Donuk Fırıncılık Ürünleri Sanayi ve Ticaret A.Ş.

Valuation Report

Private & Confidential

KPMG Turkey | Corporate Finance | Valuation Advisory Services

31.03.2023

KPMG Yönetim Danışmanlığı A.Ş.
İş Kuleleri, Kule 3, Kat:1-9,
Levent, Beşiktaş, 34330 İstanbul
Telephone +90 (212) 316 60 00
Telefax +90 (212) 316 60 60

To the Board of Directors of Kerevitaş Gıda Sanayi ve Ticaret A.Ş.

KPMG Yönetim Danışmanlığı A.Ş. (hereinafter also referred to as "KPMG" or "we") was appointed by Kerevitaş Gıda Sanayi ve Ticaret A.Ş. ("the Client" or "Kerevitaş") to assist in performing to estimate the fair equity value range of Donuk Fırıncılık Ürünleri San. Ve Tic. A.Ş. ("the Company" or "Donuk Fırıncılık") as of 31 December 2022 ("Project). The formal relationship between Kerevitaş and KPMG has been established in the Engagement Letter and includes an arrangement for the responsibilities, indemnification and liabilities. This Report has been prepared in line with the information provided by the Company, then reviewed and challenged by KPMG through publicly available information as well as sector insight and historical performance of the Company.

This Report has been prepared in accordance with the rules specified in the ‘’Principles to be Followed in the Valuation of Non-Real Estate Assets within the Scope of Capital Market Legislation’’ in the Announcement made pursuant to the CMB Decision Making Body dates 11.04.2019 and numbered 21/500. As well, this Report has been prepared within the scope of International Valuation Standards ("IVS") in accordance with the Communiqué on "Valuation Standards in the Capital Markets" numbered III.62-1 of the Capital Markets Board of Turkey (“CMB”) and is in compliance with IVS standards in all aspects.

This report has been prepared in line with the information provided to us by Donuk Fırıncılık Management and considering the information available to the public. During the study, Donuk Fırıncılık's independently audited financial statements prepared by the independent audit firm PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. for the years 2019 - 2022, Corporate Tax Statement for the years 2020 - 2021, management-based for the years 2019 - 2022, management reports and business plan for the future were used.

This valuation analysis has been primarily based on the historical financial statements in line with independently audited financial statements of the Company together with forecasted financial information which have been provided to us by the Company Management. Historical financial statements and other financial information of Donuk Fırıncılık have not been audited separately by us in accordance with the principles of independence. The projections provided have been analyzed within the framework of Donuk Fırıncılık's historical performances, our experience in the sector and publicly available data, discussed with the Company management and adjusted where deemed necessary.

The valuation methods used in the analysis do not conform to any generally accepted audit standards and do not include a comprehensive or limited audit study. In the project, it is assumed that the information provided to us is complete and accurate, and no financial review or status detection study has been conducted beyond access to publicly available information. Therefore, we do not express an opinion or assurance on the financial statements. In this regard, we would like to draw your attention to the fact that there will usually be differences between prospective and actual results, because events and circumstances ordinarily do not occur as expected, and those differences may be material. Company Management have the sole responsibility for the application and implementation of the forecasted financial statements and their assumptions. KPMG has no responsibility for the application and realization of these assumptions.

Our valuation report has been prepared for the purpose of estimating the fair value range of Donuk Fırıncılık as a reference for Kerevitaş management during the possible acquisition of Donuk Fırıncılık shares. It is not intended for any other purpose and is limited to the internal use of Kerevitaş. Otherwise, it cannot be shared with third parties outside of these entities and may not be partially or wholly reproduced, distributed, or referred to without the written permission.

It should be noted that our findings do not constitute a recommendation or advice as to the acceptance or rejection of any offers that may be made by Kerevitaş. Decisions to offer the value range resulting from the valuation analysis to potential buyers will be made entirely by the Client. We would like to note that potential investors' risk criteria, investment and strategic objectives, country and economic expectations, commercial and operational synergies will affect the operational value they will calculate and/or offer and may vary according to the timing. The addressee of this report will be Kerevitaş.

İstanbul, 31 March 2023

KPMG Yönetim Danışmanlığı A.Ş.

Hande Şenova

Head of Valuation Department, Partner

01

Report Information

Report Information (1/2)

Report Parties	This valuation report has been prepared by KPMG Yönetim Danışmanlığı A.Ş., a resident of Levent, İş Kuleleri, Kule 3, Kat: 1-9, 34330 Beşiktaş / İstanbul. Valuation analysis presented in this Report has been prepared for Kerevitaş Gıda Sanayi ve Ticaret A.Ş. a resident of Kısıklı Mah. Ferah Cad. Yıldız Holding Placid Block No:1/A Üsküdar. The company subjected to Valuation Analysis is Donuk Fırıncılık San. Ve Tic. A.Ş.
About Contract	The contract was signed by parties on 18 November 2022 The contract number is specified as 202211K11648306, the report number is the same with the contract number.
Relationship Between Parties	No valuation studies have been carried out for Kerevitaş in the past years. However, valuation reports were prepared for internal and private use on behalf of Yıldız Holding A.Ş which is the parent company of Kerevitaş Gıda Sanayi ve Ticaret A.Ş.
Valuation Purpose and Scope	Our valuation report has been prepared for internal use of Kerevitaş Management to estimate the fair equity value range of Donuk Fırıncılık.
Value Basis	The value base in this report is "Fair Value." Fair value is defined in International Valuation Standards, with reference to IFRS 13, as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.'
Valuation Methods Used	The methods used in the valuation study are presented as : • Discounted Cash Flow Analysis • Comparable Companies Multiples • Comparable Transactions Multiples • Considerations regarding the used valuation methods are presented in page 16.
Valuation Date	Valuation Date is 31 December 2022.
Principles Regarding, Distribution and Publishing of Report	Our valuation report has been prepared for the use of Client Management. This Report may only be shared with legal and regulatory institutions (such as the Capital Markets Board, Borsa İstanbul A.Ş., etc.) in accordance with its intended purpose. It cannot be shared with third parties outside of these entities and may not be partially or wholly reproduced, distributed, or referred to without the written permission of KPMG. KPMG does not accept any responsibility regarding decisions that third parties may make regarding our report.

Report Information (2/2)

Information Provided by the Client	• Independent audit reports for the years of 2019, 2020, 2021 and 2022. • Corporate Tax Statements for the years of 2020 and 2021. • The Draft Corporate Tax Statement for the year of 2022 • Financial statements for the years of 2019, 2020, 2021 and 2022, prepared in the framework of Management reporting • Income, Operating Profit and CAPEX projections for the years of 2023-2027
Information from Third Parties	• Capital IQ – WACC Calculation, Comparable Companies Analysis, BİAŞ Values • Economist Intelligence Unit ("EIU") Macroeconomic data • KPMG Database – Country risk premium and Country risk premium calculation • Public Disclosure Platform ("KAP") – Financial statements of publicly traded companies.
Project Team	• This valuation report was prepared by Burak Şahin, Gökhan Kalkan (CMB License No: 214097) and Yusuf Öğdük under the leadership of Hande Şenova on behalf of KPMG Yönetim Danışmanlığı A.Ş.
Our Statement within the Scope of Compliance with International Valuation Standards	• This report has been prepared in accordance with the International Valuation Standards ("IVS"), as required by the Capital Markets Board's ("CMB") Communiqué III.62-1 on "Valuation Standards in the Capital Markets". We declare that this report is fully compliant with IVS standards. • Furthermore, this report has been prepared in accordance with the principles stated in the announcement titled "Principles to be Complied with in the Valuation of Assets Other Than Real Estate within the Scope of Capital Market Legislation," which was issued by the CMB's Decision Board on 11.04.2019 under Decision No. 21/500. • We also meet the necessary criteria set forth by the CMB's Decision Board under Decision No. 21/500, allowing us to provide valuation services for assets other than real estate within the scope of capital market legislation.
Declaration of Independence	• The project team that carried out the valuation declares that they have all the necessary technical qualifications, experience, and knowledge to conduct the valuation in all its aspects and that they have adhered to independence principles. • During the course of the project, the project team acted with honesty and integrity, taking care to avoid any actions that would harm the shareholders and other stakeholders of the companies. The work was conducted with independence and impartiality, and the necessary care and diligence were exercised in this regard. • The project team showed the necessary professional care and diligence in planning, executing, and finalizing the project and preparing the report.

02

Executive Summary

Executive Summary

Overview

- This valuation report was prepared to estimate the **fair equity value range** of Donuk Fırıncılık. The estimated value is presented in a certain range by sensitivity analysis.
- Valuation date is **31 December 2022**. The valuation analysis has been performed in Turkish Lira (TL), the currency that best reflects the Company's operations.
- Internationally accepted valuation methods have been applied in the valuation study. **Discounted Cash Flows (DCF) (pages 19-23)** as income approach and **Comparable Companies and Comparable Transactions (pages 24-27)** as market approach are analyzed.

International Valuation Methods Applied

i. Income Approach

In the DCF method, the estimated cash flows are discounted to the valuation date, resulting in the present value of the Company. The cash flows for the estimated period and thereafter are discounted to the Valuation Date using a discount rate that reflects both the time value of money and the risks associated with the business plans, resulting in a net present value.

ii. Market Approach

Market approach refers to the approach in which the indicative value is determined by comparing the asset with the same or similar companies for which market cap information is available. Within the scope of the market approach, publicly traded companies whose shares are traded on Turkish and foreign stock exchanges (pages 25-26) and mergers and acquisitions in the same sector (page 27) are analyzed.

Net Sales and EBITDA multiples were analyzed for benchmark companies as comparison units. When identifying comparable companies and transactions, it is significant to note that benchmark companies should have similar operations and product portfolios, operate in similar geographies and have similar profitability ratios. Sometimes, different legal regulations and incentives in different countries may not make the comparison meaningful.

ii. Market Approach (continued)

In our analysis, comparable companies and transactions that carry out similar activities and operations with Donuk Fırıncılık were analyzed. Since the business models of the identified companies are not directly comparable due to the above mentioned factors, they could not be directly taken into consideration in the valuation result range.

Comparable Companies

It is observed that the median range of the last 12 months between 2020 and 2022 of the identified publicly traded comparable companies is between 8.0x - 11.7x and the EV/Net Sales multiples is between 0.6x - 0.9x (page 25). Since the operating models of the comparable companies do not match with Donuk Fırıncılık and they are at different maturity levels, the comparable companies analysis is not taken into consideration in the final value conclusion range. In addition, the EV/EBITDA multiples of publicly traded companies in the food sector in Turkey have been analyzed. Between 2020 and 2022, the median range was 10.9x - 12.8x in terms of the EV/EBITDA multiples. The median of the EV/EBITDA multiples of publicly traded companies in the food sector in Turkey is not included in the final value range due to operational and product portfolio differences with Donuk Fırıncılık. (page 26)

Comparable Transactions

In addition to the analysis of comparable companies, the valuation study analyzed the merger and acquisition transactions of companies operating in a similar sector to Donuk Fırıncılık (page 27). It is observed that the average EV/EBITDA multiple of the limited number of transactions was 12.9x and the average EV/Net Sales multiple was 0.9x. On the other hand, it is observed that Donuk Fırıncılık's reversed EV/EBITDA multiple for 2022 converges to the average multiple with 13.8x, based on the INA analysis. Since the geographies and the content of the operations of benchmark transactions do not match Donuk Fırıncılık, the comparable transaction analysis is not taken into consideration in the final conclusion range.

Executive Summary

Matters to be Considered and Important Assumptions

Operational Information

In July 2021, Donuk Fırıncılık signed a distribution contract with G2M which is a Group company of Yıldız Holding A.Ş. G2M has a distribution channel with a wide network of more than 100 vehicles and 9 warehouses, bridging the gap between producers and sellers in 81 cities. According to the information received from the Company Management, G2M delivers Donuk Fırıncılık's products into approximately four thousand points. Operational efficiency is expected to increase due to transfer of Donuk Fırıncılık's sales and marketing channel to G2M. The collection will be made by G2M from customers therefore G2M will be responsible to Donuk Fırıncılık.

On 2 January 2023, Donuk Fırıncılık has issued and signed the contract with G2M for an indefinite period. Pursuant to the new agreement, the maturity of trade receivables will be 60 days from the written confirmation of receipt of the delivery note invoice to the G2M and 105 days for Carrefour A.Ş. as well as one of Bakeoff's customers. In addition, we have been informed that the price list of products is determined within the framework of competitive market conditions.

According to the information obtained from the Company Management, the majority of total sales are realized to G2M. As of 31 December 2022, according to the independent audit report, 72% of the Trade Receivables balance consists of G2M and Duru G2M Gıda Dağıtım ve Pazarlama ve Ticaret A.Ş.

Tonnage and Capacity Utilization

In 2019, before the pandemic, the Company's sales tonnage was 17 thousand tons. In 2020-2021, due to the pandemic conditions, the sales tonnage remained below the sales tonnage realized in 2019 which was 12 thousand tons. As of mid-2021, sales volumes started to increase and 15 thousand tons of sales were realized in 2022. However, according to the information shared by the company management, orders could not be fully met in 2022 due to insufficient capacity in the Portion Breads and Sandwich Breads (Hamburger-Toast) categories. During the projection period, investments will be made to increase the production capacity of Portion Bread and Sandwich Bread products.

The Company's capacity and capacity utilization rate information was provided only for 2022. For the relevant period, the Company's current capacity was 22,743 tons and the Capacity Utilization Rate was realized as 66% by producing 15 thousand tons. Detailed product-based sales volume forecasts are presented on page 31.

Unit Price

According to data published by TurkStat (Turkish Statistical Institute) in 2021-2022, food inflation was 86%. Due to the inflationary environment, the prices of the 6 products produced increased by 99% to 144%, remained above the food inflation in the same period. The Company management stated that the price increases in 2021-2022 are mainly due to the reflection of price increases in raw materials.

The price increase in products such as; baguettes, bagels and large bread was relatively lower, while the price increase in high value-added bakery products was higher.

Growth Goals

The Company plans a total of TL 170 million in capital expenditures (page 39) for capacity expansion during the projection period. By the end of 2023, production capacities in portion bread and sandwich bread channels are expected to increase with the SPL line and Toast-Hamburger line investments. With these line investments, production capacities in portion bread and sandwich bread channels are expected to increase and the capacity is expected to reach 42,506 tons by the end of 2023. During the projection period, the Company aims to increase its production capacities through production line investments and to increase its sales through marketing and sales channels strengthened by the contract with G2M company.

Unit prices are prepared by the company based on EIU inflation data (page 20). According to the information shared by the company management, PPI (Producer Price Index) for flour, oil and yeast was twice the CPI (Consumer Price Index). In addition, due to 3 different price transitions in 2022, there is a difference between December 2022 prices and the average unit price of 2022. For these reasons, a price increase above inflation is expected in 2023. In the 2024-2027 periods, price increases are expected to be in line with inflation.

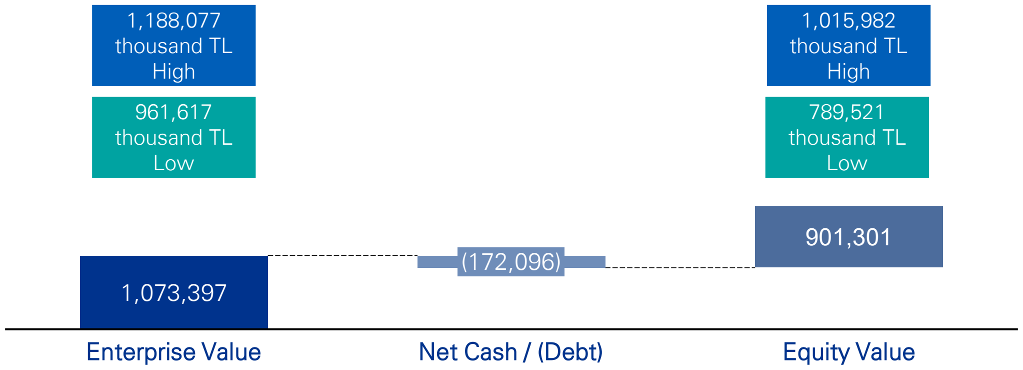
Company Insights

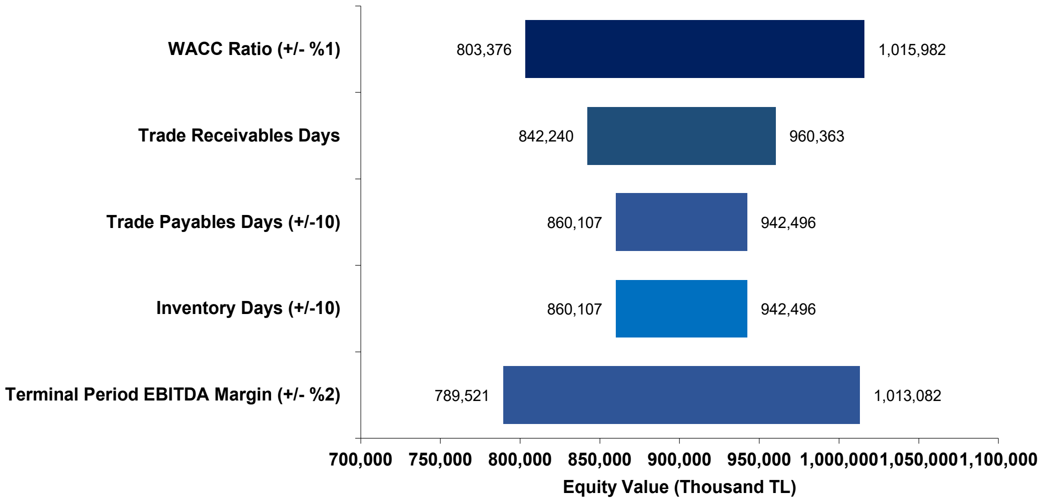
The projections provided have been analyzed within the framework of Donuk Fırıncılık's historical performances, our experience and publicly available data, discussed with the Company management and adjusted where deemed necessary. The Company's original projections and the results of the DCF analysis are presented on page 29. The significant differences between the business plans based on the valuation are the EBITDA margin targeted to be reached in 2027 and working capital turnover days.

Source : TÜİK Website

Executive Summary

Valuation Result





Result of Value Range:

- As a result of the valuation analysis, the enterprise value of Donuk Fırıncılık as of December 31, 2022 is estimated between TL 961,617 thousand and TL 1,188,077 thousand with a midpoint of TL 1,073,397 thousand.
- As of the valuation date, after deducting net debt amounting to TL 172,096 thousand (page 36), the equity value is estimated to be between TL 789,521 thousand and TL 1,015,982 thousand with a midpoint of TL 901,301 thousand.
- In case of any transaction, the net debt/cash balance should be checked and revised as of the transaction date.

Sensitivity Analysis:

- Sensitivity analyses were performed for important variables that may affect the company value in the DCF analysis. Enterprise value is sensitive to WACC, Trade Receivables Days, Trade Payables Days, Inventory Days and Terminal Period EBITDA margin.
- Since the effects of the contract signed with G2M in July 2021 will be observed in 2022, the sensitivity of Trade Receivables Days, Trade Payables Days and Inventory Days as of 31.12.2022 was tested as ±10 days. In addition, the sensitivity of the Terminal Period EBITDA margin was analyzed since 84% of the enterprise value is estimated to occur in the final period.

kpmg.com/socialmedia

kpmg.com/app

Download on the App Store