

## ECZACIBASI ILAC

**HOLD**

### Another strong bottom-line thanks to FX gains

▪ **Net income much above our expectations.** Eczacibasi Ilac disclosed TRY62mn profit in 3Q15 vs. our expectation of TRY25mn profit (2Q15: TRY18mn profit, 3Q14: TRY12mn loss). Revenues at TRY283mn, on the other hand, fell below our expectation of TRY319mn while EBITDA was much stronger than we anticipated at TRY15mn vs YKYe of TRY2mn. The company continued to enjoy higher than expected FX gain in the bottom-line while deviation from our estimates are partially due to higher EBITDA reading as well. We believe market will react positively to better than expected 3Q15 results.

▪ **Pharma division solid on yoy basis.** Healthcare segment's sales continued to perform very well and more than doubled yoy in 3Q15, which may be linked to the company's sales and distribution agreement with P&G. On operational level, though EBITDA remained in red with TRY0.4mn loss, gross profit margin jumped to 33% vs -13% in 3Q14. We believe solid improvement at the gross level was attributable to new product mixes came along with the agreement with P&G, while we do not see the positive impact of the government's new regulation to hike fixed EUR/TRY rate from 1.96 to 2.07 on profitability yet. The latter should be much more visible in 4Q15, in our view.

▪ **Sales continued to lose momentum in consumer segment.** Sales grew by 9% yoy in the consumer segment as the company continued to enjoy consumer adaptation to their new brand Essence and Uni Baby, but at a much slower pace, as yoy revenue growth was c.13% in 2Q15 and 31% in 1Q15. We believe the slow-down in momentum is linked to entry to higher base of the last year from 2Q15 on. EBITDA margin improved by 6.3pp yoy, thanks to product mix effect.

▪ **Real estate: nothing surprising.** The company delivered 5 units in 3Q15 (2Q15: 2 unit), slightly higher than previous quarter thanks to seasonality effect, cumulating to 184 units. Total unit sales reached 186 as of September 2015 (5 units sold in 3Q15) out of 273 units. We keep our cautious view on the sales of the remaining units given the current performance despite the campaigns applied by the company such as fixing the USD/TRY rate in order to attract customers.

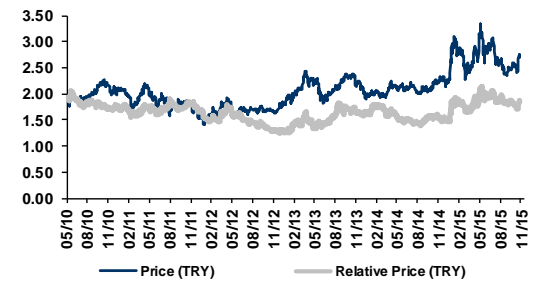
▪ **TP revised down, rating remains at HOLD.** Revisiting our estimates in line with better than expected operational results especially in healthcare segment, we revise up our 12M TP to TRY3.06/sh from TRY2.66/sh and keep our rating at HOLD due to limited total return potential at 14% (including c.3% dividend yield).

#### Stock Data 09 November 2015

Current price	TRY 2.76
Target price	TRY 3.06
DPS	TRY 0.08
Total return	13.9%
Current Mcap	TRY 1,513 mn/US\$ 518mn

Bloomberg Ticker	ECILC TI
Number of outstanding shares (mn)	548
High / Low Price Range (12M)	3.34/2.15
3-m Average Daily Turnover (\$ mn)	4.6

Price Performance (%)	1M	3M	6M	YtD
Return	6.6	4.2	-4.2	22.5
Relative to BIST100	2.9	1.2	17.6	28.0



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**Eczacibasi Ilac: 3Q15 Summary Income Statement**

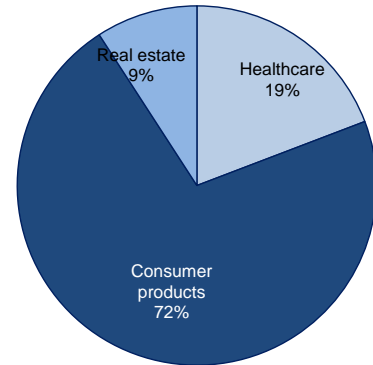
TRY mn	3Q15	3Q14	yoy chg.	9M15	9M14	yoy chg.	2Q15	qoq chg.
<b>Net Sales</b>	<b>283</b>	<b>268</b>	<b>6%</b>	<b>872</b>	<b>784</b>	<b>11%</b>	<b>286</b>	<b>-1%</b>
COGS (-)	-214	-235	-9%	-671	-648	4%	-224	-4%
Gross profit	69	33	n.m.	201	136	47%	63	9%
Operating Expenses (-)	-58	-51	15%	-185	-156	18%	-65	-10%
<b>EBIT</b>	<b>10</b>	<b>-18</b>	<b>n.m.</b>	<b>16</b>	<b>-20</b>	<b>n.m.</b>	<b>-2</b>	<b>n.m.</b>
Other Income/(Expense) net	71	6	n.m.	138	14	879%	29	n.m.
Net financial income/(expense)	-10	-3	n.m.	-21	-9	142%	-7	47%
Pretax profit	72	-15	n.m.	133	-14	n.m.	21	249%
Taxation	-15	-4	n.m.	-29	-8	263%	-4	n.m.
Minority	-5	8	n.m.	7	6	n.m.	2	n.m.
<b>Net profit/loss</b>	<b>62</b>	<b>-12</b>	<b>n.m.</b>	<b>112</b>	<b>-17</b>	<b>n.m.</b>	<b>18</b>	<b>238%</b>
Depreciation	4	4	-1%	13	14	-4%	5	-5%
<b>EBITDA</b>	<b>15</b>	<b>-13</b>	<b>n.m.</b>	<b>0</b>	<b>0</b>	<b>n.m.</b>	<b>0</b>	<b>n.m.</b>
<b>Margins</b>								
<b>Gross margin %</b>	<b>24.3%</b>	<b>12.4%</b>	<b>11.9pp</b>	<b>23.0%</b>	<b>17.4%</b>	<b>5.6pp</b>	<b>21.9%</b>	<b>2.4pp</b>
<b>EBIT margin %</b>	<b>3.6%</b>	<b>-6.6%</b>	<b>10.2pp</b>	<b>1.8%</b>	<b>-2.5%</b>	<b>4.4pp</b>	<b>-0.8%</b>	<b>4.4pp</b>
<b>EBITDA margin %</b>	<b>5.1%</b>	<b>-5.0%</b>	<b>10.1pp</b>	<b>0.0%</b>	<b>0.0%</b>	<b>.pp</b>	<b>0.0%</b>	<b>5.1pp</b>
<b>Net profit margin %</b>	<b>21.8%</b>	<b>-4.6%</b>	<b>26.4pp</b>	<b>12.9%</b>	<b>-2.1%</b>	<b>15.pp</b>	<b>6.4%</b>	<b>15.5pp</b>

**Revenue & Gross margin by major divisions**

Revenue (TRY mn)	3Q15	3Q14	yoy chg.	2Q15	qoq chg.
Healthcare	54	26	n.m.	48	14%
Consumer products	202	186	9%	218	-7%
Real estate	26	35	-27%	20	27%
<b>Total</b>	<b>283</b>	<b>268</b>	<b>6%</b>	<b>286</b>	<b>-1%</b>

Gross profit margin	3Q15	3Q14	yoy chg.	2Q15	qoq chg.
Healthcare	32.6%	-12.9%	45.4	33.0%	-0.5
Consumer products	15.2%	15.4%	-0.2	11.9%	3.3
Real estate	68.0%	25.2%	42.9	65.8%	2.3
<b>Total</b>	<b>21.9%</b>	<b>19.0%</b>	<b>2.9</b>	<b>20.5%</b>	<b>1.4</b>

**Revenue breakdown (3Q15)**

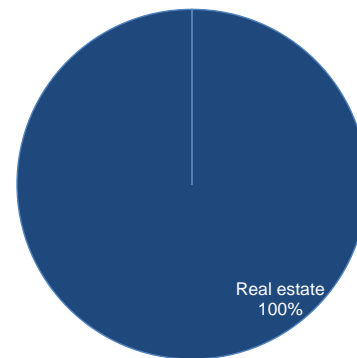


**EBITDA & EBITDA margin by major divisions**

EBITDA (TRY mn)	3Q15	3Q14	yoy chg.	2Q15	qoq chg.
Healthcare	-0.46	-21	-98%	-8	-94%
Consumer products	-1.35	-13	-90%	2	n.m.
Real estate	12.40	2	n.m.	9	32%
<b>Total</b>	<b>11</b>	<b>-10</b>	<b>n.m.</b>	<b>-4</b>	<b>n.m.</b>

EBITDA margin	3Q15	3Q14	yoy chg.	2Q15	qoq chg.
Healthcare	-0.8%	-82.3%	81.5	3.3%	-4.2
Consumer products	-0.7%	-7.0%	6.3	0.8%	-1.5
Real estate	48.0%	5.4%	42.6	46.3%	1.7
<b>Total</b>	<b>3.8%</b>	<b>-3.8%</b>	<b>7.6</b>	<b>-1.5%</b>	<b>5.2</b>

**EBITDA breakdown (3Q15)**



Source: YKY Research, Eczacibasi Ilac

## Coverage Cluster

Company	Ticker	Analyst
<b>BUY</b>		
Akbank	AKBNK	Murat Borekci - Sezgi Bice Ozener
Aksa Enerji	AKSEN	Elvin Akbulut Daglier
Alarko REIT	ALGYO	Elvin Akbulut Daglier
Aygaz	AYGAZ	Elvin Akbulut Daglier
Cimsa	CIMSA	Akif Moroglu
Coca-Cola	CCOLA	Akif Moroglu
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TSKB	TSKB	Murat Borekci - Sezgi Bice Ozener
Turk Hava Yollari	THYAO	Gorkem Goker
Turk Telekom	TTKOM	Mehmet Aydin Agyuz
Turk Traktor	TTRAK	Mehmet Aydin Agyuz
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Akcansa	AKCNS	Akif Moroglu
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Anadolu Hayat	ANHYT	Sezgi Bice Ozener
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Eczacibasi Ilac	ECILC	Gizem Celik
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Garanti Bankasi	GARAN	Murat Borekci - Sezgi Bice Ozener
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Kiler Gida	KILER	Murat Borekci
Mardin Cimento	MRDIN	Akif Moroglu
Pinar Sut	PNSUT	Gizem Celik
Selcuk Ecza	SELEC	Gizem Celik
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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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Arcelik	ARCLK	Mehmet Aydin Agyuz
Avivasa	AVISA	Sezgi Bice Ozener
Ayen Enerji	AYEN	Elvin Akbulut Daglier
Bizim	BIZIM	Murat Borekci
Halkbank	HALKB	Murat Borekci - Sezgi Bice Ozener
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TAV Havalimanlari	TAVHL	Gorkem Goker
Tumosan	TMSN	Mehmet Aydin Agyuz-Efe Cetinel
Vakifbank	VAKBN	Murat Borekci - Sezgi Bice Ozener
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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
<b>Underperform:</b> expected total returns of - 10% or less over the next 6-12 months	<b>Underperform:</b> expected total returns of 0% or less over the next 6-12 months

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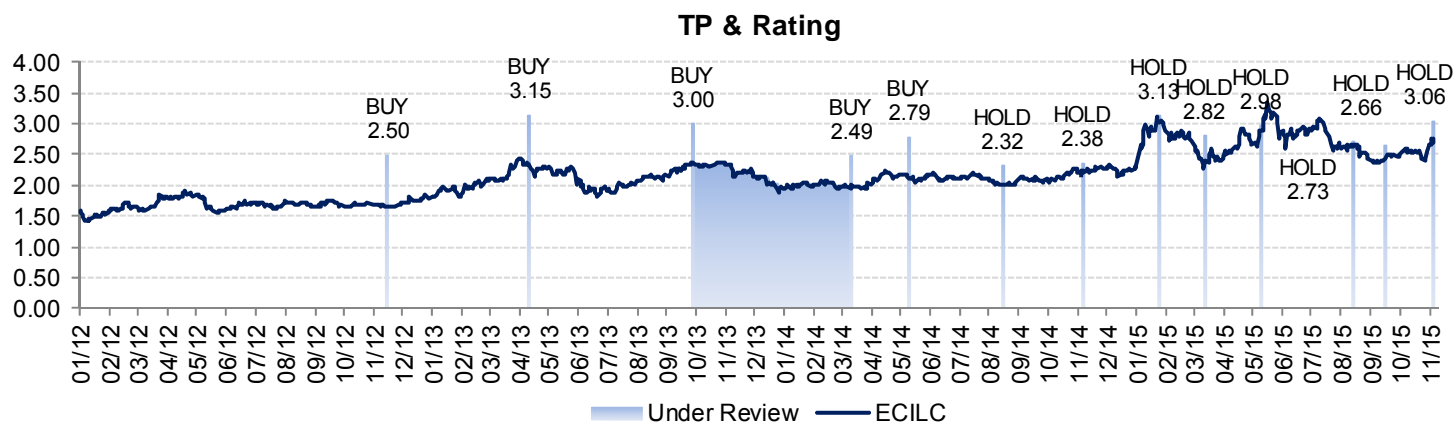
Coverage Universe	Count	Percent	Percent Inv. Banking Relationships	Count	Percent
<b>Buy</b>	23	38%	0%	0	0
<b>Hold</b>	24	39%	0%	0	0
<b>Underperform</b>	11	18%	0%	0	0
<b>Not Rated</b>	1	2%	0%	0	0
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