

# Akansa

## OUTPERFORM

Current price: 14,05 TL  
12-mo T.Price: 16,50 TL

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## 3Q14 Earnings Comment

3Q14 Actual result vs. estimates				Share Price performance		Margins	
TLmn	Actual	Cnbc-e	Ak				
Revenue	367	369	360	1M	Rel to ind.	3Q13	Gross
EBITDA	110	111	108	3M	Nominal	4Q13	EBITDA
margin	30.1%	30.0%	30.0%	YtD		1Q14	
Net Inc.	67	69	65			2Q14	
						3Q14	

### Comment: Bottom-line and operating performance in line with expectations

- ✓ Akansa announced a net profit of TRY67mn in 3Q14, in line with our own estimate (TRY65mn) and the consensus estimate (TRY69mn). Akansa maintained its outstanding operating performance in 3Q14 with solid domestic operations and we believe it will sustain this robust operational performance in 4Q14 as well. *The initial market reaction to the 3Q14 results is expected to be neutral today. We have a 12-month TP of 16.50 for Akansa and we maintain our "Outperform" rating.*

### Key Highlight: A solid operating performance, with net debt falling by 39% QoQ

- ✓ Akansa posted a top line of TRY367mn in 3Q14, marking a 12% YoY increase, in parallel with our own TRY360mn estimate and the consensus estimate of TRY369mn. Domestic revenues were up by 20% YoY to TRY341mn in 3Q14 on the back of better sales volume and improved pricing environment (thanks to a boost in demand with the 3<sup>rd</sup> Bridge and big ticket infrastructure projects), as well as strong demand from urban transformation projects in the greater Istanbul region. On the other hand, export revenues tumbled by 28% YoY to TRY34mn in 3Q14 as Akansa strategically diverted most of its production to the lucrative domestic market. Accordingly, the weight of exports in total sales fell from 15% in 3Q13 to 9% in 3Q14.
- ✓ EBITDA was up by 21% YoY in 3Q14 to reach TRY110mn, while the Company's EBITDA margin climbed by 2.4 pp YoY from 27.6% in 3Q13 to 30.1% in 3Q14 (in line with our in-house call of 30%). The EBITDA margin was supported by a higher CUR, an increased share of local cement sales in the total (driven by the construction of the 3<sup>rd</sup> Bridge and urban transformation), a better pricing environment in the Marmara region and rising use of alternative fuels.
- ✓ On the balance sheet, Akansa's net debt position declined significantly by 39% QoQ to TRY151mn by the end of 3Q14 thanks to the improvement in the FCF, which increased to TRY104mn in 3Q14 (vs. TRY37mn in 2Q14 and TRY-2mn in 3Q13). Moreover, the Company had a TRY23mn long FX position at the end of September 2014.

Key P&L items, TRYmn	3Q14	3Q13	YoY Ch.	2Q14	QoQ chg.	9M14	9M13	YoY Chg.
Revenues	367	329	12%	387	-5%	1,079	875	23%
Gross Profit	108	86	25%	114	-5%	308	191	61%
Gross marg.	29.6%	26.3%		29.4%		28.5%	21.8%	
EBITDA	110	91	21%	116	-5%	312	199	57%
EBITDA marg.	30.1%	27.6%		30.0%		28.9%	22.7%	
Net Profit	67	56	20%	70	-4%	205	119	72%

Key B/S items, TRYmn	3Q14	2Q14	1Q14	4Q13	3Q13
Net debt	151	247	241	163	263
FX position	23	18	18	19	38
OP. cash flow	120	58	43	134	20
Free cash flow	104	37	39	104	-2

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