

SINPAS REIT (SNGYO TI)

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Market Outperformer

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Impact: Neutral

<u>1Q14 Actual result vs. estimates</u>				<u>Share Price performance</u>		<u>Margins</u>	
<u>TLmn</u>	<u>Actual</u>	<u>Cnbc-e</u>	<u>Ak</u>				
Revenue	92	n.a.	100	1M	Rel to ind.	20%	EBITDA
EBITDA	2	n.a.	10	3M	Nominal	25%	
margin	2.1%	n.a.	10.0%	YtD			
Net Inc.	5	n.a.	-2				

Comment: Bottom line better, while operating performance lower than our estimate

- ✓ Sinpas' TL5mn net profit for 1Q14 was better than our estimate (TL-2mn) (no consensus estimate available). Although EBITDA margin came lower than our estimate, the deviation in bottom-line mostly stems from higher than expected financial income. *Initial market reaction is expected to be neutral today. "Market Outperformer" rating maintained with 12M target of TL1.12/sh.*

Key Highlight: Revenues in line, subsidiary income supported the bottom-line

- ✓ 1Q14 top-line, up 23% YoY to TL92mn, was slightly lower than house estimate of TL100mn. In 1Q14, Sinpas delivered 241 units, thanks to deliveries in Istanbul Saraylari project (164 units or 68% of total units) and generated TL92mn revenues.
- ✓ 1Q14 EBITDA came TL2mn vs. TL-4mn in 1Q13, with an EBITDA margin of 2.1% (house call was 10.0%). Gross margin rose by 41 bps YoY to 18.3% in 1Q14, while EBITDA margin turned to positive territory in 1Q14 with the help of lower op-ex./revenues ratio of 17.8% in 1Q14 vs. 25.0% in 1Q13.
- ✓ Below EBIT level, income from subsidiary (TL8.8mn) that was booked under equity pick-up method supported the bottom-line in 1Q14 and is the main reason behind the drift in our bottom-line estimate.
- ✓ On the balance sheet front, Sinpas' net debt position rose by 3% QoQ to TL544mn as of end-1Q14 with a short FX position of TL309mn (fell by 20% QoQ to US\$141mn). In fact, Sinpas has levered its balance sheet in order to offer flexible and attractive payment plans to its customers for increasing its pre-sales performance.

Key P&L items, TLmn	1Q14	1Q13	YoY Ch.	4Q13	QoQ chg.
Revenues	92	75	23%	185	-50%
Gross Profit	17	13	26%	45	-63%
Gross marg.	18.3%	17.9%		24.5%	
EBITDA	2	-4	n.m.	20	-90%
EBITDA marg.	2.1%	-5.2%		10.8%	
Net Profit	5	-4	n.m.	-3	n.m.

Key B/S items, TLmn	1Q14	4Q13	3Q13	2Q13	1Q13
Net debt	544	528	512	412	420
FX position	-309	-388	-309	-301	-324
Operating cash flow	-14	-10	-81	56	-61
Free cash flow	-14	7	-82	55	-61

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