

# TürkTraktör

*Investor Presentation  
October 2019*





# 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.**

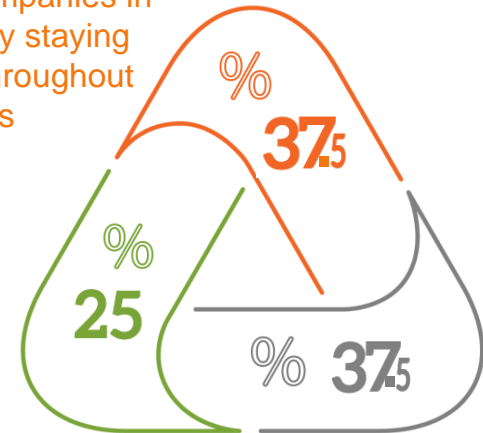
Founded in 1926, Koç Holding has become not only one of the largest and most successful groups of companies in Turkey but also in Europe, by staying one step ahead of change throughout its journey of 93 years



**BORSA  
İSTANBUL**

### Free Float

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



**CNH Industrial NV**

CNH Industrial is a global leader in the investment goods industry with its production of tractors, agricultural machines, construction equipment, commercial vehicles, buses and coaches, fire trucks and engine & transmission production and with its industrial experience on both design / production process and extensive product range addressing diverse needs.



## 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 **2,241** employees of which  
**1,543** are shop-floor employee  
and  
**698** are office employee\*



\*as of 30.06.2019

## POSITION within CNH INDUSTRIAL

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 **5,000 m<sup>2</sup>**

**19** international patents out of  
**157** active patents

**145** R&D Center employees of which  
**122** are researchers\*

\*as of 30.06.2019



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 12 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

- Vertically integrated operation
- Has long-term and loyal business relations
- Thinks globally
- Other business line – Construction Equipment

03

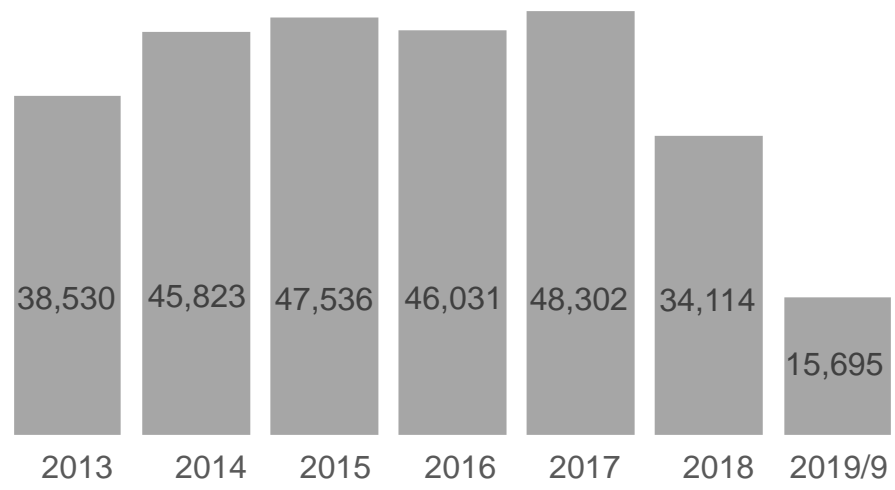


### Good shareholder returns

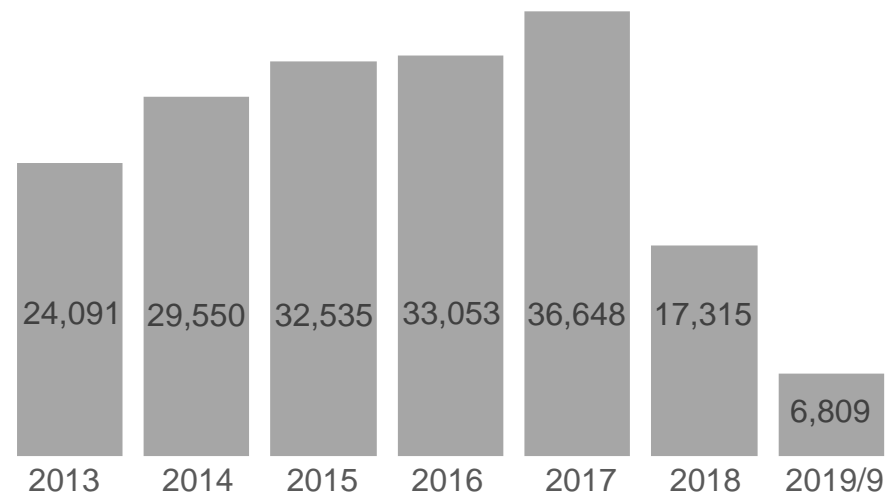
- Given priority to maintain and to grow profitability
- Sustainable dividend policy  
Total TL 2.4 billion was distributed as dividend to the shareholders between 2004 - 2018.
- Successful, profitable operation



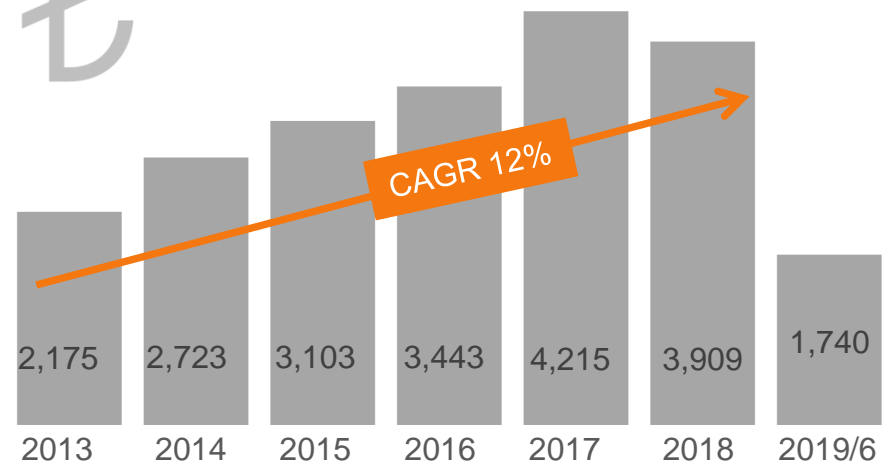
Tractor Manufacturing Units



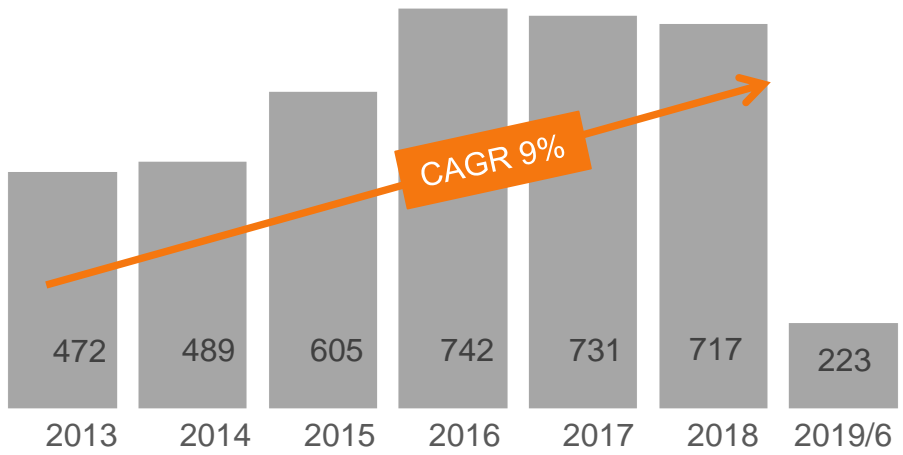
Local Tractor Sales Units\*



Total Revenue (mio TL)



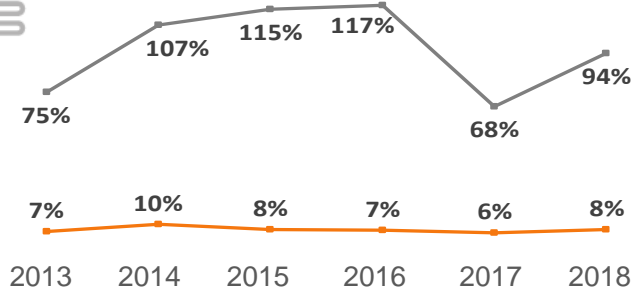
Gross Profit (mio TL)





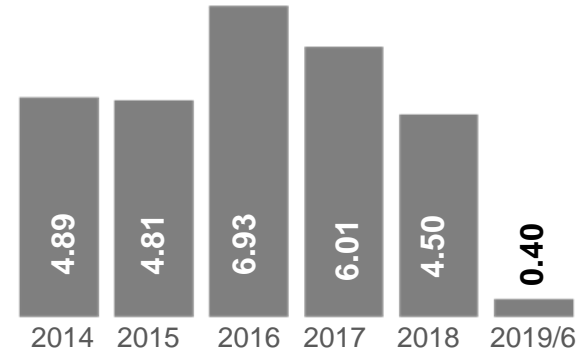
# Growth of Shareholder Value

## Dividend Yield



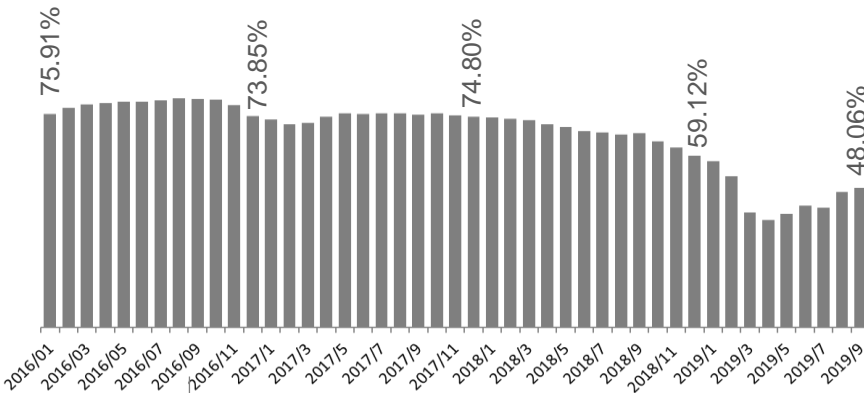
— Dividend / Net Profit — Dividend Yield (%)

## Earnings per Share



O1 O2

## Foreign Ownership in Free Float (%)



O3 O4

## 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



Tractors (43HP-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 12 years in a row

\*Having ~39%\* market share



\*The largest dealer network

\*Full territory coverage

\*Wide customer portfolio



\*Targeting professional farmers

\*Having ~6%\* market share

\*Continuously expand in local market since 2007



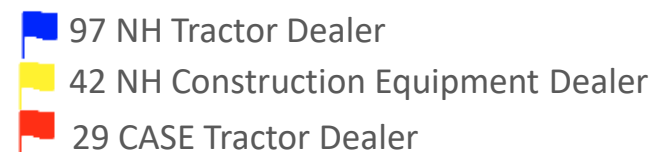
\*Utilizing New Holland AG network capability in NH compact line products

\*Heavy line products are sold directly by CASE sales team



\* According to TURKSTAT Traffic Registration data of 2019/8





## Broadest network in Turkey's agricultural sector

## Widely distributed and close to customer

## Financially strong

## Wide customer portfolio

## Experience

~500 services\*

(NH and CASE IH)

~150 spare parts dealers\*

(NH and CASE IH)

\*\*as of 30.06.2019



# Turkey - Agriculture Sector



- \*High agricultural population
- \*Stabilized government support to the sector
- \*Giving rise to professional farming



- \*Low productivity
- \*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

11<sup>th</sup>

Turkey's agricultural economy in the world  
(2018 numbers)

2<sup>nd</sup>

Turkey's agricultural economy in Europe  
(2018 numbers)

3.5%

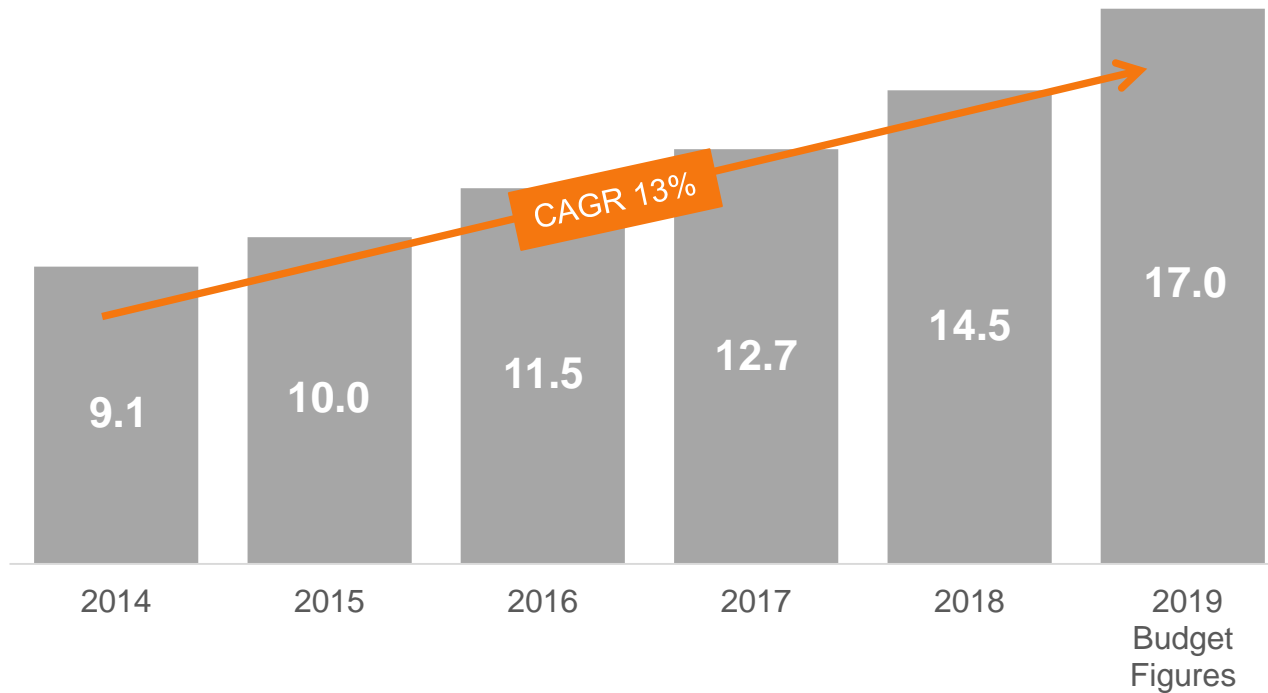
share of the agricultural industry over the GDP  
(2019 1H numbers)

18.3%

share in the total employment  
(May 2019 numbers)



## Government Support in Turkey (billion TL)



It has been announced that the government has allocated  
**17.0 billion TL** budget for agriculture support in 2019.

# Supports Provided within the scope of Agricultural Policies

(source: [www.tarim.gov.tr](http://www.tarim.gov.tr))

Breakdown of resources allocated to agriculture in 2019 budget has been announced as 17.0 billion TL for agricultural support, 5.1 billion TL for investment loans and 5.3 billion TL for agricultural loans.

## Breakdown of Agricultural Support Budget (mio TL)

	2017	2018	%	2019 Budget (B)	%	2018 vs. 2019B
<b>Agricultural Supports</b>						
Area Based Agricultural Supports	3,006	3,892	27	4,322	26	11%
- Fuel	700	1,900	13	2,090	12	10%
- Fertilizer	805	553	4	554	3	0.2%
Compensatory Payment	191	186	1	215	1	16%
Deficiency Payment	3,888	3,456	24	3,721	22	8%
Livestock Support Payment	3,848	4,103	28	5,268	31	28%
Rural Development Support	795	1,724	12	1,900	11	10%
Agricultural Insurance	860	958	7	1,220	7	27%
Other Agricultural Supports	134	170	1	343	2	102%
<b>Total</b>	<b>12,722</b>	<b>14,489</b>		<b>16,989</b>		<b>17%</b>

- A total of 117.4 billion TL cash grant support was provided to producers in the last 16 years.
- In the first six month of 2019, a total of 12.1 billion were paid to farmers.



## Tractor Loan - Credit limit 250,000 TL

Subsidy level **50%** up to 75,000 TL  
(50,000 TL updated to 75,000 TL)  
of bank loan  
(interest rate remains same)

Subsidy level **25%** for the remaining  
amount of the bank loan above 75,000 TL  
(50,000 TL updated to 75,000 TL)  
(interest rate remains same)

- In case the tractor at 10 and +10 years (being owned for 5 years is a must) is renewed, the payment terms may be extended for 96 months.
- It is obliged that the loan application directly made by the customer.
- In case the tractor under 4 years is renewed the loan amount is limited by 65% of the total tractor amount.
- The equity financed by the customer has to be deposited into bank.



- Ziraat Bank increased it's base interest rate to 18% from 12%
- Subsidy levels are stayed the same.

**will be effective between  
01.01.2018 – 31.12.2020**

## Agricultural Equipment Investment Loan - Credit limit 1,500,000 TL

Subsidy for loan interest 75%

*(same as 2018 and 2017, 50% in 2016)*



- First in Turkish agriculture sector
- Aimed to enable farmers to have new tractors through the alternative financial solution and to support the increase of mechanization and modernization of agriculture
- Covers tractor, equipment and construction equipment businesses
- All transactions are completed at the dealer location without having need to go to bank branch and obligations such as documents, formalities, etc. existing in other loan procedures are minimized
  - In 2018, 7% of local sales have been done through TürkTraktör Finance







## Traktörünüzü Güvence Altına Alalım!

Traktörünüzün sizin için ne kadar önemli olduğunun farkındayız.  
Gelin, traktörünüz için en uygun seçeneği belirleyip  
onu olası risklere karşı güvence altına alalım.

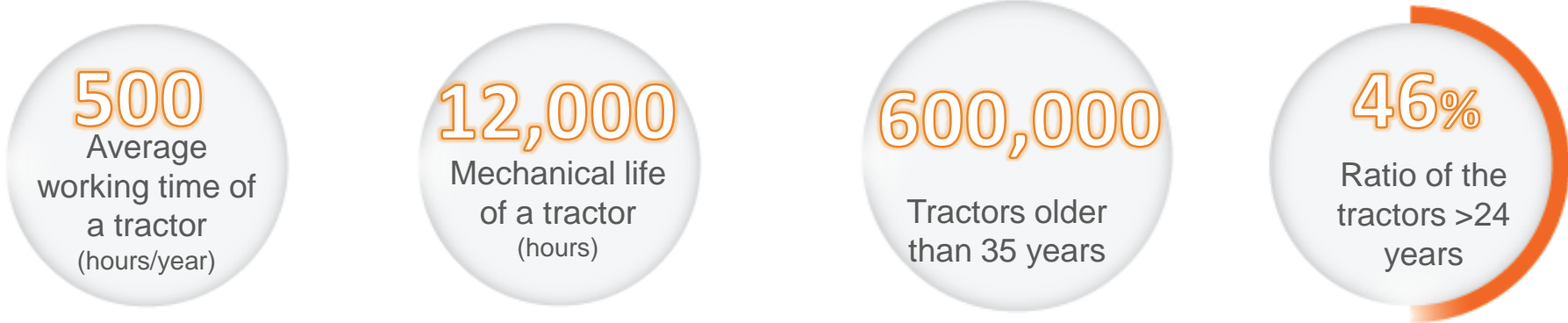


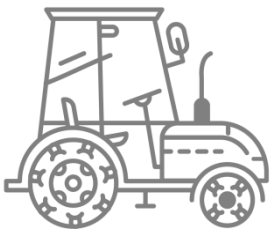
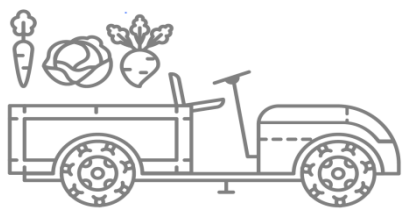

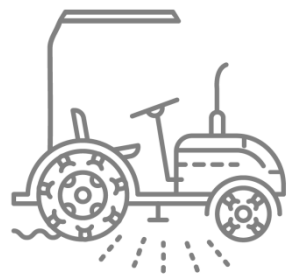
- Traffic and insurance operations of our tractors sold through our branches will be carried out under this roof.

**TürkTraktör**  
**Finans**



# Highlights of Tractor Market (source : TARMAKBİR)



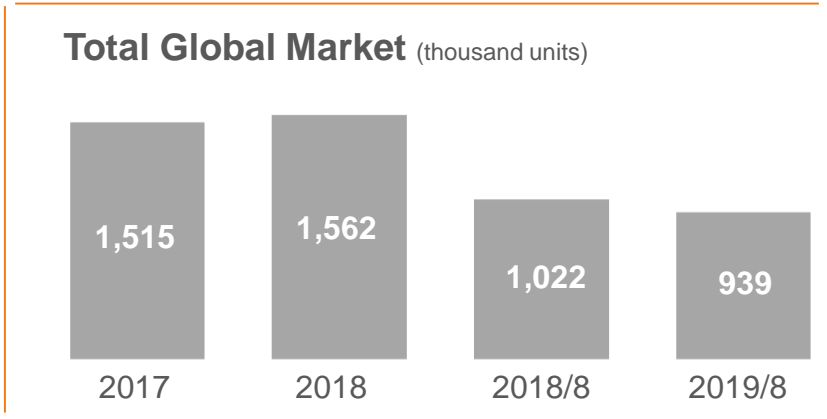
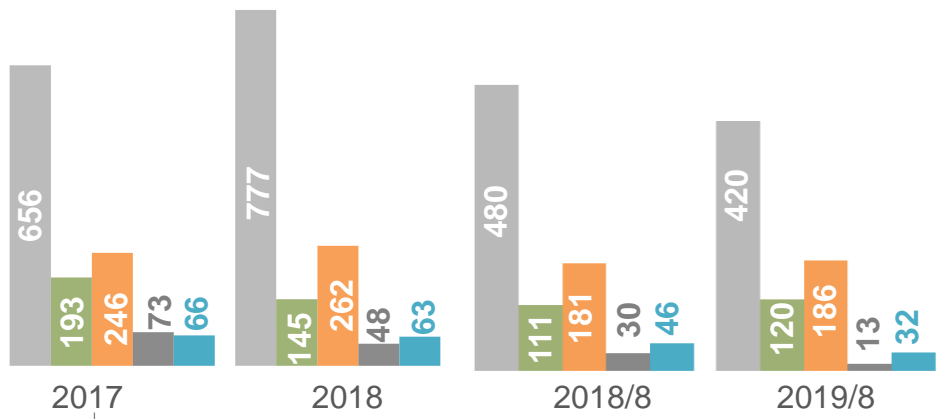
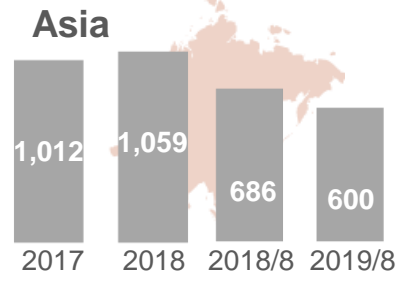
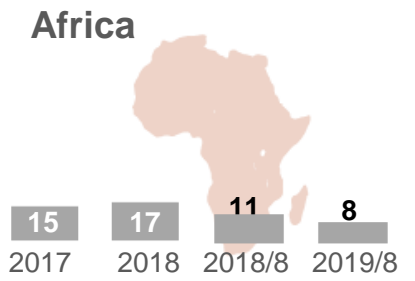
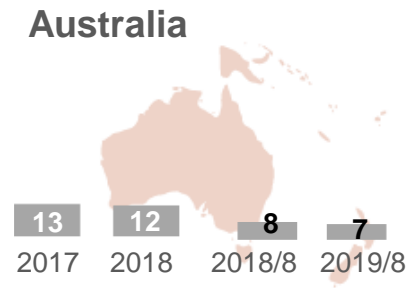
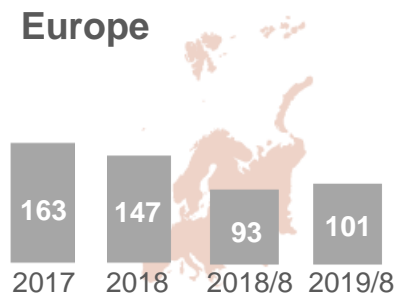
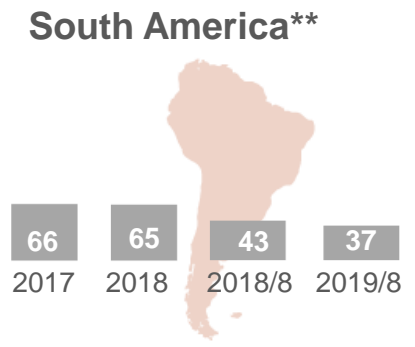
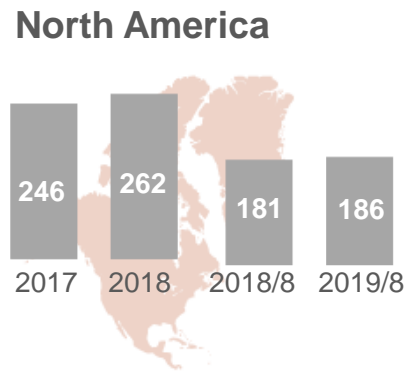
4WD Traktör Ratio	Equipment unit per tractor	Agricultural land per tractor (hectare)	Average Tractor Power (HP)
			
Turkey 20% EU 90%	Turkey 5 EU 10	Turkey 26 EU 11	Turkey 60+ EU 100+



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

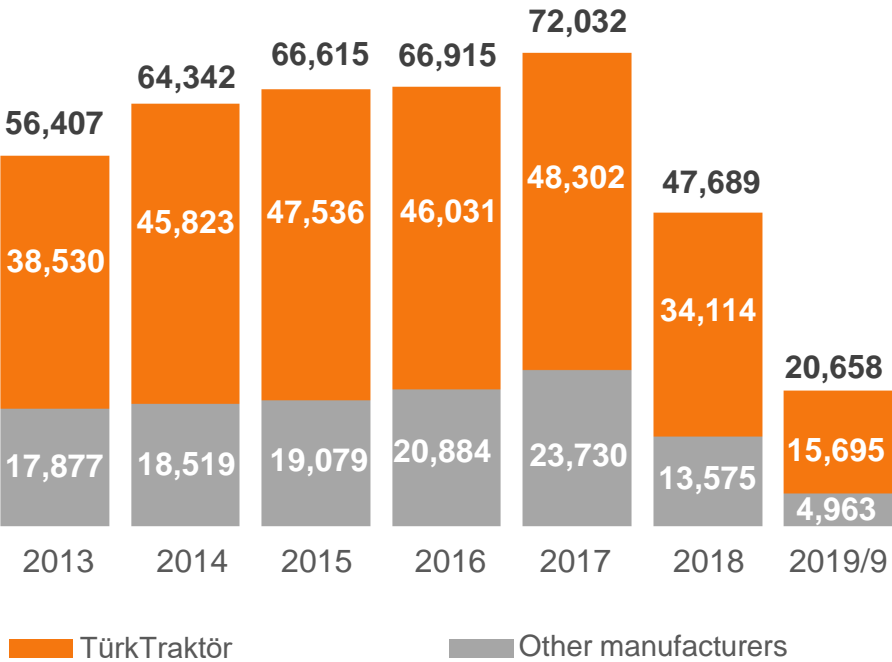
\*as of 31.08.2019

- India
- China
- North America
- Turkey**
- Pakistan

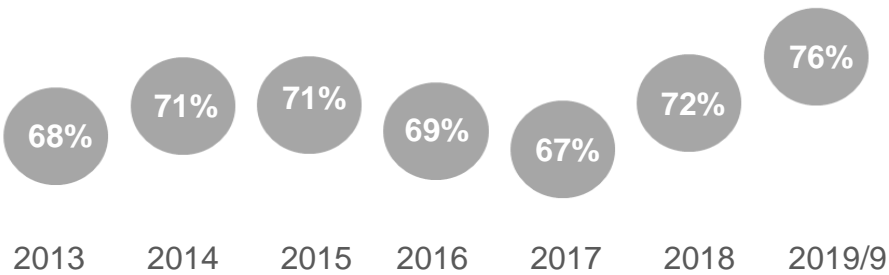


Source : Tarmakbir

### Tractor Production (units)

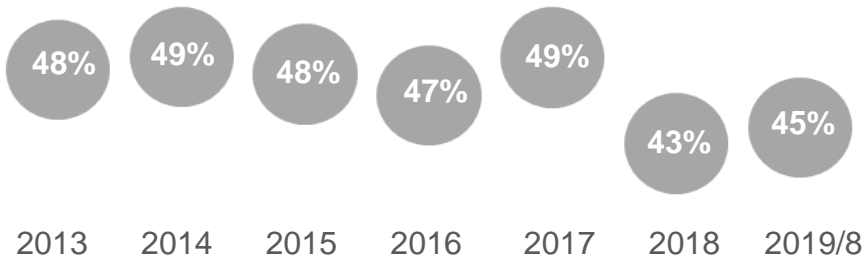


### TürkTraktör Share in Local Production



### Market Share of TürkTraktör

Source : TURKSTAT

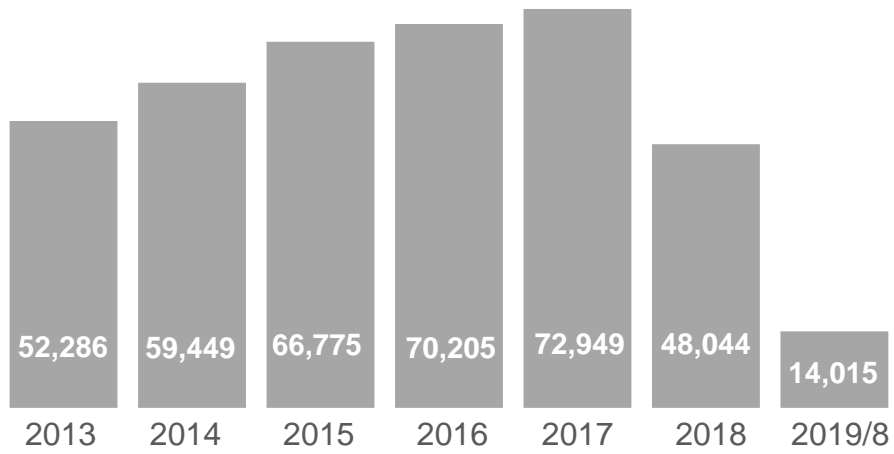


TürkTraktör covers 76% of the total production in Turkey where 20,658 tractors were manufactured in 2019/9.

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

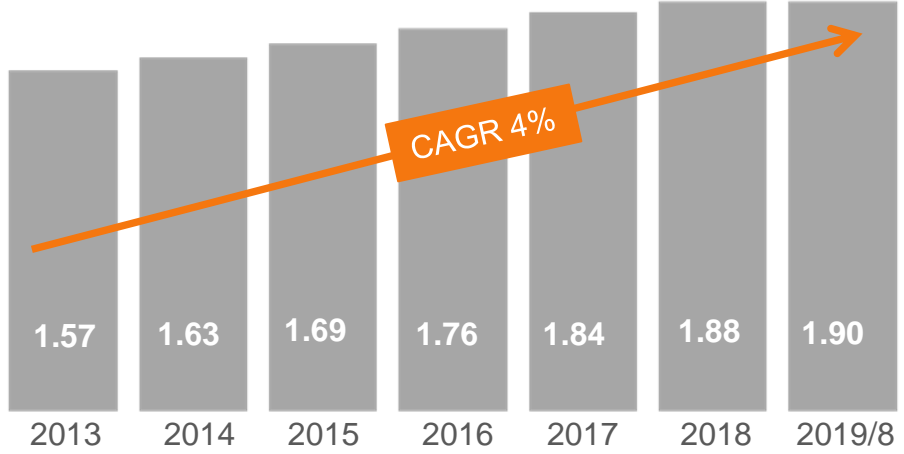
**Turkish Tractor Market (units)**

Source : TURKSTAT



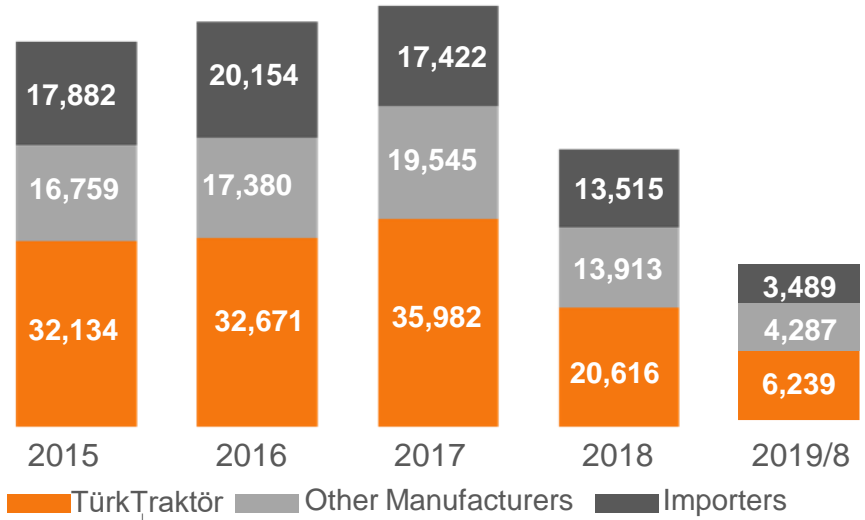
**Tractor Park in Turkey (mio units)**

Source : TURKSTAT



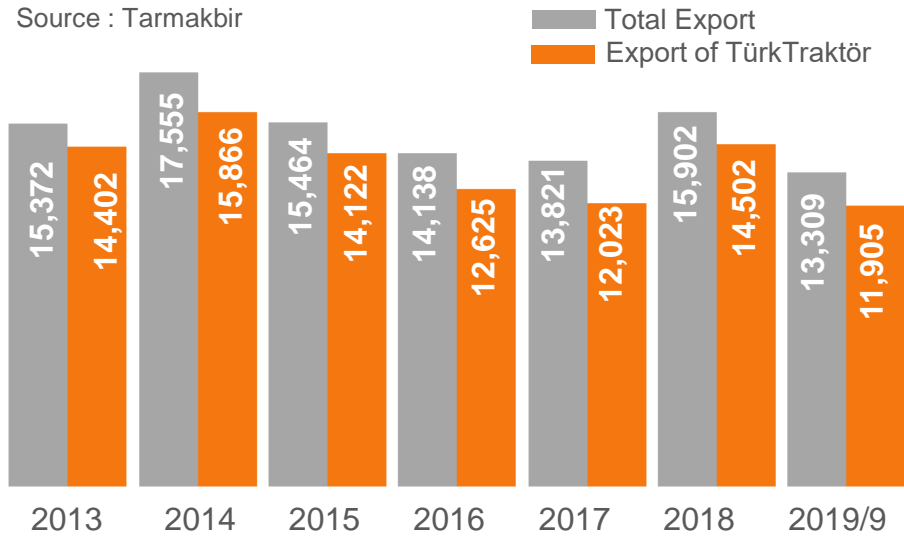
**Turkish Tractor Market (units)**

Source : TURKSTAT

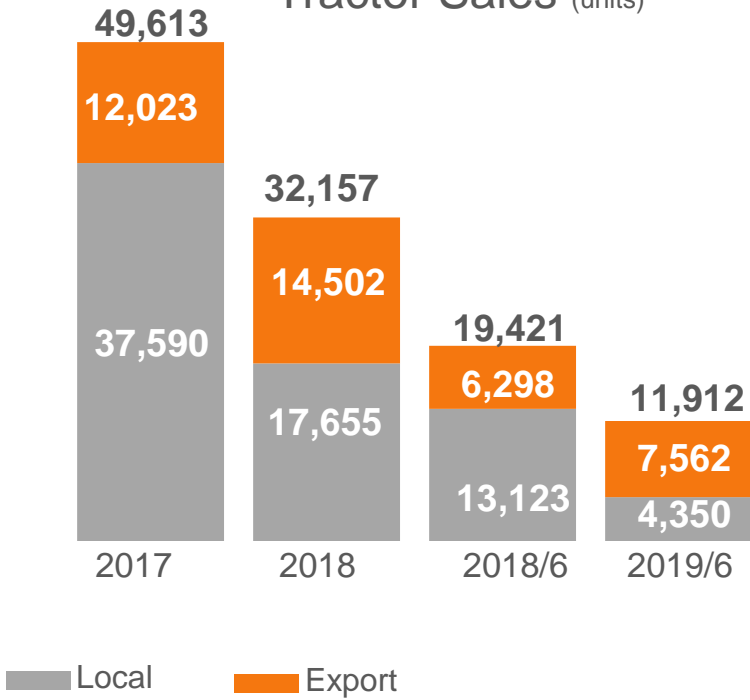


**Tractor Export from Turkey (units)**

Source : Tarmakbir



Tractor Sales (units)

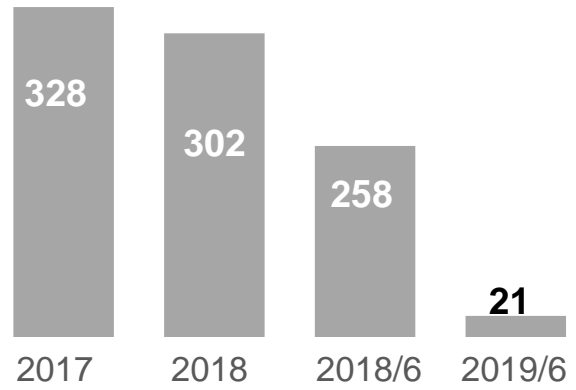


\*Domestic tractor sales decreased by 67% in 2019/6 YoY.

\*In 2019/6 export tractor sales increased by 20% comparing to 2018/6.



Combine Sales (units)

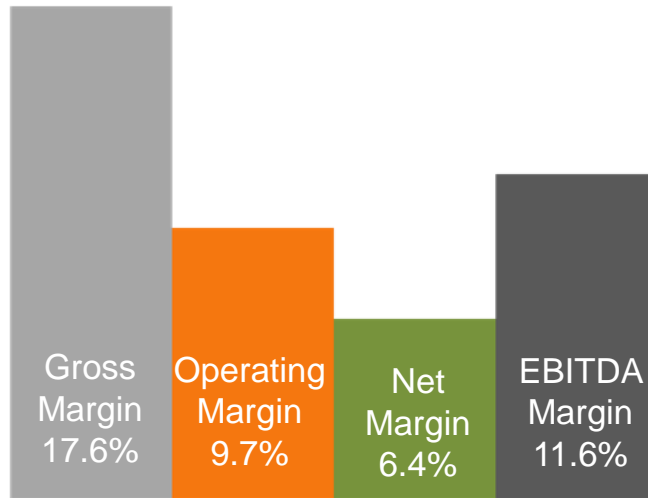


(mio TL)	2017	2018	Δ	2018/6	2019/6	Δ
- Domestic Sales	3,086	2,016	-35%	1,389	672	-52%
- Export Sales	1,129	1,893	68%	736	1,068	45%
<b>Total Sales Revenue</b>	<b>4,215</b>	<b>3,909</b>	<b>-7%</b>	<b>2,125</b>	<b>1,740</b>	<b>-18%</b>
<b>Gross Profit</b>	<b>731</b>	<b>717</b>	<b>-2%</b>	<b>374</b>	<b>223</b>	<b>-40%</b>
<b>Net Operating Income</b>	<b>423</b>	<b>411</b>	<b>-3%</b>	<b>206</b>	<b>79</b>	<b>-62%</b>
<b>Profit Before Tax</b>	<b>351</b>	<b>256</b>	<b>-27%</b>	<b>141</b>	<b>19</b>	<b>-87%</b>
<b>Net Income</b>	<b>321</b>	<b>240</b>	<b>-25%</b>	<b>137</b>	<b>21</b>	<b>-85%</b>
<b>EBITDA</b>	<b>492</b>	<b>498</b>	<b>1%</b>	<b>246</b>	<b>143</b>	<b>-42%</b>

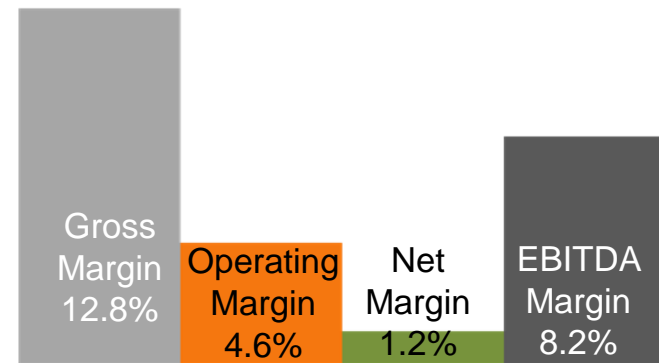


# Profitability

(%)	2017	2018	Δ	2018/6	2019/6	Δ
Gross Profit Margin	17.3	18.3	1.0 pp	17.6	12.8	-4.8 pp
Operating Profit Margin	10.0	10.5	0.5 pp	9.7	4.6	-5.1 pp
Net Profit Margin	7.6	6.1	-1.5 pp	6.4	1.2	-5.2 pp
EBITDA Margin	11.7	12.7	1.0 pp	11.6	8.2	-3.4 pp



2018/6

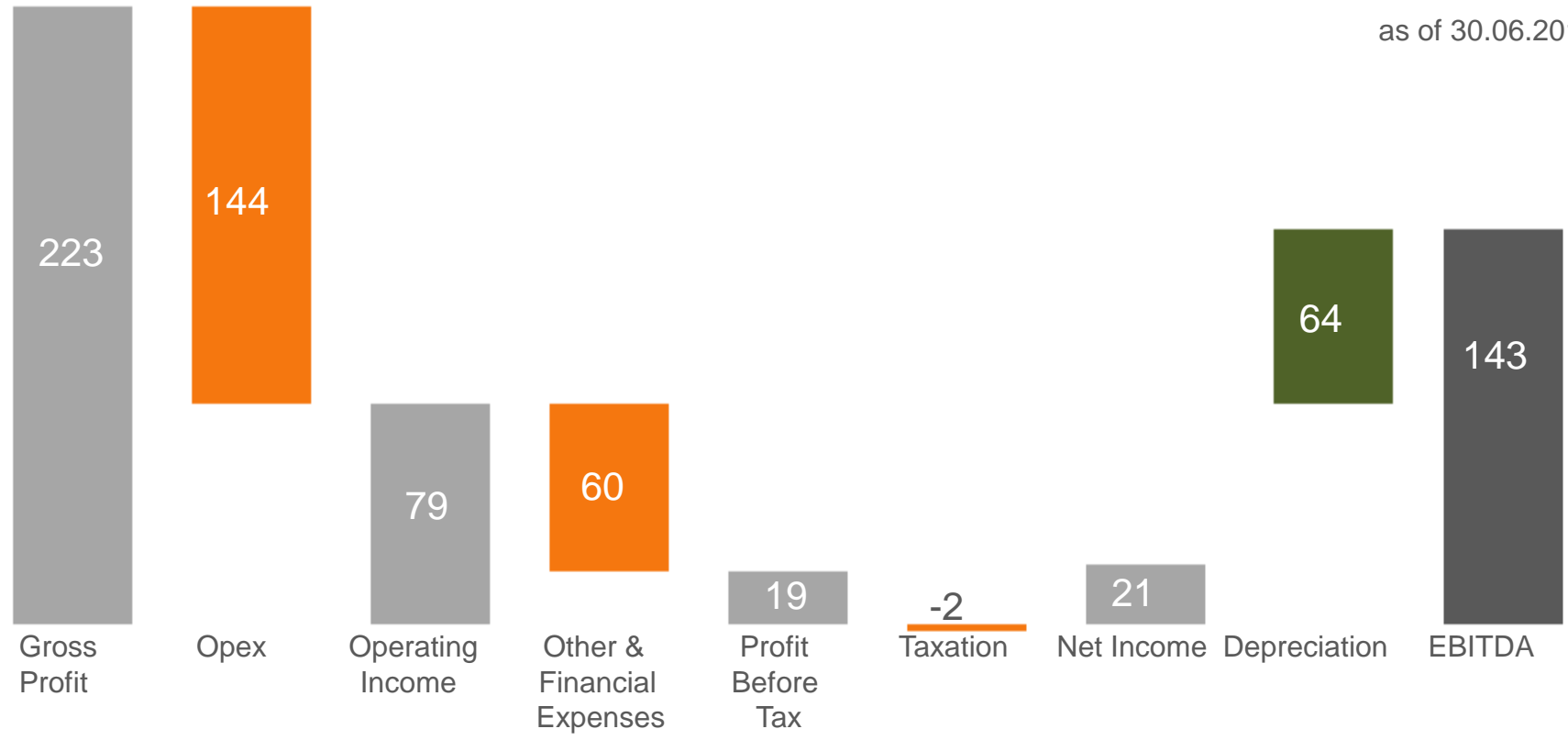


2019/6

# Gross Profit to EBITDA Flow (mio TL)



as of 30.06.2019

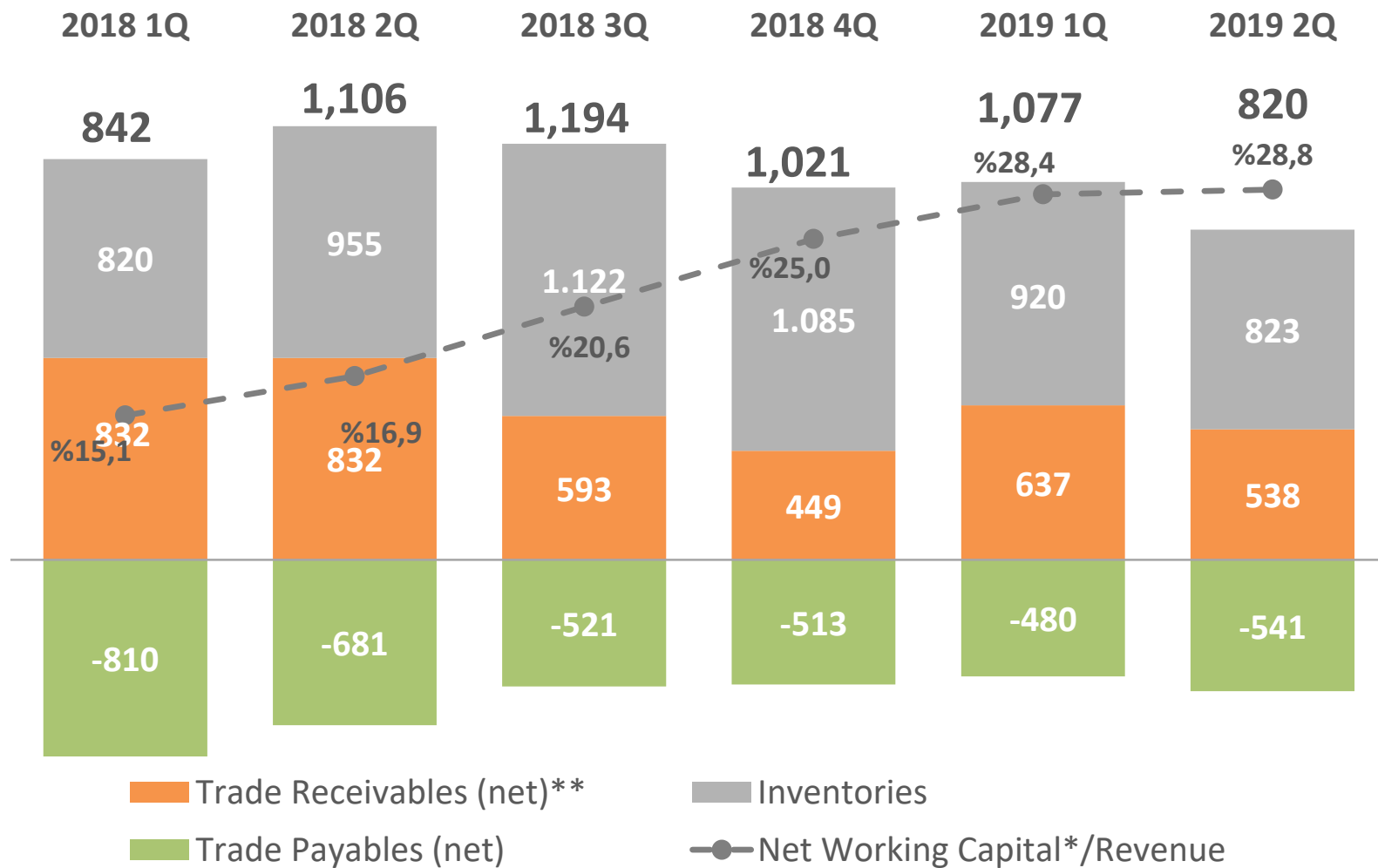




# Debt Profile & Financial Ratios

(mio TL)	2017	2018	Δ	2018/6	2019/6	Δ
- Cash & Cash Equivalents	442	413	-7%	155	828	435%
- Total Financial Debt	1,127	1,773	57%	1,555	1,983	28%
<b>Net Financial Position</b>	<b>-685</b>	<b>-1,360</b>	<b>98%</b>	<b>-1,400</b>	<b>-1,155</b>	<b>-18%</b>
Current Ratio	1.8	2.0	0.2 pp	1.9	1.3	-0.6 pp
Quick Ratio	1.3	1.0	-0.3 pp	1.0	0.8	-0.2 pp
Current Assets / Total Assets	72%	70%	-2 pp	72%	70%	-2 pp
Curent Liabilities / Total Liabilities	40%	35%	-5 pp	38%	56%	28 pp
<b>Capex*</b>	<b>149</b>	<b>240</b>	<b>61%</b>	<b>63</b>	<b>78</b>	<b>23%</b>

\*Write-off use assets are not included.



\*12 Month Average

\*\* Excluding Long-Term Receivables

## Our expectations for the year 2019 are as follows.\*

Turkish Tractor Industry Volume 24,000 – 29,000 units

### TürkTraktör

Local Tractor Sales\*\* 11,500 – 14,000 units

Tractor Exports 14,250 – 15,250 units

CAPEX 150 – 200 million TL

\*\* Sales to the dealers included imported tractors

\*In the first 6 months of the 2019 our tractor export numbers realized above our expectations, because of that our export tractor units expectations for 2019 increased to 14,250-15,250 units (previously 14,000-15,000) In addition, we revised our renewal and modernization investments and accordingly our year-end CAPEX expectation revised downward.



# Investor Relations Contact

---

Ahmet CANBEYLİ  
CFO

+90 312 2332003

[Ahmet.Canbeyli@turktraktor.com.tr](mailto:Ahmet.Canbeyli@turktraktor.com.tr)

Ahmet DİNÇ

Investor Relations Team Leader

+90 312 2332502

[Ahmet.Dinc@turktraktor.com.tr](mailto:Ahmet.Dinc@turktraktor.com.tr)

Sıla AKÇAY

Investor Relations Senior Spe.

+90 312 2332504

[Sila.Akcay@turktraktor.com.tr](mailto:Sila.Akcay@turktraktor.com.tr)

[investorrelations@turktraktor.com.tr](mailto:investorrelations@turktraktor.com.tr)