



GNAM Investment Competition

Koç University

Top Investment Idea – Tumosan (TMSN)

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Tumosan – Company Overview

Key Milestones

1976 – Company founded as a state-owned establishment
1977 – License Agreement with Fiat
1981 – Engine Montage Started
1983 - Tractor Montage Started
1986 – Tractor & Engine Workshops Completed
1987 – Engine Production Started
1989 – License Agreement with Fiat ended
1993 – Manufacturing Reestablished
2004 – Albayrak group acquired Tumosan with privatization
2005 – Engine & Tractor Manufacturing Started
2012 – IPO
2014/8 – Altay Tank Powertrain
2014/9 - TUMOSAN Casting Acquisition Completed
2015/1 – High Speed Train MOU agreement
2015/3 – Altay Tank Powertrain Agreement inked & Tumosan Defence Industries Established

Future Projects

2017 – New Diesel engine production
2018 – Harvester Production

Local Presence

65 States
104 Dealer
399 Service

Global Presence

Dealers in 15 countries (EU & Middle East)

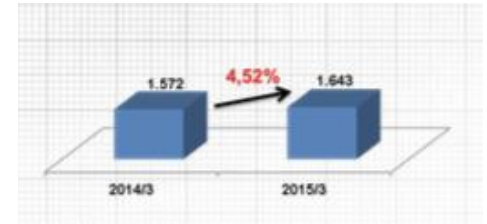




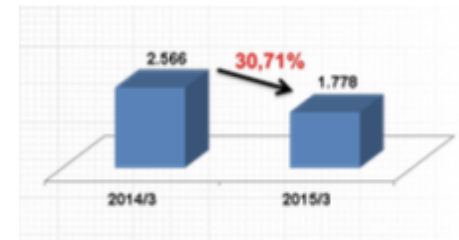
Tumosan- Key Take-Outs

- Tumosan Motor ve Traktor Sanayi AS is engaged in manufacturing & production of diesel engine and tractors. It offers after-sale services & its diesel engines are used for manufacturing tractor, generator, automotive & cleaning equipment & marine vehicle.
- Beneficial political position of the stakeholders, upcoming Turkish Army Main Battle Tank tender, structural and competitive advantage to peers, boosted momentum in 2016 Q3 and trading at a discount to global peers; makes Tumosan highly attractive.
- On a side note, Tumosan's sales growth is not strictly dependent on exports. Government purchase is the main source of income in the coming terms.

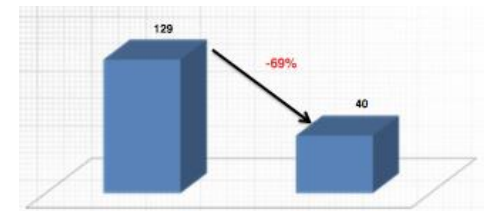
Sales



Production



Export



Macro Outlook - Turkey

Rising political uncertainties weigh on the economy

General Information



GDP	USD718bn (World ranking 18, World Bank 2015)
Population	78.7mn (World ranking 18, World Bank 2015)
Form of state	Republican Parliamentary Democracy
Head of government	Binali YILDIRIM (Prime Minister; AKP)
Next elections	2019, legislative



Strengths

- Important geostrategic position that has historically always ensured aid when needed
- Public finances
- Adequate business environment
- Well-educated workforce and competitive economy
- Regional hub between Europe, MENA and Asia

Weaknesses

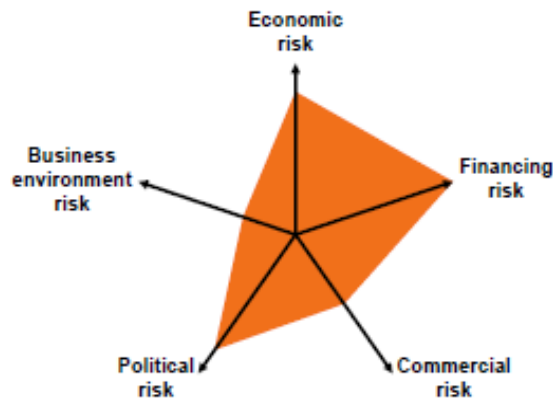
- Exchange rate vulnerability to domestic and external shocks
- Economic policy responsiveness
- Persistently large current account deficits, largely financed through short-term external debt which has consequently rapidly risen
- (External) debt refinancing risk of weaker companies and banks
- Deep-rooted division in society between secularists and religious conservatives
- Geopolitical risks



Macro Outlook - Turkey

Country Rating

C3



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports	Rank	Imports
Germany	9% 1	12% China
United Kingdom	7% 2	10% Germany
Iraq	6% 3	10% Russia
Italy	5% 4	5% United States
United States	4% 5	5% Italy

By product (% of total)

Exports	Rank	Imports
Road vehicles	13% 1	15% Chemicals
Basic metals	12% 2	11% Basic metals
Textiles	9% 3	10% Road vehicles
Clothing	9% 4	10% Machinery and equipment
Machinery and equipment	8% 5	5% Fuels

Source: Turkstat (2015)





Macro Outlook - Turkey

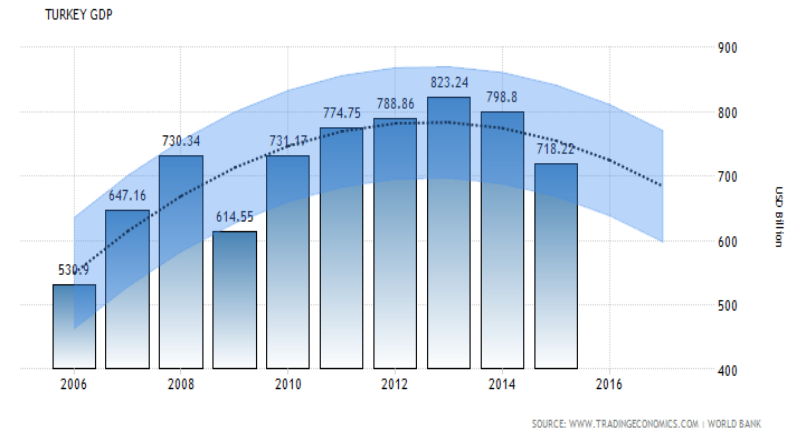
Why to invest in Turkey?

- Turkey is the standout performer in Emerging Europe and its economic numbers point to a continuation of the rapid growth it has enjoyed since 2002
- Turkey is focused on attracting foreign direct investment to help bolster the technological base of the country and is offering a plethora of incentives
- Turkey's demographics stand in stark contrast to those of its European neighbors; half of its population is under the age of 30
- "Turkey is considered a shining star among emerging markets, with its positive long-term prospects and convenient location to access surrounding markets"
- The country has set itself an ambitious target of becoming one of the ten largest economies in the world by 2023



Macro Outlook - Turkey

- There are significant facts that shall be monitored and investigated in order to find the best fit for the portfolio investments especially in Turkey.
- We would like to underline the fact that this happened within the last 6 months so that we can understand why Turkish markets only returned 2.8 % while S&P 500 returned 4 % from December 31, 2015 until October 27, 2016.



For the next 6 months we anticipate some of the possible news and then forecasted some of the events that may affect XU100:

- The US will have Presidency elections and then FED will decide on interest rates at their meetings.
- Turkey will possibly have Presidency referendum and the vote for new constitution.
- The European Central Bank discusses ending quantitative easing that may affect Turkish exports to Europe

Macro Outlook - Turkey

- Turkish government changed in May due to a miscommunication issue between the President and the Prime Minister.
- On July 15, there was a coup attempt, organized by the illegal organizations within the government institutions which lead to a state of emergency for at least 6 months.
- After the coup attempt, S&P and Moody's downgraded Turkey from an investment grade to a junk grade.
- Turkey started operations to Syria and some Eastern Turkey regions which resulted with thousands of deaths and questions about Turkey entering to Iraq too.
- Some of the greatest companies of Turkey accused to be linked with the coup and state terminated those companies which created lack of liquidity at the markets.





Macro Outlook - Turkey

- Number of tourists arriving to Turkey between January and October 2016 declined 32 % on annual basis while the number of corporations established declined 13 % in the same period.
- Numerous terror attacks occurred while political instability and political arguments covered all the news.
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- Turkey will possibly have Presidency referendum and the vote for new constitution.





Macro Outlook - Turkey

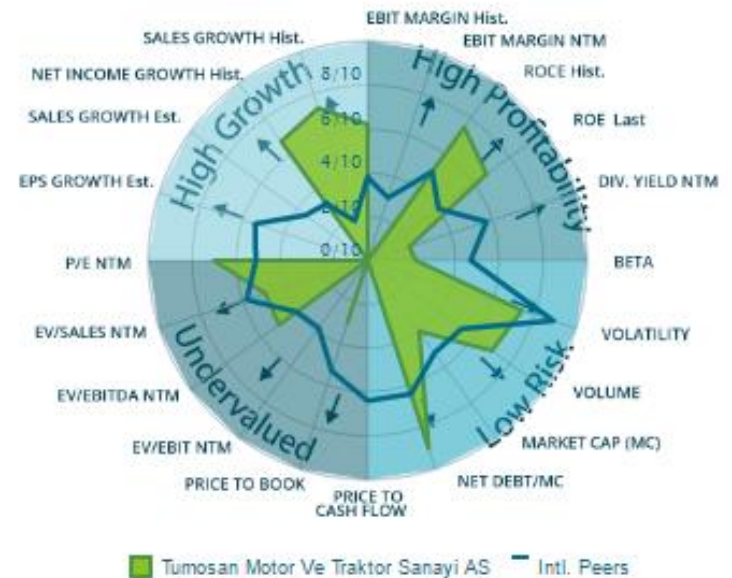
- The European Central Bank discusses ending quantitative easing that may affect Turkish exports to Europe.
- Fitch may cut Turkish bond grades and decline Turkish grade from investment grade to a junk grade.
- Moody's possible downgrade may have a negative impact on the Turkish stock market.
- Turkey may start a war with Iraq.
- Turkish Central Bank may continue to cut interest rates which will depreciate Turkish Lira.
- 3 elections and 1 referendum will take place in Europe which will have a major effect on European politics on Turkey.



Competitor Analysis

International Peers

Company Name	Ctry	Market Cap. last (m\$)	Beta 1-Year	Year-To-Date Price Change (in local currency)
Tumosan Motor Ve Trakto...	TUR	296	1.23	-11.7%
International Peers Median			1.23	-10.6%
Escorts Limited	IND	687	1.23	119.9%
Kubota Corp.	JPN	20 043	1.55	-10.6%
First Tractor Co., Ltd.	CHN	562	0.85	-12.0%
First Tractor Co Ltd	CHN	1 764	1.50	-13.1%
Lindsay Corp.	USA	833	1.03	8.3%





Valuation

Valuation History TMSN

	Price/Earnings	Price/Book	Price/Sales	Price/Cash Flow								
● TMSN ● S&P 500												
History	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	TTM	
Price/Earnings												
TMSN	—	—	—	—	—	—	—	10.9	14.2	34.4	22.4	
S&P 500	16.8	16.5	10.9	18.6	15.5	13.7	15.0	18.6	18.6	19.0	19.6	
Price/Book												
TMSN	—	—	—	—	—	—	—	2.6	2.7	4.1	3.2	
S&P 500	2.9	2.7	1.7	2.2	2.2	2.0	2.1	2.6	2.7	2.7	2.8	
Price/Sales												
TMSN	—	—	—	—	—	—	—	1.3	1.3	2.3	2.0	
S&P 500	1.6	1.5	0.9	1.2	1.3	1.2	1.3	1.7	1.8	1.8	1.9	
Price/Cash Flow												
TMSN	—	—	—	—	—	—	—	-45.2	-19.7	21.6	3,998.4	
S&P 500	11.1	11.6	6.8	9.1	9.3	8.5	9.2	11.2	11.5	11.5	12.4	

Valuation Measures

Market Cap (intraday) ⁵	922.3M
Enterprise Value ³	967.99M
Trailing P/E	22.40
Forward P/E ¹	N/A
PEG Ratio (5 yr expected) ¹	N/A
Price/Sales (ttm)	1.95
Price/Book (mrq)	3.18
Enterprise Value/Revenue ³	2.05
Enterprise Value/EBITDA ⁶	14.12



Risk Factors

Beta (Ref. ISE National 100)

	Levered beta	Unlevered beta
1-Year	1.23	1.19
2-Year	1.07	1.04
3-Year	0.96	0.93
5-Year	N/A	N/A

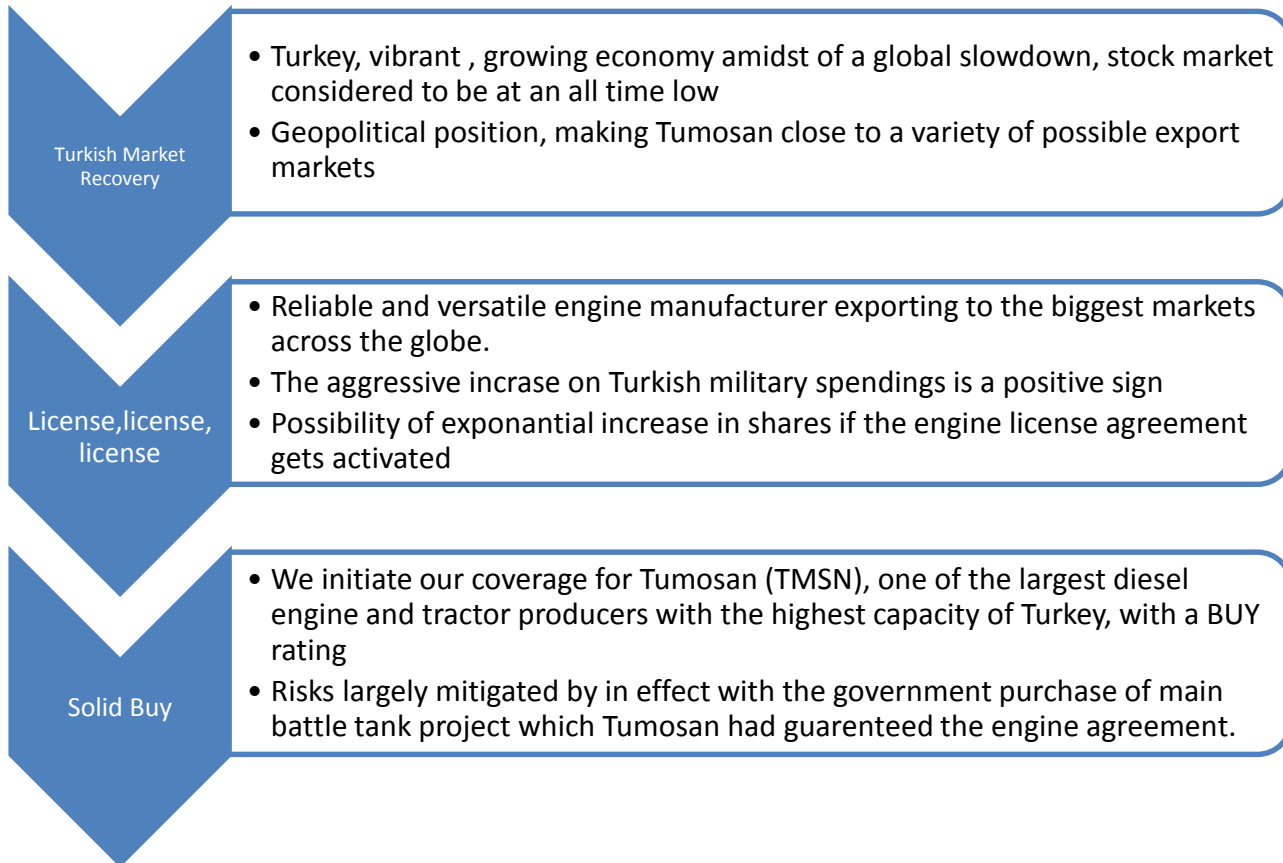
Stock Perf excl. Dividends (in TRY)

	TMSN	ISE National 100	Rel. Perf.
Year-to-Date	-11.7%	9.2%	-20.9%
1-Week	-0.8%	-0.6%	-0.1%
1-Month	6.6%	0.8%	5.8%
1-Year	20.6%	-0.3%	20.9%
3-Year	28.9%	-1.5%	30.5%
5-Year	N/A	37.3%	N/A





Conclusion





Thank you...



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