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September 25, 2014

COMPANY UPDATE

BIMEKS

Sustained Earnings Recovery

We reiterate our BUY (L/T) and OUTPERFORM (S/T) ratings for BMEKS, driven by its notable earnings recovery in 2Q14 after its full consolidation of Darty and Electroworld stores as of Apr'14, and an unjustified 20% underperformance ytd. Our view that Bimeks is poised to stand out as one of the top small cap recovery stories with 36% CAGR in net earnings until 2017E remains intact. Our target price of TRL2.5/share implies 48% upside potential. The stock is trading at 2015E 4.4x EV/EBITDA and 8.7x P/E, at 43% and 27% respective discounts to international peers.

- **Inorganic expansion completed -** Since Sep'13, Bimeks's sales area has tripled to 113K sqm, through 67K sqm inorganic growth via its Electroworld (Nov'13) and Darty (Apr'14) acquisitions, while its share of the technical superstores market has expanded from 8% to 20%. We expect Bimeks's net sales to double in FY14, and post 13% CAGR within 2014-2017, on the back of a modest rise in sales area; slightly-above-inflation growth in revenue/sqm; and sustained doubled-digit expansion in e-commerce business.
- **Sound profitability with 36% earnings CAGR until 2017E -** With the acquisitions, Bimeks's revenue mix has changed dramatically, as higher-margin MDA/SDA, peripherals, accessories etc. now account for 25% of revenues, up from 15% previously. Moreover, with a keener focus on profitability, Bimeks embarked on a store restructuring drive, in a bid to maximise efficiency in space usage and trim headquarter expenses. Assuming higher revenue/sqm and operating leverage, we forecast 18% CAGR in EBITDA within 2014-2017, implying 70bp EBITDA margin recovery.

Consolidated Financials and Multiples (TRL)

	2014E	Δ	2015E	Δ	2016E	Δ	2017E	Δ
Revenue	1,349	94%	1,569	16%	1,773	13%	1,925	9%
EBITDA	64	139%	79	23%	93	17%	106	14%
Margin	4.8%		5.1%		5.3%		5.5%	
Net Income	15	23%	23	55%	32	36%	41	29%
P/E	13.5		8.7		6.4		5.0	
EV/EBITDA	5.2		4.4		3.6		2.8	
EV/SALES	0.2		0.2		0.2		0.2	
Div. Yield	0.0%		0.0%		2.3%		3.1%	
FCF Yield	-3.9%		6.2%		20.5%		28.2%	

Ratings & Actions

L/T Rating	**BUY** (Maintained)
S/T Rating	**OUTPERFORM** (Maintained)

Target

Target Price	**TRL2.5**
Upside (Downside)	**48%**

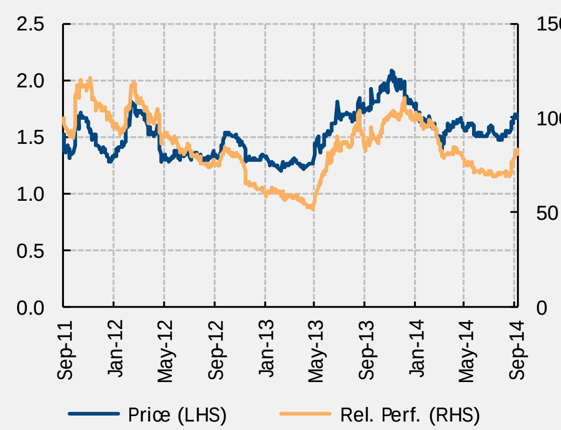
Share Data

Ticker	**BMEKS.TI / BMEKS.IS**
Close Price	TRL1.69
Current MCap. (TRL/US$ mn)	203 / 91
Number of Shares (mn)	120
Free Float	33%
3m Avg. Daily Turnover (TRL/US$ mn)	1.76 / 0.81

Trading Range (High / Low)

1-month	1.70 / 1.50
1-year	2.09 / 1.38
Ytd	1.86 / 1.38

Performance	Absolute	Relative
1-month	12%	17%
3-month	12%	17%
1-year	-3%	-4%
Ytd	-9%	-20%



as of September 24, 2014
Relatives are against the BIST-100 Total Return Index

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Income Statement (TRL mn)	2013	2014E	2015E	2016E	2017E
Revenues	**697**	**1,349**	**1,569**	**1,773**	**1,925**
COGS	-577	-1,105	-1,292	-1,459	-1,583
Gross Profit	**119**	**244**	**278**	**314**	**341**
Operational expenses	-108	-200	-220	-239	-256
EBIT	**12**	**44**	**58**	**74**	**85**
EBITDA	**27**	**64**	**79**	**93**	**106**
Other income, net	-6	1	1	1	1
Financial income, net	-16	-30	-36	-38	-35
Net change in monetary position	25	0	0	0	0
Profit before tax	14	15	23	37	51
Tax	-2	-0	0	-6	-10
Reported net earnings	**12**	**15**	**23**	**32**	**41**
Reported EPS	0.1	0.1	0.2	0.3	0.3
DPS	0.0	0.0	0.0	0.0	0.1

Balance Sheet (TRL mn)	2013	2014E	2015E	2016E	2017E
Cash & Equivalents	70	32	30	46	40
Receivables	25	37	43	49	53
Inventories	295	333	389	420	434
Fixed Assets	57	76	87	102	109
Goodwill & Intangibles	50	49	47	47	47
Long-term financial assets	0	0	0	0	0
Other Assets	24	43	46	49	51
Total Assets	**522**	**569**	**642**	**712**	**734**
Total Debt	145	162	174	178	138
Payables	224	242	283	320	347
Other Liabilities	19	19	17	18	18
Minority Interest	0	0	0	0	1
Shareholders' Equity	135	146	169	196	230
Net Debt	**75**	**130**	**144**	**132**	**98**

Cash Flow Summary (TRL mn)	2013	2014E	2015E	2016E	2017E
Net earnings	12	15	23	32	41
Depreciation	15	20	21	19	20
Δ in WCR	-49	-31	-21	1	9
CAPEX	-15	-20	-31	-34	-28
Dividend paid	0	0	0	-5	-6
Rights issue	0	0	0	0	1
Δ in borrowing	66	17	12	4	-41
Other cash in/out*	-27	-40	-6	-1	-2
Cash generated during the year	2	-38	-2	16	-6
Cash at the end of the year	**70**	**32**	**30**	**46**	**40**

Growth	2013	2014E	2015E	2016E	2017E
Sales	41%	94%	16%	13%	9%
EBITDA	-3%	139%	23%	17%	14%
Net earnings	536%	23%	55%	36%	29%

Key financial ratios	2013	2014E	2015E	2016E	2017E
ROE	9.7%	10.7%	14.8%	17.3%	19.1%
ROIC	4.7%	15.8%	18.6%	19.3%	20.8%
EBITDA Margin	3.9%	4.8%	5.1%	5.3%	5.5%
Free cash flow margin	-5.6%	1.0%	1.7%	2.8%	3.6%
Net Margin	1.7%	1.1%	1.5%	1.8%	2.1%
Net debt/Equity	0.6	0.9	0.9	0.7	0.4
Net debt/EBITDA	2.8	2.0	1.8	1.4	0.9
ST borrowings/T. borrowings	11.7	0.3	0.4	0.5	0.7
Equity/Total Assets	25.8%	25.6%	26.3%	27.5%	31.3%
Interest coverage	1.2	2.6	4.1	5.5	9.5
Current Ratio	1.1	1.5	1.5	1.4	1.4
Pay-out Ratio	0%	0%	0%	20%	20%

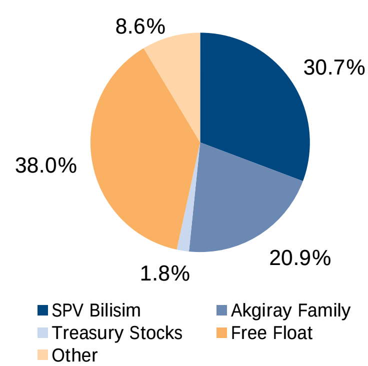
Valuation Metrics	2013	2014E	2015E	2016E	2017E
Store Number	107	146	153	160	162
Net Sales Area	85,541	121,620	127,420	133,220	134,020
Revenue/Sqm (TRL)	11,800	10,760	11,758	12,644	13,328

** Change in B/S accounts upon the acqusition of Darty in 2Q14.*

Company Description

Established in 1990, Bimeks has been one of the fastest growing electronics retail stores since the 2000s, with its store count having soared from 4 in the 2000s to 136, and selling space to 113K sqm as of Jun'14. Alongside organic expansion, the Company acquired Electroworld Turkey, as well as Darty's Turkish operations, in Nov'13 and Apr'14, respectively. Accordingly, Bimeks's market share has reached c.20% in technical superstores market in 2014. Bimeks's majority shareholders are Akgiray family and SPV Bilisim, the latter also owned by the former, while 38% is the free float.

Ownership Structure



VALUATION

We revised upwards our EBITDA and net income estimates for 2014, reflecting the better-than-forecast 2Q14 results and the tax income to be booked in 4Q14. Our target price of TRL2.5/share remained unchanged, implying an ample 48% upside potential. Note that Bimeks will incur tax income on the back of its merger with Electroworld, which it acquired in Nov'13. According to tax regulations, Bimeks can deduct Electroworld's equity value of TRL43mn from its tax base, which would imply almost no tax payments for 4Q14 and 2015.

For 2015, on the other hand, we scaled back our estimates, driven by a lower net sales area assumption, attributable to a change in management's net sales area calculation methodology, and revisions to our macro forecasts implying higher financial expenses. Finally, we revised up our long term maintenance capex forecast from US$6mn to US$9mn. We maintained our long term 5.5-5.6% EBITDA margin estimate range. Based on peer multiples comparison, BMEKS shares trade at 2015E EV/EBITDA and P/E of 4.4x and 8.7x, corresponding to 43% and 27% discounts to international peers, respectively.

Exhibit 1: Revisions to Estimates

TRLmn	2014E			2015E		
	Previous	New	Δ	Previous	New	Δ
Net Sales	1,354	1,349	0%	1,671	1,569	-6%
EBITDA	62	64	4%	86	79	-7%
Net Income	11	15	34%	24	23	-5%
EBITDA Margin	4.6%	4.8%	0.2 pp	5.1%	5.1%	-0.1 pp

Source: Burgan Research

Exhibit 2: Bimeks Target Valuation

TRLmn Valuation Method (TRLmn)	Weighted Price
Target Mcap (TRLmn)	**294**
Number of Shares (mn)[1]	118
Target Price (TRL)	**2.50**
Current Price	1.69
Upside Potential	**48%**

Source: Burgan Research

[1] Number of shares adjusted for treasury stock

Exhibit 3: Bimeks DCF Model

TRLmn	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Revenues	**1,349**	**1,569**	**1,773**	**1,925**	**2,049**	**2,174**	**2,307**	**2,448**	**2,598**	**2,758**
Retail	1,255	1,464	1,648	1,781	1,884	1,993	2,108	2,230	2,358	2,494
E-Commerce	80	100	120	138	159	175	193	212	233	256
Other	14	5	5	5	6	6	6	6	7	7
EBITDA	**64**	**79**	**93**	**106**	**113**	**120**	**129**	**138**	**146**	**156**
EBITDA Margin	4.8%	5.1%	5.3%	5.5%	5.5%	5.5%	5.6%	5.6%	5.6%	5.6%
Taxes on EBIT	-9	-12	-15	-17	-18	-20	-21	-22	-23	-24
Δ in Working Capital	-31	-21	1	9	-9	-9	-10	-10	-11	-12
Credit Card Expenses	-13	-16	-18	-19	-20	-22	-23	-24	-26	-28
Capital Expenditures	-20	-18	-20	-22	-23	-27	-28	-29	-31	-32
Free Cash Flows	**-8**	**13**	**41**	**57**	**42**	**43**	**48**	**51**	**55**	**60**
discount factor	1.00	1.07	1.23	1.40	1.61	1.84	2.11	2.41	2.76	3.16
Discounted FCF		12	34	41	26	23	23	21	20	19
PV of Free Cash Flow	218									
PV of Terminal Value @ 5%	211									
Estimated EV	429									
- Net Debt (1H14)	137									
Real Estate	1									
Fair Value	**294**									

Source: Burgan Research

[1] *Capital expenditure in the DCF model excludes investments by franchises.*

Exhibit 4: Weighted Average Cost of Capital

	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Risk Free Rate	9.8%	9.8%	9.8%	9.8%	9.8%	9.8%	9.8%	9.8%	9.8%	9.8%
Turkish Equity Risk Premium	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Unlevered Beta	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Levered Beta	1.80	1.80	1.80	1.80	1.50	1.80	1.80	1.80	1.80	1.80
Cost of Equity	19.7%	19.7%	19.7%	19.7%	18.0%	19.7%	19.7%	19.7%	19.7%	19.7%
Weight of Debt	50%	50%	50%	50%	38%	50%	50%	50%	50%	50%
Weight of Equity	50%	50%	50%	50%	62%	50%	50%	50%	50%	50%
Tax	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Cost of Debt	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%
WACC (TRL)	**14.4%**	**14.4%**	**14.4%**	**14.4%**	**14.6%**	**14.4%**	**14.4%**	**14.4%**	**14.4%**	**14.4%**

Source: Burgan Research

Exhibit 5: International Peer Comparison

Company	Country	Mcap (US$mn)	P/E		EV/EBITDA		Change in EBITDA	
			14E	15E	14E	15E	14E	15E
North America								
Best Buy	USA	12,223	19.0	15.1	5.6	5.3	-16%	6%
Gamestop Corp	USA	4,983	14.6	11.9	6.7	6.0	-7%	11%
Arrow Electronics	USA	6,047	10.6	9.7	7.6	7.1	13%	7%
Ingram Micro	USA	4,366	11.0	9.2	6.6	5.8	9%	14%
Conn's Inc	USA	1,051	11.1	10.1	9.0	7.7	55%	17%
Hhgregg	USA	183	n.m.	n.m.	3.6	5.4	-41%	-34%
Europe								
AB	Poland	164	9.8	8.8	8.2	7.6	22%	8%
Action	Poland	245	11.0	9.5	8.5	7.3	17%	17%
Mobilezone	Switzerland	393	15.6	14.5	11.0	10.9	-7%	n.m.
Dixons Carphone	UK	6,964	20.1	17.1	20.8	8.7	n.m.	n.m.
Darty	UK	639	18.4	12.0	5.1	4.8	-3%	5%
Asia & Middle East								
JB Hi-Fi	Australia	1,482	13.1	12.6	7.9	7.6	8%	4%
K's Holdings	Japan	1,724	10.6	9.9	8.1	8.0	11%	0%
Gome Electrical	Hong Kong	2,910	14.0	12.3	9.7	8.3	56%	17%
United Electronics	Saudi Arabia	967	19.5	17.5	15.4	13.8	12%	11%
Lotte Himart	South Korea	1,755	16.9	13.6	12.9	11.0	-11%	16%
Median			**14.0**	**12.0**	**8.1**	**7.6**	**9%**	**10%**
Bimeks (TRL)	Turkey	91	13.5	8.7	5.2	4.4	23%	17%
Premium / Discount to Peers			-4%	-27%	-36%	-43%		

Source: Bloomberg

FINANCIALS

Inorganic Expansion Concluded

Bimeks completed the acquisition of 22 Electroworld stores and 21 Darty stores in Turkey as of Nov'13 and Apr'14, respectively, which resulted in an increase in store count from 85 in Sep'13 to 138 in Jun'14, also considering organic expansion. Accordingly, net sales area almost tripled, up from 38K sqm to 113K sqm. In Electroworld acquisition, Bimeks agreed for a payment of TRL6mn to be delivered in two instalments until Sep'15 for 14 large scale stores with 38K sqm sales area. Moreover, Bimeks decided to acquire eight -- out of a total of 18 -- franchise stores owned by Electroworld, which are smaller in size, at around 500-600sqm/store. As of 2Q14, revenue/sqm at Electroworld stores has reached a level close to that at Bimeks stores.

Exhibit 6: Summary of Operations

Comparison	Bimeks (3Q13)[1]	Electroworld Stores Acquired[2]	Darty Stores Acquired[2]	Burgan Estimates 2014	Management Guidance 2014
Number of Stores	85	22	21	146	156
Sales Area (Ksqm)	38	42	25	122	132
Market Share	8%	7%	4%	20%	15-20%
Revenues (TRLmn)	697	443	250	1,349	1,400-1,600
EBITDA (TRLmn)	27	12	8	64	
EBITDA Margin[3]	3.9%	3.0%	4.0%	4.8%	4.9-5.5%

Source: Bimeks, Burgan Research

[1] Electroworld operations are consolidated as of Nov'13.

[2] Bimeks acquired 22 stores owned by Electroworld and 21 stores owned by Darty.

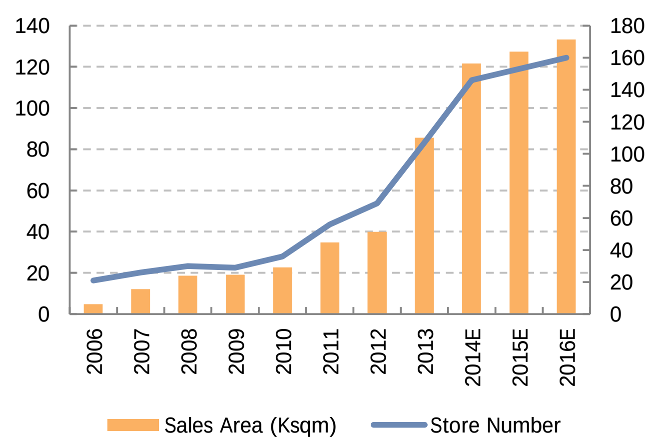
[3] EBITDA margin calculations for Electroworld and Darty stores exclude headquarter expenses.

Darty acquisition, on the other hand, was an asset-based sale including the value of inventory and fixed assets at the stores. Bimeks acquired 21 Darty stores (of 29 total stores) with 25K sqm sales area, while closing 2 Bimeks stores overlapping with Darty stores. Along with its Electroworld and Darty acquisitions, Bimeks incurred impairment expenses on fixed assets purchased, which resulted in a milder rise in tangible assets than we had estimated.

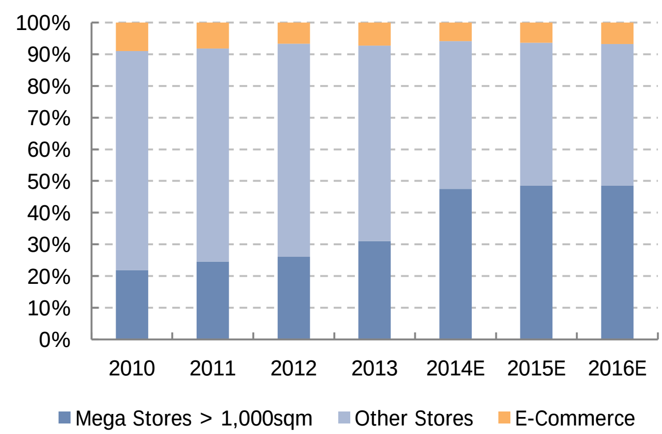
Furthermore, Bimeks proceeded with its organic expansion, having opened 9 new stores in Turkey in 1H14, in a bid to build a presence in new cities. In view of management's organic growth plans, we expect 8 new store openings in normal and mega segment in 2H14. All in all, for the full year, we forecast 146 stores and 122K sqm net sales area, of which 58 would be franchise stores (37 as of 3Q13). Note that our estimates are below management guidance of 156 stores and 132K sqm sales area by YE14.

Darty and Electroworld acquisitions brought about significant changes in revenue mix and store categories for Bimeks. Accordingly, Mega stores with above 1,000sqm sales area represented nearly half of total revenues in 2Q14 versus 25% in 2Q13. Note that mega stores generate lower revenue/sqm compared to smaller scale stores, due to the need for larger selling space especially for major/small domestic appliances. However, gross margin in these product categories is 3-5% higher vis-à-vis consumer electronics/IT/telecom segments. Furthermore, the percentage of smaller scale normal and small stores in total revenues is lower yoy, while online sales continue to represent c.7% of total revenues.

Exhibit 7: Number of Stores versus Sales Area



Revenue Breakdown by Store Type



Source: Bimeks, Burgan Research

Revenue/sqm Lower YoY on Change in Store Composition

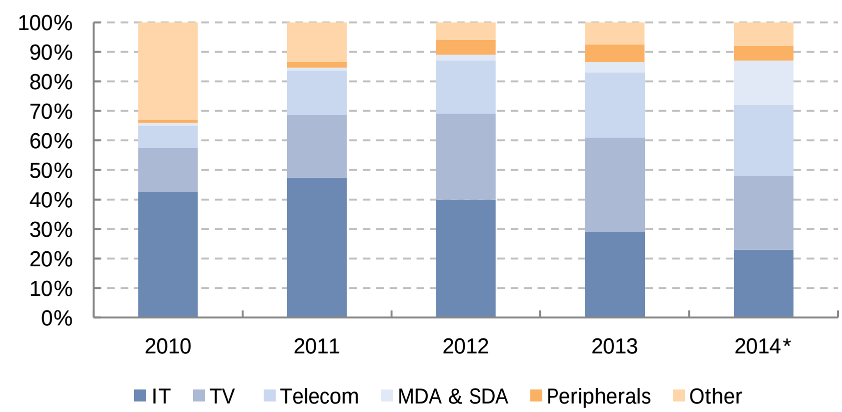
Revenue/sqm at Bimeks stores contracted roughly 25% yoy in 1H14. This was a consequence of both a substantial increase in the share of mega stores, which register lower revenue/sqm compared to smaller stores, and a regulation change as of Feb'14, impacting revenues on telecom products. **We expect the magnitude of the yoy contraction in revenue/sqm to ease in 2H14, thanks to a yoy improvement in customer traffic/store post restructuring, and a sequentially larger share of higher margin products in total revenues.**

Telecom segment's revenues, representing 22% of Bimeks's topline, were hit by a new regulation introduced by the Banking Regulation and Supervision Agency in February. The regulation includes a ban on instalments for mobile products including phones, as well as a 9-month limit to credit card instalments for consumer electronics. Previously, instalments of up to 12 months were possible, which had underpinned revenue generation in telecom products. Moreover, as of April 2014, gift cards used for telecom product purchases on instalments have also been prohibited.

Since the regulation change, traditional channels such as dealerships have gained market share from technical superstores including Bimeks, especially in telecom products category. Hence, the new regulation has spawned a change in sector dynamics, with retailers having resorted to new financing methods. Regarding consumer electronics and IT products, up to 9 instalments are allowed, whereas for telecom products, the most common method is financing through consumer loans of up to 30-36-month maturity.

Bimeks has consequently cooperated with private banks for the financing of telecom products. The process works as follows: A consumer deciding to buy a product signs a form and sends an SMS to this bank. The bank immediately confirms the application for a consumer loan, provided that the applicant is eligible. Then, Bimeks delivers the product to the consumer immediately and sends the form to the bank by the end of the day. The next day, Bimeks collects the invoiced amount from the bank.

Exhibit 8: Revenue Breakdown by Product Category



Source: Bimeks, Burgan Research

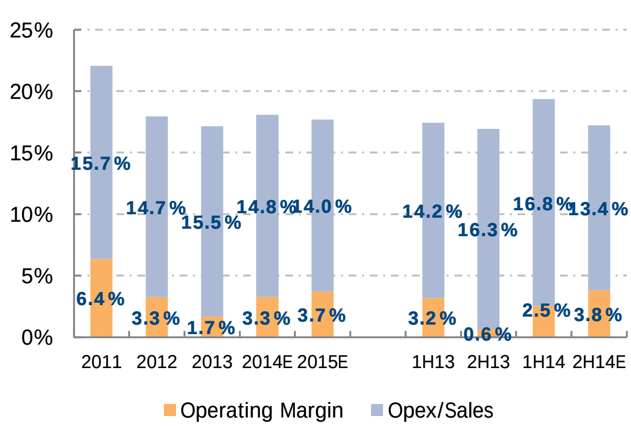
**Management target*

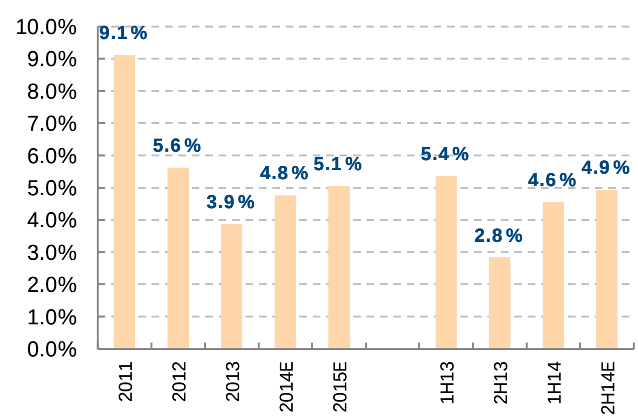
Gross Margin Still Strong on Changes in Revenue Mix

Despite yoy lower revenue/sqm in 1H14, Bimeks's gross margin grew 200bp yoy to 19.3%, which should prove temporary, though, given the restructuring at the stores acquired recently. For 2H14, we expect the gross margin to remain stable yoy at 17%, as opposed to an estimated decline in revenue/sqm, supported by higher contributions from MDA/SDA, peripherals, accessories etc. segments (c.20-25% of total revenues) and greater sway with suppliers. Note that these segments, which had accounted for c.10-15% of Bimeks's aggregate revenues in 2013, are estimated to command a larger share along with the Company's acquisition of the Mega stores owned by Electroworld and Darty. On the other hand, we expect shares of IT, consumer electronics and telecom segments to contract.

EBITDA margin narrowed 90bp yoy to 4.6% in 1H14, given a 260bp rise in opex/sales, mainly through higher personnel, rental and office expenses. Rental expenses to net sales ratio grew from 2.3% to 3.4% yoy in 1H14, due to higher rental expense/sqm at Darty and Electroworld stores, coupled with an increased share of FX-based rental expenses in aggregate rental expenses, up from 66% to 89%. Though it seems hard to minimise FX exposure in rental expenses, as large scale stores are located mainly at shopping malls, management partially hedges for currency risk through keeping the currency rate stable at some contracts and using derivative contracts of about US$10mn-15mn. Therefore, FX-based costs account for c.20% of total operating expenses. Management plans to reduce rental expense/net sales ratio by around c.50bp in the medium term through restructuring at stores and renting out part of the selling space to consumer electronics products companies.

Exhibit 9: Operating Margin vs. Opex/Sales Ratio **EBITDA Margin**





Source: Bimeks, Burgan Research

For 2H14, we forecast a 210bp yoy growth in EBITDA margin, owing to a low base effect as of 4Q13, following the Electroworld acquisition. As a result, we project substantial earnings recovery sequentially for 2H14, on seasonal improvement and lack of impairment expenses.

36% Net Income CAGR until 2017E

Our post-2014 assumptions are predicated on management's strategy prioritising opex management efficiency and revenue/sqm per store growth over aggressive store expansion. We, therefore, consider efficiency gains in opex as the main cost-saving opportunity ensuing Electroworld and Darty acquisitions.

We projected a mere 3% CAGR in sales area and number of stores, with sales area projected to reach 134K sqm by 2017, below management's target of 150K sqm. We remain conservative in our sales area estimate, in view of ongoing aggressive store openings by competitors such as Mediamarkt and Vatan Computer, which should prompt stiffer competition in renting stores and possibly lower revenue/sqm once stores overlap in some locations.

On the flip side, we estimate 7.4% CAGR in revenue/sqm until 2017, slightly above our inflation forecast, owing to an expected recovery in customer traffic and efficiency improvements at recently acquired Bimeks stores. Also considering our c.20% CAGR assumption in e-commerce sales, we estimate **13% CAGR in revenues until 2017.**

Exhibit 10: Summary of Revenue Model

TRLmn	2013	2014E	2015E	2016E	2017E	CAGR
Figures						**2014-2017**
Sales Area (Ksqm)	85,541	121,620	127,420	133,220	134,020	3.3%
No of stores	107	146	153	160	162	3.5%
Sqm/store	799	833	833	833	827	
Revenue/Sqm	11,800	10,760	11,758	12,644	13,328	7.4%
Revenues	**697**	**1,349**	**1,569**	**1,773**	**1,925**	12.6%
YoY	41%	94%	16%	13%	9%	
Retail	636	1,255	1,464	1,648	1,781	12.4%
E-Commerce	51	80	100	120	138	19.9%
Other	9	14	5	5	5	
Breakdown of Revenues						
Retail	91%	93%	93%	93%	93%	
E-Commerce	7%	6%	6%	7%	7%	
Other	1%	1%	0%	0%	0%	

Source: Burgan Research

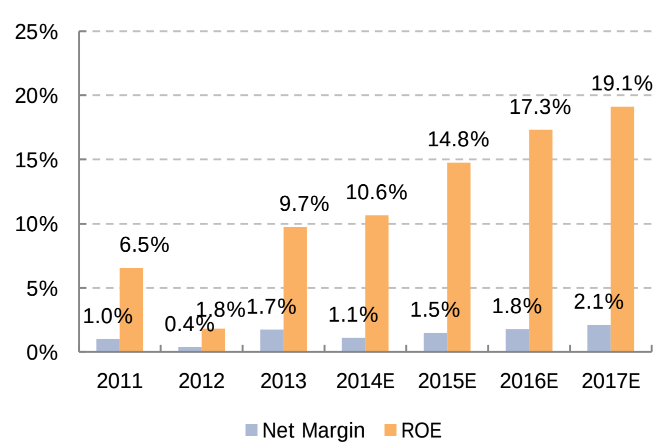
As regards margins, we expect the gross margin to stabilise at around 17.7% in the medium term, and opex/sales ratio to decline along with operating leverage and higher revenue/sqm. Thus, we estimate an 18% CAGR in EBITDA until 2017, implying a 70bp margin improvement from 4.8% in 2014. We estimate long term EBITDA margin at 5.6%.

Meanwhile, Bimeks will incur tax income through its merger with Electroworld, acquired as of Nov'13. According to tax regulations, Bimeks can deduct Electroworld's equity value of TRL43mn from its tax base, which would imply almost no tax payments for 4Q14 and 2015. Bimeks has applied to the CMB for the approval of the merger; hence, we expect the tax benefit to be effective starting from 4Q14.

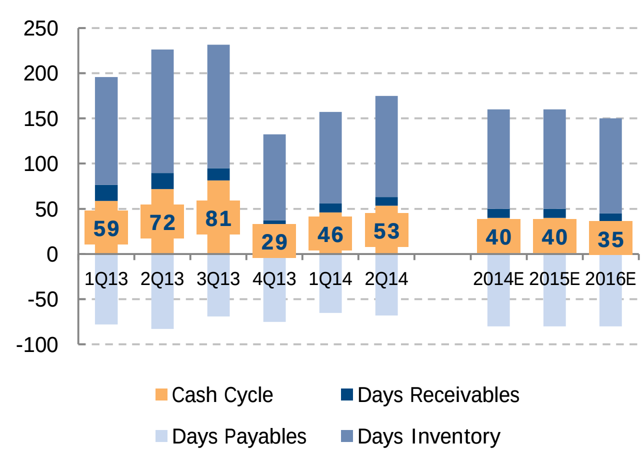
All in all, including the tax income, we project **36% CAGR in net income until 2017**, excluding one-off net expenses related to the acquisition of Electroworld as of 1Q14. Accordingly, we expect the **ROE to improve from 9% in 2014 to 19% by 2017.**

Bimeks's working capital needs have increased since its Electroworld and Darty acquisitions, with its cash cycle having risen from around 29 days to 53 days ytd as of 2Q14. Yet, note that the cash cycle improves seasonally in 2H14; hence, technically the cash cycle should drop on a full-year basis. In our model, we assumed a decline in the cash cycle to 40 days (WC/Sales ratio 9%) in 2015.

Exhibit 11: Net Margin vs. ROE



Cash Cycle

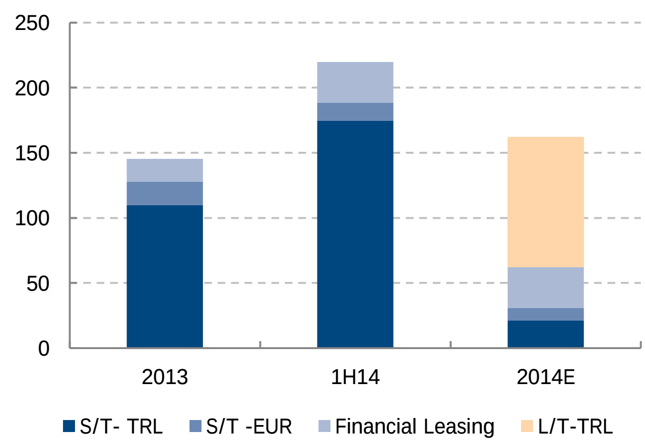


Source: Bimeks, Burgan Research

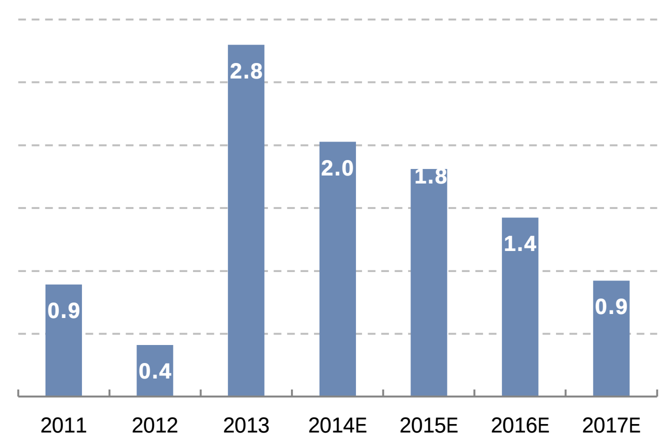
No Major Variations in Debt Structure Foreseen

Bimeks's financial debt has risen by 51% ytd to TRL220mn, of which most are short-term loans, along with a TRL50mn bond (expired as of September 17). The debt associated with financial leasing is almost fully in EUR. Bimeks issued two bonds of an aggregate nominal value of TRL100mn as of September 19: 1-TRL55mn with 2-year maturity; benchmark + 4% coupon rate; 2- TRL45mn with 3-year maturity; benchmark + 4.5% coupon rate. Interest payments will be made on a quarterly basis. The coupon rates are close to that in a previous bond issuance by the Company back in 2012. As of 1H14, net debt/EBITDA ratio was 4.5x, which we expect to decline to 2.2x by YE14, along with a seasonal improvement in profitability in 2H14. We expect net debt to remain at around TRL160mn in 2015, implying **2x net debt/EBITDA ratio**, and to steadily diminish on an annual basis thereafter, along with an improvement in cash generation, thanks to a recovering cash cycle and profitability.

Exhibit 12: Debt Structure



Net Debt/EBITDA



Source: Bimeks, Burgan Research

Bimeks also has a TRL70mn short FX position as of 1H14, which has increased year-to-date due to the absence of derivative contracts for hedging purposes. Yet, Bimeks has continued to use derivative contracts within the quarter to the tune of US$10mn-15mn. We do not expect Bimeks to distribute any dividends before 2016; i.e. until the operational restructuring is completed and an improvement in the cash flow is attained.

Burgan Securities - Equity Rating System

12-month Rating:

Our 12-month rating system comprises the following designations: BUY (B), HOLD (H), SELL (S). The absolute upside to target value implied by the current market capitalisation is the main determinant of our rating system. Valuation tools employed most frequently are Discounted Cash Flow (DCF) and international peer group comparison, though other metrics such as historical relative valuation, price to book, return on equity, replacement value are also used wherever appropriate. Our analysts set the fair/target values with a 12-month investment horizon. Comparing the upside in a specific stock with the market's upside (determined through the aggregate upside of our coverage based on free float Mcaps), in addition to taking other yardsticks into consideration, analysts recommend BUY (B), HOLD (H), SELL (S) based on their 12-month total return views.

Sector Rating

Our investment horizon for industry ratings is again 12 months. This rating gives an indication as to how the analyst sees that particular industry for the next 12-month period in terms of growth, profitability, pricing power, competitive dynamics etc. The rating in this category thus reflects our analyst's assessment of the conjunctural outlook for the industry, without involving any specific benchmarks. The ratings employed are **Overweight (OW), Neutral (N), Underweight (UW).**

Overweight (OW): Due to improving sector related fundamentals and/or attractive valuations, the sector index is expected to perform better than the BIST-100 in the next 12-months

Neutral (N): The sector index is expected to perform in line with the BIST-100 in the next 12-months

Underweight (UW): Due to worsening sector related fundamentals and/or expensive valuations, the sector index is expected to perform worse than the BIST-100 in the next 12-months

Short-term Rating:

Our short-term rating system comprises the following designations: OUTPERFORM (OP), MARKETPERFORM (MP), UNDERPERFORM (UP). Considering possible triggers, catalysts, and/or company, sector & market views, we rate the stocks as:

S/T Stock Rating Summary	Relative Return
Outperform (OP)	>=10%
Marketperform (MP)	<+10% & >-10%
Underperform (UP)	<=-10%

Outperform (OP): If 3-month total return is expected to exceed the BIST-100 (sector index if specified) by more than 10%

Marketperform (MP): If 3-month total return is expected to be in line (+/- 10%) with the BIST-100 (Peerperform if sector index is specified)

Underperform (UP): If 3-month total return is expected to be below the BIST-100 (sector index if specified) by more than 10%

To have a more balanced distribution of ratings, Burgan Securities has requested that analysts maintain ***at least 20% of their ratings as Underperform*** *and* ***no more than 25% as Outperform****, subject to change depending on market conditions.*

Other Qualifiers Utilised:

NR: Not Rated

NC: Not Covered

UR: Under Review

Market Call

Our equity **market call** has an investment horizon of 3-12 months. **Our market calls are** BUY, NEUTRAL, SELL.

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