Earnings Update
Automotive

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Tofas

Weak financial results & revised 2024 expectations…

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According to inflation accounting provisions (IAS-29), Tofas (TOASO.TI; OP) announced a net profit of TRY 312mn, down 89.4 YoY% (3Q23: TRY 2,942mn) in 3Q24. The factors that pressured profitability were operating loss resulting from the contraction in net sales revenues which we believe to be due to low sales performance, and the negative impact of period tax expenses of TRY 272mn.

The Company printed a net sales revenue of TRY 21,448mn, down 49.6% YoY, including the IAS-29 effect, compared to 3Q23 (3Q23: TRY 42,521mn). Tofas achieved export sales revenue of TRY 1,255mn (3Q23: TRY 8,769mn), down 85.7% YoY, including the IAS-29 impact in 3Q24 (3Q23: 15,116 units, 3Q24: 15,116 units, -83.7% YoY). Domestic sales revenues also declined by 41.1% YoY to TRY 19,003mn in 3Q24 (3Q23: TRY 32,279mn), due to declining domestic market volumes (3Q24: 29,934 units, 3Q23: 43,357 units, -31.0% YoY). **The gross profit margin declined from 18.6% in 3Q23 to 6.2% in 3Q24**, including the effect of IAS-29. The EBITDA figure declined by 95.9% YoY, including the effect of IAS-29, to TRY 266mn (3Q23: TRY 6,473mn). The EBITDA margin was down by 14.0 p.p. YoY, declining from 15.2% in 3Q23 to 1.2% in 3Q24.

The Company's 2024 expectations. Tofas has revised its 2024 guidance. The Company expects an 1mn-1,15mn units (Previous: 900-1,100k units) domestic light vehicle market with Tofas-branded vehicle sales of 130-140k units (Previous: 120-140k units). It anticipates export shipments of 35-45k units (Previous: 40-50k units). Its CapEx target is at EUR 150mn. The Company expects a total production volume of between 135-145k units (Previous: 140-150k units). It expects to achieve a PBT margin >5% (Previous: around 6%-8%) for 2024.

We believe that the FCA's brand strength, momentum created by Egea/Tipo models, and new models to be introduced over the coming months/years bear further upside risk for the stock. We still appreciate Tofas' defensive business model derived from take-or-pay agreements, and its domestic market share.

"OUTPERFORM"
TP: TRY 341.90
Previous: TRY 387.00
Upside Potential: 90%

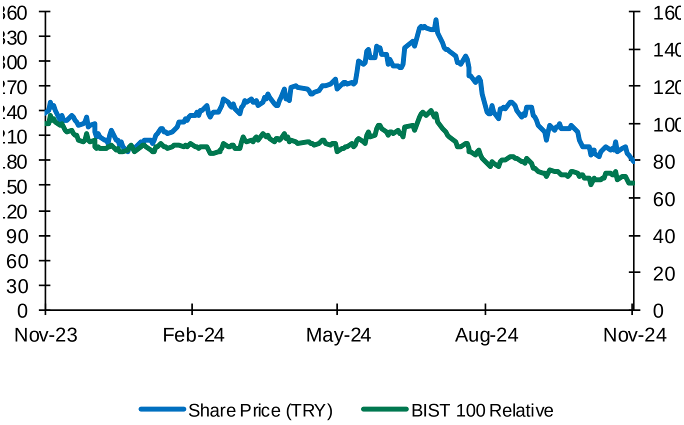
	TRY	US$
Close	179,80	5,25
BIST 100	8.664	253
US$/TRY (CB Bid Rate):	34,25	
52 Week High:	350,50	10,78
52 Week Low:	179,80	5,25
Bloomberg/Reuters Ticker:	TOASO.TI / TOASO.IS	

Number of Shares (Mn):	500	
	(TRY Mn)	**(US$ Mn)**
Current Mcap :	89.900	34,2517
Free Float Mcap:	21.576	629

	1 M	YOY	YTD
TRY Return (%):	-9,0	-23,8	-7,7
US$ Return (%):	-9,3	-36,9	-20,7
BIST 100 Relative (%):	-4,3	-32,2	-20,4
Avg. Daily Vol. (TL Mn):	1.073,6		
Avg. Daily Vol. (US$ Mn):	33,8		

Beta (2 years, daily)	0,91
Volatility (Stock)	0,38
Volatility (BIST 100)	0,24

Shareholder Structure	%
Koc Holding	37,6
Fiat Auto S.p.A	37,9
Others	0,2
Free Float	24,3
Total	**100,0**



In addition; with the agreement between Stellantis & Tofaş, Tofaş will be the importer and distributor in Turkey of the Stellantis-branded vehicles currently distributed in Turkey by Stellantis Otomotiv (Peugeot, Citroen, Opel and DS Automobiles) and of the relevant spare parts. Also, production of the Tipo/Egea model for local distribution and export was extended until 31 December 2025; Tofaş is granted the exclusive rights to manufacture and distribute the new "K0" vehicle model in Turkey, as well as the light commercial vehicle and "combi" versions, planned for five brands. The production launch is targeted for 2025 and related investments are to start accordingly. With the new development, in accordance with the agreement, an investment amounting up to 232 million Euro (approximately 250 million USD) is estimated for the project. The target is to produce 1,0 million vehicles between 2024 and 2032. The distribution right of these vehicles produced for Fiat brand in Turkey is granted to Tofaş. The distribution right of other Stellantis brands (Opel, Citroen, Peugeot) in Turkey will be transferred to Tofaş if the acquisition of Stellantis Otomotiv is executed. Production of the Fiorino model will also end on 31 December 2024 We expect these developments to create upside risk for the Company's shares in the medium- long-term. However; we evaluate the 3Q24 results as negative due to the financial results announced in the short term and the fact that the Company's production and export expectations for 2024 have decreased. On the other hand; we expect the Company to reach the lower band of its slightly upward revised 2024 domestic vehicle sales expectation by the end of the year. We revised down our TP of **"TRY 387.00/shr"** to **"TRY 341.90/shr"** for **TOASO** and our **"OUTPERFORM"** recommendation due to the upside potential offered.

Table 1: Summary Financial Statements

Current Assets	**9M2024**	**12M2023**	**%**
Cash & Cash Equivalents	20.696	33.770	-38,7%
Inventories	12.013	13.195	-9,0%
Trade Receivables	14.320	25.022	-42,8%
Receivables from Finance Sector Operations	10.853	9.649	12,5%
Other Current Assets	618	565	9,4%
Non-Current Assets			
Propoerty, Plant & Equipment	12.445	11.977	3,9%
Intangible Assets	3.844	5.791	-33,6%
Receivables from Finance Sector Operations	4.502	3.454	30,3%
Other Non-Current Assets	7.310	3.455	111,6%
Total Assets	**86.600**	**106.878**	-19,0%
Current Liabilities			
Short-Term Borrowings	150	951	-84,2%
Short-Term Portion of Long-Term Borrowings	11.680	8.204	42,4%
Trade Payables	17.114	32.010	-46,5%
Other Current Liabilities	5.189	7.156	-27,5%
Non-Current Liabilities			
Long-Term Borrowings	7.095	6.919	2,5%
Long-Term Provisions	1.255	1.534	-18,2%
Total Equity	44.117	50.104	-11,9%
Total Liabilities & Equity	**86.600**	**106.878**	-19,0%

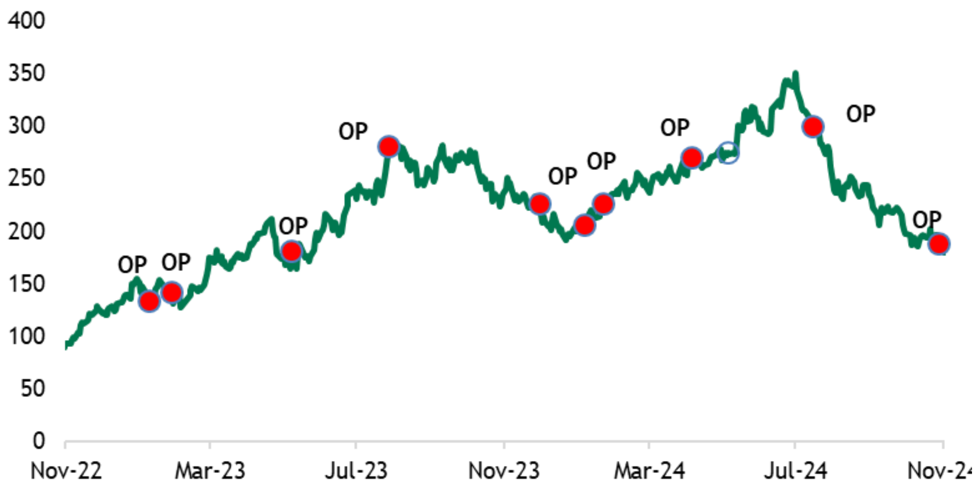
Source: Tofas, Seker Invest Research, Audit Reports

Table 2: High level P&L

TRY mn	IAS-29 Inc.					
	9M23	9M24	%	3Q23	3Q24	%
Net Sales Revenue	125.505	87.077	-30,6%	42.521	21.448	-49,6%
Gross Profit	23.231	11.033	-52,5%	7.921	1.339	-83,1%
Gross Profit Margin (%)	*18,5%*	*12,7%*	*-5.8 p.p.*	*18,6%*	*6,2%*	-12.4 p.p.
Operating Profit	16.028	3.891	-75,7%	5.140	-1.061	-120,6%
Operating Profit Margin (%)	*12,8%*	*4,5%*	*-8.3 p.p.*	12,1%	-4,9%	-17.0 p.p.
EBITDA	19.979	8.530	-57,3%	6.473	266	-95,9%
EBITDA Margin (%)	*15,9%*	*9,8%*	*-6.1 p.p.*	*15,2%*	*1,2%*	*-14.0 p.p.*
Profit Before Tax	17.479	4.874	-72,1%	4.683	518	-88,9%
PBT Margin (%)	*13,9%*	*5,6%*	*-8.3 p.p.*	*11,0%*	*2,4%*	*-8.6 p.p.*
Net Profit	13.494	5.027	-62,7%	2.942	312	-89,4%
Net Profit Margin (%)	*10,8%*	*5,8%*	*-5.0 p.p.*	*6,9%*	*1,5%*	*-5.5 p.p.*

Source: Tofas, Seker Invest Research, Audit Reports

Table 3: Historical recommendations and target prices



Date	Recommendation	Target Price (TRY)
11-Jan-23	Outperform (OP)	183,00
3-Feb-23	Outperform (OP)	183,00
27-Jul-23	Outperform (OP)	357,90
26-Oct-23	Outperform (OP)	395,60
16-Jan-24	Outperform (OP)	337,90
15-Feb-24	Outperform (OP)	387,00
22-May-24	Outperform (OP)	387,00
2-Aug-24	Outperform (OP)	387,00
5-Nov-24	Outperform (OP)	341,90

Basis for 12m equity ratings

Outperform: The total return is expected to exceed the return of the BIST100 by more than 10%.
Underperform: The total return is expected to fall below the return of the BIST100 by more than 10%.
Market Perform: The total return is expected to be in line with the return of the BIST100.

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