



Tat Gıda Sanayi A.Ş.

Tat Gıda Sanayi A.Ş. Full Year 2017 Financial Results Conference Call

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Conductors:

Mr. Ahmet Çağışan YILMAZ, CFO

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CHORUS CALL HELLAS
PROVIDER OF TELECONFERENCING SERVICES

TEL: +30 210 94 27 300
FAX: + 30 210 94 27 330

Web: www.choruscall.com

OPERATOR: Good afternoon Ladies and Gentlemen, this is the Chorus Call Conference Operator.

Welcome and thank you for joining the presentation of Tat Gida Sanayi A.Ş. Full Year 2017 Financial Results.

At this time, I would like to turn the Conference over to Mr. Ahmet Çağışan Yılmaz, CFO.

Please, you may now proceed.

YILMAZ Ç: Hello, everybody. Welcome to the Yearly Financial Presentation of Tat Gida. I would like to give you some brief about our Q4 and yearly results.

I would like to start with our first slide; this represents a breakdown of sales with respect to years and with respect to categories. In here, you can see that we finished the year 2017 with 1,074 million Turkish lira sales and in the previous year the sales were 981 million Turkish lira, so it corresponds to 9.5% increase in sales.

When you check it by category, we finished the year in Tomato segment with 374 million lira of turnover. In Dairy, we finished the year with 635 million lira of turnover, and in Pasta, 65 million lira of turnover. In Tomato segment, our sales shrank around 1% compared to the previous year. In our Dairy segment, we grew 17% in turnover year-on-year and in Pasta, we grew 12% compared to the 2016.

I would like to mention about growth figures with respect to the quantities as well. In total year figures, our tomato segment sales are 6% less than the previous year by quantity. In Dairy, our sales are 7.4% higher compared to the previous year by quantity. And in quantity, we grew around 6% in Pasta segment. In total, our quantity growth in 2017 is 3%.

After mentioning you, the sales breakdown and the sales increase by volume and by amount in 2017 full year, I would like to give you some highlights about the Q4 results as well.

Q4 was a quarter where Tat Gida has experienced a strong growth rate in turnover. And also our margins are pretty much better than the previous three quarters, so we generated better profitability.

Let me start with the sales figures in Q4; In Tomato segment, our sales increased 18% compared to the previous quarters. In Dairy, our sales grew 22% compared to the previous quarter. And in Pasta, our sales increased 3% quarter-by-quarter increase in amount-wise.

So in total, we realized the sales amount of 286 million lira of turnover in Q4. This is around 20% of increase with respect to the previous quarter. Also, we experienced double-digit growth (10%) in total Tomato segment. In Dairy segment, we grew 1% by quantity. In Pasta, we grew 2% by quantity. In total, we grew by quantity in Q4, 3.6%.

So after all this, as you know, we experienced a strong quarter and our gross profit is 24.3% in Q4. And also, our operating profit

is 6.8% and our EBITDA is 7.6%. I will be mentioning this in the later slides, but this is the general reason which led to better performance and improvement in the financials in Q4.

Let's go to the second slide, you see here the gross profit generation and the gross profit margin year-on-year. We finished the year 2017 with 22.2% of gross profit margin. Especially, the margin was lower in the first three quarters, but in the fourth quarter, our gross margin is 24.3%. So at the end, we finished the year with 22.2% gross margin.

The total gross profit margin is lower than 2016. The main reason is the category mix in this gross profit margin generation. Our sales in Dairy grew more than our Tomato business. In Dairy, our gross margin is lower than Tomato, so it led to a margin, which is 22.2% this year. So this is the main explanation of the gross profit margin change.

We can move on to the other slides; the Operating profit. The operating profit is 50 million Turkish lira in 2017. This corresponds to a margin of 4.7%. In previous year, it was 6.4%, and as I mentioned, around 1.3% of this change is due to the gross margin...the gross margin realized in 2017 is 1.3% or 1.3 points lower than 2016 and this is affecting the operating profit.

In EBITDA level, our EBITDA which we generated in 2017 is 63 million Turkish lira and this corresponds to 5.9% EBITDA margin generation. In 2016, we were 7.6%, and this 2017 EBITDA generation contraction is mainly due to the fact that our Tomato sales in 2017 is lower than 2016.

Nevertheless, as I mentioned to you that in Q4 and also in Q3, that we have posted strong financials, thanks to the improving Tomato sales and also thanks to the base effect which took place in 2016, because the main shock in tomato started especially in Q3 and Q4 2016.

Let's continue with the Profit Before Tax. Our profit before tax figure is rather stronger than operating profit and the EBITDA.

The profit before tax, which we realized, is 65 million Turkish lira. This 65 million Turkish lira corresponds to a strong strong profit before tax margin, which is 6%, and the previous year result was only 1.1 points higher than the 2017 results. The profit before tax which we realized is pretty much close to the 2016 level.

And in net profit also, you can see the same trend like in net profit, we realized 61 million lira of total net profit which is 5.7% in margin wise.

This is the general outcome of our financials in 2017. And I would like to touch on some facts about the financial position of the Company, especially the Net Financial Debt to EBITDA slide.

You can see that our net financial debt to EBITDA is 1.5 as a ratio. This net financial debt to EBITDA is a little higher than 2016. This is due to the fact that there is a slight deterioration in EBITDA. This is in our case, a temporary case. Another reason is that we have started the dividend policy in 2016, this made a role on the increase. In addition to this, we also have higher than normal level of CAPEX investment in 2017 due to our new product developments, our automation projects and also our efficiency

projects. These factors led us to a level of CAPEX which is 45 million lira. We finished the year with 97 million lira of net financial debt and we believe that the recent position is rather a strong financial position as well.

This is the general summary of our Q4 results and also our year-end summary. If you have any questions or anything you would like to ask, please don't hesitate, you can contact us via written questions or you can ask verbal questions as well. I am ready to answer your question.