Türkiye Consumer

2025 Outlook - Staying selective amidst a challenging consumer landscape; favoring BIM, MIGROS (u/g), ARCELIK and FORD OTOSAN, d/g COCA-COLA ICECEK, SOK to N

Turkey (ex-Financials)

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Into 2025, we expect that many companies will navigate a difficult consumer landscape, striving to balance growth with limited price increases. We expect consumer-focused companies to find it challenging to sustain stable margins amid visible disinflation, with tightening pressures expected to persist in the first half of the year despite potential rate cuts. Real earnings growth opportunities are limited, with standout performers like BIM, Migros, Ford Otosan, and Tofas Fabrika. However, we believe value opportunities exist, as valuations are still low, offering approximately a 40% discount to 10-year averages and a 30% discount compared to international peers based on 2026 JPMe P/E and EV/EBITDA. For further re-rating from these levels, a combination of earnings growth and timely rate cuts to reduce risk premiums is needed, in our view. In response to these dynamics, we have updated our recommendations and price targets: upgrading Migros to Overweight, downgrading SOK and Coca Cola Icecek to Neutral. Our top picks include BIM, Migros, Ford Otosan, and Arcelik. With this report, we also introduce our new IAS'29 models, which may improve the reliability of assessing valuation opportunities in an environment where consensus is mixed due to the diverse set of accounting rules applied in estimates. Please ask for models.

- **Managing the expected inflation drop:** As Türkiye transitions to a disinflationary period, with inflation expected to drop from 44.5% in 2024 to 26% in 2025 (JPMe Macro team), companies that previously thrived under a high inflation environment now face margin pressures. While this challenge is expected to persist, food retailers have opportunities to grow EBITDA ahead of inflation thanks to staff costs offsetting gross margin pressure, staples may struggle with pricing to balance growth, and discretionary companies could rebound from their lows due to scale advantages and favorable TL, despite a growing share of low margin exports.
- **Food Retailers remain a safe haven, offer HSD% real earnings growth:** Despite intense competition, we expect BIM to excel in cash flow generation, and both BIM and Migros are well-positioned to benefit from the growing

Equity Ratings and Price Targets

Company	Ticker	Mkt Cap ($ mn)	Price CCY	Price	Rating Cur	Rating Prev	Price Target Cur	Price Target End Date	Price Target Prev	Prev End Date
Arcelik	ARCLK TI	2,852.15	TRY	147.00	OW	n/c	243.00	Dec-26	223.60	Jun-26
BIM	BIMAS TI	9,162.92	TRY	526.00	OW	n/c	985.00	Dec-26	436.00	Dec-24
Coca-Cola Icecek	CCOLA TI	5,069.32	TRY	63.15	N	OW	79.00	Dec-26	71.50	Dec-25
Ford Otosan	FROTO TI	9,864.18	TRY	979.00	OW	n/c	2,240.00	Dec-26	1,303.00	Dec-24
Hepsiburada	HEPS US	967.36	USD	3.01	OW	n/c	4.85	Mar-26	n/c	n/c
Koc Holding	KCHOL TI	14,215.84	TRY	195.40	OW	n/c	325.20	Dec-26	210.00	Dec-24
Migros Ticaret	MGROS TI	2,662.06	TRY	512.50	OW	N	982.00	Dec-26	432.00	Dec-24
Sok Marketler	SOKM TI	725.70	TRY	42.60	N	OW	73.00	Dec-26	123.00	Dec-24
Tofas Fabrika	TOASO TI	2,887.12	TRY	201.10	N	n/c	278.80	Dec-26	326.00	Dec-24
Turkish Airlines	THYAO TI	11,857.58	TRY	299.25	OW	n/c	494.00	Dec-25	n/c	n/c

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. n/c = no change.All prices as of 10 Dec 24.

See page 45 for analyst certification and important disclosures, including non-US analyst disclosures.

modern retail channel, potentially achieving ~10-12% real topline growth. BIM has the most upside on revenues thanks to consumers trading down, while Migros will remain competitive and benefit from its relatively more resilient consumer income group and diversified business model. We downgrade SOK to N despite its low valuation, preferring to wait for evidence that its new store strategies are picking up quickly to create profitable operational leverage.

- **The start of a growth phase for exporters;** Arcelik is our top turnaround story, with restructuring efforts starting to pay off, improved cash flow financing as rate cuts begin, and ongoing volume growth, particularly in Europe. We estimate 14% year-over-year export volume growth for Ford Otosan, with margins rebounding due to scale and reduced inventory impact, which we forecast will show LDD% EBITDA growth. We expect Tofas to show the highest earnings growth though from a low base, and earnings still remain unattractive, while a potential acquisition of Stellantis Türkiye distribution and the launch of new K zero model are mostly priced in, in our view.
- **Downgrade Coca Cola Icecek to N:** We expect another year of flat volume performance, which undermines the superior growth profile of Icecek compared to Global bottlers. Valuations remain reasonable but less attractive, with shares at 6.8x 2025E inflation-unadjusted EV/EBITDA, reflecting a 20% discount to global peers. A re-rating would require improved volume outlook and reduced risk premiums, which we don't foresee in the first half of the year.
- **Key risks / catalysts include wage adjustments, while inflation accounting is a hurdle for valuations,** clouding the earnings outlook.

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Top picks - High Conviction Ideas

Top Picks	Price Target (Dec-26) US$/share	% Upside in $ terms	P/E LTM	P/E 2025E	P/E 2026E	Investment Case
ARCELIK	5.4	26%	113.4x	-23.7x	10.8x	We see improving risk/reward profile for the shares, supported by international markets likely bottoming out, with signs of recovery emerged in Q3. Additionally, margin repair is expected due to positive effects of restructuring Whirlpool assets and the fading impact of inflationary pressures on inventory accounting. This should enhance opFCF and reduce leverage by 2025 and beyond, thereby unlocking value. The recent access to Turkish loans is a positive development, that may also help lower the cost of WCR financing. Further tailwinds include interest rate cuts across the operating markets and improved risk premiums in the Turkish equity market in 2025
BIM	18.9	25%	14.7x	11.9x	8.5x	With weakening consumption and more limited wage adjustments compared to previous years, we anticipate that consumer trade-down behavior will be more pronounced than in 2024, benefiting BIM the most among its Turkish consumer peers. Meanwhile, the normalized staff cost outlook is expected to offset potential margin pressure from consumer trade-down, allowing BIM to achieve high single-digit growth in pre-inflation EBITDA in real terms in 2025. An upside risk could be better margin management, as an increasing share of File and an improved SKU mix may help maintain gross margins at their currently elevated levels for some time.
FORD OTOSAN	43.1	51%	6.8x	7.0x	4.3x	We expect the delayed growth phase to start in 2025, fueled by new export volumes for Volkswagen and a continued normalization in Ford Motor's export uptake. Despite potential slowdowns in European auto demand, we believe Ford will counteract demand weaknesses with its new models, which were largely absent in the first quarter of 2024, thereby gaining market share in the van segment through increasing its export volume by 14%. The faster depreciation of the Turkish Lira compared to last year should also support export revenues, helping EBITDA grow in the low teens in real terms. In the medium term, we continue to see the company as Türkiye's leading export success story, thanks to its competitive production capabilities and its role as the primary production hub for Ford Motor's best-selling commercial vehicles. Shares are cheap, trading at 6.3x EV/EBITDA and 4.3x P/E based on JPMe 2026 estimates.
MIGROS	18.9	28%	14.6x	10.2x	7.0x	We expect Migros continue to be a major disruptor in the Turkish retail sector, challenging discount retailers with its competitive pricing and broadening its customer base to include working-class and mid-to-high-income earners. While margin pressure is expected to persist due to staff cost increases that lag behind peers in timing, a rebound from lows is anticipated. In the medium term, we expect the company to benefit from the growing retail wallet share of the modern channel, with inflation-unadjusted peer-comparable EBITDA margin expected to nearly double to 6.7% in five years, becoming more comparable to discount retailers as the competition for market share eases and online sales continue to grow. Shares are cheap, offering 11% discount to BIM and is nearly half the multiples of CEEMEA peers based on 26 JPMe EV/EBITDA.

Source: J.P. Morgan

Key themes

A tougher consumption environment on the cards

Retailers are in better shape, Staples balance the growth with limited price increases, discretionary companies charting their own course

Our economists expect a soft landing for Türkiye, with GDP growth slowing to 2.8% in 2025 from 3% in 2024, remaining below the country's average potential (link). The team highlights sequential quarter-on-quarter improvement to begin in Q4 2024 and continue into Q1 2025, driven by January wage hikes. However, this growth comes from a low base, and companies may struggle with year-on-year comparisons due to high base effects, especially in Q1 2025. Turkish consumer companies exceeded expectations in Q1 this year, achieving an average real earnings growth of 8%, largely due to substantial wage increases. In 2025, we foresee a more moderate 30% wage hike, aligning with target inflation. Tightening policies are likely to persist for a while, continuing to pressure consumers despite potential rate cuts. Consequently, we expect two distinct halves to the coming year: earnings momentum is likely to accelerate in the second half, while the first half will be a period for companies to balance growth with limited price increases.

Against this backdrop,

- **Food Retailers** (**BIM, Migros and SOK**) are expected to fare better than Staples and Discretionary names thanks to their potential for high single to low double digit real revenue growth and their resilience to slower consumption. We expect the sector will remain competitive with consumer trade down becoming more visible, prompting increased price investments and promo activities, and creating a better growth profile for discounters. Meanwhile, we expect the modern channel to increase the consumer wallet share amid slower consumption, while companies continue to expand their space at a mid to high single digit rate without cannibalizing their stores efficiency.
- In contrast, the outlook for **staples** such as **Coca-Cola Icecek** and **Ulker** remains neutral as these companies may continue to leverage pricing strategies to balance their volumes in Türkiye while product innovations and SKU management will be a priority in this course. In the meantime, both companies have seen volume weakness in their international markets in 2024, which was more notable for Icecek. We expect international markets to show small signs of recovery at Ulker, helping exports of the company, while Icecek may continue to struggle with consumer strains in Pakistan, and we expect this to continue to impact consolidated volumes. We have built our projections based on nearly flat consolidated volume in 2025 after an expected 3% decline in 2024.
- For **consumer discretionary companies**, the outlook is largely influenced by company-specific factors. Exporters like **Arcelik** and **Ford Otosan** may start to observe tailwind from recovering exports, although this may be at a pace slower than initially anticipated. The new model launches along with new export-led production for Volkswagen will likely positively impact Ford Otosan in 2025, while Arcelik should show signs of recovery from the trough thanks to European replacement demand kicking-in in 2025. **Tofas**, on the other hand, remains as an unattractive story due to low production volumes despite showing signs of recovery from previous year thanks to the launch of new its export model, K-zero. Our model incorporates the acquisition of distribution asset, impacting retail volumes by end of

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Q2, yet earnings are likely to stay at significantly low levels compared to the past. The e-commerce play, **Hepsiburada**, may encounter regulatory challenges and a slowdown in domestic demand, which could reduce its real GMV growth from 20%s to MSD%.

- **Turkish Airlines** is largely insulated from Türkiye's macro economic conditions, with the positive outlook for the global airline industry boding well for the company to maintain healthy revenue growth (6% $ rev growth) and profitability (EBITDAR margin at 23%).

Table 1: Expected Revenues, EBITDA and Net income growth based on inflation adjusted metrics in real terms

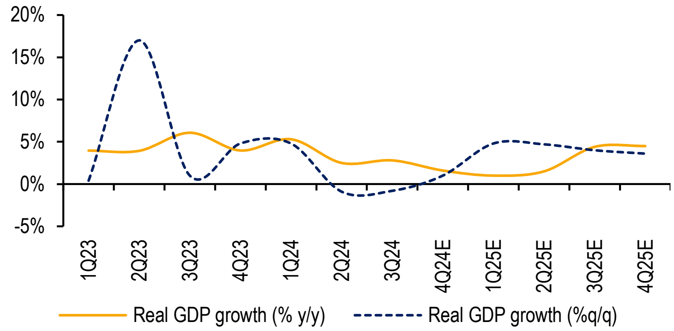
% chg y/y, in real terms	Revenues (IAS'29)		EBITDA(IAS'29)		Net Income(IAS'29)	
	2024E	2025E	2024E	2025E	2024E	2025E
Arcelik	14%	5%	-21%	30%	turns into negative	losses decline 59%
BIM	11%	12%	11%	17%	-10%	8%
Coca-Cola Icecek	-3%	5%	1%	-54%	-46%	-32%
Ford Otosan	1%	9%	-30%	12%	-48%	9%
Migros	11%	10%	223%	17%	-47%	9%
Sok	2%	11%	-157%	-190%	n.m.	n.m.
Tofas Fabrika	-36%	62%	-63%	33%	-73%	24%
Turkish Airlines	10%	6%	-9%	-5%	-46%	-28%

Source: JP Morgan estimates.

What our economists say

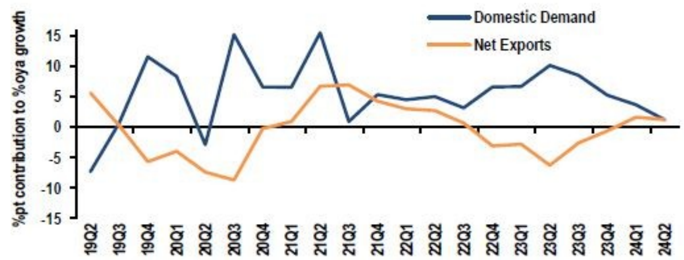
- **Domestic demand continues to slow, and it is no longer inflationary.** Our economists expect GDP growth to be 3% in 2024 and 2.8% in 2025, indicating a below-average growth trajectory and down from 5.1% growth in 2023. High frequency data suggest moderate positive growth in late 2024; however, manufacturing PMI and capacity utilization in October indicated that production is likely to remain weak for another quarter. The team estimates that output gap has turned negative, and hence domestic demand became disinflationary by 2H24. A sequential growth recovery is likely to be noticeable in 1Q25, supported by wage hikes.
- **Disinflation continues, albeit at a slower pace.** A policy turnaround since mid-2023 allowed the central bank to hike its policy rate from 8.5% to 50%. This enabled inflation to start falling from a peak of over 75% to below 49% in October. The team anticipates the macro policy mix will be disinflationary next year, and inflation will further decline to 45% by end-24 and 26% by end-25, supported by moderating service inflation after limited wage adjustment, further moderation in growth and a supportive incomes policy such as administrative tax adjustments.
- **Gradual rate-cutting cycle ahead**. The CBRT`s recent communication suggests that it is contemplating rate cuts as early as December. In conjunction with continued disinflation, JPM Macro team expects the CBRT to cut its policy rate from the current 50% to 30% next year. Despite anticipated rate cuts, the team expects monetary policy to remain restrictive in 2025. This is due to the ex-post real policy rate remaining positive, along with the continuation of credit growth caps and deposit conversion targets. We see risks for smaller rate cuts or pauses by the CBRT if significant inflationary pressures emerge from hikes in the minimum wage and administered prices in 1Q25. Furthermore, a stronger USD and higher US rates would imply a shallower rate cutting cycle by the CBRT, as inflation might persist at higher rates for an extended period.

Figure 1: Türkiye real GDP growth (y/y)



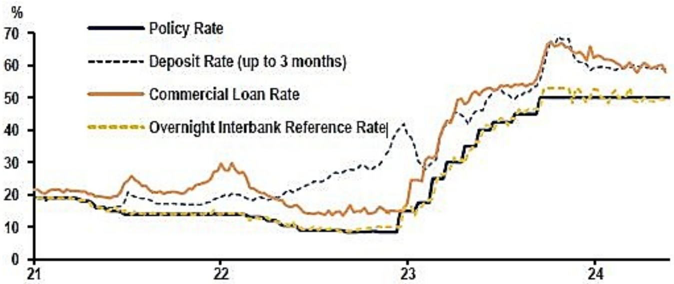
Source: Turkstat, J.P. Morgan estimates.

Figure 2: Domestic demand vs net exports



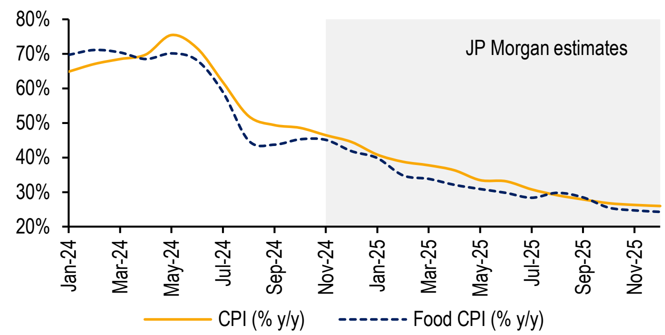
Source: Turkstat, J.P. Morgan.

Figure 3: Market Interest rates



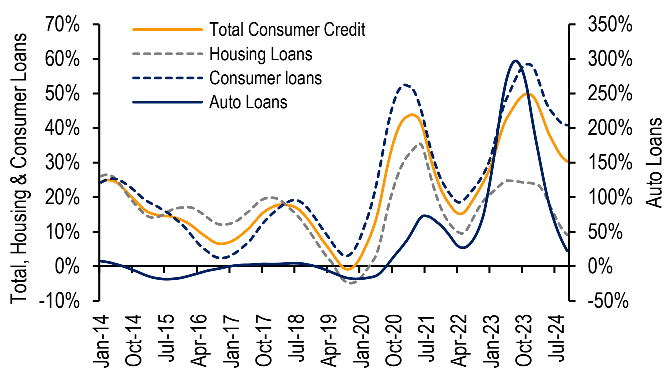
Source: CBRT, BIST, J.P. Morgan .

Figure 4: Disinflation is expected to continue into FY25



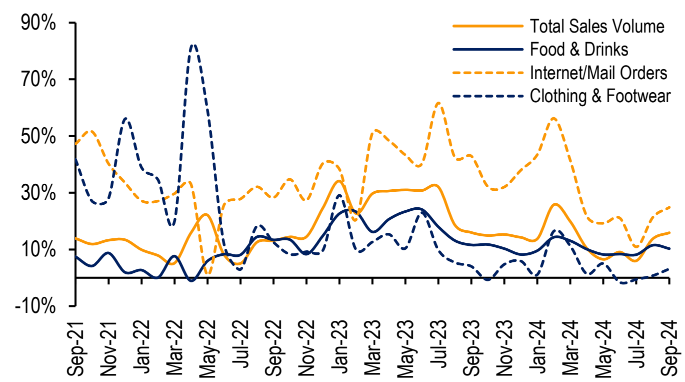
Source: Turkstat, J.P. Morgan estimates.

Figure 5: 12M annualized consumer credit growth, %y/y



Source: Bloomberg Finance L.P.

Figure 6: Türkiye retail sales volume growth, %y/y



Source: Turkstat.

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Disinflation: Boon or Bane for Consumer Companies?

Over the past three years, Turkish companies have successfully navigated a high inflationary environment, with most achieving peak gross margins by Q2'24. This expansion helped them offset rising operating costs following wage adjustments that outpaced inflation. The robust consumer demand played a significant role in this margin growth, allowing companies to adjust prices swiftly, and in some instances, more than necessary to cover increasing costs. However, starting in Q3 2024, Turkey has entered a disinflationary period and, nearly all companies, except for **Hepsiburada** and **Migros,** began to experience pressure on their gross margins. We expect gross margin pressure to persist into 2025, yet we see room for companies to mostly offset the pressure through recalibrated operating expenses after limited wage adjustments.

In this context, food retailers continue to have opportunity to grow EBITDA ahead of inflation, staples may struggle to keep EBITDA growth positive in real terms, while discretionary companies may see pick-up from lows despite an increasing share of low margin exports, benefiting from scale. The following is our preliminary view per company.

- **Food retailers might see a gradual normalization in gross margins** as they lose the advantage gained from advance payments to suppliers, which previously allowed them to secure favorably priced inventory. Additionally, slower consumption is likely to drive consumers to trade down, meaning companies with a higher share of private label products, like **BIM**, may experience quicker gross margin normalization due to mix change. The trajectory for **Migros and SOK** will largely depend on their competitive strategies. We currently anticipate that competition will remain intense, leading to gross margin normalization across the board. However, this impact is expected to be largely offset at the EBITDA level, with **BIM** continuing to excel in cash flow generation. Conversely, **Migros** may struggle to generate positive free cash flow in 2025 if they pursue aggressive pricing strategies to stay competitive, as we anticipate; however, growing scale helps them to accelerate earnings growth.
- **Staples** have reached peak gross margins amid a high inflationary environment thanks to their ability to leverage the robust consumption for pricing and product mix. As disinflation becomes more pronounced whilst consumption tightens, we expect Staples to balance volume growth with limited price increases, continue on with product and packaging innovations. Therefore, we think it might be challenging for them to sustain close to peak margins. In this context, we expect Icecek continue to face margin pressure along with pricing limitations both in Türkiye and International markets, forecasting 74 bps decline in inflation-unadjusted EBITDA margins after an 164 bps decline in 2024.
- **Discretionary companies are poised to achieve the highest EBITDA growth** in 2025, driven by increased export revenues from new model launches and an improved pricing environment in Türkiye as competition eases. Turkish auto companies faced substantial margin pressure in 2024 due to rising competition from Chinese players and promotional activities aimed at clearing inventory before the introduction of new safety regulations. As a result, the sector is starting from a low base and appears well-positioned to benefit from incremental revenues from new model launches. **Tofas and Ford** are expected to achieve real EBITDA growth of 32% and 12%, respectively, which should largely translate into earnings. Meanwhile, **Arcelik** looks set to benefit from a favorable cost base, likely offsetting potential currency weaknesses by higher volumes and cost savings from

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restructuring after its merger with Whirlpool (covered by Michael Rehaut) in Europe. We forecast the company to report 30% real EBITDA growth, and halve its earnings losses next year.

Table 2: Gross margin (inflation-unadjusted) trend since 1Q23

pre-inflation	Gross Margin (%)							
	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E
Arcelik	31.1%	31.9%	32.8%	31.2%	n.a.	n.a.	n.a.	n.a.
BIM	18.0%	18.5%	20.9%	19.5%	20.6%	19.9%	20.8%	20.4%
Coca-Cola Icecek	33.2%	34.9%	37.6%	34.8%	36.7%	38.9%	37.5%	0.0%
Ford Otosan	12.8%	15.6%	17.1%	15.1%	12.8%	12.4%	11.8%	11.0%
Hepsiburada	34.2%	33.5%	37.0%	34.5%	38.7%	44.2%	40.9%	37.1%
Migros	24.1%	22.8%	24.0%	24.0%	26.3%	26.6%	27.1%	26.2%
Sok	23.2%	22.5%	24.7%	24.5%	23.1%	21.7%	22.1%	22.1%
Tofas Fabrika	18.3%	22.4%	22.7%	20.8%	19.0%	15.9%	8.1%	12.6%
Turkish Airlines	14.9%	25.0%	33.8%	15.8%	11.0%	19.3%	29.3%	18.5%

Source: Company reports, J.P. Morgan estimates.

Table 3: Summary of quarterly changes in inflation unadjusted gross margins

pre-inflation	Gross Margin (%) Q/Q chg							
Q/Q chg	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E
Arcelik	2.10%	0.82%	0.82%	-1.57%	n.a.	n.a.	n.a.	n.a.
BIM	-0.58%	0.52%	2.45%	-1.38%	1.04%	-0.72%	0.96%	-0.43%
Coca-Cola Icecek	2.02%	1.78%	2.65%	-2.85%	1.96%	2.15%	-1.38%	-37.48%
Ford Otosan	-2.59%	2.77%	1.49%	-1.97%	-2.32%	-0.36%	-0.66%	-0.75%
Hepsiburada	2.03%	-0.68%	3.48%	-2.57%	4.27%	5.44%	-3.27%	-3.77%
Migros	2.60%	-1.32%	1.19%	-0.01%	2.35%	0.30%	0.52%	-0.93%
Sok	-0.27%	-0.67%	2.17%	-0.19%	-1.39%	-1.35%	0.34%	0.04%
Tofas Fabrika	-1.72%	4.06%	0.27%	-1.82%	-1.81%	-3.17%	-7.79%	4.56%
Turkish Airlines	-7.56%	10.11%	8.80%	-17.95%	-4.86%	8.28%	10.00%	-10.75%

Source: Company reports, J.P. Morgan estimates.

Table 4: Summary of inflation unadjusted EBITDA margin

pre-inflation	EBITDA Margin (%)							
	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E
Arcelik	9.2%	10.7%	11.0%	8.4%	n.a.	n.a.	7.2%	8.5%
BIM	6.1%	7.4%	9.0%	8.3%	7.6%	6.5%	7.5%	7.9%
Coca-Cola Icecek	18.3%	21.5%	24.1%	16.8%	19.4%	23.3%	22.3%	0.0%
Ford Otosan	10.1%	11.5%	13.1%	11.7%	9.5%	8.6%	8.3%	7.9%
Hepsiburada	3.9%	6.5%	8.5%	4.9%	7.7%	8.0%	7.0%	6.3%
Migros	6.5%	6.6%	7.3%	6.4%	7.3%	8.9%	10.5%	9.0%
Sok	5.7%	6.8%	7.3%	7.3%	3.4%	3.9%	4.2%	4.1%
Tofas Fabrika	15.3%	18.7%	17.9%	15.4%	13.6%	11.1%	0.5%	6.7%
Turkish Airlines	14.0%	25.1%	34.8%	15.5%	12.0%	20.0%	28.6%	19.3%

Source: Company reports, J.P. Morgan estimates.

Table 5: Inflation adjusted staff costs as a percentage of sales

IAS'29	Staff Cost/Sales							
	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E
Arcelik	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
BIM	8.8%	8.1%	8.9%	11.9%	10.2%	10.5%	10.3%	9.8%
Coca-Cola Icecek	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Ford Otosan	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hepsiburada	10.6%	10.3%	10.3%	9.0%	10.6%	11.9%	10.9%	12.6%
Migros	9.6%	9.2%	9.4%	9.4%	11.6%	10.4%	9.6%	10.1%
Sok	10.7%	10.1%	10.8%	7.1%	13.2%	12.3%	11.4%	12.0%
Tofas Fabrika	3.5%	3.0%	3.0%	3.0%	3.8%	4.3%	5.9%	n.a.
Turkish Airlines	16.7%	16.3%	12.4%	17.7%	21.5%	19.3%	16.2%	n.a.

Source: Company reports, J.P. Morgan estimates.

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Impact of a Weak EUR and Strong TL on Companies

The currency outlook for 2025 is mixed for Turkish companies. J.P. Morgan FX Strategists forecast a nominal TL depreciation of 30% in 2025, aligning mostly with the average CPI. The EUR/USD rate is estimated to be 1.08 by end of 2025, with expected EUR weakness mainly in the first two quarters. Except for Food Retailers, all companies under our coverage are exposed to currency risk, primarily related to TRY/USD and EUR/USD fluctuations. However, these companies have successfully managed this risk in recent years by diversifying their business models, expanding their geographical presence, reducing leverage, and improving balance sheet management through increased hedging. We expect them to muddle through the fx risk in 2025.

- **Turkish exporters** like **Ford Otosan, Arcelik, and Tofas Fabrika** generate FX revenues mainly in EUR, while their FX cost base, linked to commodities and raw materials, is in USD. Last year, these companies were affected by a strong TL against inflation, which impacted their topline growth, though the margin impact was largely offset by the domestic market. In 2025, while a stable TL poses no event risk, a weak EUR/USD may pressure their profitability in a year when exports are expected to rebound. This risk is more pronounced for Arcelik, whereas Tofas and Ford Otosan are mostly protected by their cost plus export contracts. According to our JPM FX team projections, the FX risk should dissipate by Q3 2025, limiting its impact on full-year figures.
- In the **staples sector**, FX exposure arises from geographical diversification, as seen in companies like **Coca-Cola Icecek, Anadolu Efes, and Ulker**, affecting international revenues due to currency translation. However, their FX cost base is limited to about one-fourth of total COGS in operating markets. On the balance sheet, most companies are either naturally hedged or use hedging instruments. We expect the stronger USD to have a limited adverse impact on international operations, particularly for Coca-Cola Icecek, as the pricing environment may make it challenging to pass through rising costs and FX fluctuations.
- For **Turkish Airlines**, the functional currency is USD, and operational exposure is mostly linked to FX, with a long net operating exposure to EUR and a short exposure to USD due to fuel costs. This is largely balanced through the balance sheet, where leverage is EUR-dominated. Therefore, we do not currently anticipate a significant impact on earnings.

Table 6: Share of international revenues as of FY23

	Revenue	
	TL	FX
Anadolu Efes	39%	61%
Arcelik	37%	63%
BIM	95%	5%
Coca-Cola Icecek	46%	54%
Ford Otosan	27%	73%
Hepsiburada	100%	0%
Koc Holdings*	61%	39%
Migros Ticaret	100%	0%
Sok Marketler	100%	0%
Tofas Fabrika	80%	20%
Turkish Airlines	7%	93%
Ülker	68%	32%

Source: Company reports. *Breakuown for Koc Holding revenues refers to non-finance revenues.

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Valuation

Value opportunity exists despite the run

The Turkish equity market has demonstrated a relatively strong YTD performance, up by 13% in USD terms (MSCI Türkiye), outperforming the MSCI EM index by 6%. Valuations still look cheap, with the market trading on 5.5x PE, a 63% discount to EM and a 54% discount to MSCI EMEA based on USD earnings from 2022 and 2023 which our strategists use in order to eliminate the noisy consensus numbers. We believe a further re-rating from current levels now largely depends on timely rate cuts and growth recovery. Our economists expect rate cuts to start by this month, but with inflation tracking above expectations, have now more conservative expectations in terms of pace, while growth would be more visible after Q1 on a y/y basis.

Table 7: Türkiye valuations remain low

As of 28-Nov-24	12m fwd PE	10 yr Avg	Prem./Disc. to 10 yr. avg. (%)	Prem./Disc. to EM (%)
South Africa	9.6	12.1	-20.4	-18.9
Saudi	15.3	17.3	-11.4	29.1
Egypt	5.5	9.1	-39.9	-54.1
Qatar	9.0	12.4	-28.1	-24.7
Kuwait	15.5	14.1	9.7	30.1
UAE	8.4	11.5	-27.1	-29.4
GCC	13.0	13.9	-6.3	9.8
Turkey	5.9	6.5	-9.5	-50.7
Poland	7.1	10.5	-32.0	-40.1
Greece	6.3	17.6	-64.4	-47.3
EMEA	10.1	9.6	5.4	-14.7
EM	11.9	12.0	-0.6	
US	22.6	18.6	21.0	90.0
World (DM)	19.6	17.0	15.5	65.3
AC World	18.5	16.2	13.9	55.5

Source: J.P. Morgan, Bloomberg Finance L.P.

Food retailers and Staples, though the later largely led by AEFES, impressed with YTD $ share price returns above 30%, while Discretionary sectors and Turkish Airlines trailed behind, underperforming the index. The robust performance in the food retail sector was widespread, with the exception of SOK, and was largely attributed to companies tracking in line with their FY guidances and demonstrating resilience to a consumption downturn by the third quarter. In contrast, staples, autos, and appliances sectors surprised the market negatively with earnings pressure more than expected and underwhelming volume performance, where guidance downgrades followed. Turkish Airlines, after a strong three-year run, also showed some weakness as its profitability began to normalize from peak levels.

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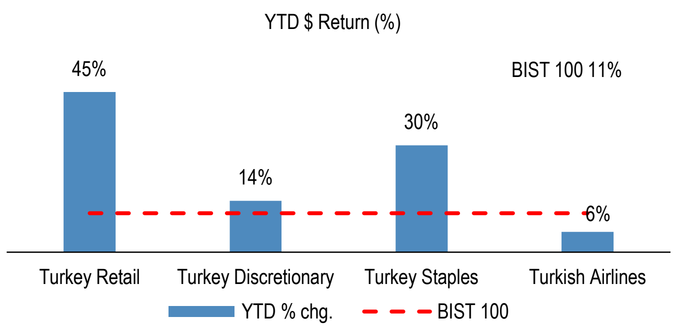
Figure 7: Food retailers led by $ returns >40%

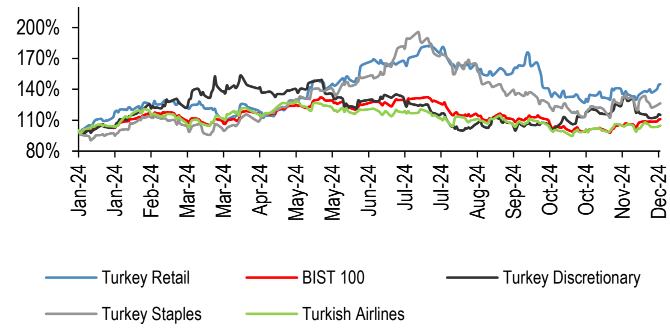
YTD $ share price performance (%)



Source: Bloomberg Finance L.P.

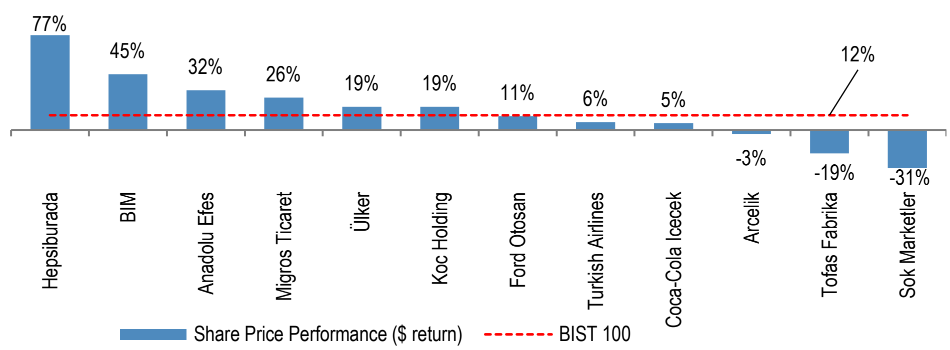
Figure 8: ..whilst exporters and airlines under pressure of strong TL, weak volumes and strong base

YTD $ share price performance (%)



Source: Bloomberg Finance L.P.

Figure 9: Share price performances, YTD in $ terms



Source: Bloomberg Finance L.P.

BIM, Migros , Ford Otosan expanded their PE discount the most to peers, whilst Tofas looks the least attractive

Most companies in our coverage have low earnings valuations vs global peers, but they are no longer as cheap as in 2023. They trade at an average 2Y forward P/E of 8.5x, based on JPMe IAS'29 earnings estimates,which is a 25% discount to their international peers and a 40% discount to their 10Y historical averages. On a 2Y fwd EV/EBITDA multiple, multiples look more undemanding, with companies trading at 4.2x EV/ EBITDA, a 34% discount to international peers and a 40% discount to their historical averages.

BIM, Migros and Ford Otosan are the most undervalued stocks, with their current discount compared to international peers widening the most relative to their historical average discount. In contrast, Tofas, Turkish Airlines, and Ulker appear more expensive when compared to their 10Y trading patterns with respective to their international peers. However, the valuation shifts for Turkish Airlines and Arcelik can be partly explained by specific factors: Turkish Airlines' swift recovery and strong profitability post-COVID led to a strong rally in the shares, which we expect to continue, and Arcelik's merger with Whirlpool temporarily diluted its profitability. Otherwise, both companies fare well when compared on EBITDA metrics, trading at larger discount to global peers.

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Table 8: 2Y Fwd Valuation comps to peers; PEs are based on JPMe IAS'29, EV/EBITDA is pre-inflation JPMe

		2026E P/E vs Global Peers				2026E EV/EBITDA vs Global Peers			
Company	Mcap (USD m)	Company P/E**	Sector P/E	Current Discount	10Y Avr. Discount	Company EV/EBITDA***	Sector EV/EBITDA	Current Discount	10Y Avr. Discount
Arcelik	2,849	10.6x	9.9x	7%	-27%	3.5x	6.4x	-45%	-32%
BIM	9,161	8.4x	17.5x	-52%	-2%	4.9x	8.2x	-40%	13%
Coca Cola Icecek	5,068	7.5x	16.1x	-54%	-41%	5.1x	7.9x	-36%	-35%
Ford Otosan	9,854	4.2x	5.7x	-26%	19%	5.0x	4.2x	19%	24%
Migros	2,661	6.9x	17.5x	-60%	9%	3.8x	8.2x	-54%	-39%
Tofas	2,884	10.7x	5.7x	87%	7%	4.5x	4.2x	8%	2%
Turkish Airlines	11,845	5.9x	7.7x	-23%	-44%	3.7x	4.7x	-20%	16%
Sok	725	8.8x	17.5x	-50%	-12%	2.0x	8.2x	-76%	-52%

Source: Bloomberg L.P., JP Morgan Estimates. J.P. Morgan estimates based on IAS'29 for P/E for Turkish stocks and pre-inflation EBITDA for EV/EBITDA. Net debt is last reported one.

Table 9: LTM valuation comps to peers; PEs are based on IAS'29, EV/EBITDA is pre-inflation

		LTM P/E vs Global Peers				LTM EV/EBITDA vs Global Peers			
Company	Mcap (USD m)	Company P/E**	Sector P/E	Current Discount	10Y Avr. Discount	Company EV/EBITDA***	Sector EV/EBITDA	Current Discount	10Y Avr. Discount
Arcelik	2,850	111.4x	14.2x	>100%	-27%	8.3x	8.2x	2%	109%
BIM	9,163	14.8x	24.6x	-40%	-6%	10.9x	11.0x	-2%	34%
Coca Cola Icecek	5,069	8.8x	22.3x	-61%	120%	7.7x	12.2x	-37%	-26%
Ford Otosan	9,856	6.7x	8.6x	-23%	26%	10.1x	4.8x	112%	103%
Migros	2,662	14.6x	24.6x	-41%	33%	4.5x	11.0x	-59%	-25%
Tofas	2,885	8.5x	8.6x	-1%	40%	7.9x	4.8x	66%	65%
Turkish Airlines	11,847	2.0x	11.6x	-83%	>100%	3.8x	5.0x	-25%	0%
Sok	725	n.m.	24.6x	n.m.	0%	4.1x	11.0x	-63%	-30%

Source: Bloomberg L.P., JP Morgan Estimates. J.P. Morgan estimates based on IAS'29 for P/E for Turkish stocks and pre-inflation EBITDA for EV/EBITDA. Net debt is last reported one.

Stock picking

Given the attractive valuations for most companies, we are inclined to favor those with the potential to reduce their valuation discounts more swiftly. We believe this can be achieved through unique business models that stand out against competitors, and by experiencing a quicker uptick in near-term earnings momentum compared to peers. This momentum could be bolstered by their resilience to slower consumption in the first half of the year and their alignment with potential policy rate cuts.

- **BIM (OW)** and **MIGROS (u/g to OW)** are our top picks in the consumer space, as we believe both are poised to benefit from the growing wallet share of the modern retail channel in 2025, potentially achieving high single-digit to low double-digit top-line growth in real terms. While consumer trade-down and disinflation may pressure nominal gross margins, gradual wage adjustments are expected to mitigate this, paving the way for real earnings growth.
- **Arcelik (OW)** and **Ford Otosan (OW)** are our highest conviction ideas, with the potential for the fastest EBITDA growth among our coverage, driven by recovering export volumes. Arcelik will gain an additional boost from its merger with Whirlpool in Europe, and, with margins currently at lows, a better cost outlook and restructuring savings should accelerate recovery. The stock also serves as the best proxy for policy rate cuts. Ford Otosan, meanwhile, should benefit from new export model launches and the start of production for Volkswagen, helping to offset potential weaknesses in Türkiye.

Please refer to Individual stock pages in the following (p. 21-26) for more details.

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Key valuation hurdle is the inflation accounting

This is the major complexity in valuing the Turkish companies, excluding banks, and may contribute in some part to valuation discounts remaining for a while given the predictability of earnings is low. Our models assume that TAS29 will be implemented until the end 2026, with a return to pre-inflation figures by 2027.

What are the obstacles the investor community faces?

- This is a complex adjustment and reduces the reliability of forecasting. However, as we approach 2026, the impact of inflation fades and inflation adjusted ratios begin to align more closely with pre-inflation adjusted figures.
- Valuation multiples, particularly EV/EBITDA are not comparable to regional peers as inventory gains are excluded. The P/E multiples are more reliable; however, there can be significant estimation errors due to largely guesstimated monetary gain/ losses.
- The limited disclosures make it challenging to forecast monetary gain/losses from the balance sheet. This may change if regulators require companies to provide a breakdown of these gains/losses.
- There is no relevant and sufficient disclosure regarding the inflation impact on operating items which may help analysts and investors to develop more consistent models.
- Company guidance is volatile, as they adopt to these practices, and accurate inflation estimates are crucial for providing a reliable guidance.

Who fares better?

- In most cases, leveraged companies fare better than cash-rich companies. However, this depends on the level of leverage and the adjusted depreciation amount. Best practice involves calculating monetary gain/losses from inflation adjustment on non-monetary asset/liability, benefiting companies with a heavy net non-monetary asset base.
- Companies with shorter inventory turnover days tend to perform better on margins due to smaller adjustments on COGS, prompting many to aim for reduced inventory days.
- Production companies operating large plants face higher depreciation charges given the adjustment on fixed asset valuation that impacts the gross margin and net income.

Table 10: 2023 Financials: Inflation adjustment impact on key metrics

	Revenue	EBITDA	EBITDA Margin (%)	Net Income	Net Margin (%)	Depreciation
Anadolu Efes	8.6%	-6.0%	-2.8%	43.8%	3.4%	13.5%
Arcelik	24.9%	0.8%	-1.9%	69.3%	0.8%	n.a.
BIM	23.0%	-34.5%	-3.7%	25.7%	0.1%	124.7%
Coca Cola Icecek	11.0%	-5.4%	-3.1%	147.8%	11.2%	31.8%
Ford Otosan	24.8%	10.7%	-1.3%	58.5%	2.6%	98.4%
Hepsiburada	21.4%	-74.3%	-4.7%	-89.6%	-2.3%	127.8%
Migros	24.6%	-108.4%	-5.4%	48.3%	0.8%	182.5%
Sok	24.8%	-52.3%	-3.9%	38.7%	0.3%	173.2%
Tofas	23.5%	13.4%	-1.4%	-17.6%	-5.9%	304.2%
Ulker	19.2%	1.3%	-3.4%	31.5%	0.6%	n.a.

Source: Company reports.

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What are the adjustments?

- P&L figures and non-monetary Balance Sheet figures such as fixed assets, Equity, and inventory are presented in the purchasing power of the reported year. Monetary balance sheet items such as Cash, Financial Assets, Trade Receivables, Financial and Leasing liabilities, Trade Payables and provisions are recorded similarly to pre-inflation adjusted figures. The inflation gains/losses are recorded in the P&L as monetary gains/losses.
- Depreciation is recalculated based on adjusted fixed asset values, leading to higher depreciation for most companies since fixed assets were previously recorded at historical purchasing values.
- Inventory is shown in the purchasing power of the reported year rather than historical cost, which elevates COGS and reduces margins. However, the impact is normalized in earnings through recording inventory gains under monetary gain line.
- Monthly revenues are adjusted to the reporting period's purchasing power. Seasonality affects adjustments, with companies selling most products in Q1 seeing higher revenue adjustments compared to those selling in Q4, relative to pre-inflation adjusted figures.
- When reporting period figures are released, all historical inflation-adjusted figures are carried to the purchasing power of the reporting year, ensuring growth rates are in real terms.
- Cash flow remains similar to pre-inflation adjusted cash flow as inflation adjustments are offset at the bottom line for P&L items, and balance sheet related monetary gain/losses are non-cash adjustments.
- **In the Summary of Financials , we present inflation-adjusted historical figures as of the relevant reporting periods; hence, in nominal terms. Real growth rates are presented separately.**

What is included in Monetary Gains/Losses?

- The impact of inflation adjustment on P&L items are included; hence, this reverses the inflation impact at the bottom line other than depreciation. Basically, income items like revenues, interest income, other income create Monetary Losses, and cost items such as inventory sold, operating expenses, interest expenses and other expenses create Monetary Gains.
- The value gain or loss against inflation in Monetary Asset and Liability position is included. Basically, if a company carries a cash position with an interest rate below inflation for the full year or does not invest its cash into above inflation interest-bearing assets, it losses its value against inflation. The reverse is valid for debt position.

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JPMe vs Consensus

Table 11: Inflation Adjusted JPMe vs Consensus

	JPMe			Consensus			% diff			JPMe		Consensus	
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	25E vs 24E	26E vs 25E	25E vs 24E	26E vs 25E
Arcelik													
Revenue	416,544	545,001	669,118	406,824	507,263	646,462	2%	7%	4%	31%	23%	25%	27%
EBITDA	22,918	37,137	53,486	26,089	40,299	51,823	-12%	-8%	3%	62%	44%	54%	29%
Net Income	-8,423	-4,268	9,341	-7,480	3,857	9,341	13%	n.m.	0%	-49%	n.m.	n.m.	142%
BIM													
Revenue	518,073	726,701	960,150	531,622	733,317	846,941	-3%	-1%	13%	40%	32%	38%	15%
EBITDA	21,740	31,762	59,135	24,265	45,900	56,328	-10%	-31%	5%	46%	86%	89%	23%
Net Income	19,791	26,720	37,810	22,738	31,971	37,282	-13%	-16%	1%	35%	42%	41%	17%
Coca Cola Icecek													
Revenue	137,008	174,660	222,276	139,136	185,222	222,769	-2%	-6%	0%	27%	27%	33%	20%
EBITDA	24,162	29,618	38,169	26,404	36,201	43,773	-8%	-18%	-13%	23%	29%	37%	21%
Net Income	13,795	18,180	23,575	16,169	18,996	21,704	-15%	-4%	9%	32%	30%	17%	14%
Ford Otosan													
Revenue	590,576	803,808	1,149,282	650,605	836,031	1,034,236	-9%	-4%	11%	36%	43%	29%	24%
EBITDA	42,556	59,831	89,152	42,992	84,658	107,365	-1%	-29%	-17%	41%	49%	97%	27%
Net Income	36,286	49,595	81,237	33,743	81,001	71,459	8%	-39%	14%	37%	64%	140%	-12%
Migros Ticaret													
Revenue	288,317	397,367	500,006	273,670	365,261	430,678	5%	9%	16%	38%	26%	33%	18%
EBITDA	14,802	21,634	30,229	19,002	26,313	33,659	-22%	-18%	-10%	46%	40%	38%	28%
Net Income	6,687	9,096	13,358	7,245	10,841	13,545	-8%	-16%	-1%	36%	47%	50%	25%
Sok Marketler													
Revenue	193,510	269,251	325,061	178,794	236,497	225,735	8%	14%	44%	39%	21%	32%	-5%
EBITDA	-1,922	3,903	9,692	11,935	16,489	n.a.	n.m.	-76%	n.a.	n.m.	148%	38%	n.a.
Net Income	-279	507	2,866	4,799	3,610	1,302	n.m.	-86%	120%	n.m.	466%	-25%	-64%
Tofas Fabrika													
Revenue	117,185	237,474	382,559	152,827	383,528	506,402	-23%	-38%	-24%	103%	61%	151%	32%
EBITDA	10,466	17,362	20,988	14,749	36,680	49,297	-29%	-53%	-57%	66%	21%	149%	34%
Net Income	5,863	9,058	9,403	12,233	16,764	23,196	-52%	-46%	-59%	55%	4%	37%	38%
Turkish Airlines*													
Revenue	22,896	24,260	26,195	22,680	n.a.	n.a.	1%	n.a.	n.a.	6%	8%	n.a.	n.a.
EBITDA	5,301	4,940	5,129	5,120	n.a.	n.a.	4%	n.a.	n.a.	-7%	4%	n.a.	n.a.
Net Income	3,524	2,415	2,011	3,079	n.a.	n.a.	14%	n.a.	n.a.	-31%	-17%	n.a.	n.a.

Source: Bloomberg L.P., Company reports and J.P. Morgan estimates. * Estimates for Turkish Airlines are in USD.

Table 12: Summary of new inflation adjusted JPM estimates vs previous pre-inflation estimates

	New JPMe (IAS'29)			Old JPMe			% diff			New JPMe		Old JPMe	
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	25E vs 24E	26E vs 25E	25E vs 24E	26E vs 25E
Arcelik													
Revenue	416,544	545,001	669,118	396,228	521,384	647,987	5%	5%	3%	31%	23%	32%	24%
EBITDA	22,918	37,137	53,486	35,295	48,534	62,784	-35%	-23%	-15%	62%	44%	38%	29%
Net Income	-8,423	-4,268	9,341	8,016	14,718	27,192	n.m.	n.m.	-66%	-49%	n.m.	84%	85%
BIM													
Revenue	518,073	726,701	960,150	452,048	633,325	805,239	15%	15%	19%	40%	32%	40%	27%
EBITDA	21,740	31,762	59,135	34,969	52,181	69,058	-38%	-39%	-14%	46%	86%	49%	32%
Net Income	19,791	26,720	37,810	20,075	31,049	41,877	-1%	-14%	-10%	35%	42%	55%	35%
Coca Cola Icecek													
Revenue	137,008	174,660	222,276	146,589	197,211	252,658	-7%	-11%	-12%	27%	27%	35%	28%
EBITDA	24,162	29,618	38,169	29,228	39,369	50,693	-17%	-25%	-25%	23%	29%	35%	29%
Net Income	13,795	18,180	23,575	13,368	20,489	28,981	3%	-11%	-19%	32%	30%	53%	41%
Ford Otosan													
Revenue	590,576	803,808	1,149,282	524,673	812,020	1,058,220	13%	-1%	9%	36%	43%	55%	30%
EBITDA	42,556	59,831	89,152	56,032	87,281	112,249	-24%	-31%	-21%	41%	49%	56%	29%
Net Income	36,286	49,595	81,237	46,523	75,078	80,294	-22%	-34%	1%	37%	64%	61%	7%
Migros Ticaret													
Revenue	288,317	397,367	500,006	243,714	330,343	409,896	18%	20%	22%	38%	26%	36%	24%
EBITDA	14,802	21,634	30,229	16,335	23,769	31,468	-9%	-9%	-4%	46%	40%	46%	32%
Net Income	6,687	9,096	13,358	5,111	7,677	9,939	31%	18%	34%	36%	47%	50%	29%
Sok Marketler													
Revenue	193,510	269,251	325,061	188,244	259,096	330,093	3%	4%	-2%	39%	21%	38%	27%
EBITDA	-1,922	3,903	9,692	12,805	18,098	24,715	n.m.	-78%	-61%	n.m.	148%	41%	37%
Net Income	-279	507	2,866	5,845	8,482	12,726	n.m.	-94%	-77%	n.m.	466%	45%	50%
Tofas Fabrika													
Revenue	117,185	237,474	382,559	190,361	299,483	388,249	-38%	-21%	-1%	103%	61%	57%	30%
EBITDA	10,466	17,362	20,988	22,389	34,314	43,737	-53%	-49%	-52%	66%	21%	53%	27%
Net Income	5,863	9,058	9,403	21,343	31,007	37,847	-73%	-71%	-75%	55%	4%	45%	22%
Turkish Airlines*													
Revenue	22,896	24,260	26,195	22,520	23,962	n.a.	2%	1%	n.a.	6%	8%	6%	n.a.
EBITDA	5,301	4,940	5,129	4,316	3,950	n.a.	23%	25%	n.a.	-7%	4%	-8%	n.a.
Net Income	3,524	2,415	2,011	2,339	1,767	n.a.	51%	37%	n.a.	-31%	-17%	-24%	n.a.

Source: J.P. Morgan estimates. * Estimates for Turkish Airlines are in USD.

Table 13: Summary of pre-inflation new JPM estimates vs previous pre-inflation estimates

	New JPMe (unadjusted)			Old JPMe			% diff			New JPMe		Old JPMe	
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	25E vs 24E	26E vs 25E	25E vs 24E	26E vs 25E
Arcelik													
Revenue	370,048	491,287	616,103	396,228	521,384	647,987	-7%	-6%	-5%	33%	25%	32%	24%
EBITDA	26,651	40,846	55,409	35,295	48,534	62,784	-24%	-16%	-12%	53%	36%	38%	29%
BIM													
Revenue	463,819	655,006	884,030	452,048	633,325	805,239	3%	3%	10%	41%	35%	40%	27%
EBITDA	34,889	47,760	67,707	34,969	52,181	69,058	0%	-8%	-2%	37%	42%	49%	32%
Coca Cola Icecek													
Revenue	129,832	166,316	214,125	146,589	197,211	252,658	-11%	-16%	-15%	28%	29%	35%	28%
EBITDA	24,877	30,645	39,531	29,228	39,369	50,693	-15%	-22%	-22%	23%	29%	35%	29%
Ford Otosan													
Revenue	523,372	726,147	1,044,802	524,673	812,020	1,058,220	0%	-11%	-1%	39%	44%	55%	30%
EBITDA	44,484	59,836	89,370	56,032	87,281	112,249	-21%	-31%	-20%	35%	49%	56%	29%
Hepsiburada													
Revenue	50,969	69,456	87,076	34,796	42,721	n.a.	46%	63%	n.a.	36%	25%	23%	n.a.
EBITDA	3,604	5,609	7,855	1,555	3,057	n.a.	132%	84%	n.a.	56%	40%	97%	n.a.
Migros Ticaret													
Revenue	256,288	358,412	462,866	243,714	330,343	409,896	5%	8%	13%	40%	29%	36%	24%
EBITDA	23,588	29,012	33,394	16,335	23,769	31,468	44%	22%	6%	23%	15%	46%	32%
Sok Marketler													
Revenue	176,718	242,703	299,300	188,244	259,096	330,093	-6%	-6%	-9%	37%	23%	38%	27%
EBITDA	6,964	10,071	14,910	12,805	18,098	24,715	-46%	-44%	-40%	45%	48%	41%	37%
Tofas Fabrika													
Revenue	100,704	214,530	347,781	190,361	299,483	388,249	-47%	-28%	-10%	113%	62%	57%	30%
EBITDA	8,708	17,821	21,838	22,389	34,314	43,737	-61%	-48%	-50%	105%	23%	53%	27%
Turkish Airlines*													
Revenue	22,896	24,260	26,195	22,520	23,962	n.a.	2%	1%	n.a.	6%	8%	6%	n.a.
EBITDA	5,301	4,940	5,129	4,316	3,950	n.a.	23%	25%	n.a.	-7%	4%	-8%	n.a.

Source: J.P. Morgan estimates. * Estimates for Turkish Airlines are in USD.

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Individual Stock Views

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ARCELIK (OW)

2024: Wins and Lessons Learned

Arcelik shares were up by 5% in USD YTD, underperforming both the BIST 100 and MSCI European Capital Goods index by 18%. Shares have been under pressure due to several quarters of margin disappointments following the merger with Whirlpool in Europe, which led to increased leverage and negative earnings. The company has repeatedly cut its 2024 EBITDA margin guidance, reducing it from the initial 8% target in Q1 to 5.8-6% by Q3. Leverage reached 4.3x EBITDA in Q3, marking the highest level in the past decade. The demand environment has been challenging across markets, with Türkiye experiencing negative momentum by Q2, ASEAN markets facing slower consumption, and anticipated recovery in European replacement demand delayed until Q3. A key development was the completion of the Whirlpool merger in Europe in April and the acquisition of Whirlpool's MENA assets, which are expected to help Arcelik achieve an estimated EUR11bn revenues in 2024, positioning the company as the number 1 player in appliance sector in Europe.

2025 view: The biggest turnaround story

We believe short-term challenges are well understood by the market and the risk/ reward profile will improve with European demand returning to growth on q/q by Q3'24. Additionally, pressure on earnings is likely to ease with lower policy rates. Management has initiated restructuring of the new European entity, aiming for €300m savings annually by Year 5 of the Whirlpool merger, which should result in a ~200 bps margin expansion. This includes shifting production from Europe to Türkiye through closing some underperforming European plants, thereby enhancing competitiveness and reducing operating expenses. With the potential rebound in replacement demand in Europe, which turned into positive in Q3 this year, we forecast EBITDA growth of 30% in 2025 and 25% in 2026 in real terms, helping Arcelik to return to positive cash flow by 2025. Furthermore, the easing restrictions on access to Turkish lira borrowing will be a significant milestone, likely reducing the interest costs and supporting the earnings trajectory. Overall, these should position Arcelik as a stock poised for one of the most significant turnaround stories among our coverage in 2025.

Where could we be wrong?

We will closely monitor three important areas. 1) Turkish policy rates cuts, 2) competition in Europe and 3) the Turkish demand environment. A delay in policy rate cuts poses a risk to demand projections in Türkiye, a crucial market for sustaining high margins. We currently project LSD% volume growth in Türkiye, with growth turning positive in the 2H of the year, helping the company in recovering its margins from a low base. However, if interest rates remain high and macro prudential measures are not eased, Turkish demand may stay negative, pressuring the overall profitability. Meanwhile, the European market is facing increased competition from Chinese players, affecting pricing strategies. We believe Arcelik is in a favorable position compared to other European players due to its product portfolio following the Whirlpool merger, which should help combat rising competition. Our expectations for Europe are not overly optimistic, as we assume Arcelik's growth will primarily be driven by inorganic factors, such as the addition of Whirlpool revenues in Q1'25.

Table 14: Arcelik KPIs

US$ m	2022	2023	2024E	2025E	2026E
Net Earnings	230	322	-256	-106	191
Earnings growth (%)	n.a.	40%	n.m.	-59%	-280%
Net margin	2.4%	3.0%	-2.0%	-0.8%	1.4%
Revenues	9,428	10,786	12,670	13,540	13,680
EBITDA (pre-inflation)	716	846	811	1,015	1,133
EBITDA margin* (%)	7.6%	7.8%	6.4%	7.5%	8.3%
Net debt/EBITDA	2.7x	2.6x	4.2x	3.5x	2.8x
ROIC (%)	8.1%	12.8%	3.3%	6.3%	8.0%
ROE (%)	11.9%	14.4%	-10.4%	-4.4%	7.8%
P/E	23.0x	13.0x	-11.8x	-23.3x	10.6x
EV/EBITDA (IFRS)	10.6x	7.6x	7.4x	5.6x	4.5x
P/BV	4.0x	1.9x	1.2x	1.0x	0.8x
FCF Yield (IFRS)	-9.2%	-2.1%	-24.1%	0.4%	7.2%
Dividend yield (%)	1.5%	1.8%	0.0%	0.0%	0.0%

Source: Company reports, J.P. Morgan estimates. IAS'29 adjusted unless stated otherwise.

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BIM (OW)

2024: Wins and Lessons Learned

BIM shares were up by 45% in USD terms YTD, outperforming the BIST 100 by 23% and surpassing its CEE and MENA peers by ~50%. This strong share price performance was largely supported by its resilient gross margins that surprised the market the most despite disinflation being visible by Q3 and its solid topline performance backed by traffic gains in the first half of the year and HSD% space expansion. BIM also distinguished itself by focusing on cash flow, largely achieved through relatively better inventory management. Additionally, advance payments continued to be a primary tool for supporting gross margins, although this is likely to reverse next year. A final note is the adverse impact of inflationary accounting, which obscures the strength of cash generation and pressures earnings momentum due to declining non-cash monetary gains as the cash position improves.

2025 view

With weakening consumption and wage adjustments being more limited than in previous years, we expect consumer trade-down behavior to be more evident than in 2024, benefiting BIM the most amongst its Turkish consumers peers. BIM is likely to adjust its pricing and SKU strategy amid disinflation to increase store traffic, potentially sacrificing some margins to maximize revenue and maintain high single-digit real earnings growth. We expect investor attention will focus on traffic gains, as Q3 traffic normalization has raised questions about whether the company truly benefits from consumers trading-down. We are not overly concerned, as we believe the modern retail channel will continue to expand its market share, currently at 65% in Türkiye, which still offers significant potential compared to the European average of >80%. Management has yet to share its FY guidance, but has previously highlighted 1) their intention to grow space at a HSD % over the next few years without cannibalizing its existing store performance; 2) their operational leverage advantage, which could offset some gross margin normalization driven by rising share of PL revenues. Valuations appear more attractive as the impact of inflation accounting diminishes moving into 2026. Shares are trading at 8.4x 26E P/E and 5.0x EV/EBITDA, based on JPMe IAS earnings and pre-inflation EBITDA, suggesting 52%/40% discount to CEEMEA peers.

Where could we be wrong?

Our forecast model is based on a~30% wage adjustment in 2025, aligning mostly in line with average inflation. A higher adjustment may prolong inflationary pressures and stimulate growth. Although this may initially appear positive for retailers, BIM may lost its unique relative favourable pricing, and EBITDA margin may be under pressure more than initially assumed.

Table 15: BIM KPIs

US$ m	2022	2023	2024E	2025E	2026E
Net Earnings	610	648	602	664	773
Earnings growth (%)	n.a.	6%	-7%	10%	16%
Net margin	6.0%	4.7%	3.8%	3.7%	3.9%
Revenues	10,237	13,778	15,758	18,055	19,630
EBITDA (pre-inflation)	717	880	1,061	1,187	1,384
EBITDA margin* (%)	4.9%	4.2%	4.2%	4.4%	6.2%
Net debt/EBITDA	0.9x	1.1x	0.5x	0.6x	0.4x
ROIC (%)	6.3%	2.6%	2.8%	2.7%	9.0%
ROE (%)	28.8%	24.3%	19.4%	19.6%	22.3%
LFL Revenue growth (%, pre-inflation)	92%	70%	59%	27%	27%
avr. CPI (%)	72%	54%	59%	32%	21%
Space growth (%)	10%	8%	9%	8%	8%
P/E	31.6x	20.7x	16.1x	12.0x	8.4x
EV/EBITDA (IFRS)	27.6x	15.4x	9.5x	7.1x	5.0x
P/BV	9.1x	4.6x	3.0x	2.3x	1.8x
FCF Yield (IFRS)	0.9%	1.3%	-1.5%	-2.7%	4.6%
Dividend yield (%)	0.6%	1.0%	1.9%	2.5%	3.3%

Source: Company reports, J.P. Morgan estimates. IAS'29 adjusted unless stated otherwise.

Coca Cola Icecek (N)

2024: Wins and Lessons Learned

One of the biggest negative surprises in 2024 was Pakistan's failure to return to growth, increased competition in Uzbekistan after excise tax increases in April and the ongoing conflict in the MENA region, which continued to pressure volumes in Türkiye. This led management to trim their revenue and volume outlook multiple times, adversely impacted the share price performance which was mostly muted in USD terms. The company has tried to balance the growth through packaging and pricing where no major price actions have been taken in Pakistan, and price adjustments in other markets were mostly delayed. Positively, profitability remained resilient, helped by limited cost inflation thanks to favorable contracts and fx moves, but this has failed to generate earnings growth in real terms.

2025 view: Downgrade to Neutral

We expect another year of underperforming volume performance compared to global bottlers, anticipating nearly flat consolidated volume in 2025. The continued pressure on disposable incomes of consumers in Türkiye and Pakistan, and the consumer's resilience against effective price adjustments may continue to prove it difficult for the company to maintain a stable margin environment. Uzbekistan which has been growing rapidly is also more competitive, challenging the balancing of volumes against price increases. Azerbaijan, Iraq and Kazakhstan will likely remain as growing markets; however, they are unlikely to offset the volume weakness across other large markets. Valuations remain undemanding but aren't as attractive as before, with shares trading at 6.9x 25e EV/EBITDA based on JPMe inflation-unadjusted EBITDA, suggesting a 18% discount to global bottlers, slightly behind its 10Y average discounts. A re-rating from this level would require a relatively more favorable volume outlook and declining risk premiums in operating markets which we currently don't foresee in the first half of the year. We have downgraded our recommendation to Neutral from OW and move our PT to Dec-26 based on our blended $-based cash flow and multiple valuation.

Where could we be wrong?

The macroeconomic environment in Pakistan has improved, with GDP rebounding strongly from previous shocks and challenges, and inflation significantly decreasing from a peak of 38% in Q2 2023 to 7.2% in October 2024. However, downside risks persist, as the ambitious fiscal goals for FY25 require substantial tax increases and spending cuts, which could dampen domestic demand. As Pakistan is Icecek's second-largest market, any rebound in growth or continuation of negative volume trends could affect our forecasts. On the upside, the potential risk lies in Türkiye if CCI reintegrates BIM into its portfolio. This move could boost volumes in Türkiye, albeit with lower margins, and potentially improve investor sentiment. Our model is based on 2% volume growth in Türkiye and flat volume in International markets in 2025 with consolidated EBITDA margin down ~80 bps.

Table 16: KPIs

US$ m	2022	2023	2024E	2025E	2026E
Net Earnings	509	863	420	452	482
Earnings growth (%)	n.a.	70%	-51%	8%	7%
Net margin	14.9%	20.4%	10.1%	10.4%	10.6%
Revenues	3,416	4,239	4,167	4,339	4,544
EBITDA (pre-inflation)	613	795	757	761	808
EBITDA margin* (%)	17.2%	17.7%	17.6%	17.0%	17.2%
Net debt/EBITDA	0.6x	0.8x	1.2x	1.2x	1.0x
ROIC (%)	17.9%	21.4%	17.2%	15.8%	16.3%
ROE (%)	34.0%	52.4%	26.5%	27.7%	26.6%
P/E	1.9x	0.8x	12.8x	9.7x	7.5x
EV/EBITDA (IFRS)	18.0x	10.1x	8.3x	6.9x	5.4x
P/BV	0.6x	0.4x	3.7x	2.5x	1.8x
FCF Yield (IFRS)	1.8%	0.6%	1.9%	5.8%	3.6%
Dividend yield (%)	3.9%	6.8%	10.3%	19.6%	26.2%

Source: Company reports, J.P. Morgan estimates. IAS'29 adjusted unless stated otherwise.

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Ford Otosan (OW)

2024: Wins and Lessons Learned

Otosan shares performed inline with the index, up 14% in USD terms. The expected superior share price performance was clouded by the adverse impact of the strong TL on exporters, inventory issues during the launch of new models that pressured the operating margins and also delayed the recovery in exports. Meanwhile, cash flow was under pressure from working capital outflows after elevated inventory ahead of product launches, impacted the balance sheet credentials, with leverage inflated to 2.8x based on inflation-adjusted EBITDA. The profitability has started to improve by Q3, while exports aligned mostly in line with the downgraded guidance that targets minimum 8% y/y growth. Turkish demand, on the other hand, turned into negative territory, yet Otosan is now likely to outperform the market thanks to a recovery in its market share with the launch of its new Custom and Courier models.

2025 view: Enters into a growth phase

We expect the delayed growth phase to start in 2025, supported by incremental export volumes for Volkswagen and a continued normalization in Ford Motor's export uptake. Although the demand environment in Europe is expected to be challenging next year, Ford Otosan may be well-insulated due to its new models, which were largely absent in the first quarter of this year. We project a 14% increase in export volume and a 1% decrease in domestic volume in 2025, contributing to a 9% growth in topline in real terms. The margin outlook remains challenging due to the rising share of exports; however, the company is poised to benefit from a low base following last year's inventory issues and is expected to achieve low teens EBITDA growth in real terms. Additionally, the faster depreciation of the Turkish Lira compared to last year is also expected to be a margin driver in 2025. In the medium term, we continue to view the company as Türkiye's leading export success story thanks to its competitive production capabilities and its role as the primary production hub for Ford Motor's best-selling commercial vehicles. Additionally, the company is well-positioned to potentially increase production during the renewal of the Transit models, which is set to conclude in 2027.

Where could we be wrong?

The main risk to our projections is a much slower export uptake by Ford Motor, driven by the slowdown in European economies. We expect the company to guide the market carefully this year, which should help reduce the likelihood of negative surprises. Although Chinese competition hasn't yet made a significant impact in the commercial vehicle market accounting less than 1% of European van market, it could become a major discussion point in the medium term. The Ford Pro structure currently provides Ford Otosan with a unique advantage over Chinese competitors, supporting continuous business operations around the clock and a service and user provider network that could be difficult to compete for other players.

Table 17: Ford Otosan KPIs

US$ m	2022	2023	2024E	2025E	2026E
Net Earnings	1,017	2,075	1,104	1,232	1,661
Earnings growth (%)	n.a.	104%	-47%	12%	35%
Net margin	8.6%	12.0%	6.1%	6.2%	7.1%
Revenues	11,825	17,280	17,963	19,970	23,497
EBITDA (pre-inflation)	1,192	1,619	1,353	1,487	1,827
EBITDA margin* (%)	9.9%	10.4%	7.2%	7.4%	7.8%
Net debt/EBITDA	1.4x	1.4x	2.5x	2.6x	2.4x
ROIC (%)	26.2%	26.8%	13.5%	13.6%	17.0%
ROE (%)	54.2%	67.7%	34.3%	38.5%	55.3%
P/E	20.4x	6.9x	9.5x	6.9x	4.2x
EV/EBITDA (IFRS)	18.8x	10.5x	10.1x	8.4x	6.2x
P/BV	11.1x	4.7x	3.2x	2.7x	2.3x
FCF Yield (IFRS)	2.3%	5.4%	-0.1%	1.7%	-2.6%
Dividend yield (%)	1.9%	5.2%	6.5%	4.2%	5.8%

Source: Company reports, J.P. Morgan estimates. IAS'29 adjusted unless stated otherwise.

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Migros (OW)

2024: Wins and Lessons Learned

In 2024, Migros stood out among retailers by exceeding industry expectations with its impressive revenue performance. The company maintained competitive pricing and pursued rapid expansion, nearly matching the growth pace of the discount retailers. Its expanding online business and verticals significantly boosted store traffic, which we estimate increased by a mid-single-digit percentage, keeping like-for-like revenues above inflation. However, this gain in market share came at the cost of margins, as expected, and did not enhance free cash flow generation as much as BIM. Consequently, Migros shares, while rising by 29% in USD terms, lagged behind BIM in performance, but still outperformed the BIST100 index by 17%.

2025 view: Upgrade to OW

Shares currently trade at 6.9x 26E P/E and 4.4x 26E EV/EBITDA based on JPMe inflation adjusted earnings and inflation-unadjusted EBITDA, offering 17%/12% discount to BIM and is nearly half the multiples of CEEMEA peers. We anticipate that the company will continue to be a major disruptor in the Turkish retail sector, challenging discount retailers with its competitive pricing and broadening its customer base to include working-class and mid-to-high-income earners. While margin pressure is expected to persist due to staff cost increases that lag behind peers in timing, a rebound from lows is anticipated, driven by a 10% real revenue growth in 2025. In the medium term, we expect the company to benefit from the growing retail wallet share of the modern channel, with inflation-unadjusted peer-comparable EBITDA expected to double, becoming more comparable to discount retailers as the competition for market share eases and online sales continue to grow.

Where could we be wrong?

Extended price competition poses a challenge to maintaining sustainable margins and generating free cash flow. However, we anticipate that the online business will positively impact key performance indicators, boosting topline growth. This does come with execution risks and could lead to cash burn if marketplace or delivery companies become more competitive. On the other hand, there could be potential upside to our margin and EBITDA estimates if these challenges are successfully navigated.

Table 18: Migros KPIs

US$ m	2022	2023	2024E	2025E	2026E
Net Earnings	335	370	203	226	273
Earnings growth (%)	n.a.	11%	-45%	11%	21%
Net margin	6.5%	4.9%	2.3%	2.3%	2.7%
Revenues	5,150	7,621	8,770	9,872	10,222
EBITDA (pre-inflation)	255	410	307	351	477
EBITDA margin* (%)	5.0%	5.4%	3.5%	3.6%	4.7%
Net debt/EBITDA	-2.3x	n.m.	-27.1x	1.2x	0.5x
ROIC (%)	-3.7%	-7.3%	7.9%	9.2%	12.2%
ROE (%)	33.3%	27.8%	12.3%	13.0%	17.1%
P/E	16.7x	10.5x	13.9x	10.2x	6.9x
EV/EBITDA (IFRS)	21.8x	9.2x	8.6x	7.1x	4.4x
P/BV	5.6x	2.6x	1.6x	1.4x	1.2x
FCF Yield (IFRS)	7.5%	6.2%	0.0%	0.0%	13.8%
Dividend yield (%)	0.0%	0.7%	1.4%	1.5%	2.0%

Source: Company reports, J.P. Morgan estimates. IAS'29 adjusted unless stated otherwise.

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Sok (N)

2024: Wins and Lessons Learned

Sok shares have experienced a disappointing performance, declining 17% year-to-date and underperforming the BIST100 index by 56%. This downturn is attributed to weak operating results, including a slowdown in space expansion, low margins due to low sales density amid rising operating costs, and challenges in retaining staff, which have weakened operational efficiencies. In response, the company has revised its expansion strategy, shifting to a larger discount store format to boost traffic and enhance basket sizes.

2025 view: Cut to Neutral

Management is optimistic that new stores will enhance operational leverage and expects margins to return to previous levels in the coming years. However, given that the number of new store openings is relatively low compared to its existing network of nearly 11,000 stores, we believe it may take a considerable amount of time to fully realize the benefits of this new strategy. As a result, we anticipate that the discounted valuation compared to peers may persist until then.

Where could we be wrong?

A quicker pace of space expansion, combined with wage adjustments significantly lower than the initially expected 30%, could potentially enhance the company's profitability more rapidly than we currently anticipate. However, there is presently no evidence to incorporate this scenario into our estimates.

Table 19: SOK KPIs

US$ m	2022	2023	2024E	2025E	2026E
Net Earnings	255	187	-8	13	59
Earnings growth (%)	n.a.	-27%	-105%	-248%	366%
Net margin	6.2%	3.3%	-0.1%	0.2%	0.9%
Revenues	4,120	5,578	5,886	6,689	6,646
EBITDA (pre-inflation)	266	281	194	228	287
EBITDA margin* (%)	4.5%	2.9%	-1.0%	1.4%	3.0%
Net debt/EBITDA	1.3x	0.7x	-2.1x	5.0x	2.4x
ROIC (%)	4.5%	-2.3%	-21.3%	-10.1%	-3.5%
ROE (%)	39.0%	22.5%	-1.0%	1.5%	6.8%
LFL Revenue growth (%, pre-inflation)	89%	71%	60%	33%	25%
avr. CPI (%)	72%	54%	59%	32%	21%
Space growth (%)	11%	4%	3%	4%	3%
P/E	6.0x	5.7x	-90.5x	49.9x	8.8x
EV/EBITDA (IFRS)	6.7x	4.2x	5.0x	4.4x	3.3x
P/BV	8.8x	1.2x	0.9x	0.7x	0.6x
FCF Yield (IFRS)	3.7%	17.6%	118.9%	59.8%	63.4%
Dividend yield (%)	0.0%	1.2%	6.3%	0.0%	0.0%

Source: Company reports, J.P. Morgan estimates. IAS'29 adjusted unless stated otherwise.

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Investment Thesis, Valuation and Risks

Arcelik *(Overweight; Price Target: TL243.00)*

Investment Thesis

We see improving risk/reward profile for the shares, supported by international markets likely bottoming out, with signs of recovery emerged in Q3. Additionally, margin repair is expected due to positive effects of restructuring Whirlpool assets and the fading impact of inflationary pressures on inventory accounting. This should enhance opFCF and reduce leverage by 2025 and beyond, thereby unlocking value. The recent access to Turkish loans is a positive development, that may also help lower the cost of WCR financing. Further tailwinds include interest rate cuts across the operating markets and improved risk premiums in the Turkish equity market in 2025.

Valuation

We value Arcelik shares using a USD-based discounted cash flow analysis. Our TL forecasts used for valuation purposes are not adjusted for inflation and are converted into USD for each respective years. We project a LT sustainable pre-inflation adjusted EBITDA margin of 9.3%, below previously estimated 11.5% and 9.8% realized in 2023. This adjustment is primarily due to increased competition in Europe and much higher than initially anticipated margin dilution impact from Whirlpool. We use a terminal growth rate of 3% in USD terms, and a blended cost of equity based on revenue share per geography in 2025, applying a WACC of 8.2% in USD terms. Our PT is set for Dec-26, in-line with JPM Equity Research's 18-24 month price target period.

Risks to Rating and Price Target

- Türkiye is a key market for Arcelik to sustain its high margins. We currently project flat volumes in 2024, followed by 3% growth in 2025 and a sustainable 4% growth thereafter. The current credit squeeze and a prolonged high interest rate environment is a risk on our relatively optimistic Türkiye projections.
- Arcelik's business model relies on a leveraged B/S as it finances Turkish consumers through installments sales offered by dealers. This creates a short-term TL funding need and the company has faced issues in accessing TL loans in recent years. We expect improved access to these loans in 2025, which should help in managing WCR at a relatively low cost.
- Arcelik is a global company, having strong market positions in Europe, Pakistan, Bangladesh, South Africa and Türkiye. Hence, it is exposed to fx risks where a strong dollar putting pressure on margins, while benefiting from TL depreciation and strong EUR.
- Growth is expected to be fuelled by under-penetrated markets and the successful integration of the merger with Whirlpool in Europe. Company expects to improve its operating margins through restructuring its European operations that is expected to deliver EUR300m annual savings in 5 years time. This carries execution risk and may impact our LT sustainable EBITDA margin estimates.

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Investment Thesis, Valuation and Risks

BIM *(Overweight; Price Target: TL985.00)*

Investment Thesis

With weakening consumption and more limited wage adjustments compared to previous years, we anticipate that consumer trade-down behavior will be more pronounced than in 2024, benefiting BIM the most among its Turkish consumer peers. Meanwhile, the normalized staff cost outlook is expected to offset potential margin pressure from consumer trade-down, allowing BIM to achieve high single-digit growth in pre-inflation EBITDA in real terms. An upside risk could be better margin management, as an increasing share of File and an improved SKU mix may help maintain gross margins at their currently elevated levels for some time.

Valuation

We roll forward our PT to Dec-26 from Dec-24, aligning it with JPM Research 18-24 month price targets. Our valuation for BIM shares is blended and based on multiple valuation and discounted cash flow. Our TL forecasts used for valuation purposes are not adjusted for inflation and are converted into USD for each respective years. As Türkiye becomes a focal point of investors after monetary tightening and macro prudential measures to tackle the structural issues, we expect Turkish Food retailers' multiples to re-rate to CEEMEA peers' trading pattern and apply a target 26 EV/EBITDA multiple of 10x (previously 8.5x) for BIM, in line with its 10y historic averages. On cash flow valuation, we apply a WACC of 12.9% in USD terms and a terminal growth rate of 3%.

Risks to Rating and Price Target

Downside risks include 1) wage adjustments ahead of inflation may elevate operating costs, hence pressure sustainable margins, 2) continued HSD% space growth may start cannibalizing the existing store performances - a risk that could be more material in the medium term rather than short term, and 3) a prolonged stiff competition may result in lower margins and returns on a sustainable basis. The regulatory risk has reduced substantially, however in times of election periods, it may also come to a focal point.

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Investment Thesis, Valuation and Risks

Coca-Cola Icecek *(Neutral; Price Target: TL79.00)*

Investment Thesis

We expect another year of flat volume performance which inferiors the superior growth profile of Icecek against Global bottlers. The continued pressure on disposable incomes of consumers in Türkiye and Pakistan, and the consumer's resilience against effective price adjustments may continue to prove it difficult for the company to maintain a stable margin environment in 2025. Valuations remain undemanding but aren't as attractive as before, with shares trading at 6.9x 25e EV/EBITDA based on JPMe inflation-unadjusted EBITDA, suggesting an 18% discount to global bottlers, slightly behind its 10Y average discounts. A re-rating from this level would require a relatively more favorable volume outlook and declining risk premiums in operating markets which we currently don't foresee in the first half of the year.

Valuation

We roll forward our PT to Dec-26 from Dec-25, aligning it with JPM Research 18-24 month price targets. Our valuation for Icecek shares is blended and based on multiple valuation and discounted cash flow. Our TL forecasts used for valuation purposes are not adjusted for inflation and are converted into USD for each respective years. On cash flow valuation, we apply a WACC of 11.6% in USD terms and a terminal growth rate of 6%. At a multiples-driven Fair Value, we set our target 26E EV/EBITDA multiple at 6x – a 20% discount to global bottlers.

Risks to Rating and Price Target

Key risks/opportunities are balanced including: 1) a faster growth in Türkiye and Pakistan after stabilizing macro environment, 2) re-agreement with BIM in Türkiye which may help volumes but may dilute margins, 3) FX risk on raw material contract roll-overs; 4) continued boycotts against US products in Turkey, Pakistan and Jordan; and 5) intensifying competition in international markets, particularly Pakistan and Uzbekistan.

Investment Thesis, Valuation and Risks

Ford Otosan *(Overweight; Price Target: TL2,240.00)*

Investment Thesis

We expect the delayed growth phase to start in 2025, fueled by new export volumes for Volkswagen and a continued normalization in Ford Motor's export uptake. Despite potential slowdowns in European auto demand, we believe Ford will counteract demand weaknesses with its new models, which were largely absent in the first quarter of 2024, thereby gaining market share in the van segment through increasing its export volume by 14%. The faster depreciation of the Turkish Lira compared to last year should also support export revenues, helping EBITDA growth in real terms. In the medium term, we continue to see the company as Türkiye's leading export success story, thanks to its competitive production capabilities and its role as the primary production hub for Ford Motor's best-selling commercial vehicles. Shares are cheap, trading at 6.2x EV/EBITDA and 4.2x P/E based on JPMe 2026 estimates.

Valuation

We value Otosan shares using a USD-based discounted cash flow analysis. Our TL forecasts used for valuation purposes are not adjusted for inflation and are converted into USD for each respective years. We project a LT sustainable pre-inflation adjusted EBITDA margin of 8.4%, below previously estimated 10.7%. This adjustment is primarily due to increasing share of exports and also rising share of EVs in total sales which we find our previous estimates optimistic. We use a terminal growth rate of 4% in USD terms, and a blended cost of equity based on estimated EBITDA share per geography, applying a WACC of 8.6% in USD terms. Our PT is set for Dec-26 (roll forward from Dec-24), in-line with JPM Equity Research's 18-24 month price target period.

Risks to Rating and Price Target

Key downside risks we see include:

- The Turkish market is important to improve operating margins and any weakness in Türkiye's macro outlook may put pressure on the company's earnings more than we project.
- The competition from Chinese players is currently insignificant in the van segment both in Europe and Turkey. A potential increase before Ford Pro reaches a larger network may challenge the profitability.
- The weak Euro and strong TL is negative for the margins and PT.

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Investment Thesis, Valuation and Risks

Hepsiburada *(Overweight; Price Target: $4.85)*

Investment Thesis

As the second-largest e-commerce player in Türkiye with a GMV of $4 billion in 2023, Hepsi has pivoted from costly customer acquisition to a focus on retention. The company has set four key priorities: 1) scaling its Premium Loyalty program to boost order frequency, 2) expanding HepsiPay's reach with affordability solutions and partnerships with banks, 3) driving off-platform revenue through HepsiJet (logistics) and HepsiPay (payment), and 4) pursuing profitability via advertising revenue, non-electronics GMV growth, and prudent cost management. Early successes with HepsiPay and HepsiJet are promising, positioning Hepsi to capitalize on Türkiye's burgeoning online demand once macroeconomic conditions stabilize.

Valuation

We value Hepsi shares based on USD-based discounted cash flow where we use inflation unadjusted estimates for the cash flow. The model incorporates an average annual GMV growth of 16% in USD in 2023-26, 7% in 2026-2030 and a terminal growth rate of 5%, whilst we incorporate a more conservative sustainable EBITDA margin of 3.7% of GMV vs previous estimate of 3%. Our DCF model is includes a WACC of 16% (prev 13.8%) based on a 7% risk free rate, 9% equity risk premium and an estimated 1x beta.

Risks to Rating and Price Target

Major risks include volatility in the Turkish macro environment, capex overruns, intensifying competition that may curb upside in 3P take rates, regulatory risks on self-employed courier structure that may elevate operating costs, and credit risk associated with merchant/consumer financing.

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Investment Thesis, Valuation and Risks

Koc Holding *(Overweight; Price Target: TL325.20)*

Investment Thesis

Koc shares are currently trading at a 22% discount to their current NAV, which is slightly larger than the 10-year historical average discount of 15%, making the valuation relatively less appealing for accessing its growing assets. These assets include the production transformation at Ford Otosan and Tofas, Arcelik's expanding global presence, a foreign exchange-protected energy business, and a well-capitalized banking asset. As Türkiye's macroeconomic transition continues, we prefer to invest directly in its more affordably valued assets, such as Ford Otosan and Arcelik.

Valuation

We value Koc Holding shares on an SOTP basis and roll forward our PT to Dec-26, setting it TL225.2 through applying a 20% discretionary conglomerate discount rate. We value Tofas, Ford Otosan, Yapi Kredi and Arcelik based on JPM price targets, attaching latest book values for the unlisted companies and applying Bloomberg consensus price target for Aygaz, Tupras, Turk Traktor, and Otokar. Shares currently trade 22% discount to its Current NAV, a slightly larger discount when compared to its past 10y average trading discount of 15%. This is a portfolio management company; estimating its consolidated numbers under IAS'29 is extremely difficult and the company no longer provides pre-inflation metrics. We drop our consolidated earnings estimate and will wait for better disclosures to develop a more reliable model.

Risks to Rating and Price Target

- While Koc Holding enjoys a natural fx hedge on its b/s via diversified sector exposure, market/operational risks remain even though the currency exposure is effectively hedged at the corporate and holdco level. Additionally, a prolonged strength in the Turkish Lira and wage adjustments that exceed inflation could erode the competitive cost advantage of some of its export-oriented businesses, like Arcelik.
- Expose to general macro risks in Türkiye due to its strong leadership position in the Turkish consumer sectors.
- While we are comfortable from the corporate governance angle, some corporate governance risks always remain associated with holding company structures due to limited information on their unlisted assets.

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Investment Thesis, Valuation and Risks

Migros Ticaret *(Overweight; Price Target: TL982.00)*

Investment Thesis

We upgrade the stock to Overweight from Neutral. We expect Migros continue to be a major disruptor in the Turkish retail sector, challenging discount retailers with its competitive pricing and broadening its customer base to include working-class and mid-to-high-income earners. While margin pressure is expected to persist due to staff cost increases that lag behind peers in timing, a rebound from lows is anticipated. In the medium term, we expect the company to benefit from the growing retail wallet share of the modern channel, with inflation-unadjusted peer-comparable EBITDA expected to double, becoming more comparable to discount retailers as the competition for market share eases and online sales continue to grow. Shares are cheap, offering 12% discount to BIM and is nearly half the multiples of CEEMEA peers based on 26 JPMe pre-inflation and trading cost adjusted EV/ EBITDA.

Valuation

We value Migros shares based on blended multiple valuation (60%) and discounted cash flow (40%) and roll forward our PT to end Dec-26 from Dec-24. Our TL forecasts used for valuation purposes are not adjusted for inflation and are converted into USD for each respective years. On cash flow valuation, we apply a WACC of 14.6% in USD terms and a terminal growth rate of 2%. At multiples driven Fair Value, we set target 26E EV/EBITDA multiple at 8x , similar to CEEMEA food retail median. Migros shares currently trade at JPMe 2026 inflation-adjusted P/E of 6.9x and inflation-unadjusted EV/EBITDA of 4.4x, offering 53% discount to CEEMEA food retailers on EBITDA multiple.

Risks to Rating and Price Target
Downside risks include:

- Türkiye is a discounter dominant market where price investments are a key tool to secure traffic in these stores. Migros is matching its prices on private label commodity products with discounters which helped the company to keep its traffic positive in recent years. An intensified price competition may put further pressure on operating margins.
- Migros is mostly preferred by affluent customers given its diversified branded category and have been recently attracting more customers from low-mid income level thanks to its private label price matching strategy. The traffic may be capped if salary adjustments do not follow the inflation.
- Compared to discounters, Migros has lower operational leverage.

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Investment Thesis, Valuation and Risks

Sok Marketler *(Neutral; Price Target: TL73.00)*

Investment Thesis

SOK has revised its expansion strategy, shifting to a larger discount store format to boost traffic and enhance basket sizes after disappointing operational metrics in its existing small discount stores. Management is optimistic that new stores will enhance operational leverage and expects margins to return to previous levels in the coming years. However, given that the number of new store openings is relatively low compared to its existing network of nearly 11,000 stores, we believe it may take a considerable amount of time to fully realize the benefits of this new strategy. As a result, we anticipate that the discounted valuation compared to peers will persist until then.

Valuation

We value SOK shares based on multiple valuation (40%) and discounted cash flow (60%) and rolled forward our PT to Dec-26. Our TL forecasts used for valuation purposes are not adjusted for inflation and are converted into USD for each respective years. On cash flow valuation, we apply a WACC of 13.6% in USD terms and a terminal growth rate of 3%. At multiples driven Fair Value, we set target 26E EV/EBITDA multiple at 5x , nearly 40% discount to CEMEA food retail median and 25% premium to its historic average multiple to balance the risk of new stores operational performance vs our expectations in the model. Shares currently trade 9x P/E and 3.3x EV/adj EBITDA based on JPMe 2026 inflation-adjusted earnings and inflation-unadjusted trading cost adjusted EBITDA.

Risks to Rating and Price Target

- The major fundamental risks are 1) the elevated competition in the Turkish retail market, and therefore the pricing strategy among the discounters will be important to achieving our target, 2) new store formats not delivering basket sizes nearly twice higher than current small stores, 3) cannibalization of existing stores by new larger store format and 4) new store format delivering a turnaround on operational leverage earlier than our expectations.

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Investment Thesis, Valuation and Risks

Tofas Fabrika *(Neutral; Price Target: TL278.80)*

Investment Thesis

Tofas will acquire Stellantis' Türkiye distribution (subject to regulatory approval) and re-align production capacity by 2025, including new export production of "K-zero", in mid-size LCV and passenger cars, planned for five different brands within the Stellantis group. This will position Türkiye as one of the top five retail markets of Stellantis, whilst extended export production is reinforcing Tofas' position as a reliable core production hub for the group. We find the transaction value enhancing and expect the consolidation of retail activities to generate nearly 20% of annual inflation-unadjusted EBITDA (as of 2025). Although the outlook improves by next year, we find valuations fair and reflecting the potential changes.

Valuation

We value Tofas shares based on discounted cash flow that incorporates forecasts in 2025-2034 and roll forward our PT to Dec-26 from Dec-24. Our DCF model assumes potential production shift to new export models (140k contract size by 2026) and include Stellantis' Türkiye distribution by the second half of next year at an estimated EBIT margin of 8% in 2024 and 9% afterwards. On cash flow valuation, we consider our USD forecasts which are not adjusted for inflation and apply WACC of 10.7% in USD terms and terminal growth rate of 4%.

Risks to Rating and Price Target

We include Stellantis Türkiye distribution asset to our projections by Q3'25. A delay or rejection in the approval process is a major risk to our PT and forecasts. Additionally, the Turkish market is key to operating at efficient CUR and high margins, hence represents the main macro risk. The other important risks are the renewal of its export contracts under higher/lower contract sizes and currency moves where the company temporarily lost its natural currency protection in 2024 due to phasing out exports. We currently project company having 140k units of export contracts in 2026 vs 220k units in 2022.

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Investment Thesis, Valuation and Risks

Turkish Airlines *(Overweight; Price Target: TL494.00)*

Investment Thesis

Given the current global industry backdrop, which is changing with increased geopolitical flight constraints and limitations on long haul capacity growth, THYAO is well positioned to grab market share with minimal yield erosion. The company has already demonstrated its unique industry positioning through limited yield compression in its Q2 results and its ability to offset this pressure with a rapid recovery in cargo revenues. Additionally, the stock stands out from Turkish companies as one of the very few consumer stocks to beat consensus expectations in a weak 2Q earnings season. This performance, along with subsequent consensus upgrades, is likely to support the shares.

Valuation

We value Turkish Airlines based on an adjusted EV/EBITDAR multiple and set our 2025 & 2026 target multiples at 5.0x, close to its 2016-19 trading multiples. Our forecast model is in USD and we set a PT for Dec-25 convert our USD-based PT to TL at a TRYUSD rate of 42.

Risks to Rating and Price Target
THY related risks:

- THY's operational profitability as well as bottom line is highly sensitive to fuel price changes, currency moves, global growth as well as yield development depending on the competition. The company is long in EUR, long USD, and short TL on the EBIT level, while debt is largely in EUR. A weak USD is generally negative for earnings.
- The quicker resolution on industry-wide supply delays and easing geopolitical risks may present a counter argument to our optimistic view of 2025 as faster capacity built up by international peers may accelerate easing in revenue yields; hence pressure EBITDA generation, limiting the value for shareholders.

General airline risks include war, terrorism, environmental factors, accidents, tax increases on air travel as well as geopolitical risks.

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Arcelik: Summary of Financials

Income Statement	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	**156,077**	**257,104**	**416,544**	**545,001**	**669,118**
COGS	(114,401)	(181,726)	(301,835)	(390,493)	(473,970)
Gross profit	**41,676**	**75,378**	**114,709**	**154,508**	**195,148**
SG&A	(36,725)	(63,762)	(108,062)	(138,551)	(166,419)
EBITDA	**9,844**	**20,331**	**22,918**	**37,137**	**53,486**
D&A	(4,893)	(8,715)	(16,272)	(21,179)	(24,757)
EBIT	**4,951**	**11,616**	**6,647**	**15,957**	**28,729**
Monetary Gains/(Losses)	**4,812**	**9,888**	**10,612**	**11,445**	**10,037**
Net Other Income/(expense)	755	(1,458)	(5,266)	(5,082)	(1,788)
Net Interest	(7,258)	(12,354)	(23,846)	(27,704)	(22,418)
Associate (pre-tax)	1,134	(533)	774	(33)	85
PBT	**4,393**	**7,158**	**(11,079)**	**(5,417)**	**14,645**
Tax	(140)	1,237	1,413	542	(3,661)
Minority Interest	(439)	(728)	1,242	607	(1,642)
Net Income	**3,815**	**7,667**	**(8,423)**	**(4,268)**	**9,341**
Reported EPS	5.65	11.35	(12.47)	(6.32)	13.82
DPS	**2.66**	**0.00**	**0.00**	**0.00**	**6.91**
Payout ratio	**47.2%**	**0.0%**	**0.0%**	**0.0%**	**50.0%**
Shares outstanding	676	676	676	676	676

Balance Sheet	FY22A	FY23A	FY24E	FY25E	FY26E
Cash and cash equivalents	24,529	48,792	33,605	31,063	39,303
Accounts receivable	33,955	66,520	109,182	144,822	168,510
Inventories	30,873	47,449	79,651	99,793	118,492
Other current assets	4,103	8,561	15,389	20,134	24,720
Current assets	**93,461**	**171,322**	**237,826**	**295,813**	**351,025**
PP&E	26,900	47,007	87,898	98,807	102,001
LT investments	88	142	191	239	275
Other non current assets	20,608	39,667	81,918	101,257	115,127
Total assets	**141,056**	**258,138**	**407,834**	**496,115**	**568,429**
Short term borrowings	35,229	57,448	57,910	57,910	57,910
Payables	30,926	54,205	101,939	131,963	151,058
Other short term liabilities	13,275	26,148	47,479	56,280	62,873
Current liabilities	**79,431**	**137,801**	**207,328**	**246,153**	**271,841**
Long-term debt	16,210	44,461	72,418	103,405	132,109
Other long term liabilities	10,192	16,312	29,866	28,791	18,166
Total liabilities	**105,832**	**198,575**	**309,612**	**378,349**	**422,116**
Shareholders' equity	32,038	53,170	80,783	96,569	120,294
Minority interests	3,186	6,393	17,439	21,197	26,019
Total liabilities & equity	**141,056**	**258,138**	**407,834**	**496,115**	**568,429**
BVPS	**47.41**	**78.69**	**119.55**	**142.91**	**178.02**
y/y Growth	*65.3%*	*66.0%*	*51.9%*	*19.5%*	*24.6%*
Net debt/(cash)	26,910	53,118	96,723	130,251	150,715
CPI period-end y/y Growth	64.3%	64.8%	42.5%	25.0%	15.0%

Cash Flow Statement	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operating activities	**(1,758)**	**(8,642)**	**(5,527)**	**16,491**	**28,123**
o/w Depreciation & amortization	4,893	8,715	16,272	21,179	24,757
o/w Changes in working capital	(7,204)	(3,903)	(1,757)	(4,006)	(6,395)
Cash flow from investing activities	**(4,731)**	**(14,414)**	**(8,307)**	**(11,072)**	**(14,182)**
o/w Capital expenditure	(6,477)	(13,791)	(16,774)	(11,072)	(14,182)
as % of sales	*4.1%*	*5.4%*	*4.0%*	*2.0%*	*2.1%*
Cash flow from financing activities	**4,609**	**31,543**	**(6,556)**	**(14,756)**	**(10,166)**
o/w Dividends paid	(2,219)	(3,229)	(677)	0	0
o/w Shares issued/(repurchased)	-	-	-	-	-
o/w Net debt issued/(repaid)	14,467	39,158	17,462	12,178	11,812
Net change in cash	**(1,823)**	**8,443**	**(35,968)**	**(10,963)**	**3,569**
Adj. Free cash flow to firm	**(9,100)**	**(2,047)**	**416**	**7,155**	**12,722**
y/y Growth	*88.2%*	*(77.5%)*	*(120.3%)*	*1619.0%*	*77.8%*

Ratio Analysis	FY22A	FY23A	FY24E	FY25E	FY26E
Gross margin	26.7%	29.3%	27.5%	28.4%	29.2%
EBITDA margin	6.3%	7.9%	5.5%	6.8%	8.0%
EBIT margin	3.2%	4.5%	1.6%	2.9%	4.3%
Net profit margin	2.4%	3.0%	(2.0%)	(0.8%)	1.4%
ROE	14.8%	18.0%	(12.6%)	(4.8%)	8.6%
ROA	3.4%	3.8%	(2.5%)	(0.9%)	1.8%
ROCE	7.1%	8.1%	4.1%	7.5%	7.6%
SG&A/Sales	23.5%	24.8%	25.9%	25.4%	24.9%
Net debt/Equity	0.8	0.9	1.0	1.1	1.0
Net debt/EBITDA	2.7	2.6	4.2	3.5	2.8
Sales/Assets (x)	1.4	1.3	1.3	1.2	1.3
Assets/Equity (x)	4.4	4.7	5.0	5.1	4.9
Interest cover (x)	1.4	1.6	1.0	1.3	2.4
Operating leverage	(0.9%)	208.0%	(69.0%)	454.2%	351.4%
Tax rate	3.2%	17.3%	(12.8%)	(10.0%)	25.0%
Revenue y/y Growth (Nominal)	128.9%	64.7%	62.0%	30.8%	22.8%
Revenue y/y Growth (Real)	-	(0.0%)	13.7%	4.6%	6.8%
EBITDA y/y Growth (Nominal)	43.6%	106.5%	12.7%	62.0%	44.0%
EBITDA y/y Growth (Real)	-	25.3%	(20.9%)	29.6%	25.2%
EBIT y/y Growth (Nominal)	(1.1%)	134.6%	(42.8%)	140.1%	80.0%
EBIT y/y Growth (Real)	-	42.4%	(59.8%)	92.0%	56.6%

Valuation	FY22A	FY23A	FY24E	FY25E	FY26E
P/E (x)	26.0	13.0	NM	NM	10.6
P/BV (x)	3.1	1.9	1.2	1.0	0.8
P/Sales (x)	0.6	0.4	0.2	0.2	0.1
Dividend Yield	1.8%	0.0%	0.0%	0.0%	4.7%
EV/EBITDA (x)	13.1	7.8	9.3	6.8	5.2

Source: Company reports and J.P. Morgan estimates. Note: Financials are presented according to TAS'29 that implements inflationary accounting. History is comparable on a nominal basis, and not indexed.
Note: TL in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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BIM: Summary of Financials

Income Statement	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	**169,480**	**328,442**	**518,073**	**726,701**	**960,150**
COGS	(143,921)	(276,759)	(428,409)	(601,708)	(787,323)
Gross profit	**25,559**	**51,683**	**89,665**	**124,993**	**172,827**
SG&A	(22,185)	(48,324)	(84,850)	(118,561)	(147,055)
EBITDA	**8,303**	**13,751**	**21,740**	**31,762**	**59,135**
D&A	(4,928)	(10,392)	(16,926)	(25,331)	(33,363)
EBIT	**3,375**	**3,359**	**4,815**	**6,431**	**25,772**
Monetary Gains/(Losses)	**9,012**	**19,618**	**23,014**	**29,795**	**28,804**
Net Other Income/(expense)	177	601	(140)	120	153
Net Interest	(1,269)	(2,382)	(4,901)	(6,973)	(8,937)
Associate (pre-tax)	443	848	3,806	6,535	5,010
PBT	**11,738**	**22,045**	**26,594**	**35,908**	**50,803**
Tax	(1,634)	(6,599)	(6,753)	(9,119)	(12,901)
Minority Interest	(2)	(5)	(49)	(69)	(91)
Net Income	**10,101**	**15,441**	**19,791**	**26,720**	**37,810**
Reported EPS	16.64	25.43	32.59	44.01	62.27
DPS	**3.00**	**5.00**	**10.00**	**13.04**	**17.60**
Payout ratio	**18.0%**	**19.7%**	**30.7%**	**29.6%**	**28.3%**
Shares outstanding	607	607	607	607	607

Balance Sheet	FY22A	FY23A	FY24E	FY25E	FY26E
Cash and cash equivalents	2,181	3,607	6,830	12,741	23,844
Accounts receivable	7,073	16,125	25,951	36,194	54,392
Inventories	14,806	27,328	37,220	60,446	74,830
Other current assets	4,287	7,399	22,799	29,320	35,008
Current assets	**28,348**	**54,459**	**92,800**	**138,701**	**188,074**
PP&E	27,342	49,639	75,274	92,888	104,117
LT investments	2,092	4,414	6,289	7,862	9,041
Other non current assets	18,736	39,621	63,531	97,267	127,269
Total assets	**76,518**	**148,133**	**237,894**	**336,717**	**428,500**
Short term borrowings	2,450	4,659	7,392	11,413	15,000
Payables	24,741	45,145	76,092	112,140	146,602
Other short term liabilities	1,614	4,271	11,022	15,316	20,032
Current liabilities	**28,805**	**54,074**	**94,507**	**138,869**	**181,634**
Long-term debt	9,459	17,679	27,375	42,262	55,545
Other long term liabilities	2,873	6,638	10,057	12,572	14,458
Total liabilities	**41,137**	**78,391**	**131,939**	**193,703**	**251,637**
Shareholders' equity	35,042	69,112	105,043	141,805	175,382
Minority interests	339	630	912	1,209	1,481
Total liabilities & equity	**76,518**	**148,133**	**237,894**	**336,717**	**428,500**
BVPS	**57.71**	**113.82**	**173.00**	**233.54**	**288.84**
y/y Growth	*360.7%*	*97.2%*	*52.0%*	*35.0%*	*23.7%*
Net debt/(cash)	7,715	15,350	10,511	19,151	21,650
CPI period-end y/y Growth	64.3%	64.8%	44.5%	26.0%	15.0%

Cash Flow Statement	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operating activities	**10,149**	**20,030**	**44,522**	**41,220**	**56,686**
o/w Depreciation & amortization	4,928	10,392	16,926	25,331	33,363
o/w Changes in working capital	1,194	(3,024)	10,511	2,579	1,880
Cash flow from investing activities	**(5,802)**	**(11,641)**	**(28,284)**	**(16,426)**	**(23,521)**
o/w Capital expenditure	(5,452)	(11,235)	(17,422)	(21,746)	(28,228)
as % of sales	*3.2%*	*3.4%*	*3.4%*	*3.0%*	*2.9%*
Cash flow from financing activities	**(4,588)**	**(8,226)**	**(13,673)**	**(18,932)**	**(24,776)**
o/w Dividends paid	(2,123)	(3,491)	(6,131)	(7,916)	(10,688)
o/w Shares issued/(repurchased)	-	-	-	-	-
o/w Net debt issued/(repaid)	(166)	0	0	(351)	0
Net change in cash	**(284)**	**22**	**1,689**	**5,862**	**8,389**
Adj. Free cash flow to firm	**4,697**	**8,796**	**27,100**	**19,474**	**28,458**
y/y Growth	*30.2%*	*87.3%*	*208.1%*	*(28.1%)*	*46.1%*

Ratio Analysis	FY22A	FY23A	FY24E	FY25E	FY26E
Gross margin	15.1%	15.7%	17.3%	17.2%	18.0%
EBITDA margin	4.9%	4.2%	4.2%	4.4%	6.2%
EBIT margin	2.0%	1.0%	0.9%	0.9%	2.7%
Net profit margin	6.0%	4.7%	3.8%	3.7%	3.9%
ROE	47.4%	29.6%	22.7%	21.6%	23.8%
ROA	18.9%	13.7%	10.3%	9.3%	9.9%
ROCE	9.8%	3.5%	3.4%	3.2%	9.7%
SG&A/Sales	13.1%	14.7%	16.4%	16.3%	15.3%
Net debt/Equity	0.2	0.2	0.1	0.1	0.1
Net debt/EBITDA	0.9	1.1	0.5	0.6	0.4
Sales/Assets (x)	3.2	2.9	2.7	2.5	2.5
Assets/Equity (x)	2.5	2.2	2.2	2.3	2.4
Interest cover (x)	6.5	5.8	4.4	4.6	6.6
Operating leverage	(19.9%)	(0.5%)	75.1%	83.4%	936.1%
Tax rate	13.9%	29.9%	25.4%	25.4%	25.4%
Revenue y/y Growth (Nominal)	140.3%	93.8%	57.7%	40.3%	32.1%
Revenue y/y Growth (Real)	-	17.6%	10.7%	12.2%	14.9%
EBITDA y/y Growth (Nominal)	28.1%	65.6%	58.1%	46.1%	86.2%
EBITDA y/y Growth (Real)	-	0.5%	10.9%	16.9%	61.9%
EBIT y/y Growth (Nominal)	(27.9%)	(0.5%)	43.3%	33.6%	300.7%
EBIT y/y Growth (Real)	-	(39.6%)	0.6%	6.9%	248.5%

Valuation	FY22A	FY23A	FY24E	FY25E	FY26E
P/E (x)	31.6	20.7	16.1	12.0	8.4
P/BV (x)	9.1	4.6	3.0	2.3	1.8
P/Sales (x)	1.9	1.0	0.6	0.4	0.3
Dividend Yield	0.6%	1.0%	1.9%	2.5%	3.3%
EV/EBITDA (x)	39.4	24.3	15.2	10.7	5.8

Source: Company reports and J.P. Morgan estimates. Note: Financials are presented according to TAS'29 that implements inflationary accounting. History is comparable on a nominal basis, and not indexed.
Note: TL in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Coca-Cola Icecek: Summary of Financials

Income Statement	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	**56,556**	**101,042**	**137,008**	**174,660**	**222,276**
COGS	(39,273)	(68,003)	(88,594)	(113,979)	(145,187)
Gross profit	**17,284**	**33,040**	**48,414**	**60,681**	**77,089**
SG&A	(9,976)	(18,809)	(29,850)	(38,200)	(48,003)
EBITDA	**9,725**	**17,918**	**24,162**	**29,618**	**38,169**
D&A	(2,418)	(3,687)	(5,598)	(7,137)	(9,083)
EBIT	**7,307**	**14,230**	**18,564**	**22,481**	**29,086**
Monetary Gains/(Losses)	**5,795**	**15,723**	**9,674**	**9,606**	**8,891**
Net Other Income/(expense)	(344)	245	467	682	784
Net Interest	(1,500)	(4,198)	(9,128)	(8,354)	(7,105)
Associate (pre-tax)	275	(43)	(228)	(38)	(43)
PBT	**11,533**	**25,956**	**19,349**	**24,378**	**31,613**
Tax	(2,801)	(4,796)	(5,472)	(6,094)	(7,903)
Minority Interest	(310)	(581)	(82)	(103)	(134)
Net Income	**8,422**	**20,580**	**13,795**	**18,180**	**23,575**
Reported EPS	3.01	7.35	4.93	6.50	8.43
DPS	**3.08**	**4.32**	**0.86**	**0.74**	**1.30**
Payout ratio	**102.2%**	**58.8%**	**17.4%**	**11.4%**	**15.4%**
Shares outstanding	2,798	2,798	2,798	2,798	2,798

Balance Sheet	FY22A	FY23A	FY24E	FY25E	FY26E
Cash and cash equivalents	14,009	21,755	15,215	16,079	18,698
Accounts receivable	3,716	8,814	14,933	19,480	24,344
Inventories	6,793	12,983	17,227	22,163	27,827
Other current assets	3,718	4,703	5,952	7,352	9,121
Current assets	**28,235**	**48,254**	**53,327**	**65,074**	**79,991**
PP&E	20,439	35,235	54,416	75,940	97,380
LT investments	0	0	0	0	0
Other non current assets	16,421	26,669	31,729	39,851	44,747
Total assets	**65,095**	**110,158**	**139,472**	**180,865**	**222,118**
Short term borrowings	5,788	18,063	21,792	27,922	32,110
Payables	8,284	18,596	24,609	31,661	40,330
Other short term liabilities	3,154	4,848	8,089	9,144	9,954
Current liabilities	**17,226**	**41,508**	**54,490**	**68,727**	**82,394**
Long-term debt	15,056	18,976	23,645	24,680	25,531
Other long term liabilities	4,198	4,719	5,590	6,429	7,071
Total liabilities	**36,480**	**65,203**	**83,725**	**99,835**	**114,996**
Shareholders' equity	24,759	39,287	47,961	71,192	95,674
Minority interests	3,856	5,668	7,785	9,838	11,448
Total liabilities & equity	**65,095**	**110,158**	**139,472**	**180,865**	**222,118**
BVPS	**8.85**	**14.04**	**17.14**	**25.44**	**34.19**
y/y Growth	*89.7%*	*58.7%*	*22.1%*	*48.4%*	*34.4%*
Net debt/(cash)	6,075	14,909	29,362	35,662	38,083
CPI period-end y/y Growth	64.3%	64.8%	42.5%	25.0%	15.0%

Cash Flow Statement	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operating activities	**4,219**	**12,543**	**20,519**	**21,882**	**28,818**
o/w Depreciation & amortization	2,418	3,687	5,598	7,137	9,083
o/w Changes in working capital	1,846	(1,081)	172	(2,668)	(2,810)
Cash flow from investing activities	**(3,995)**	**(11,437)**	**(18,465)**	**(14,076)**	**(18,331)**
o/w Capital expenditure	(3,481)	(6,129)	(12,468)	(14,076)	(18,331)
as % of sales	*6.2%*	*6.1%*	*9.1%*	*8.1%*	*8.2%*
Cash flow from financing activities	**6,134**	**(1,293)**	**(16,263)**	**(8,201)**	**(8,809)**
o/w Dividends paid	(783)	(1,100)	(2,403)	(2,069)	(3,636)
o/w Shares issued/(repurchased)	-	-	-	-	-
o/w Net debt issued/(repaid)	8,386	2,650	(263)	0	0
Net change in cash	**7,206**	**(1,328)**	**(14,898)**	**864**	**2,617**
Adj. Free cash flow to firm	**224**	**1,106**	**2,053**	**7,806**	**10,487**
y/y Growth	*(86.2%)*	*393.3%*	*85.6%*	*280.2%*	*34.4%*

Ratio Analysis	FY22A	FY23A	FY24E	FY25E	FY26E
Gross margin	30.6%	32.7%	35.3%	34.7%	34.7%
EBITDA margin	17.2%	17.7%	17.6%	17.0%	17.2%
EBIT margin	12.9%	14.1%	13.5%	12.9%	13.1%
Net profit margin	14.9%	20.4%	10.1%	10.4%	10.6%
ROE	44.5%	64.3%	31.6%	30.5%	28.3%
ROA	17.2%	23.5%	11.1%	11.4%	11.7%
ROCE	16.3%	19.0%	15.7%	15.5%	15.7%
SG&A/Sales	17.6%	18.6%	21.8%	21.9%	21.6%
Net debt/Equity	0.2	0.3	0.5	0.4	0.4
Net debt/EBITDA	0.6	0.8	1.2	1.2	1.0
Sales/Assets (x)	1.2	1.2	1.1	1.1	1.1
Assets/Equity (x)	2.6	2.7	2.9	2.7	2.4
Interest cover (x)	6.5	4.3	2.6	3.5	5.4
Operating leverage	69.2%	120.5%	85.6%	76.8%	107.8%
Tax rate	24.3%	18.5%	28.3%	25.0%	25.0%
Revenue y/y Growth (Nominal)	157.9%	78.7%	35.6%	27.5%	27.3%
Revenue y/y Growth (Real)	-	8.4%	(4.8%)	2.0%	10.7%
EBITDA y/y Growth (Nominal)	111.7%	84.2%	34.9%	22.6%	28.9%
EBITDA y/y Growth (Real)	-	11.8%	(5.3%)	(2.0%)	12.1%
EBIT y/y Growth (Nominal)	109.2%	94.7%	30.5%	21.1%	29.4%
EBIT y/y Growth (Real)	-	18.2%	(8.4%)	(3.1%)	12.5%

Valuation	FY22A	FY23A	FY24E	FY25E	FY26E
P/E (x)	21.0	8.6	12.8	9.7	7.5
P/BV (x)	7.1	4.5	3.7	2.5	1.8
P/Sales (x)	3.1	1.7	1.3	1.0	0.8
Dividend Yield	4.9%	6.8%	1.4%	1.2%	2.1%
EV/EBITDA (x)	18.9	10.7	8.6	7.2	5.6

Source: Company reports and J.P. Morgan estimates. Note: Financials are presented according to TAS'29 that implements inflationary accounting. History is comparable on a nominal basis, and not indexed.
Note: TL in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Ford Otosan: Summary of Financials

Income Statement	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	**195,758**	**411,906**	**590,576**	**803,808**	**1,149,282**
COGS	(173,546)	(356,658)	(532,795)	(725,493)	(1,034,083)
Gross profit	**22,212**	**55,248**	**57,781**	**78,315**	**115,199**
SG&A	(7,169)	(18,602)	(25,789)	(32,956)	(44,822)
EBITDA	**19,409**	**42,710**	**42,556**	**59,831**	**89,152**
D&A	(4,367)	(6,065)	(10,564)	(14,472)	(18,775)
EBIT	**15,042**	**36,646**	**31,992**	**45,359**	**70,377**
Monetary Gains/(Losses)	**3,828**	**15,563**	**23,909**	**25,722**	**34,478**
Net Other Income/(expense)	1,508	7,771	199	4,567	4,840
Net Interest	(4,917)	(14,947)	(20,246)	(20,543)	(19,433)
Associate (pre-tax)	(18)	2,800	3,048	0	0
PBT	**15,444**	**47,832**	**38,901**	**55,105**	**90,263**
Tax	1,385	1,627	(2,615)	(5,511)	(9,026)
Minority Interest	-	-	-	-	-
Net Income	**16,829**	**49,460**	**36,286**	**49,595**	**81,237**
Reported EPS	47.96	140.95	103.41	141.33	231.50
DPS	**23.73**	**50.62**	**63.70**	**41.36**	**56.53**
Payout ratio	**49.5%**	**35.9%**	**61.6%**	**29.3%**	**24.4%**
Shares outstanding	351	351	351	351	351

Balance Sheet	FY22A	FY23A	FY24E	FY25E	FY26E
Cash and cash equivalents	10,115	15,225	23,447	44,269	48,372
Accounts receivable	25,851	45,590	66,282	100,215	146,534
Inventories	14,125	29,352	46,977	54,117	92,878
Other current assets	5,331	12,803	18,356	24,984	35,722
Current assets	**55,422**	**102,969**	**155,062**	**223,585**	**323,506**
PP&E	29,080	57,197	94,888	150,025	196,275
LT investments	146	299	434	543	624
Other non current assets	21,138	56,541	75,439	93,760	97,269
Total assets	**105,786**	**217,007**	**325,823**	**467,913**	**617,674**
Short term borrowings	13,221	33,964	54,377	85,497	110,151
Payables	30,146	52,565	67,183	105,433	171,742
Other short term liabilities	2,882	7,605	13,993	18,852	26,015
Current liabilities	**46,249**	**94,134**	**135,553**	**209,782**	**307,908**
Long-term debt	24,695	41,791	73,819	116,065	149,535
Other long term liabilities	3,801	8,074	10,616	13,274	13,274
Total liabilities	**74,746**	**143,999**	**219,989**	**339,122**	**470,717**
Shareholders' equity	31,041	73,008	105,833	128,791	146,957
Minority interests	0	0	0	0	-
Total liabilities & equity	**105,786**	**217,007**	**325,823**	**467,913**	**617,674**
BVPS	**88.46**	**208.05**	**301.60**	**367.02**	**418.79**
y/y Growth	*205.9%*	*135.2%*	*45.0%*	*21.7%*	*14.1%*
Net debt/(cash)	27,801	60,531	104,750	157,293	211,314
CPI period-end y/y Growth	64.3%	64.8%	44.5%	26.0%	15.0%

Cash Flow Statement	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operating activities	**20,782**	**50,573**	**39,445**	**49,311**	**59,716**
o/w Depreciation & amortization	4,367	6,065	10,564	14,472	18,775
o/w Changes in working capital	(3,366)	(6,992)	(11,150)	(5,014)	(20,628)
Cash flow from investing activities	**(20,751)**	**(32,072)**	**(31,668)**	**(43,569)**	**(41,792)**
o/w Capital expenditure	(12,769)	(32,897)	(31,956)	(43,569)	(41,792)
as % of sales	*6.5%*	*8.0%*	*5.4%*	*5.4%*	*3.6%*
Cash flow from financing activities	**(3,849)**	**(8,571)**	**3,999**	**7,663**	**(18,157)**
o/w Dividends paid	(8,327)	(18,424)	(22,353)	(14,514)	(19,838)
o/w Shares issued/(repurchased)	-	-	-	-	-
o/w Net debt issued/(repaid)	4,718	11,314	38,776	38,583	18,389
Net change in cash	**(13,060)**	**(1,464)**	**2,673**	**20,887**	**4,120**
Adj. Free cash flow to firm	**8,013**	**18,501**	**7,777**	**5,742**	**17,924**
y/y Growth	*301.1%*	*130.9%*	*(58.0%)*	*(26.2%)*	*212.2%*

Ratio Analysis	FY22A	FY23A	FY24E	FY25E	FY26E
Gross margin	11.3%	13.4%	9.8%	9.7%	10.0%
EBITDA margin	9.9%	10.4%	7.2%	7.4%	7.8%
EBIT margin	7.7%	8.9%	5.4%	5.6%	6.1%
Net profit margin	8.6%	12.0%	6.1%	6.2%	7.1%
ROE	81.7%	95.1%	40.6%	42.3%	58.9%
ROA	22.7%	30.6%	13.4%	12.5%	15.0%
ROCE	27.9%	32.5%	15.6%	14.5%	17.2%
SG&A/Sales	3.7%	4.5%	4.4%	4.1%	3.9%
Net debt/Equity	0.9	0.8	1.0	1.2	1.4
Net debt/EBITDA	1.4	1.4	2.5	2.6	2.4
Sales/Assets (x)	2.6	2.6	2.2	2.0	2.1
Assets/Equity (x)	3.6	3.1	3.0	3.4	3.9
Interest cover (x)	3.9	2.9	2.1	2.9	4.6
Operating leverage	45.0%	130.1%	(29.3%)	115.7%	128.3%
Tax rate	9.0%	3.4%	6.7%	10.0%	10.0%
Revenue y/y Growth (Nominal)	175.3%	110.4%	43.4%	36.1%	43.0%
Revenue y/y Growth (Real)	-	27.7%	0.6%	8.9%	24.3%
EBITDA y/y Growth (Nominal)	105.1%	120.1%	(0.4%)	40.6%	49.0%
EBITDA y/y Growth (Real)	-	33.5%	(30.1%)	12.4%	29.6%
EBIT y/y Growth (Nominal)	78.9%	143.6%	(12.7%)	41.8%	55.2%
EBIT y/y Growth (Real)	-	47.8%	(38.7%)	13.4%	34.9%

Valuation	FY22A	FY23A	FY24E	FY25E	FY26E
P/E (x)	20.4	6.9	9.5	6.9	4.2
P/BV (x)	11.1	4.7	3.2	2.7	2.3
P/Sales (x)	1.8	0.8	0.6	0.4	0.3
Dividend Yield	2.4%	5.2%	6.5%	4.2%	5.8%
EV/EBITDA (x)	19.1	9.5	10.5	8.4	6.2

Source: Company reports and J.P. Morgan estimates. Note: Financials are presented according to TAS'29 that implements inflationary accounting. History is comparable on a nominal basis, and not indexed.
Note: TL in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Hepsiburada: Summary of Financials

Income Statement	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	**14,042**	**29,293**	**50,969**	**69,456**	**87,076**
COGS	(9,780)	(19,068)	(30,686)	(41,047)	(50,164)
Gross profit	**4,262**	**10,225**	**20,283**	**28,409**	**36,913**
SG&A	(4,615)	(7,918)	(15,423)	(20,949)	(26,702)
Adj. EBITDA	**(1,007)**	**1,749**	**3,604**	**5,609**	**7,855**
D&A	(284)	(515)	(771)	(1,175)	(1,624)
Adj. EBIT	**(1,291)**	**1,234**	**2,833**	**4,434**	**6,231**
Net Other Income/(expense)	-	-	-	-	-
Net Interest	74	(505)	(3,200)	(2,756)	(3,807)
Associate (pre-tax)	-	-	-	-	-
Adj. PBT	**(1,217)**	**729**	**(366)**	**1,678**	**2,425**
Tax	0	0	0	(419)	(606)
Minority Interest	-	-	-	-	-
Adj. Net Income	**(1,217)**	**729**	**(366)**	**1,258**	**1,819**
Reported EPS	(3.79)	2.27	(1.14)	3.92	5.66
Adj. EPS	**(3.79)**	**2.27**	**(1.14)**	**3.92**	**5.66**
DPS	**-**	**-**	**-**	**-**	**-**
Payout ratio	-	-	-	-	-
Shares outstanding	321	321	321	321	321

Balance Sheet	FY22A	FY23A	FY24E	FY25E	FY26E
Cash and cash equivalents	5,266	5,500	4,286	6,768	9,758
Accounts receivable	666	2,382	2,955	4,700	3,932
Inventories	1,724	3,796	5,284	7,087	7,756
Other current assets	651	2,741	5,347	6,174	7,005
Current assets	**8,307**	**14,419**	**17,872**	**24,729**	**28,451**
PP&E	222	257	830	786	1,102
LT investments	-	-	-	-	-
Other non current assets	984	1,535	2,267	3,993	5,578
Total assets	**9,512**	**16,211**	**20,970**	**29,508**	**35,131**
Short term borrowings	170	338	916	1,427	1,948
Payables	5,892	10,568	12,982	18,517	20,526
Other short term liabilities	1,655	2,682	4,279	5,697	7,128
Current liabilities	**7,718**	**13,588**	**18,177**	**25,641**	**29,601**
Long-term debt	116	125	331	331	331
Other long term liabilities	94	336	627	443	288
Total liabilities	**7,927**	**14,048**	**19,135**	**26,415**	**30,220**
Shareholders' equity	1,585	2,163	1,834	3,093	4,911
Minority interests	-	-	-	-	-
Total liabilities & equity	**9,512**	**16,211**	**20,970**	**29,508**	**35,131**
BVPS					**-**
y/y Growth	-	-	-	-	-
Net debt/(cash)	(4,997)	(6,760)	(6,223)	(8,194)	(10,663)

Cash Flow Statement	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operating activities	**889**	**4,205**	**4,922**	**9,066**	**11,550**
o/w Depreciation & amortization	284	515	771	1,175	1,624
o/w Changes in working capital	1,706	1,236	463	2,304	2,391
Cash flow from investing activities	**1,037**	**(1,345)**	**(956)**	**(911)**	**(1,706)**
o/w Capital expenditure	(736)	(883)	(1,682)	(2,292)	(2,874)
as % of sales	*5.2%*	*3.0%*	*3.3%*	*3.3%*	*3.3%*
Cash flow from financing activities	**(1,283)**	**(2,784)**	**(5,127)**	**(5,673)**	**(6,854)**
o/w Dividends paid	-	-	-	-	-
o/w Shares issued/(repurchased)	0	0	0	0	0
o/w Net debt issued/(repaid)	(189)	155	575	281	301
Net change in cash	**1,447**	**239**	**(1,130)**	**2,482**	**2,990**
Adj. Free cash flow to firm	**153**	**3,322**	**3,240**	**6,774**	**8,676**
y/y Growth	*(222.3%)*	*2066.8%*	*(2.5%)*	*109.0%*	*28.1%*

Ratio Analysis	FY22A	FY23A	FY24E	FY25E	FY26E
Gross margin	30.4%	34.9%	39.8%	40.9%	42.4%
EBITDA margin	(7.2%)	6.0%	7.1%	8.1%	9.0%
EBIT margin	(9.2%)	4.2%	5.6%	6.4%	7.2%
Net profit margin	(8.7%)	2.5%	(0.7%)	1.8%	2.1%
ROE	(57.1%)	38.9%	(18.3%)	51.1%	45.4%
ROA	(14.0%)	5.7%	(2.0%)	5.0%	5.6%
ROCE	(52.1%)	54.9%	99.3%	83.9%	77.6%
SG&A/Sales	32.9%	27.0%	30.3%	30.2%	30.7%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	5.0	NM	NM	NM	NM
Sales/Assets (x)	1.6	2.3	2.7	2.8	2.7
Assets/Equity (x)	4.1	6.9	9.3	10.2	8.1
Interest cover (x)	13.7	3.5	1.1	2.0	2.1
Operating leverage	(35.0%)	(180.1%)	175.1%	155.8%	159.7%
Tax rate	0.0%	0.0%	0.0%	25.0%	25.0%
Revenue y/y Growth	85.8%	108.6%	74.0%	36.3%	25.4%
EBITDA y/y Growth	(40.9%)	(273.7%)	106.0%	55.6%	40.1%
EPS y/y Growth	73.8%	(159.9%)	(150.3%)	(443.4%)	44.5%

Valuation	FY22A	FY23A	FY24E	FY25E	FY26E
P/E (x)	NM	46.2	NM	26.8	18.5
P/BV (x)	-	-	-	-	-
P/Sales (x)	2.4	1.2	0.7	0.5	0.4
Dividend Yield	-	-	-	-	-
EV/EBITDA (x)	NM	17.0	8.4	5.1	3.3

Source: Company reports and J.P. Morgan estimates.
Note: TL in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Koc Holding: Summary of Financials

Income Statement	FY21A	FY22A	FY23A	FY24E	FY25E
Revenue	**346,689**	**901,857**	**1,604,647**		
COGS	(266,625)	(675,022)	(1,228,000)		
Gross profit	**80,064**	**226,835**	**376,647**		
SG&A	(33,160)	(68,868)	(158,042)		
Adj. EBITDA	**52,189**	**166,227**	**249,217**	**-**	**-**
D&A	(5,286)	(8,260)	(30,612)	-	-
Adj. EBIT	**46,903**	**157,967**	**218,605**	**-**	**-**
Net Other Income/(expense)	(11,645)	(6,165)	5,222	-	-
Net Interest	(6,129)	(17,665)	(24,577)	-	-
Associate (pre-tax)	-	-	-	-	-
Adj. PBT	**29,129**	**134,137**	**152,695**	**-**	**-**
Tax	(2,944)	(15,917)	(34,962)		
Minority Interest	(10,992)	(48,414)	(45,503)		
Adj. Net Income	**15,193**	**69,806**	**72,230**	**-**	**-**
Reported EPS	5.99	27.53	28.48	-	-
Adj. EPS	**5.99**	**27.53**	**28.48**	**-**	**-**
DPS	**0.90**	**4.13**	**4.27**		
Payout ratio	15.1%	15.0%	15.0%	-	-
Shares outstanding	2,536	2,536	2,536	2,536	2,536

Balance Sheet	FY21A	FY22A	FY23A	FY24E	FY25E
Cash and cash equivalents	93,849	151,618	289,405		
Accounts receivable	276,341	489,544	840,311		
Inventories	46,258	78,521	115,828		
Other current assets	189,525	262,407	466,834	-	-
Current assets	**605,974**	**982,090**	**1,712,378**	**-**	**-**
PP&E	51,168	73,026	275,854		
LT investments	118,155	229,232	388,151		
Other non current assets	245,256	298,246	482,582	-	-
Total assets	**1,020,553**	**1,582,594**	**2,858,965**	**-**	**-**
Short term borrowings	123,511	225,952	361,430		
Payables	71,588	102,839	186,649		
Other short term liabilities	514,578	816,864	1,317,734	-	-
Current liabilities	**709,677**	**1,145,655**	**1,865,813**	**-**	**-**
Long-term debt	162,779	152,598	247,393		
Other long term liabilities	26,992	37,143	71,487	-	-
Total liabilities	**899,448**	**1,335,396**	**2,184,693**	**-**	**-**
Shareholders' equity	63,641	149,353	404,729		
Minority interests	57,464	97,845	269,543		
Total liabilities & equity	**1,020,553**	**1,582,594**	**2,858,965**	**-**	**-**
BVPS	**25.10**	**58.90**	**159.60**		
y/y Growth	*37.3%*	*134.7%*	*171.0%*	-	-
Net debt/(cash)	89,195	95,973	77,800	-	-

Cash Flow Statement	FY21A	FY22A	FY23A	FY24E	FY25E
Cash flow from operating activities	**50,664**	**115,479**	**339,016**	**-**	**-**
o/w Depreciation & amortization	5,286	8,260	30,612		
o/w Changes in working capital	3,791	(7,613)	(32,658)		
Cash flow from investing activities	**(53,600)**	**(86,421)**	**(165,463)**	**0**	**0**
o/w Capital expenditure	(12,528)	(27,596)	(68,275)		
as % of sales	*3.6%*	*3.1%*	*4.3%*	-	-
Cash flow from financing activities	**10,202**	**673**	**(17,416)**	**-**	**-**
o/w Dividends paid	(3,407)	(4,843)	(34,015)		
o/w Shares issued/(repurchased)	-	-	-	-	-
o/w Net debt issued/(repaid)	22,724	28,960	20,747	-	-
Net change in cash	**60,119**	**72,080**	**58,516**	**0**	**0**
Adj. Free cash flow to firm	**32,533**	**92,595**	**278,834**	**-**	**-**
y/y Growth	*(1.6%)*	*184.6%*	*201.1%*	-	-

Ratio Analysis	FY21A	FY22A	FY23A	FY24E	FY25E
Gross margin	23.1%	25.2%	23.5%	-	-
EBITDA margin	15.1%	18.4%	15.5%	-	-
EBIT margin	13.5%	17.5%	13.6%	-	-
Net profit margin	4.4%	7.7%	4.5%	-	-
ROE	27.6%	65.5%	26.1%	-	-
ROA	1.8%	5.4%	3.3%	-	-
ROCE	14.6%	31.7%	21.9%	-	-
SG&A/Sales	9.6%	7.6%	9.8%	-	-
Net debt/Equity	0.7	0.4	0.1	-	-
Net debt/EBITDA	1.7	0.6	0.3	-	-
Sales/Assets (x)	0.4	0.7	0.7	-	-
Assets/Equity (x)	15.0	12.2	8.0	7.1	-
Interest cover (x)	8.5	9.4	10.1	-	-
Operating leverage	135.3%	147.9%	49.3%	-	-
Tax rate	10.1%	11.9%	22.9%	-	-
Revenue y/y Growth	88.6%	160.1%	77.9%	-	-
EBITDA y/y Growth	105.5%	218.5%	49.9%	-	-
EPS y/y Growth	63.8%	359.5%	3.5%	-	-
Valuation	**FY21A**	**FY22A**	**FY23A**	**FY24E**	**FY25E**
P/E (x)	32.6	7.1	6.9	-	-
P/BV (x)	7.8	3.3	1.2	-	-
P/Sales (x)	1.4	0.5	0.3	-	-
Dividend Yield	0.5%	2.1%	2.2%	-	-
EV/EBITDA (x)	2.6	1.0	1.1	-	-

Source: Company reports and J.P. Morgan estimates.
Note: TL in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Migros Ticaret: Summary of Financials

Income Statement	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	**85,257**	**181,674**	**288,317**	**397,367**	**500,006**
COGS	(69,314)	(147,671)	(222,945)	(303,986)	(380,005)
Gross profit	**15,943**	**34,003**	**65,372**	**93,381**	**120,001**
SG&A	(16,541)	(36,983)	(59,955)	(84,273)	(105,398)
EBITDA	**2,282**	**3,221**	**14,802**	**21,634**	**30,229**
D&A	(2,880)	(6,201)	(9,384)	(12,525)	(15,626)
EBIT	**(598)**	**(2,980)**	**5,417**	**9,108**	**14,603**
Monetary Gains/(Losses)	**9,677**	**16,825**	**18,970**	**23,842**	**20,000**
Net Other Income/(expense)	(2,512)	(3,278)	(14,290)	(16,432)	(10,841)
Net Interest	(1,025)	225	(920)	(4,063)	(5,575)
Associate (pre-tax)	-	-	-	-	-
PBT	**5,543**	**10,792**	**9,177**	**12,456**	**18,188**
Tax	14	(1,887)	(2,294)	(3,114)	(4,547)
Minority Interest	(10)	(77)	(195)	(246)	(283)
Net Income	**5,547**	**8,829**	**6,687**	**9,096**	**13,358**
Reported EPS	30.64	48.76	36.93	50.24	73.78
DPS	**0.00**	**3.59**	**7.10**	**7.60**	**10.32**
Payout ratio	**0.0%**	**7.4%**	**19.2%**	**15.1%**	**14.0%**
Shares outstanding	181	181	181	181	181

Balance Sheet	FY22A	FY23A	FY24E	FY25E	FY26E
Cash and cash equivalents	7,678	12,355	26,147	21,358	24,408
Accounts receivable	487	370	1,087	1,317	1,852
Inventories	11,252	21,929	24,488	36,943	41,961
Other current assets	989	3,222	2,037	2,807	3,530
Current assets	**20,407**	**37,876**	**53,759**	**62,425**	**71,752**
PP&E	10,160	20,295	31,553	44,719	57,546
LT investments	603	1,156	3,443	4,304	4,950
Other non current assets	18,366	32,803	55,415	75,550	92,118
Total assets	**49,535**	**92,129**	**144,169**	**186,997**	**226,365**
Short term borrowings	2,443	2,979	4,606	5,485	6,144
Payables	21,040	37,390	54,475	75,455	92,674
Other short term liabilities	2,527	4,526	6,278	8,653	10,888
Current liabilities	**26,010**	**44,896**	**65,360**	**89,593**	**109,706**
Long-term debt	5,012	7,291	15,444	22,825	29,208
Other long term liabilities	1,818	3,689	5,182	6,478	7,450
Total liabilities	**32,841**	**55,875**	**85,986**	**118,895**	**146,363**
Shareholders' equity	16,650	36,024	57,821	67,404	78,916
Minority interests	44	230	362	698	1,086
Total liabilities & equity	**49,535**	**92,129**	**144,169**	**186,997**	**226,365**
BVPS	**91.96**	**198.97**	**319.36**	**372.29**	**435.87**
y/y Growth	*3006.0%*	*116.4%*	*60.5%*	*16.6%*	*17.1%*
Net debt/(cash)	(611)	(2,547)	(6,106)	6,939	10,931
CPI period-end y/y Growth	64.3%	64.8%	44.5%	26.0%	15.0%

Cash Flow Statement	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operating activities	**8,312**	**13,978**	**23,885**	**8,695**	**21,825**
o/w Depreciation & amortization	2,880	6,201	9,384	12,525	15,626
o/w Changes in working capital	(5,515)	1,641	(9,128)	(1,615)	(6,720)
Cash flow from investing activities	**(2,538)**	**(5,299)**	**(7,739)**	**(10,444)**	**(12,868)**
o/w Capital expenditure	(2,489)	(6,408)	(9,101)	(10,444)	(12,868)
as % of sales	*2.9%*	*3.5%*	*3.2%*	*2.6%*	*2.6%*
Cash flow from financing activities	**(1,421)**	**(1,981)**	**(708)**	**(3,036)**	**(5,838)**
o/w Dividends paid	0	(664)	(1,472)	(1,376)	(1,868)
o/w Shares issued/(repurchased)	-	-	-	-	-
o/w Net debt issued/(repaid)	(139)	(657)	(729)	0	0
Net change in cash	**1,712**	**(297)**	**8,541**	**(4,786)**	**3,119**
Adj. Free cash flow to firm	**5,823**	**7,570**	**14,785**	**(1,750)**	**8,957**
y/y Growth	*131.2%*	*30.0%*	*95.3%*	*(111.8%)*	*(611.9%)*

Ratio Analysis	FY22A	FY23A	FY24E	FY25E	FY26E
Gross margin	18.7%	18.7%	22.7%	23.5%	24.0%
EBITDA margin	0.3%	(0.3%)	0.1%	1.4%	4.0%
EBIT margin	(0.7%)	(1.6%)	1.9%	2.3%	2.9%
Net profit margin	6.5%	4.9%	2.3%	2.3%	2.7%
ROE	64.6%	33.5%	14.3%	14.5%	18.3%
ROA	16.4%	12.5%	5.7%	5.5%	6.5%
ROCE	(3.9%)	(7.1%)	6.6%	7.9%	10.4%
SG&A/Sales	19.4%	20.4%	20.8%	21.2%	21.1%
Net debt/Equity	NM	NM	NM	0.1	0.1
Net debt/EBITDA	(2.3)	4.1	(27.1)	1.2	0.5
Sales/Assets (x)	2.5	2.6	2.4	2.4	2.4
Assets/Equity (x)	3.9	2.7	2.5	2.6	2.8
Interest cover (x)	0.3	2.8	0.2	1.4	3.6
Operating leverage	(96.3%)	352.5%	(480.1%)	180.1%	233.6%
Tax rate	0.3%	17.5%	25.0%	25.0%	25.0%
Revenue y/y Growth (Nominal)	135.0%	113.1%	58.7%	37.8%	25.8%
Revenue y/y Growth (Real)	-	29.3%	11.4%	10.3%	9.4%
EBITDA y/y Growth (Nominal)	(88.2%)	(338.5%)	(136.3%)	2417.5%	252.4%
EBITDA y/y Growth (Real)	-	-	-	-	206.5%
EBIT y/y Growth (Nominal)	(130.1%)	398.7%	(281.8%)	68.1%	60.3%
EBIT y/y Growth (Real)	-	-	-	34.5%	39.4%

Valuation	FY22A	FY23A	FY24E	FY25E	FY26E
P/E (x)	16.7	10.5	13.9	10.2	6.9
P/BV (x)	5.6	2.6	1.6	1.4	1.2
P/Sales (x)	1.1	0.5	0.3	0.2	0.2
Dividend Yield	0.0%	0.7%	1.4%	1.5%	2.0%
EV/EBITDA (x)	354.3	NM	385.0	17.6	5.2

Source: Company reports and J.P. Morgan estimates. Note: Financials are presented according to TAS'29 that implements inflationary accounting. History is comparable on a nominal basis, and not indexed.
Note: TL in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Sok Marketler: Summary of Financials

Income Statement	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	**68,206**	**132,976**	**193,510**	**269,251**	**325,061**
COGS	(54,398)	(106,807)	(158,711)	(216,747)	(256,798)
Gross profit	**13,808**	**26,169**	**34,799**	**52,504**	**68,263**
SG&A	(13,168)	(26,905)	(44,202)	(59,407)	(71,302)
EBITDA	**3,056**	**3,860**	**(1,922)**	**3,903**	**9,692**
D&A	(2,416)	(4,596)	(7,481)	(10,807)	(12,731)
EBIT	**640**	**(737)**	**(9,403)**	**(6,904)**	**(3,039)**
Monetary Gains/(Losses)	**5,700**	**9,517**	**12,702**	**14,001**	**13,002**
Net Other Income/(expense)	(618)	(531)	(500)	(679)	(562)
Net Interest	(1,324)	(2,352)	(3,270)	(5,744)	(5,580)
Associate (pre-tax)	-	-	-	-	-
PBT	**4,398**	**5,898**	**(470)**	**675**	**3,822**
Tax	(178)	(1,452)	191	(169)	(955)
Minority Interest	0	0	0	0	0
Net Income	**4,220**	**4,446**	**(279)**	**507**	**2,866**
Reported EPS	7.11	7.49	(0.47)	0.85	4.83
DPS	**0.00**	**0.72**	**2.53**	**0.00**	**0.13**
Payout ratio	**0.0%**	**9.6%**	**NM**	**0.0%**	**2.7%**
Shares outstanding	593	593	593	593	593

Balance Sheet	FY22A	FY23A	FY24E	FY25E	FY26E
Cash and cash equivalents	859	4,204	3,944	1,109	355
Accounts receivable	121	158	306	425	513
Inventories	9,538	18,361	21,741	29,691	35,178
Other current assets	1,652	2,682	4,107	5,136	5,906
Current assets	**12,169**	**25,405**	**30,098**	**36,361**	**41,953**
PP&E	5,676	9,573	16,070	23,693	29,850
LT investments	-	-	-	-	-
Other non current assets	10,549	18,086	26,708	41,005	51,658
Total assets	**28,395**	**53,064**	**72,877**	**101,059**	**123,460**
Short term borrowings	1,464	2,202	2,817	3,522	4,550
Payables	11,230	19,513	28,264	39,193	47,138
Other short term liabilities	1,088	2,572	4,426	5,626	6,523
Current liabilities	**13,783**	**24,287**	**35,506**	**48,341**	**58,212**
Long-term debt	2,811	4,100	6,607	12,314	16,559
Other long term liabilities	967	3,077	3,688	4,611	5,303
Total liabilities	**17,562**	**31,465**	**45,801**	**65,266**	**80,073**
Shareholders' equity	10,833	21,599	27,076	35,793	43,387
Minority interests	0	0	0	0	0
Total liabilities & equity	**28,395**	**53,064**	**72,877**	**101,059**	**123,460**
BVPS	**18.26**	**36.41**	**45.64**	**60.33**	**73.13**
y/y Growth	*2132.4%*	*99.4%*	*25.4%*	*32.2%*	*21.2%*
Net debt/(cash)	3,417	2,098	5,480	14,727	20,754
CPI period-end y/y Growth	64.3%	64.8%	44.5%	26.0%	15.0%

Cash Flow Statement	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operating activities	**5,216**	**13,151**	**18,028**	**11,675**	**15,571**
o/w Depreciation & amortization	2,416	4,596	7,481	10,807	12,731
o/w Changes in working capital	(6,008)	(124)	5,275	2,656	2,484
Cash flow from investing activities	**(1,874)**	**(1,761)**	**(3,352)**	**(6,690)**	**(7,337)**
o/w Capital expenditure	(1,972)	(2,407)	(5,668)	(7,373)	(7,472)
as % of sales	*2.9%*	*1.8%*	*2.9%*	*2.7%*	*2.3%*
Cash flow from financing activities	**(4,026)**	**(7,305)**	**(13,639)**	**(7,820)**	**(8,985)**
o/w Dividends paid	0	(427)	(1,142)	0	(76)
o/w Shares issued/(repurchased)	0	0	0	0	0
o/w Net debt issued/(repaid)	0	0	0	0	0
Net change in cash	**(1,348)**	**2,788**	**(1,758)**	**(2,835)**	**(751)**
Adj. Free cash flow to firm	**3,243**	**10,743**	**12,360**	**4,302**	**8,099**
y/y Growth	*693.0%*	*231.3%*	*15.1%*	*(65.2%)*	*88.3%*

Ratio Analysis	FY22A	FY23A	FY24E	FY25E	FY26E
Gross margin	20.2%	19.7%	18.0%	19.5%	21.0%
EBITDA margin	3.8%	2.4%	(1.3%)	1.1%	2.7%
EBIT margin	0.9%	(0.6%)	(4.9%)	(2.6%)	(0.9%)
Net profit margin	6.2%	3.3%	(0.1%)	0.2%	0.9%
ROE	74.5%	27.4%	(1.1%)	1.6%	7.2%
ROA	22.1%	10.9%	(0.4%)	0.6%	2.6%
ROCE	6.6%	(2.6%)	(41.1%)	(11.8%)	(3.9%)
SG&A/Sales	19.3%	20.2%	22.8%	22.1%	21.9%
Net debt/Equity	0.3	0.1	0.2	0.4	0.5
Net debt/EBITDA	1.3	0.7	NM	5.0	2.4
Sales/Assets (x)	3.6	3.3	3.1	3.1	2.9
Assets/Equity (x)	3.4	2.5	2.6	2.8	2.8
Interest cover (x)	2.0	1.4	NM	0.5	1.6
Operating leverage	(45.8%)	(226.5%)	2584.4%	(67.9%)	(270.1%)
Tax rate	4.0%	24.6%	(40.6%)	25.0%	25.0%
Revenue y/y Growth (Nominal)	140.1%	95.0%	45.5%	39.1%	20.7%
Revenue y/y Growth (Real)	-	18.3%	2.2%	11.3%	5.0%
EBITDA y/y Growth (Nominal)	21.5%	22.2%	(181.0%)	(212.9%)	199.3%
EBITDA y/y Growth (Real)	-	26.3%	(149.8%)	(303.1%)	148.3%
EBIT y/y Growth (Nominal)	(64.2%)	(215.0%)	1176.5%	(26.6%)	(56.0%)
EBIT y/y Growth (Real)	-	(169.8%)	796.1%	(41.3%)	(61.7%)

Valuation	FY22A	FY23A	FY24E	FY25E	FY26E
P/E (x)	6.0	5.7	NM	49.9	8.8
P/BV (x)	2.3	1.2	0.9	0.7	0.6
P/Sales (x)	0.4	0.2	0.1	0.1	0.1
Dividend Yield	0.0%	1.7%	5.9%	0.0%	0.3%
EV/EBITDA (x)	11.0	8.6	NM	13.7	5.3

Source: Company reports and J.P. Morgan estimates. Note: Financials are presented according to TAS'29 that implements inflationary accounting. History is comparable on a nominal basis, and not indexed.
Note: TL in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Tofas Fabrika: Summary of Financials

Income Statement	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	**75,267**	**127,601**	**117,185**	**237,474**	**382,559**
COGS	(61,699)	(101,170)	(98,103)	(201,157)	(334,305)
Gross profit	**9,716**	**23,159**	**14,105**	**28,891**	**38,698**
SG&A	(3,149)	(7,431)	(10,148)	(20,724)	(29,673)
EBITDA	**10,994**	**19,667**	**10,466**	**17,362**	**20,988**
D&A	(4,426)	(3,938)	(6,509)	(9,195)	(11,963)
EBIT	**6,568**	**15,729**	**3,957**	**8,167**	**9,025**
Monetary Gains/(Losses)	**1,323**	**(2,282)**	**(4,214)**	**1,187**	**1,913**
Net Other Income/(expense)	(953)	(1,721)	1,212	(1,418)	(2,218)
Net Interest	(465)	6,481	4,512	3,632	3,232
Associate (pre-tax)	-	-	-	-	-
PBT	**6,541**	**18,327**	**5,872**	**12,077**	**12,537**
Tax	(852)	(3,243)	(9)	(3,019)	(3,134)
Minority Interest	0	0	0	0	0
Net Income	**5,689**	**15,083**	**5,863**	**9,058**	**9,403**
Reported EPS	11.38	30.17	11.73	18.12	18.81
DPS	**6.40**	**8.79**	**23.17**	**12.56**	**17.71**
Payout ratio	**56.2%**	**29.1%**	**197.6%**	**69.3%**	**94.2%**
Shares outstanding	500	500	500	500	500

Balance Sheet	FY22A	FY23A	FY24E	FY25E	FY26E
Cash and cash equivalents	12,019	24,815	19,035	11,195	29,050
Accounts receivable	14,956	18,418	12,695	26,386	42,507
Inventories	3,370	9,712	10,752	21,620	33,665
Other current assets	3,154	7,559	6,277	11,896	23,173
Current assets	**33,500**	**60,504**	**48,759**	**71,097**	**128,395**
PP&E	5,604	8,816	13,372	19,191	21,142
LT investments	98	149	215	271	311
Other non current assets	5,587	9,199	15,218	24,629	25,948
Total assets	**44,788**	**78,667**	**77,564**	**115,188**	**175,795**
Short term borrowings	5,071	6,738	10,669	20,509	45,722
Payables	19,002	23,561	20,050	40,318	71,177
Other short term liabilities	2,028	5,267	4,950	8,624	12,827
Current liabilities	**26,101**	**35,566**	**35,669**	**69,450**	**129,726**
Long-term debt	1,889	5,093	8,066	13,722	10,603
Other long term liabilities	1,111	1,129	1,335	1,682	1,935
Total liabilities	**29,101**	**41,788**	**45,070**	**84,854**	**142,263**
Shareholders' equity	15,688	36,880	32,494	30,334	33,532
Minority interests	0	0	0	0	0
Total liabilities & equity	**44,788**	**78,667**	**77,564**	**115,188**	**175,795**
BVPS	**31.38**	**73.76**	**64.99**	**60.67**	**67.06**
y/y Growth	*173.1%*	*135.1%*	*(11.9%)*	*(6.6%)*	*10.5%*
Net debt/(cash)	(5,059)	(12,944)	(215)	23,120	27,359
CPI period-end y/y Growth	64.3%	64.8%	44.5%	26.0%	15.0%

Cash Flow Statement	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operating activities	**12,113**	**7,753**	**2,975**	**9,772**	**15,953**
o/w Depreciation & amortization	4,426	3,938	6,509	9,195	11,963
o/w Changes in working capital	(5,049)	5,563	43,285	(1,911)	882
Cash flow from investing activities	**(875)**	**(105)**	**(431)**	**(281)**	**(1,040)**
o/w Capital expenditure	(989)	(2,260)	(5,477)	(10,727)	(10,433)
as % of sales	*1.3%*	*1.8%*	*4.7%*	*4.5%*	*2.7%*
Cash flow from financing activities	**(5,964)**	**1,578**	**(3,560)**	**10,421**	**14,230**
o/w Dividends paid	(3,200)	(4,393)	(12,558)	(6,279)	(8,854)
o/w Shares issued/(repurchased)	-	-	-	-	-
o/w Net debt issued/(repaid)	(2,120)	2,760	4,152	14,547	21,212
Net change in cash	**5,010**	**6,631**	**(10,340)**	**19,912**	**29,144**
Adj. Free cash flow to firm	**11,125**	**5,494**	**(2,502)**	**(954)**	**5,520**
y/y Growth	*332.1%*	*(50.6%)*	*(145.5%)*	*(61.9%)*	*(678.5%)*

Ratio Analysis	FY22A	FY23A	FY24E	FY25E	FY26E
Gross margin	12.9%	18.1%	12.0%	12.2%	10.1%
EBITDA margin	14.6%	15.4%	8.9%	7.3%	5.5%
EBIT margin	8.7%	12.3%	3.4%	3.4%	2.4%
Net profit margin	7.6%	11.8%	5.0%	3.8%	2.5%
ROE	53.1%	57.4%	16.9%	28.8%	29.4%
ROA	16.7%	24.4%	7.5%	9.4%	6.5%
ROCE	31.6%	36.3%	7.9%	10.6%	8.8%
SG&A/Sales	4.2%	5.8%	8.7%	8.7%	7.8%
Net debt/Equity	NM	NM	NM	0.8	0.8
Net debt/EBITDA	NM	NM	NM	1.3	1.3
Sales/Assets (x)	2.2	2.1	1.5	2.5	2.6
Assets/Equity (x)	3.2	2.3	2.3	3.1	4.6
Interest cover (x)	23.7	NM	NM	NM	NM
Operating leverage	28.0%	200.6%	916.8%	103.6%	17.2%
Tax rate	13.0%	17.7%	0.2%	25.0%	25.0%
Revenue y/y Growth (Nominal)	153.6%	69.5%	(8.2%)	102.6%	61.1%
Revenue y/y Growth (Real)	-	2.9%	(36.4%)	60.8%	40.1%
EBITDA y/y Growth (Nominal)	89.7%	78.9%	(46.8%)	65.9%	20.9%
EBITDA y/y Growth (Real)	-	8.6%	(63.2%)	31.7%	5.1%
EBIT y/y Growth (Nominal)	42.9%	139.5%	(74.8%)	106.4%	10.5%
EBIT y/y Growth (Real)	-	45.3%	(82.6%)	63.8%	(3.9%)

Valuation	FY22A	FY23A	FY24E	FY25E	FY26E
P/E (x)	17.7	6.7	17.2	11.1	10.7
P/BV (x)	6.4	2.7	3.1	3.3	3.0
P/Sales (x)	1.3	0.8	0.9	0.4	0.3
Dividend Yield	3.2%	4.4%	11.5%	6.2%	8.8%
EV/EBITDA (x)	8.7	4.5	9.6	7.1	6.1

Source: Company reports and J.P. Morgan estimates. Note: Financials are presented according to TAS'29 that implements inflationary accounting. History is comparable on a nominal basis, and not indexed.
Note: TL in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Turkish Airlines: Summary of Financials

Income Statement	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	**18,426**	**20,942**	**22,896**	**24,260**	**26,195**
Total Operating Costs	(15,710)	(18,269)	(20,628)	(22,663)	(24,590)
Adj. EBITDAR					
Rental expense	(157)	(263)	(477)	(541)	(465)
Adj. EBITDA	**4,947**	**5,525**	**5,301**	**4,940**	**5,129**
D&A	(1,864)	(2,035)	(2,120)	(2,270)	(2,420)
Adj. EBIT	**2,779**	**2,859**	**2,628**	**2,073**	**2,082**
Net Interest	39	548	808	201	(238)
Income from share investments	121	232	221	232	244
Adj. PBT	**2,939**	**3,641**	**3,657**	**2,506**	**2,088**
Tax	(214)	2,380	(133)	(91)	(76)
Minority Interest	-	-	-	-	-
Adj. Net Income	**2,725**	**6,021**	**3,524**	**2,415**	**2,011**
Reported EPS	1.97	4.36	2.55	1.75	1.46
Adj. EPS	**1.97**	**4.36**	**2.55**	**1.75**	**1.46**
DPS	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Shares outstanding	1,380	1,380	1,380	1,380	1,380

Balance Sheet	FY22A	FY23A	FY24E	FY25E	FY26E
Cash and cash equivalents	4,075	683	2,259	2,613	2,101
Accounts receivable	995	856	1,277	1,249	1,335
Inventories	331	418	485	504	571
Other current assets	1,824	6,638	4,829	4,029	3,329
Current assets	**7,225**	**8,595**	**8,849**	**8,394**	**7,337**
PP&E	21,231	23,003	24,183	26,629	29,676
LT investments	442	895	1,095	1,095	1,095
Other non current assets	2,046	3,178	3,437	3,437	3,437
Total assets	**30,944**	**35,671**	**37,564**	**39,555**	**41,545**
Short term borrowings	3,747	3,723	3,054	3,054	3,054
Payables	1,200	1,291	1,675	1,608	1,962
Other short term liabilities	3,277	4,073	4,318	4,506	4,766
Current liabilities	**8,224**	**9,087**	**9,047**	**9,168**	**9,782**
Long-term debt	10,292	10,524	10,722	11,475	12,878
Other long term liabilities	2,686	497	587	587	587
Total liabilities	**21,202**	**20,108**	**20,356**	**21,230**	**23,246**
Shareholders' equity	9,742	15,558	17,204	18,322	18,295
Minority interests	0	5	4	4	4
Total liabilities & equity	**30,944**	**35,671**	**37,564**	**39,555**	**41,545**
BVPS	**7.06**	**11.27**	**12.47**	**13.28**	**13.26**
y/y Growth	*42.5%*	*59.7%*	*10.6%*	*6.5%*	*(0.1%)*
Net debt/(cash)	9,495	8,483	9,207	10,669	13,508

Cash Flow Statement	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operating activities	**6,011**	**5,184**	**3,782**	**3,905**	**4,009**
o/w Depreciation & amortization	1,864	2,035	2,120	2,270	2,420
o/w Changes in working capital	1,142	746	72	(370)	(440)
Cash flow from investing activities	**(1,665)**	**(5,708)**	**865**	**(992)**	**(1,580)**
o/w Capital expenditure	(1,056)	(1,242)	(1,700)	(2,200)	(2,200)
as % of sales	*5.7%*	*5.9%*	*7.4%*	*9.1%*	*8.4%*
Cash flow from financing activities	**(2,948)**	**(2,856)**	**(3,075)**	**(2,562)**	**(2,943)**
o/w Dividends paid	0	0	0	0	0
o/w Shares issued/(repurchased)	-	-	-	-	-
o/w Net debt issued/(repaid)	(1,080)	(942)	(822)	0	0
Net change in cash	**1,398**	**(3,380)**	**1,572**	**351**	**(514)**
Adj. Free cash flow to firm	**4,382**	**(334)**	**5,426**	**3,106**	**2,429**
y/y Growth	*37.3%*	*(107.6%)*	*(1723.6%)*	*(42.8%)*	*(21.8%)*

Ratio Analysis	FY22A	FY23A	FY24E	FY25E	FY26E
EBITDAR margin	-	-	-	-	-
EBIT margin	15.1%	13.7%	11.5%	8.5%	7.9%
Net profit margin	14.8%	28.8%	15.4%	10.0%	7.7%
ROE	32.9%	47.6%	21.5%	13.6%	11.0%
ROA	9.5%	18.1%	9.6%	6.3%	5.0%
ROCE	11.2%	3.7%	8.2%	6.2%	5.9%
SG&A/Sales	9.1%	10.5%	11.3%	11.1%	11.0%
Adj. Net debt/Equity	1.0	0.5	0.5	0.6	0.7
Adj. Net debt/EBITDAR	-	-	-	-	-
Sales/Assets (x)	0.6	0.6	0.6	0.6	0.6
Assets/Equity	346.7%	263.3%	223.5%	217.1%	221.5%
Interest cover (x)	-	-	-	-	21.5
Operating leverage	133.3%	21.1%	(86.7%)	(354.8%)	5.7%
Tax rate	7.3%	65.4%	3.6%	3.6%	3.6%
Revenue y/y Growth	72.4%	13.7%	9.3%	6.0%	8.0%
EPS y/y Growth	184.2%	121.0%	(41.5%)	(31.5%)	(16.7%)

Valuation & Operating Metrics	FY22A	FY23A	FY24E	FY25E	FY26E
P/E (x)	4.4	2.0	3.4	4.9	5.9
P/BV (x)	1.2	0.8	0.7	0.6	0.6
EV/EBITDAR(x)	-	-	-	-	-
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Available seat kilometers	201,735	234,839	258,250	275,301	293,493
Revenue passenger kilometers	162,665	193,932	212,841	227,305	245,048
RASK ($ cents)	7.1	7.5	7.2	7.1	7.1
CASK-ex fuel ($ cents)	4.6	5.1	5.5	5.8	5.9
CASK ($ cents)	7.8	7.8	8.0	8.2	8.4
Load factor	80.6%	82.6%	82.4%	82.6%	83.5%
Yield ($ cents)	8.8	9.1	8.8	8.6	8.5

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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	Overweight (buy)	Neutral (hold)	Underweight (sell)
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IB clients**	50%	46%	38%
JPMS Equity Research Coverage*	46%	41%	13%
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