

Doğuş Otomotiv

Next-Gen Distributorship

While we include DOAS in our research scope with a 12-month target price of 431 TL, we recommend BUY with its 41% return potential. i) A more limited contraction in the automotive market than anticipated, ii) After-sales service and contribution from subsidiaries stand out as the main factors of our valuation. DOAS, current market value we find attractive, is traded with 3.0x P/E and 1.1x FD/EBITDA multipliers in 2024T, according to our estimates.

After a record year, a more limited contraction than anticipated... Doğuş Otomotiv sold a total of 174,577 units, including Skoda, in 2023. Offering more than 90 models in 14 brands and 13 product groups in total, DOAS left behind a year in which it grew more than the market in each segment. The Cupra brand, owned by the company, increased its unit sales by 267% in 2023, becoming the vehicle brand that increased its sales the most compared to the previous year. In the heavy commercial vehicle section, Scania increased its sales by 53.2% compared to the previous year. The company's total share in this market was 6.2%. The company completed 2023 in 3rd place in the automotive industry with a market share of 15.6%. Although strong figures were achieved in automotive sales in the first quarter of 2024, we foresee a more limited decline than expected, with a 16% contraction in terms of total sales in the sector for the entire year 2024.

The contribution from after-sales service and subsidiaries continues...

While after-sales services provide a periodic income channel for the company, activities continue with more than 680 contact points. The share of after-sales services, which provide high profitability margins, in total revenues is around 10%. We predict that this rate will increase in the coming years. As of 31.12.2023 financial statements, approximately 20% of Doğuş Otomotiv's profitability comes from subsidiaries, while approximately 40% of these revenues come from Skoda distributor Yüce Auto and 16% from TÜVTÜRK, the vehicle inspection business. We think that Skoda's contribution to the company's profitability will gradually increase with its increasing volume and revenues in the market. Another subsidiary that contributes to the company's income and profitability and creates intra-group synergy is the VDF (Volkswagen Doğuş Finans) business line. The expected revenues from fleet, finance, factoring, insurance, and services also support consolidated profitability.

Risks: i) Higher-than-expected contraction in the automotive market, ii) Increase in demand for Chinese electric vehicles that have started operating in the Turkish market, iii) further restriction of credit access opportunities with the continuation of high interest rates.

DOAS

Buy

Target Price **431 TL**
Return potential **41%**

Share Data

Ticker:	DOAS TI
Share price (as of 23.05.2024)	306,75
Share price (52 week range)	120,96 / 357,68
Market cap. (TL mn - USD mn)	67485,0 - 2.100
# of shares (mn) & free float	220 - 34%
Foreign Ownership Rate	20,98%
Market	Star
Industry	Automotive

Avg. trading volume	1M	3M	12M
USD mn	36,5	43,9	29,7

Price performance

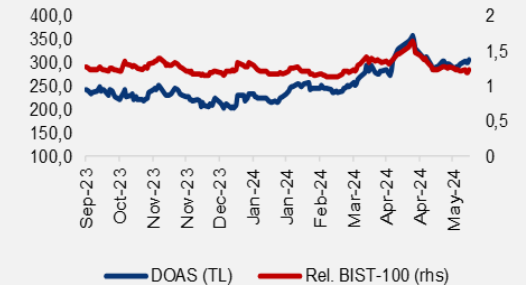
TL	-4%	25%	33%
USD	-3%	21%	22%
Rel. to BIST-100	-14%	9%	-8%

Forecasts (TL mn)

	2023	2024E	2025E
Revenues	149.245	228.174	286.901
EBITDA	24.676	31.781	40.043
Net Earnings	19.622	22.613	30.040

Valuation

	2023	2024E	2025E
P/E	3,4x	3,0x	2,2x
P/BV	1,6x	1,1x	0,8x
EV/EBITDA	2,7x	2,1x	1,7x
EV/Sales	0,5x	0,3x	0,2x
Dividend Yield	13%	14%	15,6%



Oğuzhan Kaymak

+90 212 355 2622

oguzhan.kaymak@tacirler.com.tr

Eren Bozdoğan

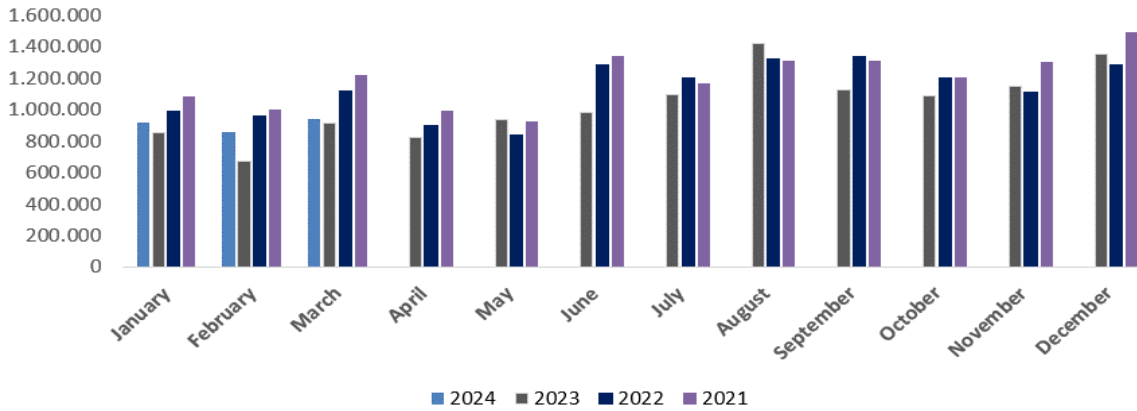
+90 212 355 2637

eren.bozdogan@tacirler.com.tr

Investment Case

Continuing high contribution to net profit from TÜVTÜRK operations... TÜVTÜRK, in which the company is a 33.3% partner and provides periodic vehicle inspection services, increased its revenue by 136% on an annual basis in 2023, reaching 12.1 billion TL. Providing service with over 300 inspection stations throughout Turkey, most of which are fixed and some mobile, TÜVTÜRK's highest revenue share on a provincial basis is obtained from Istanbul operations with 17%. Continuing its investments in 2023, TÜVTÜRK invested 163 million TL throughout the year. While Doğu Otomotiv generated approximately 20% of its net profit from participation income in 2023, 16% of this income, worth 650 million TL, was provided through TÜVTÜRK. Considering the obligation to have the first inspection of zero kilometer passenger vehicles sold in Turkey at the age of three and the strong sales in the automotive industry in the 2022- 2023 period, with the contribution of inflation-updated tariffs, TÜVTÜRK is expected to achieve a very significant increase in revenue in the 2025- 2026 period and increase its share in the company's revenues. We expect it to increase. For light commercial vehicles, this period is legally one year.

2021-2023 Vehicle Inspection Statistics (unit)



2024 (1Q): 907.9k unit **2023:** 12.4 m unit **2022:**13.5 m unit **2021:**14.4 m unit

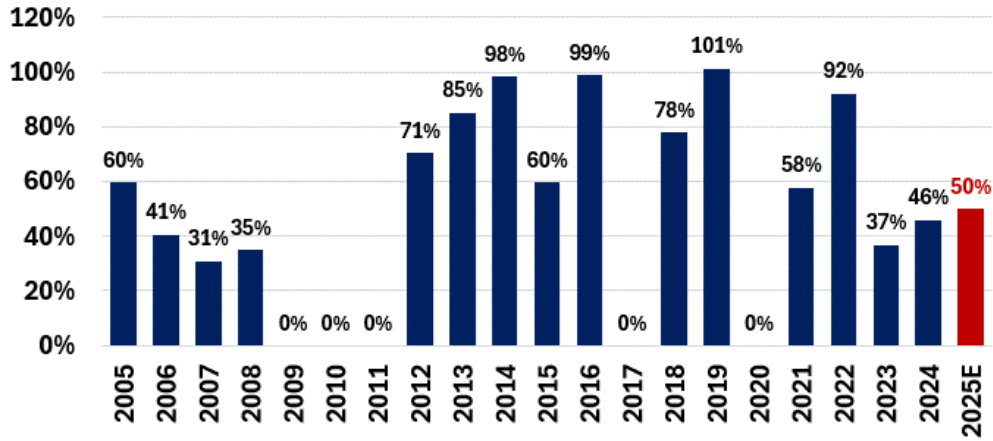
Source: Tacirler Investment, Research Department

The aim of becoming a leading player in the electric vehicle market... With the increasing trend towards electric vehicles, a total of 72,179 vehicles were sold in 2023 and the share of sales in this category in the total increased to 7.5% (2021: 0.39%, 2022: 1.05%). It envisages that 25% will be electric vehicles and the volume will grow in this segment. One of the company's brands, Audi's plan to switch to electric vehicle production only as of 2026, may create a leverage effect in the market for Doğu Otomotiv. We think that the period when supply does not keep up with demand in the electric vehicles market is over and Doğu Otomotiv's revenues will increase in this field in 2024. The company launched the D-Charge brand in 2023 to establish and operate charging units, charging stations and charging networks and provide charging services. The company plans to exceed 10 thousand units in electric vehicle sales and to be active in all areas of the value chain, serving with nearly 800 sockets under the D-Charge brand by the end of 2024.

We expect normalization in multipliers in 2024... Doğu Otomotiv, it has achieved EBITDA margins in the range of 8-10% before the pandemic, achieved an EBITDA margin of 16.5% in 2023. We foresee a gradual normalization in EBITDA margin for 2024, with an average margin of 13% in our valuation period. The main reason for the gradual normalization in the EBITDA margin is that the semiconductor supply problem has reached a manageable level and the supply/demand balance in the domestic market has reached normal levels.

Stable dividend performance... Doğuř Otomotiv paid dividends in 15 of the 20 years following 2004, when it went public. We calculate that the company offered an average dividend distribution rate of 66% and a dividend yield of 8.9% during this period, and this rate is well above the BIST average. The company's last dividend distribution was in April 2024, with a gross of 40.91 TL per share, indicating a yield of 14.2%. We estimate that the company will continue its dividend performance with a dividend distribution rate of around 50% in 2025.

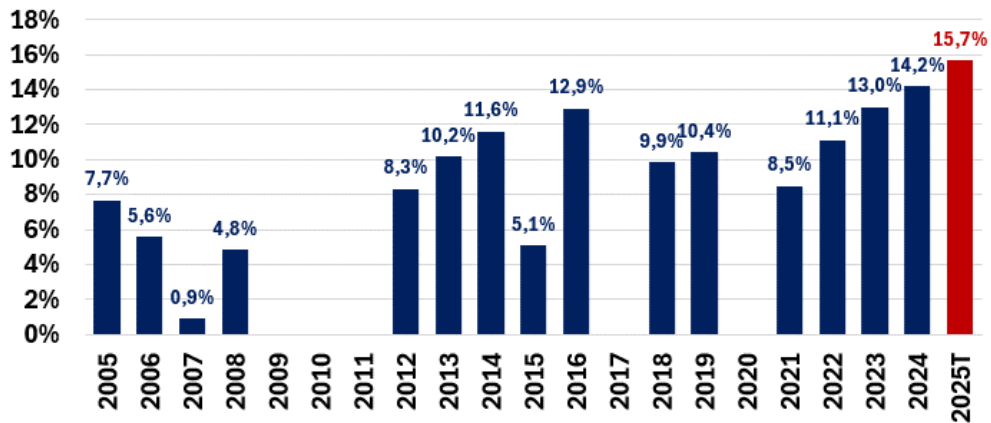
DOAS Payout Ratios (%)



Source: Tacirler Investment Research

We expect a 15.7% dividend yield in 2025... Our 2024 net profit forecast for Doğuř Otomotiv is 20.7 billion TL, and we expect a gross dividend distribution of 46.95 TL per share in 2025, based on a 50% dividend distribution rate, and a dividend yield of 15.7% based on current prices. We calculate that it will be 15.7%.

DOAS Dividend Yields (%)



Source: Tacirler Investment Research

About DOAS

Doğuş Otomotiv (Company) is the only authorized distributor of VW group brands in Turkey, operating in import, sales and after-sales service. Doğuş Oto, a subsidiary of Doğuş Otomotiv that holds a 96.20% share and represents the retail organization, continues its activities in four different regions, with 27 Authorized Sales and 26 Service points and with more than 1,100 employees. Doğuş Oto; It provides authorized sales and services for VW Passenger Vehicles, VW Commercial Vehicles, Audi, Porsche, SEAT, CUPRA and Skoda brands. Doğuş Otomotiv also provides Fleet Sales services. In addition, it also sells second-hand products as a DOD authorized dealer. It has undertaken the operation of TÜVTÜRK inspection stations since 2007, and as of March 2021, it started to operate in the maritime industry in the fields of after-sales service and spare parts under the name Doğuş Marine Services. The company was offered to the public in 2004, and its shares have been traded on Borsa İstanbul AŞ (BIST) since then.

Shareholder Structure

Shareholder Structure	Share in Capital (TL)	Share in Capital (%)
Doğuş Holding A.Ş.	144.099.708	65,5
Doğuş Sigorta Aracılık Hizmetleri A.Ş	292	-
Other	75.900.000	34,5
Total	220.000.000	100%

Source: Company Data, Tacirler Investment Research

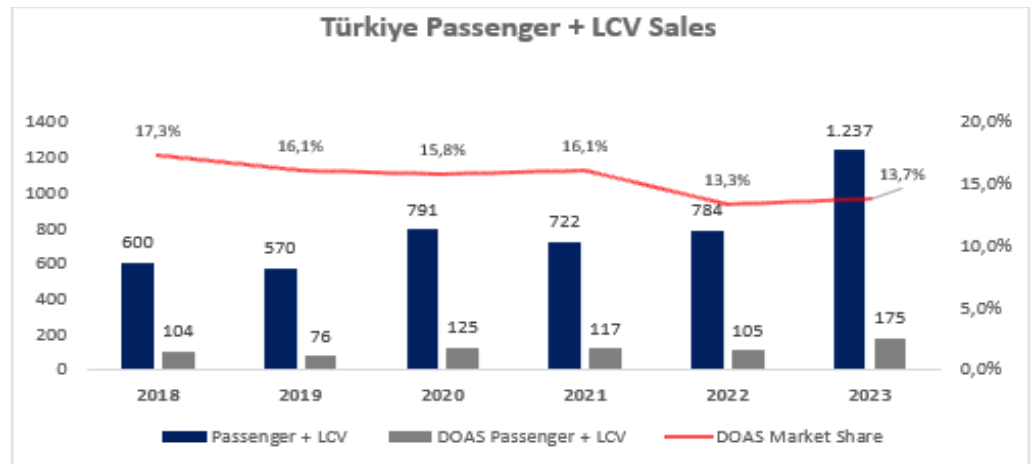


Source: Company Data, Tacirler Investment Research

About Automotive Sector

Turkish Automotive Sector: The automotive industry has been following a volatile course in Türkiye and all over the world for the last few years. Since 2022, semiconductor crisis, raw material problems, production constraints, logistics problems, Ukraine-Russia war, increase in energy prices, high production costs, high inflation, recession / stagflation concerns, etc. We think that the sector, which is struggling with many difficulties and has seen record levels as well as declines in sales during this period, will enter a gradual normalization process starting from 2024. Despite all the negativities, the Turkish automotive industry completed the year 2023 with record sales that may not be recaptured for a long time, with sales of more than 1.2 million automobiles and light commercial vehicles, an increase of 57% on an annual basis. We saw that sales, which were still strong in the automobile and light commercial vehicle categories in the first three months of 2024, slowed down in April. According to the statements made by industry officials, a contraction in the range of 20%- 30% in vehicle sales in the automotive market is expected in 2024, while our estimate indicates a contraction in the range of 15%- 20%.

Doğuş Otomotiv Sector Market Share: We foresee that DOAS will continue its strategy of maintaining profitability and market share, which are its primary goals, in the coming years and will gradually increase its market share in certain vehicle categories. The effect of the new models that the company plans to introduce to the market can be expected to increase its market share. As of the end of 2023, the company was able to maintain its market share compared to the previous year with 71,093 sales in the VW passenger vehicle category. In the light commercial vehicle market, it increased its market share from 5.6% to 6.7% with 17,683 sales compared to the previous year. We expect the company to further increase its market share in this category with new brands. While the Volkswagen passenger vehicle segment comes at the top of the categories with a 7.3% market share, SEAT sales, which increased by 78% compared to 2022, ranked second.



Source: ODD, Tacirler Investment Research

Investments Valued According to the Equity Method (Affiliates and Business Partners):

The company has a total of five subsidiaries, direct and indirect. As of 2023, the contribution of business partners to net profit was 3.3%, while this rate was 1.7% the previous year. While the contribution of Doğuř Otomotiv's Subsidiaries to the net profit was 16.7% in 2023, this rate was achieved at 10.2% and 10% in 2021 and 2022, respectively. We anticipate that the impact of the contribution of subsidiaries and business partners on net profit will increase in the future.

	Control Power(%)
Affiliates	
VDF Servis	48,79
Yüce Auto	50,00
Doğuř Sigorta	42,00
Doğuř Teknoloji	21,76
Partnerships	
TÜVTÜRK Kuzey-Güney	33,33

Ongoing Investments

TÜVTÜRK: TÜVTÜRK, which consists of 2 sections, North and South Facilities, is not only a profitable business line for DOAŞ, but also an area of activity where it expects a significant positive contribution to its net profit projections in the coming years. The company expects to generate an EBITDA of 2.5 billion USD, in addition to 15 billion USD, from its vehicle inspection business in the next 20 years. TÜVTÜRK, which started its operations at the end of the first quarter of 2009 with 300 million USD, has carried out a total of 116 million vehicle inspections after 15 years.

Doğuř Technology: It started its operations in 2011 in order for the Doğuř group to show itself in the field of technology. The company, which has become an important R&D center of our country since 2017, offers services such as data solutions, consultancy, technology operations, hybrid cloud platform and cyber security solutions, automation, blockchain, smartglass, IoT applications, mobile and web application solutions, UI / UX services. It continues its activities in many areas.

Doğuř Marine Services: DOAŞ's business line, which plans to open new service points in marinas with high potential and sign distributorship agreements with new brands in the coming periods, aims to strengthen its presence in the maritime sector and expand its business volume every year.

Doğuř GYO: It is a business line that operates in real estate projects and portfolio management consisting of real estate-based assets and rights. The value of Doğuř GYO's investment real estate portfolio, consisting of Doğuř Center Maslak, Doğuř Etiler Sports Center, Gebze Center AVM, Gebze Center Hotel and Gebze Center Automotive Showroom and Service, was 9.88 billion TL as of the end of 2023. As of 2023, it has generated 548.5 million TL from rental income and managed to increase its rental income by 119% compared to the previous year.

Automotive Market Peer Comparison

We conducted a comparative analysis for DOAS and companies operating in a similar business line. Since Doğu Otomotiv's field of activity is structurally different from its peers, we do not give any weight to it in our valuation, but we add it to our report as an indicator table. The company left 2023 behind with a market value of 1.9 billion USD and 2.5x P/E, 2.04x EV/EBITDA multipliers. According to 2024 forecast data, DOAS is traded at a discount of 79,8% and 65,9%, respectively, compared to its peers in EV/EBITDA and P/E multiples.

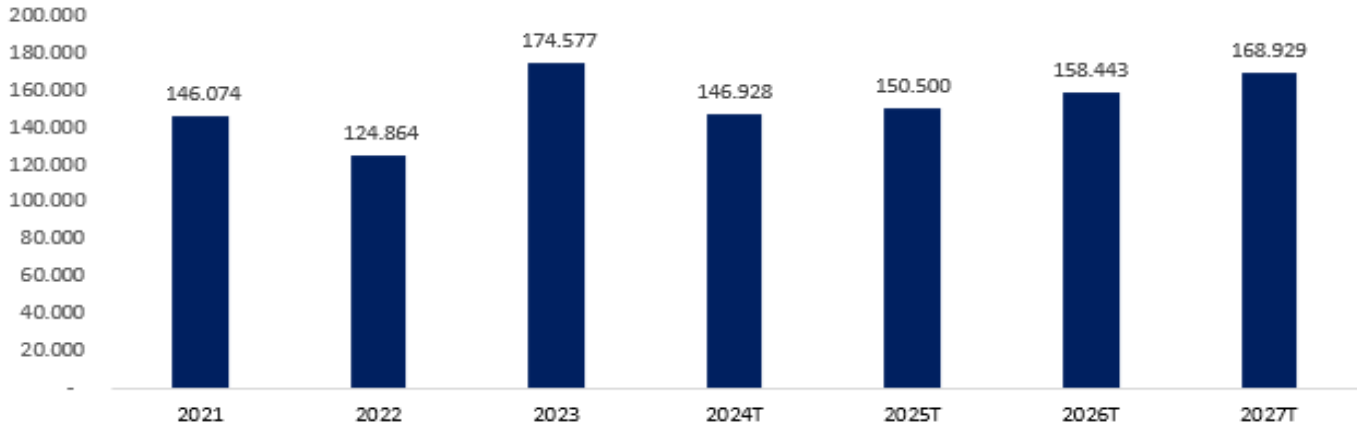
Table: Peer Comparison 23.05.2024

Bloomberg Code	Company Name	Current Mcap (USD bn)	EV/EBITDA (USD) 2023	EV/EBITDA 2024 E	P/E (USD) 2023	P/E (USD) 2024E
CVNA US	CARVANA CO (A)	13.533	39,84	39,29	13,42	-
KMX US	CARMAX	10.979	79,98	13,17	22,91	26,16
PAG US	PENSKE AUTOMOTIVE GROUP INC	10.232	12,04	10,53	10,24	10,54
AN US	AUTONATION INC	6.789	7,64	8,97	6,25	8,22
TOASO TI	TOFAS Türk Otomobil Fabrikası A.Ş.	4.896	4,74	5,25	5,62	7,52
FROTO TI	Ford Otomotiv Sanayi A.Ş.	12.752	6,23	10,27	4,27	8,79
Median		10.605,5	9,8	10,4	8,2	8,8
DOAS TI	Doğu Otomotiv A.Ş	2.100	2,04	2,1	2,5	3,0
Premium / Discount to Global Peers			-79,3%	-79,8%	-69,9%	-65,9%

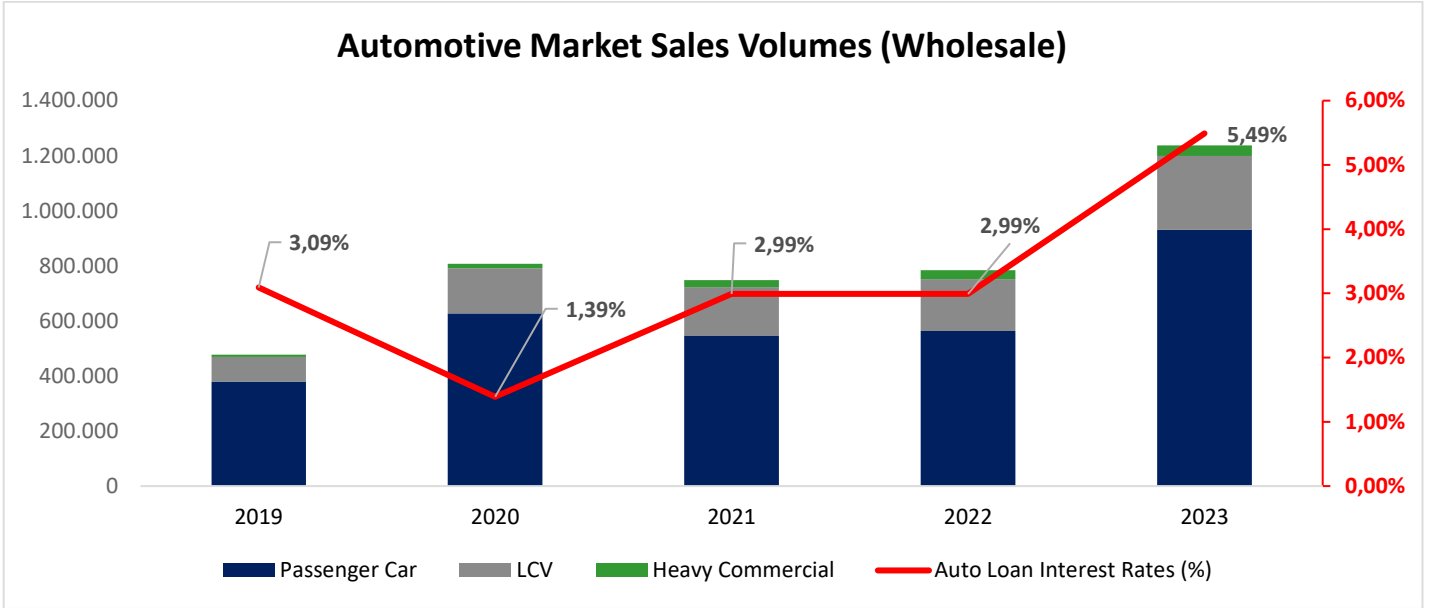
Resources: EquityRT, Bloomberg, Tacirler Investment

TABLES:

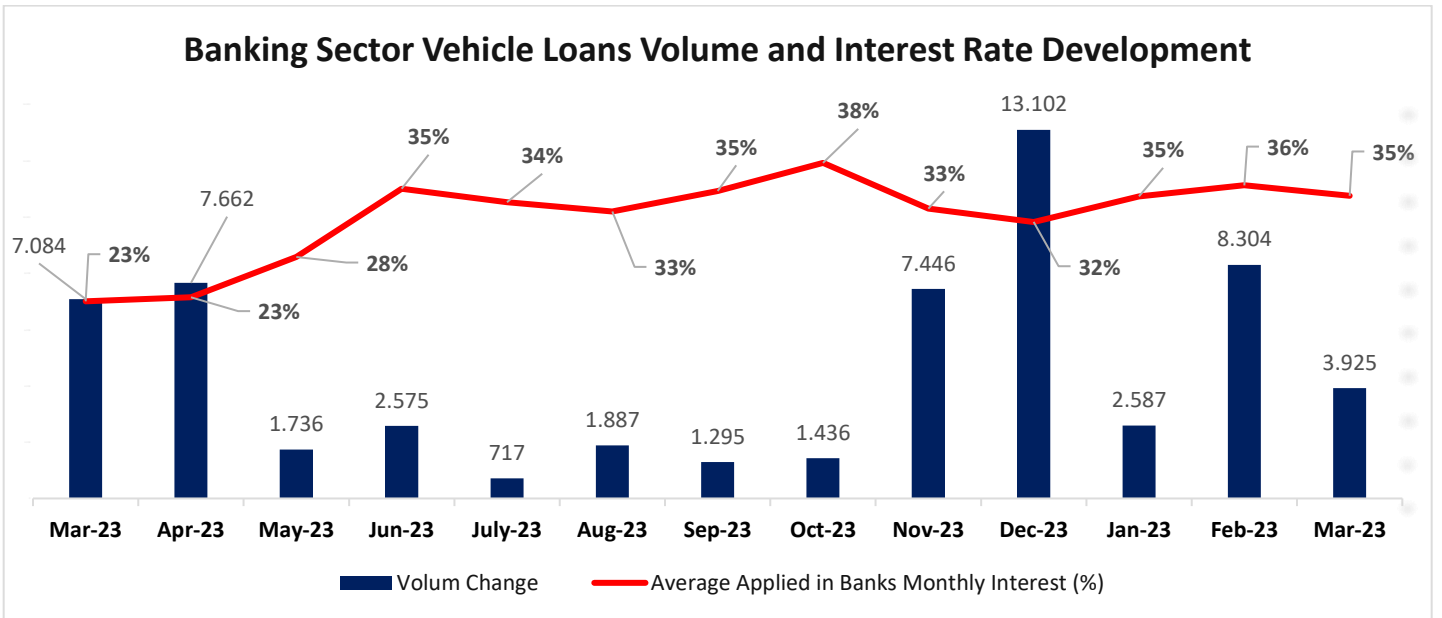
Sales Quantity (Inc. Skoda) (thousands unit)



Source: Tacirler Investment, Research



Source: DOAS, Tacirler Investment, Research Department



Source: DOAS, Tacirler Investment, Research

Valuation

According to our DOAS Discounted Cash Flows (DCF) model, we calculate our cash flow estimates for the 2024 – 2033 periods and our 12-month target price as 431 TL per share. The target price we have determined indicates the 41% return potential. In our valuation, the risk-free interest rate is 23.5%; We used the equity risk premium at 6.0%. The weighted average cost of capital (WCC) we calculated for our projection period is 28.5%.

Exhibit: Table: DOAS Discounted Cash Flow Chart

(mn TL)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenues	228.174	286.901	359.364	452.076	531.734	616.026	713.570	825.459	953.079	1.092.187
Growth%	52,9%	25,7%	25,3%	25,8%	17,6%	15,9%	15,8%	15,7%	15,5%	14,6%
EBITDA	31.781	40.043	46.287	57.734	67.015	74.123	85.067	96.044	108.506	122.621
Growth%	28,8%	26,0%	15,6%	24,7%	16,1%	10,6%	14,8%	12,9%	13,0%	13,0%
<i>EBITDA Margin</i>	13,9%	14,0%	12,9%	12,8%	12,6%	12,0%	11,9%	11,6%	11,4%	11,2%
Taxes paid on EBIT	-6.439	-8.488	-9.983	-12.629	-14.577	-15.844	-17.948	-19.940	-22.176	-24.692
CAPEX	-4.000	-5.316	-7.019	-9.281	-11.448	-13.879	-16.791	-20.249	-24.333	-28.976
Change in Net Working Capital	10.131	6.372	7.737	9.692	8.733	9.353	10.756	12.280	13.955	15.287
Free cash flow from operations	11.211	19.866	21.548	26.131	32.256	35.046	39.573	43.575	48.042	53.666
FCFF Margin	4,9%	6,9%	6,0%	5,8%	6,1%	5,7%	5,5%	5,3%	5,0%	4,9%
WACC	27,6%	28,0%	28,3%	28,6%	28,8%	28,9%	29,0%	29,1%	29,1%	29,2%
DFC	8.783	12.127	10.215	9.546	9.105	7.641	6.658	5.656	4.809	4.141
Terminal growth rate	6%									
Terminal Value	232.370									
PV of Terminal Value	17.932									
PV of FCFF	78.681									
PV of Terminal Value	17.932									
Enterprise Value	96.613									
Less:										
Latest Net Debt	1.879									
Equity Value	94.734									
# of shares outstanding	220									
Fair Value per share (12-mth fwd)	431,00									
Current share price	306,75									
Upside / (Downside)	41%									

Sensitivity Analysis

		Risk Free Rate				
		22,0%	22,5%	23,5%	24,0%	27,0%
Terminal Growth Rate	5,0%	462,0	449,0	432,0	426,0	360,0
	5,5%	464,0	452,0	434,0	427,0	361,0
	6,0%	467,0	454,0	431,0	428,0	363,0
	6,5%	470,0	457,0	439,0	430,0	364,0
	7,0%	473,0	459,0	441,0	431,0	365,0

Projected Financials

Balance Sheet (TLmn)	2021	2022	2023	2024E	2025E
Cash	9.262	5.575	7.644	11.220	16.146
Accounts receivables	2.860	5.526	12.879	18.932	20.825
Inventory	5.724	7.139	10.650	20.102	25.275
Financial investments	0	3.351	1.258	1.970	2.069
Fixed assets	7.739	9.290	12.242	13.016	12.308
Other non-current assets	13.178	18.711	23.194	33.958	45.906
Total assets	38.764	49.591	67.867	99.198	122.529
Short-term financial loans	8.690	4.263	4.595	6.275	6.588
Accounts payables	3.504	6.078	8.521	13.894	14.589
Long-term financial loans	4.636	2.914	6.186	7.231	7.592
Other long-term payables	3.795	5.081	7.226	7.846	9.943
Non-current liabilities	20.625	18.337	26.528	35.246	38.713
Shareholders' equity	18.140	31.255	41.339	63.952	83.816
Paid in Capital	220	220	220	220	220
Other Equity	17.920	31.035	41.119	63.732	83.596
Total liabilities & equity	38.764	49.591	67.867	99.198	122.529
Net debt	4.063	1.603	3.137	2.285	-1.965
Net working capital	5.080	6.586	15.008	25.139	31.511
Per share (TL)					
EPS	10,60	70,97	89,19	102,79	136,55
BVPS	82,45	142,07	187,90	290,69	380,98
DPS	2,73	9,77	26,14	40,91	46,95
Ratios					
Profitability					
ROE	22,8%	63,2%	54,1%	43,0%	40,7%
Net margin	9,6%	17,6%	13,1%	9,9%	10,5%
Asset turnover	1,1x	2,0x	2,5x	2,7x	2,6x
Leverage	2,2x	1,8x	1,6x	1,6x	1,5x
ROA	10,2%	35,3%	33,4%	27,1%	27,1%
Leverage					
Financial debt/Total assets	34%	14%	16%	14%	12%
Net debt/Equity	0,22	0,05	0,08	0,04	-0,02
Net debt/EBITDA	1,71	0,12	0,13	0,07	-0,05

Income statement	2021	2022	2023	2024E	2025E
Revenues	24.306	88.487	149.245	228.174	286.901
Gross profit	3.521	18.472	32.130	42.110	50.995
Operating expenses	-1.326	-5.821	-8.669	-16.354	-17.042
Operating profit	2.196	12.652	23.461	25.757	33.954
EBITDA	2.378	13.584	24.676	31.781	40.043
Other income, net	897	4.063	3.170	2.614	3.286
Financial income, net	-597	-1.315	-5.303	-6.269	-7.173
Earnings before taxes	2.969	17.695	25.880	27.544	36.462
Tax expense	-633	-1.830	-6.118	-4.426	-5.752
Net earnings	2.332	15.613	19.622	22.613	30.040

Cashflow statement	2021	2022	2023	2024E	2025E
EBITDA	2.378	13.584	24.676	31.781	40.043
Taxes on EBIT	0	0	0	0	0
Capital expenditures	0	0	0	0	0
Chg. in NWC	3.135	1.506	8.422	10.131	6.372
Free cashflows to firm	-757	12.079	16.255	21.650	33.671

Growth & margins	2021	2022	2023	2024E	2025E
Revenues	29%	264%	69%	53%	26%
EBITDA	46%	471%	82%	29%	26%
Net earnings	125%	570%	26%	15%	33%
Gross margin	14,5%	20,9%	21,5%	18,5%	17,8%
Operating margin	9,0%	14,3%	15,7%	11,3%	11,8%
EBITDA margin	9,8%	15,4%	16,5%	13,9%	14,0%
Net margin	9,6%	17,6%	13,1%	9,9%	10,5%
Free cashflow margin	-3,1%	13,7%	10,9%	9,5%	11,7%

Valuation	2021	2022	2023	2024E	2025E
P/E	28,9x	4,3x	3,4x	3,0x	2,2x
P/BV	3,7x	2,2x	1,6x	1,1x	0,8x
EV/EBITDA	28,2x	4,9x	2,7x	2,1x	1,7x
EV/Sales	2,9x	0,8x	0,5x	0,3x	0,2x
Dividend Yield	8,5%	11%	13%	14,1%	15,6%
Free cashflow yield	-1,1%	17,9%	24,1%	32,1%	49,9%

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 15% in TL terms.

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

Disclaimer

This document was produced by Tacirler Yatırım Menkul Değerler A.Ş. ("Tacirler Investment"), solely for information purposes and for the use of the recipient. It is not to be reproduced under any circumstances and is not to be copied or made available to any person other than the recipient.

This document does not constitute an offer of, or an invitation by or on behalf of Tacirler Investment to any person to buy or sell any security. The information contained herein has been obtained from published information and other sources which Tacirler Investment considers to be reliable. Tacirler Investment does not accept any liability or responsibility whatsoever for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document.

Recipients of this document are urged to base their investment decisions upon their own appropriate investigations that they deem necessary and they should make their own independent decisions as to whether an investment or instrument is proper or appropriate based on their own individual judgment and their risk-tolerance. Any loss or other consequence arising from the use of the material contained in this publication shall be the sole and exclusive responsibility of the investor and Tacirler Investment accepts no liability for any such loss or consequence. Not all investment strategies are appropriate at all times, and past performance is not necessarily a guide to future performance.

Tacirler Investment may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or their derivative securities thereon either on their own account or on behalf of their clients.

Tacirler Investment may perform or seek to perform securities, investment banking or other services for such issuer or its affiliates presented in this document.

Financial Relationship Disclosure in Requirement of Conflict of Interest Policy: Lider Faktoring A.Ş. and Tacirler Yatırım Menkul Değerler A.Ş. has established business relationships and provided income in the past.