

**AYGAZ**

# INVESTOR PRESENTATION

January 2017



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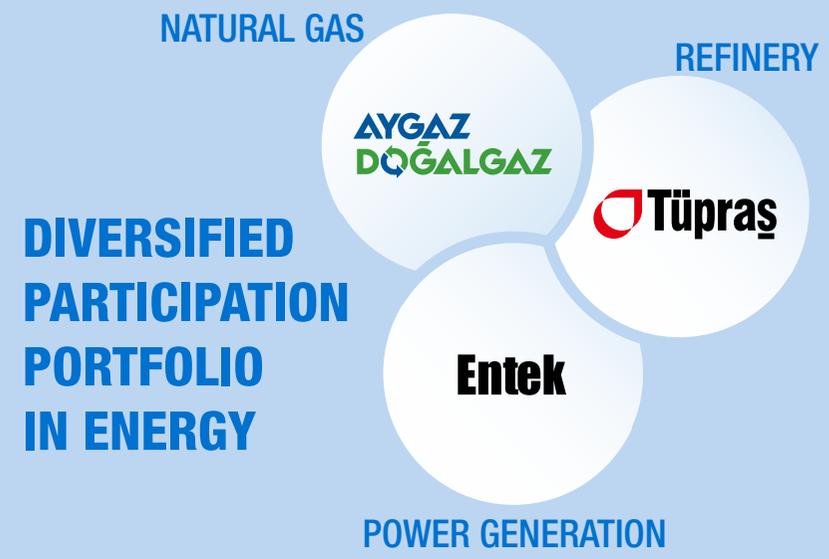


# A Aygaz overview



**LEADING  
LPG  
DISTRIBUTOR  
of TURKEY**

**2015**



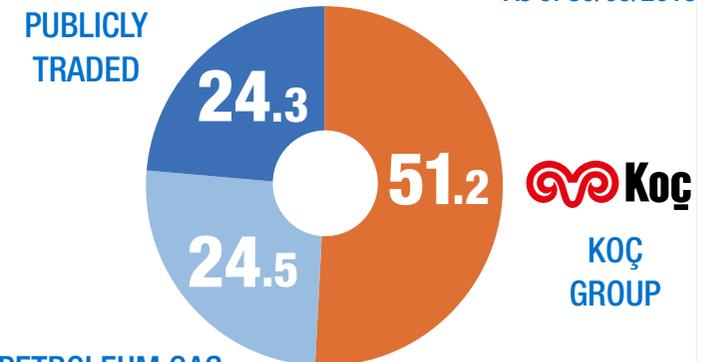
# > Overview

## SUMMARY FINANCIALS

(Cons. in m TL)	9M 2016	9M 2015	2015	2014	2015-2014 Change
Revenue	4,905	4,814	6,420	7,061	-9%
EBITDA	297	221	337	188	79%
Net Profit	277	273	418	218	92%
EBITDA Margin	6%	5%	5%	3%	+2
Net Profit Margin	6%	6%	7%	3%	+4
Volume (000 tons)	1,595	1,566	2,057	1,791	15%

## SHAREHOLDERS (%)

As of 30/09/2016



# > Core business - LPG distribution

**Generic brand for LPG**

**13th largest industrial company of Turkey, as of 2015  
with 55 years of history**

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

**Market leader with 3 brands**

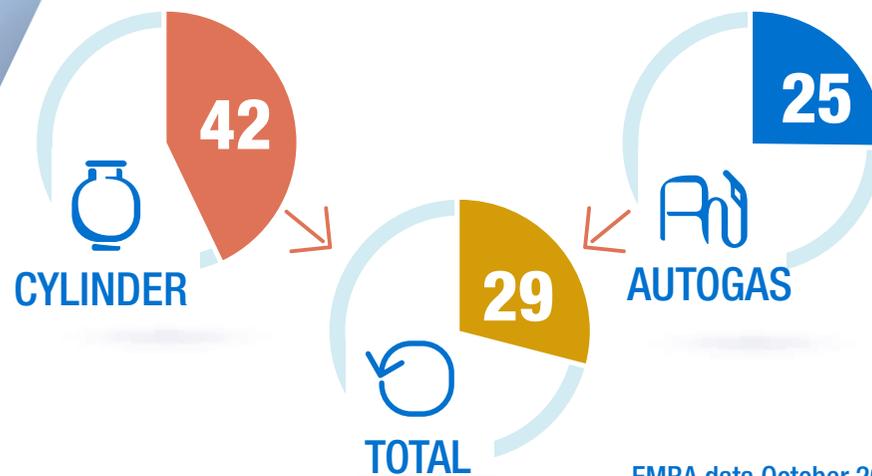
**AYGAZ Mogaz Lipetgaz**

**AYGAZ VOLUMES (000 tons)**



EMRA, Aygaz

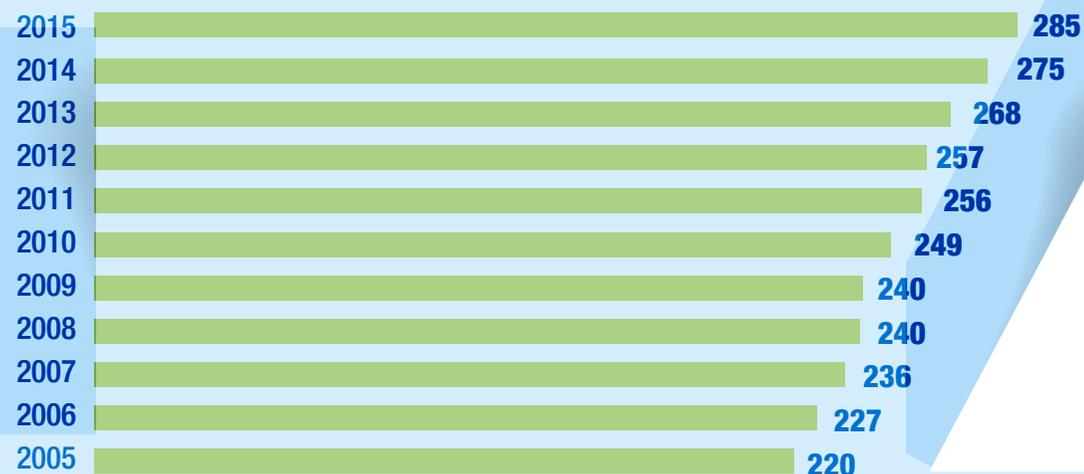
**MARKET SHARES (%)**



EMRA data October 2016

# 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

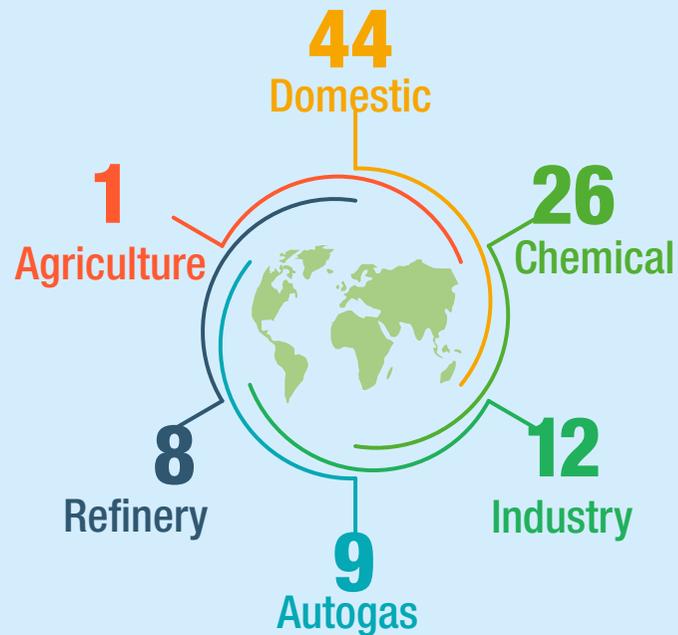


Cleaner, safer and cheaper at home & transportation

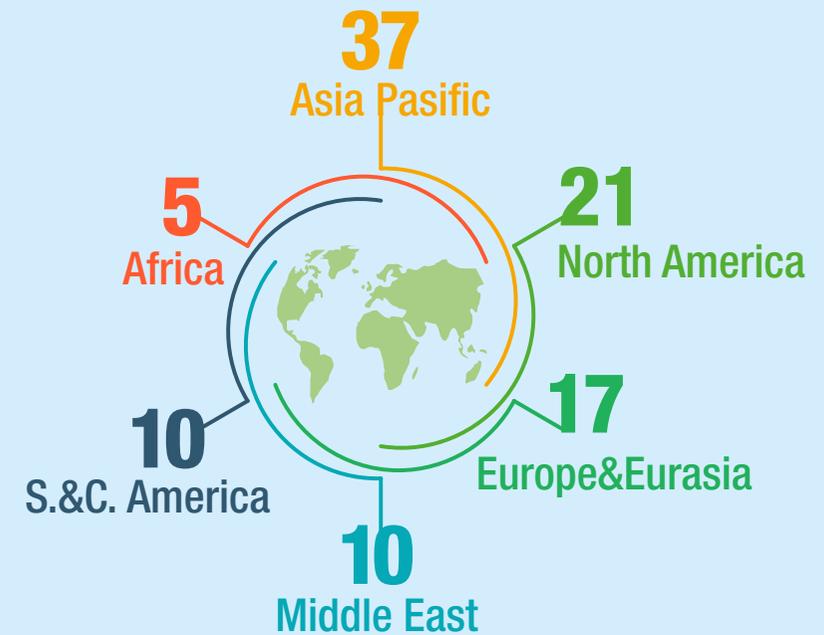
WLPGA Statistical Review of Global LP Gas Report, 2016

# > World LPG consumption

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

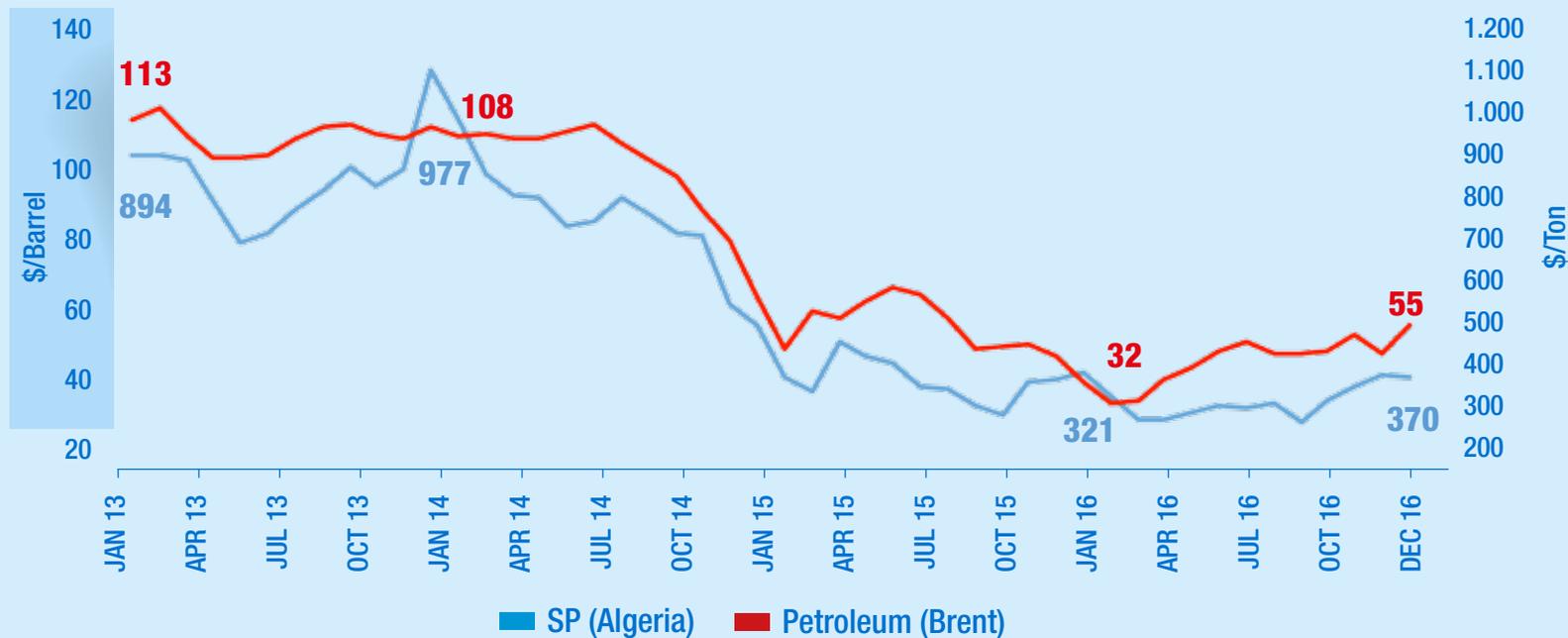


**World LPG Consumption  
By Region 2015 (%)**



WLPGA Statistical Review of Global LP Gas Report, 2016

# > LPG price versus brent

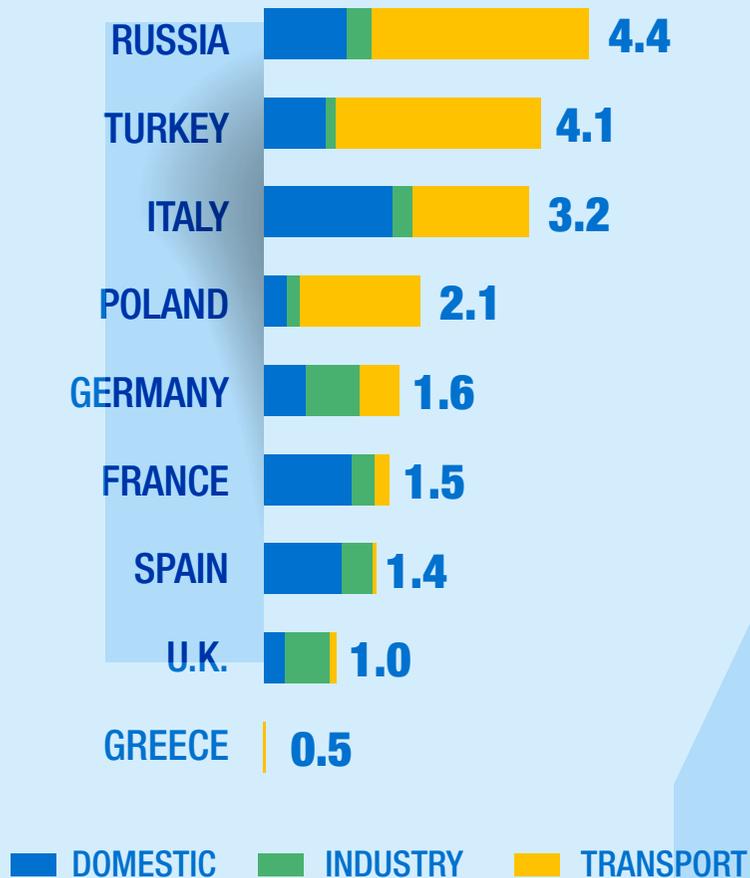


- There is a correlation with LPG and petroleum price
- Seasonality can also affect LPG price
- After the recent OPEC meeting, both crude and LPG prices are in upward trend

Sonatrach / Market data

# C Turkish LPG market

EUROPE (m ton)



WLPGA Statistical Review of Global LP Gas Report, 2016

**4.1 m tons #2 in Europe #16 in the World**

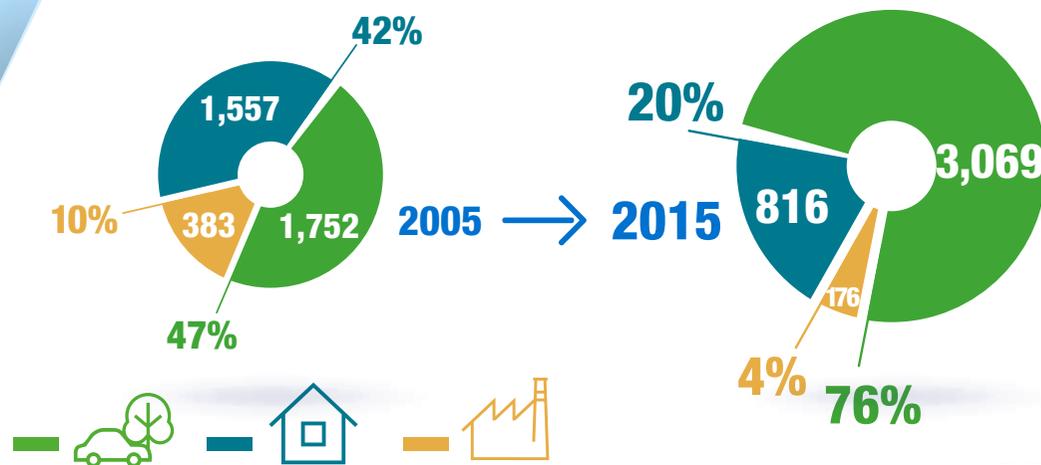
**~80 distribution companies**

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 • 4.3 m cars**

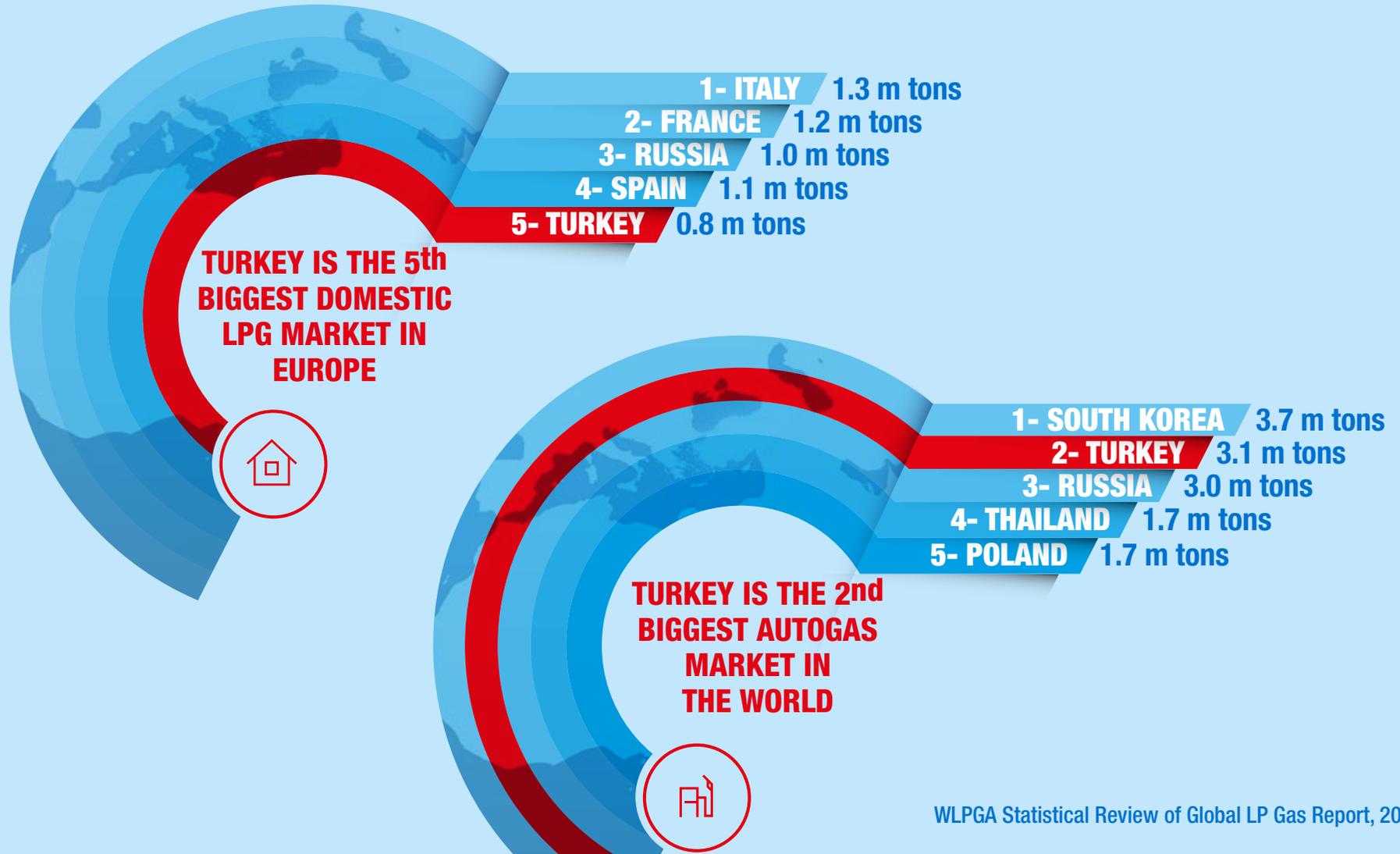
**Liberal market with regulatory body-EMRA**

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

TEHLİKELİ VE YANICI MADDE 2001  
ATEŞLE YAKLAŞMA  
SİGARA İÇİLMEZ  
AYGAZ



3235

35 N 1172

# Cylinder market starting to stabilize

## CYLINDER MARKET



## CYLINDER YoY CHANGES



**Growth signals for the first time after 15 years of contraction in 2015**

### Factors affecting cylinder market;

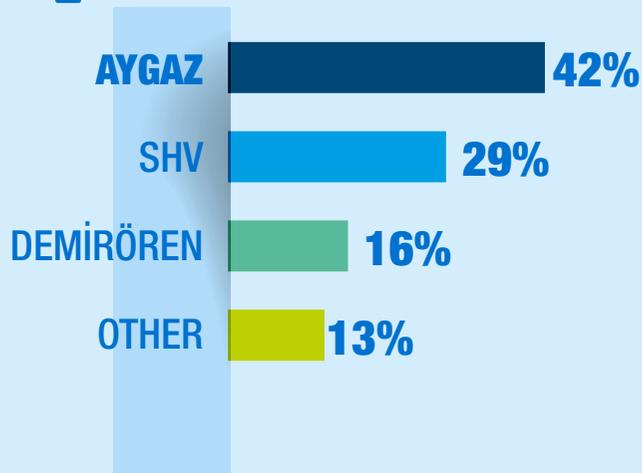
- Slow down of expansion in natural gas grid
- Low LPG prices supported demand stability
- Population upsurge due to Syrian refugees (approx. 3 m people)

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

2015	Number of Dealers	Sales Volume (tons)	Avg dealer sales (tons)
Aygaz cylinder dealers	2,129	343,472	161
Total cylinder dealers	8,208	815,547	99

\*EMRA data October 2016



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# > Autogas market keeping its steady growth

## AUTOGAS MARKET



## AUTOGAS YoY CHANGES



### Steady growth since 2003

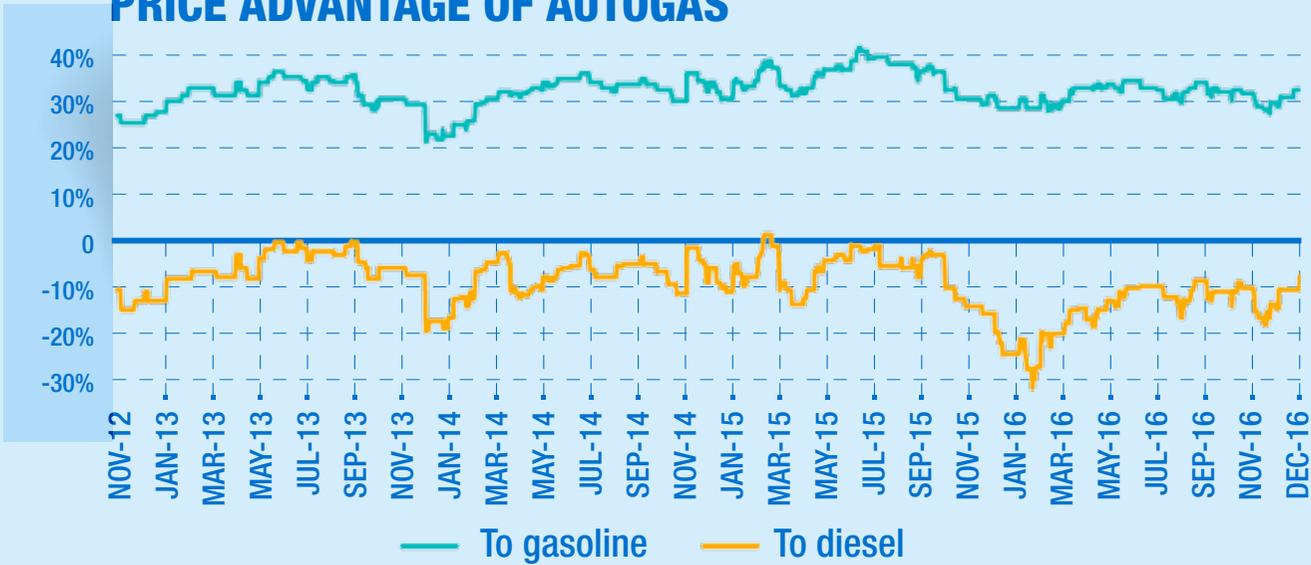
#### Factors affecting autogas market;

- 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

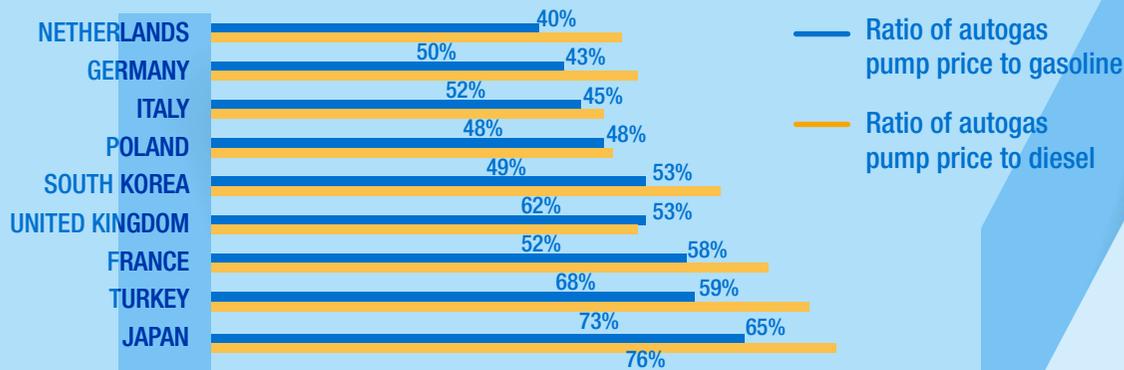
## PRICE ADVANTAGE OF AUTOGAS



**30%+**

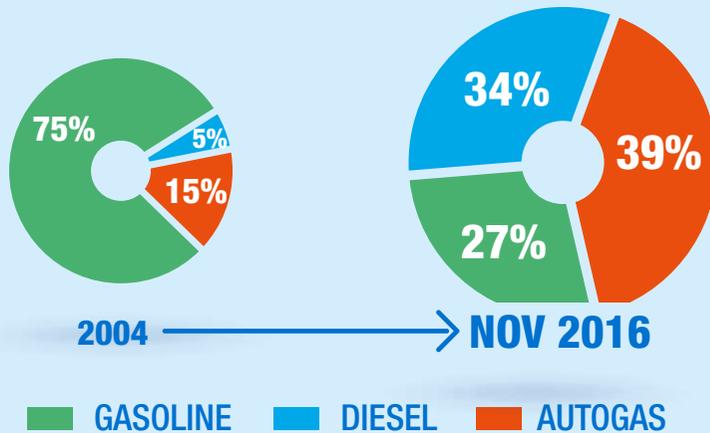
**price advantage to gasoline**

## PUMP PRICE OF AUTOGAS ACROSS THE WORLD

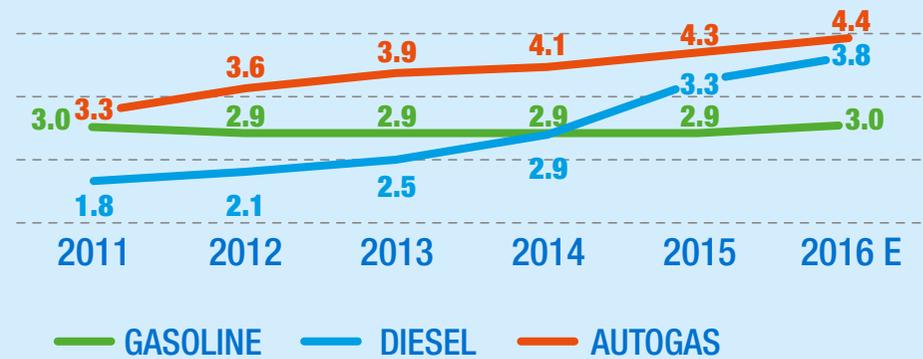


# > Autogas; most widely-used passenger car fuel of Turkey

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



**TURKISH CAR PARK (m cars)**



- Most widely-used passenger car fuel since 2011
- With 4.3 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

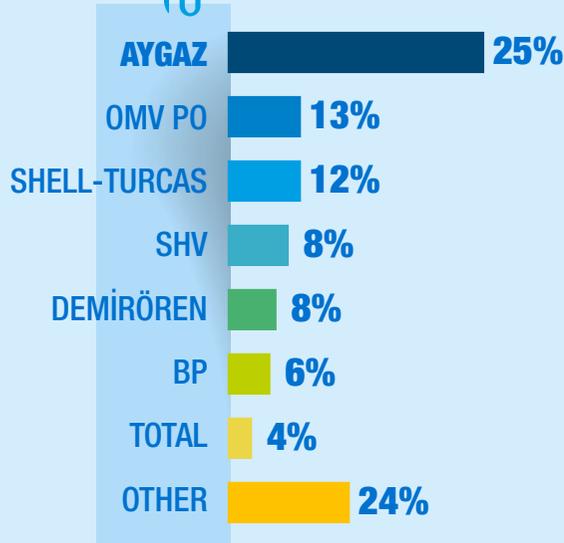
**CAR OWNERSHIP PER PERSON**



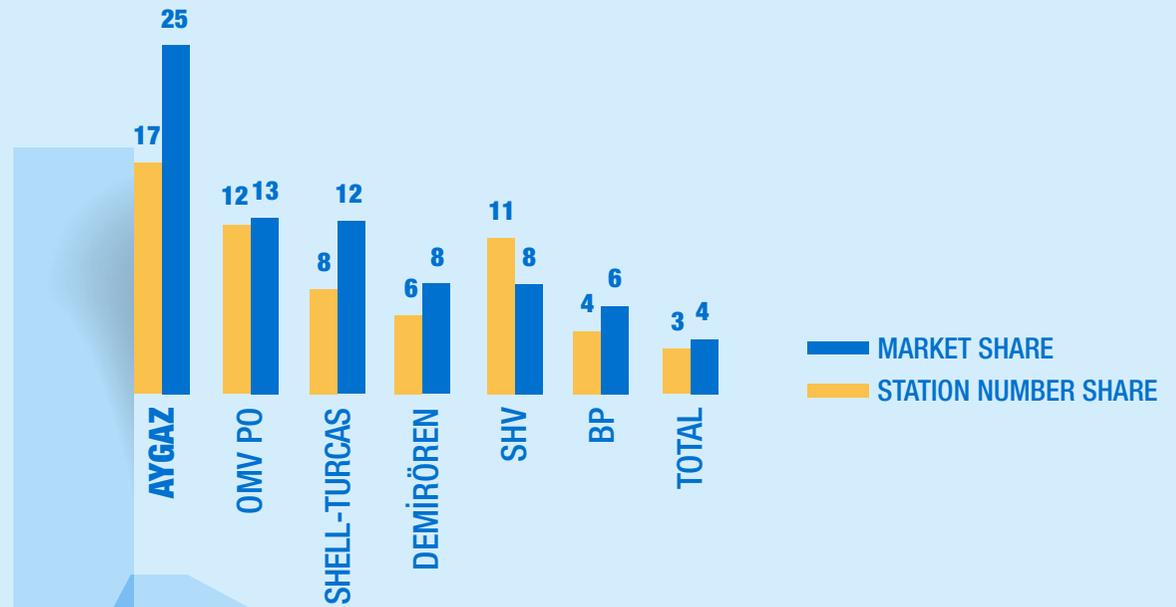
Turkstat, Eurostat

# 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

	2015	Number of Dealers	Sales Volume (tons)	Avg dealer sales (tons)
Aygaz autogas dealers		1,750	776,748	444
Turkish autogas dealers		9,961	3,069,237	308

EMRA data October 2015

# > Autogas car park growth

**160,000**



**conversions per year**

**1,000+** conversion points

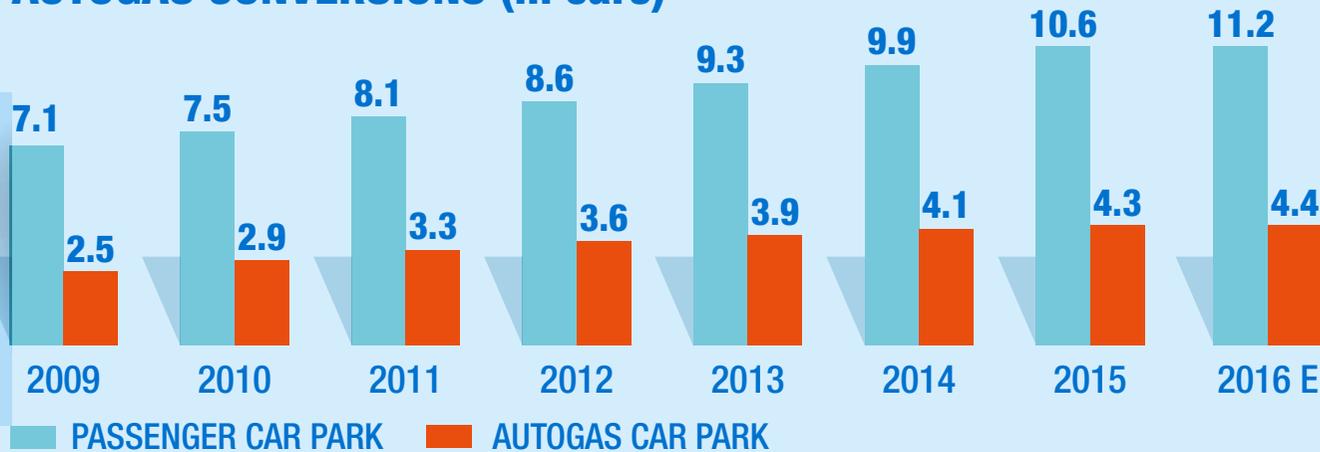
**\$500** average initial cost

**Payback in 15,000 km**

**OEM;** original equipment manufacturer

- Some major car manufacturers are providing guaranteed conversion currently

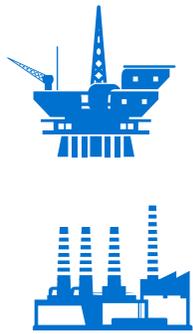
**AUTOGAS CONVERSIONS (m cars)**



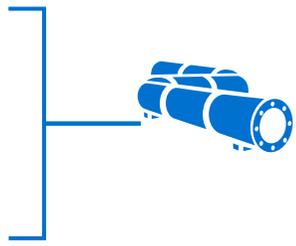
Turkstat



# 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

2,129 cylinder gas dealers



292 tankers



1,750 auto gas stations  
1,000,000+ vehicles using Aygaz Euro LPG+



3,500+ bulk gas clients



As of end of 2015

# > 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



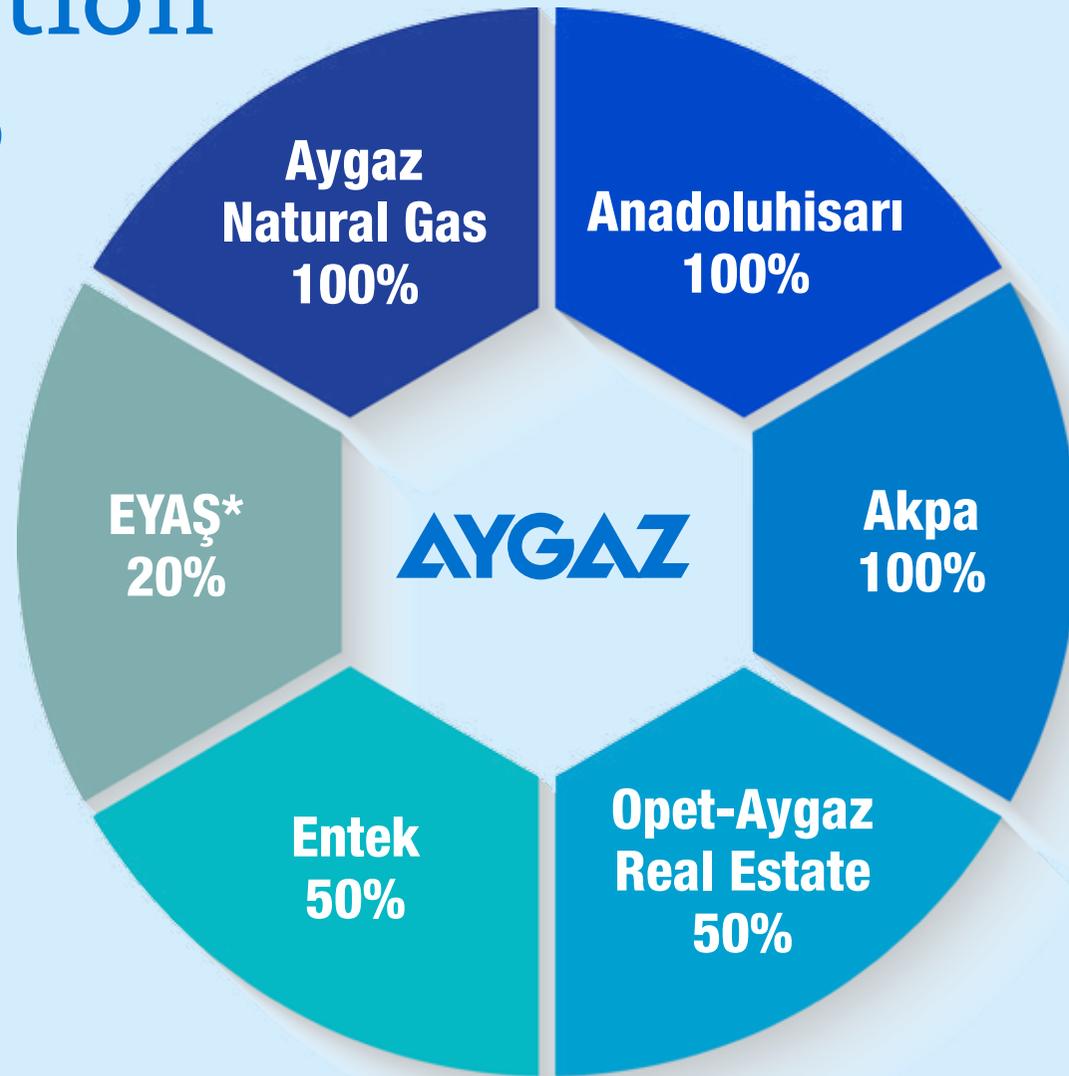
## OVERLAND TRANSPORTATION

- 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

# 2015

sales: ~100 mcm

## PIPELINE NATURAL GAS SALES



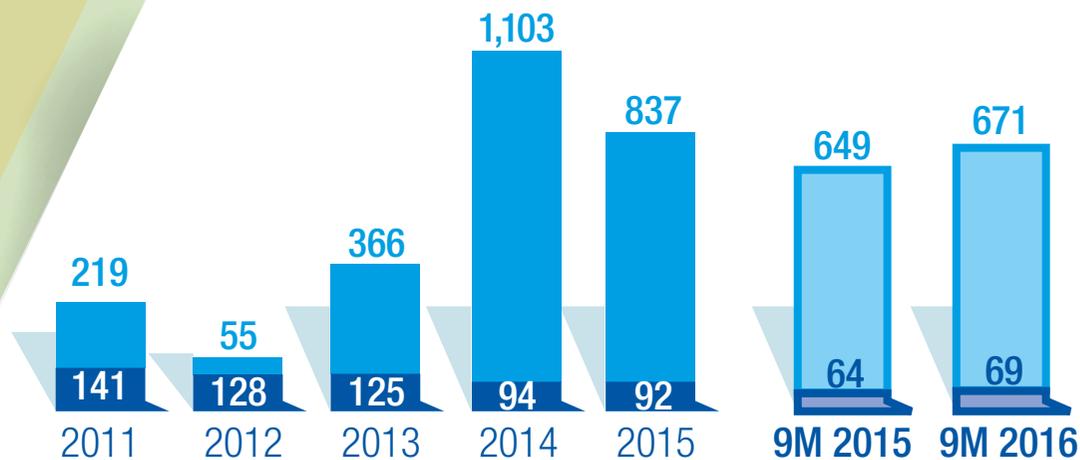
Started in 2010

2015 sales: ~800 mcm

## PROJECTS

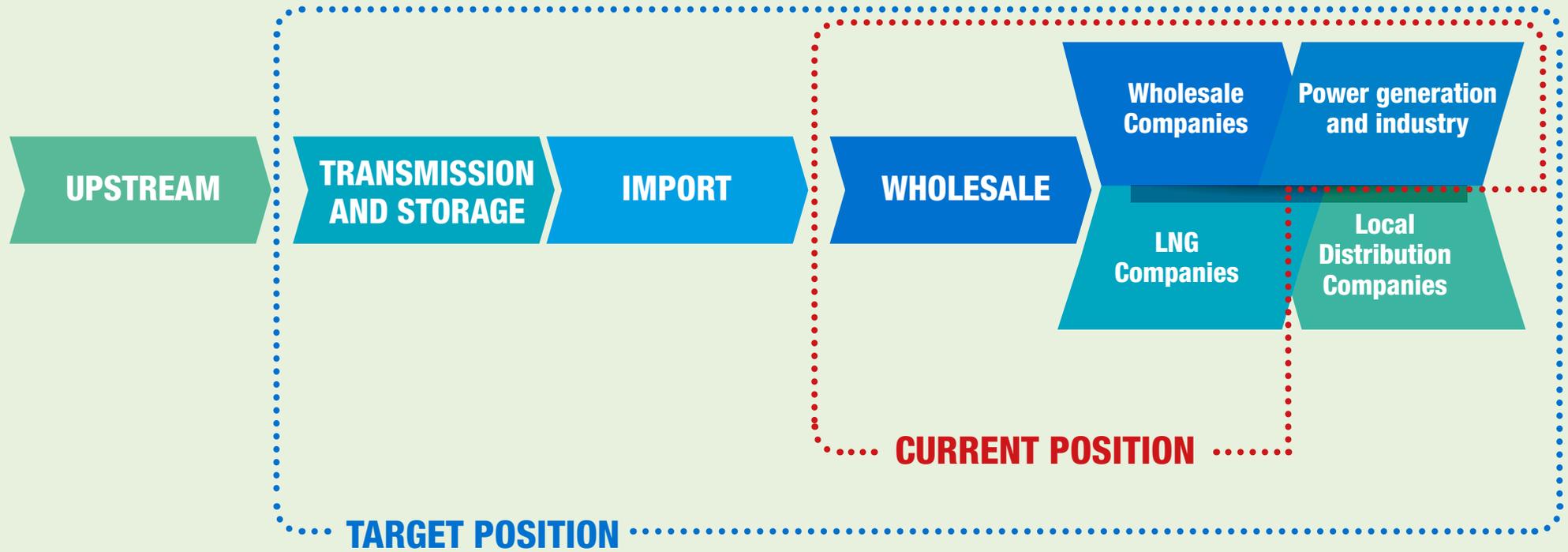
LNG & Pipeline gas import

## SALES VOLUME (mcm)



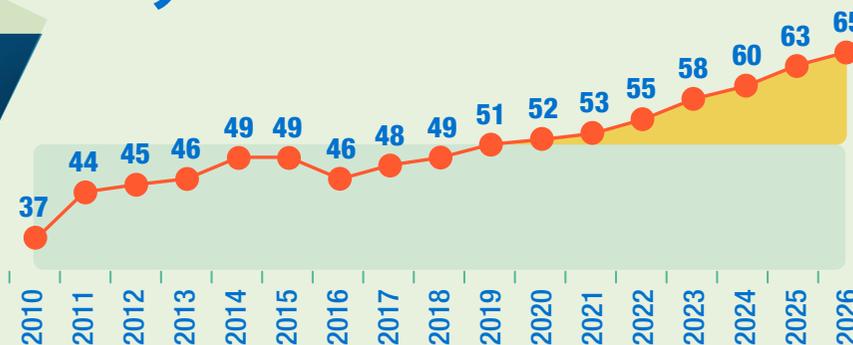
■ LNG SALES ■ PIPELINE SALES

# > 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

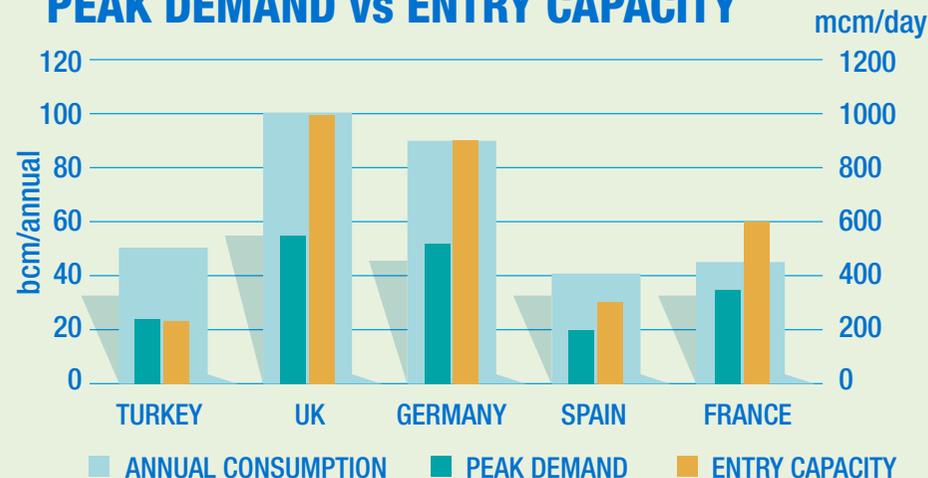


**Expected 2026 Consumption 65 bcm**  
**Expected 2026 Additional Gas Requirement 14 bcm**

## TURKISH NATURAL GAS SUPPLY/DEMAND



## PEAK DEMAND vs ENTRY CAPACITY



Botaş & Aygaz

G

# Other participations

## POWER GENERATION

**İzmit NGCC:** **160 MW**

**3 hydro assets:** **62 MW**

Kepezkaya HEPP (Karaman) 28 MW

Damlapınar HEPP (Karaman) 16 MW

Kumköy HEPP (Samsun) 18 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 18 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 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

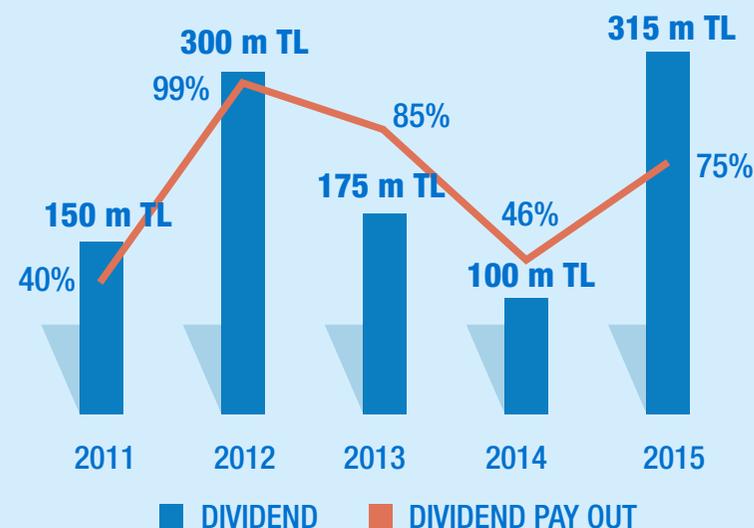
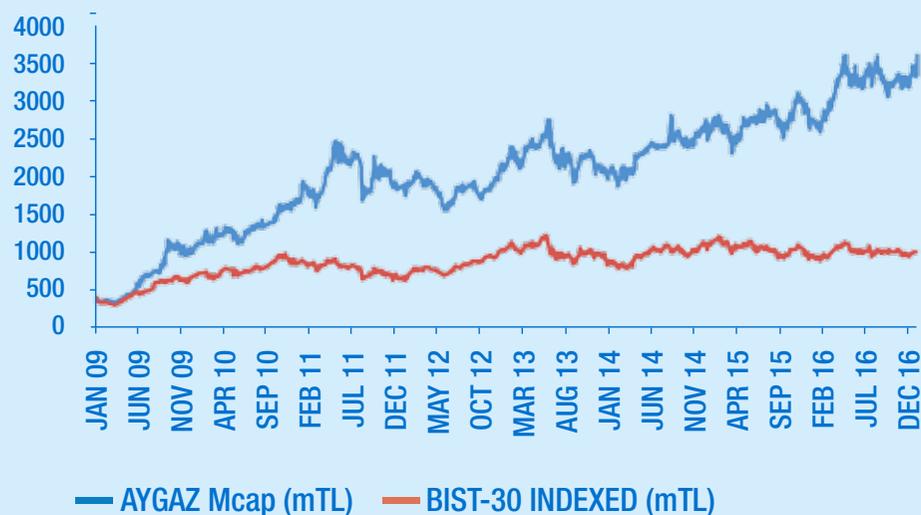
# > Shareholder value

## CONTINUOUS OUTPERFORMER OF BIST 30

BIST Code	<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

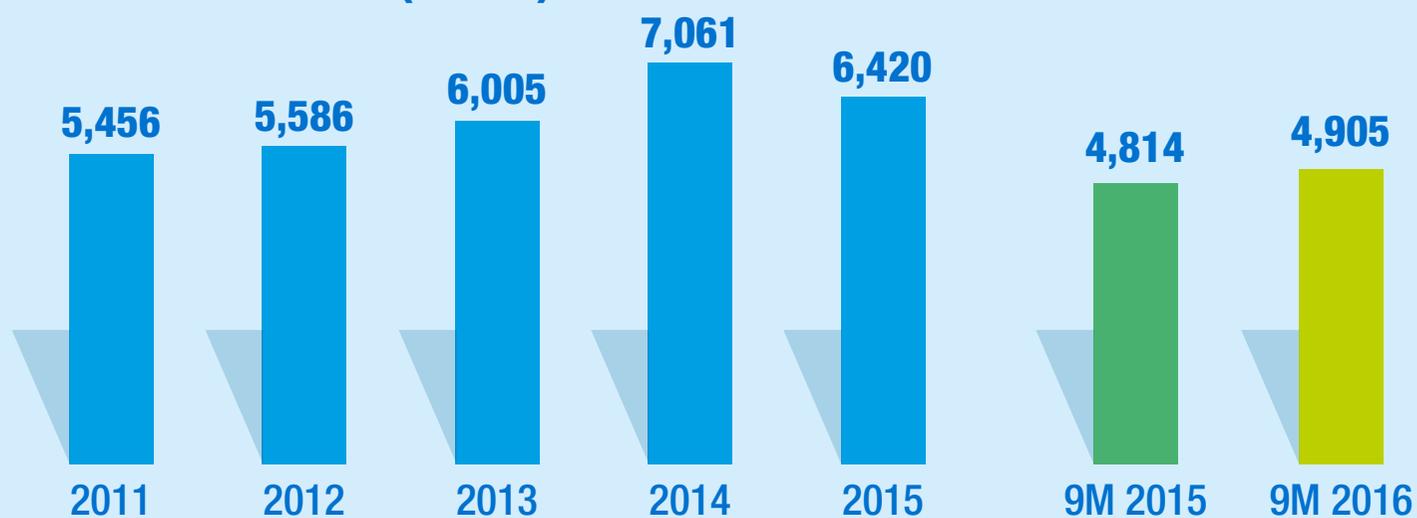
- Sustainable operating profitability from core business; LPG
- Resistant to economic fluctuations and crises
- High dividend payments
- Corporate governance practices at international standards;
  - SAHA Corporate Governance and Credit Rating Services announced Aygaz's corporate governance rating score as 9.36 on July 1, 2016



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# Financial highlights

## SALES REVENUE (m TRY)



Sales revenue figure fluctuations are mainly due to;

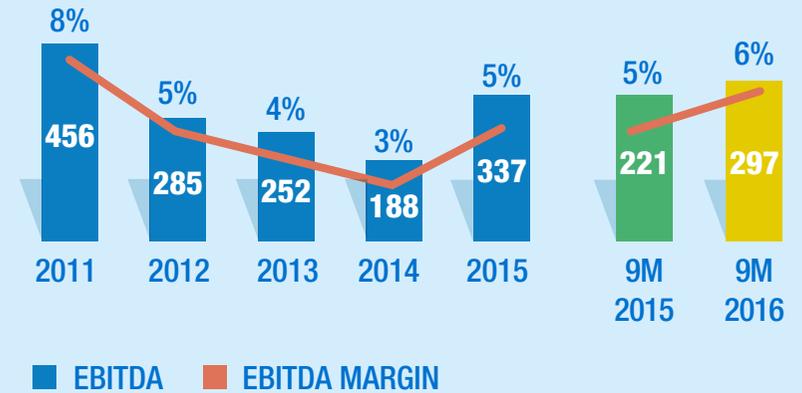
- FX rate changes
- Commodity price changes

# > Financial highlights

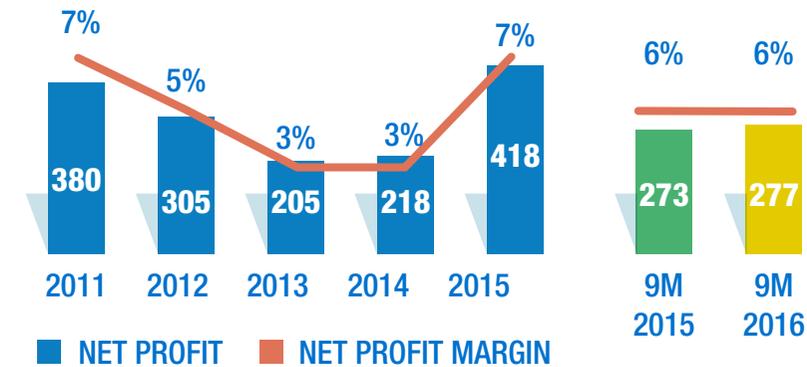
## GROSS PROFIT AND GPM



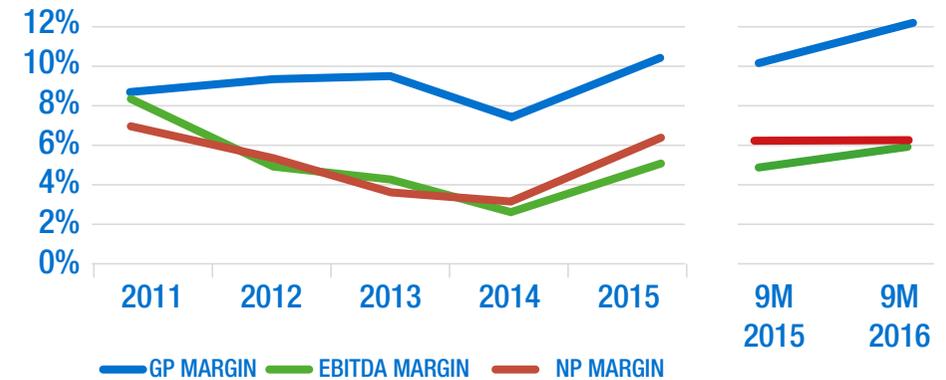
## EBITDA AND EBITDA MARGIN



## NET PROFIT AND NPM



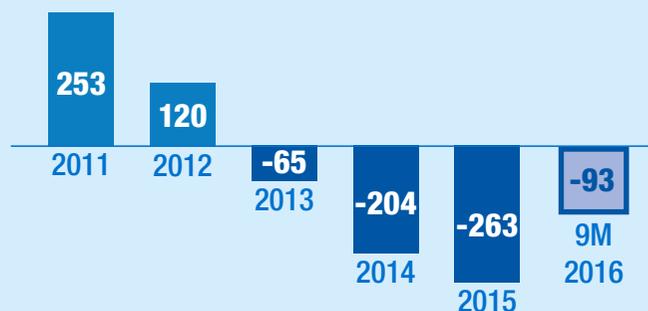
## PROFIT MARGINS



Bars: m TRY figures  
Lines: % figures

# Financial highlights

## NET CASH



## WORKING CAPITAL



## CURRENT RATIO



## RETURN ON EQUITY



\*Rolling basis

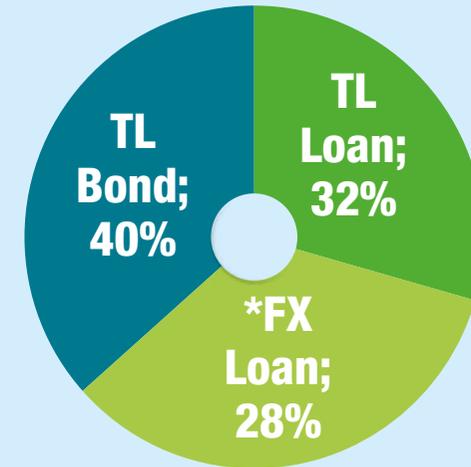


# Financial highlights

## DEBT PROFILE AS OF 30/09/2016

m TL	2015	9M 2016
ST Borrowings	66	3
Current portion of LT Borrowings	182	207
LT Borrowings	303	393
<b>Total Debt</b>	<b>551</b>	<b>604</b>
Cash and cash equivalents (-)	289	511
<b>= Net Debt</b>	<b>263</b>	<b>93</b>

ST: Short-term LT: 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 July 1, 2016.

# I 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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# Appendix

# 1 Income statement summary

(m TRY)	2011	2012	2013	2014	2015	9M 2016
<b>Sales Revenue</b>	<b>5,456</b>	<b>5,586</b>	<b>6,005</b>	<b>7,061</b>	<b>6,420</b>	<b>4,905</b>
<b>COGS</b>	<b>(4,978)</b>	<b>(5,065)</b>	<b>(5,434)</b>	<b>(6,534)</b>	<b>(5,743)</b>	<b>(4,319)</b>
<b>Gross Profit</b>	<b>478</b>	<b>521</b>	<b>571</b>	<b>527</b>	<b>677</b>	<b>586</b>
<b>Operating Profit</b>	<b>371</b>	<b>206</b>	<b>170</b>	<b>104</b>	<b>250</b>	<b>233</b>
<b>Profit Before Tax</b>	<b>419</b>	<b>345</b>	<b>237</b>	<b>237</b>	<b>458</b>	<b>311</b>
<b>Net Profit</b>	<b>380</b>	<b>305</b>	<b>205</b>	<b>218</b>	<b>418</b>	<b>277</b>
<b>EBITDA</b>	<b>456</b>	<b>285</b>	<b>252</b>	<b>188</b>	<b>337</b>	<b>297</b>
<b>GP margin</b>	<b>9%</b>	<b>9%</b>	<b>10%</b>	<b>7%</b>	<b>11%</b>	<b>12%</b>
<b>OP margin</b>	<b>7%</b>	<b>4%</b>	<b>3%</b>	<b>1%</b>	<b>4%</b>	<b>5%</b>
<b>NP margin</b>	<b>7%</b>	<b>5%</b>	<b>3%</b>	<b>3%</b>	<b>7%</b>	<b>6%</b>
<b>EBITDA margin</b>	<b>8%</b>	<b>5%</b>	<b>4%</b>	<b>3%</b>	<b>5%</b>	<b>6%</b>

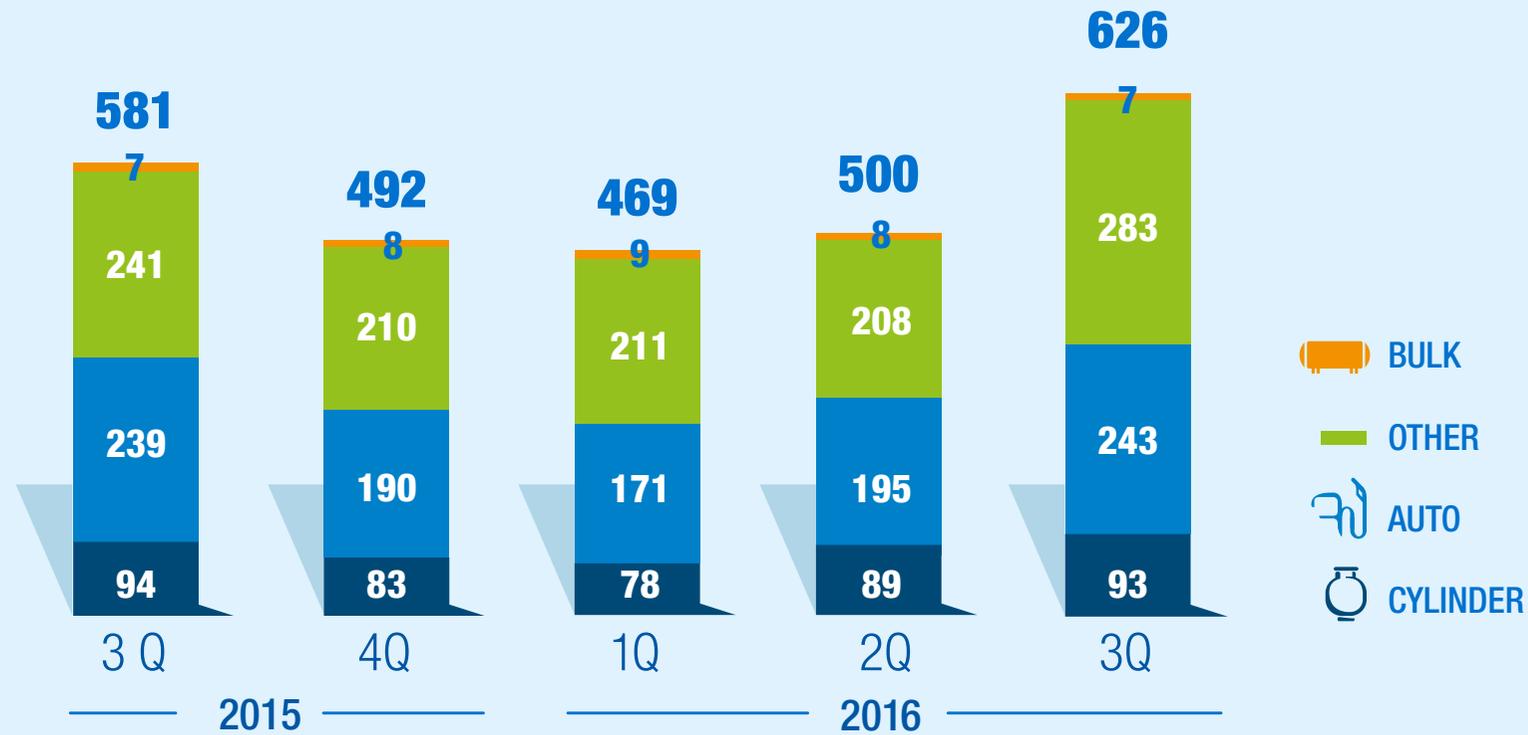
## 2 Balance sheet summary

(m TRY)	2011	2012	2013	2014	2015	9M 2016
Cash & Cash Eq.	254	125	173	161	289	511
Trade Receivables	299	304	367	390	483	439
Inventories	184	213	276	110	186	145
Participations	1,020	1,230	1,377	1,677	1,867	1,897
Prop. Plant & Eq.	573	595	589	585	651	650
Financial Debt	(2)	(6)	(238)	(365)	(551)	(604)
Trade Payable	251	269	376	319	372	312
Equity	2,155	2,381	2,244	2,359	2,611	2,672
Total Assets	2,712	2,956	3,188	3,412	3,916	4,073
Net Cash	253	120	(65)	(204)	(263)	(93)
Working Capital	232	248	267	182	297	272

# 3 2016 / 3Q income statement summary

Million TL	3Q16	2Q16	Change	3Q16	3Q15	Change
<b>Revenues</b>	<b>1,845</b>	1,535	20%	<b>1,845</b>	1,851	-0.3%
<b>Gross Profit</b>	<b>217</b>	194	12%	<b>217</b>	181	20%
<b>Operating Profit</b>	<b>85</b>	82	3%	<b>85</b>	60	40%
<b>Profit Before Tax</b>	<b>132</b>	105	26%	<b>132</b>	122	8%
<b>Net Profit</b>	<b>119</b>	93	27%	<b>119</b>	113	5%
<b>EBITDA</b>	<b>106</b>	104	2%	<b>106</b>	82	29%
<b>MARGINS</b>						
<b>Gross Profit M.</b>	<b>12%</b>	13%	-1	<b>12%</b>	10%	+2
<b>Operating Profit M.</b>	<b>5%</b>	5%	-	<b>5%</b>	3%	+2
<b>Profit Before Tax M.</b>	<b>7%</b>	7%	-	<b>7%</b>	7%	-
<b>Net Profit M.</b>	<b>6%</b>	6%	-	<b>6%</b>	6%	-
<b>EBITDA M.</b>	<b>6%</b>	7%	-1	<b>6%</b>	4%	+2

# 4 2016/ 3Q Aygaz LPG sales



3Q sales volumes were realized as

- 243 thousand tons in Autogas (+1.8% YoY)
- 93 thousand tons in Cylinder Gas (-0.5% YoY)

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# 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