

Tüpraş

We attended the analyst meeting of Tüpraş to evaluate the company's Q1 2024 financial results, current operations, and future outlook. With an annual total crude oil processing capacity of 30 million tons, Tüpraş is not only Turkey's largest industrial company and the leading player in the energy sector but also the 7th largest refinery company in Europe and one of the most complex refineries in the Mediterranean basin.

Key takeaways of the meeting

Performance below expectations in Q1... The company reported a net profit of TRY 320 million for Q1 2024. The reported net profit included a net monetary loss of TRY 5,609 million due to inflation adjustment. The reported net profit decreased by 89% compared to the same period of the previous year. The decline in product margins, the crude oil price differential, RUP Periodic Maintenance, and the increase in monetary loss pressured the net profit. The company increased its sales by 3% year-on-year, driven by the increase in production and sales volumes. The company's cash position stood at \$2.8 billion as of March 2024.

Product margins below last year's levels... Except for High Sulfur Fuel Oil (HSFO), which improved due to the OPEC+ cut decision, product margins were lower compared to last year. Diesel and jet fuel product margins decreased compared to the same period last year due to the high base of the previous year. The weighted average product margin was \$14.5/bbl in Q1 2024, compared to \$18.7/bbl in Q1 2023 and \$15.7/bbl in Q4 2023.

Recovery in operations... Tüpraş produced 5.9 million tons in Q1 2024, up from 5.0 million tons in the previous year. The company's sales volume in Q1 2024 increased by 10% year-on-year, reaching 7.0 million tons. Exports, particularly driven by gasoline and Tüpraş Trading UK, increased by 60% year-on-year. The Capacity Utilization Rate in Q1 2024 was 82%, up 11 basis points from the previous year. Turkey's fuel demand increased by 3% in the first two months of 2024.

Sustainability Efforts... In Q1 2024, 344 GWh of Zero Carbon Electricity was sold. Sales from total Zero Carbon Electricity production increased by approximately 200%. Work has begun on the obtained 653 MW pre-license. Additionally, Tüpraş signed an agreement with Tiryaki Agro for the supply of second-generation feedstock for Sustainable Aviation Fuel (SAF) production. Following the commissioning of the SAF Production Facility, a minimum of 300,000 tons of feedstock supply is secured for 10 years.

2024E Guidance:

Tüpraş Refinery Margin Expectation: \$14/bbl

- Approximately 26 million tons of production, around 30 million tons of sales, and an average capacity utilization rate of 85-90% are expected.

Consolidated Capital Expenditures: \$500 million

TUPRS

BUY

Target Price TL 208.10
Return potential 8%

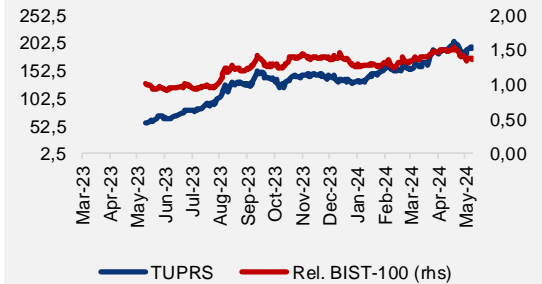
Share Data

Ticker: TUPRS TI
Share price (as of 23 May 2024) 192.30
Share price (52 week range) 57 / 204
Market cap. (TL mn - USD mn) 374.761 - 11.654
of shares outstanding (mn) 1.927
Free Float 49%

Avg. trading volume 1M 3M 12M
USD mn 152,4 135,1 146,7

Price performance 1M 3M Y-t-D
TL 2% 25% 45%
USD 4% 20% 32%
Rel. to BIST-100 -9% 7% -1%

Valuation 2021 2022 2024
P/E 11,3x 3,8x 5,4x
P/BV 3,4x 2,9x 2,7x
EV/EBITDA 4,4x 2,0x 2,5x
EV/Sales 0,36x 0,24x 0,34x



Oğuzhan Kaymak

+90 212 355 2604

oguzhan.kaymak@tacirler.com.tr

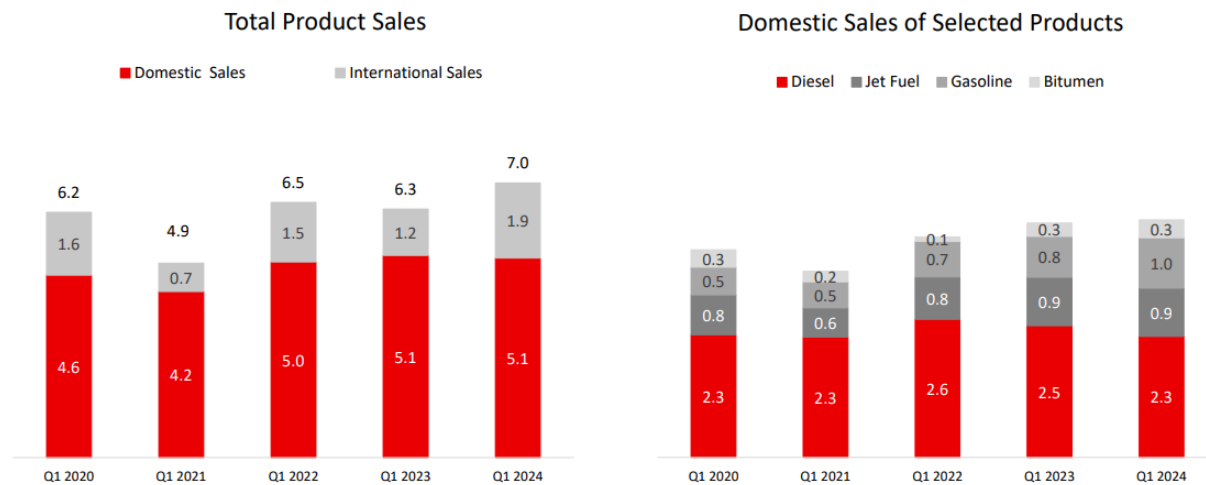
Özgür Kenan Tosun

+90 212 355 4646

ozgur.tosun@tacirler.com.tr

About the Company

Tüpraş, with an annual crude oil processing capacity of 30 million tons at its four refineries located in İzmit, İzmir, Kırıkkale, and Batman, is not only Turkey's largest industrial company and a leading player in the energy sector but also the 7th largest refinery company in Europe and one of the most complex refineries in the Mediterranean basin. The company holds 53% of Turkey's storage capacity and has a 51% share in the Turkish fuel products market. It is also the champion exporter of Turkey in the chemicals category.



Financial Analysis

The company announced its Q1 2024 financials with a net profit of 320 million TL. The reported net profit decreased by 89% year-on-year. The reported net profit was impacted by a net monetary loss of 5,609 million TL due to inflation adjustment. Although Tüpraş's Q1 sales revenues increased by 3% year-on-year, the gross profit decreased by 45% compared to the same period of the previous year due to high costs. Q1 EBITDA decreased by 54% year-on-year to 9,461 million TL. The Q1 2024 operating profit was lower compared to the same period of the previous year due to weaker product margins, narrowing crude oil price differentials, and RUP maintenance. The company is trading at a market value of 371bn TL and a current P/E ratio of 6.2x.

We expect the Q1 2024 financial results announced by the company yesterday to have a negative impact on the stock in the short term. When we look at the product margins affecting the company's profitability, they are above the 5-year average, but we see contractions on a monthly basis; gradual improvements are expected during the summer months. We anticipate a gradual recovery in the financials starting from this quarter.

Summary (TLmn)

Balance Sheet	2019	2020	2021	2022	2023	Income statement	2019	2020	2021	2022	2023
Cash	10.652	20.319	21.176	82.008	98.024	Revenues	89.601	63.244	152.492	916.751	686.529
Accounts receivables	4.788	1.840	13.797	35.290	40.439	Gross profit	4.884	1.764	15.860	113.080	109.732
Inventory	9.469	7.701	23.758	59.453	44.464	Operating expenses	1.783	2.012	3.318	16.159	19.556
Other current assets	3.010	1.422	7.785	20.759	18.222	Operating profit	3.101	-248	12.542	96.921	90.177
Current assets	27.919	31.282	66.515	197.510	201.149	EBITDA	3.807	494	13.396	103.202	96.240
Financial investments	1.363	1.330	2.156	7.701	8.643	Other income, net	-871	-369	-11.658	-28.216	-16.467
Net fixed assets	20.335	23.457	28.316	128.588	133.839	Financial income, net	-2.739	-3.149	881	-181	-16.941
Intangible assets	52	255	562	2.807	4.253	Earnings before taxes	-311	-3.795	2.358	68.508	57.820
Other non-current assets	5.843	7.290	8.707	11.094	18.909	Tax expense	-897	-1.372	-1.255	6.963	3.948
Non-current assets	27.593	32.332	39.742	150.191	165.644	Net earnings - Parent	526	-2.494	3.495	61.314	53.577
Total assets	55.512	63.614	106.257	347.700	366.794	Cashflow statement					
Short-term financial loans	5.178	8.534	11.628	19.764	29.968	EBITDA	3.807	494	13.396	103.202	96.240
Accounts payables	17.816	14.204	43.837	86.839	97.956	Taxes on EBIT	8.931	-90	-6.674	9.851	6.158
Other short-term payables	5.126	6.028	9.363	23.401	27.347	Capital expenditures	1.336	1.059	1.201	4.283	12.384
Current liabilities	28.120	28.766	64.829	130.004	155.271	Chg. in NWC	-8.819	-3.594	1.408	13.123	-27.439
Long-term financial loans	13.898	21.148	21.565	35.055	5.358	Free cashflows to firm	2.359	3.119	17.460	75.945	105.137
Other long-term payables	357	775	782	3.230	3.224	Growth & margins					
Non-current liabilities	14.255	21.922	22.347	38.284	8.582	Revenues	1%	-29%	141%	501%	-25%
Shareholders' equity	13.137	12.925	19.081	179.413	202.941	EBITDA	-55%	-87%	2611%	670%	-7%
Parent company	12.963	12.698	18.809	177.884	200.763	Net earnings	-86%	-574%	-240%	1654%	-13%
Minorities	174	228	272	1.528	2.178	Gross margin	5,5%	2,8%	10,4%	12,3%	16,0%
Total liabilities & equity	55.512	63.614	106.257	347.700	366.794	Operating margin	3,5%	-0,4%	8,2%	10,6%	13,1%
Net debt	8.424	9.363	12.017	-27.190	-62.697	EBITDA margin	4,2%	0,8%	8,8%	11,3%	14,0%
Net working capital	-5.676	-9.270	-7.861	5.262	-22.177	Net margin	0,6%	-3,9%	2,3%	6,7%	7,8%
Net working capital (Operating)	-3.560	-4.663	-6.283	7.904	-13.053	Free cashflow margin	0,6%	-3,9%	2,3%	6,7%	7,8%
Invested Capital	14.711	14.443	21.017	136.657	115.915	Per share (TL)					
Ratios						EPS	0,27	-1,29	1,81	31,82	27,81
Profitability						BVPS	6,82	6,71	9,90	93,11	105,33
ROE	4,6%	-19,1%	21,8%	61,8%	28,0%	DPS	1,97	0,00	0,00	0,00	14,01
Net margin	0,6%	-3,9%	2,3%	6,7%	7,8%	Valuation					
Asset turnover	1,9x	1,1x	1,8x	4,0x	1,9x	P/E	11,5x	6,3x	107,2x	11,3x	3,8x
Leverage	4,1x	4,6x	5,3x	2,3x	1,9x	P/BV	3,00x	2,05x	2,39x	3,36x	2,87x
ROA	1,1%	-4,2%	4,1%	27,0%	15,0%	EV/EBITDA	5,8x	21,7x	27,2x	4,4x	2,0x
ROIC	16,4%	-1,4%	56,6%	98,4%	57,1%	EV/Sales	0,47x	0,44x	0,51x	0,36x	0,24x
Leverage						Dividend Yield	11,7%	0,0%	0,0%	0,0%	13,2%
Financial debt/Total assets	34%	47%	31%	16%	10%	Free cashflow yield	7,3%	13,7%	61,7%	99,1%	51,3%
Net debt/Equity	0,64	0,72	0,63	-0,15	-0,31						
Net debt/EBITDA	2,21	18,94	0,90	-0,26	-0,65						

Source: Bloomberg, Tacirler Investment

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

TUPRS - TL mn	2023/1Q	2023/2Q	2023/3Q	2023/4Q	2024/1Q	y/y
IS						
Revenue	160.251	104.405	185.137	304.160	165.473	3%
EBITDA	20.645	13.240	29.358	39.720	9.462	-54%
Net profit	2.811	7.217	21.306	18.306	320	-89%
EBITDA Margin	12,9%	12,7%	15,9%	13,1%	5,7%	-7,2 pps
Net Margin	1,8%	6,9%	11,5%	6,0%	0,2%	-1,6 pps

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.