

## The Value is Priced in

We increase our target price for Enka İnşaat to TRY 86.00 (previous TRY 72.00) and revise our rating to “market perform” (previous “outperform”) with an upside potential of 41%.

Enka İnşaat distinguishes itself through its large-scale construction, energy, real estate, and other trade activities. The company has been steadily growing in the international construction market with its high profit margins and strong project partnerships.

As of 4Q24, the company’s backlog from its construction business has grown to an astonishing number of \$5.8B. Since that the company also secured another significant project in UK with a contract size of £529M. We expect Enka to achieve a backlog size of \$6.0B by the end of 2025 and \$6.2B by 2026.

Enka’s real estate portfolio currently has a book value of \$1.8B. The various office, malls, and hotel buildings Enka owns generate an extremely stable cash flow. The average operational profit from rental of these properties was at \$204M over the past three years. However, Enka does not have an active plan to extend its real estate investments.

Enka possesses a total installed capacity of 4.0 GW in Türkiye, capable of supplying approximately 10% of the country’s annual electricity consumption. The company continues to keep its electricity production at a low level due to low profit margins. However, Enka’s 850MW natural gas combined cycle power plant under development in Kırklareli and 45MW solar panel project in Bulgaria are expected to significantly increase energy revenue over the next three years.

Enka’s financial investments and cash position has grown to a size of \$5.5B as of 4Q24. Most of these assets are invested in long-term U.S. government and corporate bonds. Additionally, the company won arbitration over the Namakhvani project, with Georgian government ordered to pay \$383M in compensation, creating an upside potential not included in our valuation, though payment timing and method remains uncertain.

The stock has outperformed the XU100 index of Türkiye by 85.5% over the past year. Compared to MSCI Construction and Engineering Index, Enka’s 2025 P/E and 2026 P/E are discounted by 35.6% and 27.9%, respectively.

Major risk factors include ongoing global political issues involving Russia, potential depreciation of the USD index, and the low efficiency rate of Enka’s gas-fired combined cycle plants.

## Enka İnşaat

41% Upside Potential

### Listing Details and View

Bloomberg Ticker	ENKAI TI
Rating	Market Perform
Price per Share, TRY	61.00
Target Price per Share, TRY	86.00
Upside	41%
Free Float	8.35%
Market cap, TRY mln	366,000
Market cap, USD mln	9,574
BIST-100 Index Weight	1.12%
BIST All Shares Index Weight	0.82%
Foreign Share	29.09%
Pension Funds Share	2.77%
Mutual Funds Share	4.34%

Source: Matriks, PhillipCapital Research

Market Data as of 25/04/2025

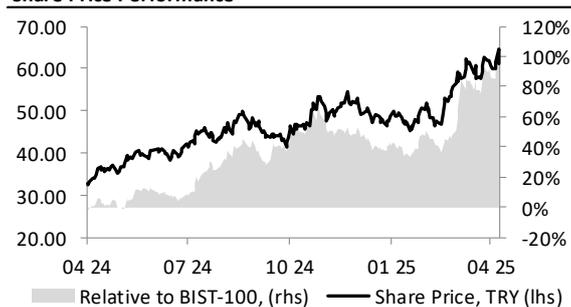
Key Financials, USD mln	2023	2024	2025E	2026E
Revenue	3,226	3,065	3,494	4,063
Revenue Growth	-14%	-5%	14%	16%
Operating Profit	546	589	714	791
Operating Profit Growth	-24%	8%	21%	11%
Operating Profit Margin	16.9%	19.2%	20.4%	19.5%
Net Profit	744	797	832	820
Net Profit Growth	4509%	7%	4%	-1%
Net Profit Margin	23.1%	26.0%	23.8%	20.2%
Net Cash	5,073	5,403	5,584	5,628
P/E	10.8	9.8	11.5	11.7
P/B	1.1	1.0	1.1	1.1

Source: Company Data, PhillipCapital Research

Shareholder Structure	Shares (million)	Rate
Tara Holding AŞ	2,988	49.8%
Vildan Gülçelik	480	8.0%
Sevda Gülçelik	386	6.4%
Enka Vakfı	352	5.9%
Other	1,795	29.9%
<b>Total</b>	<b>6,000</b>	

Source: Company Data

### Share Price Performance



Source: BIST, Finnet

	1m	3m	6m	1y
Nominal	2.1%	25.7%	31.5%	80.0%
Relative	5.1%	33.2%	24.2%	85.5%
Trd. Vol. USD mln	32.2	33.8	26.8	24.2

Source: BIST, Finnet

**Murat İbrahim ŞENCAN**

[murat.sencan@phc.com.tr](mailto:murat.sencan@phc.com.tr)

**Sadrettin BAĞCI**

[sadrettin.bagci@phc.com.tr](mailto:sadrettin.bagci@phc.com.tr)

## Financial Investments

The following table presents the year-end positions of Enka's financial investments since 2016. Through consistent investments in various financial assets, the company has successfully built a substantial investment portfolio. These financial investments have supported the company's stable growth in addition to its operational income.

Financial Investments (Mn \$)	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Short-term</b>									
Private sector bonds	41	42	77	22	16	108	59	13	165
Foreign government bonds	268	100	353	482	102	102	196	618	511
Equity Securities	273	323	429	613	1,228	1,723	1,049	972	1,187
Mutual Funds	103	113	41	49	131	276	174	202	273
<b>Short-term total</b>	<b>684</b>	<b>579</b>	<b>900</b>	<b>1,166</b>	<b>1,476</b>	<b>2,208</b>	<b>1,478</b>	<b>1,805</b>	<b>2,136</b>
<b>Long-term</b>									
Private sector bonds	1,466	1,744	1,418	1,535	1,428	769	349	299	419
Foreign government bonds	15	358	294	213	116	12	1,443	1,563	1,606
Mutual Funds	29	16	13	29	36	214	300	297	160
<b>Long-term total</b>	<b>1,510</b>	<b>2,118</b>	<b>1,725</b>	<b>1,777</b>	<b>1,579</b>	<b>996</b>	<b>2,093</b>	<b>2,160</b>	<b>2,185</b>
<b>Total</b>	<b>2,194</b>	<b>2,697</b>	<b>2,625</b>	<b>2,943</b>	<b>3,055</b>	<b>3,204</b>	<b>3,571</b>	<b>3,965</b>	<b>4,320</b>

Source: Company Data

## Valuation

The assumptions used in our valuation model are presented in the table below. The 12-month forward USD/TRY exchange rate forecast was determined based on the Central Bank surveys and our research team's expectations.

Assumptions	
Tax Rate	25%
Discount Rate	13%
Perpetual Growth Rate	2%
USDTRY (Current)	38.43
USDTRY 12M Target	46.00

The table below illustrates Enka's revenue and operating profit across its four main business segments. It includes actual data from 2019 to 2024, as well as our projections for the period from 2025 to 2029. These projections are based on a comprehensive analysis of Enka's historical performance and its future strategic objectives.

	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
<b>Revenue (Mn USD)</b>	<b>1,893</b>	<b>1,659</b>	<b>2,859</b>	<b>3,770</b>	<b>3,226</b>	<b>3,065</b>	<b>3,494</b>	<b>4,063</b>	<b>4,201</b>	<b>4,318</b>	<b>4,435</b>
Construction	1,121	1,230	1,538	1,859	1,956	2,147	2,545	2,665	2,776	2,866	2,955
Real Estate	346	289	304	334	320	329	339	349	359	370	381
Energy	318	0	797	1,336	701	328	340	772	780	788	795
Trade	108	139	219	240	248	262	270	278	286	295	303
<b>Operational Profit (Mn USD)</b>	<b>325</b>	<b>297</b>	<b>603</b>	<b>721</b>	<b>546</b>	<b>589</b>	<b>714</b>	<b>791</b>	<b>819</b>	<b>843</b>	<b>867</b>
Construction	93	160	329	424	297	371	433	453	472	487	502
Real Estate	209	185	193	191	218	204	210	217	223	230	237
Energy	15	-60	43	57	-42	-49	17	66	66	67	68
Trade	7	13	39	49	73	63	54	56	57	59	61
Depreciation & Amortization	111	90	83	107	102	118	121	134	139	143	147
Capital Expenditures	151	110	153	77	115	251	340	142	147	152	156
Change in Net Working Capital	385	17	674	-554	20	-24	64	71	74	76	78
Free Cash Flow	-181	185	-293	1,125	377	332	253	514	532	548	564

Source: Company Data, PhillipCapital Research

Calculating Target Price (Mn USD)	
Enterprise Value	4,576
Cash (+)	1,199
Financial Investments (+)	4,320
Debt (-)	116
Fair Value	9,979
12M Target Market Cap	11,277
Shares Outstanding (Mn)	6,000

12M Target Price (USD)	1.88
<b>12M Target Price (TL)</b>	<b>86.00</b>
Current Price (USD)	1.59
Current Price (TL)	61.00
Upside Potential	41%

*Cash, financial investments and debt as of 4Q24 financial statements*

## ENKAI

### Financial Data

USD mln	2023	2024	2025E	2026E	2027E
Revenues	3,226	3,065	3,494	4,063	4,201
Revenue Growth	-14.4%	-5.0%	14.0%	16.3%	3.4%
Operating Profit	546	589	714	791	819
Operating Profit Growth	-24%	8%	21%	11%	4%
Operating Profit Margin	17%	19%	20%	19%	19%
Depreciation	102	118	121	134	139
EBITDA	648	706	835	925	958
EBITDA Growth	-21.7%	9.0%	18.2%	10.8%	3.5%
EBITDA Margin	20.1%	23.0%	23.9%	22.8%	22.8%
Investing Activities Income	366	525	365	272	273
Other Income/Expenses	-15	-49	30	31	32
Pre-Tax Profit	896	1,065	1,109	1,094	1,123
Tax Expense	152	267	277	273	281
Net Income	744	797	832	820	842
Net Income Growth	4508.6%	7.2%	4.3%	-1.4%	2.7%
Net Income Margin	23%	26%	24%	20%	20%
Dividend		334	190	499	492
Dividend Yield		3.5%	2.0%	5.2%	5.1%
Equity	7,423	8,028	8,670	8,991	9,341
Net Cash	5,073	5,403	5,584	5,628	5,692
Change in NWC	20	-24	64	71	74
P/E	10.8	9.8	11.5	11.7	11.4
P/B	1.1	1.0	1.1	1.1	1.0
RoAE	10%	10%	10%	9%	9%

*Source: Company data, PhillipCapital Research*

## Methodology

The target value of a stock represents the value that the analyst expects to be reached at the end of our 12-month performance period.

### Outperform (OP)

If this decision is made for a company, it indicates that better returns are expected for the stock compared to the index in the medium and long term. However, this decision does not guarantee that the stock will rise or outperform the index. Any changes in market conditions, developments in the macroeconomy, global economic developments, or news about the company after the report is published can change this decision.

### Market Perform (MP)

If the decision of "Market Perform" is made for the relevant stock, there can be various reasons for this. This decision may have been made if the company's recent data and future estimates do not show significant differences compared to the past. The stock price of the company may be at levels close to what it should be in terms of valuations. Making an "Market Perform" decision for a stock does not mean that the stock will not move up or down. Generally, this decision indicates that in the medium and long term, a return similar to the index is expected for the stock. However, every new piece of news and change in market conditions can alter this decision.

### Underperform (UP)

If the decision of "Underperform" is made for a stock, it indicates that weaker returns are expected in the medium and long term compared to the index. Even if the "Underperform" decision has been made for a stock, short-term price increases for the stock or short-term technical indicators giving a buy signal are possible. In some cases, even if returns are not expected from the stock in the medium and long term, short-term "Outperform" or "In-Line with Index" returns can be achieved when there is significant news, temporary profit increase news, or developments that will lead to a positive short-term price trend.

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