

Coca-Cola İçecek

Price Target Revision

22/12/2023

BUY

Upside Potential 33%

We increase our target price for CCOLA shares to TL 657/share and maintain our BUY recommendation after revising our macro assumptions and rolling our DCF. Our target price indicates 6x 24E EV/EBITDA multiple. International peers are currently trading with 7.5x 24 EV/EBITDA on average. The current share price of CCOLA indicates 39% and 28% discounts to its international peers based on 2024 EV/EBITDA and P/E multiples, respectively. We think that the defensive business model, pricing advantage of the company and FX-based revenue stream offers a tempting investment theme.

Even though Pakistan volumes were under pressure in 2023 due to challenging macro-economic conditions, price hikes in Turkey and volume growth of other countries, especially Uzbekistan operations supported the top-line growth. We might see a recovery in Pakistan volumes in 2024 due to this year's low base. We see an upside risk on company's full year EBIT guidance of flat-slight expansion in 2023. Our revised assumptions indicate around 60% revenue growth and flattish operating margins in 2024. We do not expect company's Net Debt/EBITDA to exceed 1.5-2x levels after the Pakistan share purchase and potential Bangladesh operation acquisition.

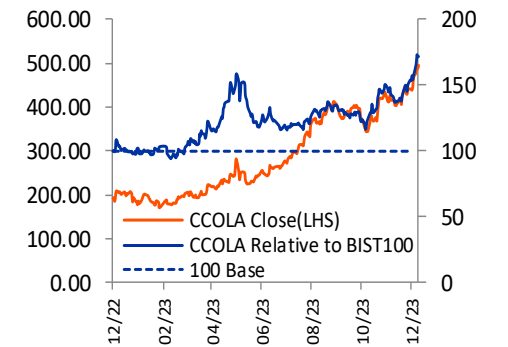
Considering the company's track record in countries with low consumption per capita, we think that the potential acquisition of Bangladesh operations might be a catalyst for the stock. Raw material cost increases for the unhedged part and demand in Turkey and Pakistan seem to be the main risks for the company.

Stock Data	TL	US\$
Price	494.00	16.95
Target Price	657.00	22.20
Prev.TP	513.00	17.10
Mcap (mn)	125,659	4,312
Float Mcap (mn)	36,253	1,244
Avg.Daily Volume (3M, mn)	193.6	7.2
No. of Shares Outstanding (mn)		254
Free Float (%)		29
Foreign Share (%)		81

Price Perf. (%)	1 Mn	Ytd	12 Mn
TL	19.6	144.5	141.1
US\$	18.2	57.2	54.5
Rel.to BIST-100	24.0	73.5	68.6

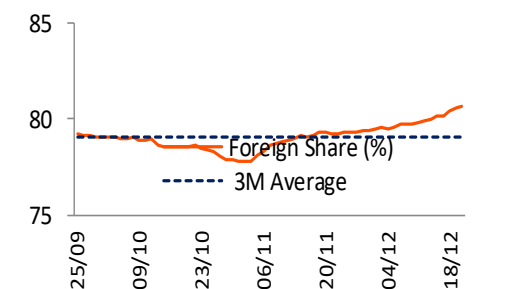
Multiples	2022	2023	2024
P/E	29.0	13.4	8.3
P/BV	6.2	3.5	2.5
EV/EBITDA	14.2	7.4	4.6

Price / Relative Price



52 Week Range (Close TL) 171.49 494.75

Foreign Share (%) Cur.(%) : 80.71



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Coca-Cola İçecek

Shareholder Structure (%)

Anadolu Efes Biracılık Ve Malt San Aş	40.1
Other	29.7
The Coca-Cola Export Corporation	20.1
Efes Pazarlama Ve Dağıtım Ticaret A.Ş.	10.1

Company Description

Coca-Cola İçecek (CCI), the sixth-largest bottler in the Coca-Cola system in terms of sales volume, offers a wide range of product portfolio with valuable brands of the Coca-Cola Company. CCI operates in 10 countries including Turkey, Pakistan, Kazakhstan, Azerbaijan, Iraq, Jordan, Kyrgyzstan, Syria, Tajikistan and Turkmenistan.

Income Statement (mn ₺)	2021A	2022A	2023E	2024E
Net Sales	21,930	53,530	93,841	149,646
Gross Profit (Loss)	7,717	17,374	33,139	52,407
Operating Expenses	4,225	9,046	16,127	25,361
Core Operating Profit	3,492	8,328	17,013	27,046
Non-operating Income (Exp.)	-59	-321	271	0
Net Financial Income (Exp.)	225	-1,319	-2,979	-4,206
PBT	3,572	6,903	14,764	22,831
Tax Expense (Income)	1,151	2,262	4,984	7,708
Net Profit	2,271	4,331	9,399	15,123
Recurring Net Profit	2,271	4,331	9,399	15,123
NOPAT	2,341	6,065	12,028	19,338
EBITDA	4,592	10,150	19,492	30,999
Growth & Operating Perf.	2021A	2022A	2023E	2024E
Growth				
Net Sales	52%	144%	75%	59%
EBIT	59%	138%	104%	59%
EBITDA	47%	121%	92%	59%
Net Profit	84%	91%	117%	61%
Operating Performance				
Gross Margin	35.2%	32.5%	35.3%	35.0%
EBIT Margin	15.9%	15.6%	18.1%	18.1%
EBITDA Margin	20.9%	19.0%	20.8%	20.7%
Effective Tax Rate	32.2%	32.8%	33.8%	33.8%
Net Profit Margin	10.4%	8.1%	10.0%	10.1%
ROE	21.9%	26.1%	33.6%	35.5%
ROA	8.7%	9.4%	12.0%	13.6%

Ratio Analysis	2021A	2022A	2023E	2024E
Adj. P / E (x)	n.m	29.0	13.4	8.3
EV / EBITDA (x)	31.4	14.2	7.4	4.6
EV / Sales (x)	6.6	2.7	1.5	1.0
P / B (x)	9.6	6.2	3.5	2.5
EPS (₺)	8.9	17.0	37.0	59.5
DPS (₺)	0.0	2.4	2.8	6.5
Dividend Yield	3.5%	1.9%	1.2%	1.3%
Net Debt (Cash) (mn ₺)	5,175	6,074	19,527	16,572
Net Debt / EBITDA (x)	1.1	0.6	1.0	0.5
Net Debt / Equity (x)	0.3	0.3	0.5	0.3

Source: Is Investment

Balance Sheet (mn ₺)	2021A	2022A	2023E	2024E
Current Assets	10,713	28,090	45,785	63,568
Cash and Cash Equivalents	4,215	14,769	19,720	25,895
Short-Term Trade Receivables	1,870	3,716	10,284	12,300
Inventories	2,501	6,677	11,210	18,490
Other Current Assets	2,126	2,927	4,571	6,883
Long Term Assets	22,548	30,627	52,096	61,472
Tangible Fixed Assets	12,003	16,433	26,405	32,029
Intangible Fixed Assets	9,329	12,836	22,975	25,369
Other Long-Term Assets	741	1,358	2,716	4,074
Total Assets	33,262	58,717	97,881	125,041
Short Term Liabilities	7,483	17,225	39,032	50,028
Short-Term Financial Loans	1,368	5,788	19,889	20,412
Short-Term Trade Payables	3,957	8,284	14,906	23,877
Other Short-Term Liabilities	2,158	3,153	4,237	5,739
Long Term Liabilities	10,810	18,696	22,998	25,696
Long-Term Financial Loans	8,023	15,056	19,358	22,056
Other Long-Term Liabilities	2,309	3,638	3,638	3,638
Equity	14,970	22,796	35,850	49,317
Parent Shareholders Capital	13,055	20,171	35,850	49,317
Share Capital	254	254	254	254
Reserves and Other Items	10,530	15,586	26,197	33,939
Current Year Income (Losses)	2,271	4,331	9,399	15,123
Total Liabilities & Equity	33,262	58,717	97,881	125,041

Cash Flow (mn ₺)	2021A	2022A	2023E	2024E
Net Cash from Operations	3,957	6,870	9,322	20,347
Earnings Before Adjustments	2,421	4,641	9,779	15,123
Depreciation & Amortisation	1,100	1,822	2,479	3,953
Change in Working Capital	599	-1,349	-5,039	-1,135
Other Operating Cash Flow	-163	1,756	2,102	2,406
Cash from Inv. Operations	-3,927	-3,745	-14,148	-15,372
Capital Expenditures	-1,080	-3,058	-8,050	-11,972
Other Inv. Cash Flow	-2,846	-687	-6,098	-3,400
Free Cash Flow	30	3,125	-4,827	4,975
Cash from Fin. Operations	-549	6,743	8,949	-842
Net Change in Cash	-2,223	6,935	4,122	4,133

Coca-Cola İçecek

IFRS Income Statements (TL mn)	3Q22	4Q22	1Q23	2Q23	3Q23	9M22	9M23
Net Sales	17,413	12,758	15,556	23,273	31,734	40,772	70,563
Gross Profit	5,893	3,975	5,160	8,134	11,933	13,399	25,227
Operating Expenses	2,624	2,609	2,838	3,696	5,012	6,437	11,546
EBIT	3,269	1,365	2,322	4,438	6,921	6,962	13,681
Depreciation & Amortization	460	505	519	574	734	1,317	1,827
EBITDA	3,729	1,870	2,841	5,012	7,655	8,279	15,507
Non-Operating Income (Expense)	-373	-802	-436	-307	-687	-622	-1,429
Operating Income (Expense) from Other Operations	-24	-377	21	222	28	56	271
Profit (Loss) from Subsidiaries	-1	0	-9	-2	-4	-3	-15
Income (Expense) from Investing Activities	7	6	2	456	15	214	474
Net Financial Income (Expense)	-355	-431	-449	-983	-727	-889	-2,159
PBT	2,896	563	1,886	4,131	6,234	6,340	12,251
Tax Income (Expense)	-975	84	-812	-1,617	-1,693	-2,347	-4,122
Minority Interest	101	-2	39	126	215	312	380
Net Profit	1,819	649	1,035	2,388	4,327	3,682	7,749

Growth & Profitability	3Q22	4Q22	1Q23	2Q23	3Q23	9M22	9M23
Growth							
Sales Growth (y/y)	156%	129%	80%	58%	82%	149%	73%
Opex Growth (y/y)	143%	94%	87%	61%	91%	124%	79%
EBIT Growth (y/y)	143%	133%	75%	87%	112%	140%	96%
EBITDA Growth (y/y)	131%	105%	65%	77%	105%	125%	87%
NI Growth (y/y)	99%	181%	64%	94%	138%	80%	110%
Margins							
Gross Margin	33.8%	31.2%	33.2%	34.9%	37.6%	32.9%	35.8%
Opex to Sales	15.1%	20.5%	18.2%	15.9%	15.8%	15.8%	16.4%
EBIT Margin	18.8%	10.7%	14.9%	19.1%	21.8%	17.1%	19.4%
EBITDA Margin	21.4%	14.7%	18.3%	21.5%	24.1%	20.3%	22.0%
Net Margin	10.4%	5.1%	6.7%	10.3%	13.6%	9.0%	11.0%
ROE (Annualized)	24.8%	24.7%	24.6%	26.6%	32.6%	22.5%	26.6%
ROA (Annualized)	9.0%	8.8%	8.6%	9.0%	11.3%	8.5%	9.0%
Effective Tax Rate	33.7%	-15.0%	43.1%	39.1%	27.2%	37.0%	33.6%
Operating Cash Flow Margin	14.1%	18.9%	-2.3%	13.1%	18.5%	10.9%	12.1%
Free Cash Flow Margin	10.4%	13.5%	-14.4%	-1.3%	15.6%	3.4%	3.4%
Operational Cash Flow / EBITDA	66%	129%	-12%	61%	77%	54%	55%

IFRS Cash Flow Statements (TL mn)	3Q22	4Q22	1Q23	2Q23	3Q23	9M22	9M23
Net Cash from Operations	2,456	2,410	-352	3,053	5,856	4,460	8,557
Earnings Before Adjustments	1,920	647	1,074	2,514	4,541	3,994	8,129
Depreciation & Amortisation	460	505	519	574	734	1,317	1,827
Others	-30	291	-247	2,209	1,350	1,465	3,312
Change in Working Capital	105	967	-1,698	-2,244	-770	-2,315	-4,712
Cash from Investment Operations	-645	-688	-1,884	-3,345	-910	-3,057	-6,139
Capital Expenditures	-700	-812	-1,223	-1,206	-1,608	-2,247	-4,038
Cash from Other Investment Operations	55	124	-661	-2,138	698	-810	-2,101
Free Cash Flow	1,811	1,721	-2,236	-292	4,946	1,403	2,418
Cash from Financial Operations	-481	-205	1,173	3	-1,612	4,015	-436
Change in Financial Debt	37	-30	1,592	1,126	-546	5,789	2,172
Dividends Paid	0	-28	0	-751	-27	-601	-778
Cash from Other Financial Operations	-518	-147	-419	-371	-1,040	-1,174	-1,830
Effect of Exchange Rate	1,311	-275	339	4,018	773	3,208	5,130
Net Change in Cash & Cash Equivalents	2,641	1,241	-724	3,729	4,107	8,626	7,112

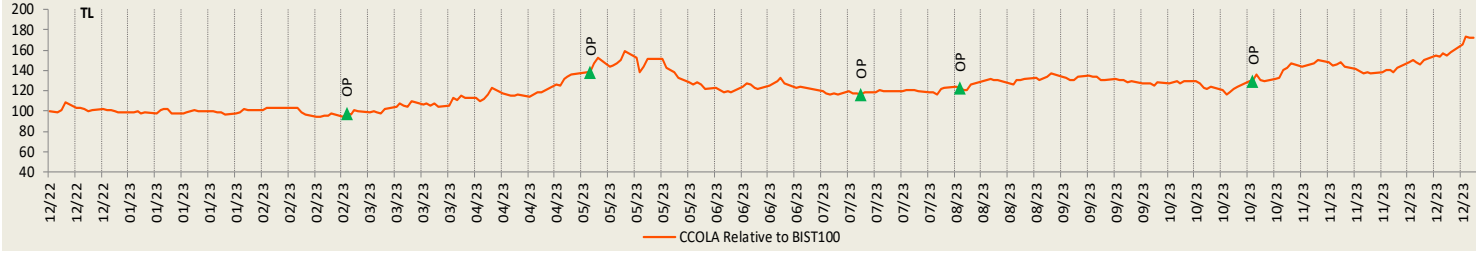
Coca-Cola İçecek

IFRS Balance Sheet (TL mn)	3Q22	4Q22	1Q23	2Q23	3Q23
Current Assets	27,374	28,090	35,354	48,136	50,316
Cash and Cash Equivalents	13,652	14,769	14,706	18,474	21,883
Short-Term Trade Receivables	5,347	3,716	8,112	13,413	12,561
Inventories	5,977	6,677	9,061	12,819	12,086
Other Current Assets	2,399	2,928	3,475	3,431	3,786
Long Term Assets	29,735	30,627	30,556	42,677	45,727
Long-Term Financial Assets	0	0	0	0	0
Investments with Equity Method	0	0	0	0	0
Tangible Fixed Assets	15,970	16,433	16,184	23,237	25,224
Intangible Fixed Assets	12,664	12,836	12,698	17,103	17,722
Right of Use Assets (IFRS 16)	303	397	446	510	524
Other Long-Term Assets	797	961	1,228	1,827	2,257
Total Assets	57,110	58,717	65,911	90,814	96,043
Short Term Liabilities	17,339	17,225	23,552	32,918	36,127
Short-Term Financial Loans	6,121	5,788	7,482	9,926	14,450
Short-Term Trade Payables	8,081	8,284	12,127	17,066	15,203
Other Short-Term Liabilities	3,137	3,152	3,943	5,926	6,475
Long Term Liabilities	17,769	18,696	18,898	26,462	22,107
Long-Term Financial Loans	14,228	15,056	15,368	21,977	17,794
Other Long-Term Liabilities	3,542	3,640	3,530	4,486	4,312
Equity	22,002	22,796	23,461	31,433	37,809
Parent Share	19,405	20,171	21,035	27,892	33,837
Total Liabilities and S.Holders' Equity	57,110	58,717	65,911	90,814	96,043

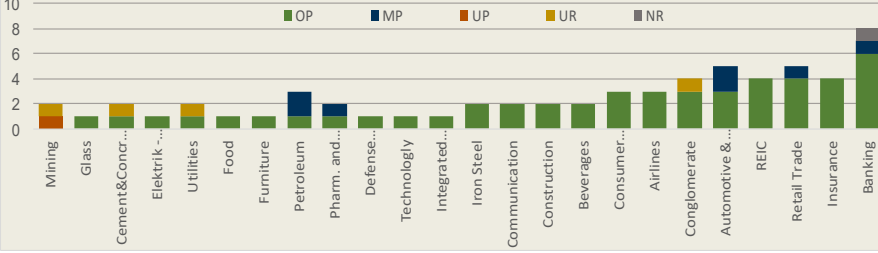
Investments & Indebtness	3Q22	4Q22	1Q23	2Q23	3Q23
Net Capex	700	812	1,223	1,206	1,608
Capex to Sales	4.0%	6.4%	7.9%	5.2%	5.1%
Inflow (Outflow) for WCR (Cash Flow Statement)	105	967	-1,698	-2,244	-770
Change in WCR / Sales	0.6%	7.6%	-10.9%	-9.6%	-2.4%
Net Debt (Cash)	6,697	6,075	8,143	13,429	10,362
Net Debt / EBITDA (Annualized)	0.7	0.6	0.7	1.0	0.6

Coca-Cola Icecek

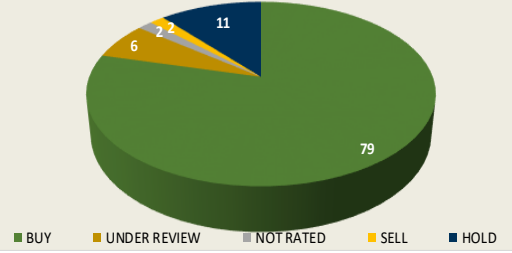
Relative to BIST 100 / Recommendations



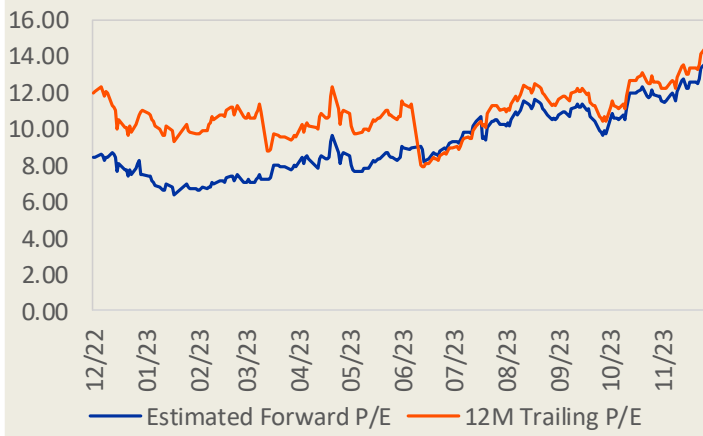
Number of Companies



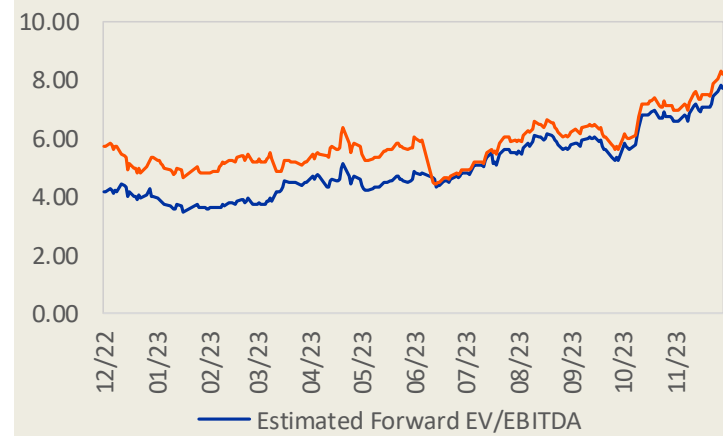
Rec. Breakdown for Coverage



Estimated Forward P/E & 12M Trailing P/E



Estimated Forward EV/EBITDA & 12M Trailing EV/EBITDA



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