

Ülker Bisküvi Sanayi A.Ş.

We attended Ülker Bisküvi's analyst meeting to assess the company's 3Q24 financial results, current operations, and future outlook. In the Turkish market, revenue increased by 7%, and EBITDA grew by 5%, while export revenue saw a 12% decline and EBITDA a 28% decrease. Rising cocoa prices, a strong Turkish lira, and the end of government support in Kazakhstan, which has tightened consumption, have pressured export operations. The year-end net sales target has been revised down by 5.9% to TL80bn, with the EBITDA margin adjusted from 18.5% to 18.2%. Expected price adjustments in 2025 are anticipated to support the EBITDA margin once again by renewing terms in price contracts to address the low pricing in export markets. However, increasing competition abroad could make implementing the desired price increases challenging.

Highlights

Financial Status Assessment... In Turkey, revenue increased by 7% and EBITDA by 5%, while export revenue decreased by 12% and EBITDA by 28%. In North Africa, revenue rose by 60% and EBITDA by 55%. In Central Asia, revenue declined by 3% and EBITDA by 19%, while in the Middle East, revenue grew by 2% and EBITDA by 3%. The revenue distribution consists of 71% from Turkey and 29% from international markets. Ülker's market share stands at 35% in Turkey, 26% in the Middle East for the biscuit category, 15% in North Africa, and 16% in Central Asia for chocolate. The contribution of new products to revenue is 13% in Turkey, 7% in international markets, and 10% overall. Despite a 3% decline in total volume compared to the same period last year, revenue increased by 2%. As of September 2024, financial liabilities are 85% long-term and 15% short-term. Approximately 68% of the FX open positions that negatively impacted net profit have been covered. As of September 2024, an open position of USD407mn has been hedged.

Operational Status and 2024 Targets... Due to rising cocoa prices and economic slowdown, the company implemented hedging for 2025 to control costs, covering 95% in cocoa, 75% in palm oil, and 95% in nuts; protection was provided for all raw materials except sugar. The strong Turkish lira negatively impacted export currency effects, while the end of government support in Kazakhstan shifted consumer behavior, adversely affecting sales. The local market saw a 6% contraction. The year-end EBITDA margin target was revised from 18.5% to 18.2%, and the year-end net sales forecast was adjusted from TL85bn to TL80bn, a 5.9% decrease. Although rising cocoa prices pressured margins, the impact is expected to be balanced by a broad product portfolio. Additionally, due to long-term export contracts, lower prices are expected to support EBITDA margin improvement with price adjustments in 2025. However, it will be essential to monitor how competitive pressures and potential management adjustments may affect the feasibility of this pricing strategy.

ULKER

Share Data

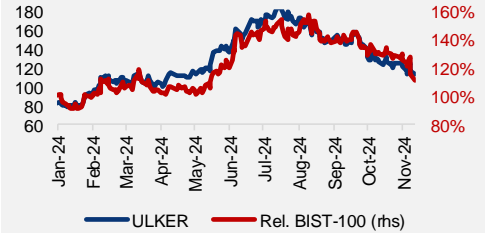
Ticker:	ULKER TI		
Share price (as of 08 November 2024)	113.00		
Share price (52 week range)	72.8 / 187.3		
Market cap. (TL mn - USD mn)	41,728 - 1,217		
# of shares outstanding (mn)	369.3		
Free Float	39%		

Avg. trading volume	1M	3M	12M
USD mn	16.5	16.2	22.7

Price performance	1M	3M	Y-t-D
TL	-10%	-33%	38%
USD	-11%	-35%	19%
Rel. to BIST-100	-14%	-29%	11%

TL mn	2021	2022	2023
Revenues	12,537	51,981	55,836
EBITDA	2,328	6,703	10,601
Net Earnings	-464	985	3,379
Net Debt	8,757	23,538	25,680

Valuation	2021	2022	2023
P/E	6.1x	-3.4x	5.8x
P/BV	1.4x	2.6x	3.1x
EV/EBITDA	5.1x	5.6x	4.2x
EV/Sales	0.98x	1.06x	0.65x
Dividend Yield	3.8%	0.0%	0.0%



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Summary

(TL mln)	2023/3Q	2023/4Q	2024/1Q	2024/2Q	2024/3Q	Change (YoY)	Change (QoQ)
Revenues	17,809	-314	23,144	15,309	18,196	2.2%	18.9%
EBITDA	3,737	-401	4,705	2,967	2,971	-20.5%	0.1%
Net Earnings	3,052	390	2,559	1,260	470	-84.6%	-62.7%

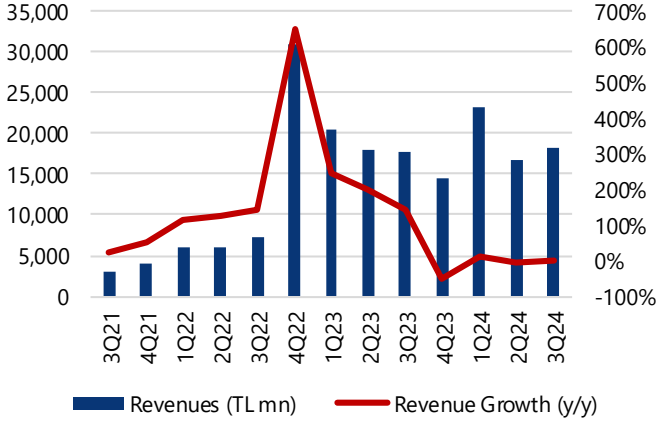
Balance Sheet	2021	2022	2023	Income statement	2021	2022	2023
Cash	9,420	15,596	15,843	Revenues	12,537	51,981	55,836
Accounts receivables	4,688	12,174	16,394	Gross profit	3,612	11,328	16,177
Inventory	3,218	8,516	11,400	Operating expenses	1,514	5,793	6,760
Other current assets	1,439	5,487	6,613	Operating profit	2,098	5,535	9,416
Current assets	18,765	41,773	50,251	EBITDA	2,328	6,703	10,601
Financial investments	1,878	4,428	5,448	Other income, net	6,297	6,087	8,781
Net fixed assets	3,641	14,703	22,110	Financial income, net	-8,466	-10,249	-13,421
Intangible assets	651	1,480	1,929	Earnings before taxes	-71	1,373	4,777
Other non-current assets	1,308	3,765	3,938	Tax expense	92	-57	554
Non-current assets	7,479	24,376	33,425	Net earnings - Parent	-464	985	3,379
Total assets	26,244	66,149	83,676	Cashflow statement			
Short-term financial loans	2,863	18,787	7,419	EBITDA	2,328	6,703	10,601
Accounts payables	2,270	6,857	10,373	Taxes on EBIT	-2,734	-228	1,093
Other short-term payables	1,001	2,183	3,195	Capital expenditures	465	1,146	1,111
Current liabilities	6,134	27,826	20,987	Chg. in NWC	656	11,064	3,702
Long-term financial loans	15,314	20,348	34,104	Free cashflows to firm	3,941	-5,279	4,695
Other long-term payables	482	2,332	1,681	Growth & margins			
Non-current liabilities	15,796	22,680	35,786	Revenues	29%	315%	7%
Shareholders' equity	4,314	15,643	26,903	EBITDA	21%	188%	58%
Parent company	2,987	12,036	24,416	Net earnings	-143%	-312%	243%
Minorities	1,327	3,607	2,487	Gross margin	28.8%	21.8%	29.0%
Total liabilities & equity	26,244	66,149	83,676	Operating margin	16.7%	10.6%	16.9%
Net debt	8,757	23,538	25,680	EBITDA margin	18.6%	12.9%	19.0%
Net working capital	6,074	17,138	20,840	Net margin	-3.7%	1.9%	6.1%
Net working capital (Operatin	5,636	13,834	17,421	Free cashflow margin	-3.7%	1.9%	6.1%
Invested Capital	10,366	33,321	44,879	Per share (TL)			
Ratios				EPS	-1.26	2.67	9.15
Profitability				BVPS	11.68	42.36	72.85
ROE	-8.3%	9.9%	15.9%	DPS	0.75	0.00	0.00
Net margin	-3.7%	1.9%	6.1%	Valuation			
Asset turnover	0.5x	1.1x	0.7x	P/E	6.1x	-3.4x	5.8x
Leverage	4.1x	4.6x	3.5x	P/BV	1.4x	2.6x	3.1x
ROA	-2.0%	2.1%	4.5%	EV/EBITDA	5.1x	5.6x	4.2x
ROIC	17.7%	20.3%	19.3%	EV/Sales	1.0x	1.1x	0.7x
Leverage				Dividend Yield	0.0x	0.0x	0.0x
Financial debt/Total assets	69%	59%	50%	Free cashflow yield	0.5x	-0.8x	0.3x
Net debt/Equity	2.03	1.50	0.95				
Net debt/EBITDA	3.76	3.51	2.42				

Source: Bloomberg, Tacirler Investment

* All figures are stated in millions of TL unless otherwise stated.

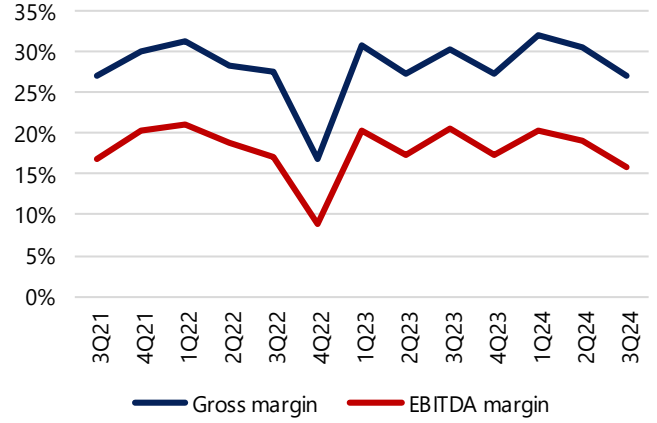
Key Financial Indicators (Quarterly)

Revenue trends



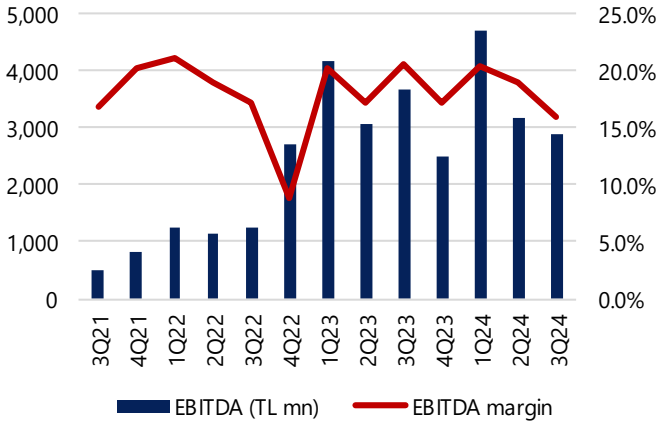
Source: Tacirler Investment

Operating margin evolution



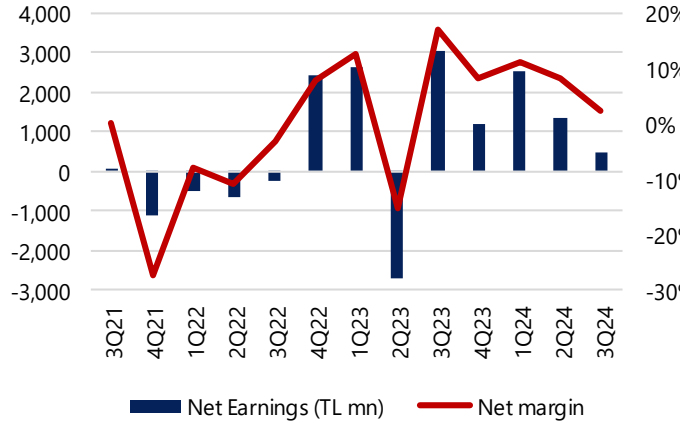
Source: Tacirler Investment

EBITDA trends



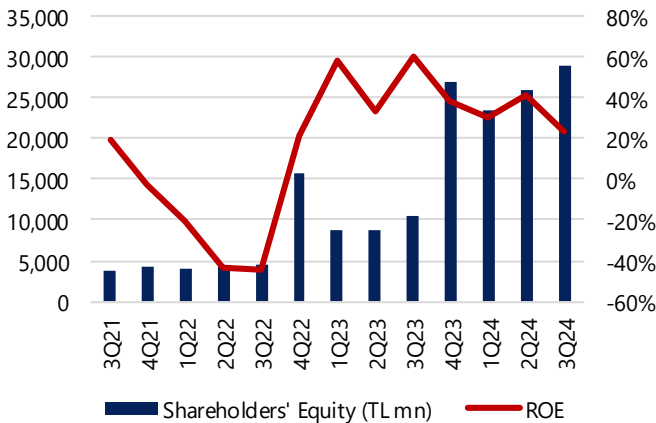
Source: Tacirler Investment

Net earnings trends



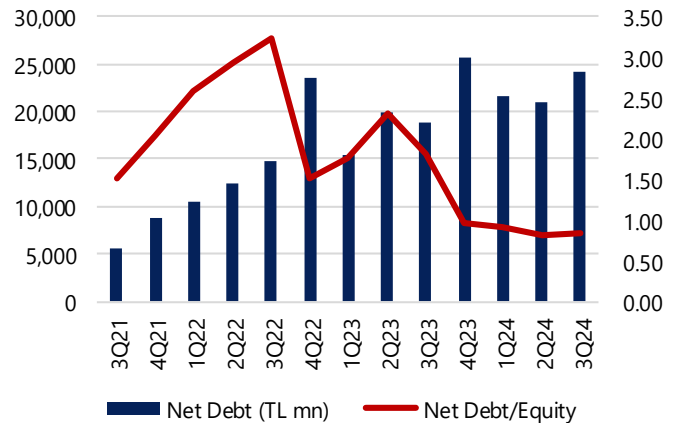
Source: Tacirler Investment

Profitability trends



Source: Tacirler Investment

Trends in financial leverage



Source: Tacirler Investment

Yatırım Merkezlerimiz

Genel Müdürlük

Nispetiye Cad. B-3 Blok Kat: 9 Akmerkez Etiler - İSTANBUL
0 212 355 46 46

Adana	Cemal Paşa Mah. Gazipaşa Bul. Cemal Uğurlu Apt. Kat: 1 D: 4	(0 322) 457 77 55
Akatlar İrtibat Bürosu	Akat Mahallesi Meydan Caddesi B Blok No: 16 D: 8 (Eski No D: 10) Beşiktaş	(0 212) 355 46 46
Ankara	Remzi Oğuz Arık Mah. Tunalı Hilmi Cad. Yaprak Apt. No: 94 Kat: 2 D: 9 Kavaklıdere Çankaya	(0 312) 435 18 36
Ankara - Çukurambar İrtibat Bürosu	Kızılırmak Mah.Ufuk Üniversitesi Cad. Next Level Loft Ofis No: 4/65 Kat: 24 Söğütözü Çankaya	(0 312) 909 87 70
Antalya	Şirinyalı Mah. İsmet Gökşen Cad. Özden Apt. No:82/6 Muratpaşa	(0 242) 248 45 20
Bakırköy	İstanbul Cad. Bakırköy İş Merkezi No: 6 Kat: 4 D: 14 Bakırköy	(0 212) 570 52 59
Bodrum İrtibat Bürosu	Konacık Mahallesi, Atatürk Bulvarı, Arbor-Abdullah Ünal Çabuk İş Merkezi No: 285/1-A6 Bodrum	(0 212) 355 46 46
Bursa	Konak Mah. Barış (120) Sokak , Ofis Artı Binası, Dış kapı No:3 Daire:33 Nilüfer-BURSA	(0 224) 225 64 10
Çankaya İrtibat Bürosu	Çankaya Mahallesi Cinnah Caddesi Cinnah Apartmanı No: 55 D: 7-8 Çankaya / ANKARA	(0 212) 355 46 46
Denizli	Urhan İş Merkezi 2. Ticari Yol Daire 26 Kat: 6 Bayramyeri	(0 258) 265 87 85
Erenköy	Bağdat Cad. Çubukçu Apt. No: 333 Kat: 2 D: 4 Kadıköy	(0 216) 348 82 82
Gaziantep	İncilipinar Mah. Gazimuhtarpaşa Bul. Kepkepzade Park İş Merkezi B Blok No: 18 Kat: 1 D: 5	(0 342) 232 35 35
Girne	Ziya Rızıkı Cad. Şehit Necati Gürkaya Sok. Kat: 1 D: 1 Girne - KKTC	(0 392) 815 14 55-0533 889 15 51
İzmir	Kültür Mahallesi, Cumhuriyet Bulvarı No:137 Cumhuriyet Apt. K:5 D:12 Konak – İzmir	(0 232) 445 01 61
İzmir Karşıyaka Şube	Yalı Mahallesi Ahmet Kemal Baysak Bulvarı No:42 D:11	(0 232) 241 19 24
İzmir İrtibat Bürosu	Şehit Nevres Bulvarı Eczacıbaşı Apartmanı No: 7 Kat: 2 Daire: 5 Pasaport Alsancak - Konak	(0 232) 241 24 50
İzmit	Hürriyet Cad. Kaya İşhanı No: 39/5 İzmit	(0 262) 323 11 33
İzmit İrtibat Bürosu	Ömerağa Mah. Alemdar Cad. İ. Kolaylı Apt. No: 8 Kat: 2 İzmit	(0 262) 260 01 01
Karadeniz Ereğli	Bağlık Mahallesi Karanfil Sokak No:16/A Karadeniz Ereğli – Zonguldak	(0 372) 316 40 50
Kartal	Üsküdar Cad. Cevat Kayacan Apt. No: 26 Kat: 4 D: 8 Kartal	(0 216) 306 22 71-306 22 06
Kayseri	Hunat Mah. Nuh Mehmet Baldöktü Sok. Gürcüoğlu Plaza No: 5 K: 3 D: 11 Melikgazi	(0 352) 221 08 68-222 82 51
Marmaris İrtibat Bürosu	Kemeraltı Mah. Orgeneral Mustafa Muğlalı Cad. Güven Apt. No: 22 D: 2 Marmaris	(0 252) 321 08 00
Merkez Şube	Akat Mahallesi Meydan Caddesi B Blok No: 16 D: 7 (Eski No D: 9) Beşiktaş	(0 212) 355 46 46
Mersin	İnönü Mah. 1401 Sok. No:32 Pozcu Evo Kat:2 No:10-11 Yenişehir Mersin	(0 324) 238 11 89
Trabzon İrtibat Bürosu	Kemerkaya Mahallesi Halkevi Cad. Mandıralı İş Merkezi No: 4 Daire: 4 Ortahisar	(0 462) 432 24 50

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