



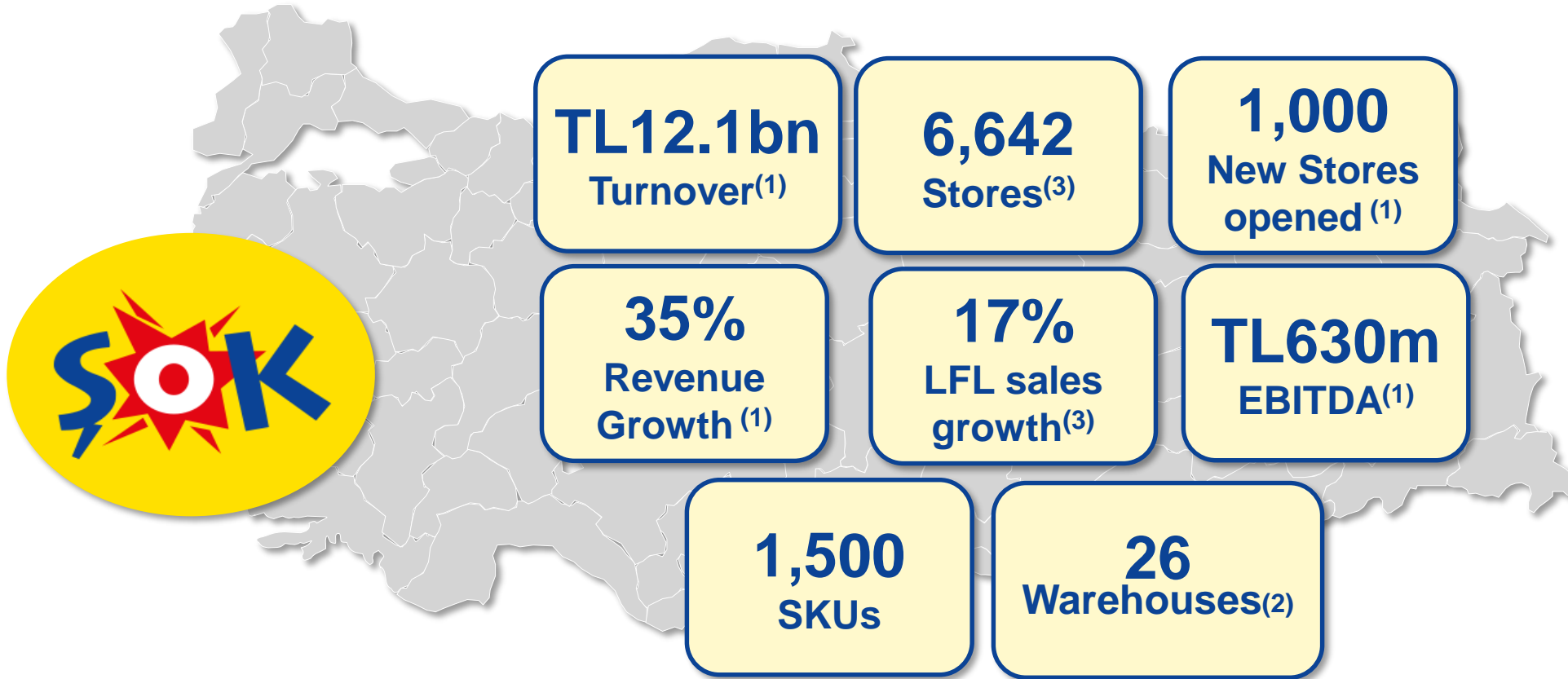
The Fresh Winner in Discount Retail

May 2019

YILDIZ ★ HOLDING



We are the fastest growing grocery retailer in Turkey



Source: Management information.

(1) As of FY2018A.

(2) As of 31 March 2019

(3) inc. 271 Şok Mini Stores as of 31 March 2019

(4) 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

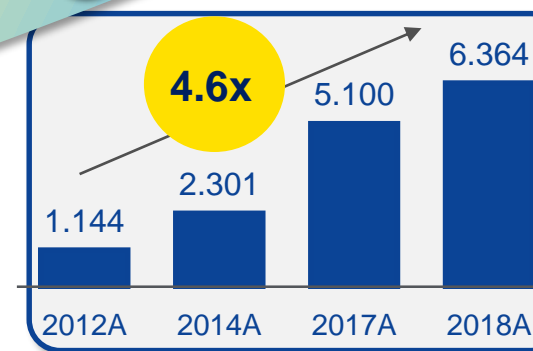
- Organic growth
- Debt free & Strong Equity
- Increasing profitability
- White Space Opportunity

Acquisition of
Şok from
Migros -2011

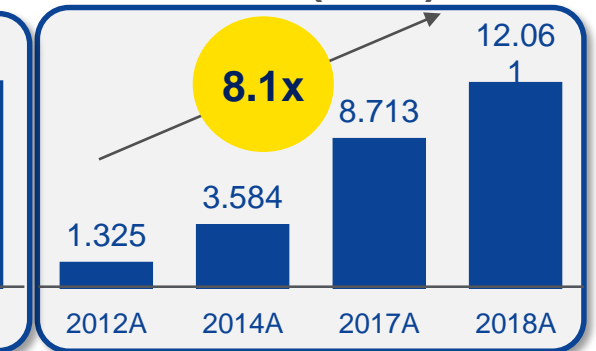


YILDIZ ★ HOLDING

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

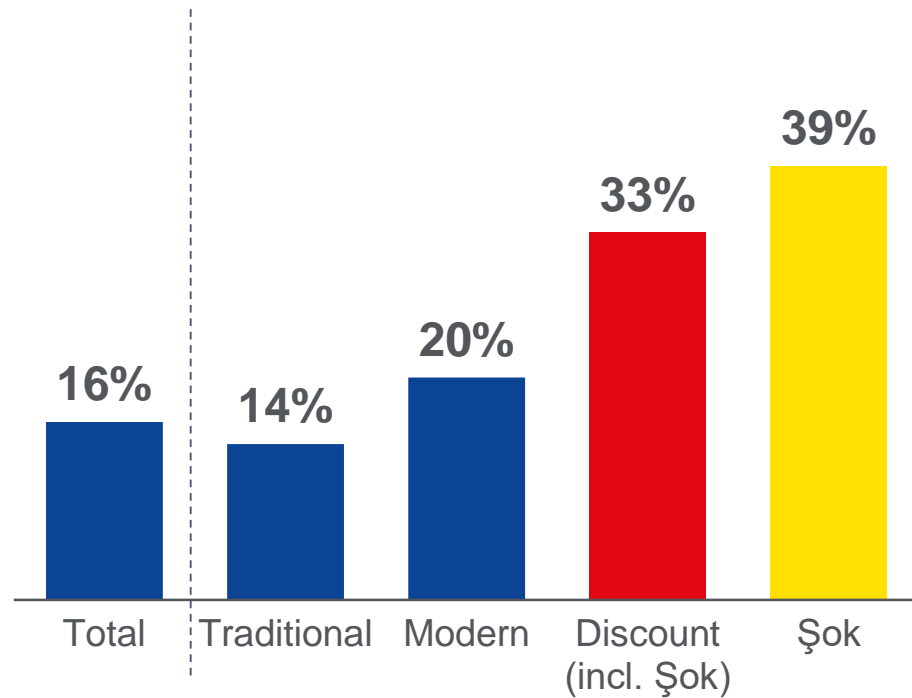
Significant Profitable Growth Opportunity



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



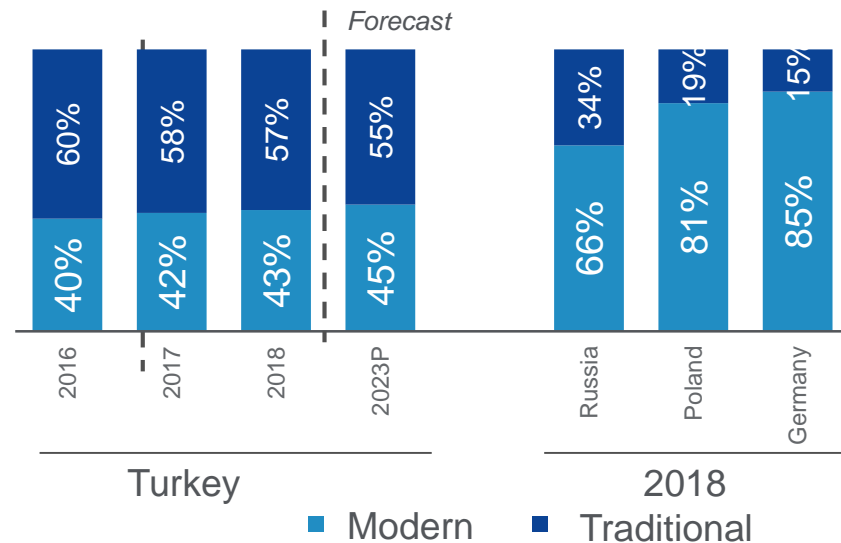
Wave of Change in Turkey

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 ⁽¹⁾	2	c.400	3	c.164,994
Number of Stores ⁽¹⁾	2,394	9,496	21,250	c.164,994
Total Selling Area ('000 sqm) ⁽¹⁾	2,388	6,448	5,053	7,068
Average Store Size (sqm) ⁽¹⁾⁽²⁾	c.1,000	c.680	c.240	c.45
Revenue Growth 2016-2018	24%	2%	33%	14%
Market Share ⁽¹⁾	8%	16%	19%	57%
Market Share Change 2016-2018	1.6%	(3.1%)	4.3%	(2.9%)

Source: Nielsen

(1) Data as of 2018.

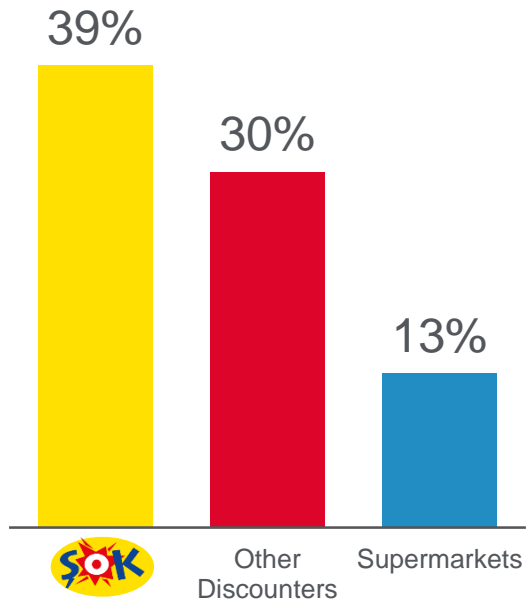
(2) Average Store Size figures represents an average selling area for each retail model consisting of multiple formats with different store sizes. National supermarket have multiple retail formats that include hypermarkets and large supermarkets (>1000 sqm), supermarkets (>400sqm) and small store formats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

Şok is Already Best-in-Class

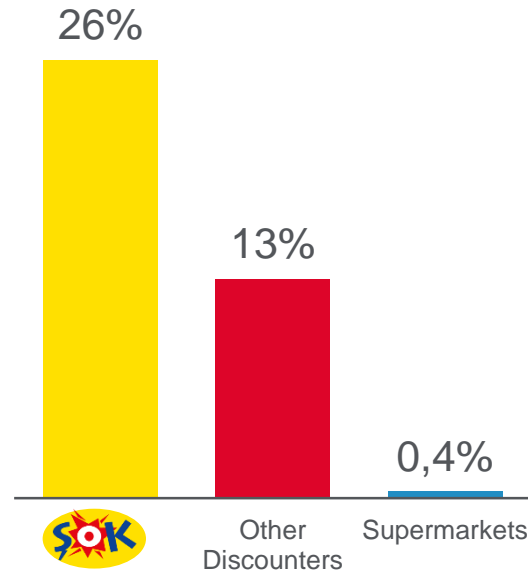


Market Evolution

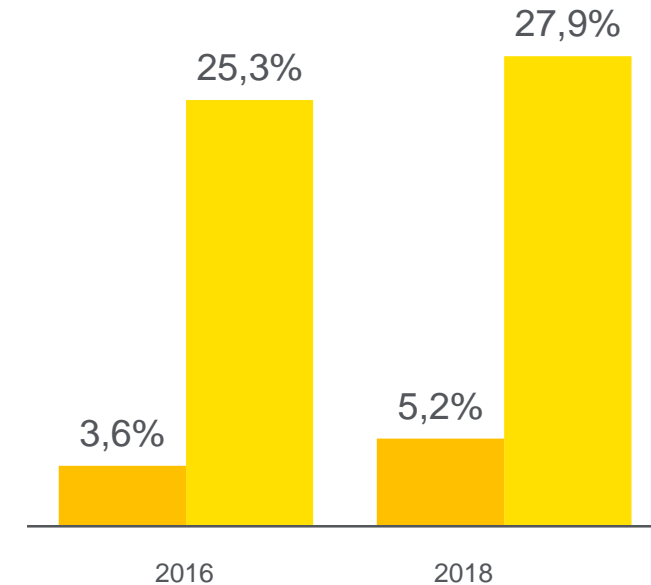
Revenue Growth
'16-'18A (CAGR)



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



Şok's Market Share
'16-'18A⁽¹⁾



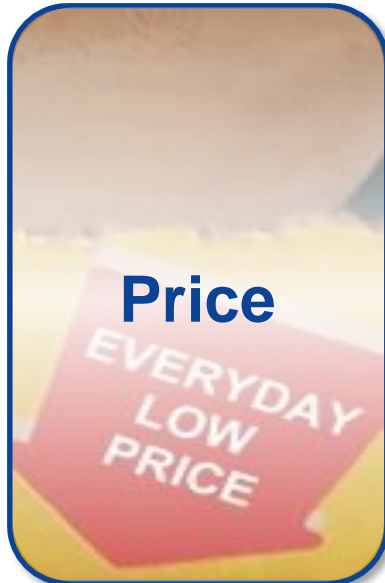
■ Total Grocery Market Share
■ Discount Market Share

We created the most relevant consumer offering



Proximity

Experts in
convenient
small-box format



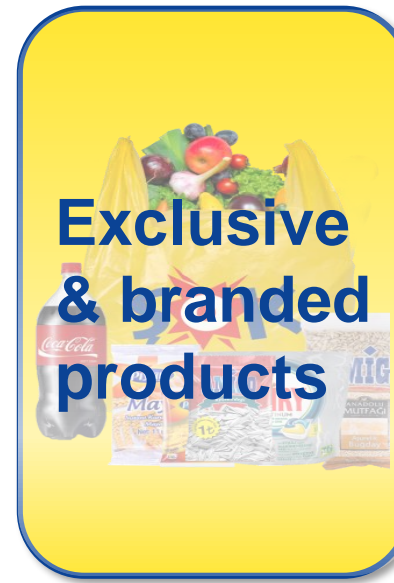
Price

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

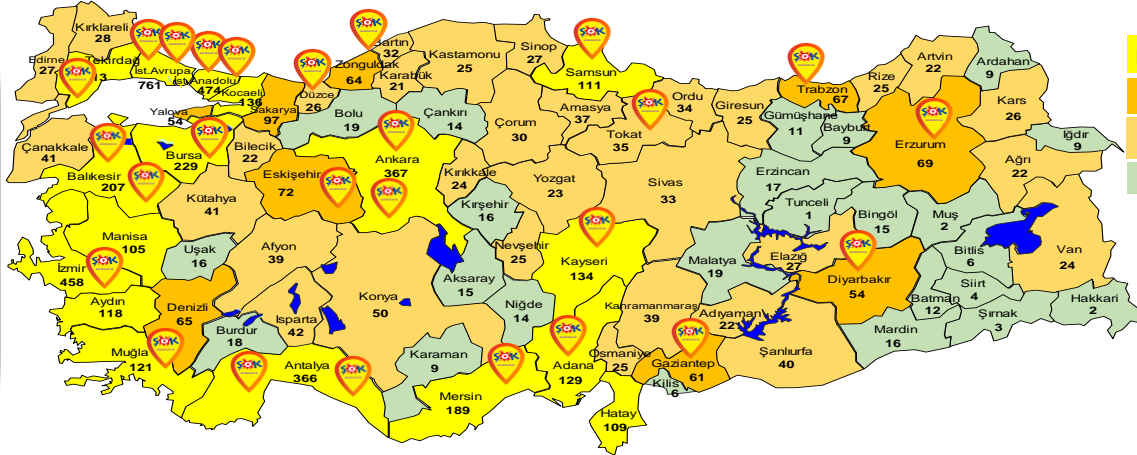
Carefully
engineered,
enjoyable
atmosphere, easy
shopping
experience



Convenient neighborhood locations in every city

National store footprint conveniently located in your neighbourhood

6,642⁽¹⁾
stores
across every
city in
Turkey



Small-box format maximizing options for site locations

Avg. size:
224sqm⁽²⁾



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



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	✓	✓	✓

Competitive
everyday low
prices and
effective
promotions

Most relevant product choice

Broad Portfolio of SKUs Covering More Customer Needs

of core SKUs (December 2018)

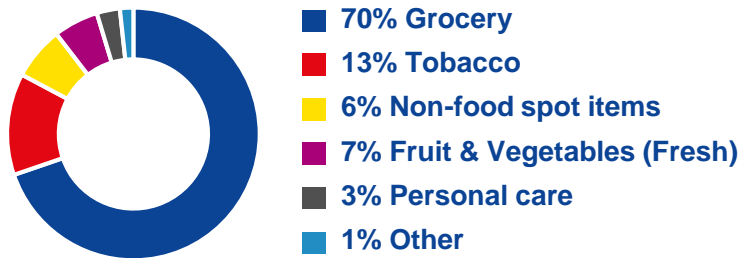


National or Exclusive Brand Choice for Almost Every Customer Need



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

% of FY2018A Şok Store sales



Fresh



Personal Care



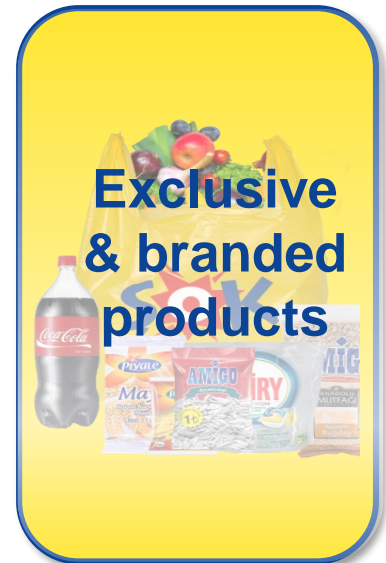
Tobacco

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	Food 	Heritage Brands Since 1970s Since 1980s Since 1920s Since 1970s Since 1970s
	Beverage 	Other Brands
	Personal care 	
	Home Care 	
	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

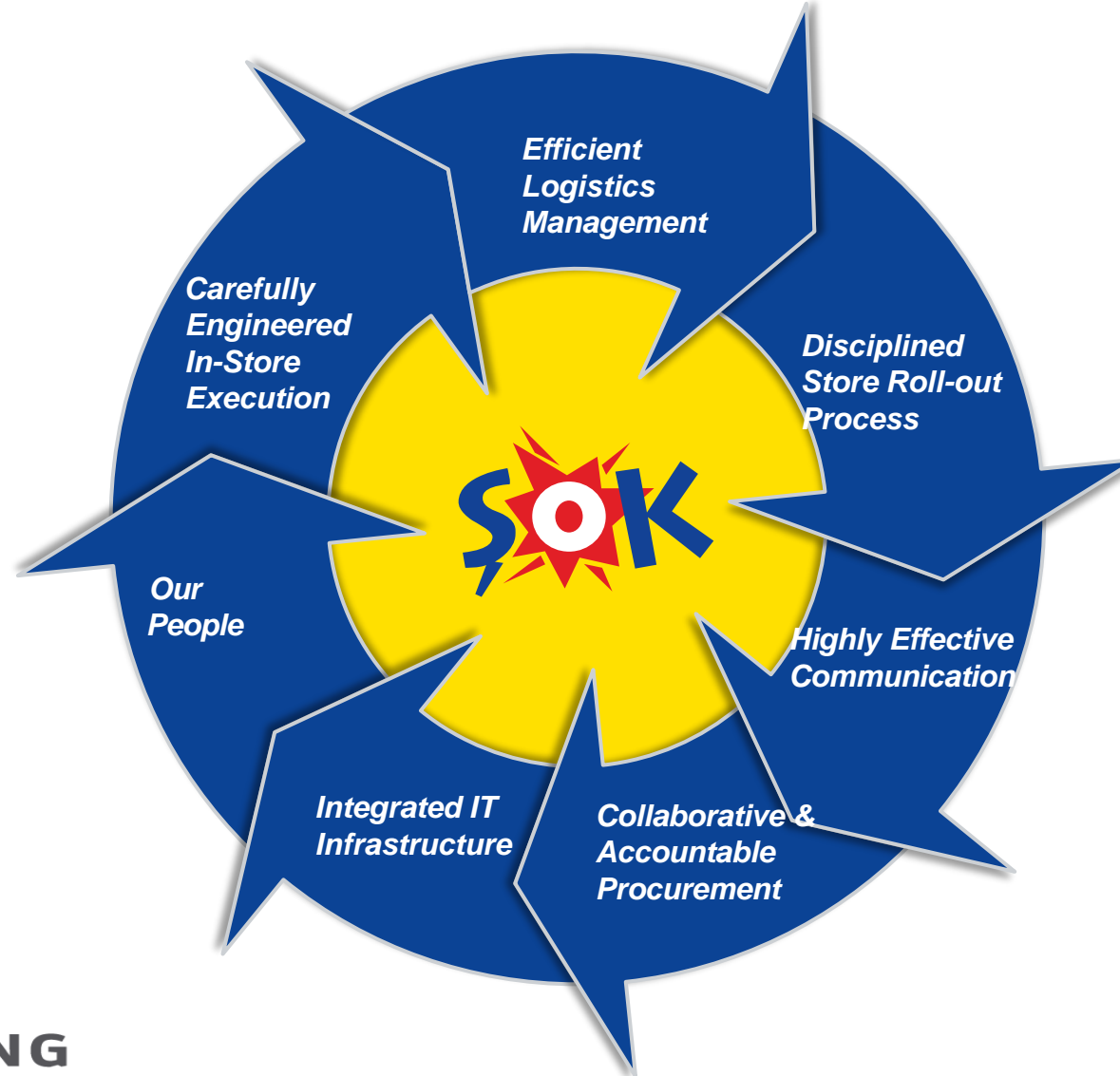


Differentiated consumer offering reflected in excellent Mystery Shopper score of 87⁽¹⁾

Conclusion: Şok's offering is ahead of competitors

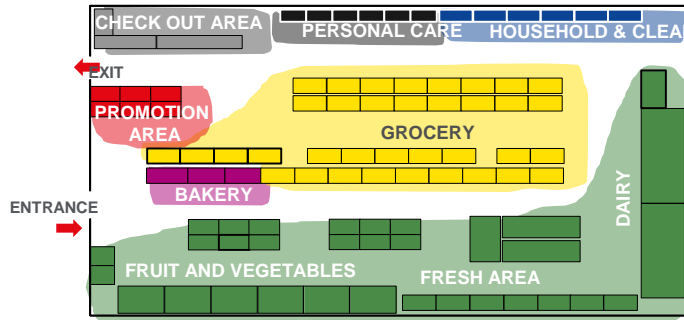
	Hard Discounters	Hypermarkets & Supermarkets	ŞOK	
 Proximity	✓	✗	✓	Experts in convenient small-box format
 Price	✓	✗	✓	Competitive everyday low prices and effective promotions
 Choice	✗	✓	✓	Most relevant product choice, differentiated by strong fresh, tobacco and personal care offering
 Brands	✗	✓	✓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

Operational excellence from End-to-End



Harmonised layout to maximize sales and efficiency

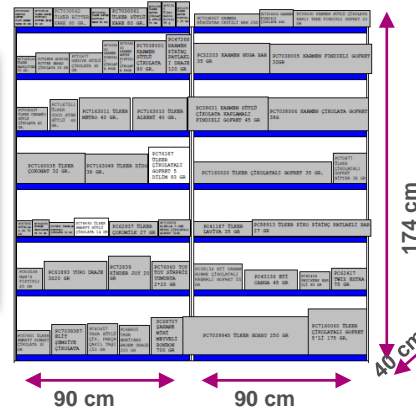
Standardised Modular Layout



Modules

55

Planogram Layout



Optimised Shelving and Packaging



Harmonised layout supports rapid roll-out

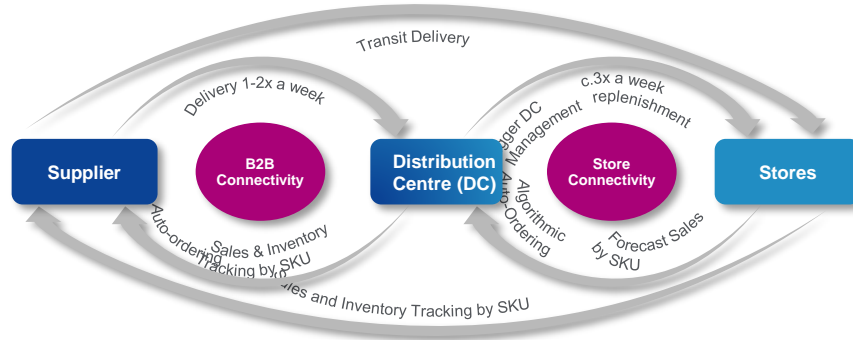
Shelving carefully engineered to maximise offering

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

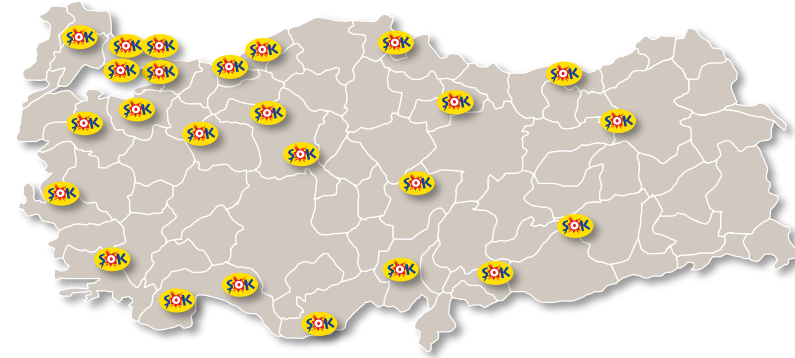
Fully Integrated Logistics Management



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 26 distribution centres⁽¹⁾; all rented

Vertical stacks for demand growth / storage

Average 255 stores per distribution centre

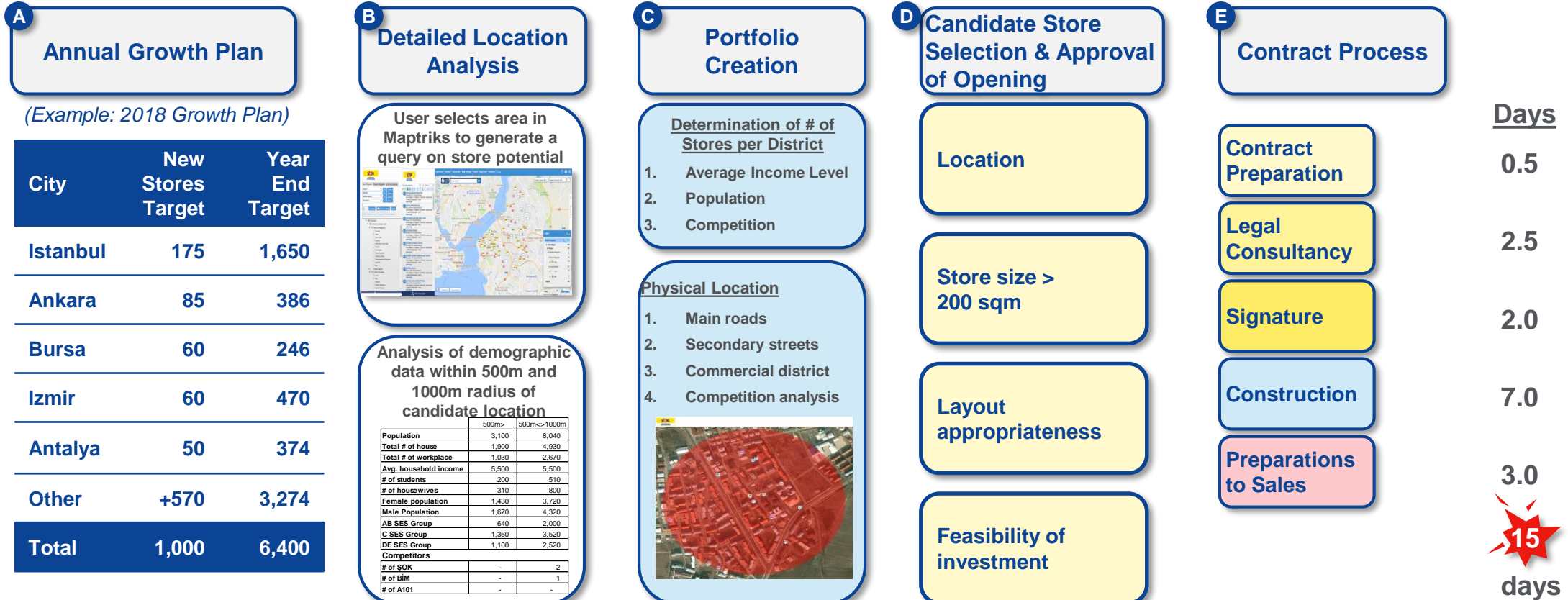
Discount Competitor 1: 110

Source: Management Information.

(1) As of 31 March 2019.

Highly disciplined store selection & opening process

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

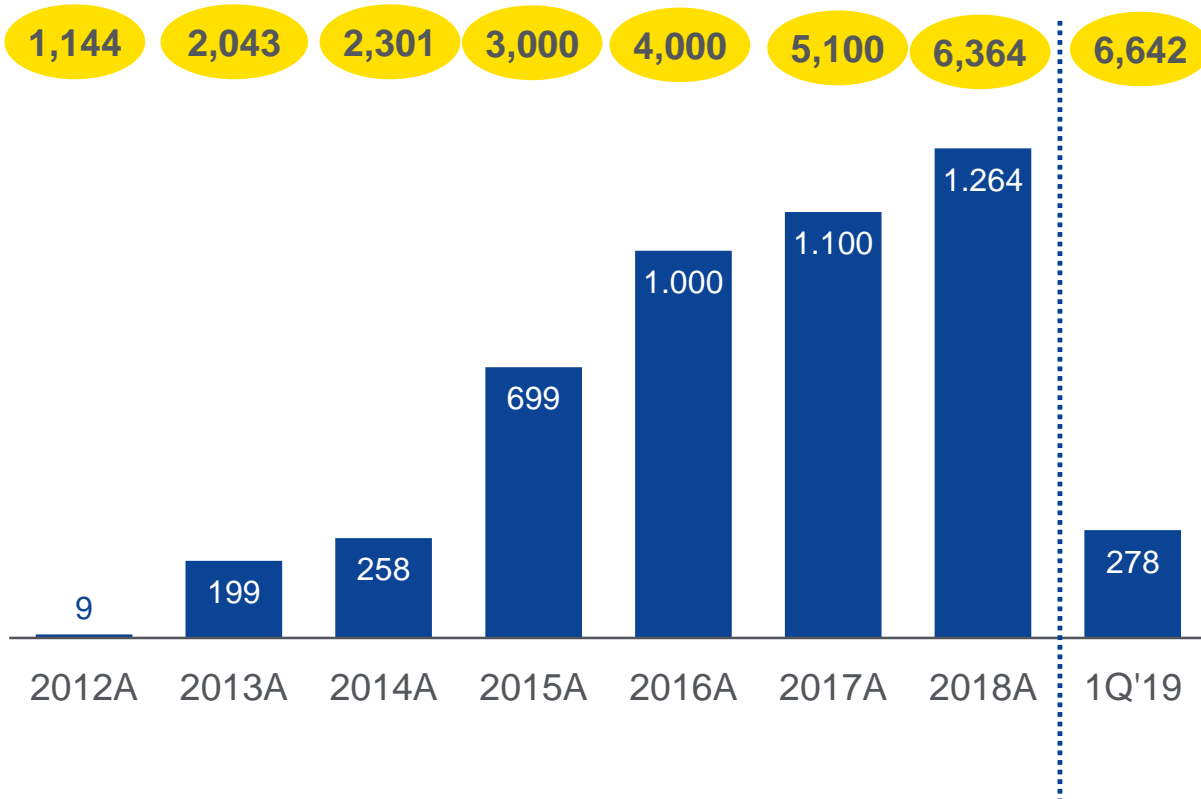


Avg. of c.3 stores opened per day since 2015

Track record of successful roll-out



Şok Net Stores Opened



● Total Number of Stores *271 Şok Mini Stores

Average TL 300k 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

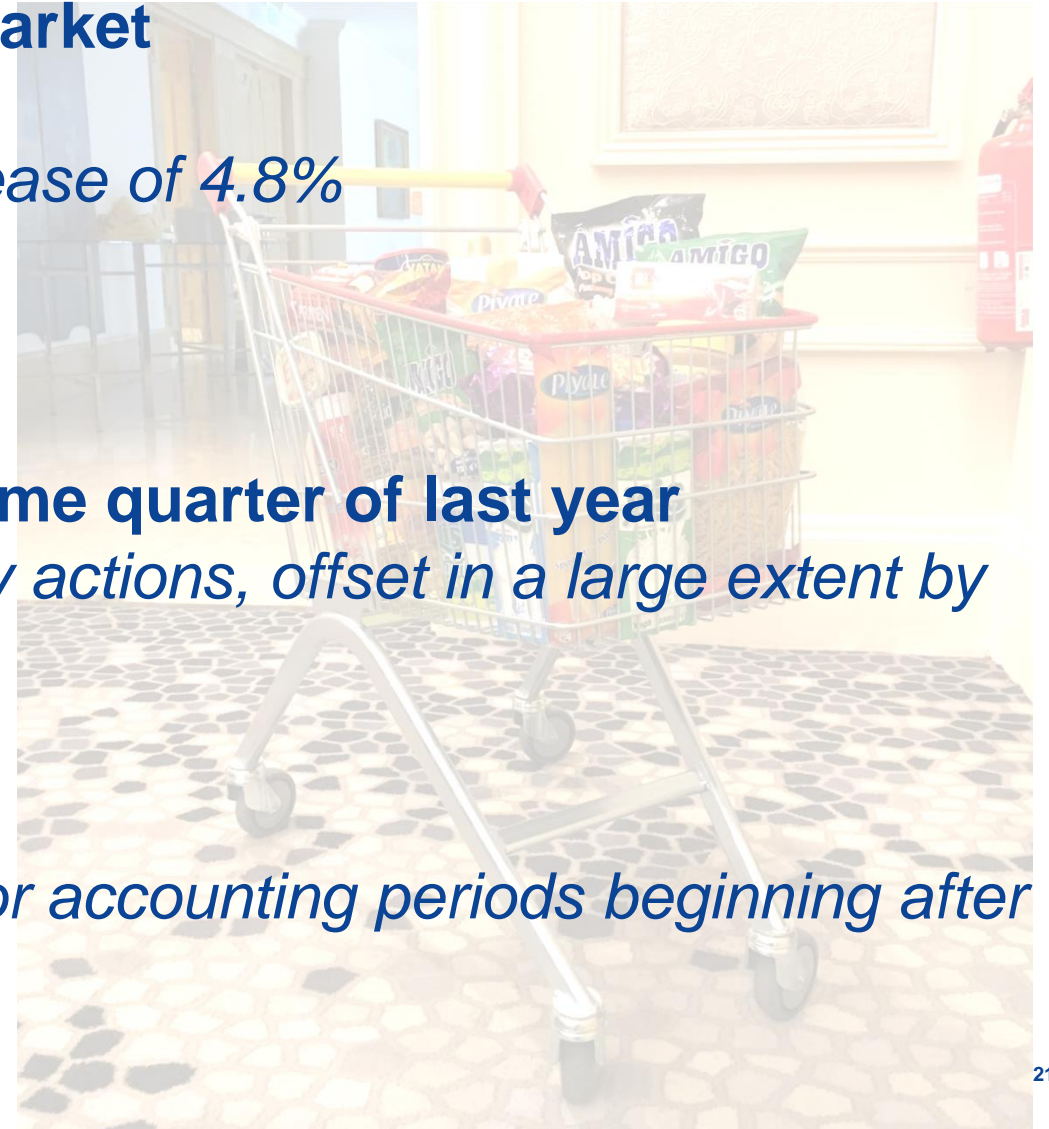
10-year lease all in TL
(1 month notice period to cancel lease)

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

1Q'19 Highlights



- ✓ **One of the best revenue growth in the market**
 - 37,1% revenue growth
 - 20,5% LFL growth including traffic increase of 4.8%
- ✓ **Continuing new store openings**
 - 278 new stores
- ✓ **EBITDA Margin almost inline with the same quarter of last year**
 - Gross margin dilution due to inflationary actions, offset in a large extent by effective cost management
- ✓ **Positive free-cash-flow as targeted**
- ✓ **Impact of IFRS 16-** *IFRS 16 is effective for accounting periods beginning after 1 January 2019.*



Continuing growth story



**6.642
Stores ⁽³⁾**

Q1'19

TL 3,5bn
Net Sales

37,1%
Net Sales Growth

20,5%
LFL Sales ⁽²⁾ Growth
Per Store

Including IFRS 16
TL 265,7m
EBITDA
7,5%
EBITDA Margin

Excluding IFRS 16
TL 116,3m
EBITDA
3,3%
EBITDA Margin

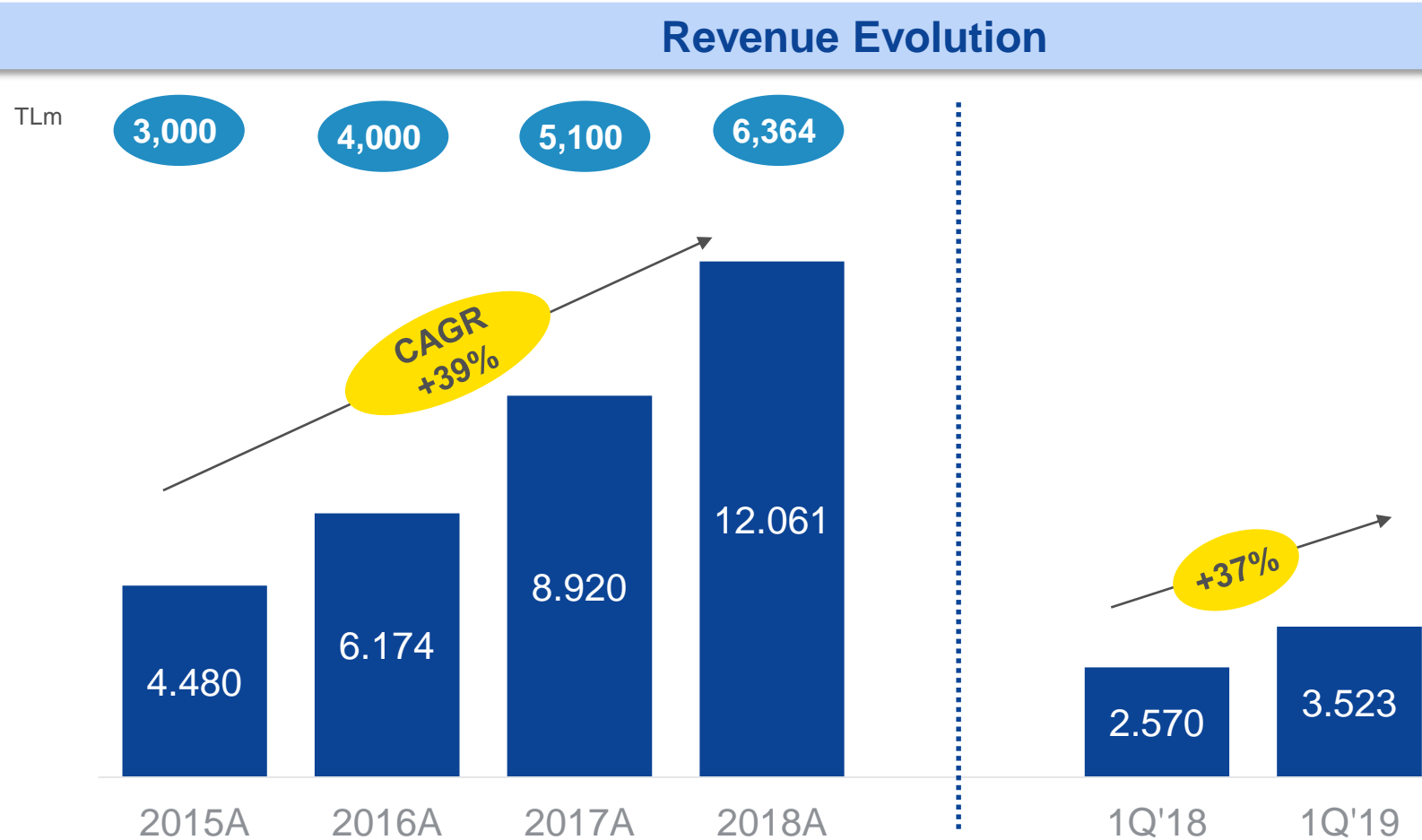
278
New Şok Stores⁽¹⁾
1
New Warehouse

(1) Net ŞOK Store openings including 7 Şok Mini stores.

(2) LFL sales for 31 March 2019 calculated on the basis of daily net sales generated in 2019 by stores operating on 31 March 2017 and that were still open on 31 March 2019.

(3) 6.642 stores including 271 Şok Mini stores.

Strong track record of revenue growth



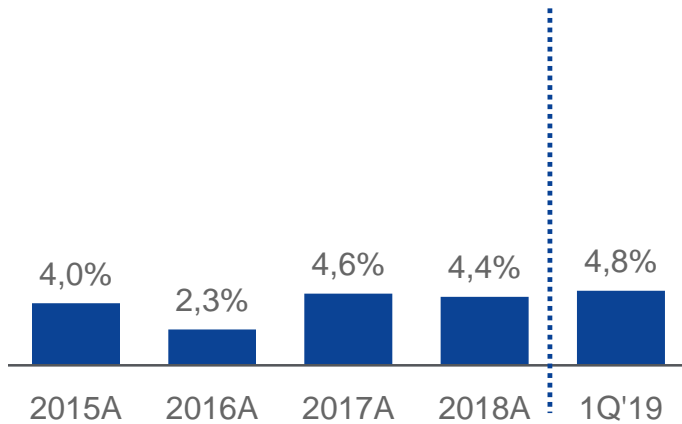
Fastest growing Turkish grocery retailer

Sustainable LFL growth



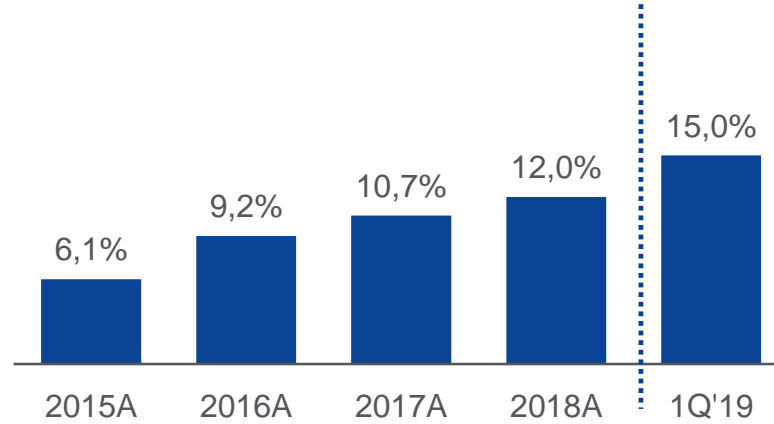
LFL Number of Tickets Growth

YoY, growth



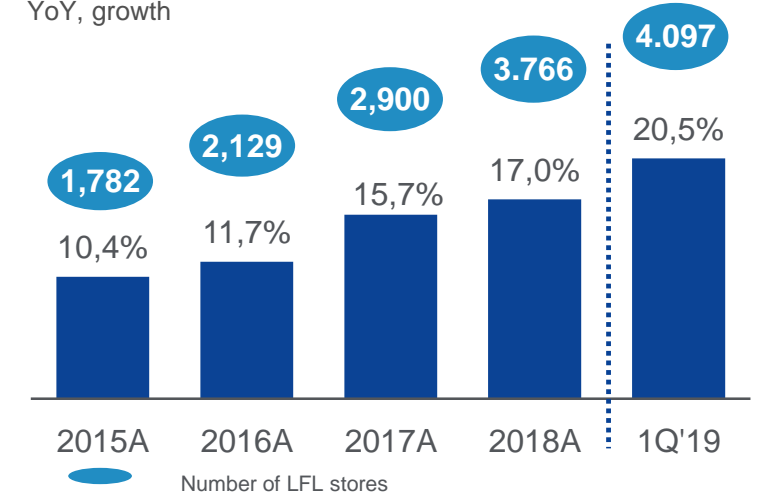
LFL Basket Size Growth

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

4.097 LFL stores as of March 2019



Strong LFL growth supported by traffic

LFL Number of Tickets Growth

YoY, growth



LFL Basket Size Growth

YoY, growth



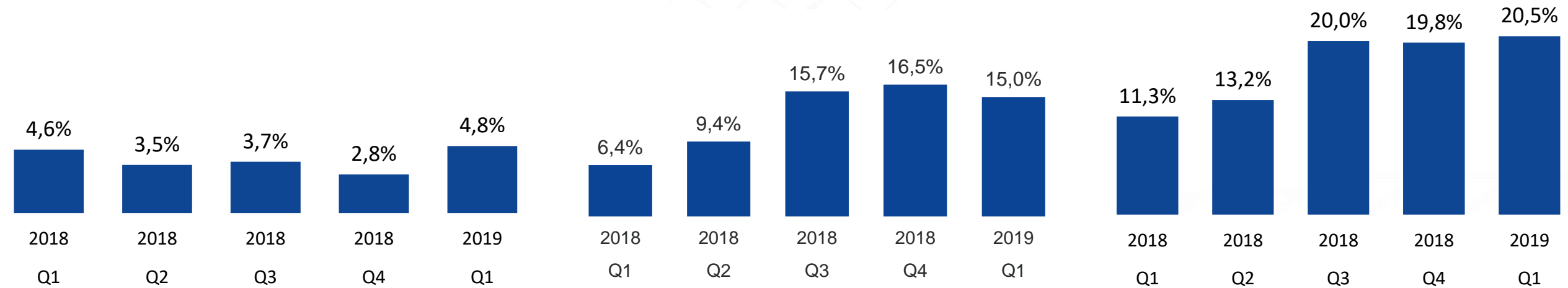
Like-for-Like Growth

YoY, growth



×

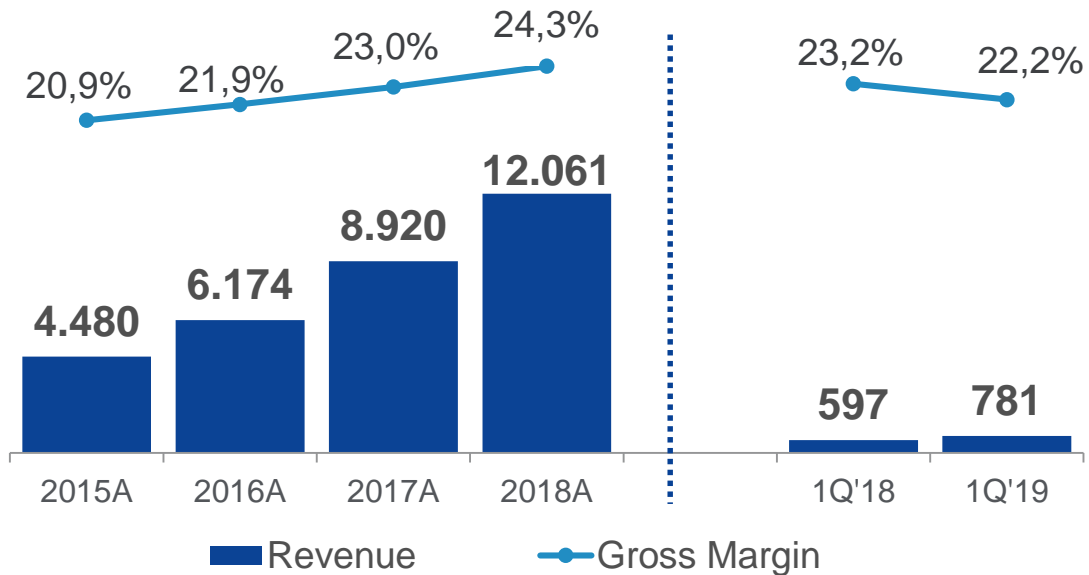
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Efficiency and Scale Underpinning Margin Improvement

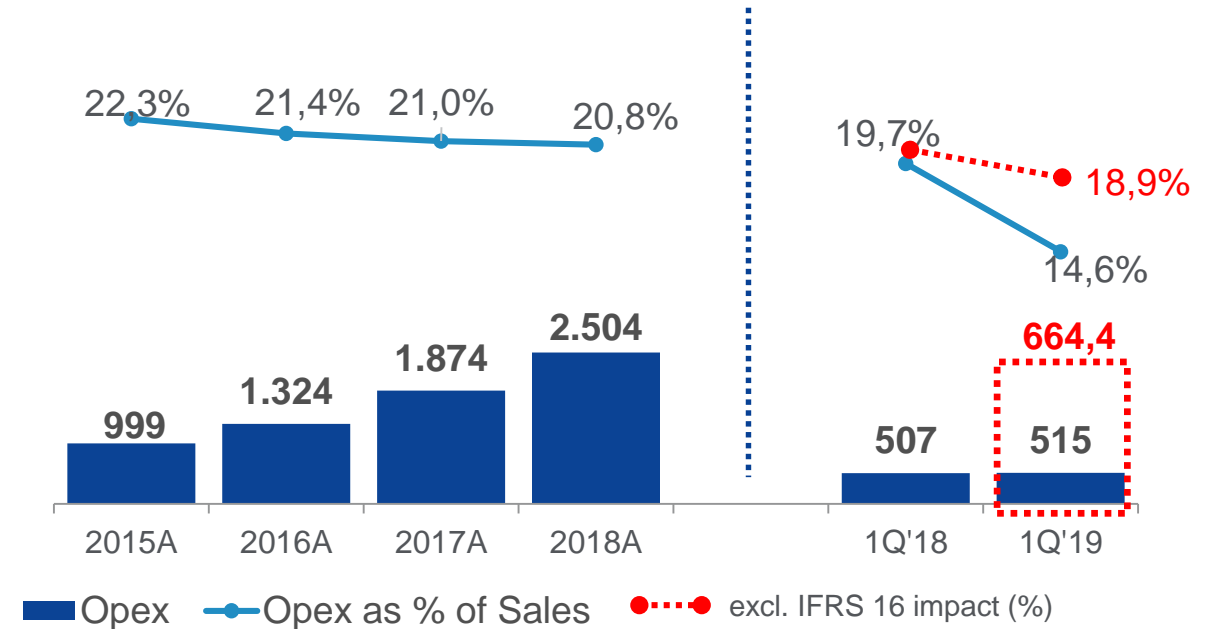
Evolution of Gross Margin



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

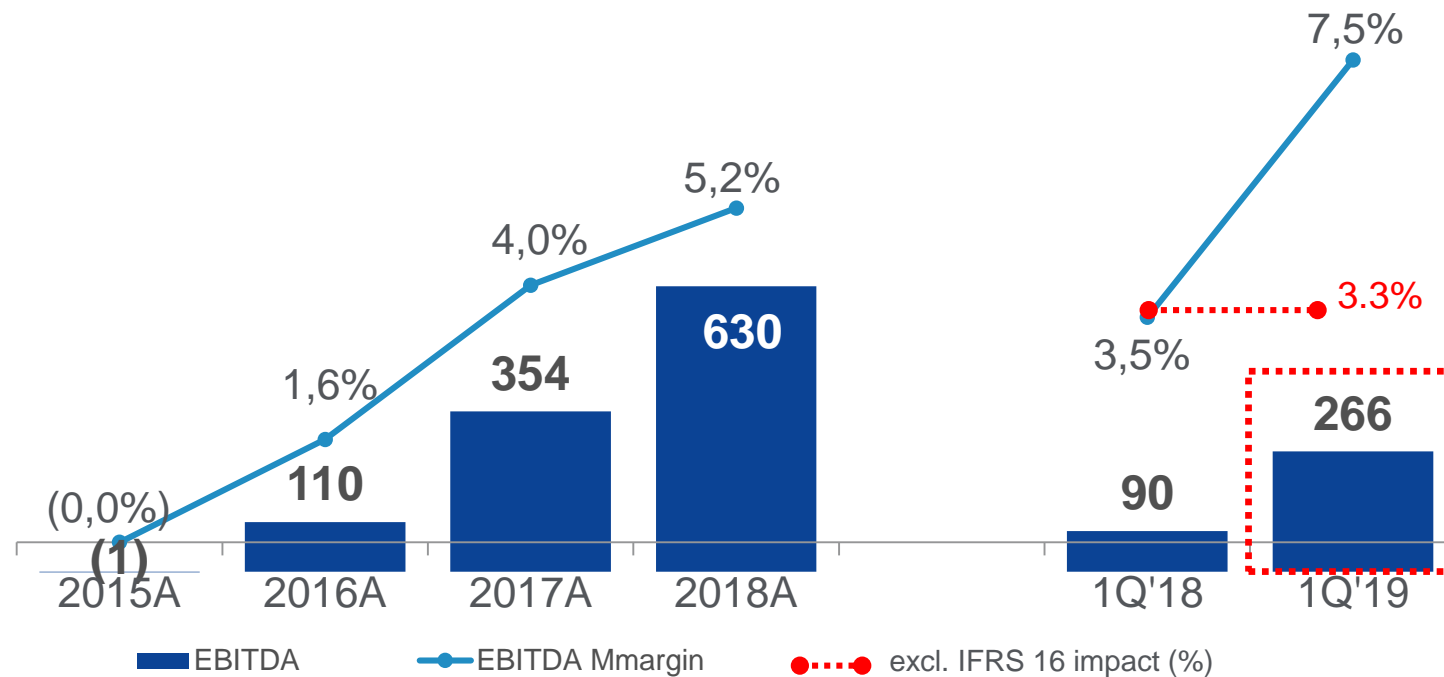
Cost-centric approach to personnel, transportation and rent

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

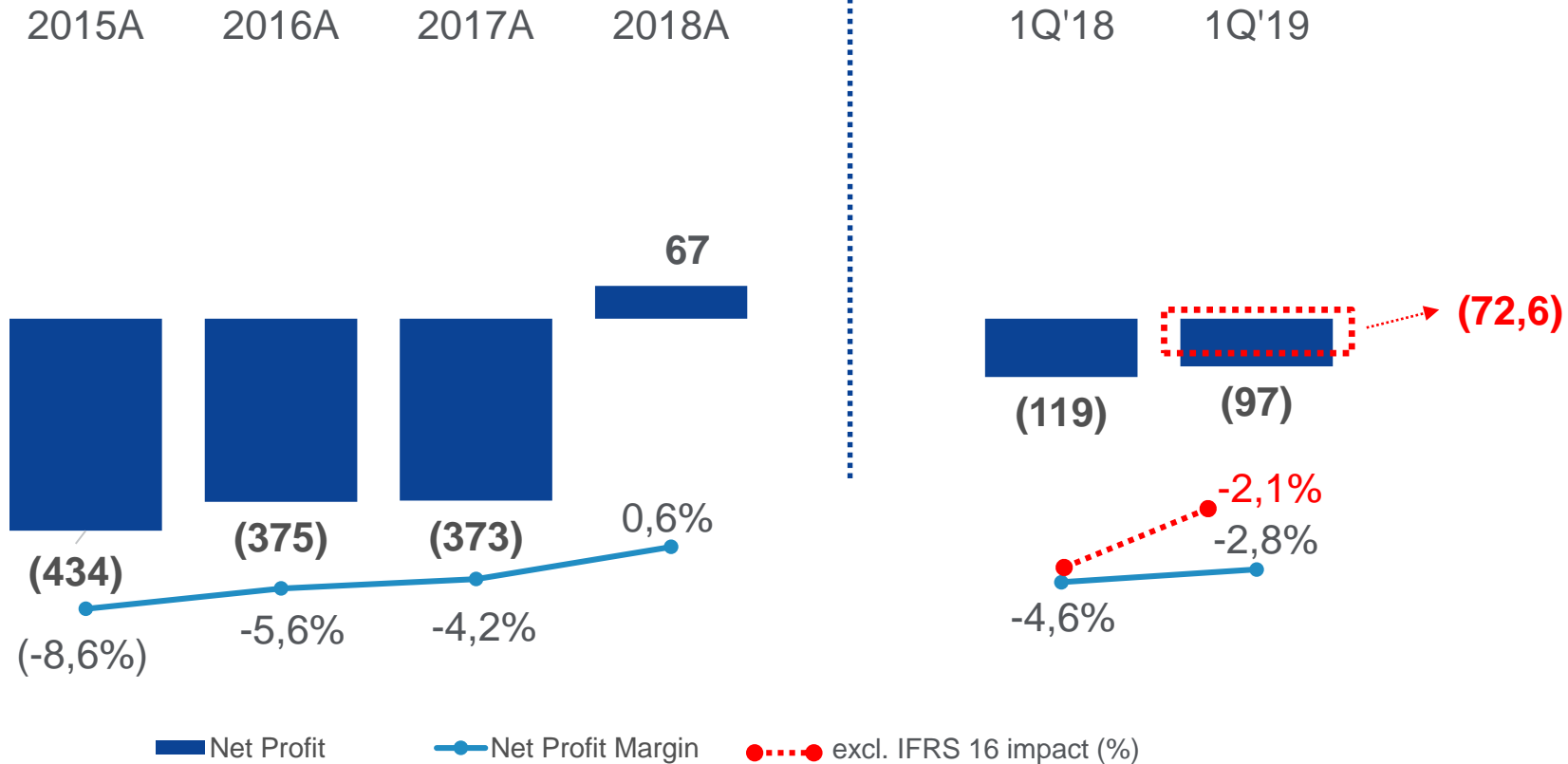
Improvement driven by procurement scale and operational discipline

Strong bottom-line recovery

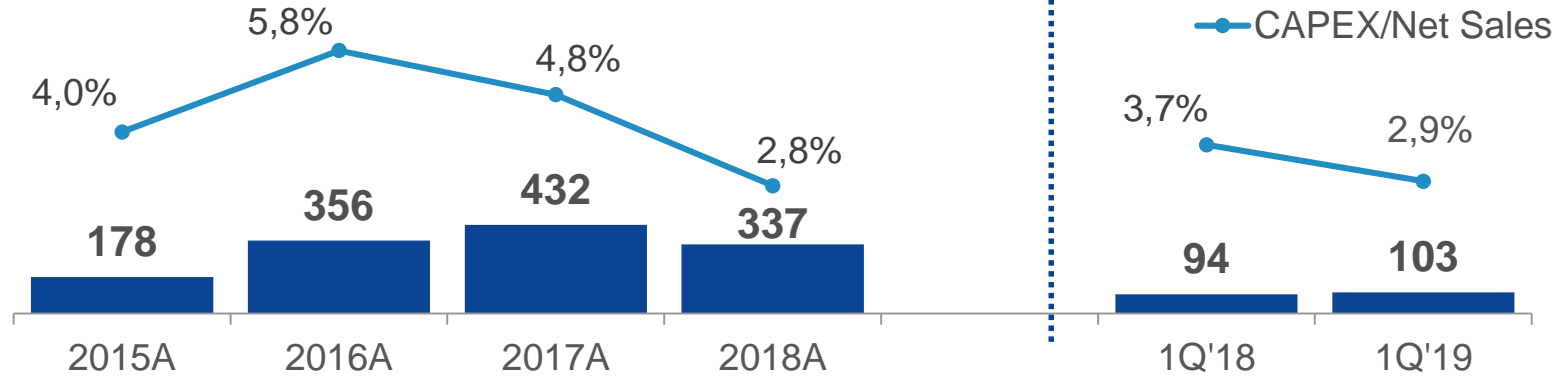


Net Profit

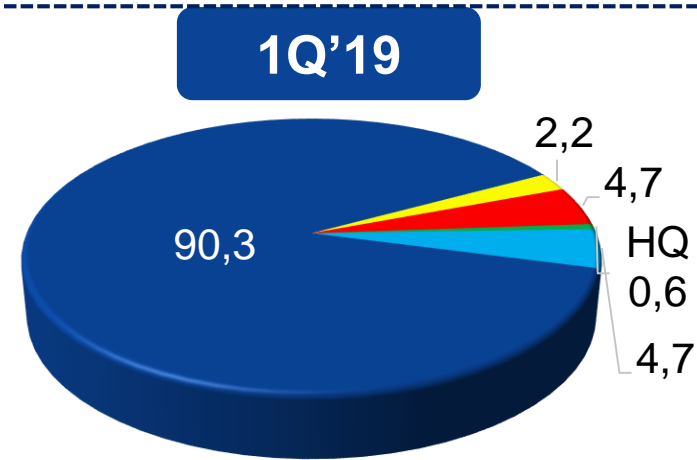
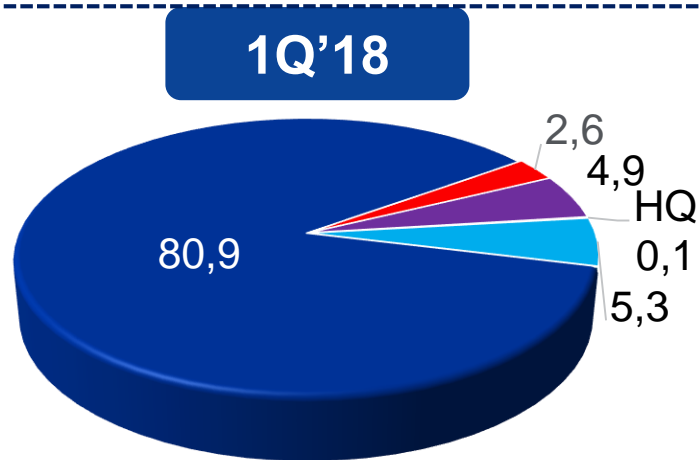
(TL in millions)



Effective CAPEX Management (TLm)



360*
New Stores
Openings



278*
New Stores
Openings

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

Strong Balance Sheet



Net Cash / (Debt) (TLm)

31.12.2018

-69,8

31.03.2019

-67,3

Net Working Capital (TLm)

31.12.2018

-1542,5

31.03.2019

-1626,2

TLm

Short Term Borrowings

31.12.2018 31.03.2019

75,4 75,4

Obligations under Financial Lease

208,8 183,8

Total Debt

284,2 259,1

Cash & Cash Equivalents

354,1 326,4

Net Debt

(69,8) (67,3)

* As of 31 March 2019 the Group has decided to classify the cash in transit and credit card receivables in the cash and cash equivalents line. Accordingly as of 31 December 2018, cash in transit balances amounting to TL 35,022,881 has been reclassified to cash on hand and credit card receivables amounting to TL 22,677,729 were reclassified to demand deposits.

Expectations for 2019



New Store Openings

+800



Net Sales

35% (+- 2%)



EBITDA Margin

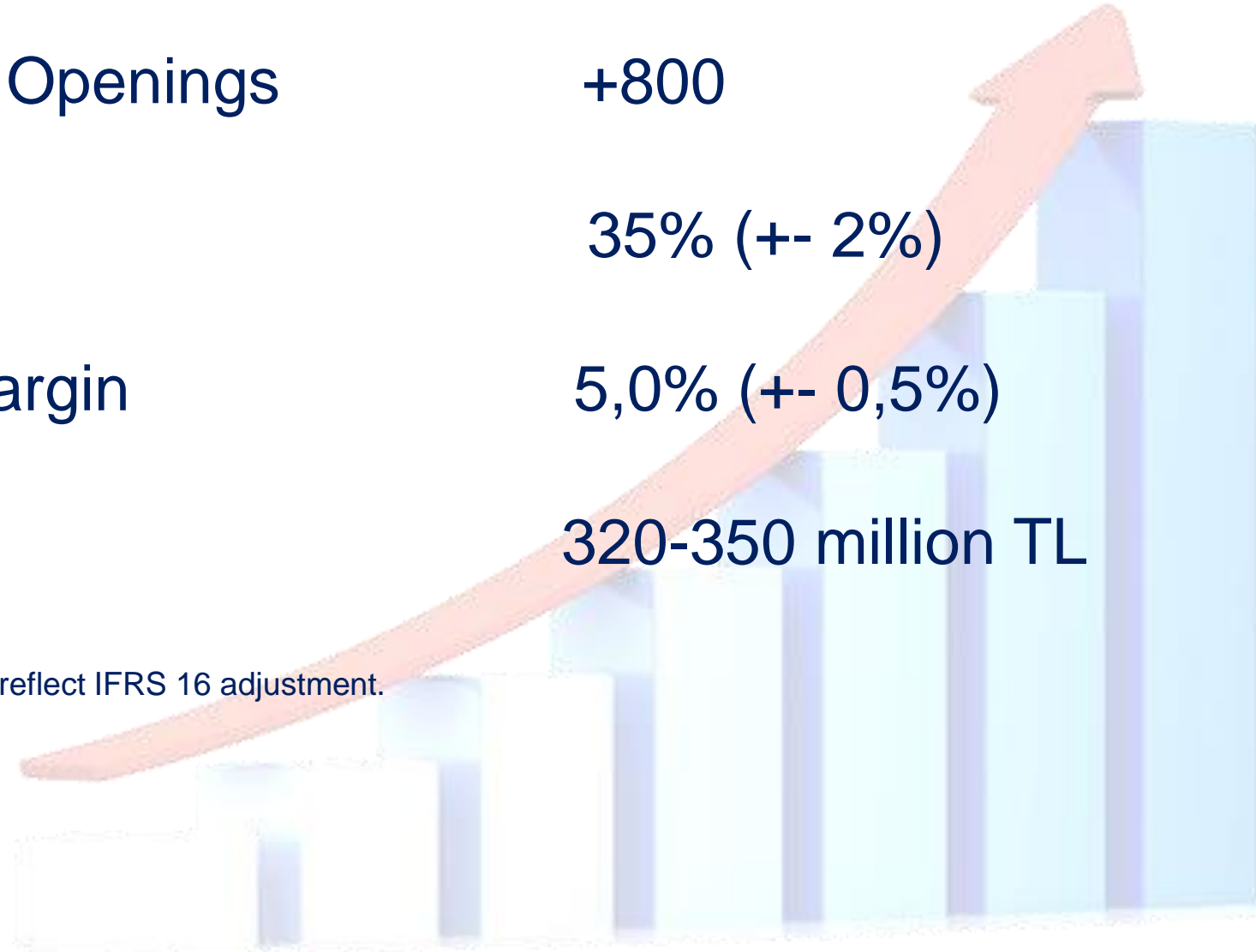
5,0% (+- 0,5%)



CAPEX

320-350 million TL

(*) 2019 EBITDA margin does not reflect IFRS 16 adjustment.



Key drivers of growth



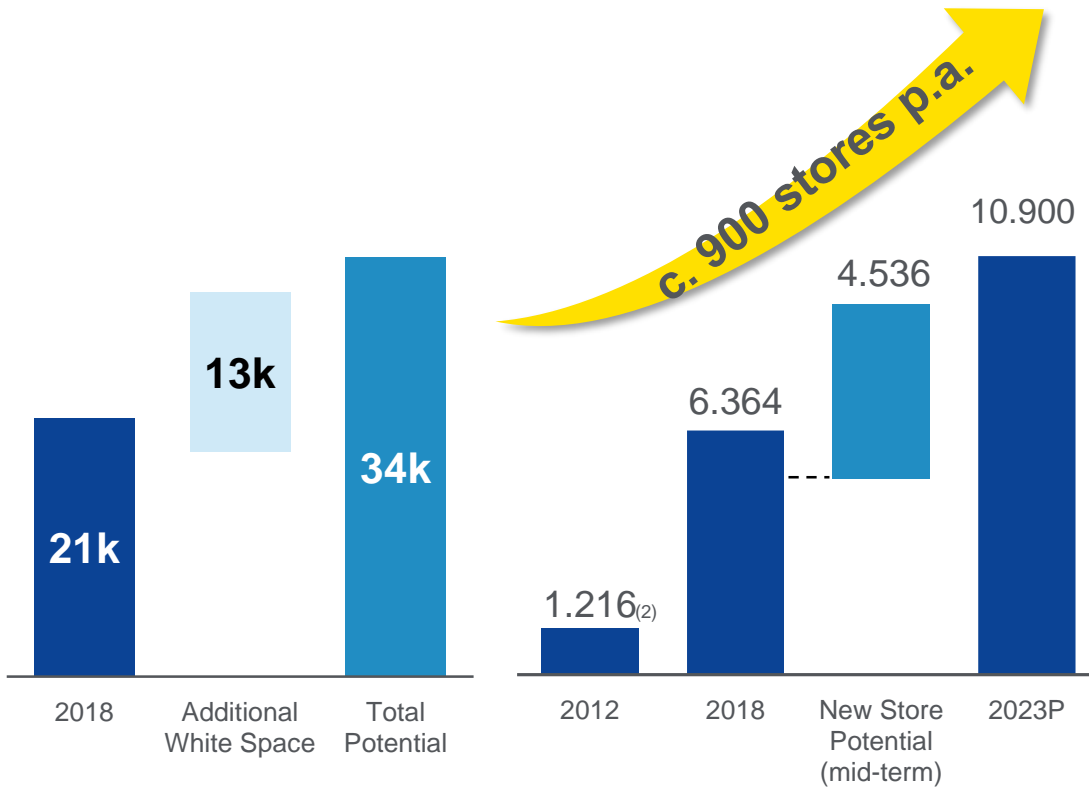
Source: Management Information.

A White Space Opportunity for Şok



Store Potential for Discount Channel⁽¹⁾

Şok New Store Potential (Stores)⁽²⁾



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.

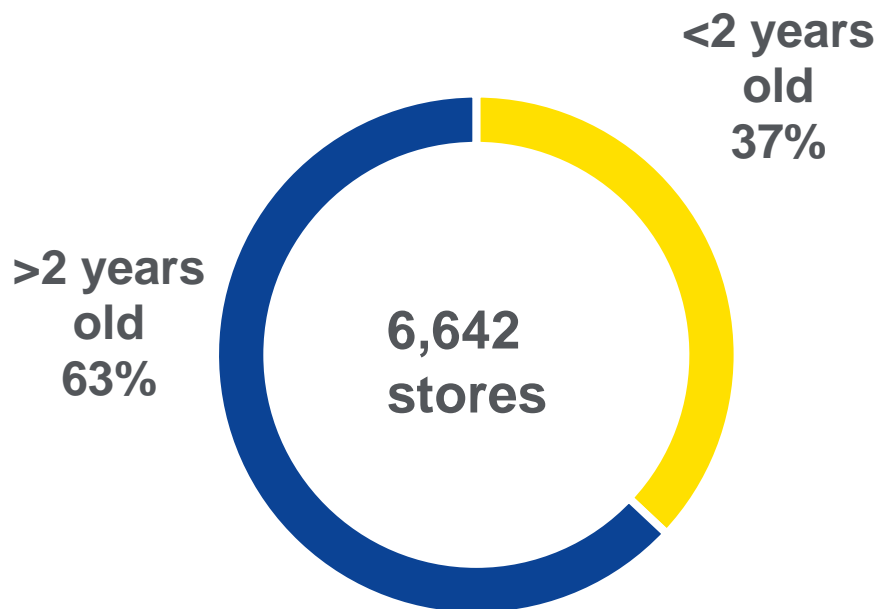
(2) As per MK Novo.

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

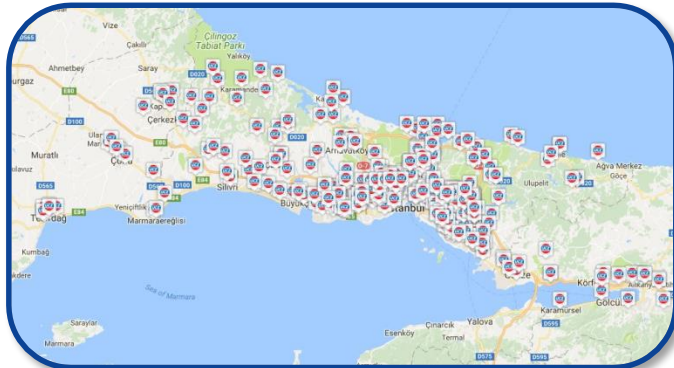


Potential for bakery to drive growth



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

271 Şok Mini stores as of 31 March 2019

Average store size: 85sqm with 1,382 SKUs



Consolidated Income Statement 1Q'19 vs 1Q'18

Consolidated Income Statement Summary (TLm)	Q1 2018	Q1 2019 Before IFRS 16	Δ (%)	IFRS 16 Impact	Q1 2019 After IFRS 16
Net Sales	2.569,5	3.523,4	37,1%	-	3.523,4
Gross Profit	597,1	780,7	30,8%	-	780,7
Gross Profit %	23,2%	22,2%	-1,1 Ppt	-	22,2%
Marketing, selling & GA expenses (-)	(553,6)	(717,5)	29,6%	62,3	(655,1)
Marketing, selling & GA expenses (-) (Excl Amortisation)	(507,4)	(664,4)	30,9%	149,4	(515,0)
EBITDA	89,7	116,3	29,7%	149,4	265,7
EBITDA %	3,5%	3,3%	-0,2 Ppt	4,2%	7,5%
Net Profit / (Loss) for the Period	(119,3)	(72,6)	39,2%	(24,9)	(97,5)

Consolidated Income Statement YE2018 vs YE 2017



Consolidated Income Statement Summary (TLm)	YE 2017	YE 2018	Δ (%)
Net Sales	8.920,3	12.060,8	35,2%
Gross Profit	2.054,5	2.934,0	42,8%
Gross Profit %	23,0%	24,3%	1,3 Ppt
Marketing, selling & GA expenses (-)	1.873,7	2.504,2	33,7%
EBITDA	354,3	630,2	77,9%
EBITDA %	4,0%	5,2%	1,3 Ppt
Net Profit / (Loss) for the Period	(434,0)	67,0	115,4%

(1) The Group calculates the EBITDA (earnings before interest, tax, depreciation and amortization, other income and expense royalty expense effect and Teközel wholesale operation) for the better understanding of investors and other interested parties about Group operations.

Balance Sheet (Assets)



Consolidated Balance Sheet Summary (TLm)	31.12.18	31.03.19	IFRS 16 Impact	31.03.19
		Before IFRS 16		After IFRS 16
Cash & cash equivalents	354,1	326,4		326,4
Trade receivables	69,5	61,8		61,8
Inventories	872,5	991,0		991,0
Other current assets	19,2	41,9	(3,7)	38,2
Total Current Assets	1.315,3	1.421,1	(3,7)	1.417,5
Property & equipment	977,6	1.029,2		1.029,2
Intangible assets	684,7	681,7		681,7
Other non-current assets	284,3	303,5	1.585,4	1.888,8
Non-Current Assets	1.946,6	2.014,4	1.585,4	3.599,8
Total Assets	3.261,9	3.435,5	1.581,7	5.017,2

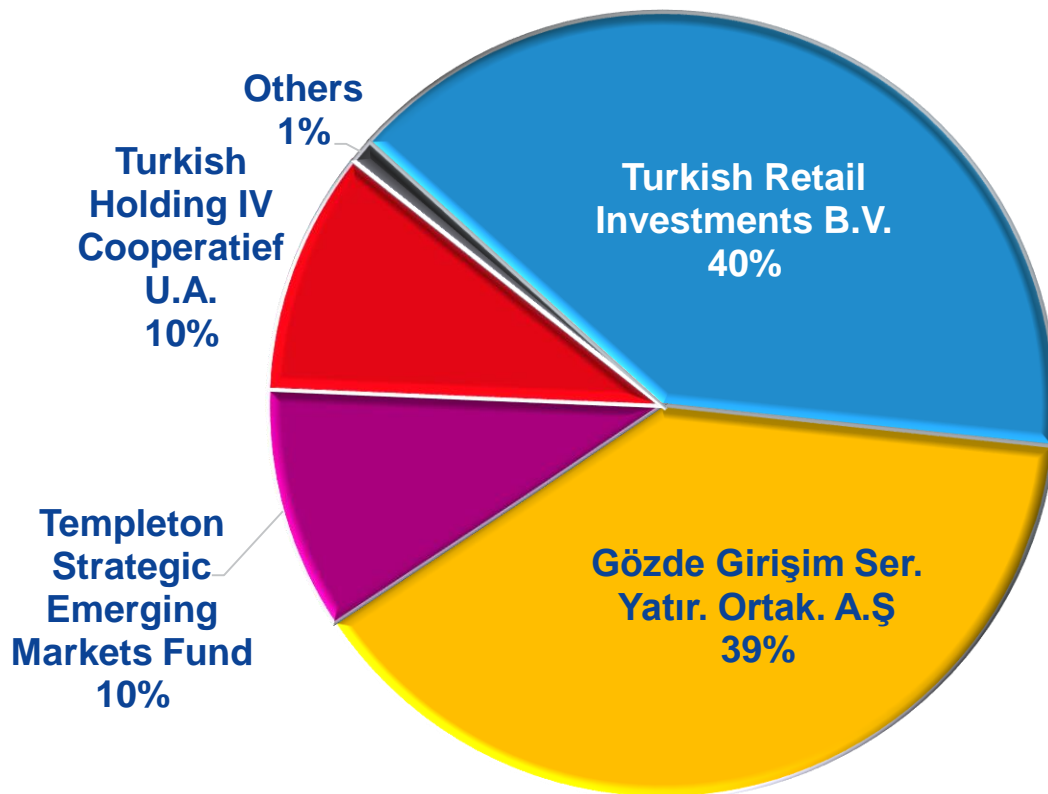
Balance Sheet (Liabilities and Equity)



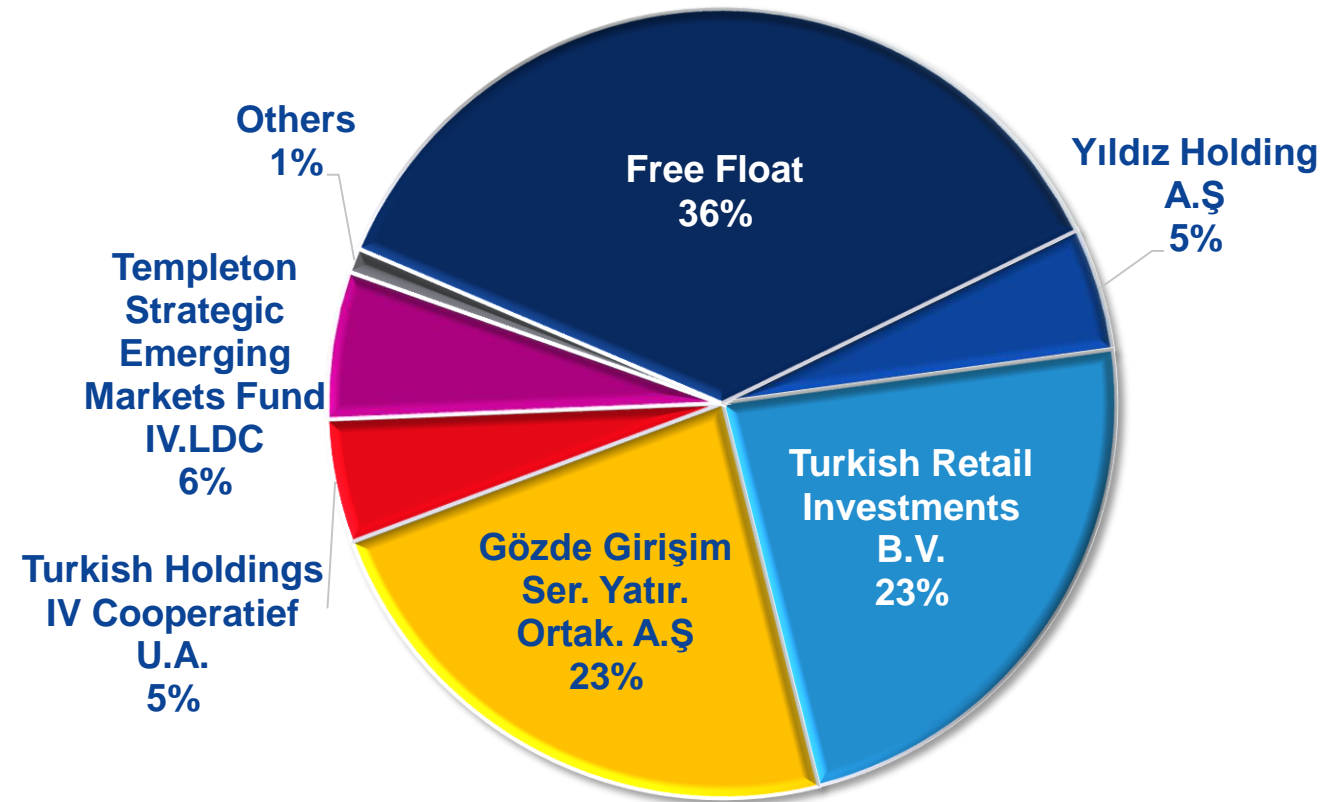
	31.12.18	31.03.19		31.03.19
		Before IFRS 16	IFRS 16 Impact	After IFRS 16
Consolidated Balance Sheet Summary (TLm)				
Short term financial liabilities	177,4	152,2		152,2
Trade payables	2.484,5	2.679,0		2.679,0
Other current payables	177,8	254,0	480,1	734,1
Total Current Liabilities	2.839,7	3.085,2	480,1	3.565,3
Total Non Current Liabilities	159,3	157,7	1.126,5	1.284,2
Shareholder's equity	261,8	191,5	(24,9)	166,6
Non-controlling interests	1,2	1,0		1,0
Total Equity	263,0	192,6	(24,9)	167,6
Total Liabilities and Equity	3.261,9	3.435,5	1.581,7	5.017,2

Shareholding Structure

Before IPO (18.05.2018)



31.03.2019



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).

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Investor Relations

Çağrı DEMİREL

Investor Relations Manager

t: +90 850 221 6755

e: cagri.demirel@sokmarket.com.tr

w: www.sokmarketyatirimciiliskileri.com

Ziya Kayacan

CFO

t: +90 850 221 11 00

e: ziya.kayacan@sokmarket.com.tr

w: www.sokmarketyatirimciiliskileri.com