

## Dogan Holding

April 14, 2008

Earnings slightly lower than expected

HOLD (Maintained)

Rating	<b>HOLD</b>			Target Price (TRY)	3.00	
Current Price (TRY)	1.53			Market Cap.	TRY2.3bn / US\$1.8bn	
P/E 2008E	13.1			EV/EBITDA 2008E	3.7	
<b>(TRYmn)</b>	<b>2007</b>	<b>2006</b>	<b>Δ yoy</b>	<b>4Q07</b>	<b>Δ yoy</b>	<b>Δ qoq</b>
Revenues	10,310	11,984	-14%	2,781	13%	0%
EBITDA	554	605	-8%	158	40%	-1%
Net Earnings	395	892	-56%	61	43%	-49%
EBITDA Margin	5.4	5.0	0.3 pps	5.7	1.1 pps	-0.1 pps

## How were the results?

- Dogan Holding disclosed TRY395mn net profit in FY07, down by 56%, slightly lower than both our forecast of TRY429mn and the consensus estimate of TRY427mn. The Company's TRY10.3bn revenue figure for the year is in line with our estimate of TRY10.4bn, though higher than the consensus forecast of TRY9.9bn, while its TRY554mn EBITDA is in line with both our forecast and the consensus estimate of TRY560mn and TRY565mn, respectively.

## Comment

- The yoy decline in income statement figures is due to the difference in the consolidation method of Petrol Ofisi (POAS) between 2006 and 2007. POAS, which had been fully consolidated in 1H06 and proportionally consolidated at 52.7% in 2H06 following the stake sale to OMV, was consolidated at 53.5% for the full year in 2007.
- Additionally, Dogan Holding recorded a lower amount of one-off gains in 2007 compared to 2006. The Company recorded a TRY694mn one-off gain in 2007 from the sale of Dogan TV and Ray Sigorta shares, less than the TRY902mn one-off gain it had recorded in 2006 due to Dogan Yayin Holding and POAS share sale. Hence, the change in POAS's consolidation method and the decline in one-off gains resulted in a sharp drop in Dogan Holding's net earnings in 2007.
- Dogan's revenues declined by 14% to TRY10.3bn in 2007. Energy and media, the two core business segments of the Company, constituted 70% and 26% of its consolidated revenues for the year. Energy segment's revenues dropped by 23% in 2007 to TRY7.2bn, whereas media segment's revenues increased by 27% to TRY2.6bn. The growth in media segment revenues was driven by TME, as well as the organic growth achieved via existing businesses. Excluding the consolidation effect of POAS, Dogan's revenues in fact grew by 4%.

## Net/Net

- We do not evaluate Dogan Holding on the basis of its consolidated financial statements, as both Petrol Ofisi and Dogan Yayin Holding are listed entities and have reported their 2007 results ahead of Dogan Holding. The stock is trading at a deep discount of 46% to its current NAV, substantially higher than its historical average of 23%. Moreover, Dogan Holding has a very transparent NAV structure, where listed subsidiaries and net cash account for 99% of the NAV. The high discount may be attributed to the absence of short term catalysts, as the Company has been holding its substantial cash balance for the past 18 months. Dogan is closely following the privatisations of electricity distribution networks, highways, bridges and tolls, and national lottery. Despite the high discount, we maintain our HOLD recommendation on the stock for the time being; however, any material development in terms of the aforementioned privatisation projects could lead us to revisit our rating.

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**DOGAN HOLDING (DOHOL TI)**

11-Apr-08									
Current NAV						Target NAV			
(US\$ mn)	Direct stake	Valuation Method	Current Market Cap.	DOHOL's Stake	Weight in NAV	Valuation Method	Estimated Target Value	DOHOL's Stake	Weight in NAV
<b>Media</b>			<b>1,301</b>	<b>820</b>	<b>25%</b>		<b>2,455</b>	<b>1,547</b>	<b>47%</b>
Dogan Yayin Holding	63.02%	Market Value	1,301	820	25%	DCF & NAV	2,455	1,547	47%
<b>Energy</b>			<b>2,130</b>	<b>1,142</b>	<b>35%</b>		<b>3,000</b>	<b>1,608</b>	<b>49%</b>
Petrol Ofisi	53.60%	Market Value	2,130	1,142	35%	DCF	3,000	1,608	49%
<b>Others</b>			<b>319</b>	<b>122</b>	<b>4%</b>		<b>319</b>	<b>122</b>	<b>4%</b>
Ray Sigorta	20.00%	Market Value	198	40	1%	Market Value	198	40	1%
Milpa	65.00%	Market Value	42	28	1%	Market Value	42	28	1%
Celik Halat	62.44%	Market Value	36	23	1%	Market Value	36	23	1%
Ditas Dogan	50.94%	Market Value	18	9	0%	Market Value	18	9	0%
Milta Turizm	95.44%	8.0x EV/EBITDA	25	23	1%	8.0x EV/EBITDA	25	23	1%
<b>Total Value From Participations</b>			<b>3,750</b>	<b>2,084</b>	<b>64%</b>	<b>Target NAV</b>	<b>5,774</b>	<b>3,277</b>	<b>74%</b>
<b>Listed</b>			<b>3,726</b>	<b>2,060</b>	<b>63%</b>		<b>5,749</b>	<b>3,254</b>	<b>100%</b>
<b>Unlisted</b>			<b>25</b>	<b>23</b>	<b>1%</b>		<b>25</b>	<b>23</b>	<b>1%</b>
<b>Holding only Net Cash (Debt)</b>				<b>1,178</b>	<b>36%</b>			<b>1,178</b>	<b>36%</b>
<b>Total NAV</b>				<b>3,262</b>				<b>4,455</b>	<b>100%</b>
<b>MCAP</b>				<b>1,775</b>				<b>1,775</b>	
<b>Premium / (Discount) to Adj. NAV</b>				<b>-46%</b>				<b>-60%</b>	

Source: EFG Istanbul Research Estimates

**Dogan Hold. - Announced Financials (IFRS Basis; TRYmn)**

<b>Income Statement</b>	<b>YE07</b>	<b>YE06</b>	<b>YoY</b>	<b>4Q07</b>	<b>4Q06</b>	<b>YoY</b>	<b>3Q07</b>	<b>QoQ</b>
<b>Net Sales</b>	<b>10,309.6</b>	<b>11,983.9</b>	<b>-14%</b>	<b>2,780.6</b>	<b>2,453.1</b>	<b>13%</b>	<b>2,771.2</b>	<b>0%</b>
COGS	9,174.7	10,864.5	-16%	2,452.9	2,196.2	12%	2,467.7	-1%
<b>Gross Profit</b>	<b>1,134.9</b>	<b>1,119.4</b>	<b>1%</b>	<b>327.6</b>	<b>257.0</b>	<b>28%</b>	<b>303.5</b>	<b>8%</b>
<b>EBITDA</b>	<b>554.0</b>	<b>604.6</b>	<b>-8%</b>	<b>158.2</b>	<b>113.3</b>	<b>40%</b>	<b>159.4</b>	<b>-1%</b>
Operating Exp.	931.5	869.4	7%	266.9	235.5	13%	228.2	17%
<b>Op. Profit</b>	<b>203.4</b>	<b>250.0</b>	<b>-19%</b>	<b>60.8</b>	<b>21.4</b>	<b>184%</b>	<b>75.3</b>	<b>-19%</b>
Net Other Income	366.7	846.8	-57%	-50.4	-47.5	n.m.	-2.7	n.m.
Financial Exp	-251.0	159.2	n.m.	-55.2	-82.8	n.m.	-94.3	n.m.
Taxes	155.9	-39.2	n.m.	33.3	13.0	156%	56.6	-41%
Minority Interest	-270.0	-85.2	n.m.	6.1	-16.9	n.m.	-35.5	n.m.
<b>Net Profit</b>	<b>395.2</b>	<b>891.6</b>	<b>-56%</b>	<b>38.3</b>	<b>26.7</b>	<b>43%</b>	<b>74.8</b>	<b>-49%</b>
<b>Margins</b>								
Gross	11.0%	9.3%	1.7 pps	11.8%	10.5%	1.3 pps	11.0%	0.8 pps
<b>EBITDA</b>	<b>5.4%</b>	<b>5.0%</b>	<b>0.3 pps</b>	<b>5.7%</b>	<b>4.6%</b>	<b>1.1 pps</b>	<b>5.8%</b>	<b>-0.1 pps</b>
Operating	2.0%	2.1%	-0.1 pps	2.2%	0.9%	1.3 pps	2.7%	-0.5 pps
Eff. Tax Rate	19.0%	n.m.		50.9%	23.0%	27.9 pps	33.9%	17.0 pps
<b>Net</b>	<b>3.8%</b>	<b>7.4%</b>	<b>-3.6 pps</b>	<b>1.4%</b>	<b>1.1%</b>	<b>0.3 pps</b>	<b>2.7%</b>	<b>-1.3 pps</b>
<b>Balance Sheet</b>								
Cash & Mkt. Sec.	2,376.1	2,384.5	0%	2,376.1	2,384.5	0%	2,416.4	-2%
Fin. Debt	2,156.8	1,802.1	20%	2,156.8	1,802.1	20%	2,011.3	7%
<b>Net Debt</b>	<b>-219.3</b>	<b>-582.5</b>	<b>n.m.</b>	<b>-219.3</b>	<b>-582.5</b>	<b>n.m.</b>	<b>-405.2</b>	<b>n.m.</b>
Accounts Rec.	1,414.0	1,251.7	13%	1,414.0	1,251.7	13%	1,284.3	10%
Inventories	594.9	526.2	13%	594.9	526.2	13%	613.8	-3%
Accounts Payable	1,449.0	1,450.1	0%	1,449.0	1,450.1	0%	1,442.8	0%
LT Assets	4,480.2	3,553.0	26%	4,480.2	3,553.0	26%	4,204.6	7%
LT Liabilities	2,428.2	1,874.5	30%	2,428.2	1,874.5	30%	2,168.4	12%
<b>Total Assets</b>	<b>9,068.4</b>	<b>7,884.6</b>	<b>15%</b>	<b>9,068.4</b>	<b>7,884.6</b>	<b>15%</b>	<b>8,733.0</b>	<b>4%</b>
<b>Equity</b>	<b>3,757.6</b>	<b>3,389.5</b>	<b>11%</b>	<b>3,757.6</b>	<b>3,389.5</b>	<b>11%</b>	<b>3,718.6</b>	<b>1%</b>
<b>Financial Ratios</b>								
Debt/Equity	141.3%	132.6%	8.7 pps	141.3%	132.6%	8.7 pps	134.8%	6.5 pps
Receivable Days	50	38	12	46	46	0	42	4
Inventory Days	24	18	6	22	22	0	22	-1
Payable Days	58	49	9	53	59	-6	53	1
Net Work. Cap. Days	16	7	9	14	8	6	11	3

Source: The Company, EFG Istanbul Research