

**AYGAZ**

# INVESTOR PRESENTATION

May 2021



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A

# Aygaz overview

LEADING  
LPG  
DISTRIBUTOR  
of TURKEY

2020

₺ 10.1 billion REVENUE

2,2 m tons SALES OF LPG

26%\* LPG MARKET SHARE

\* EMRA December 2020

DIVERSIFIED  
PARTICIPATION  
PORTFOLIO  
IN ENERGY

NATURAL GAS

AYGAZ  
DOĞALGAZ

REFINERY

Tüpraş

ENTEK

POWER GENERATION

# > Overview

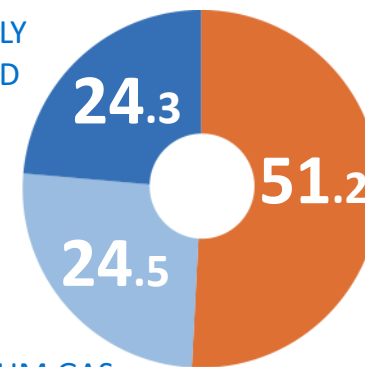
## SUMMARY FINANCIALS

(Cons. In m TL)	2020	2019	2018	2020-2019 Change
Revenue	10,145	10,211	9,554	-1%
EBITDA	444	492	160	-10%
Net Profit	-25	273	228	-109%
EBITDA Margin	4%	5%	2%	-1
Net Profit Margin	-0.2%	3%	2%	-3
Volume (000 tons)	2,150	2,068	2,000	4%

## SHAREHOLDERS (%)

As of 31/03/2021

PUBLICLY  
TRADED



 Koç

KOÇ  
GROUP

LIQUID PETROLEUM GAS  
DEVELOPMENT CO.

# > Core business - LPG distribution

Generic brand for LPG

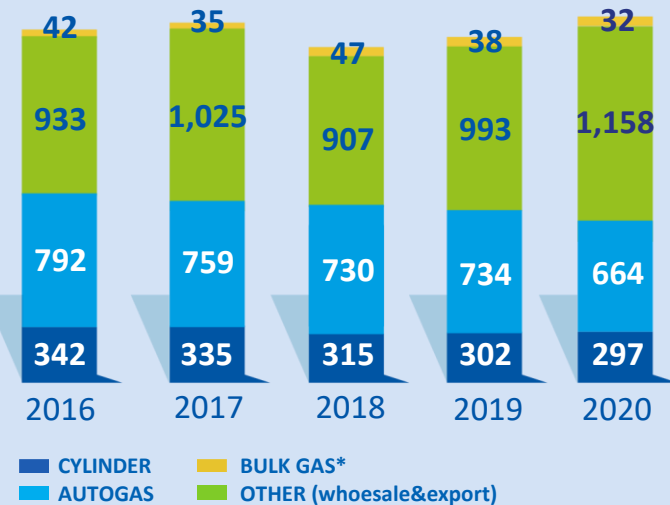
27<sup>th</sup> largest industrial company of Turkey, as of 2020

Most preferred LPG brand in Turkey since its foundation

Market leader with 3 brands

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

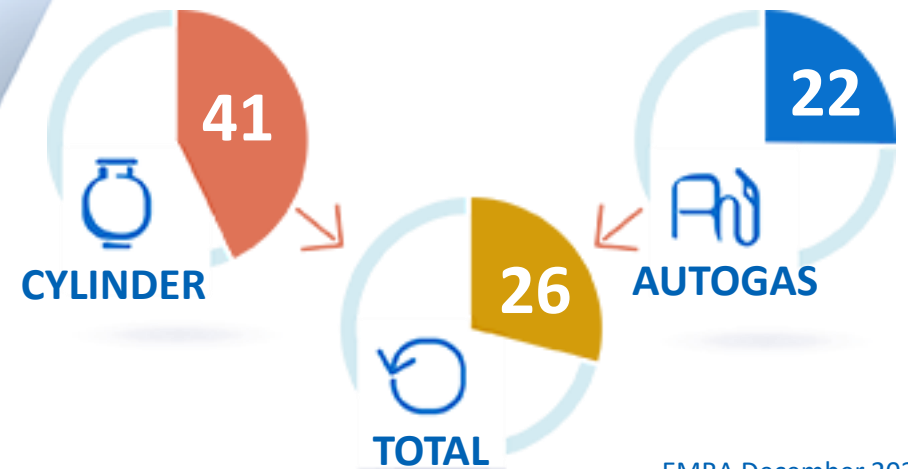
AYGAZ VOLUMES (000 tons)



\*With petrochemical sales

EMRA, Aygaz

MARKET SHARES (%)

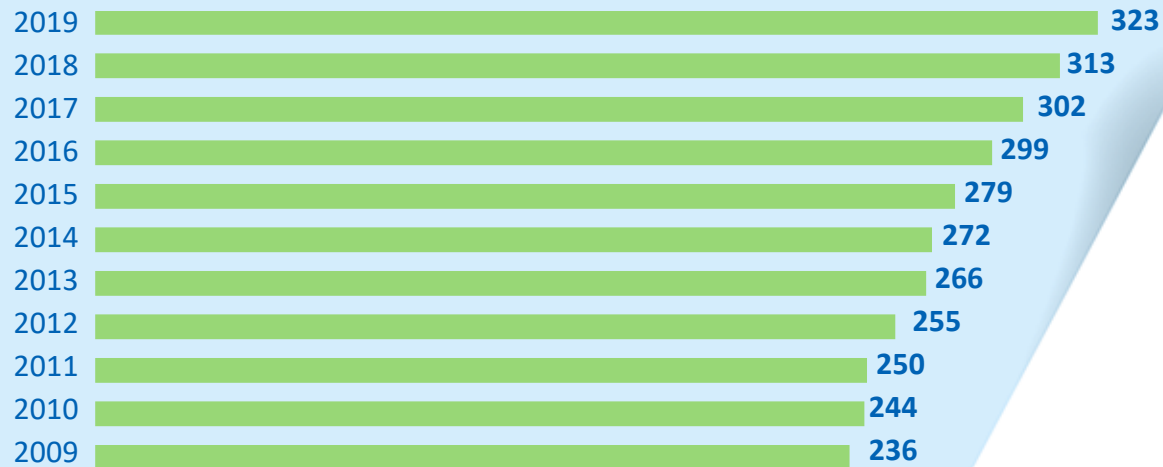


EMRA December 2020

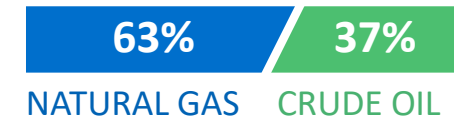


# B World LPG market

## 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



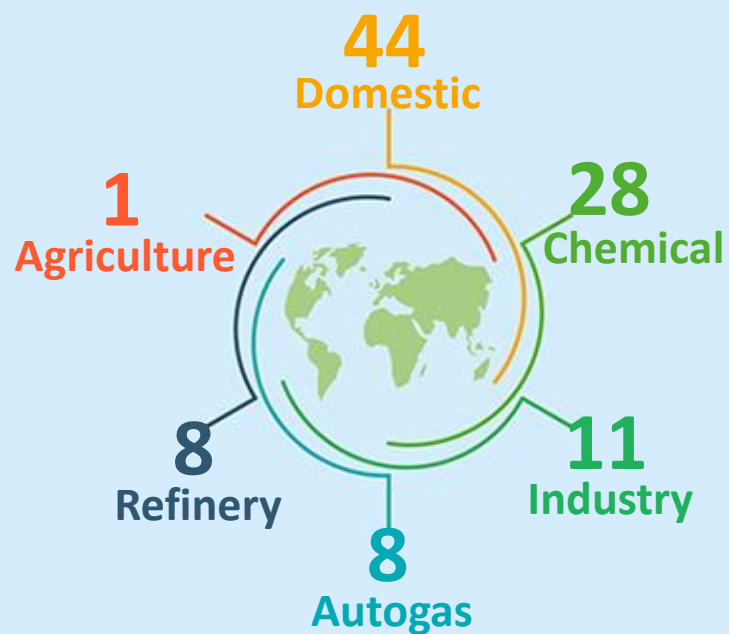
Cleaner, safer And cheaper at home & transportation

WLPGA Statistical Review of Global LP Gas Report, 2020



# World LPG consumption

World LPG Consumption  
By Sectors (%)

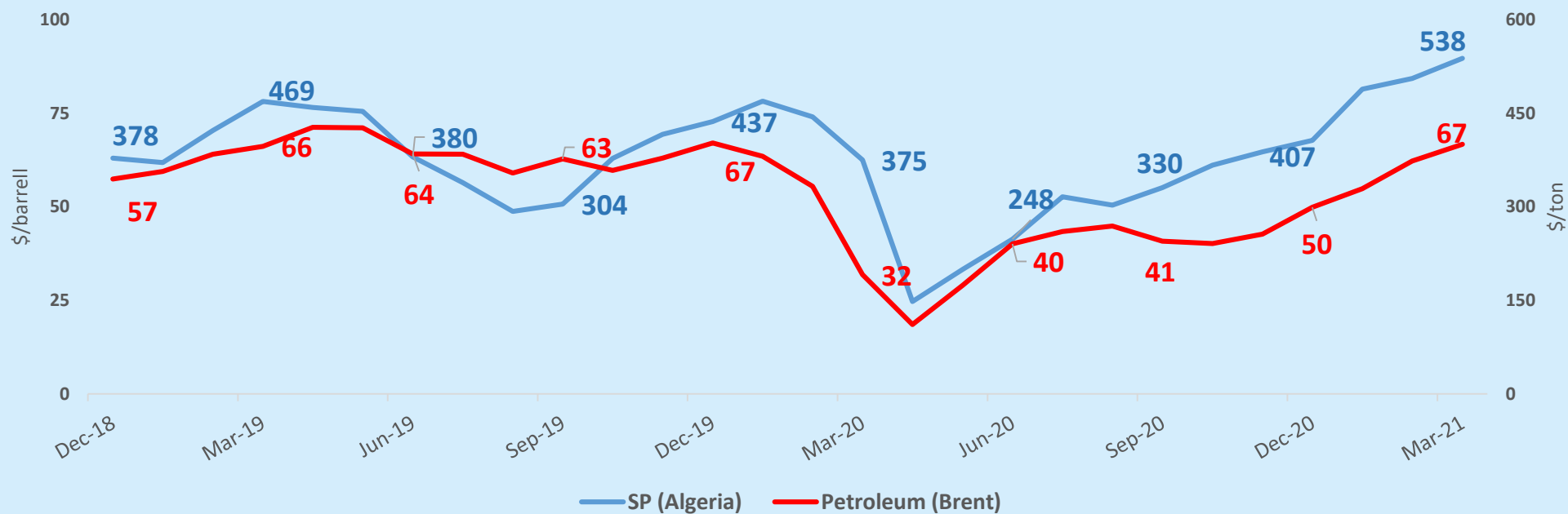


World LPG Consumption  
By Regions (%)



WLPGA Statistical Review of Global LP Gas Report, 2020

# > Prices of LPG and brent



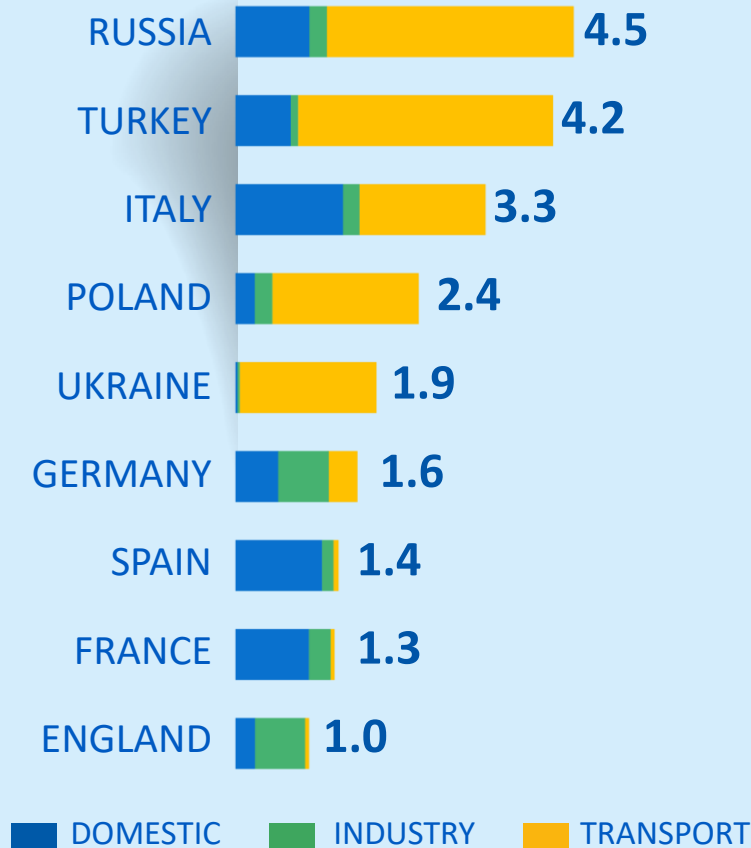
- There is a correlation between LPG and oil price
- Seasonality can also affect LPG price
- March 2021 Sonatrach LPG price is at 538 USD/ton and 43% higher YoY, while it is 33% higher than December 2020 level.

Sonatrach / Market data



# C Turkish LPG market

## LPG consumption in Europe (m ton)



WLPGA Statistical Review of Global LP Gas Report, 2019

**4.2 m tons #2 in Europe #10\* in the World**

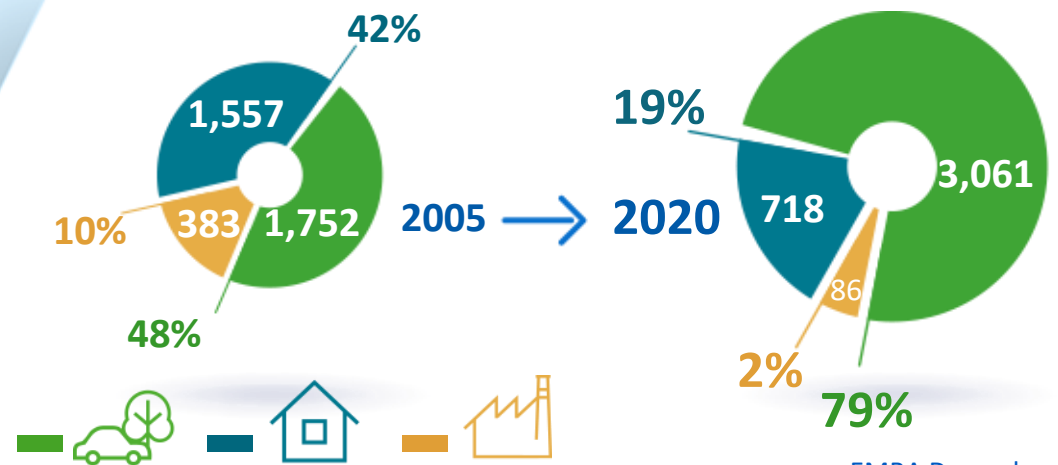
**~90 distribution companies**

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**

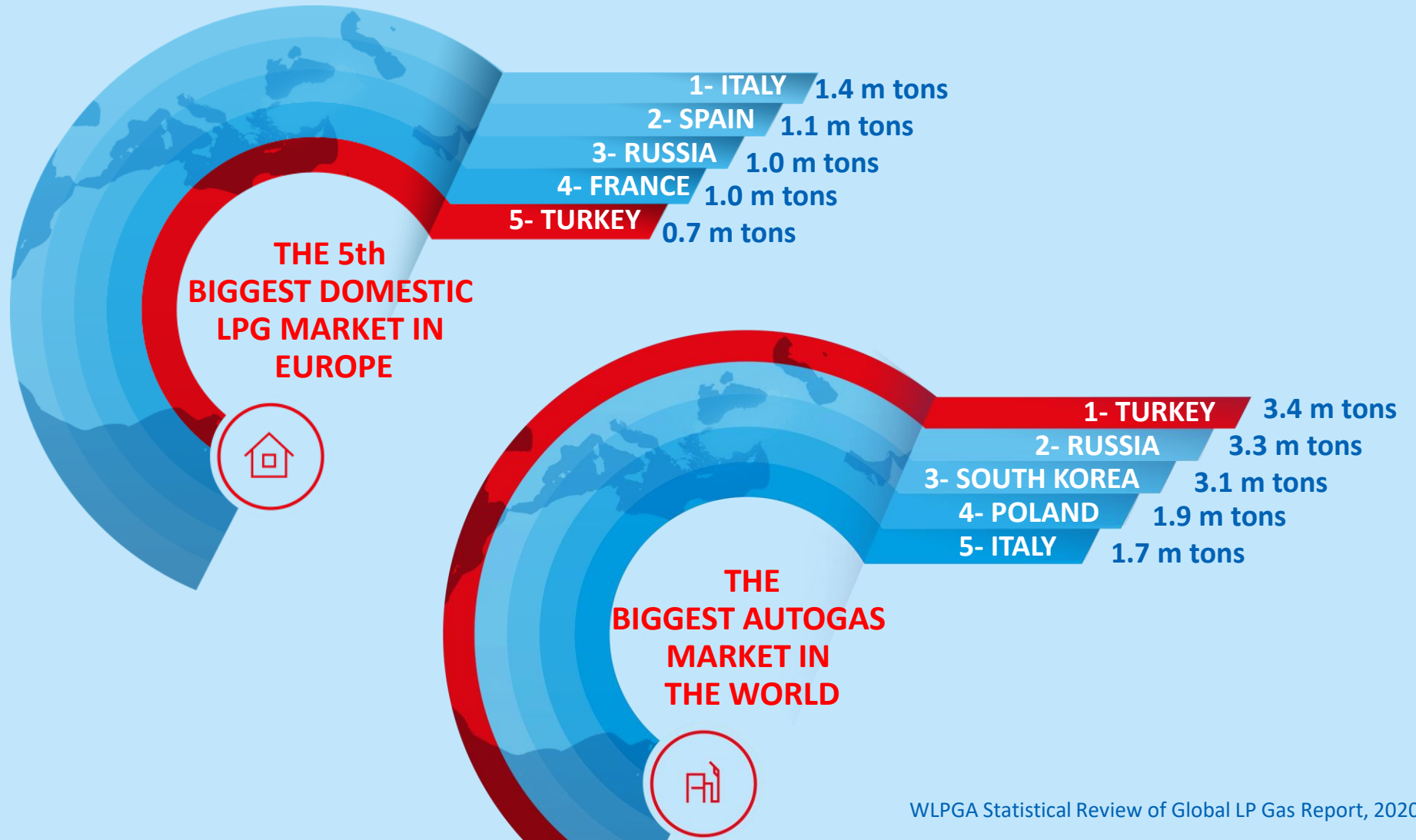
\* when p. chemical and refinery is excluded

## EVOLVING FROM CYLINDER TO AUTOGAS (000 tons)



EMRA December 2020

# > LPG market ranking



WLPGA Statistical Review of Global LP Gas Report, 2020

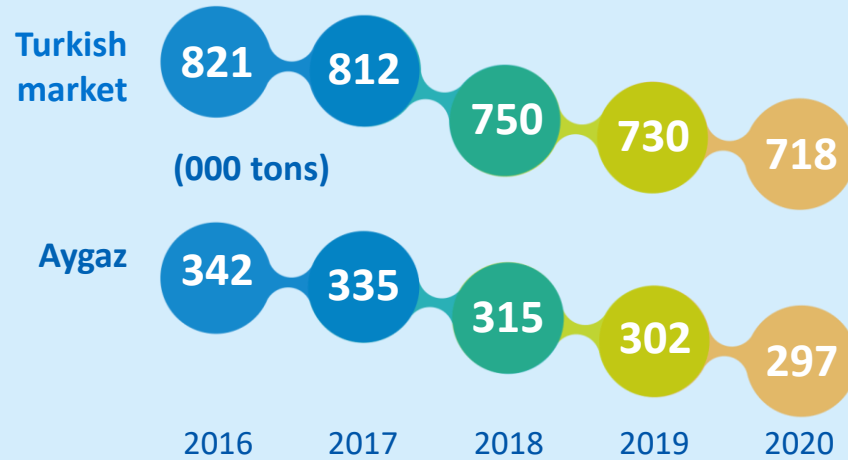




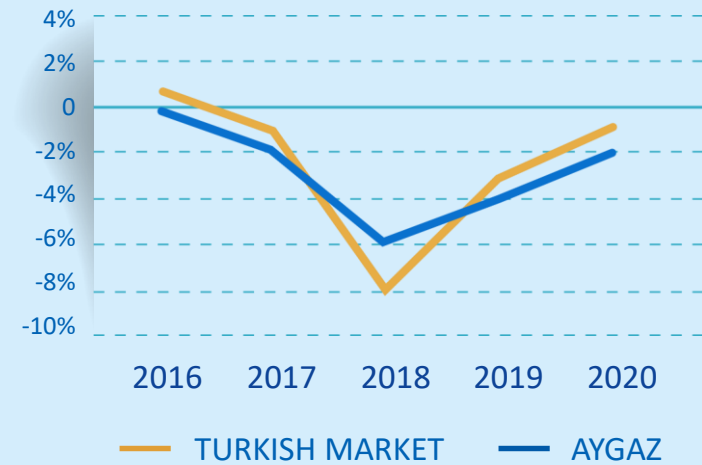


# > Cylinder market starting to stabilize

## CYLINDER MARKET



## RATES OF CHANGE (YoY)



Increasing residential demand during the lock-down periods due to the Covid-19 pandemic compensated the effects of the on-going natural gas conversions, urban transformation and contraction in commercial sales. Accordingly Aygaz cylinder gas sales contracted by 2% year on year in 2020.

### General factors affecting cylinder market;

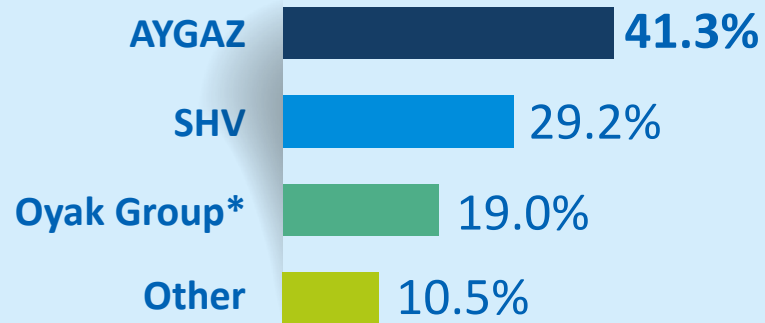
- Pressure on demand due to rising LPG prices
- Continuation of natural gas grid expansion despite deceleration

EMRA data

# > Leader of cylinder LPG market



## CYLINDER MARKET SHARES



\*Milangaz, Güneş Gaz and Likit gaz

- 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

2020	Number of dealers	Sales Volume (tons)	Avg dealer sales (tons)
Aygaz cylinder dealers	2,297	296,934	129

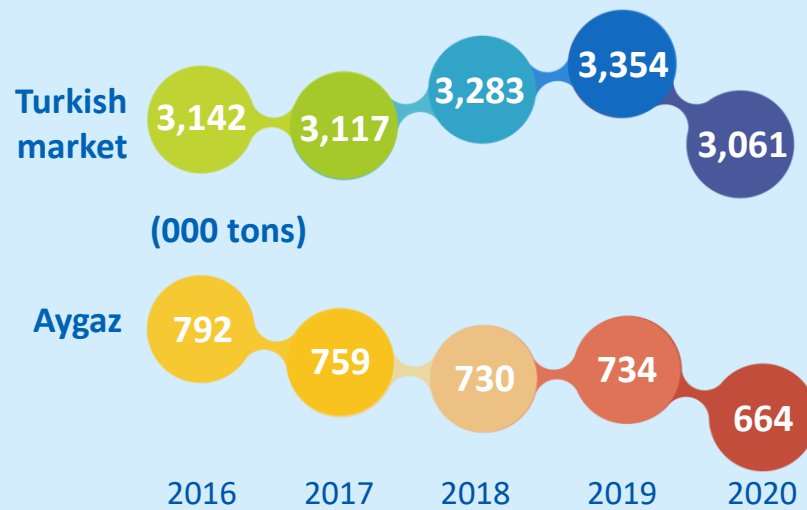
2020 EMRA data



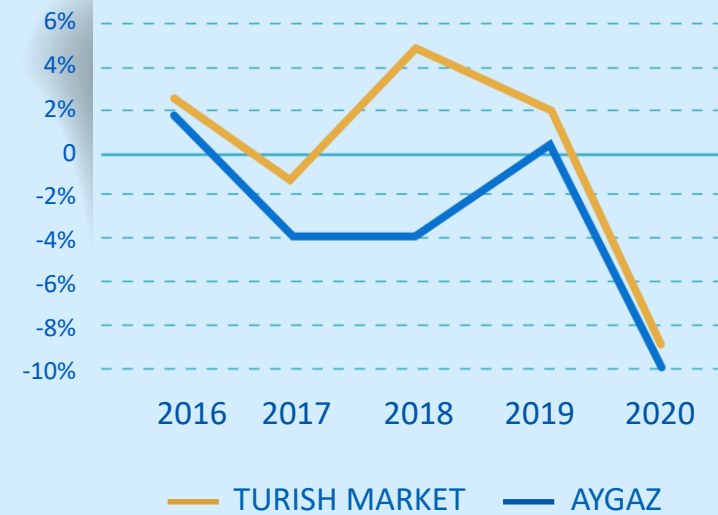


# > World's biggest autogas market

## AUTOGAS MARKET



## RATES OF CHANGE (YoY)



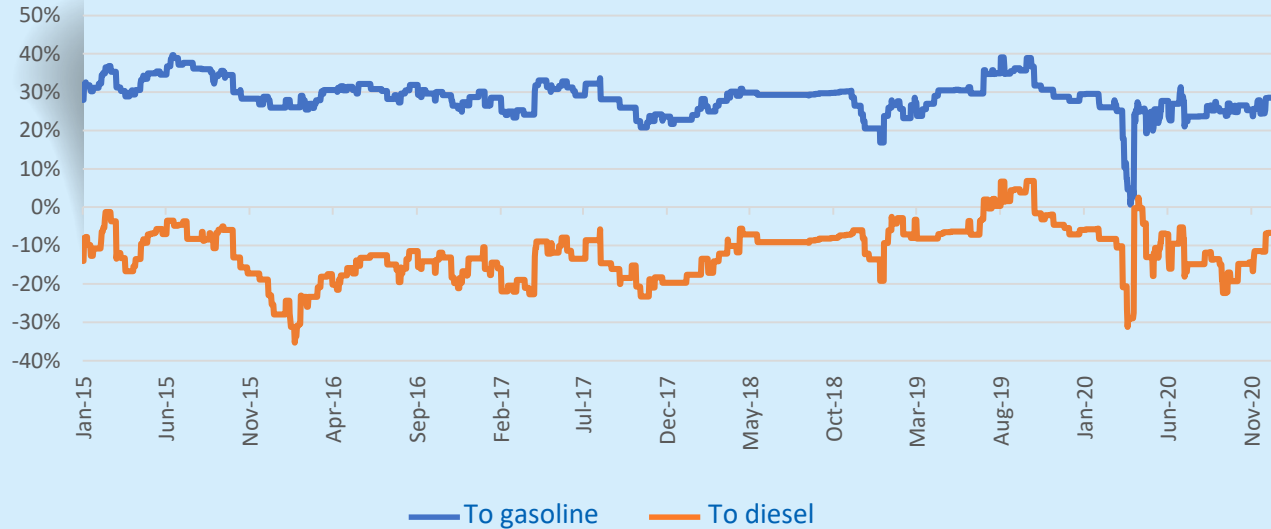
### Factors affecting autogas market;

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

EMRA data



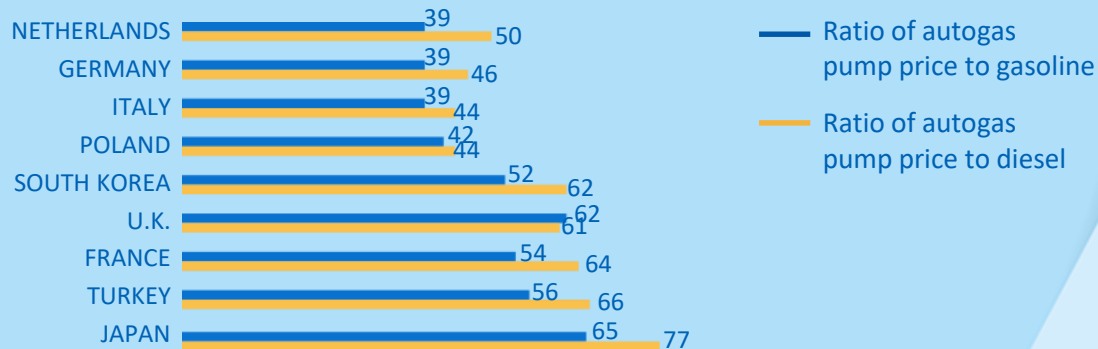
# Price economy of autogas



**30%+**

**price advantage to gasoline**

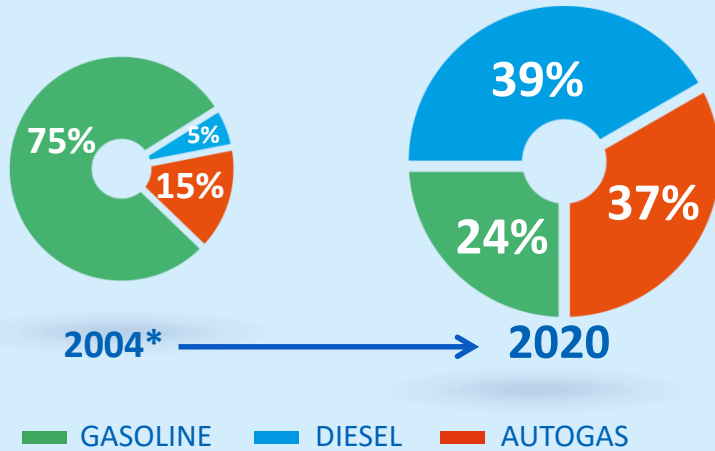
## PUMP PRICE OF AUTOGAS ACROSS THE WORLD (%)



WLPGA Global LP Gas Report

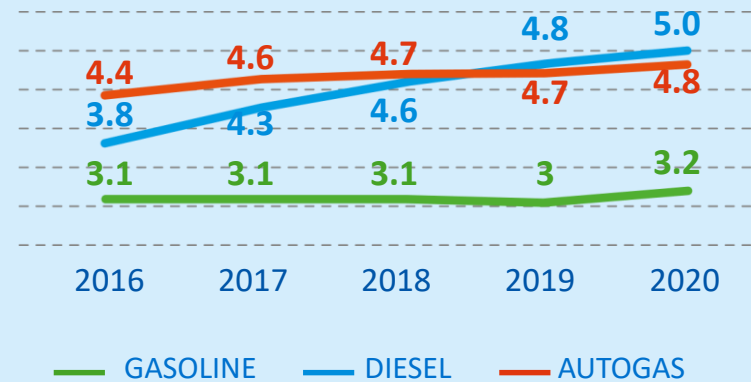
# > Autogas; most widely-used passenger car fuel of Turkey

RATIO OF CARS REGISTERED TO TRAFFIC ACC. TO FUEL TYPE



\* Fuel type unknown: 5%

TURKISH CAR PARK (m cars)



- Most widely-used passenger car fuel since 2011
- With 4.8 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

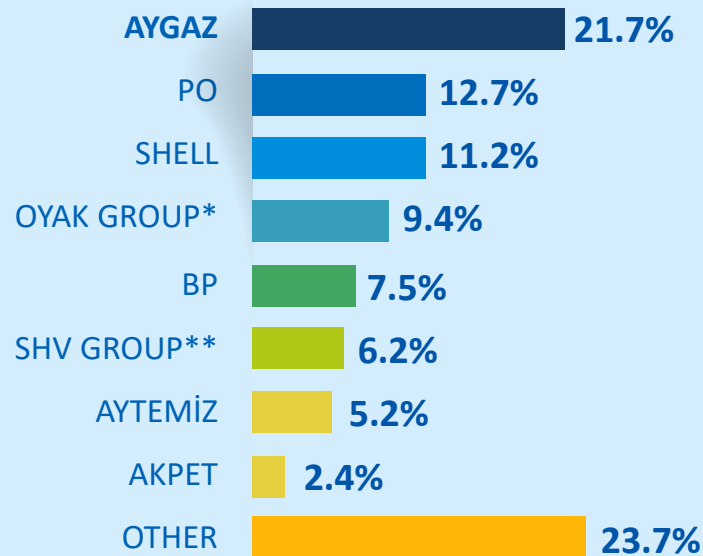
CAR OWNERSHIP PER PERSON



Turkstat, ACEA

# > Leader of the biggest autogas market in the world

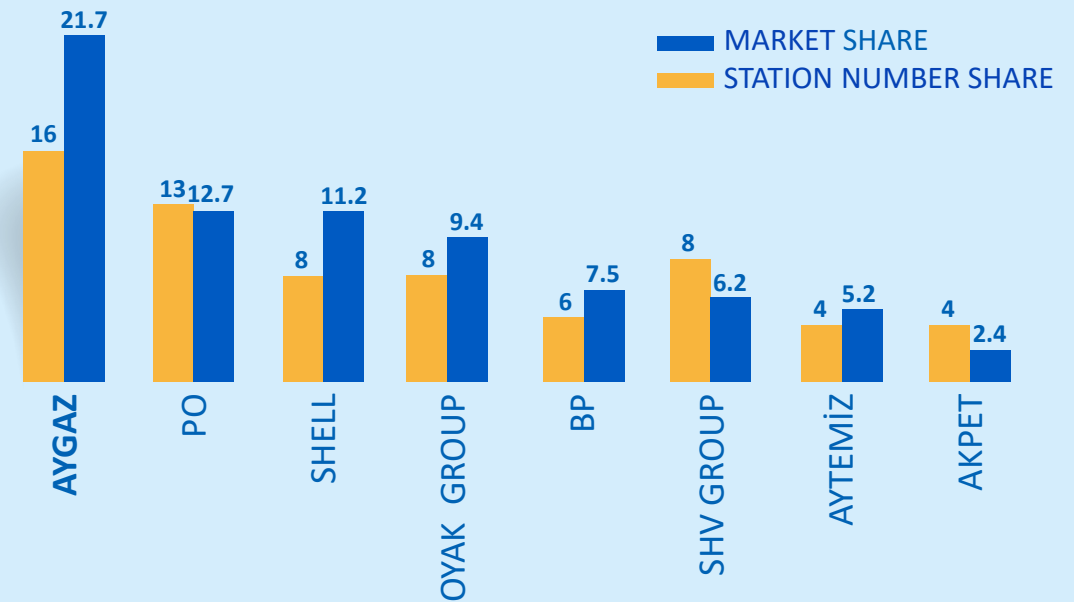
## AUTOGAS MARKET SHARES



\*Likitgaz, Milangaz & Güzel \*\* İpragaz & Yıldırım

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

## MARKET SHARE & STATION NUMBER SHARE (%)



2020	Number of dealers	Sales Volume (tons)	Avg dealer sales (tons)
Aygaz autogas dealers	1,736	663,601	382
Total autogas dealers	10,854	3,061,374	281

EMRA December 2020

# Autogas car park growth

Autogas conversions



1,000+ conversion points

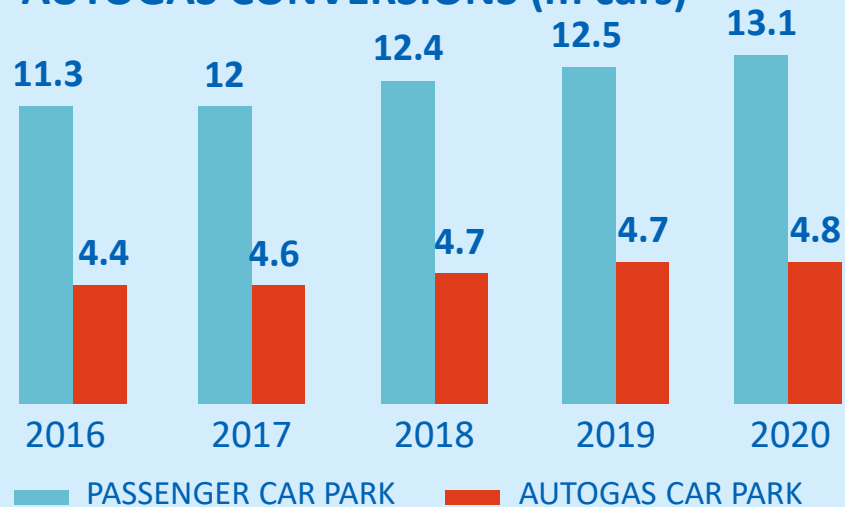
\$500 average cost of conversion

Payback in 15,000 km

**OEM; original equipment manufacturer**

- Some major car manufacturers are providing guaranteed conversion currently

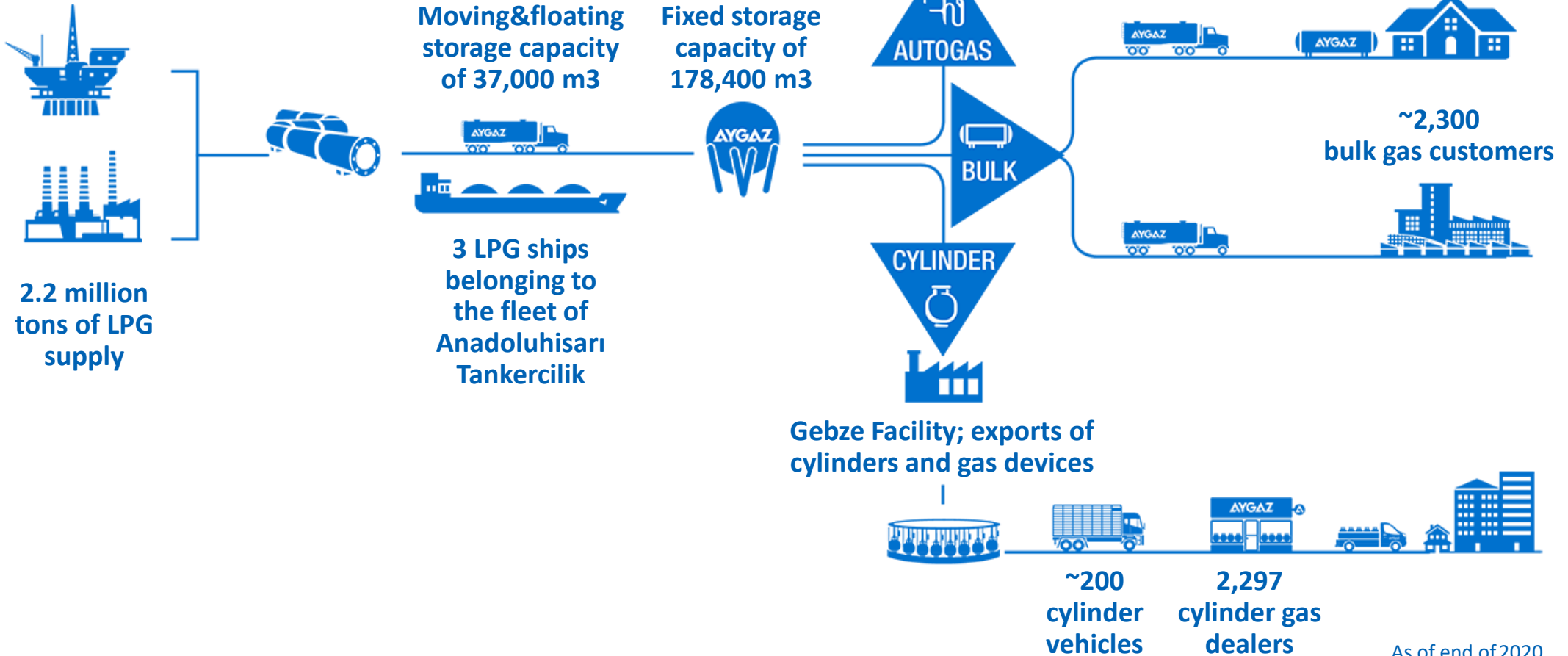
**AUTOGAS CONVERSIONS (m cars)**



Turkstat



# The LPG value chain



As of end of 2020





# Competitive supply chain



## BIG PLAYER

- #1 purchaser in Mediterranean
- #1 importer in Turkey
- #1 LPG 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



## FLEET MANAGEMENT

- Top-notch LPG fleet owner
- Total capacity: 28,800 cbm, Average age: 15 yrs
- Single LPG vessel charterer (in/out) in Turkey
- Reduces logistics costs
- Provides flexibility in sourcing and inventory management



## OVERLAND TRANSPORTATION

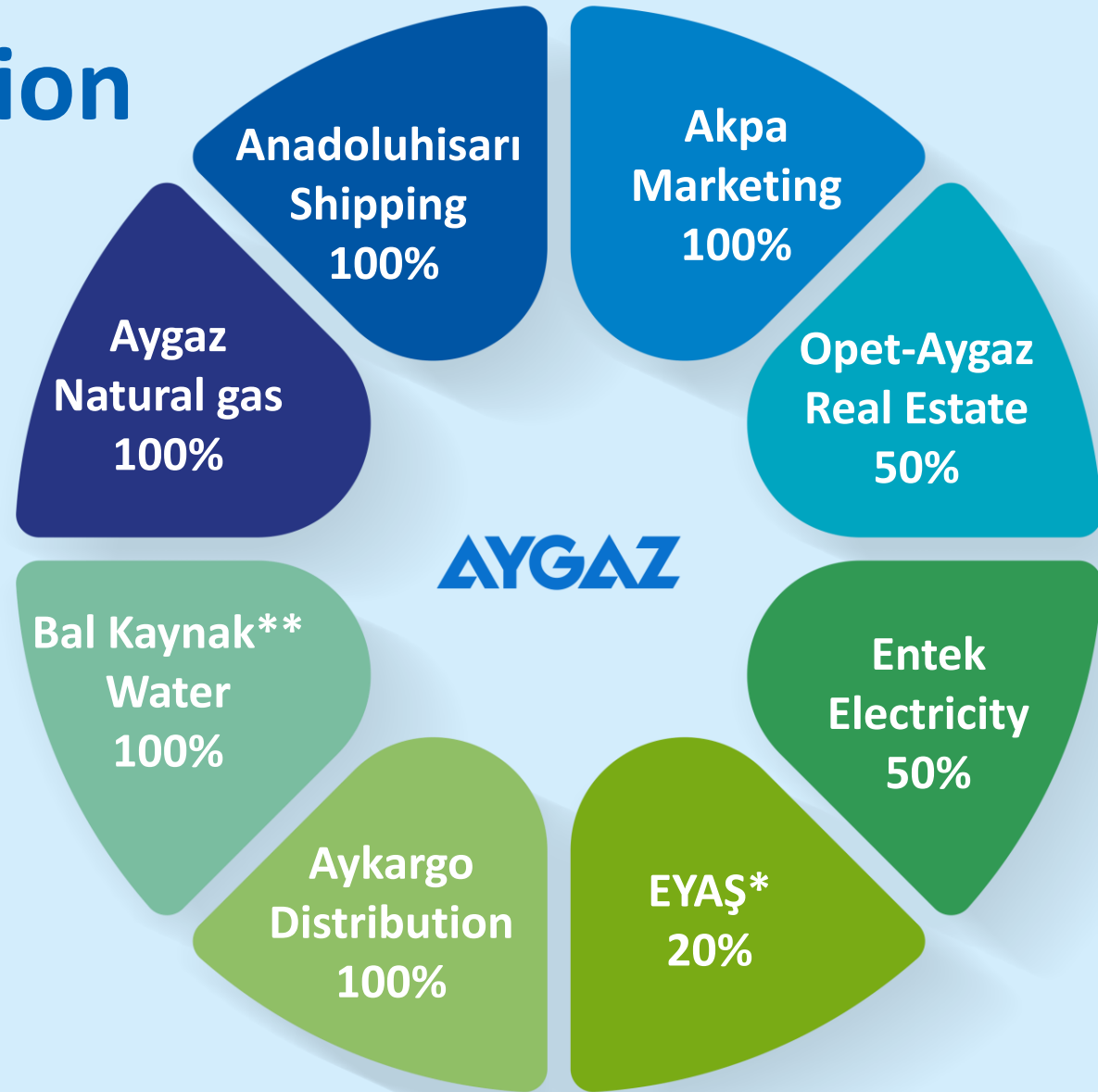
- Biggest LPG truck fleet in Turkey  
>500 vehicles
- Transporting 1.4 million ton/year
- 45 million km/year







# E Participation portfolio



\*EYAŞ owns 51% of the shares of TÜPRAŞ

\*\* 100% of the company shares are owned by Aygaz A.Ş.'s full subsidiary Kuleli Tankercilik A.Ş.

Financial Investments: Koç Finansal Hizmetler A.Ş. (3.93%), 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

**AYGAZ**  
**DÖĞALGAZ**

## LNG SALES



Transportation  
and regasification



17% market share,  
300 industrial  
customers

2020 sales:  
73 mcm

## PIPELINE NATURAL GAS SALES



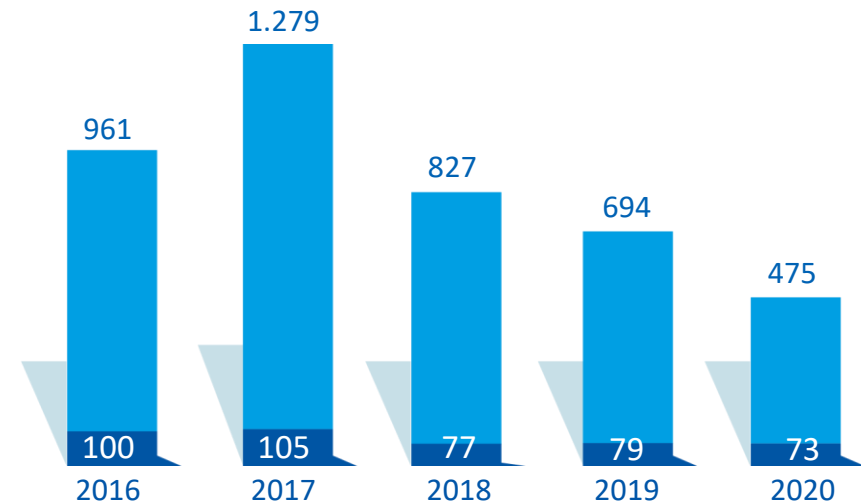
Started in  
2010

2020 sales:  
475 mcm

## PROJECTS

LNG & Pipeline gas import

## SALES VOLUME (mcm)



■ LNG SALES

■ PIPELINE NG SALES

G

# Other participations

## POWER GENERATION



**TOTAL INSTALLED CAPACITY: 377 MW**

Kocaeli Natural Gas

Combined Cycle (NGCC): 112 MW

8 Hydro Assets: (HEPP): 265 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 21 stations





# Long term strategic plan of Aygaz

## NEW BUSINESS MODELS

To develop new business lines through utilizing Aygaz brand and platform



## TURKEY LPG SUPPLY&DISTRIBUTION

To create sustainable value while keeping our leadership in Turkish LPG market

## OVERSEAS LPG SUPPLY&DISTRIBUTION

To become an international LPG player



# > Bangladesh Investment - *United Aygaz LPG Ltd.*

- Bangladesh average GDP growth rate between 2015-2019 is 7% and it is one of the most densely populated countries in the world.

## Bangladesh LPG Market



- Aygaz aims to operate in supply, filling and distribution of LPG through a green field investment.
- Aygaz's partner, **United Enterprises & Co. Ltd. (UECL)** was established in 1978 and has become one of the pioneering companies in the country. UECL has a diverse investment portfolio spanning from power generation to healthcare, education, real-estate, construction, port, yarn spinning, specialized services, shipping, mineral oil distribution and logistics among others.
- The critical success factors for Aygaz within this investment stand out to be its **60 years** of expertise in the sector, brand power and the supply and operational advantages that are planned to be created. WLPGA, World Bank



# Bangladesh Investment – *United Aygaz LPG*

- ✓ Executive Management team (CEO and CFO level) were appointed as of February 2021 following the signing of Shareholders Agreement.
- ✓ Start of first phase of terminal investment in Chittagong (biggest port city of Bangladesh) is planned in May 2021.
- ✓ Preparatory initial work has started on the field regarding the first phase of investment, including sphere, bullet tank and cylinder filling equipment.



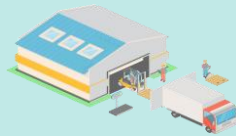
United-Aygaz Chittagong Facility Land



## Cargo Business - Aygaz Aykargo Dağıtım Hizmetleri



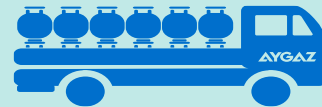
- Turkish e-commerce sector had grown by **35%** on average between 2015 and 2019. In 2019 sector growth reached 39% YoY. In 2020 it is further up by **66% YoY** with the impacts of the pandemic.
- Cargo distribution business, which continues to grow rapidly in line with the e-commerce, is a business line where Aygaz aims to create additional value by utilizing its current assets. These assets can be listed as its **brand power**, **widespread dealer network**, **facility infrastructure** and **home delivery expertise** that is currently reaching 50 thousand houses on daily basis.



*Facility  
infrastructure*



*Strong dealer  
network*



*Home delivery expertise  
reaching 50,000 houses daily*



- Aykargo is primarily planning to focus on **B2C** segment which is expected to increase its portion in cargo sector in line with the growing e-commerce.



# Cargo Business - Aygaz Aykargo Dağıtım Hizmetleri



Assignments of CEO and N-1 level have been completed. Aygaz and Aykargo teams work together to create the organizational structure and to complete internal and external recruitment.



Istanbul operations started in early May 2021. In the first quarter of 2022, expansion to 81 cities is aimed to be completed.



Aykargo primarily targets B2C segment customers. Alternative Delivery Point (PUDO) contracts were signed with 1,300 Aygaz dealers ; two transfer centers and two distribution depots are rented in İstanbul.





# 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 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:

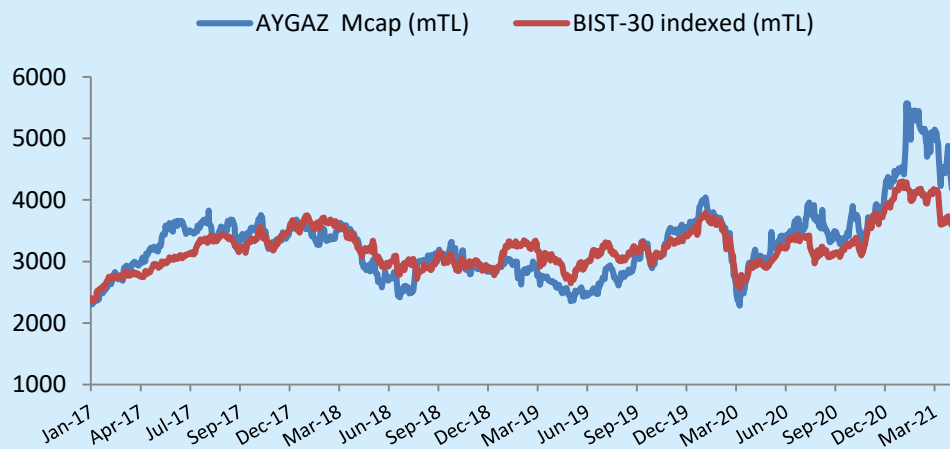
- Following and seizing opportunities for mergers, acquisitions and investments at home and abroad,
- Improving efficiency in all processes from sourcing to selling LPG,
- Aiming to create value for all stakeholders.

# Shareholder value

BIST Code	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
- Regular dividend payments
- Corporate governance practices at international standards;
  - SAHA Corporate Governance and Credit Rating Services confirmed Aygaz's corporate governance rating score as 9.42 on June 22, 2020.

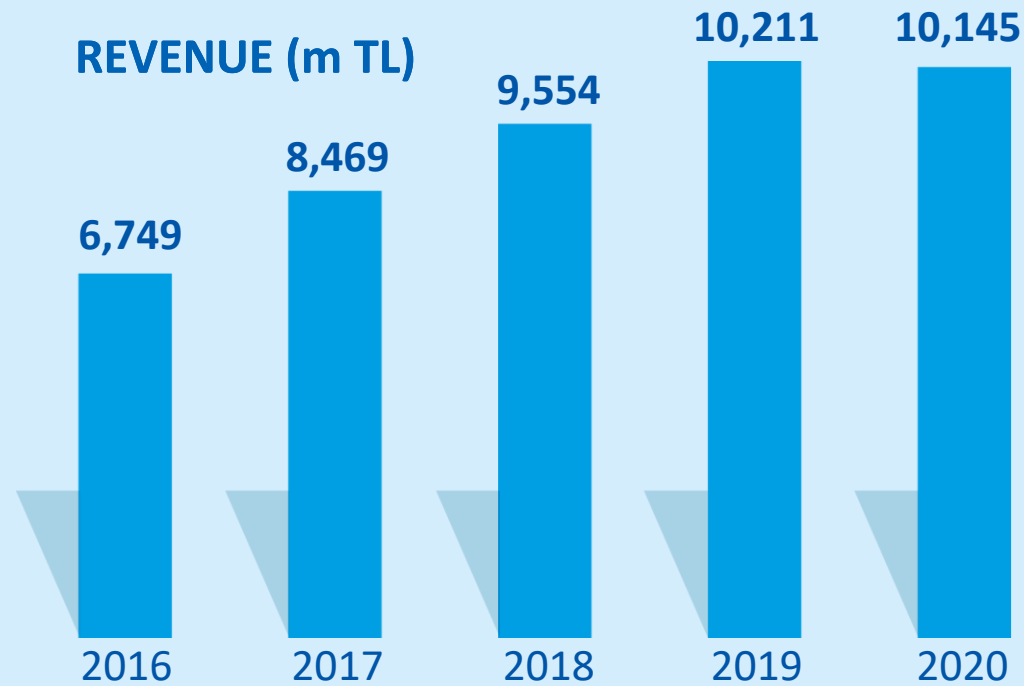


## DIVIDEND (m TL)





# H Financial highlights

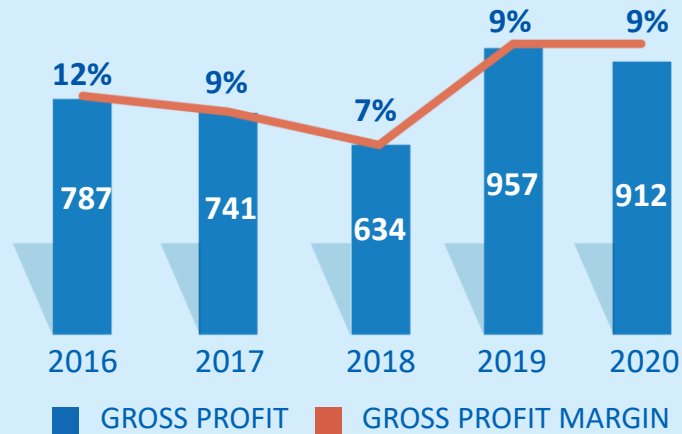


Revenue figure fluctuations are mainly due to;

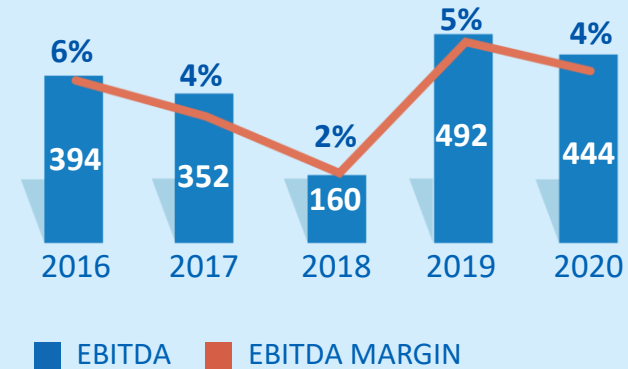
- FX rate changes
- Commodity price changes

# > Financial highlights

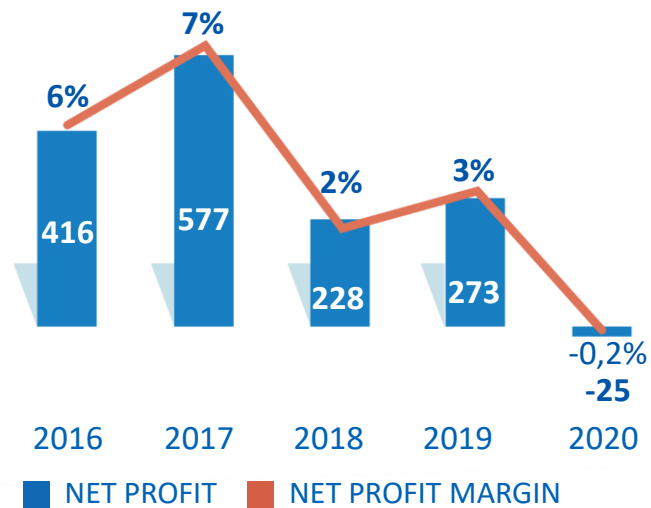
## GROSS PROFIT AND GPM



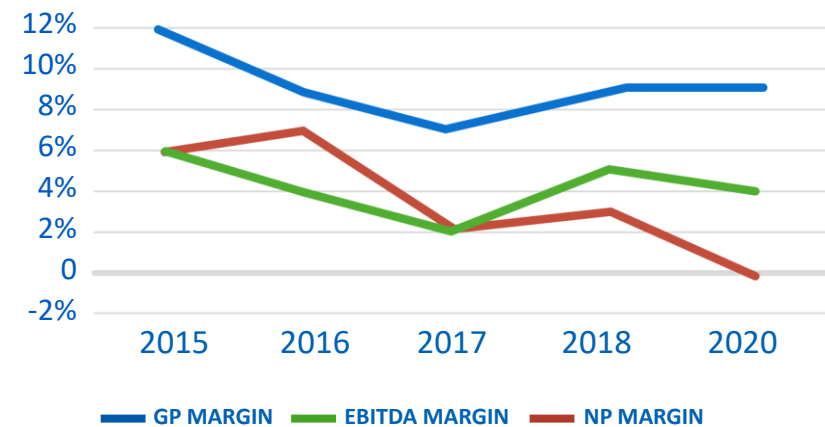
## EBITDA AND EBITDA MARGIN



## NET PROFIT AND NPM



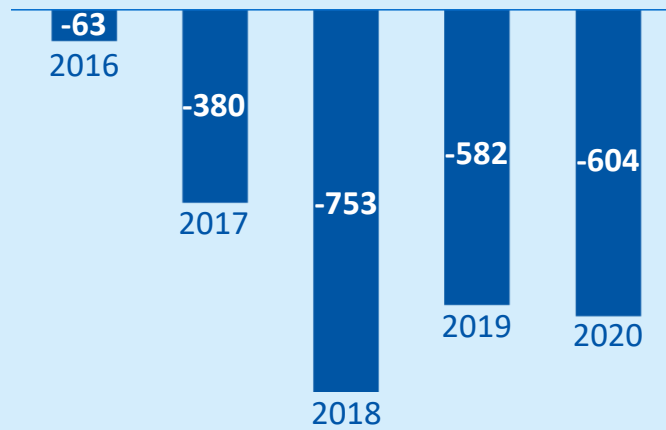
## PROFIT MARGINS



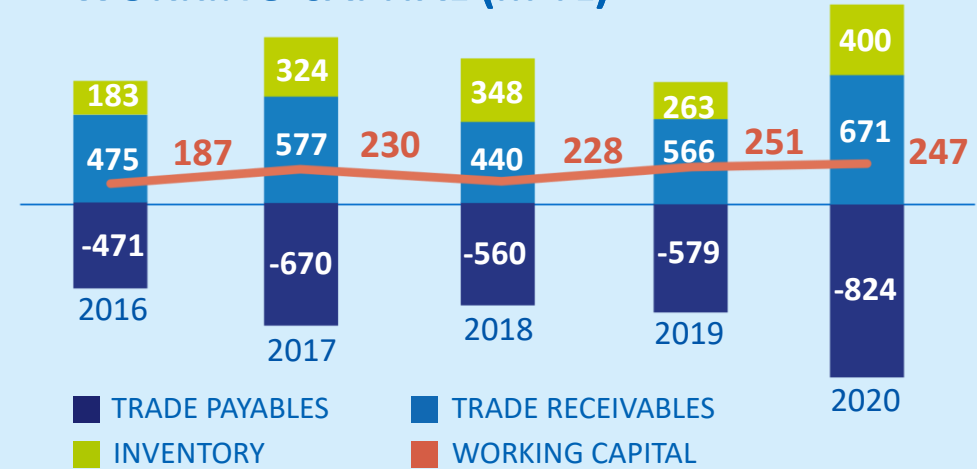
Bar figures: m TRY

# > Financial highlights

## NET CASH (m TL)



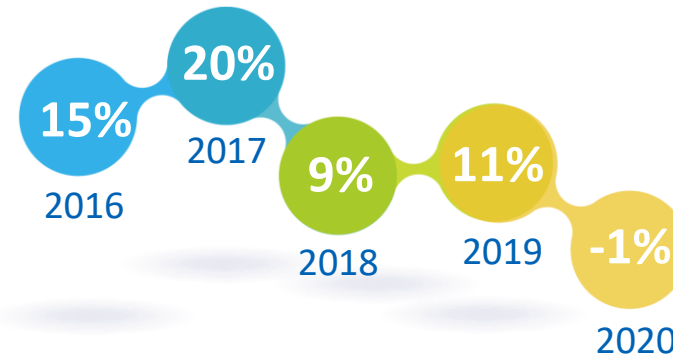
## WORKING CAPITAL (m TL)



## CURRENT RATIO



## RETURN ON EQUITY



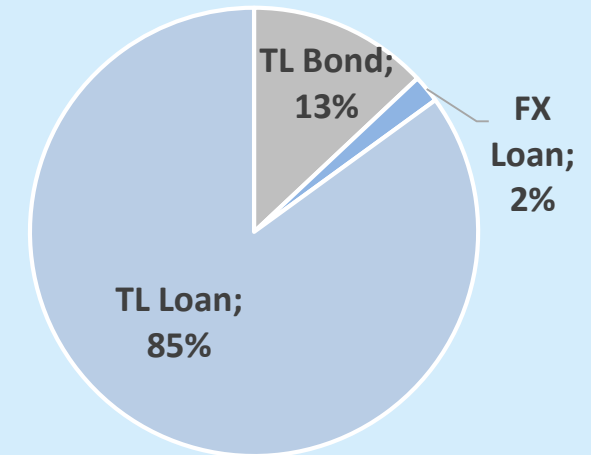
# Financial highlights

(m TL)	12M 2020	12M 2019
ST Borrowings	221	65
Current portion of LT Borrowings	346	418
LT Borrowings	997	764
<b>Total Debt</b>	<b>1,564</b>	<b>1,247</b>
Cash and cash equivalents (-)	(961)	(665)
<b>= Net Debt</b>	<b>604</b>	<b>582</b>

ST: Short-term LT: Long-term

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

DEBT PROFILE AS OF  
31/12/2020



**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, 2020.



# Risk Policy

## FX & Interest Rate Risk

- Zero FX exposure target after natural hedges (ie. LPG inventories)
- Portfolio with fixed/variable interest rates
- Proactive management of FX and interest rate with derivatives

## Leverage & Liquidity Risk

- Limits for financial ratios and active liquidity risk management:
- Net Financial Debt/EBITDA -- Current Ratio -- Share of long term debt
  - Effective management of Net Working Capital

## Counterparty & Receivables Risk

- Customer/dealer credit risk assessment
- Collaterals (letters of credit, pledges etc.) to mitigate collection risks
- Deposit is kept within bank based limits

## Commodity Risk

- Operational hedge: Optimum stock policy & forward pricing mechanism
- Financial hedge: Expected inventory exposure for the year end is hedged by using derivatives

## Operational Risk

- Changes in legislation are monitored
- Compliance and KYC processes are in place



# Appendix

# 1 Income statement summary

(m TRY)	2016	2017	2018	2019	2020
Revenue	6,749	8,469	9,554	10,211	10,145
COGS	(5,962)	(7,728)	(8,920)	(9,254)	(9,233)
Gross Profit	787	741	634	957	912
Operating Profit	308	265	71	365	288
Profit Before Tax	469	621	250	306	31
Net Profit	416	577	228	273	-25
EBITDA	394	352	160	492	444
<b>MARGINS</b>					
GP margin	12%	9%	7%	9%	9%
OP margin	5%	3%	1%	4%	3%
NP margin	6%	7%	2%	3%	-0.2%
EBITDA margin	6%	4%	2%	5%	4%

## 2

# Balance sheet summary

(m TRY)	2016	2017	2018	2019	2020
Cash & Cash Eq.	568	593	648	665	961
Trade Receivables	475	577	440	566	671
Inventories	183	324	348	263	400
Inv. Acc. Under Equity Method	1,922	2,273	2,305	2,059	1,847
Prop. Plant & Eq.	658	678	687	713	696
Financial Debt	(630)	(973)	(1,401)	(1,247)	(1,564)
Trade Payable	(471)	(670)	(560)	(579)	(824)
Equity	2,742	2,923	2,502	2,478	2,317
Total Assets	4,231	4,966	5,013	4,955	5,395
Net Cash (Debt)	(63)	(380)	(753)	(582)	(604)
Working Capital	187	230	228	251	247

# 3 2021 Q1 – Income Statement Summary

QUARTERLY / (YoY)

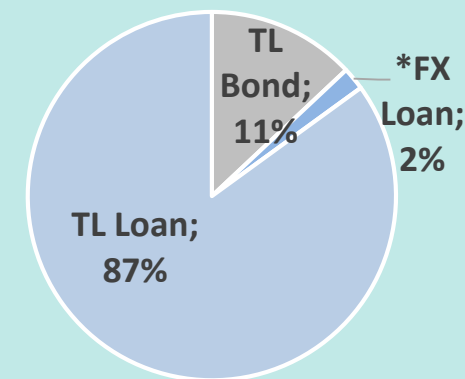
Revenue	<b>2,881</b> Million TL	<b>31%</b>	↑
Gross profit	<b>271</b> Million TL	<b>191%</b>	↑
Operating profit	<b>117</b> Million TL	<b>304%</b>	↑
EBITDA (incl. other op. inc/exp)	<b>159</b> Million TL	<b>714%</b>	↑
Net profit	<b>-11</b> Million TL	<b>95%</b>	↑

## 4

# Debt Profile

(m TL)	3M 2020	12M 2020
ST Borrowings	240	221
Current portion of LT Borrowings	432	346
LT Borrowings	1,079	997
Total Debt	1,751	1,564
Cash and cash equivalents (-)	813	961
= Net Debt	938	604

Debt Profile as of 31/03/2021

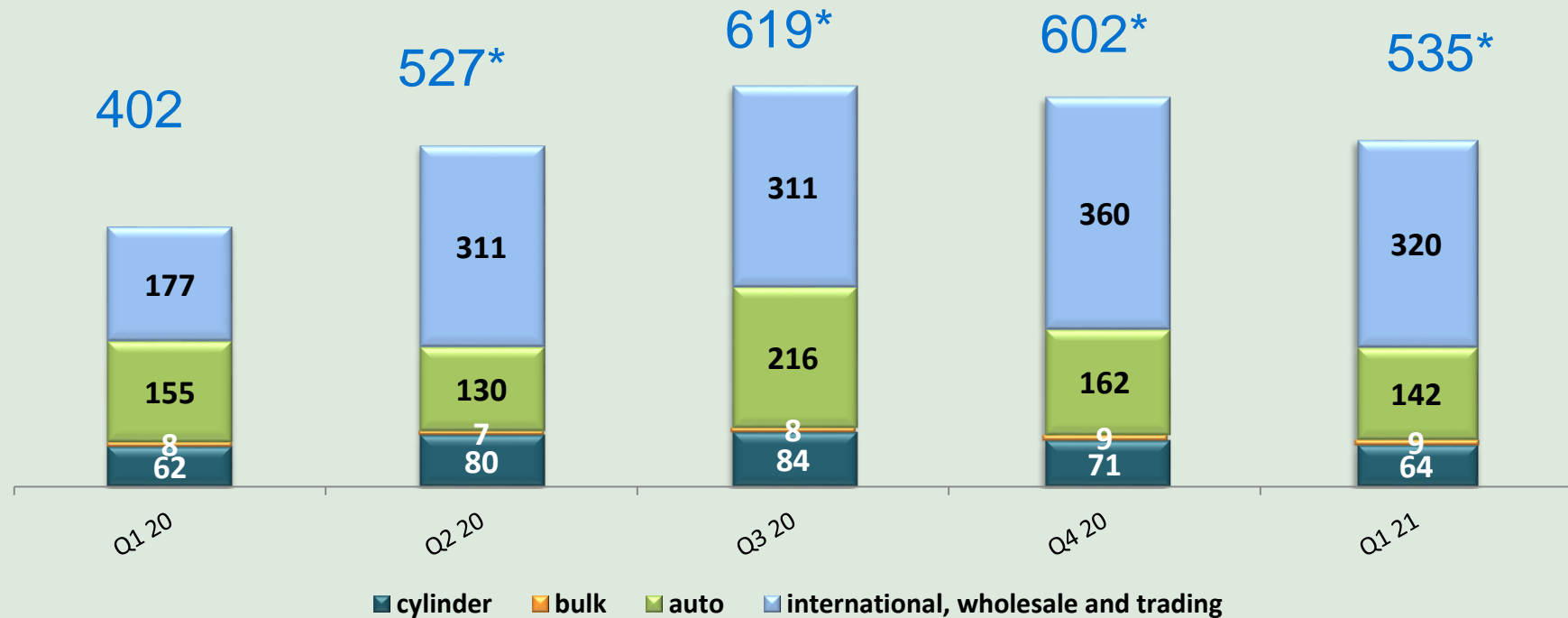


- Total gross debt increased by 187 million TL in Q1, taking into account the cost and liquidity. We preserve our strong cash position while overlooking our liquidity needs of Q2 that consist of loan repayments, dividend payments and the capital injections to subsidiaries.
- **Credit Rating:** Following 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's long term rating of (TR) AAA and a short term rating of (TR) A1+ and outlook as stable is confirmed on June 22, 2020.



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# 2021 Q1 Aygaz LPG Sales (000 tons)



## Q1 2021 sales volumes were realized as

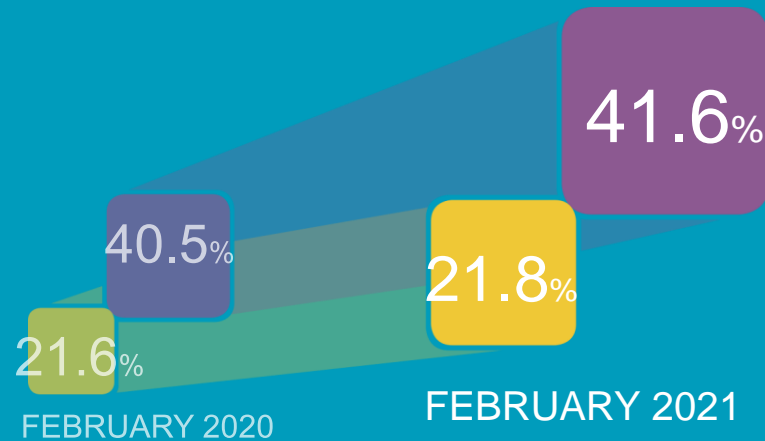
- 142 thousand tons in Autogas ( -8% YoY)
- 64 thousand tons in Cylinder Gas ( +4% YoY)
- 535 thousand tons in Total (+33% YoY)

(\*)Contribution from Aygaz UK: For 2020: 94 thousand tons in Q2, 47 thousand tons in Q3 and 138 thousand tons in Q4 and for 2021: 139 thousand tons in Q1

EMRA, Aygaz

6

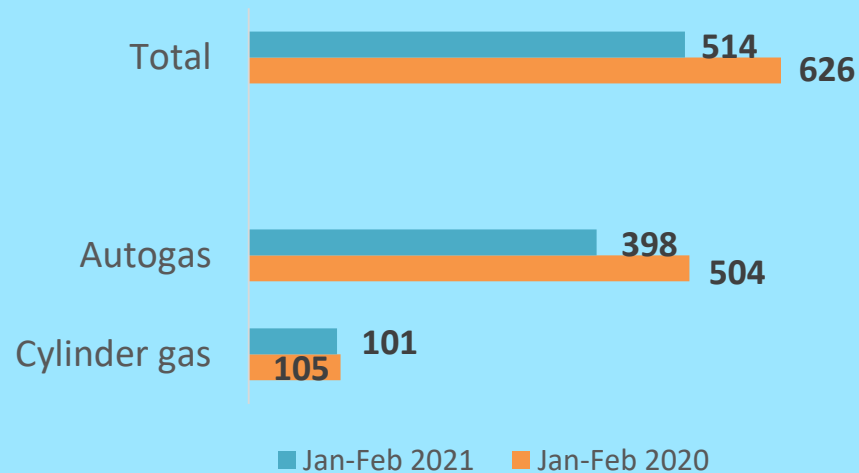
# Market Shares



As of February 2021 EMRA report, Aygaz cylinder and autogas market shares are 41.6% and 21.8% respectively.

(40.5% and 21.6% in February 2020)

Turkish LPG Demand (000) tons



According to February 2021 EMRA report,

- Turkish cylinder gas consumption is down by 3%
- Turkish autogas consumption is down by 21%
- Total LPG demand is down by 18%

EMRA, Aygaz

## 7

## Subsidiaries and Affiliates

Subsidiaries	Principal activity	Participation
Anadoluhisarı Tankercilik A.Ş.	Shipping	100%
Kandilli Tankercilik A.Ş.	Shipping	100%
Kuleli Tankercilik A.Ş.	Shipping	100%
Kuzguncuk Tankercilik A.Ş.	Shipping	100%
Akpa Day. Tük. Lpg ve Akar. Ürün. Paz. A.Ş.	Marketing	100%
Aygaz Doğal Gaz Toptan Satış A.Ş.	Natural gas	100%
Aygaz Doğal Gaz İletim A.Ş.	Natural gas	100%
Aygaz Aykargo Dağıtım Hizmetleri A.Ş.	Cargo Transport/Distribution	100%
Bal Kaynak Su İth. İhr. Sanayi ve Ticaret A.Ş.	Water distr.	100%

**AYGAZ UK London Branch:** The London branch of the company - established in 2019 to engage in trading that will help increase trade volume with third parties in foreign markets, support import, export and transit operations, and create added value from the supply chain.



## Subsidiaries and Affiliates

Affiliates	Principal activity	Participation
Enerji Yatırımları A.Ş.	Energy	20%
Entek Elektrik Üretimi A.Ş.	Electricity	50%
Opet Aygaz Gayrimenkul A.Ş.	Real Estate	50%
United Aygaz LPG Ltd - Bangladesh	LPG distribution	50%

Financial Assets	Principal activity	Participation
Koç Finansal Hizmetler A.Ş.	Finance	3.93%
Ram Dış Ticaret A.Ş.	Trade	2.50%
Tanı Pazarlama ve İlet. Hiz. A.Ş.	Marketing	10.00%
Tat Gıda Sanayi A.Ş.	Food	0.08%

# 8 Forward looking statements for 2021

## Sales volume

- Cylinder: 285-295 thousand tons
- Autogas: 700-730 thousand tons

## Market share

- Cylinder: 41.0%-43.0%
- Autogas: 21.5%-22.5%



## 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.
- 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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