

## AYEN ENERJİ

**UNDERPERFORM**

(Prev. BUY)

### FX losses inflate loss in 3Q15

▪ **Losses deepen in 3Q15.** Ayen Enerji reported TRY49mn loss in 3Q15 (2Q15:TRY5mn loss) on surging FX losses and weaker operating profitability vs. our expectation of TRY57mn loss. Deviation was mainly due to lower FX losses, while EBITDA remained at mere TRY10mn, below our TRY19mn estimate on declining margins. There is no reliable consensus available. We expect negative reaction to the weak results.

▪ **Topline in line, but EBITDA weaker than expected.** Total generation stayed almost flat yoy, falling 26% qoq to 207Gwh although Albanian HPP's 1<sup>st</sup> phase had a full quarter of operation. On seasonally higher spot prices, NGPP and BOT Yamula HPP increased generation while other renewables contributed less due to seasonality. Still, topline edged up 3% qoq and 5% yoy to TRY66mn, which we attribute to increased trading. (YKYe:TRY68mn). However, higher cost of sourcing pulled down gross margin to just 7% (7pps down yoy) and despite OPEX control EBITDA fell 64% qoq and 29% yoy to TRY10mn.

▪ **FX losses extend on strong Euro.** The company booked TRY67mn non-operating loss in 3Q15 vs. TRY26mn loss in 2Q15 due to FX losses on strong Euro. As a result of ongoing investments (TRY52mn) and weak TRY, net debt continued its upward trend to TRY1,171mn from TRY993mn as of 2Q15 despite declining net working capital.

▪ **No change in project plans.** With 28MW in operation, Albania project (110.7MW HPP) now enjoys 73% completion ratio. Akbuk in Turkey (20MW WPP) is planned to be commissioned in 1H16 while Cankaya HPP (98MW) has received preliminary license. Capacities of Aksu and Mordogan WPPs will be increased by 8MW and 10.5MW, respectively.

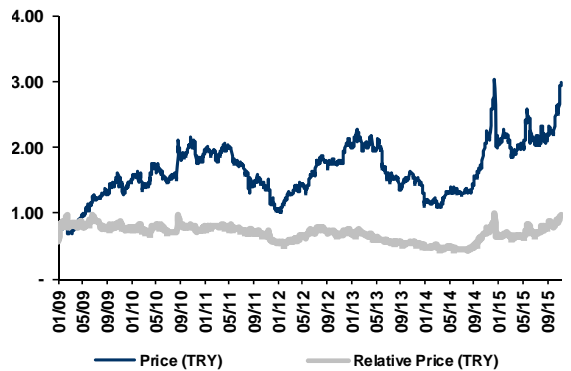
▪ **Downgrade to UNDERPERFORM.** Revisiting our model in the light of 3Q15 results and higher risk free rate, we cut TP to TRY1.90 from TRY2.50. Coupled with ytd outperformance (nominal 47%, relative 53%), the stock price implies 36% downside. Therefore, we downgrade the stock to UNDERPERFORM from BUY. Upside risks to our call are weak Euro vs. TRY and decline in risk free rate.

#### Stock Data 09 November 2015

<b>Current price</b>	<b>TRY2.98</b>
<b>Target price</b>	<b>TRY1.9</b>
<b>Dividend</b>	<b>TRY0.0</b>
<b>Total return</b>	<b>-36%</b>
<b>Current Mcap</b>	<b>TRY510 mn/US\$175mn</b>

Bloomberg Ticker	AYEN TI
Number of outstanding shares (mn)	171
High / Low Price Range (12M)	3.04/1.84
3-m Average Daily Turnover (\$ mn)	0.5

Price Performance (%)	1M	3M	6M	YtD
Return	20.6	34.4	39.5	46.8
Relative to BIST100	16.6	27.1	45.4	53.4



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Table 1: Ayen Enerji- 3Q15 Summary financials (TRYmn)

Income statement	3Q15	3Q14	Chg yoy (%)	9M15	9M14	Chg yoy (%)	2Q15	Chg qoq (%)
<b>Revenues</b>	<b>66</b>	<b>63</b>	<b>5</b>	<b>205</b>	<b>166</b>	<b>24</b>	<b>64</b>	<b>3</b>
COGS	61	54	13	158	126	26	41	50
<b>Gross profit</b>	<b>5</b>	<b>9</b>	<b>-49</b>	<b>47</b>	<b>40</b>	<b>18</b>	<b>23</b>	<b>-80</b>
OPEX	3	2	37	10	7	54	4	-16
Operating profit	2	7	-77	36	33	10	20	-92
<b>EBITDA</b>	<b>10</b>	<b>14</b>	<b>-29</b>	<b>61</b>	<b>55</b>	<b>11</b>	<b>28</b>	<b>-64</b>
Other income, net	22	8	184	45	10	n.m.	8	190
Financial income, net	-89	-13	n.m.	-143	-24	n.m.	-34	163
Minority interest	5	0	n.m.	5	-2	n.m.	1	n.m.
Taxes	11	-1	n.m.	10	-5	n.m.	1	n.m.
<b>Net profit</b>	<b>-49</b>	<b>0</b>	<b>n.m.</b>	<b>-47</b>	<b>12</b>	<b>n.m.</b>	<b>-5</b>	<b>n.m.</b>

Margins (%)	3Q15	3Q14		9M15	9M14		2Q15	
Gross	7.0	14.2	-7.2 pp	22.8	24.0	-1.2 pp	36.4	-29.4 pp
EBITDA	15.4	22.8	-7.4 pp	29.7	33.0	-3.3 pp	43.7	-28.3 pp
Net	-74.1	0.2		-23.0	7.4		-7.6	

Balance Sheet	3Q15	3Q14	Chg yoy (%)	9M15	9M14	Chg yoy (%)	2Q15	Chg qoq (%)
Cash and cash equivalents	8	8	-2	8	8	-2	11	-23
Trade receivables	24	29	-17	24	29	-17	30	-21
Inventories	0	0	n.m.	0	0	n.m.	0	n.m.
LT assets	1,481	1,123	32	1,481	1,123	32	1,308	13
<b>Total assets</b>	<b>1,539</b>	<b>1,209</b>	<b>27</b>	<b>1,539</b>	<b>1,209</b>	<b>27</b>	<b>1,383</b>	<b>11</b>
Financial debt	1,180	861	37	1,180	861	37	1,003	18
Trade payables	86	60	43	86	60	43	78	10
LT liabilities	1,038	707	47	1,038	707	47	875	19
<b>Equity</b>	<b>216</b>	<b>231</b>	<b>-6</b>	<b>216</b>	<b>231</b>	<b>-6</b>	<b>248</b>	<b>-13</b>
<b>Total liabilities</b>	<b>1,539</b>	<b>1,209</b>	<b>27</b>	<b>1,539</b>	<b>1,209</b>	<b>27</b>	<b>1,383</b>	<b>11</b>

Financial ratios	3Q15	3Q14	Chg yoy (%)	9M15	9M14	Chg yoy (%)	2Q15	Chg qoq (%)
Net debt	1,171	853	37	1,171	853	37	993	18
Debt/equity	86	81	5.0 pp	86	81	5.0 pp	82	3.9 pp
Receivable days	33	42	-8	32	47	-15	43	-9
Inventory days	0	0	0	0	0	0	0	0
Payable days	130	102	27	149	130	18	174	-45
Net working capital days	-96	-61	-36	-117	-83	-34	-132	35

Source: Ayen Enerji, YKY Research

**Table 2: Ayen Enerji – Operational data**

	3Q15	3Q14	Chg yoy (%)	9M15	9M14	Chg yoy (%)	2Q15	Chg qoq (%)
<b>Installed Capacity (MW)</b>	<b>398</b>	<b>370</b>	<b>8%</b>	<b>398</b>	<b>370</b>	<b>8%</b>	<b>398</b>	<b>0%</b>
Hydro-BOT	100	100	0%	100	100	0%	100	0%
NGPP	41	41	0%	41	41	0%	41	0%
Hydro	99	71	40%	99	71	40%	99	0%
Wind	158	158	0%	158	158	0%	158	0%
<b>Total Generation (Gwh)</b>	<b>207</b>	<b>203</b>	<b>2%</b>	<b>707</b>	<b>672</b>	<b>5%</b>	<b>279</b>	<b>-26%</b>
Hydro-BOT	80	82	-3%	199	240	-17%	65	23%
NGPP	24	39	-39%	48	119	-60%	2	1094%
Hydro	20	8	161%	153	91	67%	117	-83%
Wind	83	74	13%	307	222	38%	96	-13%

Source: Ayen Enerji, YKY Research

**Table 3: Valuation summary: Downgraded to Underperform**

DCF Summary	TRY mn
Existing power plants	419
New power plants (operative after 2012)	1,039
Net debt as of 9M15	1,171
Estimated market value	286
<b>12M TP (cum div)</b>	<b>1.9</b>
<b>12M TP (ex div)</b>	<b>1.9</b>
Current price	2.98
<b>Upside Potential (%)</b>	<b>-36%</b>

Source: YKY Research estimates

**Table 4: Ayen Enerji – Changes to YKYe (no consensus available)**

TRYmn	New			Old	
	15E	16E	17E	15E	16E
Net Sales	294	367	447	316	355
EBITDA	104	161	237	130	153
Net Income	-63	69	129	41	55
EBITDA margin	36%	44%	53%	41%	43%
Net margin	-21%	19%	29%	13%	16%

Source: YKY Research estimates, Bloomberg

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Aygaz	AYGAZ	Elvin Akbulut Daglier
Cimsa	CIMSA	Akif Moroglu
Coca-Cola	CCOLA	Akif Moroglu
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Park Madencilik	PRKME	Mehmet Aydin Agyuz
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Torunlar REIT	TRGYO	Elvin Akbulut Daglier
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Turk Traktor	TTRAK	Mehmet Aydin Agyuz
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Akcansa	AKCNS	Akif Moroglu
Akfen Holding	AKFEN	Gizem Celik
Anadolu Cam	ANACM	Akif Moroglu
Anadolu Hayat	ANHYT	Sezgi Bice Ozener
BIM	BIMAS	Murat Borekci
Celebi	CLEBI	Gorkem Goker
Eczacibasi Ilac	ECILC	Gizem Celik
Erdemir	EREGL	Akif Moroglu
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Kiler Gida	KILER	Murat Borekci
Mardin Cimento	MRDIN	Akif Moroglu
Pinar Sut	PNSUT	Gizem Celik
Selcuk Ecza	SELEC	Gizem Celik
Sinpas REIT	SNGYO	Elvin Akbulut Daglier
Sise Cam	SISE	Akif Moroglu
Soda Sanayi	SODA	Akif Moroglu
Tat Gida	TATGD	Gizem Celik
Tofas	TOASO	Mehmet Aydin Agyuz
Trakya Cam	TRKCM	Akif Moroglu
Tupras	TUPRS	Elvin Akbulut Daglier
Turkcell	TCELL	Mehmet Aydin Agyuz
Ulker Biskuvi	ULKER	Gizem Celik
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Anadolu Sigorta	ANSGR	-
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<b>Buy:</b> expected total returns of 10% or more over the next 6-12 months	<b>Buy:</b> expected total returns of 15% or more over the next 6-12 months
<b>Hold:</b> expected total returns of +/- 10% over next 6-12 months	<b>Hold:</b> expected total returns of 0-15% over next 6-12 months
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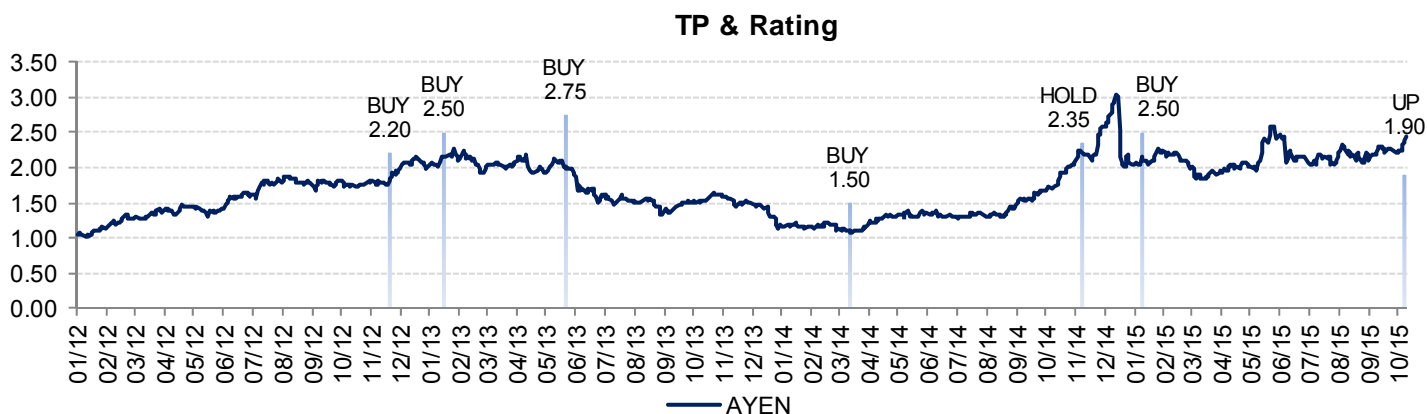
Coverage Universe	Count	Percent	Percent Inv. Banking Relationships	Count	Percent
<b>Buy</b>	23	38%	0%	0	0
<b>Hold</b>	24	39%	0%	0	0
<b>Underperform</b>	11	18%	0%	0	0
<b>Not Rated</b>	1	2%	0%	0	0
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