

AKÇANSA

2019 Q1 Results
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Content

	Page
1. Market Overview	4
2. Financial Report	13
3. Outlook	19

Key Highlights

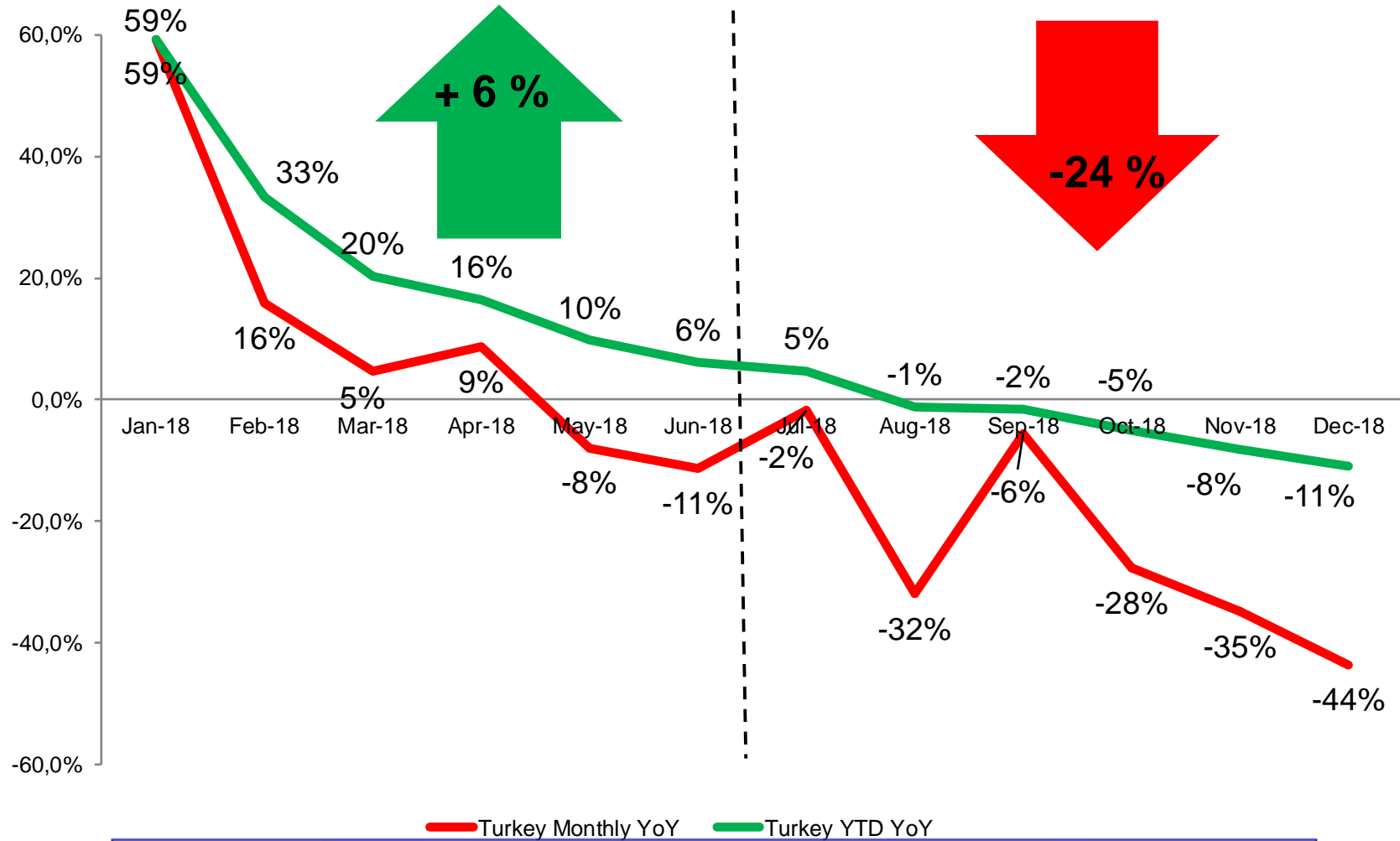
■ 2019 Q1

- ✓ Total cement volumes roughly in line with prior year. Domestic cement volumes declined by 38%, offset by 263% increase in cement/clinker exports.
- ✓ Increased energy costs exerted pressure, particularly on domestic margins. Good development in the export markets offset some of the decline in the domestic market.
- ✓ EBITDA of 59.9 mTL (1Q18 70.7 mTL).

■ 2019 Outlook

- ✓ Total cement volumes are expected to increase driven by roughly doubling export volumes in 2019.
- ✓ Increased energy costs will exert pressure on margins. Increased alternative fuels usage will offset some of the fuel cost increases.
- ✓ USD-long position expected to increasingly contribute to TL result increase.
- ✓ Strict fixed cost discipline and tight Capex control.

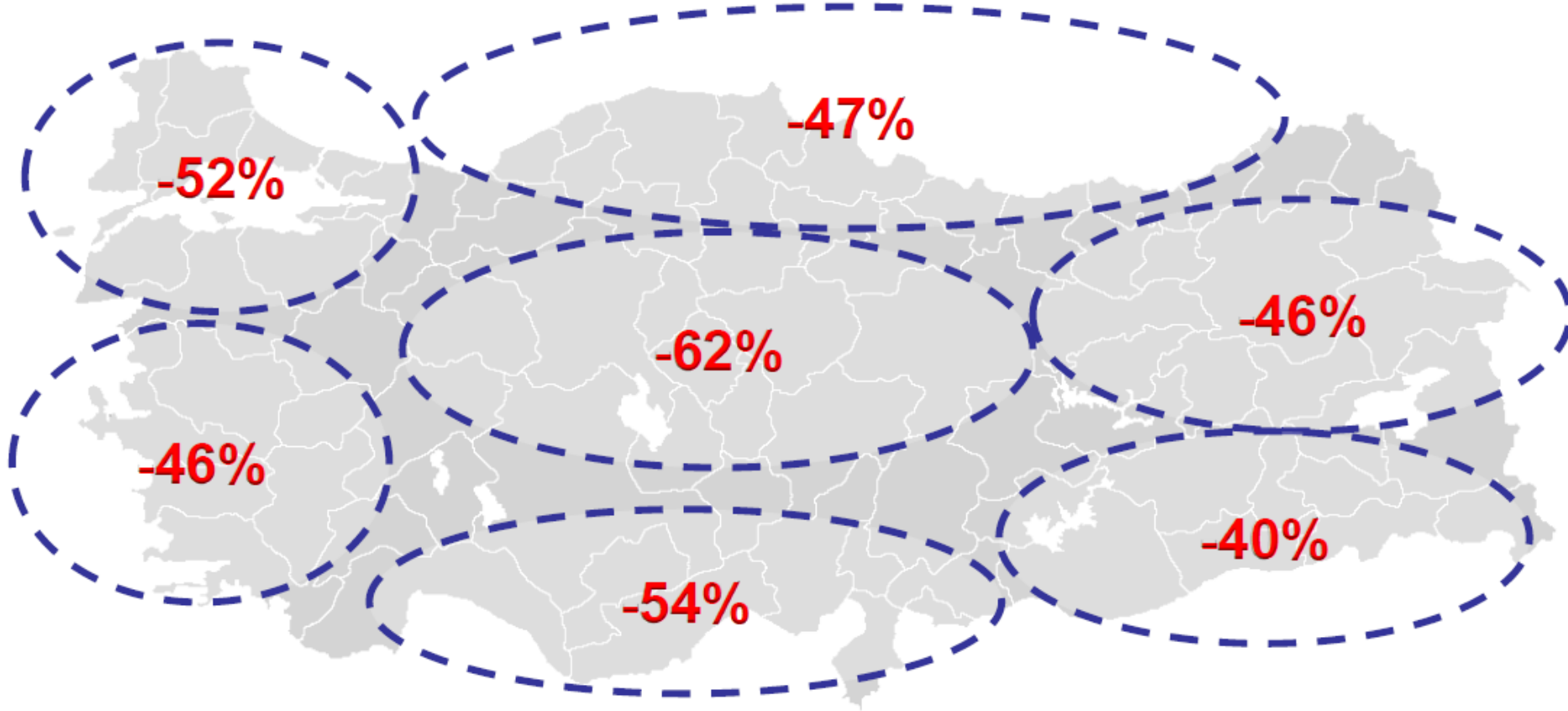
Turkey Domestic Demand Growth 2018



Turkish cement consumption was up by 6% in 1H2018,
however declined by -24% in 2H 2018

Domestic Sales Volume Change % (Jan'19 YTD)

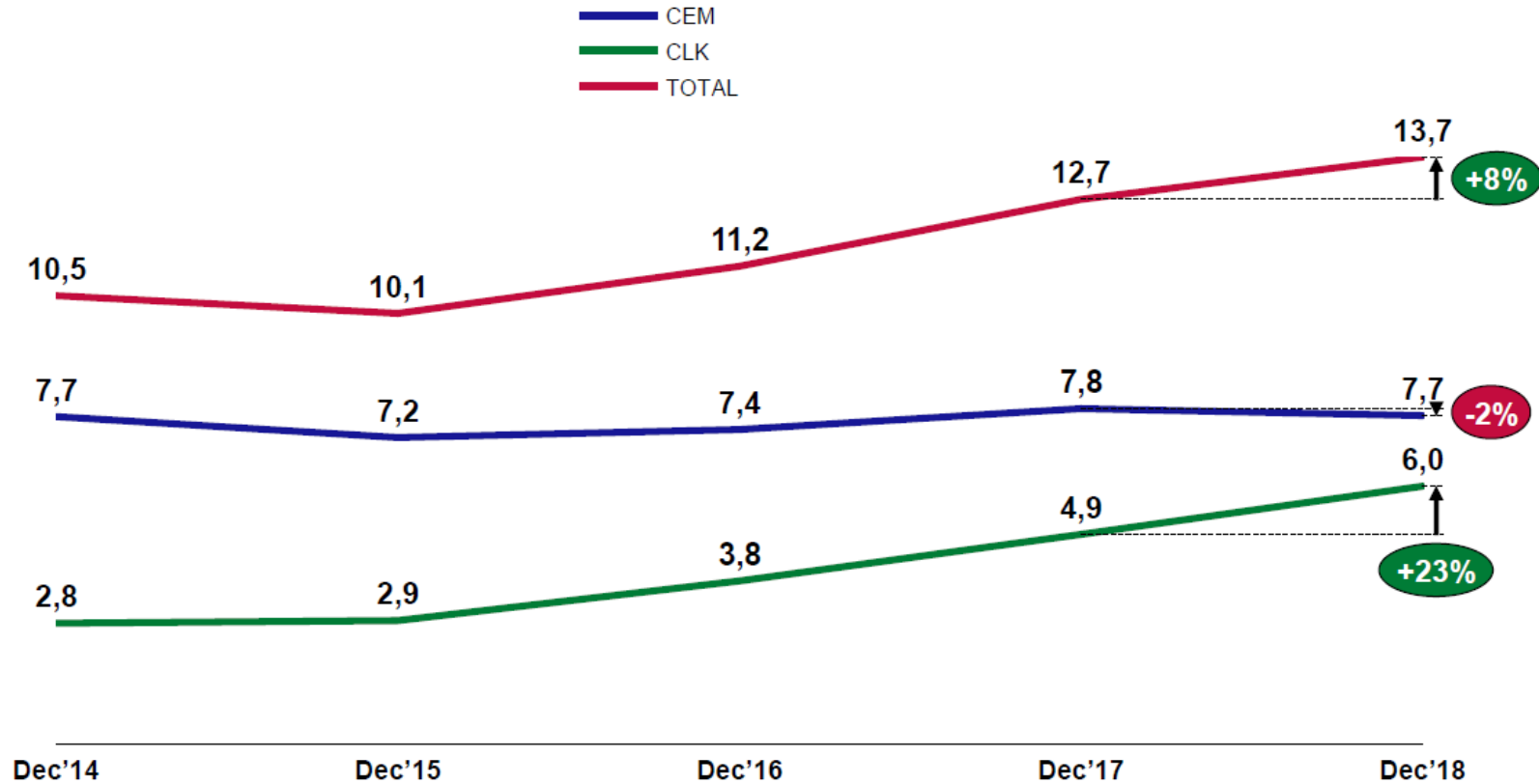
January YTD -51% decrease



Harsh winter weather and high 2018 comparison base

Source: TCMA

Turkish Export Volume Trend – FY 2018



Turkish clinker exports increased by 23% in 2018

Turkish Cement Industry Export Volumes (kt) – YTD Mar'19

Total Exports					
		2018	2019	Δ '19 vs '18	Trend
Clinker Exports	Ghana	317	641	102%	↑
	Ivory Coast	155	340	119%	↑
	Guinea	100	283	183%	↑
	Colombia	38	265	598%	↑
	Cameroon	30	226	656%	↑
	Senegal	78	164	111%	↑
	Other	536	883	65%	↑
	Total Cement	1.254	2.802	124%	↑
Cement Exports	USA	355	880	148%	↑
	Israel	219	396	81%	↑
	Syria	219	180	-18%	↓
	Haiti	99	80	-20%	↓
	Colombia	36	75	110%	↑
	Russia	28	48	69%	↑
	Other	707	742	5%	↑
	Total Cement	1.662	2.400	44%	↑
Total Export		2.916	5.203	78%	↑

Total exports up 78%

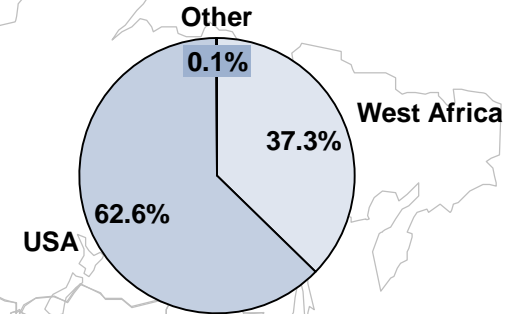
Akçansa Export Markets

West Africa, USA and Israel are the major export markets in 1Q19

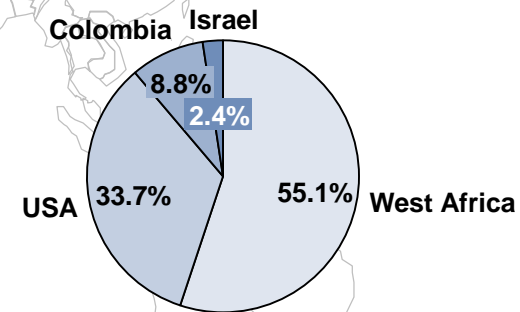
LA Cement
0,4 mt

Clinker
0,4 mt

1Q18



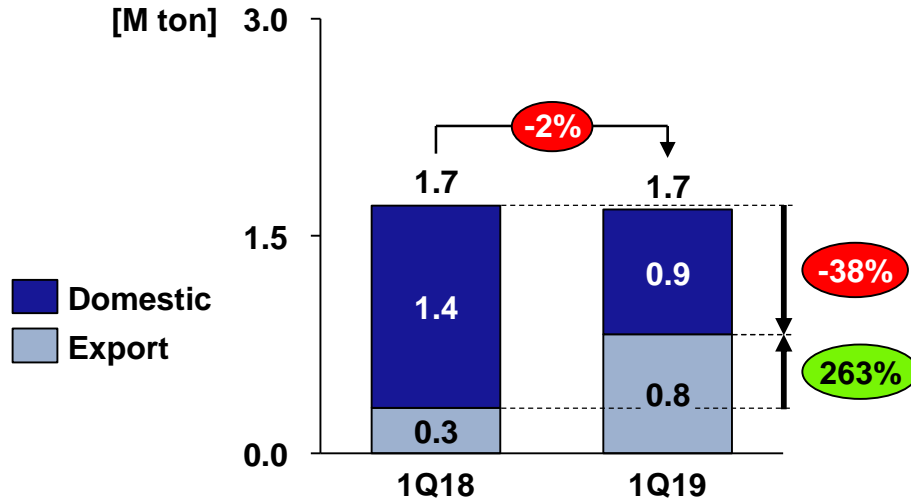
1Q19



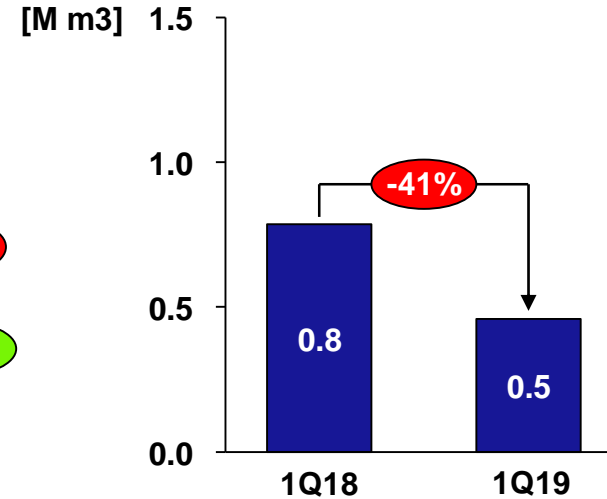
Q1 Exports up 263% from 0.3 to 0.8 mt

Sales Volume Breakdown

Cement Shipments









RMC Shipments








*) Domestic cement figures include Karçimsa and transfer to RMC

Energy Costs (1Q19 vs 1Q18)

Energy Price	1Q19 vs 1Q18
Coal (USD/t)	
Coal (TL/t)	
Petcoke (USD/t)	
Petcoke (TL/t)	
Diesel (TL/lt)	
Electricity (TL/kwh)	

- Higher electricity and fuel prices (in TL) lead to strong increase in energy costs in Q1 2019
- Negative price effect of electricity and fuel: 55 mTL (~45% of it is related to depreciation of TL against USD)

	Increasing
	Slightly increasing
	Flat
	Slightly decreasing
	Decreasing

Content

	Page
1. Market Overview	4
2. Financial Report	13
3. Outlook	19

Income Statement

Company (M TL)	1Q18	1Q19	% Ch. YTD
Net Sales	387,6	407,3	5,1%
Cost of Sales	(317,8)	(373,0)	17,4%
Gross Margin	69,8	34,3	-50,8%
Marketing&Sales Expense	(4,5)	(6,2)	36,6%
General Management Expenses	(16,2)	(20,7)	28,0%
Other Operating Income/Charges	0,6	(0,3)	146,0%
Operating Income	49,7	7,2	-85,6%
Income/Losses from Investment Activities	13,6	41,1	201,3%
Non-Operating Financial Income	2,6	15,1	471,5%
Non-Operating Financial Charge	(15,5)	(46,7)	201,3%
Profit/Loss before Taxes	50,5	16,7	-66,9%
Taxes On Income	(8,8)	2,4	-127,1%
Net Income/Loss	41,7	19,1	-54,2%
Minority Share	0,3	(0,6)	
Parent Company Share	41,4	19,7	
Gross Margin %	18,0%	8,4%	
EBITDA Margin* %	18,1%	14,8%	
Net Income Margin %	10,8%	4,7%	

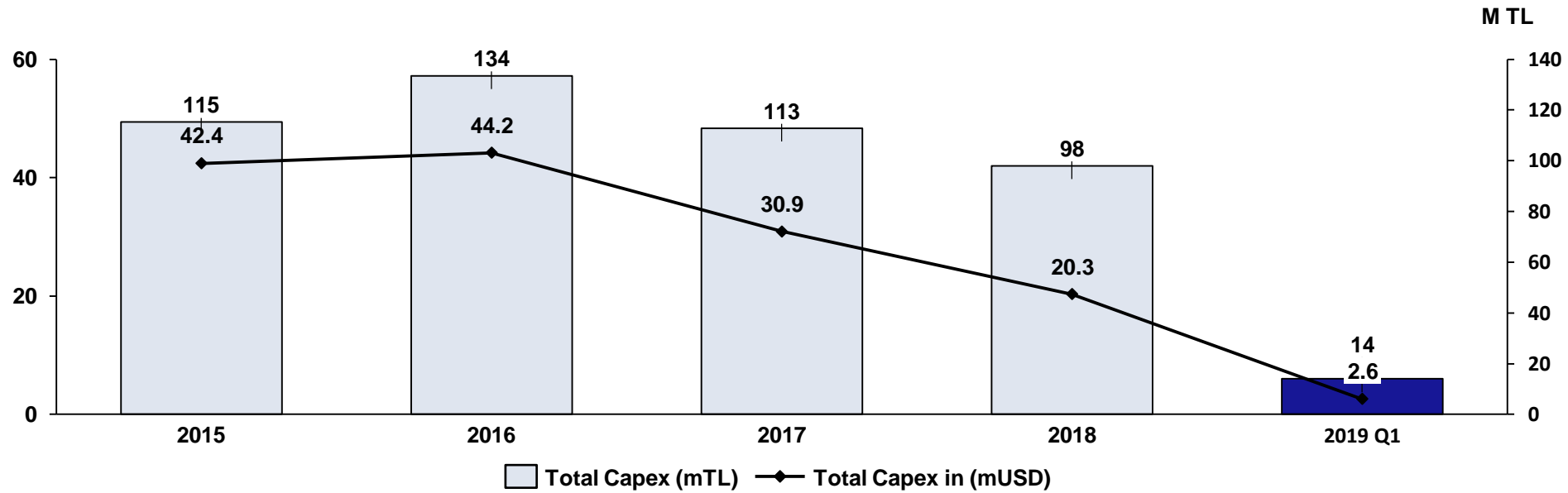
Source: CMB financials

(*) EBITDA = Operating Income + Gain/Loss from asset sales + Depreciation

Cash Flow

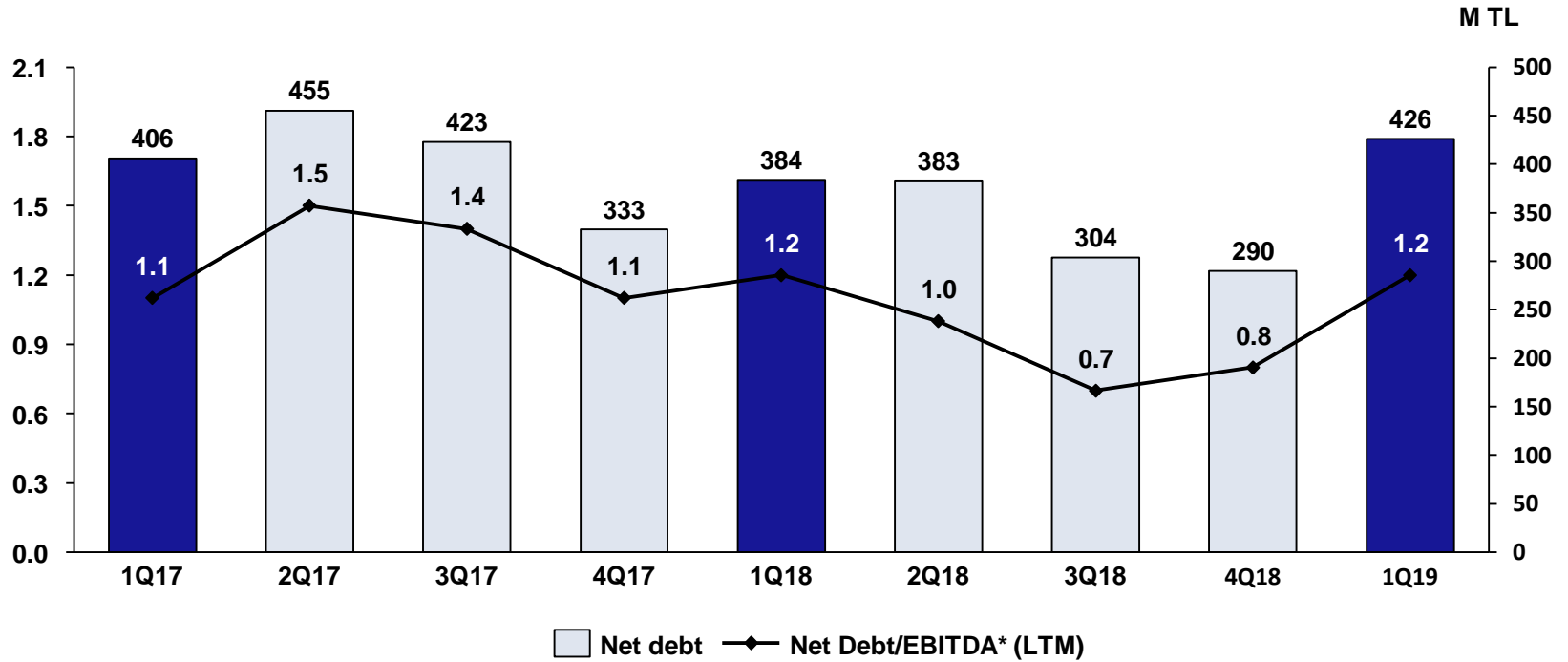
Company (M TL)	1Q18	1Q19
Cash flow from operating activities		
Operating income before the changes in working capital	73,8	37,1
Changes in working capital	(11,0)	(34,3)
Taxes paid	(8,9)	(3,0)
Other items	(0,9)	(3,9)
	53,0	(4,0)
Cash flow from investing activities		
Tangible and intangible fixed assets	(31,8)	(13,9)
Sale of financial investment	26,0	-
Proceeds from fixed asset disposals	0,1	34,4
Dividends Received	13,6	-
	7,9	20,5
Cash flow from financing activities		
Capital increase		
Dividend payments	(99,3)	(118,5)
Net proceeds from bonds and loans	37,0	(0,9)
Interest paid	(5,9)	(44,9)
Interest received	0,4	8,9
Other items	-	-
	(67,7)	(155,3)
Net change in cash and cash equivalents - continuing operations	(6,8)	(138,7)
Change in cash & cash equivalents	(6,8)	(138,7)
Cash & cash equivalents at 1 January	52,7	275,4
Cash & cash equivalents at 31 March	46,0	136,7

CAPEX



FY 2019 Capex to stay clearly below 2018

Net Debt / EBITDA



Source: CMB financials

(*) EBITDA = Operating Income + Gain/Loss from asset sales + Depreciation

Balance Sheet

Mio TL	31.12.2018	31.03.2019	Variance 2019 vs 2018
Current Assets	996,0	918,5	(77,5)
Cash & cash equivalents	275,4	136,7	(138,7)
Trade receivables	443,9	441,6	(2,4)
Inventories	244,9	275,0	30,0
Other current assets	31,7	65,3	33,6
Non-current Assets	1.164,7	1.215,9	51,2
Financial investments	140,8	130,8	(10,0)
Fixed Assets	887,9	947,3	59,5
Goodwill	130,1	130,1	-
Deferred tax assets	1,0	1,4	0,3
Other non-current assets	4,8	6,3	1,4

Mio TL	31.12.2018	31.03.2019	Variance 2019 vs 2018
Current Liabilities	864,8	1.026,1	161,3
Financial Liabilities	461,5	562,2	100,7
Trade payables	340,0	364,3	24,3
Tax payable	4,3	1,3	(3,0)
Other current liabilities	58,9	98,2	39,3
Non-current Liabilities	188,2	146,1	(42,1)
Financial Liabilities	103,6	-	(103,6)
LT provisions	48,7	50,6	1,9
Deferred tax liabilities	35,9	33,3	(2,6)
Other non-current liabilities	-	62,2	62,2

Shareholders Equity	1.107,6	962,2	(145,4)
Paid in Capital	191,4	191,4	-
Retained earnings	647,3	672,5	25,1
Comprehensive income	77,0	66,7	(10,3)
Net income	177,9	19,7	(158,2)
Minority interest	13,9	11,8	(2,1)

TOTAL ASSETS	2.160,6	2.134,3	(26,3)
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TOTAL LIABILITIES & EQUITY	2.160,6	2.134,4	(26,2)
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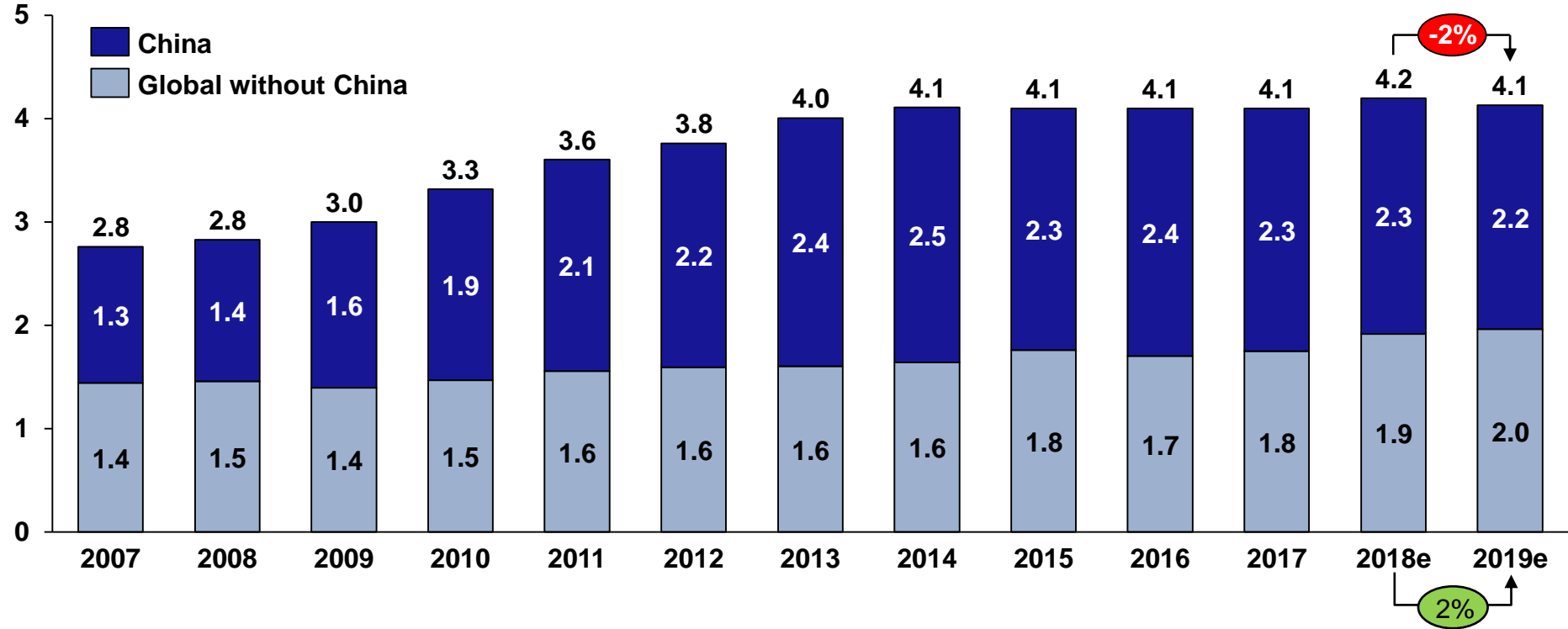
BS data and key ratios	31.12.2018	31.03.2019	Variance 2019 vs 2018
Working Capital	349	352	3
Working Capital / Net Sales (LTM)	20%	20%	0%
Net debt	290	426	136
Net debt / EBITDA (LTM)	0.8x	1.4x	-0.6x
Net Debt / Equity	26%	44%	18%

Content

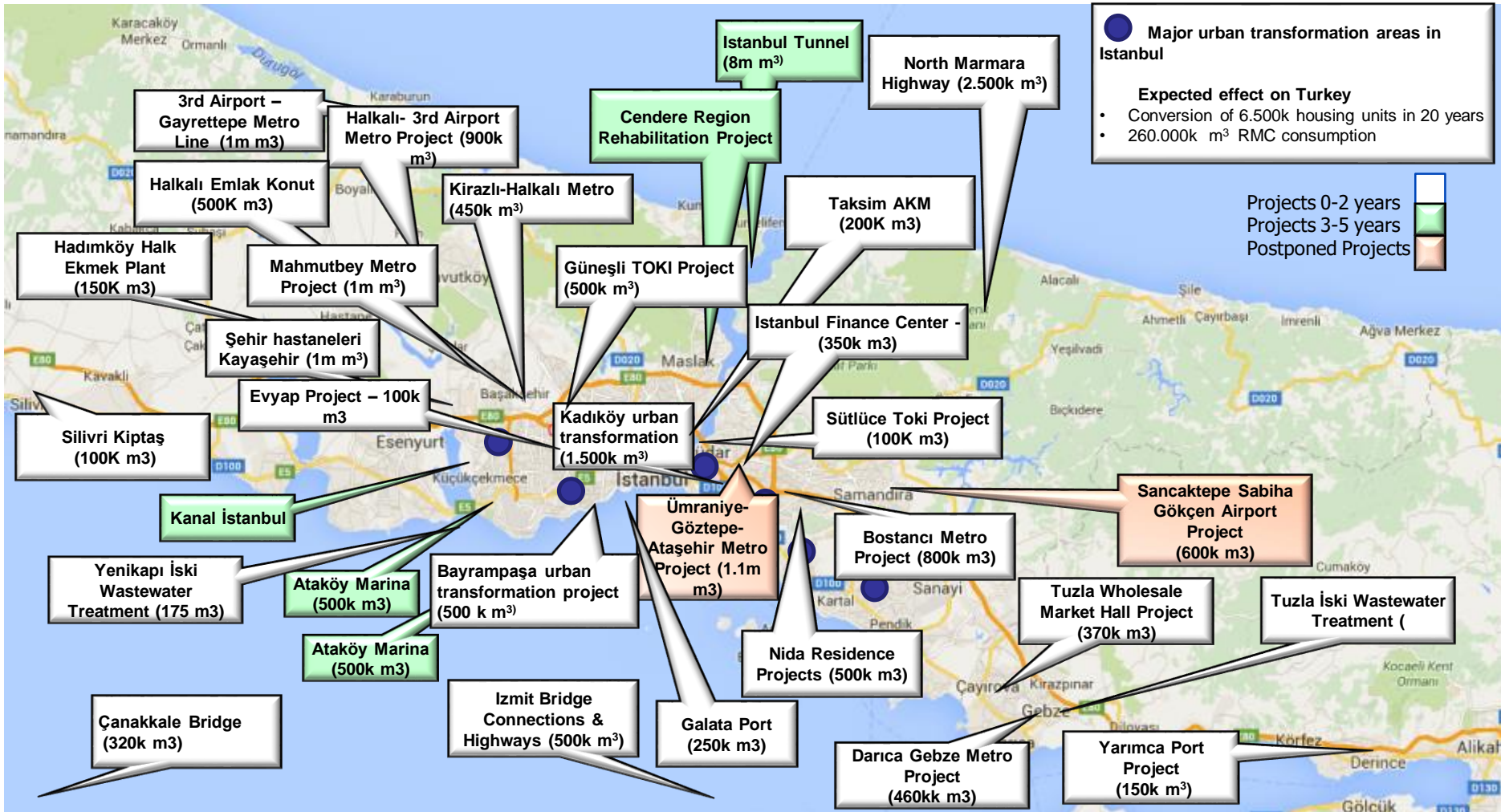
	Page
1. Market Overview	4
2. Financial Report	13
3. Outlook	19

Global Cement Consumption

[bn ton]



Overview of Major Projects in the Marmara



Source: New Economic Program; Turkish Government 20.09.2018

2019 Outlook

Compared to 2018:

- Total cement volumes expected to increase, driven by roughly doubling of export volumes
- Increase in alternative fuel usage from 13.1% (in 2018) to above 20% will partially offset increased energy costs
- Increased energy costs and general cost inflation will exact pressure on margins, particularly in the domestic market
- Strict cost discipline and tight Capex control
- USD-long position expected to increasingly contribute to TL result increase.
- Elevated interest rates expected to increase financial expenses

Energy Price	2019e
	FY
Coal (TL/t)	↑
Petcoke (USD/t)	↓
Petcoke (TL/t)	↑
Diesel (TL/lt)	↑
Electricity (TL/kwh)	↑

↑	Increasing
↗	Slightly increasing
→	Flat
↘	Slightly decreasing
↓	Decreasing



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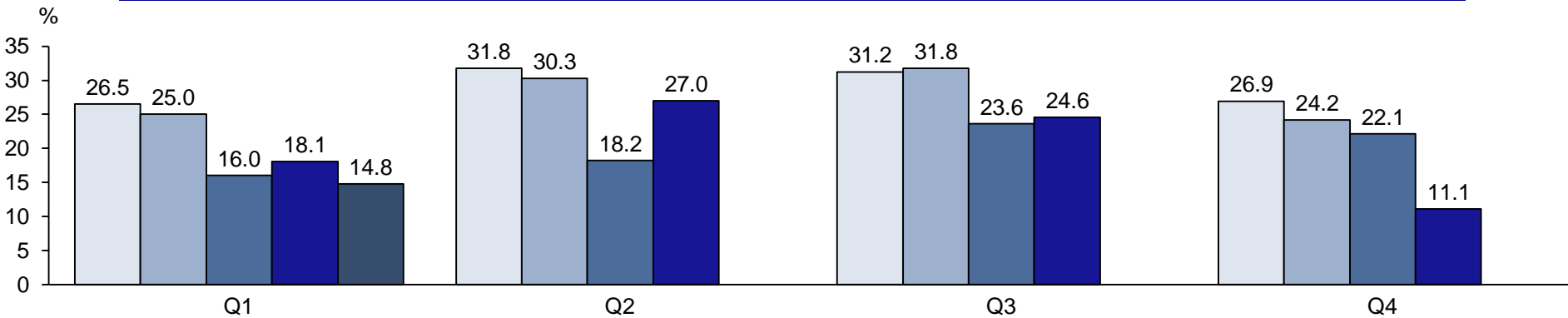
Websites

www.akcansa.com.tr
www.betonsa.com.tr
www.sabanci.com.tr
www.heidelbergcement.com

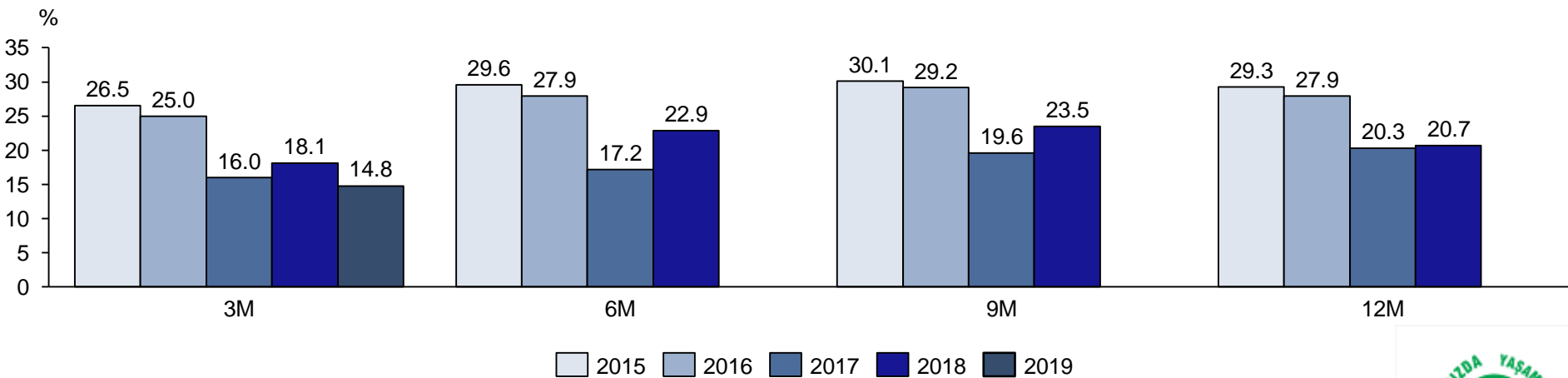
Appendix

EBITDA Margins

EBITDA Margin - Quarterly

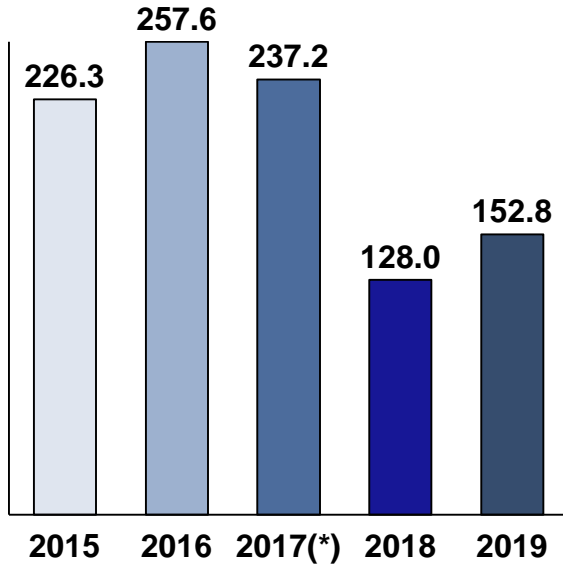


EBITDA Margin - YTD

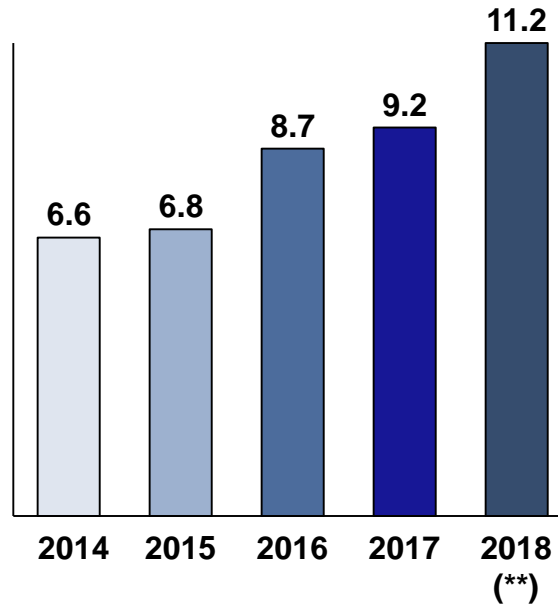


Dividend Paid, Dividend Yield and Payout Ratio

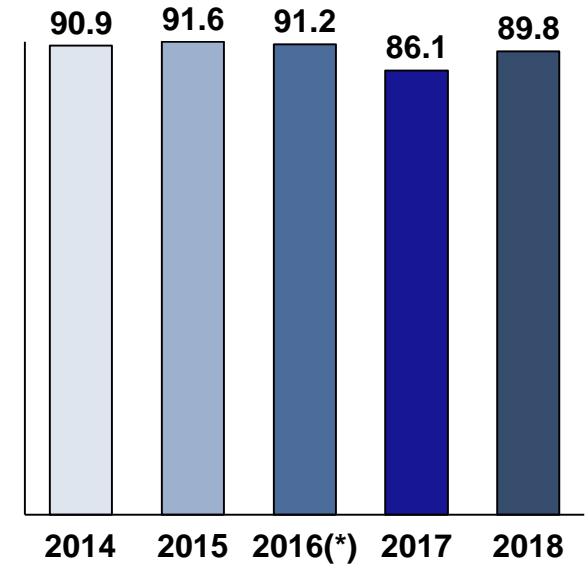
Dividend Paid



Dividend Yield %



Payout Ratio %

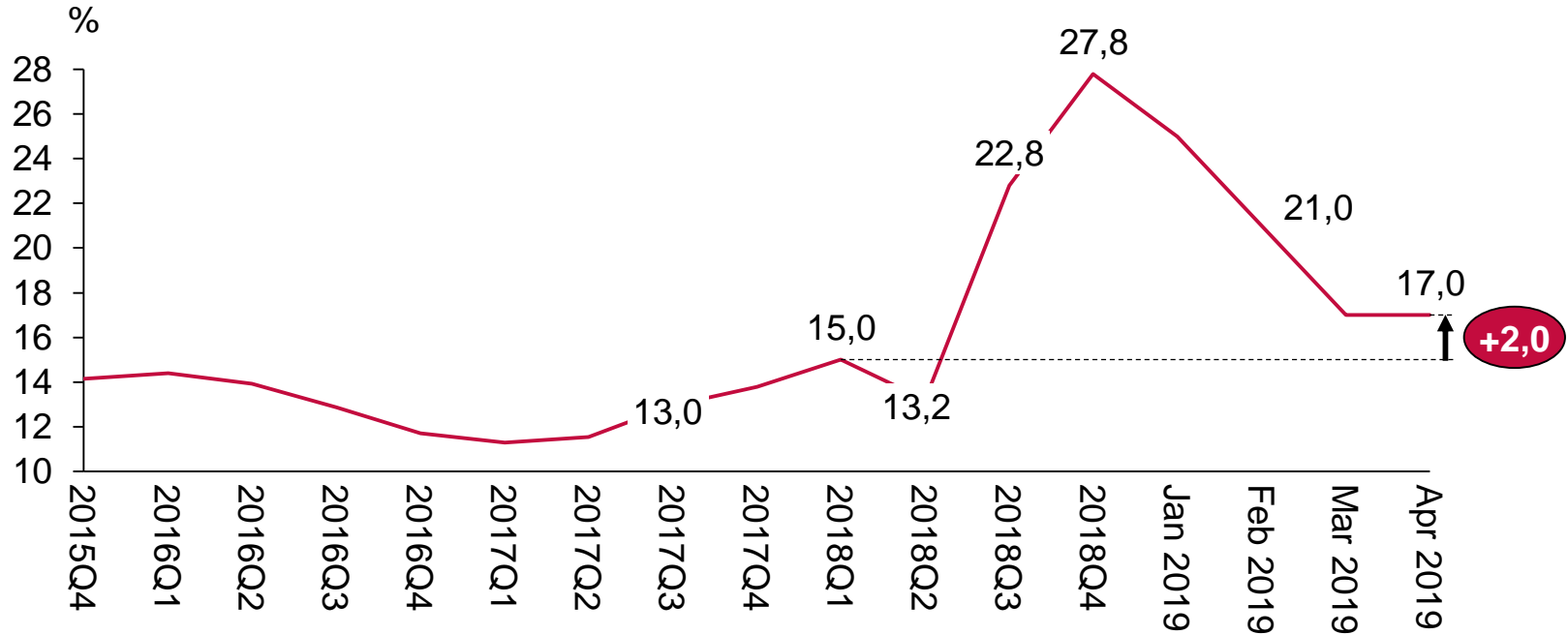


*) Adjusted for extraordinary gain from sale of Hobim shares (Income from Hobim sale amounted to 26,000,000 TL and special reserves 19,319,981 TL are excluded)

**) Akcansa closing share price as of 27 March 2019 is used for dividend yield calculation

Source: CMB single financials and AKC calculations

Annual Mortgage Interest Rate as of Apr 19



General Basics About Cement and RMC Production

Production

- 75-85% clinker is consumed to produce 1 ton of cement
- 250-300 kg of cement in 1 m³ RMC produced
- 1.5-2.0 ton of aggregate in 1 m³ RMC produced depending on the type of RMC produced
- Distribution of cement production cost : 80-85% variable and 15-20% fixed costs

Fuel

- A cement plant of 1 mio ton clinker capacity may consume 100 k ton petrocok or 130 k ton coal, or a mix of both
- 7.500 kcal/ton in petrocok vs. 6.000 kcal/ton in coal.
- Fuel accounts for 35-40% of the variable cost of producing 1 ton of cement, 55-60% of producing 1 ton of clinker
- 1% increase in alternative fuel usage provides a 2.0-2.5 mTL cost advantage per year

Electricity

- Electricity accounts for 15-20% of the variable cost of producing 1 ton of cement, 15-20% of producing 1 ton of clinker
- 0.01 TL increase in cost of 1 kwh electricity corresponds to 1.5-2.0 TL cost increase in 1 ton of cement.
- Contribution of waste heat project
 - 20-25% of Çanakkale Plant electricity consumption
 - Monthly contribution to P&L of Akcansa is around 2-2.5m TL based on current electricity prices
- Contribution of one windmill
 - 1-1.5% of Çanakkale Plant electricity consumption
 - 2.0-2.5m TL yearly saving
 - Capacity is 2.4 MW/h

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TO 148
PROJECTS



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190

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