



Turkish Equities Strategy and Valuation Updates

October 2023

«Policy rationalization can lead to first real TL appreciation in a decade»

Key Highlights

ATA INVEST Equity Strategy

12-month BIST-100 target: 11,000, implying around 40% upside

Macro Perspective

Return to rational economic policies will bear fruit in 2024

Inflation still too high & base effects will kick in 2H24

CA deficit has peaked and will come down with slower growth & return of international capital

Budget deficits for FY23&24 to be above 5% of GDP

Equity Perspective

Market performed in-line with MSCI EM ytd

Foreign investors have sold a total of US\$10.2bn equities since 2020 and their share in free float of the market came down to 28% from 65%

ATA Coverage EPS growth estimate at 21% for 2023 & 29% in 2024

At 4.2x 24E P/E, equities are at 64% discount to MSCI EM
vs. 5 year average of 57% discount

Top Picks

	Ticker	Upside Potential
Tier 1	CCOLA	54%
	MGROS	46%
	SAHOL	81%
	SOKM	67%
	TUPRS	53%
	TCELL	80%
Tier 2	ULKER	79%
	AKSEN	74%
	AYGAZ	47%
	BIMAS	41%
	TAVHL	56%
TOASO	58%	

Macro Estimates

	2023E	2024E
Year-end CPI	69.0%	42.0%
GDP Growth	3.8%	2.9%
CAD/GDP ratio	-5.0%	-3.3%
Year-end US\$/TL	29.35	40.22
Year-end Euro/TL	30.82	42.24

Catalysts

Return of international investors for both strategic & portfolio investments

Additions / Removals to Top Picks

Additions	Deletions
SOKM	SISE
SAHOL	
AKSEN	
AYGAZ	
ULKER	

Downside Risks

Inflation remaining high for longer than anticipated

Low-level of Central Bank reserves

Weaker Euro/US\$ is hurting Turkish exporters

Exit strategy unclear for FX-protected deposit scheme

Abandoning the rational economic policies

Continuation of geo-political risk in the Middle East

Upside Risks

Decline in commodity prices will reduce pressure on CA deficit

A peaceful resolution to the war between Russia-Ukraine

Rating Upgrades / Downgrades

Upgrade	Downgrade
AKBNK (OP from MP)	ISCTR (MP from OP)
YKBNK (OP from MP)	TTRAK (MP from OP)
PETKM (MP from UP)	

Initiation of Coverage

AYGAZ	AKSEN	ALARK
ODAS	AKSA	SAHOL
ENJSA	SOKM	KCHOL
	KORDS	

Definitions: OP: Outperform, MP: Marketperform, UP: Underperform, UR: Under Review

Turkey Strategy: Real appreciation of TL in 2024 can be on the cards

- ✓ The adoption of rational economic policies after the elections have increased confidence that if Turkey sticks to the game plan, it has a chance to stabilize the unsustainable macro imbalances. The new economy team and their action plan has brought a sense of credibility as Turkey is trying to attract foreign investors to bet on a re-rating story. The decline in CDS levels and the upgrade of credit rate outlook to neutral by the 3 rating agencies were the first positive moves in years. The two critical hinges of the new action plan are 1) Disinflation to hopefully low teens by 2025 2) Bringing current account deficit/GDP to a more sustainable target of 3% per annum. These two targets if achieved will gradually help restore faith in TL for both local & foreign investors.
- ✓ The tightening in monetary policy and loosening of some of the stringent banking regulations have led to a certain degree of normalization of both deposit & lending rates, while bond rates have also recovered to more reasonable levels. One can easily argue that with CPI to top 70% in the coming months, the monetary policy is still not tight enough but selective lending practices are already doing the rest of the tightening job.
- ✓ Foreign investors have been fleeing Turkey since 2018 as they could not keep up with the pace of Lira devaluation and sold net US\$11bn of Turkish equities since 2018. Turkey's share in MSCI EM declined to as low as 0.25% down from its long-term average of 2% and is currently at 0.8%. In the mean time, size of funds managed by the domestic institutional investors doubled from US\$35.2bn at YE17 to currently US\$71.8bn, while share of equities in institutional money managed increased from 9.45% to 20.3%. Despite a volatile journey, BIST-100 is at US\$300 level, exactly where it was at the beginning of 2018, hence the return of international investors could pave the way for further re-rating as valuations are not demanding by EM standards.
- ✓ Turkish equities are up by 42% in TL terms year-to-date, MSCI Turkey performed flattish in US\$ terms in-line with MSCI EM. Banks have been outperforming the industrials after the election and year-to-date, as the loosening of banking regulations & increase in CPI have led to a significant revision of banking profit forecasts. The last two years have been very good for Turkish automotive and airline in particular, however we might be coming to the end of «best revenue growth & margin improvement». Higher interest rate environment and restrictive consumer lending policies are likely to curb growth for most domestic market focused companies.
- ✓ Low interest rates and high inflation have caused local investors to rush to the stock market as number of investors in the market grew from 2.8m in Oct22 to 7.7mn in Sept23. Most of the new investors came for the IPOs, which reached US\$2.3bn in 2023 and Borsa Istanbul's IPO index is up 92% year-to-date vs 42% of BIST-100.
- ✓ **The market is now trading at 4.2x 2024 P/E (Ata coverage), at a 64% discount to EM peers, however given the 59% average headline inflation, Turkish companies' inflation unadjusted earnings making P/E comparison with EM peers less meaningful.**

Ata Invest Top Picks- Attractive valuations of selected blue chip companies

	Company	Ticker	Sector	Closing TL	Target Price TL	Current Mcap TL mn	Fair Value TL mn	Upside Potential	Avg Volume TL mn	Dividend Yield
1st Tier	Coca Cola Icecek	CCOLA	Beverages	343.70	515.00	87,427	134,455	54%	232	4%
	Migros	MGROS	Retail	371.60	535.00	67,280	98,512	46%	720	2%
	Sabancı Holding	SAHOL	Conglomerates	56.10	101.69	114,467	207,491	81%	2,631	3%
	Sok Marketler	SOKM	Retail	63.55	105.04	37,704	62,829	67%	606	1%
	Tupras	TUPRS	Oil	141.20	214.83	272,064	416,726	53%	6,006	13%
	Turkcell	TCELL	Telecom	50.00	87.50	110,000	198,000	80%	2,251	8%
	Ulker	ULKER	Food	84.60	152.00	31,241	55,988	79%	1,135	0%
2nd Tier	Aksa Enerji	AKSEN	Utility	35.64	61.94	43,707	75,938	74%	600	2%
	Aygaz	AYGAZ	Oil	138.20	203.41	30,376	44,710	47%	250	1%
	Bim	BIMAS	Retail	298.00	405.00	180,946	254,847	41%	1,863	5%
	Tav Hava Limanları	TAVHL	Aviation	124.90	194.77	45,374	70,756	56%	867	0%
	Tofas	TOASO	Automotive	266.00	396.00	133,000	209,524	58%	1,802	9%

Industrials Multiples

	Company	Ticker	P/E			EV/EBITDA			EV/Sales		
			2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
1st Tier	Coca Cola Icecek	CCOLA	20.2	10.1	5.2	10.3	5.4	3.3	2.0	1.1	0.7
	Migros	MGROS	26.2	12.2	7.6	10.0	6.3	3.7	0.8	0.4	0.3
	Sok Marketler	SOKM	15.8	11.1	5.6	8.4	5.1	2.9	0.7	0.4	0.2
	Tupras	TUPRS	6.6	6.3	6.8	4.7	3.8	4.4	0.5	0.5	0.3
	Turkcell	TCELL	10.0	6.3	4.1	6.9	4.0	2.5	2.8	1.6	1.0
	Ulker	ULKER	n.m	75.4	6.9	10.3	6.5	4.2	2.0	1.2	0.8
2nd Tier	Aksa Enerji	AKSEN	9.6	9.0	5.6	8.7	8.2	4.8	1.2	2.0	1.4
	Aygaz	AYGAZ	6.4	6.4	6.3	10.8	4.4	3.6	0.2	0.1	0.1
	Bim	BIMAS	22.2	16.2	8.6	16.0	9.7	5.8	1.3	0.7	0.4
	Tav Hava Limanları	TAVHL	23.9	12.7	7.0	11.4	7.3	3.7	3.6	2.0	1.4
	Tofas	TOASO	15.5	8.1	7.5	11.0	7.5	6.4	1.9	1.2	0.9

Conglomerates

	Company	Ticker	P/E			ROE			P/BV		
			2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
1st Tier	Sabancı Holding	SAHOL	2.6	2.6	2.2	57.6%	57.6%	31.6%	1.1	0.8	0.6

Source: Ata Invest Estimates, as of Oct 18th, 2023

Top Picks (1) : Selective stock picks with specific stories and balance sheet...

Our key theme for Turkish equities for the next 12 months will be for companies that have a balanced domestic and export revenue mix, as neither the domestic market nor the weak European export markets can be the driver of growth alone. We also focus on the companies, which have specific stories and competitive advantages in Turkish Equities universe. We are rather focusing on companies with strong balance sheet, cash flow and resilience to global slowdown.

We have 12 top picks: (Tier 1: Coca Cola İçecek, Tupras, Sok Marketler, Ulker, Migros, Sabancı Holding, Turkcell) (Tier 2: Aygaz, Tofas, Tav Hava Limanları, Bim, Aksa Enerji)

1st Tier – Top Picks:

- ✓ **Coca Cola İçecek <COLA TI>:** We are keeping Coca Cola İçecek in our top pick list with a 12TP of TL515.0, implying 54% upside potential, including 4% dividend yield, considering the company's resilient outlook amid ongoing high inflation environment. Despite the negative effect of cost inflation, we believe that the company will manage to increase its 2023E and 2024E net income by 99% and 96% y/y to TL8.6bn and TL16.9bn, respectively. Based on our 2024E estimates, Coca-Cola İçecek is currently trading at 3.3x EV/EBITDA and 5.2x P/E, implying 52% and 62% discount to its global bottler peers median, respectively.
- ✓ **Tupras <TUPRS TI>:** Despite their 71% rise in the last 3 months with a 39% outperformance to BIST-100, the company shares still trade at 3.8x and 4.4x EV/EBITDA multiples on our 2023 and 2024 estimates, respectively, with avg. 20% discount to peers. Key catalysts for the share price performance include the announcement of strong 3Q23 financials on October 25th, as well as the continuation of high crack margins and wide crude differentials in the remainder of the year. Other potential developments to bring momentum to the stock could be a possible weakening in TL, higher crude oil prices or higher than foreseen dividend distribution from 2023 earnings. We expect the company to distribute 80% of its 2023 net profit next year, which implies a 12.7% dividend yield.
- ✓ **Sabancı Holding <SAHOL TI>:** The company shares trade at 49% discount to current NAV as well as very attractive 2.6x 2023E and 2.2x 2024E P/E multiples. SAHOL has underperformed the BIST-100 by 9% and its major NAV component Akbank by 26% since the beginning of the year. We find this underperformance unwarranted given the improving risk sentiment about Turkey with return to conventional macroeconomic policies, ongoing robust profitability in its core operations including finance, energy and cement, as well as the establishment of new businesses in renewable energy and building materials in the US.
- ✓ **Sok Marketler <SOKM TI>:** We are initiating the coverage of Şok Marketler (Şok) with an "Outperform" rating and 12-mnth TP of 105, implying a 67% upside potential. Şok is currently trading at 5.6x 2024E P/E, which implies a 61% discount to its global peer and 31% discount to its local peers. We believe that its growth prospects coupled with healthy financials justify trading at higher multiples. We believe that Şok is not only a high-growth company benefiting from the transformation in Turkish retail sector but also one of the most resilient Turkish companies to any economic downturn.

Top Picks (2) : Selective stock picks with specific stories and balance sheet...

1st Tier – Top Picks: (continued)

- ✓ **Ulker <ULKER TI>**: On the back of upward revisions to our earnings estimates and applying no additional visibility discount, we are raising our TP to TL152 from TL50, implying a 79% upside potential while raising our rating to “Outperform”. We had been applying a 65% discount to our target EV/EBITDA multiple, considering the company-specific risks. Following the improvement in corporate actions about the balance sheet, corporate structure and governance, we removed this discount. We believe improvement in Ulker’s financials will become apparent in 2024E. Ulker is currently trading at 6.9x 2024E P/E, implying a 58% discount compared to its global peers.
- ✓ **Migros <MGROS TI>**: Migros, largest supermarket chain in Turkey, managed to growth through not only organically but also mergers & acquisitions during the last 11 years while de-leveraging was intact. Operational efficiencies of Migros have become more apparent and improvement in operational profitability reflected to the bottomline so far in 2023. Considering the growth trends in 1H23, we foresee Migros to increase its net sales by 97% in 2023E versus the company guidance of c.90%. We also foresee 64% topline growth in 2024E above inflation Based on our 2024E estimates, Migros is currently trading at 3.7x EV/EBITDA multiple and 7.6x P/E, implying that rewards are still higher compared to risks despite recent rally during the last two years.
- ✓ **Turkcell <TCELL TI>**: Well-positioned in highly competitive telecom sector: Market leader in mobile market with 41.2% market share, followed by Vodafone (30.8%) and Turk Telekom (28.0%). Considering that customers contracts are mostly at 12-24 months terms, price increase were far below inflation. Thus, reflecting the cost increases in inflationary environment come with a lag. Thanks to the renewal of consumer contacts gradually, we expect Turkcell to have higher pace of growth in 2023E and 2024E compared to 2022. Turkcell is currently trading at 2.5x 2024E EV/EBITDA, implying 41% discount compared to its global peers. Thus, we foresee higher rewards versus potential risks at current levels.

Top Picks (3) : Selective stock picks with specific stories and balance sheet...

2nd Tier – Top picks:

- ✓ **Aygaz <AYGAZ TI>**: Aygaz is one of the defensive stocks in the BIST-100 as its core LPG business is not much affected from a fall in consumer sentiment as well as a change in FX rates and consumer loan rates. With the help of its dominant domestic market position, Aygaz has the ability to reflect increase in LPG costs to its prices. Thanks to its cash-cow LPG business and low capex, Aygaz has a sound balance sheet with its net debt/EBITDA multiple at 1.7x as of end 1H23. The company shares trade at 6.3x P/E multiples on our 2024 estimates, which imply 33% and 23% discount to their last 1 and 3 year historical averages, respectively. We also calculate that the current value of the indirect stakes at YKBNK and TUPRS make up 83% of AYGAZ's current mcap.
- ✓ **Bim <BIMAS TI>**: Amid ongoing uncertainties about high inflation and economic recession concerns, Bim is likely to be the safe harbor in Turkish equities universe due its healthy balance sheet, highly efficient business model as well as high growth prospects. We continue to believe that organized retailers have room for growth due to operational efficiencies. Supported by growth in LfL and new store openings, we foresee 80% topline growth in 2023E, followed by 68% growth in 2024E. We foresee significant earnings growth both in 2022 and 2023. Bim is currently trading at 8.6x 2023E P/E multiple, implying a 58% discount compared to its historic 1-yr fwd P/E multiple of 15.25x.
- ✓ **Tav Airports <TAVHL TI>**: We believe that TAVHL will continue to announce strong results in the upcoming quarters and the growth story continues to maintain its appeal. Thanks to its business model, it is more protected against risks compared to other aviation companies and an increasing competitive environment would not affect it much negatively. We maintain TAVHL in our top picks list with 12M TP of TL194.77 implying 55.9% upside potential. Considering strong PAX growth and one-off positive impact of the partial sale of Madinah shares, we also expect strong financials for 3Q23. Based on our revised estimates, TAVHL is trading at 3.7x 24E EV/EBITDA and 7.0x P/E multiples, respectively, implying 57% and 50% discounts compared to its global peers.
- ✓ **Tofas <TOASO TI>**: We believe that the potential Stellantis Otomotiv Pazarlama acquisition, extension of project and new mandates will create synergies for Tofas. We have an "Outperform" recommendation for Tofas, our 12M TP implies 57.5% upside potential for Tofas and we continue to keep stocks in our top pick list, considering the potential risk and rewards.
- ✓ **Aksa Enerji <AKSEN TI>**: Aksa Energy is the largest listed independent power producer in Turkey, with a domestic installed capacity of 1,317MW. It has a total installed capacity of 2,731MW, including foreign operations in Uzbekistan (740MW), Africa (521MW) and North Cyprus (153MW). The company targets to triple its generation capacity by 2030 through growth both in domestic and international markets with renewable energy. In addition, new energy technologies (battery storage and hydrogen generation) are also expected to enter their portfolio. The company shares are trading at 4.8x EV/EBITDA and 5.6x P/E multiples on our 2024 estimates, which imply 31% and 25% discount to their last 3 year historical averages, respectively.

Rating Revision:

Non-financials:

Sisecam <SISE TI> We are removing Sisecam from our top picks due to the continuation of weak net sales growth and low operating profitability in the 2H23E.

Petkim <PETKM TI>: We revise our rating to “Marketperform” from “Underperform” for Petkim shares which have underperformed the BIST-100 index by 24% ytd. Volatility continues in petrochemical margins due to supply-demand imbalances, which makes it hard to make any accurate predictions. On the other hand, we still expect 2H23 to be better than 1H23 with the support of a favorable currency effect and possible gains from the improved flexibility in naphtha procurement with the recent agreement with STAR. Our 2024 estimates also show 180% EBITDA and 65% net profit in US\$-based improvement from the weak base of 2023.

Turk Traktor <TTRAK TI>: Due to limited upside considering the risk, we are revising down our recommendation for Turk Traktor to “Marketperform” from “Outperform”.

Banks:

Akbank <AKBNK TI>: We revise up our rating for Akbank to “OP” from “MP”.

Yapikredi <YKBNK TI>: We revise up our rating for Yapikredi to “OP” from “MP”.

Isbank <ISCTR TI>: We revise down our rating for Isbank to “MP” from “OP”.

Initiation of Coverage:

Aygaz <AYGAZ TI>: We are initiating our AYGAZ coverage with 12M TP of TL203.41, implying 47% upside potential with “**Outperform**” rating based on a sum-of-the-parts methodology.

Kordsa <KORDS TI>: We are initiating our KORDS coverage with 12M TP of TL113.09, implying 24% upside potential with “**Marketperform**” rating based on DCF valuation.

Odas Enerji <ODAS TI>: We are initiating our ODAS coverage with 12M TP of TL14.95, implying 26% upside potential with “**Marketperform**” rating based on DCF valuation.

Enerjisa <ENJSA TI>: We are initiating our ENJSA coverage with 12M TP of TL62.30, implying 11% upside potential with “**Marketperform**” rating. Our valuation is based on historical earnings multiples.

Aksa Enerji <AKSEN TI>: We are initiating our AKSEN coverage with 12M TP of TL61.94, implying 74% upside potential with “**Outperform**” rating based on DCF valuation.

Aksa Akrilik <AKSA TI>: We are initiating our AKSA coverage with 12M TP of TL141.44, implying 54% upside potential with “**Outperform**” rating based on DCF valuation.

Alarko Holding <ALARK TI>: We are initiating our ALARK coverage with 12M TP of TL131.00, implying 14% upside potential with “**Marketperform**” rating based on NAV valuation.

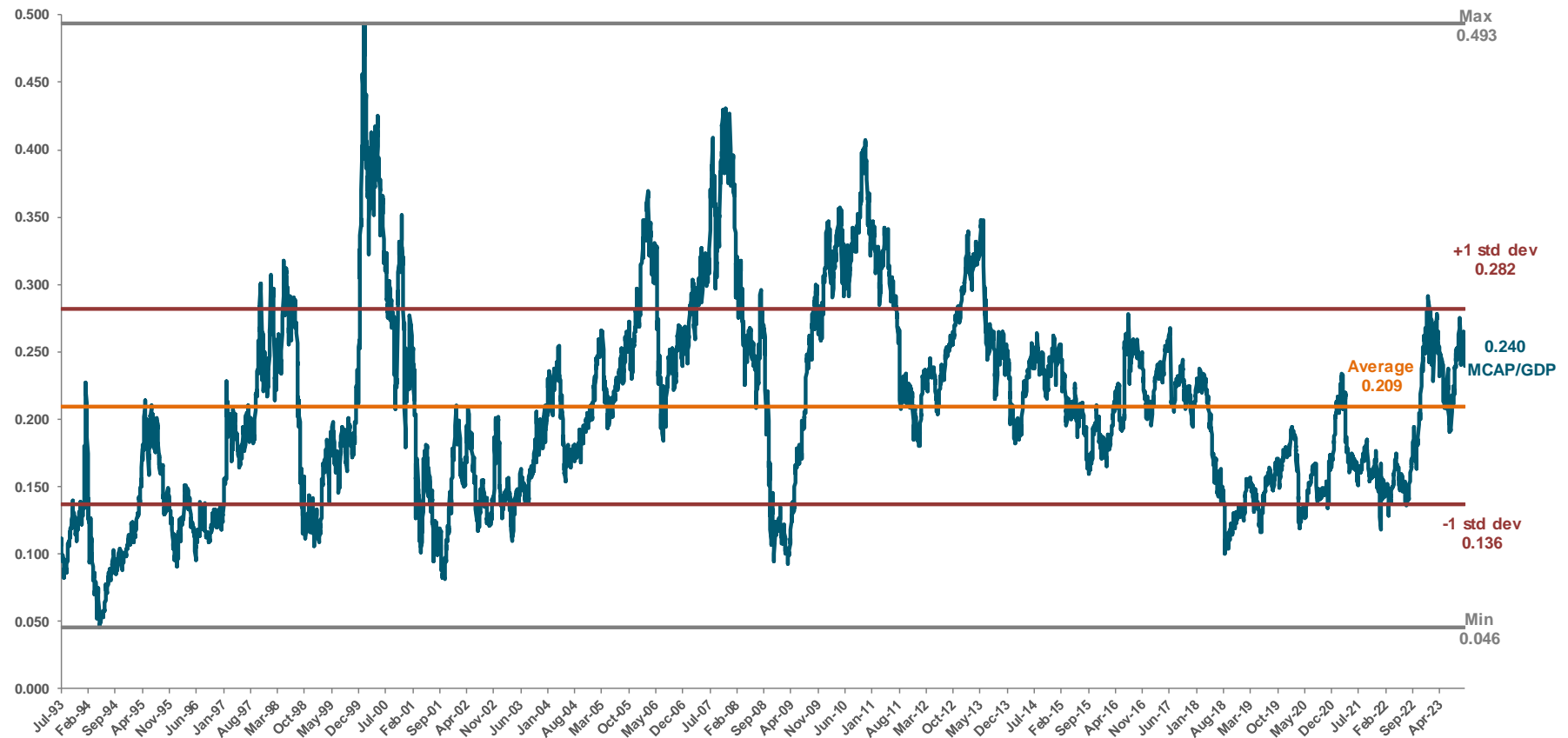
Sabancı Holding <SAHOL TI>: We are initiating our SAHOL coverage with 12M TP of TL101.69, implying 81% upside potential with “**Outperform**” rating based on NAV valuation.

Koc Holding <KCHOL TI>: We are initiating our KCHOL coverage with 12M TP of TL221.32, implying 53% upside potential with “**Outperform**” rating based on NAV valuation.

Sok Marketler <SOKM TI>: We are initiating our SOKM coverage with 12M TP of TL105, implying 67% upside potential with “**Outperform**” rating based on peer multiple valuation.

Equities: No longer a bargain by historical terms but blue chips still offer value

We believe Mcap/GDP is a healthy ratio to view how the market is valued historically compared to changes in real GDP. To monitor the evolution of Mcap/GDP ratio, we used 4 quarters trailing nominal GDP in US\$ terms and daily close values of BIST100 Index in US\$ terms. We applied one-quarter lag to GDP data to see the impact of the latest GDP announcements. **It is fair to say that -1 std deviation level for this series has generally been a good entry point to the market, and historically has only traded above +1 std deviation for only brief periods. Turkish equities have gone through a significant re-rating since last year. However, the current re-rating has happened with local investors' conviction in the stock market as a hedge against high inflation, while international investors have continued to be cautious as a result of continuous TL depreciation. Since 2013 and the new leg of the re-rating story would require the return of international investors.**



Source: Rasyonet, TURKSTAT (with new GDP series)

— Mcap/GDP (US\$ mn) — Average — +1 std dev — -1 std dev — Max — Min

Macro: New Medium Term Economic Plan defines a credible framework

After the elections, Turkey's government adopted a swift return to rational economic policies and the new Medium-Term Program (MTP), which covers the next three years has put out a more credible framework presented by the new economic leadership. The primary goal of the new MTP will be to reduce rampant inflation, which will require slowing down economic activity via higher rates and a more restrictive lending policy. The other key element of the program should be restoring the faith in the Turkish Lira for both local and international investors. Although ex-ante real yields continue to be in deep negative territory, if the disinflation and decline in trade deficit progress goes as planned TL can appreciate against US\$ in real terms in 2024. The most important chance of the new MTP is that there will not be a general election until 2028, as elections have usually been the driver of reckless fiscal & monetary policies in the past.

GDP: Despite the impact of devastating earthquakes Turkey's economy has rebounded quickly as domestic consumption and the fiscal stimulus drove economic growth despite the negative impact of the net exports. Both hard & soft data show that despite increasing interest rates environment, domestic consumption remains resilient in 2H23. We expect Turkey's GDP to grow by 3.8% in 2023 and slow down to 2.9% in 2024. MTP estimates average GDP growth of 4.5% between 2024-26.

Inflation: Turkey has been battling with rampant inflation for 2 years now as Sept 21-Sept 23 cumulative headline inflation reached 196%. The root cause of the excessive runaway inflation in Turkey has been uncontrolled credit growth and TL depreciation. The tighter monetary policy approach and selective credit growth approach will help headline inflation to decline to 42% at YE24 from 69% at YE23 with most of the decline coming in 2H24. MTP envisions bringing inflation to single digits in 2026, which is a realistic approach if tight monetary policies are followed.

Monetary policy: Turkey has finally stopped experimenting with its monetary policy and returned back to orthodoxy by hiking its key policy rate to 30% in Sept'23 from 8.5% in May 2023. We expect CBRT to hike its policy rate to 33% before year-end and keep it at that level until YE24, which is in line with its own inflation outlook.

Current Account Balance: We expect Turkey to post a current account deficit (CAD) of US\$56bn (5% of GDP) in 2023. The key driver of the CAD has been the foreign trade deficit, which is 5% higher y/y in 9M23, despite lower energy bill. MTP estimates a CA deficit of US\$42.5bn for 2023 and CA deficit of US\$15.2bn without gold. Turkey imported US\$24.6bn (10% of total imports) of gold in 8M23, causing the government to impose quotas. The increased demand for physical gold has been a two-year trend and reviewing foreign trade and balance of payment numbers excluding gold is a more healthier approach in our view, as gold serves as a savings instrument for Turkish people.

Fiscal policy: Turkey kept an impeccable record on maintaining a tight control on the fiscal deficit (averaging 2.4% of GDP between 2013-23). The devastating earthquakes will carry the deficit to 6% of GDP for 2023& 2024, and it will go above the universally accepted threshold of 3% and onward. Interest expenses will double from TL310bn in 2022 to TL646bn in 2023 and to TL1.25tr in 2024, which in our view poses a risk to government spending capability if tax collections slowdown

Macro View 2015-2025E...

Detailed macroeconomic forecasts in numbers

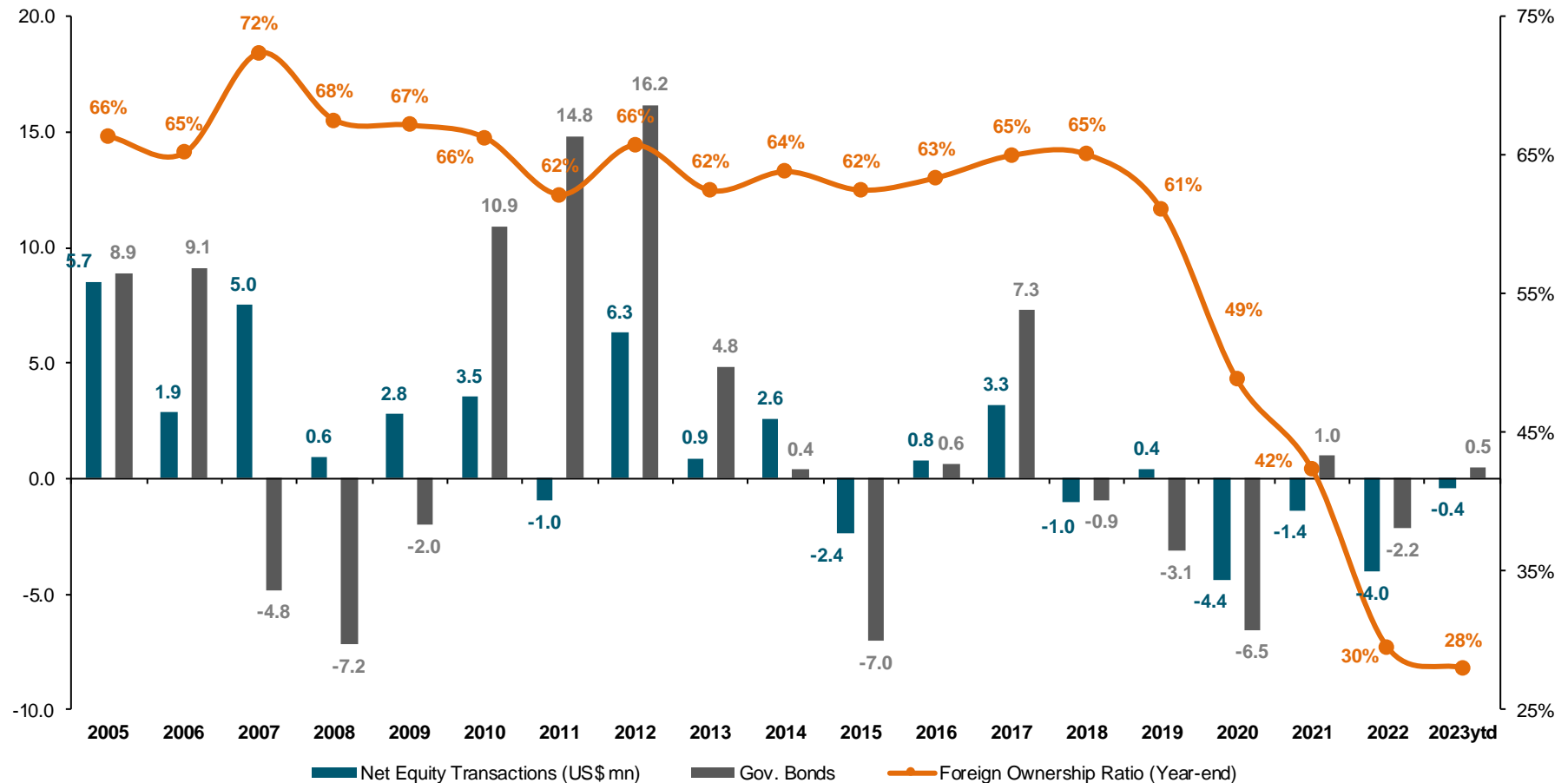
	2015	2016	2017	2018	2019	2020	2021	2022	Latest 2023E	Latest 2024E	Latest 2025E
GDP (TL bn)	2,351	2,627	3,134	3,759	4,318	5,047	7,249	15,007	24,462	39,806	51,827
GDP (USD bn)	865	869	859	779	761	717	803	906	1,033	1,153	1,156
Growth in GDP (%)	6.1	3.2	7.5	2.8	0.9	1.8	11.4	5.6	3.8	2.9	4.2
€/US\$ (year-end)	1.09	1.05	1.20	1.15	1.12	1.23	1.13	1.07	1.05	1.05	1.05
€/US\$ (average)	1.11	1.11	1.13	1.18	1.12	1.14	1.18	1.05	1.08	1.05	1.05
US\$/TL (year-end)	2.91	3.52	3.77	5.26	5.94	7.34	12.98	18.70	29.35	40.22	49.48
US\$/TL (average)	2.72	3.02	3.65	4.83	5.67	7.01	8.87	16.57	23.67	34.52	44.85
€/TL (year-end)	3.18	3.71	4.52	6.03	6.65	9.01	14.68	19.93	30.82	42.24	51.95
€/TL (average)	3.02	3.34	4.12	5.68	6.35	8.02	10.45	17.39	25.46	36.24	47.09
PPI inflation (end) (%)	5.71	9.94	15.47	33.64	7.36	25.15	79.89	97.72	65.87	40.00	16.00
PPI inflation (avg.) (%)	5.28	4.30	15.82	27.01	17.56	12.18	43.86	128.47	54.23	60.29	28.00
CPI inflation (end) (%)	8.81	8.53	11.92	20.30	11.84	14.60	36.08	64.27	69.04	42.01	25.00
CPI inflation (avg.) (%)	7.67	7.78	11.14	16.33	15.18	12.28	19.60	72.31	54.49	59.09	33.51
Gross external debt(US\$ bn)	398	415	440	450	455	435	441	459	464	472	486
CAB (US\$ bn)	-26.6	-26.7	-40.0	-20.1	10.8	-31.9	-7.2	-48.8	-52.0	-38.0	-36.0
CAD/GDP (%)	-3.1	-3.1	-4.7	-2.6	1.4	-4.4	-0.9	-5.4	-5.0	-3.3	-3.1
Exports (US\$ bn)	151	149	164	177	181	170	225	254	263	281	305
Imports (US\$ bn)	214	202	239	231	210	220	271	364	367	379	392
Trade Balance (US\$ bn)	-63	-53	-74	-54	-30	-50	-46	-110	-104	-98	-87
Budget Balance/GDP (%)	-1.2	-1.2	-1.5	-1.8	-3.1	-3.4	-2.7	-0.2	-6.2	-6.0	-3.0
Avg. Annualized int. Rates (%)	9.71	11.50	12.50	18.52	17.68	12.16	18.07	19.67	24.00	28.00	25.00
Year-End Annualized Benchmark Rate (%)	11.10	10.50	13.00	19.73	11.78	14.96	22.70	9.97	32.00	30.00	24.00
Average Real T-Bill Rate (%)	2.04	3.72	1.36	2.19	2.50	-0.12	-1.53	-52.64	-30.49	-31.09	-8.51
Year-End real T-Bill Rate (%)	2.29	1.97	1.08	-0.57	-0.06	0.36	-13.38	-54.30	-37.04	-12.01	-1.00
Brent Oil (average US\$/bbl)	53	45	54	72	64	43	71	99	85	82	78

Risk free rate (%) (TL)	19.00
Risk free rate (%) (US\$)	7.25

Source: TURKSTAT, Ata Invest Estimates, EIA

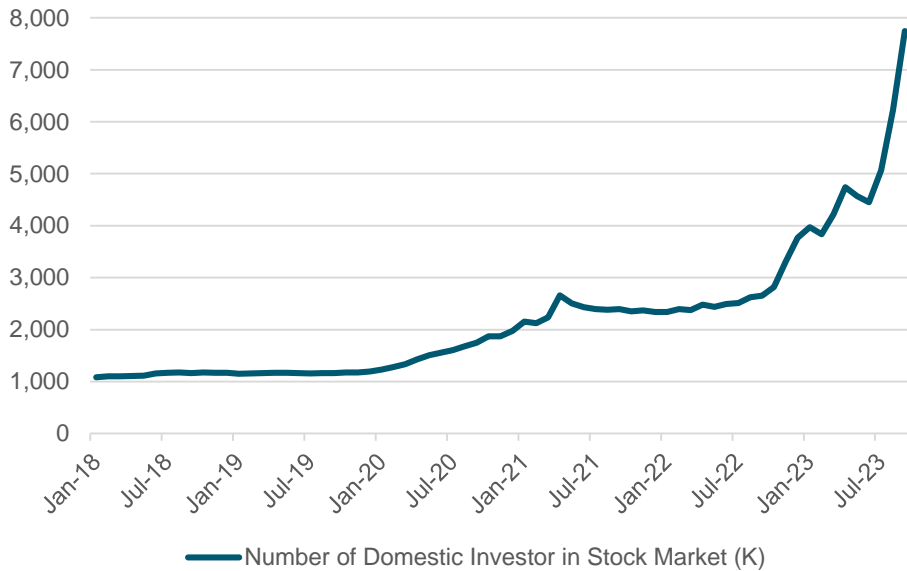
Changing investor profile: Domestic investors now own 72% of free float at BIST

Domestic institutional & retail investors have absorbed net selling of equities by foreign investors which has continued at a record pace (-US\$10.2bn since 2020). Turkey had 1.1mn retail equity investor accounts between 2001-2020, but 6.7mn new accounts have been added since the start of pandemic in Jan'20. Currently, the share of foreign investors in Turkey's local currency denominated government debt has come down to 0.8% from a peak of 70% in 2013, while the share of free float in BIST (Borsa Istanbul) held by international investors decreased to 28% from 65% in 2018. The lower share of foreign investors in the market has shielded Turkish equities from the volatility of international markets in the past 2 years.

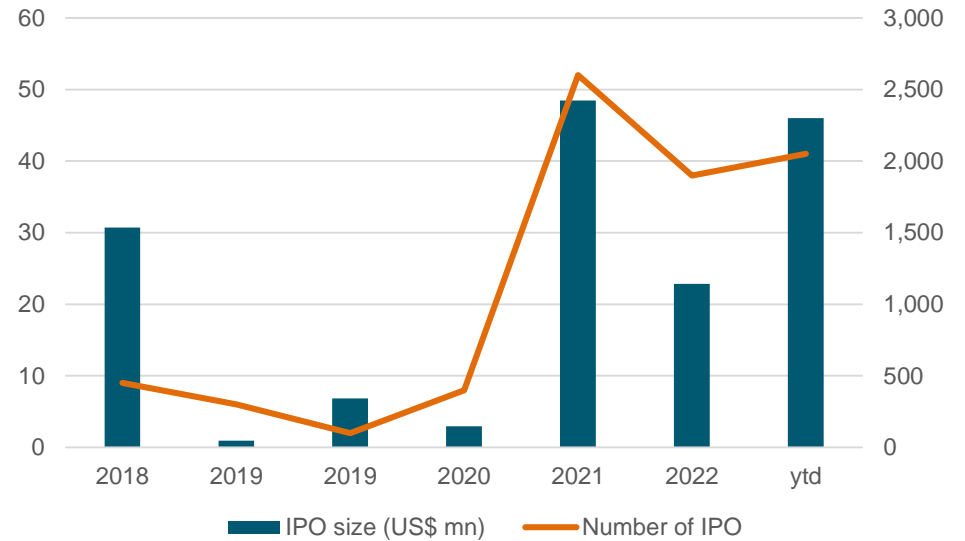


Source: BIST, CBT

IPO Market has been on fire with increasing interest from local investors

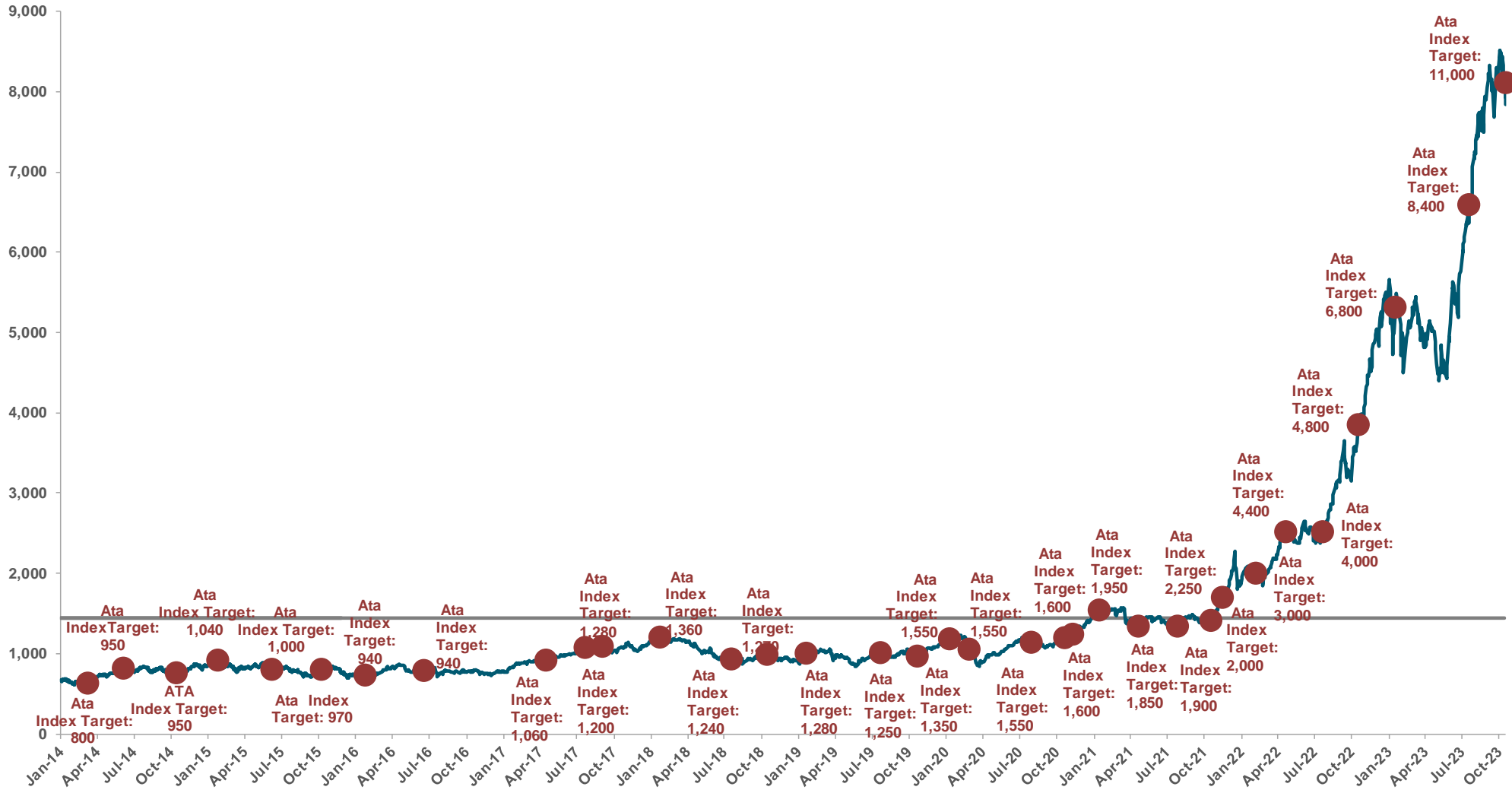


Source: VAP



Source: KAP

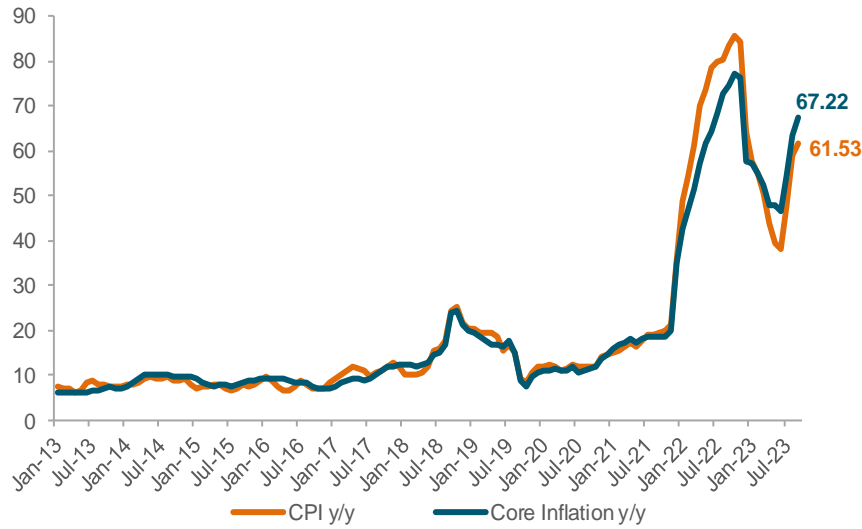
Ata Invest – Market Calls regarding BIST-100 through 2014 - 2023



Source: BIST, as of 18th Oct 2023

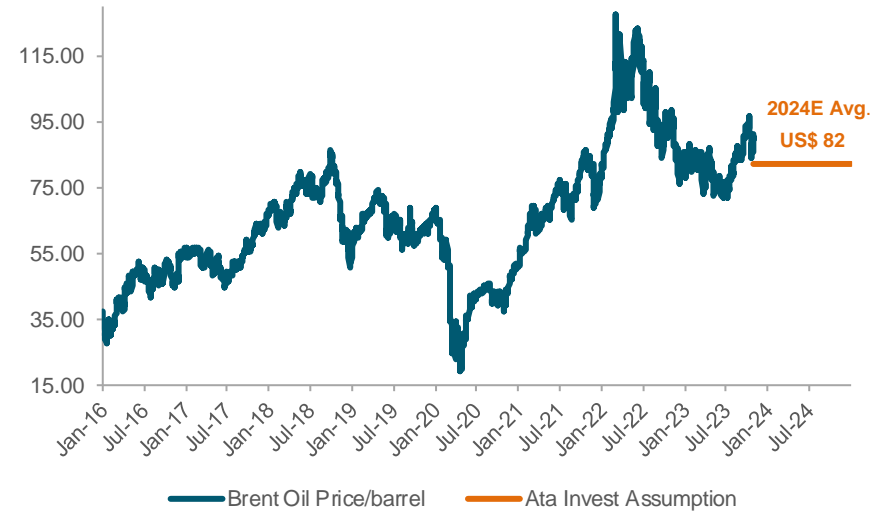
Macro Outlook: Post election FX shock once again deteriorated inflation outlook

Annual Rate of Change in CPI, Core Inflation



Source: TURKSAT as of Sep'23

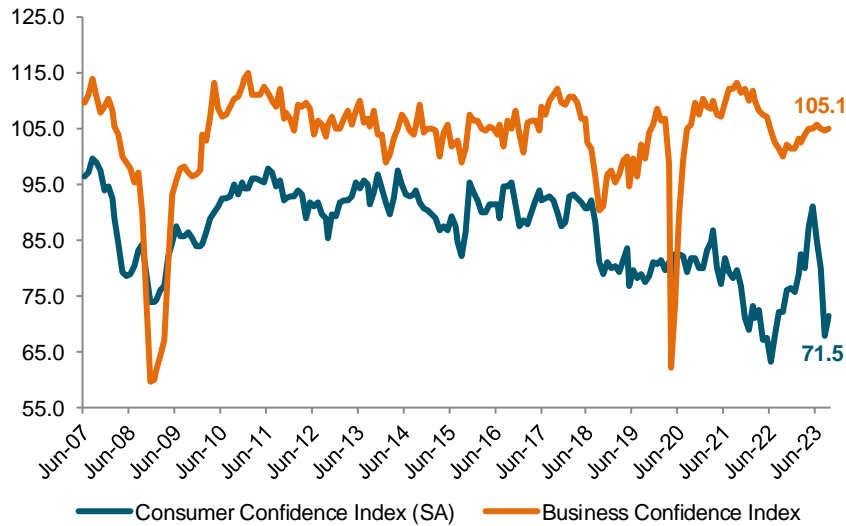
Brent Oil Price per barrel



Source: Bloomberg and Ata Invest Estimates

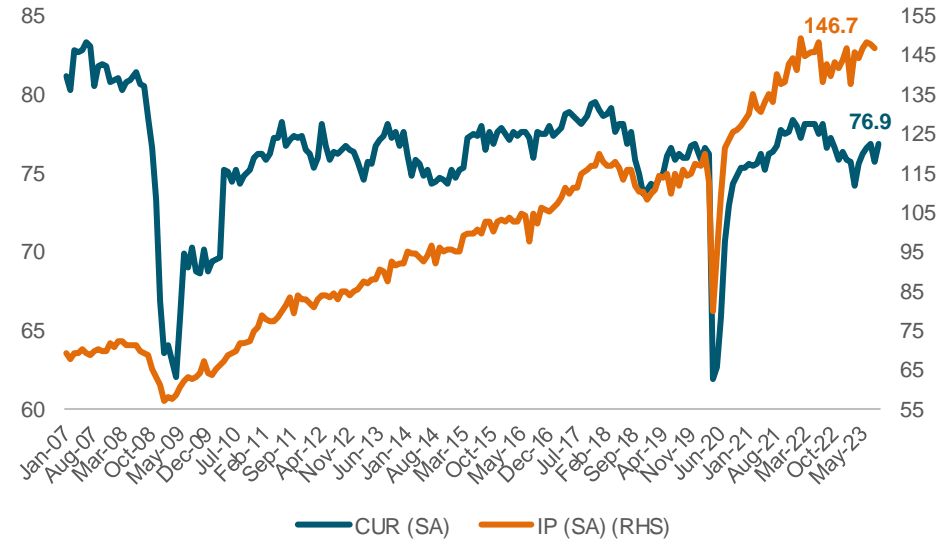
Macro Outlook: Deterioration in consumer confidence

Consumer & Business Confidence Index



Source: TURKSTAT, CCI (SA) and BCI as of Sep'23

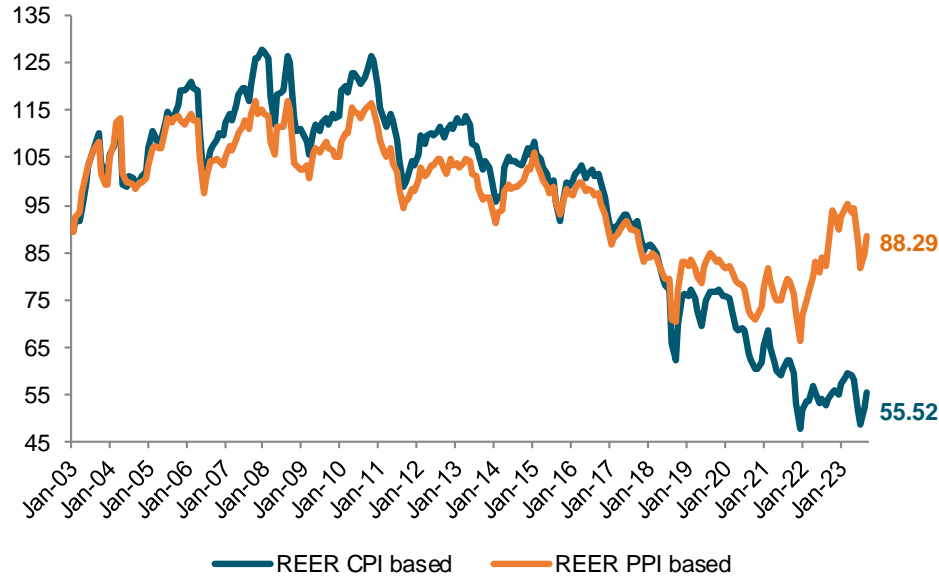
Capacity Utilization Rate & Industrial Production



Source: TURKSTAT, IP as of Aug'23, CUR as of Sep'23

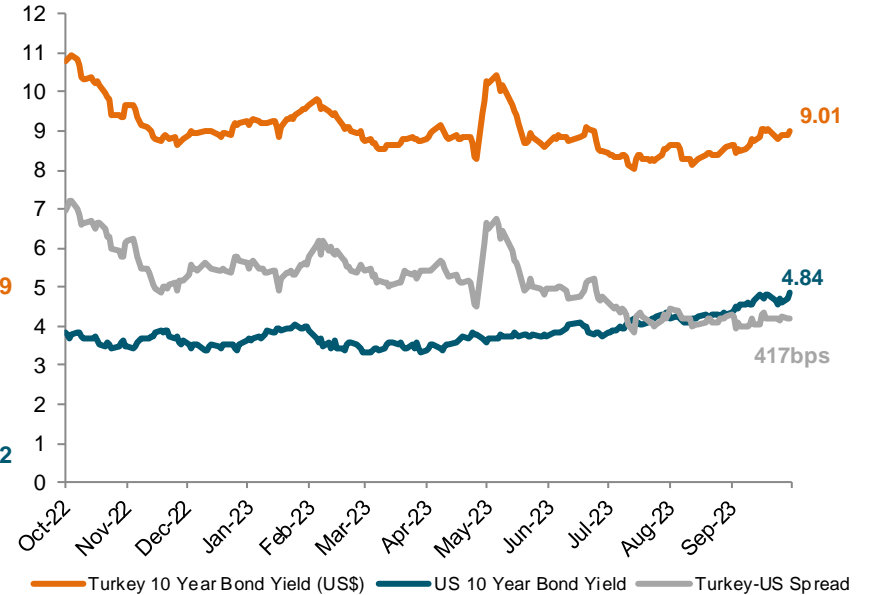
Macro Outlook: PPI based REER implies limited undervaluation of TL

CPI&PPI-based Real Effective Exchange Rate (REER)



Source: TURKSTAT, CBT, as of Sep'23

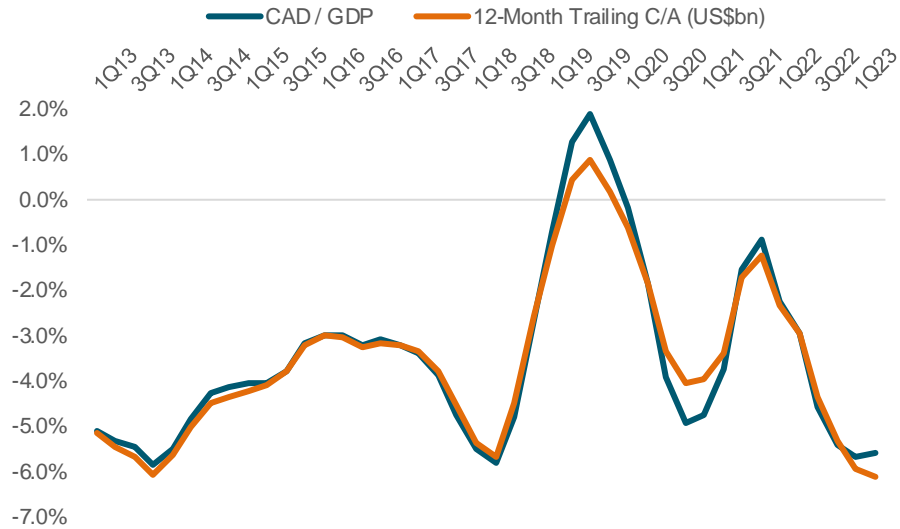
10 Year Turkey vs. US Bond Yields



Source: Bloomberg, as of 17 Oct'23

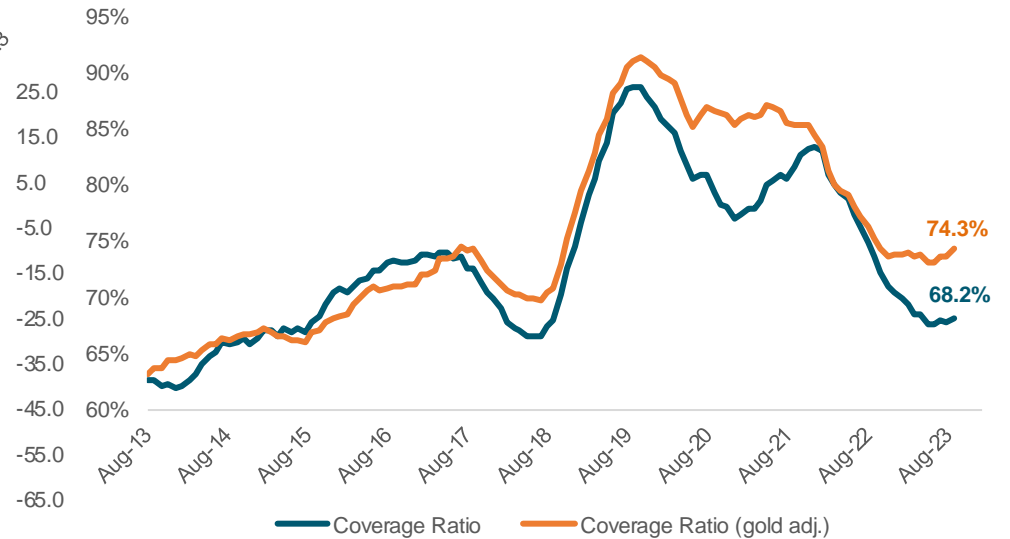
Macro Outlook: CA deteriorated despite lower energy bill but worst might be over...

12-Month Trailing C/A (US\$bn) vs. CAD / GDP



Source: TURKSTAT, CBT, as of 2Q23

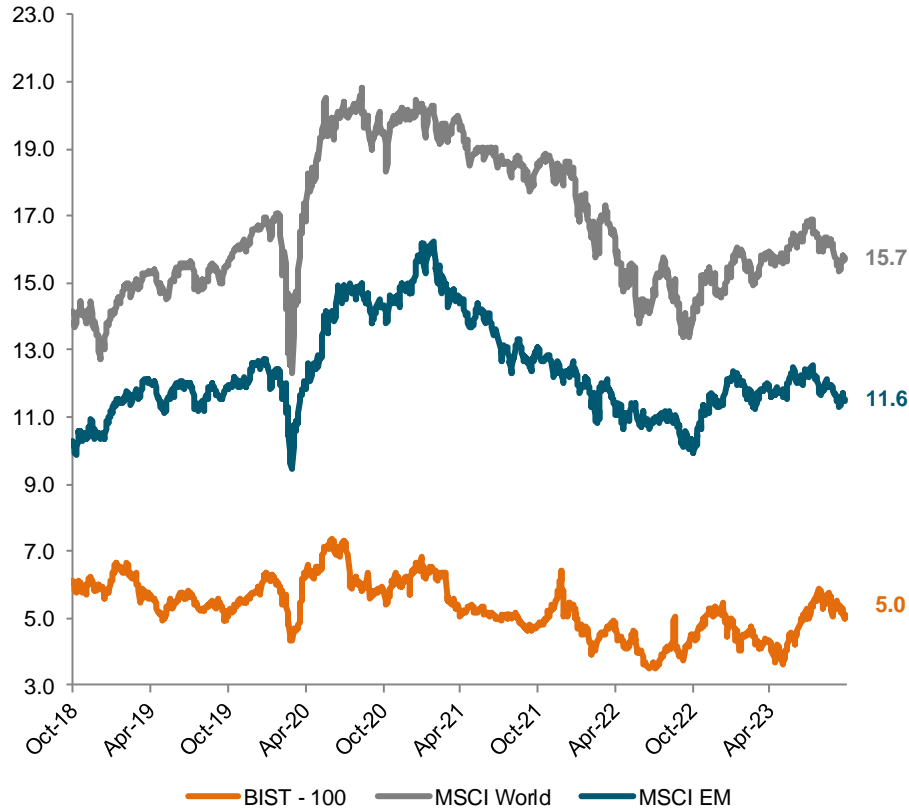
Export's coverage of imports



Source: TURKSTAT, as of Aug'23

Trading at 57% discount to MSCI Emerging Market Index

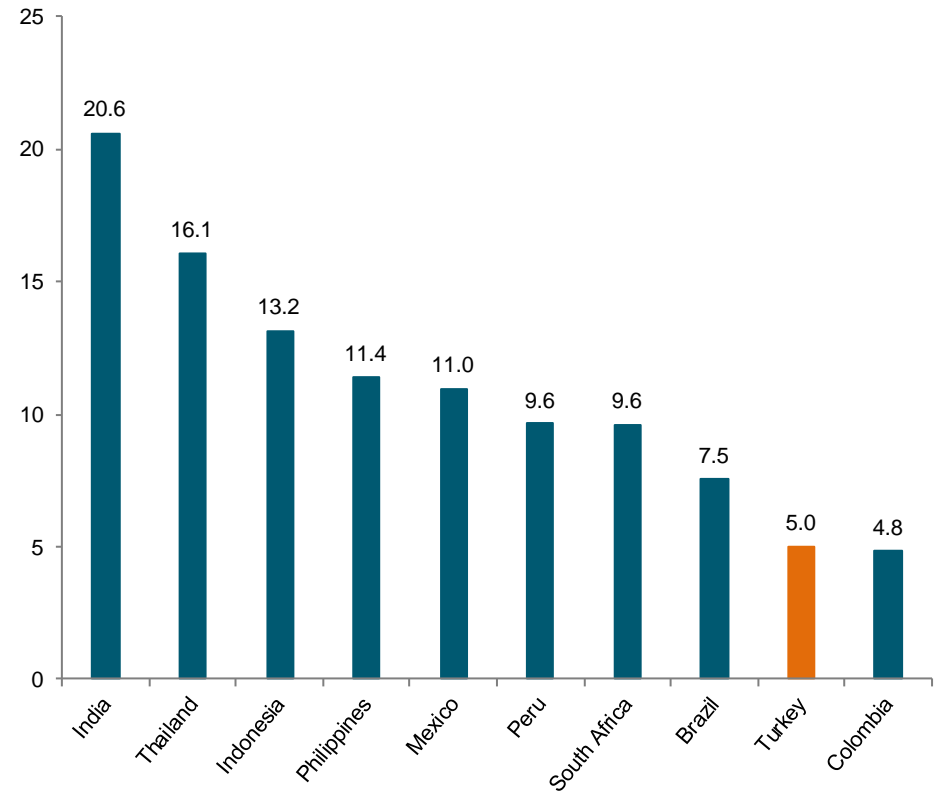
Historic 12M blended forward P/E Turkey vs. World



Source: Bloomberg Estimates, as of Oct 18th, 2023

12M blended forward P/E

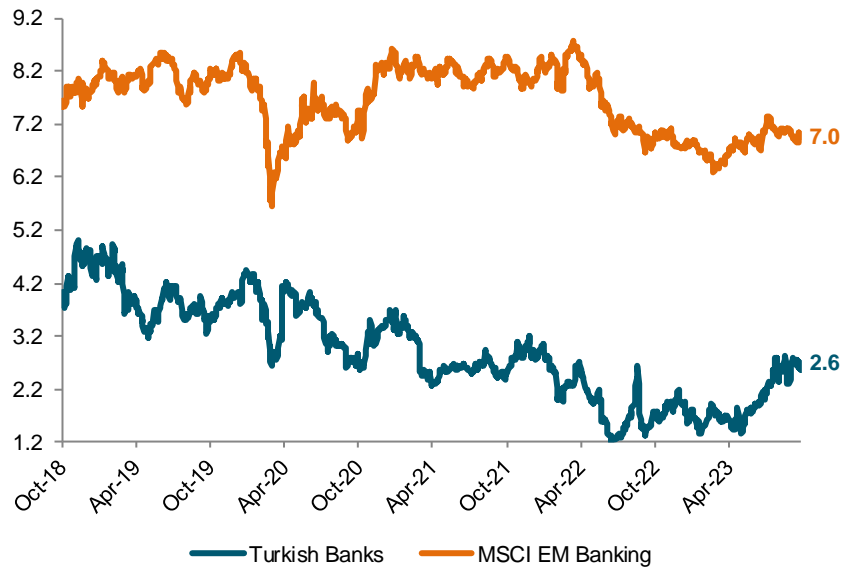
Turkey vs. countries with similar credit ratings



Turkish banks compared to EM Banks...

Historic 12M blended forward P/E

Turkish Banks vs. EM Banks

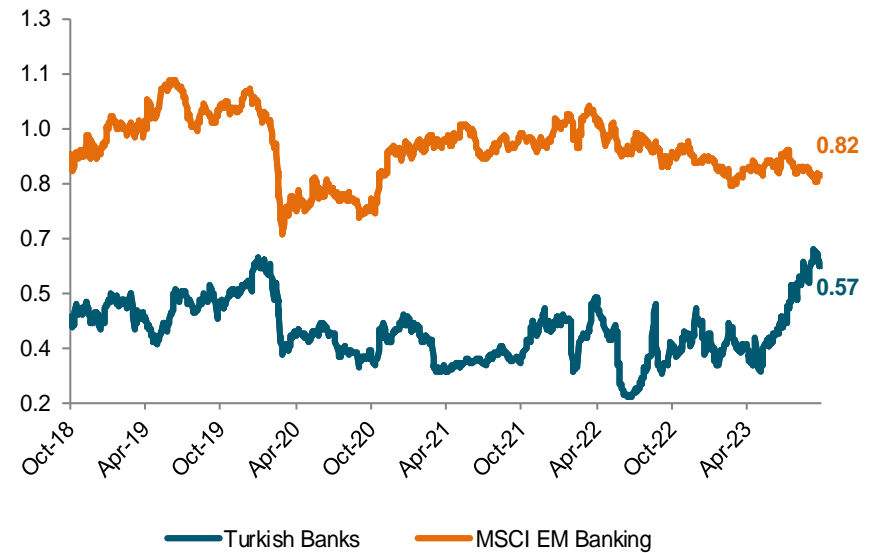


- Turkish Banks are trading at a 63% discount compared to its EM peers and 12% discount to its 5-year average.

Source: Bloomberg Estimates, as of Oct 18th, 2023(*) Turkish Banks (XBANK) Index is used in calculation of multiples.

Historic 12M blended forward P/BV

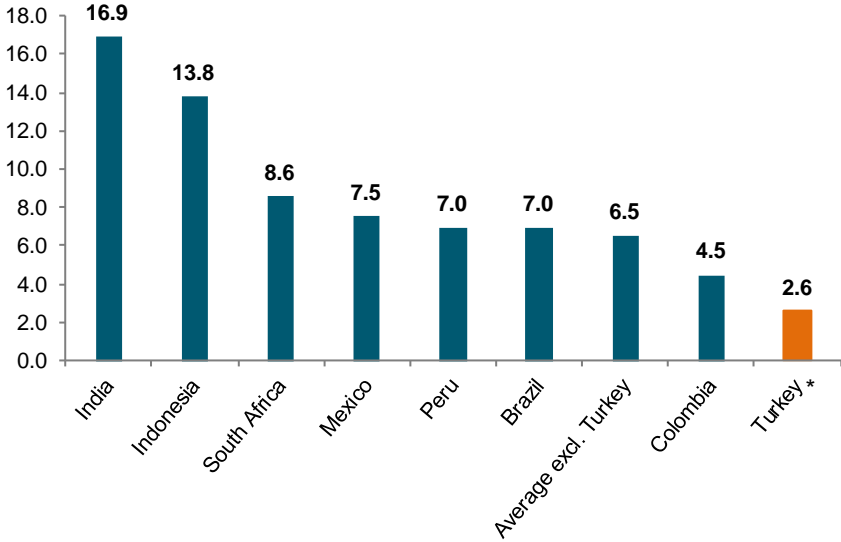
Turkish Banks vs. EM Banks



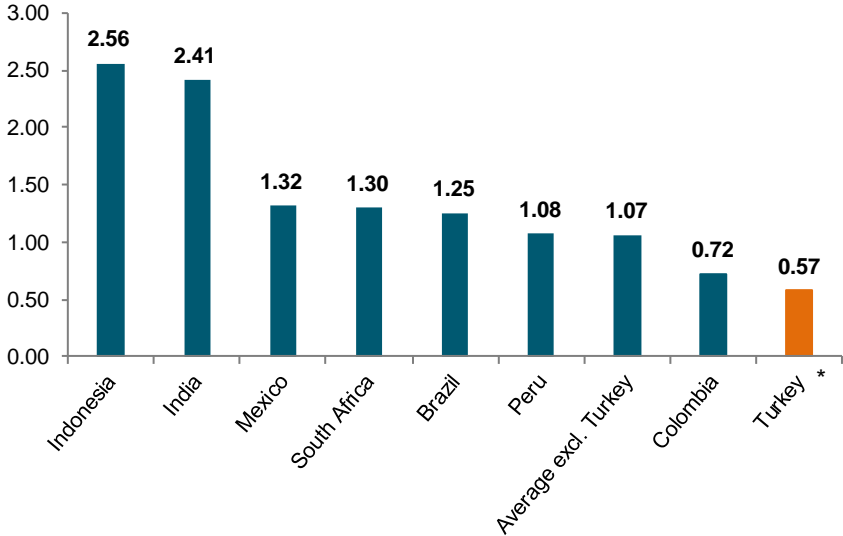
- Turkish Banks are trading at a 30% discount compared to its EM peers and 45% premium to its 5-year average.

P/E is not a comparable multiple anymore without inflation adjustment

12M blended forward P/E of MSCI Financials
Turkey vs. EM peers

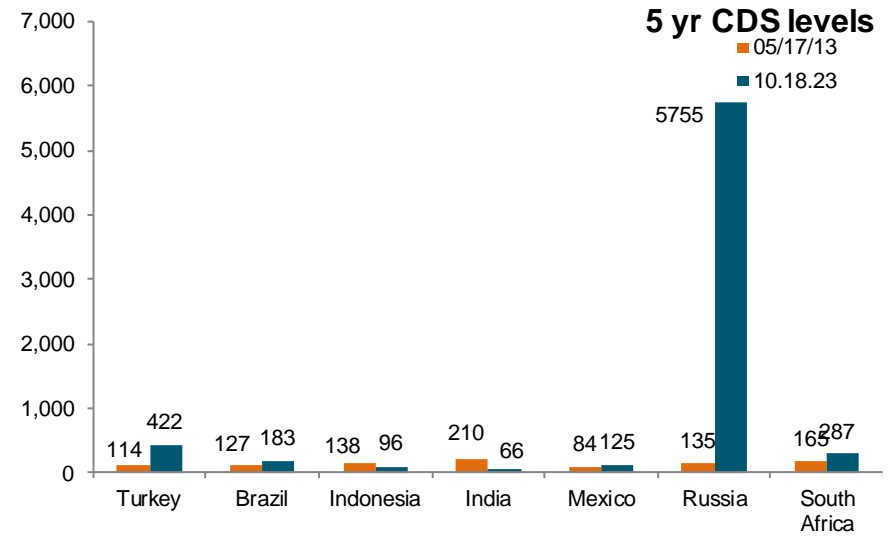
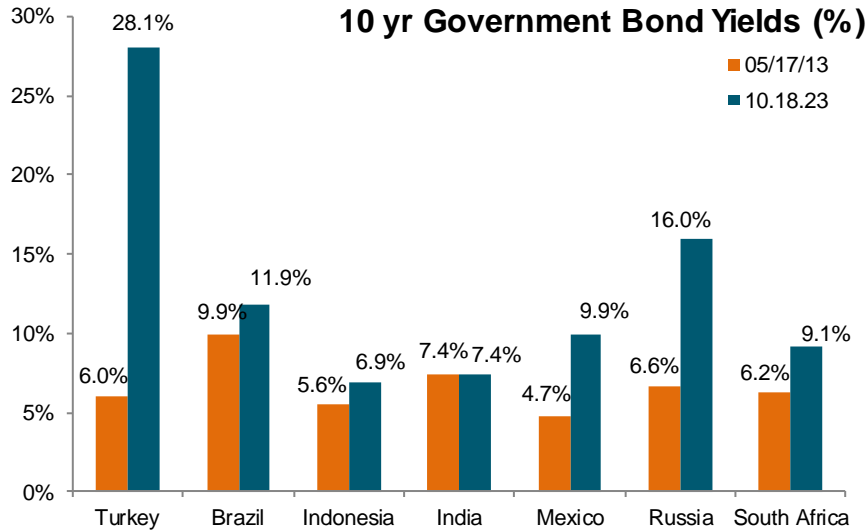


12M blended forward P/B of MSCI Financials
Turkey vs. EM peers



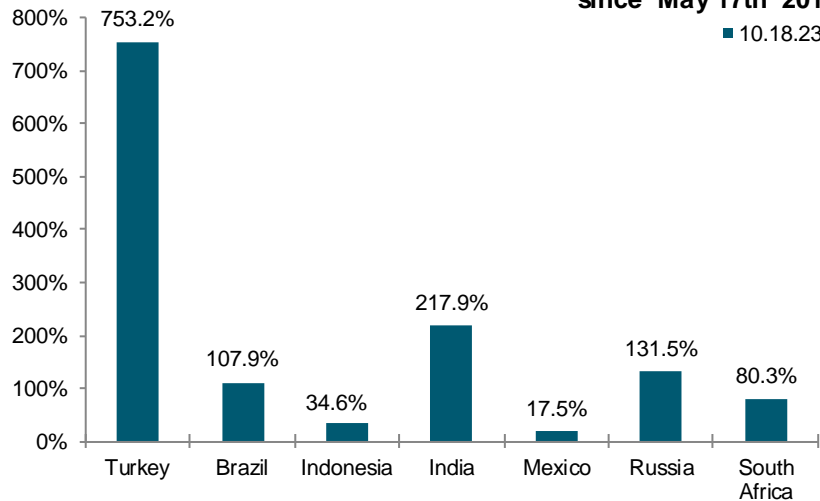
Source: Bloomberg Estimates, as of Oct 18th, 2023, (*) XBANK Index is used in calculation of multiples.

Since Taper Tantrum, Turkey is not performing well...



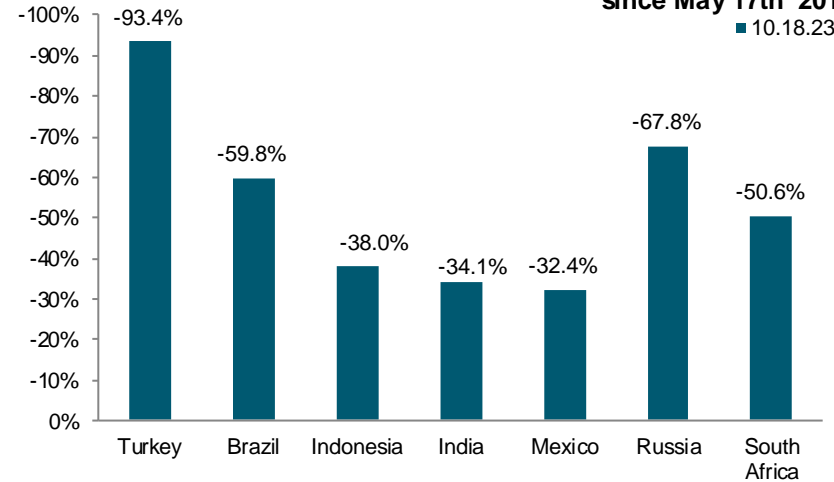
Stock Exchange Performance

*since May 17th 2013



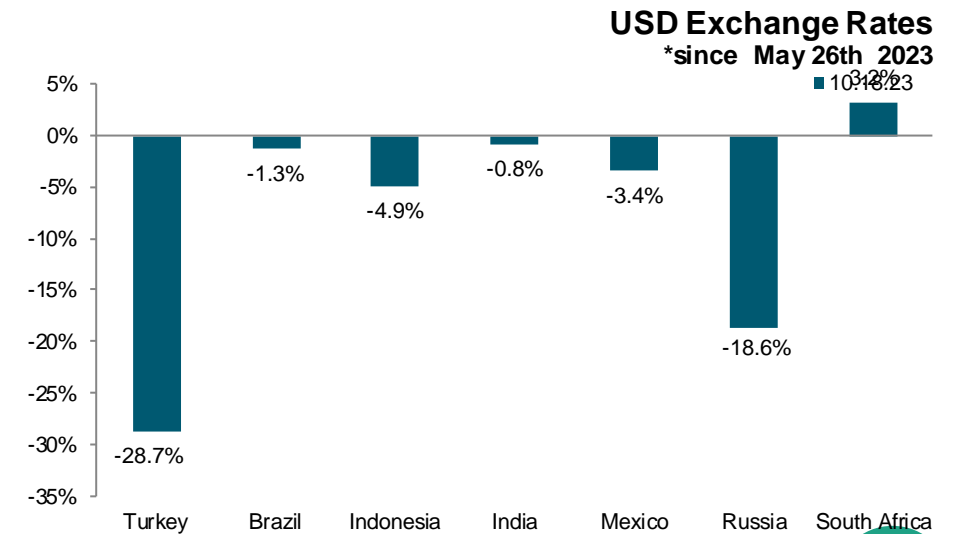
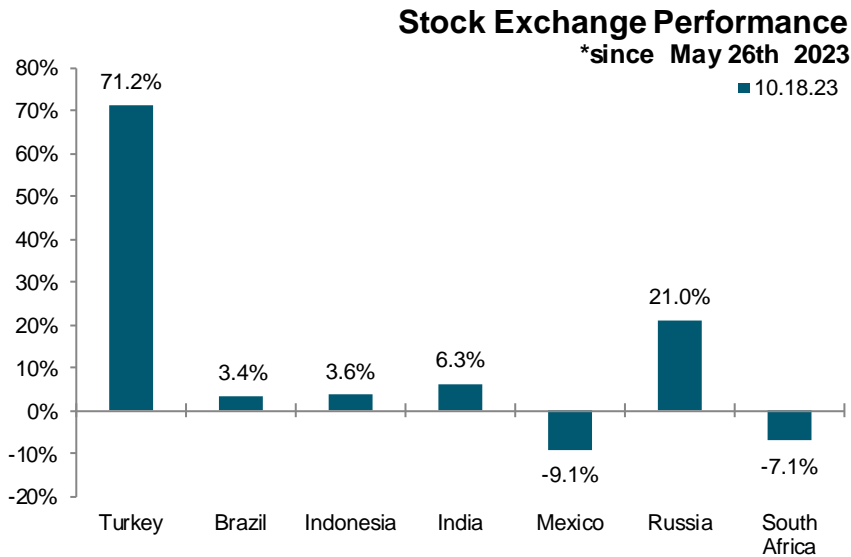
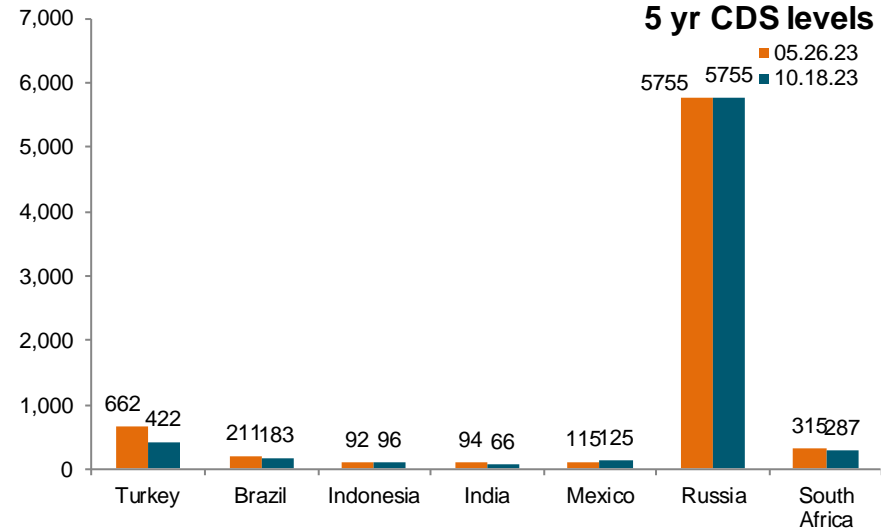
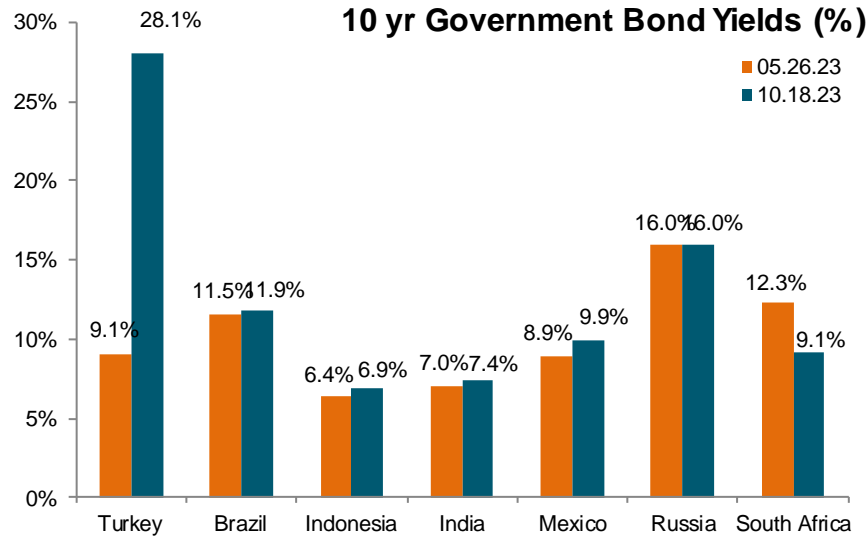
USD Exchange Rates

*since May 17th 2013



Source: Bloomberg Data, as of Oct 18th, 2023

Rational economic policies brought optimism to markets



Source: Bloomberg Data, as of Oct 18th, 2023

Equities: 2023 will be a year of earnings normalization... Further growth in 2024 is ahead...

- ✓ *We forecast 2023 earnings growth for our coverage universe to be 20.9% and followed by a 28.9% increase in 2024.*
- ✓ *Net income for non-financials and conglomerates under our coverage will grow by 23.3% and 13.4% in 2023, respectively, while for banks the increase will be 22.2%. We also expect net income for non-financials and conglomerates under our coverage to grow by 39.2% and 11.5% in 2024, respectively, while for banks the increase will be 26.6%.*
- ✓ *Bottom-up valuation: We revised up our 12-month BIST-100 target to 11,000 from 8,400, indicating an upside of 40%.*

	2021	2022	2023E	2024E
Non-Financials				
P/E	30.1x	10.8x	8.7x	6.3x
EV/EBITDA	18.2x	8.6x	6.0x	4.2x
Earnings Growth	274.2%	180.1%	23.3%	39.2%
EBITDA Growth	98.1%	111.1%	44.9%	42.7%
Conglomerates				
P/E	18.7x	4.3x	3.7x	3.4x
P/BV	4.48x	2.01x	1.35x	0.97x
Earnings Growth	92.0%	338.9%	13.4%	11.5%
Banks				
P/E	18.4x	3.7x	3.1x	2.4x
P/BV	2.53x	1.24x	0.93x	0.67x
Earnings Growth	70.3%	392.8%	22.2%	26.6%
Market				
P/E	21.1x	6.5x	5.4x	4.2x
Earnings Growth	183.0%	221.7%	20.9%	28.9%
GDP Growth	11.4%	5.6%	3.8%	2.9%
CPI (end)	36.1%	64.3%	69.0%	42.0%
CPI (avg.)	19.6%	72.3%	54.5%	59.1%
US\$/TL avg (chg)	26.5%	86.9%	42.9%	45.8%

Source: Ata Invest Estimates, as of Oct 18th, 2023

Ata Invest - Core Coverage

Company	Rating	Current Price (TL)	Target Price (TL)	Upside	Current Mcap (TL)	Target Mcap (TL)	P/E			EV/EBITDA			Net Income			Net Income Growth			EBITDA Growth			Dividend Yield		
							2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
Automotive																								
DOAS	OP	269.70	326.00	31%	59,334	77,732	7.6	3.5	4.0	6.7	2.6	3.1	7,824	17,024	14,719	236%	118%	-14%	230%	155%	-16%	5%	14%	12%
FRTO	MP	845.00	975.00	23%	296,519	364,279	15.9	10.0	7.8	16.8	9.2	7.0	18,614	29,523	38,214	111%	59%	29%	108%	82%	31%	5%	7%	10%
TOASO	OP	266.00	396.00	58%	133,000	209,524	15.5	8.1	7.5	11.0	7.5	6.4	8,562	16,463	17,811	161%	92%	8%	95%	46%	18%	2%	9%	9%
TTRAK	MP	836.70	743.40	-2%	83,726	81,740	28.2	10.3	8.8	23.7	7.9	7.4	2,971	8,167	9,535	125%	175%	17%	97%	201%	6%	3%	9%	10%
Aviation																								
THYAO	OP	216.50	310.30	43%	298,770	428,214	6.3	4.0	3.6	6.1	4.0	2.8	47,429	74,095	83,472	477%	56%	13%	182%	54%	43%	0%	0%	0%
PGSUS	OP	710.40	1,130.97	59%	115,698	172,674	10.2	6.6	4.7	9.4	5.4	3.7	7,100	11,081	15,479	n.m	56%	40%	521%	75%	46%	0%	0%	0%
TAVHL	OP	124.90	194.77	56%	45,374	70,756	23.9	12.7	7.0	11.4	7.3	3.7	1,899	3,561	6,450	306%	87%	81%	298%	56%	97%	2%	0%	0%
Oil																								
AYGAZ	OP	138.20	203.41	47%	30,376	44,710	6.4	6.4	6.3	10.8	4.4	3.6	4,733	4,769	4,841	606%	1%	2%	-24%	144%	22%	1%	1%	1%
TUPRS	OP	141.20	214.83	53%	272,064	416,726	6.6	6.3	6.8	4.7	3.8	4.4	41,045	43,078	39,784	1074%	5%	-8%	314%	24%	-13%	0%	13%	11%
Tire																								
KORDS	MP	90.95	113.09	24%	17,692	21,996	13.7	259.4	34.0	14.5	16.3	9.1	1,289	68	520	68%	-95%	663%	77%	-11%	80%	0%	0%	0%
Utility																								
ODAS	MP	11.89	14.95	26%	16,646	20,924	7.1	12.5	10.8	6.1	12.0	9.0	2,351	1,330	1,538	5945%	-43%	16%	723%	-49%	34%	0%	0%	0%
ENUSA	MP	56.20	62.30	11%	66,376	73,572	14.9	11.9	9.2	5.2	3.7	2.8	4,461	5,575	7,247	85%	25%	30%	101%	42%	30%	4%	6%	8%
AKSEN	OP	35.64	61.94	74%	75,938	43,707	9.6	9.0	5.6	8.7	8.2	4.8	4,562	4,836	7,825	172%	6%	62%	159%	6%	73%	2%	2%	4%
Petrochemical																								
PETKM	MP	21.54	23.08	7%	54,591	58,496	8.3	17.6	7.3	16.9	20.8	6.2	6,580	3,097	7,444	21%	-53%	140%	-44%	-19%	236%	0%	0%	0%
AKSA	OP	91.65	141.44	54%	29,672	45,791	8.7	10.1	6.9	8.0	7.6	4.9	3,422	2,939	4,286	193%	-14%	46%	132%	5%	57%	3%	2%	3%
Fertilizer																								
GLBRF	UR	354.20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Telecom																								
TCELL	OP	50.00	87.50	80%	110,000	198,000	10.0	6.3	4.1	6.9	4.0	2.5	11,053	17,365	26,726	120%	57%	54%	46%	75%	60%	5%	8%	12%
TTKOM	OP	20.18	32.20	64%	70,630	115,500	17.1	14.5	6.4	6.4	4.5	2.7	4,135	4,855	11,023	-28%	17%	127%	17%	43%	65%	4%	4%	8%
Food																								
ULKER	OP	84.60	152.00	79%	31,241	55,988	n.m	75.4	6.9	10.3	6.5	4.2	-353	414	4,520	n.m	n.m	991%	135%	60%	55%	0%	0%	0%
Beverages																								
COOLA	OP	343.70	515.00	54%	87,427	134,455	20.2	10.1	5.2	10.3	5.4	3.3	4,331	8,635	16,920	91%	99%	96%	121%	90%	66%	1%	4%	8%
Retail																								
BIMAS	OP	298.00	405.00	41%	180,946	254,847	22.2	16.2	8.6	16.0	9.7	5.8	8,157	11,164	21,026	178%	37%	88%	83%	65%	68%	4%	5%	9%
MGROS	OP	371.60	535.00	46%	67,280	98,512	26.2	12.2	7.6	10.0	6.3	3.7	2,570	5,493	8,824	616%	114%	61%	106%	58%	72%	0%	2%	5%
SOKM	OP	63.55	105.04	67%	37,704	62,829	15.8	11.1	5.6	8.4	5.1	2.9	2,380	3,400	6,715	634%	43%	97%	82%	66%	73%	1%	1%	4%
BIZIM	MP	49.74	60.00	22%	2,984	3,630	10.7	50.4	9.8	3.7	2.8	1.5	278	59	305	238%	-79%	416%	97%	34%	88%	0%	1%	5%
Consumer Durables																								
ARCLK	OP	160.50	220.00	39%	108,454	151,112	25.1	22.1	9.1	12.6	7.0	4.7	4,325	4,903	11,919	41%	13%	143%	66%	79%	48%	2%	2%	6%
Glass																								
SISE	OP	51.20	66.20	31%	156,837	205,031	8.1	10.4	7.3	9.3	8.4	4.7	19,345	15,073	21,394	112%	-22%	42%	170%	11%	78%	2%	1%	2%
Contracting																								
ENKAI	UR	32.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TKFEN	MP	47.20	58.23	26%	17,464	21,967	5.0	12.5	3.8	5.1	5.5	2.6	3,473	1,398	4,550	314%	-60%	225%	368%	-7%	108%	6%	2%	8%
Defense																								
ASELS	OP	39.70	55.46	40%	181,032	253,308	15.2	11.2	7.2	20.1	12.0	7.8	11,916	16,157	24,982	67%	36%	55%	72%	68%	55%	0%	0%	1%
Steel																								
EREGL	UP	40.60	48.00	18%	142,100	168,000	7.9	n.m	9.3	6.1	9.8	5.2	18,005	-3,292	15,206	16%	n.m	n.m	8%	-37%	89%	0%	0%	6%
Industrials				41%	2,714,619	3,829,275	10.8	8.7	6.3	8.6	6.0	4.2	252,456	311,230	433,273	180%	23%	38%	111%	45%	43%	2%	4%	6%

Company	Rating	Current Price	Target Price	Upside	Current Mcap (TL)	Target Mcap (TL)	P/E			P/BV			Net Income			Net Income Growth			ROE			Dividend Yield		
							2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
Conglomerates																								
ALARK	MP	115.00	131.00	14%	50,025	56,985	4.4	4.3	3.6	3.4	1.9	1.2	11,441	11,575	13,890	798%	1%	20%	123%	56%	42%	1%	1%	2%
SAHOL	OP	56.10	101.69	81%	114,467	207,491	2.6	2.6	2.2	1.1	0.8	0.6	43,828	43,431	51,342	264%	-1%	18%	58%	36%	32%	3%	3%	4%
KCHOL	OP	144.80	221.32	53%	367,198	561,268	5.3	4.2	4.0	2.5	1.6	1.1	69,806	86,830	92,872	359%	24%	7%	66%	46%	34%	1%	1%	2%
Conglomerates				55%	531,690	825,743	4.3	3.7	3.4	2.0	1.3	1.0	125,075	141,836	158,104	339%	13%	11%	65%	43%	34%	2%	2%	2%

Company	Rating	Current Price	Target Price	Upside	Current Mcap (TL)	Target Mcap (TL)	P/E			P/BV			Net Income			Net Income Growth			ROE			Dividend Yield		
							2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
Banking																								
AKBNK	OP	31.30	46.93	57%	162,760	254,800	2.7	2.3	2.0	1.1	0.8	0.6	60,024	71,785	82,824	395%	20%	15%	52%	41%	35%	6%	7%	8%
GARAN	MP	47.38	62.35	37%	198,996	273,000	3.4	2.7	2.3	1.3	0.9	0.7	58,509	74,085	85,324	348%	27%	15%	51%					

Revisions to Our Core Coverage - 2023 Estimates

Ata Invest Coverage Revisions	Recommendation			Target Price (ex-dividend)			2023E Net Income			2023E Net Sales			2023E EBITDA		
	Old	New		Old	New	Δ (%)	Old	New	Δ (%)	Old	New	Δ (%)	Old	New	Δ (%)
Automotive															
DOAS	OP	OP	↔	270.00	326.00	21%	14,658	17,024	16%	103,753	113,694	10%	17,264	20,064	16%
FROTO	MP	MP	↔	837.00	975.00	16%	26,744	29,523	10%	349,309	349,196	0%	33,517	35,990	7%
TOASO	OP	OP	↔	361.40	396.00	10%	14,712	16,463	12%	104,802	103,445	-1%	16,161	16,459	2%
TTRAK	OP	MP	↓	544.00	743.40	37%	6,100	8,167	34%	44,139	47,398	7%	7,717	10,248	33%
Aviation															
THYAO	OP	OP	↔	298.41	310.30	4%	72,521	74,095	2%	528,262	498,140	-6%	142,155	120,923	-15%
PGSUS	OP	OP	↔	1,021.11	1,130.97	11%	15,581	11,081	-29%	81,224	74,518	-8%	28,116	24,638	-12%
TAVHL	OP	OP	↔	153.54	194.77	27%	2,253	3,561	58%	32,384	32,331	0%	8,838	9,048	2%
Oil															
TUPRS	OP	OP	↔	214.83	214.83	0%	42,067	43,078	2%	547,467	558,946	2%	68,483	69,017	1%
Petrochemical															
PETKM	UP	MP	↑	13.89	23.08	66%	3,382	3,097	-8%	57,806	48,034	-17%	2,450	2,758	13%
Telecom															
TCELL	OP	OP	↔	64.00	87.50	37%	15,737	17,365	10%	85,879	92,961	8%	34,578	38,507	11%
TTKOM	OP	OP	↔	28.40	32.20	13%	1,321	4,855	268%	74,166	80,412	8%	24,180	27,341	13%
Food															
ULKER	OP	OP	↔	152.00	152.00	0%	414	414	0%	45,499	45,499	0%	8,727	8,727	0%
Beverages															
CCOLA	OP	OP	↔	386.50	515.00	33%	8,301	8,635	4%	95,978	95,420	-1%	18,537	19,285	4%
Retail															
BIMAS	OP	OP	↔	285.00	405.00	42%	10,369	11,164	8%	258,345	265,882	3%	18,524	19,526	5%
MGROS	OP	OP	↔	350.00	535.00	53%	4,367	5,493	26%	138,122	147,038	6%	10,015	9,953	-1%
BIZIM	MP	MP	↔	35.00	60.00	71%	5	59	1207%	22,347	23,616	6%	1,029	1,055	3%
Consumer Durables															
ARCLK	OP	OP	↔	205.00	220.00	7%	7,360	4,903	-33%	213,171	211,394	-1%	21,088	21,507	2%
Glass															
SISE	OP	OP	↔	63.03	66.20	5%	17,881	15,073	-16%	141,019	129,344	-8%	27,504	22,607	-18%
Contracting															
TKFEN	MP	MP	↔	51.30	58.23	14%	1,729	1,398	-19%	44,367	40,825	-8%	4,262	3,171	-26%
Defense															
ASELS	OP	OP	↔	47.93	55.46	16%	20,574	16,157	-21%	63,653	63,327	-1%	16,118	15,869	-2%
Steel															
EREGL	UP	UP	↔	42.00	48.00	14%	-2,653	-3,292	24%	155,325	150,296	-3%	18,864	18,007	-5%
Banking															
AKBNK	MP	OP	↑	30.00	46.93	56%	50,948	71,785	41%						
GARAN	MP	MP	↔	43.00	62.35	45%	57,808	74,085	28%						
HALKB	UP	UP	↔	13.90	19.40	40%	10,783	24,567	128%						
ISCTR	OP	MP	↓	19.60	30.00	53%	45,818	72,568	58%						
VAKBN	UP	UP	↔	11.20	19.50	74%	13,027	27,444	111%						
TSKB	MP	MP	↔	5.90	9.80	66%	5,682	7,054	24%						
YKBNK	MP	OP	↑	17.00	26.14	54%	45,382	59,426	31%						

Source: Ata Invest Estimates, Definitions: OP: Outperform, MP: Marketperform, UP: Underperform

Revisions to Our Core Coverage - 2024 Estimates

Ata Invest Coverage Revisions	Recommendation			Target Price (ex-dividend)			2024E Net Income			2024E Net Sales			2024E EBITDA		
	Old	New		Old	New	Δ (%)	Old	New	Δ (%)	Old	New	Δ (%)	Old	New	Δ (%)
Automotive															
DOAS	OP	OP	↔	270.00	326.00	21%	9,767	14,719	51%	154,633	139,280	-10%	14,041	16,812	20%
FROTO	MP	MP	↔	837.00	975.00	16%	38,978	38,214	-2%	554,880	543,603	-2%	47,140	47,249	0%
TOASO	OP	OP	↔	361.40	396.00	10%	19,065	17,811	-7%	156,917	142,543	-9%	20,961	19,364	-8%
TTRAK	OP	MP	↓	544.00	743.40	37%	7,715	9,535	24%	63,211	64,018	1%	9,481	10,870	15%
Aviation															
THYAO	OP	OP	↔	298.41	310.30	4%	105,418	83,472	-21%	726,459	750,823	3%	196,533	173,221	-12%
PGSUS	OP	OP	↔	1,021.11	1,130.97	11%	21,163	15,479	-27%	119,464	111,007	-7%	42,826	36,094	-16%
TAVHL	OP	OP	↔	153.54	194.77	27%	6,970	6,450	-7%	45,459	48,692	7%	16,461	17,809	8%
Oil															
TUPRS	OP	OP	↔	214.83	214.83	0%	39,280	39,784	1%	770,767	786,929	2%	60,103	60,103	0%
Petrochemical															
PETKM	UP	MP	↑	13.89	23.08	66%	5,883	7,444	27%	96,526	87,435	-9%	7,930	9,273	17%
Telecom															
TCELL	OP	OP	↔	64.00	87.50	37%	27,785	26,726	-4%	126,818	150,930	19%	51,450	61,421	19%
TTKOM	OP	OP	↔	28.40	32.20	13%	7,732	11,023	43%	108,670	132,557	22%	37,491	45,069	20%
Food															
ULKER	OP	OP	↔	152.00	152.00	0%	4,520	4,520	0%	71,313	71,313	0%	13,522	13,522	0%
Beverages															
CCOLA	OP	OP	↔	386.50	515.00	33%	14,886	16,920	14%	141,537	160,507	13%	28,051	32,081	14%
Retail															
BIMAS	OP	OP	↔	285.00	405.00	42%	16,874	21,026	25%	382,350	446,683	17%	27,062	32,735	21%
MGROS	OP	OP	↔	350.00	535.00	53%	7,215	8,824	22%	201,658	241,142	20%	15,136	17,127	13%
BIZIM	MP	MP	↔	35.00	60.00	71%	210	305	45%	32,767	38,940	19%	1,668	1,981	19%
Consumer Durables															
ARCLK	OP	OP	↔	205.00	220.00	7%	13,065	11,919	-9%	324,074	343,422	6%	29,774	31,758	7%
Glass															
SISE	OP	OP	↔	63.03	66.20	5%	28,766	21,394	-26%	209,714	199,147	-5%	42,441	40,186	-5%
Contracting															
TKFEN	MP	MP	↔	51.30	58.23	14%	4,062	4,550	12%	61,150	65,619	7%	6,143	6,581	7%
Defense															
ASELS	OP	OP	↔	47.93	55.46	16%	23,525	24,982	6%	92,085	101,246	10%	22,824	24,605	8%
Steel															
EREGL	UP	UP	↔	42.00	48.00	14%	17,901	15,206	-15%	252,219	241,791	-4%	37,791	34,024	-10%
Banking															
AKBNK	MP	OP	↑	30.00	46.93	56%	58,967	82,824	40%						
GARAN	MP	MP	↔	43.00	62.35	45%	66,894	85,324	28%						
HALKB	UP	UP	↔	13.90	19.40	40%	14,751	32,478	120%						
ISCTR	OP	MP	↓	19.60	30.00	53%	56,856	94,325	66%						
VAKBN	UP	UP	↔	11.20	19.50	74%	18,356	52,534	186%						
TSKB	MP	MP	↔	5.90	9.80	66%	6,442	9,347	45%						
YKBNK	MP	OP	↑	17.00	26.14	54%	52,456	69,848	33%						

Source: Ata Invest Estimates, Definitions: OP: Outperform, MP: Marketperform, UP: Underperform

Initiation of Coverage

	Rating	Target Price (TL)	Net Income (TL mn)		Net Sales (TL mn)		EBITDA (TL mn)	
			2023E	2024E	2023E	2024E	2023E	2024E
Oil								
AYGAZ	OP	203.41	4,769	4,841	50,364	83,606	1,313	1,603
Tire								
KORDS	MP	113.09	68	520	23,530	37,859	1,914	3,443
Utility								
ODAS	MP	14.95	1,330	1,538	6,285	7,542	1,683	2,263
ENJSA	MP	62.30	5,575	7,247	119,672	155,574	21,404	27,825
AKSEN	OP	61.94	4,836	7,825	27,870	38,948	6,761	11,715
Petrochemical								
AKSA	OP	141.44	2,939	4,286	18,957	32,518	4,144	6,504
Retail								
SOKM	OP	105.04	3,400	6,715	109,148	188,805	7,932	13,753
Conglomerates								
ALARK	MP	131.00	11,575	13,890				
SAHOL	OP	101.69	43,431	51,342				
KCHOL	OP	221.32	86,830	92,872				

Source: Ata Invest Estimates, Definitions: OP: Outperform, MP: Marketperform, UP: Underperform

Ata Invest Estimates vs. Bloomberg Consensus 2023

TL m n	2023E Net Sales			2023E EBITDA			2023E Net Income			2023E EBITDA Margin		
	ATA Estimate	difference	Bloomberg Cons.	ATA Estimate	difference	Bloomberg Cons.	ATA Estimate	difference	Bloomberg Cons.	ATA Estimate	difference	Bloomberg Cons.
Automotive												
DOAS	113,694	19%	95,897	20,064	3%	19,464	17,024	2%	16,637	17.6%	-265 bps	20.3%
FROTO	349,196	-2%	357,321	35,990	-2%	36,694	29,523	2%	28,925	10.3%	4 bps	10.3%
TOASO	103,445	0%	103,404	16,459	0%	16,381	16,463	16%	14,149	15.9%	7 bps	15.8%
TTRAK	47,398	1%	47,039	10,248	6%	9,628	8,167	5%	7,783	21.6%	115 bps	20.5%
Aviation												
THYAO	498,140	-3%	513,644	120,923	0%	121,328	74,095	21%	61,399	24.3%	65 bps	23.6%
FGSUS	74,518	-8%	81,269	24,638	-13%	28,402	11,081	-19%	13,599	33.1%	-188 bps	34.9%
TAVHL	32,331	-9%	35,512	9,048	-17%	10,939	3,561	-5%	3,755	28.0%	-282 bps	30.8%
Oil												
AYGAZ	50,364	-1%	50,658	1,313	37%	956	4,769	43%	3,325	2.6%	72 bps	1.9%
TUPRS	558,946	7%	523,076	69,017	16%	59,284	43,078	24%	34,830	12.3%	101 bps	11.3%
Tire												
KORDS	23,530	1%	23,208	1,914	-13%	2,200	68	-92%	854	8.1%	-135 bps	9.5%
Utility												
ODAS	6,285	-	-	1,683	-	-	1,330	-	-	26.8%	-	-
ENUSA	119,672	-8%	130,465	21,404	42%	15,027	5,575	3%	5,388	17.9%	637 bps	11.5%
AKSEN	27,870	-	-	6,761	-	-	4,836	-	-	24.3%	-	-
Petrochemical												
PETKM	48,034	-6%	51,091	2,758	49%	1,845	3,097	32%	2,347	5.7%	213 bps	3.6%
AKSA	18,957	-2%	19,254	4,144	10%	3,774	2,939	22%	2,413	21.9%	226 bps	19.6%
Fertilizer												
GUBRF	-	-	-	-	-	-	-	-	-	-	-	-
Telecom												
TCELL	92,961	0%	92,901	38,507	1%	38,154	17,365	24%	13,965	41.4%	35 bps	41.1%
TKOM	80,412	1%	79,628	27,341	3%	26,651	4,855	71%	2,848	34.0%	53 bps	33.5%
Food												
ULKER	45,499	1%	44,975	8,727	-1%	8,829	414	241%	121	19.2%	-45 bps	19.6%
Beverages												
CCOLA	95,420	2%	93,880	19,285	4%	18,555	8,635	3%	8,406	20.2%	45 bps	19.8%
Retail												
BIMS	265,882	-1%	268,220	19,526	-1%	19,812	11,164	0%	11,188	7.3%	-4 bps	7.4%
MGROS	147,038	3%	142,995	9,953	0%	9,940	5,493	32%	4,150	6.8%	-18 bps	7.0%
SOKM	109,148	-1%	109,952	7,932	-5%	8,316	3,400	9%	3,130	7.3%	-30 bps	7.6%
BIZIM	23,616	2%	23,248	1,055	-6%	1,117	59	-1416%	-5	4.5%	-34 bps	4.8%
Consumer Durables												
ARCLK	211,394	2%	207,994	21,507	0%	21,578	4,903	-7%	5,287	10.2%	-20 bps	10.4%
Glass												
SISE	129,344	-6%	138,081	22,607	-12%	25,829	15,073	-20%	18,745	17.5%	-123 bps	18.7%
Contracting												
ENKAI	-	-	93,377	-	-	19,798	-	-	18,522	-	-	21.2%
TKFEN	40,825	3%	39,754	3,171	-3%	3,278	1,398	-36%	2,196	7.8%	-48 bps	8.2%
Defense												
ASELS	63,327	7%	59,004	15,869	8%	14,705	16,157	0%	16,124	25.1%	14 bps	24.9%
Steel												
EREGL	150,296	-2%	153,858	18,007	-10%	20,010	-3,292	-259%	2,074	12.0%	-102 bps	13.0%
Non-financials Total												
	3,493,387	0%	3,486,326	551,410	2%	542,696	305,064	8%	283,636	15.8%	22 bps	15.6%
Conglomerates												
ALARK							141,836	24%	113,939			
SAHOL							11,575	2%	11,308			
KCHOL							43,431	21%	35,810			
							86,830	30%	66,821			
Conglomerates Total												
							141,836	24%	113,939			

Source: Ata Invest Estimates, Bloomberg Estimates

Ata Invest Estimates vs. Bloomberg Consensus 2024

TL mn	2024E Net Sales			2024E EBITDA			2024E Net Income			2024E EBITDA Margin		
	ATA Estimate	difference	Bloomberg Cons.	ATA Estimate	difference	Bloomberg Cons.	ATA Estimate	difference	Bloomberg Cons.	ATA Estimate	difference	Bloomberg Cons.
Automotive												
DOAS	139,280	9%	128,020	16,812	-18%	20,576	14,719	-8%	15,993	12.1%	-400 bps	16.1%
FROTO	543,603	2%	532,363	47,249	-8%	51,573	38,214	2%	37,572	8.7%	-100 bps	9.7%
TOASO	142,543	-22%	183,791	19,364	-20%	24,321	17,811	-5%	18,799	13.6%	35 bps	13.2%
TTRAK	64,018	-2%	65,336	10,870	-5%	11,451	9,535	-1%	9,651	17.0%	-55 bps	17.5%
Aviation												
THYAO	750,823	14%	656,331	173,221	19%	145,190	83,472	28%	65,138	23.1%	95 bps	22.1%
PGSUS	111,007	3%	108,027	36,094	-7%	38,606	15,479	-5%	16,227	32.5%	-322 bps	35.7%
TAVHL	48,692	15%	42,228	17,809	29%	13,825	6,450	39%	4,655	36.6%	383 bps	32.7%
Oil												
AYGAZ	83,606	9%	76,831	1,603	-10%	1,774	4,841	30%	3,735	1.9%	-39 bps	2.3%
TUPRS	786,929	32%	595,226	60,103	11%	54,196	39,784	18%	33,658	7.6%	-147 bps	9.1%
Tire												
KORDS	37,859	9%	34,650	3,443	-5%	3,638	520	-69%	1,667	9.1%	-141 bps	10.5%
Utility												
ODAS	7,542	-	-	2,263	-	-	1,538	-	-	30.0%	-	-
ENUSA	155,574	-17%	186,674	27,825	31%	21,295	7,247	-4%	7,557	17.9%	648 bps	11.4%
AKSEN	38,948	-	-	11,715	-	-	7,825	-	-	30.1%	-	-
Petrochemical												
PETKM	87,435	8%	80,688	9,273	30%	7,112	7,444	18%	6,332	10.6%	179 bps	8.8%
AKSA	32,518	-	-	6,504	-	-	4,286	-	-	20.0%	-	-
Fertilizer												
GJBRF	-	-	-	-	-	-	-	-	-	-	-	-
Telecom												
TCCELL	150,930	5%	143,621	61,421	3%	59,909	26,726	24%	21,578	40.7%	-102 bps	41.7%
TTKOM	132,557	11%	119,432	45,069	3%	43,709	11,023	75%	6,306	34.0%	-260 bps	36.6%
Food												
ULKER	71,313	8%	65,832	13,522	9%	12,396	4,520	53%	2,952	19.0%	13 bps	18.8%
Beverages												
COOLA	160,507	13%	141,688	32,081	13%	28,409	16,920	29%	13,131	20.0%	-6 bps	20.1%
Retail												
BIMAS	446,683	9%	409,060	32,735	6%	30,953	21,026	16%	18,115	7.3%	-24 bps	7.6%
MGROS	241,142	7%	225,219	17,127	5%	16,336	8,824	44%	6,111	7.1%	-15 bps	7.3%
SOKM	188,805	15%	164,650	13,753	4%	13,249	6,715	42%	4,735	7.3%	-76 bps	8.0%
BIZIM	38,940	9%	35,762	1,981	11%	1,780	305	75%	175	5.1%	11 bps	5.0%
Consumer Durables												
ARCLK	343,422	6%	323,159	31,758	-1%	32,071	11,919	41%	8,465	9.2%	-68 bps	9.9%
Glass												
SISE	199,147	7%	186,574	40,186	0%	40,270	21,394	-22%	27,394	20.2%	-140 bps	21.6%
Contracting												
ENKAI	-	-	107,131	-	-	22,233	-	-	20,837	-	-	20.8%
TKFEN	65,619	37%	47,971	6,581	42%	4,627	4,550	33%	3,411	10.0%	38 bps	9.6%
Defense												
ASELS	101,246	21%	83,389	24,605	22%	20,208	24,982	21%	20,718	24.3%	7 bps	24.2%
Steel												
EREGL	241,791	21%	200,051	34,024	-5%	35,665	15,206	-5%	15,941	14.1%	-376 bps	17.8%
Non-financials Total												
	5,333,469	10%	4,836,569	778,509	6%	733,139	419,624	13%	370,018	14.6%	-56 bps	15.2%
Conglomerates												
ALARK							158,104	18%	134,439			
SAHOL							13,890	21%	11,505			
KCHOL							51,342	17%	44,002			
							92,872	18%	78,932			

Source: Ata Invest Estimates, Bloomberg Estimates

Ata Invest Estimates vs. Bloomberg Consensus for banks

TL (mn)	2023E Net Income			20224 Net Income		
	Ata Estimate	difference	Bloomberg Cons.	Ata Estimate	difference	Bloomberg Cons.
AKBNK	71,785	10.1%	65,178	82,824	43.1%	57,866
GARAN	74,085	27.6%	58,055	85,324	21.5%	70,240
HALKB	24,567	55.0%	15,846	32,478	43.8%	22,586
ISCTR	72,568	36.4%	53,221	94,325	50.8%	62,568
VAKBN	27,444	5.9%	25,906	52,534	23.1%	42,686
TSKB	7,054	5.9%	6,661	9,347	10.1%	8,489
YKBNK	59,426	28.4%	46,267	69,848	38.5%	50,448
Financials Total	336,929	24.3%	271,134	426,680	35.5%	314,883

Source: Ata Invest Estimates, Bloomberg Estimates

<i>1st Tier – Top Picks</i>	<i>Page #</i>	<i>2nd Tier – Top Picks</i>	<i>Page #</i>	<i>Initiation of Coverage*</i>	<i>Page #</i>
CCOLA	34	AKSEN	43, 44	AKSA	51, 52
MGROS	35	AYGAZ	45, 46	ALARK	53, 54
SAHOL	36, 37	BIMAS	47	ENJSA	55, 56
SOKM	38	TAVHL	48	KCHOL	57, 58
TCELL	39	TOASO	49	KORDS	59, 60
TUPRS	40			ODAS	61, 62
ULKER	41				

**We also initiated AKSEN, AYGAZ, SAHOL, SOKM to our coverage list*

1st TIER - TOP PICKS

(CCOLA, MGROS, SAHOL, SOKM, TCELL, TUPRS, ULKER)

Beverages

Valuation

Current Price, TL	343.70
12-mth Target Price, TL	515.00
Expected Dividend Yield	4.0%
Expected Price Appreciation	49.8%
Total Upside	53.8%

Stock Data

MCap, TL mn	87,427
MCap, US\$ mn	3,126
Enterprise Value, TL mn	104,458
Free float, %	25%
Average Daily Turnover, TL mn	232.4

Financials, TL mn	2021	2022	2023E	2024E
Net Sales	21,930	53,530	95,420	160,507
<i>growth</i>	<i>52%</i>	<i>144%</i>	<i>78%</i>	<i>68%</i>
EBITDA	4,593	10,149	19,285	32,081
Net Income	2,271	4,331	8,635	16,920
EBITDA Margin	20.9%	19.0%	20.2%	20.0%
Net Margin	10.4%	8.1%	9.0%	10.5%
Dividend Yield	0.8%	0.9%	4.0%	7.7%
EV/EBITDA	22.7x	10.3x	5.4x	3.3x
P/E	38.5x	20.2x	10.1x	5.2x

Share Perf.	1M	3M	1Y
Absolute	-8%	21%	107%
Relative to ISE100	-10%	-2%	1%

as of October 18th, 2023

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Resilient outlook with appealing multiple

- We are keeping Coca-Cola Icecek (CCOLA) in our top pick list with a 12TP of TL515.0, implying 54% upside potential, including 4% dividend yield, considering the company's resilient outlook amid ongoing high inflation environment.
- CCOLA derived 39% of revenues from Turkey and 61% of revenues from international (c.45% of Pakistan, Kazakhstan and Uzbekistan) in 1H23. We believe that the share of international revenues in consolidated revenue will gradually reach 64% by 2028. Possible inorganic international acquisition poses upside risk to our estimates.
- Based on our 2024E estimates, CCOLA is currently trading at 5.2x P/E and 3.3x EV/EBITDA, implying 62% and 52% discount to its global bottler peers median, respectively.

We expect earnings growth to continue in 2023E and 2024E. CCOLA's domestic sales volume increased by 2.8% y/y whereas their international sales volume increased by 23.2% y/y in 2022. In 2022, consolidated volume increased by 14.6% y/y to 1,577mn UC. In 2023E, we expect the company's domestic sales volume to increase by 2% y/y whereas we expect the company's international sales volume to increase by 2% y/y. Despite the ongoing macroeconomic challenges in Pakistan, we believe that the company's consolidated volume to increase by 2% y/y in 2023E on the top of 15% y/y volume growth in 2022 thanks to high volume growth potential of the company's operating region. Despite increasing cost pressures, we believe that the company's EBITDA margin will increase by 120bps to 20.2% in 2023E thanks to company's hedging mechanism and ability of reflecting cost pressures to the prices. CCOLA hedged 2023 almost all raw materials and started to hedge 2024 raw materials using occasional opportunities. Hence, we expect EBITDA margin to be sustained at 20.0% levels in 2024E. We also estimate CCOLA to increase its 2023E and 2024E net income by 99% and 96% y/y, respectively.

Downside risks are 1) further increase in commodity, energy and transportation prices, 2) slowdown in domestic and international demand, 3) political issue risk in operating countries, 4) potential depreciation of currencies, 5) increasing competition in operating countries. The company confirmed the preliminary discussions have been initiated with regarding the potential acquisition of Coca-Cola Bangladesh Beverages (CCBB). We consider this preliminary discussions as an upside risk considering the potential growth dynamics of the Bangladesh market.

Retail

Valuation

Current Price, TL	371.60
12-mth Target Price, TL	535.00
Expected Dividend Yield	2.4%
Expected Price Appreciation	44.0%
Total Upside	46.4%

Stock Data

MCap, TL mn	67,280
MCap, US\$ mn	2,406
Enterprise Value, TL mn	63,106
Free float, %	51%
Average Daily Turnover, TL mn	720.0

Financials, TL mn	2021	2022	2023E	2024E
Net Sales	36,272	74,502	147,038	241,142
<i>growth</i>	26%	105%	97%	64%
EBITDA	3,055	6,286	9,953	17,127
Net Income	359	2,570	5,493	8,824
EBITDA Margin	8.4%	8.4%	6.8%	7.1%
Net Margin	1.0%	3.4%	3.7%	3.7%
Dividend Yield	0.0%	0.0%	2.4%	5.2%
EV/EBITDA	20.7x	10.0x	6.3x	3.7x
P/E	187.5x	26.2x	12.2x	7.6x

Share Perf.	1M	3M	1Y
Absolute	1%	46%	229%
Relative to ISE100	-1%	19%	61%

as of October 18th, 2023
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Strong earnings growth prospects remain intact...

- Migros, largest supermarket chain in Turkey, managed to growth through not only organically but also mergers & acquisitions during the last 11 years while de-leveraging was intact. Operational efficiencies of Migros have become more apparent and improvement in operational profitability reflected to the bottomline so far in 2023.
- Considering the growth trends in 1H23, we foresee Migros to increase its net sales by 97% in 2023E versus the company guidance of c.90%. We also foresee 64% topline growth in 2024E above inflation Based on our 2024E estimates, Migros is currently trading at 3.7x EV/EBITDA multiple and 7.6x P/E, implying that rewards are still higher compared to risks despite recent rally during the last two years.

Growth ambitions continue through both offline and online expansion. We expect Migros to realize 97% net sales growth in 2023E followed by 64% growth in 2024. Amid inflationary uncertainties, Migros continued to gain market share in Turkish FMCG market during the last 3 years. Thanks to improvements in operational efficiencies and flexibility, Migros still remains competitive with a strong balance sheet and continues online and offline price investments. We foresee EBITDA margins of 6.8% and 7.1%, respectively, in 2023E and 2024E.

Migros is in a new era and earnings and cash dividend momentum is likely to accelerate with solid balance sheet and financial flexibility. Including the IFRS 16 impact, Net Cash/EBITDA was 0.45x in 2Q23. Excluding IFRS16, Migros' Net Cash/EBITDA increased to 1.60x in 2Q23 from 1.10x in 1Q23. Excluding IFRS impact, Migros' net cash position increased to TL9.5bn in 2Q23 from TL5.7bn in 1Q23, supported by higher negative NWC. Migros had long FX position (US\$66mn+ Eur23mn) as of 2Q23-end. 96.3% of Migros' financial debt is TL denominated and 99% of it is with fixed interest rate. The company's balance sheet is fully covered against TL depreciation and interest rates will have a very limited negative impact at the bottomline.

Risks. 1) Intensifying competition from hard discounters, 2) delay in new store openings, 3) adverse changes in regulatory environment, 4) lower than expected synergies from acquisition.

Conglomerates

Valuation

Current Price, TL	56.10
12-mth Target Price, TL	101.69
Expected Dividend Yield	3.7%
Expected Price Appreciation	77.6%
Total Upside	81.3%

Stock Data

MCap, TL mn	114,467
MCap, US\$ mn	4,093
Free float, %	49%
Average Daily Turnover, TL mn	2,630.7

Financials, TL mn	2021	2022	2023E	2024E
Net Income	12,032	43,828	43,431	51,342
Net Income Growth	152.4%	264.3%	-0.9%	18.2%
ROE	23.4%	57.6%	36.1%	31.6%
P/E	9.5x	2.6x	2.6x	2.2x
P/BV	2.23x	1.14x	0.82x	0.62x

Share Perf.	1M	3M	1Y
Absolute	1%	11%	85%
Relative to ISE100	-2%	-10%	-9%

as of October 18th, 2023
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Unwarranted deep discount

We are initiating our SAHOL coverage with 12M TP of TL101.69, implying 81% upside potential with “Outperform” rating. The company shares trade at 49% discount to current NAV as well as very attractive 2.6x 2023E and 2.2x 2024E P/E multiples. SAHOL has underperformed the BIST-100 by 9% and its major NAV component Akbank by 26% since the beginning of the year. We find this underperformance unwarranted given the improving risk sentiment about Turkey with return to conventional macroeconomic policies, ongoing robust profitability in its core operations including finance, energy and cement, as well as the establishment of new businesses in renewable energy and building materials in the US. A possible IPO of Enerjisa Uretim (electricity generation) could act as a catalyst for the shares, in our view. Furthermore, increasing profitability of retail business and a faster than expected economic recovery in Turkey would also support the company's earnings.

Strong profitability prevails in core businesses. Besides the 49% y/y improvement in net income of banking operations (30% of NAV), insurance segment (4% of NAV) remarkably posted 224% y/y growth in 1H23 on the back of a major rise in both life and non-life segments. As for energy (27% of NAV) operations, despite the lower utilization due to production stoppages in natural gas plants, energy segment's net profit almost doubled y/y in 1H23 thanks to the positive impact of higher inflation (on distribution segment) as well as higher hydrology and trading activities. Building materials (15% of NAV) also generated 212% y/y net profit growth thanks to sales mix optimization and normalized share of fuel & energy costs in COGS. On the other hand; industrials (11% of NAV) and retail (4% of NAV) segments recorded weaker profitability figures, the former being due to weakness in tire reinforcement business and the latter on higher costs and financial expenses.

Robust cash flow generation signals continuation of new investments and dividends. Sabancı Holding's cash flow generation increased by 8x y/y in 1H23 with the major contribution of the energy segment. The company has a strong balance sheet with 0.5x non-bank combined Net Debt/EBITDA, TL4.5bn holding only cash and consolidated long FX position as of end 1H23, which could pave the way for new investments as well as the continuation of dividends (dividend policy: 5-20% of distributable consolidated IFRS income).

Share buy back continues. Sabancı Holding has bought back a total of 3mn shares (0.15% of paid-in-capital), which makes up 2.9% of the announced buy back program of 102mn shares.

Risks to consider. Inflation outlook, monetary policy implementation, regulatory environment, hydrology, energy prices, FX & interest rates.

Segment/Company	Valuation Basis	Share Price/ Valuation Multiple	Total Value TL mn	Holding's Stake		% of NAV	Target Value TL mn	Holding's Stake TL mn
				%	TL mn			
Financial Services								
Akbank	Market Cap.	31.30	162,760	40.8	66,325	29.3	224,900	91,647
Aksigorta	Market Cap.	6.28	10,123	36.0	3,644	1.6	13,160	4,738
Agesa	Market Cap.	62.45	11,241	40.0	4,496	2.0	14,613	5,845
Total					74,466	32.9		102,230
Tire&Reinforcement								
Brisa	Market Cap.	86.45	26,377	43.6	11,508	5.1	34,291	14,961
Kordsa Global	Market Cap.	90.95	17,692	71.1	12,581	5.6	21,982	15,631
Total					24,090	10.6		30,592
Food&Retail								
Carrefoursa	Market Cap.	101.00	12,905	57.1	7,371	3.3	16,777	9,583
Teknosa	Market Cap.	31.08	6,247	50.0	3,124	1.4	8,121	4,061
Total					10,495	4.6		13,643
Cement								
Akcansa	Market Cap.	183.20	35,073	39.7	13,931	6.1	45,595	18,110
Cimsa	Market Cap.	34.60	32,717	54.5	17,844	7.9	42,533	23,197
Total					31,775	14.0		41,308
Energy								
Enerjisa Uretim	EV/EBITDA	8.00	77,426	50.0	38,705	17.1	100,654	50,317
Enerjisa Enerji	Market Cap.	56.20	66,376	40.0	26,550	11.7	77,951	31,180
Total					65,256	28.8		81,497
Others								
Exsa	P/BV	1.00	8,546	28.8	2,461	1.1	11,110	3,200
Sabancı Building Solutions	P/BV	1.00	4,519	60.0	2,711	1.2	5,874	3,524
Sabancı Climate Technologies	P/BV	1.00	4,105	100.0	4,105	1.8	5,337	5,337
DxBV	P/BV	1.00	2,943	100.0	2,943	1.3	3,827	3,827
Other*	P/BV	1.00	3,692	100.0	3,692	1.6	4,800	4,800
Total					15,914	7.0		20,688
Total Subsidiaries					221,994	98.0		289,958
Listed					167,376	73.9		218,953
Unlisted					54,619	24.1		71,005
Net Cash - Holding only					4,544	2.0		5,907
TOTAL NAV					226,538			295,865
SABANCI HOLDING CURRENT MCAP					114,467			114,467
Discount (-) or Premium to NAV					-49%			-61%
TARGET NAV AFTER 30% (HISTORICAL) DISCOUNT								207,490
Target Share Price								101.69
Current Share Price								56.10
Upside Potential								81%

Source: Ata Invest estimates

Retail

Valuation

Current Price, TL	63.55
12-mth Target Price, TL	105.04
Expected Dividend Yield	1.4%
Expected Price Appreciation	65.3%
Total Upside	66.6%

Stock Data

MCap, TL mn	37,704
MCap, US\$ mn	1,348
Enterprise Value, TL mn	40,307
Free float, %	51%
Average Daily Turnover, TL mn	606.1

Financials, TL mn	2021	2022	2023E	2024E
Net Sales	28,412	59,292	109,148	188,805
<i>growth</i>	33%	109%	84%	73%
EBITDA	2,622	4,772	7,932	13,753
Net Income	324	2,380	3,400	6,715
EBITDA Margin	9.2%	8.0%	7.3%	7.3%
Net Margin	1.1%	4.0%	3.1%	3.6%
Dividend Yield	0.0%	0.8%	1.4%	3.6%
EV/EBITDA	15.4x	8.4x	5.1x	2.9x
P/E	116.3x	15.8x	11.1x	5.6x

Share Perf.	1M	3M	1Y
Absolute	3%	59%	171%
Relative to ISE100	1%	29%	33%

as of October 18th, 2023
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High growth play with appealing valuation

- We are initiating the coverage of Şok Marketler (Şok) with an “Outperform” rating and 12-mnth TP of 105, implying a %67 upside potential. Şok is currently trading at 5.6x 2024E P/E, which implies a 61% discount to its global peer and 31% discount to its local peers. We believe that its growth prospects coupled with healthy financials justify trading at higher multiples.
- We believe that Şok is not only a high-growth company benefiting from the transformation in Turkish retail sector but also one of the most resilient Turkish companies to any economic downturn.

Growth prospects with sustainable margins are the key positives. During 2019-2022, Şok increased its net sales by 55% CAGR to TL59.3bn in 2022, outpacing the growth of its local peers. During the same period, Şok opened around 979 net stores per year. We foresee Şok to realize 73% topline growth in 2024E on top of an 84% growth in 2023E. We expect Şok to sustain its EBITDA margin at 7.3% in both 2023E and 2024E. During 2025E-2027E, we expect Şok’s net sales to grow above inflation and its EBITDA margin to sustain at 7.4-7.8% while opening around 720 new stores every year.

Hard discounters’ growth is likely to outpace the growth in FMCG sector. Although organized food retail channel grew more rapidly during the last decade, we still see room for relatively higher pace of growth for hard discounters. We believe 3 major hard discounters- Bim, A101 and Şok have higher operational efficiencies compared to smaller local groceries and local food retail chains. We believe that improvement in Şok’s financials has become more apparent during the last several years. The pace of net store openings coupled with LfL sales growth indicates that Şok may be increasing market share against not only traditional retailers but also other listed organized food retailers during the following 5 years.

Risks to consider: (1) intensifying competition from other discounters and supermarket chains, **(2)** delay in new store openings, **(3)** adverse changes in regulatory environment.

Telecom

Valuation

Current Price, TL	50.00
12-mth Target Price, TL	87.50
Expected Dividend Yield	7.9%
Expected Price Appreciation	72.1%
Total Upside	80.0%

Stock Data

MCap, TL mn	110,000
MCap, US\$ mn	3,933
Enterprise Value, TL mn	152,168
Free float, %	54%
Average Daily Turnover, TL mn	2,251.0

Financials, TL mn	2021	2022	2023E	2024E
Net Sales	35,921	53,879	92,961	150,930
<i>growth</i>	23%	50%	73%	62%
EBITDA	15,014	21,994	38,507	61,421
Net Income	5,031	11,053	17,365	26,726
EBITDA Margin	41.8%	40.8%	41.4%	40.7%
Net Margin	14.0%	20.5%	18.7%	17.7%
Dividend Yield	2.3%	5.0%	7.9%	12.1%
EV/EBITDA	10.1x	6.9x	4.0x	2.5x
P/E	21.9x	10.0x	6.3x	4.1x

Share Perf.	1M	3M	1Y
Absolute	-7%	12%	94%
Relative to ISE100	-9%	-9%	-5%

as of October 18th, 2023

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Thanks to better pricing, higher pace of growth is likely...

- Well-positioned in highly competitive telecom sector: Market leader in mobile market with 41.2% market share, followed by Vodafone (30.8%) and Turk Telekom (28.0%).
- Considering that customers contracts are mostly at 12-24 months terms, price increase were far below inflation. Thus, reflecting the cost increases in inflationary environment come with a lag. Thanks to the renewal of consumer contacts gradually, we expect Turkcell to have higher pace of growth in 2023E and 2024E compared to 2022.
- Turkcell is currently trading at 2.5x 2024E EV/EBITDA, implying 41% discount compared to its global peers. Thus, we foresee higher rewards versus potential risks at current levels.

Strong position in mobile telecom services will pave the way for growth in strategic focus areas, which currently have only 18% share in consolidated revenues. In Digital services, digital business solutions and techfin services, 3 strategic focus areas constituted, 4%, 9% and 4%, share in Turkcell's consolidated revenues, respectively, in 1H23 whereas telecom services had 81% share in Turkcell's consolidated revenues, during the same period. Turkcell is the market leader in mobile with 37.6mn mobile subscribers and #2 player in fixed broadband with 3.0mn subscribers in Turkey. Turkcell International revenues, c.10% share in consolidated revenues, remained solid despite the ongoing conflict in Ukraine.

We foresee 73% topline growth in 2023E followed by 62% growth in 2024E. We expect Turkcell to increase its consolidated revenues by 73% to TL 92.9bn in 2023E, in line with the company guidance of "c.71%". We foresee EBITDA margin of 41.4% in 2023E, implying TL38.5bn versus the management guidance of c.TL37bn. Despite heavy competition, Turkcell is likely to sustain its mobile market share in Turkey at c.40-42%, going forward while strengthening its strategic focus areas such as digital services & solutions, digital business services and techfin.

Simple ownership structure after Turkish Wealth Fund's (TWF) taking controlling shares back 2020 has not been appreciated yet. TWF has the controlling share of 26.2% and (IMTIS) LetterOne has a minority stake of 19.8% whereas the remaining 54% is free float. We believe simple ownership structure will help to improve decision making regarding strategic issues. We believe macroeconomic uncertainties and high inflation are overshadowing the fundamental strengths of Turkcell and potential strategic actions in Turkey's leading mobile operator.

Oil & Gas

Valuation

Current Price, TL	141.20
12-mth Target Price, TL	214.83
Expected Dividend Yield	12.7%
Expected Price Appreciation	40.5%
Total Upside	53.2%

Stock Data

MCap, TL mn	272,064
MCap, US\$ mn	9,728
Enterprise Value, TL mn	262,155
Free float, %	49%
Average Daily Turnover, TL mn	6,005.5

Financials, TL mn	2021	2022	2023E	2024E
Net Sales	152,492	481,765	558,946	786,929
<i>growth</i>	141%	216%	16%	41%
EBITDA	13,396	55,477	69,017	60,103
Net Income	3,495	41,045	43,078	39,784
EBITDA Margin	8.8%	11.5%	12.3%	7.6%
Net Margin	2.3%	8.5%	7.7%	5.1%
Dividend Yield	0.0%	0.0%	12.7%	11.4%
EV/EBITDA	19.6x	4.7x	3.8x	4.4x
P/E	77.8x	6.6x	6.3x	6.8x

Share Perf.	1M	3M	1Y
Absolute	7%	71%	211%
Relative to ISE100	5%	39%	52%

as of October 18th, 2023
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Trading at undemanding earnings multiples

We keep our “Outperform” rating for Tupras. Despite their 71% rise in the last 3 months with a 39% outperformance to BIST-100, the company shares still trade at 3.8x and 4.4x EV/EBITDA multiples on our 2023 and 2024 estimates, respectively, with avg. 20% discount to peers. Key catalysts for the share price performance include the announcement of strong 3Q23 financials on October 25th, as well as the continuation of high crack margins and wide crude differentials in the remainder of the year. Other potential developments to bring momentum to the stock could be a possible weakening in TL, higher crude oil prices or higher than foreseen dividend distribution from 2023 earnings.

The regional refining-margin outlook remains healthy. After having fallen from the elevated levels seen in 2022, refining margins have rebounded from 2Q23's lows in 3Q23 as the middle-distillates market has tightened again amid reduced imports from Asia and gradually climbing product demand. Product crack spreads have recovered since June 2023, supporting Tupras' 3Q23 outlook. We expect the company to report record high profit figures for 3Q23.

Upside risk to the company's refining margin guidance. Considering the very strong course of product crack margins since the beginning of 3Q23, we believe that there is an upside risk to Tupras' net refining margin guidance, which was indeed cut to US\$10-11/bbl from US\$11-12/bbl, following the release of 2Q23 financials. Our refining margin estimate for 2023 stands at US\$11.6/bbl.

Strong dividend distribution to continue. Despite the dividend payment worth TL14.5bn on September 29th, we foresee Tupras closing the year with a net cash position thanks to strong EBITDA generation and broadly stable working capital in the remainder of the year. We expect the company to distribute 80% of its 2023 net profit next year, which implies a 12.7% dividend yield.

Risks to consider: A sooner and/or higher-than-expected contraction in crack margins, and high volatility in FX rates and crude prices would be among risk factors to consider. Moreover, the adoption of electric vehicles (EVs) will likely accelerate in the next decade, affecting longer-term growth in demand for crude oil. According to Tupras' investor presentation, Turkey's fossil fuel consumption is expected to peak in 2030 and diesel is likely to be partially replaced by hydrogen, with a rapid growth phase after 2030. We believe that Tupras is well positioned for this shift with its strategic transition plan.

Food

Valuation

Current Price, TL	84.60
12-mth Target Price, TL	152.00
Expected Dividend Yield	0.0%
Expected Price Appreciation	79.2%
Total Upside	79.2%

Stock Data

MCap, TL mn	31,241
MCap, US\$ mn	1,117
Enterprise Value, TL mn	56,478
Free float, %	39%
Average Daily Turnover, TL mn	1,135.0

Financials, TL mn	2021	2022	2023E	2024E
Net Sales	12,537	28,197	45,499	71,313
<i>growth</i>	33%	125%	61%	57%
EBITDA	2,328	5,467	8,727	13,522
Net Income	-464	-353	414	4,520
EBITDA Margin	18.6%	19.4%	19.2%	19.0%
Net Margin	-3.7%	-1.3%	0.9%	6.3%
Dividend Yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA	24.3x	10.3x	6.5x	4.2x
P/E	-67.3x	-88.5x	75.4x	6.9x

Share Perf.	1M	3M	1Y
Absolute	17%	134%	267%
Relative to ISE100	15%	90%	80%

as of October 18th, 2023
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Better days are ahead...

- On the back of upward revisions to our earnings estimates and applying no additional visibility discount, we are raising our TP to TL152 from TL50, implying a 79% upside potential while raising our rating to “Outperform”.
- We had been applying a 65% discount to our target EV/EBITDA multiple, considering the company-specific risks. Following the improvement in corporate actions about the balance sheet, corporate structure and governance, we removed this discount.
- We believe improvement in Ulker’s financials will become apparent in 2024E. Ulker is currently trading at 6.9x 2024E P/E, implying a 58% discount compared to its global peers.

What has changed? (1) We are currently more comfortable about Ulker’s balance sheet’s health and visibility. (2) Ulker Biscuit’s merger with its subsidiaries will also be positive for further visibility and corporate structure. (3) Organic growth is the primary target and no new acquisition is in sight. (4) Management appears committed to lowering debt ratios and improving liquidity (5) We are also receiving positive signals from Yıldız Holding, Ulker’s parent company, regarding its financial health and operational performance.

We foresee 57% topline growth and 6.3% net margin in 2024E. We believe the high debt burden due to acquisitions overshadowed Ulker’s solid operating performance in 2022-2023. We expect Ulker to increase its net sales by 57% to TL71.3bn in 2024E, on top of 61% growth in 2023 and 125% growth in 2022. We also expect EBITDA margin to stabilize at 19.0%, considering that cost pressures will be mitigated by price adjustments. Ulker is the market leader in snacking sector in Turkey with a 35% market share. Domestic revenues constitute 66% of Ulker’s consolidated revenues whereas international revenues comprise the remaining 34% as of 2Q23. Ulker is the market leader in the biscuit category in Saudi Arabia and Egypt and #2 in the chocolate category in Kazakhstan. Ulker aims to be #1 or #2 in the Middle East and North Africa.

2nd TIER - TOP PICKS
(AKSEN, AYGAZ, BIMAS, TAVHL, TOASO)

Utility

Valuation

Current Price, TL	35.64
12-mth Target Price, TL	61.94
Expected Dividend Yield	2.4%
Expected Price Appreciation	71.3%
Total Upside	73.7%

Stock Data

MCap, TL mn	43,707
MCap, US\$ mn	1,563
Enterprise Value, TL mn	55,714
Free float, %	21%
Average Daily Turnover, TL mn	599.7

Financials, TL mn	2021	2022	2023E	2024E
Net Sales	13,887	45,638	27,870	38,948
<i>growth</i>	92%	229%	-39%	40%
EBITDA	2,474	6,401	6,761	11,715
Net Income	1,680	4,562	4,836	7,825
EBITDA Margin	17.8%	14.0%	24.3%	30.1%
Net Margin	12.1%	10.0%	17.4%	20.1%
Dividend Yield	1.6%	2.3%	2.4%	3.9%
EV/EBITDA	22.5x	8.7x	8.2x	4.8x
P/E	26.0x	9.6x	9.0x	5.6x

Share Perf.	1M	3M	1Y
Absolute	0%	-2%	-14%
Relative to ISE100	-2%	-21%	-58%

as of October 18th, 2023
Analyst: Umut Ozturk
Email: umuto@atainvest.com

Increasing its presence both at home and in abroad

We are initiating our AKSEN coverage with 12M TP of TL61.94, implying 74% upside potential with “Outperform” rating. Aksa Energy is the largest listed independent power producer in Turkey, with a domestic installed capacity of 1,317MW. It has a total installed capacity of 2,731MW, including foreign operations in Uzbekistan (740MW), Africa (521MW) and North Cyprus (153MW). The company targets to triple its generation capacity by 2030 through growth both in domestic and international markets with renewable energy. In addition, new energy technologies (battery storage and hydrogen generation) are also expected to enter their portfolio. The company shares trade at 4.8x EV/EBITDA and 5.6x P/E multiples on our 2024 estimates, which imply 31% and 25% discount to their last 3 year historical averages, respectively.

Renewable energy generation license applications in Turkey continue at full speed. Aksa Enerji has received pre-licenses for a total of 720 MW (150 MW solar power + 570 MW wind power) capacity, which might reach 1000 MW with new licenses according to our calculations. Investments for the plants will begin after the necessary permits are granted. Solar power plants are likely to be operational by 2025 and wind power plants by 2026. Additionally, Bolu/Goynuk solar power plant is also planned to start operations by the end of this year.

Capacity expansion continues in international markets while new regions are also eyed on. There will be 35MW capacity expansion in North Cyprus, half of which is expected to be operational by the end of this year and the other half in August 2024. In addition, 350 MW additional capacity will be introduced in Ghana until the end of 2024, which is expected to bring in around US\$40-45mn EBITDA. On the other hand, Kazakhstan operations are expected to kick off by 2H25 and generate US\$55mn EBITDA. Finally, the additional 45 MW capacity in Uzbekistan could have around US\$10mn EBITDA contribution. Last but not the least, the company is also looking for renewable energy investments in the US and Europe.

PPAs in international regions bring in guaranteed CF generation. Aksa Enerji has power purchase agreements in Asia, Africa and North Cyprus denominated in FX which are also hedged against fuel price movements. Thus, the company generates consistent and guaranteed FX denominated EBITDA from those operations. As of 2Q23, foreign operations made up 59% of Aksa Enerji’s EBITDA.

Dividend payments likely to continue despite high capex. Aksa Enerji distributed a total of TL1.7bn dividends in the last two years with an average 32% payout ratio. Assuming a 20% payout, we calculate 2.4% dividend yield from 2023 earnings.

Risks to consider. Weaker electricity prices in Turkey, receivable collection problems in Africa.

Utility

DCF (US\$mn)	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBITDA	277	340	393	454	523	562	619	695
Net Working Capital	383	358	397	439	481	502	552	637
Change in NWC (US\$)	-10	-25	40	41	42	21	50	85
CapEx	131	122	136	150	164	171	189	218
Tax	69	85	98	113	131	141	155	174
FCF	87	158	119	149	186	230	225	218
Discount Factor	1.02	1.12	1.24	1.36	1.50	1.65	1.81	1.99
DCF	85	141	97	110	124	140	124	109
Net Present Value	930							
Terminal Growth Rate	1%							
Terminal Value	1,224							
Enterprise Value	2,154							
Net Debt	372							
Minority Shares	95							
Equity Value	1,687							
12-Month Equity Value	1,890							
Issued Capital	1,226							
12-M Target Share Price TL	61.94							
Current Share Price	35.64							
Upside/Downside Potential	74%							

Source: Ata Invest estimates

Oil & Gas

Valuation

Current Price, TL	138.20
12-mth Target Price, TL	203.41
Expected Dividend Yield	0.7%
Expected Price Appreciation	46.5%

Total Upside 47.2%

Stock Data

MCap, TL mn	30,376
MCap, US\$ mn	1,086
Enterprise Value, TL mn	5,780
Free float, %	24%
Average Daily Turnover, TL mn	250.1

Financials, TL mn	2021	2022	2023E	2024E
Net Sales	15,893	37,507	50,364	83,606
<i>growth</i>	<i>57%</i>	<i>136%</i>	<i>34%</i>	<i>66%</i>
EBITDA	705	537	1,313	1,603
Net Income	670	4,733	4,769	4,841
EBITDA Margin	4.4%	1.4%	2.6%	1.9%
Net Margin	4.2%	12.6%	9.5%	5.8%
Dividend Yield	0.5%	0.7%	0.7%	0.7%
EV/EBITDA	8.2x	10.8x	4.4x	3.6x
P/E	45.3x	6.4x	6.4x	6.3x

Share Perf.	1M	3M	1Y
Absolute	12%	36%	164%
Relative to ISE100	10%	11%	29%

as of October 18th, 2023
Analyst: Umut Ozturk
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Strong LPG player with attractive valuation

We are initiating our AYGAZ coverage with 12M TP of TL203.41, implying 47% upside potential with “Outperform” rating. Besides being the leading LPG distributor of Turkey with its 41% market share in cylinder gas and 22% in autogas as of 2022, Aygaz has also international operations (LPG business in Bangladesh), financial investments (indirectly holding 9.3% stake in Tupras & 1.6% in Yapi Kredi Bank) and strategic business units including natural gas & LNG trade (Aygaz Dogalgaz), delivery services (Sendeo) and drinking water filling & sales (Bal Kaynak Su) facilities. The company shares trade at 6.3x P/E multiple on our 2024 estimates, which imply 33% and 23% discount to their last 1 and 3 year historical averages, respectively. We also calculate that the current value of the indirect stakes at YKBNK and TUPRS make up 83% of AYGAZ's current mcap.

Consistent cash generation from LPG business makes Aygaz a defensive play and regular dividend payer. Aygaz is one of the defensive stocks in the BIST-100 as its core LPG business is not much affected from a fall in consumer sentiment as well as a change in FX rates and consumer loan rates. With the help of its dominant domestic market position, Aygaz has the ability to reflect increase in LPG costs to its prices. Thanks to its cash-cow LPG business and low capex, Aygaz has a sound balance sheet with its net debt/EBITDA multiple at 1.7x as of end 1H23. As a regular dividend payer, Aygaz distributed a total of around TL2.55bn dividends in the last 10 years. We expect the company to distribute TL0.97 per share dividend from 2023 earnings, which corresponds to a 0.7% yield, thanks to the strong free cash flow generation.

We expect to see better financial results in 3Q23. Thanks to favorable demand conditions for LPG, together with the reversal of inventory losses to gains and more favorable FX rates, we expect to see a stronger EBITDA figure in 3Q23 compared to 2Q23. We calculate that the strong operating performance of the LPG business will more than offset the negative EBITDA generation in cargo business, which continues to struggle with high operating expenses.

Long term growth in LPG business will come from Bangladesh. Unlike Turkish LPG market which stayed almost stagnant in recent years, Bangladesh LPG market has been one of the fastest growing LPG markets in the world with a CAGR of 32% between 2016 and 2021. After starting sales operations as of August 2022, 21K tons was reached in 1H23. Aygaz's cumulative capital contribution has been US\$24.5bn with respect to its 50% stake in the business.

Risks to consider: Diesel and gasoline are the major competitors of autogas while natural gas is the major competitor of cylinder gas. Therefore, any major fall in their prices would be a risk for Aygaz in our view. Any rise in taxes on LPG could be another risk to consider.

Oil & Gas

Valuation Summary

Segment	Methodology	Fair Value(TLmn)	Stake	Participated (TLmn)
LPG & NG	Target 2024E EV/EBITDA of 5x	8,016	100%	8,016
Cargo	1x P/B	300	55%	165
Participations				
EYAS @ 20% discount	Target Value (TUPRS)	207,153	20%	33,144
KFS @ 20% discount	Target Value (YKBNK)	78,928	3.93%	2,481
Net Cash				-1,101
Target Value				44,710
12-month Target Share Price (TRL)				203.41
Current Share Price (TL)				138.20
Upside Potential				47%

Source: Ata Invest estimates

Retail

Valuation

Current Price, TL	298.00
12-mth Target Price, TL	405.00
Expected Dividend Yield	4.9%
Expected Price Appreciation	35.9%
Total Upside	40.8%

Stock Data

MCap, TL mn	180,946
MCap, US\$ mn	6,470
Enterprise Value, TL mn	189,395
Free float, %	60%
Average Daily Turnover, TL mn	1,862.9

Financials, TL mn	2021	2022	2023E	2024E
Net Sales	70,527	147,716	265,882	446,683
<i>growth</i>	<i>27%</i>	<i>109%</i>	<i>80%</i>	<i>68%</i>
EBITDA	6,481	11,867	19,526	32,735
Net Income	2,932	8,157	11,164	21,026
EBITDA Margin	9.2%	8.0%	7.3%	7.3%
Net Margin	4.2%	5.5%	4.2%	4.7%
Dividend Yield	1.3%	3.6%	4.9%	9.3%
EV/EBITDA	29.2x	16.0x	9.7x	5.8x
P/E	61.7x	22.2x	16.2x	8.6x

Share Perf.	1M	3M	1Y
Absolute	11%	49%	122%
Relative to ISE100	9%	21%	9%

as of October 18th, 2023

Analyst: Cemal Demirtas

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High and predictable earnings with attractive valuation..

- Amid ongoing uncertainties about high inflation and economic recession concerns, Bim is likely to be the safe harbor in Turkish equities universe due its healthy balance sheet, highly efficient business model as well as high growth prospects. We continue to believe that organized retailers have room for growth due to operational efficiencies.
- Supported by growth in LfL and new store openings, we foresee 80% topline growth in 2023E, followed by 68% growth in 2024E. We foresee significant earnings growth both in 2022 and 2023. Bim is currently trading at 8.6x 2024E P/E multiple, implying a 58% discount compared to its historic 1-yr fwd P/E multiple of 15.25x.

Leader in highly competitive organized food retail sector. Mainly due to strong base period, last 3 quarters were not giving encouraging signals about its growth performance of Bim. After 2Q23 results, Bim maintained its topline growth guidance of 70-80% and EBITDA margin guidance of 7-7.5%. We believe that 3Q23E performance is likely to signaling a recovery in topline growth. We continue to believe that organized channel will continue to gain market share against traditional channel and hard discounters will continue to gain market share. Due to inflationary environment and strong demand, latest topline growth guidance for 2023E stands at 70-80% versus our estimate of 80%. Considering the high food inflation trends, we believe that upward revisions to our topline growth estimates for 2024E are still possible.

Thanks to its operational efficiency, Bim is likely to maintain its EBITDA margin within 7.0-7.5% range. Despite inflationary pressure on gross margin and higher personnel costs, we expect Bim to realise EBITDA margin of 7.3% in 2023E in line with the management guidance of 7.0-7.5%. Reflecting the significant potential increase in operating costs, we come up with a 7.3% EBITDA margin estimate for 2024E, which is still conservative. Bim's outstanding operational efficiency keeps it highly competitive even under severe market conditions. We believe that Bim is not only a high-growth company benefiting from the transformation in Turkish retail sector but also one of the most resilient Turkish companies to any economic downturn.

Risks to consider: 1) Intensifying competition from supermarkets and soft-discounters, 2) delay in new store openings and 3) adverse changes in regulatory environment

Aviation

Valuation

Current Price, TL	124.90
12-mth Target Price, TL	194.77
Expected Dividend Yield	0.0%
Expected Price Appreciation	55.9%
Total Upside	55.9%

Stock Data

MCap, TL mn	45,374
MCap, US\$ mn	1,622
Enterprise Value, TL mn	66,137
Free float, %	48%
Average Daily Turnover, TL mn	867.2

Financials, TL mn	2021	2022	2023E	2024E
Net Sales	5,459	18,308	32,331	48,692
<i>growth</i>	126%	235%	77%	51%
EBITDA	1,459	5,812	9,048	17,809
Net Income	468	1,899	3,561	6,450
EBITDA Margin	26.7%	31.7%	28.0%	36.6%
Net Margin	8.6%	10.4%	11.0%	13.2%
Dividend Yield	0.0%	2.3%	0.0%	0.0%
EV/EBITDA	45.3x	11.4x	7.3x	3.7x
P/E	97.0x	23.9x	12.7x	7.0x

Share Perf.	1M	3M	1Y
Absolute	16%	19%	55%
Relative to ISE100	14%	-4%	-24%

as of October 18th, 2023

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The attractive growth story continues...

- We believe that TAVHL will continue to announce strong results in the upcoming quarters and the growth story continues to maintain its appeal. Thanks to its business model, it is more protected against risks compared to other aviation companies and an increasing competitive environment would not affect it much negatively. We maintain TAVHL in our top picks list with 12M TP of TL194.77 implying 55.9% upside potential. Considering strong PAX growth and one-off positive impact of the partial sale of Madinah shares, we also expect strong financials for 3Q23. Based on our revised estimates, TAVHL is trading at 3.7x 24E EV/EBITDA and 7.0x P/E multiples, respectively, implying 57% and 50% discounts compared to its global peers.
- TAVHL continues to increase the capacity of its airports with new investments. Investments in Almaty, Antalya and Ankara terminals support the growth story. With the Almaty investment planned to be completed after 1H24, we expect the new terminal to make a significant contribution in terms of both net sales and profitability by doubling the passenger capacity and adding new income lines.

We expect the strong passenger growth to continue supporting financials in following years. Total number of passengers served in 9M23 at TAV operated airports was 74.6mn, which is at 104% of its 2019 level thanks to the Almaty operations. We believe that the total passenger numbers served at TAV operated airports will reach 93.9mn and cover 105% of 2019 level in 2023E. Thanks to the Company's diverse airport portfolio and business model, it will benefit from increased passenger numbers while being less exposed to the negative effects of seasonality.

We foresee 21% topline growth in 2023E and 49% growth in 2025E compared to 2022 in EUR terms. We expect TAVHL to increase its consolidated revenues by 21% to EUR 1,271mn in 2023E, in line with the company guidance of EUR 1,230-1,290mn. With the launch of the new investments in Almaty, Antalya and Ankara terminals, we expect that net sales will reach EUR1,568 mn in 2025 which implies 49% growth over 2022. In 2023, we expect EBITDA margin to deteriorate 266bps to 28% due to the increasing share of Almaty operations. However, after 2024, we expect operational profitability to increase gradually thanks to the increasing capacity and new income lines.

Risks. Downside risks are: 1) Increasing conflict between Israel and Palestine., 2) Appreciation of TL against hard currencies.

Automotive

Valuation

Current Price, TL	266.00
12-mth Target Price, TL	396.00
Expected Dividend Yield	8.7%
Expected Price Appreciation	48.9%
Total Upside	57.5%

Stock Data

MCap, TL mn	133,000
MCap, US\$ mn	4,756
Enterprise Value, TL mn	123,811
Free float, %	24%
Average Daily Turnover, TL mn	1,801.8

Financials, TL mn	2021	2022	2023E	2024E
Net Sales	30,513	66,793	103,445	142,543
<i>growth</i>	27%	119%	55%	38%
EBITDA	5,794	11,270	16,459	19,364
Net Income	3,281	8,562	16,463	17,811
EBITDA Margin	19.0%	16.9%	15.9%	13.6%
Net Margin	10.8%	12.8%	15.9%	12.5%
Dividend Yield	2.4%	2.3%	8.7%	9.4%
EV/EBITDA	21.4x	11.0x	7.5x	6.4x
P/E	40.5x	15.5x	8.1x	7.5x

Share Perf.

	1M	3M	1Y
Absolute	-6%	9%	185%
Relative to ISE100	-8%	-12%	40%

as of October 18th, 2023

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New Era for Tofas just starting...

- We believe that potential Stellantis Otomotiv Pazarlama acquisition, extension of project and new mandates will create synergies for Tofas. We have an “Outperform” recommendation for Tofas, our 12M TP implies 57.5% upside potential for Tofas and we continue to keep stocks in our top pick list, considering the potential risk and rewards.

Strategic agreement announced on Mar’23. Tofas and Stellantis signed heads of agreement of purchase of Stellantis Otomotiv Pazarlama A.Ş for EUR400mn and received the exclusive right to manufacture and distribute in Turkey the new “K0” model vehicle which include production of LCV for 5 brands in Turkey as of 2025. For the time-being, no details about the size of investments and production size. Considering that “K0” production will start as of 2025 and the new model's time to market is approximately 15-18 months, we believe that the transaction will be completed by the year end 2023, which is pending for necessary official approval. According to the head of agreement, production of the Tipo/Egea model for local distribution and export was extended the until 31 December 2025 and production of the Fiorino model will end on 31 December 2024. Transfer of new Doblo production to Vigo was completed by 2022-end. Production of the Doblo model will continue for local distribution until the beginning of the preparations for the new model. Doblo export sales constituted 49.9% of Tofas’ total export sales volume in 2022. Considering the completion of Doblo transfer to Vigo, we penciled in 70K export units in 2023E, implying 43% y/y decline. We believe that Tofas will compensate the Doblo production loss with new potential mandates from Stellantis in the medium term.

Clarification about the positioning of Tofas within Stellantis network is a start of “new era”. We believe that the acquisition of Stellantis Otomotiv, sales and distribution arm of Stellantis for PSA (Peugeot, Citroen, Opel, DS) is the first important step. In 9M23, Tofas had a 17% market share. During the same period, Stellantis Otomotiv (Peugeot, Citroen, DS and Opel) has 19% market share. After this acquisition, Tofas will capture around 36% of Turkish light vehicle market. We believe this new structure will help the company to gain further efficiency in imports, domestic sales and distribution activities. With this first step, we understand that Stellantis and Koc Group are taking a strategic step after long discussions and now Tofas has a stronger place within Stellantis network which is a win-win case for all sides.

Downside risks are 1) availability and affordability issues, 2) slowdown in domestic and export markets, 3) weaker Euro/US\$ parity, 4) difficulties to accessing credit in domestic market, 5) further delay or cancelling of agreement with Stellantis. Upside risk is 1) potential SCT rate cut, additional new project from Stellantis.

INITIATION OF COVERAGE*

(AKSA, ALARK, ENJSA, KCHOL, KORDS, ODAS)

**We also initiated AKSEN, AYGAZ, SAHOL, SOKM to our coverage list*

Chemicals

Valuation

Current Price, TL	91.65
12-mth Target Price, TL	141.44
Expected Dividend Yield	2.3%
Expected Price Appreciation	52.1%
Total Upside	54.3%

Stock Data

MCap, TL mn	29,672
MCap, US\$ mn	1,061
Enterprise Value, TL mn	31,666
Free float, %	37%
Average Daily Turnover, TL mn	389.8

Financials, TL mn	2021	2022	2023E	2024E
Net Sales	8,348	17,454	18,957	32,518
<i>growth</i>	103%	109%	9%	72%
EBITDA	1,702	3,940	4,144	6,504
Net Income	1,167	3,422	2,939	4,286
EBITDA Margin	20.4%	22.6%	21.9%	20.0%
Net Margin	14.0%	19.6%	15.5%	13.2%
Dividend Yield	2.0%	2.6%	2.3%	3.3%
EV/EBITDA	18.6x	8.0x	7.6x	4.9x
P/E	25.4x	8.7x	10.1x	6.9x

Share Perf.	1M	3M	1Y
Absolute	9%	13%	42%
Relative to ISE100	7%	-9%	-30%

as of October 18th, 2023
Analyst: Umut Ozturk
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Normalization year after a strong 2022

We are initiating our AKSA coverage with 12M TP of TL135.93, implying 50% upside potential with “Outperform” rating. Aksa Akrilik is the largest acrylic fiber producer (355k tons capacity) in the world with its 25% global and 80% domestic market share. It is also the global market leader in technical fibers which are high value-added products for technical end-use areas. Moreover, the company also has a 50% stake in DowAksa, which is a carbon fiber producer with 9K tons capacity, and an energy generation unit with 145MW capacity generating around US\$80mn revenue per year.

Product prices have normalized this year following the strong 2022. Despite the positive impact of higher US\$/TL rates, Aksa Akrilik’s EBITDA and net profit fell by 16% and 11% y/y in 1H23. This was mainly due to lower product prices in parallel with a fall in ACN prices, the major raw material of Aksa Akrilik, which have indeed normalized following the exceptionally strong levels seen in 2022. Meanwhile, although Turkish textile sector’s competitive advantage has weakened due to higher inflation, minimum wages and increasing financing costs, Aksa Akrilik achieved to operate at 90% CUR thanks to the supply shortage that emerged after the removal of a major competitor from the market.

New investments continue in both textile and carbon fiber. With the 6.6K tons capacity yarn facility it has commissioned under the AksaFil brand, Aksa Akrilik has become an important player providing innovative input to the textile industry. In addition, the investment to increase the current capacity of DowAksa from 6K tons/year to 9K tons/year has been completed and the new line has been commissioned. Moreover, new investment was decided to produce initially 350 tons/year of ultra high molecular weight polyethylene, rising gradually to 500 tons/year with an investment of US\$20mn.

The company guidance is likely to be reached to a great extent. The company expects to finish 2023 with 90% CUR (+/-5 bps), US\$75mn capex (+/-US\$10mn), US\$900mn revenues and 18-23% EBITDA margin. 1H23 figures were 90% CUR, US\$30mn capex, US\$418mn revenues and 20% EBITDA margin. Although we expect revenues to be slightly lower than the guidance, we are in line with the guidance considering the other metrics.

Risks to consider. A longer than expected pressure on product prices largely stemming from China’s return to the market after the pandemic is a major risk to consider. Slowdown in demand from automotive and aviation sectors could be counted as other risks.

Chemicals

US\$m n	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenues	800.6	968.4	997.5	1,027.4	1,058.2	1,090.0	1,122.7	1,156.4
Growth	-24%	21%	3%	3%	3%	3%	3%	3%
EBITDA	175	194	199	205	212	218	225	231
margin %	21.9%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Tax on EBIT	28	42	47	48	50	51	53	54
WC	56	72	74	76	78	81	83	86
WC Change	-10	16	2	2	2	2	2	2
Capex	75	75	75	75	75	75	75	75
FCF	83	60	75	80	85	89	94	100
Discount Factor	0.98	0.89	0.80	0.73	0.66	0.60	0.54	0.49
NPV	81	54	60	58	56	53	51	49
Net Present Value	461							
Terminal Value	518							
Total EV	979							
Net Debt	40							
Fair Value	939							
Dow Aksa	74							
Total Fair Value	1,013							
# of Shares (mn)	324							
12-month Target Price (USD)	3.53							
Target Price (TL)	141.4							
Current Price	91.7							
Upside	54%							

Source: Ata Invest estimates

Conglomerates

Valuation

Current Price, TL	115.00
12-mth Target Price, TL	131.00
Expected Dividend Yield	1.5%
Expected Price Appreciation	12.4%
Total Upside	13.9%

Stock Data

MCap, TL mn	50,025
MCap, US\$ mn	1,789
Free float, %	31%
Average Daily Turnover, TL mn	1,455.3

Financials, TL mn	2021	2022	2023E	2024E
Net Income	1,274	11,441	11,575	13,890
Net Income Growth	-73.3%	797.7%	1.2%	20.0%
ROE	34.5%	122.9%	56.3%	42.0%
P/E	39.3x	4.4x	4.3x	3.6x
P/BV	13.55x	3.35x	1.91x	1.25x

Share Perf.	1M	3M	1Y
Absolute	-4%	40%	77%
Relative to ISE100	-6%	13%	-13%

as of October 18th, 2023
Analyst: Umut Ozturk
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Shares might lack catalyst in the near term

We are initiating our ALARK coverage with 12M TP of TL131.00, implying 14% upside potential with “Marketperform” rating. Although we find the company’s long term transformation plans appealing, we think the shares might lack catalyst in the short term. In recent years, Alarko Holding, as a diversified conglomerate active in various including energy, construction, land development, industry & trade, tourism and investment, has significantly increased its exposure to the energy sector with its acquisition of Meram Distribution Co. and commencement of the Karabiga power plant in 2017. Thus, energy segment’s share in NAV has reached 80%. On the other hand, we expect the share of energy to fall under 50% by 2030 as the company added new business lines such as agriculture & food industry and aviation whose total share in NAV is expected to reach 35%.

We expect net income to remain flat for 2023. Despite Karabiga power plant’s weaker contribution to operating profit in 2Q23 due to the maintenance stoppage, consolidated net income of Alarko Holding was up by 68% q/q and 38% y/y to TL3.1bn thanks to FX gains. For 3Q23, as we expect higher contribution from the energy segment, we estimate around TL3.5bn net income despite lower FX gains compared to 2Q23. Regarding the full year 2023, we calculate TL11.6bn net income, almost parallel to 2022 levels.

Removal of price cap on electricity prices is positive for Cenal (coal power plant). The maximum settlement price mechanism in electricity, which was previously extended until October 1, was lifted as of this date. To remind, the regulator started to determine maximum settlement prices for different types of power plants based on the source used by them. The practice was last extended for 6 months at the end of March. We evaluate that returning to free pricing mechanism should have a positive impact on Cenal’s profitability which was previously pressurized by the price cap application.

Long term growth plans in agriculture & aviation sectors look attractive. Alarko Holding determined four focus segments under agriculture as greenhousing, fertilizer, seed and food industry. Greenhousing has the potential to generate around US\$30mn EBITDA in 2024, rising gradually to US\$100mn EBITDA by 2028 when land size is expected to reach 5K acres from 600 acres. In addition, the company can generate US\$10mn EBITDA from 8K tons of microgranule fertilizer sales in 2024 and another US\$10mn from 100K tons of organomineral production by 2025. Furthermore, the company plans to enter the business of conversion and modification of passenger aircrafts to cargo aircrafts, which might bring in additional US\$35-40mn profit by 2025.

Risks. Lower than expected electricity prices, regulatory risks in energy business, FX volatility.

Alarko Holding (ALARK TI)

Marketperform

Segment/Company	Valuation Basis	Share Price/ Valuation Multiple	Total Value TL mn	Holding's Stake		% of NAV	Target Value TL mn	Holding's Stake TL mn
				%	TL mn			
Contracting								
Alsim	2023E EV/Sales	3x	3,620	99.91	3,617	5.6	4,507	4,503
Total					3,617	5.6		4,503
Real Estate								
Alarko REIT	Current Mcap	42.40	2,731	51.20	1,398	2.1	3,400	1,741
Real estate portfolio	Expertise Value	1.00	2,198	100.00	2,198	3.4	2,737	2,737
Total					3,596	5.5		4,477
Energy								
ALCEN								
Karabiga coal plant	2023E EV/EBITDA	7.5x	61,859	50.00	30929	47.5	77,014	38,507
Meram	2023E EV/EBITDA	7x	41,624	50.00	20812	31.9	51,822	25,911
Panel Enerji	Peer Multiples	US\$0.3mn/MW	413	50.00	207	0.3	514	257
Total					51,948	79.7		64,675
ALTEK								
Karakuz HPP	Peer Multiples	US\$0.3mn/MW	616	100.00	616	0.9	766	766
Gonen HPP	Peer Multiples	US\$0.3mn/MW	89	100.00	89	0.1	111	111
Total					705	1.1		877
Industry&Trade								
Alarko Carrier	2023E EV/EBITDA	5x	2,056	43.19	888	1.4	2,560	1,106
Total					888	1.4		1,106
Tourism								
ATTAS	2023E EV/EBITDA	10x	2,808	99.91	2,805	4.3	3,496	3,493
Total					2,805	4.3		3,493
Total Subsidiaries					63,559	97.6		79,131
Listed					2,286	3.5		2,846
Unlisted					61,273	94.1		76,285
Net Cash - Holding only					1,587	2.4		1,976
TOTAL NET ASSET VALUE					65,146			81,106
ALARKO HOLDING		115.00			50,025			50,025
Discount (-) or Premium to NAV					-23%			-38%
TARGET NAV AFTER 30% HOLDING DISCOUNT								56,775
Target Share Price								131.00
Current Share Price								115.00
Upside Potential								14%

Source: Ata Invest estimates

Utility

Valuation

Current Price, TL	56.20
12-mth Target Price, TL	62.30
Expected Dividend Yield	5.9%
Expected Price Appreciation	5.0%
Total Upside	10.8%

Stock Data

MCap, TL mn	66,376
MCap, US\$ mn	2,373
Enterprise Value, TL mn	78,881
Free float, %	20%
Average Daily Turnover, TL mn	975.6

Financials, TL mn	2021	2022	2023E	2024E
Net Sales	32,994	84,449	119,672	155,574
<i>growth</i>	52%	156%	42%	30%
Operational Earnings	7,494	15,091	21,404	27,825
Underlying Net Income	2,415	4,461	5,575	7,247
Op. Earnings Margin	22.7%	17.9%	17.9%	17.9%
Underlying Net Margin	7.3%	5.3%	4.7%	4.7%
Dividend Yield	2.2%	4.1%	5.9%	7.6%
EV/Op. Earnings	10.5x	5.2x	3.7x	2.8x
P/E	27.5x	14.9x	11.9x	9.2x

Share Perf.	1M	3M	1Y
Absolute	14%	40%	213%
Relative to ISE100	12%	14%	53%

as of October 18th, 2023

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A cash cow with consistent dividend distribution

We are initiating our ENJSA coverage with 12M TP of TL62.30, implying 11% upside potential with “Marketperform” rating. Enerjisa’s regulated businesses, including distribution and retail activities, comprises almost all of its operational earnings, which makes its operational performance a highly predictable and sustainable one. Distribution is a fully regulated business where the regulator encourages and incentivizes operators to expand and improve the electricity network under private ownership. The regulator offers a guaranteed return (WACC) on RAB and a reimbursement of CAPEX over a ten-year period. This guaranteed return has a high spread to the risk free rate, particularly when compared with many European countries.

1H23 financials were stronger y/y. Enerjisa generated TL9.9bn operational earnings and TL2.8bn underlying net income in 1H23, up by 49% and 118% y/y, respectively. In addition, TL2.2bn worth FCF after interest and tax was reported vs –TL4.5bn a year ago. Thanks to the strong cash generation, Net debt/Operational Earnings also declined to 0.6x in 1H23 from 1H22’s 1.5x.

Company guidance implies solid financials for 2H23 as well. According to Enerjisa’s investor presentation updated with 2Q23 figures, guidance for underlying net income for 2023 was revised up to TL5.0-6.0bn (vs TL2.8bn in 1H23) from TL4.5-6.0bn. Guidance for other metrics were unchanged including TL20-24bn (vs TL9.9bn in 1H23) operational earnings, TL30-35bn regulated asset base and TL11-15bn investments. Mid-term outlook was also maintained as 30-40% CAGR operational earnings growth and 25-35% CAGR underlying net income growth between 2022-2025. Our forecasts are in line with the company guidance.

High dividend distribution to continue. Enerjisa has a dividend policy of distributing 60-70% of its underlying net profit. On average it paid out 62% of its underlying net income as dividend in the last 6 years with a total of TL6.85bn. We foresee TL3.30/share and TL4.29/share dividend distribution from 2023’s and 2024’s earnings, respectively, which corresponds to 5.9% and 7.6% yield at current mcap.

Risks to consider. The level of inflation and interest rates play a vital in earnings. Above-inflation rise in minimum wages, fuel costs and commodity prices in the distribution segment result in negative OPEX outperformance and thus OPEX would not be fully compensated.

Utility

Valuation Summary

Methodology	Valuation Multiple	Weights	Contribution (TL mn)
3Y Historic average EV/Operational Earnings	3x	50%	64,213
3Y Historic average Mcap/Underling net profit	9x	50%	53,986
Fair Value (TL mn)			59,099
12-month Target Value (TL mn)			73,578
Number of Shares (mn)			1181
Current Price, TL			56.2
Target Price, TL			62.3
Upside/(Downside) Potential			11%

Source: Bloomberg, Ata Invest Estimates

Conglomerates

Valuation

Current Price, TL	144.80
12-mth Target Price, TL	221.32
Expected Dividend Yield	1.6%
Expected Price Appreciation	51.3%
Total Upside	52.9%

Stock Data

MCap, TL mn	367,198
MCap, US\$ mn	13,130
Free float, %	22%
Average Daily Turnover, TL mn	3,183.2

Financials, TL mn	2021	2022	2023E	2024E
Net Income	15,193	69,806	86,830	92,872
Net Income Growth	218.6%	359.5%	24.4%	7.0%
ROE	23.9%	65.5%	46.0%	33.8%
P/E	24.2x	5.3x	4.2x	4.0x
P/BV	5.77x	2.46x	1.61x	1.14x

Share Perf.	1M	3M	1Y
Absolute	9%	34%	167%
Relative to ISE100	6%	9%	31%

as of October 18th, 2023
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Best proxy to invest in Turkey's growth potential

We are initiating our KCHOL coverage with 12M TP of TL221.32, implying 53% upside potential with "Outperform" rating. Being the largest investment holding company of Turkey, Koc Holding is the best proxy to invest in Turkey's high growth potential in our view with its well diversified portfolio, which also provides resilience against sectoral volatility. Despite the company's ongoing strong financial performance, the shares currently trade at 28% discount to NAV, vs historical average of 15% and an undemanding 2024E P/E of 4.0x. The company has a defensive portfolio against TL depreciation with its major subsidiaries, except for Yapi Kredi, either having FX pricing or being export oriented. Besides being an attractive play on improving risk appetite especially from foreign investors, it also has US\$395mn holding-only net cash position as of 2Q23-end and US\$376mn solo net FX position. A faster and higher than expected recovery in the European economies as well as better than expected financial performance of banking sector could act as positive catalyst for the shares.

Profitability in core segments improved, led by automotive. Koc Holding posted TL37.4bn consolidated net income in 1H23, up by 69% y/y. Contribution of automotive sector, which has the highest share in KCHOL's NAV with 44%, to consolidated net income grew by 126% y/y in 1H23 on the back of stellar domestic demand, recovery in export markets, opex control and pricing. Meanwhile, energy segment's (25% of NAV) contribution to consolidated net income was up by 21% y/y in 1H23 thanks to strong domestic demand, high fuel product cracks and easing energy costs. Finance (18% of NAV) and consumer durables (9% of NAV) also posted improvement, with their contribution to net income rising by 51% and 61% y/y, respectively. Finance segment was supported by well managed revenue performance, as well as strength in collections and liquidity & solvency ratios. On the other hand, strong domestic revenues together with eased raw material and transportation costs resulted in a better performance for consumer durables.

Dividend income grew by 138% y/y in 1H23. Koc Holding received TL14.4bn dividend income in 1H23, up by 138% y/y, from its portfolio companies, mainly Tupras and Yapi Kredi Bank. The company also distributed TL4.4bn dividends with a payout ratio of 6% and 2.3% dividend yield.

Risks to consider. Worsening investor risk appetite, lower than expected growth in Turkish and/or European economies, any value dilutive investment or acquisition, weaker than expected consumer demand in Europe.

Segment/Company	Valuation Basis	Share Price/ Valuation Multiple	Total Value TRL mn	Holding's Stake %	Current Value TL mn	% of NAV	Target Value TL mn	Holding's Stake TL mn
Automotive								
Tofas Fabrika	Market Cap.	266.00	133,000	37.6	49,995	9.8	182,500	68,602
Ford Otosan	Market Cap.	845.00	296,519	38.5	114,041	22.3	345,646	132,936
Otokar	Market Cap.	393.30	47,196	44.7	21,087	4.1	59,231	26,464
Turk Traktor	Market Cap.	836.70	83,726	37.5	31,397	6.1	75,050	28,144
Otokoc	Book Value	1.00	13,573	96.3	13,074	2.6	16,898	16,277
Total					229,594	44.9		272,422
Consumer Durables								
Arcelik	Market Cap.	160.50	108,454	40.5	43,935	8.6	148,660	60,222
Arcelik LG Klima	Book Value	1.00	737	5.0	37	0.0	918	46
Total					43,972	8.6		60,268
Food & Retail								
Tat Gida	Market Cap.	37.08	5,043	43.7	2,201	0.4	6,329	2763
Koctas	Book Value	1.00	537	37.2	200	0.0	669	200
Duzey	Book Value	1.00	95	32.2	31	0.0	118	38
Total					2,432	0.5		3,001
Finance								
Yapi Kredi Bank	Market Mcap.	18.46	155,933	61.6	96,117	18.8	192,508	118,662
Koc Finans	Book Value	1.00	915	50.0	458	0.1	1,139	570
Total					96,574	18.9		119,232
Energy								
Tupras (via SPV)	Market Cap.	141.20	272,064	39.3	106,921	20.9	414,261	162,805
Aygaz	Market Cap.	138.20	30,376	40.7	12,357	2.4	52,972	21,549
Total					119,278	23.3		184,354
Tourism								
Altinyunus Cesme	Market Cap.	600.10	15,003	30.0	4,501	0.9	18,678	5,603
Marmaris Altinyunus	Market Cap.	1,199.50	6,616	36.8	2,435	0.5	8,237	3,032
Setur	Book Value	1.00	300	24.1	72	0.0	374	90
Total					7,008	1.4		8,725
Others								
Koc Sistem	Book Value	1.00	567	41.1	233	0.0	706	290
Others	Book Value	1.00	1,977		1,977	0.4		2,461
Total Subsidiaries					501,068	98.0		650,753
Listed					484,987	94.9		630,781
Unlisted					16,080	3.1		19,971
Net Cash - Holding only					10,211	2.0		12,713
TOTAL NET ASSET VALUE					511,279			663,465
KOC HOLDING					367,198			367,198
Discount (-)/ Premium (+)					-28%			-45%
Target Share Price								261.63
Target Share Price after 15% discount								221.32
Current Share Price								144.80
Upside Potential								53%

Source: Ata Invest estimates

Tire & Rubber

Valuation

Current Price, TL	90.95
12-mth Target Price, TL	113.09
Expected Dividend Yield	0.0%
Expected Price Appreciation	24.3%
Total Upside	24.3%

Stock Data

MCap, TL mn	17,692
MCap, US\$ mn	633
Enterprise Value, TL mn	31,178
Free float, %	28%
Average Daily Turnover, TL mn	274.3

Financials, TL mn	2021	2022	2023E	2024E
Net Sales	7,891	18,440	23,530	37,859
<i>growth</i>	74%	134%	28%	61%
EBITDA	1,218	2,152	1,914	3,443
Net Income	769	1,289	68	520
EBITDA Margin	15.4%	11.7%	8.1%	9.1%
Net Margin	9.7%	7.0%	0.3%	1.4%
Dividend Yield	0.9%	0.3%	0.0%	0.0%
EV/EBITDA	25.6x	14.5x	16.3x	9.1x
P/E	23.0x	13.7x	259.4x	34.0x

Share Perf.	1M	3M	1Y
Absolute	11%	11%	58%
Relative to ISE100	8%	-10%	-23%

as of October 18th, 2023
Analyst: Umut Ozturk
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Global backdrop is not very supportive

We are initiating our KORDS coverage with 12M TP of TL113.09, implying 24% upside potential with “Marketperform” rating based on our DCF valuation. Together with its leading position in the global tire cord fabrics market reinforcing 1 out of every 3 automobile tires, the company also has promising long term growth prospects in composites business in international markets, which made up 20% of Kordsa’s revenues in 1H23. Kordsa is one of the most defensive stocks in the BIST with its limited Turkey exposure and FX risk. Moreover, Kordsa can be considered a regular dividend payer having distributed a total of TL621mn dividends in the last 10 years with an average dividend yield of 3.8% and payout ratio of 42%. Given the current net debt/EBITDA multiple of 4.7x, we do not expect any dividend distribution from 2023’s and 2024’s earnings.

Global demand in tire reinforcement is weak. In tire reinforcement business, global demand contraction continues as well as the strong price competition by APAC competitors in EMEA and US markets. Weaker demand conditions together with unfavorable inventory effect, higher costs with inflation and FX movements resulted in a 40% y/y EBITDA contraction and negative bottom line figure in 1H23. Although composite reinforcement segment has a better outlook with growing Microtex operations and growing demand in aviation sector, this is masked by the weak outlook in tire reinforcement business.

We do not expect a quick recovery in earnings. Considering that global demand conditions remain unsupportive and higher inflation, higher interest costs, as well as falling EUR/US\$ parity is likely to weigh on financials, we expect weak profitability to continue in the remainder of the year. We foresee the company to close the year with TL1.9bn EBITDA and TL68mn net profit, down by 11% and 95% y/y, respectively. On the other hand, our 2024 estimates point to 61% net sales and 80% EBITDA growth assuming better demand conditions and stronger US\$ rates.

The shares do not trade at appealing multiples in our view. Despite their 23% underperformance to the BIST-100 in the last 1 year, the company shares still trade at 9.1x EV/EBITDA and 34.0x P/E on our 2024 estimates, which we do not find very attractive.

Risks to consider. A longer than expected contraction in demand for tire reinforcement is the main risk to consider in our view. In addition, higher inflation, weaker EUR/US\$ rates and higher interest rates are other risk factors to consider.

Tire & Rubber

DCF Analysis (US\$m n)	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Net Sales	1,000	1,100	1,254	1,375	1,508	1,655	1,816	1,992
Growth (%)	-10%	10%	14%	10%	10%	10%	10%	10%
EBITDA	78	100	122	144	155	167	180	194
Growth (%)	-41%	28%	22%	18%	7%	8%	8%	8%
Margin (%)	7.8%	9.1%	9.7%	10.5%	10.3%	10.1%	9.9%	9.8%
EBIT	45	67	89	112	122	134	147	162
Unlevered Tax	7	16	20	25	28	31	34	37
Effective Tax Rate (%)	16%	23%	23%	23%	23%	23%	23%	23%
NOPAT	38	52	69	86	95	104	114	125
CAPEX	40	35	35	35	35	35	35	35
Depreciation	33	33	33	33	33	33	33	33
Change in Working Capital	7	7	5	11	13	13	11	10
FCF	24	42	62	73	79	89	100	113
DCF	24	39	51	56	55	56	58	59
NPV of FCF	398							
NPV of Terminal Value	643							
NPV of Operations	1040							
Net Debt*	421							
Minority interest	108							
Equity Value	512							
Target Equity Value	577							
Target Equity Value (TLmn)	23,156							
Current Mcap (TLmn)	17,690							
12M Target Price (TL)	113.09							
Current Price (TL)	90.95							
Upside Potential	24%							

Source: Ata Invest estimates

Utility

Valuation

Current Price, TL	11.89
12-mth Target Price, TL	14.95
Expected Dividend Yield	0.0%
Expected Price Appreciation	25.7%

Total Upside **25.7%**

Stock Data

MCap, TL mn	16,646
MCap, US\$ mn	595
Enterprise Value, TL mn	20,261
Free float, %	73%
Average Daily Turnover, TL mn	2,204.2

Financials, TL mn	2021	2022	2023E	2024E
Net Sales	1,446	7,641	6,285	7,542
<i>growth</i>	48%	429%	-18%	20%
EBITDA	404	3,327	1,683	2,263
Net Income	39	2,351	1,330	1,538
EBITDA Margin	28.0%	43.5%	26.8%	30.0%
Net Margin	2.7%	30.8%	21.2%	20.4%
Dividend Yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA	50.1x	6.1x	12.0x	9.0x
P/E	428.0x	7.1x	12.5x	10.8x

Share Perf.	1M	3M	1Y
Absolute	4%	47%	42%
Relative to ISE100	2%	19%	-30%

as of October 18th, 2023
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A fairly valued energy play

We are initiating our ODAS coverage with 12M TP of TL14.95, implying 26% upside potential with “Marketperform” rating. Odas operates in energy, mining and tourism & marina sectors, with energy being the leading operation with its listed (CANTE.IS) 330MW domestic coal-based thermal power plant in Turkey, 174MW (158 MW is operational as of end-1H23) natural gas power plant in Uzbekistan, as well as 0.25MW solar power plant in Sanliurfa. Mining division consists of coal, gold, silver and antimony reserves, with antimony production being actively carried out. Odas also decided to evaluate the investment opportunities in tourism which should serve to increase income diversity.

Can2 is the flagship power plant of Odas. Can2 thermal power plant makes up 65% of Odas' total installed capacity which uses local coal resources. Its EBITDA fell by 47% y/y to TL517mn (68% of Odas' EBITDA) in 1H23 due to fall in electricity prices as well as 32% lower gross electricity generation related with the planned shutdown in March-April.

Uzbekistan operations made up 37% of Odas' operating profit in 1H23. Odas' second largest energy asset is Uzbekistan Natural Gas Energy Investment with a planned installed capacity of 174 MW. It has 25 years US\$ based guaranteed electricity purchase agreement with Uzbekistan Government with free of charge natural gas supply. The plant operated with a CUR of 78% in 1H23 and generated TL230mn operating profit, which makes up 37% of Odas' consolidated operating profit. Uzbekistan operations also reported TL185mn net profit in 1H23, making up 21% of Odas' total net profit.

Mining assets are also value accretive. Odas also has 348K ounces of gold and 1.8mn ounces of silver reserves in Karaagac, Kutahya province, together with antimony & antimony trioxide production, as well as gypsum and flyash trade which are used in cement industry.

A major fall in leverage. Despite a major capex of TL350mn mainly related with Uzbekistan plant, Odas achieved to reduce its net debt/EBITDA level from 7.3x in 2020 to 1.1x (as of end-1H23) thanks to the strong cash generation from its power generation business.

Risks. Fall in electricity demand and/or prices, rise in coal costs, higher borrowing costs, unplanned plant stoppages.

Utility

DCF Valuation (TLmn)	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Net Sales	6,285	7,542	8,673	9,974	10,972	12,069	13,276	14,603
EBITDA	1,683	2,263	2,862	3,591	4,279	5,069	5,974	7,010
Change in EBITDA, %	-49.4%	34.4%	26.5%	25.5%	19.2%	18.5%	17.9%	17.3%
<i>Margin</i>	26.8%	30.0%	33.0%	36.0%	39.0%	42.0%	45.0%	48.0%
Taxes on EBIT	-90	-254	-321	-403	-480	-569	-671	-787
Capex	-864	-518	-596	-685	-754	-829	-912	-1,003
Change in W/C	1,175	328	377	433	477	524	577	634
Free Cash Flow	-445	1,163	1,568	2,069	2,568	3,146	3,814	4,585
Discount Factor	1.04	1.26	1.52	1.84	2.23	2.70	3.26	3.94
PV of Free Cash Flow	-427	922	1029	1122	1152	1167	1170	1163
Net Present Value	7,298							
Terminal Growth	10.0%							
Terminal Value	11,703							
Minority Interest	768							
Net Cash	-2838							
Fair Value	16,931							
12-m Target Value	21,079							
12-m Target Price	14.96							
Current Price	11.89							
Upside Potential	26%							

Source: Ata Invest estimates

ATA Invest 3Q23 Earnings Estimates

	Announcement Date	Net Sales						EBITDA						Net Income						Comments								
		Rasyonet Cons. 3Q23E		ATA 3Q23E		3Q22		y/y		2Q23		q/q		Rasyonet Cons. 3Q23E		ATA 3Q23E		3Q22			y/y		2Q23		q/q			
Automotive																												
DOAS	9.11.2023	35,929	35,991	11,858	204%	27,142	33%	7,063	6,719	2,378	183%	5,750	17%	5,232	5,038	2,698	87%	5,135	-2%	5,135	-2%	5,135	-2%	5,135	-2%	Positive		
FROTO	25.10.2023	86,576	86,485	50,127	73%	73,553	18%	10,305	10,360	4,853	113%	8,449	23%	9,211	8,960	3,816	135%	6,727	33%	6,727	33%	6,727	33%	6,727	33%	Positive		
TOASO	25.10.2023	25,951	26,671	16,351	63%	23,805	12%	4,367	4,469	2,682	67%	4,367	2%	4,488	4,405	2,059	114%	4,939	-11%	4,939	-11%	4,939	-11%	4,939	-11%	Positive		
TTRAK	24.10.2023	12,431	12,367	5,736	116%	10,805	14%	3,019	3,008	920	227%	2,692	12%	2,514	2,409	653	269%	2,181	10%	2,181	10%	2,181	10%	2,181	10%	Positive		
Aviation																												
THYAO	1.11.2023	169,237	167,639	108,537	54%	107,633	56%	55,050	51,402	34,161	50%	25,623	101%	42,934	41,043	27,118	51%	13,754	198%	13,754	198%	13,754	198%	13,754	198%	Slightly Positive		
PGSUS	8.11.2023	28,093	27,943	17,840	57%	15,109	85%	11,828	11,579	8,198	41%	4,748	144%	6,892	6,242	4,838	29%	1,925	224%	1,925	224%	1,925	224%	1,925	224%	Slightly Positive		
TAVHL	24.10.2023	12,307	12,383	5,925	109%	6,926	79%	4,852	4,963	2,402	107%	2,322	114%	4,974	4,694	1,574	198%	887	429%	887	429%	887	429%	887	429%	Positive		
Oil																												
AYGAZ	25.10.2023	12,557	13,826	10,522	31%	9,715	42%	565	656	269	144%	326	101%	1,793	2,334	1,538	52%	724	222%	724	222%	724	222%	724	222%	Positive		
TUPRS	25.10.2023	180,959	175,742	153,413	15%	104,405	68%	27,322	27,544	18,487	49%	15,105	82%	18,523	18,773	11,949	57%	7,218	160%	7,218	160%	7,218	160%	7,218	160%	Positive		
Tire																												
KORDS	3-6.11.2023	6,417	6,494	4,962	31%	5,012	30%	522	538	487	10%	378	42%	34	57	324	-82%	-83	n.m	-83	n.m	-83	n.m	-83	n.m	-83	n.m	Neutral
Utility																												
ODAS	Second week of Nov.	1,629	1,629	2,167	-25%	1,242	31%	440	440	1,314	-67%	383	15%	309	309	1,272	-76%	358	-14%	358	-14%	358	-14%	358	-14%	Neutral		
ENJSA	6.11.2023	32,413	30,335	24,325	25%	29,476	3%	4,376	5,686	3,788	50%	6,173	-8%	7,633	1,578	1,201	31%	1,984	-20%	1,984	-20%	1,984	-20%	1,984	-20%	Neutral		
AKSEN	Second week of Nov.	6,391	6,482	15,161	-57%	5,214	24%	1,419	1,551	1,976	-22%	1,449	7%	1,150	1,069	1,454	-26%	1,329	-20%	1,329	-20%	1,329	-20%	1,329	-20%	Neutral		
Petrochemical																												
PETKM	8.11.2023	13,174	12,800	14,201	-10%	10,612	21%	1,041	1,415	687	106%	19	7285%	1,078	1,352	1,495	-10%	134	906%	134	906%	134	906%	134	906%	Neutral		
AKSA	30.10.2023	5,061	5,210	4,866	7%	4,005	30%	1,128	1,232	1,171	5%	839	47%	1,002	983	983	0%	373	163%	373	163%	373	163%	373	163%	Positive		
Fertilizer																												
GUBRF	Second week of Nov.	-	-	6,492	-	5,062	-	-	-	1,013	-	-705	-	-	-	359	-	-267	-	-267	-	-267	-	-267	-	-267	-	-
Telecom																												
TECELL	7.11.2023	26,104	26,025	14,663	77%	21,651	20%	11,209	11,151	5,990	86%	9,517	17%	4,015	5,395	2,396	125%	3,161	71%	3,161	71%	3,161	71%	3,161	71%	Positive		
TTKOM	6.11.2023	22,061	20,584	12,552	64%	17,947	15%	8,040	7,204	5,035	43%	6,036	19%	1,977	2,010	1,171	72%	-601	n.m	-601	n.m	-601	n.m	-601	n.m	Neutral		
Food																												
ULKER	9.11.2023	11,820	11,549	7,302	58%	9,512	21%	2,325	1,993	1,254	59%	1,915	4%	510	538	-217	n.m	-1,692	n.m	-1,692	n.m	-1,692	n.m	-1,692	n.m	Neutral		
Beverages																												
COOLA	31.10.2023	31,738	31,685	17,413	82%	23,273	36%	7,224	7,286	3,729	95%	5,012	45%	3,510	3,449	1,819	90%	2,388	44%	2,388	44%	2,388	44%	2,388	44%	Positive		
Retail																												
BIMAS	7.11.2023	73,464	73,696	41,171	79%	57,878	27%	5,482	5,579	2,901	92%	4,292	30%	3,114	3,032	1,775	71%	2,845	7%	2,845	7%	2,845	7%	2,845	7%	Slightly Positive		
MGROS	1.11.2023	41,238	41,675	21,819	91%	32,951	26%	2,838	2,946	2,031	45%	2,365	25%	1,310	1,585	807	97%	1,500	6%	1,500	6%	1,500	6%	1,500	6%	Slightly Positive		
SOKM	9.11.2023	29,972	30,189	17,098	77%	24,615	23%	2,243	2,301	1,308	76%	1,722	34%	980	967	1,195	-19%	892	8%	892	8%	892	8%	892	8%	Slightly Positive		
BIZM	7.11.2023	6,286	6,388	3,848	66%	4,985	28%	298	304	179	70%	174	75%	60	62	31	104%	-30	n.m	-30	n.m	-30	n.m	-30	n.m	Slightly Positive		
Consumer Durables																												
ARCLK	20.10.2023	58,143	58,064	34,255	70%	46,948	24%	6,194	6,257	2,986	110%	5,047	24%	998	1,010	336	201%	492	105%	492	105%	492	105%	492	105%	Neutral		
Glass																												
SISE	Last week of Oct.	35,586	35,786	26,047	37%	29,865	20%	6,211	6,231	5,731	9%	5,460	14%	3,760	3,626	4,801	-24%	4,134	-12%	4,134	-12%	4,134	-12%	4,134	-12%	Slightly Negative		
Conglomerates																												
ENKAI	8.11.2023	23,355	-	20,198	-	14,891	-	5,181	-	4,567	-	3,688	-	3,474	-	1,873	-	2,458	-	2,458	-	2,458	-	2,458	-	-		
TKFEN	26.10.2023	9,463	9,445	8,223	15%	8,811	7%	747	685	705	-3%	808	-15%	492	424	736	-42%	496	-15%	496	-15%	496	-15%	496	-15%	Neutral		
Defence																												
ASELS	31.10.2023	12,497	12,497	6,887	81%	9,770	28%	3,063	2,709	1,402	93%	2,487	9%	3,195	2,688	1,956	37%	3,146	-15%	3,146	-15%	3,146	-15%	3,146	-15%	Slightly Positive		
Steel																												
EREGL	Last week of Oct.	43,147	45,429	36,604	24%	31,056	46%	5,746	6,685	4,672	43%	3,910	71%	-1,900	-1,724	2,565	n.m	-3,778	54%	-3,778	54%	-3,778	54%	-3,778	54%	Negative		
Conglomerates																												
ALARK	8.11.2023													3,452	3,450	4,220	-18%	3,090	12%	3,090	12%	3,090	12%	3,090	12%	Slightly Positive		
SAHOL	8.11.2023													12,766	12,800	10,873	18%	13,313	-4%	13,313	-4%	13,313	-4%	13,313	-4%	Slightly Positive		
KCHOL	26.10.2023													29,202	28,338	19,860	43%	20,600	38%	20,600	38%	20,600	38%	20,600	38%	Slightly Positive		
Banking																												
AKBNK	26.10.2023													19,605	20,905	17,066	22%	20,302	3%	20,302	3%	20,302	3%	20,302	3%	Neutral		
GARAN	30.10.2023													18,504	19,124	17,511	9%	18,470	4%	18,470	4%	18,470	4%	18,470	4%	Neutral		
HALKB	Second week of Nov.													2,890	2,646	4,304	-39%	699	279%	699								

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