

02 August 2023

### Auto segment has the leading role in strong results

Koç Holding has beaten the market consensus (TL18,239mn) and our forecast (TL18,951mn) by announcing TL20,600mn net profit for 2Q23 (+33% y/y, 23% q/q). Banking, auto and energy segments had the most contribution to the results in 2Q23. Increasing domestic sales volume and FX positively impacted auto segment. Yapi Kredi's results were supported by high FX and derivatives transaction gains. Improved net refining margin compared to 1Q23 and rising FX backed results at Tupras.

### Net cash position strengthened

Koç Holding has a strong net cash position of TL10,211mn (1Q23: TL6,851mn) with the help of dividend income. We expect net cash position of Koç Holding to increase significantly in the 3Q23. Koç Holding sold 575mn YKBNK shares through accelerated book building at a price of TL11.75/share which corresponds to TL6.760mn in 3Q23. Conglomerate plans to sell TATGD shares from its portfolio for a while and negotiates with potential buyers. Also its subsidiaries should distribute additional dividends. We believe that the factors listed will back up the holding solo net cash position in 3Q23.

### KCHOL attracts with 31.3% discount

After updating Koc Holding subsidiaries' value and holding solo net cash position we see that the shares are undervalued, as they currently trade at a 31.3% discount to current NAV while 5 year average discount is 22.0%.

### Revisions in subsidiaries' TP's raised expectations

After strong 2Q results of the subsidiaries we revised their target prices upwards and these revisions also raised expectations for KCHOL and prompt us to raise our TP for KCHOL.

### TP revised upwards; OP rating maintained

We revise our target price for Koç Holding to TL195.25/share from TL121.32/share and maintain our Outperform rating. Koc Holding trades attractively at 4.4x P/E on our 2023 forecasts.

KCHOL TI / KCHOL.IS			
Current Rating			Outperform
Expected Market Reaction		↑	Slightly Positive
Analyst Action		↑	Pos. Estimate Revision
Price	TL132.10	Mcap (USDmn)	\$12,420mn
Target Price	TL195.25	Prev. Target Price	TL121.32
Upside	48%	Free Float	22%
High /Low 30Day	137.6 / 94.0		
<b>BB 2023FY Consensus</b>			
Estimate Revisions		1W	4W 3M
EPS		0.0%	2.9% 14.0%
EBITDA		0.0%	5.5% -3.5%
Sales		0.0%	6.5% 12.5%
# of Buy/Hold/Sell		13/1/0	13/1/0 13/1/0
Rel Perf. XU100		4.1%	2.1% 12.0%
ADV (TLmn)		3,778.8	2,940.0 2,935.7
<b>OYAK vs BB consensus (2023E TLmn)</b>			
	OYAK	Cons.	% Diff
Sales	n.m.	n.m.	-
EBITDA	n.m.	n.m.	-
NI	77,582	65,827	18%
<b>Multiples &amp; Ratios (OYAK Est)</b>			
	2021	2022	2023E
EV/EBITDA	n.m.	n.m.	n.m.
P/E	22.5x	4.9x	4.4x
RoE	27.6%	65.5%	43.0%

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### Earnings Review

TLmn	2Q22	1Q23	2Q23	y/y	q/q	Estimates	
						OYAK	Cons.
Revenues	197,583	173,859	198,679	1%	14%	n.m.	n.m.
EBITDA	40,350	35,936	47,707	18%	33%	n.m.	n.m.
EBITDA margin	20.4%	20.7%	24.0%	3.6pp	3.3pp	n.m.	n.m.
Net profit	15,450	16,772	20,600	33%	23%	18,951	18,239
Net margin	7.8%	9.6%	10.4%	2.5pp	0.7pp	n.m.	n.m.

Source: Company data, Research Turkey Consensus estimates, OYAK Securities

**Tablo 1: Summary Financial Statements**

Income Statement	2022/2Q	2023/1Q	2023/2Q	Change		2022/06	2023/06	Change
	(TL mn)	(TL mn)	(TL mn)	(q/q %)	(y/y %)	(TL mn)	(TL mn)	(y/y %)
<b>Net Sales</b>	<b>197,583</b>	<b>173,859</b>	<b>198,679</b>	<b>14%</b>	<b>1%</b>	<b>322,355</b>	<b>372,538</b>	<b>16%</b>
COGS	-165,461	-140,546	-156,996	12%	-5%	-272,243	-297,542	9%
Gross profit	54,625	56,018	70,833	26%	30%	87,900	126,851	44%
Operating expenses	-16,216	-22,463	-25,863	15%	59%	-28,916	-48,326	67%
Operating profit	38,409	33,555	44,970	34%	17%	58,984	78,525	33%
Depreciation	1,941	2,381	2,737	15%	41%	3,720	5,118	38%
<b>EBITDA</b>	<b>40,350</b>	<b>35,936</b>	<b>47,707</b>	<b>33%</b>	<b>18%</b>	<b>62,704</b>	<b>83,643</b>	<b>33%</b>
Net other income	-6,711	-1,406	-10,964	680%	63%	-9,895	-12,370	25%
Net income from investments	176	124	261	110%	48%	709	385	-46%
Net income from associates	2,585	3,889	5,752	48%	123%	4,527	9,641	113%
Net financial expenses	-4,393	-3,859	-5,474	42%	25%	-8,916	-9,333	5%
Profit before tax	30,066	32,303	34,545	7%	15%	45,409	66,848	47%
Tax expenses	-3,472	-6,048	-4,513	-25%	30%	-6,490	-10,561	63%
Minority interest	-11,144	-9,483	-9,432	-1%	-15%	16,757	18,915	13%
<b>Net profit</b>	<b>15,450</b>	<b>16,772</b>	<b>20,600</b>	<b>23%</b>	<b>33%</b>	<b>22,162</b>	<b>37,372</b>	<b>69%</b>

### Operating Performance

Gross margin	27.6%	32.2%	35.7%	343 bps	801 bps	27.3%	34.1%	678 bps
EBITDA margin	20.4%	20.7%	24.0%	334 bps	359 bps	19.5%	22.5%	300 bps
EBIT margin	19.4%	19.3%	22.6%	333 bps	320 bps	18.3%	21.1%	278 bps
Effective tax rate	-11.5%	-18.7%	-13.1%	566 bps	-152 bps	-14.3%	-15.8%	-151 bps
Net margin	7.8%	9.6%	10.4%	72 bps	255 bps	6.9%	10.0%	316 bps

Balance Sheet	2022/06	2023/03	2023/06	Change		2022/06	2023/06	Change
	(TL mn)	(TL mn)	(TL mn)	(q/q %)	(y/y %)	(TL mn)	(TL mn)	(y/y %)
Cash and equivalents	142,120	191,135	237,081	24%	67%	142,120	237,081	67%
Trade receivables	74,801	77,170	106,948	39%	43%	74,801	106,948	43%
Inventories	84,615	80,095	95,396	19%	13%	84,615	95,396	13%
Tangible fixed assets	59,902	79,226	95,011	20%	59%	59,902	95,011	59%
Intangible fixed assets	21,559	24,319	29,218	20%	36%	21,559	29,218	36%
Total assets	1,345,975	1,666,316	1,999,205	20.0%	49%	1,345,975	1,999,205	49%
Financial loans (total)	344,288	360,714	428,975	18.9%	25%	344,288	428,975	25%
Trade payables	127,009	96,523	130,563	35%	3%	127,009	130,563	3%
Shareholders' equity	99,772	158,590	180,508	14%	81%	99,772	180,508	81%
Total liabilities	1,345,975	1,666,316	1,999,205	20.0%	49%	1,345,975	1,999,205	49%
Net debt / (cash)	202,168	169,579	191,894	13%	-5%	202,168	191,894	-5%

Kaynak: Fınnet, OYAK Yatırım

## KOÇ HOLDING

August 02, 2023

### NET ASSET VALUE (NAV) BREAKDOWN

Segment/Company	Valuation Basis	Share Price/ Valuation Multiple	Total Value TL mn	Current NAV			Target NAV	
				Holding's Stake %	TL mn	% of NAV	Target Value TRL mn	Holding's Stake TRL mn
<b>Automotive</b>								
Tofaş	Market Cap.	301.4	150,700	37.6	56,648	11.4	185,000	69,542
Ford Otosan	Market Cap.	946.5	332,136	38.7	128,371	25.8	470,219	181,740
Otokar	Market Cap.	294.4	35,328	44.7	15,785	3.2	42,000	18,766
Türk Traktör	Market Cap.	683.3	68,376	37.5	25,641	5.1	83,156	31,183
Otokoç	Book Value	1.0	17,786	96.3	17,131	3.4	21,521	20,729
<b>Total</b>					<b>243,576</b>	<b>48.9</b>		<b>321,959</b>
<b>Consumer Durables</b>								
Arçelik	Market Cap.	152.4	102,981	41.4	42,665	8.6	116,090	48,096
Arçelik LG Klima	Book Value	1.0	628	5.0	31	0.0	760	38
<b>Total</b>					<b>42,696</b>	<b>8.6</b>		<b>48,134</b>
<b>Food and Retail</b>								
Tat Gıda	Market Cap.	38.1	5,176	43.7	2,259	0.5	4,896	2,137
Koçtaş	Book Value	1.0	5,014	37.2	1,866	0.4	6,067	2,258
Divan	EV/EBITDA	1.0	3,670	29.9	1,097	0.2	4,037	1,097
Düzyay	Book Value	1.0	1,043	32.2	336	0.1	1,262	407
<b>Total</b>					<b>5,559</b>	<b>1.1</b>		<b>6,130</b>
<b>Finance</b>								
Yapı Kredi Bankası	Market Cap.	14.3	121,046	61.2	74,044	14.9	153,567	93,937
Koç Finans	Book Value	1.0	707	50.0	354	0.1	855	428
<b>Total</b>					<b>74,397</b>	<b>14.9</b>		<b>94,365</b>
<b>Energy</b>								
Tüpraş (Enerji Yat.)	Market Cap.	101.3	195,184	42.1	82,114	16.5	269,751	113,484
Aygaz	Market Cap.	113.6	24,969	40.7	10,158	2.0	23,079	9,389
<b>Total</b>					<b>92,272</b>	<b>18.5</b>		<b>122,873</b>
<b>Tourism</b>								
Altinyunus Çeşme	Market Cap.	239.5	5,988	30.0	1,796	0.4	7,245	2,173
Marmaris Altinyunus	Market Cap.	590.0	3,254	36.8	1,198	0.2	3,938	1,449
Setur	Book Value	1.0	3,538	24.1	853	0.2	4,281	1,032
<b>Total</b>					<b>3,847</b>	<b>0.8</b>		<b>4,655</b>
<b>Procurement and Supply Chain</b>								
Zer	Book Value	1.0	12,999	39.5	5,140	1.0	13,649	5,397
<b>Toplam</b>					<b>5,140</b>	<b>1.0</b>		<b>5,397</b>
<b>Other Sectors</b>								
Koç Sistem	Book Value	1.0	2,628	41.1	1,080	0.2	3,180	1,307
Others	Book Value	1.0	-		3,853	0.8	4,662	3,853
<b>Total</b>					<b>4,933</b>	<b>1.0</b>		<b>5,160</b>
<b>Total Subsidiaries</b>								
Listed					440,678	88.5		571,896
Unlisted					31,742	6.4		37,599
Net Cash - Holding Only					17,412	3.5		17,412
Fixed Assets - Holding Only %30 REIT Discount			11,600		8,120	1.6		8,120
<b>Total Net Asset Value</b>					<b>497,952</b>			<b>635,027</b>
KOC HOLDING Market Cap.					336,006			334,992
<b>Discount (-)/Premium(+)</b>					<b>-32.5%</b>			<b>-47%</b>
<b>Target Share Price</b>								195.25
<b>Current Share Price</b>								132.10
<b>Upside Potential</b>								<b>47.8%</b>

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