



## **AYGAZ Q4 2024 Financial Results Conference Call**

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### **Conductors:**

***Mr. Gökhan Dizemen, Chief Financial Officer***

Conference Call Conducted by Chorus Call Hellas



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OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Vasileios your Chorus Call operator. Welcome and thank you for joining the AYGAZ conference call and Live Webcast to present and discuss the Fourth Quarter 2024 Financial Results.

At this time, I would like to turn the conference over to Mr. Gokhan Dizemen, CFO.

Mr. Gokhan Dizemen, you may now proceed.

DIZEMEN G: Good afternoon everyone, thank you for joining our earnings webcast for the Fourth Quarter of 2024. With me today are İlsu Neşeliler, Financial Reporting and Control Manager and Dalya Hasanca, Investor Relations Lead of Aygaz. Before we begin, let me remind you that our presentation and comments in the Q&A session might contain forward-looking statements and assumptions based on our business environment as we see it today, and they might be subject to change.

As always, I will start with a summary of the LPG market and operational highlights, together with an update on our Bangladesh investment, then continue with the financial overview. And at the end, as usual, we'll have time for a Q&A session. Please remember you can access the audio recording and the transcript on our website after the call.

Let us start with the key operational highlights for the Fourth Quarter of 2024 on slide number three. The latest LPG report published by Energy Market Regulator Authority, briefly EMRA, is as of November 2024, and according to January-November volumes disclosed in the report, total Turkish LPG

consumption contracted by 6% year-on-year, due mainly to the high base resulting from additional bulk gas sales occurred in 2023, as well as the contraction in both cylinder gas and autogas markets in 2024, which were realized as 8% and 2% year-on-year, respectively. Historical average market contraction in the Turkish cylinder gas market resulting from the extension of the natural gas grid has been around 3% to 4% over the last 10-15 years. This 8% contraction in the cylinder gas market in 2024 mainly reflects the deterioration in the purchasing power of consumers.

Aygaz's total market share was 25.2% in January-November period, and during this period, we continued to lead the LPG market in Turkey. Aygaz's 12-month cylinder gas and autogas sales volumes in total declined by 3% compared to the same period of the last year.

Cylinder gas sales were down by 7% year-on-year. Autogas sales were down by 2% year-on-year. Bulk gas sales declined by 49% as opportunistic LPG industrial customers of the first Quarter of the last year shifting back to natural gas due to the loss of price advantage of LPG over natural gas. With the loss in cylinder gas and bulk gas sales volumes, total domestic retail sales in the first half of the year were realized at 1,041,000 tons, 8% below last year's level.

Despite the overall contraction in the Turkish LPG consumption in 2024, Aygaz was still able to reach 1 million tons of domestic retail sales in 2024, which we see as a critical threshold for our retail sales in Turkiye. This retail LPG short enables Aygaz to trade additional wholesale and international sales volumes as well as to increase efficiency

through economies of scale and makes us one of the largest LPG players within the Mediterranean basin.

By leveraging the retail LPG short and terminal capacity across the country, Aygaz also traded 1.3 million tons of wholesale and international LPG volume in 2024. As a result, we handled around 2.4 million tons of LPG in total. United Aygaz LPG, our joint venture in Bangladesh, continues its cylinder gas sales activities which started in Chittagong in August 2022 by expanding to different regions of the country. In 2024, a total of 126,000 tons of LPG sales were reached through 200 dealers.

In terms of the financial highlights, the EBITDA of our core LPG and natural gas business line amounted to around TRY2.3 billion, which is 27% lower than last year. Although the negative impact of the decline in sales volumes on profitability was offset by the improvements in distribution margin; (1) the positive inventory gain impact, (2) bulk gas sales substituting natural gas and (3) additional gross profit arising from advantageous spot LPG procurement in 2023 had a positive impact on 2023 results and caused the 2024 EBITDA to lag behind last year.

As mentioned in our last earnings webcast, the merger process of Sendeo with Kolay Gelsin was completed as of the end of June 2024. Accordingly, Sendeo started to be consolidated in Aygaz's financial statements using the equity method of consolidation July onwards. In this context, Sendeo had no EBITDA impact in the Second Half of 2024. Parcel delivery business lines EBITDA contribution for the First Half of the year was negative (-) TRY573 million.

As a result, Aygaz generated around TRY1.8 billion of consolidated EBITDA during 2024. As of December end, Aygaz also managed to sustain its Net Cash position which is around TRY1.8 billion.

Now let's take a look at the key highlights for Aygaz's market shares and Turkish LPG market on slide number 5.

As per November 2024 EMRA report, Aygaz achieved 41.6% and 22.1% market shares in cylinder gas and autogas markets respectively in the January-November period. Together with our market share of 36.1% in bulk gas segment, Aygaz's total retail market share is realized as 25.2% and Aygaz continues to be the uninterrupted leader of the Turkish LPG market. On slide number 6, let us look at the sales performance of our company in 2024.

Our domestic retail sales volume is 1,041,000 tons down by 8% compared to last year. In the case of cylinder gas, our 12-month sales volume declined by 7% year-on-year due to the overall contraction in the Turkish cylinder gas market, especially during the Second and Third Quarters of this year. Total wholesale and international LPG sales were also down by 5% year-on-year in 2024.

As a result, Aygaz's total LPG sales in 2024 were realized as 2.4 million tons down by 7% year-on-year. Total LPG sales in Q4 of 2024, which was at 604,000 tons, were parallel to the same quarter of last year. On Slide number 7, let us go over the Sonatrach price, which is the benchmark price in the Turkish LPG market. Sonatrach price in short SP was USD534 per ton as of the end of 2023 and declined to USD\$446 per ton as of the end of June 2024.

Due to this decline at SP, Aygaz incurred an inventory loss of around TRY180 million in the first half of the year. However, SP increased by USD127 per ton during the Third Quarter due to the positive impact coming from the seasonal summer LPG demand and closed September at USD\$573 per ton. This resulted in an inventory gain of TRY220 million in the Third Quarter and enabled us to recover the inventory loss incurred in the first half of the year.

In the Fourth Quarter, Aygaz incurred an inventory loss of TRY64 million due to the limited decline at SP. And as a result of this price movement occurred in 2024, a total inventory loss of TRY22 million is realized, whereas in 2023 there was TRY100 million of inventory gain in total. Let us move to slide number 8 where we'll be covering the updates regarding our joint venture United Aygaz LPG in Bangladesh.

A cumulative capital contribution of USD75 million was made into the joint venture in line with the initial investment plan. Aygaz's share within this cumulative contribution corresponds to an amount of USD37.5 million. The total number of sphere tanks in our base terminal in Chittagong has reached six, increasing the storage capacity to 16,000 tons, and the second cylinder filling line has been commissioned in this facility.

With this ongoing capacity increase and ramp up in its sales volumes, United Aygaz will be able to import larger LPG vessels to the country and benefit from higher supply advantage. Regarding our second facility in Dhaka, the capital of Bangladesh, the necessary legal permits have been obtained, and construction works for establishing an LPG storage facility and cylinder filling plant have commenced. We

target to make this second facility in Dhaka to be operational in the First Half of 2025.

As for the sales performance, United Aygaz doubled its sales volume in 2024 compared to the last year and reached a total volume of 126,000 tons with 200 dealers and approximately 12,000 sales points. Total cylinder gas market share of the company across Bangladesh reached to around 6%. The joint venture company generated a revenue of USD107 million and an EBITDA of USD5.2 million, and as part of the equity method of consolidation, United Aygaz's net profit contribution to Aygaz's consolidated financial results amounted to TRY16.4 million.

Moving on to slide 10, I'll now walk you through the key drivers of our core LPG business segment's financial performance when compared to the prior year. As we have discussed on slide 7 while going over the evolution of Sonatrach prices, Aygaz incurred an inventory loss of TRY64 million in the last quarter of 2024, whereas there was inventory gain during the same period of last year. Mainly as a result of this inventory impact, we observed 3% year-on-year deterioration at gross profit level.

On the other hand, cylinder gas and autogas sales volumes in the Fourth Quarter were 2% and 4% lower than last year, respectively. The gross profit loss due to the increase in sales volumes has been substantially offset by the increasing retail distribution margins. Despite this 3% year-on-year deterioration at gross profit, our core LPG business line's EBITDA in the Fourth Quarter of 2024 was 36% higher than last year, thanks mainly to the efficiency in operating expenses.

As a result of operating expenses being lower than last year and a decrease in Net FX losses related to trade receivables and payables, the operating profit for the Fourth Quarter is TRY405 million, which is 175% higher than last year. On slide 11, you can see the quarterly evolution of our gross profit and EBITDA in 2023 and 2024. We have already discussed Q4 2024 versus Q4 2023 profitability performance on the previous slide.

On this slide, I just want to emphasize the fact that the main reasons for the Fourth Quarter EBITDA in 2024 being lower than the Third Quarter are the SP inventory loss impact and the decrease in LPG sales volumes in Q4 due to seasonality. As a result, we generated an EBITDA of TRY539 million in the Fourth Quarter compared to TRY882 million in the Third Quarter of this year from our core LPG and natural gas business line.

Now, turning to the next slide on page 12, we'll go over our consolidated financial performance, including the impact of Sendeo and EYAŞ investments.

As we informed during our last webcast, we completed the merger of Sendeo with Kolay Gelsin as of the end of June and Aygaz's ownership percentage in the merged entity has decreased to 27.5%. Accordingly, the merged entity turns out to be a financial investment, i.e. investment in associates in accordance with IFRS, for Aygaz and has been included in the consolidated financial statements by using the equity method July onwards.

In this context, Sendeo had no financial impact at the consolidated gross profit, EBITDA and operating profit levels for the Third and Fourth Quarters of 2024. Rather, the



merged entity's financial impact was solely at the net profit level in this quarter due to the equity method of consolidation.

As a result of this change in the consolidation methodology as well as the improved operational performance of the merged entity, Sendeo's contribution to the consolidated net profit (parent company's share) in the Fourth Quarter is 52 million Turkish Lira higher than the last year.

The Fourth Quarter net profit contribution coming from Aygaz's investment at EYAŞ, which is also accounted under the equity method of consolidation, is TRY398 million versus TRY5.3 billion in the same period of last year. With the contribution coming from EYAŞ, Aygaz's consolidated net income attributable to the equity holders of the parent company amounted to TRY719 million in the Fourth Quarter of 2024.

Moving on to Slide 13, you can see the balance sheet items. As of December end, our net working capital requirement is at around TRY1.5 billion, and net cash position is at TRY1.8 billion. Our gross cash was TRY3.8 billion, and total financial debt was TRY2 billion. All financial debt consists of foreign currency loans from banks as of the end of December 2024.

As the last slide on Slide 14, you can see our forward-looking statements for 2025. Our sales volume and market share guidance are as follows. Cylinder gas volume ranges at 220,000 tons to 230,000 tons, and autogas sales volume ranges at 755,000 tons to 785,000 tons.

And our cylinder gas market share is expected to be in between 41 to 43, and our autogas market share is expected

to be in between 21.5 to 22.5. This concludes our presentation today. Thank you for your patience, and now we can take your questions if you have any.

OPERATOR: Ladies and gentlemen, there are no audio questions at this time. We will now move on to written questions from webcast participants.

Our first question from webcast participants is from Ahmet Cetin with Investor, and I quote, Aygaz announced that it will buy a new LPG ship. Has the ship started operating? Thank you.

DIZEMEN G: Thank you for the question, Ahmet Bey. You're right that we made this announcement back in December 2024 through the public disclosure platform. We acquired the relevant ship, and the ship is currently operational.

As you know, Turkish LPG is an import market. We import around 85% to 90% of the total needs for both cylinder gas and auto gas sales volumes, as well as the wholesale and international sales volumes. And because of this import nature of the LPG market, we are short of the shipping business.

We need to bring the product through LPG vessels from different parts of the world, including Algeria, US, North Sea, Baltic Sea. And to do that, we think that it would be a sensible idea to invest in ships and bring our own LPG directly from the source, which means that we target to buy as much FOB basis as possible in order to capture the value that we leave on the table in this supply chain process. That was the rationale of this ship procurement.

In summary, the ship is operational but also wanted to give you some background regarding why we acquired this ship. Thank you.

OPERATOR: Thank you. The next written question comes from Mustafa Kemal Eski with Marbas Securities and I quote, can Aygaz sell more than expected in the soft landing environment in the New Year? Will there be a return to the sustainable level of 13% on the return of investment side? Can you share your expectations on the profitability side in 2025 expectations? Thank you.

DIZEMEN G: Thank you for the question, Mustafa Bey. As for the soft landing environment, I mean, in terms of the volumes, we observe typically around 3% to 4% of contraction in the cylinder gas market over the last 10-15 years due to the extension of the natural gas grid across the country. And we expect that this will also continue in 2025.

And we established our 2025 budget by taking into account this assumption. However, in the case of the auto gas market, we see around 2% to 3% of increase over the last, again, 10-15 years due to the increase in the auto gas converted vehicles within the total fleet in Turkey. We also expect a similar trend in 2025 as long as the economic advantage of auto gas against gasoline continues. This will be one of the critical determinants for consumers in Turkey to decide switching from gasoline to auto gas.

Currently, there is around 30%-35% of advantage against gasoline. And if this advantage continues in 2025, we expect a similar trend, which is an increase of around 2%-3% in auto

gas sales volumes compared to this year, but again this very much depends on the evolution of the LPG prices against gasoline prices.

On the profitability side, we don't share any expectation. We just share our expectations for volumes and market shares, but as you can see in the presentation, we have a very stable EBITDA generation from our core LPG business over the last 2 years. And especially during the Third Quarter with the summer driving season kicking in, the EBITDA generation increases for Aygaz, this is a typical seasonality trend.

We all again expect such a trend to occur in 2025 to have more sales volumes as well as more EBITDA generation in the Third Quarter of the year with the seasonal demand kicking in. Thank you for the questions.

OPERATOR: Thank you. The next written question comes from Ayca Gurdal with ICBC Yatirim and "Hi, how have your sales volume been going so far in 2025"? Thank you.

DIZEMEN G: I think we have covered this question in the previous one. But for January and during the first half of February, I can say that our sales volumes were in line with our budget and the expectations that we shared with you within the presentation. There was no major deviation from our budgeted sales volumes in January and during the first half of February.

That is the only additional information that I can share with you on top of what I have shared regarding the overall 2025 expectations in the previous question.

OPERATOR: Thank you. The next written question comes from Yunus Yenikalaycı with Gedik Investment and "Can we elaborate a bit on Bangladesh operations? Do we have sort of a feel for CAGR regarding sales growth expectations for the next 3 to 4 years?"

Are we expecting growth capex here in the same time interval? It would be nice to visualize how we can offset the decline in EYAS contribution on a forward basis"? Thank you.

DIZEMEN G: Thank you for the question, Yunus Bey. As discussed during the presentation, we are increasing our sales volumes in our Bangladesh operations. In 2023, we sold around 60,000 of LPG in the market and this figure doubled in 2024 and the total sales volume we reached through our joint venture company United Aygaz was around 126,000 tons in 2024.

On top of it, we continue our expansion investment in the country. We reached a total capacity of 16,000 tons in our base terminal in Chittagong, which is the largest import and export hub of the country. With this expansion in the terminal capacity, we will be able to bring larger LPG vessels and this will also enable the company to generate more value from the supply chain.

And the total revenue from United Aygaz in 2024 was around USD107 million and we generated an EBITDA of around USD5.2 million during the same period. In terms of the growth of the sales volumes, obviously, it's a growing LPG

market and we expect, as a new entrant to the country, the same trend to continue in 2025.

But obviously, our sales growth will also depend on our expansion plans, the dealer network and the cylinder capex that we're going to invest in the country. In order to grow, you need more cylinders which is of paramount importance to the growth of United AYGaz. We'll continue to invest in the cylinder park in the country. This will be the key growth Capex for us.

As for the capital injections, you may recall at the very start of this investment, we made a public announcement and in this public announcement, we mentioned that within 5 years, we'll be investing around USD150 million for this Bangladesh investment.

And of this USD150 million, USD75 million, almost half will be capital injection and the remaining will be the debt that will be raised at the local operating company level. Up until now, during the last 3 years since the establishment of the company, we completed the capital injection of USD75 million. And going forward, the growth Capex will mainly be funded through the debt that will be raised at the operating company level.

That is the target over the next 2-3 years regarding the funding of our growth capex in the country. Thank you for the question.

OPERATOR:

Ladies and gentlemen, there are no further questions at this time. I will now turn the conference over to management for any closing comments. Thank you.

DIZEMEN G: Thank you for joining our call. Look forward to seeing you in our next earnings webcast. Bye-bye.