

## Borusan Birleşik Boru

We held a meeting with Borusan Boru to evaluate the company's 2Q24 financial results, current operations, and outlook.

### Highlights of the Meeting

**Under the shadow of increasing costs in 2Q24...** Borusan Boru reported its 2Q24 financial results with a net profit of TL273mn. The announced net profit declined by 26% on a quarterly basis and 77% compared to the same period last year. While the company's revenue increased by 63% y/y during this period, a 101% y/y rise in the cost of sales led to weakened profitability. During this period, sales volume grew by 18.9% to reach 262K tons. Due to increased cost pressures and a high base effect, gross profit decreased by 37% compared to the same period last year, reaching TL1.4bn.

**Impact of diversification in risk management...** Borusan Boru operates in four different business segments. In 6M24, in terms of revenue share, the order from largest to smallest was "Infrastructure & Project," "Energy," "Industry & Construction," and "Automotive." The Infrastructure & Project segment stood out in the revenue breakdown for 6M24 with a 52% share, followed by the Energy segment with a 21% share and the Industry & Construction segment with a 15% share. During this period, the Automotive segment accounted for 12% of total revenues. Thanks to its support from four different business segments, the company is expected to mitigate potential revenue slowdowns in any sector through support from another segment. For example, while the Infrastructure & Project segment's share of consolidated revenues was 9% in 6M24, it increased to 52% in 6M24. Due to weak demand in the Energy sector, the share of the Energy segment, which was 60% in 6M23, decreased to 21% in 6M24. Thus, the company has the capacity to address sectoral demand weaknesses.

**Increasing weight of export sales...** In the first six months of 2024, the share of global markets in the regional revenue distribution increased by 300 basis points, rising from 78% to 81%. During this period, the company's main market was the U.S., accounting for 71% of total revenue, while the Turkish market represented 19%. The remaining 10% was derived from exports to other regions of the world. Due to the company's primary focus on the U.S. and global markets, it was relatively less affected by the demand contraction in Turkey and the increasing protectionist measures in foreign trade. Going forward, the trajectory of infrastructure projects, especially after global interest rate cuts and the U.S. presidential elections, will be key developments to watch.

**2024 Expectations...** Borusan Boru forecasts sales volume in the range of 1.05 – 1.20 million tons, revenue in the range of USD1.7bn – USD2.0bn, and an EBITDA margin of 8%-10% for 2024. In the second half of the year, demand is expected to remain weak, and cost pressures are anticipated to persist. Additionally, sales prices in the Energy segment are expected to remain at long-term averages due to balanced supply/demand conditions.

### BRSAN

#### Share Data

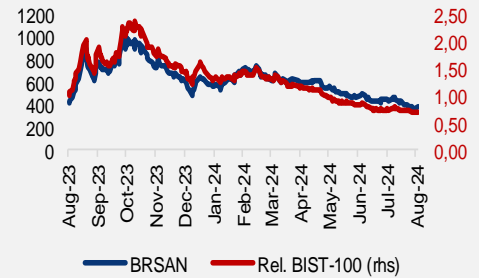
Ticker:	BRSAN TI		
Share price (as of August 19, 2024)	370,75		
Share price (52 week range)	362 / 993		
Market cap. (TL mn - USD mn)	52553,8 - 1563,6		
# of shares outstanding (mn)	142		
Free Float	19%		

Avg. trading volume	1M	3M	12M
USD mn	9,3	9,6	23,4

Price performance	1M	3M	Y-t-D
TL	-17%	-32%	-37%
USD	-19%	-35%	-45%
Rel. to BIST-100	-6%	-29%	-52%

TL mn	2021	2022	2023
Revenues	7.330	22.205	42.175
EBITDA	447	2.618	6.054
Net Earnings	94	1.350	4.103
Net Debt	2.833	7.806	6.458

Valuation	2021	2022	2023
P/E	557,2x	27,7x	20,1x
P/BV	1,0x	0,8x	3,1x
EV/EBITDA	20,4x	15,1x	13,4x
EV/Sales	1,45x	1,02x	2,19x
Dividend Yield	0,0%	0,0%	0,0%



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## Summary

(TLmn)	2023/1Q	2023/2Q	2023/3Q	2023/4Q	2024/1Q	2024/2Q	y/y	q/q
Revenues	7.427	8.151	10.156	16.441	16.356	13.290	63%	-
EBITDA	1.953	1.922	1.305	874	1.120	1.066	-	-
Net Profit	1.347	1.190	556	1.010	367	273	-	-

Balance Sheet	2019	2020	2021	2022	2023
Cash	945	790	2.257	1.548	3.809
Accounts receivables	538	851	2.020	4.684	5.801
Inventory	1.188	1.159	2.965	6.257	15.796
Other current assets	249	288	371	1.249	6.495
<b>Current assets</b>	<b>2.921</b>	<b>3.088</b>	<b>7.613</b>	<b>13.737</b>	<b>31.901</b>
Financial investments	314	387	746	1.213	2.430
Net fixed assets	3.623	4.496	8.015	12.443	20.933
Intangible assets	7	13	25	38	83
Other non-current assets	66	56	78	167	571
<b>Non-current assets</b>	<b>4.011</b>	<b>4.952</b>	<b>8.863</b>	<b>13.861</b>	<b>24.016</b>
<b>Total assets</b>	<b>6.932</b>	<b>8.039</b>	<b>16.476</b>	<b>27.598</b>	<b>55.917</b>
Short-term financial loans	1.787	2.027	3.543	7.880	7.805
Accounts payables	918	902	3.195	3.799	8.626
Other short-term payables	128	198	556	1.054	9.294
<b>Current liabilities</b>	<b>2.833</b>	<b>3.127</b>	<b>7.295</b>	<b>12.733</b>	<b>25.725</b>
Long-term financial loans	791	821	1.546	1.474	2.462
Other long-term payables	420	543	983	1.532	2.777
<b>Non-current liabilities</b>	<b>1.211</b>	<b>1.363</b>	<b>2.529</b>	<b>3.006</b>	<b>5.239</b>
<b>Shareholders' equity</b>	<b>2.888</b>	<b>3.549</b>	<b>6.652</b>	<b>11.860</b>	<b>24.953</b>
Parent company	2.886	3.548	6.650	11.857	24.949
Minorities	2	1	2	3	4
<b>Total liabilities &amp; equity</b>	<b>6.932</b>	<b>8.039</b>	<b>16.476</b>	<b>27.598</b>	<b>55.917</b>
Net debt	1.633	2.057	2.833	7.806	6.458
Net working capital	929	1.198	1.605	7.337	10.172
Net working capital (Operatin	808	1.108	1.790	7.142	12.971
Invested Capital	4.560	5.706	9.644	19.818	31.188

### Ratios

Profitability					
ROE	2,6%	-0,3%	1,8%	14,6%	22,3%
Net margin	1,6%	-0,3%	1,3%	6,1%	9,7%
Asset turnover	0,7x	0,5x	0,6x	1,0x	1,0x
Leverage	2,4x	2,3x	2,4x	2,4x	2,3x
ROA	1,1%	-0,1%	0,8%	6,1%	9,8%
ROIC	2,9%	0,5%	1,7%	11,2%	15,9%
<b>Leverage</b>					
Financial debt/Total assets	37%	35%	31%	34%	18%
Net debt/Equity	0,57	0,58	0,43	0,66	0,26
Net debt/EBITDA	4,88	8,04	6,34	2,98	1,07

Source: Bloomberg, Tacirler Investment

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

Income statement	2019	2020	2021	2022	2023
<b>Revenues</b>	<b>4.574</b>	<b>3.729</b>	<b>7.330</b>	<b>22.205</b>	<b>42.175</b>
Gross profit	503	350	590	3.128	7.088
Operating expenses	343	316	428	1.071	2.034
Operating profit	160	34	162	2.057	5.054
<b>EBITDA</b>	<b>334</b>	<b>256</b>	<b>447</b>	<b>2.618</b>	<b>6.054</b>
Other income, net	114	146	170	583	1.318
Financial income, net	-193	-177	-247	-881	-1.409
Earnings before taxes	81	3	85	1.759	4.964
Tax expense	9	14	-10	409	861
<b>Net earnings - Parent</b>	<b>73</b>	<b>-10</b>	<b>94</b>	<b>1.350</b>	<b>4.103</b>

### Cashflow statement

	2019	2020	2021	2022	2023
<b>EBITDA</b>	<b>334</b>	<b>256</b>	<b>447</b>	<b>2.618</b>	<b>6.054</b>
Taxes on EBIT	17	144	-18	478	877
Capital expenditures	303	167	197	725	1.802
Chg. in NWC	52	268	407	5.732	2.835
<b>Free cashflows to firm</b>	<b>-38</b>	<b>-323</b>	<b>-138</b>	<b>-4.317</b>	<b>540</b>

### Growth & margins

Revenues	-6%	-18%	97%	203%	90%
EBITDA	-39%	-23%	75%	485%	131%
Net earnings	-75%	-114%	-1015%	1331%	204%
Gross margin	11,0%	9,4%	8,1%	14,1%	16,8%
Operating margin	3,5%	0,9%	2,2%	9,3%	12,0%
EBITDA margin	7,3%	6,9%	6,1%	11,8%	14,4%
Net margin	1,6%	-0,3%	1,3%	6,1%	9,7%
Free cashflow margin	1,6%	-0,3%	1,3%	6,1%	9,7%

### Per share (TL)

EPS	0,51	-0,07	0,67	9,52	28,94
BVPS	20,37	25,04	46,93	83,67	176,03
DPS	0,82	0,00	0,00	0,00	0,00

### Valuation

P/E	5,1x	n.m.	557,2x	27,7x	20,1x
P/BV	0,43x	0,57x	0,97x	0,78x	3,05x
EV/EBITDA	5,8x	16,0x	20,4x	15,1x	13,4x
EV/Sales	0,62x	0,91x	1,45x	1,02x	2,19x
Dividend Yield	9,3%	0,0%	0,0%	0,0%	0,0%
Free cashflow yield	-3,0%	-17,7%	-3,6%	-72,0%	1,0%

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