



## The Fresh Winner in Discount Retail

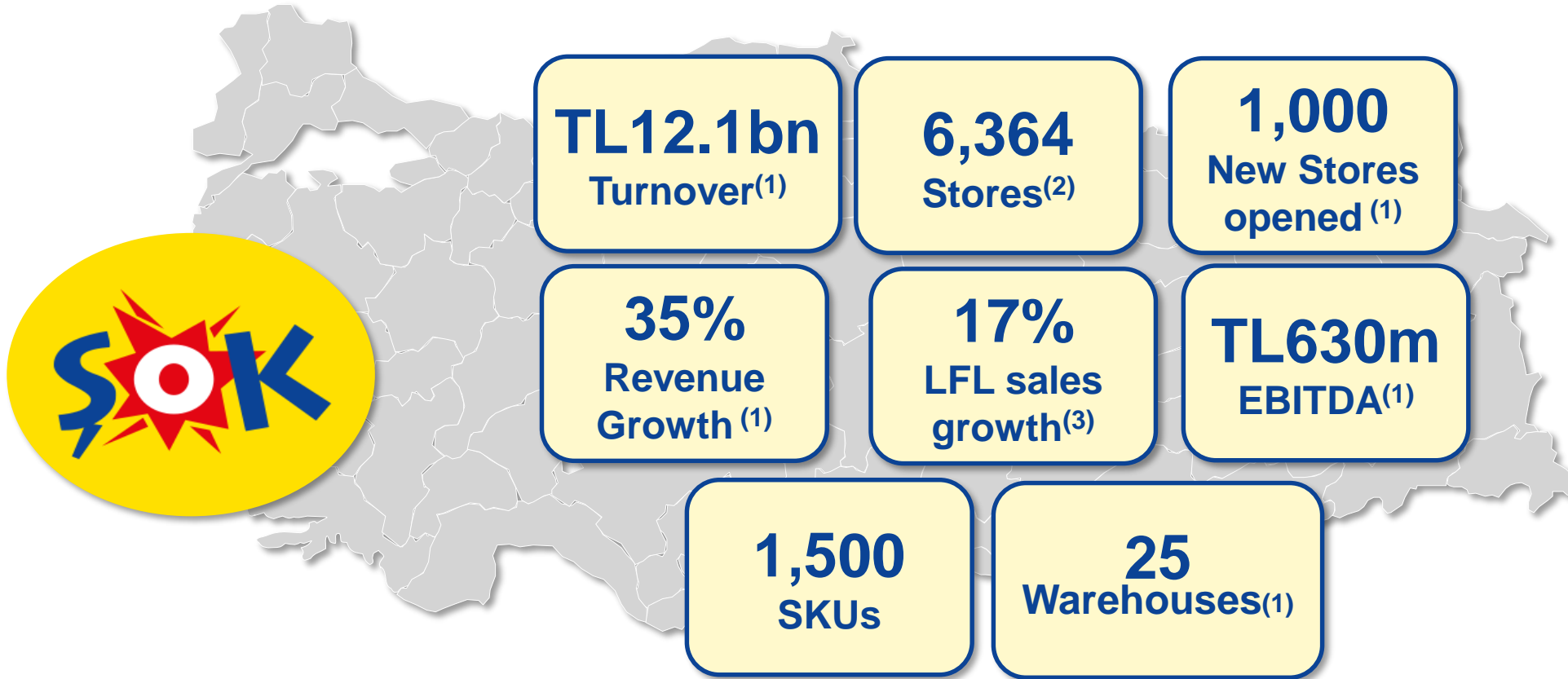
March 2019

YILDIZ ★ HOLDING





# We are the fastest growing grocery retailer in Turkey



Source: Management information.

(1) As of FY2018A.

(2) inc. 264 Şok Mini Stores

(3) Şok stores only. Like-for-like sales for FY2018 calculated on the basis of daily net sales generated in 2018 by stores operating on 31 Dec 2016 and that were still open on 31 Dec 2018.



# We have come a long way . . .

## Phase I: 2011-2014

### Acquisitions & Integration

- Acquisition of DiaSA & Onurex
- Refined SKU & product mix
- Introduced strong Private Label brands

## Phase II: 2015

### New Format Design

- New management
- New discount format enhancing shopping experience
- Introduced Fresh & Personal Care

## Phase III: 2015

### Transformation & Organic Growth

- c.2,700 stores transformed in 2016 and 2017
- Strong store opening of c.1,000 stores p.a.
- Şok became fastest growing retailer in the market

## Phase IV: 2018- ...

### Post IPO Period

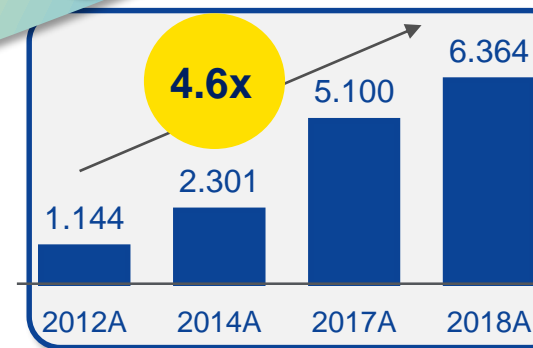
- Organic growth
- Debt free & Strong Equity
- Increasing profitability
- White Space Opportunity

Acquisition of  
Şok from  
Migros -2011

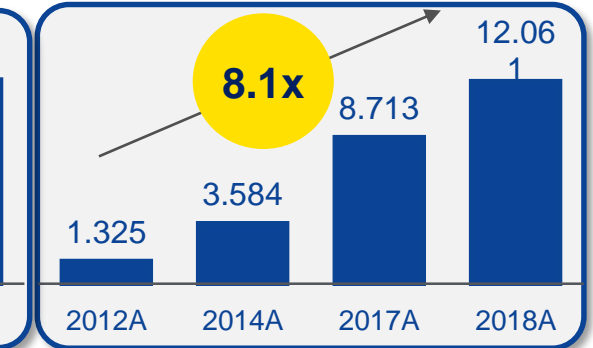


**YILDIZ ★ HOLDING**

Stores



Sales (TLm)



# Our business proposition is exciting



**Most Attractive Grocery  
Market in Europe**

**Winning Proposition with  
a Differentiated Format**

**Excellent Operational  
Execution**

**Superior Growth and Cash  
Flow Generation**

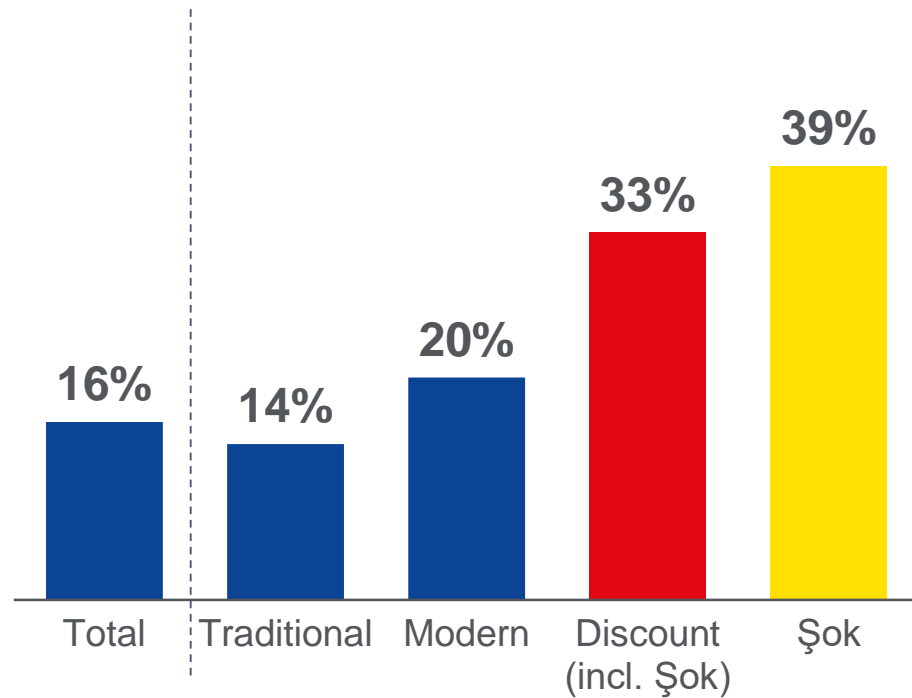
**Significant Profitable Growth  
Opportunity**



# One of Europe's Fastest Growing Markets, where Discount Outperforms



## Grocery Market Growth in Turkey



Modern channel is taking share

Discount is the winning format with highest share gains

Discount satisfying consumer demands of proximity and price

Source: 2016-18A Nielsen for Traditional, Modern & Discount growth rate (CAGR), Management information for Şok growth rate.

# Increasing Modern Penetration with Continued Momentum



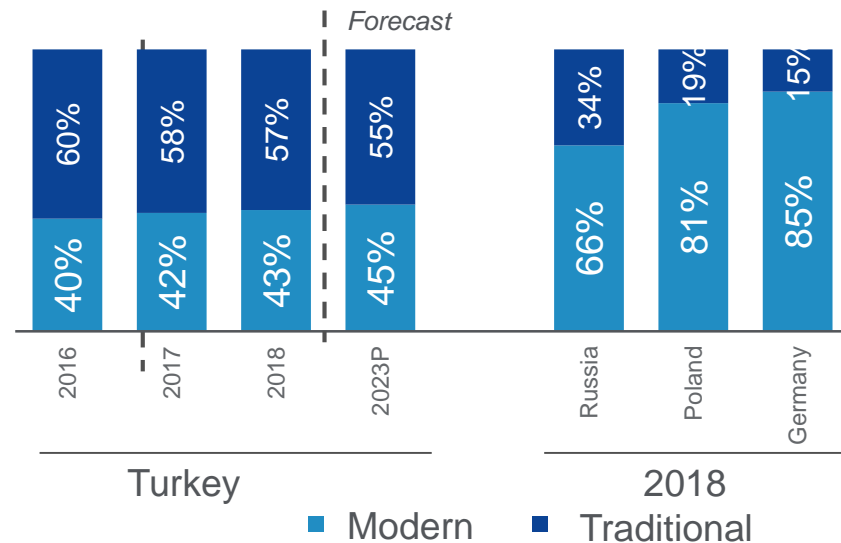
## Wave of Change in Turkey

Evolution of Store # by Channel ('000)



## Turkey Behind Other European Markets

Share of Grocery Market (value)



Large base of traditional stores still exists

Modern penetration significantly lower than other markets

# Fragmented Market - Major Market Share Opportunity



(As of 2018)	Modern Channel			Traditional Channel
	Supermarket National Players	Supermarket Local Players	Discounters	Mom & Pop's / Others
Number of Players <sup>(1)</sup>	2	c.400	3	c.164,994
Number of Stores <sup>(1)</sup>	2,394	9,496	21,250	c.164,994
Total Selling Area ('000 sqm) <sup>(1)</sup>	2,388	6,448	5,053	7,068
Average Store Size (sqm) <sup>(1)(2)</sup>	c.1,000	c.680	c.240	c.45
Revenue Growth 2016-2018	24%	2%	33%	14%
Market Share <sup>(1)</sup>	8%	16%	19%	57%
Market Share Change 2016-2018	1.6%	(3.1%)	4.3%	(2.9%)

Source: Nielsen

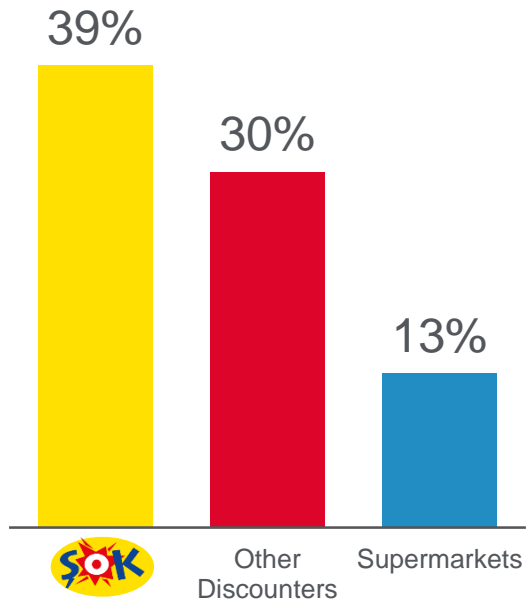
(1) Data as of 2018.

(2) Average Store Size figures represents an average selling area for each retail model consisting of multiple formats with different store sizes. National supermarket have multiple retail formats that include hypermarkets and large supermarkets (>1000 sqm), supermarkets (>400sqm) and small store formats (<400 sqm). Local supermarkets and mom & pop also include a wide range of different store formats.

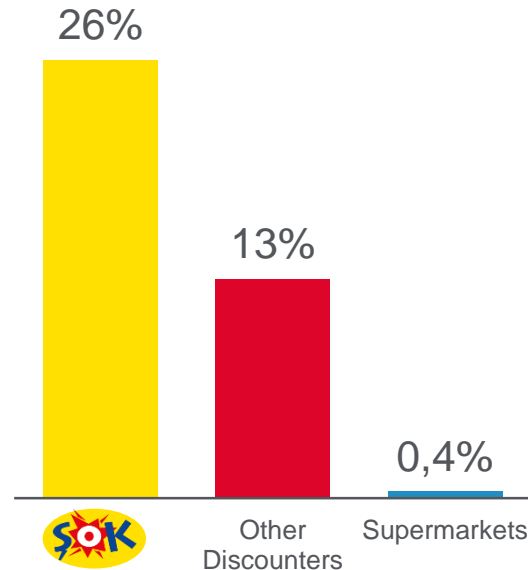
# Şok is Already Best-in-Class

## Market Evolution

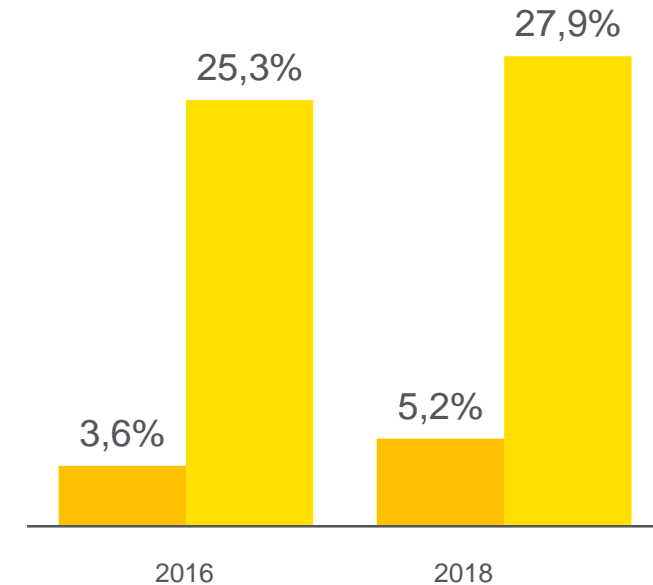
Revenue Growth  
'16-'18A (CAGR)





# of Stores Growth  
'16-'18A (CAGR)



Şok's Market Share  
'16-'18A<sup>(1)</sup>



 Total Grocery Market Share  
 Discount Market Share

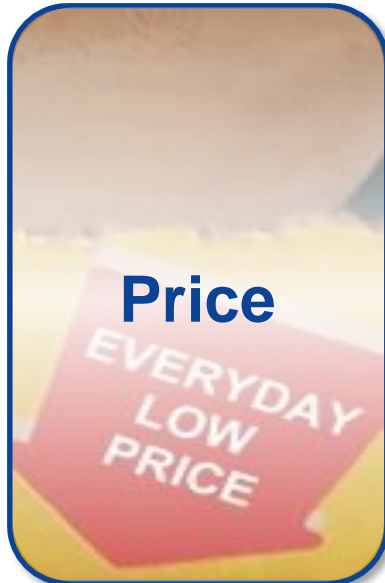


# We created the most relevant consumer offering



## Proximity

Experts in  
convenient  
small-box format



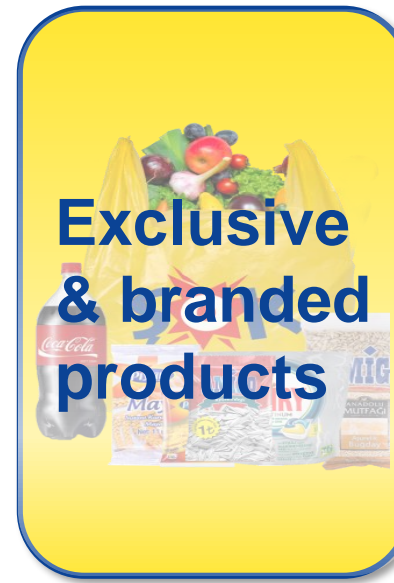
## Price

Competitive  
everyday low  
prices and  
effective  
promotions



## Choice

Most relevant  
product choice,  
differentiated by  
strong fresh,  
tobacco &  
personal care  
offering



## Exclusive & branded products

Unrivalled choice  
of national brands  
and heritage  
exclusive brands  
among discounters



## Shopping experience

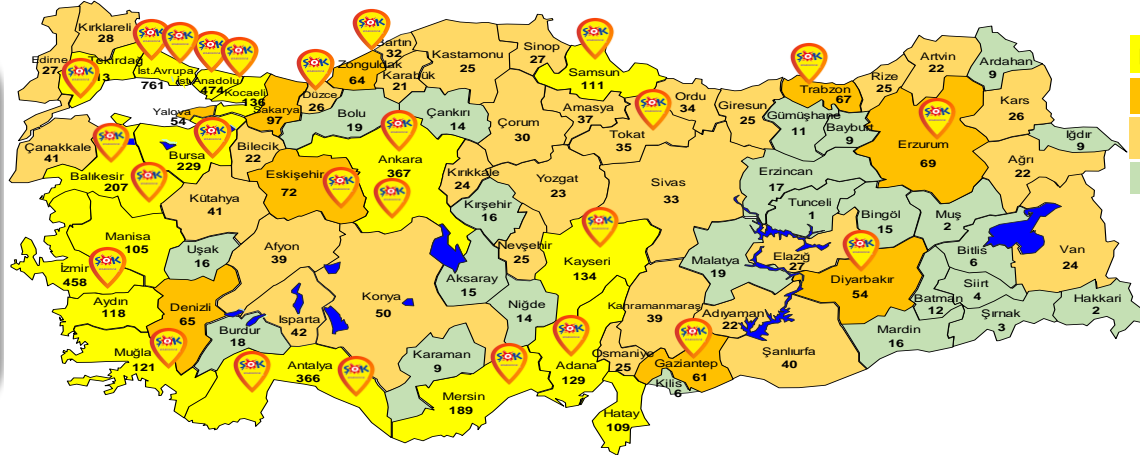
Carefully  
engineered,  
enjoyable  
atmosphere, easy  
shopping  
experience



# Convenient neighborhood locations in every city

## National store footprint conveniently located in your neighbourhood

6,364<sup>(1)</sup>  
stores  
across every  
city in  
Turkey



## Small-box format maximizing options for site locations

Avg. size:  
223sqm<sup>(2)</sup>



Experts in  
convenient small-  
box format

# Everyday low prices supported by powerful promotion

## Everyday Low Price Model

vs.  
Discount  
competitors:

Price match on  
all comparable  
products




vs. Supermarket  
competitors:

Price match or  
below on all  
national branded  
products



Competitive  
everyday low  
prices and  
effective  
promotions

## Greater Variety of Highly Effective, Regular Promotions, Determined on a Network-Wide Basis

Promotion type	Description		Discount Competitor 1	Discount Competitor 2
50% off	Buy 1 product, second product 50% off	✓	✗	✓
Check-out offers	Cashier offers product at check-out	✓	✗	✗
25 TL basket	Discount on specific product if basket > TL 25	✓	✗	✗
In&Out	Offers on selected non-food products	✓	✓	✓



# Most relevant product choice

## Broad Portfolio of SKUs Covering More Customer Needs

# of core SKUs (December 2018)

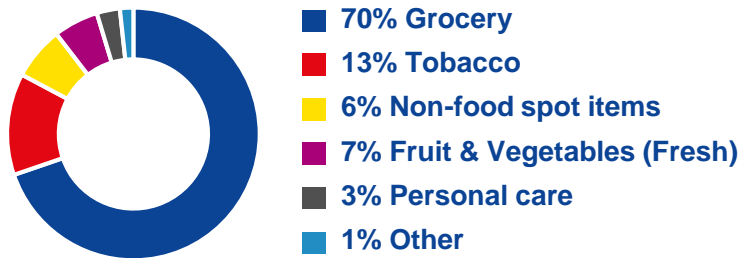


## National or Exclusive Brand Choice for Almost Every Customer Need



## Fresh, Personal Care, Non-Food and Tobacco Differentiate and Drive Traffic

% of FY2018A Şok Store sales



Fresh



Personal Care



Tobacco

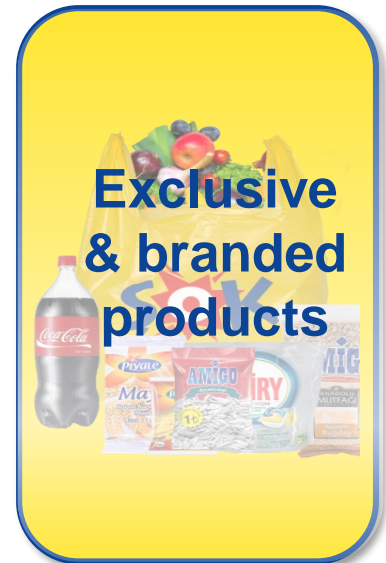
Most relevant product choice, differentiated by strong fresh, tobacco & personal care offering



# Unrivalled Choice of National Brands and Heritage Exclusive Brands



	National Brands	Exclusive Brands
% sales	44% (vs. 27% for Discount Competitor 1)	29%
# brands	240	46
# SKUs	884 (vs. 194 for Discount Competitor 1)	466
Examples	<b>Food</b> 	<b>Heritage Brands</b> Since 1970s  Since 1980s Since 1920s  Since 1970s Since 1970s
	<b>Beverage</b> 	<b>Other Brands</b>   
	<b>Personal care</b> 	
	<b>Home Care</b> 	
	selling #1 brand for almost every category available	We price our well-known heritage brands at same level as competitors' own brands



Unrivalled choice of national brands and heritage exclusive brands among discounters

# Easy Shopping Experience

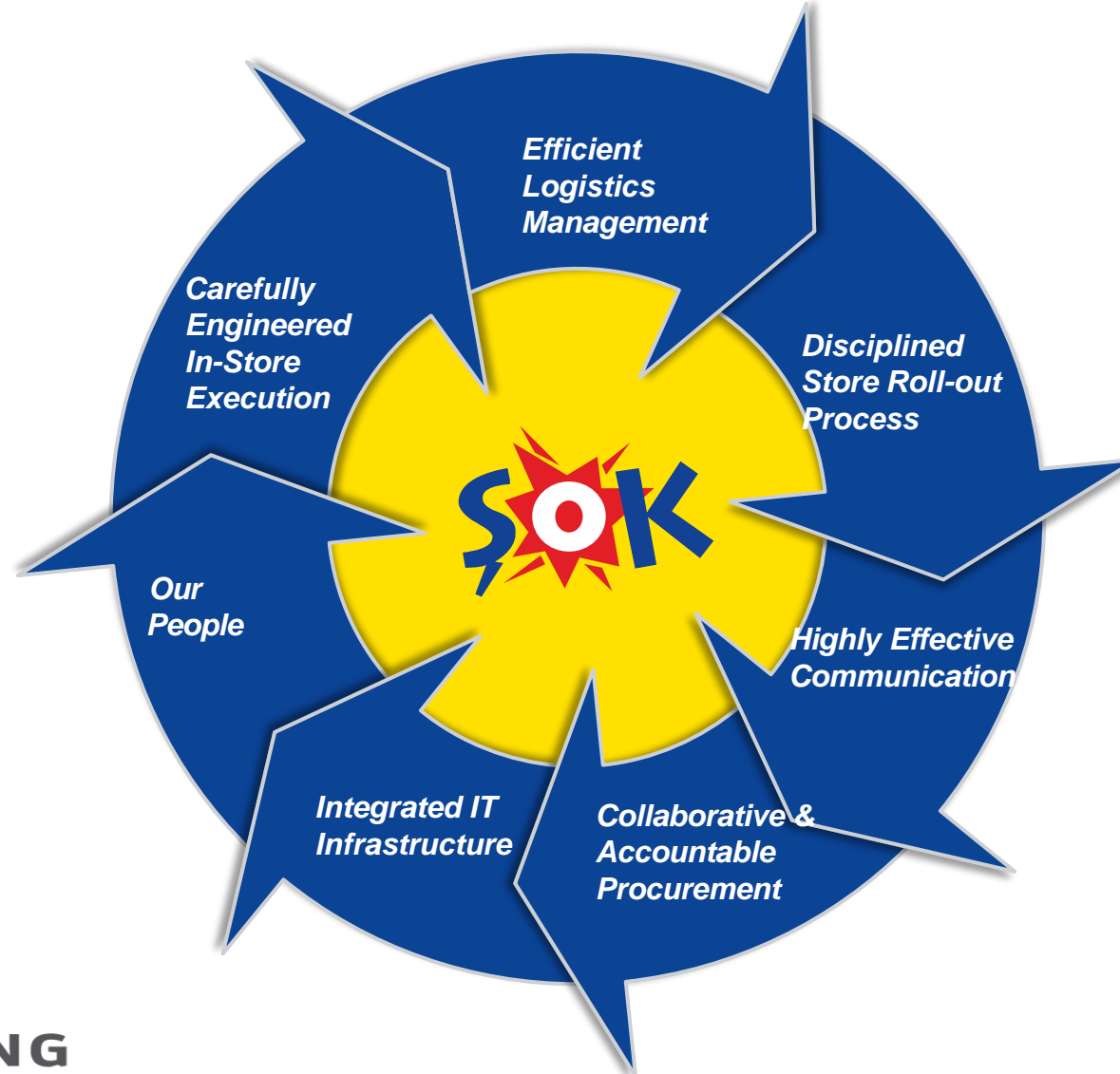


Differentiated consumer offering reflected in excellent Mystery Shopper score of 87<sup>(1)</sup>

# Conclusion: Şok's offering is ahead of competitors

	Hard Discounters	Hypermarkets & Supermarkets	ŞOK	
 <b>Proximity</b>	✓	✗	✓	Experts in convenient small-box format
 <b>Price</b>	✓	✗	✓	Competitive everyday low prices and effective promotions
 <b>Choice</b>	✗	✓	✓	Most relevant product choice, differentiated by strong fresh, tobacco and personal care offering
 <b>Brands</b>	✗	✓	✓	Unrivalled choice of national brands and heritage exclusive brands
 <b>Experience</b>	✗	✓	✓	Carefully engineered, enjoyable atmosphere, easy shopping experience

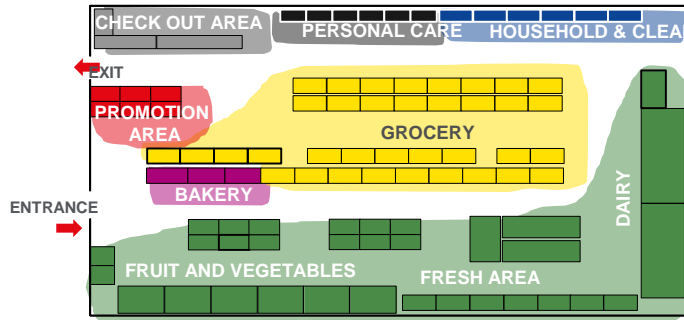
# Operational excellence from End-to-End





# Harmonised layout to maximize sales and efficiency

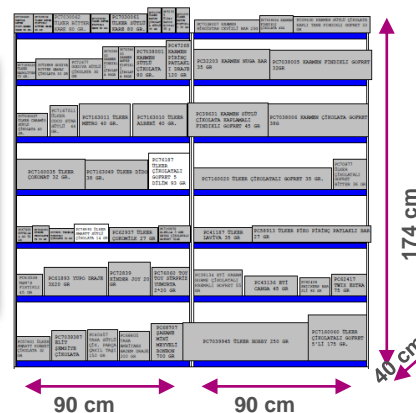
## Standardised Modular Layout



# Modules

55

## Planogram Layout



## Optimised Shelving and Packaging



Harmonised layout supports rapid roll-out

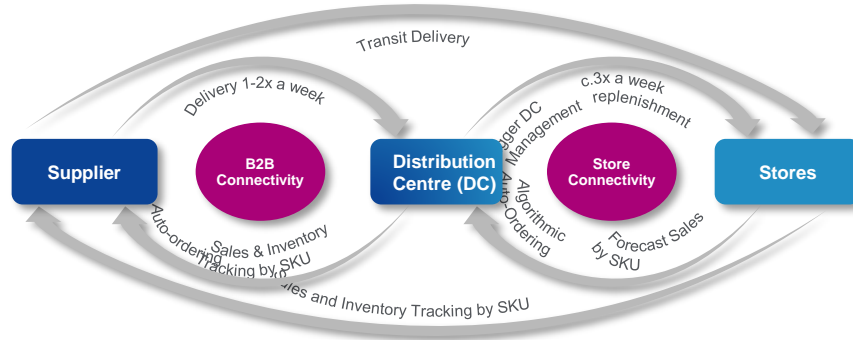
Shelving carefully engineered to maximise offering

Suppliers provide customised box packaging of 39cm for simple & fast replenishment

Simplicity leads to optimisation of personnel – from 4.7 per SOK store in Dec-14 to 3.9 in Dec-18

# Integrated supply chain management

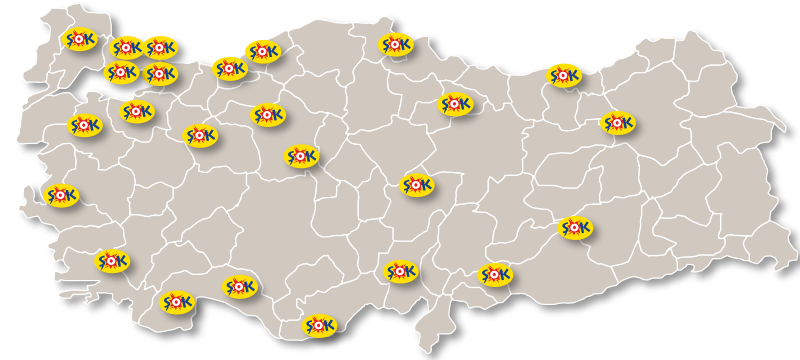
## Fully Integrated Logistics Management



Over 500 suppliers connected via B2B reporting

OBASE ERP Automated ordering system, with store manager approval 3x per week

## Business Model Oriented Distribution Centre Management



33 branches supplied by 25 distribution centres<sup>(1)</sup>; all rented

Vertical stacks for demand growth / storage

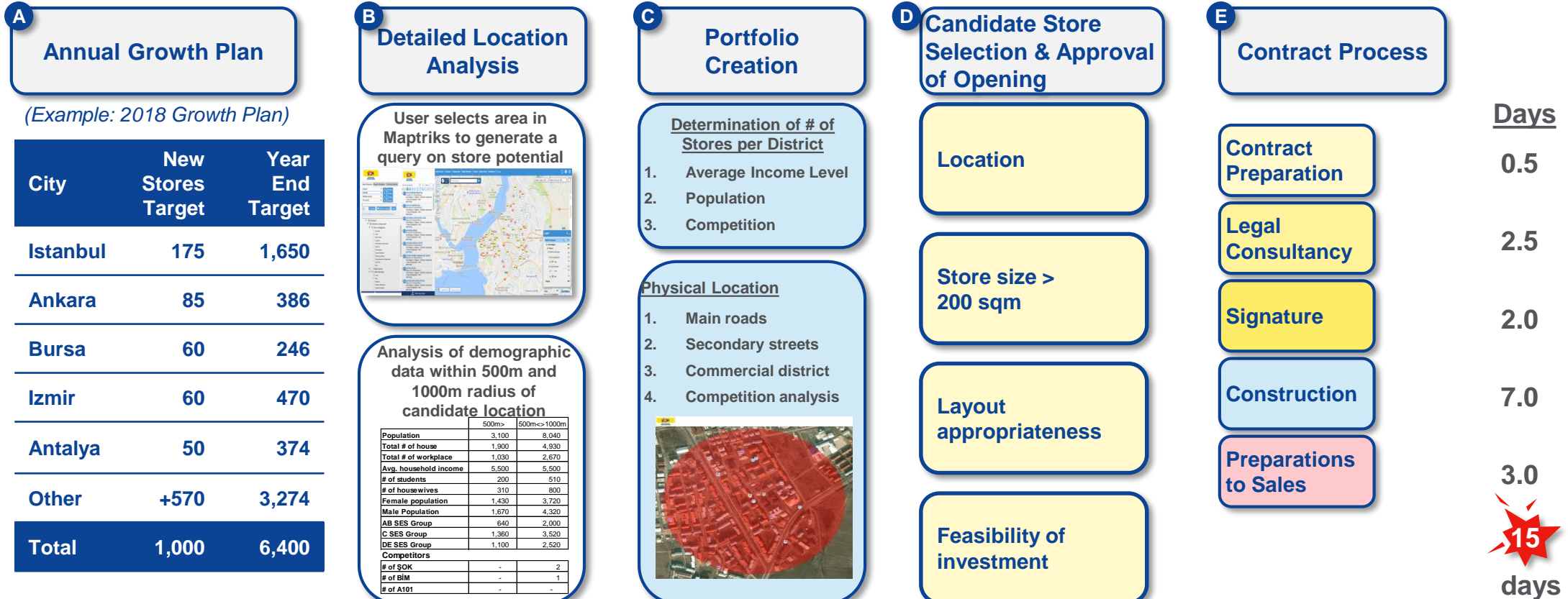
Average 255 stores per distribution centre

Discount Competitor 1: 110

Source: Management Information.  
(1) As of 31 December 2018.

# Highly disciplined store selection & opening process

## Long term growth strategy is at the heart of our roll-out approach

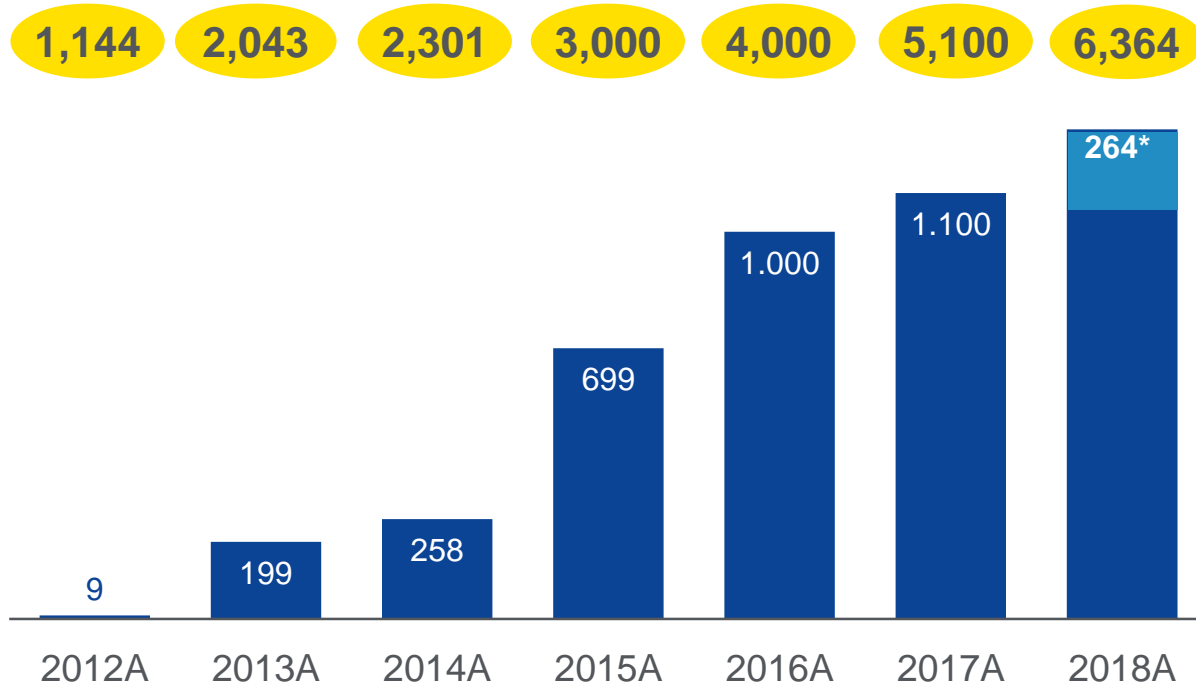


Avg. of c.3 stores opened per day since 2015

# Track record of successful roll-out



## Şok Net Stores Opened



● Total Number of Stores      \*264 Şok Mini Stores

Average TL 250k per new store, If closed, c.80% of CAPEX is recoverable and can be transferred to another store

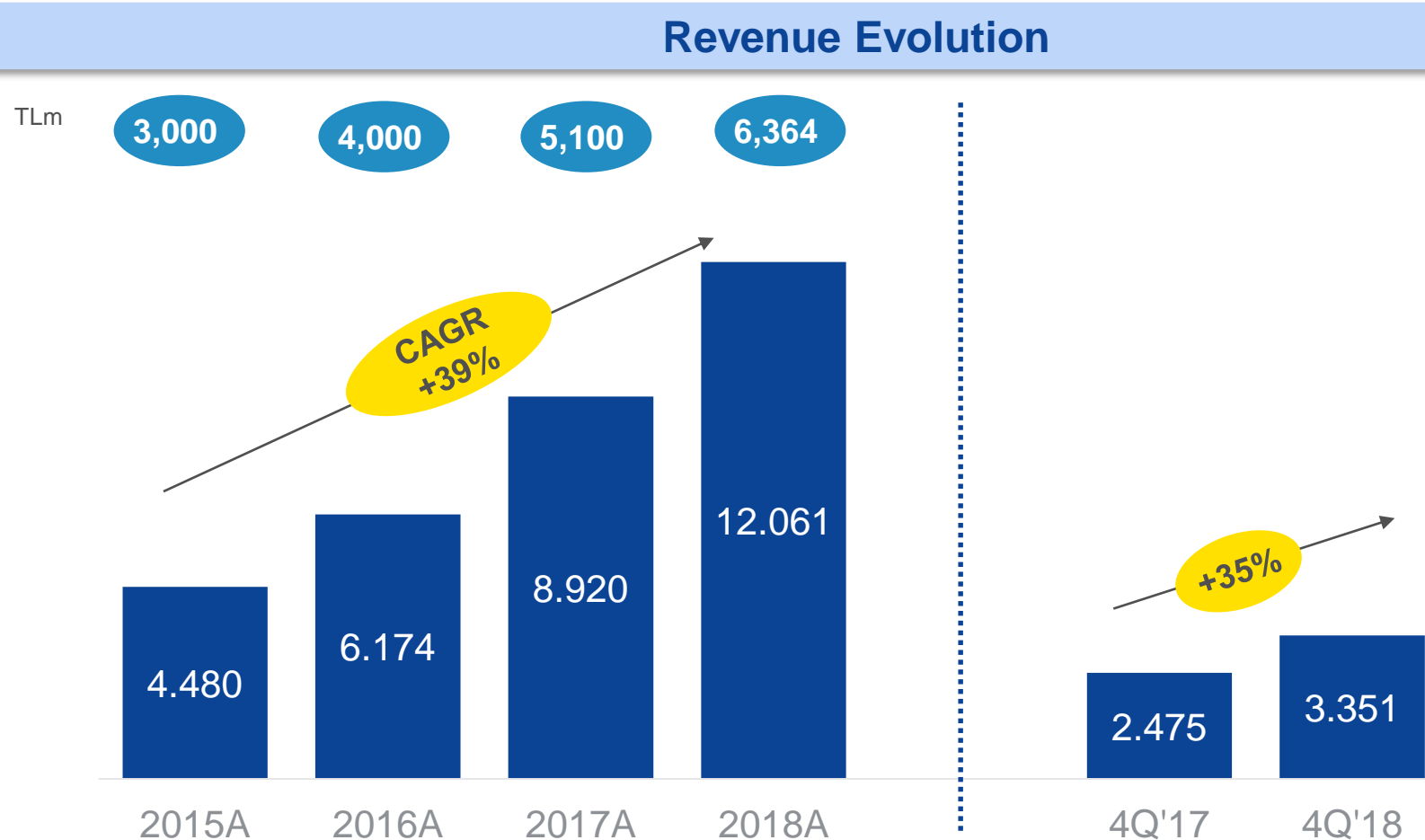
TL 5 million average CAPEX per new warehouse

10-year lease all in TL  
(1 month notice period to cancel lease)

Underperforming stores reported on daily/weekly basis and supported with weekly promotions



# Strong track record of revenue growth



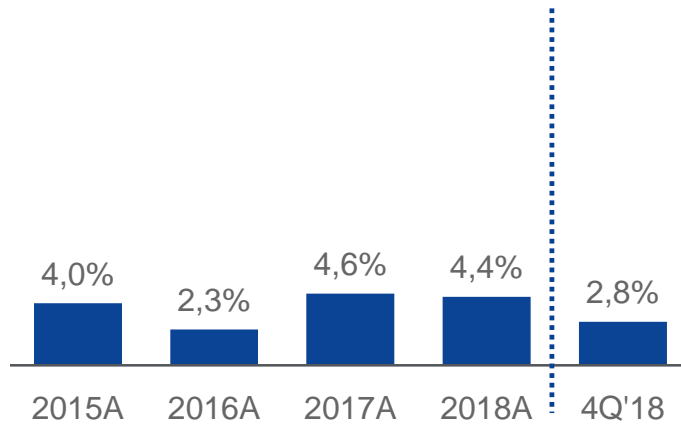
**Fastest growing Turkish grocery retailer**

# Sustainable LFL growth



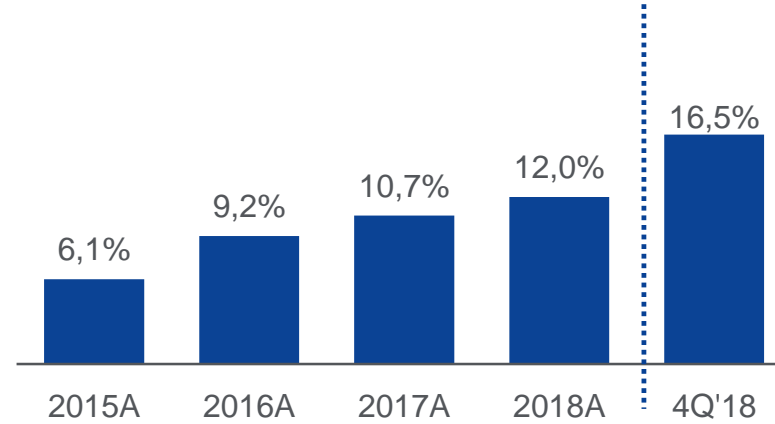
## LFL Number of Tickets Growth

YoY, growth



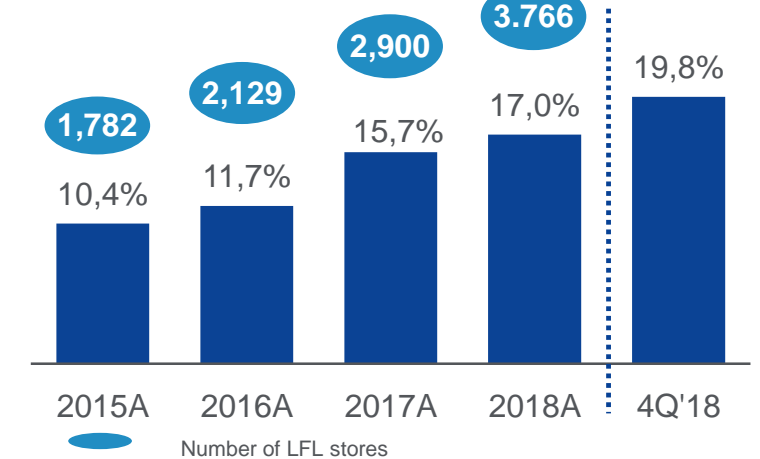
## LFL Basket Size Growth

YoY, growth



## Like-for-Like Growth

YoY, growth



Refurbished stores, SKU count, convenience driving traffic

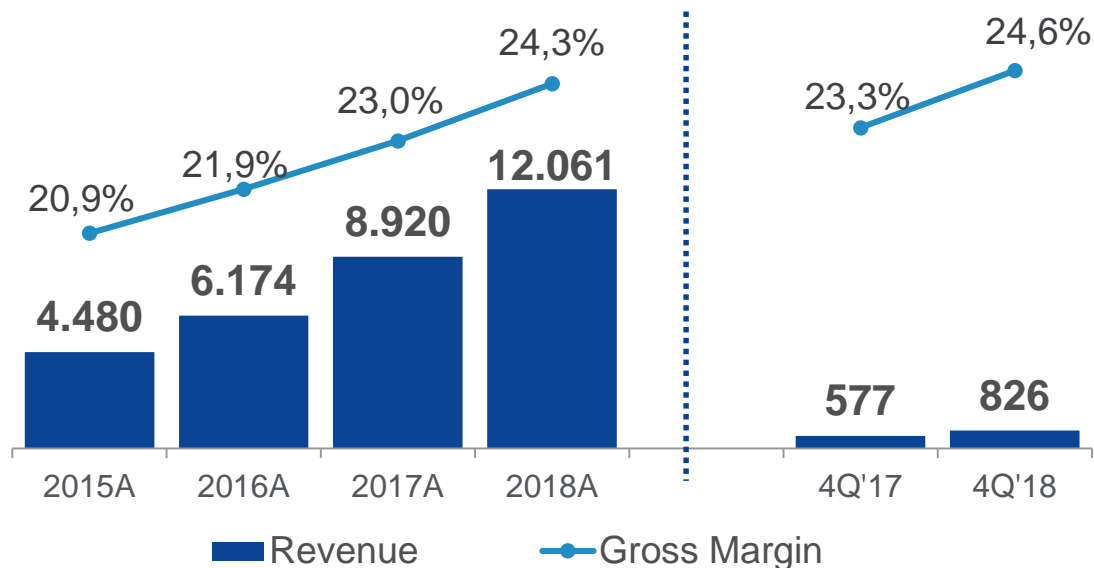
c.1,000 stores added every year in the past 3 years

Basket driven by availability of fresh produce and effective promotions

# Efficiency and Scale Underpinning Margin Improvement



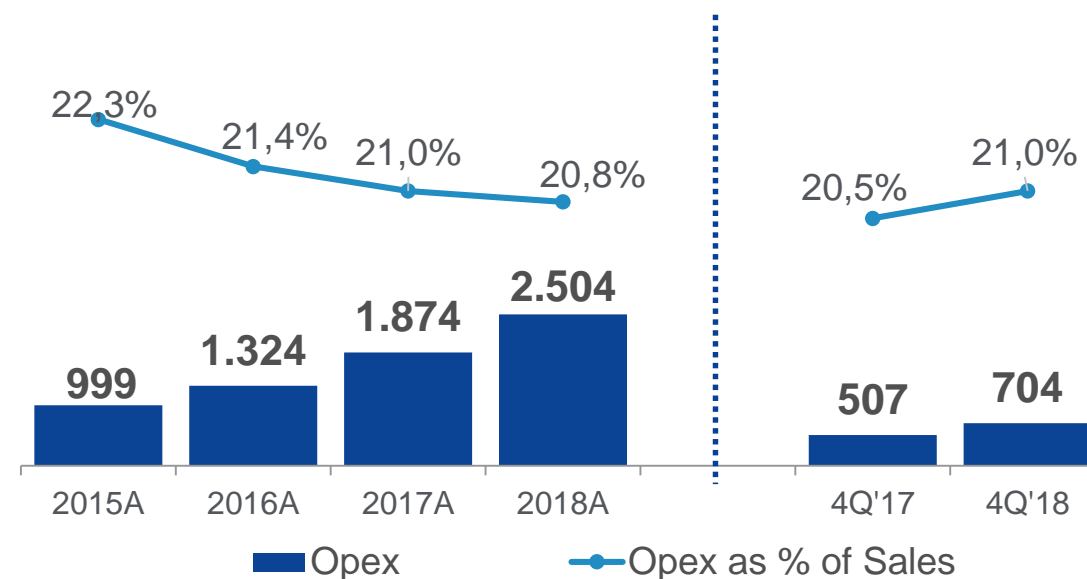
## Evolution of Gross Margin



Improvement in gross margins driven by economies of scale

Use of exclusive brands creating additional bargaining power

## Evolution of Operating Expenses / Sales



Centralised executive management for SG&A cost management

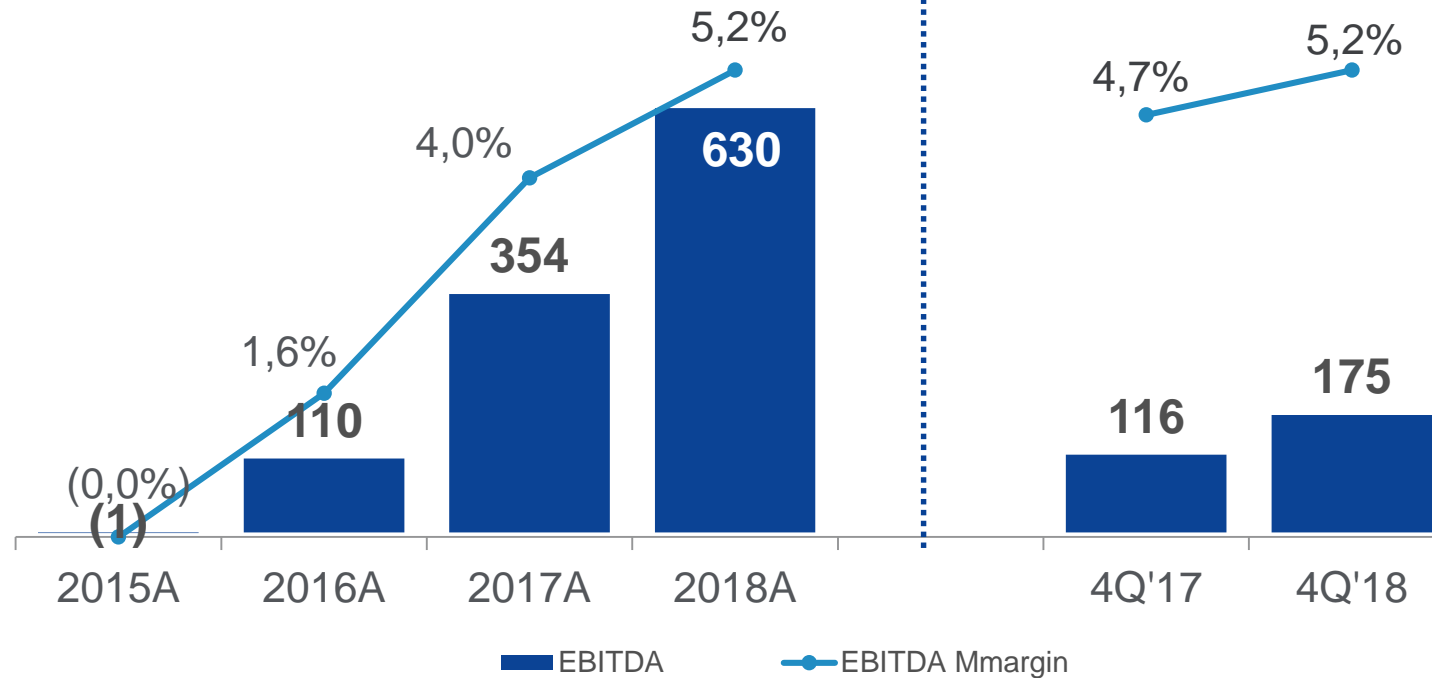
Cost-centric approach to personnel, transportation and rent

# EBITDA Margin driven by scale & rationalization of SG&A



## Evolution of EBITDA

(TL in millions)

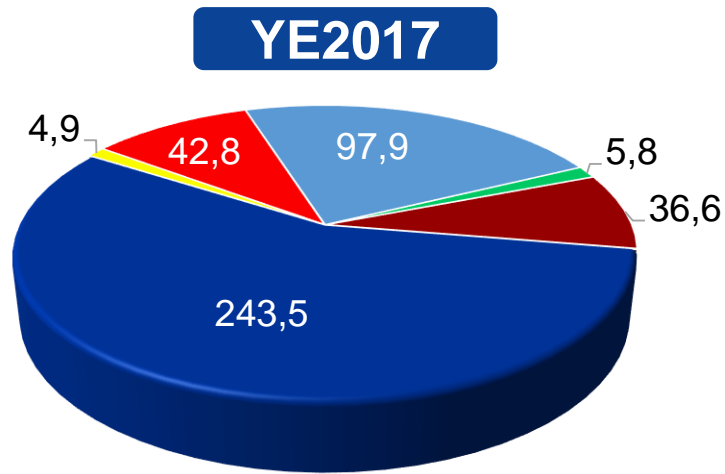
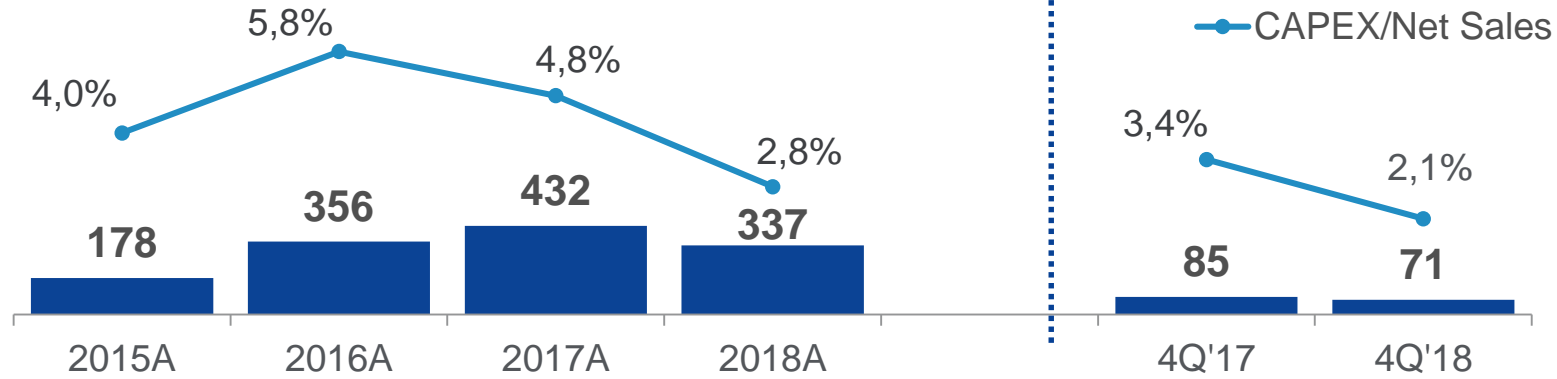


From Breakeven in 2015, c.500 bps Improvement in EBITDA

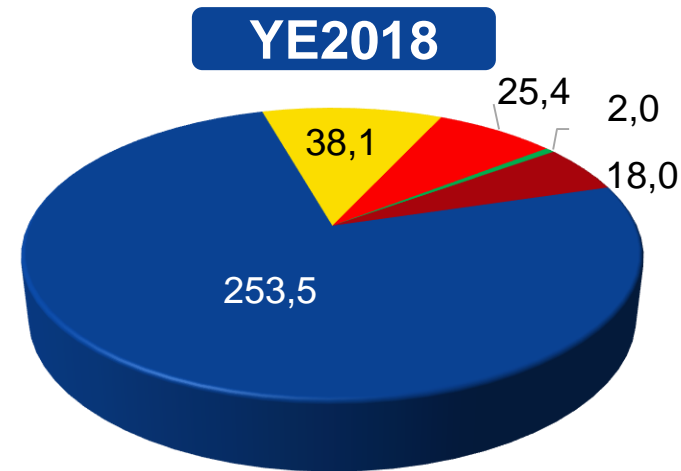
Improvement driven by procurement scale and operational discipline



# Effective CAPEX Management (TLm)



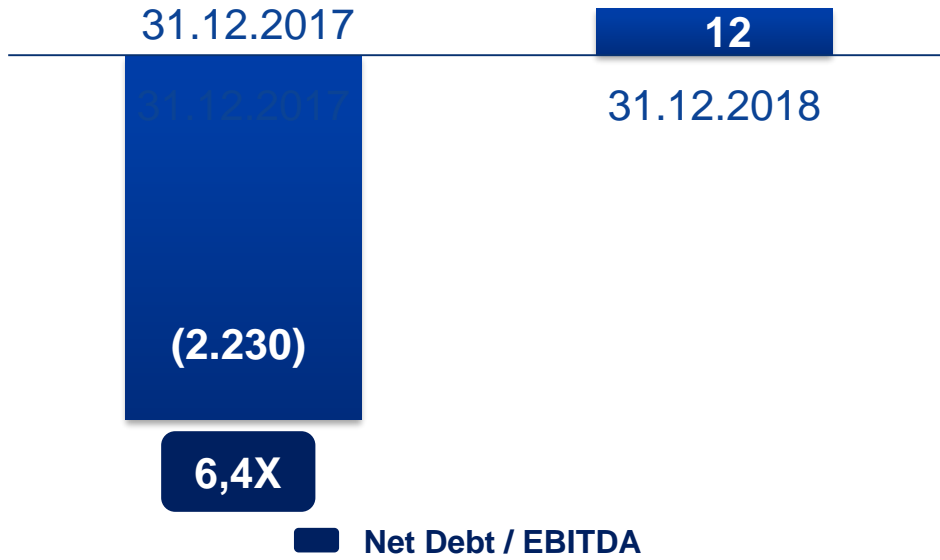
■ HQ ■ Warehouse ■ New Stores ■ New Stores (Şok Mini) ■ Maintenance ■ Store Transformation





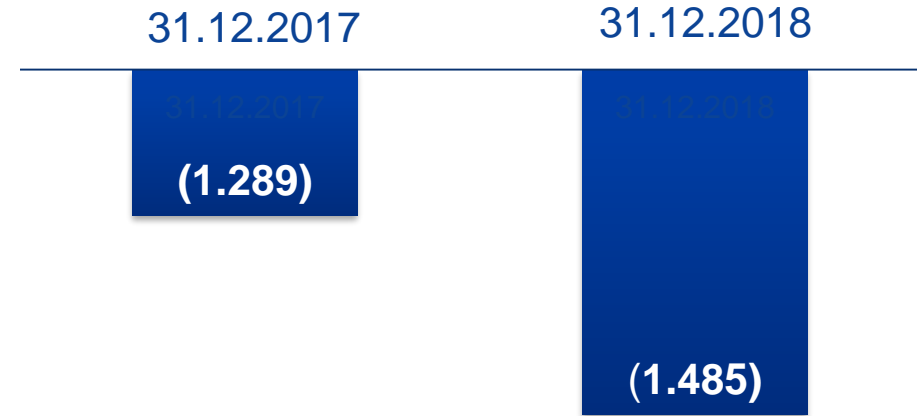
# Strong Balance Sheet

## Net Cash / (Debt) (TLm)

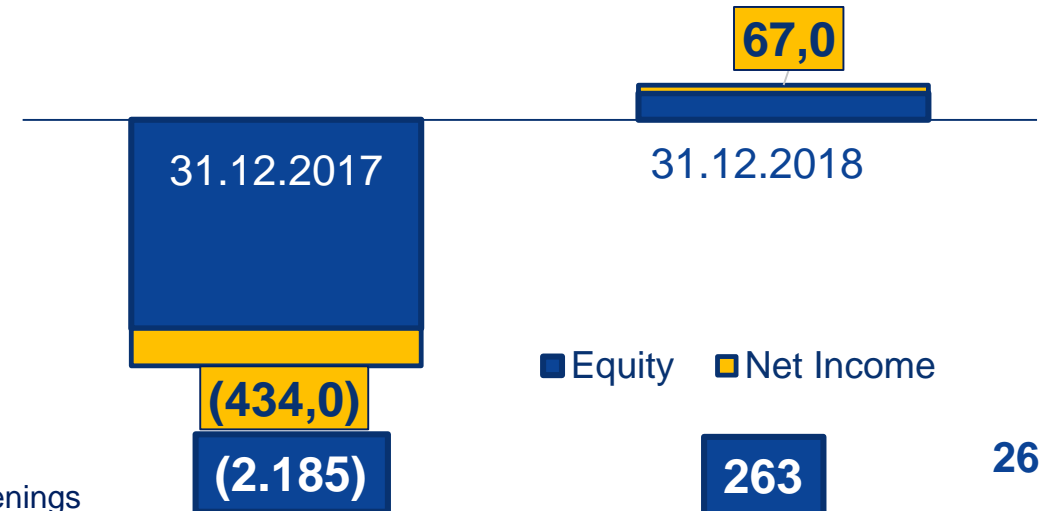


TLm	31.12.18	31.12.17
Short Term Borrowings	75,4	1.402,4
Obligations under Financial Lease <sup>(1)</sup>	208,8	306,6
Related Party Debt	-	613,3
<b>Total Debt</b>	<b>284,2</b>	<b>2.322,3</b>
Cash & Cash Equivalents	296,4	92,1
<b>Net Cash / (Debt)</b>	<b>12,1</b>	<b>(2.230,2)</b>

## Net Working Capital (TLm)



## Total Equity & Net Income (TLm)



# Key drivers of growth



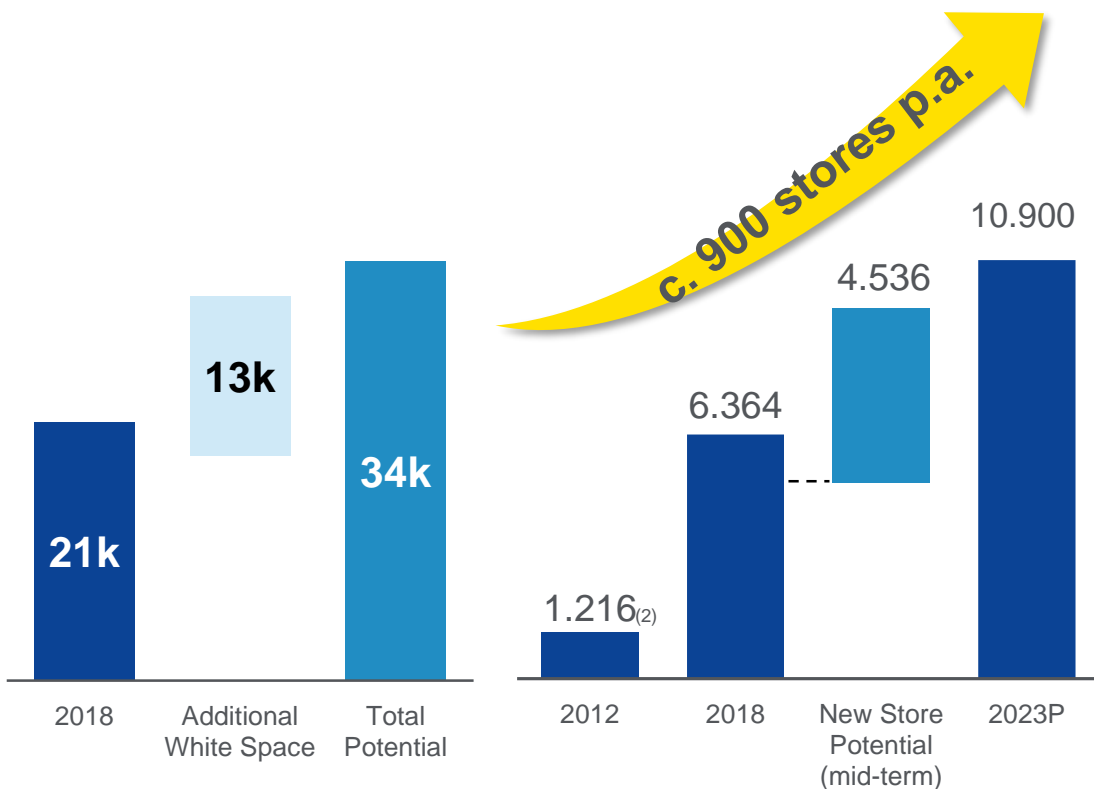
Source: Management Information.

# A White Space Opportunity for Şok



## Store Potential for Discount Channel<sup>(1)</sup>

## Şok New Store Potential (Stores)<sup>(2)</sup>



34k store potential based on regional bottom-up analysis of geographies and saturation

Şok potential for additional 4.5k stores by 2023, supported by independent commercial consultant

Source: MK Novo Analysis.

(1) Market potential for number of stores is not a time bound calculation. This approach, sourced from MK Novo analysis, is used for estimating the full potential that the market can reach by region based on various benchmarks.

(2) As per MK Novo.



# B LFL To be driven by multiple factors as stores mature



## Ramp-up from Young Store Portfolio

Number of stores



Fresh has positive multiplier effect on average basket size and footfall

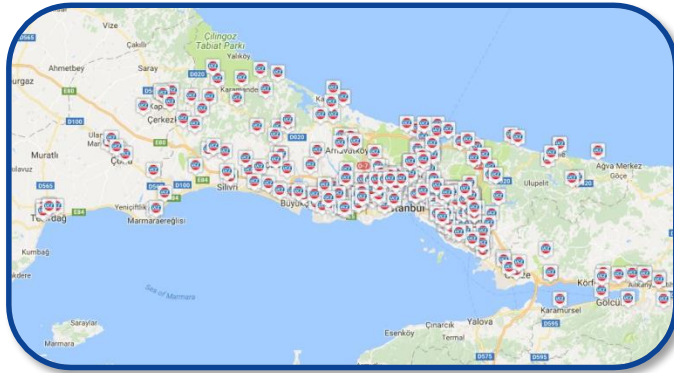


Potential for bakery to drive growth



Gain customer loyalty through continued operational excellence

Increased brand awareness through effective marketing



**Increased  
penetration in  
Istanbul**

**Acquired UCZ Mağazacılık A.Ş in Dec-17**

**264 stores converted to Şok Mini as of 2018**

**Average store size: 81sqm with 1,382 SKUs**

# Consolidated Income Statement

Consolidated Income Statement Summary (TLm)	Q4	Q4		YE	YE	
	2017	2018	Δ (%)	2017	2018	Δ (%)
<b>Net Sales</b>	<b>2.474,5</b>	<b>3.350,5</b>	<b>35,4%</b>	<b>8.920,3</b>	<b>12.060,8</b>	<b>35,2%</b>
Gross Profit	577,1	825,9	43,1%	2.054,5	2.934,0	42,8%
<b>Gross Profit %</b>	<b>23,3%</b>	<b>24,6%</b>	<b>1,3 Ppt</b>	<b>23,0%</b>	<b>24,3%</b>	<b>1,3 Ppt</b>
Marketing, selling & GA expenses (-)	507,0	703,5	38,8%	1.873,7	2.504,2	33,7%
<b>EBITDA</b>	<b>115,7</b>	<b>174,6</b>	<b>50,9%</b>	<b>354,3</b>	<b>630,2</b>	<b>77,9%</b>
<b>EBITDA %</b>	<b>4,7%</b>	<b>5,2%</b>	<b>0,5 Ppt</b>	<b>4,0%</b>	<b>5,2%</b>	<b>1,3 Ppt</b>
<b>EBITDAR</b>	<b>231,6</b>	<b>324,0</b>	<b>39,9%</b>	<b>764,8</b>	<b>1.176,7</b>	<b>53,9%</b>
<b>EBITDAR %</b>	<b>9,4%</b>	<b>9,7%</b>	<b>0,3 Ppt</b>	<b>8,6%</b>	<b>9,8%</b>	<b>1,2 Ppt</b>
<b>Net Profit / (Loss) for the Period</b>	<b>(124,0)</b>	<b>(54,9)</b>	<b>55,8%</b>	<b>(434,0)</b>	<b>67,0</b>	<b>115,4%</b>

# Balance Sheet (Assets)



Consolidated Balance Sheet Summary (TLm)	31.12.17	31.12.18
Cash & cash equivalents	92,1	296,4
Trade receivables	267,6	127,2
Inventories	636,2	872,5
Other current assets	82,0	19,2
<b>Total Current Assets</b>	<b>1.078,0</b>	<b>1.315,3</b>
Property & equipment	849,5	977,6
Intangible assets	677,0	684,7
Other non-current assets	5,7	284,3
<b>Non-Current Assets</b>	<b>1.532,3</b>	<b>1.946,6</b>
<b>Total Assets</b>	<b>2.610,3</b>	<b>3.261,9</b>



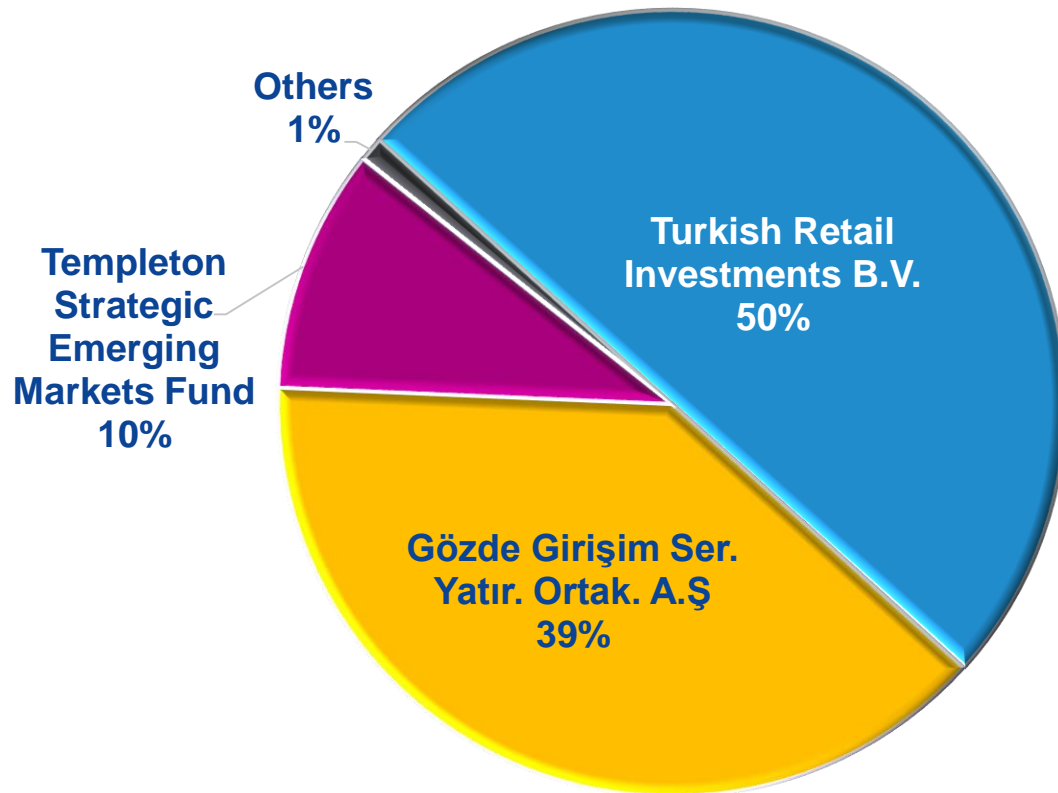
# Balance Sheet (Liabilities and Equity)



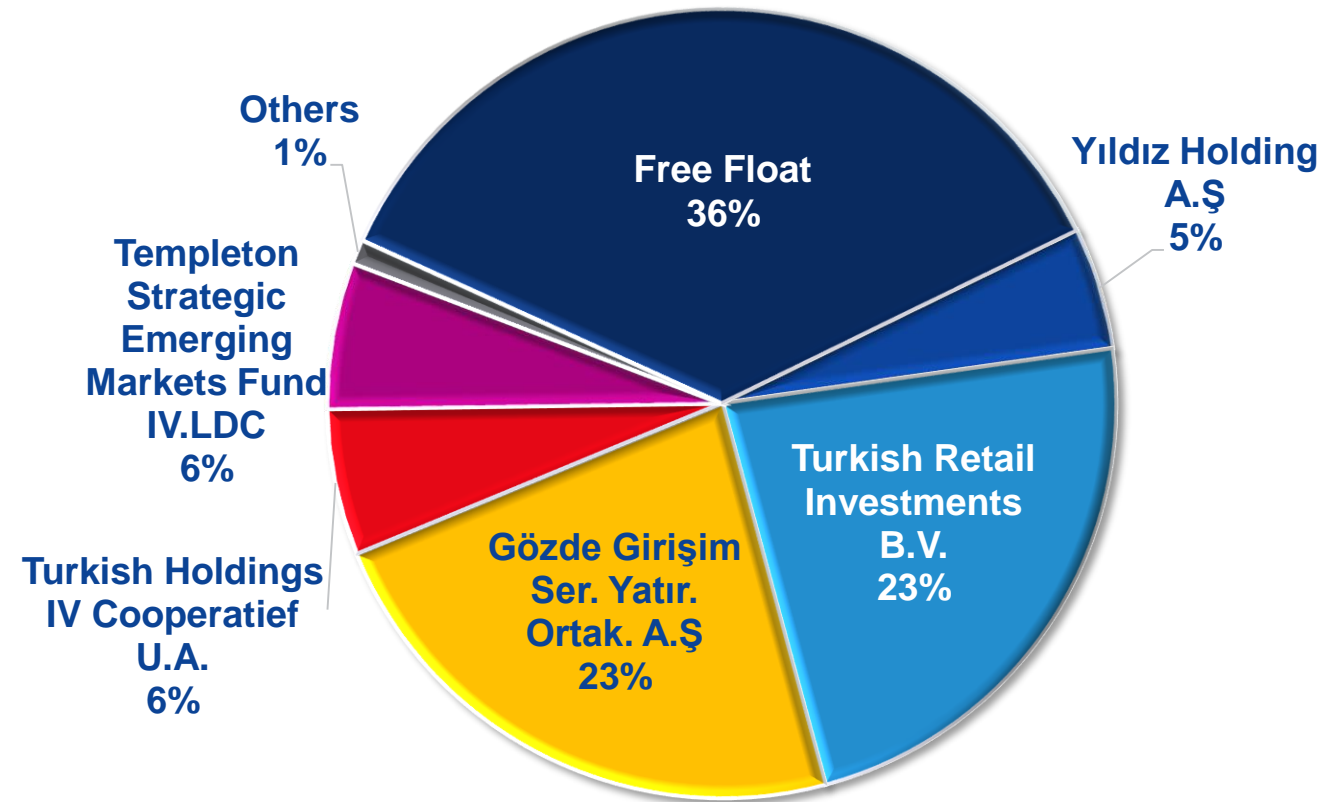
Consolidated Balance Sheet Summary (TLm)	31.12.17	31.12.18
Short term financial liabilities	1.504,9	177,4
Trade payables	2.193,1	2.484,5
Other current payables	795,7	183,2
<b>Total Current Liabilities</b>	<b>4.493,6</b>	<b>2.845,1</b>
<b>Total Non Current Liabilities</b>	<b>301,7</b>	<b>153,8</b>
Shareholder's equity	(2.022,5)	261,8
Non-controlling interests	(162,4)	1,2
Total Equity	(2.185,0)	263,0
<b>Total Liabilities and Equity</b>	<b>2.610,3</b>	<b>3.261,9</b>

# Shareholding Structure

Before IPO (18.05.2018)



31.12.2018



# Disclaimer



This presentation contains information and analysis on financial statements and is prepared for the sole purpose of providing information relating to Şok Marketler Ticaret A.Ş. (Şok Marketler).

This presentation contains forward-looking statements which are based on certain expectations and assumptions at the time of publication of this presentation and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in these materials. Many of these risks and uncertainties relate to factors that are beyond Şok Marketler's ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, the ability to successfully integrate acquired businesses and achieve anticipated cost savings and productivity gains as well as the actions of government regulators.

Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this presentation.

This presentation merely serves the purpose of providing information. It neither represents an offer for sale nor for subscription of securities in any country, including Turkey. This presentation does not include an official offer of shares; an offering circular will not be published.

This presentation is not allowed to be reproduced, distributed or published without permission or agreement of Şok Marketler.



## Investor Relations

Çağrı DEMİREL

Investor Relations Manager

t: +90 850 221 6755

e: [cagri.demirel@sokmarket.com.tr](mailto:cagri.demirel@sokmarket.com.tr)

w: [www.sokmarketyatirimciiliskileri.com](http://www.sokmarketyatirimciiliskileri.com)

Ziya Kayacan

CFO

t: +90 850 221 11 00

e: [ziya.kayacan@sokmarket.com.tr](mailto:ziya.kayacan@sokmarket.com.tr)

w: [www.sokmarketyatirimciiliskileri.com](http://www.sokmarketyatirimciiliskileri.com)