

3Q23 Earnings Preview

Companies will have completed the release of their 3Q23 financial statements by November 9th. Unconsolidated non-financial statements are required to be released by October 30th with consolidated non-financial statements to be released by November 9th. The dates which each company is expected to release their financial statements are provided in the Companies section (from page 2 of this report).

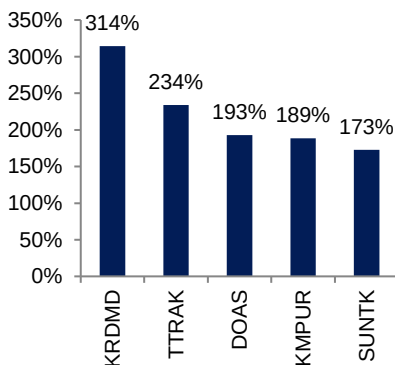
Automotive, construction materials and textile companies are expected to stand out as the best performers from Q3;

- **Automotive:** Favorable pricing and demand environment
- **Construction Materials:** Surging unit prices with solid demand
- **Textile:** Solid sales volume improvement with expanding operating margins
- **Steel:** YoY much stronger profitability environment for BoFs and decline in financial expenses of Kocaer Steel

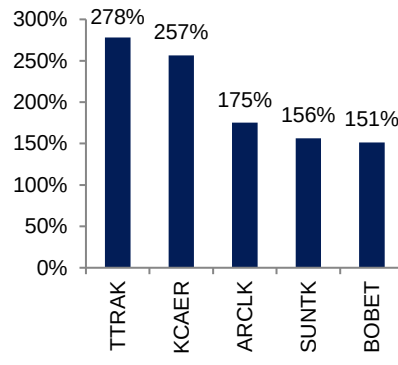
Turk Traktor, Kocaer, Arcelik, Sun Tekstil and Bogaziçi Beton are expected to report the most vigorous earnings growth among our coverage universe in 3Q23. In terms of operating performance, the strongest EBITDA growth is expected from Kardemir, Turk Traktor, Dogus Otomotiv, Kimteks Poliuretan, Sun Tekstil (in that order) in 3Q23. A low base effect will also have been behind the YoY improvement for some of these names. We have set out our 3Q23 estimates for all of the companies under our coverage from page 2.

Fastest YoY growth in 3Q23

EBITDA



Net Income



Source: QNB Finansinvest

Our Coverage	3Q23F	3Q22	Chg. YoY
Net Income			
Non-financials	117,749	79,038	49%
Automotive	21,232	9,226	130%
Auto-parts	975	877	11%
Aviation	52,401	31,956	64%
Consumer Durables	924	336	175%
Contracting	3,598	2,608	38%
Glass	3,897	4,801	-19%
Oil&Gas	19,835	14,588	36%
Retail	5,429	3,777	44%
Steel	-1,159	2,799	n.m.
Diversified	10,617	6,114	74%

EBITDA			
Non-financials	186,007	114,169	63%
Automotive	24,692	10,834	128%
Auto-parts	1,777	1,208	47%
Aviation	66,973	42,350	58%
Consumer Durables	6,052	2,915	108%
Contracting	5,652	5,249	8%
Glass	6,322	5,814	9%
Oil&Gas	29,772	18,690	59%
Retail	10,716	6,146	74%
Steel	8,197	6,124	34%
Diversified	25,855	13,436	92%

Sales			
Non-financials	1,003,537	676,224	48%
Automotive	161,337	83,743	93%
Auto-parts	11,716	8,585	36%
Aviation	198,135	126,377	57%
Consumer Durables	57,746	34,255	69%
Contracting	30,555	28,421	8%
Glass	36,082	26,047	39%
Oil&Gas	199,191	175,331	14%
Retail	146,608	79,943	83%
Steel	58,684	45,976	28%
Diversified	103,484	60,660	71%

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Our 3Q23F Preview in a nutshell

(All figures are in TRY, mn)

Arcelik ARCLK OUTPERFORM (TP: 180.00, Upside:9%)

Exp Release Date 20-Oct

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	57,746	34,255	46,948	69%	23%
EBITDA	6052	2915	5006	108%	21%
Net Income	924	336	492	175%	88%
EBITDA Margin	10.5%	8.5%	10.7%	197 bps	-18 bps
Net Margin	1.6%	1.0%	1.0%	62 bps	55 bps

In 3Q23, we expect top-line to have grew by 69% YoY on the back of strong domestic demand and price adjustments. Although we expect EBITDA margins to remain approx. in line, bottom-line forecasted to be pressured by FX losses.

Bim Birlesik Magazalar BIMAS OUTPERFORM (TP: 363.08, Upside:16%)

Exp Release Date 7-Nov

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	75,241	41,026	57,878	83%	30%
EBITDA	5651	2801	4292	102%	32%
Net Income	3221	1775	2845	81%	13%
EBITDA Margin	7.5%	6.8%	7.4%	68 bps	9 bps
Net Margin	4.3%	4.3%	4.9%	-5 bps	-64 bps

Given the high inflation observed in 3Q23, we project LfL basket size to expand further. In 3Q23, we estimate 7.5% EBITDA margin vs 7.4% in 2Q23.

Bogazici Beton Sanayi Ve Ticaret BOBET U/R (TP: U/R, Upside:U/R)

Exp Release Date Last week of Oct.

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	1,901	930	1,512	104%	26%
EBITDA	418	201	407	108%	3%
Net Income	304	121	314	151%	-3%
EBITDA Margin	22.0%	21.6%	26.9%	36 bps	-493 bps
Net Margin	16.0%	13.0%	20.8%	298 bps	-478 bps

We expect solid set of results on the back of a solid demand with increasing concrete prices. Operational profitability is expected to be around 22%, well above 20% target while the net profit margin is expected to be lower considering the increasing tax expense in this quarter.

Brisa BRISA OUTPERFORM (TP: 97.40, Upside:6%)

Exp Release Date First week of Nov.

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	5,332	3,623	4,494	47%	19%
EBITDA	1252	721	973	74%	29%
Net Income	922	553	603	67%	53%
EBITDA Margin	23.5%	19.9%	21.7%	357 bps	182 bps
Net Margin	17.3%	15.3%	13.4%	202 bps	386 bps

We expect to see a further improvement in the company's EBITDA margin while the operational figures are expected to be much better on YoY basis on both sales volume performance and raw material procurement discipline.

Coca Cola Icecek CCOLA OUTPERFORM (TP: 398.81, Upside:14%)

Exp Release Date 31-Oct

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	31,691	17,413	23,273	82%	36%
EBITDA	7171	3729	5012	92%	43%
Net Income	3526	1819	2388	94%	48%
EBITDA Margin	22.6%	21.4%	21.5%	121 bps	109 bps
Net Margin	11.1%	10.4%	10.3%	68 bps	87 bps

We expect a limited annual growth in total sales volume. Despite the volume contraction in Pakistan, the positive trend in Turkey had a positive, yet limited, impact on total sales volume. Taking this into account, we expect net sales to grow by 82%. With the positive impact of price increases, we expect EBITDA margin to improve by 109 bps QoQ.

Dogus Otomotiv **DOAS** **U/R (TP: U/R, Upside:U/R)**

Exp Release Date 9-Nov

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	35,724	11,858	27,142	201%	32%
EBITDA	6966	2378	5750	193%	21%
Net Income	5232	2698	5135	94%	2%
EBITDA Margin	19.5%	20.1%	21.2%	-56 bps	-169 bps
Net Margin	14.6%	22.8%	18.9%	-811 bps	-427 bps

Sales volume (including Skoda Sales) increased by 92.3%. In 3Q23, we calculate top-line and EBITDA to increase by 201% and 193% YoY respectively, driven by the continued strong pricing environment.

Enerjisa Enerji **ENJSA** **U/R (TP: U/R, Upside:U/R)**

Exp Release Date 6-Nov

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	35,371	24,325	29,476	45%	20%
EBITDA*	5831	3787	6174	54%	-6%
Net Income	2089	1201	1984	74%	5%
EBITDA Margin	16.5%	15.6%	20.9%	92 bps	-446 bps
Net Margin	5.9%	4.9%	6.7%	97 bps	-83 bps

We expect to see improvement in financial and capex reimbursement items for the quarter in line with growing RAB level while the retail arm is also likely to have supported by higher electricity tariffs. QoQ decline in the bottom-line is expected to be driven by lack of FX and asset revaluation adjustments in 2Q while the underlying income may materialize at lower than its IFRS figure on potential one-off income from deferred tax assets.

*Adj. Operational Earnings

Enka Insaat **ENKAI** **NEUTRAL (TP: 40.60, Upside:23%)**

Exp Release Date 1st week of Nov.

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	21,519	20,198	14,891	7%	45%
EBITDA	4844	4567	3688	6%	31%
Net Income	3052	1873	2458	63%	24%
EBITDA Margin	22.5%	22.6%	24.8%	-10 bps	-226 bps
Net Margin	14.2%	9.3%	16.5%	491 bps	-232 bps

A higher contribution from the energy segment and the ongoing construction activities are expected to lead to a strong top-line result, while increasing costs and reduced investment income expectation will have squeezed profit margins in QoQ terms.

Eregli Demir Celik **EREGL** **UNDERPERFORM (TP: 36.50, Upside:-13%)**

Exp Release Date Last week of Oct.

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	44,038	36,723	37,346	20%	18%
EBITDA	5762	5365	3823	7%	51%
Net Income	-1688	2565	-3999	n.m.	-58%
EBITDA Margin	13.1%	14.6%	10.2%	-152 bps	285 bps
Net Margin	n.m.	7.0%	n.m.	n.m.	n.m.

With the full operational contribution of Isdemir, we expect a 21% QoQ recovery in sales volumes to normalized levels. In terms of profitability, we estimate an EBITDA/ton of around USD110 vs. the USD115 in 2Q23 and USD132 in 3Q22. Tax expenses, both due to the higher USD/TRY rate and deferred tax assets, are likely to have again been higher in the quarter.

Ford Otosan **FROTO** **U/R (TP: U/R, Upside:U/R)**

Exp Release Date 25-Oct

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	86,804	50,127	73,553	73%	18%
EBITDA	10272	4853	8449	112%	22%
Net Income	9184	3816	6727	141%	37%
EBITDA Margin	11.8%	9.7%	11.5%	215 bps	35 bps
Net Margin	10.6%	7.6%	9.1%	297 bps	143 bps

Strong pricing will have continued in this quarter. With the TRY weakness, we estimate an EBITDA margin of 11.8%.

Kocaer Celik **KCAER** **OUTPERFORM (TP: U/R, Upside:U/R)**

Exp Release Date First week of Nov.

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	3,444	2,425	2,571	42%	34%
EBITDA	603	317	416	90%	45%
Net Income	468	131	592	257%	-21%
EBITDA Margin	17.5%	13.1%	16.2%	442 bps	131 bps
Net Margin	13.6%	5.4%	23.0%	818 bps	-944 bps

We expect a solid recovery of around 9% in sales volumes in QoQ terms for the quarter. Despite the trend towards weaker operating profitability in the industry, we expect the company to maintain an EBITDA/ton of around USD150 due to a combination of higher efficiency on the back of rising volumes and solid cost discipline.

Kimteks Poliuretan **KMPUR** **U/R (TP: 116.40, Upside:U/R)**

Exp Release Date 6-Nov

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	2,042	1,177	1,982	73%	3%
EBITDA	306	106	350	189%	-13%
Net Income	250	177	447	41%	-44%
EBITDA Margin	15.0%	9.0%	17.7%	598 bps	-267 bps
Net Margin	12.2%	15.0%	22.6%	-278 bps	-1033 bps

Following a fall in sales volumes compared to the previous quarter on the back of a declining unit sales price, revenues are expected to have dropped in this quarter in EUR-terms. Higher financial costs with a lower contribution from FX-related investment instruments are likely to have squeezed the net profit margin in the third quarter.

Kordsa Teknik Tekstil **KORDS** **U/R (TP: U/R, Upside:U/R)**

Exp Release Date First week of Nov.

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	6,384	4,962	5,012	29%	27%
EBITDA	525	487	378	8%	39%
Net Income	54	324	-83	-83%	n.m.
EBITDA Margin	8.2%	9.8%	7.6%	-159 bps	67 bps
Net Margin	0.8%	6.5%	n.m.	-569 bps	n.m.

Despite the ongoing recovery in the composite business and positive impact of the weaker Lira, the slack market dynamics in an environment of tough competition in the main business is likely to dominate the company's quarterly performance in 3Q again.

Kardemir (D) **KRDMD** **OUTPERFORM (TP: 32.60, Upside:13%)**

Exp Release Date First week of Nov.

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	11,202	6,828	7,889	64%	42%
EBITDA	1832	442	1554	314%	18%
Net Income	61	1119	558	-95%	-89%
EBITDA Margin	16.4%	6.5%	19.7%	988 bps	-335 bps
Net Margin	0.5%	16.4%	7.1%	-1584 bps	-653 bps

We expect to see a solid recovery in sales volume both in YoY and QoQ terms on the back of a healthy recovery in domestic demand following the general elections, with around 24% YoY growth in volumes. While the QoQ decline in EBITDA/ton to USD115 is likely to be have compensated by higher sales volumes, the bottom-line is expected to have been depressed by FX-losses in line with hedge accounting, although this is expected to be partially reversed in 4Q.

Kervan Gıda Sanayi **KRVGD** **U/R (TP: U/R, Upside:U/R)**

Exp Release Date 3-6-Nov

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	2,170	1,427	1,632	52%	33%
EBITDA	352	213	281	65%	25%
Net Income	171	129	37	32%	356%
EBITDA Margin	16.2%	14.9%	17.2%	131 bps	-100 bps
Net Margin	7.9%	9.1%	2.3%	-119 bps	558 bps

The company's strong pricing ability, well managed costs and lower FX-expenses will have supported profitability. We expect the operating profit margin for Poland operations to have been similar when compared to the previous quarter.

Migros **MGROS** **OUTPERFORM (TP: 464.00, Upside:25%)**

Exp Release Date 1-Nov

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	41,238	21,819	32,951	89%	25%
EBITDA	2823	2037	2183	39%	29%
Net Income	1247	807	1500	55%	-17%
EBITDA Margin	6.8%	9.3%	6.6%	-249 bps	22 bps
Net Margin	3.0%	3.7%	4.6%	-67 bps	-153 bps

The strategy focused on market share gains and well positioning in holiday hotspots will have driven Migros to post the highest top-line growth in our Food retail coverage in 3Q23. Despite its solid top-line growth, we expect company to continue to sacrifice profitability due to competitive prices. Accordingly, we estimate a 22bps rise in the EBITDA margin in QoQ terms.

Petkim **PETKM** **U/R (TP: U/R, Upside:U/R)**

Exp Release Date 8-Nov

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	11,873	14,201	10,612	-16%	12%
EBITDA	1340	687	19	95%	6894%
Net Income	1051	1495	134	-30%	682%
EBITDA Margin	11.3%	4.8%	0.2%	645 bps	1111 bps
Net Margin	8.8%	10.5%	1.3%	-168 bps	758 bps

Despite fairly weak global petrochemical dynamics in 3Q, we expect to see some improvement in EBITDA generation on inventory gains, the partial end to maintenance activities in the complex and better cost discipline specific for the quarter.

Pegasus Hava Tasimaciligi **PGSUS** **U/R (TP: U/R, Upside:U/R)**

Exp Release Date 8-Nov

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	28,180	17,840	15,109	58%	87%
EBITDA	11963	8189	4748	46%	152%
Net Income	6892	4838	1925	42%	258%
EBITDA Margin	42.5%	45.9%	31.4%	-345 bps	1103 bps
Net Margin	24.5%	27.1%	12.7%	-266 bps	1172 bps

The airline's total passenger figure was up by 14% on YoY basis while the load factor was down from its level of 87.7% in 3Q22 vs. its level of 86.1% in 3Q23. Although we expect to see FX-losses on EUR/USD downward trend in the quarter, the solid operational figures are likely to compensate its negative impact on the bottom-line.

Sise Cam **SISE** **OUTPERFORM (TP: 65.00, Upside:23%)**

Exp Release Date First week of Nov.

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	36,082	26,047	30,069	39%	20%
EBITDA	6322	5814	5245	9%	21%
Net Income	3897	4801	5705	-19%	-32%
EBITDA Margin	17.5%	22.3%	17.4%	-480 bps	8 bps
Net Margin	10.8%	18.4%	19.0%	-763 bps	-817 bps

We expect hedged energy costs, which remain relatively high compared to the spot market in Europe, and lower product prices for soda ash and architectural glass to continue to put pressure on profitability in this quarter.

Sok Marketler Ticaret **SOKM** **OUTPERFORM (TP: 70.89, Upside:12%)**

Exp Release Date 9-Nov

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	30,128	17,098	24,615	76%	22%
EBITDA	2242	1308	1722	71%	30%
Net Income	962	1195	892	-20%	8%
EBITDA Margin	7.4%	7.6%	7.0%	-21 bps	45 bps
Net Margin	3.2%	7.0%	3.6%	-380 bps	-43 bps

Although we expect 76% growth in net sales amid high inflationary environment, we expect the lowest LfL growth among our Food retail coverage. Despite the increase in personnel costs, we foresee EBITDA margin to be only 21bps lower on an annual basis.

Sun Tekstil **SUNTK** **OUTPERFORM (TP: 86.00, Upside:21%)**

Exp Release Date First week of Nov.

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	1,838	1,124	1,278	64%	44%
EBITDA	368	135	169	173%	117%
Net Income	297	116	155	156%	91%
EBITDA Margin	20.0%	12.0%	13.3%	801 bps	677 bps
Net Margin	16.2%	10.3%	12.2%	585 bps	400 bps

On top of high seasonality of 3Qs, we expect to see a solid recovery in the EBITDA margin along with the impact of Lira depreciation and healthy demand environment for both Ekoten and apparel sales.

Turkcell **TCELL** **OUTPERFORM (TP: 56.99, Upside:8%)**

Exp Release Date 7-Nov

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	26,264	14,663	21,651	79%	21%
EBITDA	11162	5990	9523	86%	17%
Net Income	3878	2396	3161	62%	23%
EBITDA Margin	42.5%	40.9%	44.0%	165 bps	-148 bps
Net Margin	14.8%	16.3%	14.6%	-157 bps	16 bps

Despite strong ARPU growth in the quarter, we calculate a 148bps QoQ contraction in EBITDA margins.

Turk Hava Yollari **THYAO** **OUTPERFORM (TP: 310.00, Upside:38%)**

Exp Release Date 1-Nov

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	169,955	108,537	107,633	57%	58%
EBITDA	55010	34161	25623	61%	115%
Net Income	45509	27118	13754	68%	231%
EBITDA Margin	32.4%	31.5%	23.8%	89 bps	856 bps
Net Margin	26.8%	25.0%	12.8%	179 bps	1400 bps

The airline recorded a 10% YoY increase in total passenger numbers while the load factor was almost stable in YoY terms at around 85.6%. Despite a decline in unit fuel costs, the increases in non-fuel items eroded the positive impact on cumulative unit costs. Passenger yields were again encouraging, despite a slight QoQ decline in cargo yields again.

Tekfen Holding **TKFEN** **OUTPERFORM (TP: 49.80, Upside:-2%)**

Exp Release Date 9-Nov

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	9,036	8,223	8,811	10%	3%
EBITDA	809	682	856	19%	-6%
Net Income	546	736	496	-26%	10%
EBITDA Margin	8.9%	8.3%	9.7%	65 bps	-77 bps
Net Margin	6.0%	8.9%	5.6%	-290 bps	41 bps

A weak performance in construction business will have put pressure on margins. In chemical segment, despite the decline in unit sales price and drop in sales volume, we still expect the segment to have recorded a profitability margin of around 14%.

Tofas Otomobil Fab. **TOASO** **OUTPERFORM (TP: 291.00, Upside:7%)**

Exp Release Date 25-Oct

Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ
Sales	25,951	16,022	23,366	62%	11%
EBITDA	4380	2682	4367	63%	0%
Net Income	4347	2059	4939	111%	-12%
EBITDA Margin	16.9%	16.7%	18.7%	14 bps	-181 bps
Net Margin	16.8%	12.9%	21.1%	390 bps	-439 bps

Despite the contraction in unit sales volumes, strong pricing ability is expected to have supported the top-line while we expect a 181bps decline in the operating profit margin.

Turk Traktor	TTRAK	U/R (TP: U/R, Upside:U/R)
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Exp Release Date	24-Oct					Subsidized credit conditions with an attractive interest rates are likely to have supported sales volume and revenues. On a quarterly basis, although we expect a slight moderation in profitability margins, both EBITDA and net profit margins are expected to have remained above their historical averages.
Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ	
Sales	12,858	5,736	10,805	124%	19%	
EBITDA	3073	920	2692	234%	14%	
Net Income	2469	653	2181	278%	13%	
EBITDA Margin	23.9%	16.0%	24.9%	786 bps	-102 bps	
Net Margin	19.2%	11.4%	20.2%	782 bps	-98 bps	

Tupras	TUPRS	NEUTRAL (TP: 165.00, Upside:14%)
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Exp Release Date	25-Oct					Despite a YoY decline in middle distillate cracks, a healthy recovery in gasoline will have kept weighted average cracks almost unchanged for the refiner in YoY terms. Despite a narrowing in oil differentials on Middle East crude oil prices, a better procurement mix is likely to have supported the operational performance along with inventory gains.
Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ	
Sales	187,318	150,609	104,405	24%	79%	
EBITDA	28432	17735	15105	60%	88%	
Net Income	18784	11554	7217	63%	160%	
EBITDA Margin	15.2%	11.8%	14.5%	340 bps	71 bps	
Net Margin	10.0%	7.7%	6.9%	236 bps	312 bps	

Yatas	YATAS	U/R (TP: U/R, Upside:U/R)
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Exp Release Date	9-Nov					We estimate a mere 24% YoY growth in net sales due to the contraction in demand. We also calculate a 310bps QoQ contraction in the EBITDA margin during the quarter.
Summary Financials	3Q23F	3Q22	2Q23	Chg YoY	Chg QoQ	
Sales	2,208	1,786	2,585	24%	-15%	
EBITDA	247	235	370	5%	-33%	
Net Income	102	156	207	-34%	-51%	
EBITDA Margin	11.2%	13.2%	14.3%	-198 bps	-310 bps	
Net Margin	4.6%	8.7%	8.0%	-409 bps	-337 bps	

QNB Finansinvest Rating System

We employ a relative scale in our rating system (i.e. Market **Outperform**, **Neutral**, **Underperform**) in order to better present relative value propositions and more actively pursue long vs. short ideas at the BIST. The relevant benchmark is the broader Turkish stock market, using the BIST-100 index as a basis. The ratings also incorporate a certain degree of relativity within the analyst's own stock coverage universe due to asymmetric return expectations among the industries under our BIST coverage. The rating system combines analysts' views on a stock relative to the sectors under coverage, and the sector call relative to the market, together providing a view on the stock relative to the market.

Individual ratings reflect the expected performance of the stock relative to the broader market over the next 6 to 12 months. The assessment of expected performance includes a function of near-term company fundamentals, industry outlook, confidence in earnings estimates and valuation, and other factors.

An essential element of our rating methodology involves benchmarking a 12-month expected return against the cost of equity. We set a required rate of return for each stock, calculated from our risk-free rate and equity risk premium assumptions. The price target for a stock represents the value that the stock is expected to reach or sustain over the performance horizon of 12 months, according to the view of the analyst.

We have separated the stocks under our coverage into two groups, mainly with respect to their liquidity (market cap, free float market cap and historical average daily trading volume) as small-cap stocks exhibit different risk/return characteristics to more-liquid large-caps. For the purposes of the relative stock rating, however, stocks within each group will be considered on an unweighted basis with regard to their market capitalization.

For a stock to be assigned an **Outperform** rating, the implied return *must* exceed the required rate of return by at least 5 percentage points over the next 12 months for our larger-cap stock coverage, or by 10 percentage points for the small-cap group. For a stock to be assigned an **Underperform** rating, the stock must be expected to underperform its required return by at least 5 percentage points over the next 12 months. Stocks between these bands will be classified as **Neutral**.

When the potential upside of an *average* stock in our coverage exceeds its required rate of return (i.e. the market upside exceeding the implied average cost of capital), a greater number of stocks would fall into the aforementioned Outperform (Buy) category, illustrating the significance of the "relative return" concept (vis-à-vis absolute return) in picking better investment ideas with a positive alpha. The same holds true when the potential upside of an *average* stock in our coverage falls short of its required rate of return.

In this regard, as a supplemental methodology, we rank the stocks in our coverage according to their notional target price with respect to their current market price, and then categorize the top group (approximately 40-50% of the companies under coverage) as Outperform, the next 40-50% as Neutral and the lowest 10-20% (and no less than 10%) as Underperform.

It should be noted that the expected returns on some stocks may at times fall outside the relevant ranges of the applicable respective rating category because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges are permitted but becomes subject to review.

Also note that the analyst's short-term view may occasionally diverge from the stock's longer-term fundamental rating.

Outperform. We expect the stock to outperform the BIST-100 over the next 6 to 12 months.

Neutral (Market Perform). We expect the stock to broadly perform in line with the BIST-100 index over the next 6 to 12 months. (Although we would normally have a neutral assessment of stocks in this category, if a stock has gone through a period of market underperformance, it would be an indication that the stock may be expected to improve its performance relative to market averages in the coming period, and vice versa).

Underperform. We expect the stock to underperform the BIST-100 over the next 6 to 12 months.

N/R. Not Rated.

U/R. Under Review.

Analyst Certification

The following analysts hereby certify that the views expressed in this research report accurately reflect their own personal views regarding the securities and issuers referred to therein and that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report: **Can Alagöz, Emine Yağmur Avcı, Caner Vardal.**

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

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