

Sabancı Holding

Q3 2023 Financial Results

Earnings Release

November 8, 2023

Sabancı Holding has delivered another strong set of results, driven by both bank and non-bank businesses. In Q3, combined revenue was up by 70% y/y, principally reflecting growth in banking business. Earnings quality in non-bank business continued to improve in the quarter with EBITDA and net income growing at 74% and 91%, respectively, resulting in TL15 billion combined EBITDA and TL5 billion consolidated net income. Operational cash flow⁽¹⁾ reached TL c.29 billion at the end of the quarter, surpassing the full year figure in 2022. Holding only net cash position also increased to TL5.9 billion, reducing the net debt/EBITDA further to 0.4 times. Consolidated ROE remained at 38% while non-bank ROE improved to 29%. All in all, the strength of Group's diversified portfolio, combined with pricing flexibility and focused cost management, underpinned the resilient performance in Q3 in the face of uncertainties in macro environment and high inflation. Moreover, liquidity and balance sheet strength continue to allow us for strategic capital deployment going forward.

The Group has taken important steps in transforming its portfolio towards new economy. Sabancı Holding acquired 100% of Oriana Solar LLC, which consists of a 232 MW solar power plant and a 60 MW energy storage facility investment in the US through Sabancı Renewables. Separately, during the quarter, Sabancı Holding continued with the process to merge with its subsidiary Exsa as per CMB regulations, to ensure portfolio crystallization and ultimately deliver a higher shareholder value. Additionally, Temsa Skoda Sabancı Ulaşım Araçları A.Ş. (Temsa), that will become a direct subsidiary of Sabancı Holding after the completion of this contemplated merger with Exsa, signed a new R&D collaboration agreement in Q3 to extend its expertise in electric vehicles to hydrogen-powered intercity vehicles.

Sabancı Holding CEO Cenk Alper said:

"Changes in the monetary policy started to impact Turkish economy positively. Nevertheless, inflationary pressures continue to affect business environment. Yet, our robust financial performance once again underlines the benefits of our well-diversified portfolio. Our balance sheet remains strong with net cash position of TL5.9 billion. This allows us to continue pursuing our strategy of investing in a sustainability-driven portfolio in new economy to attain higher net asset value growth and deliver enhanced shareholder value."

ESG is one of our primary focus areas both for our new investments and existing operations. Last year, we reduced our Scope 1-2 emissions by 11% and our total water consumption by %9. We increased our renewable electricity usage rate by 3.3 times. Considering all these developments, we expect to reduce our emissions by 15% by 2025 and 42% by 2030. We also aim to increase our sustainability-related operational spending and investments to 5 billion dollars by the end of 2027."

Financial Highlights for the period

- Combined revenue⁽¹⁾ in Q3 2023 realized at TL191.2 billion, marking a 70% y/y growth mainly driven by banking business. This brings the first nine months combined revenue⁽¹⁾ to TL449.7 billion, which corresponds to 63% annual growth.
- Combined EBITDA⁽¹⁾ in Q3 2023 reached TL45.9 billion, up by 46% y/y driven by both banking and non-banking businesses. In the first nine months, combined EBITDA⁽¹⁾ grew 43% y/y to reach TL107.8 billion amid macro challenges.
- Consolidated net income⁽¹⁾ increased by 40% y/y reaching TL13.8 billion in Q3 2023, with a marked improvement in energy business in addition to bank's contribution. This brings the first nine months consolidated net income⁽¹⁾ to TL34.2 billion, corresponding to 46% annual growth, remaining above EBITDA growth.
- Consolidated ROE was realized at 37.8% while non-bank ROE improved to 28.8% at the end of 9M 2023.
- Combined non-bank operational cash flow⁽¹⁾ reached TL28.9 billion at the end of the quarter, surpassing the full year figure in 2022 with a major contribution from the energy business.
- Net Debt/EBITDA⁽¹⁾ reduced further to 0.4x at the end of 9M 2023, supported by TL5.9 billion Holding-only net cash position.

Strategic Highlights for the period

- Sabancı Holding made a capital increase of USD75 million equivalent of TL in Sabancı İklim Teknolojileri A.Ş. for the financing of investment projects, especially new capacity investments in renewable energy in line with its international growth plans.
- Cimsa Americas Cement Manufacturing and Sales Corp. (Cimsa Americas), a wholly-owned subsidiary of Sabancı Building Solutions BV (SBS BV), who is owned 60% by Sabancı Holding and 40% by Sabancı Holding's subsidiary Çimsa, decided to invest in a gray cement grinding plant with an estimated investment amount of USD82 million with an annual average grinding capacity of 600 thousand tons. The investment will be fully financed by SBS BV's own resources and the plant is expected to be commissioned in Q4 2025. Accordingly, Cimsa Americas will start operating in the gray cement market in the US in addition to its ongoing white cement operations with an annual grinding capacity of 300 thousand tons. This investment is expected to further assist in the creation of a global Çimsa brand in the gray cement market as well as in the white cement market. Additionally, SBS BV will continue to evaluate new investment opportunities in line with its goals of investing in the technologies of the future in the field of building materials and becoming a technology producing company in this industry as additions to its global trade activities in building materials.
- Brisa announced a USD34 million additional investment plan for its Aksaray Factory, which was established with USD300 million investment in new generation technologies in 2018. Company will reach its planned capacity for the first phase at the Aksaray Factory by 2024 and increase its capacity by 7% through additional investments, reaching an annual capacity of 4.6 million tires by 2026.
- Strengthening its sustainability-focused growth strategy with its 9 different zero-emission vehicles, Temsa signed a joint R&D agreement with CaetanoBus, Portugal-based zero-emission bus manufacturer. The first prototype of the hydrogen-fueled intercity bus to be produced at Temsa's facility in Adana is expected to be completed in 2024 while negotiations are proceeding to start mass production in 2025.

- Pursuant to its share buy-back program, all of the shares that were repurchased and owned by Sabancı Holding with TL60.6 million nominal value, representing 2.9689% of the Holding's share capital, were sold to institutional investors on 19.09.2023 at a price of TL52.46 per share through block sale method executed on Istanbul Stock Exchange. As of 19.09.2023, there remains no repurchased shares owned by Sabancı Holding. Nevertheless, the share buyback program is still in force.

Segments Highlights

- **Energy:** Profitability remained solid with a balanced contribution from both businesses
- **Bank:** Strong customer acquisition & agile asset-liability management boosted profitability
- **Financial Services:** Strong top-line growth with continuous improvement in profitability
- **Building Materials:** Robust operating performance with a major improvement in earnings quality
- **Industrials:** Good performance in tire and composites more than offset the weakness in tire reinforcement
- **Digital:** Solid top-line growth & profitability driven by strong demand environment with higher contribution from e-commerce sales
- **Retail:** Improvement in operational profitability

ENERJISA ÜRETİM (ENERGY GENERATION AND TRADING) KEY FINANCIALS

ENERJISA ÜRETİM KEY FINANCIALS in millions TL	9M 2023	9M 2022	CHANGE %	Q3 2023	Q3 2022	CHANGE %
REVENUES	28,218	42,377	-33.4	9,774	16,437	-40.5
EBITDA -excluding one offs	9,057	6,587	37.5	3,201	2,271	41.0
EBITDA Margin	32.1%	15.5%		32.8%	13.8%	
NET INCOME -excluding one offs	8,999	4,895	83.8	3,227	1,873	72.3

As a result of lower natural gas volume due to stoppages in natural gas plants from June to mid-September in 2023 and lower spot prices compared to last year, revenues dropped by 41% y/y in Q3. Despite low natural gas profitability, EBITDA was up by 41% in the same period with positive contribution from renewable and lignite assets thanks to higher wind regime and higher dark spreads. Moreover, asset light contribution on higher trading activities of Enerjisa Commodities continued to remain strong as one of the major drivers of EBITDA growth. Net income growth was at 72%, even higher than EBITDA performance, mainly due to positive impact of ongoing tax incentive.

SABANCI HOLDING COMBINED SEGMENT RESULTS

SABANCI HOLDING COMBINED RESULTS in thousands TL	9M 2023	9M 2022	CHANGE %	Q3 2023	Q3 2022	CHANGE %
REVENUES(1)	449,716,963	275,362,673	63.3	191,153,955	112,495,518	69.9
Bank	191,071,017	97,692,671	95.6	87,321,079	42,548,252	105.2
Non-Bank	258,645,946	177,670,002	45.6	103,832,876	69,947,266	48.4
Industrial	33,400,755	23,336,213	43.1	14,038,653	8,585,241	63.5
Building Materials	24,304,092	14,991,977	62.1	9,876,317	6,153,613	60.5
Digital	26,181,071	11,671,159	124.3	10,913,423	4,822,148	126.3
Energy	126,444,878	102,819,108	23.0	49,883,966	40,762,129	22.4
Financial Services	23,027,263	11,047,136	108.4	8,710,763	3,959,372	120.0
Other	25,287,887	13,804,409	83.2	10,409,754	5,664,763	83.8
EBITDA -excluding one offs	107,824,673	75,204,532	43.4	45,930,141	31,465,128	46.0
Bank	71,811,793	52,140,403	37.7	31,308,233	23,043,925	35.9
Non-Bank	36,012,880	23,064,129	56.1	14,621,908	8,421,203	73.6
Industrial	4,922,734	3,982,149	23.6	2,087,389	1,259,233	65.8
Building Materials	5,503,691	2,299,070	139.4	2,418,580	924,744	161.5
Digital	1,800,628	893,377	101.6	818,670	339,186	141.4
Energy	20,297,725	13,946,558	45.5	7,645,291	5,025,116	52.1
Financial Services	2,072,358	741,821	179.4	621,557	349,557	77.8
Other	1,415,744	1,201,153	17.9	1,030,420	523,366	96.9
NET INCOME -excluding one offs	79,721,180	53,012,930	50.4	32,515,722	22,791,562	42.7
Bank	52,043,809	38,238,818	36.1	20,426,983	17,071,630	19.7
Non-Bank	27,677,371	14,774,112	87.3	12,088,739	5,719,932	111.3
Industrial	2,709,883	2,765,122	-2.0	1,193,919	928,340	28.6
Building Materials	4,356,140	1,370,132	217.9	1,880,372	576,518	226.2
Digital	313,135	299,640	4.5	169,463	87,516	93.6
Energy	16,112,045	7,448,530	116.3	7,606,742	3,142,594	142.1
Financial Services	2,067,369	798,946	158.8	551,239	330,754	66.7
Other	2,118,800	2,091,743	1.3	687,005	654,209	5.0

SABANCI HOLDING CONSOLIDATED SEGMENT RESULTS

SABANCI HOLDING CONSOLIDATED RESULTS in thousands TL	9M 2023	9M 2022	CHANGE %	Q3 2023	Q3 2022	CHANGE %
REVENUES	293,955,867	154,425,912	90.4	129,939,257	64,715,243	100.8
Bank	191,071,017	97,692,671	95.6	87,321,079	42,548,252	105.2
Non-Bank	105,039,104	58,157,036	80.6	43,328,118	22,526,359	92.3
Industrial	18,770,389	13,761,170	36.4	8,563,930	4,962,159	72.6
Building Materials	11,886,011	7,916,385	50.1	4,752,357	3,133,687	51.7
Digital	26,091,250	11,629,090	124.4	10,891,628	4,804,821	126.7
Financial Services	23,018,515	11,047,136	108.4	8,706,049	3,959,372	119.9
Other	25,272,940	13,803,254	83.1	10,414,154	5,666,320	83.8
Intersegment eliminations	-2,154,254	-1,423,795		-709,940	-359,368	
EBITDA -excluding one offs	90,509,736	62,482,551	44.9	39,993,851	27,067,123	47.8
Bank	71,811,793	52,140,403	37.7	31,308,233	23,043,925	35.9
Non-Bank	18,697,943	10,342,148	80.8	8,685,618	4,023,198	115.9
Industrial	2,593,651	2,544,890	1.9	1,250,331	770,363	62.3
Building Materials	3,526,335	1,554,941	126.8	1,617,200	608,789	165.6
Digital	1,799,611	893,376	101.4	818,669	339,185	141.4
Energy	7,290,244	3,458,198	110.8	3,347,438	1,435,947	133.1
Financial Services	2,072,358	707,508	192.9	621,557	345,548	79.9
Other	1,415,745	1,183,235	19.7	1,030,422	523,366	96.9
NET INCOME -excluding one offs	34,183,690	23,413,194	46.0	13,792,363	9,818,092	40.5
Bank	21,207,852	15,582,318	36.1	8,323,995	6,956,689	19.7
Non-Bank	12,975,837	7,830,876	65.7	5,468,367	2,861,403	91.1
Industrial	1,135,740	1,430,651	-20.6	522,943	460,318	13.6
Building Materials	2,051,346	682,410	200.6	868,066	285,896	203.6
Digital	91,767	148,929	-38.4	57,618	33,285	73.1
Energy	7,310,817	3,479,152	110.1	3,356,979	1,451,026	131.4
Financial Services	799,747	321,708	148.6	216,310	130,778	65.4
Other	1,586,419	1,768,027	-10.3	446,450	500,100	-10.7

(1) 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.

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