



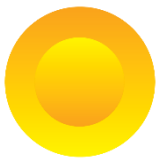
**ENERJISA**

*e-on*

**SABANCI**

# Earnings presentation 1Q 2020

06 May 2020



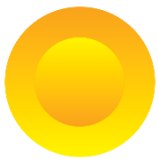
## Executive Summary

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**Covid-19:** Well prepared and protected

**Q1 2020:** Continuing strong earnings growth

**Outlook 2020:** > at least earnings growth in line with inflation & remaining cash positive



## Covid-19 impacts

Countermeasures and regulatory regime protects from most impacts...

Electricity  
consumption  
volume  
decrease

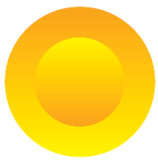
- **Distribution earnings virtually unaffected** as revenue recognition not linked to consumption volume
- **Distribution cash flow affected** as invoicing volume falls short of revenue requirement. But: Correction after two years in line with regulation
- **Retail earnings and cash flow only moderately affected** as customer portfolio is skewed mostly towards unaffected residential customers

Electricity  
price  
decrease

- Generally regarded as uncontrollable pass-through cost for regulated business
- **Moderate base effect** for regulated Retail profitability

Payment  
behaviour  
deterioration

- **Collection process assured and so far only very moderate delay** of on-time payments observed
- **Further deterioration expected**, especially by commercial customers
- **Only moderate net earnings effect expected at YE**, as any potential increase in doubtful provision expenses largely offset by higher late payment penalty income



## Covid-19 impacts

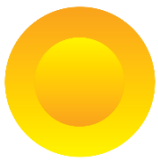
...no material regulatory intervention observed so far & well prepared for any potential further deterioration

### Regulatory intervention

- Priority is on continuity of electricity supply, temporarily leading to recommended **minimization of**
  - **planned outages**, which are necessary for construction execution and therefore delay Capex plans
  - **disconnections** in case of payment delays, potentially deteriorating payment behaviour
- So far and different to some other countries, **no general utility bill payment postponement** for any customer segment implemented, however, **temporary prohibition of legal debt enforcement proceedings**, potentially deteriorating payment behaviour
- **No meter reading in quarantined areas** (currently very limited scope), instead invoicing with prior years consumption

### Loan liquidity decrease

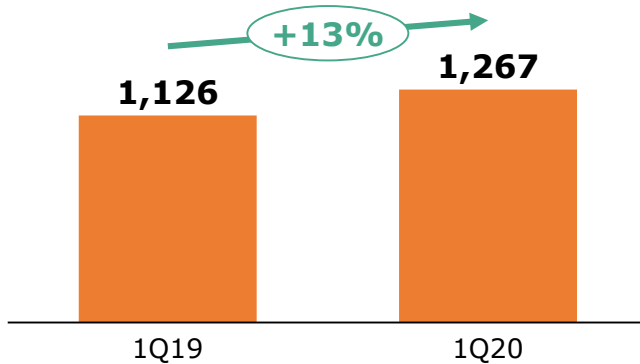
- **No effect** as funding for 2020 was already completed before the crisis
- On top, **emergency liquidity reserves already secured** via committed bank lines and adequate excess cash



# Financial Highlights

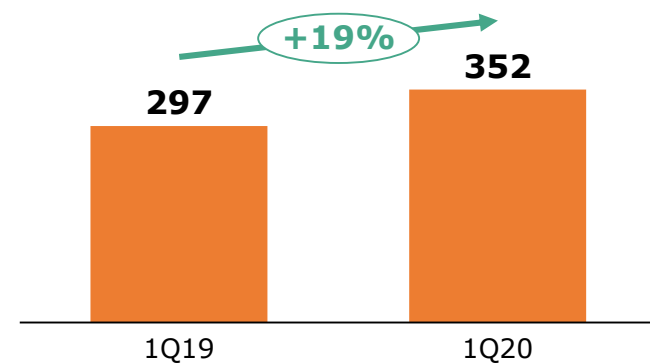
## Operational earnings

(TLm)



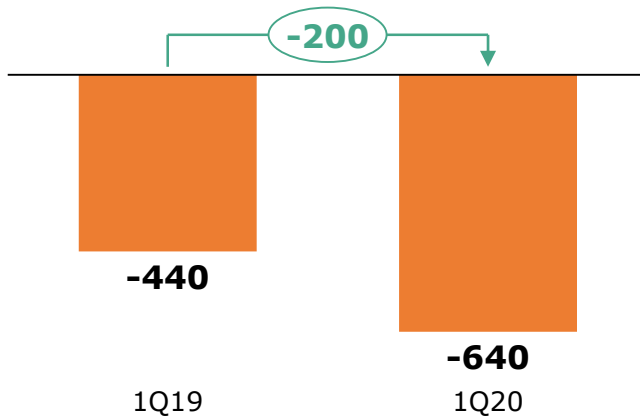
## Underlying Net Income

(TLm)



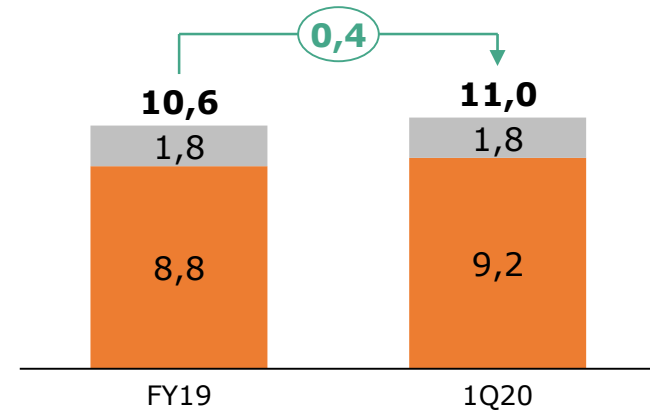
## Free Cash Flow after interest and tax

(TLm)



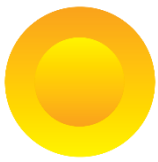
## Economic Net Debt

(TLbn)



■ Non-financial net debt<sup>1</sup> ■ Financial net debt

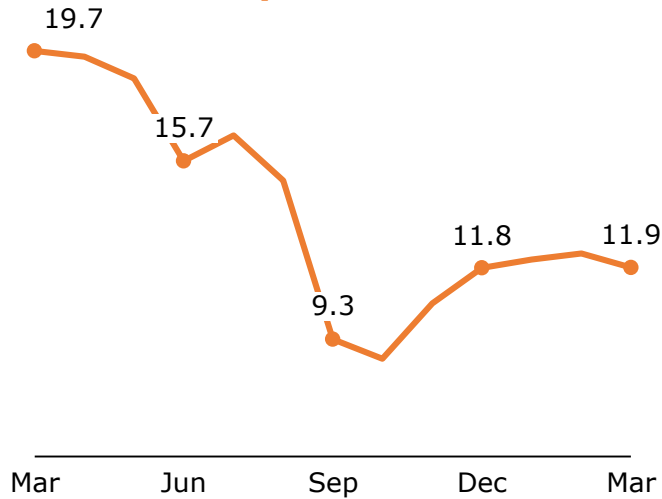
1 Incl. lease obligations (IFRS 16) as well as customer deposits



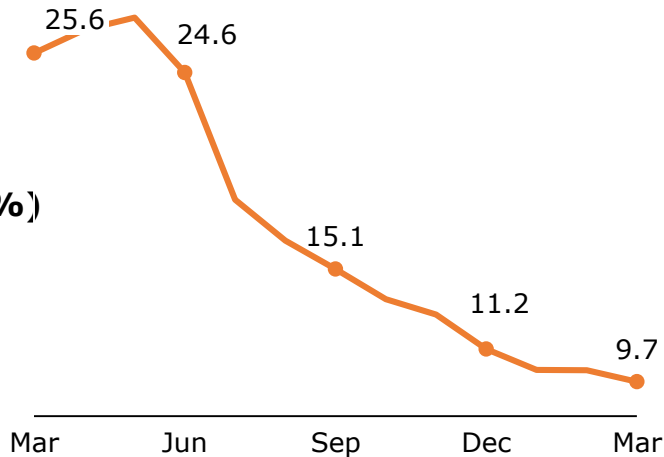
# Market environment

## Turkey

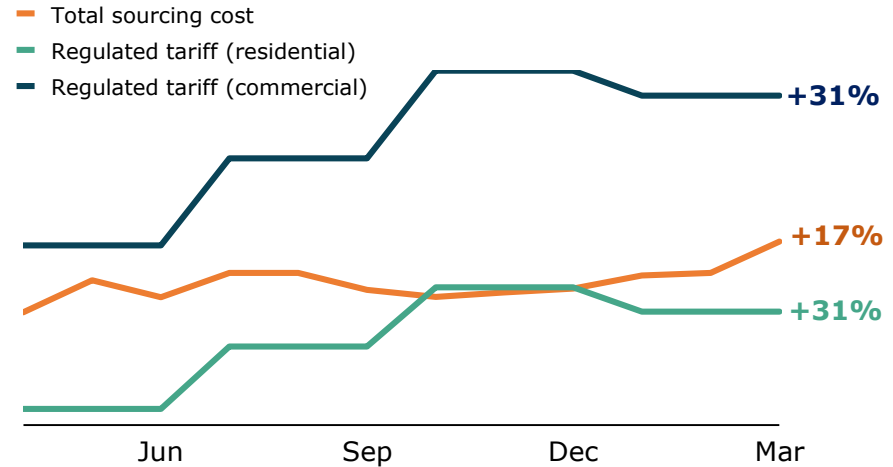
**Inflation (%)**



**Interest rates<sup>1</sup> (%)**

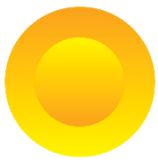


## Sector: Regulatory Developments



- Regulated Retail tariffs have been decreased by 4-5% in Q1.
- Total sourcing cost has increased since the start of the year mainly due to higher Feed-in-Tariff costs as a result of further TL depreciation.

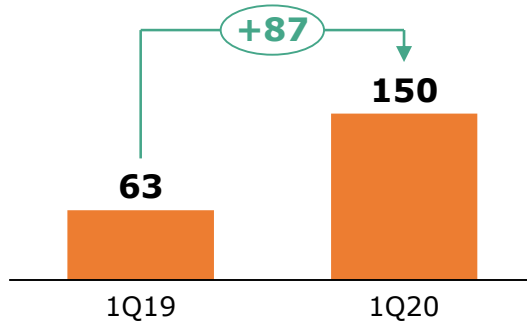
1 6-month TRLibor



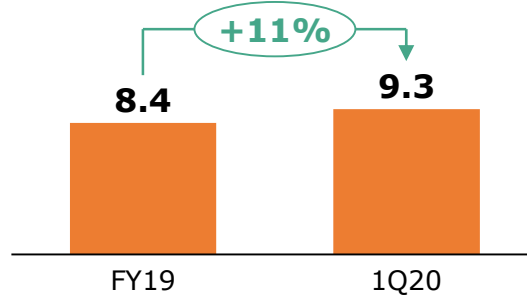
# Operations

## Distribution

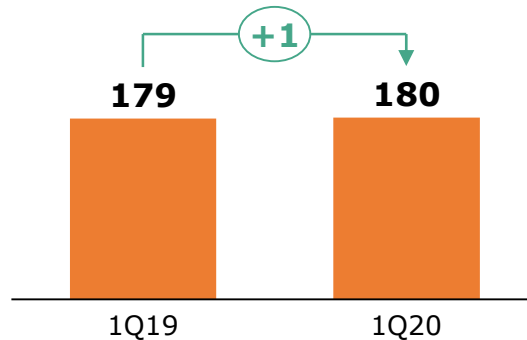
**Capex**  
(TLm)



**RAB**  
(TLbn)

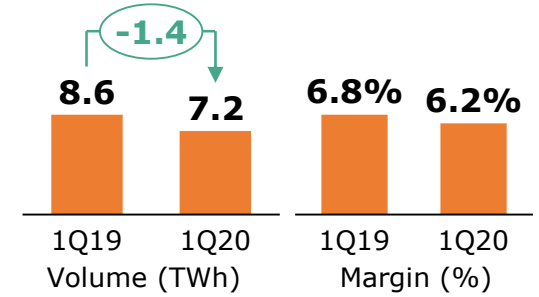


**Efficiency & Quality<sup>1</sup>**  
(TLm)

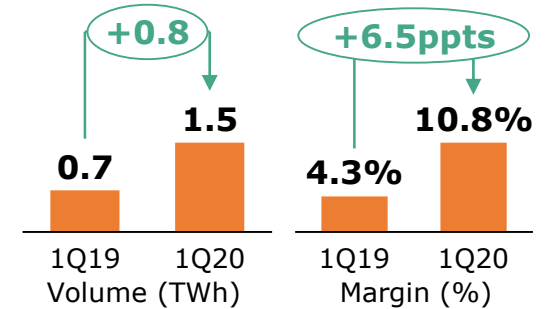


## Retail

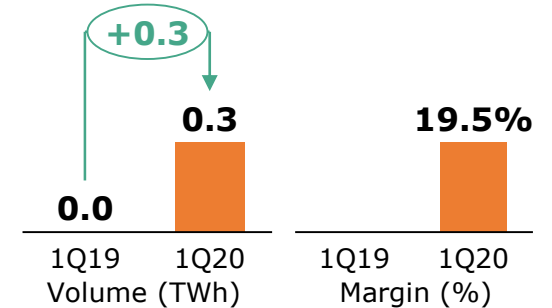
**Regulated Segment**



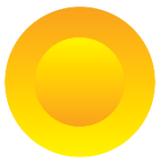
**Liberalized Corporate Segment**



**Liberalized Residential & SME Segment**

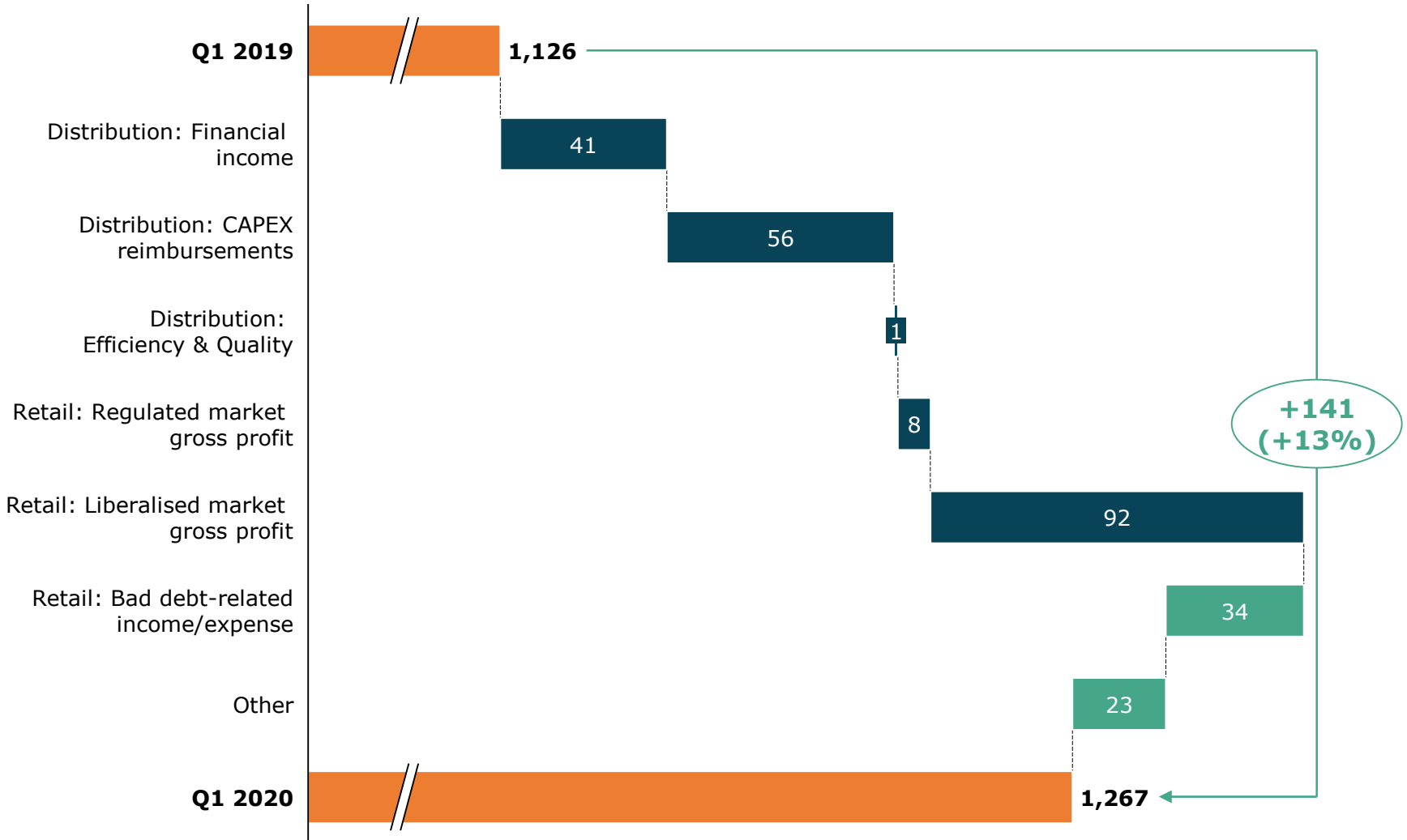


1 Incl. Capex, Opex and T&L outperformances as well as theft accrual & collection and quality bonus



# Consolidated Operational Earnings Development

(TLm)







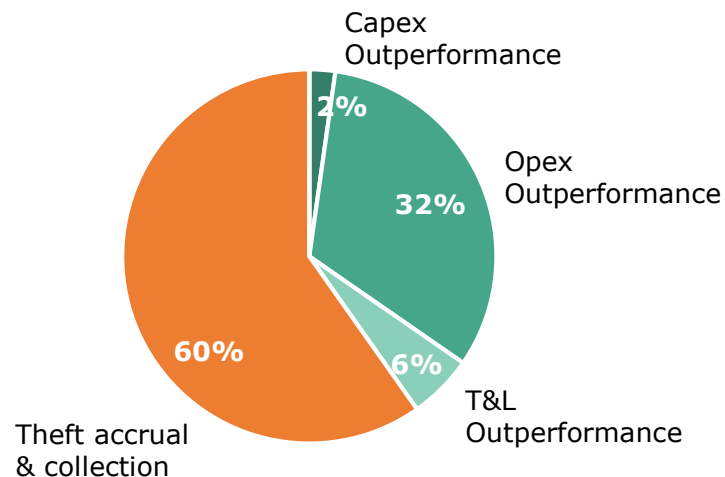
# Distribution: Operational Earnings & Cash Development

## Operational Earnings and Free Cash Flow Before Interest and Tax

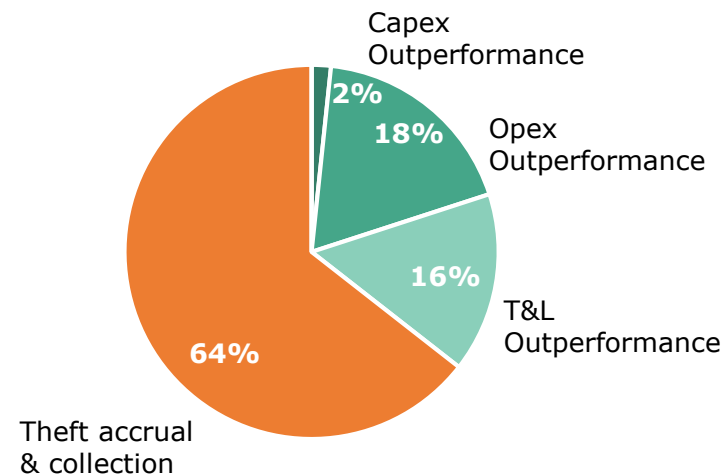
(TLm)

	Q1 2019	Q1 2020
Financial Income	470	511
Capex reimbursements	280	336
Efficiency & Quality	179	180
Tax correction	46	54
Other	11	1
<b>Operational Earnings</b>	<b>986</b>	<b>1.082</b>
Financial income not yet cash-effective	-263	-283
Capex outperformance	-4	-3
Net VAT received/paid	76	177
Other (non-cash NWC)	-655	-379
<b>Operating Cash Flow (before interest &amp; tax)</b>	<b>140</b>	<b>594</b>
Actual allowed Capex	-63	-150
Capex outperformance	4	3
VAT paid	-11	-27
Unpaid and previous year Capex	-635	-513
<b>Cash-effective Capex</b>	<b>-705</b>	<b>-687</b>
<b>Free Cash Flow (before interest &amp; tax)</b>	<b>-565</b>	<b>-93</b>

## Efficiency & quality 1Q 2019



## Efficiency & quality 1Q 2020





# Retail: Operational Earnings & Cash Development

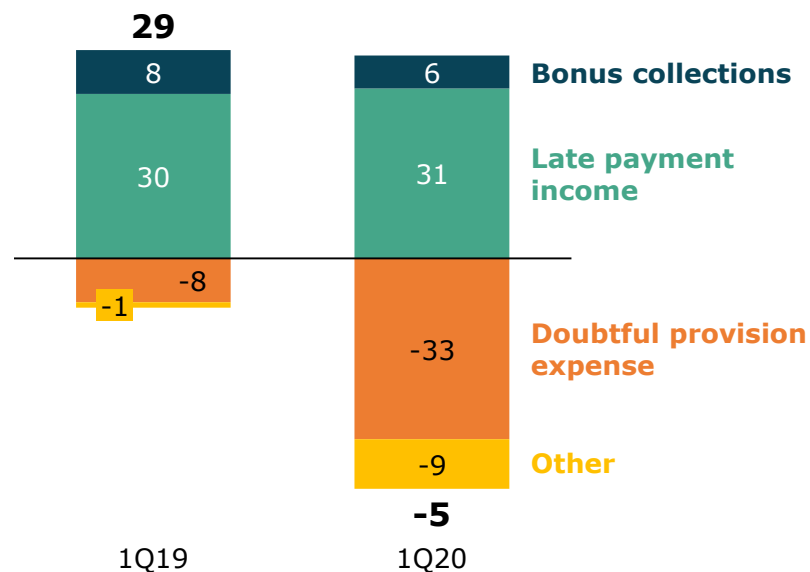
## Operational Earnings and Free Cash Flow Before Interest and Tax

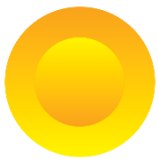
(TLm)

Retail Financials	Q1 2019	Q1 2020
Regulated gross profit	174	182
Liberalised gross profit	10	102
Customer solutions gross profit	3	5
Opex	-74	-96
Bad debt related income and expense	29	-5
<b>Operational Earnings</b>	<b>142</b>	<b>188</b>
Price equalization effects	498	-51
Net deposit additions	31	-37
Delta NWC	-75	4
<b>Operating Cash Flow (before interest &amp; tax)</b>	<b>596</b>	<b>104</b>
Capex	-21	-12
<b>Free Cash Flow (before interest &amp; tax)</b>	<b>575</b>	<b>92</b>

## Bad debt related income and expense

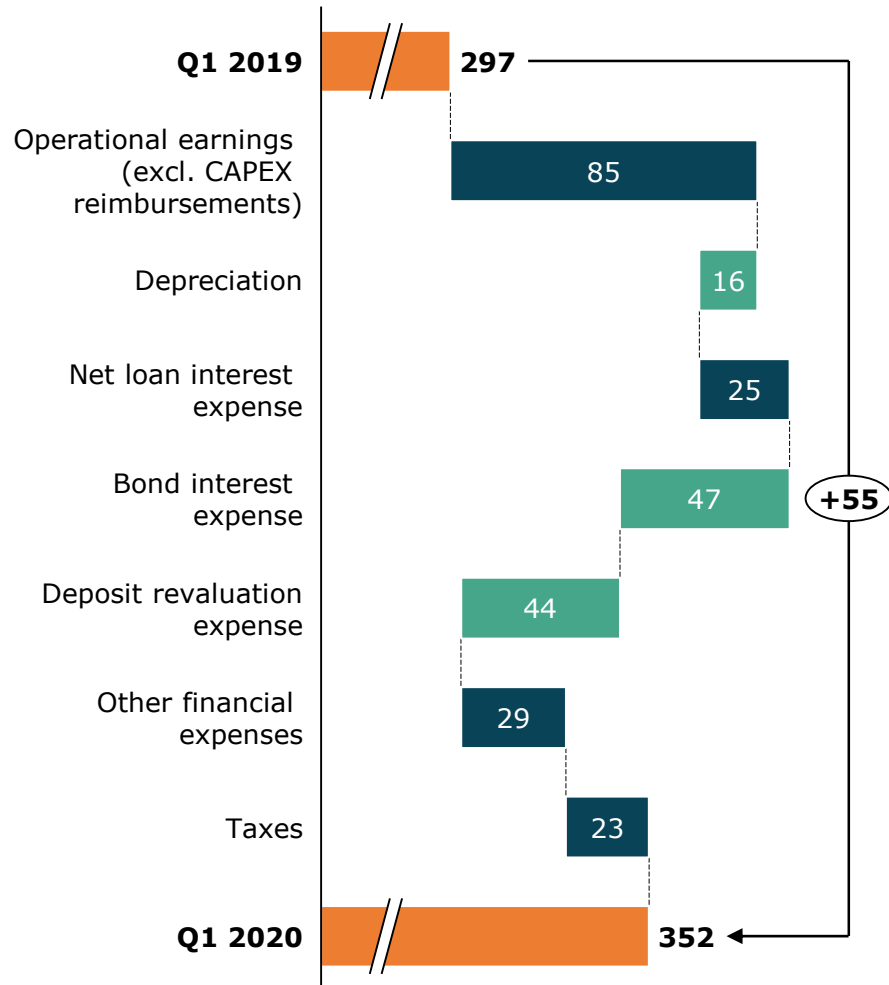
(TLm)



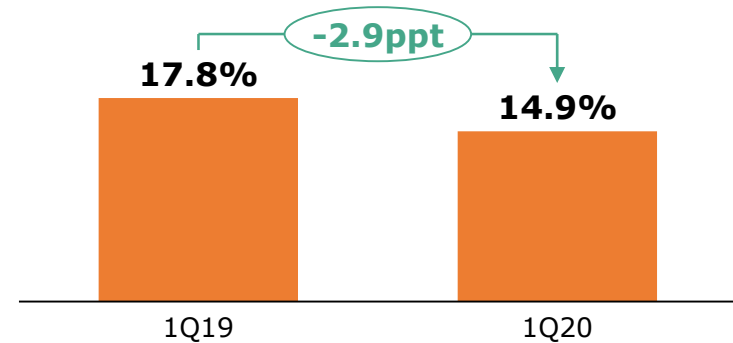


# Consolidated Underlying Net Income Development

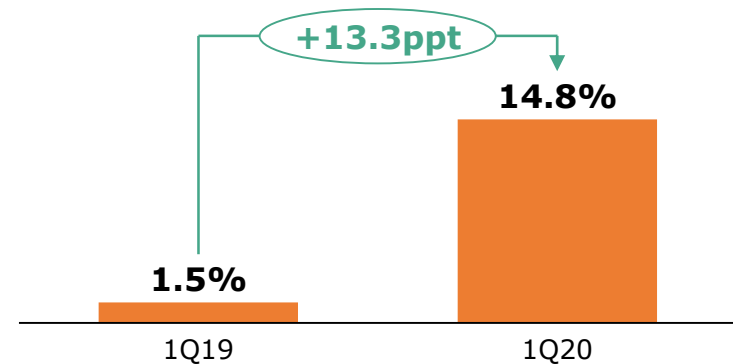
## Underlying net income development (TLm)

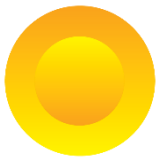


## Weighted average loan interest rates



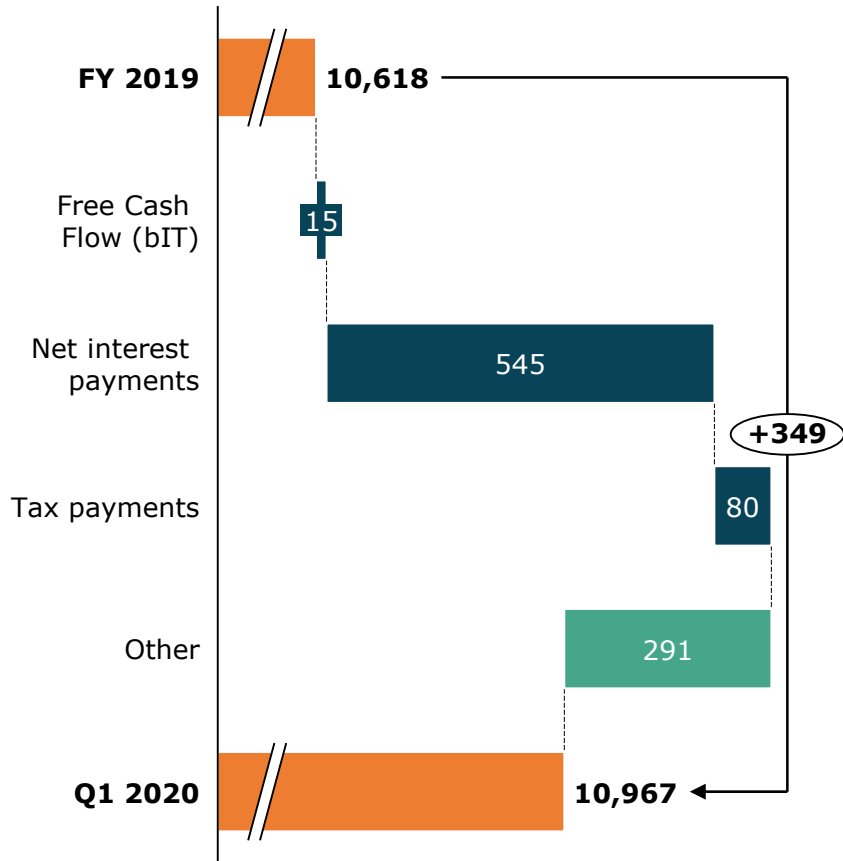
## Weighted average bond interest rates (CPI-linked)



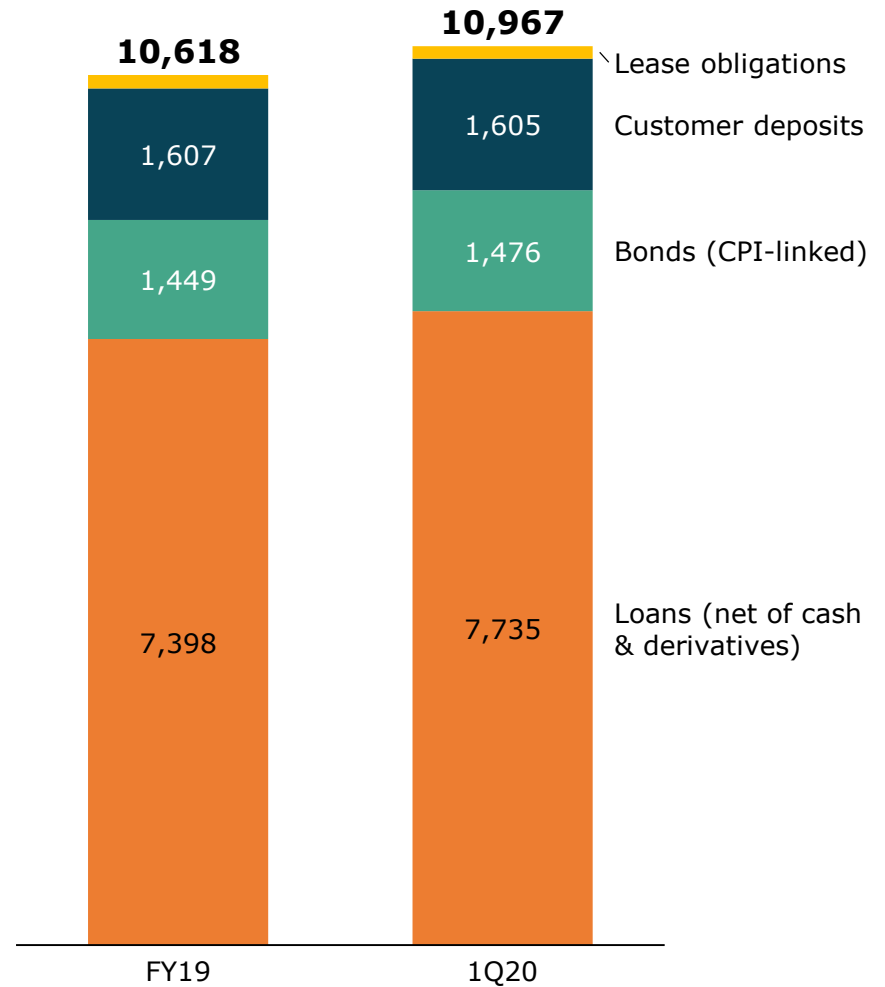


# Economic Net Debt

### Economic Net Debt development (TLm)



### Economic Net Debt composition (TLm)



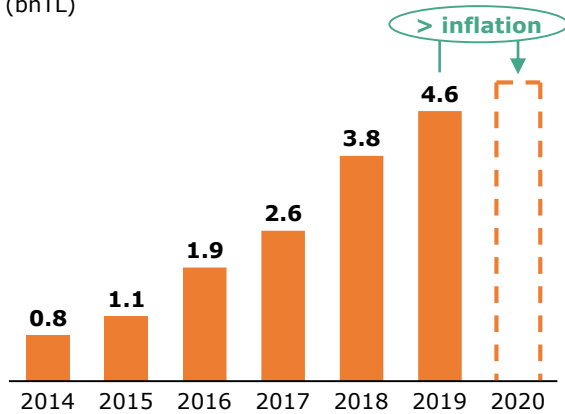


# Outlook 2020

## At least zero real earnings growth & target to remain cash positive

### Operational earnings

(bnTL)

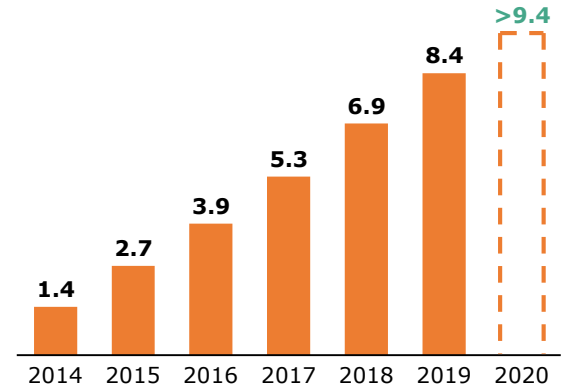


### Operational assumptions

- **Distribution**
  - Nominal investment return < PY
  - Capex ≥ PY
  - Efficiency & Quality ≥ PY
- **Retail**
  - Regulated profit ≥ PY
  - Liberalized profit ~2-3x PY

### Regulated Asset Base

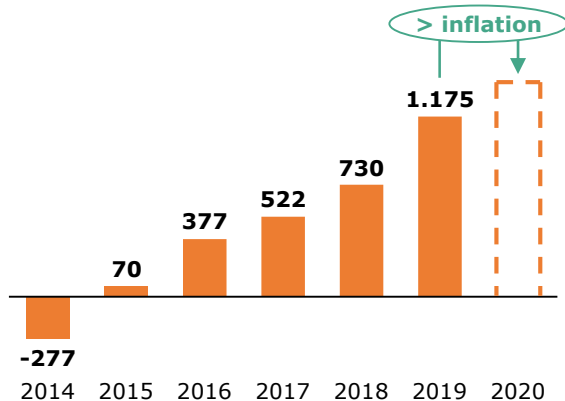
(bnTL)



### Underlying Net Income & Dividend

(mTL)

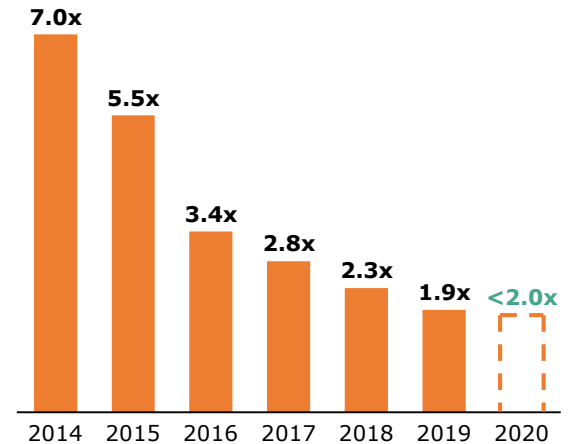
Payout ratio 68% 65% 60% 60-70%

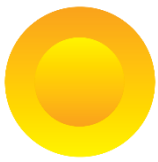


### Financial assumptions

- Avg. cost of financing < 15%
- Avg. effective **tax** rate ~22%
- **Free Cash Flow** after interest and tax > 0

### Leverage



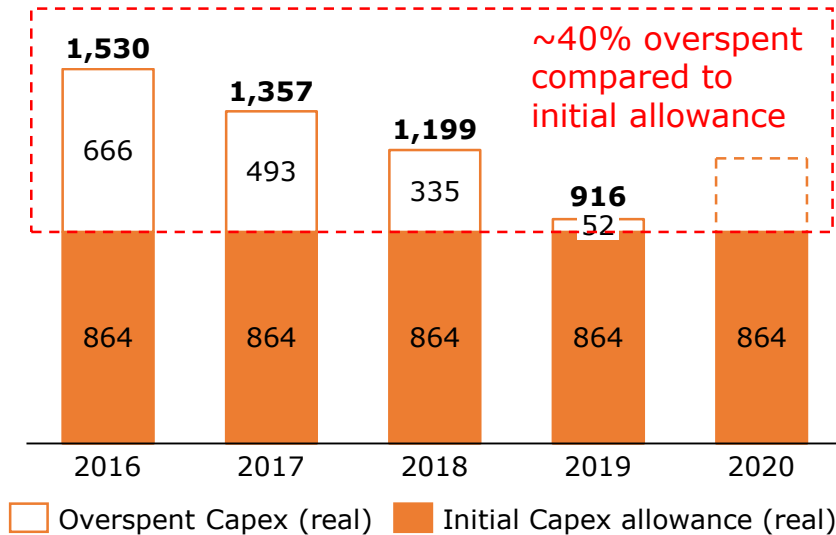


# Compensation for Overspent Distribution Capex

## Reimbursement amount

### Actual vs. initial allowed Capex

(TLm, real, 10/2015 prices)



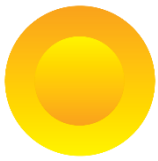
### Compensation components

- Foregone financial income
- Foregone Capex reimbursements
- Compensation for delay (WACC + inflation)

→ ~4bn TL nominal compensation after 2020

## Reimbursement methodology

- ~4bn TL will be collected via future customer invoices and therefore through the Distribution tariff
- Need to increase future Distribution tariffs depends on total overspent for Turkey (as of 2020 expected overspent is ~10%)
- Assuming 10% overspent for the 3rd tariff period in Turkey, the end customer price needs to increase by 1,3% including fees & taxes
- Collections of all regulated regions in Turkey will be reallocated to Distribution companies depending on actual Capex spending of past regulatory period (price equalization mechanism) over 12 months of 2021



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# Appendix



# Summary Financial Statements

## Consolidated Income Statement

	1 January 31 March	1 January 31 March
(TLm)	2019	2020
Sales Revenue	4,484	5,779
Cost of Sales	-3,183	-4,215
<b>Gross Profit</b>	<b>1,301</b>	<b>1,564</b>
OPEX	-512	-607
Other Income/(Expense)	-17	-125
<b>Operating profit before finance income/(expense)</b>	<b>772</b>	<b>832</b>
Financial Income/(Expense)	-358	-400
<b>Profit before tax</b>	<b>414</b>	<b>432</b>
Taxation	-117	-91
<b>Net Income</b>	<b>297</b>	<b>341</b>

	1 January 31 March	1 January 31 March
(TLm)	2019	2020
<b>Operating profit before finance income/(expense)</b>	<b>772</b>	<b>832</b>
Adjustment of depreciation and amortization	84	100
Adjustments related to operational fx gains and losses	2	6
Adjustments related to fair value difference arising from deposits	-9	35
Interest income related to revenue cap regulation	-3	-10
<b>EBITDA</b>	<b>846</b>	<b>963</b>
CAPEX Reimbursements	280	336
<b>EBITDA+CAPEX Reimbursements</b>	<b>1,126</b>	<b>1,299</b>
Unrealized (temporary) MtM gains	0	-32
<b>Operational earnings</b>	<b>1,126</b>	<b>1,267</b>
<b>Net Income</b>	<b>297</b>	<b>341</b>
Unrealized (temporary) MtM gains	0	-25
Non-recurring refinancing transactions fees	0	36
<b>Underlying Net Income</b>	<b>297</b>	<b>352</b>

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 2019	31 March 2020
Cash and Cash Equivalents	470	1,044
Financial Assets	1,099	1,342
Trade Receivables	3,009	3,138
Derivative financial instruments	8	173
Other Current Assets	1,196	1,445
<b>Current Assets</b>	<b>5,782</b>	<b>7,142</b>
Financial Assets	9,445	9,299
Tangible and Intangible Assets	7,177	7,101
Derivative financial instruments	1	9
Other Non-Current Assets	991	906
<b>Non-Current Assets</b>	<b>17,614</b>	<b>17,315</b>
<b>TOTAL ASSETS</b>	<b>23,396</b>	<b>24,457</b>
Short-Term Financial Liabilities	3,692	2,543
Other Financial Liabilities	51	54
Trade Payables	2,612	1,740
Derivative financial instruments	67	1
Other Current Liabilities	909	1,843
<b>Current Liabilities</b>	<b>7,331</b>	<b>6,181</b>
Long-Term Financial Liabilities	5,378	7,680
Other Financial Liabilities	303	311
Derivative financial instruments	0	0
Other Non-current Liabilities	3,549	3,725
<b>Long-Term Liabilities</b>	<b>9,230</b>	<b>11,716</b>
Share Capital	1,181	1,181
Adjustment to share capital	2,627	2,416
Other Equity Items	250	531
Retained Earnings	2,777	2,432
<b>Equity</b>	<b>6,835</b>	<b>6,560</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>23,396</b>	<b>24,457</b>

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

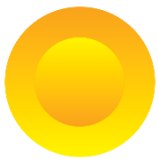


# Summary Financial Statements

## Consolidated Cash Flow

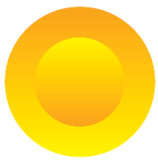
	1 January	1 January		1 January	1 January
	31 March	31 March		31 March	31 March
(TLm)	2019	2020	(TLm)	2019	2020
Profit for the period	297	341	Cash Flows from Operating Activities (before interest and tax)	756	685
Adjustments to reconcile net profit for the period	220	338	CAPEX	-733	-700
Changes in operating assets and liabilities	-116	-566	<b>Free cash flow (before interest and tax)</b>	<b>23</b>	<b>-15</b>
Other inflows (incl. Capex reimbursements)	355	572	Tax payments	-51	-80
<b>Cash Flows from Operating Activities (before interest and tax)</b>	<b>756</b>	<b>685</b>	Interest received	62	6
Tax payments	-51	-80	Interest paid	-474	-551
<b>Cash Flows from Operating Activities (before interest, after tax)</b>	<b>705</b>	<b>605</b>	<b>Free cash flow (after interest and tax)</b>	<b>-440</b>	<b>-640</b>
CAPEX	-733	-700			
Interest received	62	6			
<b>Cash Flows from Investing Activities</b>	<b>-672</b>	<b>-694</b>			
Cash in-flows and out-flows from borrowings	1,694	1,241			
Interest paid	-474	-551			
Dividend paid	0	0			
Payments of finance lease liabilities	-19	-27			
<b>Cash Flows from Financing Activities</b>	<b>1,201</b>	<b>663</b>			
Increase in cash and cash equivalents	1,235	574			
Cash and cash equivalents at the beginning of the period	562	470			
<b>Cash and cash equivalents at the end of the period</b>	<b>1,797</b>	<b>1,044</b>			

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



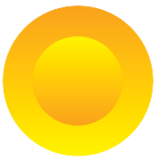
# Retail: Income statement

	1 January 31 March	1 January 31 March
(TLm)	2019	2020
Sales Revenue (net)	2,795	3,764
<i>Regulated</i>	2,547	2,941
<i>Liberalised</i>	244	818
<i>Customer solutions</i>	4	5
Cost of Sales (-)	-2,608	-3,486
<i>Regulated</i>	-2,373	-2,759
<i>Liberalised</i>	-234	-725
<i>Customer solutions</i>	-1	-2
<b>Gross Profit</b>	<b>187</b>	<b>278</b>
OPEX	-85	-108
Other Income/(Expense)	38	-23
<b>Operating profit before finance income/(expense)</b>	<b>140</b>	<b>147</b>
Adjustment of depreciation and amortization	11	14
Adjustments related to fair value difference arising from deposits	-9	35
<b>EBITDA</b>	<b>142</b>	<b>196</b>
Unrealized (temporary) MtM gains	0	-8
<b>Operational earnings</b>	<b>142</b>	<b>188</b>



# Distribution: Income statement

	1 January	1 January
	31 March	31 March
(TLm)	2019	2020
Sales Revenue	1,689	2,015
<i>Financial income</i>	470	511
<i>Distribution revenue</i>	844	1,049
<i>Pass-through transmission revenue</i>	298	367
<i>Lighting sales revenue</i>	77	88
Cost of Sales	-575	-730
<i>Energy purchases (Lighting, T&amp;L)</i>	-277	-363
<i>Pass-through transmission cost</i>	-298	-367
<b>Gross Profit</b>	<b>1,114</b>	<b>1,285</b>
OPEX	-368	-444
Other Income/(Expense)	-59	-101
<b>Operating profit before finance income/(expense)</b>	<b>687</b>	<b>740</b>
Adjustment of depreciation and amortization	20	34
Adjustments related to operational fx gains and losses	2	6
Interest income related to revenue cap regulation	-3	-10
<b>EBITDA</b>	<b>706</b>	<b>770</b>
CAPEX Reimbursements	280	336
<b>EBITDA+CAPEX Reimbursements</b>	<b>986</b>	<b>1,106</b>
Unrealized (temporary) MtM gains	0	-24
<b>Operational earnings</b>	<b>986</b>	<b>1,082</b>



## Investor Relations contacts



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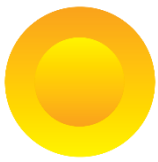
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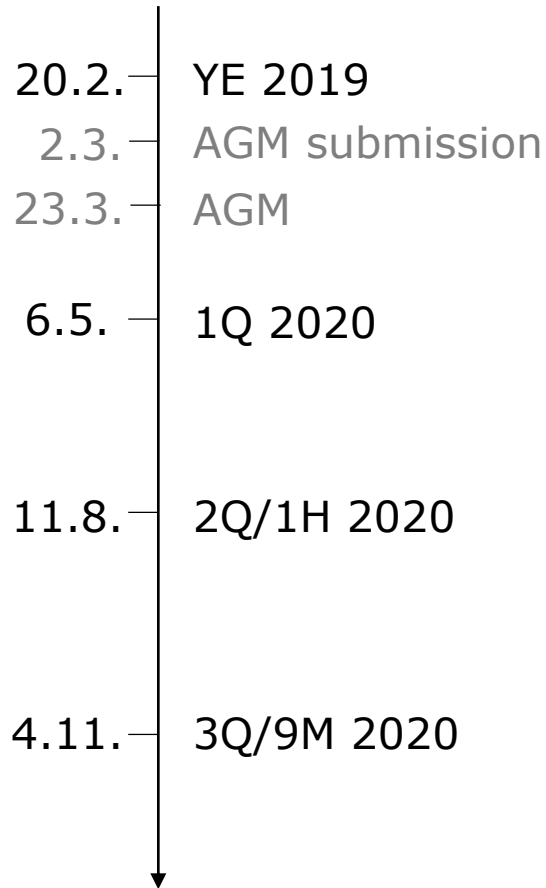
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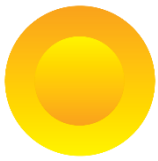


# Financial calendar 2020

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## Earnings releases





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