Equity / Large Cap. / Food

Atakey Patates

27/12/2023

Initiation of Coverage

BUY

Yükselme Potansiyeli 74%

The profitable and efficient part of the growing ecosystem

We initiate our coverage for Atakey (ATAKP) with a BUY recommendation and a 12 month target price of TL68/share, implying a 74% upside potential. Sustainable volume growth driven by growing sales to TFI TAB Gıda, the sister fast food service restaurant chain, along with 3rd party sales, efficient, fully imtegrated production capability are the key positives. Potential lifting of current restrictions on exports may further fuel growth in the coming periods. The stock trades at Last Twelve Months EV/EBITDA of 7.6x, indicating 41% discount compared to its international peers.

As the sole supplier of Tab Food Investment (TFI), the world's 4th largest quick service restaurant operator, Atakey has the advantage of production planning thanks to its contractual sales model. Therefore, the Company has a structure that largely reflects TFI's rapid development in Turkey and China driven by new store openings and same store growth

The company produces 14,000-16,000 tons of certified seed on state lands owned by the General Directorate of Agricultural Enterprises (TİGEM). TİGEM lands are very important for high-quality seed production due to both the quality of the soil and the size of the land. The company won the recent TİGEM tender and will continue this production without interruption.

As of 9M23, 68% of the company's sales revenues consisted of intra-group sales, 21% of export revenues, and 11% sales to third parties. Although no decrease in intra-group sales and 3rd party demand is expected, the removal of export restrictions will support the company's revenue growth, looking forward. In addition to the energy investment to be made in 2024 and the investment in coated product production, followed by the capacity increase in 2025 will have a positive impact on production growth and profitability.

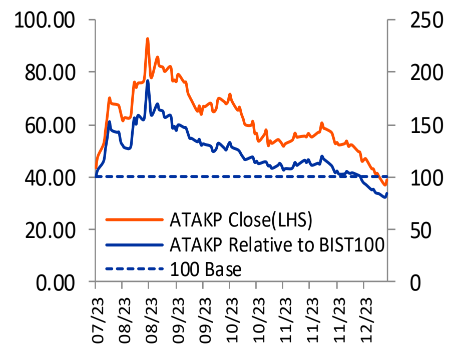
In our projection period (2023-2027), we assume that the company's sales will grow at a CAGR of 38.6% and EBITDA at a CAGR of 40.5%. In a high inflation environment, we estimate that the gross margin, which reached 46% in 2022, when sales from the company's inventories were high, will average around XX% between 2023 and 2027. Since our estimation of opex to sales ratio is around 1% in 2023-2027 period, this would enable the company to achieve an average EBITDA margin of around 39.5% over the same period.

Stock Data	TL	US$
Price	38.80	1.32
Target Price	67.66	2.29
Prev.TP	-	-
Mcap (mn)	5,384	184
Float Mcap (mn)	1,095	37
Avg.Daily Volume (3M, mn)		4.5
No. of Shares Outstanding (mn)		139
Free Float (%)		20
Foreign Share (%)		2

Price Perf. (%)	1 Mn	Ytd	12 Mn
TL	-33.4	-	-
US$	-34.4	-	-
Rel.to BIST-100	-27.4	-	-

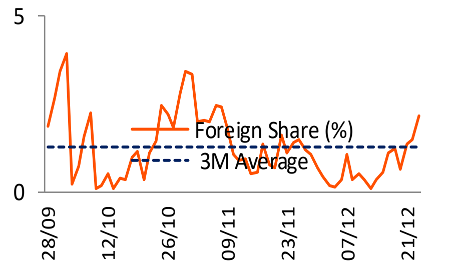
Multiples	2022	2023	2024
P/E	12.1	10.2	4.1
P/BV	6.0	2.4	1.6
EV/EBITDA	10.1	6.7	3.7

Price / Relative Price



52 Week Range (Close TL)	0.00	0.00

Foreign Share (%)	Cur.(%) :	2.18



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Atakey Patates

Shareholder Structure (%)	
TFI Tab Gıda	79.66
Diğer	20.34

Company Description

Along with owning one of the largest potato factories in Turkey, it has a warehouse of 22.000 tons of finished goods and 70.000 tons of raw materials. Türkiye produces one-fifth of frozen French fries in its own production facility. Atakey facility meets the frozen finger fries needs of fast service restaurants (Burger King, Popeyes, Arby's, Usta Dönerci and Sbarro) under the roof of TFI.

Income Statement (mn ₺)	2021A	2022A	2023E	2024E	2025E
Net Sales	**368**	**1,106**	**2,054**	**3,644**	**5,922**
Gross Profit (Loss)	**76**	**507**	**781**	**1,384**	**2,344**
Operating Expenses	8	14	48	57	88
Core Operating Profit	**69**	**493**	**733**	**1,328**	**2,257**
Non-operating Income (Exp.)	20	13	-3	5	7
Net Financial Income (Exp.)	-248	-92	-162	321	364
PBT	**-148**	**413**	**568**	**1,653**	**2,628**
Tax Expense (Income)	-100	-33	40	331	526
Net Profit	**-48**	**446**	**528**	**1,323**	**2,102**
Recurring Net Profit	**-48**	**446**	**528**	**1,323**	**2,102**
NOPAT	55	526	693	997	1,731
EBITDA	**83**	**520**	**779**	**1,426**	**2,394**

Growth & Operating Perf.	2021A	2022A	2023E	2024E	2025E
Growth					
Net Sales	19%	200%	86%	77%	63%
EBIT	9%	617%	49%	81%	70%
EBITDA	10%	528%	50%	83%	68%
Net Profit	-53%	n.a	18%	150%	59%
Operating Performance					
Gross Margin	20.7%	45.8%	38.0%	38.0%	39.6%
EBIT Margin	18.7%	44.6%	35.7%	36.4%	38.1%
EBITDA Margin	22.5%	47.0%	37.9%	39.1%	40.4%
Effective Tax Rate	67.5%	-8.0%	20.0%	20.0%	20.0%
Net Profit Margin	-13.1%	40.3%	25.7%	36.3%	35.5%
ROE	n.m	85.9%	34.1%	46.7%	46.8%
ROA	n.m	34.2%	20.2%	31.2%	33.8%

Ratio Analysis	2021A	2022A	2023E	2024E	2025E
Adj. P / E (x)	n.m	12.1	10.2	4.1	2.6
EV / EBITDA (x)	n.m	10.1	6.7	3.7	2.2
EV / Sales (x)	14.2	4.7	2.6	1.4	0.9
P / B (x)	38.1	6.0	2.4	1.6	1.0
EPS (₺)	n.m	3.8	3.8	9.5	15.1
DPS (₺)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt (Cash) (mn ₺)	584	463	-402	-131	-1,030
Net Debt / EBITDA (x)	7.1	0.9	n.m	n.m	n.m
Net Debt / Equity (x)	4.1	0.5	n.m	n.m	n.m

Source: Is Investment

Balance Sheet (mn ₺)	2021A	2022A	2023E	2024E	2025E
Current Assets	**378**	**793**	**2,414**	**3,284**	**5,266**
Cash and Cash Equivalents	6	88	1,272	889	1,845
Short-Term Trade Receivables	92	163	349	619	1,006
Inventories	246	478	707	1,689	2,328
Other Current Assets	35	65	87	87	87
Long Term Assets	**491**	**944**	**1,089**	**1,678**	**2,211**
Tangible Fixed Assets	376	776	778	1,130	1,323
Intangible Fixed Assets	0	0	0	0	0
Other Long-Term Assets	114	168	311	548	887
Total Assets	**869**	**1,737**	**3,503**	**4,962**	**7,477**
Short Term Liabilities	**477**	**675**	**1,123**	**1,244**	**1,788**
Short-Term Financial Loans	343	392	702	502	652
Short-Term Trade Payables	87	176	341	601	906
Other Short-Term Liabilities	46	107	80	141	230
Long Term Liabilities	**251**	**165**	**174**	**263**	**170**
Long-Term Financial Loans	248	162	171	260	167
Other Long-Term Liabilities	2	3	3	3	4
Equity	**141**	**897**	**2,206**	**3,455**	**5,519**
Parent Shareholders Capital	141	897	2,206	3,455	5,519
Share Capital	118	118	139	139	139
Reserves and Other Items	72	333	1,539	1,994	3,278
Current Year Income (Losses)	-48	446	528	1,323	2,102
Total Liabilites & Equity	**869**	**1,737**	**3,503**	**4,962**	**7,477**

Cash Flow (mn ₺)	2021A	2022A	2023E	2024E	2025E
Net Cash from Operations	**85**	**321**	**292**	**111**	**1,014**
Earnings Before Adjustments	-48	446	528	1,323	2,102
Depreciation & Amortisation	13	26	46	99	137
Change in Working Capital	15	-189	-250	-993	-721
Other Operating Cash Flow	104	39	-33	-318	-505
Cash from Inv. Operations	**-15**	**-31**	**-48**	**-451**	**-331**
Capital Expenditures	-18	-32	-48	-451	-331
Other Inv. Cash Flow	3	1	0	0	0
Free Cash Flow	**70**	**290**	**244**	**-340**	**683**
Cash from Fin. Operations	**-74**	**-208**	**940**	**-42**	**273**
Change in Financial Debt	-14	-154	319	-112	57
Dividends Paid	0	0	0	0	0
Other Financing Cash Flow	-61	-54	620	69	216
Net Change in Cash	**-4**	**82**	**1,184**	**-382**	**956**

INVESTMENT POSITIVES

An Important Part of the TFI Ecosystem

The company's main shareholder, TAB Food Investments Inc. (TFI), is the market leader in Turkey and the fastest-growing HSR (quick service restaurant) chain operator in China. Atakey is the link in TFI's end-to-end supply chain responsible for the production of frozen french fries. TFI's globally recognized brands are Burger King, Popeyes, Sbarro, Arby's, and Subway, and local brands, Usta Pideci, and Usta Dönerci which operate in Turkey and abroad. As the world's 4th largest restaurant operator, TFI operates 2,230 of the 19,789 Burger King restaurants worldwide, accounting for approximately 1/3 of the brand's recent global growth. The company was opening 200-300 new restaurants per year in the pre-pandemic period.

Predictable growth driven by new restaurant openings and traffic increases at existing restaurants

In 2014, the company started production with a capacity of 90,000 tons of frozen potatoes and 70% of its total sales of 56,805 tons in 2022 were to TFI's restaurants in Turkey and China. Therefore, Atakey has a structure that largely reflects TFI's rapid development in Turkey and China, driven by new restaurant openings and same store growth. In fact, between 2016 and 2019, the company's total sales volume grew at an average annualized rate of 14%. In 2020, sales contracted by 33% due to the pandemic and closures, but reached 86% of 2019 levels by the end of 2022. Between 2023 and 2027, we assume that the total number of receipts at TFI's restaurants in Turkey and China will grow at an average annual rate of 15% and 20% (2024:%24) respectively. In addition, the restrictions imposed on potato imports during the pandemic in China limited Atakey's potato sales in 2022. Due to the export ban in effect in 2023, the company's sales to China will not exceed 9,000 tons. Although the company's export capacity points to double this amount, our 2024 forecast points to around 11,000 tons of exports.

Potential sales to other restaurant operators and 3rd parties may balance risks

Since Atakey's priority is to meet the needs of the ecosystem in which it operates, we assume that sales to 3rd parties will remain stable for a while during the projection period and then decrease. An efficient production model, competitive production costs and the company's potential sales, especially to other operators of restaurant chains and other channels, may balance the risk of lower than anticipated growth in group restaurants. RBI (Restaurant Brands International), which owns international brands including Burger King, opens tenders for the supply of approximately 240,000 tons of frozen potatoes annually. The company aims to increase its production by 40,000 tons starting from 2026 with the capacity increase investment it plans to make using IPO proceeds.

High increases in food prices may support revenue growth

While the price for frozen potatoes was 3.5 TL/Kg in 2018, the final product price exceeded 39 TL/Kg recently. Accordingly, price increases were well above inflation. In our forecasts going forward, we expect product price and cost increases to be in line with the CPI.

Upward trend in frozen food consumption per capita in Turkey

The household penetration of frozen food, which was 66% in 2019, increased to 78% in 2022 (Source: Kerevitaş Investor Presentation). The fastest growth in penetration occurred in 2020, the year of the pandemic (9%), while in 2021 it was 4% while penetration rate reached 79%. In 2022, the penetration rate declined slightly to 78%. Increasing urbanization and rising female labor force participation are among the factors supporting frozen food consumption. Potato and croquette products make up around 25% of frozen food consumption. Total frozen potato sales in Turkey increased from 245.000 tons in 2018 to 252.000 tons in 2019. After declining to 155.000 tons in 2020, it exceeded the 2019 level with 272.000 tons in 2022. In 2022, Atakey produced 56.8 tons of frozen potatoes, 1 in 5 of the total country production. Between 2022 and 2027, Turkey's frozen potato sales are expected to increase at an average annual rate of 5%. Approximately 1kg of every 5kg product produced and sold in the sector is produced by Atakey.

The vertical integration ensures efficient and competitive production

Raw potato production covers a 3-year period. In the first year, around 2,100 tons of high quality seed is produced under contract, 42% of which is produced abroad and 58% of which is produced domestically. In the second year, seed potato production is made from high-quality seeds in the leased TİGEM lands with pure soil. In the third year, certified seeds are planted by contracted farmers, and raw potato production is made.

In the final stage, the production facility produces 1 ton of frozen potatoes from approximately 1.83 tons of raw potatoes. Atakey has a production capacity of 15 tons of frozen potatoes per hour. The production facility can operate for 14 days without interruption, while it is stopped for 1 day for cleaning. The plant employs only 230 people and is largely automated.

Sustainability initiatives

In 2021, Atakey became a member of the RSPO (Roundtable on Sustainable Palm Oil) association established in Malaysia to support sustainable palm oil supply and biodiversity. It contributes to palm oil sustainability both annually and for every ton of palm oil used to fry exported products. The company also recycles all of the water used to wash raw potatoes. The 2,500-3,000 m^3/day of wastewater from the factory is discharged through various treatment processes after being rendered compliant with regulations. In addition, it is planned to re-filter 10% of the discharged wastewater and recover 75,000-90,000 m^3 of water per year.

The company's commitment to the Science Based Targets Initiative (SBTI), established by the Carbon Disclosure Project (CDP), World Resources Institute (WRI), UN Global Compact and World Wide Fund for Nature (WWF), to reduce its carbon footprint by 2023 was approved. Atakey will also initiate emission reduction projects with a focus on 2030 in line with the criteria set out in the Paris Agreement.

Access to low cost financing from Eximbank

As of the end of 3Q 2023, the majority of the Company's total loans amounting to TL 754 million (predominantly denominated in Euro) consisted of Eximbank loans. Approximately 58.5% of total loans are denominated in Euro, 27.5% in USD and 14% in TL. The average Euro borrowing interest rate announced in the third quarter of 2023 is 6.5%, the average USD borrowing rate is 8.8%, and the average TL borrowing cost is stated as 18.2%. The Company applies hedge accounting due to its export revenues, and therefore most of the foreign exchange losses are recognized under the equity item on th balance sheet. As a result, the impact of fluctuations in foreign exchange rates on the income statement is very limited.

Projections for new investments

In addition to the new facility to be activated in 2025, which will produce coated products, especially onion rings, the cogeneration investment, and the total amount of the investment, which will increase the production capacity by 40,000 tons targeted for 2027, is estimated at EUR35mn.

Looking at the growth forecasts of the group restaurants in the future, the additional capacity can be largely sold to the group restaurants. Moreover, with these investments, the company will have a capacity of 8,800 tons of coated products, which is planned to start production in 2025. Currently, the restaurants operated by the group supply coated products, especially onion rings, from third parties. With the operation of the facility, the production of onion rings will be covered by the company. Although the production cost of coated products is similar, current sales prices are approximately 50% higher than frozen potatoes. In addition, while the wastage rate in production is around 45% for potatoes, approximately 1.1-1.2 kg of onion rings can be produced from 1 kg of onion. New investments are planned to be financed by 50% equity and 50% debt.

INVESTMENT NEGATIVES

The company's growth estimates are largely dependent on the growth of the group's Quick Service Restaurants

The company's estimated sales growth in the upcoming years is largely driven by the growth of the quick service restaurants operated by the group in Turkey and China. Therefore, a slowdown in the growth of these restaurants, a decline in the share of potatoes in menu preferences, and the termination of the group's agreements with these brand's chains in the long run are important risk factors for Atakey. On the other hand, in that case, the company would be able to increase its sales to third parties, i.e. international and domestic supermarket chains and HoReCa (out-of-home consumption points such as hotels, restaurants, and cafes) sales channel.

High working capital requirement may limit cash generation

As the potato harvest is only 5 months a year from June to October, the company needs to carry potato and/or finished product stocks to sell for the rest of the year. The company has a 30,000 m^{2}, raw material warehouse and a 15,000 m^2 cold storage warehouse, with the capacity to stock 21,800 tons of finished products and 70,000 tons of potatoes. Therefore, the company should have enough finished product and potato stocks to meet the demand for 7 months of the year. The ratio of working capital requirement to turnover was 38% at the end of 2022.

Restrictions on exports

Export restrictions were imposed in 2023 on several products, including frozen potatoes. For frozen potatoes, the restrictions came into effect in late January-early February. In March, the company exported a third of the amount of a normal period. In the June-July period, a total of one month's worth of exports will be allowed. The year-wide restriction caused the export volume to China to remain at 9,082 tons in our 2023 estimates.

Changing consumer preferences and the avoidance of fried products for health reasons

Changing consumer habits due to health reasons and reduced consumption of fried and carbohydrate-heavy products may cause the growth in fried potato sales to lag behind the growth in restaurant ticket numbers.

Decline in potato production due to drought and disease

Extreme natural conditions, especially drought, and diseases may adversely affect potato harvests and thus the company's production volumes and/or cause cost increases that may not be reflected to customers. This situation might cause a negative impact on the Company's sales and profitability.

New players and additional capacities may be coming into play in the sector

Several large food companies operate in the frozen potato and coated products market. Superfresh (Yıldız Holding), Fine-Food, which has been producing various vegetables and fruit products in the frozen food sector for many years, Doğa Tohumculuk, Feast (Özgörkey), and Torku are among the company's major competitors. Fine Food, which has produced various frozen vegetables and fruits for many years, commissioned a new frozen potato production facility with a capacity of 100,000 tons in 2022. The facility, which started construction in 2021, was announced to have cost of USD60mn.

While the fact that the company mainly sells to group restaurant chains protects competition, intense new entries into the sector may also put downward pressure on product prices. On the other hand, the fact that the production process requires a long preparation period creates a natural barrier for new entrants.

Atakey Patates

COMPANY PROFILE

Atakey in Brief

Atakey is a fully integrated potato processing plant located in Afyon province with a total area of 168,000 m², 75,000 m² of which is a closed area. The company operates in the frozen potato sector and competes with all agricultural producers, especially those producing chips and edible potatoes, on the agricultural side, and with frozen potato producers on the production side. The company was established in 2012 and became operational in 2014. The controlling shareholder is TFI, the leading quick service restaurant (QSR) chain operator in Turkey and China, with approximately 3,000 restaurants and over 55,000 employees.

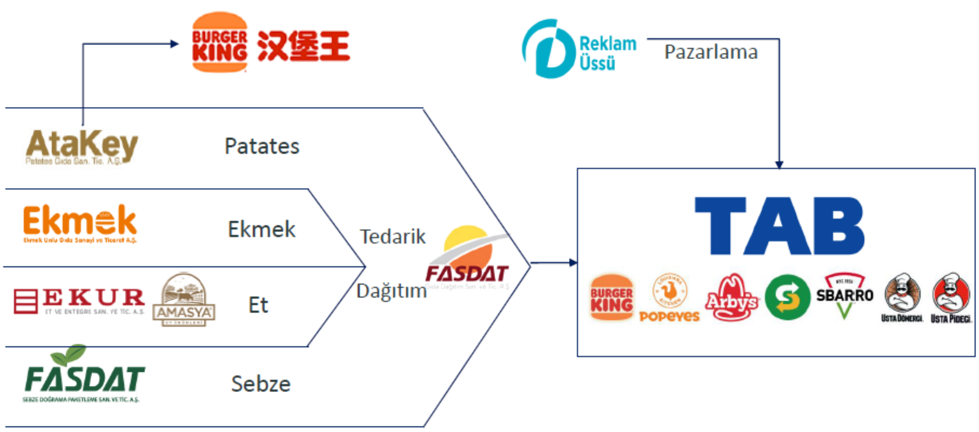
Figure 1: Ecosystem

Source: Company

One of the leading producers in the market in terms of capacity, storage, and agricultural activities, the company has an end-product portfolio consisting of finger potatoes, apple slices, coated apple slices, crinkle, coated crinkle, coated lattice potatoes, and red-coated crinkle potatoes.

The company is capable of producing 30,000 tons of product in a single shift and 90,000 tons in 3 shifts. It is also capable of producing 15 tons per hour. Considering the type of product and interruptions, the practical production capacity of the company can be considered as 82,500 tons per year.

Figure 2: The Company's Sales Network in the Ecosystem



Source: Company

Atakey Patates

Founded in 2012, the company started its production operations at the beginning of February 2014. In 2015, the company began to produce S1 (high-quality) seed multiplication operations with its capacity on lands rented from TİGEM without outsourcing and has continued production in the same way since then for eight seasons. The company made its first export to China in 2016. The 4th packaging line, the investment for which started back at the end of 2019, was installed in August 2021. On June 8th, 2019, TFI became 100% owner of the Company.

Production Process and Product Portfolio

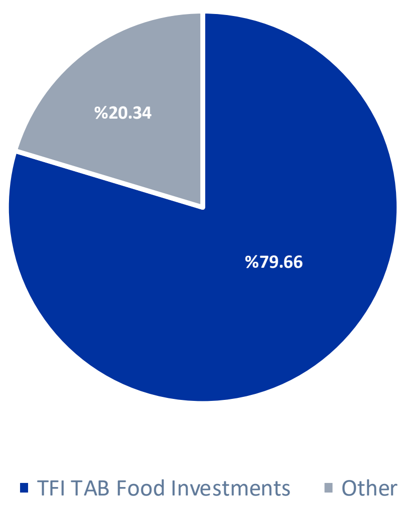
The raw potato production process cycle takes 3 years. In the first year of production, high-quality seed potatoes are planted and received on a contracted basis, approximately 40% of which are planted abroad and 60% of which are planted domestically. In the following year, the incoming high-quality seeds are multiplied and certified in the pure soils on state lands leased by tender from TİGEM and delivered to the factory seed warehouse. In the last year, the certified seed potatoes are distributed to the farmers and companies with which raw potato production contracts are signed, and planting is made. During the season, technical support is provided through land controls, fertilization, and disinfestation programs. At harvest time, the harvesting program is carried out by the factory in line with the production and sales plan, and raw potatoes that meet the purchase criteria are delivered to the factory's raw potato warehouse. The potatoes that reach the factory are graded at first. Then, they are peeled and reach the wet cutting line. At these stages, the sorting process is repeated continuously. The sorted potatoes are boiled, fried, and frozen. At the final stage, the potatoes are packaged and stored at -18 degrees (-18 °C).

Potato harvesting usually takes place between June and October. The factory has to produce from storage for the remaining 7 months. Therefore, a potato year/season can be considered as the period from June of the current year to June of the next year. Keeping some of the raw materials in stock during this period is very important in terms of product supply, quality, and cost management. Otherwise, in addition to putting pressure on alternative costs, it may damage product quality and brand prestige. In addition, the production capacity of the market may not be able to supply at this rate. For this reason, the company stores not only finished goods but also raw materials and seed potatoes. Raw material storage can reach a capacity of up to 70,000 tons, while the required temperature is 8 °C. There is also 7,500 m^2 of seed storage space. The company's finished product storage capacity is 21,800 tons. The company's current product portfolio includes finger potatoes, coated/ uncoated apple slice potatoes, coated/uncoated lattice potatoes, coated/uncoated crinkle potatoes, and plans to produce spoon potatoes and onion rings.

Shareholder Structure

As of September 2023, 79.66% of the company is owned by TFI, and the remaining portion is listed in the BIST.

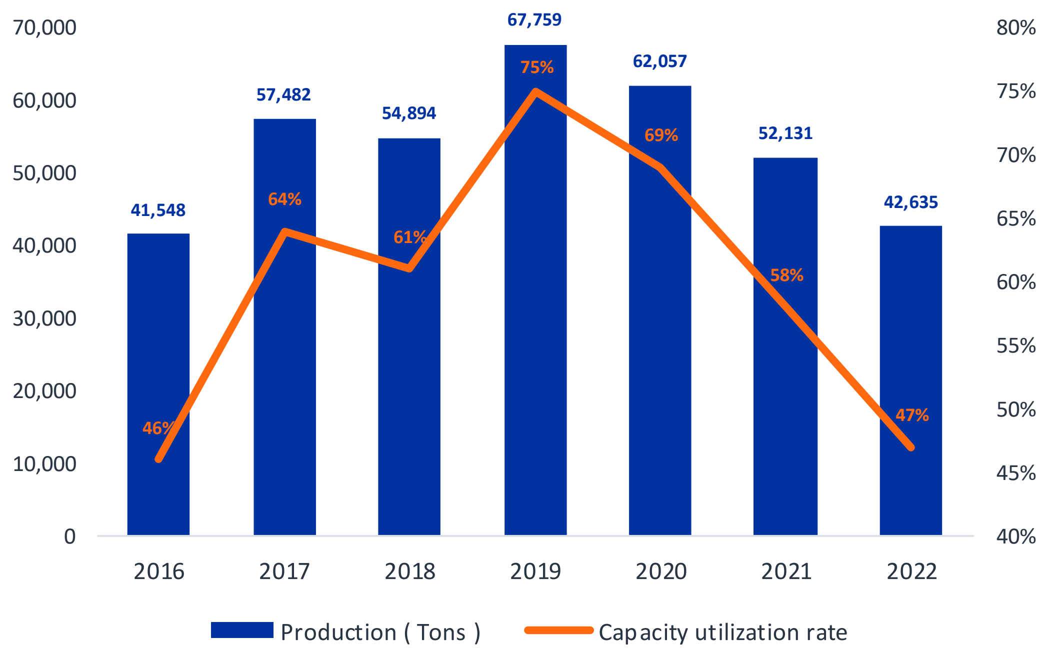
Figure 3: Shareholder Structure



Source: Company

Atakey Patates

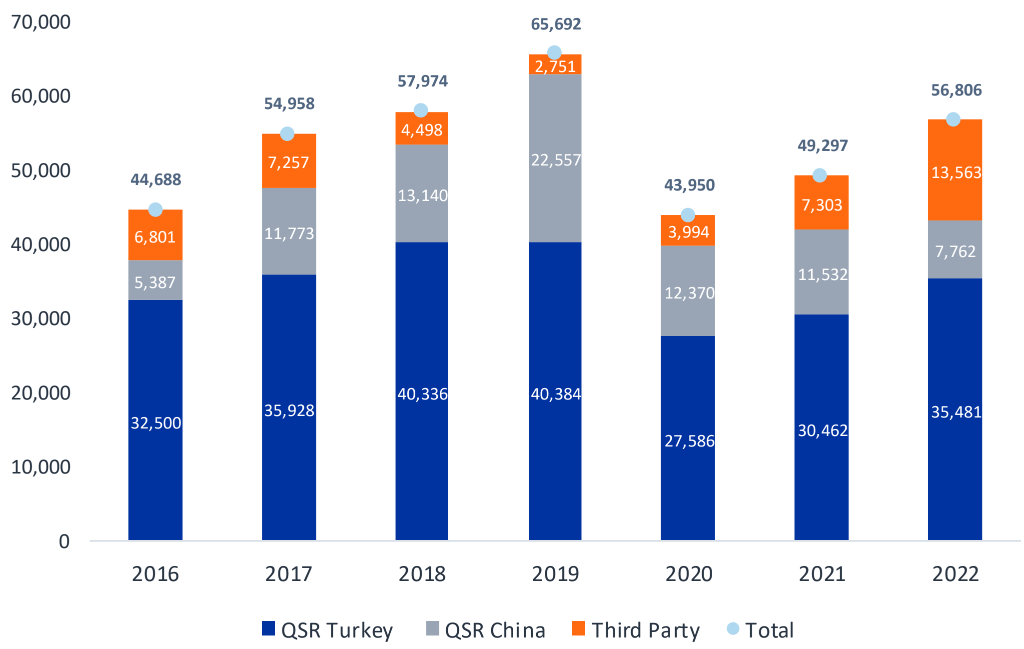
Figure 4: Production (Tons)



Source: Company

From the graph, we observe a decrease in the company's production amount and capacity utilization rate due to the impact of the COVID-19 pandemic in 2020 and beyond.

Figure 5: Breakdown of Sales (Tons)

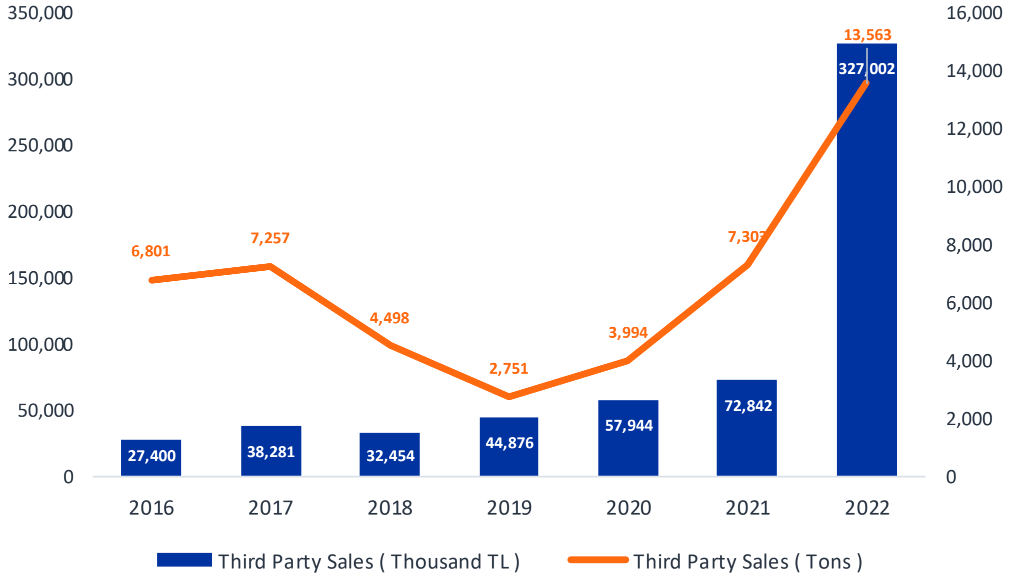


Source: Company

Looking at the company's sales between 2016 and 2022, it is observed that while sales to quick service restaurants decreased due to the closures in both Turkey and China with the impact of the COVID-19 outbreak starting from 2020, sales to third parties increased making up for part of lost volumed due to store closures.

Atakey Patates

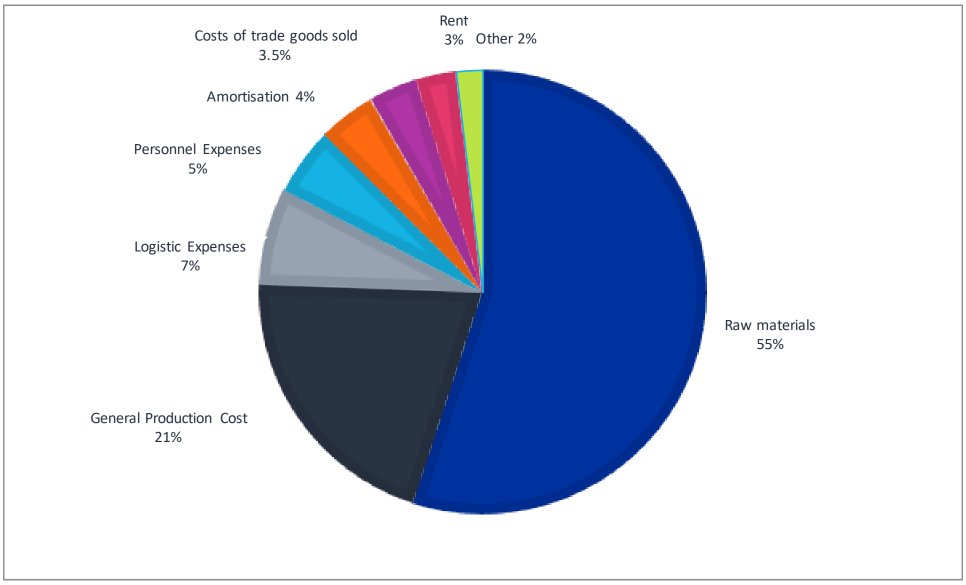
Figure 6: Third Party Sales



Source: Company

It is observed that the company added institutional buyers with a wide branch sales network to its portfolio in 2021 and beyond, and at the same time increased its sales to its existing portfolio in terms of both quantity and value. This contributed positively to the company's sales volume.

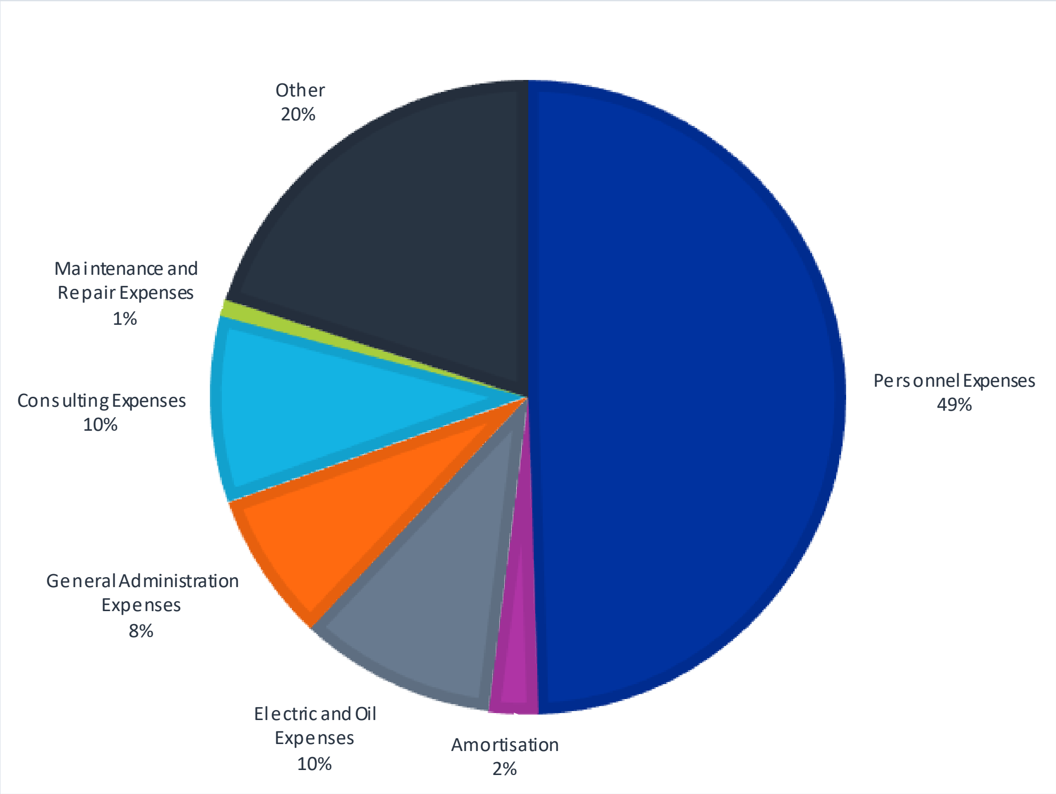
Figure 7: Cost of Sales Breakdown (2022)



Source: Company

When the breakdown of the company's cost of sales for 2022 is analyzed, the highest component was the cost of raw materials with TL329mn, followed by general production expenses with TL123mn. As of 9M23, the company's cost of sales amounted to TL899mn, with the highest item being raw material and supplies expenses with TL665mn, followed by general production expenses with TL86mn. In proportional terms, the ratio of raw material costs to cost of sales, which was 55% in 2022, reached 74% in 3Q23, the period when the company's seasonal raw material inflow was the highest. We expect this ratio to decline to 70% with a partial normalization and decreasing effect of seasonality that we will observe in the last quarter of the year.

Figure 8: Operational Expenses (2022)



Source: Company

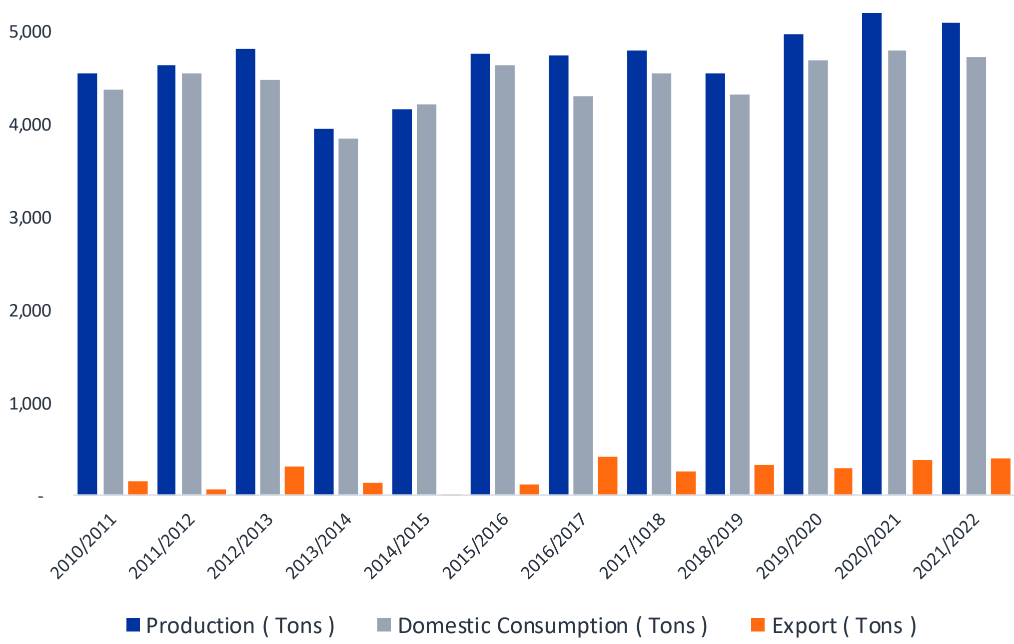
When operational expenses of the company are examined, it is observed that the highest expense item is personnel expenses with approximately TL7mn, representing almost half of the total operational expenses. Other expense items include insurance expenses, litigation provisions, and provisions for doubtful receivables. In our 2023 estimates, we expect the operational expenses to grow by 240%. The main driver of this increase is the jump in one-off IPO related expenses.

SECTOR OVERVIEW

Raw Potato

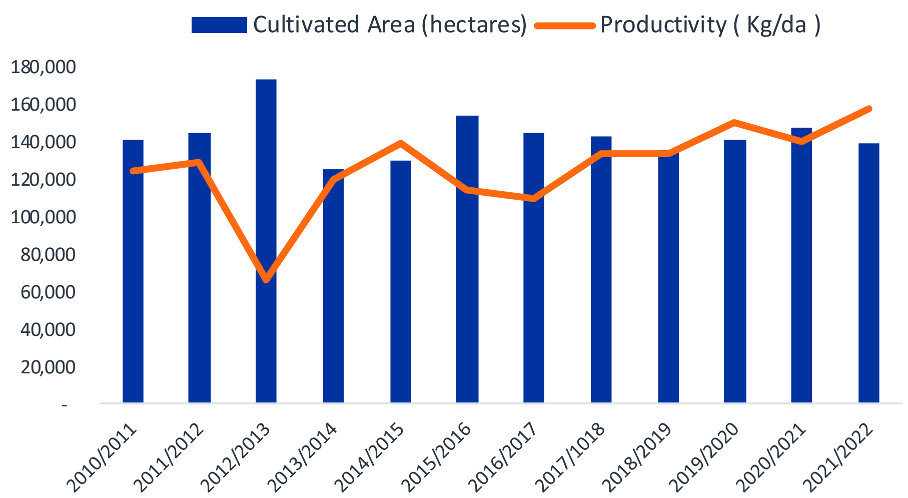
Potato is produced and consumed almost all over the world due to its high productivity per unit area, high nutritional value, easy digestion, and its ability to grow in all climates. The demand and consumption of potato, which is one of the staple food crops, is increasing rapidly due to its widespread use and the increasing world population. In this context, potato ranks fifth after sugarcane, corn, rice and wheat in the list of the most produced crops in the world (FAO, 2022).

Figure 9: Raw Potato Production



Source: Turkish Statistical Institute

Figure 10: Cultivated Area and Productivity Comparison



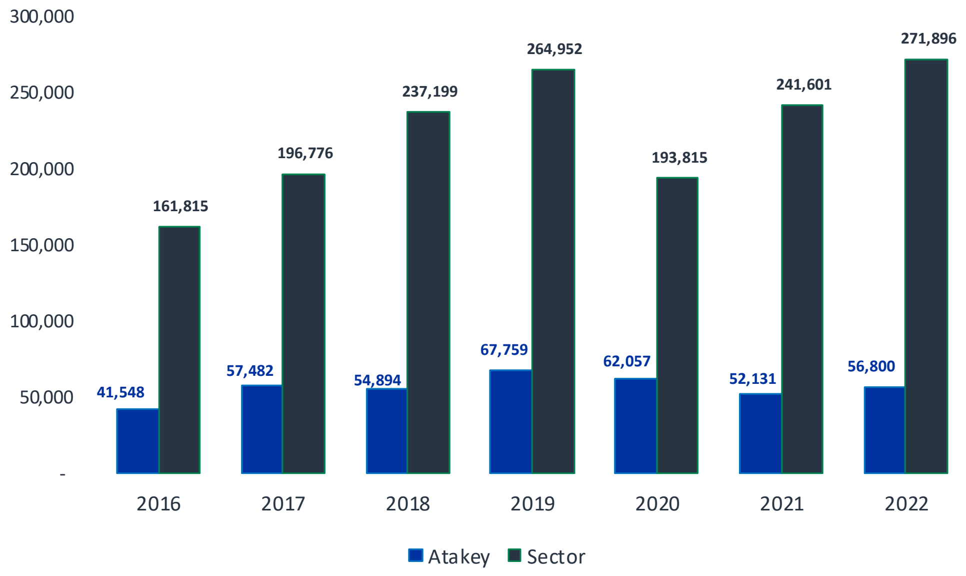
Source: Turkish Statistical Institute

As shown in the graph, there have been increases and decreases in potato cultivation areas over the last ten years. Among the most important reasons for the decreases are the increase in the potato wart (Synchytrium endobioticum) disease, irregular rainfall, price instability, and excessive increase in input costs. Nevertheless, it is observed that yields from planted crops are on an increasing trend.

Frozen Potato Products

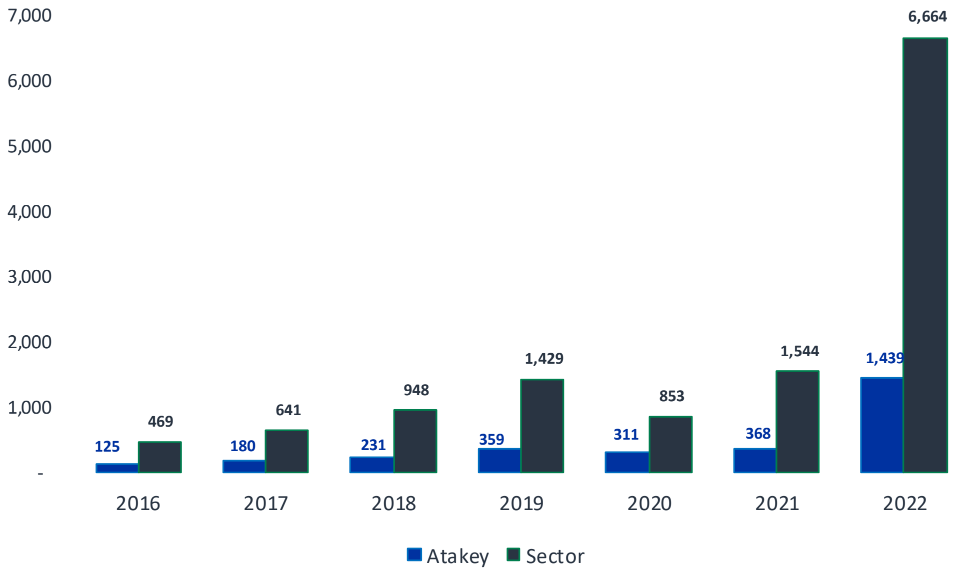
Potato is the most important and most widely consumed frozen vegetable in the world. The consumption of frozen potato products alone is higher than the consumption of other frozen vegetable items in the world. The consumption of other frozen vegetables in Western European countries is higher than the consumption of frozen potato products. On the contrary, the consumption of frozen potato products in the USA is almost twice the consumption of other frozen vegetable products, which causes potato consumption to be higher than other vegetables. (Ministry of Agriculture and Forestry, Frozen Food Sector Potential, April 2019) Production in the frozen potato sector in Turkey was first started for export. The companies in the sector, which initially worked only for that purpose, have started to supply products to the domestic market since 1990 with the emergence of domestic demand. The launch of international quick-service restaurant chains in Turkey is seen as the most important dynamic in the development of domestic demand. Finally, restrictive practices that may be experienced in exports have enabled firms to produce for the domestic market. It is stated that this situation is effective in the development of domestic demand. Turkey's frozen potato demand, which was 17,500 tons in 1997, reached 405,000 tons in 2018. (tatso.org.tr)

Figure 11: Frozen Potato Production (Tons)



Source: TURKSTAT, Company

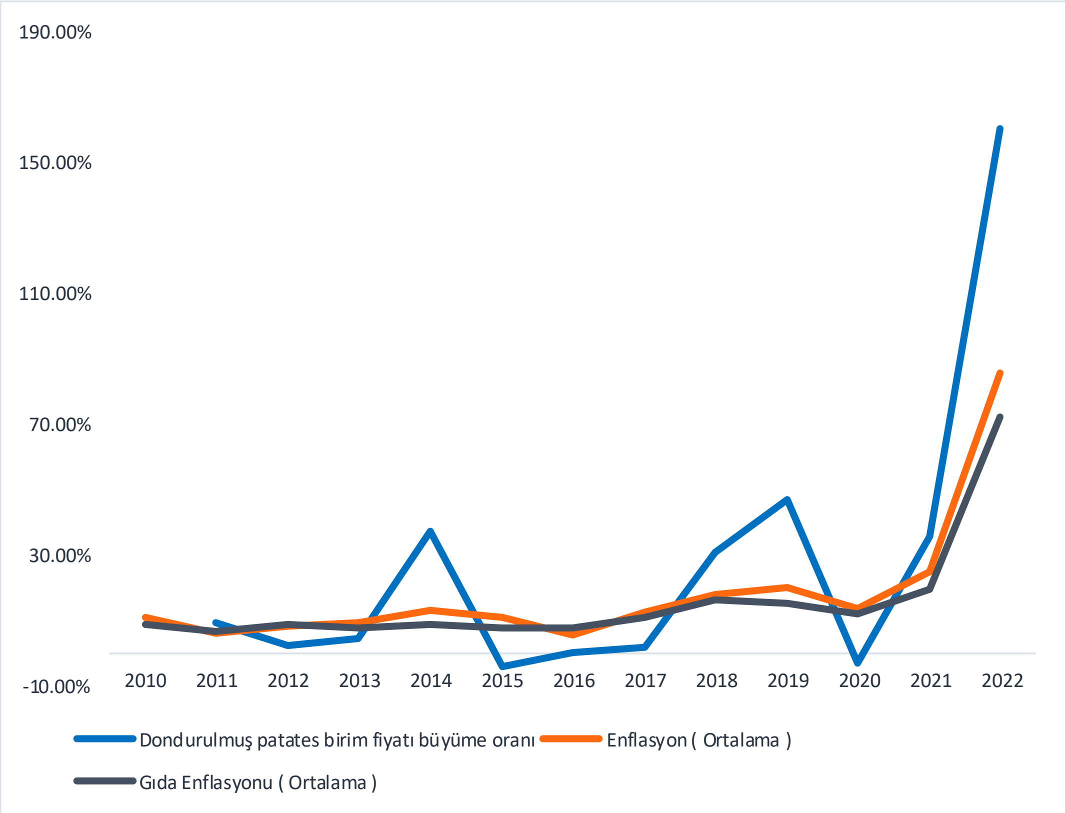
Figure 12: Company and Sector Sales (TL mn)



Source: TURKSTAT, Company

Atakey Patates

Figure 13: Frozen Potato Unit Price Increase



Source: CBRT, TURKSTAT Company

*The growth rate of frozen potato unit price between 2010 and 2020 was calculated based on TURKSTAT data, whereas data for 2021 and 2022 were calculated based on company data.

A record increase in prices was observed in 2022 due to the increase in input prices and unfavorable climatic conditions.

COMPETITORS

Fine Food

Although the company was founded in 1994, its founder, the Göztepe family, has been producing fruit and vegetables in Bursa since the 1960s. Fine Food exports approximately 45-50% of its production and sells 50-55% domestically.

The company, which initially started frozen food production in Bursa, procured 60% of its total raw material needs from Yenişehir and Bursa, but in 2021, it started the construction of a frozen potato production facility in Emirdağ district of Afyon with an investment of approximately USD60mn on an area of 170,000 m² and completed this investment in 2022. Similar to Atakey, the plant is capable of producing 15 tons per hour. Fine Food produces 15% of its raw material needs on its fertile lands and transforms them into finished products in its facilities. The company has an annual production capacity of 200,000 tons of potatoes and 100,000 tons of finished products.

Built on 700,000 m² of land, Fine Food consists of two separate factories with an indoor area of 35,000 m². The company can store a total of 40,000 tons of products in its warehouses with a volume of 200,000 m³. This capacity is considerably higher than the sector average. Fine Food started its Organic Agriculture project in 1996 and produces more than 1,500 tons of organic fruits and vegetables annually for the domestic and international markets.

Kerevitaş

Founded in 1970, the company produces frozen foods and canned food for the Turkish and foreign markets and engages in the sales and marketing of these products. Since 1978, the company has been exporting to European countries, US, Turkic Republics, and the Arabian Peninsula. Since 1990, the company has been increasing its recognition day by day with the "Superfresh" brand, and in 2017, it entered the oil sector by acquiring Besler Gıda.

Kerevitaş produces its frozen food products at its factory in Bursa, which has an open area of 131,000 m² and a closed area of 43,000 m² and consists of six main production facilities, and at two factories in Afyon, which has an open area of 253,000 m² and a closed area of 33,000 m². The company has an extensive sales and marketing network with 56 dealers, 195 distribution vehicles, 25,500 freezers, and 61,000 locations in Turkey.

According to the company's 2022 financials, the revenue of the frozen food and canned food division reached TL2.57bn, accounting for 21% of total sales. The EBITDA margin of this division was reported as 22%. Operating expenses as a percentage of revenue was 7% in Kerevitaş compared to 1% in Atakey and we believe that the difference is mainly due to the higher sales, marketing, and distribution expenses incurred by Kerevitaş as it sells branded and more diversified products.

After the acquisition of Besler Gıda, Kerevitaş continued to produce oil and margarine. The company has a total capacity of 658,000 tons/year in its facilities and produces under a total of 50 brands, mainly Bizim Yağ, Teremyağ, and Luna under the consumer category.

Özgörkey Gıda

Founded in 1951, Özgörkey Group was engaged in the production, sales & marketing, and distribution of The Coca Cola Company in the Aegean and Mediterranean regions between 1968 and 1998. The company launched its integrated frozen food production facility in Izmir Torbalı in 2000, the foundations of which were laid in 1998, and introduced its products to consumers under the "Feast" brand.

The company has an annual processing capacity of 100,000 tons of potatoes, fruits, vegetables, coated, and bakery products at its facility in Torbalı, Izmir, which has a closed area of 100,000 m² on an area of 1,000,000 m². In 2008, the "Feast" brand, owned by the company, entered the retail channel. 30,000 tons of packaged products can be stocked in cold storage. The company exports its products to more than 30 countries on 6 continents.

Konya Şeker

Founded in 1952, Konya Şeker is a cooperative of Konya beet producers with 46 thousand producers as shareholders, which started operations in 1954. The company produces sugar, meat, and dairy products, snack foods, and frozen products. The company offers its frozen products under the Torku Pratiko brand, while its snacks, meat, and dairy products are offered to consumers under the Torku umbrella brand.

The company, whose frozen food portfolio consists of products such as finger potatoes, onion rings, and potato croquettes, was able to increase potato production to 611,000 tons in 2019 in Konya, where only 222,075 tons of potatoes were produced in 2008.

According to current figures, Konya Şeker provides direct employment to approximately 10,000 people and engages in contract farming with 40,000 farmers on almost 1 million decares of land.

VALUATION

Main DCF Assumptions

While our volume growth assumptions are based on our expectation for restaurant growth in Turkey and China, we assume that 3rd party sales will continue at 2022 level in terms of tonnage. The main driver of the company's sales growth will be the restaurant growth of group companies in China and Turkey. In Turkey, we expect an average annual volume growth of 15% over our valuation period, while on the Chinese side, we expect a sales volume growth of 17% in 2023 due to export restrictions and assume a 20% growth thereafter (for 2024: 24%), taking into account the aggressive growth strategy of the group companies. The Group aims to increase the number of stores in Turkey and China from around 2,800 by end-2022 to around 4,500 by 2027. In Turkey, we assume 94% growth in revenues per ton in 2023 given the high potato price, and thereafter, revenues per ton will increase with average inflation, similar to 3rd party sales. For China, we use a 15% increase in revenues per ton in USD terms in 2023 and a flat growth rate of 4% thereafter. We expect net sales to grow at a CAGR of 38.6% between 2023 and 2027, while Turkey, China, and 3rd party sales are expected to grow at a CAGR of 37%, 45%, and 17%, respectively, based on our volume and price growth assumptions. We expect product costs to increase in line with our average inflation expectation over the projection period.

In 2022, the company recorded a very strong gross profit margin of 46% thanks to the inventory accumulated in previous years. From 2023 onwards, we expect the inventory effect to diminish and a gross margin level of 39% -40% to be maintained on average throughout our valuation period. Given lower operational expenses, we expect EBITDA margin to be in a similar range of 38-41%.

Although we assume that the ratio of capital cost expenditures to sales will be 1-2% in the long term due to maintenance/repair costs, we expect an extra cash outflow of around EUR35mn in addition to our maintenance/repair cost estimate due to the capacity increase for frozen potato production in 2025 and new investments for coated products and natural gas cycle plant investments in 2024.

Although the company had no significant tax liability due to deferred tax income in previous years, we use an effective tax expense rate of 7% in 2023 and 20% thereafter in our valuation.

We expect personnel costs, which account for about half of operational expenses, to continue to increase in line with our year-end inflation expectations, while other costs are expected to increase in line with average inflation. In the long term, we expect operational expenses as a percentage of sales to remain around 1%. Assuming that new investments will be amortized in 10 years, we expect depreciation expenses to rise to 3% of sales after 2024, 4% in 2025 and then fall to 3%.

On the working capital side, we expect receivables and payables days to remain at 2022 levels, inventory days to be below 2022 levels and cash conversion cycle to decline from 238 days to 232 days in the long term.

In our weighted average cost of capital (WACC) assumption, we estimate that the WACC will decline from 31.9% to 19.7% due to the risk-free rate of return, which we expect to decline in the long term. In the WACC calculation, we use a beta of 0.9, which is the long-term average of high-market capitalization food companies traded on Borsa Istanbul. We assume that the company will borrow 4% above the risk-free rate of return and the debt to equity ratio will be 40%. According to our macro assumptions, the average WACC over the projection period is approximately 20%, while the impact of a +/- 2% change is given in the sensitivity table.

Considering the company's growth targets, we do not expect the company to make dividend payments until the investments are completed. However, starting from 2027, we expect the company to pay a dividend of 40% of distributable net income.

In our terminal value calculation, we assume that the EBITDA margin will remain at the 33% level in the long term while using a revenue growth rate equal to the assumed growth rate. We also assume that the company will make new investments periodically to achieve its growth targets, and therefore, we add an investment cost of around 7% of sales in our terminal value calculation, while we assume a working capital change of 3% of sales.

We used a blended approach in valuing Atakey, attaching each 50% weight to Discounted Cash Flow and peer multiple comparison methods. We used median trailing EV/EBITDA multiples of domestic and international peers weighted the value coming from 70% and 30% respectively.

Table 1: Discounted Free Cash Flow and Multiple Valuation

mn TL	2023E	2024E	2025E	2026E	2027E
Net Sales	2,054	3,644	5,922	8,003	10,540
Gross Profit	781	1,384	2,344	3,134	4,148
Gross Profit Margin	38%	38%	40%	39%	39%
EBIT	733	1,328	2,257	3,025	4,002
EBITDA	779	1,426	2,394	3,226	4,276
EBITDA Margin	38%	39%	40%	40%	41%
Tax	110	332	564	756	1,000
Change in Working Capital	250	993	721	1,155	1,120
% as of sales	12%	27%	12%	14%	11%
Capital Expenditure	-48	-451	-331	-592	-687
% as of sales	-2%	-12%	-6%	-7%	-7%
Free Cash Flow	371	-349	778	723	1,469
Discount Rate	1.07	1.37	1.70	2.05	2.45
WACC	32%	27%	24%	21%	20%
DCF	346	- 256	459	353	600
Terminal Growth	7%				
Firm Value	7,157				
Net Cash (3Q23)-pre IFRS 16	143				
Equity Value	7,300				
Target Equity Value DCF	9,556				
Target Equity Value Multiple	9,223				
12 Month (%50-50 Weighted) Equity Value	9,389				
# of shares	139				
Target Share Price	68				
Current Share Price	39				
Upside Potential	74%				

Source:Is Investment

Table 2: WACC Assumptions

WACC	2023E	2024E	2025E	2026E	2027E
Risk free rate	29.0%	25.5%	22.0%	18.0%	17.0%
Equity risk premium	6.0%	6.0%	6.0%	6.0%	6.0%
Levered Beta	0.90	0.90	0.90	0.90	0.90
Cost of Equity	34.4%	30.9%	27.4%	23.4%	22.4%
Cost of Debt	33.0%	29.5%	26.0%	22.0%	21.0%
After tax cost of debt	28.1%	22.1%	19.5%	16.5%	15.8%
Debt / (Debt + Equity)	40.0%	40.0%	40.0%	40.0%	40.0%
WACC - TL	**31.9%**	**27.4%**	**24.2%**	**20.6%**	**19.7%**

Source:Is Investment

Table 3: Macro Assumptions

Macro Assumptions	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
CPI Inflation (e.o.p.)	12%	15%	36%	64%	65%	42%	22%	17%	17%
CPI Inflation (average)	15%	12%	20%	72%	54%	56%	28%	19%	17%
TL/USD (average)	5.94	7.34	12.98	18.70	29.60	41.50	48.25	56.20	64.64
TL/USD (eop)	5.67	7.01	8.89	16.56	24.00	35.80	45.07	52.40	60.42
TL/Euro (average)	6.65	9.01	14.68	19.88	31.67	43.58	50.66	59.01	67.87
TL/Euro (eop)	6.35	8.03	10.47	17.38	25.69	37.62	47.12	54.84	63.44
TL Risk Free Rate (10 year)	12%	13%	23%	9%	29%	26%	22%	18%	17%

Source: Is Investment

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Sensitivity Analysis

Table 4: Sensitivity of Equity Value to WACC and Terminal Growth

		Terminal Growth Rate				
		5%	6%	7%	8%	9%
WACC	22.8%	8,971	9,547	10,210	10,980	11,889
	23.8%	8,680	9,236	9,876	10,620	11,497
	24.8%	8,401	8,938	9,556	10,275	11,122
	25.8%	8,133	8,652	9,249	9,944	10,762
	26.8%	7,876	8,377	8,954	9,626	10,417

Source: Is Investment

Table 5: Implied 2024E EV/EBITDA Multiple

		Terminal Growth Rate				
		5%	6%	7%	8%	9%
WACC	22.8%	6.2x	6.6x	7.1x	7.6x	8.2x
	23.8%	6.0x	6.4x	6.8x	7.3x	8.0x
	24.8%	5.8x	6.2x	6.6x	7.1x	7.7x
	25.8%	5.6x	6.0x	6.4x	6.9x	7.4x
	26.8%	5.4x	5.8x	6.2x	6.6x	7.2x

Source: Is Investment

Table 6: Implied 2024E P/E Multiple

		Terminal Growth Rate				
		5%	6%	7%	8%	9%
WACC	22.8%	6.8x	7.2x	7.7x	8.3x	9.0x
	23.8%	6.6x	7.0x	7.5x	8.0x	8.7x
	24.8%	6.4x	6.8x	7.2x	7.8x	8.4x
	25.8%	6.1x	6.5x	7.0x	7.5x	8.1x
	26.8%	6.0x	6.3x	6.8x	7.3x	7.9x

Source: Is Investment

Table 7: Implied 2024E EV/SALES Multiple

		Terminal Growth Rate				
		5%	6%	7%	8%	9%
WACC	22.8%	2.4x	2.6x	2.8x	3.0x	3.2x
	23.8%	2.3x	2.5x	2.7x	2.9x	3.1x
	24.8%	2.3x	2.4x	2.6x	2.8x	3.0x
	25.8%	2.2x	2.3x	2.5x	2.7x	2.9x
	26.8%	2.1x	2.3x	2.4x	2.6x	2.8x

Source: Is Investment

Table 8: International Peers

Company	Country	MCAP mn USD	P/E LTM	EV/EBITDA LTM	EV/SALES LTM	P/E 2023	EV/EBITDA 2023	EV/SALES 2023	P/E 2024	EV/EBITDA 2024	EV/SALES 2024
SBEC Sugar Ltd	Hindistan	23.5	n/a	14.7	0.5	n/a	n/a	n/a	n/a	n/a	n/a
Sociedad Agricola La Rosa Sofruco S.A	Şili	25.4	22.9	14.0	1.2	n/a	n/a	n/a	n/a	n/a	n/a
Harn Len Corporation Bhd	Malezya	103.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
PT ANDIRA AGRO Tbk	Endonezya	30.4	n/a	n/a	2.6	n/a	n/a	n/a	n/a	n/a	n/a
Freshtrop Fruits Ltd	Hindistan	16.9	17.7	7.0	0.5	n/a	n/a	n/a	n/a	n/a	n/a
Hob Co Ltd	Japonya	55.6	20.0	9.3	1.0	n/a	n/a	n/a	n/a	n/a	n/a
Sin Heng Chan (Malaya) Berhad	Malezya	21.4	13.1	32.0	5.8	n/a	n/a	n/a	n/a	n/a	n/a
Summi Group Holdings Ltd	Hong Kong	182.6	n/a	66.2	12.3	n/a	n/a	n/a	n/a	n/a	n/a
The Peria Karamalai Tea & Produce Company Limited	Hindistan	10.2	n/a	80.25	1.9	n/a	n/a	0.3	n/a	n/a	n/a
Orsero SpA	İtalya	325.9	6.0	4.38	0.3	5.6	3.9	2.5	8.0	4.8	0.3
Limoneira Company	A.B.D	275.3	u/d	13.59	1.9	n/a	n/a	0.4	95.8	25.8	2.0
Del Monte Fresh Produce Company	A.B.D	1,120.9	11.1	6.15	0.4	11.9	6.0	n/a	10.9	6.5	0.4
Molinos Agro S.A.	Arjantin	2,212.6	92.4	31.45	0.2	n/a	n/a	n/a	n/a	n/a	n/a
T&G Global Limited	Yeni Zelanda	141.2	n/a	11.73	0.4	n/a	n/a	2.6	n/a	n/a	n/a
Costa Group Holdings Limited	Avusturalya	957.8	67.3	10.12	1.6	91.8	10.8	2.4	28.4	8.8	2.6
Eagle High Plantations	Endonezya	112.6	10.8	5.96	1.6	n/a	n/a	n/a	n/a	n/a	n/a
Median		**108.2**	**17.7**	**12.7**	**1.2**	**11.9**	**6.0**	**2.4**	**19.7**	**7.6**	**1.2**
Average		**351.0**	**29.0**	**21.9**	**2.1**	**36.4**	**6.9**	**1.6**	**35.8**	**11.5**	**1.3**

Source::Bloomberg

Table 9: Domestic Peers

Company	MCAP mn TL	P/E Son 12 Ay	EV/EBITDA Son 12 Ay	EV/SALES Son 12 Ay	Price to Book Son 12 Ay
Yayla Agro Gıda	12,479	8.5	13.1	1.3	3.4
Göknur Gıda	6,262	7.3	12.2	1.5	2.4
Kerevitaş	5,786	6.9	4.4	0.5	1.7
Söke Değirmencilik	5,759	16.2	17	1.5	3.3
Frigo Pak Gıda	732	14.6	6.4	1.5	2.2
Ulusoy Un	4,835	u/d	8.9	0.2	1.3
Tat Gıda	4,420	16.8	12.2	1.6	3.7
Penguen Gıda	931	19.7	13.2	1.3	0.6
Avod Kurutulmuş Gıda	791	9.9	11.6	1.2	1.7
Pınar Et ve Un	2,701	8.6	10	0.9	0.9
Merko Gıda	638	u/d	5.1	1.0	2.1
Dardanel	2,848	u/d	8.6	1.0	1.4
Elite Organik Gıda	5,840	23.9	18.8	8.1	9.5
Kervan Gıda	4,766	11.8	7.0	1.1	2.3
Kütahya Şeker	2,806	5.7	9.8	2.6	1.7
Selva Gıda	817	9.8	10.4	1.1	1.6
Tukaş	9,276	6.9	7.3	1.9	3.0
Ülker	26,883	16.4	5.2	1.1	3.0
Pınar Süt	2,821	8.7	14.4	0.6	0.7
Oylum Sınai Yatırımlar	575	5.4	6.9	1.4	1.7
Selçuk Gıda	416	26.2	u/d	11.1	5.0
Medyan	**2,848**	**9.9**	**9.9**	**1.3**	**2.1**
Ortalama	**4,875**	**12.4**	**10.1**	**2.0**	**2.5**

Source: Is Investment

n/a: Not Applicable

.

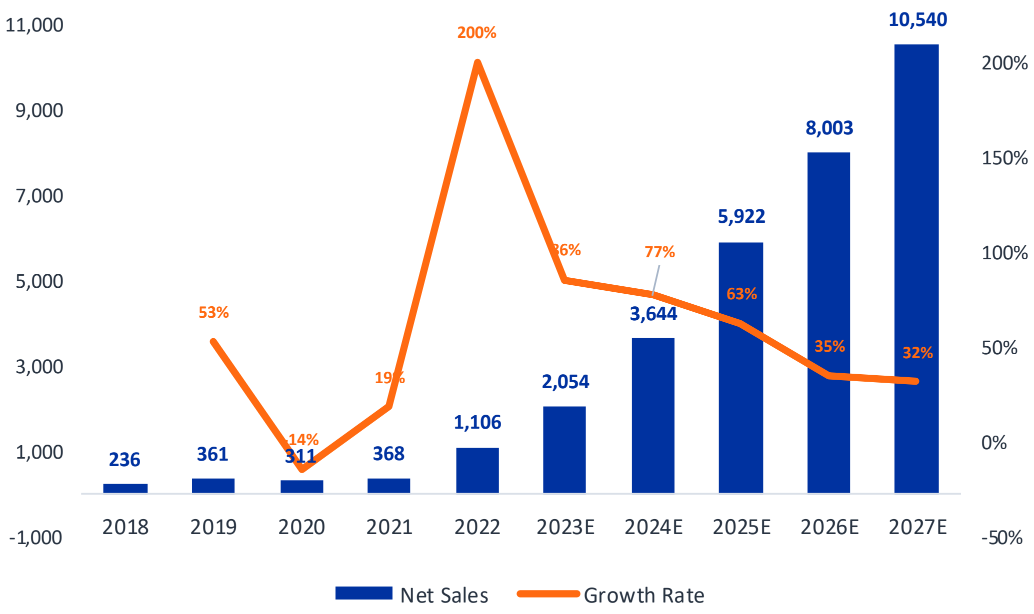
Atakey's last twelve month Net Sales, EBITDA and Net Income figures are TL1,848mn, TL749mn and TL446mn respectively. The Company's Book Value is TL1,942mn as of September 2023.

FINANCIAL ANALYSIS

Net Sales

While net sales grew at a CAGR of 45% in the last 3 years, the negative impact of the pandemic was severely felt in 2020 and 2021. From 2022 onwards, strong growth continued with the normalization and reopening of quick service restaurants. The high level of food prices, especially the increase in frozen potato prices, was a factor supporting revenue growth. The average selling price of the product increased by 254% cumulatively over the last 3 years, above both the consumer price index and the food price index. The contraction in sales volumes due to the closure of quick service restaurants during the pandemic period was partially compensated by domestic and international third party sales. In 2022, total sales volume was 14% below 2019.

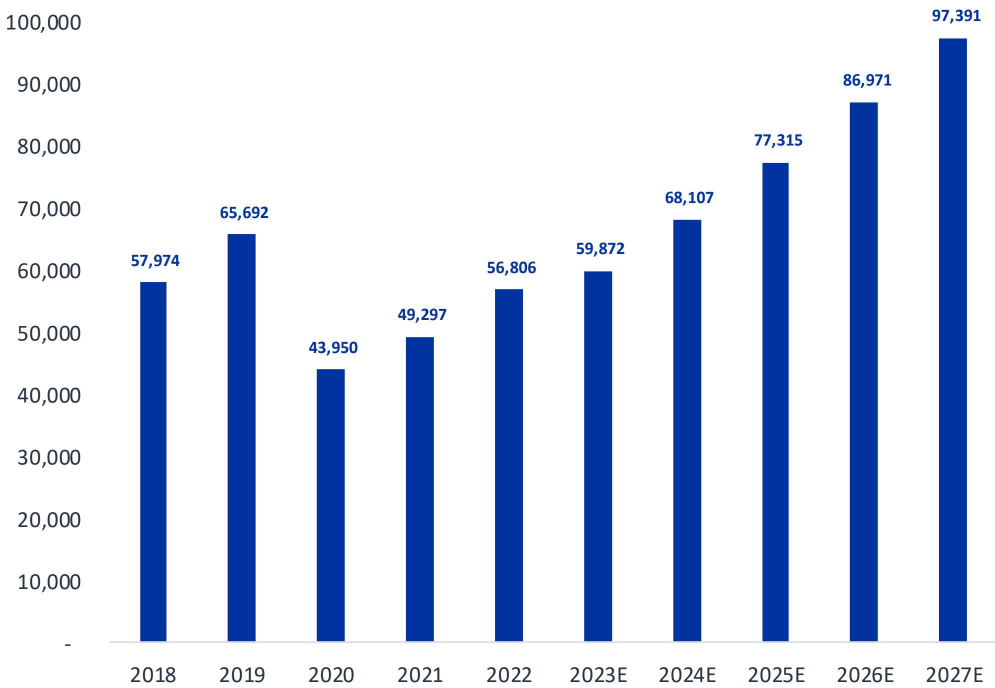
Figure 14: Net Sales (TL mn)



Source: Company, Is Investment

Net sales figures include the total sales value of all products.

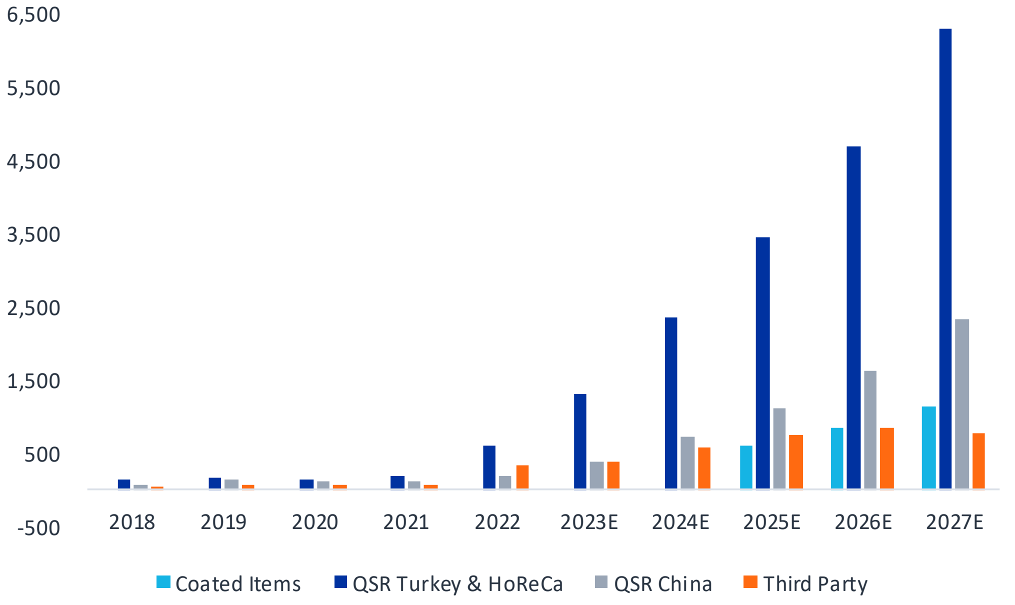
Figure 15: Sales Volume (Tons)



Source: Company, Is Investment

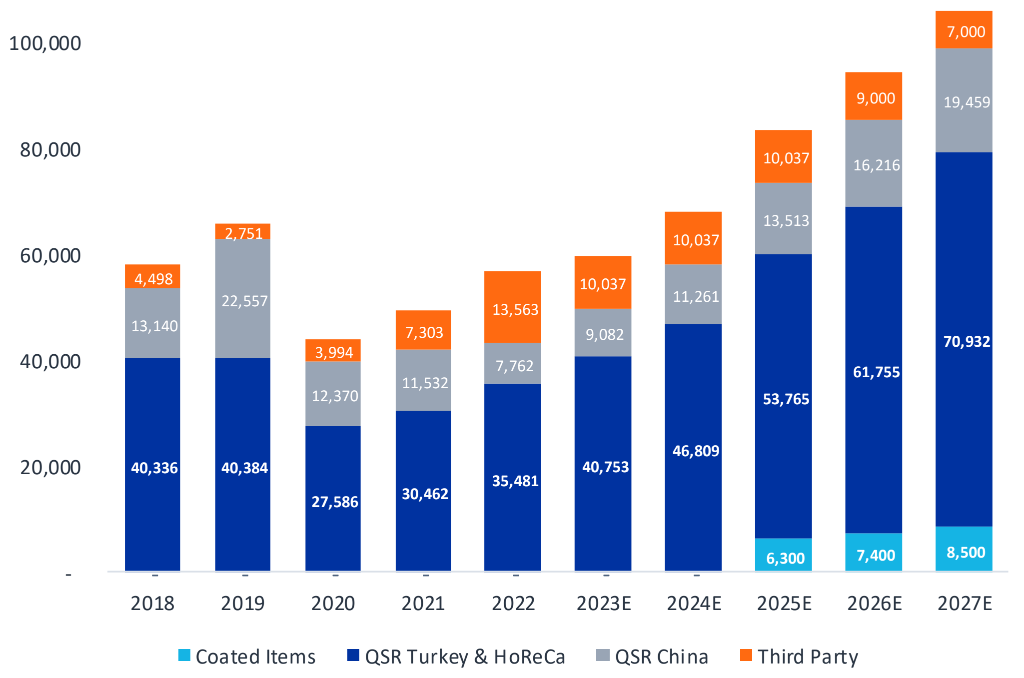
Atakey Patates

Figure 16: Breakdown of Sales (TL mn)



Source: Company, Is Investment

Figure 17: Breakdown of Sales* (Tons)

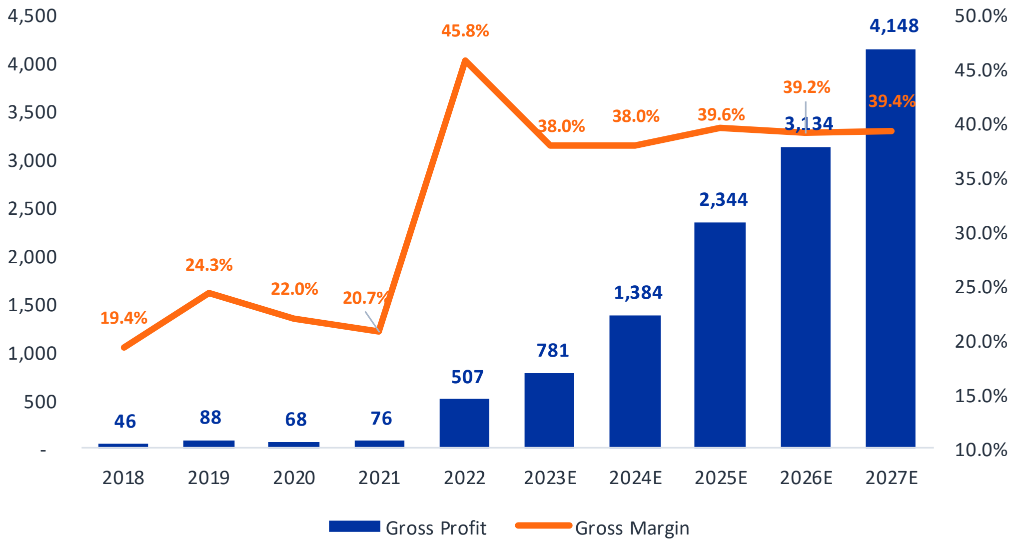


Source: Company, Is Investment

*Potato breakdown is estimated by channel and coated products are shown as a separate category.

In 2022, 56% of the sales volume was generated in Turkey, 14% in China and the rest consisted of sales to third parties. While sales to third parties remained flat, volume growth is expected to be driven mainly by increased sales to quick service restaurants in Turkey and China. New restaurant openings are expected to continue in both countries, while traffic growth in existing restaurants is expected to support sales volumes. Coated product investment planned for 2024 and capacity expansion planned for 2026 are also expected to support volume growth and profitability.

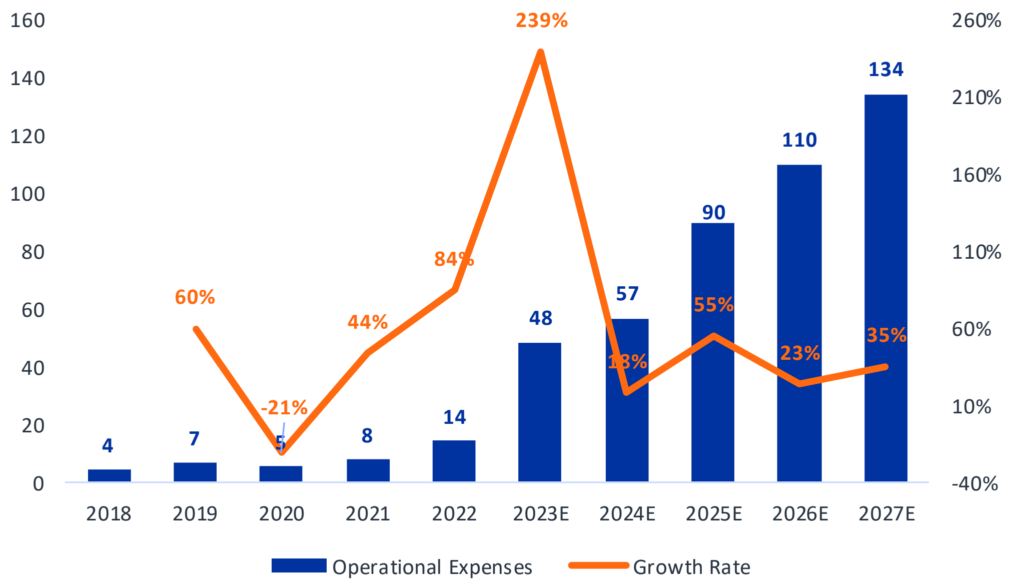
Figure 18: Gross Profit (TL mn) and Gross Margin



Source: Company, Is Investment

Gross profit has grown by 79% CAGR over the last 3 years, with a very strong gross margin (46%), mainly due to the positive impact of low cost inventories held last year. We expect the gross margin to normalize at 38% in 2023 as inflation decelerates. We expect the low cost and high potential returns of onion ring production to support gross profitability in the coming years.

Figure 19: Operational Expenses (TL mn)

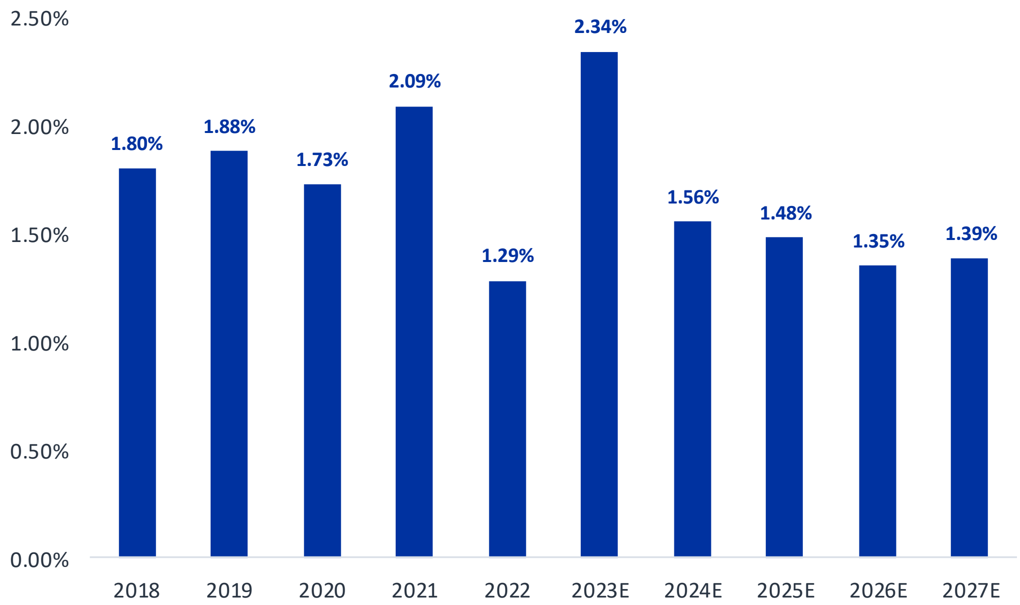


Source: Company, Is Investment

The company's operational expenses have grown by 28% annually in the last 3 years, and personnel expenses have the largest share in operational expenses with a share of 50%. Operational expenses as a percentage of sales decreased from 1.9% in 2019 to 1.3% in 2022.

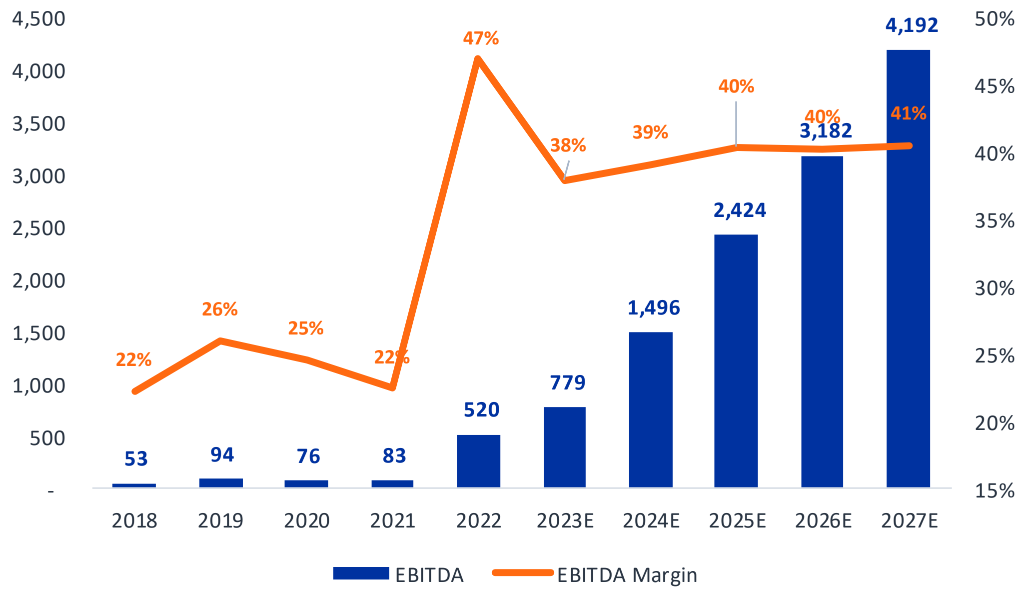
Atakey Patates

Figure 20: Opex to Sales Ratio



Source: Company, Is Investment

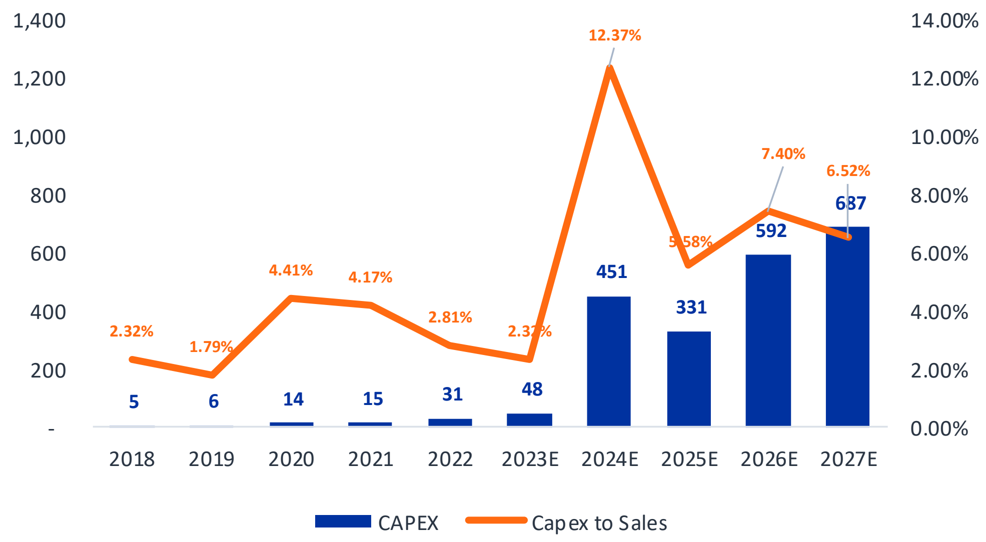
Figure 21: EBITDA (TL mn) and EBITDA Margin



Kaynak: Şirket, İş Yatırım

EBITDA margin will increase to 47% in 2022 compared to 26% in 2019, with the improvement in gross margin being the main driver of it.

Figure 22: Capital Expenditure (TL mn)



Source: Company, Is Investment

The investments for new coated products capacity (8,800 tons) and a natural gas based power plant will be carried out in 2024. Meanwhile, Investments for the additional frozen potato capacity (40,000 tons) will be done in 2027 according to our estimates. A total of **EUR35mn** is planned for all these investments.

Working Capital

The company's working capital requirement increased from TL130mn in 2019 to TL422mn at the end of 2022. Despite the decline in receivables days, the increase in working capital is due to the increase in inventory days. Although payables days increased compared to 2019, it has been at 111 days for the last 3 years. Cash conversion days increased from 182 days to 238 days. As the effects of the pandemic diminish, we expect the number of inventory days and therefore the number of cash conversion days to normalize in the coming period. As of 2022 year-end, the ratio of working capital requirement to turnover is at 38%.

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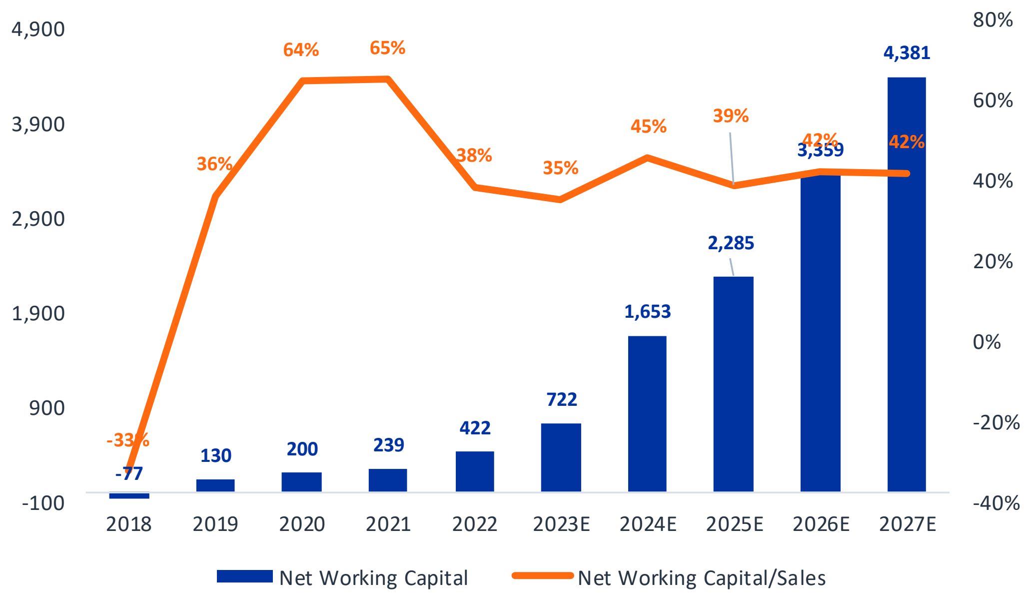
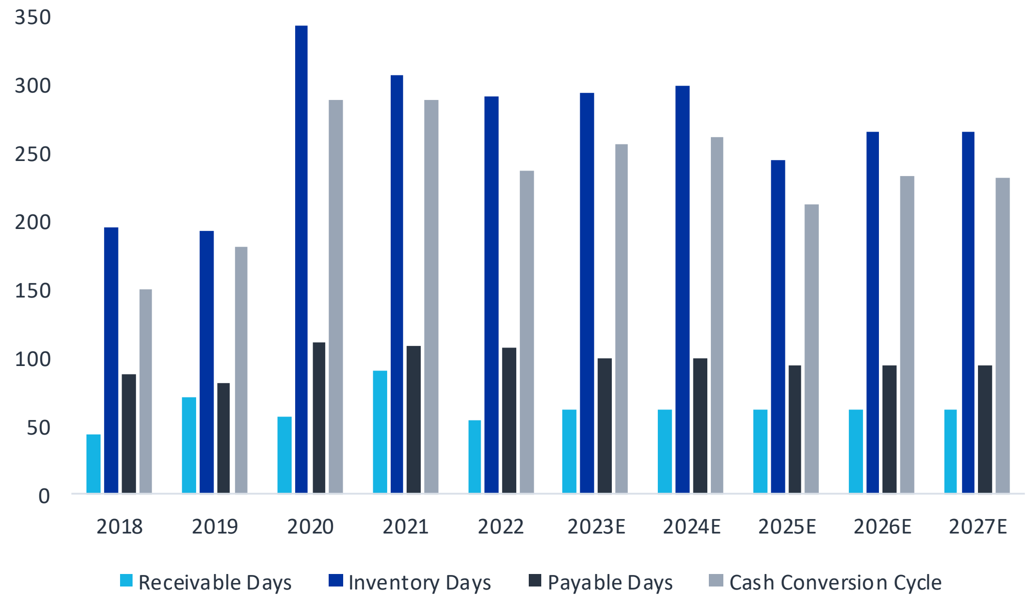
Figure 23: Net Working Capital (TL mn)



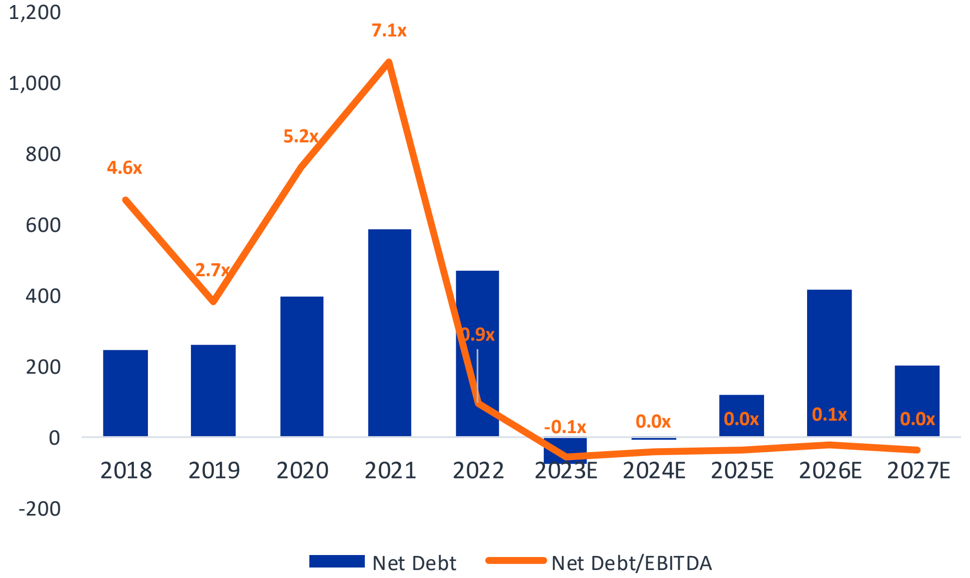
Source: Company, Is Investment

Figure 24: Cash Conversion Cycle



Source: Company, Is Investment

Figure 25: Net Financial Debt (TL mn)

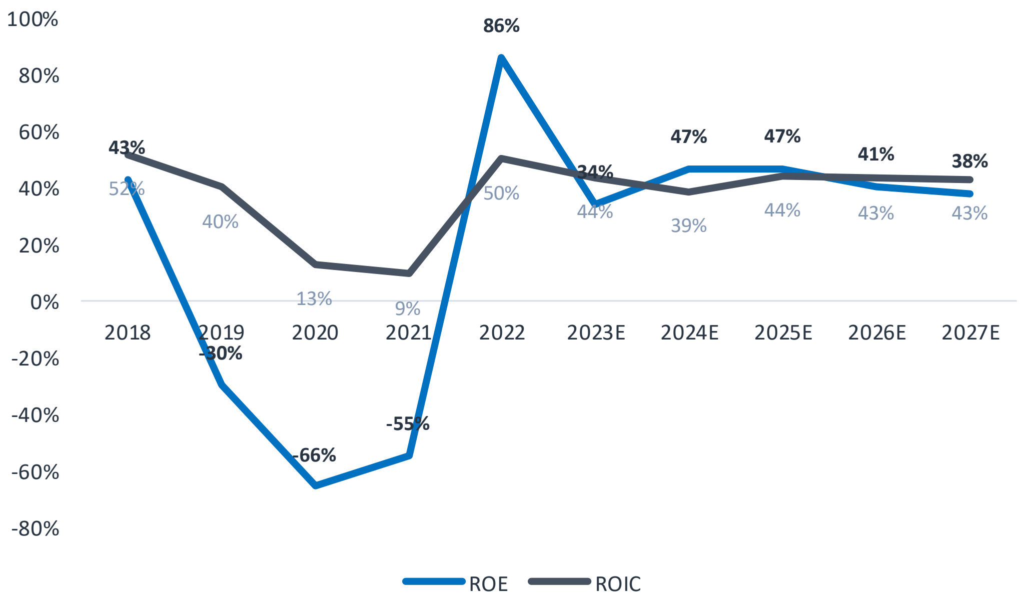


Source: Company, Is Investment

Net Financial Debt Position

Although the company's net financial debt increased from TL255mn at the end of 2019 to TL466mn at the end of 2022, the Net Financial Debt/EBITDA ratio decreased from 2.7x to 0.9x. The company is estimated to close 2023 with a net cash position, owing to the cash in flow from the IPO. We estimate that the company will distribute 70% dividends starting from 2026. We estimate that 50% of the investments, which are expected to cost a total of TL1.16bn (EUR35mn), will be financed by borrowing, while the remaining half will be financed from internal resources.

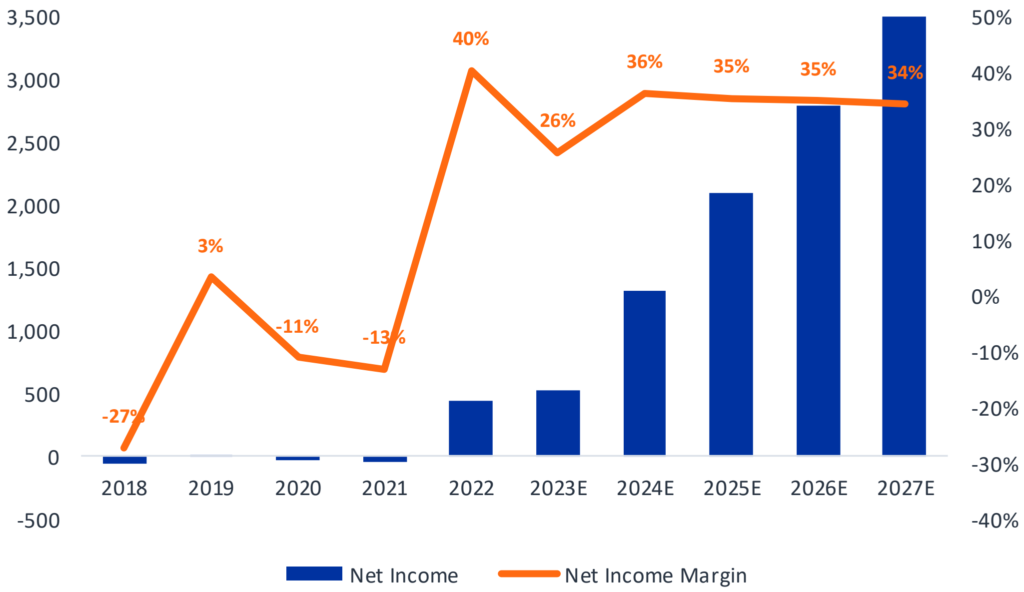
Figure 26: ROE ve ROIC



Source: Company, Is Investment

Return on equity increased from -30% in 2019 to 86% in 2022 due to strong operational results, lower finance costs and deferred tax income. Return on Invested Capital has increased to 50% from 40% in 2019. The high profitability in 2022 provided great support to the increase in ROIC. We estimate that ROIC and ROE will remain close to 43% on average during the projection period.

Figure 27: Net Income (TL mn) and Net Income Margin



Source: Company, Is Investment

Net profit increased to TL 446mn in 2022, compared to a net profit of TL12mn in 2019, thanks to strong operational margins and lower financial expenses.

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3Q23 Financial Results: Strong Revenue Growth

In its 3Q23 results presentation, the company announced that the production amount for the last 12 months was 59 thousand tons. Since the start of the season for potato production is in July, the figure for the last 12 months was disclosed. Sales increased by 13% YoY to 45 thousand tons in 9M23. Due to the export restrictions in the first half of the year, sales were 26 thousand tons, while only in the third quarter the company recorded sales of 19 thousand tons supported by export sales.

Net sales revenues of the company in 3Q23 increased by 103% compared to 3Q22, from TL326mn to TL661mn, due to the impact of the high inflation. The company's gross profit increased by approximately 48% to TL249mn in 3Q23 compared to 3Q22, while gross profit margin reached 37.6%. In 3Q23, the company posted an EBITDA of TL 245mn, up by 44% compared to the third quarter of last year, with an EBITDA margin of 37.1%. The company closed the third quarter of the year with a net profit of TL187mn. This indicates a 15% growth compared to the same period of last year, pressured by higher tax expenses due to low base year effect. Net profit margin was realized as 28.3% in 3Q23.

Finally, while the company's net financial debt was TL466mn at the end of 2022, it has turned into net cash of TL138mn as of the third quarter of 2023. The Net Financial Debt/EBITDA ratio, which was 0.9x at the end of 2022, is -0.2x as of the end of the third quarter of 2023, calculated with the last 12-month data.

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Table 10: 3Q23 Financial results

IFRS Income Statements (TL mn)	3Q22	3Q23
Net Sales	**326**	**661**
Gross Profit	**168**	**249**
Operating Expenses	4	18
EBIT	**164**	**230**
EBITDA	**171**	**245**
Non-Operating Income (Expense)	-6	-24
PBT	**158**	**207**
Tax Income (Expense)	4	-20
Minority Interest	0	0
Net Profit	**162**	**187**

Growth & Profitability	3Q23
Growth	
Sales Growth (y/y)	103%
Opex Growth (y/y)	418%
EBIT Growth (y/y)	40%
EBITDA Growth (y/y)	43%
NI Growth (y/y)	15%
Margins	
Gross Margin	37.6%
Opex to Sales	2.8%
EBIT Margin	34.9%
EBITDA Margin	37.1%
Net Margin	28.3%
ROE (Annualized)	40.4%
ROA (Annualized)	22.6%
Effective Tax Rate	9.6%
Operating Cash Flow Margin	-1.4%
Free Cash Flow Margin	3.5%
Operational Cash Flow / EBITDA	-4%

IFRS Cash Flow Statements (TL mn)	3Q22	3Q23
Net Cash from Operations	**73**	**-10**
Earnings Before Adjustments	162	187
Depreciation & Amortisation	7	15
Others	-4	25
Change in Working Capital	-91	-236
Cash from Investment Operations	**-5**	**33**
Capital Expenditures	-6	-17
Cash from Other Investment Operations	1	50
Free Cash Flow	**68**	**23**
Cash from Financial Operations	**-43**	**678**
Change in Financial Debt	-32	-95
Dividends Paid	0	0
Cash from Other Financial Operations	-11	773
Effect of Exchange Rate	0	0
Net Change in Cash & Cash Equivalents	**25**	**701**

IFRS Balance Sheet (TL mn)	31/12/2022	30/09/2023
Current Assets	**793**	**2,033**
Cash and Cash Equivalents	88	897
Short-Term Trade Receivables	163	344
Inventories	478	701
Other Current Assets	65	91
Long Term Assets	**944**	**991**
Long-Term Financial Assets	0	0
Investments with Equity Method	978	0
Tangible Fixed Assets	158	775
Intangible Fixed Assets	5	0
Right of Use Assets (IFRS 16)	776	5
Other Long-Term Assets	1	210
Total Assets	**1,737**	**3,024**
Short Term Liabilities	**675**	**906**
Short-Term Financial Loans	390	587
Short-Term Trade Payables	176	293
Other Short-Term Liabilities	109	25
Long Term Liabilities	**165**	**177**
Long-Term Financial Loans	161	172
Other Long-Term Liabilities	4	5
Equity	**897**	**1,942**
Total Liabilities and S.Holders' Equity	**1,737**	**3,024**

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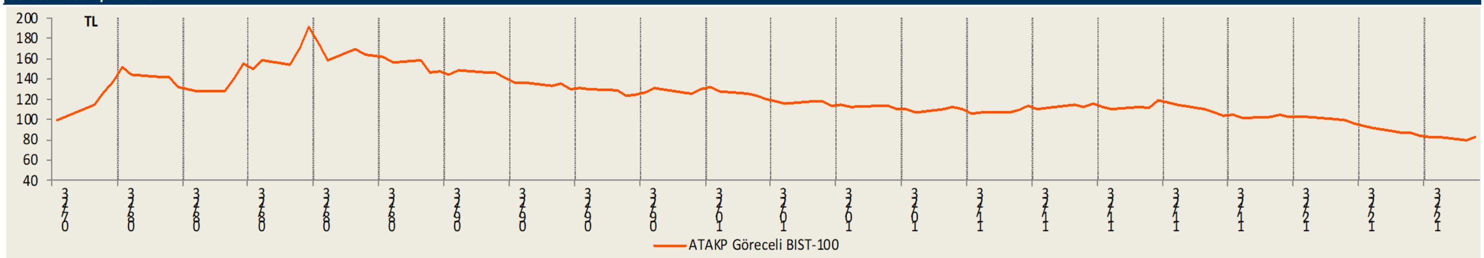
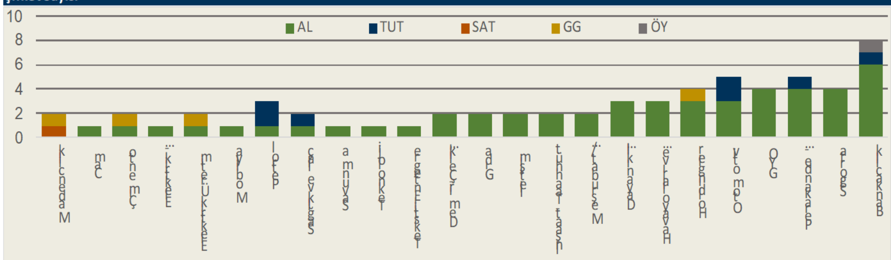
Göreceli Getiri / Öneriler



Şirket Sayısı



Takip Listesi Dağılımı