

Opening a new chapter with a growth story

4 November 2024

We reiterate our 12-month target price for Ford Otosan with TL1.477/share, which implies an upside potential of 52% while revising our recommendation to “Outperform”. We like Ford Otosan due to its (i) news model options (ii) increasing production capacity (iii) positive contribution of interest rate cuts in export markets to demand (iv) healthy balance structure and dividend policy. The share trades at 7.1x P/E and 6.0x EV/EBITDA multiples according to our 2025 estimates.

New model options will expand the product mix... As part of the Ford - Volkswagen strategic cooperation announced in 2021, we assume that sales of 1-ton commercial vehicles, for which a total investment expenditure of approximately EUR1.4bn will be made in 5 years, starting in 1Q25. In addition, the full electric model of Puma, Ford's best-selling passenger car in Europe, and the full electric model of Courier produced in the Craiova factory will start production at the end of 2024, which will bring Ford Otosan to the forefront in product diversity. In addition, Ford E-Truck production at the Eskisehir plant is planned for 2025.

In 2025, production capacity will exceed 900k units... Production capacity, which was 455k units in 2020, will surpass 900k units in 2025. The capacity in Turkiye, currently 474.5k units, is planned to increase to 650k units in 2025 with the contribution of the investments to be made. The New Custom produced at the Yenikoy plant has an important place in the production share with 245k units.

Central Banks' interest rate cuts may positively affect demand in export markets... Ford Otosan is shielded by the fact that the only counterparty in exports is Ford Motor Company and export agreements are based on EUR. However, macroeconomic developments especially in the UK and Germany are important for Ford's market performance in Europe. We believe that both major central banks and the CBRT will cut policy rates in the upcoming period, which will help spur demand.

Aging vehicles may create potential new demand... Average vehicle age in Turkiye continues to increase in both PC and CV segments. After reaching record sales figures in the domestic market in 2023, sales of +1mn vehicles are expected in 2024. In 2025, fleets expected to be renewed and the ageing vehicle market will support domestic market sales. The average age of vehicles in Europe has been increasing in all segments since 2017. We think that the wide range of models with various engine types that meet customer demand and needs and the faster transition to electric vehicles in Europe will differentiate Ford Otosan from other automobile brands. Besides, the company can continue to produce internal combustion, rechargeable hybrid and full electric models continuously on the same line in its fully integrated production facilities. This flexible production capability is the company's strong muscle in the transition process.

Risks... Macroeconomic developments that may adversely affect demand in domestic and main export markets. Chinese car brands aggressively increasing their share in the commercial segment, emergence of production problems that may arise in the transition to new models, slowdown in the transition to electric vehicles and infrastructure inadequacies in relation to recharged vehicles, strong TL and possible corporate tax that may suppress profitability due to tight fiscal policy.

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Bloomberg/Reuters Code	FROTO TI / FROTO.IS
Current Price TL	974.50
Target Price TL	1,477
Upside Potential	52%
Expected Dividend Yield	5.0%

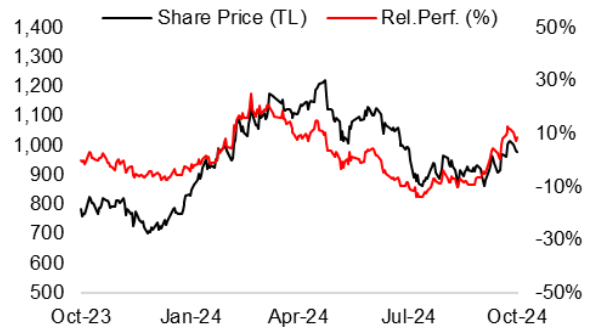
Market Cap (TL mn)	341,962
Free Float (%)	20.3
12M high/low (TL)	1222 / 702
ADV (3M avg - \$mn)	27.6
Net Debt/ (Net Cash) (TLmn) - 2Q24	95,707
EV (TL mn)	437,669

Estimates, TLmn	2022	2023	2024E	2025E
Net Sales	322,556	411,906	556,919	852,436
% growth		28%	35%	53%
EBITDA	31,981	42,710	46,443	72,442
% margin	9.9	10.4	8.3	8.5
Net Income	27,730	49,056	34,339	48,106
% margin	8.6	11.9	6.2	5.6
RoE	54%	54%	34%	36%
Dividends	15,444	20,195	17,105	23,963
% payout ratio	56%	41%	50%	50%
% dividend yield	4.5%	5.9%	5.0%	7.0%

Multiples

P/E	12.3x	7.0x	10.0x	7.1x
EV/EBITDA	13.7x	10.2x	9.4x	6.0x
P/B	6.7x	3.8x	3.4x	2.6x
	1M	3M	12M	YTD
Rel. Performance	14%	20%	8%	15%
Absolute	9%	-1%	27%	37%

Source: OYAK Securities



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DCF Valuation

Our 12 month target price of TL1.477 per share is based on our DCF valuation. In our valuation we have used; (i) risk free rate of return of 21.0%, (ii) market risk premium of 5.5%, (iii) company beta of 0.97, (iv) infinite growth rate of 13.0%. We have calculated the weighted average cost of capital as 23%.

Exhibit 1: DCF Valuation

DCF Valuation	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Sales (TL mn)	556,919	852,436	1,064,959	1,185,223	1,295,014	1,405,143	1,531,525	1,675,425	1,833,438
y/y growth	35%	53%	25%	11%	9%	9%	9%	9%	9%
Gross Profit	59,033	91,714	120,308	135,233	149,238	163,548	178,258	195,007	213,399
EBIT	36,238	56,822	75,367	85,216	94,588	104,251	113,628	124,304	136,027
Depreciation	10,205	15,620	20,021	22,282	24,347	26,417	28,793	31,498	34,469
EBITDA	46,443	72,442	95,388	107,499	118,934	130,668	142,421	155,802	170,496
EBITDA Margin	8.3%	8.5%	9.0%	9.1%	9.2%	9.3%	9.3%	9.3%	9.3%
(-) Tax @ EBIT	9060	14206	18842	21304	23647	26063	28407	31076	34007
(-) Capex	34,085	39,288	21,159	20,395	22,217	22,478	22,418	23,370	25,707
(-) Change in NWC	-11,314	1,630	-4,790	-8,359	-10,310	-12,135	-14,143	-16,733	-20,319
Free Cash Flow (FCF)	14,613	17,319	60,177	74,159	83,381	94,262	105,739	118,089	131,102
WACC	23%	23%	23%	23%	23%	23%	23%	24%	24%
Discounted FCF	14,145	13,674	38,727	38,892	35,577	32,676	29,691	26,809	24,043

Terminal Growth Rate	13.0%
Terminal Value	251,779
Discounted FCF	254,234
Net Debt - 2Q24 end	95,707
EV (TL mn)	506,013
Target Equity Value	518,369
Market cap (TL mn)	410,305
# of shares	351
Share Price	974.50
Target Price	1,477
Potential upside (%)	52%

Source: OYAK Securities

Global Peer Comparison

Bloomberg estimates show that Ford Otosan is at a premium compared to international similar company multiples. Similar companies trades at a median EV/EBITDA of 2.8x and P/E of 5.7x according to 2025 estimates

Exhibit 2: Global Peers

Company Short Name	Country	Mcap (USD mn)	EV/EBITDA		P/E	
			2024E	2025E	2024E	2025E
ASIA						
Toyota	Japan	273,750	10.1	10.4	7.6	8.1
Honda	Japan	55,807	7.6	6.9	7.3	6.8
SAIC	China	22,757	7.5	6.9	11.4	10.7
Nissan	Japan	9,971	0.6	0.8	3.9	6.5
Hyundai	South Korea	38,038	8.2	8.1	3.9	4.0
Suzuki	Japan	21,345	5.5	4.8	10.8	8.8
Geely	China	16,688	6.7	6.1	9.6	12.5
Subaru	Japan	13,205	0.5	0.5	5.2	5.5
Guangzhou	China	9,855	21.7	14.7	21.6	19.4
Kia	South Korea	29,761	1.4	1.4	3.6	3.7
Great Wall	China	31,167	10.3	9.0	18.3	15.5
Guangzhou	China	9,855	21.7	14.7	21.6	19.4
Mitsubishi	Japan	4,038	1.9	2.1	5.0	5.3
Mazda	Japan	4,612	0.9	0.9	3.5	4.0
EUROPE						
Bayerische Motoren Werke	Germany	53,025	1.7	1.6	5.5	5.2
Renault	France	12,662	1.4	1.3	4.6	3.6
Tofaş	Turkiye	2,827	4.6	2.9	6.1	3.1
Volkswagen	Russia	52,306	1.0	0.9	3.9	3.4
AMERICA						
General Motors	USA	53,600	2.4	2.6	5.0	4.9
Ford Motor	USA	42,456	2.1	2.3	5.8	5.9
Median			3.5	2.8	5.6	5.7
Ford Otosan	Turkiye	9,600	8.9	6.1	8.9	6.9
Premium/(discount)			152%	118%	58%	20%

Source: OYAK Securities, Bloomberg

Risks

Being the only counterparty in exports is Ford Motor Company and export agreements are based on EUR, it provides favourable protection for Ford Otosan. However, the continuation of the high interest rate environment by the European and UK Central Banks is a risk factor for Ford Motor Company's market performance in EU as it will negatively affect consumer demand. Since the beginning of 2023, the aggressive entry of Chinese vehicles into the markets, both domestically and in EU, has had a partially negative impact on automotive manufacturers in Turkiye and EU. Although Chinese automotive companies are active in the passenger car segment, the fact that they are equipped to launch new models in the commercial vehicle market in the future shows that the market will be highly competitive. Since Ford Otosan mainly produces vehicles in the commercial vehicle segment, we do not see a risk factor in the short term.

We also consider the new model production problems that will arise in the transition to electrification, which is one of the most important decisions taken by the company in the recent past, and the extension of the process as a risk factor. The European Alternative Fuels Observatory is an online portal established by the European Commission to serve as a central reference point for data and information on alternative fuels, infrastructure and vehicles across Europe. Accordingly, the cost per 100 km of charging an electric vehicle in Europe in 2024 is the cheapest in Iceland with EUR2.9, EUR7.8 in the UK, EUR8.9 in Germany and EUR18.9 in Norway, the most expensive country. It is seen that the increase in the number of electric vehicles in Turkiye and Europe is quite high compared to the newly opened charging stations. Therefore, where demand is high and supply is low, vehicle owners may experience problems in charging their vehicles.

Ford Otosan's cost-plus export agreements protect the company while strong TL may put pressure on financials due to its exporter structure. In addition, the possibility of the introduction of minimum corporate tax in 2025 due to tight fiscal policy may have a negative impact on profitability.

Diversified model mix

After record domestic sales in 2023, we expect the share of domestic sales in total sales to decline to 16% in 2024. We assume that the share of export sales in total sales will reach 87% with the contribution of the 1-ton commercial vehicle, which is expected to be introduced to the market as of the beginning of 2025 in line with the Ford - Volkswagen cooperation. Ford Otosan will reach an all-time high sales volume in 2025.

Exhibit 3: Ford Otosan – Sales units

Sales Volume	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Domestic									
Courier	16,768	35,445	28,541	39,403	36,502	31,483	32,742	32,890	33,038
Connect	208	533	354	372	561	484	503	526	550
Transit	12,972	24,807	20,773	21,395	29,034	24,443	24,932	24,988	25,044
Custom	3,394	5,820	4,372	5,354	5,902	4,969	5,118	5,129	5,141
Ranger	821	2,528	1,430	956	1,744	1,360	1,415	1,447	1,479
Puma	-	-	1,247	1,583	6,760	28,670	29,244	30,560	33,310
Ford Truck (Kamyon)	2,841	5,315	7,298	8,957	11,699	11,828	11,875	11,928	12,036
Diğer	11,460	25,703	9,075	6,890	25,380	-	-	-	-
Total	48,464	100,151	73,090	84,910	117,582	103,237	105,829	107,467	110,597
Export									
Courier	38,941	21,568	18,004	24,476	19,884	26,147	26,383	26,620	26,860
Connect	-	-	-	-	6	-	-	-	-
Transit	116,805	88,687	107,345	116,068	148,445	156,727	159,350	159,637	159,924
Custom	175,985	141,378	157,967	149,319	139,353	170,451	173,304	173,335	173,366
Ford Trucks	2,671	2,510	5,168	7,585	7,384	7,583	7,788	7,998	8,214
Puma	-	-	2	74,241	176,890	185,735	187,592	191,344	189,430
Volkswagen Transporter	-	-	-	-	-	-	130,000	132,600	135,252
Diğer	53	3	20	19,116	120	-	-	-	-
Total	382,919	354,297	361,596	475,715	609,664	649,880	790,245	799,001	803,644
Domestic + Export	431,383	454,448	434,686	560,625	727,246	753,117	896,074	906,469	914,241

Source: OYAK Securities, Company

- Ford Otosan has an extremely important role in the transformation to electric vehicles. Ford's strategy to offer fully electric fleet vehicles in Europe by 2035 is supported by a commitment to introduce new passenger and commercial electric vehicles to the European market by 2024. The company is Ford's biggest supporter thanks to its flexible production capability. Moreover, the company plans to produce 6 out of 9 electric vehicles in total. It started to produce E - Transit in 2Q22, E-Custom in 2Q24 and plans to launch the electric models of E- Puma, E- Courier in 4Q24. In Europe, Ford aims to launch 9 fully electric vehicles by the end of 2024.

Capacities for Production Plants and Models

Ford Otosan has a total of four factories, three in Türkiye and one in Romania. Its headquarters, where spare parts distribution and R&D activities are carried out, is also located in Sancaktepe. The Golcuk plant has been producing Custom models since 2012 and Transit models since 2014. As of 2023, with the finalisation of the previous generation Custom production, the factory operates with a production capacity of 207k Transit units. The Yenikoy plant, which is located within the Kocaeli plants area, has the highest share in terms of production capacity after the Courier production was moved to the Craiova plant, and the production of the internal combustion model of the new Custom has been taking place in this plant since 4Q23. Production of the rechargeable hybrid electric and full electric versions of the model started in 2Q24.

In addition, due to the co-operation between Ford Motor and Volkswagen, the new generation 1-ton Volkswagen CV to be produced by Ford Otosan will also be manufactured at this facility. The company estimates that a total investment of EUR1.39bn will be made between 2021 and 2025 for 1-ton medium CV projects. Ford Trucks are produced at the Eskisehir plant, which has a production capacity of 22.5k. In addition, it has a production capacity of 86.5k engines, 140k rear axles (Transit) and 15k transmissions. The Craiova plant in Romania, which was acquired by Ford Otosan in 3Q22, has a production capacity of 189k units of Puma and 100k units of New Courier, with a total capacity of 272k units. The plant has a very strategic importance in terms of production area for other Ford Motor Co. plants in the region. The capacity utilisation rate is 82% in September 2024 cumulative total production units. The internal combustion model of the new generation Courier started to be produced in 4Q23 and the fully electric model will be produced by the end of 2024. The full electric model of the Puma model will be produced by the end of 2024. Puma is Ford's best-selling passenger car in Europe in 2021, 2022 and 2023.

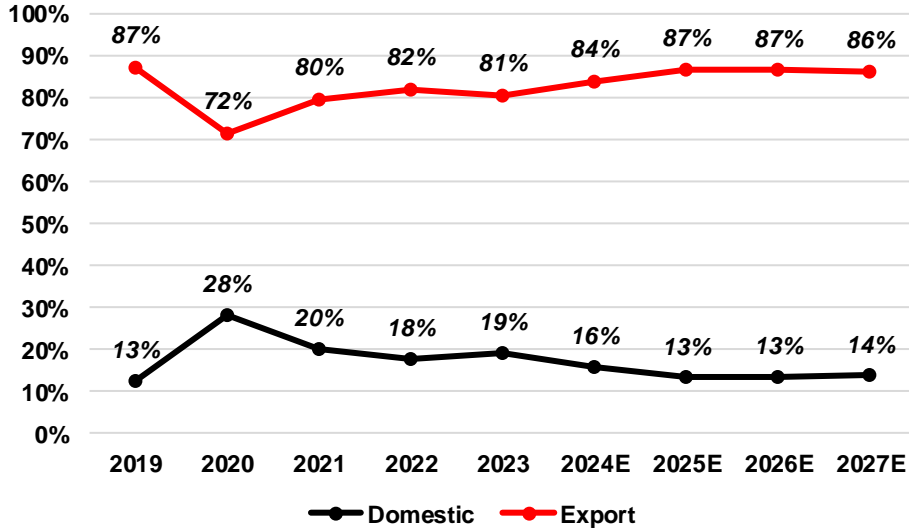
For the company, stepping into the passenger car market, in addition to the product mix consisting only of commercial vehicles, will increase customer diversity. As a reminder, the first instalment payment of EUR406mn was made at the time of the acquisition and EUR196mn and EUR23mn will be paid in 2025 and 2028 respectively (Total payment: EUR625mn). Based on the projected capacity utilisation rate of the Romanian plant for the years 2028 - 2034, an additional payment of up to EUR140mn will be made in 2028. Ford Otosan will play a key role in Ford's transformation plan for electric vehicles, as its production capacity was 455k units when it started its electrification journey in 2019, and will exceed 900k units in total in 2025 with the electric options of all vehicles produced.

Exhibit 4: Plants & Capacity

Plants & Products Capacity (in '000 units)	2012-2014	2014	2017	2018	2022	2023
Golcuk	210	290	315	330	385	207
Transit	210	140-160	170	160	190	207
Custom	-	130-150	160	180	195	-
Yenikoy	110	110	110	110	68	245
Connect	110	-	-	-	-	-
Courier	-	110	110	110	68	-
New Custom	-	-	-	-	-	245
Eskisehir	10	15	15	15	18.7	22.5
Trucks	10	15	15	15	18.7	22.5
Total in Türkiye	330	415	440	455	471.7	474.5
Craiova	-	-	-	-	250	272
Puma	-	-	-	-	189	189
Ecosport	-	-	-	-	140	-
New Courier	-	-	-	-	-	100
Total in Romania	-	-	-	-	250	272
Total	330	415	440	455	721.7	746.5

Source: Company Investor Presentation

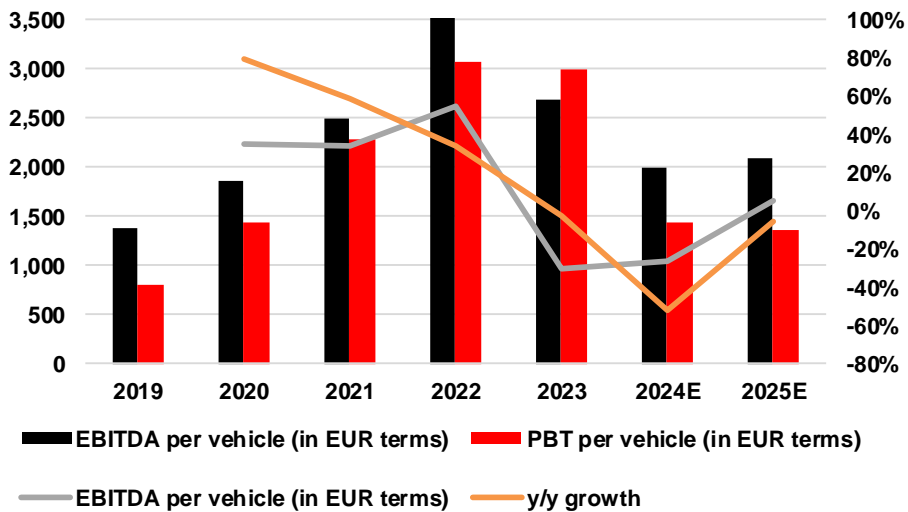
Exhibit 5: Share of domestic/export sales revenue



Source: OYAK Securities

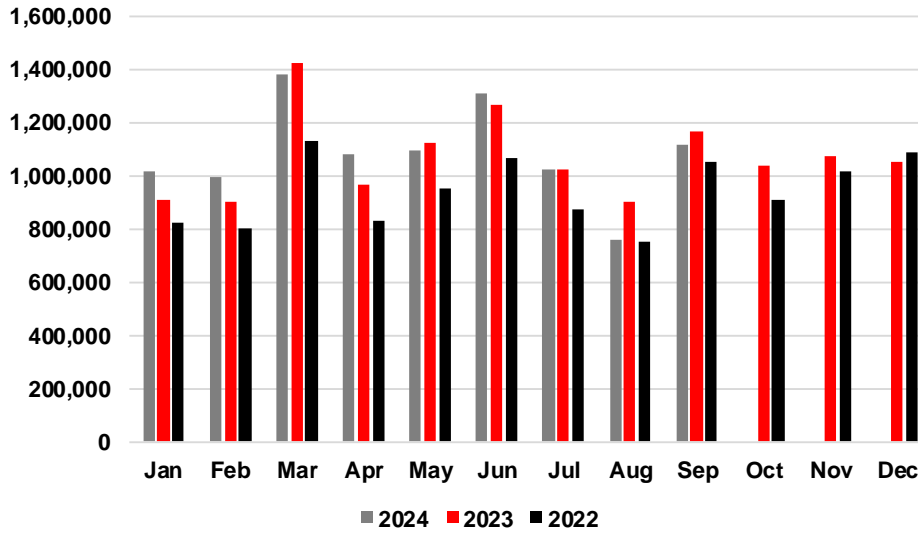
- The company has an exporter structure based on its sales revenue model. Based on the contribution of the recent Romanian factory and 1-ton commercial vehicle production, we expect the share of export revenues to increase in 2025. Although the profitability rate in domestic sales revenues is higher, we believe that profitability in export revenues is sustainable thanks to cost-plus agreements. Due to Ford Otosan's transition to electrification with higher production costs, the addition of passenger cars to the production portfolio and the increasing share of export revenues in total revenues, margins are expected to normalise and converge to historical averages in the coming period.
- Due to the chip problems that emerged after the pandemic, difficulties in vehicle availability, macroeconomic conditions, and the consumer's view of vehicle purchase as an investment tool, automobile manufacturers have reached record levels in profitability per vehicle thanks to their successful pricing strategies. In 2022, the Company reported EBITDA of EUR2.057 and EBITDA of EUR1.628 per vehicle, while in 2023 it reported EBITDA of EUR2.183, up 6% y/y, and EBITDA of EUR2.388, up 47% y/y (excl. IAS29). According to our estimates, we see EBITDA of EUR1.992 per vehicle in 2024 and EUR2,100 EBITDA in 2025.

Exhibit 6: EBITDA/ PBT per Vehicle (in EUR terms)



Source: OYAK Securities

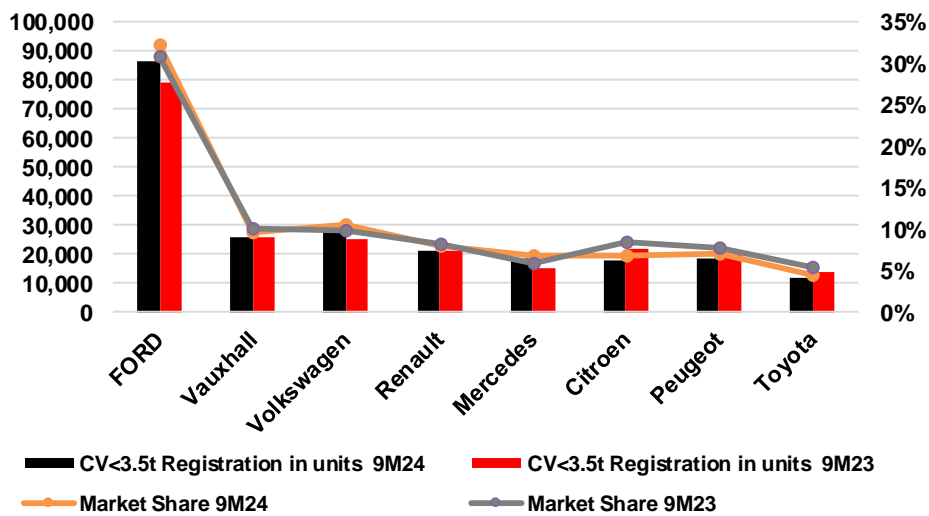
Exhibit 7: EU + EFTA + UK - New Car Registrations



Source: OYAK Securities, The European Automobile Manufacturers' Association (ACEA)

- Given the share of Ford Otosan's export revenues in total SALES, sales figures and new vehicle registrations in export markets are very important. Passenger car sales in EU + MENA and UK markets increased by 14% yoy, while van sales, another important segment, increased by 16% y/y. In 9M24, new vehicle registrations totalled 9.77mn units with a limited increase of 1% y/y.
- LCV registrations in the UK, its main export market, rose by 4% in 9M24, while Ford's sales volumes increased by 9% y/y. Moreover, Ford's market share increased to 32.3% in 9M24 from 30.8% in the same period of the previous year. Ford Otosan produced 74% of Ford's commercial vehicles sold in 6M24 and has been the leader in commercial vehicles in Europe for 9 years in a row. As of the end of 1H24, it has a 14.6% market share in the European commercial vehicle market. In addition, the Transit Custom is the best-selling 1-tonne vehicle in Europe and the best-selling vehicle in the UK.

Exhibit 8: LCV Registrations in '000 units and Market Share - UK vans and trucks



Source: OYAK Securities, ACEA

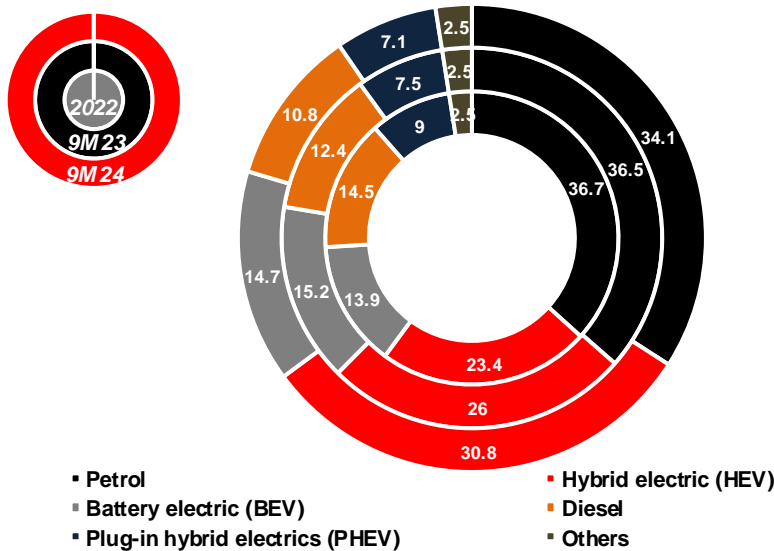
Exhibit 9: LCV Registrations <3.5 tonnes - UK

LCV Registrations <3.5tonnes - UK (in units)			
Top Models	9M24	9M23	Δ y/y
Ford Transit Custom	35,517	31,460	12.9%
Ford Transit	23,517	21,683	8.5%
Ford Ranger	15,412	13,935	10.6%
Mercedes - Benz Sprinter	14,252	11,447	24.5%
Vauxhall Vivaro	13,261	14,930	-11.2%
Volkswagen Transporter	13,060	13,094	-0.3%
Renault Trafic	11,185	12,765	-12.4%
Citroen Berlingo	9,768	10,828	-9.8%
Vauxhall Combo	9,272	n.a	n.a
Peugeot Partner	9,270	8,598	7.8%

Source: The Society of Motor Manufacturers and Traders Limited (SMMT)

- In model-based sales figures, it is seen that Ford Otosan maintained its leading position in the light commercial vehicle market in the 9M24 period with the Transit Custom model, while the Transit and Ranger models maintained their market shares in the 2023 period and there was an increase in the annual number of vehicle registrations.

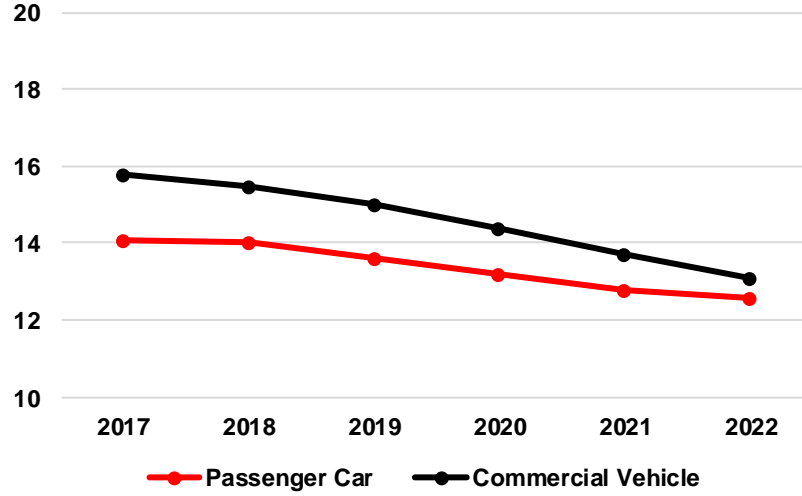
Exhibit 10: New Car Registrations by power source in EU + EFTA + UK



Source: OYAK Securities, ACEA

- In September 2024, petrol vehicles accounted for 29.4% of the total market, compared to 34.7% in the same period last year. Hybrid vehicles ranked as the second segment with the highest share of 33.7% (Sep.23: 28.8%). Battery electric vehicles accounted for 19.1% (Sep.23: 16%), diesel vehicles 8.3% (Sep.23: 10.5%) and plug-in hybrid electric segment 7.3% of the total market in September 2024 (Sep.23: 7.9%).
- In 9M24, the overall share of petrol vehicles ranked first with 34.1% (9M23: 36.5%), while the hybrid-electric segment ranked second with 30.8% (9M23: 26%). Battery-electric vehicles accounted for 14.7% of the EU + EFTA + UK car market (9M23: 15.2%), while the share of plug-in hybrid electric vehicles was 7.1% (9M23: 7.5%).
- Global electric car sales increased by 31% y/y in 2023, with 50% growth in the US and Canada, 27% in Europe and 15% in China. Although we anticipate that the rapid growth in sales volumes will slow down in the coming period, we expect the share of electric vehicles to increase.

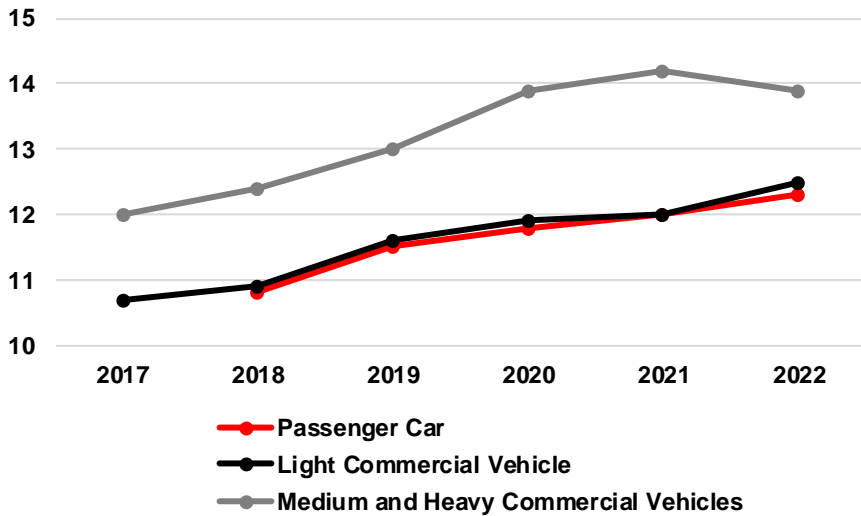
Exhibit 11: Age of vehicles in Turkiye



Source: Company presentation

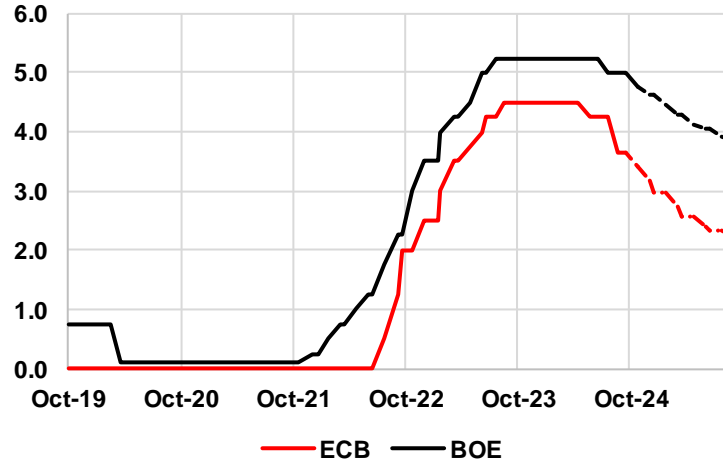
- Average vehicle age in Turkiye continues to increase in both passenger and commercial vehicle segments. In 2023, with the resolution of the chip problems in the automotive sector and due to the inflationary environment, record sales volumes were reached in sales volumes as investors considered the purchase of vehicles as an investment tool. Especially due to the high demand of consumers for passenger cars, it is possible to mention a retreat in the average vehicle age of the passenger car segment in 2023. In 2024, we may see a slight pullback in the average vehicle age, assuming that the domestic automotive market will complete above the historical sales average in 2024.
- An analysis of the average vehicle age in Europe reveals that there has been an increase in all segments since 2017. For companies, total cost of ownership and continuity of operations are important in the case of commercial vehicles, in which Ford Otosan has a high share in the segment range. Therefore, companies want their fleets to have a young structure in order to avoid any possible problems in distribution or transportation. In addition, aging vehicles are more likely to have breakdowns and increased maintenance costs, which companies do not want to face. For this reason, we believe that the fact that Ford Otosan has models with various engine types that meet customer demand and needs will differentiate the company from other brands.

Exhibit 12: Age of vehicles in EU



Source: ACEA, Company presentation

Exhibit 13: ECB & BOE Interest Policy Rates



Source: OYAK Securities, Bloomberg

- The high inflation environment affecting the global economy, including Turkiye, led leading Central Banks to decide to raise interest rates at the end of 2021 and mid-2022. The Central Banks of the countries in which Ford Otosan operates in its main export markets also implemented similar increases. As can be seen in the chart, the European Central Bank and the Bank of England increased interest rates in order to cool the economy, and then the European Central Bank cut interest rates by 25 basis points (current rate: 3.40%) in June 2024 and the Bank of England by 25 basis points (current rate: 5.0%) in August 2024. According to Bloomberg expectations, both Central Banks are expected to continue to cut interest rates in the coming period. Therefore, we think that 2025 will be a potentially better year for consumer and business demand in Europe.

Brief on recently increasing concerns about Chinese vehicles pressure on Turkiye and Europe automotive markets.

Positioning of Chinese vehicles in Turkiye and Europe

Chinese brands' presence has been increasing in European market. The competitive landscape is evolving, and as more Chinese brands introduce new electric and innovative passenger and commercial vehicles, their market share is likely to grow further in the coming years. Despite this growth, it's important to note that Chinese brands still constitute a relatively small share of the overall European auto market compared to established European OEMs. The main brands operating in the market are Maxus, BYD, Dongfeng, LEVC, MG, Foton and JAC.

Chinese Brand Sales Share:

European PC Market 8M24: 5.2% (8M23: 4.0%)

European CV Market 8M24: 0.9% (8M23: 0.7%)

European Total Market 8M24: 4.4% (8M23: 3.4%)

Chinese Brands' Presence in Turkiye

Before March 2023, EV from China were already subject to a total tax of 20% (10% customs duty and 10% surtax). As a result of the change in the regulation, as of March 2023 the surtax rate was increased to 40%. However, it is important to note that there were few Chinese brands in the market at that time. For example, Chery re-entered into the Turkish market in 1Q'23 after 5 years.

Following the surtax on electric vehicles in recent years, Chinese brands started to bring their fossil-fueled and relatively old technology vehicles to the Turkish market. And they achieved very aggressive sales figures in a short time with their pricing campaigns during the period. After all this, Chery suddenly rose from 12th to 3rd place in Turkish PC market.

With the latest regulation published in June 2024, the scope of the tax was expanded to all segments and cover all fuel types, including internal combustion engines. Thus, for every vehicle imported from China, there is a 10% customs duty and a 40% surtax, for a total of 50%. On 5 July, with the Presidential decree, it was decided to exempt brands investing in the country from this tax. Following this decree, in July, BYD announced USD 1 billion investment in Manisa which are i) production of electric and rechargeable hybrid passenger cars with an annual capacity of 150 k ii) an R&D Centre for other sustainable transportation technologies. Recently, it has been reported that Chery and MG are also preparing to invest in Turkiye and the factories will be established in Samsun and Manisa. There is no clarification on the subject yet.

Despite this growth, it's important to note that Chinese brand share in Turkish CV segment remained below 1%. The main brands in the passenger car segment are BYD, CHERY, HONGQI, JAECCO, LEAPMOTOR, MAXUS, MG, NETA, SERES and SKYWELL. In the commercial vehicle category, DFSK, FARIZON and MAXUS brands are in the market.

Chinese Brand Sales Share:

Turkish PC Market 9M24: 10.0% (9M23: 5.4%)

Turkish CV Market 9M24: 0.4% (9M23: 0%) (#: 663 Units)

Turkish Total Market 9M24: 8.0% (9M23: 4.2%)

Highlights from recent plant visit and CFO meeting

On 9 October 2024, Ford Otosan organised a tour of the 'Tool and Die, Press, Welding, Assembly and Battery' areas in Gölcük and Yeniköy plants. Following the tour, a meeting was held with the participation of CFO and Investor Relations Manager, where sectoral developments were evaluated. It was emphasised that the importance of Ford Otosan in Ford Motor Co. has increased with the support of the investments made and inorganic growth, and it was shared that the main partner has 15% of the total production volume. It was underlined that the importance of Ford Otosan in Ford Motor Co. has increased with the support of the investments made and inorganic growth, and it was shared that 15% of the total sales volume of the main partner comes from Ford Otosan production vehicles. It was also stated that 84% of the vehicles sold by the company were realised in export markets and the rest in the domestic market.

The company has recently made significant investment decisions in the field of electrification, and sees that the transition to electrification will take longer than expected, and that internal combustion engine, rechargeable hybrid and full electric vehicles will co-exist for a while. The battery workshop at the Kocaeli plant is an example of the investments made during the transition to electrification. The battery workshop has the capacity to produce 120k batteries annually. In another important project, Ford & Volkswagen cooperation, it was announced that Ford Otosan will produce Volkswagen's new generation 1-ton commercial vehicle at the Yenikoy plant. As a reminder, the company announced in the past that a total investment expenditure of EUR1.39bn was expected between 2021 and 2025. An annual production capacity of 405k units of 1-ton CV will be established to replace the 195k units of similar vehicles in total, and the production life of this model is expected to be 11 years.

Volkswagen's new generation 1-ton CV model is expected to be launched by the beginning of 2025. As for pricing, it will be made with the cost-plus method applied in other models and the only counterparty is Ford Motor Company. Contribution of the new models next year will lead to an increase in production and sales volumes. Another important issue of the meeting was the increasing market share of Chinese brands in domestic and international markets in recent years. The company management shared that Chinese vehicles are competitive in terms of quality and equipment, but they are at different points in terms of the segment they address. They also stated that they are differentiated thanks to Ford's recognition, quality confidence and strong distribution channel in the markets it serves.

For 2024, they think that they will be able to reach their expectations under the current conditions, and that the total number of vehicle sales in the domestic market may slightly exceed their expectations. Furthermore, they stated that the strong course of the TL will continue and the possibility of a slight contraction in the domestic market y/y may increase in 2025.

Regarding the second dividend, it was stated that they are a company that distributes dividends as closely known by investors and that the management may take a decision in this direction if the conditions allow. According to the disclosure made by the company on 17 October 2024, the BoD will submit the dividend payment proposal of gross TL14.25 (net TL12.825) per share to be distributed on 22 November 2024 for approval at the Ordinary General Assembly Meeting to be held. As a reminder, the company distributed a gross dividend of TL43.30 on 8 April 2024. The company will distribute a total gross dividend of TL57.55 in 2024. It is favourable for the company to take this decision at a time when it is in the investment phase and the cost of financing is high.

Exhibit 14: Ford Otosan – Income Statement Summary

Income Statement (TL mn)	2020	2021	2022*	2023*	2024E	2025E
Revenue	50,991	72,912	322,556	411,906	556,919	852,436
COGS (-)	43,265	59,947	285,958	356,658	497,885	760,722
Gross Profit	7,727	12,965	36,599	55,248	59,033	91,714
Operating Expenses (-)	1,820	2,745	11,813	18,602	22,795	34,891
EBIT	5,907	10,221	24,786	36,646	36,238	56,822
Depr. & Amortization	917	1,054	7,196	6,065	10,205	15,620
EBITDA	6,823	11,275	31,981	42,710	46,443	72,442
Net Other non-operating income	439	1,028	2,485	7,371	3,340	1,925
Net Income/ Expense Investment Activities	1	-35	-30	2,800	3,080	3,388
Net Financial Income/ Loss	-699	-716	-1,794	611	-9,320	-15,430
Taxes Income/ Expense	-87	114	2,283	1,627	1,000	1,401
Net Income	4,195	8,801	27,730	49,056	34,339	48,106

Source: OYAK Securities, Company

Growth - y/y	2020	2021	2022	2023	2024E	2025E
Revenue	26%	43%	342%	28%	35%	53%
Gross Profit	54%	68%	182%	51%	7%	55%
EBIT	70%	73%	143%	48%	-1%	57%
EBITDA	58%	65%	184%	34%	9%	56%
Net Income	114%	110%	215%	77%	-30%	40%

Source: OYAK Securities, Company

Key Ratios	2020	2021	2022	2023	2024E	2025E
Gross Margin	15.2%	17.8%	11.3%	13.4%	10.6%	10.8%
Opex/Sales	3.6%	3.8%	3.7%	4.5%	4.1%	4.1%
EBIT Margin	11.6%	14.0%	7.7%	8.9%	6.5%	6.7%
EBITDA Margin	13.4%	15.5%	9.9%	10.4%	8.3%	8.5%
Effective Tax Rate	-2.1%	-1.3%	-9.0%	-3.4%	3.0%	3.0%
Net Income Margin	8.2%	12.1%	8.6%	11.9%	6.2%	5.6%
ROA	17.2%	20.6%	15.9%	18.1%	8.8%	8.5%
ROE	71.7%	86.7%	54.2%	53.9%	34.4%	36.2%

Source: OYAK Securities, Company, IAS29 incl.

Exhibit 15: Ford Otosan –Balance Sheet Summary

Balance Sheet (TLmn)	2020	2021	2022*	2023*	2024E	2025E
Current Assets	17,605	32,814	91,321	128,378	167,854	251,597
Cash & Marketable Securities	8,124	14,174	16,666	18,990	24,513	41,245
S/T Financial Investments	0	0	0	0	0	0
Accounts Receivables	5,754	11,407	42,595	56,866	71,059	106,633
Other Receivables	1	1	467	1,743	0	0
Inventory	2,449	5,269	23,275	36,613	50,010	74,766
Other S/T Assets	1,276	1,963	8,317	14,166	22,272	28,954
Long-Term Assets	6,745	9,979	82,986	142,306	224,404	314,191
Trade Receivables	0	0	0	0	0	0
Financial Investments	45	50	240	434	608	790
Tangible Fixed Assets	4,403	5,149	47,915	71,345	106,652	156,384
Intangible Fixed Assets	905	1,487	14,364	23,423	36,071	47,830
Long Term Deferred Tax Assets	954	1,716	4,887	16,232	22,725	29,543
Other L/T Assets	437	1,577	15,580	30,872	58,347	79,644
Total Assets	24,349	42,793	174,307	270,684	392,258	565,788
S/T Liabilities	12,481	20,782	76,203	117,418	206,499	302,980
S/T Financial Loans	3,933	8,257	21,781	42,365	64,772	86,164
S/T Account Payables	7,748	11,379	49,673	65,567	104,472	163,171
Taxation on Income	18	13	0	92	92	92
Short-Term Provisions	273	390	949	1,589	2,114	3,159
Other S/T Liabilities	509	743	3,800	7,805	35,049	50,393
L/T Liabilities	4,824	11,862	46,963	62,200	85,858	129,849
L/T Financial Loans	4,148	10,799	40,699	52,128	72,037	110,842
L/T Provisions	635	985	4,411	4,014	5,340	7,982
Other L/T Liabilities	42	78	1,853	6,058	8,481	11,025
Shareholders' Equity	7,044	10,149	51,142	91,066	99,901	132,960
Total Liab. & equity	24,349	42,793	174,307	270,684	392,258	565,788
Net Working Capital	455	5,297	16,197	27,912	16,598	18,228
WCR/Sales	0.9%	7.5%	5.0%	6.8%	3.0%	2.1%
Net Cash (Debt)	-3,772	-4,882	-45,813	-75,503	-112,296	-155,761
Net Cash (Debt) / EBITDA	-0.6x	-0.4x	-1.4x	-1.8x	-2.4x	-2.2x

Source: OYAK Securities, Company, IAS29 incl.

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