

# Sabancı Holding

Q4 2018 Earnings Presentation



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2018

## Key Developments in 2018



Very solid operational and financial performance; Non-bank EBITDA\* and Net Income\* grew 40% and 61% yoy , respectively

Strategic steps to grow **Composite** business executed one by one



Significant improvement in leverage ratios on the back strong cash flow performance

\* Excludes non-operational one off items.

2018

# Strong cash generation led to sharp decline in leverage ratio

## OPERATIONAL CASH FLOW (MTL)\*

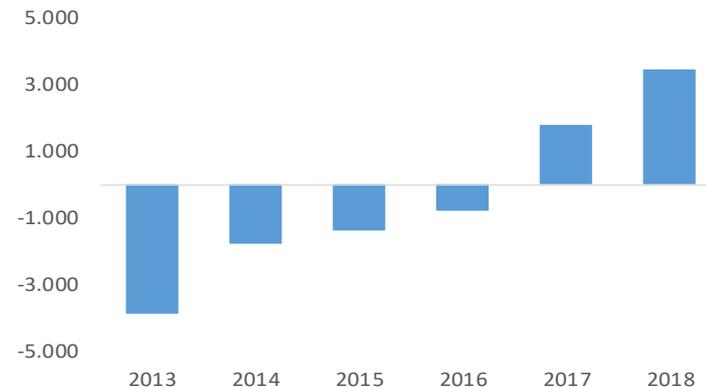
	2017	2018	% Change	4Q 2017	4Q 2018	% Change
Energy	2.980	3.576	20%	1.000	1.336	34%
Cement	446	684	53%	357	343	-4%
Retail	161	159	-1%	215	388	80%
Industry	1.005	1.233	23%	388	578	49%
<b>TOTAL</b>	<b>4.592</b>	<b>5.652</b>	<b>23%</b>	<b>1.961</b>	<b>2.644</b>	<b>35%</b>

## FREE CASH FLOW (MTL)\*

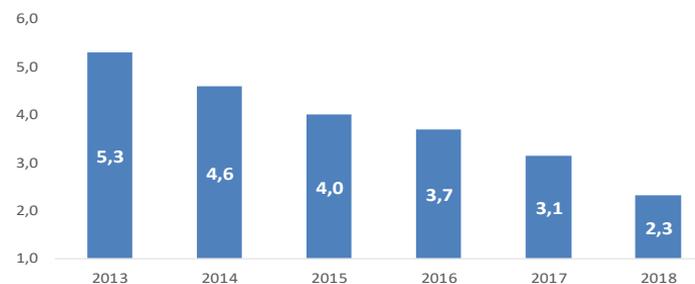
	2017	2018	% Change	4Q 2017	4Q 2018	% Change
Energy	1.551	1.805	16%	685	1.074	57%
Cement	0	424	n.m.	227	195	-14%
Retail	86	976	1035%	86	318	271%
Industry	158	285	80%	162	413	155%
<b>TOTAL</b>	<b>1.795</b>	<b>3.490</b>	<b>94%</b>	<b>1.160</b>	<b>2.000</b>	<b>72%</b>

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

## 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

# Outstanding Non-Bank Performance

## Combined Net Sales

MILLION TL	2017	2018	% Change	Q4 2017	Q4 2018	% Change
TOTAL*	64.711	86.868	34%	18.556	25.639	38%
BANK	27.352	38.166	40%	7.608	11.263	48%
NON-BANK*	37.359	48.702	30%	10.948	14.376	31%

Driven by Energy and Industrials

Pass through of costs

Higher exports

## Combined EBITDA

MILLION TL	2017	2018	% Change	Q4 2017	Q4 2018	% Change
TOTAL*	14.201	15.403	8%	4.479	4.026	-10%
BANK	8.427	7.338	-13%	2.511	1.357	-46%
NON-BANK*	5.774	8.065	40%	1.968	2.670	36%

Disciplined cost management

Supportive regulatory backdrop

Margin increase in FX linked businesses

## Consolidated Net income

MILLION TL	2017	2018	% Change	Q4 2017	Q4 2018	% Change
TOTAL*	3.615	3.831	6%	1.237	844	-32%
BANK	2.643	2.269	-14%	788	459	-42%
NON-BANK*	973	1.563	61%	449	385	-14%

Deleveraging continued

Long FX position hurt Net Income in Q4

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

2018

## Upgraded Guidance Met

		2018 Growth Guidance (February 26, 2018)	Revised 2018 Growth Guidance (November 7, 2018)	2018 Growth Realization	Status
SABANCI HOLDING COMBINED NON-BANK *	SALES	15-20%	25-35%	30%	✓
	EBITDA	15-20%	35-45%	40%	✓

Excludes one off items

# Revenues

## Energy and Industrials continue to be the growth drivers

### TOTAL BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	2017	2018	% Change	Q4 2017	Q4 2018	% Change
<b>TOTAL*</b>	64.711	86.868	34%	18.556	25.639	38%
<b>BANK</b>	27.352	38.166	40%	7.608	11.263	48%
<b>NON-BANK*</b>	37.359	48.702	30%	10.948	14.376	31%
<b>ENERGY</b>	16.510	23.647	43%	4.957	7.570	53%
<b>CEMENT</b>	3.010	3.419	14%	864	794	-8%
<b>RETAIL</b>	7.952	8.680	9%	2.191	2.276	4%
<b>INSURANCE</b>	3.107	3.983	28%	1.007	1.114	11%
<b>INDUSTRIALS</b>	6.613	8.767	33%	1.874	2.557	36%
<b>OTHER*</b>	168	206	23%	55	64	16%

Price and volume increases drove **Energy** top line

**Industrials** top line driven by exports and strong international demand

Excludes non-operational one off items.

\* Holding dividend income excluded

## EBITDA

## Energy and Insurance drove the EBITDA growth

## TOTAL BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	2017	2018	% Change	Q4 2017	Q4 2018	% Change
<b>TOTAL*</b>	<b>14.201</b>	<b>15.403</b>	<b>8%</b>	<b>4.479</b>	<b>4.026</b>	<b>-10%</b>
<b>BANK</b>	8.427	7.338	-13%	2.511	1.357	-46%
<b>NON-BANK*</b>	<b>5.774</b>	<b>8.065</b>	<b>40%</b>	<b>1.968</b>	<b>2.670</b>	<b>36%</b>
ENERGY	3.468	5.337	54%	1.326	2.109	59%
CEMENT	680	724	6%	207	81	-61%
RETAIL	224	215	-4%	52	79	52%
INSURANCE	324	492	52%	88	131	49%
INDUSTRIALS	1.118	1.355	21%	305	289	-5%
OTHER*	-41	-58	-41%	-10	-20	-100%

**Energy** was driven mainly by higher RAB improved WACC returns, operational efficiencies and higher electricity prices.

In **Insurance**, strong performance of non-life segment, as strategy of focusing on MTPL has paid off handsomely.

Food **Retail** continued its strong performance in Q4

\*Holding dividend income is excluded

EBITDA excludes non-operational one off items.

RAB: Regulated Asset Base

WACC: Weighted Average Cost of Capital

MTPL: Motor Third Party Liability

## Consolidated Net Income

# FX long position at HoldCo hurt the bottom line

MILLION TL	2017	2018	% Change	Q4 2017	Q4 2018	% Change
<b>CONSOLIDATED NET INCOME*</b>	<b>3.615</b>	<b>3.831</b>	<b>6%</b>	<b>1.237</b>	<b>844</b>	<b>-32%</b>
<b>BANK</b>	2.643	2.269	-14%	788	459	-42%
<b>NON-BANK</b>	<b>973</b>	<b>1.563</b>	<b>61%</b>	<b>449</b>	<b>385</b>	<b>-14%</b>
<b>ENERGY</b>	222	576	160%	196	469	139%
<b>CEMENT</b>	151	121	-20%	48	-35	-173%
<b>RETAIL</b>	-110	-184	-67%	-36	-45	-24%
<b>INSURANCE</b>	107	157	47%	29	46	58%
<b>INDUSTRIALS</b>	442	381	-14%	129	52	-60%
<b>OTHER</b>	161	512	217%	83	-102	-222%

Energy segment bottom-line supported by operating profit and hedged FX position

Rising float resulted in higher financial income in **Insurance**

TL appreciation led to FX losses at the **Holding**

\*Excludes non-operational one off items.

## BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	2017	2018	% Change	Q4 2017	Q4 2018	% Change
<b>SALES</b>	16.510	23.647	43%	4.957	7.570	53%
<b>EBITDA*</b>	3.468	5.337	54%	1.326	2.109	59%
<b>NET INCOME*</b>	443	1.430	223%	392	1.086	177%
<b>EBITDA* MARGIN</b>	21,0%	22,6%		26,7%	27,9%	

\*Excludes non-operational one off items.

### Current Assessment

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

- Increased RAB , Inflation & Improved WACC → Top-line up by 69%
- Theft accrual & collection revenues up by 50%
- Net Debt to EBITDA improved from 2.9x at end-2017 to 2.3x at 2018-end

#### Generation Business (Enerjisa Üretim Santralleri):

- NG prices up by 121% yoy in 4Q18 → 75% yoy higher average spot prices
- Improved performance from Lignite and HPPs
- Positive capacity payment contribution (170 MTL in 2018)

### Factors to Watch

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

- Retail: Sourcing costs & volume growth
- EUAS volume allocation // Working capital requirement
- Inflation

#### Generation Business (Enerjisa Üretim Santralleri):

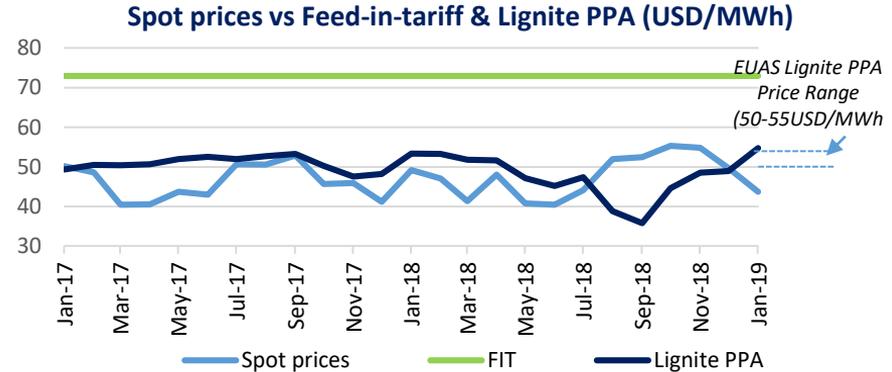
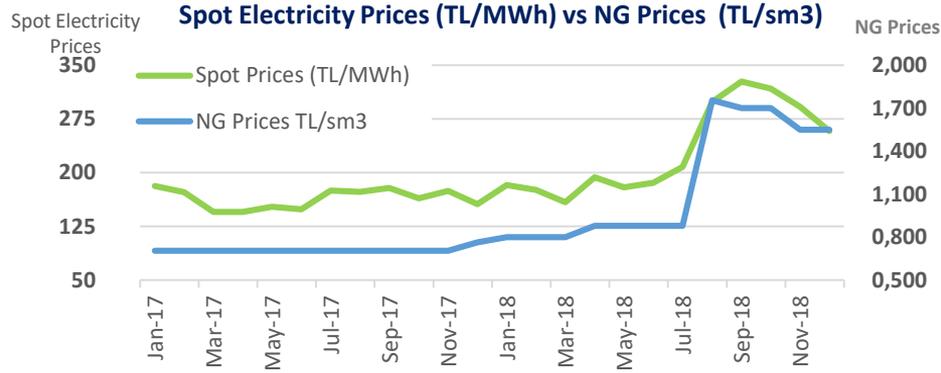
- New PPA agreement for Lignite Plants
- FX rates // Now nearly 100% hard currency linked business
- Water inflow // 1Q19 will be determining

#### Financing:

- FX volatility, inflation and financing costs in the market

# Generation Sector

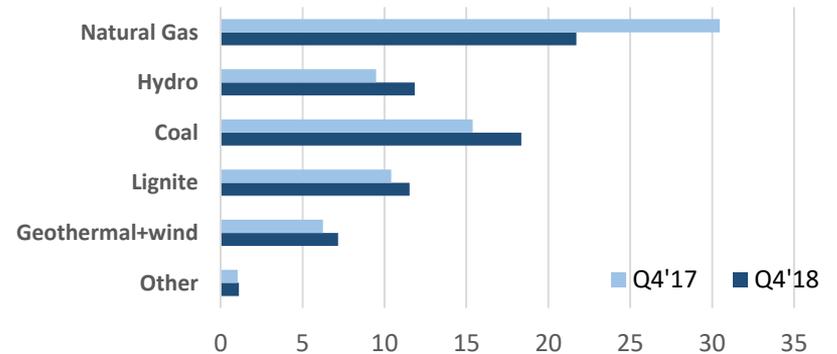
## Normalization in Spot Prices & Lower Demand in Q4



### Electricity consumption (GWh) [2.5% contraction in 4Q18]



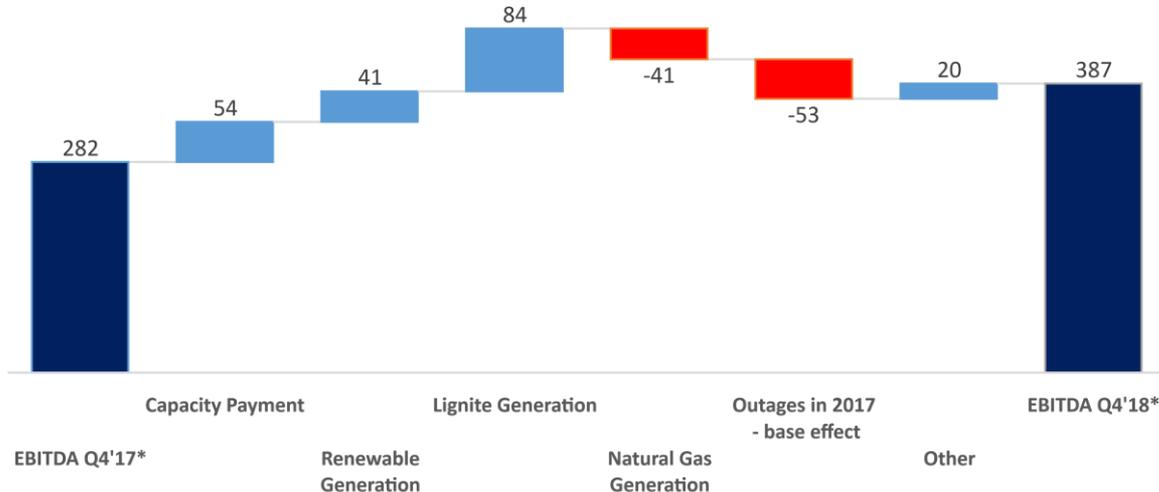
### Electricity generation by source in Q4 (TWh)



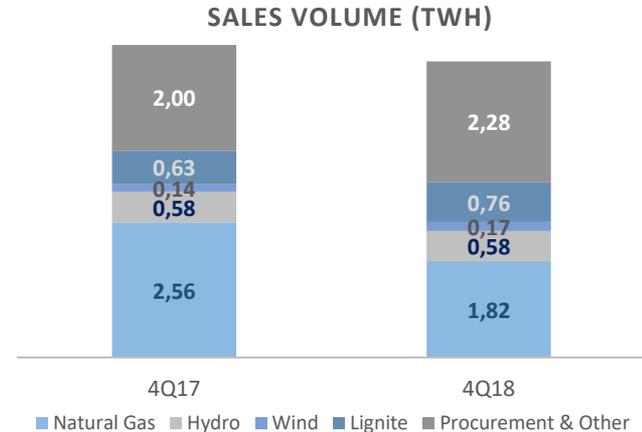
## Benefiting from changing conditions with optimal portfolio

MILLION TL	2017	2018	% Change	Q4 2017	Q4 2018	% Change
Net sales	4.165	5.301	27%	1.204	1.722	43%
EBITDA*	911	1.413	55%	282	387	37%
EBITDA* margin (%)	22%	27%	4,8pp	23%	22%	-1,0pp
Depreciation	-428	-439	-3%	-110	-111	-1%
Financial Income/(expense)	-1.185	-1.329	-12%	-337	-165	51%
Net income*	-545	39	107%	-142	349	346%

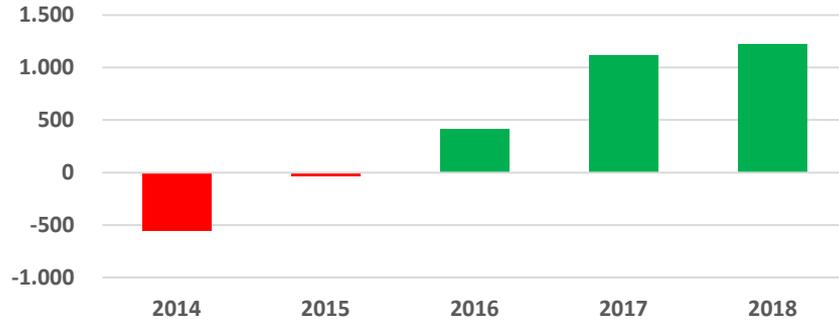
\* One off items excluded based on Sabancı Holding one off definition



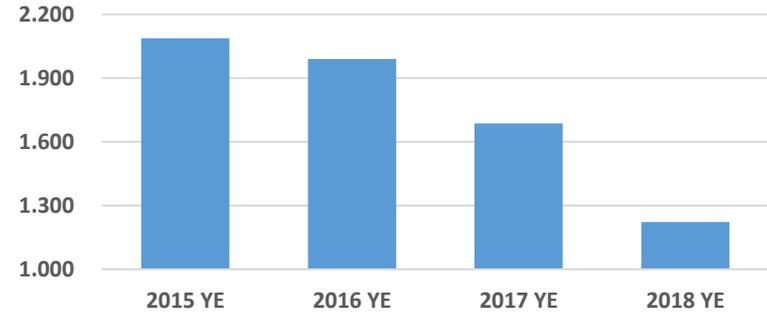
- Thermal assets continue to enjoy capacity payments
- Tufanbeyli benefited from the high sales prices and higher availability
- NGPP generation volume down by 29% yoy in 4Q18 combined with lower spark spread
- Economically fully hedged, accounting wise ~75% hedged



Free Cash Flow Generation



Total Debt (MEUR Equivalent)



Net Debt (MEUR Equivalent)

Net Debt/EBITDA (TL based)



- Free cash flow generation improves
- Capital injection from both shareholders contributed deleveraging
- Economically totally hedged with USD linked revenue stream

# Cement

## Exports partly compensated the domestic demand drop

### BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	2017	2018	% Change	Q4 2017	Q4 2018	% Change
<b>SALES</b>	3.010	3.419	14%	864	794	-8%
<b>EBITDA*</b>	680	724	6%	207	81	-61%
<b>NET INCOME*</b>	313	246	-22%	102	-69	-168%
<b>EBITDA* MARGIN</b>	22,6%	21,2%		23,9%	10,2%	

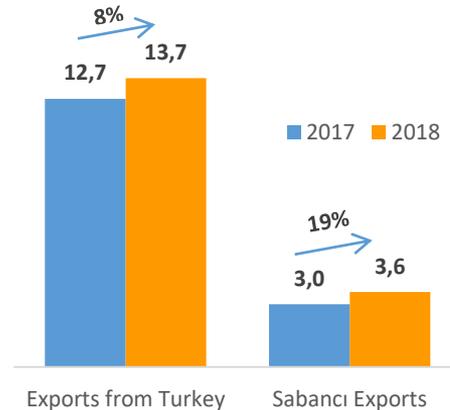
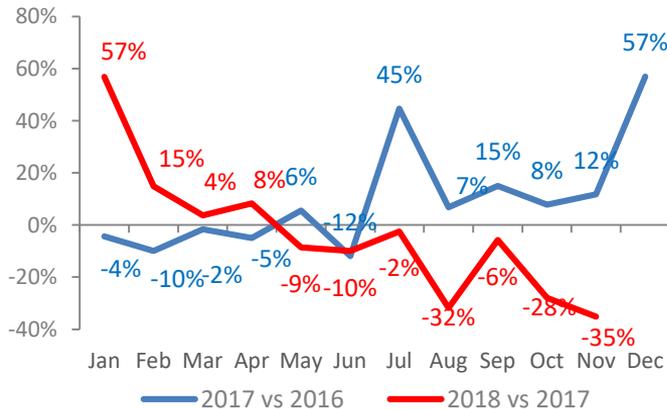
\*Excludes non-operational one off items.

### Current Assessment

- A strong start to the year (H1:+6% yoy),
- Contraction in local consumption → Q3 (-14% yoy) and Q4 (Oct-Nov18: -31%)
- Turkey export volume up by 8% yoy (32% in Q4), while Sabanci cement export volume up by 19% (+41% in Q4)
- EBITDA eroded by high cost inflation and weak demand

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

### Cement exports from Turkey (mn tons)



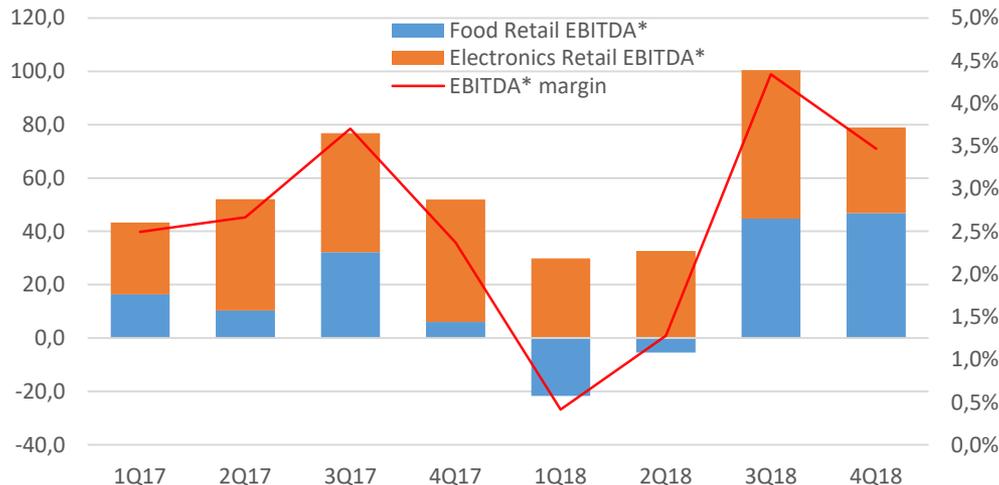
### Factors to Watch

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

## BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	2017	2018	% Change	Q4 2017	Q4 2018	% Change
<b>SALES</b>	7.952	8.680	9%	2.191	2.276	4%
<b>EBITDA*</b>	224	215	-4%	52	79	52%
<b>NET INCOME*</b>	-220	-354	-61%	-72	-82	-13%
<b>EBITDA* MARGIN</b>	2,8%	2,5%		2,4%	3,5%	

\*Excludes non-operational one off items.



## Current Assessment

- Strong LFL revenue growth and operating profitability in food retailing
- Weak performance of electronics retail on poor consumer sentiment.
- Restrained operating expenses
- Higher financing expenses hurt bottomline
- Highly Delevered

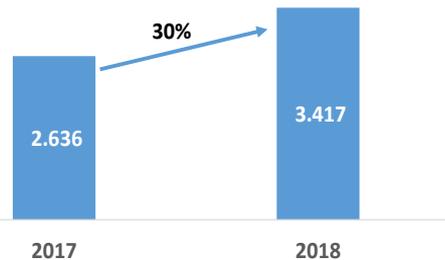
## Factors to Watch

- Consumer sentiment and changing buying behavior
- Potential inflationary and FX pressures over margins
- Further focus on private label products
- Government measures to curb food inflation

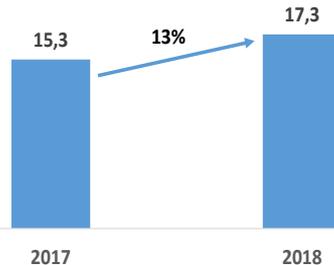
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MILLION TL	2017	2018	% Change	Q4 2017	Q4 2018	% Change
<b>SALES</b>	3.107	3.983	28%	1.007	1.114	11%
<b>EBITDA</b>	324	492	52%	88	131	49%
<b>LIFE</b>	121	169	39%	32	33	3%
<b>NON-LIFE</b>	203	323	59%	56	98	76%
<b>NET INCOME</b>	281	414	47%	76	122	60%
<b>LIFE</b>	145	201	39%	39	51	32%
<b>NON-LIFE</b>	137	213	56%	38	71	89%

Aksigorta Gross Written Premiums (MTL)



Avivasa Assets Under Management (BN TL) \*



## Current Assessment

- 30% growth in total non-life insurance premiums in 2018,
- Pension maintains #1 position in terms of Assets under Management (AUM)
- Both businesses continued to benefit from elevated interest rates.
- 30%+ RoE in both Aksigorta and AvivaSA

## Factors to Watch

- Management of AuM\*\*\*
- Volatility in FX rates for product pricing
- Deterioration in MOD\*\*\*\* underwriting profitability
- Opt-out trends
- Potential slowdown in economic activity (new car, house sales and credit volumes)

\* Including Auto enrolment

\*\* MTP: Motor Third Party Liability

\*\*\* AUM: Assets Under Management

\*\*\*\* MOD: Motor Own Damage

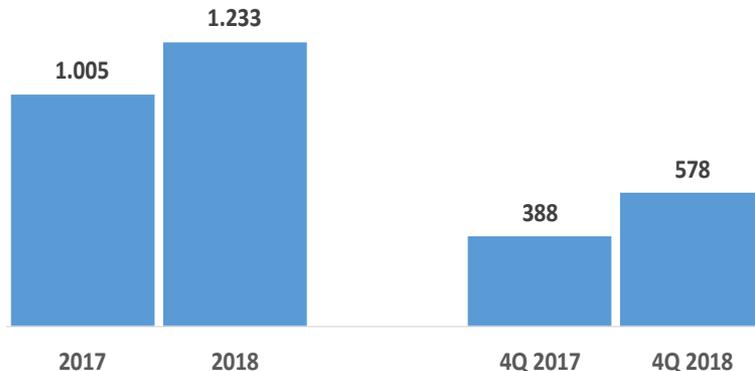
### BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	2017	2018	% Change	Q4 2017	Q4 2018	% Change
<b>SALES</b>	6.613	8.767	33%	1.874	2.557	36%
<b>EBITDA*</b>	1.118	1.355	21%	305	289	-5%
<b>NET INCOME*</b>	631	496	-21%	177	63	-64%
<b>EBITDA* MARGIN</b>	16,9%	15,5%		16,3%	11,3%	
<b>CASH CONVERSION RATIO**</b>	89,9%	91,0%		127,1%	199,7%	

\*Excludes non-operational one off items.

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

### Operating Cash Flow- MTL



### Current Assessment

- Focus on export markets and hard currency revenue stream support operational profit
- Operational excellence and efficiency
- Increased overall financing costs and depreciation of TL
- Focus on cash generation
- Inventory cleanup to improve working capital for automotive

### Factors to Watch

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

# FX Position | Long FX

CONSOLIDATED NET FX POSITION (excl. Bank)	MILLION EURO	
	Dec 31, 2017	Dec 31, 2018
ENERGY	-240	-43
INDUSTRIALS	1	16
CEMENT	4	0
RETAIL	0	1
INSURANCE	7	20
HOLDING & OTHER	327	284
<b>TOTAL CONSOLIDATED FX POSITION AFFECTING PL</b>	<b>99</b>	<b>278</b>

Holding Only Cash Position by the end of 2018 → 2.6BTL

2019

## 2019 Guidance

		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.



Very solid operational and financial performances posted in 2018

Inorganic growth continues at the **Composite** business



Strong cash flow performance of 2018 is projected to continue in 2019

Q&A

SABANCI



2018

# Net Income: Non-Operational and Non-Recurring Items

## Non-Operational and Non-Recurring Items

	Q4 2017	Q4 2018	2017	2018
<b>CONSOLIDATED NET INCOME EXCLUDING NON OPERATIONAL &amp; NON RECURRING ITEMS</b>	<b>1.237</b>	<b>844</b>	<b>3.615</b>	<b>3.831</b>
Gain on sales of Enerjisa Enerji shares (IPO proceeds)	0	0	0	123
Carrefoursa one-offs	-109	-86	-96	150
Enerjisa Üretim asset sale	0	0	-115	0
Enerjisa Enerji impairment	0	-302	0	-302
Other	13	-27	76	28
<b>CONSOLIDATED NET INCOME</b>	<b>1.141</b>	<b>429</b>	<b>3.481</b>	<b>3.830</b>

2018

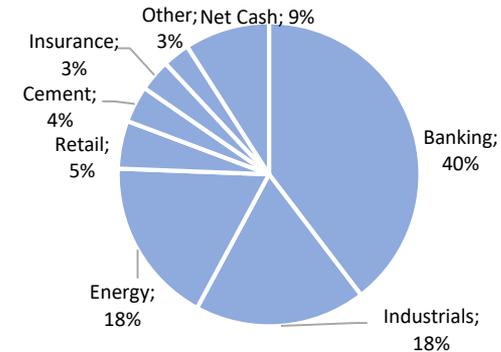
# Sabancı Holding Discount to NAV\*

USDmn Companies	Direct Stakes (%)*	Dec-2018 Value of			Dec-2017** Value of	
		Mcap	Stake	% of NAV	Stake	% of NAV
Akbank	40,8%	5.196	2.117	39,6%	4.253	45,0%
Enerjisa Enerji	40,0%	1.141	456	8,5%	97	1,0%
Aksigorta	36,0%	212	76	1,4%	227	2,4%
Avivasa	40,0%	261	105	2,0%	219	2,3%
Akçansa	39,7%	266	106	2,0%	242	2,6%
Çimsa	54,5%	193	105	2,0%	256	2,7%
Brisa	43,6%	366	160	3,0%	281	3,0%
Kordsa	71,1%	360	256	4,8%	20	0,2%
Yünsa	57,9%	24	14	0,3%	524	5,5%
Carrefoursa	50,6%	461	233	4,4%	90	1,0%
Teknosa	60,3%	62	37	0,7%		
<b>Total Listed</b>		<b>3.666</b>	<b>68,5%</b>		<b>6.209</b>	<b>65,7%</b>
Enerjisa Üretim	50,0%	983	492	9,2%	1.473	15,6%
Temsa	48,7%	82	40	0,7%	72	0,8%
Philsa	25,0%	2.027	507	9,5%	974	10,3%
Other			157	2,9%	279	2,9%
<b>Total Non-listed</b>		<b>3.085</b>	<b>1.195</b>	<b>22,3%</b>	<b>2.797</b>	<b>29,6%</b>
<b>Total</b>		<b>13.198</b>	<b>4.861</b>	<b>90,9%</b>	<b>9.006</b>	<b>95,2%</b>
Sabancı Holding Net Cash			487	9,1%	450	4,8%
Sabancı Holding NAV			5.348	100,0%	9.456	100,0%
<b>Sabancı Holding Mcap</b>		<b>2.905</b>			<b>6.010</b>	
<b>Sabancı Holding Discount</b>			<b>-45,7%</b>		<b>-36,4%</b>	

## NAV\* Discount



## Breakdown of NAV\* (Dec 2018)



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

\*\* In Dec-17, Direct stake at Çimsa was 49.4%; Enerjisa Enerji and Enerjisa Üretim was a single company before the split and the IPO