

Sabancı Holding

Q2 2023 Financial Results

Earnings Release

August 9, 2023

Strong results with improvement in earnings quality amid challenges and uncertainties

The second quarter of the year was another period that was marked by high volatility in local macro environment together with uncertainties around elections as well as difficulties in the global markets due to recession in major economies. Nevertheless, our balanced portfolio delivered a strong set of results with improvement in earnings quality driven by both bank and non-bank businesses.

In this challenging local and global macroeconomic backdrop, our combined revenue* growth remained solid at 45%, driven mainly by banking and energy businesses. The 73% y/y growth in consolidated net income* in Q2 comfortably remained above a noticeable 51% y/y growth in combined EBITDA*, thereby significantly improving earnings quality. Our operational cash flow* surged 8x in the second quarter of the year. Cash at the Holding-only level stood at TL 4.5 billion and non-bank Net Debt/EBITDA* remained at 0.5x at the end of June. Consolidated ROE* continued to improve in the second quarter, reaching 38%.

Sabancı Holding CEO Cenk Alper said:

"I am happy to report that we have managed to improve our numbers at every level and even outperformed last year, which was a period that was marked by hyperinflation. Our earnings quality continued to increase in the first six months with a sharp improvement in cashflow generation. Our consolidated ROE in the first half of the year reached 38%, driven by both bank and non-bank businesses.*

I am confident that we will continue to reap the benefits of having a diversified portfolio of companies that enables solid and sustainable financial performance despite local and global economic volatility. This, I believe, will continue to be a major competitive advantage for Sabancı Holding.

With the aim of being a pioneer in "sustainability as a business" we continue to accelerate our investments in the areas that support the United Nations Sustainable Development Goals. Together with our ongoing sustainability efforts and new-economy oriented businesses, we aim to reach net-zero emissions by 2050 as our ultimate target.

As you are aware, on May 9, 2023, we have announced our interim Scope 1 and Scope 2 emission reduction targets in line with the SBTi, a major step toward our Net Zero goal. According to these science-based targets, we are committed to decrease our Scope 1 and 2 GHG emissions by 42% as of 2030 with 2021 as the base year.

I am happy to share that we have already reduced our Scope 1 and Scope 2 emissions by 11% compared to 2021, owing to our Group-wise efforts and sustainability-dedicated projects as of December 31, 2022, driven mainly by building materials and energy segments. Our next target is to reduce Scope 1 and Scope 2 emissions by 15% by the of end-2025.

We look forward to continuing to deliver solid performance in the second half the year.”

Financial Highlights for the period

- Combined revenue* in Q2 2023 realized at TL 134.1 billion, marking a 45% y/y growth that led to a solid figure of TL 258.6 billion, which corresponds to 59% y/y top-line growth, owing to significant contributions of banking and energy businesses.
- Combined EBITDA* in Q2 2023 reached TL 39.4 billion, up by 51% y/y primarily driven by banking and energy businesses. In the first half, combined EBITDA* growth increased at 42% y/y amid ongoing inflationary pressures, resulting in TL 61.9 billion.
- Consolidated net income* increased by 73% y/y reaching TL 13.8 billion in Q2 2023, remaining well above EBITDA growth with major contributions from banking and energy businesses. This brings the first half consolidated net income* to TL 20.4 billion, increasing by 50% y/y despite volatile global & local macro backdrop.
- Consolidated ROE* improved further and reached 37.8% in H1 2023 vs. 33.6% in H1 2022.
- Combined non-bank operational cash flow* improved by 8-folds y/y and reached TL 16.6 billion with a considerable contribution from the energy segment.
- The Group continues to run a healthy balance sheet, as Net Debt/EBITDA* remained at 0.5x at the end of H1. Holding-only net cash position remained strong at TL 4.5 billion, after adjusting for the dividend inflows/outflows and share buybacks.

Strategic Highlights for the period

- Çimsa and Akçansa, have signed SBTi commitment letters to set their science-based emission reduction targets. Çimsa and Akçansa have agreed to submit the specified target for SBTi's verification and to make it public no later than 24 months.
- AgeSA initiated a share buyback program on April 10, 2023, with TL 750 million allocated budget to repurchase up to 10% of its share capital. The program aims to support the formation of healthy pricing and achieving fair value for its shares as well as to provide an attractive long-term investment opportunity.
- Akbank Ventures BV was incorporated in the Netherlands with USD 30 million initial capital by Akbank on April 11, 2023, in order to invest in financial technology ventures.
- Akbank has secured a multi-currency syndicated social term loan facility from international markets, comprised of 2 tranches: USD 245.5 million and EUR 233 million with 367 days to maturity. All-in cost for the tranches is Sofr+4,25% p.a. and Euribor+4,00% p.a. respectively.
- Sabancı Ageas Health Insurance Company, a fully owned subsidiary of Aksigorta, has undertaken a capital increase of TL 60 million, increasing its total paid-in capital to TL 100 million.
- Enerjisa Üretim has closed a seven-year loan of USD 110 million with the European Bank for Reconstruction and Development to finance its new renewable energy investments. This is in line with Enerjisa Üretim's efforts to strengthen its leading position in the renewables energy market in Türkiye.

- Sabancı Holding announced that a merger shall be initiated through which all of the assets and liabilities of Exsa be acquired by Sabancı Holding. The objective is to improve corporate governance and transparency across Sabancı Group as well as to enhance management effectiveness and efficiency.
- In the second quarter, as part of the share buyback program TL 367.4 million was spent to repurchase 9.4 million shares. As of June 30, 2023, total repurchased shares amount to TL 60.1 million which represents 2.9% of total shares outstanding.

Subsequent Events Highlights after the balance sheet date

- Çimsa announced its Board decision to issue bonus shares with an amount of TL 810 million by increasing its total shares outstanding up to TL 945 million by 600%. The bonus issue will be initiated upon approval of the Capital Markets Board, the securities regulator of Türkiye.
- Akbank Ventures BV has undertaken a capital increase of USD 70 million, increasing its total paid-in capital to USD 100 million.

Segments Highlights

- **Energy:** Strong profitability prevailed in both businesses despite natural gas plant stoppages and lower spot prices
- **Bank:** Strong momentum in digital customer acquisition and agile asset and liability management
- **Financial Services:** Robust growth in top-line and profitability
- **Building Materials:** Strong operating performance and effective financial management
- **Industrials:** Weakness in tire reinforcement business driven by global recessionary environment offset by strong tire business
- **Digital:** Strong demand in electronics retail led to solid top-line growth
- **Retail:** Solid top-line growth exceeding inflation

SABANCI HOLDING COMBINED SEGMENT RESULTS

SABANCI HOLDING COMBINED RESULTS in thousands TL	H1 2023	H1 2022	CHANGE %	Q2 2023	Q2 2022	CHANGE %
REVENUES*	258,563,008	162,867,155	58.8	134,115,038	92,214,855	45.4
Bank	103,749,938	55,144,419	88.1	56,174,458	32,080,556	75.1
Non-Bank	154,813,070	107,722,736	43.7	77,940,580	60,134,299	29.6
Industrial	19,362,102	14,750,972	31.3	9,506,111	7,876,405	20.7
Building Materials	14,427,775	8,838,364	63.2	7,780,025	5,348,379	45.5
Digital	15,267,648	6,849,011	122.9	8,240,239	3,607,275	128.4
Energy	76,560,912	62,056,979	23.4	36,683,430	34,724,926	5.6
Financial Services	14,316,500	7,087,764	102.0	7,617,493	3,930,468	93.8
Other	14,878,133	8,139,646	82.8	8,113,282	4,646,846	74.6
EBITDA -excluding one offs	61,894,532	43,739,404	41.5	39,432,577	26,039,029	51.4
Bank	40,503,560	29,096,478	39.2	26,222,859	18,214,908	44.0
Non-Bank	21,390,972	14,642,926	46.1	13,209,718	7,824,121	68.8
Industrial	2,835,345	2,722,916	4.1	1,395,466	1,154,360	20.9
Building Materials	3,085,111	1,374,326	124.5	1,977,212	995,494	98.6
Digital	981,958	554,192	77.2	546,191	318,921	71.3
Energy	12,652,434	8,921,443	41.8	7,819,650	4,653,078	68.1
Financial Services	1,450,800	392,264	269.9	1,071,835	280,365	282.3
Other	385,323	677,786	-43.1	399,363	421,903	-5.3
NET INCOME -excluding one offs	47,205,458	30,221,369	56.2	31,177,503	18,048,265	72.7
Bank	31,616,826	21,167,188	49.4	20,324,263	13,112,590	55.0
Non-Bank	15,588,632	9,054,181	72.2	10,853,240	4,935,675	119.9
Industrial	1,515,964	1,836,782	-17.5	620,714	737,896	-15.9
Building Materials	2,475,768	793,614	212.0	1,826,082	671,563	171.9
Digital	143,672	212,124	-32.3	71,112	145,686	-51.2
Energy	8,505,303	4,305,935	97.5	5,413,965	2,317,087	133.7
Financial Services	1,516,130	468,192	223.8	1,248,777	290,603	329.7
Other	1,431,795	1,437,534	-0.4	1,672,589	772,840	116.4

ENERJISA ÜRETİM (ENERGY GENERATION AND TRADING) KEY FINANCIALS

ENERJISA ÜRETİM KEY FINANCIALS in millions TL	H1 2023	H1 2022	CHANGE %	Q2 2023	Q2 2022	CHANGE %
REVENUES	18,444	25,940	-28.9	7,208	16,138	-55.3
EBITDA -excluding one offs	5,856	4,317	35.7	3,062	1,850	65.5
EBITDA Margin	31.8%	16.6%		42.5%	11.5%	
NET INCOME -excluding one offs	5,772	3,023	91.0	3,151	1,246	152.8

SABANCI HOLDING CONSOLIDATED SEGMENT RESULTS

SABANCI HOLDING CONSOLIDATED RESULTS in thousands TL	H1 2023	H1 2022	CHANGE %	Q2 2023	Q2 2022	CHANGE %
REVENUES	164,016,610	89,710,669	82.8	88,504,234	51,271,160	72.6
Bank	103,749,938	55,144,419	88.1	56,174,458	32,080,556	75.1
Non-Bank	61,710,986	35,630,677	73.2	32,922,791	19,676,988	67.3
Industrial	10,206,459	8,799,012	16.0	5,012,374	4,638,681	8.1
Building Materials	7,133,654	4,782,699	49.2	3,979,930	2,871,551	38.6
Digital	15,199,622	6,824,270	122.7	8,221,231	3,591,234	128.9
Financial Services	14,312,466	7,087,764	101.9	7,613,459	3,930,468	93.7
Other	14,858,786	8,136,934	82.6	8,095,798	4,645,054	74.3
Intersegment eliminations	-1,444,314	-1,064,427	35.7	-593,015	-486,384	21.9
EBITDA -excluding one offs	50,515,886	35,415,427	42.6	32,636,876	21,705,024	50.4
Bank	40,503,560	29,096,478	39.2	26,222,859	18,214,908	44.0
Non-Bank	10,012,326	6,318,949	58.4	6,414,017	3,490,116	83.8
Industrial	1,343,320	1,774,527	-24.3	667,872	732,117	-8.8
Building Materials	1,909,134	946,152	101.8	1,285,734	715,603	79.7
Digital	980,942	554,192	77.0	545,175	318,921	70.9
Energy	3,942,806	2,022,251	95.0	2,444,036	1,049,102	133.0
Financial Services	1,450,801	361,960	300.8	1,071,836	252,469	324.5
Other	385,323	659,868	-41.6	399,363	421,904	-5.3
NET INCOME -excluding one offs	20,391,327	13,595,102	50.0	13,811,487	7,997,322	72.7
Bank	12,883,857	8,625,629	49.4	8,282,137	5,343,380	55.0
Non-Bank	7,507,470	4,969,473	51.1	5,529,350	2,653,942	108.3
Industrial	612,797	970,333	-36.8	233,610	405,875	-42.4
Building Materials	1,183,280	396,514	198.4	916,535	334,408	174.1
Digital	34,150	115,644	-70.5	17,023	79,509	-78.6
Energy	3,953,838	2,028,125	95.0	2,502,872	1,054,976	137.2
Financial Services	583,437	190,930	205.6	477,261	116,355	310.2
Other	1,139,969	1,267,926	-10.1	1,382,050	662,819	108.5

* Combined revenue excludes Holding dividend income. Combined EBITDA and consolidated net income excludes non-operational and non-recurring one-off items. Operational cash flow and net debt figures exclude banking, financial services and other segment. Consolidated ROE excludes non-operational and non-recurring one-off items.

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