

9 September 2009

Is Yatirim Menkul Degerler

Year End	Pre fin. Op. profit (TRYbn)	PBT* (TRYbn)	EPS* (Kr)	DPS (Kr)	P/E (x)	Yield (%)
12/07	61.2	77.5	32.2	0.0	6.7	N/A
12/08	12.9	52.9	37.4	10.8	5.9	5.0
12/09e	63.9	92.3	49.3	12.4	4.4	5.7
12/10e	73.2	103.8	58.2	13.6	3.8	6.2

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items

Investment summary: Excellent H1

Building on Q109, Is Yatirim reported excellent H109 results, with net profit of TRY34m and shareholders' equity of TRY296m (up 22.5% y-o-y). It has continued to increase its market share in equities and has strongly grown derivative income and asset management income. The strong performance of the ISE has meant investment income has recovered sharply. The re-deploying of shareholders' capital into more profitable revenue lines has seen growth in return to shareholders. Despite its robust recent performance, the stock still trades on a 4.4x P/E, 0.8x P/BV with an ROE of 18.5% on 2009 forecasts.

Turkish capital markets recover

Turkish capital markets have now recovered strongly (compared to H108). Equity market volume has increased 15.8% y-o-y and the derivative market by 30.4% over the same timeframe. Though small the pension fund market saw rapid growth, up 48.5% compared to H108, with total assets under management now TRY7.7bn.

Brokerage and Fund Management drive growth

Commission income has recovered well, up 19% in H1 (y-o-y). ISY has increased its market share in equities to 8.3% at 31 July 2009 and is clearly the market leader. Equity trading volumes were up 52.1% in H109 compared with H108, as domestic investors re-entered the market. Fund management revenues were also ahead, with total AuM at H109 reaching TRY9bn. Of this, the more profitable pension fund assets were up 55% to TRY1.5bn.

Valuation: Undemanding despite recent performance

The healthy performance in H109 has led us to increase our forecasts. In particular the allocation of capital out of propriety trading and Bills & Bonds to the return enhancing Fund Management & Derivatives areas has increased profitability. The stock currently trades on 0.8x 2009e BV, 4.4x 2009e P/E and a forecast ROE of 18.5%. This is a significant discount to the European investment banks' average on 2010 multiples (a more normalised figure) of 10.5x P/E, P/BV of 1.6x and an ROE of 14%. Using the Gordon's growth model, with an over the cycle ROE of 16%, a long-term growth rate of 5% and a reduced cost of equity of 14% (to reflect the fall in interest rates), gives a target P/BV multiple of 1.2x.

Is Yatirim Menkul Degerler is a research client of Edison Investment Research Limited

Price 218Kr
Market Cap TRY260m

Share price graph



Share details

Code ISMEN.TI
Listing ISE
Sector Financials
Shares in issue 119.4m

Price

52 week High Low
TRY2.33 TRY0.66

Balance Sheet as at 30 June 2009

Debt/Equity (%) N/A
BV per share (TRY) 2.48
Net cash (TRYm) 1139

Business

Is Yatirim Menkul Degerler offers brokerage, corporate finance, investment advisory services and portfolio management services. The company also advises on IPOs.

Valuation

	2008	2009e	2010e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	N/A	N/A	N/A
ROE	N/A	N/A	N/A

Revenues on geography

	UK	Europe	US	Other
0%	100%	0%	0%	0%

Analyst

Maana Ruia 020 3077 5717
mruia@edisoninvestmentresearch.co.uk

Exhibit 1: Financials

	TRYm	2007	2008	2009e	2010e
Year end 31 December		TAS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Trading Income		29,696,679	33,334,236	23,333,965	25,667,361
Trading Costs		(29,689,167)	(33,346,230)	(23,329,125)	(25,662,038)
Trading Profit		7,512	(11,995)	4,840	5,324
Income from service (net)		67,803	56,903	57,203	65,783
Other operating income		50,609	58,448	91,870	105,651
Operating expenses		(64,774)	(90,461)	(90,021)	(103,525)
Pre financials operating profit		61,149	12,896	63,892	73,234
Other income		1,341	13,879	2,300	3,500
Other expenses		(6,425)	(5,935)	(4,500)	(6,000)
Net financials		21,408	32,020	30,633	33,064
Operating Profit		77,473	52,860	92,325	103,798
Other		0	0	0	0
Profit Before Tax (norm)		77,473	52,860	92,325	103,798
Tax		(8,305)	(10,965)	(18,465)	(20,760)
Profit After Tax (norm)		69,168	41,896	73,860	83,038
Minority interest		30,784	(2,810)	15,000	13,500
Net income (norm)		38,384	44,706	58,860	69,538
Average Number of Shares Outstanding (m)		119.4	119.4	119.4	119.4
EPS - norm (Kr)		32.2	37.4	49.3	58.2
Dividend per share (Kr)		0.0	10.8	12.4	13.6
BALANCE SHEET					
Fixed Assets		28,198	54,276	63,110	71,140
Intangible Assets		982	1,301	1,480	1,500
Tangible Assets		5,540	17,173	21,830	23,840
Investments		21,675	35,803	39,800	45,800
Current Assets		1,212,511	1,428,563	1,843,746	2,044,896
Financial assets		302,883	244,015	363,890	398,500
Debtors		226,628	239,700	364,796	394,796
Cash		680,918	933,050	1,098,060	1,234,600
Other		2,083	11,798	17,000	17,000
Current Liabilities		(833,389)	(1,071,644)	(1,399,234)	(1,592,679)
Creditors		(182,539)	(166,592)	(350,590)	(416,780)
Financial liabilities		(638,041)	(892,189)	(1,029,860)	(1,156,000)
Tax and social security		(4,219)	(4,364)	(10,800)	(11,915)
Other short term liabilities		(8,589)	(8,498)	(7,984)	(7,984)
Long Term Liabilities		(1,014)	(1,266)	(3,500)	(3,500)
Long term borrowings		0	0	0	0
Other long term liabilities		(1,014)	(1,266)	(3,500)	(3,500)
Net Assets		406,306	409,930	504,122	519,857
Minority interest		162,711	137,241	186,525	176,751
Shareholders equity		243,596	272,689	317,597	343,106
Net Cash		672,328	924,552	1,090,076	1,226,616

Source: Company accounts/Edison Investment Research

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