



Tat Gıda Sanayi A.Ş.

Tat Gıda Sanayi A.Ş. First Half 2018 Financial Results Conference Call

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Conductors:

Mr. Ahmet Çağışan YILMAZ, CFO

Conference Call Conducted by Chorus Call Hellas



CHORUS CALL HELLAS
PROVIDER OF TELECONFERENCING SERVICES

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

Web: www.choruscall.com

OPERATOR: Ladies and Gentlemen, thank you for standing by.

I am Gelly your Chorus Call operator. Welcome and thank you for joining the Tat Gıda Sanayi A.Ş conference call to present and discuss the First Half 2018 Financial Results.

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

Mr. Yilmaz, please proceed,

YILMAZ Ç: Dear participants. Hello, welcome to the Quarter 2 and Half 1 Financial Results Presentation of Tat Gıda. Thank you very much for attending the conference in such times that we are really you know experiencing some extraordinary days from economic point of view. I would like to briefly tell you about the financial results of Tat Gıda.

Let's start with sales. We finished the first half with 545 million lira of net sales and this corresponds to 6% of increase with respect to the previous half. When you check the categories, we can see that for the tomato category, we experienced 16% of increase in terms of sales amount, and in dairy we experienced 2% of increase with respect to the previous half. In Pasta, which is rather a small category for us, we experienced 15% of contraction with respect to the previous half. As I mentioned, total sales is realized is 545 million Turkish lira and the increase in sales is 6%.

Especially in tomato this half, we are progressing pretty strong compared to the previous half and the growth rates are in place. We believe that this growth momentum is going to continue as well. We also mentioned in the first quarter's financial presentation that in dairy, there is high cost pressure and this factor is mainly affecting all the players in the industry. Raw milk prices are increasing and not only that, but also the packaging costs are increasing. So some time was required in order to pass the cost pressures to the market prices. At the end, we see a stabilization period in the Q2. And quarter 2 was a period that we see that the prices of the players are mainly coming to an equilibrium place. The industry is rather stabilizing in the mid run. Nevertheless, the cost pressures are still in place, so that's why Tat Gida in the dairy category was able to perform rather weaker than the Tomato category in the first half.

In the pasta category, which constitutes around 6% of the sales, we experienced a contraction. This is mainly due to some pressures in the domestic market that the competitor sales prices were rather aggressive and we wanted to move on and stick to our recent price positioning and sales prices, so we experienced some sales quantity contraction. But I believe that the picture will be recovering especially in the following quarters. And let me tell you that in Pasta, the picture is rather better in the second quarter. For example, we experienced 15% of increase in the second quarter; the main contraction is coming from first quarter.

After giving some highlights about the sales figures, let me briefly tell you about our gross profit evolution. Despite all the mentioned cost pressures, we managed to keep our steady our gross profit margin compared to the previous half. The gross profit that realized in the first half is 21.9%, in the previous half it was 21.7%.

I would like to give you some brief information about the quarterly gross profit margin, that we finished the quarters with 21.2% of gross profit margin and it was 21.4% in the previous quarter in 2017. I can state that we are capable of protecting our gross profit margins despite all the headwinds.

Let me now give you some highlights about our operating profits. In our operating profit, the picture is around the same like in the previous half. We realized 18 million TL operating profit generation, which corresponds to 3.4% margin. In the previous half, it was 19 million growth operating profit generation and the margin was 3.6%. We are capable managing our operating profit margins steady at this point.

I will give some highlight about our EBITDA. Our EBITDA is 4.5% in the first half of 2018. The EBITDA generation is 24 million Turkish lira, in the previous half it was 23 million Turkish lira.

The income before tax generation of the company is 25 million Turkish lira. The income before tax margin is 4.7% and we

are able to make it steady at around 5% at the current moment. And this is the same, around the same like operating profit and like EBITDA.

In net income, I would like to give you especially this figure because in here we generated 24 million Turkish lira of net income which is 4.4% and last year it was 4%. This year the situation on the income tax provision is rather favorable. We are capable of increasing our net income margin to 4.4% and giving all these highlights about P&L picture and I would like to briefly tell you that all these inflationary pressures, all the input cost pressures and on the operating expense side mainly the transportation expense, fuel expense pressures, we are capable of serving 24 million Turkish lira of net income.

Let me give you some highlights about our net financial debt. Our balance sheet is rather very strong and our net financial debt at the end of the first half is 102 million Turkish lira and this is all denominated in Turkish lira currency and all fixed interest expense. And the net financial debt to EBITDA is 1.6 as a ratio at this point, which as you remember, is still very low compared to the previous periods of Tat Gida. And the EBITDA rolling figure is in here 64 million Turkish lira, and this is rather a very deleveraged company with Turkish lira denominated loans and we don't see any vulnerability especially taking into account all the increases in interest rates and the currencies. We see a rather strong balance sheet position in Tat Gida. So we would like to keep this picture steady as well.

If you have any questions or any specifics about segments or the current environment, let's say insights requests, please don't hesitate to ask in this presentation. Thank you very much for listening to me.