

**AYGAZ**

# INVESTOR PRESENTATION

November 2018



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# A Aygaz overview



**LEADING  
LPG  
DISTRIBUTOR  
of TURKEY**

**2017**

**₺ 8.5 billion**

**REVENUE**

**2.2 m tons**

**SALES OF LPG**

**28%**

**LPG MARKET SHARE**

**DIVERSIFIED  
PARTICIPATION  
PORTFOLIO  
IN ENERGY**

NATURAL GAS

**AYGAZ  
DOĞALGAZ**

REFINERY

**Tüpraş**

**Entek**

POWER GENERATION

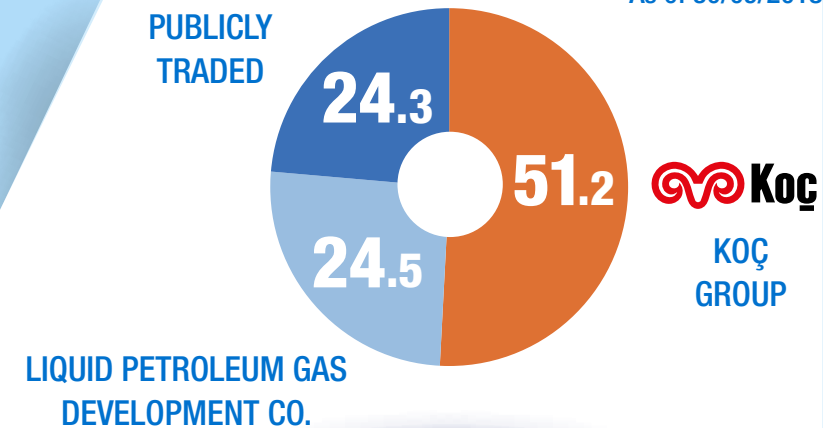
# > Overview

## SUMMARY FINANCIALS

(Cons. in m TL)	2017	2016	2015	2017-2016 Change
<b>Revenue</b>	<b>8,469</b>	6,749	6,420	25%
<b>EBITDA</b>	<b>352</b>	394	337	-11%
<b>Net Profit</b>	<b>577</b>	416	418	39%
<b>EBITDA Margin</b>	<b>4%</b>	6%	5%	-2
<b>Net Profit Margin</b>	<b>7%</b>	6%	7%	+1
<b>Volume (000 tons)</b>	<b>2,154</b>	2,109	2,057	2%

## SHAREHOLDERS (%)

As of 30/09/2018



# > Core business - LPG distribution

**Generic brand for LPG**

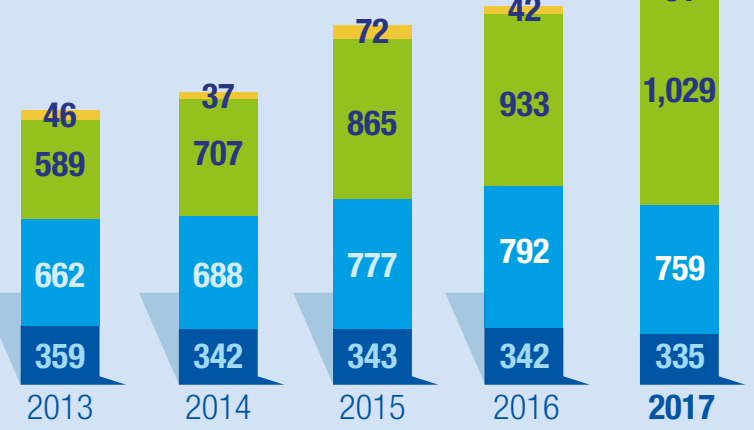
**11th largest industrial company of Turkey, as of 2017**

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

**Market leader with 3 brands**

**AYGAZ Mogaz Lipetgaz**

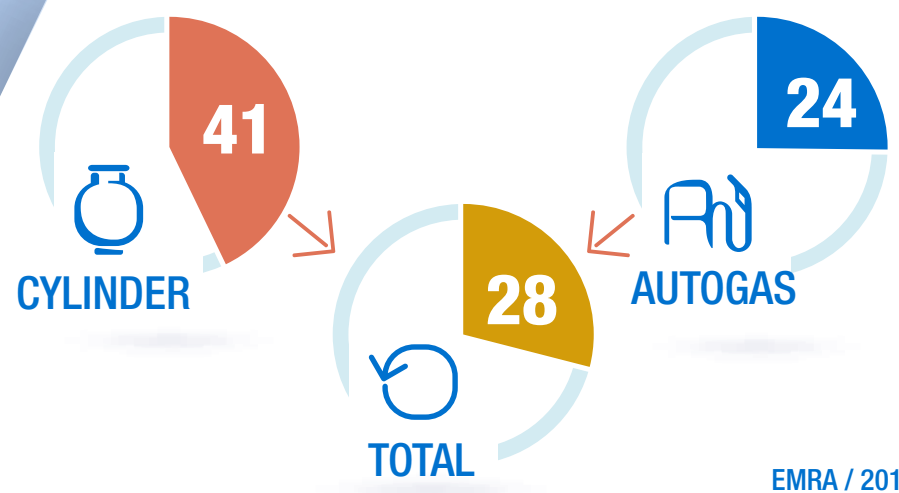
**AYGAZ VOLUMES (000 tons)**



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

EMRA, Aygaz

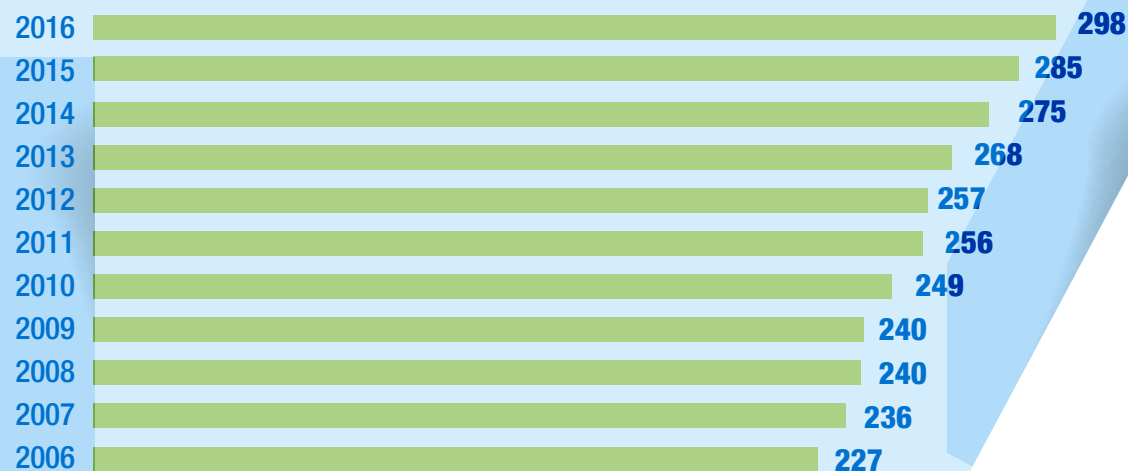
**MARKET SHARES (%)**



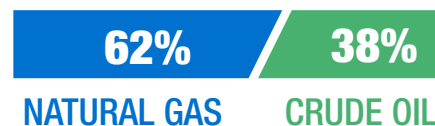
EMRA / 2017

# 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;



## LPG AS A COMMODITY



Mixture of hydrocarbons (Butane and Propane)



Portable and versatile



Low GHG emission; Eco-friendly



Diversity of supply sources; Abundant reserves

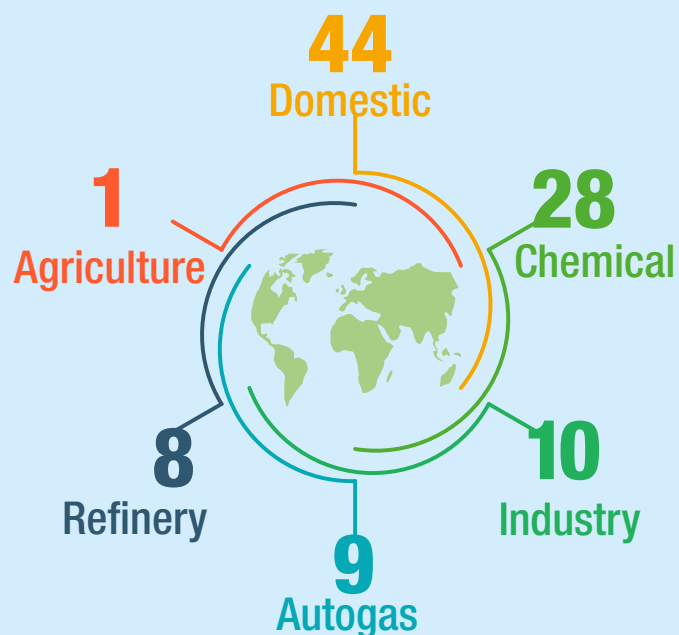


Cleaner, safer and cheaper at home & transportation

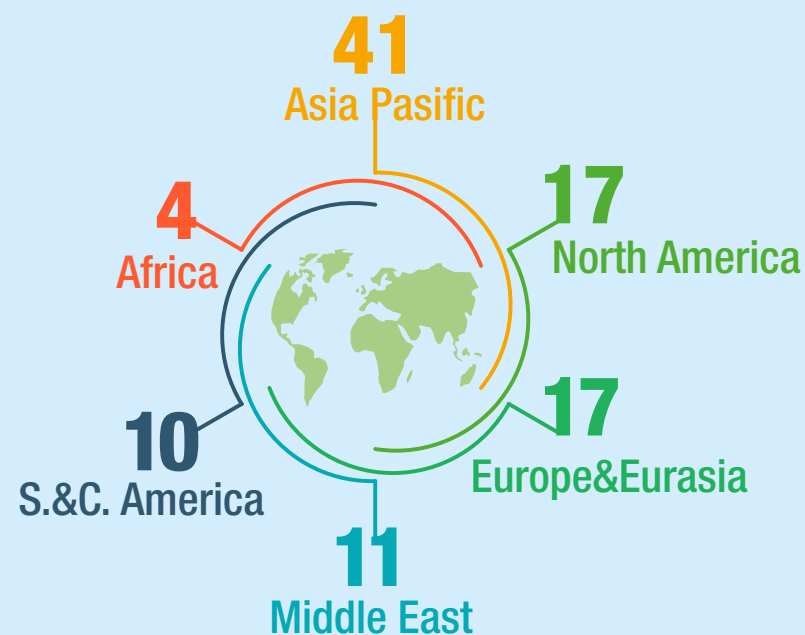
WLPGA Statistical Review of Global LP Gas Report, 2017

# > World LPG consumption

**World LPG Consumption  
By Sectors 2016 (%)**

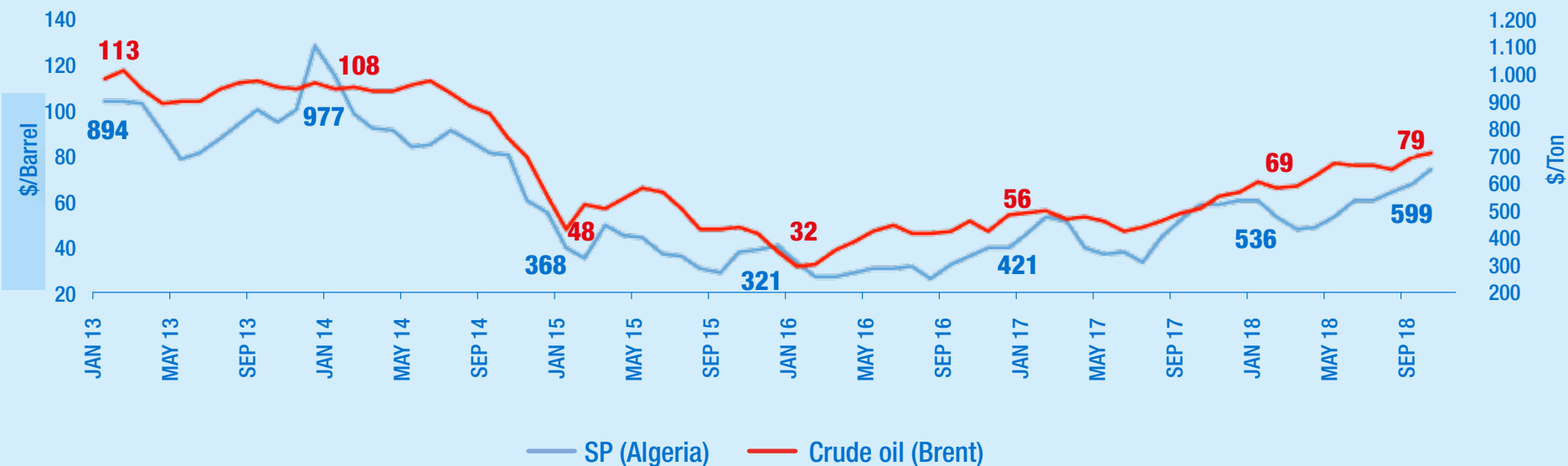


**World LPG Consumption  
By Regions 2016 (%)**



WLPGA Statistical Review of Global LP Gas Report, 2017

# > Prices of LPG and brent



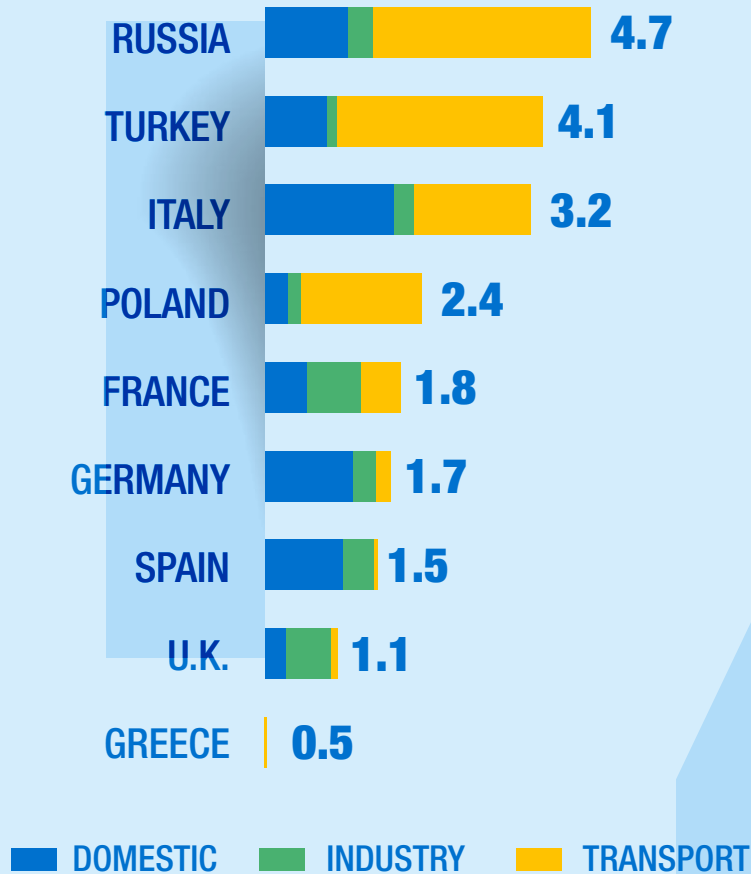
- There is a correlation between LPG and oil price
- Seasonality can also affect LPG price
- September 2018 Sonatrach LPG price is at USD 599 and 26% higher than September 2017 price.

Sonatrach / Market data



# C Turkish LPG market

LPG consumption in Europe (m ton)



WLPGA Statistical Review of Global LP Gas Report, 2017

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

**~90 distribution companies**

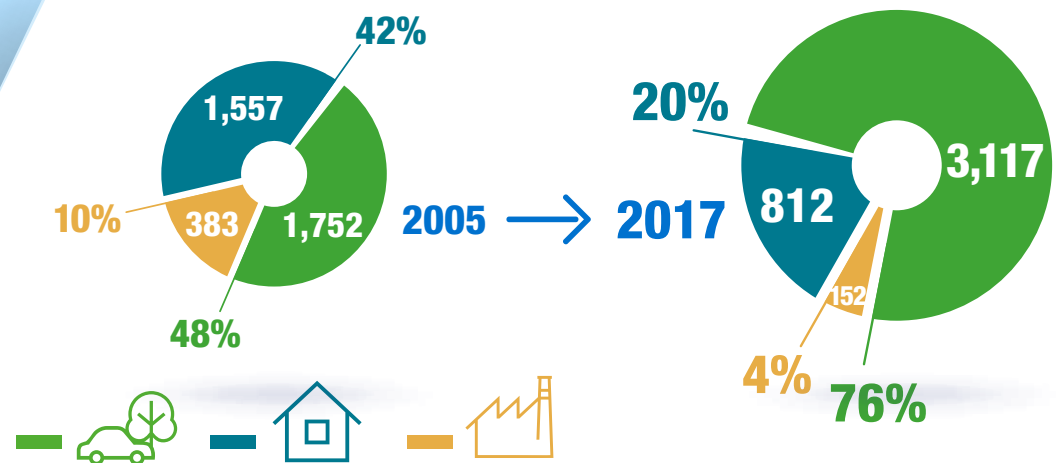
Leading 3 players in the cylinder market and first 8 players in the autogas market hold over 80% of the total market

**Serving; • 7.5 m houses • 4.6 m cars**

**Liberal market with regulatory body-EMRA**

\* when p. chemical and refinery is excluded

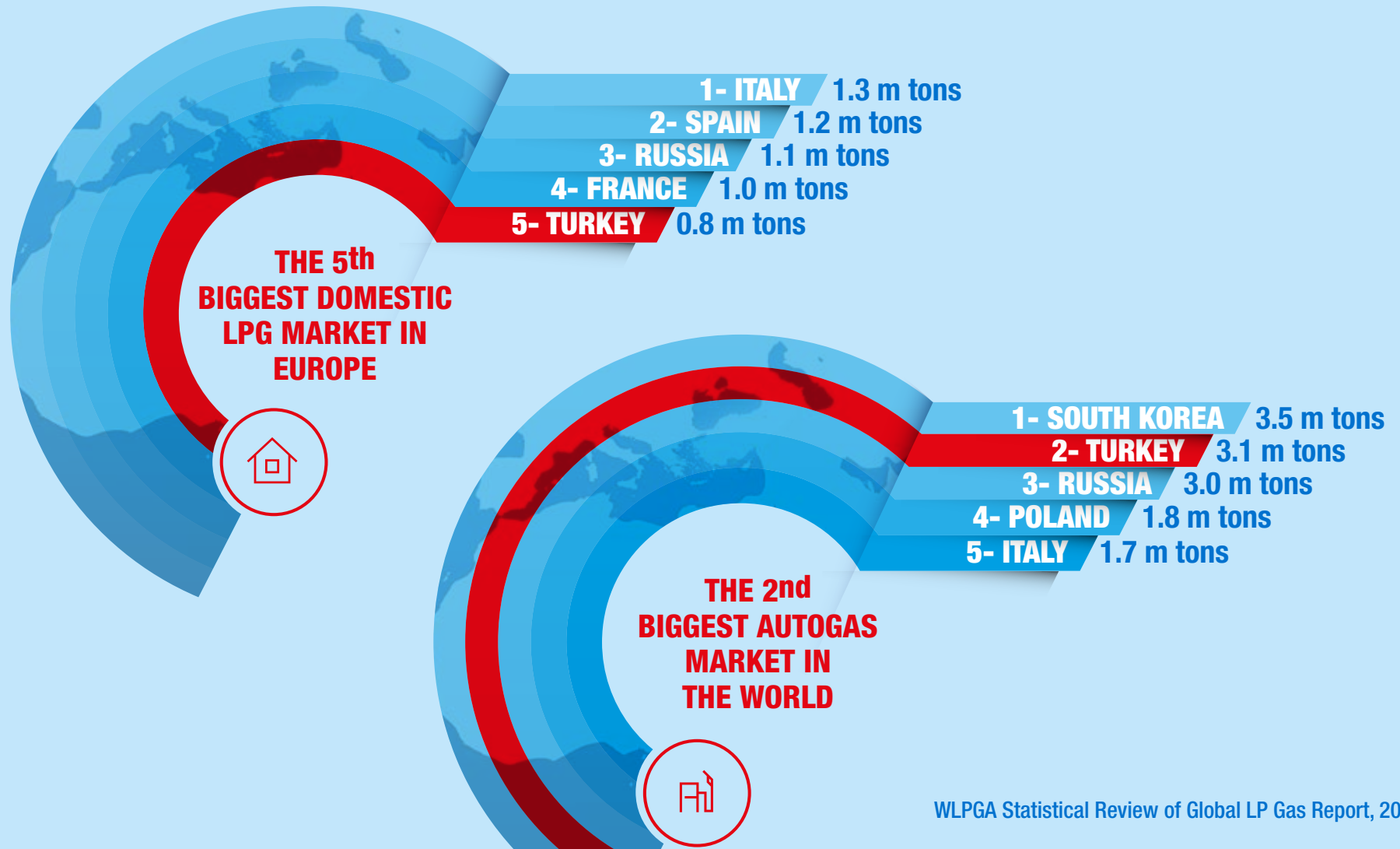
## EVOLVING FROM CYLINDER TO AUTOGAS (000 tons)



EMRA data



# LPG market ranking



WLPGA Statistical Review of Global LP Gas Report, 2017



AYGAZ

201

AYGAZ

202

202

TEHLİKELİ VE YANICI MADDE 2001  
ATEŞLE YAKLAŞMA  
SİGARA İÇİLMEZ



AYGAZ

3235

35 N 1172

# Cylinder market starting to stabilize

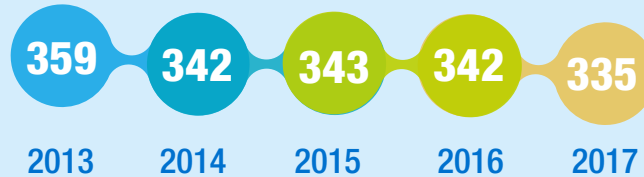
## CYLINDER MARKET

Turkish market

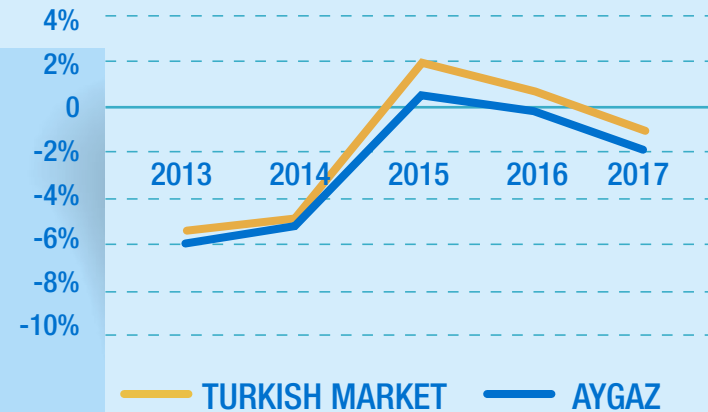


(000 tons)

Aygaz



## RATES OF CHANGE (YoY)



**Growth in 2015 and 2016 in the cylinder market is interrupted by the 1% contraction in 2017.**

### Factors affecting cylinder market;

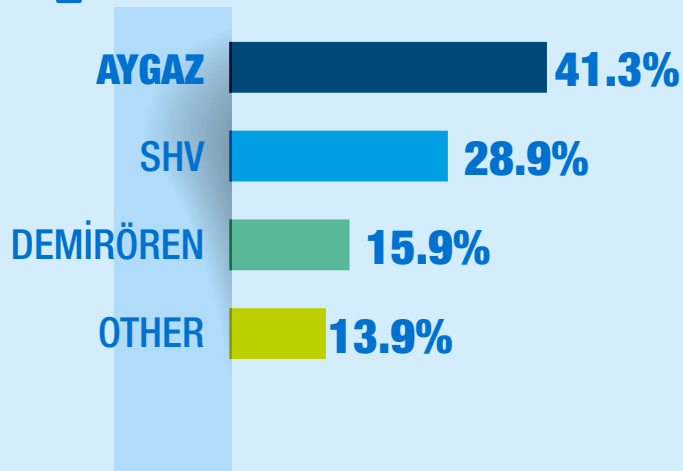
- Pressure on demand due to rising LPG prices
- Continuation of natural gas grid expansion despite deceleration

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

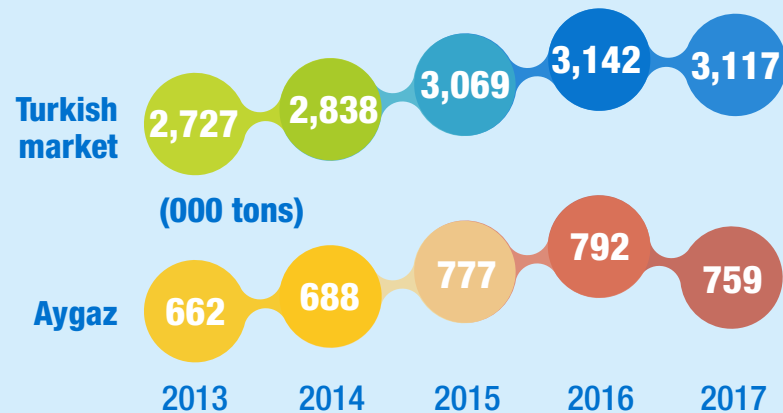
\*EMRA data



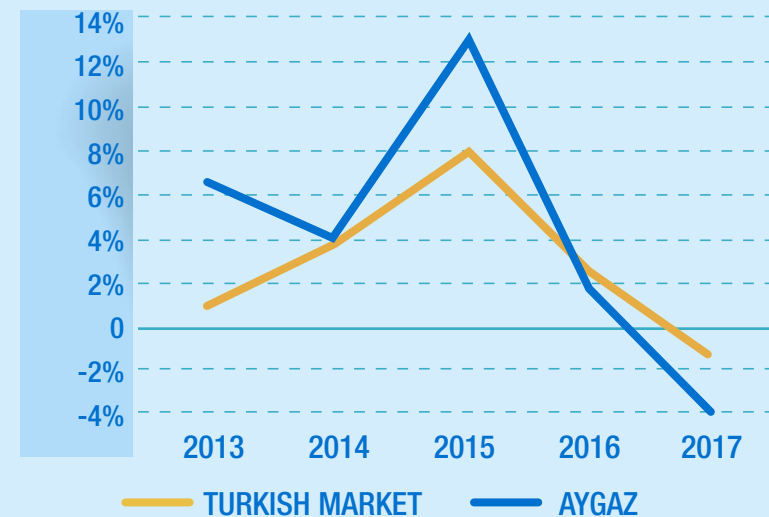


# World's second biggest autogas market

## AUTOGAS MARKET



## RATES OF CHANGE (YoY)



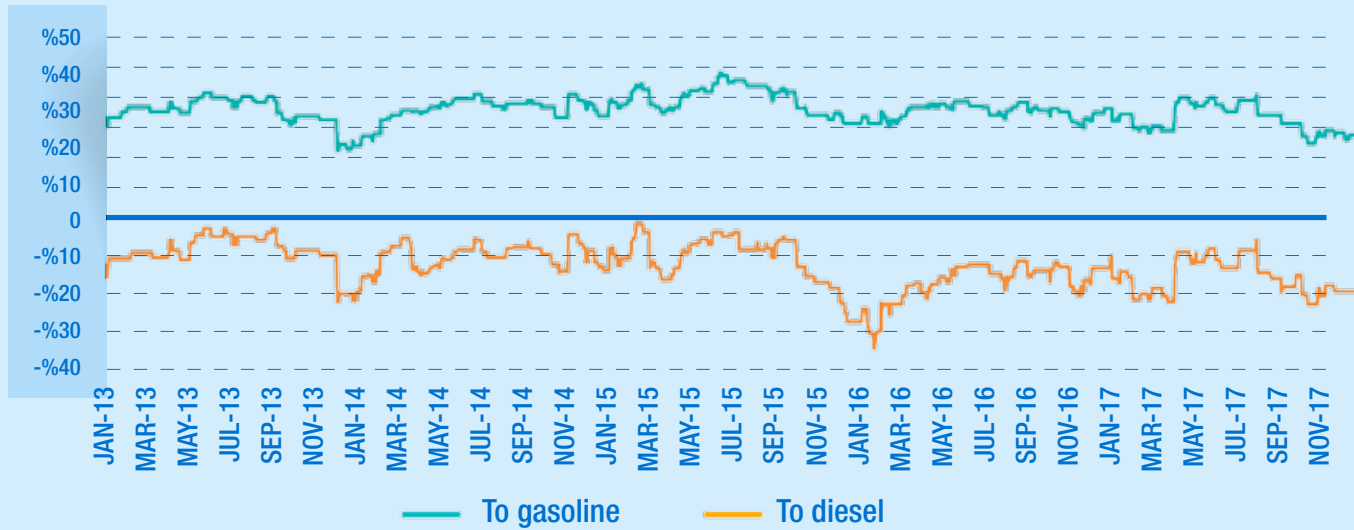
Autogas market that showed a steady growth since 2003, contracted nearly by 1% in 2017 due to the pressure of rising LPG prices.

### 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

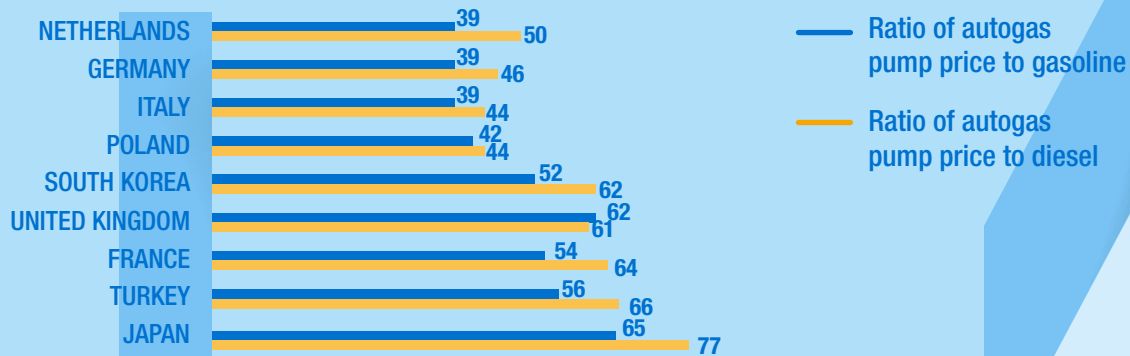
# > Price economy of autogas



**30%+**

**price advantage to gasoline**

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

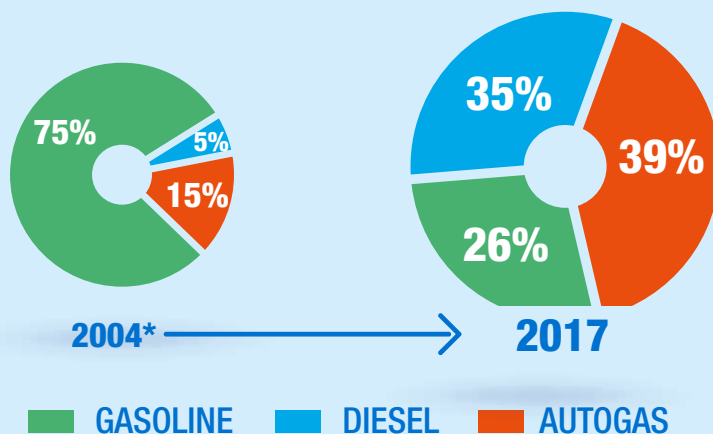


\*WLPGA Statistical Review of Global LP Gas Report, 2017



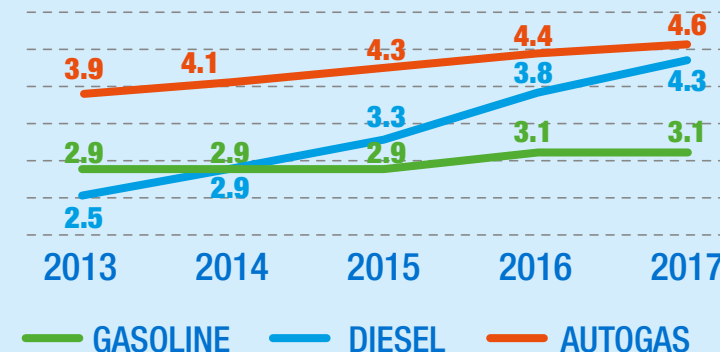
# Autogas; most widely-used passenger car fuel of Turkey

## 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 4.6 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

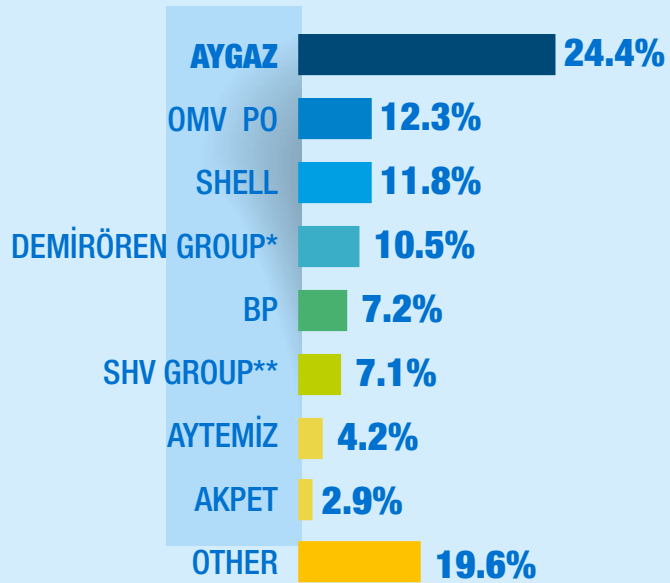
**575/1000**  
EUROPE

**150/1000**  
TURKEY

Turkstat, ACEA

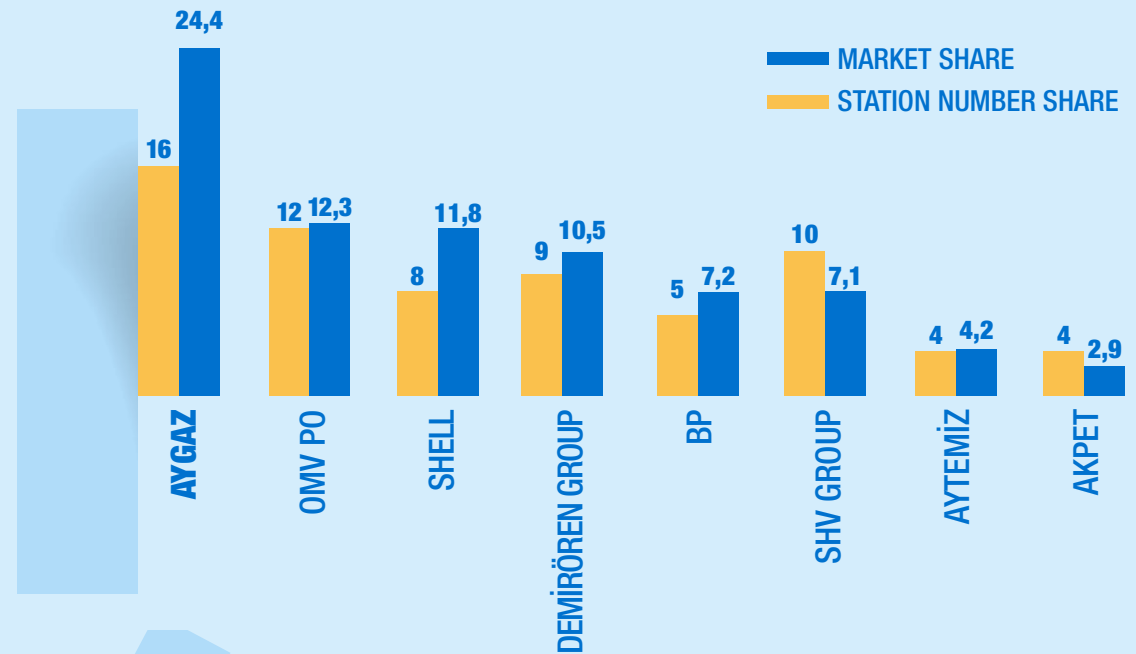
# Aygaz; leader of the second biggest autogas market in the world

## 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

2017	Number of Dealers	Sales Volume (tons)	Avg dealer sales (tons)
Aygaz autogas dealers	1,710	758,949	444
Total autogas dealers	10,297	3,116,569	303

EMRA data

# > Autogas car park growth

**177,000**



**conversions per year**

**1,000+** conversion points

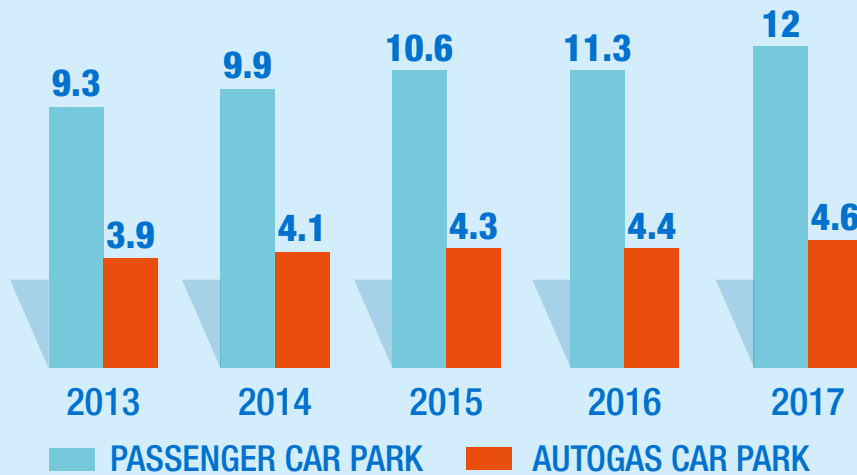
**\$500** average cost of conversion

**Payback in 15,000 km**

**OEM;** original equipment manufacturer

- Some major car manufacturers are providing guaranteed conversion currently

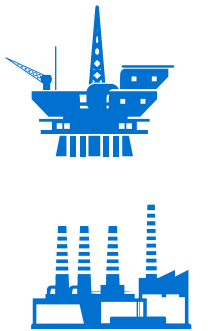
**AUTOGAS CONVERSIONS (m cars)**



Turkstat



# The LPG value chain



2.2 million tons of LPG supply

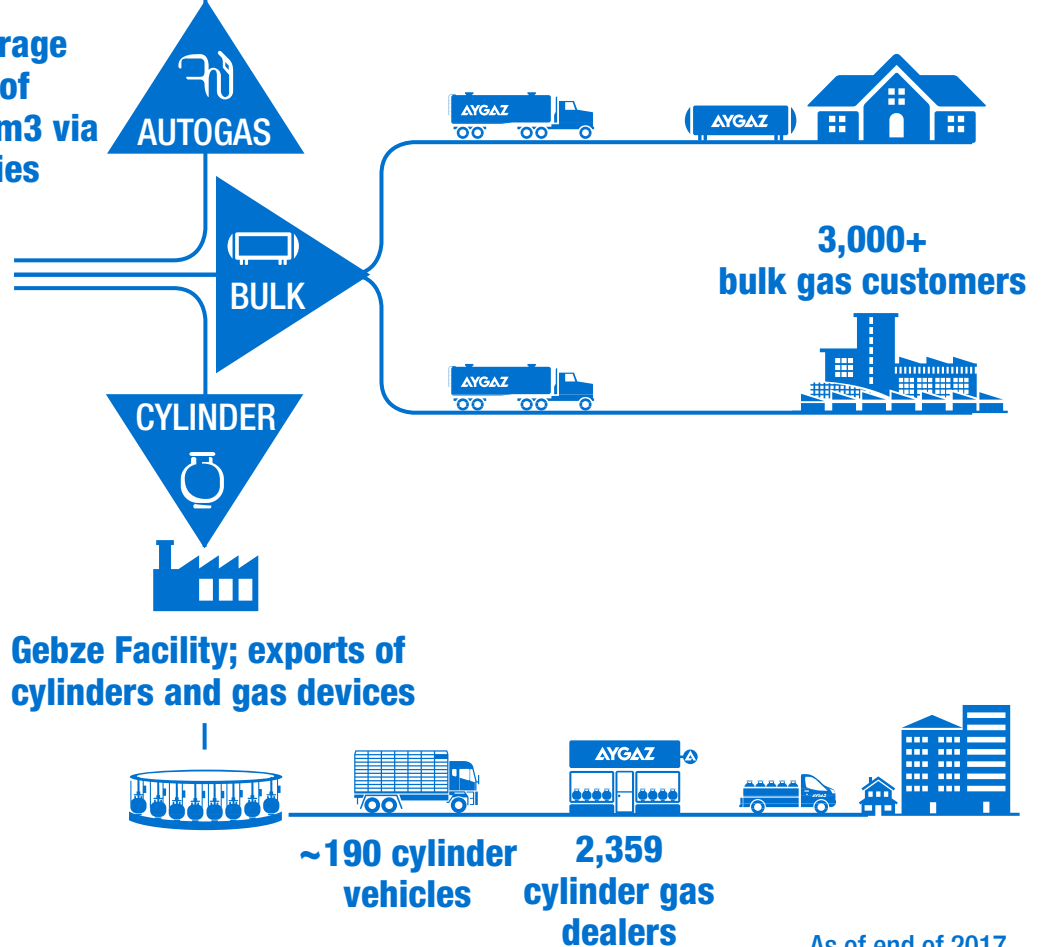


Moving&floating storage capacity of 37,000 m3



3 LPG ships belonging to the fleet of Anadoluhisari Tankercilik

Fixed storage capacity of 178,400 m3 via 20 facilities



# > 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 (~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
- 300+ 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 1.3 million ton/year
- 40 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



16% market share, 300 industrial customers

# 2017

sales: ~100 mcm

## PIPELINE NATURAL GAS SALES



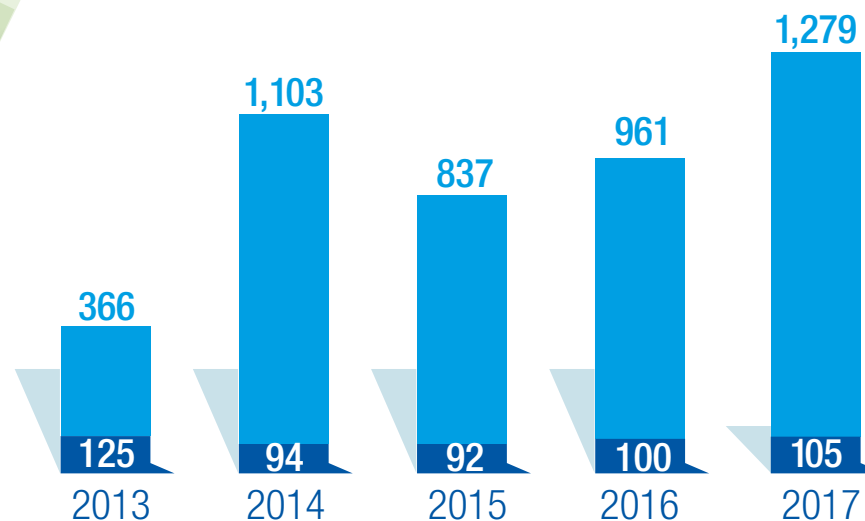
Started in 2010

2017 sales: ~1,300 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

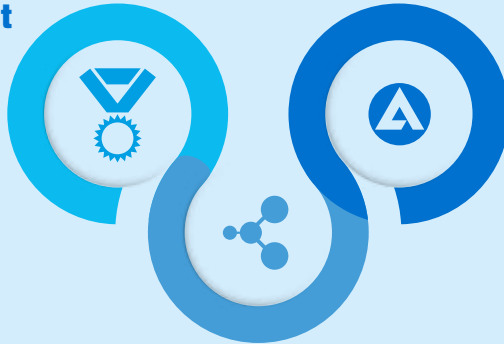
Founded in 2013 as a 50-50 partnership  
with Opet to purchase real estate and  
manage or lease these properties as fuel  
or autogas stations

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.

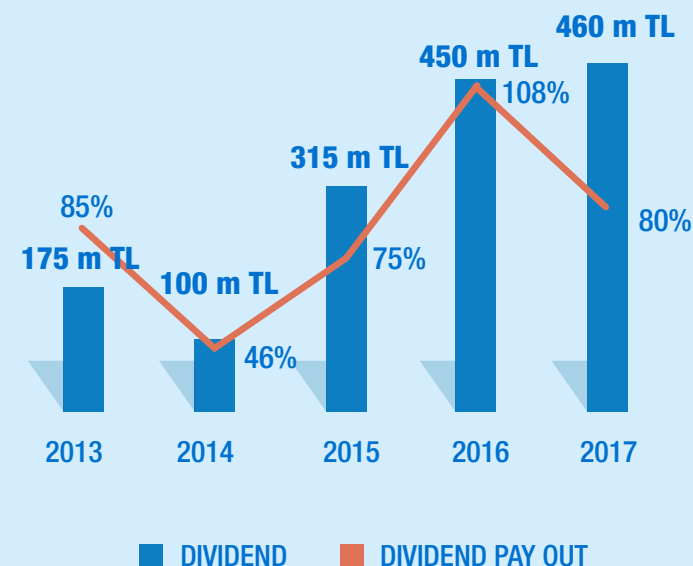
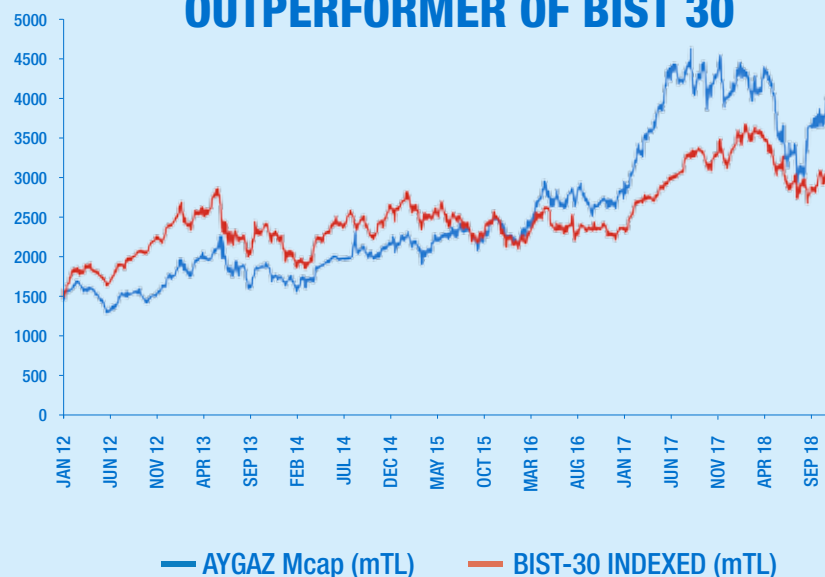
# > Shareholder value

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.

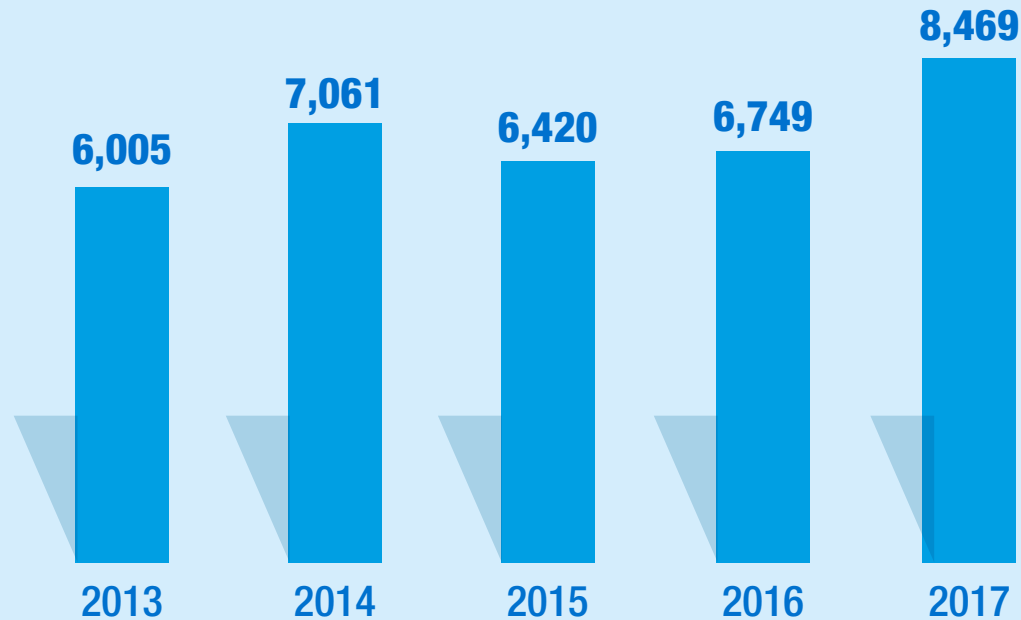
## OUTPERFORMER OF BIST 30



H

# Financial highlights

## REVENUE (m TL)

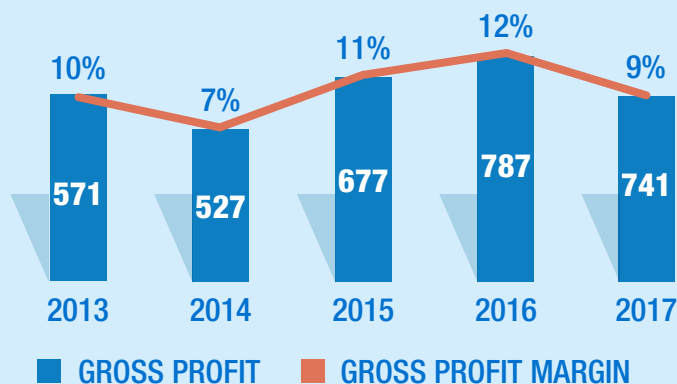


Revenue figure fluctuations are mainly due to;

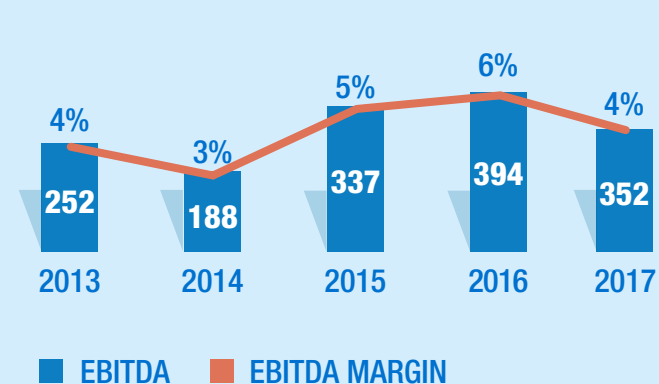
- FX rate changes
- Commodity price changes

# > Financial highlights

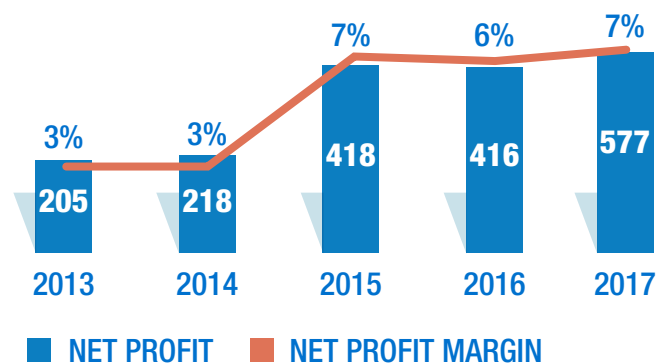
## GROSS PROFIT AND GPM



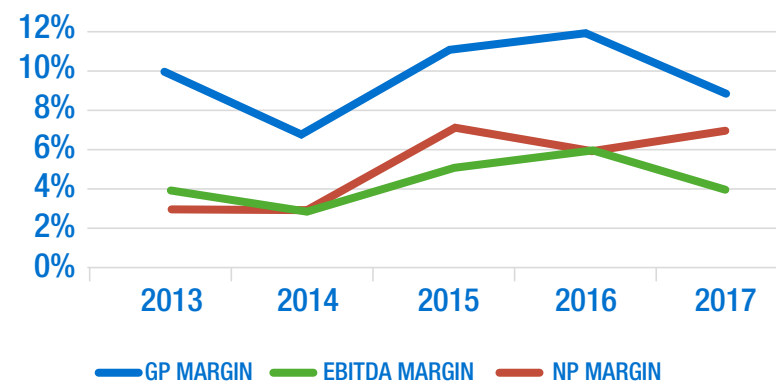
## EBITDA AND EBITDA MARGIN



## NET PROFIT AND NPM



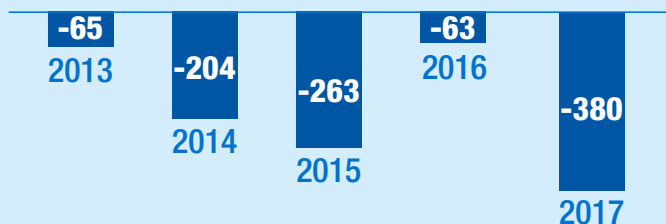
## PROFIT MARGINS



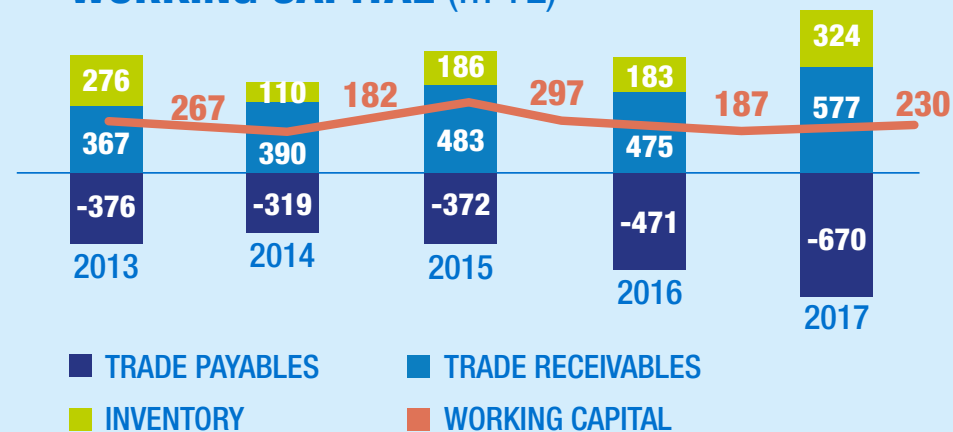
Bar figures: m TRY

# Financial highlights

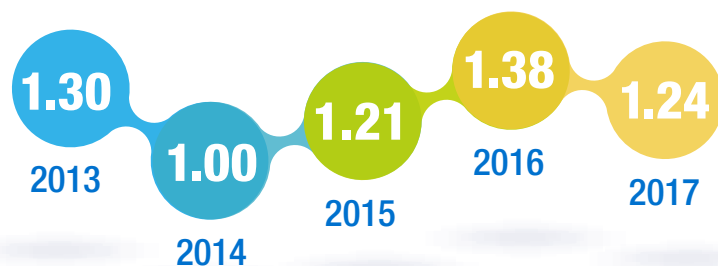
## NET CASH (m TL)



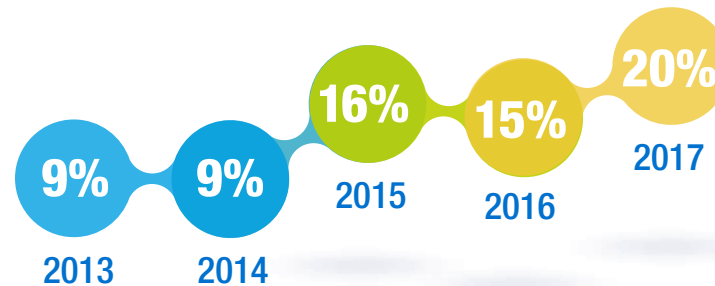
## WORKING CAPITAL (m TL)



## CURRENT RATIO



## RETURN ON EQUITY

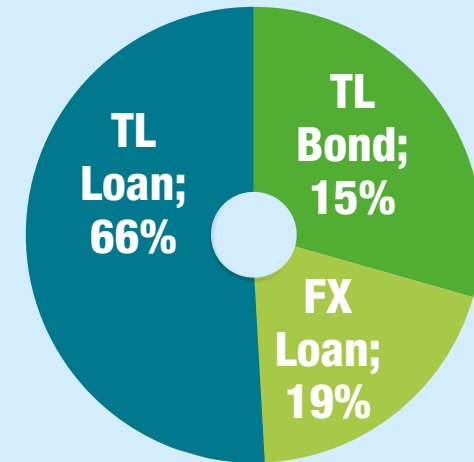


# > Financial highlights

(m TL)	2017	9M 2018
ST Borrowings	85	88
Current portion of LT Borrowings	305	488
LT Borrowings	583	830
<b>Total Debt</b>	<b>973</b>	<b>1,407</b>
Cash and cash equivalents (-)	593	616
<b>= Net Debt</b>	<b>380</b>	<b>791</b>

ST: Short-term LT: Long-term

DEBT PROFILE AS OF  
30/09/2018



- 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)	2013	2014	2015	2016	2017
Revenue	6,005	7,061	6,420	6,749	8,469
COGS	(5,434)	(6,534)	(5,743)	(5,962)	(7,728)
Gross Profit	571	527	677	787	741
Operating Profit	170	104	250	308	265
Profit Before Tax	237	237	458	469	621
Net Profit	205	218	418	416	577
EBITDA	252	188	337	394	352
GP margin	10%	7%	11%	12%	9%
OP margin	3%	1%	4%	5%	3%
NP margin	3%	3%	7%	6%	7%
EBITDA margin	4%	3%	5%	6%	4%

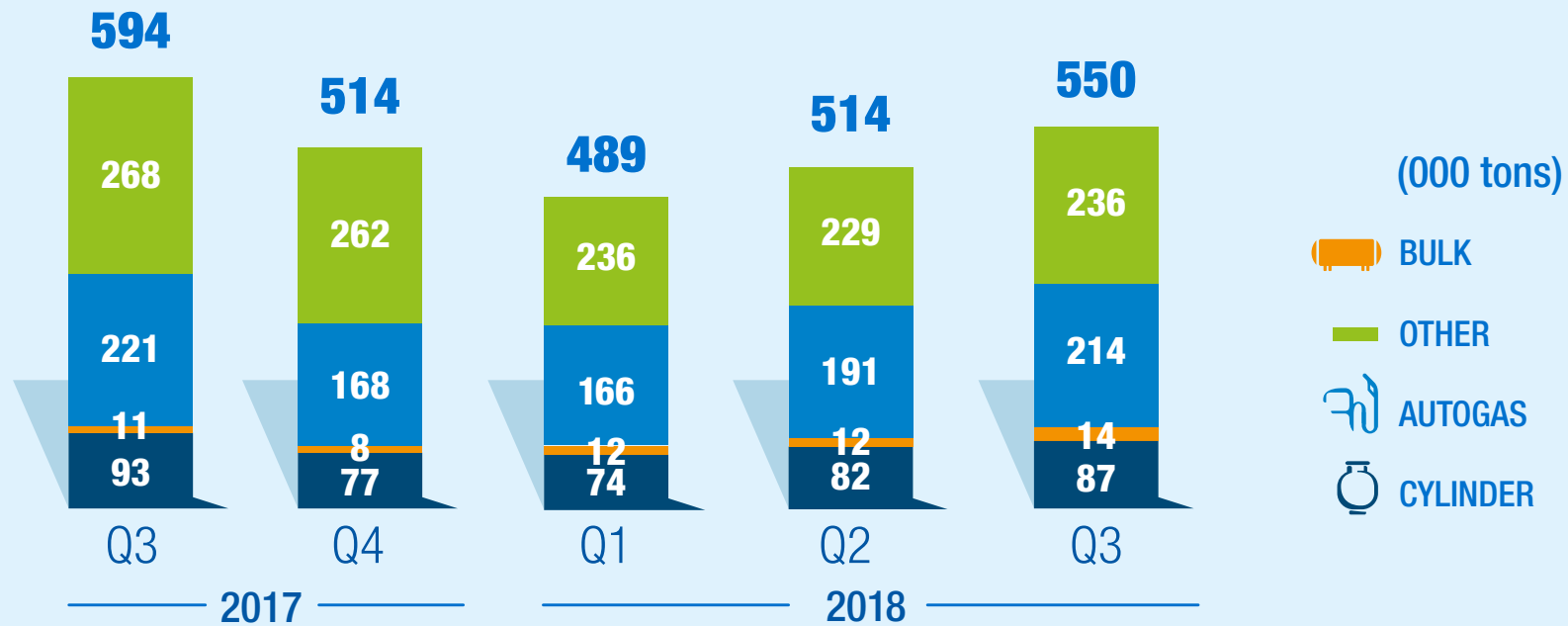
## 2 Balance sheet summary

(m TL)	2013	2014	2015	2016	2017
Cash & Cash Eq.	173	161	289	568	593
Trade Receivables	367	390	483	475	577
Inventories	276	110	186	183	324
Participations	1,377	1,677	1,867	1,922	2,273
Prop. Plant & Eq.	589	585	651	658	678
Financial Debt	(238)	(365)	(551)	(630)	(973)
Trade Payable	376	319	372	471	670
Equity	2,244	2,359	2,611	2,742	2,923
Total Assets	3,188	3,412	3,916	4,231	4,966
Net Cash (Debt)	(65)	(204)	(263)	(63)	(380)
Working Capital	267	182	297	187	230

# 3 2018 Q3 income statement summary

(m TL)	Q318	Q218	Change	Q318	Q317	Change
Revenue	<b>2,906</b>	2,222	31%	<b>2,906</b>	2,216	31%
Gross Profit	<b>277</b>	224	24%	<b>277</b>	223	24%
Operating Profit	<b>84</b>	93	-9%	<b>84</b>	100	-16%
Profit Before Tax	<b>124</b>	163	-24%	<b>124</b>	183	-32%
Net Profit	<b>112</b>	148	-25%	<b>112</b>	166	-33%
EBITDA	<b>106</b>	115	-8%	<b>106</b>	122	-13%
<b>MARGINS</b>						
Gross Profit M.	<b>10%</b>	10%	-	<b>10%</b>	10%	-
Operating Profit M.	<b>3%</b>	4%	-1	<b>3%</b>	5%	-2
Profit Before Tax M.	<b>4%</b>	7%	-3	<b>4%</b>	8%	-4
Net Profit M.	<b>4%</b>	7%	-3	<b>4%</b>	8%	-4
EBITDA M.	<b>4%</b>	5%	-1	<b>4%</b>	6%	-2

# 4 2018 Q3 Aygaz LPG sales



Q3 sales volumes were realized as;

- 214 thousand tons in Autogas (-3% YoY)
- 87 thousand tons in Cylinder Gas (-7% YoY)

# 5 2017 sales volumes



Domestic LPG sales

**1,125**  
Thousand tons

**-3% YoY**



International and  
wholesale LPG sales

**1,029**  
Thousand tons

**+9% YoY**



Total LPG sales

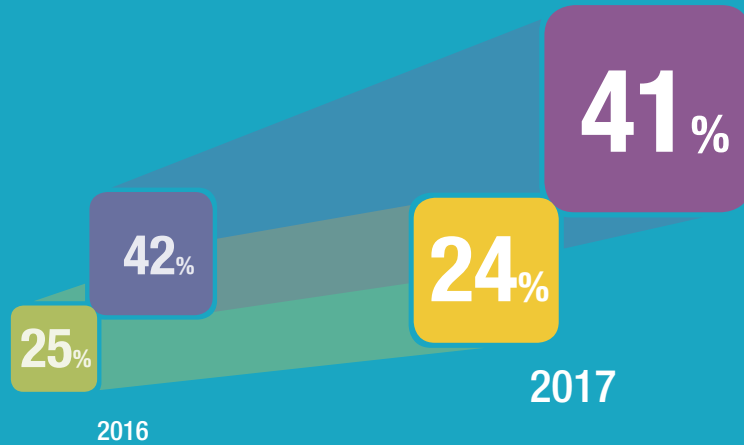
**2,154**  
Thousand tons

**+2% YoY**



- Cylinder sales are 335 thousand tons (-2% YoY)
- Autogas sales are 759 thousand tons (-4% YoY)

# 6 Market shares



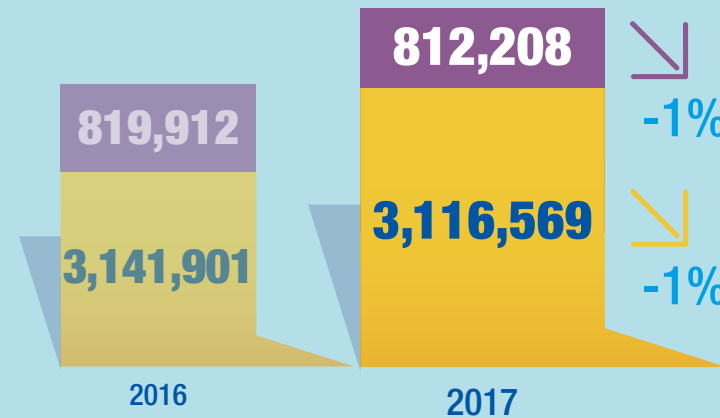
According to EMRA 2017 report, Aygaz cylinder and autogas market shares are 41% and 24% respectively.

(42% and 25% in 2016)

According to EMRA report, Turkish cylinder sales volume is 812,208 tons and autogas volume is 3,116,569 tons.

2016/12 months\*:

Cylinder gas 819,912 tons  
 Autogas 3,141,901 tons



SALES VOLUME (Tons)

EMRA, Aygaz

# 7 Forward looking statements for 2018



## SALES VOLUME

- **Cylinder: 310-325 thousand tons**  
(June 2018: 320-335 thousand tons)
- **Autogas: 720-750 thousand tons**  
(June 2018: 750-785 thousand tons)



## MARKET SHARE

- **Cylinder: 41.5%-43.5%**
- **Autogas: 22.5%-23.7%**

• Our sales volume expectations are updated due to our market prospects for the last quarter of 2018.

# 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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