

# Arçelik

2020 – 9 Month  
Financial Results

# 2020 Q3 Highlights

- Strong top line growth at 45%
- Higher profitability at all-lines
- Demand recovery across all regions
- Currency tail-wind in international operations
- Strong FCF sustained: TRY1,877 mn. FCF\* in 3Q20
- Further improvement in working capital and leverage despite currency headwind
- Arcelik achieved another milestone in sustainability by going carbon-neutral in global production

TRY11.9bn

Revenue

14.3%

EBITDA Margin

24%

NWC/Sales Ratio

1.2x

Leverage

# We have become carbon neutral !

We became  
**Carbon-Neutral!**

Invest  
**\$50 million** in  
renewable energy and  
energy efficiency

**By 2030**  
Purchase **100%** of  
electricity from  
**renewable sources**

**By 2030**  
Establish  
**15 MW renewable**  
energy systems

Arçelik has become **carbon neutral** in global production in 2019 and 2020 years **with its own carbon credits** has taken another important step in the fight against climate crisis.

With the verified VCS credits obtained from the «Carbon Financing Energy Efficient Refrigerators in Turkey» Project, Arçelik received the right to 305.407 tons of carbon credits.

These credits will be used to offset the GHG emissions generated by Arçelik global production facilities in 2019 and 2020 fiscal years.

*(\*2019 Arçelik global GHG emission: 136.074 tons in total)*

# New Product Line Up: **Hygiene Shield**

**The Purifying Power of Nature**

**beko**  HygieneShield™

**Killing More Than 99% Bacteria & Viruses\***



\* Escherichia coli, Staphylococcus aureus, Human coronavirus 229E, Bovine Coronavirus, Murine Norovirus

Independently tested by  airmid healthgroup.com

APPROVED HYGIENE 

# Hygiene Shield

We address the consumer problems with relevant products



“ I try to clean everything as much as I can and I place most of it in the fridge. ”

“ I actually clean my mobile phone and keys now. I never did that before. ”

“ When I come home, I leave my clothes on the balcony. ”

“ I leave my coat under the sun to disinfect when I come home. ”

“ I handwash less and use the dishwasher at higher temperatures. ”

“ Instead of going to restaurants I'm ordering take away. But is it hygienic enough? ”



Refrigerator



Hygiene Shield Cabinet



Tumble Dryer



Washing Machine



Dishwasher



Oven

The refrigerator is designed with a disinfecting area for packaged food.

The cabinet disinfects goods brought home from outside.

The tumble dryer has been designed to disinfect while drying garments or refreshing infrequently washed items, like jackets.

The washing machine specifically designed with a disinfecting refreshment programme.

The dishwasher is designed with hygiene program for disinfection.

The oven has a specifically designed disinfecting programme for packaged foods, bakery, kitchen tools, etc.

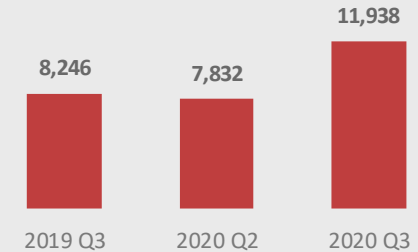
- The new portfolio includes appliances with **in-built disinfection programmes and functions** to disinfect packaged food and belongings to help consumers adjust to the 'new normal' at home.
- Developed as a result of in-depth consumer research conducted across the globe and with innovative new technology, the Hygiene Shield product line has the power to **kill more than 99% of bacteria and viruses (including coronavirus)**.

# 2020 Q3 Key Factors **Sales/Margins**

**Revenue Growth**

**+45%**

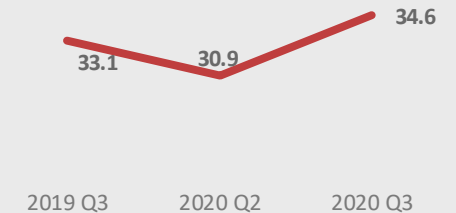
- ↑ Stronger than expected recovery in key markets
- ↑ TRY Depreciation



**Gross Margin**

**34.6%**

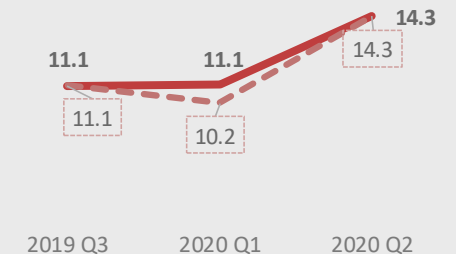
- ↑ Almost 100% CUR in production facilities
- ↑ Weaker USD against EUR and GBP
- ↑ Stable raw material price due to longer contracts



**EBITDA Margin**

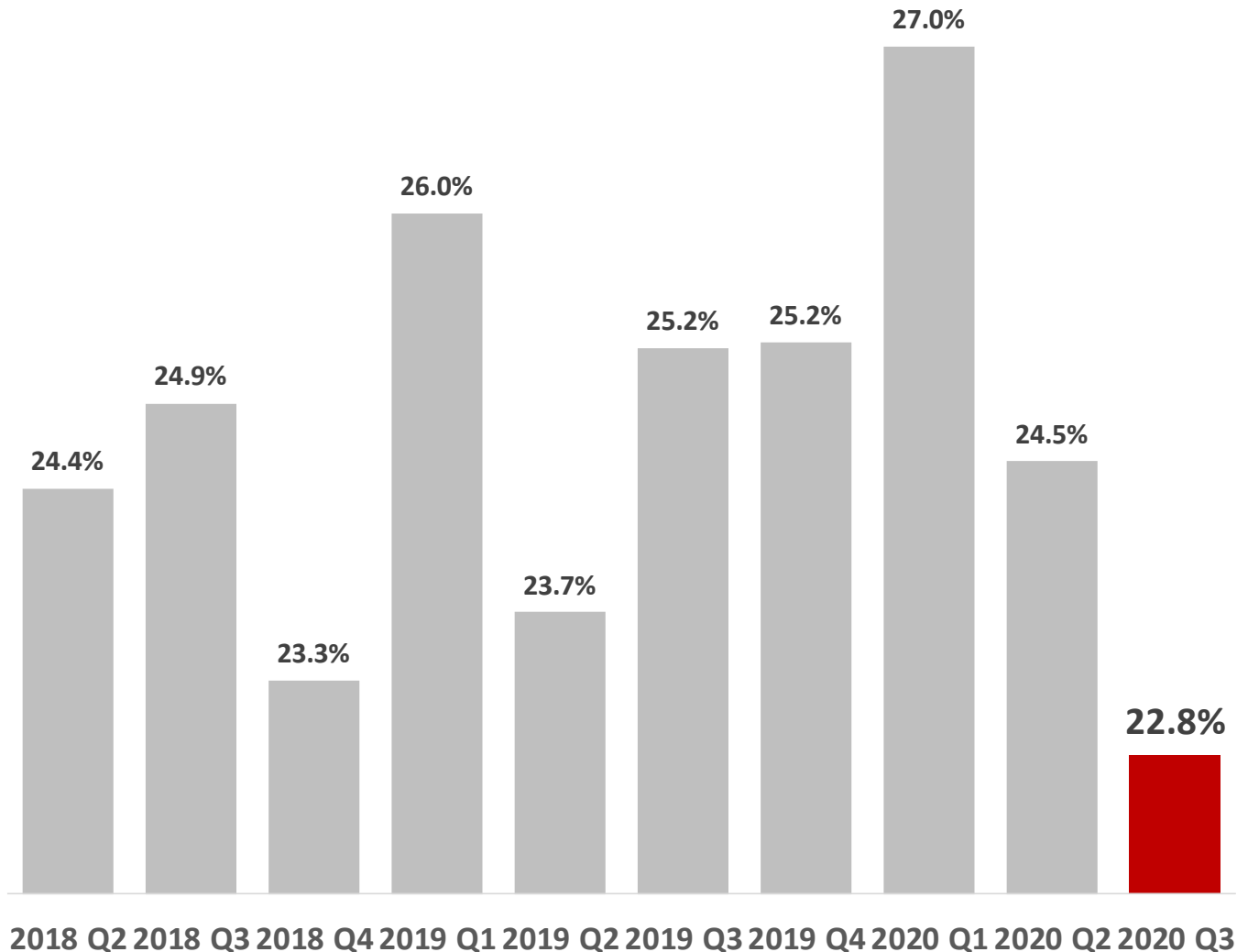
**14.3%**

- ↑ Stricter OPEX Management
- ↑ Higher operational leverage



--- EBITDA margin excluding one off items

# 2020 Q3 Strict **OPEX** Management

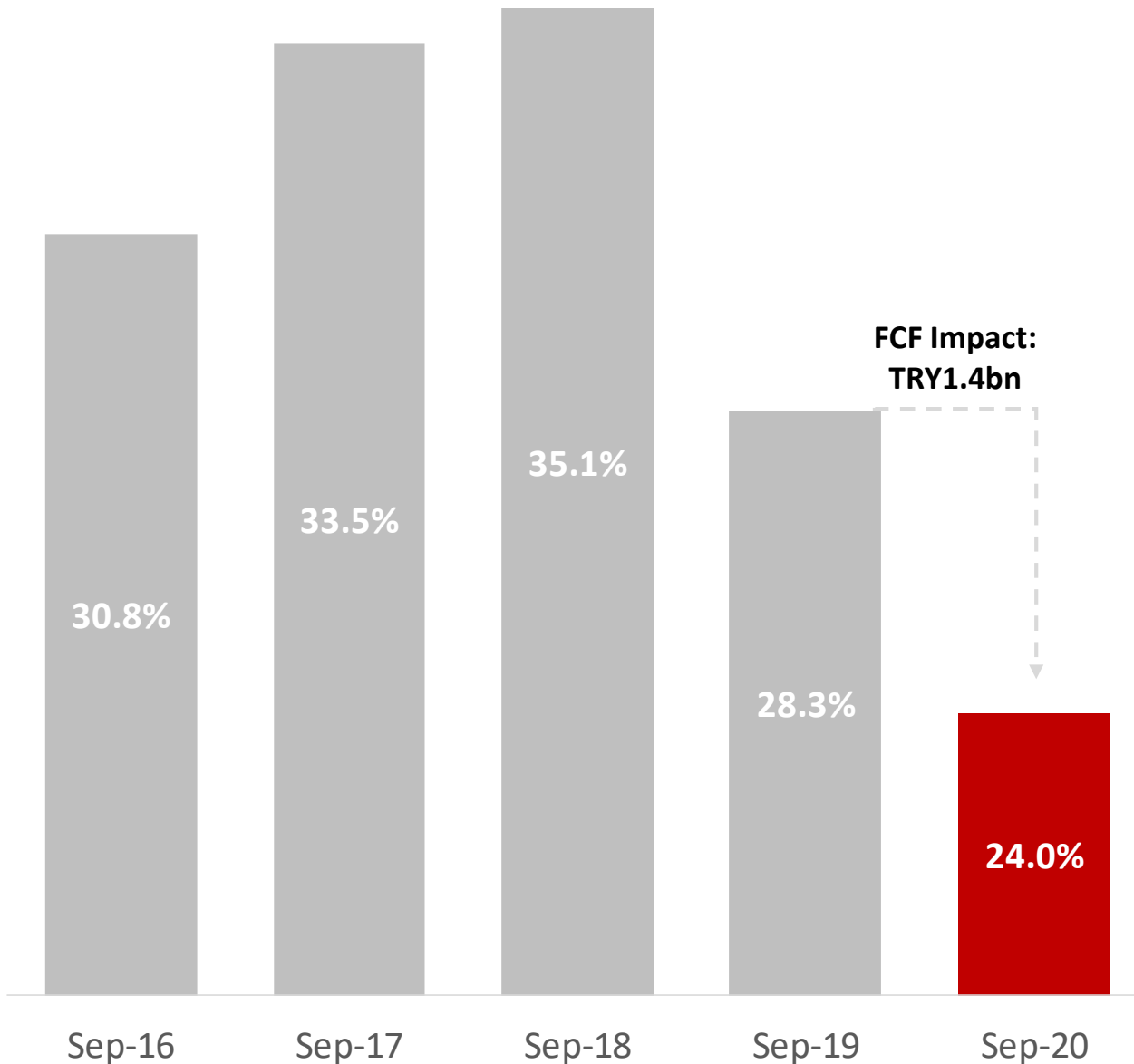


## Further Improvement in OPEX Management

- 170bps QoQ and 240bps YoY improvement
- Positive contribution of higher scale and TRY depreciation to operational leverage
- Strict opex management in all subsidiaries

Resulting in the **lowest OPEX/sales ratio since 2013Q4 !**

# 2020 Q3 Historically Low WC/Sales



## Continuing Improvement in WC Management

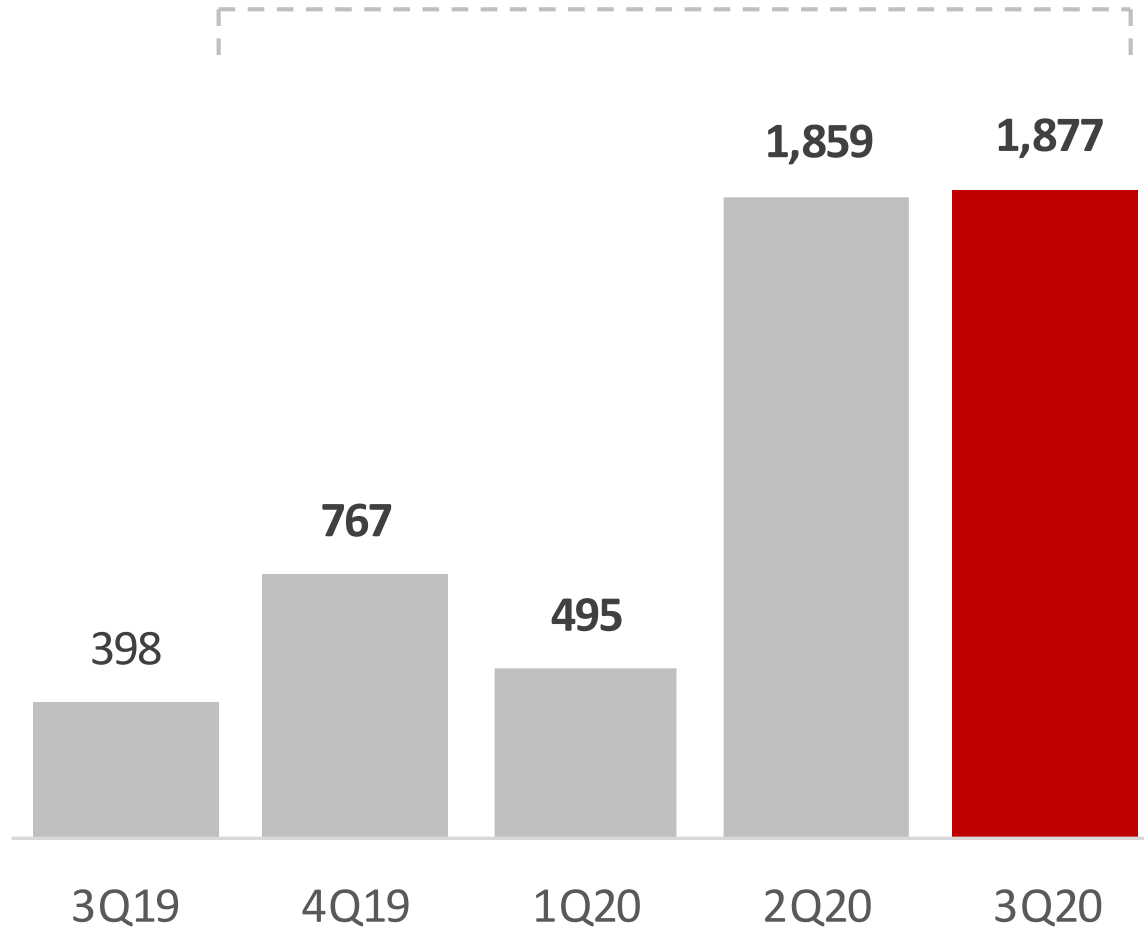
- ~140bps negative impact from currency
- Continue focusing on SKU optimization and inventory management
- Strong receivable collection performance in domestic market



# 2020 Q3 Strong Cash Generation

FCF Generation (TRYmn)

L12M FCF Yield:%26



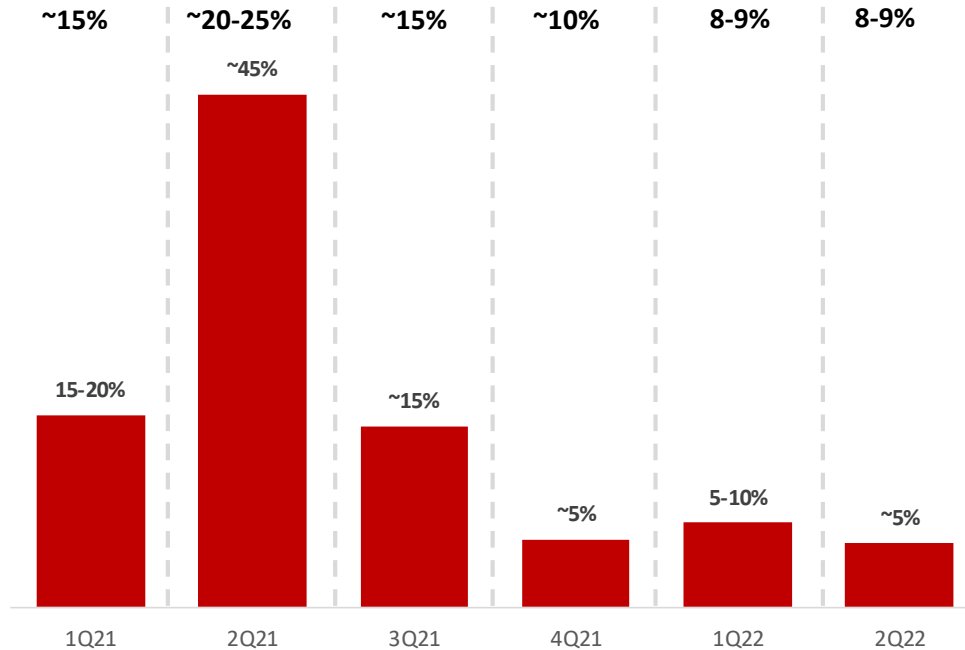
## Strong Focus on FCF Generation

- Highest quarterly FCF at TRY1,877mn
- Strong EBITDA
- Strict OPEX and CAPEX management
- Substantially stronger performance in WCR

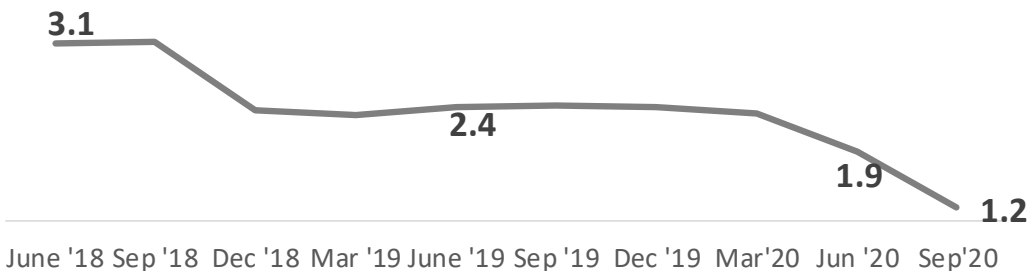
# 2020 Q3 Strong Balance Sheet

## TRY Loan and Bonds Maturity Schedule

Average Cost on TRY Redemptions and Re-Pricing



## Net Leverage

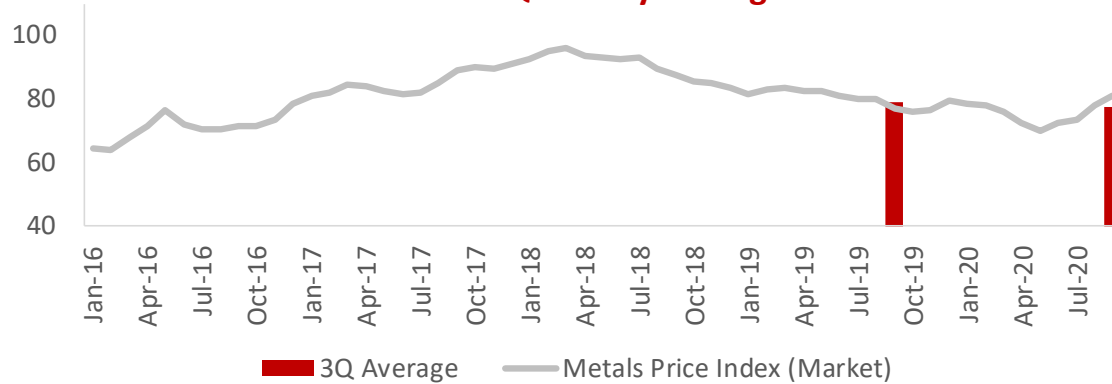


## Existing TRY debt portfolio may benefit from roll-overs in 2021

- Benefit from lower cost of funding in 3Q20
- No roll-overs until 1Q21
- Portfolio will start re-pricing in 1Q21
- Existing loans to be rolled over in 1H21 currently have 15-20% rate on average
- >10% of the portfolio will continue to remain below 10% interest rate in 2021

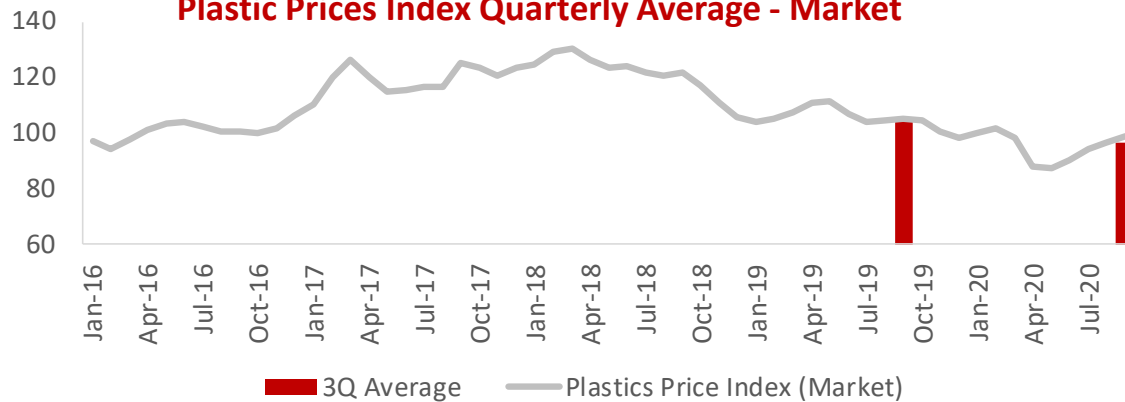
# 2020 Q3 Raw Material Trends

**Metal Prices Index Quarterly Average - Market**



4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20
85	83	82	79	77	77	72	77

**Plastic Prices Index Quarterly Average - Market**



4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20
111	105	110	104	101	100	89	97

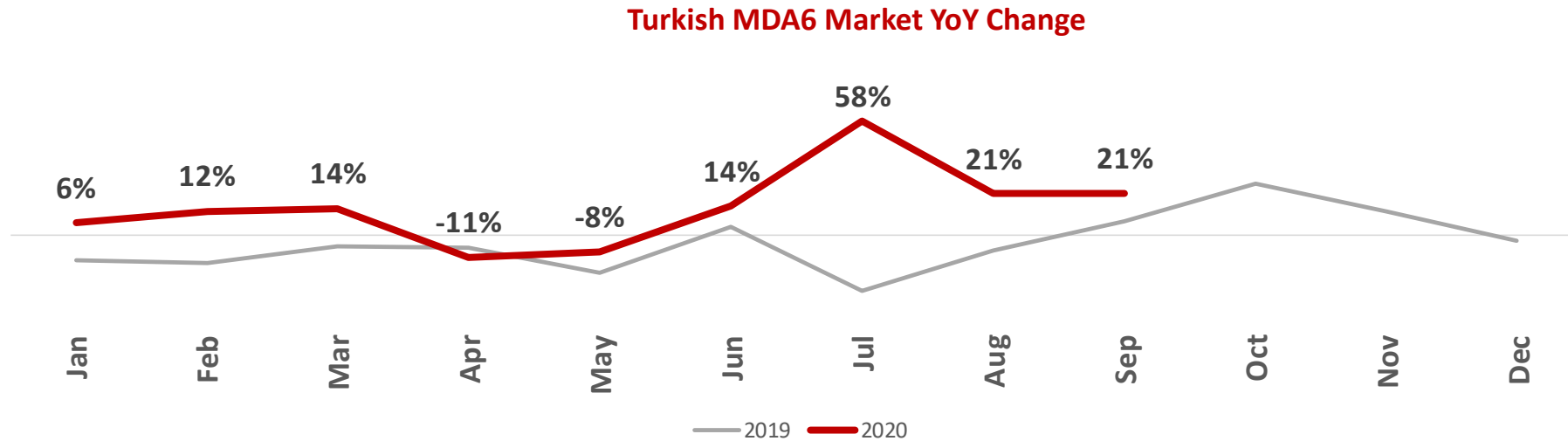
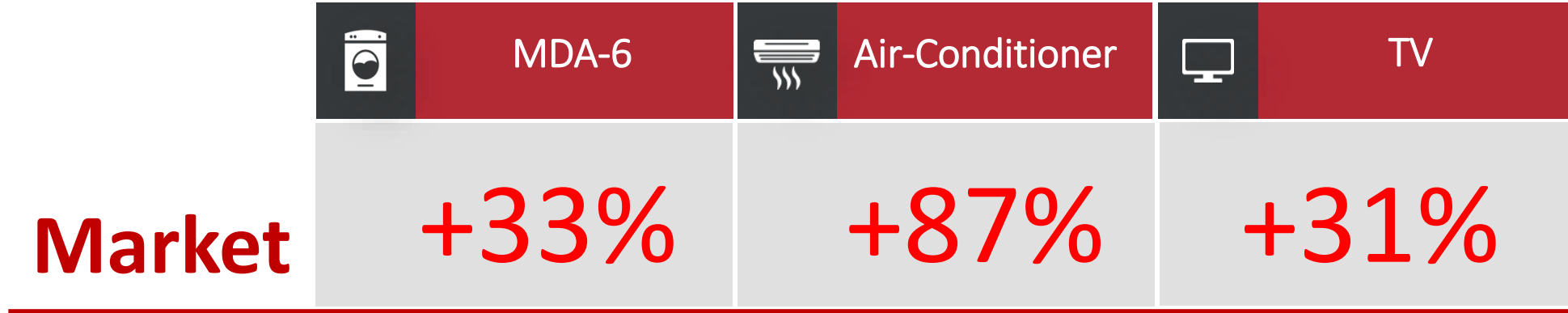
## No Major Cost Pressure Expected for Q4

- Market prices increased by ~10% during the quarter (2Q20-end vs. 3Q20-end)
- Our contract prices remained flat compared to 2Q
- Contracts already secured at favorable prices for 4Q procurements

Source: Steel BB, Steel Orbis, ICIS - Chemical Industry News & Chemical Market Intelligence  
 Metal Index includes: CRC, HRC, Galvanized Steel, Stainless Steel, Copper, Aluminium – Plastics Index Includes ABS, Polystyrene, Polyurethane, Polypropylene

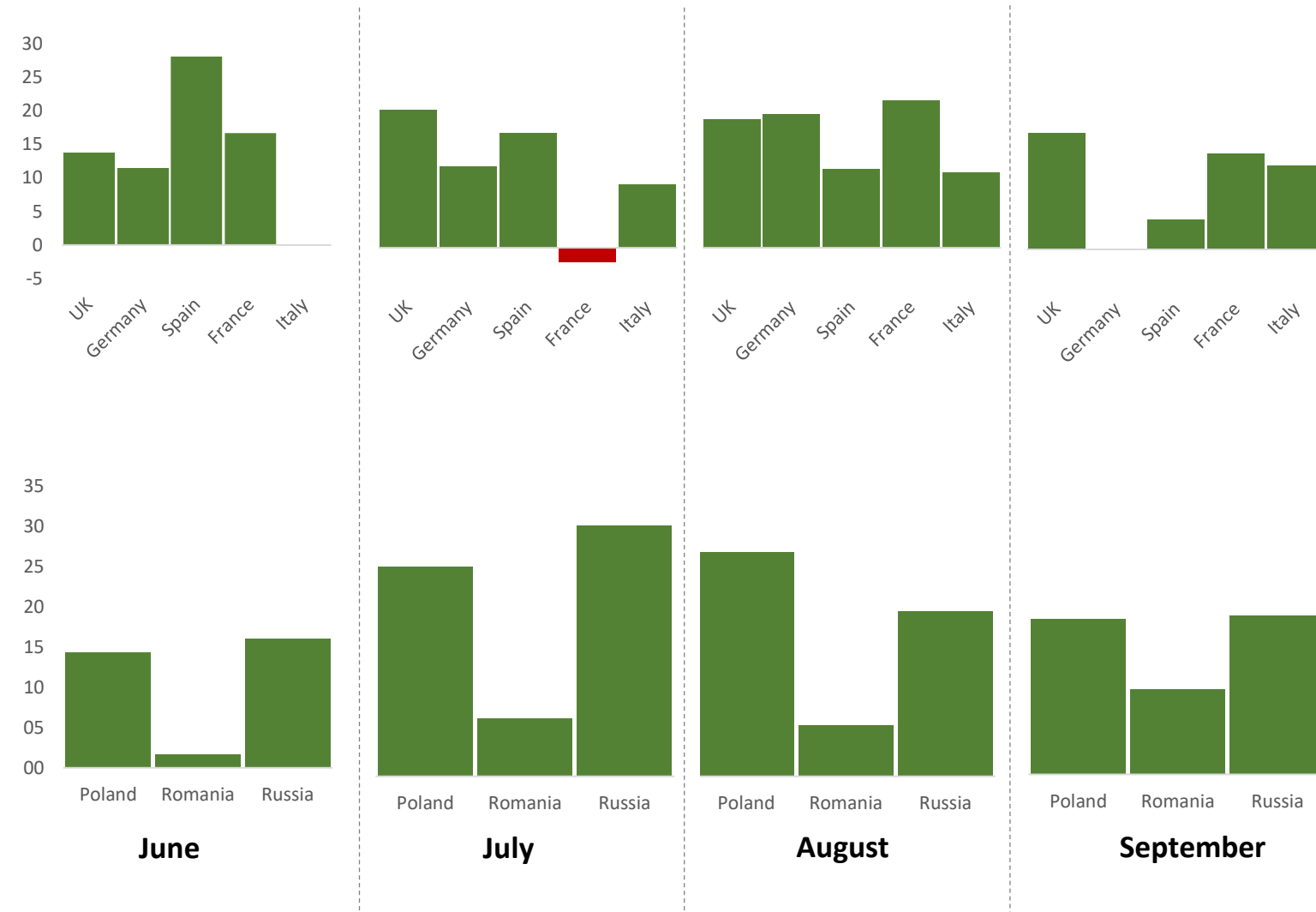
# Regional Market Dynamics

# 2020 Q3 Turkish Market



MDA-6 and A/C data (sell-in) is based on WGMA for 3Q20. TV market reflects the data of a retail panel market for July-August 2020 (September figures are not released yet).

# 2020 Q3 European Market



## Stronger than expected rebound

- Strong rebound during the quarter
- UK and Germany led the growth in W. Europe
- Poland and Russia remained significantly strong
- European markets turned positive in 9M20 period

# 2020 Q3 Arçelik Performance in **International**

42%

Europe

- Strong demand rebound during the quarter (high single-digit sales growth in €)
- Significant revenue growth in **Germany** and **UK**
- Profitability supported by strong EUR, GBP and weak TRY
- Price index improvement in **Germany, UK** and **Poland**

4%

Africa

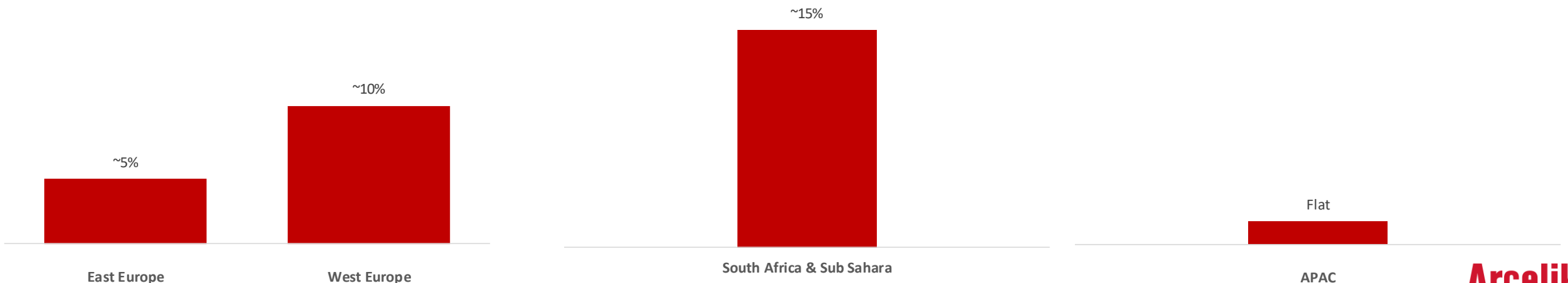
- Remarkable turnaround for **Defy** as sales were up almost 40% (both domestic and exports) in local currency
- Profitability improved (YoY) at all lines for Defy thanks to tight expense control, price adjustments

9%

Asia-Pacific

- ~20% sales increase in **Pakistan** in PKR terms reflecting the pent-up demand after lockdowns in Q2
- Around mid-teens topline growth for **Singer Bangladesh**, following a hard second quarter
- **ASEAN** revenue realized at USD26 mn, indicating to 4% YoY increase.

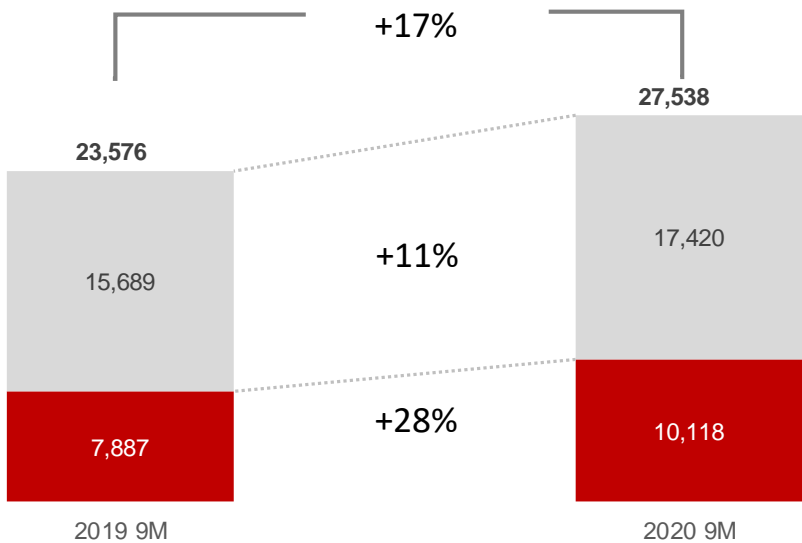
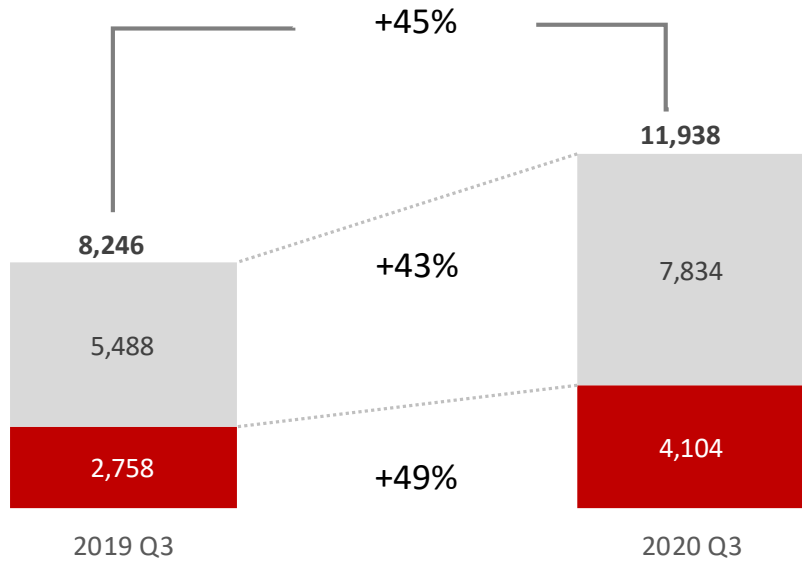
**Arcelik Regional Sales Growth (YoY % in EUR)**



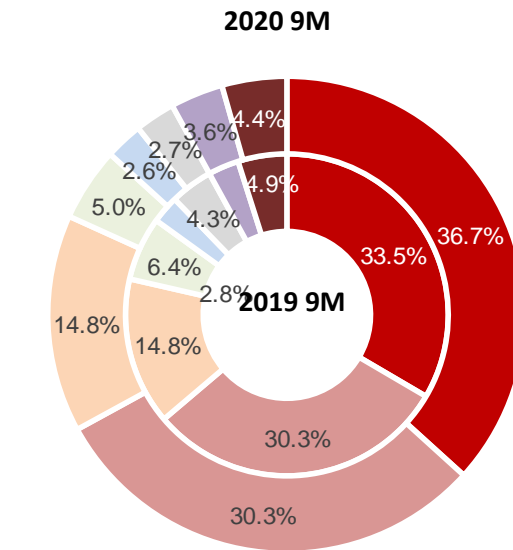
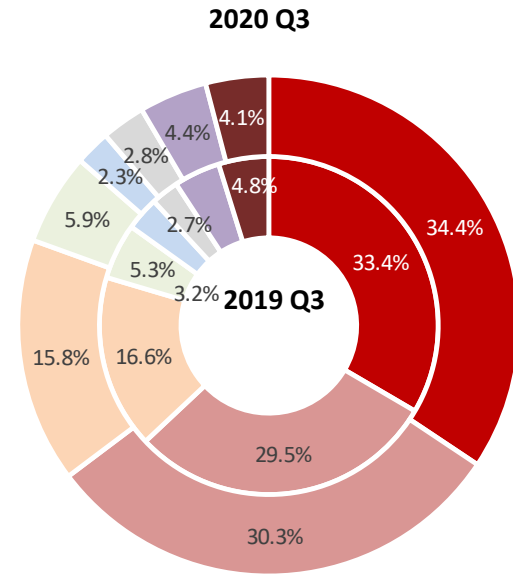
# Sales Performance



# 2020 Q3 Sales by Region

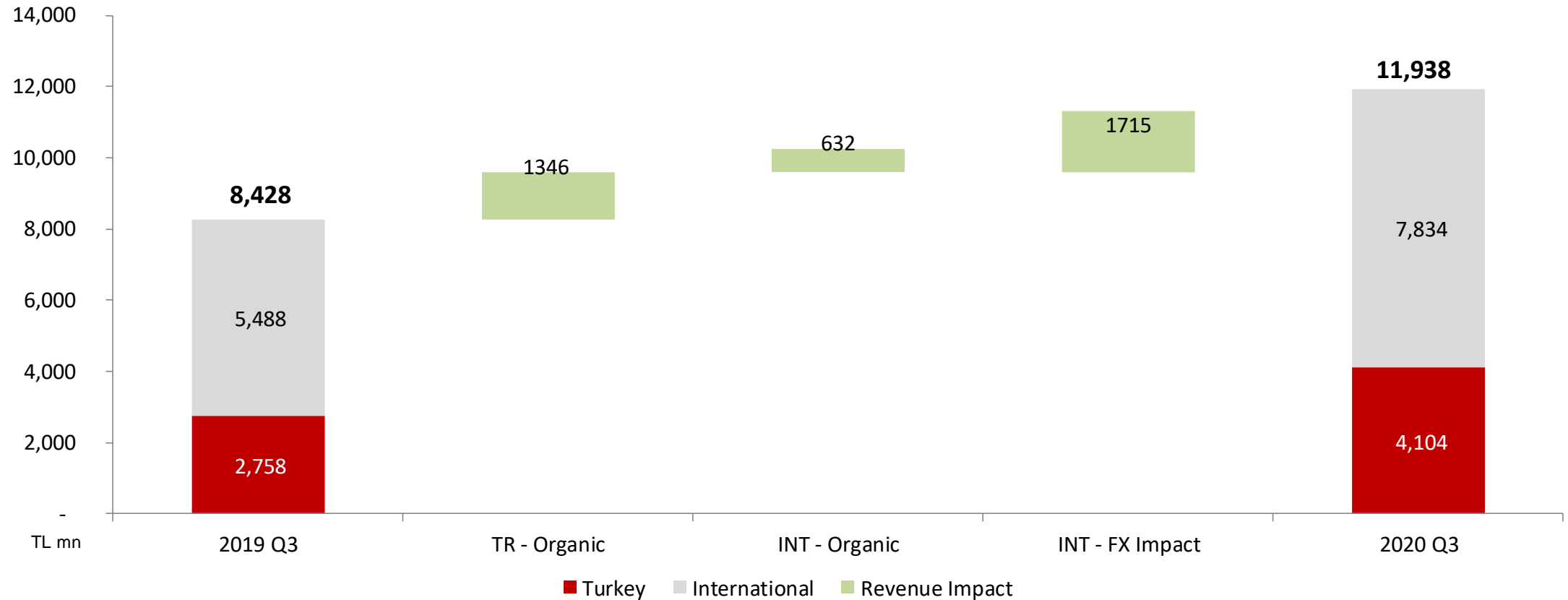


■ Turkey ■ International



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

# 2020 Q3 Sales Bridge



2020 Q3	Organic	Currency Effect	TOTAL
Domestic Growth	48.8%	0.0%	48.8%
International Growth	11.5%	31.2%	42.8%
<b>Total Growth</b>	<b>24.0%</b>	<b>20.8%</b>	<b>44.8%</b>

# Financial Performance

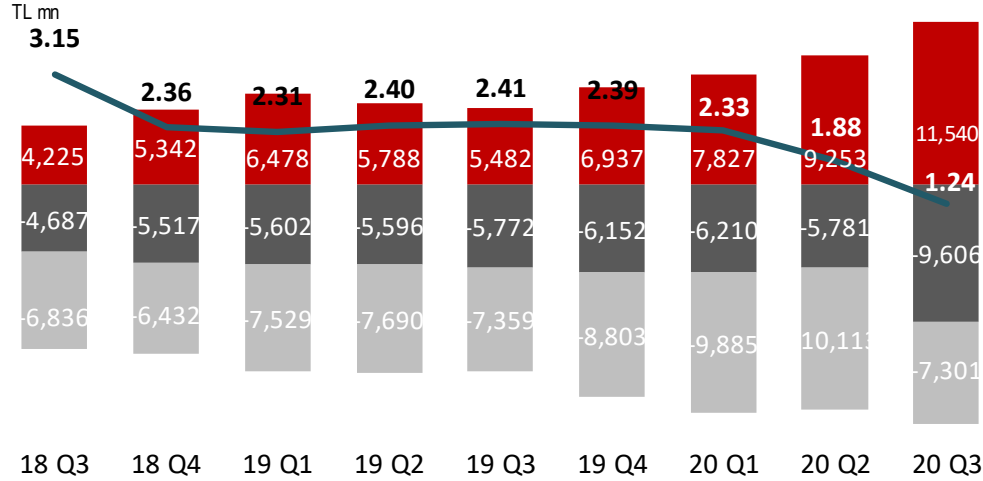
# 2020 Q3 Income Statement

TL mn	2020 Q3	2019 Q3	2020 Q2	Δ% YoY	Δ% QoQ	2020 9M	2019 9M	Δ% YoY
Revenue	11,938	8,246	7,832	45	52	27,538	23,576	17
Gross Profit	4,132	2,725	2,419	52	71	9,021	7,607	19
<i>margin</i>	34.6	33.1	30.9			32.8	32.3	
EBIT *	1,368	644	572	112	139	2,529	1,703	49
<i>margin</i>	11.5	7.8	7.3			9.2	7.2	
Profit Before Tax	1,285	270	526	377	144	2,119	832	155
<i>margin</i>	10.8	3.3	6.7			7.7	3.5	
Net Income**	1,041	253	409	311	155	1,709	711	140
<i>margin</i>	8.7	3.1	5.2			6.2	3.0	
EBITDA*	1,713	914	869	87	97	3,453	2,479	39
<i>margin</i>	14.3	11.1	11.1			12.5	10.5	
EBITDA - ex.one-offs	1,713	914	801	87	114	3,168	2,479	28
<i>margin</i>	14.3	11.1	10.2			11.5	10.5	

\* 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. 2020 Q3 EBITDA is also adjusted for TRY27mn loss arising from sale of manufacturing facility in China

\*\* Net income before minority

# 2020 Q3 Cash & Financial Debt



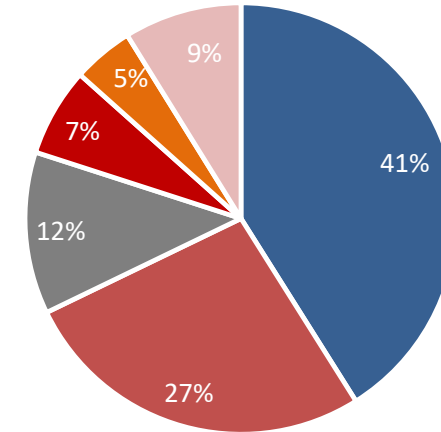
■ Cash and cash equivalent 
 ■ Short term debt 
 ■ Long term debt 
 — Net Debt/EBITDA

## Financial Debt profile (as of Sep 30 2020)

	Effective Interest Rate p.a. (%)	mn Original Currency	TL mn Equivalent
TRY	11.3%	4,212	4,212
EUR	1.0%	204	1,864
GBP	0.7%	7	70
USD	1.8%	40	314
ZAR	5.5%	1,140	525
AUD	3.3%	14	77
RUB	2.0%	110	11
CNY	4.7%	2	2
PKR	8.6%	7,459	349
BDT	8.5%	3,348	308
<b>Total</b>			<b>7,733</b>
USD	5.1%	512	3,997
EUR	4.0%	350	3,198
TRY*	19.1%	1,016	1,016
<b>Total Bond</b>			<b>8,211</b>
<b>Total</b>			<b>15,944</b>

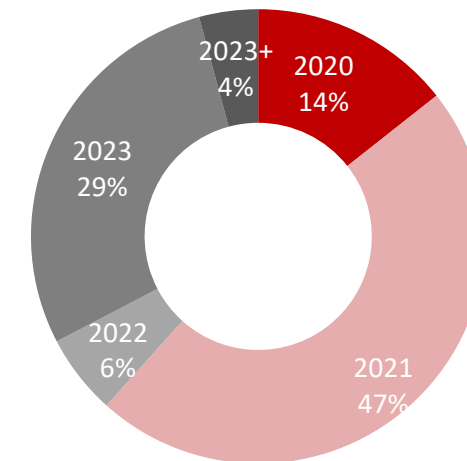
\*Average fixed rate at 19.1% through Interest Rate Swaps

## Cash Breakdown by Currency



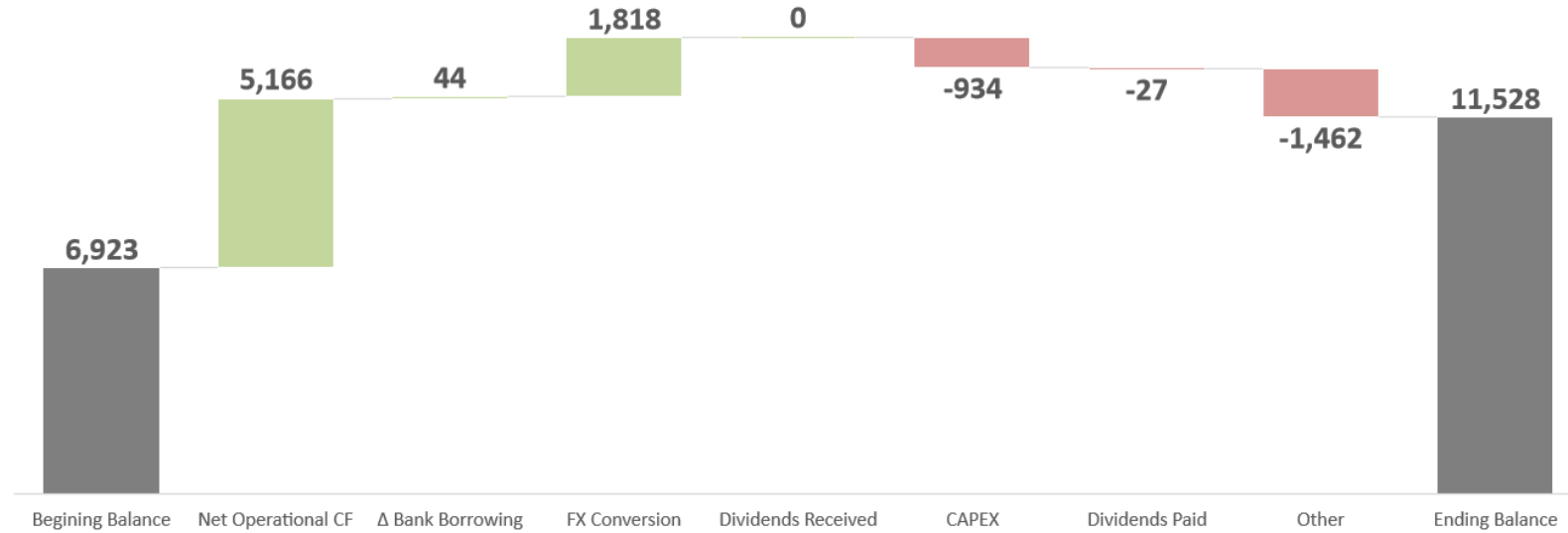
■ USD 
 ■ EUR 
 ■ TRY 
 ■ GBP 
 ■ RUB 
 ■ Other

## Debt Maturity Profile

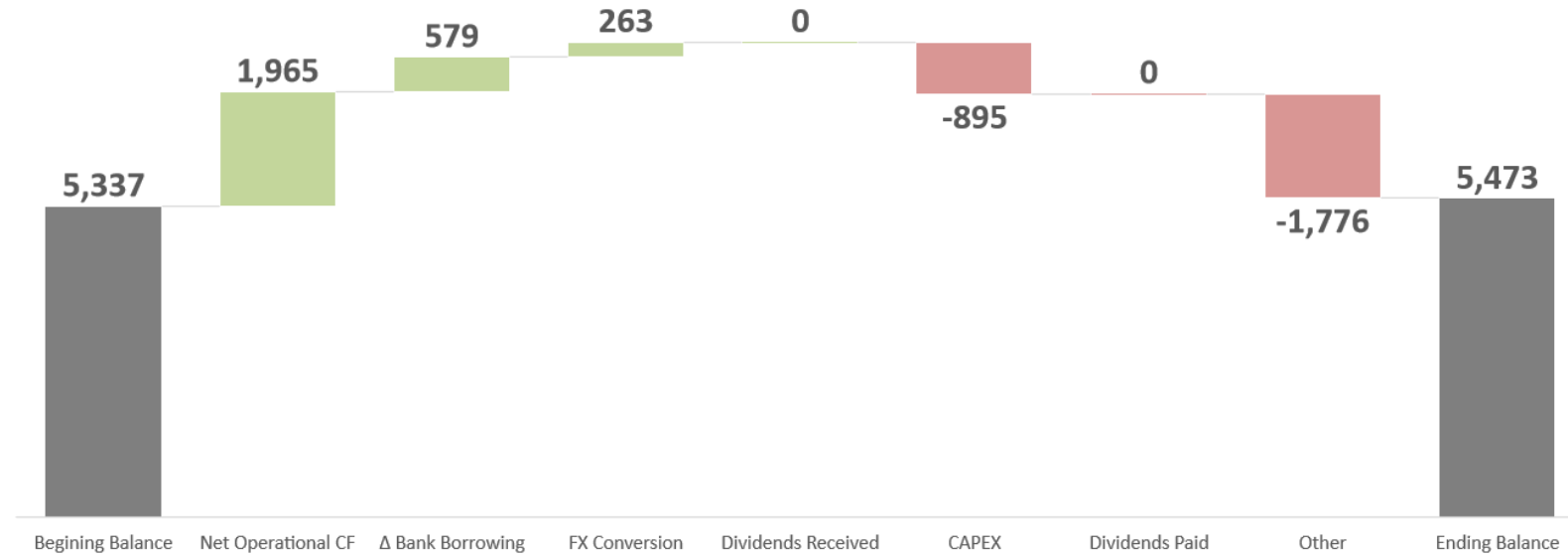


# 2020 9M Cash Flow

2020 9M



2019 9M



# 2020 Guidance

# 2020 Guidance

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## Arçelik Revenue

Turkey (in TRY) 25-30% growth

International (in FX) < 5% decline

} 20-25%  
growth in TRY

*(previous 10-15% growth)*

## Profitability

2020 EBITDA Margin >11.5% *(previous 10,5-11%)*

Long term EBITDA Margin >11.5%

## CAPEX

Around EUR 180 mio.  
*(previous EUR 150-160 mio.)*

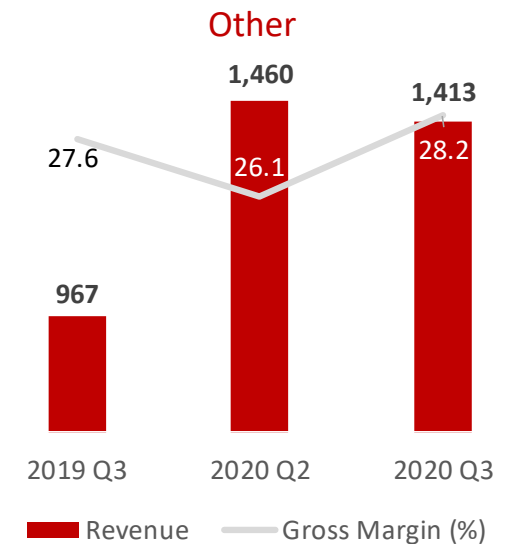
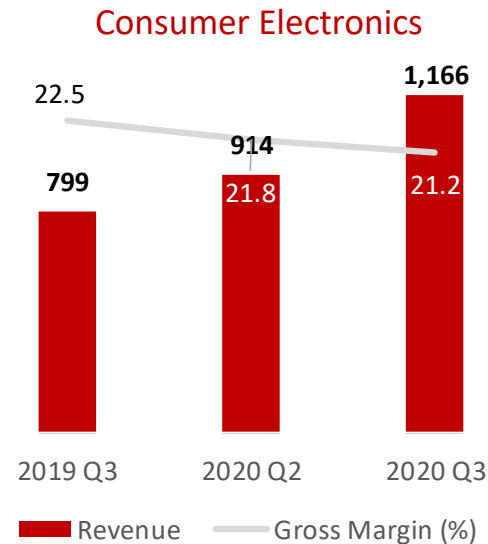
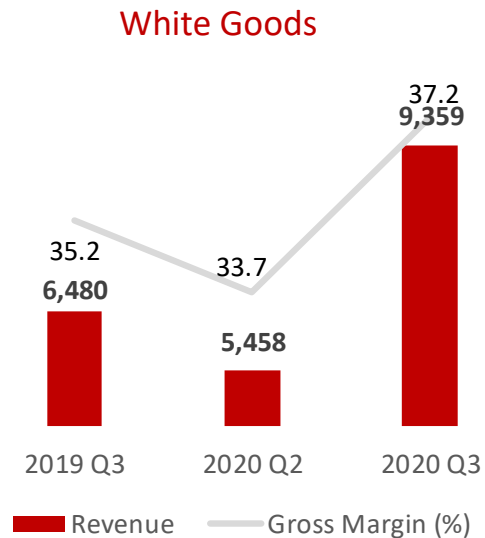
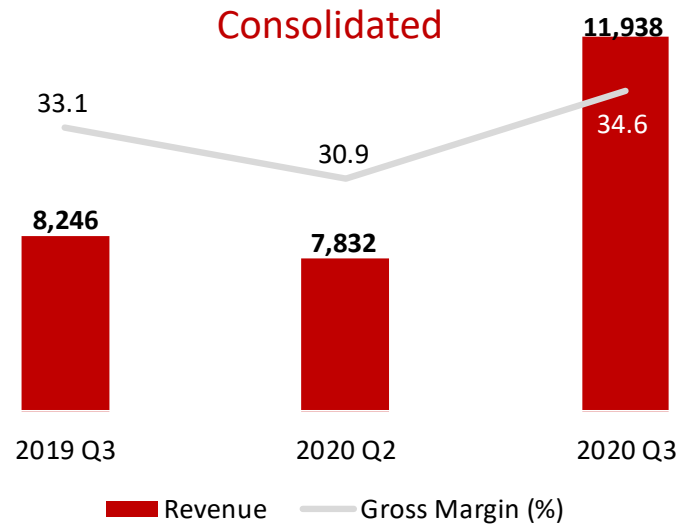
## WC/Sales

< 27%  
*(previous < 30%)*

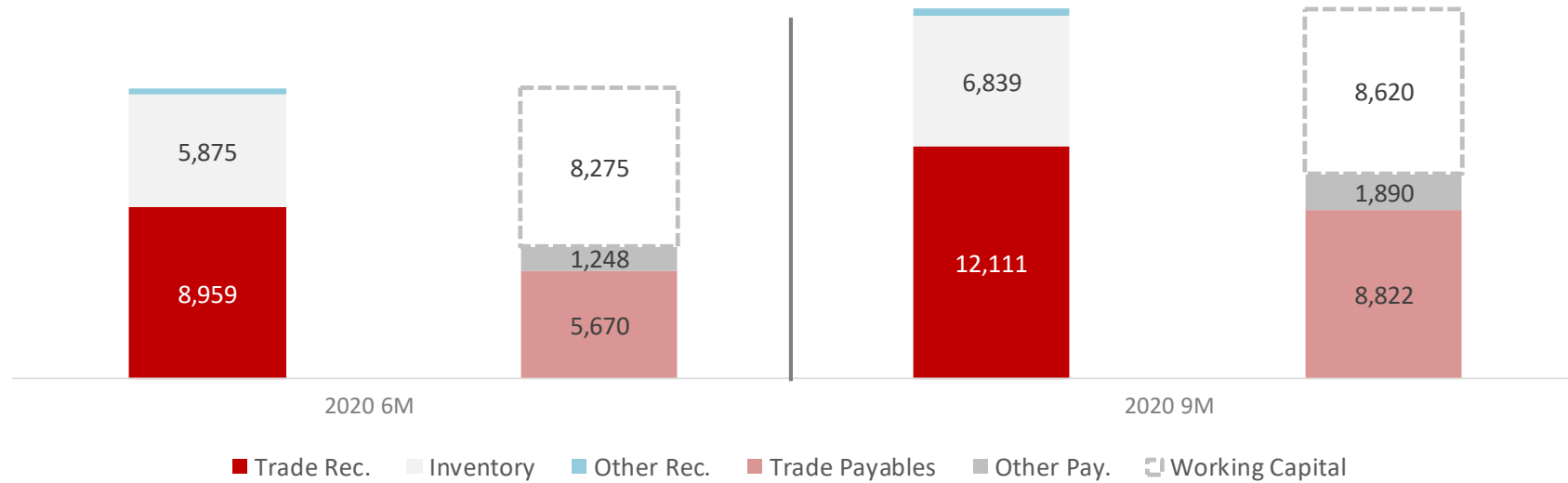


# APPENDIX: Other Financial Statements

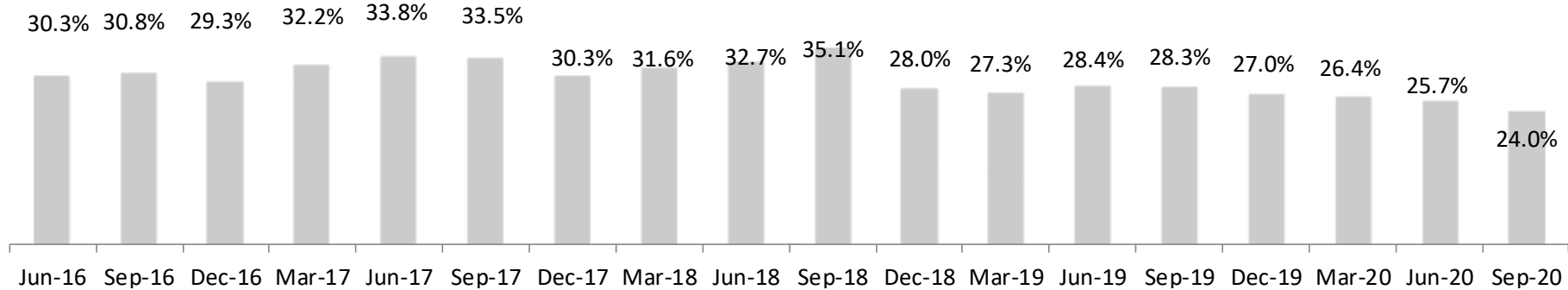
# 2020 Q3 Margin by Segments



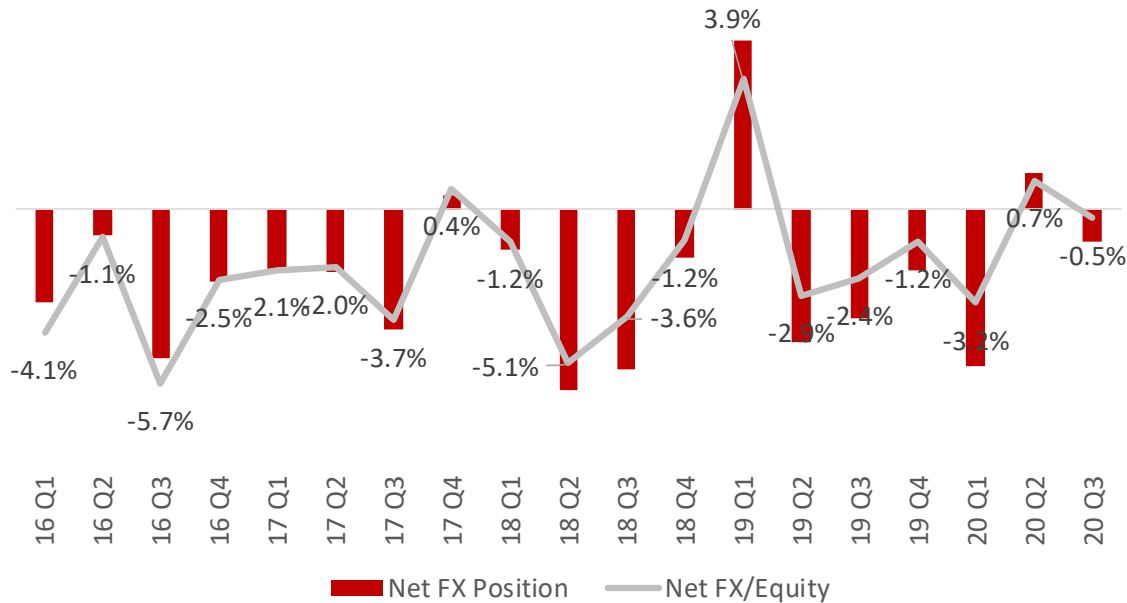
# 2020 Q3 Working Capital



## Working Capital / Sales



# 2020 Q3 FX Hedging



- 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.

(TRYmn)	Before Hedge	Hedged Position	Net Position
EUR	-1,138	1,139	2
USD	-363	219	-144
GBP	996	-990	5
Other	1,057	-983	73
<b>TOTAL</b>	<b>552</b>	<b>-616</b>	<b>-64</b>
<b>Net FX Position/Equity</b>			<b>-0.5%</b>

- 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.

# 2020 Q3 Singer Bangladesh Results

BDT mn	2020 Q3	2019 Q3	2020 Q2	Δ% YoY	Δ% QoQ	2020 9M	2019 9M	Δ% YoY
Revenue	6,272	5,390	2,995	16	109	12,331	13,331	14
Gross Profit	1,599	1,448	830	10	93	3,254	3,681	16
<i>margin</i>	<i>25.5</i>	<i>26.9</i>	<i>27.7</i>			<i>26.4</i>	<i>27.6</i>	
EBIT	746	703	266	6	181	1,222	1,635	18
<i>margin</i>	<i>11.9</i>	<i>13.0</i>	<i>8.9</i>			<i>9.9</i>	<i>12.3</i>	
Net Income	458	440	79	4	480	648	952	12
<i>margin</i>	<i>7.3</i>	<i>8.2</i>	<i>2.6</i>			<i>5.3</i>	<i>7.1</i>	

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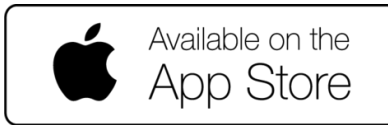
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# Arçelik

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