

# Migros Ticaret A.Ş.

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## 2014 Financial Results

**MiGROS**

The first and the only retailer  
in BIST Sustainability Index



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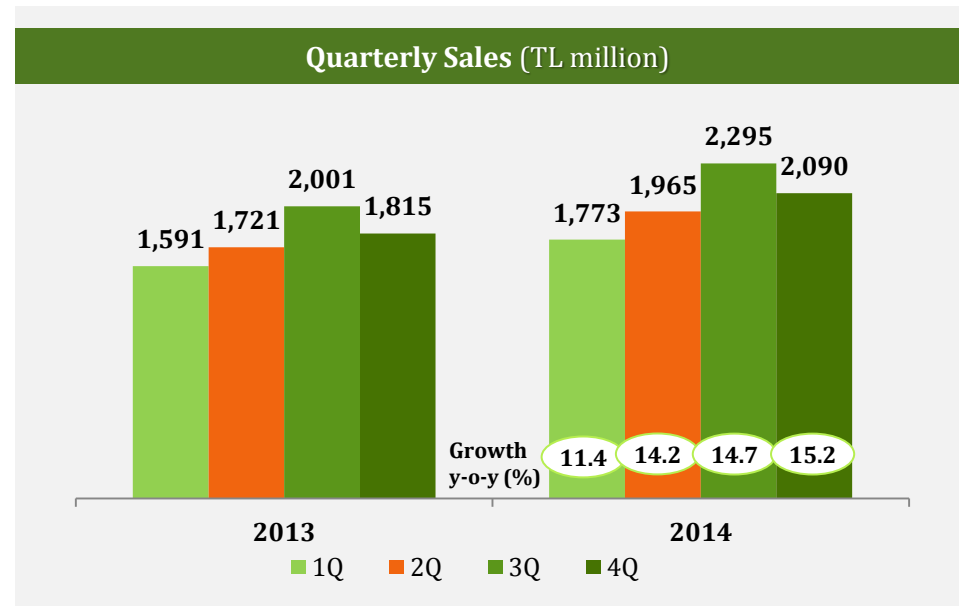
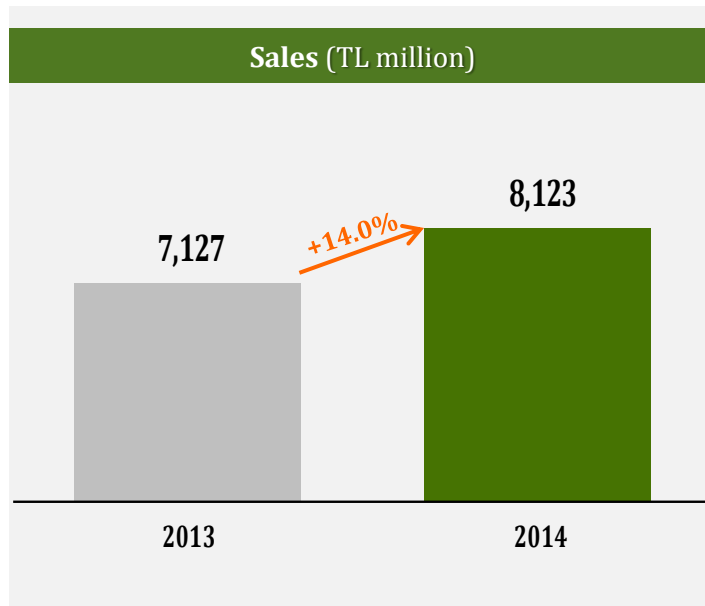
Financial  
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Summary



# Sales in 2014

- Migros grew by more than **15%** in 4Q 2014.
- Sales turnover was boosted by new store openings and improved performance of existing stores in 4Q 2014.
- Consolidated sales reached **TL 8,123 million** in 2014 corresponding to yearly growth rate of **14.0%**.



Sales Growth in 2014



14.0%



# Market Share Evolution

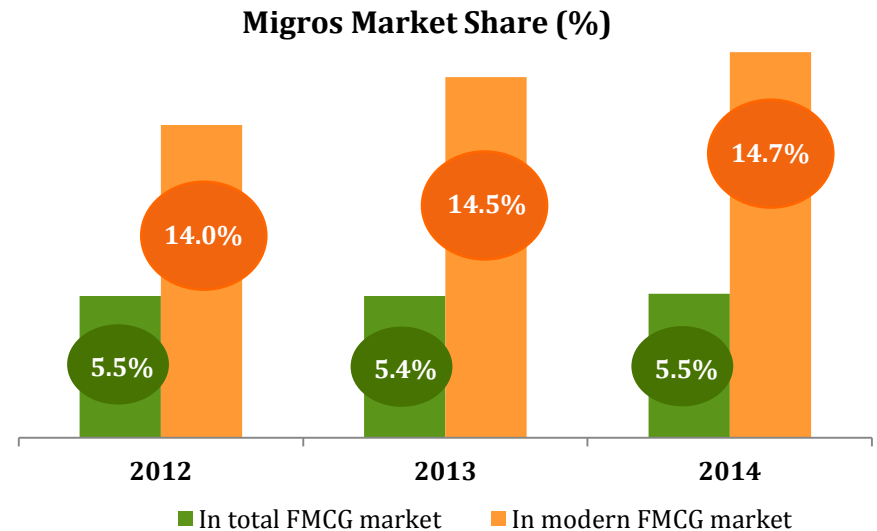
Strong market share in FMCG

Market share gain in 2014 ➔ 20 bps

Market share of FMCG sales ➔ 14.7%

- Migros improved its market share by **20** bps in 2014 over a year ago, accounting **14.7%** of FMCG sales in the organized sector in Turkey

Market Share Gain continued in the last 3 consecutive years



Source: Nielsen

Note 1: FMCG stands for Fast Moving Consumer Goods

Note 2: Modern FMCG market and total FMCG market include all food-retail formats

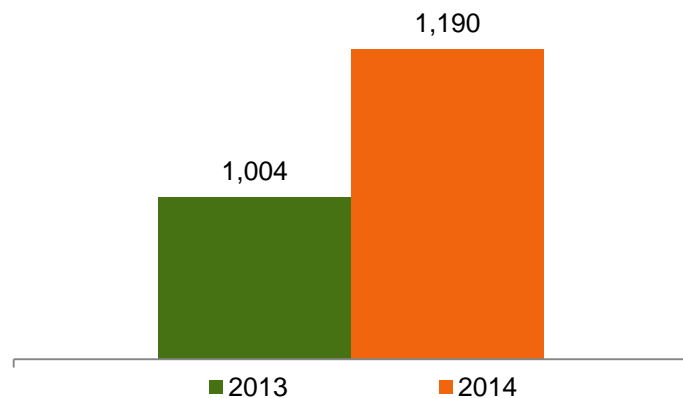
# Expansion

New store openings in 4Q14 ➔ 64

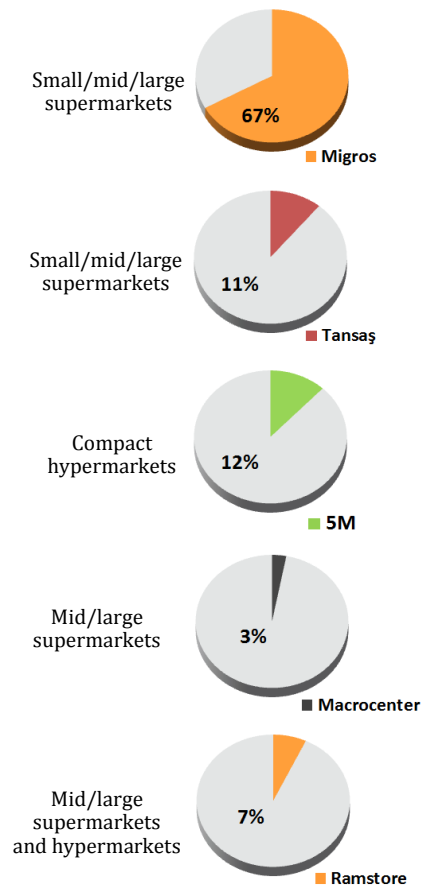
New store openings in 2014 ➔ 199

Number of Stores as of 2014 ➔ 1,190

Number of Stores - Total



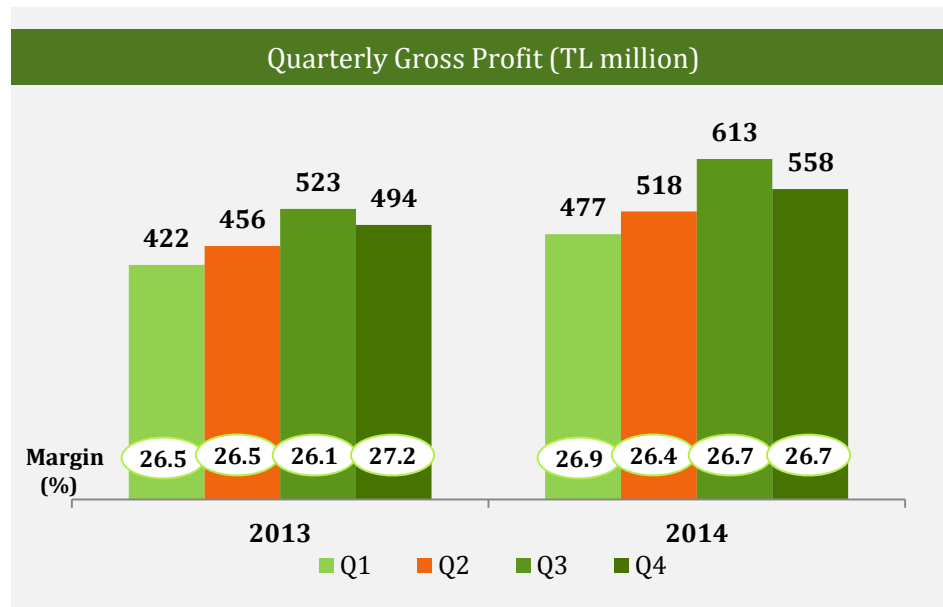
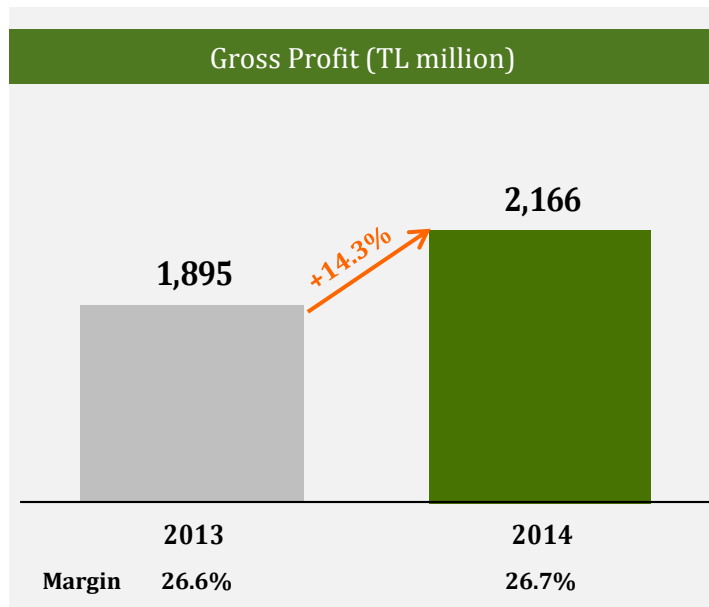
Sales Area Split By Banner - 2014



# Financial Overview: Gross Profit in 2014

## Solid Gross Profit Generation

- Gross profit increased by **14.3%** y-o-y to **TL 2,166 million** with a margin of **26.7%** in 2014.
- Gross profitability was also strong in 4Q2014 with a margin of **26.7%**, albeit continued price investments.



Gross Margin in 2014

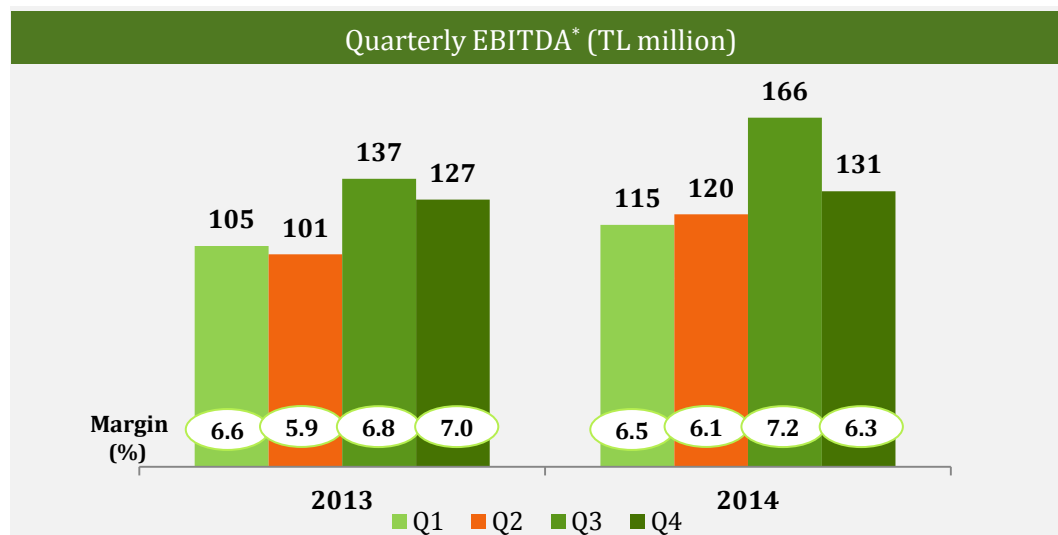
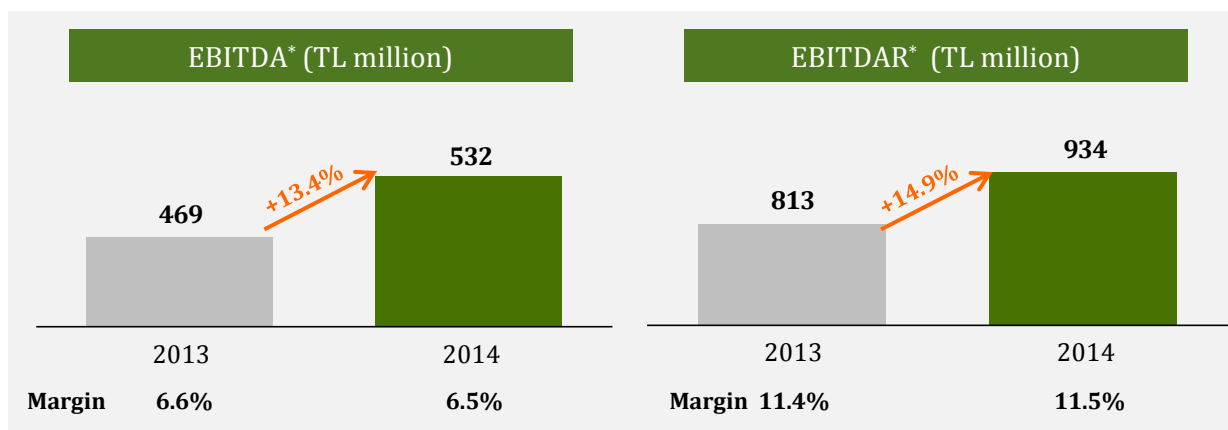


26.7%

# Financial Overview: EBITDA(R) in 2014

## Solid EBITDA(R) Generation

- EBITDA grew by **13.4%** y-o-y to **TL 532 million**, and EBITDAR by **14.9%** y-o-y to **TL 934 million** in 2014.



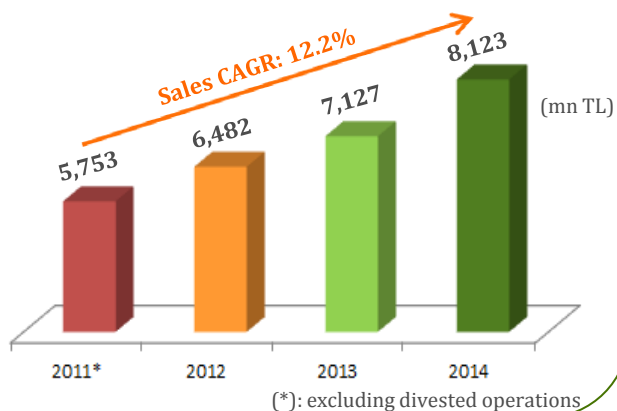
\*EBITDA(R) = Operating Profit + Amortization + Employee Termination Benefits + Unused Vacation Provision - Other Income + Other Expenses + (Rent Expenses)



# Key Financial Metrics

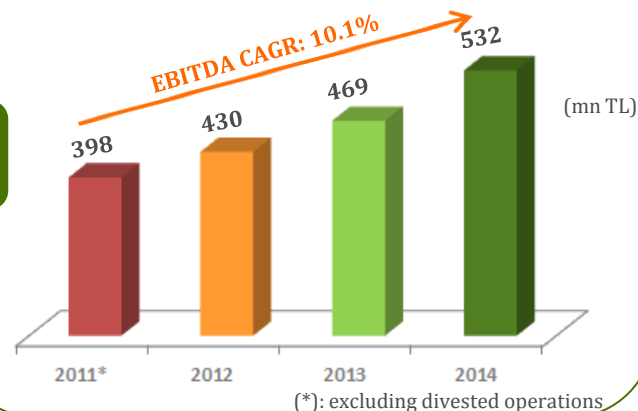
## Sales

### Sustainable Sales Growth



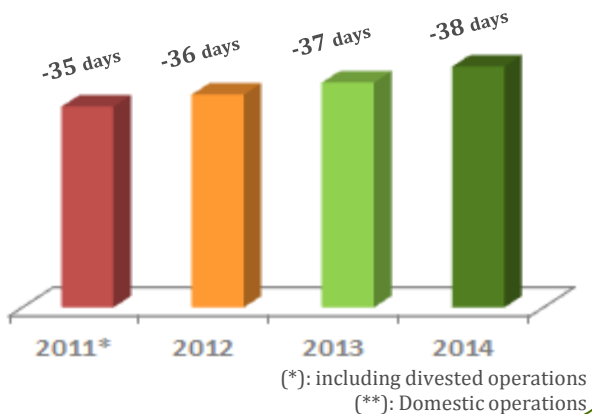
## EBITDA

### Sustainable EBITDA generation



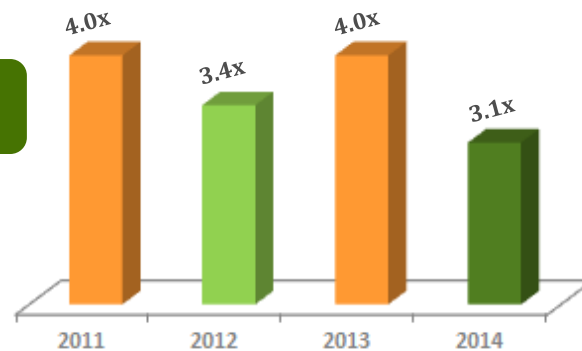
## Working Capital

### Stable Negative Cash Conversion\*\*



## Net Debt / EBITDA

### Net Debt/EBITDA



# Operational Overview

## Additional Growth Avenues with Proximity Stores

### ■ Metropolitan Locations

- High traffic locations at the big cities,
- Easy to reach, convenient shopping
- Rich product offering including fresh ranges,



*#273 stores in 35 cities*

### ■ Traditional Locations

- Focus on neighborhood stores in residential areas,
- Differentiated assortment & merchandising,
- One-to-one competition with the market through PL offering and fresh produce pricing,



*#319 stores in 49 cities*

## Efficiency Improvements

- Transformation of hypermarkets in terms of space and assortment (18/24 completed)
- Improved and differentiated meat assortment with the help of the new the plant
- Improvement on inventory days (2 days) and shelf availability (3%),
- Distribution center automation to reduce labor and shrinkage

# Operational Overview: Shopping Experience

## Good Agriculture Practices



## Omni Channel Experience



- Personalized customer communication across channels
- Combined Mobile Shopping and Mobile Experience in the store

## Online Business

- Turkey's first and leading e-commerce web site in food retail
- Top-line growing 2-3 times more than the Company average
- Improved shopping experience through picking automation
- Click & Collect Initiative



## MONEY Club Card

- Turkey's largest loyalty card program
- **8.7** million active cardholders
- **5.8** million tailor made campaigns
- **78%** of domestic sales through Money Club Card



## Performance Summary 2014

- Migros sustained a double digit and profitable top-line growth thanks to the effectiveness of its strategies.
- Number of stores reached **1,190** as of 2014. The company opened **530** new stores in the last 3 years.

Performance Indicator	2013	Target	2014	Performance vs Guidance
<b>Expansion Program</b> (Number of NEW Stores)	<b>165</b>	~200	<b>199</b>	✓
<b>Top-Line Sales Growth</b>	<b>10.2*%</b>	Double Digit	<b>14.0%</b>	✓
<b>Gross Margin</b>	<b>26.6%</b>	-	<b>26.7%</b>	✓
<b>EBITDA Margin</b>	<b>6.6%</b>	6.0-6.5%	<b>6.5%</b>	✓

(\*): To calculate growth in 2013, Net sales in 2012 are adjusted by equalizing calendar days in both years (1 additional day in 2012)

Before adjustment, net sales in 2013 grew by **9.9%** versus last year.

# Guidance 2015

- **Sales growth** : Double digit sales growth
- **EBITDA margin** : Full year EBITDA margin range **6.0% – 6.5%**
- **Expansion target** : **150 - 200** new stores





## **Financials & Format Summary**

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



# SUMMARY OF INCOME STATEMENT – 2014

## IFRS Consolidated Income Statement Summary

(TL Million)	2014	2013
<b>Net Sales</b>	8,122.7	7,126.9
Cost of sales	-5,956.4	-5,232.2
<b>Gross Profit</b>	<b>2,166.3</b>	<b>1,894.7</b>
Operating Expenses	-1,838.3	-1,603.3
Other Operating Income / (Expense)	-92.7	-55.4
<b>Operating Profit</b>	<b>235.3</b>	<b>236.0</b>
Income / (Expense) from Investment activities	-1.8	-5.8
<b>Operating Income Before Finance Income / (Expense)</b>	<b>233.5</b>	<b>230.3</b>
Financial Income / (Expense)	-49.5	-615.0
<b>Income/Loss Before Tax From Continuing Operations</b>	<b>184.0</b>	<b>-384.7</b>
Tax Income / (Expenses)	-85.3	-70.9
Deferred Tax Income	-0.2	-7.5
<b>Net Profit / Loss</b>	<b>98.5</b>	<b>-463.1</b>
<b>EBITDA</b>	<i>532.0</i>	<i>469.3</i>
<b>EBITDAR</b>	<i>934.1</i>	<i>812.9</i>

# SUMMARY OF BALANCE SHEET – 2014

## IFRS Consolidated Balance Sheet Summary

(TL Million)	2014	2013
Current Assets	1,729.2	1,980.7
Non-current Assets	3,864.3	3,815.9
<b>Total Assets</b>	<b>5,593.5</b>	<b>5,796.6</b>
Current Liabilities	2,715.9	2,360.7
Non-current Liabilities	1,958.4	2,605.7
<b>Total Liabilities</b>	<b>4,674.3</b>	<b>4,966.4</b>
<b>Equity</b>	<b>919.2</b>	<b>830.2</b>
<b>Total Liabilities and Equity</b>	<b>5,593.5</b>	<b>5,796.6</b>

# Migros Supermarkets

# MiGROS

## Largest National Supermarket Chain

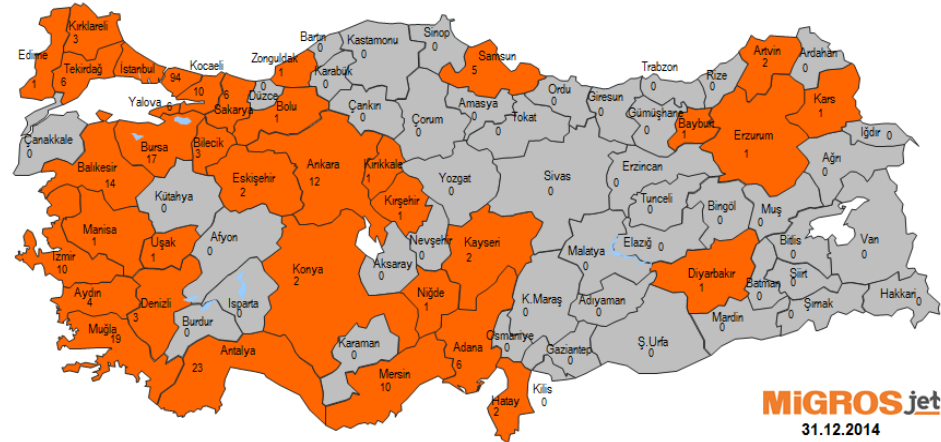
- Number of stores: **884\***
  - (40\*-3,000) sqm / (1,800\* – 18,000) SKUs
  - Broad variety of fresh food products
  - Wide branded assortment of FMCG products
  - Modern, fashionable, complementary and seasonal non-food selection
- CRM applications for different customer segments
  - Holistic marketing campaigns
  - Competitive pricing
  - Club Card Loyalty Program for 15 years
  - Creative promotions for Money Club Card holders



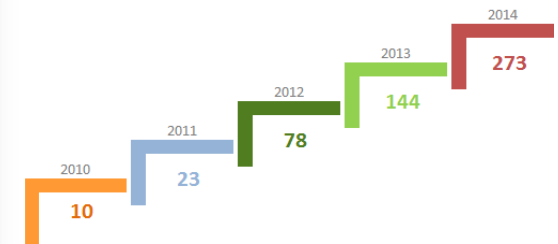
## Fastest growing proximity stores

- Store size between 40\*-300 sqm, **273** stores as of December 2014
- Room for further concentration in the existing big cities and expansion into others. Migros Jet network reached 35 cities.
- Between 1,800\* and 3,000 SKUs
  - Consistent Every Day Low Pricing on commodity Private Label product lines
  - Differentiated offering and service including rich fresh assortment
  - Large variety of branded FMCG
- New avenue of expansion through collaboration with Petrol Ofisi company to open forecourt stores in selected locations
  - Number of Migros Jet forecourt stores reached 40 by the end of year.

(\*): for MigrosJet 7/24 forecourt stores



## Number of Migros Jet Stores





# Tansaş Supermarkets



Regional leader of the west coast

- Number of stores: **212**
- 150-1,500 sqm / 3,000 – 15,000 SKUs
  - A strong regional brand & competitive pricing strategy
  - Diverse fresh food emphasis on meat and F&V
  - Friendly service / warm and localized layout



Penetration: 6 cities



# Macrocenter Supermarkets

macro▲center

## Exclusive shopping

- Number of stores: **28**
- 400 - 2,500 sqm / 10,000 SKUs
  - Upscale gourmet store serving with strong brand loyalty
  - Elegant design and store layout
  - 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
- Accelerated store openings in the popular locations of the Country including Antalya, Bodrum, Cesme and Ankara



Penetration: 5 cities





# 5M Compact Hypermarkets

5MMiGROS

Lowest prices and wide assortment

- Number of stores: **24**
- Average size 4,500 sqm / 25,000 SKUs
  - Wide product range; rich FMCG and non-food assortment
  - N/F product portfolio focusing on kids & women; especially kitchenware & household textile, toys and cosmetics
  - Competitive pricing
- 19 out of 24 stores are located in shopping malls and power centers



Penetration: 16 cities



# Wholesale & Food Service

## Focus on Horeca Penetration

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



Penetration: 7 regions



# International Operations

## Ramstore

### Kazakhstan

- Number of stores: **27**, including 4 hypermarkets, 22 supermarkets and 1 Macrocenter. Owns 1 shopping mall in Almaty
- Total sales area of 49,350 sqm
  - Serving in the cities of Almaty, Astana, Shimkent, Karaganda, Uralsk, Aktau and Atrau in a large country
- Operates in multi-format since 1999
- Food retail market leader in Kazakhstan

Kazakhstan  
1 Shopping Mall  
4 Hypermarkets  
22 Supermarkets  
1 Macrocenter



### Macedonia

- Number of supermarkets: **15**
- Owns 1 shopping mall in Skopje
- Total sales area of 14,713 sqm
- Operations started in 2005

Macedonia  
1 Shopping Mall  
15 Supermarkets

