

Agenda

05 Monday

- TurkStat, July inflation
- China, July Caixin PMI non-mfg. PMI
- Germany, July Markit non-mfg. PMI
- Eurozone, July Markit non-mfg. PMI
- U.K., July Markit non-mfg. PMI
- U.S., July Markit non-mfg. PMI
- U.S., July non-mfg. ISM

06 Tuesday

- CBRT, July inflation assessment
- CBRT, REER
- Germany, June factory orders

07 Wednesday

- Germany, June industrial production
- U.S., jobless claims

08 Thursday

- U.S., June wholesale inventories

09 Friday

- CBRT, June balance of payments
- Japan, 2Q19 GDP Growth
- China, July CPI & PPI
- Germany, June trade balance
- U.K., 2Q19 GDP Growth
- U.K., June industrial production
- U.K., June trade balance
- U.S., July PPI

Outlook:

Global stock markets have generally steadied on Tuesday as the fears of a currency war have somewhat abated with China setting its daily Yuan fixing stronger than expected, suggesting that it would not use the value of its currency in the trade tension between the US. The BIST100 also advanced 0.9% to close at 99,584 yesterday, with the lead of the banking sector index that rose by 1.7%. The EM currencies have been depreciating amid the escalation of the US-China trade dispute; however, the TRY has continued to diverge positively from its peers. Investors will today follow Germany's June industrial production and US jobless claims data; there will be no major local data announcements. The US President Trump's economic advisor Mr Kudlow yesterday stated that the US expects Chinese negotiators visiting Washington for another round of trade talks in September, despite the recent escalation in trade tension. Notwithstanding this cue, the Asian markets have been trading lower on lingering trade war fears today. We thus expect the US-China trade tension related news flow to continue to be effective in setting the course of the markets in the near term. And in parallel to the course of major international markets, we expect the BIST to open slightly negatively today. SUPPORT:98.500, 97.200. RESISTANCE: 100.600, 101.700.

Money Market:

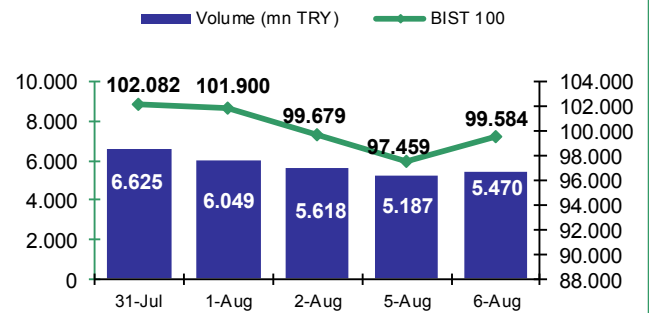
The Lira was positive yesterday, gaining 0.13% against the USD to close at 5.5250. Additionally, the currency appreciated by 0.19% against the basket composed of \$0.50 and €0.50. Meanwhile, the local fixed income markets were relatively flat. The ten-year benchmark bond was traded within a tight range of 15.53%-15.59%, ending the day at a low of 15.53%, 6 bps above its previous close.

Sector News:

S&P Global states that Turkey's problem loans (NPL's+restructured loans) might exceed 20% in 2020 as the economic risk is on negative trend due to uncertain length and implications of the economic recession. Please note that problem loans currently stands around 10% (**Slightly negative**).

Company News:

Aselsan's (ASELS.TI; OP) net profit rose 19% YoY and 12% QoQ to TRY 704mn in 2Q19, in line with the consensus of TRY 698mn and our TRY 720mn net profit estimate. Positive operational results (rising net sales revenue and EBITDA) plus higher financial income (interest gain) of TRY 52mn in 2Q19 (vs. TRY 65,6mn financial loss in 2Q18) supported the bottom-line. The top-line rose to 37% YoY and 31% QoQ to TRY 2.626mn in 2Q19 (Con: TRY 2.757mn, Seker: TRY 2.757mn) due to a strong dollar and high backlog. The 2Q19 EBITDA of TRY 552mn rose by 32% YoY and 40% QoQ. Increased sales revenue supported EBITDA in Q2 (Cons: TRY 571mn, Seker: TRY 570mn). However, gross and EBITDA margins fell 0.4pp and 0.9pp YoY to 25.1% and 21.0% in 2Q19, respectively, due to increased COGS. On the other hand, the company has recorded a deferred tax income of TRY 53mn in 2Q19 (vs. TRY 0.5mn deferred >>>



Indices (TRY)	Previous	Last	Chg.	YTD
BIST 100	98.673	99.584	0,92%	9,11%
BIST 30	123.663	124.950	1,04%	9,28%
BIST-Financial	115.121	116.516	1,21%	15,76%
BIST-Industrial	113.014	113.676	0,59%	8,39%
BIST-Services	73.166	73.721	0,76%	3,04%

Advances		Declines		Most Active	
Stocks	(%)	Stocks	(%)	Stocks	Vol (TR)
AKFGY	19,88	PARSN	-17,13	GARAN	917.488.225
PEGYO	13,73	EUHOL	-14,50	THYAO	841.606.064
KAPLM	11,90	BURCE	-8,45	HALKB	310.997.900
KLNMA	11,52	KATMR	-5,75	AKBNK	267.269.158
EDIP	11,25	CIMSA	-4,52	VAKBN	254.822.475

Money Market	Previous	Last	Pr. Mn	YE15
O/N Repo (%)	18,85	18,85	0,00	25,48
Bond (Benchmark, %)	16,08	16,11	19,03	19,73

Currency	Previous	Last	Chg.	YTD
US\$	5,5320	5,525	-0,13%	4,56%
Euro	6,1875	6,1725	-0,24%	2,19%
Euro/Dolar	1,1185	1,12058	0,19%	-1,97%

Commodity	Previous	Last	Chg.	YTD
Oil (Brent spot, \$)	58,7	58,7	0,01%	6,71%
Oil (NYMEX future, \$)	53,6	53,5	-0,21%	15,00%
Gold (Ounce, \$)	1.474,2	1.487,6	0,91%	15,95%
Silver (XAG, \$)	16,4	16,7	1,78%	7,87%

Şeker Funds	Previous	Last*	Chg.	YTD
Fiba Portföy Şekerbank Money	1,641128	1,641988	0,05%	14,00%
Fiba Portföy Şekerbank Short T.	0,019291	0,019304	0,07%	13,31%

* Prices as of 07-Aug-19

>>> tax gain in 2Q18) supported bottom-line. We consider that market reaction will be neutral today as the bottom-line and operational results came in line with market consensus. In light of the disclosed Q2 financials, we maintain **Outperform** rating with our TP to **TRY 24.0/shr**, implying 29% upside potential.

The company's total backlog rose to USD 10.2bn in 2Q19 from USD 9.1bn in YE18 (USD 9.4bn in 1Q19). With regards to publicly-disclosed projects, the company undertook around USD 1.8bn in new projects in 1H19. The company's backlogs consist of 5% foreign and ~95% domestic customers. As of 2Q19, 44% of contracts in the backlog are denominated in USD, 35% Euro and 21% in TRY.

The decrease in net cash is remarkable - Aselsan's net cash decreased to TRY 165mn in 1H19 from TRY 1,498 mn in 1Q19. In addition, the deterioration in the company's net working capital continued in this quarter while we consider this situation to be negative.

Aselsan maintains its guidance for 2019 - The Company expects net sales revenue growth of 40-50% in TRY terms, while the EBITDA margin is expected at 19-21% for YE19. It budgets for TRY 1bn capex for 2019.

Bizim Toptan (BIZIM.TI; N/C) has recorded a net profit of TRY 7mn in 2Q19 (2Q18: TRY 5mn net profit). The print was in line with the market average estimate of TRY 7mn. Bizim Toptan's total net profits for 1H19 reached TRY 11mn (1H18: TRY 6mn). The company attained TRY 1.12bn of consolidated revenues in 2Q19, up by 18.7% YoY (2Q18: TRY 947mn). The market average consensus sales revenues forecast had been at TRY 1.13bn. Consolidated EBITDA rose to TRY 70.0mn in 2Q19 (2Q18: TRY 32.0mn), thus, above the market average consensus of TRY 63mn. The EBITDA margin rose to 6.2% in 2Q19 from 3.3% in 2Q18, indicating 2.9pp YoY improvement

Coca Cola Icecek (CCOLA.TI; OP) is to announce its 2Q19 financials today, after the market close. Sales revenues are expected to grow by c.21% YoY to TRY 3.811mn in 2Q19E (Şeker Invest est.: TRY 3.787mn). EBITDA is expected to reach TRY 749mn YoY (Şeker Invest est.: TRY 772mn) in 2Q19. The net profit expectation for 2Q19E is TRY 343mn according to the market average estimate (Şeker Invest est.: TRY 341mn).

BİM (BİMAS.TI; MP) has recorded a net profit of TRY 347mn in 2Q19 (2Q18: TRY 293mn net profit). The print was above the market >>>

>>> average estimate of TRY 306mn. BİM's total net profits for 1H19 reached TRY 562mn (1H18: TRY 528mn). The company attained TRY 10.25bn of consolidated revenues in 2Q19, up by 31.4% YoY (2Q18: TRY 7.8bn). The market average consensus sales revenues forecast had been at TRY 10.21bn. Consolidated EBITDA rose to TRY 847.0mn in 2Q19 (2Q18: TRY 442.0mn), thus, above the market average consensus of TRY 739mn. The EBITDA margin rose to 8.3% in 2Q19 from 5.7% in 2Q18, indicating 2.6pp YoY improvement.

Enerjisa (ENJSA.TI; N/C) has announced a net profit of TRY 161.4mn in 2Q19, (2Q18: TRY 256.1mn), thus rather below the market average estimate of TRY 228mn. Total net profits for 1H19 reached TRY 458.8mn (1H18: TRY 499.0mn).

Halkbank (HALKB.TI; MP) has authorized its management to issue up to TRY25bn securities, with various maturities up to 10 years (Neutral).

Kardemir (KRDMD.TI; MP) reported a net profit of TRY 102.6mn in 2Q19 (-50% YoY, +52% QoQ), almost in line with our expectation of TRY 96.3mn yet better than the market average estimate of TRY 76.6mn, attributable possibly to a lower-than-expected fx translation impact and a deferred tax gain of TRY 5.7mn in 2Q19. Kardemir's revenues remained flat QoQ (+30.1% YoY) at TRY 1,639mn in 2Q19, and were similar to the market average expectation of TRY 1,651mn and our estimate of TRY 1,684mn. Down to a mixture of relatively lower steel product prices and higher costs, its EBITDA fell 46.9% YoY, yet improved by 20.1% QoQ to TRY 244mn in 2Q19, also in line with the market average expectation of TRY 239mn, and better than our estimate of TRY 221mn. Kardemir's EBITDA margin improved by 2.5 pp QoQ to 14.9% in 2Q19, however, it was notably 21.6 pp lower YoY over an exceptionally strong base. Thanks mainly to lower FX translation losses, the company's net financial expenses declined markedly by 60.0% YoY and by 29.9% QoQ to TRY 81mn in 2Q19. And with TRY5.7mn of deferred tax gains, its net income reached TRY 102.6mn, 49.7% lower YoY, yet suggested a 51.8% improvement QoQ. Thanks to a notable improvement in its working capital requirement, Kardemir's net debt declined further to TRY 1.4bn at end-2Q19 (end-1Q19: TRY 1.5bn); however, its net debt/ EBITDA slightly increased to 1.0x from 0.9x at end-1Q19. All in, we expect the company's better than expected net earnings announcement to have a moderately positive impact on its short-term share performance.

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World Indices					
America	Previous	Last	Chg.	YTD	
Dow Jones (US)	25.718	26.030	1,21%	11,58%	
Nasdaq (US)	7.726	7.833	1,39%	18,05%	
S&P 500 (US)	2.845	2.882	1,30%	14,96%	
Bovespa (Brasi)	100.098	102.164	2,06%	16,24%	
Europe	Previous	Last	Chg.	YTD	
Dax (Germany)	11.659	11.568	-0,78%	9,56%	
FTSE 100 (UK)	7.224	7.172	-0,72%	6,59%	
CAC 40 (France)	5.242	5.235	-0,13%	10,65%	
MIB30 (Italy)	20.773	20.632	-0,68%	12,59%	
PSI20 (Portugal)	4.852	4.833	-0,37%	2,15%	
ASE (Greece)	851	844	-0,79%	37,69%	
RTSI (Rusia)	1.282	1.295	0,95%	21,13%	
Asia	Previous	Last	Chg.	YTD	
Nikkei (Japan)	20.720	20.585	-0,65%	2,85%	
Hang Seng (Hong Kong)	26.151	25.976	-0,67%	0,51%	
Shanghai Comp. (China)	2.822	2.778	-1,56%	11,37%	
KOSPI (South Korea)	1.947	1.918	-1,51%	-6,05%	
Sensex (India)	36.700	36.977	0,75%	2,52%	
Turkdex (Set. Price)	Previous	Last	Chg.	YTD	
INX30 (August 19)	125,425	126,300	0,70%	7,01%	
USD (August 19)	5,6081	5,571	-0,66%	2,06%	
EURO (August 19)	6,2844	6,251	-0,53%	-0,59%	
GOLD (August 19)	263,50	264,31	0,31%	16,78%	
Portfolio Recommend.	Inclusion Date	Inclusion Price	Last Close	Chg. (%)	BIST Relative
Migros	05/07/19	14,42	16,69	15,7%	15,8%
Turkish Airlines	06/12/17	12,80	12,37	-3,4%	3,1%
Pegasus	06/03/18	35,64	48,66	36,5%	60,3%
Petkim	06/08/19	3,74	3,74	0,0%	0,0%
Turkcell	01/11/18	11,93	12,38	3,8%	-3,7%
Garanti Bank	17/01/19	9,25	9,76	5,5%	13,2%
Portfolio Yield (yoy)				-1,3%	-3,6%
Portfolio Yield (mom)				-1,3%	-1,2%

*Starting date of portfolio 30/11/2004

We lower our 12M TP to TRY 2.30/sh reviewing our near and long-term estimates with the prevailing steelmaking margins and a new macro set, and revise our rating down to Market Perform for KRDM shares – We expect Kardemir's revenue growth to decelerate in 2H19E; its operating profitability would also remain lower when compared to the exceptionally strong base of 2018. Following the announcement of its 2Q19 results, we have lowered our 2019E EBITDA expectation for Kardemir down to TRY 961mn from TRY 1,124mn previously. We have also implemented our new macroeconomic estimates into our valuation model, that include relatively stronger TRY and more moderate CPI expectations going forward when compared to our previous assumptions. Also updating the company's relative valuation to its peers, we have reached a new 12M TP of TRY 2.30 for Kardemir's Group D shares, currently indicating an upside potential of 9.5%. And as we think that it may be somewhat early at this point to call for a meaningful recovery in local demand and steelmaking margins in the near term, we have revised our rating on the company shares to "Market Perform", while remaining cautiously optimistic on the company specific positives. KRDM shares are currently trading at a 2019E EV/EBITDA of 4.0x by our estimates, compared to their international peer median of 5.2x.

Migros (MGROS.TI; OP) has recorded a net loss of TRY 150mn in 2Q19 (2Q18: TRY 163mn net loss). The print was better than the market average estimate of TRY 163mn net loss. Migros's total net losses for 1H19 reached TRY 381mn (1H18: TRY 536mn). The company attained TRY 5.81bn of consolidated revenues in 2Q19, up by 28.4% YoY (2Q18: TRY 4.52bn). The market average consensus sales revenues forecast had been at TRY 5.65bn. Consolidated EBITDA rose to TRY 557.0mn in 2Q19 (2Q18: TRY 236.0mn), thus, above the market average consensus of TRY 488mn. The EBITDA margin rose to 9.6% in 2Q19 from 5.2% in 2Q18, indicating 4.4pp YoY improvement.

Petkim (PETKM.TI, OP) is expected to share its 2Q19 results tomorrow, on August 8th, 2019, before the market opening. The company plans to hold a conference call to discuss its financial results on the same day at 16:00 IST time (GMT+3). We expect the company's revenues to rise strongly by c.29% YoY and by c.8% QoQ to TRY 3,044mn in 2Q19E (market average est.: TRY 3,022mn), owing mainly to TRY depreciation and rising sales volume, even though ethylene and other aromatics prices were generally lower YoY, on average. We estimate Petkim generating an EBITDA of TRY 492mn (market average est.: TRY 518mn) with a YoY increase of c.12% and a notable QoQ improvement of 71%, with the relative improvement in ethylene-naphtha spreads in 2Q19E. We estimate Petkim's EBITDA margin retreating by c.3 pp YoY, yet improving strongly by c.6 pp QoQ to around c.16% in 2Q19E. We expect its net profits to decline slightly by c.5% YoY over a strong base, and increase by 129% QoQ to TRY 353mn in 2Q19E. The market average estimate for Petkim's net profit is somewhat below our expectation, at TRY 319mn for 2Q19E.

Sabancı Holding (SAHOL.TI; OP) has announced a net profit of TRY 889.2mn in 2Q19 (2Q18: TRY 1.16bn net profit). Thus below the market consensus net profit estimate of TRY 911mn. Following the 2Q19 result, total profit reached to TRY 1.95bn in 1H19 (1H18: TRY 2.22bn net profit).

TAV Airports Holding (TAVHL.TI; OP) has shared its monthly traffic figures for July 2019. As expected, the terminal operator's total PAX traffic declined significantly by c.34% YoY in July, at a similar pace to the previous month, following the closing of Istanbul Ataturk International Airport to passenger traffic on April 6th, 2019. Excluding Istanbul Ataturk International Airport's traffic numbers, the Group has recorded a total PAX growth of c.3% in July 2019, indicating a slowdown when compared to c.6% growth attained in June 2019, attributable to a stronger base and the fading impact of Eid-al Fitr (observed in June) on PAX recovery, and also to Russia's ban on direct flights between Russia-Georgia. The data announcement may reflect slightly negatively on the Group's short-term share performance.

- **TAV Airports Holding's passenger traffic at its Turkish operations showed a significant decline of 41.5% YoY in July 2019 (June 2019: -39.8%), as Istanbul Atatürk International Airport had been closed for passenger traffic on April 6, 2019. Excluding Istanbul, the total number of PAX served in TAV Airports Holding's Turkish operations (Antalya, Ankara, İzmir, Bodrum & Gazipasa) have, however, increased by 1.4% YoY, following a growth of 4.7% YoY in June 2019. PAX growth in Antalya International Airport decelerated slightly to 11.1% YoY in July 2019 (June 2019: +12.7% YoY) due to the deceleration of its international PAX growth to 14.5% YoY (June 2019: +15.2% YoY), while the decline in the domestic PAX traffic also accelerated to 8.3% YoY (June 2019: -1.4% YoY). Meanwhile, passenger traffic in Ankara, İzmir and Gazipasa airports continued to retreat by 20.6%, 6.8% and 9.1% YoY, respectively (June 2019: -15.9%, -1.0% and -7.9% YoY, resp.), due mainly to declining domestic demand. Passenger traffic growth in Bodrum Milas Airport also decelerated to 1.4% YoY in July 2019 (June 2019: +11.5% YoY) attributable mainly to a significant decline in domestic PAX traffic (July 2019: -10.8% YoY, June 2019: +1.3% YoY).**
- **Total PAX growth in TAV's international operations (c.23% of total Pax in July 2019) accelerated to 11.1% YoY in July 2019 (June 2019: +9.2% YoY).** Passenger traffic in Georgian Batumi and Tbilisi airports, the most successful international operations of TAV Airports Holding, have shrank significantly by 10.3% YoY in July 2019 as the ban on direct flights between Russia and Georgia came into effect on July 8th, 2019. However, as traffic growth towards Medinah has improved significantly to 27.0% YoY ahead of the Hajj season, following a decline of 5.5% in June 2019, the total PAX growth in TAV's international operations has even accelerated towards 11.1% in July 2019. Meanwhile, TAV's passenger traffic growth in Tunisia decelerated slightly to 24.8% YoY in July 2019, as its base got stronger, and in Macedonia to 8.1% YoY (June 2019: +14.3% YoY). PAX traffic in Zagreb declined by 3.4% YoY in July 2019 (June 2019: +1.5% YoY).

TSKB (TSKB.TI; OP) has purchased 0.275 mn **TSKB REIT (TSGYO.TI; N/C)** shares in a TRY0.79/share price and increased its stake to 87.94% (**Neutral**).

Tupras (TUPRS.TI; OP) is expected to announce its 2Q19 results today, after the market close. The company will be holding a conference call to discuss its financial results at 19:00 IST time (GMT+3). According to market average expectations, Tupras' top line is expected to continue growing strongly by c.21% YoY (c.+17% QoQ) to TRY 24.3bn (Seker Invest est.: TRY 25.4bn) in 2Q19E, on account of oil price movements and the course of the TRY against the US\$ in 2Q19. However, due to narrowing light-heavy crude differentials, lower crack margins and maintenance works at its Izmit RUP unit, its EBITDA is expected to decline notably by c.40% YoY (+61% QoQ) to TRY 1.3bn (Seker Invest est.: TRY 1.1bn), indicating a quarterly EBITDA margin expectation of c.5% in 2Q19E. According to market average estimates, Tupras is expected to report a net income of TRY 548mn in 2Q19E (Seker Invest est.: TRY 490mn), c.47% below YoY, yet signifying a notable improvement when compared to TRY375mn net losses recorded in 1Q19.