

# AKCANS

# MARKETWEIGHT

**A dominant player but most of the positives are priced in**

**Oct 2, 2023**

🔗 We are initiating our coverage for Akcansa with a Marketweight rating and set our 12M target price to TL178/sh (+TL3.8 expected DPS). Although, Akcansa and Turkish Cement Sector are having a great year in terms of sales volume and operational performance, we believe that most of the positives have already been priced-in considering y-t-d 186% absolute and 89% relative share performance. Akcansa is the market leader in the Marmara region, where we will highly likely to see the further growth in the region in the next couple of years, spurred by urban transformation projects and infrastructure investments. In our 2023E estimates, Akcansa trades at 8.0x EV/EBITDA vs. 5y median of 6.1x.

🔗 A solid player in domestic and export markets... In its three major plants in Turkey, Akcansa runs with 9mn tons of grey cement grinding capacity and 7mn tons of grey clinker capacity. On top of its grey cement business, Akcansa has 1.7mn tons of aggregate processing capacity. Additionally, Akcansa has three terminals in Turkey with an annual handling capacity of 1.4mn tons. Akcansa commands ~8% of domestic cement market, in terms of grinding capacity. Being one of the major players in the domestic market, Akcansa is active in export markets through utilizing its partner Heidelberg's global network. In 1H23, Akcansa's domestic sales rose by 135% y/y thanks to solid demand and increasing cement prices, while exports were down by 15% y/y to USD65mn.

🔗 Solid set of financials so far... Akcansa generated TL6.4bn revenues, which was up by 94% y/y, with ~5% volume growth and ~90% y/y higher average sales price. EBITDA margin of 25.5% was significantly higher than 16.4% in 1H22, due to declining per ton energy costs and posted TL1.6bn net income vs. TL334mn in 1H22. Looking at 2023, we incorporated TL16bn revenues (80% y/y increase), almost y/y flat sales volume and 25.7% EBITDA margin (vs. 15% in 2023)

🔗 Valuable participation portfolio... Apart from its existing cement-related assets, Akcansa has a rich participation portfolio. Accordingly, Akcansa owns 8.98% of Cimsa (sister company), and some assets in port business. The value of the participation portfolio reached ~TL3.6bn for the time being (which was ~TL1.7bn at 2Q23-end), mostly due to Mcap appreciation of Cimsa. Akcansa's participation portfolio corresponds to ~11% of its latest Mcap.

🔗 Risks... i) Any decline in cement prices, ii) rise in energy prices

## Price Data

Current Price (TL, 2-Oct-23)	173.70
Current Mcap (TLmn)	33,254
12-mth Target Price (TL/share)	178.00
12-mth Target Mcap (TLmn)	34,078
12-mth Return Potential	2%
Dividend yield	2%

Financials (TL mn)	2021	2022	2023E	2024E
Revenues	2,871	8,899	16,010	23,918
% ch y/y	46	210	80	49
EBITDA	405	1,340	4,116	6,150
% ch y/y	-6	230	207	49
Net Income	304	1,521	3,105	4,463
% ch y/y	35	401	104	44

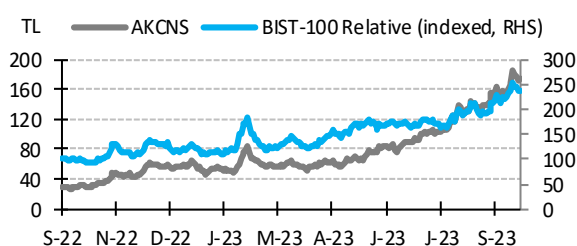
Margins (%)	2021	2022	2023E	2024E
EBITDA Margin	14.1	15.1	25.7	25.7
Net Margin	10.6	17.1	19.4	18.7
Gross Dividend Yield	2.8	0.8	1.5	2.2

Ratios	2021	2022	2023E	2024E
P/E (TL, x)	10.9	3.6	10.7	7.5
EV/EBITDA (TL, x)	9.5	4.3	8.0	5.1
Net Debt/EBITDA (TL, x)	1.3	0.3	0.0	-0.3
ROE (TL,%)	8.7	18.9	26.9	26.4

## Stock Data

Ticker	AKCNS.IS	AKCNS TI
Sector		Cement
# of Shares (mn)		191
3M Av. Trd. Vol. (mn)		US\$12.5

## Price Chart



Price Performance	1M	3M	YTD	YoY
TL Absolute	32%	96%	186%	135%
BIST-100 Relative	25%	36%	89%	34%

## Major Shareholders

Sabancı Holding <SAHOL TI>	39.7%
Heidelbergcement AG	39.7%
Others	20.6%

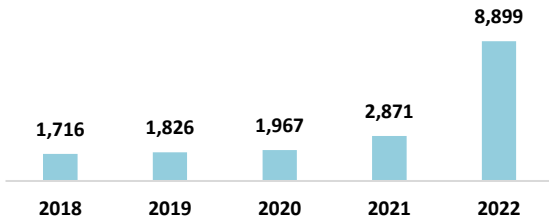
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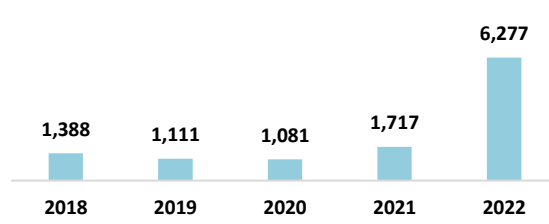
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## Exhibit: Akcansa in a nutshell

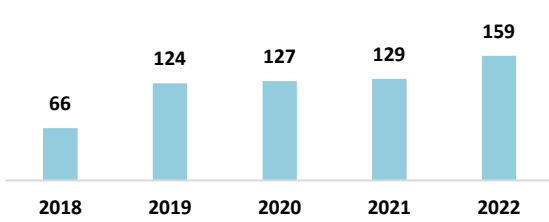
Revenues (TLmn)



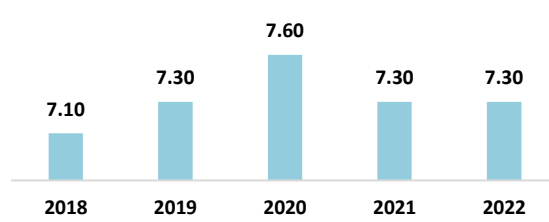
Domestic Revenues (TLmn)



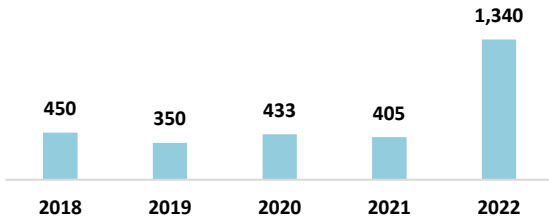
Export Revenues (USDmn)



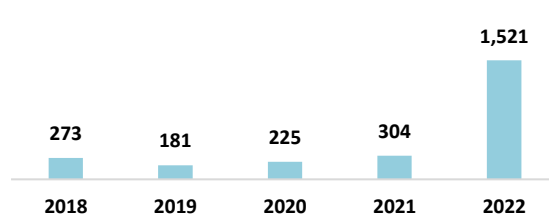
Cement Sales Volume (mn tons)



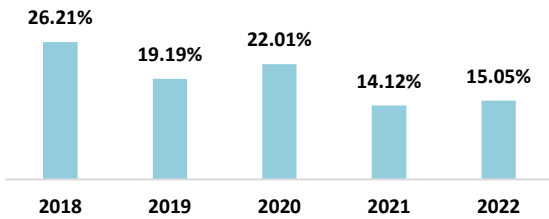
EBITDA (TLmn)



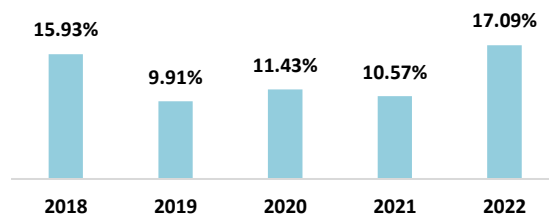
Net Income (TLmn)



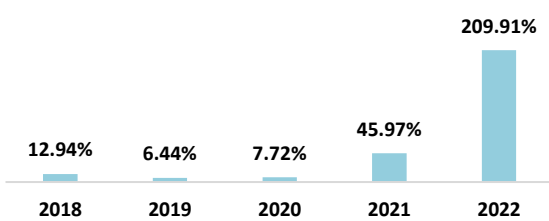
EBITDA Margin



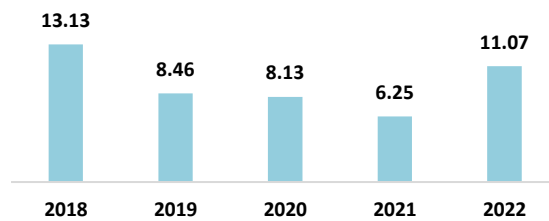
Net Margin



Revenue Growth



EBITDA (USD/ton)



## Valuation

We reached TL178/sh target price for Akcansa. We incorporated risk-free rate of 20%, equity risk premium of 5.5% and a beta of 0.77x. We calculated a WACC of ~23.2% in our valuation period.

### Exhibit: Akcansa - DCF Model

TL mn	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenues	16,010	23,918	29,566	33,980	37,102	39,685	42,066	44,590
EBITDA	4,116	6,150	7,602	8,737	9,539	10,203	10,815	11,464
Tax	-707	-1,177	-1,450	-1,661	-1,807	-1,928	-2,042	-2,165
CAPEX	-788	-1,178	-1,456	-1,674	-1,827	-1,955	-2,072	-2,196
Chg in NWC	-389	-529	-375	-292	-205	-170	-157	-168
<b>FCF</b>	<b>2,232</b>	<b>3,266</b>	<b>4,320</b>	<b>5,111</b>	<b>5,700</b>	<b>6,151</b>	<b>6,545</b>	<b>6,934</b>

<i>Revenue Growth, y/y</i>	79.9%	49.4%	23.6%	14.9%	9.2%	7.0%	6.0%	6.0%
<i>EBITDA Growth, y/y</i>	207.3%	49.4%	23.6%	14.9%	9.2%	7.0%	6.0%	6.0%
<i>EBITDA Margin</i>	25.7%	25.7%	25.7%	25.7%	25.7%	25.7%	25.7%	25.7%
<i>FCF Margin</i>	13.9%	13.7%	14.6%	15.0%	15.4%	15.5%	15.6%	15.6%

<b>WACC</b>	<b>23.3%</b>	<b>23.1%</b>	<b>23.1%</b>	<b>23.1%</b>	<b>23.1%</b>	<b>23.1%</b>	<b>23.1%</b>	<b>23.1%</b>
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Terminal growth rate	6.0%
<b>Enterprise Value</b>	<b>24,622</b>
Net Debt	116
Participations	3,595
Exp. Div. Payment	734
<b>Target Mcap</b>	<b>27,367</b>
<b>12M TP</b>	<b>178.00</b>
<b>Upside</b>	<b>2%</b>

Source: Company Data, Tera Yatirim

#### Tera Yatirim Stock Ratings

Rating	Definition
OVERWEIGHT	The analyst expects that the stock will generate a return above that of the BIST-100 index over the next twelve months.
MARKETWEIGHT	The analyst expects that the stock will generate a return in line with that of the BIST-100 index over the next twelve months.
UNDERWEIGHT	The analyst expects that the stock will generate a return below that of the BIST-100 index over the next twelve months.

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