

BIMAS

Brighter outlook for the 2Y23E period...

We are increasing our target price for BIM <BIMAS TI> from 222.00 TL per share to 350.00 TL through the strong 2Q23 operational performance and high food inflation. While our 12-month target price indicates a 35% return potential we changed our recommendation to HOLD from BUY. Increasing store rollouts and the growing average basket size supported strong sales figures. While consumers' high demand for discounted products continues with the high course of food inflation, we believe that BIM will continue to grow with the support of its own branded product sales and various sales channels. We calculate that BIM will increase its net income in the 2023E period by 49% YoY and its 2024E period net profit by 39% YoY. BIM trades at 13.6x P/E multiplier in our 2023E forecasts and 9.8x P/E in 2024E forecasts.

Strong demand continues with the inflationist theme... In 2Q23, net sales reached TL 57.9 billion, up by 70% YoY, with the contribution of 64.4% YoY growth in same-store sales (LFL) and 67.3% YoY growth in basket volume. Considering the increasing daily sales growth per store and new store openings, we expect 2H23 will be stronger compared to 1H23 for BIM. We expect net sales in 2H23 to increase by 84% year-on-year which will bring 2023 revenues to TL263.3bn, up by 81.4% YoY.

New store openings support growth... As of 1H23, BIM has a total of 11,818 stores in Turkey, Egypt, and Morocco. A total of 533 new stores were opened in 6M23 while 225 stores closed due to the earthquake, adding up to 308 net store rollouts. We expect BIMAS to reach 12,410 stores at YE23 and open 1,100 new stores in 2024E, which will boost BIMAS's growth in 2024E.

We are revising our 2023 expectations... Following the 2Q23 financial results, the company maintained its 2023 expectations. Accordingly, BIM expects a 75% growth in net sales with a standard deviation of 5% and an EBITDA margin between 7.0% and 7.5%. We estimate that with the contribution of BIM's own branded product portfolio, net sales in the 2023E period will reach 263.3 billion TL, with an annual increase of 81.4%, and an EBITDA of 19,350 million TL with a 7.2% margin. We calculate BIM to generate a net profit of TL12,191mn, up by 49% YoY in 2023E, and TL16,910mn in 2024E, up by 39%. We forecast an average of 7.5% EBITDA margin and a 21.6% compound annual growth rate in net sales during our valuation period.

Rating

Hold

Target Price

350.0

Return potential

28%

Share Data

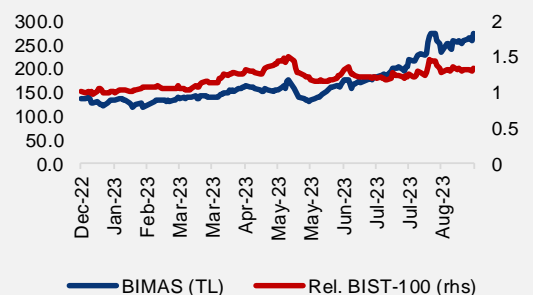
Ticker:	BIMAS TI		
Share price (as of 07.09.2023)	273.00		
Share price (52 week range)	117.7 / 273.0		
Market cap. (TL mn - USD mn)	165,766 - 6,184		
# of shares (mn) & free float	607.2 - 60%		
Foreign Ownership Rate	46.2%		
Market	Star		
Industry	Wholesale and Retail Trade		

Avg. trading volume	1M	3M	12M
USD mn	79.1	58.5	55.1

Price performance	1M	3M	Y-t-D
TL	20%	72%	102%
USD	21%	48%	41%
Rel. to BIST-100	7%	15%	33%

Forecasts (TL mn)	2021	2022	2023E
Revenues	70,699	147,868	268,278
EBITDA	6,576	11,931	19,350
Net Earnings	2,932	8,157	12,191

Valuation	2021	2022	2023E
P/E	56.5x	20.3x	13.6x
P/BV	21.8x	6.6x	4.5x
EV/EBITDA	56.5x	20.3x	13.6x
EV/Sales	2.6x	1.3x	0.8x
Dividend Yield	1.1%	2.5%	3.7%



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Risks... i) possible slowdown in new store openings along with high operational costs, ii) possible shrinkage in demand due to purchasing power changes, iii) possible sharp decline in food prices, could be the main risk factors in our valuation for BIM.

Exhibit: BIMAS' DCF Valuation

(mn TL)	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenues	268,278	389,012	501,244	604,295	709,392	812,998	926,958	1,052,067
Growth%	81.4%	45.0%	28.9%	20.6%	17.4%	14.6%	14.0%	13.5%
EBITDA	19,350	28,576	37,420	45,164	53,552	61,800	70,852	81,822
Growth%	62.2%	47.7%	30.9%	20.7%	18.6%	15.4%	14.6%	15.5%
<i>EBITDA Margin</i>	7.2%	7.3%	7.5%	7.5%	7.5%	7.6%	7.6%	7.8%
Taxes paid on EBIT	-765	-1,272	-1,965	-2,419	-3,361	-4,446	-5,755	-7,431
CAPEX	-8,425	-9,610	-12,012	-12,507	-13,439	-14,596	-15,798	-17,033
Change in Net Working Capital	1,652	2,154	2,783	2,456	1,464	2,483	2,977	3,534
Free cash flow from operations	11,813	19,849	26,227	32,693	38,216	45,241	52,275	60,892
FCFF Margin	4.4%	5.1%	5.2%	5.4%	5.4%	5.6%	5.6%	5.8%
WACC	20.6%	24.1%	24.4%	23.5%	23.3%	23.3%	23.1%	22.9%
DFC	749	7,853	11,813	16,073	17,222	17,409	16,530	15,924
Terminal growth rate	5%							
Terminal Value	366,993							
PV of Terminal Value	86,028							
PV of FCFF	124,246							
PV of Terminal Value	86,028							
Enterprise Value	210,274							
Less:								
Latest Net Debt	-2,297							
Equity Value	212,792							
# of shares outstanding	607							
Fair Value per share (12-mth fwd)	350.00							
Current share price	273.00							
Upside / (Downside)	28%							

Source: Company Data, Tacirler Investment

Projected Financials

Balance Sheet	2019	2020	2021	2022	2023E
Cash	538	2,664	1,492	2,012	2,316
Accounts receivables	2,369	4,228	6,693	14,632	26,401
Inventory	4,368	6,274	7,951	22,592	28,067
Financial investments	1,433	2,615	3,775	7,074	13,133
Fixed assets	4,986	6,536	9,004	16,192	19,916
Other non-current assets	1,032	1,378	1,793	2,450	5,867
Total assets	14,852	23,430	30,412	64,684	110,659
Short-term financial loans	3,280	4,716	6,349	9,460	20,025
Accounts payables	744	1,267	2,167	2,619	6,592
Long-term financial loans	5,559	8,894	12,294	24,745	40,920
Other long-term payables	4,237	4,237	4,237	4,237	4,237
Total liabilities	10,615	16,255	22,807	39,483	73,703
Shareholders' equity	607	7,176	7,606	25,201	36,955
Paid in Capital	607	607	607	607	607
Other Equity	0	6,568	6,998	24,594	36,348
Total liabilities & equity	14,852	23,430	30,412	64,684	110,659
Net debt	8,302	10,946	17,151	32,193	58,629
Net working capital	5,992	9,236	12,477	34,605	47,875

Per share (TL)

EPS	2.02	4.29	4.83	13.43	20.08
BVPS	1.00	11.82	12.53	41.50	60.86
DPS	0.50	5.94	3.02	6.72	10.04

Ratios

Profitability

ROE	59.5%	67.0%	39.7%	49.7%	39.2%
Net margin	3.0%	4.7%	4.1%	5.5%	4.5%
Asset turnover	3.4x	2.9x	2.6x	3.1x	3.1x
Leverage	5.8x	4.9x	3.6x	2.9x	2.8x
ROA	10.3%	13.6%	10.9%	17.2%	13.9%

Leverage

Financial debt/Total assets	60%	58%	61%	53%	55%
Net debt/Equity	13.67	1.53	2.26	1.28	1.59
Net debt/EBITDA	2.64	2.16	2.61	2.70	3.03

Income statement	2019	2020	2021	2022	2023E
Revenues	40,212	55,495	70,699	147,868	268,278
Gross profit	6,985	10,119	13,460	26,807	49,986
Operating expenses	-4,919	-6,422	-8,687	-17,469	-34,691
Operating profit	2,066	3,697	4,774	9,338	15,295
EBITDA	3,149	5,067	6,576	11,931	19,350
Other income, net	56	89	-650	178	540
Financial income, net	-643	-568	-548	-1,115	-1,743
Earnings before taxes	1,591	3,352	3,910	8,799	14,419
Tax expense	-366	-745	-959	-640	-2,255
Net earnings	1,225	2,607	2,932	8,157	12,191

Cashflow statement

EBITDA	3,149	5,067	6,576	11,931	19,350
Taxes on EBIT	-475	-822	-1,171	-679	-765
Capital expenditures	-1,055	-1,281	-2,185	-4,612	-8,425
Chg. in NWC	7,251	3,244	3,241	22,128	13,270
Free cashflows to firm	8,869	-279	-20	-15,488	-3,109

Growth & margins

Revenues	24%	38%	27%	109%	81%
EBITDA	68%	61%	30%	81%	62%
Net earnings	-2%	113%	12%	178%	49%
Gross margin	17.4%	18.2%	19.0%	18.1%	18.6%
Operating margin	5.1%	6.7%	6.8%	6.3%	5.7%
EBITDA margin	7.8%	9.1%	9.3%	8.1%	7.2%
Net margin	3.0%	4.7%	4.1%	5.5%	4.5%
Free cashflow margin	22.1%	-0.5%	0.0%	-10.5%	-1.2%

Valuation

P/E	135.3x	63.6x	56.5x	20.3x	13.6x
P/BV	273.0x	23.1x	21.8x	6.6x	4.5x
EV/EBITDA	135.3x	63.6x	56.5x	20.3x	13.6x
EV/Sales	4.3x	3.2x	2.6x	1.3x	0.8x
Dividend Yield	0.2%	2.2%	1.1%	2.5%	3.7%
Free cashflow yield	5.4%	-0.2%	0.0%	-9.3%	-1.9%

Source: Company Data, 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 30% in TL terms.

Sell: The stock is expected to generate a negative return within the forecast horizon.

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