

Tupras

18.02.2016

Company Update

We have revised our valuation for Tupras to incorporate the company's guidance for 2016, and revisions on our crude oil price estimations. Our target price increased to TL98.6/share from TL82.7/share, signaling an upside potential of 36%. We maintain our **OUTPERFORM** recommendation for the stock.

We slightly lowered our average crude oil price estimate to US\$38/bbl from the previous US\$40/bbl for 2016. In addition, we maintain our estimate for 2017 and 2018 at US\$50/bbl and US\$60/bbl, respectively. We keep US\$60/bbl constant for the rest of our projection period.

What to expect in 2016? It is observed that the weakness in diesel crack has already been coming to an end especially with the decreasing trend in the exports of the countries having new refineries. In addition, narrowed WTI-Brent spread and higher maintenance in the refineries is expected to be supporting middle distillates.

2016 expectations for Tupras. The company management expects crude oil price to be in the range of US\$45-55/bbl and Med-Complex refining margin of US\$3.5-4/bbl. However, company's net refinery margin guidance is in the range of US\$5.8-6.3/bbl. Expected CUR in 2016 is 100% and production will therefore be around 28mns. A slight loss of production is expected due to the fire on February 3rd. However, the effects of the loss is expected to be covered throughout the year. Imports of finished products will be minimal, as the company will focus on selling increased volumes of production. Total CAPEX is expected to be US\$270mn.

High dividends to resume. We believe that Tupras will be a high dividend payer starting from this year. We expect the company to distribute TL5.60/share dividends from 2015 earnings, corresponding to a yield of 7.9%.

Changes in Estimates. Our EBITDA estimate for 2016 increased by 15% to TL4bn due to raise in our net refining margin assumption. We believe that margins and product ratios will be normalized in 2016, yet we will see the full contribution of RUP investment. We now expect a net refining margin of US\$5.8/bbl for 2016, lower end of the company's guidance.

FIGURE 1: Changes in our estimate

	2016E-Old	2016E-New	YoY	2017E-Old	2017E-New	YoY
Net Sales (TL mn)	29.273	28.298	-3%	42.552	43.188	1%
EBITDA (TL mn)	3.532	4.061	15%	3.868	5.038	30%
Net Income (TL mn)	1.775	2.145	21%	1.966	2.872	46%
Net Refining Margin (US\$/bbl)	4,9	5,8	19%	4,8	6,3	32%

TP - Old : TL82.7/share

TP - New : TL98,6/share

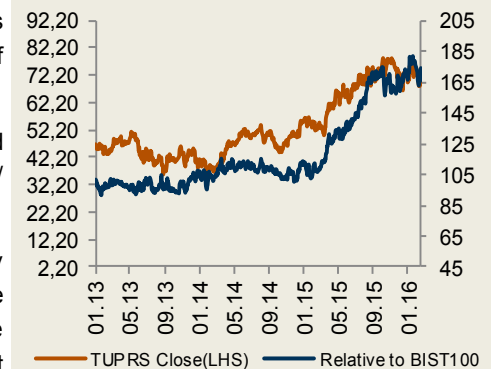
Source: Is Investment Estimates

OUTPERFORM

Upside Potential 36%

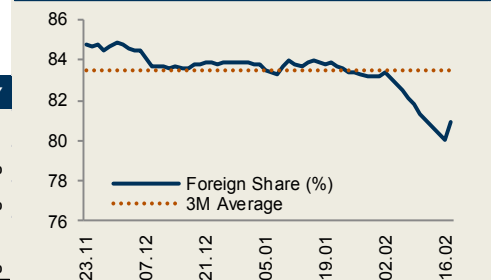
Ticker	TUPRS		
Stock Data	TL	US\$	
Price at 18 02 2016	72,40	24,38	
Target Price	98,55	30,27	
Prev.Target Price	82,71	25,49	
Mcap (mn)	18.130	6.106	
Float Mcap (mn)	8.868	2.986	
Avg.Daily Volume (3M, mn)	111,0	37,6	
No. of Shares Outstanding (mn)		250	
Free Float (%)		48,91	
Multiples	2015E	2016E	2017E
P/E	7,1	8,5	6,3
P/BV	2,2	2,2	1,8
EV/EBITDA	6,6	6,2	5,0
Price Perf. (%)	1 Mn	3 Mn	12 Mn
TL	0	-2	38
US\$	3	-7	14
Relative to BIST-100	-5	8	60

Price / Relative Price



52 Week Range (Close TL) 61,50 78,45

Foreign Share (%)



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Summary of Key Financials (TL mn)

Income Statement (TL mn)	2014A*	2015A*	2016E	2017E	2018E
Revenues	39.723	36.893	28.298	43.188	57.223
EBITDA	789	3.784	4.061	5.038	5.493
Net income	1.459	2.550	2.145	2.872	3.201
Cash Flow Statement (TL mn)					
Net Income	1.459	2.550	2.145	2.872	3.201
Depreciation & Amortisation	258	486	525	601	679
Change in Working Capital	1.728	(3.834)	75	(170)	(57)
Cash Flow from Operations	3.452	(773)	2.755	3.312	3.832
Capital Expenditure	2.621	1.301	1.142	1.183	1.297
Free Cash Flow	831	(2.074)	1.612	2.129	2.535
Balance Sheet (TL mn)					
Tangible Fixed Assets	10.668	11.484	12.102	12.685	13.302
Cash & equivalents	3.898	3.028	3.000	3.000	3.000
Total assets	21.933	25.470	25.369	25.899	26.778
Short-term debt	777	1.871	1.893	1.375	906
Total Debt	7.755	9.919	10.022	9.550	8.993
Total equity	6.157	8.305	8.400	9.805	11.139
Ratios					
Net debt/EBITDA (x)	4,9	1,8	1,7	1,3	1,1
EBITDA Margin	2,0	10,3	14,4	11,7	9,6
Net Margin	3,7	6,9	7,6	6,6	5,6
Valuation Metrics					
EV/Sales (x)	0,3x	0,5x	0,9x	0,6x	0,4x
EV/EBITDA (x)	17,2x	4,7x	6,2x	5,0x	4,6x
EV/IC (x)	1,2x	1,1x	1,5x	1,4x	1,4x
P/E (x)	8,0x	4,6x	8,5x	6,3x	5,7x
FCF yield (%)	7%	-18%	9%	12%	14%
Dividend yield (%)	4%	0%	8%	9%	11%

*based on average Mcap during the year

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