Garanti Securities | RESEARCH

TURKISH TRACTOR SECTOR

NO FIELD TOO FAR - NO HILL TOO STEEP - NO DITCH TOO DEEP - NO YIELD TOO LOW

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TURKISH TRACTOR SECTOR

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EXECUTIVE SUMMARY

One of the largest agriculture economies

The Turkish agricultural sector has grown in 7 out of last 8 years, becoming one of the main drivers of growth in the Turkish economy. The economic size of Turkish agriculture with respect to world's agricultural economy was ranked 11th in 2002, but has risen to 7th ranking since 2008. When compared with Europe, it has risen from the 4th largest agricultural economy to the largest. Turkey's agricultural GDP increased from US$24bn in 2002 to US$63bn in 2012. The objective for 2023 is to raise agricultural income to US$150bn, with US$50bn of agricultural exports. Turkey, located in one of the most favourable climate zones in geographical terms, boasts adequate natural resources and is ranked as the world's largest producer in terms of hazelnuts, apricots and figs, while it is the world's 3rd largest producer of tomatoes and 6th largest producer of grapes.

Strong prospects for farm tractor sales

Annual tractor sales had averaged 34,000 between 1987-2000, but dropped by 23% to 26,000 between 2001-2010. We attribute the decline to a number of specific reasons such as the particular incentives in any given year, the weather and food prices which may have affected farmers' income. However, demand climbed to a new plateau after 2010 with average annual sales of 54,000 on the back of government support, strong harvests, pent-up demand and a shift in consumer preferences to more powerful tractors along with the increased consolidation of land. Total governmental subsidies are projected to reach TL24bn in 2014 (compared to the TL14bn in 2010) according to the budget proposal. We assume that tractor demand in Turkey will increase by 1% in 2014. Demand did rise by 15% YoY in 1H14 on a supportive base. Nevertheless, we expect weaker sales for the remainder of the year. After 2014, we conservatively project an annual average growth of 2%, with tractor sales reaching 54,000 tractors in 2016 and 61,000 tractors by 2022. That corresponds to average sales of 57,000 vehicles between 2014-22, compared to 54,000 in 2011-2013. Note that a potential scrap incentive is not included in our numbers. We believe, the risks to our demand forecast are on the upside given our mid to long term GDP growth projection of 4% per year, and the government's supportive approach to the sector. We expect demand to shift to more powerful tractors, which is likely to result in more growth in value basis rather than volume basis.

The widely expected scrap incentive

The size of the tractor park is 1.5mn vehicles, with an average age of 23 years, and an average mechanical endurance of 20-22 years. The sector would benefit from a government scrap incentive, as half of the park is over 25 years of age. The incentive could lift the market volume to over 70,000 vehicles, expanding the size of the market by 20,000-30,000 tractors per annum over the course of the incentive period. We believe the scrap incentive will be introduced in 2016 as the mandatory Tier 4 standards are launched. This would raise the price tag for farm tractors by 10-15% - which may affect demand negatively. It is possible that the incentive may be introduced earlier, ahead of the 2015 general election. Our base scenario suggests an additional demand of 30,000 tractors per annum in the sector as a result of the incentive over a period of three years, raising our target prices for Turk Traktor by 7% and Tumosan by 9%.

Outperform recommendation for Tumosan and Market Perform for Turk Traktor

We reinitiate our coverage of the Turkish Farm Tractor Sector with this report with Outperform rating for Tumosan (TMSN) and Market Perform for Turk Traktor (TTRAK). Our valuations for the companies are based on DCF valuation. As far as multiple comparisons are concerned, Tumosan trades at 11% discount to their global peers on the basis of 2015 EV/EBITDA while Turk Traktor does not. Our numbers imply a CAGR of 11% in revenues, 16% in EBITDA, and 17% in net income over the 2014-16 period for Tumosan (vs. a CAGR of 7% in revenues, 10% in EBITDA and 3% in net income for Turk Traktor). We assume a 65% pay out ratio for Tumosan going forward (vs. 70% for Turk Traktor), suggesting 5% yields in 2015 and 2016 for both companies. Turk Traktor has recently opened its second plant and we believe this will support margins on lower logistic expenses. On the other hand, The Undersecretariat for Defence Industries has initiated talks with Tumosan over the Altay Tank project, Turkey's national tank project. Tumosan had submitted a bid for the engine part. That could bring additional value for Tumosan since the project is not yet included in our valuation, as the final agreement between the parties is yet to be signed. **We prefer Tumosan over Turk Traktor with its higher exposure to more powerful tractors and increasing market share, coupled with the expansion of its product portfolio and sales network.**

Risks

Lower GDP growth, a weaker TL, higher interest rates, lower credit availability and a disruption in government subsidies for agriculture could all have a negative impact on revenues and earnings in the sector. Unpredictable factors such as poor weather conditions or diseases that destroy harvests could lower farmers' income and result in a worse than expected demand scenario for tractors. Specifically, Tumosan's main shareholder is planning to sell 8.1mn shares (c%7 of its paid in capital) at a price of over TL6.00/share which would most likely create an overhang on the share price.

Company	Ticker	Rating	Mcap	3M Avg Volume	Target Price	Upside	Revenue CAGR (TL)	EBITDA CAGR (TL)	Net Profit CAGR (TL)	EV/EBITDA		P/E*		EBITDA margin	BIST-100 Relative Performances	
			(TLmn)	(TLmn)	(TL)	(%)	2014-2016E	2014-2016E	2014-2016E	2014E	2015E	2014E	2015E	2014E	3M	YTD
Turk Traktor	TTRAK	Market Perform	4,029	5	77.00	2%	7%	10%	3%	11.2	10.1	13.1	12.8	15.4%	22%	15%
Tumosan	TMSN	Outperform	612	11	6.40	20%	11%	16%	17%	9.7	8.2	13.8	12.4	13.6%	2%	-5%

Source: Garanti Securities

** Lower effective tax rate impact for TTRAK*

RECOMMENDATIONS & VALUATIONS

OUTPERFORM recommendation for Tumosan and Market Perform for Turk Traktor. We reinitiate our coverage of the Turkish Farm Tractor Sector with this report with Outperform rating for Tumosan and a Market Perform rating for Turk Traktor. Our valuations are based on DCF for each company. Our valuations offer 12 month forward target share prices of TL6.40 for Tumosan and TL77.00 for Turk Traktor, which imply potential returns of 20% and 2% respectively.

Assuming no scrap incentive, we project Turkish tractor demand to grow at a 2% CAGR over the 2014-22 period. We assume that Tumosan will register a CAGR of 3.3% in domestic volumes with 4.4% in export volumes (vs. 1.1% and 5.0% for Turk Traktor, respectively). Our numbers imply a CAGR of 11% in revenue, 16% in EBITDA, and 17% in net income for Tumosan over the 2014-16 period (vs. a CAGR of 7% in revenue, 10% in EBITDA and 3% in net income for Turk Traktor).

We assume a 65% pay out ratio for Tumosan going forward (vs. 70% for Turk Traktor), suggesting 5% dividend yields in 2015 and 2016 for both Companies. Tumosan and Turk Traktor trades at around 2015 P/E of 12.6x - at a discount of around 6% to its peers. Tumosan looks cheap on its 2015E EV/EBITDA of 8.2x as well while Turk Traktor does not.

Turk Traktor has recently opened its second plant and believe this will support margins on lower logistic expenses. On the other hand, The Undersecretariat for Defence Industries has entered negotiations with Tumosan regarding the Altay Tank, Turkey's national tank project. Tumosan had submitted a bid for the engine part. This would bring an additional value for Tumosan since the project is not in our valuation, given that the final agreement between the parties is yet to be signed.

The government's support to the sector, which has grown at a CAGR of 18% between 2010 and 2013, is another advantage for the sector players. We do not expect the much anticipated scrap incentive to be introduced before 2016E. If the incentive is introduced earlier, it could add upside to our forecasts. Our base case scenario calculation assumes that the incentive would generate additional demand of 30,000 tractors per annum over three years (2016-18), paving the way for a 9% increase in our target prices for Tumosan to TL6.95 and 7% for Turk Traktor to TL82.54.

We set 12 month forward target prices of TL6.40/share and TL77.00/share for Tumosan and Turk Traktor. We employ DCF as our preferred valuation methodology for Tumosan and Turk Traktor to better reflect the growth prospects of the Companies. We used a risk-free rate of 9.0% and terminal growth rate of 5% (see details on next page).

Risks. Lower GDP growth, weaker TL, higher interest rates, lower credit availability or any disruption in government subsidies for agriculture would have a negative impact on revenues and earnings in the sector. Unpredictable factors such as the weather or diseases that could affect harvests could lower farmers' income and compromise demand scenario for tractors.

DCF Summary

Tumosan DCF

(TLmn)	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Revenue	462	510	567	630	699	756	817	883	955
Adj. EBIT	57	69	78	89	103	115	123	132	142
Taxes on EBIT	-11	-14	-16	-18	-21	-23	-25	-26	-28
Tax Savings due to Investment Incer	0	0	0	0	0	0	0	0	0
NOPLAT	45	55	62	71	82	92	99	106	113
Depreciation	6	7	8	10	12	14	16	19	22
Gross Cash Flow	**52**	**62**	**70**	**80**	**94**	**106**	**115**	**124**	**135**
Increase in Working Capital	9	15	19	20	22	18	19	21	23
Capital Expenditures	23	18	17	19	21	22	24	26	28
Increase in Net Other Assets	3	1	0	0	0	0	0	0	0
Gross Investment	**35**	**34**	**36**	**38**	**43**	**40**	**43**	**47**	**51**
Free Cash Flow	**17**	**28**	**34**	**42**	**51**	**66**	**71**	**77**	**84**
Assumptions (%)									
Domestic Tractor Demand	52,809	53,337	54,404	55,492	56,602	57,734	58,888	60,066	61,267
% ch	*1.0*	*1.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*
Tumosan Domestic Sales Volume	8,978	9,334	9,793	10,266	10,754	10,969	11,189	11,413	11,641
% ch	*-3.7*	*4.0*	*4.9*	*4.8*	*4.8*	*2.0*	*2.0*	*2.0*	*2.0*
Tumosan Export Sales Volume	138	150	160	170	175	180	185	190	195
% ch	*7.8*	*8.7*	*6.7*	*6.3*	*2.9*	*2.9*	*2.8*	*2.7*	*2.6*
Revenue growth (%)	3.9	10.2	11.2	11.1	11.0	8.1	8.1	8.1	8.1
Exports (% of Revenue)	1.5	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
EBITDA margin (%)	13.6	14.8	15.0	15.6	16.3	17.0	17.0	17.0	17.0
Incr. in Working Capital/Sales (%)	1.9	3.0	3.4	3.2	3.1	2.4	2.4	2.4	2.4
Capital Expenditures/Sales (%)	5.0	3.6	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Incr in Net Other Assets/Sales (%)	0.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Garanti Securities

Turk Traktor DCF

(TLmn)	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Revenue	2,542	2,730	2,929	3,138	3,403	3,691	4,003	4,341	4,709
Adj. EBIT	349	370	386	411	451	484	532	581	625
Taxes on EBIT	-70	-74	-77	-82	-90	-97	-106	-116	-125
Tax Savings due to Investment Ince	3	14	15	7	0	0	0	0	0
NOPLAT	283	310	325	337	361	388	425	465	500
Depreciation	37	72	82	91	100	111	114	120	135
Gross Cash Flow	**320**	**382**	**406**	**427**	**461**	**499**	**540**	**585**	**635**
Increase in Working Capital	47	24	27	42	55	59	64	70	75
Capital Expenditures	229	164	102	94	102	111	120	130	139
Increase in Net Other Assets	4	2	0	0	0	0	0	0	0
Gross Investment	**279**	**190**	**129**	**136**	**157**	**170**	**184**	**200**	**215**
Free Cash Flow	**41**	**193**	**277**	**291**	**305**	**329**	**355**	**385**	**420**
Assumptions (%)									
Domestic Tractor Demand	52,809	53,337	54,404	55,492	56,602	57,734	58,888	60,066	61,267
% ch	*1.0*	*1.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*
T. Traktor Domestic Sales Volume	26,933	26,668	26,658	26,636	27,169	27,712	28,266	28,832	29,408
% ch	*9.4*	*-1.0*	*0.0*	*-0.1*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*
T. Traktor Export Sales Volume	15,842	16,634	17,466	18,339	19,256	20,219	21,230	22,292	23,406
% ch	*10.0*	*5.0*	*5.0*	*5.0*	*5.0*	*5.0*	*5.0*	*5.0*	*5.0*
Revenue growth (%)	16.8	7.4	7.3	7.1	8.5	8.5	8.5	8.5	8.5
Exports (% of Revenue)	32	34	34	35	35	35	36	36	36
EBITDA margin (%)	15.4	16.1	16.2	16.3	16.5	16.5	16.5	16.5	16.5
Incr. in Working Capital/Sales (%)	1.8	0.9	0.9	1.3	1.6	1.6	1.6	1.6	1.6
Capital Expenditures/Sales (%)	9.0	6.0	3.5	3.0	3.0	3.0	3.0	3.0	3.0
Incr in Net Other Assets/Sales (%)	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Garanti Securities

Tumosan 12mth Target Price (TL/Share)

Perpetuity Growth Rate	4.50%	5.00%	5.50%
WACC + 1%	5.47	5.65	5.84
WACC	6.16	**6.40**	6.66
WACC - 1%	7.03	7.36	7.73

Source: Garanti Securities

Turk Traktor 12mth Target Price (TL/Share)

Perpetuity Growth Rate	4.50%	5.00%	5.50%
WACC + 1%	62.55	65.40	68.64
WACC	73.04	**77.00**	81.58
WACC - 1%	86.88	92.61	99.40

Source: Garanti Securities

PEER COMPARISON

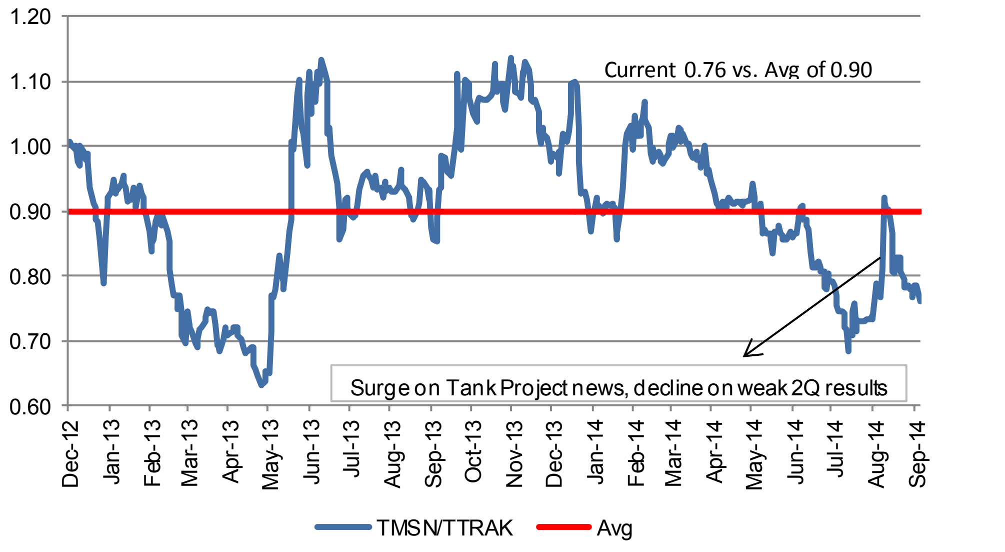
We have presented multiples for international players in order to put Tumosan and Turk Traktor's valuation into perspective. As shown below, both Tumosan and Turk Traktor trade at a discount to its on the basis of their 2015E P/E. However, it is worth to note that, we assume lower effective tax rates for Turk Traktor (vs. normal standard tax rate of 20%) in 2014-2016 given the tax savings from its investments. On EV/EBITDA front, Tumosan looks cheap but Turk Traktor does not.

			EV/SALES		EV/EBITDA		P/E	
Company	**Country**	**MCAP (US$)**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**
Deere & Co	UNITED STATES	29,480	1.0	1.1	5.9	7.3	9.8	12.0
AGCO Corp	UNITED STATES	4,476	0.5	0.6	5.5	5.8	9.9	10.4
Kubota Corp	JAPAN	18,535	1.7	1.7	11.1	10.6	15.6	15.2
Bucher Industries AG	SWITZERLAND	2,897	1.0	1.0	7.9	7.6	13.2	12.7
Mahindra & Mahindra Ltc	INDIA	13,991	1.6	1.5	11.8	10.9	18.7	17.1
CNH Industrial NV	BRITAIN	11,138	1.1	1.1	12.4	11.3	12.4	10.7
Mcap Adjusted Average			**1.2**	**1.3**	**9.1**	**9.2**	**13.2**	**13.4**
TTRAK multiples		***1,840***	***1.7***	***1.6***	***11.2***	***10.1***	***13.1***	***12.8***
Discount/Premium			39%	29%	24%	10%	-1%	-4%
TMSN multiples		***279***	***1.3***	***1.2***	***9.7***	***8.2***	***13.8***	***12.4***
Discount/Premium			6%	-3%	7%	-11%	5%	-8%

Source: Bloomberg, Garanti Securities

Tumosan's discount to Turk Traktor has recently narrowed after developments related to the Altay Tank project, but again widened following the weak operational results in 2Q14.

Tumosan's discount to Turk Traktor



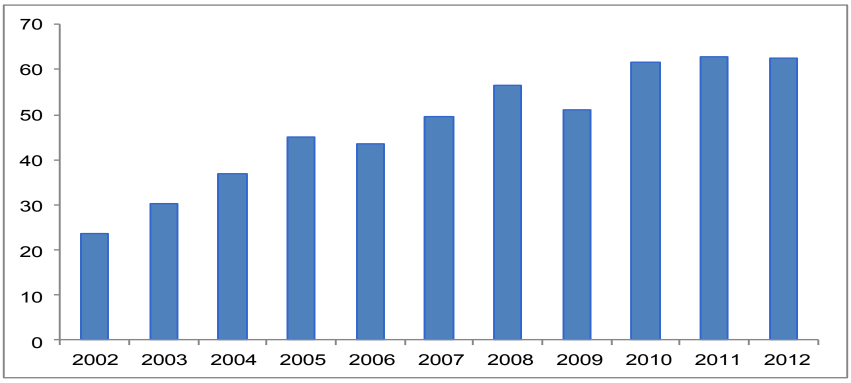
Source: Rasyonet, Garanti Securities

SECTOR OVERVIEW

The Agricultural Industry in Turkey

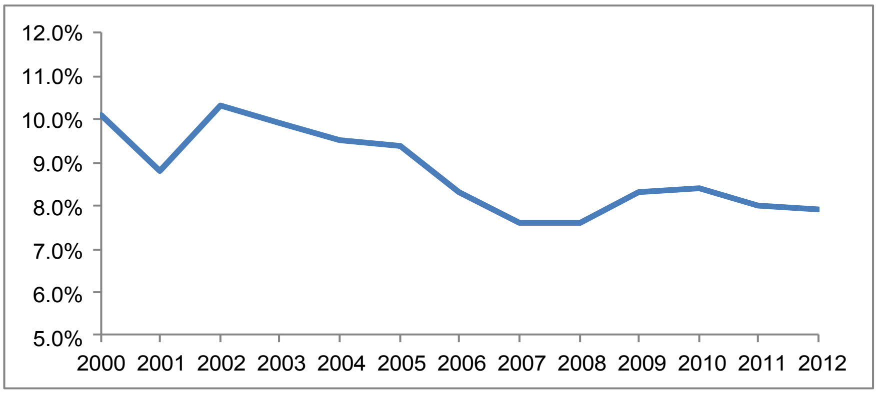
Turkey has 24mn hectares of agricultural land; as of 2012, the nominal size of the agricultural sector was US$62.5bn, constituting 8% of the GDP. Agriculture also accounts for 25% of the country's employment. Turkey ranks first in Europe and fifth in the world in terms of the size of its agricultural sector. Agricultural GDP increased from US$23.7bn in 2002 to US$63bn in 2012; the objective for 2023 is to raise agricultural income to US$150bn, with US$50bn of agricultural exports. Located in a highly favourable climate zone in geographical terms, Turkey offers considerable natural resources with the capacity to support the agricultural industry through its increasing population and purchasing power. Thanks in particular to emerging production technologies and its climatic advantages, Turkey has the potential to produce a variety of agricultural products throughout the year at certain standards and to market these products and Turkey ranks as the world's largest producer of hazelnuts, apricots and figs, the 3rd largest producer of tomatoes and the 6th largest producer of grapes.

Agricultural GDP in Turkey (US$, bn)



Source: TUIK

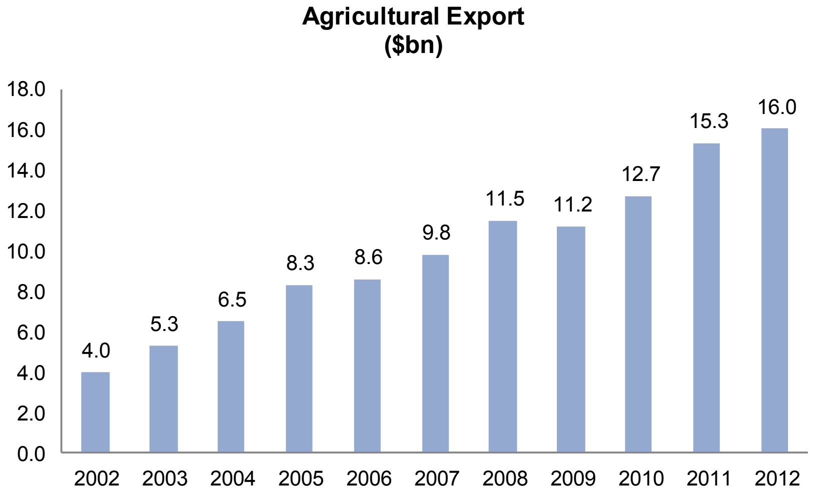
Share of agriculture in GDP



Source: TUIK

Agricultural Exports

As of 2012, the volume of agricultural exports had reached US$16bn. Turkey exports 1,663 different agricultural products to 188 countries.

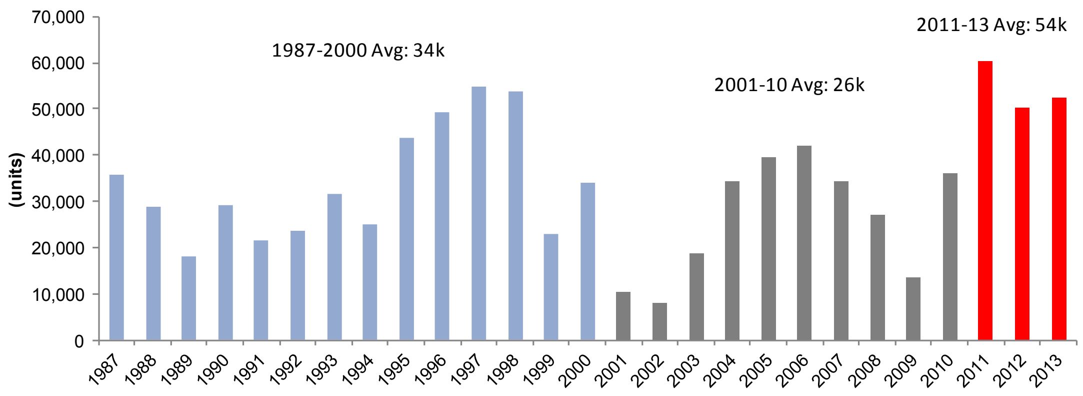


Source: TUIK

The Tractor Market in Turkey

The graph below depicts tractor demand in Turkey. At the time of economic contractions such as in 1994, 1999, 2001, 2002 and 2009, tractor demand has plunged sharply. Annual tractor sales averaged 34,000 between 1987-2000 but dropped by 23% to 26,000 between 2001-2010. We attribute the decline to a number of specific reasons such as the particular incentives in any given year, the weather and the food prices which may have affected farmers' income. However, demand rose to a new plateau after 2010 with annual sales since then having averaged 54,000 on the back of government support, sound harvests and a shift in consumer preferences to more powerful tractors along with increased land consolidation.

Turkey Tractor Demand

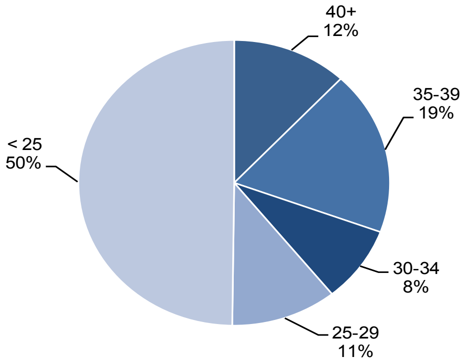


Source:TUIK, Company data

Tractor Park

The overall size of the tractor park is stated as 1,466,208 vehicles, with an average age of 23 years, and an average mechanical endurance of between 20-22 years. The sector would benefit from a government scrap incentive, as there are 730,721 tractors which are over 25 years of age. There is a wide expectation of a scrap incentive in the sector; we have presented an analysis to illustrate how an incentive would affect the sector and its players on page 12.

Distribution of tractors by age



Source: TUIK

Mechanization, renewal potential and trends in demand

It is estimated that nearly half a million tractors need to be renewed, as their specifications are no longer valid. The use of high performance tractors and equipment will bring down unit production costs in the industry. The use of old tractors leads to higher production costs and cuts productivity by 25%. Nearly half of the tractors in the tractor park were manufactured more than 25 years ago. Hence, we think a scrap incentive may trigger a trend of mechanization and renewal amid the regulations and productivity concerns.

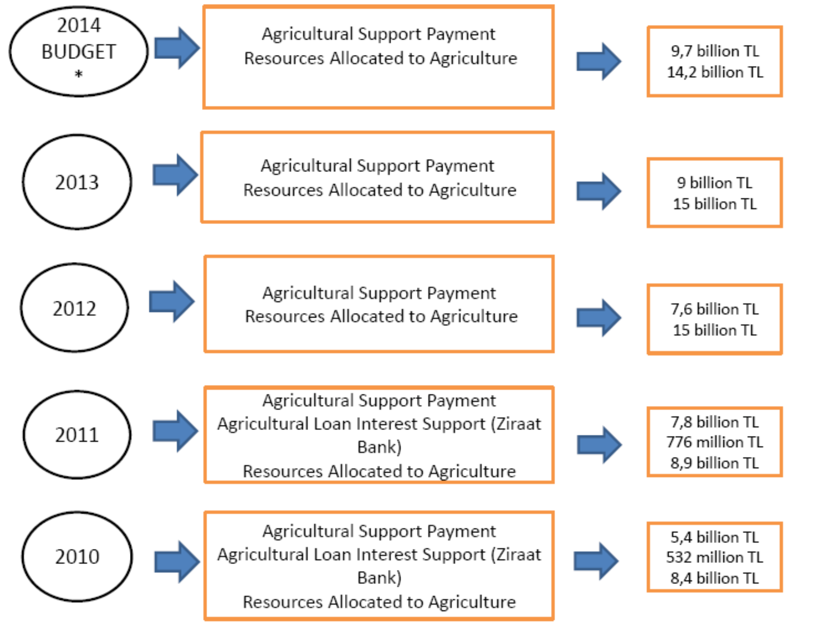
The average power of tractors has increased by 20% over the last 10 years. The number of tractors with dual-thrust motors have increased eight-fold and 4WD tractors now account for 65% of production. The sale of tractors with an interior cabin has also quadrupled in recent years. Sales volumes in the orchard and vineyard segments have also tripled.

Government Subsidies

Agricultural subsidies and the credit terms offered by Ziraat Bankası (National Agriculture Bank) have remained attractive, as in previous years. Privately-held banks are more solicitous in extending agricultural credits and loans.

One of the key factors that affects farmers' income and their appetite to spend is that support from the government has increased substantially in the last five years as shown in the table below. Total subsidies are expected to reach TL24bn in 2014, up from the TL14bn in 2010, according to the budget proposals.

Resources allocated to agriculture in Turkey

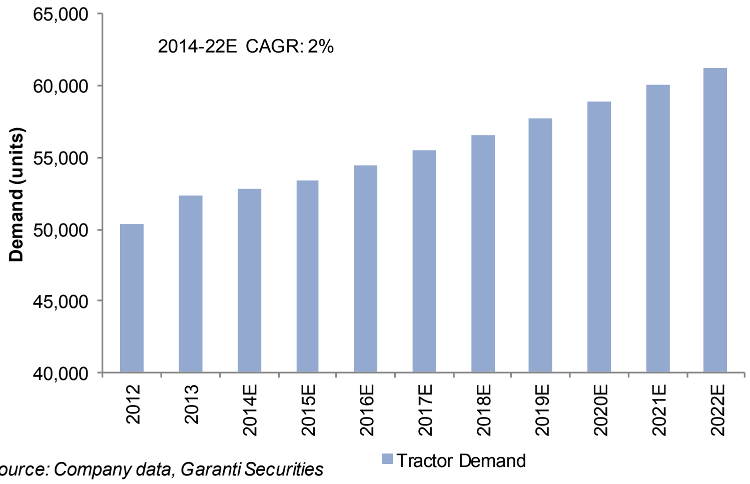


Source: General Directorate of Herbal Production *2014 Budget Speech

Land Consolidation

The government's land consolidation process has gained pace in recent years and the government has prepared a law on agricultural land. The recently-approved law on the consolidation of agricultural land aims to prevent the split of estates among several heirs. According to the law, depending on the region and specification of the land, the Agriculture Ministry will determine the minimum parcel sizes. This is expected to increase the average size of farms in the long term, which is also positive in terms of mechanization and productivity. While a total of 450,000 hectares of land in Turkey was consolidated between 1961 and 2002 - a period of 41 years - nearly three times as much land, 1.3 mn hectares, was consolidated in the 9 years between 2003 and 2011. Projects to perform land consolidation for an additional 1.8 mn hectares of land have been continuing.

Our Demand Forecasts in Turkish Farm Tractor Market



Source: Company data, Garanti Securities

Our Demand Forecasts

We assume that demand for tractors in Turkey will increase by only 1% in 2014. Demand was up by 15% YoY in 6M14 on a supportive base, but we expect weaker sales in the remainder of the year. Beyond 2014, we project annual average growth of 2%, with demand reaching 54,000 tractors in 2016 and 61,000 tractors by 2022. That corresponds to average sales of 57,000 vehicles over the 2014-22 period, vs. 54,000 in 2011-2013. Note that a potential scrap incentive has not been included in our assumptions. We believe that risks to our demand forecast are on the upside given our GDP growth estimate of 4% in mid to long term and the government's supportive approach to the sector. We expect demand to shift to more powerful tractors, which is likely to result in more growth in value basis rather than volume basis.

Tier IV engines standards to usher in a new wave of demand

The introduction of Euro IV emission standards will lead to higher tractor prices given the significant cost increases associated with the new standards. This is likely to hurt demand, unless the government extends support to farmers so the tractors are more affordable. The Euro 4 mandate was set to enter effect in 2016. This is likely to present a major burden for manufacturers, as the cost of engines will increase significantly, resulting in increases of at least 10% in tractor prices. However, those tractor manufacturers producing their own engines will command a major cost control advantage over the ones that don't.

A study on scrap incentive

We do not expect any scrap incentive to be introduced until the transition to Euro IV standards is completed. There have long been rumours of a scrap incentive for tractors, but no concrete steps have been taken so far. With around 730,000 tractors over 25 years of age, the sector would benefit from a scrap incentive, where new tractors would be offered at a discount in exchange for the trading in of old tractors for scrap. Meanwhile, the incentive could lift the market volume to 65,000-70,000 vehicles, expanding the size of the market by around 15,000-20,000 tractors per annum over a period of 3-5 years.

Scrap Incentive			3 year span (2016-18)			5 year span (2016-20)		
			Response rate			Response rate		
Age	Park		10%	20%	30%	10%	20%	30%
20-25	147,977	New demand per year	4,933	9,865	14,798	2,960	5,919	8,879
25-30	178,255		5942	11884	17826	3565	7130	10695
20-30	308,793		10293	20586	30879	6176	12352	18528

Source: Garanti Securities

**Grey shade is our base scenario*

Since old tractors with more than 30 years' vintage have most likely completed their mechanical lives and are not in use, we believe it would be the tractors manufactured between 20-30 years ago which would be the target for a potential scrap incentive, and we have assumed that the incentive will extend over a period of 3-5 years.

Our base scenario rests on i) a relevant park of 20-30 years, ii) a 30% response rate to incentive and iii) a 3 year span for a potential scrap incentive. Our base scenario suggests an additional demand of 31,000 tractors per annum in the sector over a 3 year period; this raises our target price for Turk Traktor by 7% and Tumosan by 9%.

We believe the scrap incentive will be introduced in 2016 with the mandatory Tier 4 standards as this would raise the price tag for farm tractors by 10-15%, which may hurt demand. The incentive could possibly be introduced earlier, ahead of the 2015 general election, but given the potential strong demand, the government may be reluctant to introduce this scheme immediately.

Trends in market shares and competition

In 2001, four brands were competing in the market; today there are more than 35 brands in the market and six manufacturers of tractors. With increased demand, we have seen interest from both domestic and international players. Leading international players are represented in the market, yet with low market shares; Massey Ferguson is estimated to have a 5% share, with John Deere commanding a 3% share. The share of imported vehicles in the market has risen from 16% in 2007 to 21% in 2013. In the absence of any heavy barriers to entry in the market, the key challenge of capturing and maintaining market share is highly dependent on brand investment and a nationwide distribution network, long-standing relations with its dealers and extensive after sales support.

Turk Traktor (with NH and CIH brands) and Uzel (with Massey Ferguson brand) had been controlling 70% of the market between them until 2007. Amid the financial difficulties and ownership disputes at Uzel in 2008, Turk Traktor's market share rose to over 50%. After Uzel left the market, Hattat - another local producer - started assembling tractors for Massey Ferguson, before Massey Ferguson later built its own plant in Manisa and commenced its own assembly operations.

Currently, Turk Traktor - which has been present in the market for 60 years - is the market leader with a c50% share followed by Tumosan with an 18% share.

SWOT ANALYSIS

Agricultural Industry

Strengths

- Strong geographical location, including a favourable climate and proximity to major markets
- A competitive labour force - particularly important for labour intensive food producing activities
- Availability of almost all raw materials for the industry
- Continued government investments in the form of major irrigation projects, infrastructure improvements and consolidation of small farms
- Government support for agricultural investments
- Increasing production efficiency due to progressive automation

Opportunities

- Richness of bio-diversity
- Turkey's geographical position offers significant opportunities for trade
- Competitive labour prices
- More and more concentration on farming (organic)
- A relatively young rural population
- The government's strong agricultural subsidies

Weaknesses

- Low labour productivity - with a few exceptions, the agri-food sector does not comply with relevant EU standards
- Land holdings are generally small (subsistence and semi-subsistence) and divided into many parcels, with a low level of professional agricultural activity
- A lack of modernization of agricultural holdings and investment capacity
- The low level of business activity in rural areas
- The high cost of machinery and heavy duties on fuel
- The increase in feed prices (for example corn) positively affecting feed producers while hurting the livestock sector

Threats

- Drought (as experienced in some regions in 2014), floods,
- Significant levels of soil, water and wind erosion,
- Difficult natural conditions for farming, especially in mountainous and forested regions
- Fluctuations in feedstock prices

Source: Invest in Turkey, IPA Rural Development Plan, Garanti Securities

September 10, 2014

Garanti Securities | RESEARCH

Turk Traktor
Market Perform

Turkey - Equity - Tractors
Re-initiation of Coverage

Fairly valued

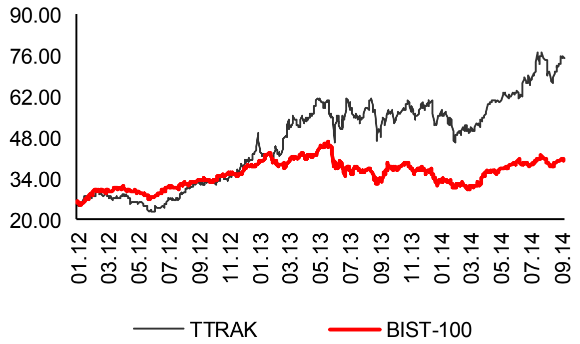
- **We re-initiate our coverage of Turk Traktor with a Market Perform recommendation. Our 12 month forward target price of TL77.00/share indicates a mere 2% upside potential.**
- **Turk Traktor trades at a 4% discount based on the 2015E P/E of 12.8x while trading at premium over its peers on the basis of its 2015E EV/EBITDA of 10.1x.**
- **As being market leader with a market share of around 50%, we believe Turk Traktor will be the main beneficiary of the attractive Turkish farm tractor sector, which is on course to post 3% growth in sales volumes over the next ten years, not assuming any scrap incentive. The government's supportive approach to sector, low rate of tractor ownership and elderly tractor park offer strong growth prospects. We project Turk Traktor to post a CAGR of 7% in revenues, 10% in EBITDA and 3% in net income in 2014-16E.**
- **Turk Traktor is one of most generous dividend payers on the BIST, paying out an average of 75% of its earnings over the last 5 years. We forecast 5% yields in both 2015 and 2016.**

New plant opened in June: Turk Traktor's new facility entered into operation in June, raising annual tractor production capacity from 35,000 to 50,000 vehicles. The new plant will focus on assembly and paint shop processes, while the Ankara Plant will continue to operate as the engine/transmission manufacturing centre. We believe 2015 will be the first year to reflect the positive impacts of the new assembly plant, with the resulting lower logistics costs.

Long awaited scrap incentive: We believe the scrap incentive is likely to be introduced in 2016, with the mandatory Tier IV standards, as it would push prices of farm tractors up by 10-15%, which could hurt demand. The incentive may be introduced sooner, before the 2015 general election. In our base case scenario, the incentive would increase our TP by 7% to TL82.54.

Current Price TL	75.50TL
12M forward Target Price TL	77.00TL
Potential Return TL	2%
Current Mcap (TLmn)	4,029
Current EV (TLmn)	4,566
Current Mcap (US$mn)	1,840

Price Performance (TL)



Stock Market Data

Bloomberg/Reuters:			TTRAK.TI / TTRAK.IS
Relative Performance:	1 mth	3 mth	12mth
	7%	22%	21%
52 Week Range (TL):			46.23 / 77.25
Average Daily Vol (US$mn) 3 mth:			2.1
YTD TL Return:			35%
Shares Outstanding (mn):			53
Free Float (%):			25
Foreign Ownership in Free Float :			85%

Financials and Ratios	2012	2013	2014E	2015E
Net Sales (TLmn)	1,974	2,175	2,542	2,730
EBITDA (TLmn)	313	349	392	439
Net Income (TLmn)	268	280	309	315
EBITDA Margin	15.9%	16.1%	15.4%	16.1%
P/E (x)	15.0	14.4	13.1	12.8
EV/EBITDA (x)	12.8	11.9	11.2	10.1
EV/Sales (x)	2.03	1.92	1.73	1.62
EPS (TL)	5.03	5.24	5.78	5.90
DPS (TL)	3.75	5.62	4.05	4.13

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The Company in Brief

Founded in 1954, Turk Traktor operates as a 50-50 JV between CNH, one of the top farm equipment manufacturers worldwide, and Koc Holding. The main production facility, along with the headquarters, is located in Ankara. The Company opened its second plant in Sakarya in June 2014. As such, the Company's annual production capacity increased from 35,000 to 50,000 tractors. Turk Traktor is the leader in Turkish agricultural industry in terms of production, sales and exports. The Company is the market leader with a market share of around 50%.

Shareholders

Koc Holding 37.5%,
CNH 37.5%,
Free Float 24.93%

SUMMARY FINANCIALS (TLmn)

Income Statement	**2012**	**2013**	**2014E**	**2015E**	**14E/13**
Net Sales	**1,974**	**2,175**	**2,542**	**2,730**	**17%**
Operating Expenses	-1,680	-1,851	-2,187	-2,363	18%
Operating Profit	**294**	**325**	**355**	**367**	**9%**
Consolidated EBITDA	**313**	**349**	**392**	**439**	**12%**
Net Other Income/ Expense	6	25	-6	3	n.m.
Profit (Loss) from Subsidiaries	0	0	0	0	n.m.
Net financial Income/ Expense	18	-29	-2	-8	-93%
Profit (Loss) before Tax	**318**	**320**	**347**	**361**	**8%**
Tax	-50	-40	-38	-47	-5%
Net Income	**268**	**280**	**309**	**315**	**10%**
Ratios					
EBIT Margin	14.9%	14.9%	14.0%	13.4%	-1 pp
EBITDA Margin	15.9%	16.1%	15.4%	16.1%	-0.6 pp
Net Income Margin	13.6%	12.9%	12.1%	11.5%	-0.7 pp
Balance Sheet	**2012**	**2013**	**2014E**	**2015E**	**14E/13**
Current Assets	**1,104**	**1,086**	**1,133**	**1,135**	**4%**
Cash and Cash Equivalents	379	209	127	66	-39%
Short-Term Trade Receivables	331	363	424	455	17%
Inventories	293	413	465	488	13%
Other Current Assets	102	100	117	126	17%
Long Term Assets	**215**	**409**	**604**	**698**	**48%**
Total Assets	**1,320**	**1,495**	**1,737**	**1,833**	**16%**
Short Term Liabilities	**438**	**386**	**531**	**572**	**38%**
Short-Term Financial Loans	161	15	77	79	424%
Short-Term Trade Payables	220	306	363	393	18%
Other Short-Term Liabilities	56	65	92	100	41%
Long Term Liabilities	**218**	**365**	**454**	**410**	**24%**
Long-Term Financial Loans	195	334	422	378	27%
Other Long-Term Liabilities	24	32	32	32	0%
Shareholders Equity	**664**	**743**	**752**	**851**	**1%**
T. Liabilities & Sh. Equity	**1,320**	**1,495**	**1,737**	**1,833**	**16%**

Investment Positives

The number one player in the sector with strong brand recognition

Turk Traktor is Turkey’s leading farm tractor manufacturer. The Company commands a market share of around 50%, while its closest rival, Tumosan, follows with an 18% market share. The Company has successfully maintained its leading position in the sector despite stiff competition from both domestic and international players like Massey Ferguson (with an estimated 5% market share) and John Deere (with an estimated 3% market share). Turk Traktor leads the market with two well-known brands - New Holland and Case IH - and a strong distribution network with over 200 dealers (including spare parts) across the country. Turk Traktor ranked 41st among the top 50 brands designated by the international brand rating firm Brand Finance in its Turkey’s Most Valuable Brands Survey.

New plant signals strong demand in more profitable manner

In line with Turk Traktor’s consistent business growth, Turk Traktor started work on its Adapazarı Assembly Plant in 2013 and aims to sustain its competitive advantage with this investment. The new assembly plant, opened in June 2014, is expected to expand the Company’s local and export sales capacity through its logistical advantages. The new plant will focus on assembly and paint shop processes, while the Ankara Plant will continue to operate as the engine/transmission manufacturing centre. With the commissioning of the assembly plant, the Company’s annual manufacturing capacity has increased from 35,000 to 50,000 tractors.

Strong growth prospects for the Turkish farm tractor market

Tractor sales have grown at an average annual rate of 11% over the past decade, compared to an average 4% GDP growth. Tractor demand in Turkey averaged 27,000 vehicles per year between 2000-10, before rising to a new plateau with an average sales of 54,000 per year between 2011-2013. The rate of farm vehicle ownership in Turkey lags well behind the EU average. Considering half of the farm tractor park in Turkey has an average age of over 25 years, the market is expected to enjoy high growth potential. Manufacturers will benefit from rising demand in the market owing to the economic recovery, an aged car park and low per capita vehicle ownership. Furthermore, government subsidies and a potential scrap incentive stand to boost demand in the sector. The government has ramped up its subsidies by a CAGR of 18% over the past three years. With the anticipated scrap incentive, the market would gain added momentum. The potential for improved productivity through the consolidation of cultivated land and a shift to more powerful tractors to reduce losses. In our valuation, which does not incorporate a scrap incentive, we expect the market to post a CAGR of 2% in 2014-2022E - lower than the average rate of GDP growth rate of 4% - however, we believe that value growth will be higher, amid a shift towards more value added (higher HP with more implements) vehicles.

Strong backing

Turk Traktor is an equally weighted JV between Koc Holding (KCHOL) and CNH. Koc Holding is the largest conglomerate in Turkey, active in the banking (YKBNK), automotive (FROTO, TOASO, OTKAR), consumer durables (ARCLK), energy (TUPRS, AYGAZ), food (TATGD), tourism (MAALT, AYCES) and retail sectors. Besides Koc Holding itself, 11 group companies are publicly traded on the Bourse Istanbul (BIST). The highly experienced upper level management and the demonstrated strength of Koc Holding in a range of sectors is a plus for Turk Traktor. Along with its partnership with CNH, which provides global production infrastructure, Turk Traktor commands significant competitive advantages in the industry, including production planning flexibility, the delivery of products which can be adjusted according to market conditions and the needs of the customer, along with the ability to domestically produce and import products. In 2011, the Company was recognized by CNHI as an R&D Centre and assumed new duties within CNHI's global production network. The Company manufactures New Holland, Case IH and Steyr branded tractors. It has the sole design centre for New Holland TDD and Case IH JX series tractors and several specialty ranges, the only manufacturing centre for Utility Light series tractors and a global engineering and manufacturing centre for the 66 series transmission. Accordingly, Turk Traktor has been benefiting from the expertise of CNH and Koc Holding in achieving operational success.

Able to benefit from a global recovery if domestic demand is weak

Although the Company's priority is the domestic market, lower margin exports capture a higher share in total sales during periods of weak domestic demand, such as in 2009. The Company exports to over 130 countries worldwide through CNH's global network. We believe Turk Traktor will stand to benefit from the global recovery thanks to its geographic proximity to key markets, low-cost production and flexible manufacturing capability. We project a 10% increase in export volumes in 2014, and a CAGR of 5% over the 2014-2023 period.

A consistently high dividend payer

The Company is committed to distributing at least 60% of its distributable income as dividends to its shareholders. Turk Traktor has paid out 75% of its IFRS earnings on average over the last five years. Turk Traktor paid TL300mn dividend from its 2013 earnings, implying a 107% pay out ratio. We assume a 70% pay-out ratio for the Company going forward, which would correspond to an estimated 6% yield from 2014E and 2015E earnings. With no anticipated major investments in the near term, we believe the Company will retain its ability to pay high dividends.

Low exchange rate risk

Around 30% of total revenues are denominated in hard currencies, as are around 60-65% of the cost of goods sold. However, the majority of the supplies (c.90%) are locally procured. Because of this mismatch, the Company is actively involved in efforts to match export receivables to its Euro-denominated payment bills to the maximum extent possible in a bid to limit the FX exposure on its balance sheet. Turk Traktor directs its sales to the international market on a cost plus basis. As of 1H14, Turk Traktor had a net short FX position of EUR4mn - not a cause for concern as far as profitability is concerned, in our view.

Investments Negatives

Macroeconomic factors

As with many other businesses, the growth in the farm tractor market depends on economic variables (such as purchasing power, GDP growth, interest rates, consumer confidence).

Competition

Stiffer competition may lead to market share losses and give rise to lower than anticipated volumes.

The weather and other natural events

Challenging weather or diseases would compromise farmers’ incomes on lower harvests, leading to disappointing levels of demand in the sector.

Limited support from the authorities

Insufficient loan availability or governmental subsidies may have a negative impact on growth in the sector as consumers obtain credit to finance around 70% of the price tag of a tractor, while also relying on government subsidies to the agricultural sector.

VALUATION

DCF

We set a 12 month forward target price of TL77.00/share for Turk Traktor. We employ DCF as our preferred valuation methodology for Turk Traktor to better reflect the Company's growth prospects. Using a risk-free rate of 9.0%, a WACC of 11.9% and terminal growth rate of 5%, we arrive at a 12 month forward target price of TL77.00/share for Turk Traktor.

Turk Traktor DCF

(TLmn)	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Revenue	2,542	2,730	2,929	3,138	3,403	3,691	4,003	4,341	4,709
Adj. EBIT	349	370	386	411	451	484	532	581	625
Taxes on EBIT	-70	-74	-77	-82	-90	-97	-106	-116	-125
Tax Savings due to Investment Ince	3	14	15	7	0	0	0	0	0
NOPLAT	283	310	325	337	361	388	425	465	500
Depreciation	37	72	82	91	100	111	114	120	135
Gross Cash Flow	**320**	**382**	**406**	**427**	**461**	**499**	**540**	**585**	**635**
Increase in Working Capital	47	24	27	42	55	59	64	70	75
Capital Expenditures	229	164	102	94	102	111	120	130	139
Increase in Net Other Assets	4	2	0	0	0	0	0	0	0
Gross Investment	**279**	**190**	**129**	**136**	**157**	**170**	**184**	**200**	**215**
Free Cash Flow	**41**	**193**	**277**	**291**	**305**	**329**	**355**	**385**	**420**
Assumptions (%)									
Domestic Tractor Demand	52,809	53,337	54,404	55,492	56,602	57,734	58,888	60,066	61,267
% ch	*1.0*	*1.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*
T. Traktor Domestic Sales Volume	26,933	26,668	26,658	26,636	27,169	27,712	28,266	28,832	29,408
% ch	*9.4*	*-1.0*	*0.0*	*-0.1*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*
T. Traktor Export Sales Volume	15,842	16,634	17,466	18,339	19,256	20,219	21,230	22,292	23,406
% ch	*10.0*	*5.0*	*5.0*	*5.0*	*5.0*	*5.0*	*5.0*	*5.0*	*5.0*
Revenue growth (%)	16.8	7.4	7.3	7.1	8.5	8.5	8.5	8.5	8.5
Exports (% of Revenue)	32	34	34	35	35	35	36	36	36
EBITDA margin (%)	15.4	16.1	16.2	16.3	16.5	16.5	16.5	16.5	16.5
Incr. in Working Capital/Sales (%)	1.8	0.9	0.9	1.3	1.6	1.6	1.6	1.6	1.6
Capital Expenditures/Sales (%)	9.0	6.0	3.5	3.0	3.0	3.0	3.0	3.0	3.0
Incr in Net Other Assets/Sales (%)	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Garanti Securities

WACC Assumptions

(%)	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Risk-free Rate (RFR)	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Cost of Equity	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5
Cost of Debt after Tax	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Weight - Equity	60.1	65.0	69.8	70.0	70.0	70.0	70.0	70.0	70.0
Weight - Debt	39.9	35.0	30.2	30.0	30.0	30.0	30.0	30.0	30.0
WACC	**11.3**	**11.6**	**11.8**	**11.9**	**11.9**	**11.9**	**11.9**	**11.9**	**11.9**

Source: Garanti Securities

Turk Traktor 12mth Target Price (TL/Share)

Perpetuity Growth Rate	4.50%	5.00%	5.50%
WACC + 1%	62.55	65.40	68.64
WACC	73.04	**77.00**	81.58
WACC - 1%	86.88	92.61	99.40

Source: Garanti Securities

Key Assumptions

The key assumptions in our valuation are listed below:

Revenue: We predict that Turk Traktor will post a CAGR of 8.0% in revenues over the 2014-22 period, driven by a 1.1% CAGR in domestic volumes and an 5.0% CAGR in export volumes. We have assumed that average prices per tractor will remain unchanged on the export front (in EUR terms) in 2014-2022 while assuming that domestic prices will increase in line with our inflation projections during the same period.

EBITDA margin: We expect Turk Traktor to post a normalized EBITDA margin of 16-16.5% between 2015 and 2022 after 15.4% in 2014.

Working capital: We calculate that the Company’s working capital cycle was +82 days in 2013 as payable days stood at 67. We observed an increase in inventory days from 69 in 2012 to 89 in 2013 . We believe the Company preferred to pile up its inventories before opening a new facility in 2014. The Company will achieve further improvements in its inventory days once the new facility becomes fully operational, in our view, we project WC/sales of 21.7% in 2014 and 21.1% in 2015, averaging at 20.6% thereafter.

Capital expenditures: We believe Turk Traktor will need to undertake EUR12mn in regular annual investments, including maintenance investments. The recently opened facility investment amounted to USD80mn, with half of the amount spent in 2014. Additionally, the Company will need to invest a total EUR 20-25mn for Tier 4 standards (to become mandatory by 2016) in 2015 and 2016. There will also be a modernisation investment of EUR20mn in 2015. Therefore, our capex/ sales assumptions are higher in near term, at 9% in 2014 and 6% in 2015 and 3.5% in 2016. Thereafter, the ratio stands at 3%. Under these assumptions, our average capex/sales ratio assumption stands at 4.1% in the 2014-23E period, compared to the 4.2% average over 2009-13.

PEER COMPARISON

We have presented multiples for international players to put Turk Traktor's valuation into perspective. As shown below, Turk Traktor trades at a slight discount on 2014-15 PE multiples which is inflated by our lower effective tax rate assumptions (vs. normal standard rate of 20%) given the tax savings from the investments. While Turk Traktor looks expensive on 2014-15 EV/EBITDA multiples.

			EV/SALES		EV/EBITDA		P/E	
Company	**Country**	**MCAP (US$)**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**
Deere & Co	UNITED STATES	29,480	1.0	1.1	5.9	7.3	9.8	12.0
AGCO Corp	UNITED STATES	4,476	0.5	0.6	5.5	5.8	9.9	10.4
Kubota Corp	JAPAN	18,535	1.7	1.7	11.1	10.6	15.6	15.2
Bucher Industries AG	SWITZERLAND	2,897	1.0	1.0	7.9	7.6	13.2	12.7
Mahindra & Mahindra Ltc	INDIA	13,991	1.6	1.5	11.8	10.9	18.7	17.1
CNH Industrial NV	BRITAIN	11,138	1.1	1.1	12.4	11.3	12.4	10.7
Mcap Adjusted Average			**1.2**	**1.3**	**9.1**	**9.2**	**13.2**	**13.4**
TTRAK multiples		***1,840***	***1.7***	***1.6***	***11.2***	***10.1***	***13.1***	***12.8***
Discount/Premium			39%	29%	24%	10%	-1%	-4%

Source: Bloomberg, Garanti Securities

HOW WE STAND ALONGSIDE THE CONSENSUS

For 2014 and 2015, our forecasts are in line with the consensus figures compiled by Bloomberg at revenues and EBITDA lines, yet, our 2015E net income forecast is slightly lower than the market

Consensus vs. Our estimates

TTRAK	**Bloomberg**		**Garanti Securities**		**Difference**	
(TLmn)	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**
Net Sales	2,492	2,727	2,542	2,730	2%	0%
EBITDA	382	444	392	439	3%	-1%
Net Profit	300	337	309	315	3%	-7%
EBITDA Margin	15.3%	16.3%	15.4%	16.1%	*0.1 pps*	*-0.2 pps*
Net Income Margin	12.0%	12.4%	12.1%	11.5%	*0.1 pps*	*-0.8 pps*
Target Share Price	**72.65**		**77.00**		**6%**	

Source: Bloomberg, Garanti Securities

COMPANY OVERVIEW

Turk Traktor is an equally weighted JV between Koc Holding and CNH. As the market leader in the Turkish farm tractor industry, Turk Traktor conducts the design and production of farm tractors and related components with more than 200 dealers. Turk Traktor manufactures a wide range of tractors to meet domestic and international demand under the "New Holland", "Case" and “Steyr” brands. Turk Traktor produced 38,530 tractors (down 3% YoY) and generated TL2.2bn of revenues (up 10% YoY) in 2013. Exports accounted for 32% of total revenues in 2013. 25% of the Company’s shares trade on the Bourse Istanbul. Koc Holding and CNH each hold 37.5% stakes in the Company.

Turk Traktor’s new facility entered into operation in June, raising total tractor production from 35,000 to 50,000 vehicles. The new plant will focus on assembly and paint shop processes, while the Ankara Plant will continue to operate as the engine/transmission manufacturing centre. Turk Traktor is currently running two shifts on a six-day schedule, with overtime when necessary. Employing over 2,500 people, Turk Traktor has the most extensive distribution network in Turkey with more than 200 dealers.

Milestones

1954 - Minneapolis Moline TürkTraktör ve Ziraat Makineleri A.Ş. (MMTT) was established in Ankara as the first domestic manufacturer in the Turkish automotive industry

1955 - Turkey’s first tractor was manufactured at TürkTraktör’s plant on March 8, 1955.

1963 - Under a commercial agreement signed by Egemak, the distributor of Fiat in Turkey, Egemak started selling tractors that were manufactured and assembled at TürkTraktör facilities.

1967 - First Internazionale Holding Fiat S.A. and Egemak became partners in the Company.

1968 - The name of the Company was changed to Türk Traktör ve Ziraat Makineleri A.Ş.

1977 - Egemak transferred its general distributorship to Trakmak, established as a wholly owned subsidiary of Koç Group.

1979 - Celebrating its 25th anniversary, Türk Traktör began exporting tractors for the first time.

2004 - The Company went public.

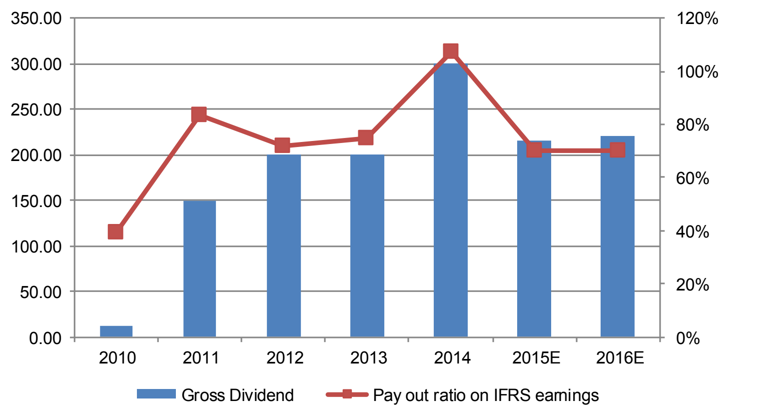
2011 - The name of Fiat Geotech S.p.A. (previously, Internazionale Holding Fiat S.A.) was first changed to Fiat S.p.A at the beginning of the year; it was later changed to New Holland N.V. toward the end of the year. Thus, New Holland N.V. became the Company’s foreign partner.

2014 **-** The Company’s second plant in Adapazarı entered into operation, raising the company’s total production capacity from 35,000 to 50,000 tractors per year.

Dividend Policy

The Company is committed to paying out at least 60% of its distributable income as dividends to its shareholders. The Company has recorded an average 75% pay-out ratio over the last five years, based on its IFRS earnings. Turk Traktor distributed a TL300mn dividend from its 2013 earnings, implying a 107% pay out ratio. We assume a 70% pay-out ratio for the Company going forward, corresponding to an estimated 6% yields from 2014E and 2015E earnings. The Company believes the Tier IV standards and modernisation investments will not have an impact on its ability to pay dividends.

Dividends



Source: The Company, Garanti Securites

BUSINESS OVERVIEW

Turk Traktor Sales Volume

(units)	2010	2011	2012	2013	2014E	2015E	2016E
Domestic							
Tractors	20,002	31,152	25,597	24,624	26,933	26,668	26,658
% ch y/y	*188%*	*56%*	*-18%*	*-4%*	*9%*	*-1%*	*0%*
Export							
Tractors	8,938	9,601	14,565	14,402	15,842	16,634	17,466
% ch y/y	*1%*	*7%*	*52%*	*-1%*	*10%*	*5%*	*5%*
Transmissions	5,280	5,346	5,211	3,813	3,241	3,403	3,573
% ch y/y	*11%*	*1%*	*-3%*	*-27%*	*-15%*	*5%*	*5%*

Source: Company data, Garanti Securities

Domestic Sales

The majority of Turk Traktor's products are manufactured by the Company itself, with 1% of volumes imported. Turk Traktor is responsible for the distribution, marketing and brand management of the tractors in Turkey.

Domestic Sales Outlets: Turk Tractor's products are sold through over 200 dealers throughout the country.

Market Position: Turk Traktor is the leading tractor producer in Turkey with around 50% market share in the market followed by Tumosan (18%). The low level of tractor ownership along with an aged tractor park in Turkey offers strong grounds for future growth. Turk Traktor's second plant investment, and Sonalika's assembly plant investment in partnership with Anadolu Holding, hint at the anticipated strong demand in the sector.

Exports

Turk Traktor exports to over 130 countries and sells its products in EUR terms. We believe Turk Traktor also benefits from CNH's extensive experience in international markets. Our understanding is that Turk Traktor determines the selling price of tractors in its exports by applying a cost plus percentage mark-up in EUR terms.

Revenue

Revenue Breakdown (TLmn)	2010	2011	2012	2013	2014E	2015E	2016E
Domestic	861	1,393	1,355	1,477	1,720	1,815	1,923
% ch y/y	*153%*	*62%*	*-3%*	*9%*	*16%*	*5%*	*6%*
Export	332	408	619	698	821	915	1,006
% ch y/y	*2%*	*23%*	*52%*	*13%*	*18%*	*11%*	*10%*
Revenue	1,193	1,801	1,974	2,175	2,542	2,730	2,929
% ch y/y	*79%*	*51%*	*10%*	*10%*	*17%*	*7%*	*7%*
Breakdown (%)							
Domestic	72	77	69	68	68	66	66
Export	28	23	31	32	32	34	34

Source: Company data, Garanti Securities

We expect Turk Traktor's revenue to rise by 17% in 2014 and by 7% in 2015

Domestic revenues have always been the major source of revenues, comprising 68% of revenues in 2013. Along with the recovery in export markets, the share of export revenues in total revenues increased from 23% in 2011 to 32% in 2013. As far as volumes are concerned, the share of exports in total volumes increased from 24% to 37% over the same period. We believe the Company stands to hold its market share around 50% this year. That would point to a volume increase of c.9% in Turkey in 2014. As far as exports are concerned, considering the ongoing global recovery, we project 10% growth in the Company's total export volumes. All in all, we expect Turk Traktor's total volumes to increase by 10% in 2014, leading to 17% top line growth in 2014. We assume no change in average prices per tractor (in EUR) in export sales, but an increase of 8% in domestic prices in 2014. We have assumed that average export prices would remain unchanged through our forecast horizon, but we expect an increase in domestic sales prices in line with our inflation projections. The newly-launched construction vehicle sales, the non-core business, is expected to account for less than 3% of total revenues, but the Company aims to increase the share of revenues from this segment in the coming years; we have not included this in our model, so if realised it would offer upside potential over our forecasts.

Gross margin

Turk Traktor's gross margin averaged 23% between 2010-13 as shown in the table above, but we see a risk of lower gross margins ahead given the fiercer competition. Although the Company does not provide a breakdown of its cost base, based on our discussions with the management, we believe that around 80% of its total cost of goods sold is related to raw materials (mainly cast iron and rubber). We also note that 65% of the COGS is EUR-linked, with 90% of inputs locally procured. Therefore, we would have expected some fluctuations in its margins with movements in the EUR/TL exchange rate, even though the Company successfully managed to maintain its margins in 2012 and 2013 when the TL depreciated by an average of 1% and 25% against the EUR. Our understanding is that the Company is actively involved in efforts to match export receivables to its Euro-denominated payment bills to the maximum extent possible in order to limit the FX exposure on the balance sheet. We expect the TL to depreciate by 3% against the EUR in 2014, which would not present the Company with any challenges. Additionally, the opening of the new plant investment will lead to some rise in depreciation expenses. Despite the Company's weak operational results in 2Q14 due to lagged effect of exchange rates and a less supportive sales mix, we believe the Company to post only a slightly lower gross margin in 2014.

Opex

As shown below, total opex accounts for 6.5-7% of total revenues, with sales and marketing expenses accounting for the majority of this. Warranty expenses correspond to 1.8% of overall sales.

Opex

(TLmn)	2010	2011	2012	2013	2014E	2015E	2016E
S&M expenses	53	81	88	97	119	125	133
as % of sales	4.4%	4.5%	4.5%	4.5%	4.7%	4.6%	4.5%
G&A expenses	24	30	33	41	48	51	55
as % of sales	2.0%	1.7%	1.7%	1.9%	1.9%	1.9%	1.9%
R&D expenses	2	3	7	9	11	12	12
as % of sales	0.2%	0.2%	0.3%	0.4%	0.4%	0.4%	0.4%
Total Opex	79	114	128	147	177	188	200
as % of sales	6.6%	6.3%	6.5%	6.8%	7.0%	6.9%	6.8%

Source: Company data, Garanti Securities

0.6 pp contraction in 2014E EBITDA margin flattish and 0.7 pp improvement for 2015

Based on our above mentioned factors, we project a slight rise in the EBITDA margin from 15.4% in 2014 to 16.1% in 2015, which would be the first year where the positive impacts of the new assembly plant, and the resulting lower logistics costs, would be observed. In the long term, we expect the Company's EBITDA margin to level out at around 16.5%. We believe there is some risk of upside over our cost assumptions.

Margins

(TLmn)	2010	2011	2012	2013	2014E	2015E	2016E
Gross Profit	319	425	422	472	532	555	593
Gross m. (%)	*26.7*	*23.6*	*21.4*	*21.7*	*20.9*	*20.3*	*20.3*
EBITDA	249	323	313	349	392	439	475
EBITDA m. (%)	*20.8*	*17.9*	*15.9*	*16.1*	*15.4*	*16.1*	*16.2*
Net Profit	180	277	268	280	309	315	330
Net m. (%)	*15.1*	*15.4*	*13.6*	*12.9*	*12.1*	*11.5*	*11.3*

Source: Company data, Garanti Securities

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Working capital requirement

Turk Traktor's receivable days had been hovering at around 60 over the last two years with payment terms varying between 50-70 days. We assume a cash conversion cycle of 78 days in 2014 and 2015 and expect the working capital/sales ratio to average 21% between 2014-2023.

Working Capital Cycle

Days	2010	2011	2012	2013	2014E	2015E	2016E
Receivables	85	77	61	61	61	61	61
Inventory	54	82	69	89	85	82	80
Payables	82	91	54	67	67	67	67
Cash Conversion Cycle	57	67	76	82	78	76	74
Working Capital	249	436	449	505	552	576	603
Work Cap /Sales	20.9%	24.2%	22.7%	23.2%	21.7%	21.1%	20.6%

Source: Company data, Garanti Securities

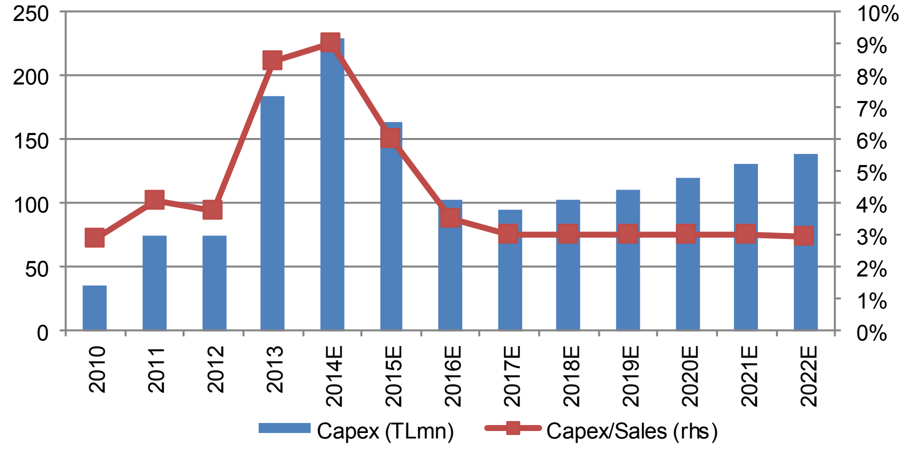
Seasonality

2Q is typically the strongest quarter followed by 4Q, with 3Q being the weakest in terms of revenues - but our understanding is that there is less seasonality in margins.

Capital expenditures

The Company has spent approximately 4% of its revenues on capital expenditures over the last five years. Excluding capacity additions, the annual maintenance capex amounts to around US$10-15mn per year. The Company recently completed its new assembling facility in an US$80mn investment, half of which was undertaken in 2013. The old plant needs a EUR20mn modernisation investment in 2015. Furthermore, the implementation of Tier 4 standards in engines will be mandatory in 2016 and Turk Traktor will undertake a EUR20-25mn investment in the 2015-16 period. From 2017, we assume a capex to sales ratio of 3%.

Capex Evolution



Source: The Company, Garanti Securites

Balance Sheet / Financial Expenses

The Company held a cash balance of TL101mn and total financial debt of TL637mn as of 1H14. Its net debt decreased slightly during 1H14, from TL139mn at the beginning of the year to TL536mn by the end of the first half, driven by the TL300mn dividend payment and weaker profitability. We expect Turk Traktor's Net debt/EBITDA ratio to climb from the 0.40x at the end of 2013 to 0.95x by the end of 2014. We are confident that Turk Traktor will not face any difficulty in rolling over this financial debt.

TTRAK Balance Sheet

(TLmn)	2010	2011	2012	2013	2014E	2015E	2016E
Cash & Cash Equivalents	249	245	379	209	127	66	84
Total Financial debt	169	235	356	349	499	458	415
ST debt	128	112	161	15	77	79	86
LT debt	41	123	195	334	422	378	329
Net Debt	-80	-10	-23	139	373	392	332
Net Debt to Equity	-0.17	-0.02	-0.03	0.19	0.50	0.46	0.35
Net Debt to EBITDA	-0.32	-0.03	-0.07	0.40	0.95	0.89	0.70
Fin inc/(exp)- net	4	26	18	-29	-2	-8	0
% of revenue	0.4%	1.5%	0.9%	-1.3%	-0.1%	-0.3%	0.0%

Source: Company data, Garanti Securities

RECENT DEVELOPMENTS

New assembling facility opened on June 17

Turk Traktor opened its new assembling facility in Sakarya on June 17, which will increase the Company's total production capacity from 35,000 to 50,000 vehicles once the new facility becomes fully operational. Turk Traktor has been utilizing Otokar's plant (OTKAR TI, sister company) in Sakarya for the last three years to meet the strong demand in the sector. Turk Traktor's main plant is located in Ankara. The new facility will undertake the assembly and painting operations and is likely to have a positive impact on the operational efficiency, mainly as a result of lower logistic costs, which will be more apparent on 2015 margins.

New CFO appointed at Turk Traktor on July 1

Turk Traktor announced that the CFO, Mehmet Ilkan Kamber, would leave his post for a new position. Ahmet Canbeyli, the CFO of KocSistem (a leading and pioneering corporation of Information Technologies and Communications Sector in Turkey) replaced Mehmet Ilkan Kamber as the new CFO. We have a neutral view on the changes in the top management at this stage.

Domestic and export volumes rose 15% and 64% YoY in August

Turk Traktor's domestic tractor sales rose by 15% YoY to 2,135 vehicles in August with domestic sales in 8M14 up 20% YoY to 18,554 vehicles. There was a pick-up in growth to 15% YoY after the 10% increase in July (as growth rates were 35% in March, 39% April, 14% in May and 9% in June). Market data for the same period is not available but domestic tractor sales in 6M14 were up by 15% YoY vs. the 23% increase in Turk Traktor's domestic volumes during the same period. We assume %9 growth in the Company's domestic volumes for 2014E. The Company guides for little change in domestic sales in 2014E. We expect a 1% increase in domestic unit sales in 2014 and therefore expect a weaker domestic sales figure in 2H14. On the other hand, Turk Traktor's export volumes increased by 64% YoY to 1,170 units in August 2014. Exports were up by 16% YoY, reaching 10,295 vehicles YTD. We forecast a 10% increase in Turk Traktor's unit exports in 2014E.

Turk Traktor Monthly Tractor Sales Data

(units)	Aug-13	Aug-14	YoY	Jul-14	Aug-14	MoM	YoY	Jan-Aug-13	Jan-Aug-14	YoY
Domestic Sales	1,856	2,136	15%	2,075	2,136	3%	20%	15,425	18,556	20%
Exports	712	1,170	64%	1,413	1,170	-17%	19%	8,893	10,295	16%

Source: Turk Traktor

Turk Traktor renewed rental agreement with Otokar until September 2014

In late June, Turk Traktor extended this agreement for another three months until the end of September. The Company has been renting space in Otokar's idle facility to conduct assembly work. Turk Traktor has already opened its second facility in Adapazari but will probably continue assembly at the Otokar facility until the new plant becomes fully integrated.

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2Q14 Review

Turk Traktor announced TL72mn of net income in its 2Q14 financial statements, worse than our estimate of TL96mn and the consensus estimate of TL92mn. Although revenues were in line with the expectations, its EBITDA margin missed expectations by a wide margin (350bps). Its gross margin declined by 4.4 pps YoY to 17.6% in 2Q14 (vs. our estimate of 21%) while operational expenses were under control. The opex/sales ratio came in at 6.0% in 2Q14 vs. 6.1% in 2Q13

There were no major surprises on below the operating line with TL1mn of net income in 2Q14 vs. a TL5mn net expense in 2Q13. On the other hand, as expected, 2Q14 saw another lower effective tax rate at 16% (below the normal 20% rate of corporation tax) after 13% in 1Q14 and 7% in 4Q13. Turk Traktor booked TL1.5mn of deferred tax income in 2Q14 vs. TL12mn in 1Q14, some of which was related to investment incentives for the second plant in Adapazari, which entered operation in June 2014.

Domestic sales volumes surged by 21% YoY in 2Q to 7,719 vehicles, while domestic revenues jumped by 12% to TL429mn, attributable to lower pricing and a less favourable product mix. Likewise, export tractor volumes came in at 4,399 vehicles - up 19% YoY, but with a 54% surge in revenues in TL terms, thanks to the strong EUR compared to 2Q13.

Although 2Q volumes were up 20% in YoY terms, the Company was unable to reflect this to profitability. Turk Traktor recorded EBITDA of TL93mn, implying an EBITDA margin of 12.6% in 2Q13 (vs. 17.0% in 2Q13), missing our estimate of 16.3%.

Turk Traktor Summary Financials								Change	
(mn TL)	**2Q13**	**3Q13**	**4Q13**	**1Q14**	**2Q14**	**6M13**	**6M14**	**2Q14/2Q13**	**2Q14/1Q14**
Net Sales	**597**	**506**	**567**	**595**	**736**	**1,103**	**1,331**	**23%**	**24%**
Gross Profit	**132**	**118**	**118**	**125**	**130**	**236**	**254**	**-2%**	**4%**
Operating Profit	**95**	**82**	**77**	**83**	**86**	**166**	**169**	**-10%**	**3%**
EBITDA	**101**	**88**	**84**	**90**	**93**	**178**	**183**	**-8%**	**3%**
Net Other Income/Expense	8	9	9	-4	-3	7	-8	n.m.	n.m.
Financial Inc./ Exp. (net)	-13	-12	-5	1	4	-11	5	n.m.	209%
Tax	-13	-10	-6	-11	-14	-25	-25	n.m.	n.m.
Net Income	**77**	**68**	**75**	**69**	**72**	**137**	**142**	**-6%**	**4%**
Net Cash	-84	-62	-139	-342	-536	-84	-536		
Working Capital	423	442	470	498	595	423	595		
Shareholders Equity	601	669	743	513	585	601	585		
Ratios									
Gross Margin	22.1%	23.4%	20.8%	20.9%	17.6%	21.4%	19.1%	-4.4 pp	-3.3 pp
Operating Margin	16.0%	16.1%	13.6%	13.9%	11.6%	15.1%	12.7%	-4.3 pp	-2.3 pp
EBITDA Margin	**17.0%**	**17.3%**	**14.8%**	**15.2%**	**12.6%**	**16.1%**	**13.8%**	**-4.3 pp**	**-2.5 pp**
Net Profit Margin	12.8%	13.5%	13.2%	11.7%	9.8%	12.4%	10.7%	-3 pp	-1.8 pp

Highlights of the post-2Q14 Analyst Meeting

Date: August 7, 2014
Hosts: Mr. Marco Votta, CEO; Mr. Ahmet Canbeyli, CFO; Ms. Ilkiz Karagullu, IR

2014 Turkey tractor demand outlook: The management expects tractor demand to be between 50,000-55,000 vehicles in 2014E (vs. 52,000 in 2013). Our full year forecast stands at 53,000, implying a growth of 1% YoY. Note that sales volumes totalled 25,000 tractors in 1H14 vs. the 22,000 in 1H13. We assume that Turk Traktor will post domestic sales volumes of 27,000 tractors in 2014 (up 9% YoY).

Exports: The Company referred to stagnant demand in Europe and Asia but a pick-up in the US market, which has been driving Turk Traktor's exports so far this year. The Company assumes exports of more than 15,000 tractors per year to be achievable going forward. The Company's export volumes reached 9,000, up by 12% in 7M14. We project a 10% annual increase in Turk Traktor's export volumes to 15,800 in 2014.

Reasons behind the weak 17.6% gross margin in 2Q14 vs. the 22.1% margin in 2Q13: The Company specified the following reasons:

- **An increasing share of exports in total sales,** while export sales have lower margins than domestic sales. The share of exports in the total was 33% in 2Q14 vs. 26% in 2Q13.
- **Sales mix:** Sales of higher margin combine harvesters were extremely high last year. A total of 657 combine harvesters were sold in 1H13 compared to the 177 in 1H14 (146 in 2Q14 vs. 294 in 2Q13). Due to fall in the TL, the rise in interest rates and higher straw prices, there was a decrease of 71% in sales of combine harvesters, to 177 vehicles.
- **Lagged exchange rate effect:** The Company currently operates with inventory days of around 90. Therefore, the sharp fall in the TL in 1Q14 took its toll on margins in 2Q14. Note that the TL lost 21% of its value against the EUR and 15% against the USD in 1Q14 when compared to the same period a year ago. Around 55% of Turk Traktor's total costs are FX-linked (mainly EUR).
- **Higher than expected demand for new Utility Medium tractor:** Orders for the newly introduced Utility Medium brand tractors (accounting for 35% of total exports volumes) for the US marketexceeded expectations and the Company was unable to fully adjust its prices for this product. However, the Company believes the adjustment will be done through the year between Turk Traktor and CNH as Turk Traktor exports rest on cost plus mark-up agreements. The Company also added that because of the higher than expected export volumes so far this year, it had imported some inputs which also affected margins negatively. Normally, the majority of the supplies (c.90%) are locally procured.

Margins: The Company emphasized that 1H14 was not indicative of the Company's the full year performance. Turk Traktor believes margins will be similar in 2014 to their 2013 levels (the 1H14 EBITDA margin was 13.8%, vs. 16.1% in 2013 and 1H13).

The second plant and its implications: The new assembly plant, opened in June, is expected to expand the Company's local and export sales capacity through its logistical advantages. The new plant will focus on assembly and paint shop processes, while the Ankara Plant will continue to operate as the engine/transmission manufacturing center. With the commissioning of the Assembly Plant, the Company's annual manufacturing capacity will increase from 35,000 to 50,000 tractors - but the Company will probably continue assembly at the Otokar facility until the new plant becomes fully integrated. The new plant has two assembly lines designed with state-of-the-art technology, enabling Turk Traktor to gain operational efficiency and produce powerful tractors with engines of over 110 HP. As a result of the transition period at the new plant, the Company's inventory levels have risen. Inventory days were 70 days in 2012 vs. 89 days in 2013. Turk Traktor anticipates an improvement in inventory days in the coming quarters and complete integration process of the second plant. We believe the positive impacts of new assembly plant, and the lower logistics costs, will be seen in 2015.

The sector in brief

There has been no change in the terms of governmental support and the total public subsidy is expected to reach TL9.7 billion by the end of 2014. Since the beginning of the year, the subsidized interest rate of Ziraat Bank (the National Agriculture Bank) remains around 50% for tractor purchases. The Agricultural Credit Cooperatives' support fund also continues in same conditions.

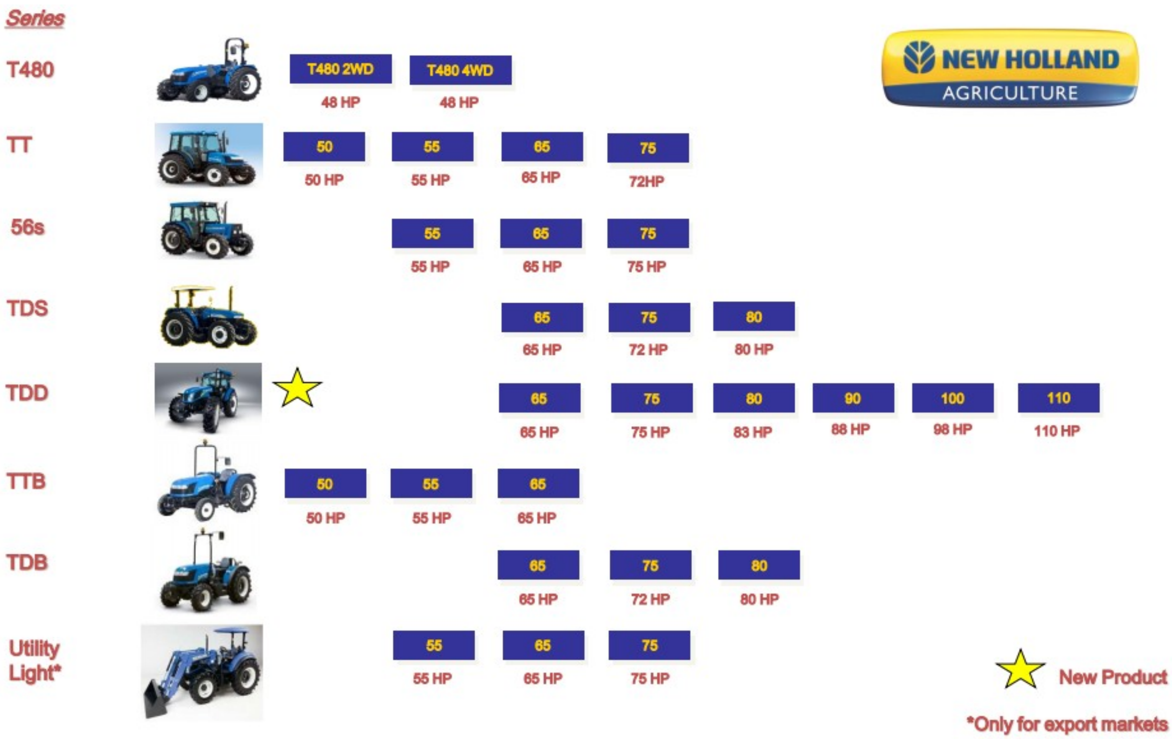
The subsidies extended according to the Communiqué on Supporting the Engine and Equipment Purchases within the context of Support Program for the Rural Development Investments, which was announced in May, have especially boosted demand of orchard tractors. The emerging second hand market is also supporting the brand new tractor market

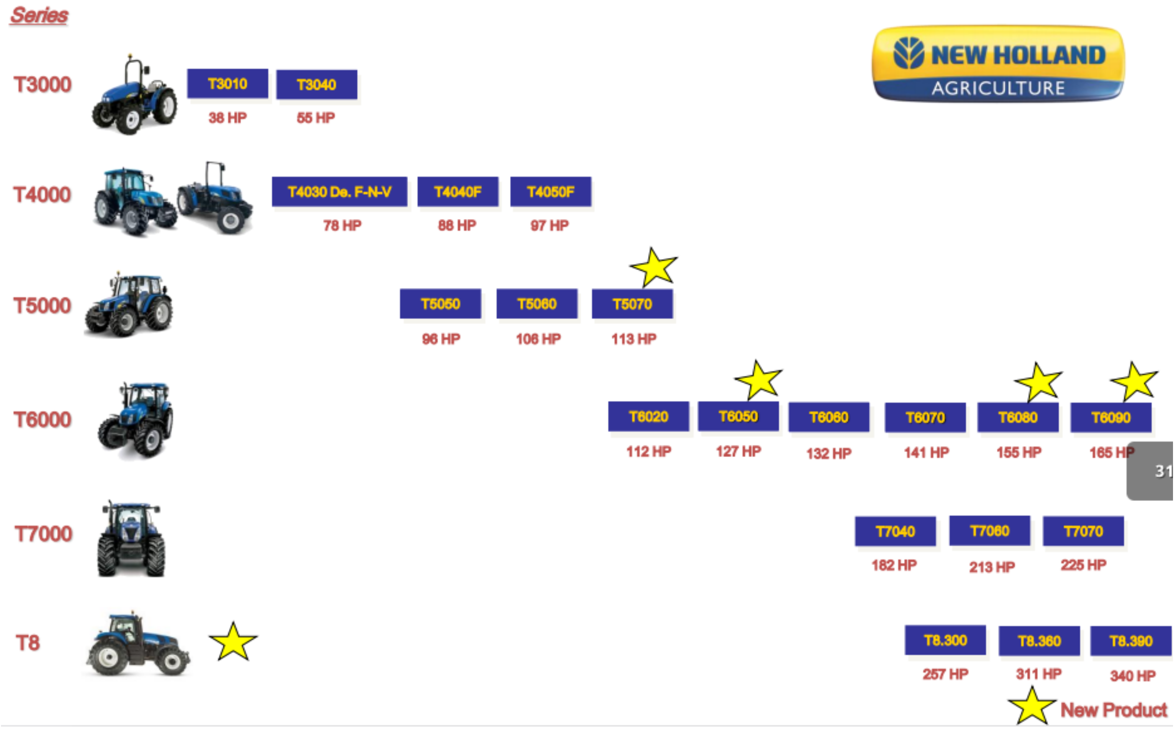
Increased rainfall in the spring supported tractor sales in general, but the yield expectation has been hurt by frost and hail storms. It is expected that the grain harvest will fall by around 15-20% with a 35-40% plunge in the fruit harvest - but with yield losses are expected to be compensated by increases in commodity prices.

An increase in straw prices is expected in the second half of the year due to the decrease in the grain harvest. The grain harvest, which is already underway in the South East and Thrace Regions, has so far proven to be in line with expectations. Also, the expectations of high yields will support tractor sales. Commodity prices have been high in the first six months of the year. Specifically, increases in meat and milk prices have led to an increase in tractor demand in the livestock sector. Compared to last year, cotton plantations increased by 17%.

Product Portfolio

Turk Traktor produces licensed tractors under the New Holland, Case IH and Steyr brands. The Company is the world's only production centre for the New Holland TD and Case JX series of tractors. Turk Traktor is also the worldwide engineering center and main production centre for the transmissions used in this range of tractors and exported 37% of its production in 2013. The Company builds the majority of the engines used in its tractors and mainly imports those tractors with engines of over 100 HP, as well as other agricultural machinery, supplied by the CNH network.




Series
NEW HOLLAND AGRICULTURE
T3000
T3010
38 HP
T3040
55 HP
T4000
T4030 De. F-N-V
78 HP
T4040F
88 HP
T4050F
97 HP
T5000
T5050
96 HP
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T8.360
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T8.390
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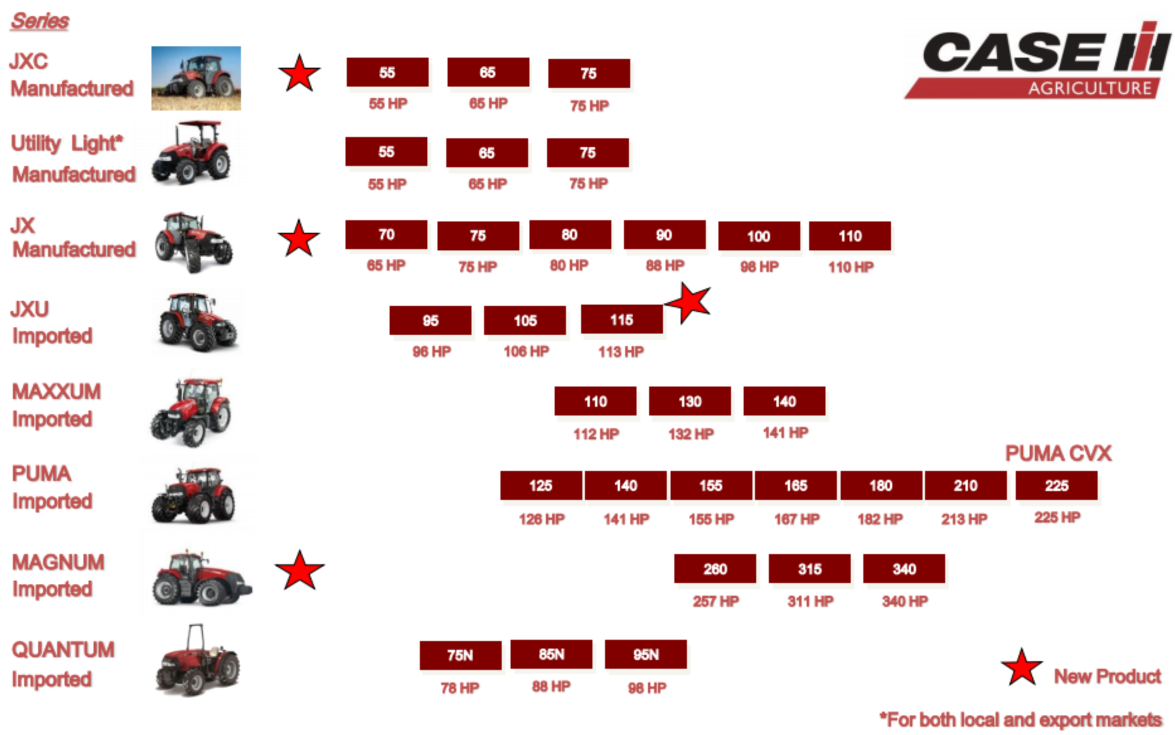
New Product


Series
CASE IH AGRICULTURE
JXC Manufactured
55
55 HP
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65 HP
75
75 HP
Utility Light* Manufactured
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JX Manufactured
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98 HP
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MAXXUM Imported
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112 HP
130
132 HP
140
141 HP
PUMA Imported
PUMA CVX
125
126 HP
140
141 HP
155
155 HP
165
167 HP
180
182 HP
210
213 HP
225
225 HP
MAGNUM Imported
260
257 HP
315
311 HP
340
340 HP
QUANTUM Imported
75N
78 HP
85N
88 HP
95N
98 HP
New Product
*For both local and export markets

September 10, 2014

Garanti Securities | RESEARCH

Tumosan
Outperform

Turkey - Equity - Tractors
Re-initiation of Coverage

A preferred tractor play

- **We reinitiate our coverage of Tumosan with an Outperform recommendation and a 12 month forward target share price of TL6.40, implying 20% upside potential.**
- **Tumosan trades at a 2015E EV/EBITDA of 8.2x and P/E of 12.4x, marking a discount to its peers.**
- **An aggressive 20% long term market share target, with an improving sales network and enhanced product range**
- **Altay Tank Project to offer new revenue stream.**

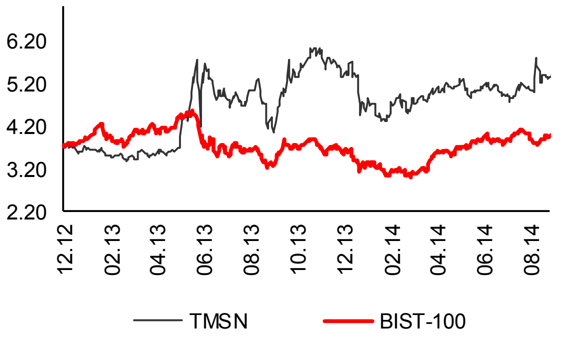
Targets an aggressive market share of 20% in the long term: Import volumes are set to contract on the back of a weaker TL, thus allowing the Company to capture further market share from importers. Apart from the exchange rate risk, we expect some consolidation/exit or a reduction in importers' competitive power in the tractor market going forward. We conservatively project an increase in Tumosan's market share from 17% in 2014 to 19% in 2017, remaining constant thereafter.

Altay Tank Project: The Undersecretariat for Defence Industries has initiated talks with Tumosan regarding the Altay Tank, Turkey's national tank project. Tumosan submitted a bid to manufacture the engines. That would bring an additional value for Tumosan since the project is not in our valuation, as the final agreement within the parties is yet to be signed. (see details on page 49)

Trends so far this year and the scrap incentive: The total domestic market is expected to stand at 50,000-55,000 tractors, in line with our market forecast of 53,000 tractors in 2014. We project a market volume of 55-65,000 units in the long term. A scrap incentive may be introduced in 2016, which may potentially push the size of the local market to over 70,000 tractors. The incentive may be introduced earlier, ahead of the 2015 general election. Our base scenario for the incentive would increase our TP by 9% to TL6.95.

Current Price TL	5.32TL
12M forward Target Price TL	6.40TL
Potential Return TL	20%
Current Mcap (TLmn)	612
Current EV (TLmn)	640
Current Mcap (US$mn)	279

Price Performance (TL)



Stock Market Data			
Bloomberg/Reuters:			TMSN.TI / TMSN.IS
Relative Performance:	1 mth	3 mth	12mth
	4%	2%	8%
52 Week Range (TL):			4.29 / 6.04
Average Daily Vol (US$mn) 3 mth:			5.0
YTD TL Return:			12%
Shares Outstanding (mn):			115
Free Float (%):			21
Foreign Ownership in Free Float :			15%

Financials and Ratios	2012	2013	2014E	2015E
Net Sales (TLmn)	292	445	462	510
EBITDA (TLmn)	39	79	63	76
Net Income (TLmn)	30	62	44	49
EBITDA Margin	13.4%	17.9%	13.6%	14.8%
P/E (x)	20.7	9.9	13.8	12.4
EV/EBITDA (x)	16.3	7.7	9.7	8.2
EV/Sales (x)	2.19	1.37	1.32	1.21
EPS (TL)	0.26	0.54	0.39	0.43
DPS (TL)	0.20	0.15	0.25	0.28

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The Company in Brief
Tumosan, established in 1975 and listed on the stock exchange since 2012, currently employs around 407 personnel. Tumosan mainly manufactures tractors, diesel engines, cylinder heads and main bearing caps. The Company is the second largest tractor manufacturer in Turkey commanding an 18% overall market share and the market leader in high engine tractors over 80HP engine.

Shareholders
Eregli Tekstil: 67.2%, Albayrak Family:11.3%, Hedef Venture Capital: 1.3% and Free Float:20.2%

SUMMARY FINANCIALS (TLmn)

Income Statement	2012	2013	2014E	2015E	14E/13
Net Sales	**292**	**445**	**462**	**510**	**4%**
Operating Expenses	-257	-371	-406	-441	9%
Operating Profit	**34**	**74**	**57**	**69**	**-24%**
Consolidated EBITDA	**39**	**79**	**63**	**76**	**-21%**
Net Other Income/ Expense	2	1	1	2	-28%
Profit (Loss) from Subsidiaries	0	0	0	0	n.m.
Net financial Income/ Expense	1	2	-2	-9	n.m.
Profit (Loss) before Tax	**38**	**77**	**55**	**62**	**-28%**
Tax	-8	-15	-11	-12	-25%
Net Income	**30**	**62**	**44**	**49**	**-29%**
Ratios					
EBIT Margin	11.8%	16.7%	12.3%	13.5%	-4.4 pp
EBITDA Margin	13.4%	17.9%	13.6%	14.8%	-4.3 pp
Net Income Margin	10.1%	13.9%	9.6%	9.7%	-4.4 pp
Balance Sheet	**2012**	**2013**	**2014E**	**2015E**	**14E/13**
Current Assets	**253**	**192**	**204**	**220**	**6%**
Cash and Cash Equivalents	22	6	8	6	40%
Short-Term Trade Receivables	52	55	56	61	2%
Inventories	67	97	106	115	8%
Other Current Assets	111	34	34	38	0%
Long Term Assets	**75**	**106**	**115**	**127**	**8%**
Total Assets	**328**	**299**	**319**	**347**	**7%**
Short Term Liabilities	**125**	**53**	**58**	**65**	**9%**
Short-Term Financial Loans	47	4	7	12	111%
Short-Term Trade Payables	54	36	37	40	3%
Other Short-Term Liabilities	24	14	14	14	-2%
Long Term Liabilities	**5**	**3**	**0**	**0**	**-99%**
Long-Term Financial Loans	2	0	0	0	0%
Other Long-Term Liabilities	3	3	0	0	n.m.
Shareholders Equity	**198**	**242**	**261**	**281**	**8%**
T. Liabilities & Sh. Equity	**328**	**299**	**319**	**347**	**7%**

Investment Positives

The number 2 player in the sector with growing popularity

Turkey's local tractor market is highly attractive, with more than 35 players active in the sector; it is highly fragmented and competitive. With a c18% market share in 2013 (from 12% in 2009), Tumosan ranks second after Turk Traktor, which commands a 47% market share. We expect the share of importers to decline further going forward as they struggle to compete with the more competitive local producers. We may even see some consolidation and/or exit from the domestic market. Tumosan has a widespread dealer network, reaching 114 points in 65 provinces. In line with the growth in the network, we observed a strong sales performance in 2013 with a 47% YoY increase in total tractor sales to 9,325 vehicles. Thanks to the rising number of sales points, Tumosan applies lower discounted sales to dealers, bringing in higher profitability. As availability increases, brand awareness also improves. Meanwhile, the new agricultural products that are to be included in the product portfolio (which have so far been imported) will bring new opportunities, segmental diversification and more competitive pricing for Tumosan.

A growing agriculture business

Turkey's agricultural machinery industry has demonstrated strong growth with annual tractor sales of 50,000-55,000 units. Despite being home to an impressive c.1.5 million tractors, almost half of the tractors are of an elderly vintage, inefficient and with primitive mechanization. In view of this, the government plans to increase production through crop subsidies, low taxation, price support and low interest farm credits, and is dedicated to expanding the agriculture business. The government's goal is "to support a booming Turkey by ensuring a thriving farming sector and to support Turkey's further development through its globally branded agricultural and food products". Financing provided by Ziraat Bankasi (the national Agricultural Bank), together with government subsidies and incentives, will remain important. Meanwhile, the approaching general election in 2015 could serve as a positive catalyst for the industry. We expect the government to maintain its support for farmers; agricultural subsidies have registered an 18% CAGR over the past three years. Recently passed legislation, calling for more rapid land consolidation, will serve as another plus for the sector.

Maxima series to bring new opportunities

The 115HP Maxima model was introduced to the market last November. A new 125HP Maxima model will also be on the market at the end of this year and an additional 400 units are expected to be sold. The Company is working on the production of new model engines and the adaptation of existing engines to Stage IV EU Emission Standards. This will involve a total of EUR6mn in capital expenditure in 2014. There will be a new production line investment, work on which will take place in 2016-17.

Strong position in higher HP segment

Tumosan's total tractor sales came in at 8,626 vehicles in 2013, up by 28% YoY. The 70-79HP engine tractor segment comprised the highest share (29%) of Tumosan's total sales volume. Tumosan, which commanded a market share of 17.7% in the overall market in 2013, is the market leader in tractors with engines of over 90HP, with a 44% market share. Tumosan also holds a market share of around 25% for tractors in the 70-89HP range. Tumosan's presence in the <50 HP market is still low, but the Company will gain exposure to this segment with the introduction of a new 45 HP model by the end of this year.

Altay Tank Project

The Undersecretariat for Defense Industries announced that it had entered talks with Tumosan for the engine and emission part (so called "power group") in the Altay Tank, Turkey's national tank project. Altay is an advanced third generation main battle tank, designed and developed by Otokar (OTKAR TI) for the Turkish Army and export markets. Our understanding is that the design, development, prototype and testing of the power group (engine and transmission) will be conducted by Tumosan, but the intellectual property rights of power group will remain with the Undersecretariat for Defence Industries. Tumosan expects the Undersecretariat for Defence Industries to invite the Company in September for these talks which is expected to be completed within 2-3 months. The project is likely to continue for 5 years. We have not included the project to our valuation; so its inclusion would bring upside to our numbers.

Idle land offers alternatives

Tumosan's facilities are located on a 1.6mn sqm plot of land in Konya while only 7-8% of this land is used by the Company; the rest is idle. We do not know the exact appraisal value of the land, but, FY12 footnotes point to a book value of TL44mn for the lands corresponding to c.7% of current Mcap. Therefore, some form of utilization of the idle land would bring additional value.

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Investment Negatives

Eregli Tekstil may sell a total of 8.1mn shares, creating an overhang

During the IPO process, Eregli Tekstil, Tumosan's major shareholder, sold 14.4mn shares in the offering, compared to its original plan to sell 30mn shares. So far, Eregli Tekstil has sold 7.5mn of the previously unsold 15.6mn shares on the BIST. Eregli Tekstil is planning to sell the shares at a price of over TL6.00 per share which would most likely create an overhang on the share price.

A deteriorating macroeconomic outlook

Deteriorating macroeconomic conditions may lead to disappointing domestic sales. A steeper than expected increase in interest rates may precipitate a decline in loan volumes, undermining domestic demand.

Drought still a major concern?

The period from October to December 2013 witnessed some of the driest conditions on record in Turkey, with average cumulative rainfall of just 159.1mm in those 3 months, down 41% YoY from the 270.5 mm recorded in the same period of 2012. According to a number of reports, the lack of rain and snow has already affected grain yields. However, there were also some reports suggesting that spring rainfall had covered some of the losses from the October-December 2013 period. We believe that initially predicted disaster scenarios will not be on the table.

Competition

Stiffer competition may lead to market share losses and prove lower than anticipated volumes.

VALUATION

DCF

We set a 12 month forward target price of TL6.40/share for Tumosan. We employ DCF as our preferred valuation methodology for Tumosan to better reflect the growth prospects of the Company. Using a risk-free rate of 9.0%, a WACC of 13.3% and terminal growth rate of 5%, we arrive at a 12 month forward target price of TL6.40/share for Tumosan.

Tumosan DCF

(TLmn)	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Revenue	462	510	567	630	699	756	817	883	955
Adj. EBIT	57	69	78	89	103	115	123	132	142
Taxes on EBIT	-11	-14	-16	-18	-21	-23	-25	-26	-28
Tax Savings due to Investment Ince	0	0	0	0	0	0	0	0	0
NOPLAT	45	55	62	71	82	92	99	106	113
Depreciation	6	7	8	10	12	14	16	19	22
Gross Cash Flow	**52**	**62**	**70**	**80**	**94**	**106**	**115**	**124**	**135**
Increase in Working Capital	9	15	19	20	22	18	19	21	23
Capital Expenditures	23	18	17	19	21	22	24	26	28
Increase in Net Other Assets	3	1	0	0	0	0	0	0	0
Gross Investment	**35**	**34**	**36**	**38**	**43**	**40**	**43**	**47**	**51**
Free Cash Flow	**17**	**28**	**34**	**42**	**51**	**66**	**71**	**77**	**84**
Assumptions (%)									
Domestic Tractor Demand	52,809	53,337	54,404	55,492	56,602	57,734	58,888	60,066	61,267
% ch	*1.0*	*1.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*
Tumosan Domestic Sales Volume	8,978	9,334	9,793	10,266	10,754	10,969	11,189	11,413	11,641
% ch	*-3.7*	*4.0*	*4.9*	*4.8*	*4.8*	*2.0*	*2.0*	*2.0*	*2.0*
Tumosan Export Sales Volume	138	150	160	170	175	180	185	190	195
% ch	*7.8*	*8.7*	*6.7*	*6.3*	*2.9*	*2.9*	*2.8*	*2.7*	*2.6*
Revenue growth (%)	3.9	10.2	11.2	11.1	11.0	8.1	8.1	8.1	8.1
Exports (% of Revenue)	1.5	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
EBITDA margin (%)	13.6	14.8	15.0	15.6	16.3	17.0	17.0	17.0	17.0
Incr. in Working Capital/Sales (%)	1.9	3.0	3.4	3.2	3.1	2.4	2.4	2.4	2.4
Capital Expenditures/Sales (%)	5.0	3.6	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Incr in Net Other Assets/Sales (%)	0.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Garanti Securities

WACC Assumptions

(%)	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Risk-free Rate (RFR)	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Cost of Equity	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5
Cost of Debt after Tax	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Weight - Equity	97.2	96.0	95.3	95.0	95.0	95.0	95.0	95.0	95.0
Weight - Debt	2.8	4.0	4.7	5.0	5.0	5.0	5.0	5.0	5.0
WACC	**13.3**	**13.3**	**13.2**	**13.2**	**13.2**	**13.2**	**13.2**	**13.2**	**13.2**

Source: Garanti Securities

Tumosan 12mth Target Price (TL/Share)

Perpetuity Growth Rate	4.50%	5.00%	5.50%
WACC + 1%	5.47	5.65	5.84
WACC	6.16	**6.40**	6.66
WACC - 1%	7.03	7.36	7.73

Source: Garanti Securities

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Key Assumptions

The key assumptions in our valuation are listed below:

Revenue: We assume that Tumosan will register a 2014-22E revenue CAGR of 9.5%, driven by a 3.3% CAGR in domestic volumes and a 4.4% CAGR in export volumes. We have assumed that average prices per tractor will remain unchanged on the export front (in EUR) in 2014-2022 while assumed that domestic prices will increase in line with our inflation projections during the same period.

EBITDA margin: We forecast that Tumosan will post an EBITDA margin of 13.6-17.0% between 2014E and 2022E.

Working capital: We calculate that the Company's working capital cycle was +110 days in 2013 as payable days stood at 35. We project a similar trend going forward, leading to a WC/sales of 31.4% in 2014 and averaging at 31.6% thereafter.

Capital expenditures: Considering the investments in meeting the Tier 4 standards (to become mandatory by 2016), engine line production and upgrade, based on our assumptions, the average capex/sales ratio stands at 3.2% in the 2014-23E period, compared to the 4.6% average in 2010-13.

PEER COMPARISON

We have presented multiples for international players in order to put Tumosan's valuation into perspective. As shown below, Tumosan trades at a 6% and 8% discount to its peers on the basis of its 2015E P/E and EV/EBITDA multiples.

			EV/SALES		EV/EBITDA		P/E	
Company	**Country**	**MCAP (US$)**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**
Deere & Co	UNITED STATES	29,480	1.0	1.1	5.9	7.3	9.8	12.0
AGCO Corp	UNITED STATES	4,476	0.5	0.6	5.5	5.8	9.9	10.4
Kubota Corp	JAPAN	18,535	1.7	1.7	11.1	10.6	15.6	15.2
Bucher Industries AG	SWITZERLAND	2,897	1.0	1.0	7.9	7.6	13.2	12.7
Mahindra & Mahindra Ltc	INDIA	13,991	1.6	1.5	11.8	10.9	18.7	17.1
CNH Industrial NV	BRITAIN	11,138	1.1	1.1	12.4	11.3	12.4	10.7
Mcap Adjusted Average			**1.2**	**1.3**	**9.1**	**9.2**	**13.2**	**13.4**
TMSN multiples		***279***	***1.3***	***1.2***	***9.7***	***8.2***	***13.8***	***12.4***
Discount/Premium			6%	-3%	7%	-11%	5%	-8%

Source: Bloomberg, Garanti Securities

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HOW WE STAND ALONGSIDE THE CONSENSUS

According to the forecasts compiled by Bloomberg, we are generally in line with the consensus at the top line, but more pessimistic as far as EBITDA and net income forecasts are concerned. We believe the weaker than expected 1H14 results have not yet been reflected to forecasts.

Consensus vs. Our estimates

TMSN	Bloomberg		Garanti Securities		Difference	
(TLmn)	2014	2015	2014	2015	2014	2015
Net Sales	467	533	462	510	-1%	-4%
EBITDA	76	89	63	76	-17%	-15%
Net Profit	57	67	44	49	-22%	-26%
EBITDA Margin	16.2%	16.8%	13.6%	14.8%	*-2.6 pps*	*-1.9 pps*
Net Income Margin	12.1%	12.6%	9.6%	9.7%	*-2.5 pps*	*-2.9 pps*
Target Share Price	**6.34**		**6.40**		**1%**	

Source: Bloomberg, Garanti Securities

BUSINESS OVERVIEW

Tumosan Sales Volume

(units)	2010	2011	2012	2013	2014E	2015E	2016E
Domestic							
Tractors	4,852	10,306	6,735	9,325	8,978	9,334	9,793
% ch y/y	*191%*	*112%*	*-35%*	*38%*	*-4%*	*4%*	*5%*
Export							
Tractors	88	31	106	128	138	150	160
% ch y/y	*76%*	*-65%*	*242%*	*21%*	*8%*	*9%*	*7%*

Source: Company data, Garanti Securities

Domestic Tractor Market

(units)	2010	2011	2012	2013	2014E	2015E	2016E
Market - Turkey	36,036	60,341	50,318	52,286	52,809	53,337	54,404
% ch y/y	*162%*	*67%*	*-17%*	*4%*	*1%*	*1%*	*2%*
Tumosan M.Share (%)*	13.5%	17.1%	13.4%	17.8%	17.0%	17.5%	18.0%

* based on w holesale figures

Source: Company data, Garanti Securities

Revenue Breakdown

(TLmn)	2010	2011	2012	2013	2014E	2015E	2016E
Domestic	179	407	286	440	457	503	560
% ch y/y	*209%*	*127%*	*-30%*	*54%*	*4%*	*10%*	*11%*
Export	3	5	8	5	6	7	8
% ch y/y	*53%*	*56%*	*61%*	*-33%*	*23%*	*9%*	*12%*
G.Revenue	182	411	294	446	463	510	567
% ch y/y	*204%*	*126%*	*-29%*	*52%*	*4%*	*10%*	*11%*
Breakdown (%)							
Domestic	98	99	97	99	99	99	99
Export	2	1	3	1	1	1	1

Source: Company data, Garanti Securities

Revenue

We expect Tumosan to achieve 10% revenue growth in 2015, after slightly higher revenues in 2014

Export revenues are currently insignificant for Tumosan with a share of only 1-2% in total. The Company had gained 4.4pp of market share in 2013 and reached a market share of 17.8%, but we believe the Company's share will be around 17% this year given the trend in sales volumes so far this year. That would point to a contraction of around 4% volumes in 2014, leading to a slightly higher top line in 2014. We assume no change in average prices per tractor (in EUR) for export sales, but an increase of 8% in domestic prices in 2014. We have assumed that average export prices will remain unchanged throughout our forecast horizon, but we expect an increase in domestic sales prices in line with our inflation projections.

Profitability

(TLmn)	2010	2011	2012	2013	2014E	2015E	2016E
Gross Profit	35	91	54	97	81	95	106
Gross m. (%)	*19.2*	*22.0*	*18.4*	*21.8*	*17.4*	*18.6*	*18.7*
EBITDA	25	73	39	79	63	76	85
EBITDA m. (%)	*13.7*	*17.7*	*13.4*	*17.9*	*13.6*	*14.8*	*15.0*
Net Profit	16	54	30	62	44	49	61
Net m. (%)	*9.0*	*13.1*	*10.1*	*13.9*	*9.6*	*9.7*	*10.7*

Source: Company data, Garanti Securities

Gross margin

Tumosan's gross margin averaged 20% between 2010-13 as shown in the table above, we see similar pattern on gross margins after 2014. Although the Company does not provide a breakdown regarding its cost base, we believe that around 90% of its total cost of good sold is related to raw materials (mainly cast iron and rubber). We also note that the Company procures 95% of its inputs locally. Therefore, we would not expect exchange rate movements to precipitate much volatility in margins. We did observe a deterioration in the gross margin due to the higher FX based inventory and lower demand In 2Q14.

Opex

As shown below, total opex accounts for 5% of total revenues, with sales and marketing expenses comprising the largest component. Warranty expenses corresponded to 1.1% of overall sales.

Opex

(TLmn)	2010	2011	2012	2013	2014E	2015E	2016E
S&M expenses	9	16	13	16	17	18	21
as % of sales	4.9%	3.9%	4.4%	3.6%	3.6%	3.6%	3.6%
G&A expenses	3	4	5	5	5	6	6
as % of sales	1.4%	1.0%	1.9%	1.1%	1.2%	1.1%	1.1%
R&D expenses	1	2	1	2	2	2	2
as % of sales	0.4%	0.4%	0.3%	0.4%	0.4%	0.4%	0.4%
Total Opex	12	22	19	23	24	26	29
as % of sales	6.7%	5.2%	6.6%	5.1%	5.1%	5.1%	5.1%

Source: Company data, Garanti Securities

EBITDA margin down by 4.3pp in 2014, but up 1.2pp in 2015

Based on the factors we set out above, we project a decline in the EBITDA margin from 17.9% in 2013 to 13.6% in 2014 on the back of the weak 1H14 profitability and ongoing competition in the sector. With more rationalization in competition and a more stable TL, we expect an improvement in the EBITDA margin in 2015. In the long term, we anticipate that the Company's EBITDA margin will level out near 17.0%.

Working capital requirement

Tumosan's receivables days had been hovering at around 110 over the last two years with payment terms of 35 days. We assume a cash conversion cycle of 110 days in 2014 and 2015 and expect the working capital /sales ratio to be average 31.6% between 2014-2023.

Working Capital Cycle

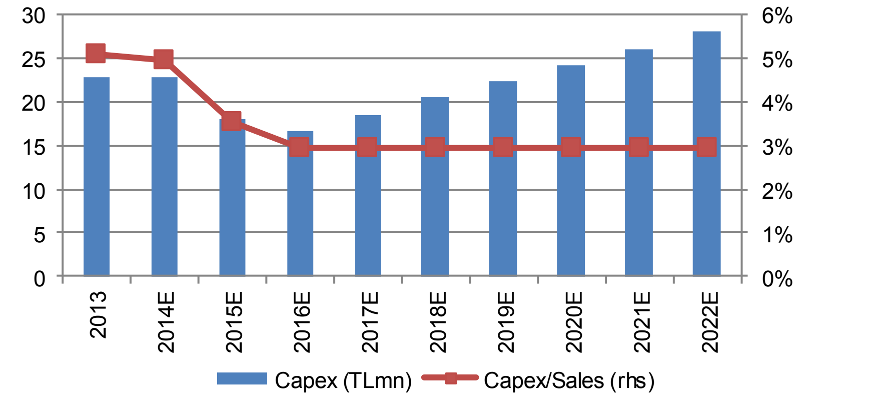
Days	2010	2011	2012	2013	2014E	2015E	2016E
Receivables	24	28	164	44	44	44	44
Inventory	80	91	103	101	101	101	101
Payables	71	98	83	35	35	35	35
Cash Conversion Cycle	33	21	185	110	110	110	110
Working Capital	25	35	153	136	145	160	179
Work Cap /Sales	13.8%	8.6%	52.2%	30.6%	31.3%	31.4%	31.6%

Source: Company data, Garanti Securities

Capital expenditures

The Company had spent approximately 5% of its revenues on capital expenditures over the last four years. The annual maintenance capex amounts to around TL1mn per year. In addition to regular maintenance capex, the Company will invest for engine production line and stage 4 standards (to be mandatory in 2016), we assume a capex to sales ratio of 4.3% in 2014-2016 vs. 3.0% in 2016 and beyond.

Capex Evolution



Source: The Company, Garanti Securites

Balance Sheet / Financial Expenses

The Company held a cash balance of TL2mn and total financial debt of TL30mn as of 1H14. Its TL2mn net cash position at the beginning of the year turned to a TL28mn net debt position by the end of 1H14, as a result of the TL17mn dividend payment and weak profitability.

TMSN Balance Sheet

(TLmn)	2010	2011	2012	2013	2014E	2015E	2016E
Cash & Cash Equivalents	4	0	22	5	8	6	9
Total Financial debt	20	36	49	4	8	12	15
ST debt	14	26	47	4	7	12	15
LT debt	6	10	2	0	0	0	0
Net Debt	16	36	27	-2	0	6	7
Net Debt to Equity	0.32	0.25	0.14	-0.01	0.00	0.02	0.02
Net Debt to EBITDA	0.63	0.50	0.69	-0.02	-0.01	0.08	0.08
Fin inc/(exp)- net	-4	-2	1	2	-2	-9	-5
% of revenue	-1.9%	-0.6%	0.4%	0.4%	-0.4%	-1.8%	-0.8%

Source: Company data, Garanti Securities

RECENT DEVELOPMENTS

Tumosan acquired a 70% stake in its sister company for TL14mn

In April, Tumosan announced that it had purchased a 70% stake in Tumosan Dokum for TL14mn. Tumosan Dokum is the iron cast firm owned by Tumosan's parent company. Tumosan Dokum is a related party from which Tumosan purchases iron cast. The Company believes the acquisition will have a positive impact on operations, although we would question this as the acquired company is already owned by Tumosan's parent companies; therefore, we think that the operational synergies arising from the acquisition will be very limited. We have no financial statements for Tumosan Dokum and are therefore unable to put the price tag into perspective.

Tumosan's volumes down by 13% YoY in August and down by 3% YTD

Tumosan's tractor sales declined by 13% YoY and by 3% MoM to 536 units in August 2014. Total shipments in 8M14 were down 3% YoY at 5,322 units. We find the data as negative given the flat total volumes YTD compared to market data for 1H14 (up15% YoY) and insignificant share of exports in Tumosan's total volumes. We project a 1% YoY growth in the Turkish tractor market in 2014, and therefore expect weaker shipment figures in the second half of 2014.

Tumosan Tractor Sales Data

(units)	Aug-13	Aug-14	YoY	Jul-14	Aug-14	MoM	Jan-Aug-13	Jan-Aug-14	YoY
Sales	614	536	-13%	552	536	-3%	5,467	5,322	-3%

Source: Tumosan

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2Q14 Review

Tumosan announced a net profit of TL9mn in its 2Q14 financial statements, lower than our estimate of a TL12mn net profit and the Bloomberg consensus estimate of a TL16mn net profit.

Although the 2Q14 revenues and EBITDA figures were in line with our estimates, the higher than expected non-operational expenses led to a TL3mn deviation between our net income estimate and actual net profit.

Tumosan recorded an 11.6% EBITDA margin in 2Q14, down by 4.8pp YoY, below consensus estimate of 15.0% vs. our 12.5%.

Tumosan recorded TL137mn of total revenues in 2Q14, up by 17% YoY, in line with our estimate of TL136mn. The Company sold 2,658 tractors in 2Q14 vs 2,423 tractors in 2Q13. Domestic sales increased by 16% YoY in 2Q14. The share of export revenues in total revenues rose from 0.6% in 2Q13 to 1.8% in 2Q14.

The Company announced a gross profit of TL22mn (down by 23% YoY) and EBITDA of TL16mn (down by 17% YoY) in 2Q14. We would blame the lower demand, weak pricing and less favourable sales mix for the decline in the gross margin.

Despite the contraction in the gross margin (down by 8 pps), the lower operational expenses limited the EBITDA margin contraction to some extent (4.8 pps) in the quarter. The Opex/Sales ratio declined from 8.5% in 2Q13 to 5.7% YoY in 2Q14.

Tumosan Motor Ve Traktor Summary Financials								**Change**	
(mn TL)	**2Q13**	**3Q13**	**4Q13**	**1Q14**	**2Q14**	**6M13**	**6M14**	**2Q14/2Q13**	**2Q14/1Q14**
Net Sales	**117**	**95**	**143**	**83**	**137**	**207**	**220**	**17%**	**64%**
Gross Profit	**28**	**20**	**30**	**14**	**22**	**47**	**36**	**-23%**	**50%**
Operating Profit	**17**	**13**	**27**	**8**	**14**	**34**	**22**	**-21%**	**72%**
EBITDA	**19**	**14**	**28**	**10**	**16**	**38**	**26**	**-17%**	**65%**
Net Other Income/Expense	-2	3	0	0	-3	-2	-2	n.m.	n.m.
Financial Inc./ Exp. (net)	2	-2	-1	0	0	5	0	-91%	48%
Tax	-4	-3	-5	-2	-1	-7	-4	n.m.	n.m.
Net Income	**14**	**11**	**21**	**6**	**10**	**30**	**16**	**-30%**	**58%**
Net Cash	9	-13	2	-27	-28	9	-28		
Working Capital	102	122	116	135	138	102	138		
Shareholders Equity	202	213	242	238	226	202	226		
Ratios									
Gross Margin	23.8%	21.1%	21.1%	17.2%	15.8%	22.7%	16.3%	-8 pp	-1.4 pp
Operating Margin	14.7%	14.0%	18.6%	9.5%	10.0%	16.6%	9.9%	-4.7 pp	0.5 pp
EBITDA Margin	**16.5%**	**14.4%**	**19.6%**	**11.6%**	**11.6%**	**18.2%**	**11.7%**	**-4.8 pp**	**0.1 pp**
Net Profit Margin	11.7%	11.7%	14.6%	7.3%	7.0%	14.5%	7.4%	-4.7 pp	-0.3 pp

Altay Tank Project

On August 12th, 2014, The Undersecretariat for Defence Industries announced that it had initiated talks with Tumosan for the engine and emission part (so called “power group”) of the Altay Tank.

Our understanding is that the design, development, prototype and testing of the power group will be conducted by Tumosan, while the intellectual property rights of the power group will belong to the Undersecretariat for Defence Industries.

Although we have no data regarding the size of the project, we expect the amount to be around USD250-300mn given the size of the Altay Tank development project (cUSD500mn) being undertaken by Otokar (OTKAR TI).

The project is likely to last for 5 years.

Tumosan anticipates The Undersecretariat for Defense Industries to invite the Company for the talks in September and to finalize the talks within 2.5 months.

The Company expects that it will receive the first advance payment for the project by the end of this year which will be seen in its FY14 financials. The first payment is expected to be around 25% of the total project.

Tumosan will invoice the project related expenses with a mark-up to The Undersecretariat for Defense Industries along with the advances received during the period of the project.

Since the parties have not signed a final agreement regarding the project yet and we have no further information related to it, we do not include the project to our valuation. Otherwise, it is likely to offer further upside.

COMPANY OVERVIEW

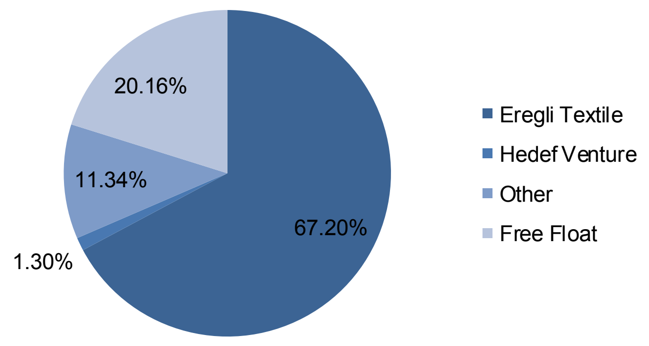
Tumosan was established in 1975 to produce motor driven mechanisms and drivetrains, before turning its focus to the production of diesel engines and tractors. Tumosan signed a license agreement with Fiat in 1977 to produce diesel engines and tractors. The license agreement was annulled in 1988, after which Tumosan then continued to manufacture diesel engines and tractors under its own brand. The Company halted tractor production and only manufactured diesel engines between 1987 and 1992.

In 1998, the Company was brought under the privatization program with the first tranche of shares privatized in 2000, at which stage the process was stalled.

The second attempt at privatization took place in 2004, when an Albayrak Group company - Alcelik Profile Industry & Trade Limited Company - took control of Tumosan.

On 5 December 2012, the company's shares were offered to the public in an IPO. Currently, Eregli Tekstil (owned by Albayrak Group) holds a 67.2% stake in the Company with the Albayrak Family members owning 11.34% of the shares and Hedef Venture Capital having a 1.30% stake. Some 20.02% of the shares float freely on the BIST.

Shareholder Structure



Source: The Company

At the end of 1H14, there were 436 personnel working in the Company (135 white-collar and 301 blue-collar).

The Albayrak Group in Brief

Albayrak Group started operating in the construction sector in 1952 before entering the personnel transportation sector in 1982. Following the waste disposal crisis in Istanbul in 1992, Albayrak Group began to offer waste collection and disposal management services. The Group is currently active in six sectors with over 20 companies: Albayrak Group conducts operations in following sectors:

- **Construction and real estate investment:** Albayrak Construction is mainly involved in construction operations and real estate investments.

- **Manufacturing:** The Group is involved in the production of tractors and engines through Tumosan and active in the textile industry through Eregli Tekstil and paper-cartoon manufacturing through Varaka.

- **Logistics:** Trabzon Port has been operated by the Albayrak Group since 2003. The Group also provides a car rental service, personnel transportation and international transportation.

- **Service and Energy:** ALBİL Data Processing, controlled by the Albayrak Group, has offered computer trade and support services since 2000. Green Men Waste Management Inc., which is controlled by the Group, provides nationwide service with its 830 vehicles and 4,000 personnel. Through its subsidiary, System, established in 1995, Albayrak Group carries out natural gas, water and electrical meter reading along with distribution, billing, maintenance and start-stop services of relevant subscriptions. Kuvve Electrical Energy Wholesale Trade Inc. was established as part of the Albayrak Group companies to operate in the wholesale, export and import of electricity.

- **Media:** Yeni Şafak, which began publications in 1995, has a daily circulation of 200,000. Its online portal, Yeni Şafak Online, is one of the most visited news portals in Turkey. TVNET, which began broadcasting life in 2007, is a channel specialized in reporting. The Group also has a historical journal entitled “Derin Tarih”.

- **Tourism:** The Group is involved in the tourism sector through three tourism facilities located in Marmaris, Didim and Kümbet.

Production and Operations

Tumosan's facilities are located on 1.6mn sqm of land which is owned by the Company in Konya situated in the Anatolian interior, 261km from Turkey's capital, Ankara. The Konya facilities offer regional competitive advantages which can be listed as:

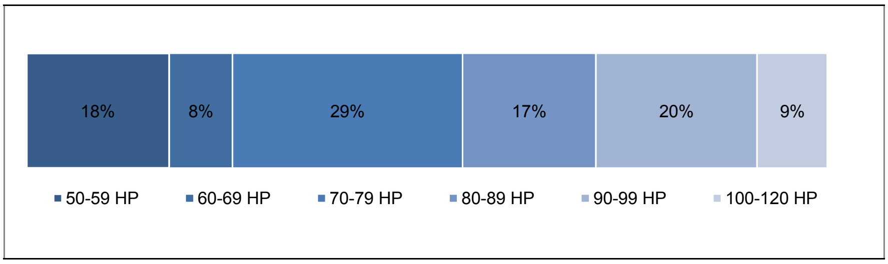
i) *Proximity to the Mediterranean, Southeast Anatolia and Central Anatolian regions, which comprise 35% of the total tractor demand*
ii) *An intersection point of railways and highways.*
iii) *Konya has the largest share (20%) in the Company's domestic material supply*

Tumosan has an annual production capacity of 15,000 tractors and 25,000 diesel engines in one shift production (45,000 tractors and 75,000 diesel engine in three shifts). The Company produces more than 202 models of the 10 series.

In terms of production, Tumosan reached its peak in 2011 when it produced 10,816 tractors, implying a strong CUR of 69%. In 2013, Tumosan produced 9,166 tractors, implying a total CUR of 61%.

Production Mix

We have observed a shift towards high performance tractors; still, the bulk of production (66%) is allocated for 70-100HP tractors.



Source: Tumosan

Although no definite timeline has been provided, Tumosan aims to increase its capacity to 20,000 tractors annually in one shift. Our assumptions, however, do not foresee such an increase in capacity which would require such an investment program, and our DCF model maintains the assumption of a 15,000 tractor annual production capacity in one shift.

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Tumosan ranks second in the tractor market after Turk Traktor (TTRAK; a Koc Group Company), and produces 2WD and 3WD tractors ranging from 50 to 115 HP. The wide production range meets the different needs of the farmers.

A significant share of sales (around 43%) are for 70-80 and 80-90HP tractors, and the Company enjoys strong market shares in these segments. Most of the tractors, though, are sold in the smaller 50-70HP engine segments.

Engine Size	50 – 59HP	60 – 69HP	70 – 79HP	80 – 89HP	90 – 99HP
Market Share	9%	9%	29%	24%	44%

Source: Tumosan

Although sales of tractors with larger engines of over 100HP comprises a mere 10% of total sales, Tumosan commands a leading position in this segment. Such tractors command very strong margins, as the marginal production costs are barely any higher than those of the less powerful tractors, but sales prices are considerably higher.

Tumosan will start to produce tractors in the 0-50HP engine segment at end of 2014. The Company aims to capture a market share of around 5% in the segment.

In addition to tractors and diesel engines, Tumosan produces engine blocks, cylinder heads and main bearing caps.

Tumosan Production Portfolio

Tractor	Serial	HP	Cylindir	2WD	4WD	Emission
Vineyards	4,200	50-55	3	+		Stage III
Vineyards	5,200	55-65-75-85	3	+	+	Stage III
Farm	4,000	50-55	3	+		Stage III
Farm	4,100	50-55	3	+		Stage III
Farm	6.000	55-65	3	+	+	Stage III
Farm	6,100	55-65	3	+	+	Stage III
Farm	7,000	75-85	3	+	+	Stage III
Farm	7,100	75-85	3	+	+	Stage III
Farm	8,000	75-85-95	4	+	+	Stage III
Farm	8,100	75-85-95-105	4	+	+	Stage III
Farm	9,100	115-125	4		+	Stage III

Source: Tumosan

Maxima tractors

The new 115HP Maxima model was introduced to the market last November, and a new 125HP Maxima model came to the market at the end of the year. While there is a shift towards high performance engine tractors in the domestic market, Tumosan's local production capability will create a competitive advantage over pricing and therefore sustain its market leadership position in this segment. We expect the share of Maxima tractors in the Company's total sales volume to increase in 2014 and beyond.

As well as its strong market share, this powerful engine segment commands high profitability as production costs are similar to those of other tractors, where sale prices differ significantly.

Diesel Engines

Tumosan was the first producer of diesel engines in Turkey and has been producing diesel engines since 1981, and has manufactured around 170,000 diesel engines in the last 30 years. The Company produces engines at Stage III-A (Tier 3). The 48 to 100 HP engines are used for different purposes with applications including major equipment manufacturers in the power generation, materials handling, agricultural and general industrial markets.

Product	1 Shift	3 shifts
Diesel engine	25,000	75,000
Engine block	30,000	90,000
Cylindir head	30,000	90,000
Main bearing cap	159,300	477,000

Source: Tumosan

New Business - Equipment

Tumosan is planning to enter the equipment business. To become a one-stop retailer, Tumosan will produce by-products including combine harvesters, cotton pickers and loaders.

Sales Network

Tumosan has a widespread dealer network, with 114 points in 65 provinces. Thanks to a rising number of dealers and sales figures as well as brand awareness, Tumosan has reduced its discounted sales to dealers, resulting in higher profits for Tumosan.

Source:Tumosan

Exports

Tumosan exports tractors to 13 countries; Ireland, Macedonia, Kosovo, Romania, France, Moldavia, Bulgaria, Italy, Serbia, Iraq, Tunisia, the Palestinian Territories, Algeria, Jordan and Ghana. However, the Company has no aggressive strategy of expansion into foreign markets until a proper network is established. Currently, exports constitute 1.5% of total sales. Although there is no concrete plan, Tumosan is considering entry into the Croatian, Serbian and Sudanese markets in 2014. The current focus is not on export markets, but the Company plans to increase the share of export revenues to 5% in total revenues in the long term.

Source:Tumosan

Investments

The Company is working on the production of new model engines and the adaptation of existing engines to Stage IV EU Emission Standards. This will involve a total of EUR6mn in capital expenditure in 2014. There will be a new production line investment in 2016-2017. The Company also targets the mechanization of the Konya facility. As the facilities are established on a 1.6mn sqm plot of land with 93,000 sqm of enclosed space, no new land would be required in the event of a capacity expansion.

Turk Traktor vs. Tumosan

Turk Traktor and Tumosan both operate in the same region and are similar in many ways in terms of their business models. Having CNH as a partner, exports account for higher portion (c.30%) of Turk Traktor's total revenues (vs. c.1-2% for Tumosan). In this regard, it could be claimed that Tumosan is more dependent on the domestic market. During times of demand weakness in Turkey, Turk Traktor may benefit from CNH's extensive distribution network, as in 2009 when exports accounted for a 49% share of total sales, although exports command lower margins than domestic sales.

In terms of production, Tumosan is relatively weak in the low-power tractor segment, where Turk Traktor has a relatively strong presence. Tumosan focuses on higher-power tractors, which offer higher margins but account for a smaller portion of the market. In 2013, the low-power (sub-70 HP) segment dominated around half of the total market in Turkey, while the over-90 HP segment accounted for c.18% of the market.

Both companies have their plants in Central Anatolia (in Ankara for Turk Traktor and in Konya for Tumosan). Ankara and Konya are not widely apart, suggesting that the suppliers of both companies have similar cost dynamics as well.

When it comes to personnel, although we have no exact breakdown of personnel costs, we believe staff costs for Turk Traktor are likely to be higher than for Tumosan, as Turk Traktor is located in Ankara, the capital of Turkey and the country's second biggest city.

As far as gross margins are concerned, Tumosan's margins improved by 3.4pp YoY to 21.8%, almost in line with Turk Traktor's 21.7% margin (up 0.3pp YoY).

Both companies recorded almost the same Opex /sales ratios in 2010 and 2012, but in 2011 and 2013, Tumosan's ratio stood at 5.2%, compared to around 6.5% for Turk Traktor.

In addition to its main plant in Ankara, Turk Traktor has recently opened an assembly facility in Sakarya (situated in the Northwest of Turkey). Accordingly, the Company's total production capacity will increase from 35,000 to 50,000 tractors once the new facility becomes fully operational. Turk Traktor has been utilizing Otokar's plant (OTKAR TI, sister company) in Sakarya for the last three years to meet the strong demand in the sector. The new facility will undertake the assembly and painting operations and is likely to have a positive impact on operational efficiency, mostly owing to lower logistic costs, which will be more apparent on margins in 2015 and beyond.

TTRAK vs. TMSN

Net Debt	2010	2011	2012	2013	2014E	2015E	2016E
TTRAK	-80	-10	-23	139	373	392	332
TMSN	16	36	27	-2	0	6	7

Net debt/EBITDA	2010	2011	2012	2013	2014E	2015E	2016E
TTRAK	-0.3	0.0	-0.1	0.4	1.0	0.9	0.7
TMSN	0.6	0.5	0.7	0.0	0.0	0.1	0.1

Equity	2010	2011	2012	2013	2014E	2015E	2016E
TTRAK	468	596	664	743	752	851	960
TMSN	49	142	198	234	261	281	310

Net Debt/Equity	2010	2011	2012	2013	2014E	2015E	2016E
TTRAK	-17%	-2%	-3%	19%	50%	46%	35%
TMSN	32%	25%	14%	-1%	0%	2%	2%

ROE (%)	2010	2011	2012	2013	2014E	2015E	2016E
TTRAK	38%	47%	40%	38%	41%	37%	34%
TMSN	33%	38%	15%	27%	17%	18%	20%

Cash Conversion Cycle	2010	2011	2012	2013	2014E	2015E	2016E
TTRAK	57	67	76	82	78	76	74
TMSN	33	21	185	110	110	110	110

Working Capital/Sales	2010	2011	2012	2013	2014E	2015E	2016E
TTRAK	21%	24%	23%	23%	22%	21%	21%
TMSN	14%	9%	53%	31%	31%	31%	32%

Capex/Sales	2010	2011	2012	2013	2014E	2015E	2016E
TTRAK	3%	4%	4%	8%	9%	6%	4%
TMSN	3%	12%	-1%	5%	5%	4%	3%

Source: Garanti Securities

TTRAK vs. TMSN

Tractor production	2009	2010	2011	2012	2013
TTRAK	14320	28348	40630	39574	38530
TMSN	1920	4830	10816	6611	9166
					-3%

# of Staff	2009	2010	2011	2012	2013
TTRAK	1246	1817	2491	2378	2572
TMSN	218	249	405	364	420

Source: Garanti Securities

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TTRAK vs. TMSN

Capacity	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
TTRAK	35,000	35,000	35,000	35,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
TMSN	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Revenue	**2010**	**2011**	**2012**	**2013**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**
TTRAK	1193	1801	1974	2175	2542	2730	2929	3138	3403	3691	4003	4341	4709
TMSN	181	411	292	445	462	510	567	630	699	756	817	883	955
Revenue growth	**2010**	**2011**	**2012**	**2013**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**
TTRAK	78.7%	50.9%	9.6%	10.2%	16.8%	7.4%	7.3%	7.1%	8.5%	8.5%	8.5%	8.5%	8.5%
TMSN	206.8%	127.2%	-29.1%	52.7%	3.9%	10.2%	11.2%	11.1%	11.0%	8.1%	8.1%	8.1%	8.1%
Domestic Volume	**2010**	**2011**	**2012**	**2013**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**
TTRAK	20,002	31,152	25,597	24,624	26,933	26,668	26,658	26,636	27,169	27,712	28,266	28,832	29,408
TMSN	4,852	10,306	6,735	9,325	8,978	9,334	9,793	10,266	10,754	10,969	11,189	11,413	11,641
Domestic Volume growth	**2010**	**2011**	**2012**	**2013**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**
TTRAK	188%	56%	-18%	-4%	9%	-1%	0%	0%	2%	2%	2%	2%	2%
TMSN	191%	112%	-35%	38%	-4%	4%	5%	5%	5%	2%	2%	2%	2%
Export share in total	**2010**	**2011**	**2012**	**2013**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**
TTRAK	27.8%	22.6%	31.4%	32.1%	32.3%	33.5%	34.3%	35.1%	35.3%	35.5%	35.7%	35.9%	36.1%
TMSN	2%	0%	2%	1%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Total Volume	**2010**	**2011**	**2012**	**2013**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**
TTRAK	20,324	31,599	26,049	25,275	27,337	27,202	27,191	27,169	27,712	28,266	28,832	29,408	29,997
TMSN	4,940	10,337	6,841	9,453	9,116	9,484	9,953	10,436	10,929	11,149	11,374	11,603	11,836
Gross margins	**2010**	**2011**	**2012**	**2013**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**
TTRAK	26.7	23.6	21.4	21.7	20.9	20.3	20.3	20.2	20.4	20.2	20.4	20.4	20.3
TMSN	19.2	22.0	18.4	21.8	17.4	18.6	18.7	19.0	19.6	20.2	20.0	19.8	19.7
Opex/Sales	**2010**	**2011**	**2012**	**2013**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**
TTRAK	6.6%	6.3%	6.5%	6.8%	7.0%	6.9%	6.8%	6.8%	6.8%	6.7%	6.7%	6.7%	6.7%
TMSN	6.7%	5.2%	6.6%	5.2%	5.2%	5.1%	5.1%	5.0%	5.0%	4.9%	4.9%	4.9%	4.9%

Source: Garanti Securities

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TTRAK vs. TMSN

R&D/Sales	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
TTRAK	0.2%	0.2%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
TMSN	0.4%	0.4%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%

G&A/Sales	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
TTRAK	2.0%	1.7%	1.7%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
TMSN	1.4%	1.0%	1.9%	1.1%	1.2%	1.1%	1.1%	1.0%	1.0%	0.9%	0.9%	0.9%	0.9%

S&M/Sales	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
TTRAK	4.4%	4.5%	4.5%	4.5%	4.7%	4.6%	4.5%	4.5%	4.5%	4.5%	4.4%	4.4%	4.4%
TMSN	4.9%	3.9%	4.4%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%

Cash Costs/Vehicles (TL)	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
TTRAK	46	47	64	72	79	84	90	97	102	109	116	123	131
TMSN	32	33	37	39	44	46	48	51	54	56	60	63	67

Depreciation	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
TTRAK	9	12	19	25	37	72	82	91	100	111	114	120	135
TMSN	2	4	5	5	6	7	8	10	12	14	16	19	22

Depreciation/Sales	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
TTRAK	0.7%	0.7%	1.0%	1.1%	1.5%	2.6%	2.8%	2.9%	2.9%	3.0%	2.9%	2.8%	2.9%
TMSN	1.3%	0.9%	1.7%	1.2%	1.3%	1.4%	1.3%	1.5%	1.7%	1.8%	2.0%	2.1%	2.3%

EBIT	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
TTRAK	240	311	294	325	355	367	393	422	463	497	546	596	641
TMSN	23	69	34	74	57	69	77	88	102	115	123	132	141

EBITDA	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
TTRAK	249	323	313	349	392	439	475	513	563	609	660	716	777
TMSN	25	73	39	79	63	76	85	98	114	129	139	150	163

EBITDA margin (%)	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
TTRAK	20.8%	17.9%	15.9%	16.1%	15.4%	16.1%	16.2%	16.3%	16.5%	16.5%	16.5%	16.5%	16.5%
TMSN	13.7%	17.7%	13.4%	17.9%	13.6%	14.8%	15.0%	15.6%	16.3%	17.0%	17.0%	17.0%	17.0%

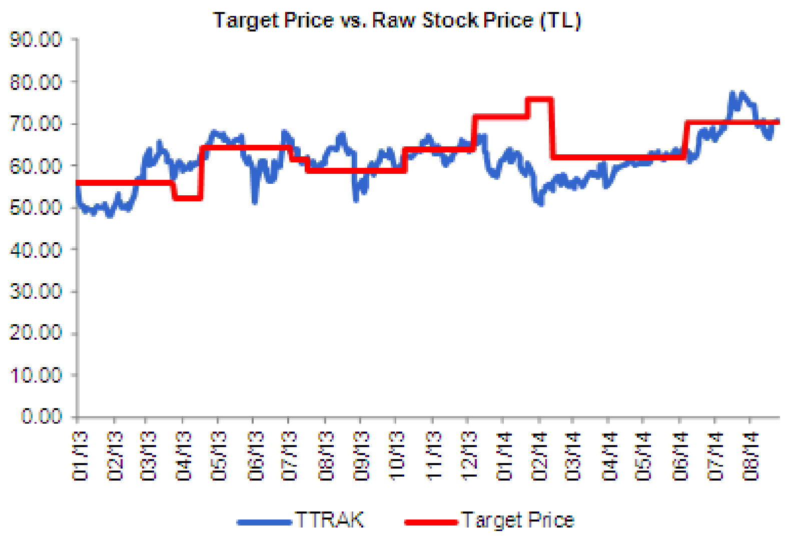
Net income	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
TTRAK	180	277	268	280	309	315	330	329	361	388	425	465	500
TMSN	16	54	30	62	44	49	61	71	82	92	99	106	113

Net margin	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
TTRAK	15.1%	15.4%	13.6%	12.9%	12.1%	11.5%	11.3%	10.5%	10.6%	10.5%	10.6%	10.7%	10.6%
TMSN	9.0%	13.1%	10.1%	13.9%	9.6%	9.7%	10.7%	11.3%	11.8%	12.2%	12.1%	12.0%	11.9%

Source: Garanti Securities

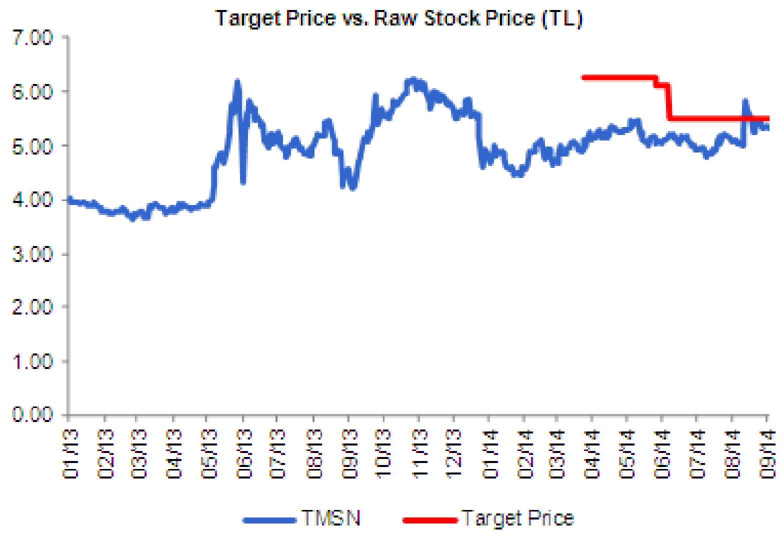
Disclaimer

Recommendation History-Turk Traktor



	Date	Rec.	TP
1	02/01/13	MP	55.73
2	25/03/13	MP	55.52
3	26/03/13	MP	52.09
4	18/04/13	MP	64.29
5	04/07/13	MP	61.53
6	18/07/13	MP	58.69
7	10/10/13	MP	63.63
8	09/12/13	MP	71.75
9	23/01/14	MP	76.00
10	13/02/14	MP	62.00
11	09/06/14	MP	70.50

Recommendation History-Tumosan



	Date	Rec.	TP
1	25/03/14	OP	6.25
2	28/05/14	OP	6.10
3	09/06/14	OP	5.50

Definition of Stock Ratings

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 by over the next 12 months.
UNDERPERFORM (UP)	The stock's return is expected to fall below the return of the BIST100 by over the next 12 months.

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