

Aselsan

Review of 4Q22 Financials

3/1/2023

HOLD

Upside Potential 5%

Actuals vs Estimates

NI exceeds expectations: Aselsan recorded a net income of TL6.1bn in 4Q22, 41% higher than the market call (IS Investment TL4bn, consensus:TL4.33bn). The deviation from the estimate at the bottom-line mainly stemmed from tax income and better than expected EBITDA figure. NI increased by 53% y/y. Revenues came 14% higher than the market estimate at TL17.55bn (IS Investment TL14.7bn, consensus:TL15.4bn). Revenues grew by 78% y/y in TL terms, flattish in dollar terms. EBITDA also exceeded our call, by 37%, and came in as TL5.36bn (IS Investment TL3.9bn, consensus:TL4.4bn). EBITDA was up by 77% y/y in 4Q22, while EBITDA margin was flattish. All in all we might see a positive market reaction thanks to strong EBITDA and bottom line figures.

Net debt decreased after relatively strong cash flow: Operational cash flow came in at TL5.2bn with operational cash flow margin realized at 29.6% (31.3% in 4Q21) Free cash flow came in at TL3.2bn with a margin of 18.4% in 4Q22 (vs. 15% in 4Q21). Net debt decreased to TL5.1bn as of end of 4Q22 (vs TL7.6bn at the end of 3Q22).

Backlog recovery: The backlog stands at US\$8.2bn as of end-4Q22 compared to US\$7.9bn as of end-3Q22. The new contract awards were US\$680mn in 4Q22 with a book-to-bill ratio of 0.7x. FY22 new contract awards are realized at US\$1.6bn.

2023 guidance: Company expects more than 40% top-line growth in TL terms with EBITDA margin (adjusted without foreign exchange rate differences) to exceed 24%. Capital expenditures are expected to be around TL10bn.

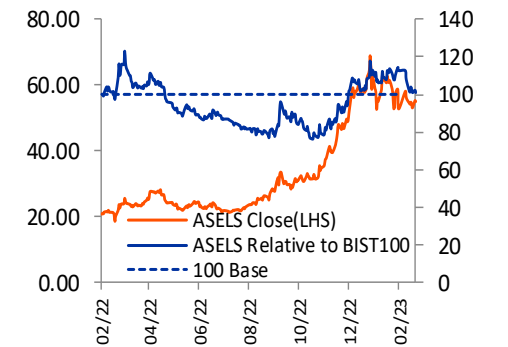
HOLD maintained: We increase our target price for ASELS shares to TL58/ share which indicates a very limited 5% upside potential. The shares currently trade with 10.4x 2023E EV/EBITDA and 8.1x P/E multiples, signaling 12% and 55% discount to international peers, respectively.

Stock Data	TL	US\$
Price	55.20	2.92
Target Price	58.00	2.42
Prev.TP	34.30	1.71
Mcap (mn)	125,856	6,660
Float Mcap (mn)	32,458	1,718
Avg.Daily Volume (3M, mn)	2604.6	280.3
No. of Shares Outstanding (mn)	2,280	
Free Float (%)		26
Foreign Share (%)		26

Price Perf. (%)	1 Mn	Ytd	12 Mn
TL	-2.8	-11.2	149.4
US\$	-3.2	-12.0	82.8
Rel.to BIST-100	-7.7	-6.6	-7.3

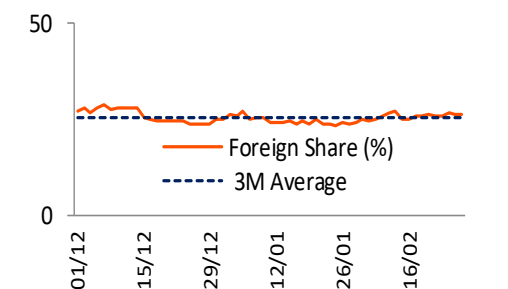
Multiples	2021	2022	2023
P/E	17.7	10.6	8.1
P/BV	4.9	3.2	2.3
EV/EBITDA	23.8	13.8	10.4

Price / Relative Price



52 Week Range (Close TL) 21.51 69.10

Foreign Share (%) Cur.(%) : 26.31



Ozgur Safak Acikalin

oacikalin@isyatirim.com.tr

+90 212 350 25 14

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IFRS Income Statements (TL mn)	4Q21	1Q22	2Q22	3Q22	4Q22	12M21	12M22
Net Sales	9,847	4,365	6,476	6,887	17,553	20,139	35,282
Gross Profit	3,248	1,313	2,106	2,023	6,341	6,649	11,783
Operating Expenses	346	407	575	768	1,150	1,579	2,900
EBIT	2,902	906	1,531	1,255	5,191	5,070	8,883
Depreciation & Amortization	127	131	137	147	174	432	589
EBITDA	3,029	1,037	1,669	1,402	5,365	5,502	9,472
Non-Operating Income (Expense)	1,206	465	835	342	-627	2,126	1,016
Operating Income (Expense) from Other	3,205	949	1,383	799	76	4,348	3,207
Profit (Loss) from Subsidiaries	18	-8	3	-13	37	-3	18
Income (Expense) from Investing Activities	1	0	5	1	0	11	7
Net Financial Income (Expense)	-2,018	-475	-556	-445	-740	-2,230	-2,216
PBT	4,107	1,371	2,367	1,596	4,565	7,196	9,899
Tax Income (Expense)	-116	306	-247	342	1,568	-69	1,969
Minority Interest	2	-19	-20	-18	9	-3	-48
Net Profit	3,990	1,696	2,140	1,956	6,124	7,131	11,916

Growth & Profitability	4Q21	1Q22	2Q22	3Q22	4Q22	12M21	12M22
Growth							
Sales Growth (y/y)	28%	38%	70%	108%	78%	139%	75%
Opex Growth (y/y)	6%	52%	-4%	111%	232%	148%	84%
EBIT Growth (y/y)	42%	36%	47%	172%	79%	216%	75%
EBITDA Growth (y/y)	43%	36%	46%	145%	77%	203%	72%
NI Growth (y/y)	173%	37%	64%	225%	53%	139%	67%
Margins							
Gross Margin	33.0%	30.1%	32.5%	29.4%	36.1%	33.0%	33.4%
Opex to Sales	3.5%	9.3%	8.9%	11.2%	6.6%	7.8%	8.2%
EBIT Margin	29.5%	20.7%	23.6%	18.2%	29.6%	25.2%	25.2%
EBITDA Margin	30.8%	23.7%	25.8%	20.4%	30.6%	27.3%	26.8%
Net Margin	40.5%	38.8%	33.0%	28.4%	34.9%	35.4%	33.8%
ROE (Annualized)	33.4%	32.5%	32.9%	34.8%	37.6%	26.1%	34.8%
ROA (Annualized)	18.8%	18.2%	18.2%	18.7%	20.0%	13.8%	18.7%
Effective Tax Rate	2.8%	-22.3%	10.4%	-21.4%	-34.4%	1.0%	-19.9%
Operating Cash Flow Margin	31.3%	-24.0%	22.2%	2.4%	29.6%	12.1%	16.3%
Free Cash Flow Margin	15.0%	-50.4%	-2.6%	-18.9%	18.4%	-5.3%	-1.2%
Operational Cash Flow / EBITDA	102%	-101%	86%	12%	97%	44%	61%

IFRS Cash Flow Statements (TL mn)	4Q21	1Q22	2Q22	3Q22	4Q22	12M21	12M22
Net Cash from Operations	3,087	-1,047	1,440	166	5,203	2,433	5,762
Earnings Before Adjustments	3,992	1,677	2,120	1,938	6,133	7,127	11,868
Depreciation & Amortisation	127	131	137	147	174	432	589
Others	4,136	620	1,698	326	2,631	5,101	5,276
Change in Working Capital	-5,168	-3,475	-2,515	-2,245	-3,735	-10,228	-11,971
Cash from Investment Operations	-1607	-1153	-1607	-1470	-1969	-3506	-6199
Capital Expenditures	-1,512	-1,083	-1,539	-1,428	-2,116	-3,433	-6,165
Cash from Other Investment Operations	-96	-70	-68	-42	146	-73	-34
Free Cash Flow	1,479	-2,200	-167	-1,304	3,234	-1,073	-438
Cash from Financial Operations	-357	1,809	143	357	1,062	-754	3,371
Change in Financial Debt	-254	1,809	143	357	1,215	-651	3,524
Dividends Paid	-103	0	0	0	-153	-103	-153
Cash from Other Financial Operations	0	0	0	0	0	0	0
Effect of Exchange Rate	59	54	90	78	38	241	260
Net Change in Cash & Cash Equivalents	1,181	-337	66	-869	4,333	-1,587	3,194

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IFRS Balance Sheet (TL mn)	4Q21	1Q22	2Q22	3Q22	4Q22
Current Assets	23,175	24,419	27,661	30,051	38,299
Cash and Cash Equivalents	2,492	2,154	2,223	1,352	5,687
Short-Term Trade Receivables	9,803	9,965	11,150	12,459	14,888
Inventories	7,639	8,813	9,955	11,432	12,593
Other Current Assets	3,241	3,487	4,333	4,808	5,131
Long Term Assets	23,238	24,882	25,968	28,412	37,744
Long-Term Financial Assets	2,149	2,150	2,160	2,160	4,288
Investments with Equity Method	220	240	259	272	298
Tangible Fixed Assets	3,432	3,711	4,208	4,720	6,327
Intangible Fixed Assets	2,268	2,584	2,867	3,370	3,532
Right of Use Assets (IFRS 16)	0	0	0	0	0
Other Long-Term Assets	15,170	16,198	16,474	17,889	23,298
Total Assets	46,413	49,302	53,629	58,463	76,044
Short Term Liabilities	16,750	18,028	19,762	22,427	29,651
Short-Term Financial Loans	5,070	7,062	7,104	8,035	9,764
Short-Term Trade Payables	6,039	5,009	5,166	5,555	9,775
Other Short-Term Liabilities	5,640	5,957	7,491	8,837	10,112
Long Term Liabilities	3,828	3,733	4,764	4,968	6,531
Long-Term Financial Loans	333	738	1,340	960	1,070
Other Long-Term Liabilities	3,495	2,994	3,423	4,007	5,462
Equity	25,835	27,541	29,104	31,069	39,861
Parent Share	25,563	27,288	28,871	30,854	39,637
Total Liabilities and S.Holders' Equity	46,413	49,302	53,629	58,463	76,044

Investments & Indebtness	4Q21	1Q22	2Q22	3Q22	4Q22
Net Capex	1,512	1,083	1,539	1,428	2,116
Capex to Sales	15.4%	24.8%	23.8%	20.7%	12.1%
Inflow (Outflow) for WCR (Cash Flow Sta	-5,168	-3,475	-2,515	-2,245	-3,735
Change in WCR / Sales	-52.5%	-79.6%	-38.8%	-32.6%	-21.3%
Net Debt (Cash)	2,911	5,646	6,222	7,643	5,147
Net Debt / EBITDA (Annualized)	0.5	1.0	1.0	1.1	0.5

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Shareholder Structure (%)

Türk Silahlı Kuvvetlerini Güçlendirme Vakfı	74.2
Other	25.8

Company Description

Aselsan was established in 1975 by the Turkish Armed Forces Foundation (TAFF) in order to meet the communication needs of the Turkish Armed Forces and the Company has evolved from a military communication product provider to a leading R&D house and high-technology manufacturer and integrator of a comprehensive range of advance technology systems both in defense and non-defense industries. Currently, the Company is the highest-ranked Turkish defense contractor in Defense News's Top-100

Income Statement (mn ₺)	2021A	2022A	2023E	2024E	Balance Sheet (mn ₺)	2021A	2022A	2023E	2024E
Net Sales	20,139	35,282	50,544	73,812	Current Assets	23,175	38,299	50,003	68,742
Gross Profit (Loss)	6,649	11,783	14,456	21,036	Cash and Cash Equivalents	2,492	5,687	6,656	9,603
Operating Expenses	1,579	2,900	2,564	3,504	Short-Term Trade Receivable	9,803	14,888	18,002	22,245
Core Operating Profit	5,070	8,884	11,892	17,532	Inventories	7,639	12,593	14,831	20,243
Non-operating Income (Exp.)	-139	-64	-89	-123	Other Current Assets	3,241	5,131	10,514	16,652
Net Financial Income (Exp.)	2,257	1,055	3,713	3,991	Long Term Assets	23,238	37,744	49,733	64,678
PBT	7,196	9,899	15,540	21,425	Tangible Fixed Assets	3,432	6,327	10,494	15,410
Tax Expense (Income)	69	-1,969	0	0	Intangible Fixed Assets	2,268	3,532	8,619	14,621
Net Profit	7,131	11,916	15,588	21,473	Other Long-Term Assets	2,739	4,623	5,548	6,070
Recurring Net Profit	7,197	9,946	15,588	21,473	Total Assets	46,413	76,044	99,735	133,420
EBITDA	5,502	9,473	12,637	18,777	Short Term Liabilities	16,750	29,651	36,256	47,795

Growth & Operating Perf.	2021A	2022A	2023E	2024E
Growth				
Net Sales	25%	75%	43%	46%
EBIT	39%	75%	34%	47%
EBITDA	40%	72%	33%	49%
Net Profit	60%	67%	31%	38%

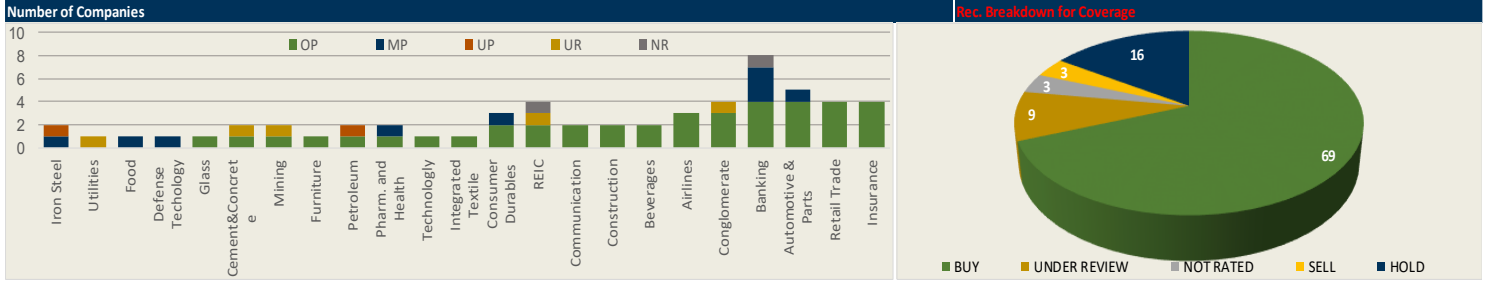
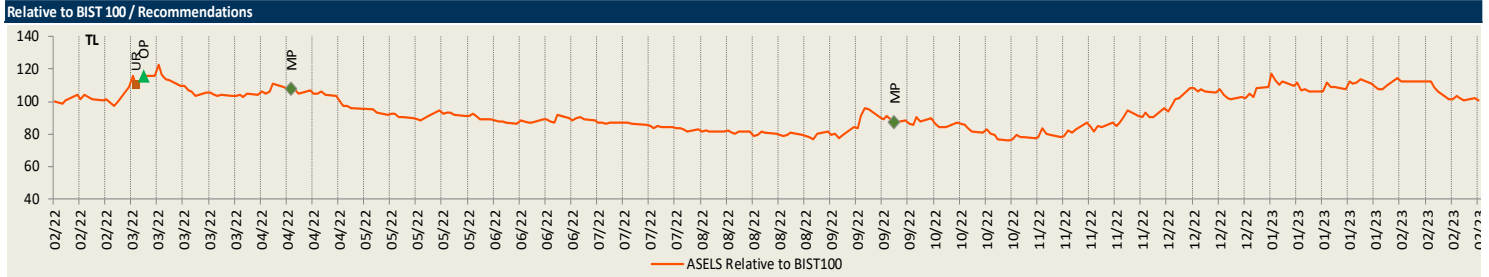
Operating Performance	2021A	2022A	2023E	2024E
Gross Margin	33.0%	33.4%	28.6%	28.5%
EBIT Margin	25.2%	25.2%	23.5%	23.8%
EBITDA Margin	27.3%	26.8%	25.0%	25.4%
Effective Tax Rate	-1.0%	-1.0%	0.0%	0.0%
Net Profit Margin	35.4%	33.8%	30.8%	29.1%
ROE	32.8%	36.6%	33.1%	33.2%
ROA	17.7%	19.5%	17.7%	18.4%

Ratio Analysis	2021A	2022A	2023E	2024E
Adj. P / E (x)	17.5	12.7	8.1	5.9
EV / EBITDA (x)	23.8	13.8	10.4	7.0
EV / Sales (x)	6.5	3.7	2.6	1.8
P / B (x)	4.9	3.2	2.3	1.7
EPS (₺)	3.1	5.2	6.8	9.4
DPS (₺)	0.0	0.1	0.4	0.5
Dividend Yield	0.9%	0.5%	0.7%	1.0%
Net Debt (Cash) (mn ₺)	2,911	5,147	7,466	9,182
Net Debt / EBITDA (x)	0.5	0.5	0.6	0.5
Net Debt / Equity (x)	0.1	0.1	0.1	0.1

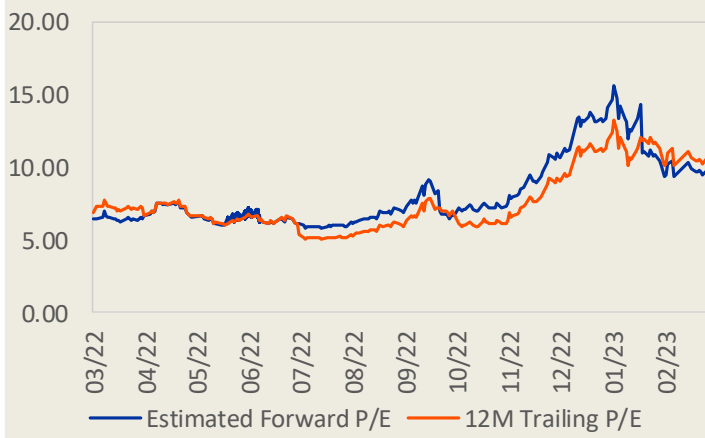
Source: İS Investment

Cash Flow (mn ₺)	2021A	2022A	2023E	2024E
Net Cash from Operations	2,433	5,762	9,993	12,530
Earnings Before Adjustments	7,127	11,868	15,540	21,425
Depreciation & Amortisation	432	589	745	1,245
Change in Working Capital	-10,228	-11,971	-2,553	-6,122
Other Operating Cash Flow	5,102	5,276	-3,740	-4,018
Cash from Inv. Operations	-3,506	-6,199	-10,721	-12,155
Capital Expenditures	-3,433	-6,165	-10,000	-12,161
Other Inv. Cash Flow	-67	-33	-721	6
Free Cash Flow	-1,073	-438	-728	374
Cash from Fin. Operations	-514	3,631	1,697	2,571
Change in Financial Debt	-651	3,524	3,288	4,662
Dividends Paid	-103	-153	-953	-1,247
Other Financing Cash Flow	0	0	-638	-844
Net Change in Cash	-1,586	3,195	968	2,946

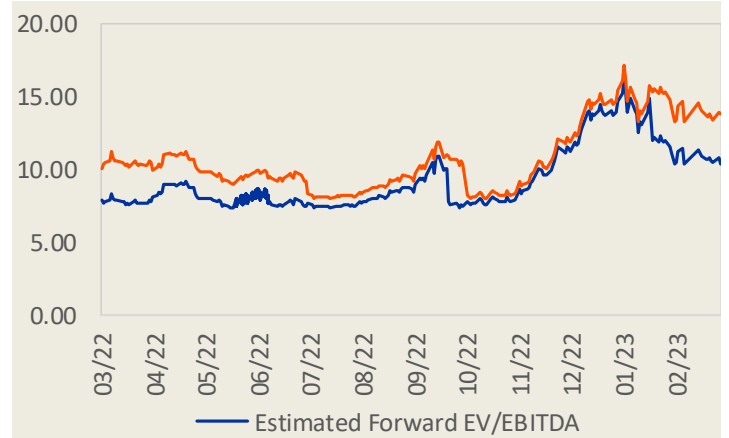
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Estimated Forward P/E & 12M Trailing P/E



Estimated Forward EV/EBITDA & 12M Trailing EV/EBITDA



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