

Financial Analysis – 4Q24

March 7, 2025

TACİRLER
YATIRIM

Migros

MGROS announced its 4Q24 financial results below market expectations and our estimate, reporting a net profit of TL731 million, down 37% year-on-year. The lower-than-expected net profit was mainly driven by deferred tax income and net financial expenses. On the other hand, strong operational margins, which exceeded market expectations, and the company's 2025 guidance are expected to have a more positive impact in the long run. Accordingly, we revise our 12-month target price for MGROS from TL705.00 to TL854.00 while maintaining our "BUY" recommendation, we will also hold it in our portfolio. Our target price implies a 48% upside potential, while the company is trading at 13.2x P/E and 4.3x EV/EBITDA multiples based on our 2025 estimates.

Key Highlights

4Q24 net income fell short of expectations... Migros reported a parent company net profit of TL731 million in 4Q24, falling below market expectations and declining by 36.5% year-on-year. The drop in net profit was primarily driven by lower deferred tax income and a decline in net monetary gains. Under TMS 29, the recorded monetary gain decreased from TL4,264 million in the same period last year to TL3,381 million. Additionally, the increase in net financial expenses (4Q23: -TL20 million, 4Q24: -TL488 million) and losses from investment activities put further pressure on net profit. As a result of these factors, the net profit margin declined from 1.8% to 1.0% year-on-year.

Sales Growth in Line with Expectations and Strong Operational Margins... Migros reported net sales revenue of TL74.6 billion in 4Q24, in line with expectations, reflecting a real annual growth of 13.7%. Sales growth was supported by increased store traffic, new openings, and a competitive pricing strategy. Thanks to cost control and operational efficiency, EBITDA exceeded market estimates, reaching TL5.1 billion, while the reported EBITDA margin increased by 6.9 percentage points year-on-year to 6.8%. Notably, market share rose to 17.0% in the modern FMCG market and 9.8% in the total FMCG market. Additionally, strong cash flow led to a significant improvement in the net debt position. **We maintain our positive outlook on Migros' financial and operational performance.**

2025 Outlook... Migros projects real sales growth in the range of 8-10% for 2025, including the impact of TMS 29 inflation accounting. The company targets a consolidated EBITDA margin of approximately 6.0% and plans to open around 250 new stores by year-end. Additionally, capital expenditures are expected to be in the range of 2.5-3.0% of sales. **We view the announced guidance positively, as it underscores Migros' commitment to its growth strategy, expansion, and operational efficiency.**

MGROS

BUY

Target Price TL 854.00
Return potential 48%

Share Data

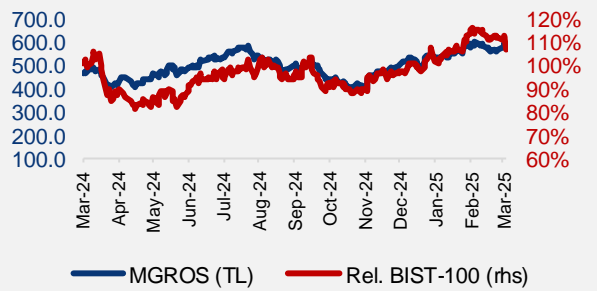
Ticker: MGROS TI
Share price (as of 06.03.2025) 577.00
Share price (52 week range) 395.5 / 595.5
Market cap. (TL mn - USD mn) 104,468 - 2,872
of shares (mn) & free float 181.1 - 51%
Foreign Ownership Rate 29.8%
Market BIST STAR
Industry Retail

Avg. trading volume 1M 3M 12M
USD mn 30.6 25.5 23.5

Price performance 1M 3M Y-t-D
TL -1% 13% 5%
USD -2% 8% 2%
Rel. to BIST-100 -7% 9% -1%

Forecasts (TL mn) 2024 2025E 2026E
Revenues 293,780 351,975 432,930
EBITDA 15,796 21,189 26,928
Net Earnings 6,340 7,910 10,370

Valuation 2024 2025E 2026E
P/E 16.5x 13.2x 10.1x
P/BV 1.8x 1.6x 1.4x
EV/EBITDA 6.5x 4.3x 2.9x



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Projections

We are updating our estimates...

We value MGROS using the discounted cash flow method and calculate our 12-month forward target price as TL854.00 per share. Our target price implies a 48% upside potential based on the last closing price.

(TL mn)	2024	2025T	2026T	2027T	2028T	2029T
Revenues	293,780	351,975	432,930	515,186	582,161	646,198
Growth%	12.1%	19.8%	23.0%	19.0%	13.0%	11.0%
EBITDA	15,796	21,189	26,928	32,560	37,957	46,009
Growth%	248.2%	34.1%	27.1%	20.9%	16.6%	21.2%
<i>EBITDA Margin</i>	5.4%	6.0%	6.2%	6.3%	6.5%	7.1%
Taxes paid on EBIT	-1,403	-2,129	-2,591	-3,341	-4,220	-6,141
CAPEX	-8,793	-10,559	-12,988	-16,486	-19,211	-21,325
Change in Net Working Capital	-5,344	-7,325	-7,104	-7,243	-5,795	-5,339
Free cash flow from operations	10,944	15,826	18,453	19,975	20,321	23,883
FCFF Margin	3.7%	4.5%	4.3%	3.9%	3.5%	3.7%
WACC		24%	24%	23%	23%	22%
DFC		10,944	12,792	12,186	10,863	9,161
Terminal growth rate	5%					
PV of Terminal Value	38,759					
PV of FCFF	79,286					
Enterprise Value	118,045					
Latest Net Debt	-1,450					
Minority Interest	373					
Equity Value	119,143					
# of shares outstanding (mn)	181					
Fair Value per share (12-mth fwd)	854.00					
Current share price	577.00					
Upside / (Downside)	48%					

MGROS – Summary

Balance Sheet (TLmn)	2024	2025E	2026E
Cash	22,524	37,284	54,074
Accounts receivables	2,522	2,797	3,440
Inventory	31,152	37,126	45,547
Financial investments	22	4	4
Fixed assets	54,456	55,038	55,707
Other non-current assets	39,383	45,757	51,952
Total assets	150,059	178,005	210,723
Short-term financial loans	4,823	5,885	7,120
Accounts payables	57,709	71,282	87,449
Long-term financial loans	16,272	18,713	20,771
Other long-term payables	13,572	17,599	21,646
Non-current liabilities	29,845	36,312	42,418
Shareholders' equity	57,309	64,268	73,452
Paid in Capital	181	181	181
Total liabilities & equity	150,059	178,005	210,723
Net debt	-1,429	-12,686	-26,182
Net working capital	-24,034	-31,360	-38,463

Per share (TL)

EPS	35.02	43.69	57.27
BVPS	316.53	354.97	405.69
DPS	11.12	5.25	6.55

Ratios**Profitability**

ROE	11.6%	13.0%	15.1%
Net margin	2.2%	2.2%	2.4%
Asset turnover	2.1x	2.1x	2.2x
Leverage	2.6x	2.7x	2.8x
ROA	4.5%	4.8%	5.3%

Leverage

Financial debt/Total assets	14%	14%	13%
Net debt/Equity	-0.02	-0.20	-0.36
Net debt/EBITDA	-0.09	-0.60	-0.97

Income statement	2024	2025E	2026E
Revenues	293,780	351,975	432,930
Gross profit	68,004	80,954	100,440
Operating expenses	-62,185	-72,085	-88,664
Operating profit	5,818	8,870	11,776
EBITDA	15,796	21,189	26,928
Other income, net	-15,294	-12,761	-9,541
Financial income, net	17,148	13,226	9,860
Earnings before taxes	7,942	10,039	12,961
Tax expense	-1,403	-2,129	-2,591
Net earnings	6,340	7,910	10,370

Cashflow statement

EBITDA	15,796	21,189	26,928
Taxes on EBIT	-5,051	-7,891	-10,890
Capital expenditures	-12,255	-13,218	-13,878
Chg. in NWC	-1,524	-2,357	477
Free cashflows to firm	14	2,438	1,683

Growth & margins

Revenues	12%	20%	23%
EBITDA	248%	34%	27%
Net earnings	-50%	25%	31%
Gross margin	23.1%	23.0%	23.2%
Operating margin	2.0%	2.5%	2.7%
EBITDA margin	5.4%	6.0%	6.2%
Net margin	2.2%	2.2%	2.4%
Free cashflow margin	0.0%	0.7%	0.4%

Valuation

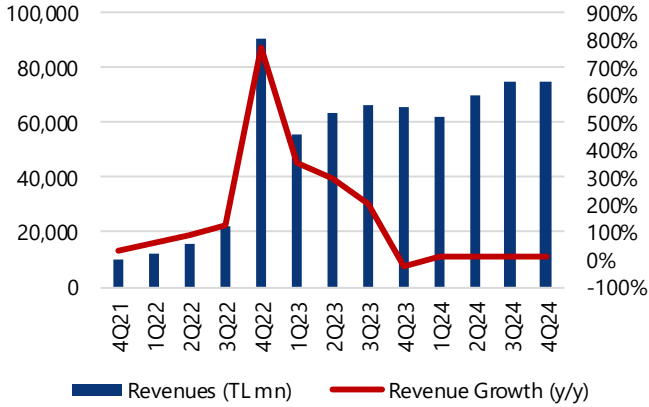
P/E	16.5x	13.2x	10.1x
P/BV	1.8x	1.6x	1.4x
EV/EBITDA	6.5x	4.3x	2.9x
EV/Sales	0.4x	0.3x	0.2x
Dividend Yield	1.9%	0.9%	1.1%
Free cashflow yield	0.0%	2.3%	1.6%

Source: Company Data, Tacirler Investment

* All figures are stated in millions of TL unless otherwise stated.

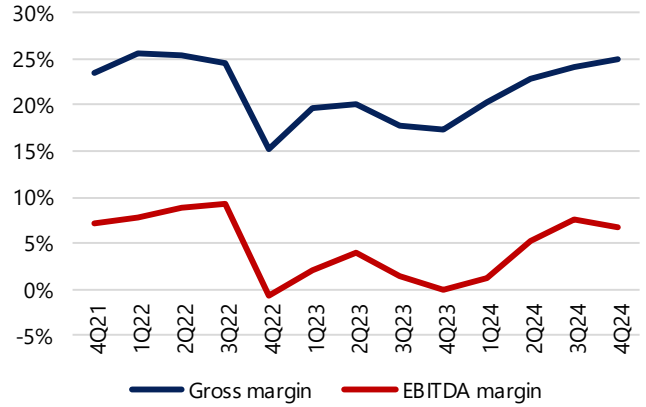
Key Financial Indicators (Quarterly)

Revenue trends



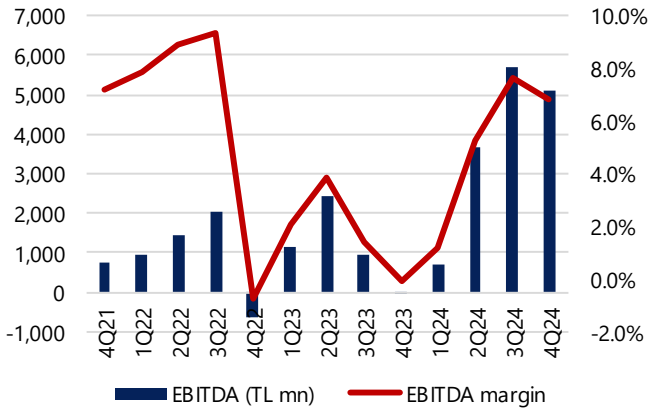
Source: Tacirler Investment

Operating margin evolution



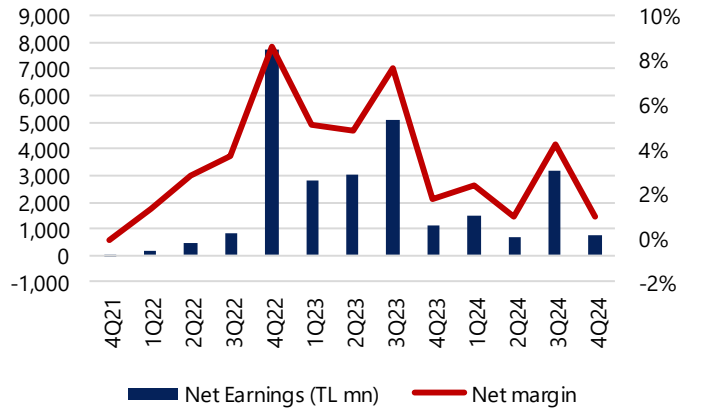
Source: Tacirler Investment

EBITDA trends



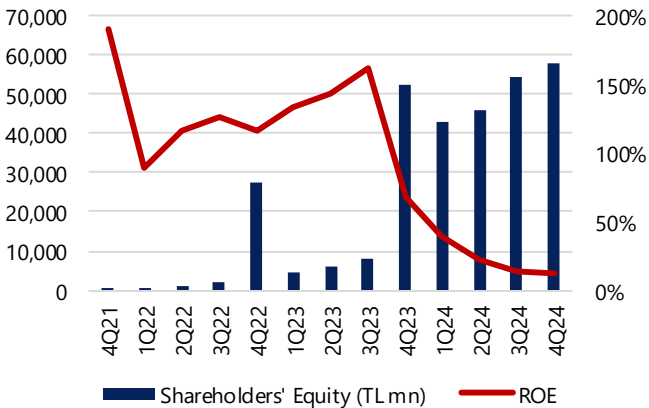
Source: Tacirler Investment

Net earnings trends



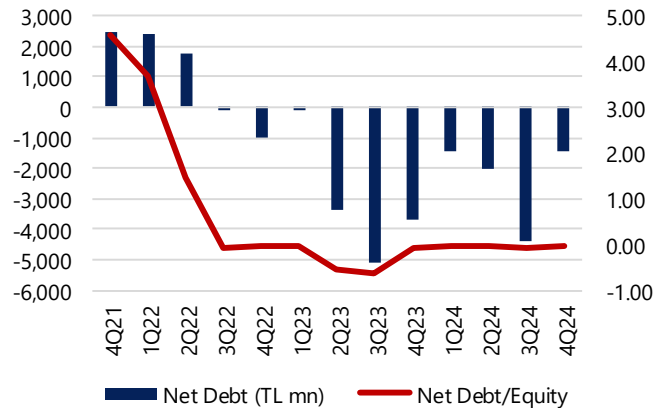
Source: Tacirler Investment

Profitability trends



Source: Tacirler Investment

Trends in financial leverage



Source: Tacirler Investment

Important Disclosures

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