

Investor
Presentation

Teknosa İç ve Dış Ticaret A.Ş.

4Q17 Results

«Turkey's Leading Electronics Retailer»

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Agenda

Results at a Glance

Financial Overview

Year-end Guidance

Main messages

Strongest top-line figure since 4Q15

- Despite the reduction in net sales area, 22% LfL in 4Q17 leading to 26% top line growth

Turned a profit for the fifth straight quarter

- 20 mn net profit was driven by maintaining margins while generating top-line growth.
- EBITDA margin reached 5% in 2017, leading to 3,8 pp YoY increase

A much stronger balance sheet

- 73 mn cash position as of 4Q17, and (-) 21 days of cash cycle in 4Q17, thanks to a stronger NWC position

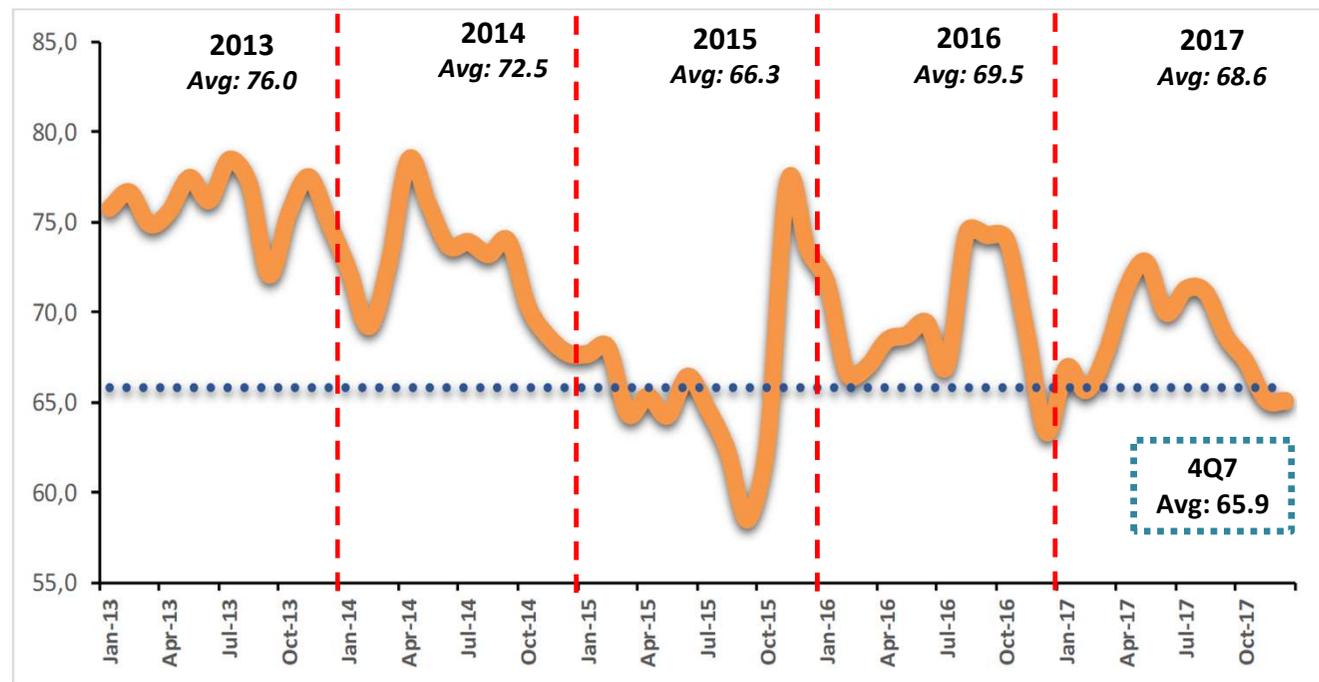
E-Commerce sales continue to grow by Omnichannel strategy

- 42% YoY increase in e-commerce revenue in 4Q17 by focusing and investing in e-commerce strategy

CCI falls marginally in 4Q17

- After CCI hit its highest level with 72,8 in May, it reached the lowest level with 65,1 in December. CCI remained shaky as a result of concerns about feeble investments, higher inflation and weak currency. Progress in structural reforms, disinflation and fiscal transparency are expected to bolster confidence in 2018.

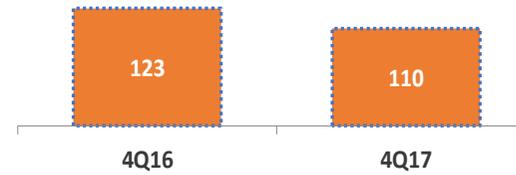
Consumer Confidence Index



Source: TUIK(Turkish Statistical Institute)

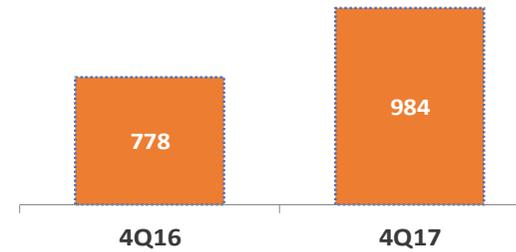
4Q17 Results

Net Sales Area
(‘000 m²)



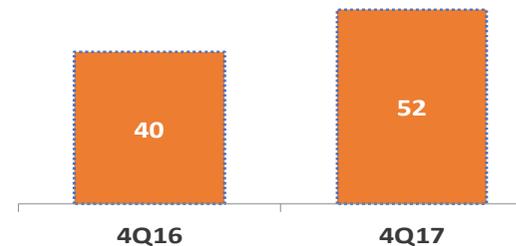
13K sqm YoY reduction in the net sales area as a result of optimization in less efficient stores.

Net Sales
(TL mn)



Sustained its great performance by 26% YoY sales growth and reached highest sales volume in 4Q17

EBITDA
(TL mn)

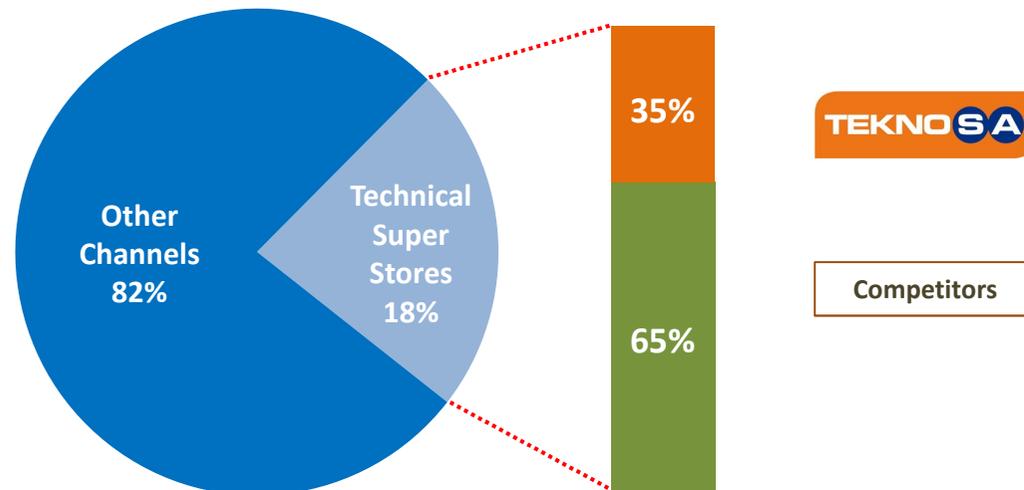


EBITDA developed even better in 4Q17 and increased to TL 52 mn

Electronics Retail Market and Teknosa

- The panelmarket grew by 16% YoY, reaching TL 54bn in 2017
- Technical Super Stores (TSS) channel recorded 7% YoY growth in the same period to TL 10bn in the 5 major categories
- YoY growth in all categories –MDA by 21%, Telecom by %19, SDA by 11%, CE by %11 and IT by %2,4
- TSS channel accounts for 18% of the total market
- Teknosa has 35,5% market share in the TSS channel in 2017

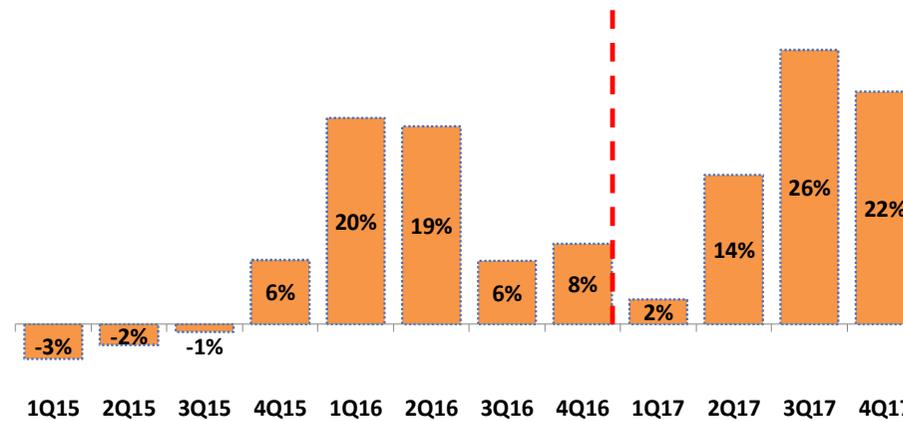
Electronics Retail Market – 2017



Source: GfK

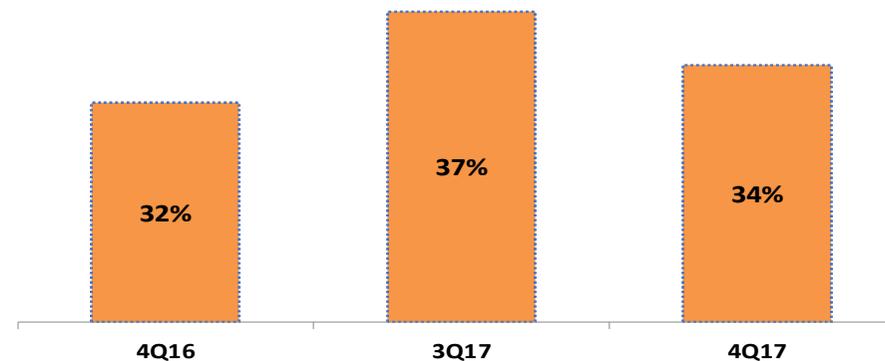
Like-for-Like Sales Growth Trend

Quarterly Like-for-Like Trend



In line with our FY17 expectations, FY17 LfL standing at 17%, comparing favorably against 13% in FY16.

TSS Market Share(exc MDA)



Despite loss in market share in 4Q17, Teknosa still continues its leadership in TSS market with 35,5% share in FY17.

Income Statement Summary

| (TL mn) | 4Q16 | 3Q17 | 4Q17 | YoY (%) | QoQ (%) | FY16 | FY17 | YoY (%) |
|----------------------------|-----------|-----------|----------|-------------|-------------|-------------|-----------|-------------|
| Net Sales | 779 | 882 | 984 | 26% | 12% | 3.074 | 3.398 | 11% |
| Gross Profit | 143 | 160 | 170 | 19% | 6% | 501 | 619 | 24% |
| <i>Gross Profit Margin</i> | 18,3% | 18,1% | 17,3% | -1,0pp | -0,9pp | 16,3% | 18,2% | 1,9pp |
| EBITDAR | 76 | 86 | 95 | 26% | 11% | 206 | 329 | 60% |
| <i>EBITDAR Margin</i> | 9,8% | 9,8% | 9,7% | -0,1pp | -0,1pp | 6,7% | 9,7% | 3,0pp |
| EBITDA | 41 | 46 | 52 | 26% | 13% | 38 | 171 | 347% |
| <i>EBITDA Margin</i> | 5,2% | 5,2% | 5,2% | 0,0pp | 0,0pp | 1,2% | 5,0% | 3,8pp |
| Other Expenses | 7 | -11 | -25 | -455% | -130% | -122 | -49 | 60% |
| Financial Expenses | -18 | -15 | -15 | 17% | 4% | -67 | -60 | 10% |
| Profit Before Tax | 18 | 11 | 2 | -90% | -83% | -193 | 24 | 113% |
| Tax | -8 | -2 | 0 | 101% | 103% | 32 | -5 | -115% |
| Net Profit | 10 | 9 | 2 | -81% | -78% | -161 | 20 | 112% |
| <i>Net Profit Margin</i> | 1,3% | 1,0% | 0,2% | -1,1pp | -0,8pp | -5,2% | 0,6% | 5,8pp |

Source: Independent Auditor's report

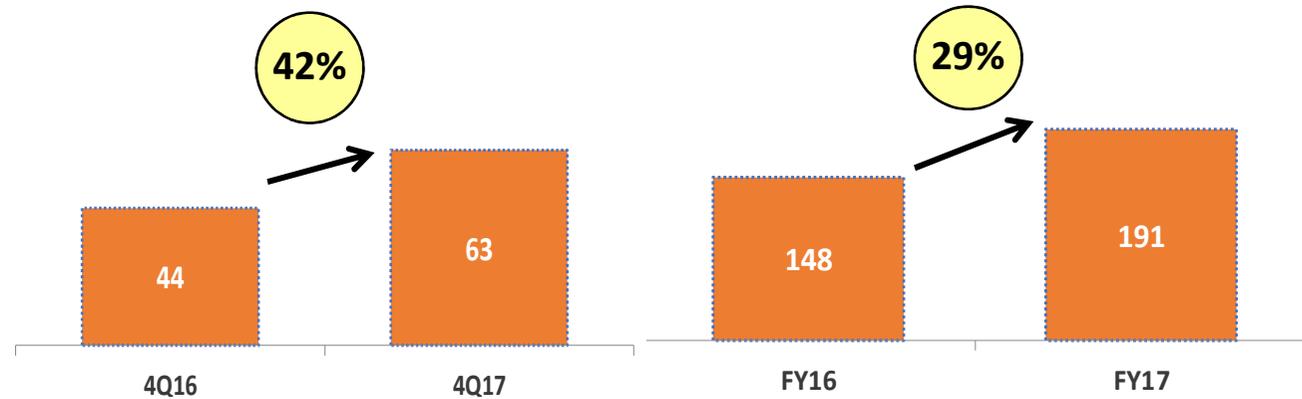
Income Statement Summary (Adjusted)

| (TL mn) | 4Q16 | 3Q17 | 4Q17 | YoY (%) | QoQ (%) |
|---------------------------------|--------------|--------------|--------------|---------------|---------------|
| Net Sales | 779 | 882 | 984 | 26% | 12% |
| Gross Profit | 143 | 160 | 170 | 19% | 6% |
| Adj. Gross Profit | 143 | 160 | 177 | 24% | 10% |
| Adj. Gross Profit Margin | 18,3% | 18,1% | 18,0% | -0,3pp | -0,2pp |
| EBITDA | 41 | 46 | 52 | 26% | 13% |
| Adj. EBITDA | 41 | 46 | 58 | 42% | 27% |
| Adj. EBITDA Margin | 5,2% | 5,2% | 5,9% | 0,8pp | 0,7pp |
| Other Expenses | 7 | -11 | -25 | -455% | -130% |
| Adj. Other Expenses | -4 | -11 | -20 | -392% | -83% |
| Financial Expenses | -18 | -15 | -15 | 17% | 4% |
| Profit Before Tax | 18 | 11 | 2 | -90% | -83% |
| Adj. Profit Before Tax | 8 | 11 | 14 | 71% | 24% |
| Tax | -8 | -2 | 0 | 101% | 103% |
| Net Profit | 10 | 9 | 2 | -81% | -78% |
| Adj. Net Profit | 5 | 9 | 11 | 123% | 26% |
| Adj. Net Profit Margin | 0,7% | 1,0% | 1,1% | 0,4pp | 0,1pp |

(***4Q16 Adjustments:** *Other Expenses:* Provision for Competition Board fine & reversal of some provisions for restructuring during 9M16 **4Q17 Adjustments :** Provisions for slow-moving stocks and store optimization.

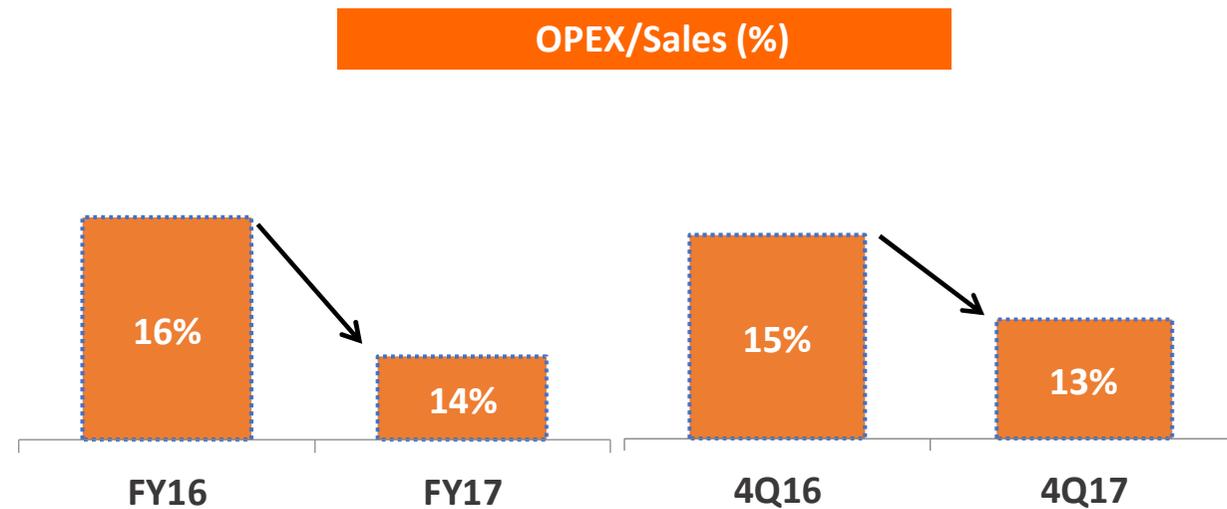
Focus on omnichannel strategy boosted e-commerce revenue in 4Q17

teknosa.com Revenues (TLmn)



- Online sales increased significantly in 4Q17, thanks to marketing campaigns for Black Friday and 11.11 Single Day
- 1,5 mn people use Teknosa mobile app and mobile platforms accounted for 65% of e-commerce traffic in 2017.
- Improved mobile user experience positively affected FY17 e-commerce revenue and share of e-commerce in total reached to %6.
- Teknosa is planning to invest more in omnichannel strategy.

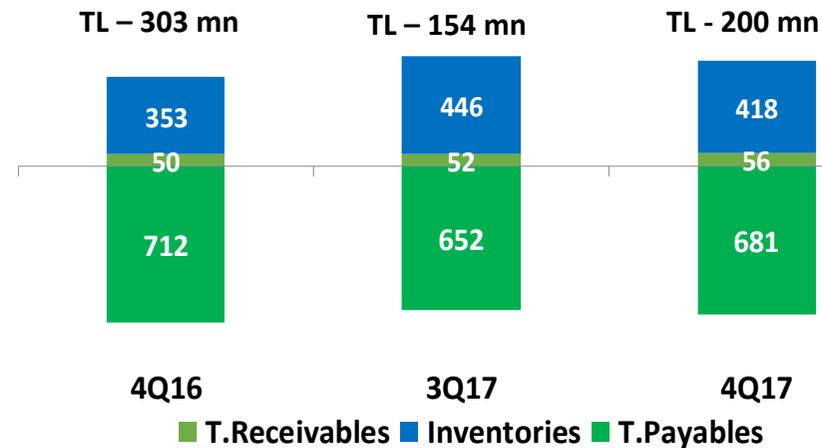
Continuing
improvement
in OPEX/Sales
ratio



- Sales increasing stronger than OPEX improved Opex/Sales ratio
- Structural efficiency of lower OPEX/Sales ratio allowing higher EBITDA in 2017

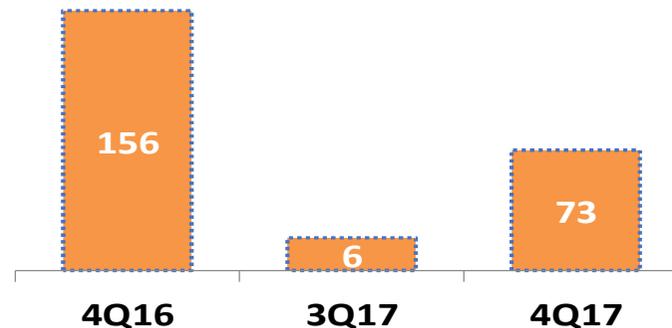
Working Capital and Cash Position

Working Capital Requirement (TL mn)



By focusing on effective working capital management, WCR is down by TL 46 mn to TL-200 mn in 4Q17 vs 3Q17

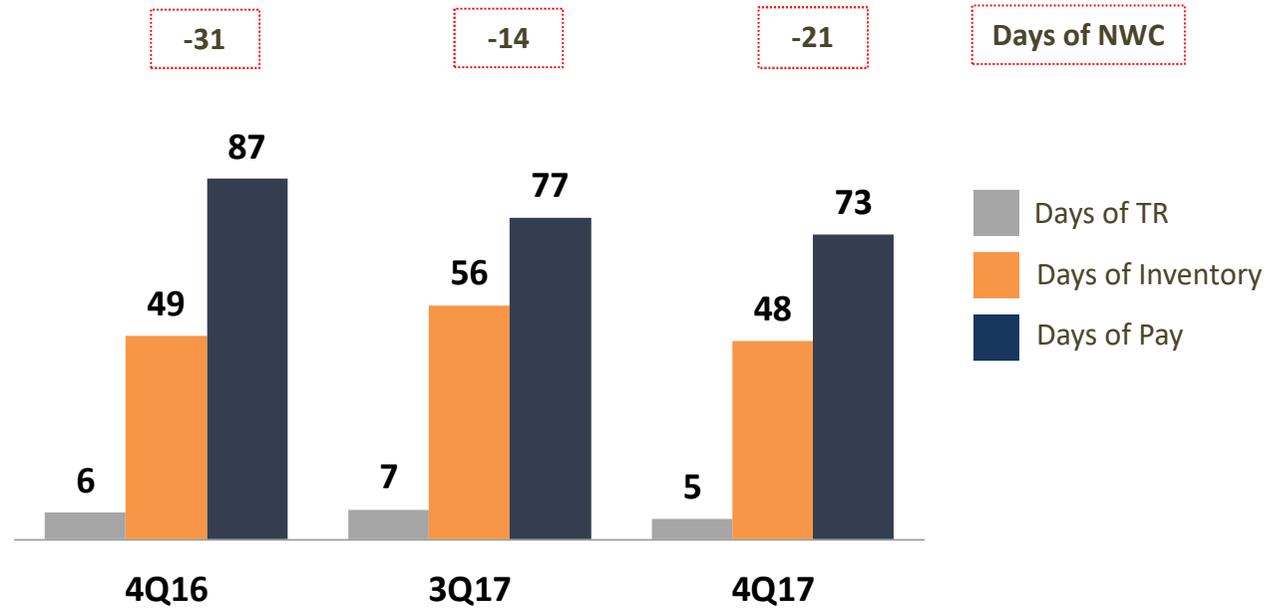
Net Cash (TL mn)



Thanks to strict control of WCR and operational profits, strong balance sheet with a cash position of TL 73 mn in 4Q17

Working Capital

Working Capital Days



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

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Balance Sheet Summary

| Assets (in TL mn) | Dec-16 | Sep-17 | Dec-17 |
|--------------------------------|------------|------------|------------|
| Current Assets | 574 | 541 | 555 |
| Cash and Cash Equivalents | 156 | 30 | 73 |
| Due From Related Parties | 2 | 1 | 3 |
| Trade Receivables | 49 | 50 | 54 |
| Inventories | 353 | 446 | 418 |
| Other Current Assets | 14 | 13 | 7 |
| Non-current Assets | 189 | 175 | 172 |
| Investment Property | 10 | 10 | 10 |
| Property, Plant and Equipment | 99 | 91 | 85 |
| Intangible Assets | 22 | 21 | 24 |
| Deferred Income Tax Assets | 56 | 51 | 52 |
| Other Non-current Assets | 1 | 1 | 1 |
| Total Assets | 762 | 716 | 727 |
| | | | |
| Liabilities (in TL mn) | Dec-16 | Sep-17 | Dec-17 |
| Current Liabilities | 820 | 754 | 764 |
| Financial Liabilities | 0 | 25 | 0 |
| Due to Related Parties | 4 | 0 | 3 |
| Trade Payables | 708 | 651 | 672 |
| Other Current Liabilities | 107 | 78 | 89 |
| Non-current Liabilities | 5 | 6 | 7 |
| Total Equity | -62 | -44 | -43 |
| Total Liabilities | 762 | 716 | 727 |

Source: Independent Auditor's report

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2018 Full Year Financial Guidance

- Due to uncertainties in global and domestic markets, we prefer to share our 2018 guidance on a wide range
- Accordingly, we expect to see a high single digit or low double digit LfL growth for 2018
- We expect our revenue to be above the 2017 figures
- We expect to observe 3%-4% EBITDA margin
- Based on customer focused Omnichannel strategy, we are planning to invest around TL 60 million.

Thank You

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