



Rating
Buy

Emerging Europe
Turkey

Oil & Gas
Oil Services

Company
Tupras Alert

Reuters
TUPRS.IS

Bloomberg
TUPRS TI

Exchange
IST

Ticker
TUPRS

Date
14 February 2016

Results

Price at 12 Feb 2016 (TRY)	68.85
Price Target (TRY)	80.90
52-week range (TRY)	78.45 - 50.35

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4Q15 review: 24% EBITDA beat on higher CUR & hedges; minor NI miss

Strong set of results on robust CUR and continued delivery of the RUP

Tupras' 4Q15 net income rose to TR815m (vs. TRY213m in 4Q14, +9% QoQ, our est.: TRY712m, RT consensus: TRY853m), with EBITDA rising to TRY1,189m (TRY52m in 4Q14, +6% QoQ, DB: TRY902m, cons: TRY960m). Revenues fell to TRY8,899m (-2% YoY, -15% QoQ; DB: TRY8,125m, cons: TRY8,469m) mainly due to lower crude and product prices. 4Q EBITDA is 24% ahead of consensus, with YoY growth supported by: **1)** high CUR (102.5% in 2015) driven by the output & optimization related to the Resid Upgrade project; **2)** benefits of processing heavier crude; and **3)** despite the seasonal decline, strong domestic demand, particularly in asphalt. Higher-than-expected tax cost of TRY225m in 4Q15 (vs. tax income of TRY312m in 4Q14) and higher financial expenses led to slight negative deviation at the bottom line. We expect a favourable reaction.

4Q15 net refining margin at USD5.2/bbl (vs. USD4.4/bbl in 4Q14, USD8.3/bbl in 3Q15)

Tupras' 4Q15 net refining margin rose YoY to USD5.2/bbl (vs. USD4.6/bbl in 4Q14, USD8.3/bbl in 4Q14), while declining QoQ mainly due to seasonality. WTI/Brent hovering at c.USD2/bbl and widening Ural crude spreads and benefits of low crude costs have been partly balanced by lower seasonal demand and weaker price ratios in 4Q. Hence, 4Q15 Med Ural refining margin (complex) fell to US\$3.5/bbl in 4Q15 from US\$3.8/bbl in 4Q14, USD4.9/bbl. in 4Q14. Tupras' CUR stood at 102.5% in FY15 (vs. 75% in 2014), thanks to post RUP-related optimizations and higher output. Coupled with the hedges countering inventory losses, 4Q EBITDA was 24% ahead of consensus.

Higher taxes and financial expenses led to slight NI miss; net debt drop to TRY6.9bn

Higher-than-expected net financial expenses of TRY168m and taxes of TRY225m led to a 4% negative deviation vs. consensus expectations at the bottom line. Net debt fell to TRY6.9bn as of 4Q15 (vs. TRY8.4bn in 3Q15), mainly due to lower NWC, higher cash generation and normalizing capex cycle.

FY15 guidance met; FY16 net refining margin guidance of USD5.8/bbl to USD6.3/bbl)

With the strong set of 4Q results, Tupras delivered its FY15 guidance (net ref. margin guidance range of USD6.0/bbl-USD6.7/bbl vs. the realized margin of USD6.5/bbl; CUR guidance of 97% vs. realized CUR of 98%; 102% inc. other products). For 2016, Tupras is guiding for **1)** average Brent price of USD45-55/bbl; **2)** med complex margin of USD3.5/bbl-USD4.0/bbl; **3)** Tupras net refining margin of USD5.8-6.3/bbl; **4)** CUR of 100%, 28m tonnes of production and 30m tonnes of sales; **5)** USD270m in capex and **6)** effective tax rate of 8.5% in 2016. We reiterate our Buy rating given the strong FCF and dividend yield outlook and the defensive nature of its cash flows.

Figure 1: Tupras 4Q15 financial highlights (TRYm)

	4Q15	4Q14	YoY %	3Q15	QoQ %	DBe	Cons.*
Revenues	8,899	9,037	-2%	10,446	-15%	8,125	8,469
EBITDA	1,189	52	n.m.	1,119	6%	902	960
EBITDA M. (%)	13.4%	0.6%	13 pps	10.7%	2.6%	11.1%	11.3%
Net income	815	213	n.m.	750	9%	712	853

Source: Company data, Deutsche Bank estimates, * Research Turkey consensus estimates

Stock data

Market Cap (US\$m)	5,884.2
Free float (%)	49
ISE National 100 Index	70,937.4

Source: Deutsche Bank

Key data

FYE 12/31	2015A	2016E	2017E
Revenue (TRYm)	36,893	44,200	49,582
EBITDA (TRYm)	3,784	3,748	3,807
Net Profit (TRYm)	2,550	2,197	2,436
DB EPS (TRY)	10.18	8.77	9.73
DPS (TRY)	4.10	7.46	7.46
P/E (DB EPS) (x)	6.5	7.8	7.1
EV/EBITDA (x)	6.2	6.6	6.3

Source: Deutsche Bank

Deutsche Bank AG/London

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