GLOBAL SECURITIES

May 3, 2006

**Equity Research**
TURKEY

# ACIBADEM

**Rating: BUY** — **Current Price: YTL15.80 / US$12.01**

**Ticker: ACIBD.IS** — **Target Price: YTL18.60 / US$14.20**

## The good news could continue

| Forecasts & Valuation | 2003 | 2004 | 2005 | 2006E | 2007E |
|---|---|---|---|---|---|
| Sales (US$mn) | 79 | 115 | 170 | 226 | 254 |
| EBITDA (US$mn) | 18 | 22 | 32 | 46 | 55 |
| Net Profit (US$mn) | 10 | 10 | 14 | 18 | 22 |
| EV/Sales (x) | 8.8 | 6.1 | 4.1 | 3.1 | 2.7 |
| EV/EBITDA (x) | 38.9 | 32.1 | 21.5 | 15.1 | 12.7 |
| *Adj. EV/EBITDA (x) | 40.3 | 33.2 | 22.3 | 15.6 | 13.1 |
| P/E (x) | 66.7 | 65.0 | 46.6 | 35.6 | 29.5 |

| | | | |
|---|---|---|---|
| Market Cap (US$mn) | 648 | YTL / US$ | 1.32 |
| Shares Outstanding ('000) | 54,000 | ISE 100 (YTL / US$) | 44,414 / 33,757 |
| Free Float (%) | 35 | YTD Perf (US$, %) | 29 |
| Daily Turnover (3mo, US$mn) | 0.4 | YTD Perf (Rel, %) | 13 |

** Adjusted for minority stake at International Hospital*

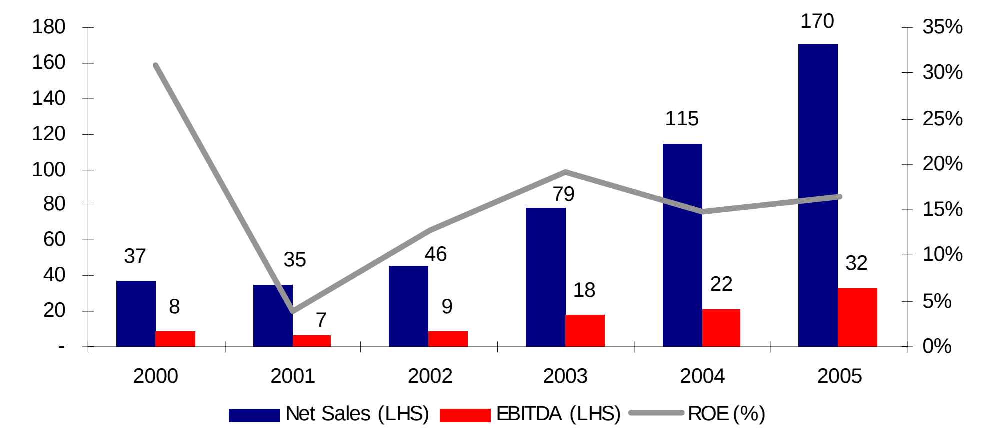
- Acibadem stands out as one of the leading growth stocks of the ISE, as it has been delivering an aggressive expansion plan with fairly strong profitability.
- In addition to its current 5 hospitals, Acibadem is to open 4 new ones by 2008, thereby increasing its bed capacity from the current 648 to 1,168.
- Prospects for Private Healthcare Service providers in Turkey are very bright, thanks mainly to the newly-enacted General Health Insurance law that will be effective as of January 1, 2007. Initiation of the system should significantly increase affordability of private healthcare services in Turkey.
- The company management, boasting a successful track record and pro-active style, is likely to seize the opportunity for further growth. New hospital project openings are likely to be announced over the coming periods.
- We expect the company's sales growth to post a CAGR of 20% until 2010, with EBITDA to grow by 25% during the same period, solely in view of announced hospitals in the pipeline.
- Based on our DCF analysis, we have deducted a fair value of US$765mn for Acibadem, suggesting 18% upside potential compared with current mcap.
- The main risk for the company appears to be its short FX position of US$54mn. Being a purely domestic play, the short FX position renders the company's balance sheet susceptible to YTL fluctuations.

Erol Danis, CFA (+90-212-244 5566 x1677; erold@global.com.tr)

## A Successful Track Record

Acibadem, Turkey's leading private healthcare service provider **has posted stellar top-line and earnings growth over past years**. Its net sales figure has risen from a mere US$37mn in 2000 (unconsolidated) to US$170mn in 2005, while its EBITDA has climbed from US$8mn to US$32mn in 2005.

**Selected Financials of Acibadem (US$mn)**




*Source: The Company, Global Securities * Note that 2000-2002 financials are not consolidated*

More importantly, **extraordinary growth in the top-line came with relatively strong profitability** (an average ROE of 16% during 2000 - 2005).

The high and profitable growth performance of recent years can been explained by **the government's insufficient investment in the healthcare sector** over the years **and the Acibadem management's success in grabbing market share** from rival private healthcare service providers.

The Company's market share among private healthcare providers of Istanbul (based on inpatients) had risen from 4.6% in 2000 to 8.0% by 2004.

**Market Shares in Istanbul (among Private Hospitals)**

**Out-patients**

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|
| Acibadem | 6.4% | 10.8% | 10.2% | 13.2% | 13.2% |
| International Hospital | 2.2% | 2.0% | 1.7% | 1.8% | 1.7% |
| American Hospital | 8.8% | 8.1% | 2.9% | 3.0% | 2.8% |
| Florance | n.a. | n.a. | n.a. | 2.9% | 2.7% |
| Memorial Hospital | 0.9% | 2.1% | 2.1% | 2.3% | 2.6% |
| Universal Group | 4.1% | 4.4% | 3.4% | 2.4% | 2.1% |
| Omur Group | 8.7% | 6.8% | 4.8% | 3.9% | 1.2% |

**In-patients**

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|
| Acibadem | 4.6% | 6.4% | 6.6% | 6.9% | 8.0% |
| International Hospital | 3.2% | 3.0% | 2.5% | 2.3% | 2.5% |
| American Hospital | 3.9% | 3.8% | 3.7% | 3.6% | 2.7% |
| Florance | n.a. | n.a. | n.a. | 5.6% | 6.1% |
| Memorial Hospital | 0.9% | 2.1% | 2.5% | 2.5% | 2.8% |
| Universal Group | 4.5% | 4.3% | 4.4% | 2.8% | 2.5% |
| Omur Group | 3.5% | 2.7% | 1.9% | 1.6% | 1.3% |

*Source: Ministry of Health, Global Securities*

**Success in outpacing other Class A hospitals** (Private hospitals with the highest service quality) **is achieved** as the management appears to have a better grasp of sector dynamics and a pro-active strategy to exploit opportunities.

**The investing of economies of scale and effective cost management in lower prices**; **forming a network with outpatient clinics connected to inpatient hospitals**; employing leading-edge technology and know-how (such as gamma knife technology, 3 tesla intraoperative MR, PYXIS, advanced laboratory services, e-health, paperless hospital etc); and sustaining a high service quality (such as patient safety program, patient complaint management system, physician credentialing and privileging process, and medical boards) **are some of the main tenets of its business model.**

**Last, but not least, Acibadem's partnership agreement with Harvard Medical International**, the world's most prominent institution in the fields of education and healthcare services development, have been instrumental in attracting a career-oriented and skilled workforce. The highly qualified staff, in turn, has attracted further patient inflow to Acibadem hospitals.

## Bright Prospects for Private Healthcare Service Providers

**Initiation of General Health Insurance (GHI) is likely to have drastic consequences for private healthcare providers.** Note that the law has already been enacted in April 2006, and will be in effect as of the start of 2007. Initiation of the new system should not only enlarge the total healthcare market, but also pave the way for private healthcare providers to increase their market shares at the expense of public institutions.

The major implications of the GHI system should be:

- **An additional twenty million people** to come under the coverage of the healthcare insurance system.
- **The entire population of Turkey will be able to receive services from private healthcare providers**, **with a base level of coverage.** (Obviously, if costs exceed insurance coverage, patients will have to pay the difference from their own pockets, or else the Complementary Health Insurance).
- **The base level of coverage will increase the affordability of private healthcare providers**.
- Competition between public and private healthcare providers will be on fairer ground. Healthcare service pricing will be based on actual cost of services.
- The government will eventually cease its active involvement in investing and operating healthcare institutions by gradually transferring the management of these hospitals to local authorities.
- **Private sector involvement in the healthcare industry will dramatically increase over the next 3-5 years.**

With initiation of the GHI system, we expect Acibadem and other leading private competitors to command a larger market shares than at present, thanks to their higher service quality over public hospitals.

Indeed, even excluding the positive impact of the General Health Insurance system, **private healthcare service providers should see a gradual increase in their market shares over the coming years, thanks to rising income levels in Turkey**. As income levels increase, people are likely to prefer private healthcare services offering higher service quality compared with state-operated hospitals. Note that in Istanbul, where the average income level is about 40-50% higher than Turkey's average, private healthcare providers' market share is at 26% (as of 2004, based on bed capacity), compared with 6.8% in Turkey.

## A Robust Pipeline

Capitalizing on the strong growth potential of the private healthcare sector, and its successful track record, Acibadem has continued to start new hospital and outpatient clinic investments. In addition to its current bed capacity of 648, operating five full service hospitals (Kadikoy, Bakirkoy, Kozyatagi, International, and Bursa Hospitals), five outpatient clinics (Bagdat Caddesi, Soyak, Etiler, International and Beylikduzu) and one ophthalmology clinic, Acibadem is to open four new full service hospitals (Izmit, Fulya, Maslak, Izmir), accordingly reaching a total bed capacity of 1,168 by the end of 2008.

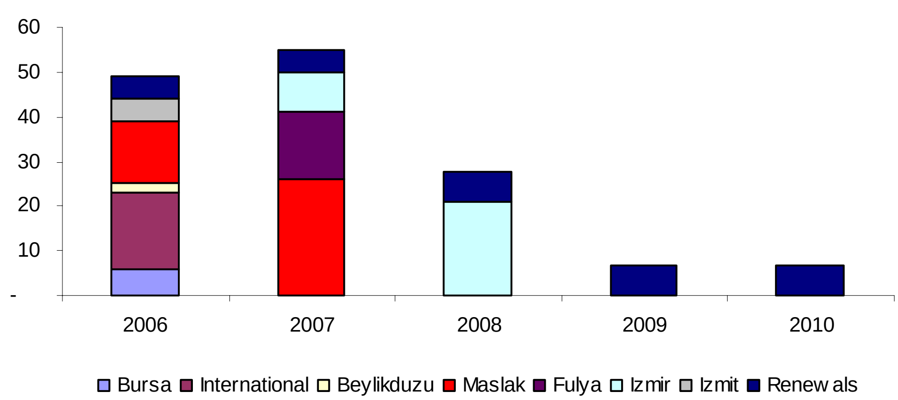
**Investment Pipeline of Acibadem (Inpatient Bed capacities)**

| *Bed Capacity* | **Opening in** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** |
|---|---|---|---|---|---|---|---|---|---|---|
| Kadikoy | 1991 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 |
| Bakirkoy | mid 2000 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 |
| Kozyatagi | mid 2004 | | 82 | 82 | 82 | 82 | 82 | 82 | 82 | 82 |
| International | 20/08/2005 | | | 136 | 136 | 136 | 136 | 136 | 136 | 136 |
| Bursa | 13/02/2006 | | | | 150 | 150 | 150 | 150 | 150 | 150 |
| Izmit | Sept 2006 | | | | 60 | 60 | 60 | 60 | 60 | 60 |
| Maslak | 1q 2008 | | | | | | 180 | 180 | 180 | 180 |
| Izmir | mid 2008 | | | | | | 150 | 150 | 150 | 150 |
| Fulya | mid 2008 | | | | | | 130 | 130 | 130 | 130 |
| **Total Bed Capacity** | | **280** | **362** | **498** | **708** | **708** | **1168** | **1168** | **1168** | **1168** |

*Source: The Company, Global Securities Research*

Bursa Hospital, opened in February 2006, is Acibadem's first outside Istanbul. It is expected to become a successful franchise in view of the private healthcare sector's negligible presence in the city (2.1% based on bed capacity compared with 6.8% in Turkey) and significant patient traffic flowing from Bursa to Istanbul hospitals.

**Investment Budget of Acibadem (US$mn)**




*Source: The Company, Global Securities Estimates*

Due to the robust pipeline, Acibadem has a significant investment budget until 2008. It plans to invest about US$115mn (excluding renewal investments) during the period from 2006 to 2008. Note that Acibadem secured a US$40mn loan from International Finance Corporation (IFC) in March 2006 (it already owes US$20mn to the IFC), to finance its hospital investments. The loan has a 12-year maturity and 4-year grace period.

Of the four full service hospitals to be opened, two will be in Istanbul (Maslak and Fulya), while the others are in Izmit (neighboring city of Istanbul) and Izmir.

**Market Shares of Private Hospitals in Selected Cities as of 2004.**

| *Market Shares in 2004 (%)* | # of Beds | Out Patient | In Patient** | Operations | Delivery |
|---|---|---|---|---|---|
| **Istanbul** | **100%** | **100%** | **100%** | **100%** | **100%** |
| MoH, SII and Public Hospitals* | 73.9% | 83.6% | 85.2% | 67.7% | 56.3% |
| Private | 26.1% | 16.4% | 14.8% | 32.3% | 43.7% |
| Acıbadem Group | 1.1% | 2.2% | 1.0% | 2.7% | 1.2% |
| International Hospital | 0.4% | 0.3% | 0.3% | 0.6% | 0.3% |
| American Hospital | 0.7% | 0.5% | 0.5% | 2.1% | 1.0% |
| Florance Hospitals | 1.4% | 0.4% | 1.0% | 2.1% | 0.6% |
| Memorial Hospital | 0.4% | 0.4% | 0.4% | 0.5% | 0.2% |
| Universal Group | 0.5% | 0.3% | 0.3% | 0.6% | 0.3% |
| Omur Group | 0.2% | 0.2% | 0.1% | 0.3% | 0.4% |
| Other Private Hospitals | 21.5% | 12.1% | 11.2% | 23.4% | 39.7% |
| | | | | | |
| **Izmir** | **100%** | **100%** | **100%** | **100%** | **100%** |
| MoH, SII and Public Hospitals* | 91.5% | 96.7% | 95.5% | 84.0% | 79.6% |
| Private | 8.5% | 3.3% | 4.5% | 16.0% | 20.4% |
| Ozel Sifa Tıp Merk. | 0.7% | 0.2% | 0.1% | 0.5% | 0.3% |
| Ozel Ege Saglik | 1.7% | 0.5% | 1.2% | 2.1% | 1.8% |
| Ozel Alsancak | 0.3% | 0.1% | 0.4% | 1.7% | 3.4% |
| Ozel Central Hospital | 0.7% | 1.2% | 0.4% | 1.2% | 0.7% |
| Ozel Gazi Hastanesi | 0.5% | 0.1% | 0.3% | 1.6% | 1.6% |
| Ozel Kent  Hastanesi | 0.9% | 0.0% | 0.5% | 0.6% | 0.3% |
| Other Private Hospitals | 3.7% | 1.2% | 1.6% | 8.2% | 12.2% |
| | | | | | |
| **Bursa** | **100%** | **100%** | **100%** | **100%** | **100%** |
| MoH, SII and Public Hospitals* | 97.9% | 99.3% | 99.5% | 98.4% | 99.1% |
| Private | 2.1% | 0.7% | 0.5% | 1.6% | 0.9% |
| Ozel Bursa Hastanesi | 0.9% | 0.1% | 0.2% | 0.7% | 0.5% |
| Ozel Hayat Hastanesi | 0.5% | 0.4% | 0.2% | 0.6% | 0.3% |
| Ozel Bahar Hastanesi | 0.6% | 0.2% | 0.1% | 0.3% | 0.1% |
| | | | | | |
| **Izmit** | **100%** | **100%** | **100%** | **100%** | **100%** |
| MoH, SII and Public Hospitals* | 93.9% | 97.0% | 97.5% | 91.1% | 87.8% |
| Private | 6.1% | 3.0% | 2.5% | 8.9% | 12.2% |
| Ozel Yuzyıl Hastanesi | 2.0% | 1.3% | 0.8% | 3.0% | 2.8% |
| Ozel Gebze Merkez Hastanesi | 1.5% | 0.6% | 0.7% | 2.0% | 4.1% |
| Ozel Akademi Hastanesi | 1.1% | 0.7% | 0.8% | 3.1% | 2.6% |
| Other Private Hospitals | 1.5% | 0.4% | 0.2% | 0.7% | 2.5% |

** MoH: Ministry of Health, SII: Social Insurance Institution*
*** Based on Inpatient days*
*Source: Ministry of Health  / 2004*

The Maslak and Fulya Hospitals will consolidate Acibadem's market position in Istanbul, as it currently has no full service hospitals in the region comprising Besiktas, Mecidiyekoy and Sariyer, the commercial and residential center of Istanbul.

Meanwhile, Izmit and Izmir, in which Acibadem plans to open its first hospitals in Sept-2006 and mid-2008, respectively, appear to be relatively competitive markets compared with Bursa, as the private healthcare service providers have higher presences.

Going forward, we expect Acibadem's investment momentum not to lose steam in the short to medium-term, even though the company already has a substantial investment program in the pipeline and IFC covenants restrict the company's flexibility in managing its balance sheet. As private healthcare service providers face bright prospects thanks to the initiation of the General Health Insurance system, and the management has a successful track record with an eye to opening more new hospitals, we may expect further positive news flow from the company.

However, due to the IFC covenants that limit leverage, we expect the new openings to be through Acibadem operating a hospital on a fee/commission /rental basis on behalf of investors/owners, similar to the structures employed in Izmit, Izmir and Fulya hospital investments; rather than outright acquisitions or green-field investments. Note that the contracting structures require less investment outlays compared with acquisitions or green-field investments, although profit margins can be lower due to rental costs.

## Financial Outlook

Following a strong increase in total patients served from 552K in 2003 to 897K in 2005, we forecast the number of patients served rising to 1,172K in 2006. This is mainly thanks to the full impact of the International Hospital acquisition, which has been fully consolidated since August 20, 2005, the Bursa hospital opening of February 2006 and Izmit hospital opening, probably in September 2006.

Going forward, with the aid of investments in the pipeline (Maslak, Fulya and Izmir), we expect outpatient and inpatient numbers to post CAGRs of 20% and 24%, respectively during the period from 2005 to 2010.

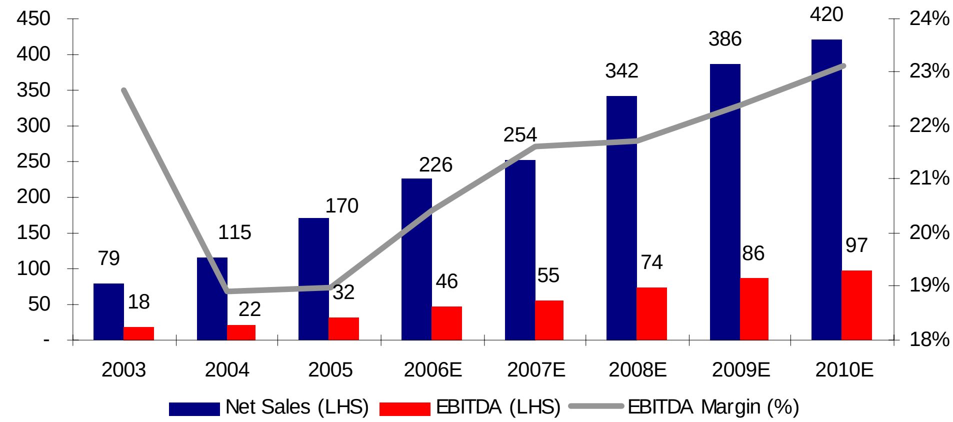
**Operational Performance and Summary I/S Projections**

| | 2003 | 2004 | 2005 | 2006E | 2007E | 2008E | 2009E | 2010E | CAGR 2005-10E |
|---|---|---|---|---|---|---|---|---|---|
| **Number of Patients (000)** | | | | | | | | | |
| Outpatient | 527 | 618 | 862 | 1,122 | 1,298 | 1,730 | 1,973 | 2,144 | 20% |
| Inpatients | 25 | 28 | 35 | 51 | 59 | 81 | 92 | 101 | 24% |
| **Total Patients** | **552** | **646** | **897** | **1,172** | **1,358** | **1,810** | **2,065** | **2,244** | **20%** |
| Growth Rate | | 17% | 39% | 31% | 16% | 33% | 14% | 9% | |
| **Summary Income Statement (US$mn)** | | | | | | | | | |
| **Net Sales** | **79** | **115** | **170** | **226** | **254** | **342** | **386** | **420** | **20%** |
| Growth Rate | | 46% | 49% | 33% | 12% | 35% | 13% | 9% | |
| **EBITDA** | **18** | **22** | **32** | **46** | **55** | **74** | **86** | **97** | **25%** |
| EBITDA Margin | 22.7% | 18.9% | 19.0% | 20.4% | 21.6% | 21.7% | 22.4% | 23.1% | |
| **Net Profit** | **10** | **10** | **14** | **18** | **22** | **35** | **45** | **54** | **31%** |
| Net Profit Margin | 12.3% | 8.7% | 8.2% | 8.1% | 8.7% | 10.3% | 11.7% | 12.8% | |

*Source: The Company, Global Securities Research Estimates*

We forecast Acibadem's revenues rising from US$170mn in 2005 to US$420mn in 2010, as the company completes its pipeline investments by the end of 2008. From 2008 onwards, we have assumed growth in revenues stemming from the maturing of existing hospitals, rather than new hospital openings. As a consequence, from 2005 to 2010 we expect revenues to grow by a CAGR of 20%. During the same period, EBITDA should post a CAGR of 25%, outpacing revenue growth, as the hospitals mature and economies of scale arise.

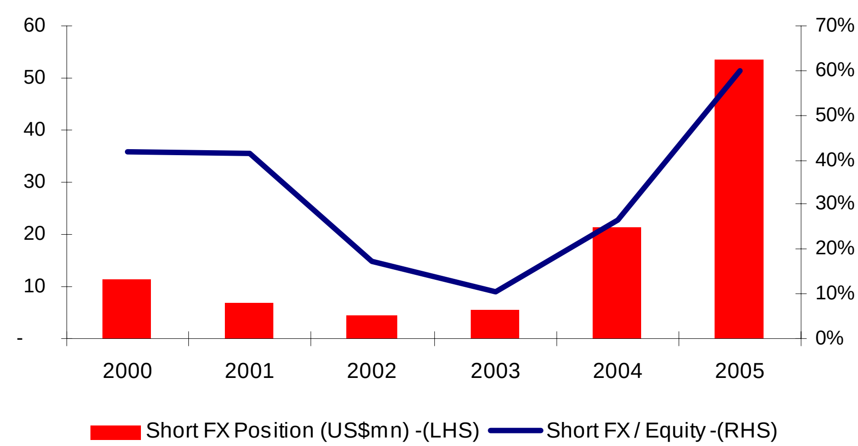
**Selected Financials (US$mn)**




*Source: The Company, Global Securities Estimates*

The main risk factor for Acibadem during the coming years could be its significant short FX position (US$54mn as of end 2005). As the company has a substantial investment pipeline, it has taken on significant FX-denominated debt over recent years. While FX-denominated loans are considerably less costly compared with YTL-denominated ones, especially for long-term maturities, they pose more risks for Acibadem, as the company's business model is purely a domestic play. The significant short FX position renders the company's balance sheet vulnerable to potential devaluation risk given the current overvaluation of the YTL.

**Short FX Position of Acibadem**




*Source: The Company, Global Securities Estimates*

# Valuation

Our valuation for Acibadem, which is based on DCF, yields a fair value of US$765mn. We consider DCF valuation the most appropriate method of valuing Acibadem, as it better incorporates the capacity expansion program, capturing the FCF generation capacity of the firm in the long-term. Note that our DCF model incorporates only the already-announced hospital projects into our valuation.

Despite significant capacity expansion and top-line growth Acibadem's working capital requirement is negligible. This is mainly due to the leverage Acibadem has over its suppliers, and accordingly high payable days (55 days in 2005).

**DCF Valuation for Acibadem.**

| US$mn | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Patients Served (000) | 1,172 | 1,358 | 1,810 | 2,065 | 2,244 | 2,361 | 2,471 | 2,569 | 2,658 | 2,743 |
| *Growth Rate* | 31% | 16% | 33% | 14% | 9% | 5% | 5% | 4% | 3% | 3% |
| **Revenues** | **226** | **254** | **342** | **386** | **420** | **442** | **462** | **480** | **496** | **511** |
| *Growth Rate* | 33% | 12% | 35% | 13% | 9% | 5% | 5% | 4% | 3% | 3% |
| **EBITDA** | **46** | **55** | **74** | **86** | **97** | **102** | **107** | **111** | **115** | **118** |
| EBITDA margin (%) | 20% | 22% | 22% | 22% | 23% | 23% | 23% | 23% | 23% | 23% |
| (- / +) Increase / Decrease in WC | 1 | 1 | 2 | 2 | 1 | 1 | 1 | 2 | 1 | 1 |
| ( - ) Capex | 49 | 55 | 28 | 7 | 7 | 7 | 7 | 7 | 7 | 15 |
| ( - ) Taxes | 5 | 6 | 10 | 12 | 14 | 15 | 17 | 18 | 20 | 21 |
| **FCF** | **-9** | **-7** | **34** | **66** | **75** | **79** | **83** | **84** | **87** | **81** |
| **Terminal Value (end of 2015)** | | | | | | | | | | **1,128** |
| Terminal growth rate | | | | | | | | | | 3.5% |
| PV of FCF | 263 | | | | | | | | | |
| PV of Terminal Value | 567 | | | | | | | | | |
| **Core Business Value** | **830** | | | | | | | | | |
| ( - ) Minority Stake at Int. Hospital | 25 | | | | | | | | | |
| ( - ) Net Debt, as of end 2005 | 40 | | | | | | | | | |
| **Target Mcap** | **765** | | | | | | | | | |
| Current Mcap | 648 | | | | | | | | | |
| *Upside Potential* | *18%* | | | | | | | | | |

*Source: Global Securities Research Estimates*

Compared with its current market capitalization, our fair value estimate derived from the DCF analysis implies an upside potential of 18%.

We have assumed a WACC of 10.9% and a 3.5% terminal growth rate beyond 2015.

**WACC for Acibadem.**

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost of equity** | | | | | | | | | | |
| Global risk-free rate (US bonds, 30yr) | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Turkish sovereign spread | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| Turkish sovereign risk | 7.5% | 7.5% | 7.5% | 7.5% | 7.5% | 7.5% | 7.5% | 7.5% | 7.5% | 7.5% |
| Turkish equity risk premium (over sovereign) | 53% | 53% | 53% | 53% | 53% | 53% | 53% | 53% | 53% | 53% |
| Turkish equity risk premium (absolute) | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |
| Beta | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 |
| Net debt / market cap | 6% | 5% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Weight of debt in total capitalization | 6% | 4% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Geared Beta | 0.89 | 0.88 | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 |
| **Cost of equity** | **11.1%** | **11.0%** | **10.9%** | **10.9%** | **10.9%** | **10.9%** | **10.9%** | **10.9%** | **10.9%** | **10.9%** |
| **Cost of debt** | | | | | | | | | | |
| Corporate debt premium over Turkish sovereign rate | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% |
| Pre-tax cost of debt | 8.3% | 8.3% | 8.3% | 8.3% | 8.3% | 8.3% | 8.3% | 8.3% | 8.3% | 8.3% |
| Tax rate | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% |
| **After-tax cost of debt** | **6.6%** | **6.6%** | **6.6%** | **6.6%** | **6.6%** | **6.6%** | **6.6%** | **6.6%** | **6.6%** | **6.6%** |
| **WACC** | **10.8%** | **10.8%** | **10.9%** | **10.9%** | **10.9%** | **10.9%** | **10.9%** | **10.9%** | **10.9%** | **10.9%** |

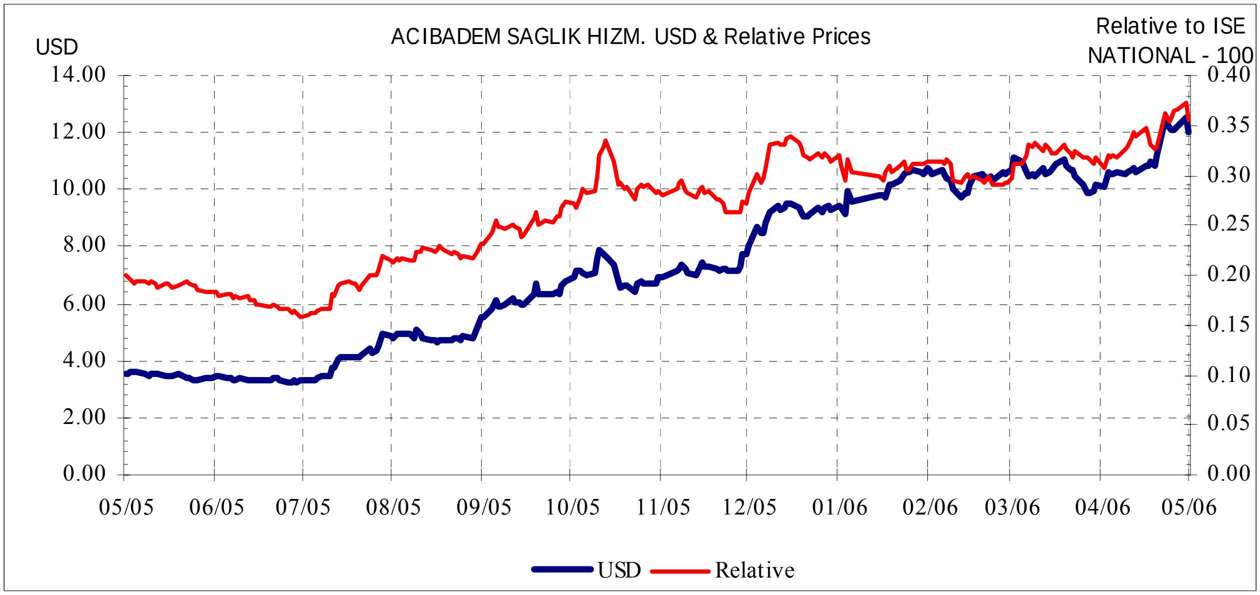
*Source: Global Securities Research Estimates*

In view of the 18% upside potential, **we maintain our "BUY"** recommendation for the stock.

## ACIBADEM Financials

| US$mn | 2004 | 2005 | 2006E | 2007E | 2008E |
|---|---|---|---|---|---|
| **BALANCE SHEET** | | | | | |
| **Current Assets** | **34** | **38** | **63** | **77** | **133** |
| Liquid Assets | 5 | 2 | 21 | 30 | 72 |
| Marketable Securities | 8 | 4 | 0 | 0 | 0 |
| Short-Term Trade Receivables | 12 | 17 | 23 | 26 | 35 |
| Short-Term Receivables from Related Parties | 5 | 8 | 10 | 11 | 15 |
| Inventories | 3 | 4 | 5 | 6 | 8 |
| Other Current Assets | 2 | 3 | 3 | 3 | 3 |
| **LONG TERM ASSETS** | **95** | **158** | **180** | **207** | **206** |
| Goodwill | 0 | 5 | 5 | 5 | 4 |
| Tangible Fixed Assets | 88 | 147 | 169 | 197 | 195 |
| Long Term Deffered Tax Assets | 5 | 4 | 4 | 4 | 4 |
| Other Long-Term Assets | 1 | 0 | 0 | 0 | 0 |
| **TOTAL ASSETS** | **129** | **197** | **243** | **284** | **339** |
| **SHORT TERM LIABILITIES** | **25** | **54** | **68** | **70** | **80** |
| Short-Term Financial Loans | 1 | 5 | 8 | 6 | 4 |
| Current Install & Int.of Long-Term Loans | 6 | 5 | 7 | 7 | 7 |
| Short-Term Trade Payables | 11 | 23 | 35 | 39 | 51 |
| Other Short-Term Liabilities | 2 | 14 | 10 | 10 | 10 |
| **LONG TERM LIABILITIES** | **23** | **43** | **59** | **74** | **79** |
| Long-Term Financial Loans | 21 | 36 | 52 | 66 | 72 |
| Long-Term Leasing Obligations | 1 | 0 | 0 | 0 | 0 |
| Provisions | 0 | 5 | 5 | 5 | 5 |
| **MINORITY INTERESTS** | **1** | **10** | **11** | **14** | **18** |
| **SHAREHOLDERS EQUITY** | **79** | **90** | **105** | **127** | **162** |
| **TOTAL LIABILITIES & EQUITY** | **129** | **197** | **243** | **284** | **339** |
| **INCOME STATEMENT** | | | | | |
| **Net Sales** | **115** | **170** | **226** | **254** | **342** |
| Cost Of Sales | -99 | -135 | -175 | -196 | -257 |
| **GROSS PROFIT** | **16** | **36** | **51** | **58** | **85** |
| **Operating Expenses** | **-9** | **-23** | **-27** | **-29** | **-37** |
| **Profit from operations** | **7** | **13** | **24** | **29** | **48** |
| Income from Other Operations | 7 | 11 | 9 | 8 | 8 |
| Expenses on Other Operations | -2 | -4 | -4 | -3 | -3 |
| Financial Expenses | -1 | -4 | -4 | -5 | -5 |
| Net Monetary gain / (loss) | -1 | 0 | 0 | 0 | 0 |
| **Profit Before Taxation** | **10** | **15** | **23** | **28** | **44** |
| Taxation | 0 | -1 | -5 | -6 | -9 |
| **Net income** | **10** | **14** | **18** | **22** | **35** |
| **EBITDA** | **22** | **32** | **46** | **55** | **74** |
| EBITDA Margin | 19% | 19% | 20% | 22% | 22% |

*Source: The Company, Global Securities Research*


ACIBADEM SAGLIK HIZM. USD & Relative Prices
USD
Relative to ISE NATIONAL - 100
14.00
12.00
10.00
8.00
6.00
4.00
2.00
0.00
0.40
0.35
0.30
0.25
0.20
0.15
0.10
0.05
0.00
05/05
06/05
07/05
08/05
09/05
10/05
11/05
12/05
01/06
02/06
03/06
04/06
05/06
USD
Relative