

Sabancı Holding

Q1 2019 Earnings Presentation



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2019

Key developments in Q1 2019



Robust operational and financial performance; **Non-bank EBITDA*** and **Net Income*** grew **51%** and **104%** yoy, respectively

Kordsa's acquisition of Axiom Materials and **Çimsa's acquisition of Cemex's White cement business**



Deleveraging is on track, on the back **strong cash flow performance**, despite the capital increase at Akbank

* Excludes non-operational one off items

2019

Strong cash generation sustained the leverage ratio

OPERATIONAL CASH FLOW (MTL)*

	Q1 2018	Q1 2019	% Change
Energy	293	1.411	382%
Cement	-7	-65	-829%
Retail	-382	42	111%
Retail - Adjusted for Comparison**	-382	-70	82%
Industrials	43	383	791%
TOTAL	-53	1.772	3443%

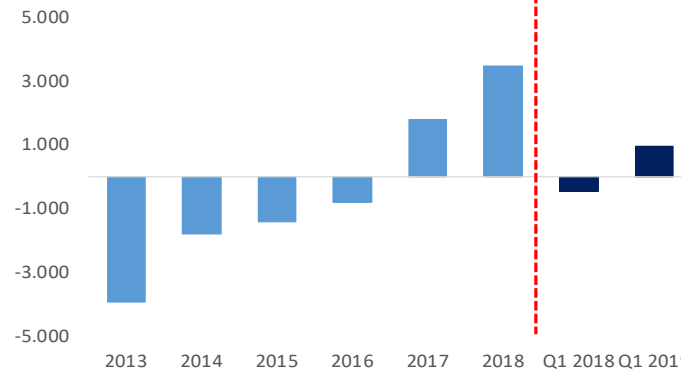
FREE CASH FLOW (MTL)*

	Q1 2018	Q1 2019	% Change
Energy	-150	707	571%
Cement	22	-81	-468%
Retail	-262	18	107%
Retail - Adjusted for Comparison**	-262	-94	64%
Industrials	-46	309	772%
TOTAL	-436	954	319%

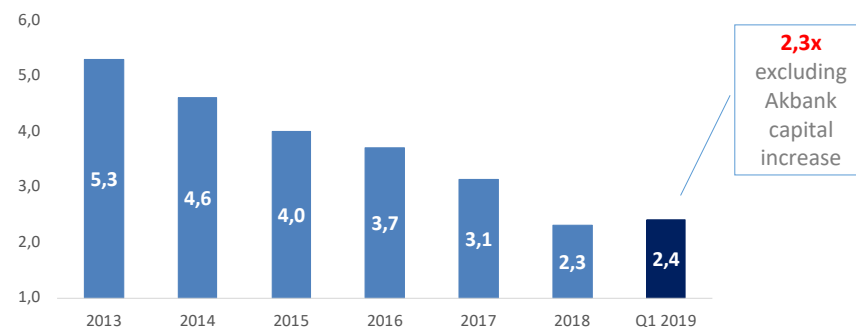
* Management reporting, excludes insurance, banking, and other segment

**Adjusted for IFRS16 impact

Free Cash Flow, Combined for Non Bank**



Combined Net Financial Debt to Non-Bank EBITDA**



** Excludes banking, other segment and net cash position of insurance

EBITDA excludes one-offs and IFRS16 impact in retail segment

2019

A solid start to the year

Combined Net Sales

MILLION TL	Q1 2018	Q1 2019	% Change
TOTAL*	18.719	23.294	24%
BANK	7.962	10.698	34%
NON-BANK*	10.757	12.596	17%

Driven by Industrials and Energy

Higher renewable volumes in Energy

Stronger exports and FX linked businesses

Combined EBITDA

MILLION TL	Q1 2018	Q1 2019	% Change
TOTAL*	3.704	4.250	15%
BANK	2.257	2.071	-8%
NON-BANK*	1.447	2.179	51%

Strong Energy Generation profitability

Robust technical profit in Insurance

IFRS 16 impact in Retail: +TL112 mn

Consolidated Net income

MILLION TL	Q1 2018	Q1 2019	% Change
TOTAL*	894	1.028	15%
BANK	691	616	-11%
NON-BANK*	202	412	104%

Boosted by Energy and Insurance

EBITDA backed by lower financial expenses

*Excludes non-operational one off items. Holding dividend income is excluded

Revenues

Energy and Industrials continue to be the growth drivers

TOTAL BEFORE CONSOLIDATION ADJUSTMENTS

(COMBINED)

MILLION TL	Q1 2018	Q1 2019	% Change
TOTAL*	18.719	23.294	24%
BANK	7.962	10.698	34%
NON-BANK*	10.757	12.596	17%
ENERGY	5.158	5.831	13%
CEMENT	748	744	-1%
RETAIL	1.957	2.217	13%
INSURANCE	1.073	1.236	15%
INDUSTRIALS	1.761	2.482	41%
OTHER*	61	86	42%

* Holding dividend income excluded

Higher renewable sales volumes and FX linked revenue stream at **Generation** drove **Energy** top line

Industrials top line driven by higher y-o-y prices and FX linked revenues

EBITDA

Energy and Insurance drove the EBITDA growth

TOTAL BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q1 2018	Q1 2019	% Change
TOTAL*	3.704	4.250	15%
BANK	2.257	2.071	-8%
NON-BANK*	1.447	2.179	51%
ENERGY	895	1.503	68%
CEMENT	161	94	-42%
RETAIL	8	130	1512%
RETAIL - Adjusted for Comparison**	8	19	130%
INSURANCE	104	161	55%
INDUSTRIALS	291	310	7%
OTHER*	-12	-21	-68%

Higher volumes from hydros, availability and dispatch contribution from the overall asset portfolio in **Energy**

In **Insurance**, strong performances both by life and non-life segments

Food **Retail** continued its recovery

*Holding dividend income is excluded

**Adjusted for IFRS16 impact

EBITDA excludes non-operational one off items

Energy profitability led bottom line growth

MILLION TL	Q1 2018	Q1 2019	% Change
CONSOLIDATED NET INCOME*	894	1.028	15%
BANK	691	616	-11%
NON-BANK	202	412	104%
ENERGY	30	321	958%
CEMENT	31	0	-100%
RETAIL	-60	-92	-55%
RETAIL-Adjusted for comparison**	-60	-81	-36%
INSURANCE	31	50	59%
INDUSTRIALS	91	50	-46%
OTHER	78	85	8%

*Excludes non-operational one off items

**Adjusted for IFRS16 impact

Energy segment bottom-line boosted by strong operating profitability and hedged FX position

Rising float and high interest rates resulted in higher financial income in **Insurance**

BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q1 2018	Q1 2019	% Change
SALES	5.158	5.831	13%
EBITDA*	895	1.503	68%
NET INCOME*	99	701	607%
EBITDA* MARGIN	17,4%	25,8%	

**Excludes non-operational one off items*

Current Assessment

Distribution & Retail Business (Enerjisa Enerji):

- Increased RAB (up 43% yoy) and higher inflation led to higher EBITDA
- Theft accrual & collection revenues up by 47%
- New guidance indicates a 20-27% growth in operational earnings in 2019

Generation Business (Enerjisa Üretim Santralleri):

- Renewable generation volume doubled yoy
- Higher average USD/TL rates supported EBITDA growth
- Higher dispatch contribution due to more efficient use of asset flexibilities

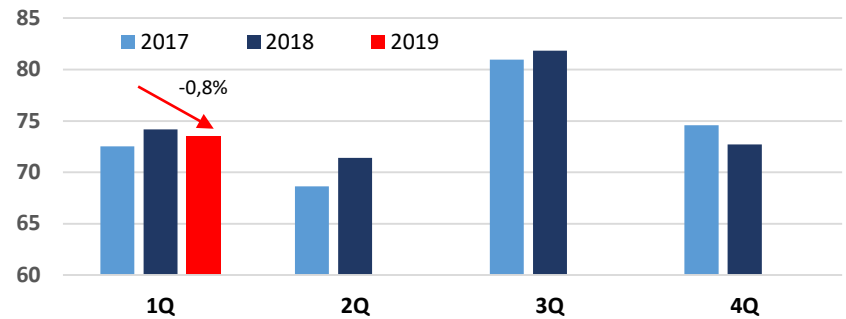
Factors to Watch

- **Renewable volumes** in the upcoming quarters
- **Inflation** // driver for Enerjisa Enerji's financial income
- **FX Volatility** // Enerjisa Üretim is mostly FX hedged. Yet FX volatility is still important
- **Interest Rates** // Enerjisa Enerji secured most of the 2019 funding requirement. Financing costs is still important for investment decisions.

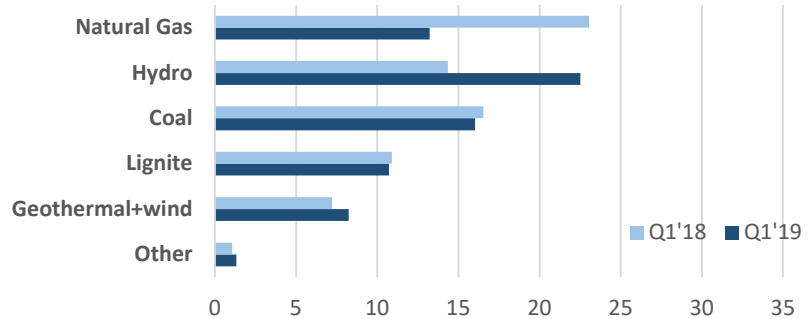
Generation Sector

Normalization in spot prices & Lower demand in Q1

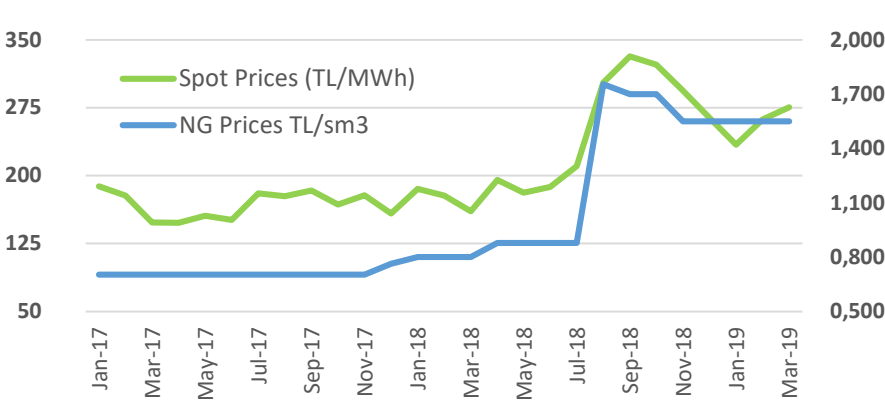
Electricity consumption (GWh)



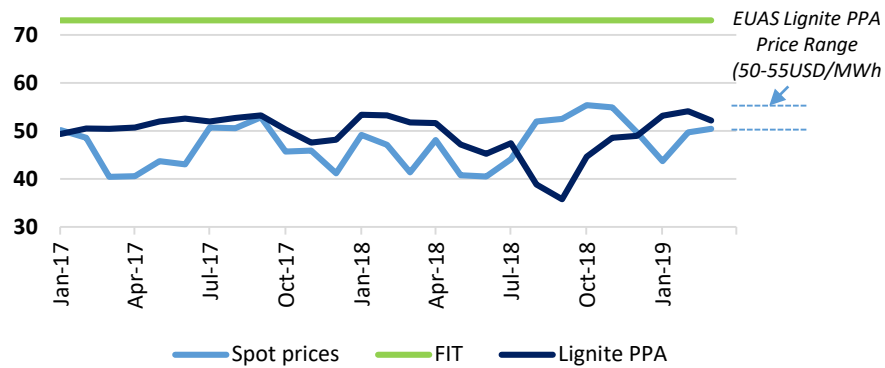
Electricity generation by source in Q1 (TWh)



Spot Electricity Prices (TL/MWh, lhs) vs NG Prices (TL/sm3)



Spot prices vs Feed-in-tariff & Lignite PPA (USD/MWh)

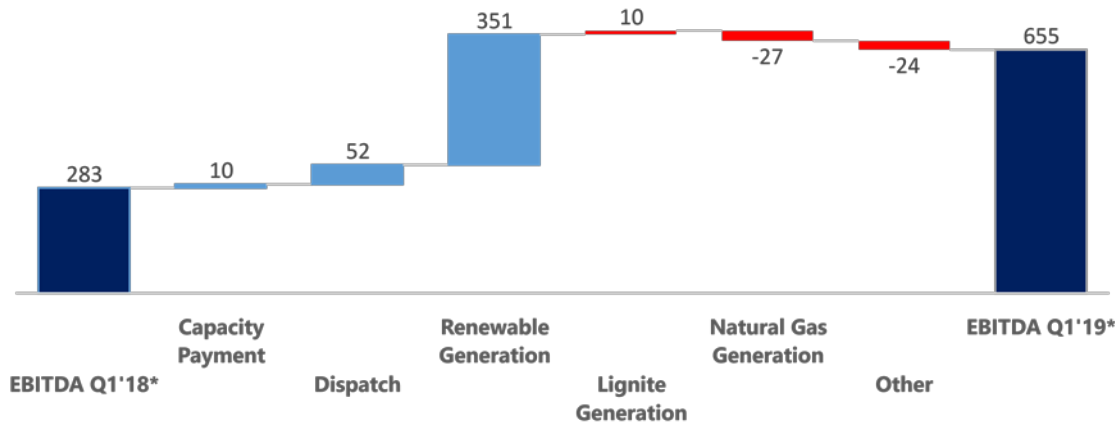


Benefiting from optimal portfolio

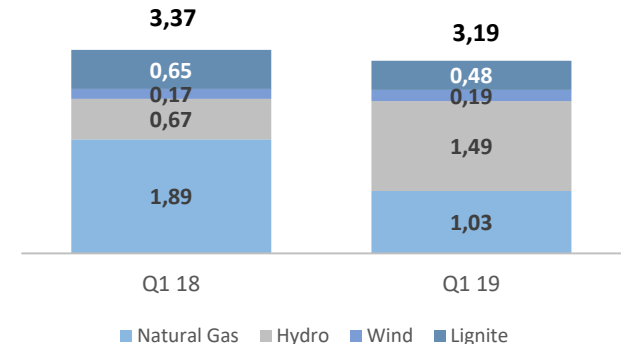
MILLION TL	Q1 2018	Q1 2019	% Change
Net sales	1.092	1.348	23%
EBITDA*	283	655	131%
EBITDA* margin (%)	26%	49%	22,7pp
Depreciation	108	110	2%
Financial Income/(expense)	-291	-111	62%
Net income*	-94	403	530%

* One off items excluded based on Sabancı Holding one off definition

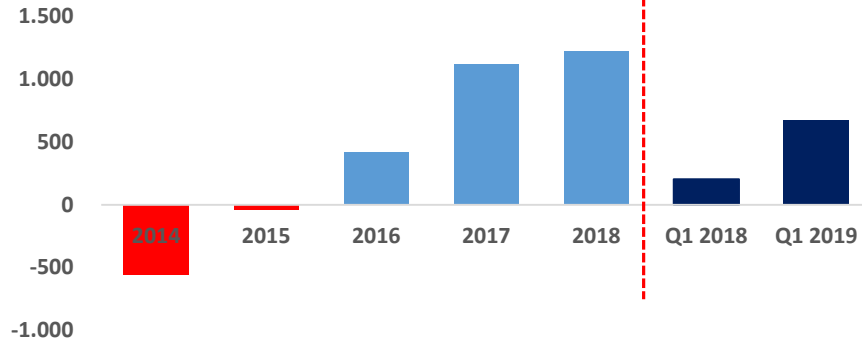
- In Q1 19, hydro generation volume jumped by 123% yoy
- Positive impact of FX based feed-in-tariff revenues
- Efficient use of asset flexibilities led to higher dispatch contribution
- Negative impact from lower NGPP contribution due to lower spark spread
- Hedge ratio increased to c.90%, as lignite generation is now USD based and used for hedge accounting



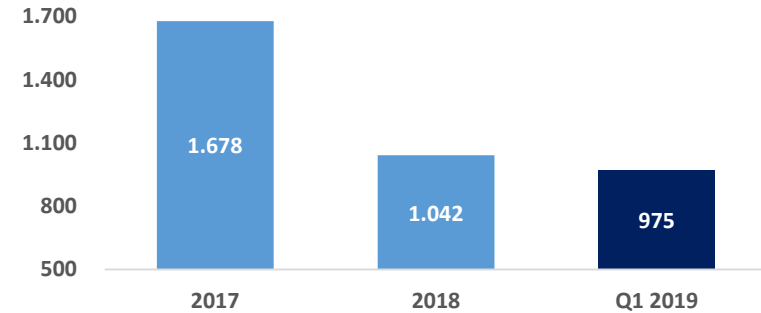
GENERATION VOLUME (TWH)



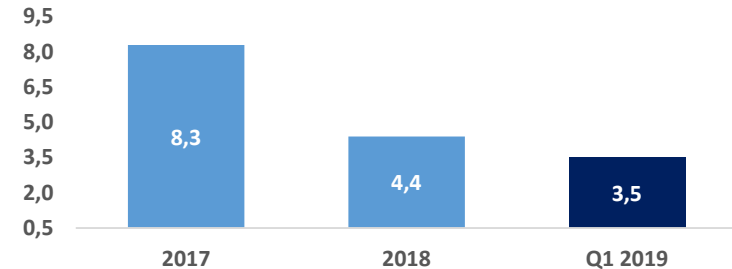
Free Cash Flow Generation (MTL)



Net Debt (MEUR Equivalent)



Net Debt / EBITDA ratio (TL based)



- Stellar Free cash flow generation
- Net debt / EBITDA declined to 3,5x
- Economically totally hedged with USD linked revenue stream

BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q1 2018	Q1 2019	% Change
SALES	748	744	-1%
EBITDA*	161	94	-42%
NET INCOME*	65	-9	-115%
EBITDA* MARGIN	21,5%	12,6%	

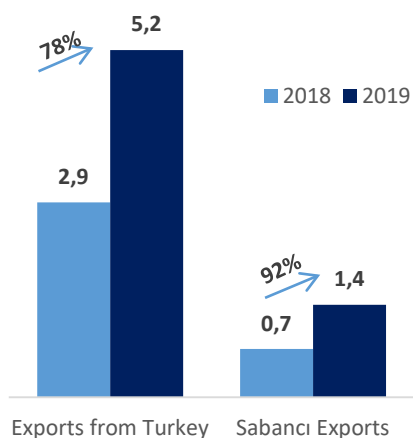
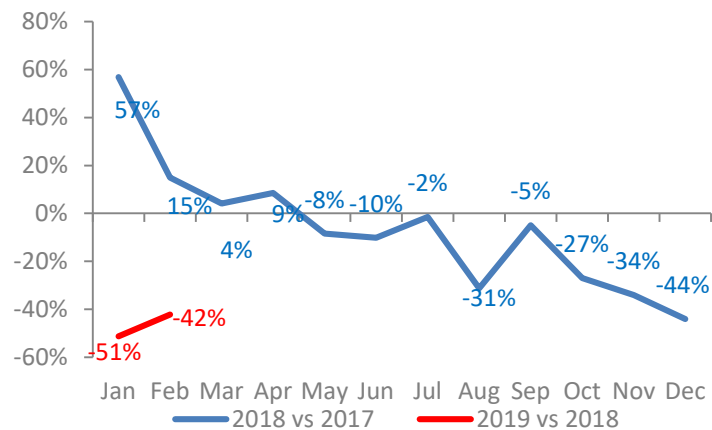
*Excludes non-operational one off items

Current Assessment

- A weak start to the year; domestic volumes declined (Jan & Feb) by 47% yoy
- Turkey Q1 export volume up by 78% yoy, while Sabanci cement export volume up by 92%
- EBITDA eroded by high cost inflation and weak domestic demand

Monthly domestic cement demand y-o-y growth

Cement exports from Turkey (mn tons)



Factors to Watch

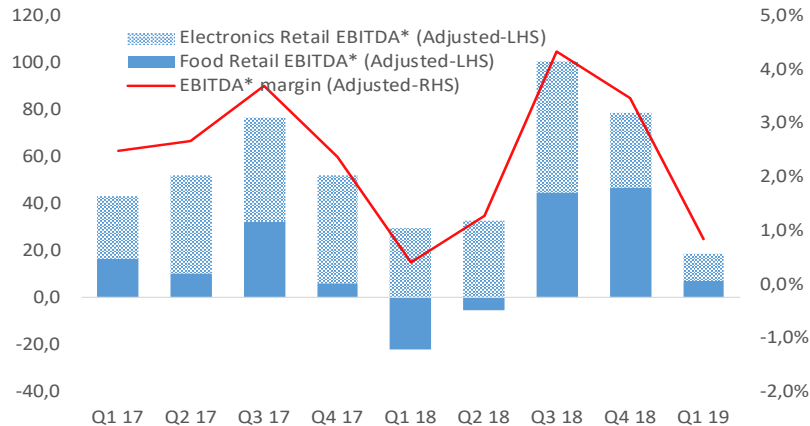
- Demand in local market
- Export potential in existing and new markets
- Petcoke, coal and electricity costs
- Infrastructure and mega construction projects
- Net working capital management
- Distribution channels' financial health

BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q1 2018	Q1 2019	% Change
SALES	1.957	2.217	13%
EBITDA*	8	130	1512%
EBITDA** - Adjusted for comparison	8	19	130%
NET INCOME*	-117	-172	-48%
NET INCOME** - Adjusted for comparison	-117	-152	-30%
EBITDA* MARGIN	0,4%	5,9%	
EBITDA** MARGIN Adjusted for comparison	0,4%	0,8%	

*Excludes non-operational one off items

**Adjusted for IFRS16 impact



Current Assessment

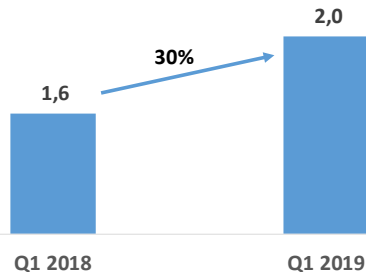
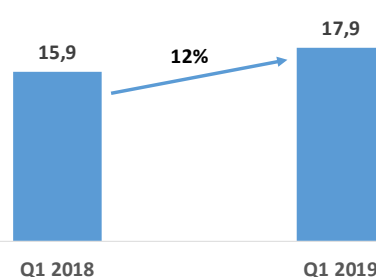
- Strong LFL revenue growth in food retailing
- Weak performance of electronics retail on poor consumer sentiment and low affordability
- Restrained operating expenses
- Higher financing expenses hurt bottomline
- Improved cash flows

Factors to Watch

- Consumer sentiment and changing buying behavior
- Potential inflationary and FX pressures over margins
- Volatility in borrowing costs
- Further focus on private label products
- Regulatory backdrop

BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q1 2018	Q1 2019	% Change
SALES	1.073	1.236	15%
EBITDA	104	161	55%
LIFE	32	48	50%
NON-LIFE	71	113	59%
NET INCOME	83	132	59%
LIFE	36	60	64%
NON-LIFE	47	72	55%

Aksigorta Assets Under Management
(BN TL)Avivasa Assets Under Management
(BN TL) *

Current Assessment

- 14% growth in total non-life insurance premiums
- Pension maintains #1 position in terms of Assets under Management (AUM)
- Both businesses continued to post strong financial income
- 30%+ RoE in both businesses
- Float: TL 3,1 bn (TL 2,3 bn in Q1 2018)

Factors to Watch

- Volatility in interest rates, inflation, and FX rates
- Regulatory changes
- Management of AuM***
- Potential slowdown in economic activity (new car, house sales and credit volumes)
- Growth in MTPL** non-pool
- Opt-out trends
- Efficient cost management

* Including Auto enrolment

** MTPL: Motor Third Party Liability

*** AUM: Assets Under Management

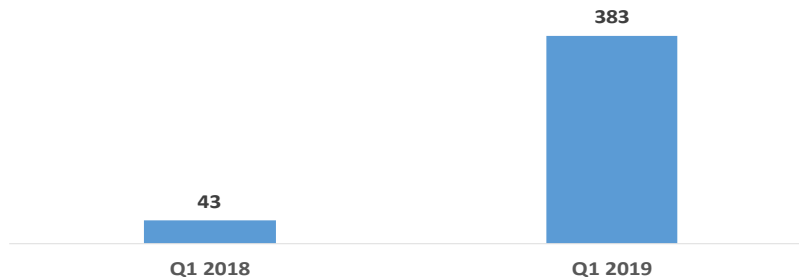
BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q1 2018	Q1 2019	% Change
SALES	1.761	2.482	41%
EBITDA*	291	310	7%
BRISA	106	122	16%
KORDSA	122	197	61%
PHILSA	43	-1	-102%
OTHER	21	-8	-139%
NET INCOME*	124	77	-38%
BRISA	11	-3	-123%
KORDSA	71	111	56%
PHILSA	43	-1	-102%
OTHER	-1	-30	-2240%
EBITDA* MARGIN	16,5%	12,5%	
CASH CONVERSION RATIO**	14,8%	123,4%	

*Excludes non-operational one off items

**Operating Cash Flow/EBITDA based on IFRS management reporting figures

Operating Cash Flow- MTL



Current Assessment

- All business lines focused on export markets to utilize weaker TL
- Operational excellence and efficiency
- Increased overall financing costs and depreciation of TL
- Focus on cash generation
- Successfully integration of new acquisitions

Factors to Watch

- Pricing / Commodity prices
- Domestic demand for tire business
- Inflation and funding costs
- Working capital management and tight inventory control
- Emerging Market currencies vs Developed Market currencies

CONSOLIDATED NET FX POSITION (excl. Bank)	MILLION EURO	
	Dec 31, 2018	Mar 31, 2019
ENERGY	-43	-1
INDUSTRIALS	16	11
CEMENT	0	-1
RETAIL	1	-4
INSURANCE	20	26
HOLDING & OTHER	284	254
TOTAL CONSOLIDATED FX POSITION AFFECTING PL	278	286

Holding Only Cash Position by the end of 1Q 2019 →1.6BTL

2019

Keeping the 2019 Guidance intact

		Growth Guidance
SABANCI HOLDING COMBINED NON-BANK *	SALES	10-20%
	EBITDA	10-20%

* Excludes one off items

** Sabanci Group plans to invest approximately 6 Billion TL in 2019, excluding any strategic M&A opportunities that may arise within the year

2019

Wrap-up



Solid operational and financial performances
posted in Q1 2019

Inorganic growth at the **Composite** and **White
Cement** businesses



Focus will continue to be on **selective growth**, **cash
generation**, and **maintaining quality of earnings**

Q&A

SABANCI



2019

Net Income: Non-operational and Non-recurring items

Non-Operational and Non-Recurring Items

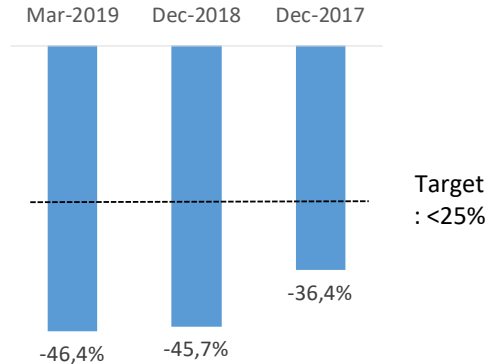
	Q1 2018	Q1 2019
CONSOLIDATED NET INCOME EXCLUDING NON OPERATIONAL & NON RECURRING ITEMS	894	1.028
Gain on sales of Enerjisa Enerji shares (IPO proceeds)	123	0
Carrefoursa one-offs	30	10
Other	20	19
CONSOLIDATED NET INCOME	1.066	1.057

2019

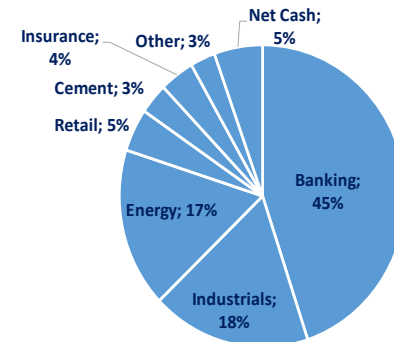
Sabancı Holding Discount to NAV*

Companies	Direct Stakes (%)*	Mar-2019 Value of			Dec-2018 Value of	
		Mcap	Stake	% of NAV	Stake	% of NAV
Akbank	40,8%	5.834	2.377	44,9%	2.117	39,6%
Enerjisa Enerji	40,0%	1.082	433	8,2%	456	8,5%
Aksigorta	36,0%	234	84	1,6%	76	1,4%
Avivasa	40,0%	307	123	2,3%	105	2,0%
Akçansa	39,7%	221	88	1,7%	106	2,0%
Çimsa	54,5%	159	87	1,6%	105	2,0%
Brisa	43,6%	392	171	3,2%	160	3,0%
Kordsa	71,1%	359	256	4,8%	256	4,8%
Yünsa	57,9%	24	14	0,3%	14	0,3%
Carrefoursa	50,6%	418	211	4,0%	233	4,4%
Teknosa	60,3%	52	31	0,6%	37	0,7%
Total Listed			3.874	73,2%	3.666	68,5%
Enerjisa Üretim	50,0%	944	472	8,9%	492	9,2%
Temsa	48,7%	77	37	0,7%	40	0,7%
Philsa	25,0%	1.888	472	8,9%	507	9,5%
Other			150	2,8%	157	2,9%
Total Non-listed			1.131	21,4%	1.195	22,3%
Total			5.006	94,5%	4.861	90,9%
Sabancı Holding Net Cash		289	5,5%		487	9,1%
Sabancı Holding NAV		5.295	100,0%		5.348	100,0%
Sabancı Holding Mcap		2.840			2.905	
Sabancı Holding Discount			-46,4%		-45,7%	

NAV* Discount



Breakdown of NAV* (Mar 2019)



Source: Bloomberg, Sabancı Holding Finance Department

*Enerjisa Generation is valued at Book Value, while Temsa and Philsa valuations are based on Sell-side analyst estimates