

Soda Sanayi

NEUTRAL

 Current price: TRY5.10
 12-mo T.Price: TRY5.70

3Q15 Earnings Comment

 Analyst Omer Omerbas
 +90 (212) 334 95 21

omer.omerbas@akyatirim.com.tr

3Q15 Actual result vs. estimates				Share Price performance		Margins	
TRYmn	Actual	Consen.	Ak				
Revenue	462	454	442	1M		3Q14	
EBITDA	113	119	116	3M		4Q14	
margin	24.4%	26.2%	26.2%	YtD		1Q15	
Net Inc.	162	140	139			2Q15	
						3Q15	

Comment: Bottom-line beat the estimates with higher-than-expected FX gains

- ✓ Soda Sanayi reported a TRY162mn net profit in 3Q15, beating the consensus (TRY140mn) and Ak Investment (TRY139mn) estimates by 16% - the deviation mainly stemmed from higher-than-expected FX gains and lower tax expenses. The company's operational figures were broadly in-line with the estimates, with a slight positive deviation at the top-line and a slight negative deviation at the EBITDA levels. The key finding was the Q3 EBITDA margin, which stood some 2pp below estimates at 24.4% - we presume analysts (including ourselves) had been overly optimistic with respect to the positive impact of the weak TRY on the company's operating performance. Meanwhile, the company recorded TRY92mn in net other and financial income in 3Q15 (mainly driven by FX gains on the long US\$ position at the balance sheet), compared to the TRY33mn net gain in 2Q15 and TRY22mn net gain in 3Q14.
- ✓ The initial market reaction to Soda Sanayi's 3Q15 bottom-line performance may be slightly positive. We quickly revisited our model following the release of results and revised up our 2015 and 2016 net income forecasts for Soda Sanayi by 4% and 6%, respectively. We maintain our "Neutral" rating for the company shares with a revised 12-month TP of TRY5.70 (previously TRY5.40). To recap, Soda Sanayi shares tend to stand out as "a consensus preferred pick" during any occasional turbulence in the market thanks to its defensive operations (hard currency based revenues) and strong balance sheet (TRY511mn net cash position and US\$244mn FX long position). The share price has broadly traded in parallel with the benchmark index in the last 2 months after an eye-catching 75% outperformance through the previous 12 month period.

Key Highlight: Continued recovery in the chromium chemicals segment thanks to a good sales volume performance

- ✓ Soda Sanayi posted TRY462mn of revenues in 3Q15, up by 21% YoY, which points to a significant acceleration in the pace of growth following the 4% YoY growth recorded in 1H15. A weaker TRY (19% YoY drop vs the hard currency basket in 3Q15 compared to the 5% YoY drop in 1H15) and a pick-up in chromium chemicals volumes were the main reasons behind the faster top-line expansion. Soda ash revenues (60% of the total top-line) grew by 23% YoY in 3Q15, in parallel with our estimate, whereas revenues from the chromium chemicals segment jumped 32% YoY in 3Q15 (following a flat performance in 1H15), much better than our expectation. Revenues from electricity sales (15% of the total top-line) held water in YoY terms with an improvement from the 18% contraction in 2Q15, in parallel with a QoQ pick-up in sales volumes. In cumulative terms, 9M15 revenues pointed to 9% YoY growth.
- ✓ Soda Sanayi's 3Q15 EBITDA increased by a whopping 47% YoY and the 24.4% margin in 3Q marked a 4pp YoY increase, despite the negative impact of the 9% increase in natural gas tariffs introduced at the beginning of 4Q14. The margin expansion was driven equally by the soda ash and chromium chemicals segments. In cumulative terms, the 9M15 EBITDA figure pointed to 11% YoY growth.

Key P&L items, TRYmn	3Q15	3Q14	YoY Ch.	2Q15	QoQ chg.	9M15	9M14	YoY Chg.
Revenues	462	382	21%	432	7%	1,295	1,185	9%
Gross Profit	129	87	47%	126	2%	346	305	14%
Gross marg.	27.8%	22.9%		29.3%		26.7%	25.7%	
EBITDA	113	77	47%	109	3%	300	271	11%
EBITDA marg.	24.4%	20.1%		25.3%		23.2%	22.9%	
Net Profit	162	87	85%	110	48%	366	236	55%

Key B/S & CFS items, TRYmn	3Q15	2Q15	1Q15	4Q14	3Q14
Net debt	-511	-396	-342	-364	-172
FX position	800	658	615	571	366
OP. cash flow	102	139	2	161	137
Free cash flow	60	102	-53	184	118

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