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Ford Otosan

Weak outlook persists as guidance is revised downward…

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According to inflation-adjusted financials (IAS-29), Ford Otosan (FROTO.TI; OP) reported a 2Q26 net profit of TRY 4,452mn, 23.6% above our estimate of TRY 3,602mn and 32.5% above the market consensus of TRY 3,360mn, despite representing a 44.9% YoY decline (2Q25: TRY 8,073mn).

- Deferred tax income resulting from the application of a 12.5% corporate tax rate on manufacturing income, together with lower net financial expenses, supported bottom-line profitability during the quarter.
- However, increasing cost pressures and higher raw material prices, which weighed on gross profitability, lower income from investing activities due to reduced FX gains, and a decline in net monetary position gains on an annual basis led to a 45% YoY contraction in net profit.

Ford Otosan's total sales volume contracted by 9% YoY to 174,086 units in 2Q26 (2Q25: 192,078 units). Domestic sales fell 18% YoY to 20,949 units (2Q25: 25,649 units), reflecting the discontinuation of Ford Focus production, weaker PC demand, intensifying competitive conditions, tighter consumer access to financing, and subdued fleet renewal activity. Accordingly, domestic revenues declined 21% YoY to TRY 34,274mn (2Q25: TRY 43,382mn), pressured by both lower sales volumes and the highly competitive pricing environment. Meanwhile, export volumes decreased 8% YoY to 153,137 units (2Q25: 166,429 units). Despite the limited positive impact of the appreciation in EUR/TRY, lower export volumes resulted in a 13% YoY decline in export revenues to TRY 186,855mn (2Q25: TRY 213,959mn). Consequently, Ford Otosan generated TRY 221,129mn in revenues in 2Q26, slightly exceeding both our estimate of TRY 211,903mn and the market consensus of TRY 212,287mn.

Ford Otosan reported EBITDA of TRY 9,900mn in 2Q26, representing a 40.5% YoY decline, while coming 6% above the market expectation of TRY 9,315mn and broadly in line with our estimate of TRY 9,861mn. Gross profit declined 29% YoY, while the GP margin narrowed by 1.4 pp to 6.8%. The EBITDA margin also contracted by 2.0 pp YoY to 4.5%. Meanwhile, adjusted EBITDA declined 43% YoY to TRY 13,027mn, exceeding both our estimate of TRY 11,764mn and the market consensus of TRY 11,426mn. The adjusted EBITDA margin fell by 3 pp to 5.9%.

Following its 2Q26 results, Ford Otosan revised its 2026 guidance. Reflecting weaker-than-expected domestic demand, the Company lowered its 2026 domestic retail market forecast to 1.2-1.3 million units (previously 1.3-1.4 million units). It also reduced its domestic retail sales guidance to 75-85k units, from the previous 90-100k units. The Company maintained its export volume guidance at 580-630k units, comprising 190-210k units from Romania and 390-420k units from Türkiye. However, its total sales volume guidance was revised down to 655-715k units (previously 670-730k units). Total production guidance remains at 690-740k units, including 230-250k units in Romania and 460-490k units in Türkiye. Ford Otosan maintained its 2026 capital expenditure guidance at EUR 300-400mn, consisting of EUR 80-100mn for general investments and EUR 220-300mn for product investments. The Company also revised its 2026 revenue growth outlook from flat to a mid-to-high single-digit decline, while lowering its adjusted EBITDA margin guidance from 7%-8% to 6%-7%.

"OUTPERFORM"
TP: TRY 130.00
Previous: TRY 149.30
Upside Potential: 61%

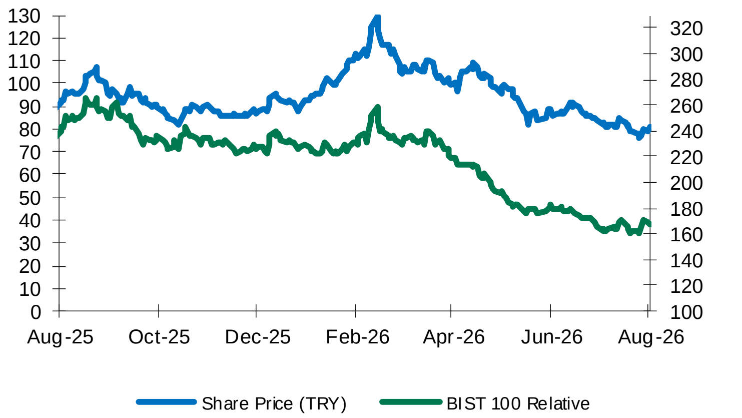
	TRY	US$
Close	80,55	1,70
BIST 100	13.688	288
US$/TRY (CB Bid Rate):	47,44	
52 Week High:	129,84	2,98
52 Week Low:	76,10	1,61
Bloomberg/Reuters Ticker:	FROTO.TI / FROTO.IS	

Number of Shares (Mn):	3.509	
	(TRY Mn)	**(US$ Mn)**
Current Mcap :	282.658	5.959
Free Float Mcap:	50.878	1.072

	1 M	YOY	YTD
TRY Return (%):	-3,8	-11,7	-10,1
US$ Return (%):	-5,5	-24,6	-18,8
BIST 100 Relative (%):	1,3	-30,0	-26,0
Avg. Daily Vol. (TL Mn):	1.772,2		
Avg. Daily Vol. (US$ Mn):	40,5		

Beta (2 years, daily)	0,87
Volatility (Stock)	0,31
Volatility (BIST 100)	0,23

Shareholder Structure	%
Koc Holding	38,7
Ford Deutschland Holding Gmbh	41,0
Free Float	17,9
Others	2,4
Total	**100,0**



Although 2Q26 financial results were broadly in line with expectations and net profit exceeded forecasts, we believe the downward revision to the Company's 2026 guidance, together with prevailing market conditions, is likely to have a limited negative impact on the stock in the short term. We revise down our target price to **TRY 130.00**, and maintain our **"OUTPERFORM"** recommendation, implying a 61% upside potential. We still appreciate its export structure; however, we note that macroeconomic challenges in Europe and geopolitical tensions could continue to weigh on export volumes in line with guidance. We anticipate positive product mix and pricing discipline to contribute to both sales volume and profitability.

Table 1: High Level P&L

TRY Million	6M25	6M26	YoY	2Q25	2Q26	YoY
Revenues	**482.673**	**427.069**	**-11,5%**	**257.341**	**221.129**	**-14,1%**
Gross Profit	**40.696**	**29.325**	**-27,9%**	**21.222**	**15.096**	**-28,9%**
Gross Profit Margin	*8,4%*	*6,9%*		*8,2%*	*6,8%*	-1,4%
EBIT	**20.604**	**9.763**	**-52,6%**	**11.433**	**4.981**	**-56,4%**
EBIT Margin	*4,3%*	*2,3%*		*4,4%*	*2,3%*	
EBITDA	**30.734**	**20.167**	**-34,4%**	**16.652**	**9.900**	**-40,5%**
EBITDA Margin	*6,4%*	*4,7%*		*6,5%*	*4,5%*	-2,0%
Net Profit	**17.158**	**10.337**	**-39,8%**	**8.073**	**4.452**	**-44,9%**
Net Profit Margin	*3,6%*	*2,4%*		*3,1%*	*2,0%*	

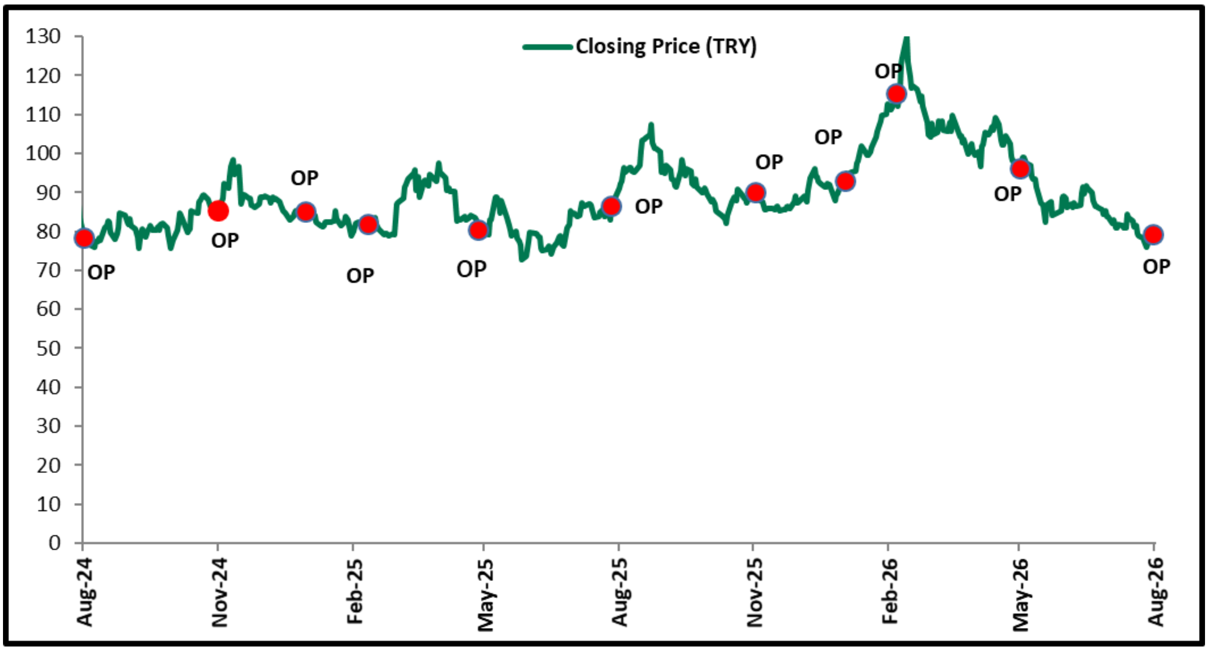
Source: Ford Otosan, Seker Invest - Research, Finnet, Audit Reports

Table 2: Summary Financial Statements

TRY mn	Inc. IAS-29		
	2025	6M26	YoY %
Current Assets	**263.138**	**238.889**	***-9,2%***
Cash & Cash Eq.	75.334	56.042	*-25,6%*
Trade Receivables	104.632	83.065	*-20,6%*
Other Receivables due from Related Parties	5.127	7.828	*52,7%*
Inventories	58.091	68.560	*18,0%*
Other Current Assets	19.680	22.581	*14,7%*
Fixed Assets	**267.692**	**250.348**	***-6,5%***
Financial Investments	731	731	*0,0%*
Tangible Assets	161.520	153.339	*-5,1%*
Intangible Assets	37.287	35.583	*-4,6%*
Other Receivables due from Related Parties	25.297	20.807	*-17,7%*
Deferred Tax Assets	28.682	27.524	*-4,0%*
TOTAL ASSETS	**530.830**	**489.237**	***-7,8%***
Short-Term Liabilities	**212.699**	**186.133**	***-12,5%***
Short - Term Financial Debt	74.593	57.627	*-22,7%*
Trade Payables	120.653	109.979	*-8,8%*
Other Short -Term Liabilities	17.453	18.528	*6,2%*
Long-Term Liabilities	**134.405**	**123.912**	***-7,8%***
Long - Term Financial Debt	117.549	110.398	*-6,1%*
Other Long -Term Liabilities	16.855	13.515	*-19,8%*
Shareholders' Equity	**183.727**	**179.191**	***-2,5%***
TOTAL LIABILITIES & SHAREHOLDER EQUITY	**530.830**	**489.237**	***-7,8%***

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

Historical recommendations and target prices



Date	Recommendation	Target Price (TRY)
7-Aug-24	Outperform (OP)	132,00
6-Nov-24	Outperform (OP)	132,00
7-Jan-25	Outperform (OP)	149,10
17-Feb-25	Outperform (OP)	149,10
30-Apr-25	Outperform (OP)	143,00
31-Jul-25	Outperform (OP)	143,00
6-Nov-25	Outperform (OP)	143,00
9-Jan-26	Outperform (OP)	143,00
10-Feb-26	Outperform (OP)	149,30
6-May-26	Outperform (OP)	149,30
5-Aug-26	Outperform (OP)	130,00

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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