

MIGROS

Expectations for 2024 were revised up...

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Migros has announced a net profit of TRY 3,157mn for 3Q24, including IAS-29 inflation accounting effects (3Q23: TRY 5,059mn net profit). Despite the monetary gains of 3Q24, the operating loss resulting from rising operating expenses, declining monetary gains compared to 3Q24, and high interest expense on term purchases led to a quarterly net profit of TRY 3,157, down 37.6% YoY.

On the sales revenue side, the Company saw 12% YoY top-line growth (Inc. IAS 29) and TRY 74,487mn of net sales in 3Q24 (3Q23: TRY 66,322mn). In 3Q24, with the rising number of stores & growth of sales area, and the positive contribution of online sales channels (share of total sales (exc. tobacco & alcohol) in 3Q24: 18.2%), net sales revenue rose by 12% YoY. With growth in online sales channels, the number of online stores (9M24: 1,053 stores, +236 YoY) and successful store operations, 3Q24's net sales revenue grew 12% YoY.

Considering the Company's FMCG market share development; in the modern FMCG market, it had a 16.9% (9M23: 16.3%) market share in 9M24, and 9.8% (9M23: 9.4%) of the total FMCG market thanks to price investments, and its omni & multi format growth strategy. In addition, its store number rose by 345 compared to 9M23 to 3,550 stores in total in 9M24. Sales area rose by 5.7% YoY.

The Company announced an EBITDA (Inc. IAS 29) of TRY 5,685mn, up 693% YoY in 3Q24 (3Q23: TRY 717mn). The EBITDA margin rose from 1.1% to 7.6% in 3Q24. The Company's gross profit margin reached 24.1% in 3Q24.

Thanks to strong cash flow created by the operations, we maintain our positive outlook for Migros. The Company has no hard-currency exposure. At the end of 9M24, the Company's total financial debt (Inc. IAS-29) was at TRY 1,585mn (9M23: TRY 4,015mn). As of 3Q24, the Company succeeded to maintain its net cash position.

FY2024 expectations: The Company has revised up its 2024 guidance. Migros expects the net sales growth estimate of 10-12% (Previous: ~10%) (Inc. IAS 29), and it expects its EBITDA margin around 5.0% (Previous: 4.5%-5.0%). At the same time, it targets opening new stores to ~350 overall by the end of 2024, and plans for TRY 8,000mn of investment expenditure. The Company also expects its net sales growth estimate of +76-78% (Previous: +75%) (Exc. IAS 29), and it expects its EBITDA margin growth estimate of ~9.0% (Previous: ~8.0%-8.5%).

We argue that the positive contribution of sales revenue growth & online activities, and strong cash flow created by the operations will provide Migros to obtain net profit going forward. In addition, we appreciate the current strategy of boosting the private label portfolio and focusing on sustained store openings. We consider that Migros has no hard-currency exposure, and has a net cash position as of 3Q24. On the other hand; the Company has been able to increase its FMCG market share despite competitive market conditions in a high inflation environment. Moreover; we think that the business lines created by Migros with its various subsidiaries, which can use online channels effectively, will increasingly continue to contribute in the future. As a result of the 3Q24 positive financial results, we maintain our target share price of TRY 685.00, and our "Outperform" recommendation.

“OUTPERFORM”

TP: TRY 685.00

Previous: TRY 685.00

Upside Potential: 72.1%

	TRY	US\$	
Close	398,00	11,61	
BIST 100	8.619	251	
US\$/TRY (CB Bid Rate):	34,34		
52 Week High:	581,50	17,63	
52 Week Low:	323,62	11,01	
Bloomberg/Reuters Ticker:	MGROS.TI / MGROS.IS		
Number of Shares (Mn):	181,1		
	(TRY Mn)	(US\$ Mn)	
Current Mcap:	72.060	2.102	
Free Float Mcap:	36.750	1.072	
	1M	YOY	YTD
TRY Return (%):	-9,3	10,4	20,6
US\$ Return (%):	-9,8	-8,8	3,4
BIST 100 Relative (%):	-4,2	-1,3	4,5
Avg. Daily Vol. (TRY Mn):	726,48		
Avg. Daily Vol. (US\$ Mn):	22,73		
Beta	0,94		
Volatility (Stock)	0,34		
Volatility (BIST 100)	0,24		
Shareholder Structure	%		
MH Perakendecilik	49,2		
Migros Ticaret A.Ş.	1,6		
Other	49,2		
Total	100,0		

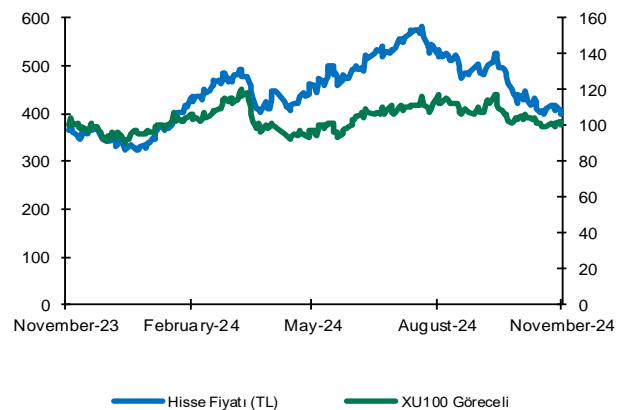


Table 1: Summary Financial Statement

BALANCE SHEET (TRY mn) (Inc. IAS-29)	2023	9M24	%
Current Assets	51.458	51.809	0,7%
Non-current Assets	73.709	83.364	13,1%
Total Assets	125.167	135.173	8,0%
Current Liabilities	60.995	61.696	1,1%
Non-current Liabilities	14.917	19.042	27,7%
Total Liabilities	75.912	80.738	6,4%
Equity	49.255	54.435	10,5%
Total Liabilities & Equity	125.167	135.173	8,0%

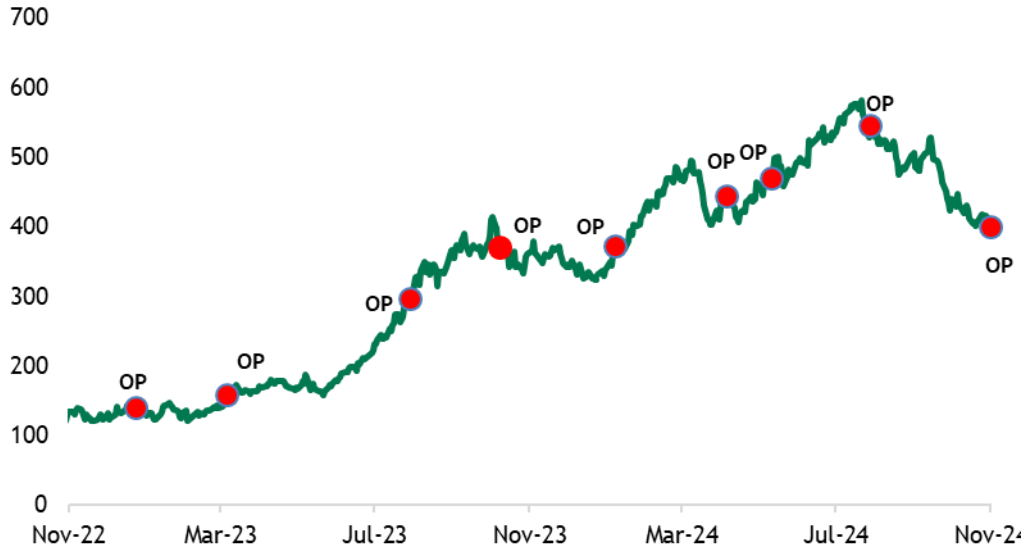
Source: Migros, Seker Invest - Research, Finnet, Audit Reports

Table 2: High level P&L

INCOME STATEMENT (TRY mn) (Inc. IAS-29)	9M23	9M24	%	3Q23	3Q24	%
Net Sales	184.998	206.300	11,5%	66.322	74.487	12,3%
Cost of Sales	-149.641	-159.798	6,8%	-54.582	-56.523	3,6%
Gross Profit	35.357	46.501	31,5%	11.739	17.963	53,0%
<i>GP Margin</i>	<i>19,1%</i>	<i>22,5%</i>	<i>3,4%</i>	<i>17,7%</i>	<i>24,1%</i>	<i>6,4%</i>
Operating Expenses	-37.036	-43.047	16,2%	-13.257	-14.542	9,7%
Other Operating Expenses	-2.805	-10.172	262,7%	-1.007	-3.840	281,5%
Operating Loss	-4.484	-6.717	49,8%	-2.524	-419	-83,4%
Income/Expense from Inv. Act.	422	579	37,3%	40	545	1265,1%
Operating Loss Before Finance Income/Expense	-4.063	-6.138	51,1%	-2.484	127	N.M.
Financial Income/Expense	373	-1.136	N.M.	158	211	33,3%
Monetary Gain	18.847	14.550	-22,8%	9.804	4.098	-58,2%
Income Before Tax	15.157	7.276	-52,0%	7.479	4.436	-40,7%
Tax Expenses	-824	-580	-29,6%	-310	-444	43,2%
Deferred Tax Expenses/Income	-3.405	-1.265	-62,8%	-2.110	-684	-67,6%
Net Profit - Equity Holders of Parent	10.912	5.278	-51,6%	5.059	3.157	-37,6%
<i>Net Profit Margin</i>	<i>5,9%</i>	<i>2,6%</i>	<i>-3,3%</i>	<i>7,6%</i>	<i>4,2%</i>	<i>-3,4%</i>

Source: Migros, Seker Invest - Research, Finnet, Audit Reports

Historical recommendations and target prices



Date	Recommendation	Target Price (TRY)
11-Jan-23	Outperform (OP)	192,50
1-Mar-23	Outperform (OP)	220,10
1-Aug-23	Outperform (OP)	345,70
3-Aug-23	Outperform (OP)	380,00
2-Nov-23	Outperform (OP)	481,60
16-Jan-24	Outperform (OP)	518,80
19-Mar-24	Outperform (OP)	595,00
24-May-24	Outperform (OP)	595,00
21-Aug-24	Outperform (OP)	685,00
5-Nov-24	Outperform (OP)	685,00

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.

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