

## Karsan

We attended Karsan's analyst meeting to evaluate the company's 2023 financial results, current operations, and 2024 outlook. Karsan creates a leverage effect in its sector with the differences it creates in its products both in the domestic market and the global market; In addition to being one of the leading players in the automotive industry, it is also one of the leading companies in Europe with its electric and autonomous vehicles.

### Key takeaways of the meeting

**Sustainable Growth, Differentiating Operational Processes and Karsan Branded Products...** 54% of the 7.8 billion TL turnover announced by the company in 2023 was obtained from Karsan branded products. By producing its own products in its own production facilities, it has left behind the contract manufacturing model it used 4-5 years ago. Most of the EBITDA figure achieved in 2023, with a rate of 79%, was provided by Karsan brand products. In this context, they expect to increase their profitability in the future by producing under their own brand. The company is now making its new investments with completely electric vehicles instead of internal combustion engines. With a law to be enacted in Europe, zero emissions in all public transportation vehicles in Europe in 2035 could have a positive impact for Karsan.

**Growth in market size...** The company stated that they have experienced 160 million kilometers with more than 1100 electric vehicles in total. While the company entered the North American, European, and finally Japanese markets with its new models, it is among the top 3 in Luxembourg, France, Romania, Italy, Portugal and Bulgaria. The company management emphasized that any municipality that wants to import buses in Europe now considers Karsan among their options. While Karsan predicts that the global public transportation market will reach 300,000 units in 2030, they think that Europe will have a share of 25 thousand units in the total market and North America will have a share of around 40 thousand units. It is expected that 10% of the market in 2030 will consist of hydrogen fueled vehicles.

**The aim of being a pioneer in electric public transportation in the European and US markets...** The company management emphasized that Karsan will continue to make a name for itself in the global market with its products in the coming years. The company, which has a vision of creating value in different channels, aims to differentiate itself from its competitors and increase its market share in Europe with electric transformation, hydrogen fueled zero-emission vehicles and autonomous work. Karsan, which exports vehicles in 6- and 18-meter sizes to the European market, has become the first company to complete the electric conversion of all its products in this market. They predict that they will carry out their operations with the JEST model in the US market and that JEST will create its own market in the US market. They stated that they have a total of 133 e-JEST models in the North American market. In addition, the company has been the market leader in European electric minibuses and midibuses for 4 years, with a 24% e-ATAK model and a 29% e-Jest share. They predict that the market in Europe will consist of 6,000 electric vehicles in 2023 and that this figure can reach 30,000 units in 2030.

### Karsan Otomotiv

#### Share Data

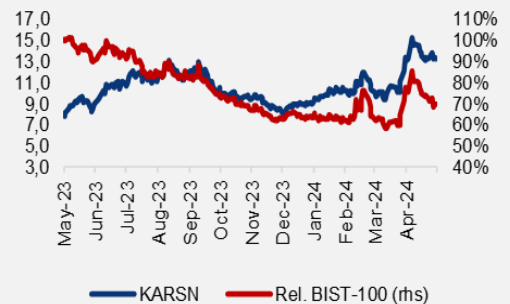
Ticker:	KARSN TI		
Share price (as of 22 March 2024)	13,16		
Share price (52 week range)	7,8 / 15,2		
Market cap. (TL mn - USD mn)	11.844 - 368		
# of shares outstanding (mn)	900		
Free Float	41%		

Avg. trading volume	1M	3M	12M
USD mn	26,4	16,6	10,8

Price performance	1M	3M	Y-t-D
TL	-1%	28%	54%
USD	0%	24%	41%
Rel. to BIST-100	-10%	13%	8%

TL mn	2021	2022	2023
Revenues	2.069	5.264	7.548
EBITDA	403	282	719
Net Earnings	99	-206	637
Net Debt	1.691	4.896	2.661

Valuation	2021	2022	2023
P/E	1098,0x	993,4x	N/A
P/BV	5,1x	6,1x	4,5x
EV/EBITDA	14,7x	21,3x	24,1x
EV/Sales	3,33x	3,79x	2,31x
Dividend Yield	0,0%	0,0%	0,0%



Serhan Yenigün

+90 212 355 2622

serhan.yenigun@tacirler.com.tr

Eren Bozdoğan

+90 212 355 2637

eren.bozdogan@tacirler.com.tr

## About the Company

---

Having left 50 years behind in the Turkish automotive industry, Karsan continues its marketing, sales, and after-sales services with its extensive service network, in its journey from production for the world's leading automotive giants to developing its own branded unique products in the field of public transportation. Spreading all over Turkey, Karsan is a rising brand. With its business partnerships and pioneering innovations, Karsan today serves 20 different countries of the world. In the last 5 years, 84% of electric vehicle exports from Turkey to Europe were made by Karsan.

## Expectations for 2024

---

### Entering new right-hand drive markets with the Karsan e-Jest model

- The company plans to enter the UK, Ireland, Malta, and Australia markets in 2024.

### New Business Relationships will continue.

- A letter of intent was signed with a large Far Eastern producer within the scope of the hydrogen project. It is expected that the partnership will be signed before the end of 2024.

### Expectations for 2024 financials:

- The company stated its expectations for 2024 as follows:

Revenue: 350-360 million Euros, Net Profit Margin: 6%-7%, EBITDA: 75-85 million Euros, Unit Sales: 550-650 vehicles sold.

## Financial Analysis

---

Most of Karsan's operational expenses are in Euros. The company announced its 2023 financials with a net profit of 637 million TL. Karsan announced a net loss of 206 million TL the previous year. The net monetary gain of 761.4 million TL resulting from inflation adjustment was effective in the announced net profit. KARSN's 2023 revenue increased by 43% on an annual basis and its gross profit increased by 116% compared to 2022. Since the company's sales are export-oriented, it will be expected to put pressure on operational profitability because of the possible pressure on the exchange rate. EBITDA increased by 255% annually to 719 million TL. The company's debt structure is 68% Euro and 32% TL, and the maturity breakdown is 80% short term, 20% long term. After the TMS-29 effect, the company's Net Debt / EBITDA ratio decreased from 4.3 to 1.5. The company is traded with a market capitalization of TL 11,844 billion and a current EV of 18.6x.

The company stated that deliveries increased, and receivables increased in the second and third quarters of the year due to seasonality. They stated that the collection process was difficult, especially due to global holidays such as Christmas and New Year. In the collection period of 2022, Karsan collected a total of 850-900 million Euros, and this amount had a positive impact on the debt figure.

Balance Sheet						Income statement					
	2019	2020	2021	2022	2023		2019	2020	2021	2022	2023
Cash	50	87	312	251	1.146	<b>Revenues</b>	<b>1.704</b>	<b>1.560</b>	<b>2.069</b>	<b>5.264</b>	<b>7.548</b>
Accounts receivables	856	990	998	2.682	2.316	Gross profit	315	474	574	727	1.568
Inventory	124	178	314	1.480	1.256	Operating expenses	130	159	250	859	1.166
Other current assets	270	290	302	1.017	1.049	Operating profit	185	315	324	-131	402
<b>Current assets</b>	<b>1.300</b>	<b>1.545</b>	<b>1.925</b>	<b>5.430</b>	<b>5.766</b>	<b>EBITDA</b>	<b>246</b>	<b>382</b>	<b>403</b>	<b>282</b>	<b>719</b>
Financial investments	108	121	145	275	244	Other income, net	153	212	453	799	1.002
Net fixed assets	468	531	764	4.093	4.114	Financial income, net	-314	-470	-724	-906	-1.615
Intangible assets	225	287	347	1.484	1.179	Earnings before taxes	25	57	54	-239	-211
Other non-current assets	393	234	556	1.055	1.426	Tax expense	4	36	-55	-72	-831
<b>Non-current assets</b>	<b>1.193</b>	<b>1.172</b>	<b>1.812</b>	<b>6.907</b>	<b>6.964</b>	<b>Net earnings - Parent</b>	<b>18</b>	<b>20</b>	<b>99</b>	<b>-206</b>	<b>637</b>
<b>Total assets</b>	<b>2.493</b>	<b>2.717</b>	<b>3.737</b>	<b>12.337</b>	<b>12.730</b>						
Short-term financial loans	1.051	712	1.480	4.060	3.046	<b>Cashflow statement</b>					
Accounts payables	230	308	479	1.582	1.877	EBITDA	<b>246</b>	<b>382</b>	<b>403</b>	<b>282</b>	<b>719</b>
Other short-term payables	95	85	178	311	1.050	Taxes on EBIT	33	200	-331	-40	1.584
<b>Current liabilities</b>	<b>1.376</b>	<b>1.105</b>	<b>2.137</b>	<b>5.953</b>	<b>5.972</b>	Capital expenditures	-101	42	155	450	451
Long-term financial loans	447	821	523	1.087	761	Chg. in NWC	381	140	-109	2.329	-1.592
Other long-term payables	50	63	83	582	719	<b>Free cashflows to firm</b>	<b>-67</b>	<b>0</b>	<b>688</b>	<b>-2.458</b>	<b>276</b>
<b>Non-current liabilities</b>	<b>496</b>	<b>884</b>	<b>606</b>	<b>1.669</b>	<b>1.480</b>						
<b>Shareholders' equity</b>	<b>621</b>	<b>728</b>	<b>994</b>	<b>4.715</b>	<b>5.278</b>	<b>Growth &amp; margins</b>					
Parent company	626	733	990	4.665	5.245	Revenues	18%	-8%	33%	154%	43%
Minorities	-6	-5	4	50	33	EBITDA	27%	55%	5%	-30%	155%
<b>Total liabilities &amp; equity</b>	<b>2.493</b>	<b>2.717</b>	<b>3.737</b>	<b>12.337</b>	<b>12.730</b>	Net earnings	-177%	13%	387%	-308%	-409%
Net debt	1.448	1.446	1.691	4.896	2.661	Gross margin	18,5%	30,4%	27,7%	13,8%	20,8%
Net working capital	926	1.066	956	3.286	1.694	Operating margin	10,9%	20,2%	15,7%	-2,5%	5,3%
Net working capital (Operating)	750	860	833	2.580	1.694	EBITDA margin	14,5%	24,5%	19,5%	5,3%	9,5%
Invested Capital	1.618	1.883	2.067	8.862	6.987	Net margin	1,1%	1,3%	4,8%	-3,9%	8,4%
						Free cashflow margin	1,1%	1,3%	4,8%	-3,9%	8,4%
						<b>Per share (TL)</b>					
<b>Ratios</b>						EPS	0,02	0,02	0,11	-0,23	0,71
<b>Profitability</b>						BVPS	0,69	0,81	1,10	5,24	5,86
ROE	3,8%	3,0%	11,5%	-7,2%	12,7%	DPS	0,00	0,00	0,00	0,00	0,00
Net margin	1,1%	1,3%	4,8%	-3,9%	8,4%						
Asset turnover	0,7x	0,6x	0,6x	0,7x	0,6x	<b>Valuation</b>					
Leverage	5,1x	3,9x	3,7x	2,8x	2,5x	P/E	19,2x	284,2x	1098,0x	993,4x	N/A
ROA	0,7%	0,8%	3,1%	-2,6%	5,1%	P/BV	2,41x	3,36x	5,10x	6,13x	4,46x
ROIC	10,2%	14,4%	13,1%	-1,9%	4,1%	EV/EBITDA	12,0x	16,4x	14,7x	21,3x	24,1x
						EV/Sales	1,65x	2,35x	3,33x	3,79x	2,31x
<b>Leverage</b>						Dividend Yield	0,0%	0,0%	0,0%	0,0%	0,0%
Financial debt/Total assets	60%	56%	54%	42%	30%	Free cashflow yield	-7,9%	0,0%	19,1%	-37,6%	3,1%
Net debt/Equity	2,33	1,99	1,70	1,04	0,50						
Net debt/EBITDA	5,88	3,79	4,20	17,38	3,70						

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.