

## BRISA

**We attended the 4Q23 analyst meeting to evaluate the financial asset. Our attention was drawn to the fact that BRISA increased its market share in terms of exports, enabling it to grow approximately one-third of its revenues. The company's strong net profit generation ability, investment plans and strong free cash flow generation performance in 2024.**

### Key Takeaways of the meeting

**Revenue growth supported by operational performance...** According to figures including inflation accounting, BRISA generated 26.5 billion TL sales revenue in 2023, a 1% decrease compared to the previous year, while 34% of the turnover was obtained from export revenue and 66% from the domestic market. Parallel to the strong course that has continued in the automotive industry since 2023, there has been an increase in the company's sales volumes. BRISA created a free cash flow of 2.1 billion TL in 2023, with an increase of 247% on an annual basis, including inflation accounting. However, the company's 4Q23 net profit increased by 40% excluding inflation accounting and 58% when included.

**Strong growth potential...** Brisa continued its leadership in the sector in the "Turkey 100 - Turkey's Most Valuable Brands" research, organized for the 17th time by the international brand evaluation organization Brand Finance in June. The company invested 34 million USD in capacity and new technologies in 2023. The company, which exports to 83 countries with the Lassa brand, will be in 8 countries in Europe, including Germany, Italy and Sweden, in 2023; While it increased its market share in 13 countries outside Europe, there was also a 44% increase in export revenues. Brisa also carries out R&D and technology development studies for electric vehicles that will shape the future of the automotive industry. In this direction, production technologies are being renewed primarily to meet the expectations of electric vehicle manufacturers. With all investments and studies, Brisa developed 122 new products by spending 272 million TL in 2023 and was selected as the company that made the most R&D investments in its sector in the Turkey R&D 250 Research.

### 2024E Guidance...

- Brisa aims to increase its Practical Service points (117 Otopratik + 22 Propratik), which are 139 by the end of 2023, to over 170 in 2024. The company aims to maintain its leading position in its segment with the Otopratik brand.
- Demand in Europe may remain low, but overall global demand remains balanced; Internally, they think margins can be protected.
- Brisa expects an increase in the prices of rubber, its main raw material, in 2024, but states that they have the flexibility to reflect this increase on product prices. They do not expect a significant increase in energy costs in 2024.

### Brisa

#### Share Data

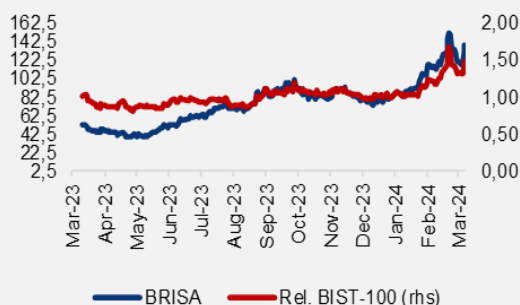
Ticker:	BRISA TI
Share price (as of 21 March 2024)	138,80
Share price (52 week range)	039 - 152
Market cap. (mnTL / mn\$)	42350,2 / 1310,7
# of shares outstanding (mn)	305
Free Float	10%

Avg. trading volume	1M	3M	12M
USD mn	6,4	3,3	2,4

Price performance	1M	3M	Y-t-D
TL	22%	77%	80%
USD	17%	59%	64%
Rel. to BIST-100	25%	50%	47%

TL mn	2021	2022	2023
Revenues	6.634	26.863	26.498
EBITDA	1.483	4.103	4.273
Net Earnings	1.005	2.509	3.986
Net Debt	1.311	3.206	1.157

Valuation	2021	2022	2023
P/E	11,7x	8,7x	5,9x
P/BV	4,9x	4,7x	1,8x
EV/EBITDA	8,5x	7,2x	5,8x
EV/Sales	1,95x	1,62x	0,93x
Dividend Yield	3,3%	5,4%	5,5%



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## About the BRISA

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- BRISA's main field of activity is all types and types of outer and inner tubes, shoe products, resins, plastic straps and natural and artificial rubber inks including chemical substances, rubber substitutes, substances that have rubber qualities or are used for the same purpose, and partly or to obtain and produce materials made entirely of rubber; To provide tire retreading business and services, and to purchase, sell and service all kinds of other products, spare parts and accessories related to the automotive industry.
- Brisa produces tires at international standards in terms of safety and quality criteria for automobiles, light commercial vehicles, buses, trucks, agricultural and construction machinery with the Bridgestone, Lassa and Dayton brands.
- Brisa is registered with the Capital Markets Board ("CMB") and its shares have been traded on Borsa Istanbul A.Ş. since 1986. As of September 30, 2023 and December 31, 2022, the Company has 10.24% shares registered in Borsa Istanbul.

## Financial Analysis

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- **4Q23 financial results...** The company announced a net profit of 3.973 billion TL, including inflation accounting, in its 4Q23 financials (+58% on an annual basis). With the effect of inflation accounting, BRISA's net sales in 4Q23 decreased by 1% on an annual basis and reached 26.5 billion TL. Net profit would have increased by 40% without accounting for inflation. In 4Q23, EBITDA increased by 5% annually due to the inflation accounting effect and reached 4.312 billion TL. EBITDA margin increased from 15.2% annually to 16.3%. The company is traded at 10.5x P/E and 10.0x EV/EBITDA multiples with a market value of 41.8 billion TL.

Balance Sheet							Income statement								
	2018	2019	2020	2021	2022	2023	2011	2017	2018	2019	2020	2021	2022	2023	
Cash	284	894	1.537	3.479	8.048	14.455	<b>Revenues</b>	<b>1.766</b>	<b>2.294</b>	<b>2.999</b>	<b>3.654</b>	<b>4.237</b>	<b>6.634</b>	<b>26.863</b>	<b>26.498</b>
Accounts receivables	720	621	727	1.043	3.954	3.819	Gross profit	519	611	767	925	1.276	2.016	5.954	6.499
Inventory	572	635	618	1.109	4.045	3.288	Operating expenses	352	329	371	509	555	769	3.241	3.700
Other current assets	74	76	64	253	505	468	Operating profit	167	282	396	416	721	1.247	2.713	2.799
<b>Current assets</b>	<b>1.650</b>	<b>2.226</b>	<b>2.946</b>	<b>5.884</b>	<b>16.552</b>	<b>22.030</b>	<b>EBITDA</b>	<b>247</b>	<b>388</b>	<b>554</b>	<b>606</b>	<b>945</b>	<b>1.483</b>	<b>4.103</b>	<b>4.273</b>
Financial investments	0	0	0	0	0	0	Other income, net	52	40	86	-36	-104	-604	-1.019	-173
Net fixed assets	1.753	1.827	1.830	2.017	11.632	12.210	Financial income, net	-139	-160	-335	-264	-155	243	1.172	706
Intangible assets	66	81	107	126	806	905	Earnings before taxes	80	162	147	116	463	885	2.866	3.332
Other non-current assets	1.088	1.147	1.178	2.262	3.767	1.916	Tax expense	0	2	-2	2	-65	-119	308	-684
<b>Non-current assets</b>	<b>2.908</b>	<b>3.054</b>	<b>3.115</b>	<b>4.405</b>	<b>16.205</b>	<b>15.031</b>	<b>Net earnings - Parent</b>	<b>80</b>	<b>95</b>	<b>96</b>	<b>114</b>	<b>540</b>	<b>1.005</b>	<b>2.509</b>	<b>3.986</b>
<b>Total assets</b>	<b>4.558</b>	<b>5.280</b>	<b>6.060</b>	<b>10.289</b>	<b>32.757</b>	<b>37.060</b>	<b>Cashflow statement</b>								
Short-term financial loans	342	1.241	960	2.067	8.458	9.770	EBITDA	<b>388</b>	<b>554</b>	<b>606</b>	<b>945</b>	<b>1.483</b>	<b>4.103</b>	<b>4.273</b>	<b>4.273</b>
Accounts payables	702	1.011	1.200	2.807	7.210	6.429	Taxes on EBIT	4	-5	9	-101	-168	292	-574	
Other short-term payables	125	100	143	214	822	1.092	Capital expenditures	636	228	266	241	438	1.550	1.338	
<b>Current liabilities</b>	<b>1.169</b>	<b>2.351</b>	<b>2.304</b>	<b>5.088</b>	<b>16.490</b>	<b>17.291</b>	Chg. in NWC	0	0	-317	-156	-682	1.088	-418	
Long-term financial loans	2.332	1.937	2.205	2.724	2.796	5.842	<b>Free cashflows to firm</b>	<b>-252</b>	<b>330</b>	<b>648</b>	<b>960</b>	<b>1.895</b>	<b>1.173</b>	<b>3.927</b>	
Other long-term payables	136	95	113	169	1.854	481	<b>Growth &amp; margins</b>								
<b>Non-current liabilities</b>	<b>2.468</b>	<b>2.032</b>	<b>2.319</b>	<b>2.892</b>	<b>4.650</b>	<b>6.323</b>	Revenues	30%	31%	22%	16%	57%	305%	-1%	
<b>Shareholders' equity</b>	<b>921</b>	<b>897</b>	<b>1.438</b>	<b>2.309</b>	<b>11.617</b>	<b>13.446</b>	EBITDA	57%	43%	9%	56%	57%	177%	4%	
Parent company	921	897	1.438	2.309	11.527	13.370	Net earnings	19%	1%	19%	374%	86%	150%	59%	
Minorities	0	0	0	0	89	76	Gross margin	26,6%	25,6%	25,3%	30,1%	30,4%	22,2%	24,5%	
<b>Total liabilities &amp; equity</b>	<b>4.558</b>	<b>5.280</b>	<b>6.060</b>	<b>10.289</b>	<b>32.757</b>	<b>37.060</b>	Operating margin	12,3%	13,2%	11,4%	17,0%	18,8%	10,1%	10,6%	
Net debt	2.389	2.283	1.629	1.311	3.206	1.157	EBITDA margin	16,9%	18,5%	16,6%	22,3%	22,4%	15,3%	16,1%	
Net working capital	539	221	66	-616	472	54	Net margin	4,1%	3,2%	3,1%	12,7%	15,1%	9,3%	15,0%	
Net working capital (Operating)	590	245	145	-655	789	678	Free cashflow margin	4,1%	3,2%	3,1%	12,7%	15,1%	9,3%	15,0%	
Invested Capital	2.358	2.128	2.003	1.527	12.910	13.168	<b>Per share (TL)</b>								
<b>Ratios</b>							EPS	0,31	0,31	0,37	1,77	3,29	8,22	13,06	
<b>Profitability</b>							BVPS	2,24	3,02	2,94	4,71	7,57	38,07	44,07	
ROE	11,9%	12,5%	46,2%	53,6%	36,0%	31,8%	DPS	0,00	0,00	0,00	0,09	0,81	2,03	3,60	
Net margin	3,2%	3,1%	12,7%	15,1%	9,3%	15,0%	<b>Valuation</b>								
Asset turnover	0,7x	0,7x	0,7x	0,8x	1,2x	0,8x	P/E	33,2x	22,0x	21,9x	20,1x	11,7x	8,7x	5,9x	
Leverage	5,0x	5,4x	4,9x	4,4x	3,1x	2,8x	P/BV	3,63x	2,60x	2,06x	3,53x	4,88x	4,74x	1,76x	
ROA	2,4%	2,3%	9,5%	12,3%	11,7%	11,4%	EV/EBITDA	15,0x	11,1x	8,6x	8,9x	8,5x	7,2x	5,8x	
ROIC	13,6%	14,8%	27,9%	56,5%	30,1%	17,2%	EV/Sales	1,99x	1,62x	1,44x	1,60x	1,95x	1,62x	0,93x	
<b>Leverage</b>							Dividend Yield	0,0%	0,0%	0,0%	0,8%	3,3%	5,4%	5,5%	
Financial debt/Total assets	59%	60%	52%	47%	34%	42%	Free cashflow yield	-11,5%	16,4%	32,7%	26,5%	25,1%	10,3%	19,8%	
Net debt/Equity	2,59	2,55	1,13	0,57	0,28	0,09									
Net debt/EBITDA	4,31	3,77	1,72	0,88	0,78	0,27									

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

**Buy:** The stock is expected to generate a return of more than 30% 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.

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