

# Petkim

## Weak Performance Continues

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According to Petkim's inflation accounting provisions (IAS-29 impact), the company printed a loss of TRY 2,999mn in 3Q24 (3Q23: TRY 3,140mn loss). Due to high costs, the company reported a gross loss, and with the addition of operating expenses, recorded an operating loss of TRY 2,062mn. Expenses of TRY 1,703mn from investment activities and net financing expenses of TRY 1,869mn increased the loss. Additionally, a loss of TRY 337mn was recognized from the accounting of STAR Refinery's net income, which underwent a production halt of approximately one month due to maintenance this quarter. A TRY 2,380mn monetary gain and TRY 454mn deferred tax income mitigated the loss.

Including the impact of IAS-29, the company's net sales revenue in 3Q24 decreased by 21% year-on-year to TRY 17,219mn. Total sales volume reached 461k tons, while production volume dropped by 11% year-on-year to 522k tons, affected by both planned and unplanned production halts. The capacity utilization rate fell to 58% from 65% in 3Q23. This quarter, an inventory loss of USD 2mn was recorded.

With the increases in raw material prices, falling by-product prices pressured margins. The company posted a negative EBITDA of TRY 630mn in 2Q24, including the IAS-29 impact (2Q23: TRY 174mn).

**Debt levels remain high:** the net debt position, which was at TRY 31,989mn at the end of June 2024, had increased to TRY 35,967mn by the end of September 2024.

**Excluding inflation accounting,** the company reported sales revenue of TRY 16.5bn and a gross profit of TRY 0.4bn in 3Q24. With IAS-19 adjustments, EBITDA declined from TRY 0.2bn to TRY -0.6bn, and net profit fell from TRY 1.1bn to TRY -3.5bn.

**STAR Refinery:** The STAR Refinery commenced its first planned shutdown, which lasted nearly two months, in September. The shutdown was completed at the end of October, resulting in a 2.5% increase in production capacity. STAR Refinery posted a sales revenue of USD 1,351mn and a loss of USD 32mn in 3Q24. (Since STAR Refinery maintains its financials in foreign currency, it is exempt from inflation accounting.) As Petkim holds an indirect 12% stake in STAR Refinery Inc., it recorded a loss of TRY 377mn through this partnership in 3Q24.

Weak demand for petrochemical products continues globally and domestically. We expect demand and product prices to remain under pressure until a global recovery is observed. We believe that the demand for petrochemical products and product prices will increase as the global monetary easing process accelerates. As the production halt at STAR Refinery continued into the first month of 4Q24, its contribution may remain limited in the fourth quarter.

**OUTPERFORM**  
TP: TRY 26,00  
Previous TP: TRY 28.30  
Upside potential: 47%

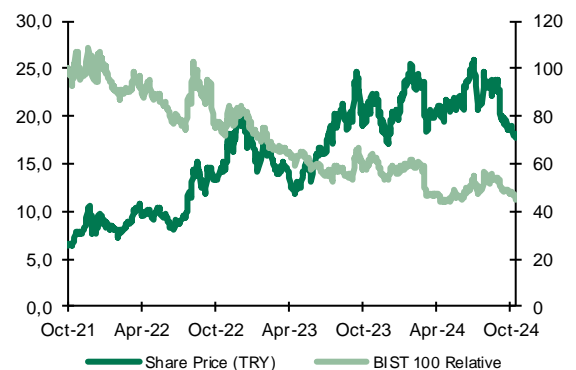
	TRY	US\$
Close	17,66	0,52
BIST 100	8.946	262
US\$/TRY(CB Bid Rate):	34,18	
52 Week High:	25,98	0,82
52 Week Low:	17,05	0,52
Bloomberg/Reuters Ticker:	PETKM.TI / PETKM.IS	

	2.534	
Number of Shares (Mn):	(TRY Mn)	(US\$ Mn)
Current Mcap :	44.758	1.310
Free Float Mcap:	21.036	616

	1 M	YOY	YTD
TRY Return (%):	-9,9	-14,4	-3,0
US\$ Return (%):	-10,0	-28,9	-16,6
BIST 100 Relative (%):	-9,0	-25,0	-19,0
Avg. Daily Vol. (TRY Mn):	1.764,6		
Avg. Daily Vol. (US\$ Mn):	55,9		

Beta	1,13
Volatility (Stock)	0,41
Volatility (BIST 100)	0,24

Shareholder Structure	%
Socar Turkey Petrokimya	51,0
Free Float	49,0
Total	100,0



In line with the 2Q24 financials and our expectations, we revised our 12-month target price for PETKM from TRY 28.30/share to TRY 26.00/share. We also maintain our "OUTPERFORM" recommendation as our target price represents 47% upside potential compared to the closing price on November 7, 2024.

**Figure 1: Summary P&L (Including IAS-29)**

TRY Million	9M23	9M24	YoY	3Q23	3Q24	YoY
<b>Revenues</b>	<b>61.884</b>	<b>57.158</b>	<b>-7,6%</b>	<b>21.819</b>	<b>17.219</b>	<b>-21,1%</b>
<b>Gross Profit</b>	<b>-2.535</b>	<b>-676</b>	<b>n.m.</b>	<b>-33</b>	<b>-1.173</b>	<b>n.m.</b>
<i>Gross Profit Margin</i>	<i>-4,1%</i>	<i>-1,2%</i>		<i>-0,2%</i>	<i>-6,8%</i>	
<b>EBIT</b>	<b>-6.707</b>	<b>-4.123</b>	<b>n.m.</b>	<b>-1.521</b>	<b>-2.138</b>	<b>n.m.</b>
<i>EBIT Margin</i>	<i>-10,8%</i>	<i>-7,2%</i>		<i>-7,0%</i>	<i>-12,4%</i>	
<b>EBITDA</b>	<b>-2.464</b>	<b>-215</b>	<b>n.m.</b>	<b>-54</b>	<b>-845</b>	<b>n.m.</b>
<i>EBITDA Margin</i>	<i>-4,0%</i>	<i>-0,4%</i>		<i>-0,2%</i>	<i>-4,9%</i>	
<b>Net Profit</b>	<b>-9.542</b>	<b>-127</b>	<b>n.m.</b>	<b>-3.140</b>	<b>-2.999</b>	<b>n.m.</b>
<i>Net Profit Margin</i>	<i>-15,4%</i>	<i>-0,2%</i>		<i>-14,4%</i>	<i>-17,4%</i>	

Source: Finnet, Seker Invest Research

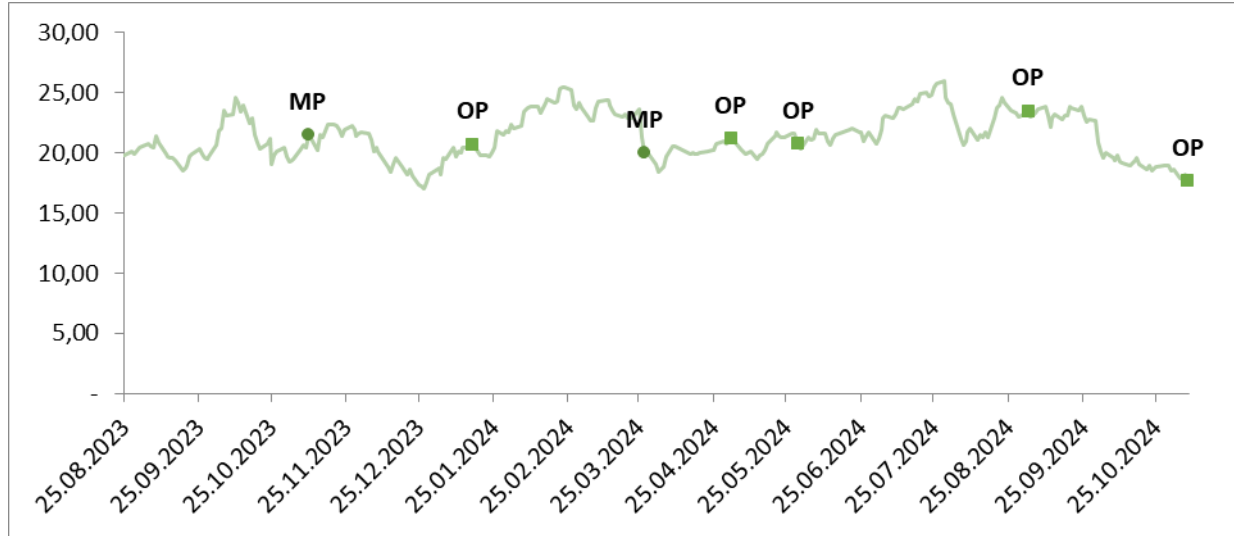
**Figure 2: Key financials (Including IAS-29)**

BALANCE SHEET (TRY Mn)	2023/12K	2024/09	%
PP&E	43.936	41.571	-5%
Intangibles	425	456	7%
Other Non-Current Assets	58.154	52.978	-9%
Trade Receivables	10.252	8.802	-14%
Cash&Equivalents	5.488	3.174	-42%
Other Current Assets	11.886	11.920	0%
<b>Total Assets</b>	<b>130.141</b>	<b>118.901</b>	<b>-9%</b>
Long Term Debt	18.513	15.852	-14%
Other Non current liabilities	5.466	4.593	-16%
Short Term Debt	18.063	17.961	-1%
Trade Payables	11.218	9.965	-11%
Other Current Liabilities	7.065	8.247	17%
Total Liabilities	60.325	56.619	-6%
Total Equity	69.816	62.283	-11%
<b>Total Equity&amp;Liabilities</b>	<b>130.141</b>	<b>118.901</b>	<b>-9%</b>
INCOME STATEMENT (TRY Mn)	2023/09	2024/09	%
Net Sales	61.884	57.158	(8)
COGS	64.419	57.834	(10)
Gross Profit/(Loss)	(2.535)	(676)	N.M.
Operating Expenses	4.173	3.447	(17)
Operating Profit/(Loss)	(6.707)	(4.123)	N.M.
Net Other Operational Gain/(Loss)	1.032	199	(81)
Income/(Loss) from Investing Activities	4.111	(3.371)	N.M.
Financial Income/(Expense)	(6.709)	(5.928)	N.M.
Monetary Gain / (Loss)	1.764	9.219	423
Share of profit of equity accounted investments	-	1.549	N.M.
<b>Profit Before Tax (Loss)</b>	<b>(6.508)</b>	<b>(2.455)</b>	<b>N.M.</b>
Tax	3.048	(2.361)	N.M.
<b>Net Profit/(Loss)</b>	<b>(9.556)</b>	<b>(94)</b>	<b>N.M.</b>
Minority Interest	(14)	33	N.M.
Parent Equity	(9.542)	(127)	N.M.

PETKM

Source: Seker Invest

#### Historical recommendations and target prices



Date	Recommendation	Target Price (TRY)
10-Aug-23	Market Perform (MP)	17.76
9-Nov-23	Market Perform (MP)	26.00
16-Jan-24	Outperform (OP)	29.68
27-Mar-24	Market Perform (MP)	28.30
2-May-24	Outperform (OP)	28.30
30-May-24	Outperform (OP)	28.30
2-Sep-24	Outperform (OP)	28.30
8-Nov-24	Outperform (OP)	26.00

#### Basis for 12m equity ratings

<b>Outperform:</b>	The total return is expected to exceed the return of the BIST 100 by more than 10%.
<b>Underperform:</b>	The total return is expected to fall below the return of the BIST 100 by more than 10%.
<b>Market Perform:</b>	The total return is expected to be in line with the return of the BIST 100.

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