

VAKKO TEKSTIL

Luxury Apparel Sector

THE VOGUE VANGUARD

Recent Stock Underperformance

Vakko Tekstil is a well-known luxury fashion company and brand, established back in 1934. Vakko's stock has been experiencing significant turmoil for the past couple months without any fundamental preconditions. The stock lost approximately 38% from its peak October price and is trading below its 1Y average historical EV/EBITDA and P/E multiples of 6.78x and 9.24x (see appendix).

Premium Pricing

The high-end luxury market, including apparel segment and parent companies owning major luxury brands are less affected by inflation than their mass-market peers.

This natural resistance is sourced from lower consumer sensitivity to price changes and, hence, lower elasticity of demand for luxury goods. As such, luxury goods companies could be considered inflation-proof, as the consumer is willing to pay the increased price.

Relative Valuation Discount

The peer comparison revealed a substantial discount on VAKKO's key forward valuation multiples (excluding P/B): ranging from 40% to 70%. Current valuation seems to be unjustified fundamentally, as the company hasn't demonstrated any severe underperformance.

On top of that, VAKKO has significant advantage on EBITDA margin side, and attractive ROA and ROE. Additionally, VAKKO has a solid Net Debt/EBITDA ratio of 0.38x, which grants it strategic flexibility.

Fundamental Undervaluation

Our fundamental analysis, based on the Discounted Free Cash Flows model, supports the relative valuation methodology, identifying a very similar degree of undervaluation.

Summary

We see VAKKO as a strong business and a very well-known brand in the local market. It delivers superior results starting from the top line's growth, beating inflation, and ending with impressive Net Margin and Returns on Assets and Equity. VAKKO has a very healthy balance sheet, with low debt and Net Debt/EBITDA ratio below 0.5x.

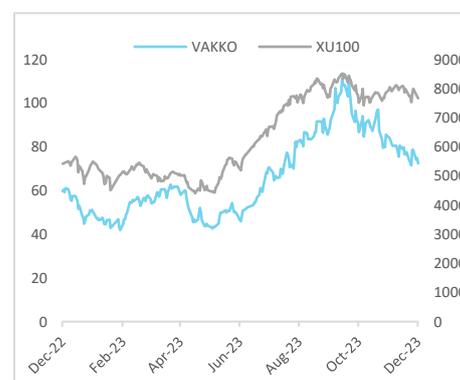
Despite these strong points, VAKKO is trading at very low multiples, compared to the luxury fashion apparel segment, which is also supported with a very conservative fundamental valuation, promising a comparable upside potential.

VAKKO	26/12/2023
Vakko Tekstil	
Rating	BUY
Free float	12%
Mcap (USD mn)	379
Mcap (TRY mn)	11,064
Target Mcap (TRY mn)	21,946
Share Price (TRY)	69.15
Target Price (TRY mn)	144.94
Potential (%)	110%
Avg. DT Vol. (TRY mn)	38
EV (TRY mn)	11,865
Latest Report	2023/09
Weekly Return	-7.68
Monthly Return	-14.05
YY Return	14.29

Highlights	2022	TTM
Revenue, TRY mn	4,238	6,687
Revenue growth	150%	105%
EBITDA growth	235%	83%
Net Profit growth	386%	94%
EBITDA Margin	36.4%	31.5%
Net Profit Margin	25.5%	22.8%
ROA	44.75%	36.41%
ROE	116.18%	80.86%

Debt (TRY mn)	2022	2023/09
Total Debt	722	1,191
Cash & Equivalents	849	390
Net Debt	-127	801
Net Debt / EBITDA	-0.08	0.38

Valuation Multiples	2022	TTM
EV/Sales	2.24	1.77
EV/EBITDA	6.15	5.62
P/S	2.27	1.65
P/B	5.10	4.46
P/E	8.89	7.27



Investment Thesis

Vakko stands out as a prominent high-end apparel and footwear manufacturer and brand in Turkey. Its products, recognized for their quality and elegance, are prominently featured in the best luxury fashion spots within the country.

Our coverage of VAKKO commences with a BUY recommendation and a target price of TRY 144.94, indicating an upside potential of 110% on the 12-month horizon.

Our target price estimation is based on a mix of valuation techniques: DCF modelling and Relative Valuation. Additionally, we implement a floating WACC principle to accommodate the changing macroeconomic conditions in Turkey.

We are confident in Vakko's robust financial position and superior operating performance, reflected in its ability to generate higher returns on assets and equity.

Furthermore, Vakko, like other leading luxury manufacturers, benefits from its premium pricing power. This enables the management to respond promptly and drive revenue growth in real terms, even amid a turbulent macroeconomic situation in Turkey.

Catalysts

1. Premium pricing and inflation immunity
2. Strong Margins
3. Financial Stability
4. Superior returns on Assets and Equity
5. Fundamental and relative undervaluation

Risks

- While Vakko boasts a rich history and a solid brand name, its revenue geography is somewhat limited, with a strong focus on the Turkish market and a lack of global recognition.
- Despite the significant premium pricing power attributable to the major luxury goods market participants, the risk of the sector's slowdown in Turkey, leading to a drop in revenues, cannot be eliminated completely.

Company Background

Vakko Tekstil manufactures and sells ready-to-wear clothes for men and women under the Vakko brand in Turkey. It was established in 1934 and has since become one of Turkey's leading luxury fashion brands known for its high-quality clothing, accessories, and lifestyle products. The company offers products through its stores, as well as online. Historically Vakko specializes on a Turkish market and 100% of its revenue comes from its domestic market.

Shareholders

Vakko has a very narrow spectrum of shareholders and just 11.93% of shares are traded publicly. The majority of shares is controlled by Vakko Holding, while the largest foreign ownership is associated with the Vanguard Group with its 3.41% stake.

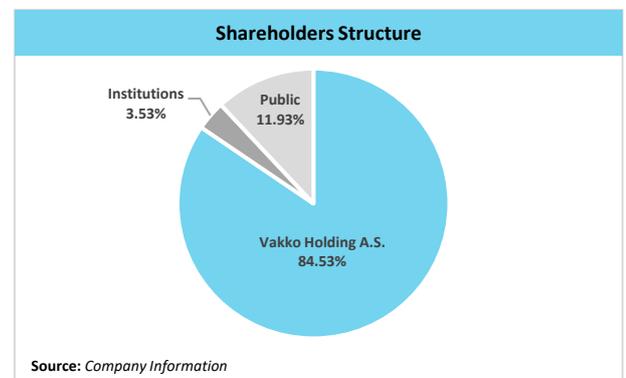


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A. Industry Overview

Global Luxury Goods Market

By 2022, the Global Luxury Goods market made a total revenue of USD 312.6bn, it is expected that it will grow at 5.0% CAGR up to 2028. The largest segment, Luxury Fashion, accounted for USD 97.23bn in 2022. The market's growth trajectory hinges on High-Net-Worth Individuals and global tourism. Nearly half of luxury goods are purchased during international travel or in travel retail stores.

The Luxury Fashion market, in 2022, surged to a revenue of US\$97.2 billion, marking a 4.9% increase from the previous year. This growth was primarily propelled by a 5% rise in Luxury Apparel and a 4.6% increase in Luxury Footwear segments.

Industry Peers

The high-end luxury market and major luxury companies such as LVMH (Louis Vuitton, Fendi, Christian Dior), Kering (Gucci, Balenciaga, Bottega Veneta), or Capri Holdings (Michael Kors, Versace) have significant premium pricing power which makes it less affected by inflation than the rest mass-market producers.

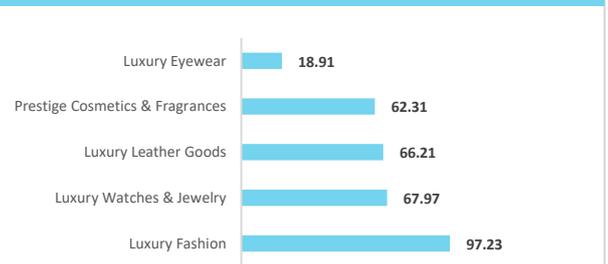
Vakko is a luxury brand and company, however, it lacks global recognition as its operations are taking place only in Turkey. As a result, VAKKO could be of less priority to fashion lovers than the above-mentioned luxury brands. This probably limits its premium pricing power, reducing potential margins and, hence, decreasing its value to shareholders on the fundamental multiples side.

To take account for this peculiarity and act conservatively we expanded peers' sample with some companies from the mass-market products segment, such as Adidas, H&M, Industria De Diseno Textil (Zara, Massimo Dutti, etc.).

Turkish Apparel Market

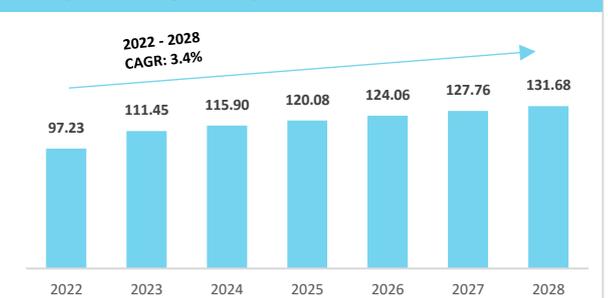
In 2022, Turkey's Apparel market revenue reached USD 14.9bn, and it is estimated to with 5.1% annual CAGR from 2022 to 2027. The largest segment, Women's Apparel, amounted to USD 7.93bn. By 2027, the market volume is anticipated to hit 4.6 billion pieces, with a slight -0.2% volume growth decline expected in 2024. On average, each person is expected to contribute 54.7 pieces to the Apparel market in 2023. Non-Luxury sales are projected to dominate, accounting for 99% of market sales. Notably, there's a rising demand for sustainable, locally produced clothing in Turkey's apparel market.

Luxury good segments Revenue (USD bn) worldwide in 2022



Source: Trive Analysis

Luxury fashion segment Expected Revenue (USD bn) 2022-2028



Source: Trive Analysis

Revenue (USD bn) of the top-10 luxury good companies in 2022



Source: Deloitte

Personal luxury goods market in 2022, by sales channel



Source: Bain & Company

B. Financial Highlights and Value Drivers

Recent Performance

Revenue in 3Q23 reached TRY 2.06bn (+82.2% y/y), slightly slowing down, however, still a significant upside. To some extent, this success stems from the low sensitivity of wealthy customers to price changes. Inelastic demand empowers VAKKO to benefit from premium pricing by growing sales in real terms and beating inflation.

Gross Margin (63.5% in 3Q23) has successfully consolidated around its new level between 60% to 65%, after its significant improvement in the last quarter of 2021. The figure fluctuated slightly since then and remained at the same level, indicating better cost management efficiency and premium pricing effect.

EBITDA Margin fell slightly to 29.2% (q/q) due to the abnormal marketing expense. Despite that, the margin looks stable and quite above the peers' sample values (TTM VAKKO vs median: 31.6% vs 21.5%). More on that is covered in the Relative Valuation section.

Net Margin follows the same pattern as EBITDA margin dynamics, 21.9% in the recent quarter. The bottom line's margin is even superior to peers' figures.

Overall, Vakko's top line performance coupled with performance on the top line and its conversion into EBITDA and bottom line is notably superior to major sector peers.

Superior Returns

In addition to operating outperformance, VAKKO demonstrates outstanding Returns on Assets and Equity (ROA and ROE): 36.4% and 80.9% correspondingly vs 7.7% and 21.1% industry medians.

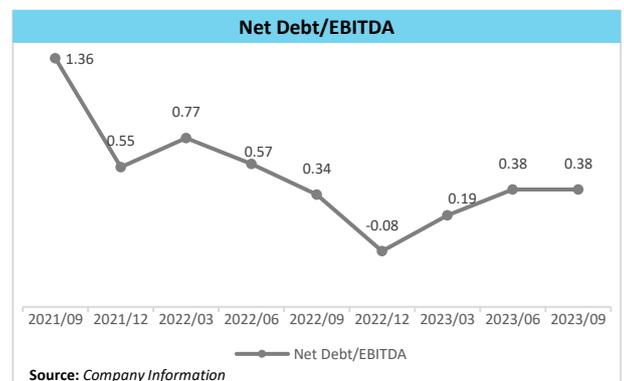
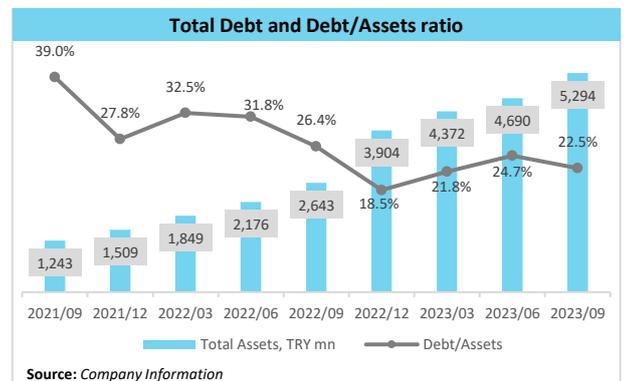
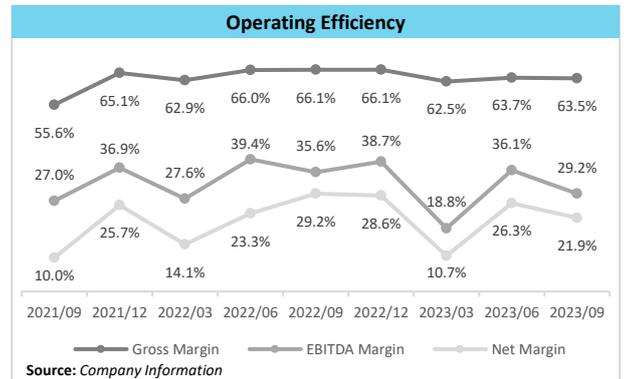
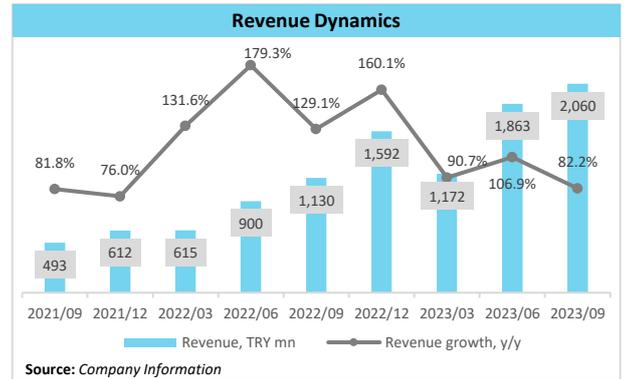
Strong Financial Condition

Total Debt, as of the quarter's end, amounted to TRY 1.19bn, with a 62.3% share of the short-term debt obligations, staying at its normal level. The proportion of Debt to Assets is 22.5% and it is one of the lowest values in several years.

Net Debt/EBITDA ratio left the negative zone that was reached in latest quarter of the previous year, and is consolidating around the 0.38x level. It is a very healthy figure, as the median of the comparables sample is fluctuating around 1.76x.

Liquidity ratios, such as Current (1.56x), Quick (0.28x), Cash ratios (0.18x), are less than widely accepted levels, however, seem stable.

We believe that strong financial position grants VAKKO immunity against macroeconomic turmoils as well as it increases management's control over company and its strategic actions.



C. Valuation

We initiate our VAKKO coverage with a BUY recommendation and a target price of TRY 144.94, indicating an upside potential of 110% on the 12-month horizon.

Our target price estimate is a blended result of 2 valuation techniques: Relative Valuation and DCF Valuation, with equal 50% weights. Each valuation produces its own target price estimate. The sensitivity table of target price and upside potential to each valuation approach weight is presented in the following section.

Relative Valuation

Overall, the peer sample consisted of 18 companies. VAKKO beats peers' medians on the majority of forward 24E multiples. The most relevant highlights are EV/EBITDA – 3.52x vs 9.22x; P/E – 4.41x vs 15.03x. Indeed, it is clear from the peer comparison table that VAKKO demonstrates superior performance turning Revenues into EBITDA and Net Income. Relative Valuation indicates 121% upside potential.

DCF Valuation

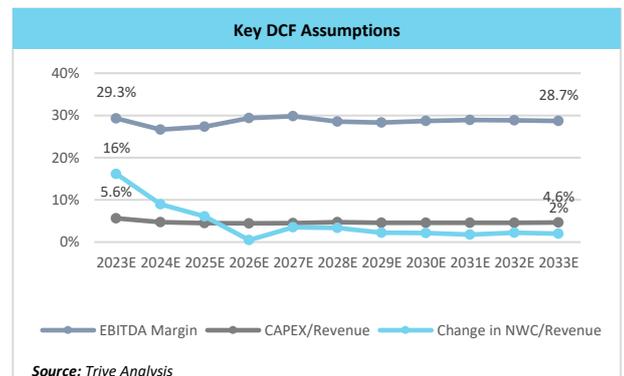
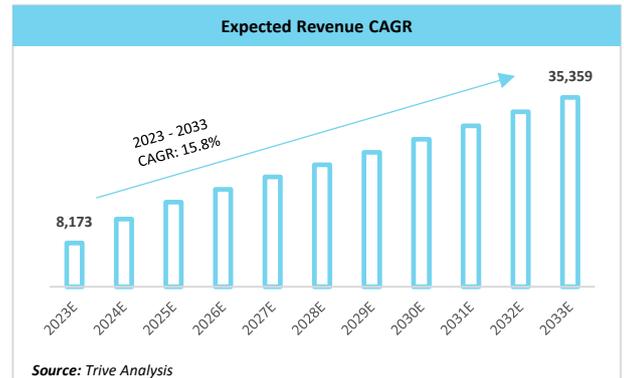
In our DCF valuation we aimed to model Vakko's Free Cash Flows with a high degree of conservatism starting from the very top line, and still, we've obtained a Fair Value of TRY 21.95bn, promising 98% of upside potential on a 12-month horizon. In our model we utilize floating WACC.

As per **Revenue**, we expected VAKKO to earn approximately TRY 8.17bn in 2023, which is equivalent to 92.8% growth over FY22 topline. On the longer term we assume that company's revenue will grow slightly above the real GDP growth rate until 2027. After that, revenue will grow in line with inflation and real GDP growth. Overall, VAKKO's revenue is expected to growth at 15.8% CAGR in the forecasted period of 2023-2033.

The **EBITDA margin** for the current year was set according to the 9M23 cumulative EBITDA margin, at 29.3%. Further years values were determined as a 5Y moving average.

Depreciation & Amortization-to-Revenue in FY23 was estimated as a 9M23 cumulative share. However, in the years between 2024 and 2033, it decreased from 5Y average to its normal level of 3% with CAGR of -10.3%.

The **NWC** is kept simple as 5Y moving average share of Revenue. For the **CAPEX/Revenue** ratio we applied the same methodology as for the Depreciation & Amortization.



Valuation Method	Weight	Fair Value	Target Price
DCF	50%	21,946	137.16
Relative Valuation (blended)	50%	24,436	152.73
Target Price		23,191	144.94
Current Price (TRY)			69.15
Potential (%)			110%
Shares Outstanding (mn)			160
Implied Fair Value (TRY mn)			23,191
Market Cap. (TRY mn)			11,064

Source: Trive Analysis

D. DCF Valuation

All values in million Turkish Lira unless stated otherwise

TRY mn	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenue	8,173	12,643	15,802	18,212	20,547	22,794	25,141	27,578	30,098	32,695	35,359
Revenue Growth	92.8%	54.7%	25.0%	15.3%	12.8%	10.9%	10.3%	9.7%	9.1%	8.6%	8.2%
Real Revenue Growth	16.9%	12.1%	8.7%	6.2%	4.5%	3.2%	3.2%	3.1%	3.1%	3.0%	3.0%
EBITDA	2,396	3,368	4,323	5,353	6,127	6,498	7,126	7,910	8,713	9,436	10,137
EBITDA Growth	55%	41%	28%	24%	14%	6%	10%	11%	10%	8%	7%
EBITDA Margin	29.3%	26.6%	27.4%	29.4%	29.8%	28.5%	28.3%	28.7%	28.9%	28.9%	28.7%
EBIT	1,970	2,364	3,196	4,187	4,947	5,323	5,963	6,766	7,592	8,343	9,076
EBIT Growth	48%	20%	35%	31%	18%	8%	12%	13%	12%	10%	9%
EBIT Margin	24%	19%	20%	23%	24%	23%	24%	25%	25%	26%	26%
Tax (-)	258	352	542	808	1,087	1,331	1,491	1,691	1,898	2,086	2,269
Effective Tax Rate	13%	15%	17%	19%	22%	25%	25%	25%	25%	25%	25%
NOPAT	1,712	2,011	2,654	3,379	3,860	3,992	4,472	5,074	5,694	6,257	6,807
NOPAT Growth	45%	18%	32%	27%	14%	3%	12%	13%	12%	10%	9%
NOPAT Margin	20.9%	15.9%	16.8%	18.6%	18.8%	17.5%	17.8%	18.4%	18.9%	19.1%	19.3%
Depr. & Amort. (+)	426	1,005	1,127	1,166	1,180	1,175	1,163	1,145	1,121	1,093	1,061
Depreciation/Capex	93%	169%	159%	144%	127%	108%	101%	91%	82%	73%	65%
Depreciation/Revenue	5.2%	7.9%	7.1%	6.4%	5.7%	5.2%	4.6%	4.2%	3.7%	3.3%	3.0%
Change in NWC (-)	1,321	1,131	962	88	714	772	556	583	537	719	709
Change in NWC/Revenue	16%	9%	6%	0%	3%	3%	2%	2%	2%	2%	2%
Net Working Capital (NWC)	2,161	3,291	4,253	4,341	5,056	5,827	6,383	6,967	7,504	8,223	8,932
NWC/Revenue	26.4%	26.0%	26.9%	23.8%	24.6%	25.6%	25.4%	25.3%	24.9%	25.2%	25.3%
CAPEX (-)	460	594	708	809	928	1,084	1,151	1,256	1,375	1,502	1,630
CAPEX/Revenue	5.6%	4.7%	4.5%	4.4%	4.5%	4.8%	4.6%	4.6%	4.6%	4.6%	4.6%
CAPEX/EBITDA	19%	18%	16%	15%	15%	17%	16%	16%	16%	16%	16%
Net Income	1,710	2,511	3,492	3,818	4,309	4,866	5,303	5,829	6,379	6,912	7,481
Net Income / EBITDA	71%	75%	81%	71%	70%	75%	74%	74%	73%	73%	74%
Net Income Margin	21%	20%	22%	21%	21%	21%	21%	21%	21%	21%	21%
Free Cash Flows	356	1,292	2,111	3,647	3,398	3,312	3,928	4,380	4,903	5,129	5,529
FCF/Revenue	4%	10%	13%	20%	17%	15%	16%	16%	16%	16%	16%
FCF/EBITDA	15%	38%	49%	68%	55%	51%	55%	55%	56%	54%	55%
Risk Free Rate	37.6%	33.1%	29.2%	25.7%	22.6%	19.9%	17.5%	15.4%	13.6%	11.9%	10.5%
Beta	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Risk Premium	19%	17%	15%	13%	11%	10%	9%	8%	7%	6%	5%
Cost of Equity	56%	50%	44%	38%	34%	30%	26%	23%	20%	18%	16%
Cost of Debt After Tax	49%	42%	36%	31%	26%	22%	20%	17%	15%	13%	12%
Equity Percentage	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Debt Percentage	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
WACC	55.7%	49.0%	43.0%	37.8%	33.2%	29.1%	25.6%	22.5%	19.8%	17.5%	15.4%
Present Value Calculation											
Discount Factor		1.22	0.85	0.62	0.46	0.36	0.29	0.23	0.19	0.17	0.14
Discounted Cash Flows (1 year forward)		1,570	1,795	2,250	1,575	1,189	1,123	1,021	954	850	794
PV of Free Cash Flows (1 year forward)	13,121										
Terminal Growth Rate	6.6%										
Terminal Value	67,021										
Exit Multiple: Terminal Value to FCF	12.1										
PV of Terminal Value (1 year forward)	9,625										
Net Debt	801										
Fair Value	21,946										
Number of shares outstanding (mn)	160										
Estimated 12M Price target (TRY)	137.16										
Current Stock Price (TRY)	69.15										
Potential (%)	98%										
Implied Multiples	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
EV/Sales	1.45	0.94	0.75	0.65	0.58	0.52	0.47	0.43	0.39	0.36	0.34
EV/EBITDA	4.95	3.52	2.74	2.22	1.94	1.83	1.67	1.50	1.36	1.26	1.17
P/E	6.47	4.41	3.17	2.90	2.57	2.27	2.09	1.90	1.73	1.60	1.48

Source: Trive Analysis

E. Relative Valuation

Company	Country	Market Cap. (USD mn.)	EV/Revenue TTM	EV/Revenue 2023E	EV/Revenue 2024E	EV/EBITDA TTM	EV/EBITDA 2023E	EV/EBITDA 2024E	P/B TTM	P/E TTM	P/E 2023E	P/E 2024E	EBITDA Margin (%) TTM	EBITDA Margin (%) 2023E	EBITDA Margin (%) 2024E	Net Margin (%) TTM	Net Margin (%) 2023E	Net Margin (%) 2024E	CAPEX/Revenue (%)	Net Debt/EBITDA	ROA (%)	ROE (%)
Vakko Tekstil Premium (+)/Discount (-)	Turkey	379	1.77	1.45	0.94	5.62	4.95	3.52	4.46	7.27	6.47	4.41	31.55	29.32	26.64	22.76	20.93	19.86	4.73	0.38	36.41	80.86
Global Median			1.90	1.75	1.66	9.89	10.26	9.22	3.84	19.33	18.01	15.03	21.53	21.38	21.59	7.56	8.63	9.42	4.69	1.76	7.73	21.06
International																						
LVMH MOET HENNESSY LC	France	409,239	4.72	4.65	4.35	13.95	13.95	13.46	6.42	23.10	23.54	21.86	33.84	33.34	32.32	18.93	18.30	18.43	7.86	0.97	11.87	29.40
KERING SA	France	54,251	2.83	2.97	2.83	4.05	8.86	8.52	3.37	14.39	15.39	15.03	69.75	33.55	33.18	16.59	16.32	15.89	12.08	1.13	10.02	24.34
COMPAGNIE FINANCIERE PRADA SPA	Switzerland	73,015	3.32	3.41	3.24	11.15	10.39		3.72	11.34	18.32	16.96	30.59	31.24	17.93	12.56	17.45	17.93	4.83		15.24	32.97
BURBERRY GROUP PLC	United Kingdom	6,486	1.90	1.94	1.86	5.90	6.74	6.44	4.59	11.19	13.68	12.71	40.38	36.83	37.32	10.04	14.11	14.79	5.21		6.25	13.06
CAPRI HOLDINGS LTD	United States	5,851	1.75	1.76	1.72	13.08	11.75	10.80	3.06	17.78	11.07	9.68	13.40	14.99	15.91	6.13	9.89	11.04	4.29	4.94	4.47	16.56
RALPH LAUREN CORP	United States	5,802	1.65	1.64	1.56	11.09	10.34	9.59	3.98	17.87	15.37	13.98	14.89	15.86	16.31	8.12	5.76	6.04	3.32	1.35	7.73	22.06
MONCLER SPA	Italy	16,994	5.59			14.41			5.60	28.44			38.79			19.17			7.09	0.36	12.64	19.94
SALVATORE FERRAGAMO	Italy	2,288	2.08			9.66			2.82	67.89			21.53			2.50			4.55	1.89	1.73	4.15
ERMEGILDO ZEGNA NV	Italy	2,898	2.07	1.74	1.57	9.19	7.99	6.99	3.50	32.72	25.86	20.48	22.52	21.79	22.52	5.06	5.38	6.14	4.96	1.76	3.29	12.01
HUGO BOSS AG	Germany	5,201	1.41	1.38	1.25	7.92	7.44	6.36	3.84	19.33	17.96	14.07	17.81	18.52	19.73	5.95	6.26	7.28	6.46	1.43	7.66	21.30
CANADA GOOSE HOLDING	Canada	582	1.32	1.28	1.14	7.57	5.98	5.27	2.21	14.24	18.07	14.65	17.44	21.38	21.59	4.42	3.37	3.70	5.57	3.94	3.46	13.36
ADIDAS AG	Germany	36,625	1.73	1.74	1.61	26.26	26.64	15.34	6.37			41.76	6.59	6.54	10.50	-0.95	-0.23	3.39	2.26	3.41		
NIKE INC	United States	132,218	3.23	3.22	3.02	6.71	23.48	19.64	11.62	31.02	29.59	25.42	48.19	13.70	15.36	10.28	8.63	9.42	0.91	0.35	13.98	36.84
HENNES & MAURITZ	Sweden	24,835	1.55			11.26			6.11	46.35			13.81			2.67			3.39	2.29	3.41	12.64
INDUSTRIA DE DISENO TEI	Spain	134,481	3.29	3.22	3.00	7.96	11.77	10.96	7.01	23.69	22.71	20.73	41.42	27.33	27.40	14.63	14.90	15.23	4.03		16.17	31.15
PVH CORP	United States	7,261	1.15	1.16	1.16	10.13	8.67	8.30	1.44	13.69	11.63	10.20	11.31	13.33	14.03	5.76	6.83	7.84	2.81	3.17	4.62	10.59
UNDER ARMOUR INC	United States	1,665	0.80	0.81	0.78	10.70	10.19	8.84	1.85	9.42	17.67	14.70	7.46	8.00	8.87	7.00	1.64	1.90	3.04	1.87	8.52	21.06

Source: EquityRT and Trive Analysis

EV/Revenue based Fair Value	
Revenue, 24E (TRY mn)	12,643
Median EV/Sales, 24E	1.66
Net Debt, 9M23	801
Implied Fair Value (TRY mn)	20,237
Shares Outstanding (mn)	160
Implied Share Price (TRY)	126.48
Current Price (TRY)	69.15
Potential (%)	83%

Source: Trive Analysis

EV/EBITDA based Fair Value	
EBITDA, 24E (TRY mn)	3,368
Median EV/EBITDA, 24E	9.22
Net Debt, 9M23	801
Implied Fair Value (TRY mn)	30,244
Shares Outstanding (mn)	160
Implied Share Price (TRY)	189.03
Current Price (TRY)	69.15
Potential (%)	173%

Source: Trive Analysis

P/E based Fair Value	
Net Income, 24E (TRY mn)	2,511
Median P/E, 24E	15.03
Implied Fair Value (TRY mn)	37,735
Shares Outstanding (mn)	160
Implied Share Price (TRY)	235.84
Current Price (TRY)	69.15
Potential (%)	241%

Source: Trive Analysis

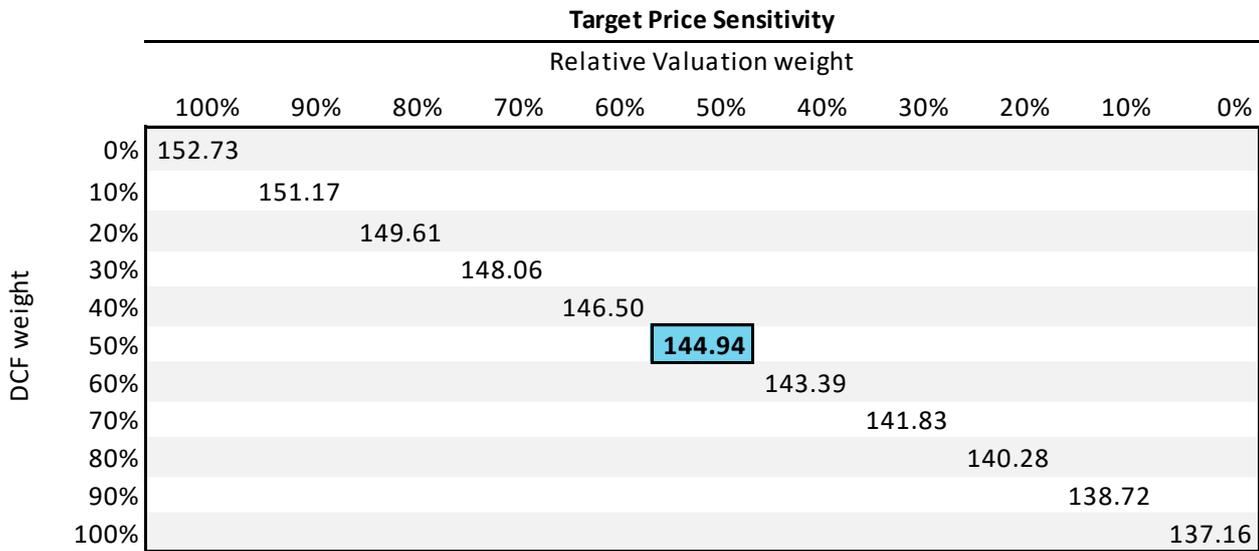
P/B based Fair Value	
Book Value (TRY mn)	2,482
Median P/B	3.84
Implied Fair Value (TRY mn)	9,529
Shares Outstanding (mn)	160
Implied Share Price (TRY)	59.56
Current Price (TRY)	69.15
Potential (%)	-14%

Source: Trive Analysis

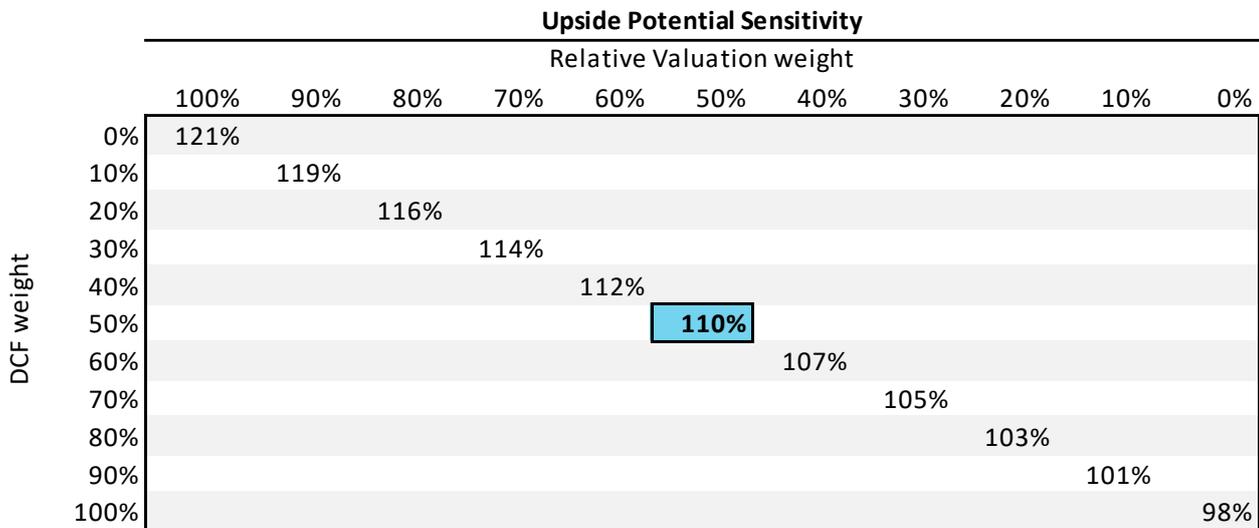
Relative Valuation (blended)	
Implied Fair Value (TRY mn)	24,436
Implied Share Price (TRY)	152.73
Potential (%)	121%

Source: Trive Analysis

F. Valuation Sensitivity Analysis

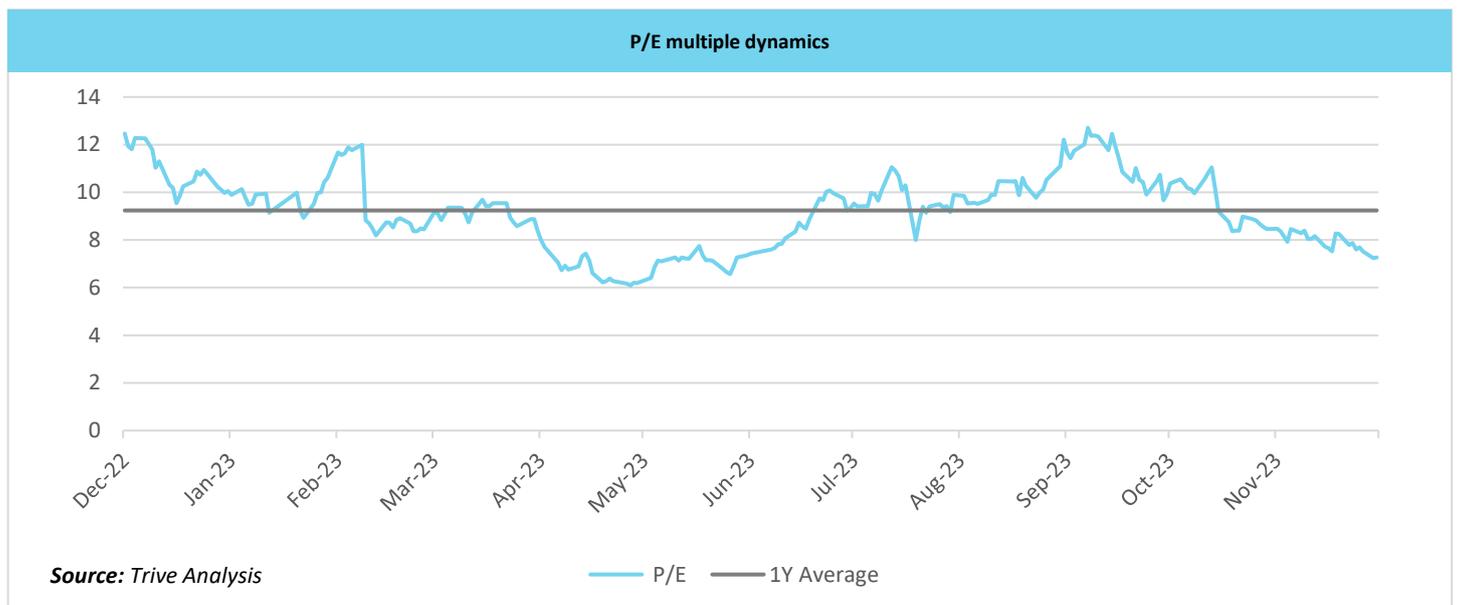
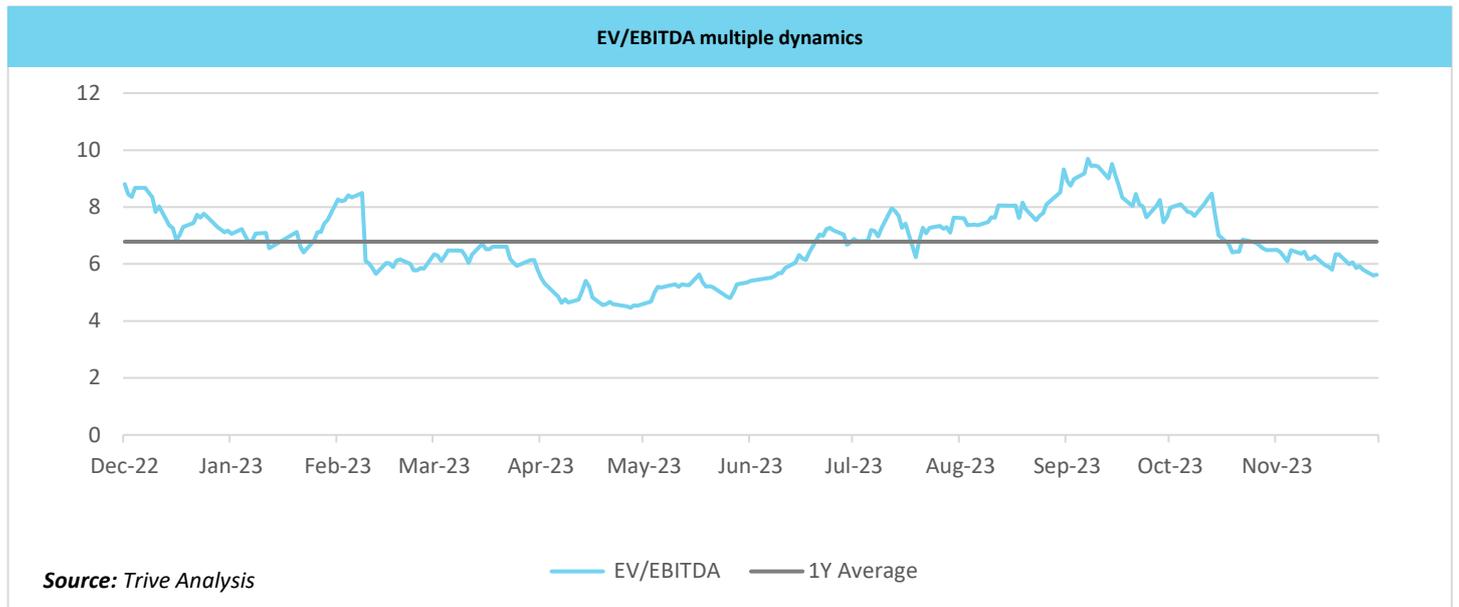


Source: Trive Analysis

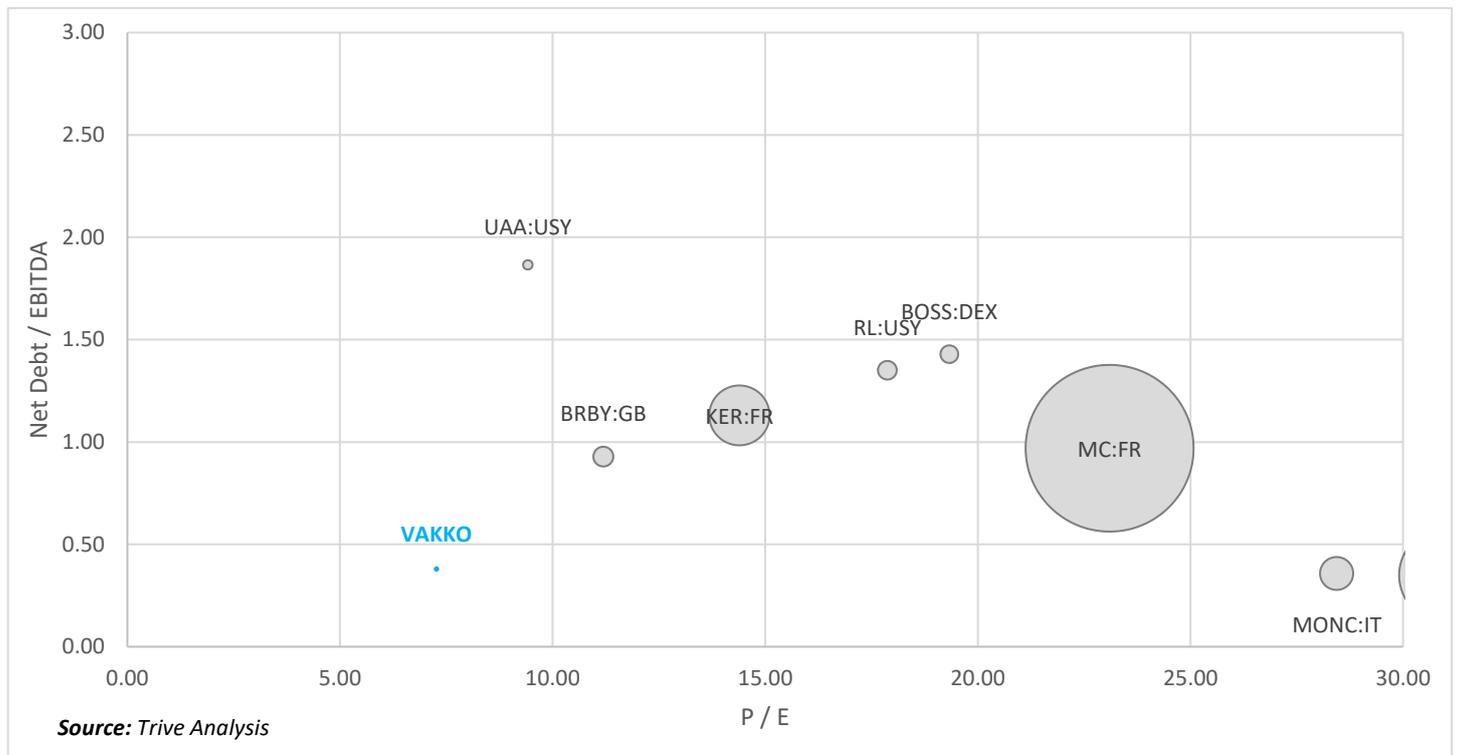
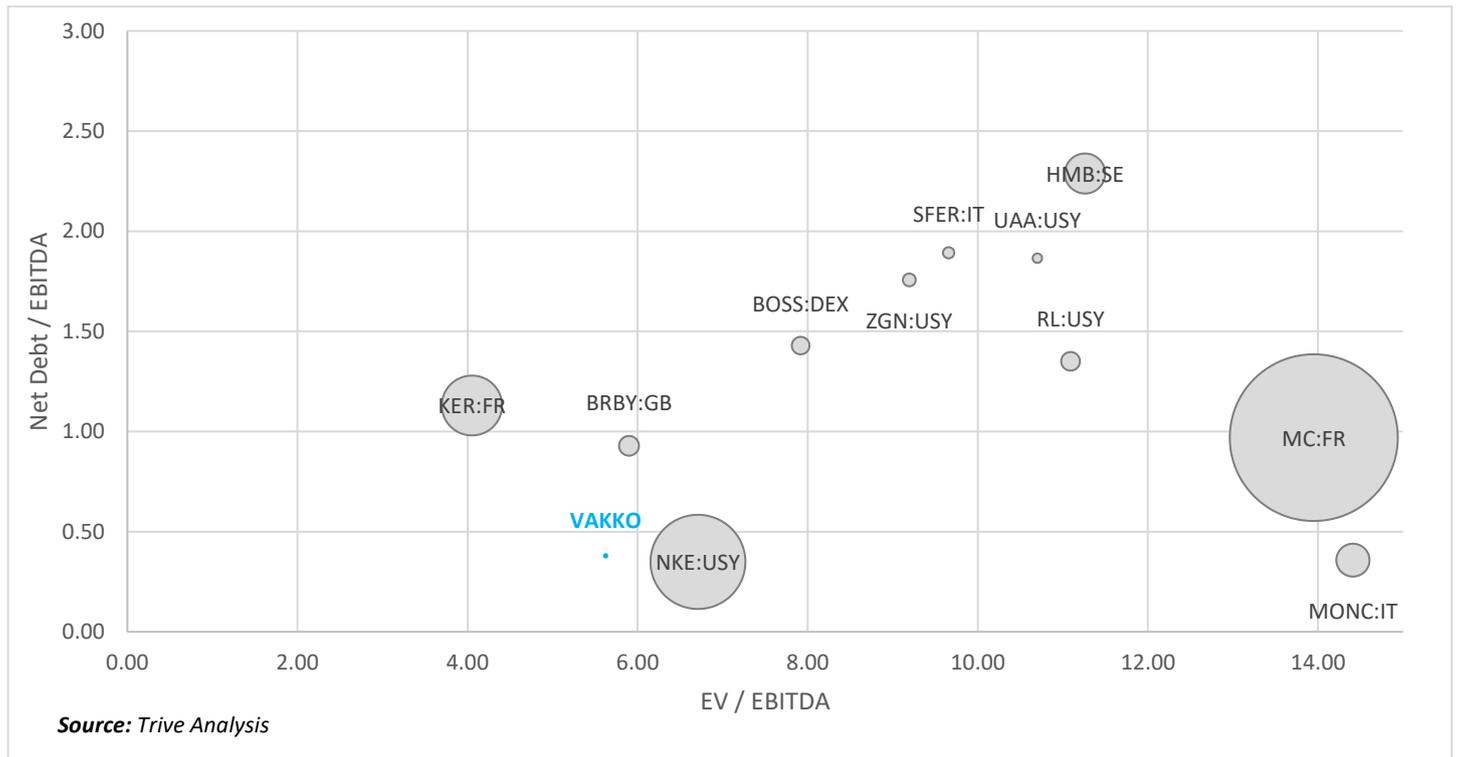


Source: Trive Analysis

G. Historical Valuation Multiples



H. Market Mapping (Bubble Charts)



I. Financial Summary

	2021/09	2021/12	2022/03	2022/06	2022/09	2022/12	2023/03	2023/06	2023/09
Quarterly Operations (TRY mn)									
Revenue	493	612	615	900	1,130	1,592	1,172	1,863	2,060
Gross Profit	275	399	387	594	747	1,052	733	1,188	1,308
EBITDA	133	226	170	355	402	616	221	672	601
Net Profit	49	157	86	210	330	456	125	490	451
Quarterly Margins									
Gross Margin	55.6%	65.1%	62.9%	66.0%	66.1%	66.1%	62.5%	63.7%	63.5%
EBITDA Margin	27.0%	36.9%	27.6%	39.4%	35.6%	38.7%	18.8%	36.1%	29.2%
Net Profit Margin	10.0%	25.7%	14.1%	23.3%	29.2%	28.6%	10.7%	26.3%	21.9%
Quarterly Growth, Q/Q									
Revenue	53.1%	24.1%	0.4%	46.5%	25.5%	40.9%	-26.4%	59.0%	10.6%
Gross Profit	62.5%	45.3%	-3.0%	53.6%	25.8%	40.9%	-30.3%	62.0%	10.2%
EBITDA	114.4%	69.9%	-24.8%	108.7%	13.4%	53.2%	-64.2%	204.8%	-10.6%
Net Profit	231.0%	218.4%	-45.1%	142.4%	57.3%	38.3%	-72.6%	291.9%	-7.9%
Quarterly Growth, Y/Y									
Revenue	81.8%	76.0%	131.6%	179.3%	129.1%	160.1%	90.7%	106.9%	82.2%
Gross Profit	105.0%	112.6%	193.6%	251.6%	172.1%	163.8%	89.5%	100.0%	75.1%
EBITDA	223.1%	145.2%	324.5%	471.8%	202.3%	172.5%	29.8%	89.5%	49.4%
Net Profit	853.2%	302.0%	14011.3%	1302.4%	566.4%	189.5%	44.6%	133.8%	37.0%
Cumulative Operations (TRY mn)									
Revenue	1,081	1,693	615	1,515	2,645	4,238	1,172	3,035	5,095
Gross Profit	575	974	387	981	1,728	2,780	733	1,920	3,229
EBITDA	235	461	170	525	927	1,543	221	893	1,494
Net Profit	65	222	86	296	626	1,081	125	615	1,066
Cumulative Margins									
Gross Margin	53.2%	57.5%	62.9%	64.7%	65.3%	65.6%	62.5%	63.3%	63.4%
EBITDA Margin	21.7%	27.2%	27.6%	34.6%	35.0%	36.4%	18.8%	29.4%	29.3%
Net Profit Margin	6.0%	13.1%	14.1%	19.5%	23.6%	25.5%	10.7%	20.3%	20.9%
Cumulative Growth, Y/Y									
Revenue	69.9%	72.1%	131.6%	157.8%	144.7%	150.3%	90.7%	100.3%	92.6%
EBITDA	205.7%	172.7%	324.5%	414.0%	294.2%	234.6%	29.8%	70.1%	61.2%
Net Profit	-352.4%	1558.3%	14011.3%	1803.0%	862.3%	386.1%	44.6%	107.7%	70.5%
TTM Operations (TRY mn)									
Revenue	1,429	1,693	2,043	2,621	3,258	4,238	4,795	5,758	6,687
Gross Profit	763	974	1,229	1,654	2,126	2,780	3,126	3,719	4,281
EBITDA	327	461	591	884	1,153	1,543	1,593	1,911	2,110
Net Profit	104	222	308	503	783	1,081	1,120	1,400	1,522
TTM Margins									
Gross Margin	53.4%	57.5%	60.2%	63.1%	65.3%	65.6%	65.2%	64.6%	64.0%
EBITDA Margin	22.9%	27.2%	28.9%	33.7%	35.4%	36.4%	33.2%	33.2%	31.5%
Net Profit Margin	7.3%	13.1%	15.1%	19.2%	24.0%	25.5%	23.4%	24.3%	22.8%
TTM Growth, Y/Y									
Revenue	43.6%	72.1%	112.2%	117.1%	128.0%	150.3%	134.8%	119.7%	105.3%
Gross Profit	49.4%	94.1%	147.3%	165.8%	178.8%	185.4%	154.3%	124.9%	101.3%
EBITDA	76.8%	172.7%	247.1%	275.4%	252.2%	234.6%	169.6%	116.2%	83.0%
Net Profit	756.3%	1558.3%	1676.1%	739.4%	651.6%	386.1%	263.3%	178.4%	94.4%
Indebtedness									
Short Term Debt	297	210	345	412	442	464	586	678	743
Long Term Debt	187	209	256	280	257	258	368	481	448
Total Debt	484	419	601	692	699	722	954	1,160	1,191
ST Debt / Total Debt	61.3%	50.1%	57.4%	59.5%	63.3%	64.2%	61.4%	58.5%	62.3%
LT Debt / Total Debt	38.7%	49.9%	42.6%	40.5%	36.7%	35.8%	38.6%	41.5%	37.7%
Total Assets	1,243	1,509	1,849	2,176	2,643	3,904	4,372	4,690	5,294
Total Debt / Total Assets	39.0%	27.8%	32.5%	31.8%	26.4%	18.5%	21.8%	24.7%	22.5%
Cash & Cash Equivalents	38	166	148	186	305	849	659	432	390
Net Debt	446	253	453	506	394	-127	295	728	801
Net Debt / EBITDA	1.36	0.55	0.77	0.57	0.34	-0.08	0.19	0.38	0.38
Working Capital									
Receivables Days	20.1	19.0	16.4	16.5	16.0	13.2	11.8	10.6	9.3
Inventory Days	302.7	288.3	277.9	259.4	260.0	244.7	268.2	262.4	268.8
Payables Days	129.4	136.4	141.1	138.7	137.7	130.6	135.3	129.8	126.8
Cash Cycle	193.4	170.8	153.2	137.1	138.3	127.3	144.6	143.2	151.3
Net Working Capital	402	339	464	642	787	839	1,102	1,197	1,646
NWC / Revenue	27.9%	23.1%	19.6%	16.9%	16.2%	14.5%	16.0%	15.9%	16.7%

Source: Trive Analysis

J. Financial Statements

Balance Sheet (TRY mn)	2020	2021	2022	9M22	9M23
Current Assets	721	932	2,540	1,813	3,378
Cash and cash equivalents	56	166	788	247	245
Financial investments	-	-	61	58	145
Trade Receivables	83	110	149	200	228
Other Receivables	0	3	2	1	1
Inventories	535	592	1,426	1,158	2,455
Prepayments	25	50	109	128	263
Other Current Assets	21	12	6	22	42
Non-Current Assets	561	576	1,363	830	1,915
Other Receivables	0	0	0	0	0
Financial Investments	-	-	0	-	0
Propert, plant and equipment	344	354	958	406	1,154
Right-of-Use Assets	209	194	319	285	581
Intangible Assets and Goodwill	7	19	23	20	33
Prepaid expences	-	-	-	-	3
Defered tax assets	-	9	62	119	144
Total Assets	1,282	1,509	3,904	2,643	5,294
Short-Term Liabilities	514	725	1,508	1,178	2,170
Short-term borrowings	153	27	270	257	369
Short-term portion of long-term borrowings	104	183	194	185	374
Trade payables	202	363	736	571	1,037
Current Payables On Financial Sector Operatic	-	-	-	-	-
Payables related to employee benefits	4	7	18	16	33
Other payables	2	5	5	5	11
Deferred revenue	38	84	129	63	173
Current tax liabilities	1	41	106	49	116
Short-term provisions	4	7	15	11	26
Other short-term liabilities	5	9	35	21	31
Long-Term Liabilities	378	260	512	460	642
Long Term Debt	303	209	258	257	448
Deferred Income Other Than Contract Liabiliti	46	22	163	150	126
Long Term Provisions	22	29	91	54	67
Deferred Tax Liabilities	6	-	-	-	-
Total Liabilities	891	985	2,020	1,638	2,812
Equity attributable to owners of the parent	390	523	1,884	1,005	2,482
Paid in Capital	160	160	160	160	160
Other Accumulated Comprehensive Income Tr	119	113	564	141	525
Restricted Reserves Appropriated From Profit:	9	22	49	49	49
Retained Earnings	89	5	30	30	682
Net Income/Loss for the Period	13	222	1,081	626	1,066
Non-controlling interests	0	0	0	0	0
Total Equity	390	523	1,884	1,005	2,482
Total Equity and Liabilities	1,282	1,509	3,904	2,643	5,294

Source: Company Information

Income Statement (TRY mn)	2020	2021	2022	9M22	9M23	TTM 1Y ago	TTM
Total Revenue	984	1,693	4,238	2,645	5,095	3,258	6,687
Revenue (TRY, mn)	984	1,693	4,238	2,645	5,095	3,258	6,687
Revenue from FSO	-	-	-	-	-	-	-
Total Cost of Revenue	482	719	1,458	918	1,866	1,131	2,407
Cost of Revenue	482	719	1,458	918	1,866	1,131	2,407
Cost of Revenue from FSO	-	-	-	-	-	-	-
Total Gross Profit	502	974	2,780	1,728	3,229	2,126	4,281
Gross Profit	502	974	2,780	1,728	3,229	2,126	4,281
Gross Profit from FSO	-	-	-	-	-	-	-
Operating Expenses	460	658	1,447	960	2,001	1,169	2,488
Core Operating Profit	42	316	1,333	768	1,228	958	1,793
Other Operating Income	44	63	107	72	163	101	197
Other Operating Expense	25	35	76	40	33	53	70
Other Operating Gains/(Losses)	-	-	-	-	-	-	-
Operating Profit	60	343	1,363	801	1,358	1,006	1,920
Investment Profit/(Loss)	0	0	5	5	38	5	38
Finance Profit/(Loss)	-46	-67	-135	-102	-176	-118	-210
Profit Before Tax	15	277	1,233	704	1,220	893	1,748
Tax Expense	1	54	151	79	153	110	226
Effective Tax Rate	8.1%	19.6%	12.3%	11.2%	12.6%	12.3%	12.9%
Total Profit/(Loss)	13	222	1,081	626	1,066	782.97	1,522
Profit/(Loss) To Noncontr. Interests	0	(0)	0	0	0	(0)	0
Profit/(Loss) To Owners Of Parent	13	222	1,081	626	1,066	783	1,522

Source: Company Information

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