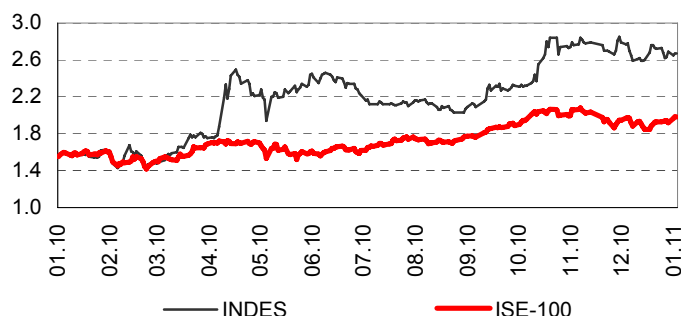


11 January 2011

Current Price / Mcap: TL2.70 / US\$96mn

## Price Performance (TL)



## Stock Market Data

| Bloomberg/Reuters:                   | İNDES.TI/İNDES.IS   |       |       |
|--------------------------------------|---|-------|-------|
| Relative Performance:                | 1 mth   | 3 mth | 12mth |
|                                      | -1%   | 17%   | 38%   |
| 52 Week Range (TL):                  | 1.43 - 2.85   |       |       |
| Market Cap (TLmn):                   | 151   |       |       |
| Average Daily Vol (TLmn) 3 mth:      | 1.0   |       |       |
| Beta:                                | 0.7   |       |       |
| YTD TL Return:                       | 0%  |       |       |
| Shares Outstanding (mn):             | 56  |       |       |
| Free Float (%):                      | 21.0  |       |       |
| Foreign Ownership in Free Float (%): | 14.3  |       |       |
| Shareholders:                        | Nevres Erol Bilecik 41.1%, Pouliadis and Associates S.A. 35.6%, Other 2.4%. |       |       |

**The Company in Brief:** Indeks, founded in 1989, is a wholesale and distribution company of computers, computer hardware and data transfer equipment in Turkey. Indeks also offers technical and software support services. Indeks distributes approximately 200 brands to 7,500 business partners in Turkey. Indeks has 336 employees with 1/3 of them in sales. The Company has a 40,000sqm logistics center in Ayazaga, Istanbul.

| Financials and Ratios | 2008 | 2009  | 2010E | 2011E |
|-----------------------|------|-------|-------|-------|
| Net Sales (TLmn)      | 928  | 1,087 | 1,207 | 1,328 |
| EBITDA (TLmn)         | 27   | 41    | 46    | 50    |
| Net Profit (TLmn)     | 5    | 16    | 19    | 21    |
| EBITDA Margin (%)     | 2.9% | 3.8%  | 3.8%  | 3.8%  |
| P/E (x)               | 29.8 | 9.5   | 7.8   | 7.1   |
| EV/EBITDA (x)         | 5.3  | 3.5   | 3.1   | 2.9   |
| EV/Sales (x)          | 0.16 | 0.13  | 0.12  | 0.11  |
| EPS (TL)              | 0.09 | 0.28  | 0.35  | 0.38  |
| DPS (TL)              | 0.00 | 0.11  | 0.14  | 0.15  |

Source: Garanti Securities estimates, Company data

İndeks offers excellent exposure to the massive growth potential in Turkey's IT sector. The sector grew with a CAGR of 13% between 1998 and 2010, reaching US\$6.6bn. We believe the Company will continue to grow with the market as Turkey's IT penetration still remains low. In addition to the market growth, Indeks is seeking to capture market share in the IT service segment and small electrical household goods sector, which both offer higher profit margins. We believe the Company is trading at attractive 2011E 7.1x P/E and 2.9x EV/EBITDA multiples compared to peer average of 8.5x P/E and 5.3x EV/EBITDA.

- High growth potential in IT sector...**  
 The relatively young average age of Turkey's population, the increasing presence of local and retail stores selling computers and declining computer prices have given rise to tremendous growth in the market in Turkey. Turkey is the only country where both Best Buy and Media Markt operate. Although this points to a growth potential, competition may become fiercer in the medium term, limiting the profitability margins.
- İndeks is the leader in Hardware segment...**  
 The company commands a 23% market share in the hardware segment. The Company's closest competitor is Arena Computer (ARENA.IS, N/R). Index expects some modest improvement in market share and a stable profit margin in current operations.
- Poised for growth in more profitable business segments...**  
 The company plans to expand its business in higher margin areas such as the service sector. The service segment accounts for a 15% share in IT sector, compared to a significant 74% for the hardware segment. In developed countries, the hardware, software and service segments tend to hold equal shares. The service segment is expected to exhibit relatively rapid growth, with Indeks seeking to increase its share in this relatively profitable segment. Moreover, the Company has entered small electrical household goods sector with a new "Homeend" brand. The household goods are designed in Turkey and produced in China. The Company plans to use its efficient distribution network in this area. "Homeend" sales will have a full year impact in 2011 and the Company might easily exceed our forecasts.
- Potential sale of land in near future...**  
 Using the company's 40,000sqm plot at its operating centre in Ayazağa is not an optimal use of the land, which is highly valuable. We expect the Company to move to a cheaper area for logistics operations, leaving a huge profit.
- TL1.2bn of net sales in 2010...**  
 We estimate that Indeks ended 2010 with a 11% rise in net sales to TL1.21bn. We expect TL1.33bn of net sales in 2011 up by 10%, with a flat 3.8% EBITDA margin, leading to TL50mn EBITDA.

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## THE COMPANY

İndeks, founded in 1989, is a wholesale and distribution company of computers, computer hardware and data transfer equipment in Turkey. İndeks also offers technical and software support services. İndeks distributes approximately 200 brands to 7,500 business partners in Turkey. İndeks has 336 employees with one third of them in sales. The Company has a 40,000sqm logistics center in Ayazaga, Istanbul.

İndeks has a conglomerate structure and separate segments are managed under different companies. İfin is not consolidated due to insignificant size.

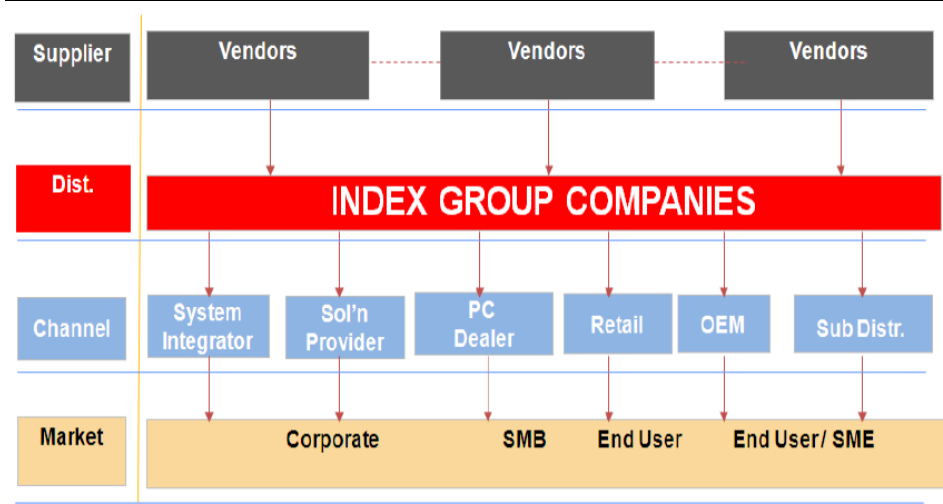
### Group Companies & Subsidiaries

| Company       | Segment                     | Stake | Consolidation         |
|---------------|-----------------------------|-------|-----------------------|
| İndeks Inc.   | Broadliner                  | 100%  | -                     |
| Datagate Inc. | OEM Components              | 59%   | Full Consolidation    |
| Neteks Inc.   | Network Products            | 50%   | Partial Consolidation |
| Neotech Inc.  | Consumer & Home Electronics | 80%   | Full Consolidation    |
| Teklos Inc.   | IT Logistics & Service      | 100%  | Full Consolidation    |
| İfin Inc.     | Trading                     | 100%  | Not Consolidated      |

Source: The Company

İndeks is the intermediary distributor between vendors and all distribution channels. The Company does not distribute the products to any end-users, thus preventing any competition with its customers.

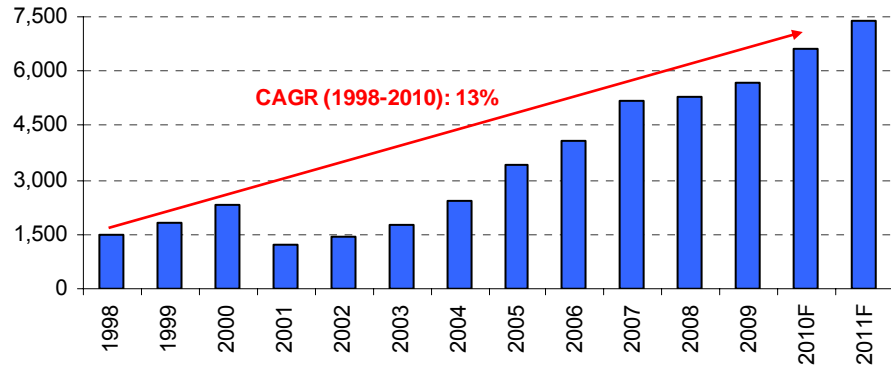
### Business Model



Source: The Company

## FIGURES & FORECASTS

### Turkish IT Market (US\$m)



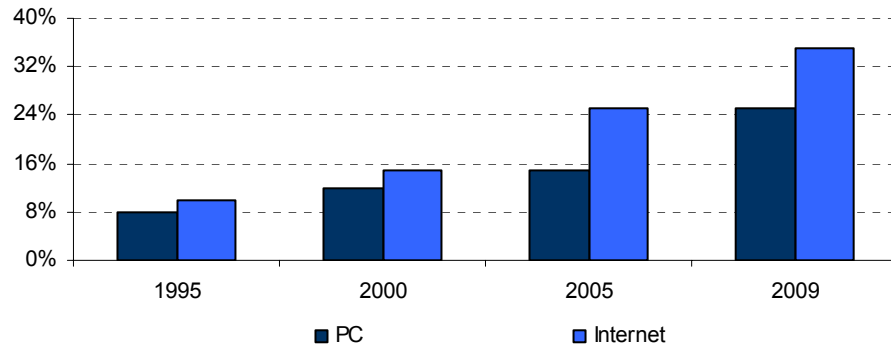
Source: IDC

We expect the Company to have a 11% net sales growth in TL terms in 2010. In 2011, we conservatively forecast 10% net sales growth. The Company might easily exceed our projections as "Homeend" sales will have a full year impact in 2011. We expect the Company to have flat margins as we believe the increasing competition in the hardware segment will be neutralized by the Company's increasing share in more profitable businesses.

| Income Statement (TLmn)     | 2007         | 2008        | 2009         | 2010E        | 2011E        |
|-----------------------------|--------------|-------------|--------------|--------------|--------------|
| <b>Net Sales</b>            | <b>1,025</b> | <b>928</b>  | <b>1,087</b> | <b>1,207</b> | <b>1,328</b> |
| <i>Growth</i>               | 14%          | -9%         | 17%          | 11%          | 10%          |
| COGS                        | -970         | -877        | -1,023       | -1,135       | -1,248       |
| <b>Gross Profit</b>         | <b>55</b>    | <b>51</b>   | <b>64</b>    | <b>72</b>    | <b>80</b>    |
| Opex                        | -28          | -25         | -24          | -28          | -31          |
| <b>Operating Profit</b>     | <b>27</b>    | <b>26</b>   | <b>40</b>    | <b>45</b>    | <b>49</b>    |
| <b>EBITDA</b>               | <b>28</b>    | <b>27</b>   | <b>41</b>    | <b>46</b>    | <b>50</b>    |
| Net Other Income (Exp.)     | 1            | 0           | -1           | -2           | -1           |
| Net Financial Income (Exp.) | -13          | -19         | -17          | -21          | -24          |
| PBT                         | 15           | 7           | 22           | 22           | 24           |
| Tax                         | -2           | -2          | -5           | -4           | -5           |
| Minority Shares             | 1            | 0           | 2            | 2            | 2            |
| <b>Net Income</b>           | <b>13</b>    | <b>5</b>    | <b>16</b>    | <b>19</b>    | <b>21</b>    |
| Gross Profit Margin         | 5.4%         | 5.5%        | 5.9%         | 6.0%         | 6.0%         |
| Operating Margin            | 2.6%         | 2.8%        | 3.7%         | 3.7%         | 3.7%         |
| <b>EBITDA Margin</b>        | <b>2.7%</b>  | <b>2.9%</b> | <b>3.8%</b>  | <b>3.8%</b>  | <b>3.8%</b>  |
| Net Margin                  | 1.2%         | 0.5%        | 1.5%         | 1.6%         | 1.6%         |

Source: ISE, Garanti Securities Estimates

### PC and Internet Penetration in Turkey



Source: Index Group

### Peer Comparison

| (US\$m)          |         |       | 2010E      |            | 2011E      |            |
|------------------|---------|-------|------------|------------|------------|------------|
| Company          | Country | Mcap  | EV/EBITDA  | P/E        | EV/EBITDA  | P/E        |
| Tech Data Corp   | US      | 2,056 | 5.1        | 10.5       | 4.5        | 9.3        |
| Ingram Micro Inc | US      | 2,979 | 4.6        | 10.1       | 4.2        | 8.9        |
| Esprinet SpA     | Italy   | 399   | 7.5        | 9.6        | 7.0        | 8.7        |
| Avnet Inc        | US      | 4,992 | 6.0        | 8.5        | 5.6        | 8.1        |
| Arena Computer   | Turkey  | 57    | 5.3        | 9.8        | 5.0        | 7.3        |
| <b>Average</b>   |         |       | <b>5.7</b> | <b>9.7</b> | <b>5.3</b> | <b>8.5</b> |
| Indeks           | Turkey  | 96    | 3.1        | 7.8        | 2.9        | 7.1        |

Source: Garanti Securities Estimates, Bloomberg

### Bloomberg vs. Garanti Securities Forecasts

Our revenue and EBITDA forecasts are broadly in line with the consensus estimates.

| INDEKS<br>(TLmn)  | Bloomberg |       | Garanti Securities |       | Difference |         |
|-------------------|-----------|-------|--------------------|-------|------------|---------|
|                   | 2010      | 2011  | 2010               | 2011  | 2010       | 2011    |
| Net Sales         | 1,162     | 1,261 | 1,207              | 1,328 | 4%         | 5%      |
| EBITDA            | 44        | 46    | 46                 | 50    | 4%         | 10%     |
| Net Profit        | 17        | 21    | 19                 | 21    | 14%        | 1%      |
| EBITDA Margin     | 3.8%      | 3.6%  | 3.8%               | 3.8%  | 0 pp       | 0.2 pp  |
| Net Income Margin | 1.5%      | 1.7%  | 1.6%               | 1.6%  | 0.1 pp     | -0.1 pp |

Source: Garanti Securities Estimates, Bloomberg

| <b>Balance Sheet (TLmn)</b>                    | <b>2008</b> | <b>2009</b>  | <b>9M09</b> | <b>9M10</b> |
|--|-------------|--------------|-------------|-------------|
| <b>Current Assets</b>                          | <b>305</b>  | <b>406</b>   | <b>323</b>  | <b>372</b>  |
| Cash and Cash Equivalents                      | 9           | 2            | 17          | 27          |
| Short-Term Trade Receivables                   | 184         | 229          | 186         | 218         |
| Other Short-Term Receivables                   | 2           | 1            | 1           | 6           |
| Inventories                                    | 80          | 139          | 93          | 92          |
| Other Current Assets                           | 30          | 34           | 27          | 28          |
| <b>Long Term Assets</b>                        | <b>31</b>   | <b>31</b>    | <b>31</b>   | <b>32</b>   |
| Tangible Fixed Assets                          | 28          | 28           | 28          | 28          |
| Other Long-Term Assets                         | 3           | 3            | 3           | 3           |
| <b>TOTAL ASSETS</b>                            | <b>336</b>  | <b>437</b>   | <b>354</b>  | <b>404</b>  |
| <b>Short Term Liabilities</b>                  | <b>228</b>  | <b>313</b>   | <b>235</b>  | <b>276</b>  |
| Short-Term Financial Loans                     | 29          | 22           | 7           | 11          |
| Short-Term Trade Payables                      | 183         | 265          | 210         | 245         |
| Other Short-Term Payables                      | 14          | 22           | 15          | 15          |
| Other Short-Term Liabilities                   | 3           | 3            | 3           | 5           |
| <b>Long Term Liabilities</b>                   | <b>12</b>   | <b>11</b>    | <b>11</b>   | <b>10</b>   |
| Long-Term Financial Loans                      | 12          | 10           | 10          | 9           |
| Other Long-Term Payables                       | 1           | 1            | 1           | 1           |
| <b>Shareholders' Equity</b>                    | <b>95</b>   | <b>113</b>   | <b>108</b>  | <b>119</b>  |
| Total Paid-in Capital                          | 56          | 56           | 56          | 56          |
| Reserves and Other Items                       | 11          | 13           | 13          | 15          |
| Retained Earnings /(Acc. Losses)               | 23          | 28           | 28          | 36          |
| Current Year Income /(Losses)                  | 5           | 16           | 11          | 11          |
| <b>TOTAL LIABILITIES AND S.HOLDERS' EQUITY</b> | <b>336</b>  | <b>437</b>   | <b>354</b>  | <b>404</b>  |
| <b>Income Statement (TLmn)</b>                 | <b>2008</b> | <b>2009</b>  | <b>9M09</b> | <b>9M10</b> |
| <b>Net Sales</b>                               | <b>928</b>  | <b>1,087</b> | <b>758</b>  | <b>841</b>  |
| Cost Of Sales                                  | -877        | -1,023       | -711        | -790        |
| <b>GROSS PROFITS/LOSSES</b>                    | <b>51</b>   | <b>64</b>    | <b>47</b>   | <b>51</b>   |
| Operating Expenses                             | -25         | -24          | -17         | -20         |
| <b>NET OPERATING PROFITS</b>                   | <b>26</b>   | <b>40</b>    | <b>30</b>   | <b>31</b>   |
| Financial Expenses                             | -19         | -17          | -14         | -15         |
| Taxation on Continuing Operations              | -2          | -5           | -3          | -3          |
| MINORITY INTERESTS                             | 0           | 2            | 1           | 1           |
| <b>NET PROFIT AFTER TAXES</b>                  | <b>5</b>    | <b>16</b>    | <b>11</b>   | <b>11</b>   |

## Garanti Securities

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