

KLIMASAN – REITERATE BUY

KLMSN TI



Time to Fill the Fridge

Change of Functional Currency from TRY to EUR

The company changed its functional currency from TRY to EUR in 4Q22. We welcome this change as it will provide a more accurate P/L evolution. Due to elevated inflation, financial statements do not provide a clear picture of corporate performances in Turkey unless they are adjusted for inflation or stated in hard currencies. The company has suffered from a temporary EBITDA margin erosion in 4Q22, mostly due to the revaluation of inventories that inflated the COGS after this accounting change. We are envisaging a pick-up in margins particularly after 2Q23.

Lower EBITDA Margin due to Functional Currency Change

Company posted a meagre 2% EBITDA margin in 4Q22 due to this accounting shift. The EBITDA margin could have been around 15% for the final quarter had the company not changed its functional currency. We expect the company's EBITDA margins to be in the vicinity of %10-%11 in 1H23 as the downbeat implications of EUR accounting on COGS gradually fade away. We believe that company's actual EBITDA will show up in 2H23, and the EBITDA margin will come close to company's sustainable target of %14-15.

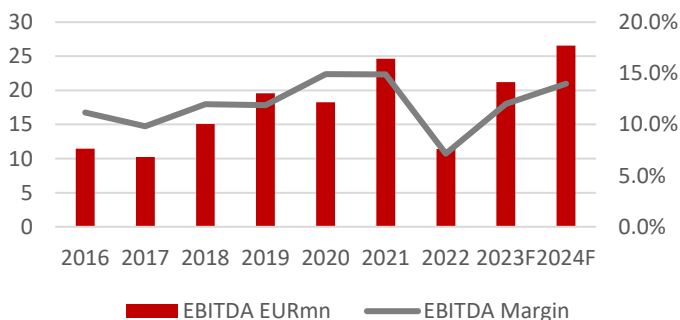
43% of EUR Loans to Parent Company Converted to TRY in 4Q22

In 4Q22, the loans given to parent company changed to EUR18mn and TRY275mn, while it used to be EUR32mn a quarter earlier. Net Debt to EBITDA increased temporarily to 3.2 due to almost non-existent EBITDA in the final quarter. We expect EBITDA to reach EUR21mn in 2023, which will bring ND/EBITDA ratio down to a comfortable 1.7.

We Maintain Buy

We reiterate our BUY call on KLMSN. We think that one-off low EBITDA margins in 4Q22 and likely to be in 1Q23 as well are immaterial because of their temporary nature. EBITDA margin is set to visibly recover in 2H23 and going forward we believe that high margins are not priced in. We maintain our BUY call with a target price of TRY36.1.

EBITDA Evolution EURmn

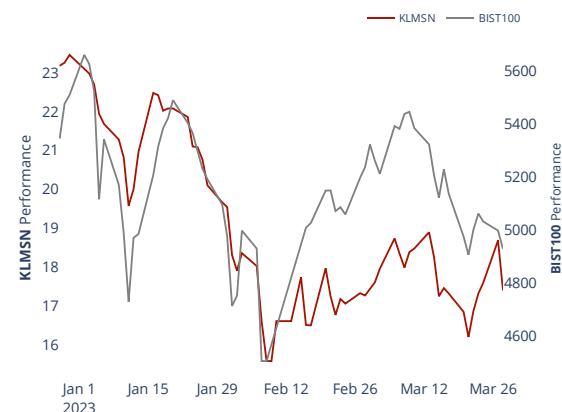


Source: Company Data, TFG Istanbul Estimates

KLMSN 28/03/2023

Klimasan	
Rating	BUY
Free Float	31%
Mcap (EUR mn)	72.1
Mcap (TRY mn)	1,479
Target Mcap (TRYmn)	3,770
Share Price (TRY)	18.7
Target Price (TRY)	36.6
Upside	96%
Avg. DT Vol. (TRY mn)	24
EV (TRY mn)	2197
Latest Financials	2022/12
Weekly Return	10.93
Monthly Return	7.85
YY Return	78.63
Weekly Relative R.	10.43
Monthly Relative R.	12.16
YY Relative R.	-22.24

Stock Performance Chart: KLMSN vs BIST100



TRYmn	2022	2023F	2024F
P/E	10.2	6.1	4.0
EV/EBITDA	9.1	3.8	2.5
ND/EBITDA	3.2	1.7	1.4
EBITDA	198	579	878
EBITDA Margin	7.1%	12.0%	14.0%

Financials:

INCOME STATEMENT (TRYmn)	Growth					Growth		
	4Q21	3Q22	4Q22	qoq (%)	yoy (%)	FY21	FY22	yoy(%)
Sales Revenues (net)	563.7	519.5	698.2	34%	24%	1735.0	2773.0	60%
Cost of sales (-)	-390.6	-450.0	-630.1	40%	61%	-1361.7	-2362.4	73%
GROSS OPERATING PROFIT/LOSS	173.1	69.5	68.1	-2%	-61%	373.3	410.6	10%
Operating expenses (-)	-51.5	-78.2	-70.6	-10%	37%	-156.1	-271.0	74%
NET OPERATING INCOME/LOSS	121.6	-8.7	-2.5	-72%	-102%	217.1	139.5	-36%
Other Income and Expenses (Net)	54.4	11.9	10.8	-9%	-80%	91.0	41.9	-54%
Financial Expenses (-)	-197.1	-43.1	40.8	-195%	-121%	-300.9	-11.1	-96%
PROFIT/LOSS BEFORE TAX	-16.1	-27.1	78.8	-391%	-591%	62.2	183.4	195%
Taxes	14.4	-3.1	9.0	-394%	-38%	40.7	46.4	14%
NET INCOME/LOSS FOR THE PERIOD	-30.3	-23.8	69.7	-393%	-330%	21.9	136.3	522%

Balance Sheet (TRYmn)	Growth				
	4Q21	3Q22	4Q22	qoq (%)	yoy (%)
Current Assets	2282	2701	2514	-7%	10%
Cash and Cash Equivalent	579	395	130	-67%	-78%
Securities (net)	345	283	323	14%	-6%
Short Term Trade Receivables	711	879	654	-26%	-8%
Other Short Term Receivables	58	72	318	340%	444%
Inventory	393	841	784	-7%	100%
Other Current Assets	196	230	304	32%	55%
Non-Current/Fixed Assets	938	1166	1736	49%	85%
Other Long Term Receivables	467	522	323	-38%	-31%
Long Term Tangible Assets	414	545	1335	145%	223%
Long Term Intangible Assets	35	51	58	15%	64%
Other Fixed Assets	21	48	20	-58%	-5%
Total Assets	3220	3866	4250	10%	32%
Short Term Liabilities	1748	2214	2078	-6%	19%
Short Term Financial Debts	1079	1496	1352	-10%	25%
Short Term Payables	552	528	564	7%	2%
Other Short-Term Liabilities	45	57	69	20%	53%
Short Term Provisions	41	54	41	-24%	-1%
Long-Term Liabilities	863	769	555	-28%	-36%
Long Term Debt	833	737	415	-44%	-50%
Long Term Provisions	19	30	38	26%	98%
SHAREHOLDER'S EQUITY	609	883	1617	83%	165%
Paid in Capital	79	79	79	0%	0%
Revaluation Fund	77	285	313	10%	304%
Reserves and Other Equity Items	194	204	840	312%	333%
Net Income/Loss for the Period	22	67	136	105%	522%
Retained Earnings	237	248	248	0%	5%
Total Equity and Liabilities	3220	3866	4250	10%	32%

Source: Company Data

Net Debt:

TRY mn	Q3 2022	Q4 2022
Cash and Cash Equivalents	-₺395	-₺130
Investments	-₺283	-₺345
Other Receivables (Loan to Parent Company)	-₺580	-₺633
Debt (ST+LT)	₺2,233	₺1,777
Derivatives	₺66	₺48
Net Debt (Cash)	₺1,041	₺717
Net Debt EUR mn	€ 56.2	€ 36.0

Source: Company Data

Peers:

Company appears like it trades with 19% premium to its peers due to almost non-existent EBITDA in Q4 2022. Note that for future multiples we used TRY for ARCLK, VESBE and KLMSN whereas PCRFY is Japanese Yen.

Security	Security Name	Country	TTM P/E	TTM EV/EBITDA	2023 P/E	2023 EV/EBITDA	2024 P/E	2024 EV/EBITDA
VESBE:IS	Vestel Beyaz Esya	Turkey	12.2	7.9	4.5	3.8	2.9	2.8
ARCLK:IS	Arcelik	Turkey	19.3	9.3	13.2	5.6	10.6	4.3
FRIO3:BR	Metalfrio Solutions	Brazil	N/A	6.3	N/A	N/A	N/A	N/A
FRIGO:GR	Frigoglass	Greece	2.1	9.5	N/A	N/A	N/A	N/A
PCRFY:USP	Panasonic	Japan	12.8	5.3	10.0	4.6	8.9	4.4
		Average:	11.4	7.7				
KLMSN:IS	Klimasan	Turkey	10.2	9.1	6.1	3.8	4.0	2.5
		Discount	10%	-19%				

Source: EquityRT

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