

GLOBAL YATIRIM HOLDING

ATTRACTIVE PORT-FOLIO

- Global Investment Holding continues to invest in the port business. The company signed an agreement to acquire 60% stake in Bodrum Cruise Port for US\$8.5mn.
- We like the port business due to its stable cash flow and significant room for improvement; hence we see the potential for value creation. Following the İzmir port acquisition, GIH will restructure its port business and gather its port assets under a holding, in which Deutsche Bank will become a partner.
- Following the addition of Bodrum Port, we value Global Ports Holding (GPH) at US\$526 mn (previously US\$508 mn), implying US\$268 mn for GIH's 51% stake. Our DCF analysis indicates an equity value of US\$20.2 mn for Bodrum Cruise Port, translating into an US\$12.1 mn for GPH's stake.
- Bodrum Cruise Port could become the gateway and cruise hub in the Mediterranean since Bodrum is one of the most popular globally known holiday resorts in Turkey.
- Global recently signed a MoU (memorandum of understanding) with Dundee Precious Metals Inc. to assess project opportunities in the mineral resource sector in Turkey.
- The key risks to our investment case are the potential for rights issue, global conditions for project financing and opaque shareholder structure.
- Based on our estimated NAV, GIH currently trades at 42% discount to NAV. We maintain our BUY recommendation for the stock and calculate a 39% 12-m upside potential in dollar terms.

EQUITY RESEARCH STRONG BUY

Current Price (January 07, 2008)	YTL1.65
Current Mcap (mn)	US\$319
12-mth Target Price	YTL2.42
Target Mcap (mn)	US\$443

12-mth Forecast Returns (US\$)	
Dividend Yield	0%
Capital Appreciation	39%
12-mth Total Return	39%

Stock Data			
Ticker	GLYHO.IS	GLYHO TI	
# of Shares (mn)			225
3MAvg. Trd. Vol. (mn)			US\$6.4
52-week Range	YTL 0.96	YTL 1.88	

Market Data	
ISE 100	52,570
YTL/US\$	1.1651

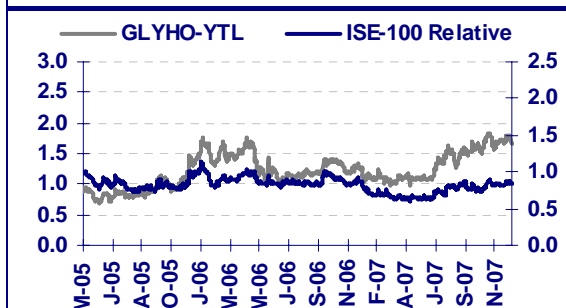
Shareholder Structure	
Management	15%
Foreign Institutional	50%
Public	35%

Financials (US\$ mn)	2006	2007E	2008E	2009E
Net Sales	76	123	229	336
% ch yoy		62	87	47
EBITDA	21	23	73	103
% ch yoy		11	218	41
Net Income	14	19	17	64
% ch yoy		28	-10	287

Operating Margins	2006	2007E	2008E	2009E
Operating Margin	24%	18%	31%	29%
EBITDA Margin	27%	19%	32%	31%
Net Profit Margin	19%	15%	7%	19%

Financial Ratios	2006	2007E	2008E	2009E
P/E (US\$, x)	22.0	17.2	19.2	5.0
EV/EBITDA (US\$, x)	19.6	17.6	5.5	3.9
EV/Sales (x)	5.3	3.3	1.8	1.2

Price Performance	1M	3M	YTD	YoY
US\$ Absolute	-5%	6%	-5%	79%
ISE-100 Relative	2%	12%	-1%	5%



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Attractive Port-portfolio... Global Investment Holding (GIH) currently runs Kusadasi Cruise Port, and the multifunctional Antalya Port. GIH also won the operating rights for İzmir Alsancak Port for 49 years by submitting the highest bid of US\$1.275mn, together with Hutchison (HPH & HPT) and Aegean Exporters Association (EIB-Limas). The tender was approved both by the High Competition Court and the High Privatization Council; however, clearance of the High State Council is still required.

Finally, GIH added Bodrum Cruise Port in its portfolio last week by signing a new agreement to acquire 60% of the port from ERS Insaat, a local construction company. The share transfer of Bodrum Port could be completed following the acquisition of necessary approvals from Ministry of Transportation and other institutions.

Bodrum Port Overview: Bodrum Port, one of the newest cruise terminals of Turkey, is previously owned by Port Authority of Ministry of Transportation, in which ERS Insaat and Setur (tourism subsidiary of Koc Holding) became the first owners with 90% and 10% stakes following the port privatization back in 2004. Afterwards, one of the well-known local businessmen from Bodrum province, Yüksel Çağlar, purchased the 30% stake of ERS Insaat in 2005. Following the recent agreement between Global and ERS Insaat, the consortium including Global (60%), Setur (10%) and Yüksel Çağlar (30%) became the private operator in charge of managing the port for the next twelve years.



The port is located in inner city and has a significant cruise arrival potential on a total area of 17K m². A new wharf with 220 meters length and an alongside depth of 17 meters was built to serve two cruise ships above GRT (Gross Register Tonnage) of 20K and two ferries at the same time. The major investments at Bodrum Cruise Port had been completed, and the port is planned to be operational in mid 2008 with its 120 meters long ferry berth and a terminal including a customs district and other public places such as restaurants, travel agencies and shopping stores, and a duty-free area. We believe Bodrum Cruise Port could become the gateway and cruise hub in the Mediterranean since Bodrum is one of the most popular globally known holiday resorts in Turkey, famous for its night life, beaches and its history.

VALUATION- Bodrum Cruise Port

We have already mentioned the ongoing restructuring activity in the port business of Global Investment Holding in our previous company update report published back in November 27, and stated that Global intends to transform its wholly owned infrastructure subsidiary into a pure port holding company, which will be renamed as Global Port Holding (GPH). Once again, as a reminder, Deutsche Bank (DB) will inject cash into the new company in return for a 49% stake. The amount of the cash injection will depend on the valuation of Kuşadası and Antalya Port, and also Bodrum Port as well at that moment.

Currently, following the agreement signed for Bodrum Port, we value the GPH at US\$526 mn, comprising 51% of the total portfolio. Our DCF analysis indicates an equity value of US\$20.2 mn for Bodrum Cruise Port, translating into a US\$12.1 mn for GPH's stake.

Our set of assumptions for Bodrum Cruise Port is as follows:

- We have used a twelve year DCF valuation model to value the port, since the port will be returned to the Port Authority at zero cost at the end of 2020.
- We follow the company guidance regarding the total number of fast ferries to be hosted each year at the terminal, which is expected to be 2,000 till the end of our forecast period starting from 2008. Although one should argue the size at the first sight, the port will exclusively serve fast ferries running between Greece islands and Bodrum. More importantly, the customs district is the significant advantage of the port to attract more ferries and cruise ships going forward.
- On cruise side, we expect the port to host 94 cruise ships in 2008, which is also confirmed by GIH's marketing department. For the rest of our DCF period, we increased our cruise ship arrival estimation by 15% in 2009 and 10% in 2010, which is then conservatively raised by only 4% each year, ending the forecast horizon with 176 cruise ships and 283K cruise passengers.
- On the landing fee side, we copied the average fee schedule of Kuşadası and Alanya Cruise Ports, which should be standing at US\$8 in 2008. For service fee charged, we applied the service fee per GRT (Gross Register Tonnage), which is determined by State Port Authority, in which all cruise port operators are obliged to follow.
- We project that the port will experience a 7% CAGR in its revenues between 2008–2020 operating periods. We estimate that the 2008 EBITDA margin of 68% will increase to 72% in 2009 and further rise to 75% in 2013. We think that the increasing cruise traffic and Turkey's tourism performance will improve margins as time passes.

- We set our long-term investment CAPEX at US\$0.1mn, as the major investments had been already completed.
- The other revenue sources are rental and duty-free revenues from the shopping complex. The port has a duty-free contract with Koc group's Setur, which guarantees 30% of total passengers visiting duty-free stores each year. In other words, the port is entitled to receive US\$2.6 per each passenger.
- We used a risk free rate of 7.0% in our DCF calculations and used a 420 bps equity risk premium, translating into an 11.2% cost of equity.

Bodrum Port Business Model (US\$ mn)													
	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Revenues	3.7	4.1	4.4	4.6	4.9	5.2	5.4	5.8	6.1	6.4	6.8	7.2	7.6
Vessel Handling	2.6	2.9	3.2	3.4	3.7	3.9	4.1	4.4	4.7	5.0	5.3	5.7	6.1
Shopping Complex Rental Rev.	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.6
Setur Duty Free Revenue	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Others	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
EBITDA	2.5	2.9	3.2	3.4	3.6	3.9	4.1	4.3	4.6	4.9	5.2	5.5	5.8
<i>EBITDA margin (%)</i>	<i>68%</i>	<i>72%</i>	<i>73%</i>	<i>74%</i>	<i>74%</i>	<i>75%</i>	<i>75%</i>	<i>75%</i>	<i>76%</i>	<i>76%</i>	<i>76%</i>	<i>76%</i>	<i>76%</i>
Operating Profit	2.0	2.4	2.7	2.9	3.1	3.4	3.6	3.8	4.1	4.4	4.7	5.0	5.3
<i>Operating Margin</i>	<i>55%</i>	<i>60%</i>	<i>62%</i>	<i>63%</i>	<i>64%</i>	<i>65%</i>	<i>66%</i>	<i>66%</i>	<i>68%</i>	<i>68%</i>	<i>69%</i>	<i>69%</i>	<i>69%</i>
Tax	0	0	1	1	1	1	1	1	1	1	1	1	1
Depreciation	1	1	1	1	1	1	1	1	1	1	1	1	1
Capex	0	0	0	0	0	0	0	0	0	0	0	0	0
Free Cash Flows	2	2	3	3	3	3	3	3	4	4	4	4	5
PV of Free Cash Flow	2	2	2	2	2	2	2	1	1	1	1	1	1
Risk Free rate	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Risk Premium	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cost of Equity	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
Discount Factor	1.1	1.2	1.4	1.5	1.7	1.9	2.1	2.3	2.6	2.9	3.2	3.6	4.0
EV (US\$ mn)	20.2												
Net Debt (9M07)	0.0												
Fair Value (US\$ mn)	20.2												
GPH's stake (%)	60%												
Value to GPH (US\$ mn)	12.1												

Sensitivity Analysis

As the cruise port business is driven by the passenger traffic mainly linked to ferries served in Bodrum Port and the landing fee charged, a deviation in one of these components could lower the equity value of Bodrum Cruise Port and the value to Global Ports Holding. The table below provides the sensitivity of equity value to the increase and decline in ferry traffic and landing fee charged. Assuming the total number of ferries as 3,000 after 2008 till the end of the forecast horizon, and setting landing fee at US\$10 for 2008, we reached equity of US\$19.7 mn. In contrast, estimating the total number of ferries to be at 1,000, and setting the landing fee as US\$6 in 2008 will result in an equity value of US\$7.1 mn.

Sensitivity to ferry traffic and landing fee (US\$mn)					
Landing revenue per pax for 2008	Ferry Traffic				
	1,000	1,500	2,000	2,500	3,000
\$6	7.1	8.6	10.2	11.7	13.3
\$7	7.9	9.6	11.4	13.1	14.9
\$8	8.7	10.7	12.6	14.5	16.5
\$9	9.6	11.7	13.8	15.9	18.1
\$10	10.4	12.7	15.0	17.3	19.7

Source: RJ

NAV including Bodrum Cruise Port

Global Yatırım Holding Sum of the Parts Valuation	Valuation Method	Market Cap. / Equity Value US\$m	Equity Share	Portfolio Value US\$m	as % of total portfolio
Energy Business					
Konya	DCF	31	17%	5	1%
Corum	DCF	20	8%	2	0%
Usak	DCF	8	12%	1	0%
Eregli	DCF	13	24%	3	1%
Nigde-Nevsehir	DCF	12	17%	2	0%
Denizli	DCF	29	24%	7	1%
Antalya	DCF	34	24%	8	2%
Erzincan	DCF	10	24%	2	0%
Karaman	DCF	9	24%	2	0%
Aksaray	DCF	15	24%	3	1%
Total		182		36	7%
Power Generation	DCF			58	11%
Port Management				268	50%
Global Ports Holding	SOP	526	51%	268	
Real Estate				119	22%
Kusadasi Holiday Village project	DCF	110	20%	22	4%
Parkhotel project	DCF	222	20%	44	8%
Veli Alemdar Han	DCF	23	20%	5	1%
Bodrum Luxury Villas	DCF	5	100%	5	1%
Pera RET	Market Value	89	48%	43	8%
Other Investments					
Bilecik Demir Celik	DCF	52	40%	21	4%
Finance Segment					
Global Securities	05 P/BV @2.0x+06E P/BV@2.72x	34	80%	27	5%
GAM	3% of AUM	3	100%	3	1%
Others (Hedef, Global Romania)	05 P/BV @0.8x	1.6	100%	2	0%
Total		38		31	6%
Total Portfolio				533	100%
Net Cash / (Debt)				21	
NAV				554	
Mcap				319	
Prem/Disc to NAV				-42%	

Based on our estimated NAV, GIH currently trades at 42% discount to NAV. We maintain our BUY recommendation for the stock and calculate a 39% 12-m upside potential in dollar terms. However, we still see the potential for rights issue, global conditions for project financing and opaque shareholder as key risks.

Raymond James Securities – Turkey

Rating definitions:

- 1-Strong Buy** : The analyst has high conviction that the stock will appreciate and produce a total return of at least 25% in US\$ terms over the next 12 months.
- 2-Buy** : The analyst believes that the stock will appreciate and produce a total return of at least 15% in US\$ terms over the next 12 months.
- 3-Hold** : The analyst believes that the stock will produce a total return of less than 15% in US\$ terms over the next 12 months.
- 4-Sell** : The analyst believes that the stock will generate a negative return in US\$ terms over the next 12 months.
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