

Alarko Holding

NEUTRAL

Current price: TRY3.63
12-mo T.Price: TRY3.97

3Q15 Earnings Comment

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3Q15 Actual result vs. estimates				Share Price performance		Margins	
TLmn	Actual	Cons.	Ak				
Revenue	221	151	136	1M		14%	
EBITDA	-	-	-	3M		10%	
Margin	-	-	-	YtD		8%	
Net Inc.	-58	1	-11			4%	

Comment: Disappointing bottom-line due to a weaker than expected contribution from the contracting segment

- ✓ Alarko Holding announced a net loss of TRY58mn in 3Q15, worse than the consensus estimate of a TRY1mn net profit and our own estimate of a TRY11mn net loss. The main reason for the deviation between our estimate and the result was the lower-than-expected contribution from the contracting segment.
- ✓ The shares have outperformed the BIST-100 total return index by 2% in the last 3 months. In our view, the disappointing results will prove negative for the company's short-term share price performance. Following the weaker than expected 3Q15 results, we have lowered our bottom line forecast for 2015 from a TRY28mn net profit to a TRY23mn net loss, and for 2016 from a TRY82mn net profit to a TRY71mn net profit due to the downward revisions in our forecasts for the contributions from the contracting segment. We reduce our 12-month target price from TRY4.09 to TRY3.97 per share, and downgrade our rating from Outperform to Neutral.

Key Highlight: A feebler than expected contribution from the contracting segment

- ✓ Contracting segment: The segment's 3Q15 net loss of TRY46mn was worse than our estimate of a TRY8mn net profit, mainly due to the TRY38mn in net other expenses.
- ✓ Energy Segment: The energy segment recorded a net loss of TRY42mn - better than our estimate of a TRY53mn net loss, mainly due to the higher-than-expected contribution from the electricity distribution business.
- ✓ Tourism segment: The segment's contribution to the company's bottom line, with a TRY13mn net profit, exceeded our estimate of a TRY10mn net profit in 3Q15.
- ✓ Trade and Industry: The segment returned a bottom line of TRY5.2mn – in line with our estimate of TRY5.7mn in 3Q15.
- ✓ Holding only: The bottom line of TRY12mn was below our estimate of TRY19mn in 3Q15.
- ✓ The improvement in the working capital requirement supported the company's free cash flow in 3Q15, despite the weaker than expected operational performance.

Key P&L items, TRYmn	3Q15	3Q14	YoY Ch.	2Q15	QoQ chg.	9M15	9M14	YoY Chg.
Revenues*	603	581	3.8%	436	38.4%	1,392	1,736	-19.8%
EBITDA adj*	-0.2	28	n.m.	15	n.m.	59	69	-15.4%
EBITDA marg*.	0.0%	4.8%		3.5%		4.2%	4.0%	
Net Profit	-58	0	n.m.	-9	n.m.	-57	20	n.m.

* Revenue and EBITDA includes net other income & contribution from participations consolidated through the equity pick-up method

Key B/S & CFS items, TRYmn	3Q15	2Q15	1Q15	4Q14	3Q14
Hold. only net cash	194	179	182	168	165
FX position	370	278	370	322	534
OP. cash flow	132	39	-45	0	-55
Free cash flow	137	33	-92	-13	68

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