

Daily View

Good morning. Global markets are starting the new week on a flat note. We are in a period where geopolitical issues, particularly developments regarding the Russia-Ukraine war, dominate the global agenda. At the Munich Security Conference in Europe, messages from European and U.S. representatives once again highlighted not only differences of opinion beyond the Russia-Ukraine process but also a weakening of U.S. support for Europe. Markets have not yet shown a clear reaction to these developments; however, increasing geopolitical stress could weigh on global risk appetite in the future. As we begin the new week, we expect a rebound in Borsa Istanbul. We observe that capital inflows continue and momentum indicators are improving. In the BIST 100 index, resistance levels can be monitored at 9,950 and 10,000, while support levels stand at 9,850 and 9,720. Today's agenda is quiet. The week's schedule remains relatively calm until Friday, when PMI data from Europe and the U.S. will be in focus. Turkey's CDS starts the day at 253 basis points. No transactions have taken place yet, but quotations show figures below 250 basis points.

Macro and Politics

*** The Treasury will hold 4y TLREF-indexed bond auction today.** According to three-month (Fed – Apr 25) domestic borrowing strategy, the Treasury has a total domestic redemption of TL117.8bn in February, while in return plans to borrow TL180.1bn throughout the month, via five auctions and one direct sale. The Treasury's tapped the domestic markets to the tune of TL131.8bn so far this month. After today's single auctions, the Treasury will hold 3y CPI-indexed & 5y fixed coupon bond auctions tomorrow and finalize its domestic borrowing program for February.

*** The Treasury and Finance Ministry will release January central government budget figures @ 11:00 local time.** The Treasury's cash budget recorded a deficit of TL204.9bn in January, while the primary balance registered a deficit of TL54.1bn during the same period. January cash budget figures are indicative for today's central government figures. In December, the central government budget recorded a deficit of TL829.2bn, with the primary deficit amounting to TL754bn. As a result, the central government budget for 2024 posted a record deficit of TL2.1tn, slightly exceeding our house estimate of TL1.9tn, while aligning with the official budget deficit projection of TL2.15tn set out in the Medium-Term Economic Program. We project the 2025 budget deficit at TL1.61tn (2.7% of GDP). In 2025, a year likely to present greater challenges in addressing inflation, we believe the effectiveness of fiscal policy will depend on enhanced coordination and the successful execution of fiscal consolidation, crucial for balancing inflation and growth.

*** The CBT has unveiled the results of the February Market Participants' Expectations Survey.** Following the upward revision of the year-end inflation forecast presented during last week's Q1 Inflation Report, the 2025 year-end inflation expectation, which stood at 27% in the January survey, has increased to 28.3% in February survey results. Meanwhile, participants' monthly inflation expectation for February came in at 3.23%. We anticipate that February inflation may surpass market expectations and fall within the 3.5%–4% range. Given the upward risks to our 2025 year-end CPI forecast of 28%, we are contemplating a potential revision of our expectations in the coming period. Besides, market participants expect 250bps rate cuts at both the MPC meetings scheduled for March 6th and April 17th. We expect that the CBT will proceed with a 250bps rate cut in March. However, it is crucial to highlight that the February inflation data will be pivotal here. Although we project the year-end policy rate at 30, we recognize the presence of upward risks to our estimate.

* **The CBT has declared that, as part of the strategy to phase out FX-protected deposit accounts (KKM accounts), the opening and renewal of KKM accounts for legal entities have been discontinued.** The Bank has announced that, effective February 15, 2025, legal entities will no longer be able to open or renew KKM accounts, including YUVAM accounts. Furthermore, according to the announcement, KKM accounts held by legal entities will no longer be included in the targets for KKM accounts' renewal and transition to TL. Considering that legal entities account for approximately 20% of the total KKM stock, we estimate that around USD 6.5bn in KKM deposits will mature and be closed without renewal. Given the prevailing high-yield environment and positive real interest rates, we do not expect the unwinding of KKM deposits to induce a disruptive surge in FX demand. Our year-end 2025 projections suggest that the real appreciation of the TL will persist, albeit at a slower pace compared to 2024.

* **House sales declined to 112,173 units in January, indicating the lowest level since June 2024.** This represents a sharp 47.2% monthly contraction, yet a 39.7% y/y increase. Please recall that housing sales had surged to a three-year high of 212,637 units in December 2024. Notably, in January, mortgage-backed home sales fell by 28.1% m/m to 16,726 units in January, while continuing to post a substantial rise on an annual basis with 182.8% increase. Notably, mortgage-backed sales have exhibited significant y/y growth since September. A closer look at mortgage rates in the housing market reveals that the average mortgage lending rate stood at 42% in 4Q23 and posted no palpable change at 41.3% in 4Q24. As of January 2025, moreover, mortgage rates have remained above 40%. Despite persistently high mortgage rates, the sharp annual increase in mortgage-backed home sales appears to be driven by expectations that housing prices, which have been declining in real terms for some time, will rise in the coming period.

Sector and Company News

- **AGESA (Slightly Positive)** reported Q4 2024 financial results with a net profit of TL854mn, slightly below market expectations. For the full year 2024, net profit reached TL2.8bn, marking a 101% year-on-year increase. In 2024, technical income grew by 47% year-on-year to TL12.2bn, while technical expenses increased by 41% to TL19.7bn. The technical balance-to-income ratio stood at 0.02. In Q4 2024, the company generated TL998mn in net investment income, up from TL588mn in the same period last year. Equity increased by 81% year-on-year to TL5.3bn, while return on equity (ROE) stood at 66.45%.
- **AKCNS (Slightly Negative)** reported Q4 2024 financial results with a net profit of TL354mn, below market expectations. For the full year 2024, net profit reached TL1.7bn, marking a 51% year-on-year decline. Q4 2024 net sales declined by 6% quarterly and 38% year-on-year to TL5.1bn. EBITDA dropped by 31% quarterly and 23% annually to TL817mn. In terms of margins, the gross profit margin declined slightly year-on-year to 17% in 2024, while the EBITDA margin stood at 18%. The net profit margin also declined slightly to 7.7%. Equity increased by just 3% year-on-year to TL20.6bn, while return on equity (ROE) stood at 8.26%.

- **ALBRK (Neutral)** reported Q4 2024 financial results with a net profit of TL1.7bn, in line with market expectations. For the full year 2024, net profit reached TL4.3bn, marking a 26% year-on-year increase. Net fee and commission income rose by 51% year-on-year to TL3.4bn, while net operating profit declined by 13% to TL4.4bn. The bank increased its equity by 38% year-on-year, while return on equity (ROE) stood at 27.10%.
- **ISGYO (Slightly Negative)** reported Q4 2024 financial results with a net loss of TL1.7bn, contrary to the market expectation of a TL1.3bn net profit. For the full year 2024, net profit stood at TL892mn, marking an 80% year-on-year decline. EBITDA in Q4 2024 was TL219mn, increasing by 6% quarterly and exceeding market expectations. The company's pre-tax profit stood at TL3.4bn for the full year 2024 but declined to TL892mn due to the impact of deferred tax expenses. The decline was mainly driven by accumulated temporary differences related to investment properties. Equity remained stable year-on-year, while return on equity (ROE) stood at 2.28%, and return on assets (ROA) was recorded at 1.87%.
- **KLSYN (Positive)** reported its Q4 2024 financial results with a net profit of TL232mn. The announced net profit increased by 373% on a quarterly basis. The net profit was supported by successful operational performance. During the same period, the company's revenue increased by 14% on an annual basis and by 25% on a quarterly basis. With effective cost management, the gross profit in TL increased by 85% compared to the previous quarter. The gross profit margin improved by 21 basis points compared to the previous quarter. The EBITDA margin also improved as costs were kept low.
- **Automotive:** According to the Automotive Manufacturers Association (OSD) report, in January 2025, total automotive production decreased by 2.8% year-over-year, while passenger car production increased by 1.1%. Total production stood at 105,397 units, with passenger car production reaching 67,795 units. As the market contracted, total sales declined by 14.7%, and passenger car sales dropped by 12.6%. Commercial vehicle production fell by 9%, with heavy commercial vehicle production dropping by 51% and light commercial vehicle production decreasing by 3%. Minibus production surged by 132.5%, whereas truck production declined by 64%. Export volumes increased by 4% in total and 7% for passenger cars, while total automotive exports rose by 5% in USD terms to USD2.95bn, and passenger car exports grew by 15% to

USD866mn. Türkiye's automotive exports started the new year with strong momentum, reaching record levels, with passenger car exports increasing by 23.19% to USD771.9mn.

- **AKFYE** announced that hybrid solar power plants with a total installed capacity of 50.77 MW have commenced commercial energy production. The Hasanoba (8.41 MW), Kocalar (4.95 MW), and Üçpınar (37.41 MW) hybrid solar power projects have been put into operation. The company's total installed capacity has reached 767.3 MW, with a target of 887 MW by 2025.
- **AYDEM** completed its share buyback program, which started on February 14, 2022. A total of 11.8 million shares were repurchased at a total cost of TL130.6mn.
- **CWENE** announced the establishment of a new company named CW Kurumsal Hizmetler ve Pazarlama A.Ş., headquartered in Antalya, with a capital of TL500k. The new company will operate in renewable energy equipment, durable consumer goods, real estate, finance, logistics, and supply chain management. CW Energy will hold 100% ownership in the new entity.
- **DAGI** announced that SPK has granted permission and approval to increase its paid-in capital from TL129mn (within its registered capital ceiling) by TL270mn, raising it to TL400mn.
- **GENIL** announced that it has signed an exclusive distribution agreement with the U.S.-based IntraBio. Under the agreement, the company became the exclusive distributor of Aqneursa, a drug containing the active ingredient levacetylleucine, in Türkiye.
- **GSDHO's** application to increase its registered capital ceiling to TL25bn has been approved by the Capital Markets Board (SPK).
- **HTTBT** applied to SPK for an increase in its registered capital ceiling from TL300mn to TL1.5bn.
- **THYAO's** application to increase its registered capital ceiling to TL10bn has been approved by the Capital Markets Board (SPK).
- **VESTL** announced that the 13th Chamber of the Council of State rejected the plaintiffs' appeal requests, thereby finalizing the Competition Board's decision in favor of the company. The

company also stated that the 8th Administrative Litigation Chamber upheld the 13th Chamber of the Council of State's annulment decision, ruling that the Competition Board's decision regarding Vestel Ticaret and Whirlpool was lawful.

Share Transactions

| Acquirer | Seller | Company | Type (Buyback / From Market) | # of lots | Transaction Price (TL) | Share in Capital after transaction |
|----------|--------|---------|------------------------------|-----------|------------------------|------------------------------------|
| LKMNH | | LKMNH | Buyback | 19.500 | 20.41 | 0.17% |
| ATAKP | | ATAKP | Buyback | 10.000 | 39.95 | 0.16% |
| GEDIK | | GEDIK | Buyback | 200.000 | 6.89 | 0.16% |
| KAYSE | | KAYSE | Buyback | 645.000 | 20.59 | 0.41% |
| PCILT | | PCILT | Buyback | 10.000 | 16.70 | 2.15% |
| ALKLC | | ALKLC | Buyback | 500.000 | 31.97 | 1.77% |

Important Disclosures

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