

Sabancı Holding (SAHOL TI/SAHOL.IS)

Outperform

4Q23 Review: Results were below estimates

- Sabancı Holding posted TL7,141mn pre-TFRS 29 (without inflation adjustment) 4Q23 consolidated net income for 4Q23, lower than the consensus estimate of TL10,917mn (same as our estimate) due to the lower than expected profitability of the energy segment.** The contribution of energy segment to consolidated net income declined by 71% y/y and 86% q/q in 4Q23, due to the weaker results of Enerjisa Enerji, the energy distribution arm of Sabancı Holding.
- Pre-TFRS consolidated 4Q23 net income posted 36% y/y and 48% q/q contraction.** Considering the pre-TFRS figures, profitability of banking, energy and digital segments worsened y/y in 4Q23, whereas profitability of financial services and building materials showed improvement.
- Pre-TFRS 2023 consolidated net income reached TL41,325mn, up by 20% y/y.** On the other hand, Sabancı Holding's post-TFRS 29 consolidated net profit declined by 61% y/y to TL15,427mn mainly due to the contraction in banking and energy segments, which were negatively affected by inflation accounting.
- The company closed 4Q23 with TL7bn holding-only net cash position, up from TL5.9bn in 3Q23.
- Sabancı Holding also decided to pay TL2.94/share gross dividend on May 2nd, which corresponds to 3.4% yield and 40% payout rate. Our estimate was TL1.68/share.
- Our NAV valuation points to a 38% discount to NAV. We keep our Outperform rating for the shares which trade at undemanding 4.3x 2023 P/E multiple based on pre-TFRS figures.**

Valuation

Current Price, TL	84.50
Mcap (TL mn)	177,482
Mcap (US\$ mn)	5,485
Target Price (TL)	101.69
Upside Potential (incl. Cash div.)	20.3%
Free float (%)	51%
6M Average Daily Turnover (TL mn)	1,989

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Financials (TL mn) w/o TFRS 29	Cons.	Ata Est.	Deviation	Realised		y/y Δ	3Q23	q/q Δ
	4Q23E	4Q23E		4Q23	4Q22			
Net Income	10,917	10,917	-35%	7,141	11,167	-36%	13,793	-48%

Source: Company data, Ata Invest Estimates

Sabancı Holding - Breakdown of Consolidated Net Income (pre-TFRS 29)

Composition of Consolidated Net Income*	4Q23	4Q22	y/y change	3Q23	q/q change	2023	2022	y/y change
Banking	5,146	8,892	-42%	8,324	-38%	26,354	24,474	8%
Financial Services	403	81	398%	217	86%	1,203	403	199%
Energy	460	1,595	-71%	3,357	-86%	7,771	5,074	53%
Industrial	221	222	0%	523	-58%	1,357	1,653	-18%
Building Materials	335	128	162%	868	-61%	2,386	810	195%
Digital	-21	96	-122%	58	-136%	71	230	-69%
Other	597	153	290%	446	34%	2,183	1,936	13%
Total	7,141	11,167	-36%	13,793	-48%	41,325	34,580	20%

*without TFRS 29 & excluding one-offs

Source: Company data

Sabancı Holding - 2023 Financial Results (TLmn) (pre-TFRS 29)

2023 Financial Performance (TLmn)*	Banking	Energy	Industrial	Build. Mat.	Digital	Fin. Serv.	Other
Combined Revenue	281,769	158,303	44,612	35,055	40,531	34,783	36,402
Change (y/y)	87%	13%	37%	62%	114%	101%	80%
Combined EBITDA	89,953	27,350	6,687	6,956	2,998	3,285	1,689
Change (y/y)	10%	40%	29%	131%	117%	289%	4%
Combined Net Income	64,672	16,753	3,335	5,184	297	3,130	3,005
Change (y/y)	8%	52%	0%	199%	-32%	216%	30%
Consolidated Net Income	26,354	7,771	1,357	2,386	71	1,203	2,183
Change (y/y)	8%	53%	-18%	195%	-69%	199%	13%
Segment Share in Total	64%	19%	3%	6%	0%	3%	5%

*without TFRS 29

Source: Company data

Sabancı Holding - 2023 Financial Results (TLmn) (post-TFRS 29)

2023 Financial Performance (TLmn)**	Banking	Energy	Industrials	Build. Mat.	Digital	Fin. Serv.	Other
Combined Revenue	353,976	216,743	50,005	42,408	49,539	42,990	55,450
Change (y/y)	26%	-20%	-13%	7%	40%	31%	23%
Combined EBITDA	111,689	31,351	5,861	7,520	-272	3,276	10,406
Change (y/y)	-26%	-14%	-22%	95%	-567%	116%	42%
Combined Net Income	3,899	21,522	4,367	5,380	168	-948	11,342
Change (y/y)	8%	52%	0%	199%	-32%	216%	30%
Consolidated Net Income	1,589	10,190	1,869	2,459	-85	-349	-245
Change (y/y)	-88%	-36%	-28%	-20%	n.m.	-45%	n.m.
Segment Share in Total	10%	66%	12%	16%	-1%	-2%	-2%

**with TFRS 29

Source: Company data

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MARKETPERFORM - The stock is expected to return in line with the benchmark index (ISE-100) over 12 months in the market, or else does not offer a compelling risk/reward profile.

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NEUTRAL - There are crucial uncertainties surrounding stock performance preventing us from attaching a relative rating compared to the benchmark.



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