

Sise Cam

NEUTRAL

Current price: TRY3.37
12-mo T.Price: TRY3.68

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3Q15 Earnings Comment

| 3Q15 Actual result vs. estimates | | | | Share Price performance | | Margins | |
|----------------------------------|--------|---------|-------|-------------------------|-----|---------|-----|
| TRYmn | Actual | Consen. | Ak | | | | |
| Revenue | 1,860 | 1,822 | 1,879 | 1M | 10% | 12% | 12% |
| EBITDA | 352 | 388 | 374 | 3M | 5% | 7% | 11% |
| margin | 18.9% | 21.3% | 19.9% | YtD | 30% | 30% | 10% |
| Net Inc. | 186 | 204 | 149 | | | | 12% |

Comment: Good top-line generation, but EBITDA and bottom-line figures were below the consensus estimates

- ✓ Sise Cam announced TRY186mn net profit in its 3Q15 financials, up 53% YoY, below the consensus estimate of TRY204mn yet better than our bearish call of TRY149mn. Q3 revenues of TRY1,860mn (up 12% YoY) were broadly in-line with the estimates. However, the 18.9% EBITDA margin, flat YoY, lagged behind the consensus and Ak Investment estimates of 21.3% and 19.9%. Meanwhile, the high net FX gains amounting to TRY117mn in 3Q15 (compared to TRY39mn in 2Q15 and TRY32mn in 3Q14) and a deferred tax income of TRY25mn (higher than our estimate) supported the bottom-line figure, leading to a beat over the house call.
- ✓ Our take on Sise Cam’s 3Q15 performance is mixed: top-line generation was good and implied an acceleration in growth rate compared to a quarter ago, however a poorer EBITDA margin generation compared to the 2pp YoY expansion recorded in 2Q15 would be a drag on the sentiment, particularly considering the recent good share performance. Sise Cam shares outperformed the benchmark index by 9% and its listed participations by 7% on average in the last 1M. Sise Cam currently trades at a 55% premium over the value of the stakes owned in listed participations, compared to the 4Y average of 58%, which implies a fair valuation for the company shares under the current circumstances. We revised up our NAV model for Sise Cam incorporating the slight increase we made in the target price of Soda Sanayi. Accordingly our 12-month TP for Sise Cam is revised up to TRY3.68 (prev. TRY3.56). We maintain our “Neutral” rating for Sise Cam shares.

Key Highlight: Revenue growth accelerated in 3Q15 compared to 2Q15

- ✓ Sise Cam’s 3Q15 revenues were up 12% YoY following the 3% YoY growth posted in 1H15 – the acceleration in growth pace was particularly driven by the chemicals segment (+19% YoY in 3Q15 after the 2% YoY growth recorded in 1H15), which benefitted from TRY depreciation (19% YoY drop vs the hard currency basket in 3Q15 compared to the 5% YoY drop in 1H15) given its hard currency based top-line. Revenues of the flat-glass segment grew 8% YoY as the contribution of the new capacities was off-set by the suspension of production at one of the lines in Mersin/Turkey for cold repair.
- ✓ Sise Cam’s EBITDA grew by 14% YoY in 3Q15, just marginally above the top-line growth. The quarterly EBITDA margin at 18.9% stood roughly flat YoY, which compares unfavourably with the over 2pp YoY climb recorded in 2Q15. Flat glass segment recorded a YoY contraction in EBITDA margin in 3Q15 (14.3% in 3Q15 vs. 18.5% in 3Q14), but this was compensated by the increase in the figures of chemicals segment (22.2% in 3Q15 vs. 17.8% in 3Q14)

| Key P&L items, TRYmn | 3Q15 | 3Q14 | YoY Ch. | 2Q15 | QoQ chg. | 9M15 | 9M14 | YoY Chg. |
|----------------------|-------|-------|---------|-------|----------|-------|-------|----------|
| Revenues | 1,860 | 1,666 | 12% | 1,902 | -2% | 5,389 | 5,087 | 6% |
| Gross Profit | 533 | 460 | 16% | 564 | -5% | 1,579 | 1,420 | 11% |
| Gross marg. | 28.7% | 27.6% | | 29.6% | | 29.3% | 27.9% | |
| EBITDA | 352 | 310 | 14% | 378 | -7% | 1,046 | 968 | 8% |
| EBITDA marg. | 18.9% | 18.6% | | 19.9% | | 19.4% | 19.0% | |
| Net Profit | 186 | 122 | 53% | 229 | -18% | 566 | 391 | 45% |

| Key B/S & CFS items, TRYmn | 3Q15 | 2Q15 | 1Q15 | 4Q14 | 3Q14 |
|----------------------------|-------|-------|-------|-------|-------|
| Net debt | 1,497 | 1,449 | 1,275 | 1,067 | 1,366 |
| FX position | 472 | 612 | 999 | 902 | 438 |
| OP. cash flow | 346 | 366 | 33 | 344 | 264 |
| Free cash flow | 72 | 10 | -246 | 29 | 48 |

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