

**AYGAZ**

# INVESTOR PRESENTATION

June 2017



# CONTENT

**A-** Overview

**B-** World LPG market

**C-** Turkish LPG market & Aygaz

**D-** The LPG value chain

**E-** Participation portfolio

**F-** Natural gas

**G-** Other participations

**H-** Financial highlights

**I-** Appendix

**J-** Glossary

**K-** Disclaimer

**L-** Contacts



# A Aygaz overview



**LEADING  
LPG  
DISTRIBUTOR  
of TURKEY**

**2016**

**₺ 6.7 billion** REVENUE

**2.1 m tons** SALES

**29%** LPG MARKET SHARE

**DIVERSIFIED  
PARTICIPATION  
PORTFOLIO  
IN ENERGY**

NATURAL GAS

**AYGAZ  
DOĞALGAZ**

REFINERY

**Tüpraş**

**Entek**

POWER GENERATION

# > Overview

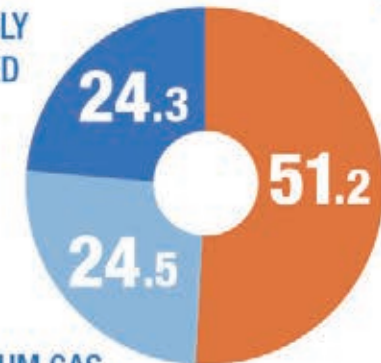
## SUMMARY FINANCIALS

(Cons. in m TL)	2016	2015	2014	2016-2015 Change
Revenue	6,749	6,420	7,061	5%
EBITDA	394	337	188	17%
Net Profit	416	418	218	-0.6%
EBITDA Margin	6%	5%	3%	+1
Net Profit Margin	6%	7%	3%	-1
Volume (000 tons)	2,109	2,057	1,791	3%

## SHAREHOLDERS (%)

As of 30/06/2017

PUBLICLY  
TRADED



 **Koç**  
KOÇ  
GROUP

LIQUID PETROLEUM GAS  
DEVELOPMENT CO.

# > Core business - LPG distribution

**Generic brand for LPG**

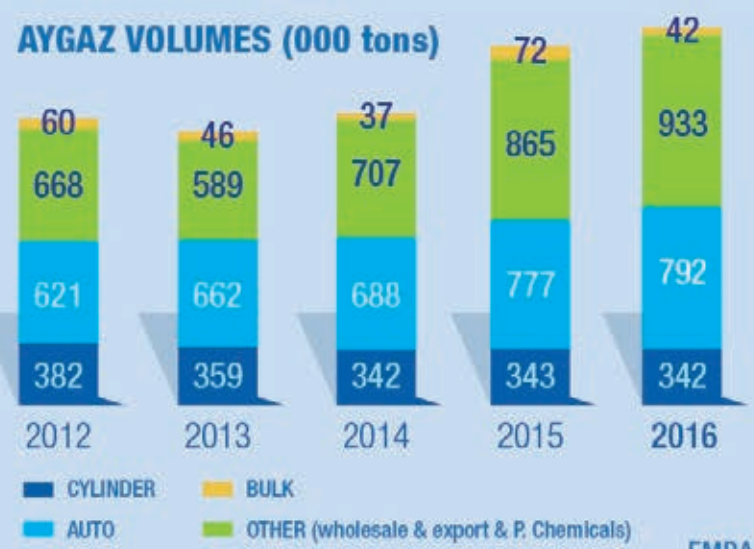
**14th largest industrial company of Turkey, as of 2016 with 55 years of history**

**Most preferred LPG brand in Turkey since its foundation**

**Market leader with 3 brands**

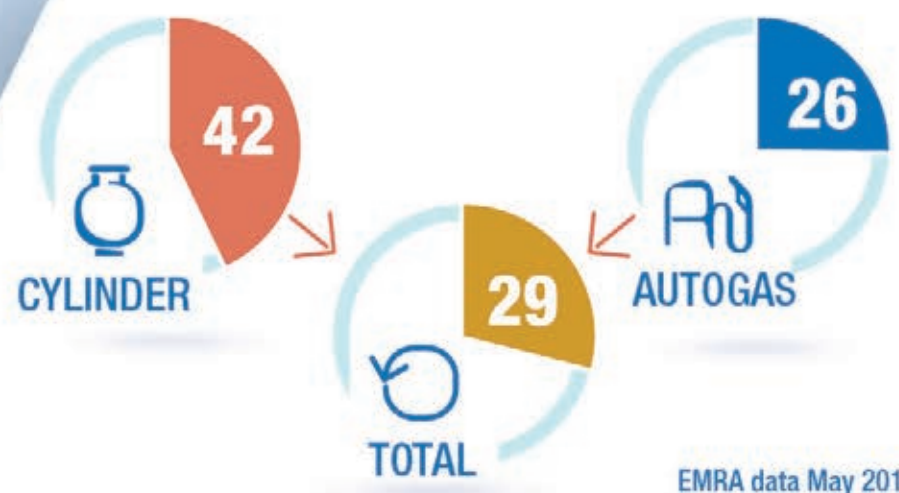
**AYGAZ Mogaz Lipetgaz**

**AYGAZ VOLUMES (000 tons)**



EMRA, Aygaz

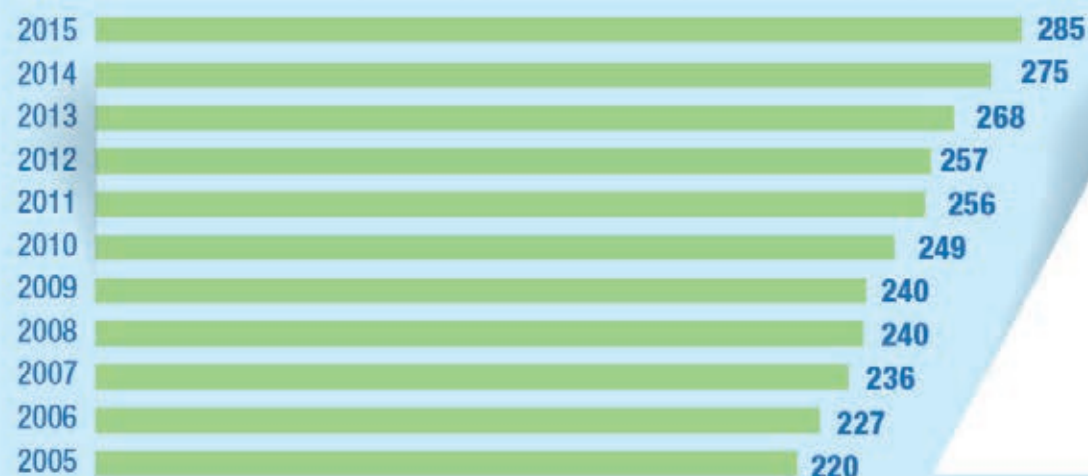
**MARKET SHARES (%)**



EMRA data May 2017

# 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;

**62%**

NATURAL GAS

**38%**

CRUDE OIL

## LPG AS A COMMODITY



Mixture of hydrocarbons (Butane and Propane)



Portable and versatile



Low GHG emission; Eco-friendly



Diversity of supply sources; Abundant reserves

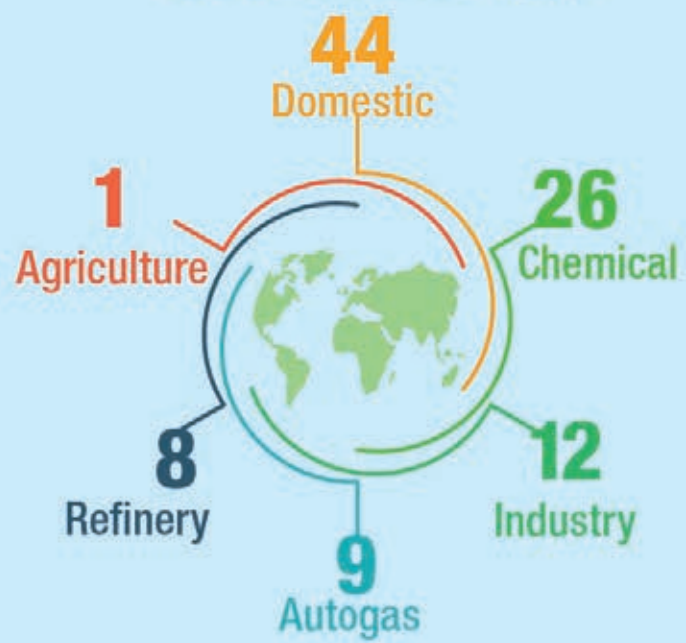


Cleaner, safer and cheaper at home & transportation

WLPGA Statistical Review of Global LP Gas Report, 2016

# > World LPG consumption

### World LPG Consumption By Sector 2015 (%)

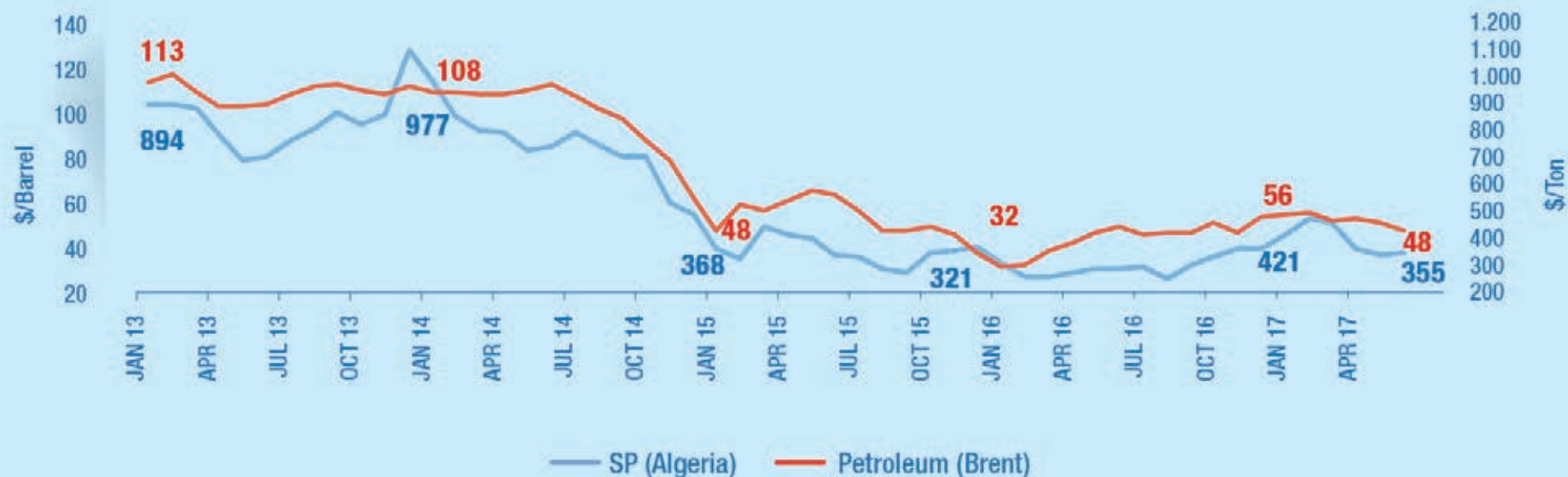


### World LPG Consumption By Region 2015 (%)



WLPGA Statistical Review of Global LP Gas Report, 2016

# > LPG price versus brent



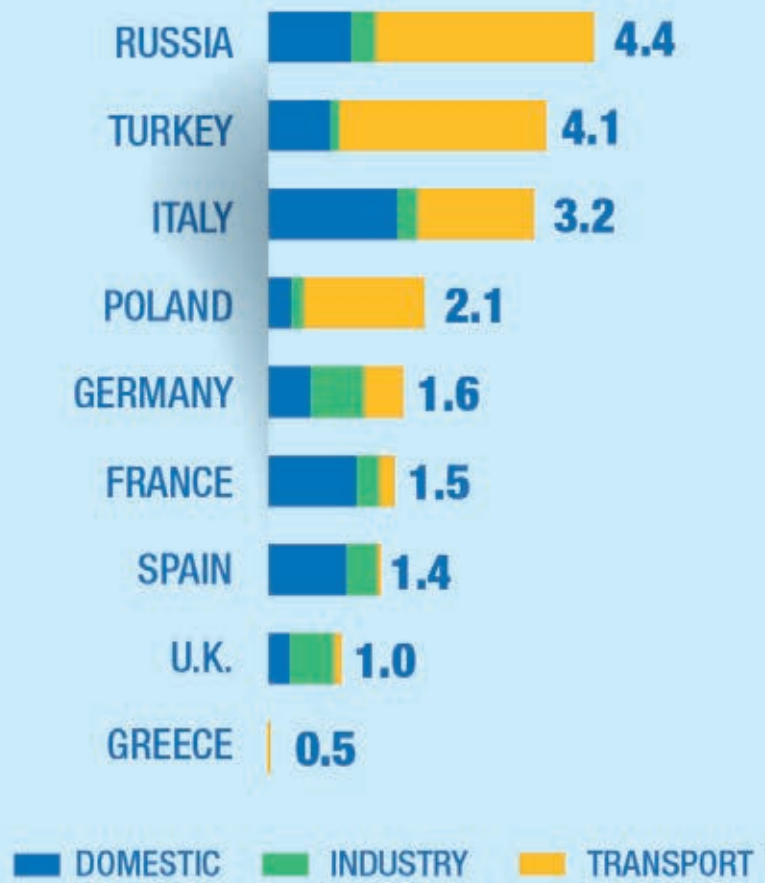
- There is a correlation with LPG and petroleum price
- Seasonality can also affect LPG price
- June 2017 Sonatrach LPG price is at USD 355 and 20% higher than June 2016 price.

Sonatrach / Market data



# C Turkish LPG market

## EUROPE (m ton)



4.1 m tons #3\* in Europe #15 in the World

~80 distribution companies

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

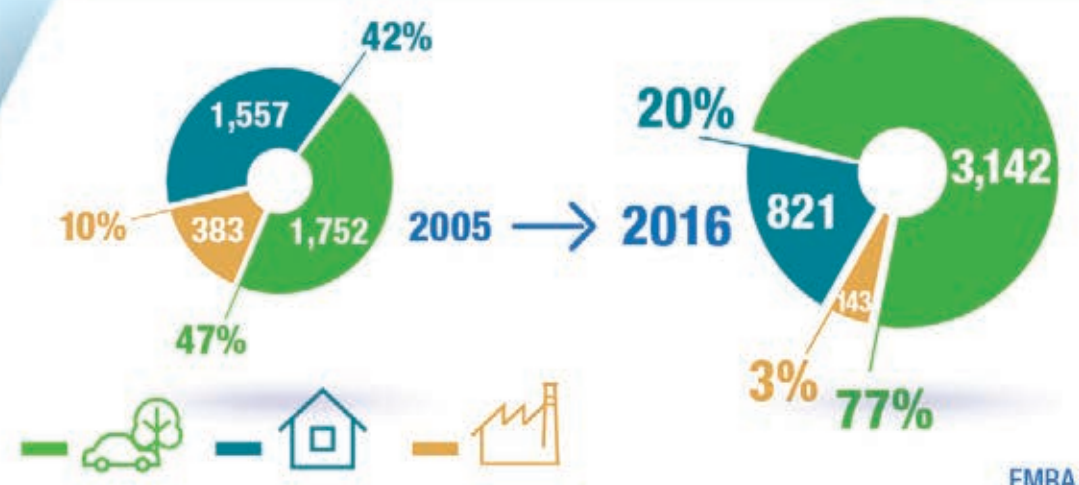
Serving; • 7.5 m houses • 4.4 m cars

Liberal market with regulatory body-EMRA

\* when p. chemical consumption is included

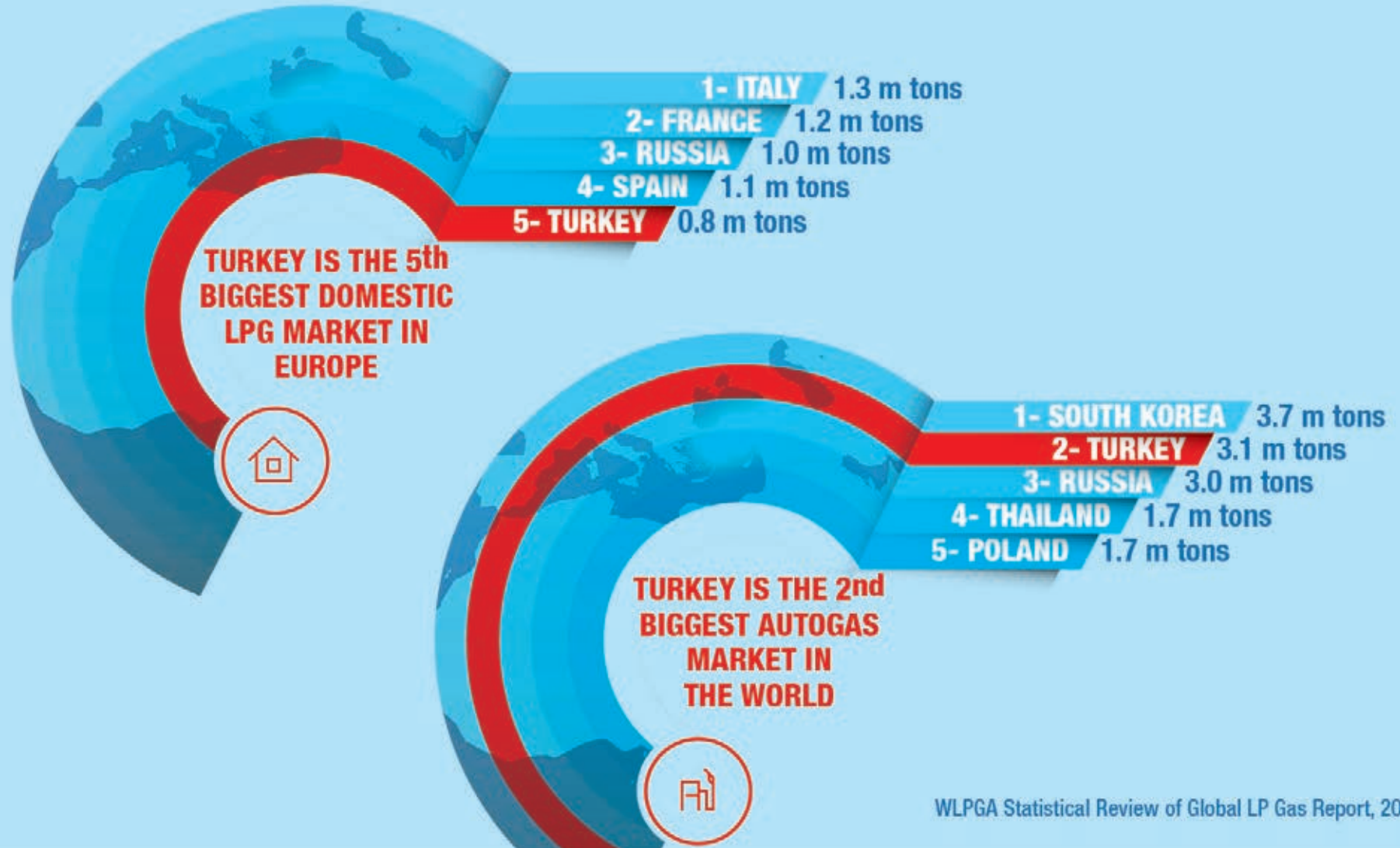
WLPGA Statistical Review of Global LP Gas Report, 2016

## EVOLVING FROM CYLINDER TO AUTO (000 tons)



EMRA data

# > Turkish LPG market ranking



WLPGA Statistical Review of Global LP Gas Report, 2016



AYGAZ

201

AYGAZ

202

202



TEHLİKELİ VE YANICI MADDE

ATEŞLE YAKIŞMA

İÇİĞARA İÇİLEMEZ

AYGAZ

3236

35 N 1172

# Cylinder market starting to stabilize

## CYLINDER MARKET

Turkish market



Aygaz



## CYLINDER YoY CHANGES



**Growth continued in 2016 after 2015, after 15 years of contraction**

### Factors affecting cylinder market;

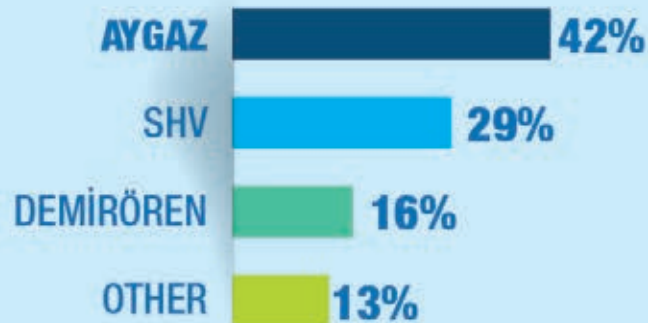
- Slow down of expansion in natural gas grid
- Low LPG prices supported demand stability
- Population upsurge due to Syrian refugees (approx. 3 m people)

EMRA data

# > Aygaz; leading cylinder market since its foundation



## CYLINDER MARKET SHARES



- Generic brand
  - Market maker
  - Largest dealer network with highest 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

2016	Number of Dealers	Sales Volume (tons)	Avg dealer sales (tons)
Aygaz cylinder dealers	2,192	342,050	156
Total cylinder dealers	8,166	820,412	100

\*EMRA data



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# > Autogas market keeping its steady growth

## AUTOGAS MARKET



## AUTOGAS YoY CHANGES



### Steady growth since 2003

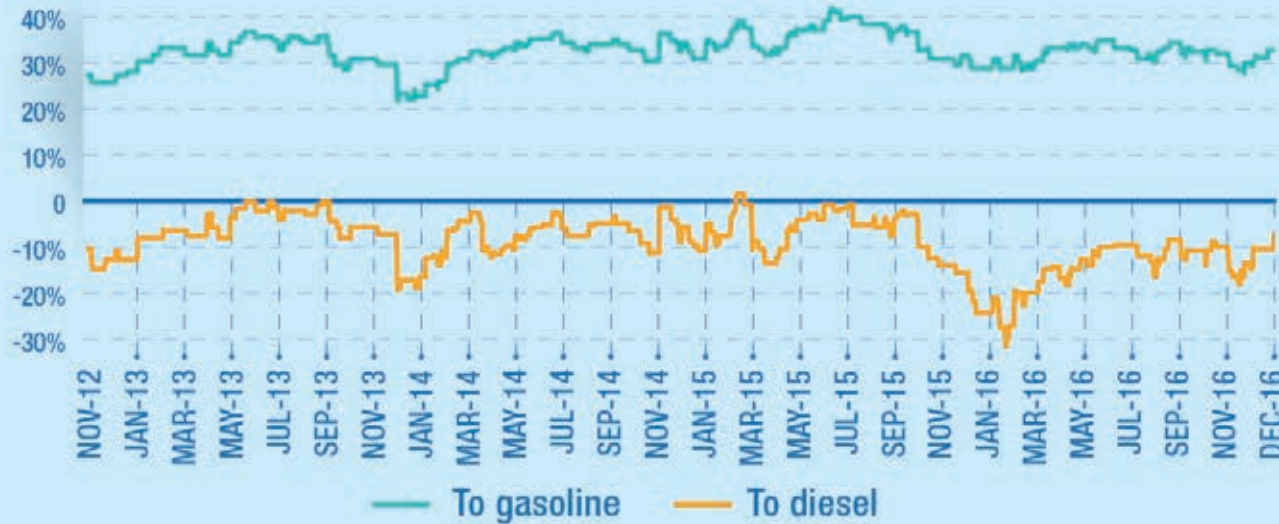
#### Factors affecting autogas market;

- Offers 30%+ economical advantage to gasoline
- International&local players in a price competitive environment
- Strong and regulated conversion business supports autogas car park growth
- Guaranteed conversion support from car manufacturers is progressing

EMRA data

# > Economy of autogas

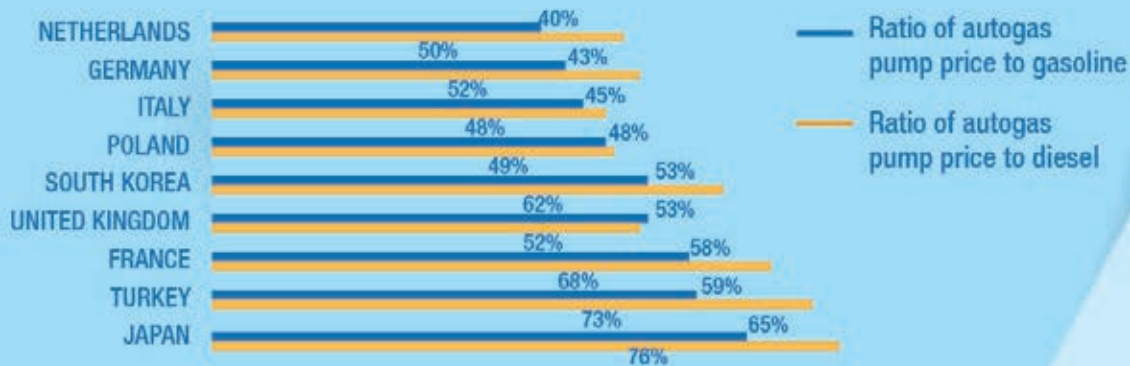
## PRICE ADVANTAGE OF AUTOGAS



**30%+**

**price advantage to gasoline**

## PUMP PRICE OF AUTOGAS ACROSS THE WORLD\*

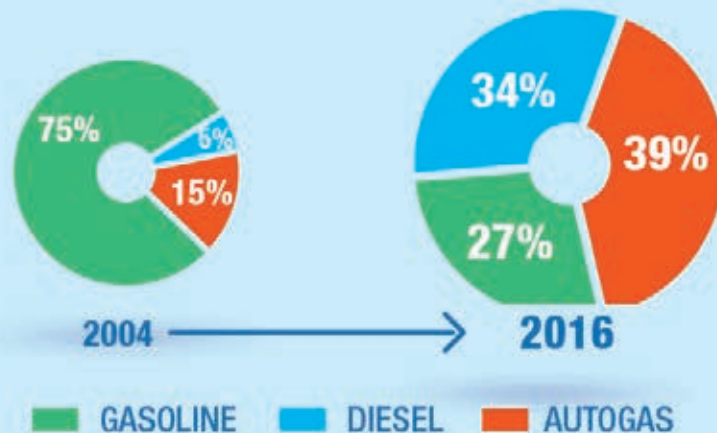


\*WLPGA Statistical Review of Global LP Gas Report, 2016

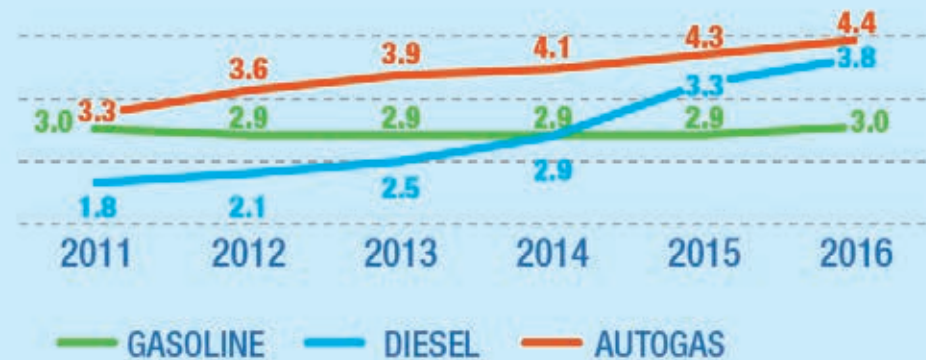


# > Autogas; most widely-used passenger car fuel of Turkey

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



## TURKISH CAR PARK (m cars)



- Most widely-used passenger car fuel since 2011
- With 4.4 million cars, 4 out of 10 passenger cars run on LPG
- Largest LPG vehicle fleet in the world; 16% of the world
- 10,000+ autogas stations all over Turkey

## CAR OWNERSHIP PER PERSON

**564/1000**

EUROPE

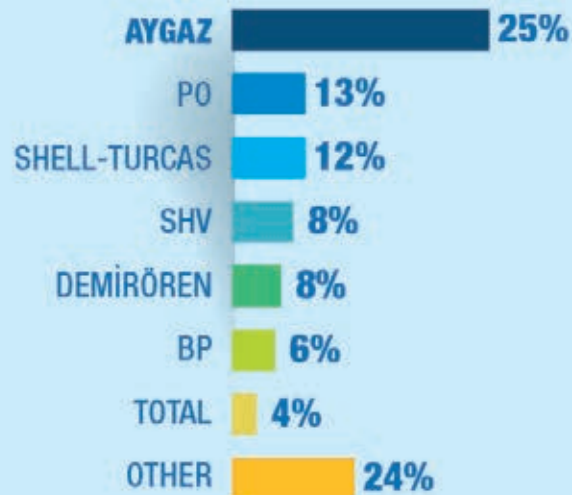
**134/1000**

TURKEY

Turkstat, Eurostat

# Aygaz; leader of World's second biggest Autogas Market

## AUTOGAS MARKET SHARES



## MARKET SHARE & STATION NUMBER SHARE (%)



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

	2016	Number of Dealers	Sales Volume (tons)	Avg dealer sales (tons)
Aygaz autogas dealers		1,741	791,758	455
Total autogas dealers		10,426	3,141,932	301

EMRA data

# > Autogas car park growth

160,000



conversions  
per year

1,000+ conversion points

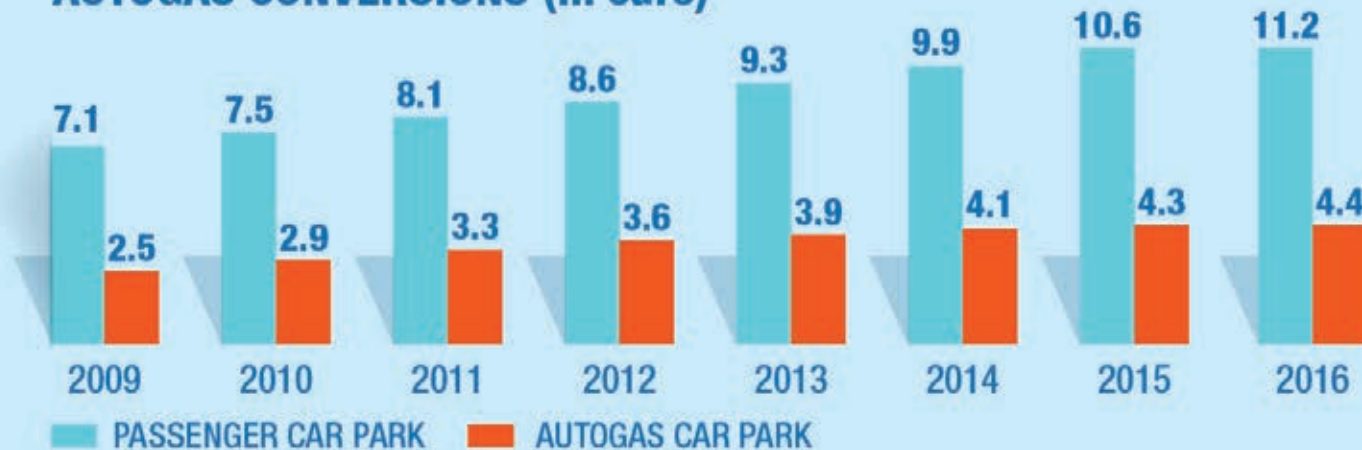
\$500 average initial cost

Payback in 15,000 km

**OEM;** original equipment manufacturer

- Some major car manufacturers are providing guaranteed conversion currently

## AUTOGAS CONVERSIONS (m cars)



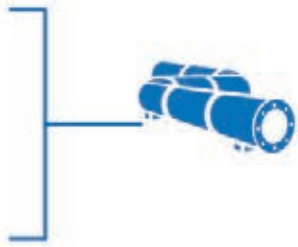
Turkstat



# The LPG value chain



Supplying 2 million tons of LPG



Moving&floating storage capacity of 45,000 m3



4 LPG ships belonging to the fleet of Anadoluhisari Tankercilik

Fixed storage capacity of 178,400 m3 via 23 facilities



Gebze Facility Exports of cylinders and gas devices



195 cylinder vehicles

2,192 cylinder gas dealers



~200 tankers



1,741 auto gas stations  
1,000,000 + vehicles using Aygaz Euro LPG+



3,000+ bulk gas clients



As of end of 2016

# > Competitive Supply Chain



## BIG PLAYER

- #1 purchaser in Mediterranean
- #1 importer in Turkey
- #1 FOB player in Black Sea
- #1 exporter in Turkey
- #1 storage owner in Turkey (~31% of TR)



## ADVANCED MODEL

- Direct imports to 6 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
- 300+ shipments throughout the year



## FLEET MANAGEMENT

- Top-notch LPG fleet owner
- Total capacity: 33,800 cbm, Average age: 12 yrs
- Single LPG vessel charterer (in/out) in Turkey
- Reduces logistics costs
- Provides flexibility in sourcing and inventory management



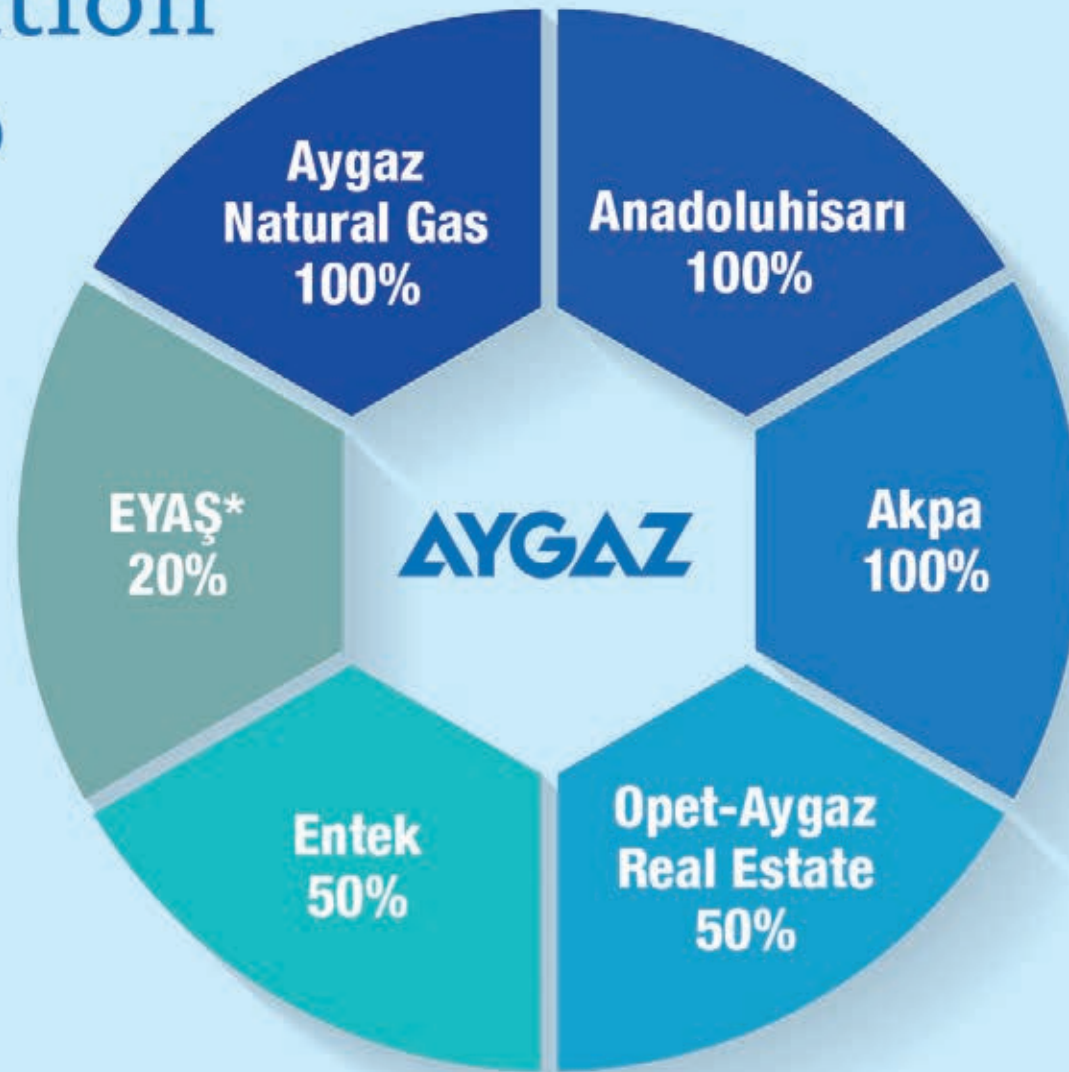
## OVERLAND TRANSPORTATION

- Biggest LPG truck fleet in Turkey
- >500 vehicles
- Transporting 1.6 million ton/year
- 50 million km/year



E

# Participation Portfolio



\*EYAŞ owns 51% of the shares of TÜPRAŞ

# F Natural gas



## LNG SALES



Transportation and regasification



19% market share, 300 industrial customers

# 2016

sales: ~100 mcm

## PIPELINE NATURAL GAS SALES



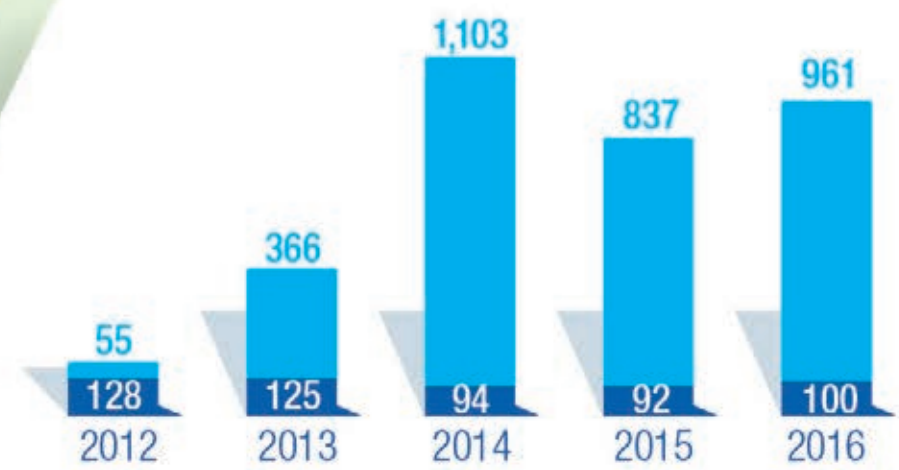
Started in 2010

2016 sales: ~950 mcm

## PROJECTS

LNG & Pipeline gas import

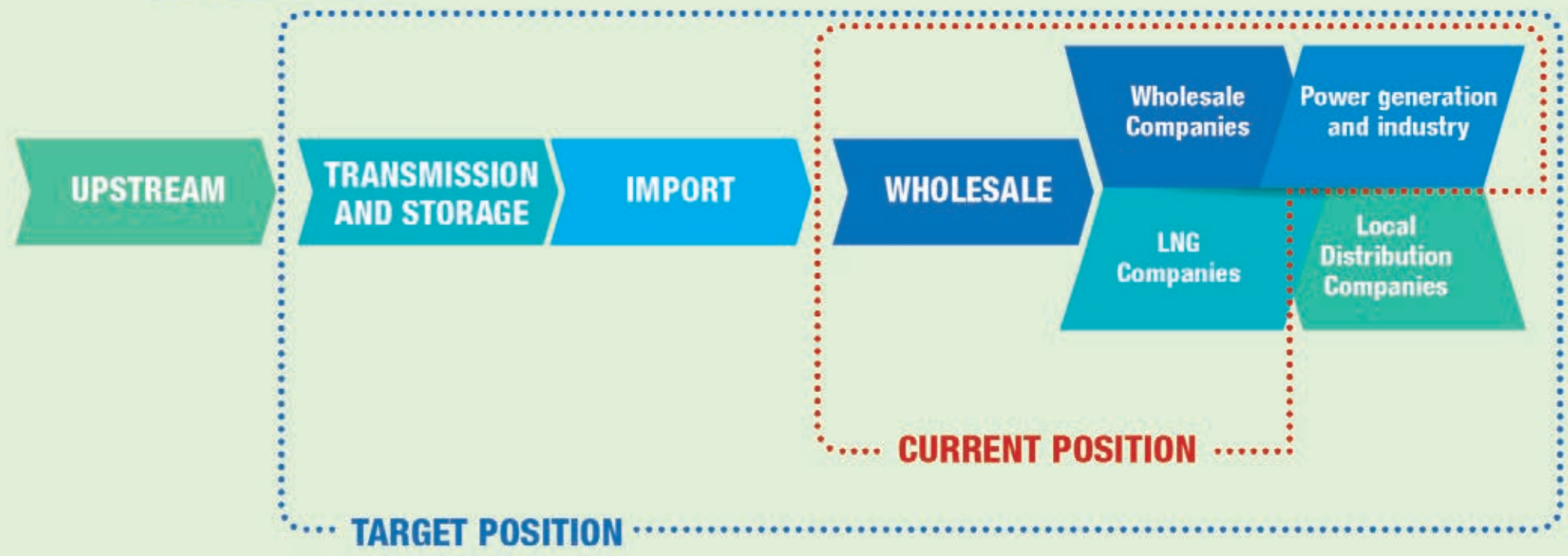
## SALES VOLUME (mcm)



■ LNG SALES ■ PIPELINE SALES



# > Natural gas STRATEGY



# > Natural gas market dynamics

- Liberalization process still continues; only 20% of the market is composed of private sector.
- Natural gas consumption of Turkey is expected to reach 65 bcm in 2026.
- Turkey needs additional gas entry for the following 10 years especially in winter time peak demands.
- LNG is widely used to ensure supply diversity, security and flexibility in Europe.
- Turkey needs new LNG regasification terminal and underground storage investments

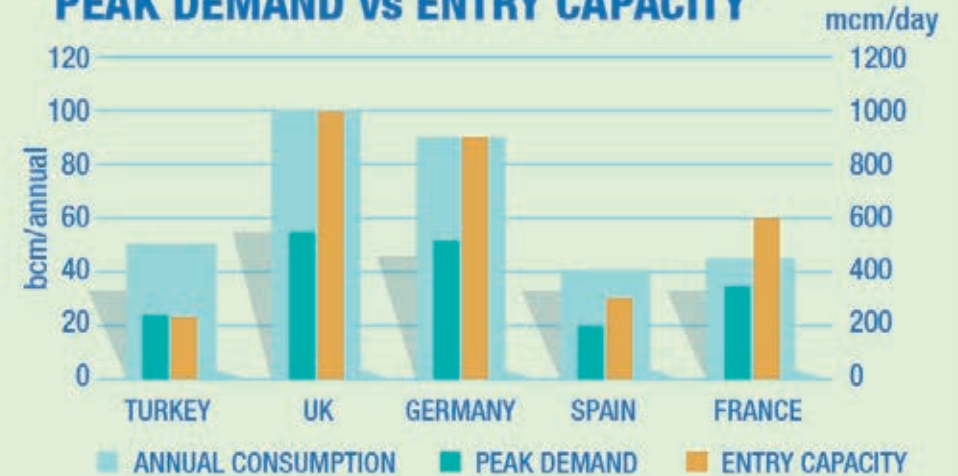


**Expected 2026 Consumption 65 bcm**  
**Expected 2026 Additional Gas Requirement 14 bcm**

## TURKISH NATURAL GAS SUPPLY/DEMAND



## PEAK DEMAND vs ENTRY CAPACITY



Botaş & Aygaz

G

# Other participations

## POWER GENERATION

### Entek

**İzmit NGCC:** 157 MW

**3 hydro assets:** 62 MW

Kepezkaya HEPP (Karaman) 28 MW

Damlapınar HEPP (Karaman) 16 MW

Kumköy HEPP (Samsun) 18 MW

## STRATEGY

Selective growth depending on opportunities and liberalization in the market

## SALES AND MARKETING

Direct sale of cylinder gas and carboy water throughout Turkey

Fuel trade at its fuel stations

*akpa*

## 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 18 stations

# > Aygaz key takeaways

**Consistent  
Market  
Leader**



**Brand  
Power**

**Strong Sales &  
Logistics Network**

**Long-term  
Strategy  
Builder**



**Diversifier &  
Portfolio  
Investor**

**Financial  
Strength**

## STRATEGIC PRIORITIES

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

- Product differentiation and innovation for autogas
- Further penetration by opening new autogas stations
- Growth prospects for cylinder gas in rural Turkey

**Utilize and enhance its asset portfolio through;**

- New acquisitions, mergers and investments
- On Natural Gas side, to become an importer and a significant player in wholesale market

# > Shareholder value

## CONTINUOUS OUTPERFORMER OF BIST 30

BIST Code **AYGAZ**

Bloomberg Code **AYGAZ.TI**

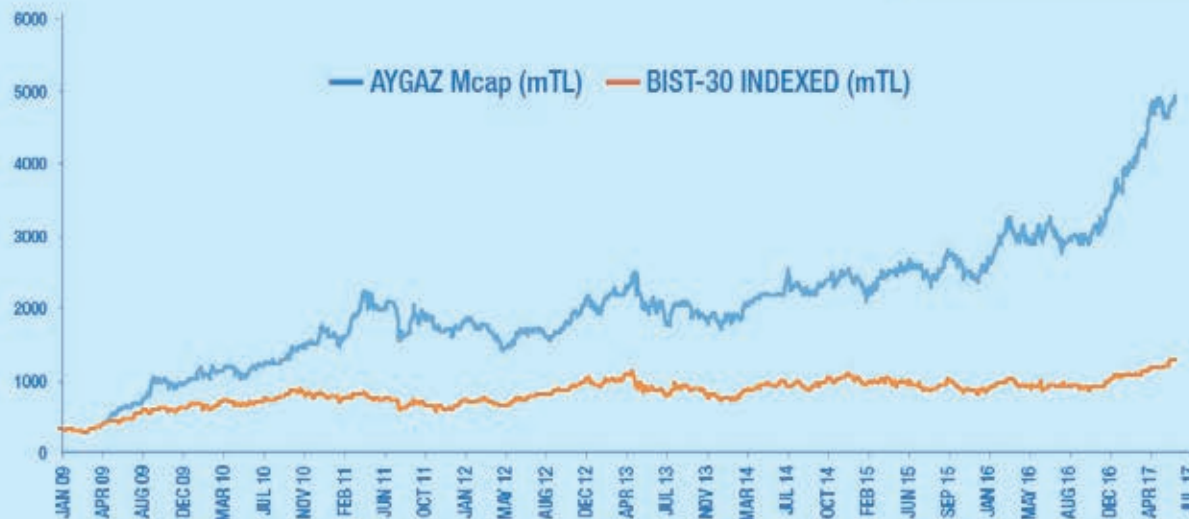
Reuters Code **AYGAZ.IS**

IPO Date **13.01.1988**

Free float rate **24.3%**

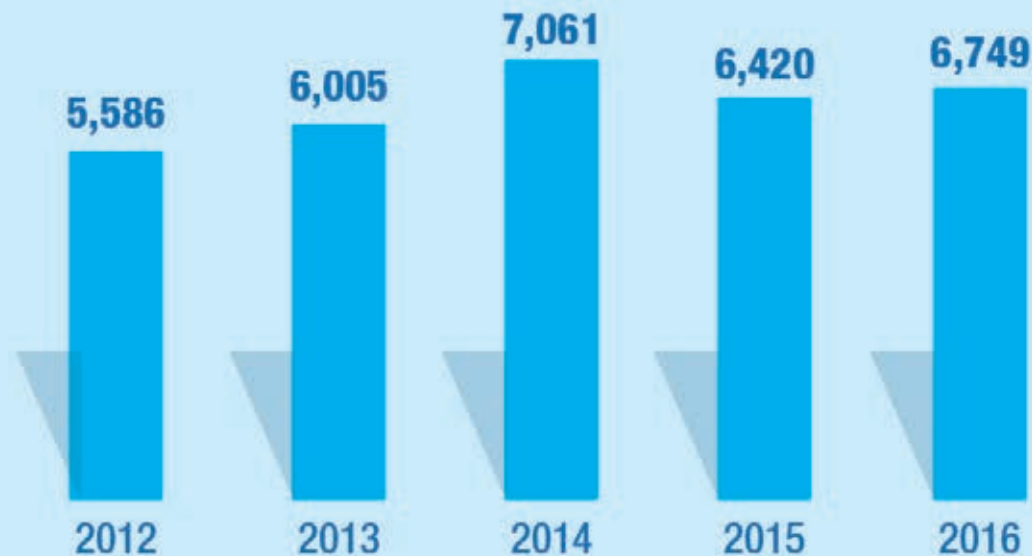
## STRENGTHS

- Sustainable operating profitability from core business; LPG
- Resistant to economic fluctuations and crises
- High dividend payments
- Corporate governance practices at international standards;
  - SAHA Corporate Governance and Credit Rating Services confirmed Aygaz's corporate governance rating score as 9.36 on June 22, 2017.



# H Financial highlights

## SALES REVENUE (m TL)



Sales 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



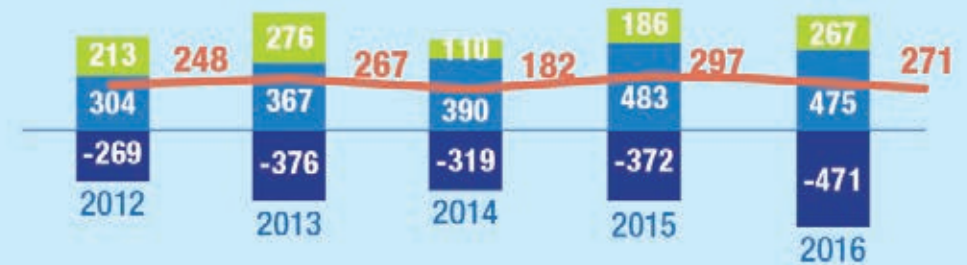
Bars: m TRY figures  
Lines: % figures

# > Financial highlights

## NET CASH (m TL)



## WORKING CAPITAL (m TL)



■ TRADE PAYABLES

■ TRADE RECEIVABLES

■ INVENTORY

■ WORKING CAPITAL

## CURRENT RATIO



## RETURN ON EQUITY



\*Rolling basis

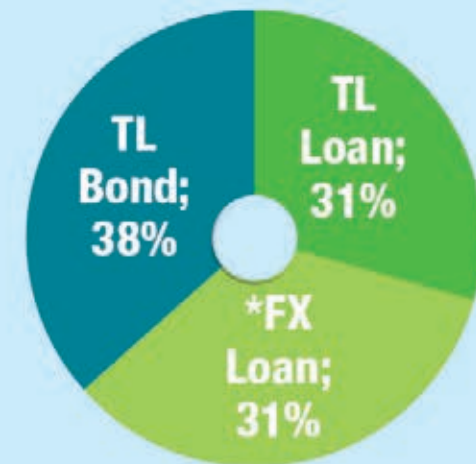


# > Financial highlights

(m TL)	2015	2016
ST Borrowings	66	1
Current portion of LT Borrowings	182	229
LT Borrowings	303	400
<b>Total Debt</b>	<b>551</b>	<b>630</b>
Cash and cash equivalents (-)	289	568
<b>= Net Debt</b>	<b>263</b>	<b>63</b>

ST: Short-term LT: Long-term

DEBT PROFILE AS OF  
31/12/2016



\* 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, 2017.

# I Appendix

# 1 Income statement summary

(m TL)	2012	2013	2014	2015	2016
Sales Revenue	5,586	6,005	7,061	6,420	6,749
COGS	(5,065)	(5,434)	(6,534)	(5,743)	(5,962)
Gross Profit	521	571	527	677	787
Operating Profit	206	170	104	250	308
Profit Before Tax	345	237	237	458	469
Net Profit	305	205	218	418	416
EBITDA	285	252	188	337	394
GP margin	9%	10%	7%	11%	12%
OP margin	4%	3%	1%	4%	5%
NP margin	5%	3%	3%	7%	6%
EBITDA margin	5%	4%	3%	5%	6%

## 2 Balance sheet summary

(m TL)	2012	2013	2014	2015	2016
Cash & Cash Eq.	125	173	161	289	568
Trade Receivables	304	367	390	483	475
Inventories	213	276	110	186	267
Participations	1,230	1,377	1,677	1,867	1,922
Prop. Plant & Eq.	595	589	585	651	658
Financial Debt	(6)	(238)	(365)	(551)	(630)
Trade Payable	269	376	319	372	471
Equity	2,381	2,244	2,359	2,611	2,742
Total Assets	2,956	3,188	3,412	3,916	4,314
Net Cash	120	(65)	(204)	(263)	(63)
Working Capital	248	267	182	297	271

# 3 2017 Q2 income statement summary

(m TL)	Q217	Q117	Change	Q217	Q216	Change
Revenues	<b>1,881</b>	2,065	-9%	<b>1,881</b>	1,535	23%
Gross Profit	<b>144</b>	189	-24%	<b>144</b>	194	-26%
Operating Profit	<b>33</b>	86	-61%	<b>33</b>	82	60%
Profit Before Tax	<b>170</b>	170	-	<b>170</b>	105	63%
Net Profit	<b>168</b>	157	7%	<b>168</b>	93	81%
EBITDA	<b>55</b>	107	-49%	<b>55</b>	104	-47%
<b>MARGINS</b>						
Gross Profit M.	<b>8%</b>	9%	-1	<b>8%</b>	13%	-5
Operating Profit M.	<b>2%</b>	4%	-2	<b>2%</b>	5%	-3
Profit Before Tax M.	<b>9%</b>	8%	+1	<b>9%</b>	7%	+2
Net Profit M.	<b>9%</b>	8%	+1	<b>9%</b>	6%	+3
EBITDA M.	<b>3%</b>	5%	-2	<b>3%</b>	7%	-4

# 4 2017 Q2 Aygaz LPG sales



Q2 sales volumes were realized as;

- 204 thousand tons in Autogas (+4.8% YoY)
- 86 thousand tons in Cylinder Gas (-3.1% YoY)

## 5 Sales Volume in 6M of 2017



Domestic LPG sales

**551**

Thousand tons

**+0.2% YoY**



Total trading volume

**495**

Thousand tons

**+18% YoY**



Total LPG sales

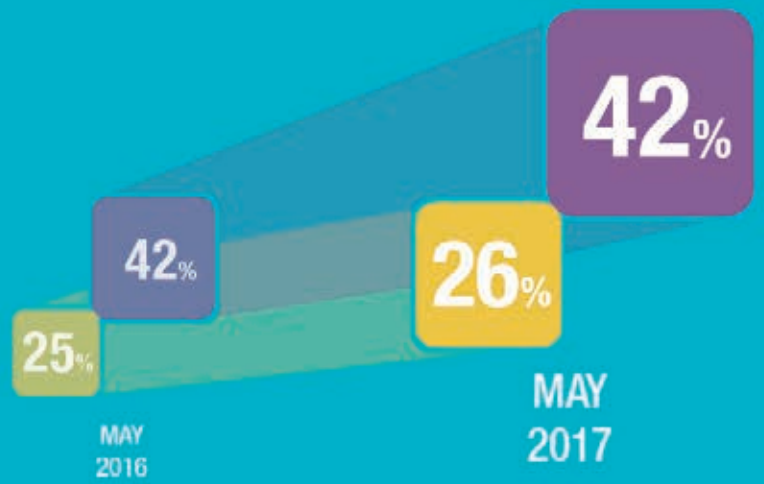
**1,046**

Thousand tons

**+8% YoY**



# 6 Market shares

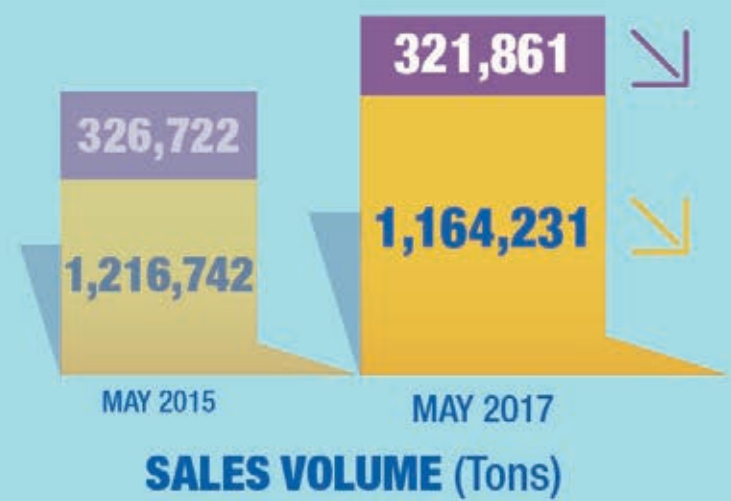


As of May 2017 EMRA report, Aygaz cylinder and autogas market shares are 42% and 26% respectively.  
(42% and 25% in May 2016)

According to May 2017 EMRA report, Turkish cylinder sales volume is 321,861 tons and auto gas volume is 1,164,231 tons.

(2016/5 months\*: Cylinder gas 326,722 tons; Autogas 1,216,742 tons).

\*EMRA 2017 report



SALES VOLUME (Tons)



# 7 Income Statement - Summary

(m TL)	6M17	6M16	Change
<b>Revenues</b>	<b>3,946</b>	3,060	29%
<b>Gross Profit</b>	<b>333</b>	369	-10%
<b>Operating Profit</b>	<b>119</b>	148	-20%
<b>Profit Before Tax</b>	<b>340</b>	179	90%
<b>Net Profit</b>	<b>326</b>	158	106%
<b>EBITDA</b>	<b>162</b>	191	-15%
<b>MARGINS</b>			
<b>Gross Profit M.</b>	<b>8%</b>	12%	-4
<b>Operating Profit M.</b>	<b>3%</b>	5%	-2
<b>Profit Before Tax M.</b>	<b>9%</b>	6%	+3
<b>Net Profit M.</b>	<b>8%</b>	5%	+3
<b>EBITDA M.</b>	<b>4%</b>	6%	-2

## 8

# Balance Sheet- Summary

(m TL)	6M17	12M16	6M16
Cash & Cash Eq.	219	568	486
Trade Receivables	496	475	382
Inventories	263	267	180
Prop. Plant&Equipment	681	658	655
Participations	2,100	1,922	1,848
<b>Total Assets</b>	<b>4,305</b>	<b>4,314</b>	<b>3,999</b>
Financial Debt	748	630	657
Trade Payables	371	471	326
Total Equity	2,697	2,740	2,563
<b>Total Liabilities&amp;Equity</b>	<b>4,305</b>	<b>4,314</b>	<b>3,999</b>
Net Cash	-529	-63	-171
Working Capital	388	271	237

# 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 contains 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. Neither Aygaz nor any of its directors, managers or employees nor any other person shall have any liability whatsoever for any loss arising from use of this presentation.

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