

# Sisecam

## Weak Operational Performance Continues

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According to Sisecam's financials with inflation accounting (TMS-29 effect), the Company announced a net profit of TL 795 million in 3Q24, compared to a net loss of TRY 659 million in the same period last year. In 3Q24, the monetary gain position and deferred tax income were effective in moving to net profit. In contrast, erosion in margins and high financing expenses due to increased cost pressures along with weak operational performance suppressed net profit.

Due to weak demand conditions and falling prices, sales revenues decreased by 7.2% in 3Q24 to TRY 42,867 million. (3Q23: TRY 46,186 million). Despite a 2% volume growth, Architectural Glass segment revenues decreased by 5% YoY in 3Q24 due to the decrease in product prices and the negative impact of exchange rates, reaching TRY 9,538 million. The glass packaging segment showed the best performance, increasing by 10% YoY to TRY 10,259 million. On the other hand, the energy segment was among the weakest business lines due to both volume contraction and weak pricing. Sisecam's consolidated soda ash production increased by 1% YoY due to the low base effect due to planned maintenance works at the Wyoming facility, and increased by 6% QoQ. Although the incentive packages implemented to revitalize the economy in China caused fluctuations in soda ash prices, margins continued to be under pressure due to the excess supply of soda ash and the resulting increased stocks.

In the geographical distribution of the company's sales revenues, there was a contraction in Turkey in 3Q24 and in foreign markets in 9M24. Sales revenues decreased by 7.2% in 3Q24 to TRY 42,867 million (3Q23: TRY 46,186 million). In 3Q24, sales in Europe and America decreased by 4% and 7%, respectively, while there was a 16% contraction in Turkey. In 9M24, sales revenues decreased by 14% to TRY 136,312 million. In 9M24, sales in Europe and America decreased by 13% and 19%, respectively, while there was a 14% decrease in Turkey.

**Margins narrowed due to increased operational costs.** The company's EBITDA, including the impact of TMS-29, decreased by 55% to TRY 3,037 million compared to TRY 6,680 million in 3Q23. The company's gross and EBITDA margins, which were 30.05% and 14.46% in 3Q23, decreased to 23.15% and 7.08%, respectively, in 3Q24.

**The increase in net debt position continued.** Net debt position increased to TRY 76,251mn in 9M24 (1H24 including TMS-29 effect: TRY 71,448mn).

In addition to the increase in the Company's debt, we expect the ongoing weakness in operational performance to have a "negative" effect on the Company's shares in the short term, but we would like to state that it is difficult to talk about any recovery in the financials. However, in addition to new line and furnace investments, there are ongoing natural soda ash investments in the US. Therefore, we anticipate that all these investments may have a positive impact on the stock performance in the medium and long term if there is an improvement in demand and a recovery in the sector. We maintain our 12-month target price per share for Sisecam at TRY 68.30/shr, giving 70% weight to discounted cash flow (DCF) analysis and 30% weight to comparable international peer valuation multiples. We maintain our 'BUY' recommendation as our target price has a 67% yield potential based on the closing price of the shares on November 08, 2024.

**OUTPERFORM**  
**TP: TRY 68.30**  
Previous TP: TRY 68.30  
Upside: 67%

	TRY	US\$
<b>Close</b>	40,80	1,19
<b>BIST 100</b>	9.185	268
<b>US\$/TRY (CB Bid Rate):</b>	34,2614	
<b>52 Week High:</b>	54,50	1,73
<b>52 Week Low:</b>	37,66	1,10
<b>Bloomberg/Reuters Ticker:</b>	SISE.TI / SISE.IS	

	3.063	
<b>Number of Shares (Mn):</b>		
	(TRY Mn)	(US\$ Mn)
<b>Current Mcap :</b>	124.979	3.657
<b>Free Float Mcap:</b>	61.240	1.792

	1 M	YOY	YTD
<b>TRY Return (%):</b>	4	-15	-10
<b>US\$ Return (%):</b>	4	-29	-22
<b>BIST 100 Relative (%):</b>	3	-27	-27
<b>Avg. Daily Vol. (TRY Mn):</b>	1563		
<b>Avg. Daily Vol. (US\$ Mn):</b>	49,4		

<b>Beta</b>	0,95
<b>Volatility (Stock)</b>	0,33
<b>Volatility (BIST 100)</b>	0,26

<b>Shareholder Structure</b>	%
Türkiye İş Bankası	51,06
Other	39,93
Efes Holding	6,77
Share buyback	2,25
<b>Total</b>	<b>100,0</b>

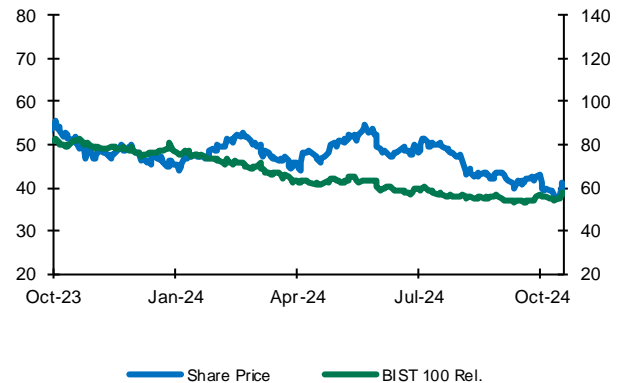


Figure 1: Financials

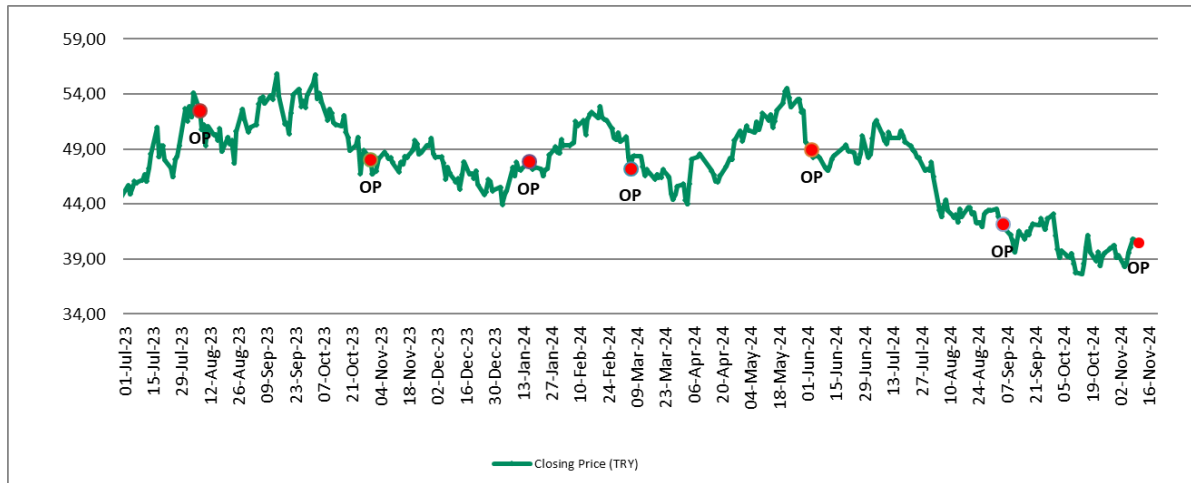
TRY Million	9M23	9M24	YoY	3Q23	3Q24	YoY
Revenues	158.992	136.312	-14,3%	46.186	42.867	-7,2%
Gross Profit	45.838	31.585	-31,1%	13.877	9.924	-28,5%
Gross Profit Margin	28,8%	23,2%		30,0%	23,2%	
EBIT	14.152	-1.485	N.M.	4.288	140	-96,7%
EBIT Margin	8,9%	-1,1%		9,3%	0,3%	
EBITDA	24.099	9.294	-61,4%	6.680	3.037	-54,5%
EBITDA Margin	15,2%	6,8%		14,5%	7,1%	
Net Profit	10.952	6.163	-43,7%	-659	795	N.M.
Net Profit Margin	6,9%	4,5%		-1,4%	1,9%	

Figure 2: Key financials

BALANCE SHEET (TRY Mn)	2022/12	2023/12	2024/09
PP&E	104.777	158.468	158.091
Intangibles	36.896	48.048	41.720
Other Non-Current Assets	23.314	35.795	39.128
Trade Receivables	32.692	37.321	35.524
Cash&Equivalents	41.597	51.301	62.323
Other Current Assets	49.710	64.707	54.758
<b>Total Assets</b>	<b>288.985</b>	<b>395.640</b>	<b>391.545</b>
Long Term Debt	46.671	62.521	111.485
Other Non current liabilities	10.254	15.413	14.105
Short Term Debt	23.532	39.378	16.952
Trade Payables	18.671	22.991	18.346
Other current liabilities	16.407	28.280	24.181
Total Liabilities	115.535	168.582	185.071
Total Equity	173.450	227.058	206.473
<b>Total Equity&amp;Liabilities</b>	<b>288.985</b>	<b>395.640</b>	<b>391.545</b>

INCOME STATEMENT (TRY Mn)	2022/12	2023/12	2023/09	2024/09	%Chg
Revenues	170.655	206.499	158.992	136.312	-14,3%
COGS	116.073	149.522	113.154	104.728	-7,4%
Gross Profit (Loss)	54.583	56.977	45.838	31.585	-31,1%
Operating Expenses	32.636	42.772	31.686	33.070	4,4%
Operating Profit/(Loss)	21.947	14.205	14.152	(1.485)	n.m.
Net Other Ope. Rev./(Exp.)	2.377	5.667	3.321	749	-77,5%
Income/(Loss) from Investing Activities	7.570	7.431	4.042	657	-83,7%
Financial Expenses	(5.476)	(2.229)	(1.261)	(7.317)	n.m.
Gains (losses) on net monetary positions	(1.182)	5.478	8.006	12.215	53%
<b>Profit Before Tax (Loss)</b>	<b>25.705</b>	<b>32.049</b>	<b>29.363</b>	<b>5.878</b>	<b>-80,0%</b>
Tax	(1.672)	(6.266)	(16.342)	647	n.m.
<b>Net Profit (Loss)</b>	<b>24.033</b>	<b>25.783</b>	<b>13.021</b>	<b>6.524</b>	<b>-49,9%</b>
Minority Interest	1.294	2.522	2.069	361	-82,5%
Majority Interest	22.739	23.261	10.952	6.163	-43,7%

### Historical Recommendations and Target Prices



Date	Recommendation	Target Price (TRY)
7-Aug-23	Outperform (OP)	71,10
30-Oct-23	Outperform (OP)	78,70
16-Jan-24	Outperform (OP)	78,70
6-Mar-24	Outperform (OP)	78,70
3-Jun-24	Outperform (OP)	78,70
5-Sep-24	Outperform (OP)	68,30
11-Nov-24	Outperform (OP)	68,30

### 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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