

Petkim

Petkim reported sales revenue of 18,708 million TL, EBITDA of 675 million TL, and a net profit of 1,693 million TL for the second quarter of 2024. To evaluate Petkim's 2Q24 financial results, current operations, and future outlook, we participated in the company's conference call held on August 29.

Key Highlights

One-time gains supported the net profit... Petkim reported a net profit of 1,693 million TL in the second quarter of 2024. The company's gross profit reached 579 million TL, driven by successful cost management. The gross profit margin improved to 3%, compared to -3% in the same period last year (2Q23). However, the company recorded an operating loss of 554 million TL in 2Q24. EBITDA reached 675 million TL, with an EBITDA margin of 3.6% (2Q23: -3%). The improvement in EBITDA was primarily due to positive price changes, exchange rate effects, volume, and efficiency. While expenses from investment activities pressured the net profit, the positive performance of the Star Refinery, a monetary gain of 2.3 billion TL, and a deferred tax income of 2.1 billion TL supported the net profit.

Operations remain in line with last year... According to inflation-adjusted data, Petkim's sales revenue in 2Q24 decreased by 2% year-over-year but increased by 4% quarter-over-quarter, reaching 18,708 million TL. Total sales volume was 476 thousand tons, while production volume decreased by 10% compared to the same period last year, reaching 570 thousand tons. The capacity utilization rate improved from the previous quarter, reaching 66%. The ethylene-naphtha spread, which supports the company's profitability, decreased to \$142/ton in 2Q24 (1Q24: \$179/ton). These low levels put pressure on thermoplastic margins. The Platts index remained consistent with the 5-year average, while margins continued to be suppressed by high naphtha prices.

Petrochemical industry outlook... Due to the crisis in the Red Sea, weak demand and excess supply persisted. With rising freight costs and delayed shipments, supplying to nearby regions became crucial, negatively impacting production and sales volumes. Globally, profitability remained weak. Domestically, petrochemical consumption increased by 9% compared to the same period last year, reaching 2,336 thousand tons. Petkim accounted for 11% of this consumption (248 thousand tons). Petkim announced that it has revised its year-end 2024 EBITDA guidance down from 120-150 million USD to 100-120 million USD. The contribution from the STAR Refinery is also expected to decrease in 2024 due to the normalization of refinery margins and a planned maintenance shutdown lasting two months towards the end of the year.

PETKM

Share Data

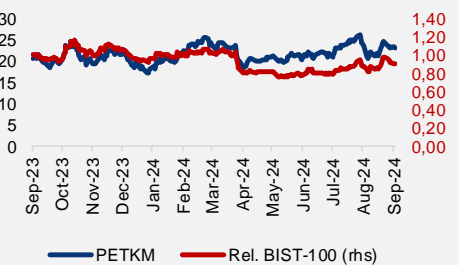
Ticker:	PETKM TI
Share price (as of 3 Sept. 2024)	22,98
Share price (52 week range)	17 / 26
Market cap. (TL mn - USD mn)	58240,5 - 1716,8
# of shares outstanding (mn)	2.534
Free Float	47%

Avg. trading volume	1M	3M	12M
USD mn	49,3	54,6	62,3

Price performance	1M	3M	Y-t-D
TL	-12%	9%	26%
USD	-14%	4%	10%
Rel. to BIST-100	-3%	17%	-4%

TL mn	2021	2022	2023
Revenues	28.716	97.857	60.441
EBITDA	6.090	568	-2.121
Net Earnings	5.452	-1.281	7.390

Valuation	2021	2022	2023
P/E	9,6x	4,5x	n.a.
P/BV	1,9x	1,9x	2,1x
EV/EBITDA	8,0x	6,7x	21,4x



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Summary

(TLmn)	2023/1Q	2023/2Q	2023/3Q	2023/4Q	2024/1Q	2024/2Q	(y/y)
Revenues	17.723	19.061	13.189	27.442	17.961	18.708	-2%
EBITDA	-1.644	-569	-636	-3.130	-97	675	-
Net Profit	-3.587	-2.291	2.418	4.683	944	1.693	-

Balance Sheet	2020	2021	2022	2023	Income statement	2020	2021	2022	2023
Cash	5.507	3.714	23.774	5.412	Revenues	12.134	28.716	97.857	60.441
Accounts receivables	1.717	5.107	7.802	9.412	Gross profit	1.854	6.417	607	-2.328
Inventory	958	3.540	7.627	7.660	Operating expenses	467	867	3.445	4.051
Other current assets	3.677	7.263	17.928	2.880	Operating profit	1.387	5.550	-2.838	-6.379
Current assets	11.860	19.623	57.131	25.364	EBITDA	1.810	6.090	568	-2.121
Net fixed assets	5.429	7.303	34.992	40.338	Other income, net	92	923	1.365	-252
Intangible assets	42	91	360	390	Financial income, net	-424	-658	-5.141	-2.565
Other non-current assets	2.644	3.401	10.688	23.339	Earnings before taxes	1.270	6.652	-3.885	9.277
Non-current assets	8.124	10.805	46.106	94.121	Tax expense	199	1.136	-2.543	1.864
Total assets	19.983	30.428	103.237	119.484	Net earnings - Parent	1.088	5.452	-1.281	7.390
Short-term financial loans	4.431	2.877	42.390	21.038	Cashflow statement				
Accounts payables	1.187	3.836	7.262	10.300	EBITDA	1.810	6.090	568	-2.121
Other short-term payables	316	943	1.787	2.032	Taxes on EBIT	217	947	-1.858	-1.282
Current liabilities	5.934	7.655	51.439	33.370	Capital expenditures	770	1.086	7.147	2.507
Long-term financial loans	5.719	9.224	4.938	16.997	Chg. in NWC	-35	3.322	3.356	-1.395
Other long-term payables	771	830	2.321	5.018	Growth & margins				
Non-current liabilities	6.491	10.054	7.260	22.016	Revenues	4%	137%	241%	-38%
Shareholders' equity	7.559	12.719	44.538	64.099	EBITDA	18%	236%	-91%	-473%
Parent company	7.593	12.722	44.480	63.787	Net earnings	10%	401%	-123%	-677%
Minorities	-34	-3	58	312	Gross margin	15%	22%	1%	-4%
Total liabilities & equity	19.983	30.428	103.237	119.484	Operating margin	11%	19%	-3%	-11%
					EBITDA margin	15%	21%	1%	-4%
					Net margin	9%	19%	-1%	12%
					Free cashflow margin	9%	19%	-1%	12%
Ratios					Per share (TL)				
Profitability					EPS	0,43	2,15	-0,51	2,92
ROE	15,4%	53,8%	-4,5%	13,6%	BVPS	2,98	5,02	17,57	25,29
Net margin	9,0%	19,0%	-1,3%	12,2%	DPS	0,00	0,00	0,00	0,00
Asset turnover	0,7x	1,1x	1,5x	0,5x	Valuation				
Leverage	2,6x	2,5x	2,3x	2,1x	P/E	11,8x	9,6x	4,5x	n.a.
ROA	5,9%	21,6%	-1,9%	6,6%	P/BV	1,69x	1,92x	1,92x	2,08x
ROIC	11,4%	30,8%	-5,8%	-9,5%	EV/EBITDA	10,1x	8,0x	6,7x	21,4x
Leverage					EV/Sales	1,23x	1,37x	1,08x	0,72x
Financial debt/Total assets	51%	40%	46%	32%	Dividend Yield	0,0%	0,0%	0,0%	0,0%
Net debt/Equity	0,61	0,66	0,53	0,51	Free cashflow yield	0,0%	n.a.	n.a.	0,0%
Net debt/EBITDA	2,57	1,38	41,46	-15,38					

Source: Bloomberg, Tacirler Investment

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

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