

18 May 2010

Is Yatirim Menkul Degerler

Year End	Pre fin-Op. profit (TRYbn)	PBT* (TRYbn)	EPS* (TRY)	DPS (TRY)	P/E (x)	Yield (%)
12/08	12.9	52.9	0.374	0.108	8.3	3.5
12/09	110.6	127.2	0.574	0.167	5.4	5.4
12/10e	130.4	145.2	0.862	0.210	3.6	6.7
12/11e	141.1	155.9	0.965	0.250	3.2	8.0

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

Investment summary: Strong start to the year

Is Yatirim (ISY) has begun 2010 with a strong set of results. With net profit of TRY18.56m (up 85% y-o-y) and shareholders' equity up 24%, we see the benefits of more buoyant financial markets and ISY's franchise. The steady growth in the equity and derivative markets and pension fund asset growth of 46% y-o-y has led to a rapid increase in commission income. The star performer this quarter was corporate finance; however, with a well diversified revenue mix, ISY is not dependant on any one business line.

Q110 results: Improvement across the board

ISY has had a strong start to 2010, with a 48% increase (y-o-y) in total operating income of TRY51.06m. Interest and trading income increased 7% with trading on equities and government bonds and the help of interest income (25% y-o-y). Commission income (excluding corporate finance) increased 89%, helped by a 168% increase in equities and 24% increase in asset management fees.

The corporate finance renaissance

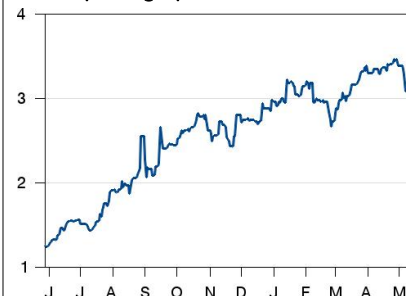
After two years of low transaction activity and commission levels, the corporate finance activity has picked up this quarter. Total commissions from this business line were TRY4.09m. This compares with revenues of TRY1.4m for FY09. So far this year, ISY has led the Koza Gold (market cap on listing TRY662.4m) IPO and Akfen Holding's corporate bond issue. In addition, the pipeline for the rest of the year looks strong, including a REIT IPO and a private aviation company.

Valuation: Still undemanding

We upgraded our forecasts after the FY09 results. Although Q1 results were ahead of our forecasts (largely driven by corporate finance), we make no changes at this stage. Due to increased global currency and economic volatility and the market sensitivity of some of ISY's income streams, we feel it is prudent leave our numbers unchanged. The stock currently trades on 1.0x 2010 BV, 3.6x 2010 P/E and a forecast ROE of 27%. 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 13% (to reflect the fall in interest rates), gives a target P/BV multiple of 1.4x.

Price TRY3.12
Market Cap TRY371m

Share price graph



Share details

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

Price

52 week	High	Low
	TRY3.52	TRY1.17

Balance Sheet as at 31 March 2010

Debt/Equity (%)	N/A
BV per share (TRY)	2.96
Net cash (TRYm)	1,459

Business

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

Valuation

	2009	2010e	2011e
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%

Analyst

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Exhibit 1: Financials

	TRYm	2007 TAS	2008 IFRS	2009 IFRS	2010e IFRS	2011e IFRS
Year end 31 December						
PROFIT & LOSS						
Trading Income		29,696,679	33,334,236	24,445,661	25,183,013	27,701,314
Trading Costs		(29,689,167)	(33,346,230)	(24,411,623)	(25,143,972)	(27,658,369)
Trading Profit		7,512	(11,995)	34,038	39,041	42,945
Income from service (net)		67,803	56,903	82,752	96,215	103,482
Other operating income		50,609	58,448	85,152	95,636	106,156
Operating expenses		(64,774)	(90,461)	(91,324)	(100,457)	(111,507)
Pre financials operating profit		61,149	12,896	110,618	130,436	141,077
Other income		1,341	13,879	1,837	2,875	3,000
Other expenses		(6,425)	(5,935)	(4,240)	(6,000)	(6,995)
Net financials		955	32,020	18,935	17,896	18,841
Operating Profit		57,020	52,860	127,149	145,207	155,922
Other		0	0	0	0	1
Profit Before Tax (norm)		57,020	52,860	127,149	145,207	155,922
Tax		(8,305)	(10,965)	(13,220)	(20,329)	(21,829)
Profit After Tax (norm)		48,715	41,896	113,929	124,878	134,093
Minority interest		30,784	(2,810)	45,431	22,000	18,900
Net income (norm)		17,930	44,706	68,499	102,878	115,193
Average Number of Shares Outstanding (m)		119.4	119.4	119.4	119.4	119.4
EPS - normalised (Kr)		15.0	37.4	57.4	86.2	96.5
Dividend per share (Kr)		0.0	10.8	16.7	21.0	25.0
BALANCE SHEET						
Fixed Assets		28,198	54,276	66,220	72,774	77,003
Intangible Assets		982	1,301	1,527	1,550	1,575
Tangible Assets		5,540	17,173	27,478	32,149	34,399
Investments		21,675	35,803	37,215	39,075	41,029
Current Assets		1,212,511	1,428,563	2,388,300	2,639,643	2,819,388
Financial assets		302,883	244,015	394,409	449,626	481,100
Debtors		226,628	239,700	614,760	725,417	797,959
Cash		680,918	933,050	1,371,825	1,454,600	1,527,330
Other		2,083	11,798	7,306	10,000	13,000
Current Liabilities		(833,389)	(1,071,644)	(1,937,221)	(2,133,273)	(2,254,517)
Creditors		(182,539)	(166,592)	(597,625)	(657,387)	(690,256)
Financial liabilities		(638,041)	(892,189)	(1,325,352)	(1,457,887)	(1,545,360)
Tax and social security		(4,219)	(4,364)	(5,491)	(8,015)	(8,900)
Other short term liabilities		(8,589)	(8,498)	(8,754)	(9,984)	(10,000)
Long Term Liabilities		(1,014)	(1,266)	(1,690)	(2,000)	(2,500)
Long term borrowings		0	0	0	0	0
Other long term liabilities		(1,014)	(1,266)	(1,690)	(2,000)	(2,500)
Net Assets		406,306	409,930	515,608	577,144	639,375
Minority interest		162,711	137,241	181,428	196,229	217,387
Shareholders equity		243,596	272,689	334,180	380,915	421,987
Net Cash		672,328	924,552	1,363,071	1,444,616	1,517,330

Source: Company accounts/Edison Investment Research

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