



# TURQUOISE PARTNERS

Unlocking The Iranian Market

March 2015



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- ◆ The Iran Opportunity
- ◆ Tehran Stock Exchange
- ◆ Privatisation Programme
- ◆ Turquoise Partners





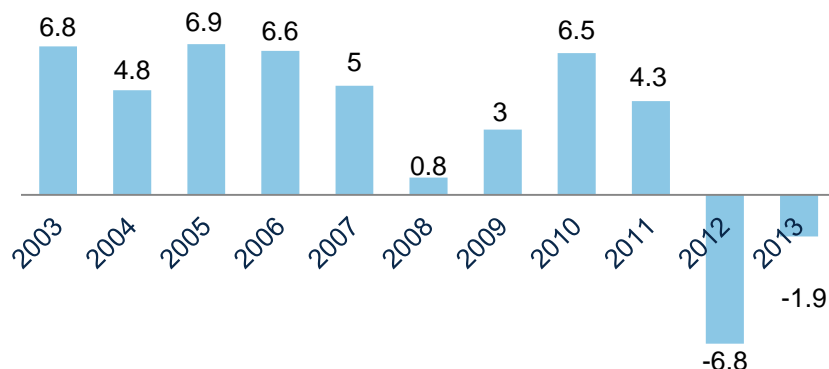
- ◆ Vast energy and natural resources
- ◆ Demographic trends: young and well-educated population
- ◆ Appetite for a more liberalised and privately-owned economy
- ◆ Strategic geographical location (Middle East, Persian Gulf, Central Asia, Caspian Sea)

# The Potential of Iran: Macroeconomics

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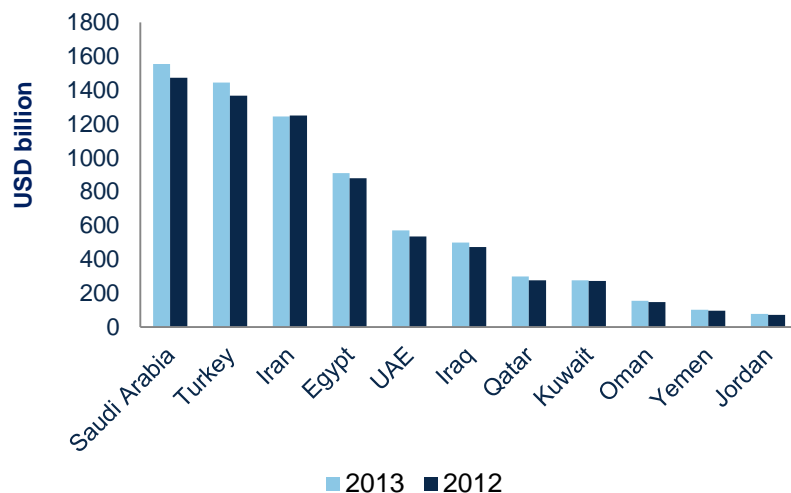


## Real GDP growth

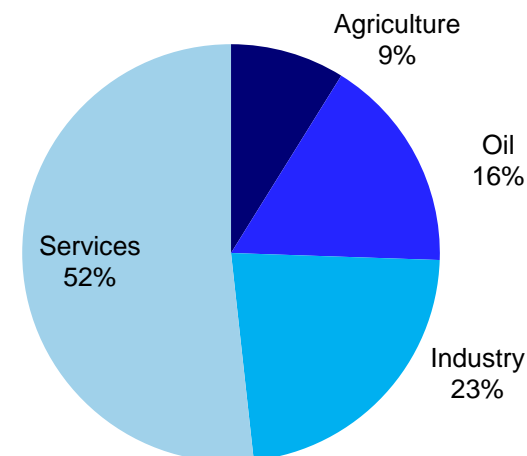


- ◆ 2013 GDP at PPP: \$1244 billion (18th in the World)
- ◆ 2013 GDP per capita at PPP: \$16,165
- ◆ After Saudi Arabia and Turkey, Iran has the largest economy in PPP terms in the Middle East and Central Asia region with sizeable and diversified non-oil sector

## GDP (PPP)



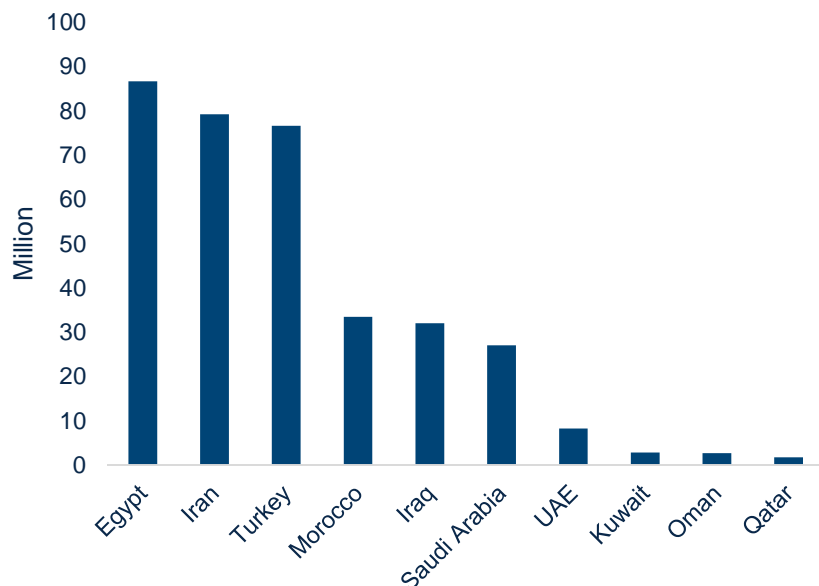
## GDP Composition (2013)



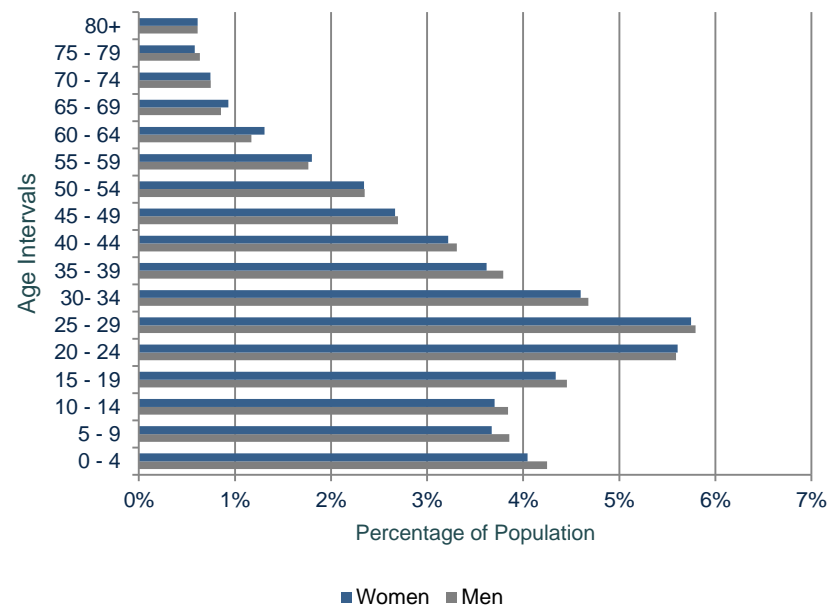


- ◆ With a population of about 78 million, Iran ranks 17<sup>th</sup> in the world in terms of population and is the second most populous country in the Middle East after Egypt
- ◆ Approximately 2 million people turn 20 every year, entering production and consumption age
- ◆ As an engine for growth, Iran's young demography promises a significant and consistent economic boom (64% of the population are below the age of 35)

Population by Country



Iran's Demography (2011)



# The Potential of Iran: Demographics

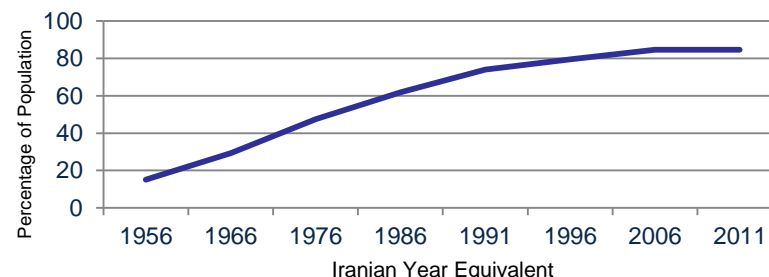
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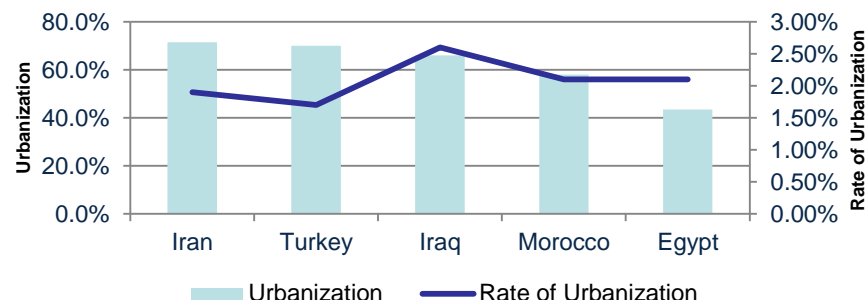
## Education and Social Factors

- ◆ Well-educated population, with literacy rate rising from 55% in 1980 to 85% in 2011 (literacy rate of 15-24 age group is 98%)
- ◆ In 2011, 4.1 million university students in total and approximately 320,000 university graduates (50% women)
- ◆ Changing consumption patterns shifting to variety of consumer products and annual family net expenditure increasing greatly, partially due to demographics but also due to increased access to television, satellite and internet (internet penetration rate of 48% very high in comparison to region)
- ◆ Large middle class with increased income distribution equality

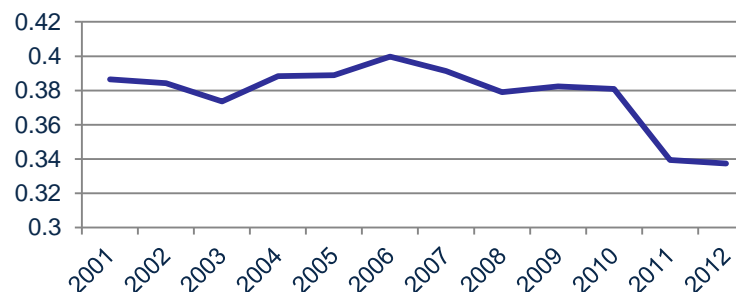
Literacy Rate



Urbanization Rate



Gini Index



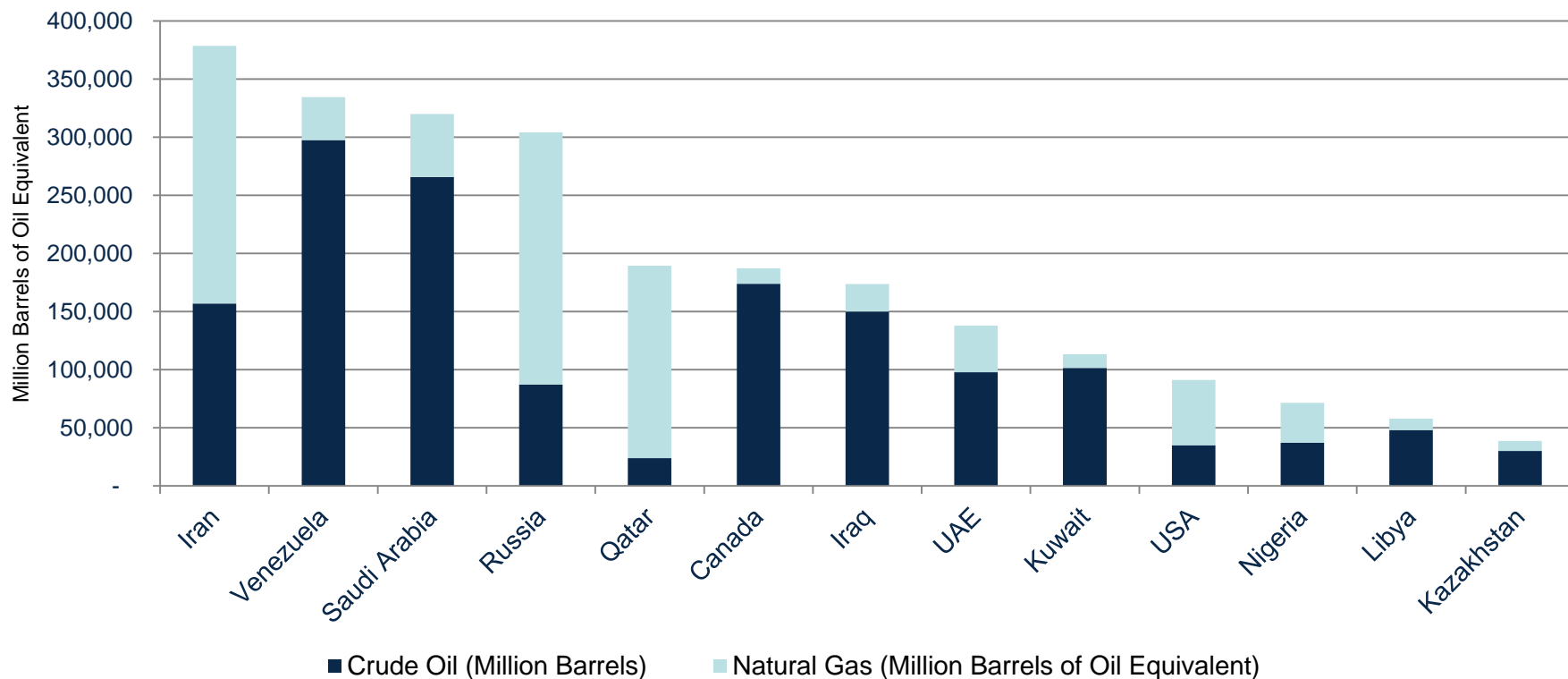
Source: Iran Statistical Center



## Oil and Gas

- ◆ Iran has the world's largest combined hydrocarbon reserves (4<sup>th</sup> largest oil reserves after Venezuela, Saudi Arabia and Canada, 1<sup>st</sup> in terms of natural gas reserves)

Proved Crude Oil and Natural Gas Reserves - 2012







- ◆ Cheap extraction costs due to the nature of geological formations and the size of the fields, which allow for economies of scale (\$10 - \$15 per barrel)
- ◆ Oil and gas only at approximately 17.7% of GDP in 2012, a much lower percentage than most neighbouring oil producers (e.g. in Saudi Arabia over 50%)
- ◆ The only country to have access to both very high energy intense basins in the region, Caspian Sea and Persian Gulf



- ◆ Large resources in:
  - ◆ Copper (17th largest producer but 9th largest reserves at approximately 4% of global resources)
  - ◆ Iron ore (10th largest producer, 11th largest reserves, 33 million tonnes p.a. production)
  - ◆ Zinc and lead (3% of total global reserves but 23<sup>rd</sup> largest lead producer and 15<sup>th</sup> largest zinc producer)
  - ◆ Chromite (9th largest producer with more than 1% of global production)
- ◆ Main copper and iron ore deposits are in the provinces of Yazd and Kerman, with good access to infrastructure and ports
- ◆ A great deal of the mining sector has been privatized and there is much need for mining technology and investment

# The Potential of Iran: Strategic Location

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- ◆ A total of 15 neighbouring countries (including both land and maritime borders)
- ◆ Iran 's southern ports are a great transit point for land-locked countries in Central Asia
- ◆ Located on the traditional Silk Road linking East and West
- ◆ Trade has shifted from West towards East mostly because of sanctions
- ◆ Main export partners are Iraq (19.5%), China (16.9%), United Arab Emirates (12.9%), Afghanistan (8.9%), and India (8.1%)
- ◆ Main import partners are United Arab Emirates (19.9%), China (15.3%), Korea Republic (9%), Turkey (8.5%), and Switzerland (6.4%)





# Tehran Stock Exchange: Overview

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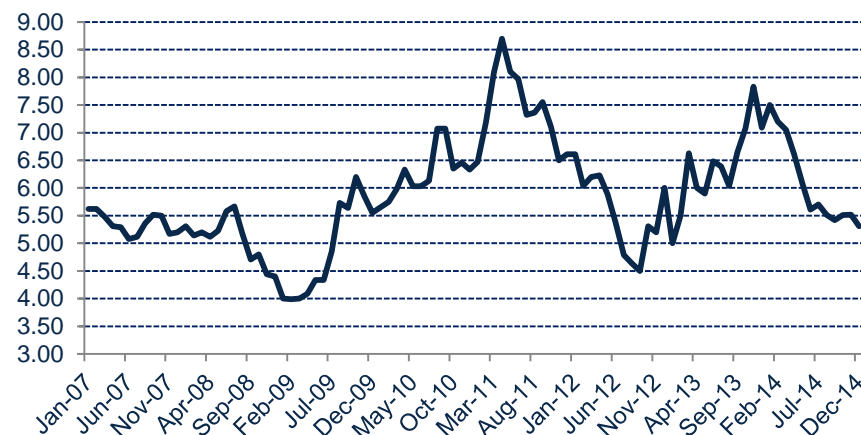
- ◆ Number of Listed Companies (TSE): 315
- ◆ Total Market Value (TSE)\*: USD 117 billion
- ◆ Number of Listed Companies (OTC): 184
- ◆ Total Market Value (OTC) Est.\*: USD 30 billion
- ◆ Number of Brokerage Firms: 94
- ◆ Weighted Average PE Ratio: 5.3
- ◆ Weighted Average Dividend Yield\*\*: 13.7%
- ◆ Market's Free Float : 22%

\* Using official exchange rate

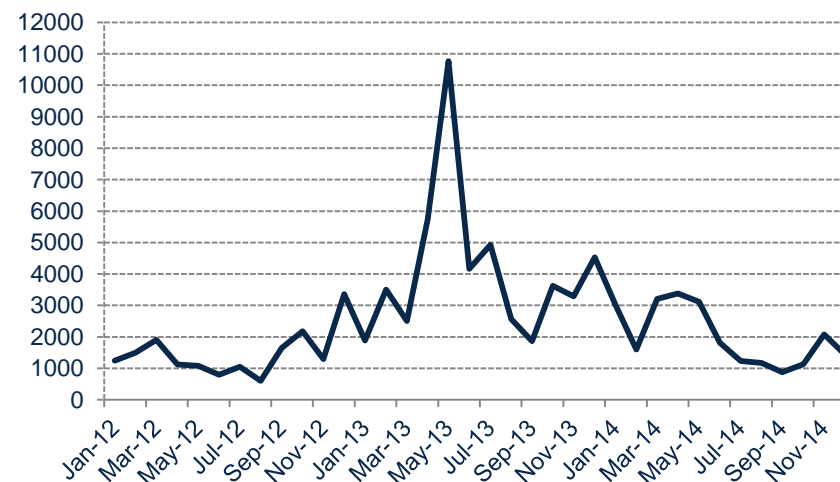
\*\* Last AGM season

As of December 2014

Average P/E Ratio



Trade Value (million dollars)







## Tehran Stock Exchange: Top 10 Listed Companies by Market Cap

	Company Name	Sector	Market Cap. (Mil \$)	% of Total Market
1	Persian Gulf Petrochemical*	Petrochemical	10,637	8.79
2	Bandar Abbass Refinery*	Refining	5,514	4.68
3	Telecom Co of Iran (TCI)*	Telecom	4,468	3.79
4	Mobile Communications of Iran *	Telecom	4,407	3.74
5	Esfahan Refinery*	Refining	4,191	3.55
6	Ghadir Investment	Investments	4,083	3.46
7	Esfahan's Mobarakeh Steel Co. *	Steel	4,079	3.46
8	Tamin Petro	Petrochemical	3,970	3.37
9	Parsian Oil & Gas	Oil & Gas	3,794	3.22
10	National Iranian Copper Industries Co.*	Copper	3,422	2.90

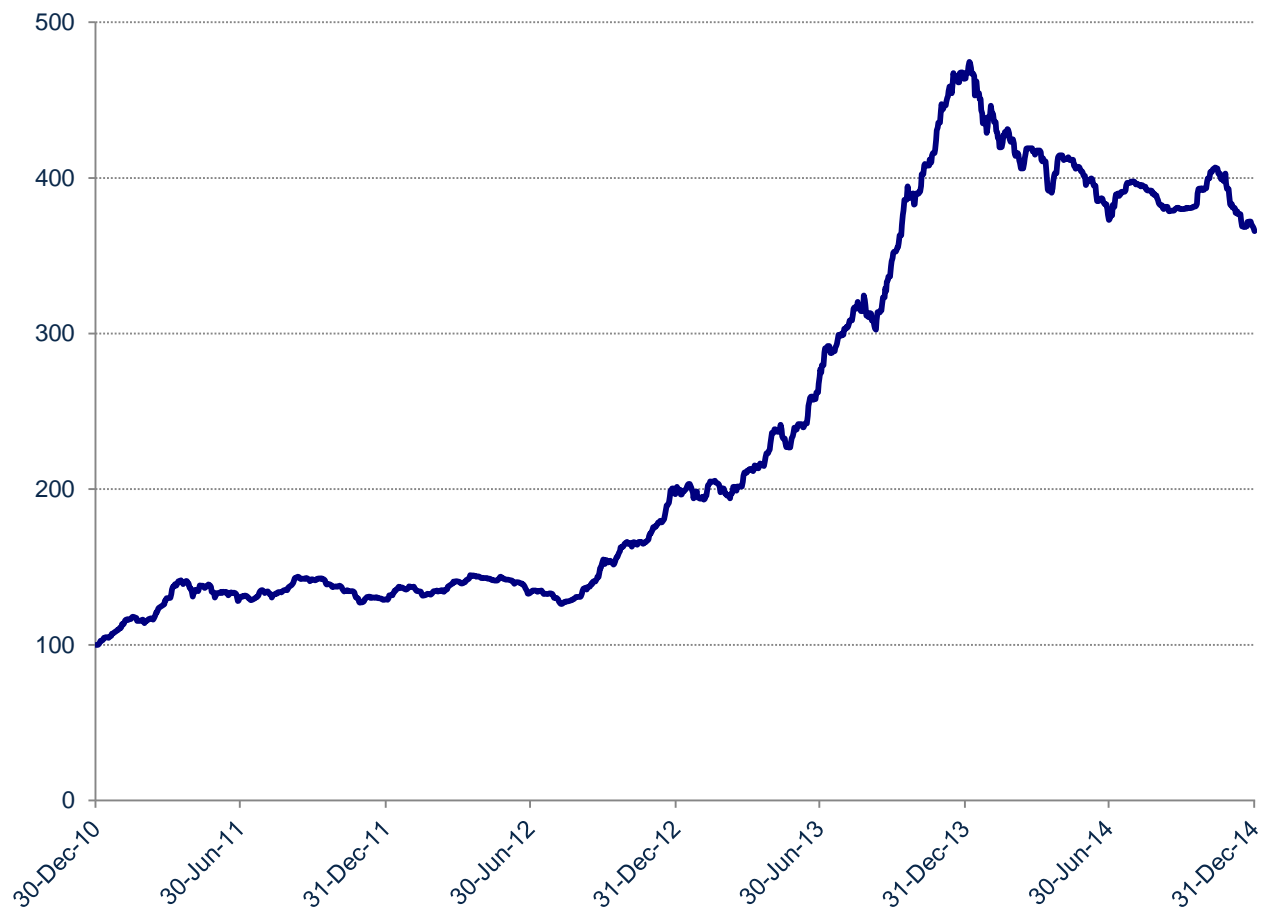
\*Privatized Companies  
As of December 2014



- ◆ Relatively low P/E ratios and high dividend yield
- ◆ Tax exemption on dividend income and capital gains
- ◆ Great diversity of sectors on the market
- ◆ Chosen vehicle for Iran's vast privatisation plans with lucrative IPOs in the pipeline
- ◆ New improved electronic trading system recently introduced: no failed trades, faster trades, real-time data and online trading
- ◆ New products, such as commodities and financial derivatives (futures contracts for gold coin and stocks) have been introduced with more to come



## 4 Year Historical Stock Index Performance







## Liberalisation & Privatisation: New Scheme

Under new scheme referred to as Article 44:

- ◆ As in the former Soviet states, Iran is emerging from a closed economic model with privatisation a government priority
- ◆ All sectors are open to private ownership except upstream oil and gas and some security-related industries
- ◆ Every sector open to Iranian private investment is also open to foreign investors
- ◆ Government is prohibited from making new investment into projects that could be taken by the private sector (including refineries, power plants, downstream oil, gas and petrochemicals)
- ◆ Companies must be offered on the stock exchange on a free market valuation. These offerings on the market began in early 2007

Before privatisation	
State	75%
Private	20%
Co-op	5%

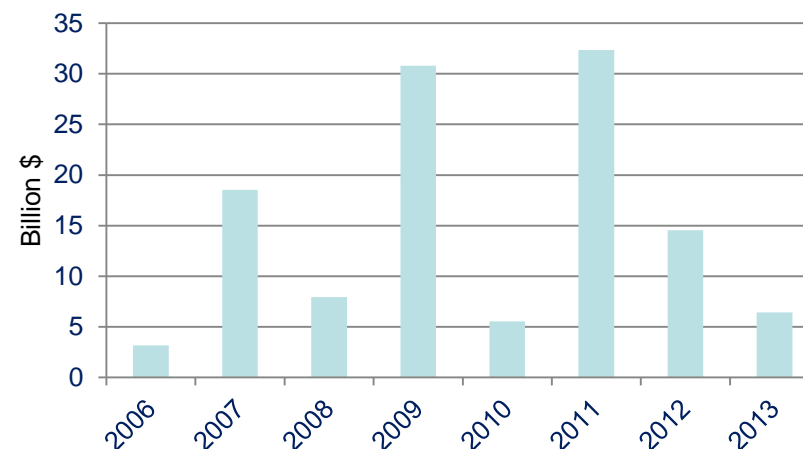
Mandatory  
Implementation

10 Year Target	
State	20%
Private	55%
Co-op	25%

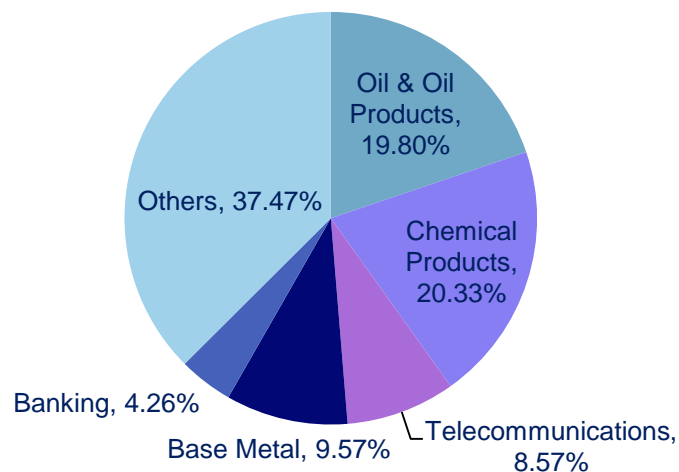


- ◆ 15 companies out of the 30 largest listed by market cap have been privatised (as of April 2014)
- ◆ A total of \$119 billion of privatisation since 2006
- ◆ 871 offerings during the last 8 years
- ◆ Out of total privatisation amount, 34.5% is transferred through private acquisition

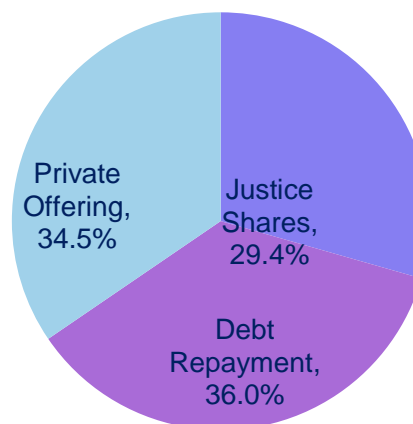
## Privatisation Value



## Privatisation by Sector



## Privatisation Scheme Breakdown





- ◆ Turquoise Partners is an investment firm which focuses on:
  - ◆ Foreign Asset Management
  - ◆ Local Asset Management
  - ◆ Brokerage
- ◆ Turquoise is a partnership between its management team and foreign investors
- ◆ Turquoise has established itself as the leading investment vehicle for exploiting the unique investment opportunities of Iran
- ◆ Western-educated management with substantial experience in investment world and regulatory environments, with over 10 years of experience investing in Iran





- Trading
- Investment Research
- Asset Management
- Investment Banking

## Brokerage

## Asset Management

- Foreign Investment Fund
- Domestic Fund
- Managed Accounts

## Local Listed Investment Co.

- Listed Equity
- Private Equity
- Property
- Venture Capital
- Trading & Finance

TP operates with a combined staff of more than 70 professionals

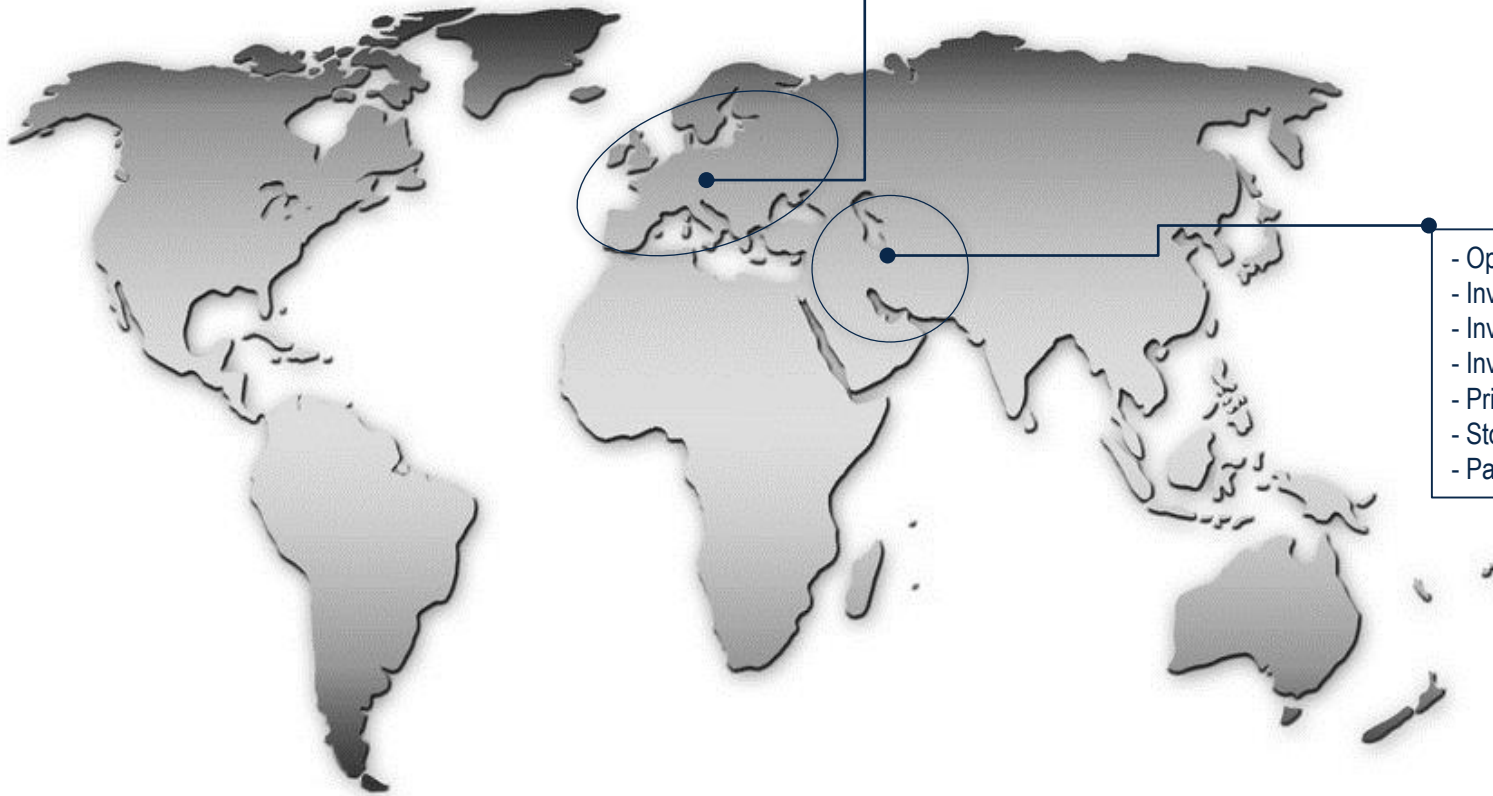


## Europe

- Supervisory Board
- Structuring
- Investor Relations

## Tehran Office

- Operational Management
- Investment Research
- Investment Committee
- Investment Banking
- Private Equity
- Stock Brokerage
- Partner Companies





THE WALL STREET JOURNAL.



The New York Times



- ◆ **Rouzbeh Pirouz** – Chairman. Mr. Pirouz is Senior Partner at Pelican Partners, a private equity and real estate investment company headquartered in London. Previously, he was the founder and CEO of a leading b2b procurement business in Europe. Mr. Pirouz received his Bachelor's degree from Stanford University, a Master's degree from Harvard University and was a Rhodes Scholar at Oxford University. He sits on the Board of Directors of the Iran Heritage Foundation, is Chairman of the Iranian Business School and has been selected by the World Economic Forum (Davos, Switzerland) as a Young Global Leader.
- ◆ **Ramin Rabii** – Managing Director. Ramin was an Iran Analyst for Exclusive Analysis in London, identifying and forecasting business risks associated with potential foreign investment. Prior to that he worked for Tehran-based Atieh Bahar Consulting, advising clients on their foreign investment strategy in Iran. Ramin has an international educational background, having obtained a Masters degree in International Management for the Middle East and North Africa from SOAS University of London and his BSc from Queen's University, Canada

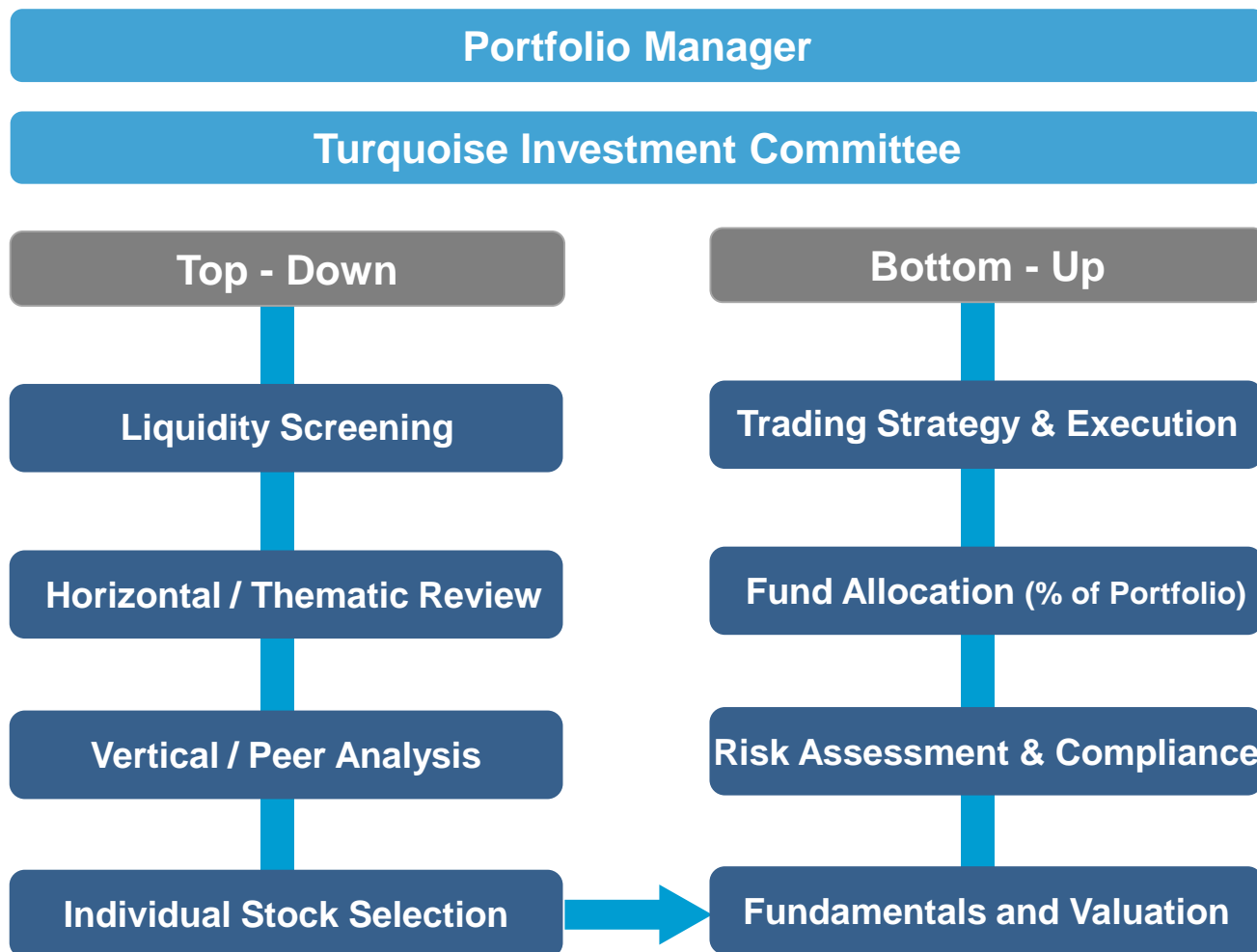
Everyday decision-making and operational management of the company is conducted from Tehran. Our portfolio manager is supported by separate teams focusing on operations, investment research and publications, and risk management with international backgrounds in banking, investment and brokerage operations



The preferred investment criteria for the Turquoise portfolio include:

- ◆ Liquidity in the shares
- ◆ Capable management team
- ◆ Not listed on UN or EU sanctions legislation
- ◆ Companies with a proven growth record and potential for further growth
- ◆ Regular and prompt dividend history
- ◆ Clarity and integrity in financial reporting





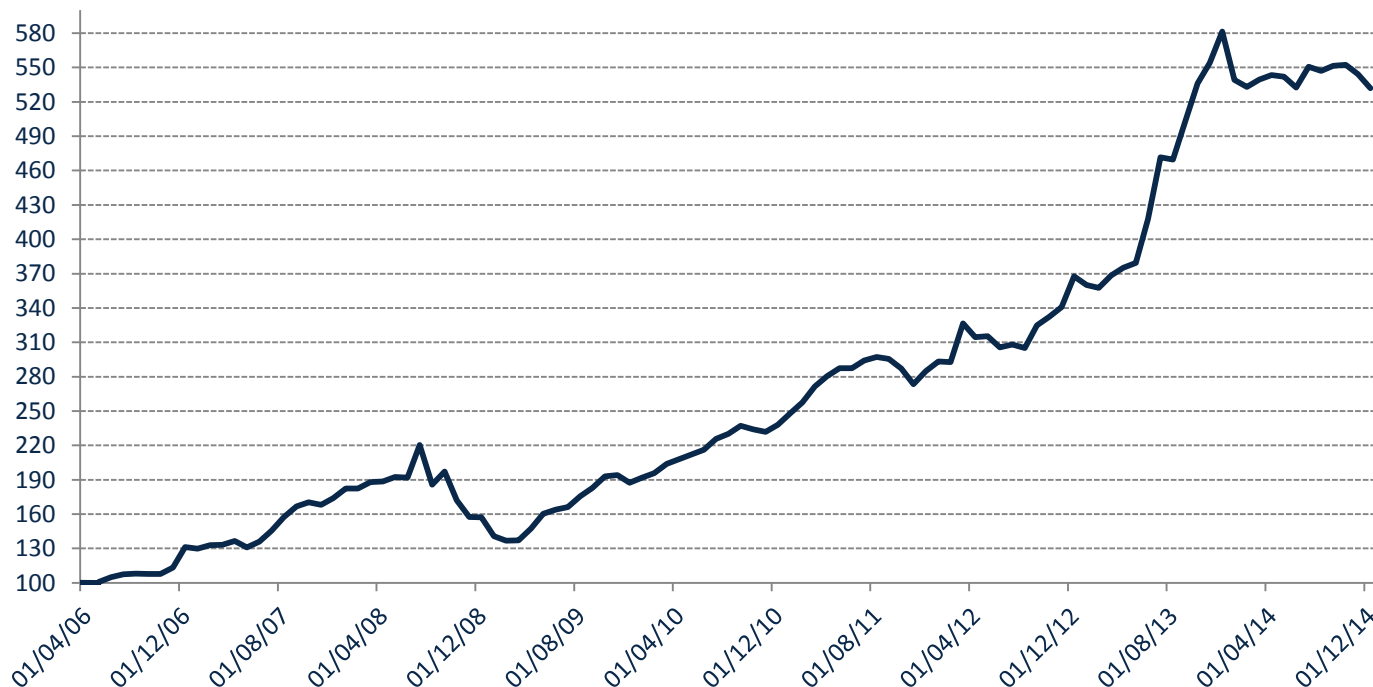


## Features

- ◆ Turquoise invests in the Iranian equities market under a FIPPA foreign investment license
  - ◆ **Manager:** Turquoise Investment Managers
  - ◆ **Minimum Investment:** 100,000 Euro
  - ◆ **Holding Period:** Quarterly liquidity
  - ◆ **Management Fee:** 2% per annum
  - ◆ **Performance Fee:** 20% (HWM and hurdle of MSCI World Index plus 8% p.a.)
- 
- ◆ Significant bank transfer issues due to international sanctions
  - ◆ Currently closed for redemption in Euro terms as exchange rate, banking routes and hard currency availability remain issues



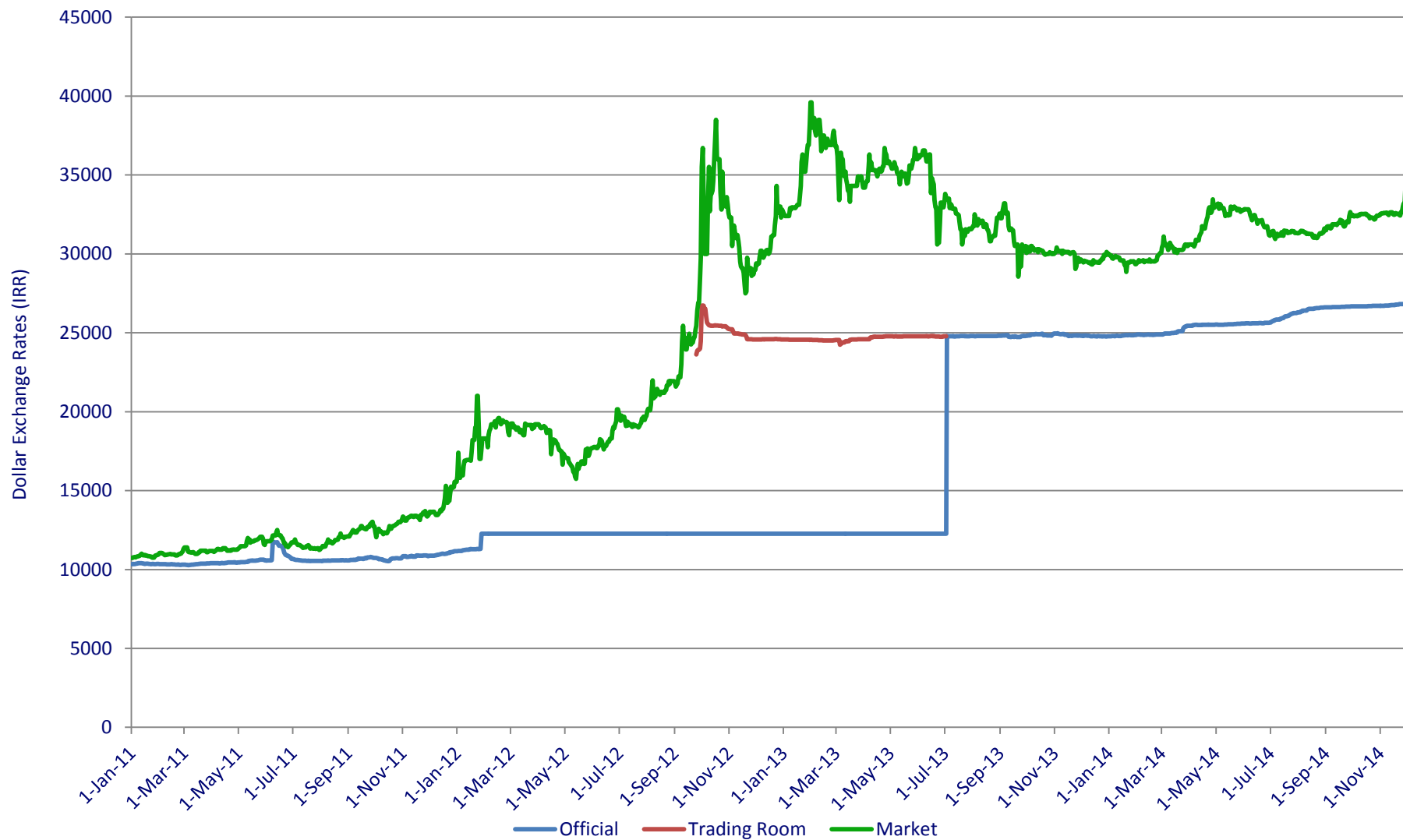
## Turquoise Performance in Rial (Until December 2014)



Performance	2006	2007	2008	2009	2010	2011	2012	2013	2014
IRR	31.3%	33.9%	-13.7%	33.2%	24.1%	14.9%	25.4%	62.0%	-8.5%

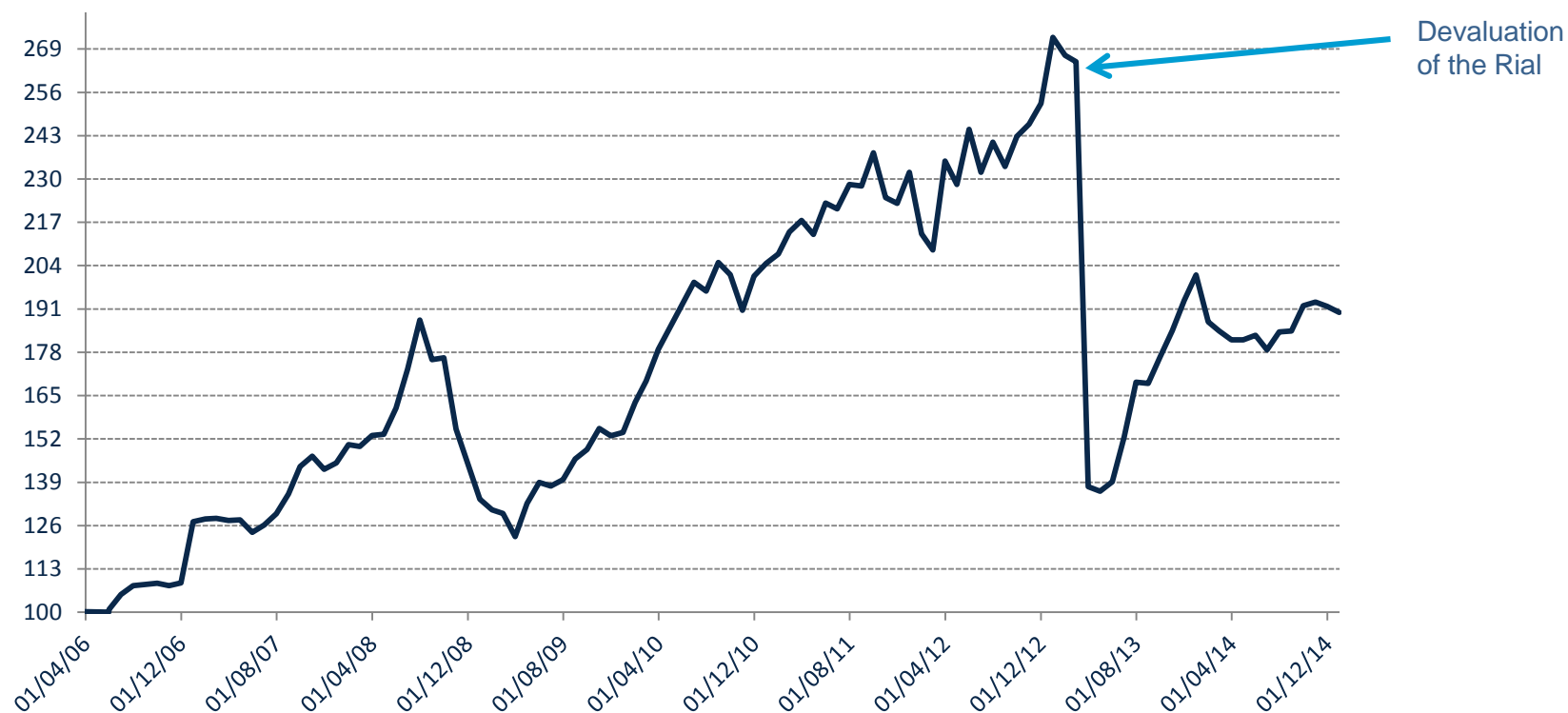
# Exchange Rate

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**Turquoise Performance in Euro (Until December 2014)**



Performance	2006	2007	2008	2009	2010	2011	2012	2013	2014
Euro	27.2%	13.1%	-10.9%	17.8%	25.6%	11.8%	27.6%	-24.4%	-5.6%



# TURQUOISE PARTNERS

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