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Investment gains supportive; ROE high

Premiums expand further; financial income supportive

Agesa posted 3Q24 net income of TL702mn (+16% q/q, +174% y/y), in line with our estimate (TL711mn). Strong life-line results and supportive investment portfolio gains explain the expansion in net earnings this quarter. Life premiums grew 16% q/q (+91% y/y) in 3Q. Despite 10ppt q/q rise in the coverage ratio (provisions as a percentage of premiums), Agesa pulled off containing claims and operating costs at the life line to a large extent, which, in turn, led to a 20% rise in life technical income in 3Q. Pension AUM expanded 8% q/q (%78 y/y). Despite higher pension assets, pension line was not supportive of results in 3Q as, unlike life-line, costs remained high at the pension line. It appears that Agesa reallocated its portfolio assets to high yielding instruments in 3Q and avoided large exposure to stock market. As a results, investment income rose by 16% q/q. Trailing ROE inched up to 62% in 3Q from 59% in 2Q and 59% a year ago.

Pension assets continue to grow on higher contributions

We expect Agesa's pension AUM to reach TL373bn in 2024, at a 3Y (2021-25E) CAGR of 72%, thanks to rising participants and its multi-channel distribution network. 30% state contribution, permission for partial withdrawals and acceptance of private pension funds as loan collateral by banks support AUM growth going forward.

FY24-25E earnings revised upwards; upgraded to OP

Agesa trades at 25E P/BV of 2.1x and 4.9x P/E, while 25E ROE stands at 54%. We raise our 24-25E earnings estimate by an average 16%, driven mainly by upward revision in our investment income forecast and potentially higher premium generation going forward. Accordingly, we lift our target price for Agesa to 153.00TL from 116.14TL. We upgrade our rating for the stock to "Outperform" from "Marketperform".

AGESA TI / AGESA.IS

| | | | |
|--------------------------|----------------------------------|--------------------|----------|
| Current Rating | Outperform (prev. Marketperform) | | |
| Expected Market Reaction | ↑ | Slightly Positive | |
| Analyst Action | ↑ | Rating Upgrade | |
| Price | TL100.70 | Mcap (mnTL) | 18,126 |
| Target Price | TL153.00 | Mcap (mn\$) | 528 |
| Upside | 52% | Prev. Target Price | TL116.10 |
| High/Low 30Day | 28.5 / 98.7 | Free Float | 17% |

BB 2024FY Consensus

| Estimate Revisions | 1W | 4W | 3M |
|--------------------|-------|-------|-------|
| EPS | 0.0% | 0.0% | 17.2% |
| # of Buy/Hold/Sell | 1/2/0 | 1/2/0 | 1/2/0 |
| Rel Perf. XU030 | 1.2% | -5.5% | 6.8% |
| ADV (USDmn) | 1.8 | 1.3 | 1.5 |

OYAK vs BB consensus

| (24ETLmn) | OYAK | Cons. | % Diff |
|-----------|-------|-------|--------|
| NI | 2,786 | 2,982 | -7% |

Multiples & Ratios

| (OYAK Est) | 2023 | 2024E | 2025E |
|------------|--------|-------|-------|
| P/E | 13.19x | 6.51x | 4.68x |
| P/B | 6.14x | 3.30x | 2.06x |
| RoE | 59.2% | 66.0% | 54.2% |
| (TLmn) | 2023 | 2024E | 2025E |
| Net income | 1,374 | 2,786 | 3,875 |
| Equity | 2,951 | 5,495 | 8,813 |

AGESA - 3Q24 Earnings Review

| TLmn | 3Q23 | 2Q24 | 3Q24 | ΔQ/Q | ΔY/Y |
|-------------------------------|---------|---------|---------|------|------|
| Life premiums | 1,948 | 3,224 | 3,725 | 16% | 91% |
| Pension contributions | 5,464 | 6,994 | 8,099 | 16% | 48% |
| Pension AUM | 117,529 | 193,988 | 209,496 | 8% | 78% |
| Life - Tech. net income | 245 | 472 | 566 | 20% | 131% |
| Pension - Tech. net income | -344 | -362 | -378 | 4% | 10% |
| Net income | 256 | 603 | 702 | 16% | 174% |
| Life - Technical NIM (%) | 12.6 | 14.7 | 15.2 | 0.5 | 2.6 |
| Pension - Technical NIM (%) | -6.3 | -5.2 | -4.7 | 0.5 | 1.6 |
| Technical NIM (%) | -1.3 | 1.1 | 1.6 | 0.5 | 2.9 |
| NIM (%) | 3.5 | 5.9 | 5.9 | 0.0 | 2.5 |
| Four Quarter Trailing ROE (%) | 59 | 59 | 62 | 3.6 | 3.4 |

* NIM stand for net income margin; changes are in pp for ratios

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Valuation tools employed most frequently are Discounted Cash Flow (DCF) and International Peer Group Comparison, though other metrics such as Dividend Discount, Gordon Growth, and Replacement Value Methods are also used wherever appropriate. Oyak Securities analysts may calculate the target return of each stock considering only one method or assigning different weights to more than one method depending on the analyst's opinion. The "Expected Market Return" (**EMR**) of the BIST-100 is determined through aggregate target returns of each stock under coverage based on their respective free float market capitalization.

Rating Methodology

Oyak Securities assigns recommendations to each stock according to the following criteria:

Price target for a stock represents the value analyst expects the stock to reach during our performance horizon, which is 12 months. For stocks with an OUTPERFORM recommendation, target return must exceed the EMR by at least 50% over the next 12 months. For a stock to be classified as UNDERPERFORM, the stock must be expected to underperform the EMR more than 25% over the next 12 months. Stocks that an analyst expects to perform parallel to the EMR within a band of +50%/-25% are rated as MARKETPERFORM. Oyak Securities analysts review their recommendations under continuous screening. Nevertheless, at times, target return of a stock may be allowed to move outside our rating intervals as a result of share price fluctuations. Under such circumstances, the analyst may choose not to change his/her recommendation.