

# BIM

# OVERWEIGHT

## Undemanding multiples with solid growth outlook

March 24, 2023

🔗 We are initiating our coverage for BIM with an Overweight rating and set our 12M target price at TL246/sh. BIM's solid revenue growth with sustainable EBITDA margin could be the key catalysts for the company. On top of its 109% y/y revenue growth in 2022, BIM guides 75% (±5%) for 2023. BIM trades at 7.1x 2023E P/E with 61% discount to its 5yr median. We believe that current valuation of BIM does not reflect its solid operational outlook.

🔗 **BIM is the market leader...** BIM is the largest hard-discounter in Turkey operating with 11,510 stores. At YE22, BIM is the market leader in organized food retail market with TL148bn revenues. In 2022, BIM has even gained market share among the listed retailers, as BIM's share in revenues climbed to 49.1% from 48.8% in 2021. BIM gained 1.4pp market share in FMCG through increasing popularity of private label and staple products as consumers are trading down in the high inflationary environment.

🔗 **Growth at full pace...** BIM opened 1,021 new stores in 2022, of which 961 were based in Turkey, implying a 10% y/y expansion in terms of number of stores. BIM managed to increase its revenues by 109% while its LFL growth was 92.5% in 2022. BIM's revenue growth and LFL sales growth was above the food inflation of 77.9%. We consider that there are still significant room to grow in domestic food retailing market. Thus, we expect BIM's revenues to grow 28% CAGR in our 8-year valuation period.

🔗 **Earthquake impact...** ~250 of BIM stores were damaged and closed permanently, (2.2% of YE22 stores) BIM donated TL100mn for relief efforts. BIM management expects 25bps negative impact on EBITDA margin which could be manageable, in our view.

🔗 **2023 Guidance...** BIM guides 75% (±5%) y/y revenue growth with 7.0% - 7.5% EBITDA margin and 3.5% CAPEX / revenues for 2023. BIM's 2023 strategy is i) expansion in # of SKUs, ii) further improve quality of private label products, iii) kickoff biscuit and chocolate production in 4Q23, iv) further expansion of BIM mini stores. We welcome its guidance and strategy of BIM management for 2023E.

🔗 **Risks...** Key risks to our valuation could be decline in food inflation and deterioration in expansion plans.

### Price Data

Current Price (TL)	141.10
Current Mcap (TLmn)	85,676
12-mth Target Price (TL/share)	246.00
12-mth Target Mcap (TLmn)	149,371
12-mth Return Potential	74%
Dividend yield	5%

### Financials (TL mn)

	2021	2022	2023E	2024E
Revenues	70,699	147,716	260,918	377,220
% ch y/y	27	109	77	45
EBITDA	6,576	11,867	19,617	28,594
% ch y/y	30	80	65	46
Net Income	2,932	8,157	12,065	17,641
% ch y/y	12	178	48	46

### Margins (%)

	2021	2022	2023E	2024E
EBITDA Margin	9.3	8.0	7.5	7.6
Net Margin	4.1	5.5	4.6	4.7
Gross Dividend Yield	4	5	7	10

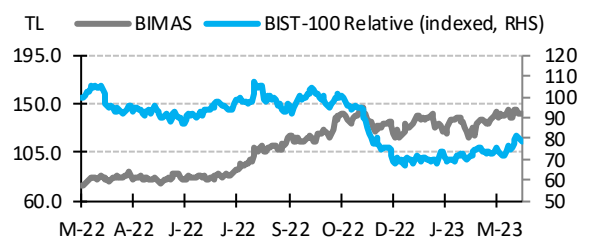
### Ratios

	2021	2022	2023E	2024E
P/E (TL, x)	29.2	10.5	7.1	4.9
EV/EBITDA (TL, x)	7.04	4.12	2.50	1.71
Net Debt/EBITDA (TL, x)	0.78	0.65	0.40	0.26
ROE (TL,%)	38.6	32.4	36.4	39.4

### Stock Data

Ticker	BIMAS.IS	BIMAS TI
Sector		Food Retail
# of Shares (mn)		607
3M Av. Trd. Vol. (mn)		US\$53.2

### Price Chart



### Price Performance

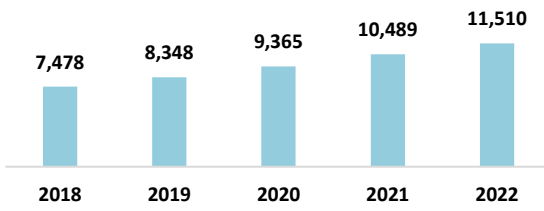
	1M	3M	YTD	YoY
TL Absolute	6%	2%	3%	10%
BIST-100 Relative	6%	10%	12%	5%

### Major Shareholders

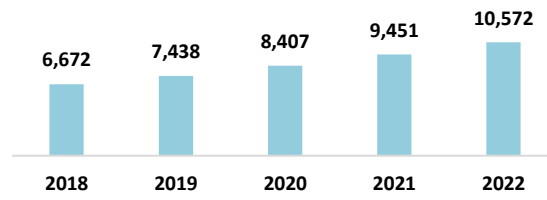
Merkez Berekat Gida	15.2%
Naspak Gida	11.3%
Buy-back shares	1.7%
Other	71.9%

## Exhibit: BIM in a nutshell

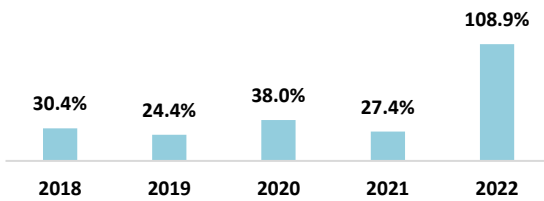
# of stores



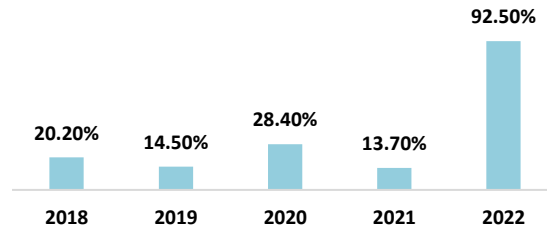
# of domestic stores



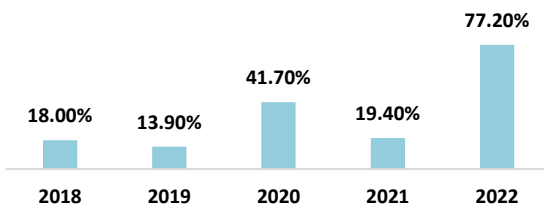
Revenue Growth



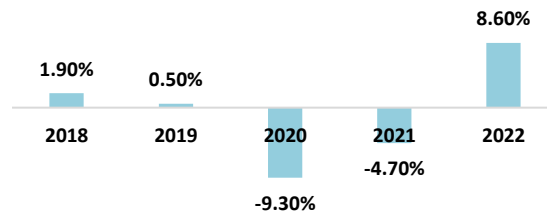
LFL Revenue Growth



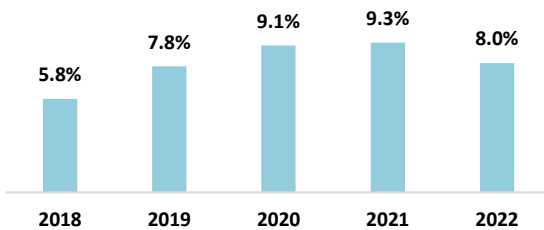
LFL Basket Growth



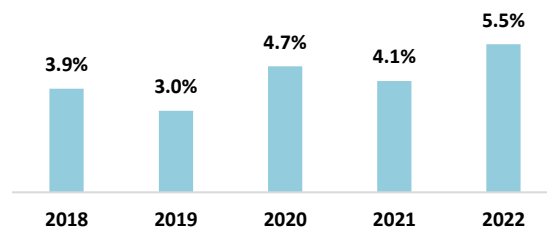
LFL Traffic Growth



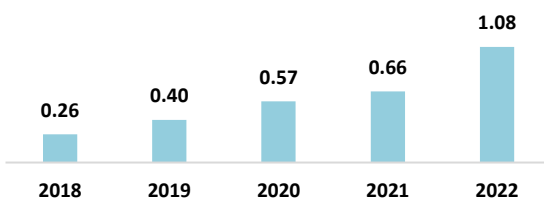
EBITDA Margin



Net Margin



EBITDA Per Store, TLmn



Source: Company Data, Tera Yatirim

## Valuation

We reach TL121bn target Mcap for BIM using 100% DCF valuation. We incorporated risk-free rate of 20%, equity risk premium of 5.5% and a beta of 0.65x. We calculated a WACC of ~23.5% in our valuation period. At target price, BIM would trade at 12.8x 2023E P/E vs. 7.3x calculated based on the existing Mcap.

### Exhibit: BIM - DCF Model

TL mn	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenues	260,918	377,220	495,867	598,271	704,227	812,230	934,791	1,073,742
EBITDA	19,617	28,594	37,731	45,500	53,486	61,620	70,784	81,095
Tax	-3,161	-4,729	-6,264	-7,478	-8,697	-9,916	-11,309	-12,893
CAPEX	-9,162	-12,563	-15,851	-18,790	-21,723	-24,599	-27,796	-31,348
Chg in NWC	-5,364	-695	-3,997	-4,114	-4,713	-5,288	-6,312	-7,508
<b>FCF</b>	<b>12,658</b>	<b>11,998</b>	<b>19,613</b>	<b>23,346</b>	<b>27,779</b>	<b>32,393</b>	<b>37,991</b>	<b>44,361</b>
<i>Revenue Growth, y/y</i>	76.6%	44.6%	31.5%	20.7%	17.7%	15.3%	15.1%	14.9%
<i>EBITDA Growth, y/y</i>	65.3%	45.8%	32.0%	20.6%	17.6%	15.2%	14.9%	14.6%
<i>EBITDA Margin</i>	7.5%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%
<i>FCF Margin</i>	4.9%	3.2%	4.0%	3.9%	3.9%	4.0%	4.1%	4.1%
Terminal growth rate	5.0%							
<b>Enterprise Value</b>	<b>121,124</b>							
Adj. Net Debt	-4,194							
Minorities	208							
Exp. Div. Payment	4,078							
<b>Target Mcap</b>	<b>121,031</b>							
<b>12M TP</b>	<b>246.00</b>							
<b>Upside</b>	<b>74%</b>							

Source: Company Data, Tera Yatirim

We foresee a 50% CAGR in revenues until 2025, mostly driven by domestic LFL growth. We expect BIM to open an average of 817 new stores annually until 2025 and reach a total store rollout of 13,960 at YE25. We believe that there are still significant huge room to grow for hard discounters in Turkey which will be boosted by improving the quality and quantity of private label products and consumers trading down in the inflationary environment. Except for 2021, BIM's consolidated revenue growth has always been above the food inflation. We foresee that BIM will continue to generate revenue growth above the food inflation, going forward.

We expect a 50bps y/y contraction in EBITDA margin for 2023E, as 25bps of that will come from the earthquake impact and the remainder will come from the increase in overhead expenses. Going forward, we foresee ~7.5% EBITDA margin which is sustainable for BIM, in our view.

For CAPEX, we expect 3.5% capex to revenues ratio for 2023E, which will be similar to 2022 reading. Apart from new store rollouts, BIM establishes a production facility for private label biscuit and chocolate production in Eskisehir, which will be online in 4Q23. We expect capex to revenues to ease to 2.9% during our valuation period.

**Exhibit: BIM's financials**

	2018	2019	2020	2021	2022	2023	2024	2025
<b>Revenues</b>	<b>32,323</b>	<b>40,212</b>	<b>55,495</b>	<b>70,699</b>	<b>147,716</b>	<b>260,918</b>	<b>377,220</b>	<b>495,867</b>
COGS	-26,613	-33,226	-45,376	-57,238	-120,942	-214,451	-309,743	-407,419
<b>Gross Profit</b>	<b>5,710</b>	<b>6,985</b>	<b>10,119</b>	<b>13,460</b>	<b>26,774</b>	<b>46,468</b>	<b>67,477</b>	<b>88,448</b>
OPEX	-4,180	-4,919	-6,422	-8,687	-17,499	-30,663	-43,833	-57,130
EBIT	1,530	2,066	3,697	4,774	9,274	15,805	23,644	31,318
Depreciation	349	1,083	1,370	1,803	2,593	3,812	4,951	6,413
<b>EBITDA</b>	<b>1,879</b>	<b>3,149</b>	<b>5,067</b>	<b>6,576</b>	<b>11,867</b>	<b>19,617</b>	<b>28,594</b>	<b>37,731</b>
Net Other Inc.	14	56	89	-650	241	349	505	663
Net Inv. Income	44	112	134	334	399	578	665	765
Equity Pick-up	0	0	0	0	0	0	0	0
Net Fin. Income	39	-643	-568	-548	-1,115	-1,702	-2,810	-3,674
<b>PBT</b>	<b>1,627</b>	<b>1,591</b>	<b>3,352</b>	<b>3,910</b>	<b>8,799</b>	<b>15,030</b>	<b>22,003</b>	<b>29,072</b>
Tax	-376	-366	-745	-959	-640	-3,006	-4,401	-5,814
<b>Net Income</b>	<b>1,250</b>	<b>1,225</b>	<b>2,607</b>	<b>2,932</b>	<b>8,157</b>	<b>12,065</b>	<b>17,641</b>	<b>23,295</b>
Revenue Growth	30.4%	24.4%	38.0%	27.4%	108.9%	76.6%	44.6%	31.5%
Gross Margin	17.7%	17.4%	18.2%	19.0%	18.1%	17.8%	17.9%	17.8%
EBIT Margin	4.7%	5.1%	6.7%	6.8%	6.3%	6.1%	6.3%	6.3%
EBITDA Margin	5.8%	7.8%	9.1%	9.3%	8.0%	7.5%	7.6%	7.6%
Net Margin	3.9%	3.0%	4.7%	4.1%	5.5%	4.6%	4.7%	4.7%

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.

---

#### DISCLAIMER:

This document is produced by Tera Yatirim Menkul Degerler A.S.(Tera Yatirim). Although information contained herein has been obtained from sources believed to be reliable, Tera Yatirim does not guarantee its accuracy, completeness or reliability. Opinions and estimates may be withdrawn without prior notice. Calculations and valuations contained herein are intended as a basis for discussion. You hereby agree to carry out your own independent appraisal of the relevance and suitability of recommended transactions to your own specific needs, especially with regard to legal, financial, and tax matters. Our analysis shall not be construed as an offer or solicitation to subscribe, sell or lend securities or any other financial instrument and it is not intended to be the basis of any investment decision. Tera Yatirim or its affiliates may hold buy and sell positions on any of the securities or financial instruments referred to herein. Tera Yatirim may perform other services (including acting as inter-dealer broker or adviser) in relation to any of the companies referred to herein. Tera Yatirim makes no representation and gives no warranty as to the accuracy or completeness of the contents of this report. Tera Yatirim, its officers, employees, and affiliates shall not be liable to any person in any way whatsoever for any losses, costs, or claims howsoever arising from any inaccuracies or omissions in the information contained in this report or any reliance upon this report. This report may not be distributed to or passed on to anyone who is not a client of Tera Yatirim.

---