

kervan



Contents

1 About Us
p. 3

2 Industry
p. 13

3 Strategic Planning
p. 18

4 Financials
p. 22

5 Innovative
Products p. 43

6 Branding
p. 49

7 Our Certificates
p. 50

8 Global Business
Partners p. 51

Who Are We?



Export Leader



2,100

Employees



70,000 m²

Production Facility



Highest Production Capacity

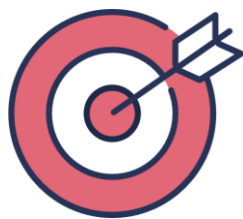
Soft Candy



85 Country
Export



3 Plants

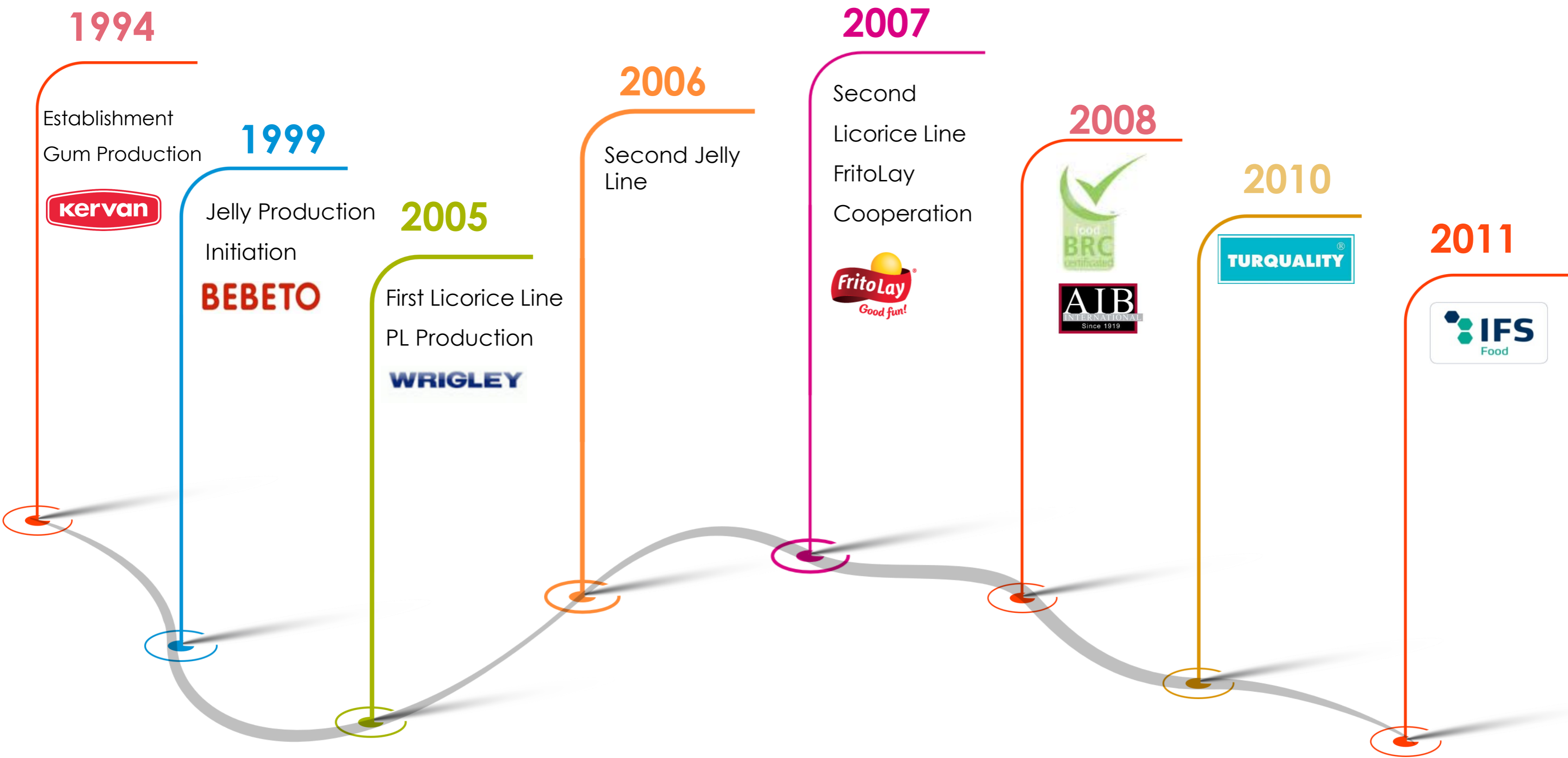


72,300 Tons Production

2020 Target



History



History

2012

Third Licorice Line

First Halal Certified

Soft Candy Producer



2013

Kervan USA



2014

Purchase Of Akas



2016

Kervan UK



First Marshmallow Line

Purchase of Ucantay



2017

Third Jelly Line
Expansion of Akhisar Plant

2018

R&D Center

Second Marshmallow Line
Ucantay Plant Purchase

Kervan Germany (Erti Food)



2019

Fourth Jelly Line
Fourth Licorice Line

Functional Product Category Initiation

Moving of Ucantay to Akhisar

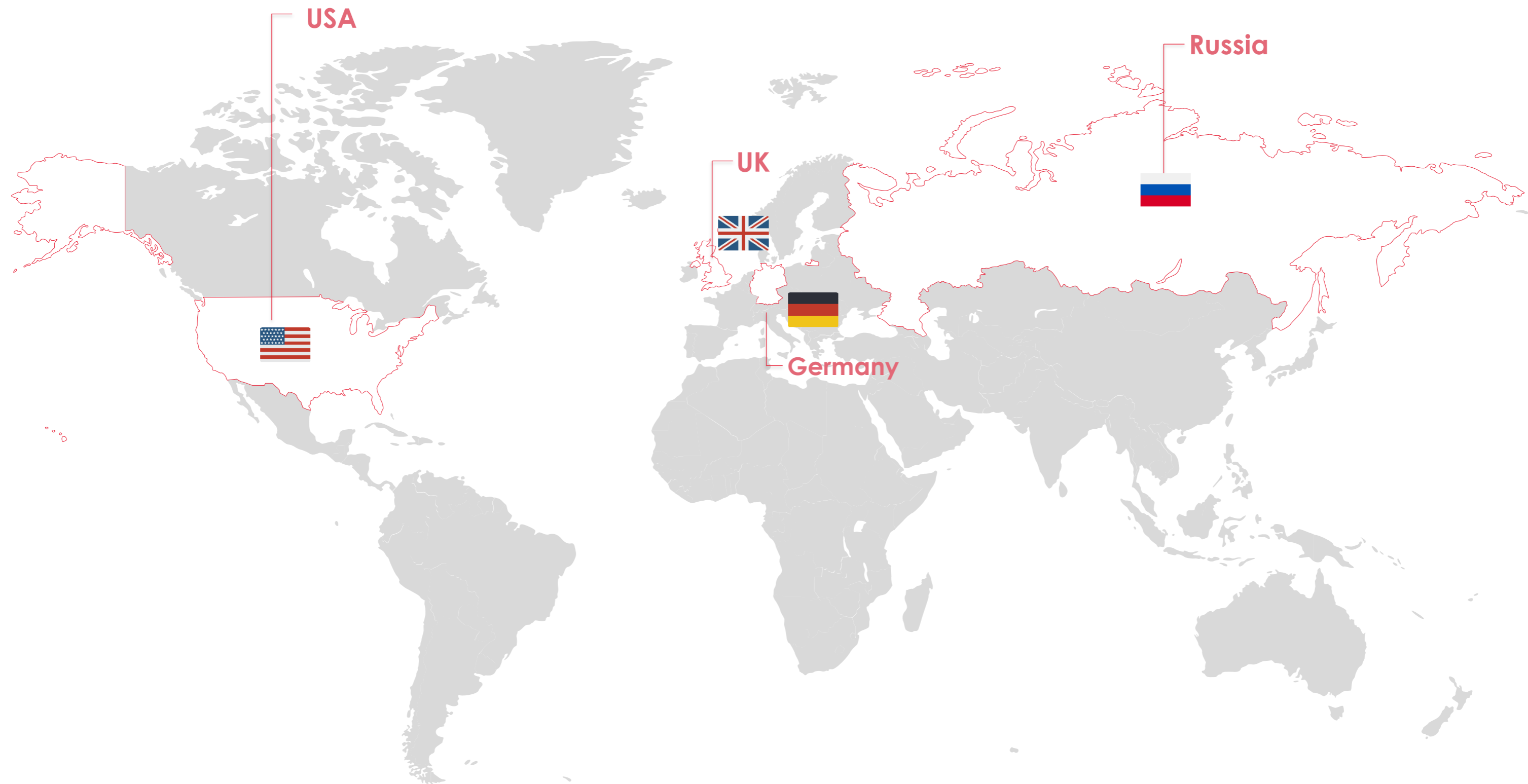


Kervan Russia

2020

Purchase Of Happy Life
Fifth Jelly Line
Fifth Licorice Line
New Factory Land Acquisition In Akhisar
Akhisar Warehouse Installation of 10.000 Pallets
Expansion Of The Factory Building

4 Sales Offices Abroad



Why Kervan Gida?



Innovative Products



High Taste &
Quality Standards



Domestic
Market
Share



High Export



Turkey's Biggest
Soft Candy Producer



Production
Flexibility / Diversity



Halal
Production



Return On Investment
1-2 Years



Rising Profitability



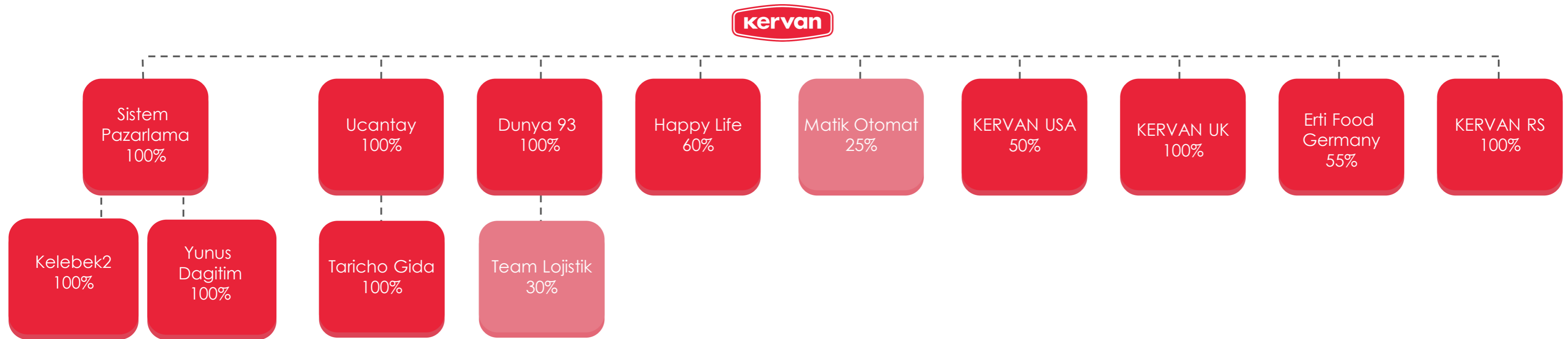
Offices Abroad



Growth Oriented



Affiliates & Subsidiaries



All company's are fully consolidated except Team Lojistik (sugar import, logistics) and Matik Otomat (vending systems in corporates).

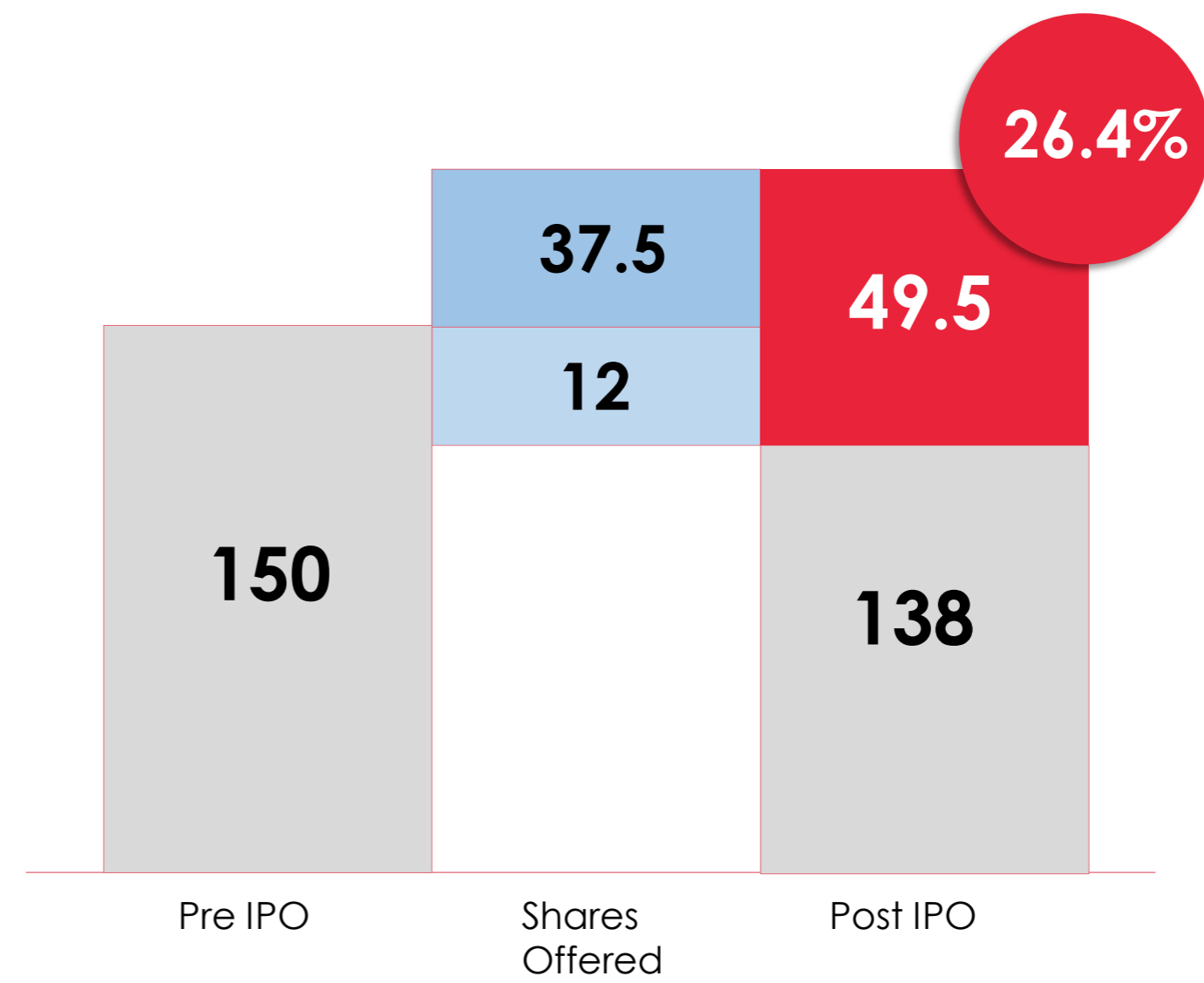
Ucantay produces dragee chocolate, toy products and surprise eggs.

Sistem Pazarlama is a marketing and sales company for the domestic market.

Dunya 93 is a marketing and sales company for the export market.

Capital Structure

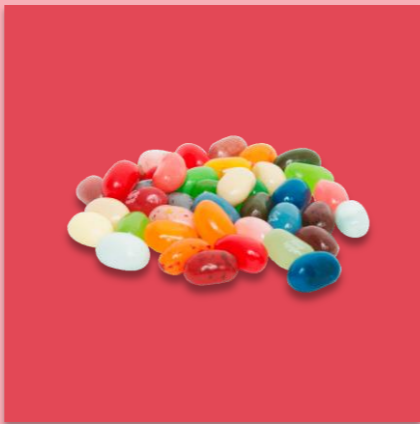
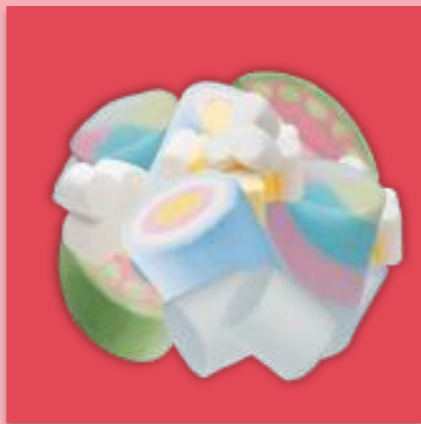
- Existing Shareholder Sales
- Capital Increase
- Total Publicly Traded Shares



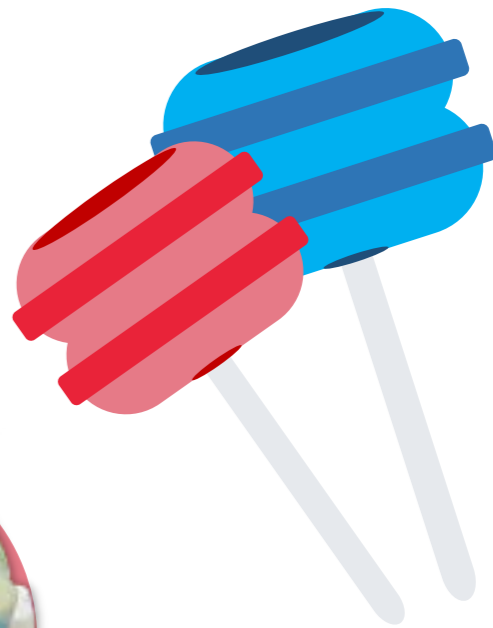
* Amounts are in TL million.

Product Categories

10 Product Categories



Product Based Capacities



Jelly (4 Line)
34,000 ton/year



Licorice (4 Line)
10,000 ton/year



Dragee Chocolate
5,400 ton/year



Marshmallow (2 Line)
4,200 ton/year



Hard Candy (1 Line)
3,000 unit/year



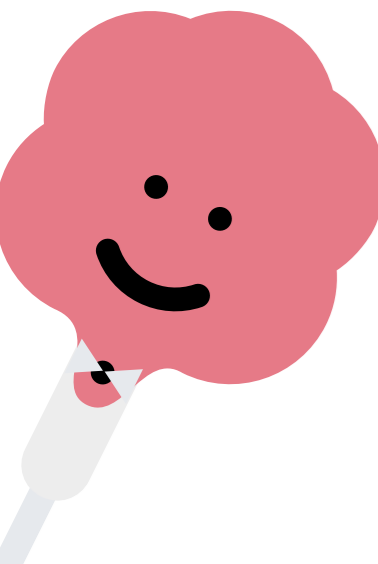
Gum
3,600 unit/year



Surprise Eggs
43 Million unit/year



Toys Group
40 Million unit/year



Summary Financials

'17-'19 Net Sales
CAGR 39%

687
TL Million

'17 -'19 EBITDA
CAGR 69%

124
TL Million

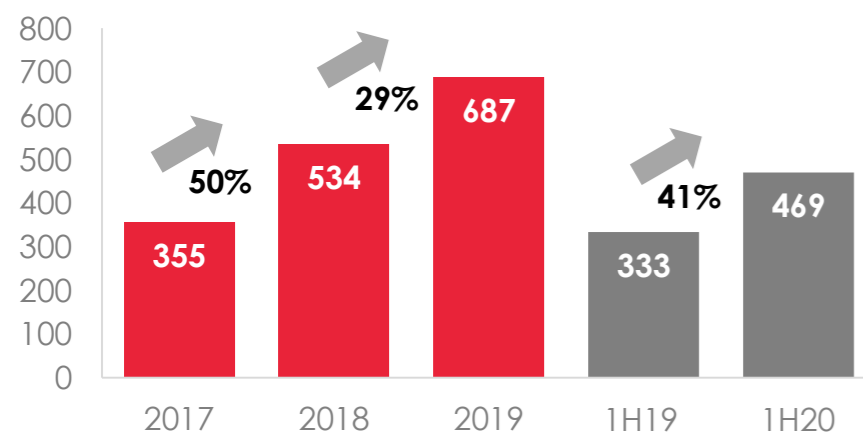
'17 - '19 Net Profit
CAGR 167%

75
TL Million

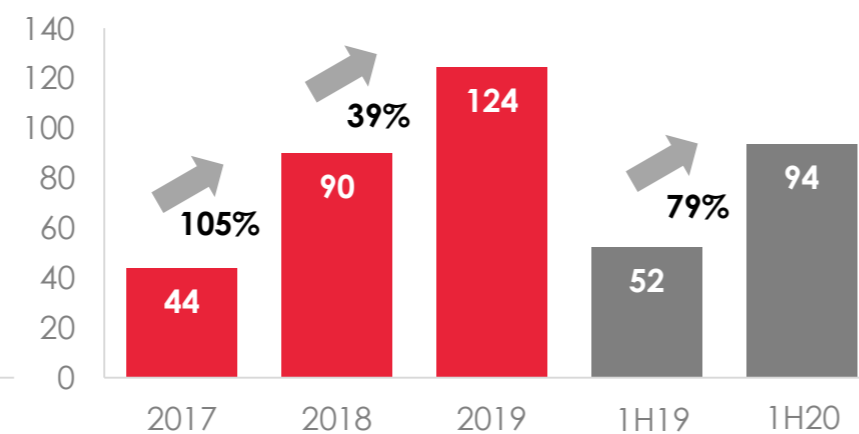
18%

'19
EBITDA Margin

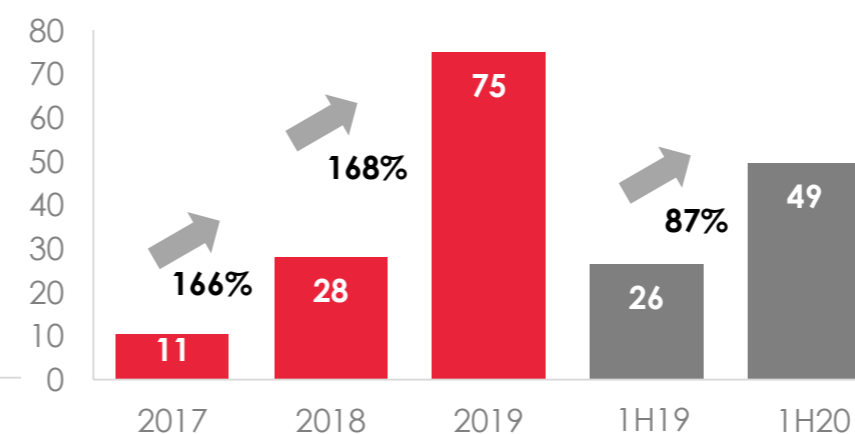
Consolidated Net Sales (TL mn)



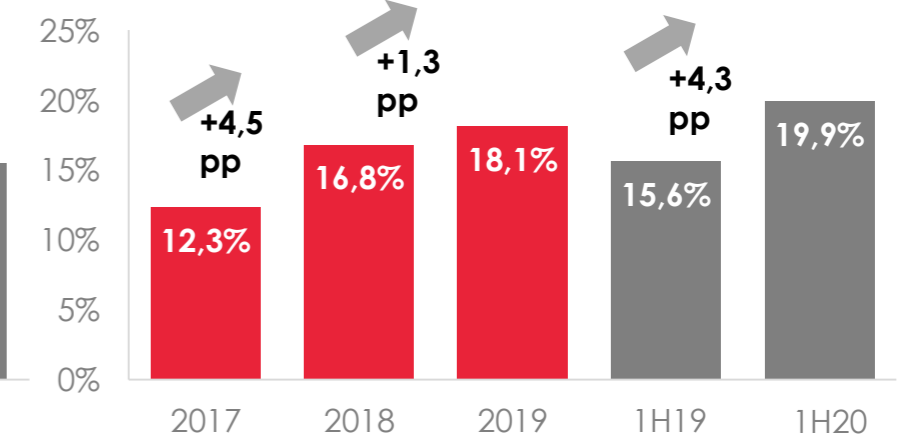
EBITDA (TL mn)



Net Profit (TL mn)



EBITDA Margin



Global Confectionery Industry

Turkish confectionery industry grew by 1.5% YoY in 2019 reaching 86,700 tons.

Per capita consumption in Turkey is at 1kg/year. Compared to the per capita consumption of the similar countries, per capita consumption has major room for growth in Turkey.

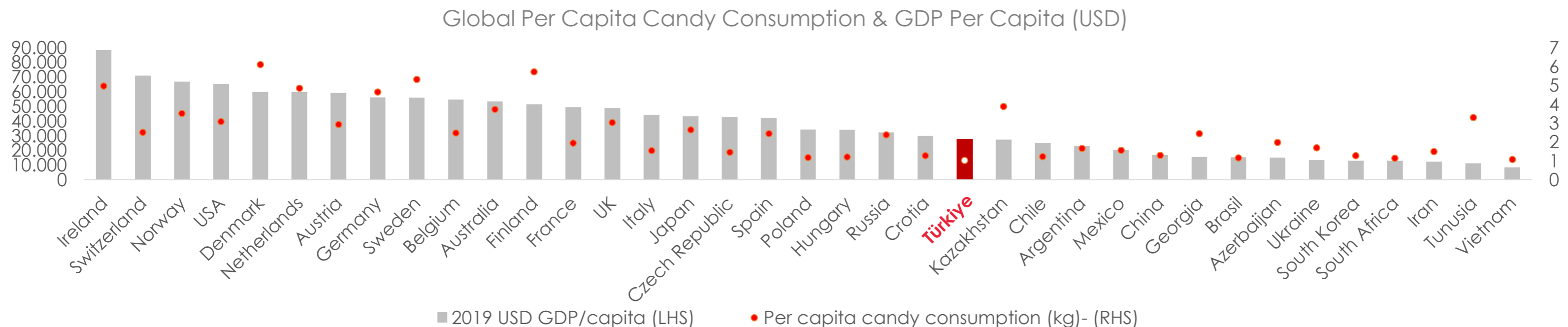
Top three countries in confectionery consumption per capita are;

Denmark – 6.1 kg

Finland – 5.7kg

Sweden – 5.3kg

It is difficult to relate per capita income with per capita consumption directly in the sector as there are differences in tastes of the different countries.



Source: Euromonitor, World Bank

Global Confectionery Industry



Source: Euromonitor

Turkey

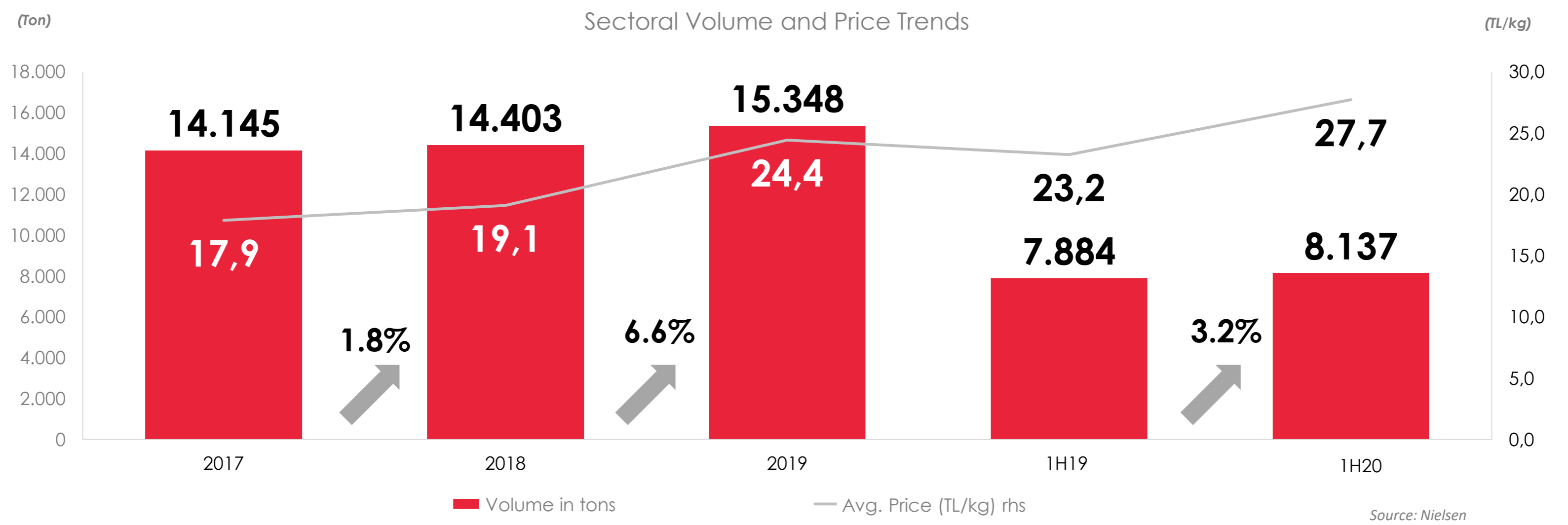
Soft Candy Industry



2018 Growth **8.7%** **TL275 million** ↗

2019 Growth **36%** **TL375 million** ↗

1H20 Growth **23%** **TL225 million** ↗

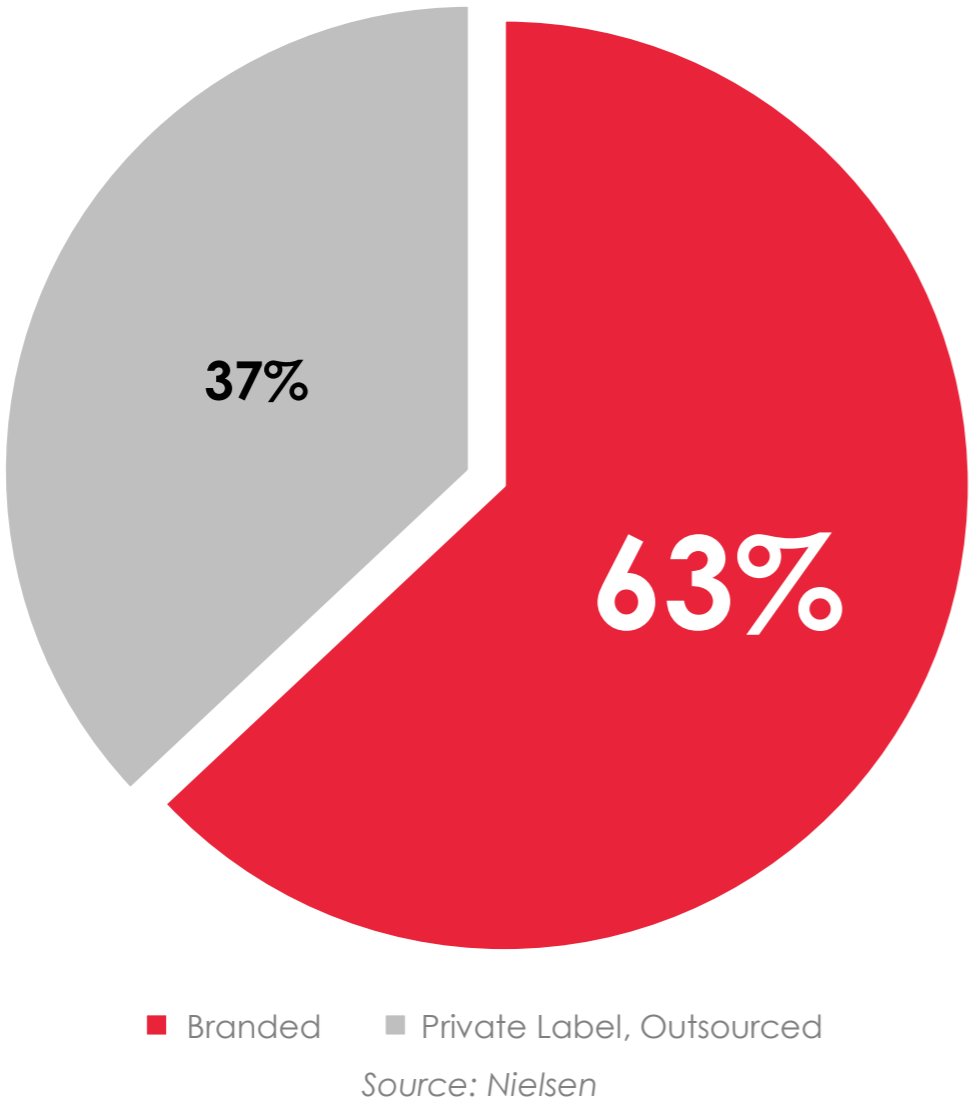


Turkey

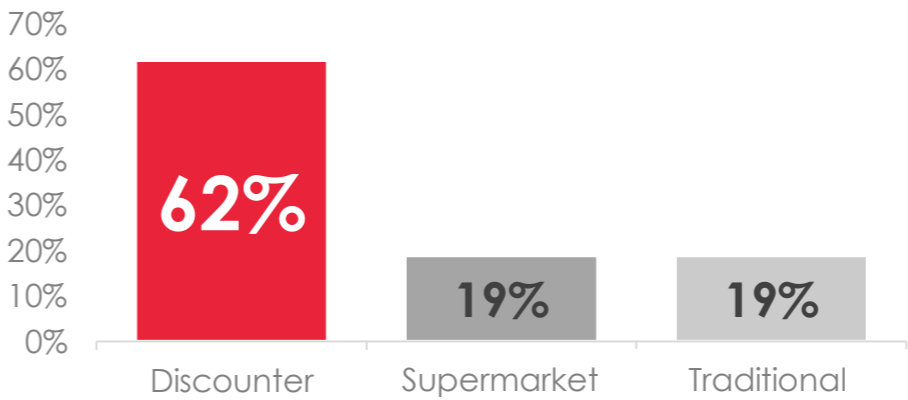
Soft Candy Industry

In terms of consumption volume, **63% of the total soft candy market consists of branded products** (Bebeto, Competitor 1, Competitor 2, Competitor 3 and Rocco), while **remaining 37% consists of private label and other small contract producers' products**.

Turkey Market Structure (Volume)

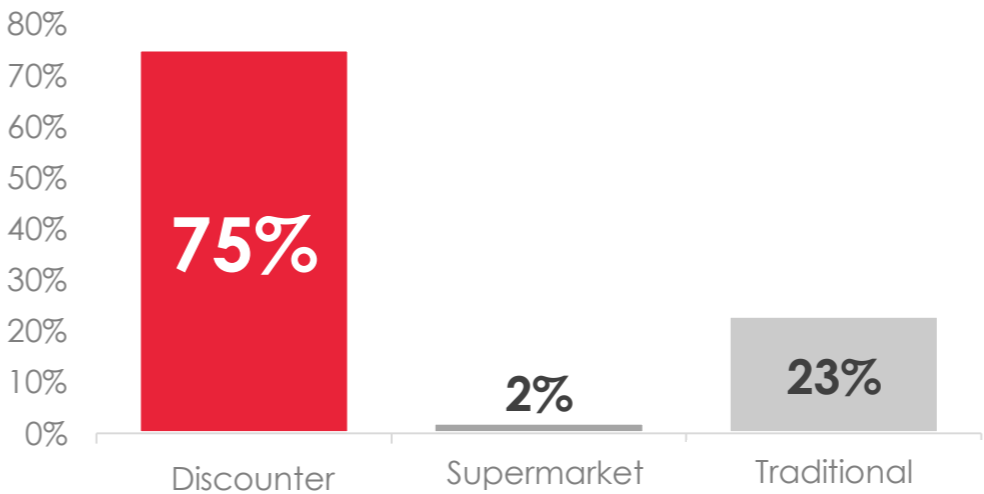


Turkey Market Structure (Volume)



Source: Nielsen

Domestic Sales Channels (Volume)



Source: Nielsen

Turkey

Soft Candy Industry

According to the volume based market share data as of 1H20, Bebeto brand of Kervan Gıda ranks second with its 19% market share (9%) after Competitor 1, which has a market share of 31% (2017:29%).

Including the Company's PL production and Rocco production, the producer share is at 47.8% (2017: 43.8%) as of 1H20.

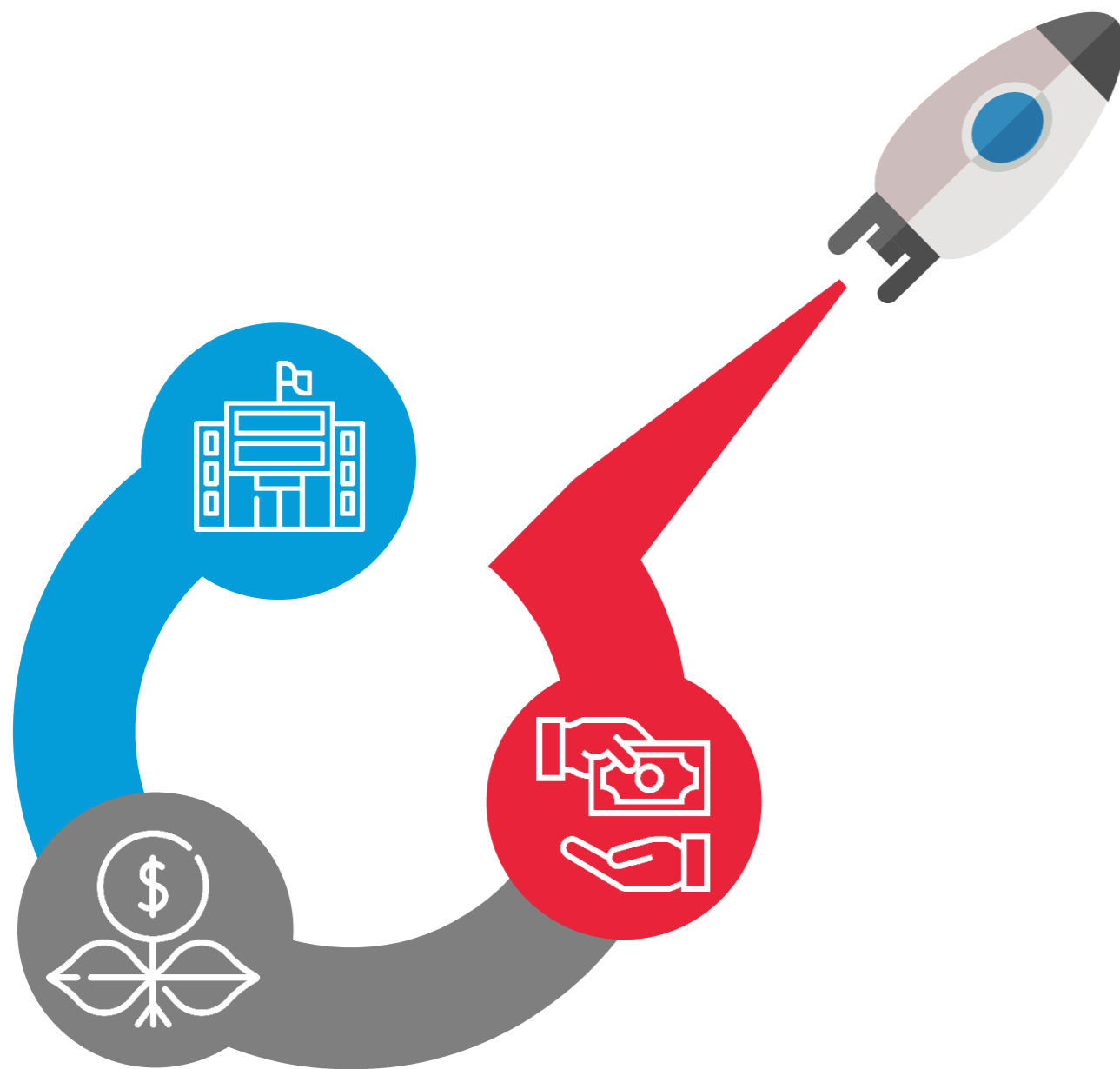
Considering Kervan Gıda's producer and Bebeto branded market share; branding strategy, high penetration in the organized retail market and improvements in its sales and distribution channel resulted in increasing market share in recent years.

Turkey Soft Candy Market Value Based					
%	2017	2018	2019	1H19	1H20
Kervan Producer Share	31.6	31.6	38.4	36.6	35.5
Bebeto (Kervan)	8.0	8.0	17.0	13.0	17.0
Other (Kervan)	17.6	17.6	18.4	21.6	16.5
Rocco (Kervan)	6.0	6.0	3.0	2.0	2.0
Competitor 1	38.0	44.0	38.0	39.0	43.0
Competitor 2	15.0	10.0	9.0	9.0	8.0
Competitor 3	11.0	10.0	10.0	10.0	8.0
Other	4.4	4.4	4.6	5.4	5.5

Turkey Soft Candy Market Volume Based					
%	2017	2018	2019	1H19	1H20
Kervan Producer Share	43.8	42.8	49.6	49.6	47.8
Bebeto (Kervan)	9.0	8.0	18.0	14.0	19.0
Other (Kervan)	28.8	28.8	29.6	33.6	27.8
Rocco (Kervan)	6.0	6.0	2.0	2.0	1.0
Competitor 1	29.0	35.0	28.0	29.0	31.0
Competitor 2	11.0	7.0	7.0	6.0	6.0
Competitor 3	9.0	8.0	8.0	7.0	6.0
Other	7.2	7.2	7.4	8.4	9.2

Source: Nielsen, Company, Kervan Producer Share= Bebeto, Rocco, PL production

Use Of IPO Proceeds

**1**

Acquisition Of A Company In Europe

Custom tax advantages, reducing geographical risks and strengthening Beбето brand's position in the European modern channel are the main drivers for the acquisition. Approximately 55% of the proceeds is planned to be used to finance an acquisition.

2

Financing New Investments

25% of the proceeds are planned to be used in completing the ongoing investments and purchasing a new plant in Turkey.

3

Financial Debt Repayment

Short term debt in foreign currency is planned to be reduced to decrease short FX position of the Company with the remaining 20% of the proceeds.

Strategic Planning

2020-2023

1

Finalization of IPO

2

Become one of the top five producers in the sector with the acquisition of a company in Europe with IPO proceeds

Penetrating into the European modern channel by the help of newly acquired company

Benefiting from EU's custom tax advantages by extending production geographically

3

Focusing on more profitable channels like OTC, increasing R&D expenses and new product development

2020

INVESTMENTS

5. Jelly Line (10,000 ton/year)

5. Licorice Line (2,500 ton/year)

10,000 Pallets **Logistic Warehouse**

New **Factory Land Purchase**

Expanding Of Akhisar Plant

Completion Of **Surprise Egg Investment**

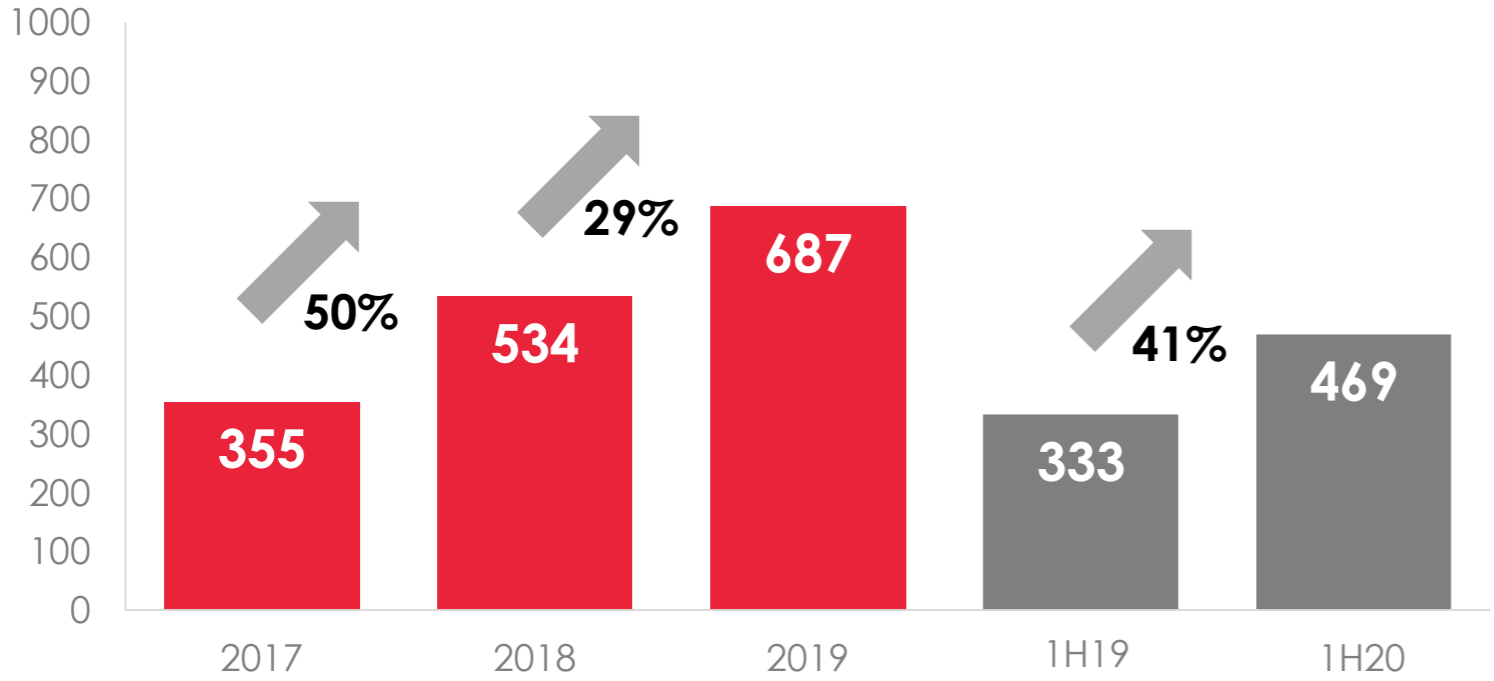
OTC Bottling



Sales

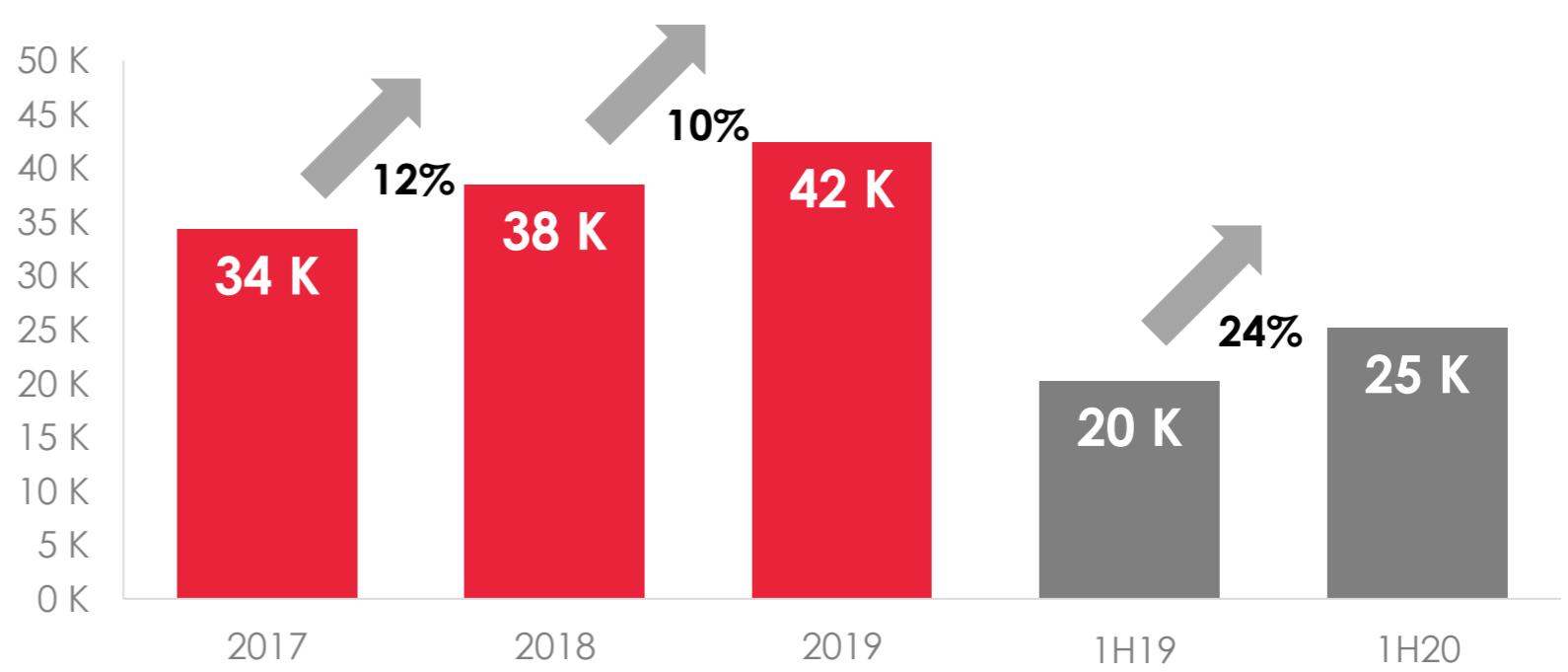


Kervan Gida Consolidated Revenue (TL mn)



Consolidated revenue surged by 41% YoY to TL469 million in 1H20.

Kervan Gida Consolidated Sales Volume (ton)

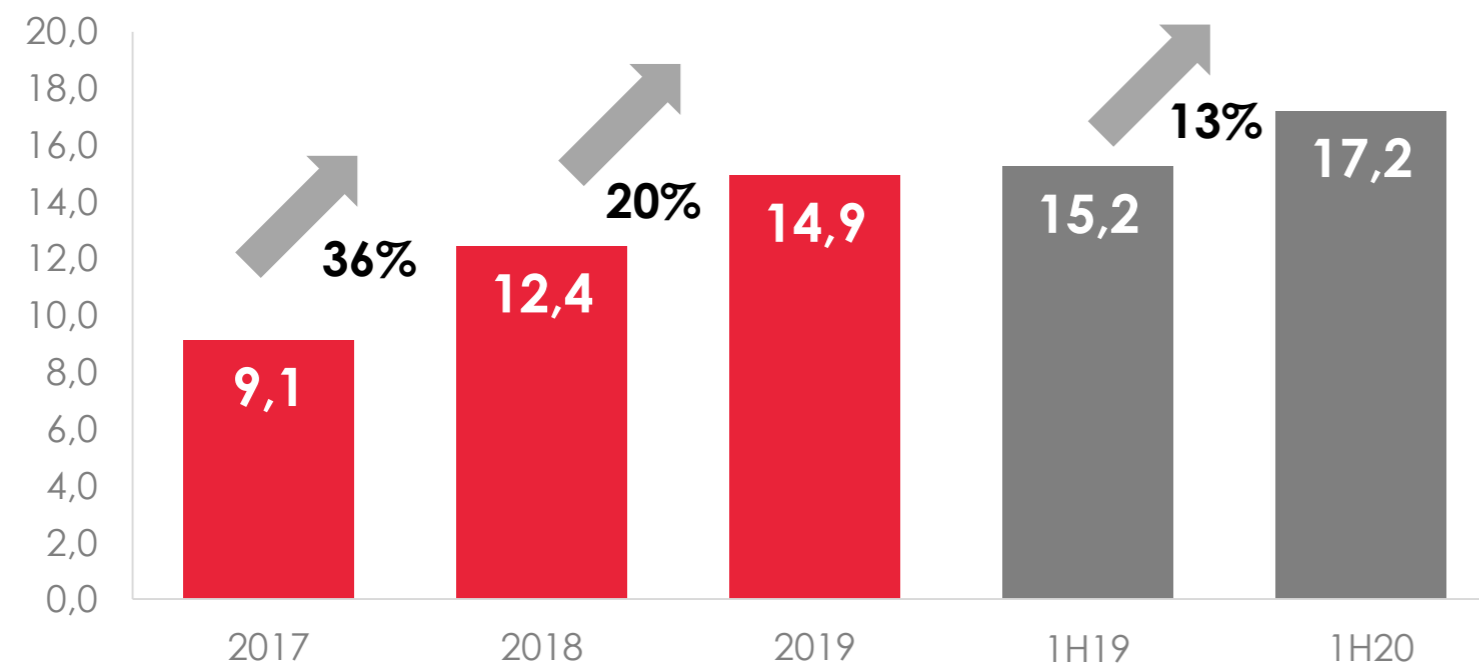


Consolidated sales volume reached 25,000 tons in 1H20, indicating a 24% YoY increase.

Unit Prices

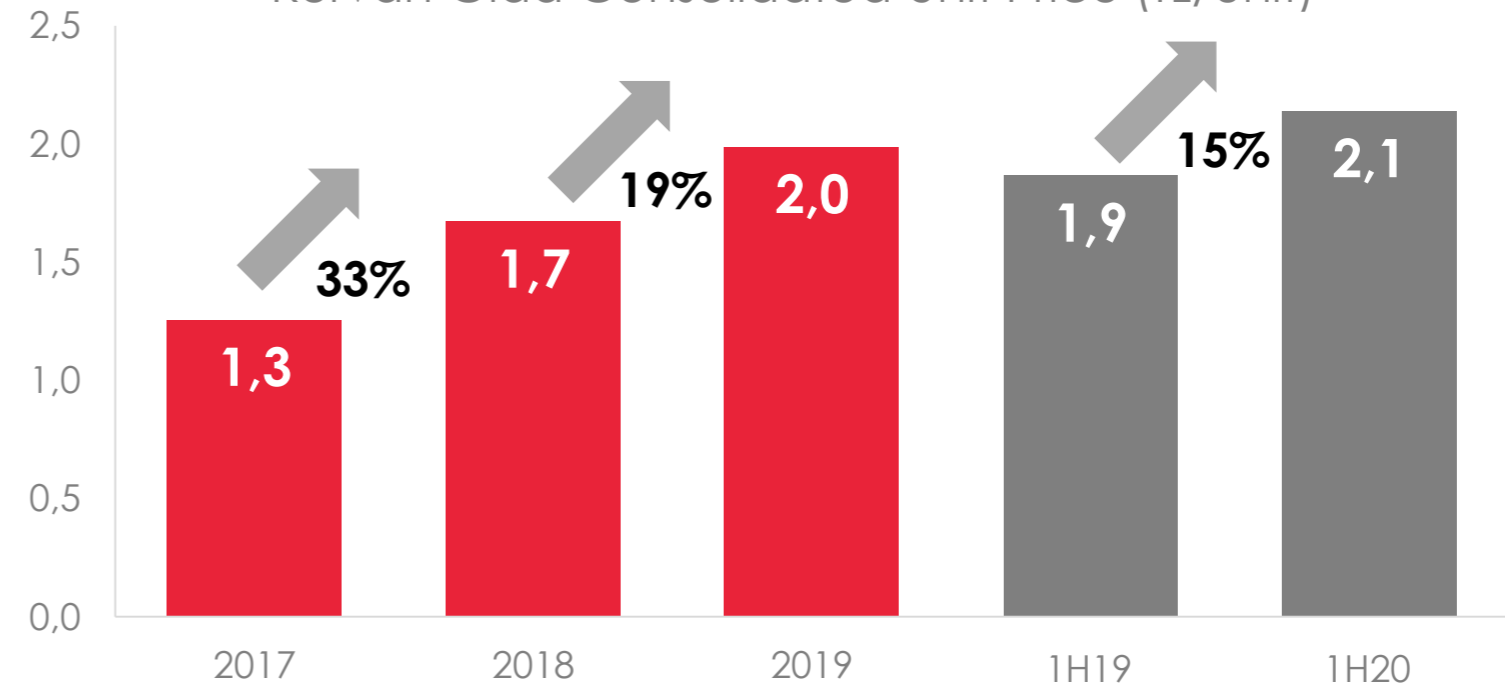


Kervan Gida Consolidated Unit Price (TL/kg)



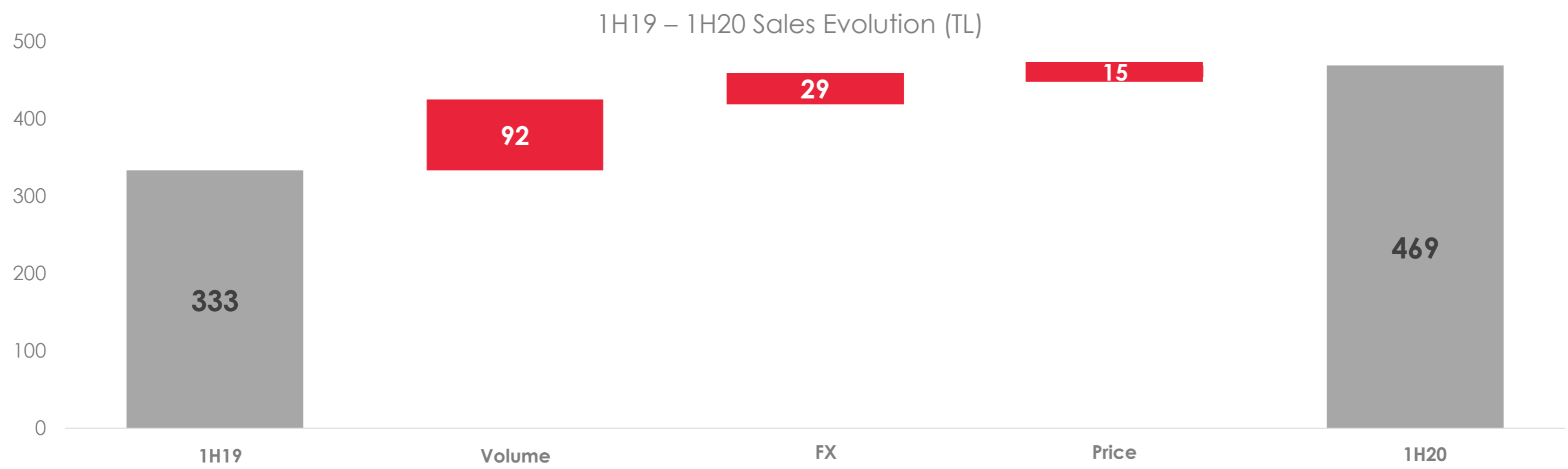
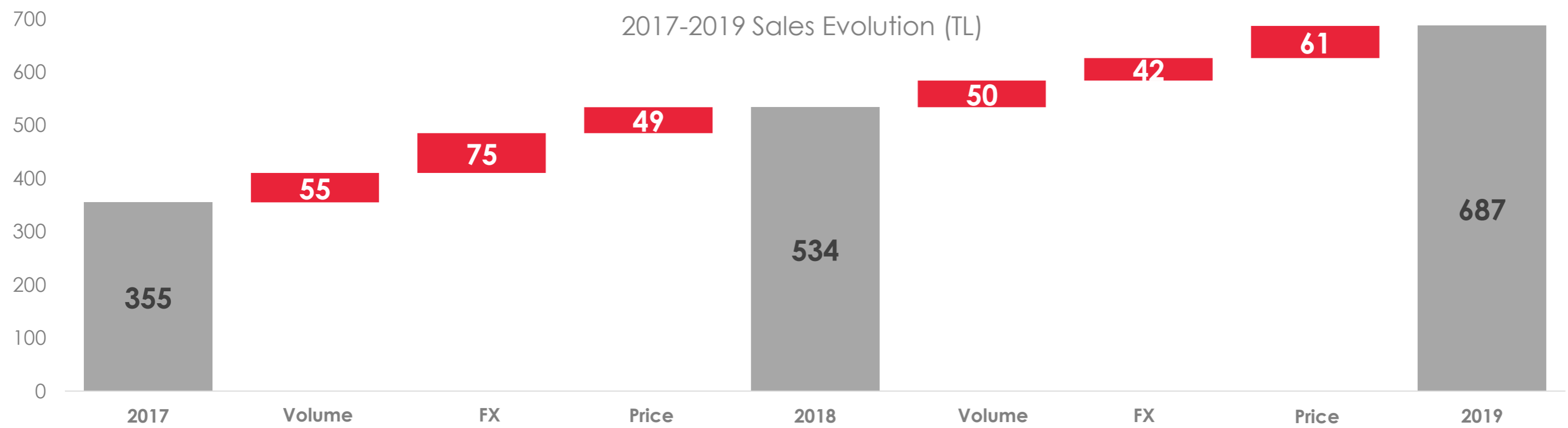
The price per kg increased by 13% YoY to TL17.2 in 1H20.

Kervan Gida Consolidated Unit Price (TL/unit)



The price per unit rose by 15% YoY to TL2.1 in 1H20.

Sales Evolution

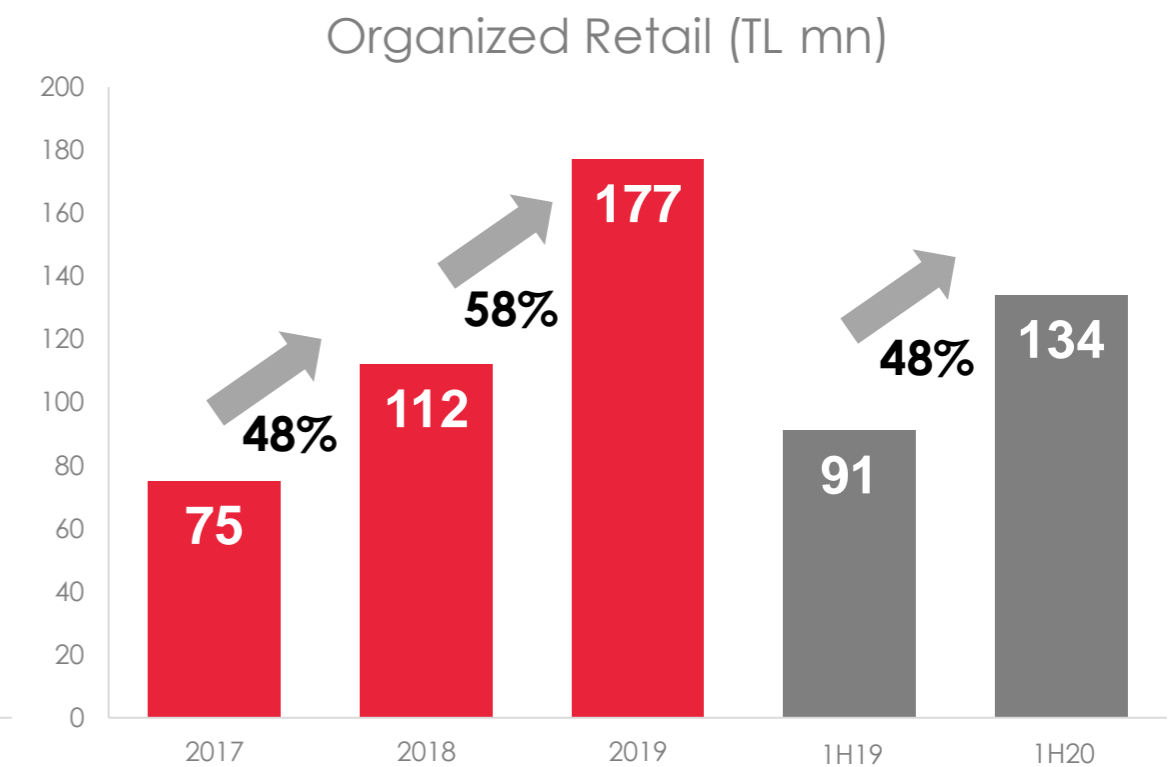
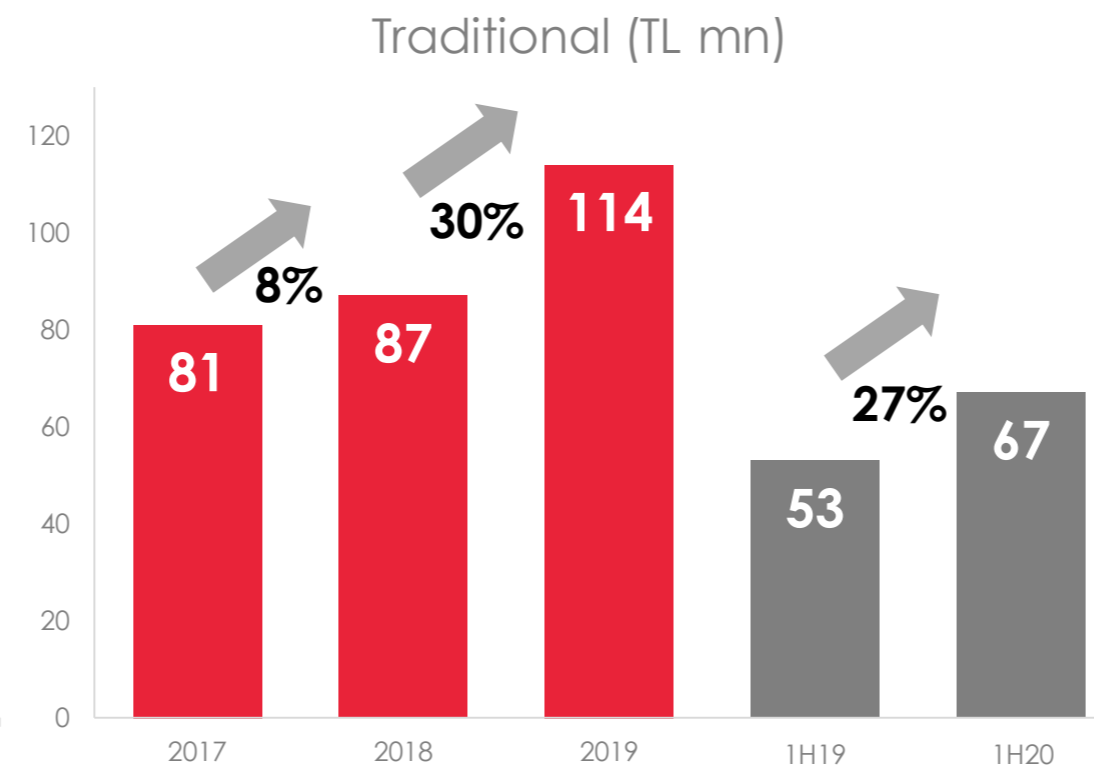
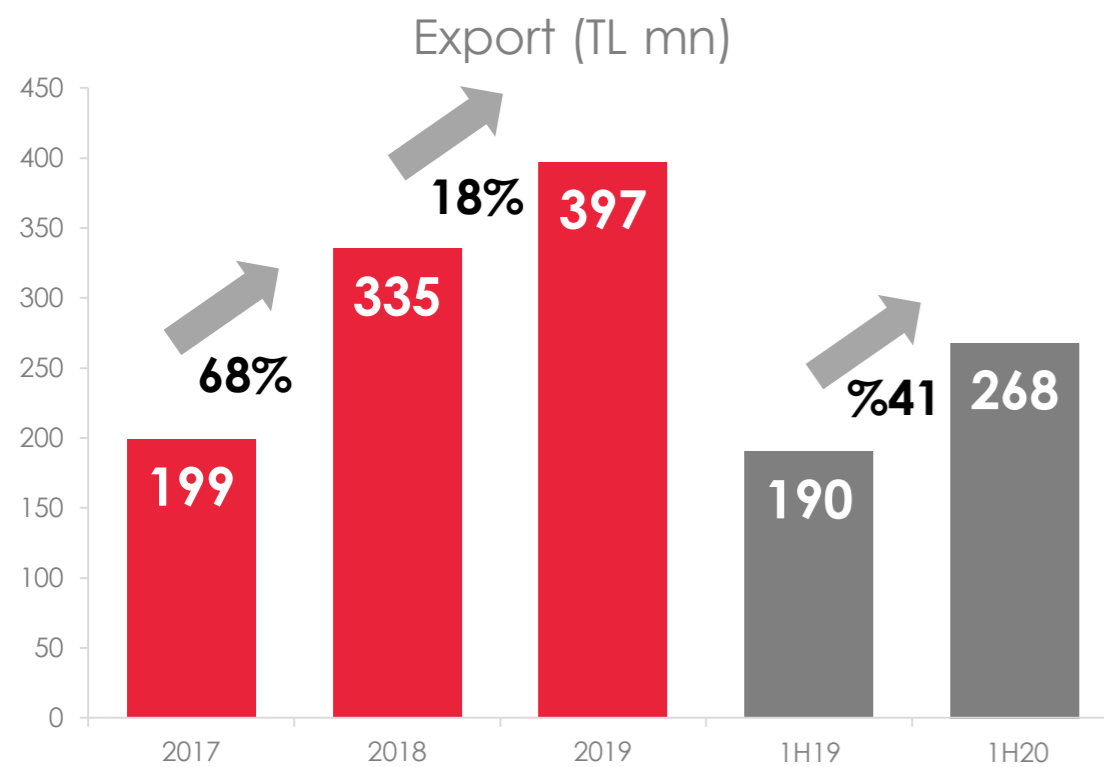


Sales by Channel

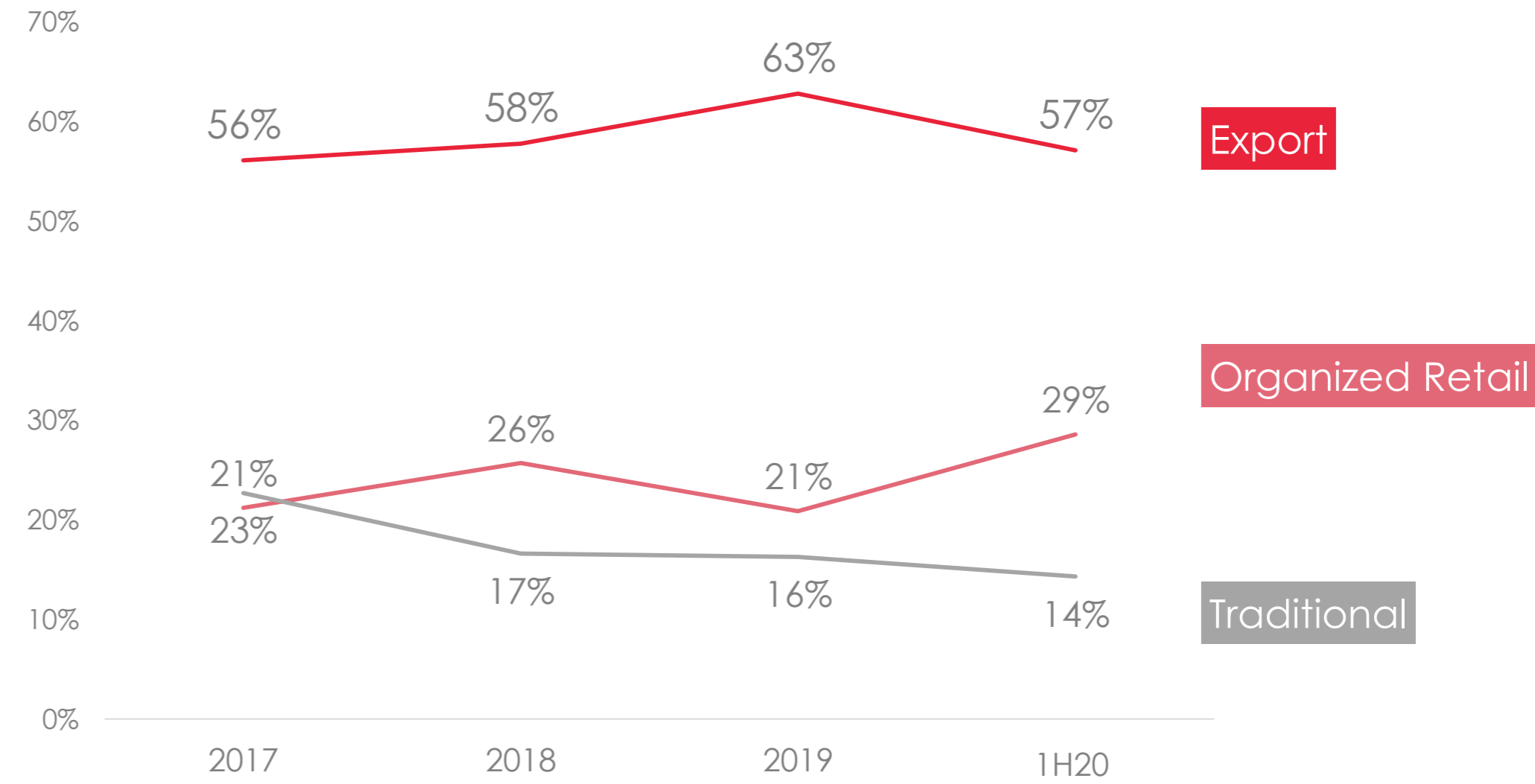
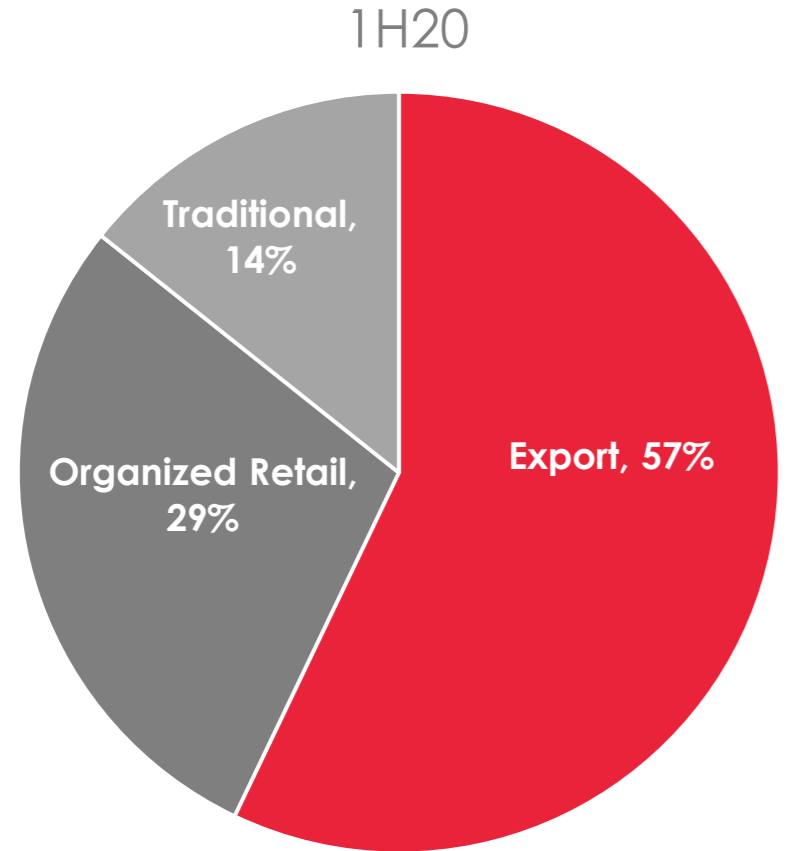
Export Channel: Export revenues has 58% share in the Company's consolidated sales in 2019. The Company focuses on organized retail channel with the necessary amendments made in sales organization recently. Despite the Covid-19 impact, the Company's exports has grown by 41% YoY in TL and 22.6% in USD terms.

Traditional Sales Channel: This channel consists of wholesales and retail sales to groceries. The sales by this channel grew by 27% YoY in 1H20.

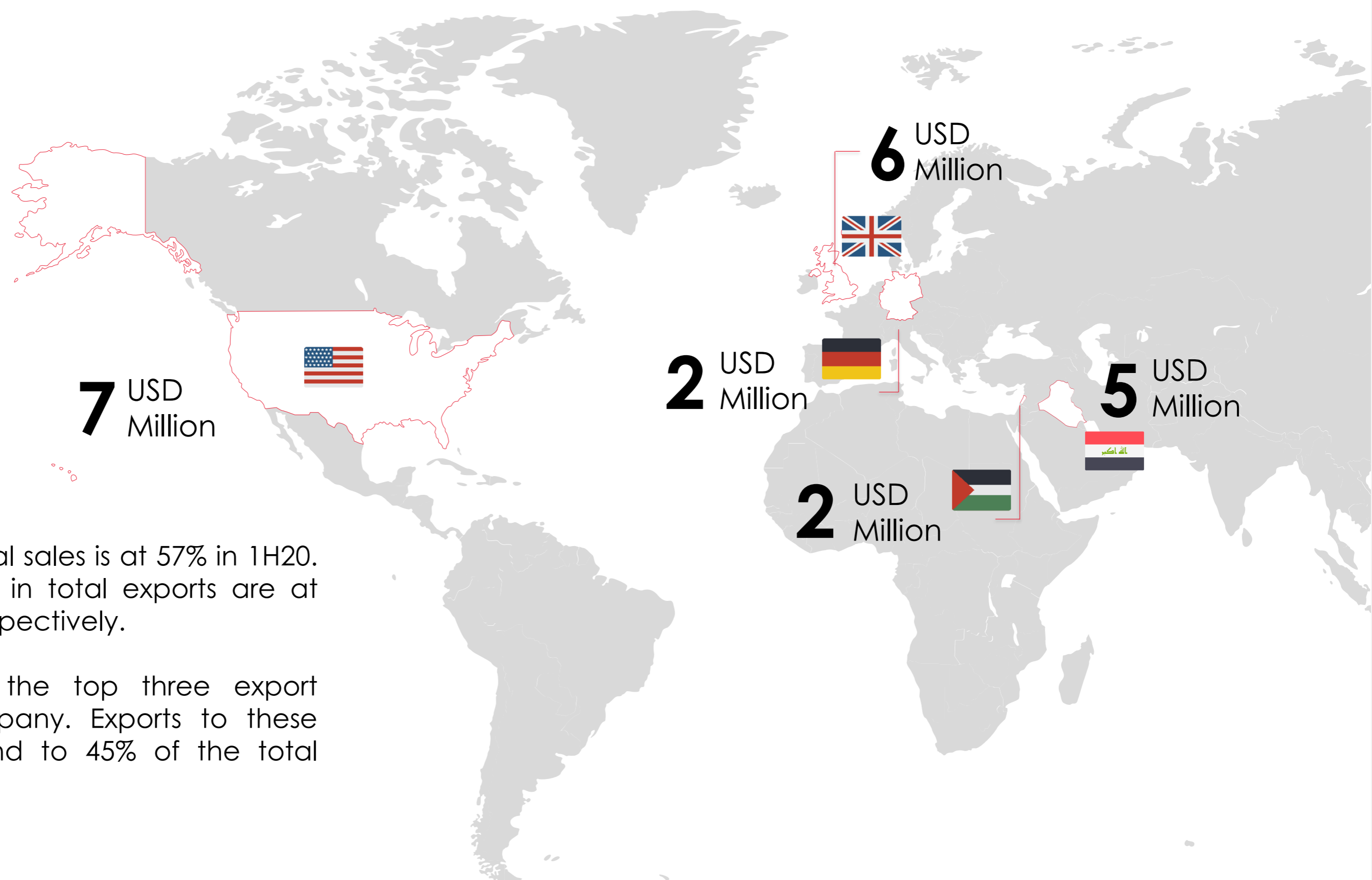
Organized Retail Channel: The channel consists of sales to organized retailers. The highest growth achieved in this channel in recent years. The sales by this channel increased by 48% YoY reaching TL134 million in 1H20.



Sales by Channel (%)



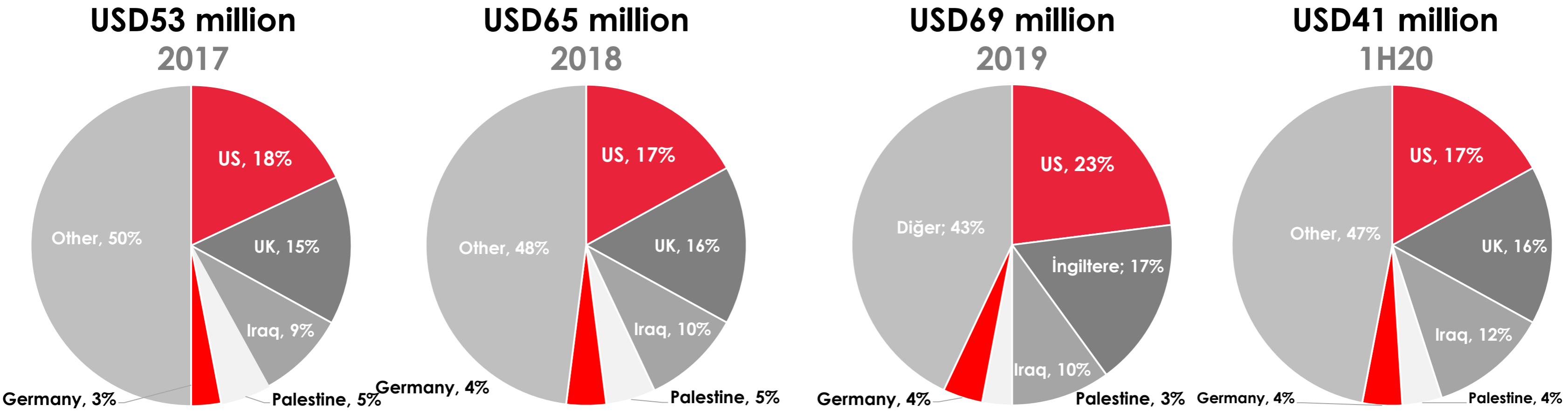
Export



The share of exports in total sales is at 57% in 1H20. USD, EUR and GBP share in total exports are at 75.3%, 10.1% and 14.6% respectively.

USA, UK and Iraq are the top three export destinations of the Company. Exports to these three countries correspond to 45% of the total exports.

Export Country Breakdown



Organized Retail

In the organized retail channel, Kervan Gıda has presence mainly in **BİM** and **A101** stores in Turkey and has products in **Dollar General**, **Dollar Tree** stores in US, **Rewe** in Germany, **B&M**, **Morrisons** in UK, in international organized retail market.

Kervan products were listed in **SOK** stores recently and negotiations for listing its products in BİM owned **File** stores continues.

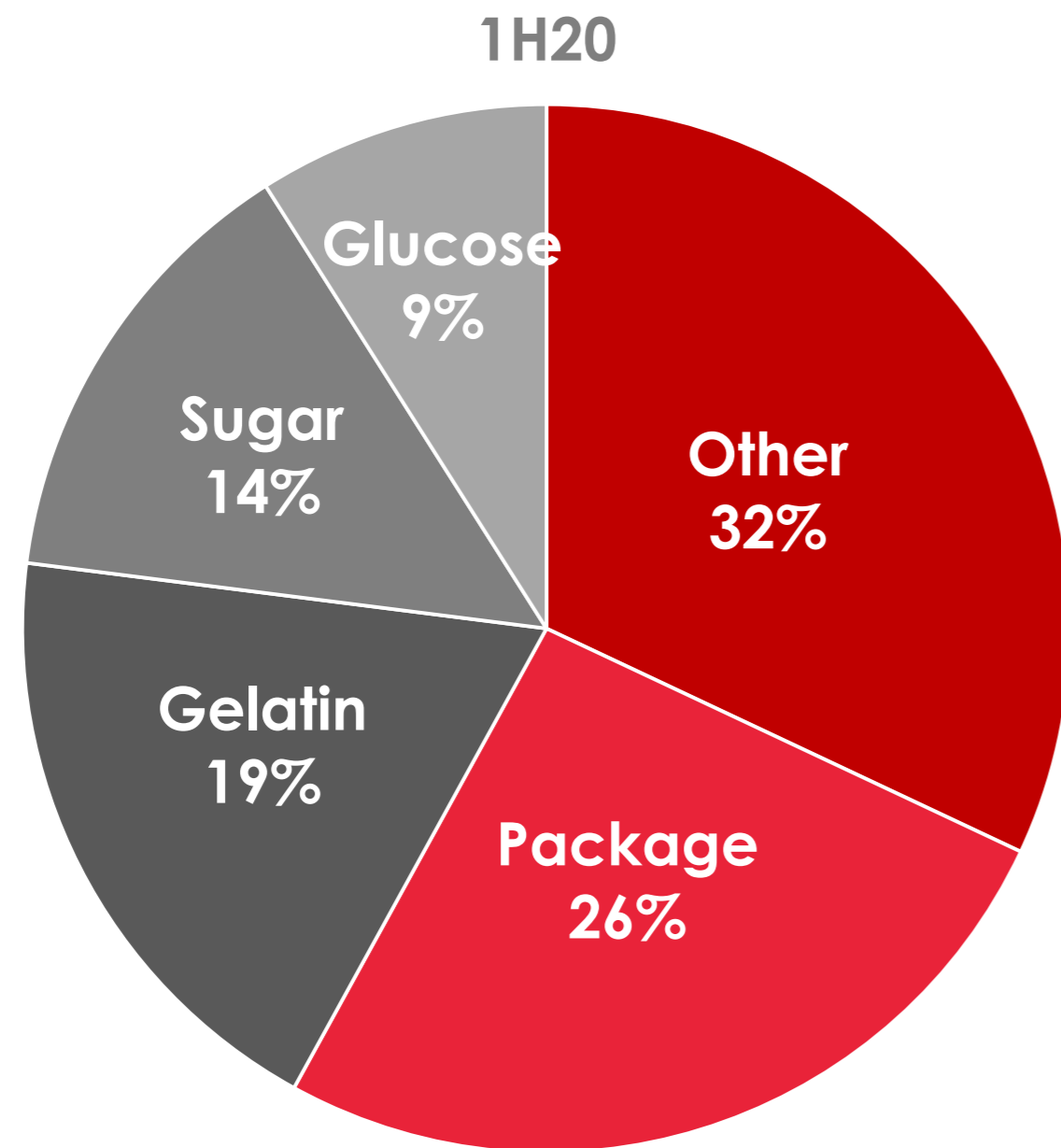
In the global market, Kervan has agreement for selling new products to **ATB** stores in Ukraine, and new cooperation agreements with **Araz** stores in Azerbaijan, **X5** stores in Russia. Negotiations with **Kroger**, **Target** in US, **Wallmart** in Mexico, **Edeka** in Germany and **ALDI** in UK continues.

Total sales in BİM and A101 had 20% share in consolidated revenues in 2017 and 2018 and had increased to 25% share in 2019. The upward trend has continued in the first half of 2020 and share in consolidated revenue reached 28% in this period.

Kervan Gıda has private label production for both domestic and international markets and private label share in consolidated revenue for 2017, 2018 and 2019 were 31%, 29% and 32% respectively. As of 1H20, the share of private label products in the consolidated revenue was at 30%.



Raw Material Procurement



Package, gelatin, sugar and glucose are the most important four inputs in raw material breakdown. The share of these inputs in the raw material are; 26%, 19%, 14% and 9%, respectively.

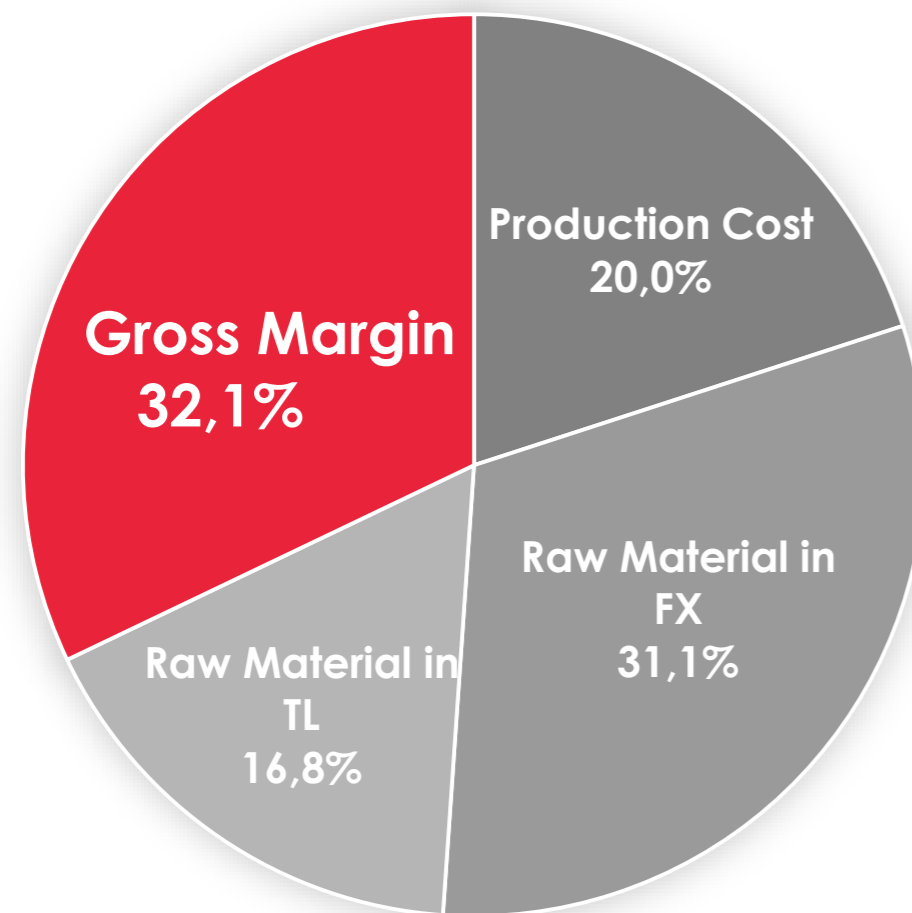
A material amount of raw material costs such as gelatin, sugar, glucose and half of the packaging costs are in foreign currency denominated.

Thanks to the decision of building a three-month supplier and two-month safety stocks for raw materials and packages procured from China and Italy after spreading of Covid-19 pandemic to those countries, the company experienced no major problems during the period.

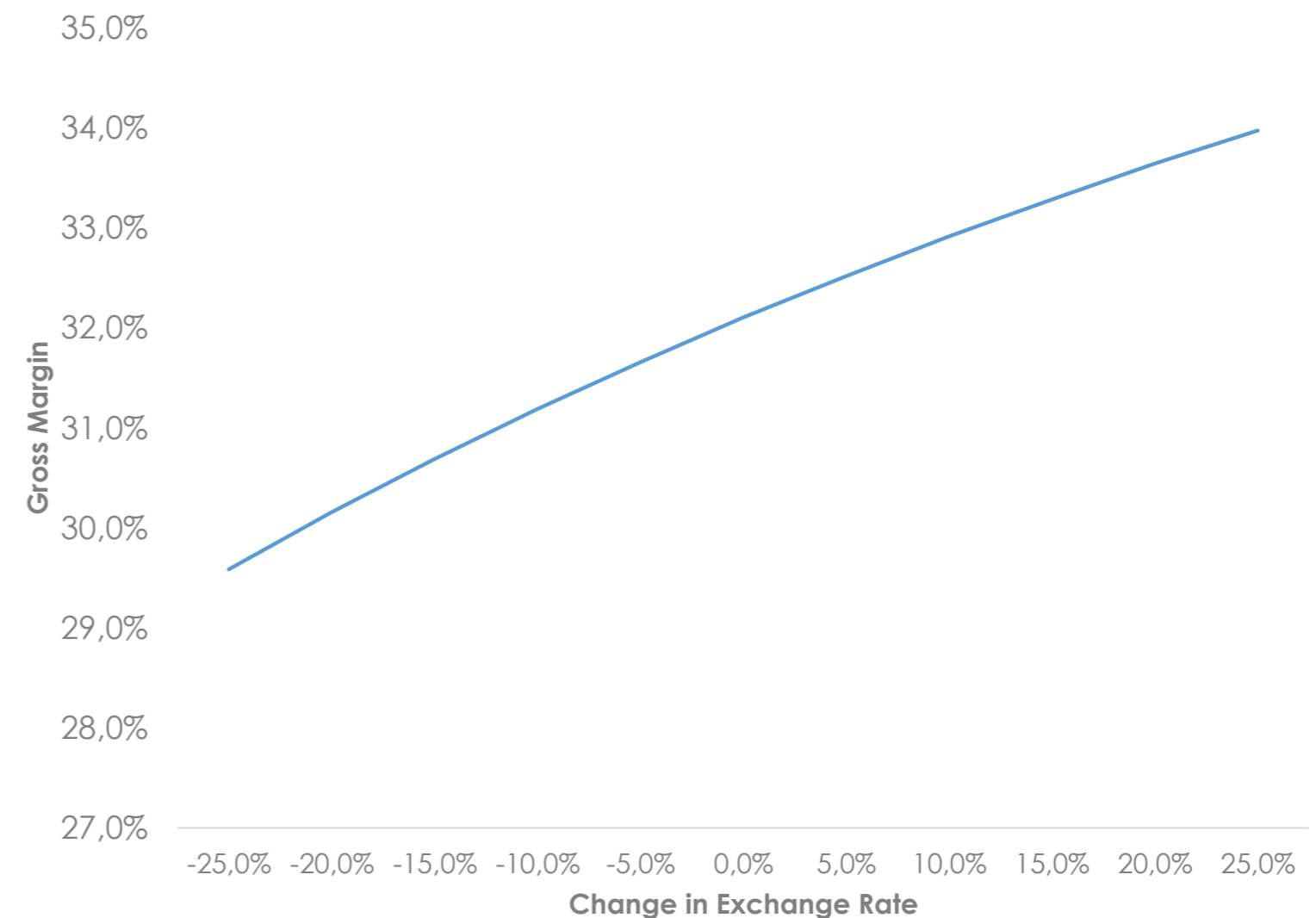
Gross Profit Margin

Approximately 57.1% of the company's turnover is foreign currency based. Considering that the ratio of raw material costs in foreign currency to sales is at 31.1%, depreciation of TL against other currencies has positive contribution to the profitability on the operational side.

Costs and Gross Margin



Sensitivity Analysis

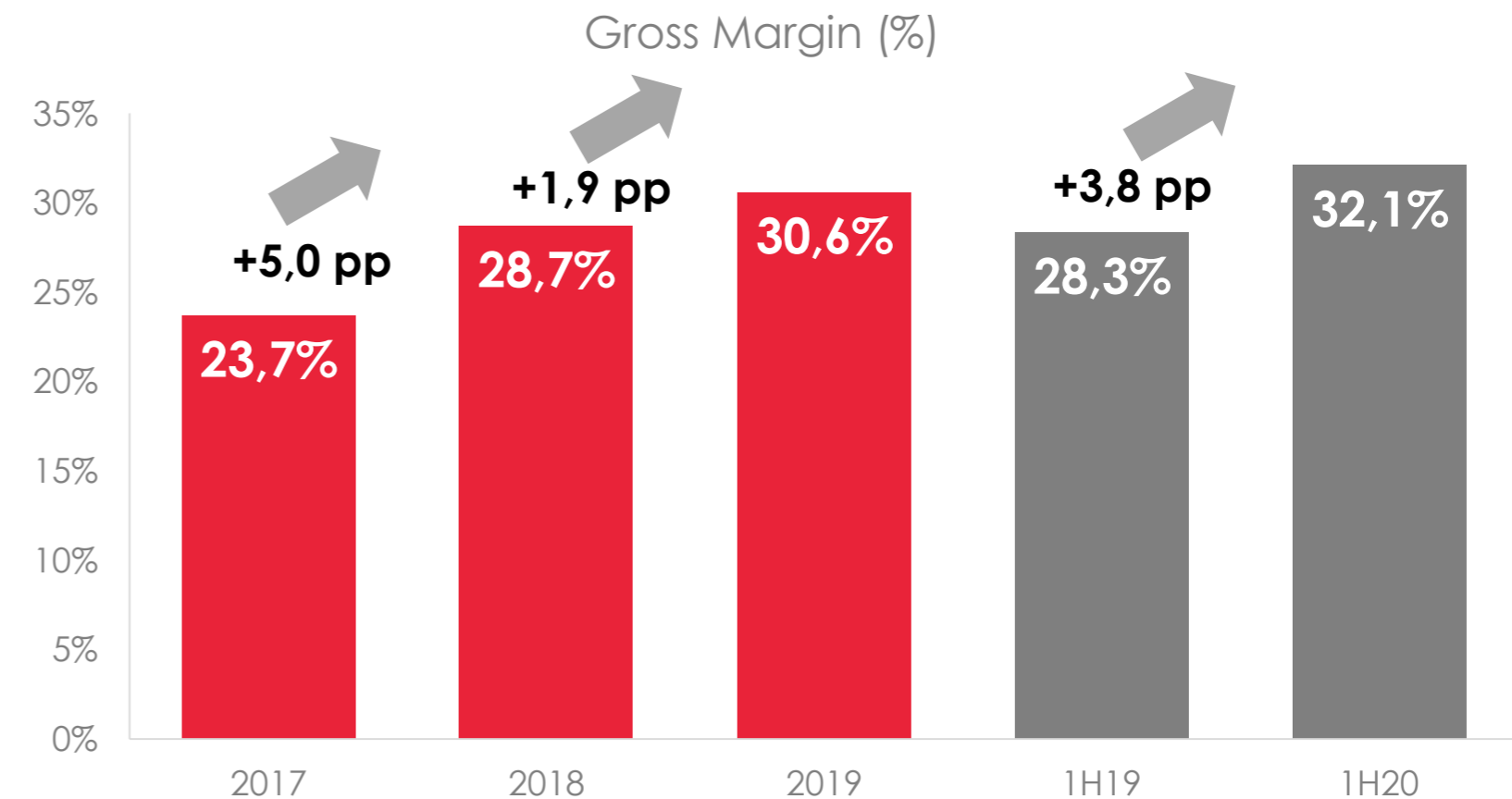
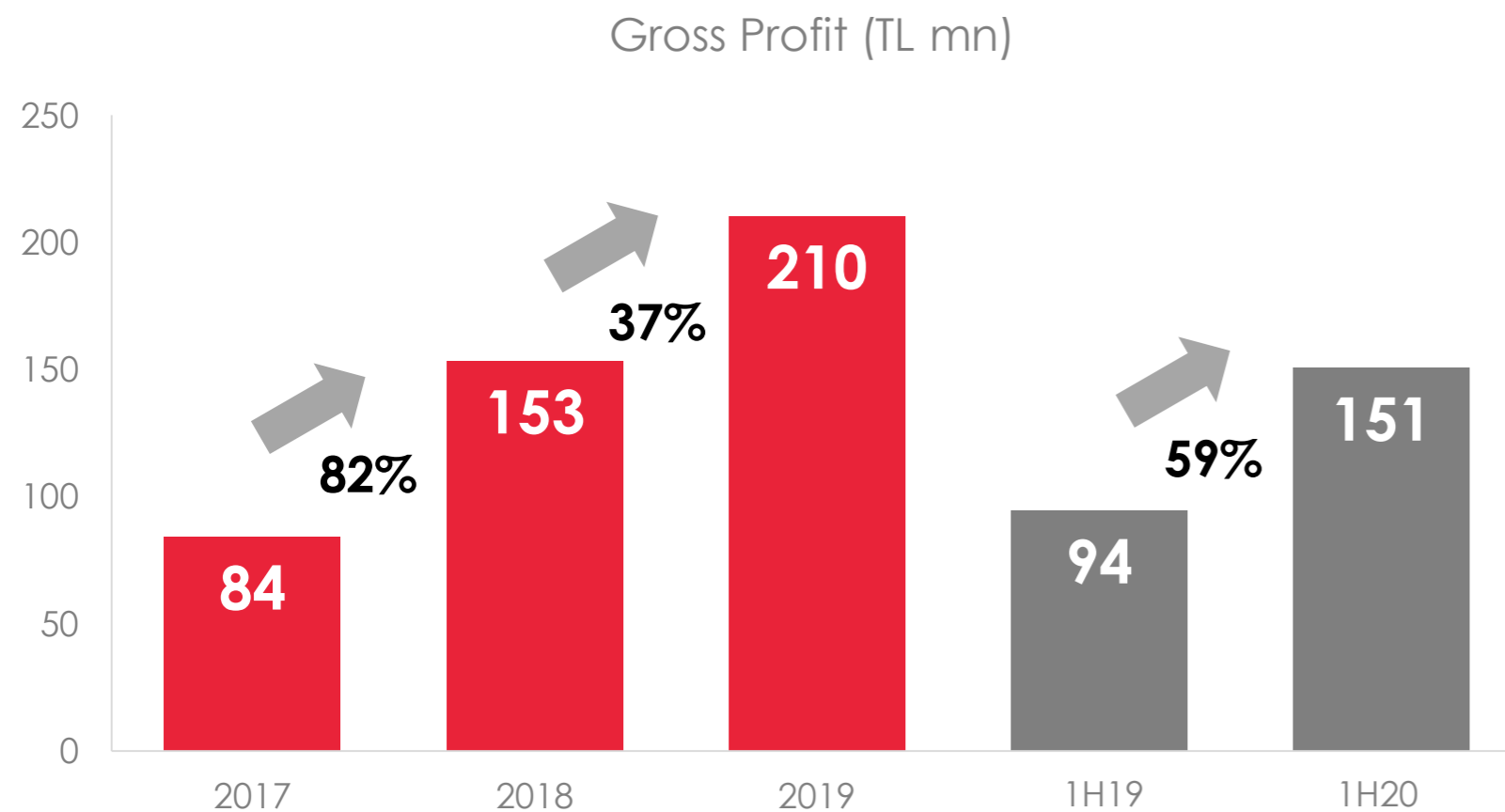


Gross Profit Margin

Kervan Gida's consolidated gross profit margin realized at 32.1% in 1H20, indicating a substantial improvement compared to 28.3% gross profit margin in 1H19.

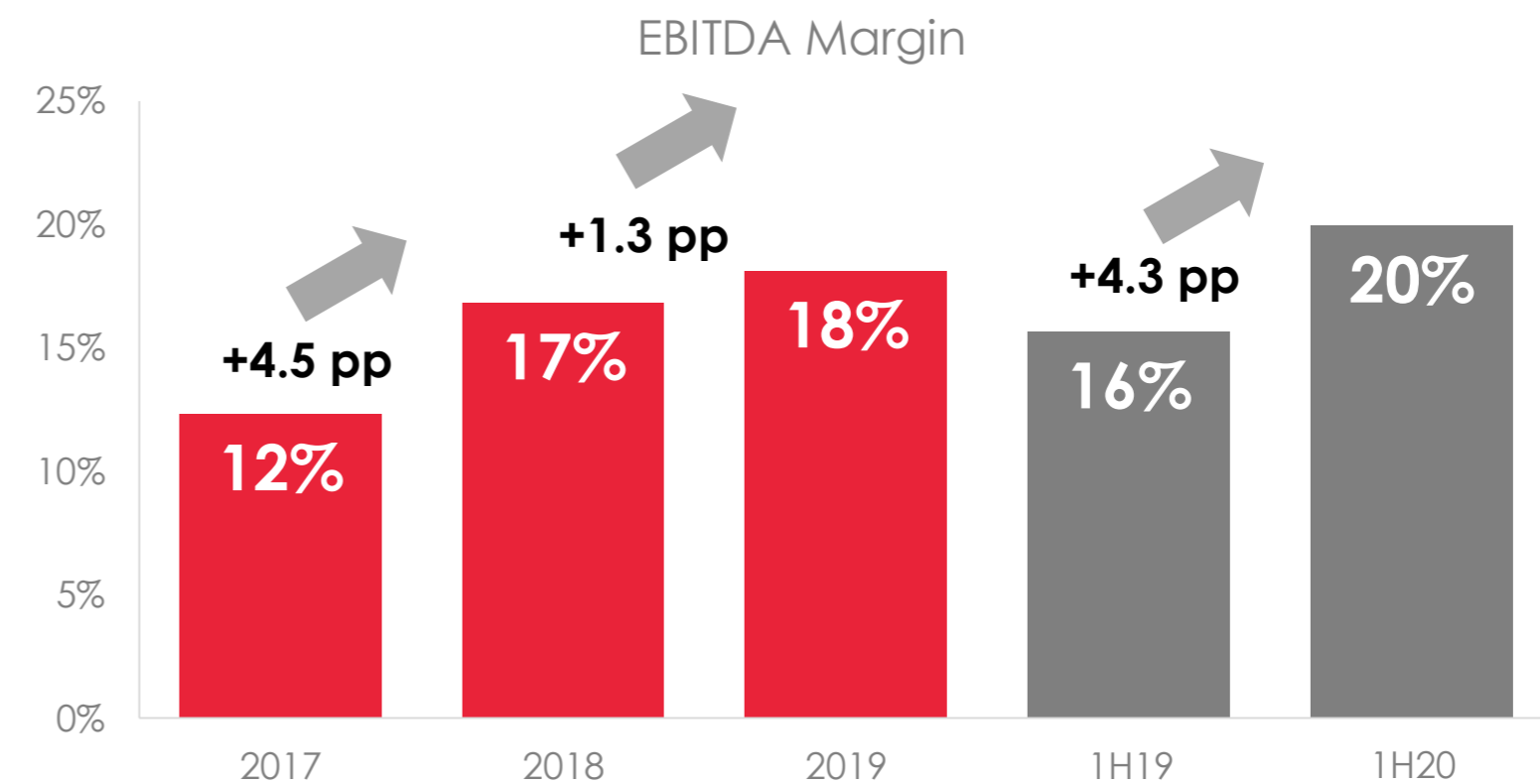
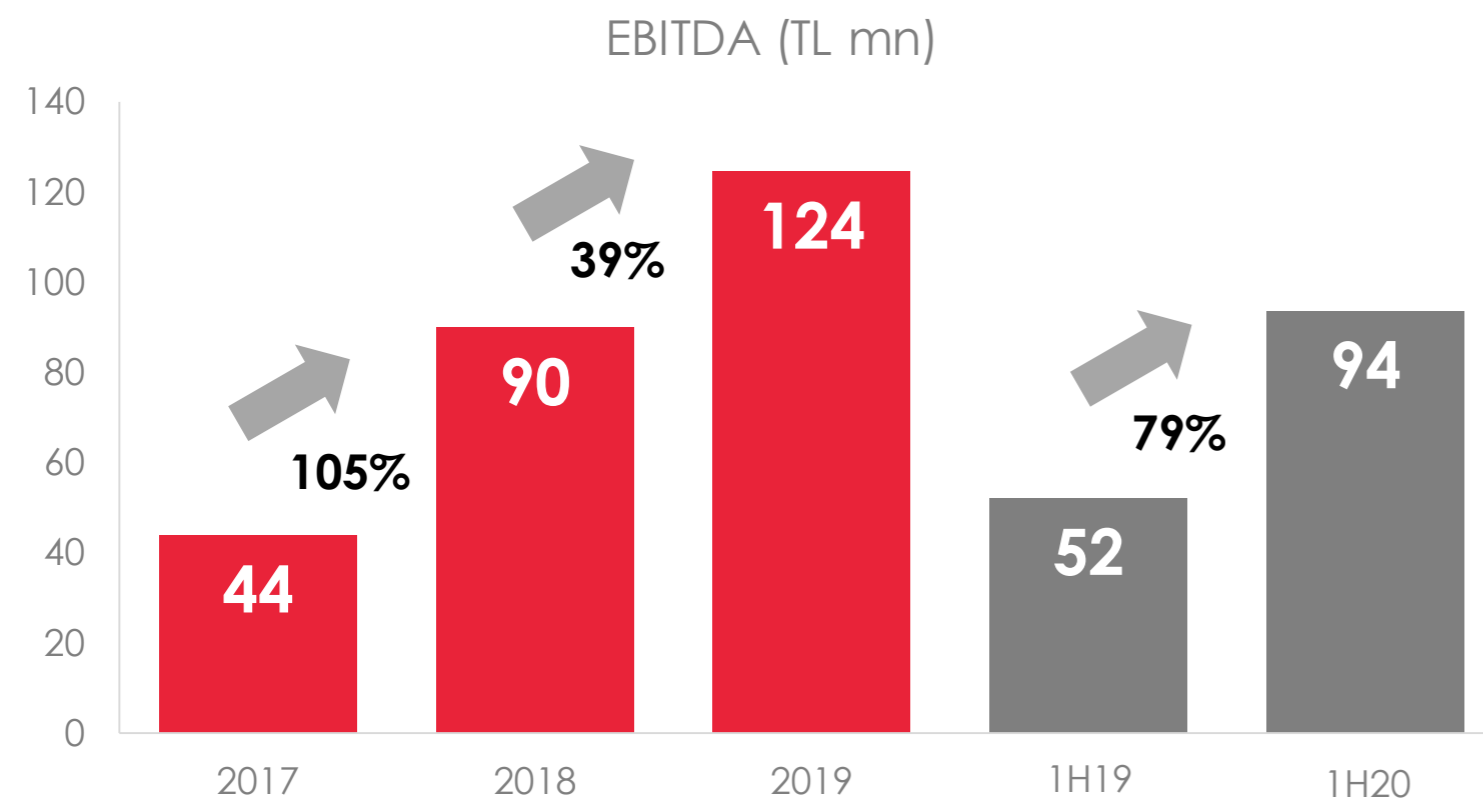
The consolidated gross margin increased from 23.7% in 2017 to 28.7% in 2018 and to 30.6% in 2019.

The robust gross profit margin improvement of the company in recent years has been achieved thanks to the economies of scale achieved with the capacity increases, depreciation of TL and the increasing share of value added products in the product mix.



EBITDA and EBITDA Margin

Increasing capacity utilization rate, growth in sales volume, rising product prices and increasing share of value added products in total sales resulted in strong EBITDA generation and EBITDA margin improvement.

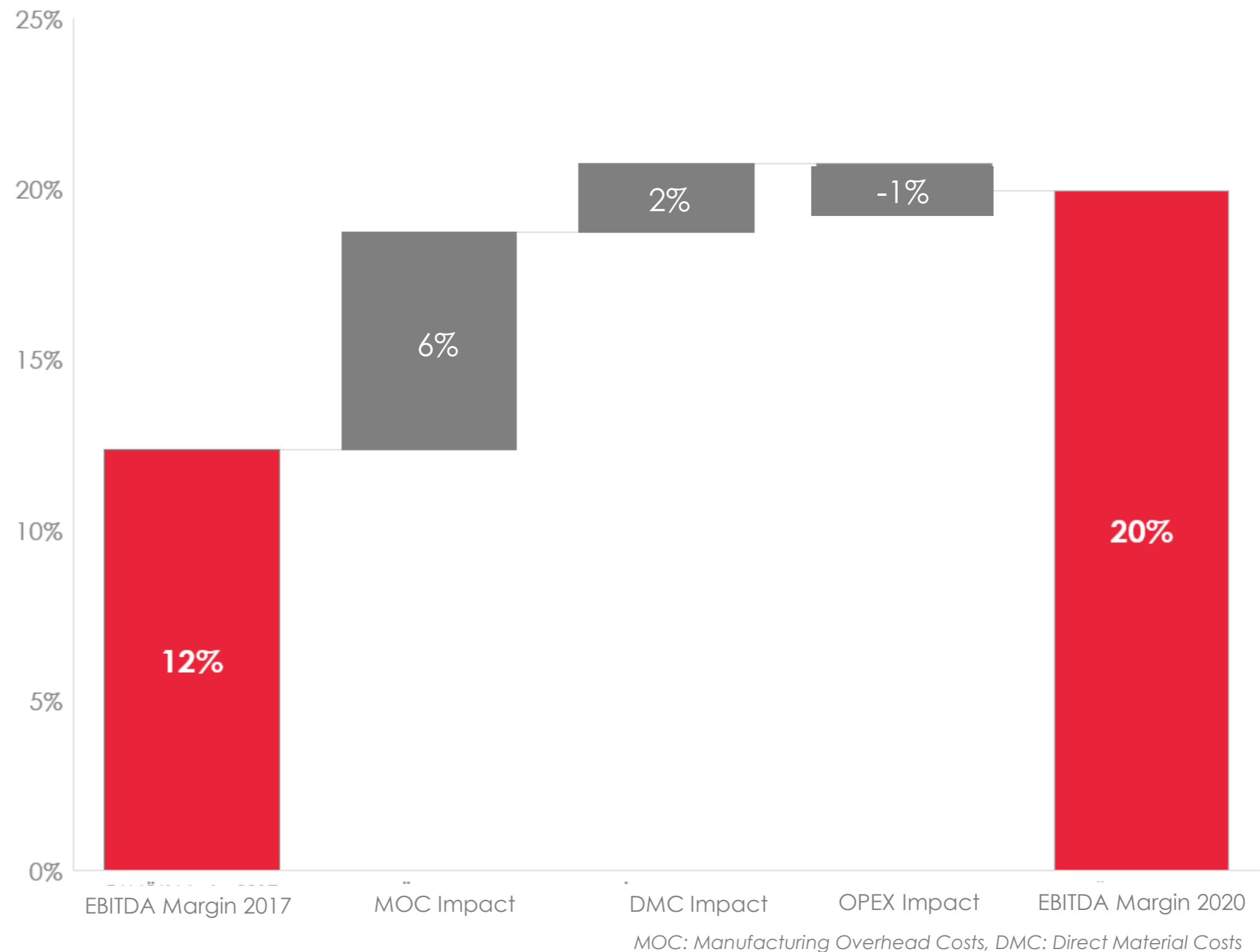


EBITDA Margin Progress

The EBITDA margin, which was at 12.3% in 2017, increased to 19.9% in 1H20. The drivers behind this improvement are summarized in the chart.

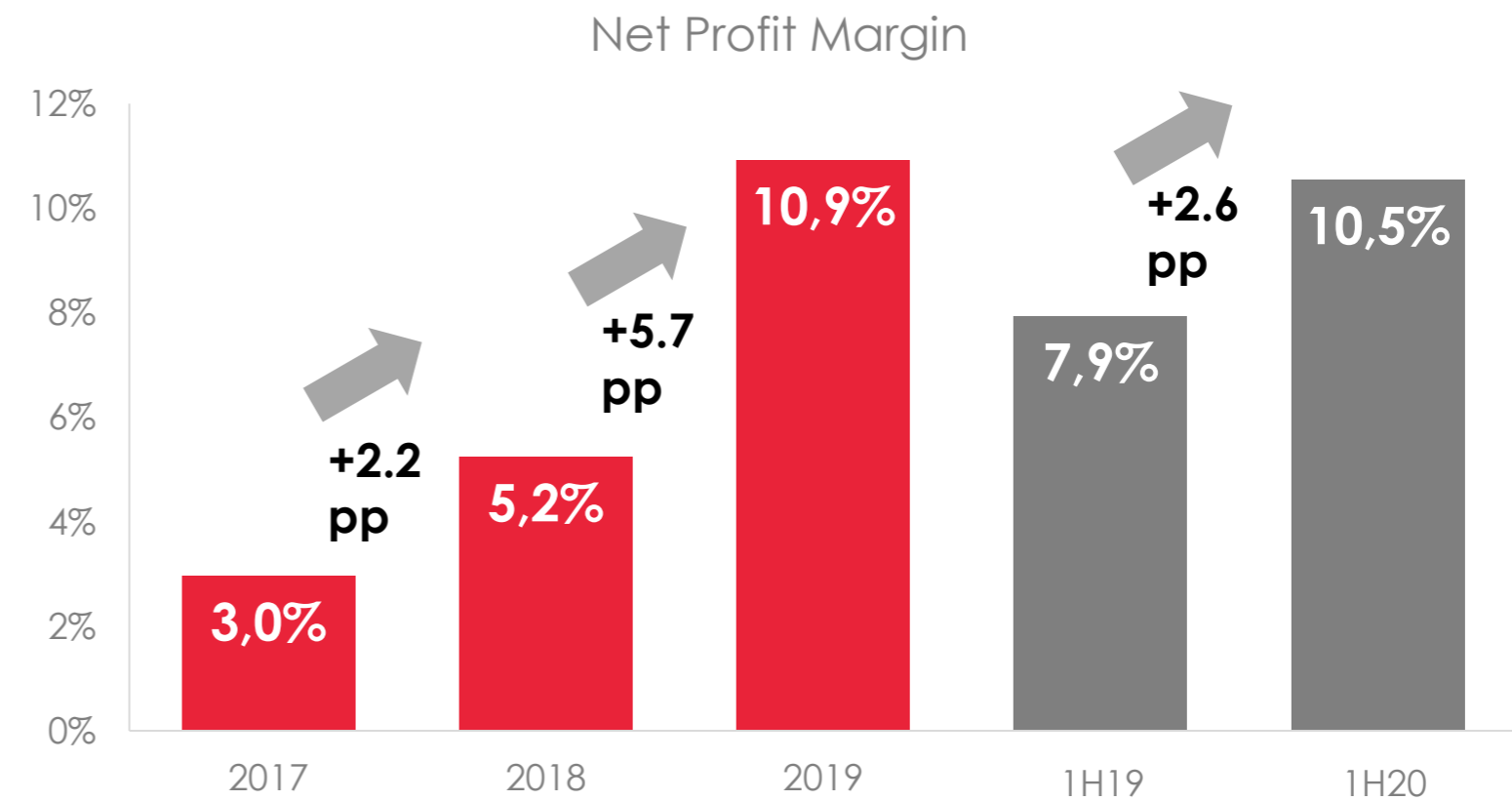
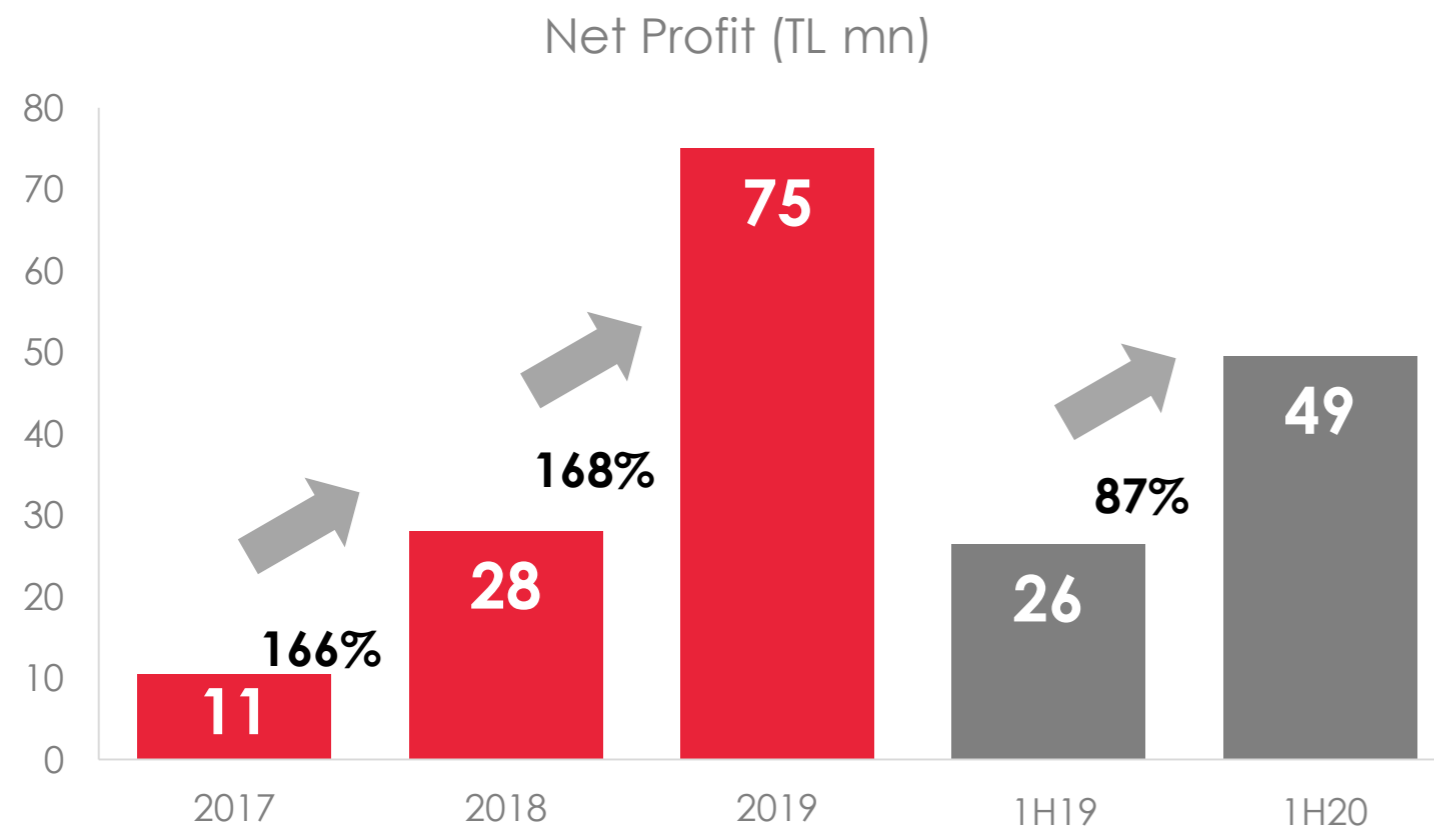
Production expenses to sales ratio decreased from 26.4% to 20% in the period thanks to the rise in sales volume, automation investments and increases in kilogram sales prices.

In this period, the ratio of raw material costs to sales decreased by 2%, thanks to the TL depreciation and increase in average sales prices with rising share of value-added products in the total product mix, and has positive contribution to the EBITDA margin.



Net Profit and Net Profit Margin

Capacity increases and CUR improvements resulted in sales growth and operational profitability improvement, which pave the way for higher net profit.



Covid-19 Impact

With Covid-19's initial severe and quick spread in China and Italy, the company decided to build inventory for raw materials and packaging items with three months' horizon for procurement and two months for security.

This was later also applied to other European countries for raw material supply and the company did not have production related disruptions in the period.

With respect to industry trends, switch to packaged products gained pace and due to lockdowns in April and May, demand was weak since working hours of supermarkets were restricted and children were not allowed to enter markets with general stay at home orders.







On exports side, there was no disruption in container shipments but there were some problems in trailer traffic in April and May. There were no problems in distribution to domestic market.

Despite Covid-19 impact, the company's y/y revenue growth was 41% in 1H20.

Production Capacity

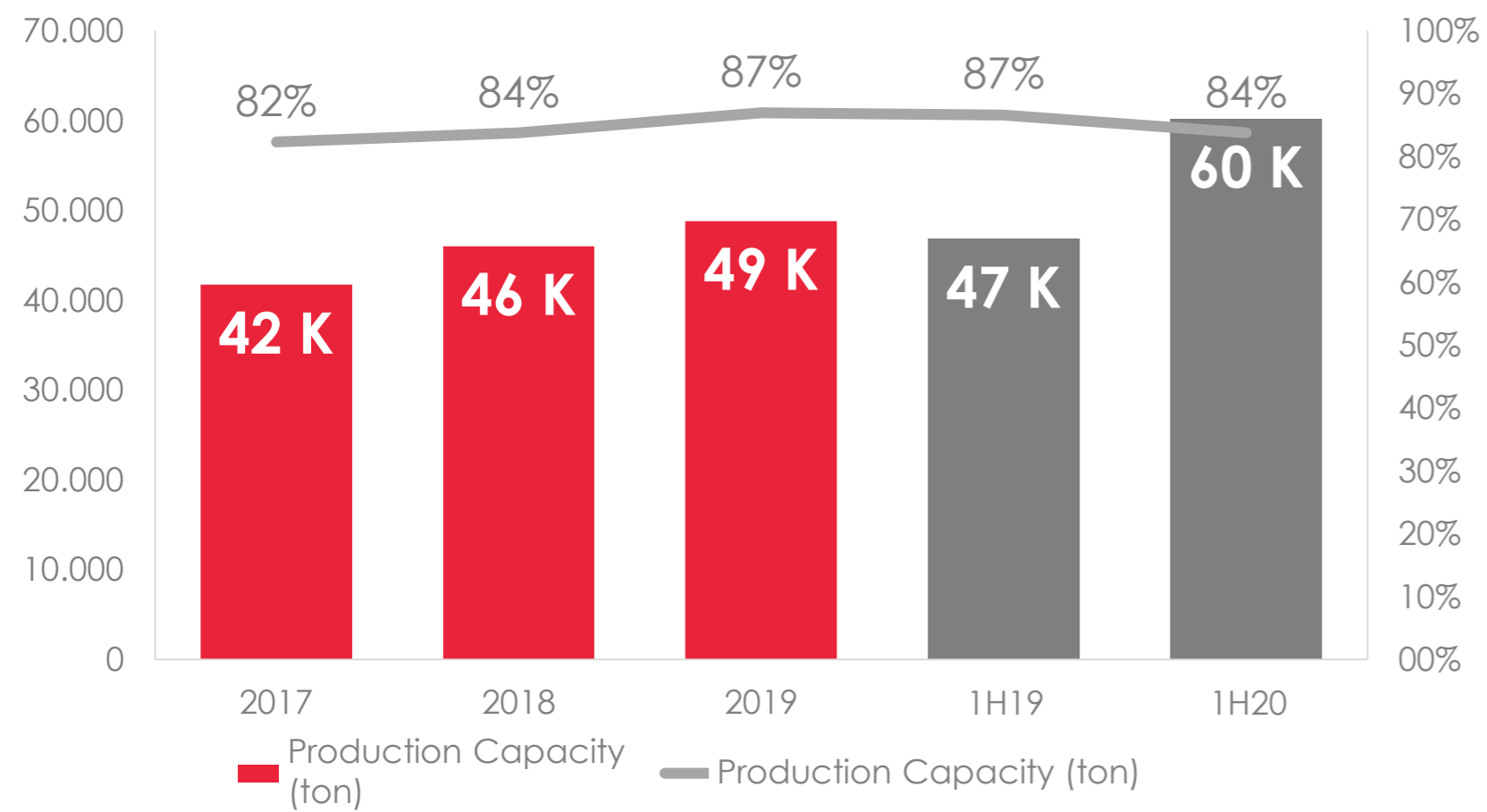
As of end-1H20, the company's ton and unit based capacities were 60,200 tons/year and 83.2mn units/year. Capacity utilization rates based on tons and units were 83.7% and 61.6%, respectively.

Completion of new jelly and licorice lines at end-2019 and new surprise egg (Cosby Fun) line in April 2020 led to capacity increases in 2020. The production capacity is targeted to reach 72,300 tons/year at end-2020, with the planned completion of new jelly and licorice lines.

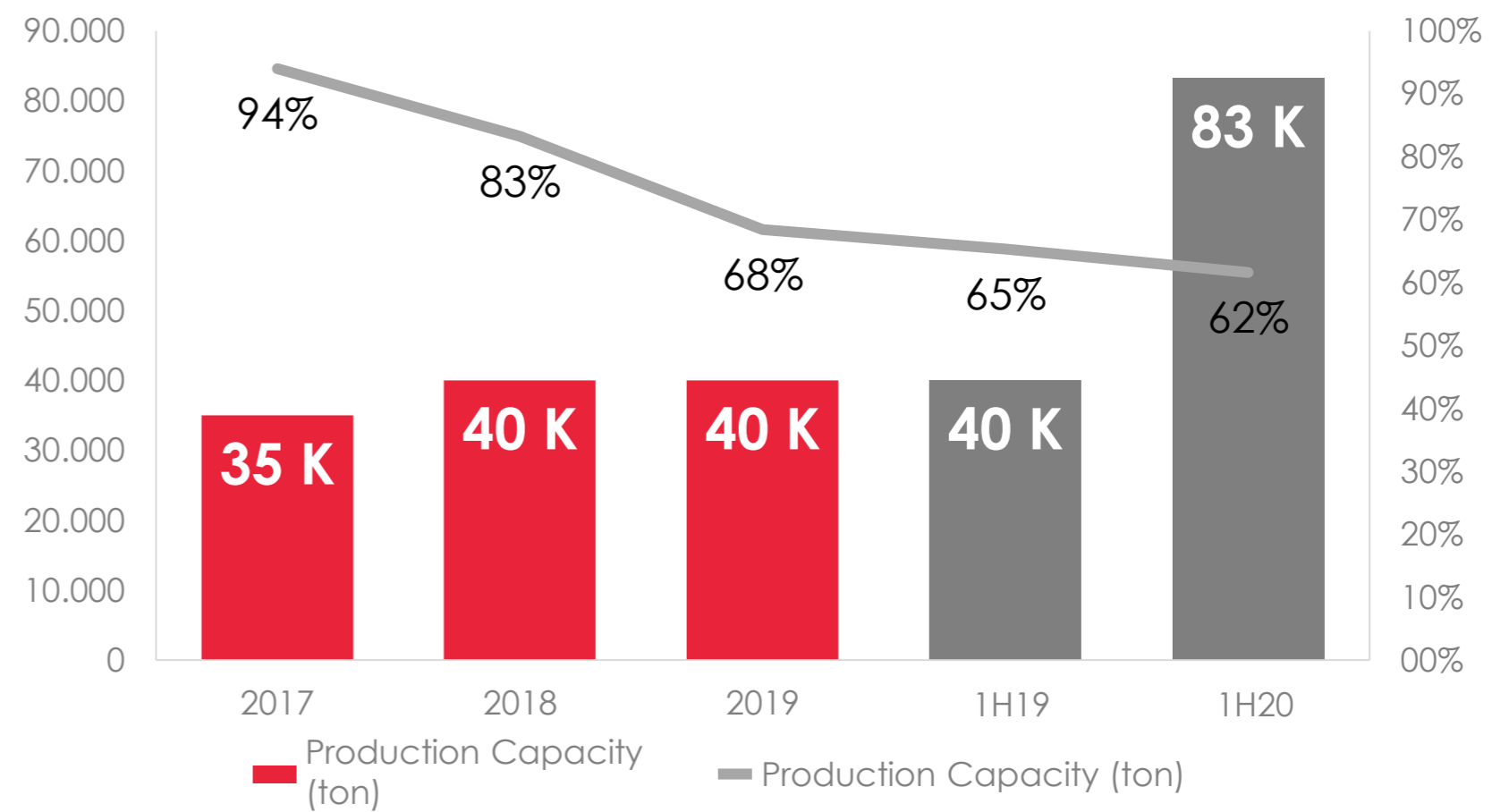
	2020		2019		2018		2017	
	1 January-30 June 2020	(%) Change	1 January-30 June 2019	1 January- 31 December 2019	(%) Change	1 January- 31 December 2018	(%) Change	1 January- 31 December 2017
 Production Capacity (Ton)	60,200	28.6%	46,800	48,800	6.1%	46,000	10.3%	41,700
 Production Capacity ('000 unit)	83,200	108.0%	40,000	40,000	0.0%	40,000	14,3%	35,000
 Sales (Ton)	25,186	24.3%	20,269	42,417	10.2%	38,485	12,1%	34,336
 Sales ('000 unit)	16,753	28.3%	13,060	27,361	-17.8%	33,267	1.1%	32,911
 Capacity Utilization Rate(Ton)	83.7%		86.6%	86.9%		83.7%		82.3%
 Capacity Utilization Rate(Unit)	61.6%		65.3%	68.4%		83.2%		94.0%

Capacity Utilization

Volume Based Capacity and CUR (%)







Unit Based Capacity and CUR (%)



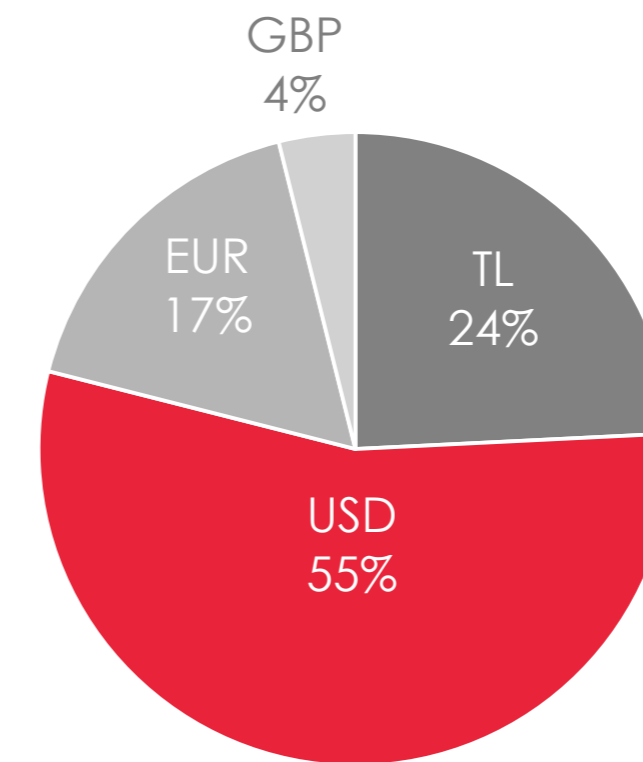
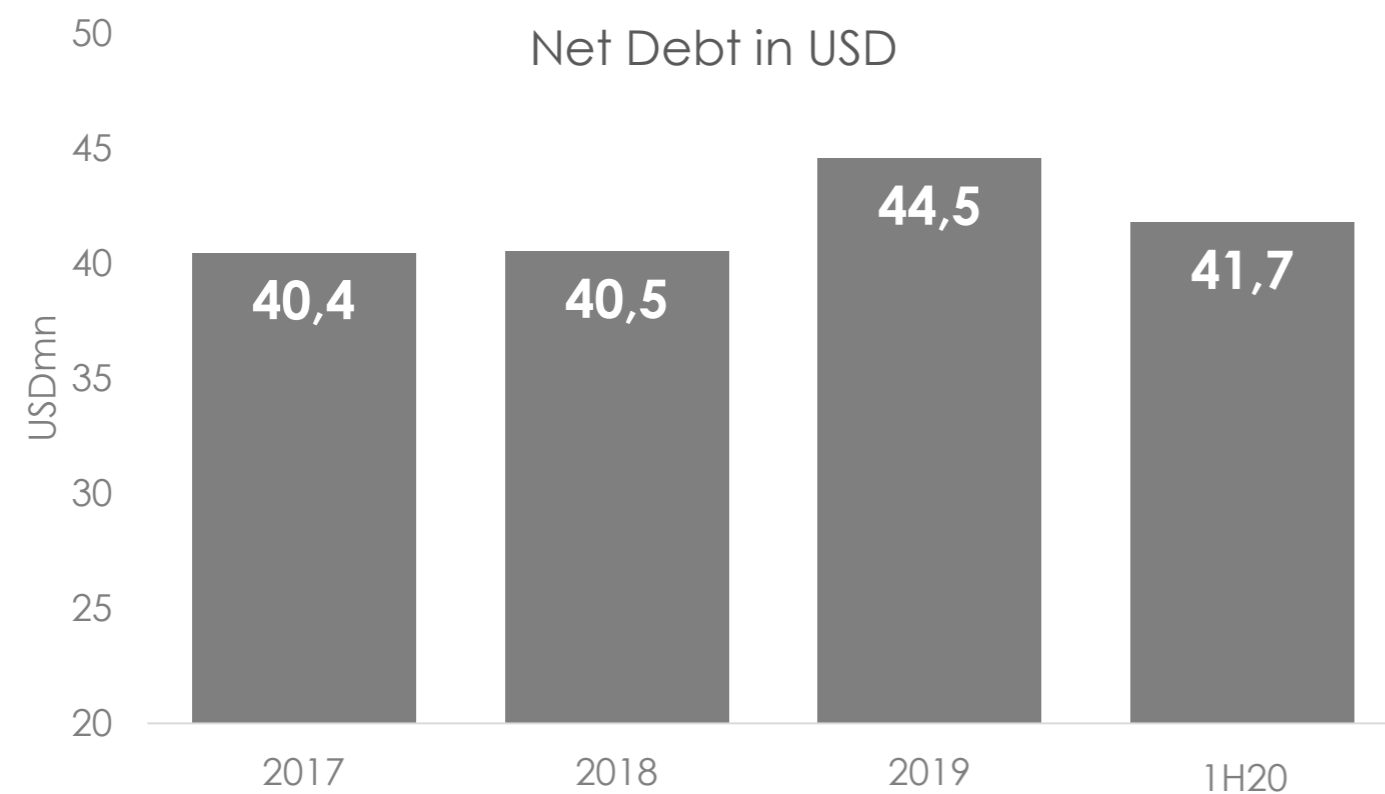
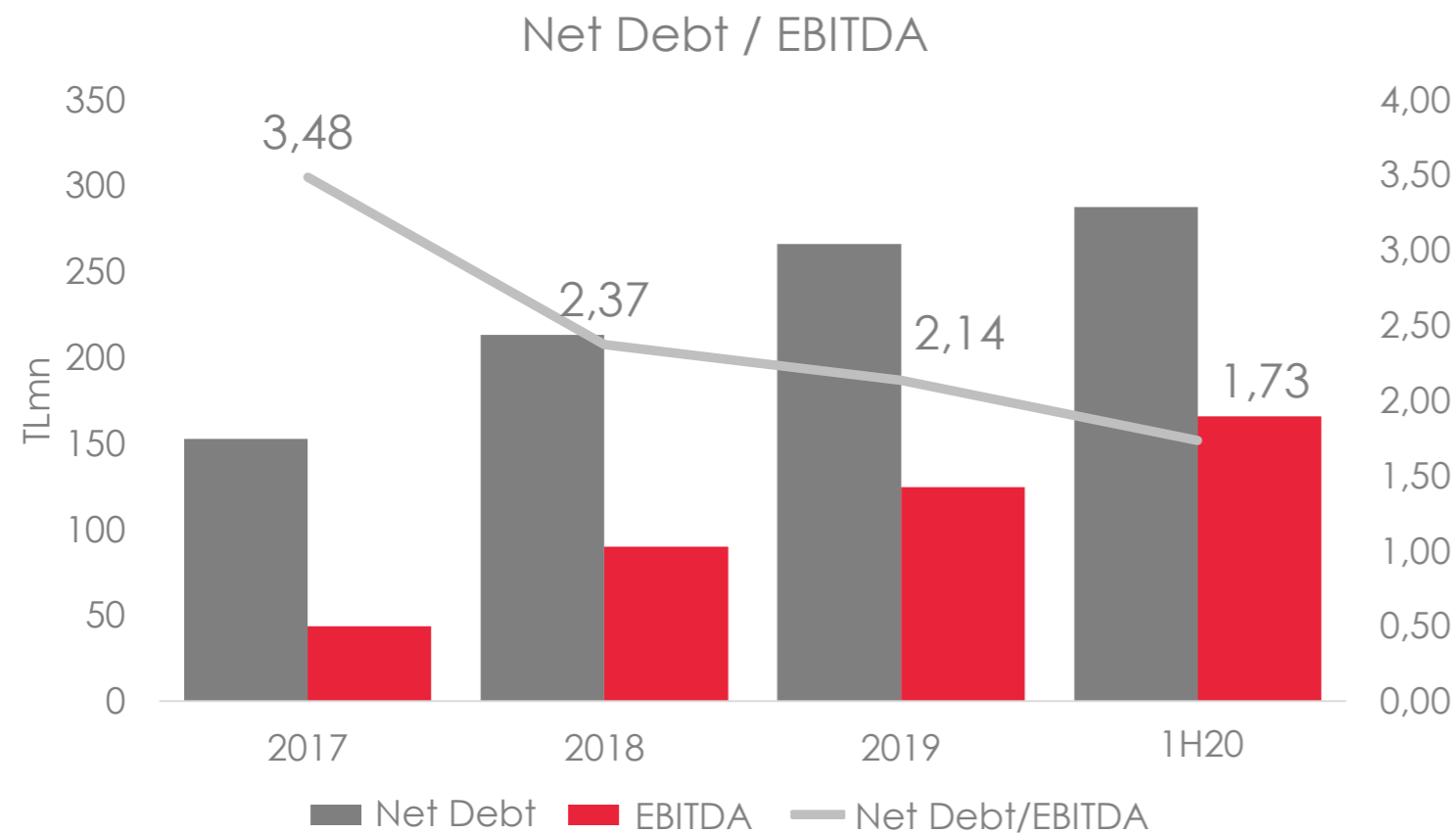
Capacity Utilization By Product

The capacity utilization rate of the jelly and licorice product groups, which make up 70.8% of the company's sales, was at 98.7% and 86.9%, respectively in 2020. Details on other product groups are shown in the below table.

					
Product Groups	Unit	Capacity (annual)	Production(1H20)	Capacity(1H20)	CUR
Jelly	Ton	34,000	16,781	17,000	98.7%
Licorice	Ton	10,000	4,346	5,000	86.9%
Marshmallow	Ton	4,200	884	2,100	42.1%
Gum	Ton	3,600	956	1,800	53.1%
Hard Candy	Ton	3,000	984	1,500	65.6%
Dragee	Ton	5,400	1,236	2,700	45.8%
Candy Toys	Adet	40,000,000	12,929,735	20,000,000	64.6%
Surprise Egg*	Adet	43,200,000	3,824,160	7,200,000	53.1%
	Ton	60,200	25,186	30,100	83.7%
	Unit	83,200,000	16,753,895	27,200,000	61.6%

*Surprise egg CUR was calculated with two months of capacity as Surprise egg line activated at the end of April 2020.

Indebtedness



The Company's end-1H20 net debt/trailing 12M EBITDA is 1.73x implying improvement compared to end-2017's 3.48x.

According to end-1H20 balance sheet, the company had net short FX position of TL92.5mn (USD8.1mn and EUR5.4mn).

As of end-1H20's financial loans' currency breakdown, USD, TL, EUR and GBP had respective shares of 55%, 24%, 17% and 4% with average funding costs of 2.9%, 8.6%, 2.7% and 2.2%, respectively.



CAPEX ON RISE

The company's capital expenditures have gained pace in the recent years

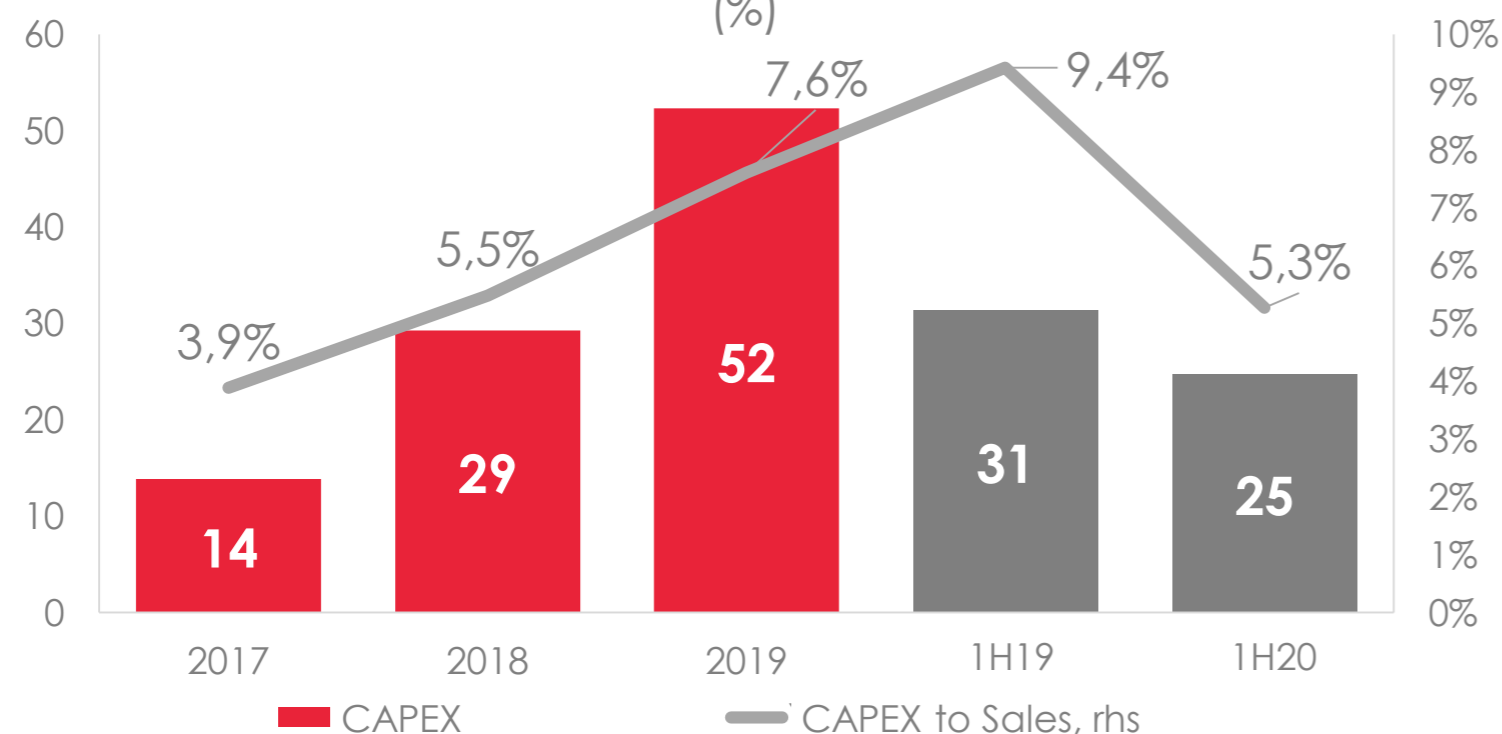
In 2017, the company's investments were mainly concentrated on new jelly line and Akhisar plant expansion.

In 2018, a plant was purchased for Ucantay and establishment of R&D center took place.

2019's investments included transfer of Ucantay's plant to Akhisar and new jelly and licorice lines.

In 2020, surprise egg line, OTC bottling line, warehouse construction in Akhisar and new plant acquisition in Akhisar were completed. Investments regarding fifth jelly and licorice lines and expansion of Akhisar plant area continue.

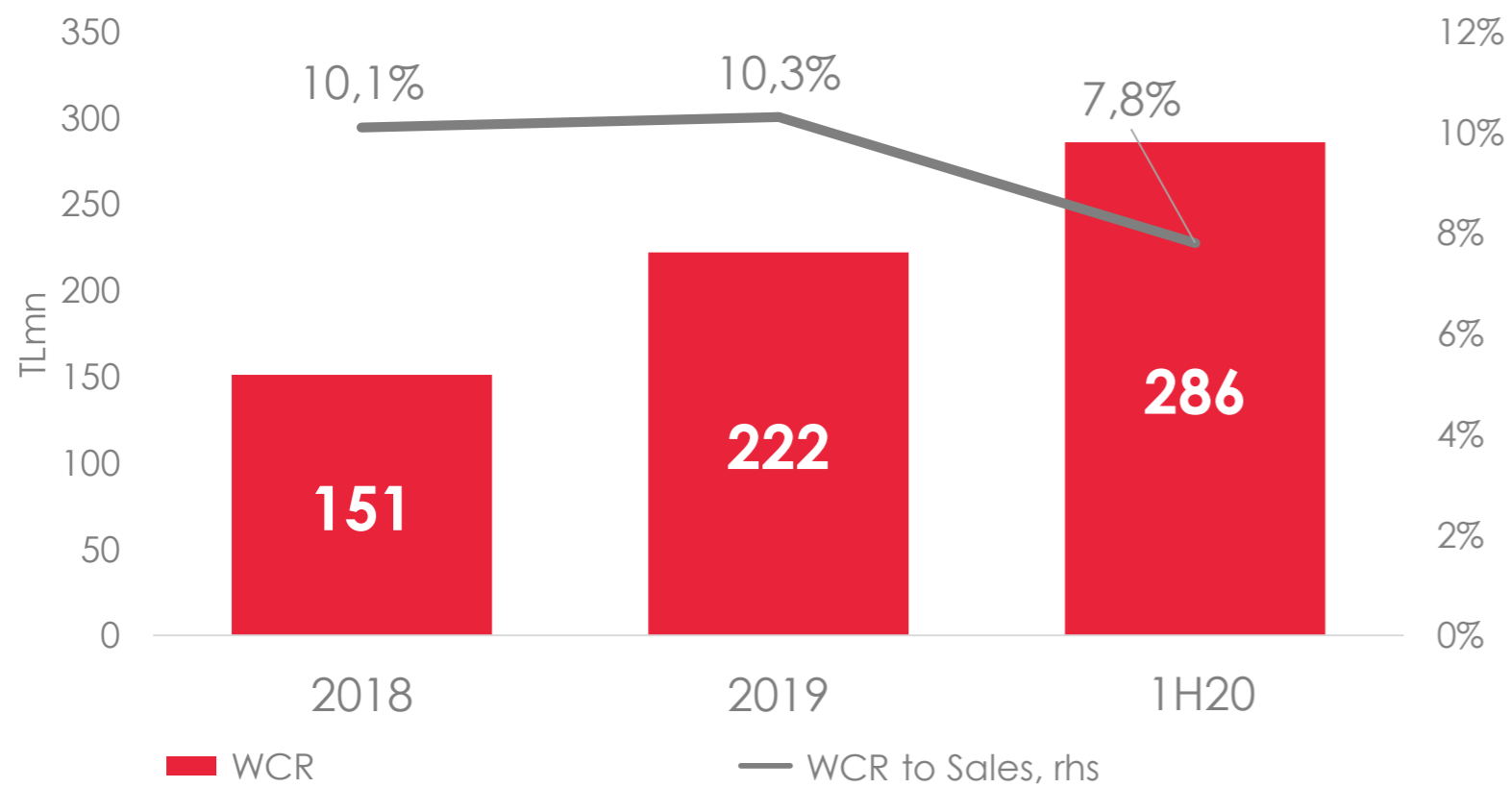
CAPEX Evolvment (TL mn) & CAPEX to Sales Ratio (%)



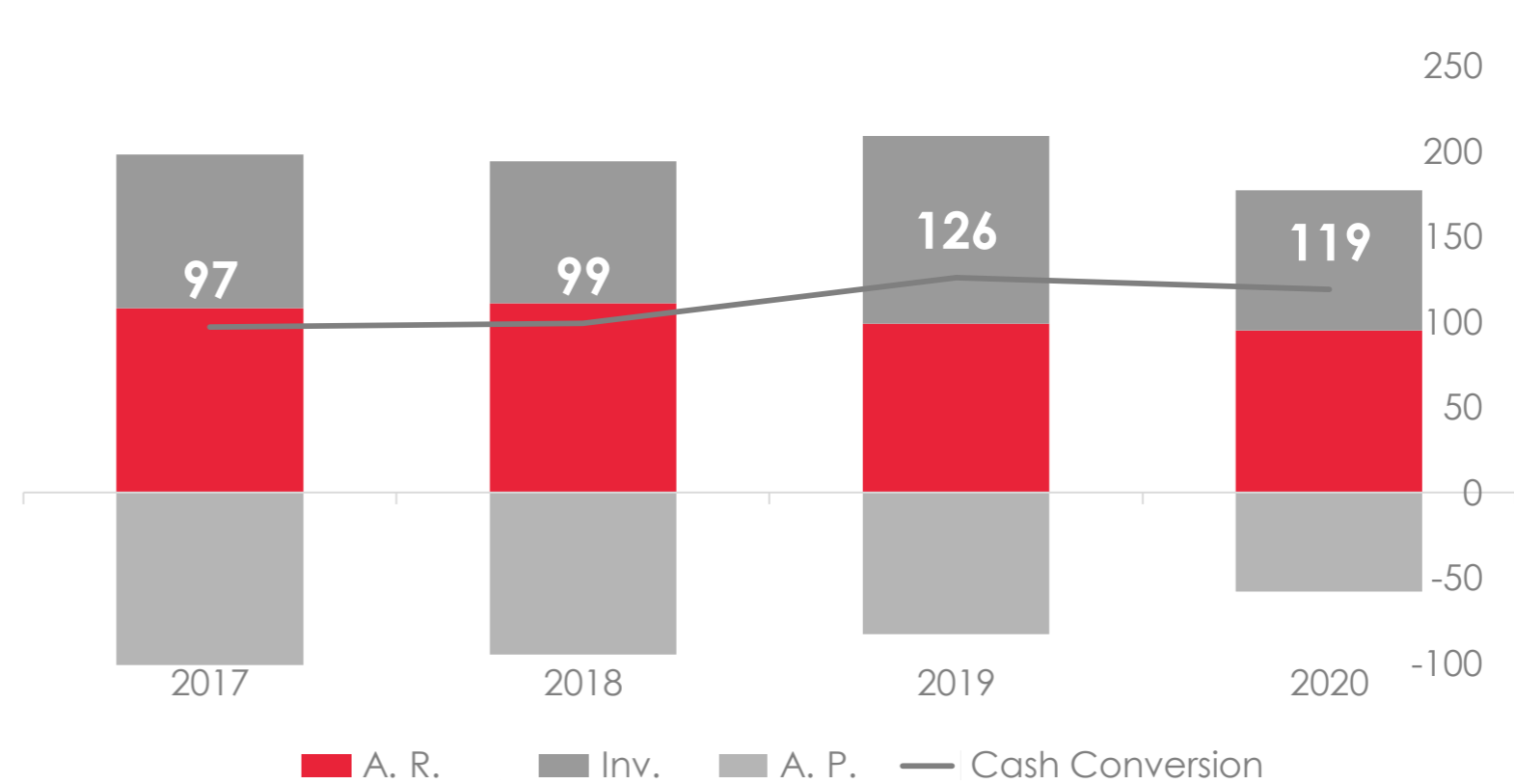
Working Capital



Working Capital Requirement (TL mn) & to Sales (%)



Cash Conversion Cycle



R&D Center



2018 R&D CENTER CERTIFICATE



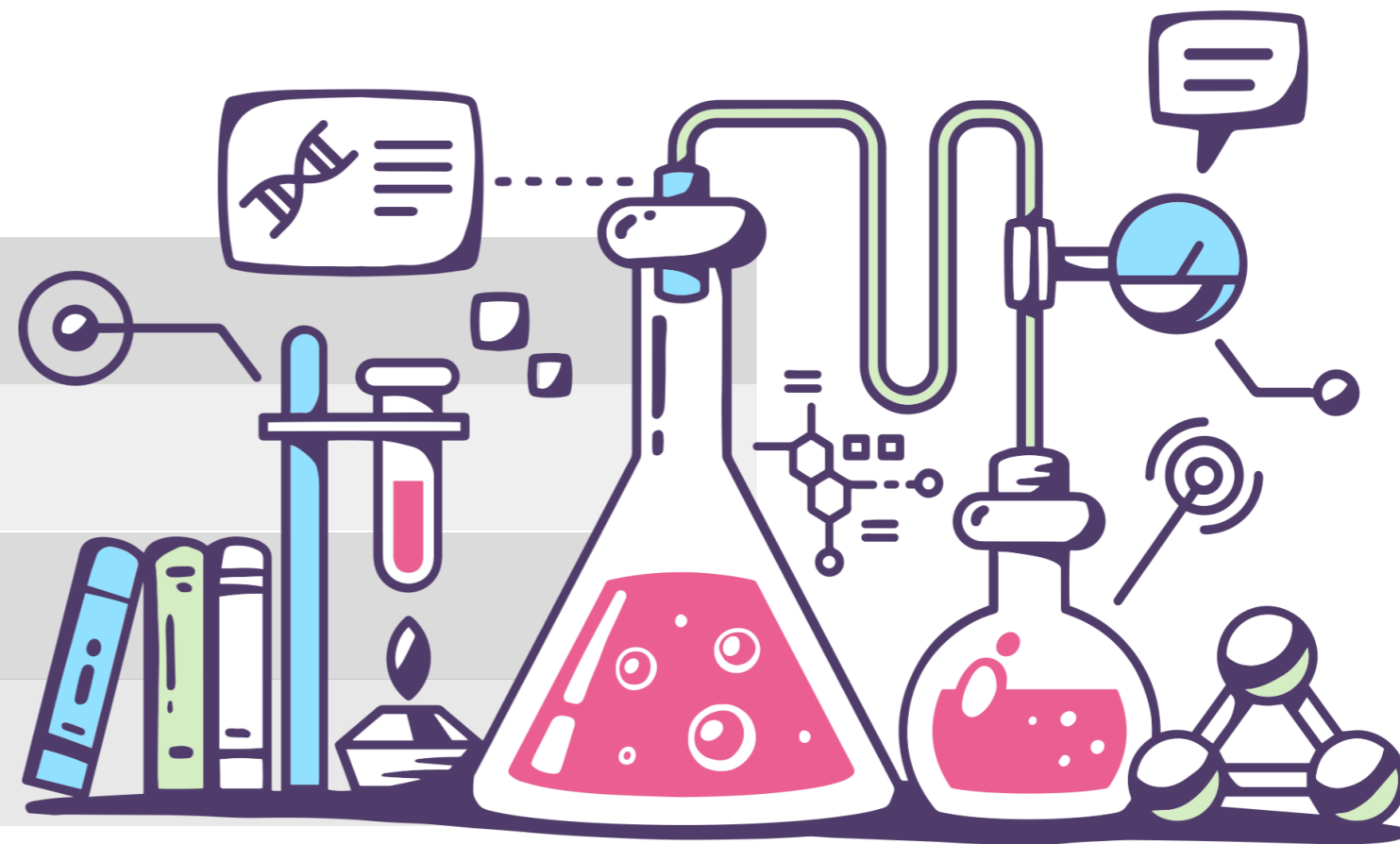
TURKEY'S 872th CENTER



14 Projects: 10 Ongoing, 4 Completed



R&D Expenses to Sales Ratio increases every year.



R&D Center Projects

Functional
Soft Candy
Product
Development



Gluten Free
Extruded Soft
Candy
Development



**Collagen and
Vitamin Rich**
Confectionery
Product
Development



**Probiotic, Sugar
Reduced Jelly**
Recipe and
Process
Development



Gelatin Free
Jelly
&
Jelly For
Vegetarian
Consumption



Product
Development
with Extrusion
Technology in
Natural Dried
Fruit Pulp
Products



2019

2020

INNOVATIVE PRODUCTS

Innovative Product Features

Jelly

Fruit juicy
NAF/NAC
Vegan
Vegetarian
Palm oil free
Reduced sugar
Organic
First ingredient fruit
Antioxidant
Fibre rich

Licorice

Fruit juicy
NAF/NAC
Vegan
Vegetarian
Palm oil free
Reduced sugar
100% Fruit (Dried fruit pulp)

Marshmallow

Fat Free

OTC

Collagen
Vitamin C
Vitamin D
Multivitamin
Omega 3

Innovative Products

Soft candy

With Vitamin

Fruit juicy

Natural colors ve flavor

Food supplement

Daily vitamin requirement
can be met with
2 soft candies



OTC – Private Label



Innovative Products

Vegan



Reduced Sugar



Organic



Branding



2010

As being the “**National brand building program**”,

TURQUALITY®, It is the first and only state-sponsored branding program in the world.

BEBETO

Our Certificates

TÜRK STANDARDLARI ENSTİTÜSÜ
HELAL UYGUNLUK BELGESİ
 معهد المقاييس التركية
 شهادة المقاييس الحلال
TURKISH STANDARDS INSTITUTION
HALAL CERTIFICATE OF COMPLIANCE

BELGE NUMARASI
 REFERENCE NUMBER OF LICENCE: 008002-HG-02/01

BELGENİN İLK VERİLİŞ TARİHİ
 DATE OF FIRST ISSUE OF LICENCE: 10.09.2018

BELGENİN SON GEÇERLİLİK TARİHİ
 LICENCE VALID UNTIL: 10.09.2021

BELGE SAHİBİ KURULUŞUN ADI
 NAME OF THE LICENCE HOLDER: KERVAN GIDA SANAYİ VE TİCARET ANONİM ŞİRKETİ

BELGE SAHİBİ KURULUŞUN ADRESİ
 ADDRESS OF THE LICENCE HOLDER: YAKUPLU MAH/SEMT FUAR CAD. -- NO:9 /1 BEYLİKDÜZÜ
 İSTANBUL/TÜRKİYE

ÜRETİM YERİ ADI
 NAME OF THE MANUFACTURING PLACE: KERVAN GIDA SAN. TİC. A.Ş.

ÜRETİM YERİ ADRESİ
 ADDRESS OF THE MANUFACTURING PLACE: AKHİSAR ORG. SAN. BÖLGESİ 3. CADDE NO:8 KAYALIOĞLU
 AKHİSAR MANİSA MANİSA/TÜRKİYE

İPTAL EDİLEN BELGE NUMARASI (Varsa)
 INDICATION OF SUPERSEDED LICENCE (if any):

TESCİLLİ TİCARİ MARKASI
 REGISTERED TRADE MARK: BEBETO

İLGİLİ TÜRK STANDARDI
 RELATED TURKISH STANDARD: TS OIC/SMİIC 1 / HELAL GIDA GENEL KILAVUZU / 14.07.2011

BELGE KAPSAMI
 SCOPE OF LICENCE: ŞEKER VE ŞEKERLEME MAMULLERİ ÜRÜN GRUBUNDA:
 -YUMUŞAK ŞEKER

İSTANBUL
 11.09/2018
 Belgelendirme Merkezi Başkanı Adına
 ÖZTÜRK GÜLKAN
 HELAL BELGELENDİRME MÜDÜRÜ V.

<https://evrakkontrol.tse.org.tr/BelgeDogrulama.aspx?p=fwqq5g1> adresinden belgenin doğruluğunu ve geçerliliğini sorgulayınız.

Bu belge, T.C. Diyanet İşleri Başkanlığının dini danışmanlığı çerçevesinde, Türk Standardları Enstitüsü tarafından verilmiştir.
 This certificate is issued by Turkish Standards Institution under the consultancy of The Turkish Republic Presidency of Religious Affairs.
 تم إصدار هذه الشهادة من قبل معهد المقاييس التركية تحت إشراف دينية من رئاسة الشؤون الدينية التركية.



Global Business Partners



International Products In Shelfs



International Products In Shelfs



International Products In Shelves



Walgreens



International Products In Shelves



TESCO



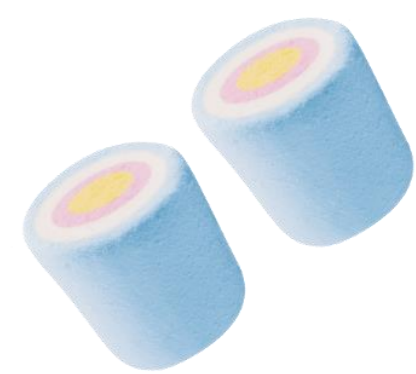
International Products In Shelfs



International Products In Shelfs



International Products In Shelfs



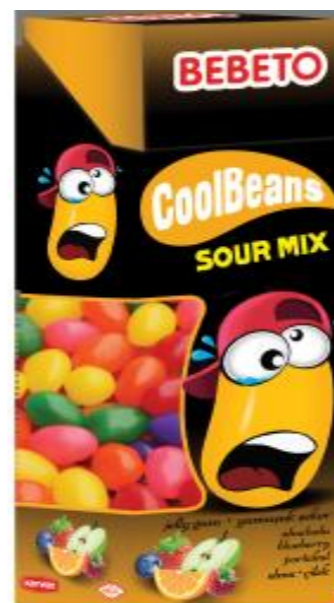
International Products In Shelves



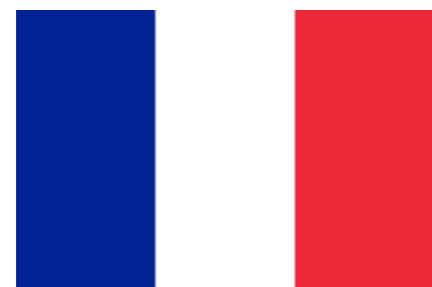
International Products In Shelfs



International Products In Shelfs



International Products In Shelfs



E.Leclerc 



International Products In Shelfs



ICA



International Products In Shelfs



Thank You



Disclaimer

The draft Offering Circular regarding the planned public offering of Kervan Gıda is currently being reviewed by the Capital Markets Board and has not been approved yet by the Capital Markets Board. The Offering Circular to be finalized following the approval of the Capital Markets Board will be separately announced. Any investment decisions within the scope of public offering must be made following the approval of the Capital Markets Board and the investors must base such decisions on the evaluation they have made on the final Offering Circular.

