

INFO Research — HEKTS Visit Notes

Hektaş, which has been operating in the agricultural sector since 1956, is included in the BIST30 index with a market value of TL65.5 bn. The company, which continues its activities with the motto of the pioneer of smart agriculture, provides services with agricultural input production activities, especially plant protection products, plant nutrition products, seeds and animal health products.

The company, which is the market leader in plant protection (pharmaceutical) products in Turkey, maintains its strong course.

While the demand for plant protection products decreased due to climatic conditions, there was a decrease in fertilizer sales as farmers failed to fertilize their fields because of the unseasonably dry winter which was followed by an unseasonably wet spring. Sales were negatively affected by the the Feb 6 earthquake in the region where most agricultural activities occur. These 'climatic conditions' increased inventory costs, while the rise in fertilizer raw material prices resulted in a loss in the first half of 2023.

Due to cyclical uncertainty and high working capital cycle days, the company's financial indebtedness increased. With the continuation of the current situation, pressure on financials may continue in 2023.

R & D Investments Continue

The company, whose Bursa Orhangazi Factory we visited, carries out R&D studies on an area of 607 decares in Bursa. There are more than 300 plants in the facility, where technology and agriculture are combined, including research in the field of vertical farming, soilless farming and drought-resistant seed techniques. We think that with the completion of R & D projects, the facility will occupy an important place in the sector.

Investment in Uzbekistan Will Be Important For Hedging

Hektaş Asia company was established by the company in Uzbekistan. Because the region's export potential is strong and close to the Turkic Republics and Russia it is aimed to increase investments in this region.

Veterinary and Medical Drug Production Investment

The investment in Hektaş' second production facility in Ankara in the field of veterinary drugs production has the potential in both domestic and export markets. Its contribution to the financials is expected in 2025. R & D activities continue and strong growth is expected in the field of seeds, which does not have a high contribution in turnover so far. A strong EBITDA margin is expected in the field of seeds in 2024 and beyond, especially in vegetable and cotton.

Pet Food Production Facility Established

It is estimated that 50,000 tons of annual production will be made in the pet food production facility established in Balıkesir. It is expected that production will be carried out under the leadership of Hektaş's brand awareness in pet foods that have successfully completed trial products and started production activities. Apart from these, the IPO process of Ferbis, the company's 100% subsidiary, continues.

Summary

Although the financials of the company are expected to be suppressed in 2023 due to the cyclical developments and the situation mentioned above, we think that the company will come to the fore in the medium term with the effect of technological smart agriculture by completing its R & D projects.

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	2022/06	2023/06
Share Price	10,30	25,62
P/E	39,54	336,37
EV/EBITDA	24,62	48,79
P/B	13,98	19,28
EV/S	8,26	12,65
Net Debt/EBITDA (%)	3,86	4,81
EBITDA Margin %	34,94	17,92
Net Profit Margin %	14,70	-15,34

