TACİRLER INVESTMENT

4Q18 Earnings Preview Consumers

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4Q18 Earnings Preview

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4Q18 earnings season for the consumer companies will start on January 30 with Arcelik and the reporting deadline is March 11.

In aggregate terms, we estimate 16% and 26% y/y increases in revenues and EBITDA for consumers*, respectively, in 4Q18. Higher FX based international revenues of consumers and inflationary support on revenues of retailers have presumably served to boost operational profitability in 4Q18. Additionally, we expect massive growth in net earnings, given potential FX gains for companies with hard currency denominated short FX positions. Note that our combined estimates now include SOK figures.

Higher FX based international revenues of **Anadolu Efes, Arcelik, Coca-Cola Icecek and Ford Otosan** will largely offset the slowing sales in domestic operations in 4Q18, based on our estimates. Price increases in domestic operations y/y will also contribute to y/y growth. Retailers including **BIM, Bizim Toptan, Migros** and **SOK** are likely to report strong like-for-like sales growth, driven by the inflationary support and sustained increase in store traffic along with the transition to modern retail. The merger of Russia and Ukraine operations of **Anadolu Efes** with InBev in Mar'18, restructuring efforts in **Bizim Toptan** and deleveraging in **SOK** with the proceeds of the IPO will also support outstanding earnings recovery on a y/y basis. Moreover, FX gains due to q/q TL appreciation against USD/EUR will prompt substantial y/y improvement in net earnings of **Anadolu Efes, Coca-Cola Icecek** and **Migros**.

During the quarter, **Anadolu Efes, Arcelik, Coca-Cola Icecek, Migros** and **SOK** are likely to announce the highest earnings improvement on a y/y basis. On the other hand, **Dogus Otomotiv, Tofas** and **Turk Traktor** should report relatively weaker results in 4Q18, given the sharp fall in domestic sales.

**14% and 25% y/y respective growth rates adjusted for the proforma figures of Anadolu Efes.*

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TL mn		4Q18E	4Q17	3Q18	Chg y/y	Chg q/q	Notes and Announcement Date
AEFES	Revenues	4,243	2,758	6,430	54%	-34%	**28-Feb** We forecast 23% y/y growth in revenues on a proforma basis, thanks to robust growth in international beer revenues. The margin contraction y/y due to one-off operating expenses in international operations should be somewhat offset by the margin gain in the soft drinks business. Furthermore, we expect FX gain in 4Q18, given the q/q TL appreciation against USD.
	EBITDA	558	418	1,207	33%	-54%	
	Net Income	271	-194	-36	n.m.	n.m.	
ARCLK	Revenues	7,596	5,706	7,696	33%	-1%	**30-Jan** Our strong EBITDA expectation is based on sustained double-digit growth in revenues driven by international operations and improving margins in Turkey, with higher pricing and lower cost pressure. We also expect lower tax expense y/y.
	EBITDA	745	429	781	74%	-5%	
	Net Income	308	90	251	242%	22%	
BIMAS	Revenues	8,962	6,597	8,460	36%	6%	**11-Mar** Inflationary support, around 25% LFL growth and 11% increase in number of stores will be the main drivers for revenue growth y/y in 4Q18. We expect a lower margin gain y/y, compared to 3Q18, due to discounts on some products and higher cost base.
	EBITDA	459	324	562	42%	-18%	
	Net Income	303	222	364	37%	-17%	
BIZIM	Revenues	982	830	1,005	18%	-2%	**28-Feb** Our expectation is slower y/y growth in sales density in 4Q18, given weaker tobacco sales with high base, while robust growth in the main category sales should continue. Restructuring efforts will support margin accretion also in 4Q18, in our view.
	EBITDA	35	22	43	57%	-19%	
	Net Income	5	0	9	n.m.	-48%	
CCOLA	Revenues	2,002	1,656	3,715	21%	-46%	**27-Feb** Lower FX losses with q/q TL appreciation against hard currencies will help to improve earnings y/y . We foresee 21% revenue growth driven by FX effect, slight volume growth in international operations and higher pricing in Turkey, while higher contribution of international revenues should prompt margin gain y/y.
	EBITDA	222	165	793	34%	-72%	
	Net Income	22	-149	37	n.m.	-41%	
DOAS	Revenues	3,128	4,718	1,999	-34%	57%	**14-Feb** Sharp revenue contraction will prevail in 4Q18, due to 58% y/y fall in volumes, while decline in EBITDA will be at a lower amount, thanks to margin gains associated with low-priced inventory, according to our estimates. Additionally, higher S/T borrowing should lead to higher interest expenses y/y in 4Q18.
	EBITDA	156	175	129	-11%	21%	
	Net Income	12	41	-8	-70%	n.m.	

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TL mn		4Q18E	4Q17	3Q18	Chg y/y	Chg q/q	Notes and Announcement Date
							Second week of February
FROTO	Revenues	9,111	8,203	7,772	11%	17%	Depreciation of TL against EUR will have a lower effect on revenue growth this quarter, but still higher pricing in TL will compensate for the contraction in volumes. Net margin is likely to increase 120bp, given our projection of higher financial income and tax income y/y.
	EBITDA	755	595	667	27%	13%	
	Net Income	678	510	354	33%	92%	
							5-Mar
MGROS	Revenues	4,985	4,022	5,331	24%	-6%	We expect 24% revenue growth y/y to be sustainable in 4Q18, driven by the continuing inflationary support and 11% growth in store count y/y. The restructuring at Kipa stores and inclusion of higher margin Uyum stores will help to grow margins in 4Q18. Furthermore, given q/q TL appreciation against EUR, we forecast FX gains.
	EBITDA	292	226	388	29%	-25%	
	Net Income	538	-206	-667	n.m.	n.m.	
							6-Mar
SOKM	Revenues	4,073	3,066	3,257	33%	25%	We expect 33% revenue growth y/y, driven by sustained increase in store count and sales density along with the accelerated inflation. 4Q gross margin will exclude the temporary inventory gain recorded in 3Q, thus a more normalised level should be realized. Additionally, thanks to lower net debt position after the IPO, substantial y/y decline in financial expenses should be seen in 4Q18.
	EBITDA	214	88	228	142%	-6%	
	Net Income	15	-105	12	-114%	30%	
							7-Feb
TOASO	Revenues	4,758	5,067	4,333	-6%	10%	Volume decline of 32% y/y and 9-day shutdown of the plant in October should result in lower revenue and EBITDA generation in 4Q18. This effect will partially be offset by operational FX gains during the quarter, according to our estimates.
	EBITDA	516	656	731	-21%	-29%	
	Net Income	375	424	311	-12%	21%	
							Second week of February
TTRAK	Revenues	955	1,153	876	-17%	9%	The persisting decline in domestic tractor volumes and promotional discounts offered to lower tractor inventory have led to a y/y double-digit decline at the topline, based on our expectations. Additionally, higher interest expenses y/y should be generated due to the increase in S/T debt to finance higher working capital needs.
	EBITDA	113	137	142	-17%	-20%	
	Net Income	61	104	29	-42%	108%	

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