

# Sabancı Holding

Q4 2019 Earnings Presentation



# Disclaimer

The information and opinions contained in this document have been compiled by Hacı Ömer Sabancı Holding A.Ş. (“Holding”) from sources believed to be reliable and in good faith, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness or correctness. No undue reliance may be placed for any purposes whatsoever on the information contained in this presentation or on its completeness, accuracy or fairness. This document contains forward-looking statements by using such words as "may", "will", "expect", "believe", "plan" and other similar terminology that reflect the Holding management’s current views, expectations, assumptions and forecasts with respect to certain future events. As the actual performance of the companies may be affected by risks and uncertainties, all opinions, information and estimates contained in this document constitute the Holding’s current judgement and are subject to change, update, amend, supplement or otherwise alter without notice. Although it is believed that the information and analysis are correct and expectations reflected in this document are reasonable, they may be affected by a variety of variables and changes in underlying assumptions that could cause actual results to differ materially. Holding does not undertake any obligation, and disclaims any duty to update or revise any forward looking statements, whether as a result of new information or future events. Neither this document nor the information contained within can construe any investment advice, invitation or an offer to buy or sell Holding and/or Its group companies’ shares. Holding cannot guarantee that the securities described in this document constitute a suitable investment for all investors and nothing shall be taken as an inducement to any person to invest in or otherwise deal with any shares of Holding and its group companies. The information contained in this document is published for the assistance of recipients, but is not to be relied upon as authoritative or taken in substitution for the exercise of judgment by any recipient. You must not distribute the information in this document to, or cause it to be used by, any person or entity in a place where its distribution or use would be unlawful. Neither Holding, its board of directors, directors, managers, nor any of Its employees shall have any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.

2019

## FY19 Highlights



**Solid operational performance**  
15% y/y Revenue & EBITDA\* growth

**Prevailing focus on Portfolio simplification**

Divestiture of Yünsa completed



**Record cash flow generation**

Almost doubling FCF  
2,2x Net debt/EBITDA

\*Excludes non-operational one off items

2019

## Cash flow generation and deleveraging trend intact

## OPERATIONAL CASH FLOW (MTL)\*

	Q4 2018	Q4 2019	% Change	2018	2019	% Change
Energy	1.336	2.373	78%	3.576	6.611	85%
Cement	343	233	-32%	685	626	-9%
Retail	388	253	-35%	159	639	302%
Retail - Comparable	388	131	-66%	159	174	10%
Industrials - Comparable**	397	708	78%	1.167	1.781	53%
<b>TOTAL</b>	<b>2.463</b>	<b>3.567</b>	<b>45%</b>	<b>5.587</b>	<b>9.658</b>	<b>73%</b>

## FREE CASH FLOW (MTL)\*

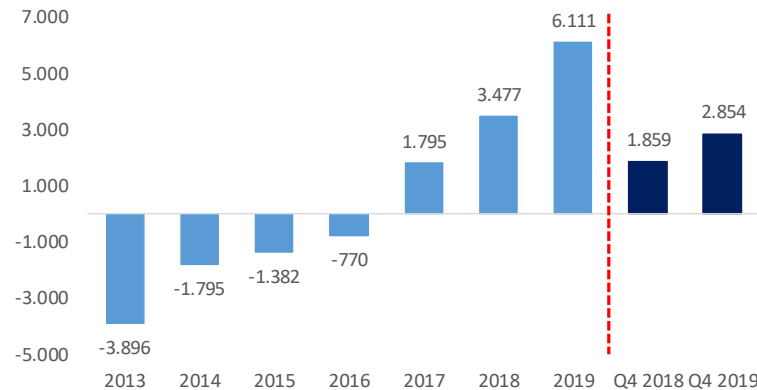
	Q4 2018	Q4 2019	% Change	2018	2019	% Change
Energy	1.075	1.870	74%	1.806	4.701	160%
Cement	195	227	16%	424	530	25%
Retail	318	179	-44%	976	448	-54%
Retail - Comparable	318	58	-82%	976	-17	-102%
Industrials - Comparable**	271	578	113%	271	432	59%
<b>TOTAL</b>	<b>1.859</b>	<b>2.854</b>	<b>53%</b>	<b>3.477</b>	<b>6.111</b>	<b>76%</b>

\*Excludes Insurance, Banking, Other segment

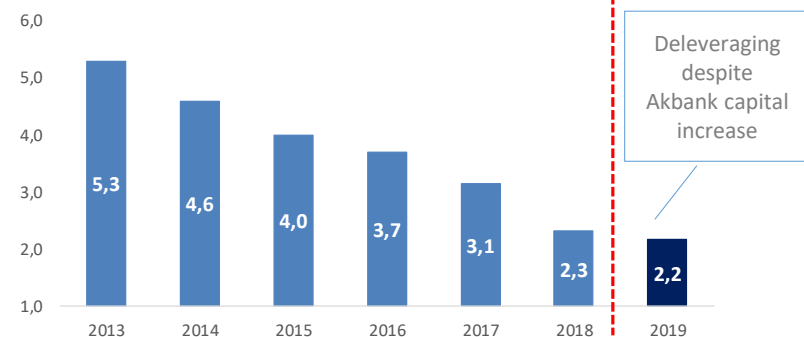
\*\*Comparable: Excludes divested businesses

Insurance float: 4,3 bn TL in Q4 2019 (3,0 bn TL in Q4 2018)

## Free Cash Flow, Combined for Non-Bank\*



## Combined Net Financial Debt to Non-Bank EBITDA\*\*\*

\*\*\* Excludes Banking and net cash position of Insurance  
EBITDA excludes one-offs and IFRS16 impact in retail segment

2019

## Financial performance snapshot

## Combined Net Sales

MILLION TL	Q4 2018	Q4 2019	% Change	2018	2019	% Change
TOTAL*	25.639	24.655	-4%	86.868	97.047	12%
BANK	11.263	9.935	-12%	38.166	41.278	8%
NON-BANK*	14.376	14.719	2%	48.702	55.769	15%
NON-BANK*-Comparable	13.009	14.854	14%	45.896	55.004	20%

Above inflation top-line growth

## Combined EBITDA

MILLION TL	Q4 2018	Q4 2019	% Change	2018	2019	% Change
TOTAL*	4.033	3.862	-4%	15.420	16.882	9%
BANK	1.357	1.857	37%	7.338	7.549	3%
NON-BANK*	2.676	2.005	-25%	8.082	9.334	15%
NON-BANK*-Comparable	1.944	2.099	8%	7.068	9.042	28%

Challenges of bank compensated by non-bank

## Consolidated Net Income

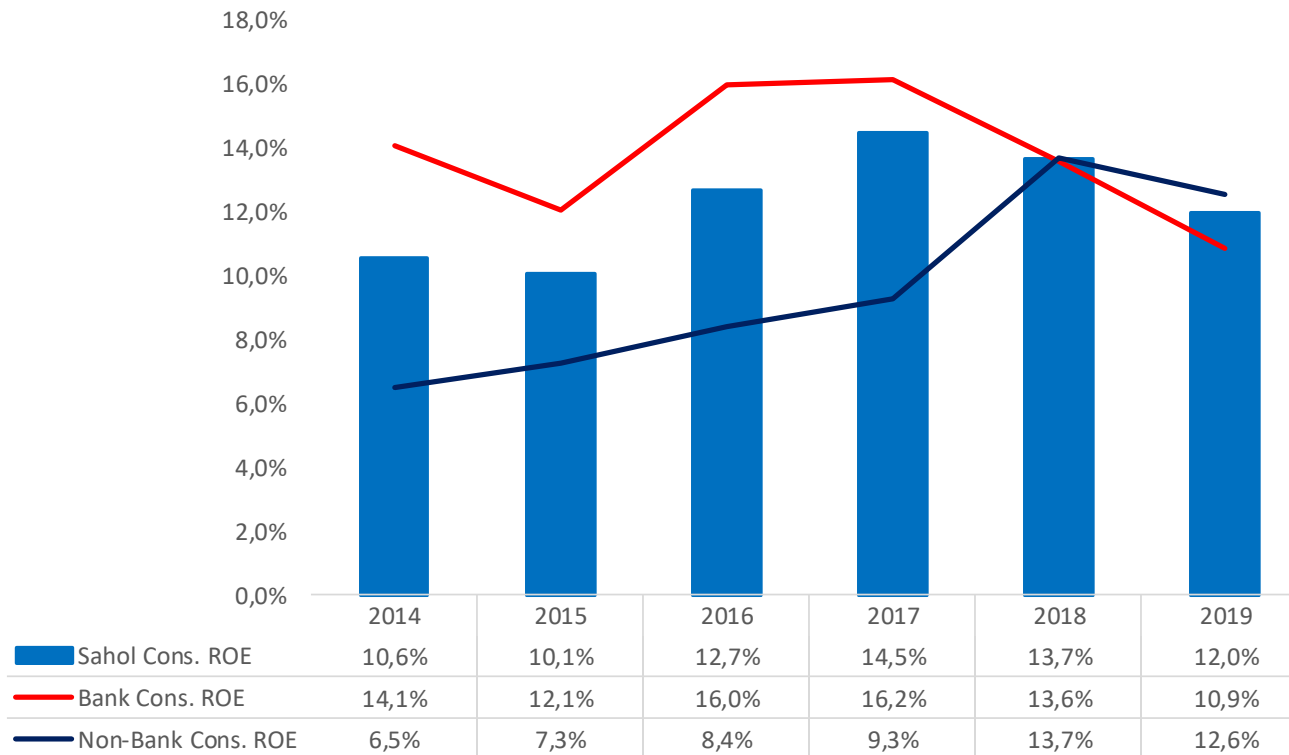
MILLION TL	Q4 2018	Q4 2019	% Change	2018	2019	% Change
TOTAL*	844	856	1%	3.831	3.759	-2%
BANK	459	541	18%	2.269	2.227	-2%
NON-BANK*	385	315	-18%	1.563	1.533	-2%
NON-BANK*-Comparable	173	394	127%	1.313	1.653	26%

High level of profitability maintained despite challenging environment

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

2019

## Consolidated Return on Equity (ROE)



\*Excludes non-operational one off items

## TOTAL BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q4 2018	Q4 2019	% Change	2018	2019	% Change
<b>TOTAL*</b>	25.639	24.655	-4%	86.868	97.047	12%
<b>BANK</b>	11.263	9.935	-12%	38.166	41.278	8%
<b>NON-BANK*</b>	14.376	14.719	2%	48.702	55.769	15%
<b>NON-BANK*-Comparable</b>	13.009	14.854	14%	45.896	55.004	20%
<b>ENERGY</b>	7.570	6.622	-13%	23.647	26.013	10%
ENERGY-Comparable	6.828	6.843	0%	22.663	26.243	16%
<b>CEMENT</b>	794	886	11%	3.419	3.552	4%
<b>RETAIL</b>	2.276	2.999	32%	8.680	10.523	21%
<b>INSURANCE</b>	1.114	1.719	54%	3.983	5.461	37%
<b>INDUSTRIALS</b>	2.557	2.258	-12%	8.767	9.691	11%
INDUSTRIALS-Comparable	1.933	2.172	12%	6.946	8.696	25%
<b>OTHER*</b>	64	235	268%	206	529	157%

\*Holding dividend income excluded

**Energy:** Inflation adjustment on Regulated Asset Base (RAB)

**Retail:** Stronger LfL on customer traffic and overall basket size

**Insurance:** New life protection products coupled with price and volume increases at non-life business

## EBITDA

## Challenges of bank compensated by non-bank

## TOTAL BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q4 2018	Q4 2019	% Change	2018	2019	% Change
<b>TOTAL*</b>	<b>4.033</b>	<b>3.862</b>	<b>-4%</b>	<b>15.420</b>	<b>16.882</b>	<b>9%</b>
<b>BANK</b>	1.357	1.857	37%	7.338	7.549	3%
<b>NON-BANK*</b>	<b>2.676</b>	<b>2.005</b>	<b>-25%</b>	<b>8.082</b>	<b>9.334</b>	<b>15%</b>
<b>NON-BANK*-Comparable</b>	<b>1.944</b>	<b>2.099</b>	<b>8%</b>	<b>7.068</b>	<b>9.042</b>	<b>28%</b>
<b>ENERGY</b>	2.109	1.097	-48%	5.337	5.735	7%
ENERGY-Comparable	1.367	1.318	-4%	4.353	5.965	37%
<b>CEMENT</b>	81	123	53%	724	548	-24%
<b>RETAIL</b>	79	259	228%	215	806	276%
RETAIL-Comparable	79	138	75%	215	341	59%
<b>INSURANCE</b>	137	193	41%	510	697	37%
<b>INDUSTRIALS</b>	289	351	21%	1.355	1.596	18%
INDUSTRIALS-Comparable	299	345	15%	1.325	1.539	16%
<b>OTHER*</b>	-20	-17	11%	-58	-48	18%

\*Excludes non-operational one off items

**Cement:** Declining petcoke prices and OPEX efficiency

**Retail:** Initiatives resulted in margin improvement

**Insurance:** Improved combined ratio and low claim frequency at non-life business

**Industrials:** Composite segment's contribution and OPEX management



# Consolidated Net Income

## High level of profitability maintained despite challenging environment

MILLION TL	Q4 2018	Q4 2019	% Change	2018	2019	% Change
<b>CONSOLIDATED NET INCOME*</b>	844	856	1%	3.831	3.759	-2%
<b>BANK</b>	459	541	18%	2.269	2.227	-2%
<b>NON-BANK</b>	385	315	-18%	1.563	1.533	-2%
<b>NON-BANK-Comparable</b>	173	394	127%	1.313	1.653	26%
<b>ENERGY</b>	469	149	-68%	576	992	72%
ENERGY-Comparable	238	218	-8%	269	1.064	295%
<b>CEMENT</b>	-35	2	107%	121	4	-97%
<b>RETAIL</b>	-45	-46	-2%	-184	-276	-50%
RETAIL-Comparable	-45	-36	20%	-184	-233	-27%
<b>INSURANCE</b>	46	62	34%	157	215	37%
<b>INDUSTRIALS</b>	52	87	69%	381	448	18%
INDUSTRIALS-Comparable	71	88	23%	438	453	3%
<b>OTHER</b>	-102	61	160%	512	150	-71%

\*Excludes non-operational one off items

**Cement:** Supported by strong operational performance

**Insurance:** Strong financial income

**Industrials:** Positive pass-through impact of EBITDA

**Holding-level:** Higher FX gains

## Successful YE results despite high base in 4Q18

## BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q4 2018	Q4 2019	% Change	2018	2019	% Change
<b>SALES</b>	7.570	6.622	-13%	23.647	26.013	10%
<b>EBITDA*</b>	2.109	1.097	-48%	5.337	5.735	7%
<b>NET INCOME*</b>	1.086	341	-69%	1.430	2.185	53%
NET INCOME-Comparable	507	514	1%	663	2.365	257%
<b>EBITDA* MARGIN</b>	27,9%	16,6%		22,6%	22,0%	

\*Excludes non-operational one off items

## Current Assessment

### Distribution & Retail Business (Enerjisa Enerji):

- Lower inflation estimates led to -221 MTL negative impact in 4Q19 (+742 MTL in 4Q18) leading to a deterioration in y/y 4Q sales and EBITDA growth. Excluding this impact successful growth path continues as RAB increased by 21% y/y.

### Generation Business (Enerjisa Üretim):

- Positive EBITDA impact from all renewable, lignite and natural gas plants.
- Outstanding YE EBITDA level, as hydro assets benefitted from wet hydrology and Feed-in-tariff in 2019.

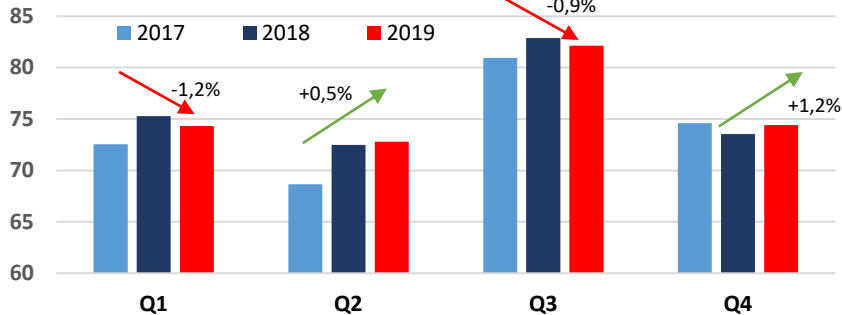
## Factors to Watch

- **Inflation:** Driver for Enerjisa Enerji's financial income
- **Demand and spot prices** in the upcoming quarters
- **FX Volatility:** Enerjisa Üretim is a hard currency business
- **Interest Rates:** Enerjisa Enerji secured most of its 2020 funding requirement but will continue refinancing transactions due to volatile interest rates

# Generation Sector

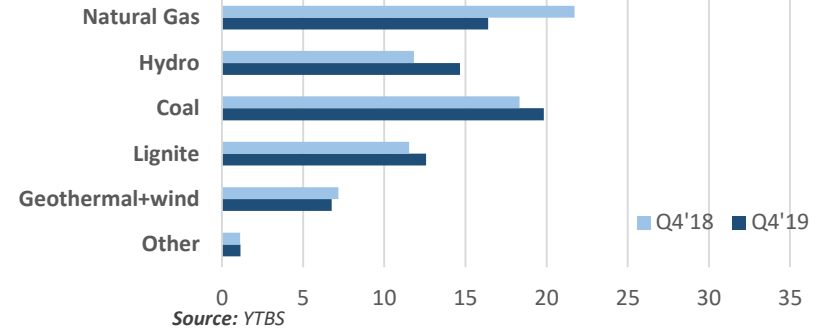
## Demand growth with normalized spot prices in 4Q 2019

### Electricity consumption (GWh)



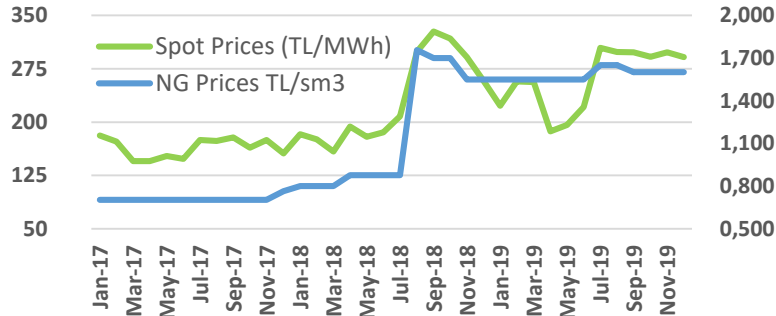
Source: TEİAŞ

### Electricity generation by source in Q4 (TWh)



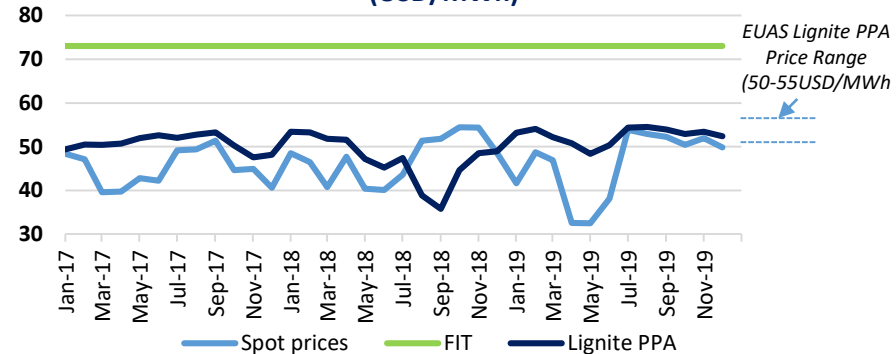
Source: YTBS

### Spot Electricity Prices vs Natural Gas (NG) Prices



Source: EPIAŞ

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



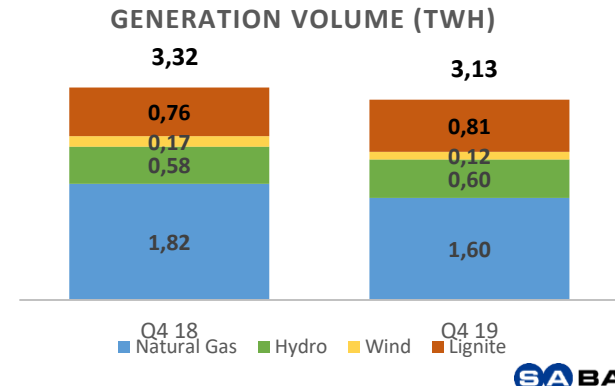
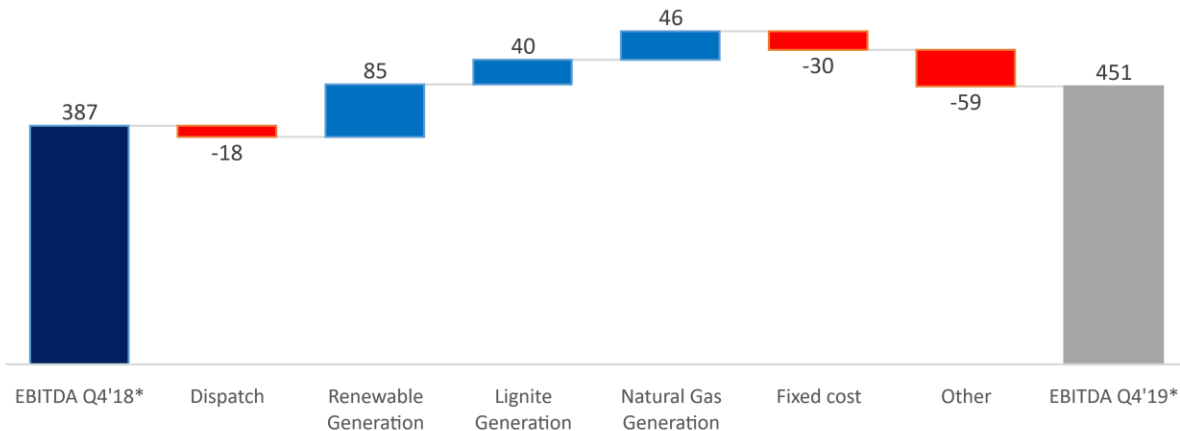
Source: EPIAŞ

## Improved EBITDA in all generation assets

MILLION TL	Q4 2018	Q4 2019	% Change	2018	2019	% Change
Net sales	1.723	1.735	1%	5.301	6.559	24%
EBITDA*	387	451	17%	1.413	2.404	70%
EBITDA* margin (%)	22%	26%	3,5pp	27%	37%	10,0pp
Depreciation	111	123	11%	439	466	6%
Financial Income/(expense)	-167	-168	0%	-1.329	-658	51%
Net income*	349	118	-66%	39	1.172	2905%

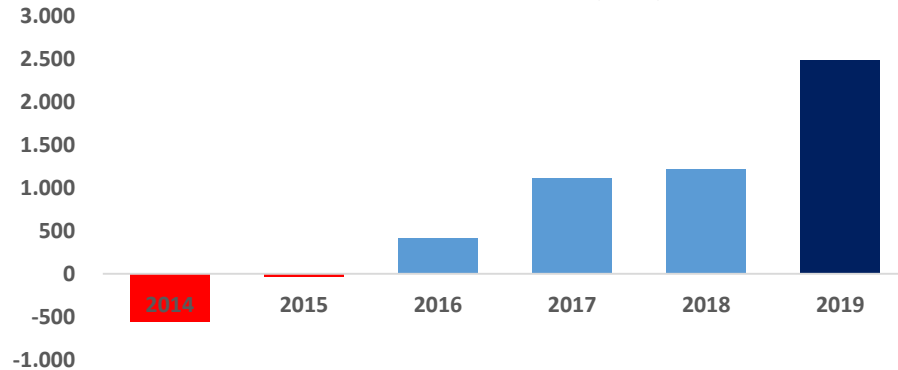
\*Excludes non-operational one off items

- Renewable plants' EBITDA contribution increased in 4Q19 with higher USD/TL and hedged rates above market rates despite 4% volume decline y/y
- Tufanbeyli lignite plant benefitted from record high availability and y/y improved EUAS PPA price
- Higher spot prices and spark spread in addition to hedge operations led to a positive EBITDA impact from NG plants
- Lower dispatch contribution due to market conditions

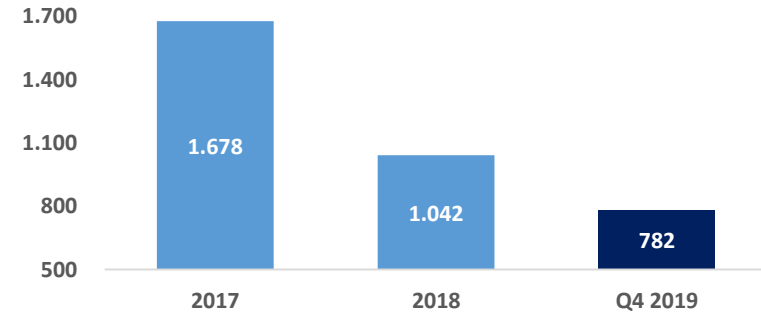


## Deleveraging momentum does not lose steam

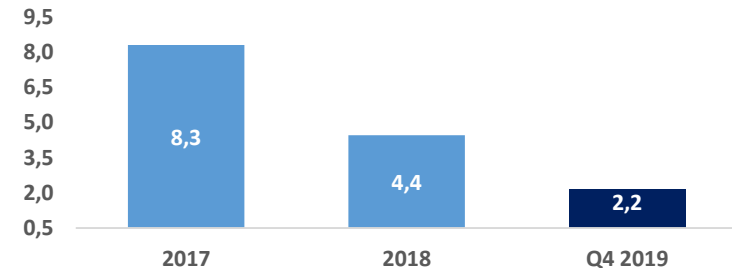
Free Cash Flow Generation (MTL)



Net Debt (MEUR Equivalent)



Net Debt / EBITDA ratio (TL based)



- Impressive Free cash flow generation
- Net debt / EBITDA now 2,2x
- EUR debt economically totally hedged with USD linked revenue stream

## BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

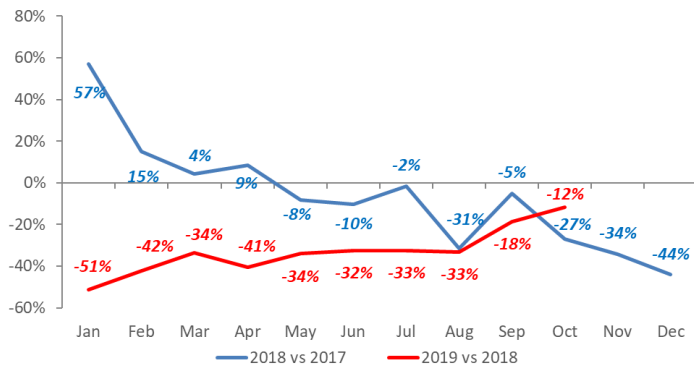
MILLION TL	Q4 2018	Q4 2019	% Change	2018	2019	% Change
<b>SALES</b>	794	886	11%	3.419	3.552	4%
<b>EBITDA*</b>	81	123	53%	724	548	-24%
<b>NET INCOME*</b>	-69	-7	89%	246	-23	-109%
<b>EBITDA* MARGIN</b>	10,2%	13,9%		21,2%	15,4%	

\*Excludes non-operational one off items

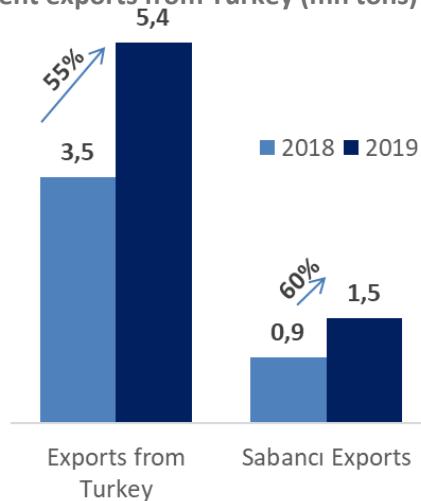
## Current Assessment

- Weakness in domestic demand prevails; domestic volumes declined by 33% year-to-date
- Turkey Q4 export volume up by 55% y/y, while Sabanci cement export volume up by 60%

## Monthly domestic cement demand y-o-y growth



## Cement exports from Turkey (mn tons)



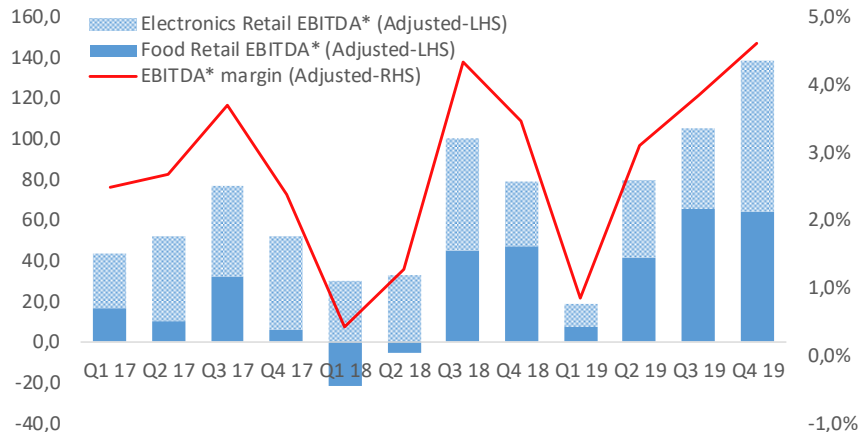
## Factors to Watch

- Domestic market outlook and sales prices
- Export potential and competition
- Petcoke, coal and electricity costs
- Infrastructure and construction projects
- Demand and supply in local market
- Working capital management

## BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q4 2018	Q4 2019	% Change	2018	2019	% Change
<b>SALES</b>	2.276	2.999	32%	8.680	10.523	21%
<b>EBITDA*</b>	79	259	228%	215	806	276%
EBITDA*-Comparable	79	138	75%	215	341	59%
<b>NET INCOME*</b>	-82	-87	-6%	-354	-516	-46%
NET INCOME*-Comparable	-82	-69	16%	-354	-437	-23%
<b>EBITDA* MARGIN</b>	3,5%	8,6%		2,5%	7,7%	
EBITDA** MARGIN-Comparable	3,5%	4,6%		2,5%	3,2%	

\*Excludes non-operational one off items



## Current Assessment

- Top line supported by improving LfL customer growth and overall basket size
- Improved operational profitability; higher adjusted EBITDA margin
- High financial expenses continued to push bottom line down to negative territory

## Factors to Watch

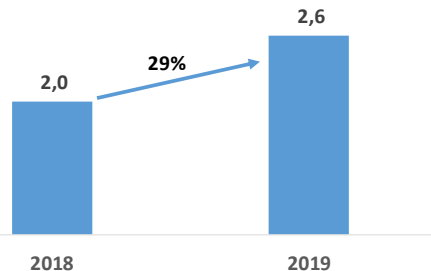
- Consumer sentiment, changing buying behavior and purchasing power
- Interest rates, FX, inflation, and economic outlook
- Ongoing turnaround projects to enhance efficiency, revenue stream, profitability, and growth
- Regulatory backdrop

## BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

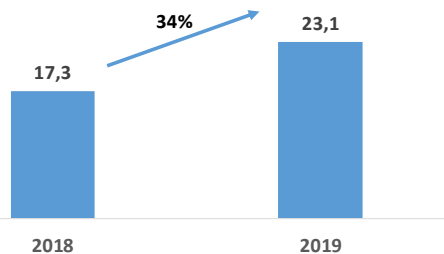
MILLION TL	Q4 2018	Q4 2019	% Change	2018	2019	% Change
<b>SALES</b>	1.114	1.719	54%	3.983	5.461	37%
<b>EBITDA</b>	137	193	41%	510	697	37%
<b>LIFE</b>	39	60	51%	187	220	18%
<b>NON-LIFE</b>	98	133	36%	323	477	48%
<b>NET INCOME*</b>	122	163	34%	414	569	37%
<b>LIFE</b>	51	69	36%	201	254	27%
<b>NON-LIFE</b>	71	94	33%	213	315	48%

\*Excludes non-operational one off items

Aksigorta Assets Under Management  
(BN TL)



Avivasa Pension Assets Under Management  
(BN TL) \*



\* Including auto enrolment

## Current Assessment

- 40% y/y growth in non-life insurance premiums, driven by Non-motor, health, MTPL\*\* and MOD\*\*
- 154% y/y growth in life insurance premiums, driven by both credit linked and non-credit linked products
- Pension maintains #1 position in terms of AUM\*\*\* with a 18,8% market share
- 35%+ RoE in both businesses
- Float: TL4,3 bn in 4Q19 (TL3,0 bn in Q418)

## Factors to Watch

- Interest rates, inflation, and FX rates
- Natural disasters due to climate change and claims management
- Economic outlook (new vehicle and mortgage volume, new credit volumes, pressuring retail segment)
- Regulatory changes
- Product pricing and consumers' saving behavior

\*\* MTPL: Motor Third Party Liability; MOD: Motor Own Damage

\*\*\* AUM: Asset under Management



## Current Assessment

- %10 of total revenue in 4Q generated by inorganic growth
- Solid International revenues with well diversified portfolio
- Turkey's undisputable market leader in tire business and growth in export
- Strong cash generation with well managed working capital

## Factors to Watch

- Economic slowdown and competition in Asia
- Pricing / Commodity prices
- Domestic demand for tire business
- FX, Inflation and funding costs
- Working capital management
- Corona Epidemics' impact on China base supply

## BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q4 2018	Q4 2019	% Change	2018	2019	% Change
<b>SALES</b>	<b>2.557</b>	<b>2.258</b>	<b>-12%</b>	<b>8.767</b>	<b>9.691</b>	<b>11%</b>
SALES-Comparable	1.933	2.172	12%	6.946	8.696	25%
<b>EBITDA*</b>	<b>289</b>	<b>351</b>	<b>21%</b>	<b>1.355</b>	<b>1.596</b>	<b>18%</b>
BRİSA	125	153	22%	497	609	22%
KORDSA	130	169	30%	631	765	21%
PHILSA	44	23	-47%	197	165	-16%
OTHER	-10	6	163%	30	57	87%
EBITDA*-Comparable	299	345	15%	1.325	1.539	16%
<b>NET INCOME*</b>	<b>63</b>	<b>133</b>	<b>109%</b>	<b>496</b>	<b>639</b>	<b>29%</b>
BRİSA	21	40	92%	96	114	19%
KORDSA	41	70	72%	327	371	14%
PHILSA	44	23	-47%	197	165	-16%
OTHER	-42	-1	98%	-123	-11	91%
NET INCOME*-Comparable	105	133	26%	619	650	5%
<b>EBITDA* MARGIN</b>	<b>11,3%</b>	<b>15,5%</b>		<b>15,5%</b>	<b>16,5%</b>	

\*Excludes non-operational one off items

CONSOLIDATED NET FX POSITION (excl. Bank)	MILLION USD	
	Dec 31, 2018	Dec 31, 2019
ENERGY	-49	1
INDUSTRIALS	19	15
CEMENT	0	8
RETAIL	1	1
INSURANCE	22	8
HOLDING & OTHER	325	276
<b>TOTAL CONSOLIDATED FX POSITION AFFECTING PL</b>	<b>318</b>	<b>308</b>

Holding Only Cash Position by the end of 2019 →1,7BTL

2019

## Guidance met

		2019 Growth Guidance (February 25, 2019)	2019 Growth Realization	Status
<b>SABANCI HOLDING</b>	<b>SALES</b>	10-20%	15%	✓
<b>COMBINED NON-BANK *</b>	<b>EBITDA</b>	10-20%	15%	✓

\* Excludes one off items

2019

## Conclusion



**Solid operational performance**  
15% y/y Revenue & EBITDA\* growth

**Capital allocation strategy executed effectively  
as planned**



**Our focus will continue to be on selective growth,  
cash generation, and quality of earnings**

\*Excludes non-operational one off items

Q&A

SABANCI



2019

# Net Income: Non-operational and Non-recurring items

## Non-Operational and Non-Recurring Items

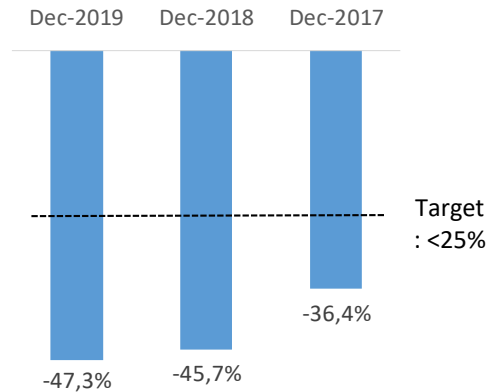
	Q4 2018	Q4 2019	2018	2019
<b>CONSOLIDATED NET INCOME EXCLUDING NON OPERATIONAL &amp; NON RECURRING ITEMS</b>	<b>844</b>	<b>856</b>	<b>3.831</b>	<b>3.759</b>
Gain on sales of Enerjisa Enerji shares (IPO proceeds)	0	0	123	0
Carrefoursa one-offs	-86	2	150	12
Loss on sale of Temsa Ulaşım	0	0	0	-66
Gain on sale of Yünsa	0	19	0	19
Enerjisa Enerji goodwill impairment	-302	0	-302	0
Other	-27	4	28	55
<b>CONSOLIDATED NET INCOME</b>	<b>429</b>	<b>881</b>	<b>3.830</b>	<b>3.780</b>

2019

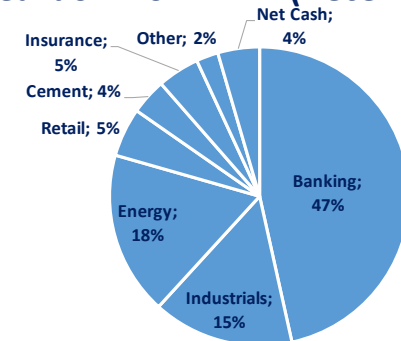
## Sabancı Holding Discount to NAV\*

USDmnn Companies	Direct Stakes (%)*	Valuation Method	Dec-2019 Value of			Dec-2018 Value of		
			Mcap	Stake	% of NAV	Stake	% of NAV	
Akbank	40,8%	Market value	7.093	2.891	46,5%	2.117	39,6%	
Enerjisa Enerji	40,0%	Market value	1.468	587	9,5%	456	8,5%	
Aksigorta	36,0%	Market value	313	113	1,8%	76	1,4%	
Avivasa	40,0%	Market value	422	169	2,7%	105	2,0%	
Akçansa	39,7%	Market value	323	128	2,1%	106	2,0%	
Çimsa	54,5%	Market value	206	113	1,8%	105	2,0%	
Brisa	43,6%	Market value	488	213	3,4%	160	3,0%	
Kordsa	71,1%	Market value	428	304	4,9%	256	4,8%	
Yünsa	0,0%	Market value			0,0%	14	0,3%	
Carrefoursa	50,6%	Market value	555	281	4,5%	233	4,4%	
Teknosa	60,3%	Market value	78	47	0,8%	37	0,7%	
<b>Total Listed</b>			<b>4.845</b>	<b>78,0%</b>		<b>3.666</b>	<b>68,5%</b>	
Enerjisa Üretim	50,0%	1.0 x Book Value	1.023	511	8,2%	492	9,2%	
Temsa*		1.0 x Book Value		6	0,1%	40	0,7%	
Philsa	25,0%	Analyst Estimates**	1.688	422	6,8%	507	9,5%	
Other		1.0 x Book Value		147	2,4%	157	2,9%	
<b>Total Non-listed</b>			<b>1.086</b>	<b>17,5%</b>		<b>1.195</b>	<b>22,3%</b>	
<b>Total</b>			<b>5.932</b>	<b>95,5%</b>		<b>4.861</b>	<b>90,9%</b>	
Sabancı Holding Net Cash				279	4,5%		487	9,1%
Sabancı Holding NAV				6.211	100,0%		5.348	100,0%
<b>Sabancı Holding Mcap</b>				<b>3.274</b>			<b>2.905</b>	
<b>Sabancı Holding Discount</b>				<b>-47,3%</b>			<b>-45,7%</b>	

## NAV\* Discount



## Breakdown of NAV\* (December 2019)



Source: Bloomberg, Sabancı Holding Finance Department

\*Temsa includes Temsa Motorlu Araçlar and Temsa İş Makinaları

\*\*# of Analyst Estimates: 14

- Based on IFRIC 12 “Service Concession Arrangements”, the CAPEX spending on Regulated Asset Base is treated as financial asset and measured with an Internal Rate of Return Model. As one of the key parameters in energy distribution business revenue model is inflation, any change in inflation (current and/or projected) results in value change in the financial asset.
- In Enerjisa Distribution, due to high inflationary environment, the IFRIC12 adjustment was positive 742 MTL in 4Q 2018 at the top line, however as the decline of inflation has been in higher pace than anticipated, this year we booked a negative 221 MTL adjustment – that causes a 963 MTL (nearly 1 billion TL) difference starting from the topline.



- In IFRS16, the change is that now most leased items with a duration longer than one year have to be included as an asset in the company books.
- In addition, the payments that will be made on the lease agreement have to be reported as a liability on the balance sheet.
- Added to these, the depreciation of the asset and interest on the lease liability have to be shown on P&L instead of rent expenses. This leads to higher operating profit compared to the periods before IFRS16 application.
- For comparison purposes, 2019 figures are adjusted to reflect the IFRS16 impact.