

TKNSA

We participated in the TKNSA conference call to evaluate the company's 4Q23 financial results, current operations, and future outlook. Teknosa holds a significant position in the technology retail chain with its wide network of stores, [teknosa.com](https://www.teknosa.com), and mobile platforms today. Exceeding expectations for the 2023 financial year, the company is progressing in line with expectations for 2024. The key highlights from the meeting are as follows: i) Growth in digital transformation and E-commerce, ii) Continued high demand and improving margins, iii) Strong market growth and robust cash flow despite macro uncertainties...

Key takeaways of the meeting

Solid operational performance within 2023... Teknosa continues to grow with a technology-focused approach by adopting a pioneering marketplace business model in its sector. Increasing gross transaction volume by 68% compared to the previous year, exceeding 10 billion TL, the company has been focusing on customer experience and digital transformation since 2019. With its applications that combine online and offline experiences, it continues to differentiate itself with its marketplace business model and digital-concept stores.

İklimsa... As a company operating in both retail and e-commerce sectors, Teknosa continues to play a significant role in the climate control industry with its İklimsa brand while maintaining its focus on sustainability-oriented initiatives. The İklimsa business unit continues its effective growth in the fields of climate control and solar energy systems. İklimsa accounts for 5% of Teknosa's revenues.

Despite macro uncertainties, strong market growth continued... Demand for electronic products, especially in categories such as white goods and home appliances, continued to remain robust. Particularly, strong demand seen in areas such as mobile sales, computers, and small home appliances has been a significant contributing factor to sales. Additionally, growth has been observed in store and website traffic.

Strong cash flow... The company's net cash position stood at 2.2 billion TL as of December 2023, with 65% in Turkish Lira and 35% in foreign currencies. This cash position reflects the company's operational and financial resilience and its ability to be prepared for future investment opportunities.

2024E Guidance:

- After releasing its Q4'23 results, the company announced its aim to maintain a high single-digit EBITDA margin for 2024.
- Approximately 1 million TL investment spending is planned for the year 2024

Teknosa

Share Data

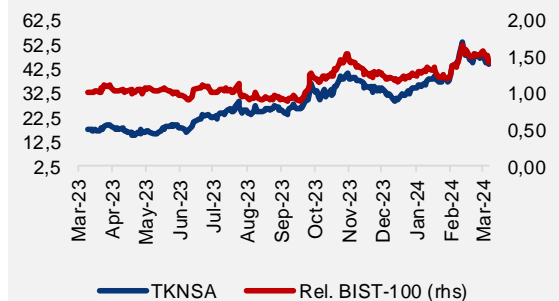
Ticker:	TKNSA TI
Share price (as of 19 March 2024)	44,48
Share price (52 week range)	15 / 53
Market cap. (TL mn - USD mn)	8,940 - 277
# of shares outstanding (mn)	201
Free Float	50%

Avg. trading volume	1M	3M	12M
USD mn	11,8	8,1	9,2

Price performance	1M	3M	Y-t-D
TL	-1%	38%	50%
USD	-6%	24%	36%
Rel. to BIST-100	0%	17%	22%

TL mn	2021	2022	2023
Revenues	7.520	32.712	47.322
EBITDA	681	61	1.036
Net Earnings	131	523	748
Net Debt	-500	-1.622	-1.469

Valuation	2021	2022	2023
P/E	68,0x	10,1x	8,1x
P/BV	4,6x	6,8x	4,7x
EV/EBITDA	3,5x	2,4x	12,9x
EV/Sales	0,30x	0,21x	0,13x



Research Contact:

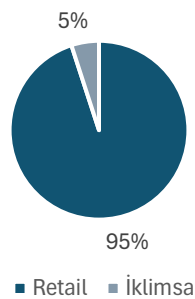
Oğuzhan Kaymak
+90 212 355 2604
oguzhan.kaymak@tacirler.com.tr

Özgür Kenan Tosun
+90 212 355 2637
ozgur.tosun@tacirler.com.tr

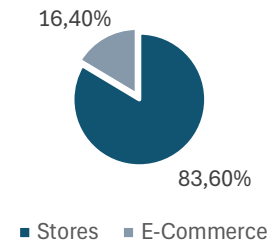
About Company

Established in 2000, Teknosa has 22 years of experience in the sector. The company's activities are evaluated in two main groups: retailing and e-commerce, as well as a dealer network. It continues its retail activities in various fields such as consumer electronics, information technology, telecommunications products, and home appliances both in stores and on online platforms. Additionally, it operates in the climate control sector and solar energy systems with the İklimsa brand. Introducing the technology retail concept to consumers for the first time in Turkey, Teknosa holds a significant position in the technology retail chain today with its wide network of stores, teknosa.com, and mobile platforms.

Revenue by Segments



Net Merchandise Value (NMV) by Sales Channels



Financial Analysis

The company reported its 4Q23 financials with a net profit of 156 million TL. This figure represents an 18% decrease year-on-year and a 48% decrease quarter-on-quarter. In 2023, the annual net profit reached 748 million TL, showing a 43% growth. Excluding the impact of TMS 29, the net profit was 863 million TL, reflecting a 64% annual increase. TKNSA's sales revenue in 4Q23 increased by 2% year-on-year and by 116% quarter-on-quarter. In 2023, the annual sales revenue reached 47 million TL, showing a 45% increase. Although the FAVÖK increased by 1,591% annually in 4Q23, it decreased by 46% quarter-on-quarter, reaching 1.08 million TL for the full year 2023. Excluding the impact of TMS 29, the FAVÖK was 3.44 million TL, representing a 138% annual increase. While inflation accounting has put pressure on operational profitability, we see an increase in sales revenue due to strong demand. The company's online traffic increased by 35% compared to the previous year, and the number of store visitors also increased by 35%. The gross profit margin improved by 195bps in the fourth quarter. According to the company's calculations, the net cash position was 2.2 million TL as of December 2023. The company is trading with a market value of 277 million USD at multiples of 8.1x P/E and 12.9x EV/EBITDA.

Balance Sheet							Income statement								
	2018	2019	2020	2021	2022	2023		2011	2017	2018	2019	2020	2021	2022	2023
Cash	27	37	392	709	2,643	2,739	Revenues	3.074	3.391	3.477	4.137	5.607	7.520	32.712	47.322
Accounts receivables	66	66	103	156	727	931	Gross profit	501	612	646	715	931	1,267	2,848	5,045
Inventory	493	860	1,057	1,719	5,659	8,363	Operating expenses	505	477	523	539	579	728	3,460	4,805
Other current assets	7	31	13	39	211	394	Operating profit	-4	135	123	175	352	539	-612	240
Current assets	593	994	1,565	2,624	9,240	12,427	EBITDA	33	169	155	309	470	681	61	1.036
Financial investments	0	0	0	0	0	0	Other income, net	-122	-49	-79	-141	-32	-152	-365	-939
Net fixed assets	90	60	60	84	447	752	Financial income, net	-67	-60	-98	-215	-208	-248	1,636	1,752
Intangible assets	27	36	40	50	214	246	Earnings before taxes	-193	26	-55	-180	111	139	659	1,053
Other non-current assets	51	423	295	243	1,080	1,265	Tax expense	-32	5	10	-29	26	8	136	305
Non-current assets	168	518	395	378	1,741	2,263	Net earnings - Parent	-161	21	-65	-151	86	131	523	748
Total assets	760	1,513	1,961	3,001	10,981	14,690	Cashflow statement								
Short-term financial loans	9	190	468	96	587	834	EBITDA		169	155	309	470	681	61	1.036
Accounts payables	777	1,233	1,386	2,428	7,515	9,914	Taxes on EBIT		25	-23	28	82	31	-126	70
Other short-term payables	70	59	89	103	473	796	Capital expenditures		28	37	36	37	70	336	578
Current liabilities	855	1,482	1,944	2,627	8,575	11,545	Chg. in NWC		0	0	-53	32	-314	-774	369
Long-term financial loans	0	273	168	113	434	436	Free cashflows to firm		116	140	297	319	894	626	20
Other long-term payables	8	10	14	18	130	143	Growth & margins								
Non-current liabilities	8	283	182	131	564	578	Revenues		10%	3%	19%	36%	34%	335%	45%
Shareholders' equity	-103	-252	-166	243	1,842	2,567	EBITDA		418%	-8%	99%	52%	45%	-91%	1591%
Parent company	-103	-252	-166	243	1,842	2,567	Net earnings		-113%	-409%	133%	-157%	54%	298%	43%
Minorities	0	0	0	0	0	0	Gross margin		18,0%	18,6%	17,3%	16,6%	16,8%	8,7%	10,7%
Total liabilities & equity	760	1,513	1,961	3,001	10,981	14,690	Operating margin		4,0%	3,5%	4,2%	6,3%	7,2%	-1,9%	0,5%
Net debt	-18	426	244	-500	-1,622	-1,469	EBITDA margin		5,0%	4,4%	7,5%	8,4%	9,1%	0,2%	2,2%
Net working capital	-281	-334	-302	-617	-1,391	-1,022	Net margin		0,6%	-1,9%	-3,7%	1,5%	1,7%	1,6%	1,6%
Net working capital (Operating)	-219	-306	-227	-553	-1,129	-619	Free cashflow margin		0,6%	-1,9%	-3,7%	1,5%	1,7%	1,6%	1,6%
Invested Capital	-165	-239	-202	-482	-730	-24	Per share (TL)								
Ratios							EPS		0,10	-0,32	-0,75	0,43	0,65	2,60	3,72
Profitability							BVPS		-0,22	-0,51	-1,25	-0,82	1,21	9,16	12,77
ROE	88,6%	85,2%	-41,0%	339,5%	50,2%	33,9%	DPS		0,00	0,00	0,00	0,00	0,00	0,00	0,00
Net margin	-1,9%	-3,7%	1,5%	1,7%	1,6%	1,6%	Valuation								
Asset turnover	4,7x	3,6x	3,2x	3,0x	4,7x	3,7x	P/E		8,0x	303,6x	n.m.	104,5x	68,0x	10,1x	8,1x
Leverage	-10,2x	-6,4x	-8,3x	64,1x	6,7x	5,8x	P/BV		0,00x	0,00x	0,00x	0,00x	4,57x	6,80x	4,69x
ROA	-8,7%	-13,3%	4,9%	5,3%	7,5%	5,8%	EV/EBITDA		6,2x	3,5x	2,2x	4,3x	3,5x	2,4x	12,9x
ROIC	-58,2%	-69,5%	-127,7%	-125,9%	80,7%	-50,9%	EV/Sales		0,20x	0,17x	0,12x	0,31x	0,30x	0,21x	0,13x
Leverage							Dividend Yield		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Financial debt/Total assets	1%	31%	32%	7%	9%	9%	Free cashflow yield		20,5%	29,3%	101,0%	37,5%	62,4%	26,4%	0,4%
Net debt/Equity	0,18	-1,69	-1,48	-2,06	-0,88	-0,57									
Net debt/EBITDA	-0,12	1,38	0,52	-0,74	-26,46	-1,42									

Source: Bloomberg, 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

Strong Buy: The stock is expected to generate a return of more than 25% in TL terms.

Buy: The stock is expected to generate a return of 15-25% 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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