

Investor
Presentation

Teknosa İç ve Dış Ticaret A.Ş.

4Q16 Results

«Turkey's Leading Electronics Retailer»

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Agenda

Results at a Glance

Financial Overview

Year-end Guidance

Main messages

Reaping the fruits of the restructuring...

Highest quarterly EBITDA margin of the recent years...

Strongest net income figure since 4Q13...

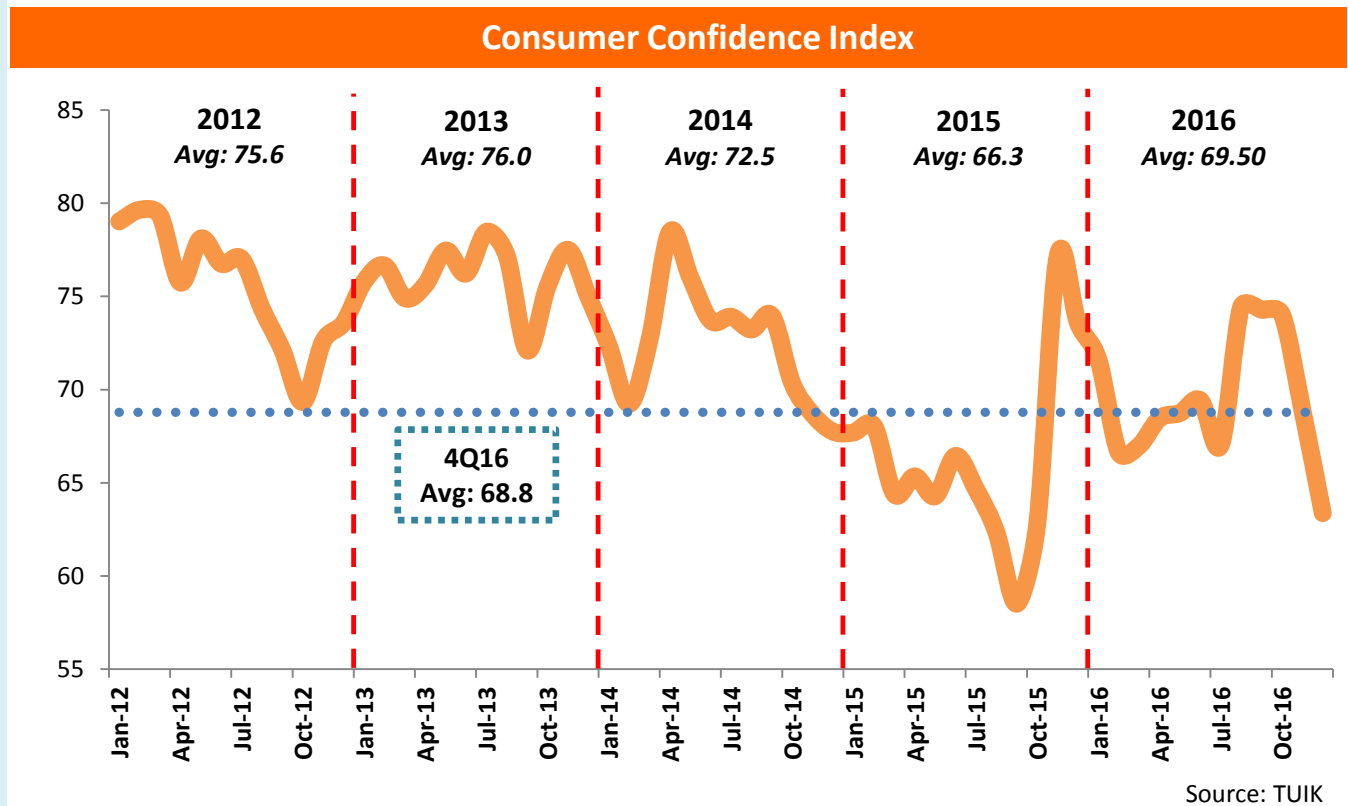
4Q16 one-offs make a positive TL 5mn (after tax) contribution to net income...

Still the strongest balance sheet in the sector...

- On the back of a leaner & more efficient store network and a clean inventory purged from old aged stocks, profit margins took off in 4Q16
- A more favorable product mix leading to a stronger quarterly gross margin & strict cost control, helping the adjusted OPEX/Sales ratio to improve by 1pp YoY to 14.5% in 4Q16, paved the way to an EBITDA margin of 5.2%
- Bottom-line back in the black after four consecutive quarters at TL 10.2mn in 4Q16, standing out as the highest level attained since 4Q13
- TL 13.5mn provision set for the fine from the Competition board was offset by the reversal of some provisions set in 3Q16 for reorganization purposes, making a TL 5mn after-tax contribution to bottom-line in 4Q16
- Thanks to the strong cash cycle of (-)31 days in 4Q16, Teknosa reverted back to a net cash position of TL 156mn in the underlying period

CCI kept a downward trend in 4Q16...

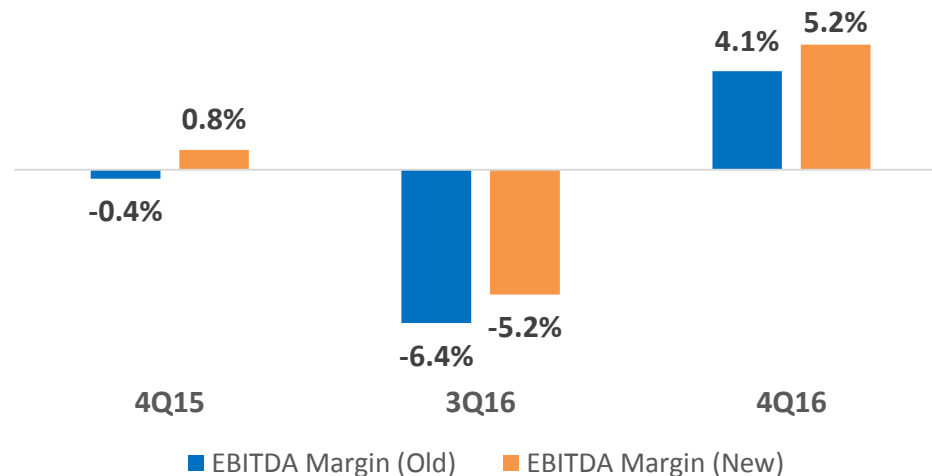
- The consumer confidence index has maintained a downward trend in 4Q16 to an average of 68.8, declining by 3.1 points on a quarterly basis. Despite the improvement in January, global and local political developments may bridle consumer confidence in 1H17.



Accounting of credit card discounts changes in 4Q16...

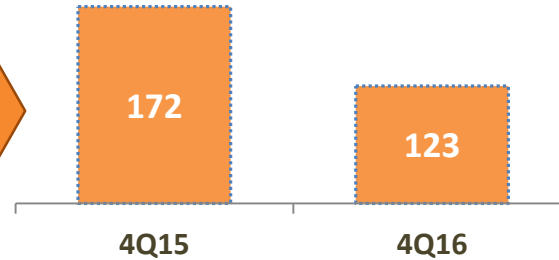
- Starting from 4Q16, credit card discounts (the cost of collecting credit card payments of the customers from the bank early) will be accounted under financial expenses. Previously, it was netted of under revenues
- Stemming from this change, the EBITDA margin will be ~1pp higher than it was in the previous picture, while the financial expenses will also be higher, and hence the bottom-line figure will be unaffected
- Below is the comparison of the EBITDA margin under the new and the old accounting of the credit card discount

The effect of new accounting on EBITDA Margin



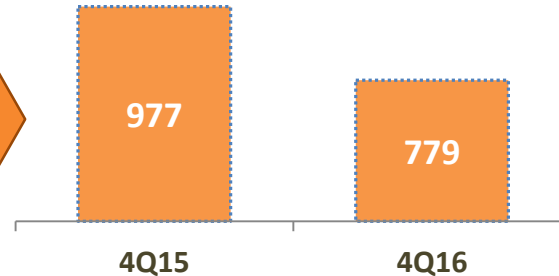
4Q16 Results

Net Sales Area
(‘000 m²)



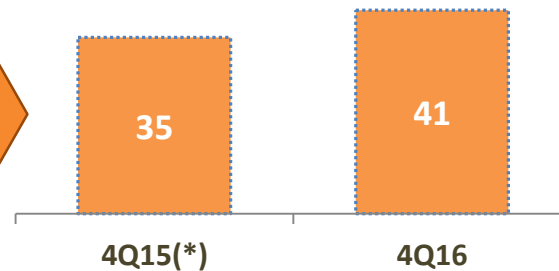
- Cleansing of loss making stores from the network resulted in 49K sqm YoY reduction in the net sales area

Net Sales
(TL mn)



- Thanks to 8% LfL growth, 29% contraction in net sales area did not fully reflect to the top-line

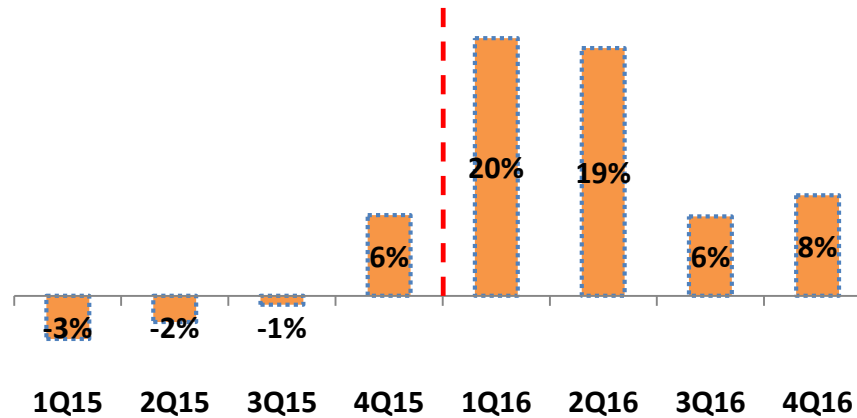
EBITDA
(TL mn)



- Thanks to a cleaner inventory devoid of old age stocks and strict cost control, adjusted EBITDA margin improved by 1.6pps YoY

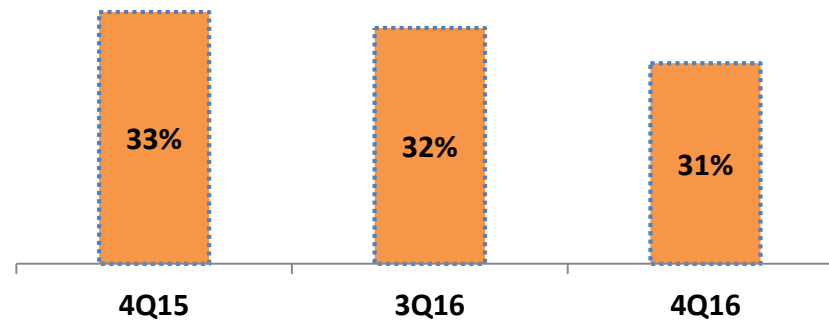
Like-for-Like Sales Growth Trend

Quarterly Like-for-Like Trend



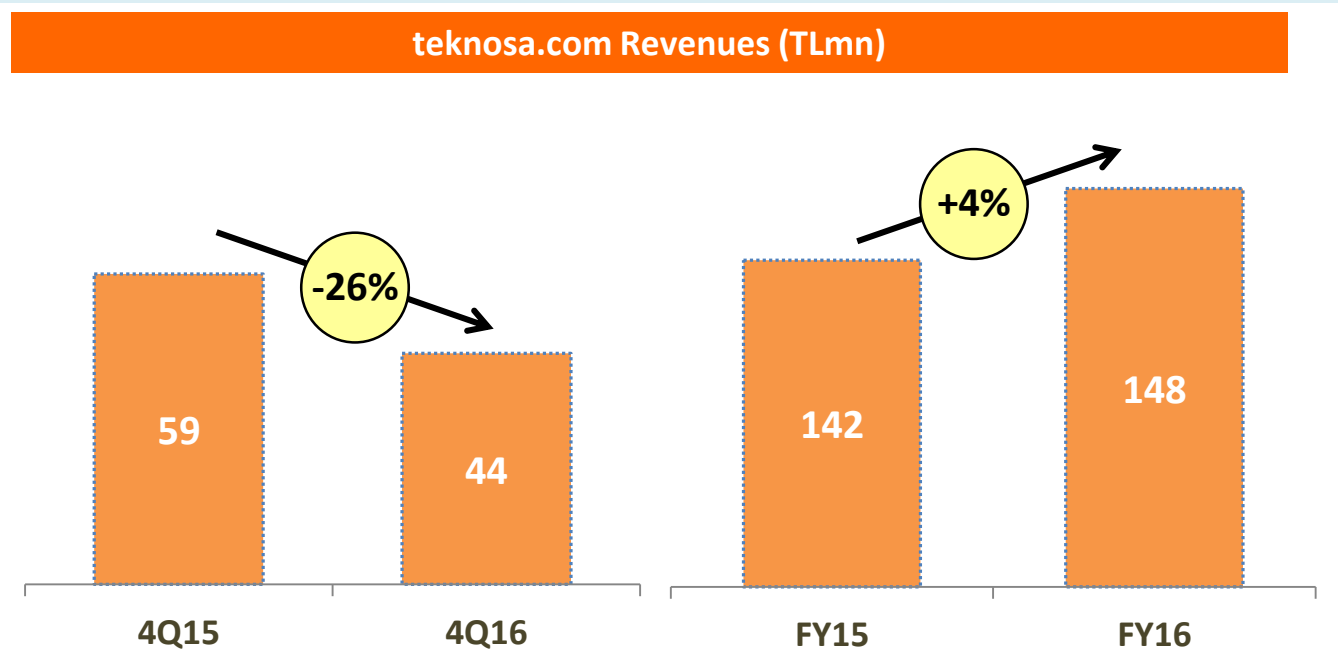
Despite the restructuring efforts, LfL remained in the positive territory in 2H16. FY16 LfL stands at 13%, comparing favorably against 0.4% in FY15

TSS Market Share (exc. Kliksa)



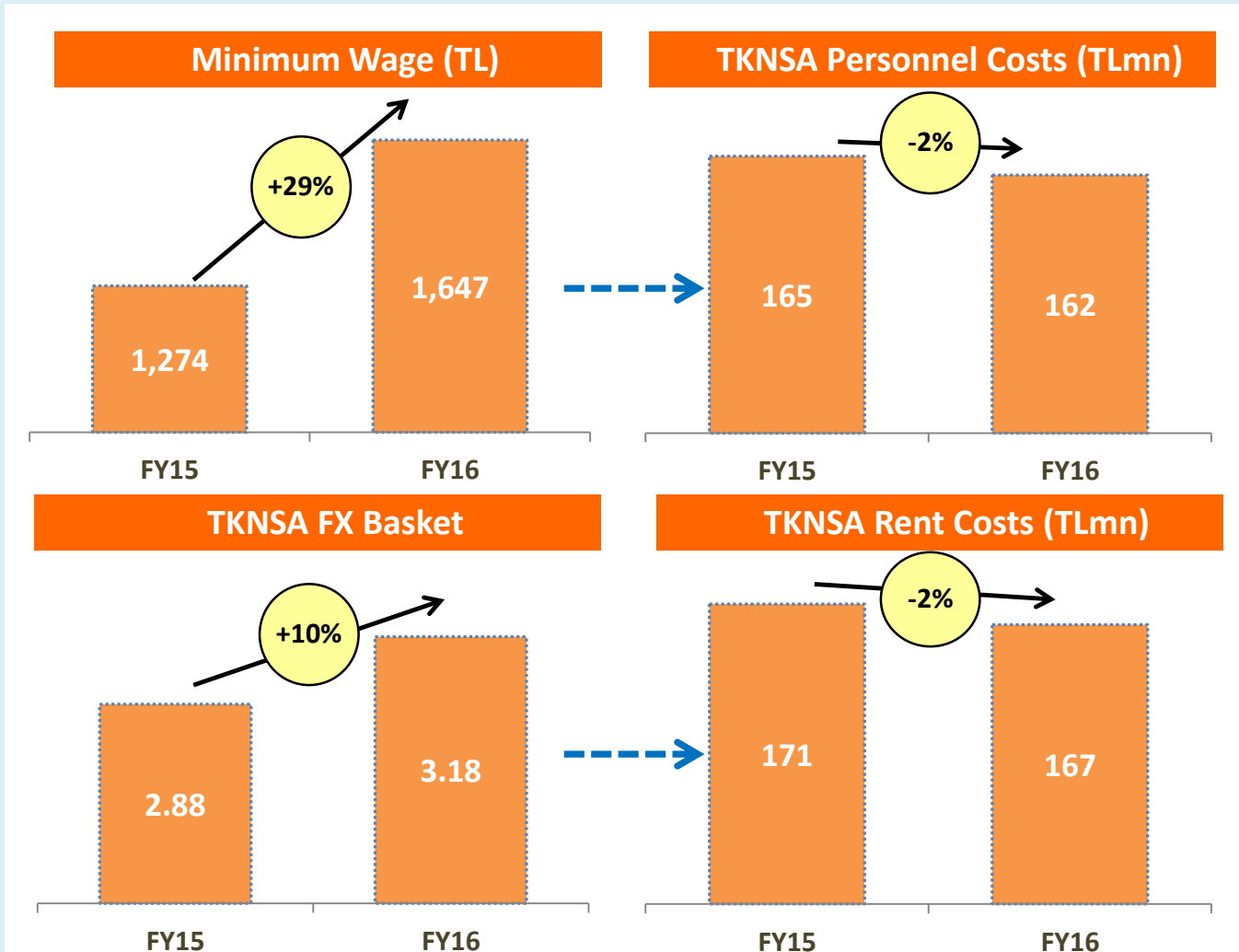
Lower net sales area resulting from the restructuring efforts took a toll from market share in 4Q16.

Focus on profitability decelerates the growth of e-commerce revenues in 2H16...



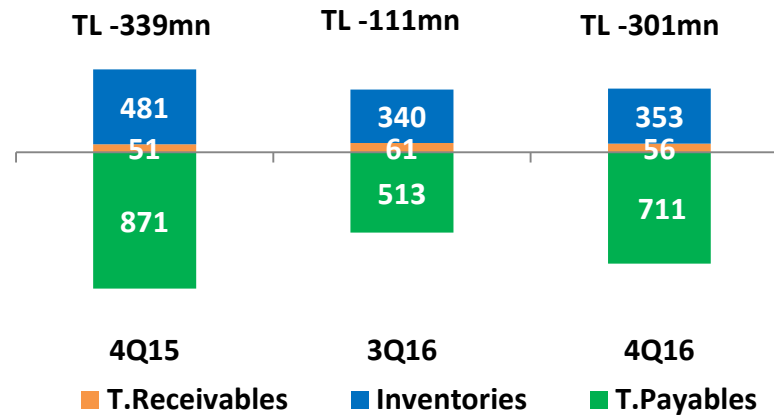
- Lower promotions in e-commerce sales parallel to our focus in improving profitability made a negative impact on revenue growth & traffic
- Further investments in order to improve omni-channel model for teknosa.com will also differentiate it further from pure-players paving the way for a profitable growth model
- «Click & Collect» is fully integrated into teknosa.com (reached over 25% of sales)
- Mobile applications are used by ~1.7mn users

Main OPEX
Items are
Under Strict
Control



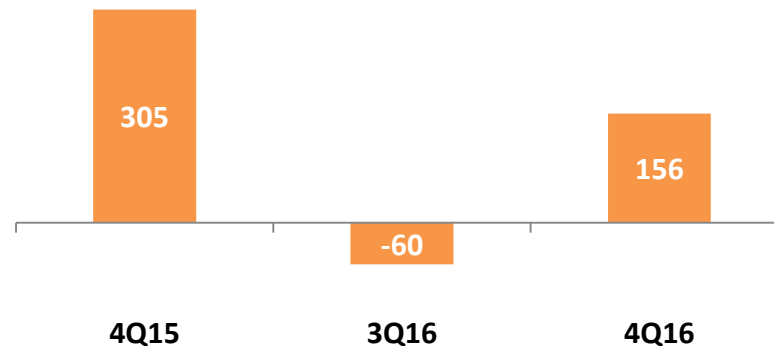
Working Capital and Cash Position

Working Capital Requirement (TL mn)



As a result of the decrease in inventories, trade payables also decreased in 4Q16, leading to a flat WCR on a yearly basis

Net Cash (TL mn)



Thanks to the improvement WCR, TL 60mn net debt position in 3Q16, reverted back to a cash position of TL 156mn in the final quarter of the year

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Income Statement Summary

(TL mn)	4Q15	3Q16	4Q16	YoY (%)	QoQ (%)	FY15	FY16	YoY (%)
Net Sales	977	699	779	-20%	11%	3,205	3,074	-4%
Gross Profit	158	75	143	-10%	90%	589	501	-15%
Gross Profit Margin	16.2%	10.7%	18.3%	2.1pp	7.6pp	18.4%	16.3%	-2.1pp
EBITDAR	54	4	76	40%	1885%	249	206	-18%
EBITDAR Margin	5.5%	0.5%	9.8%	4.2pp	9.2pp	7.8%	6.7%	-1.1pp
EBITDA	8	-37	41	402%	212%	78	38	-51%
EBITDA Margin	0.8%	-5.2%	5.2%	4.4pp	10.5pp	2.4%	1.2%	-1.2pp
Other Expenses	-53	-92	7	112%	107%	-74	-122	-65%
Financial Expenses	-18	-16	-18	1%	-13%	-61	-67	-9%
Profit Before Tax	-76	-153	18	124%	112%	-103	-193	-88%
Tax	3	30	-8	-369%	-127%	8	32	294%
Net Profit	-73	-123	10	114%	108%	-95	-161	-70%
Net Profit Margin	-7.5%	-17.6%	1.3%	8.8pp	18.9pp	-3.0%	-5.2%	-2.3pp

Source: Independent Auditor's report

Income Statement Summary (Adjusted)

(TL mn)	4Q15	3Q16	4Q16	YoY (%)	QoQ (%)	FY15	FY16	YoY (%)
Net Sales	977	699	779	-20%	11%	3,205	3,074	-4%
Gross Profit	158	75	143	-10%	90%	589	501	-15%
Adj. Gross Profit	174	110	143	-18%	30%	605	541	-11%
Adj. Gross Profit Margin	17.8%	15.7%	18.3%	0.5pp	2.7pp	18.9%	17.6%	-1.3pp
EBITDA	8	-37	41	402%	212%	78	38	-51%
Adj. EBITDA	35	-2	41	15%	2058%	106	78	-26%
Adj. EBITDA Margin	3.6%	-0.3%	5.2%	1.6pp	5.5pp	3.3%	2.5%	-0.8pp
Other Expenses	-53	-92	7	112%	107%	-74	-122	-65%
Adj. Other Expenses	-11	-5	-4	67%	25%	-4	-29	-683%
Financial Expenses	-18	-16	-18	1%	-13%	-61	-67	-9%
Profit Before Tax	-76	-153	18	124%	112%	-103	-193	-88%
Adj. Profit Before Tax	-6	-32	8	242%	126%	-33	-65	-101%
Tax	3	30	-8	-369%	-127%	8	32	294%
Net Profit	-73	-123	10	114%	108%	-95	-161	-70%
Adj. Net Profit	-6	-26	5	195%	121%	-27	-55	-100%
Adj. Net Profit Margin	-0.6%	-3.7%	0.7%	1.3pp	4.4pp	-0.9%	-1.8%	-0.9pp

(*) **4Q15 Adjustments:** COGS: Changes in inventory provisioning OPEX: Adjustments regarding Teknosa Mobil *Other Expenses*: re-organization costs & Kliksa fixed asset write-off / **3Q16 Adjustments:** : COGS: Inventory Clean-up Costs, *Other Expenses*: Restructuring Costs regarding store closures & personnel dismissals / **4Q16 Adjustments:** *Other Expenses*: Provision for Competition Board fine & reversal of some provisions for restructuring during 9M16

(**) Kliksa recorded TL 5.6mn net loss in 1H16, adjusted net loss of Teknosa amounts to TL 49mn for FY16

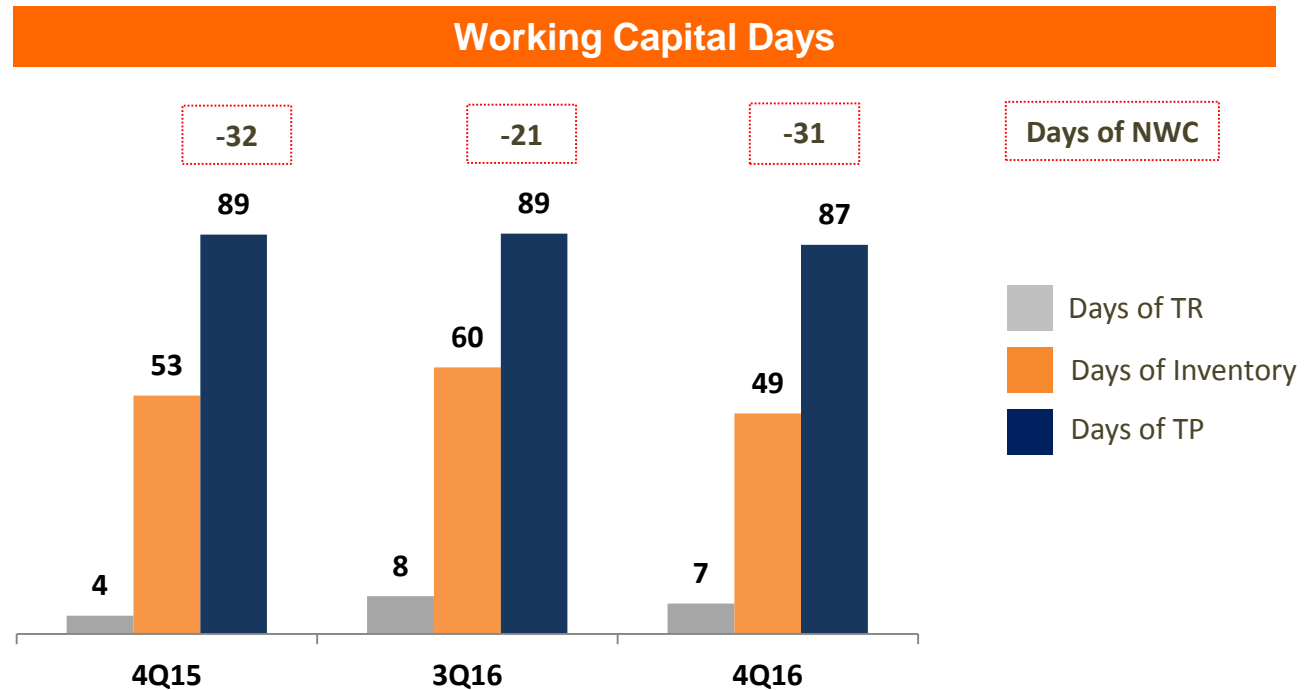
Balance Sheet Summary

Assets (in TL mn)	Dec-15	Sep-16	Dec-16
Current Assets	856	435	580
Cash and Cash Equivalents	305	9	156
Due From Related Parties	2	2	2
Trade Receivables	49	59	55
Inventories	481	340	353
Other Current Assets	19	25	14
Non-current Assets	175	201	189
Investment Property	11	10	10
Property, Plant and Equipment	99	103	99
Intangible Assets	22	22	22
Deferred Income Tax Assets	25	65	56
Other Non-current Assets	20	1	1
Total Assets	1,031	637	768

Liabilities (in TL mn)	Sep-15	Jun-16	Sep-16
Current Liabilities	950	705	826
Financial Liabilities	0	69	0
Due to Related Parties	4	2	4
Trade Payables	866	511	706
Other Current Liabilities	80	124	115
Non-current Liabilities	4	5	5
Total Equity	77	-73	-62
Total Liabilities	1,031	637	768

Source: Independent Auditor's report

Working Capital



- Negative working capital allows Teknosa to generate positive cash flow in tandem with growth
- Cash cycle remained above our (-) 15 days target in 4Q16, granting us room for maneuverability going forward

Key Performance Indicators

	4Q15	3Q16	4Q16	YoY (%)	QoQ (%)	FY15	FY16	YoY (%)
Net Sales Area ('000 sqm)	172	134	123	-29%	-8%	172	123	-29%
Number of Stores	278	209	210	-24%	0%	278	210	-24%
Number of Visitors (mn)	22	16	15	-31%	-6%	89	69	-22%
Number of Customers (mn)	1.8	1.5	1.5	-20%	-6%	6.9	6.3	-8%
Conversion Rate	8.1%	9.4%	9.4%	1.3pp	0.0pp	7.7%	9.1%	1.4pp
Average Basket Size (TL)	418	404	469	12%	16%	375	428	14%
teknoSA.com visits (mn)	38	36	29	-22%	-18%	129	137	7%
Total Visitors (mn)	60	52	45	-25%	-14%	218	207	-5%

- Teknosa has the highest penetration among Technical Super Stores with **210 stores throughout Turkey and 123K m2 net sales area** as of 4Q16
- Conversion rate exhibited 1.3pps YoY growth, while maintaining a flat QoQ figure despite reduced net sales area in selected stores
- 1.4pp improvement in annual conversion rate, prevented the decline in store visitors to fully reflect to the number of customers

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New Chairman, New Strategy

- Following the appointment of our new chairman Mr. Zafer Kurtul as of June 1st, our strategy has become more focused on profitability rather than profitability + market share

- **This new approach entails trade-off in all areas:**
 - Closing low performing stores
 - Smaller stores for lower lease costs and OPEX
 - Reducing aged inventory
 - Focus on Omnichannel (including marketplace) vs. new stores
 - Reducing product portfolio & assortment
 - Ending low RoI activities
 - Leaner and simpler processes, leading to smaller HQ

2017 Full Year Financial Guidance

- 2017 kicked off with a tense political scenery both globally and domestically, entailing uncertainties for the Economic Outlook
- Due to these uncertainties, we prefer to share our 2017 guidance on a wide range at this point. We are planning to share a more detailed guidance with our 1Q17 results
- Accordingly, we expect to see a high single digit or a low double digit LfL growth for 2017
- On the other hand, since our average net sales area of ~116 m² for 2017 will be lower than 2016, we expect our revenues to be realized at close proximity to the previous year
- As we continue to reap the fruits of our restructuring efforts in 2017, we expect to observe yearly recovery on our EBITDA margin

Thank You

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