

Sabancı Holding

We attended the Sabancı Holding analyst meeting to evaluate the company's 4Q23 financial results, operations, and future outlook. The main topics highlighted during the meeting were: i) strategic choices and operational profitability, ii) segment-based activities, and iii) forward-looking expectations.

Meeting Highlights

Strategic choices and operational profitability... Sabancı Holding increased its inflation-adjusted net profit by 19% in 2023, reaching 41.3 bn TRY. Akbank had the largest share in the holding's revenues, while the energy sector provided the highest net profit contribution among the non-banking companies. The building materials segment, with a 195% net profit increase compared to 2022, marked a significant improvement. The holding's combined revenues increased by 57% annually to 632 bn TRY, while its consolidated revenues, excluding intergroup transactions, rose by 84% annually to 432 bn TRY. Two-thirds of the consolidated revenues originated from the banking sector.

The consolidated EBITDA increased by 19% to 113.5 bn TRY, influenced by the building materials, digital, and financial services segments. However, we see that the consolidated EBITDA margin, which was 41% in 2022, declined to 26% in 2023. Despite a 30% decrease in revenues due to shutdowns in natural gas plants and drops in spot electricity prices, Enerjisa Production, which is not listed on BIST, saw its EBITDA increase by 36% to 11.6 bn TRY and its net profit increase by 85% to 12 bn TRY, thanks to tax incentives.

4Q23 financial results... Looking at Sabancı Holding's results with inflation accounting and necessary adjustments, we see that the revenue increased by 11% annually from 124 bn TRY to 137 bn TRY. However, a significant increase in operating expenses, including general administrative expenses, reduced the holding's EBITDA by 31% to 98 bn TRY.

The consolidated Return on Equity (RoE) was 34%. The ratio of capital expenditures to sales was 11%, while the net debt/EBITDA ratio was 0.8x. The specific cash amount for the holding doubled to 7.0 bn TRY. The total cash flow reached 36 bn TRY.

According to the data shared after inflation adjustment, despite the banking segment being exempt from inflation accounting, the application of inflation adjustments to the holding's consolidated results and the significant negative impact of this on bank financials also pressured the holding's finances. In this context, Sabancı Holding's net profit decreased from 39.4 bn TRY to 15.4 bn TRY, and the net profit contribution of non-banking subsidiaries decreased by 46% to 13.8 bn TRY.

SAHOL

Share Data

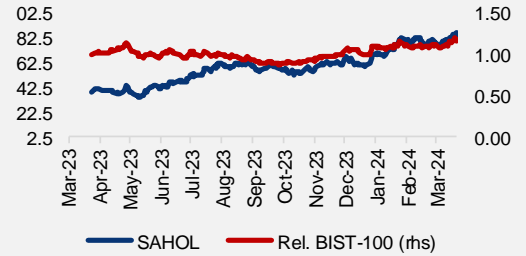
Ticker:	SAHOL TI
Share price (as of 22 March 2024)	86.00
Share price (52 week range)	34.4 / 86.0
Market cap. (TL mn - USD mn)	180,632 - 5,673
# of shares outstanding (mn)	2100.4
Free Float	51%

Avg. trading volume	1M	3M	12M
USD mn	77.1	75.6	76.0

Price performance	1M	3M	Y-t-D
TL	12%	44%	42%
USD	10%	34%	32%
Rel. to BIST-100	9%	19%	16%

TL mn	2021	2022	2023
Revenues	30,570	123,593	137,009
EBITDA	23,550	152,554	109,955
Net Earnings	12,040	39,425	15,430
Net Debt	10,443	17,241	21,101

Valuation	2021	2022	2023
P/E	3.8x	2.7x	2.5x
P/BV	0.5x	0.8x	0.9x
EV/EBITDA	28.5x	19.6x	8.3x
EV/Sales	16.13x	16.81x	9.59x
Dividend Yield	3.4%	3.1%	3.5%



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Segment Based Activities

- **Banking:** Surpassing its 2023 targets, the company reported a Return on Equity (ROE) of 37.9% and a Return on Assets (ROA) of 4.4%, supported by a leverage ratio of 9.0x. During the same period, there was a strong increase in the net number of customers, recording a cumulative increase of 55% over the last two years with an annual rise of 2.3 million. The company stood out for its market share expansion of 300 basis points in consumer loans and 150 basis points in broad-based Turkish Lira deposits. Furthermore, effective customer acquisition strategies and increased cross-selling efforts led to a significant improvement of 230 basis points in fee income market share, reaching 16.2%.
- **Financial Services and Insurance:** Maintaining a profitable level of performance not subject to regulations, both areas experienced a strong increase in revenue. In life insurance, significant strength was demonstrated with technical revenues obtained through life protection and pension business lines. In non-life insurance, notable improvement in EBITDA was achieved with contributions from both motor and non-motor segments.
- **Energy:** Operations were effectively managed despite the existing challenges in both production and distribution areas. In distribution, retail, and customer services, a strong increase in net revenue was achieved, positively influenced by the customer solutions segment. In the production and energy trading segment, contributions from renewable energy sources and trading activities showed an increase.
- **Building Materials:** Strong operational performance and cash flow were achieved through increased efficiency. Sales mix optimization was carried out. Improvements in energy margins and the use of alternative fuels had positive effects. Improvement in operational cash flow led to a reduction in net debt. Strong demand in the local market is expected to continue.
- **Industrials:** While strong local demand continued in the tire sector, the composites business line provided a higher contribution. A global slowdown prevailed in the tire reinforcement business.
- **Retail:** Key catalysts for improvement in operational profitability were strong Same-Store Sales Growth (LFL) and a broad product range, improvement in alternative channels, and effective balance sheet management in a hyperinflationary environment.
- **Digital:** The multi-channel structure continued to generate solid cash and strong results. Revenue growth supported by strong demand, improved gross profitability, and effective operational expense management continued with ongoing integration processes in new digital marketing and cybersecurity companies.

About the Company

Hacı Ömer Sabancı Holding A.Ş. (Sabancı Holding) is one of Turkey's leading holdings, operating in a variety of sectors including banking, financial services, energy, industry, building materials, and retail through its companies and subsidiaries. The Sabancı Family represents the largest shareholder block in Sabancı Holding, with 49.61% of the holding's capital open to general investors.

Tables

Balance Sheet	2019	2020	2021	2022	2023	Income statement	2019	2020	2021	2022	2023
Cash	50,658	55,628	109,552	214,227	196,286	Revenues	18,783	21,529	30,570	123,593	137,009
Accounts receivables	1,625	1,846	4,255	10,860	9,568	Gross profit	17,843	21,656	36,223	204,108	185,873
Inventory	3,125	3,761	7,521	22,751	23,682	Operating expenses	9,883	11,382	14,798	62,486	88,020
Other current assets	151,563	208,257	343,961	939,234	1,074,514	Operating profit	7,960	10,274	21,425	141,623	97,853
Current assets	206,971	269,491	465,289	1,187,072	1,304,050	EBITDA	9,363	11,917	23,550	152,554	109,955
Financial investments	69,505	81,822	140,743	449,235	472,877	Other income, net	110	298	2,981	19,900	13,399
Net fixed assets	7,296	7,960	10,570	47,577	63,439	Financial income, net	-993	-928	-1,339	-80,844	-76,967
Intangible assets	1,873	2,275	7,958	27,923	28,024	Earnings before taxes	8,544	11,177	25,854	98,536	47,953
Other non-current assets	120,703	139,710	195,204	417,417	323,941	Tax expense	1,579	2,271	5,274	37,264	28,103
Non-current assets	199,377	231,767	354,474	942,153	888,282	Net earnings - Parent	3,780	4,775	12,040	39,425	15,430
Total assets	406,348	501,258	819,764	2,129,225	2,192,331	Cashflow statement					
Short-term financial loans	25,655	34,101	53,755	104,789	121,026	EBITDA	9,363	11,917	23,550	152,554	109,955
Accounts payables	3,996	5,024	8,740	25,521	27,024	Taxes on EBIT	1,471	2,087	4,371	53,558	57,348
Other short-term payables	249,161	312,196	543,713	1,356,680	1,477,309	Capital expenditures	1,768	1,493	1,817	10,951	21,444
Current liabilities	278,812	351,321	606,208	1,486,990	1,625,360	Chg. in NWC	-17,795	-6,512	-93,360	-212,640	12,785
Long-term financial loans	34,415	40,094	66,241	126,679	96,361	Free cashflows to firm	23,919	14,848	110,721	300,685	18,377
Other long-term payables	26,644	33,061	43,711	114,951	85,455	Growth & margins					
Non-current liabilities	61,058	73,155	109,952	241,629	181,816	Revenues	16%	15%	42%	304%	11%
Shareholders' equity	66,477	76,783	103,604	400,606	385,155	EBITDA	6%	27%	98%	548%	-28%
Parent company	33,258	37,996	51,417	217,890	220,692	Net earnings	-1%	26%	152%	227%	-61%
Minorities	33,219	38,786	52,187	182,716	164,463	Gross margin	95.0%	100.6%	118.5%	165.1%	135.7%
Total liabilities & equity	406,348	501,258	819,764	2,129,225	2,192,331	Operating margin	42.4%	47.7%	70.1%	114.6%	71.4%
Net debt	9,412	18,568	10,443	17,241	21,101	EBITDA margin	49.9%	55.4%	77.0%	123.4%	80.3%
Net working capital	-96,844	-103,356	-196,716	-409,355	-396,570	Net margin	20.1%	22.2%	39.4%	31.9%	11.3%
Net working capital (Operatin	754	583	3,036	8,090	6,226	Free cashflow margin	20.1%	22.2%	39.4%	31.9%	11.3%
Invested Capital	-87,675	-93,121	-178,188	-333,854	-305,107						
Ratios						Per share (TL)					
Profitability						EPS	1.80	2.27	5.73	18.77	7.35
ROE	6.2%	6.7%	13.3%	15.6%	3.9%	BVPS	31.65	36.56	49.33	190.73	183.37
Net margin	20.1%	22.2%	39.4%	31.9%	11.3%	DPS	0.29	0.32	0.34	0.73	1.70
Asset turnover	0.0x	0.0x	0.0x	0.1x	0.1x	Valuation					
Leverage	6.3x	6.3x	7.3x	5.8x	5.5x	P/E	4.7x	4.6x	3.8x	2.7x	2.5x
ROA	1.0%	1.1%	1.8%	2.7%	0.7%	P/BV	0.59x	0.54x	0.53x	0.77x	0.86x
ROIC	-8.0%	-9.1%	-12.6%	-44.3%	-24.5%	EV/EBITDA	31.2x	31.8x	28.5x	19.6x	8.3x
Leverage						EV/Sales	16.40x	16.13x	16.13x	16.81x	9.59x
Financial debt/Total assets	15%	15%	15%	11%	10%	Dividend Yield	3.5%	3.7%	3.4%	3.1%	3.5%
Net debt/Equity	0.14	0.24	0.10	0.04	0.05	Free cashflow yield	136.1%	81.4%	519.4%	612.4%	18.1%
Net debt/EBITDA	1.01	1.56	0.44	0.11	0.19						

Source: Bloomberg, Tacirler Investment

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

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 Anık Mah. Tunali 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. Banş (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	Urban 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	Şair Eşref Bul. Ragıp Şanlı İş Merkezi No: 6 Kat: 3 D: 306 Çankaya	(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	Murtaza Mah. Hamamüstü Sok. İ. Esat Taneri İş Merkezi No: 19 Kat: 2 Karadeniz Ereğli	(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	Kemer kaya Mahallesi Halkevi Cad. Mandıralı İş Merkezi No: 4 Daire: 4 Ortahisar	(0 462) 432 24 50

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Bu raporda yer alan her türlü bilgi, yorum ve tavsiye uygunluk testi ile tespit edilecek risk grubunuz ve getiri beklentiniz ile uyumlu olmayabilir. Dolayısıyla, uygunluk testi neticesinde risk grubunuz tespit edilmeden sadece burada yer alan bilgilere dayanılarak yatırım kararı verilmesi amaç, bilgi ve tecrübenize uygun sonuçlar doğurmayabilir.

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