

Our initial take on inflation accounting

Based on recent public statements from economy management, inflation accounting is highly likely to be applied from January 2024 onwards with the exclusion of financial sector. Accordingly, we made a research on its potential impact on BIST-100 firms excluding financial sector, conglomerates and REITs.

Inflation accounting is basically a practice of adjusting financial statements using price indexes. Balance sheet figures (non-monetary items) are restated to reflect their current values. Non-monetary items, which are subjected to price indexing, are namely inventories, tangible and intangible assets coupled with shareholder's equity. International Financial Reporting Standards (IFRS) defines hyperinflation as prices, interest, and wages linked to a price index rising 100% or more cumulatively over three years.

After indexing, a monetary loss or gain (non-cash) is recognized under income statement, which will eventually decrease or increase shareholder's equity.

Loosely speaking, a monetary gain will be recognized in most firms in which

- non-monetary assets are greater than non-monetary liabilities
- inventory turnover rate is high
- accounts receivable turnover (collection) rate is high
- assets are heavily financed via bank loans

Certainly, as a result of inflation accounting, valuation multiples will be impacted. Should monetary gain (loss) is recognized P/E ratio will decrease (increase) and at the same analogy P/B will decrease (increase).

On the next page, we examine companies based on four criteria and try to ascertain whether they are positively impacted from inflation accounting. Please note that in our analysis we give a general picture of potential impact of inflation accounting on BIST-100 firms for our investors. The real impact of inflation accounting may vary from our analysis as every company must be examined case by case. It is also noteworthy that companies with non-TL functional currencies (i.e. aviation) are likely to be affected via their subsidiaries which have functional currencies in TL. Tax financials will include major impact and have indication for taxes to be paid.

According to our rating system, 1 point is assigned for each criterion. A total of 4 points (max. 3 points for energy, aviation, technology and health companies due to no inventory) can be obtained. The ranking was made according to the score received / total score. Accordingly, companies with a ratio above 50% are expected to be evaluated more favorably. Our criteria can be summarized as follows:

Non-monetary Assets/Equity above 150% score 1 point, below 150% score 0 point.

Financial Debt / Total Assets above 50% 1 point, below 50% 0 point.

Cash & Cash Equivalents / Current Assets median value below 17% 1 point, above 0 point.

Inventory Turnover Days median value below 86 is 1, above 86 is 0 (energy, aviation, technology, healthcare companies not included).

*No ranking has been made among companies with the same rating.

** Based on the latest financials announced as of 1 November 2023. Accordingly, companies that have not yet announced their financial results yet, second quarter financials are taken into consideration.

OYAK YATIRIM RESEACH

Ticker	Non-monetary Assets / Equity	Financial Debt / Total Assets	Cash & Cash Equivalents / Current Assets	Inventory Turnover Days	Rate
IZMDC	562%	80%	5,8%	60,11	100%
ZOREN	301%	54%	15,1%	8,31	100%
SASA	260%	57%	10,4%	119,98	75%
TTKOM	302%	60%	20,8%	8,48	75%
BIMAS	171%	20%	10,1%	38,31	75%
TCELL	178%	57%	50,5%	3,14	75%
ULKER	268%	64%	30,1%	83,32	75%
THYAO	203%	39%	9,8%	8,78	67%
AKFYE	312%	55%	55,4%	0,00	67%
PGSUS	401%	62%	41,0%	5,36	67%
SMRTG	159%	36%	12,6%	93,42	67%
VESBE	111%	14%	1,2%	55,01	50%
KMPUR	31%	40%	14,3%	46,64	50%
VESTL	358%	32%	7,2%	97,89	50%
TAVHL	271%	37%	43,8%	22,73	50%
GENIL	72%	16%	0,0%	47,13	50%
DOAS	74%	18%	10,4%	46,35	50%
YYLGD	76%	69%	8,8%	112,61	50%
SOKM	245%	21%	17,8%	54,11	50%
MGROS	258%	17%	42,0%	53,26	50%
KONTR	190%	31%	11,8%	88,88	50%
GUBRF	180%	38%	11,5%	92,40	50%
KARSN	181%	46%	2,9%	104,90	50%
KORDS	157%	39%	8,9%	129,11	50%
FROTO	164%	39%	31,5%	30,42	50%
HEKTS	151%	63%	20,8%	281,68	50%
OTKAR	169%	56%	19,4%	163,47	50%
IPEKE	175%	2%	9,6%	124,50	50%
EUREN	91%	25%	3,4%	73,55	50%
KCAER	84%	30%	7,7%	71,34	50%
AEFES	278%	27%	45,4%	80,07	50%
AKSEN	127%	26%	6,9%	4,55	33%
YEOTK	89%	25%	13,0%	29,31	33%
MPARK	239%	35%	17,6%	25,84	33%
ASTOR	30%	5%	12,4%	65,86	33%
EUPWR	23%	7%	10,6%	53,03	33%
CWENE	70%	6%	9,4%	89,00	33%
GESAN	49%	10%	8,0%	67,81	33%
CANTE	78%	1%	7,6%	56,59	33%
PENTA	7%	1%	9,5%	39,74	33%
ENJSA	175%	26%	20,2%	8,67	33%

Ticker	Non-monetary Assets / Equity	Financial Debt / Total Assets	Cash & Cash Equivalents / Current Assets	Inventory Turnover Days	Rate
KRVGD	125%	41%	12,4%	86,02	25%
PETKM	134%	49%	28,7%	39,53	25%
ASELS	100%	17%	3,4%	172,82	25%
AKSA	99%	24%	18,2%	65,38	25%
KRDMD	104%	9%	11,5%	108,52	25%
EGEEN	61%	32%	16,7%	105,71	25%
QUAGR	63%	39%	7,3%	124,12	25%
TATGD	69%	46%	5,3%	248,35	25%
CIMSA	99%	28%	28,3%	53,66	25%
YATAS	82%	35%	7,2%	90,51	25%
KOZAL	36%	2%	1,5%	123,82	25%
BIENY	22%	19%	0,7%	97,34	25%
KONYA	75%	24%	17,9%	64,64	25%
IMASM	90%	14%	7,2%	169,78	25%
OYAKC	55%	10%	18,6%	61,17	25%
KAYSE	83%	18%	17,0%	138,51	25%
KOZAA	75%	2%	9,4%	124,59	25%
KLKIM	40%	5%	35,1%	47,44	25%
AKCNS	78%	12%	35,6%	38,01	25%
TTRAK	47%	15%	43,8%	51,38	25%
EREGL	96%	21%	16,1%	163,69	25%
TOASO	38%	14%	43,2%	28,67	25%
TUPRS	76%	13%	42,4%	35,89	25%
INDES	11%	13%	17,4%	19,76	25%
ARCLK	178%	40%	26,4%	103,61	25%
CCOLA	135%	34%	42,0%	68,53	25%
BUCIM	69%	9%	30,3%	75,04	25%
SISE	131%	35%	31,5%	102,69	0%
BRSAN	110%	23%	18,7%	128,58	0%
TUKAS	57%	25%	21,8%	139,23	0%
ALKIM	41%	3%	30,3%	86,52	0%
ISDMR	96%	19%	19,7%	144,24	0%
MAVI	62%	20%	40,0%	120,17	0%
ECILC	111%	11%	35,5%	148,79	0%
ODAS	112%	2%	21,9%	50,61	0%
AHGAZ	133%	3%	87,7%	1,92	0%
GWIND	96%	25%	86,6%	1,11	0%
MIATK	69%	9%	17,8%	7,66	0%
ALFAS	39%	8%	20,3%	77,53	0%

Source: Datastream, table can be regarded as a rough approximation, ranking methodology is shared in detail on the previous page

Disclaimer

The information, comments and advices included herein do not constitute an offer or a solicitation of an offer to buy or sell any securities. The matters covered on this report may include forward-looking statements that involve risk and uncertainties that could cause actual results to differ materially from those predicted by such forward-looking statements. OYAK Yatırım Menkul Değerler A.Ş. ("OYAK Securities"), does not undertake to advise you of changes in the information or opinions set forth herein or provide you with access to any additional information or to correct any inaccuracies therein which may become apparent subsequent to the date hereof or to publicly update any information or any forward looking statement, whether as a result of new information, future events or otherwise. Content and information provided by third parties is published as supplied to OYAK Securities and OYAK Securities has not independently verified any of such information.

The investment information, comments and advices given herein are not part of investment advisory activity. Investment advisory services are provided by authorized institutions to persons and entities privately by considering their risk and return preferences. Whereas the comments and advices included herein are of general nature. Therefore, they may not be appropriate for your financial situation and risk and return preferences. For this reason, making an investment decision solely by relying on the information given herein may not give rise to results within your expectations. Investors should not make their investment decisions on the basis of this report and construe the contents of this report as legal, tax, financial or investment advice.

OYAK Securities, any of its parents, subsidiaries or affiliates, agents, employees or representatives, do not make any representations or warranties, express or implied, for the accuracy, timeliness, completeness or fairness of any such information or any estimates, conclusions or opinions based thereon, and does not accept any liability or responsibility whatsoever for the contents of the report or for any errors, omissions or mis-statements or for any adverse consequences of the investment decisions made as a result of reliance upon this report.

OYAK Securities, any of its parents, subsidiaries or affiliates, agents, employees or representatives may hold positions and execute transactions in securities of entities mentioned in the document. In addition, OYAK Securities, any of its parents, subsidiaries or affiliates, agents, employees or representatives might have, might be seeking or will seek investment banking or other business relationships with the companies in this report.

Copyright in this report is owned by OYAK Securities except where otherwise indicated by a third party's proprietary notice and may not be reproduced or appropriated in any manner without written permission of OYAK Securities or their respective owners.

Valuation Approach

Valuation tools employed most frequently are Discounted Cash Flow (DCF) and International Peer Group Comparison, though other metrics such as Dividend Discount, Gordon Growth, and Replacement Value Methods are also used wherever appropriate. Oyak Securities analysts may calculate the target return of each stock considering only one method or assigning different weights to more than one method depending on the analyst's opinion. The "Expected Market Return" (**EMR**) of the BIST-100 is determined through aggregate target returns of each stock under coverage based on their respective free float market capitalization. Our coverage accounts for around 80% of the total market capitalization of the BIST.

Rating Methodology

Oyak Securities assigns recommendations to each stock according to the following criteria:

Price target for a stock represents the value analyst expects the stock to reach during our performance horizon, which is 12 months. For stocks with an OUTPERFORM recommendation, target return must exceed the EMR by at least 10% over the next 12 months. For a stock to be classified as UNDERPERFORM, the stock must be expected to underperform the EMR more than 10% over the next 12 months. Stocks that an analyst expects to perform parallel to the EMR within a band of +/- 10% are rated as MARKETPERFORM.