

Investor
Presentation

Teknosa İç ve Dış Ticaret A.Ş.

2Q16 Results

«Turkey's Leading Electronics Retailer»

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Erman Tütüncüoğlu, Head of IR

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Agenda

Results at a Glance

Financial Overview

Year-end Guidance

Main messages

Double digit LfL maintained in 2Q16...

- 19% LfL in 2Q16 leading to 11% top-line growth, despite the down-sizing of Kliksa

Market share gains continued...

- TSS market share (exc. Kliksa) improved by 5pps YoY & 1pp QoQ to 35% in 2Q16

Robust balance sheet position maintained...

- TL 82mn net cash position & (-) 22 days of cash cycle in 2Q16

Margins remained under pressure due to the product mix and inventory clean-up...

- Switch to 4.5G increased demand for less lucrative smart phones, making a negative impact on the product mix
- Lower margins due to inventory clean-up in closed stores also negatively impacted margins

Significantly lower negative contribution from Kliksa in 2Q16...

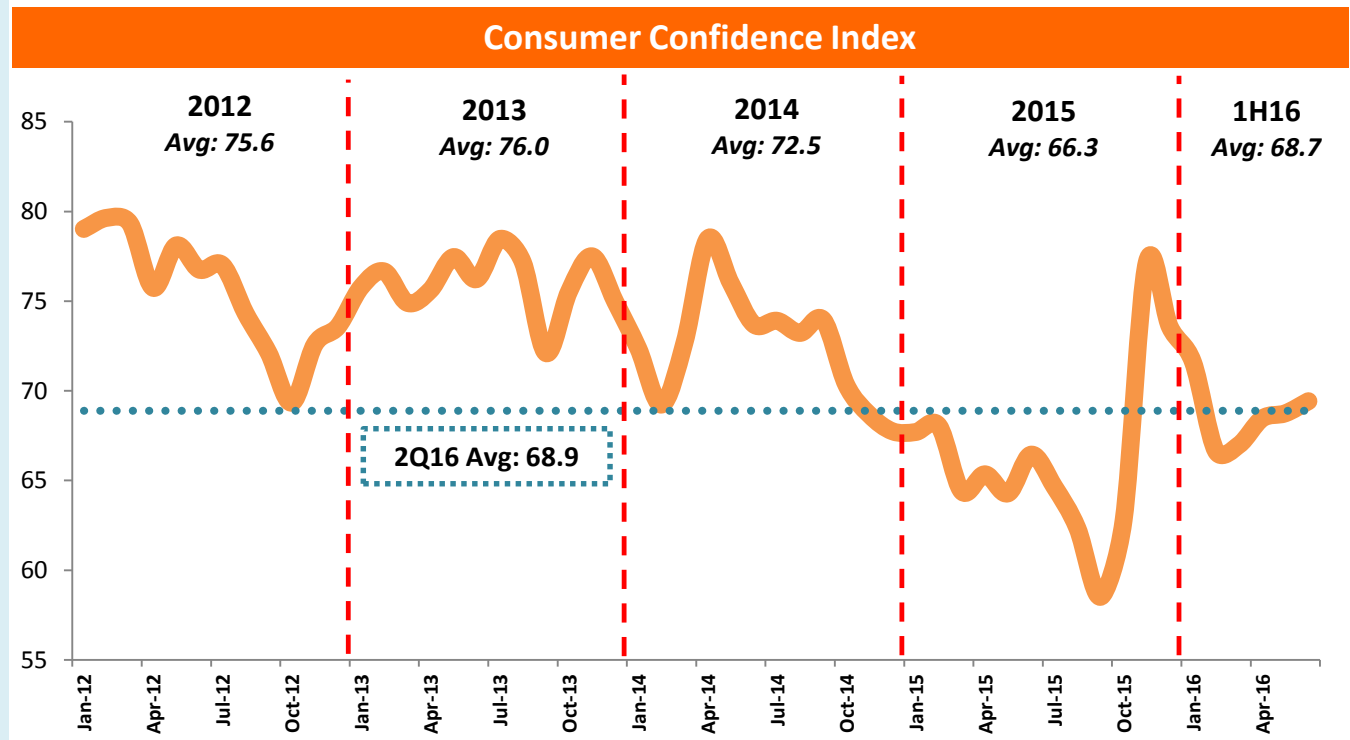
- TL 4.4mn negative contribution from Kliksa in 1Q16 has retreated to TL 1.1mn in 2Q16 and will dissipate completely in 2H16

New Chairman, New Strategy...

- Our strategy has become more focused on profitability rather than profitability + market share

CCI maintained
a sluggish
performance in
2Q16...

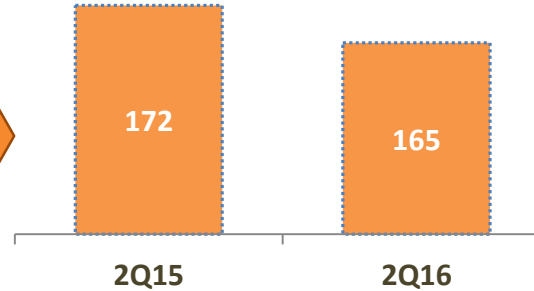
- The consumer confidence index recorded a very slight improvement to an average of 68.9 in 2Q16 from 68.4 in the previous quarter. However, the failed coup attempt that took place on July 15th may cause some deterioration in the CCI on the short term going forward.



Source: TUIK

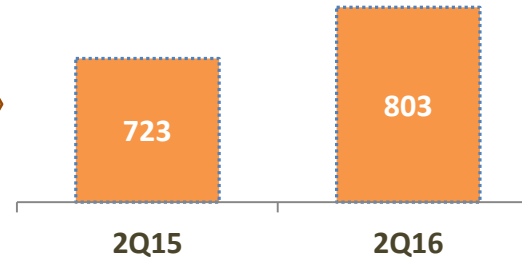
2Q16 Results

Net Sales Area (‘000 m²)



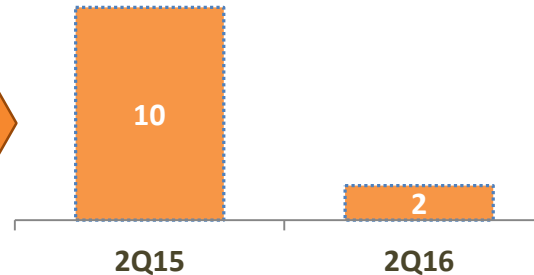
- Small change in net sales area
- 12 stores opened while 23 stores closed in 2Q16

Net Sales (TL mn)



- 11% YoY revenue growth thanks to the success in structural changes leading to LfL growth and market share gains

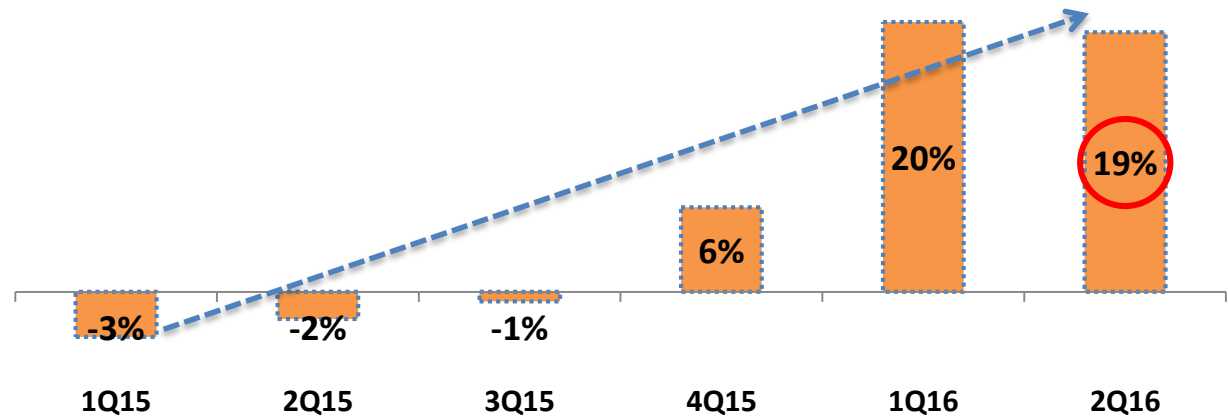
EBITDA (TL mn)



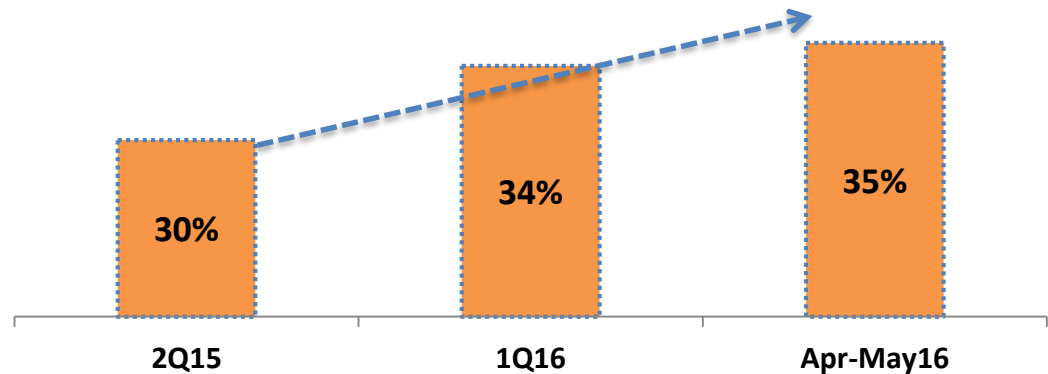
- EBITDA negatively affected from inventory clean-up and product mix

Like-for-Like Sales Growth Trend

Quarterly Like-for-Like Trend

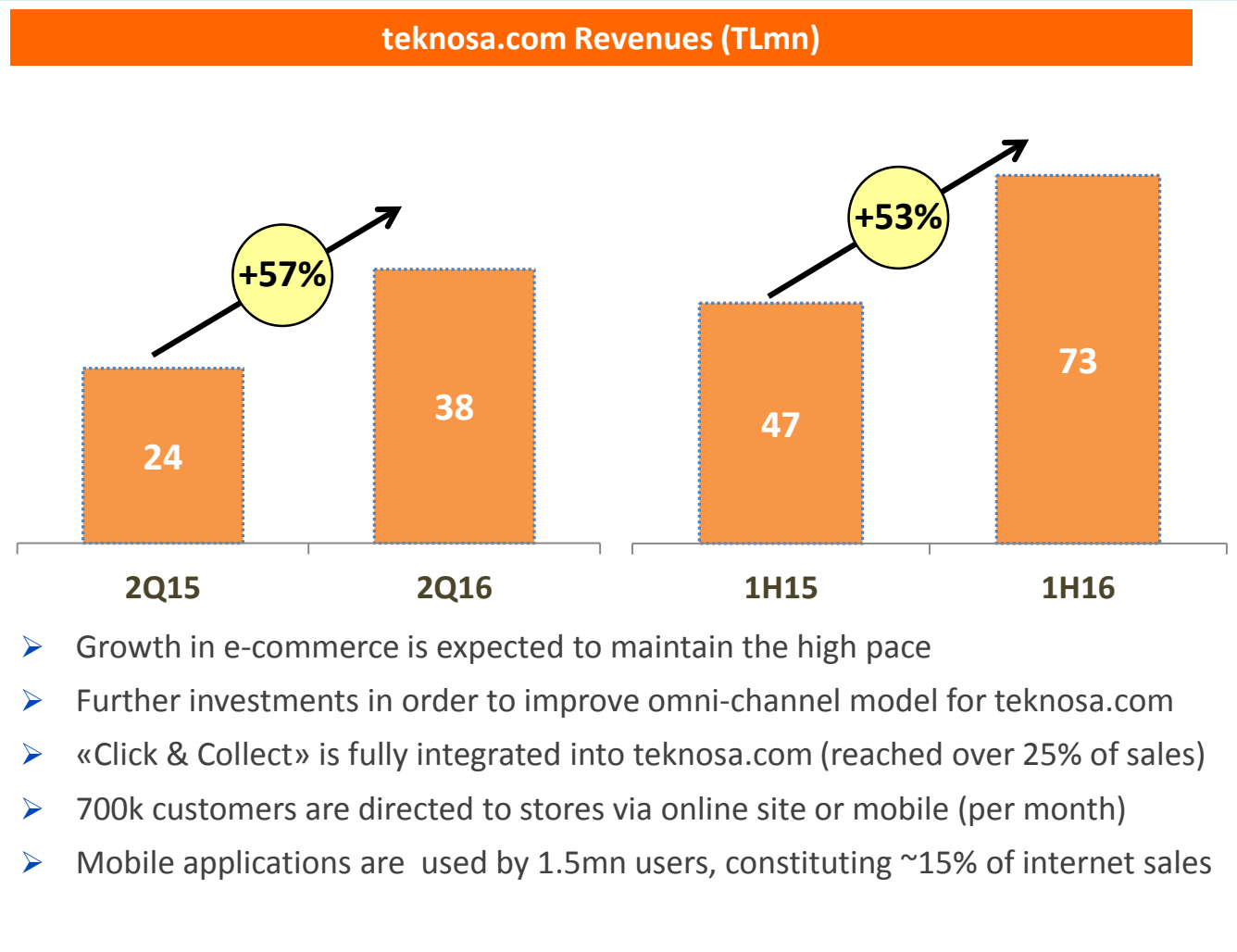


TSS Market Share (exc. Kliksa)

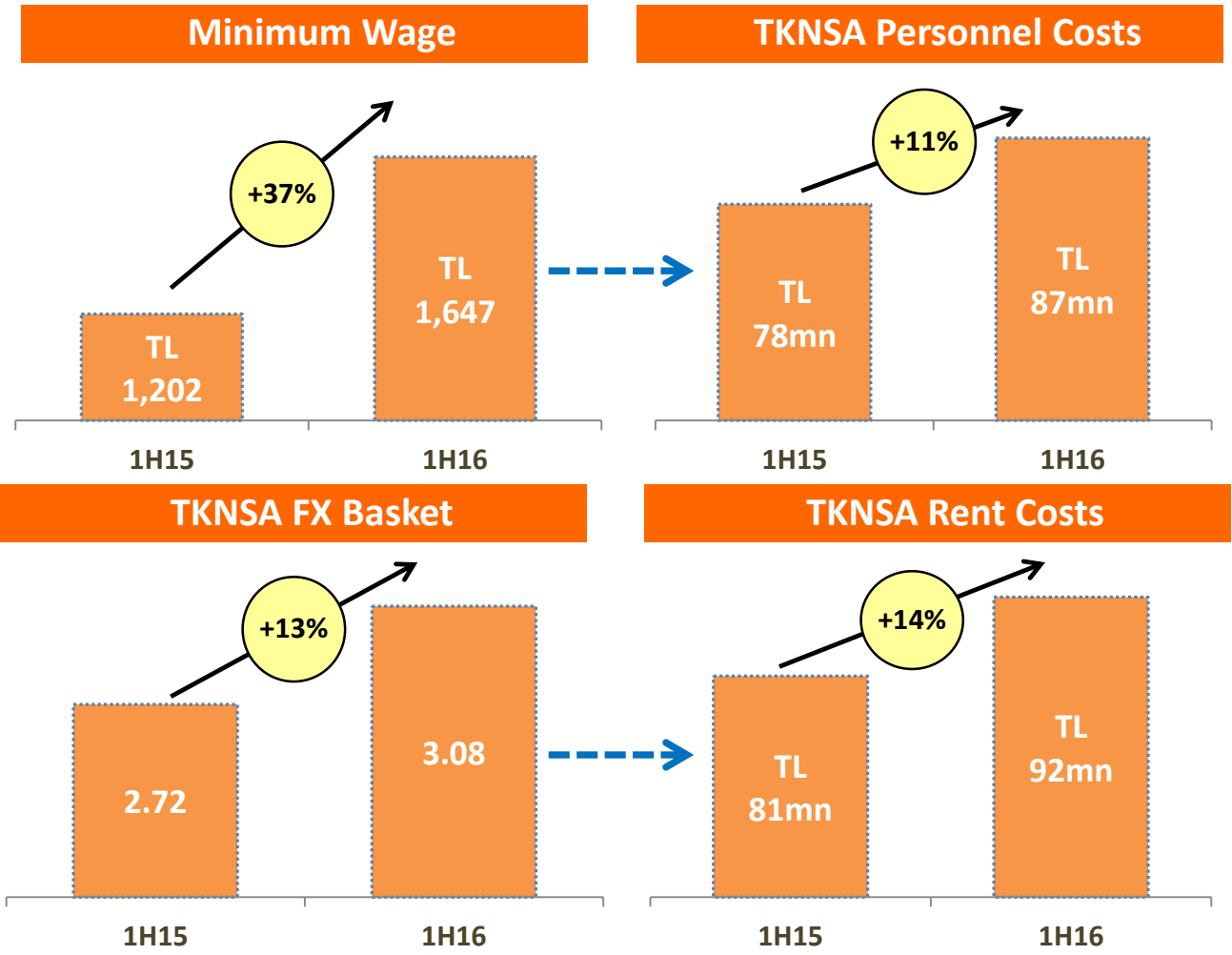


Source: GfK

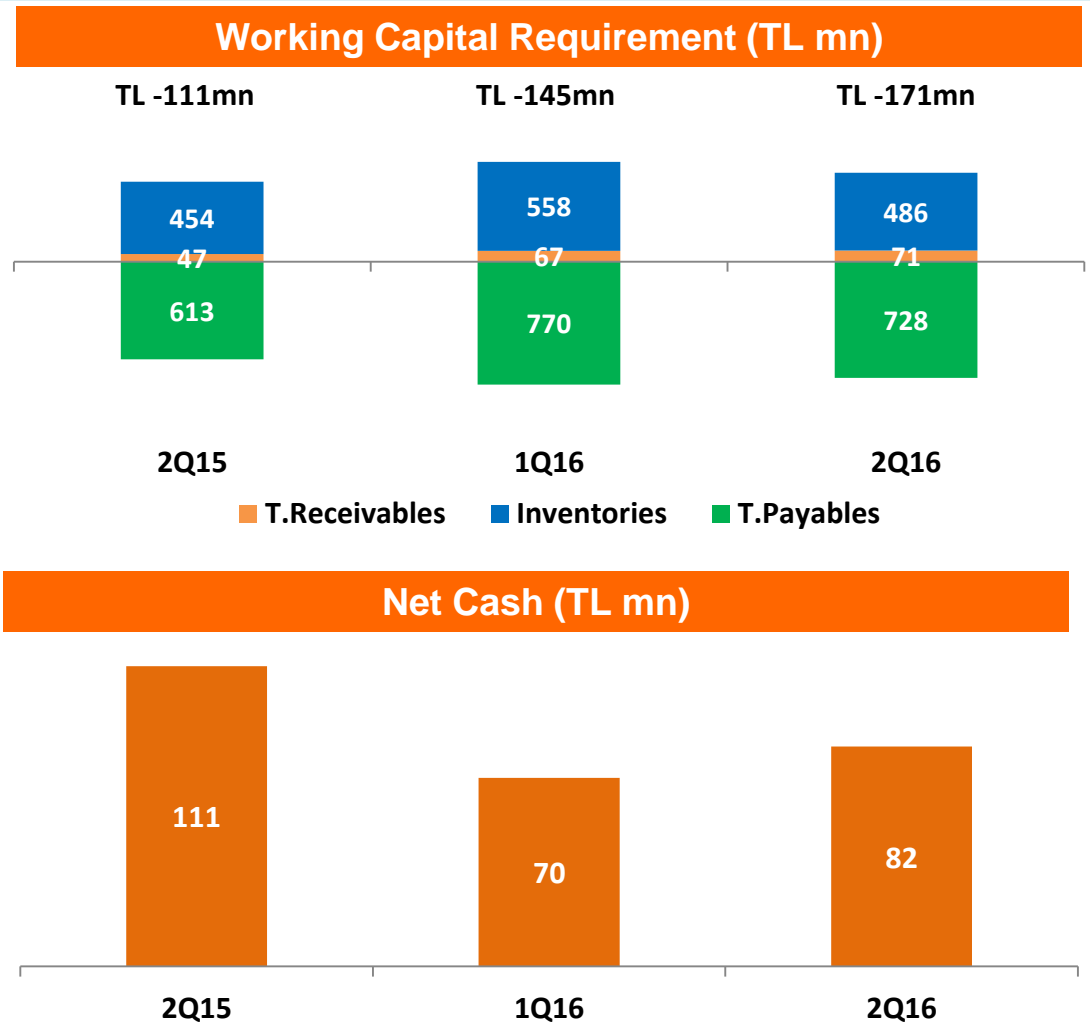
Strong growth
in e-commerce
revenues...



Main OPEX
Items are
Under
Control



Working Capital and Cash Position Improvement



Pioneer services & products launched since 2H14...

- Teknosa will continue to differentiate itself from the competition, carrying on its evolution into a «service provider» from a «classical box mover»
- As the first step towards this goal, «**TeknoFinans**» was launched in June 2014, offering new financing options to our customers
- Aftersales services rebranded under «**Dr. Teknolog**» in 1Q15
- «**Teknosa Mobil**» launched in February 2015, rendering Teknosa as the first & only Electronics Retailer in Turkey offering complete telecom services under its own brand
- «**Teknosa Preo**» branded smartphone and smartwatch was launched in July 2015 as the first private label product by an electronic retailer in Turkey
- «**Disney Collection**» products will be available in Teknosa stores starting from August 2016 with a «shop-in-shop» model



Continuous improvement in value added services & products...



- ~230K loans granted since launch
- Share reached ~8% of sales



- Preo P2 & Pwatch 2 launched in late December
- New accessories launched in March, adding 44 SKUs to Preo brand



- 37% YoY increase in 1H16
- Share in revenues reached 3.3%



- # of subscribers reached 80K
- Installments through the monthly receipt has been launched in June

Disney
Collection now
only available in
Teknosa Stores
in Turkey...



- The agreement with Walt Disney is to sell Disney Collection products with a shop-in-shop model, allocating 100-150 m² in designated stores
- Teknosa will be the first retailer in EMEA region and the third in the world to offer this collection to its customers
- Project aims to increase the traffic in our stores, while also attracting more women and children
- A new revenue source with a positive contribution to the profitability
- Disney Collection is not a license agreement, but a retail model designed by The Walt Disney Company's designers with Disney Store experience in the United States.
- Teknosa will be directly purchasing Disney Collection products from Disney and offer them to its customers on its retail sales points located throughout Turkey.

Notable
contribution to
the P&L with
extra benefits
on the store
traffic...

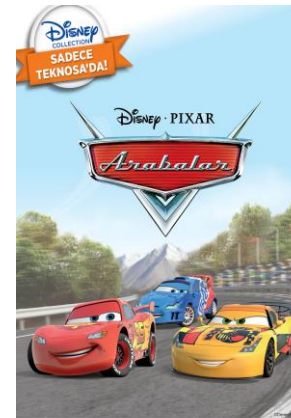
- The products will hit the shelves on the 2nd half of August 2016
- The project's annual contribution to the top-line is expected to be around TL 100mn
- Due to the shop-in-shop concept, the product line will only be available in Extra and Exxtra format stores
- Total CAPEX for the project is minimal at ~TL 10mn
- More lucrative margins compared to CE products



Disney · PIXAR



TEKNOSA



TEKNOSA



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Income Statement Summary

(TL mn)	2Q15	1Q16	2Q16	YoY (%)	QoQ (%)	1H15	1H16	YoY (%)
Net Sales	723	775	803	11%	4%	1,389	1,578	14%
Gross Profit	131	138	126	-3%	-9%	254	265	4%
<i>Gross Profit Margin</i>	18.1%	17.9%	15.7%	-2.4pp	-2.2pp	18.3%	16.8%	-1.5pp
EBITDAR	52	59	48	-7%	-20%	102	107	5%
<i>EBITDAR Margin</i>	7.1%	7.7%	6.0%	-1.2pp	-1.7pp	7.4%	6.8%	-0.6pp
EBITDA	10	14	2	-84%	-88%	21	15	-28%
<i>EBITDA Margin</i>	1.4%	1.8%	0.2%	-1.2pp	-1.5pp	1.5%	1.0%	-0.6pp
Other Expenses	-8	-17	-20	-168%	-19%	-15	-37	-148%
Financial Expenses	-6	-6	-8	-25%	-34%	-12	-14	-19%
Profit Before Tax	-15	-20	-38	-154%	-87%	-28	-58	-110%
Tax	3	3	8	158%	199%	5	10	89%
Net Profit	-12	-18	-30	-153%	-71%	-22	-48	-116%
<i>Net Profit Margin</i>	-1.7%	-2.3%	-3.8%	-2.1pp	-1.5pp	-1.6%	-3.0%	-1.4pp

Source: Independent Auditor's report

Income Statement Summary (Adjusted)

(TL mn)	2Q15	1Q16	2Q16	YoY (%)	QoQ (%)	1H15	1H16	YoY (%)
Net Sales	723	775	803	11%	4%	1,389	1,578	14%
Gross Profit	131	138	126	-3%	-9%	254	265	4%
Adj. Gross Profit	131	138	132	1%	-5%	254	270	7%
Adj. Gross Profit Margin	18.1%	17.9%	16.4%	-1.7pp	-1.5pp	18.3%	17.1%	-1.1pp
EBITDA	10	14	2	-84%	-88%	21	15	-28%
Adj. EBITDA	10	14	8	-19%	-39%	21	22	3%
Adj. EBITDA Margin	1.4%	1.8%	1.0%	-0.4pp	-0.7pp	1.5%	1.4%	-0.1pp
Other Expenses	-8	-17	-20	-168%	-19%	-15	-37	-148%
Adj. Other Expenses	-8	-12	-16	-115%	-38%	-15	-27	-83%
Financial Expenses	-6	-6	-8	-25%	-34%	-12	-14	-19%
Profit Before Tax	-15	-20	-38	-154%	-87%	-28	-58	-110%
Adj. Profit Before Tax	-15	-15	-27	-79%	-77%	-28	-42	-51%
Tax	3	3	8	158%	199%	5	10	89%
Net Profit	-12	-18	-30	-153%	-71%	-22	-48	-116%
Adj. Net Profit	-12	-13	-21	-78%	-64%	-22	-34	-55%
Adj. Net Profit Margin	-1.7%	-1.7%	-2.7%	-1.0pp	-1.0pp	-1.6%	-2.2%	-0.6pp

(*) 2Q16 Adjustments: COGS: Inventory Clean-up Costs, OPEX: Severance Payments, Other Expenses: Store Closure Costs, Fixed Asset Fair Value Loss / 1Q16: Other Expenses: Reversal of a Provision

(**) Kliksa recorded TL 5.6mn net loss in 1H16 (2Q16: TL 1.1mn), adjusted net loss of Teknosa amounts to TL 29mn for 1H16 and TL 20mn for 2Q16 when adjusted with this figure

Source: Independent Auditor's report

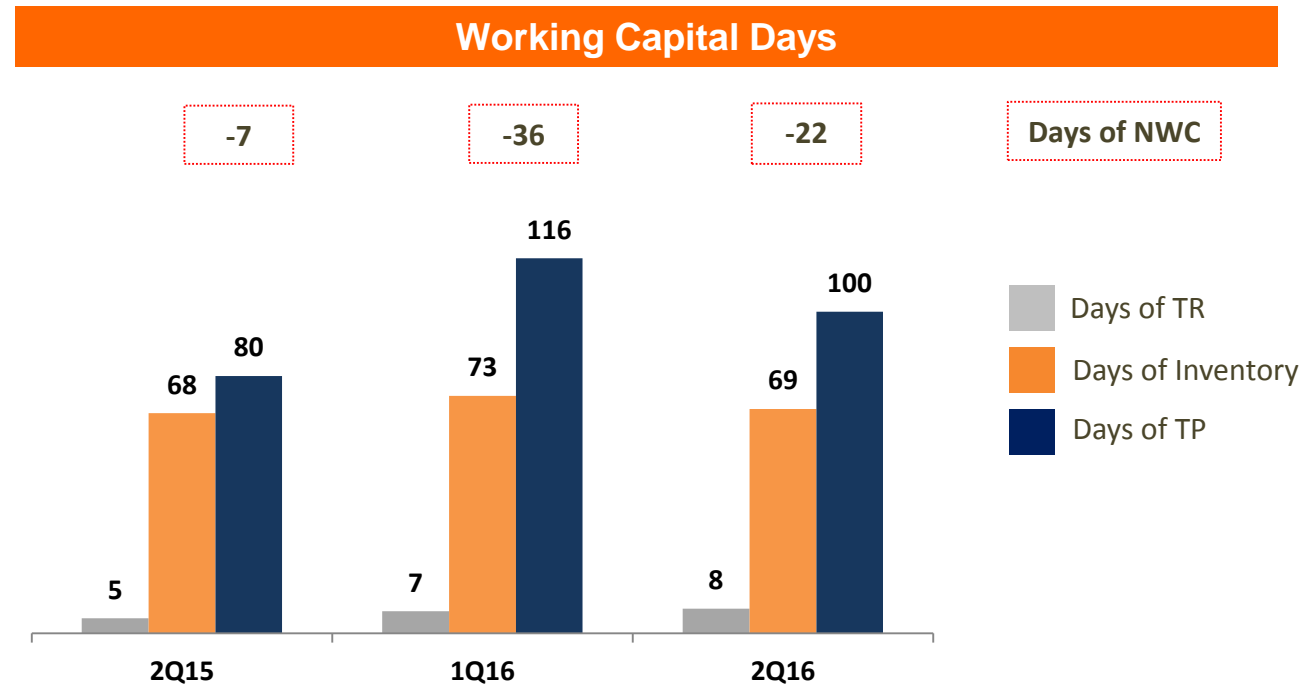
Balance Sheet Summary

Assets (in TL mn)	Jun-15	Mar-16	Jun-16
Current Assets	639	723	671
Cash and Cash Equivalents	111	70	82
Due From Related Parties	7	2	3
Trade Receivables	40	65	68
Inventories	454	558	486
Other Current Assets	26	27	33
Non-current Assets	198	170	185
Investment Property	11	11	10
Property, Plant and Equipment	119	94	116
Intangible Assets	30	24	23
Deferred Income Tax Assets	21	29	35
Other Non-current Assets	17	13	1
Total Assets	836	893	857

Liabilities (in TL mn)	Jun-15	Mar-16	Jun-16
Current Liabilities	683	835	805
Financial Liabilities	0	0	0
Due to Related Parties	2	1	2
Trade Payables	611	769	725
Other Current Liabilities	70	65	77
Non-current Liabilities	3	5	5
Total Equity	150	53	47
Total Liabilities	836	893	857

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 2Q16, granting us room for maneuverability going forward

Key Performance Indicators

	2Q15	1Q16	2Q16	YoY (%)	QoQ (%)	1H15	1H16	YoY (%)
Net Sales Area ('000 sqm)	172	168	165	-4%	-1%	172	165	-4%
Number of Stores	288	271	260	-10%	-4%	288	260	-10%
Number of Visitors (mn)	21	20	17	-19%	-15%	45	37	-16%
Number of Customers (mn)	1.6	1.7	1.6	3%	-4%	3.3	3.3	0%
Conversion Rate	7.5%	8.3%	9.5%	2.0pp	1.2pp	7.4%	8.9%	1.4pp
Average Basket Size (TL)	369	411	429	16%	4%	351	420	19%
teknoSA.com visits (mn)	27	38	34	26%	-11%	57	72	27%
Total Visitors (mn)	48	58	51	6%	-13%	101	109	8%

- Teknosa has the highest penetration among Technical Super Stores with **260 stores throughout Turkey and 165K m2 net sales area** as of 2Q16
- Conversion rate exhibited 2.0pps YoY and 1.2pps QoQ improvement in 2Q16
- Average basket growth is 16% YoY in 2Q16 and 19% as of 1H16
- Total visitors (store+web) was up by 8% YoY to 109mn in 1H16

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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
- Our studies regarding the reviews of the current store network, product portfolio and destocking of our old aged inventory are still ongoing on executive board level. **The updated guidance will be shared with the public during the 3rd quarter through the Public Disclosure Platform** once these studies have been completed.
- **These studies focus around four major pillars:**
 1. Store Network
 2. Product Portfolio & Assortment
 3. Destocking of the Old Aged Inventory
 4. Further Improvement in Gross Margin

Focus Points

1. Store Network:

Focus:

- ✓ To clean the store network of the loss making locations with a zero tolerance in order to improve profitability in general

Expected Impact:

- ✓ The costs and provisions regarding the operation is expected to make a negative impact below the EBIT line in 3Q16 financials
- ✓ Starting from 4Q16, we expect to see an upward trend in both the EBITDA margin and the net income level



Focus Points

2. Product Portfolio & Assortment:

Focus:

- ✓ To exit from certain segments in order to optimize product portfolio
- ✓ To offer a more intensive before and after sales services to the customers
- ✓ Optimizing product assortment
- ✓ Deploying a shop-in-shop model for White Goods is currently on the agenda
- ✓ Other possibilities are also being evaluated

Impact:

- ✓ White Goods segment has the highest overall gross margin, **but** in terms of EBITDA/sqm and logistics costs its contribution to profitability trails behind other segments,
- ✓ Shop-in-shop model will contribute a cost free monthly fix income



Focus Points

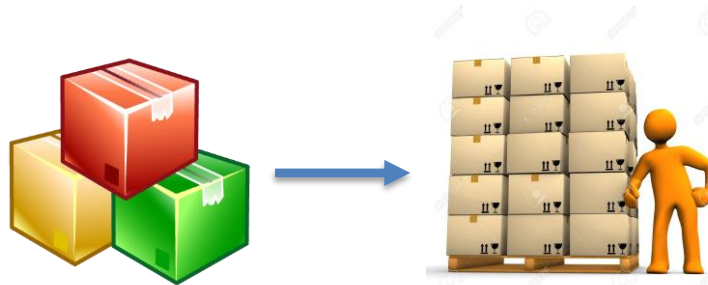
3. Destocking of the Old Aged Inventory:

Focus:

- ✓ Clean-up the inventory from 180 days or older products
- ✓ Move the stock from the closed stores

Impact:

- ✓ Gross margin is expected to remain under pressure in 3Q16
- ✓ Improvement in financial expenses after releasing cash from slow moving inventory should be visible from 4Q16



4. Further Improvement in Gross Margin:

- ✓ Enhance the telecom segment's margins with accessory sales
- ✓ Utilize Disney Collection & Teknosa Mobil to further boost profitability

Thank You

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