Monthly Equity Strategy

April 2024

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The Fed has lived up to the expectation of three interest rate cuts within the year…

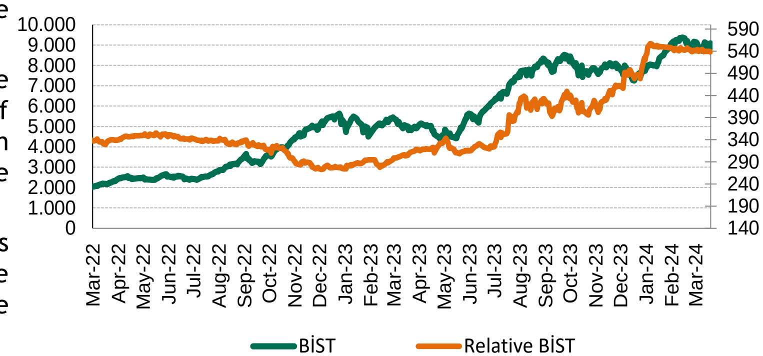
Rating: BUY

- While the Fed held the interest rate steady in the range of 5.25-5.50%, in line with expectations, at its March 20 meeting, Chairman Powell signaled that it would be appropriate to start cutting interest rates for this year. The expectation of 3 interest rate cuts is maintained in the dot charts, although the probability of an interest rate cut in June, which decreased to 55% after the latest data, has risen to 75%. Currently, the probability of an interest rate cut in June is priced at 60%. Data regarding the US economy eliminating recession concerns plus strong expectations that the rate cut process will begin in the second half of the year still support global risk appetite.
- Domestically, the CBRT surprisingly raised the policy rate by 500bps to 50% at its March meeting, despite expectations that the interest rate would be kept constant ahead of the local elections. In the MPC notes, strong messages were given that the tight stance would be maintained and that the bank remained determined to fight inflation. The Board also changed the operational framework and decided to set the Central Bank's overnight borrowing and lending rates with a margin of -/+ 300 basis points compared to the one-week repo auction interest rate. While the currency front was balanced with the CBRT decision, the Dollar / TL rate decreased on a weekly basis for the first time in 29 weeks.
- The step of increasing interest rates, in addition to the recently-taken tightening steps, increased confidence that rational policies would be implemented decisively and that the disinflationary process would begin, while supporting appetite for TRY assets. We believe that easing inflation will be seen in June, with the tightening steps and the base effect coming into play. With the start of the decline in inflation, the strengthening possibility of the CBRT's interest rate cut towards the end of the year will also positively impact the markets. The fact that major central banks will start the rate cut process in the second half of the year will strengthen the CBRT's hand in reducing the benchmark rate.
- Following the smooth completion of the local elections of Sunday, March 31, we expect any macroprudential measures to be announced within the framework of the Central Bank's interest rate decision, the implemented economic program and liraization strategy, and macroeconomic data, especially inflation, to be closely followed in April.
- While there will be no Fed meeting in April, messages from central banks regarding interest rate cuts, especially from the Fed, plus macro data to be announced and developments regarding geopolitical risk will be followed by the markets.

Facts & Figures	Close*	MoM	YtD
BIST - 100, TRY	9.142	-0,56%	22,4%
BIST - 100, USD	283	-4,0%	11,6%
MSCI Turkey	298.967	0,3%	14,1%
MSCI EMEA	201	-0,5%	-0,6%
MSCI EM	1.043	2,2%	1,9%
Benchmark Bond	45,44%	255bps	576bps
USD/TL	32,2854	3,61%	9,67%
EUR/TL	34,8023	3,06%	6,84%
BIST - 100	6,9		
Banking	6,3		
Industrial	12,8		
Iron&Steel	25,6		
REIT	2,6		
Telecom	14,1		
2024E P/E	5,4		

*Close as of March 29, 2024

BIST &Portfolio



Şeker Invest

We expect decreased volatility at the BIST following the election…

- The BIST 100 Index, which started its uptrend in the last week of December and ended at 9,400 levels in the second half of February, followed a fluctuating course in a very wide band between 9,400-8,700 in March, ahead of the elections, in line with our expectations.
- BIST 100 Index, which approached the 9,400 resistance twice during the month, could not exceed this level, closing the month at 9,142 a decreased of 0,56%. The Banking Index edged 9,21% higher while the Industrial Index lost 3,27%.
- We expect market volatility to ease as uncertainty fades in the wake of the local elections held at the end of March. However, we think that higher predictability and reduced risk, together with rising political support for rational policies, will support foreign investor interest and foreign exchange inflow. With the elections smoothly completed we expect the markets to stabilize and return to their positive course.
- We maintain our 12-month target of 11,700 and our BUY recommendation for the BIST 100. The MSCI Turkey index 2024E is traded at a 57% and 19% discount compared to the EM MSCI index, with P/E and P/BV ratios of 5.39x and 1.24x.
- We are not changing our model portfolio this month.

Main market risks

- The high course of inflation persisting for longer than expected and major central banks postponing the interest rate cut process,
- Increasing currency volatility despite tightening steps due to worse-than-expected local macro data, especially inflation,
- Despite expectations of a soft landing, the risk of recession becoming evident, especially in major economies, higher volatility, and accelerated interest rate cuts.
- A deepening of China's real estate market crisis, causing a slowdown in growth.
- Persistently high volatility in commodity prices due to geopolitical risk and measures taken on a country basis.

Model Portfolio

Top Picks	Close	Target	Pot.	MoM	Relative
AKBNK.TI	46,78	65,03	39,0%	17,4%	18,1%
BIMAS.TI	361,00	440,70	22,1%	-7,0%	-6,5%
ISCTR.TI	11,39	16,94	48,7%	2,6%	3,2%
KRDMD.TI	23,20	43,62	88,0%	-13,6%	-13,1%
MGROS.TI	415,00	595,00	43,4%	-15,9%	-15,4%
SAHOL.TI	82,50	100,23	21,5%	3,8%	4,4%
SISE.TI	46,24	78,70	70,2%	-9,6%	-9,1%
TAVHL.TI	183,10	222,80	21,7%	4,9%	5,5%
TCELL.TI	67,70	104,30	54,1%	1,1%	1,7%
THYAO.TI	297,75	402,60	35,2%	5,7%	6,3%
Average				-1,1%	-0,5%

*Close as of March 29, 2024

Add
-

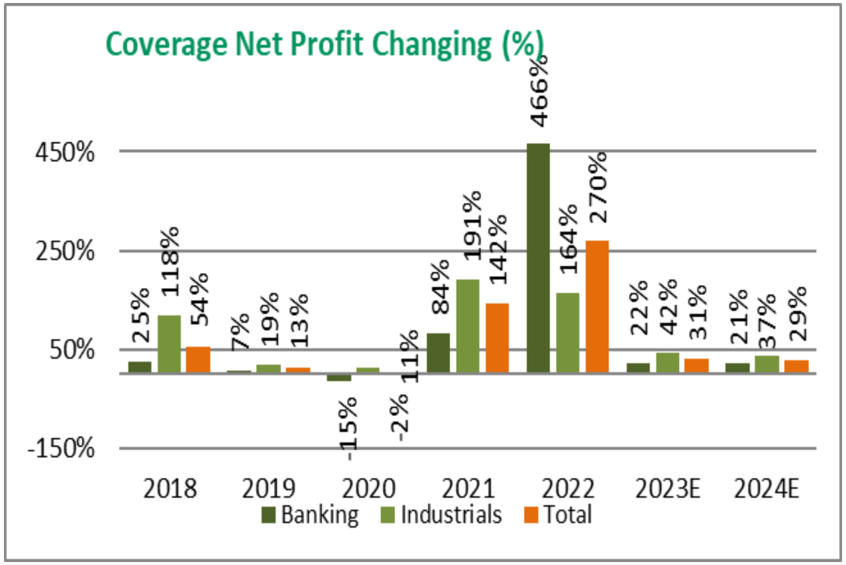
Remove
-

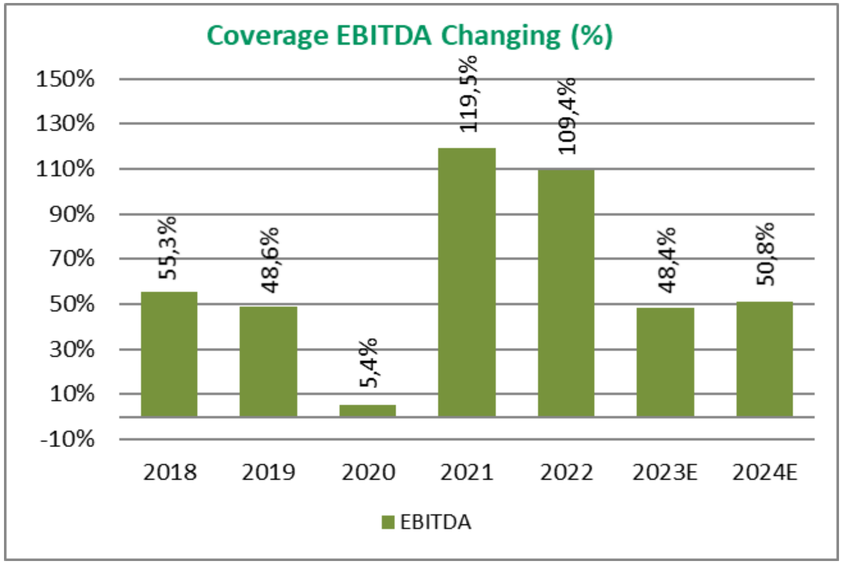
Maintain
AKBNK
BIMAS
ISCTR
KRDMD
MGROS
SAHOL
SISE
TAVHL
TCELL
THYAO

Favourite Sectors
Banks
Food&Beverage
Food Retail
Tourism
Aviation
Telecommunication
Construction
Cement
Energy
Glass

EBITDA & Earnings forecasts

- In 2024, we foresee the earnings and EBITDA of the industrial companies for our coverage universe rising by 37% and 50.8% YoY (exc. IAS-29), while we project 21% earnings increase for the banks over 2023.





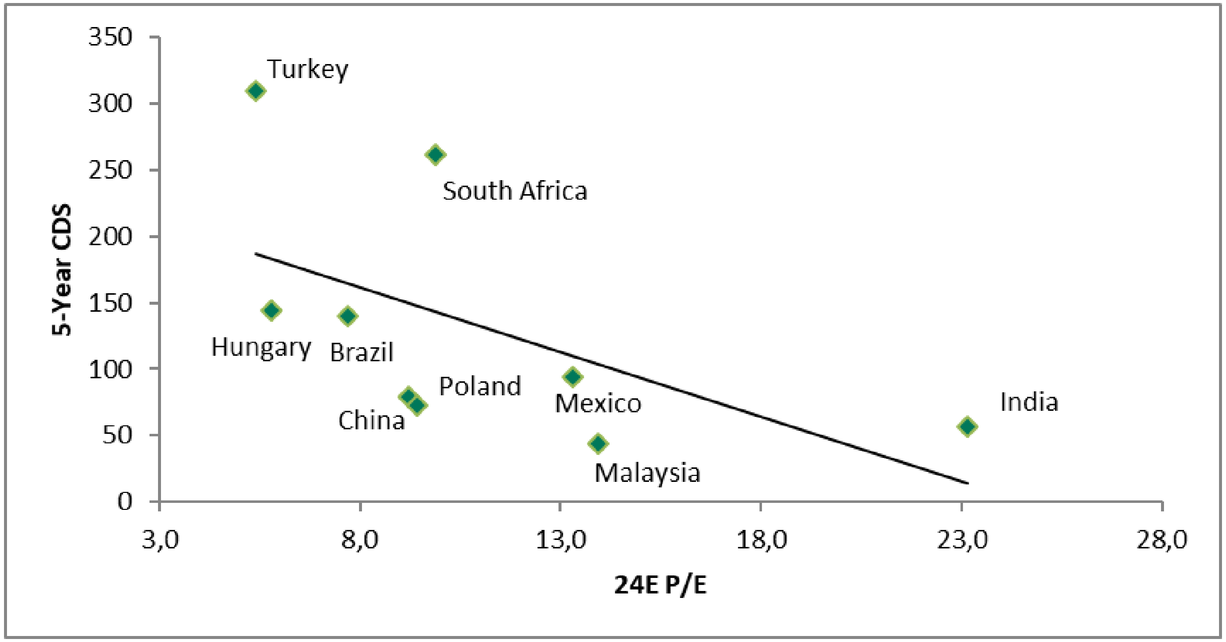
Returns compared to peers

- The MSCI Turkey Index has risen by 16.8% in absolute terms over the past 12 months. Thus, it has outperformed the MSCI EM Index by 9.7%, and has outperformed the MSCI EMEA Index by 9.7%, during same period.

Absolute Change	1m	3m	12m	YtD
MSCI Turkey	0,3%	14,1%	16,8%	14,1%
MSCI EM	2,2%	1,9%	5,5%	1,9%
MSCI EMEA	-0,5%	-0,6%	5,4%	-0,6%
MSCI Eastern Europe	0,2%	1,4%	36,2%	1,4%
MSCI World	3,0%	8,5%	22,6%	8,5%
Relative to MSCI Turkey	**1m**	**3m**	**12m**	**YtD**
MSCI EM	1,85%	-10,7%	-9,7%	-10,7%
MSCI EMEA	-0,9%	-17,2%	-9,7%	-12,9%
MSCI Eastern Europe	-0,1%	-11,1%	16,6%	-11,1%
MSCI World	2,7%	-5,0%	5,0%	-5,0%

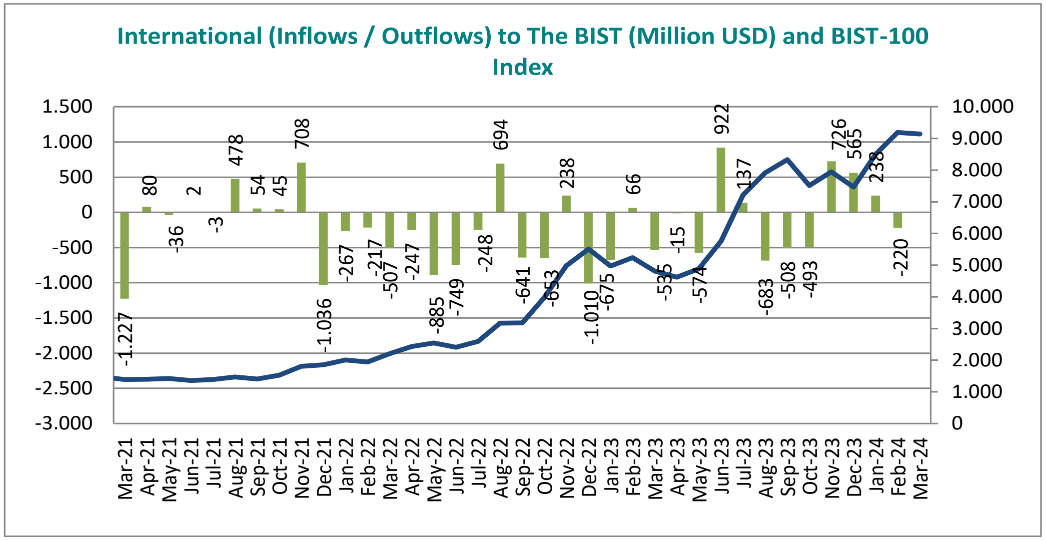
As of March 29, 2024

5-Year CDS

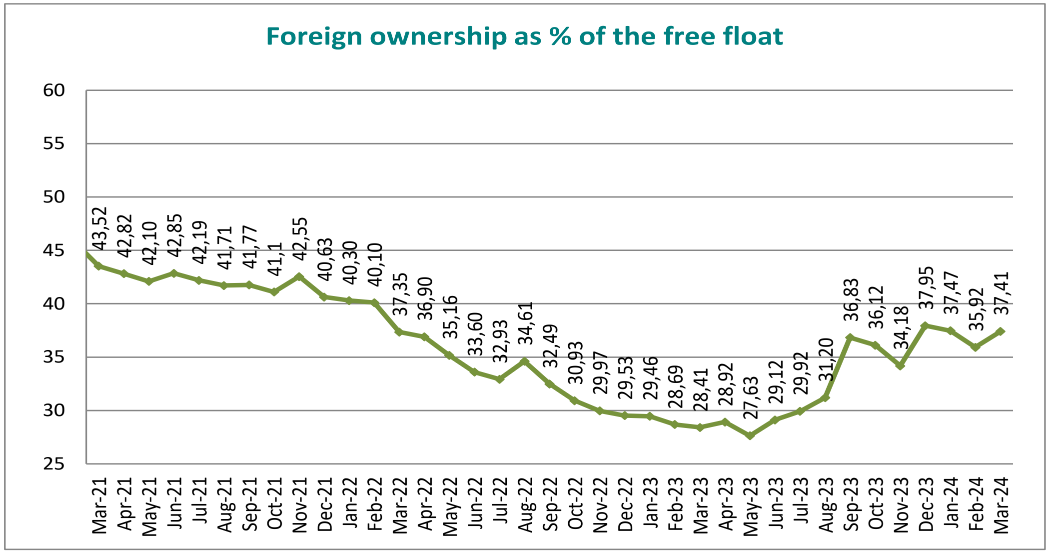


As of March 29, 2024

Int. flow and foreign ownership

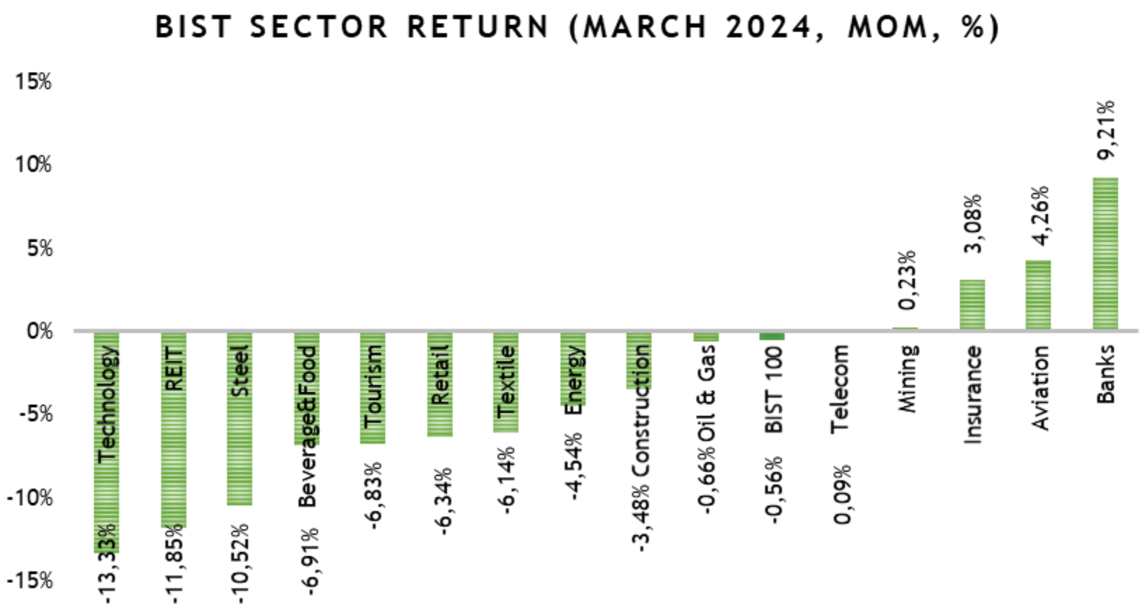


- In February 2024, foreign investors were net sellers at the BIST of USD 220mn.



- Foreign ownership has increased to 37.41% in March 2024.

Sector performances



As of March 29, 2024

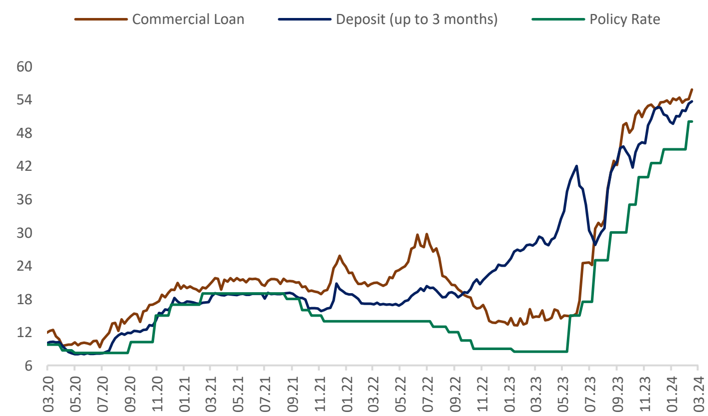
Macroeconomic Outlook

CBRT Rate Decision - March

Contrary to expectations, at its meeting this month, the CBRT Monetary Policy Committee (MPC) raised the policy rate by 500 basis points to 50%. The recent deterioration in inflation expectations was the main reason behind the hawkish stance. A significant change was also made in the operational framework to increase the effectiveness of monetary policy. In this context, it was decided to set the CBRT borrowing/lending rate at -/+300 basis points compared to the policy rate. The deteriorating inflation outlook in February, led by services inflation, is the key reason for the hawkish monetary policy stance. The CBRT will likely continue standing behind the tightening conditions stated in its previous meeting. We understand the decision to mean that the deterioration in the inflation outlook will not be allowed, and monetary policy will tighten further when necessary. Both the policy rate as the main policy tool and liquidity management complemented by macroprudential measures will continue to be used decisively in the fight against inflation. We can liken the symmetric interest rate margin to the interest rate corridor used in previous years. While the bandwidth was used as a monetary policy tool, we believe this decision was taken for a similar purpose.

As in all global economies, the continued rigidity in services inflation in Turkey is triggering the deterioration in inflation expectations. Moreover, despite the decline in imports of consumer goods and gold, the continued resistance in demand has made it necessary to take more radical decisions. The composition of the monetary policy, which has been maintained with complementary tools, was moved to a higher band, and it was emphasized again in a hawkish tone that the fight against inflation would continue decisively. At the previous meeting, the tightening condition for monetary policy was emphasized as the development behind the monthly inflation level. The persistence of price rigidity in February pushed the Committee to raise interest rates and thus to maintain its credibility in forward guidance. We can say that this restored the weakened confidence in the CBRT. As of the second half of the year, we see that the belief in demand stabilization and real appreciation of the TL is maintained. If these assumptions are realized, inflation expectations will also improve, and the disinflation process will begin.

Policy, Loan and Deposit Rates (%)



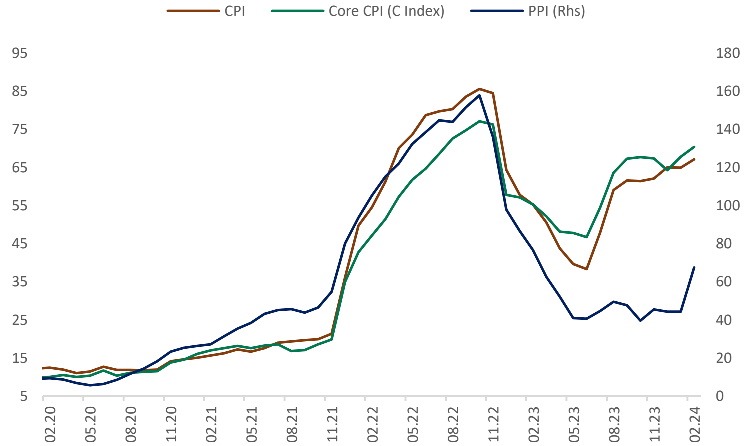
Macroeconomic Outlook

Inflation - February

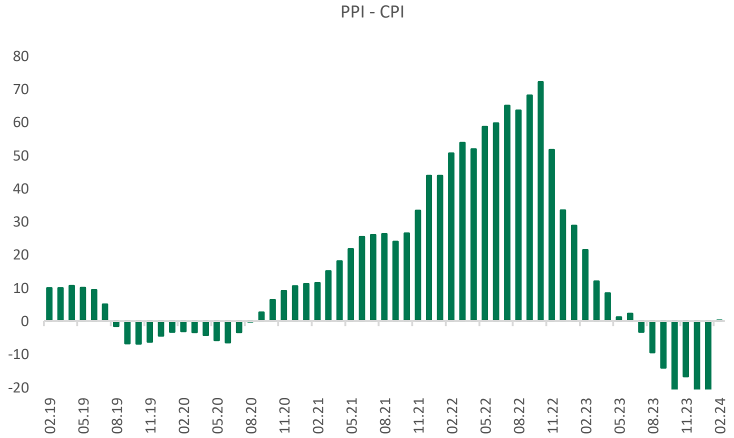
CPI increased by 4.53% mom in February, while annual inflation rose to 67.07% (previous 64.86%). The inflation data, which was higher than the market and our expectations, shows that the tightening measures in the economy have not yet yielded the desired results. Although CBRT forecasts expect an upward acceleration in inflation in the first half of the year, current levels are quite close to the upper levels of the forecast band. The average of food, housing and transportation inflation, which has a 57% weight in the index, rose by 67.59% yoy. In the same period, monthly inflation in the Special CPI Aggregate B index (core inflation) was realized as 4.23%, while annual inflation was realized as 70.31%. The fact that monthly price dynamics in core inflation levels fell below general inflation is positive for the coming period. However, a significant slowdown is required in the second half of the year for both indicators to reach levels in line with the year-end inflation forecasts. With the current outlook, the year-end realization is likely to deviate upwards from CBRT forecasts.

The course of January-February monthly inflation is close to the upper band of the CBRT's forecast path. Unless there is a more favorable-than-expected pullback in the second half of the year, it seems highly likely that the year-end inflation level will exceed the CBRT forecasts. In particular, the contribution from administered prices, which are beyond the control of monetary policy, makes the CBRT's job more difficult. The decisive stance of the economic management, which gradually adjusts monetary and fiscal policies according to the trend in inflation, serves as an effective anchor in managing inflation expectations. The stable course of the exchange rate is also critical, especially in terms of slowing down cost inflation. Considering the sphere of control of monetary policy, implementations that take financial stability as well as price stability into account will contribute to both risk premiums and macro financial stability by reducing exchange rate volatility.

CPI, PPI and Core CPI (YoY %)



PPI - CPI Spread



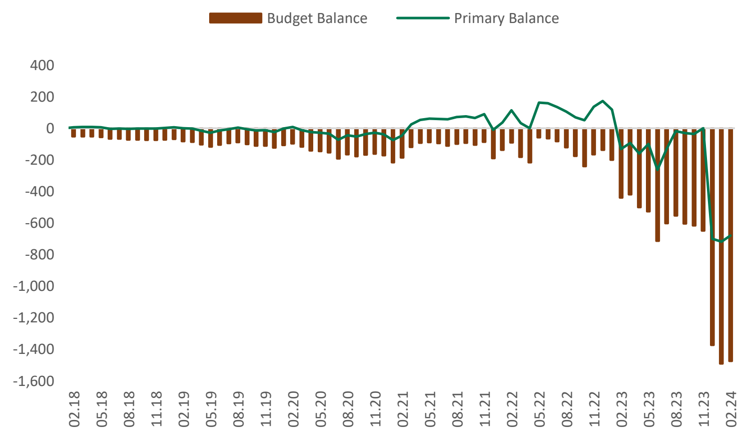
Macroeconomic Outlook

Budget Balance - February

According to the February central government budget data released by the Ministry of Treasury and Finance, budget revenues and budget expenditures were realized as 536.1 billion TRY and 689.9 billion TRY, respectively. In the same period, non-interest budget expenditures were realized as 635.1 billion TRY. According to these figures, budget deficit was realized as 153.8 billion TRY while primary balance posted a deficit of 99 billion TRY . Transfers to Elektrik Uretim AS . amounted to 18.2 billion TRY in February and 36.9 billion TRY in January-February period. Budget deficit, primary balance and 12-month cumulative outlook showed a flat course in January and February. In current transfers, agricultural support continued, while area-based and differential agricultural supports reached 26 billion TRY in January-February period. Considering the trend in the first two months of the year, we can say that the outlook for the budget deficit will diverge negatively from expectations unless additional tightening fiscal measures are taken.

In order for the tight monetary policy stance to be effective and to contain inflation, support from fiscal policy has become crucial. In particular, increases in the budget deficit and government expenditures continue to increase inflation and put upward pressure on long-term interest rates at the same time. In this context, we believe that tight fiscal policy as well as tight monetary policy should be implemented in coordination to control both bond yields and inflation. Although the improvement in tax collections contributes positively to the budget outlook, we estimate that the real impact will be realized as of the second half of 2024. We anticipate that austerity measures supporting the Turkish Lira will also contribute to the budget by reducing both exchange rate and inflation pressures. We believe that the tight monetary and fiscal policy stance supported by macro/micro prudential measures will start to contribute positively to both price stability and fiscal discipline as of the second half of the year. In an inflationary environment, the improvement in personnel salaries and the increase in current transfers due to natural disasters will continue to bring a higher-than-average budget deficit for a while. We anticipate that the fiscal discipline anchor targets can be realized in the 2025-2026 period. We would like to underline that the tight stance in monetary and fiscal policy should continue for a while to realize this target.

Budget and Primary Balance (12m rolling, Billion TRY)



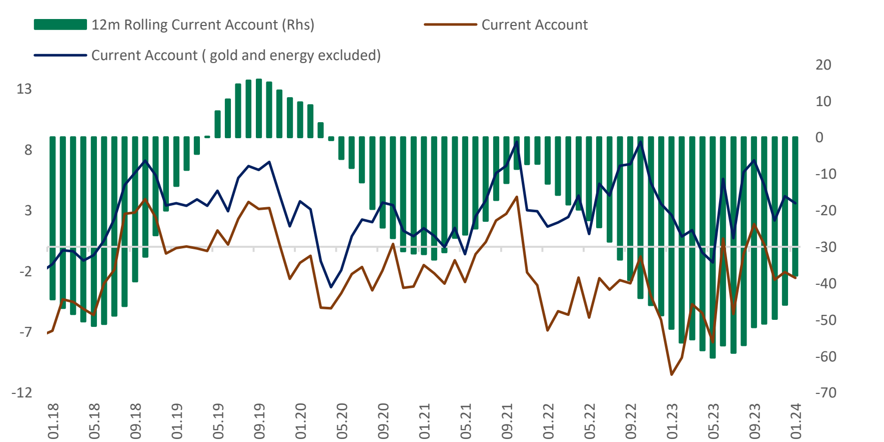
Macroeconomic Outlook

Balance of Payments - January

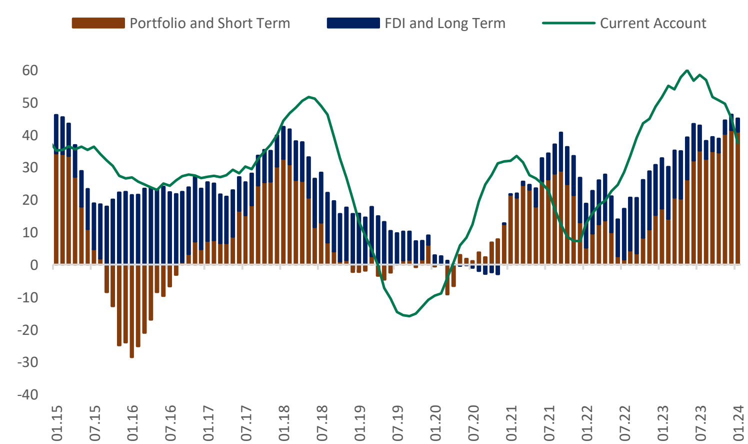
According to balance of payments data, the current account balance posted a deficit of USD2,556 million in January. As a result, the twelve-month current account deficit became USD37,516 million. The current account deficit, which was in line with expectations, was driven mainly by positive developments in the foreign trade balance accompanied by the services balance. The balance of payments-defined foreign trade deficit realized as USD4,448 million and services inflows realized at USD2,792 million. The 12-month cumulative foreign trade deficit narrowed to USD98.1 billion (May 2023 peak was USD22 billion) thanks to the tightening steps that started after June. Despite strong energy demand in the winter season, positive developments in the current account deficit indicate that this improvement will continue for the rest of the year. The fact that tightening steps support improvement in the current account balance led by the trade balance continues to reduce the risk of external vulnerability. Adding credit growth measures to the tightening steps in monetary policy will continue to support the current account balance. Achieving a credit growth rate consistent with growth and the balance of payments will continue to contribute to the external balance.

Regarding the financing of the current account deficit, official reserves posted a net decline of USD6,207 million. Due to recent hot money inflows, portfolio investments and short-term inflows amounted to USD40.9 billion in the 12-month period (12-month average was USD31 billion). Meanwhile, foreign direct investment and long-term capital inflows remained almost flat in cumulative terms. As of January, cumulative FDI and long-term financing recorded a net inflow of USD4.1 billion (previous USD4.7 billion). The rising share of short-term sources in the financing quality of the current account deficit increases the fragility risk in the economy. January’s decline in official reserves is a reflection of the sales for energy payments and the domestic demand-driven pressure on exchange rates. Positive monetary policy developments triggering capital inflows will alleviate exchange rate pressure and contribute positively to the capital account.

Current Account, Energy and Gold Excluded, 12M Rolling (Billion USD)



Finance of Current Account Deficit (Billion USD)



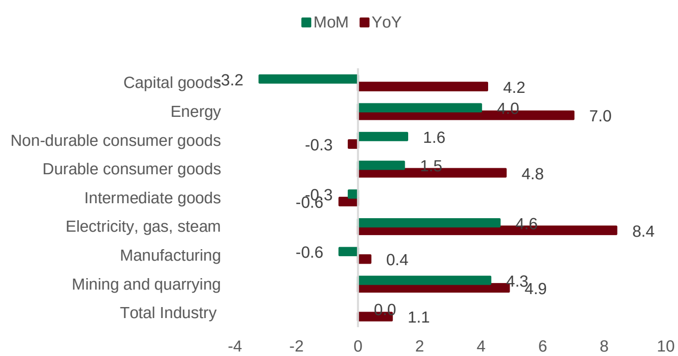
Macroeconomic Outlook

Industrial Production - January

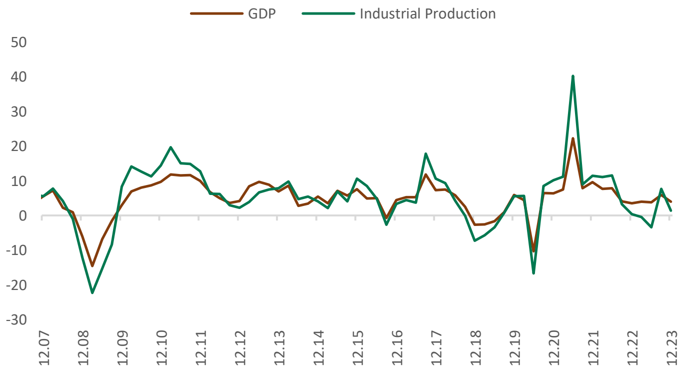
According to the Industrial Production Index, seasonally- and calendar-adjusted production remained unchanged in January compared to the previous month, while annual production growth declined to 1.1% (previous 2.3. Lower-than-expected production indicators suggest that the outlook in production-side economic indicators may diverge negatively from expectations. Excluding December, monthly production indicators have been in stagnant or contractionary territory for about 7 months. The economic administration, which started to raise interest rates sharply in July, was aiming to rein in inflation led by domestic demand. When stagnant foreign demand was added to this, production indicators started to slow down more sharply than expected. While the slowdown in production indicators is compensated by the services and financial sectors of the economy, the growth rate is not slowing down as much as the production level. Throughout 2024, we expect the slowdown in production to be compensated by the increase in services and financial activities. Our expectations are that micro structures, rather than macro indicators, will affect the performance of companies and sectors throughout 2024. We anticipate that companies with high exports and low leverage and financing costs will be positively differentiated.

The main focus of economic policies is also aimed at a temporary transformation to more stable growth, limiting domestic demand. Uncertainty in the main trade markets and the decline in external demand coupled with the slowdown in domestic demand will continue to keep growth and production below expectations. We expect the slowdown in domestic and external demand to gradually have the expected consequences on inflation. The alternative cost of achieving the price stability target, or at least a cooling cycle in an overheated economy, would be to sacrifice growth targets. While year-end growth forecasts remain below potential growth, the slowdown in some sectors will become more pronounced. Weakening production and recession concerns in global markets may mitigate the impact of the slowdown in domestic production. In addition, a postponement or slowdown in monetary tightening conditions before the local elections may positively impact industrial production, especially in sectors of high sensitivity to TL liquidity. A coordinated tightening in monetary and fiscal policies will bring about price stability and financial stability.

Industrial Production Rate of Change (%)



Industrial Production and GDP Growth (YoY)



Akbank (OP, 12M TP: TRY 65.03) Upside: 39%

Commercially succesful market share gains

The bank stands out with its commercially successful transformation and efficiency boost with the help of customer acquisitions over the past two years and in an advantageous position for maintaining the strong stream in core banking revenues. **We maintain Outperform** given the solid capital structure, and dynamic and profitability-oriented asset growth.

Strong capital base to withstand shocks. Akbank ranks first among its competitors and is well positioned to continue its market share gains with its best-in-class capital adequacy ratio of 21.9%. This also helps to position favorably against possible volatility and grow its franchise further in profitable segments.

We model 18.5% YoY earnings growth (Bloomberg consensus 8%) for 2024E. We maintain our TP at TRY65.03, offering 39% upside. We also maintain our “Outperform” recommendation. The bank is trading at a 2024E P/E of 3.1x (5% discount to domestic peers) and P/BV of 0.87x with a ROAE of 32.2%.

Profitability-oriented loan growth, superior market share gains in credit cards. The bank is in a leading position with a 250bps market share gain in credit cards so far in 2023. We expect this strategy to support margins. The CPI linker to equity book ratio is 73% and the sensitivity of margin development to inflation is high. Its market share in FX-protected deposits is 8.7%, the second lowest among private banks. The weight of demand deposits is at 30%, below the sector average.

Peer-leading position in fee income growth YoY. The bank is the leader with a record high annual increase of 199% YoY in 2023. Fees cover 69% of OPEX, slightly above the industry average of 67%.

Strong track record in asset quality management. The Stage 2 loan book rose by 51% in 2023, a rather high figure. However, the weight of these loans is 7.1%, the lowest among private banks.

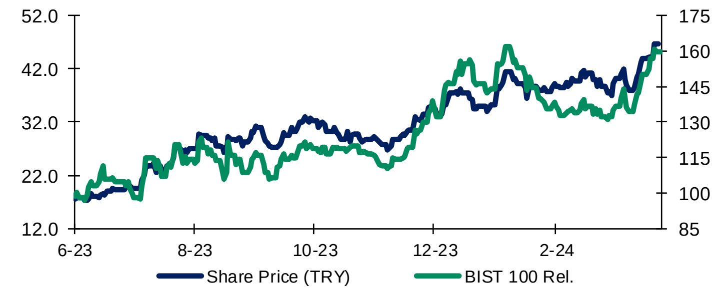
Upside and downside risks. Higher-than-expected asset quality worsening, and a worse-than-expected rise in funding costs are the main downside risks. A benign performance in bad loan formation is the main upside risk.

Mcap (TRYmn)	243,256	Beta (12M)	1.00
Mcap (USDmn)	7,541	Avr. Daily Vol. (TRYm)	3,552
Close	46.78	Foreign Ownership in FF	58.4%
Last 12M High	48.76	Free Float (%)	52.0%
Last 12M Low	13.37	Weight	5.10%

Quick Facts (TRY Mn)	2022A	2023A	2024E	2025E
Net interest income	76,872	63,547	99,811	128,536
% Change, YoY	*236.6%*	*-17.3%*	*57.1%*	*28.8%*
Net fee income	10,316	30,832	50,873	73,767
% Change, YoY	*97.1%*	*198.9%*	*65.0%*	*45.0%*
Net income	60,023	66,479	78,808	101,095
% Change, YoY	*395.0%*	*10.8%*	*18.5%*	*28.3%*

Ratios	2022A	2023A	2024E	2025E
NPL ratio	3.0%	2.4%	3.5%	3.2%
CoR (net) Exc. Currency	0.5%	1.0%	1.5%	1.0%
NIM (Swap adj.)	8.8%	5.5%	6.0%	6.7%
ROAA	6.7%	4.6%	3.7%	3.6%
ROAE	52.3%	36.4%	32.2%	31.2%

Multiples	2022A	2023A	2024E	2025E
P/E	1.7	3.6	3.1	2.4
P/BV	0.66	1.14	0.87	0.66



Return	1M	3M	6M	12M
TRY Return (%):	19.5	31.8	43.9	184.2
US$ Return (%):	15.3	20.0	22.0	68.5
BIST-100 Relative (%):	21.2	9.8	33.7	52.5

Source: Bank financials, Seker Invest Research

Bim (OP, 12M TP: TRY 440.70)

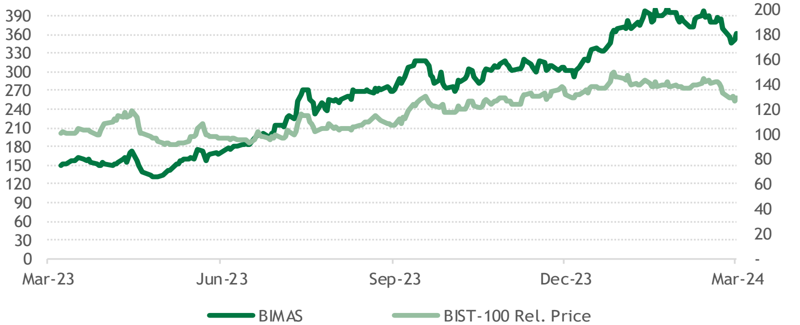
Upside: 22%

The strong outlook continues with solid financial structure & high store opening trend…

- **We maintain our "Outperform" recommendation for Bim with our TRY 440.70 target price, implying 22% upside as at March 29, 2024.**
- We have a **positive outlook for Bim**, one of the companies that has managed to stand out in the food retail sector, which has been performing strongly since the start of the year. Key factors in Bim's strong performance were; 1) Improving customer traffic, 2) Strong trend in store openings, 3) Changed consumer trends caused by the inflationary environment & the rise in store basket size due to rising demand for basic needs products and foods, and 4) Increased like-for-like sales with the positive effect of high inflation.
- **At the end of 9M23, thanks to strong store openings, the Company** reached 12,046 stores in total, including 10,817 Bim Turkey stores (9M22: 10,166 stores) and 223 File (9M22: 192 stores) stores in the domestic market; and 668 Bim Morocco stores (9M22: 610 stores) & 338 Bim Egypt stores (9M22: 306 stores) in its int'l operations.
- **Always at a premium to its peers on strong organic growth and a debt-free financial structure already appreciated by investors.** In parallel with sustainable growth in net profit and the maintenance of targeted EBITDA levels, overseas operations approaching maturity, rising growth appetite domestically and internationally, and a successful business model, we continue to favor Bim's shares. We appreciate BIMAS as the Company is debt free, has no FX risk, and has a strong cash-flow to equity ratio. Moreover, maintained strong market share performance, the contribution of File operations to growth through customer traffic and online channels, the high share of the Company's own branded products in sales, and macroeconomic conjunctures remaining supportive of the food retail industry are key factors in maintaining our positive outlook for the Company.
- **Downside risk for Bim -** The rise in personnel expenses after the one-off 49.0% increase in the minimum wage for 2024 will create short-term downside risk for the Company. We note, too, that the rise in input costs on inflationary pressure, rising energy prices and construction costs that may rise due to FX fluctuations are downside risks for Bim.
- **2023 Expectations:** Bim expects sales growth of around ~80% in 2023. Bim's EBITDA margin expectation is around 7.5%-8.0%, including the IFRS-16. The Company expects a Capex to sales ratio of 3.2%. We assume (Exc. IAS-29) TRY 266,6bn (80.5% YoY growth) in revenues for Bim in 2023. We anticipate Bim posting an EBITDA of TRY 20,7bn for 2023. We foresee the Company closing 2023 with a TRY 11,6bn net profit.

Code	BIMAS TI/BIMAS IS	Close	361,00
MCap (TRY mn)	219.199	Last 12M High	405,00
MCap (US$ mn)	6.789	Last 12M Low	129,32
EV (TRY mn)	228.050	Beta	0,90
EV (US$ mn)	7.113	Avg. Daily Trading Vol. (US$ m)	52,0
Free Float (%)	71,60	Foreign Ownership in FF (%)	51,73

Key Figures (TRY mn)	2021*	2022*	2023E*	
Revenues	70.699	147.716	266.579	
Growth (%)	*27,4%*	*108,9%*	*80,5%*	
EBITDA	6.527	11.867	20.691	
EBITDA Margin (%)	*9,2%*	*8,0%*	*7,8%*	
Net Profit	2.932	8.157	11.639	
EPS (TRY)	4,83	13,43	19,17	
Dividend Yield (%)	0,8%	1,4%	2,6%	
Net Debt/EBITDA (x)	0,79	0,65	0,40	
Net Debt/Equity (x)	0,68	0,31	0,24	
ROAE (%)	39,7%	49,7%	38,8%	
ROAA (%)	10,9%	17,2%	13,6%	
Valuation Metrics	**2021***	**2022***	**2023E***	
P/E	74,7	26,9	18,8	
EV/EBITDA	34,9	19,2	11,0	
EV/Sales	3,2	1,5	0,9	
P/BV	28,8	8,7	6,3	
Return	**1M**	**3M**	**YtD**	**YoY**
TRY Return (%):	-7,0	20,0	20,0	151,2
US$ Return (%):	-10,3	9,4	9,4	48,6
BIST-100 Relative (%):	-6,5	-1,9	-1,9	35,8



Source: PDP, Bim, Finnet, Seker Invest Research Estimates

**Excluding IAS-29*

Isbank (OP, 12M TP: TRY 16.94) Upside: 53%
Strong subsidiary portfolio, favorable TRY liquidity

Outperform is maintained given its eye-catching demand deposit base, disciplined cost management, loan portfolio dominated by high-yielding commercial loans and favorable TRY liquidity. By transferring the shares in subsidiaries and affiliates to a newly-established joint stock company, the aim is to centralize strategic portfolio management and increase efficiency.

Contrary to the trend seen at other private banks, the bank has lost 80bps market share in TRY loans so far in 2023. Yet, its in a favorable position with its strong capital adequacy ratio of 21.6% for market share gains.

We model 29% YoY earnings growth (Bloomberg consensus 21% YoY) for 2024E. We maintain our TP at TRY16.94, offering 53% upside. We also maintain "Outperform". The bank is trading at a 2024E P/E of 3.1x (%5 discount to domestic peers) and a P/BV of 0.81x with a ROTE of 30%.

Strong demand deposit base, favorable TRY liquidity. The weight of demand deposits is strong at 39%, and the weight of TRY deposits is low at 53%, providing a buffer for high interest rates. On the liquidity side, TRY loan-deposit ratio is the second lowest level among its competitors at 84%.

High-yielding loan portfolio. 11.7% of the loans consists of commercial instalment loans, the highest level among private banks, and indicating a loan portfolio with lucrative returns in a high interest rate environment. CPI indexed bonds to equity is relatively low at 48% and the sensitivity of margins to CPI is rather limited.

Strong rebound in fee income YoY. The annual increase is 163% YoY in 2023, the second highest among peers. However, the fee to OPEX ratio is 59%, the lowest among competitors.

Effective cost management. In a high inflation environment, the bank was able to contain costs, and the annual rise in OPEX is 112% YoY, the second lowest after Garanti BBVA.

Best-in-class Stage 3 coverage. The bank also stands out with its 75.6% Stage 3 coverage ratio, the highest among peers.

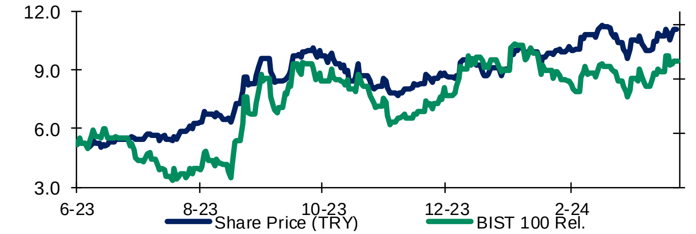
Upside and downside risks. Better-than-expected easing of funding costs is the main upside risk. Greater-than-expected asset quality worsening, and worse-than-expected funding costs pose downside risks.

Mcap (TRYmn)	284,750	Beta (12M)	1.00
Mcap (USDmn)	8,827	Daily Volume (12M)	4,035
Close	11.10	Foreign Ownership in FF	39.2%
Last 12M High	11.82	Free Float (%)	31.0%
Last 12M Low	3.96	Weight	3.52%

Quick Facts (TRY Mn)	2022A	2023A	2024E	2025E
Net interest income	75,203	67,073	102,622	130,330
% Change, YoY	*143.1%*	*-10.8%*	*53.0%*	*27.0%*
Net fee income	16,147	42,438	70,023	94,531
% Change, YoY	*111.9%*	*162.8%*	*65.0%*	*35.0%*
Net income	61,538	72,264	92,991	121,064
% Change, YoY	*356.9%*	*17.4%*	*28.7%*	*30.2%*

Ratios	2022A	2023A	2024E	2025E
NPL ratio	3.0%	2.1%	3.2%	2.5%
CoR (Net)	0.6%	1.0%	1.9%	1.1%
NIM (Swap adj.)	7.4%	3.7%	4.3%	5.3%
ROAA	5.3%	3.7%	3.2%	3.2%
ROTE	44.5%	31.6%	30.0%	29.9%

Multiples	2022A	2023A	2024E	2025E
P/E	2.1	3.8	3.1	2.4
P/BV	0.67	1.04	0.81	0.62



Return	1M	3M	6M	12M
TRY Return (%):	6.4	22.0	10.7	136.6
US$ Return (%):	2.7	11.1	-6.1	40.3
BIST-100 Relative (%):	8.0	1.6	2.9	26.9

Source: Bank financials, Seker Invest Research

Kardemir D (OP, 12M TP: TRY 43.62) Upside: 88%

Kardemir started 2023 with weak expectations. However, following the earthquakes of February 6, affecting 11 provinces, the company achieved annual revenue of TRY 27,320mn in 9M23, with a 39% increase, supported by increased domestic demand for long steel and the recovery in product prices. While final product prices were supported by robust domestic demand, the low trajectory of raw material costs, in line with the global recession theme, supported operational margins. In 9M23, the company achieved TRY 4,447mn EBITDA with an EBITDA per ton of USD 120.

While expecting the restructuring theme initiated domestically to continue in 2024 and even 2025, we anticipate the strength of domestic long steel demand and final product prices being maintained. Globally, we expect the global interest rate reduction process and stimulus measures announced by China for its real estate sector to support steel prices and demand. However, housing prices in China continue to decline. We believe that a potential economic recovery in global conditions will positively impact final product prices by supporting China's housing market; recall that China / China's construction market holds a 55% market share in steel demand. WHICH IS CORRECT? We anticipate global economic conditions normalizing from the second half of 2024 onwards, with major central banks expected to reduce interest rates.

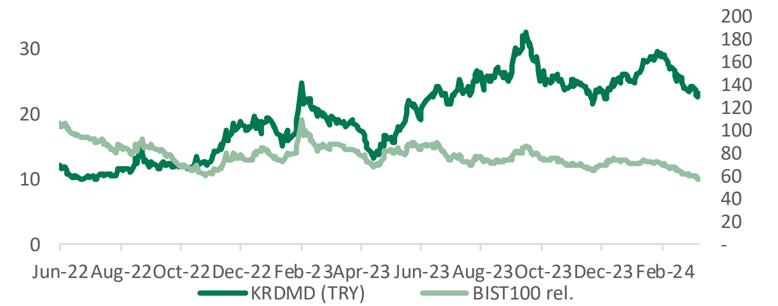
Regarding raw material costs, we expect a balanced trajectory in 2024. Our EBITDA expectation per ton for 2024 is at USD 135.

We maintain our "OUTPERFORM" recommendation for Kardemir (KRDMD) with our TP of TRY 43.62/share, implying 88% upside as at 29 March, 2024.

Code	KRDMD.TI / KRDMD.IS	Close	23,20
MCAp (TRY m)	18.101	Last 12M High	33,00
MCAp (US$ m)	561	Last 12M Low	12,99
EV (TRY m)	19.649	Beta	0,93
EV (US$ m)	617	Avg. daily trading vol. (US$ m)	76,1
Free float (%)	92	Foreign ownership in FF (%)	13%

Key figures (TRY, mn)	2022	2023E
Revenues	27.397	39.398
Growth	*86%*	*38%*
EBITDA	4.324	7.151
EBITDA margin	*15,8%*	*18,2%*
Net profit	2.174	1.812
EPS	2,79	2,32
Dividend yield	0,0%	0,9%
Net debt /EBITDA	0,14	-0,55
Net debt /Equity	0,05	-0,32
ROAE	20,3%	15,2%
ROAA	6,6%	4,3%
Valuation metrics	**2022**	**2023E**
P/E	8,3	10,0
EV/EBITDA	4,5	2,7
EV/Sales	0,7	0,5
P/BV	1,6	1,5

Return	1M	3M	YtD	YoY
TRY Return (%):	-13,6	-2,4	-2,4	21,6
US$ Return (%):	-16,7	-11,0	-11,0	-28,1
BIST-100 Relative (%):	-13,1	-20,2	-20,2	-34,2



Source: PDP, Finnet, Seker Invest Research estimates

* Non including IAS-29

Migros (OP, 12M TP: TRY 595.00)

Upside: 43%

We maintain our positive outlook on net cash position & market share development…

We maintain our "Outperform" recommendation for Migros, with our 12M TP of TRY 595.00, implying 43% upside potential as of March 29, 2024.

Considering the Company's FMCG market share trajectory; in the modern FMCG market, it had a 16.2% (2022: 15.0%) market share in 2023, and 9.3% (2022: 8.7%) of the total FMCG market thanks to price investments, and its omni & multi format growth strategy. In addition, its store number rose by 455 compared to 2022 to 3,363 stores in total in 2023. In parallel to this development, sales area rose by 7.5%. We note that with the significant growth opportunity in online channels, the Company has reached 81 cities through online operations. The potential rise in online operations and store growth will positively affect net sales and operational profitability in the medium-to-long term. With the rising number of stores & growth of sales area, solid growth in customer traffic & basket size, and the positive contribution of online sales channels, we maintain our positive outlook for Migros.

As of 2023, there is no foreign currency loans that do not have a weight in the balance sheet and net FX losses in the income statement were quite low compared to previous periods. Thanks to strong cash flow created by the operations, we maintain our positive outlook for Migros, which has significantly reduced its EUR-based debt. In addition, the Company has no hard-currency exposure. At the end of 2023, the Company's total financial debt (Inc. IAS-29) was at TRY 2,019mn (2022: TRY 4,351bn). As of 2023, the Company succeeded to maintain its net cash position.

The Company has announced its net sales growth estimate of high single digit growth(Inc. IAS 29), and it expects its EBITDA margin to improve. At the same time, it targets opening new stores to +250 overall by the end of 2024, and plans for TRY 8,500mn of investment expenditure. The Company also expects its net sales growth estimate of +70% (Exc. IAS 29), and it expects its EBITDA margin growth estimate of ~7.5%-8.0%. We appreciate the current strategy of boosting the private label portfolio and focusing on strategic store openings. We note that Migros has no hard-currency exposure, and has a net cash position as of 2023. Meanwhile, the Company has been able to increase its FMCG market share despite competitive market conditions in a high inflation environment. Moreover, we expect the business lines created by Migros with its various subsidiaries that use online channels effectively to increasingly contribute in the future.

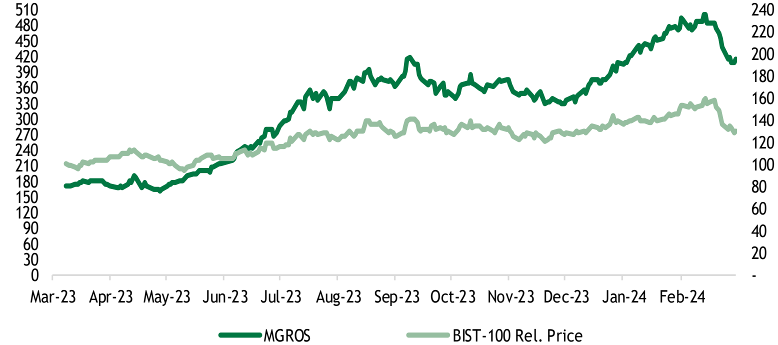
Downside risk for Migros - The rise in personnel expenses after the one-off 49.0% increase in the minimum wage for 2024 will create short-term downside risk for the Company. We add that the rise in input costs due to inflationary pressures, & rising energy prices, are likely to create downside risks.

Code	MGROS TI/MGROS IS	Close	415,00
MCap (TRY mn)	75.138	Last 12M High	509,50
MCap (US$ mn)	2.327	Last 12M Low	158,20
EV (TRY mn)	72.590	Beta	0,94
EV (US$ mn)	2.241	Avg. Daily Trading Vol. (US$ m)	20,3
Free Float (%)	50,82	Foreign Ownership in FF (%)	52,20

Key Figures (TRY mn) (IAS-29)	2022	2023
Revenues	140.480	181.674
Growth (%)		*29,3%*
EBITDA	3.221	3.761
EBITDA Margin (%)	*2,3%*	*2,1%*
Net Profit	9.140	8.829
EPS (TRY)	50,48	48,76
Dividend Yield (%)	0,0%	1,7%
ROAE (%)		27,7%
ROAA (%)		10,2%

Valuation Metrics	2022	2023
P/E	8,2	8,5
EV/EBITDA	22,5	19,3
EV/Sales	0,5	0,4
P/BV	2,7	2,1

Return	1M	3M	YtD	YoY
TRY Return (%):	-15,9	23,9	23,9	153,8
US$ Return (%):	-18,8	12,9	12,9	50,1
BIST-100 Relative (%):	-15,4	1,2	1,2	37,2



Source: PDP, Migros, Finnet, Seker Invest Research Estimates

Inculiding IAS-29

Sabanci Holding (OP, 12M TP: TRY 100.23) Upside: 21%

Our 12 -month target price for Sabancı Holding (SAHOL.TI) shares is TRY 100,23/share and the stock has 21% upside potential compared to its closing price on March 29, 2024. We maintain our OUTPERFORM recommendation.

We expect the strong cash position, recent investment focus, higher FX revenue target and regular dividend policy to be ongoing catalysts of stock performance.

Sabancı Holding plans to invest in climate, advanced material, and digital technologies over the next five years, which will account for 75% of overall investments. 25% of investments will remain in the core business lines.

In line with targetting increased foreign currency revenues, the group is focused on overseas investments. The Holding targets 30% foreign currency revenues especially through investments in the energy industry. Accordingly, a new company called Sabancı İklim Teknolojileri A.Ş. has been established. That company, along with Safar Partners (one of America's leading venture capital fund managers) has formed a strategic partnership. With this partnership, Sabancı İklim Teknolojileri A.Ş. will invest in start-ups in the Safar Partners network and funds.

Lastly, on March 28, 2024, project finance facilities amounting to USD 243 million were signed by Sabanci Renewables Inc., a wholly-owned indirect subsidiary of Sabanci Holding for the Oriana Solar Project. The project consists of a 232 MW solar power plant investment expected to commence commercial operation in the second quarter of 2025, as previously disclosed to the public.

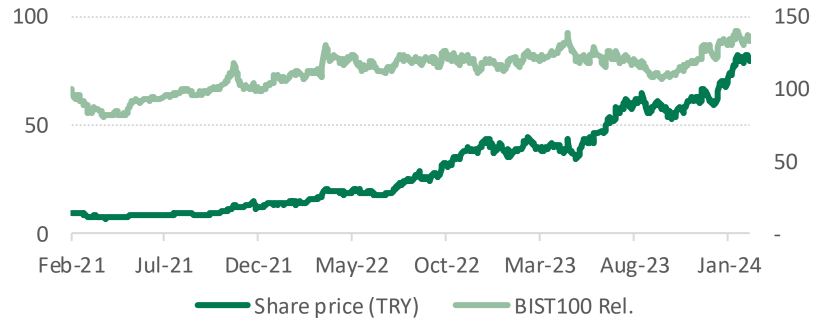
Sabanci Renewables Inc.'s investments for the 272 MW Cutlass II Solar Project, previously announced for completion in 2Q24, is currently at the commissioning stage. Upon completion of both Cutlass II and Oriana Solar Projects Sabanci Renewables Inc. will reach a total renewable energy portfolio of 504 MW in the USA.

Code	SAHOL.TI/SAHOL.IS	Close	82,50
MCAp (TRY m)	172.975	Last 12M High	84,20
MCAp (US$ m)	5.358	Last 12M Low	34,12
EV (TRY m)	168.707	Beta	1,09
EV (US$ m)	5.202	Avg. daily trading vol. (US$ m)	75,8
Free float (%)	49,61	Foreign ownership in FF (%)	46

Key figures	2022	2022/09	2023/09
Revenues (non-bank)	68.172	46.517	81.584
Growth	*216,7%*	*-31,8%*	*75,4%*
Net profit (non-bank)	43.828	27.215	36.674
EPS	21,48	13,34	17,97
Net debt /EBITDA	0,12	0,72	-0,04
ROAE	57,6%	29,8%	33,2%
ROAA	4,2%	2,3%	2,4%

Valuation metrics	2022	2022/09	2023/09
P/E	2,1	1,6	3,2
P/BV	0,9	0,4	0,6

Return	1M	3M	YtD	YoY
TRY Return (%):	3,8	36,5	36,5	108,2
US$ Return (%):	0,1	24,4	24,4	23,2
BIST-100 Relative (%):	4,4	11,5	11,5	12,6



Source: PDP, Finnet, Seker Invest Research estimates

Exculiding IAS-29

Sisecam (OP, 12M TP: TRY 78.70) Upside: 70.2%

New investment decisions

At the Board of Directors' meeting held on March 01, 2024, Sisecam announced the decision to invest in three new coated glass lines: one each in an ongoing investment in the Tarsus, Turkey flat glass facility, and in existing flat glass facilities in Northern Italy and Bulgaria. The new coated glass lines investments with a capacity of 7mn m^2/year at the Tarsus, Turkey plant, 6.5mn m^2/year at the Northern Italy plant, and 6mn m^2/year at the Bulgarian plant, making an expected total investment cost of USD 114mn including working capital, are planned to be commissioned in 2025.

Sisecam Investment B.V. (SIBV), a wholly-owned subsidiary of Sisecam, has announced that the second flat glass line investment of Saint Gobain Glass Egypt SAE (SGGE), a 30% partner of SIBV, will be realized by establishing a new company. It was reported that SIBV would participate in 30% of the capital of the company, to be established in partnership with Saint Gobain Nederland Beheer B.V. and Ali Moussa, with EUR 5,046,000.

Sisecam has announced to distribute a gross cash dividend of 71.81998% (TRY 0,7181998/share) starting from May 31, 2024, its activities in 2023. The cash dividend amount approved at the General Assembly on March 26, 2024, indicates a gross dividend yield of 1.55% according to the Sisecam stock closing price on March 29, 2024.

The company issued a new debt instrument in March. Sisecam, issued a commercial paper for qualified investors with a nominal amount of TRY 1.0bn, 740-day maturity, and coupon payments every three months.

The company repurchased 4,506,000 nominal shares (total price of TRY 213,209,460) within the average price range of TRY 45.23 - TRY 49.47 per share at the stock exchange in March. With the exception of the block sale on November 2022 and May 2023, the shares of SISE held by the company reached 59,928,416 nominal shares (total repurchased shares other than block sales correspond to 1.956% of the company's capital). Shares acquired under the buyback program could positively support the share performance.

As of March 29, 2024, the stock had lost 9.6% over the previous month. Regarding returns relative to the BIST 100, the stock had underperformed by 9.1% over the previous month.

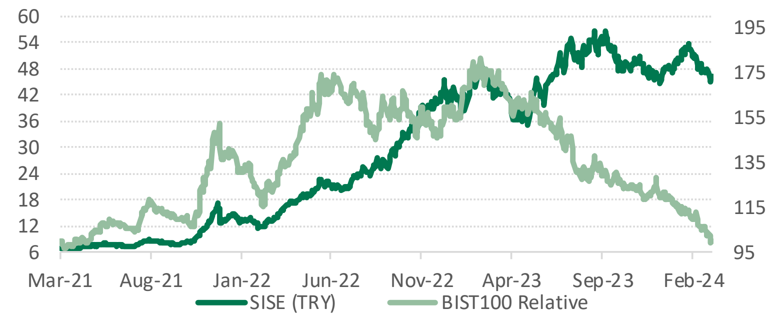
By to our estimates, we calculate 2024E SISE P/E, EV/EBITDA multipliers of 4.8x and 4.3x, respectively. Sisecam is trading at a discount of 57% and 44%, respectively, compared to the 2024E multiples of comparable international peers. We maintain our 12-month target of TRY 78.70/share and 'Outperform' recommendation for SISE by giving a 70% weight to the discounted cash flow (DCF) analysis and 30% weight to the valuation of comparable international peer company multiples. Our TP has 70.2% upside potential compared to the share closing price on March 29, 2024.

Code	SISE.TI / SISE.IS	Close	46,24
MCAp (TRY m)	141.643	Last 12M High	57,45
MCAp (US$ m)	4.387	Last 12M Low	34,71
EV (TRY m)	182.065	Beta	0,84
EV (US$ m)	5.760	Avg. daily trading vol. (US$ m)	98,4
Free float (%)	49	Foreign ownership in FF (%)	20%

Key figures (TRY, mn)	2022	2023E
Revenues	170.655	151.994
Growth	*432,3%*	*-10,9%*
EBITDA	33.778	20.727
EBITDA margin	*19,8%*	*13,6%*
Net profit	22.739	17.121
EPS	7,42	5,59
Dividend yield	1,7%	1,6%
Net debt /EBITDA	0,87	1,95
Net debt /Equity	0,21	0,28
ROAE	24,9%	12,0%
ROAA	11,9%	5,9%

Valuation metrics	2022	2023E
P/E	5,8	8,2
EV/EBITDA	4,8	8,7
EV/Sales	0,9	1,2
P/BV	0,9	1,0

Return	1M	3M	YtD	YoY
TRY Return (%):	-8,8	0,2	0,2	10,3
US$ Return (%):	-11,9	-8,7	-8,7	-34,6
BIST-100 Relative (%):	-7,5	-16,6	-16,6	-40,8



Source: PDP, Finnet, Seker Invest Research estimates

* Including IAS-29

TAV Airports Holding (OP, 12M TP: TRY 222.80) Upside: 22%

Expanding portfolio is a catalyst for the stock…

➢ **Thanks mainly to the solid performance of Almaty operations, its prospective inorganic growth opportunities and continuing operational growth, we expect TAV's positive outlook for 2024 to persist.** We expect the Group's expanding portfolio to act as a catalyst for the stock. **We maintain our "Outperform" recommendation for TAV with our TP of TRY 222.80, implying 22% upside as at 29 March, 2024.**

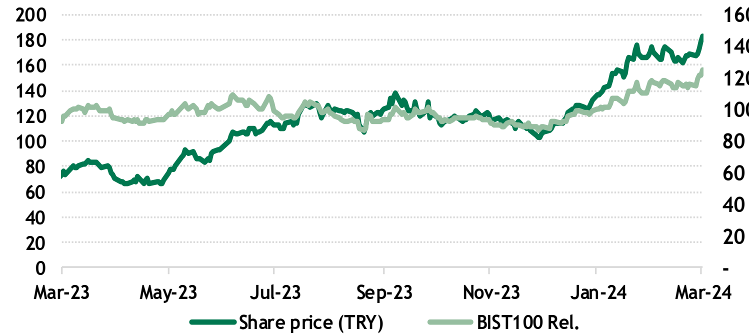
➢ **The Company's 2024 & 2025 Expectations:** The Company has announced its guidance for 2024 & 2025. It expects sales revenue of around €1,500-1,570mn for 2024. It anticipates total PAX at 100-110mn for 2024 (Int' PAX: 67-73mn). The Company also expects EBITDA of around €430-490mn, and €230-270mn CapEx for 2024. The net debt/EBITDA target is expected at 3.5-4.5x for 2024. The Company foresees net sales revenue of around 14-18% CAGR (2022-2025) & total passenger traffic of around 10-14% CAGR (2022-2025) in 2025 (including the New Ankara (2025+) Esenboga concession). The Company has an EBITDA margin expectation in 2025 above that achieved in 2022. It expects a Net Debt/EBITDA ratio of around 2.5-3.0 by the end of 2025. TAV's EBITDA expectation for 2025 is around 14-20% CAGR (2022-2025).

➢ **We expect operations to remain stronger in 2024E -** The Company has completed 86% of the construction of Almaty Airport's new international terminal as of 4Q23. The Company expects the new terminal to open in June 2024, foreseeing a doubling in the number of passengers with the capacity investment (approximately over 14 million passengers per year). With the new terminal, the Company expects duty-free sales revenues and customers' lounge spending to increase. Since the seasonality effect at Almaty Airport is less than at other airports, it is one of the key facilities supporting the Company's consolidated EBITDA. The strong course of international flights at Almaty Airport and the positive impact of international cargo operations will remain positive for the Company going forward. In addition, the Company expects the new terminal of Antalya Airport to be opened in 1Q25 (70% completed as of 4Q23). It expects the new terminal to make a positive contribution to retail expenditure per passenger through the capacity investment made. Currently, the acquisition of Almaty International Airport, and the recovery & increase to be observed in the total number of domestic and international passengers of the Group's airports operated by TAV pose upside risk for the Company. Granting concessions for additional investments to increase the capacity of Antalya & Ankara Esenboğa Airport will continue to provide added value.

➢ Currently, the acquisition of Almaty International Airport, and the recovery & increase to be observed in the total number of domestic and international passengers of the Group's airports operated by TAV pose upside risk for the Company. On the other hand, slower than expected recovery in air passenger traffic, the emergence of another pandemic leading to lockdowns and flight restrictions, natural disasters, geopolitical tension, etc., leading to lower than expected growth comprise the main downside risks to our valuation.

Code	TAVHL.TI/TAVHL.IS	Close	183,10
MCAp (TRY mn)	66.517	Last 12M High	184,50
MCAp (US$ mn)	2.060	Last 12M Low	63,70
EV (TRY mn)	101.283	Beta	1,04
EV (US$ mn)	3.241	Avg. Daily Trading Vol. (US$ mn)	21,0
Free Float (%)	47,66	Foreign Ownership in FF (%)	70,81

Key Figures (TRY mn)	2022	2023	2024E	2025E
Revenues	18.308	34.433	55.929	70.868
Growth	235,36%	88,07%	62,43%	26,71%
EBITDA	5.515	10.200	17.195	21.898
EBITDA Margin	30,1%	29,6%	30,7%	30,9%
Net Profit	1.899	7.530	6.955	8.844
EPS	5,23	20,73	19,15	24,35
Dividend Yield	0,0%	0,0%	0,0%	0,0%
Net Debt/EBITDA (x)	5,05	3,41	4,05	3,20
Net Debt/Equity (x)	1,20	0,76	1,16	0,95
ROAE	9,9%	21,8%	13,1%	13,2%
ROAA	2,8%	6,3%	4,0%	4,2%
Valuation Metrics	**2022**	**2023**	**2024E**	**2025E**
P/E	35,03	8,83	9,56	7,52
EV/EBITDA	18,37	9,93	5,89	4,63
EV/Sales	5,53	2,94	1,81	1,43
P/BV	2,87	1,45	1,10	0,90
Return	**1M**	**3M**	**YtD**	**YoY**
TRY Return (%):	4,93	70,33	70,33	148,27
US$ Return (%):	1,22	55,21	55,21	46,87
BIST-100 Relative (%):	5,52	39,17	39,17	34,24



Source: PDP, TAV Airports Holding, Finnet, Seker Invest Research Estimates

Turkcell (OP, 12M TP: TRY 104.30)

Upside: 54%

We have raised our 12-month target price for TCELL from TRY 87.05/share to 104.30/share. the stock has 54% upside potential compared to its closing price on March 29, 2024. We maintain our OUTPERFORM recommendation.

According to inflation accounting provisions (IAS-29), Turkcell announces TRY 12,554mn net profit in 2023. (2022: TRY 6,880mn, 82% increase YoY). TRY 29,209mn of net financial expenses guided net income negatively, while TRY 10,011mn other income, a TRY 3,817mn TL monetary gain and TRY 5,359mn deferred tax income supported net profit. The net profit margin was 11%.

Turkcell booked a net sales revenue of TRY 107,116mn including the IAS-29 effect, with a 15% rise YoY. A strong rise in ARPU and net subscriber adds support revenues. ARPU has increased 82% YoY in the mobile segment. A net 799 thousand subscribers were added in 2023. Average monthly data usage per user also rose 16% YoY to 17GB.

EBITDA came in at TRY 43,877mn, up 20% YoY, including the effect of IAS-29. The EBITDA margin was 41% in 2023 (2022: 39.2%).

Result compatible with 2023 Guidance: Discounting the IAS-29 effect, the company had forecast revenues rising 73% (actual: 76% rise). The company had expected an EBITDA of TRY 39bn (actual: TRY 40bn, including Ukraine operations) and operational capex/sales of 22% (actual: 21%) in 2023.

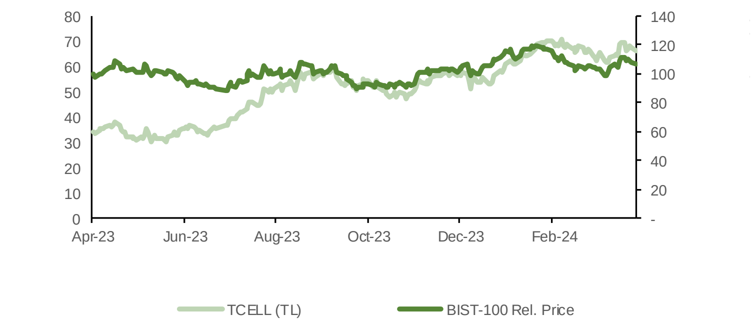
2024 Guidance: Turkcell forecasts high single-digit revenue growth, a 42% EBITDA margin and operational capex/sales of 23% in 2024.

Code	TCELL TI/TCELL.IS	Close	67,70
MCap (TRY m)	148.940	Last 12M High	72,70
MCap (US$ m)	4.613	Last 12M Low	30,00
EV (TRY m)	174.176	Beta	0,97
EV (US$ m)	5.470	Avg. daily trading vol. (US$ m)	67,1
Free float (%)	54,00	Foreign ownership in FF (%)	73,81

Key figures (TRY mn)	2022	2023
Revenues	93.487	107.116
Growth (%)	167,8%	14,6%
EBITDA	15.245	43.877
EBITDA margin (%)	*16,3%*	*41,0%*
Net profit	6.880	12.532
EPS (TRY)	2,29	3,13
Dividend yield (%)	1,7%	1,5%
Net debt /EBITDA (x)	2,50	1,26
Net debt /Equity (x)	0,35	0,65
ROAE (%)	10,4%	12,9%
ROAA (%)	4,5%	3,6%

Valuation metrics	2022	2023
P/E	12,1	7,5
EV/EBITDA	11,4	4,0
EV/Sales	1,9	1,6
P/BV	3,7	1,7

Return	1M	3M	YtD	YoY
TRY Return (%):	-0,5	17,6	17,6	110,3
US$ Return (%):	-3,9	7,1	7,1	24,7
BIST-100 Relative (%):	1,0	-2,0	-2,0	12,9



Source: PDP, Finnet, Seker Invest Research estimates

* IAS-29 Included

Turkish Airlines (OP, 12M TP: TRY 402.60) Upside: 35%

Strong PAX growth trend points to rising operational success in 2024E…

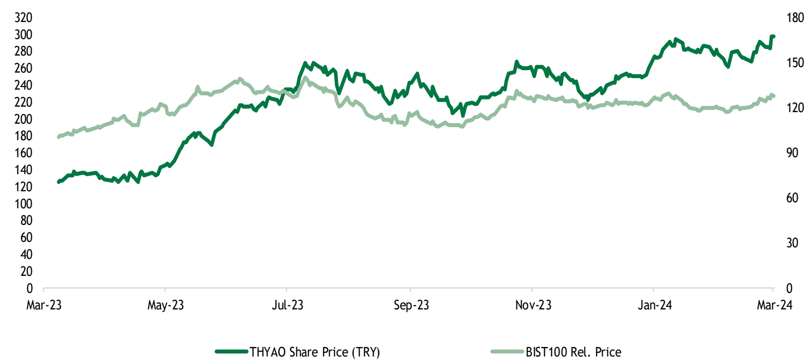
- We believe that Turkish Airlines offers a strong and operational fleet structure and significant growth potential with the aircraft to be added to the fleet in the future. Turkish Airlines has outpaced its peers in increasing its capacity in 2023, while at the same time, normalizing cargo operations still supports profitability. We expect cargo operations to continue supporting THY's operational structure. We underline that the Company's regional revenue distribution provides THY with a natural hedge against FX volatility and is supportive of the Company's revenues. We expect the Company to carry 92 million passengers in 2024E. We calculate that ASK can grow by 10.4% YoY in 2024E. We value the carrier's shares through a DCF (60%) and peer comparison analysis (40%), our 12M TP indicates upside potential of 35%. **We maintain our "Outperform" rating, as the company is apt to pioneer a new era that will broaden the growth horizons in Turkish aviation.**
- **Operations continue to recover amid strong PAX growth -** THY's PAX growth was at 25.4% YoY for February 2024, supported by increased domestic passengers compared to February 2023. THY's total PAX in February 2024 was at 6.09mn. Meanwhile, in February 2024, the share of international PAX in total PAX was 64.0% (February 2023: 70.6%, February 2022: 58.1%). Prepared to benefit from the potential further recovery in passenger traffic, the total load factor was flat, at 81.3% in February 2024. The carrier's international PAX rose by 13.6% YoY to 3.9mn in February 2024; domestic PAX rose significantly, up by 53.7% YoY to 2.19mn in February 2024. Also, THY's cargo operations volume was positive, up 45.6% YoY in February 2024. The Company's announced February 2024 traffic data indicates that the share of domestic passengers in the total passenger number has increased, and that the solid cargo operations' volume effect in February 2024 supports its operations.
- We expect Turkish Airlines' operationally successful results to continue in 2024E, with the suppressed flight demand of previous quarters being compensated by a strong recovery trend in 2023 and the effect of the strong improvement in the number of passengers, especially in international routes. We expect passenger demand to remain relatively strong in the following periods. We estimate that passenger traffic, sales revenues, and EBITDA will maintain their uptrend in 2024E. We expect Turkish Airlines' total number of passengers to rise by approximately 10.2% YoY, to 92 million.
- THY expects Ex-fuel CASK to increase by high single digit ppt., and total CASK to decrease by the end of 2023. For aircraft, engines and other investments, the Company foresees a gross CapEx of USD 5-5.5 billion in 2023. THY expects a sales revenue of over USD 20bn for 2023 and an EBITDAR margin of 26%-28%. The Company expects the number of aircraft under the THY brand to exceed 800 by 2033, while the number of passengers will exceed 170 million in 2033. THY predicts a net debt/EBITDA figure in the range of 1-1.5x in 2023, and potentially in the range of 2-2.5x by 2033. THY has also decided to purchase 230 aircraft on firm order and 125 aircraft with the right to purchase, for a total of 355 aircraft, within the framework of its Strategic Plan covering the years 2023-2033.
- **Risks -** The major downside risks are slower than expected global growth, rising protectionism and geopolitical risk, i.e., lower than expected demand growth, higher-than expected capacity growth leading to lower yields, higher-than-expected jet fuel prices hurting demand and profitability, and an unfavorable course of US$/JPY and €/US$ rates.

Code	THYAO.TI/THYAO.IS	Close	297,75
MCAp (TRY mn)	410.895	Last 12M High	299,50
MCAp (US$ mn)	12.727	Last 12M Low	115,90
EV (TRY mn)	607.223	Beta	1,05
EV (US$ mn)	19.898	Avg. Daily Trading Vol. (US$ mn)	324,1
Free Float (%)	50,55	Foreign Ownership in FF (%)	44,72

Key Figures (TRY mn)	2021*	2022*	2023E*
Revenues	97.378	311.169	502.648
Growth	*109,6%*	*219,5%*	*61,5%*
EBITDA*	27.922	78.684	120.372
*EBITDA Margin**	*28,7%*	*25,3%*	*23,9%*
Net Profit	8.213	47.429	83.915
EPS	5,95	34,37	60,81
Dividend Yield	0,0%	0,0%	*0,0%*
Net Debt / Equity (x)	1,8	1,0	0,7
ROAE	12,6%	34,9%	*29,7%*
ROAA	3,0%	10,2%	*10,3%*

Valuation Metrics	2021*	2022*	2023E*
P/E	50,03	8,66	4,90
EV/EBITDA	21,75	7,72	5,04
EV/Sales	6,24	1,95	1,21
P/BV	4,53	2,26	1,07

Return	1M	3M	YtD	YoY
TRY Return (%):	5,68	30,25	30,25	138,96
US$ Return (%):	1,95	18,69	18,69	41,36
BIST-100 Relative (%):	6,27	6,43	6,43	29,21



Source: PDP, Turkish Airlines, Seker Invest Research Estimates

**Excluding IAS-29*

Recommendations List

Şeker Invest

Recommendation List

April 1, 2024

BANKING	Close (TRY)	Rating	TP (TRY)	Mcap TRY mn	Target Mcap TRY mn	Upside Potential	P/E	P/BV
AKBNK	46,78	OP	65,03	243.256	338.181	39,0%	3,66	1,15
GARAN	68,50	OP	95,27	287.700	400.134	39,1%	3,29	1,18
HALKB	13,56	MP	17,53	97.426	125.966	29,3%	9,63	0,76
ISCTR	11,39	OP	16,94	284.750	423.546	48,7%	3,94	1,06
TSKB	8,49	OP	10,89	23.772	30.488	28,3%	3,38	1,11
VAKBN	14,56	MP	19,95	144.376	197.830	37,0%	5,76	0,84
YKBNK	27,34	OP	32,28	230.942	272.661	18,1%	3,40	1,29

HOLDING	Close (TRY)	Rating	TP (TRY)	Mcap TRY mn	Target Mcap TRY mn	Upside Potential	P/E	P/BV
KCHOL	199,20	OP	263,85	505.151	669.108	32,5%	6,99	1,25
SAHOL	82,50	OP	100,23	172.975	210.516	21,5%	3,25	1,24
TAVHL	183,10	OP	222,80	66.517	80.940	21,7%	8,83	1,45

INDUSTRIAL	Close (TRY)	Rating	TP (TRY)	Mcap TRY mn	Target Mcap TRY mn	Upside Potential	P/E	P/BV
AKCNS	149,40	OP	210,60	28.602	40.319	41,0%	12,06	2,07
AKSEN	34,58	OP	47,50	42.407	58.250	37,4%	10,01	1,81
ARCLK	148,00	OP	217,97	100.008	147.290	47,3%	13,04	1,88
ASELS	56,10	OP	62,50	255.816	284.990	11,4%	35,09	2,93
BIMAS	361,00	OP	440,70	219.199	267.595	22,1%	19,21	7,35
CCOLA	578,00	OP	810,00	147.026	206.040	40,1%	7,14	3,74
CIMSA	31,46	OP	41,94	29.748	39.658	33,3%	11,94	1,60
DOAS	315,00	OP	360,00	69.300	79.200	14,3%	3,53	1,57
EREGL	42,32	MP	56,13	148.120	196.458	32,6%	36,73	0,80
FROTO	1.132,00	OP	1.320,00	397.230	463.200	16,6%	8,10	5,44
KRDMD	23,20	OP	43,62	18.101	34.032	88,0%	25,61	2,26
MGROS	415,00	OP	595,00	75.138	107.726	43,4%	8,51	2,09
PETKM	19,83	MP	28,30	50.257	71.732	42,7%	6,80	0,98
PGSUS	813,00	OP	1.270,00	83.170	129.920	56,2%	3,98	1,52
SELEC	50,05	MP	67,50	31.081	41.915	34,9%	139,24	2,06
SISE	46,24	OP	78,70	141.643	241.075	70,2%	8,27	0,99
TCELL	67,70	OP	104,30	148.940	229.471	54,1%	11,86	1,22
THYAO	297,75	OP	402,60	410.895	555.586	35,2%	5,24	1,20
TOASO	277,00	OP	387,00	138.500	193.501	39,7%	9,18	3,76
TTKOM	30,32	OP	41,12	106.120	143.917	35,6%	19,09	3,27
TUPRS	177,00	OP	195,45	341.043	376.587	10,4%	6,37	1,70
VESBE	19,05	OP	26,00	30.480	41.651	36,5%	8,71	3,15
ZOREN	5,95	MP	4,80	29.750	23.990	-19,4%	13,75	1,41

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