

## PETKM

We participated in PETKM's teleconference to evaluate the company's financial results for 4Q23, current operations and its future outlook. Petkim, the sole integrated petrochemical facility in Turkey, boasts a portfolio of over 50 petrochemical products. The chemicals produced by Petkim constitute significant inputs for sectors such as construction, agriculture, automotive, electricity, electronics, packaging, and textiles. Petkim has an annual gross production capacity of 3.6 million tons. The main highlights of the meeting were as follows: i) effective cost management, ii) the impact of collaboration with the STAR Refinery, iii) relative recovery in product profitability price spreads.

### Key takeaways of the meeting

**Effective Cost Management...** Despite weak petrochemical markets since the second half of 2023, Petkim's performance was relatively better. Optimization-focused initiatives throughout 2023 contributed to cost management, resulting in increased profitability. Petkim achieved a sales volume of 486 thousand tons in 4Q23, with an OPEX rate of 64%.

**STAR Refinery...** Petkim acquired a 12% indirect stake in the STAR Refinery for \$480 million as of October 2, 2023. This agreement provided Petkim with flexibility in raw material sourcing, enabling access to low-cost naphtha sources. The financial impact of the STAR Refinery was reflected in Petkim's financials from 4Q onwards. In the fourth quarter of 2023, the STAR Refinery recorded a net profit of \$935 million, driven by strong product margins and one-time deferred tax income.

**Ethylene - Naphtha Spread...** The ethylene-naphtha margin, which had risen from around \$81 levels in May 2020 to \$700 levels post-pandemic in 2022, saw its upward trend halted by the effects of the Russia-Ukraine war. It dropped to around \$86 per ton in 3Q23 but rose to approximately \$113 per ton in 4Q23, marking an increase of around 30%. In 1Q23, the ethylene-naphtha margin had reached \$275/ton levels. Additionally, the Platts Global Petrochemical Index showed a 3% increase in 4Q23.

### Key Trends

- Demand weakness and oversupply persist.
- Issues related to the Red Sea are negatively impacting imports.
- Markets are generally under pressure due to weak demand for durable goods, affecting margins in product group segments.

### Petkim

#### Share Data

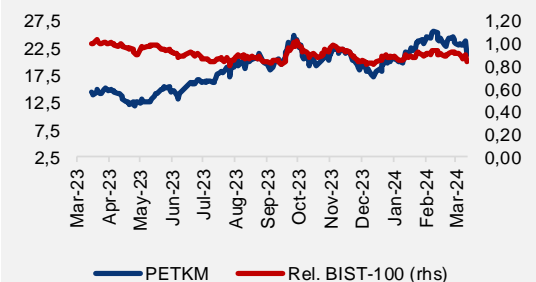
Ticker:	PETKM TI
Share price (as of 26 March 2024)	21,30
Share price (52 week range)	12 / 25
Market cap. (TL mn - USD mn)	53.983 - 1.682
# of shares outstanding (mn)	2.534
Free Float	47%

Avg. trading volume	1M	3M	12M
USD mn	66,2	72,8	95,0

Price performance	1M	3M	Y-t-D
TL	-16%	23%	17%
USD	-18%	12%	7%
Rel. to BIST-100	-11%	2%	-1%

TL mn	2021	2022	2023
Revenues	28.716	97.857	60.441
EBITDA	6.090	568	-2.121
Net Earnings	5.452	-1.281	7.390
Net Debt	8.387	23.555	26.154

Valuation	2021	2022	2023
P/E	9,6x	4,5x	-
P/BV	1,9x	1,9x	2,1x
EV/EBITDA	8,0x	6,7x	21,4x
EV/Sales	1,37x	1,08x	0,77x



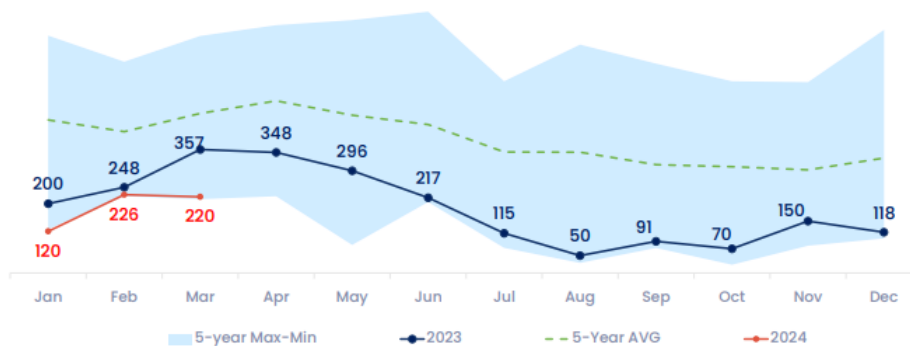
**Oğuzhan Kaymak**  
+90 212 355 2604  
oguzhan.kaymak@tacirler.com.tr

**Özgür Kenan Tosun**  
+90 212 355 2637  
ozgur.tosun@tacirler.com.tr

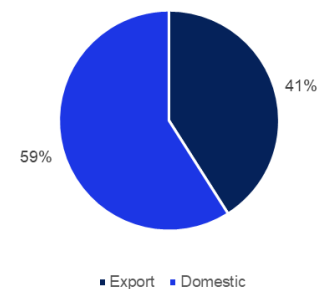
## About Company

Founded on April 3, 1965, Petkim Petrochemical Holding Inc. commenced production in 1970 with its five factories located in the Yarımca Complex. Being the only integrated petrochemical facility in our country, Petkim boasts a portfolio of over 50 petrochemical products. The chemical products manufactured by Petkim constitute significant inputs for industries such as construction, agriculture, automotive, electricity, electronics, packaging, and textiles. With 15 primary production facilities and 6 auxiliary facilities, Petkim has an annual average gross production capacity of 3.6 million tons. Petkim exports to approximately 78 countries.

Monthly naphtha - ethylene spread  
(CIF MED spot prices) USD/ton



Revenue Breakdown



## Financial Analysis

The company reported a net profit of 4.7 billion TL for 4Q23 (excluding the impact of TMS 29: 15.1 billion TL), surpassing the median net profit expectation of 1.9 billion TL by Rasyonet. This net profit figure represents a yearly increase of 166% and a quarterly increase of 101%. In 2023, consolidated net profit reached 7.4 billion TL, with a remarkable annual growth rate of 652%. PETKM's sales revenues in 4Q experienced a yearly decline of 53%, totaling 27.4 billion TL, but showed a quarterly increase of 108%. Consolidated sales revenues for 2023 amounted to 60 billion TL, reflecting a yearly decrease of 38% (excluding the impact of TMS 29: 47.5 billion TL). While experiencing a weak period with a FAVÖK of -3.1 billion TL in 4Q, the consolidated FAVÖK for 2023 stood at -2.1 billion TL. In 2022, FAVÖK was 568 million TL. Petkim is currently trading at a market capitalization of 1.68 billion USD, with multiples of 6.9x P/E.

## 2024 Guidance

- Petrochemical market: A relatively similar year is expected in 2024, with some improvements possible in the second half.
- The expected EBITDA for 2024 is in the range of \$120-150 million.
- The net profit expectation for STAR Refinery in 2024 is in the range of \$150-300 million.

Balance Sheet	2018	2019	2020	2021	2022	2023	Income statement	2011	2017	2018	2019	2020	2021	2022	2023
Cash	3.009	4.037	5.507	3.714	23.774	4.339	<b>Revenues</b>	<b>4.533</b>	<b>7.364</b>	<b>9.315</b>	<b>11.672</b>	<b>12.134</b>	<b>28.716</b>	<b>97.857</b>	<b>60.441</b>
Accounts receivables	1.194	1.552	1.717	5.107	7.802	7.546	Gross profit	958	1.858	1.579	1.601	1.854	6.417	607	-2.328
Inventory	1.130	929	958	3.540	7.627	6.141	Operating expenses	193	252	344	406	467	867	3.445	4.051
Other current assets	2.662	3.028	3.677	7.263	17.928	2.309	Operating profit	765	1.606	1.235	1.195	1.387	5.550	-2.838	-6.379
<b>Current assets</b>	<b>7.995</b>	<b>9.547</b>	<b>11.860</b>	<b>19.623</b>	<b>57.131</b>	<b>20.334</b>	<b>EBITDA</b>	<b>881</b>	<b>1.774</b>	<b>1.478</b>	<b>1.531</b>	<b>1.810</b>	<b>6.090</b>	<b>568</b>	<b>-2.121</b>
Financial investments	9	9	9	9	66	24.094	Other income, net	13	90	-29	240	308	1.761	4.094	8.297
Net fixed assets	4.085	4.691	5.429	7.303	34.992	32.339	Financial income, net	4	-35	-203	-385	-424	-658	-5.141	-2.565
Intangible assets	28	36	42	91	360	313	Earnings before taxes	782	1.661	1.004	1.049	1.270	6.652	-3.885	9.277
Other non-current assets	2.149	2.420	2.644	3.401	10.688	18.711	Tax expense	50	272	168	114	199	1.136	-2.543	1.864
<b>Non-current assets</b>	<b>6.271</b>	<b>7.155</b>	<b>8.124</b>	<b>10.805</b>	<b>46.106</b>	<b>75.457</b>	<b>Net earnings - Parent</b>	<b>726</b>	<b>1.402</b>	<b>872</b>	<b>985</b>	<b>1.088</b>	<b>5.452</b>	<b>-1.281</b>	<b>7.390</b>
<b>Total assets</b>	<b>14.266</b>	<b>16.702</b>	<b>19.983</b>	<b>30.428</b>	<b>103.237</b>	<b>95.791</b>	<b>Cashflow statement</b>								
Short-term financial loans	3.019	4.037	4.431	2.877	42.390	16.866	EBITDA		<b>1.774</b>	<b>1.478</b>	<b>1.531</b>	<b>1.810</b>	<b>6.090</b>	<b>568</b>	<b>-2.121</b>
Accounts payables	697	957	1.187	3.836	7.262	8.257	Taxes on EBIT		263	206	129	217	947	-1.858	-1.282
Other short-term payables	146	134	316	943	1.787	1.629	Capital expenditures		447	767	641	770	1.086	7.147	2.507
<b>Current liabilities</b>	<b>3.862</b>	<b>5.129</b>	<b>5.934</b>	<b>7.655</b>	<b>51.439</b>	<b>26.753</b>	Chg. in NWC		2.139	2.139	276	432	6.281	13.177	-18.199
Long-term financial loans	4.306	4.487	5.719	9.224	4.938	13.627	<b>Free cashflows to firm</b>		<b>-1.074</b>	<b>-1.634</b>	<b>484</b>	<b>392</b>	<b>-2.225</b>	<b>-17.898</b>	<b>14.853</b>
Other long-term payables	420	524	771	830	2.321	4.023	<b>Growth &amp; margins</b>								
<b>Non-current liabilities</b>	<b>4.727</b>	<b>5.011</b>	<b>6.491</b>	<b>10.054</b>	<b>7.260</b>	<b>17.650</b>	Revenues		62%	26%	25%	4%	137%	241%	-38%
<b>Shareholders' equity</b>	<b>5.677</b>	<b>6.562</b>	<b>7.559</b>	<b>12.719</b>	<b>44.538</b>	<b>51.388</b>	EBITDA		101%	-17%	4%	18%	236%	-91%	-473%
Parent company	5.632	6.573	7.593	12.722	44.480	51.138	Net earnings		93%	-38%	13%	10%	401%	-123%	-677%
Minorities	45	-11	-34	-3	58	250	Gross margin		25,2%	17,0%	13,7%	15,3%	22,3%	0,6%	-3,9%
<b>Total liabilities &amp; equity</b>	<b>14.266</b>	<b>16.702</b>	<b>19.983</b>	<b>30.428</b>	<b>103.237</b>	<b>95.791</b>	Operating margin		21,8%	13,3%	10,2%	11,4%	19,3%	-2,9%	-10,6%
Net debt	4.316	4.487	4.644	8.387	23.555	26.154	EBITDA margin		24,1%	15,9%	13,1%	14,9%	21,2%	0,6%	-3,5%
Net working capital	4.142	4.418	4.850	11.131	24.308	6.109	Net margin		19,0%	9,4%	8,4%	9,0%	19,0%	-1,3%	12,2%
Net working capital (Operating)	1.627	1.524	1.489	4.811	8.167	5.430	Free cashflow margin		19,0%	9,4%	8,4%	9,0%	19,0%	-1,3%	12,2%
Invested Capital	8.256	9.145	10.321	18.525	59.660	38.761	<b>Per share (TL)</b>								
<b>Ratios</b>							EPS		0,55	0,34	0,39	0,43	2,15	-0,51	2,92
<b>Profitability</b>							BVPS		1,52	2,24	2,59	2,98	5,02	17,57	20,28
ROE	18,3%	16,1%	15,4%	53,8%	-4,5%	15,4%	DPS		0,24	0,21	0,00	0,00	0,00	0,00	0,00
Net margin	9,4%	8,4%	9,0%	19,0%	-1,3%	12,2%	<b>Valuation</b>								
Asset turnover	0,8x	0,8x	0,7x	1,1x	1,5x	0,6x	P/E		8,8x	7,4x	9,0x	11,8x	9,6x	4,5x	-
Leverage	2,3x	2,5x	2,6x	2,5x	2,3x	2,1x	P/BV		3,05x	2,56x	1,74x	1,69x	1,92x	1,92x	2,08x
ROA	7,9%	6,4%	5,9%	21,6%	-1,9%	7,4%	EV/EBITDA		7,7x	7,1x	8,2x	10,1x	8,0x	6,7x	21,4x
ROIC	14,7%	11,0%	11,4%	30,8%	-5,8%	-10,4%	EV/Sales		1,78x	1,54x	1,26x	1,23x	1,37x	1,08x	0,77x
<b>Leverage</b>							Dividend Yield		6,1%	5,8%	0,0%	0,0%	0,0%	0,0%	0,0%
Financial debt/Total assets	51%	51%	51%	40%	46%	32%	Free cashflow yield		-10,9%	-17,4%	6,1%	4,5%	-14,0%	-62,0%	33,5%
Net debt/Equity	0,76	0,68	0,61	0,66	0,53	0,51									
Net debt/EBITDA	2,92	2,93	2,57	1,38	41,46	-12,33									

Source: Bloomberg, Tacirler Investment

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

# Important Disclosures

## Rating Methodology

Stock ratings are based on absolute return potential of the stock, which is defined as the percentage change in target price from the current share price. All recommendations and target prices are set with a 12-month horizon. Target prices are set by using one or more of the following methodologies: DCF, Net Asset Valuation, sum of the parts model and multiple comparison.

## Rating Definition

**Strong Buy:** The stock is expected to generate a return of more than 25% in TL terms.

**Buy:** The stock is expected to generate a return of 15-25% in TL terms.

**Hold:** The stock is expected to generate a return of less than 15% in TL terms.

**Sell:** The stock is expected to generate a negative return within the forecast horizon.

## Disclaimer

This document was produced by Tacirler Yatırım Menkul Değerler A.Ş. ("Tacirler Investment"), solely for information purposes and for the use of the recipient. It is not to be reproduced under any circumstances and is not to be copied or made available to any person other than the recipient.

This document does not constitute an offer of, or an invitation by or on behalf of Tacirler Investment to any person to buy or sell any security. The information contained herein has been obtained from published information and other sources which Tacirler Investment considers to be reliable. Tacirler Investment does not accept any liability or responsibility whatsoever for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document.

Recipients of this document are urged to base their investment decisions upon their own appropriate investigations that they deem necessary and they should make their own independent decisions as to whether an investment or instrument is proper or appropriate based on their own individual judgment and their risk-tolerance. Any loss or other consequence arising from the use of the material contained in this publication shall be the sole and exclusive responsibility of the investor and Tacirler Investment accepts no liability for any such loss or consequence. Not all investment strategies are appropriate at all times, and past performance is not necessarily a guide to future performance.

Tacirler Investment may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or their derivative securities thereon either on their own account or on behalf of their clients.

Tacirler Investment may perform or seek to perform securities, investment banking or other services for such issuer or its affiliates presented in this document.