

Sabancı Holding

Q4 2021 Financial Results

Earnings Release

February 24, 2022

Record-High Topline Growth & Exceptional Financial Performance

Sabancı Group left behind a very successful year with all-time high revenue, EBITDA and net income growth. The Group also performed strongly on delivering strategic initiatives as well as improving its ESG scores. This strong performance in 2021 was in line with the Group's mid-term guidance.

Financial performance gained momentum in the last quarter driven by strong contribution from both bank and non-bank businesses despite increased market volatility and input cost pressures.

Sharp improvement in both bank and non-bank ROE carried consolidated ROE to a record-high level of 23%. Despite the fact that the proceeds from divestment of tobacco business were received in early 2022, holding only net cash more than doubled, reaching TL2.5bn at the end of 2021.

Sabancı Holding CEO Cenk Alper's comment: *"Despite all the challenging business environment caused by the pandemic, we were able to maintain our solid and continuously strengthening financial performance in 2021. We have increased our cash position with improved earnings quality and return on equity, while reducing net debt to EBITDA ratio to 1.2 times. All these clearly prove both Sabancı Holding's and its Group companies' financial excellence in balance sheet management. This approach, amid all kinds of unfavorable external events and extraordinary market conditions, enables us to look at future opportunities while protecting our solid portfolio. I would like to thank all our employees for enabling us to reach these successful results and shareholders for their support."*

FINANCIAL HIGHLIGHTS

- Combined revenue growth accelerated to 77% y-o-y in Q4. Non-bank growth drivers were energy, industrials and building materials. Combined revenue in 2021 exceeded TL150bn, which is up by 45% y-o-y.
- Comparable combined EBITDA increased by 128% y-o-y in Q4 on strong performance from banking, energy and industrials. In 2021, combined EBITDA reached TL33bn, up 61% compared to a year ago.

Note: Combined revenue excludes holding dividend income. Combined EBITDA and consolidated net income excludes non-operational and non-recurring one off items & IFRS16 impact in retail. Operational cash flow and net debt figures exclude banking, financial services and other segment. Consolidated ROE excludes non-operational and non-recurring oneoff items.

- Comparable consolidated net income more than quadrupled in Q4, exceeding TL4bn, driven by phenomenal growth both in bank and non-bank segments. Net income growth reached 95% in 2021, totaling TL10bn.
- Consolidated ROE improved further to 23% in 2021 with solid improvement across the board.
- Combined non-bank operational cash flow exceed TL12bn, up by 15% y-o-y. Our holding only net cash position more than doubled in 2021, reaching TL2.5bn.
- Deleveraging continued as non-bank Net Debt/EBITDA dropped to 1.2x by the end of 2021 vs. 1.5x at the end of 2020.

STRATEGIC HIGHLIGHTS

- Exit from tobacco business completed. Sabancı Holding's entire shares in PHILSA and PMSA, the former affiliates of Sabancı Holding with 25% and 24.75% stake respectively, were acquired by Philip Morris in consideration of TL2,747,308,823 on January 5, 2022 post predetermined adjustments at closing. The acquisition price, which will be further adjusted based on the audited 2021 financial results of PHILSA and PMSA, was collected by Sabancı Holding on closing.

On the other hand, in line with the cash management principles, a variety of derivative instruments are effectively used by Sabancı Holding against fluctuations in FX rates and other market risks, and transaction-specific hedging transactions were engaged in relation to the sale of PHILSA and PMSA shares to offset the risks associated with FX rates. To this end, 88% of total acquisition price from PHILSA and PMSA shares were hedged at the weighted average FX rate of 9.3249 TRY/USD by using forward contracts with various maturities.

- For the purposes of supporting price performance of SAHOL shares in the equity market, and hence reducing the net asset value discount by bringing SAHOL shares closer to its fair value, and providing shareholders with a more attractive long-term investment opportunity, a share buy-back program was initiated on November 9, 2021. Accordingly, up to 10,200,000,000 shares with a nominal value of TL102,000,000 representing approximately 5% of Sabancı Holding's issued share capital are contemplated to be repurchased, and total maximum funds allocated for share buy-back transactions were determined as TL1,750,000,000. As of 31 December 2021, the total nominal value of repurchased shares following the transactions reached TL8,000,000, representing 0.3921% of the share capital.
- In line with the Group's targets of growing with pioneering services beyond tyres and being the pioneer of mobility in Turkey, the acquisition process of Arvento shares representing 88.89% of total share capital by Brisa for a consideration of TL291,469,028 started. The necessary permits for the contemplated transaction have been granted on January 20, 2022 by the Competition Board, and the deal is expected to be closed by mid-2022 at the latest.

Note: Combined revenue excludes holding dividend income. Combined EBITDA and consolidated net income excludes non-operational and non-recurring one off items & IFRS16 impact in retail. Operational cash flow and net debt figures exclude banking, financial services and other segment. Consolidated ROE excludes non-operational and non-recurring oneoff items.

- Enerjisa Müşteri Çözümleri, of which Enerjisa Enerji is 100% shareholder, acquired a minority stake of 14% in Eşarj, Turkey's first and fastest electric vehicle charging station network, operating with 320 charging plugs at 186 public locations as of the end of 2020. Following the transaction, Enerjisa Müşteri Çözümleri's share at Eşarj increased from 80% to 94%. The 14% stake is acquired for a consideration of TL42.4mn. Following this acquisition, the Group aims to strengthen Enerjisa Enerji's innovative and pioneering position in the field of e-mobility and to offer solutions that will contribute to the decarbonization of transportation.
- Following its two notches increase in MSCI on successful execution in all aspects of E, S and G, Sabancı Holding enhanced its CDP Climate Change Score to B (management level) as well as taking its place in the management level category by maintaining B score in CDP Water Program. Moreover, Sabancı Holding were included in 2022 Bloomberg Gender Equality Index (GEI) which recognizes performance of the companies committed to gender equality across five pillars: female leadership and talent pipeline, equal pay and gender pay equity, inclusive culture, anti-sexual harassment policies, and pro-women brand. Thus, Sabancı Holding became first and only conglomerate from Turkey being included in the 2022 Bloomberg Gender-Equality Index.

SEGMENTS HIGHLIGHTS

- **Energy Segment:** Strong profitability despite deterioration in liberalized margins and hydrology.
- **Industrials Segment:** Sharp improvement in earnings quality and deleveraging.
- **Building Materials Segment:** The quarter was marked by escalated cost pressures.
- **Retail Segment:** Growth in e-commerce continued.
- **Financial Services Segment:** Robust growth in premium and profitability.
- **Bank:** Well-positioned to remain healthy & profitable.

SABANCI HOLDING COMBINED SEGMENT RESULTS

SABANCI HOLDING COMBINED RESULTS in thousands TL	12M 2021	12M 2020	CHANGE %	Q4 2021	Q4 2020	CHANGE %
REVENUES	151,611,869	104,054,465	45.7	49,997,297	28,248,511	77.0
Bank	53,006,038	37,975,581	39.6	16,841,623	10,157,369	65.8
Non-Bank	98,605,831	66,078,884	49.2	33,155,674	18,091,142	83.3
Industrial	14,562,540	8,773,212	66	4,868,525	2,793,706	74
Building Materials	7,916,114	4,237,578	86.8	2,734,563	1,228,280	122.6
Retail	16,887,586	13,521,506	24.9	5,303,132	4,173,952	27.1
Energy	46,986,667	31,102,574	51.1	16,631,270	7,522,135	121.1
Financial Services	9,007,720	6,604,017	36.4	3,138,056	2,085,104	50.5
Other	3,245,204	1,839,997	76.4	480,128	287,965	66.7
EBITDA -excluding one offs	33,432,908	20,924,515	59.8	12,189,649	5,411,934	125.2
Bank	17,688,307	9,465,774	86.9	7,196,109	2,561,501	180.9
Non-Bank	15,744,601	11,458,741	37.4	4,993,541	2,850,433	75.2
Industrial	3,128,029	1,622,824	92.8	1,013,366	511,871	98.0
Building Materials	1,059,938	763,629	38.8	154,875	231,867	-33.2
Retail	1,490,449	1,135,076	31.3	553,117	447,510	23.6
Energy	8,655,515	6,838,434	26.6	2,771,861	1,415,586	95.8
Financial Services	1,194,225	999,046	19.5	409,947	220,563	85.9
Other	216,445	99,732	117.0	90,373	23,037	292.3
NET INCOME -excluding one offs	22,477,168	11,793,405	90.6	9,357,572	2,912,409	221.3
Bank	13,445,426	6,773,225	98.5	5,556,109	1,854,899	199.5
Non-Bank	9,031,742	5,020,180	79.9	3,801,463	1,057,510	259.5
Industrial	2,023,179	775,992	160.7	681,134	294,238	131.5
Building Materials	521,649	226,022	130.8	64,373	91,670	(29.8)
Retail	(198,731)	(140,677)	(41.3)	65,742	69,538	(5.5)
Energy	4,345,627	2,960,260	46.8	1,746,445	501,583	248.2
Financial Services	999,231	733,834	36.2	376,904	163,605	130.4
Other	1,340,787	464,749	188.5	866,866	(63,124)	1,473.3

SABANCI HOLDING CONSOLIDATED SEGMENT RESULTS

SABANCI HOLDING CONSOLIDATED RESULTS in thousands TL	12M 2021	12M 2020	CHANGE %	Q4 2021	Q4 2020	CHANGE %
REVENUES	88,192,397	59,353,788	48.6	29,221,675	16,638,206	75.6
Bank	53,006,038	37,975,581	39.6	16,841,623	10,157,369	65.8
Non-Bank	35,959,288	21,624,168	66.3	12,977,053	6,509,188	99.4
Industrial	7,928,278	4,536,336	74.8	2,738,725	1,450,768	88.8
Building Materials	4,370,902	2,270,470	92.5	1,362,701	638,542	113.4
Retail	16,841,255	13,479,400	24.9	5,260,271	4,135,631	27.2
Financial Services	5,147,088	-	-	3,138,056	-	-
Other	1,671,765	1,337,962	24.9	477,300	284,247	67.9
Intersegment eliminations	(772,929)	(245,961)	(214.2)	(597,001)	(28,351)	(2,005.7)
ADJUSTED EBITDA -excluding one offs	24,809,248	13,697,764	81.1	9,784,293	3,743,303	161.4
Bank	17,688,307	9,465,774	86.9	7,196,108	2,561,501	180.9
Non-Bank	7,120,941	4,231,990	68.3	2,588,185	1,181,802	119.0
Industrial	2,058,648	904,043	127.7	712,018	297,419	139.4
Financial Services	727,973	508,701	43.1	89,273	154,840	(42.3)
Retail	1,490,739	1,134,559	31.4	552,985	424,544	30.3
Energy	1,844,232	1,315,231	40.2	745,557	220,581	238.0
Financial Services	791,631	278,314	184.4	397,757	62,329	538.2
Other	207,719	91,142	127.9	90,595	22,089	310.1
NET INCOME CONTRIBUTION -excluding one offs	10,112,717	5,178,055	95.3	4,339,565	1,201,603	261.1
Bank	5,479,011	2,760,079	98.5	2,264,123	755,867	199.5
Non-Bank	4,633,706	2,417,976	91.6	2,075,442	445,736	365.6
Industrial	1,198,596	412,516	190.6	419,470	131,267	219.6
Financial Services	241,188	109,131	121.0	15,619	43,743	(64.3)
Retail	(120,536)	(62,792)	(92.0)	31,144	42,065	(26.0)
Energy	1,931,324	1,315,231	46.8	791,464	220,581	258.8
Financial Services	385,819	278,314	38.6	144,279	62,329	131.5
Other	997,315	365,576	172.8	673,466	(54,249)	1,341.4

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