

# Turkish Automobiles

Time for a breather

Equities  
Automobiles

Türkiye

- ◆ Building pressure on domestic volumes, pricing, and margins
- ◆ FROTO stands out as the most defensive
- ◆ Downgrade DOAS and TOASO to Hold; retain Buy on FROTO, Hold on TTRAK; lift FROTO TP to TRY1,370 (from TRY1,165) and TTRAK TP to TRY950 (from TRY800)

**Entering a down-cycle in domestic operations.** Despite a strong start in Q1 with Turkish light vehicle retail sales up 25% y-o-y, we expect a sequential weakening in the remainder of the year. Post COVID-19 disruptions that hurt vehicle availability are largely over, as well as pent-up demand, investment demand, and pull-forward demand, in our view. We expect to see monthly sales data getting softer y-o-y, particularly for cars which come from a notably higher base than light commercial vehicles, in our view. As the transition from a “Seller’s market” to a “Buyer’s market” kicks in, pricing should also get more difficult in the high inflationary operating environment, putting pressure on margins. Change in the sales mix (in favour of lower margin exports and/or fleet sales) also argues for margin pressure this year.

**FROTO offers a differentiated outlook.** With the help of new models such as the new Courier and new Transit Custom that came along with capacity upgrades, we expect Ford Otosan to achieve a better volume performance in exports y-o-y as well as the Turkish vehicle market, which we expect to contract 25% vs 2023. Margins should soften, but strong top-line performance should help bring positive EBITDA and net profit growth in real terms. Exporting c85% of its production under a “EUR cost plus EUR mark-up” is a big advantage in an environment of high cost inflation.

**Downgrade DOAS and TOASO to Hold; maintain Buy on FROTO and Hold on TTRAK; lift FROTO TP to TRY1,370 (from TRY1,165) and TTRAK TP to TRY950 (from TRY800).** We view DOAS, TOASO, and TTRAK as more exposed to a likely downturn in domestic demand, pricing and margins than FROTO in the remainder of 2024. We like TOASO’s medium- and long-term outlook with the launch of a new export model in early 2025 and delayed potential merger with Stellantis-Türkiye (timing uncertain, we assume in 2025). DOAS will have a busy year with new model launches, particularly EVs, while their price competitiveness remains to be seen. TTRAK still has favourable lending rates offered by Ziraat Bank (c25%) but a very high base to beat, in our view. We downgrade DOAS and TOASO to Hold, maintain Buy on FROTO and Hold on TTRAK. Our rating and target price changes are summarised below. We introduce our estimates under IAS29 standards.

## Summary of ratings and price targets

Company	Ticker	Ccy	Current price	TP		Rating		Upside/downside	Market cap (USDm)	ADTV 3m (USDm)	PE 2024e	EV/EBITDA 2024e	Div. yield 2024e
				Old	New	Old	New						
Dogus Otomotiv	DOAS TI	TRY	292.50	320.00	320.00	Buy	Hold	9.4%	1,981	43	2.3x	1.6x	21.7%
Ford Otosan	FROTO TI	TRY	1,106.00	1,165.00	1,370.00	Buy	Buy	23.9%	11,945	38	4.8x	5.6x	12.5%
Tofas	TOASO TI	TRY	273.00	310.00	310.00	Buy	Hold	13.6%	4,201	40	7.6x	6.3x	9.2%
Türk Traktor	TTRAK TI	TRY	900.50	800.00	950.00	Hold	Hold	5.5%	2,773	20	7.2x	4.8x	9.7%

Source: HSBC estimates, Refinitiv Datastream. Priced as of close at 29 Apr 2024

**Cenk Orcan\***  
Aviation & Industrials Analyst  
HSBC Yatirim Menkul Degerler A.S.  
cenkorcan@hsbc.com.tr  
+90 212 376 46 14

**David John\***  
Associate  
Bangalore

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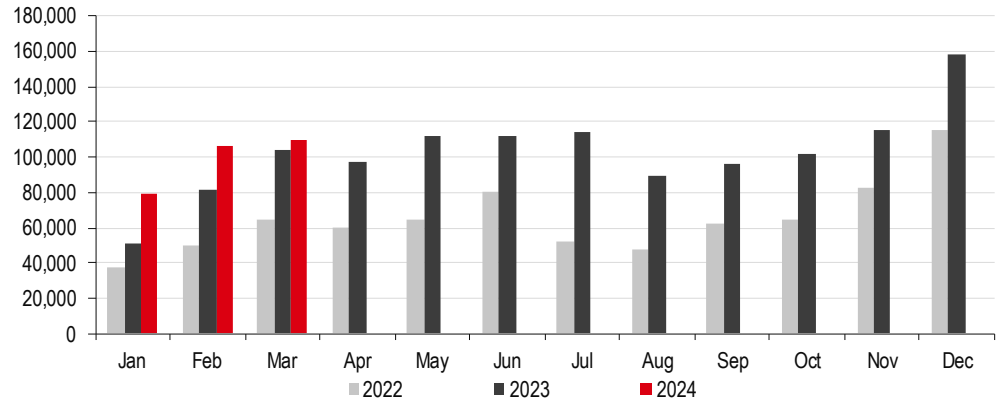
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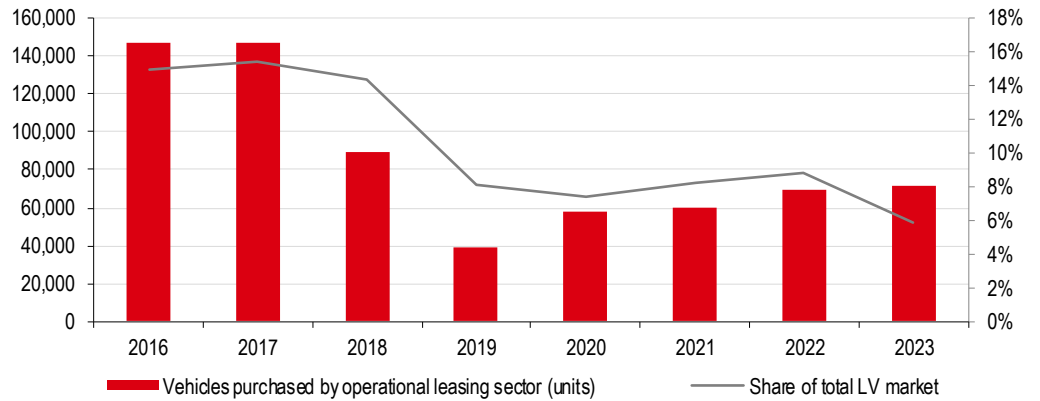
## Turkish autos in charts and tables

### Turkish LV\* demand (units) – 2024 started also strong after all-time high in 2023



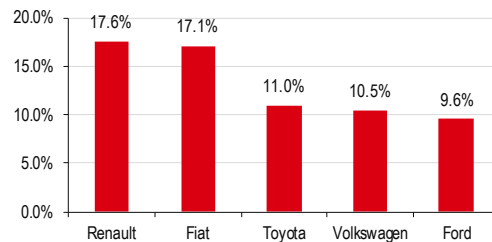
Source: ODMD (Turkish Auto Distributors and Mobility Association), HSBC estimates  
\*LV = light vehicles (passenger cars + light commercial vehicles).

### Leasing/rental sector demand to support volumes but should be margin dilutive



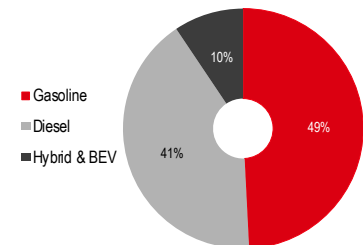
Source: TOKKDER (Turkish Auto Leasing and Rental Companies Association)

### Leasing market shares (2023)



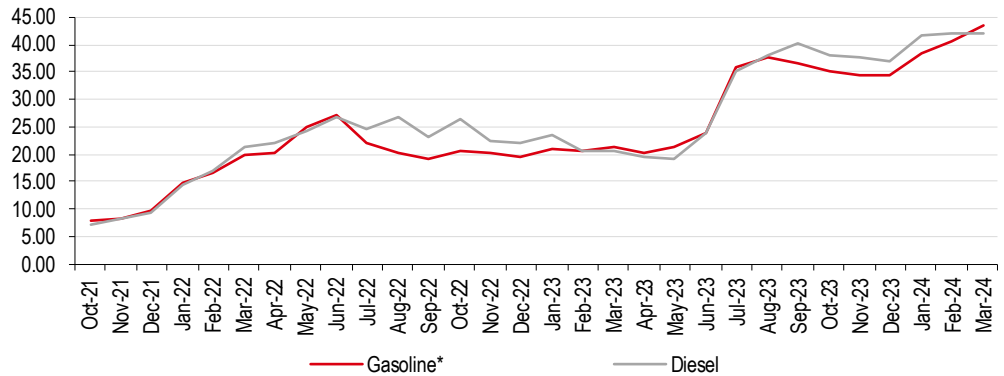
Source: TOKKDER

### Leasing market by engine type (2023)



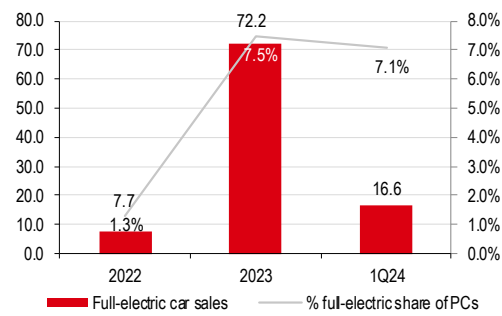
Source: TOKKDER

### Fuel prices continue trading higher after marginal decline



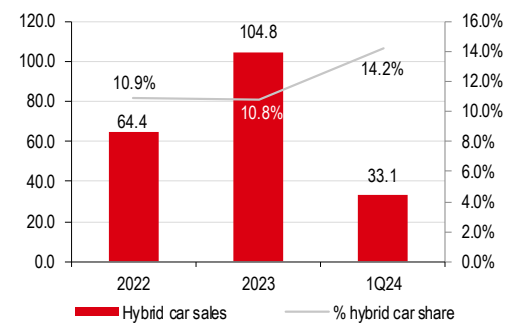
Source: Aytemiz Petrol website  
\*Istanbul retail pump prices in TRY per litre (end of month) and for gasoline 95 octane optimum.

### BEV demand decelerating (x 000)



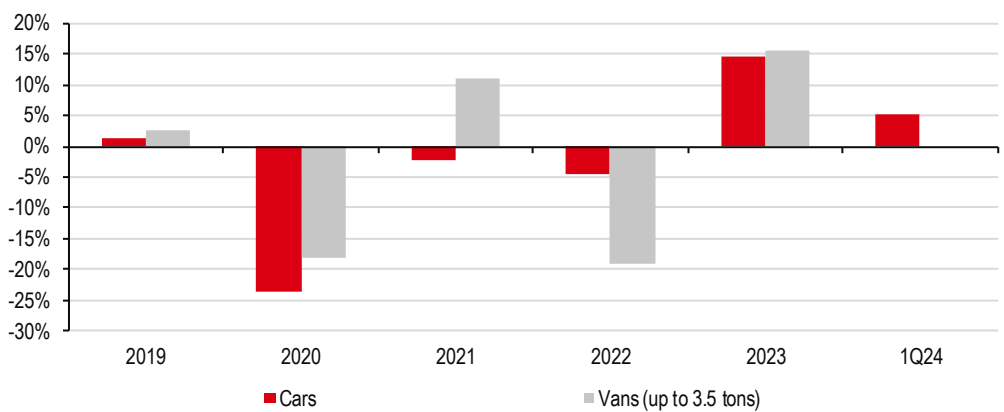
Source: ODMD

### Hybrids catching up (x 000)



Source: ODMD

### EU + UK new vehicle registrations (change y-o-y)



Source: ACEA for cars, Ford Otosan for vans. Note: Includes EU and UK data

## Outlook

### 2024 likely to see noteworthy normalisation in volumes, pricing, and margins

Turkish light vehicle (LV) market posted an impressive 57% y-o-y growth in 2023. We retain our LV demand forecast of 923k for 2024, which implies a 25% contraction y-o-y. While this indicates a noteworthy pull back, sustaining a sales level around c1.0m units would still be a good performance, in our view, considering the operating environment of extremely high inflation and interest rates. Main reasons for a weaker market should be exhaustion of pent-up, investment, and full-forward demand, the latter usually triggered by TRY depreciation while we observe a relatively more stable currency in recent months. On the other hand, factors that should keep demand from declining even sharper should be fleet sales (corporate/leasing demand where we still think there is notable pent up demand) as well as already very low dependency on auto loans in vehicle purchases (more than 80% of vehicles were sold in cash in 2023). We reckon, however, high interest rates is a setback for leasing demand.

Unlike the last two years which saw supply-side headwinds affecting vehicle availability, we believe capacity levels are far better suited to meet the current demand. As supply starts exceeding demand, and sales mixes evolve towards lower-margin operations (i.e. exports and fleet sales from retail sales), we not only foresee contraction in domestic volumes but also building pressure on pricing and margins this year for the auto sector players.

Some of the supply side concerns that were seen by auto majors FROTO and TOASO last year included an increased share of imported brands in the domestic demand mix. We have pencilled some moderation in imports and expect the market to favour domestic brands this year. Despite this, we see imported vehicles accounting for c62% of all domestic vehicles sales.

### Turkish vehicle demand: forecast changes

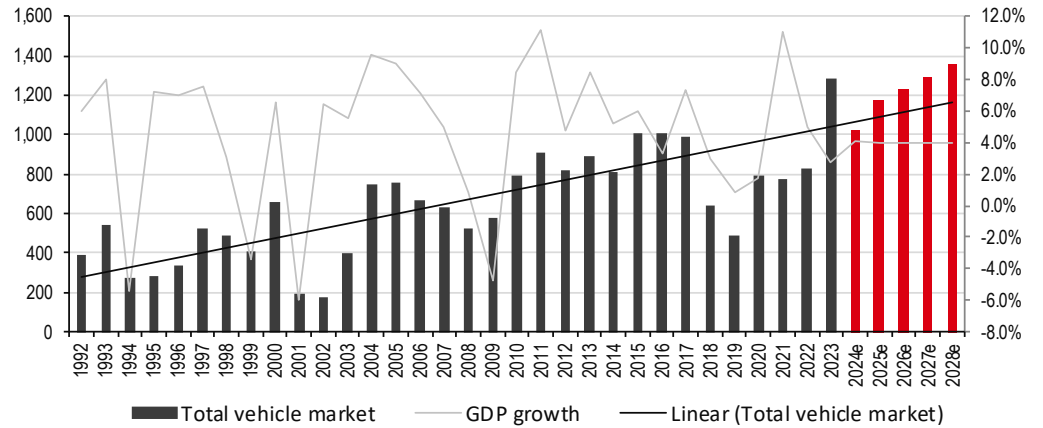
x 000 units	2023		2024e				2025e				2026e			
	actual	chg y-o-y	old	new	new/old	chg y-o-y	old	new	new/old	chg y-o-y	old	new	new/old	chg y-o-y
<b>PC - total</b>	<b>967</b>	<b>63%</b>	<b>715</b>	<b>715</b>	-	<b>-26%</b>	<b>844</b>	<b>844</b>	-	<b>18%</b>	<b>951</b>	<b>951</b>	-	<b>13%</b>
PC - domestic	311	35%	237	237	-	-24%	279	279	-	18%	323	323	-	16%
PC- imports	656	81%	479	479	-	-27%	565	565	-	18%	629	629	-	11%
<b>LCV - total</b>	<b>265</b>	<b>39%</b>	<b>208</b>	<b>208</b>	-	<b>-22%</b>	<b>245</b>	<b>245</b>	-	<b>18%</b>	<b>278</b>	<b>278</b>	-	<b>13%</b>
LCV - domestic	123	9%	108	108	-	-12%	127	127	-	18%	147	147	-	16%
LCV - imports	143	82%	100	100	-	-30%	118	118	-	18%	131	131	-	11%
<b>LV - total</b>	<b>1,233</b>	<b>57%</b>	<b>923</b>	<b>923</b>	-	<b>-25%</b>	<b>1,089</b>	<b>1,089</b>	-	<b>18%</b>	<b>1,230</b>	<b>1,230</b>	-	<b>13%</b>
LV - domestic	434	26%	344	344	-	-21%	406	406	-	18%	470	470	-	16%
LV - imports	799	82%	579	579	-	-28%	683	683	-	18%	760	760	-	11%
<b>HC - total</b>	<b>55</b>	<b>26%</b>	<b>39</b>	<b>39</b>	-	<b>-30%</b>	<b>46</b>	<b>46</b>	-	<b>18%</b>	<b>53</b>	<b>53</b>	-	<b>17%</b>
<b>Total (ex-tractors)</b>	<b>1,288</b>	<b>56%</b>	<b>962</b>	<b>962</b>	-	<b>-25%</b>	<b>1,135</b>	<b>1,135</b>	-	<b>18%</b>	<b>1,283</b>	<b>1,283</b>	-	<b>13%</b>
Tractors	78	16%	63	63	-	-19%	66	66	-	5%	66	66	-	0%

Source: ODMD, HSBC estimates

Note: PC = passenger cars, LCV = light commercial vehicles, LV = light vehicles (PC + LCV); HC = heavy commercial vehicles.

In the long-run, Türkiye continues to remain an underpenetrated market in terms of vehicle ownership. There are only c240 vehicles per 1,000 people and only c170 passenger cars per 1,000. This represents a large market with high potential for growth over the long-run. The demand surge in 2023 put the automobile industry back on its secular growth trend, and we are confident that the automobile industry could achieve sales volumes of c1.3-1.4m units in the next few years, although we expect a breather in 2024 after the unprecedented surge in 2023.

### Turkish vehicle market (x000 units) vs GDP growth



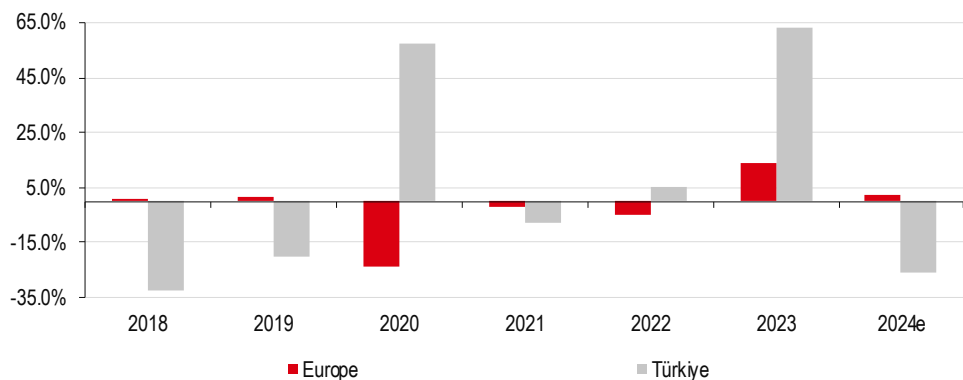
Source: OSD, HSBC estimates

### Export outlook

Europe is the single-largest export market for Turkish automakers. Despite significant rate hikes across most economies in Europe and an economic slowdown in the eurozone, we saw the PC market rise c15% and the van market rise c16% y-o-y in 2023 driven by pent-up demand. Eurozone saw GDP growth of 0.5% while the UK saw GDP growth of 0.1% in 2023. Better supply-side dynamics paved the way for better vehicle availability that in turn enabled automakers to meet the relatively higher demand last year.

For 2024, HSBC expects continued but more muted GDP growth in the eurozone (0.5%) and the UK (0.4%) with Germany, a key export market, contracting 0.2%. HSBC expects that the end of the rate hike cycle is close and that quantitative easing should begin from mid-2024 in Europe (see [European Economics](#), 2 April 2024). With consumer confidence appearing to have bottomed out and a dovish macroeconomic stance to support growth, HSBC now holds a view that European auto OEMs may see “flat-to-low” single-digit volume growth (see [European Automobiles: What’s baked in? Back to normality \(of sorts\)](#), 9 February 2024).

### New car sales growth

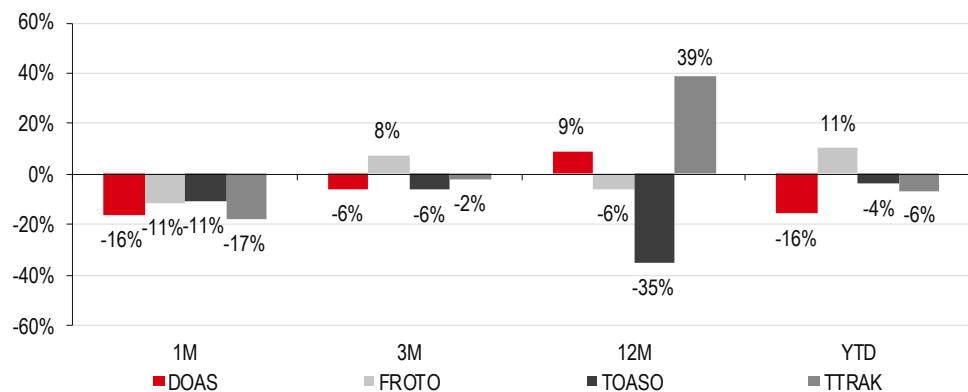


Source: ACEA, ODD, HSBC estimates

In its most recent update, the ACEA forecasted new car sales in Europe to moderate to 2.5% in 2024e as compared to the significant 13.9% growth seen in 2023. Despite the strong rebound, European new car sales still fell short of their pre-pandemic levels by c20% while the Turkish market touched its peak in 2023. Although the ACEA holds a more conservative view for exports, we have a slightly more optimistic view on the prospects for exporters in our coverage (mainly FROTO) and have factored a higher growth in exports, driven by product-related and capacity investments. 1Q24 saw new car registrations rise c5% y-o-y in the EU and the UK; and UK van registrations (up to 3.5 tons) up 8.6% y-o-y (ACEA is yet to disclose quarterly van sales data for EU).

## Stock views

### Comparison of share price performance (relative to BIST 100)



Source: HSBC, Refinitiv Datastream; priced as of 29 Apr 2024

### Valuation multiples and dividend yields

At current prices	2024e			2025e			At our new target prices	2024e			2025e		
	PE	EV/ EBITDA	Div Yield	PE	EV/ EBITDA	Div Yield		PE	EV/ EBITDA	Div Yield	PE	EV/ EBITDA	Div Yield
DOAS	2.3x	1.6x	21.7%	1.6x	1.2x	34.2%	DOAS	2.5x	2.5x	19.8%	1.8x	1.7x	31.3%
FROTO	4.8x	5.6x	12.5%	3.3x	4.3x	18.0%	FROTO	5.9x	6.1x	10.1%	4.1x	4.7x	14.6%
TOASO	7.6x	6.3x	9.2%	2.6x	2.4x	14.7%	TOASO	8.6x	6.7x	8.1%	3.0x	2.4x	12.9%
TTRAK	7.2x	4.8x	9.7%	5.4x	3.2x	19.5%	TTRAK	7.9x	5.6x	8.9%	5.9x	4.3x	13.6%

Source: HSBC estimates; data as of 29 Apr 2024

### Dogus Otomotiv (DOAS TI) – downgrade to Hold with unchanged TP of TRY320.00

We pencilled in 28% y-o-y contraction for imported light vehicles in 2024 in Türkiye, but a softer 17% decline for DOAS (excluding the Skoda brand), implying moderate market share gain this year, in line with the company's expectation. 1Q24 saw a sluggish start for the leading importer, underperforming the 25% growth in the entire LV market via a 5% growth in its sales. Given the extremely busy pipeline for new model launches this year, we anticipate a catch-up by Doas in the coming months and an overall above-sector sales performance for the full year. The European leader for BEVs, Volkswagen (VOW GR, EUR139.70, Hold, TP EUR133.00) with c20% market share, has lined up multiple EV launches for 2024 which could make DOAS a beneficiary. We note, however, that price competitiveness of the new models, particularly EV versions under the Volkswagen brand, will be critical for achieving the targeted sales volumes this year. As EV buyers in Türkiye turn more price-sensitive, offering vehicles that qualify for the lowest SCT (special consumption tax) level of 10% (vs 60%) would be important performance criterion.

2024 also marks the first full year of the consolidation of sister-concern Dogus REIT (DGGYO TI, TRY34.26, Not Rated). Consolidation of the REIT operation has meant that DOAS has lost its status as a pure auto sector player which also has added a certain degree of complexity to the financial estimates.

Under our IAS29 estimates including the REIT, we have incorporated weaker operating margins due to a high base from 2023, weaker unit sales assumptions, cost pressure, and more difficult pricing outlook. We look for flattish revenue in 2024 (in real terms), 8% decline in EBITDA, and 5% real decline in net profit. Our new DCF model under IAS29 but now EUR-based using a WACC of 13.6% (vs TRY-based DCF using 28.3% WACC previously) results in an unchanged target price of TRY320.00. Our target price implies 3.1% upside and we downgrade to Hold (from Buy).

**Ford Otosan (FROTO TI) – maintain Buy; raise TP to TRY1,370.00 (from TRY1,165.00)**

We maintain our Buy rating on FROTO with a higher target price of TRY1,370.00 driven by upward volume revisions. With exports accounting for more than 80% of total volumes sold and c73% of total revenues generated in 2023, FROTO remains notably more immune to the domestic market weakness than its peers and has exposure to strong EUR-denominated revenues. While a relatively more stable TRY is currently a drag for exporters, we think that this is offset by fixed mark-up (in EUR) in export sales in a period when inflationary cost pressures are a major concern for many Turkish corporates. We now expect total sales volumes to grow by 13% in 2024 (vs 7% previously), with exports growth of 19%, offsetting a domestic decline of 12%. Fleet renewal continues to be a major structural tailwind for the company which we believe would continue to support demand both at home and abroad. The commissioning of the company's recent expansions would also aid export growth, especially with the launch of the all-new Courier model from the Romanian plant in H2 last year and the new Custom model (also to be launched under the VW brand as Transporter).

FROTO has guided 2024 to be another year of heavy investments with expected capex outlays ranging between EUR900m and EUR1bn. After a series of diesel/gasoline product launches in 2023, 2024 would see the BEV and PHEV versions of these models hit the roads with the PHEV & BEV versions of the Custom being launched in 1H24, followed by the e-Courier and e-Puma in 4Q24. Aging fleets across Europe and in Türkiye, as well as the high running costs associated with diesel vehicles in Türkiye, present a compelling case for electrification. Market leadership in the CV segment combined with the company's strong EUR-denominated revenue base driven by its leading exporter status continue to be themes that support our optimistic view for the fundamental business prospects.

Despite its strong share price performance, we still see ample upside on FROTO for a positive investment view. Our new TP of TRY1,370 implies upside of 23.9% and we maintain our Buy rating.

**Tofas (TOASO TI) – downgrade to Hold with unchanged TP of TRY310.00**

We downgraded TOASO to Hold from Buy with unchanged target price of TRY310.00. Our new target implies 14.6% potential return, but our choice of a Hold rating now reflects the weak start to the year in Q1 in terms of market share, urging us to cut our volume estimates. Tofas saw its total domestic volumes decline by 18% in 1Q24 vs 25% growth in the market, resulting in a noteworthy 7.5ppts y-o-y contraction in its market share. 2024 now looks to be a year of transition with weaker market position until the story turns positive again with potential drivers including the expected merger with Stellantis-Türkiye (still awaiting clearance from competition authority) and launch of new export model "K0" from late 2024 or early 2025 onwards. Merger with Stellantis-Türkiye (i.e. importation and distribution business for PSA Group brands including Peugeot, Citroen, Opel, and DS brands) would create the largest automobile company in the country with a combined LV market share of c34% (with 2023 data, c30% with 1Q24 data). We continue to assume full consolidation of this operation from the beginning of 2025 and attach TRY23 per share value for it. We forecast Tofas' total sales volume to decline 11% in 2024,

driven largely by a 22% decline in domestic sales. We expect exports to rise by 5% y-o-y, offering muted support to overall volumes.

We have a positive medium- and long-term outlook for Tofas, with total sales exceeding 500k units starting from 2025 (vs only 233k in 2024e) when we assume that the new KO export model brings in c140k units in annual sales and that an additional c180k units (import sales in Türkiye) would come from the merger with Stellantis-Türkiye. We see the production jumping from c200k levels in 2024e to above 300k in 2025e and capacity utilisation level rising from c50% towards 90% in the next four years. Despite this positive outlook, the near-term headwinds of weak product offering in 2024 leads us to retain a Hold rating and our target price of TRY310, implying 13.6% upside. We see approval of a merger with Stellantis-Türkiye as a potential positive catalyst for the stock, a process that has taken longer than expected so far, causing a degree of scepticism and disappointment, in our view.

#### **Turk Traktor (TTRAK TI) – maintain Hold; raise TP to TRY950.00 (from TRY800.00)**

We maintain our Hold rating on Turk Traktor but have raised our target price to TRY950.00. TTRAK closed the year with record EBITDA margin of 25.4% and strong IAS-29 adjusted sales and net profit growth of 41% and 116%, respectively. Most of this was driven by strong demand and better pricing in the domestic market. Domestic volumes grew 31% y-o-y in 2023 which further aided the strong top-line performance.

As the year progresses, we continue to anticipate a 20% pullback in tractor demand, driven by a slower economic growth outlook, higher financing costs and more selective loan disbursements. A key lender for tractors, Ziraat Bank (not listed), offers competitive interest rates of 25.2% (with a 50% subsidy for locally produced tractors on the full rate of 50.4%), although up from a rate of 5% (full rate 10%) in the beginning of 2023, tracking the central bank policy rates. While this does provide an advantage to the company, it also creates significant risk given that c70% of 2023 tractor sales were financed by Ziraat Bank. In March 2024, the CBRT hiked interest rates by another 500bp to 50.0%. The HSBC view is that interest rates would remain unchanged throughout 2024 (see [Global Economics](#), 25 March 2024). In addition to a higher interest rate environment, we are not certain about whether Ziraat Bank will maintain its current standards when it comes to fresh disbursements or there could be some degree of stringency in its lending patterns.

Given that domestic sales accounted for 72% of TTRAK's volumes and 69% of revenue in 2023, TTRAK is highly dependent on the domestic market dynamics. Despite our 20% decline forecast for domestic volumes, we expect a relatively benign pricing environment which should help soften the pressure on domestic revenues this year. We expect dividend payments to decline this year. We assume a 70% dividend pay-out ratio which would translate into DPS of TRY87/share. A weaker domestic demand sentiment and absence of strong protection from exports make us less confident of the near-term prospects, driving our Hold rating.

#### **1Q24 retail sales volume**

Unit sales	PC			LCV			LV		
	1Q23	1Q24	chg y-o-y	1Q23	1Q24	chg y-o-y	1Q23	1Q24	chg y-o-y
DOAS (inc Skoda)	30,912	30,734	-1%	5,020	6,258	25%	35,932	36,992	3%
DOAS (ex Skoda)	20,967	21,154	1%	5,020	6,258	25%	25,987	27,412	5%
Ford	5,173	8,313	61%	17,828	13,438	-25%	23,001	21,751	-5%
Tofas	35,435	25,275	-29%	15,314	16,091	5%	50,749	41,366	-18%
Stellantis (PSA)	30,900	37,612	22%	11,701	12,188	4%	42,601	49,800	17%
<b>Market – total</b>	<b>175,421</b>	<b>233,389</b>	<b>33%</b>	<b>60,550</b>	<b>62,130</b>	<b>3%</b>	<b>235,971</b>	<b>295,519</b>	<b>25%</b>

Source: ODD



### 1Q24 retail market shares

Market shares	PC			LCV			LV		
	1Q23	1Q24	chg y-o-y	1Q23	1Q24	chg y-o-y	1Q23	1Q24	chg y-o-y
DOAS (inc Skoda)	17.6%	13.2%	-4.5%	8.3%	10.1%	1.8%	15.2%	12.5%	-2.7%
DOAS (ex Skoda)	12.0%	9.1%	-2.9%	8.3%	10.1%	1.8%	11.0%	9.3%	-1.7%
Ford	2.9%	3.6%	0.6%	29.4%	21.6%	-7.8%	9.7%	7.4%	-2.4%
Tofas	20.2%	10.8%	-9.4%	25.3%	25.9%	0.6%	21.5%	14.0%	-7.5%
Stellantis (PSA)	17.6%	16.1%	-1.5%	19.3%	19.6%	0.3%	18.1%	16.9%	-1.2%

Source: ODD

## Forecast changes

### Turkish market

For the Turkish LV market, we continue to project a weaker market of nearly 1.0m units in 2024, unchanged from our previous estimate (see [Turkish Automobiles: Valuations lag financial performance](#), 8 Jan 2024). Although our absolute figure remains unchanged, it now translates into 25% y-o-y decline (previously 20%) as the finish to year 2023 was stronger than expected. We anticipate some degree of volume and margin correction among players as lower-margin fleet sales expand while higher-margin retail sales decline in the domestic market as well as lower-margin exports increase their share in total sales mix.

For tractors, we again maintain our total 2024 domestic market forecast of 63k tractors, which now implies a 19% y-o-y contraction (vs previously 20%). As we noted earlier, we believe pent up demand is diminished as well as investment demand, even valid for tractor purchases in 2023. The key lender, Ziraat Bank, has hiked rates from c5% (after 50% subsidy on 10% full rate) in early 2023 to 25.2% (full rate 50.4%) as of February 2024 to match the rate hikes of the CBRT. In 2023, 69% of all tractor sales were financed by Ziraat Bank, largely due to their ability to provide below-market rate quotes for interest rates. Although HSBC anticipates interest rates to remain unchanged at 50% until the end of 2024, the key question would be the availability and accessibility of tractor loans and whether Ziraat Bank is likely to tighten lending practices.

### Dogus Otomotiv

Our new volume estimates reflect a 19% decline in retail sales for 2024 with the non-Skoda brands declining 17%. While we pencil a 1% rise in revenue (sustained by parts sales and other revenues), we anticipate a 7%/5% decline in EBITDA/net profit in 2024 driven by a 1.8 ppt EBITDA margin contraction resulting from DOAS's positioning as an importer of vehicles against the backdrop of a depreciating TRY. We see a stronger 2025 on the back of revival in domestic demand. We now expect a 20%/11%/11% rise in revenue/EBITDA/net income in 2025. From a dividend context, we expect pay-out in 2024 to be 50%, steadily rising to 60% in 2026.

### Dogus Otomotiv: FY24 guidance vs HSBC estimates

Company guidance vs HSBCe	2023 guidance	2023 actual	2023a IAS29	2024 guidance	2024e HSBC
Türkiye PC market	1,200k	967k	967k	700k	715k
DOAS sales (excl. Skoda)	120k+	137k	137k	95k	115k
Capex	TRY1,700m	-	TRY1,889m	TRY4,000m	TRY3,042m

Source: Company data, HSBC estimates

### Ford Otosan

Better export output from both Türkiye and Romania has led us to raise the export ratio estimate to c85% (2023: c81%) as we expect European CV demand to hold up well, driven largely by fleet renewal. FROTO's export sales are priced at cost plus mark-up in EUR terms which creates a hedge against inflation when combined with the higher export output. We anticipate

the strong export outlook to compensate for the weaker domestic outlook. With upward revisions in our volume estimates and moderations in pricing, we now pencil IAS 29-adjusted revenue/EBITDA/net profit growth rates of 13%/6%/10% in 2024. We further anticipate a 18%/1%/12% rise in revenue/EBITDA/net profit in 2025, driven largely by an uptrend in the domestic business. Despite heavy capex, we anticipate a dividend pay-out ratio of 60% (c56% in 2023) for 2024-26.

#### Ford Otosan: FY24 guidance vs HSBC estimates

Company guidance vs HSBCe	2023 guidance	2023 actual	2024 guidance	2024e HSBC
Retail sales volume	110-120k	114k	100-110k	103k
Export volume	530-550k	492k	560-610k	585k
Wholesale volume	640-670k	610k	660-720k	689k
Production volume	610-640k	590k	650-700k	688k
Capex (EURm)	900-950	900	900-1,000	950

Source: Company data, HSBC estimates

#### Tofas

For Tofas, we hold a more cautious view for domestic volumes as we anticipate a 16% decline in domestic sales while remaining constructive on the export volumes which we believe could rise by 5%. The introduction of the K0 model in 2025 would help make up for lost ground with the cessation of the Doblo model in 2023 as well as the potential Fiorino model at end-2024 (we expect a new version of car model Tipo that expires in 2026). The addition of the Stellantis-Türkiye business also will transition Tofas into a more domestic-oriented business, despite revival of exports with K0 from 2025 onwards. Factoring the higher exposure to the domestic environment, we anticipate a 9%/24%/20% y-o-y decline in revenue/EBITDA/net profit in 2024 after inflation adjustment. We also expect EBITDA margin to contract 2.2 ppt in 2024 given weaker pricing and a lack of export revenues. We anticipate 2025 to be the major year for Tofas with consolidation of the Stellantis-Türkiye operations which would result in a 141%/113%/124% rise in revenue/EBITDA/net profit in 2025. We continue to anticipate higher dividends in 2024 with an anticipated pay-out ratio of 69%. However, we expect a decline in the pay-out ratio to 39% in 2025-26.

#### Tofas: FY24 guidance vs HSBC estimates

Company guidance vs HSBCe	2023 guidance	2023 actual	2023a IAS29	2024 guidance	2024e HSBC
Turkish LV market (in m)	1.10-1.15m	1.23	1.23	0.8-1.0m	0.92
Domestic sales	195-205k	201	201	160-180k	170
Exports	60-70k	60	60	60-70k	63
Production volume	240-250k	239	239	180-210k	210
Capex (EURm)	100	49	49	200	200
PBT margin	>15%	20.6%	14.4%	>10%	12.3%

Source: Company data, HSBC estimates

#### Turk Traktor

For Turk Traktor, our revised set of IAS29 estimates continue to suggest a slow 2024, in line with the demand sentiment and rising financing cost scenario. We now expect a 6%/17%/11% decline in revenue/EBITDA/net profit in 2024, driven largely by a stronger contraction of 10% in the export business and a 3.3 ppt EBITDA margin contraction. On the volume front, we expect a 20% decline in domestic sales and a 3% uptick in export volumes, coming off the highs of 2023 volumes. We anticipate some recovery in 2025, largely driven by recovery in domestic demand, as we now anticipate a 10%/1%/4% increase in revenue/EBITDA/net profit in 2025.

**Turk Traktor: FY24 guidance vs HSBC estimates**

Company guidance vs HSBCe	2023 guidance	2023 actual	2024 guidance	2024e HSBC
Tractor industry volume	77-80k	78k	60-68k	62k
Domestic volume	35.5-37k	36k	31-35k	33k
Export volume	15.75-16.25k	16k	14-15.5k	15k
Capex (USDm)	46-54	73	80-90	85

Source: Company data, HSBC estimates; Note: 2023 actual capex is IAS29 adjusted

**Dogus Otomotiv: forecast changes**

TRYm	2022a IAS29	2023a IAS29	y-o-y chg	2023 old	2023 restated	2024e new	new/ old	y-o-y chg	2024 old	2024 restated	2025e new	new/ old	y-o-y chg	2025e old	2025e restated	2026e new	new/ old	y-o-y chg
Revenues	88,487	149,245	69%	-	222,972	226,090	-	1%	-	291,657	348,987	-	20%	-	418,784	464,218	-	11%
EBITDA	19,943	32,399	62%	-	48,404	44,939	-	-7%	-	57,971	64,460	-	11%	-	77,352	81,691	-	6%
EBITDA margin	22.5%	21.7%	-0.8%	-	21.7%	19.9%	-	-1.8%	-	19.9%	18.5%	-	-1.4%	-	18.5%	17.6%	-	-0.9%
Net profit	15,613	19,622	26%	-	29,315	27,904	-	-5%	-	35,996	40,032	-	11%	-	48,038	50,121	-	4%
DPS	13.18	40.91	-	-	61.12	63.42	-	-	-	94.75	100.08	-	6%	-	129.10	136.69	-	6%
Cash dividends	2,900	9,000	-	-	13,446	13,952	-	-	-	20,844	22,018	-	6%	-	28,403	30,073	-	6%
Dividend payout	19%	46%	-	-	46%	50%	-	-	-	58%	55%	-	-5%	-	59%	60%	-	1%

Source: Company data, HSBC estimates

**Ford Otosan: forecast changes**

TRYm	2022a IAS29	2023a IAS29	y-o-y chg	2023 old	2023 restated	2024e new	new/ old	y-o-y chg	2024 old	2024 restated	2025e new	new/ old	y-o-y chg	2025e old	2025e restated	2026e new	new/ old	y-o-y chg
Revenues	322,556	411,906	28%	-	615,387	693,252	-	13%	-	894,296	1,055,534	-	18%	-	1,266,641	1,372,092	-	8%
Türkiye revenue	78,041	120,561	54%	-	180,118	177,385	-	-2%	-	228,826	277,669	-	21%	-	333,203	371,720	-	12%
Int'l revenue	251,011	301,628	20%	-	450,632	530,997	-	18%	-	684,986	800,634	-	17%	-	960,760	1,030,109	-	7%
EBITDA	34,467	50,082	45%	-	74,822	78,951	-	6%	-	101,847	102,871	-	1%	-	123,445	126,815	-	3%
EBITDA margin	10.7%	12.2%	1.5%	-	12.2%	11.4%	-	-0.8%	-	11.4%	9.7%	-	-1.6%	-	9.7%	9.2%	-	-0.5%
Net profit	27,730	49,056	77%	-	73,289	80,818	-	10%	-	104,255	116,669	-	12%	-	133,528	145,308	-	9%
DPS	52.50	78.00	-	-	116.53	138.19	-	-	-	206.45	199.49	-	-3%	-	257.34	248.45	-	-3%
Cash dividends	18,424	27,371	-	-	40,892	48,491	-	-	-	72,445	70,002	-	-3%	-	90,302	87,185	-	-3%
Dividend payout	66%	56%	-	-	56%	60%	-	-	-	69%	60%	-	-9.5%	-	68%	60%	-	-7.6%

Source: Company data, HSBC estimates

**Tofas: forecast changes**

TRYm	2022a IAS29	2023a IAS29	y-o-y chg	2023 old	2023 restated	2024e new	new/ old	y-o-y chg	2024 old	2024 restated	2025e new	new/ old	y-o-y chg	2025e old	2025e restated	2026e new	new/ old	y-o-y chg
Revenues	127,815	130,254	2%	-	194,599	176,759	-	-9%	-	228,019	549,722	-	141%	-	659,666	700,879	-	6%
Türkiye revenue	67,438	102,476	52%	-	153,100	134,112	-	-12%	-	173,005	204,174	-	18%	-	245,009	273,643	-	12%
Int'l revenue	56,581	25,125	-56%	-	37,536	39,175	-	4%	-	50,536	113,470	-	125%	-	136,163	134,418	-	-1%
EBITDA	16,111	17,375	8%	-	25,959	19,612	-	-24%	-	25,299	53,868	-	113%	-	64,642	65,751	-	2%
EBITDA margin	12.6%	13.3%	0.7%	-	13.3%	11.1%	-	-2.2%	-	11.1%	9.8%	-	-1.3%	-	9.8%	9.4%	-	-0.4%
Net profit	9,374	15,083	61%	-	22,535	18,033	-	-20%	-	23,263	52,163	-	124%	-	62,080	64,428	-	4%
DPS	14.88	20.00	-	-	29.88	25.00	-	-	-	37.35	40.00	-	7%	-	51.60	50.00	-	-3%
Cash dividends	7,438	10,000	-	-	14,940	12,500	-	-	-	18,675	20,000	-	7%	-	25,800	25,000	-	-3%
Dividend payout	79%	66%	-	-	66%	69%	-	-	-	80%	38%	-	-52%	-	42%	39%	-	-7%

Source: Company data, HSBC estimates

**Turk Traktor: forecast changes**

TRYm	2022a	2023a	y-o-y chg	2023		new/ old	y-o-y chg	2024		new/ old	y-o-y chg	2025e		2026e new	new/ old	y-o-y chg		
	IAS29	IAS29		old	restated			old	restated			old	restated					
Revenues	36,999	46,778	26%	-	69,886	65,848	-	-6%	-	84,944	93,656	-	10%	-	112,387	122,104	-	9%
Türkiye revenue	27,935	45,354	62%	-	67,759	64,862	-	-4%	-	83,671	94,298	-	13%	-	113,158	124,559	-	10%
Int'l revenue	13,462	13,082	-3%	-	19,544	17,658	-	-10%	-	22,779	23,596	-	4%	-	28,315	29,561	-	4%
EBITDA	4,618	12,504	171%	-	18,681	15,446	-	-17%	-	19,926	20,146	-	1%	-	24,175	26,577	-	10%
EBITDA margin	12.5%	26.7%	14.2%	-	26.7%	23.5%	-	-3.3%	-	23.5%	21.5%	-	-1.9%	-	21.5%	21.8%	-	0.3%
Net profit	4,309	9,342	117%	-	13,957	12,442	-	-11%	-	16,050	16,720	-	4%	-	20,064	21,995	-	10%
DPS	57.07	62.96	-	-	94.06	87.03	-	-	-	130.03	133.67	-	3%	-	172.43	175.84	-	2%
Cash dividends	3,046	6,300	-	-	9,412	8,709	-	-	-	13,012	13,376	-	3%	-	17,255	17,596	-	2%
Dividend payout	71%	67%	-	-	67%	70%	-	-	-	81%	80%	-	-1%	-	86%	80%	-	-7%

Source: Company data, HSBC estimates

## Valuation and risks

	Valuation	Risks
<b>Dogus Otomotiv DOAS TI</b>  <b>Hold</b>	<p>Current price: <b>TRY310.25</b></p> <p>Target price: <b>TRY320.00</b></p> <p>Up/downside: <b>+9.4%</b></p> <p>We value DOAS using a EUR-denominated (previously TRY-denominated) DCF model driven by a set of IAS29 forecasts.</p> <p>In our DCF projections, we have used a 5-year average EBITDA margin of 17.7%, WC/Sales of 12.1%, average annual capex assumption of EUR91m, and average effective tax rate (vs EBITDA) of 30.0%.</p> <p>Key WACC parameters used in our EUR-based DCF model are as follows: 20.7% CoE based on a 7.9% EUR risk-free rate derived from Türkiye's Eurobond yields, equity risk premium of 9.0%, 5.0% adjustment factor for Turkish stocks and stock beta of 0.83, based on Bloomberg adjusted beta (our previous CoE was 28.4%, based on RfR of 3.5%, ERP of 9.0%, adjustment factor of 14.0% and stock beta of 1.23). We use a debt/equity ratio of 51/49 (from 25/75), average EUR long-term cost of debt of 9.0% (previously a TRY cost of debt of 35%), corporate tax rate in Türkiye of 25%, and terminal growth rate of 3% (previously 15%). These assumptions result in a EUR WACC of 13.4% (from TRY WACC of 28.3%). Our unchanged target price implies upside of 9.4% and we downgrade to Hold (from Buy) due to more difficult operational outlook ahead and overhang from shareholder stake sale (major shareholder Dogus Holding applied earlier this week to make 10% stake in Doas tradable at BIST for a potential sale).</p>	<p><b>Upside risks:</b> (i) stronger Turkish vehicle demand and market share performance by DOAS; (ii) better ability to pass on FX-denominated costs allowing easier pricing conditions; (iii) favourable changes in competitive dynamics, leading to better margins; (iv) favourable changes in taxation of new vehicle sales in Türkiye; and (v) better-than-expected pricing support from OEMs.</p> <p><b>Downside risks:</b> (i) weaker-than-expected Turkish vehicle demand and market share performance by DOAS than we assume; (ii) major currency volatility making pricing difficult, stronger competition than we expect, leading to margin erosion; (iii) unfavourable changes in the taxation of new vehicle sales in Türkiye; (iv) supply chain/production problems causing vehicle availability problems; (v) weaker-than-expected pricing support from OEMs, such as Volkswagen AG; and (vi) potential overhang from a decision to sell shares bought back in the market.</p>
<b>Ford Otosan FROTO TI</b>  <b>Buy</b>	<p>Current price: <b>TRY1,106.00</b></p> <p>Target price: <b>TRY1,370.00</b></p> <p>Up/downside: <b>+23.9%</b></p> <p>We continue to value Ford Otosan via DCF using an assumption set of ex-IAS29 forecasts, aided by some FY23 metrics provided by the company excluding IAS29 effects.</p> <p>In our DCF projections, we have used a 5-year average EBITDA margin of 9.2%, WC/Sales of 4.4%, average annual capex assumption of EUR404m and average effective tax rate (vs EBITDA) of 4.0%.</p> <p>Key WACC parameters used in our DCF model are as follows: 26.8% CoE based on a 3.5% risk-free rate, equity risk premium of 9.0%, 14.0% adjustment factor for Turkish stocks and stock beta of 1.04, based on Bloomberg adjusted beta (our previous CoE was 25.9%, based on RfR of 3.5%, ERP of 9.0%, adjustment factor of 14.0% and stock beta of 0.93). We use a debt/equity ratio of 51/49 (from 60/40), average long-term cost of debt of 35% (from 30%), corporate tax rate in Türkiye of 25% and terminal growth rate of 15% (unchanged). These assumptions result in a WACC of 26.8% (from 24.7%). An increase in our WACC, along with the new set of ex-IAS29 assumptions we have used in our DCF model, have resulted in an increased target price of TRY1,370.00 (from TRY1,165). Our target price implies upside of 23.9% and we maintain our Buy rating.</p>	<p><b>Downside risks:</b> (i) weaker-than-expected domestic and export demand, especially for LCVs; (ii) tougher pricing and market share competition in Türkiye than expected, putting pressure on domestic margins; (iii) lower-than-expected cash dividend distribution; (iv) higher-than-expected raw material prices, putting pressure on domestic margins; sharp currency changes; (v) any tax hikes on auto sales that affect company sales negatively; and (vi) supply chain/production-related problems.</p>

	<b>Valuation</b>	<b>Risks</b>
<div style="background-color: #444; color: white; padding: 5px; margin-bottom: 5px;"><b>Tofas</b> <b>TOASO TI</b></div> <div style="background-color: #eee; padding: 5px;"><b>Hold</b></div>	<p>Current price: <b>TRY273.00</b></p> <p>Target price: <b>TRY310.00</b></p> <p>Up/downside: <b>+13.6%</b></p> <p>We continue to value Tofas through DCF using an assumption set of ex-IAS29 forecasts, aided by some FY23 metrics provided by the company excluding IAS29 effects.</p> <p>In our DCF projections, we have used a 5-year average EBITDA margin of 12.5%, WC/Sales of 9.0%, average annual capex assumption of EUR170m, and average effective tax rate (vs EBITDA) of 16.0%.</p> <p>Key WACC parameters used in our DCF model are as follows: 26.8% CoE based on a 3.5% risk-free rate, equity risk premium of 9.0%, 14.0% adjustment factor for Turkish stocks, and stock beta of 1.03, based on Bloomberg adjusted beta (unchanged from our previous CoE, which was 26.5%, based on RfR of 3.5%, ERP of 9.0%, adjustment factor of 14.0% and stock beta of 0.98). We use a debt/equity ratio of 24/76 (from 28/72), average long-term cost of debt of 40% (from 30%), corporate tax rate in Türkiye of 25%, and terminal growth rate of 15% (unchanged). These result in a WACC of 27.6% (from 26.8%).</p> <p>The Stellantis-Türkiye operations continue to be incorporated in our valuations with unchanged fair value of TRY23/share, after deducting the agreed acquisition cost of EUR400m.</p> <p>Our new set of ex-IAS29 assumptions we have used in our DCF model have resulted in unchanged target price of 310.00. Our target price implies an upside of 13.6% and we downgrade the stock to Hold due to weak near-term sales and profit outlook.</p>	<p><b>Upside risks:</b> (i) stronger-than-expected Turkish and European vehicle markets; (ii) better pricing power and market share gains in Türkiye than expected, aiding domestic margins; (iii) better cash dividend distribution; (iv) favourable input costs driven by lower input prices; (v) favourable taxation on new vehicles and associated running costs; (vi) higher EURTRY depreciation, boosting export revenues; (vii) higher EURTRY depreciation, boosting export revenues; (viii) earlier consolidation of Stellantis-Türkiye business; (ix) lower-than-expected financing costs for new purchases; and (x) better contract terms for new generation vehicles (i.e. higher take-or-pay volume guarantees and/or profit mark-up compared with the current contracts).</p> <p><b>Downside risks:</b> (i) weaker-than-expected Turkish and European vehicle markets; (ii) tougher pricing and market share competition in Türkiye than expected, putting pressure on domestic margins; (iii) lower-than-expected cash dividend distribution; (iv) higher raw material prices, putting pressure on domestic margins; (v) sharp currency changes; (vi) any tax hikes on auto sales that affect company sales negatively; (vii) supply chain/production problems; (viii) a further delay in the Stellantis merger beyond 2024 or deal getting cancelled due to violation of competition rules; and (ix) weaker-than-expected contract terms for new generation vehicles (i.e. notably lower take-or-pay volume guarantees and/or profit mark-up compared with the current contracts).</p>
<div style="background-color: #444; color: white; padding: 5px; margin-bottom: 5px;"><b>Turk Traktor</b> <b>TTRAK TI</b></div> <div style="background-color: #eee; padding: 5px;"><b>Hold</b></div>	<p>Current price: <b>TRY900.50</b></p> <p>Target price: <b>TRY950.00</b></p> <p>Up/downside: <b>+5.5%</b></p> <p>We continue to value Turk Traktor via DCF using an assumption set of ex-IAS29 forecasts, aided by some FY23 metrics provided by the company excluding IAS29 effects.</p> <p>In our DCF projections, we have used a 5-year average EBITDA margin of 18.5%, WC/Sales of 2.0%, average annual capex assumption of USD57m, and average effective tax rate (vs EBITDA) of 10.6%.</p> <p>Key WACC parameters used in our DCF model are as follows: 25.4% CoE based on a 3.5% risk-free rate, equity risk premium of 9.0%, 14.0% adjustment factor for Turkish stocks and stock beta of 0.88, based on Bloomberg adjusted beta (our previous CoE was 26.5%, based on RfR of 3.5%, ERP of 9.0%, adjustment factor of 14.0% and stock beta of 0.91). We use a debt/equity ratio of 25/75 (from 30/70), average long-term cost of debt of 40% (from 30%), corporate tax rate in Türkiye of 25% and terminal growth rate of 15% (unchanged). These result in a WACC of 26.6% (from 26.4%). A marginal decrease in our WACC, along with the new set of ex-IAS29 assumptions we have used in our DCF model, have resulted in an increased target price of TRY950.00. Our target price implies an upside of 5.5% and maintain our Hold rating due to a more difficult operational outlook for the remainder of this year.</p>	<p><b>Upside risks:</b> (i) any major rise in agricultural production (owing to economic/climate conditions); (ii) stronger-than-expected state subsidies for agriculture and tractor purchases; (iii) weaker competition in the domestic market, resulting in higher market share/margins; (iv) strengthening of credit conditions; and (v) faster than-expected land consolidation in Türkiye (as this would impact the pace of mechanisation in the agricultural industry).</p> <p><b>Downside risks:</b> (i) any major fall in agricultural production (due to economic/climate conditions such as floods or draughts); (ii) weaker-than-expected state subsidies for agriculture and tractor purchases; (iii) stronger competition in the domestic market, resulting in lower market share/margins; (iv) any sanctions against Türkiye-originated tractor imports; (v) worsening of credit conditions; (vi) supply chain/production problems; and (vii) slower-than-expected land consolidation in Türkiye (as this would impact the pace of mechanisation in the agricultural industry).</p>

Priced at 29 Apr 2024  
 Source: HSBC estimates

## Financials & valuation: Dogus Otomotiv

**Hold**

### Financial statements

Year to	12/2023a	12/2024e	12/2025e	12/2026e
<b>Profit &amp; loss summary (TRYm)</b>				
Revenue	149,245	226,090	348,987	464,218
EBITDA	32,399	44,939	64,460	81,691
Depreciation & amortisation	-1,216	-2,017	-2,805	-3,671
Operating profit/EBIT	31,184	42,922	61,655	78,020
Net interest	-5,191	-7,295	-10,558	-14,065
PBT	25,880	35,522	50,962	63,805
HSBC PBT	25,880	35,522	50,962	63,805
Taxation	-6,118	-7,815	-11,212	-14,037
Net profit	19,622	27,904	40,032	50,121
HSBC net profit	19,622	27,904	40,032	50,121
<b>Cash flow summary (TRYm)</b>				
PBT	25,880	35,522	50,962	63,805
Oper'l cash before WC	16,874	24,581	39,390	51,970
WC change	-8,362	-7,703	-13,960	-18,809
Cash flow from operations	8,512	16,878	25,429	33,162
Net capex (fixed assets)	-770	-3,042	-3,752	-5,735
Oper'l FCF	7,743	13,837	21,678	27,426
Net interest	-5,191	-1,025	-1,878	-2,018
FCF (before dividends)	2,551	12,812	19,800	25,408
PBT	25,880	35,522	50,962	63,805
<b>Balance sheet summary (TRYm)</b>				
Intangible fixed assets	519	731	988	1,264
Tangible fixed assets	34,133	56,690	82,886	109,085
Current assets	33,214	57,481	79,666	97,607
Cash & others	7,644	12,922	10,845	-2,638
Total assets	67,867	114,903	163,540	207,957
Operating liabilities	11,449	19,404	28,234	37,990
Gross debt	10,780	19,392	24,586	25,195
Net debt	3,137	6,471	13,741	27,833
Shareholders' funds	41,342	68,748	100,088	129,756
Invested capital	48,775	82,577	124,461	172,605

### Ratio, growth and per share analysis

Year to	12/2023a	12/2024e	12/2025e	12/2026e
<b>Y-o-y % change</b>				
Revenue	68.7	51.5	54.4	33.0
EBITDA	62.5	38.7	43.4	26.7
Operating profit	64.0	37.6	43.6	26.5
PBT	46.3	37.3	43.5	25.2
HSBC EPS	25.7	42.2	43.5	25.2
<b>Ratios (%)</b>				
Revenue/IC (x)	3.5	3.4	3.4	3.1
ROIC	56.5	51.0	46.5	41.0
ROE	54.1	50.7	47.4	43.6
ROA	41.3	37.4	35.1	33.0
EBITDA margin	21.7	19.9	18.5	17.6
Operating profit margin	20.9	19.0	17.7	16.8
EBITDA/net interest (x)	-624.1	-4385.1	-3433.3	-4047.8
Net debt/equity	7.5	9.3	13.6	21.2
Net debt/EBITDA (x)	0.1	0.1	0.2	0.3
CF from operations/net debt	271.4	260.8	185.1	119.1
<b>Per share data (TRY)</b>				
EPS Rep (diluted)	89.19	126.83	181.96	227.82
HSBC EPS (diluted)	89.19	126.83	181.96	227.82
DPS	40.91	63.42	100.08	136.69
Book value	187.92	312.49	454.94	589.80

### Valuation data

Year to	12/2023a	12/2024e	12/2025e	12/2026e
EV/sales	0.5	0.3	0.2	0.2
EV/EBITDA	2.1	1.6	1.2	1.1
EV/IC	1.4	0.9	0.6	0.5
PE*	3.3	2.3	1.6	1.3
PB	1.6	0.9	0.6	0.5
FCF yield (%)	50.3	69.8	100.2	126.9
Dividend yield (%)	14.0	21.7	34.2	46.7

\* Based on HSBC EPS (diluted)

### ESG metrics

Environmental Indicators	12/2022a	Governance Indicators	12/2023a
GHG emission intensity*	2.4	No. of board members	6
Energy intensity*	7.8	Average board tenure (years)	10.8
CO <sub>2</sub> reduction policy	Yes	Female board members (%)	33.3
<b>Social Indicators</b>		Board members independence (%)	33.3
Employee costs as % of revenues	1.7		
Employee turnover (%)	12.4		
Diversity policy	Yes		

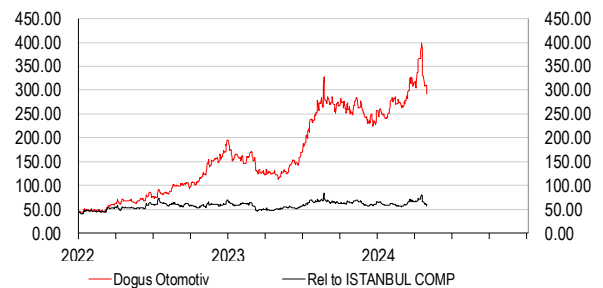
Source: Company data, HSBC

\* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

### Issuer information

Share price (TRY)	292.50	Free float	15%
Target price (TRY)	320.00	Sector	Autos
RIC (Equity)	DOAS.IS	Country/Region	Türkiye
Bloomberg (Equity)	DOAS TI	Analyst	Cenk Orcan
Market cap (USDm)	1,981	Contact	+90 212 376 46 14

### Price relative



Source: HSBC

Note: Priced at close of 29 Apr 2024

## Financials & valuation: Ford Otosan

**Buy**

### Financial statements

Year to	12/2023a	12/2024e	12/2025e	12/2026e
<b>Profit &amp; loss summary (TRYm)</b>				
Revenue	411,906	693,252	1,055,534	1,372,092
EBITDA	50,082	78,951	102,871	126,815
Depreciation & amortisation	-6,065	-11,115	-16,147	-20,433
Operating profit/EBIT	44,017	67,836	86,724	106,382
Net interest	-14,947	-29,398	-37,020	-48,149
PBT	47,428	74,831	104,169	129,740
HSBC PBT	47,428	74,831	104,169	129,740
Taxation	1,627	5,986	12,500	15,569
Net profit	49,056	80,818	116,669	145,308
HSBC net profit	49,056	80,818	116,669	145,308
<b>Cash flow summary (TRYm)</b>				
PBT	47,428	74,831	104,169	129,740
Adj for depr	6,065	11,115	16,147	20,433
Other adj	8,548	11,942	11,680	11,317
Oper'l cash before WC	62,041	97,888	131,997	161,490
WC change	-24,945	-19,781	-20,785	-18,521
Cash flow from operations	37,096	78,108	111,211	142,969
Net capex (fixed assets)	-31,175	-40,206	-26,104	-12,203
Oper'l FCF	5,921	37,902	85,107	130,766
Net interest	-1,250	3,967	6,725	5,593
FCF (before dividends)	4,671	41,869	91,833	136,359
<b>Balance sheet summary (TRYm)</b>				
Intangible fixed assets	18,778	31,351	45,266	59,831
Tangible fixed assets	58,173	115,983	159,827	184,624
Current assets	102,969	186,748	274,463	363,205
Cash & others	15,225	31,967	39,582	53,455
Total assets	217,007	397,842	572,115	725,479
Operating liabilities	62,819	107,981	164,077	214,188
Gross debt	75,755	149,023	191,196	204,335
Net debt	60,531	117,056	151,614	150,880
Shareholders' funds	73,008	130,738	203,904	289,884
Invested capital	101,877	194,133	275,897	340,017

### Ratio, growth and per share analysis

Year to	12/2023a	12/2024e	12/2025e	12/2026e
<b>Y-o-y % change</b>				
Revenue	27.7	68.3	52.3	30.0
EBITDA	45.3	57.6	30.3	23.3
Operating profit	61.4	54.1	27.8	22.7
PBT	86.4	57.8	39.2	24.5
HSBC EPS	76.9	64.7	44.4	24.5
<b>Ratios (%)</b>				
Revenue/IC (x)	4.5	4.7	4.5	4.5
ROIC	49.3	49.5	41.3	38.7
ROE	79.0	79.3	69.7	58.9
ROA	17.2	19.4	17.9	17.5
EBITDA margin	12.2	11.4	9.7	9.2
Operating profit margin	10.7	9.8	8.2	7.8
EBITDA/net interest (x)	-40.1	19.9	15.3	22.7
Net debt/equity	82.9	89.5	74.4	52.0
Net debt/EBITDA (x)	1.2	1.5	1.5	1.2
CF from operations/net debt	61.3	66.7	73.4	94.8
<b>Per share data (TRY)</b>				
EPS Rep (diluted)	139.80	230.31	332.48	414.09
HSBC EPS (diluted)	139.80	230.31	332.48	414.09
DPS	78.00	138.19	199.49	248.45
Book value	208.05	372.57	581.07	826.09

### Valuation data

Year to	12/2023a	12/2024e	12/2025e	12/2026e
EV/sales	1.0	0.6	0.4	0.3
EV/EBITDA	8.2	5.6	4.3	3.3
EV/IC	4.0	2.3	1.6	1.2
PE*	7.9	4.8	3.3	2.7
PB	5.3	3.0	1.9	1.3
FCF yield (%)	12.9	20.3	26.5	32.7
Dividend yield (%)	7.1	12.5	18.0	22.5

\* Based on HSBC EPS (diluted)

### ESG metrics

Environmental Indicators	12/2023a	Governance Indicators	12/2023a
GHG emission intensity*	9.6	No. of board members	12
Energy intensity*	63.8	Average board tenure (years)	7.0
CO <sub>2</sub> reduction policy	Yes	Female board members (%)	25
<b>Social Indicators</b>		<b>12/2023a</b>	
Employee costs as % of revenues	1.5	Board members independence (%)	16.7
Employee turnover (%)	15		
Diversity policy	Yes		

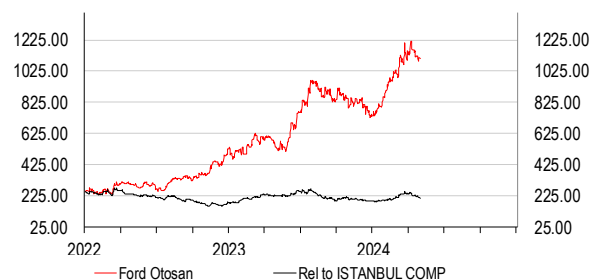
Source: Company data, HSBC

\* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

### Issuer information

Share price (TRY)	1106.00	Free float	20%
Target price (TRY)	1370.00	Sector	Autos
RIC (Equity)	FROTO.IS	Country/Region	Türkiye
Bloomberg (Equity)	FROTO TI	Analyst	Cenk Orcan
Market cap (USDm)	11,945	Contact	+90 212 376 46 14

### Price relative



Source: HSBC

Note: Priced at close of 29 Apr 2024



## Financials & valuation: Tofas

**Hold**

### Financial statements

Year to	12/2023a	12/2024e	12/2025e	12/2026e
<b>Profit &amp; loss summary (TRYm)</b>				
Revenue	130,254	176,759	549,722	700,879
EBITDA	17,375	19,612	53,868	65,751
Depreciation & amortisation	-3,367	-4,778	-9,307	-9,903
Operating profit/EBIT	14,008	14,833	44,561	55,848
Net interest	6,481	9,999	6,905	8,555
PBT	18,327	21,301	50,157	61,950
HSBC PBT	18,327	21,301	50,157	61,950
Taxation	-3,243	-3,268	2,006	2,478
Net profit	15,083	18,033	52,163	64,428
HSBC net profit	15,083	18,033	52,163	64,428
<b>Cash flow summary (TRYm)</b>				
PBT	18,327	21,301	50,157	61,950
Oper'l cash before WC	18,378	21,346	58,496	59,148
WC change	-8,137	-1,409	-16,763	-18,946
Cash flow from operations	10,241	19,937	41,734	40,202
Net capex (fixed assets)	-2,055	-12,051	-16,774	-2,431
Oper'l FCF	8,187	7,885	24,960	37,771
Net interest	3,691	5,492	2,776	2,885
FCF (before dividends)	11,878	13,377	27,736	40,656
<b>Balance sheet summary (TRYm)</b>				
Intangible fixed assets	4,262	5,266	15,398	17,012
Tangible fixed assets	13,901	30,848	53,717	64,623
Current assets	60,504	82,810	188,042	235,765
Cash & others	24,815	29,713	39,130	31,630
Total assets	78,667	118,924	257,157	317,400
Operating liabilities	26,829	36,191	111,429	142,006
Gross debt	11,831	16,977	33,639	40,185
Net debt	-12,985	-12,736	-5,491	8,555
Shareholders' funds	36,880	58,232	92,104	109,724
Invested capital	27,023	53,020	106,598	143,764

### Ratio, growth and per share analysis

Year to	12/2023a	12/2024e	12/2025e	12/2026e
<b>Y-o-y % change</b>				
Revenue	1.9	35.7	211.0	27.5
EBITDA	7.8	12.9	174.7	22.1
Operating profit	51.4	5.9	200.4	25.3
PBT	70.0	16.2	135.5	23.5
HSBC EPS	60.9	19.6	189.3	23.5
<b>Ratios (%)</b>				
Revenue/IC (x)	5.5	4.4	6.9	5.6
ROIC	48.4	31.4	58.1	46.4
ROE	48.1	37.9	69.4	63.8
ROA	25.4	25.4	33.3	26.9
EBITDA margin	13.3	11.1	9.8	9.4
Operating profit margin	10.8	8.4	8.1	8.0
EBITDA/net interest (x)	2.7	2.0	7.8	7.7
Net debt/equity	-35.2	-21.9	-6.0	7.8
Net debt/EBITDA (x)	-0.7	-0.6	-0.1	0.1
CF from operations/net debt	-78.9	-156.5	-760.1	469.9
<b>Per share data (TRY)</b>				
EPS Rep (diluted)	30.17	36.07	104.33	128.86
HSBC EPS (diluted)	30.17	36.07	104.33	128.86
DPS	20.00	25.00	40.00	50.00
Book value	73.76	116.46	184.21	219.45

### Valuation data

Year to	12/2023a	12/2024e	12/2025e	12/2026e
EV/sales	0.9	0.7	0.2	0.2
EV/EBITDA	7.1	6.3	2.4	2.2
EV/IC	4.6	2.3	1.2	1.0
PE*	9.0	7.6	2.6	2.1
PB	3.7	2.3	1.5	1.2
FCF yield (%)	5.7	14.6	30.6	29.5
Dividend yield (%)	7.3	9.2	14.7	18.3

\* Based on HSBC EPS (diluted)

### ESG metrics

Environmental Indicators	12/2023a	Governance Indicators	12/2023a
GHG emission intensity*	12.7	No. of board members	10
Energy intensity*	33.8	Average board tenure (years)	7.9
CO <sub>2</sub> reduction policy	Yes	Female board members (%)	20
<b>Social Indicators</b>		<b>12/2023a</b>	
Employee costs as % of revenues	1.7	Board members independence (%)	20
Employee turnover (%)	n/a		
Diversity policy	Yes		

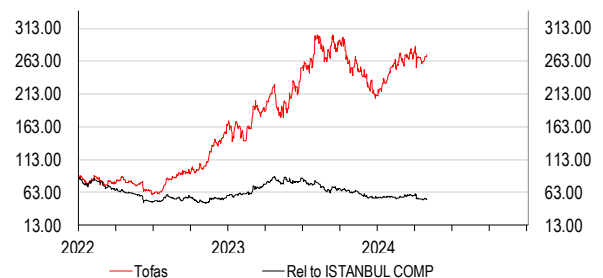
Source: Company data, HSBC

\* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

### Issuer information

Share price (TRY)	273.00	Free float	24%
Target price (TRY)	310.00	Sector	Autos
RIC (Equity)	TOASO.IS	Country/Region	Türkiye
Bloomberg (Equity)	TOASO TI	Analyst	Cenk Orcan
Market cap (USDm)	4,201	Contact	+90 212 376 46 14

### Price relative



Source: HSBC

Note: Priced at close of 29 Apr 2024

## Financials & valuation: Turk Traktor

**Hold**

### Financial statements

Year to	12/2023a	12/2024e	12/2025e	12/2026e
<b>Profit &amp; loss summary (TRYm)</b>				
Revenue	46,778	65,848	93,656	122,104
EBITDA	12,504	15,446	20,146	26,577
Depreciation & amortisation	-1,180	-2,065	-2,420	-2,875
Operating profit/EBIT	11,324	13,381	17,725	23,702
Net interest	715	1,502	2,230	2,543
PBT	12,137	15,173	20,390	26,823
HSBC PBT	12,137	15,173	20,390	26,823
Taxation	-2,795	-2,731	-3,670	-4,828
Net profit	9,342	12,442	16,720	21,995
HSBC net profit	9,342	12,442	16,720	21,995
<b>Cash flow summary (TRYm)</b>				
PBT	12,137	15,173	20,390	26,823
Adj for depr	1,180	2,065	2,420	2,875
Other adj	121	446	197	278
Oper'l cash before WC	13,438	17,684	23,007	29,976
WC change	-597	52	-1,177	-826
Cash flow from operations	12,841	17,736	21,830	29,150
Net capex (fixed assets)	-1,726	-2,751	-2,122	-2,614
Oper'l FCF	11,116	14,985	19,708	26,536
Net interest	981	2,182	3,122	3,637
FCF (before dividends)	12,096	17,167	22,830	30,173
<b>Balance sheet summary (TRYm)</b>				
Intangible fixed assets	2,344	3,810	5,356	7,212
Tangible fixed assets	5,105	8,219	10,344	11,909
Current assets	25,007	39,203	58,307	78,447
Cash & others	12,331	20,019	30,516	42,590
Total assets	32,456	51,231	74,007	97,569
Operating liabilities	11,093	16,949	24,555	31,716
Gross debt	5,166	4,634	5,666	6,806
Net debt	-7,165	-15,385	-24,850	-35,784
Shareholders' funds	15,398	28,465	42,065	56,810
Invested capital	9,033	14,262	18,935	23,262

### Ratio, growth and per share analysis

Year to	12/2023a	12/2024e	12/2025e	12/2026e
<b>Y-o-y % change</b>				
Revenue	26.4	40.8	42.2	30.4
EBITDA	170.7	23.5	30.4	31.9
Operating profit	207.9	18.2	32.5	33.7
PBT	166.6	25.0	34.4	31.6
HSBC EPS	15.6	33.2	34.4	31.6
<b>Ratios (%)</b>				
Revenue/IC (x)	5.6	5.7	5.6	5.8
ROIC	104.6	94.2	87.6	92.1
ROE	75.8	56.7	47.4	44.5
ROA	36.6	34.4	30.3	28.6
EBITDA margin	26.7	23.5	21.5	21.8
Operating profit margin	24.2	20.3	18.9	19.4
EBITDA/net interest (x)	12.8	7.1	6.5	7.3
Net debt/equity	-46.5	-54.1	-59.1	-63.0
Net debt/EBITDA (x)	-0.6	-1.0	-1.2	-1.3
CF from operations/net debt	-179.2	-115.3	-87.8	-81.5
<b>Per share data (TRY)</b>				
EPS Rep (diluted)	93.36	124.34	167.08	219.80
HSBC EPS (diluted)	93.36	124.34	167.08	219.80
DPS	62.96	87.03	133.67	175.84
Book value	153.88	284.46	420.37	567.72

### Valuation data

Year to	12/2023a	12/2024e	12/2025e	12/2026e
EV/sales	1.8	1.1	0.7	0.4
EV/EBITDA	6.6	4.8	3.2	2.0
EV/IC	9.2	5.2	3.4	2.3
PE*	9.6	7.2	5.4	4.1
PB	5.9	3.2	2.1	1.6
FCF yield (%)	9.1	16.6	21.9	29.4
Dividend yield (%)	7.0	9.7	14.8	19.5

\* Based on HSBC EPS (diluted)

### ESG metrics

Environmental Indicators	12/2022a	Governance Indicators	12/2023a
GHG emission intensity*	12.8	No. of board members	12
Energy intensity*	31.4	Average board tenure (years)	4.7
CO <sub>2</sub> reduction policy	Yes	Female board members (%)	8.3
<b>Social Indicators</b>		Board members independence (%)	16.7
Employee costs as % of revenues	1.1		
Employee turnover (%)	8		
Diversity policy	Yes		

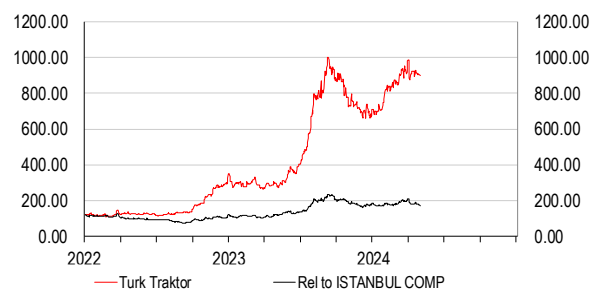
Source: Company data, HSBC

\* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

### Issuer information

Share price (TRY)	900.50	Free float	25%
Target price (TRY)	950.00	Sector	Autos
RIC (Equity)	TTRAK.IS	Country/Region	Türkiye
Bloomberg (Equity)	TTRAK TI	Analyst	Cenk Orcan
Market cap (USDm)	2,773	Contact	+90 212 376 46 14

### Price relative



Source: HSBC

Note: Priced at close of 29 Apr 2024

# Disclosure appendix

## Analyst Certification

The following analyst(s), economist(s), or strategist(s) who is(are) primarily responsible for this report, including any analyst(s) whose name(s) appear(s) as author of an individual section or sections of the report and any analyst(s) named as the covering analyst(s) of a subsidiary company in a sum-of-the-parts valuation certifies(y) that the opinion(s) on the subject security(ies) or issuer(s), any views or forecasts expressed in the section(s) of which such individual(s) is(are) named as author(s), and any other views or forecasts expressed herein, including any views expressed on the back page of the research report, accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Cenk Orcan

## Important disclosures

### Equities: Stock ratings and basis for financial analysis

HSBC and its affiliates, including the issuer of this report ("HSBC") believes an investor's decision to buy or sell a stock should depend on individual circumstances such as the investor's existing holdings, risk tolerance and other considerations and that investors utilise various disciplines and investment horizons when making investment decisions. Ratings should not be used or relied on in isolation as investment advice. Different securities firms use a variety of ratings terms as well as different rating systems to describe their recommendations and therefore investors should carefully read the definitions of the ratings used in each research report. Further, investors should carefully read the entire research report and not infer its contents from the rating because research reports contain more complete information concerning the analysts' views and the basis for the rating.

### From 23rd March 2015 HSBC has assigned ratings on the following basis:

The target price is based on the analyst's assessment of the stock's actual current value, although we expect it to take six to 12 months for the market price to reflect this. When the target price is more than 20% above the current share price, the stock will be classified as a Buy; when it is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold; when it is between 5% below and 5% above the current share price, the stock will be classified as a Hold; when it is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce; and when it is more than 20% below the current share price, the stock will be classified as a Reduce.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation or resumption of coverage, change in target price or estimates).

Upside/Downside is the percentage difference between the target price and the share price.

### Prior to this date, HSBC's rating structure was applied on the following basis:

For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market established by our strategy team. The target price for a stock represented the value the analyst expected the stock to reach over our performance horizon. The performance horizon was 12 months. For a stock to be classified as Overweight, the potential return, which equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated, had to exceed the required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile\*). For a stock to be classified as Underweight, the stock was expected to underperform its required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile\*). Stocks between these bands were classified as Neutral.

\*A stock was classified as volatile if its historical volatility had exceeded 40%, if the stock had been listed for less than 12 months (unless it was in an industry or sector where volatility is low) or if the analyst expected significant volatility. However, stocks which we did not consider volatile may in fact also have behaved in such a way. Historical volatility was defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility had to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

### Rating distribution for long-term investment opportunities

As of 31 March 2024, the distribution of all independent ratings published by HSBC is as follows:

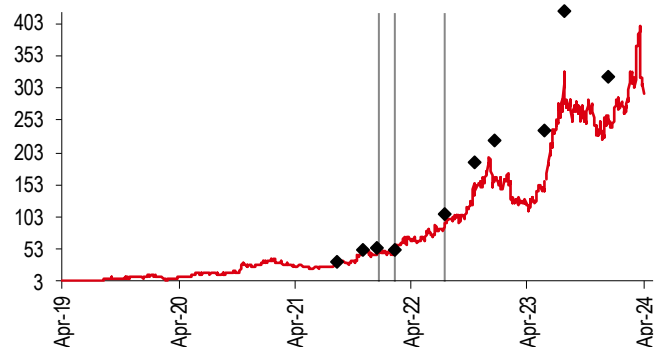
<b>Buy</b>	55%	(12% of these provided with Investment Banking Services in the past 12 months)
<b>Hold</b>	38%	(15% of these provided with Investment Banking Services in the past 12 months)
<b>Sell</b>	7%	(10% of these provided with Investment Banking Services in the past 12 months)

For the purposes of the distribution above the following mapping structure is used during the transition from the previous to current rating models: under our previous model, Overweight = Buy, Neutral = Hold and Underweight = Sell; under our current model Buy = Buy, Hold = Hold and Reduce = Sell. For rating definitions under both models, please see “Stock ratings and basis for financial analysis” above.

For the distribution of non-independent ratings published by HSBC, please see the disclosure page available at <http://www.hsbcnet.com/gbm/financial-regulation/investment-recommendations-disclosures>.

### Share price and rating changes for long-term investment opportunities

#### Dogus Otomotiv (DOAS.IS) share price performance TRY Vs HSBC rating history



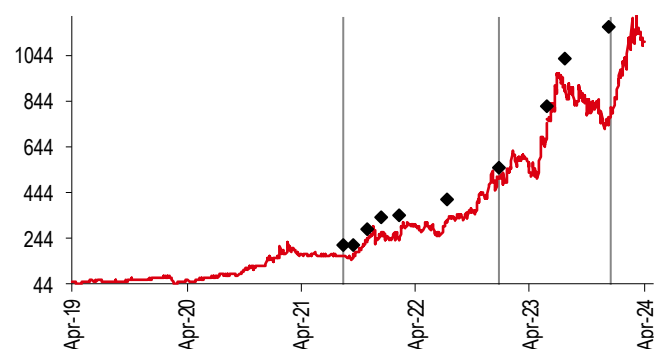
Source: HSBC

#### Rating & target price history

From	To	Date	Analyst
Hold	Buy	13 Jan 2022	Cenk Orcan
Buy	Hold	08 Mar 2022	Cenk Orcan
Hold	Buy	11 Aug 2022	Cenk Orcan
Target price	Value	Date	Analyst
Price 1	33.00	09 Sep 2021	Cenk Orcan
Price 2	50.60	26 Nov 2021	Cenk Orcan
Price 3	53.70	13 Jan 2022	Cenk Orcan
Price 4	52.00	08 Mar 2022	Cenk Orcan
Price 5	105.00	11 Aug 2022	Cenk Orcan
Price 6	187.00	14 Nov 2022	Cenk Orcan
Price 7	221.00	19 Jan 2023	Cenk Orcan
Price 8	235.00	25 Jun 2023	Cenk Orcan
Price 9	420.00	23 Aug 2023	Cenk Orcan
Price 10	320.00	08 Jan 2024	Cenk Orcan

Source: HSBC

#### Ford Otosan (FROTO.IS) share price performance TRY Vs HSBC rating history



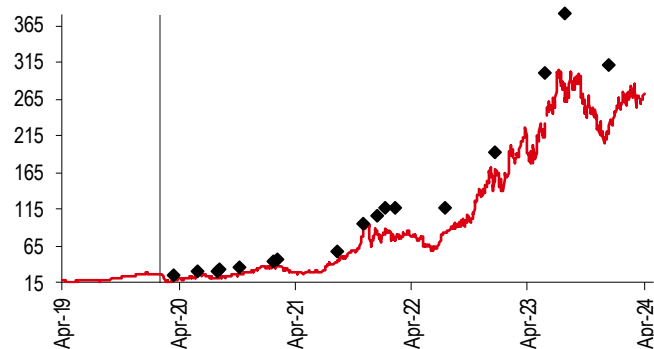
Source: HSBC

#### Rating & target price history

From	To	Date	Analyst
Hold	Buy	09 Sep 2021	Cenk Orcan
Buy	Hold	19 Jan 2023	Cenk Orcan
Hold	Buy	08 Jan 2024	Cenk Orcan
Target price	Value	Date	Analyst
Price 1	211.70	09 Sep 2021	Cenk Orcan
Price 2	211.40	11 Oct 2021	Cenk Orcan
Price 3	278.40	26 Nov 2021	Cenk Orcan
Price 4	333.30	13 Jan 2022	Cenk Orcan
Price 5	341.00	08 Mar 2022	Cenk Orcan
Price 6	409.40	11 Aug 2022	Cenk Orcan
Price 7	553.20	19 Jan 2023	Cenk Orcan
Price 8	820.00	25 Jun 2023	Cenk Orcan
Price 9	1025.00	23 Aug 2023	Cenk Orcan
Price 10	1165.00	08 Jan 2024	Cenk Orcan

Source: HSBC

### Tofas (TOASO.IS) share price performance TRY Vs HSBC rating history



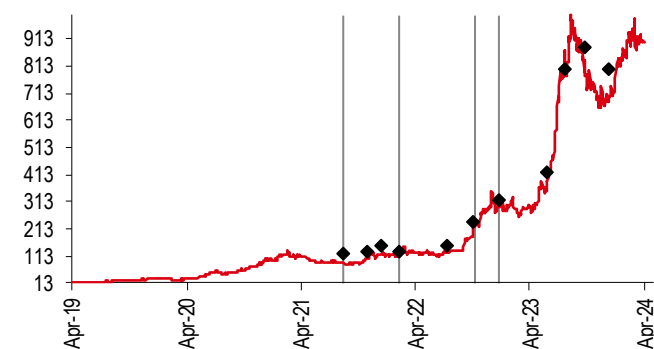
Source: HSBC

### Rating & target price history

From	To	Date	Analyst
Hold	Buy	26 Feb 2020	Cenk Orcan
Target price	Value	Date	Analyst
Price 1	24.80	13 Apr 2020	Cenk Orcan
Price 2	29.00	24 Jun 2020	Cenk Orcan
Price 3	30.90	28 Aug 2020	Cenk Orcan
Price 4	31.80	04 Sep 2020	Cenk Orcan
Price 5	35.50	04 Nov 2020	Cenk Orcan
Price 6	44.50	17 Feb 2021	Cenk Orcan
Price 7	44.70	04 Mar 2021	Cenk Orcan
Price 8	55.40	09 Sep 2021	Cenk Orcan
Price 9	93.10	26 Nov 2021	Cenk Orcan
Price 10	104.20	13 Jan 2022	Cenk Orcan
Price 11	114.90	08 Feb 2022	Cenk Orcan
Price 12	116.60	08 Mar 2022	Cenk Orcan
Price 13	117.20	11 Aug 2022	Cenk Orcan
Price 14	190.60	19 Jan 2023	Cenk Orcan
Price 15	300.00	25 Jun 2023	Cenk Orcan
Price 16	380.00	23 Aug 2023	Cenk Orcan
Price 17	310.00	08 Jan 2024	Cenk Orcan

Source: HSBC

### Turk Traktor (TTRAK.IS) share price performance TRY Vs HSBC rating history



Source: HSBC

### Rating & target price history

From	To	Date	Analyst
Hold	Buy	09 Sep 2021	Cenk Orcan
Buy	Hold	08 Mar 2022	Cenk Orcan
Hold	Buy	31 Oct 2022	Cenk Orcan
Buy	Hold	19 Jan 2023	Cenk Orcan
Target price	Value	Date	Analyst
Price 1	119.09	09 Sep 2021	Cenk Orcan
Price 2	126.77	26 Nov 2021	Cenk Orcan
Price 3	147.57	13 Jan 2022	Cenk Orcan
Price 4	128.53	08 Mar 2022	Cenk Orcan
Price 5	144.69	11 Aug 2022	Cenk Orcan
Price 6	234.67	31 Oct 2022	Cenk Orcan
Price 7	314.67	19 Jan 2023	Cenk Orcan
Price 8	415.00	25 Jun 2023	Cenk Orcan
Price 9	800.00	23 Aug 2023	Cenk Orcan
Price 10	880.00	25 Oct 2023	Cenk Orcan
Price 11	800.00	08 Jan 2024	Cenk Orcan

Source: HSBC

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Company	Ticker	Recent price	Price date	Disclosure
DOGUS OTOMOTIV	DOAS.IS	292.50	29 Apr 2024	7
FORD OTOSAN	FROTO.IS	1106.00	29 Apr 2024	1, 2, 7
TOFAS	TOASO.IS	273.00	29 Apr 2024	6, 7
TURK TRAKTOR	TTRAK.IS	900.50	29 Apr 2024	-

Source: HSBC

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**HSBC Yatirim Menkul Degerler AS**  
Buyukdere Caddesi No: 122 / D Kat:9  
Esentepe/Sisli 34394 Istanbul, Türkiye  
Telephone: +90 212 376 46 00  
Fax: +90 212 376 49 13  
www.research.hsbc.com  
www.hsbcyatirim.com.tr

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# Türkiye Research Team

Co-Head of Türkiye Equity Research

**Cenk Orcan** +90 212 376 4614  
cenkorcan@hsbc.com.tr

**Jorge Hernandez** +52 55 4760 3113  
jorge.hernandezhe@hsbc.com.mx

Co-Head of Türkiye Equity Research

**Bulent Yurdagül** +90 212 376 4612  
bulentyurdagül@hsbc.com.tr

EEMEA Banks Analyst

**Cihan Saraoglu, PhD** +90 212 376 46 20  
cihansaraoglu@hsbc.com.tr

Chief Economist

**Melis Metiner** +44 20 3359 2636  
melismetiner@hsbcib.com