

# TürkTraktör

*Investor Presentation*  
2016





# Corporate Structure

Established  
in  
**1954**

**50.000**  
tractors  
annual production capacity\*

*The oldest continuously manufacturing company of  
Turkish automotive industry*

## Plants & Facilities



### Ankara Plant

Engine and transmission  
manufacturing center

Opening : 25.06.1954  
Total Area : 257.325 m<sup>2</sup>



### Erenler Plant

Paintshop and assembly  
processes

Opening : 17.06.2014  
Total Area : 402.162 m<sup>2</sup>



### Istanbul CE Facility

Opening : 14.03.2016  
Total Area : 24.860 m<sup>2</sup>



### Ostim - Ankara CE Facility

Opening : 30.10.2014  
Total Area : 6.200 m<sup>2</sup>



### Izmir CE Facility

Opening : 18.09.2014  
Total Area : 6.396 m<sup>2</sup>



### Akyurt - Ankara Warehouse

Opening : 01.04.2010  
Total Area : 20.820 m<sup>2</sup>

## Shareholder Structure

 **Koç Holding A.Ş.**

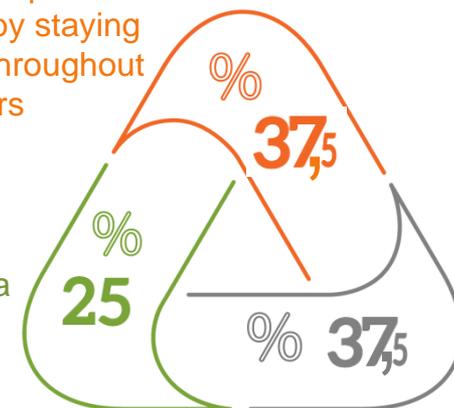
Founded in 1926, Koç Holding has become not only one of the largest and most successful groups of companies in Turkey but also in Europe, by staying one step ahead of change throughout its journey of 80 years



**BORSA  
İSTANBUL**

### Free Float

Stocks are traded at Borsa  
İstanbul with **TTRAK**  
symbol



### CNH Industrial NV

CNHI is a global leader in the capital goods sector that, through its various businesses, designs, produces and sells agricultural and construction equipment, trucks, commercial vehicles, buses and specialty vehicles, in addition to a broad portfolio of powertrain applications

\*working in 2 shifts



## WHERE AREN'T WE YET...

Continuously increasing export penetration,  
Turkey's biggest and the most diversified  
tractor exporter.



## MANUFACTURING TECHNOLOGY

Being the first in Turkey utilizing flexible  
manufacturing lines that make use of automatic  
manufacturing units and complex control systems

Being the first in Turkey in its sector having  
robotized paintshop

Total **2,967** employees of which  
**2,231** are shop-floor employee  
and  
**736** are office employee\*



\*as of 31.12.2016

## POSITION within CNHI

The only design and main production center of  
New Holland TD and Case IH JX series tractors  
in the world

The only production center of Utility Light series  
tractors and transmissions in the world

The only production and engineering center for  
TD series transmissions in the world

The main production center of S8000 series engines

## THE FIRST R&D CENTER in its SECTOR

Accredited by the Ministry of Industry in 2009

Total area of R&D Center **4.990 m<sup>2</sup>**

**19** international patent applications out of  
**175** active patents

**136** R&D Center employees of which  
**116** are the engineers\*

\*as of 31.12.2016



01



### Leading tractor manufacturer with diversified product range

- The largest tractor producer in Turkey with 50K tractor capacity
- Tractor market leader for the last consecutive 10 years
- The most extensive and professional sales and after sales network in Turkey
- Strong R&D capability creating higher quality, advanced tractors
- State of the art manufacturing processes

02



### Sustainable growth

- Volume and margin growth
- Vertically integrated operation
- Has long-term and loyal business relations
- Thinks globally
- New business line – Construction Equipment

03



### Good shareholder returns

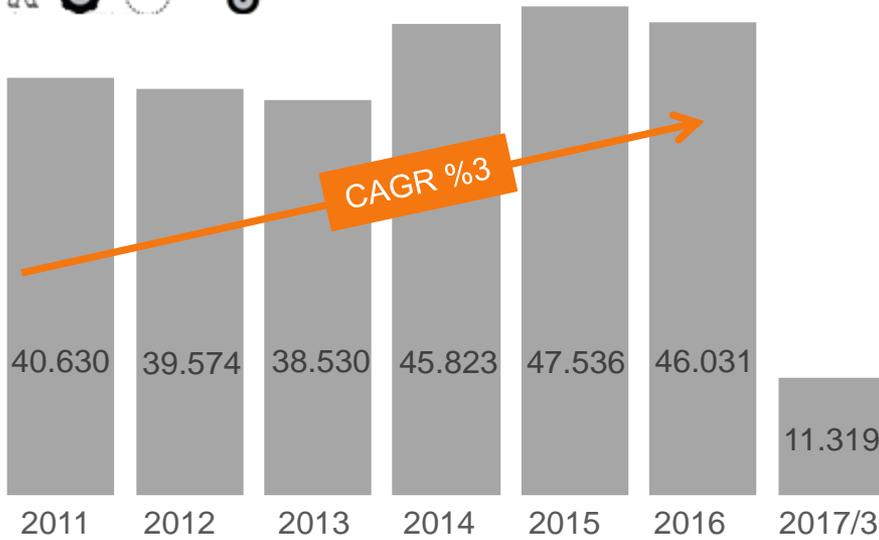
- Given priority to maintain and to grow profitability
- Sustainable dividend policy  
Total TL 1,9 billion was distributed as dividend to the shareholders between 2004 – 2016.
- Successful, profitable operation



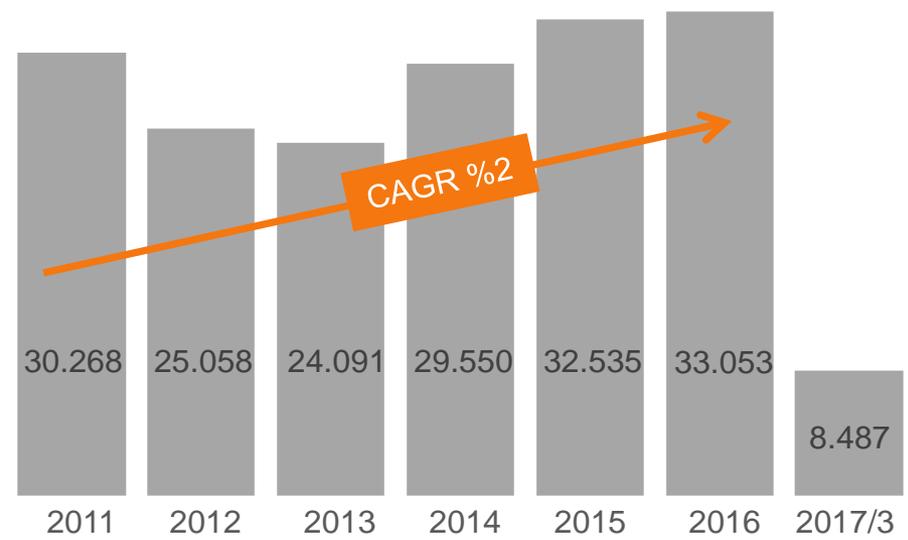
# Sustainable Growth



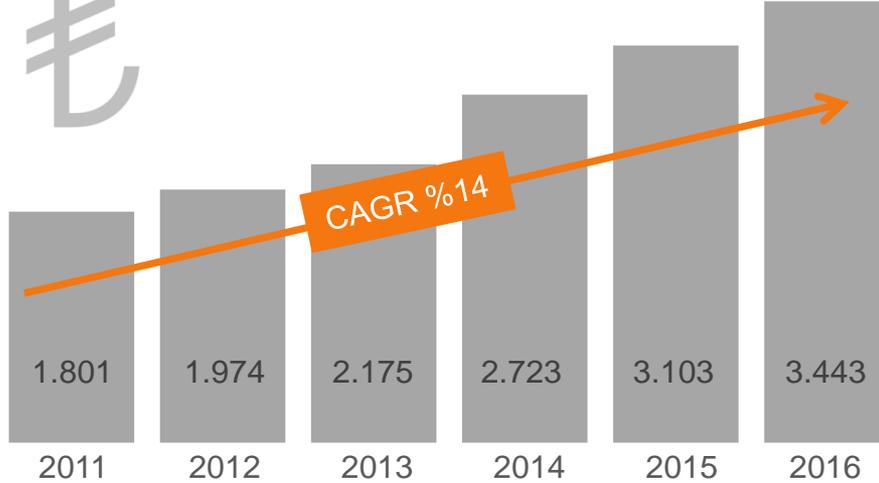
Tractor Manufacturing Units



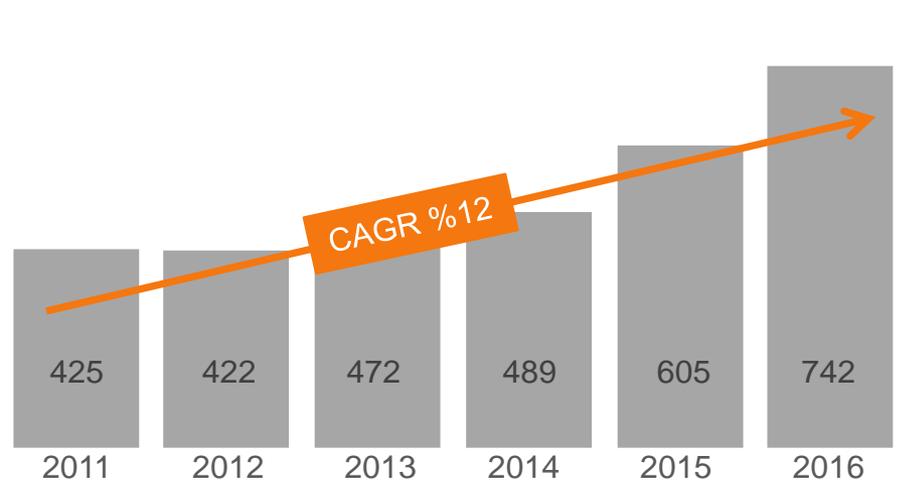
Local Tractor Sales Units



Total Revenue (mio TL)



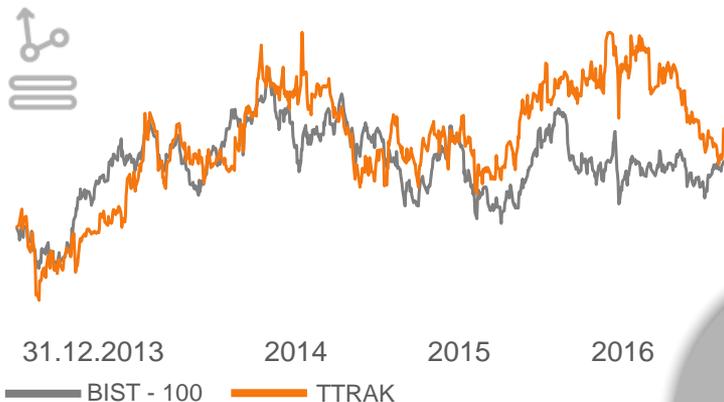
Gross Profit (mio TL)



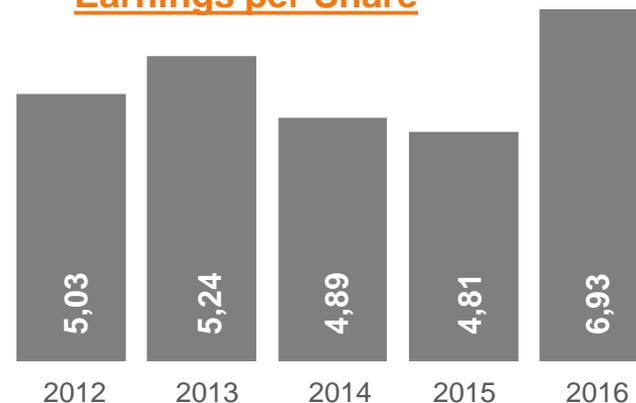


# Growth of Shareholder Value

## Stock Performance (31.12.2013=100)



## Earnings per Share



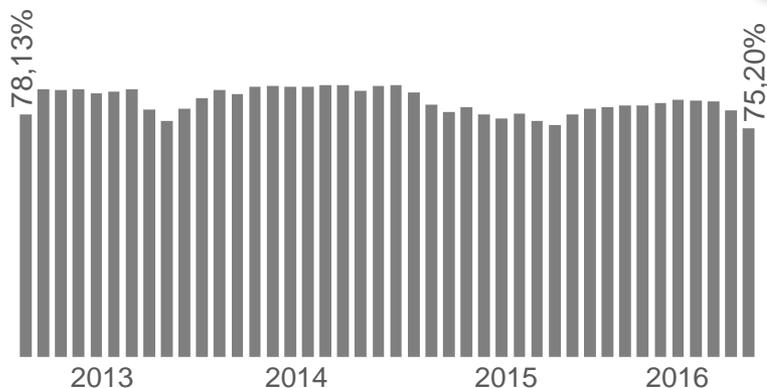
O1

O2

O3

O4

## Foreign Ownership in Free Float (%)



## Commitment to Corporate Governance

- \*Separate CEO and Chairman roles
- \*Independent BoD members
- \*Audit Committee
- \*Corporate Governance Committee (having the tasks of Remuneration Committee)
- \*Risk Assessment Committee



# Brands & Products



Tractors (48HP-380HP)



Agricultural Equipment



Construction Equipment  
Compact Line



Tractors (55HP-380HP)



Agricultural Equipment



Construction Equipment  
Compact Line



Heavy Line



Tractors (55HP-65HP)



Agricultural Equipment





# Market Positioning of the Brands

\*Market leader for 10 years in a row

\*Having ~42% market share



\*The largest dealer network

\*Full territory coverage



\*Proximity to customers

\*Fast response in service and parts

\*Targeting professional farmers



\*Having ~5% market share



\*Continuously expand in local market since 2007

\*Strengthen dealers & widen service offering



\*Continuously improving dealer network and market presence



\*Utilizing New Holland AG network capability in NH compact line products, heavy line products are sold through sales team directly





# Turkey - Agriculture Sector



- \*Demand to outstrip production
- \*High agricultural population (25%)
- \*Stabilized government support to the sector
- \*Giving rise to professional farming



- \*Low productivity vs. good yield
- \*Higher inputs costs
- \*One of the lowest mechanization levels in Europe

## Turkey - Agricultural Equipment Sector

All indicators point to a



Transformation of agriculture

Increasing sophistication of demand

- \*Agricultural market becoming more professional
  - \*Land ownership progressively consolidating
  - \*Mix shift to higher HP and richer content
- \*Growing importance of implements and other equipment
- \*Growing of the orchard and specialty tractor segment





## Turkey's Agriculture Sector with Numbers

7<sup>th</sup>

Turkey's agricultural economy in the world

1<sup>st</sup>

Turkey's agricultural economy in Europe

6.1%

share of the agricultural industry over the GDP  
(as of 2016)

20%

share in the total employment in 2016

1,781

number of the agricultural products  
exported to 190 countries in 2015

3.2 billion \$

agricultural trade balance  
(as of 2016/9)



## Targets of Turkish Agriculture Sector for 2023

150 billion \$  
agricultural income

2023

40 billion \$  
agricultural export

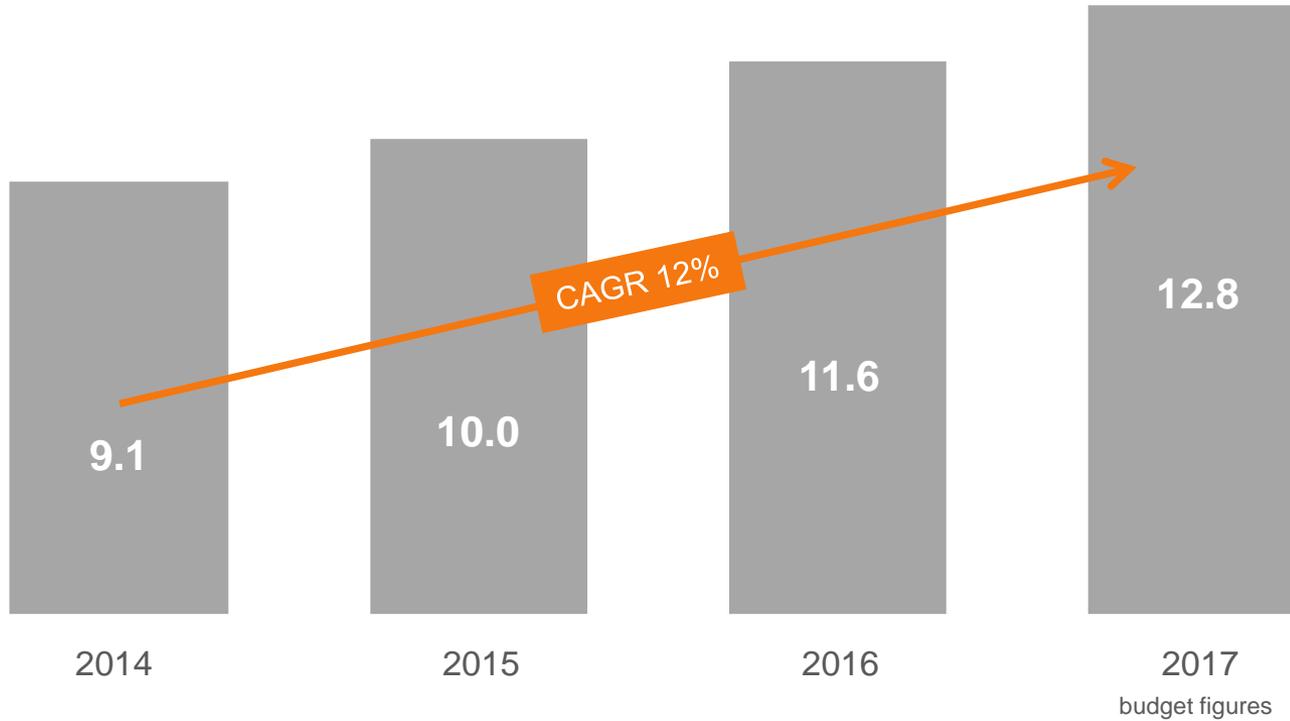
55 billion \$  
agricultural income

17 billion \$  
agricultural export

2015



## Government Support in Turkey (billion TL)



It has been announced that the government has allocated

**12.8 billion TL**

budget for agriculture in 2017.



According to the **National Agriculture Project** announced on October, 2016;

Agricultural supports will be collectively paid to farmers twice a year.

**1<sup>st</sup>** payment on April-May  
in the seed-time

**2<sup>nd</sup>** payment on September-October  
in the harvest time



Supports will be given in the watershed-bases, in order to grow better crops with less cost in the convenient region.



The discount rate of fertilizer have been announced as

**23%**



**7** million hectare of land in total is planning to be consolidated until **2023**



The fuel cost will be share between the farmers and the government. The farmers will pay the half of fuel cost and the other half will be paid by the government.

Some areas in 25 cities will be allocated to forage livestock. These areas will be rented with a small amount of money to the farmers who would like to engage in livestock in forages.



The Turkish Grain Board will be used effectively in order to prevent the market fluctuations and maintain the order in the market.



## EUROPEAN UNION

115 million ha  
total agricultural  
land



Arable land



Permanent crops



11 million agricultural holdings – average land size 10 ha per farm

## TURKEY

24 million ha  
total agricultural  
land



Arable land



Permanent crops



3 million agricultural holdings – average land size 8 ha per farm

Within the context of land consolidation studies conducted by the government; in order to increase the arable land in Turkey;

- until 2015, 5 million hectares of land in total had been consolidated,
- the consolidation process of 2 million hectares of land are still continuing, and
- the target is to consolidate 14 million hectares of land in total until 2023.



# Highlights of Tractor Market (source : TARMAKBİR)

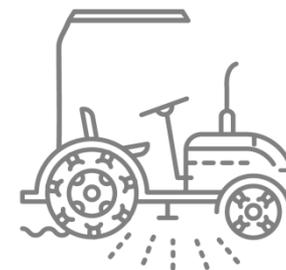


Tractor unit per 1000 hectare

Equipment unit per tractor

Agricultural land per tractor (hectare)

Tractor HP per 1 hectare land



Turkey	EU
<b>38</b>	<b>90</b>

Turkey	EU
<b>5</b>	<b>10</b>

Turkey	EU
<b>26</b>	<b>11</b>

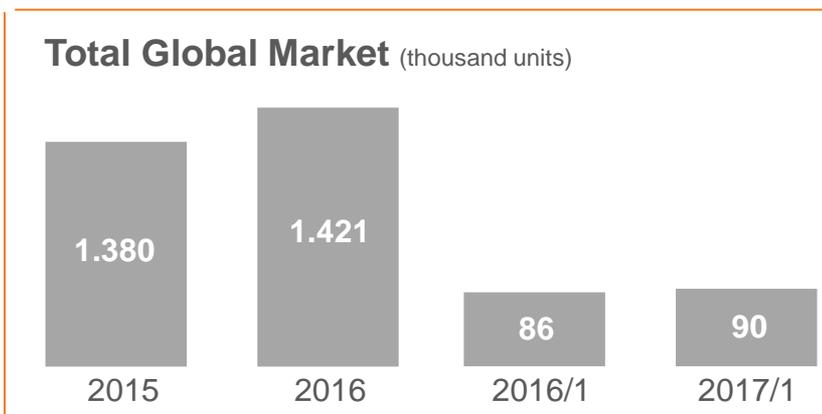
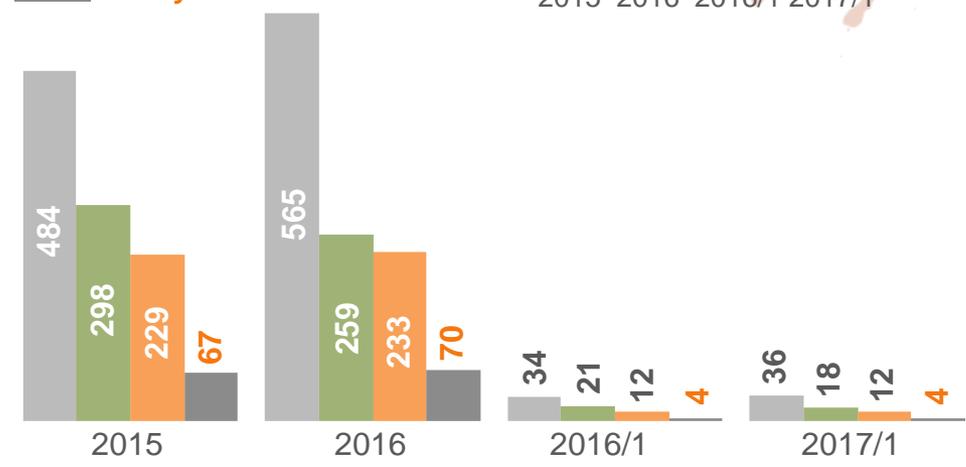
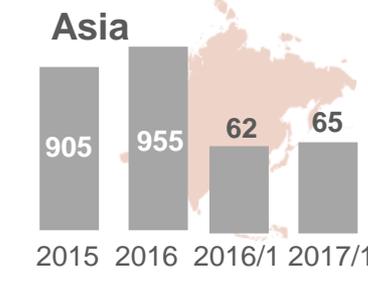
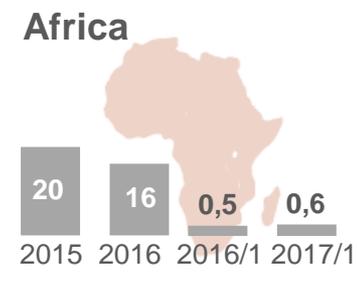
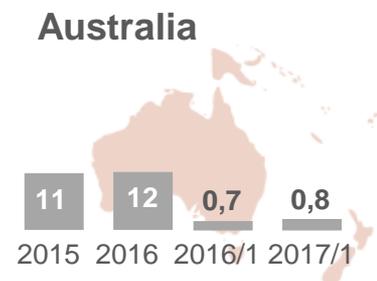
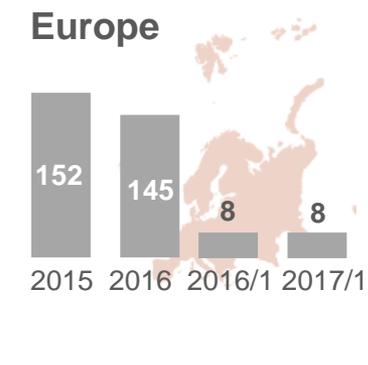
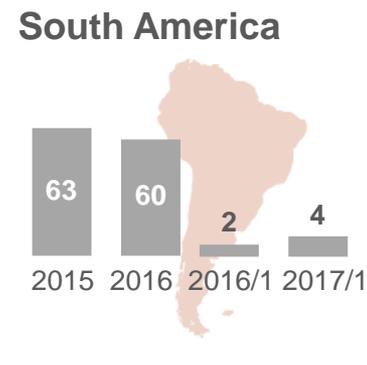
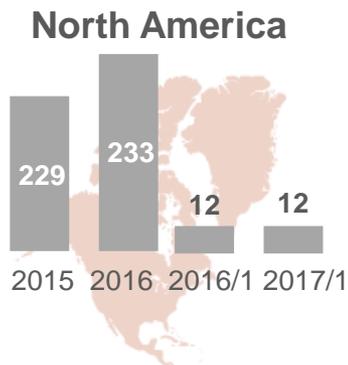
Turkey	EU
<b>2,52</b>	<b>8,05</b>



# Global Tractor Market (thousand units) (source: Systematics)

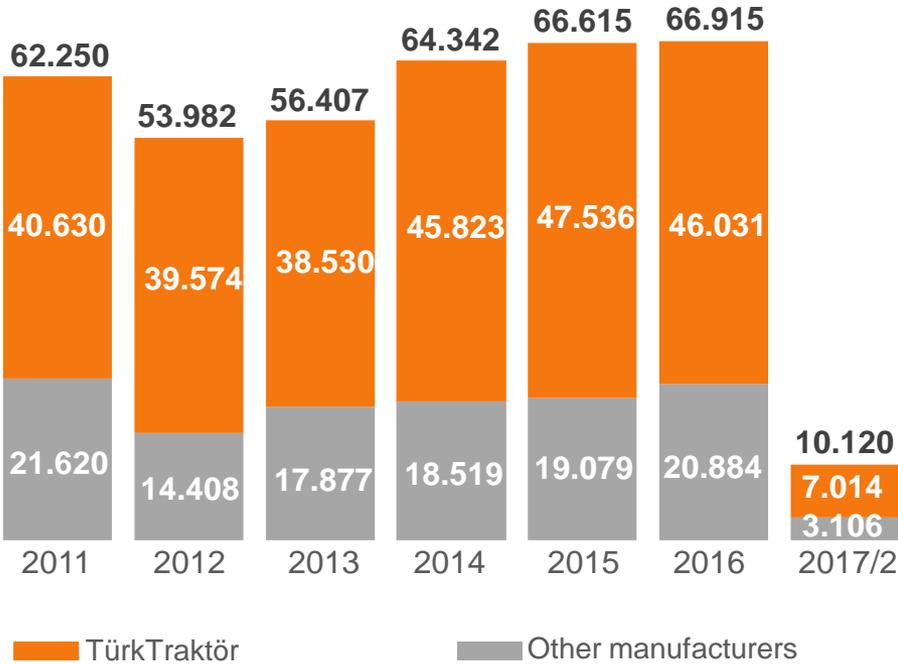
Turkey is the **4<sup>th</sup>** biggest market in the world in terms of annually sold tractor units

- India
- China
- North America
- Turkey

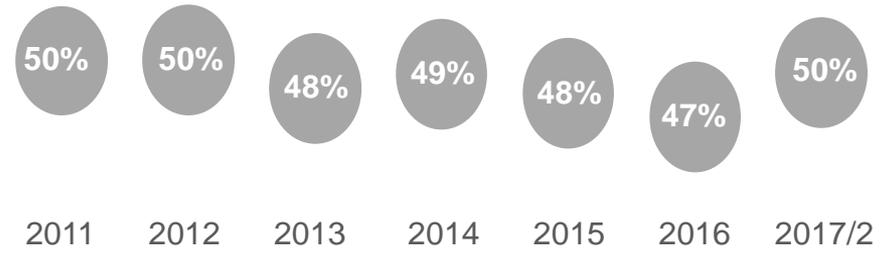




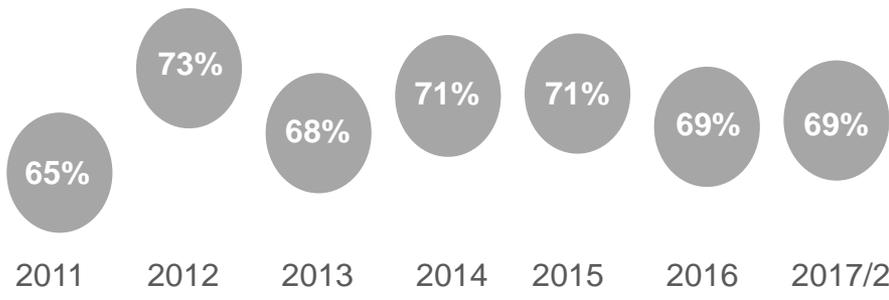
Source : Tarmakbir **Tractor Production (units)**



**Market Share of TürkTraktör**  
Source : TURKSTAT



**TürkTraktör Share in Local Production**



TürkTraktör covers 69% of the total production in Turkey where 10.120 tractors were manufactured in 2017/2.

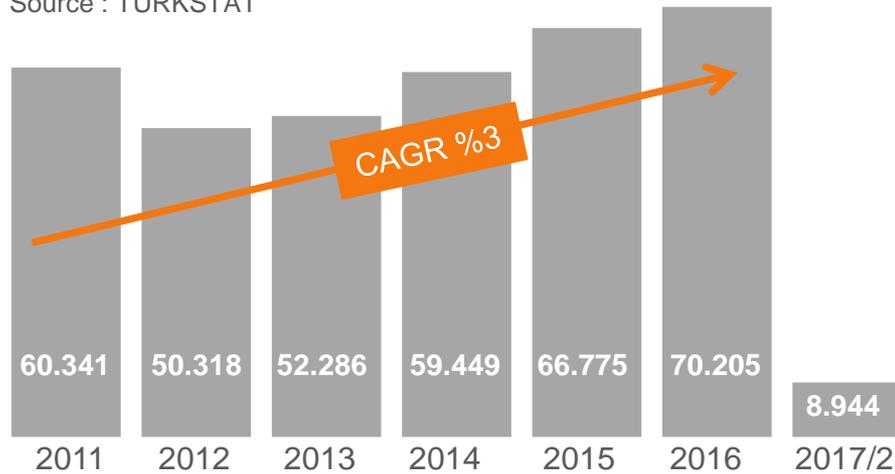
Almost 40 brands are presenting by 30 companies in Turkish tractor market.



# Growth of Turkish Tractor Market

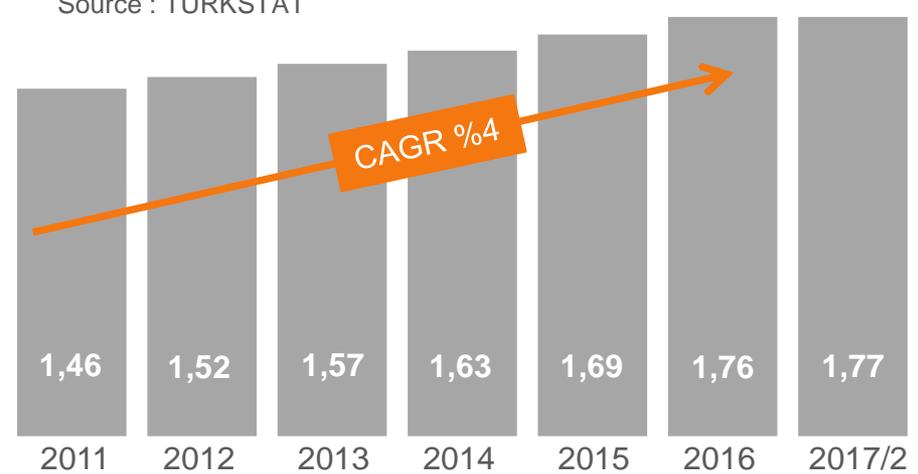
Turkish Tractor Market (units)

Source : TURKSTAT



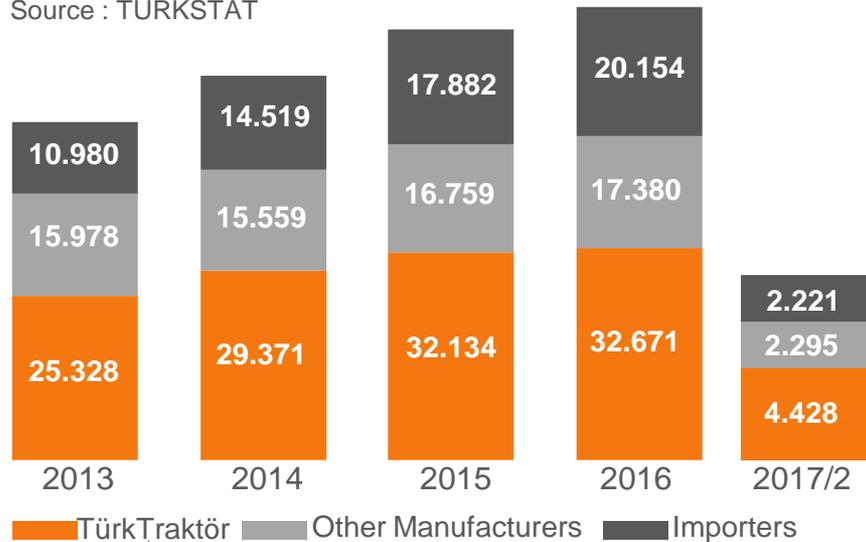
Tractor Park in Turkey (mio units)

Source : TURKSTAT



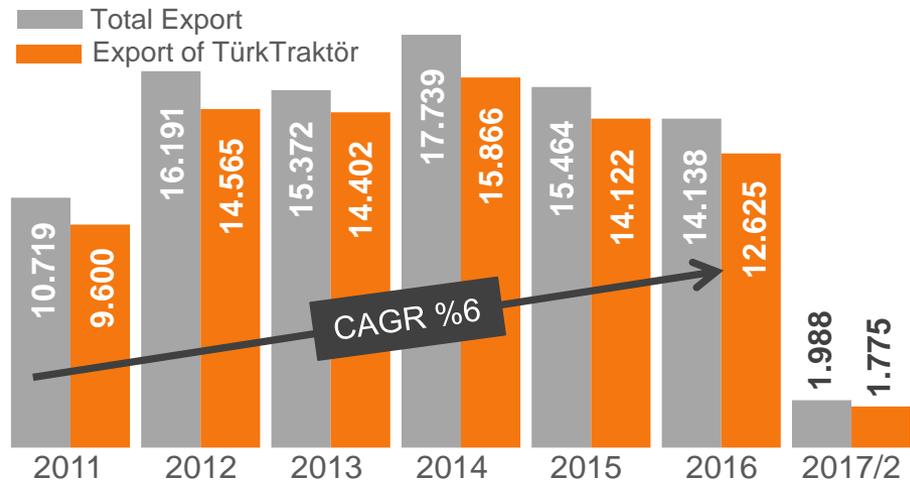
Turkish Tractor Market (units)

Source : TURKSTAT



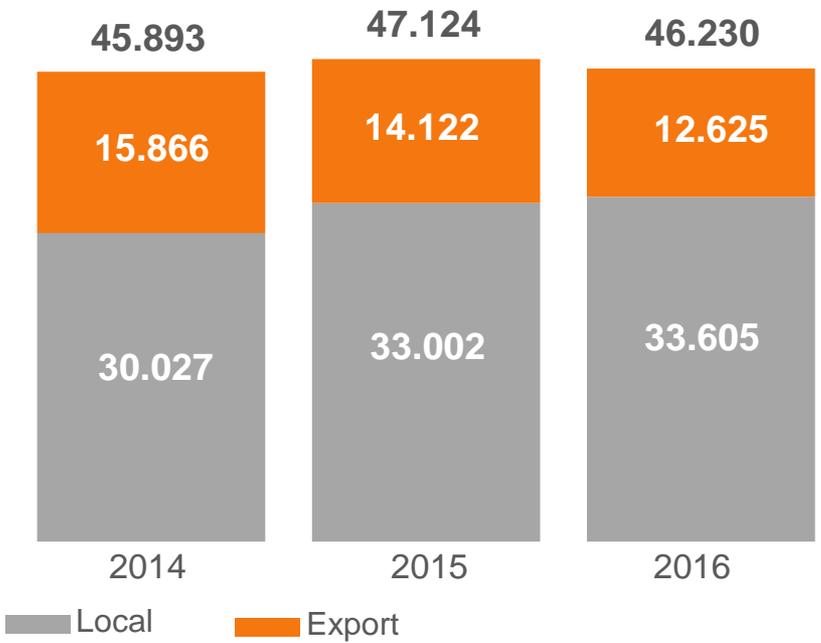
Tractor Export from Turkey (units)

Source : Tarmakbir





Tractor Sales (units)

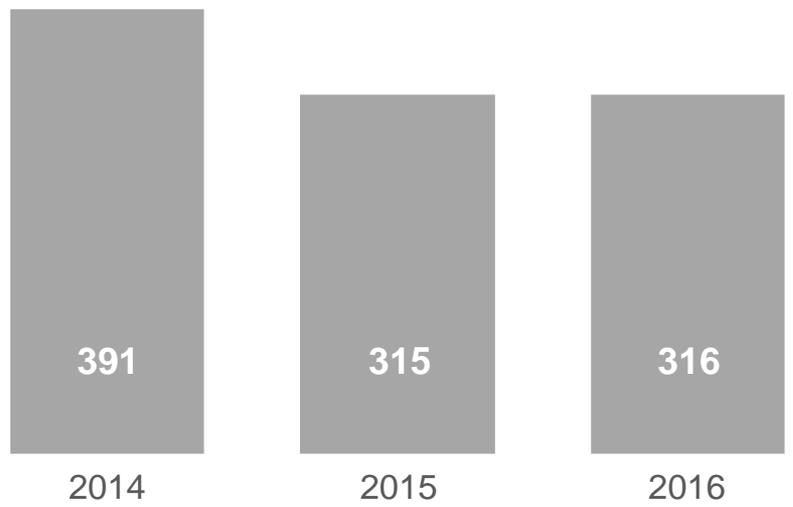


\*Domestic tractor sales increased by 2% in 2016.

\*Export tractor sales decreased by 11% comparing to 2015.



Combine Sales (units)

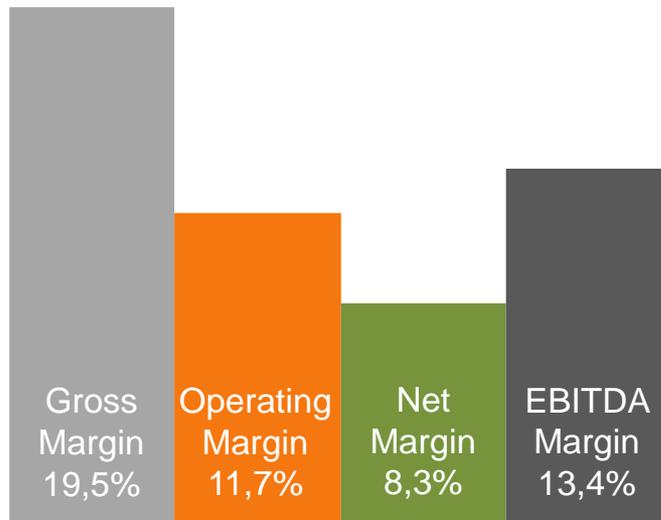




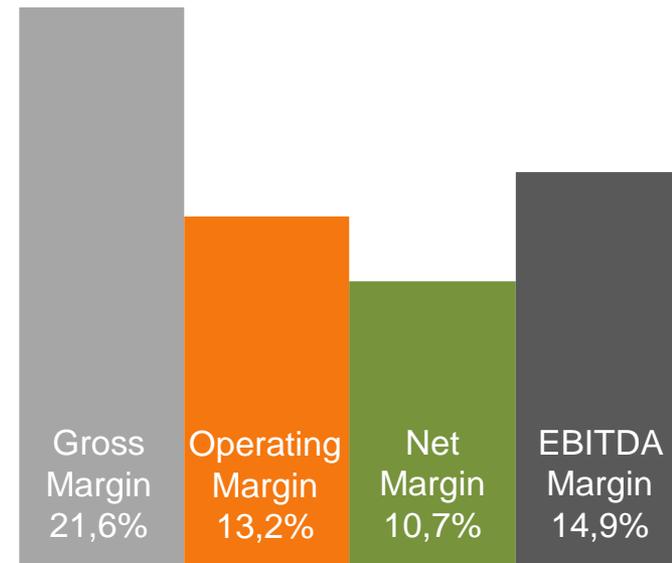
(mio TL)	2014	2015	2016	Δ
- Domestic Sales	1.790	2.164	2.469	14%
- Export Sales	933	939	974	4%
<b>Total Sales Revenue</b>	<b>2.723</b>	<b>3.103</b>	<b>3.443</b>	<b>11%</b>
<b>Gross Profit</b>	<b>489</b>	<b>605</b>	<b>742</b>	<b>23%</b>
<b>Net Operating Income</b>	<b>297</b>	<b>364</b>	<b>455</b>	<b>25%</b>
<b>Profit Before Tax</b>	<b>293</b>	<b>302</b>	<b>388</b>	<b>29%</b>
<b>Net Income</b>	<b>261</b>	<b>257</b>	<b>370</b>	<b>44%</b>
<b>EBITDA</b>	<b>331</b>	<b>416</b>	<b>512</b>	<b>23%</b>



(%)	2014	2015	2016	Δ
Gross Profit Margin	18,0	19,5	21,6	2,1 pp
Operating Profit Margin	10,9	11,7	13,2	1,5 pp
Net Profit Margin	9,6	8,3	10,7	2,4 pp
EBITDA Margin	12,1	13,4	14,9	1,5 pp



2015

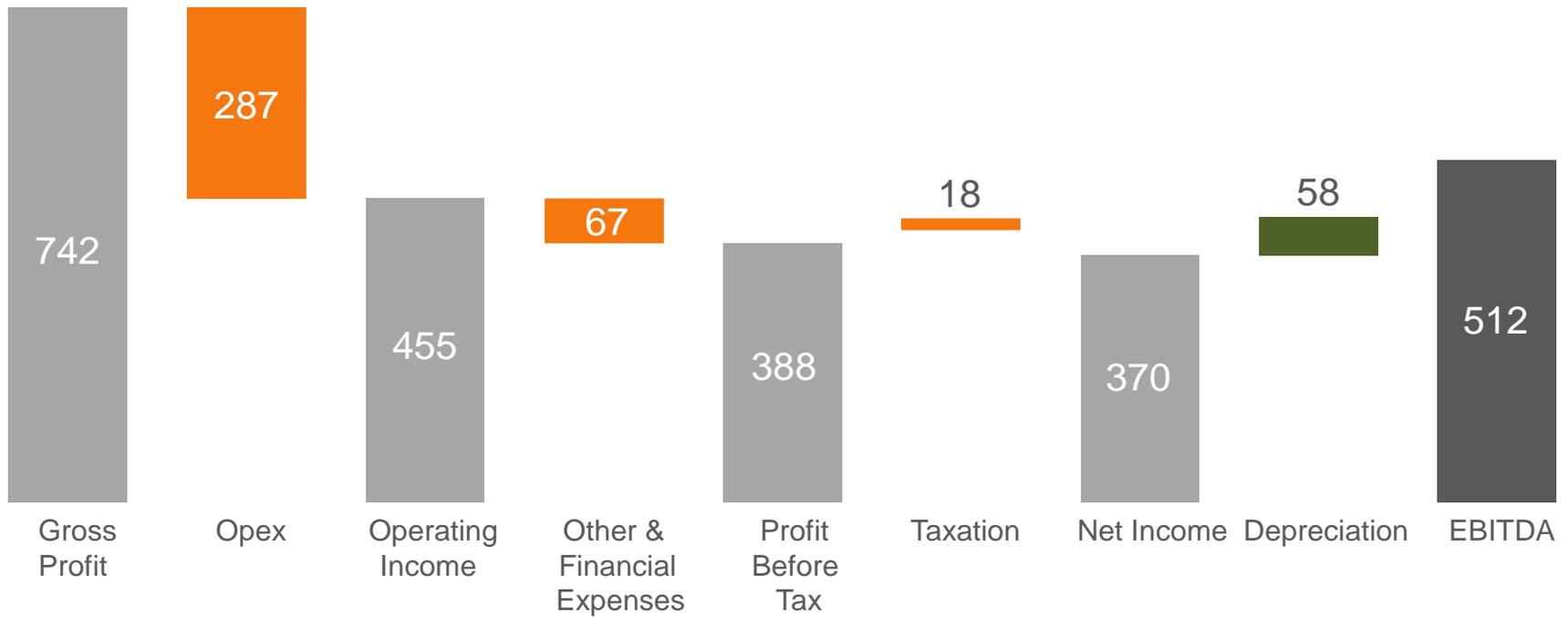


2016

# Gross Profit to EBITDA Flow (mio TL)



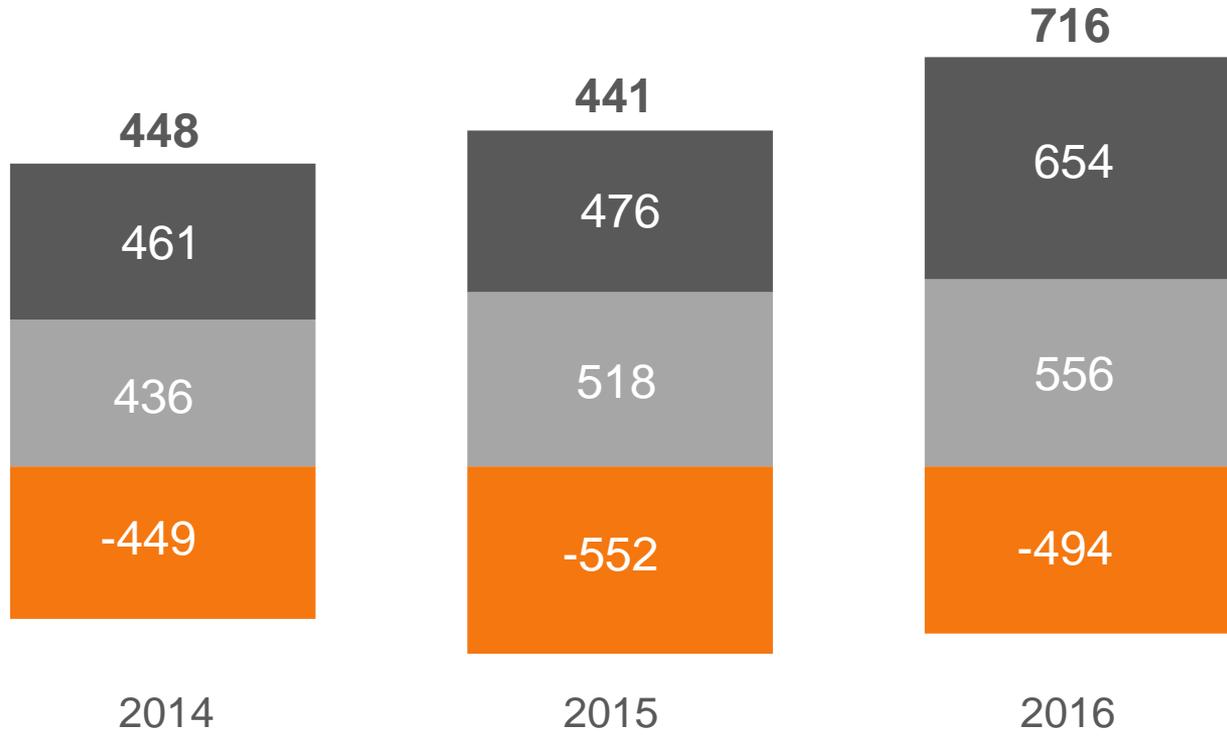
as of 31.12.2016





# Debt Profile & Financial Ratios

(mio TL)	2014	2015	2016	Δ
- Cash & Cash Equivalentents	269	244	228	-6%
- Total Financial Debt	658	673	948	41%
<b>Net Financial Position</b>	<b>(389)</b>	<b>(429)</b>	<b>(720)</b>	<b>68%</b>
Current Ratio	1,8	1,6	2,0	0,4 pp
Quick Ratio	1,2	1,0	1,3	0,3 pp
Current Assets / Total Assets	69%	68%	69%	1 pp
Curent Liabilities / Total Liabilities	39%	42%	34%	-8 pp
<b>Return on Equity (RoE) * rolling 12 months</b>	<b>37%</b>	<b>39%</b>	<b>62%</b>	<b>23 pp</b>
<b>Return on Assets (RoA) * rolling 12 months</b>	<b>14%</b>	<b>13%</b>	<b>17%</b>	<b>4 pp</b>
<b>Capex</b>	<b>234</b>	<b>97</b>	<b>107</b>	<b>10%</b>

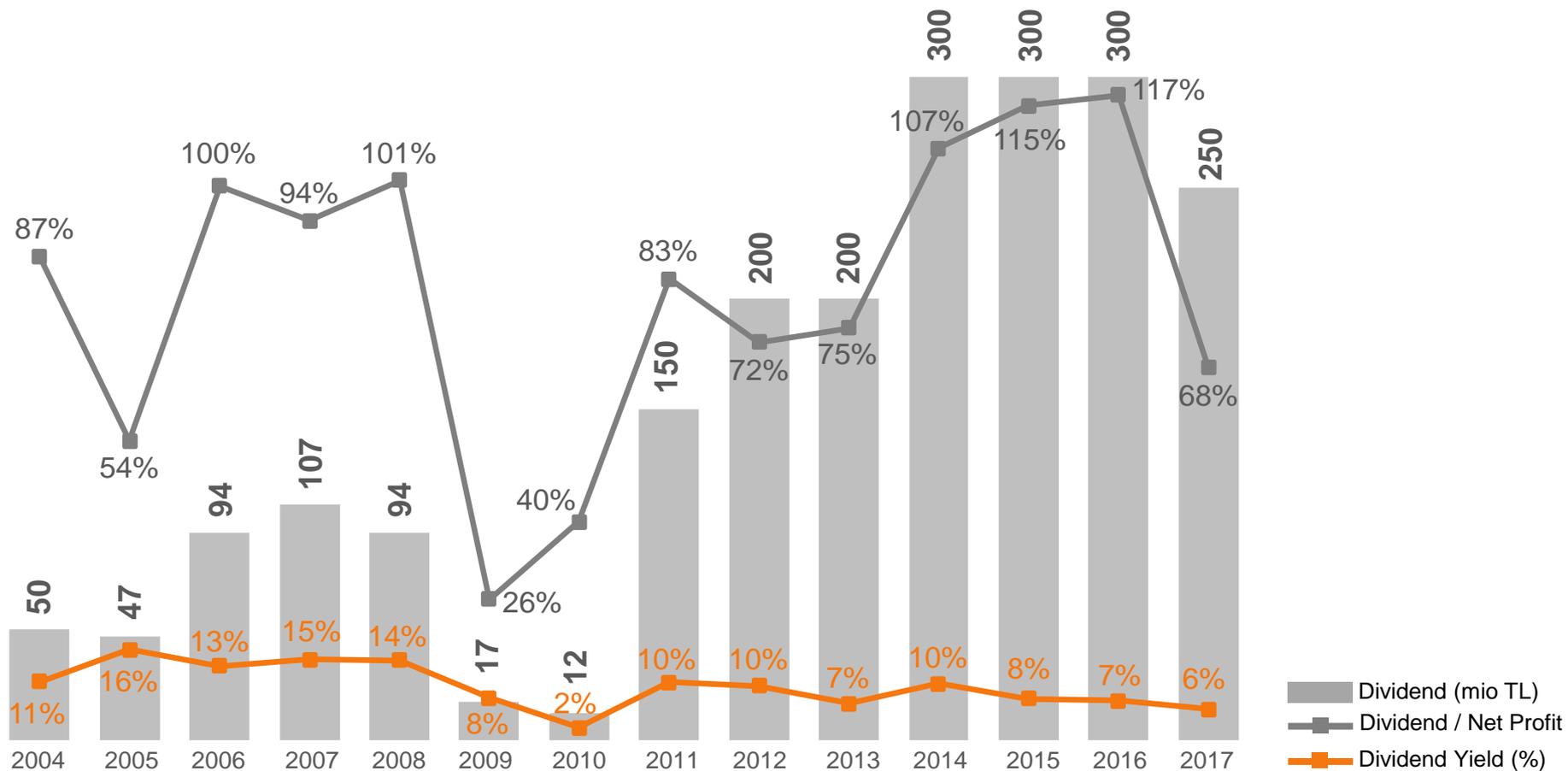


Trade Payables (net)   Inventories   Trade Receivables (net)



# Dividend Payments

Total **TL 2.1 billion** was distributed as dividend to the shareholders between 2004 – 2017.





## Investor Relations Contact

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