

May 27, 2024

## KCHOL

We attended Koç Holding's analyst meeting to evaluate the company's Q1 2024 financial results, operations, and outlook. The main highlights of the meeting were: i) financial results, ii) segment-based activities, and iii) forward-looking expectations.

## Highlights of the meeting

**1Q24 Financial Results...** Koç Holding increased its total revenues by 16% in the first quarter of 2024, reaching 450.4 billion TL. While gross profit decreased by 19% to 74.6 billion TL, operating profit fell by 49% to 26.6 billion TL. Profit before tax declined by 80% to 6.9 billion TL, and the net period loss was recorded at 1.1 billion TL. Consolidated net profit decreased by 87% to 1.4 billion TL. The company's net cash position was 1.53 billion USD, with dividend income amounting to 23.6 billion TL. Revenue increases were observed in the automotive and energy sectors, while the finance sector reported a loss due to high costs.

**Strong Liquidity and Cash Position...** As of the end of 2023, Koç Holding had a net cash position of 1.56 billion USD, which stood at 1.53 billion USD as of March 31, 2024. The company's gross cash position was 750 million USD, while total debt, including one Eurobond, was recorded at 777 million USD. The company effectively manages its liquidity and maintains financial flexibility to evaluate investment opportunities.

**Dividend Income...** In the first quarter of 2024, the majority of Koç Holding's dividend income was derived from companies with foreign currency or foreign currency-indexed revenue. Yapı Kredi's dividend was limited to a 15% payout ratio by the Banking Regulation and Supervision Agency (BDDK). The company's strong liquidity position will be further supported by potential dividend income throughout the remainder of the year.

**Net Asset Value...** An analysis of Koç Holding's historical net asset value (NAV) shows that the NAV discount is approaching historical levels based on calculations using the effective ownership rates and market values of publicly traded companies. As of March 31, 2024, Koç Holding's market value was calculated at 15.366 billion USD. The NAV discount is hovering near its historical average.

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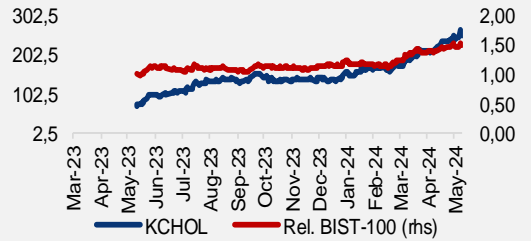
## Share Data

Ticker:	KCHOL TI		
Share price (as of 23 May 2024)	248,20		
Share price (52 week range)	70 / 264		
Market cap. (TL mn - USD mn)	629.410 - 19.580		
# of shares outstanding (mn)	2.536		
Free Float	22%		

Avg. trading volume	1M	3M	12M
USD mn	114,6	99,9	87,2

Price performance	1M	3M	Y-t-D
TL	17%	48%	82%
USD	18%	42%	66%
Rel. to BIST-100	7%	30%	27%

Valuation	2022	2023	2024
P/E	17,3x	4,0x	5,7x
P/BV	1,0x	1,5x	1,6x
EV/EBITDA	3,8x	5,7x	6,7x
EV/Sales	0,65x	1,22x	1,42x



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## Segment-Based Operations

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- **Automotive:** In the first quarter of 2024, Koç Holding's automotive sector faced intense competition in the domestic market. However, growth in export markets continued. Ford Otosan and Tofaş performed strongly in both domestic and international sales. Turk Tractor achieved a 1% year-on-year increase in revenue, reaching 16.6 billion TL, with 25% of revenue coming from foreign markets and 75% from domestic sales. Export revenues decreased by 10% year-on-year, while domestic revenues increased by 5%. Automotive revenues grew by 8% in the first quarter of 2024, reaching 211 billion TL.
- **Energy:** Tüpraş maintained its capacity utilization rate in the range of 85-90% in the first quarter of 2024, but product margins remained weak. The energy sector's contribution to consolidated net profit was -95 million TL. Other energy companies like Aygaz and Opet continued to perform despite sector volatility.
- **Durables:** Arçelik showed strong performance in the domestic market in the first quarter of 2024, with slight improvement signals in international markets. The durable goods sector's revenues reached 86.5 billion TL in the first quarter of 2024, marking a 6% growth.
- **Financial Services:** Yapı Kredi continued its growth in loans and deposits in the first quarter of 2024, but high deposit interest rates and swap costs pressured the net interest margin. The financial sector recorded a consolidated net loss of 3.592 million TL. The bank maintained strong capital and liquidity ratios and followed a conservative provisioning policy.

## About the Company

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Koç Holding is Turkey's largest industrial and services group. It accounts for 8% of Turkey's GDP and 7% of its total exports and represents 22% of the market value of companies traded on the Borsa Istanbul 100 Index. The ownership structure includes the Koç Family and affiliated companies holding 63.4%, the Vehbi Koç Foundation holding 7.3%, the Koç Holding Pension and Assistance Foundation holding 2.3%, and the publicly traded portion accounting for 26.9%.

## Summary

Balance Sheet	2019	2020	2021	2022	2023
Cash	37.816	66.487	108.332	289.609	377.904
Accounts receivables	19.273	20.479	46.980	122.923	165.049
Inventory	17.431	18.652	46.258	133.941	133.276
Other current assets	7.709	235.956	404.403	1.088.393	1.294.100
<b>Current assets</b>	<b>82.229</b>	<b>341.574</b>	<b>605.973</b>	<b>1.634.866</b>	<b>1.970.329</b>
Financial investments	21.536	81.539	130.290	431.942	526.067
Net fixed assets	30.154	38.521	51.168	255.611	317.409
Intangible assets	4.113	9.206	12.861	46.410	55.350
Other non-current assets	13.312	159.260	220.261	448.487	420.483
<b>Non-current assets</b>	<b>69.115</b>	<b>288.526</b>	<b>414.580</b>	<b>1.182.450</b>	<b>1.319.309</b>
<b>Total assets</b>	<b>151.344</b>	<b>630.101</b>	<b>1.020.553</b>	<b>2.817.316</b>	<b>3.289.638</b>
Short-term financial loans	21.286	71.724	123.510	372.308	415.876
Accounts payables	26.727	29.040	71.588	169.452	214.766
Other short-term payables	11.013	313.729	514.579	1.346.384	1.516.237
<b>Current liabilities</b>	<b>59.026</b>	<b>414.493</b>	<b>709.677</b>	<b>1.888.144</b>	<b>2.146.879</b>
Long-term financial loans	39.010	110.083	162.779	251.440	284.660
Other long-term payables	3.655	17.454	26.992	67.799	82.254
<b>Non-current liabilities</b>	<b>42.665</b>	<b>127.537</b>	<b>189.771</b>	<b>319.239</b>	<b>366.914</b>
<b>Shareholders' equity</b>	<b>49.652</b>	<b>88.071</b>	<b>121.105</b>	<b>609.933</b>	<b>775.845</b>
Parent company	36.282	46.342	63.641	365.745	465.698
Minorities	13.370	41.729	57.464	244.188	310.147
<b>Total liabilities &amp; equity</b>	<b>151.344</b>	<b>630.101</b>	<b>1.020.553</b>	<b>2.817.316</b>	<b>3.289.638</b>
Net debt	22.480	115.320	177.957	334.139	322.632
Net working capital	6.672	-67.682	-88.526	-170.579	-138.578
Net working capital (Operatin	9.976	10.091	21.650	87.412	83.559
Invested Capital	40.939	-19.954	-24.497	131.442	234.181

### Ratios

#### Profitability

ROE	9,1%	13,5%	14,5%	19,9%	10,4%
Net margin	2,9%	6,5%	5,6%	5,2%	5,9%
Asset turnover	1,1x	0,4x	0,3x	0,7x	0,4x
Leverage	2,9x	5,7x	7,9x	5,2x	4,4x
ROA	3,2%	2,4%	1,8%	3,8%	2,4%
ROIC	14,7%	162,6%	-168,8%	400,4%	95,7%

#### Leverage

Financial debt/Total assets	40%	29%	28%	22%	21%
Net debt/Equity	0,45	1,31	1,47	0,55	0,42
Net debt/EBITDA	2,10	4,54	3,41	1,14	1,29

Source: Bloomberg, Tacirler Investment

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

Income statement	2019	2020	2021	2022	2023
<b>Revenues</b>	<b>152.907</b>	<b>142.536</b>	<b>273.653</b>	<b>1.399.472</b>	<b>1.219.023</b>
Gross profit	21.585	44.331	80.065	404.943	376.647
Operating expenses	13.654	23.001	33.160	137.289	158.042
Operating profit	7.931	21.330	46.905	267.654	218.605
<b>EBITDA</b>	<b>10.696</b>	<b>25.393</b>	<b>52.191</b>	<b>293.111</b>	<b>249.217</b>
Other income, net	-361	-3.890	-17.527	-39.377	-25.498
Financial income, net	-4.926	-6.566	-6.129	-60.868	-71.132
Earnings before taxes	5.547	13.840	29.129	183.566	152.695
Tax expense	-374	1.207	2.944	53.990	34.962
<b>Net earnings - Parent</b>	<b>4.391</b>	<b>9.273</b>	<b>15.193</b>	<b>72.662</b>	<b>72.230</b>

Cashflow statement	2019	2020	2021	2022	2023
<b>EBITDA</b>	<b>10.696</b>	<b>25.393</b>	<b>52.191</b>	<b>293.111</b>	<b>249.217</b>
Taxes on EBIT	-535	1.859	4.741	78.722	50.053
Capital expenditures	4.199	6.546	10.118	35.137	52.703
Chg. in NWC	-8.497	-74.354	-20.844	-82.053	32.001
<b>Free cashflows to firm</b>	<b>15.530</b>	<b>91.341</b>	<b>58.177</b>	<b>261.305</b>	<b>114.460</b>

Growth & margins	2019	2020	2021	2022	2023
Revenues	7,3%	-6,8%	92,0%	411,4%	-12,9%
EBITDA	-21,0%	137,4%	105,5%	461,6%	-15,0%
Net earnings	-20,7%	111,2%	63,8%	378,3%	-0,6%
Gross margin	14,1%	31,1%	29,3%	28,9%	30,9%
Operating margin	5,2%	15,0%	17,1%	19,1%	17,9%
EBITDA margin	7,0%	17,8%	19,1%	20,9%	20,4%
Net margin	2,9%	6,5%	5,6%	5,2%	5,9%
Free cashflow margin	2,9%	6,5%	5,6%	5,2%	5,9%

Per share (TL)	2019	2020	2021	2022	2023
EPS	1,73	3,66	5,99	28,65	28,48
BVPS	19,58	34,73	47,76	240,52	305,94
DPS	0,12	0,41	0,45	0,43	0,50

Valuation	2019	2020	2021	2022	2023
P/E	143,3x	12,5x	12,9x	17,3x	4,0x
P/BV	1,01x	0,99x	1,05x	1,04x	1,48x
EV/EBITDA	5,8x	4,5x	3,7x	3,8x	5,7x
EV/Sales	0,87x	0,73x	0,65x	0,65x	1,22x
Dividend Yield	2,4%	8,4%	8,1%	4,9%	2,5%
Free cashflow yield	126,3%	732,5%	411,5%	1169,7%	229,1%

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