

## Koton

### Poised for Growth with New Store Openings and E-Commerce Momentum

We are initiating coverage on Koton with a 12-month target price of TL30.00, implying a 94% upside potential and an BUY recommendation. Key catalysts include: i) the company's wide product range and competitive pricing strategy in an attractive sector, ii) potential to increase market share through new store openings both domestically and internationally, iii) acceleration in e-commerce operations supporting margins, iv) an efficient supply chain.

**Affordable Fashion Backed by International Expansion...** Koton is one of Turkey's leading fashion retailers with a multi-channel structure (retail, e-commerce, and wholesale). As the second-largest brand in women's apparel in Turkey, Koton also ranks among the top three in men's and children's categories. With a strong focus on women's products, the company offers a wide range of items — including tops, bottoms, dresses, accessories, denim, and swimwear — at affordable prices. Koton operates through stores and online channels in over 70 countries and plans to open 130 to 150 new stores by 2028, in addition to its current 451 stores. Growth is expected to be largely driven by international markets such as the GCC (Gulf Cooperation Council) countries, Central and Eastern Europe, the CIS (Commonwealth of Independent States), and Africa. Accordingly, the share of international operations in total revenue is projected to rise from 30% to 40% in the medium term, while e-commerce is expected to grow from 11% to above 15% of total sales. Given the company's current and target markets, we expect a notable acceleration in international store openings in the coming period. Growth will likely be driven particularly by the expansion in international retail space and the continued momentum in e-commerce. In this context, we forecast 35% revenue growth and 34% EBITDA growth in Turkish Lira terms for Koton in 2025.

**Omnichannel Strategy Supported by E-Commerce Growth...** As digitalization continues to reshape the retail landscape, Koton's omnichannel structure provides the company with a significant competitive edge. In response to post-pandemic trends, Koton has increased its investments in e-commerce, expanded its customer reach, and doubled the share of e-commerce in total revenues from 6% to 12% over the past five years. E-commerce penetration in Koton's key markets — particularly Turkey — still lags behind more developed markets such as the U.S., Germany, and the U.K., offering significant room for growth. As of 2024, retail, e-commerce, and wholesale accounted for 82%, 12%, and 6% of total revenues, respectively. Koton's Turkish e-commerce platform, koton.com, launched in 2015, reached 77 million visits in 2022, while the revamped mobile app further enhanced the user experience in the same year. Through its international expansion strategy, the company has grown its revenues sixfold in USD terms over the past five years. We believe there remains significant potential to raise the share of e-commerce revenues to levels comparable with both global and local peers. While a slowdown in consumer spending poses a short-term risk, we expect Koton's operational performance to remain resilient in the medium to long term, supported by a gradual recovery in demand and easing pricing pressures.

**Risks...** Koton may be adversely affected by several factors including exchange rate volatility, sharp increases in production costs and minimum wage, weakening purchasing power, supply chain disruptions, and periods of intense competition that could exert pricing pressure.

## KOTON

## BUY

Target Price	TL 30
Return potential	94%

### Share Data

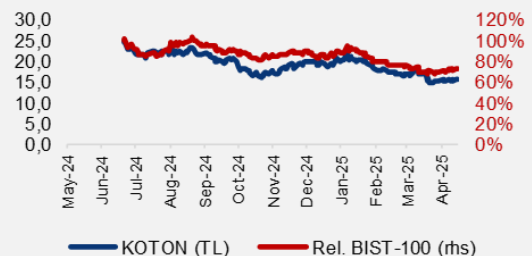
Ticker:	KOTON TI
Share price (as of 15.04.2025)	15,48
Share price (52 week range)	14 / 34
Market cap. (TL mn - USD mn)	12843 - 338
# of shares (mn) & free float	830 - %13
Market	BIST STAR
Industry	Retail

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

Price performance	1M	3M	Y-t-D
TL	-9%	-22%	-22%
USD	-12%	-27%	-28%
Rel. to BIST-100	5%	-19%	-18%

Forecasts (TL mn)	2024	2025E	2026E
Revenues	25.087	33.907	41.100
EBITDA	4.590	6.145	7.437
Net Earnings	-394	337	447

Valuation	2024	2025E	2026E
P/E	n.a.	38,1x	28,7x
P/BV	2,1x	2,0x	1,8x
EV/EBITDA	4,2x	3,2x	2,7x



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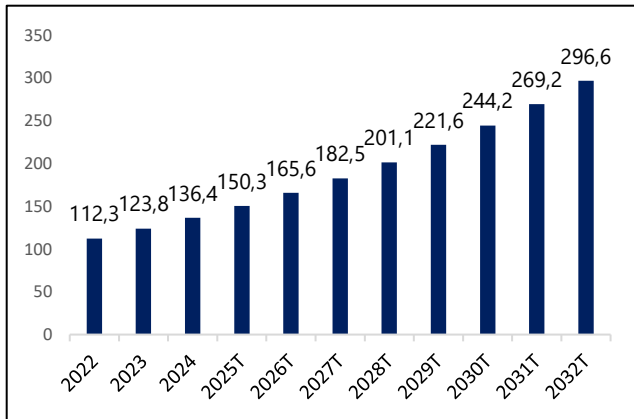
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## Investment Theme

### A Fashion Brand Operating in Attractive and Growing Markets

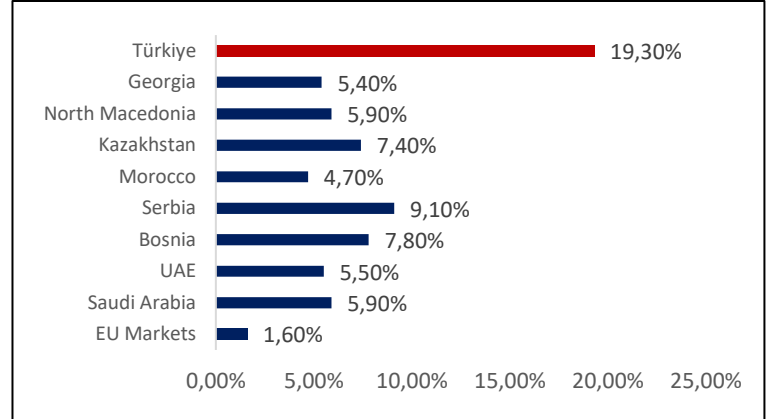
The global apparel market, expected to surpass USD 150 billion in 2025, is projected to continue expanding—driven by demographic trends and digitalization—and is forecasted to double in USD terms over the next decade. While the compound annual growth rate (CAGR) of EU markets is expected to remain limited to around 2% during the 2023–2027 period, markets in which Koton operates are projected to grow at over 5% annually. Currently generating approximately one-fourth of its revenues from international operations, Koton aims to raise this share to around 40%. The company is already active in more than 70 countries, including through its e-commerce channels, and has established a strong presence in Central and Eastern Europe, the Commonwealth of Independent States (CIS), the Gulf Cooperation Council (GCC) countries, and Africa.

**Figure: Apparel Market Value (USD Billion)**



Source: market.us

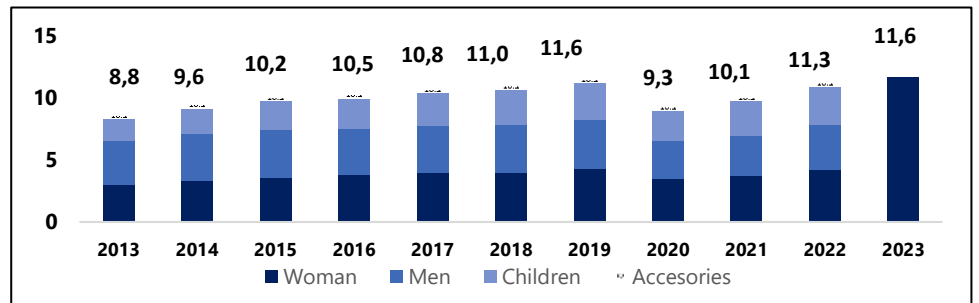
**Figure: Apparel Market Growth Forecasts, 2023–2027**



Source: Company, Fitch, HIS, OC&C Report, IMF, EIU

Over the past decade, the apparel sector has contracted in developed European markets, whereas Turkey has recorded an average annual growth rate of approximately 5%. Key markets for Koton—including North Macedonia, Kazakhstan, Serbia, Bosnia, Morocco, Georgia, Saudi Arabia, and the UAE—have each achieved an average growth rate of around 3% per year. This growth trend is expected to continue in the coming years. Between 2023 and 2027, the apparel sector in Koton’s operating regions is projected to grow at a compound annual growth rate (CAGR) of between 5% and 10%. These markets stand out due to their rising populations, robust GDP growth rates, increasing female labor force participation, and evolving apparel industries—presenting significant growth opportunities for Koton.

**Figure: Development of the Turkish apparel market (billion USD, real growth)**

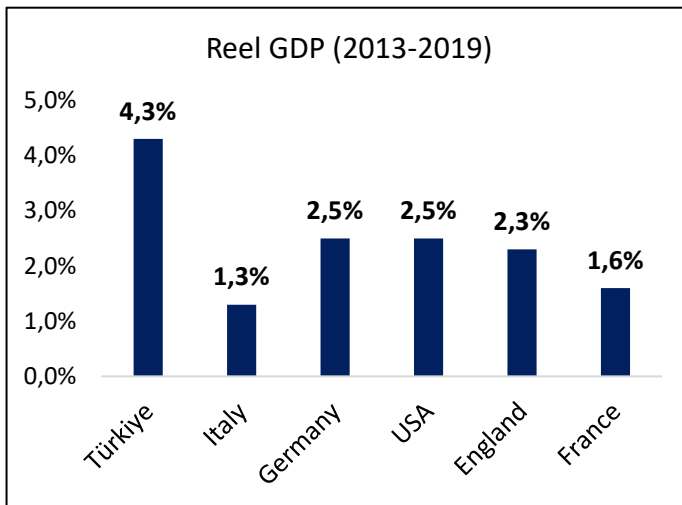


Source: OC&C Report

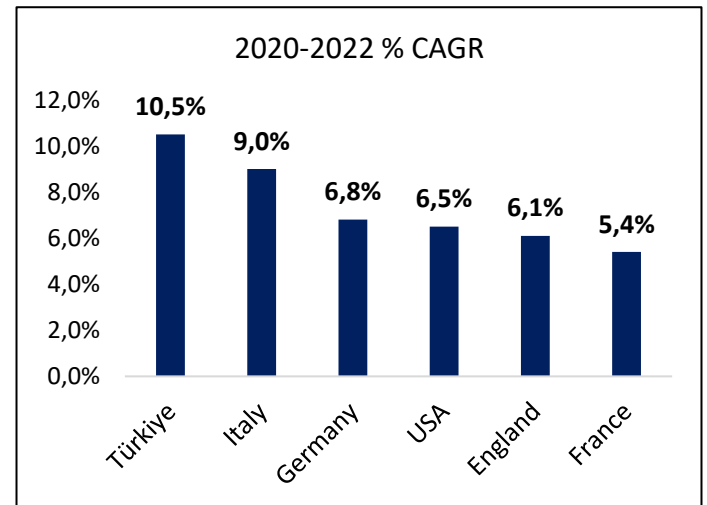
Koton operates in the Mass Market Segment of Turkey's apparel sector, focusing on women's, men's, and children's clothing. This segment caters to a broad customer base and holds significant potential for growth, particularly in online channels. As of 2022, the Turkish apparel market reached a size of USD 11.3 billion, with the market divided into 9% Luxury Segment, 8% Mid-Market Segment, and 82% Mass Market Segment. Within this segmentation, Beymen and Vakko operate in the Luxury Segment, while H&M, Mango, and Zara are positioned in the Mid-Market Segment. Koton, by contrast, operates in the Mass Market Segment, which represents the largest share of the market.

Historically, the Turkish apparel market has demonstrated steady growth, achieving a 4.8% compound annual growth rate (CAGR) between 2013 and 2019. The market contracted by 20.3% in 2020 due to the impact of the COVID-19 pandemic. However, it rebounded swiftly, growing by 10.5% over 2021–2022, reaching USD 11.3 billion, effectively recovering from the pandemic-driven downturn.

**Figure: Pre- and Post-Covid Apparel Market\***



Source: OC&C Report



Source: OC&C Report

\*Market sizes have been recalculated based on the annual real growth rates in local currency (nominal inflation-adjusted growth in local currency) for each market, using the compound annual growth rate (CAGR) for the period between 2013 and 2019.

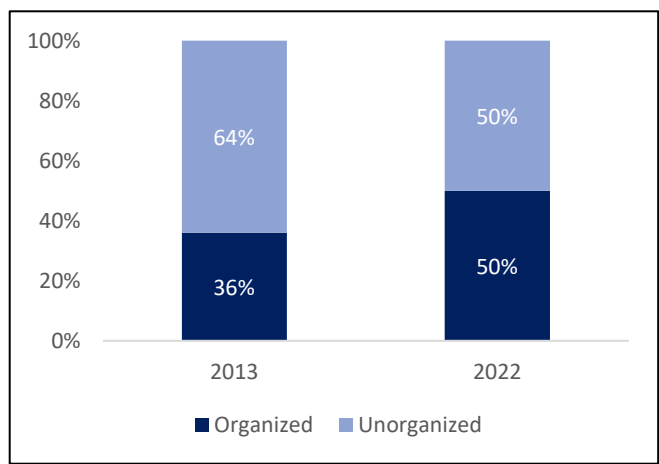
Organized vs. Unorganized Retailers

The higher growth observed in the Turkish market compared to other geographies can be partially attributed to the shift toward organized retail, which has allowed major players like Koton to benefit from more substantial growth opportunities. According to an OC&C report, in 2013, organized retail accounted for 36% of the total market, while unorganized retail made up 64%. By 2022, the market share had shifted to an even 50-50 split between organized and unorganized segments. Between 2013 and 2022, organized retail in Turkey grew at a 22% CAGR, while unorganized retail grew at 14% CAGR during the same period.

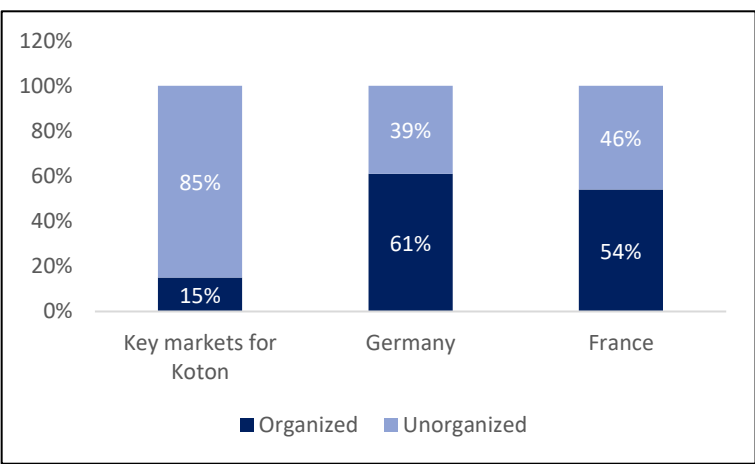
Despite this progress, there is still room for further growth when compared to major Western markets. In 2022, organized retail accounted for 61% of the total market in Germany, while unorganized retail stood at 39%. In France, organized retail represented 54% and unorganized retail 46%. In contrast, in primary markets (such as Turkey and similar economies), organized retail still only makes up 15% of the total, with 85% remaining unorganized — highlighting the significant growth potential.

Thanks to this shift toward organized retail, larger players like Koton have outperformed the market. According to the OC&C report, between 2013 and 2022, Koton’s retail sales value in the women’s apparel subcategory grew at a CAGR of 88% in Turkish Lira terms, compared to 53% CAGR for the overall women’s apparel market. Furthermore, across all categories, Koton’s total retail sales in TL terms grew at a 69% CAGR, outpacing the 54% CAGR growth of the total apparel market.

Figure: Organized vs. Unorganized Retailers



Source: OC&C Report



Source: OC&C Report

Strong Position in Affordable Fashion

Koton ranks among the top three players in all categories within Turkey's apparel market. It has been named the "Most Admired and Preferred Women's Brand" by the Shopping Centers and Investors Association (AYD) in 11 out of the past 12 years, from 2012 to 2024. Holding a 3.3% total market share in the Turkish apparel retail market, Koton is one of the top three brands across all major categories. In women's apparel, the company is the second-largest player with a 5.0% market share, while also ranking among the top three in men's and children's categories with 2.9% and 2.1% market shares, respectively. Koton holds a unique position in the Turkish apparel market, distinguishing itself through its broad product range and affordable pricing strategy tailored to the middle-income segment. With a nationwide store network, Koton effectively serves key market segments and stands out among its peers.

Figure: Koton's position in the Turkish apparel market

	Women			Men			Children		
Ranking	#2			#3			#3		
Koton's Market Share	5%			2,9%			2,1%		
Market Share Development (2020-2022)	3,80%	4,80%	5,00%	2,90%	3,10%	2,90%	1,50%	1,80%	2,10%
	2020	2021	2022	2020	2021	2022	2020	2021	2022

Source: Company, Euromonitor, OC&C report, World Bank

Koton ranks at the top among local competitors in Turkey across the five most important consumer purchase criteria. The brand stands out for being modern, trend-focused, and offering good quality relative to its price. Despite this strong positioning, Koton's pricing carries only about a 20% premium compared to local competitors. When compared to international competitors, Koton offers similar fashion at nearly half the average price, highlighting its value-for-money proposition in both domestic and global markets.

Figure: Brand positioning in the domestic market

Top 5 Key Performance Indicators					
	Quality	Return on spending	Variety of choices	Proper fits	New products
#1	KOTON	KOTON	KOTON	KOTON	KOTON
#2	DB2	DB1	DB1	DB2	DB1
#3	DB1	DB2	DB2	DB1	DB2

Source: OC&C Report  
\*DB: Domestic Brand

High Volume of New Store Openings and Strong International Expansion Potential...

Koton operates in over 70 countries through its extensive retail network and e-commerce channels. The company has significantly expanded its physical presence, growing from 291 stores in 2012 to 451 stores by the end of 2024. A key driver of international growth — particularly in the MENA (Middle East and North Africa) region — is the franchise model, which allows for rapid expansion with low capital intensity. As Koton’s store network has grown, so has the average store size — increasing from 590 sqm in 2012 to approximately 1,000 sqm today. Koton effectively manages its omnichannel structure by increasing revenue per square meter while optimizing its store portfolio through the closure of low-performing stores and renovation of existing ones.

The company has strong growth potential both domestically and abroad. According to a report by the UK-based retail consultancy OC&C, Koton has the capacity to reach 150 stores in Turkey and up to 700 stores in international markets. The company aims to capitalize on this opportunity — especially in the Gulf Cooperation Council (GCC) region and Asia — by leveraging the franchise model, which supports faster growth through lower investment requirements. The following charts illustrate the projected new store openings.

Figure: Potential Number of New Store Openings in Turkey (Number of Stores)



Figure: Potential Number of New Store Openings – International (Number of Stores)



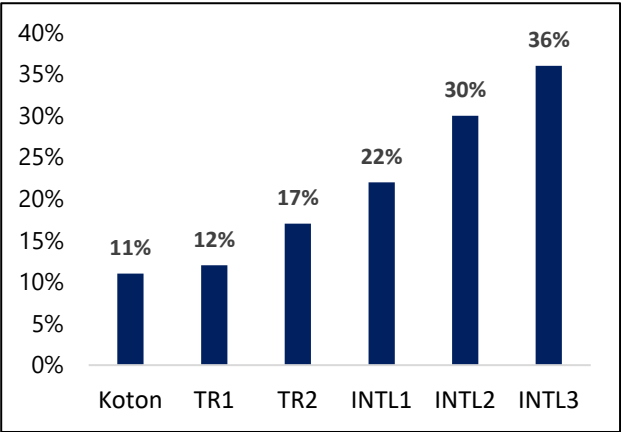
Source: Company, OC&C Report (November '23)

Omnichannel Strategy Driven by E-Commerce Expansion

Koton supports its operations by integrating its optimized physical store network with online platforms. The share of e-commerce in total revenue has increased from 6% in 2019 to 12% by the end of 2024. E-commerce penetration in Turkey and Koton’s primary markets still lags behind countries such as the U.S., Germany, and the U.K., presenting a significant growth opportunity for the company.

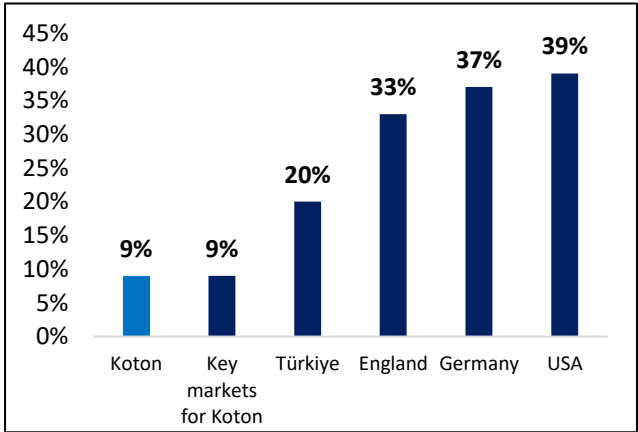
Launched in 2015, koton.com achieved a major milestone with 77 million visitors in 2022, marking strong traction in the digital space. In a move to further improve user experience, Koton revamped its mobile application in 2022. As of December 31, 2023, the company has partnered with 29 online marketplaces, significantly expanding its e-commerce reach. Over the past five years, Koton’s international operations have grown sixfold in USD terms, underscoring the brand’s strong global growth potential. We believe there is ample room for Koton to raise the share of its e-commerce revenue to levels more comparable with both global and local peers, making digital channels a key driver of future growth.

Figure: E-Commerce Share in Total Revenue (%  
2022)



Source Euromonitor, Company, OC&C Report,  
TR: Local Brand, INTL: International Brand

Figure: E-Commerce Penetration (%  
2022)



Source Euromonitor, Company, OC&C Report,  
TR: Local Brand, INTL: International Brand  
«Key markets include all core markets for which Euromonitor provides e-commerce and retail breakdowns, excluding Morocco.



**Turkey's Strategic Supply Chain Location Offers a Significant Competitive Advantage in the Global Textile Industry**

Turkey, as the world's third-largest textile producer, accounts for 18% of the EU's textile imports, ranking just behind China and India. Its strategic position in the textile industry makes it a key player in the global sector.

Koton benefits from this strong textile potential in Turkey by sourcing around 85% of its products locally. With nearly 50 suppliers abroad and about 250 suppliers in Turkey, Koton leverages its fabric consolidation method to achieve significant cost savings. This approach involves calculating forecasted costs in advance and making bulk purchases, allowing the company to procure fabrics at below-market prices.

This cost-effective approach not only speeds up the process from design to store but also provides a competitive advantage in the local market, especially against global fast fashion brands.



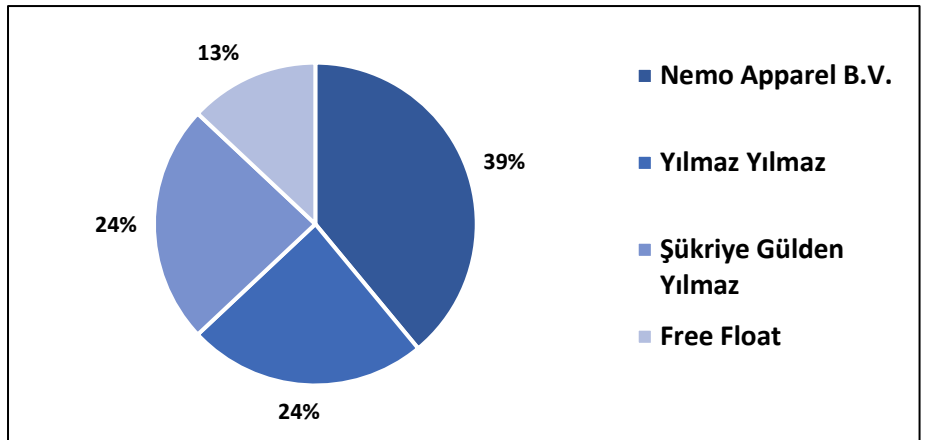
## Company Profile

Over the past 35 years, Koton has evolved into a fashion and retail company that designs and sells products across four continents, reaching a wide audience both in Turkey and abroad. With a multichannel sales network spanning more than 70 countries, Koton offers a broad product range that is affordable, high-quality, and appeals to all age groups. The company operates through monobrand stores (both directly operated and franchised), e-commerce platforms, online marketplaces, and wholesale channels.

As of 2024, Koton has a total of 451 stores, of which 347 are directly operated (213 in Turkey and 134 internationally) and 104 are franchised (31 in Turkey and 73 abroad). Monobrand stores exclusively sell Koton products and carry the Koton brand name. Koton designs, develops, and sells over 30,000 SKUs annually across women's, men's, and children's categories, with a particular focus on women's fashion, which accounts for more than half of the product range.

The company's offerings span from tops and knitwear to denim and accessories. According to a report by OC&C, Koton's pricing is comparable to local competitors, while being approximately half the price of global rivals, reinforcing its strong value proposition in both domestic and international markets.

## Shareholding Structure



Source: Company, Matriks

## Company Outlook

**For 2025**, Koton expects 40% sales growth (excluding IAS 29), more than 14 net new store openings, and a gross margin exceeding 50%.

**In the medium term**, Koton expects opening 130–150 new stores, increasing the share of international revenue to 40% of total sales, and raising e-commerce's share to above 15% of total sales.

## Valuation – DCF

Based on our Discounted Cash Flow (DCF) model for Koton, incorporating our cash flow projections for the 2024-2033 period, we calculate a 12-month target price of 30.00 TL per share. This target price implies an upside potential of 94%. For the projection period, we have estimated a Weighted Average Cost of Capital (WACC) of 24%.

TL mn	2025E	2026E	2027E	2028E
<b>Revenues</b>	<b>33.907</b>	<b>41.100</b>	<b>48.202</b>	<b>54.488</b>
<i>Growth %</i>	35%	21%	17%	13%
<b>EBITDA</b>	<b>6.145</b>	<b>7.437</b>	<b>8.653</b>	<b>9.666</b>
<i>Growth %</i>	34%	21%	16%	12%
<i>EBITDA Margin %</i>	18%	18%	18%	18%
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Taxes paid on EBIT	-692	-833	-982	-1.110
CAPEX	-1.060	-1.243	-1.410	-1.539
Change in Net Working Capital	771	1.028	1.111	988
<b>Free cash flow from operations</b>	<b>3.622</b>	<b>4.333</b>	<b>5.151</b>	<b>6.029</b>
<i>FCFF Margin %</i>	11%	11%	11%	11%
<hr/>				
WACC	25%	24%	24%	24%
<b>DCF</b>	<b>2.908</b>	<b>2.795</b>	<b>2.671</b>	<b>2.512</b>
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Terminal growth rate	5%			
Terminal Value	45.065			
<b>PV of Terminal Value</b>	<b>5.036</b>			
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PV of FCFF	20.108			
PV of Terminal Value	5.036			
<b>Enterprise Value</b>	<b>25.144</b>			
Net Debt	5.865			
<b>Equity Value</b>	<b>19.279</b>			
<b>Target Market Cap</b>	<b>25.159</b>			
# shares of outstanding	830			
<b>Fairvalue per share (12-mth fwd)</b>	<b>30,00</b>			
Current share price	15,48			
<b>Upside / (Downside)</b>	<b>94%</b>			

## Projections

Balance Sheet (TLmn)	2023	2024	2025E	2026E
Cash	518	585	495	141
Accounts receivables	1.655	1.780	2.300	2.676
Inventory	7.384	7.978	10.021	12.173
Fixed assets	2.609	2.537	3.127	3.573
Other non-current assets	5.574	6.466	8.003	9.319
<b>Total assets</b>	<b>17.741</b>	<b>19.346</b>	<b>23.946</b>	<b>27.881</b>
Short-term financial loans	3.231	4.596	6.020	7.167
Accounts payables	4.814	5.201	6.993	8.492
Long-term financial loans	2.134	1.854	2.429	2.892
Other long-term payables	1.735	1.520	1.991	2.370
<b>Non-current liabilities</b>	<b>3.869</b>	<b>3.374</b>	<b>4.420</b>	<b>5.262</b>
<b>Shareholders' equity</b>	<b>5.826</b>	<b>6.175</b>	<b>6.513</b>	<b>6.960</b>
Paid in Capital	796	830	830	830
Other Equity	3.565	5.031	5.346	5.683
<b>Total liabilities &amp; equity</b>	<b>17.741</b>	<b>19.346</b>	<b>23.946</b>	<b>27.881</b>
Net debt	4.847	5.865	7.954	9.918
Net working capital	4.225	4.557	5.328	6.356

## Per share (TL)

EPS	3,14	-0,48	0,41	0,54
BVPS	7,02	7,44	7,85	8,39
DPS	0,00	0,00	0,00	0,00

## Ratios

## Profitability

ROE	51,2%	n.a.	5,3%	6,6%
Net margin	10,5%	n.a.	1,0%	1,1%
Asset turnover	1,4x	1,4x	1,6x	1,6x
Leverage	3,6x	3,1x	3,4x	3,8x
ROA	14,3%	n.a.	1,6%	1,7%

## Leverage

Financial debt/Total assets	30%	33%	35%	36%
Net debt/Equity	0,83	0,95	1,22	1,43
Net debt/EBITDA	0,90	1,28	1,29	1,33

Income statement	2023	2024	2025E	2026E
<b>Revenues</b>	<b>24.825</b>	<b>25.087</b>	<b>33.907</b>	<b>41.100</b>
Gross profit	12.919	13.506	18.186	21.962
Operating expenses	-10.488	-11.562	-15.420	-18.631
Operating profit	2.431	1.943	2.767	3.331
<b>EBITDA</b>	<b>5.378</b>	<b>4.590</b>	<b>6.145</b>	<b>7.437</b>
Other income, net	-140	-1.824	-1.656	-1.966
Financial income, net	953	-664	-654	-760
Earnings before taxes	3.234	-550	450	596
Tax expense	-628	156	-112	-149
<b>Net earnings</b>	<b>2.606</b>	<b>-394</b>	<b>337</b>	<b>447</b>

## Cashflow statement

EBITDA	5.378	4.590	6.145	7.437
Taxes on EBIT	-608	-486	-692	-833
Capital expenditures	-715	-809	-1.060	-1.243
Chg. in NWC	1.940	332	771	1.028
<b>Free cashflows to firm</b>	<b>2.115</b>	<b>2.963</b>	<b>3.622</b>	<b>4.333</b>

## Growth &amp; margins

Revenues	9%	1%	35%	21%
EBITDA	27%	-15%	34%	21%
Net earnings	20%	n.a.	n.a.	33%
Gross margin	52,0%	53,8%	53,6%	53,4%
Operating margin	9,8%	7,7%	8,2%	8,1%
EBITDA margin	21,7%	18,3%	18,1%	18,1%
Net margin	10,5%	n.a.	1,0%	1,1%
Free cashflow margin	8,5%	11,8%	10,7%	10,5%

## Valuation

P/E	4,9x	n.a.	38,1x	28,7x
P/BV	2,2x	2,1x	2,0x	1,8x
EV/EBITDA	3,3x	4,1x	3,4x	3,1x
EV/Sales	0,7x	0,7x	0,6x	0,6x
Dividend Yield	0,0%	0,0%	0,0%	0,0%
Free cashflow yield	16,5%	23,1%	28,2%	33,7%

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 the 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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