

# PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

Earnings Presentation, 2015 Q1



# Highlights



- Innovator and pioneer
- More than 200 SKUs
- R&D expertise

## Product Portfolio

- Most admired company in Turkey\*
- Best fruit juice brand\*\*\*
- One of the top ten most reputable brands\*\*\*\*
- One of the superbrands in Turkey\*\*\*\*\*
- Pinar Milk "I Have Grown Up" Campaign Bronze Effie Award\*\*\*\*\*

## Brand

- Hygienic production according to EU norms
- Technological and industrial knowledge
- Energy-efficient industrial plant

## Production

- Healthy, pure and standardized products
- ISO 9001-2008
- ISO 14001
- ISO 22000
- ISO 18001
- ISO 50001
- FSSC 22000

## Quality

- YBP – Turkey's largest nationwide cold and frozen distribution chain
- More than 150.000 sales points
- Technical know-how and expertise
- Synergy in the distribution of dairy and meat products

## Distribution Network

- Supply from more than 25,000 producers
- Continuous quality control along each step
- Strong relations with farmers
- More than 195 contracted farms producing at EU standards
- Farms which are approved and free of illness
- Training and consultancy services
- 100% traceable production process

## Supply

# Market Dynamics

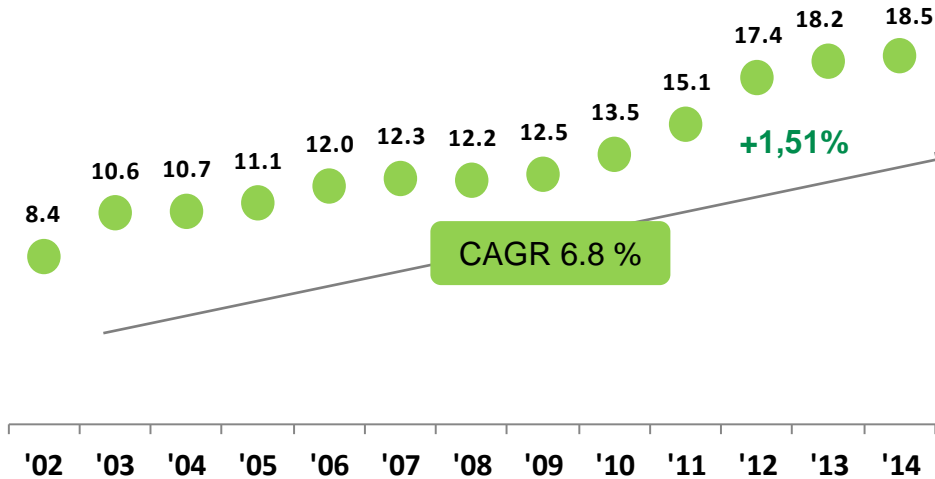


## Livestock Assets in Turkey

	2013	2014	
Livestock Assets	53.0 m	57.3 m	+8.0%
<i>Cattle</i>	27.2%	25.8%	
<i>Sheep</i>	55.2%	56.2%	
<i>Goat</i>	17.4%	17.8%	
<i>Water Buffalo</i>	0.2%	0.2%	
Total Number of Cows Milked	5.6 m	5.7 m	+1.4%

Increase in animal number and efficiency raised the milk production

## Total Milk Production in Turkey (Million Tons)

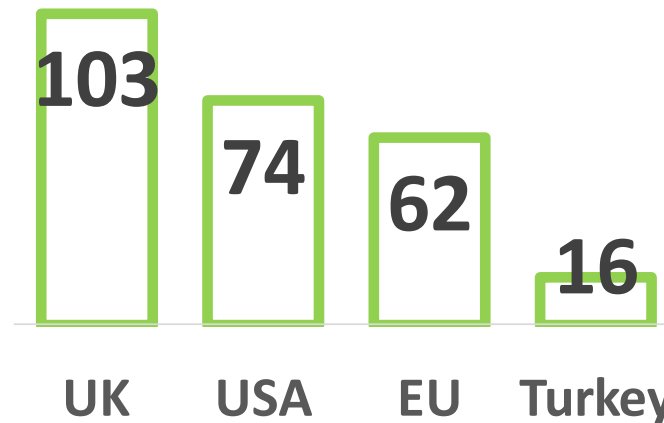


## Packaged Milk Products (%)

	2007	2013	2014
Milk	45	46	47.1
Cheese	20	36	42.8

Source: IPSOS

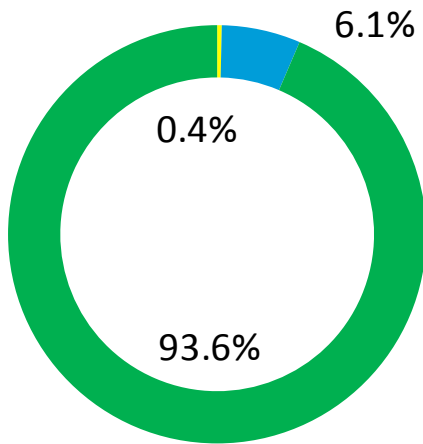
## Per Capita Packaged Milk Consumption (Lt)



- Per capita milk equivalent consumption in Turkey has reached 223 kg. (world average 109 kg, EU average 280 kg)
- Drinking milk consumption remains low compared to developed economies.

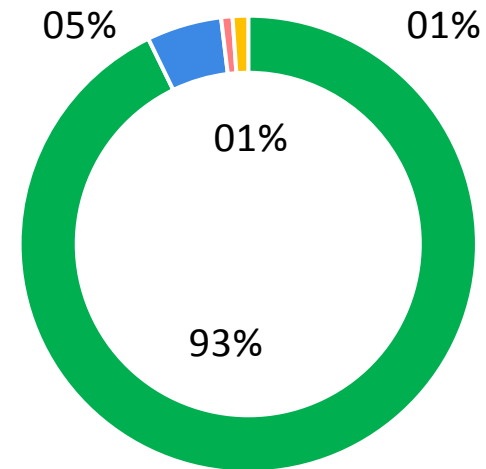
# Market Dynamics - II

## Packaged Milk Market (Volume)



■ Kephir ■ Pasteurized Milk ■ UHT Milk

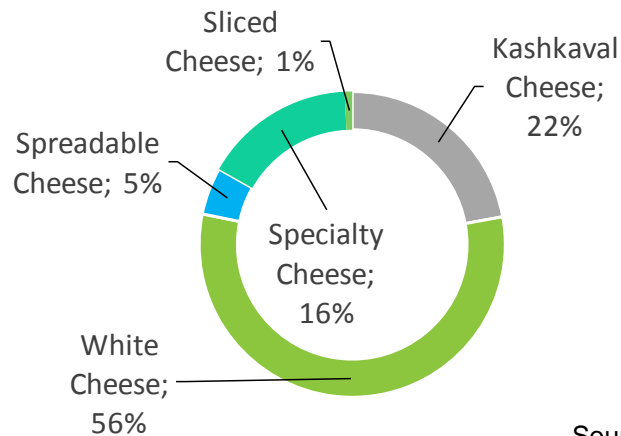
## UHT Milk Market (Volume)



■ Plain ■ Flavoured ■ Light ■ Others

Source: IPSOS, 2015 Q1

## Total Cheese Market (Value)

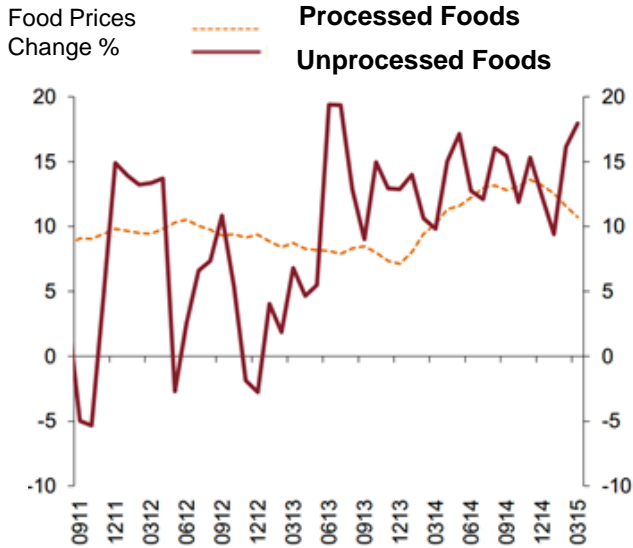


Source: Ipsos 2014

# Market Dynamics - III

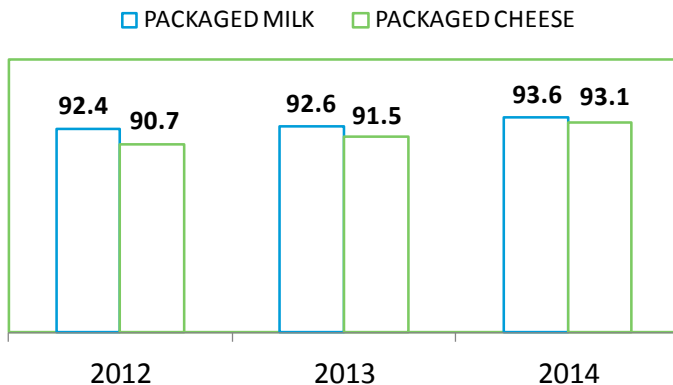


## Price of Food Products



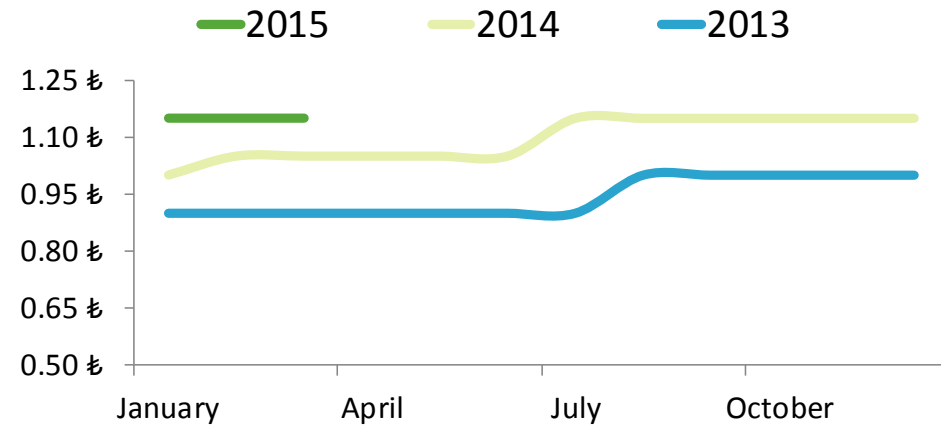
Source: CBRT, Inflation Report

## Penetration of Packaged Milk and Cheese



Source: IPSOS

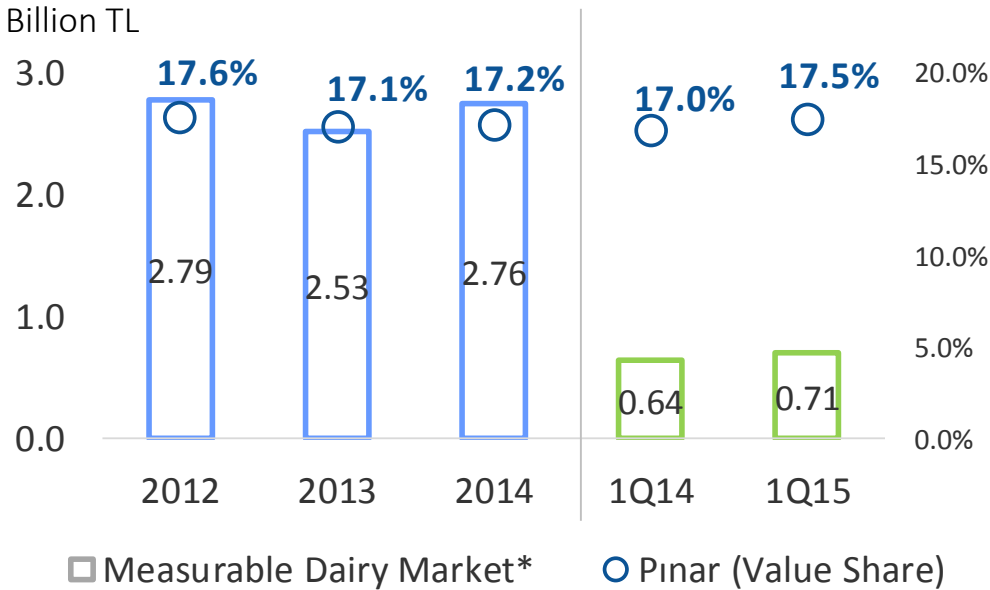
## Raw Milk Base Prices in Turkey (TL/lt)



Raw Milk Base Prices set by National Milk Council

- Increased raw milk prices
- Increasing awareness of health
- Increasing penetration in packaged milk and cheese
- Growth in Away-from-Home segment
- Communications investments made by the producers

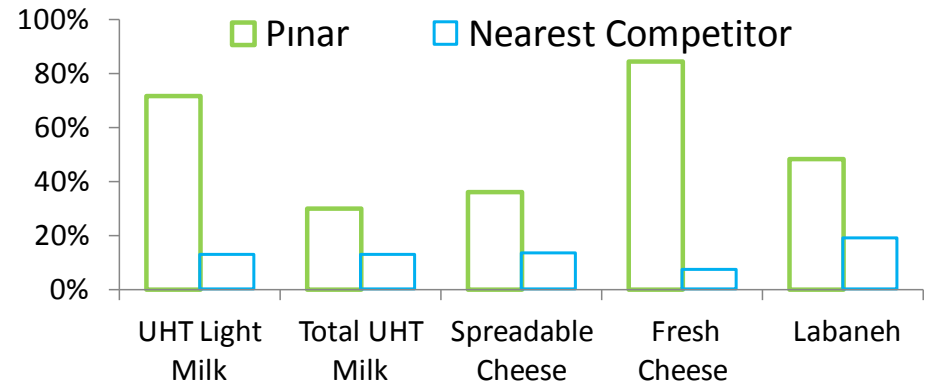
# Market Shares - I



Product	Share	Position
UHT Light Milk	<b>72%</b>	#1
Total UHT Milk	<b>30%</b>	#1
Organic Milk *	<b>92%</b>	#1
Enriched Milk (Kids)	<b>77%</b>	#1
Homogenized Yoghurt	<b>10%</b>	#2
Spreadable Cheese	<b>36%</b>	#1
Fresh Cheese	<b>84%</b>	#1
Labaneh	<b>48%</b>	#1
Cream Cheese	<b>20%</b>	#1

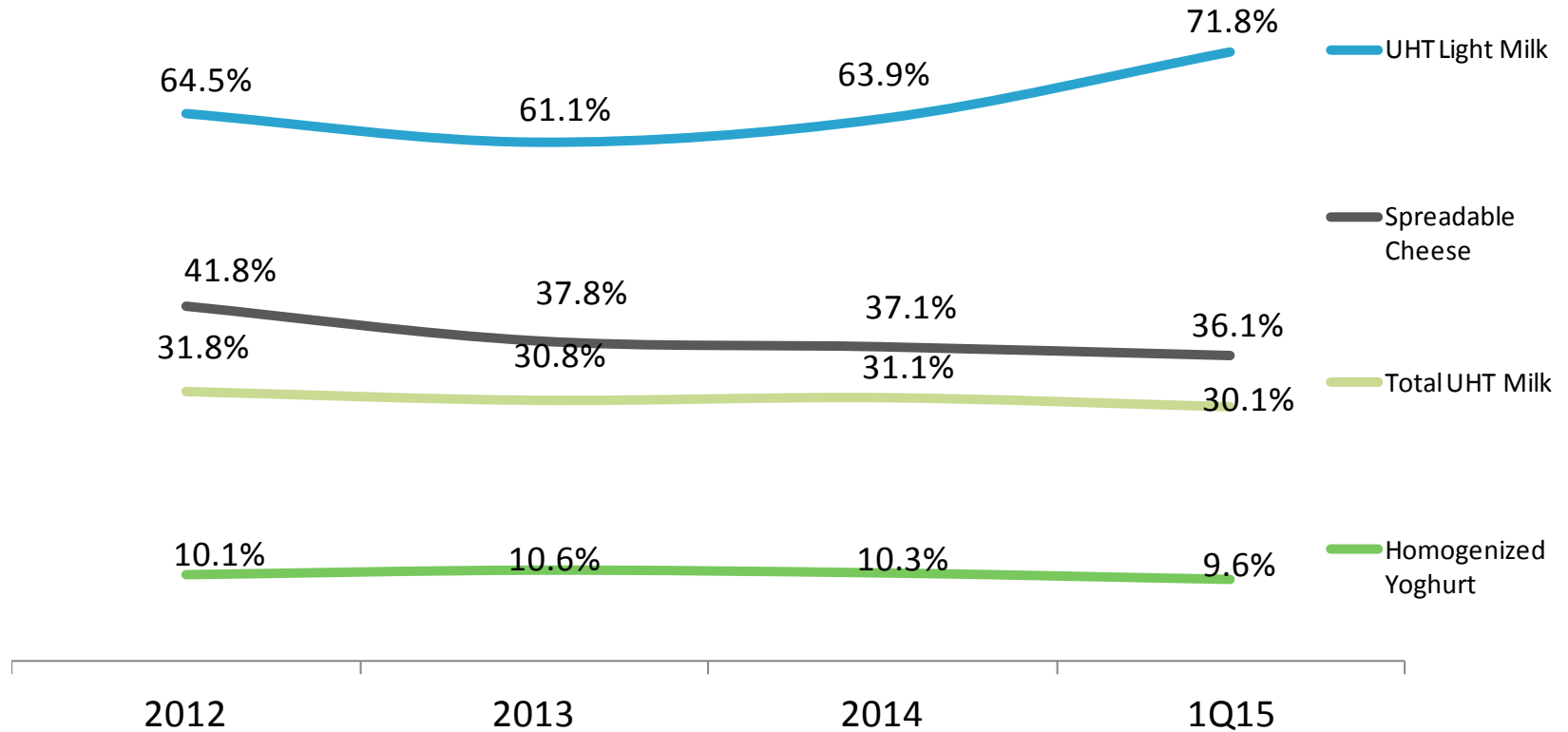
■ Measurable dairy market grew by 10.2% in 2015 Q1, compared to the same period in 2014. The volume contraction was 0.3% in the market.    Source: Nielsen

Source: Nielsen, 2015 Q1 - Value Share  
\*Estimated



\* Total milk, total yogurt, total spreadable cheese and buttermilk (ayran) are included.

# Market Shares - II



Source: Nielsen, 2015 Q1 Value Share

# New Products



- Pınar Haloumi Cheese
- Pınar Wire Cheese
- Pınar Braided Cheese
- Pınar String Cheese
- Pınar Cheddar Cheeses (Sliced)

## New Products



Pınar Strained Cheese



Pınar Strained Yoghurt





# New Products



- Pinar Organic Pasteurized Milk
- Pinar Organic 750 ml
- Pinar Semi-skimmed Plain Milk



## New Products



Pinar Organic Butter



Crazy Series



Pinar Pink

# Campaigns



Pinar Kido New Packing



Pinar Kido Rainbow



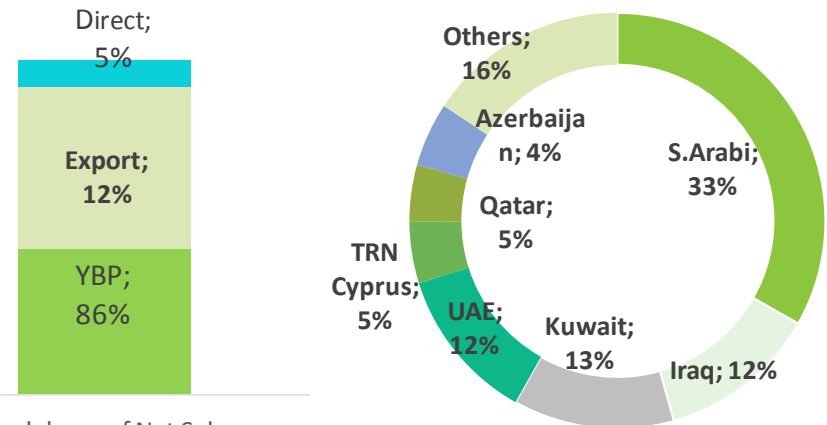
Pinar Fruits

# Export



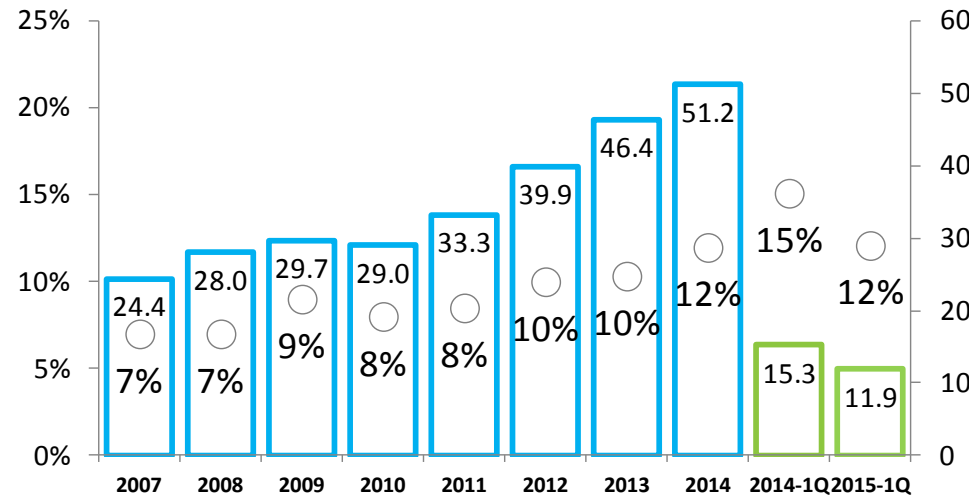
- In 2014 Pinar Süt accounted for 16% of Turkey's Dairy Products Exports itself
  - Exports to 26 different countries which include Middle East, Europe, USA and Asia.
  - Pinar Süt is an authorized company to export milk and dairy products to Russia and EU countries
- Pinar Labaneh Cheese has high market shares In Saudi Arabia (26%), Kuwait (53%) and UAE (41%)
- In addition: long-life milk, white cheese, Pinar Beyaz, whole cream, fruit juice, yoghurt and ayran is exported to Gulf countries.
- As one of the most valued Turkish brands, part of the project supported by the Turkish government.
  - Pinar Süt was among the first companies included in **TURQUALITY** Project. The first 5 years of project were successfully completed and we were commissioned to stay on board for the next 5 years.
  - The vision of Turquality® is "Create 10 world brands in 10 years".

## Breakdown of Net Sales (2015 Q1)



Breakdown of Net Sales

## Foreign Sales by Years (million USD)



# Şanlıurfa Investment



- Raw milk collected from Şanlıurfa and cities around it.
- The milk and dairy products will be produced in the factory. The product range will be expanded depending on the needs.
- Foundation of the facility laid on May , 2013. The plant has commenced its operations in the end of the first quarter in 2015.

## Pınar Süt Şanlıurfa Facility

Closed Area	18.239 m <sup>2</sup>
Open Area	79.267 m <sup>2</sup>
Total Area	97.506 m <sup>2</sup>

- Increasing product distribution efficiency by logistical advantages
- The benefits from the region's proximity to the export markets
- Investment incentives of Region-6





# PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

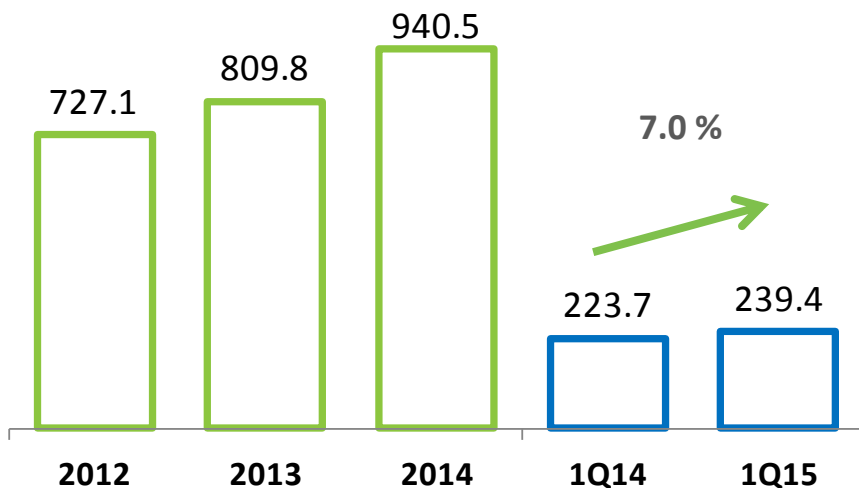
## Financial Results



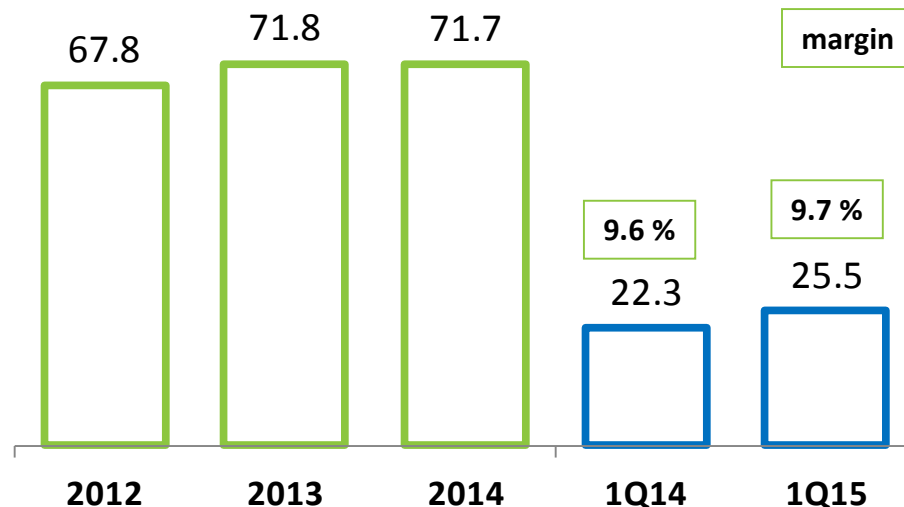
# Sales and Profitability



## Net Sales (m TL)

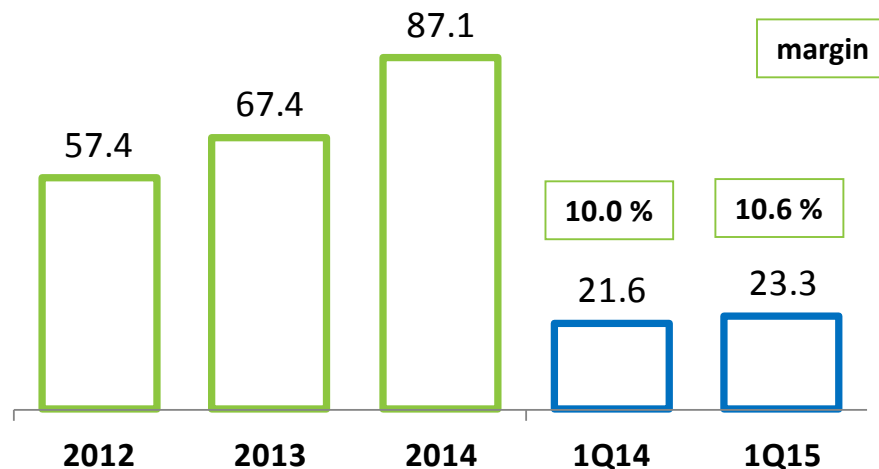


## Net Profit (m TL)



- In 2015 Q1, Net Sales grew by %7.0 due to sales price increases.
- The increase in raw milk prices, which was 11% yoy in 1Q2015, has been reflected to the sales price, resulting in similar levels of gross profit margin. An Improvement of profit margins was achieved through cost-cutting in the operating expenses and increased revenues from associations.

## EBITDA\* (m TL)



# Income Statement

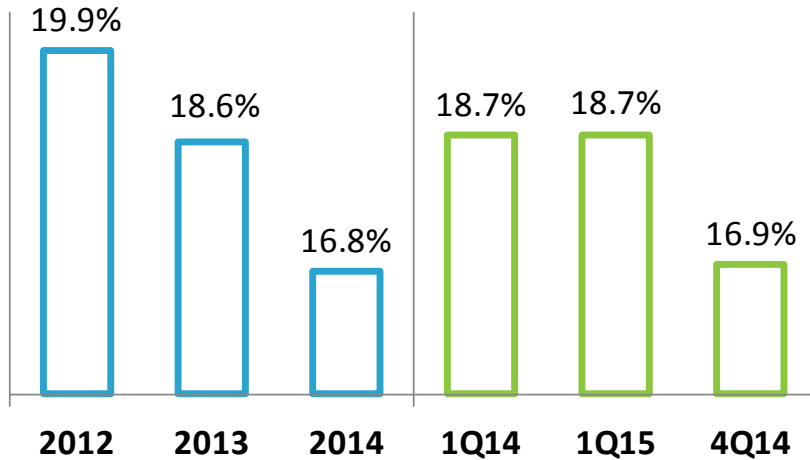


YTD	(in million TL)	31-Mar-15	31-Mar-14	Difference	% Change
<b>Net Sales</b>		<b>239.4</b>	<b>223.7</b>	<b>15.7</b>	<b>7.0</b>
Cost of goods Sold		(194.6)	(181.8)	(12.7)	7.0
<b>Gross Profit</b>		<b>44.9</b>	<b>41.9</b>	<b>3.0</b>	<b>7.1</b>
R&D Expenses		(2.1)	(1.7)	(0.4)	21.5
Sales, Distribution and Marketing Expenses		(15.3)	(15.2)	(0.2)	1.0
General Administration Expenses		(7.6)	(6.9)	(0.6)	9.1
<b>EBIT</b>		<b>19.9</b>	<b>18.1</b>	<b>1.8</b>	<b>10.1</b>
Share of Results of Investments in Associates		3.6	1.6	2.1	131.5
Other Income		5.5	5.5	(0.0)	(0.8)
Other Expenses		(1.7)	(2.1)	0.4	(18.5)
Financial Income (Net)		(1.3)	(0.1)	(1.2)	(1,895.7)
<b>Profit Before tax</b>		<b>26.1</b>	<b>23.1</b>	<b>3.0</b>	<b>13.0</b>
Tax		(2.8)	(1.5)	(1.3)	88.9
<b>Net Profit for the Period</b>		<b>23.3</b>	<b>21.6</b>	<b>1.7</b>	<b>7.7</b>
EBITDA		25.5	22.3	3.2	14.3
<b>Total Assets</b>		<b>798.9</b>	<b>730.5</b>	<b>68.3</b>	<b>9.4</b>
Equity		477.1	467.0	10.0	2.2

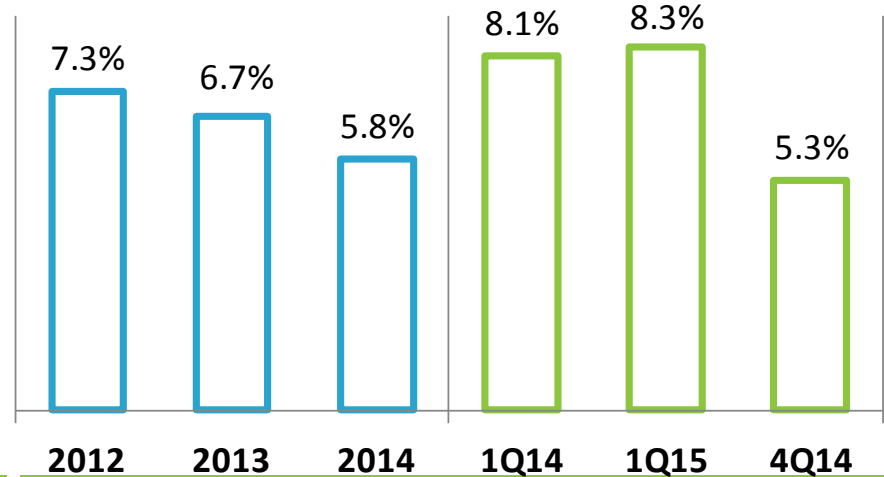
# Profit Margins



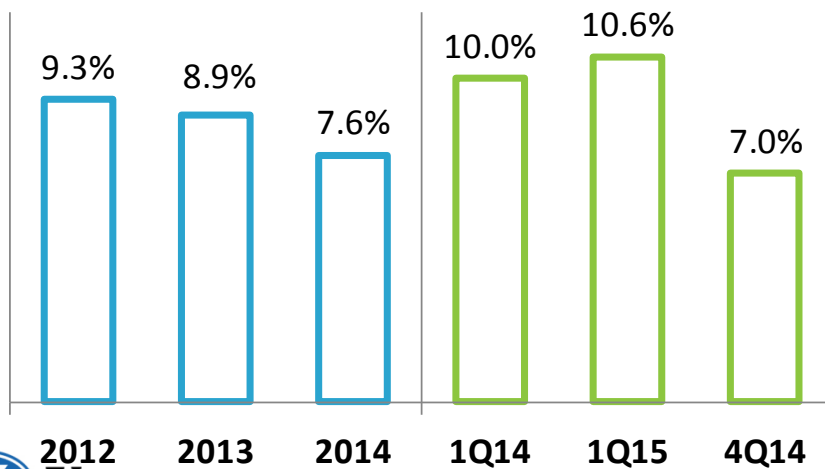
## Gross Margin



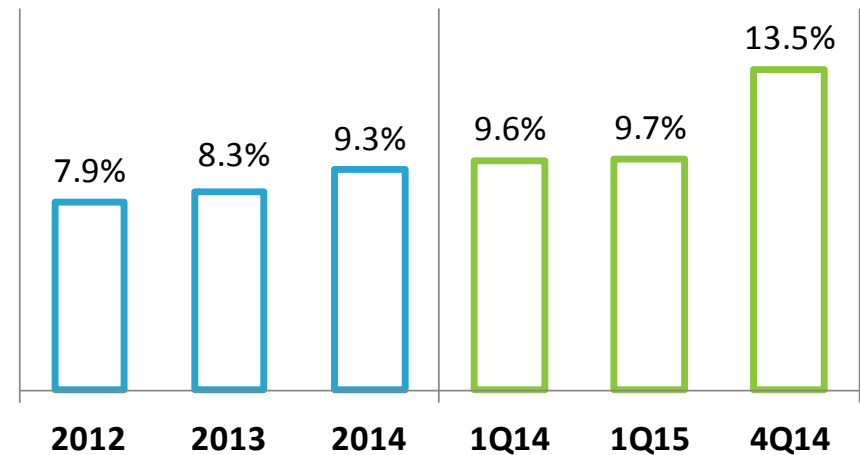
## EBIT\*



## EBITDA\*\*



## Net Profit



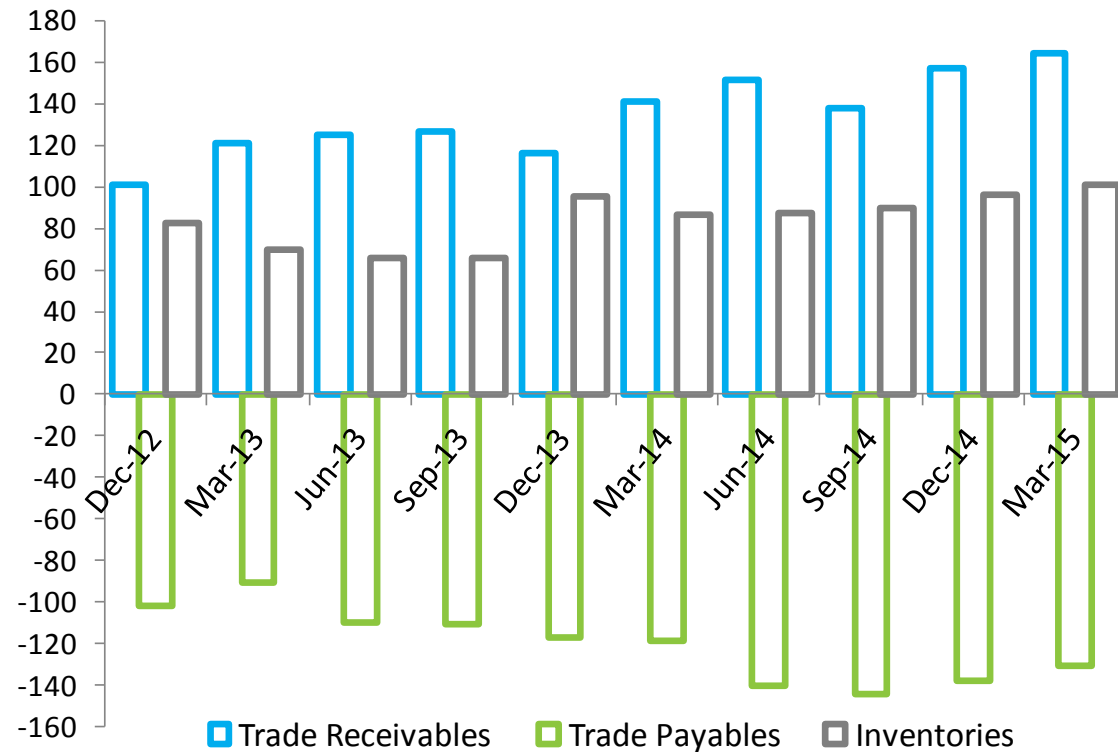


# Basic Ratios, Net Borrowings, Working Capital



	31-Mar-15	31-Dec-14
<b>Current Ratio</b>	1.10	1.42
<b>Leverage Ratio</b>	0.40	0.32
<b>Current Borrowings/Total Borrowings</b>	0.74	0.55
<b>Net Borrowings / EBITDA</b>	0.20	0.15
<b>Total Borrowings/Paid-in Capital</b>	0.03	0.03

	31-Mar-15	31-Dec-14
<b>Cash and Cash Equivalents</b>	0.61	2.39
<b>Current Borrowings</b>	11.37	7.37
<b>Long Term Borrowings</b>	4.00	6.00
<b>Net Borrowings</b>	14.75	10.97



- Focus on risk management
- Effective working capital management
- Strong balance sheet and liquidity management

# Overview of 2015 Q1



- Despite an %11 increase in raw material prices, Pınar Süt sustained its growth and attained an increase in its net profit margin.
- The Şanlıurfa investment has commenced its production as planned, in the end of the first quarter in 2015.
- Following our strategy of increasing our market shares we have sustained marketing investments in 2015 Q1. We gained market share in 2015 1Q.
- New entrants to the sector, ongoing acquisitions and their impact to the market are kept under close watch.
- Cost savings, measures to decrease expenses and projects improving efficiency in production have continued. (OMI-Lean Six Sigma Projects)

- Growing above market growth rates in the segments we operate in
- Effective price management
- Widespread distribution network
- Efficient utilization of social media
- Developments in “Away From Home” channel
- Increasing export sales also in countries falling outside Gulf region
- Continuous marketing investment

## Ownership Structure

Yaşar Holding A.Ş.	61%
Free Float	39%

## Participations

	Share in Capital %
Yasar Birleşik Pazarlama A.Ş.	31.8
Bintur Catering A.Ş.	1.3
Desa Enerji A.Ş.	30.5
Camlı Yem A.Ş.	5.5
Pınar Su A.S	8.8
Pınar Et A.Ş.	12.6
Yaşar Dış Ticaret A.Ş.	1.8
Pınar Foods GmbH	44.9

## Auditors

### Financial Affairs

Nexia

Ernst&Young

### Production

Breau Veritas

TSE

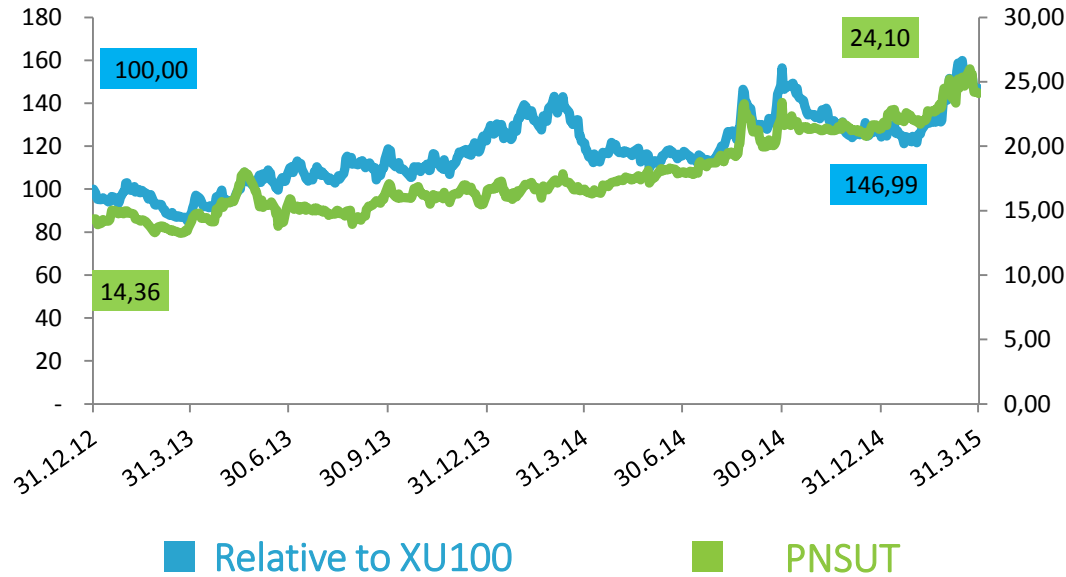
Alberk QA

Food and Drug Administration

### Corporate Governance

Saha Rating

# Stock Performance



---

Corporate Governance Rating : 9,09

---

Borsa İstanbul Ticker Symbol: PNSUT

---

Date of Listing : 03.02.1986

---

This presentation does not constitute an offer or invitation to purchase or subscription for any securities and no part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. 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 Pınar Süt Mamulleri San. A.Ş. nor any of its affiliates, advisors, representatives, directors, managers or employees nor any other person shall have any liability whatsoever for any loss arising from any use of this presentation or its contents or otherwise arising in connection with it.

Company's financial statements are available on [www.kap.gov.tr](http://www.kap.gov.tr) and [www.pinar.com.tr](http://www.pinar.com.tr) websites.

## Investor Relations Department

Tel: 90 232 482 22 00

Fax: 90 232 484 17 89

[investorrelations@pinarsut.com.tr](mailto:investorrelations@pinarsut.com.tr)



Thank You

