

**AYGAZ**

# INVESTOR PRESENTATION

February 2019



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# A Aygaz overview



**LEADING  
LPG  
DISTRIBUTOR  
of TURKEY**

**2018**

**₺ 9.6 billion** REVENUE

**2 m tons** SALES OF LPG

**26%\*** LPG MARKET SHARE

**DIVERSIFIED  
PARTICIPATION  
PORTFOLIO  
IN ENERGY**

NATURAL GAS

REFINERY



POWER GENERATION

\*EMRA December

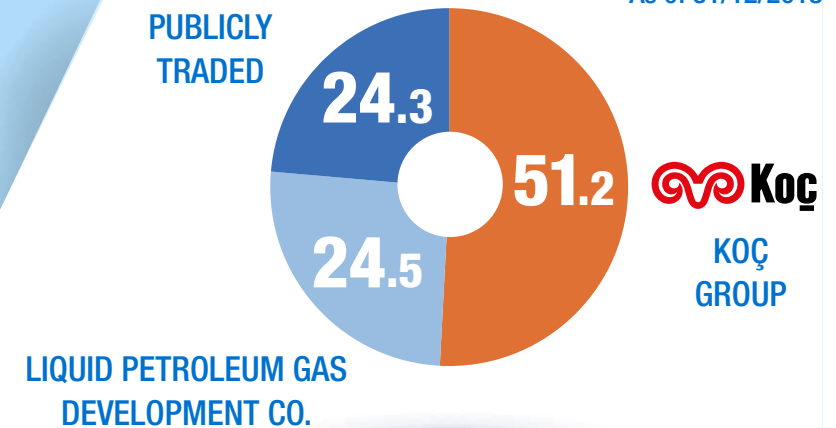
# > Overview

## SUMMARY FINANCIALS

(Cons. in m TL)	2018	2017	2016	2018-2017 change
Revenue	9,554	8,469	6,749	13%
EBITDA	160	352	394	-55%
Net Profit	228	577	416	-60%
EBITDA Margin	2%	4%	6%	-2
Net Profit Margin	2%	7%	6%	-5
Volume (000 tons)	2,000	2,154	2,109	-7%

## SHAREHOLDERS (%)

As of 31/12/2018





# Core business - LPG distribution

Generic brand for LPG

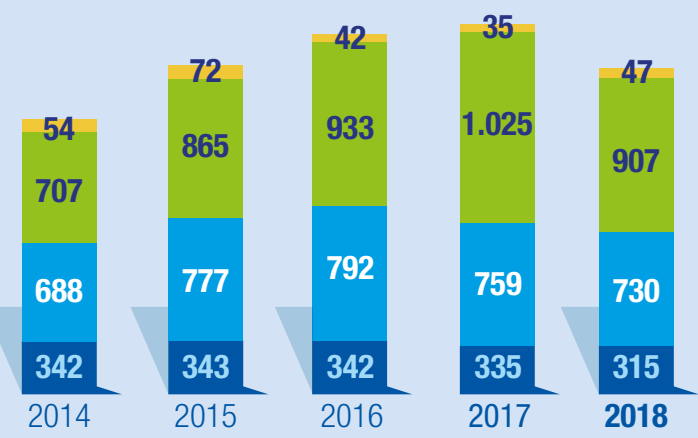
11th largest industrial company of Turkey, as of 2017

Most preferred LPG brand in Turkey since its foundation

Market leader with 3 brands

**AYGAZ** **Mogaz** **Lipetgaz**

AYGAZ VOLUMES (000 tons)

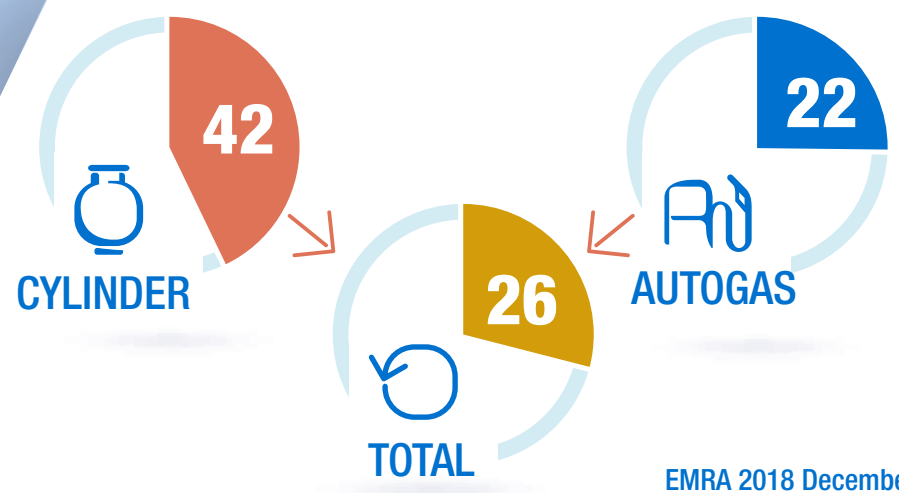


■ CYLINDER    ■ BULK GAS\*  
■ AUTOGAS    ■ OTHER (wholesale & export)

\* With petrochemical sales

EMRA, Aygaz

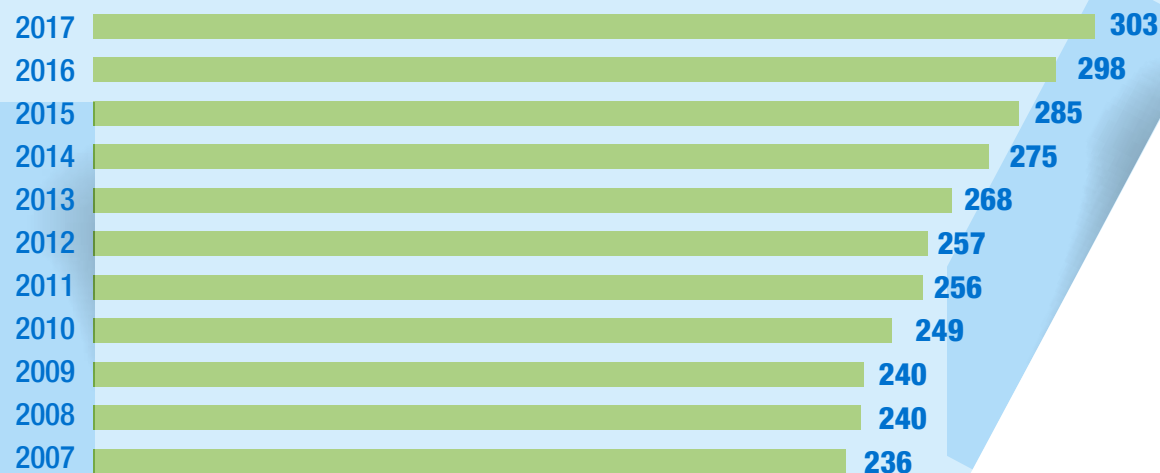
MARKET SHARES (%)



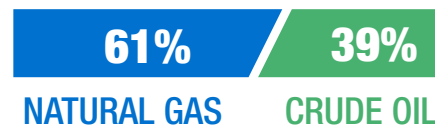
EMRA 2018 December

# B World LPG market

## WORLD LPG CONSUMPTION (m tons)



- Fastest - growing energy source after renewable energy
- 300 billion USD business size worldwide
- Sources of LPG production;



## LPG AS A COMMODITY



Mixture of hydrocarbons (Butane and Propane)



Portable and versatile



Low GHG emission; Eco-friendly



Diversity of supply sources; Abundant reserves

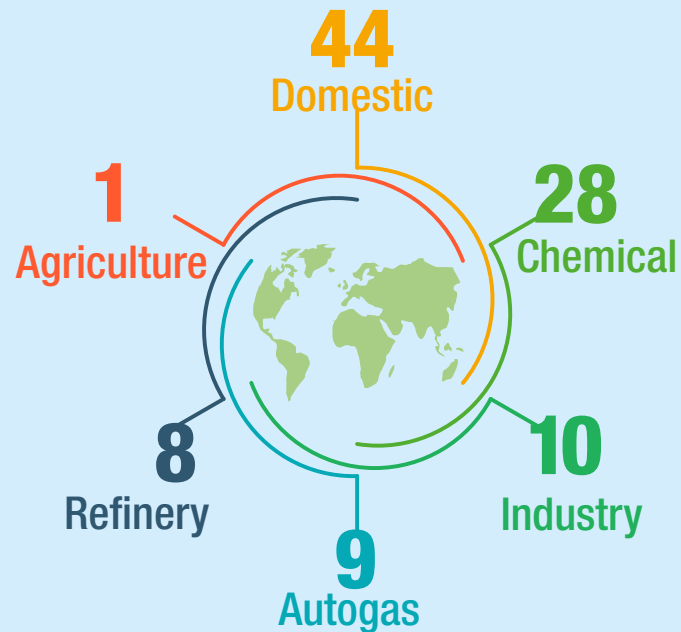


Cleaner, safer and cheaper at home & transportation

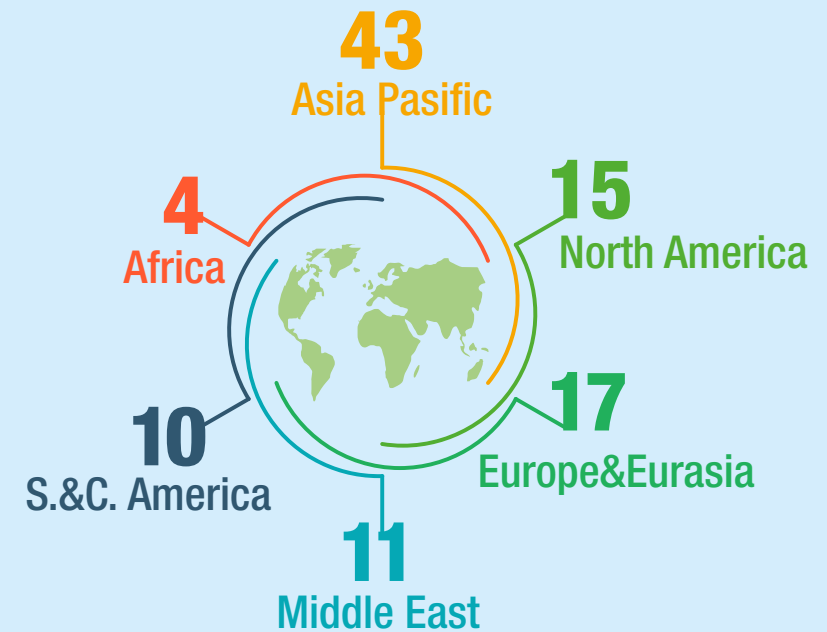
WLPGA Statistical Review of Global LP Gas Report, 2018

# > World LPG consumption

**World LPG Consumption  
By Sectors 2017 (%)**

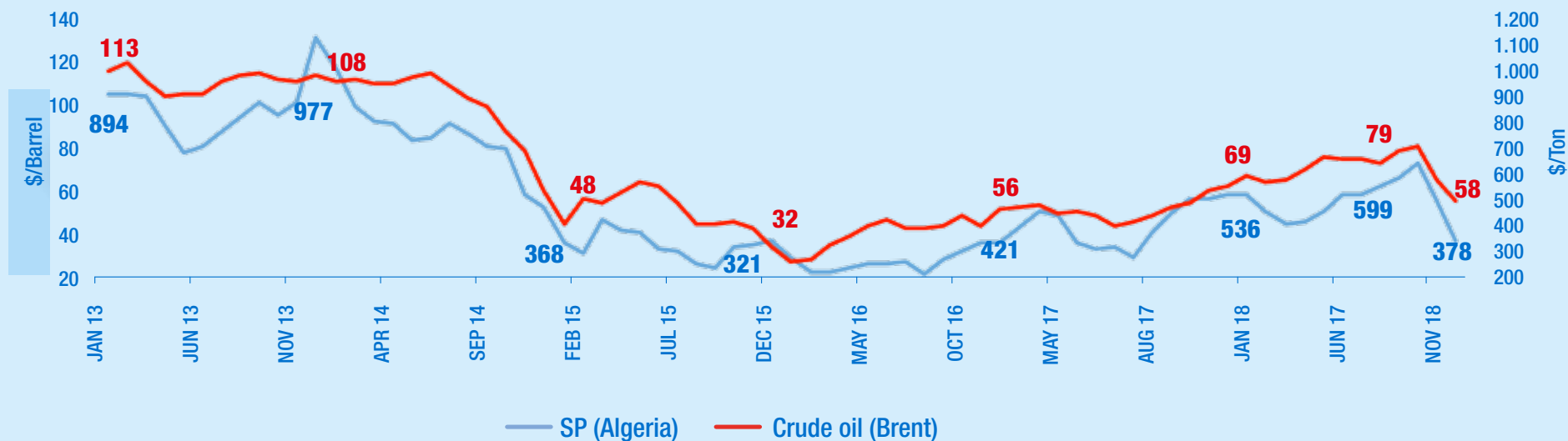


**World LPG Consumption  
By Regions 2017 (%)**



WLPGA Statistical Review of Global LP Gas Report, 2018

# > Prices of LPG and brent



- There is a correlation between LPG and oil price
- Seasonality can also affect LPG price
- December 2018 Sonatrach LPG price is at USD 378 and 30% lower than December 2017 price.



# C Turkish LPG market

LPG consumption in Europe (m ton)

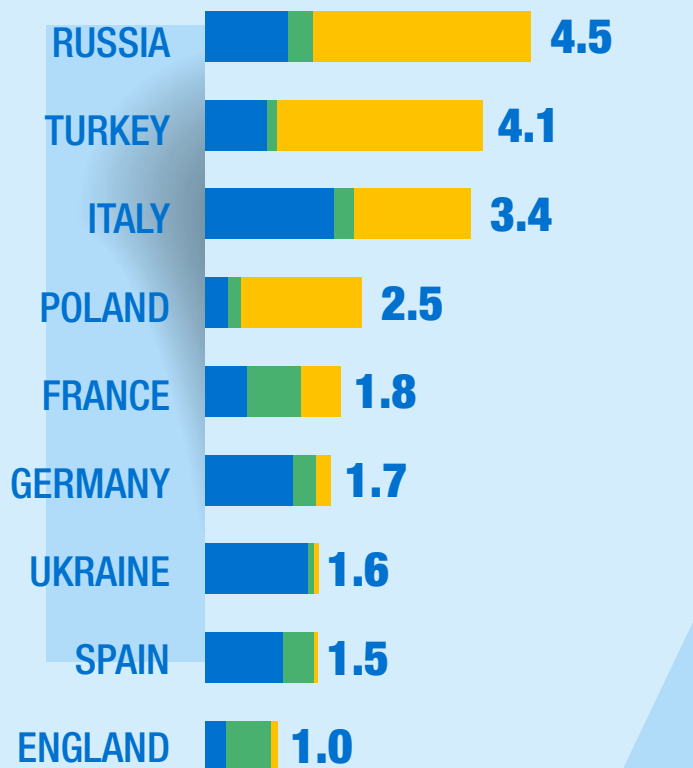
**4.1 m tons #2 in Europe #11\* in the World**

**~90 distribution companies**

Leading 3 players in the cylinder market and first 8 players in the autogas market hold over 80% of the total market

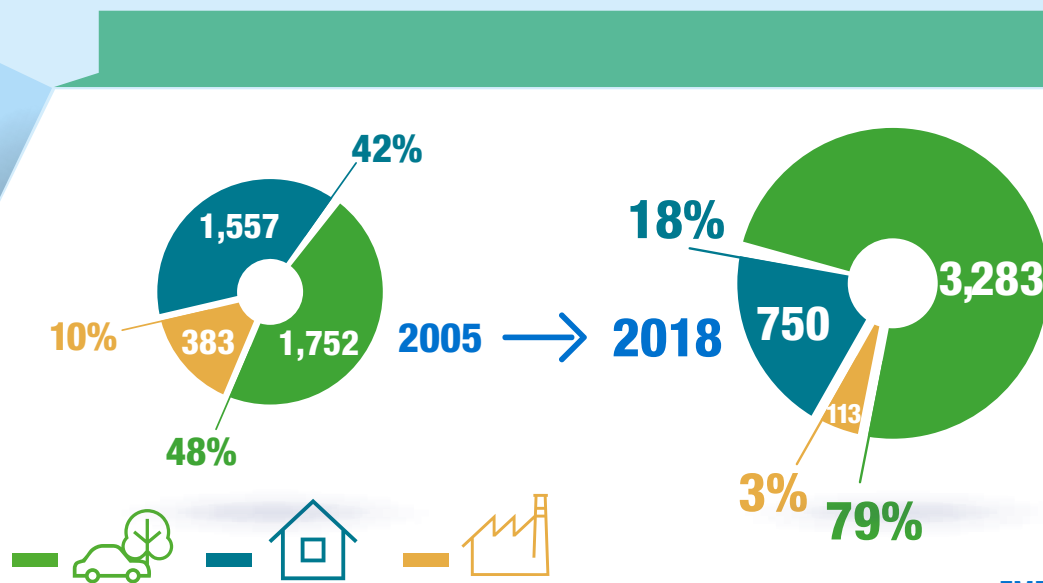
**Liberal market with regulatory body-EMRA**

\* when p. chemical and refinery is excluded



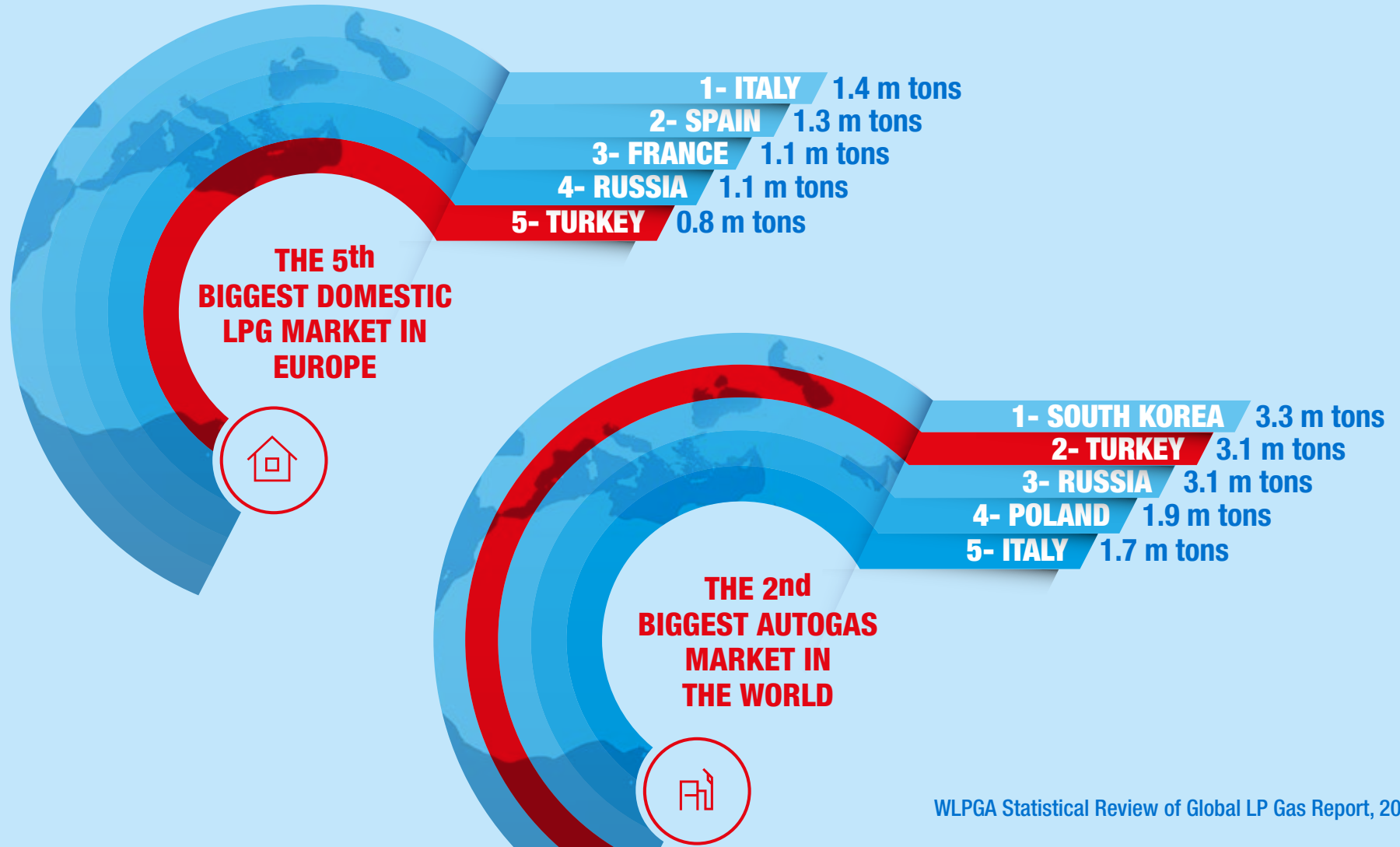
DOMESTIC INDUSTRY TRANSPORT

WLPGA Statistical Review of Global LP Gas Report, 2018



EMRA data

# > LPG market ranking



WLPGA Statistical Review of Global LP Gas Report, 2018



AYGAZ

201

AYGAZ

202

202

TEHLİKELİ VE YANICI MADDE 2001  
ATEŞLE YAKLAŞMA  
SİGARA İÇİLMEZ



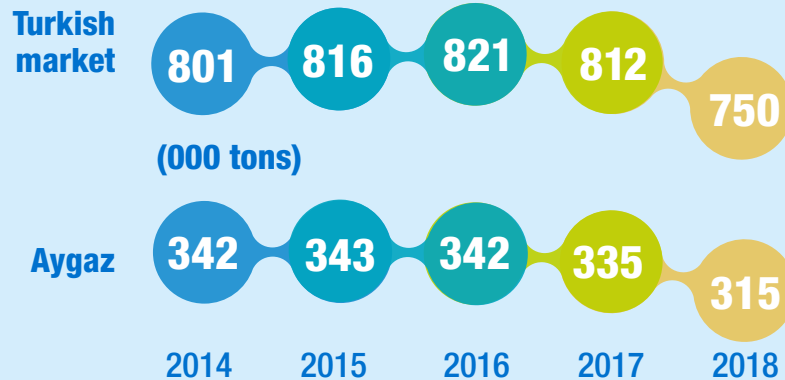
AYGAZ

3235

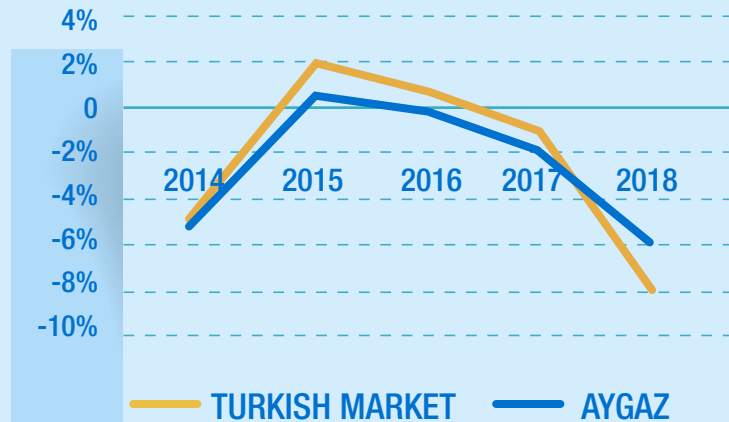
35 N 1172

# Cylinder market starting to stabilize

## CYLINDER MARKET



## RATES OF CHANGE (YoY)



**With the effects of the on-going natural gas conversions, urban transformation and contraction in commercial sales, the cylinder gas market shrank 8% year on year in 2018.**

### Factors affecting cylinder market;

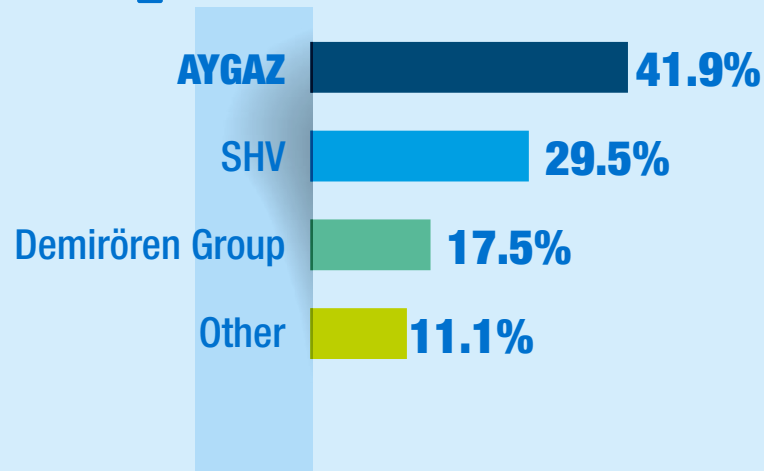
- Pressure on demand due to rising LPG prices
- Continuation of natural gas grid expansion despite deceleration

EMRA data

# > Aygaz; leader in cylinder market since its foundation



## CYLINDER MARKET SHARES



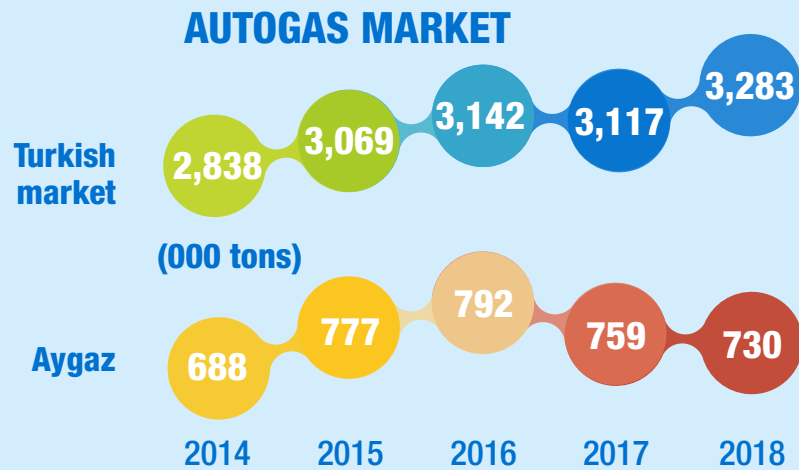
- Generic brand
  - Market maker
  - Largest dealer network with high sales efficiency
  - 60% market share in residential use
  - Fully integrated production cycle; Cylinder and gas appliances factory in Gebze plant
  - Aygaz Ekspres; digital solutions for optimizing dealers' business&delivery
- Aiming to maximize customer satisfaction&loyalty

2017	Number of Dealers	Sales Volume (tons)	Avg dealer sales (tons)
Aygaz cylinder dealers	2,359	334,866	142
Total cylinder dealers	7,985	812,208	102

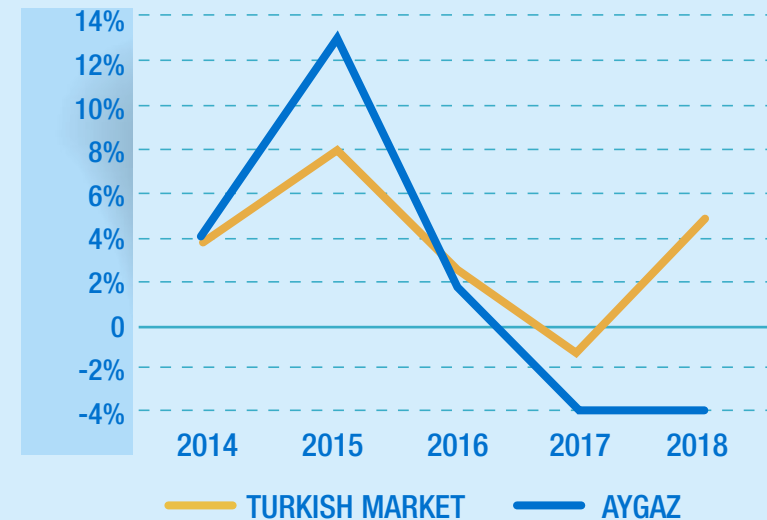
\*EMRA data



# > World's second biggest autogas market



**RATES OF CHANGE (YoY)**



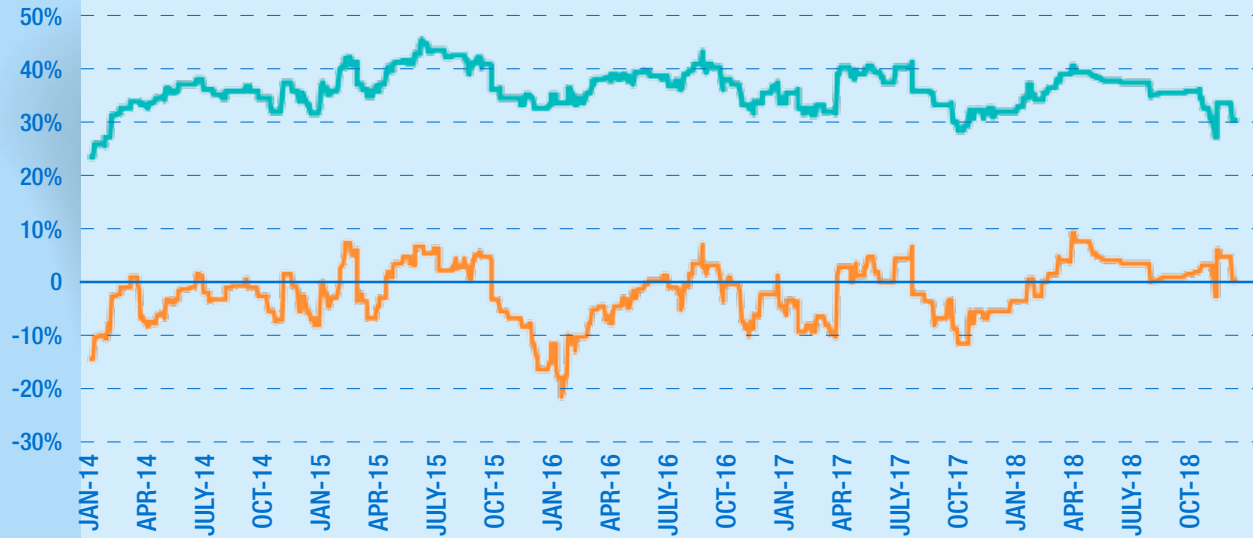
**Autogas market that showed a steady growth since 2003, after contracting nearly by 1% in 2017 due to the pressure of rising LPG prices, it grew by 5% in 2018.**

## Factors affecting autogas market;

- 30% more economic on average compared to gasoline
- Fierce price competition among national and local players
- Continuation of growth in autogas car park
- Increasing interest of car manufacturers to LPG and conversions with car guarantees

EMRA data

# > Price economy of autogas

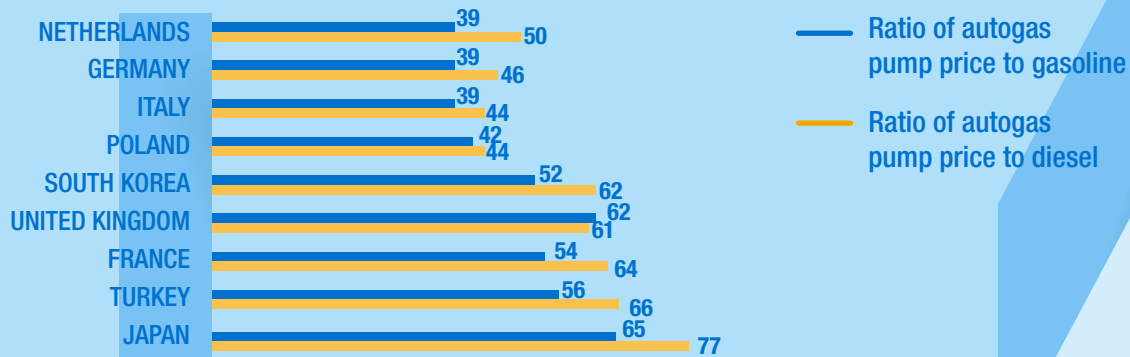


— To gasoline — To diesel

**30%+**

**price advantage to gasoline**

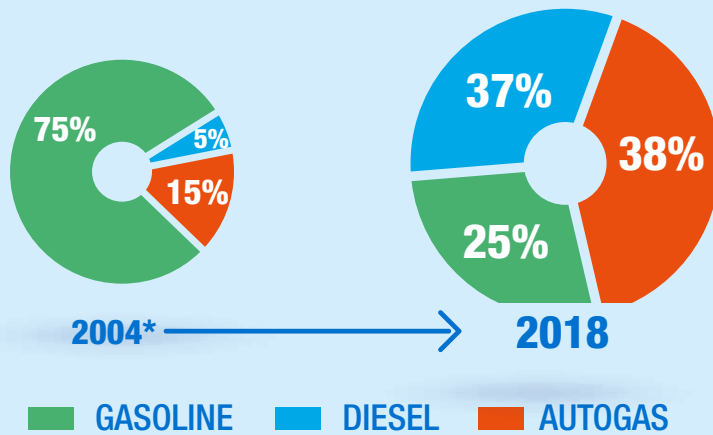
**PUMP PRICE OF AUTOGAS ACROSS THE WORLD (%)\***





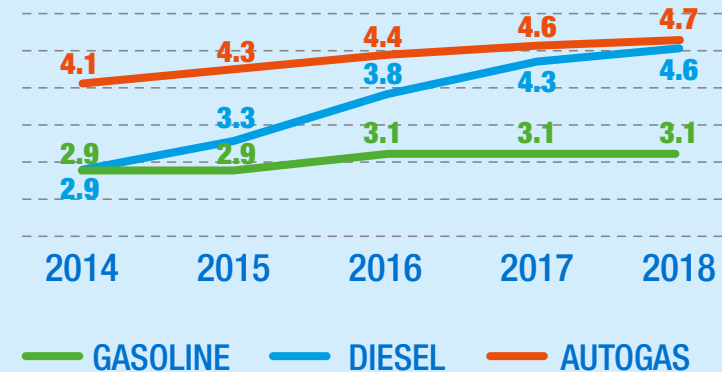
# > Autogas; most widely-used passenger car fuel of Turkey

**RATIO OF CARS REGISTERED TO TRAFFIC ACC. TO FUEL TYPE**



\* Fuel type unknown: 5%

**TURKISH CAR PARK (m cars)**



**CAR OWNERSHIP PER PERSON**

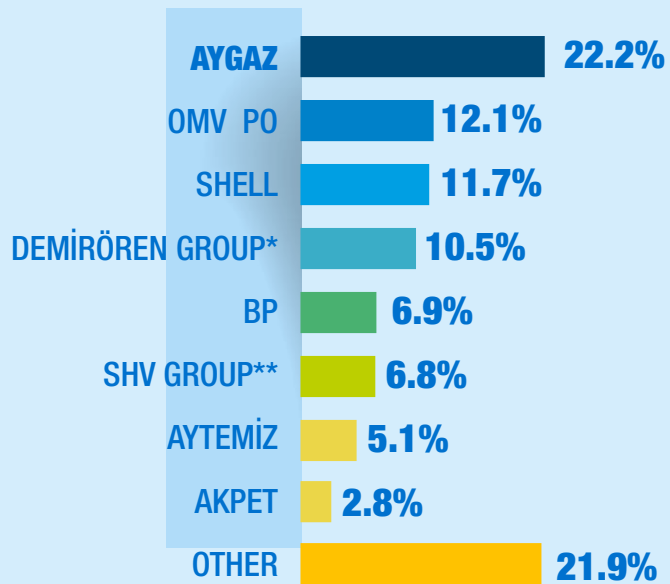


Turkstat, ACEA

- Most widely-used passenger car fuel since 2011
- With 4.7 million cars, 4 out of 10 passenger cars run on LPG
- Largest LPG vehicle fleet in the world; 16% of the world
- Approx. 11,000 autogas stations all over Turkey

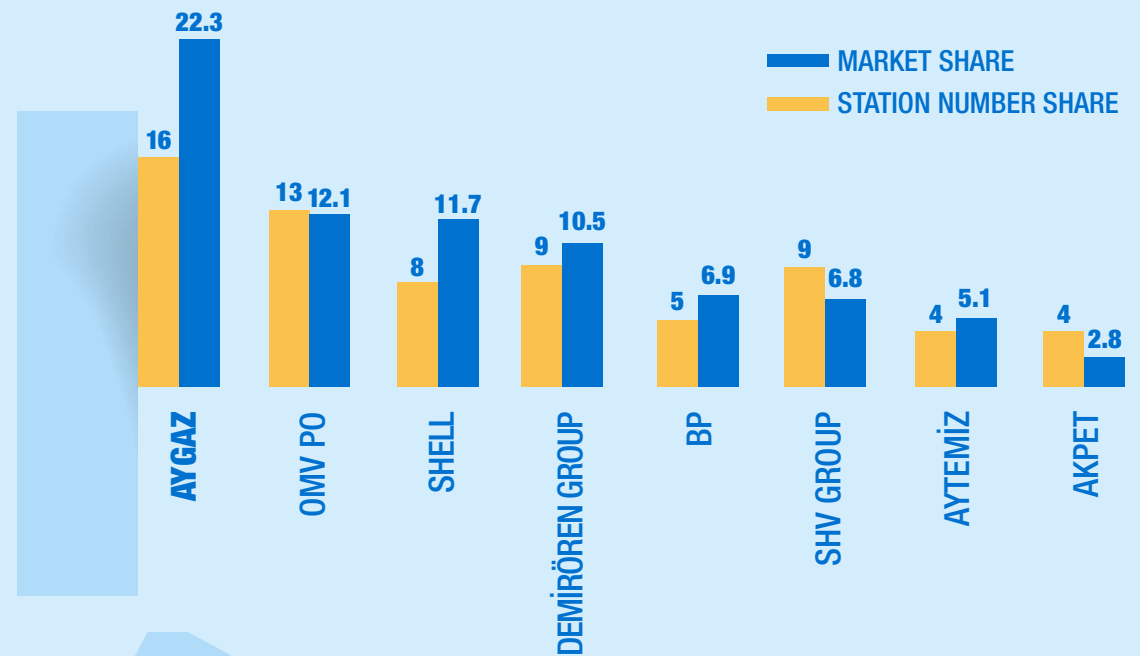
# Aygaz; leader of the second biggest autogas market in the world

 **AUTOGAS MARKET SHARES**



\*Milangaz & Total \*\* İpragaz & Yıldırım

**MARKET SHARE & STATION NUMBER SHARE (%)**



- Largest dealer network with high sales efficiency
- Creating network synergy with sister company Opet
- Core business is LPG unlike other fuel distributors

2018	Number of Dealers	Sales Volume (tons)	Avg dealer sales (tons)
Aygaz autogas dealers	1,718	730,105	425
Total autogas dealers	10,644	3,283,197	308

EMRA data

# > Autogas car park growth

**177,000**



**conversions per year**

**1,000+** conversion points

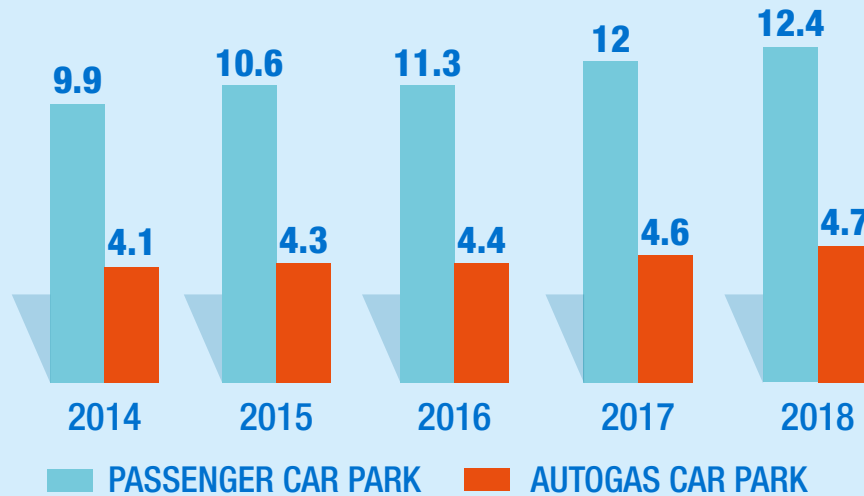
**\$500** average cost of conversion

**Payback in 15,000 km**

**OEM;** original equipment manufacturer

- Some major car manufacturers are providing guaranteed conversion currently

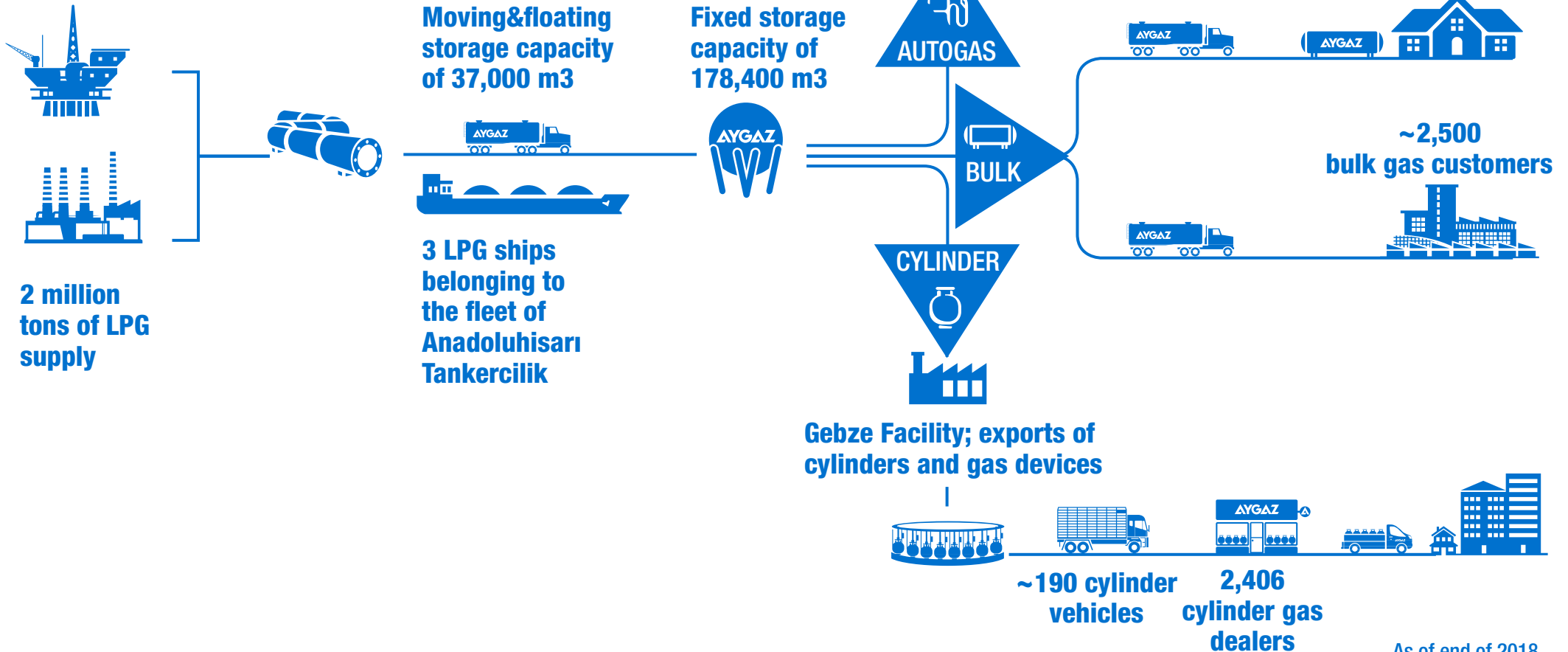
**AUTOGAS CONVERSIONS (m cars)**



Turkstat



# The LPG value chain



# > Competitive Supply Chain



## BIG PLAYER

- #1 purchaser in Mediterranean
- #1 importer in Turkey
- #1 exporter in Turkey
- #1 storage owner in Turkey (~24% of TR)



## ADVANCED MODEL

- Direct imports to 5 different locations
- Most diversified supply portfolio in Turkey
  - Diversified supplier & origins
  - Diversified supply pattern (ex-refinery, FOB, CIF)
- Only company in Med capable of discharging a VLGC in single port
- 200+ cargos throughout the year



## FLEET MANAGEMENT

- Top-notch LPG fleet owner
- Total capacity: 28,800 cbm, Average age: 12 yrs
- Single LPG vessel charterer (in/out) in Turkey
- Reduces logistics costs
- Provides flexibility in sourcing and inventory management



## OVERLAND TRANSPORTATION

- Biggest LPG truck fleet in Turkey
- >500 vehicles
- Transporting 1.4 million ton/year
- 45 million km/year



E

# Participation Portfolio



\*EYAŞ owns 51% of the shares of TÜPRAŞ

Financial Investments: Koç Finansal Hizmetler A.Ş. (1.97%), Ram Dış Ticaret A.Ş. (2.5%), Tanı Pazarlama ve İletişim Hizmetleri A.Ş. (10%), Tat Gıda Sanayi A.Ş. (0.08%)

# F Natural gas



## LNG SALES



Transportation and regasification



13% market share, 300 industrial customers

2018 sales: 77 mcm

## PIPELINE NATURAL GAS SALES



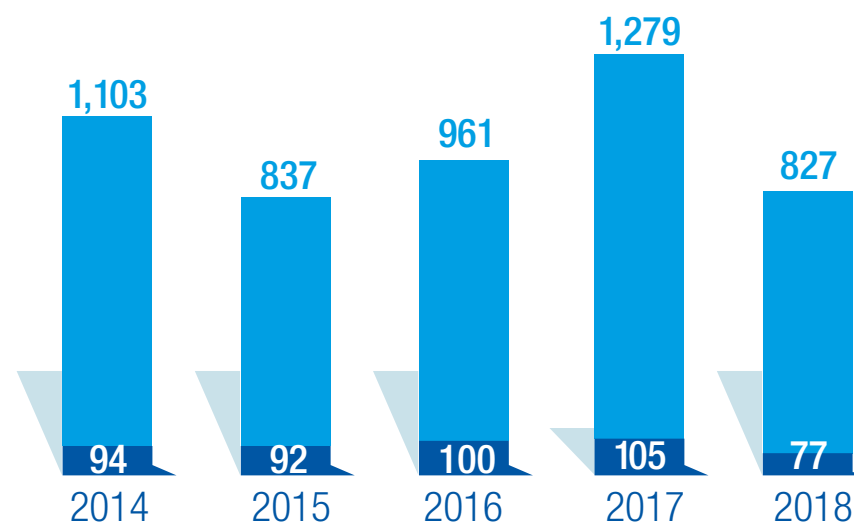
Started in 2010

2018 sales: 827 mcm

## PROJECTS

LNG & Pipeline gas import

## SALES VOLUME (mcm)



■ LNG SALES ■ PIPELINE NG SALES



G

# Other participations

## POWER GENERATION

**TOTAL INSTALLED CAPACITY: 422 MW**

İzmit Natural Gas  
Combined Cycle (NGCC): 157 MW

8 Hydro Assets: (HEPP): 265 MW

**Entek**

## SALES AND MARKETING

Direct sale of cylinder gas and carboy  
water throughout Turkey

Fuel trade at its fuel stations

*akpa*

## STRATEGY

Selective growth depending  
on opportunities and  
liberalization  
in the market

## OPET AYGAZ GAYRİMENKUL

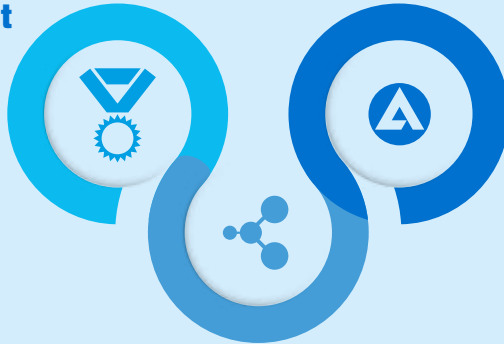
Founded in 2013 as a 50-50 partnership  
with Opet to purchase real estate and  
manage or lease these properties as fuel  
or autogas stations

Currently owns 21 stations



# > Aygaz key takeaways

**Consistent  
Market  
Leader**



**Brand  
Power**

**Long-term  
Strategy  
Builder**



**Diversifier &  
Portfolio  
Investor**

**Strong Sales &  
Logistics Network**

**Financial  
Strength**

## STRATEGIC PRIORITIES

**Sustain its market leadership in LPG by;**

- Investing in the future with the responsibility of being the industry's highly reputable, reliable and consumer-oriented brand,
- Prioritizing high safety standards and product quality,
- Developing innovative products and services with solutions that place innovation and digitalization at the core.

**Ensure sustainable growth to move its current position forward by:**

- Following and seizing opportunities for mergers, acquisitions and investments at home and abroad,
- Improving efficiency in all processes from sourcing to selling LPG,
- Aiming to create value for all stakeholders.

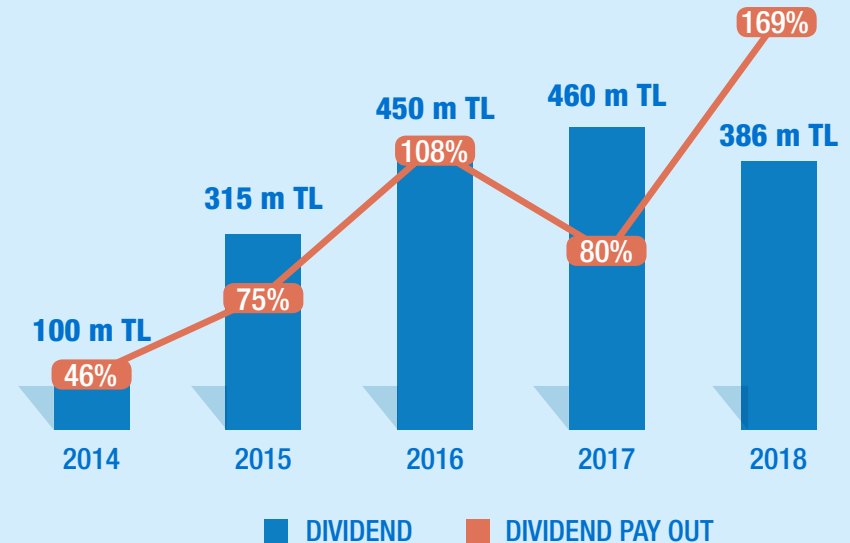
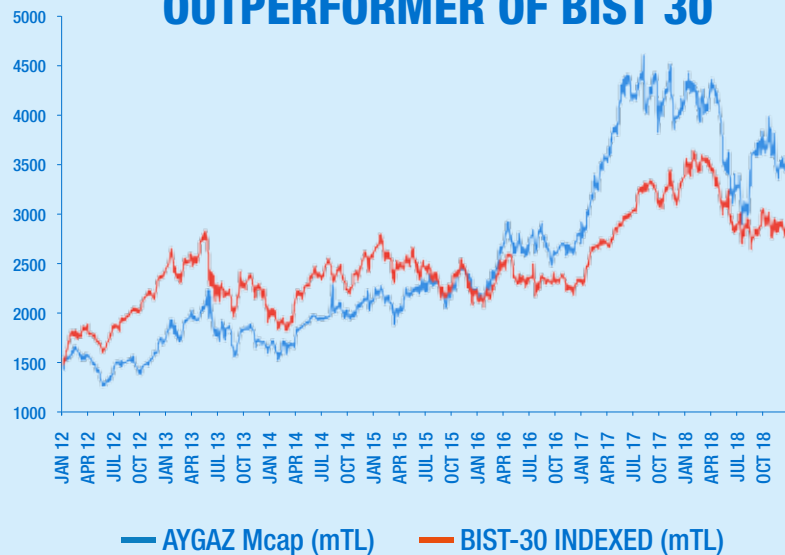
# > Shareholder value

BIST Code	<b>AYGAZ</b>
Bloomberg Code	<b>AYGAZ.TI</b>
Reuters Code	<b>AYGAZ.IS</b>
IPO Date	<b>13.01.1988</b>
Free float rate	<b>24.3%</b>

## STRENGTHS

- Sustainable operating profitability from core business; LPG
- Resistant to economic fluctuations and crises
- Regular dividend payments
- Corporate governance practices at international standards;
  - SAHA Corporate Governance and Credit Rating Services updated Aygaz's corporate governance rating score as 9.40 on June 22, 2018.

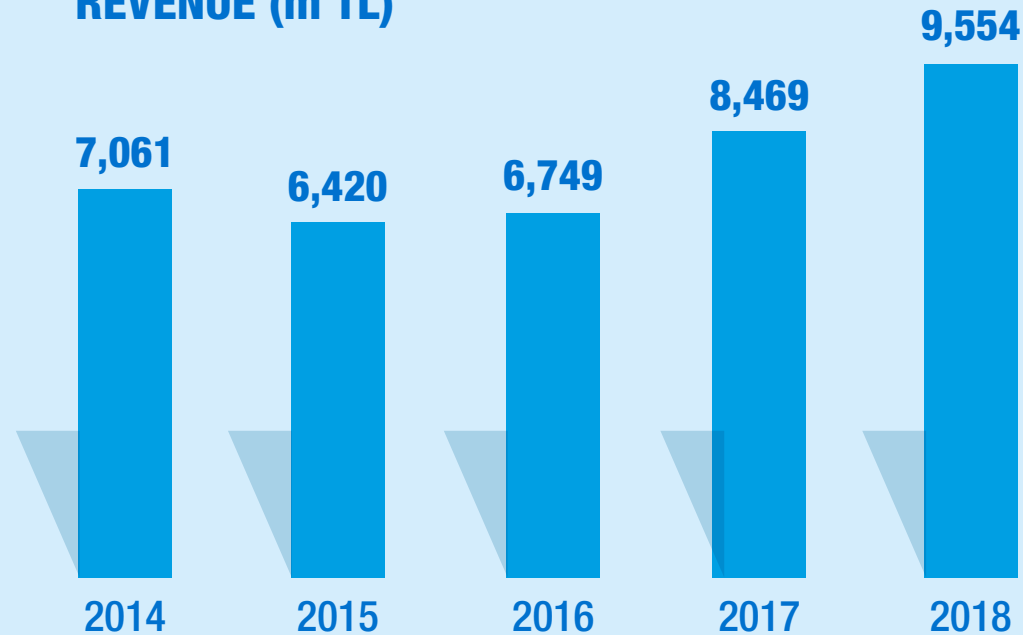
## OUTPERFORMER OF BIST 30



H

# Financial highlights

## REVENUE (m TL)

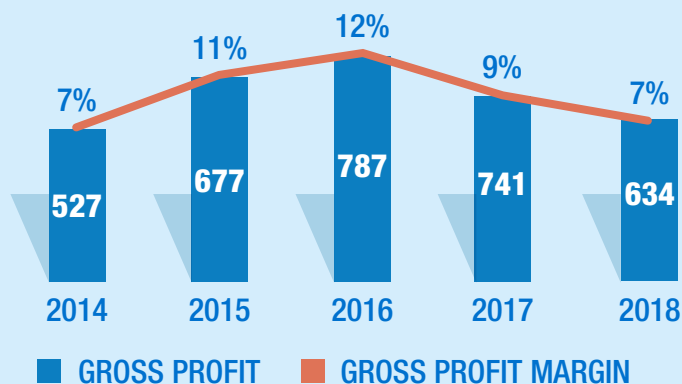


Revenue figure fluctuations are mainly due to;

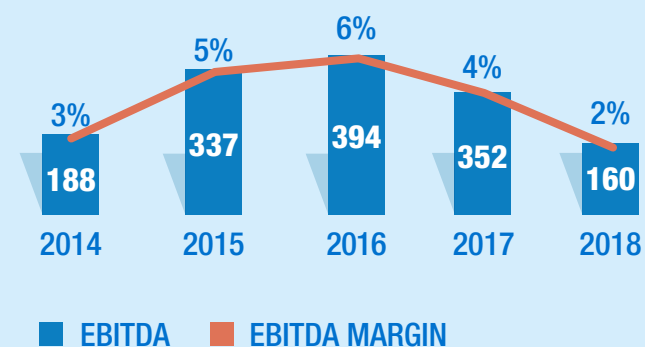
- FX rate changes
- Commodity price changes

# > Financial highlights

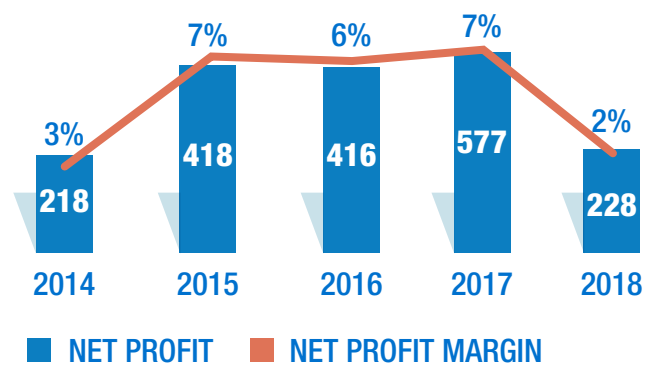
## GROSS PROFIT AND GPM



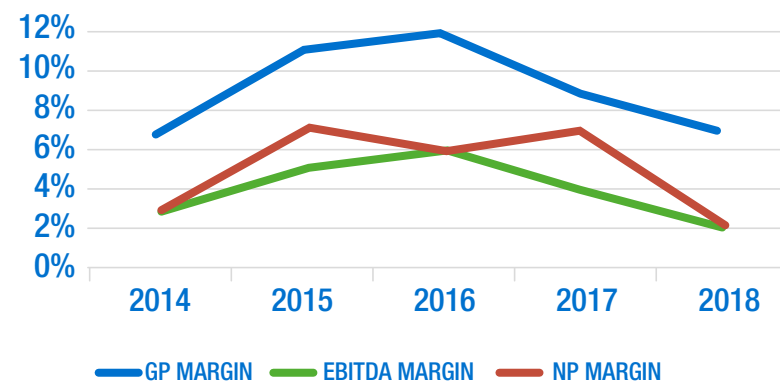
## EBITDA AND EBITDA MARGIN



## NET PROFIT AND NPM



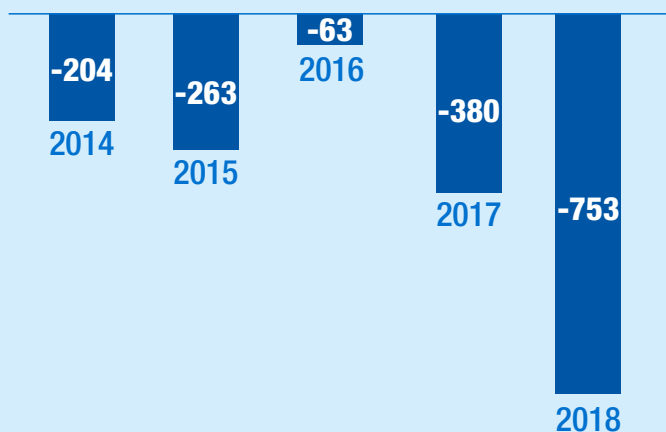
## PROFIT MARGINS



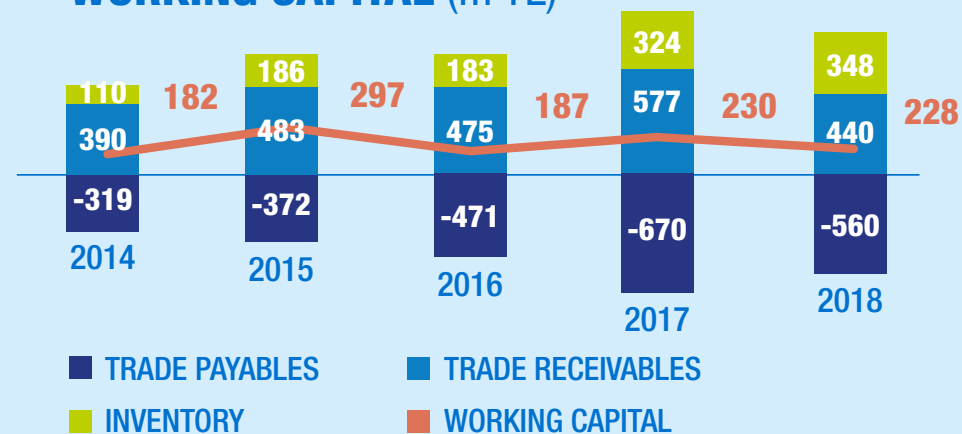
Bar figures: m TRY

# Financial highlights

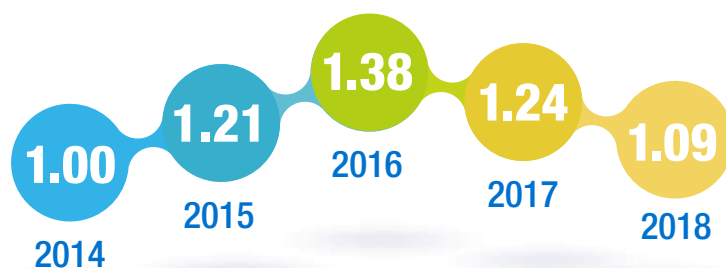
## NET CASH (m TL)



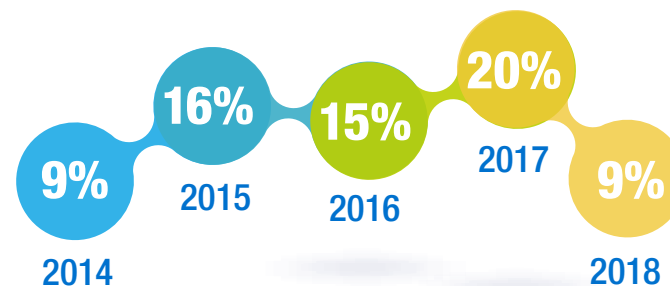
## WORKING CAPITAL (m TL)



## CURRENT RATIO



## RETURN ON EQUITY

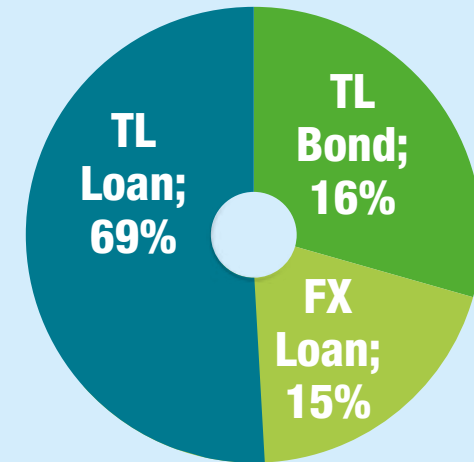


# > Financial highlights

(m TL)	12M 2018	12M 2017
ST Borrowings	79	85
Current portion of LT Borrowings	492	305
LT Borrowings	830	583
<b>Total Debt</b>	<b>1,401</b>	973
Cash and cash equivalents (-)	(648)	(593)
<b>= Net Debt</b>	<b>753</b>	380

ST: Short-term LT: Long-term

DEBT PROFILE AS OF  
31/12/2018



- Maturity structures of the debts are wide-range and long term.
- FX position is actively monitored and managed including derivatives.

**CREDIT RATING:** Following the comparative analysis of the sector and examination of financial/operational risks carried by the Company, as well as its domestic market position by SAHA Corporate Governance and Credit Rating Services, AYGAZ received a long term rating of (TR) AAA and a short term rating of (TR) A1+ and outlook as stable on June 22, 2018.

# I Appendix



# 1 Income statement summary

(m TL)	2014	2015	2016	2017	2018
Revenue	7,061	6,420	6,749	8,469	9,554
COGS	(6,534)	(5,743)	(5,962)	(7,728)	(8,920)
Gross Profit	527	677	787	741	634
Operating Profit	104	250	308	265	71
Profit Before Tax	237	458	469	621	250
Net Profit	218	418	416	577	228
EBITDA	188	337	394	352	160
GP margin	7%	11%	12%	9%	7 %
OP margin	1%	4%	5%	3%	1 %
NP margin	3%	7%	6%	7%	2 %
EBITDA margin	3%	5%	6%	4%	2 %

## 2 Balance sheet summary

(m TL)	2014	2015	2016	2017	2018
Cash & Cash Eq.	161	289	568	593	648
Trade Receivables	390	483	475	577	440
Inventories	110	186	183	324	348
Inv. Acc. Under Equity Method	1,677	1,867	1,922	2,273	2,305
Prop. Plant & Eq.	585	651	658	678	687
Financial Debt	(365)	(551)	(630)	(973)	(1,401)
Trade Payable	319	372	471	670	560
Equity	2,359	2,611	2,742	2,923	2,502
Total Assets	3,412	3,916	4,231	4,966	5,013
Net Cash (Debt)	(204)	(263)	(63)	(380)	(753)
Working Capital	182	297	187	230	228

# 3 2018 Q4 income statement summary

## FINANCIAL

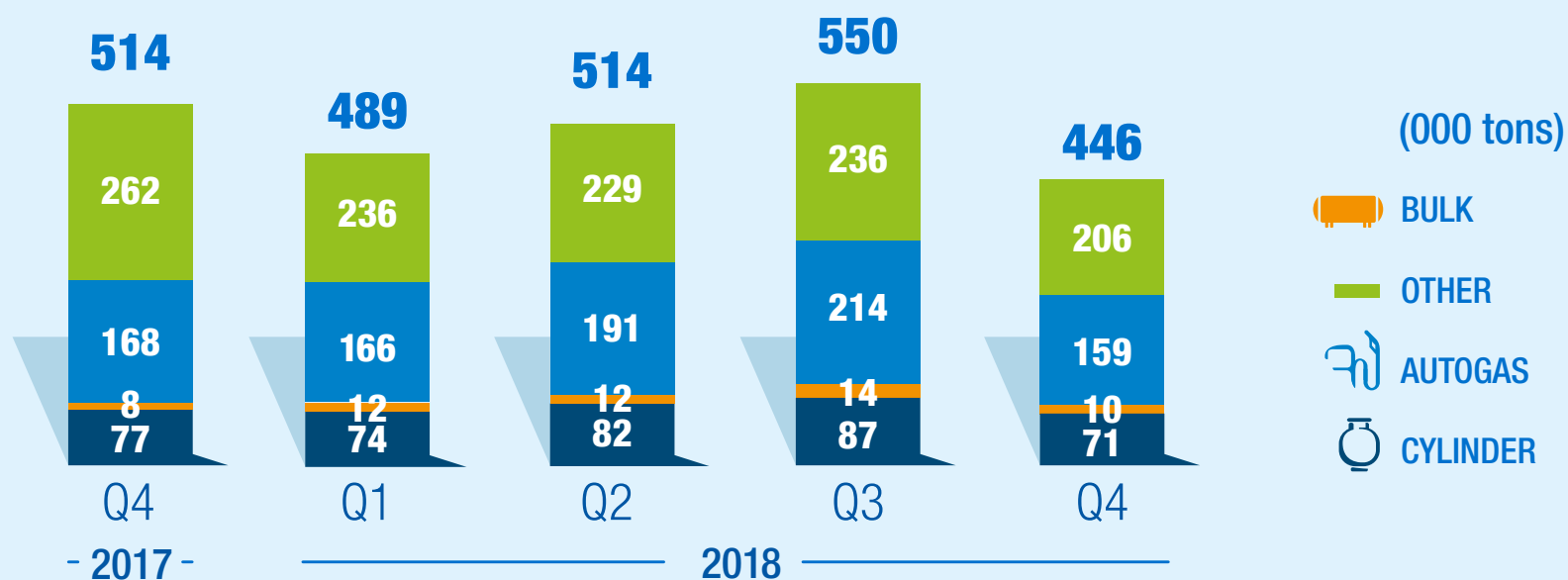
QUARTERLY | (Yoy)

Revenue	2,363 Milyon TL	↑
Operating profit	-129 Milyon TL	↓
EBITDA	-106 Milyon TL	↓
Net profit	-87 Milyon TL	↓

# > Highlights

- As communicated to our subsidiary Aygaz Doğalgaz Toptan Satış A.Ş.(ADG) by Akfel Gaz Sanayi ve Ticaret A.Ş. (Aktef), from which natural gas is supplied; the price revision arbitration process initiated by Gazprom Export LLC, which Akfel has imported natural gas, was concluded against Akfel and additional costs calculated for the past period is conveyed to ADG but no payment has been demanded yet. In this context total amount of 178.6 m TL provision (equivalent to 34 m USD approximately) was reflected to 2018 year end consolidated financial tables.
- Regarding our associate Entek's investment Ayas Enerji Üretimi ve Ticaret A.Ş.; the lawsuit opened against Energy Market Regulatory Body in 2011, by the environmental organizations to suspend execution and to cancel the license of production given to Ayas, is still continuing. On the trial on December 25, 2018, statements of the parties were heard and the decision regarding the lawsuit's merits are awaited. No certain evaluation can be made regarding the results of the lawsuit at this stage. The result of this lawsuit has been awaited since 2012 for the company to start operations; on the other hand, considering the decline in commodity prices and rise in financing costs, it is considered that the economic return of the project is below expectation as of the current phase, and as it is no longer viewed feasible to continue the investment with the initial planned conditions; the entire value carried for Ayas was impaired. (18.9 m TL amount of period loss and 74.7 m TL amount of impairment loss) As a result, our profitability was adversely affected.

# 4 2018 Q4 Aygaz LPG sales



Q4 sales volumes were realized as;

- 159 thousand tons in Autogas (-5% YoY)
- 71 thousand tons in Cylinder Gas (-8% YoY)

# 5 Highlights

## OPERATIONAL - 12 Months cumulative

According to 12M 2017



Domestic LPG sales

**1,092**  
Thousand tons

**-3% YoY**



International and  
wholesale LPG sales

**907**  
Thousand tons

**-11% YoY**



Total LPG sales

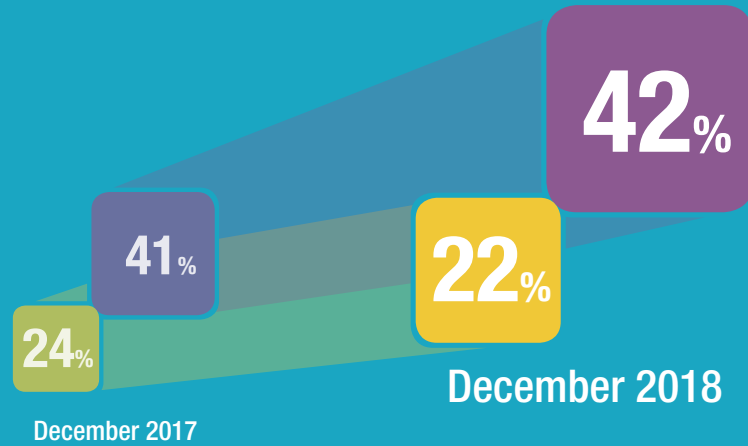
**2,000**  
Thousand tons

**-7% YoY**



- Cylinder sales are 315 thousand tons (-6% YoY)
- Autogas sales are 730 thousand tons (-4% YoY)
- International sales increased by 4% while wholesales contracted since more companies in previous years customer portfolio started importing themselves

# 6 Market shares



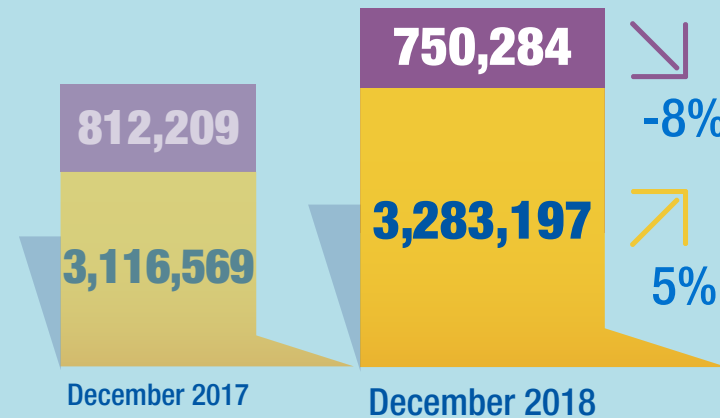
As of December 2018 EMRA report, Aygaz cylinder and autogas market shares are 42% and 22% respectively.

(41% and 24% in December 2017)

According to 2018 EMRA report, Turkish cylinder sales volume is 750,284 tons and autogas volume is 3,283,197 tons.

2017

Cylinder gas 812,209 tons  
 Autogas 3,116,569 tons



**SALES VOLUME (Tons)**

EMRA, Aygaz

# 7 Forward looking statements for 2019



## SALES VOLUME

- Cylinder: 295 - 310 thousand tons
- Autogas: 695 - 735 thousand tons



## MARKET SHARE

- Cylinder: 41.5% - 43.5%
- Autogas: 21.4% - 22.6%



# J Glossary

<b>LPG</b>	Liquid Petroleum Gas
<b>EMRA</b>	Energy Market Regulatory Authority
<b>WLPGA</b>	World LPG Association
<b>SP</b>	Sonatrach Price
<b>PETDER</b>	Petroleum Industry Association
<b>FOB</b>	Free On Board
<b>CIF</b>	Cost, Insurance & Freight
<b>Med</b>	Mediterranean
<b>VLGC</b>	Very Large Gas Carrier
<b>EYAŞ</b>	Enerji Yatırımları A.Ş.
<b>LNG</b>	Liquid Natural Gas
<b>Mcm</b>	Million Cubic Meters
<b>Bcm</b>	Billion Cubic Meters
<b>NGCC</b>	Natural Gas Combine-Cycle
<b>MW</b>	Megawatt (one million watts)
<b>BIST</b>	Borsa Istanbul (Istanbul Stock Exchange)
<b>IPO</b>	Initial Public Offering
<b>GHG</b>	Greenhouse Gas Protocol

# K Disclaimer

This presentation may contain forward-looking statements that reflect the company management's current views with respect to certain future events. Although it is believed that the expectations reflected in these statements are reasonable, they may be affected by a variety of variables and changes in underlying assumptions that could cause actual results to differ materially.

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