

Ulker Biskuvi

December 3, 2007

Better than expected

BUY (Maintained)

Rating	BUY	Target Price (TRY)	6.71
Current Price (TRY)	4.8	Market Cap.	TRY1,157.2mn / US\$987.8mn
P/E 2008E	8.1	EV/EBITDA 2008E	5.8

(TRYmn)	9M07	9M06	Δ yoy	3Q07	Δ yoy	Δ qoq
Revenues	1,133.1	1,453.8	-22.1%	453.3	-11.4%	41.9%
EBITDA	131.2	120.1	9.2%	42.5	-18.4%	12.6%
Net Earnings	125.4	77.6	61.5%	49.8	-40.4%	23.5%
EBITDA Margin	11.6%	8.3%	3.3 pps	9.4%	-0.8 pps	-2.4pps

How were the results?

- Ulker Biskuvi's consolidated net earnings increased by 62% yoy to TRY125.4mn in 9M07, exceeding our estimate of TRY78mn (Consensus: TRY116mn), due to higher net other income and a lower effective tax rate (i.e. 15%), in addition to a better-than-expected EBITDA of TRY131.2mn.

Comment

- The Company's net sales dropped by 22% yoy to TRY1,133mn, still above our estimate of TRY941mn (Consensus: TRY1,113mn). Note that Ulker Biskuvi's 50.5% subsidiary, Biskot Gida, sold its entire stake in AGS Anadolu Gida -- a 99% subsidiary of Biskot Gida -- and acquired a 90%-majority stake in Rekor Gida, Ulker Group's marketing company, in Sep 2007. With these transactions, Ulker Biskuvi gained indirect control over Rekor Gida, while its indirect control over AGS Anadolu Gida ended. The financial figures in 9M06 and 9M07 were adjusted by Company management to incorporate the changes mentioned above.

- Moreover, since Atlantik Gida, a fully-consolidated marketing subsidiary of Ulker Biskuvi, was deconsolidated as of Nov 30, 2006, we adjusted the 9M06 financials through deconsolidating Atlantik Gida for comparison purposes. The adjusted figures indicate a 35.5% yoy increase in 9M07 net sales. (Adjusted 9M06 figures are presented in Exhibit 2 below).

- The post-adjustment figures indicate that the Company's gross margin improved by 0.8pps yoy to 24.3% in 9M07. However, the 6.1-pp qoq decline in 3Q07 gross margin to 19.3% demonstrates that the effects of higher material costs started to be felt more in 3Q07 than in 2Q07, when the VAT cut from 18% to 8% was partly used by the Company.

- Moreover, after the adjustment, the EBITDA increased by 2.6% yoy to TRY131.2mn, better than our estimate of TRY110mn (Consensus: TRY145mn). (Unadjusted figures imply a 9.2% yoy improvement). Despite a 0.8-pp improvement in the gross margin according to post-adjustment figures, EBITDA margin declined by 3.7pps yoy to 11.6%. This contraction is mainly driven by a surge (i.e. 75.6% yoy after the adjustment) in marketing&sales expenses in 9M07.

- Moreover, post-adjustment figures indicate a 51.8% yoy growth in 9M07 net income, mainly due to a net fx gain of TRY16mn at the end of 9M07, compared to a net fx loss of TRY24mn as at 9M06.

Net/Net

- Ulker Biskuvi's operating performance is better than our estimate. The Company sustained its robust net sales revenue growth in the third quarter, although gross margin declined due to higher material costs. We plan to revisit our estimates after discussing the 9M07 results with the Company management.

Research Analyst

Hakan Deprem +90 212 317 2703

hakan.deprem@efgistanbulsec.com

Exhibit 1
Summary Financials (IFRS Basis; TRYmn)

<i>Income Statement</i>	<i>9M07</i>	<i>9M06</i>	<i>YoY Δ</i>
Net Sales	1,133.1	1,453.8	-22.1%
Gross Profit	275.7	267.2	3.2%
EBITDA	131.2	120.1	9.2%
Op. Profit	112.2	99.3	12.9%
Net Profit	125.4	77.6	61.5%
Margins			
<i>Gross</i>	24.3%	18.4%	6.0 pps
EBITDA	11.6%	8.3%	3.3 pps
<i>Operating</i>	9.9%	6.8%	3.1 pps
Net	11.1%	5.3%	5.7 pps

Exhibit 2
Adjusted Summary Financials (IFRS Basis; TRYmn)

<i>Income Statement</i>	<i>9M07</i>	<i>9M06(adj)</i>	<i>YoY Δ</i>
Net Sales	1,133.1	836.1	35.5%
Gross Profit	275.7	196.4	40.4%
EBITDA	131.2	127.8	2.6%
Op. Profit	112.2	107.1	4.8%
Net Profit	125.4	82.6	51.8%
Margins			
<i>Gross</i>	24.3%	23.5%	0.8 pps
EBITDA	11.6%	15.3%	-3.7 pps
<i>Operating</i>	9.9%	12.8%	-2.9 pps
Net	11.1%	9.9%	1.2 pps
