

YATAS

OVERWEIGHT

Solid growth outlook with attractive multiples

April 12, 2023

🔗 We revised our 12M target price to TL55.00 from TL47.20 and maintain our Overweight recommendation. On top of 136% revenue growth in 2022, we expect another strong year for Yatas as we incorporated 78% y/y revenue growth and we foresee EBITDA margin expansion thanks to relief in cost base and solid top-line growth. We like Yatas's business model through operating consumer sector, low indebtedness (2023E: 0.5x net debt / EBITDA), strong growth (78% y/y revenue growth) and Yatas does not deserve trading at 4.7x P/E in our 2023E estimates.

🔗 **Estimates revised up...** We expect TL12bn revenues for 2023, suggesting 78% y/y growth. We expect domestic revenues to rise by 80% y/y in 2023, driven by 52% y/y increase in per store revenue growth & 19% y/y expansion in net sales area. We foresee that Yatas will focus more on Divanev and Puffy brands, through opening 80 stores in 2023. For international operations, we incorporate (50 new stores including 35 corner stores) in 2022, reaching 216 stores with 103.8k sqm sales area (up by 5% y/y). We expect Yatas's revenues from overseas operations will grow by 28% y/y in USD-terms in 2023E. With the contribution of new investment, relief in its cost base and sustainable revenue growth, we foresee EBITDA margin to average 16.3% in our valuation period, compared to the last 5Y average EBITDA margin of 15.4%.

🔗 **Earthquake Impact...** Yatas operates in the earthquake zone through its stores. Revenues generated from the earthquake zone corresponds to ~6% of revenues. Although Yatas has been impacted negatively at the first phase, the massive demand for mattress after the earthquake could support its revenues, going forward.

🔗 **Foam Investment...** Yatas will raise its foam capacity by establishing a new facility on its 200k sqm land at Kayseri. Yatas will finance its new investment via an investment-incentive-subsidized loan at very favorable terms: TL184mn with 2Y grace period at annual interest rate of 8.75% from the CBT. Following the construction phase, the facility is expected to be online in 1H24. Yatas will utilize the investment incentives such as the exemption of custom tax and VAT exemption.

🔗 **Risks...** i) lower than expected revenue growth, ii) weakness in store openings, iii) weakness in EBITDA margin.

Price Data

Current Price (TL, 10-Apr-23)	34.42
Current Mcap (TLmn)	5,156
12-mth Target Price (TL/share)	55.00
12-mth Target Mcap (TLmn)	8,239
12-mth Return Potential	60%
Dividend yield	4%

Financials (TL mn)	2021	2022	2023E	2024E
Revenues	2,859	6,737	12,004	17,786
% ch y/y	64	136	78	48
EBITDA	433	963	1,806	2,788
% ch y/y	31	122	87	54
Net Income	256	514	1,095	1,767
% ch y/y	51	101	113	61

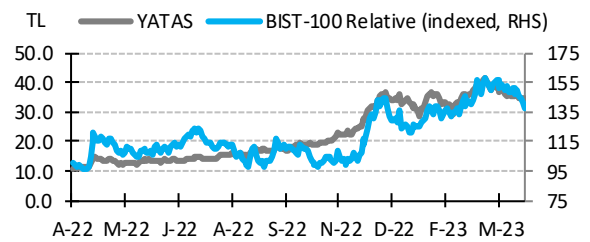
Margins (%)	2021	2022	2023E	2024E
EBITDA Margin	15.2	14.3	15.0	15.7
Net Margin	9.0	7.6	9.1	9.9
Gross Dividend Yield	5	4	8	14

Ratios	2021	2022	2023E	2024E
P/E (TL, x)	8.5	4.9	4.7	2.9
EV/EBITDA (TL, x)	5.7	3.7	3.4	2.2
Net Debt/EBITDA (TL, x)	0.7	1.1	0.5	0.3
ROE (TL, %)	25.4	36.6	47.7	48.8

Stock Data

Ticker	YATAS.IS	YATAS TI
Sector		Furniture
# of Shares (mn)		150
3M Av. Trd. Vol. (mn)		US\$2.7

Price Chart



Price Performance	1M	3M	YTD	YoY
TL Absolute	-17%	13%	2%	-1%
BIST-100 Relative	-13%	10%	9%	-4%

Major Shareholders

Nuri Öztaskın	15.2%
Yılmaz Öztaskın	11.3%
Bostancı Otelcilik	1.7%
Diğer	71.9%

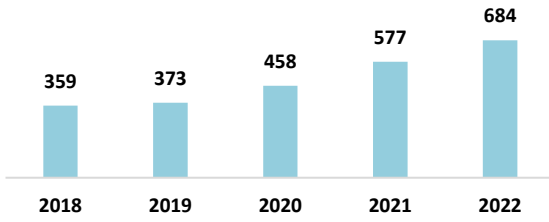
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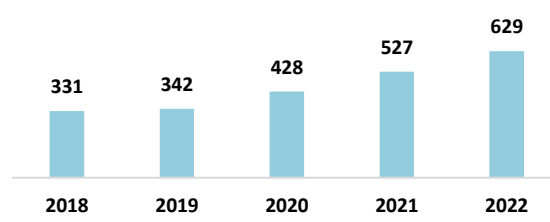
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Exhibit: YATAS in a nutshell

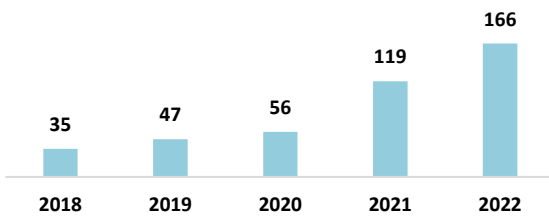
of domestic stores



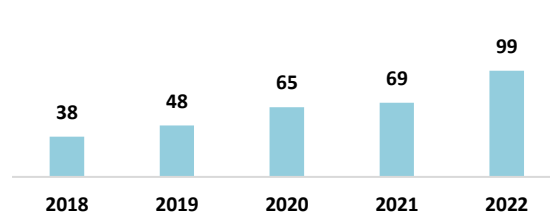
Domestic Sales Area (k sqm)



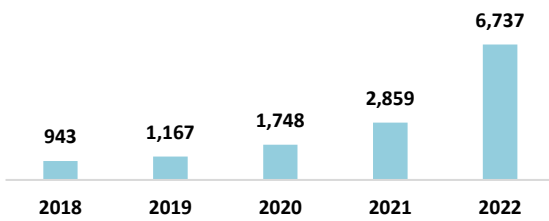
of int'l stores



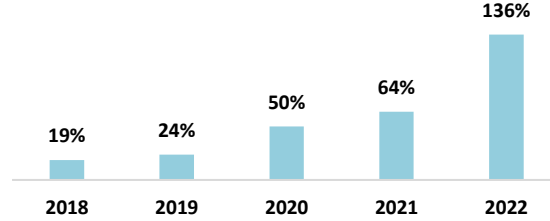
Int'l Sales Area (k sqm)



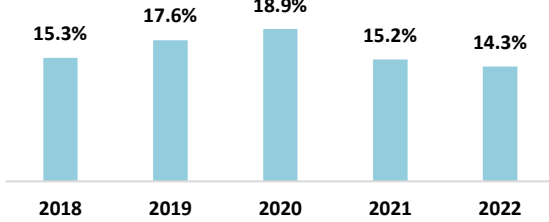
Revenues (TLmn)



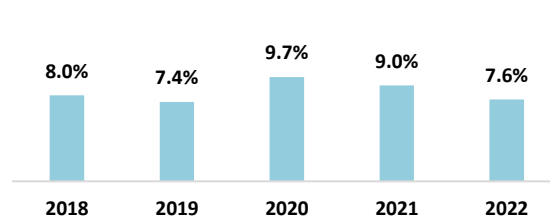
Revenue Growth



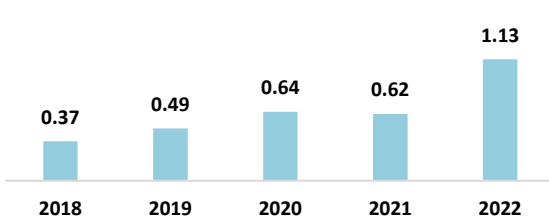
EBITDA Margin



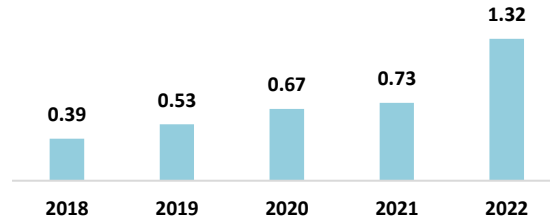
Net Margin



EBITDA (Per Store, TLmn)



EBITDA (Per sqm, TLmn)



Source: Company Data, Tera Yatirim

Valuation

We used 100% DCF model, for valuing Yatas and reached TLmn fair value for the company. We incorporated risk-free rate of 20%, equity risk premium of 5.5% and a beta of 0.86x. We calculated a WACC of ~24% in our valuation period. At target price, Yatas trades at 6.2x 2023E P/E vs. 4.7x with current Mcap.

Exhibit: Yatas - DCF Model

TLmn	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenues	12,004	17,786	23,993	30,398	36,596	42,930	49,661	57,211
EBITDA	1,806	2,788	3,915	4,977	5,966	7,004	8,151	9,382
Tax	-313	-488	-689	-871	-1,035	-1,204	-1,391	-1,589
CAPEX	-381	-720	-978	-1,200	-1,520	-1,830	-2,146	-2,483
Chg. in NWC	-187	-552	-540	-509	-435	-467	-466	-499
FCF	925	1,028	1,708	2,397	2,977	3,503	4,148	4,811

<i>EBITDA Growth, y/y</i>	87%	54%	40%	27%	20%	17%	16%	15%
<i>Revenue Growth, y/y</i>	78%	48%	35%	27%	20%	17%	16%	15%
<i>EBITDA Margin</i>	15%	16%	16%	16%	16%	16%	16%	16%
<i>FCF Margin</i>	8%	6%	7%	8%	8%	8%	8%	8%

Terminal growth rate	5.0%
Enterprise Value	7,900
Net Debt	1,089
Exp. Div. Payment	206
Target Mcap	8,239
12M TP	55.00
Upside / (Downside)	60%

Source: Company Data, Tera Yatirim

We expect 78% y/y revenue growth in 2023, driven by 17% y/y expansion in selling area and the rest is the increase in average selling prices both in Turkey and overseas operations. We believe that Yatas will continue its solid growth in domestic market as well as international markets. We expect Yatas to open 120 new stores in Turkey, 80 of that will be Divanev and Puffy stores. For international operations, we expect Yatas to open 50 new stores and expand its sales area by 5% in 2023.

Yatas will raise its foam capacity by establishing a new facility on its 200k sqm land at Kayseri. Yatas procures the foam as liquid and processes in its existing facility. The new investment will be the first phase for increasing Yatas's mattress and sofa production capacity, going forward.

Yatas will finance its new investment via an state-subsidized-loan at very favorable terms: TL184mn with 2Y grace period at annual interest rate of 8.75% from the CBT. Following the construction phase, the facility is expected to be online in 1H24. Since the facility will be in the 4th investment zone, Yatas will utilize the investment incentives such as the exemption of custom tax and VAT exemption. Foam is one of the key inputs for Yatas. We assume that Yatas will kick off the foam facility during 1H24 and it will be margin accretive for Yatas, as we incorporate 70bps increase in EBITDA margin in 2024 and 70bps in 2025.

With the contribution of new investment, relief in its cost base and sustainable revenue growth, we foresee EBITDA margin to average 16.3% in our valuation period, compared to the last 5Y average EBITDA margin of 15.4%.

Exhibit: Yatas' financials

TLmn	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenues	12,004	17,786	23,993	30,398	36,596	42,930	49,661	57,211
COGS	-8,041	-11,837	-15,866	-20,159	-24,391	-28,713	-33,276	-38,448
Gross Profit	3,963	5,948	8,128	10,239	12,205	14,217	16,385	18,763
OPEX	-2,387	-3,495	-4,669	-5,868	-7,017	-8,183	-9,417	-10,799
EBIT	1,576	2,453	3,459	4,371	5,188	6,034	6,968	7,963
Depreciation	229	335	456	606	778	970	1,183	1,419
EBITDA	1,806	2,788	3,915	4,977	5,966	7,004	8,151	9,382
Net Other Inc.	1	1	1	2	2	2	2	2
Net Inv. Income	6	32	42	52	60	67	73	79
Equity Pick-up	0	0	0	0	0	0	0	0
Net Fin. Income	-171	-245	-292	-335	-381	-428	-475	-521
PBT	649	1,364	2,205	3,177	4,052	4,830	5,635	6,529
Tax	-135	-270	-438	-632	-807	-963	-1,124	-1,302
Net Income	1,095	1,767	2,545	3,245	3,867	4,511	5,226	5,990
Revenue Growth	78.2%	48.2%	34.9%	26.7%	20.4%	17.3%	15.7%	15.2%
Gross Margin	33.0%	33.4%	33.9%	33.7%	33.4%	33.1%	33.0%	32.8%
EBIT Margin	13.1%	13.8%	14.4%	14.4%	14.2%	14.1%	14.0%	13.9%
EBITDA Margin	15.0%	15.7%	16.3%	16.4%	16.3%	16.3%	16.4%	16.4%
Net Margin	9.1%	9.9%	10.6%	10.7%	10.6%	10.5%	10.5%	10.5%

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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