

# Dogus Otomotiv

## Overweight (V)

Target price (TRY)	9.90		
Share price (TRY)	6.90		
Potential total return (%)	43.5		
Dec	2006a	2007e	2008e
HSBC EPS	19.99	30.40	59.81
HSBC PE	34.5	22.7	11.5
Performance	1M	3M	12M
Absolute (%)	5.3	7.0	14.2
Relative <sup>^</sup> (%)	8.1	-3.5	-14.1

Note: (V) = volatile (please see disclosure appendix)

## 10 August 2007

### Cenk Orcan \*

Analyst  
HSBC Yatirim Menkul Degerler A.S.  
+90 212 376 46 14  
cenkorcan@hsbc.com.tr

\*Employed by a non-US affiliate of HSBC Securities (USA) Inc, and is not registered/qualified pursuant to NYSE and/or NASD regulations.

Issuer of report: HSBC Yatirim Menkul Degerler A.S.

## Disclaimer & Disclosures.

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, that form part of it.

Upgrade to Overweight (V) on local demand recovery outlook

- ▶ **Following a period of contraction of more than a year, Turkish vehicle demand looks poised for a solid recovery from Q4; we highlight Dogus Otomotiv as the best play on the up-cycle**
- ▶ **On revised estimates, we expect c60% net profit CAGR for 2007-09e, and the pending start-up of the privatised vehicle inspection business is an added bonus to improved outlook**
- ▶ **Upgrading to Overweight (V); DCF-based new TP of TRY9.90 (previous TRY8.80) offers 12-month potential return of 44%**

## Rate cuts to revive local vehicle demand from Q4 on

The Turkish vehicle market has seen 13 consecutive months of year-on-year decline since May 2006, and sales have tumbled by 28% y-o-y in H1 07. We think it is now time to consider an upturn in vehicle demand, gaining real traction from Q4 on, as also suggested by our macro team's revised rate cut expectations (now 75bp in Q4 07 versus 50bp in December expected previously). With a smooth presidential selection process in upcoming weeks, consumer confidence should also recover fully, triggering pent-up demand. Our forecasts call for 20% y-o-y recovery in the vehicle market in H2, mostly in Q4, to be followed by a 12% rise in 2008, when rate cutting (300bp in total expected) should gain speed.

As a pure importer, Dogus Otomotiv (DOAS) stands out as the best play on the expected turnaround in the Turkish auto market. Approximately seventy percent of its revenues are generated from new car sales, and DOAS has seen a 35% y-o-y slump in its H1 vehicle sales along with some market share slippage. However, we expect its recovery should be rapid in an improving market, where DOAS can also more effectively use ongoing Turkish lira strength to its advantage. Our revised forecasts suggest the sales decline should narrow significantly to 4% in 2007 and that sales should rise by 15% in 2008. Factoring in margin expansion, we revise up our net profit forecasts by 8% for 2008 and 11% for 2009, resulting in 2007-09e EPS CAGR of 60%.

Despite its recent outperformance, DOAS' share price is still 34% off its peak last year (in April), and its 12-month ISE-relative return is -14%. Our new DCF-based target price of TRY9.90 (raised from TRY8.80) offers 12-month potential return of 44%. TRY1.73 (or 17%) of our target price comes from the vehicle inspection business. The start-up of this business is nearing, which should support sentiment in the stock. We upgrade to Overweight (V) from Neutral (V).

Index <sup>^</sup>	ISTANBUL COMP	Enterprise value (TRYm)	464
Index level	52070.55	Free float (%)	34
RIC	DOAS.IS	Market cap (USDm)	593
Bloomberg	DOAS TI	Market cap (TRYm)	759

Source: HSBC

Source: HSBC

## Financials & valuation

### Financial statements

Year to	12/2006a	12/2007e	12/2008e	12/2009e
<b>Profit &amp; loss summary (TRYm)</b>				
Revenue	2,527	2,687	3,127	3,470
EBITDA	72	67	122	146
Depreciation & amortisation	-12	-14	-16	-18
Operating profit/EBIT	60	53	106	128
Net interest	-36	-16	-32	-25
PBT	24	37	73	102
HSBC PBT	24	37	73	102
Taxation	-5	-8	-16	-23
Net profit	22	33	66	92
HSBC net profit	22	33	66	92

### Cash flow summary (TRYm)

Year to	12/2006a	12/2007e	12/2008e	12/2009e
Cash flow from operations	-2	74	98	131
Capex	-25	-80	-39	-26
Cash flow from investment	-25	-80	-39	-26
Dividends	-45	-7	-13	-26
Change in net debt	16	71	-5	-24
FCF equity	-27	-6	59	105

### Balance sheet summary (TRYm)

Year to	12/2006a	12/2007e	12/2008e	12/2009e
Intangible fixed assets	0	0	0	0
Tangible fixed assets	123	199	234	259
Current assets	723	659	768	878
Cash & others	121	42	53	84
Total assets	1,127	1,154	1,315	1,466
Operating liabilities	586	570	645	691
Gross debt	61	53	59	67
Net debt	-60	11	6	-18
Shareholders funds	478	540	625	716
Invested capital	139	245	304	361

### Ratio, growth and per share analysis

Year to	12/2006a	12/2007e	12/2008e	12/2009e
<b>Y-o-y % change</b>				
Revenue	3.2	6.3	16.4	11.0
EBITDA	-55.8	-6.8	81.5	19.5
Operating profit	-59.6	-11.7	98.8	20.9
PBT	-84.8	55.1	96.7	39.7
HSBC EPS	-80.3	52.1	96.7	39.7

### Ratios (%)

Year to	12/2006a	12/2007e	12/2008e	12/2009e
Revenue/IC (x)	17.0	14.0	11.4	10.4
ROIC	32.1	21.4	29.8	29.7
ROE	4.6	6.6	11.3	13.7
ROA	6.1	4.6	7.1	7.7
EBITDA margin	2.9	2.5	3.9	4.2
Operating profit margin	2.4	2.0	3.4	3.7
EBITDA/net interest (x)	2.0	4.2	3.8	5.7
Net debt/equity	-12.5	2.0	1.0	-2.5
Net debt/EBITDA (x)	-0.8	0.2	0.1	-0.1

### Per share data (YKr)

Year to	12/2006a	12/2007e	12/2008e	12/2009e
EPS reported (fully diluted)	19.99	30.40	59.81	83.53
HSBC EPS (fully diluted)	19.99	30.40	59.81	83.53
DPS	4.32	9.08	18.48	25.55
NAV	434.76	490.95	568.59	650.90

### Key forecast drivers

Year to	12/2006a	12/2007e	12/2008e	12/2009e
Local demand growth for PCVs	-14.9%	-6.2%	12.0%	5.5%
Local demand growth for LCVs	-10.0%	-6.0%	12.0%	5.5%
DOAS market share in PCV+LCV	11.8%	11.8%	12.1%	12.1%
Effective tax rate	18%	20%	20%	20%

### DCF analysis

HSBC assumptions	DCF, comprising (TRYm)		
Equity risk premium	5.5%	PV of cash flows	196
Risk free rate	13.5%	PV of continuing value	206
Company beta	1.02	DCF value	697

### Valuation data

Year to	12/2006a	12/2007e	12/2008e	12/2009e
EV/sales	0.2	0.2	0.1	0.1
EV/EBITDA	5.8	7.1	3.7	2.8
EV/IC	3.0	1.9	1.5	1.1
PE*	34.5	22.7	11.5	8.3
P/NAV	1.6	1.4	1.2	1.1
FCF yield (%)	-5.2	-1.2	12.1	22.2
Dividend yield (%)	14.7	2.9	4.3	8.7

Note: \* = Based on HSBC EPS (fully diluted)

### Price relative



Source: HSBC

Note: price at close of 08 Aug 2007

# Upgrade to Overweight

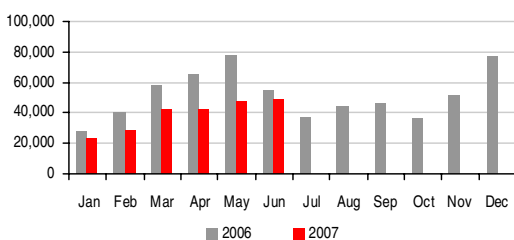
- ▶ Following the general elections, there is clearer visibility for rate cuts and a revival in vehicle demand in Turkey. We see the major beneficiary in the ISE universe as being the importer DOAS
- ▶ Our revised forecasts, which assume stronger unit sales and firming margins starting from Q4 07, result in EPS upgrades of 8% in 2008 and 11% in 2009, and EPS CAGR in 2007-09e of 60%
- ▶ The long-awaited start of vehicle inspection services across Turkey, starting Q4, should boost sentiment, albeit the impact on profitability is long term. The business accounts for 17% of our new TRY9.90 TP, offering 12-month potential upside of 44%. We upgrade to Overweight (V) from Neutral (V)

## Vehicle market poised for a strong turnaround

In the aftermath of the market-friendly outcome of the July 22 general elections, we think that interest rate sensitive and consumption-driven sectors in Turkey, particularly autos, are poised for a strong demand recovery. Our view is further supported by the increasing likelihood of a rate

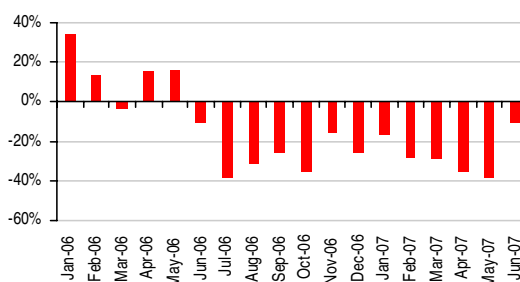
cut cycle by the Central Bank of Turkey (CBRT) starting from Q4. The CBRT has been keeping its policy rates on hold for the last 12 months, leading to rigidity in consumer loan rates. Following the general elections, a smooth presidential election process in the upcoming weeks still remains a final checkpoint in terms of market stability and consumer confidence.

Monthly Turkish vehicle sales (passenger cars + light commercial vehicles)

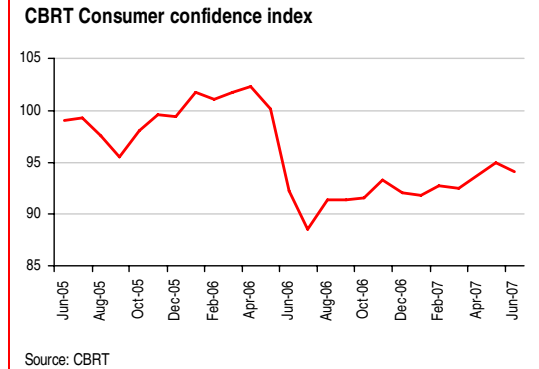
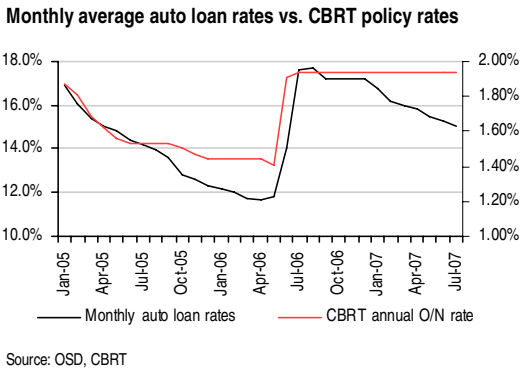


Source: Association of Turkish Auto Manufacturers (OSD)

Y-o-y growth in monthly vehicle sales



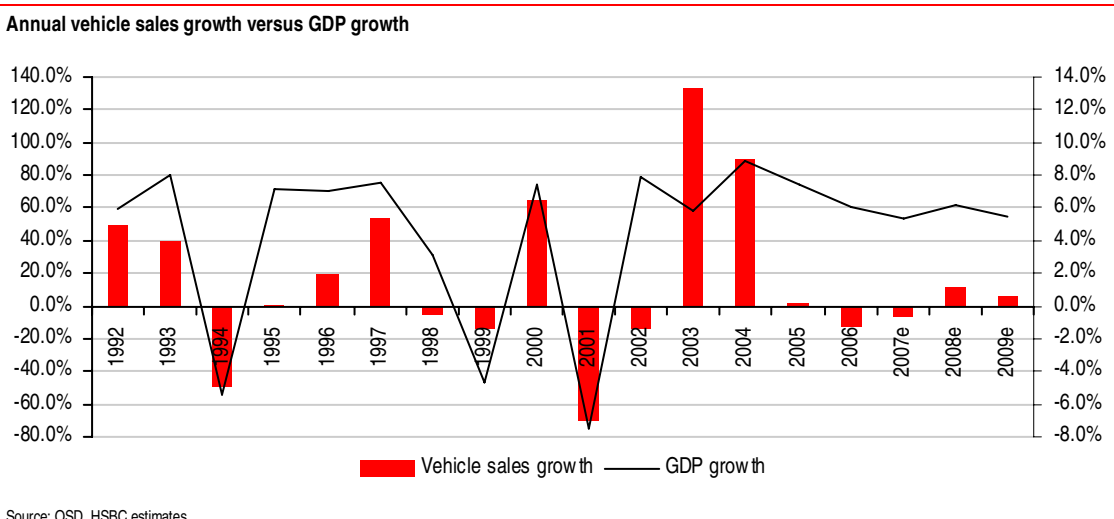
Source: Association of Turkish Auto Manufacturers (OSD)



Assuming that no major complications occur to impact macro fundamentals negatively, HSBC's macro team now expects a 75bp rate cut in Q4 (25bp each month, while it previously forecast only a 50bp cut in December), with a further in 300bp rate cuts over FYE2008. This means that the gradual decline in the banks' monthly auto loan rates over the last 12 months (from post May volatility highs of c2.0% to 1.64% currently, induced by fierce market share competition) should accelerate starting from Q4. Given that almost two-thirds of car sales in Turkey are on credit, an improvement in the financing environment is crucial for a revival in vehicle demand.

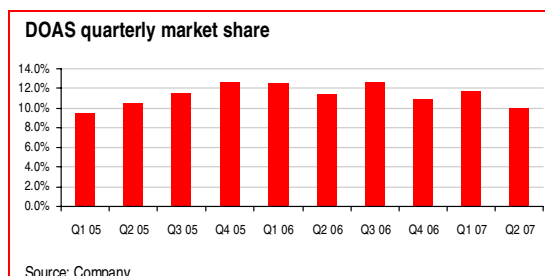
Based on these expectations, we expect pent-up demand from the last 12 months to be released

and Turkish vehicle sales to undergo a significant turnaround starting from Q4. Demand has plummeted by 28% y-o-y in the first half of 2007, with sales falling year-on-year for the last 13 consecutive months. Our full year 2007 domestic vehicle market forecast of 625k units (versus 253k in H1) suggests that for the year the decline should have narrowed to 7%, which implies H2 sales should recover by 23% y-o-y. Based on the historical data for the last 15 years, Turkish vehicle sales growth is correlated with GDP growth by a coefficient of 1.55. Factoring in a pent-up demand for 2008, we forecast 12% growth in vehicle demand next year, almost twice our GDP forecast of 6.1%. For 2009 and thereafter, we assume a normalisation in the demand cycle and assume 5.5% growth, the same as our long-term sustainable GDP growth.



## Dogus Otomotiv: at the outset again of another demand recovery story

As a pure importer of vehicles (VW Group brands) and with new car sales accounting for c70% of its total revenues (prior to consolidation) DOAS stands out as one of the best domestic consumption recovery plays in the ISE universe and probably the strongest play on the cyclical upturn in local vehicle demand. Due to the absence of any production and hence export activity, DOAS has seen a deeper impact on its profitability than producers, such as Ford Otosan (Neutral, target TRY15.1) and Tofas (O/W, target TRY7.10), from the demand squeeze following May 2006. Exports provided a hedge for producers, keeping the volatility impact on their profits limited compared to DOAS. DOAS' unit sales slumped by 34% y-o-y in H2 2006 (versus 31% for the market) and by 35% in H1 2007 (versus 28% for the market). Consequently, its market share slipped from 11.9% in H1 2006 to 11.7% in H2 and further to 10.7% in H1 2007. On a quarterly basis, following dismal Q1 financial results, actual sales data for Q2 07 does not signal a very good financial performance for Q2 either. DOAS saw a 37% y-o-y fall in unit sales in Q2 versus a 27% fall for the market, pulling its Q2 market share to 9.9% from 11.8% in Q1.



## Estimates revised

Our view is that DOAS should recover faster than the sector in an improving market. The two main reasons are: our expectations for strong a local currency going forward and DOAS's brands appealing more to the upper segment. On the first point, a strong Turkish lira means increasing purchasing power for imported vehicles. This should provide DOAS with the flexibility to adjust pricing in the rivalry for market share. On the other hand, DOAS's brands appeal more to the quality seeker than the cost conscious (given VW accounts for c65% of its passenger car sales and c75% when Audi and Porsche, while Seat and Skoda represent c25%), which should trigger growth above the sector average in a strengthening market.

Our revised forecasts suggest sales of 73.5k vehicles by DOAS in full-year 2007, 2% higher than before and now just 4% short of 2006 volumes. This implies H2 volumes should grow by 30% y-o-y and by 71% over H1. In 2008, we foresee sales of 84.5k vehicles, up 15% y-o-y and above our 12% growth estimate for the whole market. On these estimates, DOAS's market share improves back to its 2006 level of 11.8% by the end of 2007 and rises further to 12% in 2008.

### Revision to forecasts (TRYm)

	2007e		2008e		2009e	
	old	new	old	new	old	new
Unit sales (000)	72.2	73.5	80.8	84.6	85.3	89.7
Revenue	2,712	2,687	3,223	3,127	3,640	3,470
Gross profit margin	11.5%	12.0%	12.0%	12.5%	12.1%	12.5%
EBITDA	81	67	113	122	138	146
margin	3.0%	2.5%	3.5%	3.9%	3.8%	4.2%
Net profit	34	33	61	66	83	92
margin	1.3%	1.2%	1.9%	2.1%	2.3%	2.6%

Source: Company, HSBC estimates

**Revision to forecasts (%)**

	2007e		2008e		2009e	
	new vs. old	chg. y-o-y	new vs. old	chg. y-o-y	new vs. old	chg. y-o-y
Unit sales	2%	-4%	5%	15%	5%	6%
Revenue	-1%	6%	-3%	16%	-5%	11%
Gross profit	3%	11%	1%	21%	-2%	11%
EBITDA	-17%	-7%	8%	82%	6%	20%
Net profit	-2%	52%	8%	97%	11%	40%

Source: Company, HSBC estimates

**Changes in currency forecasts**

	2007e		2008e		2009e	
	old	new	old	new	old	new
TRY/EUR exchange rate	2.020	1.848	1.920	1.762	1.890	1.762
TRY/EUR exchange rate	1.390	1.340	1.370	1.295	1.400	1.308

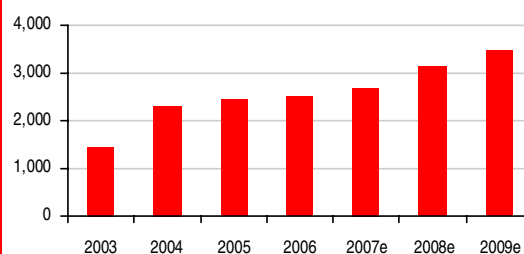
Source: HSBC estimates

Despite higher sales volume estimates than before, the slight downward revision to our revenue forecasts is due to revised currency forecasts (EUR/TRY), which we reflect in our model. While the majority of DOAS' vehicle sales prices are quoted in TRY (except for premium brands), they are actually pegged fully to foreign currencies (ie euros), so a stronger TRY pulls down revenue estimates converted to TRY. That said, on a year-on-year basis, we expect DOAS to post 6% growth in 2007 revenues, to be followed by 16% growth in 2008 and 11% in 2009. The reason we have higher revenue growth than volume starting from 2009 is the revenue contribution from new ventures, among which are used car sales (named DOD) and quick repair shops (named Otofrix), which are not captured by the volume forecasts. We provide further details on DOAS' new ventures, including the vehicle inspection stations, in the following sections.

On the operating front, DOAS' EBITDA margin had floated around 6-7% in the 2003-05 period (as an importer this is much lower compared to the 12-14% EBITDA margin of producer Ford Otosan in the same period), before falling to 2.9% in 2006 and 3.2% in Q1 2007. We expect the 2007 full-year margin to be 2.5% and anticipate a

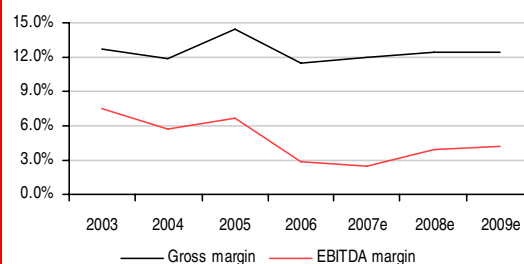
recovery towards 4% in 2008, parallel to firming demand. We have kept our long-term EBITDA margin estimates at 4.2% (for 2009 and thereafter), below historical levels, factoring in an adverse impact from growing competition on long-term distribution margins (this is why DOAS has speeded up efforts to diversify into new activities and new regions recently, which we talk about in the following section). Our margin forecasts yield an 8% upgrade in 2008e EBITDA (82% y-o-y growth) and 6% upgrade in 2009 EBITDA (20% y-o-y growth). Our net profit forecasts rose by 8% and 11% for 2008 and 2009, respectively, indicating 97% and 40% growth y-o-y. On the estimates, we calculate a 61% CAGR in DOAS net profit in the 2007-09e period. What enables the robust profit growth versus moderate revenue growth is the operational leverage DOAS business offers. The fact that DOAS is coming from a very low base is another reason.

**DOAS - revenue forecasts (TRYm)**



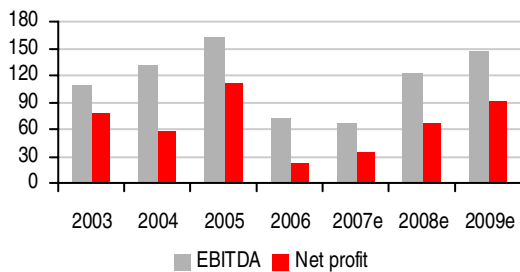
Source: Company, HSBC estimates

**DOAS - operating margin estimates**



Source: Company, HSBC estimates

DOAS - EBITDA and net profit forecasts (TRYm)



Source: Company, HSBC estimates

## New ventures – aiming to provide a hedge against future market shake-ups, but impact likely in the long-term

DOAS' management has been proactive, in particular over the last two years, in starting new businesses and embarking on new agreements to expand the business beyond a pure vehicle importer and distributor. More importantly, the motive has been to diversify risk against future potential shake-ups in local demand and prepare the portfolio against a likely long-term squeeze in distribution margins due to ever-growing competitive pressure in the Turkish auto market. In our view, the effects of these new agreements, which we summarise below, are to be seen in the long term, and we would therefore expect Turkish vehicle demand to continue to be the main driver for DOAS' earnings performance, at least over the next 12-months, which constitutes our investment horizon.

**Distribution of VW light commercial vehicles in Egypt.** In July 2006, DOAS obtained the rights for sales and after-sales services for VW light commercial vehicles in Egypt, embarking on its first foreign operations. The operations have started in July with 2007 sales target of 521 vehicles. Egypt is a small but growing commercial vehicle market with annual sales of around 20,000 units (versus more than 200K in Turkey) and Dogus Otomotiv regards this deal as a gateway for securing similar deals with

Volkswagen in other Middle East countries, North Africa and the CIS, if Egypt proves a successful venture for the company. As the sole owner of the business, DOAS will consolidate Egyptian operations fully into its accounts. We have assumed LCV sales of 500 in 2007, growing gradually up to 2,500 units by year 2011 (when we expect DOAS's total sales volume to exceed 100k units), hence contribution to total revenues from Egypt to be quite limited.

**Production of Krone trailers in Turkey.** In July 2006, DOAS signed an agreement with Bernard Krone Holding GmbH of Germany to produce Krone trailers and agricultural equipment in Turkey. Recall that Dogus Otomotiv is already the distributor of Krone trailers. Trailer sales were recorded at 809 units in 2006, constituting a mere 1% of the company's total sales volume (of 76.9k units). Following estimated investment of USD20m for a plant in Izmir/Turkey, production will start in early 2009 with initial capacity of 5,000 units, 90% of which will be exported. As DOAS will own 49% of the JV company, the business will not be consolidated, but will be accounted for under the equity method in DOAS accounts, which means DOAS will only recognise its share of profits from the project in the accounts. Due to lack of sufficient information on the project at this stage, we have not separately forecast the net profit impact from the Krone project, but we doubt it will be very significant in the foreseeable future.

**Opening of 'Otofix' quick repair shops.** This business sees the launch of a chain of outlets where vehicles can receive quick fix and basic maintenance services such as tire replacement, oil, filter, battery and brakes change. The aim is to create synergies with the inspection business by locating these shops next to inspection stations. DOAS aims to open 100 outlets within five years and with potential to generate an estimated annual

turnover of EUR35m. Part of DOAS's own operations, the business will be fully consolidated into the accounts. In our model, we have assumed a gradual increase in Otofix revenues from USD8m in 2008 to USD40m by 2011. This accounts for slightly more than 1% of our revenue forecast by then.

#### **Dealership of Porsche brand in Switzerland.**

The agreement (in May 2007) with Porsche AG granted DOAS the retailing operations for the Porsche brand in Lausanne/Switzerland. Operation will start towards the end of 2008 with initial investment of around USD10m for a showroom in Lausanne. This is the second foreign market after Egypt where DOAS will have operations. DOAS management says Switzerland is an important market for Porsche with 1,692 cars sold in 2006 compared to 220 in Turkey. The agreement with Porsche is a direct dealership agreement which is different from the business model in Turkey and Egypt, which comprise of importation and distribution. In Turkey, for instance, DOAS generates 5pps of its average annual gross margin of 12% from distributorship while the remaining 7pps comes from dealership operations. The business, as a separate legal entity, will be fully consolidated in DOAS accounts with DOAS aiming to sell 270 cars p.a. in Switzerland.

**Used car (DOD) sales.** This is another operation carried under DOAS (not as a separate legal entity), like the Otofix outlets, where the aim is to capture market share from the active used car market in Turkey. Used vehicle sales, represented by the 'DOD' brand, were recorded up until December 2005 under another Dogus Group company – VDF Otomotiv. DOAS acquired the brand from VDF in December 2005 (via a payment of EUR0.5m), and the related activities became part of the consolidated accounts from 2006. DOAS's management states that the used

vehicle market is around 75% of new vehicle sales in Turkey, which indicates huge room for improvement for DOD, given that the 7,760 used vehicles it sold in 2006 (up from 4,881 in 2005), corresponds to a mere 10% of DOAS's new vehicle sales. In 2007, the aim is to almost double DOD sales to 14,350 vehicles (H1 sales were 6,180 units) implying almost 20% of new vehicle sales. In our projections, we have assumed DOD sales of 14.3k in 2007, 22.7k in 2008 and 32k in 2009, with a 2009 revenue contribution of TRY42m, or 1.2% of total.

**Distributorship agreement for new brands.** The addition of the premium Bentley and Lamborghini brands into the brand portfolio and distributorship and sales agreement with VW for VW brand marine engines and with Meiller GMBH for Meiller brand truck dump bodies in Turkey are other projects that DOAS secured during the last 12 months.

**Vehicle inspection services.** This is the most significant project in terms of its potential for profit and value contribution to DOAS. We provide details in the below section.

#### **Vehicle inspection business (MVIS) finally kicking off**

Back in January 2004, a consortium comprising Dogus Otomotiv, TuvSud of Germany and the Turkish construction firm Akfen won a privatisation tender (with a bid of USD613.5m) that granted them the right to open and operate for 20 years vehicle inspection stations across Turkey. But the transfer of the business has since been held up by the courts until last month (July 2007), when finally the legal challenge was cleared and DOAS and partners were invited by the Privatisation Administration to sign the contract by 22 August. In an equal 33% stake consortium with TuvSud of Germany and Akfen of Turkey, DOAS will invest to open 227 new inspection stations within the next 18 months and

operate them for 20 years on a revenue sharing scheme with the state. Following signature of the deal, the consortium will pay the concession price in cash (USD552m after a 10% discount) and take over the business. Our forecasts and valuation impact from the project are detailed in the next section.

## Valuation and recommendation

### Raising target price by 13%

Following the revision to our estimates and our re-assessment of the vehicle inspection business model, we are raising our DCF-based target price for DOAS from TRY8.80 per share to TRY9.90. The changes to our valuation for DOAS's core business and that for the MVIS project are summarised in the table below.

#### Deriving target value for DOAS

TRY per share	old	new	chg.
Core business	7.14	8.17	14%
MVIS project	1.66	1.73	4%
<b>Total</b>	<b>8.80</b>	<b>9.90</b>	<b>13%</b>
Current price	6.90	6.90	
Upside	28%	44%	

Source: HSBC estimates

The rise in our DCF value comes partially from the lower risk free rate that we now use (13.5% versus 14.5% previously), parallel to the decline in the Turkish Eurobond rates recently. The same is valid for also the MVIS project value (based also on DCF) for which our forecast model is USD based (as opposed to a TRY based model for the core business) and where we pulled down our risk free rate parameter to 7.0% from 8.0%. The rest of our DCF parameters for the core business remain the same with an equity risk premium of 5.5%, terminal growth rate of 6%, company beta of 1.04, which result in a WACC of 18.5%.

## Upside justifies an upgrade to Overweight (V)

Under our research model, for stocks with a volatility indicator, the Neutral band is 10 percentage points above and below the hurdle rate for Turkish stocks of 23%. For DOAS, this translates into a Neutral band of +13% to +33% around the current share price of TRY6.90. Our target price of TRY9.90 provides a total potential return of about 36%, which now falls outside the Neutral band of our model; therefore, we are upgrading our rating to Overweight (V) from Neutral (V).

#### Summary DCF model for core business (2007e through 2011e)

TRYm	2007e	2008e	2009e	2010e	2011e
Revenue	2687	3127	3470	3730	4170
Operating expenses	-269	-285	-305	-328	-367
Operating profit	53	106	128	137	153
Tax	-8	-16	-23	-26	-30
Operating profit less tax	45	89	105	111	124
Depreciation (add back)	14	16	18	20	22
Gross cashflow	59	105	123	130	145
Capital expenditures	-80	-39	-26	-30	-35
Chg. in WC	-31	-25	-34	-35	-38
Gross Investment	-112	-64	-60	-66	-73
<b>Free Cashflow</b>	<b>-53</b>	<b>42</b>	<b>63</b>	<b>65</b>	<b>72</b>
FCF Growth	-171%	-178%	51%	4%	11%

	Total value	per share
Perpetuity value	953	8.66
PV of perpetuity value	206	1.87
PV of 10-yr cash flow forecasts	196	1.78
<b>Enterprise value</b>	<b>402</b>	<b>3.65</b>
+Subsidiary value-net debt-minorities	295	2.68
Implied DCF present value (beg. of 2007)	697	6.33
<b>12-month DCF value</b>	<b>899</b>	<b>8.17</b>

Source: HSBC estimates

## Valuing the vehicle inspection business

Our USD-based forecast and valuation model for the motor vehicle inspection stations business is based on the following parameters and assumptions:

- ▶ 20-year forecast period as the tender granted the winner operating rights for 20 years

- ▶ 5.0% CAGR in Turkish vehicle population for the next 20 years (versus 7% CAGR in the past 10 years)
- ▶ Two-thirds (67%) of total car park subject to inspection each year (given that passenger cars should be inspected every two years, tractors every three years and the rest every year – average annual turnover is c67% of the existing vehicle population)
- ▶ Increasing capture rate (the ratio of vehicles inspected to vehicles that are subject to inspection) from currently 60% to 75%. Higher penalty fees with the new traffic law and improved access to private stations enabling the improvement.
- ▶ Average USD90 inspection fee per vehicle throughout the project life. Fees are actually TRY based and are currently TRY138 (USD110) for heavy vehicles, TRY104 (USD80) for others except tractors and TRY54 (USD42) for tractors and subject to an increase each year at around the inflation rate
- ▶ Based on tender specifications, the government claims 30% of revenues generated in the first three years, 40% for the following seven years and 50% for the next 10 years
- ▶ 30% EBITDA margin, 20% tax
- ▶ Total capital expenditure of USD200m to open 227 stations (189 fixed and 38 mobile) in 18 months (a requisite of tender specifications). Assuming the starting year as 2008, we spread the required capex as USD150 for 2008 and USD50m for 2009
- ▶ A lump sum cash payment of USD552m (10% discount applied to tender value of USD613.5m)
- ▶ 7% risk free rate (30-year Turkish bond rate in USD), 1.0 project beta, 5.5% equity risk premium, 8.0% cost of debt (+100bp on rfr), 15/85 equity/debt ratio (as equity contribution will be USD75m for total USD552m payment), and resultant 7.3% discount rate (WACC)

Under these assumptions, we calculate the NPV of the project at USD412m, DOAS's 33% stake value at USD420m, or USD1.25 per share. Carrying this by eight months forward in order to set our 12-month price target (i.e. August 2008), the value per share is USD1.31 or TRY1.73. Added to our TRY8.17 valuation of the core business, this suggests a valuation of TRY9.90. Accordingly, we calculate that the MVIS business accounts for 17% of our target price of TRY9.90 for DOAS.

<b>Summary DCF valuation for the MVIS project (USDm)</b>	
<b>Gross Present Value</b>	<b>964</b>
WACC	7.3%
less net debt	-552
<b>Net Present Value</b>	<b>412</b>
Stake value DOAS	137
Per share value (USD)	1.25
12-month forward (USD)	1.31
<b>12-month forward (TRY)</b>	<b>1.73</b>

Source: HSBC estimates

DCF model for the MVIS project

year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
(USDm)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
vehicle park (m)	13.1	13.8	14.5	15.3	16.2	17.0	17.8	18.7	19.6	20.6	21.6	22.7	23.8	24.9	26.0	27.2	28.4	29.7	31.0	32.4
growth rate (@ GDP)	6.2%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Vehicles subject to insp.	8.7	9.2	9.7	10.2	10.8	11.3	11.9	12.5	13.1	13.7	14.4	15.1	15.9	16.6	17.3	18.1	18.9	19.8	20.7	21.6
%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%
Vehicles inspected	5.2	6.0	6.8	7.3	7.8	8.3	8.8	9.4	9.8	10.3	10.8	11.4	11.9	12.5	13.0	13.6	14.2	14.8	15.5	16.2
capture rate	60%	65%	70%	71%	72%	73%	74%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
insp. fee per vehicle	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90
insp. revenues	470	538	611	654	699	744	792	842	884	928	974	1,022	1,072	1,121	1,171	1,224	1,279	1,336	1,396	1,459
government share	141	161	244	261	280	298	317	337	354	464	487	511	536	560	585	612	639	668	698	730
as a %	30%	30%	40%	40%	40%	40%	40%	40%	40%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
net insp. revenues	329	376	367	392	420	447	475	505	530	464	487	511	536	560	585	612	639	668	698	730
ebitda	99	113	110	118	126	134	143	152	159	139	146	153	161	168	176	184	192	200	209	219
ebitda margin	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
depreciation	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10
EBIT	89	103	100	108	116	124	133	142	149	129	136	143	151	158	166	174	182	190	199	209
tax	-18	-21	-20	-22	-23	-25	-27	-28	-30	-26	-27	-29	-30	-32	-33	-35	-36	-38	-40	-42
tax rate	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
gross cash flow	81	92	90	96	103	109	116	123	129	113	119	125	131	136	143	149	155	162	170	177
capex	-150	-50	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
chg. in WC	-6	-7	-7	-7	-8	-8	-8	-8	-9	-7	-8	-8	-8	-9	-9	-9	-10	-10	-11	-11
as a % of sales	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
free cash flow	-75	35	83	89	95	101	108	115	121	106	111	117	123	128	134	140	146	152	159	166

Source: HSBC estimates

## Peer comparison – DOAS attractive on long-term multiples

It is debatable whether DOAS is a retailing business or should be considered within the scope of the automotive industry and be compared with auto producers listed in the ISE instead of retailers. Clearly, there are no listed peers in the local market, and we therefore compare it with some companies outside Turkey whose activities are also mostly driven by auto distribution services. Still there are insufficient emerging market peers for a healthy peer comparison and, for the rest, it's arguable whether these are good

comparables for DOAS due to differences in their complementary businesses. For this reason, we do not consider peer comparison as a methodology in our valuation for DOAS and provide comparative multiples for illustrative purposes only. On 2007 multiples, DOAS does not look attractive at all due to suppressed financial performance in this particular year. Therefore, longer-term multiples (2008 and even 2009) should be looked at in our view for a better comparison. On 2008 multiples, DOAS looks quite cheap compared to the rest of the list.

### Peer comparison (prices as of close of 8 August 2007)

Country	Ticker	HSBC rating	2007e			2008e			
			P/E	EV/EBITDA	EV/Sales	P/E	EV/EBITDA	EV/Sales	
EDARAN*	Malaysia	EOL MK	N/R	13.2	nm	nm	10.7	nm	0.0
HOTAI*	Taiwan	2207 TT	N/R	17.0	12.5	0.4	15.4	11.5	0.4
SONIC*	US	SAH US	N/R	10.4	10.4	1.3	9.2	9.5	1.4
DIETEREN*	Belgium	DIE BB	N/R	12.4	5.1	0.6	10.7	4.7	0.6
ASBURY*	US	ABG US	N/R	9.1	9.7	0.3	8.2	9.0	0.3
<b>Average</b>				<b>12.4</b>	<b>7.1</b>	<b>0.5</b>	<b>10.8</b>	<b>6.6</b>	<b>0.5</b>
Ford Otosan	Turkey	FROTO TI	Neutral	9.2	5.8	0.6	8.3	5.0	0.5
Tofas	Turkey	TOASO TI	Overweight	25.2	14.2	0.8	11.9	4.9	0.5
<b>Dogus Otomotiv</b>	<b>Turkey</b>	<b>DOAS TI</b>		<b>22.7</b>	<b>7.1</b>	<b>0.2</b>	<b>11.5</b>	<b>3.7</b>	<b>0.1</b>
Prem./(disc.)				83%	0%	-68%	6%	-44%	-75%

Source: Bloomberg, HSBC estimates \*Not covered by HSBC (estimates based on consensus figures from Bloomberg)

### Recent price strength comes after much sharper underperformance previously

In the run-up to the July elections, expectations of a positive outcome kicked off some interest for the then neglected DOAS shares. The stock has outperformed the local benchmark index (ISE-100) by 8.1% over the past month, providing a nominal return of 5.3% versus ISE's -2.5%. However, the stock is still an underperformer over the last three-month (-4%) and 12-month (-14%) periods. The share price is still 34% off its peak last year (in April 2006 when it has hit TRY11.0 when auto demand had been on a booming trend). If we are proven to be right in our expectation that a similar trend can be caught in the Turkish auto industry in 2008, we expect that our price target of TRY9.90 can easily be achieved.

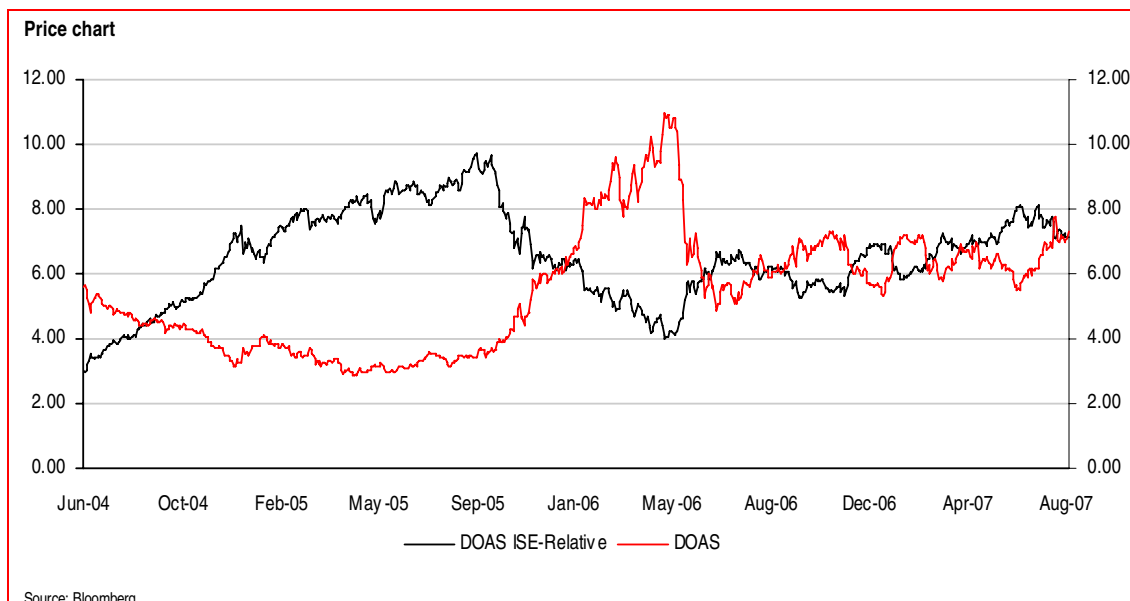
### Investment risks

We see the key downside risks to our valuation and Overweight (V) rating as the following:

- ▶ Delay in CBRT rate cuts and revival in vehicle demand due to unfavourable macro/political events (the pending presidential selection process for instance might create tension in the political arena and

therefore should be regarded as a risk)

- ▶ Delay in the implementation of the MVIS project (although the transfer of rights will take place until the 22 August deadline) or the project not proving as profitable as we have foreseen in our model
- ▶ Tax hikes for autos, although the odds are low. Turkey's growing C/A deficit continues to pose a risk of tax hikes, but auto taxes in Turkey are already very high and should decline rather than increase in the long-term due to the EU convergence story
- ▶ Used car imports. Allowance for used car imports will be necessary if and when Turkey becomes a EU member, but odds that borders will opened are very low before actual membership or in the foreseeable future



**Summary financial tables (TRYm)**

<b>P&amp;L summary</b>	<b>2006</b>	<b>2007e</b>	<b>2008e</b>	<b>2009e</b>
Revenue	2,527	2,687	3,127	3,470
Cost of goods sold	2,226	2,351	2,720	3,019
Depreciation	12	14	16	18
Gross profit	289	322	390	433
Operating costs	229	269	285	305
Operating profit	60	53	106	128
EBITDA	72	67	122	146
Financial income	23	14	7	10
Financial expense	-59	-30	-40	-35
Profit before tax & ex items	24	37	73	102
Minority interest	3	5	9	13
PBT	27	42	82	115
Tax	5	8	16	23
Net profit	22	33	66	92

<b>Cash flow summary (TRYm)</b>	<b>2006</b>	<b>2007e</b>	<b>2008e</b>	<b>2009e</b>
Op free cash flow	1	6	85	125
HSBC cash flow	-2	74	98	131
Capital expenditure	-25	-80	-39	-26
Cash earnings	34	48	82	110
Change in net debt	16	71	-5	-24

<b>B/S summary (TRYm)</b>	<b>2006</b>	<b>2007e</b>	<b>2008e</b>	<b>2009e</b>
Tangible fixed assets	123	199	234	259
Cash	121	42	53	84
Current assets	723	659	768	878
Total assets	1127	1154	1315	1466
Operating liabilities	586	570	645	691
Gross debt	61	53	59	67
Net debt	-60	11	6	-18
Shareholders funds	478	528	609	706
Invested capital	139	245	304	361

Source: HSBC estimates

# Notes

# Notes

# Disclosure appendix

## Analyst certification

The following analyst(s), who is(are) primarily responsible for this report, certifies(y) that the opinion(s) on the subject security(ies) or issuer(s) and any other views or forecasts expressed herein accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Cenk Orcan

## Important disclosures

### Stock ratings and basis for financial analysis

HSBC believes that investors utilise various disciplines and investment horizons when making investment decisions, which depend largely on individual circumstances such as the investor's existing holdings, risk tolerance and other considerations. Given these differences, HSBC has two principal aims in its equity research: 1) to identify long-term investment opportunities based on particular themes or ideas that may affect the future earnings or cash flows of companies on a 12 month time horizon; and 2) from time to time to identify short-term investment opportunities that are derived from fundamental, quantitative, technical or event-driven techniques on a 0-3 month time horizon and which may differ from our long-term investment rating. HSBC has assigned ratings for its long-term investment opportunities as described below.

This report addresses only the long-term investment opportunities of the companies referred to in the report. As and when HSBC publishes a short-term trading idea the stocks to which these relate are identified on the website at [www.hsbcnet.com/research](http://www.hsbcnet.com/research). Details of these short-term investment opportunities can be found under the Reports section of this website.

HSBC believes an investor's decision to buy or sell a stock should depend on individual circumstances such as the investor's existing holdings and other considerations. Different securities firms use a variety of ratings terms as well as different rating systems to describe their recommendations. Investors should carefully read the definitions of the ratings used in each research report. In addition, because research reports contain more complete information concerning the analysts' views, investors should carefully read the entire research report and should not infer its contents from the rating. In any case, ratings should not be used or relied on in isolation as investment advice.

## Rating definitions for long-term investment opportunities

### Stock ratings

HSBC assigns ratings to its stocks in this sector on the following basis:

For each stock we set a required rate of return calculated from the risk free rate for that stock's domestic, or as appropriate, regional market and the relevant equity risk premium established by our strategy team. The price target for a stock represents the value the analyst expects the stock to reach over our performance horizon. The performance horizon is 12 months. For a stock to be classified as Overweight, the implied return must exceed the required return by at least 5 percentage points over the next 12 months (or 10 percentage points for a stock classified as Volatile\*). For a stock to be classified as Underweight, the stock must be expected to underperform its required return by at least 5 percentage points over the next 12 months (or 10 percentage points for a stock classified as Volatile\*). Stocks between these bands are classified as Neutral.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation of coverage, change of volatility status or change in price target). Notwithstanding this, and although ratings are subject to ongoing management review, expected returns will be permitted to move outside the bands as a result of normal share price fluctuations without necessarily triggering a rating change.

\*A stock will be classified as volatile if its historical volatility has exceeded 40%, if the stock has been listed for less than 12 months (unless it is in an industry or sector where volatility is low) or if the analyst expects significant volatility. However,

stocks which we do not consider volatile may in fact also behave in such a way. Historical volatility is defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility has to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

Prior to this, from 7 June 2005 HSBC applied a ratings structure which ranked the stocks according to their notional target price vs current market price and then categorised (approximately) the top 40% as Overweight, the next 40% as Neutral and the last 20% as Underweight. The performance horizon is 2 years. The notional target price was defined as the mid-point of the analysts' valuation for a stock.

From 15 November 2004 to 7 June 2005, HSBC carried no ratings and concentrated on long-term thematic reports which identified themes and trends in industries, but did not make a conclusion as to the investment action that potential investors should take.

Prior to 15 November 2004, HSBC's ratings system was based upon a two-stage recommendation structure: a combination of the analysts' view on the stock relative to its sector and the sector call relative to the market, together giving a view on the stock relative to the market. The sector call was the responsibility of the strategy team, set in co-operation with the analysts. For other companies, HSBC showed a recommendation relative to the market. The performance horizon was 6-12 months. The target price was the level the stock should have traded at if the market accepted the analysts' view of the stock.

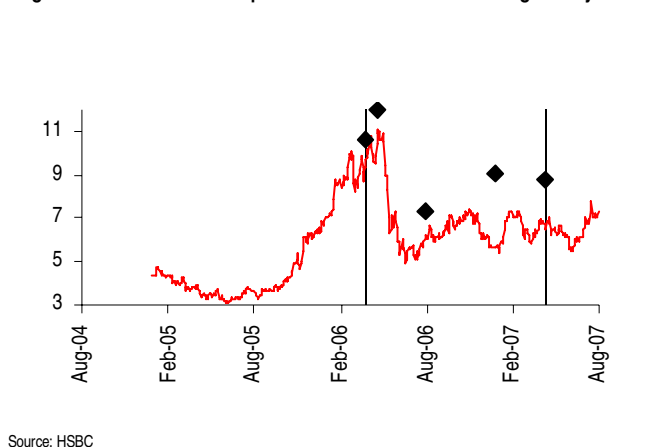
## Rating distribution for long-term investment opportunities

As of 09 August 2007, the distribution of all ratings published is as follows:

<b>Overweight (Buy)</b>	45%	(24% of these provided with Investment Banking Services)
<b>Neutral (Hold)</b>	36%	(25% of these provided with Investment Banking Services)
<b>Underweight (Sell)</b>	19%	(17% of these provided with Investment Banking Services)

## Share price and rating changes for long-term investment opportunities

Dogus Otomotiv Share Price performance TRY Vs HSBC rating history



Recommendation & price target history

From	To	Date
N/A	Overweight	03 April 2006
Overweight	Neutral	17 April 2007
Target Price	Value	Date
Price 1	10.60	03 April 2006
Price 2	11.97	26 April 2006
Price 3	7.29	08 August 2006
Price 4	9.10	02 January 2007
Price 5	8.80	17 April 2007

Source: HSBC

## HSBC & Analyst disclosures

None of the below disclosures applies to any of the stocks featured in this report.

- 1 HSBC\* has managed or co-managed a public offering of securities for this company within the past 12 months.
- 2 HSBC expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.
- 3 At the time of publication of this report, HSBC is a market maker in securities issued by this company.
- 4 As of 31 July 2007 HSBC beneficially owned 1% or more of a class of common equity securities of this company.
- 5 As of 30 June 2007, this company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of investment banking services.
- 6 As of 30 June 2007, this company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of non-investment banking-securities related services.
- 7 As of 30 June 2007, this company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of non-securities services.
- 8 A covering analyst/s has received compensation from this company in the past 12 months.
- 9 A covering analyst/s or a member of his/her household has a financial interest in the securities of this company, as detailed below.
- 10 A covering analyst/s or a member of his/her household is an officer, director or supervisory board member of this company, as detailed below.

Analysts are paid in part by reference to the profitability of HSBC which includes investment banking revenues.

For disclosures in respect of any company, please see the most recently published report on that company available at [www.hsbcnet.com/research](http://www.hsbcnet.com/research).

\* *HSBC Legal Entities are listed in the Disclaimer below.*

## Additional disclosures

- 1 This report is dated as at 10 August 2007.
- 2 All market data included in this report are dated as at close 08 August 2007, unless otherwise indicated in the report.
- 3 HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Chinese Wall procedures are in place between the Investment Banking and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.

# Disclaimer

*\* Legal entities as at 24 July 2007*

'UAE' HSBC Bank Middle East Limited, Dubai; 'HK' The Hongkong and Shanghai Banking Corporation Limited, Hong Kong; 'TW' HSBC Securities (Asia) Limited, Taipei Branch; 'CA' HSBC Securities (Canada) Inc, Toronto; HSBC Bank, Paris branch; HSBC France; 'DE' HSBC Trinkaus & Burkhardt AG, Dusseldorf; 000 HSBC Bank (RR), Moscow; 'IN' HSBC Securities and Capital Markets (India) Private Limited, Mumbai; 'JP' HSBC Securities (Japan) Limited, Tokyo; 'EG' HSBC Securities Egypt S.A.E., Cairo; 'CN' HSBC Investment Bank Asia Limited, Beijing Representative Office; The Hongkong and Shanghai Banking Corporation Limited, Singapore branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch; HSBC Securities (South Africa) (Pty) Ltd, Johannesburg; 'GR' HSBC Pantelakis Securities S.A., Athens; HSBC Bank plc, London, Madrid, Milan, Stockholm, Tel Aviv, 'US' HSBC Securities (USA) Inc, New York; HSBC Yatirim Menkul Degerler A.S., Istanbul; HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, HSBC Bank Brasil S.A. - Banco Múltiple.

## Issuer of report

### HSBC Yatirim Menkul Değerler A.Ş.

Ayazağa Mah. Ahi Evran Cad. Dereboyu Sok. Kat:4-15

Maslak 34398, Istanbul, Turkey

Telephone: +90 212 366 1600

Fax: +90 212 336 24 72

[www.hsbcnet.com/research](http://www.hsbcnet.com/research)

[www.hsbcyatirim.com.tr](http://www.hsbcyatirim.com.tr)

This document has been issued by HSBC Yatirim Menkul Degerler A.S. (HSBC) for the information of its customers only. If it is received by a customer of an affiliate of HSBC, its provision to the recipient is subject to the terms of business in place between the recipient and such affiliate.

HSBC has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; HSBC makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. Expressions of opinion are those of the Research Department of HSBC only and are subject to change without notice.

The information, comments and recommendations involved here are not within the scope of investment consultancy. Investment consultancy services are only provided within the framework of the investment consultancy agreement as agreed between brokerage companies, portfolio management companies, banks not accepting deposits, and the customer. The conclusions arrived at here are based upon the preferred calculation method and/or the personal opinions of the individuals responsible for the comments and recommendations, so they may not be appropriate for your financial situation and risk and return preferences. Therefore, any investment decision made only on the basis of the information involved here may not lead to the optimum results.

HSBC and its affiliates and/or their officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). HSBC and its affiliates may have assumed an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies and may also be represented in the supervisory board or any other committee of those companies.

The information and opinions contained within the research reports are based upon rates of taxation applicable at the time of publication but which are subject to change from time to time. Past performance is not necessarily a guide to future performance. The value of any investment or income may go down as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. In case of investments for which there is no recognised market it may be difficult for investors to sell their investments or to obtain reliable information about its value or the extent of the risk to which it is exposed.

HSBC Securities (USA) Inc. accepts responsibility for the content of this research report prepared by its non-US foreign affiliate. All U.S. persons receiving and/or accessing this report and wishing to effect transactions in any security discussed herein should do so with HSBC Securities (USA) Inc. in the United States and not with its non-US foreign affiliate, the issuer of this report.

In the UK this report may only be distributed to persons of a kind described in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001. The protections afforded by the UK regulatory regime are available only to those dealing with a representative of HSBC Bank plc in the UK. In Singapore, this publication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch for the general information of institutional investors or other persons specified in Sections 274 and 304 of the Securities and Futures Act (Chapter 289) ("SFA") and accredited investors and other persons in accordance with the conditions specified in Sections 275 and 305 of the SFA. This publication is not a prospectus as defined in the SFA. It may not be further distributed in whole or in part for any purpose. The Hongkong and Shanghai Banking Corporation Limited Singapore Branch is regulated by the Monetary Authority of Singapore. In Canada, this publication may be distributed by HSBC Securities (Canada) Inc for the information of its customers only. All inquiries by such recipients must be directed to HSBC Securities (Canada) Inc. In Australia, this publication may be distributed by HSBC Stockbroking (Australia) Pty Limited. In Malaysia, this publication may be distributed by HSBC Research (Malaysia) Sdn Bhd. In Japan, this publication may be distributed by HSBC Securities (Japan) Limited. It may not be reproduced or further distributed in whole or in part for any purpose.

This communication is only intended for investment professionals within Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001. Persons who do not have professional experience in matters relating to investments should not rely on it. HSBC Yatirim Menkul Degerler A.S. is regulated and authorised by the Central Bank of Turkey, Capital Markets Board, Ministry of Finance, Takasbank and is a member of Istanbul Stock Exchange, Takasbank (Turkish Custodian Bank) and the Association of Capital Market Intermediary Institutions of Turkey.

© Copyright. HSBC 2007, ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC. MICA (P) 316/06/2007

[201900]

# GEMs Sector & Company Research Team

## Europe

### Philip Poole

**Global Head of Research & Chief Economist**

+44 20 7992 3683 philip.poole@hsbcib.com

### Will Manuel

**Head of EMEA Corporate Research**

+44 20 7992 3602 will.manuel@hsbcib.com

### Mark Rorison

**Head of EMEA Banks**

+44 20 7992 3706 mark.rorison@hsbcib.com

### Nadia Kabbani

**Banks**

+44 20 7991 6701 nadia.kabbani@hsbcib.com

### Guy Czartoryski

**CE3 Regional Analyst**

+44 20 7992 3624 guy.czartoryski@hsbcib.com

### Herve Drouet

**Telecoms**

+44 20 7991 6827 herve.drouet@hsbcib.com

## Egypt

### Karim Khadr

**Analyst**

+20 27 396 459 karim.khadr@hsbcib.com

### Alia El Mehelmy

**Analyst**

+20 27 396 441 aliaelmehelmy@hsbc.com

### Wael Orban

**Analyst**

+20 27 396 462 waelorban@hsbc.com

## Israel

### Avshalom Shimei

**Technology & Telecoms**

+97 23 710 1197 avshalom.shimei@hsbcib.com

### Yonah Weisz

**Industrials**

+97 23 710 1198 yonah.weisz@hsbcib.com

## Turkey

### Cenk Orcan

**Analyst and Co-Head of Research**

+90 212 376 4614 cenkorcan@hsbc.com.tr

### Bulent Yurdagul

**Analyst and Co-Head of Research**

+90 212 376 4612 bulentyurdagul@hsbc.com.tr

### Dr. Murat Ulgen

**Chief Economist**

+90 212 376 4619 muratulgen@hsbc.com.tr

### Esra Erisir

**Economist**

+90 212 376 4618 esraerisir@hsbc.com.tr

### Pinar Ceritoglu

**Analyst**

+90 212 376 4613 pinarceritoglu@hsbc.com.tr

### Levent Bayar

**Analyst**

+90 212 376 4617 leventbayar@hsbc.com.tr

## Asia

### Herald van der Linde

**Head of Asia Value & Growth**

+852 2996 6575 heraldvanderlinde@hsbc.com.hk

### Ken Ho

**Head of China Value & Growth**

+852 2996 6593 kenho@hsbc.com.hk

### Nam Park

**Head of Korea Value & Growth**

+852 2996 6591 nampark@hsbc.com.hk

### Todd Dunivant

**Banks**

+852 2996 6599 todddunivant@hsbc.com.hk

### Tejinder Sandhu

**Technology**

+852 2996 6716 tejjindersandhu@hsbc.com.hk

### Mark Webb

**Transport**

+852 2996 6574 markwebb@hsbc.com.hk

### Anand Shanbhag

**India Banks**

+91 22 2268 1234 anandshanbhag@hsbc.co.in

### Devendran Mahendran

**Fixed Income – Sovereigns/Financials**

+852 2822 4521 devendran@hsbc.com.hk

## EMEA Credit

### Lyudmila Kan

+44 20 7992 3703 lyudmila.kan@hsbcib.com

### Olga Fedotova

+44 20 7992 3707 oiga.fedotova@hsbcib.com

## Latin America

### Victor Galliano

**Analyst**

+1 212 525 5253 victor.galliano@us.hsbc.com

### Pedro Herrera

**Analyst**

+1 212 525 5126 pedro.herrera@us.hsbc.com