BİM

Running a tight ship…

We are transferring our coverage of BIMAS with an Outperform rating and 12-month target price of TRY778.00/share, pointing to 43% upside potential. We believe BIMAS is well positioned to deliver sustainable real revenue growth in 2025 and going forward both on the back of store expansion and traffic growth, leaning on its hard discounter attribution with private label goods accounting for up to 58% of its total SKU. We forecast 33% LfL growth in 2025 driven by BİM Türkiye as well as the increasing contribution of the FILE concept in our forecasting period. We project that FILE revenues will comprise 8% of total sales in 2025 with strong growth prospects over our forecasting period. We forecast a 65 bps EBITDA margin improvement in for 2025, implying EBITDA growth of 33% in real terms. Furthermore, the high Capex/Sales ratio (3.7% in 2024E) is set to normalize down to 3.4% in 2025 and average 2.8% in the long term, in addition to better net working capital management, translating into an average 5.5% FCF yield between 2025F-2027F. Despite a lean balance sheet, high cash generation capability with upside challenges and a robust dividend policy, the stock still trades at an EV/EBITDA of 8.1x based on 2025E forecasts, implying a 33% discount to its historical average and 16% to its global peers. Despite its solid run with a 49% performance over the last year, we maintain our "Outperform" rating for the stock on the ongoing momentum in operational earnings and future prospects of the company in such a growing food retail industry of Türkiye.

Still plenty of room for growth… We expect BIMAS to generate TRY822bn in revenues in 2025E with 14% real growth driven by 1) the continued solid store expansion outlook in 2025, primarily led by operations in Türkiye yet with a significant contribution from the FILE concept and international operations, 2) the current course of the disinflation process, mainly stemming from stubborn food inflation and 3) expected improvements in traffic growth based on the lower-than-expected wage growth seen in Türkiye. Considering the 55% market share of organized retailers in Türkiye, we see significant room for organized retailers to expand their operations. We believe BIMAS is in pole position to benefit as the first and largest hard discounter in Türkiye with its solid market share and efficient operations. The company's optimal SKU strategy as well as strong private label presence (58% as of 9M24) is likely to play a crucial role in generating traffic growth in 2025. Due to the slow pace of disinflation, we expect the basket size growth to remain robust in 2025, additionally we may see some consumer migration from rivals to BIMAS in an environment of declining purchasing power.

Declining inflation trajectory to pave way for slight expansion in margins in 2025… The expected slowdown in inflation in 2025 is likely to have a softer negative impact on the gross margin and EBITDA margin, in our view. We estimate EBITDA generation of TRY21.5bn for 2024 while forecasting TRY36.7bn in EBITDA for 2025, with 3.8% and 4.5% EBITDA margins respectively. BIMAS commands a competitive advantage on wage management as its employees are not unionized, with the Company able to keep wage growth around the minimum wage growth rates. As price stability is maintained in overall economy, especially in the area of food, we expect the Company's real EBITDA margin to settle down at 5.0 – 5.5% in the long term.

Discounted to its international peers… BIMAS trades at a 2025E EV/EBITDA of 8.1x on our inflation adjusted numbers versus the 9.7x multiple for international food retailers, pointing to a 16% discount. When compared with developed peers, the discount is even deeper at 27%. Considering its lean balance sheet management, defensive structure and stable margin delivery, we see BIMAS as one of the more attractive options among the Turkish equity universe for 2025.

6 March 2025

Outperform

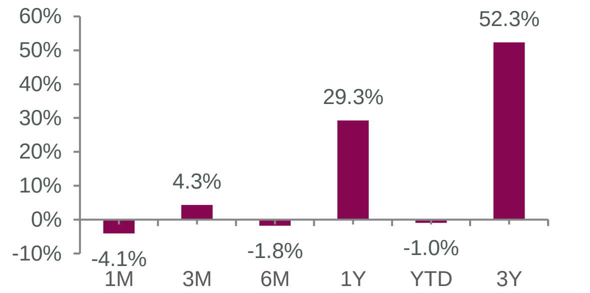
Transfer of coverage

Close Price: TRY542.50
12M Target Price: TRY778.00
Upside Potential: 43%

Stock data

Bloomberg / Reuters	BIMAS TI / BIMAS.IS
Mcap (US$mn)	9,058
EV (US$mn)	9,481
Avg. Trd. Vol. (US$mn)	76.8
Free float	60%

Relative Performance to BIST100



Key Data (TRYmn)	2023	R.2023	2024E	R.2024	2025E
Revenues	328,442	472,956	564,400	722,431	822,563
Growth			*72%*		*46%*
EBITDA	13,751	19,802	21,543	27,575	36,760
Growth			*57%*		*71%*
Net Profit	15,441	22,235	17,049	21,823	23,468
Growth			*10%*		*38%*
P/E (x)	19.9		18.0		13.1
EV/EBITDA (x)	20.2		12.9		7.5
P/BV (x)	4.4		2.2		1.9
FCF yield (%)	1.9%		2.1%		3.8%
Div. yield (%)	3.3%		2.7%		3.8%

Analyst
Omer Camli
+90 212 336 7495
omer.camli@qnbinvest.com.tr

Figure 1 – Summary financials & key metrics (TRYmn)

Income statement (TRYmn)	2023	Restated 2023	2024E	Restated 2024	2025E
Revenues	**328,442**	**472,956**	**564,400**	**722,431**	**822,563**
Gross profit	**51,683**	**74,423**	**84,102**	**107,651**	**138,576**
EBITDA	**13,751**	**19,802**	**21,543**	**27,575**	**36,760**
Depreciation	10,392	14,965	16,492	21,110	22,134
EBIT	**3,359**	**4,837**	**5,051**	**6,465**	**14,626**
Net other income	1,450	2,087	4,790	6,132	7,145
Net financial income	17,236	24,820	12,922	16,540	7,680
Profit before taxes and minorities	**22,045**	**31,744**	**22,763**	**29,137**	**29,451**
Taxes	6,599	9,503	5,691	7,284	5,890
Net income	**15,441**	**22,235**	**17,049**	**21,823**	**23,468**

Balance sheet (TRYmn)	2023	Restated 2023	2024E	Restated 2024	2025E
Current assets	**54,459**	**78,421**	**123,234**	**157,739**	**175,228**
Cash equivalents	6,988	10,063	23,087	29,552	38,390
Trade receivables	16,125	23,220	35,565	45,523	49,579
Inventories	27,328	39,352	57,899	74,111	78,705
Other current assets	4,018	5,786	6,683	8,554	8,553
Non-current assets	**93,674**	**134,890**	**185,185**	**237,037**	**227,379**
Financial assets	4,414	6,356	6,776	8,673	8,179
Tangibles	49,639	71,481	97,320	124,570	109,264
Intangibles	160	230	251	321	269
Right- of -use assets	37,754	54,365	78,204	100,101	106,139
Other non-current assets	1,570	2,260	2,498	3,197	3,390
Total assets	**148,133**	**213,311**	308,419	**394,777**	**402,606**
Current liabilities	**54,074**	**77,867**	**121,605**	**155,655**	**176,903**
Short-term loans	4,659	6,709	9,982	12,776	13,804
Trade payables	45,145	65,008	101,323	129,693	149,915
Other current liabilities	4,271	6,150	10,301	13,185	13,184
Non-current liabilities	**24,317**	**35,016**	**44,823**	**57,373**	**61,001**
Long-term loans	17,679	25,458	35,234	45,100	48,728
Other non-current liabilities	6,638	9,559	9,589	12,274	12,273
Shareholders' equity	**69,742**	**100,428**	**141,991**	**181,749**	**164,702**
Total liabilities and equity	**148,133**	**213,311**	**308,419**	**394,777**	**402,606**

Key metrics	2023 Real	2024E Real	2024E	2025E Real	2025E
Growth					
Revenue growth	18%	19%	72%	14%	46%
EBITDA growth	0.9%	9%	57%	33%	71%
Net income growth	-7%	-23%	10%	8%	38%
Profitability					
Gross Margin	15.7%	15.7%	14.9%	14.9%	16.8%
EBITDA margin	4.2%	4.2%	3.8%	3.8%	4.5%
Net margin	4.7%	4.7%	3.0%	3.0%	2.9%
Return on assets (ROA)	10.4%	10.4%	5.5%	5.5%	5.8%
Return on equity (ROE)	22.1%	22.1%	12.0%	12.0%	14.2%
Return on cap. emp. (ROCE)	19.8%	22.4%	12.2%	15.2%	17.4%
Leverage					
Net Debt (Cash) (*)	-6,988	-10,063	-22,000	-28,160	-30,000
Net debt / Equity	-0.10	-0.10	-0.15	-0.15	-0.18
Net debt / EBITDA	-0.5	-0.5	-1.0	-1.0	-0.8
Efficiency					
Total asset turnover	2.2	2.2	1.8	1.8	2.0
Equity turnover	4.7	4.7	4.0	4.0	5.0
WC/Sales	-0.5%	-1.4%	-1.4%	-2.6%	-2.6%
Opex/Sales	-15%	-14%	-14%	-15%	-15%

(*) Adjusted with lease obligations

Cash flow (TRYmn)	2023	Restated 2023	2024E	Restated 2024	2025E
EBITDA	20,985	30,218	35,765	45,779	50,774
Change in working capital	894	1,287	4,605	5,895	4,894
Taxes (EBITDA x 20%)	4,090	5,890	8,941	11,445	11,170
Capital Expenditures	8,545	12,305	17,194	22,008	21,851
Rent expenses	3,498	5,037	7,695	9,850	10,828
FCFF	5,745	8,273	6,540	8,371	11,819

QNB Invest vs Consensus	2024F			2025F		
	Deviation	Estimate	Cons.	Deviation	Estimate	Cons.
Revenues	8%	564,400	522,355	14%	822,563	721,778
EBITDA	-28%	21,543	29,914	-10%	36,760	40,695
Net Income	-18%	17,049	20,886	-17%	23,468	28,205

Valuation

We valued BIMAS using DCF methodology and found a 12-month target price of TRY778/share. Our 12-month TP offers 43% upside potential at the latest close. In our DCF valuation model, we have incorporated an average weighted average cost of capital (WACC) of ≈26% for our long-term valuation horizon, based on a 40% cost of borrowing, a 38.5% of cost of equity (35% risk free rate, 5% equity risk premium and a 0.7 stock beta) for 2025, which is assumed to decline until 2033. Finally, we set a terminal growth rate of 17%.

To recap, we have incorporated a non-IAS valuation which is based on nominal terms for our DCF valuation. Thus, the EBITDA margins on DCF table below differs from the margins and multiples mentioned remainder of the note.

Our DCF model assumptions and are as follows;

- We expect 38% non-IAS revenue growth in 2025, exceeding our inflation expectation, with a 16.5% CAGR over our forecasting period between 2025 – 2033.
- We forecast that the 2024E EBITDA margin of 7.7% will be maintained in 2025 with a slight 20bps expansion to 7.9% on the back of solid revenue growth with better gross margin management. We forecast a normalization in the EBITDA margin to 7.8% throughout the remainder of our forecasting period.
- The company had a substantial CAPEX spending in 2024E with new store openings and warehouse investments, which are expected to bring the CAPEX/Sales ratio to around 3.7%. For the coming periods, we expect BIMAS' CAPEX/Sales ratio to edge down to 2.8%. For 2025, we forecast an FCF of TRY11.8bn, corresponding to 1.8% of our non-IAS 2025E sales. For the long term, our forecast for the average FCF margin is 2.8%.
- Based on 2025E prospective earnings, BIMAS trades at an EV/EBITDA of 8.1x, implying a 16% discount to international peers.

Figure 2 – Summary of DCF Model

BIMAS (TRY , mn)	**2024F**	**2025F**	**2026F**	**2027F**	**2028F**	**2029F**	**2030F**	**2031F**	**2032F**	**2033F**
Revenues	464,703	642,669	801,735	961,877	1,140,985	1,340,050	1,571,809	1,844,356	2,151,741	2,506,970
Revenue Growth	*74%*	*38%*	*25%*	*20%*	*19%*	*17%*	*17%*	*17%*	*17%*	*17%*
EBIT	27,165	39,711	50,404	59,009	69,402	81,936	96,599	112,329	133,715	157,878
EBITDA	35,765	50,774	63,341	75,993	88,889	104,397	122,452	140,549	163,974	191,044
EBITDA Margin	*7.7%*	*7.9%*	*7.9%*	*7.9%*	*7.8%*	*7.8%*	*7.8%*	*7.6%*	*7.6%*	*7.6%*
Taxes	-8,941	-11,170	-13,935	-16,718	-19,555	-22,967	-26,939	-30,921	-36,074	-42,030
Inc./dec. in W/C	4,605	4,894	2,096	8,372	9,071	11,033	7,610	9,225	10,140	11,718
Capex	-17,194	-21,851	-23,250	-27,894	-30,807	-36,181	-42,439	-46,109	-53,794	-62,674
Rent expense	-7,695	-10,828	-13,102	-15,330	-17,783	-20,450	-23,518	-27,045	-31,102	-35,767
FCF	**6,540**	**11,819**	**15,149**	**24,423**	**29,814**	**35,831**	**37,167**	**45,699**	**53,144**	**62,291**
FCF/ Sales	*1.4%*	*1.8%*	*1.9%*	*2.5%*	*2.6%*	*2.7%*	*2.4%*	*2.5%*	*2.5%*	*2.5%*
WACC	*43.4%*	*38.4%*	*28.4%*	*23.5%*	*23.5%*	*23.5%*	*23.5%*	*23.5%*	*23.5%*	*23.5%*
Discount Factor		1.00	1.28	1.59	1.96	2.42	2.98	3.68	4.55	5.61
PV of FCFs	**116,726**									
Terminal Growth Rate	17%									
Terminal Value	1,045,192									
PV of TV	**186,207**									
Value of Firm	302,933									
Net Debt	-30,000									
Participations (2024E)	8,200									
Equity Value	**341,133**									
12-mo Target Value	**472,470**									
# of shares outstanding	**607.2**									
12-mo Target Share Price (TRY)	**778**									
Last closing	**542.5**									
Upside	**43%**									

Source: QNBI Estimates

Figure 3 – Peer Analysis

Ticker	Company Name	Market Cap (USD,Mn)	EV/EBITDA		P/E	
			2025E	2026E	2025E	2026E
BIMAS TI Equity	BIM	9,058	8.1	4.8	14.0	8.6
Developed peers			**11.2**	**10.4**	**19.3**	**19.6**
WMT US EQUITY	Wal Mart	772,812	18.4	17.0	36.1	32.2
COST US EQUITY	Costco	458,090	35.4	32.8	56.5	51.4
KR US EQUITY	Kroger	46,166	8.0	7.8	14.3	13.3
TSCO LN EQUITY	Tesco	32,278	7.3	7.0	14.2	12.9
DLTR US EQUITY	DOLLAR TREE	15,943	9.8	9.0	13.7	12.1
JMT PL EQUITY	Jeronimo Martins	13,565	7.4	6.8	20.2	18.1
CA FP EQUITY	Carrefour	9,123	4.1	3.9	7.3	6.2
SBRY LN EQUITY	Sainsbury	7,626	4.8	4.6	11.4	10.4
CO FP EQUITY	Casino	311	5.4	5.1	0.3	n.a
Emerging peers			**8.3**	**7.7**	**14.7**	**13.1**
WALMEX* MM Equity	WALMART DE MEXICO	47,766	9.3	8.7	16.6	15.1
SHP SJ EQUITY	Shoprite	8,829	8.9	8.6	19.3	17.3
LPP PW EQUITY	LPP	8,660	8.9	7.6	17.9	15.7
CENCOSUD CI Equity	CENCOSUD SA	7,548	8.1	7.4	11.2	11.5
COLR BB EQUITY	Colruyt	4,877	5.3	5.0	12.9	12.0
SORIANAB MM Equity	ORGANIZACION SORIANA S.A.B-B	2,463	5.2	5.1	11.2	10.5
AOTHAIM AB Equity	Abdullah Al Othaim	2,457	12.0	10.8	20.9	18.3
SPP SJ EQUITY	Spar	1,453	8.5	7.6	13.2	10.2
023530 KS Equity	LOTTE SHOPPING CO	1,267	8.6	8.3	9.1	6.8
Peers' average			**9.7**	**9.1**	**17.0**	**16.1**
BIMAS vs. peer average			-16%	-47%	-17%	-46%

Source: Bloomberg, QNB Invest Estimates

QNB Invest Rating System

We employ a relative scale in our rating system (i.e. Market **Outperform, Neutral, Underperform**) in order to better present relative value propositions and more actively pursue long vs. short ideas at the BIST. The relevant benchmark is the broader Turkish stock market, using the BIST-100 index as a basis. The ratings also incorporate a certain degree of relativity within the analyst's own stock coverage universe due to asymmetric return expectations among the industries under our BIST coverage. The rating system combines analysts' views on a stock relative to the sectors under coverage, and the sector call relative to the market, together providing a view on the stock relative to the market.

Individual ratings reflect the expected performance of the stock relative to the broader market over the next 6 to 12 months. The assessment of expected performance includes a function of near-term company fundamentals, industry outlook, confidence in earnings estimates and valuation, and other factors.

An essential element of our rating methodology involves benchmarking a 12-month expected return against the cost of equity. We set a required rate of return for each stock, calculated from our risk-free rate and equity risk premium assumptions. The price target for a stock represents the value that the stock is expected to reach or sustain over the performance horizon of 12 months, according to the view of the analyst.

We have separated the stocks under our coverage into two groups, mainly with respect to their liquidity (market cap, free float market cap and historical average daily trading volume) as small-cap stocks exhibit different risk/return characteristics to more-liquid large-caps. For the purposes of the relative stock rating, however, stocks within each group will be considered on an unweighted basis with regard to their market capitalization.

For a stock to be assigned an **Outperform** rating, the implied return *must* exceed the required rate of return by at least 5 percentage points over the next 12 months for our larger-cap stock coverage, or by 10 percentage points for the small-cap group. For a stock to be assigned an **Underperform** rating, the stock must be expected to underperform its required return by at least 5 percentage points over the next 12 months. Stocks between these bands will be classified as **Neutral**.

When the potential upside of an *average* stock in our coverage exceeds its required rate of return (i.e. the market upside exceeding the implied average cost of capital), a greater number of stocks would fall into the aforementioned Outperform (Buy) category, illustrating the significance of the "relative return" concept (vis-à-vis absolute return) in picking better investment ideas with a positive alpha. The same holds true when the potential upside of an *average* stock in our coverage falls short of its required rate of return.

In this regard, as a supplemental methodology, we rank the stocks in our coverage according to their notional target price with respect to their current market price, and then categorise the top group (approximately 40-50% of the companies under coverage) as Outperform, the next 40-50% as Neutral and the lowest 10-20% (and no less than 10%) as Underperform.

It should be noted that the expected returns on some stocks may at times fall outside the relevant ranges of the applicable respective rating category because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges are permitted but becomes subject to review.

Also note that the analyst's short-term view may occasionally diverge from the stock's longer-term fundamental rating.

Outperform. We expect the stock to outperform the BIST-100 over the next 6 to 12 months.

Neutral (Market Perform). We expect the stock to broadly perform in line with the BIST-100 index over the next 6 to 12 months. (Although we would normally have a neutral assessment of stocks in this category, if a stock has gone through a period of market underperformance, it would be an indication that the stock may be expected to improve its performance relative to market averages in the coming period, and vice versa).

Underperform. We expect the stock to underperform the BIST-100 over the next 6 to 12 months.

N/R. Not Rated.

U/R. Under Review.

Analyst Certification

The following analysts hereby certify that the views expressed in this research report accurately reflect their own personal views regarding the securities and issuers referred to therein and that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report: **Ömer ÇAMLI.**

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