18 April 2023

Sisecam

Company Update

Equity Research | CEEMEA/Turkey

Downgrade to HOLD

Recommendation: **HOLD** Prev. BUY

Target Price: TL 50

* Stock ratings are relative to the relevant country benchmark.[1] Target price is for 12 months
Produced by: UNLU & CO

Sisecam shares gained 231% and outperformed the BIST 100 by 21% and Saint Gobain by 178% since January 2022. The successful execution of pricing/cost, notable improvement in margins, and the perception of being an FX play were instrumental in the outperformance during 2022. However, we remain more cautious on 2023 prospects, after a high base, due to the easing of glass/chemicals pricing, along with the downtrend in energy costs. Additionally, we revise down net earnings estimates due to expectations of higher financial and tax expenses. While our target price remains unchanged at TL50 per share, we downgrade our recommendation on Sisecam to HOLD, given likely limited upside potential. Sisecam currently trades at a 2023E P/E of 8.5x, a 19% discount to international peers.

- **Remain cautious for 2023:** We expect to see weaker volumes in all segments on the back of: 1) weakening glass demand in Europe; 2) a reduced gap between glass prices in Turkey vs Europe, and increased architectural glass imports to Turkey; 3) temporary negative effect of the earthquakes in February; and 4) high base effects regarding 1Q22. We believe the elimination of energy surcharges on glass pricing in Europe, along with the downtrend in natural gas costs and reduced effectiveness of derivative contracts, should put extra pressure on margins in 1H23. However, we expect to see a normalisation in margins in 2H23. We thus factor in flattish revenues and a 6% contraction in EBITDA in 2023, in EUR terms, after organic growth of 53% and 33% in revenues and EBITDA, respectively, in 2022.

- **Higher financial expenses y/y on short FX position**: The legislation to convert 40% of hard currency-based export collections in Turkey (corresponding to 8% of total revenues) and a capital injection to subsidiaries in Europe were the reasons behind a short FX position of EUR218m. Given that the cash in subsidiaries abroad is eliminated during consolidation to TL-based financials, Sisecam will continue to report short FX position and some FX losses on TL depreciation in the short term. However, we maintain our positive view regarding Sisecam's competitiveness and international growth prospects in the long term (63% international revenue share in 2022).

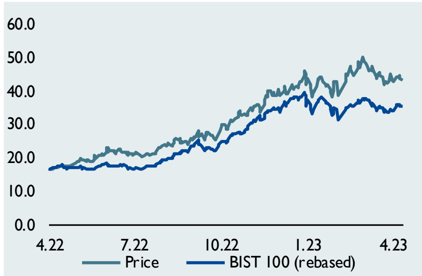
- **Estimates for 1Q23:** We forecast TL2.0bn in net earnings in 1Q23 vs TL3.6m net earnings recorded in 1Q22. Our assumption of TL27bn in revenues, implying 61% y/y TL-based growth is mostly associated with higher product pricing y/y and currency effects. This notwithstanding, we foresee a 17.7% EBITDA margin in 1Q23, up 170bps q/q, but down by 860bp y/y, due to increased cost pressure y/y and a lower CUR. Finally, higher financial and tax expenses should lead to a 43% contraction in net income y/y.

Key forecasts	**2020A**	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**
Revenue (TLm)	21,341	32,058	95,349	136,819	177,899	209,489
EBITDA (TLm)	4,405	7,562	20,455	27,566	36,950	46,056
Net income (TLm)	2,138	9,040	19,345	15,719	21,025	26,181
EPS (TL)	0.9	3.0	6.3	5.1	6.9	8.5
DPS (TL)	0.2	0.4	0.7	0.6	0.8	0.9
Dividend yield (%)	0.4	0.9	1.6	1.3	1.7	2.2
PE (x)	47.0	14.7	6.9	8.5	6.3	5.1
EV/EBITDA (x)	31.4	20.3	7.3	5.8	5.0	5.1

Source: Company data, UNLU&Co estimates

Share data	
RIC	SISE.IS
Sector	Glass & Materials
Price (17 April 2023)	TL 43.38
Market cap. (TLm)	132,882
Enterprise value (TLm)	150,722
Market cap. (USDm)	6,866
Enterprise value (USDm)	7,788
Avg. daily trade value (USDm)	136.00
Free float (%)	49

Price relative to BIST 100



Historical performance relative to BIST 100 (%)			
Performance over	1M	3M	12M
Absolute (%)	-5.6	-0.9	153.9
Relative (%)	-4.2	4.1	25.2

Source: BIST 100, UNLU & CO

The price relative chart measures performance against the Turkey BIST 100 which closed at 5,059 on 17 April 2023

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Valuation metrics[1]	2020A	2021A	2022A	2023E	2024E	2025E
P/E (x)	47.0	14.7	6.9	8.5	6.3	5.1
EV/EBITDA (x)	31.4	20.3	7.3	5.8	5.0	5.1
EV/sales (x)	6.5	4.8	1.6	1.1	0.9	0.9
Dividend yield (%)[1]	0.4	0.9	1.6	1.3	1.7	2.2

Ratio analysis	2020A	2021A	2022A	2023E	2024E	2025E
ROE (headline basis) (%)	11.6	29.2	33.3	18.9	21.1	21.6
ROIC (EBIT basis) (%)	9.6	10.2	17.8	13.7	13.9	12.5
Gross margin (%)	31.2	34.9	35.4	32.9	32.9	33.7
EBITDA margin (%)	20.6	23.6	21.5	20.1	20.8	22.0
EBIT margin (%)	12.9	17.2	16.1	13.7	13.7	14.7
Net margin (%)	10.0	28.2	20.3	11.5	11.8	12.5
Net debt/EBITDA (x)	0.9	1.4	0.8	0.9	1.4	2.2
Interest coverage (to EBITDA) (x)	-0.2	0.2	-0.2	0.0	0.0	0.0

Profit and loss (TLm)[1]	2020A	2021A	2022A	2023E	2024E	2025E
Revenue	21,341	32,058	95,349	136,819	177,899	209,489
Growth (y/y)	*18%*	*50%*	*197%*	*43%*	*30%*	*18%*
Gross profit	6,661	11,180	33,710	44,962	58,529	70,698
EBITDA	4,405	7,562	20,455	27,566	36,950	46,056
Growth (y/y)	15%	72%	170%	35%	34%	25%
EBIT	2,755	5,501	15,354	18,712	24,426	30,692
Growth (y/y)	12%	100%	179%	22%	31%	26%
Other income/expense	1,583	4,041	7,705	1,484	1,775	2,000
Financial income/expense	-1,083	1,442	-3,297	-1,162	-822	-937
Profit before tax	3,255	10,984	19,762	19,034	25,380	31,756
Tax	-431	-1,853	371	-1,742	-2,284	-3,176
Effective tax rate	*13.2%*	*16.9%*	*-1.9%*	*9.2%*	*9.0%*	*10.0%*
Profit after tax	2,825	9,131	20,133	17,292	23,096	28,581
Minorities	-687	-91	-788	-1,573	-2,071	-2,399
Net income	2,138	9,040	19,345	15,719	21,025	26,181
Growth (y/y)	12%	323%	114%	-19%	34%	25%
Weighted diluted number of shares (m)	3,063	3,063	3,063	3,063	3,063	3,063
Earnings per share (EPS) (TL)	0.9	3.0	6.3	5.1	6.9	8.5
Dividend per share (DPS) (TL)[1]	0.16	0.41	0.69	0.56	0.75	0.94
Dividend pay-out ratio	*17.7%*	*13.8%*	*10.9%*	*11.0%*	*11.0%*	*11.0%*

Cash flow (TLm)	2022A	2023E	2024E	2025E
EBIT	15,354	18,712	24,426	30,692
Depreciation and amortization	5,101	8,855	12,524	15,364
Change in working capital	-16,349	-11,880	-12,355	-9,159
Taxes paid	289	-1,712	-2,198	-3,069
Total capex	-7,778	-13,553	-17,536	-17,012
Capex/revenues	*-8.2%*	*-9.9%*	*-9.9%*	*-8.1%*
Free cash flow	**-3,384**	**420**	**4,861**	**16,815**
Free cash flow margin	*-3.5%*	*0.3%*	*2.7%*	*8.0%*
FCF with US investment[2]	**-3,384**	**-1,626**	**-8,688**	**-14,075**
Dividends paid	-1,250	-2,100	-1,729	-2,313
Net increase (dec.) in debt (TLm)	**6,514**	**8,881**	**26,680**	**48,373**

Balance sheet (TLm)	2022A	2023E	2024E	2025E
Cash	29,073	32,399	65,309	78,867
Total current assets	73,610	92,440	143,361	170,335
Property, plant equipment	55,562	60,261	65,273	66,921
Intangible fixed assets	21,743	23,582	25,543	26,188
Total non-current assets	90,335	104,916	143,177	210,626
Total assets	**163,945**	**197,356**	**286,538**	**380,962**
Current liabilities	35,524	40,197	51,877	59,726
Total non-current liabilities	33,294	47,006	103,142	163,449
Total ordinary shareholders equity	95,128	110,153	131,519	157,787
Total equity and liability	**163,945**	**197,356**	**286,538**	**380,962**
Net working capital	27,601	39,482	51,837	60,997
Net cash (debt)[2]	-17,038	-25,919	-52,599	-100,972

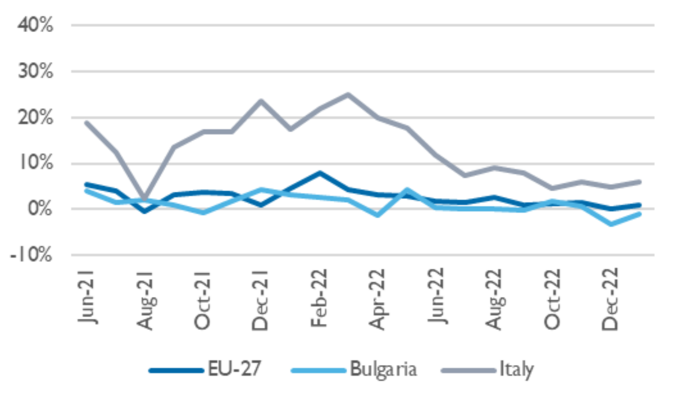
Source: Company data, UNLU & Co estimates. [1]Dividend to be distributed in 2023 is presented in 2022A. The financials of Sisecam Resources are reflected on the P&L starting from 1Q22. Sisecam's indirect stake via its subsidiary Sisecam Resources in existing Wyoming plant will increase from 23% to 31%, after Sisecam Resources ceases to be listed in 2023. Net income includes minority adjustment of Sisecam Resources for 31% stake. [2]Planned USD4bn (UNLU&Co estimate is USD4.3m) investment between 2024 and 2028 for Pacific Soda is included in forecasts. Sisecam has proportional consolidation for 60% stake in Pacific Soda (USD2.6bn investment for 60% stake). We assume 80% debt financing of the investments to be included in Sisecam's balanf1ce sheet in 2024 and assume grace period for interest payments.

Financials and forecasts

Sisecam benefited from 1) the uptrend in glass pricing and cost advantage of operations in Turkey amid skyrocketing energy costs in Europe in 2022; 2) ongoing renovation and housing demand since 2020; 3) scarcity of glass and soda ash supply in its regions post the pandemic; and 4) TL depreciation. That said, Sisecam has fully utilised its new capacity and recorded volume growth of 21% in architectural glass, 17% in glassware, 8% in glass packaging, and 10% in synthetic soda ash segments in 2021. It is also worth noting that part of the growth in domestic architectural glass sales was derived from higher exports of Sisecam's domestic clients, which are mostly wholesalers with glass processing capacities.

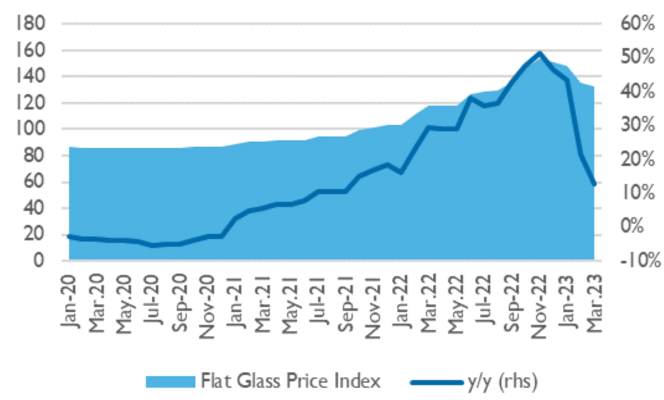
Glass and chemicals volumes were flattish or slightly below 2021 levels during 2022, after a high base. We calculate a 51% domestic volume share in architectural glass in 2022 and assume that 7% of this was attributable to sales to clients dedicated to exports. Recall that architectural glass, auto glass, glassware, glass packaging, and chemicals segments had respective revenue shares of 26%, 7%, 11%, 19% and 37% in 2022 (13% for the US soda ash operation acquired in 2021 from Ciner).

Figure 1: Production in construction (latest data Jan 23)



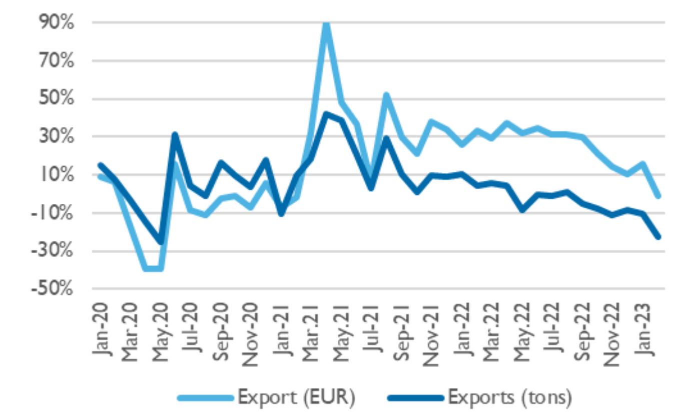
Source: Eurostat

Figure 2: Europe - Flat Glass Price Index and y/y change



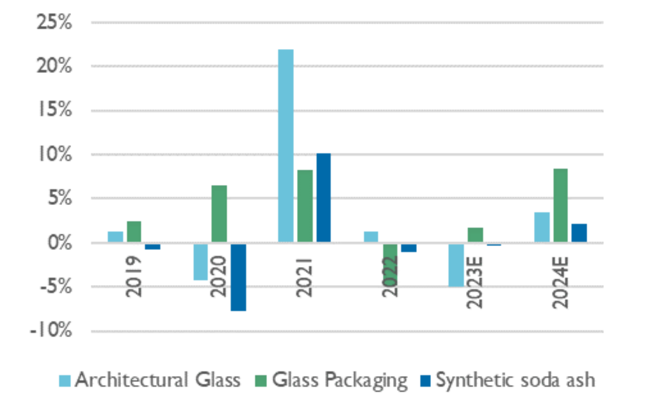
Source: Bloomberg, Eurostat

Figure 3: Monthly flat glass exports - Turkey - y/y change



Source: TurkStat

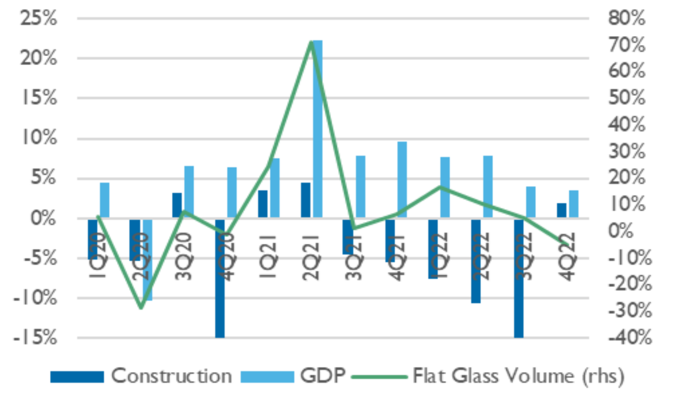
Figure 4: Volume growth by divisions



Source: Company data, UNLU & Co estimates

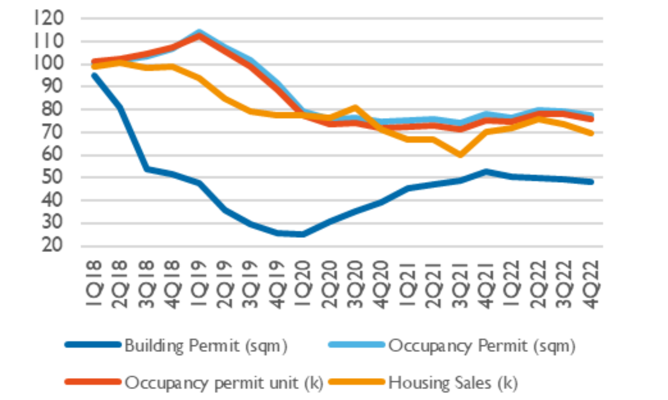
We expect to see weaker volumes in all glass segments in 1H23 on the back of 1) weakening glass demand in Europe; 2) reduced price gap between glass prices in Turkey vs Europe, and increased architectural glass imports to Turkey, in a more stable currency environment ytd; 3) temporary negative effects of the earthquakes in February; and 4) high base effects of 1Q22. Turkey's glass exports data released by Turkstat (Figure 3) also reveal a softening in exports in EUR and volume terms on a y/y basis.

Figure 5: Turkey real growth in construction sector and GDP vs Sisecam's domestic architectural (flat) glass volumes on a y/y basis



Source: Turkstat, Company data

Figure 6: Turkey construction sector indicators – 12M trailing index (4Q17=100)

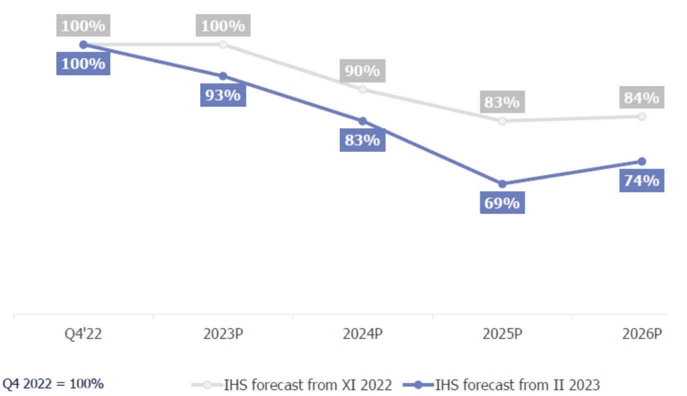


Source: Turkstat

After softer demand in 1H23, we expect to see some normalisation in exports/ domestic sales in 2H23. Still, we factor in a volume decline of 5.5% in the architectural glass segment in 2023. For the glass packaging segment, we expect 2% volume growth in 2023, after a 5% drop in volumes in 2022. We believe the effect of the reconstruction of buildings in the earthquake zone in Turkey on architectural glass demand will not be immediate, due to a time lag between start of building construction and glazing. We roughly calculate a 2% additional architectural glass volume effect in 2024.

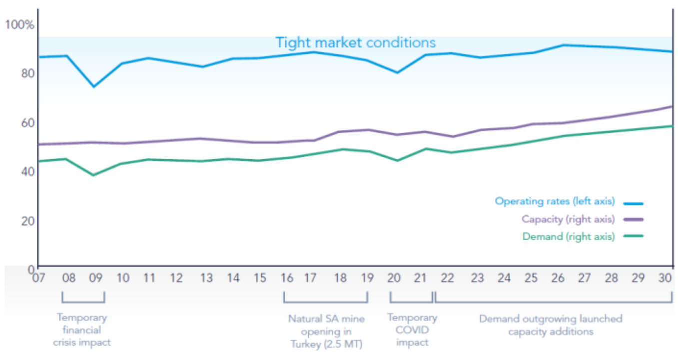
We think global easing in volumes was also seen in synthetic soda ash volumes in 1Q23 and expect a normalisation in volumes during the year, due to the 5% y/y volume decline seen in 2H22. Additionally, Sisecam will need to lower CUR in the soda ash facility in the US, in order to execute maintenance investments. We thus assume a 3% decline in soda ash volumes in 2023 (synthetic soda ash flattish, natural soda ash down 5%) and 4% growth in 2024.

Figure 7: Soda ash price forecast for Western Europe[1]



Source: Ciech, OPIS (IHS) [1]Market prices (contract and spot market) analyzed taking into account the surcharge.

Figure 8: Global soda ash capacity, operating rates and demand



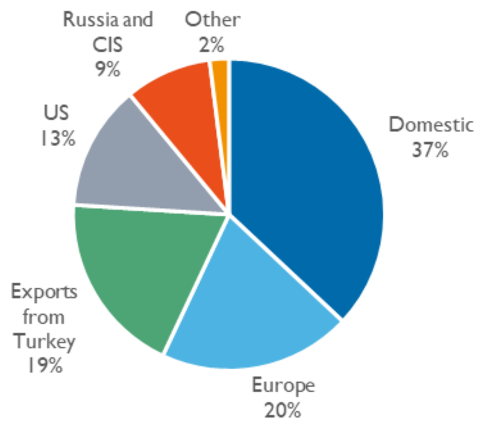
Source: Solvay

Concerns regarding energy supply and the rise in natural gas pricing after the start of the Ukraine-Russia war led glass companies to activate energy surcharges on top of glass prices from June 2022. Based on that effect, we calculate a roughly 60% EUR-based increase in architectural glass, 100% for synthetic soda ash, 40% for natural soda ash in 2022 (up 80% y/y in 4Q22). Following the recent fall in energy costs, surcharges are being eliminated in the market, resulting in a 10% q/q drop in architectural glass prices in Europe in 1Q23 (Figure 2).

The price adjustment in soda ash (50% of output is consumed by the glass industry) came with a few months lag and started to decline by double digits as of April. However, we think that architectural/soda ash glass pricing has reached the bottom for 2023, given the existing cost inflation apart from energy, the risk of an upswing in energy costs in winter 2023-2024, and tight soda ash supply in East Asia (Figure 8). Therefore, we anticipate only a 6% price decline on average in 2023, followed by a 15% decline in 2024, in architectural glass in EUR terms. Given the time lag of price adjustments in synthetic soda ash, we expect average prices to remain higher in 2023, then fall by 13% in 2024, and decline by 5% in 2025.

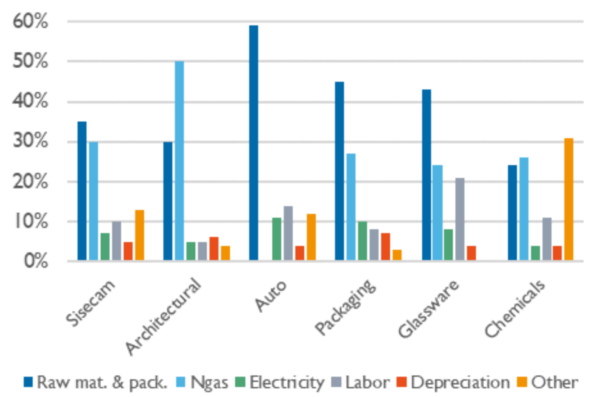
Sisecam recorded 53% organic revenue growth and 33% EBITDA growth in EUR terms in 2022, mostly driven by higher pricing. Natural soda ash operations, dubbed Sisecam Resources, in Wyoming, US, made a 13% revenue contribution in 2022. Sisecam indirectly controls Sisecam Resources (listed as SIRE US) via a 23% effective stake and the company will cease to be listed in 2023, as per the merger agreement with the parent company. After the transactions, Sisecam's indirect stake will increase to 31%.

Figure 9: Geographical breakdown of Sisecam's revenues in 2022[1]



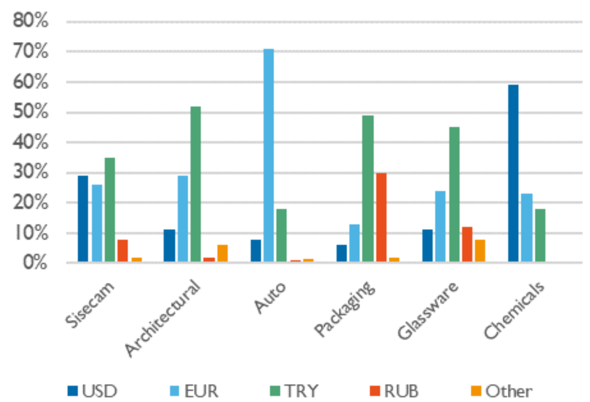
Source: Company data, [1]Exports from Turkey to Europe and Other regions

Figure 10: CoGS breakdown in 2022



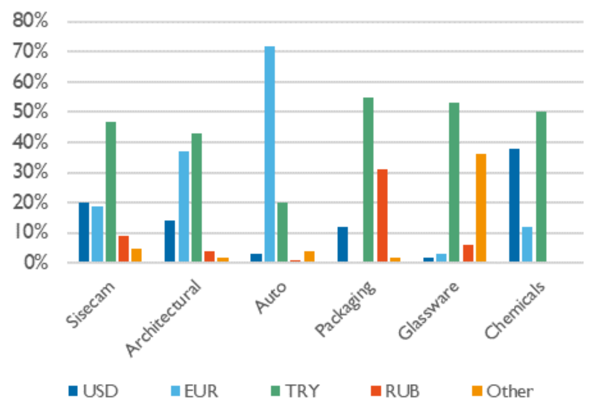
Source: Company data

Figure 11: FX breakdown in revenues in 2022



Source: Company data

Figure 12: FX breakdown in CoGS in 2022

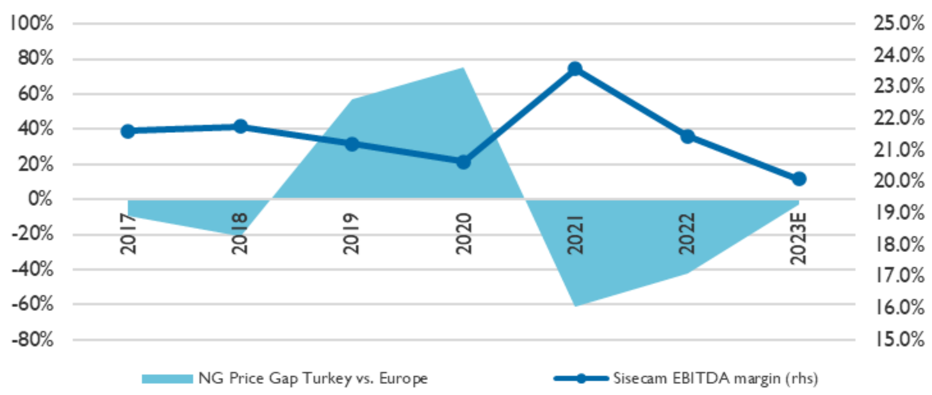


Source: Company data

We expect Sisecam to record a slight revenue decline in EUR terms and margin pressure in 2023, after an outstanding financial performance in 2022. The historical trend in natural gas price differences between Turkey and Europe, and the magnitude of change in the EUR/TL rate have been important factors for Sisecam's pricing and margin performance. Following the currency shock in Turkey in 2018, a more stable currency and higher energy costs due to lagged price adjustments by BOTAS pressured Sisecam's margin during 2019. Pandemic effects and lower glass pricing exacerbated margin declines in 2020.

This notwithstanding, Sisecam saw a substantial margin recovery in 2021, after the reopenings in glass markets and improving demand, contrary to supply shocks post the pandemic. Margins were still strong during 1H22 and then started to contract, due to the increased pressure from energy costs and reduced cost advantages of having operations in Turkey. Finally, as of April 2023, we note that the gap in natural gas costs and architectural glass pricing has been reduced. Furthermore, continued stability or gradual depreciation in the TL vs USD/EUR and the legislation to keep 40% of export revenues in TL put extra pressure on margins and cash flow.

Figure 13: Sisecam EBITDA margin vs natural gas cost spread Turkey vs Europe in EUR terms



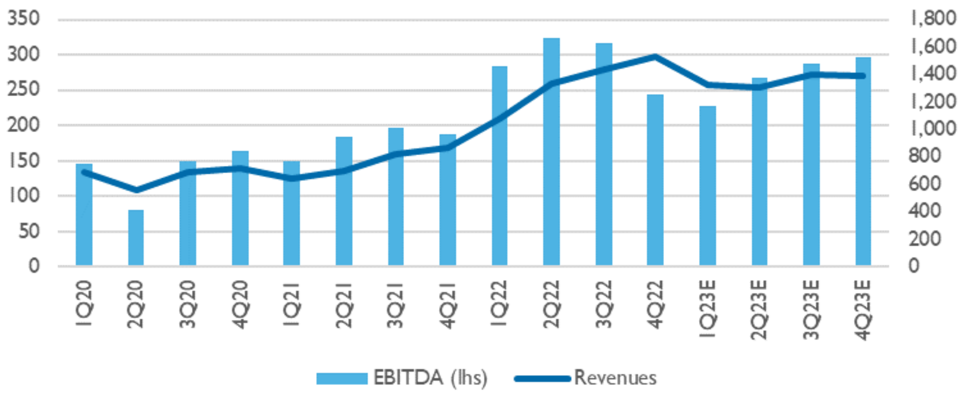
Source: Company data, UNLU & Co estimates

We maintain our positive view regarding Sisecam's competitiveness and cost advantages, particularly in a scenario of TL volatility. While short-term margin pressure is likely to continue, we expect some normalisation in margins starting from 2H23. We also note that the repricing of natural gas hedges for the plants in Italy and Bulgaria should also help improve margins in the months ahead.

Sisecam's net margins peaked at 28% in 2021 and 20% in 2022 vs an 11% average net margin between 2016 and 2020. FX gains on long USD positions during the volatility in the TL and operational improvements were the key reasons behind such high net margin levels. We expect net margins to fall to around 11-12%, along with the normalisation in operating profitability and lower support from FX gains on the back of Sisecam's short FX position.

Şişecam recorded a EUR218m short FX position in 2022, due to the EUR185m capital injection to subsidiaries in Europe and foreign currency legislation on 40% TL conversion of export revenues in addition to hard currency loans used within the period. Cash positions of subsidiaries in their functional currencies are excluded from the FX risk calculation on consolidated and reported financials. Additionally, the regulation to convert 40% of export revenues to TL remains in place. Therefore, we expect the short FX position to remain and Sisecam to record some FX losses due to slight depreciation of the TL against the EUR during 1Q23. We factored in an FX-neutral balance sheet for YE23. This accounting practice should have a limited effect on Sisecam's cash flow, due to the existing hard currency cash held in its subsidiaries abroad.

Figure 14: Quarterly analysis of revenues vs EBITDA in EUR terms



Source: Company data, UNLU & Co estimates

Changes to estimates

We fine-tune estimates to incorporate the effects of higher cost pressure than previously forecast and now assume lower EBITDA margins. We factor in 1% and 7% contractions in revenues and EBITDA in EUR terms in 2023, after organic growth of 53% and 33% in revenues and EBITDA, respectively, in EUR terms in 2022. This is based on our assumption of some decline in glass/soda ash pricing compared to the peak in 4Q22 in light of potential weakness in demand due to concerns about recession, a high base in 1Q22, and a downtrend in natural gas prices in Europe. Even if glass and soda ash pricing remain elevated due to cost inflation in Europe, we expect to see margin pressure on the back of a lower CUR and high inflation. Recall that Sisecam will distribute TL2.1bn gross cash dividend (TL0.69 DPS) on May 31, 2023.

Figure 15: Changes to estimates

		New Estimates			Old Estimates			Difference		
TL m	**2022**	**2023E**	**2024E**	**2025E**	**2023E**	**2024E**	**2025E**	**2023E**	**2024E**	**2025E**
Revenues	95,349	136,819	177,899	209,489	138,483	181,335	201,667	-1%	-2%	4%
EBITDA	20,455	27,566	36,950	46,056	29,095	39,386	44,808	-5%	-6%	3%
Net Income	19,345	15,719	21,025	26,181	20,148	25,253	28,467	-22%	-17%	-8%
EBITDA Margin	21.5%	20.1%	20.8%	22.0%	21.0%	21.7%	22.2%	-0.9pp	-0.9pp	-0.2pp
Net Margin	20.3%	11.5%	11.8%	12.5%	14.5%	13.9%	14.1%	-3.1pp	-2.1pp	-1.6pp
USDm										
Revenues	5,756	5,937	5,515	5,697	5,764	5,481	5,414	3%	1%	5%
EBITDA	1,235	1,196	1,145	1,252	1,211	1,191	1,203	-1%	-4%	4%
Net Income	1,168	682	652	712	839	763	764	-19%	-15%	-7%
EBITDA Margin	21.5%	20.1%	20.8%	22.0%	21.0%	21.7%	22.2%	-0.9pp	-0.9pp	-0.2pp
Net Margin	20.3%	11.5%	11.8%	12.5%	14.5%	13.9%	14.1%	-3.1pp	-2.1pp	-1.6pp
Macro Estimates										
EUR/TL average	17.383	25.023	33.442	38.124	24.759	33.634	37.872	1%	-1%	1%
USD/TL average	16.566	23.046	32.258	36.774	24.024	33.082	37.251	-4%	-2%	-1%

Source: Company data, UNLU & Co estimates

Valuation: We use a blended valuation for Sisecam, assigning 70% to the discounted cash flow analysis and 30% to the peer comparison analysis. Our TL-based discounted cash flow analysis is based on a nine-year forecast period, a 14% terminal growth rate, and a 25.7% WACC (21% risk free rate, 6% equity risk premium and 1.0x beta). We also incorporate the net value of US assets (adjusted for minorities), equity pick-up investments, and the appraisal value of idle assets. We shift heavy investment period to 2024-26 for a total investment of USD4.3bn (USD2.4bn for Sisecam's 60% stake) to build two soda ash plants (presented in detail in Figures 27-29) until 2028. We note that the permit stage for mining and investment took longer than previously scheduled for the projects.

In our peer comparison analysis, we include target 2024 EV/EBITDA and P/Es of 5.6x and 9.6x, respectively, derived from the median of 10 peers. We see the following as risks: continuation of the wave of macro shocks, narrowing margins due to volatility in energy costs, postponement of investments and uncertainty on growth amid a demand/supply imbalance in Europe.

Figure 16: Peer comparison[1]

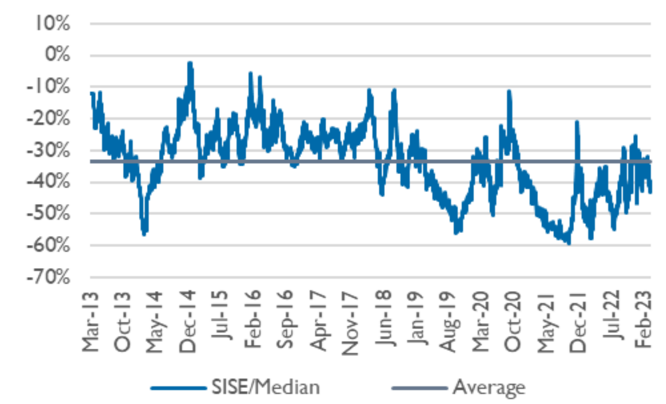
Company	Country	Mcap (US$mn	EV/EBITDA 2022	EV/EBITDA 2023E	EV/EBITDA 2024E	P/E 2022	P/E 2023E	P/E 2024E	EBITDA CAGR 2022-2024E	NI CAGR 2022-2024E
AGC	Japan	8,555	4.9	4.5	4.0	11.4	11.8	9.6	5%	9%
Saint Gobain	France	29,504	5.1	5.1	4.6	8.4	9.1	8.5	0%	-1%
Xinyi Glass	Hong Kong	7,829	8.8	9.5	7.5	9.7	10.4	8.3	10%	10%
Fuyao Glass	Hong Kong	12,557	11.3	10.2	8.5	16.1	14.9	12.3	16%	11%
O-I	USA	3,489	6.2	5.5	5.2	10.0	8.6	8.4	9%	9%
Verallia	France	5,034	7.2	5.9	5.6	12.5	9.9	9.5	11%	17%
Zignago	Italy	1,800	13.8	9.7	9.0	25.5	16.9	15.9	21%	26%
Solvay	Belgium	12,775	5.0	5.9	5.3	7.1	8.8	8.5	-4%	-8%
Tata Chemicals	India	3,178	14.0	8.2	7.6	26.1	12.0	12.1	33%	46%
FMC	US	15,354	13.0	11.7	10.6	16.6	15.7	13.9	9%	8%
Ciech	Poland	660	4.1	3.7	4.0	6.7	7.3	9.7	-3%	-14%
Median			**7.2**	**5.9**	**5.6**	**11.4**	**10.4**	**9.6**	**9%**	**9%**
Sisecam		**6,866**	**7.3**	**5.8**	**5.0**	**6.9**	**8.5**	**6.3**	**-3%**	**-24%**
Premium/(discount)			**2%**	**-3%**	**-10%**	**-40%**	**-19%**	**-34%**		

Source: Bloomberg, UNLU & Co estimates, [1]Data as of April 14

Figure 17: Sisecam's historical P/E discount

Source: Bloomberg

Figure 18: Historical discount to international peers on P/E[1]



Source: Bloomberg, [1]Based on the median of 10 peers

Figure 19: Sisecam – Key performance indicators

Sisecam	2019	2020	2021	2022	2023E	2024E
Volume Growth						
Chemicals - soda ash	-1%	-8%	10%	-1%	0%	2%
Packaging	3%	6%	8%	-5%	2%	8%
Architectural Glass	1%	-4%	22%	1%	-5%	4%
Revenues	**18,059**	**21,341**	**32,058**	**95,349**	**136,819**	**177,899**
Chemicals	4,636	5,316	7,612	35,290	51,116	68,102
Packaging	4,300	5,467	7,565	18,084	27,420	37,434
Architectural	0	5,284	9,778	26,447	33,794	39,867
Auto	0	2,382	3,252	6,314	10,081	13,956
Glassware	3,080	3,205	4,878	10,442	15,014	20,336
EBITDA	**3,831**	**4,405**	**7,562**	**20,455**	**27,566**	**36,950**
Chemicals	1,081	1,419	1,720	7,949	8,892	12,196
Packaging	1,068	1,474	1,669	3,200	5,472	7,831
Architectural	0	884	2,925	7,422	8,921	10,974
Auto	0	100	7	-209	504	1,396
Glassware	363	405	839	1,828	2,499	3,678
After Tax Income	**2,700**	**2,825**	**9,131**	**20,133**	**17,292**	**23,096**
Net Income	**1,905**	**2,138**	**9,040**	**19,345**	**15,719**	**21,025**
Growth						
Revenues	16%	18%	50%	197%	43%	30%
Chemicals	17%	15%	43%	364%	45%	33%
Packaging	33%	27%	38%	139%	52%	37%
Architectural			85%	170%	28%	18%
Auto			37%	94%	60%	38%
Glassware	22%	4%	52%	114%	44%	35%
EBITDA Margin	**21.2%**	**20.6%**	**23.6%**	**21.5%**	**20.1%**	**20.8%**
Chemicals	23.3%	26.7%	22.6%	22.5%	17.4%	17.9%
Packaging	24.8%	27.0%	22.1%	17.7%	20.0%	20.9%
Architectural		16.7%	29.9%	28.1%	26.4%	27.5%
Auto		4.2%	0.2%	-3.3%	5.0%	10.0%
Glassware	11.8%	12.6%	17.2%	17.5%	16.6%	18.1%

EURm	2019	2020	2021	2022	2023E	2024E
Revenues	2,844	2,664	3,070	5,485	5,468	5,320
Chemicals	730	664	729	2,030	2,043	2,036
Packaging	677	682	724	1,040	1,096	1,119
Architectural	-	660	936	1,521	1,351	1,192
Auto	-	297	311	363	403	417
Glassware	485	400	467	601	600	608
EBITDA	603	550	724	1,177	1,102	1,105
Chemicals	170	177	165	457	355	365
Packaging	168	184	160	184	219	234
Architectural		110	280	427	357	328
Auto		13	1	-12	20	42
Glassware	57	51	80	105	100	110

Source: Company data, UNLU & Co estimates

Sisecam 1Q23 Preview

We forecast TL2.0bn in net earnings in 1Q23 vs. TL3.6m recorded in 1Q22. Our assumption of TL27.3bn in revenues, implying 61% y/y TL-based growth is mostly associated with higher product pricing y/y and currency effects. This notwithstanding, we foresee a 17.7% EBITDA margin in 1Q23, up 170bps q/q, yet down by 858bps y/y, due to increased cost pressures y/y and a lower CUR. Finally, higher financial and tax expenses should lead to a 43% contraction in net income y/y.

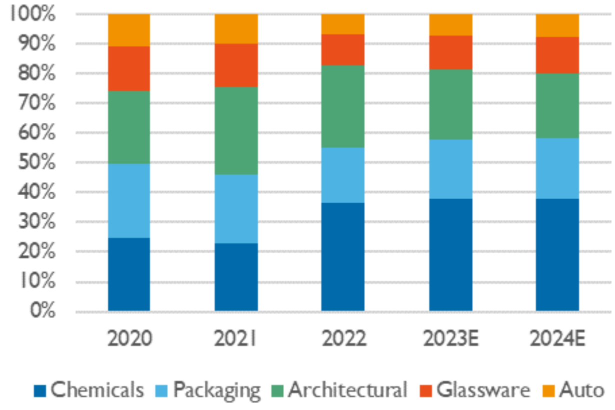
Figure 20: 1Q23 earnings preview

TLm	1Q22	4Q22	ÜnlüCo 1Q23e	y/y	q/q
Revenues	16,974	29,070	27,324	61%	-6%
EBITDA	4,456	4,631	4,829	8%	4%
EBITDA margin	26.3%	15.9%	17.7%	-8.6pp	1.7pp
Net profit	3,576	5,589	2,022	-43%	-64%
Net margin	21.1%	19.2%	7.4%	-13.7pp	-11.8pp

Source: Company data, UNLU & Co estimates

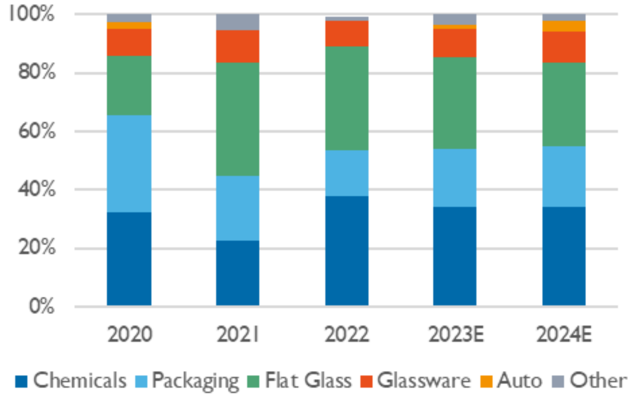
APPENDIX

Figure 21: Revenue breakdown



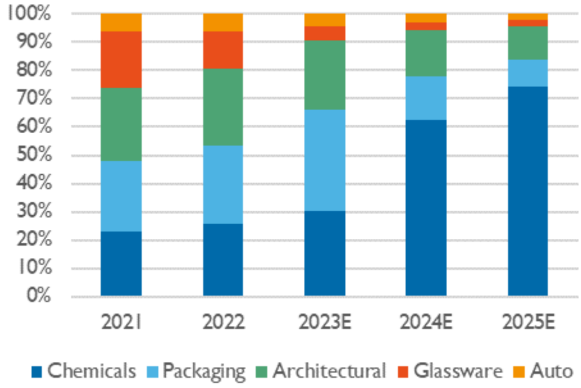
Source: Company data, UNLU & Co estimates

Figure 22: EBITDA breakdown



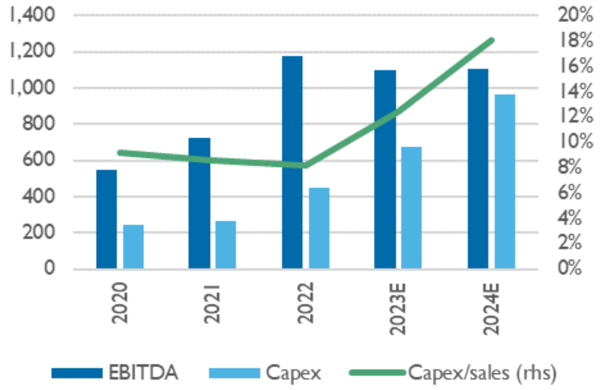
Source: Company data, UNLU & Co estimates

Figure 23: Capex breakdown



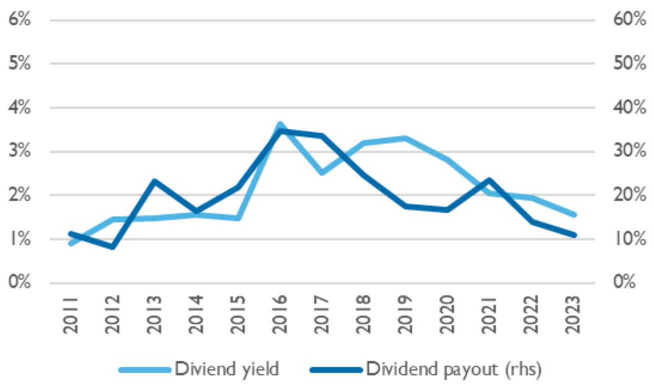
Source: Company data, UNLU & Co estimates

Figure 24: EBITDA, Capex and capex/sales ratio



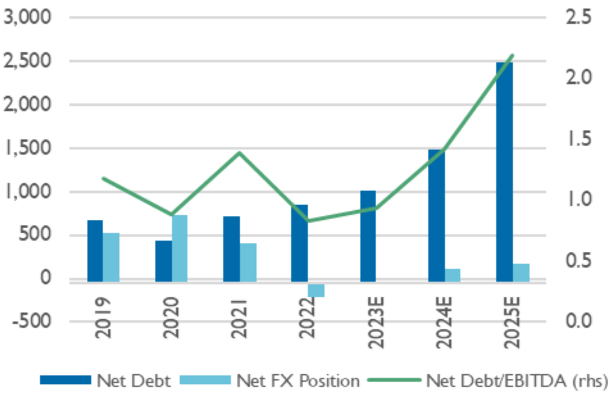
Source: Company data, UNLU & Co estimates, [1]Capex includes US soda ash investments.

Figure 25: Dividend yield vs payout ratios[1]



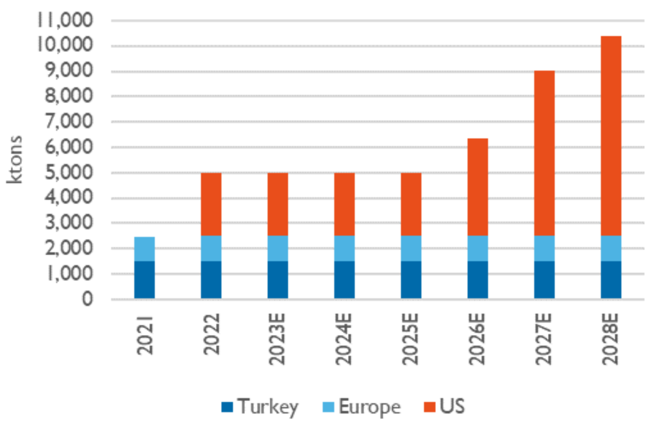
Source: Company data, Rasyonet [1]Dividend of 2022 fiscal year is presented in 2023 and the dividend yield of 2023 is calculated based on the current share price. Dividend distribution date 31 May 2023.

Figure 26: Net debt/EBITDA, long FX position and net debt[1] (EURm)



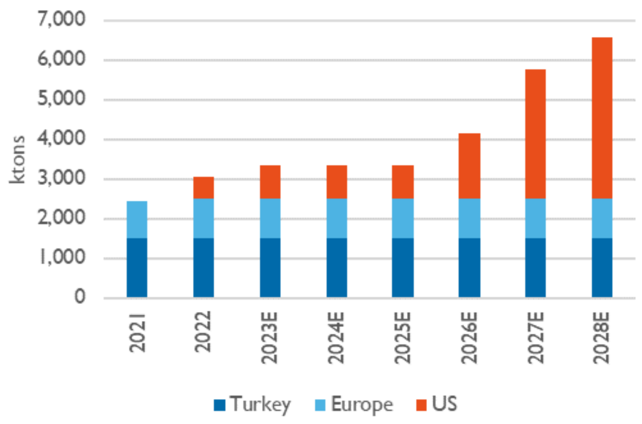
Source: Company data, UNLU & Co estimates, [1]Net debt and net debt/EBITDA include the planned investments in chemicals operations in the US. Sisecam recorded a short FX position in 2022, due to a EUR185m capital injection to subsidiaries in Europe and foreign currency legislation on 40% TL-conversion of export revenues in addition to hard currency loan uses within the period.

Figure 27: Soda ash capacity to be controlled by Sisecam



Source: Company data, UNLU & Co estimates

Figure 28: Soda ash capacity by Sisecam based on effective stake[1]



Source: Company data, UNLU & Co estimates [1] 60% stake in Pacific Soda (Atlantic and Pacific Soda were merged as Pacific Soda LLC on 30 June 2022) and 31% indirect stake in Ciner Wyoming. Sisecam's indirect stake in Wyoming will increase from 23% to 31% after the owner of Ciner Wyoming, Sisecam Resources will cease to list.

Figure 29: US investment forecasts and effects on Sisecam's consolidated figures

USDm	2023E	2024E	2025E	2026E	2027E	2028E
US Operations						
Revenues	722	662	632	820	1,440	1,940
EBITDA	159	156	158	222	445	619
Capex	193	736	1,435	1,435	336	337
FCF	-16	-543	-1,262	-1,217	88	251
Sisecam Consolidated including Sisecam Resources						
Revenues	5,937	5,515	5,697	5,926	6,155	6,389
EBITDA	1,196	1,145	1,252	1,324	1,402	1,457
EBITDA margin	20.1%	20.8%	22.0%	22.3%	22.8%	22.8%
Capex	588	544	463	423	439	456
FCF	19	151	457	476	494	513
FCF margin	0%	3%	8%	8%	8%	8%
Sisecam Consolidated including 60% stake in Pacific Soda[1]						
Revenues	5,937	5,515	5,697	6,030	6,624	7,151
EBITDA	1,196	1,145	1,252	1,360	1,567	1,723
EBITDA margin	20.1%	20.8%	22.0%	22.6%	23.7%	24.1%
Capex	678	964	1,303	1,263	619	636
FCF	-71	-269	-383	-328	476	596
FCF margin	-1%	-5%	-7%	-5%	7%	8%
Net Debt/EBITDA	0.9	1.4	2.2	2.5	2.0	1.6

Source: Company data, UNLU & Co estimates, [1] Sisecam acquired 23% indirect stake in Sisecam Resources (Previously Ciner Resources) in 2021 and started to fully consolidate operations in 2022. For Pacific Soda assets, including two soda ash investments, total investment size is estimated at USD4.3bn (UNLU&CO estimate).. Sisecam applies proportional consolidation for 60% stake. We expect a heavy investment period to start in 2024 and include 60% or USD2.6bn total investments in consolidated financials.

Companies Mentioned (Price as of 17 April 2023)
Company Name (SISE.IS, RATING HOLD, TP TL50)

Disclosure Appendix

Important Global Disclosures

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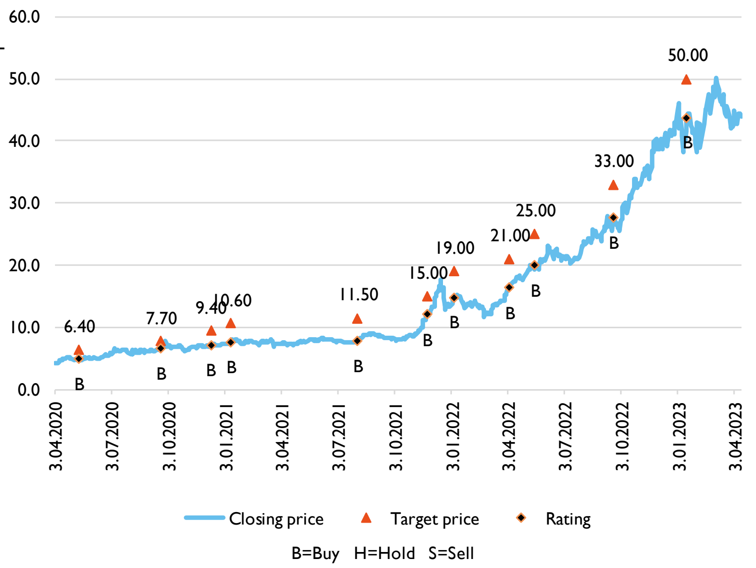
3-Year Price, Target Price and Rating Change History Chart for SISE.IS

SISE.IS Date	Closing Price	Target Price	Rating	Initiation/ Assumption
12.05.2020	4.87	**6.40**	**BUY**	
21.09.2020	6.55	**7.70**	**BUY**	
10.12.2020	7.16	**9.40**	**BUY**	
12.01.2021	7.64	**10.60**	**BUY**	
4.08.2021	7.80	**11.50**	**BUY**	
24.11.2021	11.99	**15.00**	**BUY**	
6.01.2022	14.85	**19.00**	**BUY**	
6.04.2022	16.30	**21.00**	**BUY**	
17.05.2022	19.91	**25.00**	**BUY**	
20.09.2022	27.64	**33.00**	**BUY**	
17.01.2023	43.76	**50.00**	**BUY**	



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Price Target: (12 months) for (SISE.IS)
Methods: We use blended value of DCF and International Peer Comparison, by assigning 70% and 30% weight, respectively. WACC: 25,1%, RfR:21%, ERP: 6%, Beta: 1x
Risks: The key downside risks are macroeconomic shocks, oversupply issues and higher cost pressure. Potential merger synergies and additional renovation demand creation could pose upside risks to our forecasts.

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