

2Q24 Earnings Preview

Telecom, healthcare and retailing look relatively better in 2Q24

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With this report, following our earnings preview on banks and insurance companies that we previously published, we reviewed earnings outlook of 24 non-financial companies under our coverage. We did not disclose our forecasts for retailers, operating on a thin profit margin, due to the difficulty of making sound quarterly forecasts amidst the effects of inflation accounting in light of monthly inflation data showing high volatility. Naturally, since financial results contain strong seasonality, especially in non-financial companies, comparison with the previous quarter will not be meaningful. However, since we did not have last year's inflation adjusted 2Q results, we had to present our forecasts side by side with the 1Q24 results.

Turkcell, Logo, Lokman Hekim and Medical Park look relatively better: According to our forecasts, there will be a q/q increase of 12% in net sales, increase of 36% in EBITDA and increase of 67.5% in net earnings. Ironically, THY and Pegasus, which actually accounts most of q/q earnings growth in 2Q24, are likely to see some earnings contraction on a y/y basis. On the other hand, we estimate that Turkcell, Logo, Lokman Hekim and Medical Park will maintain a strong y/y earnings momentum while having better scores in 2Q24 than in 1Q24.

In terms of 2Q24 results, sectoral dynamics favour telecom, food retailing and healthcare services sectors. We expect the prevailing delayed effects of subscription renewals in an inflationary environment to have a positive impact on sales volumes and earnings at telecom companies. We like Turkcell's results in this sector. Another sector where we think price adjustments and relatively strong demand will positively affect growth is food retailing. We estimate that BiM will continue to differentiate positively in terms of growth and profitability in this sector in this quarter. On the healthcare side, SSI and TMA price adjustments in line with inflation have a similar effect on hospital turnovers. Lokman Hekim and Medical Park are companies from the sector that we expect to announce strong results.

On the other hand, despite company specific differentiations, **the consumer durables and automotive sectors continue to be negatively affected by the contractionary effects of monetary tightening on demand.** In these sectors, we generally expect sales volumes to decrease annually in real terms and profits to shrink. We do not expect a strong momentum on the iron and steel sector, either. We estimate that sales volumes in this sector will remain flat and the shrinking steel - input spread will result in a weakening operating performance compared to the previous quarter. The delayed revenge travel tendency we saw in the aviation industry after the pandemic started to lose momentum from 4Q23 onwards and increasing personnel costs are suppressing profitability. We think that this situation will cause a general weakening in companies' 2Q24 profits.

Reporting season for non-financial companies will be concentrated in August. Financial results in non-financial companies already started with TAV. Following our report, we expect Arçelik to announce results on July 30 and Otokar on July 31. According to the IR guidance, the announcements of financial results in non-financial companies will be mostly in August and continue until mid-September. The last day of 2nd quarter reporting season is September 30.

(TRYmn)	2Q24E	1Q24	Q/Q
Non-Financials			
Revenues	996,700	890,553	11.9%
EBITDA	131,680	97,045	35.7%
EBITDA Margin	13.2%	10.9%	2.31pt
Net Income	61,661	38,694	59.4%
Net Margin	6.2%	4.3%	1.84pt

NON-FINANCIALS

Ticker	Expected Release Date		2Q24E	1Q24	Q/Q	Preview Notes
AEFES	20-Aug	Net Sales	64,680	43,562	48.5%	Expect strong volume growth momentum to continue both in Türkiye and international operations. Exc. IAS 29%, we expect 77% y/y beer group topline growth and 61% y/y beer group EBITDA growth. Despite strong pricing and margins in Türkiye beer group, weaker Russian margins will likely put pressure on beer group EBITDA margin leading to 200bps y/y beer group margin contraction.
		EBITDA	11,385	5,341	113.2%	
		Margin	17.6%	12.3%	5.34pt	
		Net Income	5,435	3,141	73.1%	
		Margin	8.4%	7.2%	1.19pt	
AKSA	15-Aug	Net Sales	6,668	6,642	0.4%	High interest rate environment might have led to a weakening in textile acrylic fibres in 2Q24 despite some resilience in this segment in 1Q24. Lower capacity utilization due to routine maintenance activity might also lead to a slightly weaker EBITDA performance in this quarter.
		EBITDA	1231	1,263	(2.5%)	
		Margin	18.5%	19.0%	(0.55pt)	
		Net Income	828	675	22.6%	
		Margin	12.4%	10.2%	2.25pt	
ARCLK	30-Jul	Net Sales	103,439	72,265	43.1%	We expect strong sales growth q/q supported by the Whirlpool merger, which will increase the EU exposure in the company's overall geographic breakdown. On the other hand, the merger should lead to diluted operating profitability, as Whirlpool was operating on very thin margins. Coupled with merger-related one-offs, we expect a poor net profit for the quarter.
		EBITDA	5,828	5,711	2.0%	
		Margin	5.6%	7.9%	(2.27pt)	
		Net Income	210	395	(46.9%)	
		Margin	0.2%	0.5%	(0.34pt)	
ASELS	n.a.	Net Sales	16,047	15,139	6.0%	Our top-line growth expectation is lower than CPI on real appreciation of TRY. We expect top-line to stay almost flat q/q in USD terms compared to 1Q24. We expect EBITDA margin to widen slightly on revenue growth. We do not expect interest rate hikes to impact interest burden much, as the Company can benefit from favourable loan conditions.
		EBITDA	3,691	3,398	8.6%	
		Margin	23.0%	22.4%	0.56pt	
		Net Income	1,497	1,404	6.6%	
		Margin	9.3%	9.3%	0.06pt	
AYGAZ	5-Aug	Net Sales	15,632	15,791	(1.0%)	EBITDA is expected to be pressured by possible inventory losses in LPG segment and negative EBITDA from parcel delivery operations. Note that, Aygaz recently made an agreement with "Kolay Gelsin" brand. According to the new partnership, Aygaz will have 27.5% stake in the new entity and will book parcel delivery operations via equity pick up, starting from 3Q24.
		EBITDA	235	225	4.6%	
		Margin	1.5%	1.4%	0.08pt	
		Net Income	157	(4)	n.a.	
		Margin	1.0%	(0.0%)	n.a.	
CCOLA	19-Aug	Net Sales	38,940	27,230	43.0%	Expect flattish to slight positive volume growth. Exc. IAS 29, we expect 65% topline growth and 77% EBITDA growth y/y, suggesting 150bps y/y margin expansion thanks to lower cost pressure, especially in Türkiye operations. Our estimates suggest slight downside risk to management volume and revenue guidance yet upside risk to margin guidance.
		EBITDA	7,945	4,376	81.6%	
		Margin	20.4%	16.1%	4.33pt	
		Net Income	5,425	2,716	99.8%	
		Margin	13.9%	10.0%	3.96pt	

Ticker	Expected Release Date		2Q24E	1Q24	Q/Q	Preview Notes
DOAS	28-Aug	Net Sales	36,783	34,120	7.8%	In 2Q24, sales volume excluding Skoda was down by 5% y/y. LV market share excluding Skoda improved by 85bps y/y. In 4Q23, price competition in domestic passenger vehicles started. In 2Q24, we expect 10% y/y decline in auto price in EUR terms. Considering the decline in pricing power we expect 1.6pp q/q decline in EBITDA margin. Considering lower q/q inflation and dividend payment in April, we expect a q/q decline in monetary loss.
		EBITDA	4,177	4,421	(5.5%)	
		Margin	11.4%	13.0%	(1.60pt)	
		Net Income	2,837	2,977	(4.7%)	
		Margin	7.7%	8.7%	(1.01pt)	
EREGL	12-16 Aug	Net Sales	49,150	49,748	(1.2%)	We expect flattish volume and capacity utilization q/q and a continued pressure on the steelmaking margins due to a thinner steel-raw material spread. This is likely to lead to lower operational performance q/q. We expect the EBITDA to decrease to the level of USD105/t in 2Q24.
		EBITDA	6,450	7,517	(14.2%)	
		Margin	13.1%	15.1%	(1.99pt)	
		Net Income	2,550	5,601	(54.5%)	
		Margin	5.2%	11.3%	(6.07pt)	
FROTO	6-Aug	Net Sales	106,929	124,188	(13.9%)	We expect 21% y/y decline in domestic sales volume in 2Q24. We expect 13% y/y decline in Türkiye exports in 2Q24. We expect 7% y/y increase in Romania sales volume. All in all, we expect 9% y/y decline in total sales volume. We don't see a significant decline in Ford's pricing power. We expect 8% y/y decline in net sales in EUR terms. We expect 0.5pp q/q decline in EBITDA margin with the change in sales mix. Considering q/q lower inflation we expect monetary gain to decline q/q.
		EBITDA	8,020	10,093	(20.5%)	
		Margin	7.5%	8.1%	(0.63pt)	
		Net Income	6,615	8,973	(26.3%)	
		Margin	6.2%	7.2%	(1.04pt)	
INDES	n.a.	Net Sales	15,449	14,713	5.0%	We expect q/q top line growth to be lower than CPI on changes in demand. On the other hand, we expect Opex to Sales ratio to narrow so that EBITDA margin to stay almost flattish. We expect bottom line margin to narrow on increases in interest burden.
		EBITDA	774	730	6.0%	
		Margin	5.0%	5.0%	0.05pt	
		Net Income	90	109	(17.6%)	
		Margin	0.6%	0.7%	(0.16pt)	
KLKIM	2-13 Sep	Net Sales	1,600	1,439	11.2%	We expect a slight increase in domestic sales volume compared to 1Q24, though lower than the high base of 2Q23. Overall, the cumulative domestic sales volume in 1H24 should be near the upper band of management guidance. Export sales volume should grow significantly both q/q and y/y on the back of the brisk demand in Iraq. With moderated operational margins, we expect a flattish EBITDA q/q.
		EBITDA	376	378	(0.4%)	
		Margin	23.5%	26.2%	(2.74pt)	
		Net Income	130	104	24.8%	
		Margin	8.1%	7.2%	0.89pt	
KARDM	12-23 Aug	Net Sales	10,585	12,208	(13.3%)	We expect a lower sales volume and capacity utilization with a thinner steel-raw materials spread q/q to result in a continued pressure on the steelmaking margins. This is likely to lead to lower operational performance q/q. We expect the EBITDA to decrease to the level of USD65/t in 2Q24.
		EBITDA	1,048	1,428	(26.6%)	
		Margin	9.9%	11.7%	(1.80pt)	
		Net Income	(50)	(832)	n.a.	
		Margin	(0.5%)	(6.8%)	n.a.	

Ticker	Expected Release Date		2Q24E	1Q24	Q/Q	Preview Notes
LOGO	n.a.	Net Sales	1,225	970	26.3%	We believe worst is behind for Logo. We expect deferred income, time-lagged impact of price hikes to support q/q revenue growth and EBITDA margin. Our EBITDA growth expectation also depends on one-off Opex cuttings.
		EBITDA	510	287	77.6%	
		Margin	41.6%	29.6%	12.04pt	
		Net Income	305	(36)	n.a.	
		Margin	24.9%	(3.7%)	n.a.	
LKMNH	September	Net Sales	712	618	15.3%	Turkish Medical Association (TMA) price tariff hiked by %41 in December 2023, effective from January 2024. In May 2024, there was a SSI price hike. We will see the full impact in 3Q24. With strong price hikes we expect 26% y/y real net sales growth in 2Q24. Considering the timing of price hikes, increase in personnel costs and busy holiday season, we expect 0.6pp y/y decline in EBITDA margin in 2Q24. We expect margin improvement in 2H24.
		EBITDA	142	127	11.7%	
		Margin	19.9%	20.6%	(0.64pt)	
		Net Income	91	75	21.3%	
		Margin	12.8%	12.1%	0.64pt	
MEDTR	September	Net Sales	402	436	(7.7%)	In 2Q24, we expect net sales to decline by 7% in USD terms, considering the delay of some shipments to 3Q24. We believe sales growth will improve in 2H24. Considering real appreciation of TRY and increase in personnel wages in USD terms we expect 3.6pp y/y decline in EBITDA margin.
		EBITDA	92	95	(3.2%)	
		Margin	22.9%	21.8%	1.07pt	
		Net Income	47	11	343.3%	
		Margin	11.7%	2.4%	9.26pt	
MPARK	21-Aug	Net Sales	7,587	7,960	(4.7%)	Turkish Medical Association (TMA) price tariff hiked by %41 in December 2023, effective from January 2024. In May 2024, there was a Social Security Institution (SSI) price hike. We will see the full impact in 3Q24. Considering the busy holiday schedule in 2Q24 (Ramadan, Eid al-Adha and national holidays) we expect a slowdown in net sales growth. However, we believe real net sales growth will reach 25-30% in 2H24. Considering the timing of price hikes, increase in personnel costs and busy holiday season, we expect 1.1pp y/y decline in EBITDA margin in 2Q24. We expect margin improvement in 2H24.
		EBITDA	1,760	2,034	(13.5%)	
		Margin	23.2%	25.5%	(2.35pt)	
		Net Income	719	683	5.3%	
		Margin	9.5%	8.6%	0.90pt	
OTKAR	31-Jul	Net Sales	7,623	4,896	55.7%	We expect top line to grow by a solid 56% q/q on OSD data indicating volume growth of 9% in CVs segment, and 70 units higher AV sales. Despite solid revenue growth, we still expect negative EBITDA on our expectation of quarterly increase in marketing expenses related to fair expenses and IAS-29 impact on financials.
		EBITDA	(297)	(590)	n.a.	
		Margin	(3.9%)	(12.1%)	n.a.	
		Net Income	(349)	(417)	n.a.	
		Margin	(4.6%)	(8.5%)	n.a.	
PETKM	end-Aug	Net Sales	18,332	16,568	10.6%	Ethylene-naphtha spread averaged at USD142/ton in 2Q24, down by 50% y/y and 21% q/q. Despite continued weakness in ethylene-naphtha spread, we expect Petkim to improve its EBITDA thanks to stronger pricing environment in Europe due to logistical issues affecting product flow into the region and availability of cheaper feedstock for Petkim. We expect an EBITDA of USD44mn in 2Q24 vs. USD0.1mn in 1Q24 and USD0.9mn in 2Q23. Net profit is expected to be supported by the recovery in EBIT and monetary gains in 2Q24.
		EBITDA	1,324	2	71895.6%	
		Margin	7.2%	0.0%	7.21pt	
		Net Income	2,150	871	147.0%	
		Margin	11.7%	5.3%	6.47pt	

Ticker	Expected Release Date		2Q24E	1Q24	Q/Q	Preview Notes
PGSUS	12-Aug	Net Sales	25,466	17,391	46.4%	In 2Q24, seats increased by 11% y/y, while PAX increased by 19% y/y. Hence load factor was up by 7pp y/y in 2Q24. Ticket prices started to decline in 3Q23, as revenge travel started to fade away. Coupled with Pegasus's long term strategy to provide low cost tickets, in 2Q24, we expect 11% y/y decline in ticket prices. We expect 10% y/y increase in CASK with positive contribution from both fuel and ex-fuel CASK. We expect 5.4pp y/y decline in EBITDA margin.
		EBITDA	6,633	1,182	461.1%	
		Margin	26.0%	6.8%	19.25pt	
		Net Income	1,644	(3,501)	n.a.	
		Margin	6.5%	(20.1%)	n.a.	
SELEC	September	Net Sales	27,752	27,851	(0.4%)	In 2Q24 we expect 12% y/y decline in net sales in real terms, parallel to 1Q24 trends. Considering no change in reference EUR/TRY and no further change in regulated margins in 2Q24, we expect 0.8pp q/q decline in EBITDA margin. Considering dividend distribution in 2Q24 and q/q declining inflation we expect q/q lower monetary loss.
		EBITDA	1,554	1,770	(12.2%)	
		Margin	5.6%	6.4%	(0.76pt)	
		Net Income	857	248	245.8%	
		Margin	3.1%	0.9%	2.20pt	
TCELL	n.a.	Net Sales	39,044	30,822	26.7%	We expect c11% y/y real growth in 2Q24 on time-lagged impact of price hikes on contracts. We expect EBITDA margin to widen by 600bps on revenue growth.
		EBITDA	17,569	13,688	28.4%	
		Margin	45.0%	44.4%	0.59pt	
		Net Income	3,631	2,635	37.8%	
		Margin	9.3%	8.5%	0.75pt	
THYAO	5-Aug	Net Sales	179,169	147,238	21.7%	In 2Q24, ASK was up by 8% y/y, whereas RPK was up by 7% y/y. Hence load factor declined by 0.8pp y/y in 2Q24. RPK yield started decline in 4Q23, as revenge travel faded away. In 2Q24, we expect 3% y/y decline in RPK yield. In 2Q24, cargo volume was at a record high. Cargo volume was up by 30% y/y in 2Q24. We expect 37% y/y increase in cargo sales, thanks to both volume and price increase. We expect 4% y/y increase in fuel CASK with higher y/y jet fuel. We expect 6% y/y increase in ex-fuel CASK mainly due to higher personnel expenses. We expect 5pp y/y decline in EBITDA margin with decline in pricing power and higher costs.
		EBITDA	33,760	15,500	117.8%	
		Margin	18.8%	10.5%	8.32pt	
		Net Income	19,864	6,931	186.6%	
		Margin	11.1%	4.7%	6.38pt	
TOASO	1-Aug	Net Sales	23,144	35,271	(34.4%)	In 2Q24, we expect 40% y/y decline in domestic sales volume. In addition, we expect 34% y/y decline in export sales volume. We expect average price in EUR terms to remain flat y/y, implying q/q decline, considering the price competition in domestic market. We expect 0.3pp q/q decline in EBITDA margin mainly due to decline in pricing power. Considering lower q/q inflation and dividend payment in 2Q24, we expect 1.4pp q/q increase in PBT margin.
		EBITDA	2,881	4,490	(35.8%)	
		Margin	12.4%	12.7%	(0.28pt)	
		Net Income	2,180	2,806	(22.3%)	
		Margin	9.4%	8.0%	1.46pt	
TTRAK	31-Jul	Net Sales	16,902	16,595	1.9%	In 2Q24, we expect 2% y/y increase in domestic sales volume, whereas we expect 22% y/y decline in export sales volume. We see that strong pricing power continued in 2Q24. We expect 11% y/y increase in average price in EUR terms. We expect q/q flat EBITDA margin. We expect monetary loss to decline q/q with lower inflation and dividend payment in 2Q24.
		EBITDA	3,144	3,091	1.7%	
		Margin	18.6%	18.6%	(0.03pt)	
		Net Income	2,236	1,748	27.9%	
		Margin	13.2%	10.5%	2.70pt	

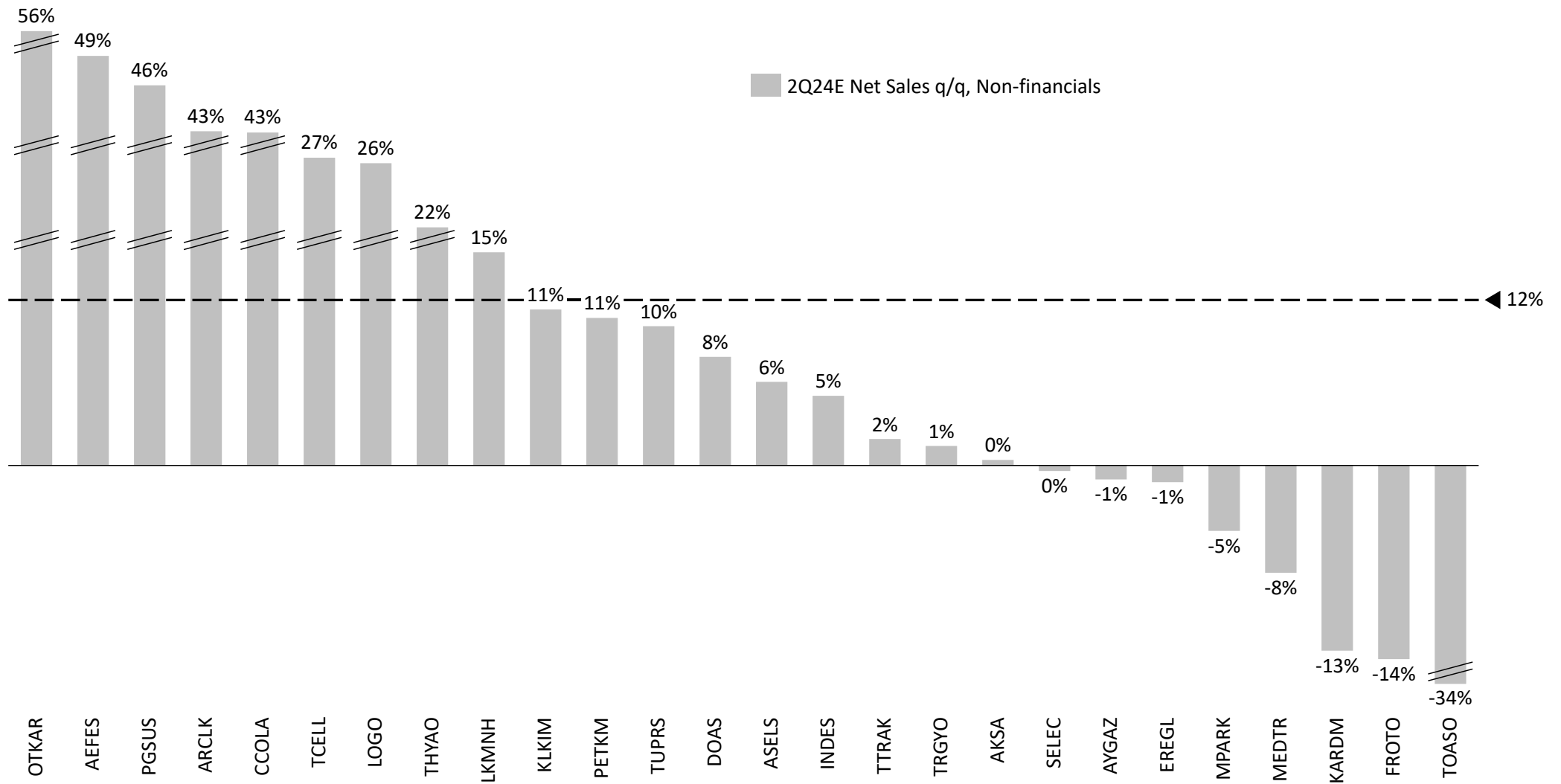
Ticker	Expected Release Date		2Q24E	1Q24	Q/Q	Preview Notes
TRGYO	15-16 Aug	Net Sales	1,440	1,421	1.4%	We expect the IAS29-related non-cash adjustments like provision for impairment of net realizable value and loss on sale of investment property to send net income into negative territory. EBITDA margin will be under pressure mainly due to a one-off TRY230mn title deed fee on the sale of Torun Tower. On the positive side, the company should generate TRY1.3bn interest income from the deposited cash proceeds.
		EBITDA	712	1,027	(30.7%)	
		Margin	49.4%	72.3%	(22.85pt)	
		Net Income	(1,886)	1,062	n.a.	
		Margin	(131.0%)	74.8%	n.a.	
TUPRS	5-Aug	Net Sales	182,000	165,473	10.0%	In 2Q24, diesel, jet fuel and gasoline cracks averaged at USD18.4, USD16.2 and USD21.5 per barrel. Diesel and jet fuel cracks were up by a respective 8% and 15% y/y while gasoline cracks were down by 7% in 2Q24. Natural gas tariffs in Turkey were down by around 25% y/y and 4% q/q in USD terms. Crude differentials narrowed down in 2Q24 parallel to OPEC production cuts. Tüpraş' RUP unit was shut down for maintenance for two months during this quarter. We expect Tüpraş' EBITDA to decline by 55% in USD terms parallel to maintenance impact, tighter crude differentials and inflationary adjustments on opex.
		EBITDA	10,736	9,462	13.5%	
		Margin	5.9%	5.7%	0.18pt	
		Net Income	4,448	320	1288.5%	
		Margin	2.4%	0.2%	2.25pt	
TOTAL		Net Sales	996,700	890,553	11.9%	
		EBITDA	131,680	97,045	35.7%	
		Margin	13.2%	10.9%	2.31pt	
		Net Income	61,661	38,694	59.4%	
		Margin	6.2%	4.3%	1.84pt	

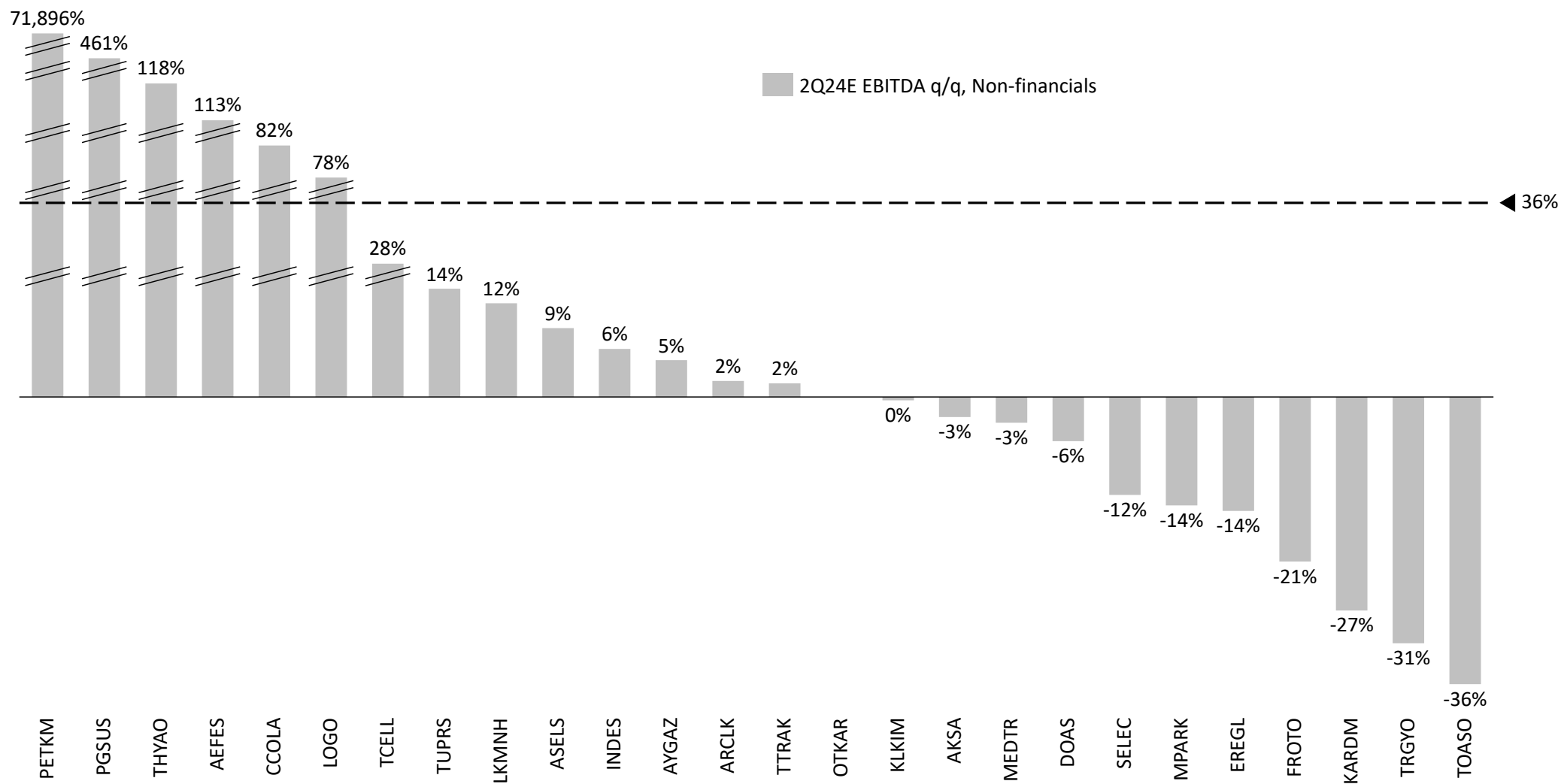
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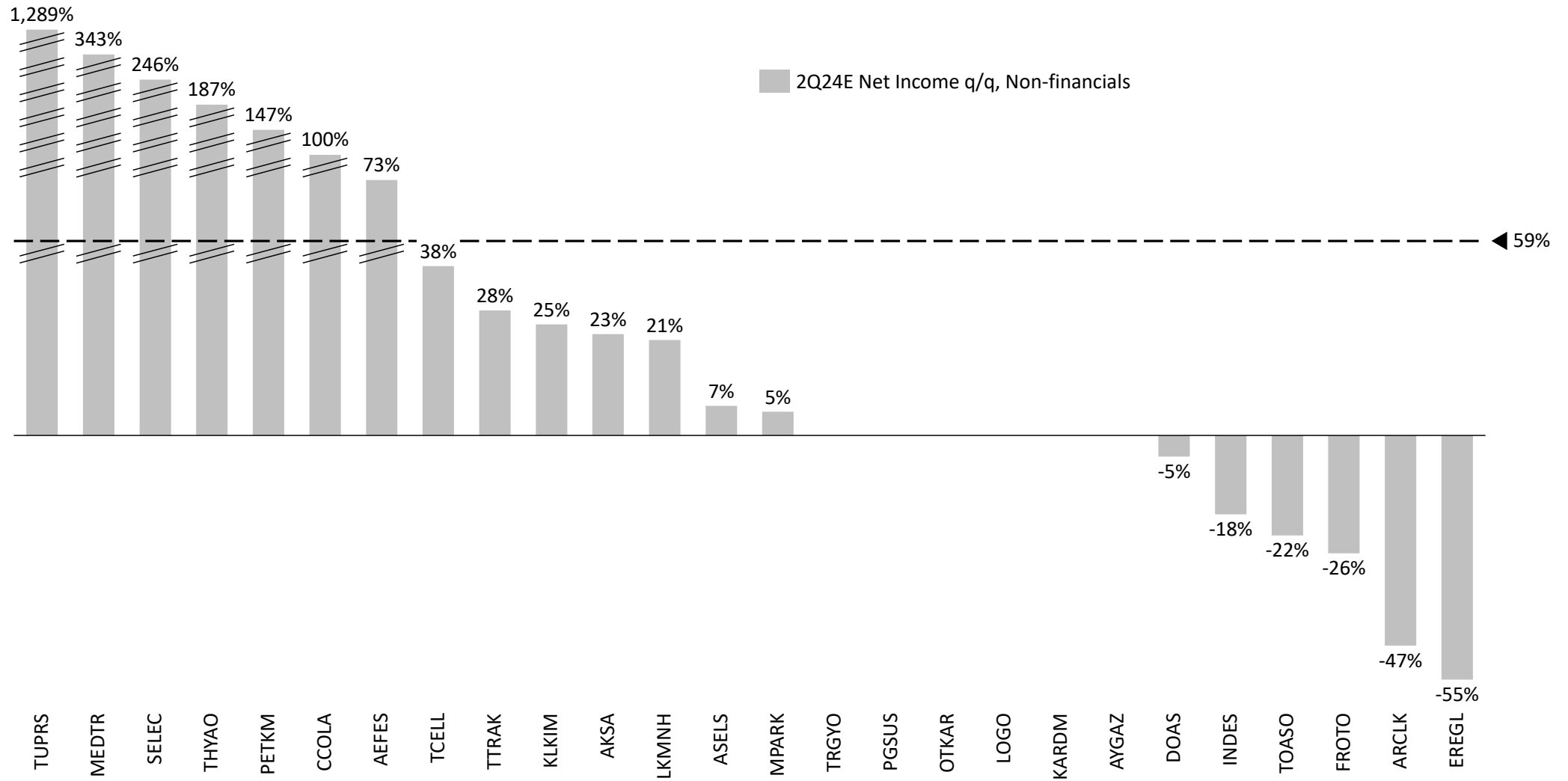
Ticker	Expected Release Date		2Q24E	2Q23	YoY	1Q24	QoQ	6M24E	6M23	YoY	Preview Notes
Banks											
ALBRK	8-Aug	Equity	15,165	10,140	49.55%	13,965	8.59%	15,165	10,140	49.55%	Our forecast for strong earnings growth on a quarterly basis for 2Q24 is based on (i) a solid increase of around TRY0.3bn in banks' required reserve remuneration from the CBRT as a result of the regulatory change made in the middle of 1Q24, (ii) the provision burden to be lower than the previous quarter with the relief in the macro outlook and (iii) our expectation of an approx. 10% q/q increase in net fees/commissions. Additionally, we expect operating costs to remain flat (except for impact of bonus payments, which were originally recorded as provision in 4Q23 and were shown under operating costs and written off from provisions, with no bottom line impact in 1Q24).
		NII	2,798	1,631	71.52%	2,218	26.12%	5,016	3,063	63.76%	
		Net Income	1,200	976	22.91%	614	95.41%	1,814	1,493	21.47%	
GARAN	30-Jul	Equity	278,220	187,624	48.29%	255,335	8.96%	278,220	187,624	48.29%	We expect Garanti Bank's 2Q24 net profit to be TRY20.8bn, with a slight 7% q/q decrease (differentiating positively from the peer group average). In addition, we also do not ignore the possibility of an upside potential to our forecast, similar to that in previous quarter on the back of a potential high trading gains surprise. The positive differentiation of Garanti from the peer group was thanks to its comparative advantage in low cost funding base and loan pricing capability. In our view, these permitted a relatively smaller core spread erosion than peers. On the other hand, Garanti's maintenance of its CPI proxy at 40% and conservative stance in loan coverage policy may create an upside potential in the second half.
		NII	12,886	15,676	(17.80%)	12,334	4.48%	25,220	31,785	(20.65%)	
		Net Income	20,750	18,470	12.35%	22,316	(7.02%)	43,067	34,205	25.91%	
HALKB	5-9 Aug	Equity	136,093	116,756	16.56%	133,093	2.25%	136,093	116,756	16.56%	Despite our 40% q/q earnings contraction forecast, Halkbank is likely to generate a stronger EBT in 2Q24 relative to 1Q14. Unlike 1Q24, when the net profit was fully owed to deferred tax asset, the 2Q24 result is thanks to (i) a jump in FX & trading gains (excl. swap costs) by approx. three times q/q to TRY4.9bn and (ii) ease of net provision costs (netted for provision releases) from TRY1.8bn in 1Q24 to -TRY2.2bn in 2Q24 (with small Stage-III provisioning & no Stage I & II provisioning at all with model update). Its swap adjusted NII is likely to remain stable on a q/q basis, despite fall in CPI proxy from 65% in 1Q24 to 60% in 2Q24. In this regard, its core spread evolution seems to be more resilient than the sector average. Finally, we also expect operating costs to ease by over 10% q/q in 2Q24 amidst the impact of salary adjustment in 1Q24 and prevailing savings measures at public institutions.
		NII	24	3,689	(99.36%)	39	(38.72%)	63	20,723	(99.70%)	
		Net Income	3,000	699	329.24%	4,818	(37.74%)	7,817	4,955	57.78%	
ISCTR	5-9 Aug	Equity	270,253	208,451	29.65%	274,992	(1.72%)	270,253	208,451	29.65%	Our more than 25% q/q earnings contraction forecast at Isbank in 2Q24 is primarily due to the shrinkage of loan-deposit spread. Solid results in net fees & commissions, strong trading income (differentiating positively from its peers in this line) and ease of provision costs by around TRY1.0bn q/q supports the bottom line. In addition, we also project its operating costs to be flat especially on a high base in 1Q24 with one-off HR costs. Nevertheless, similar to the previous quarter, Isbank's net profit in 2Q24 will likely come from participations (TRY7.0bn equity pick-up) and release of free provisions (TRY4.0bn).
		NII	(7,919)	14,041	n.a.	869	n.a.	(7,050)	35,157	n.a.	
		Net Income	10,300	18,595	(44.61%)	14,048	(26.68%)	24,348	31,498	(22.70%)	
TSKB	1-Aug	Equity	25,543	16,468	55.10%	23,243	9.90%	25,543	16,468	55.10%	TSKB reportedly achieved a 3% FX adjusted loan growth in 2Q24 without being affected by the growth limitations on banks. Growth in its overseas funding base also continued especially thanks to positive macro conditions. We estimate its profit in 2Q24 to increase by more than 20% q/q, differentiating TSKB positively from most of bank coverage. We estimate that the strongest contribution to the earnings growth will come from the increase in net interest income and the decrease in provision costs.
		NII	3,073	2,365	29.92%	2,559	20.06%	5,632	3,868	45.63%	
		Net Income	2,300	1,765	30.34%	1,934	18.93%	4,235	3,172	33.52%	
VAKBN	8-Aug	Equity	191,280	137,013	39.61%	184,480	3.69%	191,280	137,013	39.61%	Our expectation of slightly more than 40% q/q earnings contraction is due to a higher provision burden and operating costs and a decline in trading gains (amidst less FX arbitrage) in 2Q24 relative to 1Q24. On the other hand, its net interest income (adjusted for swaps), remained resilient at 1Q24 level, distinguishing the bank positively from private banks. In addition, its CPI proxy still at 40.7% creates an upside potential in the second half. We expect a higher growth in its Stage-III loans than in Stage-I loans. We still project its net provision costs to remain negative (yet a smaller negative than in 1Q24) with the model update. In addition, we also expect the bank to release TRY2.5bn from its free provision reserves. Finally, its net fees/commissions may remain flat q/q in 2Q24, differentiating from the sector negatively.
		NII	7,540	1,330	466.70%	7,506	0.45%	15,046	8,214	83.17%	
		Net Income	6,800	1,007	575.56%	12,023	(43.44%)	18,823	5,509	241.66%	
YKBNK	31-Jul	Equity	187,129	139,245	34.39%	180,583	3.63%	187,129	139,245	34.39%	We project around 30% q/q decline in Yapı Kredi's net profit in 2Q24 primarily due to (i) a decline in swap adjusted net interest income, turning into negative with core spread erosion, (ii) sharp decrease in trading gains on a q/q basis (in line with the sector trend), and (iii) an increase in operating costs by 8% q/q. On the flip side, we expect an eased provisioning pressure in 2Q24 than in the previous quarter, amidst a positive model update and no major flow into Stage-III category. Finally, a solid growth in net fees/commissions will likely support the bottom line.
		NII	(431)	9,184	n.a.	5,433	n.a.	5,002	21,428	(76.66%)	
		Net Income	7,000	11,476	(39.01%)	10,302	(32.05%)	17,302	24,116	(28.26%)	
TOTAL		Equity	1,103,683	815,697	35.31%	1,065,690	3.57%	1,103,683	815,697	35.31%	
		NII	17,970	47,916	(62.50%)	30,959	(41.95%)	48,929	124,238	(60.62%)	
		Net Income	51,350	52,988	(3.09%)	66,055	(22.26%)	117,405	104,948	11.87%	

INSURANCE

Ticker	Expected Release Date		2Q24E	2Q23	YoY	1Q24	QoQ	6M24E	6M23	YoY	Preview Notes
Insurance											
ANHYT	29-Jul	Equity	7,264	4,109	76.79%	6,214	16.90%	7,264	4,109	76.79%	We expect high-single digit EPS growth in Anadolu Hayat's 2Q24 bottom line compared to 1Q24, primarily driven by the improvement in technical profit. Our estimations indicates a strong contribution of life business to technical profitability along with strong premium production in this quarter. Besides, we predict net investment income and pension technical profit to be slightly higher than last quarter.
		Net Income	1,050	901	16.48%	962	9.19%	2,012	1,299	54.91%	
ANSGR	29-Jul	Equity	19,538	8,589	127.49%	17,250	13.27%	19,538	8,589	127.49%	Our 20% q/q earnings contraction forecast for Anadolu Sigorta is mainly due to the high base effect of 1Q24, stemmed from the positive impact of the discount rate adjustment on technical provisions. We project a normalization in underwriting results, in other words, recording a technical loss with a combined ratio above 110%. On the other hand, financial income will be above than last quarter thanks to growing investment portfolio.
		Net Income	2,289	3,027	(24.40%)	2,867	(20.17%)	5,155	2,910	77.16%	
TOTAL		Equity	26,803	12,698	111.08%	23,464	14.23%	26,803	12,698	111.08%	
		Net Income	3,339	3,929	(15.02%)	3,828	(12.80%)	7,167	4,208	70.30%	







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A key element of our rating system is the benchmarking of the 12-month expected return against the cost of equity. We apply a required rate of return for each stock, calculated on the basis of our assumed risk-free rate and equity risk premium. A stock is normally assigned an Outperform rating if the implied return over the next 12 months exceeds the required rate of return (cost of equity) by at least 10 percentage points for our larger-cap stock coverage, or by 15 percentage points for the small-cap group. As the average potential upside of the stocks in our coverage may be considerably higher or lower than the average cost of equity, we also filter stocks according to their potential upside with respect to other stocks under coverage, with the practical aim of attaching an Outperform rating to the top group (generally 30-50% of the companies under our coverage), a Neutral rating for the next 40-50% and an Underperform rating to the lowest group (no less than 10%, and typically between 10-20% of the coverage group). The expected returns on some stocks may fall outside the range of the applicable rating category, due to movements in market prices and other short-term volatility or trading patterns, or analyst discretion. While temporary deviations from the specified ranges are permitted, they would subsequently become subject to review. Note too that the analyst's short-term view may occasionally diverge from the stock's longer-term fundamental rating.

Outperform. An outperform rating conveys an expectation that the stock will outperform the BIST-100 Index (XU100) within the next 6 to 12 months.

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Not Rated (N/R). A not rated rating is assigned when the analyst does not have adequate conviction about the stock's total return relative to the BIST-100 (XU100) Total Return Index or to the average total return of the analyst's industry coverage universe, on a risk-adjusted basis, over the next 6 to 12 months.

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