



TAT Gıda Sanayi A.Ş.

TAT Gıda Sanayi A.Ş First Quarter 2022 Financial Results Conference Call

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Conductors:

Ms. Başak Tekin Özden, CFO

Ms. Banu Çamlıtepe, Investor Relations

Conference Call Conducted by Chorus Call Hellas



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OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Maria your Chorus Call operator.

Welcome and thank you for joining the TAT Gıda Sanayi A.Ş. conference call and live webcast, to present and discuss the First Quarter 2022 Financial Results.

At this time, I would like to turn the conference over to Ms. Başak Özden, CFO & Ms. Banu Çamlıtepe, Investor Relations.

Ms. Çamlıtepe, you may now proceed.

ÇAMLITEPE B: Thank you very much. Good afternoon everyone, and welcome to the First Quarter 2022 Earnings Conference Call for Tat Gıda. We have Başak Özden, our Chief Financial Officer is with me today to go over the financial results in details, and as usual, at the end we will have the question and answer session. And we have prepared presentation slides to supplement our remarks, and these are going to be available on our Investor Relations section on Tat Gıda website. I will start with Slide 4 and then I will give the room to Mrs. Başak Özden to for further details.

And now, we can start on Slide 4. We announced our first quarter results yesterday, and Tat Gıda once again delivered strong financial results against challenging market conditions. We had started 2022 with strong confidence as we mentioned in also our fourth quarter results, as we have processed 32% more tomatoes and produced 25% more volume in tons in our last harvesting season.

Thanks to strong contribution of our domestic and foreign operations, our net sales this quarter surged by 151% compared

to the same term last year. This was on top of a strong performance we have announced in fourth quarter results last year.

At 2021 end, we have mentioned the challenging market environment, due to elevated new season costs, increased tomato purchases and TL's depreciation. Despite these elevated costs' impact on our 1Q results, our gross profit increased by 203% and reached TL 183 million, and our gross margin was at 34%, which was 6 percentage points higher versus first quarter of last year.

We continue to invest in our brand in order to enhance long-term market position and support our growth in both domestic and export markets, therefore our marketing expenses increased this quarter to TL 50 million, which was TL 17 million a year ago in the same term. Meanwhile with strong operational performance, our EBITDA reached TL 85 million and our EBITDA margin was 16% this quarter. We have distributed a total dividend of TL 56 million in March, and our investments totaled TL 8 million in this quarter and however, our net debt position at TL 293 million at 2021 and came down this quarter to TL 132 million.

Finally, as the bottom line, we have reported net profits from continued operations at TL 95 million, compared to TL 25 million in the same term of last year.

And for more details now, I will turn the call over to Mrs. Başak Özden.

ÖZDEN B:

Thank you Banu. So I will continue with Slide 5, where we can review our sales performance. We're pleased to report a strong

overall start to the year, the realized sales volume growth of 77% in the first quarter 2022. Our net sales stands at TL 537 million and it was up 151% in the first quarter, led by sales volume growth, and also led by pricing initiatives to offset inflationary pressures.

Tat continues to be the market leader in tomato product, tomato paste, ketchup and pickles also in this quarter, and domestic sales increased by 80%. We are working to enhance our portfolio and capacity to better adjust consumer demand, and this includes increasing the contribution of branded and value-added sale. And when we look at the exports, you'll see that our exports surged by 371% almost quadrupling, thanks to our investments in new sales channels, in new markets, and marketing operations.

Continuing with Slide 6, where you will find some details on our exports. So our marketing investments to enhance our export sales are now paving their way. On top of strong export levels in the last quarter of 2021, our export revenue reached \$18 million, increasing 149% over the same term last year.

Share of exports in total sales was 46%, which was above 25% obtained in the first quarter of 2021. Main export markets were Europe and country-specific, Italy, Germany and Japan. As an important part of our export strategy, we have been targeting new markets and new sales channel. The new agreement for branded and industrial tomato products both in Europe and Middle East has created a strong growth in our export sales in recent years. And we expect this export performance to continue in the following terms.

On Slide 7, I would like to share with you our gross margin improvements. In mainly the third quarter of 2021, where we had the tomato season, a higher COGS due to new harvesting season elevated prices, increased volume of tomato purchase combined with the weak Turkish Lira led to pressure on our margins.

Starting from September and in the last quarter of 2021, we reflected price adjustments to our overall prices. And we have seen the impact of this starting in the last quarter of 2021 and also in the first quarter of 2022. Our gross profit increased by 203% year-on-year in the first quarter and gross margin came up to 34% compared to 28% in the first quarter of last year and 31% in the last quarter of 2021.

Moving on over to the operating profit, we are investing to accelerate growth and enhance our long term market position. Last year, we have made changes in our labels and packages in the domestic market. And we had also launched advertising campaigns mainly in the third and fourth quarters. We continue to invest in the first quarter of the year as well. And our marketing and sales expenses increased to TL 50 million in the first quarter of 2022. We're also investing in our export markets in parallel to our strategy.

Our general administrative expenses increased to TL 51 million due to inflationary adjustments on personnel costs. But we continue to try to take actions to optimize process conditions that drive better yields, lower costs and consistent quality and higher outputs. And we delivered solid operating income performance up 228% for the quarter to TL 81 million.

Looking at our EBITDA, EBITDA stood at TL 81 million in this quarter much higher than TL 27 million obtained in the first quarter last year and the EBITDA margin was 16% in the first quarter versus 15% in the last quarter of 2021 and 13% in the first quarter of 2021. Depreciation and amortization expenses increased by 39% to TL 3.5 million.

Going on over to Slide 10; Our net financial debt position has reached TL 293 million as of 2021-end due to TL 134 million investment spending and elevated costs in the harvesting season. And also 120K tons of additional tomato purchase following the completion of CAPEX investments.

However, net financial debt position came down to TL 132 million at the end of March, despite dividend payments and investment spending. And let me emphasize that 85% of our total financing debt of TL 384 million is Turkish lira denominated. And our net financial debt over rolling EBITDA ratio at 0.6 multiples is at a reasonable and healthy levels.

And finally, you see on Slide 11, our net profit. We achieved TL 95 million net income from ongoing operations in the first quarter, which was TL 25 million in the same term last year. This is mainly due to better operational performance due to higher sales volume and prices and cost optimization. And also net financial expense for the first quarter was TL 10.6 million, while this was a financial income of TL 4 million in the first quarter of last year, and TL 14 million in the last quarter of 2021. You can see our balance sheet and income statement summary in the appendix.

So we can now go through the questions.

Q&A

OPERATOR: Ms. Özden, there are no audio questions at this time. Would you like to see if there are any webcast questions?

ÖZDEN B: Sure, please.

ÖZDEN B: I don't see any questions here as well.

ÇAMLITEPE B: Same for me. I think we can conclude if you like. I think there are no questions.

ÖZDEN B: Okay. Yes, of course, we're always at your service for any questions you may have today or in the coming days. So please don't hesitate to reach us for any comments or questions.

ÇAMLITEPE B: Thank you very much again for joining us today. And considering that next week is Bayram holiday. We wish you a joyful Bayram holiday next week.

ÖZDEN B: Yes. Eid Bayram.

ÇAMLITEPE B : Thank you.

ÖZDEN B: Thank you.