

7 October 2011

Is Private Equity

Year End	Revenue (TRYm)	PBT* (TRYm)	EPS* (Kr)	DPS (Kr)	P/E (x)	Yield (%)
12/08	26.4	20.7	40.5	8.4	5.3	3.9
12/09	8.2	8.7	17.3	6.7	12.3	3.1
12/10	17.1	12.6	24.8	6.0	8.6	2.8

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

Investment summary: Realising value

Is Private Equity (Is PE) is a leading private equity firm in Turkey with 12 investments and six exits as of September 2011. In addition, the company is expected to make its 13th investment and seventh exit by the end of the year. The company reports that the six completed exits since inception in 2000 have achieved an average IRR of 28.7% (on a US-dollar basis) and an average cash exit multiple of 1.95x. With a strong balance sheet (we estimate minimal debt and around 60% invested in liquid assets after it completes the above transactions), the company is very well placed to take advantage of fresh investment opportunities. Well-timed exits have provided Is PE with ample cash to capitalise on investment opportunities during this period of ongoing volatility in markets.

Sale to strategic investor generates ROI of 128%

Is PE has completed the sale of its 20% stake in Dr F Frik Pharmaceuticals in a cash trade sale to an Italian pharmaceuticals company, Recordati. The sale price was \$30.5m, which was 2.28x the December 2008 initial investment of \$13.4m with an IRR of 34.6% in US\$ terms. The return recognises the strong growth achieved by the business and its strengthened industry position while in partnership with Is PE.

New investment opportunity

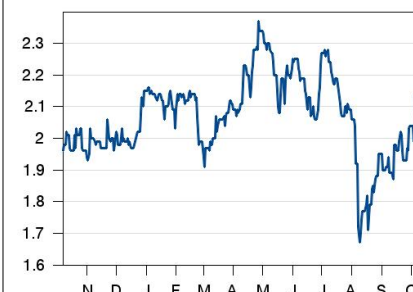
Is PE has also been able to negotiate a new investment (its 13th since launch) in Aras Kargo, the leading player in the Turkish cargo sector. It is planning to take a 20% stake for an investment of around \$10m that will be used to fund growth in the business, which it forecasts to be attractively above the rate of overall GDP growth.

Valuation: Attractive valuation versus NAV

Is PE is the local industry leader in exits, successfully realising value from its investments. The 45% discount to its reported NAV as of 30 September 2011 appears to reflect neither the value that has historically been created (average reported achieved US\$ IRR of 28.7% on exits), nor the potential from remaining portfolio companies and further investment. We estimate that around 60% of the portfolio will remain in liquid assets after the above transactions complete, providing the resources to make new investments in what may be a buyer's market in 2012, given global market and economic developments.

Price TRY2.13
Market Cap TRY107.4m

Share price graph



Share details

Code ISGSY
Listing ISE – NATIONAL 100
Sector Investment companies
Shares in issue 50.4m

Price

52 week High Low
TRY2.4 TRY1.7

Balance Sheet as at 30 June 2010

Debt/Equity (%) N/A
NAV per share (TRY) ** 3.76
Net cash (TRYm) 11.0*

* Excludes financial investments of TRY61.9m.

** Reported NAV at 30 September 2011

Business

Is Private Equity (ISGSY) was established in 2000 to invest in Turkey's growing mid-cap private companies.

Valuation

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

Revenues by geography

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

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Realising value and reinvesting

Portfolio activity

Is PE has a successful record of exits from its investments, the best measure of its success in portfolio management. It has recently completed its sixth exit and negotiations are well advanced for a seventh in the near future. On 13 September the cash sale of Is PE's 20% stake in Dr F Frik Pharmaceuticals (Dr F Frik İlaç Sanayi ve Ticaret AŞ, www.frik.com.tr) to Italian Recordati (www.recordati.com) was agreed. The sale price was \$30.5m, 2.28x the December 2008 initial investment of \$13.4m with an IRR of 34.6%. Dr F Frik has been one of the fastest-growing pharmaceuticals companies in Turkey since Is PE made its investment. According to IMS data, its industry ranking moved from 41st in 2009 to 31st as of June this year, increasing 2010 sales by 21% compared with the industry average, 0.3%.

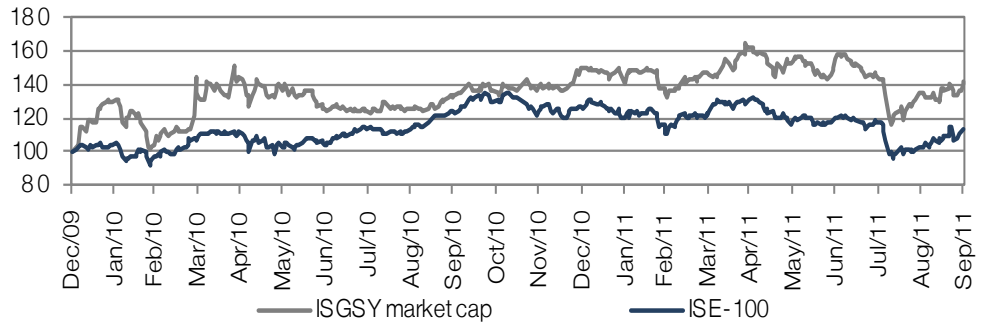
We expect that the much smaller exit of the 10% stake in Probil, the Turkish systems integrator, will soon be completed for a consideration of around \$4.0m. For the first six exits (the final terms of the Probil exit are not yet known), Is PE achieved a reported 28.7% IRR; the reported cash multiple has averaged 1.95x (sale revenues 95% higher than the initial amount invested).

At the same time, Is PE has been able to negotiate a new investment (its 13th since launch) in Aras Kargo (www.araskargo.com.tr), the leading player in the Turkish cargo sector. It is planning to take a 20% stake for an investment of \$10m that will be used to fund growth in the business, which it forecasts to be attractively above the rate of overall GDP growth. Aras Kargo serves six million individuals, institutions and corporations each month with its 20 district offices, 27 transfer centres, 754 contact offices, a 2,500 vehicle fleet and an expert team of 7,700 people. It services every important city and town across the country and continues to expand. Despite the more challenging economic environment of the past three years, Aras has continued to invest for growth and position itself for internationalisation. With Is PE's investment, the company will be better able to realise its growth potential and also focus on efficiency enhancing measures to solidify its competitive edge.

Is PE screens approximately 150-200 investment opportunities every year and has ample liquidity for future investment. We estimate that after completion of the Dr Frik and Probil exits and Aras Kargo investment, around 60% of the portfolio will remain in liquid assets. We believe that the company has sufficient management and financial resources to complete another two investments between now and the end of 2012.

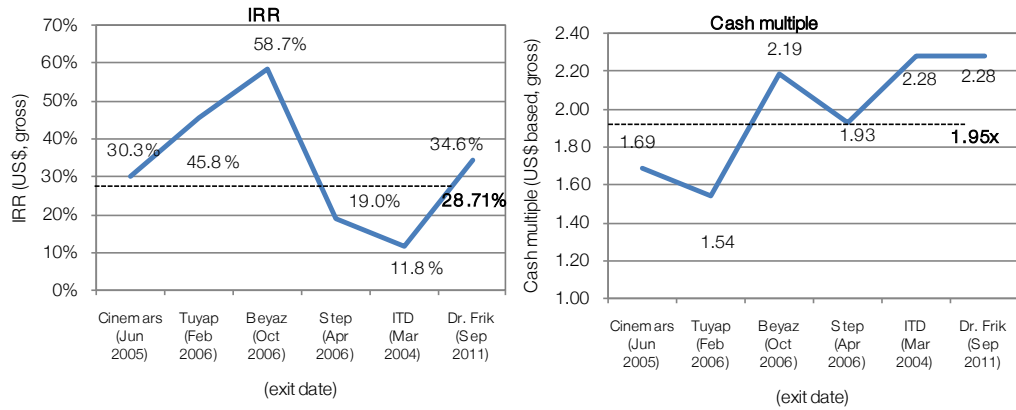
Since the beginning of 2010, Is PE's market value has increased by 41.7% compared with a 13.0% gain the Istanbul Stock Exchange 100 index and even in more difficult markets this year has declined by just 5.1% compared with a 9.6% decline for the quoted index.

Exhibit 1: Performance versus ISE-100 index



Source: Is Private Equity

Exhibit 2: Achieved exit multiples to date



Source: Is Private Equity

Exhibit 3: Fund position as at 30 September 2011

	Investment date	Invested amount US\$	Invested amount TRY	Inflation adjusted value TRY	% share in group	% share in portfolio
A. Long-term investments		30,395,099	42,629,636	60,270,664	100%	32%
I - PE investments		30,395,099	42,629,636	60,270,664		
Probil		3,188,889	5,217,039	11,627,832	19%	6%
1st Investment (US\$)	15/10/2002	3,000,000	4,940,356	11,092,721		
2nd Investment (US\$)	23/10/2003	188,889	276,683	535,111		
NevoTek		2,898,210	4,331,059	6,849,280	11%	4%
1st Investment (US\$)	30/09/2003	299,810	389,615	792,022		
2nd Investment (US\$)	01/03/2004	399,200	525,164	931,866		
3rd Investment (US\$)	22/06/2004	399,200	592,279	1,035,092		
4th Investment (US\$)	27/06/2006	1,100,000	1,829,523	2,649,069		
5th Investment (US\$)	20/12/2006	700,000	994,477	1,441,231		
ODE		5,000,000	6,442,751	9,060,822	15%	5%
1st Investment (US\$)	09/07/2007	5,000,000	6,442,751	9,060,822		
ORTOPRO		6,000,000	7,016,717	9,598,710	16%	5%
1st Investment (US\$)	10/12/2007	6,000,000	7,016,717	9,598,710		
TURKMED		2,500,000	2,916,111	3,989,174	7%	2%
1st Investment (US\$)	17/12/2007	2,500,000	2,916,111	3,989,174		
Havas		10,808,000	16,705,959	19,144,846	32%	10%
1st Investment (US\$)	24/03/2010	10,808,000	16,705,959	19,144,846		
II - Other LT Investments						
B. Short-term investments			129,501,004	129,034,962	100%	68%
I. Government securities (TRY)			8,145,735	7,885,328	6%	4%
1. Treasury Bills			0	0	0%	0%
2. Government Bonds			8,145,735	7,885,328	6%	4%
II. Other			121,355,269	121,149,634	94%	64%
1. Reverse Repo			6,623,936	6,624,880	5%	3%
2. Mutual Funds			46,784,993	47,497,503	37%	25%
3. FX Assets			2,130,099	2,257,033	2%	1%
4. Stocks			7,059,612	5,190,891	4%	3%
5. Other (Deposits and Private Sector Bonds)			58,756,629	59,579,327	46%	31%
Portfolio value (A+B)			172,130,640	189,305,626		100%
C. Liquid assets			162,146	168,706		
D. Receivables			48,424	48,424		
E. Other assets			1,061,892	275,998		
F. Debt			495,570	495,570		
G. Provisions for options			0	0		
Net asset value (A+B+C+D+E-F-G)				189,303,184		
# of shares				50,400,000		
NAV per share				3.76		

Source: Is Private Equity

Exhibit 4: Financials

Note: H111 investments include TRY15,220 of non-current assets held for sale.

Year end 31 December	TRYm	2007	2008	2009	2010	H111
		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		19,055	26,355	8,229	17,137	5,282
Cost of Sales		(16,728)	(8,344)	(1,876)	(5,336)	(1,340)
Gross Profit		2,327	18,010	6,353	11,801	3,942
EBITDA		(361)	10,931	(2,508)	796	(1,602)
Operating Profit (before GW and except.)		(361)	10,931	(2,508)	796	(1,602)
Intangible Amortisation		(485)	(595)	(498)	(339)	(200)
Exceptionals		0	0	0	0	0
Other		0	0	0	0	0
Operating Profit		(846)	10,336	(3,006)	457	(1,802)
Share in net profit / (loss) of equity investments		(550)	(1,448)	(4,782)	3,764	(3,522)
Net Interest		6,160	11,198	16,013	8,053	1,725
Profit Before Tax (norm)		5,249	20,680	8,724	12,613	(3,399)
Profit Before Tax (FRS 3)		4,764	20,085	8,225	12,274	(3,599)
Tax		(6)	0	0	0	0
Profit After Tax (norm)		5,243	20,680	8,724	12,613	(3,398)
Profit After Tax (FRS 3)		4,758	20,085	8,225	12,274	(3,599)
Average Number of Shares Outstanding (m)		50.4	50.4	50.4	50.4	50.4
EPS - normalised (Kp)		10.4	40.5	17.3	24.8	(7.0)
EPS - FRS 3 (Kp)		9.4	39.4	16.3	24.1	(7.4)
Dividend per share (Kp)		1.0	8.4	6.7	6.0	0.0
Gross Margin (%)		12.2	68.3	77.2	68.9	75
EBITDA Margin (%)		(1.9)	41.5	(30.5)	4.6	(30)
Operating Margin (before GW and except.) (%)		(1.9)	41.5	(30.5)	4.6	(30)
BALANCE SHEET						
Fixed Assets		29,298	42,074	36,661	54,181	50,137
Intangible Assets		1,508	982	463	124	48
Tangible Assets		165	156	147	134	195
Investments		27,612	40,920	36,034	53,901	49,869
Other		13	17	17	22	25
Current Assets		80,599	84,585	94,728	86,362	84,692
Stocks		29	25	73	176	258
Debtors		3,924	7,769	7,939	8,669	9,718
Cash		347	12,332	9,455	14,443	12,853
Financial investments		76,300	64,459	77,261	63,074	61,863
Current Liabilities		(1,494)	(2,278)	(2,301)	(1,973)	(2,971)
Creditors		(1,090)	(1,671)	(1,126)	(1,357)	(1,290)
Short term borrowings		(404)	(608)	(1,175)	(616)	(1,681)
Long Term Liabilities		(16)	(257)	(87)	(413)	(380)
Long term borrowings		0	(232)	(46)	(187)	(152)
Trade payables					(144)	(142)
Other long term liabilities		(16)	(24)	(41)	(226)	(85)
Net Assets		108,387	124,124	129,001	138,157	131,477

Source: Edison Investment Research, company accounts

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