



1Q18 Earnings Preview

16 April 2018

Corporates under our coverage to post 8% y/y net income growth in 1Q18

1Q18 earnings season will kick off on the week April 23th and continue through May 10th (deadline for non-bank solo financials is April 30th). We estimate the corporates under our coverage to post 8% y/y growth in 1Q18, with banks' earnings to decline 4% y/y, while non-banks' earnings to rise 23% y/y.

Banks: 1Q18 earnings to increase by 7% q/q and decline by 4% y/y

We forecast Banks' earnings to grow by 7% q/q in 1Q18, driven mainly by lower provision costs. We expect core-spreads to be strong q/q, yet lower CPI-linker valuations will lead a NIM contraction. We forecast 37bps q/q contraction in aggregate swap adjusted NIM.

We expect Akbank, Garanti and Yapı Kredi to deliver relatively stronger earnings growth y/y at 12%, 9%, 8%, respectively. Akbank and Yapı Kredi's TL core spreads are likely to perform better than their peers. Halkbank's core spread performance may be weaker due to higher deposit costs. Vakıfbank's earnings may contract by 25% y/y, due to higher growth in provision costs and higher effective tax ratio.

Non-financials: 26% y/y growth in EBITDA

We expect the non-financials under our coverage universe to deliver **23% y/y rise in net earnings** in 1Q18, while **EBITDA and revenue growth rates to be 26% and 22% y/y, respectively**. Low base of 1Q17, a weak TL and high inflation that inflates operating profits, strong economic growth and higher commodity prices appear as the main drivers of this y/y improvement.

Among the non-financial companies under our coverage; **AKSEN, EKGYO, EREGL, FROTO, KRDM, TAVHL, TKFEN, TRGYO and ZOREN** are expected to post eye-catching performances in terms of net profit and EBITDA growth in 1Q18. Meanwhile, despite the strong y/y improvement in EBITDA, we expect negative bottom-line reading for **THYAO** in 1Q18 on sizeable FX losses.

YF Coverage Universe 1Q18 Expected Results					
TLmn	1Q18E	1Q17	Y/Y Δ	4Q17	Q/Q Δ
Non-Financials					
Net Sales	95,759	78,437	22%	101,744	-6%
EBITDA	14,305	11,333	26%	14,828	-4%
Net Profit	5,553	4,518	23%	6,638	-16%
Financials					
Net Profit	6,330	6,525	-3%	5,899	7%
Total					
Net Profit	11,882	11,043	8%	12,537	-5%

Source: Companies, Yatırım Finansman Securities (*) Financials segment includes insurance companies

YF Coverage Universe 1Q18 Earnings Preview (Financials – TL mn)

TLmn Ticker	Net Income	1Q18E	4Q17	Q/Q Δ	1Q17	Y/Y Δ	Comment	Expected Release Date
AKBNK		1,627	1,524	7%	1,449	12%	We forecast Akbank's NIM to contract on negative impact from CPI-linker valuation. However, we expect an improvement in TL loan-deposit spreads. Operating costs may increase higher than full-year guidance due to low base of last year. We expect provision costs to be in-line with the initial '18 guidance of 50bps net CoR.	April 25 th
ALBRK		96	96	0%	36	167%	Albaraka Turk may maintain its bottom-line almost flat q/q. Core spreads may contract due to lagging impact of deposit costs. However, we expect to see some income from JV projects and to compensate potential NIM contraction.	1st week of May
GARAN		1,663	1,699	-2%	1,526	9%	Garanti's bottom-line may increase by 9% y/y by 1Q18. We expect Garanti's NIM may contract substantially, driven by lower CPI-linker assumptions while core-spreads may remain stable. We pencilled higher general provision costs, due to additional provision charges for restructured loans.	April 26th, TBC
HALKB		850	715	19%	1,219	-30%	We expect 30% y/y contraction in 1Q18 and 19% q/q increase in 1Q18 earnings. Net interest margins may contract due to negative impact of deposit costs. NPL collections may support profitability whereas fee income may declined y/y. We forecast lower provision costs q/q, based on benign asset quality outlook.	1st week of May
VAKBN		913	901	1%	1,225	-25%	We expect Vakıfbank's net income to decline by 25% y/y and increase by 1% q/q. We forecast NIM to contract by 38bps q/q, led by CPI-linker accounting change and TL core spread contraction. The Bank is expected to set aside provision for OTAS loan and we expect provision costs to remain at high level. Fee income growth and NPL collection income may realize strong in 1Q18. The Bank guided a higher effective tax rate in 1Q18, which may pull down profitability.	1st week of May
YKBNK		1,080	880	23%	1,001	8%	We expect Yapi Kredi's 1Q18 earnings to increase by 8% y/y. We forecast an improvement in core-spreads, yet lower CPI-linker valuations and higher swap utilization may pull down adjusted NIM in 1Q18. We expect below inflation Opex growth and strong fee income growth in 1Q18. Provision costs may remain elevated due to bank's intention to increase its NPL coverage ratio.	1st week of May
ANHYT		72	56	29%	52	39%	We forecast 39% earnings growth in 1Q18 y/y, driven by life insurance and pension segments. We expect strong top-line growth in fee revenues in pension business to continue in 1Q18. Dividend income and higher interest rates may provide better investment income in 1Q18.	Last week of April
AVISA		29	28	4%	18	58%	We expect pension segment to provide better technical income and to support profitability in 1Q18.	Last week of April

YF Coverage Universe 1Q18 Earnings Preview (Non-Financials – TL mn)

TLmn Ticker		1Q18E	4Q17	Q/Q Δ	1Q17	Y/Y Δ	Comment	Expected Release Date
ADCIM	Revenues	131	141	-7%	94	39%	EBITDA is expected to be doubled in 1Q18, thanks to recovery of demand and mild weather conditions.	
	EBITDA	25	28	-11%	12	103%		
	Net Income	37	34	9%	38	-3%		
AEFES	Revenues	2,800	2,758	2%	2,426	15%	1Q is a weak quarter for Efes seasonally. We expect beer volumes to decline by 4% y/y both in domestic and international operations. Weak market demand both in Turkey and Russian beer are likely to hurt volumes during 1Q18. Bottomline to be hurt by FX losses on the back of TL weakness.	May 7th
	EBITDA	333	353	-6%	271	23%		
	Net Income	-115	-194	n.m.	-85	n.m.		
AKCNS	Revenues	387	428	-10%	298	30%	Rise in cement prices, weak base of 1Q17 and mild winter led to a decent 1Q18. The company raised its prices by 10% in Jan18 and it aims to continue to gradual increases during the year to reflect increasing petcoke and electric prices.	May 3th
	EBITDA	38	95	-60%	48	-20%		
	Net Income	76	46	66%	35	119%		
AKSEN	Revenues	954	1,034	-8%	738	29%	Strong EBITDA performance is expected to continue into 1Q18. We expect EBITDA to rise almost threefold in 1Q18 while bottom-line is expected to be on the positive versus TL83mn net loss in 1Q17.	May 8th
	EBITDA	161	153	5%	55	191%		
	Net Income	71	281	-75%	-83	n.m.		
ALGYO	Revenues	4	2	112%	4	15%	Company's fx long position may impact P&L positively.	
	EBITDA	3	1	272%	2	18%		
	Net Income	18	117	-85%	16	12%		
ARCLK	Revenues	5,305	5,706	-7%	4,634	14%	Despite significant contraction in the domestic white goods market, weak TL that inflates prices, strong EUR and price hikes in the domestic market (5% in Dec and 3% in March) should lead to 14% rise in revenues. Meanwhile, EBITDA margin is likely to rise 1.9pp qoq to 9.4% in 1Q18, thanks to strong EUR/USD and price hikes.	April 26th
	EBITDA	497	429	16%	459	8%		
	Net Income	214	90	138%	240	-11%		
ASELS	Revenues	1,098	1,912	-43%	990	11%	With earlier than expected backlog increase, 1Q18 will be strong, as weak TL continues to support operating profitability. We expect 11% y/y top-line growth in 1Q18, corresponding to TL1,098mn with EBITDA rising by 15% y/y to TL215mn. Meanwhile, due to higher financial expense company's net income will decline to TL218mn (-32% yoy).	May 2nd
	EBITDA	215	385	-44%	187	15%		
	Net Income	218	560	-61%	321	-32%		
BIMAS	Revenues	6,975	6,597	6%	5,707	22%	20+% revenue growth should continue into 1Q, supported by high inflation. Compared to 4Q17, revenue growth should decelerate to 22% (vs. 26% in 4Q17), however, profitability should improve qoq, thanks to higher gross margins.	May 8th
	EBITDA	358	324	11%	304	18%		
	Net Income	234	222	6%	198	18%		
BOLUC	Revenues	143	160	-10%	92	55%	Thanks to warmer winter and weak base of 1Q17, we forecast 19% y/y increase in EBITDA and 7% q/q increase in net income.	
	EBITDA	25	52	-52%	21	19%		
	Net Income	38	36	7%	10	265%		
BRISA	Revenues	699	673	4%	473	48%	Management's strategy to distribute revenues evenly is likely to lead to significant y/y rise in EBITDA during the quarter. However, higher financial costs and depreciation charges should hurt the bottomline.	
	EBITDA	131	85	54%	70	88%		
	Net Income	6	20	-71%	25	-77%		
CCOLA	Revenues	1,823	1,656	10%	1,556	17%	Despite being a weak quarter seasonally, we expect CCI to report a decent operating results in 1Q18. We expect total sales volume to rise by 5% y/y, with domestic and international sales volumes to increase by 3% and 7% y/y respectively. Bottomline to be hurt by FX losses on the back of TL weakness.	May 7th
	EBITDA	220	165	33%	181	21%		
	Net Income	-12	-149	n.m.	-86	n.m.		
CIMS A	Revenues	418	436	-4%	248	68%	Completion of capacity expansion projects and improvement in demand will benefit the company in 1Q18.	
	EBITDA	102	112	-9%	56	83%		
	Net Income	63	75	-16%	31	101%		
DOAS	Revenues	2,456	4,718	-48%	2,085	18%	We expect revenues and EBITDA to rise 18%, 32% respectively, as price increases on the back of weak TL should inflate the revenues. EBITDA margin should rise slightly q/q and y/y, with price adjustments.	May 10th (TBC)
	EBITDA	105	175	-40%	80	32%		
	Net Income	27	41	-34%	28	-5%		

YF Coverage Universe 1Q18 Earnings Preview (Non-Financials – TL mn)

TLmn Ticker	1Q18E	4Q17	Q/Q Δ	1Q17	Y/Y Δ	Comment	Expected Release Date	
EKGYO	Revenues	2,010	1,098	83%	834	141%	We forecast EBITDA to double y/y and net income to increase by 53% y/y. Strong bottom-line growth is driven by recognition of several RSM projects such as Köy Project, Avrupa Konutları Basaksehir and Istmarina.	Last week of April
	EBITDA	810	627	29%	400	102%		
	Net Income	490	691	-29%	320	53%		
ENKAI	Revenues	2,645	2,647	0%	2,445	8%	Bottom-line is expected to increase by 15% y/y in TL terms on weakness in TL. We expect 16% y/y improvement in EBITDA with EBITDA margin increasing by around 200bps y/y in 1Q18.	
	EBITDA	684	818	-16%	589	16%		
	Net Income	722	589	23%	626	15%		
EREGL	Revenues	5,376	5,405	-1%	4,191	28%	The Company is expected to post another solid financial results in 1Q18 with 28% y/y growth in EBITDA while EBITDA per ton figure is reaching \$198/ton on the back of favorable spread steel mill spread. Top-line is foreseen to increase by 28% y/y in TL terms amid ~\$100/ton y/y improvement in effective sales price.	4th week of April
	EBITDA	1,685	1,699	-1%	1,313	28%		
	Net Income	1,146	1,192	-4%	902	27%		
FROTO	Revenues	6,733	8,203	-18%	5,395	25%	We assume 5% y/y rise in sales volume, on the back of 1% contraction in domestic sales and 7% rise in exports volumes. Profitability should be stronger y/y, with EBITDA margin rises to 8.4% v.s. 8.1% in 1Q17. Accordingly EBITDA should jump 29% y/y.	April 26th (TBC)
	EBITDA	563	595	-5%	437	29%		
	Net Income	321	510	-37%	272	18%		
HLGYO	Revenues	24	21	15%	21	10%	We forecast 15% earnings growth y/y in 1Q18, led by rental income growth.	
	EBITDA	14	12	16%	13	5%		
	Net Income	13	215	-94%	11	15%		
INDES	Revenues	1,222	1,696	-28%	979	25%	We expect earnings contraction y/y, as non-operational fx gains provided high base in 1Q17.	1st week of May
	EBITDA	26	44	-41%	25	7%		
	Net Income	15	114	-87%	19	-22%		
ISGYO	Revenues	68	70	-3%	62	11%	We expect only rental income to be recognized in 1Q18. However, lack of rental income from Kızılay and Antalya office buildings, may hamper annual rental growth. We expect 2% y/y earnings growth in 1Q18.	Last week of April
	EBITDA	40	28	41%	37	9%		
	Net Income	21	87	-76%	21	2%		
KORDS	Revenues	718	647	11%	631	14%	We expect revenues to increase by 14% y/y, while EBITDA should rise 15% y/y and net income to be parallel to 1Q2017 level.	May 2nd
	EBITDA	127	70	82%	110	15%		
	Net Income	62	44	41%	61	1%		
KRDM	Revenues	1,227	790	55%	593	107%	EBITDA per ton is expected to improve to \$158/ton in 1Q18 from \$138/ton in 4Q17 and \$51/ton in 1Q17 on favorable steel mill spread. We expect EBITDA margin to reach historically record high level of 27.5%. Even though FX losses should partly overshadow bottom-line growth, y/y improvement in the bottom-line is still solid when compared to TL4mn net loss in 1Q17.	1st week of May
	EBITDA	338	208	62%	74	358%		
	Net Income	198	49	306%	-4	n.m.		
MGROS	Revenues	3,902	4,022	-3%	3,114	25%	We expect revenues to rise by 25% y/y, on the back of Kipa acquisition and strong L-f-Ls, while EBITDA should rise by 22% y/y. However, FX losses on the back of EUR strength against TL should hurt the bottomline.	May 9th
	EBITDA	163	217	-25%	134	22%		
	Net Income	-276	-206	n.m.	907	n.m.		
MRDIN	Revenues	35	66	-47%	34	2%	We expect to see slightly higher revenues and EBITDA y/y, due to base effect and warmer winter conditions.	
	EBITDA	5	21	-76%	5	1%		
	Net Income	6	16	-63%	10	-41%		
OTKAR	Revenues	296	416	-29%	566	-48%	Lower than expected sales performance will lead to weak set of numbers in 1Q. Also, FX losses will have negative impact on net income.	Last week of April, TBC
	EBITDA	17	47	-65%	65	-75%		
	Net Income	-19	49	n.m.	37	n.m.		

YF Coverage Universe 1Q18 Earnings Preview (Non-Financials – TL mn)

TLmn Ticker		1Q18E	4Q17	Q/Q Δ	1Q17	Y/Y Δ	Comment	Expected Release Date
PETKM	Revenues	1,935	1,962	-1%	1,790	8%	Ethylene-naphtha spread averaged at \$707/ton in 1Q18; strong compared to \$574/ton in 1Q17 with the help of global maintenance activities and strong demand. However, high base of 1H17 on skyrocketed by-product prices would eliminate y/y improvement in 1Q18. We project the company to post TL449mn EBITDA in 1Q18 (down 2% y/y) with a ~250 bps y/y contraction in EBITDA margin to 23% and TL350mn net income (down 3% y/y).	1st week of May
	EBITDA	449	449	0%	459	-2%		
	Net Income	350	365	-4%	360	-3%		
PGSUS	Revenues	1,226	1,186	3%	886	38%	1Q is a weak quarter seasonally for the airlines. However compared to 1Q17, we expect strong improvement in EBITDA, thanks mainly to 18% y/y rise in passengers. Aircraft sale to be recognized during the quarter (TL20mn) should support the bottomline.	May 10th (TBC)
	EBITDA	-59	-15	n.m.	-139	n.m.		
	Net Income	-114	8	n.m.	-203	n.m.		
TAVHL	Revenues	1,204	1,253	-4%	901	34%	Strong pax traffic (+23% y/y), firmer EUR, higher share of O&D passengers should lead to continuation of strong results for TAV Airports	April 27th
	EBITDA	494	525	-6%	317	56%		
	Net Income	115	43	167%	46	150%		
TCELL	Revenues	4,734	4,483	6%	3,937	20%	Financials will be in parallel with the management's 2018 guidance figures. Mobile and Superonline growths in Turkey will continue to be the most important drivers of the consolidated growth.	April 24th (TBC)
	EBITDA	1,727	1,715	1%	1,393	24%		
	Net Income	776	216	260%	459	69%		
THYAO	Revenues	10,212	10,447	-2%	7,310	40%	1Q is a weak quarter seasonally for the airlines. However, compared to 1Q17, we expect strong improvement in EBITDA, thanks mainly to 25% y/y rise in RPK and 6.4pp rise in load factor. That said, the company is likely to report a significant FX loss due to appreciation of Yen against USD.	2nd week of May (TBC)
	EBITDA	772	1,053	-27%	149	418%		
	Net Income	-697	-184	n.m.	-1,421	n.m.		
TKFEN	Revenues	2,606	2,417	8%	1,637	59%	We anticipate Tekfen to post 59% y/y increase in top-line in 1Q18 amid almost doubling revenue generation in contracting segment and higher sales volume in agri-segment. Consolidated EBITDA is expected to reach TL288mn with bottom-line increasing by 40% y/y to TL226mn.	April 26th
	EBITDA	288	226	27%	209	38%		
	Net Income	226	255	-11%	162	40%		
TOASO	Revenues	4,394	5,067	-13%	4,098	7%	We assume 10% y/y decline in sales volume, on the back of 11% contraction in exports and 4% decline in domestic sales volume. Weak TL against EUR and price increases, coupled with higher share of domestic operations that are higher margin, however, should lead to 15% y/y rise in EBITDA.	April 26th (TBC)
	EBITDA	495	656	-25%	432	15%		
	Net Income	272	424	-36%	262	4%		
TRGYO	Revenues	712	350	104%	135	426%	We expect Torunlar's EBITDA to increase by 246% y/y, driven by recognition of revenues from 5th Levent Residential Project. We also forecast net income is suppressed by currency loss in 1Q18.	1st week of May
	EBITDA	308	178	72%	89	246%		
	Net Income	150	341	-56%	-33	n.m.		
TTKOM	Revenues	4,604	4,800	-4%	4,307	7%	Subscriber increase will be the main driver, rather than ARPU (TL) growth. Fx losses on the back of weak TL will hurt the bottomline. That said, IFRS adjustment is still in discussion and it could create deviations from the expectations.	April 25th (TBC)
	EBITDA	1,612	1,539	5%	1,508	7%		
	Net Income	211	-113	n.m.	66	221%		
TTRAK	Revenues	955	1,153	-17%	961	-1%	1Q was a weak quarter for Turk Traktor, as domestic and exports sales contracted. We assume EBITDA to slightly increase, thanks to price increases and lower opex. Meanwhile, higher financial expenses should hurt the bottomline.	April 25th
	EBITDA	120	137	-12%	112	7%		
	Net Income	52	104	-50%	55	-6%		
TUPRS	Revenues	13,117	14,604	-10%	12,370	6%	Med margin averaged at \$4.0/bbl in 1Q18 versus \$5.0/bbl in 1Q17 and \$4.1/bbl in 4Q17. We believe strong crack margins in middle distillates should partly eliminate impact of lower Med margin environment on the Company's refinery margin. However lower production volume due to maintenance shut down in Izmir and Kirikkale refineries with capacity utilization expected to be at 67% in the quarter and narrower crude differentials compared to 1Q17 will weigh on EBITDA performance.	May 9th
	EBITDA	926	1,190	-22%	1,511	-39%		
	Net Income	491	493	0%	869	-43%		
ULKER	Revenues	1,410	1,453	-3%	1,232	14%	Ulker's 1Q17 results will be restated, therefore 1Q18 results could not be comparable to 1Q17. 1Q18 profitability should be in line with the company's 2018 guidance of ~14.5%.	May 9th
	EBITDA	204	233	-12%	176	16%		
	Net Income	84	137	-38%	99	-15%		
ZOREN	Revenues	1,203	1,265	-5%	661	82%	Despite expecting strong EBITDA growth y/y, fx loss should weigh on bottom-line performance in 1Q18.	
	EBITDA	286	198	44%	170	68%		
	Net Income	64	23	176%	-72	n.m.		

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