

Coca-Cola Icecek

2024 Guidance have been revised downwards...

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Coca Cola Icecek posted a consolidated net profit of TRY 5,173mn, down 61.4%, in 3Q24 (3Q23: TRY 13,387mn net profit) according to its financials with inflation accounting (TAS-29 effect). The gain of TRY 2,181mn arising from the monetary gain/loss item and the decrease in tax expenses compared to 3Q23 supported the net profit. The increase in net financing expenses due to higher interest expenses (3Q24: TRY -2,166mn, 3Q23: TRY -1,175mn), TRY 183mn loss from investing activities arising from the loss on disposal of property, plant, and equipment, and the decreased in monetary gains compared to 3Q23 pressed the net profit in 3Q24.

CCI's consolidated sales volume declined by 9.2% YoY to 438 million-unit cases in 3Q24 (3Q23: 482mm-unit cases). While the Company's Iraq, and Azerbaijan operations rose by 6.7% & 6.2% YoY in 3Q24, Turkey and Pakistan operations pulled down the consolidated volume performance with decreases of 12.2%, and 22.9%, YoY, respectively, in 3Q24. The share of international operations' sales volume declined sharply by 7.1% YoY to 262mn-unit cases in 3Q24. In Pakistan operations, the sales volume contraction in 3Q24 was 22.9% YoY as Pakistan's pre-agreed IMF support package deal was not finalized and macroeconomic difficulties continued. The sales volume of Turkey operations shrank by 12.2% YoY to 176mn-unit cases in 3Q24 due to the lack of an additional minimum wage increase during the year in parallel with consumer demand, negatively affected by high inflation, geopolitical problems in the Middle East and the limited growth in the number of tourists visiting TR in the summer months.

The Company's consolidated net sales revenue in 3Q24 decreased by 9.3% YoY (with the effect of TAS-29) in 3Q24, reaching TRY 36,711mn, due to the negative impact of price increases that were postponed or limited due to macroeconomic difficulties in int'l operations. The Company's consolidated gross profit margin was at 36.4% in 3Q24 (35.1% in 3Q23), up 1.3 pp YoY due to the successful cost management in TR operations despite the negative contribution of int'l operations. CCI's consolidated EBITDA in 3Q24 of TRY 7,427mn was down 13.5% (3Q23: TRY 8,591mn). The consolidated EBITDA margin declined by 1.0 pp YoY in 3Q24 to 20.2%.

The Net Debt / EBITDA ratio was at 1.02x in 3Q24 (2Q23: 1.02x). Consolidated net debt reached USD 722mn in 3Q24.

OUTPERFORM

TP: TRY 76.60

Previous: TRY 90.73

Upside: 58%

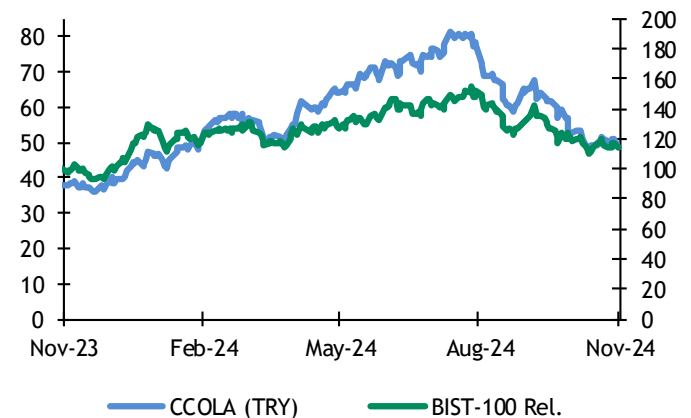
	TRY	US\$
Close	48,54	1,42
BIST 100	8.664	253
US\$/TRY (CB Bid Rate):	34,2757	
52 Week High:	81,59	2,47
52 Week Low:	36,25	1,26
Bloomberg/Reuters Ticker: CCOLA.TI / CCOLA.IS		

Number of Shares (Mn):	2.798	
	(TRY Mn)	(US\$ Mn)
Current Mcap :	135.819	3.963
Free Float Mcap :	33.955	991

	1 M	YOY	YTD
TRY Return (%):	-8,2	28,7	2,6
US\$ Return (%):	-8,5	6,5	-11,8
BIST 100 Relative (%):	-8,2	28,7	2,6
Avg. Daily Vol. (TRY Mn):	397,1		
Avg. Daily Vol. (US\$ Mn):	12,4		

Beta	0,71
Volatility (Stock)	0,37
Volatility (BIST 100)	0,24

Shareholder Structure	%
Anadolu Efes Biracılık	40,35
The Coca Cola Company	20,09
Other	11,31
Free Float	28,25
Total	100,00



CCI revised its 2024 expectations downwards again following the 3Q24 results. CCI once again reduced its expectation for 2024 due to the persistent high inflation, the spill-over of the ongoing conflict in the Middle-East, the corresponding prolonged dent in consumer confidence and weakening purchasing power in its key operating regions of Türkiye and Pakistan. Accordingly; the company revised its 2024 consolidated sales volume expectation to a low-to-mid single-digit volume decline (Previous: flat-to-low-single-digit growth). For 2024, CCI expects a low single-digit sales volume decline to flat performance in TR operations (Previous: low-to-mid-single-digit sales volume growth) and mid- single-digit sales volume contraction in int'l operations (Previous: low-to-single-digit sales volume contraction). Along with its revised sales volume expectation, CCI has also revised its net sales revenue growth expectation for 2024 to high 10s to low 20s% FX-neutral NSR growth (Previous: low 30s% FX-neutral NSR growth). CCI maintained its EBIT margin expectation of "a slight decline or flat compared to last year."

Following the 3Q24 results; because of sharp decline in consolidated sales volume in 3Q24 due to difficulties in TR and Pakistan operations, weak financial results & downward revisions in Company expectations, we expect a negative impact from the 3Q24 results on the stock performance. With the 3Q24 results, we revise down our 12-month target share price for CCI from TRY "90.73/share" to TRY "76.60/share" due to downward revisions in expectations, and maintain our "OP" recommendation. The current share price of TRY 48.54 has upside potential of 58% according to the target share price.

Figure 1: CCI's Consolidated Operations (3Q24)

TRY Million	9M23	9M24	YoY	3Q23	3Q24	YoY
Volume (million uc)	1.283	1.231	-4,1%	482	438	-9,2%
Unit Price (TL/uc)	89,27	88,32	-1,1%	84,0	83,85	-0,1%
Revenues	114.529	108.727	-5,1%	40.477	36.711	-9,3%
Gross Profit	38.064	39.251	3,1%	14.215	13.366	-6,0%
Gross Profit Margin	33,2%	36,1%		35,1%	36,4%	
EBIT	18.396	17.207	-6,5%	7.505	6.087	-18,9%
EBIT Margin	16,1%	15,8%		18,5%	16,6%	
EBITDA	22.451	21.560	-4,0%	8.591	7.427	-13,5%
EBITDA Margin	19,6%	19,8%		21,2%	20,2%	
Net Profit	22.044	14.270	-35,3%	13.387	5.173	-61,4%
Net Profit Margin	19,2%	13,1%		33,1%	14,1%	

Source: Coca Cola Icecek (CCI), Seker Invest Research, Finnet

Figure 2: CCI's Turkey Operations (3Q24)

TRY Million	9M23	9M24	YoY	3Q23	3Q24	YoY
Volume (million uc)	479	464	-3,2%	201	176	-12,4%
Unit Price (TRY/uc)	109,37	103,87	-5,0%	112,3	104,81	-6,6%
Revenues	52.389	48.186	-8,0%	22.566	18.446	-18,3%
Gross Profit	16.344	18.965	16,0%	8.051	7.596	-5,7%
Gross Profit Margin	31,2%	39,4%		35,7%	41,2%	
EBIT	4.327	5.306	22,6%	3.319	2.788	-16,0%
EBIT Margin	8,3%	11,0%		14,7%	15,1%	
EBITDA	6.240	7.308	17,1%	3.855	3.433	-10,9%
EBITDA Margin	11,9%	15,2%		17,1%	18,6%	
Net Profit	6.248	12.068	93,2%	12.856	6.796	-47,1%
Net Profit Margin	11,9%	25,0%		57,0%	36,8%	

Source: Coca Cola Icecek (CCI), Seker Invest Research, Finnet

Figure 3: CCI's Int'l Operations (3Q24)

TRY Million	9M23	9M24	YoY	3Q23	3Q24	YoY
Volume (million uc)	804	767	-4,6%	282	262	-7,1%
Unit Price (TL/uc)	77,37	79,17	2,3%	63,6	70,01	10,1%
Revenues	62.202	60.726	-2,4%	17.936	18.342	2,3%
Gross Profit	21.777	20.443	-6,1%	6.191	5.844	-5,6%
Gross Profit Margin	35,0%	33,7%		34,5%	31,9%	
EBIT	13.301	11.015	-17,2%	3.978	3.095	-22,2%
EBIT Margin	21,4%	18,1%		22,2%	16,9%	
EBITDA	15.443	13.367	-13,4%	4.528	3.790	-16,3%
EBITDA Margin	24,8%	22,0%		25,2%	20,7%	
Net Profit	16.736	7.475	-55,3%	2.073	2.285	10,2%
Net Profit Margin	26,9%	12,3%		11,6%	12,5%	

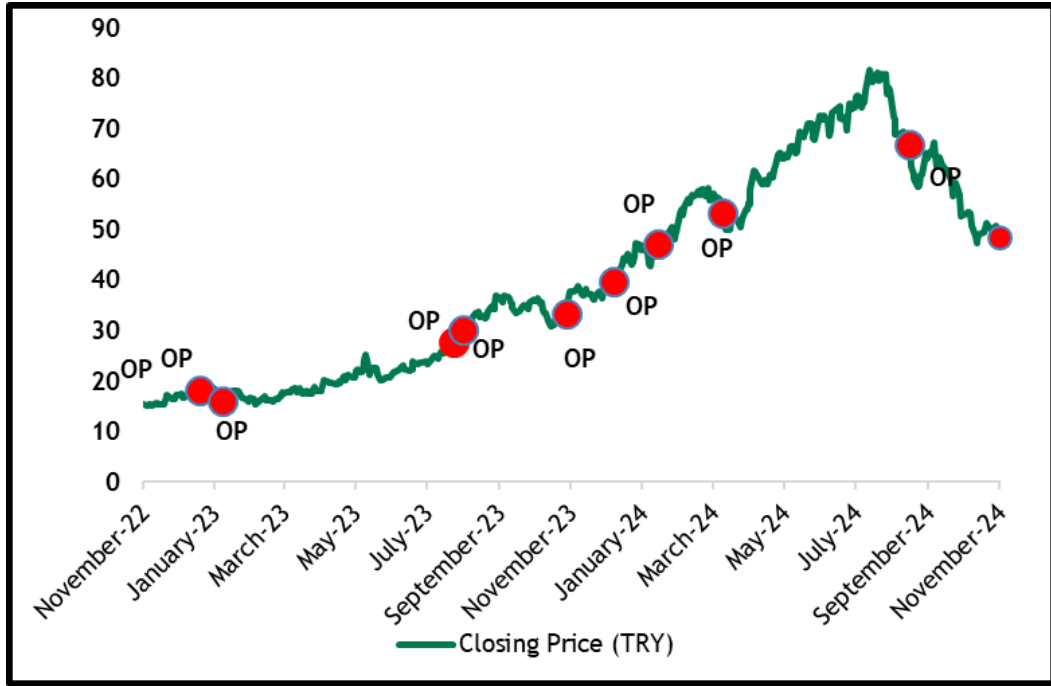
Source: Coca Cola Icecek (CCI), Seker Invest Research, Finnet

Figure 4: Key Financials

mn TRY	12M2023	9M24
Current Assets	65.558	61.554
Cash and Cash Equivalents	29.556	18.087
Investments in Securities	511	861
Trade Receivables	11.975	19.843
Other Receivables	164	453
Derivative Financial Instruments	192	153
Inventories	17.638	15.597
Prepaid Expenses	2.536	3.798
Tax Related Current Assets	863	850
Other Current Assets	2.124	1.913
Non-Current Assets	84.102	83.863
Other Receivables	183	166
Property, Plant and Equipment	47.870	51.270
Goodwill	6.311	5.703
Intangible Assets	26.221	23.275
Right of Use Asset	737	716
Prepaid Expenses	1.654	1.735
Deferred Tax Asset	789	990
Derivative Financial Instruments	45	9
Other Non-Current Assets	293	0
Total Assets	149.661	145.418
Current Liabilities	56.393	51.870
Short-term Borrowings	11.593	13.539
Current Portion of Long-term Borrowings	12.948	2.845
Trade Payables	25.265	27.773
Payables Related to Employee Benefits	491	414
Other Payables	3.388	4.901
Derivative Financial Instruments	378	1
Deferred Income	279	566
Provision for Corporate Tax	556	680
Current Provisions	1.313	1.003
Other Current Liabilities	182	150
Non-Current Liabilities	32.192	32.612
Long-term Borrowings	25.150	26.675
Financial lease payables	631	605
Trade Payables	7	4
Provision for Employee Benefits	994	890
Deferred Tax Liability	5.346	4.427
Derivative Financial Instruments	4	0
Deferred Income	60	11
Equity of the Parent	53.375	53.519
Minority Interest	7.701	7.417
Total Liabilities	149.661	145.418

Source: Seker Invest Research, Finnet, Audit Reports

Figure 5: Historical Recommendations and Target Prices



Date	Rec	Target Price (TRY)
11-Jan-23	Outperform (OP)	24,55
28-Feb-23	Outperform (OP)	24,55
1-Aug-23	Outperform (OP)	35,97
8-Aug-23	Outperform (OP)	39,83
1-Nov-23	Outperform (OP)	47,30
16-Jan-24	Outperform (OP)	61,82
14-Mar-24	Outperform (OP)	73,64
23-May-24	Outperform (OP)	90,73
20-Aug-24	Outperform (OP)	90,73
5-Nov-24	Outperform (OP)	76,60

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.

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