

Teknosa

Digital Transformation Journey

We are initiating coverage on Teknosa with a 12-month target price of 48.00 TL, assigning a Buy recommendation, offering a 69% upside potential. Key catalysts in our valuation include: i) Teknosa's established and solid presence in the sector, ii) efficiency gains driven by its digital transformation journey, and iii) value creation potential through complementary products and services, including iklimsa.

An Established Player in the Sector... Teknosa holds a significant position in Turkey's rapidly growing technology market, supported by its extensive store network, teknosa.com, and mobile platforms. Founded in 2000 under Sabancı Holding, Teknosa operates in both retail and e-commerce, while also playing an active role in the climate solutions market through its iklimsa brand. We believe Teknosa offers an attractive investment opportunity despite the normalized demand environment in the market, thanks to its brand value, extensive reach, diverse product range, and dynamic structure. As part of its transformation strategy, the company continues to enhance its omnichannel capabilities through customer-focused new concept stores, a marketplace platform, and digital projects. Its e-commerce operations not only improve customer experience but also boost sales performance. Despite short-term demand pressures, we anticipate increasing demand for electronic devices in the medium to long term. With its robust omnichannel structure, Teknosa is expected to outperform the market over time.

Omnichannel Strategies Supporting Digital Transformation... Since 2019, Teknosa has undergone a significant transformation, implementing various strategic initiatives such as developing its omnichannel structure, launching a marketplace platform, optimizing stores, expanding its product portfolio, improving inventory management, and enforcing strict cost controls. With the completion of the first three phases of its transformation program, Teknosa has achieved above-market growth and notable improvements in financial performance, particularly on the cost side. We believe Teknosa will continue to deliver above-market growth by leveraging its omnichannel structure and enhancements in in-store customer experience, driven by ongoing digital transformation and accelerating marketplace contributions. In particular, the online channel remains one of the most critical growth areas for Teknosa, while value-added services such as iklimsa, Preo, and Teknosacell are expected to contribute significantly to growth.

Forward-Looking Expectations... Teknosa posted a revenue of TL16bn in 3Q24. By the end of 2024, we expect the company to generate TL65.5bn in revenue, reflecting a 46% YoY increase, and an EBITDA of TL2.3bn. In the first half of 2025, we anticipate that high interest rates will continue to drive increased financial expenses due to rising credit card costs. However, with the positive impact of measures to be implemented, we expect the company's net profit to reach TL61mn by the end of 2025. Supported by growing demand for electronic devices, we project the operational performance to remain strong in upcoming years.

TKNSA

BUY

Target Price TL 48,00
Return potential %69

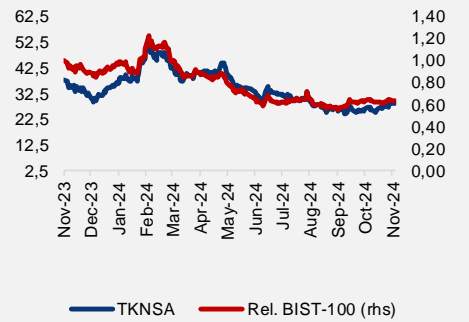
Share Data

Ticker: TKNSA TI
Share price (as of 27 Nov. 2024) 28,54
Share price (52 week range) 24 / 53
Market cap. (TL mn - USD m) 5736,5 - 165,9
of shares outstanding (mn) 201
Free Float %50

Avg. trading volume 1M 3M 12M
USD mn 1,5 1,9 3,2

Price performance 1M 3M Y-t-D
TL 7% 1% -4%
USD 6% 0% -18%
Rel. to BIST-100 -1% 3% -26%

TL mn 2023 2024E 2025E
Revenues 47.322 65.462 82.802
EBITDA 1.038 2.283 3.085
Net Earnings 750 - 61
Valuation 2023 2024E 2025E
P/E 43,6x - 92,9x
P/BV 1,6x 2,5x 2,6x
EV/EBITDA 4,1x 1,9x 1,5x



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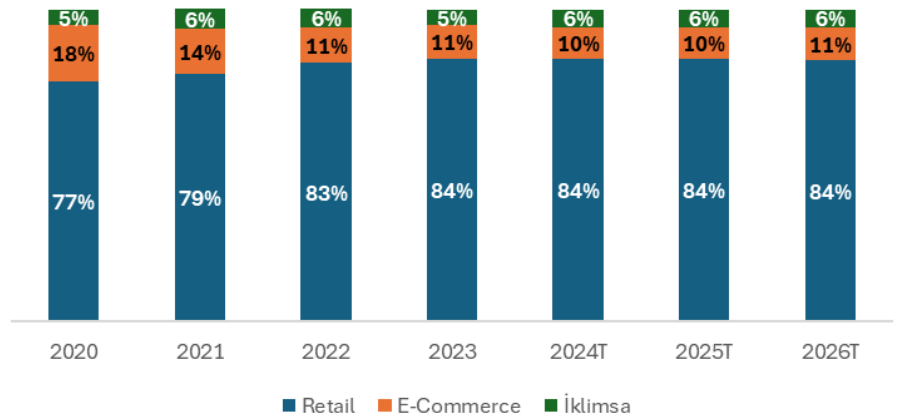
Risks: Key risks to our valuation include: i) cost increases that exceed expectations, ii) potential declines in consumer appetite for electronic devices, iii) disruptions in the transformation program and sharp fluctuations in exchange rates, and iv) intense competition among e-commerce and marketplace platforms.

Positives

An Established Player in the Sector

Established in 2000 under Sabancı Holding, Teknosa has grown to become a prominent player in Turkey's technology retail market. The company currently operates across 64 cities with 176 stores, serving its customers through teknosa.com and mobile platforms. Teknosa implements an omnichannel structure, integrating both physical and digital channels, while also playing an active role in the climate solutions market through its İklimsa brand. The company's operations can be categorized into three segments: retail stores, e-commerce, and dealership networks. Teknosa focuses on technology retail through its stores and online channels, while its dealership brand İklimsa engages in corporate sales and solar energy systems. In addition, Teknosa offers a range of proprietary brands and services, including Preo, Teknosacell, Teknoclub, and Tekno Hizmet. As of 9M24, 84% of Teknosa's revenue came from retail operations, 9% from e-commerce, and 7% from İklimsa.

Teknosa - Revenue Shares by Category (%)



Source: Company Data, Tacirler Investment Research

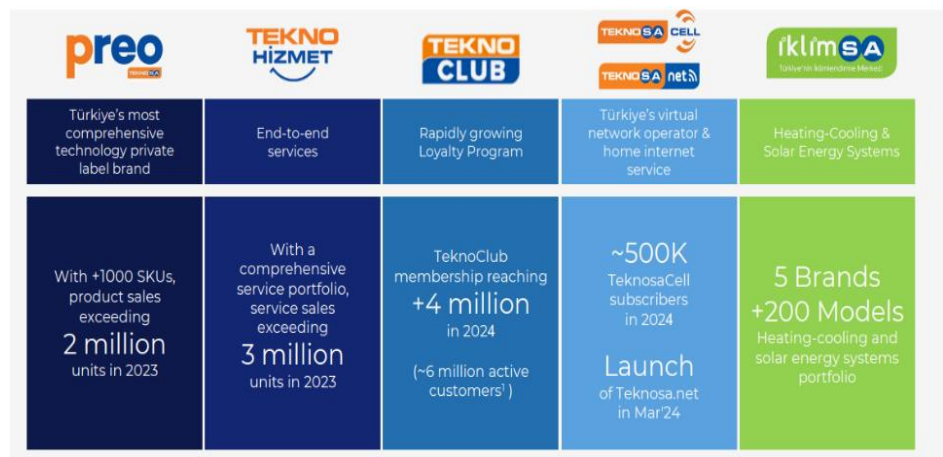
Digital Transformation Journey

Launched in 2019, Teknosa’s transformation strategy has gone beyond merely upgrading its digital infrastructure, strengthening its omnichannel structure through strategic initiatives in retail, e-commerce, and marketplace operations. These efforts have significantly contributed to Teknosa achieving above-market growth during this period. Between 2019 and 2023, both store and online traffic doubled, while the online channel experienced an impressive 18-fold growth. Over the same period, the share of e-commerce in total retail revenue rose from 7% to 15%. By 2024, Teknosa’s marketplace platform had reached 193,000 SKUs and 901 sellers. Additionally, operational expenses as a percentage of sales improved by 4.5 basis points. Looking ahead, we expect e-commerce and digitalization strategies to remain critical drivers of Teknosa’s growth.

İklimsa and Additional Services

Through its İklimsa brand, Teknosa plays an active role in providing climate solutions. İklimsa offers corporate sales services and solar energy systems, representing five brands with 200 models. It delivers air conditioning solutions via a network of over 500 dealers and an extensive service network. Additionally, in the solar energy systems segment, capacity increased by 129% compared to September of last year. Beyond İklimsa, Teknosa provides its customers with a variety of additional services under brands such as Preo, Teknosacell, Teknoclub, and Tekno Hizmet.

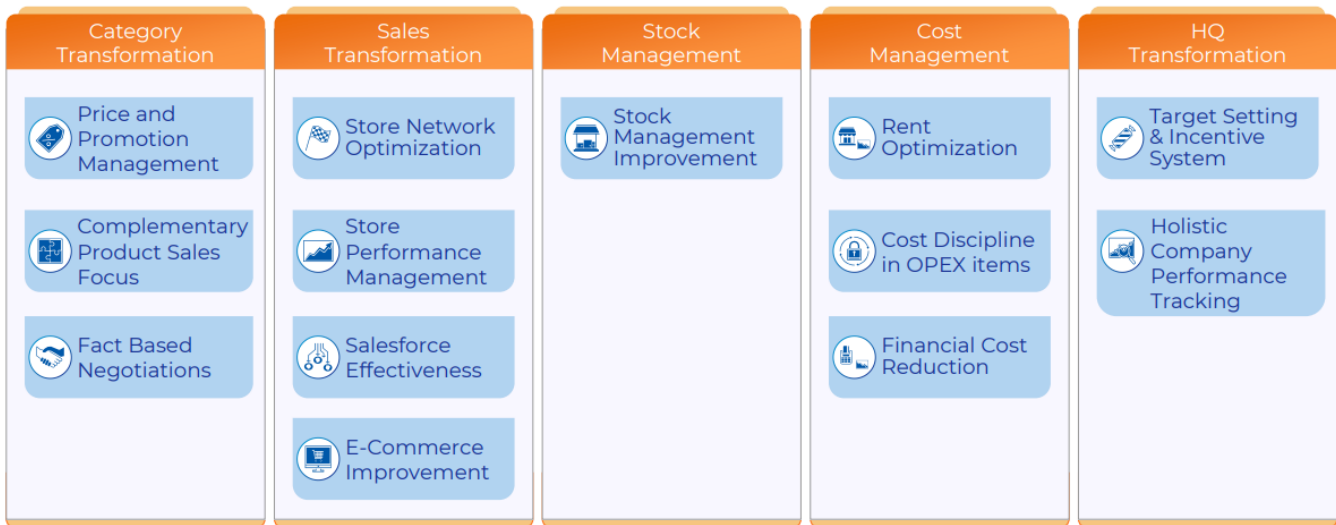
- **Preo:** With products spanning five categories and nearly 100 segments, Preo has achieved sales of close to 14 million units in total.
- **TeknoCell:** By 2024, TeknoCell surpassed 500,000 subscribers, showcasing its strong presence in the mobile communication market.
- **TeknoClub:** Launched three years ago, the TeknoClub loyalty program had over 4.2 million members as of 9M24.
- **TeknoHizmet:** Through TeknoHizmet, Teknosa provides technical service support for all products under warranty, ensuring a seamless after-sales experience for its customers.



Source: Company Data, Tacirler Investment Research

Teknosa Transformation Journey

At the end of 2019, Teknosa launched a comprehensive transformation program focused on financial and operational improvements. In the initial phase, the company aimed to enhance cost management while preserving and expanding its core operations. As part of this strategy, Teknosa integrated its store and digital platform channels, introducing technological innovations such as touchscreens, mobile payment terminals, and experience zones in stores to provide a more digital in-store experience for customers. Additionally, optimization plans, including strict rent negotiations, cost discipline, and effective price and promotion management, were implemented to improve store performance. These measures significantly enhanced the efficiency of store operations, contributing to Teknosa’s growth and financial performance during its transformation journey.



Source: Company Data, Tacirler Investment Research

Cost Control and Efficiency Improvement

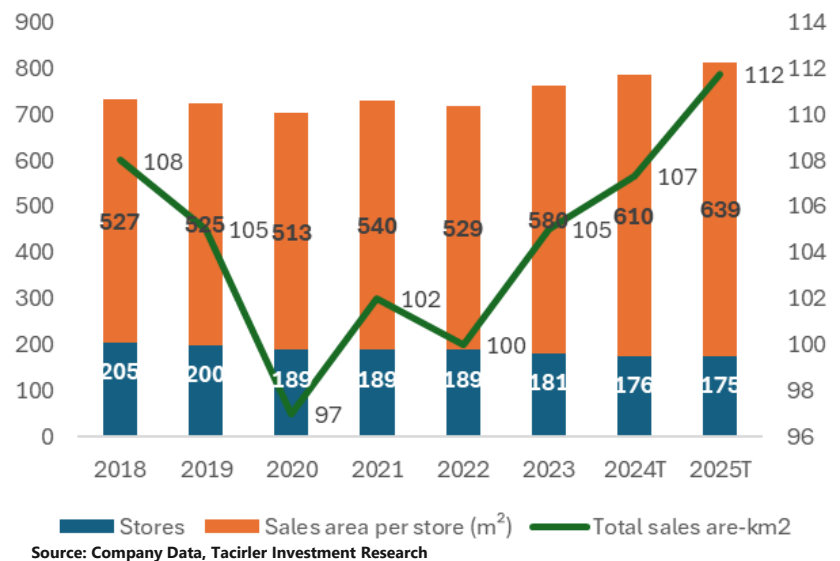
In the highly competitive technology retail sector, Teknosa places significant emphasis on cost control and efficiency-enhancing strategies as part of its transformation journey. Approaches focused on improving efficiency, such as cash flow optimization, effective inventory management, and strict control of operating expenses, have supported Teknosa’s balance sheet health. In 2018, rental expenses accounted for 5.3% of total sales, but by the first nine months of 2024, this ratio had decreased to 1.7%. This improvement of approximately 3-3.5 percentage points was largely due to many rental agreements being tied to revenue before the pandemic. Thanks to ongoing cost optimization efforts, effective inventory management, and actions taken in cash management, Teknosa has reduced its operating expenses-to-sales ratio from 13% in 2019 to 10.5% today.

Store Optimization and Product Portfolio Expansion

A key component of Teknosa's transformation strategy is store optimization. The company has focused on expanding in high-traffic areas while restructuring stores in low-traffic locations. Technological innovations and modern store concepts that enhance the in-store customer experience allow Teknosa to offer a more personalized shopping experience.

As of Q3 2024, Teknosa operates a total of 176 stores across 64 provinces in Turkey, with a total sales area of 106,000 square meters. The average sales area per store, which was 527 m² in 2020, has steadily increased each year, reaching 602 m² by Q3 2024. Based on our projections, we expect the sales area per store to reach 610 m² by the end of 2024 and 639 m² by the end of 2025.

Teknosa - Stores and sqm



Another key phase of Teknosa's strategic transformation involves renewing product categories to improve the customer experience. In this process, new product categories such as entertainment, construction materials, office supplies, and refurbished phones have been introduced. Additionally, the company has restructured its customer services and begun offering private-label products.

As part of this initiative, Teknosa offers a variety of differentiated services, including its private-label brand **Preo**, which features over 1,000 products; **TeknosaCell**, a virtual network operator with more than 500,000 subscribers; the **Tekno Club** loyalty program; and **TeknoHizmet**, which provides refurbished phones. These strategic additions aim to further enhance the customer experience while differentiating Teknosa in the competitive market.

Marketplace Investment and Online Channels

As part of its third phase of digitalization, Teknosa has transitioned to a multi-vendor structure on its marketplace platform. This approach not only expands Teknosa's own product range but also allows third-party sellers to offer their products through Teknosa's channels.

By Q3 2024, the marketplace had reached 193,000 SKUs and 901 sellers. As of 9M24, the marketplace accounted for 34% of the volume on Teknosa.com. The share of online channels in retail sales has increased from 7% in 2019 to 15%, with a medium-term target of reaching 20%. During the same period, the online net merchandise volume (NMV) has grown by 18 times. The gross transaction volume of e-commerce is expected to reach 15 billion TL in 2024.



Owens the "technology concept" with a **wide product and service range**



Features only the **highest quality merchants**



Leveraging all customers as an influencer through **"Social Commerce"**



Supports its sellers through **Partner Solutions**

Source: Company Data, Tacirler Investment Research

Despite the prevailing macroeconomic conditions, Teknosa remains committed to its long-term growth goals and strategic investments, with a strong focus on digitalization and efficiency improvements. In the fourth and final phase of its transformation strategy, the company launched a six-phase program in Q3 2023.

This program includes the opening of new digital concept stores, alongside the relocation and optimization of existing stores in larger spaces. The online channel continues to grow with new payment systems, credit options, and diversified delivery processes. At the same time, enhancing the customer experience, driving strong market growth, and reinforcing the e-commerce infrastructure are key objectives.

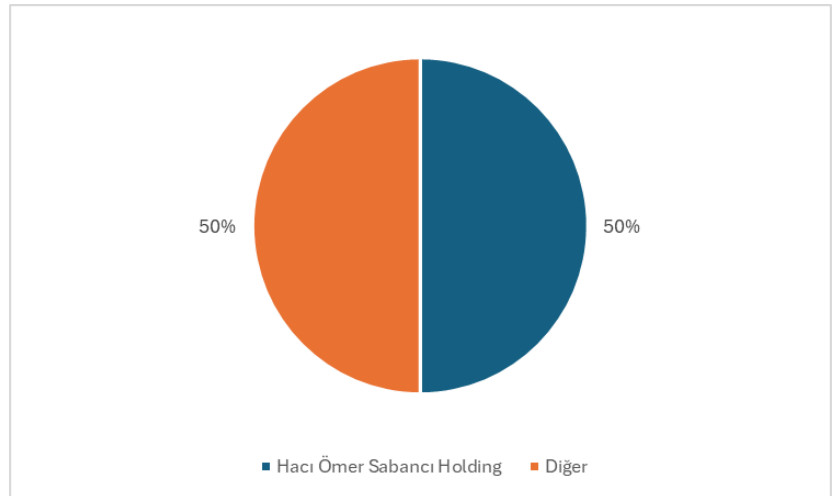
With the development of a multichannel strategy, Teknosa aims to create a seamless experience across both physical stores and digital channels, making transitions between them more efficient. All these initiatives are designed to help Teknosa leverage its artificial intelligence capabilities to gain competitive advantages, significantly improving sales, profitability, and operational efficiency.

Company Profile

Teknosa, founded in 2000 under Sabancı Holding, has been publicly traded on Borsa Istanbul since 2012. The company operates in two distinct business segments: (i) consumer electronics retailing with 176 stores across 64 cities, and (ii) heating and cooling systems under the İklimsa brand. Teknosa manages its retail operations through both physical stores and e-commerce channels, while utilizing a network of dealers for its heating and cooling segment. The company offers a wide range of products across various categories, including consumer electronics, imaging, information technology, telecommunications products, and home appliances. İklimsa, on the other hand, serves both retail and corporate customers throughout Turkey with a network of over 500 sales and service points and five regional offices.

Ownership Structure

As of November 2024, 50% of the company's shares are owned by Hacı Ömer Sabancı Holding, while the remaining 50% is publicly traded.



Source: Company Data, Tacirler Investment Research

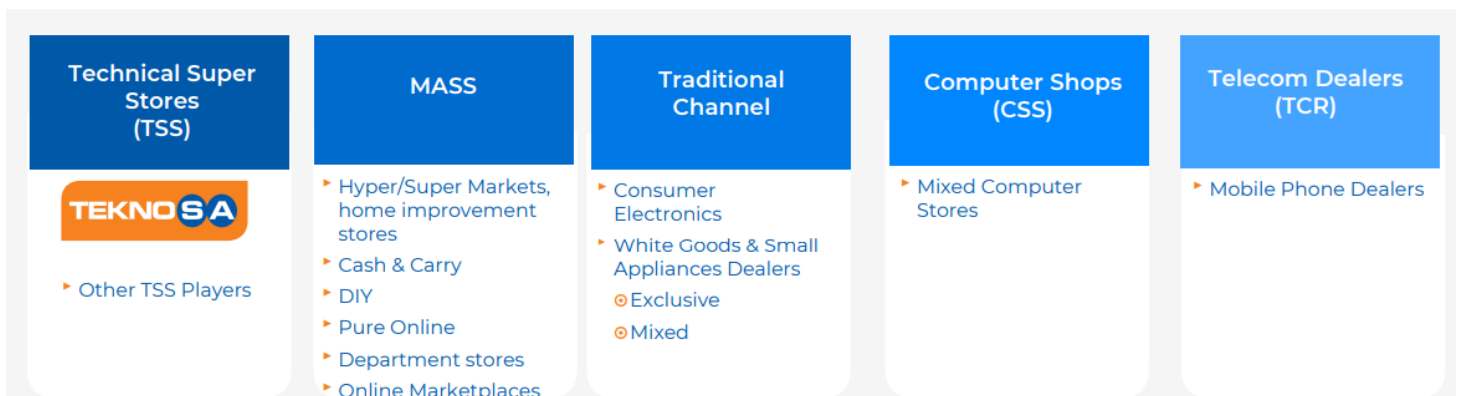
Sector Overview

The consumer technology products market is structured around five distinct sales channels: chain stores, traditional channels, computer stores, telecom dealers, and technology markets. According to the 2024 first 9-month results, the technology markets, including Teknosa, which are categorized as TSS, hold a 27% market share.

According to an independent research company, GfK's Technology Retail Panel Survey, by the end of the first 9 months of 2024, the size of the consumer electronics market, including white goods and small household appliances, is adjusted for inflation at 650 billion TL. Compared to the same period in 2023, the market has shown a 3% real growth.

Breaking down the consumer technology products market by categories, the largest growth has been in the major white goods category (including air conditioners), which saw a real growth of 8%. This is followed by telecom with a 4% growth, small household appliances, and consumer electronics which saw a 4% and 6% decline, respectively. Information technologies also saw a 6% decrease.

Additionally, Techonline market data provided by GfK shows that in the first 9 months of 2024, the market stood at 149 billion TL, consistent with the previous year's level. Looking at category-specific growth, the largest increase was in the major white goods (including air conditioners) category, which grew by 19% in real terms. This is followed by a 1% growth in consumer electronics, while small household appliances, information technologies, and telecom categories saw a decrease of 2%, 2%, and 1%, respectively.



Source: Company Data, Tacirler Investment Research

Valuation – DCF Table

Based on our Discounted Cash Flow (DCF) model for Teknosa, we have calculated a target price of 48.00 TL per share for the 12-month period, using our cash flow projections for the 2024-2033 period. This target price indicates a 69% upside potential. The WACC used in our calculations is at 24.5%.

TL mn	2023	2024E	2025E	2026E	2027E	2028E
Revenues	47.322	65.462	82.802	95.994	110.836	121.942
<i>Growth %</i>	25,0%	38,3%	26,5%	15,9%	15,5%	10,0%
EBITDA	1.038	2.283	3.097	3.693	4.378	4.655
<i>Growth %</i>	16,0%	119,8%	35,7%	19,3%	18,5%	6,3%
<i>EBITDA Margin %</i>	2,2%	3,5%	3,7%	3,8%	4,0%	3,8%
Taxes paid on EBIT	-60	-163	-259	-404	-537	-667
CAPEX	-578	-953	-1.206	-1.398	-1.614	-1.776
Change in Net Working Capital	287	665	290	20	23	18
Free cash flow from operations	112	501	1.341	1.871	2.204	2.193
<i>FCFF Margin %</i>	0,2%	0,8%	1,6%	1,9%	2,0%	1,8%
WACC		24,4%	24,4%	24,4%	24,4%	24,4%
DCF		402	867	972	921	736
Terminal growth rate	5%					
Terminal Value	9.439					
PV of Terminal Value	991					
PV of FCFF	5.444					
Enterprise Value	6.436					
Latest Net Debt	-972					
Equity Value	7.408					
Target Market Cap	9.667					
# shares of outstanding	201					
Fair value per share (12-mth fwd)	48,00					
Current share price	28,54					
Upside / (Downside)	69%					

Projections

Balance Sheet	2021	2022	2023	2024T	2025T
Cash	709	2.643	2.739	1.089	1.562
Accounts receivables	156	727	931	1.202	1.588
Inventory	1.719	5.659	8.363	11.722	12.537
Other current assets	39	211	347	775	931
Current assets	2.624	9.240	12.427	14.788	16.618
Financial investments	0	0	0	0	0
Net fixed assets	84	447	752	1.482	1.778
Intangible assets	50	214	246	451	519
Other non-current assets	243	1.080	1.265	1.281	411
Non-current assets	378	1.741	2.263	3.214	2.708
Total assets	3.001	10.981	14.690	18.002	19.326
Short-term financial loans	96	587	1.134	1.190	1.250
Accounts payables	2.428	7.515	9.914	13.100	14.011
Other short-term payables	103	473	1.082	1.569	1.961
Current liabilities	2.627	8.575	11.545	15.860	17.222
Long-term financial loans	113	434	436	622	653
Other long-term payables	18	130	143	207	259
Non-current liabilities	131	564	578	829	911
Shareholders' equity	243	1.842	2.567	2.104	2.165
Parent company	243	1.842	2.567	2.104	2.165
Minorities	0	0	0	0	0
Total liabilities & equity	3.001	10.981	14.690	18.002	19.326
Net debt	-500	-1.622	-1.469	723	341
Net working capital	-553	-1.129	-842	-176	114

Ratios

Profitability					
ROE	%339,5	%50,2	%33,9	-	%2,9
Net margin	%1,7	%1,6	%1,6	-	%0,1
Asset turnover	3,03	4,68	3,69	4,00	4,44
Leverage	64,08	6,71	5,82	7,00	8,74
ROA	%5,3	%7,5	%5,8	-	%0,3

Leverage

Financial debt/Total assets	%7	%9	%11	%10	%10
Net debt/Equity	-2,06	-0,88	-0,57	0,34	0,16
Net debt/EBITDA	-0,74	-26,46	-1,42	0,32	0,11

Source: Tacirler Investment

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

Income Statement	2021	2022	2023	2024T	2025T
Revenues	7.520	32.712	47.322	65.462	82.802
Gross profit	1.267	2.848	5.045	7.758	9.896
Operating expenses	728	3.460	4.805	7.106	8.717
Operating profit	539	-612	240	653	1.179
EBITDA	681	61	1.036	2.283	3.077
Other income, net	-152	-520	-1.266	-2.851	-3.166
Financial income, net	19	155	327	41	214
Earnings before taxes	139	659	1.053	-1.697	82
Tax expense	-8	-136	-305	331	-20
Net earnings - Parent	131	523	748	-1.330	61

Cashflow statement

EBITDA	681	61	1.036	2.283	3.077
Taxes on EBIT	-135	153	-60	-163	-259
Capital expenditures	70	336	578	918	1.161
Chg. in NWC	-327	-576	287	665	290
Free cashflows to firm	803	455	112	536	1.366

Growth & margins

Revenues	34%	335%	45%	38%	26%
EBITDA	45%	-91%	1591%	120%	35%
Net earnings	43%	298%	43%	-	-
Gross margin	17%	9%	11%	12%	12%
Operating margin	7%	-	1%	1%	1%
EBITDA margin	9%	0%	2%	3%	4%
Net margin	2%	2%	2%	-	0%
Free cashflow margin	11%	1%	0%	1%	2%

Per share (TL)

EPS	0,7	2,6	3,7	-	0,3
BVPS	1,2	9,2	17,4	10,5	10,8
DPS	0,0	0,0	0,0	0,0	0,0

Valuation

P/E	38,8x	10,1x	6,6x	-	92,9x
P/BV	4,6x	6,8x	4,7x	2,7x	2,6x
EV/EBITDA	3,5x	2,4x	15,5x	2,1x	1,5x
EV/Sales	0,3x	0,2x	0,1x	0,1x	0,1x
Dividend Yield	0,0%	0,0%	0,0%	0,0%	0,0%

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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