

Ford Otosan

2024 Guidance have been revised downwards...

A. Can TUĞLU

Equity Research Analyst
atuglu@sekeryatirim.com

According to inflation accounting provisions (IAS-29), Ford Otosan (FROTO.TI; OP) announced a net profit of TRY 8,562mn for 3Q24, marking a substantial 57.4% YoY decline (3Q23: TRY 20,116mn). The primary drivers behind this significant drop in profitability compared to the same period last year are as follows: • Relatively stagnant EUR/TRY exchange rate, • Decline in domestic sales volumes, • Rising production cost pressures attributable to an inflationary environment, • Escalating finance expenses stemming from deferred purchases, • Increased interest and FX rate expenses, leading to a considerable rise in net financial costs (3Q23: TRY -938.6mn, 3Q24: TRY -5,106mn). Notably, a monetary gain of TRY 5,329mn, (3Q23: TRY 39mn), along with income generated from investment activities, served as positive factors bolstering net profit in 3Q24.

Ford Otosan's total sales units in 3Q24 rose by 13% YoY and reached 161,290 units (3Q23: 143,254 units). Domestic sales revenue, however, declined by 24% YoY to TRY 29,572mn in 3Q24 (3Q23: TRY 39,162mn) due to a contraction in domestic LCV, and PC sales coupled with pricing pressures within the market. Domestic sales volumes also saw a YoY decrease of 15%, reaching 25,789 units (3Q23: 30,360 units), impacted by sustained competitive pricing, delays in the production transition of new Courier models, and reduced LCV & HCV sales. In contrast, export volumes rose by 20% YoY, totaling 135,501 units in 3Q24 (3Q23: 112,894 units). Despite a stable FX, the positive product mix, support from Craiova Plant's international sales, and accelerated export shipments of renewed models contributed to a 15% YoY increase in export revenue, which reached TRY 112,157mn in 3Q24 (3Q23: TRY 97,933mn). Consequently, the company's overall sales revenue grew by 3% YoY to TRY 141,729mn in 3Q24.

Ford Otosan reported an EBITDA of TRY 10,370mn in 3Q24, reflecting a 55% YoY decline (3Q23: TRY 23,170mn). Due to lower domestic sales and heightened CoGS, the GP margin contracted by 11.0 pp to 9.5%. Likewise, the EBITDA margin fell by 9.6 pp from 3Q23, standing at 7.3% in 3Q24 due to reduced operational profitability.

FY2024 expectations: Ford Otosan has raised its 2024 domestic retail market forecast to a range of 1,100-1,200k units (Previous: 1,000-1,100k). The company now expects domestic retail sales volumes in the range of 105-115k units (Previous: 100-110k). Its export volume forecast has been revised to 530-580k units (Previous: 560-610k) (Romania: 210-230k units, Turkey: 320-350k units (Previous: 350-380k)). For wholesale volume in 2024, Ford Otosan anticipates a range of 635-695k units (Previous: 660-720k). The company's total production forecast has also been revised to 630-680k units (Previous: 650-700k) (Romania plant production forecast: 250-270k units, Turkey: 380-410k units (Previous: 400-430k)). Additionally, the company has adjusted its 2024 CapEx target to EUR 700-800mn (Previous: EUR 900-1,000mn), with allocations for General Investments at EUR 130-150mn (Previous: EUR 170-190mn) and Product Related Investments at EUR 570-650mn (Previous: EUR 730-810mn).

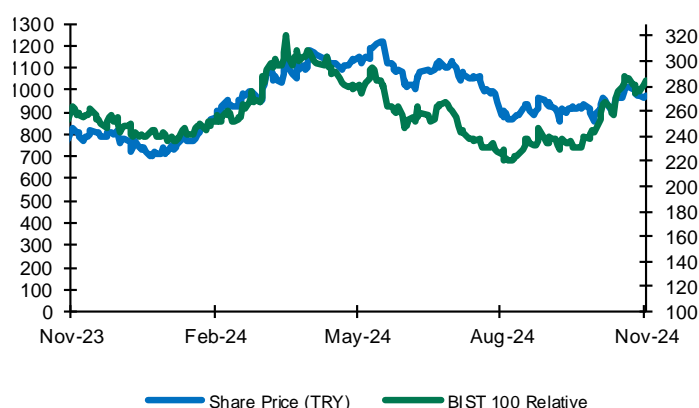
“OUTPERFORM”

TP: TRY 1,320

Previous: TRY 1,320

Upside Potential: 35%

	TRY	US\$	
Close	976,00	28,47	
BIST 100	8.619	251	
US\$/TRY (CB Bid Rate):	34,26		
52 Week High:	1.222,00	38,04	
52 Week Low:	702,14	24,00	
Bloomberg/Reuters Ticker:	FROTO.TI / FROTO.IS		
Number of Shares (Mn):	351		
	(TRY Mn)	(US\$ Mn)	
Current Mcap :	342.488	9.997	
Free Float Mcap:	61.648	1.798	
	1 M	YOY	YTD
TRY Return (%):	10,5	25,2	36,8
US\$ Return (%):	10,0	3,4	17,4
BIST 100 Relative (%):	16,8	11,9	18,6
Avg. Daily Vol. (TL Mn):	1.010,4		
Avg. Daily Vol. (US\$ Mn):	31,7		
Beta (2 years, daily)	0,84		
Volatility (Stock)	0,35		
Volatility (BIST 100)	0,24		
Shareholder Structure	%		
Koc Holding	38,7		
Ford Deutschland Holding Gmbh	41,0		
Free Float	17,9		
Others	2,4		
Total	100,0		



We maintain our **TP** of **“TRY 1,320.00” per share**, and our recommendation of **“Outperform”** for Ford Otosan shares. We think that the market to react slightly negative to the results in the short term. We still appreciate its export structure, and positive product mix and pricing discipline to contribute to both sales volume and profitability.

Table 1: High Level P&L

TRY mn	Inc. IAS-29				
	9M23	9M24	3Q23	3Q24	YoY %
Net Sales Revenues	412.873	404.666	137.095	141.729	3,4%
Export	300.596	316.071	97.933	112.157	14,5%
Domestic	112.277	88.595	39.162	29.572	-24,5%
Gross Profit	64.427	40.265	28.115	13.428	-52,2%
Gross Profit Margin (%)	15,6%	10,0%	12,4%	10,6%	-1,7%
Operating Profit	53.704	22.943	23.033	8.055	-65,0%
Net Finance Expense	-12.050	-15.748	56	-287	-612,5%
Profit Before Tax	48.978	26.941	22.033	10.018	-54,5%
PBT Margin (%)	11,9%	6,7%	9,0%	8,0%	-1,1%
Net Profit	41.243	25.666	20.116	8.562	-57,4%
Net Profit Margin (%)	10,0%	6,3%	7,2%	7,2%	0,0%
Depreciation & Amortization	6.588	7.473	1.822	2.649	45,4%
EBITDA	60.676	32.292	24.985	11.355	-54,6%
EBITDA Margin (%)	14,7%	8,0%	10,7%	9,1%	-1,6%
EBITDA excluding other income/expense	52.363	31.203	23.170	10.370	-55,2%
EBITDA Margin (%)	12,7%	7,7%	10,6%	8,4%	-2,2%
Capital Expenditures	-23.323	-23.341	-9.853	-8.908	-9,6%

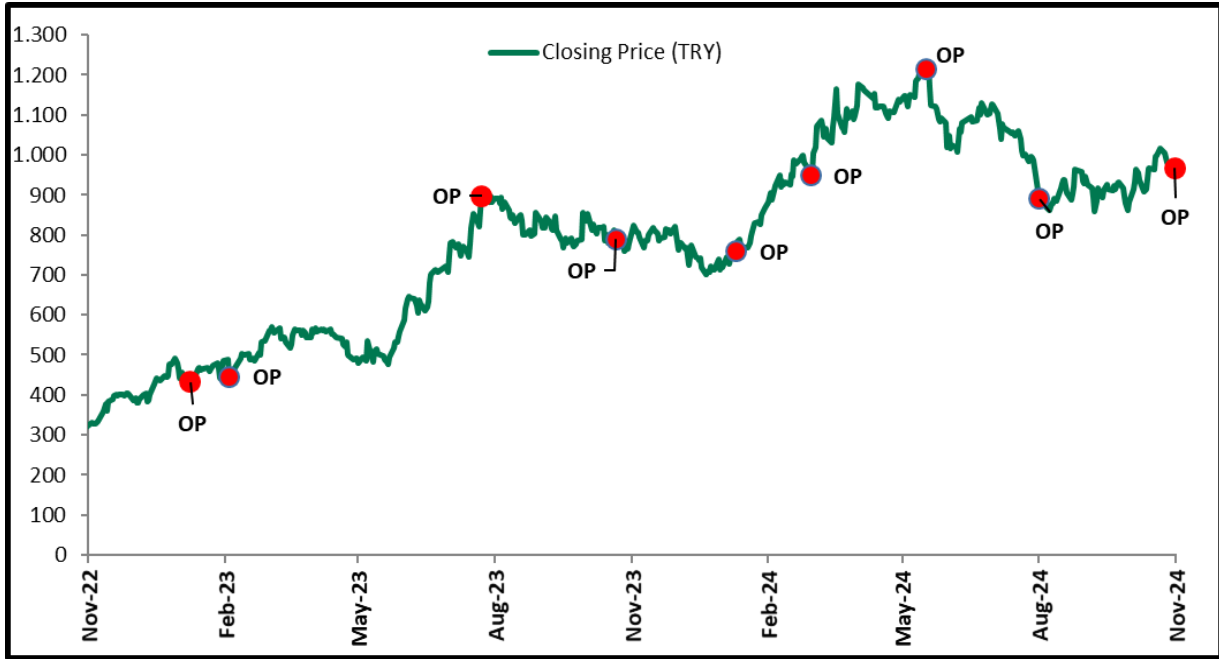
Source: Seker Invest - Research, Finnet, Audit Reports

Table2: Summary Financial Statements

BALANCE SHEET (TRY Mn)	2023	2024/09	% Δ
Non-Current Assets	154.998	159.191	3%
Property, Plant & Equipment	77.708	86.830	12%
Intangible Assets	25.512	21.510	-16%
Prepaid Expenses	18.206	16.651	-9%
Other Non-current Assets	33.572	34.200	2%
Current Assets	139.828	155.743	11%
Trade Receivables	61.938	61.333	-1%
Cash&Cash Equivalents	20.684	30.137	46%
Inventories	39.878	45.975	15%
Other Current Assets	17.327	18.298	6%
Total Assets	294.826	314.934	7%
Non-Current Liabilities	67.747	84.598	25%
Long Term Borrow ings	56.777	74.473	31%
Other Non-current Liabilities	10.970	10.125	-8%
Current Liabilities	127.890	128.958	1%
Current Borrow ings	26.688	23.927	-10%
Short-Term Portion of Long-Term Borrow ings	19.456	30.932	59%
Trade Payables	71.415	61.994	-13%
Other Current Liabilities	10.332	12.104	17%
Total Liabilities	195.638	213.556	9%
Total Equity	99.188	101.378	2%
Total Equity&Liabilities	294.826	314.934	7%

Source: Ford Otosan, Seker Invest - Research, Finnet, Audit Reports

Historical recommendations and target prices



Date	Recommendation	Target Price (TRY)
11-Jan-23	Outperform (OP)	625,70
9-Feb-23	Outperform (OP)	625,70
28-Jul-23	Outperform (OP)	1.125,00
26-Oct-23	Outperform (OP)	1.208,00
16-Jan-24	Outperform (OP)	1.154,00
6-Mar-24	Outperform (OP)	1.320,00
22-May-24	Outperform (OP)	1.320,00
7-Aug-24	Outperform (OP)	1.320,00
6-Nov-24	Outperform (OP)	1.320,00

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.

ŞEKER INVEST RESEARCH

Seker Yatırım Menkul Değerler A.Ş.
 Büyükdere 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	Cement	+90 (212) 334 33 33-201	edegirmenci@sekeryatirim.com
Atasav Can Tuglu	Food & Beverages, Automotive, Retail, Aviation	+90 (212) 334 33 33-334	atuglu@sekeryatirim.com.tr
Esra Uzun Ozbaskin	Telcos, Iron & Steel, Cons. Dur., Oil & Deriv.	+90 (212) 334 33 33-245	euzun@sekeryatirim.com
Basak Kamber	Glass	+90 (212) 334 33 33-245	bkamber@sekeryatirim.com
Burak Can Coklar	Pharmaceutical	+90 (212) 334 33 33-245	bcoklar@sekeryatirim.com

Economy & Politics

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

Batuhan Alpman	Head	+90 (212) 334 33 70	balpman@sekeryatirim.com
Deniz Keskin	Trader	+90 (212) 334 33 36	dkeskin@sekeryatirim.com
M. Kerim Culum	Trader	+90 (212) 334 33 33-316	kculum@sekeryatirim.com

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