

Turkey — Energy

Aksa Enerji

Powered Up from Asia to Africa

We initiate coverage of AKSEN with TL20/share Price Target and 50% potential upside. We also add the name to our Model Portfolio. Our valuation is equally weighted DCF (22% risk free rate, 4% equity risk premium and 23% WACC) and peer multiples comparison (2022 EV/EBITDA 6.6x). Details of our analysis are on Page 3-4.

Uzbekistan adds Asia to Aksen's growing global production portfolio. Aksen started its abroad operations with Ghana in 2015, now has an active installed power of 496 MW, together with Ghana, Madagascar and Mali in Africa, now adding Uzbekistan with 740 MW. Also, 25 MW additional will be commissioned in Congo in 2022, which we expect an EBITDA impact of TL65mn. In 2021, Aksen generated 12.5% of its revenue and 54% of its EBITDA from Africa. In 2022, we expect Africa to generate USD130m EBITDA.

Huge investment in Uzbekistan with %38 capacity expansion in 2022 proof of appetite for growth. Aksen is commissioning 3 power plants with a total capacity of 740 MW, 2 in Tashkent, the capital of Uzbekistan, and 1 in Bukhara, in the first quarter of 2022 with a 25-year dollar based purchase commitment. With Uzbekistan, in 2022, Aksen reaches a total installed capacity of 1261 MW abroad. We expect Uzbekistan to generate cUSD70m EBITDA in 2022.

Energy in high demand with upward push in pricing. Brent and natural gas prices, which increased with the effect of the Russia-Ukraine war, continue to push up energy prices. While the average market clearing price (MCP) per MW in Turkey in 2021 was USD55, it is currently being traded at USD117. Our average PTF estimate for 2022 is USD85 per MW. Since the contracted countries provide the natural gas and fuel oil at the Aksen's foreign power plants, it is not adversely affected by the increasing input costs. In addition, since the company produces the coal need of the 270 MW Bolu power plant from its own field, it is not affected by the increase in coal prices.

Attractive multiples compared to global peers. The 4.2x EV/EBITDA and 4.6x P/E ratios we expect in 2022 are traded at a discount compared to the 6.6x and 10.3x multiples of global peers. (Page 4)

The main risks of the company are the payment problems that may be experienced abroad, any downside risk to electricity and downward cap in market clearing prices.

AKSEN	2018	2019	2020	2021	2022E	2023E
Net Income (TL mn)	26	329	470	1,680	3,231	3,938
Revenue (TL mn)	4,669	5,579	7,231	13,887	27,204	32,917
EBITDA (TL mn)	1,060	1,404	1,536	2,474	4,949	6,604
Net Debt/EBITDA (x)	3.5	2.2	1.7	1.8	0.9	0.5

Source: Company Data, INFO Research Estimates

BUY

Price: TL13.30

Price Target: TL20

Company Data

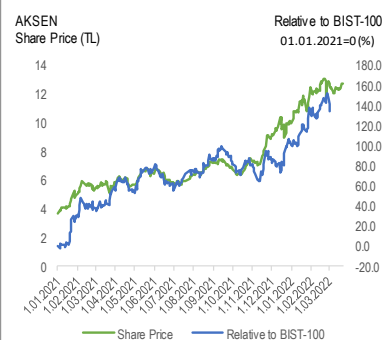
Stock Ticker	AKSEN
Stock Rating	BUY
Price Target	20
Up/downside to PT	50%
Share Price	13.30
52-week range (TL)	5.11 - 13.34
No. of shares (mn)	1,226
Free Float (%)	21
MCAP (TL mn)	16,310
MCAP (USD mn)	1,100
Net Debt (TL mn)	4,545
3M ADV (USD mn)	8
3M ADV/FF MCAP (%)	0.0%

Valuation

	2020	2021	2022E	2023E
P/E (x)	32.9	9.2	4.6	3.8
EV/EBITDA (x)	13.6	8.5	4.2	3.2
P/B (x)	3.7	1.6	1.1	0.8
Div. Yield	0.0%	0.0%	0.0%	0.0%

Kaynak: INFO Research Estimates

Stock Performance



INFO Research

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Table 1. Financials

Income Statement					Financial Analysis				
(TLmn)	2020	2021	2022E	2023E		2020	2021	2022E	2023E
Net Sales	7.231	13.887	27.204	32.917	Growth (%)				
Gross profit (loss)	1.198	2.079	4.625	5.596	Sales	29,6	92,1	95,9	21,0
Operating Expenses	-127	-173	-260	-325	EBITDA	1,0	61,0	100,1	33,4
Core EBIT	1.071	1.906	4.365	5.271	Net Profit	42,8	257,4	101,9	20,5
Inc.& Exp. from Other Operations	-28	154	913	518	Margins (%)				
Reported EBIT	1.042	2.059	5.278	5.789	Gross Margin	16,6	15,0	17,0	17,0
Financial Income/Expenses	-325	357	-1.274	-967	EBITDA Margin	21,2	17,8	18,2	20,1
Other income	-10	-16	4	5	EBIT Margin	14,8	13,7	16,0	16,0
PBT from continuing operations	707	2.400	4.008	4.826	Net Margin	6,5	12,1	12,5	12,4
Tax on Continuing Operations	-149	-565	-921	-1.109	Efficiency				
Net Profit	470	1.680	3.391	4.086	Receivables Days	123	108	106	102
					Inventory Days	13	6	6	6
EBITDA	1.536	2.474	4.949	6.604	Payables Days	59	64	64	62
					Working Capital/Net Sales (%)	24,3	19,1	15,9	15,2
Balance Sheet					Profitability (%)				
(TLmn)	2020	2021	2022E	2023E	ROA	4,9	8,1	11,9	10,9
Current Assets	3.464	7.129	10.881	15.533	ROE	11,1	17,4	24,6	21,9
Cash and Marketable Securities	314	1.118	2.159	4.038	ROIC	12,3	10,3	18,3	16,6
ST Trade and Related Receivables	2.782	5.429	7.650	10.199	Leverage (x)				
Inventories	138	225	371	449	Asset/Equity	2,25	2,14	2,07	2,01
Other Short-Term Assets	229	358	700	847	Net Debt/EBITDA	1,71	1,84	1,03	0,86
Long Term Assets	6.039	13.520	17.628	21.938	Capex/Revenues (%)	3,3	19,8	8,0	8,0
TOTAL ASSETS	9.503	20.650	28.508	37.472					
Short Term Liabilities	3.298	6.272	8.010	9.598					
ST Financial Payables	2.037	3.159	3.828	4.687					
ST Trade and Other Payables	1.160	2.999	3.959	4.641					
Other Short-Term Liabilities	101	114	223	270					
Long Term Liabilities	1.580	3.793	5.577	7.485					
LT Financial Payables	910	2.503	3.450	4.999					
Other Long-Term Liabilities	598	873	1.709	2.068					
Equity	4.219	9.652	13.793	18.629					
Minority Interest	406	932	1.128	1.760					
TOTAL LIABILITIES AND S.HOLDERS' EQUITY	9.503	20.650	28.508	37.472					

Source: Company Data, INFO Research Estimates

Table 2. DCF

Our valuation is equally weighted DCF (22% risk free rate, 4% equity risk premium and 23% WACC) and peer multiples comparison (2022 EV/EBITDA 6.6x).

DCF	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
EBIT	259	666	918	1,071	1,906	4,365	5,271	6,421	7,753	9,279
+ Depreciation & amortisation	225	394	485	466	568	584	1,332	1,742	2,172	2,519
- Capex	-324	-142	-123	-236	-2,747	-2,176	-2,633	-3,213	-1,944	-1,166
- Change in working capital	0	-825	-43	-204	-895	-1,657	-695	-790	-1,268	-1,331
- Taxes	-52	-147	-202	-236	-476	-1,004	-1,212	-1,477	-1,783	-2,134
- Other										
Free cash flow to firm (FCFF)	108	-53	1,037	861	-1,645	112	2,063	2,683	4,930	7,167
Discount factor										
Discounted cash flow for projected period	6,390									
Discounted cash flow for perpetuity	21,742									
Enterprise value	28,132									
- Last year's net debt	4,542									
- Minority interest	932									
+ Participations	0									
Equity value	22,658									

Source: Company Data, INFO Research Estimates

Table 3. Valuation

Valuation			
Method	Weight	Implied Value	Contribution
DCF	50%	22,658	11,329
Peer Comparison	50%	25,365	12,683
Target Value (TL mn)			24,012
Target Price (TL)			20
Current Price (TL)			13.30
Upside Potential			50%

Source: Info Research Estimates

Table 4. Peer Multiples

RT Ticker	Company Name	Mcap (USD mn)	2022(E)		2023(E)	
			P/E	EV/EBITDA	P/E	EV/EBITDA
ENEL:IT	Enel Spa	63,759	10.3	6.6	9.4	6.2
ENGI:FR	Engie Sa	32,054	8.6	5.5	8.7	5.5
EOAN:DEX	E.On Se	30,263	11.6	8.2	11.7	8.3
UN01:DEX	Uniper Se	9,564	11.2	9.0	12.1	9.2
BKH:USY	Black Hills Corp	4,663	17.7	12.8	16.7	12.1
MYTIL:GR	Mytilineos S.A.	2,210	7.7	5.9	6.4	5.2
5264:MY	Malakoff Corp Bhd	740	10.2	4.8	9.6	5.2
	Median		10.3	6.6	9.6	6.2
AKSEN	Aksa Enerji	1,100	4.6	4.2	3.8	3.2
			127%	57%	154%	96%

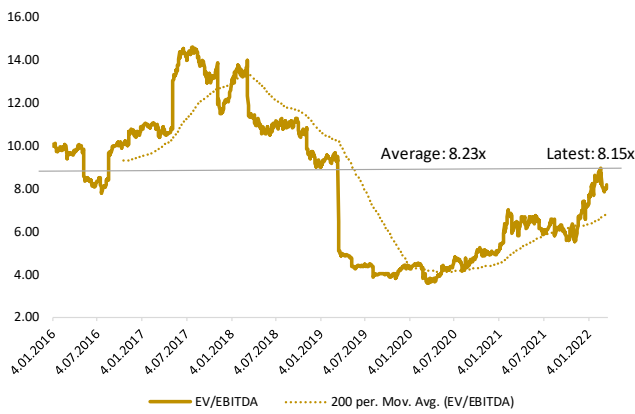
Source: Equity RT, INFO Research Estimates

Table 5. Peer Performance

	Absolute Return in Local Currency (%)					Relative Return in Local Currency (%)			
	YTD	1M	3M	12M		YTD	1M	3M	12M
Enel Spa	-16.7	-7.8	-15.1	-28.7	0.0	-6.4	-4.8	-5.8	-26.8
Engie Sa	-7.9	-12.6	-6.9	4.3	0.0	0.1	-13.4	0.3	-5.7
E.On Se	-14.5	-9.2	-13.5	19.3	0.0	-4.9	-10.7	-4.6	22.1
Uniper Se	-43.1	-16.9	-43.5	-19.9	0.0	-36.7	-18.3	-37.7	-18.1
Black Hills Corp	2.8	5.7	5.6	13.0	0.0	6.6	2.1	8.2	4.2
Mytilineos S.A.	-6.9	-1.7	-7.1	6.7	0.0	-1.4	3.6	-1.9	6.0
Malakoff Corp Bhd	-13.2	-8.8	-13.2	-20.7	0.0	-14.8	-10.1	-17.6	-20.5
Aksa Enerji	33.1	12.7	33.7	145.6	0.0	13.6	-4.1	16.2	59.6

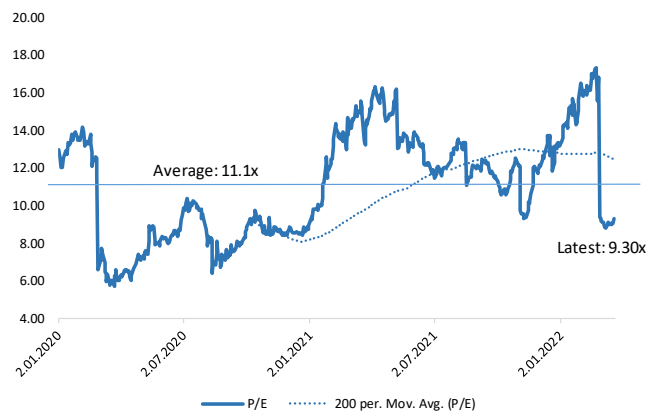
Source: Equity RT

Table 6. Historical EV/EBITDA Multiple (x)



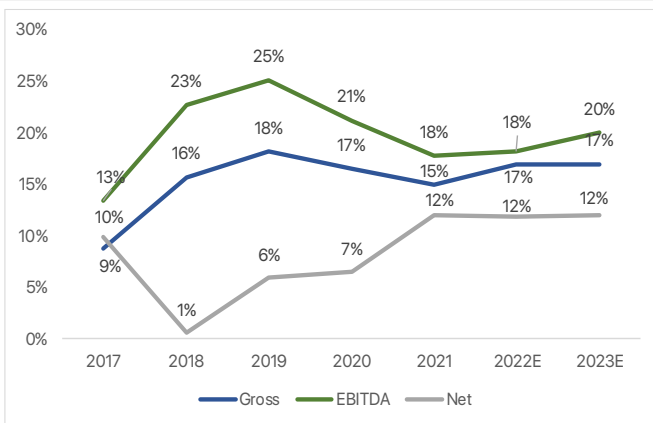
Source: Equity RT

Table 7. Historical P/E Multiple (x)



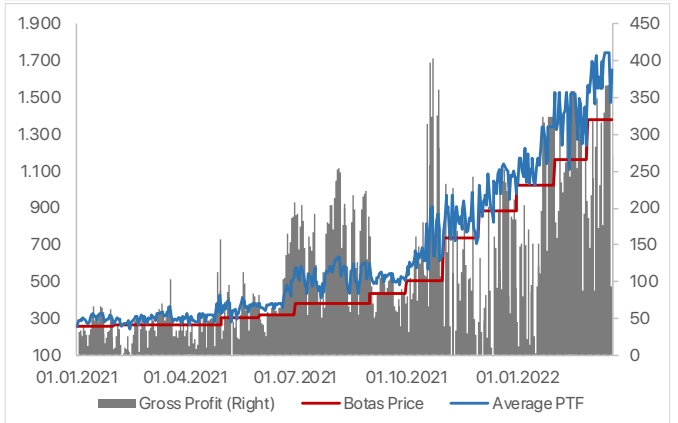
Source: Equity RT

Table 8. Historical Margins (%)



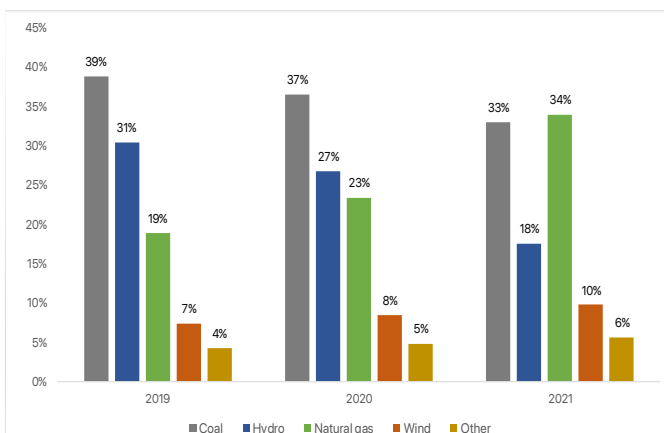
Source: Company Data, INFO Research Estimates

Table 9. Natural Gas Power Plants's Average Electricity Production Cost, Market Clearing Price (MCP) and Gross Profit per 1 MW in Turkey (TL)



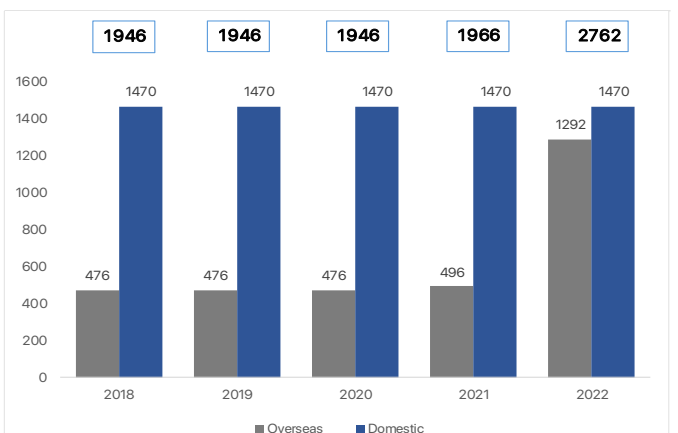
Source: Botaş, EPIAS, INFO Research Estimates

Table 9. Turkey Energy Production Distribution (%)



Source: EPIAS

Table 10. AKSEN Electricity Production Capacity (MW)



Source: Company Data, INFO Research Estimates

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