

IS YATIRIM

OVERWEIGHT

Strong results with a 98% ROE

November 1, 2023

Is Yatirim reported TL2,912mn consolidated net income in 3Q23, in line with our TL2,044mn estimate, considering the TL1bn free provision reversal which had been set aside in 4Q22. As such, Is Yatirim's net income grew by 280% y/y and 2% q/q (from an already high base created by TL1.3bn revaluation gains) for an ROE of 98% in 3Q23. Accordingly, Is Yatirim's grew by 253% y/y in 9M23 for an ROE of 100%. The company reported TL3,750mn gross profit (+176% y/y) in 3Q23, which surged on elevated trading volumes as well as Is Yatirim's market share gains.

Is Yatirim maintained its 2nd position in equities with a 256% y/y increase in volume for a 10.1% market share (up from 8.4% in 3Q22) and maintained the 2nd position in derivatives with a 56% increase in volume for a 9.2% market share in 3Q23 (down from 10.3% in 3Q22). Meanwhile, Is Yatirim's size of debt security issuances rose by 29% y/y as the company ranked 3rd with a 11.9% market share in 9M23. The company's equity loan size grew strongly q/q to TL5.9bn as at end-3Q23, growing by 151% y/y while we estimate that the average yield surged further to 61% in 3Q23 from 56% in 2Q23 and 34% in 3Q22. Finally, Is Asset Management's AuM reached TL284bn, rising by 24% q/q and 106% y/y.

We should note that average daily trading volume in Turkish equities has pulled back by a slight 16% q/q so far in 4Q23 to TL164bn, still remaining some 36% above 4Q22. We believe that activity will remain strong, especially thanks to a busy IPO pipeline, even though some downward normalization from 3Q23's extremely high base is likely, given the ongoing increase in TL deposit rates. On the other hand, a revival of demand from international investors following the local elections scheduled for end-1Q24 may further boost trading volumes and Is Yatirim's earnings in 2024.

We maintain our Overweight rating for Is Yatirim with our 12M TP of TL59.81/share, offering a 44% total return potential. We estimate a 132% EPS growth in 2023, followed by another 42% in 2024 for an ROE of 67%. We think that the stock is trading at undemanding multiples of 4.5x 2024E P/E and 2.2x 2023E P/B with a 3% dividend yield.

TLmn	3Q22	2Q23	3Q23	Y/Y	Q/Q
Gross profit	1,357	3,980	3,750	176%	-6%
Operating expenses	-380	-536	-918	142%	71%
Net other/financial income	99	17	1,285	1197%	7455%
Profit before tax	1,077	3,461	4,116	282%	19%
Net tax expense	-222	-518	-1,086	389%	110%
Net income	855	2,943	3,030	254%	3%
Parent shares	766	2,854	2,912	280%	2%
Minority interest	89	89	117	32%	32%
ROE (% ,ppts)	75%	128%	98%	23	-30

Source: Rasyonet, Tera Yatirim

Price Data

Current Price (TL, 31-Oct-23)	42.42
Current Mcap (TLmn)	63,630
12-mth Target Price (TL/share)	59.81
12-mth Target Mcap (TLmn)	89,718
12-mth Return Potential	41%

Financials (TL mn)	2021	2022	2023E	2024E
Gross profit	2,386	7,566	15,835	28,007
% ch yoy		217	109	77
Operating expenses	719	1,323	3,500	7,002
% ch yoy		84	165	100
Net income	1,171	4,332	10,065	14,286
% ch yoy		270	132	42
Shareholders equity	2,762	6,797	16,343	28,868
% ch yoy		146	140	77

Ratios	2021	2022	2023E	2024E
Cost/income	30%	17%	22%	25%
P/E (TL, x)	5.1	2.2	6.3	4.5
P/B (TL, x)	2.1	1.4	3.9	2.2
ROAE (TL,%)	52%	104%	93%	67%
Dividend yield	6%	4%	1%	3%

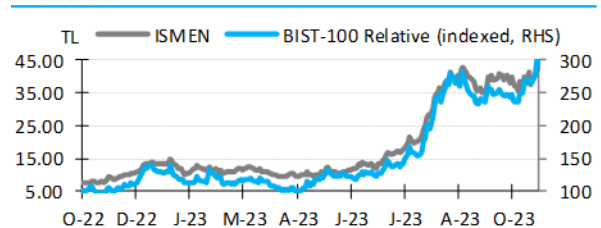
Stock Data

Ticker	ISMEN.IS	ISMEN TI
Sector		Brokerage
# of Shares (mn)		1,500
3M Av. Trd. Vol. (mn)		US\$19.4
52-week Range	TL7.69 -	TL44.20

Market Data

BIST-100	7,514
TL/US\$	28.2366

Price Chart



Price Performance	1M	3M	YTD	YoY
TL Absolute	4%	91%	189%	420%
BIST-100 Relative	16%	84%	112%	175%

Major Shareholders

Isbank Group	71%
Free float	29%

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Tera Yatirim Stock Ratings

Rating	Definition
OVERWEIGHT	The analyst expects that the stock will generate a return above that of the BIST-100 index over the next twelve months.
MARKETWEIGHT	The analyst expects that the stock will generate a return in line with that of the BIST-100 index over the next twelve months.
UNDERWEIGHT	The analyst expects that the stock will generate a return below that of the BIST-100 index over the next twelve months.

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