

# Teknosa İç ve Dış Ticaret A.Ş.

Investor Presentation

«*Leader of A Growing Market*»

Nevgöl Bilsel Safkan, CFO

Gamze Hacalođlu Harman, Financial Controller



# Agenda

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## **Teknosa at a Glance**

**Electronics Retail Market**

**Financial Overview**

**Year-end Guidance**



# Teknosa At a Glance

Market Leader in Technical Super Stores Channel with 42% market share

Highest penetration among Turkish Technical Super Stores with 289 stores in 77 provinces and 145k m<sup>2</sup> net sales area as of 31 March 2013

2012 revenue reaching 2.3 billion TL with 40% YoY growth  
2013 Q1 revenue reaching 0.7billion TL with 44% YoY growth

Sustainable growth on the back of cash generation due to strong financial structure

Flexible business model with 3 different store formats to maximize penetration

100 million store visitors in 2012, 27 million store visitors in 2013 Q1

Pioneer in the market in employee training (Teknosa Akademi), customer assistance (Tekno Assist) and loyalty program (Orange Card)

Strong and well-known brand, leveraging Sabancı Holding reputation



# Milestones

2000

- Commenced operations with 5 stores

2003

- Teknosa.com established

2005

- Teknosa Akademi established

2006

- Number of stores reached 152
- Operational efficiency and infrastructure projects for “Scientific Retailing Program”
- Dealership operations organised under Iklimsa brand

2007

- Number of stores exceeded 200
- Gebze Logistics Center (Istanbul) started operations with 30k m<sup>2</sup> closed area
- All 5 stores of Germany-based consumer electronics retailer, Electronic Partner, acquired
- 2 Uzelli Music Market stores acquired
- Teknosa Assist launched as the first after-sale and refund service program in Turkey
- ISO 9001 (quality management system for operational excellence) certification received

2008

- Received an award for best human resources practice
- Loyalty card program (Orange Card) launched

2009

- “Exxtra” format stores introduced
- ISO 27001 (information security management) certification received

2010

- Restructuring of the organisation
- Strategy is set up as "Sustainable, Profitable Growth " instead of "Rapid Expansion "

2011

- Acquired Best Buy operations in Turkey
- Orange Card holders reached 2.3 million
- ISO 10002 (customer satisfaction) certification received

2012

- Kliksa.com (e-commerce website) launched
- IPO of Teknosa at 17 May 2012
- World Retail Awards - Emerging Market Retailer of the Year Award

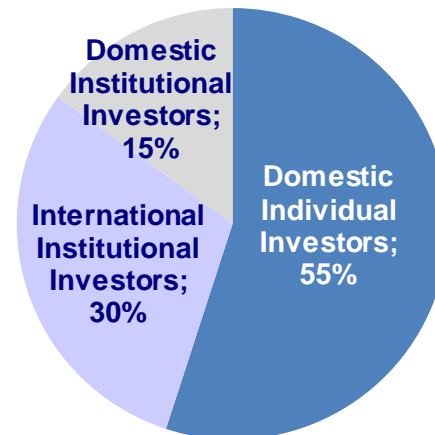
2013

- Teknosa share included in BIST 100 Index



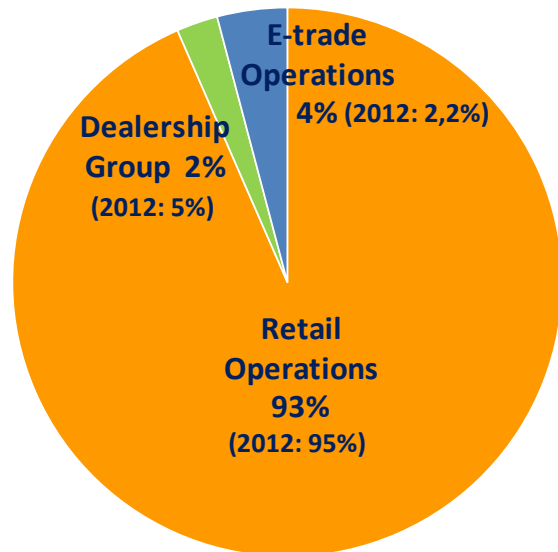
Shareholders	Pre - IPO		Post - IPO	
	Nominal Value (TL)	Ratio (%)	Nominal Value (TL)	Ratio (%)
Sabancı Holding	77.310.510	70,28%	66.310.510	60,28%
Sabancı Family	32.689.490	29,72%	32.689.490	29,72%
Free Float	-	-	11.000.000	10,00%
<b>Total</b>	<b>110.000.000</b>	<b>100,00%</b>	<b>110.000.000</b>	<b>100,00%</b>

## Allocation of the Issued Shares



Teknosa operations are composed of Retail, Dealership and e-commerce activities

Revenue Breakdown as of Q1-2013



## E-trade Operations

**KLik SA .com**

- Separate legal entity with %100 shareholding of Teknosa
- Started operations in **March 2012**

**TEKNO SA .com**

- Started operations in **2005**

## Retail Operations

**TEKNO SA**

### Breakdown as of Q1-2013 Revenues by Product Groups:

- Consumer Electronics & Photo: 40% (2012:48%)
- Information Technology : 30% (2012 : 25%)
- Telecom: 23% (2012 : 20%)
- Other\*: 6% (2012 : 7%)

## Dealership Group

**iklim SA**  
Türkiye'nin İklimlendirme Merkezi

### Breakdown as of Q1-2013 Revenues by Product Groups:

- Air Conditioners: 87% (2012:94%)
- Refrigerators: 10% (2012: 5%)
- Cash registers: 3% (2012: 1%)
- Other: less than 1%

\* Consists of Tekno Guarantee warranty sales, small domestic appliances and white goods

# Retail Operations

## Store Formats

Teknosa retail operations are carried out in 3 different store formats in order to increase market penetration

### Standard Store

- 217 stores in 75 cities
- <750 m<sup>2</sup> store area



### TEKNO SA extra

- 46 stores in 24 cities
- 750-1,200 m<sup>2</sup> store area



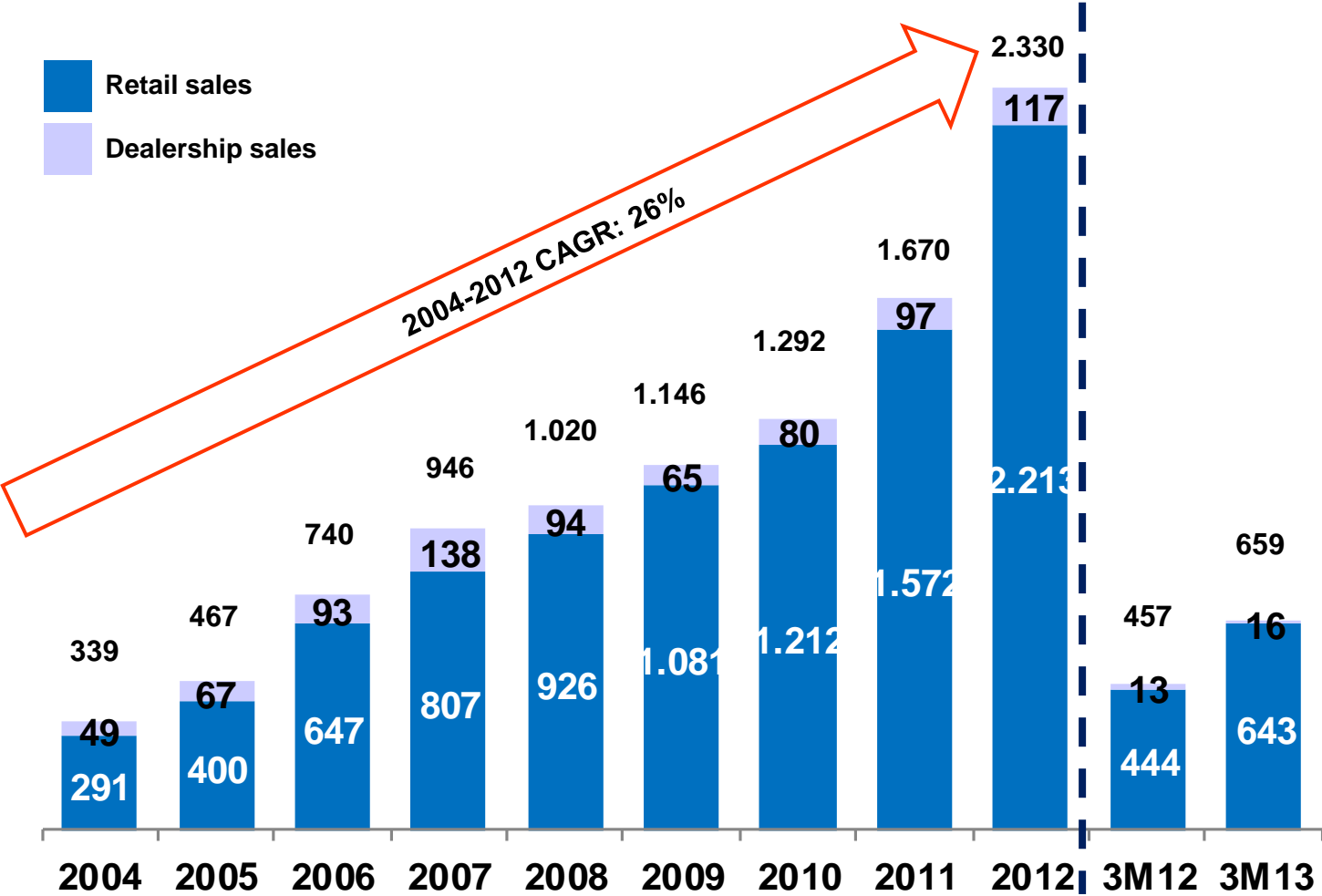
### TEKNO SA exxtra

- 26 stores in 10 cities
- >1,200 m<sup>2</sup> store area



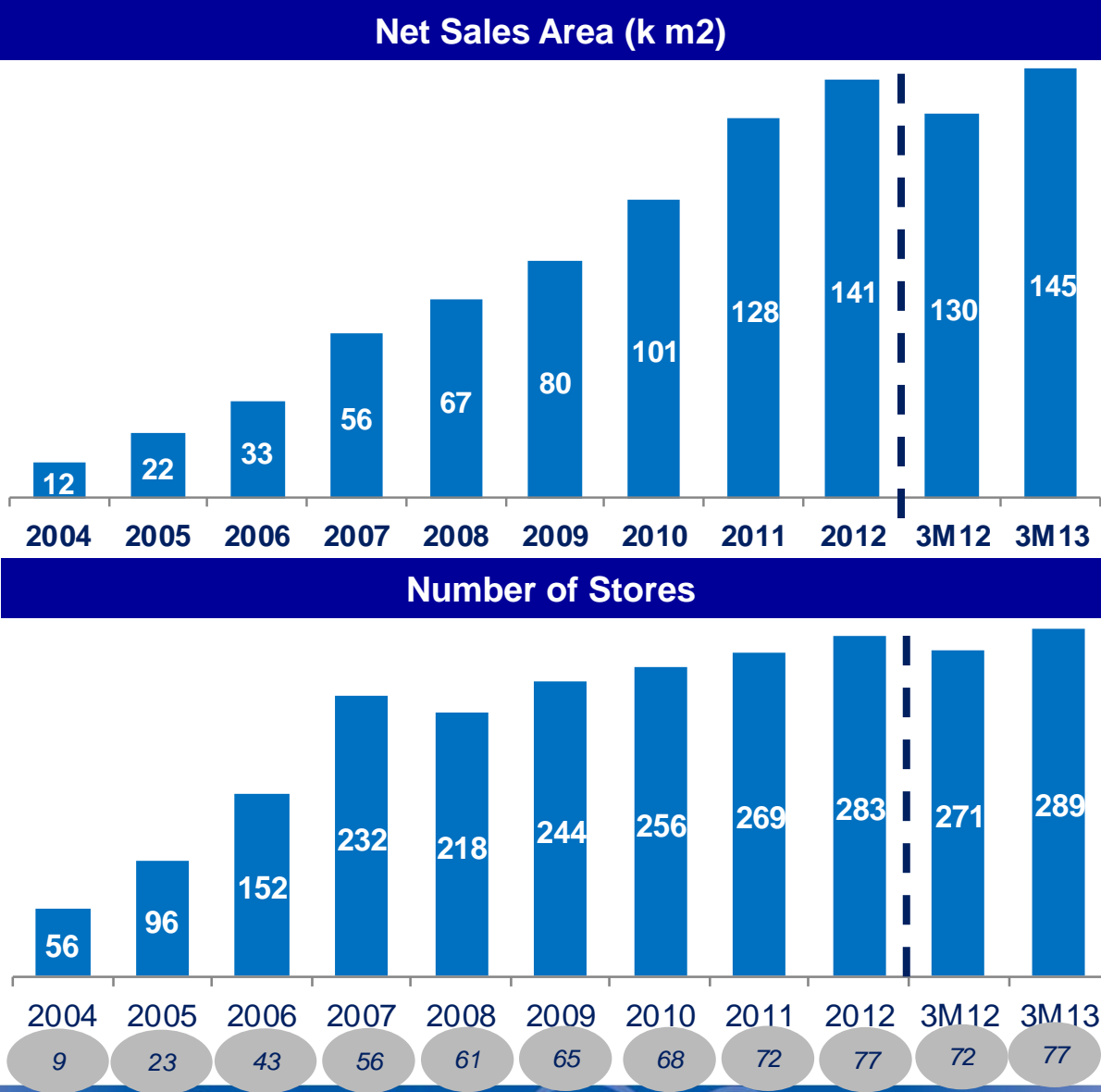
# Proven Growth Track

## Net Sales (M TL)





# Agressive Expansion With Different Store Formats



# E-commerce Market In Turkey

- Total e-commerce volume is estimated to reach 30 billion TL\* (35% YoY) in 2012 (5 year CAGR: 41%)
- Online retail of consumer products is estimated as 3 billion TL\*\* in 2012
- E-commerce in Turkey is growing faster than the growth in internet usage in the last 5 years.
- The main factors stimulating the growth are;
  - Increasing share of internet users who made a purchase online (2007-2012 CAGR 33%),
  - Secure e-trade (3D secure) application,
  - Various incentive/discount campaigns encouraging online shopping
  - High credit card penetration (around 72% as of Oct.12)



# Our Platforms On E-Commerce: Kliksa and Teknosa.com

Two legged strategy in e-commerce which aimed to gain share in both electronics retail market and fast developing e-commerce business: reached 4% of total retail sales as of March 2012

## Kliksa.com

- Aims to gain share in fast growing e commerce business
- By providing a wider assortment compared to Teknosa stores, with lower price range it will create new business value to Teknosa
- Combined Sabancı brand with the modern online shopping experience
- Targets to become a leading player in B2C e-commerce
- # of visitors/month exceeded 1.5 million short after its launch
- Realizing steep MoM sales growth continuously Kliksa.com will soon become an important part of total Teknosa sales

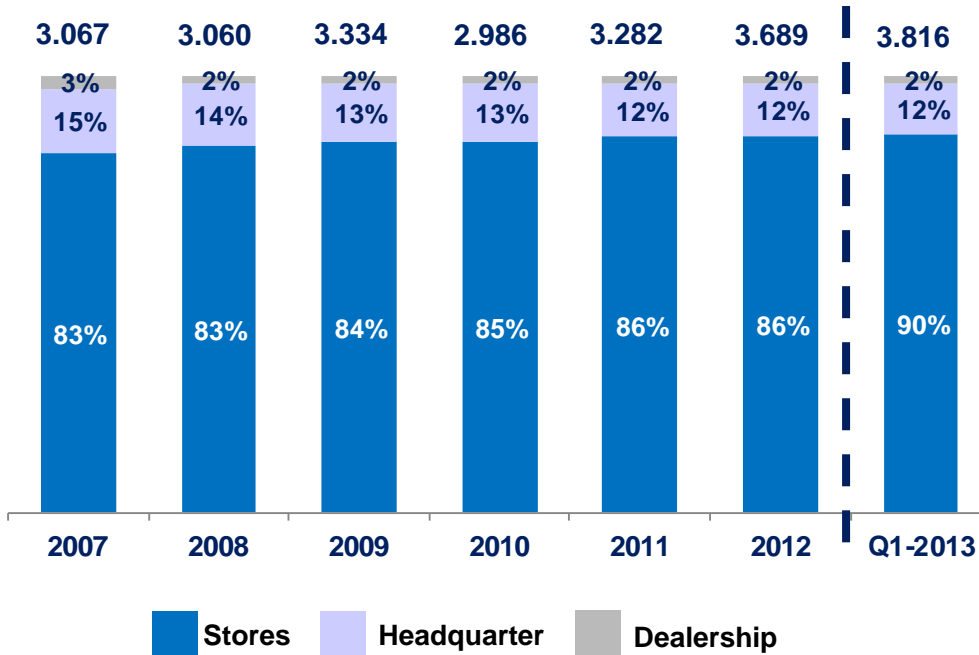
## Teknosa.com

- Teknosa.com is the critical component of Teknosa's multi channel strategy
- Sets the web to store link
- Considered as a 4<sup>th</sup> store format which enables;
  - Customers in provinces with smaller store assortment to reach the whole product range
  - To prevent stock-outs
- # of visitors/month is over 2.5 million
- Sales increased by ~180% YoY in 2012



# Human Resources

**Number of Employees Breakdown**



Teknosa employs top-class management with a solid understanding of the Turkish market and consumers.

The top management has been with the Company more than eight years on average.

Performance assessment and training are two principles that underpin Teknosa's human resources strategy.

Teknosa Akademi, the first and only training program in the technology consumer goods market, was established in 2005.



**Candidate Training Program**

- Sales
- Products
- Systems
- Communication
- Quality Management System

**Personnel Training Program**

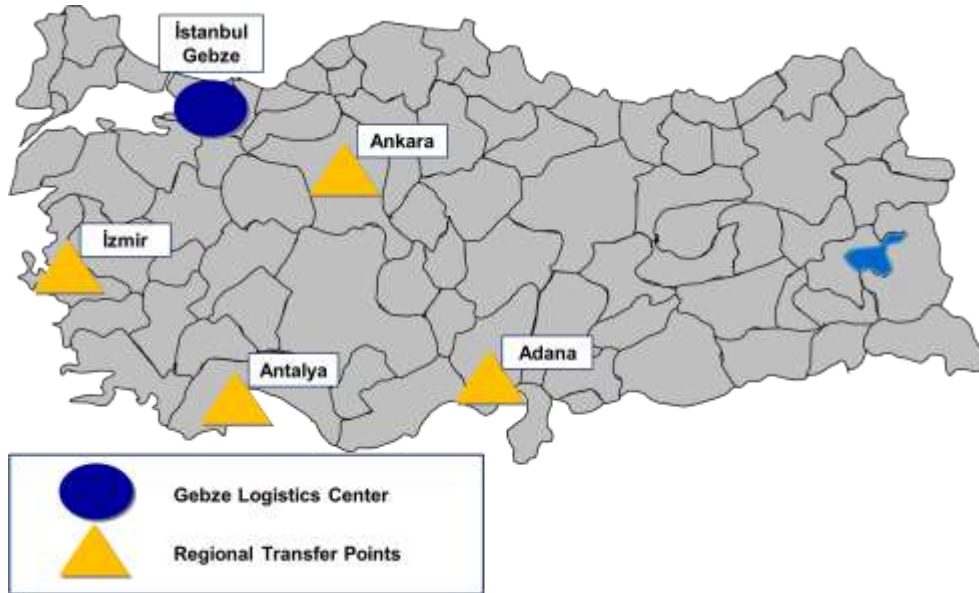
- Managerial Development
- Career Development
- Personal Development

**E-Learning**

- Education Portal
- Social Learning Tools
- Simulations



# Warehouses and Distribution



- Teknosa operates its supply chain based on central and regional warehouses.
- In 2007, Teknosa's central warehouse in Gebze has started its operations with a closed area of 30k m<sup>2</sup> on a 60k m<sup>2</sup> land to serve all regions in Turkey. The other 4 regional transfer points are used for cross-docking.
- Suppliers of Teknosa are authorised domestic distributors of international manufacturers.
- Logistics operations between cross-docking points and stores are outsourced from third parties.
- Due to the growth in the business 10k m<sup>2</sup> additional warehouse has been leased in April 2013.

Location	Closed Area (m <sup>2</sup> )	# of Provinces Served
Gebze Logistics Center	30.000	All provinces
Gebze Iklimsa Logistics Center	9.841	All provinces
<b>Cross-docking Points</b>		
Ankara	1.000	35
Adana	880	19
İzmir	770	6
Antalya	400	3
<b>Sub-total</b>	<b>42.891</b>	
In-store Warehouses	20.374	
<b>Total</b>	<b>63.265</b>	



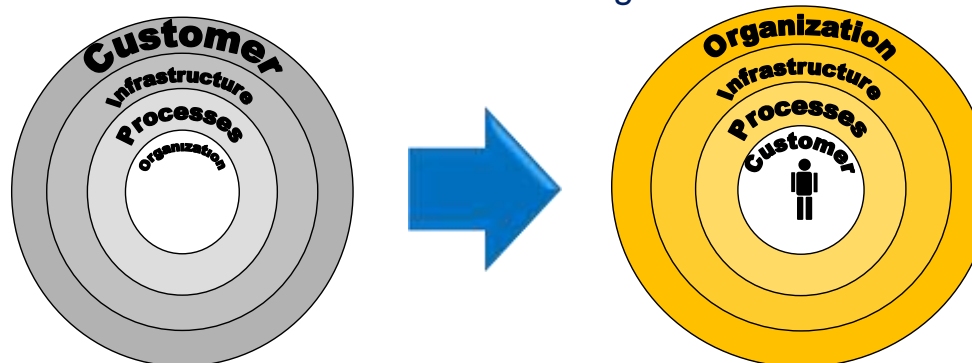
# Customer Relationship Management (CRM) & Customer Experience Management (CEM)

- 3,2 million Orange Card owners
- 53% of total sales conducted through Orange Card
- Vast customer database allows for detailed monitoring of purchasing behavior and tailored CRM applications
- Recognition by mobile phone number
- Pre-campaign notifications
- Special discounts/campaigns for Orange Card holders



Via the First Phase of the **Customer Experience Project** Teknosa will take its first steps towards a more Customer Centric structure. Through a better CEM process, Teknosa will:

- Engage existing customers as a sustainable engine for growth,
- Increase **operational and marketing efficiency**,
- Reduce at-risk revenue,
- Reduce the costs of new customer acquisition,
- **Engage employees**. Reduce staff turnover and cost of hiring



# Aftersales Services



TeknoAssist (Customer Assistance Program), is the technology consultancy service offered by TeknoSA to its customers.

This service includes full 24/7 customer support by the call center. Free installation and free delivery are also included.

## TeknoGaranti

TeknoGaranti proposes both extended and expanded warranty services on top of that provided by the manufacturer.

- 24/7 support & maintenance
- On site service
- Immediate replacement
- 100% refund for returns in 30 days
- Extension of warranty up to 5 years
- Expansion of the warranty coverage



On Site Service (Yerinde Hizmet) covers all customer services ranging from on-site installation / setup.

- TeknoSA received ISO 9001 (quality management system for operational excellence) with the broadest scope in the market, ISO 27001 (information security management), ISO 10002 (customer satisfaction) certificates.



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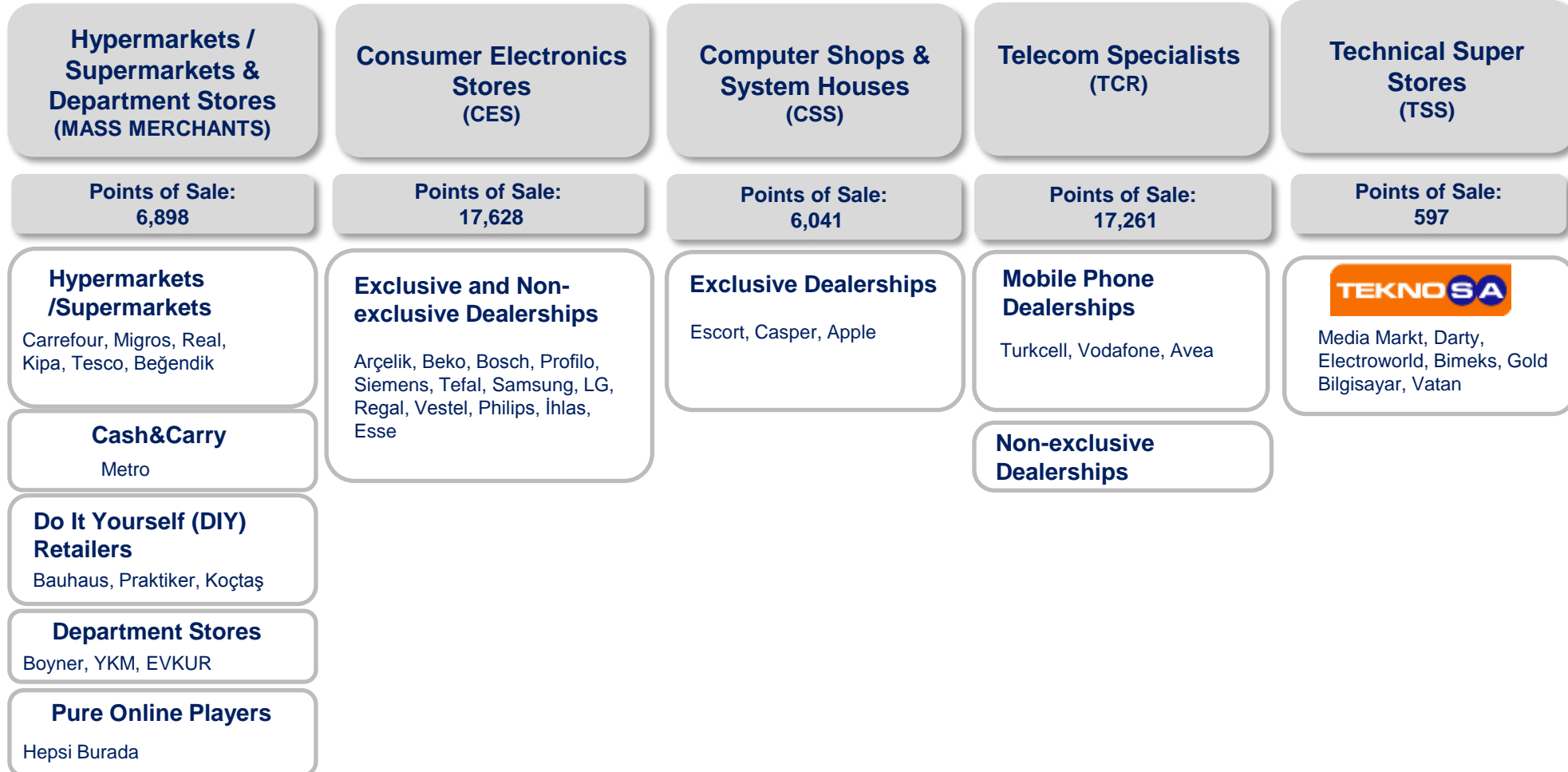
**Year-end Guidance**



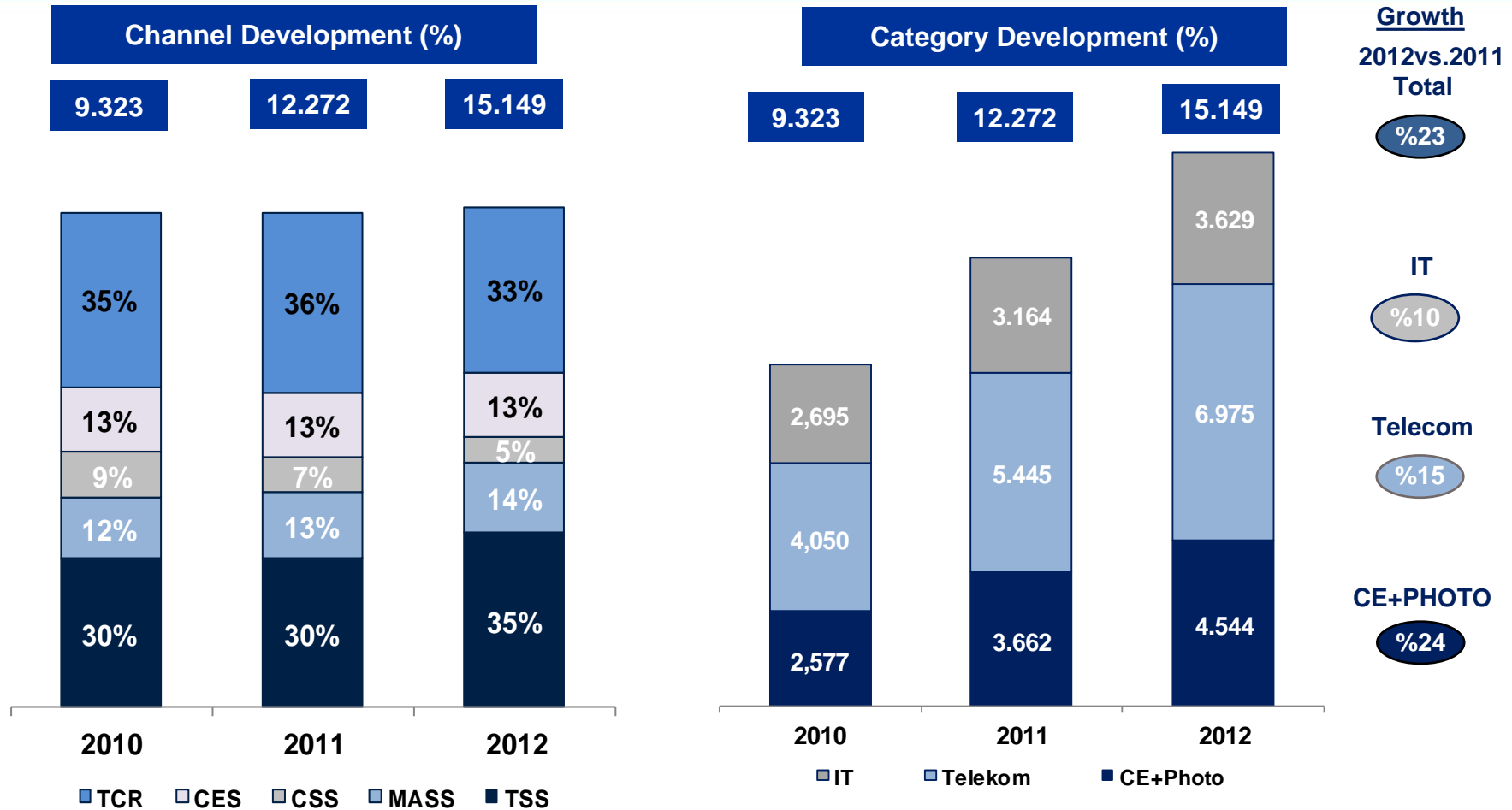


# Electronics Retail Market in Turkey

## Sales Channels of Technical Consumer Goods Market (48.425 Total Points of Sale)



# Electronics Retail Market Channel & Category Development

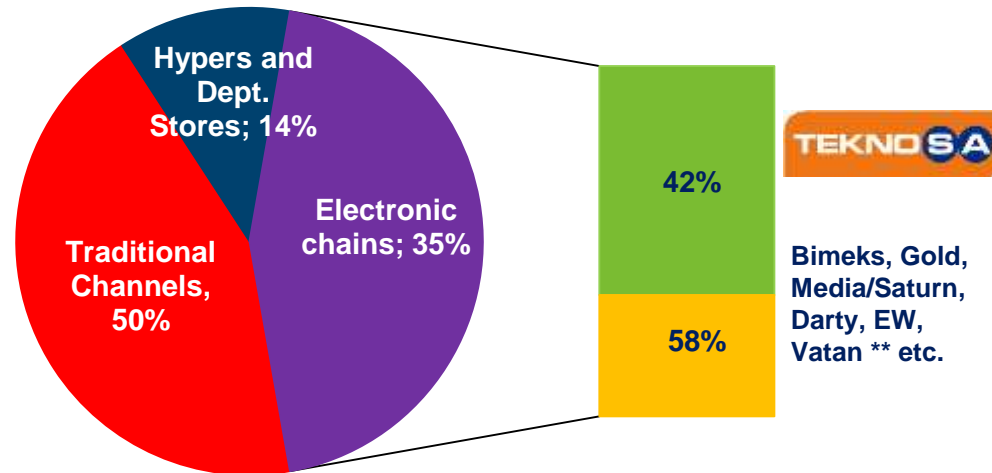


- 2012 electronics retail market size: TL15,1billion with +23% YoY growth
- In the same period, TeknoSA retail sales growth: +38% YoY
- Technology super stores channel ('TSS') share increased by 5.0pp YoY in 2012.
- Telecom Retailers' ('TCR') share dropped by 3.0pp YoY in 2012

# Electronics Retail Market and Teknosa

- 2012 January-December **electronics retail market** \* TL 15,1 Billion (+23%YoY)
- 2012 January-December **Teknosa retail sales growth +38% YoY**
- **Technology Super Stores ('TSS')** channel accounts for **35%** of the total market
- Teknosa has **14.6%** market share in the **electronics retail market** and **42%** channel share in **TSS**.

## Electronics retail market 2012 – channel shares



Source: GfK Electronics Panel Report December 2012

\* GfK IT, Telecom, CE + Photo categories

\*\* Vatan is included in GfK research results starting from June 2012.

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# 2013 Q1 Main messages

## BIST 100

- "TKNSA" is included in BIST 100 Index on Apr 1, 2013

## Strong revenue growth

- YoY Net Sales growth is 44%, higher than the market.

## Fierce competition

- Pressure on margins

## Profit Growth

- YoY Net income growth is 35% (excluding one-off in Q1 2012)

## Strong e-commerce performance

- Share of e-commerce revenues reached 4,1% in Q1 2013 (2,2% in FY12, 0,6% in FY11)

## New concept implementation in stores

- "White concept" pilot store in Metrocity shopping mall

## Additional warehouse in Gebze

- Leased 10k sqm additional warehouse in Gebze as a result of the rapidly growing operations

## 1st year celebration of Kliksa.com

- First anniversary celebration announced with TV commercials



# Financial Highlights

## Teknosa Summary Financials - Income Statement

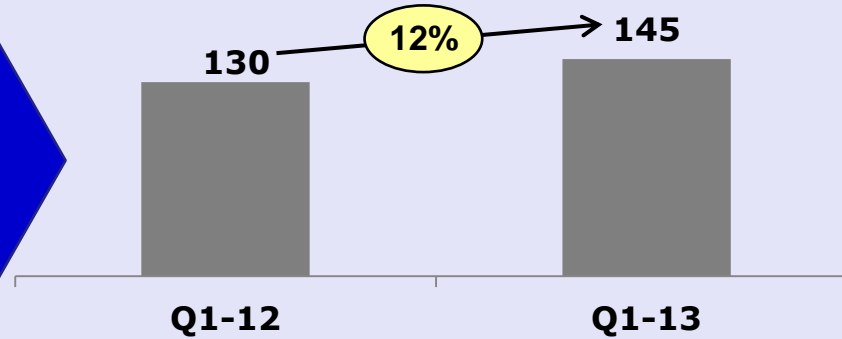
( M TL )	Q1-2012	Q4-2012	Q1-2013	YoY (%)	QoQ (%)
<b>Net Sales</b>	457	753	659	44%	-12%
<b>Gross Profit</b>	96	133	111	17%	-16%
<b>Gross Profit Margin</b>	20,9%	17,7%	17,0%		
<b>Adjusted EBITDA *</b>	22	38	24	9%	-36%
<b>Adjusted EBITDA Margin *</b>	4,9%	5,1%	3,7%	(1.2pp)	(1.4pp)
Financial Expenses	-8	-10	-6	-23%	-38%
<b>Profit Before Tax</b>	11	22	12	5%	-47%
Tax	-2	-5	-3	25%	-46%
<b>Net Profit</b>	9	17	9	0%	-47%
<b>Adjusted Net Profit</b>	7	17	9	34%	-47%
<b>Adjusted Net Profit Margin</b>	1,5%	2,3%	1,4%	(0.1)pp	(0.9)pp

\* 3TL million one off reversal of a provision related to store closure.



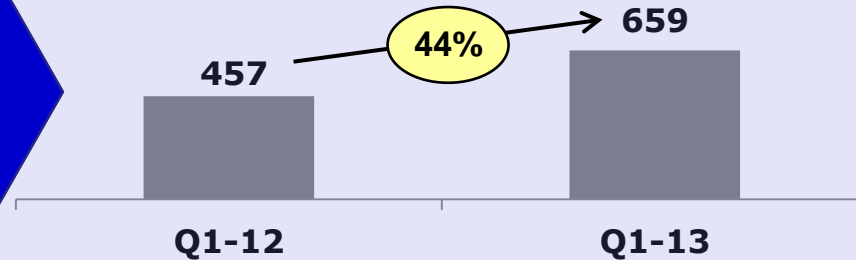
# Q1-2013 Results

## Sales Area (k m2)



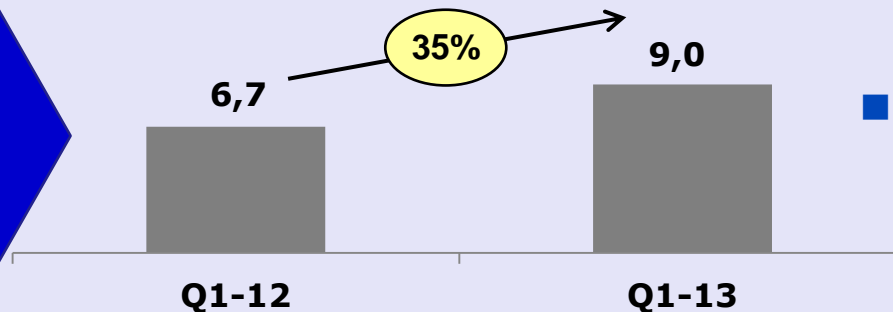
- Dynamic portfolio management
- 10 store openings, 4 store closures (relocation purposes)

## Total Revenues (M TL)



- Strong LfL trend: 22%
- Significant corporate sales

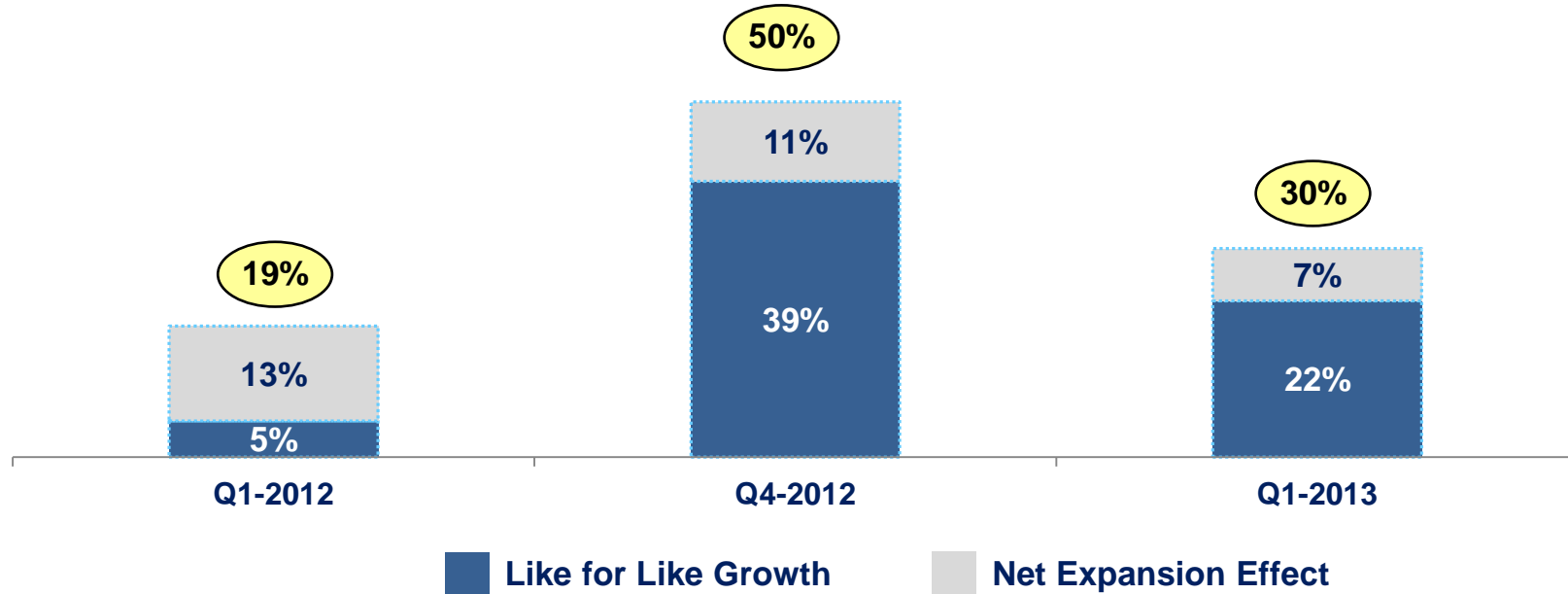
## Adjusted Net Income (M TL)



- 9TL million net income generated in Q1-13



# Retail Operations Revenue Growth Analysis



Net expansion effect = New store openings – closings

- Retail store revenues (excluding dealership, internet and corporate revenues), which account for 94% of the total revenues, posted 30% YoY growth in Q1-2013.
- Q1-2013 LfL growth is 22%
- On top of store revenues strong corporate sales generated





# Key Performance Indicators (Retail Operations)

Teknosa Key Performance Indicators (Retail Operations)								
	Q1-2012	Q4-2012	Q1-2013	YoY (%)	QoQ (%)	FY11	FY12	YoY (%)
Number of Provinces (@ period end)	72	77	77	7%	0%	72	77	7%
Net Sales Area (k m <sup>2</sup> @ period end)	130	141	145	12%	3%	128	141	10%
Number of Stores (@ period end)	271	283	289	7%	2%	269	283	5%
Number of Visitors (in'000 persons)	25.137	26.905	27.077	8%	1%	84.669	99.562	18%
Number of Customers (in'000 persons)	1.871	2.281	2.081	11%	-9%	7.270	7.979	10%
Conversion Rate	7,4%	8,5%	7,7%	0.3pp	(0.8pp)	8,6%	8,0%	(0.6pp)
Average Basket Size (TL)	237	307	276	16%	-10%	216	271	25%

- Highest penetration among Turkish Technical Super Stores with **289 stores in 77 provinces** and 145k m<sup>2</sup> net sales area as of 31 March 2013.
- Flexible business model with **multi store formats** to maximize penetration.



# Summary Financials

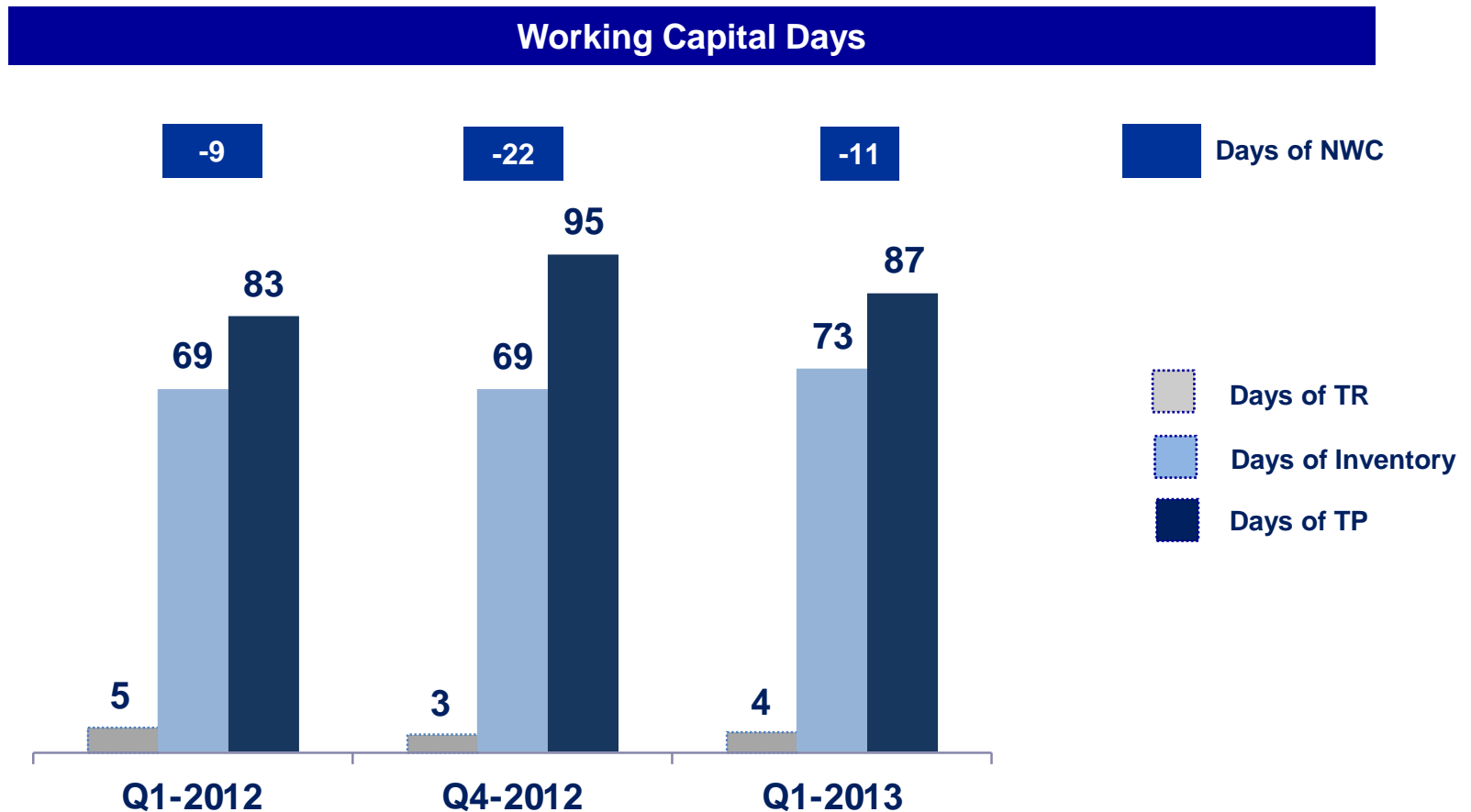
## Balance Sheet

Assets (in M TL)	Mar.12	Mar.13
<b>Current Assets</b>	<b>423</b>	<b>669</b>
Cash and Cash Equivalents	80	167
Due From Related Parties	6	0
Trade Receivables	31	36
Other Receivables	1	0
Inventories	273	422
Other Current Assets	32	44
<b>Non-current Assets</b>	<b>106</b>	<b>131</b>
Investment Property	11	11
Property,Plant and Equipment	82	98
Intangible Assets	6	10
Deferred Income Tax Assets	2	3
Other Non-current Assets	4	10
<b>Total Assets</b>	<b>529</b>	<b>800</b>
<b>Liabilities</b>	<b>Mar.12</b>	<b>Mar.13</b>
<b>Current Liabilities</b>	<b>373</b>	<b>593</b>
Financial Liabilities	0	0
Due to Related Parties	4	2
Trade Payables	336	517
Other Payables	11	32
Other Current Liabilities	22	43
<b>Non-current Liabilities</b>	<b>1</b>	<b>2</b>
<b>Total Equity</b>	<b>155</b>	<b>205</b>
<b>Total Liabilities</b>	<b>529</b>	<b>800</b>



# Working Capital

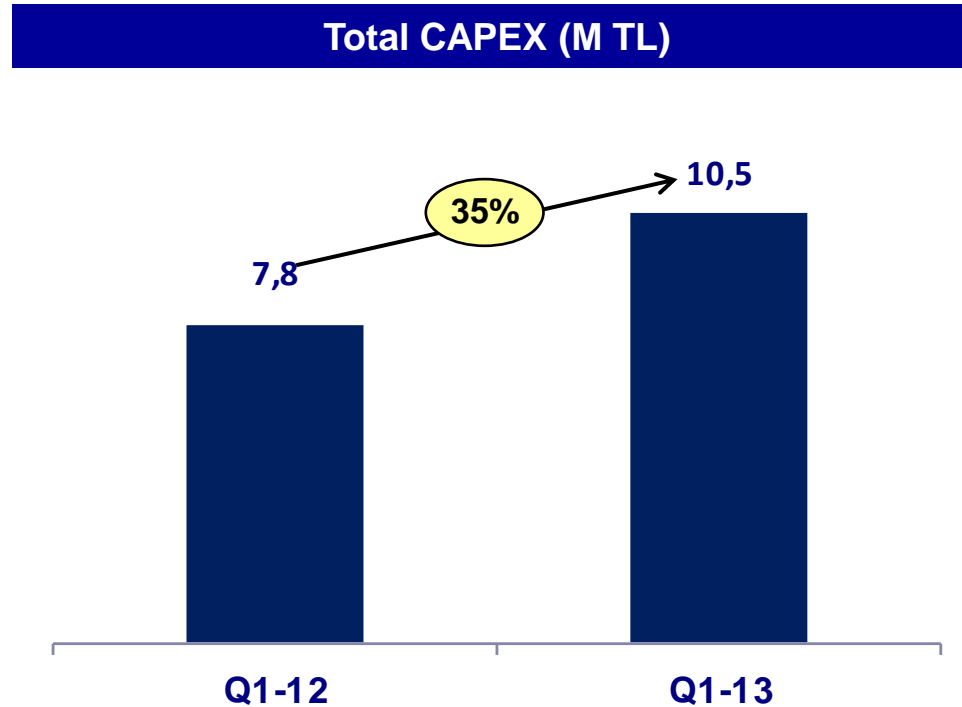
*Negative working capital allows Teknosa to generate positive cash flow in tandem with growth*



- Net working capital improved by 2 days YoY to 11 in Q1 2013.
- Days in payables improved by 4 days YoY in Q1 2013.



# Capital Expenditures



- New store openings and store renovations account for a major part of the Company's capital expenditures.
- Capital expenditures are financed with cash generated from operations.



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# 2013 - Macroeconomic assumptions

Macro-Economic Indicators	2011	2012	2013F
Real GDP Growth	8,8%	2,2%	3,5%
Private Consumption	7,7%	-0,7%	3,0%
Inflation (CPI change e.o.p)	10,4%	6,2%	6,3%
US\$/TL (Average)	1,67	1,80	1,82
EUR/TL (Average)	2,33	2,32	2,37
TR-3 Mons. Dep. Rate, Ann. Comp.	11,1%	8,2%	7,2%

**GDP growth higher than in 2012**

**Re-balancing of inflation & TL**

**Flat FX rates**



# A challenging year ahead for the retail sector - 2013

## **Sector growth exceeding GDP growth;**

- Market Growth: ~14%
- Technical Superstores (“TSS”) Channel Growth: 15% - 20%

## **Consolidation;**

- Consolidation is inevitable in the Turkish TSS Channel, as it will become harder to survive for companies lack of scale in price driven demand market.
- The strong demand environment and expected pricing discipline after a likely consolidation in the sector is expected to limit any margin erosion.

## **Broadening E-commerce Business;**

- In line with global trends, e-commerce is expected to increase its share gradually in the total electronic retailing market in Turkey.
- Internet penetration at the level of ~ 45% points out the growth potential.



# Teknosa's sustainable business model will continue to pay off

## Growth over the market

### 15-20% Sales Growth in Retail Operations as a result of;

- Organic growth up to +30k m<sup>2</sup> net sales area
- 7-11% LfL growth
- Expected increase in CE sales which has higher margin than other product groups

## Boost in e-commerce operations

### Kliksa.com & Teknosa.com;

- Teknosa is dedicated to improve such sales channel through Teknosa.com & Kliksa.com
- 300% sales growth is targeted in 2013 (2012: 50TL million, 2013B: 200TL million)
- Boosting the share of e-commerce in total to ~7%

## Customer Centric Approach

### CRM and CEM (Customer Experience Management) projects;

- Increasing number of Orange Card members
- Operational and marketing efficiency via CEM
- Special discounts and campaigns to Orange Card members





# Teknosa's sustainable business model will continue to pay off

## Maintaining high EBITDA & Net Profit margins



### Net profit growth with;

- Maintaining margins while generating top-line growth

## Inorganic Growth



### Consolidation & Online Investment Opportunities

- Due to the strong balance sheet position with no debt and the fragmented nature of the sector; Teknosa is the one to act as a market consolidator.
- Seeking e-commerce m&a opportunities as well

## Dividend



### Dividend Payment;

- Prior year losses on B/S will be netted off during 2013
- 2014 is expected to be the dividend payment year out of 2013 net profits

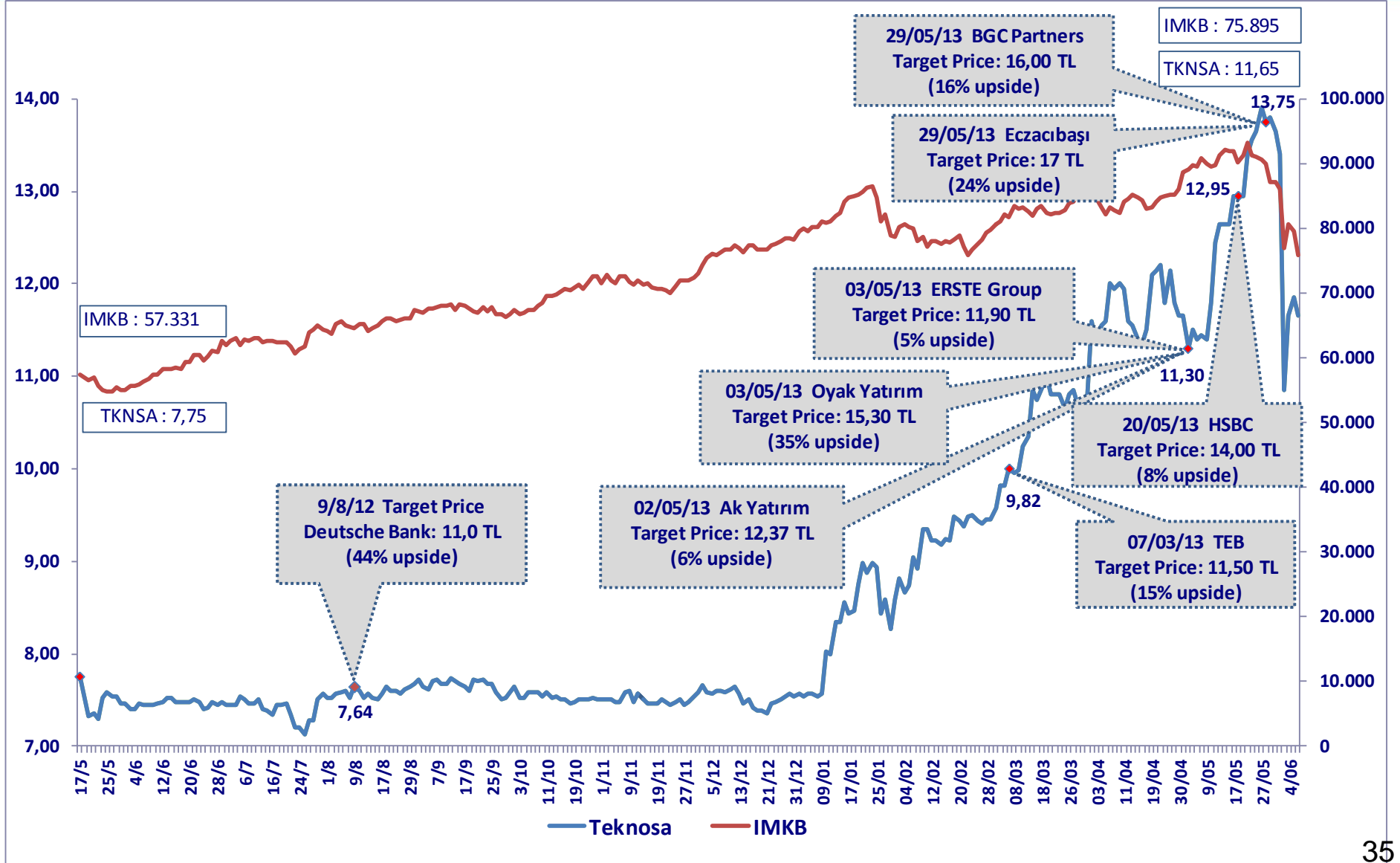


# Enterprise Fiscal 2013 Full Year Financial Guidance

( M TL )	2012 ACTUAL	2013 FORECAST
Year End Net Sales Area (km2)	141	165-170
Net Sales	2.330	2.700-2.800
Growth (%)	40%	15%-20%
<i>LFL Growth (%)</i>	26%	7%-11%
EBITDA (%)	5,3%	over 5,0%
Net Income	50	57-60
EPS	0,46	0,52-0,55
Capital Expenditures	42	40-45



# Stock Performance



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# THANK YOU

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