Company Name: Anadolu Efes
Company Ticker: AEFES TI
Date: 2015-05-07
Event Description: Q1 2015 Earnings Call

Market Cap: 13,351.97
Current PX: 22.55
YTD Change($): -.15
YTD Change(%): -.661

Bloomberg Estimates - EPS
Current Quarter: 0.470
Current Year: 0.836
Bloomberg Estimates - Sales
Current Quarter: 3427.000
Current Year: 10966.474

Q1 2015 Earnings Call

Company Participants

- Damian Paul Gammell
- Onur Çevikel
- Damian Gammell
- Onur Cevikel

Other Participants

- Edward Mundy
- Kenan Cosguner
- Nick Ashworth
- Hanzade Kilockiran

MANAGEMENT DISCUSSION SECTION

Operator

Good day, and welcome to the Anadolu Efes Beer Operations Q1 2015 Results Presentation Conference Call. Today's conference is being recorded. At this time I would like to turn the conference over to Mr. Damian Gammell. Please go ahead, sir.

Damian Paul Gammell

Thank you and good afternoon and good morning. And I would like to thank everybody for taking the time to join us today. Onur and I will be very pleased to go through our first quarter results. And before we do that I just like to draw your attention to our forward-looking statements announcement on slide two.

So moving forward, on the first quarter 2015 key highlights, I mean overall we are very pleased with our performance in Q1 despite some challenges and some headwinds and cycling particularly on the Coke side a very good quarter in 2014. Our targets were over delivered, and our consolidated operating performance beat expectations.

Some highlights was growth again back in our Turkish beer operation. But particularly, for myself and our management team was the ongoing margin expansion in the business. And this was assisted by obviously a positive mix effects, ongoing prudent pricing, good cost management and expense management and better procurement and some good decisions around financial hedging. So, overall a very solid quarter.

If you look at our sales volume and the net sales revenue, clearly behind prior year, a big factor in that has been our Ukrainian business, which I will talk a little bit about later. But despite that, as I mentioned earlier, we are very pleased to see our margin expanding to over 14% in the first quarter, which gives us a very solid foundation for the rest of 2015.

When you look at the volume, our volume was slightly down mainly due to the Ukraine and a weaker-than-expected Q1 in our soft drinks business in Turkey. If you exclude those factors, obviously we have a fairly healthy volume growth. And as I will talk a bit later, that soft drinks volume in Q1 really was mainly due to cycling a great first quarter in 2014. And as you will see based on the back of prudent pricing and a better portfolio we were able to mitigate the volume loss to be slightly less in terms of net revenue.

Moving to the soft drinks volume development, a solid quarter in international operations, slightly behind our normalized growth rate; but still coming in at nearly 5%; a solid performance. And clearly, our Turkish business suffered a challenging quarter, again due to the cycling of a high base but as you will also realize we took some pricing in Q1 which will benefit us for the full year and that may have had some impact on overall volume in the first quarter.

As you look at our CCI business, we still remain committed to our guidance for 2015. We remain committed to our long-term growth model of EBITDA ahead of revenue and revenue ahead of volume. And that's built on our five clear strategies in line with the Coca-Cola Company, so we still expect a solid year for CCI in 2015 with a recovery in our Turkish business and our international operations also recovering in terms of volume and revenue.

Focusing now on our beer business, and as I said, a good quarter for our Turkish beer operations and a good quarter for our international beer operations, excluding the Ukraine. If we take the Ukraine factor out, our beer volumes were almost flat in the quarter which for those of you who have been following us for a number of years is a very good occurrence in the first quarter of 2015.

Our beer group strategy remains focused around our four key areas. It is all about our brands and we are continuing to leveraging our SAB relationship to bring the brands that consumers desire and want across our markets. Execution is a core element of the Efes culture. We have become more efficient. We've taken out a lot of cost in 2014, that we will continue through 2015. And obviously we remain focused on building sustainable relationships across our business both in terms of employees, customers, the regulators and our community.

Just some highlights on the new brands in -- in the first quarter. In Turkey, building on what we already achieved in 2014, we launched Weissbier. What I am particularly excited about in Turkey is being not just a brand expansion, but a number of package innovations, particularly a slim can, a one litre can, ongoing multi-packing of our products, so you will start to see a lot more segmentation of our brands into packages that allow us to achieve affordable price points and offer real differentiation to the consumer.

In Russia, we had some good innovation with our Gold Mine Whiskey brand. We've looked again on our Beliy Medved brand and again we've also looked at expanding our package portfolio to address affordability challenges and value challenges in Russia given the tough consumer environment that exist there. And again, across our businesses like in Kazakhstan, you'll see a lot of brand and pack innovation coming in through in Q1 in time for the season.

Across the other three pillars there are many highlights and I am particularly pleased with the work we are doing around our sales force effectiveness. This is also supporting margin expansion and volume growth and value creation. And across our supply chain we continue to drive a lot of cost out of our business.

Clearly, like all of our businesses, both CCI and Efes are committed to the environment and we are making great progress on our Beer Group in many areas, particularly in the areas of water and energy, which is also supporting again our profitability, but on a bigger factors clearly the right thing to be doing for the environment and for the communities within we operate.

Spending a little bit more time now on Turkey, as you've seen, overall a good performance, 1.8% total volume growth. Our domestic volume also grew slightly. That momentum was on the back of higher pricing and somewhat adverse weather conditions, which also affected our Coke business. But we are seeing the market grow, we are seeing our shares stabilize and we are seeing margins expand on the back of pricing and portfolio mix and we expect that to continue throughout 2015 and beyond.

On the international side, again most of our markets excluding the Ukraine performed slightly better than we have expected in the first quarter. Clearly, our business in the Ukraine is affected by political issues and the ongoing geopolitical crisis with Ukraine and Russia. That's limiting our ability to manufacture and to distribute in the Ukraine. But that's a week-to-week or day-to-day issue that we are managing very tightly. Clearly, as you are aware, the Ukraine isn't a significant contributor to our bottom line and therefore it's had limited financial impact, but has impacted us on the volume side of the business.

Russia performed better than we expected and we are also pleased with our share development in Russia particularly in the premium segment of the market. When we look at Russia, our, the total beer market declined 10%. We saw our market share climb to 14% ahead of 2014 and putting us in a number two position and clearly on value even stronger position coming in at 15%. That reflects our strategy from last year of focusing on the premium over mainstream effectively managing pricing and continuing to take cost out of our business. But still a long way to go for us in Russia, but a significant turnaround from where we were when we came out of 2014.

So I would like to hand over to Onur now who will take you through in a little bit more detail the financial overview for first quarter. Onur?

Onur Çevikel

Thank you very much. Good morning and good afternoon everyone. Today, I would like to take you through our financial results for the first quarter of 2015.

First of all, I would like to mention that in order to better align our accounting practices within our beer operations as well as to comply with industrial standards. We reclassified some of our expenses in our profit and loss statement starting from the 1st of January 2015. The reclassified expenses include items like dealers' bonuses, transportation expenses, availability contracts, returnable bottle depreciation expenses.

Obviously, we also restated our 2014 results according to it. For the consolidated Beer Group numbers, these changes have no impact on absolute EBIT, EBITDA and net income lines and you can find our note on the changes in our release. We see this change as a good step for improving our reporting standards actually.

Talking about our financial results, I will first describe the overview. If we look at our first quarter consolidated results our total sales volume was TRL 17.1 million, actually that is around 4% less than the same period for 2014. Our net sales on a consolidated basis was TRL 1,931 million, which is 3.8% less than the same period 2014.

It's important to mention that our net sales revenue was negatively impacted by the currency devaluations in our operating region. Our internal calculation suggests that we could have recorded a growth in net revenues, there were no sharp devaluation impact. Consolidated gross profit was TRL 788.8 million and our gross profit margin was 40.8% in the first quarter of 2015 with an improvement of 27 basis points.

Our EBITDA was realized at TRL 277.1 million, 11.8% better than the same period in 2014. We recorded a 14.3% EBITDA margin with an 200 basis points improvement. On the cash flow, as you all know, free cash flow generation is one of our key priorities for the Anadolu Efes. Free cash flow excluding minority buyout and other investing activities realized as negative TRL 156.5 million.

As you all know, first quarter is rather a small quarter with phasing of our CapEx especially in our soft drinks business and very strong Q1 2014 results are the main driver as well mentioned by Damian.

Talking about on the segmental breakdowns starting from Turkey beer operations, our total sales volume was up by 1.8% reaching to 1.5 million hectolitre in the first quarter 2015. Our net sales has reached to almost TRL 340 million with an increase of almost 11% with the help of implemented price increases, positive mix and higher export revenues with strong U.S. dollar.

Gross profit reached to TRL 211.4 million with an increase of 10.4%, in line with the revenue increase. We were able to keep our gross profit margin almost flat despite FX pressures and higher value prices. This was achieved by lower – leaner operating platform, by hedging initiations and our prudent pricing as well as our procurement savings. As a result, our EBITDA was TRL 109.5 million, an increase of 13.8% compared to the same period of 2014, outpacing the volume and net sales increase. Our EBITDA margin was 32.2% with an 88 basis points improvement as mentioned by Damian.

We were able to create a positive TRL 44.8 million of free cash flow despite cycling a very strong free cash flow in first quarter 2014. This was mainly managed by increased profitability, lower CapEx and continued tight balance sheet management. As you well know that has been going on for almost two years now.

In our international operations we were able to deliver better-than-expected results despite the challenging environment already mentioned by Damian. Our total volume decline was 12.3% in our international beer operations. And as I mentioned, if you exclude Ukraine, which faces an extraordinary situation with geopolitical issues as well as devaluation and excise tax increases, our volume decline would be limited with almost 1.8% in our international beer operations.

Our net sales on U.S. dollar basis were recorded as US$156.8 million and down around by 37%. Our net sales revenue was very significantly impacted by the currency devaluations across our operating regions. Again, according to our calculations, if there were no significant currency movements, we would be able to keep our sales revenue flat despite the volume decline, thanks to price increases and positive mix impact that was mentioned.

Our gross profit was $67.5 million with a 34.2% decline compared to the same period of 2014. In absolute terms, this decline is most attributable to currency devaluations whereas our gross profit margin was 43% with a 171 basis points improvement. And this is again mostly attributable to operational efficiencies as well as low cost inventories, procurement savings and partial hedging.

We recorded US$8.9 million EBITDA with a 5.7% EBITDA margin in our international beer operations with an improvement of 183 basis points. Despite that, based on geopolitical and macro economical front, we were able to further manage our cash flow with a limited negative free cash flow on our international beer operations, cycling a very strong first quarter 2014.

Talking a bit about our debt structure and our balance sheet health, on a consolidated level Anadolu Efes has TRL 5,046 million gross debt and TRL 3,587 million net debt. This brings us to net debt-to-EBITDA ratio of 2. Average maturity of debt on a consolidated basis is around 4.2 years.

Looking at Beer Group's basis, our net debt to EBITDA is a very healthy 1.6 with a good improvement from 2.2 of last year, the same period. Average maturity of Beer Group debt is 5.3 years. We can also see the amortization schedule on the slides.

If you go to financial income and expense, due to high volatility especially on TRL, we have recorded a negative TRL 390.4 million of mostly non-cash net financial expense which negatively impacted our bottom line. In total, a net FX loss of TRL 355 million, TRL 200 million which is attributable to our beer business is mostly dependent on the volatility on TRL.

Just to cap going further to our financial priorities, as you'll remember also from the previous calls, having a balanced, good tight balance sheet management, having being committed to strong free cash flow generation, we will have a continuous focus on reduction in cost and expenses as well as optimized capital expenditure whereas reducing volatility in P&L due to the FX movement. Deleveraging free cash flow generation is one of the issues that we want to focus on and continued commitment to investment-grade ratings is obviously our financial priority.

So on the financial front this is just a brief summary of our first quarter results. I'll now leave the floor to Damian.

Damian Paul Gammell

Thanks, Onur. So before we move to questions, just in summary, I'm very pleased that we continue to expand margins. We've laid very solid foundations for ongoing revenue growth at both CCI and Efes and we continue, as Onur mentioned, and demonstrated to very tightly manage our balance sheet and our net debt-to-EBITDA levels and that will continue through 2015.

Both CCI and Efes have got extremely solid strategies for growth both for the remainder of 2015 and beyond and I will talk a little bit more about our guidance for 2015. But, as we reflect back on Q1, a solid start to the year, over delivering our targets, absolute growth in profitability. We reiterate our full year guidance.

I'm very pleased that on the Coke side of business we are taking right steps with the Coca-Cola Company to accelerate growth in Turkey. And certainly, as you are aware we've got some positive comps coming in the second half of the year in the Coke business following a very difficult end to 2014.

We continue to build capacity for growth in the Coke business. In Q1 we will have inaugurated a new plant in Pakistan and Kazakhstan and Dushanbe. You saw the effect of that on our free cash flow as those investments were realized in Q1 but that was critical for our long-term growth model.

I am very pleased that our Turkish beer operation continues to expand margins. We've stabilized share and we will continue to build our business around the consumer with an enhanced portfolio. Russia is slightly better than we expected in Q1.

Our cost cutting programs are ahead of plan and that gives myself and the management team in Russia much more energy now to focus on long-term revenue growth and mix benefits in our Russian business. And as always, we will continue to manage our business for the long-term through many sustainability initiatives.

Moving to our full year guidance, no significant changes. Now, clearly it remains a volatile year both in terms of currencies, in terms of consumer sentiment, particularly in Russia, although, as I said, our business has held up better than expected. And we remain committed to our long-term growth, both for the beer operations and for Coca-Cola, and also, obviously, then on a consolidated basis.

Finally, myself and our team are committed to having ongoing dialogue both with the analyst community and our investor community. And we just wanted to share with you some upcoming events where we will be able to give a bit more color around the 2015 performance and how we see the rest of the year, particularly in July when we will release the first half year sales volumes numbers.

So with that I will be very happy to and Onur would be very happy to take any questions you may have. Thank you.

Q&A

Operator

Thank you. [Operator Instructions] And we will now take our first question from Edward Mundy from Nomura. Please go ahead. Your line is open.

<Q - Edward Mundy>: Good afternoon Damian. Good afternoon Onus. Three questions if I may. First of all, you have seen some pretty good margin improvement in both Turkey and international beer and what's traditionally quite a small quarter. You are still guiding for flattish margins in both divisions for 2015. And I appreciate it's quite early doors but what are the main factors that are keeping you cautious on margins in beer at this stage?

Second, on Russia, I was wondering whether you are able to share what pricing you have taken year-to-date. And then thirdly, on Russia, have you seen any change in consumer sentiment given the recent rally in the rouble and the partial recovery in the oil price?

<A - Damian Gammell>: Thanks Edward. Yes, I think you answered your first question yourself. I mean, we have seen better-than-expected margin expansion in Q1. But it is obviously the smallest quarter of the year. And therefore we just think it's prudent at this time to kind of keep our guidance somewhere around flat.

Clearly we are not intending to give up any margin that we have gained as we move through the year. And you could see an outcome where the initiatives that drove our margin in Q1 will stay our sustainable initiative. So it was on the back of pricing, good cost management and a better mix and obviously the volumes were slightly better. So those factors are sustainable. So there was no one-off events.

So you could take a view that if the year continued in that fashion, yes, we could end up with slightly improved margins on a full year. But we think it's a bit too early to call that. So we prefer to give a bit more of clarity on that as we move through Q2.

On Russia specifically, we've seen, prices in the market have increased 8% to 10% in the first quarter. We have got quite a segmented pricing strategy in Russia by brand and by pack, so you will see some of our brands have increased our prices slightly ahead, some slightly behind. But overall, we will be following the market in terms of pricing in Russia, and that's holding, so that's good news.

In terms of consumer sentiment, it's probably – well, it's too early to say. Certainly, we have seen the business hold up a little bit stronger through the first quarter when arguably the rouble was in a much more difficult position than it is today. And so we would expect the current rouble rate to have a positive impact on consumer sentiment, but it's too early to say it, to be honest.

<Q - Edward Mundy>: Great. Thank you.

<A - Damian Gammell>: But it's good news, but let's see if it translates into more consumption.

Operator

We will now take our next question from Kenan Cosguner from TEB Investment. Please go ahead. Your line is open.

<Q - Kenan Cosguner>: Good afternoon gentlemen, thank you for the presentation. Congratulations on strong results. I actually wondering about the Turkish market share. Is there an improvement in your market share in Turkey? Also I would also wonder about your current competitive position in Russia, what will be the market shares going forward, do you expect further market shares or your focus is more on the value side? Thank you.

<A>: Thank you, Kenan. On our market share in Russia -- sorry, in Turkey, just to answer the first question, we have seen our market share stabilize at around 70% in the retail market and over the last five or six periods and as you know with market share some period it's been up one, it's been down one. But on an aggregate level, it stabilized around 70%. And in on away from home and in [indiscernible] it's certainly expanded slightly and we have a very high share in that category. So overall our market share is stable.

Clearly, it's not where it was two years ago, but our goal has always been to restore the business to growth, margin expansion and hold our shares. So we are still at around 70, which first we think is a pretty good number. As I said in on-premise it's a lot higher, and we've never really had major share losses in that category.

On Russia, we are very happy that our share is growing, particularly in terms of value. It's not our primary objective, I mean, our primary objective as we stated on previous calls has been to return the business to stability and we were returning the business to volume growth until the kind of macro factors kicked in and clearly we needed to and we are taking a lot of action on our margin. So margin remains a priority in Russia and profitability remains our priority.

Clearly, growing volume and growing share also supports profitability if we do it the right way, and that's what we are doing at the moment. I would say our share in Russia will continue to be at around the level of that today as we focus on taking our cost and expanding our profit margins, and we would like to grow our share in premium and mainstream.

So I think going forward looking at total market share in Russia, may be slightly misleading because as we think about PET bands and we think about some other events that may occur in the lower mainstream of the market you could see a scenario where share there might drop faster. But overall, we are focused on value share and we are pretty pleased with our performance so far.

<Q - Kenan Cosguner>: Thank you.

Operator

And we will now take our next question from Nick Ashworth from Morgan Stanley. Please go ahead. Your line is open.

<Q - Nick Ashworth>: Hi, thank you very much. Thanks for the opportunity to ask some questions. Firstly, just on Russia, can you talk around pricing for the rest of the year, is there anything, is there more pricing that you the market needs to put through from here and what sort of size scale could that be?

And then just given the weakness in the consumer or lack of it depending on what you are seeing, you are saying that the volumes have been pretty decent so far this year. Are you seeing a slight change in the way the consumer is buying beer, are they looking at different type of packaging, have you seen a switch between different types of brands, you are talking about moving up and trying to improve the mix there, how is that happening given the weak consumer backdrop?

<A>: Thank you Nick for the question. So just to talk about pricing, I mean, obviously the situation in Russia both from a consumer sentiment perspective and from a currency perspective, is still quite volatile, although the ruble has strengthened quite nicely recently.

Regardless of that, I would expect there will be more pricing in Russia coming through 2015. I mean, the rhythm in Russia in normal years is you see pricing in the first quarter and then another price increase generally as you move into the season. And I see no reason why that won't be the same in 2015.

The percentage that we're looking at obviously we don't disclose that and a lot of that will depend on inflation and on the currency, but certainly our goal has always been to try and get as much pricing as consumer will there.

And we'll judge that based on a number of factors including sentiments, obviously competition because we got good momentum, and the macroeconomic factors. But I think every year there is at least two price increases in Russia from the history, and I see that being the same in 2015, percentages will to be determined.

In terms of consumer behavior, obviously, we're seeing consumers be a lot more hesitant about spending. Generally, we're seeing that across the categories in Russia and as consumer confidence is dropped with the ruble.

The beer category has also declined as we've seen 10%. So, we're suffering, and that's slightly better than some people forecasted. So you can look at it positively. Within that decline, we are seeing some long-term positive trends where a number of our initiatives in 2014 around upper mainstream and premium brands, they are performing better for us.

So, that's giving us a mixed benefit. It's leading to the value share growth, and obviously it's helping us to expand our margins. So, we are seeing a lot of the benefits of our new brand portfolio strategy coming through.

Clearly, if the consumer environment was more positive, we may have gotten even bigger benefit. But unfortunately, you know, that's something that we have to live with, but we'd expect that trend to continue, and it's certainly something we are pushing.

<A>: Okay. Understood. And is there anything further on PET, I know you said a little bit on your previous answer?

<A>: Well, there is a reading in front of the Duma that would see some restrictions coming in on PET starting in 2016 that would limit PET to 1.5 liter. So, certainly the industry collectively will be working very hard with the regulator to ensure that we can do the right thing for the consumer for the category and the transition time. So, we'd expect that to kick in, in 2016; we'd also expect that to be confirmed before the Duma breaks for its summer recess. So we'd expect that law to be announced in the coming weeks.

<Q - Nick Ashworth>: Okay. Got it.

<A>: And as I've said before, I mean, there will be some short-term disruption as consumers move out of 2 liter, 2.5 liter. But for us, as a branded business and a business in Russia in particular that's focused on building brand that can generate premium and margin, I have to say that that's something that I think will help our business in the long-term.

<Q - Nick Ashworth>: Okay. Understood. Thank you. And then just finally from me, can you talk a little bit about the cost side, and in particular, raw materials and where you are hedged and what's needed to be covered still for the rest of 2015? Thanks.

<A>: I'll take this part of the question. On the cost side, as we have been talking, most of our cost items has been increased either inline or in some cases like in Turkey, EBITDA higher than inflation. But if you look at our margin statements, we have been able to mitigate in cases where there had been increases higher than inflation with better procurement or some other items or increasing our efficiencies.

Talking about hedging side, as we have been talking, the two hedging that we might be talking about. One of them is on the FX part of the COGS that we have been talking. On our Turkey business what we have done is, we have already hedged around 40% of our total FX denominated costs for the year 2015, which is giving us a good advantage right now. We've got similar approach in Russia with FX hedges.

Talking about the raw materials especially in Turkey and in Russia for the value procurement, we have been doing the prep buying so most of those purchases has already been made and beers has been made. We have been hedging the aluminium price so that has been also mostly hedged. So these were the basic hedges that we have been talking. But in this volatile environment, hedging especially on the FX side has really helped our income statement for this particular year.

<Q - Nick Ashworth>: Okay. Thank you.

Operator

[Operator Instructions] And we will now take the next question from Hanzade Kilockiran from Barclays. Please go ahead. Your line is open.

<Q - Hanzade Kilockiran>: Thank you gentlemen for the presentation. Actually my question is again regarding the pricing environment in Russia particularly. I know there were many questions about this. But I'm trying to understand, because when I look at your numbers assuming that Russia is a major part of your business in the international side, and if you make a constant comparison, there was a significant price increase in the first quarter versus last quarter, and also in last year same quarter around 29% in constant currency. But you mentioned that you made roughly selectively 8% to 10% price increase.

So I am trying to understand why the difference comes, I mean this 8% to 10% price increase was it in ruble or was it in dollar? And in the third quarter when the ruble starts to appreciate again and after a very high inflation in Russia do you think you would be really able to make another increase in the prices in Russia in the third quarter? This is the first question.

And the second question is pricing in Turkey actually. Of course, you can see the product and price mix, so this may not be a good indicator. But we see that there was some kind of average price decline in the first Q versus the fourth quarter and that was around 10% excise tax increase. Does it mean that you made some price cuts in Turkey or, I mean, there was a change in product mix or it's a low priced product? I was trying to understand what happened in Turkey and what is the strategy here in terms of product portfolio? Thank you.

<A - Damian Gammell>: So thank you for the question. I'll let Onur explain the technicalities on the financials. But just strategically to answer your question, in both Turkey and in Russia we would see the opportunity to continue to raise prices going through 2015. As I mentioned earlier, the absolute percentages we don't disclose, but I would say in Russia at least one if not two more price increases. In Turkey, generally we take a price increase in the middle of the year. I expect that to continue in 2015. And again the amount we'll disclose at the time. I think some of the issues relate to our changing in accounting policy, so I'll Onur just explain some of the details on the question.

<A - Onur Cevikel>: Yeah. So talking about the Turkey pricing and talking about the pricing issues that you had addressed, that's mostly linked to the accounting changes that I have been talking about because some of the OpEx that had been before classified in the operating expenses has been classified as discounts right now. So, that's probably what's making your numbers when you're comparing with last quarter of 2014 looking a bit different than what it is right now. And throughout the time period when we're going to be announcing all our results with the new accounting and reporting standard, you are going to be seeing that price increases have been reflected into the marketplace and they have been in line with the excise tax increases and the inflation. Talking about your question on the Russian side, those price increases that we have been talking about are actually on ruble basis, but let's not forget that in the total revenue numbers there is also the volume impact as well as the currency impact that you have been talking about. And that's why we were saying that the numbers would have been closer to flat, if the currency devaluations were not really there, which suggests also that the increase that we had been doing in our international beer operations were more in line with the inflation in the local currency.

<Q - Hanzade Kilockiran>: Thank you, Onur. Then if you look at this trend, I mean this was another question that was already answered. But in 2009, with the similar type of depreciation that you observed in Russia, you had a significant margin expansion actually beyond like flattish or slight improvement and that was mainly because of the decline in the cost. Would you please remind us again about your cost structure in Russia, I mean how much is the currency, how much is the local currency once more?

<A - Onur Cevikel>: Let's put it this way, we don't disclose Russia standalone but in our EBI operations. In our EBI operations around 25% to 30% of our total cost is currency denominated, so that may guide you to your model.

<Q - Hanzade Kilockiran>: All right. Thank you.

Operator

There are no further questions in the queue at this time. I would now like to turn the call back to the speaker for any additional or closing remarks.

Damian Paul Gammell

Thank you. So again I just want to thank everybody who joined the call today and for those of you who asked questions for taking the time. As I said, it's the first quarter, a very solid start to 2015 and both Onur and I look forward to sharing with you our progress as we move through this year. Thank you very much.

Onur Cevikel

Thank you very much.

Operator

Thank you. That will conclude today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.