenues grew 189% YoY in 2014 following the initiation of the Avea business in 2H14. INDES guides for 64% YoY growth for 2015, which we find achievable. The Management targets rapid growth in Datagate's revenues to US\$1bn by 2017F. We are more conservative, forecasting US\$889mn Datagate revenues by 2017.
- **Strong pre-sales in the real estate project.** The project contractor expects all units to be sold by June with a deadline of July 2017. INDES expects a minimum of US\$60mn from the project.
- **Risks and catalysts.** Our forecast assumptions are relatively conservative, so are open to upside. Proceeds from the real estate project sales, could exceed US\$60mn that is another upside risk. One risk is the low trading volume of the stock, and the currency volatility, which could further dampen demand for the Company's products.

## OUTPERFORM

Current price: TRY5.75  
Target price: TRY8.00

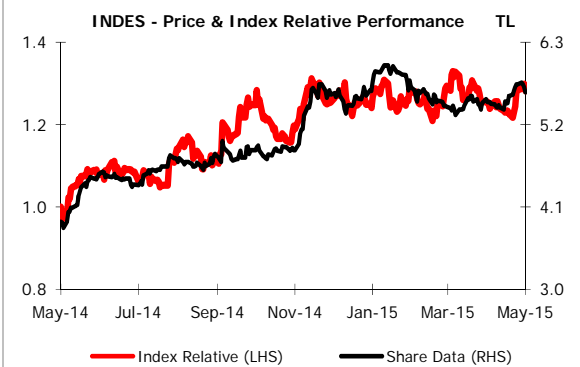
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### Stock Data\*

|                                  |        |
|----------------------------------|--------|
| Ticker (Reuters, Bloomberg)      | INDES  |
| Market Cap. (TRY)                | 322    |
| Number of Shares (mn)            | 56     |
| Free Float                       | 41%    |
| Daily Avg. Vol. (3 Month, TRYmn) | 0.5    |
| Net Debt (2014/12, TRYmn)        | 21     |
| BIST-100 Index (TRY)             | 84,060 |

(\* Stock data as of 8 May, 2015)



### Stock Performance

|            | 1 W. | 1M.  | 3M.  | 1Y.   |
|------------|------|------|------|-------|
| TRY        | 0.0% | 2.9% | 0.0% | 47.2% |
| Index Rel. | 4.2% | 3.4% | 1.4% | 31.2% |

### Summary Figures (TRYmn)

|              | 2013  | 2014  | 2015F | 2016F |
|--------------|-------|-------|-------|-------|
| Net Sales    | 1,615 | 2,206 | 2,803 | 3,547 |
| EBITDA       | 47    | 56    | 66    | 80    |
| EBITDA marg. | 2.9%  | 2.6%  | 2.4%  | 2.3%  |
| Net Profit   | 5     | 25    | 31    | 36    |

|           |      |     |      |     |
|-----------|------|-----|------|-----|
| EV/Sales  | 0.1  | 0.1 | 0.1  | 0.1 |
| EV/EBITDA | 4.1  | 4.7 | 5.6  | 4.9 |
| P/E       | 43.4 | 9.7 | 10.3 | 8.9 |

### Shareholding Structure

|                     |        |
|---------------------|--------|
| N. Erol Bilecik     | 36.26% |
| Alfanor             | 22.97% |
| Free Float & Others | 40.77% |

## INVESTMENT THESIS

*Indeks Bilgisayar is a compelling story with Apple products distribution, the Datagate - Avea deal and a high dividend yield*

### Turkey's leading broad-line distributor

We have raised our 12-month target share price for Indeks Bilgisayar from TRY6.95 to TRY8.00 while maintaining our 'Outperform' rating. The upward revision is based on a fuller reflection of revenue accruing from Datagate (DGATE) from 2016F onward, after the deal it signed with Avea in 2H14. There are three major catalysts that render INDES a compelling story. 1) The Apple products distribution agreement that began in 2H12 with PCs, laptops, tablets and accessories and that was expanded to include iPhones and accessories in 2H13 that should, in total, generate TRY500mn in annual revenues, 2) the deal sealed by its subsidiary, Datagate, to distribute Avea products from 2H14 exclusively in three regions in Turkey until 2017 (and renewable thereafter) and which should generate TRY720mn in annual revenues and 3) the high dividend yield of 6.4% this year that is expected to continue with at least US\$30mn to be distributed from proceeds from the real estate project over the next three years.

*Outperforming sector growth thanks to the Datagate-Avea deal*

Indeks Bilgisayar (INDES) is Turkey's leading broad-line IT distributor. We estimate that INDES commands a market share of around 20%, which it is able to sustain over the years. We believe this will be the case going forward. The Company operates in the Turkish IT sector where an independent consultancy is forecasting a sector CAGR at 3% in US\$ terms during 2014 – 18F. INDES operations are also linked to the smart phone market in Turkey since the Company started distributing Apple iPhone products in 2H13. The independent consultancy projects a 2% US\$-based CAGR for this market from 2014 – 18F. The Datagate-Avea deal is expected to contribute at least TRY700mn per year from 2015. As a result, we forecast that INDES' revenues will grow much more rapidly than the IT and smart phone markets, with a 10% US\$-based CAGR over the same period. It should be noted that DGATE revenues are forecasted to exhibit a CAGR of around 47% in US\$ terms over this period, while we have assumed a 1% US\$-based CAGR for INDES' solo revenues over this period.

*Datagate targets US\$1bn of revenues by 2017F*

**The Datagate – Avea deal was signed in 2H14.** The deal is expected to secure TRY720mn in annual revenues. With additional sales from the deal in 2H14, Datagate revenues grew 189% YoY to TRY455mn in 2014. The management is guiding for a further 64% YoY growth to TRY768mn in 2015. We believe this is achievable as the Company previously stated that Datagate's revenues in the first two months of 2015 totalled TRY180mn in the lowest season of the year for mobile sector sales. The management targets revenues of US\$1bn for DGATE by 2017F – although we forecast this milestone will be reached by 2019F. The deal is for the exclusive distribution of Avea products in three regions; Izmir, Antalya and Konya, and will cover a period of 2 years with option to be renewed for a further 3 years. In addition, as Turk Telekom is converting retail points so they can sell all products, then Datagate is starting to supply TNet dealers with smart phones and related mobile phone products. Four TNet stores have already started receiving products from Datagate, and number of stores could potentially reach 70. It should be

borne in mind that with this cross-over there may be some duplication that could lead to a number of store closures. These additional sales are not in our forecasts either.

*The real estate project is worth a minimum of US\$60mn*

**Real Estate Project:** Pre-sales since January 2015 have already reached US\$46mn with US\$11mn of this amount received as cash. The Company expects 60% (US\$21mn) of the remaining US\$35mn to be collected in 2015. 30% of the units have been pre-sold since January, when sales began. Of this amount, 53.5% is given to the contractor based on the amount of work completed on a weekly basis. The contractor expects to sell all units by the end of June, 2015 with the official deadline being July 31, 2017. Prices are expected to be higher than the minimum level guaranteed to Indeks, which is US\$60mn excluding VAT and other taxes. The management expects all units to be pre-sold by September. Construction kicked off in January; once construction is completed (scheduled for May 2017), Indeks expects to earn a minimum of \$60mn in net income after taxes. The Company plans to keep half of this for the balance sheet and half to be distributed as dividends. The timing of these payments is uncertain (i.e. how much will be paid in 2016, 2017 and 2018).

## VALUATION & FORECASTS

We see 39% upside  
for Indes based on  
our sum-of-the-parts  
valuation

| INDES - Valuation Summary               |       |        |                |
|---|-------|--------|----------------|
| TLmn                                    | Value | Weight | Weighted Value |
| DCF                                     | 398   | 50%    | 199            |
| 2015F-17F Peers Avg. PERs               | 377   | 50%    | 189            |
| Minorities                              |       |        | (155)          |
| Real Estate Project                     |       |        | 162            |
| Est. Equity Value (TLmn)                |       |        | 395            |
| 12-month target value                   |       |        | 448            |
| <b>12-month Target Share Price (TL)</b> |       |        | <b>8.00</b>    |
| Current Share Price (TL)                |       |        | 5.75           |
| Upside / (Downside)                     |       |        | 39%            |

Source: Ak Investment

We value INDES by ascribing an equal weighting to the results obtained from DCF and peers' PER multiples (2015F – 2017F) taken forward with our cost of equity of 13.5% ( $\beta = 1$ ). We deduct an estimated value for minorities of TRY155mn as DGATE is growing in size and INDES holds a 59% stake in DGATE. We also add on the value of the real estate project of TRY162mn (minimum after tax value of US\$60mn translated at 2.70 TRY/US\$ exchange rate) as we do not take account of income accruing to the Company in the P&L statement.

### Forecast Assumptions

| Group Companies Solo Revenues |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| TRYmn                         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015F        | 2016F        | 2017F        | 2018F        | 2019F        | 2020F        | 2021F        | 2022F        | 2023F        |
| Indeks                        | 1,018        | 1,071        | 973          | 1,271        | 1,729        | 1,990        | 2,189        | 2,298        | 2,413        | 2,534        | 2,661        | 2,794        | 2,933        | 2,933        |
| YoY Chg                       |              | 5%           | -9%          | 31%          | 36%          | 15%          | 10%          | 5%           | 5%           | 5%           | 5%           | 5%           | 5%           | 0%           |
| Datagate                      | 306          | 303          | 197          | 157          | 467          | 800          | 1,440        | 2,592        | 3,370        | 3,707        | 4,077        | 4,485        | 4,933        | 5,427        |
| YoY Chg                       |              | -1%          | -35%         | -20%         | 197%         | 71%          | 80%          | 80%          | 30%          | 10%          | 10%          | 10%          | 10%          | 10%          |
| Despec                        | 136          | 164          | 130          | 143          | 166          | 189          | 208          | 218          | 229          | 241          | 253          | 265          | 279          | 279          |
| YoY Chg                       |              | 21%          | -21%         | 10%          | 16%          | 14%          | 10%          | 5%           | 5%           | 5%           | 5%           | 5%           | 5%           | 0%           |
| Neteks                        | 107          | 166          | 156          | 203          | 241          | 251          | 264          | 277          | 291          | 305          | 320          | 336          | 353          | 353          |
| YoY Chg                       |              | 55%          | -6%          | 30%          | 19%          | 4%           | 5%           | 5%           | 5%           | 5%           | 5%           | 5%           | 5%           | 0%           |
| Neotech                       | 123          | 224          | 232          | 216          | 32           | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Artim                         | 17           | 31           | 47           | 55           | 63           | 78           | 86           | 94           | 99           | 104          | 109          | 115          | 120          | 120          |
| YoY Chg                       |              | 82%          | 52%          | 17%          | 15%          | 24%          | 10%          | 10%          | 5%           | 5%           | 5%           | 5%           | 5%           | 0%           |
| Teklos                        | 6            | 9            | 9            | 10           | 16           | 25           | 31           | 34           | 36           | 38           | 40           | 42           | 44           | 44           |
| YoY Chg                       |              | 50%          | 0%           | 11%          | 60%          | 56%          | 25%          | 10%          | 5%           | 5%           | 5%           | 5%           | 5%           | 0%           |
| <b>Total</b>                  | <b>1,713</b> | <b>1,968</b> | <b>1,744</b> | <b>2,055</b> | <b>2,714</b> | <b>3,333</b> | <b>4,218</b> | <b>5,514</b> | <b>6,438</b> | <b>6,928</b> | <b>7,460</b> | <b>8,037</b> | <b>8,663</b> | <b>9,156</b> |
| Elim.                         | (485)        | (454)        | (408)        | (440)        | (508)        | (530)        | (671)        | (877)        | (1,024)      | (1,102)      | (1,187)      | (1,279)      | (1,378)      | (1,457)      |
| <b>Cons. Rev.</b>             | <b>1,228</b> | <b>1,514</b> | <b>1,336</b> | <b>1,615</b> | <b>2,206</b> | <b>2,803</b> | <b>3,547</b> | <b>4,637</b> | <b>5,414</b> | <b>5,826</b> | <b>6,273</b> | <b>6,758</b> | <b>7,285</b> | <b>7,700</b> |
| YoY Chg                       |              | 23%          | -12%         | 21%          | 37%          | 27%          | 27%          | 31%          | 17%          | 8%           | 8%           | 8%           | 8%           | 6%           |

Source: Company data, Ak Investment

INDES management provided top-line guidance on a solo basis for each group company for 2015F, guiding for 22% YoY growth in INDES' combined revenues. We use these figures to arrive at our 2015F consolidated revenue forecast for INDES. The fastest growth is expected from Datagate, as was also the case in 2014 thanks to the Avea deal when DGATE's solo revenues tripled YoY to TRY467mn. The largest group

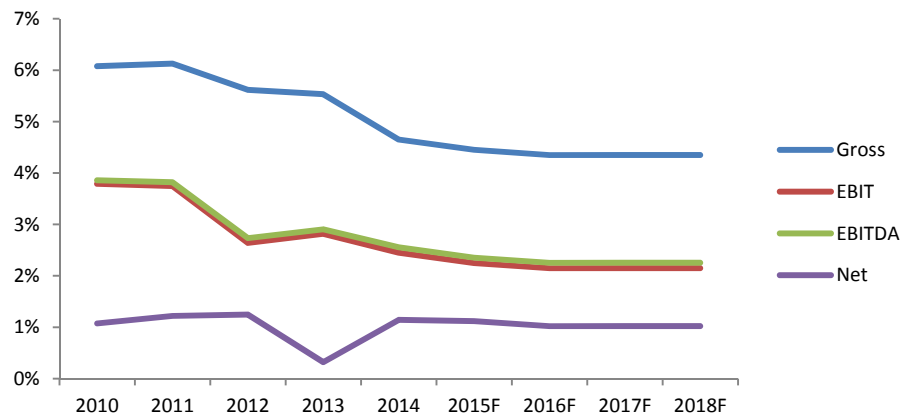
company, INDES on a solo basis, is targeted to grow 15% YoY in 2015F after growing 36% YoY in 2014. The INDES deal to distribute Apple products is generating ~TRY500mn in annual additional revenues for INDES on a solo basis, with the deal entering effect in 2014. Datagate revenues are expected to grow rapidly; we forecast Datagate’s top-line reaching TRY800mn in 2015F and growing by 71% YoY. Solo INDES and Datagate together are expected to account for 84% of the combined group revenues in 2015F, compared to 81% in 2014.

We forecast that the growth in INDES’ solo revenues will slow to 10% in 2016F and then to 5% in the rest of the forecast period (2017F -23F). For Datagate, we forecast continued rapid growth, yet we remain conservative with INDES management guiding that the top-line of Datagate will reach US\$1bn by 2017. Applying our US\$/TRY exchange rate forecasts, we expect revenues to reach US\$889mn in 2017F and reach US\$1bn in 2018F.

**These forecasts lead to a forecast CAGR of 12% in consolidated revenues over the 2015 – 23 period; this would be very close to the historical revenue CAGR of 10% over the 2006 – 14 period.**

The Datagate – Avea deal has put some pressure on the gross margin as the mark-up for these products is lower than for other group business. We see the average gross margin in the forecast period (2015F – 23F) falling to 4.3% from 5.6% in the 2006 -14 period. We also believe that there will be contraction in margins in general for consumer electronics products, which have become a major part of the Group’s business.

**INDES Profit Margins – Historic and Forecasted**



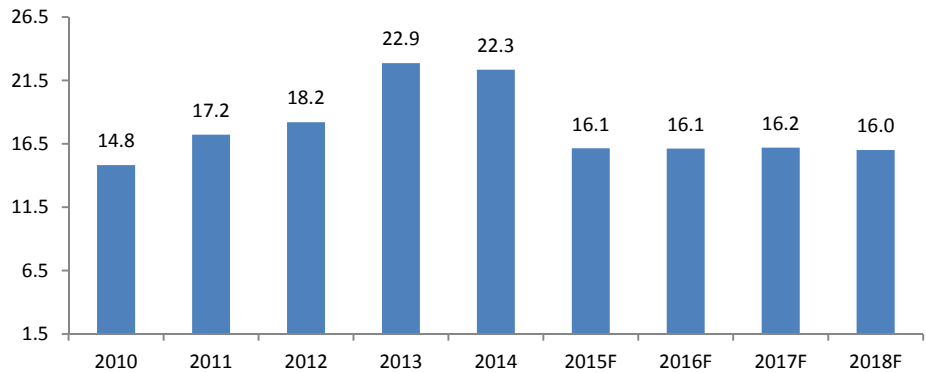
Source: Company Data, Ak Investment

INDES has very little in the way of capital expenditure requirements; its capex/sales ratio is less than 1% and is expected to remain at this level going forward. As a result, its leverage is very low; INDES had a TRY21mn net cash position at the end of 2014. Its year-end total-debt-to-equity stood at 63% in 2014, 28% in 2013 and 15% in 2012. The Company’s working capital requirement is not at all demanding either,

with its Sales-to-Working-Capital ratio averaging 15.0x over the 2006 – 14 period; this ratio rose to 22.3x in 2014 - but in the interests of adopting a conservative approach, we have assumed that the Sales/WC ratio will remain at c.16.0x over the 2015F - 23F forecast period.

**Dividend:** INDES’ dividend pay-out ratio has fluctuated between 29% (on its 2010 net profit) and a high of 97% (on its 2012 net profit). INDES announced an 81% pay-out ratio on its 2014 net profit, which would result in a dividend distribution of TRY20.5mn (DPS of TRY0.37, with a 6.4% yield). The yield is among the higher prints on the BIST. The dividend will be proposed at the AGM to be held on May 22. Going forward, we expect a similar pay-out ratio of 81% in 2016F and in the years to follow; the management stated they the Company would pay out half of the proceeds to be received from the real estate development project (a minimum of US\$30mn) in these years (2016F -18F) and that this would support the high pay-out ratio.

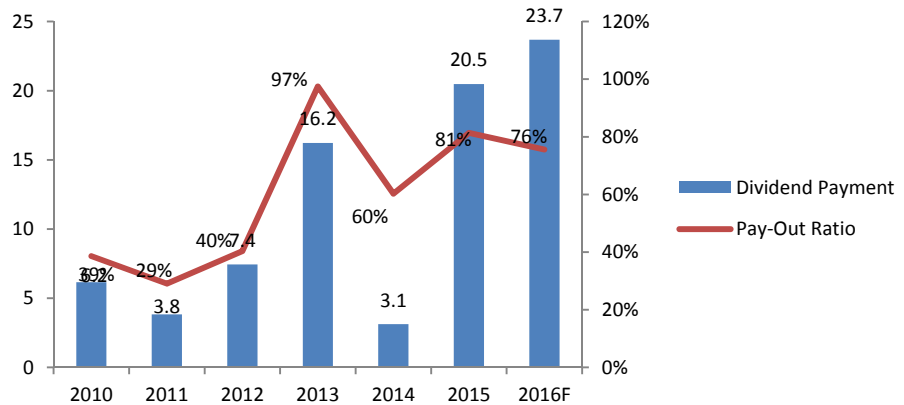
**INDES - Sales / Working Capital\***



Source: Company Data, Ak Investment

\*Working capital is defined as Current Assets (excl. cash & equivalents) less Current Liabilities (excl. ST fin. debt)

**Dividends & Pay-out Ratios\***



Source: Company Data, Ak Investment

\*Pay-out ratio is the dividend payment divided by the previous year’s net profit figure.

**DCF Valuation**

| <b>INDES - Consolidated Discounted Cash Flow (TRYmn)</b> |              |              |              |              |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | <b>2015F</b> | <b>2016F</b> | <b>2017F</b> | <b>2018F</b> | <b>2019F</b> | <b>2020F</b> | <b>2021F</b> | <b>2022F</b> | <b>2023F</b> |
| Revenues   | 2,803        | 3,547        | 4,637        | 5,414        | 5,826        | 6,273        | 6,758        | 7,285        | 7,700        |
| EBIT (Pre non-recurring)                                 | 63.0         | 76.2         | 99.6         | 116.3        | 125.1        | 134.8        | 145.2        | 156.5        | 118.4        |
| -Taxes   | (12.6)       | (15.2)       | (19.9)       | (23.3)       | (25.0)       | (27.0)       | (29.0)       | (31.3)       | (23.7)       |
| Net operating profit after taxes                         | 50.4         | 60.9         | 79.7         | 93.0         | 100.1        | 107.8        | 116.1        | 125.2        | 94.7         |
| + Depreciation & amortization                            | 3.0          | 3.8          | 4.9          | 5.8          | 6.2          | 6.7          | 7.2          | 7.7          | 8.2          |
| - Change in working capital                              | (56.1)       | (46.8)       | (69.5)       | (49.5)       | (26.3)       | (28.5)       | (30.9)       | (33.6)       | (18.5)       |
| - Net capital expenditures                               | (7.4)        | (9.4)        | (12.3)       | (14.3)       | (15.4)       | (16.6)       | (17.9)       | (19.3)       | (20.4)       |
| Free cash flow   | (10.1)       | 8.5          | 2.9          | 35.0         | 64.6         | 69.4         | 74.5         | 80.1         | 64.0         |
| Weighted Average Cost of Capital                         | 13.8%        | 13.7%        | 13.5%        | 13.4%        | 13.3%        | 13.2%        | 13.2%        | 13.1%        | 12.1%        |
| Present value of free cash flow                          | (9.7)        | 7.2          | 2.1          | 22.8         | 37.3         | 35.3         | 33.5         | 31.9         | 22.7         |
| Terminal value free cash flow                            | 669          |              |              |              |              |              |              |              |              |
| Terminal growth rate                                     | 7.5%         |              |              |              |              |              |              |              |              |
| Sum of PV of free cash flow                              | 183          |              |              |              |              |              |              |              |              |
| Present value of terminal value                          | 237          |              |              |              |              |              |              |              |              |
| <b>Enterprise Value</b>                                  | <b>420</b>   |              |              |              |              |              |              |              |              |
| 2014 Net Debt  | 21           |              |              |              |              |              |              |              |              |
| <b>Equity value</b>                                      | <b>398</b>   |              |              |              |              |              |              |              |              |

Source: Ak Investment estimates

**WACC assumptions:** In calculating the TRY-based cost of equity, we assume a risk-free rate (RfR) of 8.0% throughout our forecast horizon. With the prospect of a sustainable fall in inflation and our expectation that Turkey will continue to take strides towards a more developed market status, we have lowered our RfR to 7.5% in 2023, the terminal year in our DCF. For INDES, we calculate a re-levered beta of 1.30 based on the emerging markets computers/peripherals sector unlevered beta of 1.11 (Source: Damodaran website). Our calculation for the cost of debt is based on the yields of corporate bonds issued by Turkish corporations over the past few years. The terminal growth rate is taken as 7.5%, but we assume that the RONIC will be equal to the WACC in the terminal period; hence the growth has a neutral impact on terminal value, as we have assumed that the average of all future investments has a zero-NPV, for the sake of adopting a rather conservative approach.

## INDES - WACC Assumptions

| WACC Calculation (TRY)      | 2015F        | 2016F        | 2017F        | 2018F        | 2019F        | 2020F        | 2021F        | 2022F        | 2023F        |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Risk free rate              | 8.0%         | 8.0%         | 8.0%         | 8.0%         | 8.0%         | 8.0%         | 8.0%         | 8.0%         | 7.5%         |
| Equity risk premium         | 5.5%         | 5.5%         | 5.5%         | 5.5%         | 5.5%         | 5.5%         | 5.5%         | 5.5%         | 5.0%         |
| Re-levered Beta             | 1.30         | 1.30         | 1.30         | 1.30         | 1.30         | 1.30         | 1.30         | 1.30         | 1.30         |
| <b>Cost of Equity (TRY)</b> | <b>15.1%</b> | <b>15.1%</b> | <b>15.1%</b> | <b>15.1%</b> | <b>15.1%</b> | <b>15.1%</b> | <b>15.1%</b> | <b>15.1%</b> | <b>14.0%</b> |
| <b>Cost of Debt</b>         | <b>11.0%</b> | <b>11.0%</b> | <b>11.0%</b> | <b>11.0%</b> | <b>11.0%</b> | <b>11.0%</b> | <b>11.0%</b> | <b>11.0%</b> | <b>10.2%</b> |
| After-tax cost of debt      | 8.8%         | 8.8%         | 8.8%         | 8.8%         | 8.8%         | 8.8%         | 8.8%         | 8.8%         | 8.1%         |
| Weight of equity            | 79%          | 77%          | 74%          | 72%          | 71%          | 70%          | 69%          | 68%          | 67%          |
| Weight of debt              | 21%          | 23%          | 26%          | 28%          | 29%          | 30%          | 31%          | 32%          | 33%          |
| <b>WACC</b>                 | <b>13.8%</b> | <b>13.7%</b> | <b>13.5%</b> | <b>13.4%</b> | <b>13.3%</b> | <b>13.2%</b> | <b>13.2%</b> | <b>13.1%</b> | <b>12.1%</b> |

## Peers Comparison

| INDES - Peers Comparison    |         |            |            |            |             |            |            |                |              |              |
|-----------------------------|---------|------------|------------|------------|-------------|------------|------------|----------------|--------------|--------------|
| Company                     | Country | EV/EBITDA  |            |            | PER         |            |            | 2015F-17F CAGR |              |              |
|                             |         | 2015F      | 2016F      | 2017F      | 2015F       | 2016F      | 2017F      | Revenue        | EBITDA       | Net Profit   |
| ABC Data                    | Poland  | 6.1        | 5.9        | 7.1        | 8.1         | 7.9        | 10.3       | 1.7%           | -7.8%        | -11.0%       |
| AB                          | Poland  | 9.7        | 9.0        | 8.7        | 11.2        | 10.6       | 10.0       | 6.2%           | 5.5%         | 5.7%         |
| Adveo Group                 | Spain   | 6.2        | 6.0        | 5.6        | 7.1         | 6.5        | 6.0        | 3.1%           | 5.1%         | 8.7%         |
| Action                      | Poland  | 9.0        | 8.3        | 8.0        | 10.7        | 9.7        | 9.1        | 8.9%           | 6.0%         | 8.4%         |
| Esprinet                    | Italy   | 6.2        | 5.3        | 4.9        | 15.3        | 12.8       | 12.1       | 6.3%           | 11.7%        | 12.2%        |
| Innelec Multimedia          | France  | -20.5      | 14.3       | 6.4        | -7.7        | 14.0       | 7.2        | 4.6%           | n.m.         | n.m.         |
| <i>Average</i>              |         | 7.4        | 8.1        | 6.8        | 10.5        | 10.3       | 9.1        | 5.1%           | 4.1%         | 4.8%         |
| <b>Indeks Bilgisayar</b>    |         | <b>5.6</b> | <b>4.9</b> | <b>3.1</b> | <b>10.3</b> | <b>8.9</b> | <b>6.8</b> | <b>28.6%</b>   | <b>25.9%</b> | <b>23.0%</b> |
| <i>Premium / (Discount)</i> |         | -25%       | -40%       | -55%       | -2%         | -13%       | -25%       |                |              |              |

Source: Bloomberg, Ak Investment

\* 2015F multiples for Innelec Multimedia are excluded from averages



**INDEKS BILGISAYAR Summary Financials (IFRS, TLmn)**

| Income Statement                | 2013         | 2014         | 2015F        | 2016F        |
|---------------------------------|--------------|--------------|--------------|--------------|
| <b>Net Sales</b>                | <b>1,615</b> | <b>2,206</b> | <b>2,803</b> | <b>3,547</b> |
| Cost of Goods Sold              | -1,526       | -2,103       | -2,678       | -3,392       |
| <b>Gross Profit</b>             | <b>89</b>    | <b>103</b>   | <b>125</b>   | <b>154</b>   |
| Operating Expenses              | -44          | -49          | -62          | -78          |
| EBIT                            | 45           | 54           | 63           | 76           |
| <b>EBITDA</b>                   | <b>47</b>    | <b>56</b>    | <b>66</b>    | <b>80</b>    |
| Net Other Inc/Exp               | -4           | 5            | 7            | 8            |
| Net Finan. Inc/Exp              | -32          | -22          | -24          | -30          |
| Profit before Tax&Min. Interest | 10           | 38           | 46           | 54           |
| Taxes                           | -6           | -8           | -9           | -11          |
| Minority Interest               | -1           | 5            | 6            | 7            |
| <b>Net Profit</b>               | <b>5</b>     | <b>25</b>    | <b>31</b>    | <b>36</b>    |
| <b>Nominal Gr. (YoY)</b>        | <b>2013</b>  | <b>2014</b>  | <b>2015F</b> | <b>2016F</b> |
| Net Sales                       | 21%          | 37%          | 27%          | 27%          |
| EBITDA                          | 28%          | 20%          | 17%          | 21%          |
| Net Profit                      | -69%         | 385%         | 24%          | 16%          |
| <b>Margins</b>                  | <b>2013</b>  | <b>2014</b>  | <b>2015F</b> | <b>2016F</b> |
| Gross Profit                    | 5.5%         | 4.7%         | 4.5%         | 4.4%         |
| EBIT                            | 2.8%         | 2.4%         | 2.2%         | 2.1%         |
| EBITDA                          | 2.9%         | 2.6%         | 2.4%         | 2.3%         |
| Net margin                      | 0.3%         | 1.1%         | 1.1%         | 1.0%         |
| <b>Cash Flow Statement</b>      | <b>2013</b>  | <b>2014F</b> | <b>2015F</b> | <b>2016F</b> |
| Profit before tax               | 10           | 38           | 46           | 54           |
| Depreciation                    | 1            | 2            | 3            | 4            |
| Changes in WC                   | 1            | -49          | -56          | -47          |
| <b>Operating Cash Flow</b>      | <b>12</b>    | <b>-9</b>    | <b>-7</b>    | <b>11</b>    |
| Capex                           | -1           | -6           | -7           | -9           |
| Change in debts                 | 21           | 92           | -30          | 14           |
| Dividends paid                  | -16          | -3           | -20          | -24          |
| Other                           | 8            | -37          | 11           | -2           |
| <b>Invest. and Financing CF</b> | <b>11</b>    | <b>46</b>    | <b>-47</b>   | <b>-21</b>   |
| Cash-beginning of per.          | 51           | 74           | 112          | 58           |
| <b>Cash-end of period</b>       | <b>74</b>    | <b>112</b>   | <b>58</b>    | <b>48</b>    |

| Balance Sheet                 | 2013        | 2014         | 2015F        | 2016F        |
|-------------------------------|-------------|--------------|--------------|--------------|
| Current Assets                | 710         | 962          | 1,085        | 1,337        |
| <i>Cash &amp; Equivalents</i> | 74          | 112          | 58           | 48           |
| <i>Trade Receivables</i>      | 447         | 636          | 729          | 923          |
| <i>Inventory</i>              | 147         | 170          | 257          | 325          |
| L/T Assets                    | 44          | 98           | 54           | 68           |
| <i>Tangible Assets</i>        | 30          | 8            | 16           | 26           |
| <i>Intangible Assets</i>      | 0           | 0            | 0            | 0            |
| <b>TOTAL ASSETS</b>           | <b>754</b>  | <b>1,060</b> | <b>1,139</b> | <b>1,405</b> |
| S/T Liabilities               | 602         | 843          | 904          | 1,120        |
| <i>Financial Debt</i>         | 38          | 92           | 50           | 50           |
| <i>Trade Payables</i>         | 519         | 684          | 807          | 1,022        |
| L/T Liabilities               | 7           | 45           | 56           | 70           |
| <i>Financial Debt</i>         | 4           | 42           | 53           | 67           |
| Shareholders' Equity          | 145         | 172          | 179          | 215          |
| Minority Interest             | 15          | 19           | 17           | 18           |
| <b>TOT.LIA.&amp;SH.EQU.</b>   | <b>754</b>  | <b>1,060</b> | <b>1,139</b> | <b>1,405</b> |
| <b>Key Metrics</b>            | <b>2013</b> | <b>2014</b>  | <b>2015F</b> | <b>2016F</b> |
| W. Capital days               | 174         | 164          | 159          | 150          |
| Capex/sales                   | 0.1%        | 0.3%         | 0.3%         | 0.3%         |
| Net debt (TLmn)               | -33         | 21           | 45           | 70           |
| Net debt / equity             | -0.23       | 0.12         | 0.25         | 0.32         |
| Net Debt / EBITDA             | -0.71       | 0.38         | 0.69         | 0.87         |
| ROA (%)                       | 1%          | 3%           | 3%           | 3%           |
| ROIC (%)                      | 33%         | 28%          | 24%          | 24%          |
| ROE (%)                       | 3.6%        | 15.9%        | 17.9%        | 18.4%        |
| Dividend payout (%)           | 313%        | 12%          | 65%          | 65%          |
| Dividend yield (%)            | 7.2%        | 1.3%         | 6.4%         | 7.4%         |
| Effective tax rate (%)        | 59%         | 21%          | 19%          | 20%          |
| <b>Valuation</b>              | <b>2013</b> | <b>2014F</b> | <b>2015F</b> | <b>2016F</b> |
| EV/Sales                      | 0.1         | 0.1          | 0.1          | 0.1          |
| EV/EBITDA                     | 4.1         | 4.7          | 5.6          | 4.9          |
| PE                            | 43.4        | 9.7          | 10.3         | 8.9          |
| FCF yield (%)                 | 17%         | -4%          | -3%          | 3%           |

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