

Tofas Fabrika

Company Update

We have slightly raised our DCF driven PT for TOASO to TL500/share from previous TL485/share mainly due to 3-month forward rolling our DCF valuation, revision in our macro assumptions, reflecting company's 2026 guidance and fine-tuning our estimates based on released 2025 financial results. We reiterate our BUY recommendation for TOASO shares as our PT offers attractive upside potential. We believe Tofaş Fabrika is at a turning point, driven by its strong domestic market position following the acquisition of Stellantis's Turkey operations, the positive impact of potential synergies in revenue and costs generated by the acquisition, the expected improvement in CUR thanks to production and sales volume growth with new model investments and the improvement in profitability due to increasing economies of scale. We believe that news regarding a potential new passenger car model investment to replace the current passenger car model Agea (production lifecycle expires in 1H26 following a six-month extension) will be a catalyst for the stock's performance.

Weak domestic and European automotive demand and lower than expected profitability due to rising competition from Asian rivals are the main risk factors.

We expect domestic auto market to remain above 1.4mn units in 2026. Despite all cautious expectation in the beginning of 2025, Turkish automotive market (including HCVs) grew by 10% YoY, reaching 1.41mn units in 2025. Wealth impact on the back of sharp increase in gold prices, higher vehicle availability, fueled sales discounts and campaigns driven by fierce competition and ongoing demand for EVs which still have lower SCT even after the increase in last November were the primary reasons for the robust market growth in 2025. In 2026, we expect EV adaptation, strong TL and higher imported vehicle availability (European automakers facing intense competition from Chinese brands are expected to allocate vehicles to Turkey similar to 2025) to be the major drivers for the automotive demand in 2026 as well. We project total domestic automotive market to reach 1.45mn units in 2026, up by a mere 4% YoY, while expecting industry profit margins to be under pressure due to high vehicle availability and aggressive competition.

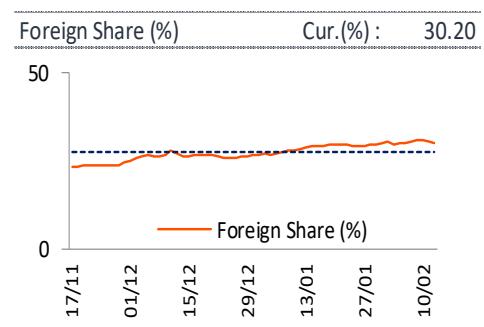
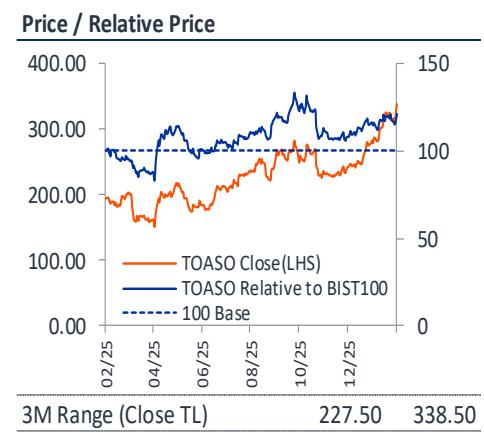
Market leader in domestic LV market after Stellantis Türkiye operations. Following the consolidation of Stellantis Turkey operations at end of April 2025, Tofas Fabrika has become the sales distributor Peugeot, Citroen, Opel and DS in addition to Fiat Group brands. Full year domestic LV market share of Stellantis' combined brands slightly fell to 26.3% from 27.7% in 2024, mainly due to 2.4ppt share loss in passenger car segment resulting from ageing locally manufactured Agea model. The Company targets to increase its domestic LV market share to 26.4% - 26.9% in 2026 from 26.3% in 2025 thanks to 11 (9 PC & 2 locally produced LCV models) new model launches. The new derivative of K0 model will be in the domestic market in 1Q26, whereas brand new LCV model "K9" will be launched for Fiat, Peugeot, Citroen and Opel brands in 4Q26. The Company guides domestic retail sales volume of 350K—370K units (Is Invest: 370K units) in 2026 compared to 360K units in 2025 (~285K units May—December 2025).

Recovery in exports in 2026 thanks to ramping up of K0 model. In 2025, European passenger car sales grew by a modest 2% on annual basis, along with rising share of BEVs to 17.4%, up by 3.8ppt YoY. On the other hand, European LCV sales contracted by ca9% in 2025 due to weak demand in all main markets except for Spain (+11.7%). Although European LV market is not very promising in 2026, Tofas Fabrika's exports,

Stock Data	TL
Price	338.50
Target Price*	500.00
Prev.TP	485.00
Mcap (mn)	169,250
Float Mcap (mn)	40,789
Avg.Daily Volume (3M, mn)	1419.8
No. of Shares Outstanding (mn)	500
Free Float (%)	24
Foreign Share (%)	30

Price Perf. (%)	1 Mn	Ytd	12 Mn
TL	17.6	37.0	76.2
US\$	16.4	34.8	45.9
Rel.to BIST-100	5.1	8.8	23.2

Multiples (\$)	2025	2026	2027
P/E	18.8	11.0	5.7
P/BV	2.6	2.4	1.9
EV/EBITDA	18.9	10.7	6.0



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Tofas Fabrika

Shareholder Structure (%)					Company Description					
Stellantis Europe Spa					Production, import and distribution of Stellantis brand passenger cars, light commercial vehicles and spare parts.					
Koç Holding Anonim Şirketi										
Diğer										
Income Statement (mn ₺)		2025A	2026E	2027E	2028E	Balance Sheet (mn ₺)	2025A	2026E	2027E	2028E
Net Sales		397,670	522,996	644,264	713,403	Current Assets	149,889	189,208	219,351	237,306
Gross Profit (Loss)		25,681	40,836	60,396	71,252	Cash and Cash Equivalents	25,073	29,082	35,317	38,792
Operating Expenses		22,548	28,509	30,891	32,414	Short-Term Trade Receivables	63,104	79,677	96,760	106,280
Core Operating Profit		3,133	12,327	29,505	38,838	Inventories	20,985	27,279	31,851	34,935
Non-operating Income (Exp.)		1,355	1,765	2,467	2,057	Other Current Assets	40,727	53,169	55,423	57,299
Net Financial Income (Exp.)		5,222	2,730	1,732	1,251	Long Term Assets	66,148	82,073	99,512	102,048
PBT		11,004	18,767	35,678	43,839	Tangible Fixed Assets	27,016	32,828	43,969	42,537
Tax Expense (Income)		603	890	1,586	1,949	Intangible Fixed Assets	6,077	6,136	6,248	6,234
Net Profit		10,401	17,878	34,091	41,891	Other Long-Term Assets	22,063	28,878	34,615	38,201
Recurring Net Profit		10,401	17,878	34,091	41,891	Total Assets	216,038	271,281	318,863	339,353
NOPAT		3,305	12,911	30,817	40,565	Short Term Liabilities	88,134	136,890	157,023	168,509
EBITDA		12,447	21,955	39,407	49,722	Short-Term Financial Loans	20,236	41,938	45,110	47,177
Growth & Operating Perf.		2025A	2026E	2027E	2028E	Short-Term Trade Payables	54,034	73,772	87,924	95,710
Growth						Other Short-Term Liabilities	13,864	21,180	23,990	25,622
Net Sales		103%	32%	23%	11%	Long Term Liabilities	53,164	51,127	59,866	56,435
EBIT		-38%	293%	139%	32%	Long-Term Financial Loans	46,582	49,150	58,375	55,353
EBITDA		-18%	76%	79%	26%	Other Long-Term Liabilities	6,582	1,976	1,491	1,082
Net Profit		22%	72%	91%	23%	Equity	74,739	83,264	101,974	114,409
Operating Performance						Parent Shareholders Capital	74,739	83,264	101,974	114,409
Gross Margin		6.5%	7.8%	9.4%	10.0%	Share Capital	500	500	500	500
EBIT Margin		0.8%	2.4%	4.6%	5.4%	Reserves and Other Items	63,716	64,886	67,463	72,171
EBITDA Margin		3.1%	4.2%	6.1%	7.0%	Current Year Income (Losses)	10,401	17,878	34,091	41,891
Effective Tax Rate		6.8%	4.7%	3.7%	3.1%	Total Liabilities & Equity	216,038	271,281	318,863	339,353
Net Profit Margin		2.6%	3.4%	5.3%	5.9%					
ROE		15.6%	22.6%	36.8%	38.7%					
ROA		6.3%	7.3%	11.6%	12.7%					
ROIC		6.1%	19.1%	37.8%	43.8%					
OCF / Sales		0.8%	3.8%	5.1%	6.0%					
FCF / Sales		-5.3%	0.9%	1.8%	4.7%					
Ratio Analysis		2025A	2026E	2027E	2028E	Cash Flow (mn ₺)	2025A	2026E	2027E	2028E
Adj. P / E (x)		18.8	11.0	5.7	4.7	Net Cash from Operations	3,306	20,011	32,547	42,840
EV / EBITDA (x)		18.9	10.7	6.0	4.7	Earnings Before Adjustments	10,401	17,878	34,091	41,891
EV / Sales (x)		0.6	0.4	0.4	0.3	Depreciation & Amortisation	9,314	9,629	9,902	10,884
P / B (x)		2.6	2.4	1.9	1.7	Change in Working Capital	-9,445	-1,587	-5,969	-5,490
Cash Flow Yield		n.m	2.3%	5.8%	17.0%	Other Operating Cash Flow	-8,255	-10,856	-13,373	-14,808
EPS (₺)		20.80	35.76	68.18	83.78	Cash from Inv. Operations	-24,515	-15,499	-21,156	-9,437
DPS (₺)		17.77	15.72	33.56	80.30	Capital Expenditures	-8,581	-15,499	-21,156	-9,437
Dividend Yield		7.5%	4.5%	7.4%	14.8%	Other Inv. Cash Flow	-15,934	0	0	0
Net Debt (Cash) (mn ₺)		41,745	62,006	68,168	63,738	Free Cash Flow	-21,209	4512	11,392	33,404
Net Debt / EBITDA (x)		3.4	2.8	1.7	1.3	Cash from Fin. Operations	1,965	1,578	1,326	1,096
Net Debt / Equity (x)		0.6	0.7	0.7	0.6	Change in Financial Debt	17,403	24,271	12,396	-955
						Dividends Paid	-8,884	-7,858	-14,102	-27,885
						Other Financing Cash Flow	11,643	3062	754	167
						Net Change in Cash	1,333	4,564	6,235	3,475

Source: Is Investment

Note: Estimations and historical financial results are based on the purchasing power of the Turkish Lira as of the end of 2026. Companies subject to inflation accounting disclose their financial results indexed to the purchasing power at the end of the relevant period.

*Unless otherwise stated, ratio analyses are expressed in USD terms.

which solely compose of K0 model in 2026, are targeted as 65K-75K units (Is Invest : 70K units) in 2026 thanks to new variants of "K0" model and kick-off its North America exports compared to 47K units in 2025. The export launch of new LCV model K9 is not planned for 2026.

Modest improvement in CUR for 2026. Tofas Fabrika guides a total production volume of 140K –150K units in 2026 versus 132K units in 2025, implying modest improvement in CUR of 35%-38% in 2026 from 33% in 2025. Tofas Management aims to reach full production capacity by maintaining total sales volume ca600K units in 2028, driven by the contribution of a new passenger car model to replace the Agea, details of which we expect to hear in the coming months. We project Tofas Fabrika's CUR to climb 63% in 2027 and 90% 2028.

Robust EBITDA growth in 2026. We project Tofas Fabrika to achieve TL523bn revenues in 2026, up by 32% YoY in real terms, driven by 28% growth in total wholesales volume thanks to full consolidation of Stellantis Türkiye operations and recovery in exports. We penciled in 1.1ppt YoY enhancement in EBITDA margin in 2026 on the back of improvement in CUR, rising share of manufactured vehicles and cost synergies like purchasing, logistics and general administration expenses and additional revenue generations such as second-hand sales in relation with the merger of Stellantis Türkiye operations. The Company expects +EUR25mn incremental gain from cost and revenue synergies from the acquisition of Stellantis-Türkiye, with positive cash flow in the first year. We forecast 76% annual EBITDA growth in 2026 in real terms. We calculate PBT of 3.6% in 2026 compared to 2.8% in 2025 in-line with company guidance of 3% - 4% for 2026. The company maintains its PBT guidance of 5% -7% for 2028.

We forecast 4.1% dividend yield for 2026. Net debt position increased to TL33.7bn as of 2025 from TL10.7bn in 2024. Excluding the financial consumer operations, the company had TL3.5bn net cash position in 2025 compared to TL11bn in 2024. The Company attained negative FCF of TL17bn mainly due to transaction payment related to acquisition of Stellantis Turkey operations. Despite the acquisition, FCF margin improved from negative 12% in 2024 to negative 5% in 2025 due to enhancement in WCR. Tofas Fabrika budgets €250mn cap-ex in 2026 versus €154mn in 2025 mainly related to K0 and K9 projects. We calculate Net Debt / EBITDA fell to 2.8x in 2026 from 3.4x in 2025. We anticipate the Company to distribute TL7.0bn dividends in nominal terms in 2026, implying 4.1% dividend yield.

"Made in Europe" . EU accounts for almost 70% of Türkiye automotive industry exports. Being the 4th largest export market of EU's automotive industry's, Türkiye holds 8% share in EU's automotive industry's exports. Türkiye's Customs Union status and established supplier relationships may cushion abrupt disruptions. Considering the Türkiye's deep integration and its flexible, competitive as well as predictable partnership with EU, Turkish Automotive Industry leading representatives don't expect the 'Made in EU' issue to negatively affect Türkiye's automotive industry, but they also emphasize that as a risk.

Review of 4Q25 Financials

Better than expected 4Q25 results. Beating expectations by 75%, Tofas Fabrika disclosed TL5.3bn net profits in 4Q25 compared favorably to net loss of TL159mn in 4Q24, bringing 2025 full year bottom-line to TL8.35bn, up by 22% YoY. The eye-catching improvement in 4Q25 net income was mainly attributable to contribution of Stellantis Turkiye operations, recovery in exports and production volumes driven by ramp-up of K0 production and easing in inflation. Better than expected operating margins seem to be the primary reason for the deviation in our net income estimate.

Robust top-line growth driven by the consolidation of Stellantis operations. Broadly in-line with estimates, net sales more than tripled to TL121.7bn revenues in 4Q25 thanks to 228% growth in sales volume, carrying 2025 full year top-line figure to TL319.4bn, up by 103% YoY. Holding 87% share in total turnover, domestic revenues more than tripled to TL106bn in 4Q25. Similarly, export revenues also grew by more than 3x in 4Q25, thanks to 4x growth in export volumes driven by ramp-up of K0 production. In 2025, Tofas Fabrika doubled its total sales volume to 345K units (Domestic: 298K units + 113%; Export: 47K units +41%). Stellantis domestic LV market share declined to 26.3% in 2025 from 27.7% in 2024 mainly due to ageing model od Agea.

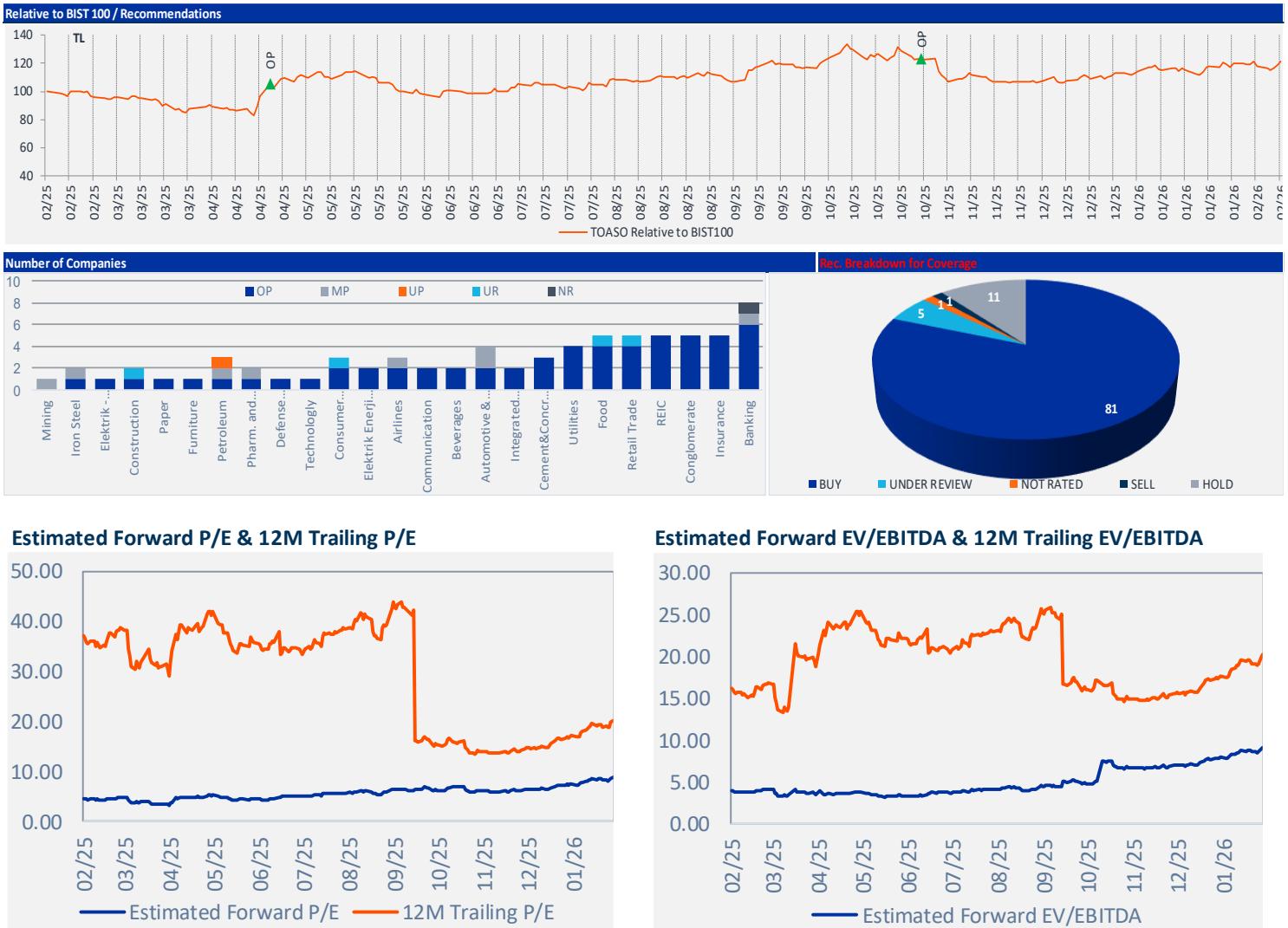
Strong improvement in margins. Exceeding expectations by 41%, EBITDA grew massively by more than 16x times to TL4.6bn in 4Q25, registering a margin of 3.8% in 4Q25 compared to 0.8% in 4Q24. 2025 full year EBITDA figure reached close to TL10bn, down by 18% YoY, with a margin of 3.1%, down by 4.6ppt YoY. PBT margin stood at 4.6% in 4Q25, improving by 5.6ppt YoY. In-line with company's guidance of above 2%, PBT margin was realized at 2.8% in 2025, down by 1.3pp YoY.

Net cash position declined to TL3.5bn as of 2025 from TL11bn in 2024. The Company attained negative FCF of TL17bn mainly due to transaction payment related to acquisition of Stellantis Turkiye operations. Despite the acquisition, FCF margin improved from negative 12% in 2024 to negative 5% in 2025 due to enhancement in WCR.

Financial Highlights

3Q25 EARNINGS RESULTS!	IAS29											Cons.	IS Inv.		
	TL mn	Quarterly													
		2025	2024	YoY Δ	4Q25	4Q24	YoY Δ	3Q25	QoQ Δ	3Q25E	3Q25E				
Revenues	319,414	157,420	103%	121,695	36,291	235%	91,027	34%	122,431	117,048					
Gross Profit	20,627	17,503	18%	8,725	2,156	305%	4,421	97%							
<i>Gross Margin</i>	<i>6.5%</i>	<i>11.1%</i>	<i>-4.7ppt</i>	<i>7.2%</i>	<i>5.9%</i>	<i>1.2ppt</i>	<i>4.9%</i>	<i>0.5ppt</i>							
Op-ex	-18,111	-13,471	34%	-5,612	-3,536	59%	-4,594	22%							
<i>Op-ex/Sales</i>	<i>-5.7%</i>	<i>-8.6%</i>	<i>2.9ppt</i>	<i>-4.6%</i>	<i>-9.7%</i>	<i>5.1ppt</i>	<i>-5.0%</i>	<i>-0.1ppt</i>							
EBIT	2,517	4,032	-38%	3,112	-1,381	-325%	-173	-1897%							
Depreciation	7,481	8,115	-8%	1,477	1,661	-11%	2,313	-36%							
EBITDA*	9,998	12,147	-18%	4,589	281	1535%	2,140	114%	3,266	3,262					
<i>EBITDA Margin</i>	<i>3.1%</i>	<i>7.7%</i>	<i>-4.6ppt</i>	<i>3.8%</i>	<i>0.8%</i>	<i>3.0ppt</i>	<i>2.4%</i>	<i>0.6ppt</i>	<i>3.2%</i>	<i>3.3%</i>					
Financial Inc. (Exp.), net	4,248	6,793	-37%	607	1,089	-44%	384	58%							
Monetary Gain/Loss	-53	-6,306	-99%	278	-795	-135%	1,085	-74%							
PBT	8,838	6,401	38%	5,596	-380	-1574%	1,823	207%							
<i>PBT Margin</i>	<i>2.8%</i>	<i>4.1%</i>	<i>-1.3ppt</i>	<i>4.6%</i>	<i>-1.0%</i>	<i>5.6ppt</i>	<i>2.0%</i>	<i>1.3ppt</i>							
Tax Inc./Exp.	-484	434	-212%	-301	221	-236%	-562	-47%							
Net Income	8,354	6,834	22%	5,295	-159	-3439%	1,261	320%	3,019	3,298					
<i>Net Margin</i>	<i>2.6%</i>	<i>4.3%</i>	<i>-1.7ppt</i>	<i>4.4%</i>	<i>-0.4%</i>	<i>4.8ppt</i>	<i>1.4%</i>	<i>2.1ppt</i>	<i>1.8%</i>	<i>2.5%</i>					

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