



ENERJISA

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SABANCI

Earnings presentation 9M 2019

5 November 2019



Executive Summary

Accelerated bottom-line earnings growth in year-to-date

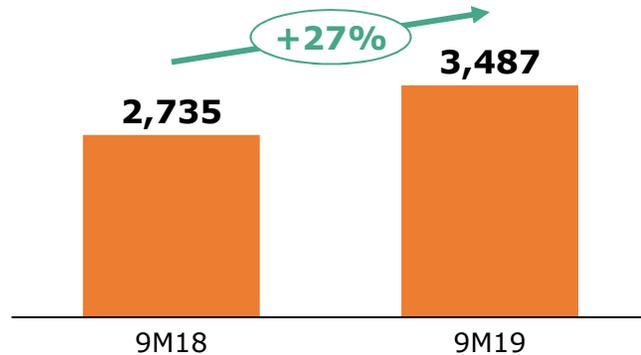
Year-end bottom-line earnings outlook specified at TL >1 bn

Positive free cash flow expectation at year-end confirmed

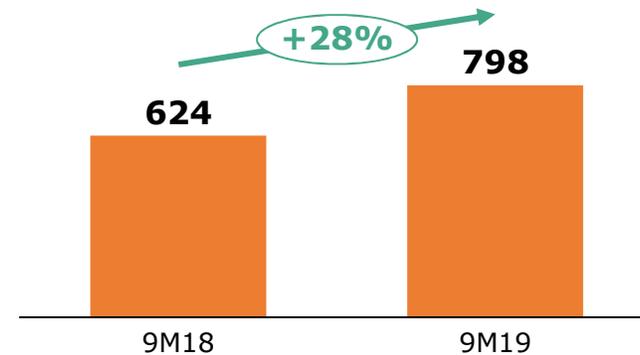


Financial Highlights

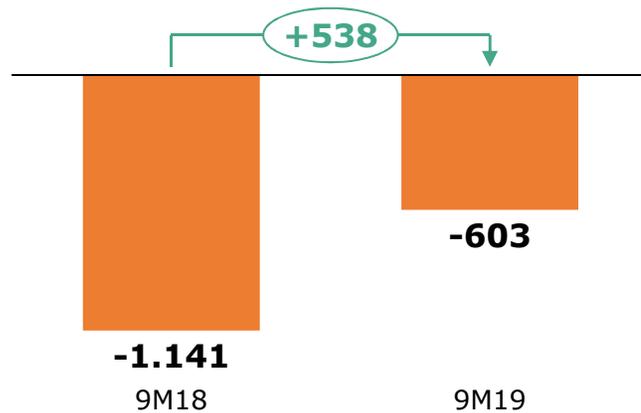
Operational earnings¹ (TLm)



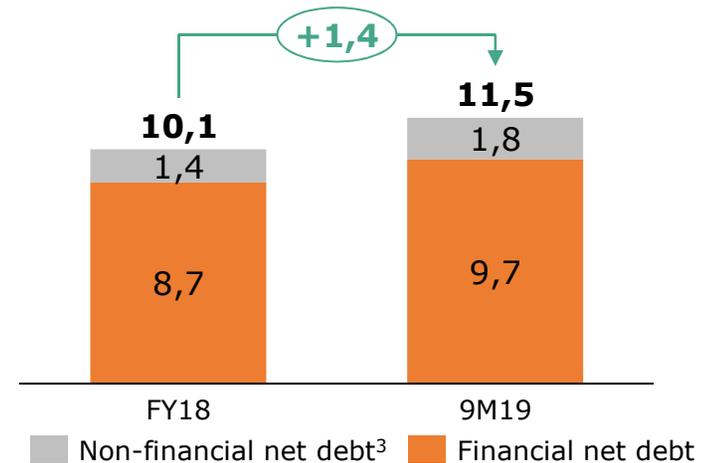
Underlying Net Income² (TLm)



Free Cash Flow after interest and tax (TLm)



Economic Net Debt (TLbn)

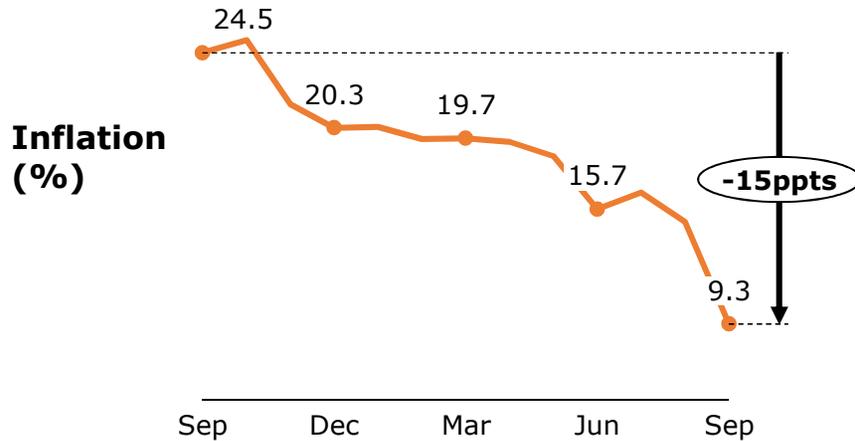


- 1 EBITDA + CAPEX reimbursements excl. exceptional items: 9M18 includes (+242 mTL) IFRIC income adjustment, (+74 mTL) theft accrual related to 2017 due to retention rate increase and (-107 mTL) Competition Authority penalty fee; 9M19 includes (-10 mTL) IFRIC income adjustment.
- 2 Net Income excl. exceptional items: 9M18 includes (+189 mTL) IFRIC income adjustment, (+58 mTL) theft accrual related to 2017 due to retention rate increase) and (-107 mTL) Competition Authority penalty fee; 9M19 includes (-8 mTL) IFRIC income adjustment.
- 3 Incl. Lease obligations (IFRS 16) as well as customer deposits



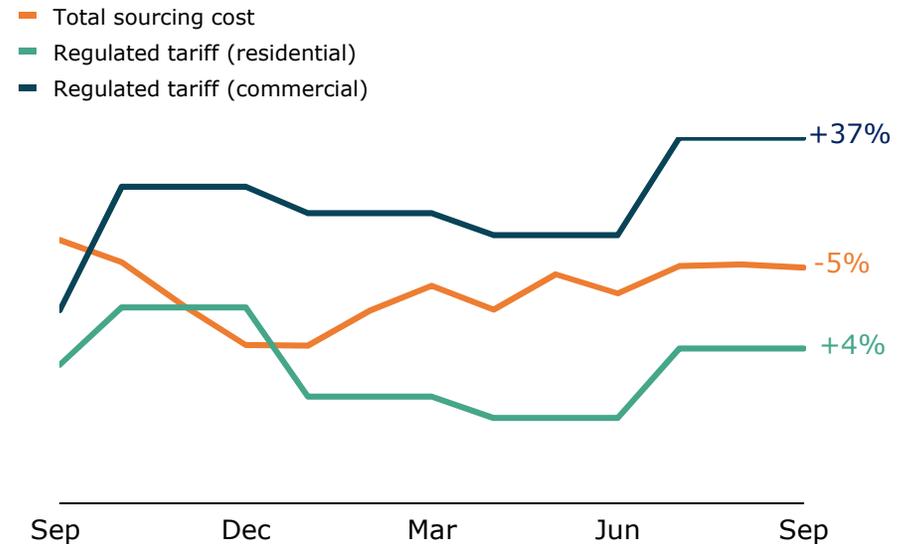
Market environment

Turkey



Sector: Regulatory Developments

Retail



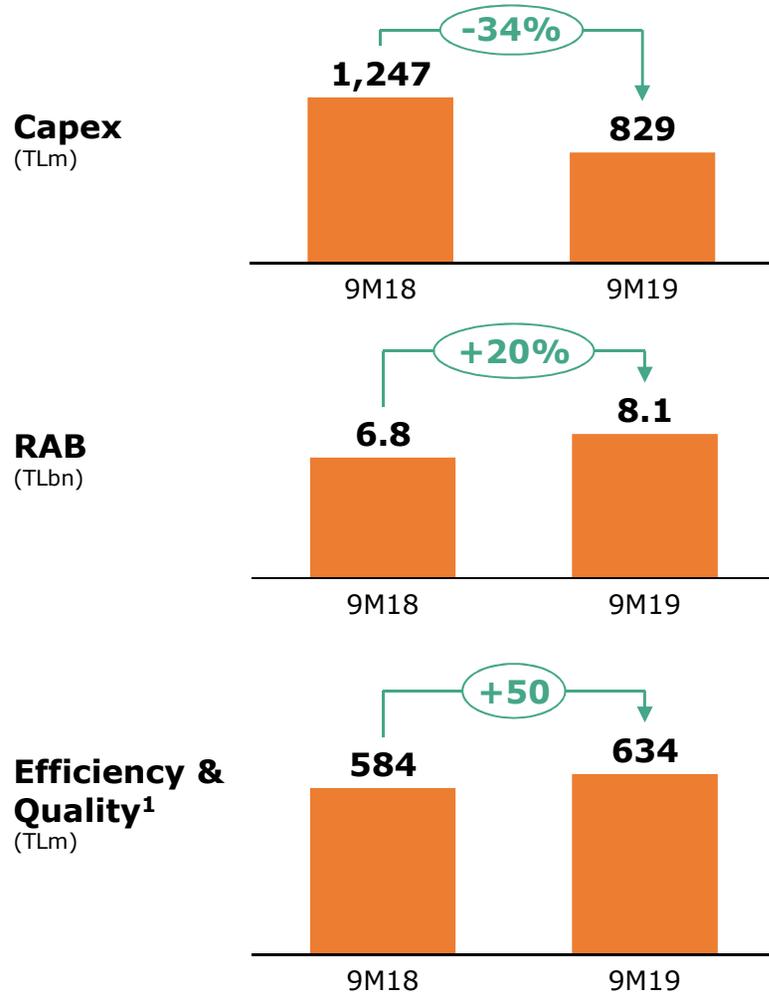
- Regulated Retail tariffs have again been adjusted upwards by 15% as of October.
- Procurement costs have remained flat in Q3, however the regulator has increased regulated wholesale prices (EÜAŞ) by 70% as of October in order to liberalize the electricity market further.
- Late payment interest penalty rate has been reduced from 2.5% to 2% per month as of 1.10.2019 in line with lower nominal financing interest rate environment.

1 6-month TRLibor

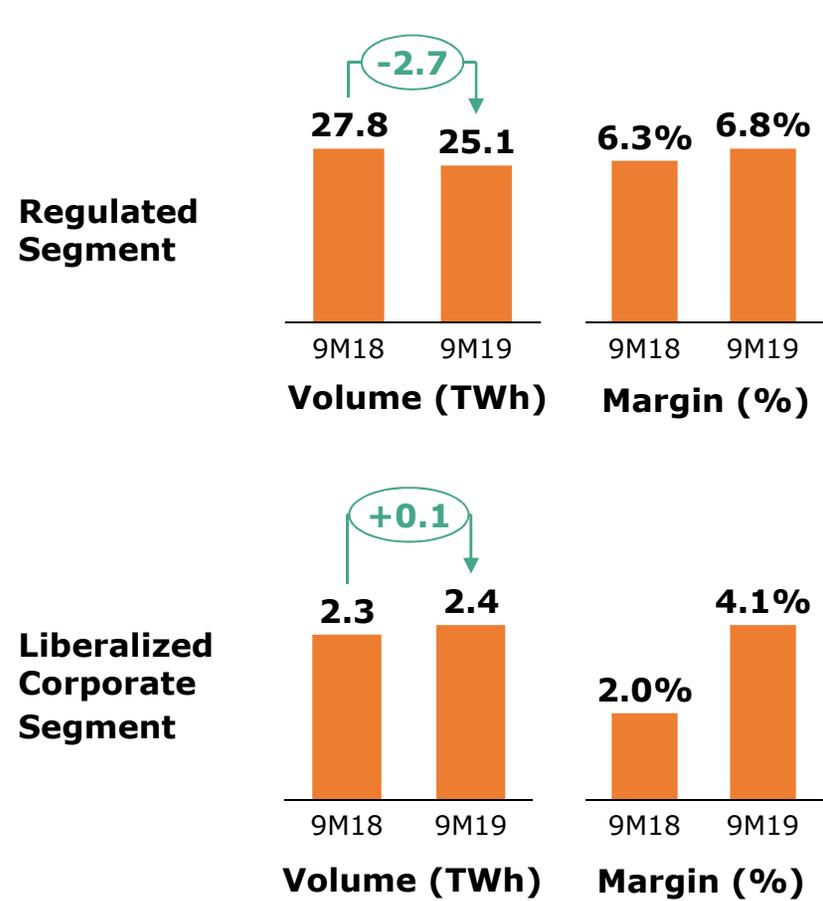


Operations

Distribution



Retail

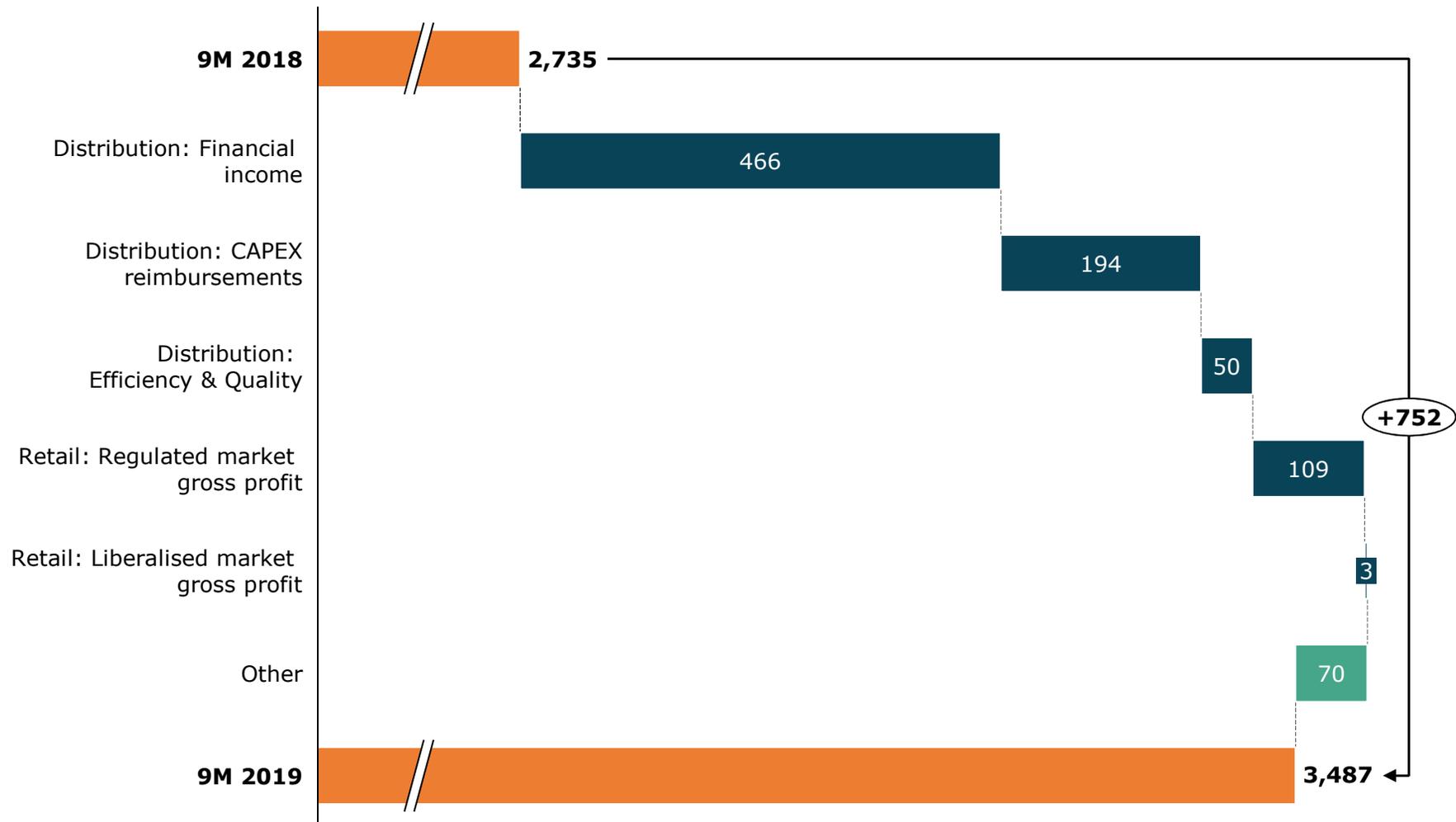


1 Incl. Capex, Opex and T&L outperformances as well as theft accrual & collection and quality bonus



Consolidated Operational Earnings Development

(TLm)



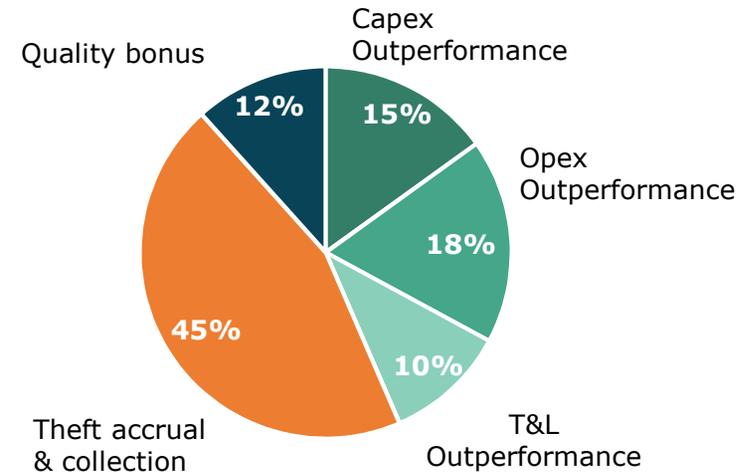


Distribution: Operational Earnings & Cash Development

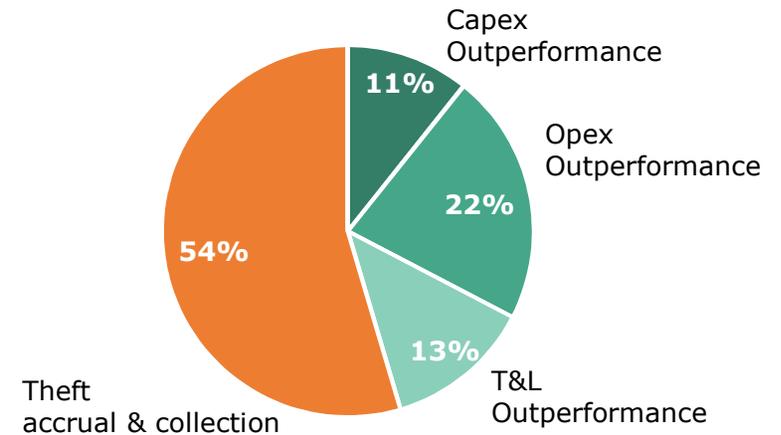
Operational Earnings and Free Cash Flow Before Interest and Tax (TLm)

	9M 2018	9M 2019
Financial income	1,031	1,497
CAPEX reimbursements	599	793
Efficiency & Quality	584	634
Tax correction	90	130
Other	90	-18
Operational earnings	2,394	3,036
Financial income not yet cash effective	-556	-911
Capex outperformance	-88	-68
Net VAT	313	400
Other (Working Capital)	-701	-1,228
Operating Cash Flow before interest and tax	1,362	1,229
Actual allowed Capex (nominal)	-1,247	-829
Capex outperformance	88	68
VAT	-254	-149
Previous year/unpaid Capex	55	-368
Cash-effective Capex	-1,358	-1,278
Free Cash Flow before interest and tax	4	-49

Efficiency & quality 9M 2018



Efficiency & quality 9M 2019





Retail: Operational Earnings & Cash Development

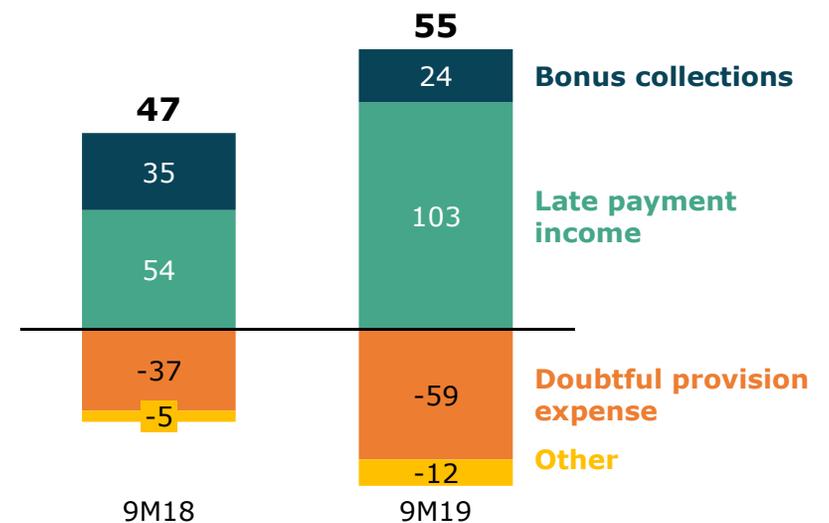
Operational Earnings and Free Cash Flow Before Interest and Tax

(TLm)

	9M 2018	9M 2019
Regulated gross profit	466	575
Liberalised gross profit	34	37
Customer Solutions gross profit	9	14
Opex	-189	-222
Bad debt related income and expense	47	55
Operational earnings	367	457
Price equalization effects	-702	579
Net customer deposit additions	196	86
Other (Working Capital)	-123	43
Operating Cash Flow before interest and tax	-262	1,166
Capex	-32	-34
Free Cash Flow before interest and tax	-294	1,132

Bad debt related income and expense

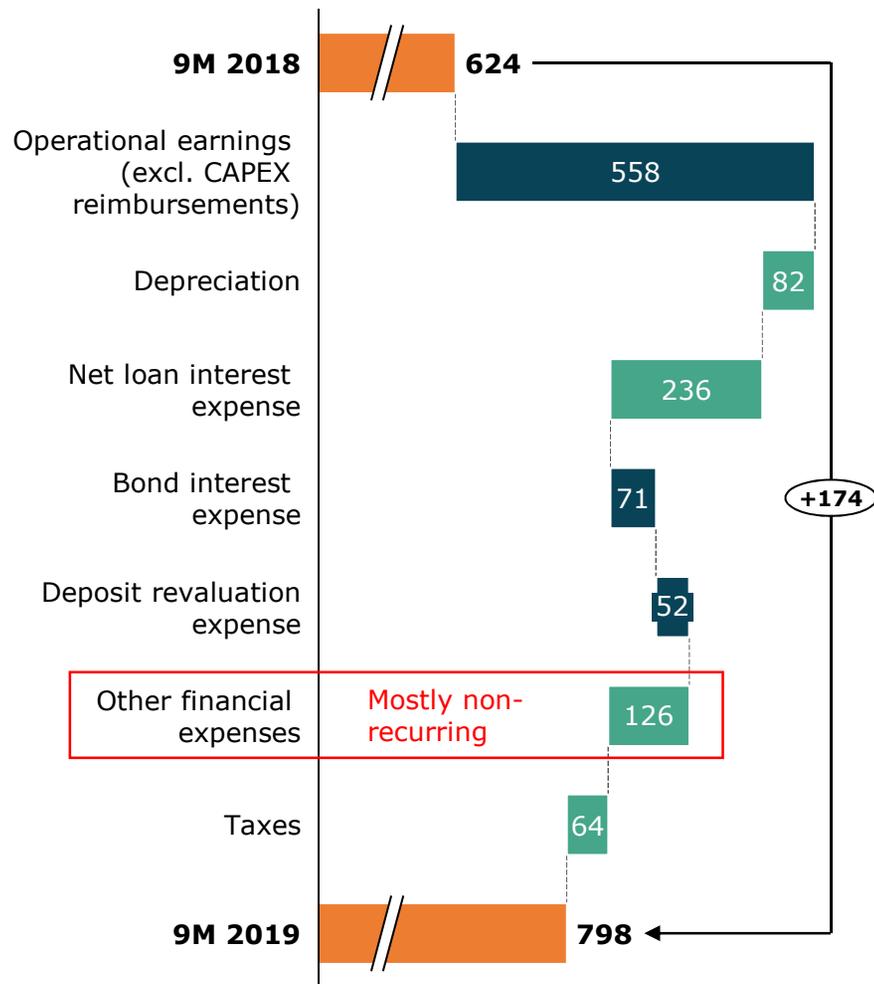
(TLm)



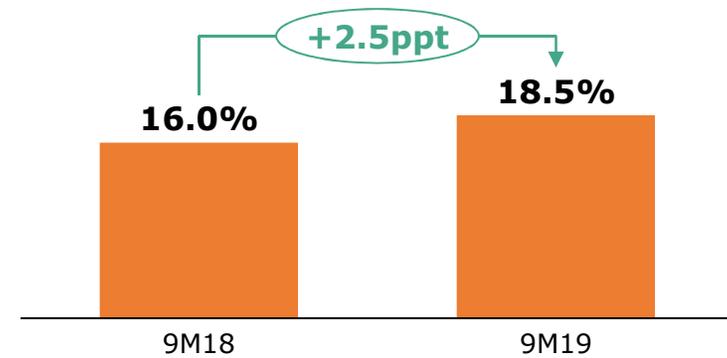


Consolidated Underlying Net Income Development

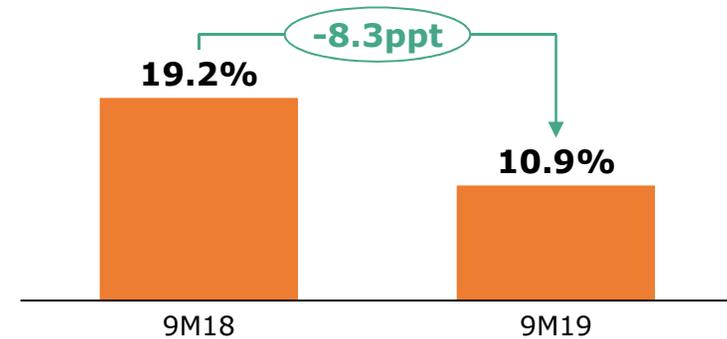
Underlying net income development (TLm)



Weighted average loan interest rates



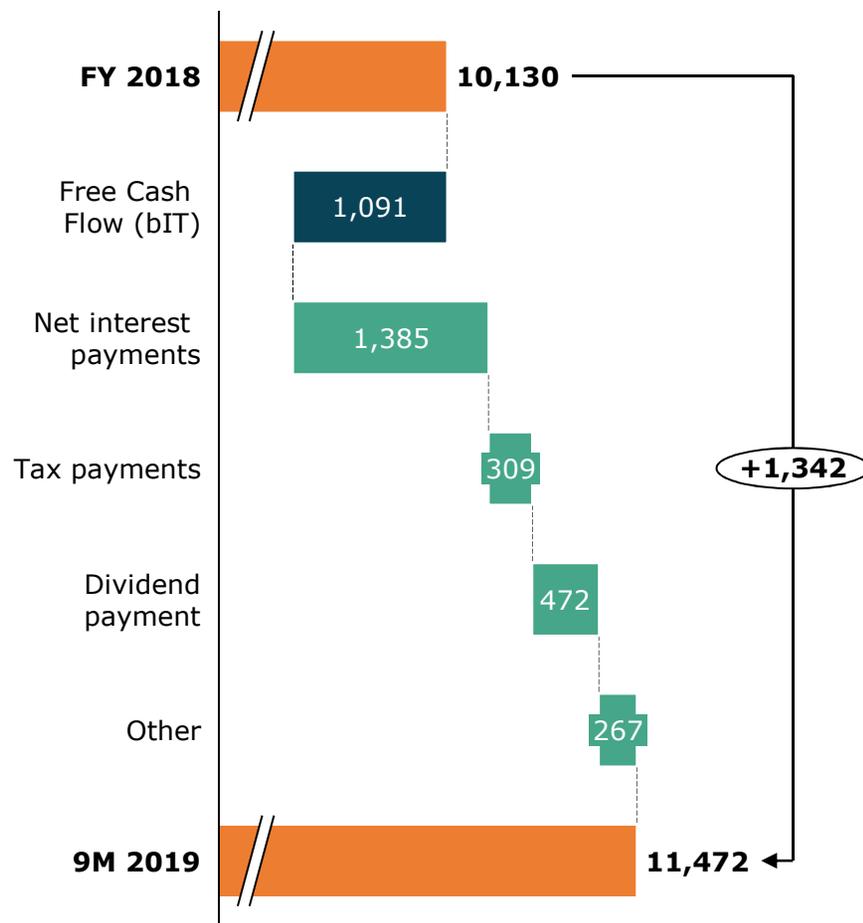
Weighted average bond interest rates (CPI-linked)



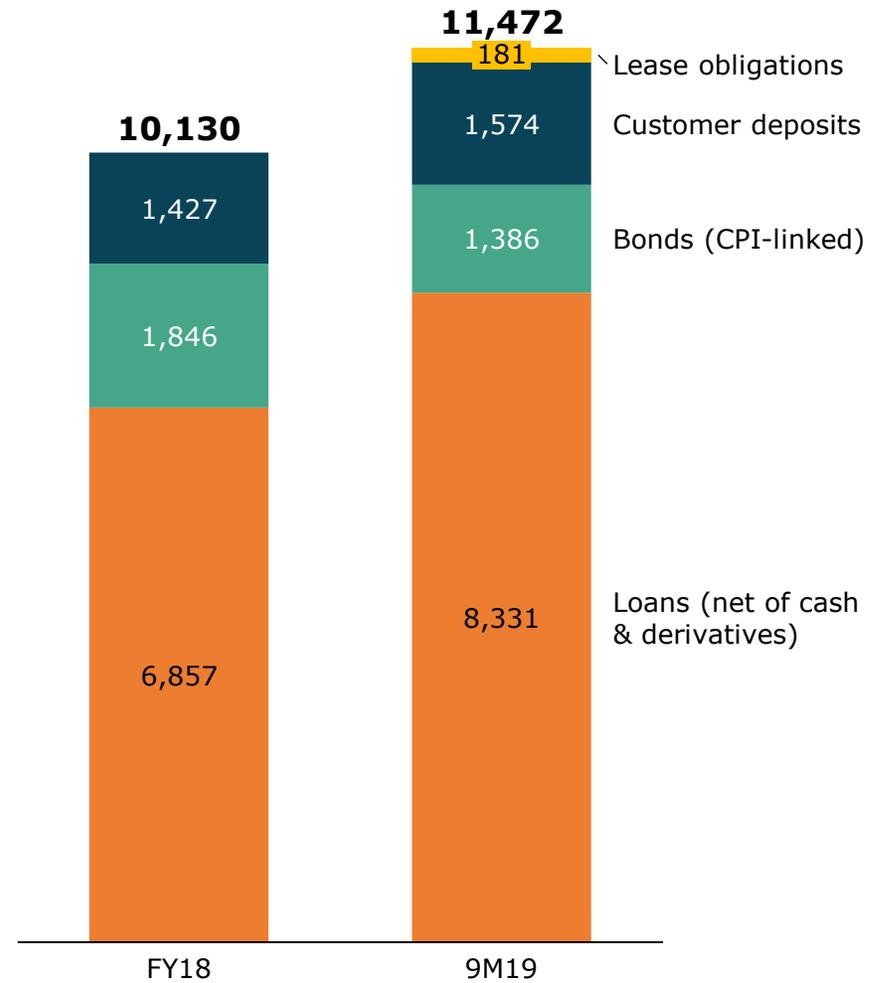


Economic Net Debt

Economic Net Debt development (TLm)



Economic Net Debt composition (TLm)





Outlook 2019-2020

2019 FY Guidance

- **Operational earnings**

lower end of TL 4.6-4.9 bn

- **Underlying Net Income**

TL >1 bn & >40% YoY growth

- Average loan interest rate ~18%
- Effective tax rate towards 22%

- **Free Cash Flow after Interest & Tax**

>0 confirmed

2020 FY Guidance

- **Operational earnings**

range under review

- **Underlying Net Income**

18-20 CAGR >30% confirmed

- Average loan interest rate <18%
- Effective tax rate = marginal corporate tax rate

- **Free Cash Flow after Interest & Tax**

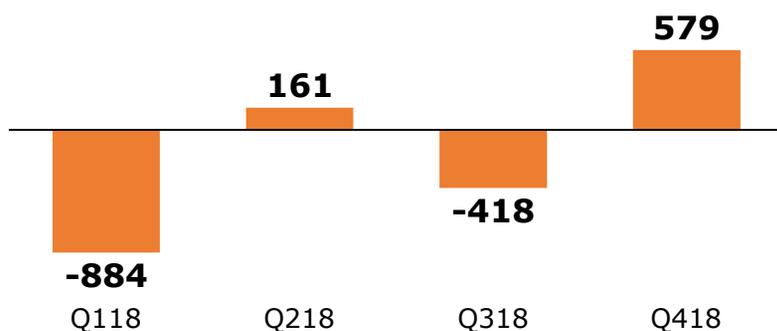
>0 confirmed

- Leverage <2.0x



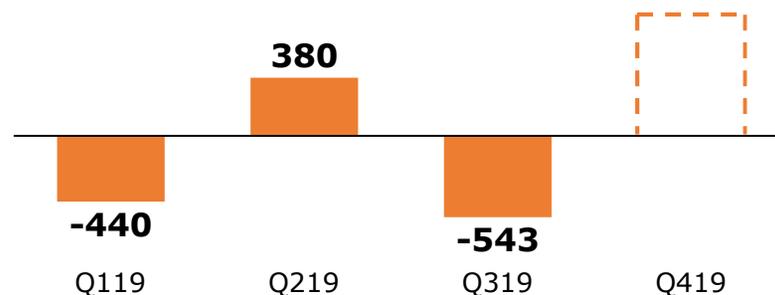
Free Cash Flow Development

Free Cash Flow after interest & tax 2018 (TLm)



- Spill over effects (esp. Capex) from prior year in Q1 2018
- Tariff increases in Q3 2018 lagging procurement cost developments
- Strong cash generation in Q4 2018 as a result of Opex- & Capex-related payments spilling over to the next fiscal year

Free Cash Flow after interest & tax 2019 (TLm)



- Spill over effects (esp. Capex) from prior year in Q1 2019
- Q1 & Q2 2019 positively impacted by reversal of Retail-related working capital increases in 2018
- Q3 2019 burdened by clustered semi-annual interest payments as well as pre-payment fees due to pre-mature refinancing activities
- Strong cash generation expected to repeat in Q4 2019



Appendix



Summary Financial Statements

Consolidated Income Statement

	1 January 30 September	1 January 30 September		1 January 30 September	1 January 30 September
(TLm)	2018	2019	(TLm)	2018	2019
Sales Revenue	12,472	14,566	Operating profit before finance income/(expense)	2,025	2,362
Cost of Sales	-8,976	-10,349	Adjustment of depreciation and amortization	186	268
Gross Profit	3,496	4,217	Adjustments related to operational fx gains and losses	45	3
OPEX	-1,287	-1,511	Adjustments related to fair value difference arising from deposits	112	60
Other Income/(Expense)	-184	-344	Interest income related to revenue cap regulation	-23	-8
Operating profit before finance income/(expense)	2,025	2,362	EBITDA	2,345	2,684
Financial Income/(Expense)	-936	-1,255	CAPEX Reimbursements	599	793
Profit before tax	1,089	1,107	EBITDA+CAPEX Reimbursements	2,944	3,477
Taxation	-325	-317	Fair value changes of financial assets	-242	10
Net Income	764	790	Competition Authority penalty provision	107	0
			Non-recurring income related to previous years	-74	0
			Operational earnings	2,735	3,487
			Net Income	764	790
			Fair value changes of financial assets	-189	8
			Non-recurring income related to previous years	-58	0
			Competition Authority penalty provision	107	0
			Underlying Net Income	624	798

Note: Consolidated numbers include the Business Units Distribution and Retail as well as the legal holding entity.



Summary Financial Statements

Consolidated Balance Sheet

(TLm)	31 December 2018	30 September 2019
Cash and Cash Equivalents	562	324
Financial Assets	791	878
Trade Receivables	3,512	3,001
Derivative financial instruments	313	0
Other Current Assets	694	1,091
Current Assets	5,872	5,294
Financial Assets	8,504	9,358
Tangible and Intangible Assets	7,104	7,158
Other Non-Current Assets	1,113	932
Non-Current Assets	16,721	17,448
TOTAL ASSETS	22,593	22,742
Short-Term Financial Liabilities	3,434	4,373
Other Financial Liabilities	44	38
Trade Payables	2,481	1,578
Derivative financial instruments	4	100
Other Current Liabilities	1,049	941
Current Liabilities	7,012	7,030
Long-Term Financial Liabilities	5,765	5,415
Other Financial Liabilities	322	296
Derivative financial instruments	8	0
Other Non-current Liabilities	3,187	3,411
Long-Term Liabilities	9,282	9,122
Share Capital	1,181	1,181
Adjustment to share capital	2,785	2,627
Other Equity Items	241	249
Retained Earnings	2,092	2,533
Equity	6,299	6,590
TOTAL LIABILITIES AND EQUITY	22,593	22,742

Note: Consolidated numbers include the Business Units Distribution and Retail as well as the legal holding entity.



Summary Financial Statements

Consolidated Cash Flow

	1 January 30 September	1 January 30 September		1 January 30 September	1 January 30 September
(TLm)	2018	2019	(TLm)	2018	2019
Profit for the period	764	790	Cash Flows from Operating Activities (before interest and tax)	1,005	2,414
Adjustments to reconcile net profit for the period	985	1,078	CAPEX	-1,391	-1,323
Changes in operating assets and liabilities	-1,891	-872	Free cash flow (before interest and tax)	-386	1,091
Other inflows (incl. Capex reimbursements)	1,147	1,418	Tax payments	-15	-309
Cash Flows from Operating Activities (before interest and tax)	1,005	2,414	Interest received	58	135
Tax payments	-15	-309	Interest paid	-798	-1,520
Cash Flows from Operating Activities (before interest, after tax)	990	2,105	Free cash flow (after interest and tax)	-1,141	-603
CAPEX	-1,391	-1,323			
Interest received	58	135			
Cash Flows from Investing Activities	-1,333	-1,188			
Cash in-flows and out-flows from borrowings	1,571	836			
Interest paid	-798	-1,520			
Dividend paid	-354	-472			
Cash Flows from Financing Activities	419	-1,156			
Increase in cash and cash equivalents	76	-238			
Cash and cash equivalents at the beginning of the period	173	562			
Cash and cash equivalents at the end of the period	249	324			

Note: Consolidated numbers include the Business Units Distribution and Retail as well as the legal holding entity.



Retail: Income statement

	1 January 30 September	1 January 30 September
(TLm)	2018	2019
Sales Revenue (net)	8,266	9,452
<i>Regulated</i>	7,426	8,504
<i>Liberalised</i>	830	933
<i>Customer solutions</i>	10	15
Cost of Sales (-)	-7,765	-8,828
<i>Regulated</i>	-6,960	-7,930
<i>Liberalised</i>	-805	-893
<i>Customer solutions</i>	0	-5
Gross Profit	501	624
OPEX	-206	-252
Other Income/(Expense)	-156	-7
Operating profit before finance income/(expense)	139	365
Adjustment of depreciation and amortization	17	32
Adjustments related to fair value difference arising from deposits	112	60
EBITDA	268	457
Competition Authority penalty provision	99	0
Operational earnings	367	457



Distribution: Income statement

	1 January 30 September	1 January 30 September
(TLm)	2018	2019
Sales Revenue	4,206	5,113
<i>Financial income</i>	1,031	1,497
<i>Distribution revenue</i>	2,500	2,644
<i>Pass-through transmission revenue</i>	521	777
<i>Lighting sales revenue</i>	154	195
Cost of Sales	-1,211	-1,522
<i>Energy purchases (Lighting, T&L)</i>	-690	-738
<i>Pass-through transmission cost</i>	-521	-777
<i>Other</i>	0	-7
Gross Profit	2,995	3,591
OPEX	-902	-1,089
Other Income/(Expense)	-26	-341
Operating profit before finance income/(expense)	2,067	2,162
Adjustment of depreciation and amortization	13	76
Adjustments related to operational fx gains and losses	45	3
Interest income related to revenue cap regulation	-23	-8
EBITDA	2,103	2,233
CAPEX Reimbursements	599	793
EBITDA+CAPEX Reimbursements	2,702	3,026
Fair value changes of financial assets	-242	10
Non-recurring income related to previous years	-74	0
Competition Authority penalty provision	8	0
Operational earnings	2,394	3,036



Investor Relations contacts



Ilkay Demirdağ

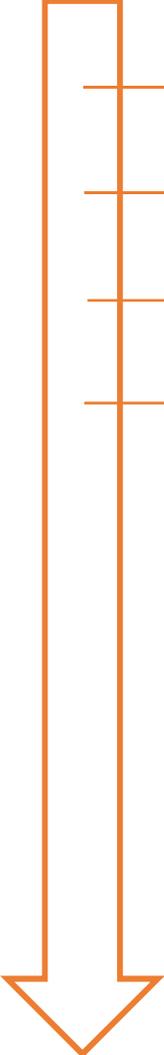
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Financial calendar 2019

- 
- 18-22 October 19 NDR in London & NYC
 - 28-29 October 19 NDR in Singapore
 - 5-6 December 19 Wood's Conference in Prague
 - 11-13 December 19 NDR in Gulf



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