

ŞİŞECAM

Outperform

Better than expected results...

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Şişecam (SISE TI) reported TRY5.29bn net income in 3Q23, up by 12% y-y, which came meaningfully better than the estimates (Ak Investment: TRY4.12bn, RT: Cons TRY3.76bn). Stronger than expected operating performance and lower effective tax rate at 10.0% led to the deviation in our numbers.

In line with the estimates, 3Q23 revenues grew by 40% y-y to TRY36.41bn (Ak Investment: TRY35.54bn, RT Cons: TRY35.59bn). Architectural glass volumes remained almost flat y-y thanks to 11% volume growth in domestic market (55% of the segment's sales) which supported by accelerated construction activity on earthquake impact, delayed orders from previous quarters and declining availability of the imported products in the market with relatively more competitive TRY. Product prices were down by 24% in EUR terms on consolidated basis in the segment. In chemicals, soda ash sales were down by 2% due to weakening demand from the main client industries. Average per ton prices for soda ash was down by 4% y-y in USD terms, reflecting mostly lower energy prices. That said, the pricing in soda ash segment remained more resilient than our initial estimates. Consolidated sales volume in glass packaging was up by 3% y-y, mainly on strong domestic sales (+18% y-y) while non-Turkey sales volume declined by 8% y-y. Sales volume in glassware also grew by 3% y-y supported by resilient domestic operations (+27% y-y).

3Q23 EBITDA at TRY7.41bn (+30% y-y & +41% q-q) also beat the estimates. (Ak Investment: TRY6.23bn, RT: Cons TRY6.21bn). Stronger than expected EBITDA margin from chemicals and glassware led to the deviation in our estimates. 3Q23 EBITDA margin declined by 1.6ppt y-y to 20.6%, primarily due to the weak performance of architectural glass. Operating profitability in chemicals also normalized from strong base.

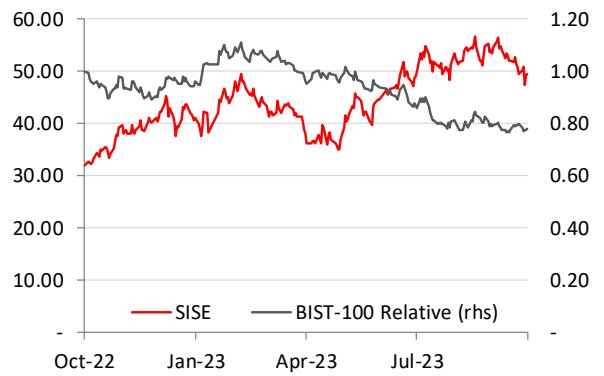
Comment & Rating: We expect a slightly positive market reaction to the better than expected operating results. Our estimates and PT are currently unchanged. We maintained our Outperform rating with DCF-driven 12M TP at TRY74.50/per share. We think that the short-term outlook will be challenging for Şişecam given the weak demand environment in international markets, high cost of energy hedges in Europe vs. spot prices and downward trend in soda ash prices.

Quarter Overview								
TRY mn	Summary Financials					Comparison with Estimates		
	3Q23	3Q22	y/y	2Q23	q/q	Consensus	AK	Vs. Cons
Revenue	36,406	26,047	40%	30,069	21%	35,586	35,540	2%
EBITDA	7,406	5,710	30%	5,245	41%	6,211	6,234	19%
EBITDA Margin	20.3%	21.9%	-158 bps	17.4%	290 bps	17.5%	17.5%	289 bps
Net Income	5,291	4,742	12%	5,705	-7%	3,760	4,123	41%

Source: Rasyonet, AK Investment

Bloomberg Ticker	SISE TI
Recommendation	Outperform
Target Price, TRY	74.50
Current Price, TRY	49.54
Upside	50%
Free Float	49%
Mcap, TRYmn	151,752
EV, TRYmn	210,159

Financial Data	2022	2023	2024F	2025F
Summary IFRS Financials				
Revenue, TRYmn	95,349	139,032	208,178	262,968
EBITDA, TRYmn	20,455	28,667	44,732	59,943
Net Income, TRYmn	19,345	15,492	23,318	34,534
Indebtedness				
Net Debt, TRYmn	17,839	34,328	49,268	61,886
Net Debt/EBITDA	0.9	1.2	1.1	1.0
Profitability				
EBITDA Margin	21.5%	20.6%	21.5%	22.8%
Net Margin	20.3%	11.1%	11.2%	13.1%
Dividend Yield	1.7%	1.4%	2.8%	4.4%
Growth				
Revenue, y/y	197.4%	45.8%	49.7%	26.3%
EBITDA, y/y	170.5%	40.1%	56.0%	34.0%
Net Income, y/y	114.0%	-19.9%	50.5%	48.1%
Valuation Data				
P/E	3.7	9.8	6.5	4.4
EV/EBITDA	5.5	7.3	5.0	3.9
EV/Sales	1.2	1.5	1.1	0.9
Stock Data				
Nominal Return	-8.4%	1.1%	51.2%	17.3%
BIST-100 Relative	-2.4%	-10.0%	-22.8%	-16.1%
ADT, TRYmn	3,266	4,244	3,159	3,141



Market data of October 27, 2023

Source: AK Investment Research

Further Details on 3Q23 Results:

Net debt (Incl. Eurobond holdings) declined to USD1290mn in 3Q23 from USD1334mn in 2Q23 on the back of strong operating cash flow. Net debt to EBITDA declined to 1.5x from 1.6x in 2Q23. The company ended the quarter with an USD299mn net long FX position compared to USD104mn in 2Q23.

Segmental Rev., TRYmn	3Q23	2Q23	3Q22	q/q ch.	y/y ch.	9M23	9M22	y/y ch.
Architectural Glass	7,655	6,012	6,464	27%	18%	19,394	17,658	10%
Industrial Glass	4,207	2,635	1,829	60%	130%	9,660	5,453	77%
Glassware	4,163	3,621	2,565	15%	62%	11,199	6,748	66%
Glass packaging	6,802	5,597	5,245	22%	30%	17,034	12,068	41%
Chemicals	9,603	8,658	7,460	11%	29%	25,899	17,789	46%
Energy	3,203	2,936	1,776	9%	80%	9,790	4,892	100%
Others & Eleminations	773	608	708	25%	9%	1,865	1,672	25%
Total	36,406	30,069	26,047	21%	40%	94,840	66,279	43%

Segmental EBITDA, TRYmn	3Q23	2Q23	3Q22	q/q ch.	y/y ch.	9M23	9M22	y/y ch.
Architectural Glass	1279	466	1863	174%	-31%	3149	5639	-44%
EBITDA margin, %	16.7%	7.8%	32.7%	9.0%	-16.0%	16.2%	31.9%	-15.7%
Industrial Glass	602	-127	45	-573%	1236%	590	373	58%
EBITDA margin, %	14.3%	-4.8%	10.1%	19.1%	4.2%	6.1%	6.8%	-0.7%
Glassware	1028	727	481	41%	114%	2361	1304	81%
EBITDA margin, %	24.7%	20.1%	17.4%	4.6%	7.3%	21.1%	19.3%	1.8%
Glass packaging	1486	1255	933	18%	59%	3574	2249	59%
EBITDA margin, %	21.8%	22.4%	18.0%	-0.6%	3.9%	21.0%	18.6%	2.3%
Chemicals	2555	2624	2344	-3%	9%	7318	5366	36%
EBITDA margin, %	26.6%	30.3%	30.3%	-3.7%	-3.7%	28.3%	30.2%	-1.9%
Energy	86	22	-71	288%	-221%	153	147	4%
EBITDA margin, %	2.7%	0.8%	2.6%	1.9%	0.1%	1.6%	3.0%	-1.4%
Others & Eleminations	371	276	114	34%	225%	1214	642	89%
Total	7,406	5,245	5,710	41%	30%	18,359	15,721	17%

Revenues are based on net figures excluding intra group sales & EBITDA excludes other income/expense

Income Statement (TRY mn)	3Q22	4Q22	1Q23	2Q23	3Q23	9M22	9M23
Revenues	26,047	29,070	28,365	30,069	36,406	66,279	94,840
Gross Profit	9,670	8,753	9,576	9,747	13,067	24,957	32,390
Operating Expenses	5,372	5,510	5,293	6,037	7,386	12,846	18,716
EBIT	4,298	3,242	4,283	3,709	5,681	12,112	13,673
EBITDA	5,710	4,734	5,708	5,245	7,406	15,721	18,359
Non-Operating Income / (Expense)	1,012	1,833	-122	3,673	579	2,575	4,130
Profit Before Tax	5,310	5,076	4,161	7,382	6,260	14,686	17,803
Tax Income / (Expense)	-359	867	-1,425	-1,037	-597	-495	-3,059
Net Profit After Tax	4,950	5,942	2,736	6,345	5,663	14,191	14,745
Minority Interest	208	247	372	640	372	541	1,385

Net Profit	4,742	5,695	2,364	5,705	5,291	13,650	13,360
Growth (y/y)	3Q22	4Q22	1Q23	2Q23	3Q23	9M22	9M23
Revenue	216.3%	163.2%	67.1%	29.3%	39.8%	215.4%	43.1%
Opex	282.2%	181.4%	61.4%	43.9%	37.5%	245.2%	45.7%
EBIT	191.6%	81.2%	27.1%	-16.5%	32.2%	226.4%	12.9%
EBITDA	187.6%	98.3%	34.7%	-9.2%	29.7%	203.8%	16.8%
Net Profit	250.6%	15.2%	-33.8%	6.9%	11.6%	233.3%	-2.1%
EBIT Margin	16.5%	11.2%	15.1%	12.3%	15.6%	18.3%	14.4%
EBITDA Margin	21.9%	16.3%	20.1%	17.4%	20.3%	23.72%	19.36%
Effective Tax Rate	6.8%	-17.1%	34.2%	14.0%	9.5%	3.4%	17.2%
Net Profit Margin	18.2%	19.6%	8.3%	19.0%	14.5%	20.6%	14.1%
Operating Cash Flow Margin	13.0%	15.9%	2.0%	32.5%	22.4%	11.9%	19.5%
Free Cash Flow Margin	2.3%	14.4%	-4.4%	1.2%	3.5%	1.5%	0.4%
Operational Cash Flow / EBITDA	59%	98%	10%	186%	110%	50%	101%
Capex / Revenues	7.0%	10.3%	9.5%	14.0%	11.5%	6.9%	11.7%
Inflow / (Outflow) for WCR / Revenues	-11.9%	-1.8%	-17.6%	-6.0%	0.4%	-16.6%	-7.0%
Cash Flow Statement (TRY mn)	3Q22	4Q22	1Q23	2Q23	3Q23	9M22	9M23
Net Operating Cash Flow	3,378	4,626	575	9,775	8,164	7,878	18,514
Earnings Before Adjustments	4,950	5,942	2,736	6,345	5,663	14,191	14,745
Depreciation & Amortisation	1,413	1,492	1,425	1,535	1,725	3,609	4,686
Change in Working Capital	-3,104	-530	-4,979	-1,818	143	-11,014	-6,655
Other Operating Cash Flow	118	-2,278	1,393	3,713	632	1,092	5,737
Net Investment Cash Flow	-2,777	-443	-1,822	-9,423	-6,876	-6,876	-18,121
Capital Expenditures	-1,819	-2,996	-2,689	-4,200	-4,175	-4,577	-11,064
Other Investment Cash Flow	-958	2,553	867	-5,223	-2,700	-2,300	-7,056
Free Cash Flow	601	4,183	-1,247	352	1,288	1,001	393
Cash from Financial Operations	-671	4,935	-1,893	-3,244	8,502	-752	3,364
Change in Financial Debt	1,200	3,917	-273	594	11,357	4,980	11,678
Dividends Paid	-659	-152	-253	-2,812	-628	-2,270	-3,693
Other Financial Cash Flow	-1,213	1,169	-1,367	-1,026	-2,228	-3,462	-4,621
Net Increase / (Decrease) in Cash	1,633	8,313	-2,914	-1,160	10,176	4,108	6,101

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