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Sabancı Holding
Q4 2023 Financial Results
Webcast

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Speakers:
Cenk Alper, CEO
Orhun Köstem, CFO
Kerem Tezcan, IR Director

Mr.Kerem Tezcan, IR Director: Good afternoon, welcome to Sabancı Holding 2023 year-end earnings presentation. We have our CEO Cenk Alper and our CFO Orhun Köstem with us. I now would like to hand over to our CEO Cenk Bey for initial comments. Before doing that, please refer to our disclaimer as it was a standard disclaimer that we've been using, Cenk Bey.

Mr. Cenk Alper, CEO: Good morning, good afternoon. I would like to start my words on providing an update on our performance against our mid-term guidance that covers 2021-2025, which we have introduced back in November 2020. These targets were provided before the introduction of inflation accounting and therefore have now become obsolete. They will be revised on a new basis, however in the meantime we would like to share with you where we are at the end of 2023 against the original plan.

I am happy to report that, despite vast number of substantial challenges and volatility such as pandemic-related issues, post-pandemic-recovery related market imbalances, global macro-economic issues, very challenging macro environment in Turkey, which resulted in hyperinflation, a devastating earthquake in the eastern part of Türkiye, in which our electricity distribution company has affected and finally an election in 2023, we have managed to exceeded our targets in terms of revenue and EBITDA growth and, in terms of profitability. We are also on the right track to reach share of new economy and FX revenue share targets. Separately, we are also making positive progress in our non-bank capex to revenue ratio, which is not included in our guidance but as you know we have been tracking it as part of our capital allocation framework. As we have repeatedly said, we have been accelerating our investments as a percentage of revenue. Our capex to revenues was around 7% two years ago, now reached 11% with majority of investments to new economy with higher return profile. While we were outperforming our targets especially on income statement metrics, we kept our focus on cash generation and kept our balance sheet rock solid. Our net debt to EBITDA at the group level is still way below our mid-term target, which is providing us comfort in further increasing our investments. As we have very high conviction to increase our capex further in the mid-term, we opt to keep the right balance between investments and dividends. All in all, this is a very impressive picture and put forth the power of Sabancı Holding's complementary portfolio, its management's execution skills and decision-making capabilities that played a vital role in achieving such strong results. I would like to take this opportunity to thank all our employees for their incredible efforts and invaluable contribution to this successful performance. But it is very important for me to repeat once again that the current mid-term targets which have become obsolete with introduction of inflation accounting will be revised and announced soon.

On the next slide, let me continue with specific events that have shaped up 2023. In a very proud and joyful year when we celebrate our Republic's 100th anniversary, we have been devastated by a significant earthquake in February 2023 in the eastern part of Türkiye. Thousands of people have lost their lives and countless others were overwhelmed by their losses. We were on the ground immediately after the disaster, helping people in the region and we are still on the ground trying to heal the wounds.

Türkiye held general elections in June and the most significant outcome for the markets was a notable shift in economy management and Central Bank's monetary policies towards orthodoxy. While the primary concern remains on how to lower the inflation, there is now ground for optimism. In addition to these local developments, the global macroeconomic and geopolitical environment remained volatile throughout the year although easing pressure in commodity prices and smoothing supply bottlenecks provided some comfort in managing our businesses.

Despite all the uncertainty and volatility, 2023 financial performance remained solid at both top-line and EBITDA levels, while profitability was maintained. Cash generation improved further, and the balance sheet managed well. Orhun will talk about our financial performance more in detail.

In another volatile year with many ups and downs, some of our businesses performed well, others were affected by downturns but once again having a balanced portfolio played an important role to keep up the good performance. Our bank and financial services businesses have performed well despite macro volatility and our energy business remained strong, despite mechanical failures in natural gas plants and the adverse effect of the earthquake on our distribution business. Building material companies seized all market opportunities and delivered a strong performance. Tire business performance was strong, yet tire reinforcement business was slow because of the fierce competitive environment. However, this was partially offset by strong performance in composites, which reached 20% Kordsa's total revenue. Digital and retail businesses also remained solid despite hyper-inflationary environment. Kerem will provide more details on our segments. While we have been focusing on improving our financial performance, we continued to implement our strategy at full speed and execute on the new economy investments.

In 2023, we initiated our second renewable energy investment in the US, consisting of a 232 MW solar power plant and a 60 MW energy storage investment in Texas. We expect the plant to be commercially operational in Q2 2025. Together with our first investment, 272 MW-Cutlass II solar power plant, which will be fully operational by the end of this month, our total renewable portfolio in the US will reach 504 MW. We have been utilizing innovative financial instruments such as tax equity in the financing of these investments as a part of Inflation Reduction Act. Thus, for Cutlass II, for example, the ratio of external financing provided by the credit institutions and tax equity investor, reached 70%.

In Türkiye, Enerjisa Üretim, increased its total installed capacity by 65 MW, to 3,8 GW and received preliminary licenses for a total of 500 MW of wind power production capacity and 500 MWh of battery storage capacity in 2023. With the ongoing investments, Enerjisa Üretim's total installed capacity will reach more than 5 GW by 2026, with a 60% share of renewables. Our distribution and retail company increased its stake in Eşarj to 100%. In 2023, Eşarj, by far the market leader in high-speed DC charging, expanded its charging network to nearly two thousand points in all 81 cities in Türkiye, an increase of over 125% compared to 2022.

In material technologies, Çimsa completed its capacity expansion in Calcium Aluminate Cement plant in Mersin in February, that doubled its CAC capacity and became 3rd largest global producer. Another important progress is on Sabancı Building Solutions. Çimsa purchased 10.1% stake of SBS from Sabancı Holding, increasing its stake to 50.1% and started to consolidate the global building materials investments to manage them with increased efficiency. Also, we established the Sabanci Global Technology Center in Munich, to increase our proximity to the customers and invest in future material technologies, particularly in CAC.

In digital technologies, we are closely following the developments in cloud computing and AI, both requiring major investments in energy infrastructure, for both generation and distribution as well as a centralized computing infrastructure. We, as a major infrastructure player in energy, there are many new areas of investments we consider which fall under our digital business unit, that we are committed to expand its share noticeably in our NAV.

In line with our continuous efforts to create higher shareholder value, improve transparency and crystallize our NAV, we completed the merger of Exsa at the beginning of 2024. Following the merger, the financial assets of Exsa were transferred to Sabancı Holding.

And finally, we have recently announced a new organizational structure to further strengthen our focus on materials technologies and our leadership in mobility solutions. Under the new structure, our current Industrials and Building Materials strategic business units will be replaced by Mobility Solutions under which Brisa, Temsa Ulaşım and Temsa Motorlu Araçlar will operate, and Material Technologies under which Akçanca, Çimsa and Kordsa will operate.

As an important part of our mid-term guidance, we have also provided several targets on sustainability since it is not only because sustainability is an integral part of our business, but trying to achieve more has also became our daily routine. And I'm extremely honored to say that we met and even beat our targets, and relentlessly pushing ourselves to reach even higher goals.

I would like to underline our dedication to sustainable business practices, which extends throughout our entire portfolio, and I will share some notable achievements in key areas: In Building Materials, 85% of our cement is being produced in CSC Gold Certified Plants. You will see in the coming years that they will go further in their nature related actions. 100% of our cement companies are committed to align with the Science-Based Targets initiative (SBTi) in line with 1.5 degrees pathway. In Energy, as I mentioned earlier, we continue our focus on clean energy and climate technologies as a growth platform. This is not just within Türkiye but also on a global scale through Sabancı Renewables. Our industrial companies continued to outperform on climate and water. They are all awarded with leadership scores in CDP. 100% of our industrial companies are committed to align with the SBTi in line with 1.5 degrees pathway. And in Banking, Akbank made a good progress in sustainable finance as of 2023, reaching TL 226 billion and recently announced joining to the Net-Zero Banking Association (NZBA) as part of their commitment to decarbonize its loan portfolio. I'm extremely proud that Sabancı Holding has the most ambitious and comprehensive sustainability agenda across all Holding companies in Türkiye. For instance, I already mentioned Akbank's progress on sustainable finance. But our bank's commitment is much higher. Akbank is targeting TL 800 billion in sustainable financing and TL 15 billion in sustainable mutual funds by 2030. Despite the complexity of decarbonizing the industries we operate in; we will reduce our GHG emissions by 42% in 2030. In line with our renewable energy strategy, we aim for a minimum of 78.5% of our electricity to be produced from clean sources across our global portfolio by 2030. Our commitment extends to investing USD 5 billion in SDG-related areas from 2022 to 2027. With all the actions we are doing under our nature framework, I can fairly say that our ambition level is among the highest in Türkiye's private sector.

Finally, our strong performance in ESG-related indices and ratings continues, with improvements in our scores and leadership recognition in various indices and ratings. As just one example, our Group companies listed in leadership levels in CDP tripled in one year, including A and A- notes in various CDP programs. Now, I'm handing over the word to Orhun, for financial details.

Mr. Orhun Köstem, CFO: Thank you Cenk. Good morning, good afternoon, everyone. First of all, apologies my voice is far from ideal today and it's quite unfortunate, because between inflation accounting, and everything we need to discuss in the next hour. You would need to bear it while my voice scratches your ears a little bit.

And with that, and firstly, I would like to give you the micro background in 2023. Following the pandemic, and then a surge in energy prices back in 2022, we now see the commodity and energy prices coming down or normalizing as we've touched base in earlier quarters as well. The inflation in Türkiye is high. After 64% in 2022 again there was a 65% inflation in 2023. Of course, one of the important impacts comes as the wage increases between the minimum wage, payroll increases or the collective bargaining increases on a year-on-year basis the rate of increase is quite high which I'm sure you must see across to all businesses and industries in Türkiye. And the FX devaluation has somewhat slowed, compared to last year, but it's important to note that in 2023 Turkish lira in general was more valuable than the FX basket. So, with that I'll come to talk about the Top-line numbers, as Cenk has mentioned. On a nominal basis we've grown our combined revenues by 57%, our combined EBIDTA by 23% and our consolidated net income by 20%.

On the banking side again 2022 was an interesting year when the inflation was going up and the interest rates were quite low. So, therefore, there was a profit surge across the banking sector. 2022 is more a normal normalization year. And, moreover, of course, between the interest rate increases and the cap on loan portfolio growth of course, the net income margin across the banking sector is coming back. So therefore, it's quite important, and I'm sure you must have listened to our colleagues in Akbank that the fundamental performance of the banks become quite important which suggests in our case a best-in-class cost/income ratio of a very strong customer acquisition through digital that yields an important growth in the commissions and fees basically. And hopefully, when the environment normalizes and the banks can compete with,as earlier, with limited regulatory restrictions, then these fundamental differences will become more important.

Outside of the bank, we have seen a 39% combined revenue growth on the non-bank side, a 55% combined EBIDTA growth and a 48% net income growth. Here are a few things to underline, these are all non-inflation adjusted figures, just a follow-up on our nine-month results to tie into 2023, and therefore tie into our midterm guidance. On the revenue side, Cenk has mentioned Kordsa, Kordsa's contribution to our top line and bottom line in 2023 was limited. In addition to that, as the natural gas power plants, in Enerjisa Üretim were down, especially in the third quarter of 2023. The impact on the revenue was that our revenue growth was somewhat slow, which is normalised when you come to the profitability, because the renewable side of the business performed very, very well, including the hydros. And I think that's an important competitive advantage of Enerjisa Üretim as we supply with a complementary fleet of technologies. We can make up whatever is behind in terms of a certain technology. So, the margins in the business and the profitability are intact. But the revenue growth has been slow, which impacts our top-line growth for 2023. And for the net income, I think it's also important to note that again, if you listen to our friends at Enerjisa Enerji, the Capex in 2023 has significantly accelerated after 2022, when access to liquidity was limited. I think the company has made up a significant progress to increase its regulated asset base, which grew actually by about 73% through a Capex program that almost tripled on a year on year in Turkish Lira basis. There was that also increased the net debt portfolio by 137%. And of course, together with the increased interest rates and that negative impact on the bottom line. The ones who follow, as you know the business model of Enerjisa Enerji is where the more regulated asset base we can generate, the more returns we should expect at the end of the tariff period by 2025. So, this was mostly a conscious choice to accelerate the investments, to normalize after a slow year of 2022 basically, which at the end of the day will generate our better returns in our bottom line. But within a fiscal year, obviously these changes tend to occur. If you remember, last year we were also talking about how the price equalization mechanism was postponed which impacted our results for 2022, and that was made up within 2023. So, for the nominal results, that's more or less a recap where Kerem is going to walk you through segment by segment in more detail.

On the next page you see the differences in topline results between nominal and inflation accounting where you see a topline growth of 6% in real terms on a combined revenue basis, whereas combined EBIDTA and consolidated net income is decreasing. Again, the banks are not entitled to, or they're not allowed to report in inflation accounting, yet. So, as we need to consolidate the bank in inflation accounting and make up a big part of our financial statements. There you see the bank's results. And there, in addition to what we discuss in terms of normalization. I will need to add the fact that the banks. as they don't have to report under inflation accounting, they also report their dividends under normal or nominal numbers, and also pay taxes in nominal basis as well. So, therefore, I think, from a comparison point of view, it's quite hard to judge from the banks in general, the banking sector's real performance. If you look at the non-bank side, we're looking at a slight contraction of 5% in real terms or into the revenue impact that I've spoken about, a real 3% growth of EBIDTA and a contraction in consolidated net income.

Now let me summarize this a little bit further to you, or detail this a little bit further to you in the next page. You see, on a year-on-year basis. On the non-bank side, we see the EBIDTA margin growing by from 12.5% to 14%, and if you visit the appendices of this presentation, you'll see on a business line basis the performance where you're going to see both in EBIDTA and net income side. The margins of all business units have increased, except for industrial. That's owing to the performance of Kordsa. And a slight decrease in digital from a net income point of view, which is actually not a big part of the business yet. If you look at net income, again, all of the business units net income margin has increased on a nominal basis. But if you look at on an inflation adjusted basis, there has been 330 basis points contraction. Now, in addition to what's impacting the business on nominal basis, there are 2 things I would like to draw your attention to. Because there are two business units, where you're going to notice there is contraction in net income margin under inflation accounting. And one of them is the energy sector. And that's also owing to the fact that Enerjisa Enerji due to the IFRIC model. Doesn't own assets, and the assets are more like treated as a receivable with a monetary asset value, which under inflation accounting generates a monetary loss which flows to the bottom line. And, secondly, you're going to notice building materials, although having a great year in terms of growth and margin, both absolute and percentage has seen contraction under inflation accounting in its net income margins, and that's driven by a very successful Akçansa. When it's balance sheet, it has a net cash position, but the cash under inflation accounting generates a monetary loss which obviously flows also to the bottom line. Except for these 2 segments, the financial services segments which are the insurance business, just like banking, they don't have to report inflation accounting, and they carry monetary assets. Therefore, they're looking at monetary losses flowing into their bottom line. Other than that, the industrial margins are flat under inflation, accounting and digital again, is positive, although there is a slight contraction. And quite small but interesting detail. Carrefoursa, which was our loss-making business for a very long time, you remember, has become a net profit contributor, starting from 2023 under inflation accounting because, unlike some of our other businesses. The debt in Carrefoursa through the indexation, generates monetary gain, which also flows positively to the bottom line. Again, we provide you many details in the appendices, so you could compare nominal and inflation accounting on a year-on-year basis. But this is in a nutshell what it looks like.

If you go into the next page and look at our return on equity numbers, again leaving the bank aside, you see the non-bank piece, the return on equity on the non-bank side, contracting from 24.7% to 11.2%. Now given, the past 2 years had serious inflation. I believe it's more reasonable to compare this series between 2019 to 2021, and then our inflation adjusted numbers in 2022, and 2023, which are in 2023 monetary terms. There you're going to see on the non-bank side a constant improvement on return on equity, which accelerated throughout 2021, and 2022 on one hand, of course, due to lower interest rates, and in the aftermath increased mobility in the aftermath of the pandemic, and in 2022, a very high energy prices environment. So, therefore, our return of equity driven by the net income basis is normalizing on the non-bank side, but on a long-term basis, I think it's reasonable that on the non-bank side we should look at mid to high teens. Return on equity is an overall on Sabancı, we will still be generating double-digit return on equity.

Our cash flow remains to grow strong, that shows again the health of business. Our net cash position has also grown, that's on the next page. And our net debt/EBIDTA remains at 0.8x. So basically, we continue from where we left. So, we have room basically to be able to execute. But Cenk was alluding to in terms of our strategic investments. Slightly on, very brief on net asset value, the net asset value of our portfolio has been growing between the end of 2023 to end of March 2024. The growth was in dollar terms, 10%, which is great. But it increases the discount, basically. And that's a catch up we will need to continue doing, delivering on Sabancı Holding's market capitalization. And there you see. the contributors to NAV growth, as we discussed in the last quarter of 2023 was mostly our energy business. It stabilized now and then, basically with the new macro environment. I think the banking piece started to grow and contribute to the net asset value quite considerably at the start of 2023. If you look at the composition of our NAV on the next page, on the left-hand side as always you see the book value for our non-listed assets. But this time, the book value is inflation adjusted, so these are indexed in monetary terms to the end of 2023. And on the right-hand side, you see, especially for Enerjisa Üretim, the value that's driven by the independent valuation of last year, which values the company at 3.9 billion dollars. So, the gap is narrowing, and the net asset value is getting more balanced between, especially today, the bank and energy and climate technologies businesses. And we will need to go forward grow the value of net asset value contribution of material and mobility side of our business as well as digital technology side of our business. With that I will hand over to Kerem to walk us through the details of the segments.

Mr.Kerem Tezcan, IR Director: Thank you Orhun Bey. As Orhun Bey I'm not so different as far as the voice is concerned. So, I'm sorry about that as well. Let me start with Akbank. Akbank has demonstrated exceptional financial performance, solidifying its position as one of the key leaders in the banking industry. Despite the challenging macro and regulatory environment, Akbank ended the year well-ahead of full year guidance with 38% return on equity and 4% return on assets thanks to the Bank's customer-centric strategies, agile balance sheet management that have created solid foundation for strong sustainable profitability. Akbank added a solid 2.3 million net active customers in 2023, which increases the active customer base to 13.1 million, up around 55% over the last 2 years. Strong momentum in customer acquisition along with record high and across the board market share gains in consumer loans and broad-based TL deposit base reflects the commitment for customer driven revenue growth. Increased cross-sell on top of remarkable customer acquisition resulted in 188% year-over-year growth in fee income. Thanks to this impressive performance, fee income market share among the private banks also increased by an eye-catching 230bps year-over-year. In addition to these, the bank keeps its leading position in capital with a robust 18.5% capital adequacy ratio, which will continue to provide the bank significant competitive advantage going forward.

Moving on to our largest segment, energy. As for the generation business, revenues dropped by 55% compared to last year due to lower natural gas volume because of stoppages in natural gas plants from June to mid-September and lower spot prices compared to last year. Note that all natural gas plants are fully operational since the beginning of the last quarter. Despite low natural gas profitability, EBITDA was strong with positive contribution from renewable and lignite assets thanks to higher wind regime and higher dark spreads. Moreover, favorable asset light contribution on higher trading activities of Enerjisa Commodities remained one of the major drivers of generation's EBITDA growth. In addition to general indexing effect, the transition to inflation accounting negatively impacted the 2023 revenues by 1.5 billion TL due to the mark-to-market losses from expired YEKDEM hedge contracts. Net income growth was primarily influenced by a 12.5 billion TL deferred tax income driven by inflation accounting, due to the difference in PPI that was used in Turkish GAAP compared to CPI that was used in TFRS.

In 2023, Enerjisa Enerji showed a strong operational and financial performance in all three segments and delivered its targets despite the challenging environment. Operational earnings not adjusted for inflation accounting increased by 38% year-on-year. The Operational Earnings growth is mostly driven by increases in distribution financial income and CAPEX reimbursements, as well as the gross profits of the retail and customer solutions businesses. The inflation adjusted Operational Earnings stand at 27 billion Turkish Lira. The additional 6 bn TL resulted to the inflation indexation of operational earnings. Distribution business growth reached 38% year-over-year driven higher financial income on the back of higher financial asset base and increase in CAPEX reimbursements. Retail segment growth reached 21% year over year thanks to 10% sales volume increase on new business, as well as the increasing demand driven by high temperatures during summer months, especially in Toroslar region. Customer solutions segment's operational earnings was significantly improved year-on-year, on the back of growth observed in the solar PV and e-mobility businesses. In 2023, investments reached 15.7 bn TL, registered a 240% year-on-year growth, exceeding the guidance, and ensuring the Company's profitability in the future.

On Building Materials segment, topline increased by 7% year-on-year, thanks to strong domestic demand and favorable sales mix. In addition to a strong topline, improvement in energy margins, lower electricity and fuel costs and positive contribution from alternative fuel usage supported EBITDA growth. Consequently, EBITDA margin expansion reached 8 percentage points. Segment's net Income performance was strong on the back of solid operating performance. Please note that net income growth would have reached 29% year-on-year if profit from disposal of Kayseri-Niğde assets were excluded from 2022 earnings.

For the industrials, inflation adjusted topline for the tire business remained flat amid higher domestic demand driven by both OEM and replacement markets. However, tire reinforcement business revenues affected from the stiffer competition from China despite a higher contribution from the composites business. Consequently, inflation adjusted segment revenue dropped by 13% year-on-year in 2023. EBITDA performance in tire business was also higher than last year thanks to favorable pricing, operational efficiency, and sales mix. Segment EBITDA remained weak on YoY basis mainly due to weaker gross profit margin in tire reinforcement business. Net income declined by 13% in 2023 due to lower operational profitability in addition to higher borrowing costs driven by tire reinforcement business.

Financial services segment had robust performance as inflation adjusted top-line growth reached 31% y/y driven by life and non-life businesses. In the life business, despite higher general expenses on minimum wage hikes, EBITDA was strong thanks to the growth in pension business, strong contribution from increasing volume of high-margin credit-linked and standalone life products. Agesa became the leader company and ranked as #1 in Turkish market in terms of Private Pension AuM as of January 2024. AgeSA also ranked #1 in terms of Life & personal accident gross written premium since the beginning of 2024 as well. The discrepancy between inflation adjusted vs unadjusted EBITDA is mainly related with valuation impact of Deferred Acquisition Cost and Deferred Income Reserve as non-monetary items. The difference between inflation adjusted vs unadjusted net income is related with monetary losses, because of strong monetary assets and net cash position. In the non-life business, despite the company's conservative approach in Motor Third Party Liability, company achieved significant revenue growth compared to last year thanks to favorable trends in non-motor segment. EBITDA sharply recovered from a loss from last year which was driven by both motor and non-motor segments thanks to more stable macro environment and lower loss ratio. The difference between inflation-adjusted vs. unadjusted net income is related with the nature of insurance being heavily reliant on monetary assets.

Digital Segment's inflation adjusted topline increased 40% on higher contribution from the electronics retail business with omnichannel strength, wide product range, new customers, and value-added services. E-commerce sales performance also remained solid as Gross Merchandise Value (GMV) was up by 68% in real terms, to 10 billion TL. Despite strong topline growth and effective OPEX management in electronics retail business, segment's EBITDA declined compared to last year because of higher fixed cost to sales ratio due to ongoing integration process in new digital marketing and cyber security companies and adverse impact of minimum wage hike. Higher financing costs pressured segment's net income.

On retail, segment's topline growth reached 22% thanks to strong like for like sales growth and growth in alternative channels. Despite negative impact of minimum wage increase, EBITDA increased 25% thanks to the positive impact of gross margin expansion driven by sales mix. Inflation adjusted net income increased 4% on positive impact of monetary gain resulting from effective balance sheet management in hyper inflationary environment.

So, this concludes our presentation. Now we are open for questions. Please type your question to the Q&A section of the Zoom. Thank you.

Mr.Kerem Tezcan, IR Director: Thanks for the presentation. I have two questions. Do you expect any tariff increase for natural gas and electricity in the remainder of the year? When do you expect the IPO of Enerjisa Üretim to take place?

Mr. Orhun Köstem, CFO: Thank you Umut Bey. First of all, in the remainder of the year, especially on the household side given the subsidies that are in place, there is a potential of electricity and natural gas type increases. Having said that the rate is, or any potential rate is difficult to say, or the timing is difficult to say, because it also ties up to the overall midterm program that the Economy Administration is following, and I'm pretty sure they may want to take a decision, a balanced decision between inflation one way or another, but of course, in 2023 there were none, as we were expecting some as we discussed. So, there could be scope in 2024. The IPO of Enerjisa Üretim, there is no definite time. It has to be an aligned and joint decision between the joint venture partners for Enerjisa Üretim. I think it's safe to say that the value of the business has been growing quite significantly over the past few years. I think, for us to be confident about having a successful IPO which suggest sizable offering. We would want to make sure that there would be a proper market condition in place with significant demand. There has been a lot of demand in the local market for the past 2 years, but I think it was mostly due to the absence of the positive, real interest rate. And of course, a very steady FX basket. And now, as the interest rates increase, there has to be a transition between the local individual investors hopefully to foreign institutional investors. As than may create, of course a very favorable environment for a sizable offering like Enerjisa Üretim. So, these would be the things that we will consider as we think about a potential timing for Enerjisa Üretim.

Mr.Kerem Tezcan, IR Director: Can you please explain the capacity expansion plans in Enerjisa Üretim for 2024 & 2025 and how much EBITDA is targeted? In the meantime, at what level do you expect spot prices to stabilize in 2024? The second part of this question, how much capex will be required by Enerjisa Enerji in the earthquake zone in 2024? Could this also limit the earnings recovery in 2024? And third question how much dividend income do you expect in 2024?

Mr. Orhun Köstem, CFO: Thank you Hanzade Hanım. Let me see, how much dividend income I believe, at the appendices of our presentation, there has to be a table detailing company by company, whatever is announced. So far so from here, I see if I'm not mistaken, and Enerjisa Enerji has announced about 1.3 billion Turkish Lira. This is on page 27. I'm sure you may look at it. Or in total, it's 9.4. So, whichever detail you would like, you can check from that table on page 27. And second of all, I think the spot prices look norm today and I think it would be fair to assume throughout 2024 the energy prices, or electricity prices compared to last year would be low. And that's not only the general demand for electricity given,

low demands a very mild winter season, or etc. That's also not only for Turkey, but across Europe, etc, as well. But also, if you look at the Turkish market, given the program that the Economy administration is running, we expect a slower growth rate for the economy. So, these together suggest the electricity prices which are more or less at about $60. We assume they may remain that way. And for the long term, though if you take a view over the long term for the general growth of the Turkish economy, which used to be on average, 5% levels, I think sustainable level of pricing should be at about $80. Let me remind you, in 2022, especially when the energy prices surged because of the Russian invasion of Ukraine. We've seen electricity prices hitting $120 as well, neither that is sustainable, that high obey price level is sustainable nor given the potential demand for energy in Türkiye going forward, the current level is, we believe, sustainable, but for rest of the year I think we take a more conservative view and assume that to be more in the $60 levels.

Mr. Cenk Alper, CEO: So let me take the first question on Enerjisa Generation, as we explained in the presentation, we want to reach 5 gigawatts by 2026. So that means we are 3.8 gigawatts right now. So, we are going to invest continuously in total of 1.2 gigawatts until that time. I think EBIDTA margins will be similar that you see in 2023. But we'll see how the prices will evolve. On the Enerjisa Enerji earthquake zone, as you know, the part of the business model is in the distribution part is by investing, we make profits. But the size of the investment will depend on the development of the cities. So, there is one repair and replacement cost, but also, as you see over there some of the cities, part of the cities will be replaced to other regions. So, we are in continuous coordination with the Ministry of Energy, and also the Ministry city construction, etc. So, I believe we will increase our investments in the earthquake region, comparing to other regions in Ankara and Istanbul, but it will be totally dependent on the city planning.

Mr. Orhun Köstem, CFO: If I may add to this, just to clarify the investments that were done there and remains meaning, they will continue to be part of a regulated asset base, although physically they may have part of that may have perished. As Cenk was explaining, a majority of the 13.6 billion Capex in 2023 has gone to Toroslar region. And if you've listened to Enerjisa Enerji, they expect to add another 8 billion Turkish Lira of Capex in the next 3 years onto that base. So, it's not coming back,it is actually the regulated asset base is growing. So, we shouldn't expect any limitations or negative impact on the earnings, underlining earnings of the company from there.

Mr.Kerem Tezcan, IR Director: Thank you, Orhun Bey. Another question, what weight is the banking sector planned to have in net asset value along with investments in new economies?

Mr. Orhun Köstem, CFO: Ferruh Bey, thank you. I think if you looked at our capital allocation plan, it's designed with a view to have a more balanced NAV contribution from our major business units going forward. The weight of the bank is coming from a very high level. Now it's more or less even with the energy piece, and I think, going forward, we should expect the 4 elements in the net asset value contribution to be more balanced. That suggests, as I was trying to say earlier that the contribution from materials and mobility as well as digital should disproportionately improve from where they are today for us to be able to get to that more balanced NAV in the midterm.

Mr.Kerem Tezcan, IR Director: Thank you Orhun Bey. If you have any further questions, please type to the Q&A section of the zoom. Thank you.

It seems there are no further questions I'd like to hand over to Cenk Bey for closing remarks.

Mr. Cenk Alper, CEO: First of all, thank you very much for participating our earnings call as actually, we have highlighted in the introduction slides, I can say that we have continued in the midterm plan, we have continued our investments to new economy. So, going forward, you will be seeing bolder actions there either by having larger ticket item acquisitions or scalable businesses like renewables. That's first, second, to improve our governance structure, we have completed couple of structural changes in the group that those are consolidation of Sabancı Building Solutions under Çimsa, Exsa merger, restructuring of materials and mobility solutions. If you remember the building solutions and the industrial divisions, the concept was quite large. Now we are focusing them into the areas that we want to invest in line with our strategy. Of course, the financials nominal and also with the inflation accounting. I think they are rock, solid balance. We have a rock-solid balance sheet and cash flow. On the profitability with inflation accounting, we have room to improve. On the sustainability side, I think we have a stellar performance in the last 4 years. And we do see this, not just from the ESG perspective, but also a business opportunity. So, in our responsible investment policy and capital allocation framework, actually, sustainability is a major criteria for new investments. So the addition of all new investments. Actually, we want to further dilute our CO_2 footprint. So, as you know, we have a committed and high-quality management team, both at the holding level, holding Ex-com level, but also at the GM levels, and we are fully dedicated to improve our portfolio with high returns.

So, thank you very much again for participation and for those of you living in the Muslim countries, including Turkey, Happy Bayram from this week, actually, and for the Christian world, I think Happy Easter, I should say. Thank you very much.