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Headwinds from investment portfolio

Combined ratio remained high; investment gains fell

Anadolu Sigorta posted 1Q25 net income of TL2,256mn (-25% q/q, -21% y/y), above both our estimate (TL1,797mn) and market consensus (TL2,015mn). Technical line was less supportive of results this quarter due to 2.5ppt rise in cash flow discount rate and high claims. Reserving ratio came up to 17% in 1Q from 5% a quarter ago. Combined ratio remained high at 111% in 1Q. Investment income, on the other hand, fell 19% q/q due mainly to weak stock market returns. Trailing ROE inched down to 36% in 1Q25 from 42% in 4Q and 65% a year ago. We expect 28% earnings growth from ANSGR in 2025 with a ROE of 39%.

Investment portfolio keeps growing

Anadolu Sigorta has a diversified investment portfolio of TL58.5bn as of 1Q25. We expect its portfolio size to reach TL80bn till 25YE. We foresee strong investment returns from ANSGR over the coming quarters in 2025 thanks to prevailing high interest rate environment.

FY25E earnings revised; OP maintained

Anadolu Sigorta trades at a compelling 25E P/BV of 1.1x and 3.2x P/E, while 25E ROE stands at 39%. We revised our 25E earnings estimate downwards by 5% to TL14bn post 1Q results as we lifted our 25E combined ratio forecast by 1ppt to 106%. We raised our risk-free rate assumption by 3ppt to 24%. On top of that, we added 1% company specific risk premium to our valuation as potential suboptimal investment decisions lead to earnings volatility at ANSGR. Note that investment portfolio returns are the main source of income at ANSGR. Reflecting all, we cut our TP for ANSGR to TL146.50 from TL213.80, implying 66% upside potential. We maintain our "Outperform" recommendation for the stock.

ANSGR TI / ANSGR.IS

Current Rating	Outperform		
Expected Market Reaction	Neutral		
Analyst Action	Price Revision		
Price	TL88.00	Mcap (mnTL)	44,000
Target Price	TL146.50	Mcap (mn\$)	1,146
Upside	66%	Prev. Target Price	TL213.80
High /Low 30Day	15.6 / 78.0	Free Float	35%

BB 2025FY Consensus

Estimate Revisions	1W	4W	3M
EPS	0.0%	0.0%	0.0%
# of Buy/Hold/Sell	5/1/0	5/1/0	5/0/0
Rel Perf. XU030	10.1%	-11.4%	-13.6%
ADV (USDmn)	15.6	10.4	7.7

OYAK vs BB consensus
(25E TLmn)

	OYAK	Cons.	% Diff
NI	13,941	17,060	-18%

Multiples & Ratios
(OYAK Est)

	2023	2024	2025E
P/E	7.45x	4.04x	3.16x
P/B	3.10x	1.44x	1.08x
RoE	58.4%	48.5%	39.0%
(TLmn)	2023	2024	2025E
Net income	5,909	10,878	13,941
Equity	14,204	30,656	40,789

ANSGR - 1Q25 Earnings Review

TLmn	1Q24	4Q24	1Q25	ΔQ/Q	ΔY/Y
Gross premiums	16,462	23,030	23,192	1%	41%
Technical income	-31	-1,284	-1,367	6%	nm
Net income	2,867	2,999	2,256	-25%	-21%
Net claims paid (%)	-67	-67	-66	0.9	1.2
Net expense (%)	-33	-39	-30	9.8	3.6
Combined ratio (%)	-100	-111	-111	0.4	-10.3
Premium retention (%)	72	77	77	-0.1	4.8
Trailing ROE (%)	65	42	36	-6.5	-29.2

* Changes are in pp for ratios

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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.