

ACIBADEM (AHG)

A stock for all times...

- Acibadem Health Group (AHG) has always been among defensive stocks against downturns in the stock market due to inelastic demand structure of its sector and the company's monopolistic position. The company shares outperformed the ISE index by 16% during recent sell off.
- We do not expect a major change in high income level group of the population as a result of recent economic turmoil. Therefore, we do not foresee shrinkage at Acibadem's customer base.
- With its Izmit investment, AHG targets to increase its existing capacity of 648 beds by 9% in 2006.
- Total bed capacity should reach 1,168 by the end of 2008, following the investments in Maslak (1Q08), Izmir (2Q08) and Fulya (4Q08). We believe that the growth dynamics of the company will not be affected from the recent fluctuations in the financial markets.
- The company's high debt position, stemming from aforementioned investment is the only threat going forward since Acibadem's revenues are local currency denominated, while the company debt is fx denominated.
- We expect that the company will generate US\$216 mn revenue and US\$24 mn net profit in 2006 under our base case scenario, representing 27% and 74% YoY increase respectively.
- Acibadem's revenues decline by 6% under our early election scenario compared to our base case scenario, while net profit deteriorates by 10% due to higher financial expense.
- Based on our DCF driven fair value, Acibadem offers 28% upside potential therefore, we continue to rate the shares as BUY.

EQUITY RESEARCH

BUY

Current Price (June 15, 2006)	YTL15.50
Current Mcap (mn)	US\$528
12-mth Target Price	YTL19.77
Target Mcap (mn)	US\$674

12-mth Forecast Returns (US\$)

Dividend Yield	0.5%
Capital Appreciation	27.6%
12-mth Total Return	28.1%

Stock Data

Ticker	ACIBD.IS	ACIBD.TI
Sector	Medical-Hospitals	
# of Shares (mn)	54	
3M Avg. Trd. Vol. (mn)	US\$0.4	
52-week Range	YTL 4.28	YTL 17.92

Market Data

ISE 100	33,627
YTL/US\$	1.5844

Shareholder Structure

Mehmet Ali Aydinlar	35%
Other	29%
Free Float	36%
Foreign Holding as % of Free Float	87%

Financials (US\$ mn)	2005	2006E	2007E	2008E
Net Sales	170	216	260	326
% ch yoy	48	27	21	25
EBITDA	32	53	72	83
% ch yoy	49	64	36	15
Net Income	14	24	40	49
% ch yoy	39	74	66	22

Operating Margins	2005	2006E	2007E	2008E
Operating Margin	8%	9%	13%	14%
EBITDA Margin	19%	25%	28%	25%
Net Profit Margin	8%	11%	15%	15%
Dividend Yield	1%	1%	1%	1%

Financial Ratios	2005	2006E	2007E	2008E
P/E (US\$, x)	38.0	21.8	13.1	10.8
EV/EBITDA (US\$, x)	17.6	10.7	7.6	6.4
EV/Sales (US\$, x)	3.3	2.6	2.1	1.6
Debt/Equity (x)	0.2	0.4	0.4	0.4

Price Performance	1M	3M	YTD	YoY
US\$ Absolute	-13%	-10%	4%	196%
ISE-100 Relative	16%	44%	45%	172%



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