

# Migros Ticaret A.Ş.

# MiGROS

## 1Q 2017 Financial Results



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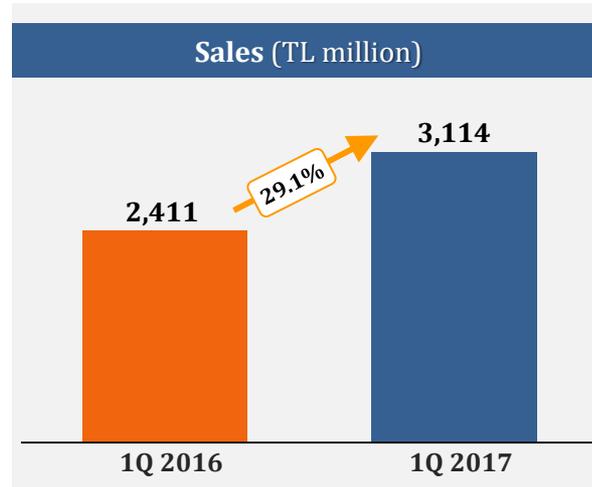
# Sales in 1Q 2017

Domestic sales growth of 21.4% w/o Kipa operations

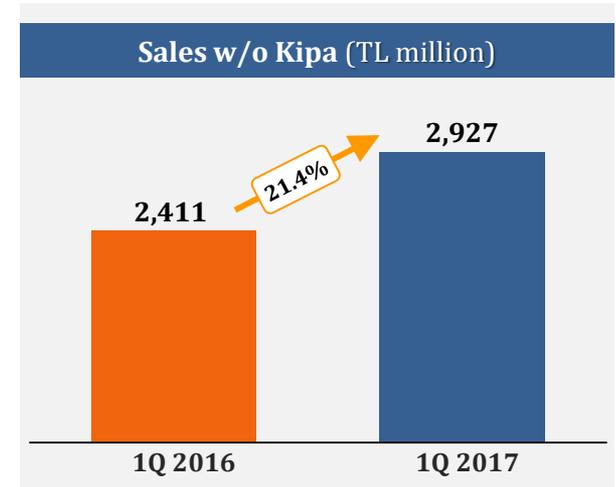
Robust domestic sales growth

More competitive

- Consolidated sales reached TL **3,114** million in 1Q2017, with an increase of **29.1%** versus last year with Kipa's 1 month sales contribution of TL 186 million
- Robust sales growth performance thanks to effective & competitive positioning in the market,



Sales Growth in 1Q17 ➔ **29.1%**

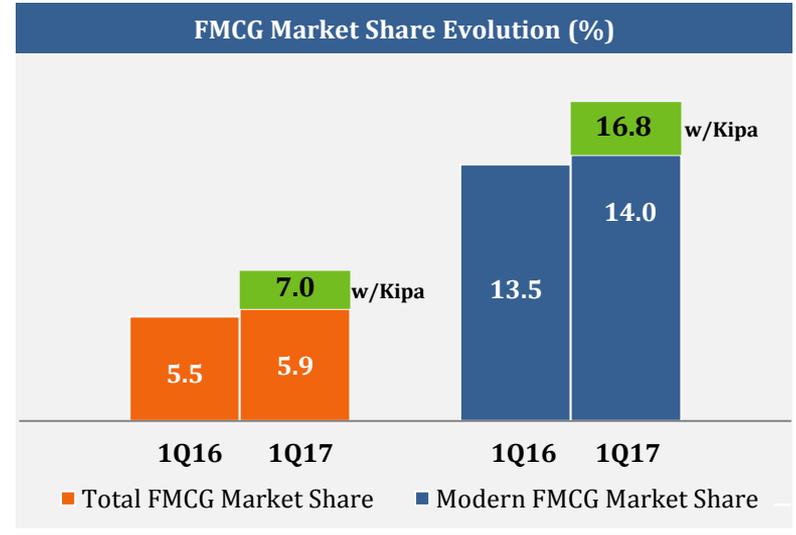


Sales Growth w/o Kipa ➔ **21.4%**

# Market Share Evolution

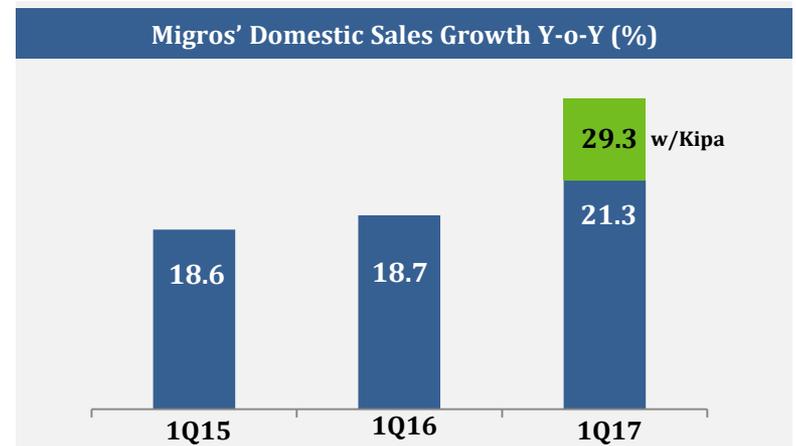
## Clear market share gain with Kipa and w/o Kipa

- Migros improved its market share by **50 bps** in modern FMCG market and **40 bps** in total FMCG market without Kipa operations in 1Q 2017 over a year ago.
- Migros accounts for **16.8%** of FMCG sales in modern FMCG market and **7.0%** market share with Kipa operations in total FMCG in Turkey



## Acceleration in sales growth

- Accelerated sales growth, driven by increased competitiveness and household penetration,



Note : Modern FMCG market and total FMCG market include all food-retail formats. FMCG stands for Fast Moving Consumer Goods

Source: Nielsen, Company data

# Organic Expansion

MIGROS

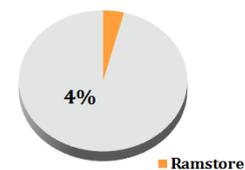
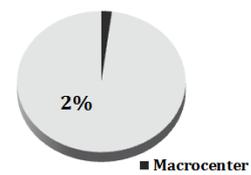
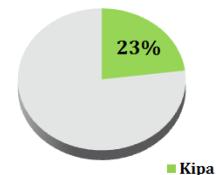
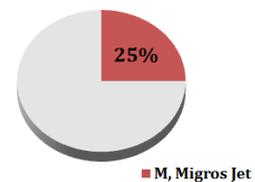
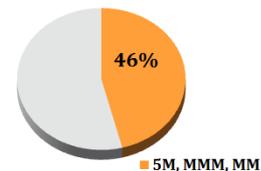
42 new store openings in 1Q17

20 new store openings in April 2017

1,794 number of stores as of 1Q17



## Net Sales Area Split By Banner - 1Q 2017



1Q17 Sales area ➔ 1,412K sqm with Kipa stores

\* Kipa stores

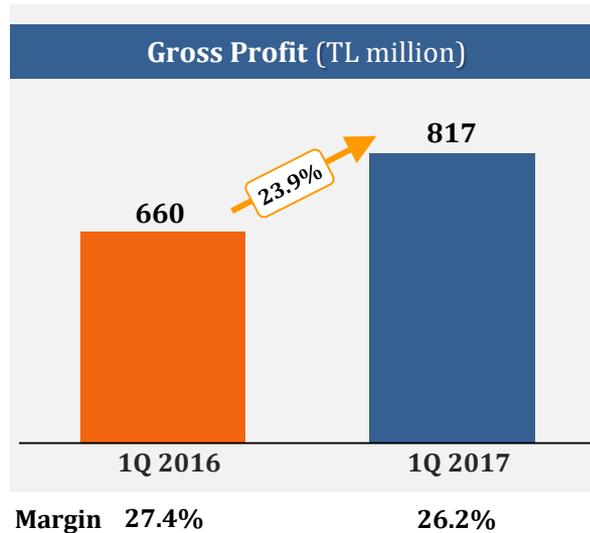
# Consolidated Gross Profit in 1Q 2017

Solid Gross Profit Generation

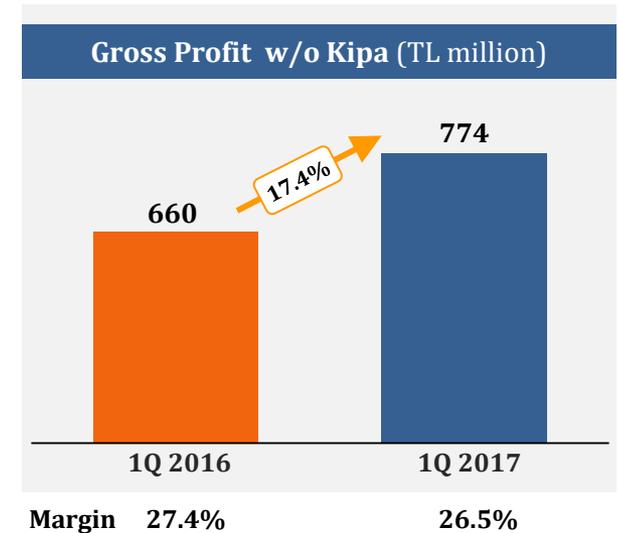
Gross margin of 26.5% w/o Kipa operations

Competitive pricing at Migros stores

- Consolidated Gross profit grew by **23.9%** y-o-y to **TL 817** million in 1Q 2017
- Investment on pricing continued in 1Q 2017
- Mass communication focused on price competitiveness and personalize digital communication focused on quality and service.



Gross margin in 1Q17 **26.2%**



Gross margin w/o Kipa **26.5%**

# Consolidated EBITDA(R) in 1Q 2017

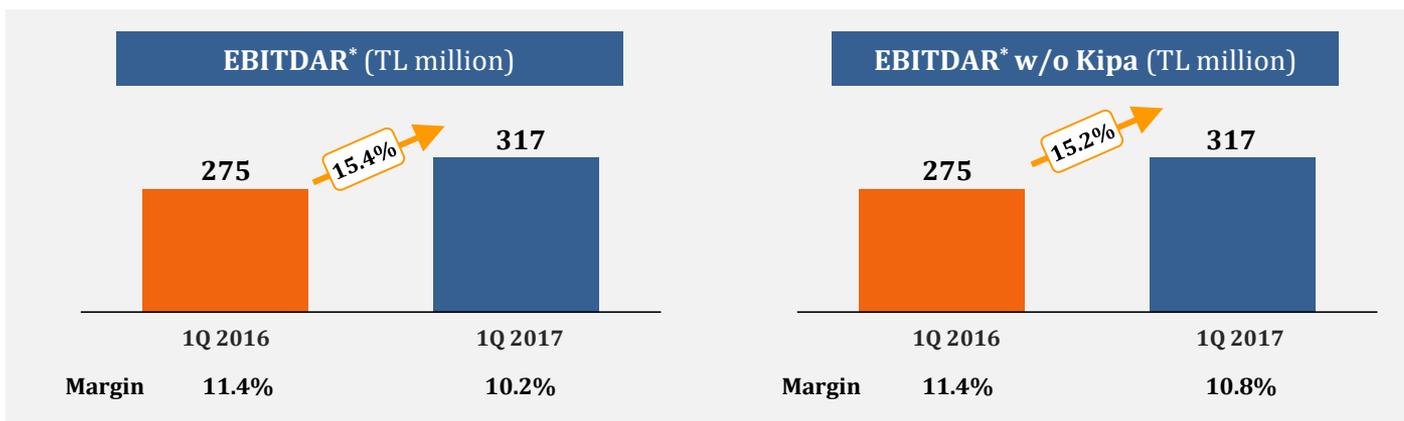
EBITDA rose by 11.7% and reached TL 165 million with the margin of 5.6% w/o Kipa operations,

- EBITDA rose by **5.6%** and reached **TL 156** million despite the dilution impact of Kipa



EBITDAR margin of 10.8% w/o Kipa operations

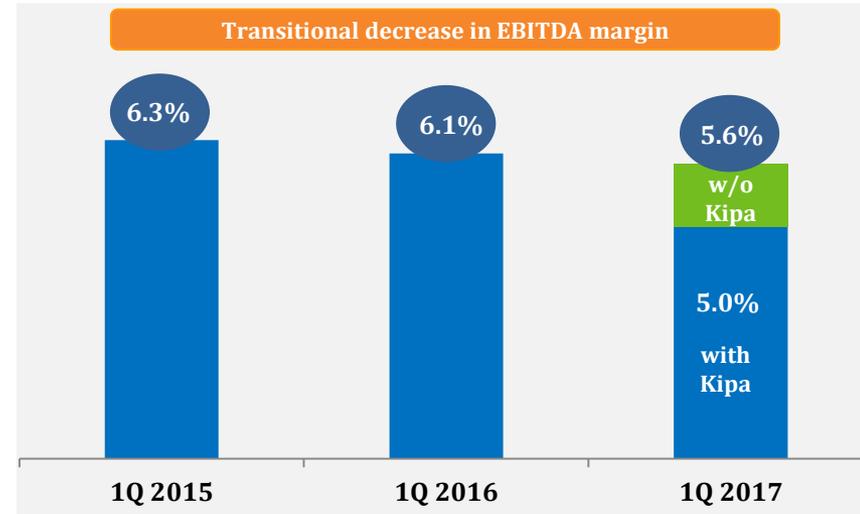
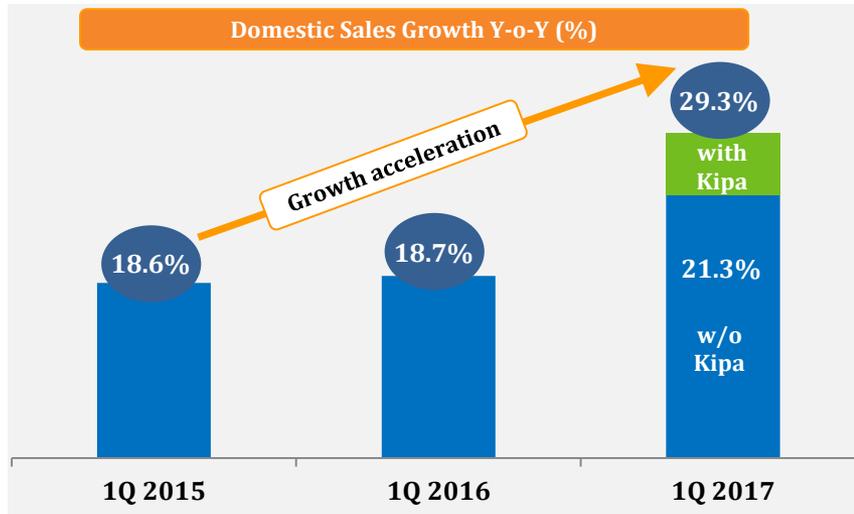
- EBITDAR increased by **15.4%** y-o-y in 1Q 2017



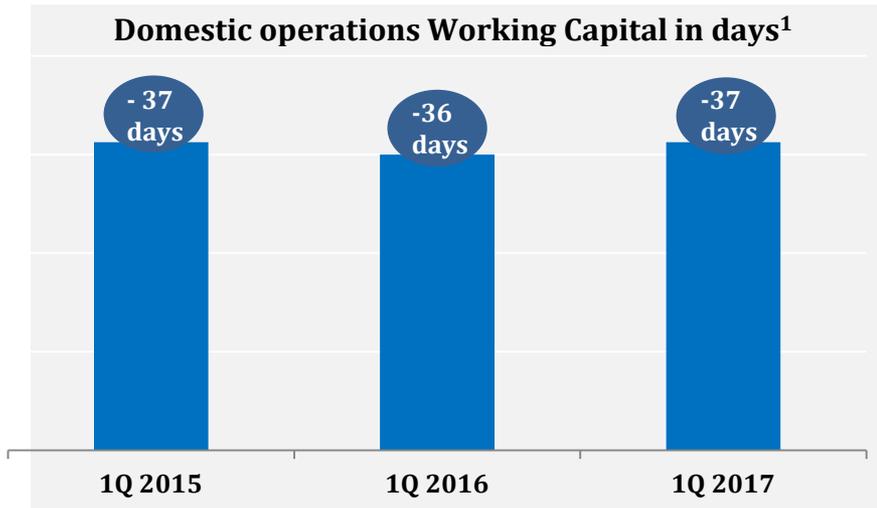
\*EBITDA(R)= Operating Profit+Amortization+Employee Termination Benefits +Unused Vacation Provision-Other Income+Other Expenses+(Rent Expenses)

# Key Financial Metrics

## Accelerated growth, where EBITDA margin sustained

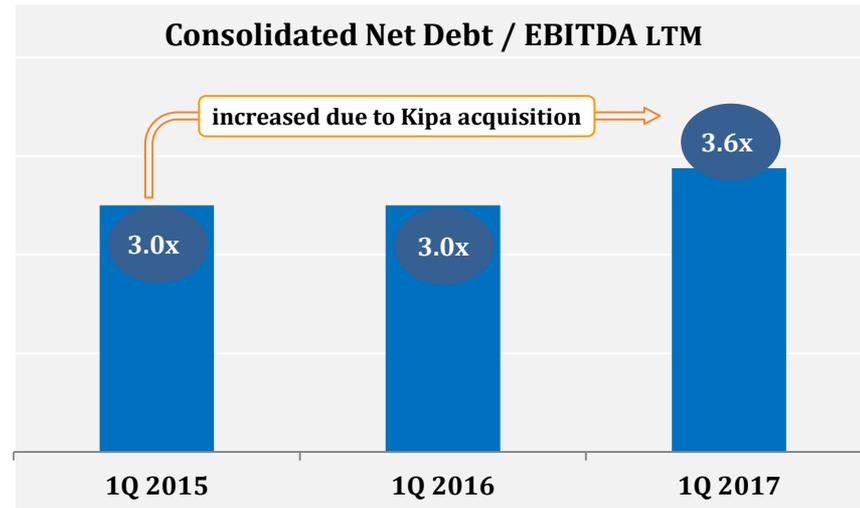


## Stable Negative Cash Conversion



<sup>1</sup> without Kipa

## Strong EBITDA generation eased the impact of TL devaluation



Euro/TL: 2.8309

3.2081

3.9083

# Track Record of Deleveraging

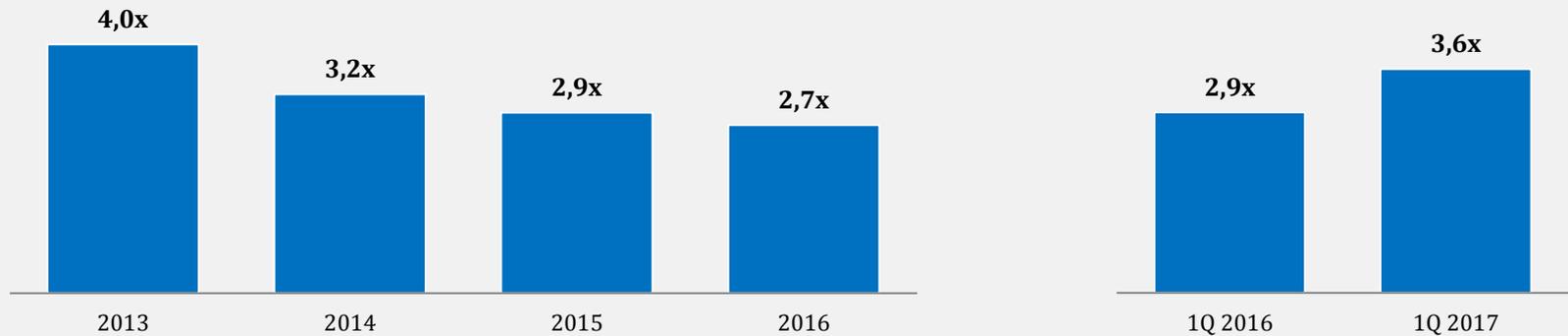
## Migros 1Q 2017 Cash and Leverage Position

Cash & Debt Items	Total TL m	TL m	EUR m
Cash & Cash equivalents	1,199	939	67
Financial Debt*	3,660	923	700
Net Debt	2,461		
<b>Net Debt / EBITDA</b>	<b>3.6x</b>		

*\*Based on amortised costing as indicated in financial statements*

- Net debt/EBITDA rose due to the Kipa acquisition in 1Q 2017

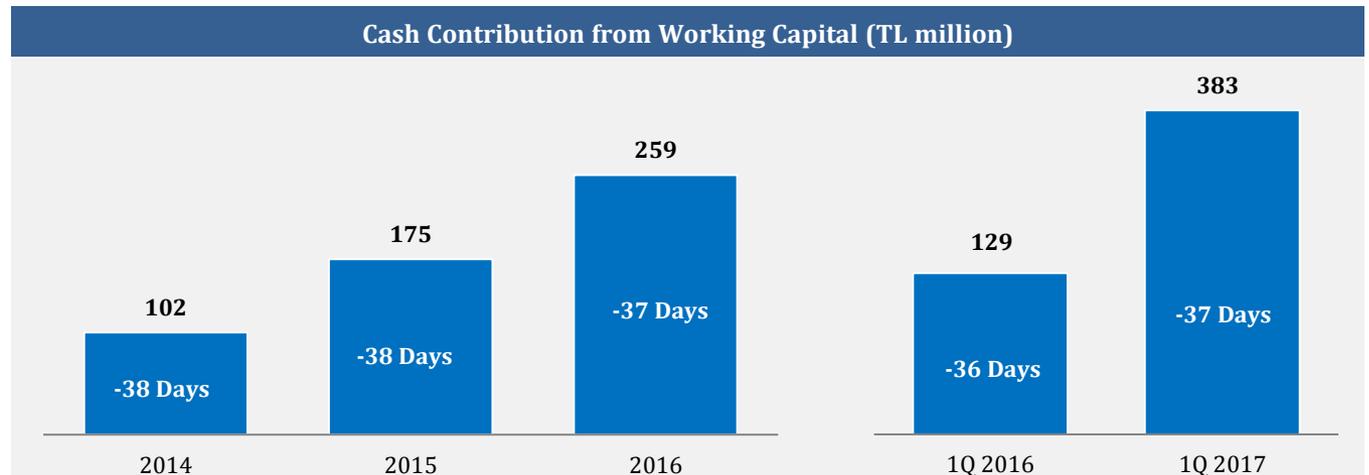
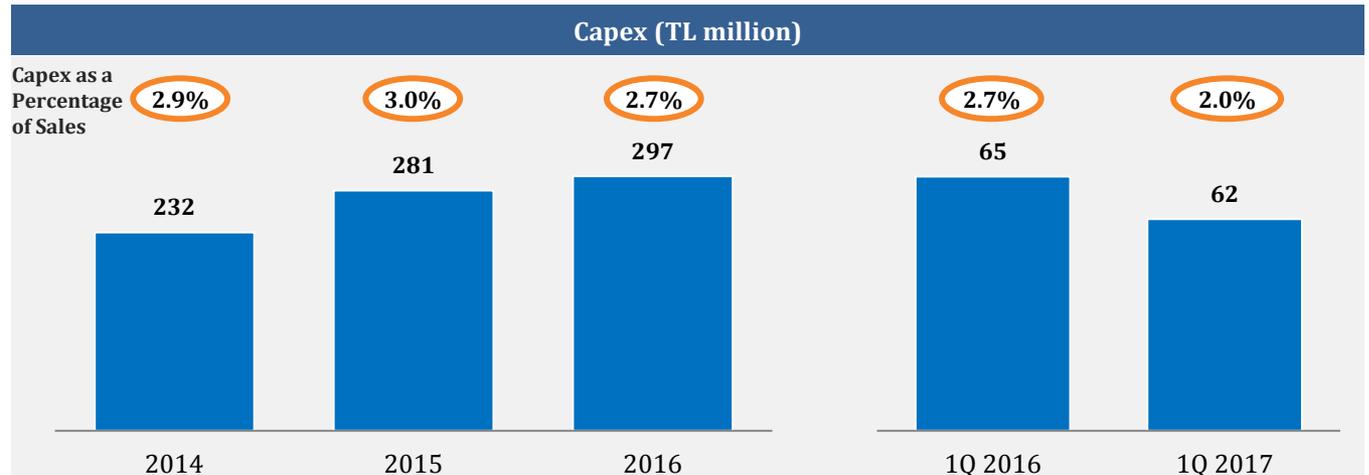
## Deleveraging Profile - Net Debt / EBITDA



# Capex and strong cash flow generation

Low Capex Business

Strong Cash Generation through Sustainable Working Capital



# Significant Real Estate Content Increases Operational Flexibility

## Sizeable Asset Value

37 Real Estates  
(21 Company owned, 16 of which are long term ground leases)

Shopping Malls at attractive locations

- The total book value of Kipa Real Estate assets is TL1,587m
- The company owns its main warehouse with a storage area of ~50k sqm (Torbali Distribution Centre)

İzmir - Çiğli



İzmir - Balçova



Yalova



Antalya



Mersin - Mezitli



# Expectations and Guidance

## Management Message

Strong domestic sales growth continued with 21.3% w/o Kipa in 1Q 2017

Consolidated sales growth of 29.1% including March 2017 results of Kipa

Migros recorded TL 1,07 billion subsidiary acquisition profit due to Tesco Kipa acquisition

Kipa is important to create more value for shareholders

## 2017 Guidance for Migros

	Excluding Kipa <sup>1</sup>	Including Kipa <sup>2</sup>
Sales Growth	15-18%	30-35%
EBITDA Margin	6.0-6.5%	5.0-5.5%
Expansion Target	120-150 new stores	120-150 new stores



<sup>1</sup> Expectations excluding consolidation of 10 months Kipa results in 2017.

<sup>2</sup> Including consolidation with 10 months Kipa results.



## **Financials & Format Summary**

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- **Financials**
- **Operations**

# SUMMARY OF INCOME STATEMENT – 1Q 2017

## IFRS Consolidated Income Statement Summary

(TL Million)	1Q 2017	1Q 2016 <i>(restated)</i>
<b>Net Sales</b>	3,113.6	2,411.1
Cost of sales	-2,296.3	-1,751.6
<b>Gross Profit</b>	<b>817.3</b>	<b>659.5</b>
Operating Expenses	-742.1	-584.0
Other Operating Income / (Expense)	-44.1	-30.2
<b>Operating Profit</b>	<b>31.2</b>	<b>45.3</b>
Income / (Expense) from Investment activities	1,068.0	-0.9
<b>Operating Income Before Finance Income / (Expense)</b>	<b>1,099.2</b>	<b>44.4</b>
Financial Income / (Expense)	-185.3	-64.6
<b>Income/Loss Before Tax From Continuing Operations</b>	<b>913.9</b>	<b>-20.2</b>
Tax Income / (Expenses)	-0.8	-8.2
Deferred Tax Income	-7.1	2.6
<b>Net Profit / Loss</b>	<b>906.0</b>	<b>-25.7</b>
<i>Net Profit / Loss - Non-controlling interest</i>	-1.0	0.0
<i>Net Profit / Loss - Equity holders of parent</i>	<b>907.0</b>	<b>-25.8</b>
<b>EBITDA</b>	<b>155.8</b>	<b>147.5</b>
<b>EBITDAR</b>	<b>317.3</b>	<b>275.0</b>

# SUMMARY OF BALANCE SHEET – 1Q 2017

## IFRS Consolidated Balance Sheet Summary

(TL Million)	1Q 2017	2016 <i>(restated)</i>
Current Assets	2,887.0	2,471.3
Non-current Assets	5,673.8	3,805.4
<b>Total Assets</b>	<b>8,560.8</b>	<b>6,276.7</b>
Current Liabilities	4,376.4	3,320.8
Non-current Liabilities	3,018.4	2,763.4
<b>Total Liabilities</b>	<b>7,394.8</b>	<b>6,084.1</b>
<b>Equity</b>	<b>1,166.0</b>	<b>192.6</b>
<b>Total Liabilities and Equity</b>	<b>8,560.8</b>	<b>6,276.7</b>

# Migros at a Glance



MIGROS

<h3>Geographical Footprint</h3>	<ul style="list-style-type: none"> <li>Operating in 3 countries             <ul style="list-style-type: none"> <li>Turkey (73 cities out of 81)</li> <li>Macedonia and Kazakhstan (39 stores)</li> </ul> </li> </ul>	
<h3>1,794 Stores<sup>1</sup> with Kipa</h3>	<ul style="list-style-type: none"> <li>1,533 <b>MIGROS</b> (supermarkets)</li> <li>39 macro▲center (upscale supermarkets)</li> <li>168 <b>kipa</b> (Supermarkets and Hypermarkets)</li> <li>15 <b>MIGROS TOPTAN</b> (wholesale and foodservice stores)</li> <li>39 <b>Ramstore</b> (international stores)</li> <li><b>Migros Online</b> <ul style="list-style-type: none"> <li>1.2m members and 45% mobile orders</li> <li>Acquisition and re-launch of <b>Tazedirekt</b></li> </ul> </li> </ul>	
<h3>Innovation, Loyalty &amp; Customer Service</h3>	<ul style="list-style-type: none"> <li>6.5m loyal households <b>Money Club Card</b></li> <li>Introduced more than <b>100 innovations</b> for the retail market</li> </ul>	
<h3>Corporate Governance and Social Responsibility</h3>	<ul style="list-style-type: none"> <li>Only retail company in the "BIST Sustainability Index"</li> <li>Corporate Governance Index since 2015</li> <li>27,515 employees of which 40% are women</li> <li>Best retailer of the country <b>13 years in a row<sup>2</sup></b></li> </ul>	

<sup>1</sup> as of March 2017  
<sup>2</sup> Capital Business magazine.

## Migros, Largest National Supermarket Chain

- Number of stores: **1,533** including **424** 5M, MMM & MM stores and **1,109** Migros Jet & M stores,
- Penetration: **73** cities
  - (40\*-4,500) sqm / (1,800\* – 18,000) SKUs
  - Differentiated offering and service on fresh product categories
  - Wide branded assortment of FMCG products
  - Consistent Every Day Low Pricing on commodity Private Label products
  - Fashionable, complementary and seasonal non-food selection

## Focus on proximity supermarkets

- **587** Migros Jet and **522** M Migros
- Proximity Stores, (40\*-300) sqm,
- 1,800\* – 3,000 SKUs
  - New avenue of expansion through collaboration with Petrol Ofisi company to open forecourt stores in selected locations

**MiGROS**jet

## Loyalty Program

- CRM applications for different customer segments
  - Customized & Differentiated Offering for Money Club Card holders
  - Club Card Loyalty Program for **17** years



(\*): including Migros Jet stores and Migros Jet 7/24 forecourt stores as of March 31, 2017

## Exclusive shopping

- Number of stores: **39**
- 400 - 2,500 sqm / 10,000 SKUs
  - Upscale gourmet store serving with strong brand loyalty
  - Wide product range in delicatessen, appetizers and spirits. Premium quality in fresh products
  - Complementary and premium non-food
- Customized service such as banquet ready meal delivery



Penetration: 5 cities



# Wholesale & Food Service

## Focus on Horeca Penetration

- Currently operating in 7 regions through dedicated sales team.
- Dedicated warehouses and customer delivery
- 15 Wholesale stores



Penetration: 11 cities



- Turkey's first and leading e-commerce web site in food retail
- Top-line growth is **2-3x** higher than the Company average
- Improved operational efficiency through picking automation
- Direct delivery from stores (**105** stores in **24** cities across Turkey)



# International Operations

# Ramstore

## Kazakhstan

- **1.8%** of consolidated sales from Kazakh operations
- Number of stores: **19**, including 3 hypermarkets, 15 supermarkets and 1 Macrocenter. Owns 1 shopping mall in Almaty
- Total sales area of 35,105 sqm
  - Serving in the cities of Almaty, Astana, Aktau and Atrau in a large country
- Operates in multi-format since 1999

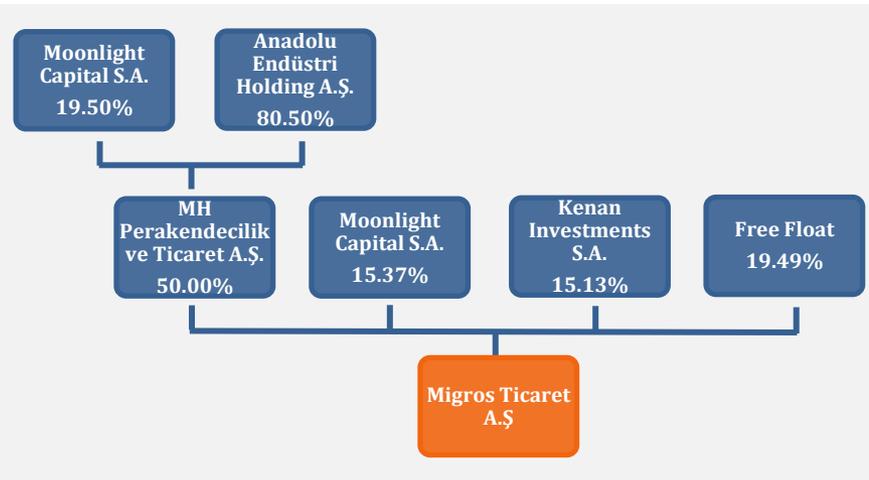
## Macedonia

- **1.4%** of consolidated sales from Macedonian operations
- Number of supermarkets: **20**
- Owns 1 shopping mall in Skopje
- Total sales area of 19,094 sqm
- Operations started in 2005

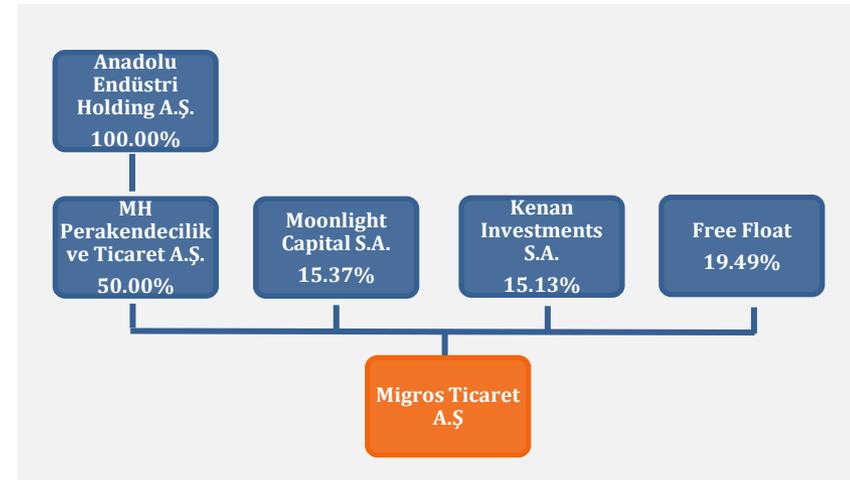


## JV Structure between BC Partners & Anadolu Group

### Current Shareholding Structure



### Shareholding Structure on 16.05.2017



- Anadolu Endüstri Holding A.Ş. ("Anadolu") indirectly acquired 40.25% Migros shares through purchasing 80.50% of MH Perakendecilik ve T.A.Ş. in July 2015. Corresponding transaction price is **TL 26.86** per Migros share with the closing day exchange rate,
- Share option will be exercised for 9.75% Migros shares. Anadolu's stake on Migros will be increased to 50% on May 16, 2017. Corresponding transaction price is **TL 30.2** per Migros share.