

October 28, 2024

Arcelik

EBITDA margin expectation revised downward once again

Esra Uzun Ozbaskin

Analyst
euzun@sekeryatirim.com

In addition to rising raw material cost pressures in 3Q24, the inclusion of Whirlpool operations led to operating expenses that resulted in an operating loss of TRY 1,928mn. With the addition of TRY 7,154mn of net financial expenses, a TRY 2,431mn monetary gain and TRY 1,038mn net tax income, **Arcelik reported a significantly higher-than-expected loss of TRY 5,002mn in 3Q24 according to inflation-adjusted financials (IAS-29 effect) (3Q23: TRY 1,245mn net profit). Our estimate was a loss of TRY 1,486mn, while the market expectation was a loss of TRY 1,867mn.** The primary reason for the deviation from our estimate was higher-than-expected operating and financial expenses

Including the IAS-29 effect, the company's net sales revenue in 3Q24 increased by 14% year-over-year, reaching TRY 105,391mn, 2% below our expectation of TRY 107,441mn and in line with the market expectation of TRY 105,804mn. With the impact of the Whirlpool merger, sales experienced inorganic growth in Europe, while demand contracted across all markets except Europe and Africa due to decreased purchasing power. Domestic demand weakened in line with our expectations, reflecting the impact of tight monetary policy.

Despite rising raw material prices, challenging pricing conditions suppressed gross profitability. The gross profit margin was 26.4% (3Q23: 29.3%). In addition to shrinking gross profitability, increased production conversion costs and operating expenses post-Whirlpool exerted further pressure on EBITDA. **Including the IAS-29 effect, EBITDA stood at TRY 3,994mn, well below our expectation of TRY 4,983mn and the market's expectation of TRY 5,11mn.** The EBITDA margin was 3.8% (2Q23: 7.5%).

The company revised its 2024 outlook: While Arcelik maintained its expectation of flattish revenue growth for Turkey and a forecast of approximately 50%+ growth in international revenues on an FX basis, the EBITDA margin expectation decreased from around 6.5% to a range of 5.8-6.0%. The projected capital expenditure was also increased from approximately EUR 350mn to EUR 400mn.

OUTPERFORM
TP: TRY 267.50
Previous TP: TRY 282.90
Upside: 92%

	TRY	US\$
Close	139,40	4,08
BIST 100	8.908	261
US\$/TRY (CB Bid Rate):	34,25	
52 Week High:	195,00	6,07
52 Week Low:	122,50	3,95
Bloomberg/Reuters Ticker:	ARCLK.TI / ARCLK.IS	

Number of Shares (Mn):	675,7	
	(TRY Mn)	(US\$ Mn)
Current Mcap:	94.197	2.755
Free Float Mcap:	14.129	413

	1 M	YOY	YTD
TRY Return (%):	-4,4	-1,8	8,5
US\$ Return (%):	-4,7	-19,5	-6,7
BIST 100 Relative (%):	6,2	-18,2	-9,0
Avg. Daily Vol. (TRY Mn):	524,19		
Avg. Daily Vol. (US\$ Mn):	16,61		

Beta	0,86
Volatility (Stock)	0,29
Volatility (BIST 100)	0,24

Shareholder Structure	%
Koç Group	57,2
Burla Group	17,6
Arcelik	10,2
Free Float	15,0
Total	100,0



Net debt increased: The company's net debt had risen from TRY 75,998mn at the end of 2Q24 to TRY 95,609mn by the end of 3Q24.

We expect domestic demand to continue weakening over the coming months due to the high base effect, tight monetary policy, and installment restrictions. We anticipate global demand for white goods to recover as monetary easing accelerates. **In light of the 2Q24 financial results, revisions in our expectations and company's expectations, we revised our 12-month target price for Arcelik from TRY 282.90/share to TRY 267.50 and maintain our OUTPERFORM recommendation. Our target price has 92% upside potential.**

Figure 1: Financials (Including IAS-29)

TRY Million	9M23	9M24	YoY	3Q23	3Q24	YoY
Revenues	264.019	301.362	14,1%	92.649	105.391	13,8%
Gross Profit	78.498	83.775	6,7%	27.137	27.827	2,5%
<i>Gross Profit Margin</i>	<i>29,7%</i>	<i>27,8%</i>		<i>29,3%</i>	<i>26,4%</i>	
EBIT	13.568	4.947	-63,5%	4.497	343	-92,4%
<i>EBIT Margin</i>	<i>5,1%</i>	<i>1,6%</i>		<i>4,9%</i>	<i>0,3%</i>	
EBITDA	22.638	16.469	-27,2%	6.923	3.994	-42,3%
<i>EBITDA Margin</i>	<i>8,6%</i>	<i>5,5%</i>		<i>7,5%</i>	<i>3,8%</i>	
Net Profit	4.519	-5.006	-210,8%	1.245	-5.002	-501,8%
<i>Net Profit Margin</i>	<i>1,7%</i>	<i>-1,7%</i>		<i>1,3%</i>	<i>-4,7%</i>	

Source: Finnet, Şeker Invest Research

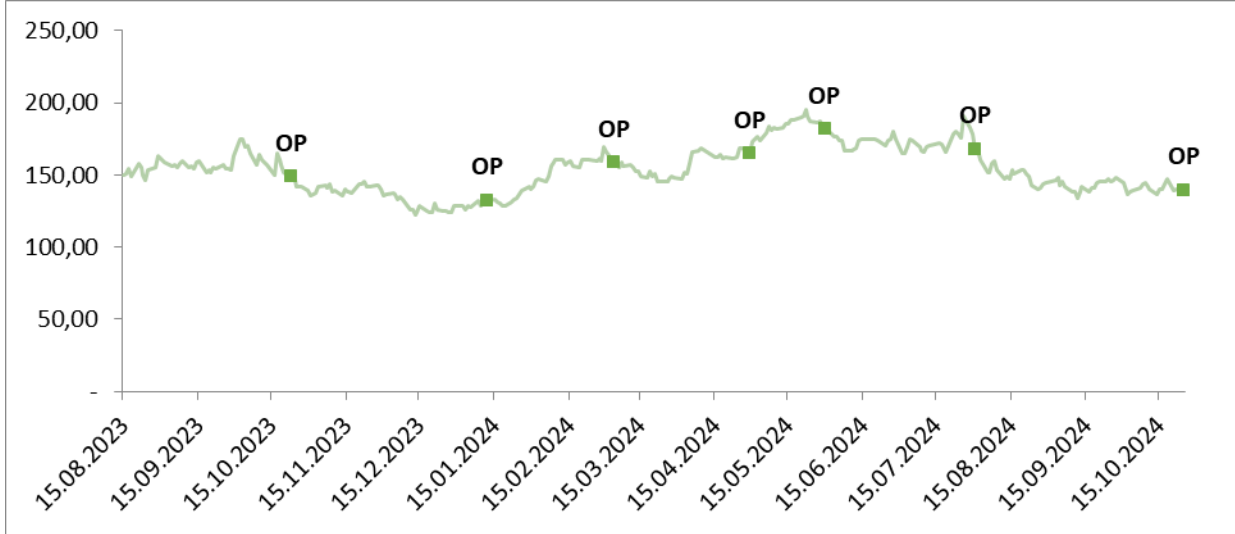
Figure 2: Key Financials (Including IAS-29)

BALANCE SHEET (TRY Mn)	2023/12K	2024/09	%
PP&E	63.864	87.188	37%
Intangibles	36.911	45.043	22%
Other Non-Current Assets	17.173	33.717	96%
Trade Receivables	90.375	107.134	19%
Cash&Equivalents	66.289	34.310	-48%
Other Current Assets	76.095	97.680	28%
Total Assets	350.707	405.071	16%
Long Term Debt	60.405	72.009	19%
Other Non current liabilities	22.162	28.484	29%
Short Term Debt	69.951	47.720	-32%
Trade Payables	73.643	105.244	43%
Other Current Liabilities	43.624	59.359	36%
Total Liabilities	269.784	312.816	16%
Total Equity	80.923	92.255	14%
Total Equity&Liabilities	350.707	405.071	16%

INCOME STATEMENT (TRY Mn)	2023/12K	2023/09	2024/09	%
Net Sales	257.104	264.019	301.362	14
COGS	181.726	185.521	217.588	17
Gross Profit / (Loss)	75.378	78.498	83.775	7
Operating Expenses	63.762	64.931	78.828	21
Operating Profit / (Loss)	11.616	13.568	4.947	(64)
Net Other Operational Gain / (Loss)	(1.458)	(3.325)	(3.492)	N.M.
Income / (Loss) from Investing Activities	(52)	(19)	948	N.M.
Financial Income / (Expense)	(12.354)	(11.932)	(17.197)	N.M.
Monetary Gain / (Loss)		11.287	8.203	(27)
Share of profit of equity accounted investments	(481)	(537)	(232)	N.M.
Profit Before Tax (Loss)	7.158	9.041	(6.823)	N.M.
Tax	(1.237)	3.758	(973)	N.M.
Net Profit/(Loss)	8.395	5.283	(5.849)	N.M.
Minority Interest	728	763	(843)	N.M.
Parent Equity	7.667	4.519	(5.006)	N.M.

ARCLK Source: Seker Invest

Historical Recommendations and Target Prices



Date	Rec	Target Price (TRY)
26-Jan-23	Outperform (OP)	137,52
20-Apr-23	Outperform (OP)	154,49
24-Jul-23	Outperform (OP)	190,88
23-Oct-23	Outperform (OP)	190,88
11-Jan-24	Outperform (OP)	217,97
4-Mar-24	Outperform (OP)	217,97
29-Apr-24	Outperform (OP)	217,97
31-Jul-24	Outperform (OP)	282,90
28-Oct-24	Outperform (OP)	267,50

ARCLK

Basis for 12m Equity Ratings

Outperform: The total return is expected to exceed the return of the BIST 100 by more than 10%.

Underperform: The total return is expected to fall below the return of the BIST 100 by more than 10%.

Market Perform: The total return is expected to be in line with the return of the BIST 100.

ŞEKER INVEST RESEARCH

Şeker Yatırım Menkul Değerler A.Ş.
Buyukdere Cad. No:171 Metrocity
A Blok Kat 4-5 34330 SİSLİ /İST
TURKEY

TEL: +90 (212) 334 33 33
Fax: +90 (212) 334 33 34
E-mail: research@sekeryatirim.com
Web: <http://www.sekeryatirim.com/english/index.aspx>

For additional information, please contact:

Research

Kadir Tezeller	Head	+90 (212) 334 33 81	ktezeller@sekeryatirim.com
Burak Demirbilek	Utilities, Defense Industry	+90 (212) 334 33 33-128	bdemirbilek@sekeryatirim.com
Sevgi Onur	Banks	+90 (212) 334 33 33-150	sonur@sekeryatirim.com
Engin Degirmenci	Glass, Cement	+90 (212) 334 33 33-201	edegirmenci@sekeryatirim.com
A. Can Tuglu	Food & Bev., Retail, Auto, Aviation	+90 (212) 334 33 33-334	atuglu@sekeryatirim.com
Esra Uzun Ozbaskin	Telcos, Iron & Steel, Cons. Dur. Oil&Gas	+90 (212) 334 33 33-245	euzun@sekeryatirim.com
Burak Can Coklar	Pharmaceutical	+90 (212) 334 33 33-228	bcoklar@sekeryatirim.com

Economy & Politics

Abdulkadir Dogan	Economist	+90 (212) 334 91 04	adogan@sekeryatirim.com
------------------	-----------	---------------------	--

Institutional Sales

Batuhan Alpman	Head	+90 (212) 334 91 01	balpman@sekeryatirim.com
Deniz Keskin	Trader	+90 (212) 334 33 36	dkeskin@sekeryatirim.com
Kerim Culum	Trader	+90 (212) 334 33 33-316	kculum@sekeryatirim.com.tr

DISCLAIMER

I, Esra Uzun Ozbaskin, hereby certify that the views expressed in this research accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

This report has been prepared by Şeker Yatırım Menkul Değerler A.Ş. (Şeker Invest). The information and opinions contained herein have been obtained from and are based upon public sources that Şeker Invest considers to be reliable. No representation or warranty, express or implied, is made that such information is accurate or complete and should not be relied upon, as such. All estimates and opinions included in this report constitute our judgments as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. Şeker Invest may, from time to time, have a long or short position in the securities mentioned in this report and may solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) for any company referred to in this report and may, to the extent permitted by law, have acted upon or used the information contained herein, or the research or analysis upon which it is based, before its publication. This report is for the use of intended recipients and may not be reproduced in whole or in part or delivered or transmitted to any other person without the prior written consent of Şeker Invest. By accepting this document you agree to be bound by the foregoing limitations.

Copyright © 2024 Şeker Invest