

# Arçelik

2019 – 9 Month  
Financial Results

# Quarter **Highlights**

- Top line growth of 7%
- Improvement in gross profitability
- Better raw material prices
- OPEX/Sales at 25.2% in 3Q19
- Strong free cash flow\* generation in 9M19
- Flat NWC/Sales and leverage QoQ

**TRY8.2bn**

Revenue

**11.0%**

EBITDA Margin\*

**28.3%**

NWC/Sales Ratio

**2.4x**

Leverage




\* Free Cash Flow calculated as Net Operating Cash Flow + CAPEX

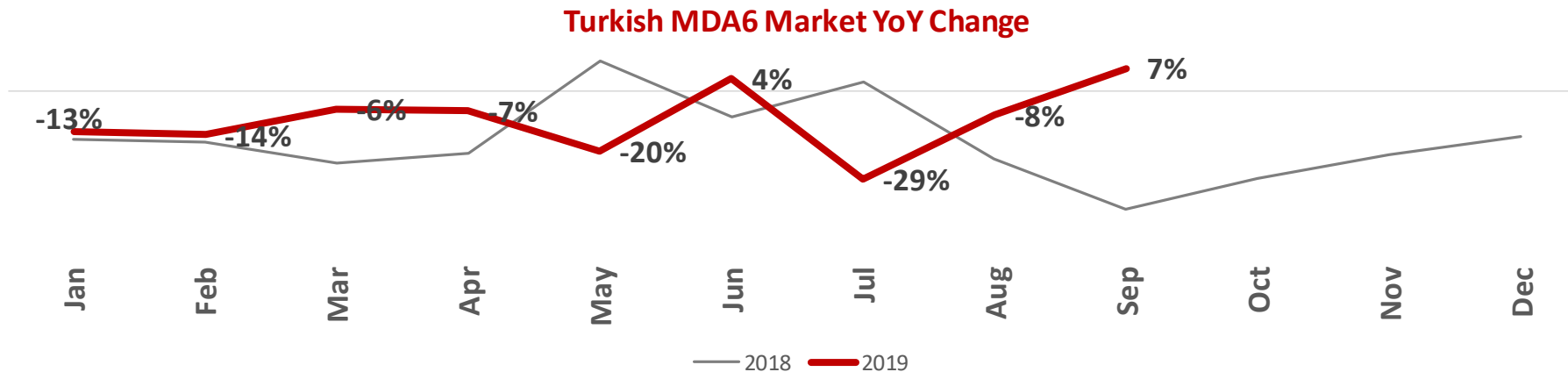
\* IFRS 16 impact included

# Key Factors **Sales/Margins**

<b>Revenue Growth</b>	<b>+7%</b>	<ul style="list-style-type: none"> <li><span style="color: green;">↑</span> Inorganic growth from Singer Bangladesh</li> <li><span style="color: gold;">■</span> Weakness in key markets and strong base from 3Q18</li> <li><span style="color: gold;">■</span> Flat TRY (YoY)</li> </ul>	 <table border="1"> <thead> <tr> <th>Period</th> <th>Revenue</th> </tr> </thead> <tbody> <tr> <td>2018 Q3</td> <td>7,696</td> </tr> <tr> <td>2019 Q2</td> <td>8,428</td> </tr> <tr> <td>2019 Q3</td> <td>8,246</td> </tr> </tbody> </table>	Period	Revenue	2018 Q3	7,696	2019 Q2	8,428	2019 Q3	8,246
Period	Revenue										
2018 Q3	7,696										
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<b>Gross Margin</b>	<b>33.1%</b>	<ul style="list-style-type: none"> <li><span style="color: green;">↑</span> Better profitability in Turkey</li> <li><span style="color: green;">↑</span> Declining raw material prices</li> <li><span style="color: red;">↓</span> Weak GBP and EUR against USD</li> </ul>	 <table border="1"> <thead> <tr> <th>Period</th> <th>Gross Margin (%)</th> </tr> </thead> <tbody> <tr> <td>2018 Q3</td> <td>32.6</td> </tr> <tr> <td>2019 Q2</td> <td>31.4</td> </tr> <tr> <td>2019 Q3</td> <td>33.1</td> </tr> </tbody> </table>	Period	Gross Margin (%)	2018 Q3	32.6	2019 Q2	31.4	2019 Q3	33.1
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<b>EBITDA Margin</b>	<b>11.0%</b>	<ul style="list-style-type: none"> <li><span style="color: gold;">■</span> 85bps contribution from IFRS-16, similar to 1H19 level</li> <li><span style="color: red;">↓</span> Increase in OPEX/Sales due to guarantee and logistics expenses</li> </ul>	 <table border="1"> <thead> <tr> <th>Period</th> <th>EBITDA Margin (%)</th> </tr> </thead> <tbody> <tr> <td>2018 Q3</td> <td>10.2</td> </tr> <tr> <td>2019 Q2</td> <td>10.5</td> </tr> <tr> <td>2019 Q3</td> <td>11.0</td> </tr> </tbody> </table>	Period	EBITDA Margin (%)	2018 Q3	10.2	2019 Q2	10.5	2019 Q3	11.0
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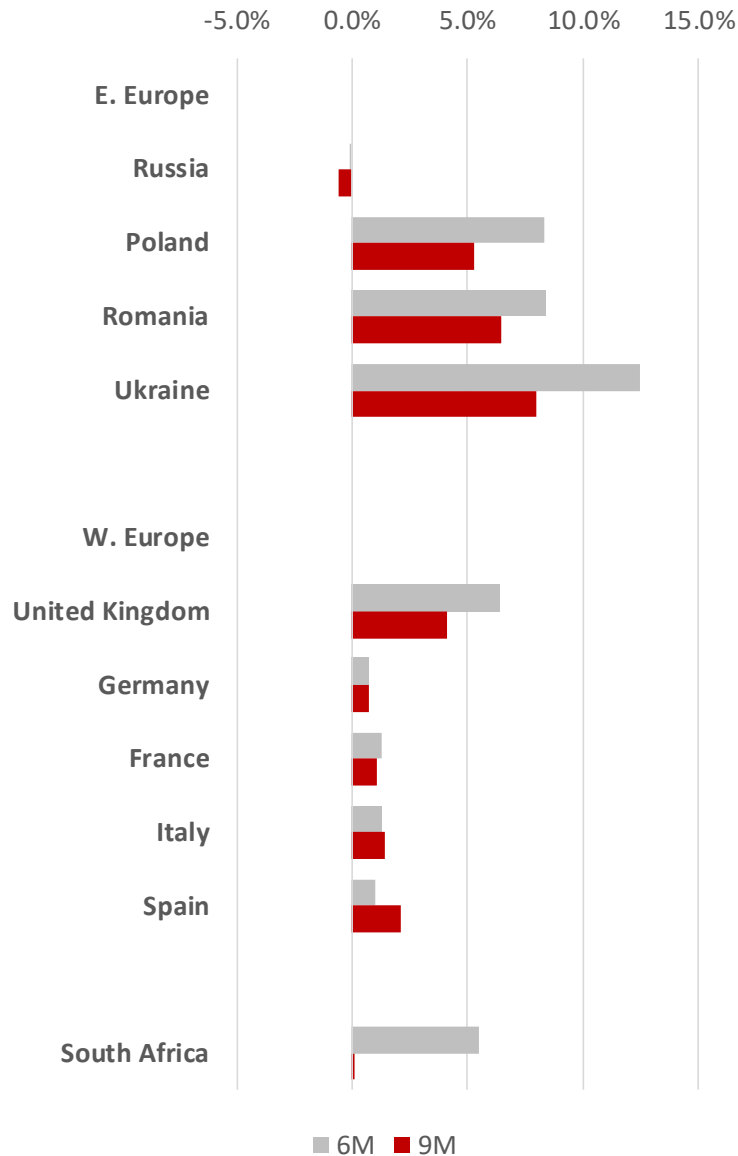
# 2019 Q3 Performance **Turkey**

	 MDA-6	 Air-Conditioner	 TV
<b>Market</b>	-12%	-19%	-22%
<b>Arçelik</b>	-1%	Better than market	~25% Market Share 2nd Place



MDA-6 and A/C data (sell-in) is based on WGMA for 3Q19. TV market reflects the data of a retail panel market for July-August 2019

# 2019 Q3 International Markets

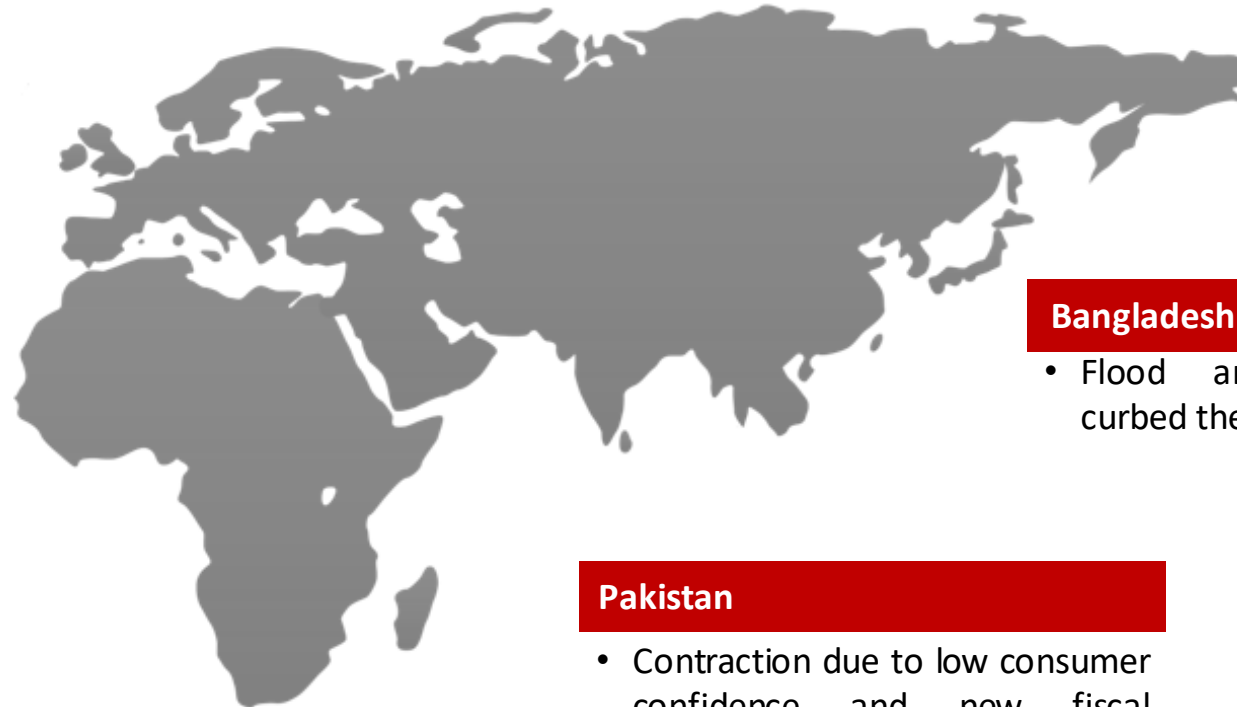


## West Europe

- UK had a weaker performance in 3Q19

## East Europe

- Romania and Poland slowed down during the quarter



## South Africa

- Sluggish macro environment started to have negative impact on the market

## Bangladesh

- Flood and several diseases curbed the demand.

## Pakistan

- Contraction due to low consumer confidence and new fiscal measures.

# 2019 Q3 International Performance

45%

## Europe

- Low Single digit increase YoY in EUR term
- Weak revenue generation from the UK
- High base impact from 3Q18
- Market share gains in Italy and Spain
- Slightly better mix on market share gains in BI segment

5%

## Africa

- Market weakness resulting in slight decline in Defy revenue in ZAR term.
- Growth in Defy's export also slowed down to mid single digit level.
- Improving profitability (QoQ) despite market weakness and volatile currency

11%

## Asia-Pacific

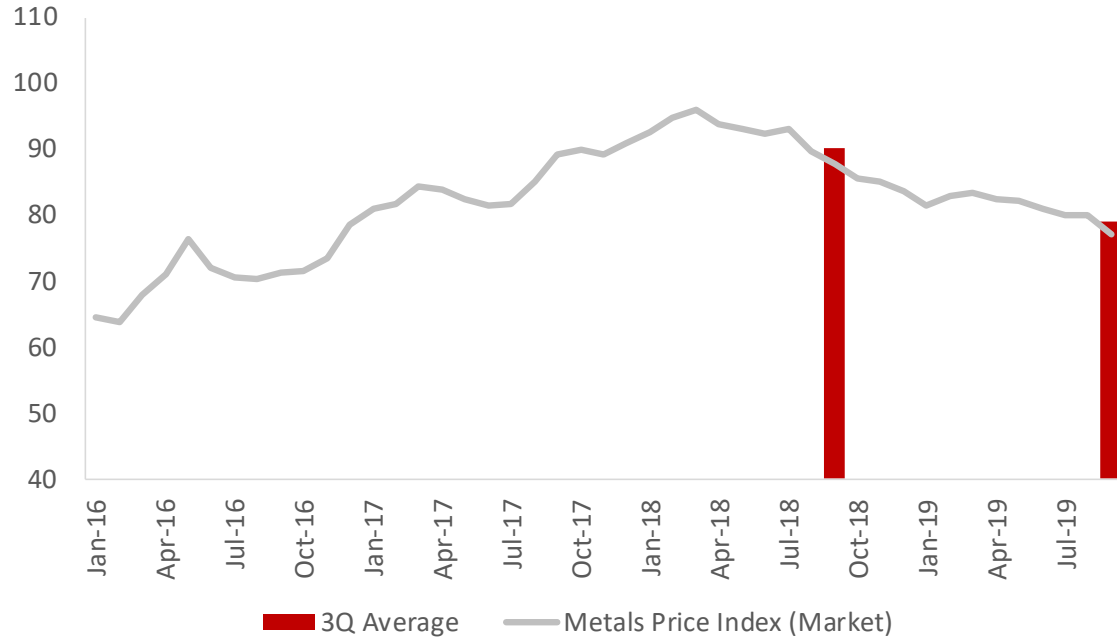
- Unit sales declined in **Pakistan** in 3Q19
- Double digit revenue growth for Dawlance in PKR term on increasing prices
- Top-line growth of **Singer Bangladesh** slowed down due to flood and diseases.
- **ASEAN** revenue realized at USD25mn.

# 2019 Q3 Singer Bangladesh Results

BDT mn	2019 Q3	2018 Q3	2019 Q2	Δ% YoY	Δ% QoQ	2019 9M	2018 9M	Δ% YoY
Revenue	5,439	5,199	5,244	5	4	13,460	11,740	15
Gross Profit	1,497	1,463	1,488	2	1	3,810	3,280	16
<i>margin</i>	<i>27.5</i>	<i>28.1</i>	<i>28.4</i>			<i>28.3</i>	<i>27.9</i>	
EBIT	656	705	666	-7	-1	1,614	1,419	14
<i>margin</i>	<i>12.1</i>	<i>13.6</i>	<i>12.7</i>			<i>12.0</i>	<i>12.1</i>	
Profit Before Tax	598	595	560	1	7	1,343	1,168	15
<i>margin</i>	<i>11.0</i>	<i>11.4</i>	<i>10.7</i>			<i>10.0</i>	<i>9.9</i>	
Net Income	440	440	389	0	13	952	841	13
<i>margin</i>	<i>8.1</i>	<i>8.5</i>	<i>7.4</i>			<i>7.1</i>	<i>7.2</i>	

- Slower growth mainly due to flood and contagious diseases
- Flattish volume growth in refrigerators, while A/C sales remained strong
- QoQ decline in gross margin due to mix and campaigns in the market, especially in TV and A/C

# 2019 Q3 Raw Material Trends

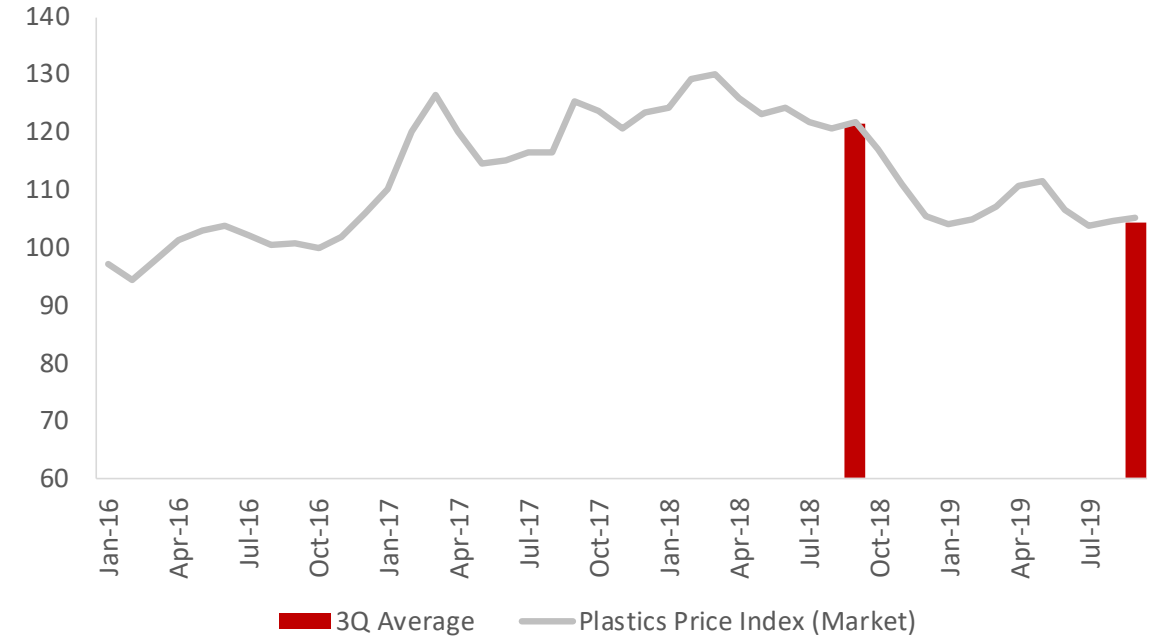


**Metal Prices Index Quarterly Average - Market**

4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
90	94	93	90	85	83	82	79

Source: Steel BB, Steel Orbis

Index includes: CRC, HRC, Galvanized Steel, Stainless Steel, Copper, Aluminium



**Plastic Prices Index Quarterly Average - Market**

4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
123	128	125	121	111	105	110	104

Source: ICIS - Chemical Industry News & Chemical Market Intelligence

Index includes: ABS, Polystyrene, Polyurethane, Polypropylene



# 2019 Q3 **Other Developments**

- Arçelik participated IFA in Berlin, the world's leading tradeshow for consumer electronics and home appliances, with Beko and Grundig brands, exhibiting its cutting-edge technology products.



- Being the only Turkish industrial company to be listed in the DJSI in the Emerging Markets Category for three consecutive years, Arçelik has now been recognised as the **industry leader** for the first time in the Dow Jones Sustainability Index (DJSI) in **Household Durables Category**.

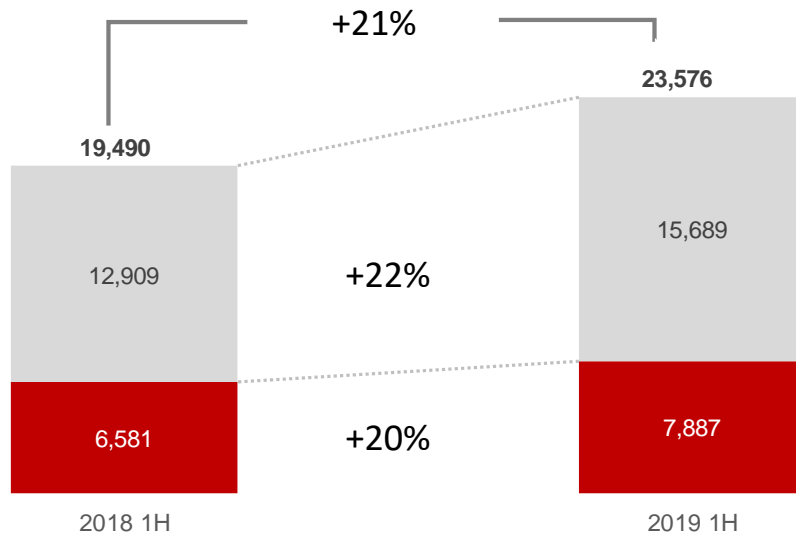
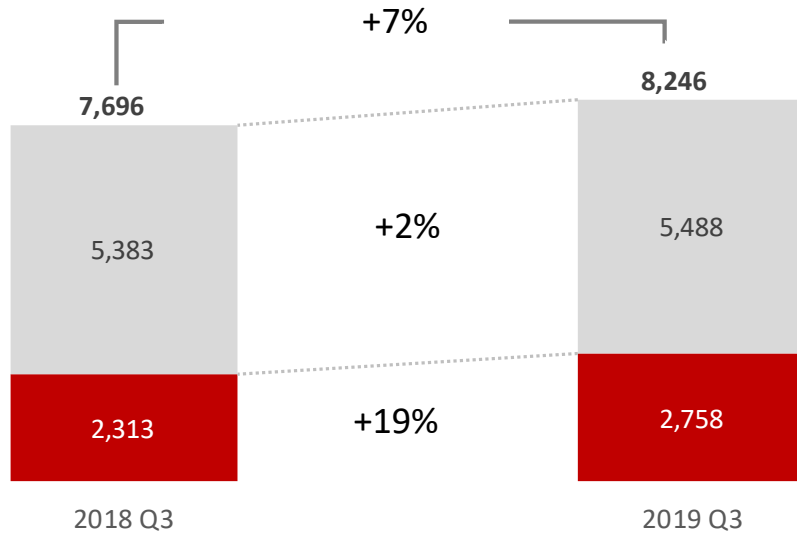
MEMBER OF  
**Dow Jones**  
**Sustainability Indices**  
In Collaboration with RobecoSAM

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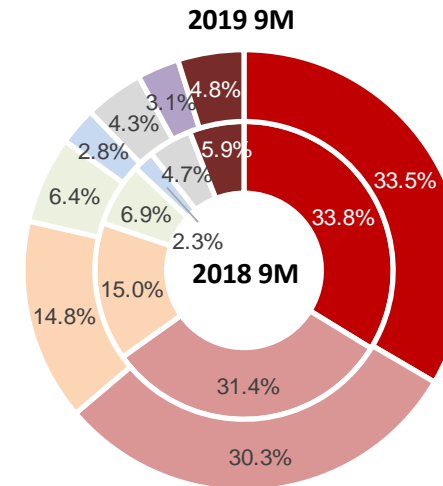
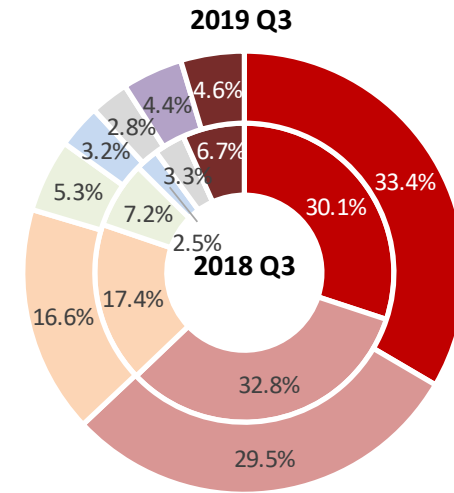
# Sales Performance



# 2019 Q3 Sales by Region

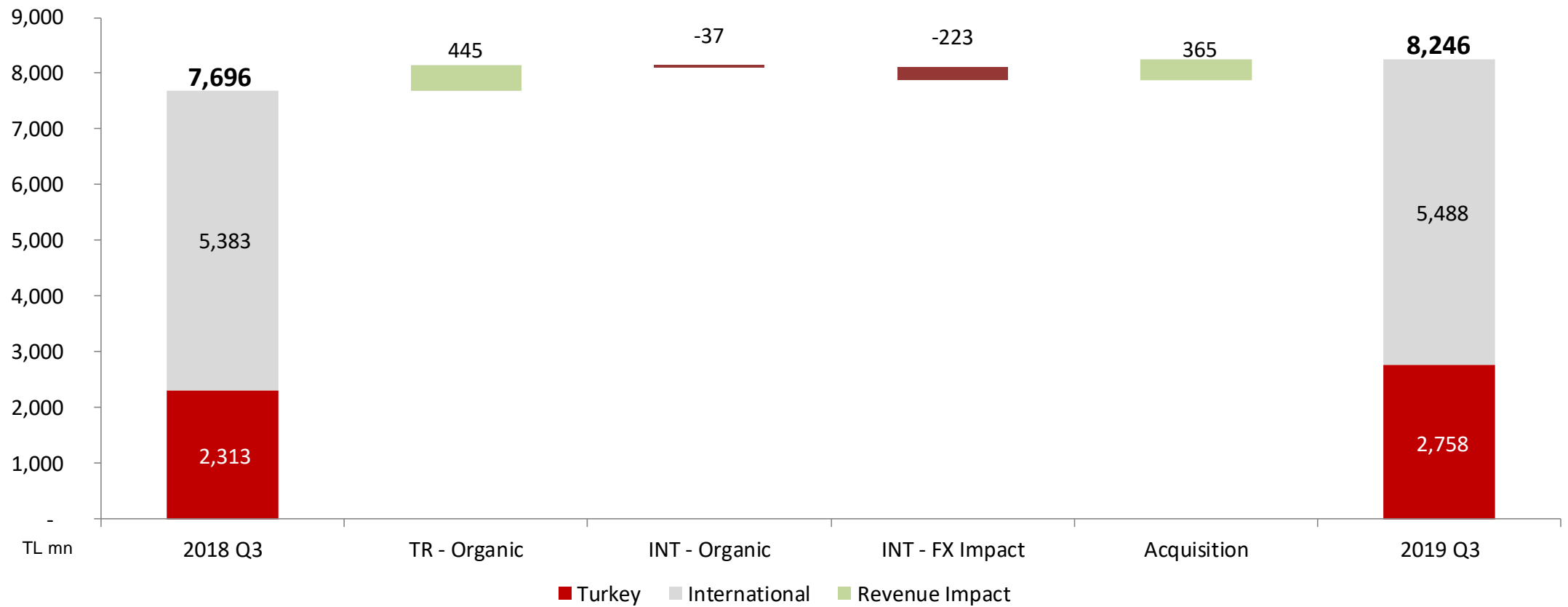


■ Turkey ■ International



■ Turkey ■ Western Europe  
 ■ CIS&Eastern Europe ■ Africa  
 ■ Middle East ■ Pakistan  
 ■ Bangladesh ■ Other

# 2019 Q3 Sales Bridge



2019 Q3	Organic	Currency Effect	Acquisition	TOTAL
Domestic Growth	19.2%	0.0%	0.0%	19.2%
International Growth	-0.7%	-4.1%	6.8%	1.9%
<b>Total Growth</b>	<b>5.3%</b>	<b>-2.9%</b>	<b>4.7%</b>	<b>7.1%</b>

# Financial Performance

# 2019 Q3 Income Statement

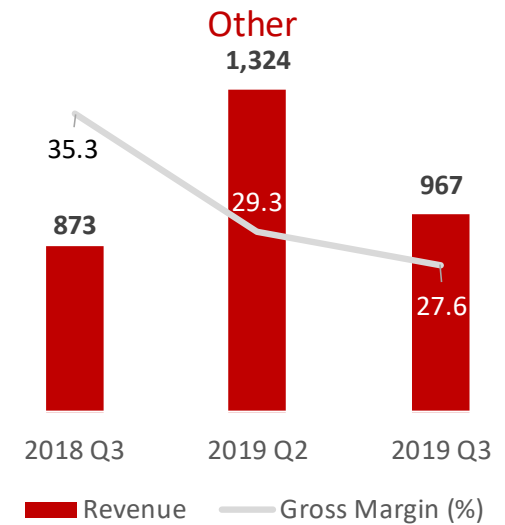
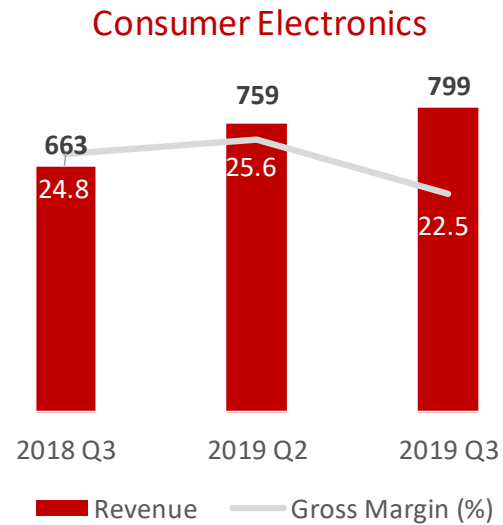
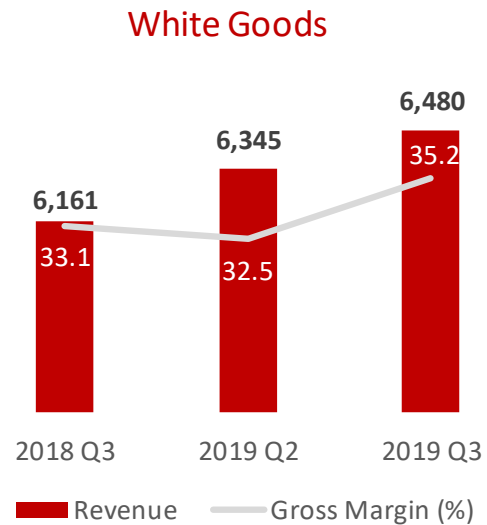
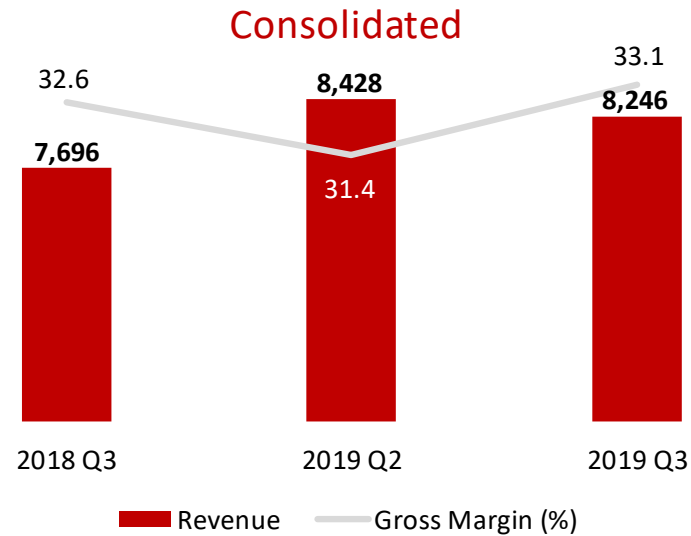
TL mn	2019 Q3*	2018 Q3	2019 Q2*	Δ% YoY	Δ%		2019 9M*	2018 9M	Δ% YoY
					QoQ				
Revenue	8,246	7,696	8,428	7	-2		23,576	19,490	21
Gross Profit	2,725	2,511	2,643	9	3		7,607	6,135	24
<i>margin</i>	33.1	32.6	31.4				32.3	31.5	
EBIT **	640	603	629	6	2		1,698	1,394	22
<i>margin</i>	7.8	7.8	7.5				7.2	7.2	
Profit Before Tax	270	332	302	-19	-11		832	679	23
<i>margin</i>	3.3	4.3	3.6				3.5	3.5	
Net Income***	253	253	232	0	9		711	575	24
<i>margin</i>	3.1	3.3	2.8				3.0	2.9	
EBITDA**	910	787	887	16	3		2,475	1,890	31
<i>margin</i>	11.0	10.2	10.5				10.5	9.7	

\*Only 2019 financials include IFRS-16 implementation other periods are not re-stated.

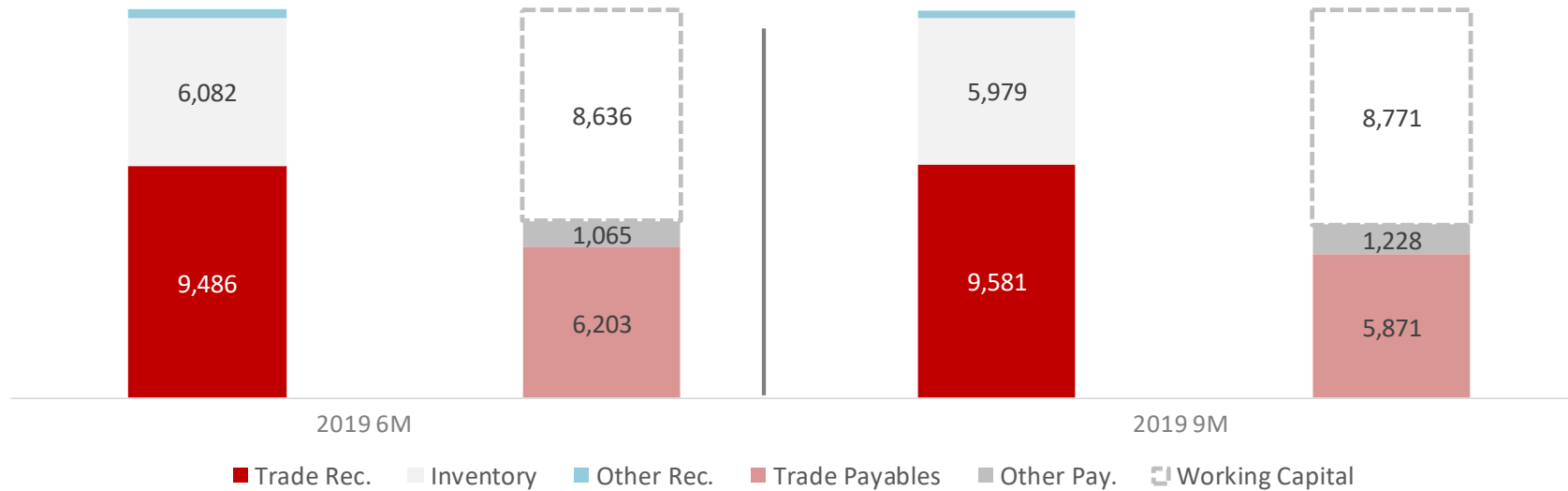
\*\* EBIT was calculated by deducting the impact of foreign exchange gains and losses arising from trade receivables and payables, credit finance income and charges and cash discount expense and adding income and expenses from sale of property plant and equipment.

\*\*\* Net income before minority

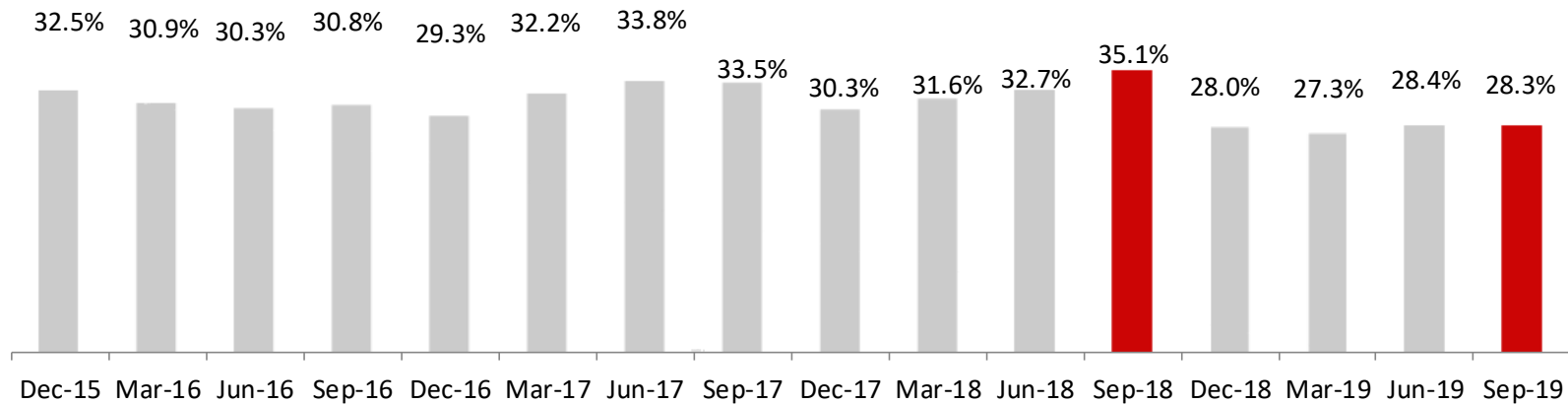
# 2019 Q3 Margin by Segments



# 2019 Q3 Working Capital

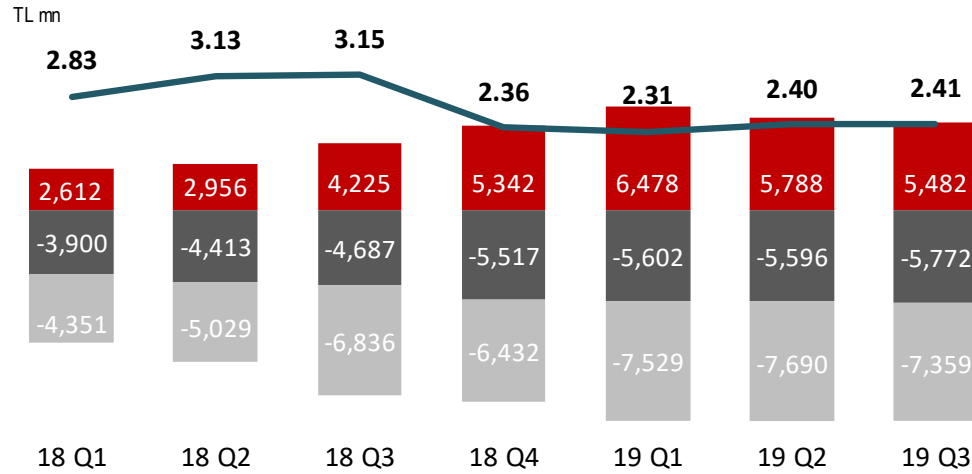


## Working Capital / Sales





# 2019 Q3 Cash & Financial Debt



■ Cash and cash equivalent ■ Short term debt ■ Long term debt — Net Debt/EBITDA\*

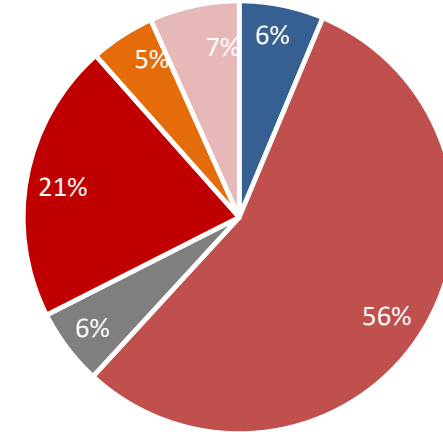
\*All items exclude IFRS-16 adjustments for 2019 quarterly figures

## Financial Debt profile (as of Sep 30 2019)

	Effective Interest Rate p.a. (%)	mn Original Currency	TL mn Equivalent
TRY	22.1%	4,219	4,219
EUR	0.4%	236	1,462
GBP	1.4%	7	45
ZAR	9.4%	750	282
AUD	3.3%	14	54
RUB	9.2%	7	1
RON	3.7%	200	259
PKR	12.5%	14,927	536
BDT	9.6%	2,731	183
<b>Total</b>			<b>7,040</b>
USD	5.1%	512	2,895
EUR	4.0%	350	2,164
TRY*	19.8%	1,032	1,032
<b>Total Bond</b>			<b>6,091</b>
<b>Total</b>			<b>13,131</b>

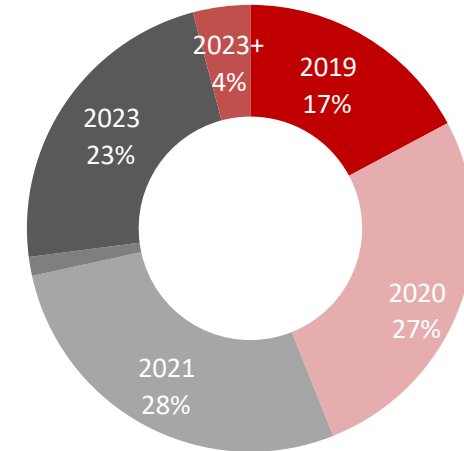
\*Average fixed rate at 19.1% through Interest Rate Swaps

## Cash Breakdown by Currency

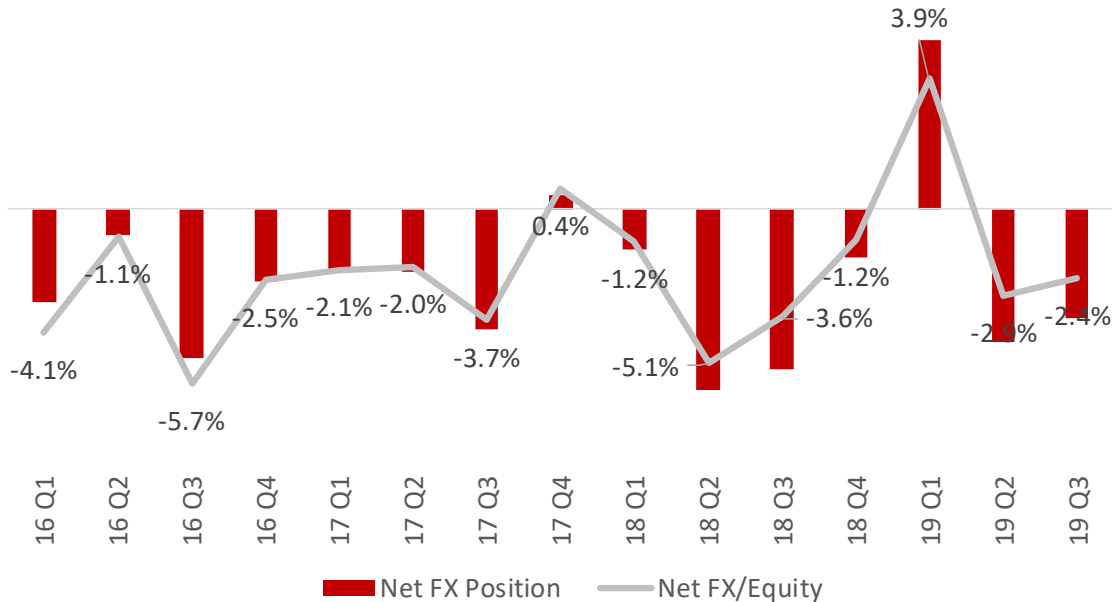


■ TRY ■ USD ■ GBP ■ EUR ■ RUB ■ Diğer

## Debt Maturity Profile



# 2019 Q3 FX Hedging



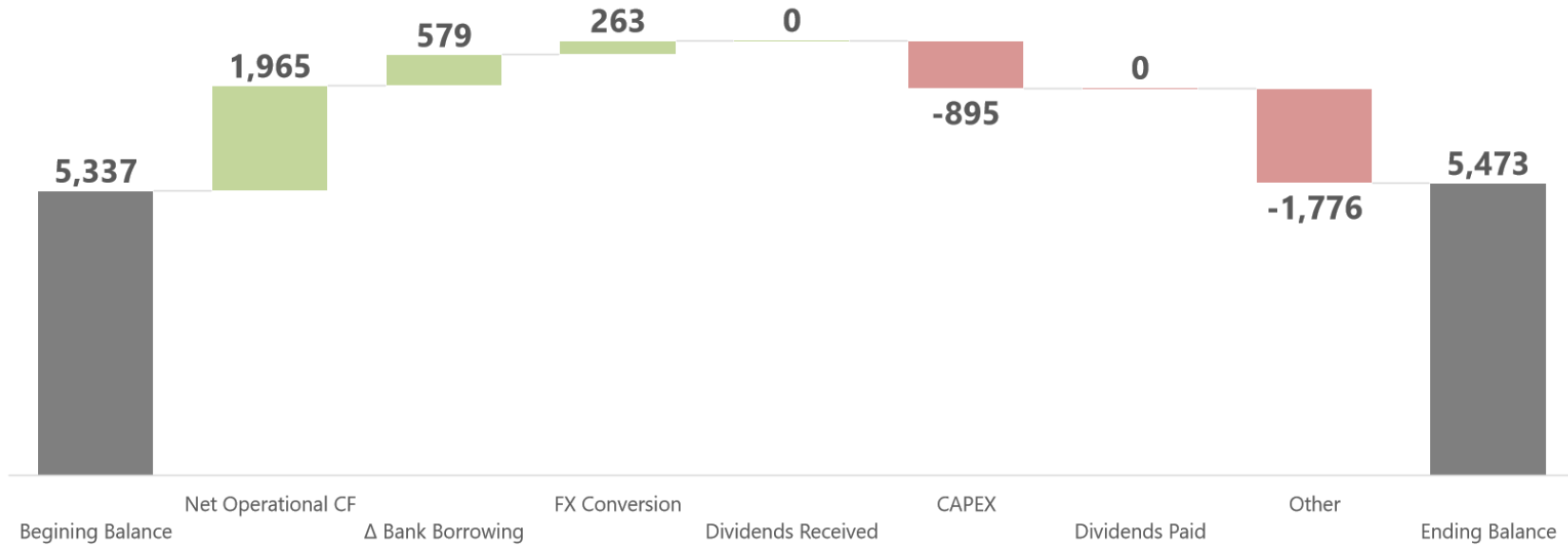
(TRYmn)	Before Hedge	Hedged Position	Net Position
EUR	-1,187	1,080	-108
USD	-433	272	-161
GBP	627	-617	10
Other	836	-798	38
<b>TOTAL</b>	<b>-157</b>	<b>-63</b>	<b>-220</b>
<b>Net FX Position/Equity</b>			<b>-2.4%</b>

- FX hedging is a strictly pursued policy in Arçelik since more than 30 currencies are actively managed in global operations.
- It is a KPI for the company management not to have an FX exposure exceeding low single-digit % of equity.

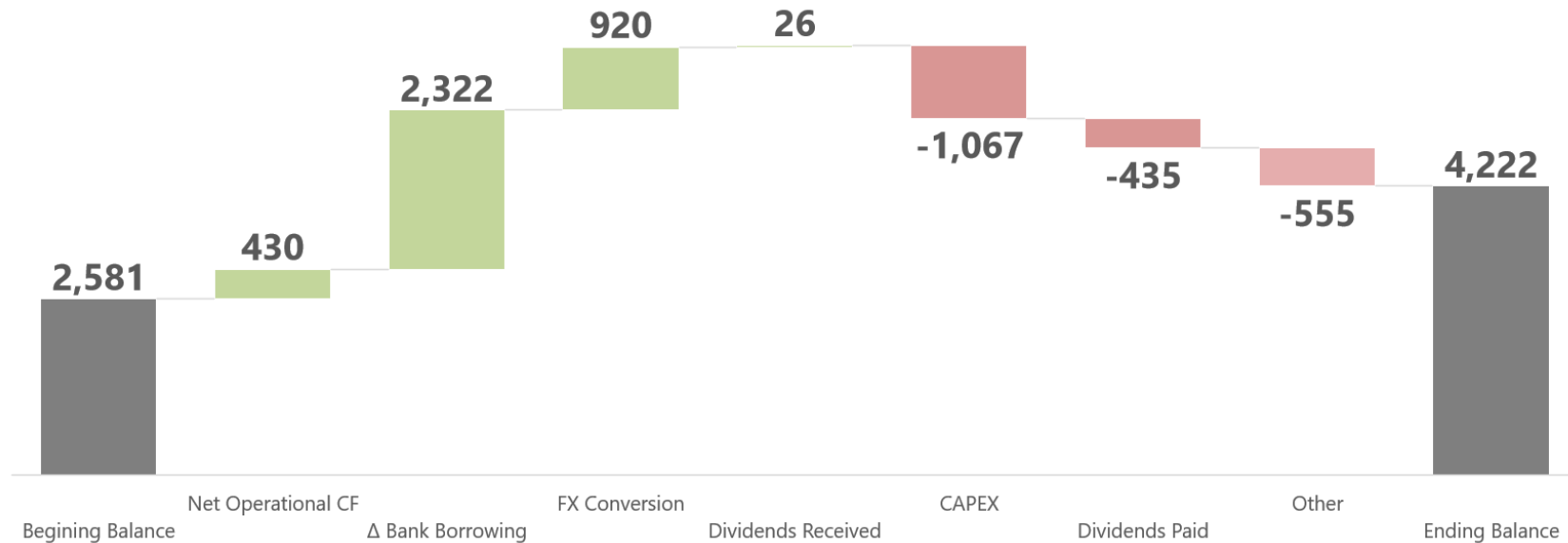
- The primary strategy is on balance sheet hedging mainly through cash, receivables, payables and financial liabilities, and the remaining part is hedged through financial derivatives.

# 2019 Q3 Cash Flow

## 2019 9M



## 2018 9M



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# 2019 Guidance



# 2019 Guidance

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White Goods Market Volume Growth	Global: ~2% Growth Turkey: ~-15% Contraction
Revenue Growth	20-25% in TRY
EBITDA Margin 2019*	Around 10.5%
EBITDA Margin Long Term*	Around 12%

*\*EBITDA margin calculations are inline with the methodology used in calculation of historical values and include IFRS-16 implementation*

# Contacts for Investor Relations

**Polat Şen**

*CFO*

Tel: (+90 212) 314 34 34

**Hande Sarıdal**

*Finance Director*

Tel: (+90 212) 314 31 85

**Orkun İnanbil**

*Investor Relations Manager*

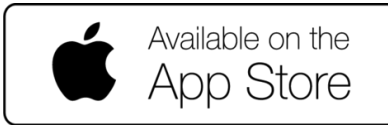
Tel: (+90 212) 314 31 14

**Kerimcan Uzun**

*Investor Relations Specialist*

Tel: (+90 212) 705 96 81

## Investor Relations App



**[www.arcelikas.com](http://www.arcelikas.com)**

[investorrelations@arcelik.com](mailto:investorrelations@arcelik.com)

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# Arcelik

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