

Mid Cap
 Conglomerates
 Equity – Turkey

Neutral (V)

Target price (TRY)	1.41
Share price (TRY)	1.15
Potential return (%)	22.9

Performance	1M	3M	12M
Absolute (%)	3.6	8.5	26.4
Relative [^] (%)	12.2	2.0	-16.5

Index[^] ISTANBUL COMP

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Market cap (USDm) 1,785
 Market cap (TRYm) 2,817

Enterprise value (TRYm) 4113
 Free float (%) 34

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

Dogan Holding

N(V): Set to benefit strongly from domestic recovery

- ▶ **Set to benefit from recovery in domestic economy; we expect ad market growth to lead to a turnaround in EBITDA in 2010**
- ▶ **Developments on media subsidiary's tax penalties are positive, but court cases still present largest risks**
- ▶ **Maintain Neutral (V) rating and target price of TRY1.41**

We expect strong performance from the domestic ad market. First quarter consolidated EBITDA was up strongly by 74% y-o-y mainly driven by the media segment, which turned to positive EBITDA as a result of strong ad revenue, especially in the domestic TV market and reduced program costs. Turkish TV ad spend increased by 55% y-o-y in Q1 to register one of the best first quarter ad spends in recent years while total ad spending rose by 36% y-o-y as key industries are recovering from the crisis. Annual growth rates should come down over the coming quarters due to the reduced impact from a favourable base. We forecast Turkish ad spend to increase by 19% in FY10 driven by 22% growth in TV ad spend. These figures, according to our estimates, will lead to the media subsidiary making a profit in 2010 and will have a positive impact on Holding's financials. Despite a weaker energy segment, we forecast Dogan Holding's EBITDA will grow 44% y-o-y to TRY656m in FY10.

Tax penalty cases heading in a favourable direction but still present the biggest risk. The uncertainty relating to the final outcome of the pending tax cases imposing record tax fines on Dogan's media subsidiary Dogan Yayın, continue to put pressure on the share price performance. Regarding the first tax issue amounting to TRY915m, the ruling was in favour of Dogan Yayın. The legal process continues regarding another tax fine of TRY4.8bn on tax issues relating to Dogan Yayın Holding and its affiliates. We maintain our cautious view on the matter until the final result. The uncertainty over the final outcome of the pending tax cases are the key potential risks, both downside and upside, to our valuation.

Neutral (V) rating and target price of TRY1.41 maintained. We are now switching to a NAV-based valuation methodology rather than our previous DCF analysis as Dogan Holding has invested in some non-listed assets in recent years. Our target price based NAV valuation suggests TRY1.41 per share, the same as our previous valuation, which we adopt as our target price. Our target price implies a potential return of 23%, therefore, we maintain our Neutral (V) rating due to the limited potential return.

3 June 2010

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Issuer of report: HSBC Yatırım
 Menkul Değerler A.Ş.

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This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it

Financials & valuation

Financial statements

Year to	12/2009a	12/2010e	12/2011e	12/2012e
Profit & loss summary (TRYm)				
Revenue	10,317	11,367	12,362	12,800
EBITDA	456	656	755	837
Depreciation & amortisation	-396	-355	-349	-368
Operating profit/EBIT	61	300	407	469
Net interest	-156	-62	-116	-33
PBT	-203	232	315	444
HSBC PBT	-203	232	315	444
Taxation	-116	-46	-63	-89
Net profit	-117	130	164	231
HSBC net profit	-117	130	164	231

Cash flow summary (TRYm)

Cash flow from operations	286	563	670	732
Capex	-312	-284	-284	-282
Cash flow from investment	-552	-484	-484	-482
Dividends	-245	-26	-33	-46
Change in net debt	846	37	-37	-171
FCF equity	-227	223	244	409

Balance sheet summary (TRYm)

Intangible fixed assets	3,027	3,007	3,009	3,003
Tangible fixed assets	1,611	1,741	1,857	1,958
Current assets	4,331	4,283	4,464	4,695
Cash & others	2,280	2,262	2,299	2,471
Total assets	9,553	9,633	9,950	10,294
Operating liabilities	2,059	1,989	2,086	2,121
Gross debt	2,846	2,846	2,846	2,846
Net debt	548	584	547	376
Shareholders funds	3,474	3,578	3,709	3,894
Invested capital	4,630	4,780	4,945	5,065

Ratio, growth and per share analysis

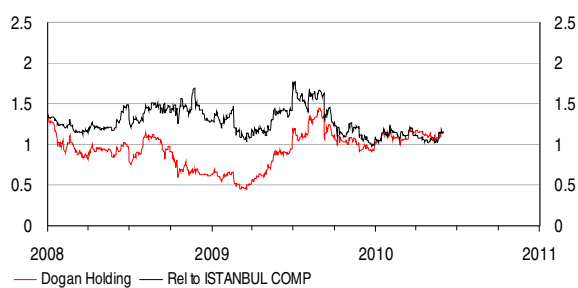
Year to	12/2009a	12/2010e	12/2011e	12/2012e
Y-o-y % change				
Revenue	-17.5	10.2	8.8	3.5
EBITDA	-35.8	43.7	15.2	10.8
Operating profit	-81.8	394.2	35.5	15.3
PBT			36.1	41.0
HSBC EPS	-273.4		26.4	41.0
Ratios (%)				
Revenue/IC (x)	2.3	2.4	2.5	2.6
ROIC	2.1	5.1	6.7	7.5
ROE	-3.2	3.7	4.5	6.1
ROA	13.2	9.1	7.6	7.8
EBITDA margin	4.4	5.8	6.1	6.5
Operating profit margin	0.6	2.6	3.3	3.7
EBITDA/net interest (x)	2.9	10.6	6.5	25.7
Net debt/equity	12.9	13.3	11.8	7.6
Net debt/EBITDA (x)	1.2	0.9	0.7	0.4
CF from operations/net debt	52.3	96.4	122.5	194.7
Per share data (TRY)				
EPS reported (fully diluted)	-0.05	0.05	0.07	0.09
HSBC EPS (fully diluted)	-0.05	0.05	0.07	0.09
DPS	0.10	0.01	0.01	0.02
Book value	1.42	1.46	1.51	1.59

Valuation data

Year to	12/2009a	12/2010e	12/2011e	12/2012e
EV/sales	0.4	0.4	0.3	0.3
EV/EBITDA	8.9	6.3	5.5	4.9
EV/IC	0.9	0.9	0.8	0.8
PE*		21.7	17.2	12.2
P/Book value	0.8	0.8	0.8	0.7
FCF yield (%)	-6.5	6.3	6.8	11.0
Dividend yield (%)	8.7	0.9	1.2	1.6

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

Price relative



Source: HSBC

Note: price at close of 01 Jun 2010

Q110 results – media margin recovery

Dogan Holding reported a net loss of TRY10m for Q110, inline with market expectations and flat y-o-y. On the other hand, first quarter consolidated revenue was up 11% y-o-y while the EBITDA recovery was significantly stronger. While Q110 consolidated EBITDA improved by 74% y-o-y, the media segment EBITDA rose 191%. Though the energy segment contributed c80% of consolidated EBITDA for the quarter, its margins declined due to deterioration in fuel distribution mark ups; at the same time media subsidiary Dogan Yayin improved its EBITDA margins to 4.5% from a negative EBITDA in Q109.

Dogan Holding Q110 result summary

(TRYm)	1Q10a	1Q09a	4Q09a	1Q10 y-o-y	1Q10 q-o-q
Revenue	2,406	2,169	2,769	11%	-13%
COGS	-2,155	-1,982	-2,566	9%	16%
Gross profit	251	187	203	34%	-24%
EBIT	20	-19	-47	204%	143%
Financial income/ exp	-38	-113	-159		
Profit before tax	-18	-132	-206	86%	91%
Taxation	-17	4	-67		
Minority interest	25	117	98		
Net profit	-10	-11	-175	-12%	94%
EBITDA	115	66	70	74%	65%
EBITDA margin	4.8%	3.0%	2.5%		

Source: Company report

We expect strong recovery in Turkish ad spend in 2010

We forecast Turkish ad spend to increase by 19% in FY10e driven by 22% growth in TV ad and 35% in internet ad spend. Turkish TV ad spend increased by 55% y-o-y in Q1 to register one of the best first quarter ad spends in recent years, while total ad spend rose by 36% y-o-y as key industries like auto, finance and communication ad spend performed strongly. Even though the energy segment continues to make up most of the NAV value (52% of target NAV) and EBITDA (82% of the Holding EBITDA in Q1 2010), contraction in fuel distribution margins will most likely lead to slightly lower energy segment EBITDA in 2010 (-12% y-o-y according to our estimates).

Raising operational estimates for 2010-2012 period

Despite raising our sales and EBIT-EBITDA estimates, we cut our FY10e net income estimate by 27% due to higher financial expenses assumed for the year. We expect the rest of the year to be better in terms of revenue and earnings on improved economic sentiment in the domestic market and seasonally strong quarters for media and energy. The upbeat operating performance from media may be negatively impacted by lower energy margins. We forecast EBITDA margin of 5.8% in 2010, increasing to 6.1% in 2011 on higher revenues.

Dogan Holding: forecast changes

TRY million	NEW			OLD			Difference		
	FY10e	FY11e	FY12e	FY10e	FY11e	FY12e	FY10e	FY11e	FY12e
Sales	11,367	12,362	12,800	10,514	10,331	11,070	8%	20%	16%
EBITDA	656	755	837	649	728	823	1%	4%	2%
EBIT	300	407	469	280	352	443	7%	15%	6%
Net Profit	130	164	231	177	189	246	-27%	-13%	-6%

Source: HSBC forecasts

Dogan Yayin's tax case – Positive development but still a risk

The uncertainty relating to the final outcome of the pending tax cases imposing record tax fines on Dogan Yayin (Dogan Holding's media subsidiary) continue to put pressure on share price performance.

Regarding the tax issues that were challenged by Dogan Yayin (cancellation of taxes/fines amounting to TL915m), in a significant portion of these cases, the result was a ruling in favour of Dogan Yayin. The legal process continues regarding a massive tax fine of TRY4.8bn on tax issues relating to Dogan TV Holding and affiliates. We maintain our cautious view on the matter until the final result, therefore our Dogan Yayin valuation (directly affecting Dogan Holding's target NAV) is pulled down by a TRY 0.8bn tax penalty provisions put into our model. The uncertainty over the final outcome of the pending tax cases are the key potential risk, both downside and upside, to our Dogan Yayin Holding valuation.

Valuation – maintain Neutral (V)

We value Dogan Holding at a 20% holding discount to our target Net Asset Valuation (NAV), which yields an unchanged target price of TRY1.41 as shown in the table below. We use a 20% discount (reduced from 35% to 20%), which is the pre-crisis –FY2007 - average holding discount of Dogan Holding shares. As the potential return indicated by our target price remains below 25% (23%) needed for an upgrade to Overweight (V) rating according to HSBC research methodology for volatile Turkish stocks, we maintain our Neutral (V) rating.

Dogan Holding Target NAV (TRYm)

	Direct Stake	Target Price	Value of Stake
Dogan Yayin Holding	75%	1.65	1,230
Petrol Ofisi	54%	7.00	2,086
Hurriyet	11%	1.75	107
Other Listed Companies			112
Unlisted Companies			158
Total Value from participations			3,692
Net debt/Cash			-638
Total NAV			4,330
Number of shares			2,450
Total NAV per share (TRY)			1.77
Holding Discount			20%
Target Share Price (TRY)			1.41
Current Share Price (TRY)			1.15
Potential return			23%

Source: HSBC estimates

Risk & catalysts for Dogan Holding

In the first tax fine case relating to its media subsidiary Dogan Yayin, most of the decisions have so far been in favour of Dogan Yayin. However, the final outcome of second tax penalty case (or a possible settlement decision ahead of the tax court conclusion) should trigger the next share price move either to the up or downside. The potential sale of its stake in energy subsidiary Petrol Ofisi to OMV (OMV management have officially confirmed that talks are on hold) above (below) the market expectations and any possible recovery (downturn) in the macro economic environment fuelling (hampering) ad market growth would be positive (negative) risks for our valuation.

Valuation for Dogan Yayin, Hurriyet and Petrol Ofisi

For Dogan Yayin, we use a DCF methodology to arrive at our 12-month target price of TRY1.65. We assume risk-free rate of 9.5%, beta of 1.02 and equity risk premium of 7.5%. For Hurriyet, we use a DCF methodology with risk-free rate of 9.5%, beta of 1.02 and equity risk premium: 7.5%) to arrive at our 12-month target price of TRY1.75. Our valuation methodology for Petrol Ofisi uses an equally-weighted average of DCF and multiples comparison (P/E and EV/EBITDA), which is then increased by the CoE over 12 months at 14.3% to arrive at our TRY7.0 target price. Our DCF valuation (risk-free rate: 9.5%, beta: 0.88, equity risk premium: 5.5%) for Petrol Ofisi results in a fair value of TRY5.41. Our EV/EBITDA and P/E valuation for results in TRY6.77 and TRY4.29 fair values based on the fuel retail sector peer average 2010e EV/EBITDA and P/E multiple of 5.1x and 7.6x. Our valuation of TRY7.0 implies a potential total return of 7%. We therefore maintain our Neutral (V) rating on the stock

Risks for Dogan Yayin Holding, Hurriyet and Petrol Ofisi

The uncertainty over the final outcome of the pending tax cases are the key potential risks, both downside and upside, to our Dogan Yayin valuation. A macro downturn or TRY weakness are also downside risks to our valuation. Any sign of a recovery in the parent company Dogan Holding's relations with the government constitute a major upside risk for Hurriyet. The speed of a Turkish advertising market recovery and strengthening of the TRY against the USD would be positive for both Hurriyet and Dogan Yayin shares while a macro downturn would be negative. For Petrol Ofisi, potential acquisition of additional stocks by OMV to increase its shareholding (it currently owns c40% of the Company) and lower-than-expected impact on distribution margins will be upside risks to our valuation. A strong regulatory pressure on distribution margins will be downside risk for the Company.

Disclosure appendix

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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. Details of these short-term investment opportunities can be found under the Reports section of this website.

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Rating definitions for long-term investment opportunities

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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,

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Rating distribution for long-term investment opportunities

As of 02 June 2010, the distribution of all ratings published is as follows:

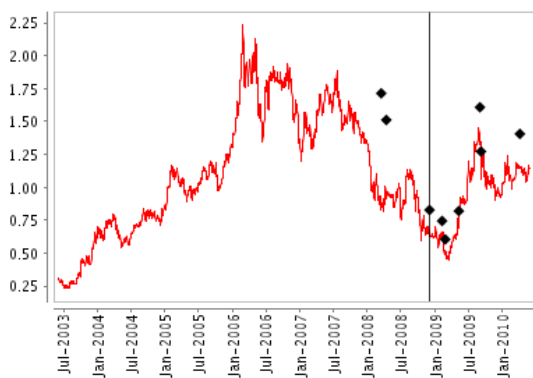
Overweight (Buy) 50% (14% of these provided with Investment Banking Services)

Neutral (Hold) 37% (12% of these provided with Investment Banking Services)

Underweight (Sell) 13% (11% of these provided with Investment Banking Services)

Share price and rating changes for long-term investment opportunities

Dogan Holding (DOHOL.IS) Share Price performance TRY Vs HSBC rating history



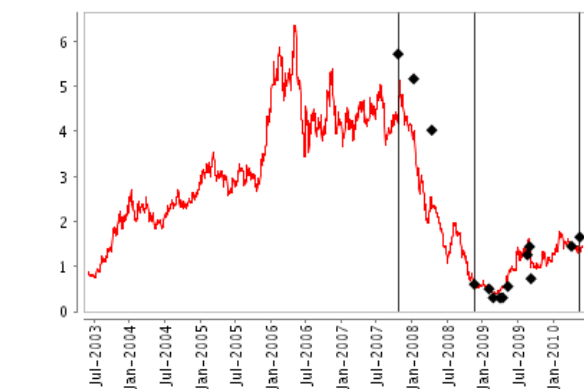
Source: HSBC

Recommendation & price target history

From	To	Date
Overweight (V)	Neutral (V)	04-Dec-2008
Target Price	Value	Date
Price1	1.71	17-Mar-2008
Price2	1.51	14-Apr-2008
Price3	0.83	04-Dec-2008
Price4	0.74	10-Feb-2009
Price5	0.60	27-Feb-2009
Price6	0.82	12-May-2009
Price7	1.61	03-Sep-2009
Price8	1.27	09-Sep-2009
Price9	1.41	07-Apr-2010

Source: HSBC

Dogan Yayin Holding (DYHOL.IS) Share Price performance TRY Vs HSBC rating history



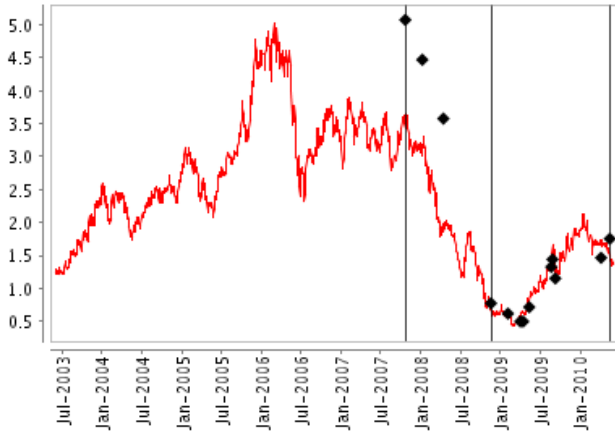
Source: HSBC

Recommendation & price target history

From	To	Date
Neutral (V)	Overweight (V)	22-Oct-2007
Overweight (V)	Underweight (V)	20-Nov-2008
Underweight (V)	Neutral (V)	20-May-2010
Target Price	Value	Date
Price1	5.72	22-Oct-2007
Price2	5.16	11-Jan-2008
Price3	4.03	14-Apr-2008
Price4	0.60	20-Nov-2008
Price5	0.50	04-Feb-2009
Price6	0.30	25-Feb-2009
Price7	0.30	01-Apr-2009
Price8	0.31	15-Apr-2009
Price9	0.55	12-May-2009
Price10	1.26	21-Aug-2009
Price11	1.44	02-Sep-2009
Price12	0.73	09-Sep-2009
Price13	1.45	07-Apr-2010
Price14	1.65	20-May-2010

Source: HSBC

Hurriyet (HURGZ.IS) Share Price performance TRY Vs HSBC rating history



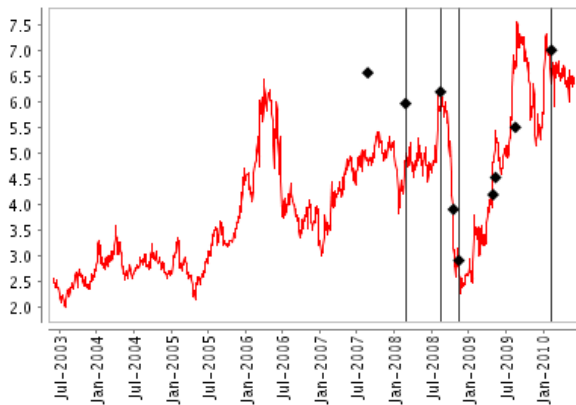
Source: HSBC

Recommendation & price target history

From	To	Date
Neutral (V)	Overweight	22-Oct-2007
Overweight	Underweight (V)	18-Nov-2008
Underweight (V)	Neutral (V)	17-May-2010
Target Price	Value	Date
Price1	5.08	22-Oct-2007
Price2	4.47	08-Jan-2008
Price3	3.58	14-Apr-2008
Price4	0.77	18-Nov-2008
Price5	0.62	04-Feb-2009
Price6	0.50	01-Apr-2009
Price7	0.50	14-Apr-2009
Price8	0.71	12-May-2009
Price9	1.33	21-Aug-2009
Price10	1.44	27-Aug-2009
Price11	1.15	09-Sep-2009
Price12	1.46	07-Apr-2010
Price13	1.75	17-May-2010

Source: HSBC

Petrol Ofisi (PTOFS.IS) Share Price performance TRY Vs HSBC rating history



Source: HSBC

Recommendation & price target history

From	To	Date
Overweight (V)	Overweight	25-Feb-2008
Overweight	Underweight	15-Aug-2008
Underweight	Underweight (V)	13-Nov-2008
Underweight (V)	Neutral (V)	11-Feb-2010
Target Price	Value	Date
Price1	6.56	24-Aug-2007
Price2	5.96	25-Feb-2008
Price3	6.19	15-Aug-2008
Price4	3.90	17-Oct-2008
Price5	2.91	13-Nov-2008
Price6	4.19	30-Apr-2009
Price7	4.52	12-May-2009
Price8	5.50	18-Aug-2009
Price9	7.00	11-Feb-2010

Source: HSBC

HSBC & Analyst disclosures

Disclosure checklist

Company	Ticker	Recent price	Price Date	Disclosure
DOGAN HOLDING	DOHOL.IS	1.15	02-Jun-2010	2
HURRIYET GAZETEC.	HURGZ.IS	1.39	02-Jun-2010	6
PETROL OFISI	PTOFS.IS	6.45	02-Jun-2010	11

Source: HSBC

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