

# Torunlar REIC

**OUTPERFORM**

Current price: TRY3.74  
12-mo T. Price: TRY4.50

## 3Q15 Earnings Comment

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3Q15 Actual result vs. estimates				Share Price performance		Margins	
TRYmn	Actual	Cons.	Ak				
Revenue	113	115	114				
EBITDA	72	73	74				
margin	63.6%	63.6%	65.0%				
Net Inc.	-218	-217	-215				

**Comment:** The results came broadly in line with expectations

- ✓ Torunlar REIC posted net loss of TRY218mn in 3Q15, in line with our own estimate of a TRY215mn loss and the consensus estimate of a TRY217mn loss. In short, rental income jumped by 52% YoY while the bottom-line was hit hard by a TRY243mn FX loss on its massive short FX position. *The initial market reaction to the 3Q15 result is expected to be neutral today. After a robust pre-sales performance of Torunlar’s 5<sup>th</sup> Levent residential project, as it pre-sold 72% of the dwellings put up for sale in the first phase (818 out of the 1,142 dwellings) and generated TRY638mn of pre-sales revenues, we have revised up our TP from TRY4.15/share to TRY4.50/share while maintaining our “Outperform” rating. We think deliveries in the Torun Center office project, which is scheduled to take place in 4Q15, and the pre-sales performance of the 5<sup>th</sup> Levent residential project (for remaining units; a total of 2,111 units) may act as a catalyst for the stock.*

**Key Highlight:** Rental income growth on YoY basis supported by full year contribution from Torun Tower and Mall of Istanbul projects, with bottom-line hit hard by FX losses

- ✓ The 3Q15 top-line was up by 16% YoY, while down by 1% QoQ at TRY113mn – in line with our in-house (TRY114mn) and consensus (TRY115mn) estimates. Accordingly, Torunlar recorded TRY101mn of rental income (up 52% YoY) from its real estate portfolio in 3Q15 and TRY12.5mn revenues from residential sales (down by 60% YoY). The YoY jump in rental income attributable to full year contribution Mall of Istanbul and Torun Tower office projects as well as Torunlar’s rental income benefited from the weakness of the TRY, despite the fixed exchange rate applied in its shopping malls to support its tenants.
- ✓ 3Q15 EBITDA rose by 82% YoY and 10% QoQ to TRY72mn – in line with our estimate of TRY74mn and the consensus estimate of TRY73mn, thanks to inclusion of the higher margin Torun Tower project and a higher occupancy rate in the Mall of Istanbul. Overall, the EBITDA margin of 64% in 3Q15 came in line with our own estimate (65%) and the consensus estimate (64%).
- ✓ TRY weakness during 3Q15 also led to a 14% QoQ increase in Torunlar’s net debt position to TRY2,069mn by the end of 3Q15, as a result of the company carrying a net short position of US\$643mn and €181mn.

Key P&L items, TRYmn	3Q15	3Q14	YoY Ch.	2Q15	QoQ chg.	9M15	9M14	YoY Chg.
Revenues	113	97	16%	114	-1%	329	555	-41%
Gross Profit	80	47	70%	79	2%	221	167	32%
Gross marg.	70.9%	48.5%		68.8%		67.4%	30.2%	
EBITDA	72	40	82%	66	10%	196	142	38%
EBITDA marg.	63.6%	40.7%		57.3%		59.5%	25.5%	
Net Profit	-218	-67	n.m.	-4	n.m.	-376	204	n.m.

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Key B/S and CFS items, TRYmn	3Q15	2Q15	1Q15	4Q14	3Q14
Net debt	2,069	1,808	2,007	1,777	1,762
FX position	-2,576	-2,175	-2,653	-2,090	-2,217
OP. cash flow	-418	368	51	255	-121
Free cash flow	-381	330	52	-29	86

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