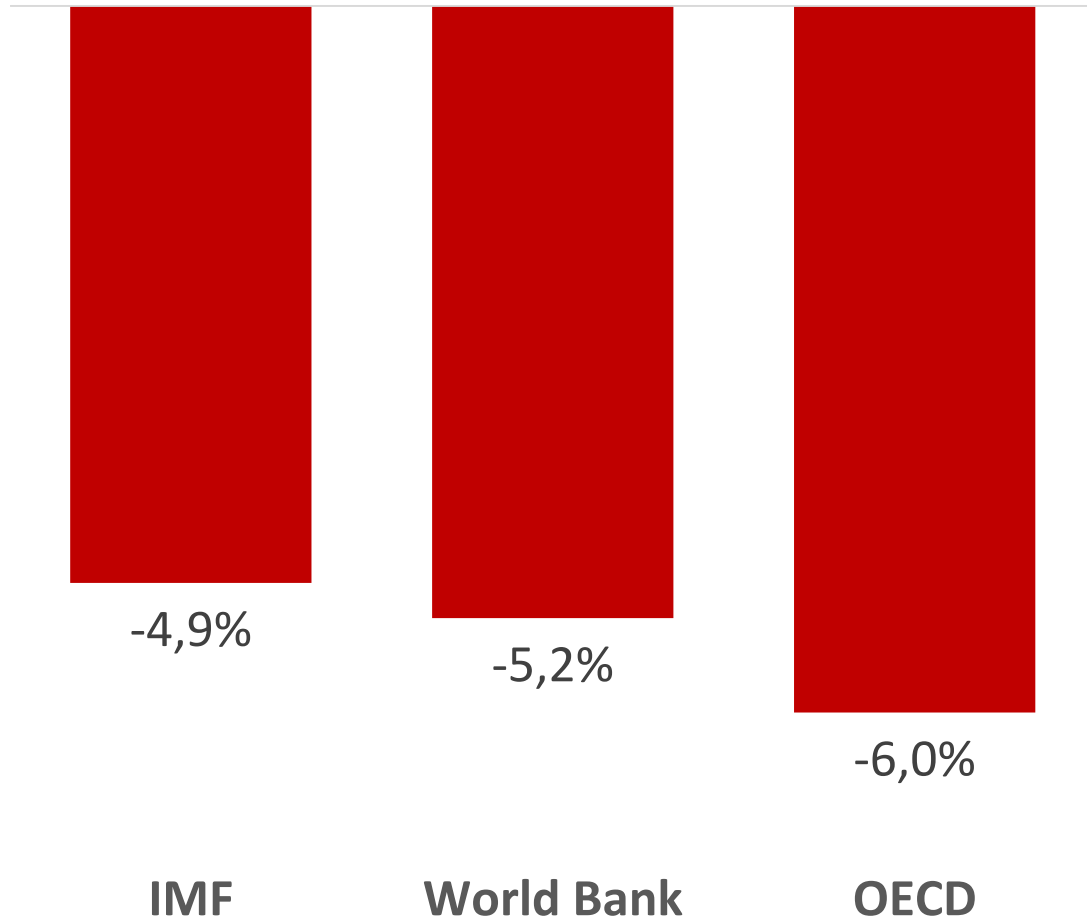


# Arçelik

## 2020 – 6 Month Financial Results

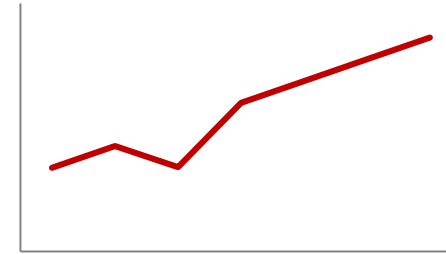
# A Crisis Like No Other: **COVID-19**

## A Deep Global Recession in 2020



## Different Recovery Scenarios

V-Shaped



L-Shaped



U-Shaped



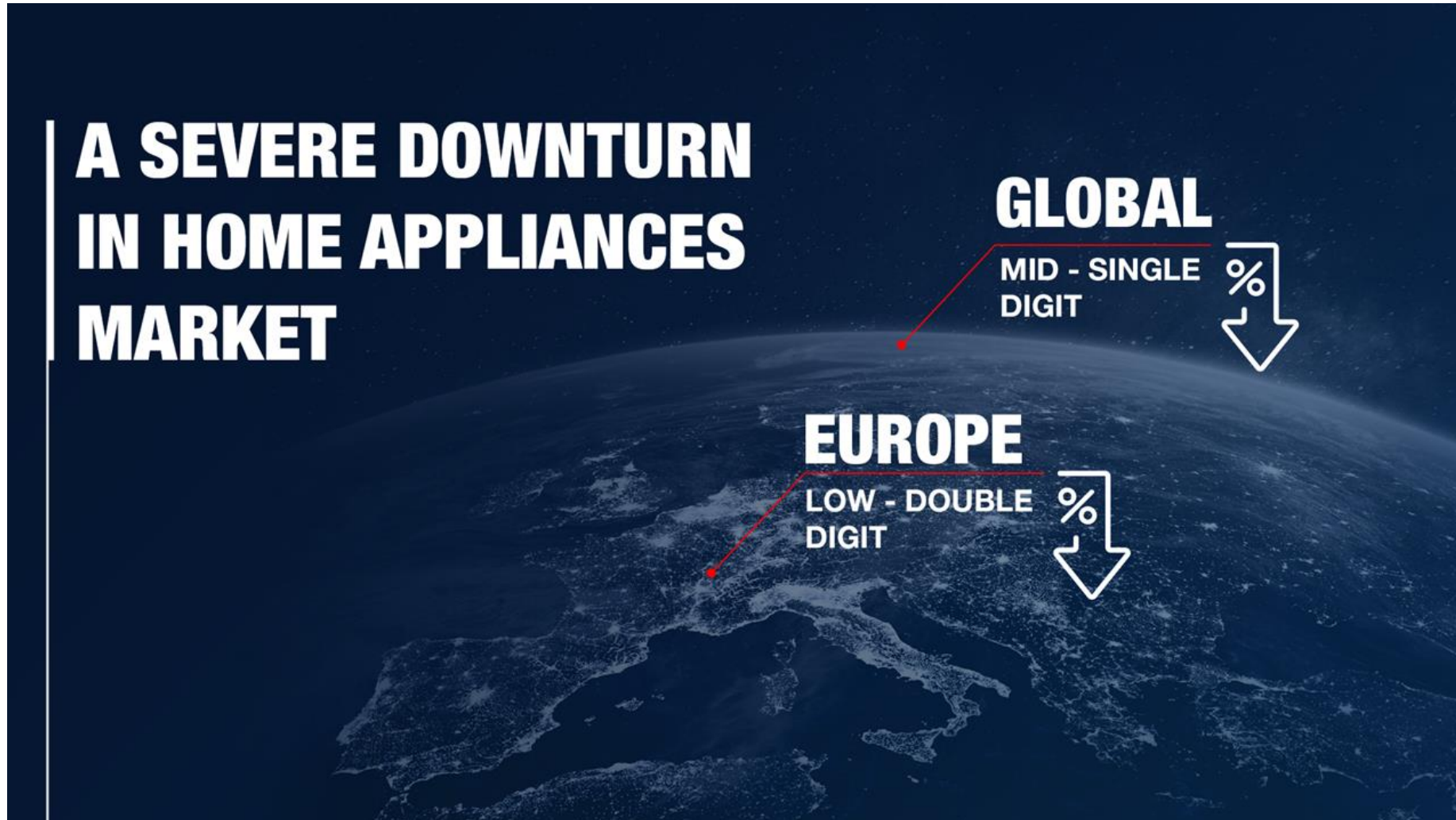
Z-Shaped



W-Shaped



# COVID-19 Impact: Appliance Market



# COVID-19 Impact: **Evolving Needs**

## Evolving Consumer Needs



- Conscious Consumption



- Re-Prioritizing What is Important

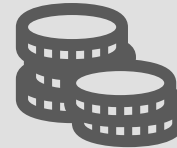


- E-Commerce Boom

## Seizing Opportunities



- Reliability



- Value for Money



- Resource Efficiency

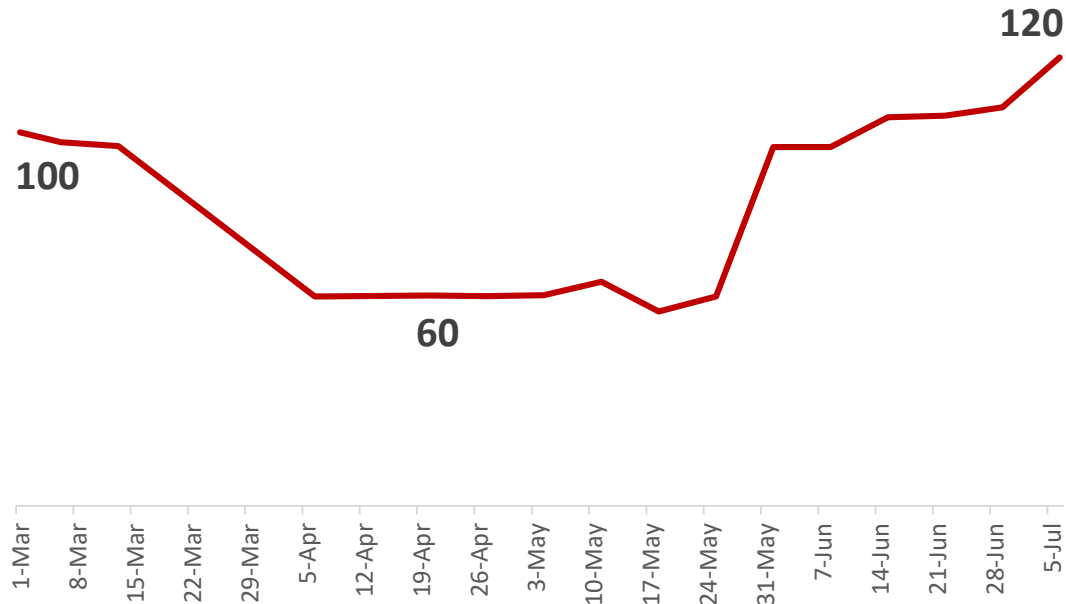
# COVID-19 Impact: **Building Resilience**

## Solid Business Continuity

In our production facilities, all necessary precautions were taken at world standards and production was maintained with maximum capacity.

- Utilizing 90% Capacity with World Class Protective Measures

**Daily Production Capacities**

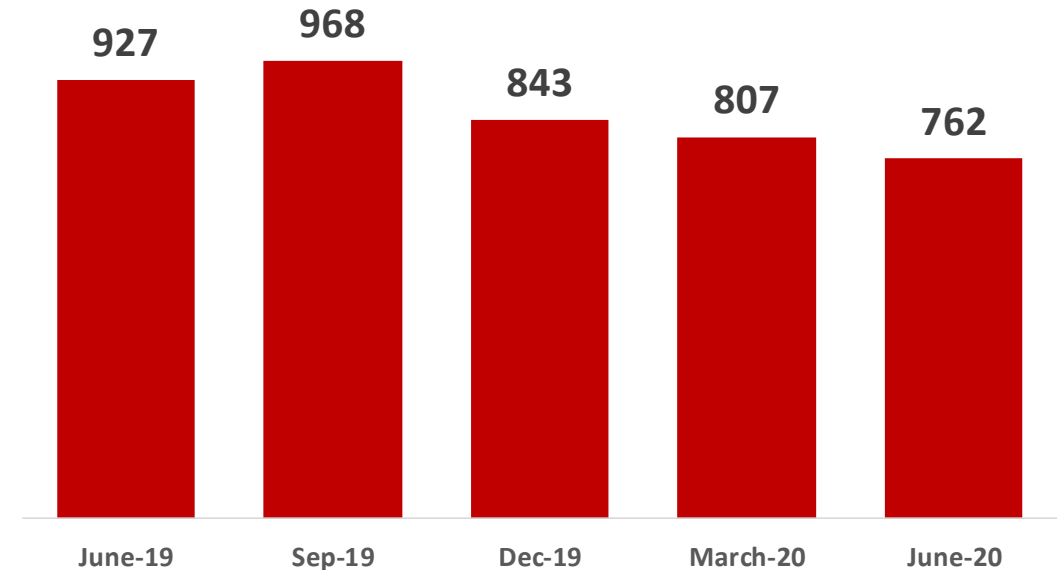


## Inventory Optimization

Consolidated inventory value was reduced to EUR 762 mio. with effective stock management

- Around 18% improvement compared to last year

**Inventory (EURmn)**



# COVID-19 Impact: **Serving Communities**

## Ventilator Production

- The project started on March 25, the first prototype was produced on March 31, mass production began on April 25, and 5,000 ventilator production was completed on June 20.
- **Nearly 3.000 ventilators have been exported.**
- Arcelik donated 59 ventilators to different countries.



Turkey, Brazil, Azerbaijan, Uzbekistan, Chad, Niger, Bangladesh, Somalia, Afghanistan, Nigeria, Dagestan, UAE, Libya, Syria, Romania, Philippines, Ukraine, Russia, Kazakhstan, Indonesia, Pakistan, Kenya, S.Africa

## Hospital Donations

- In **Turkey**, more than 2000 Arcelik and Beko brand products were donated.
- Nearly 8,800 products were donated to more than **550 hospitals in 20 countries.**



Turkey, Romania, France, Spain, Poland, Kosovo, Serbia, Bosnia and Herzegovina, Slovenia, Philippines, Ukraine, United Kingdom, Czech Republic, Ghana, Thailand, Nigeria, Angola, Germany, Pakistan, Bangladesh



# COVID-19 **Arcelik "New Normal" Program**

- 1 Identifying the changing consumer habits and behaviours; re-designing the brand approach to fulfil their needs
- 2 Creating a more competitive and profitable product portfolio to fulfill the needs in hygiene, quality and lifestyle based on shifting consumer behaviour
- 3 Growing e-commerce in potential markets, deploying the new e-commerce strategy in 2020
- 4 Transition to «New Normal» and ensuring health and safety of the employees and the business continuity in production and offices in the following 12-36 months



# 2020 Q2 Highlights

- Limited top line contraction at 7%
- Slight decline in gross margin due to lower CUR (QoQ)
- ~2.5ppt QoQ improvement in OPEX/Sales
- One-off contribution of ~TRY67mn in EBITDA
- Strong FCF sustained: TRY1,859 mn. FCF\* in 2Q20
- Improvement in working capital and leverage in a challenging environment
- Arçelik is now among the supporters of TCFD (Task Force on Climate-related Financial Disclosures)

TRY7.8bn

Revenue

11.1%

EBITDA Margin

26%

NWC/Sales Ratio

1.9x

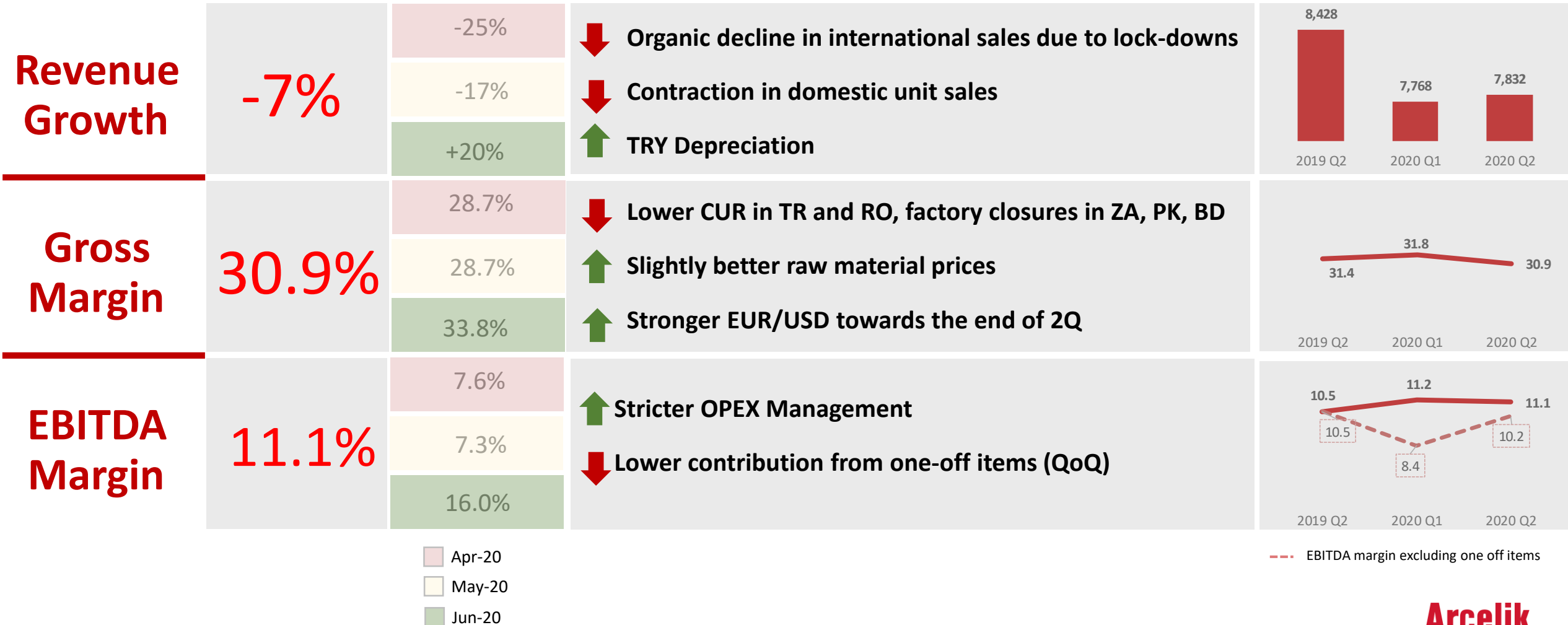
Leverage

Arçelik

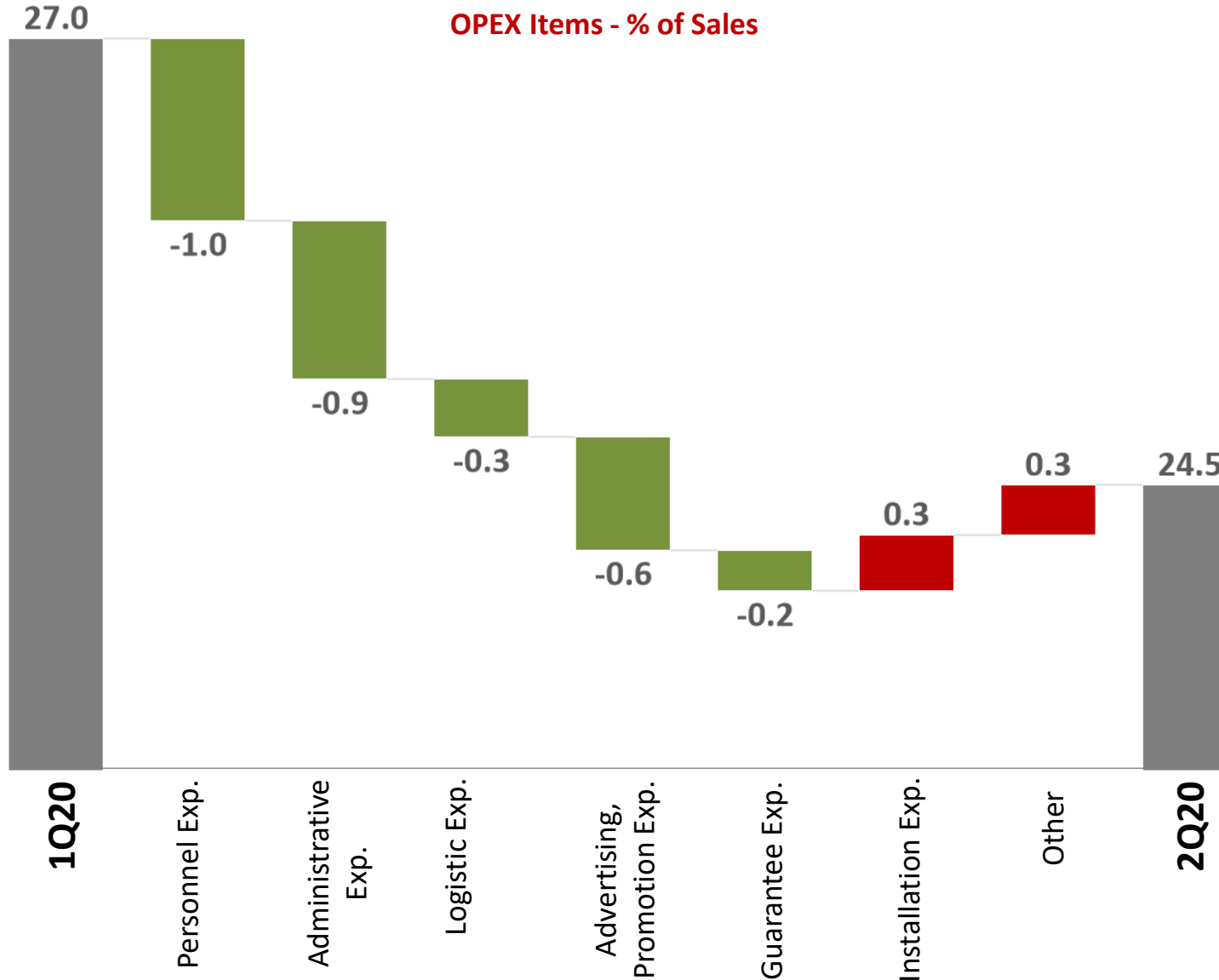
\* Free Cash Flow calculated as Net Operating Cash Flow + CAPEX



# 2020 Q2 Key Factors **Sales/Margins**



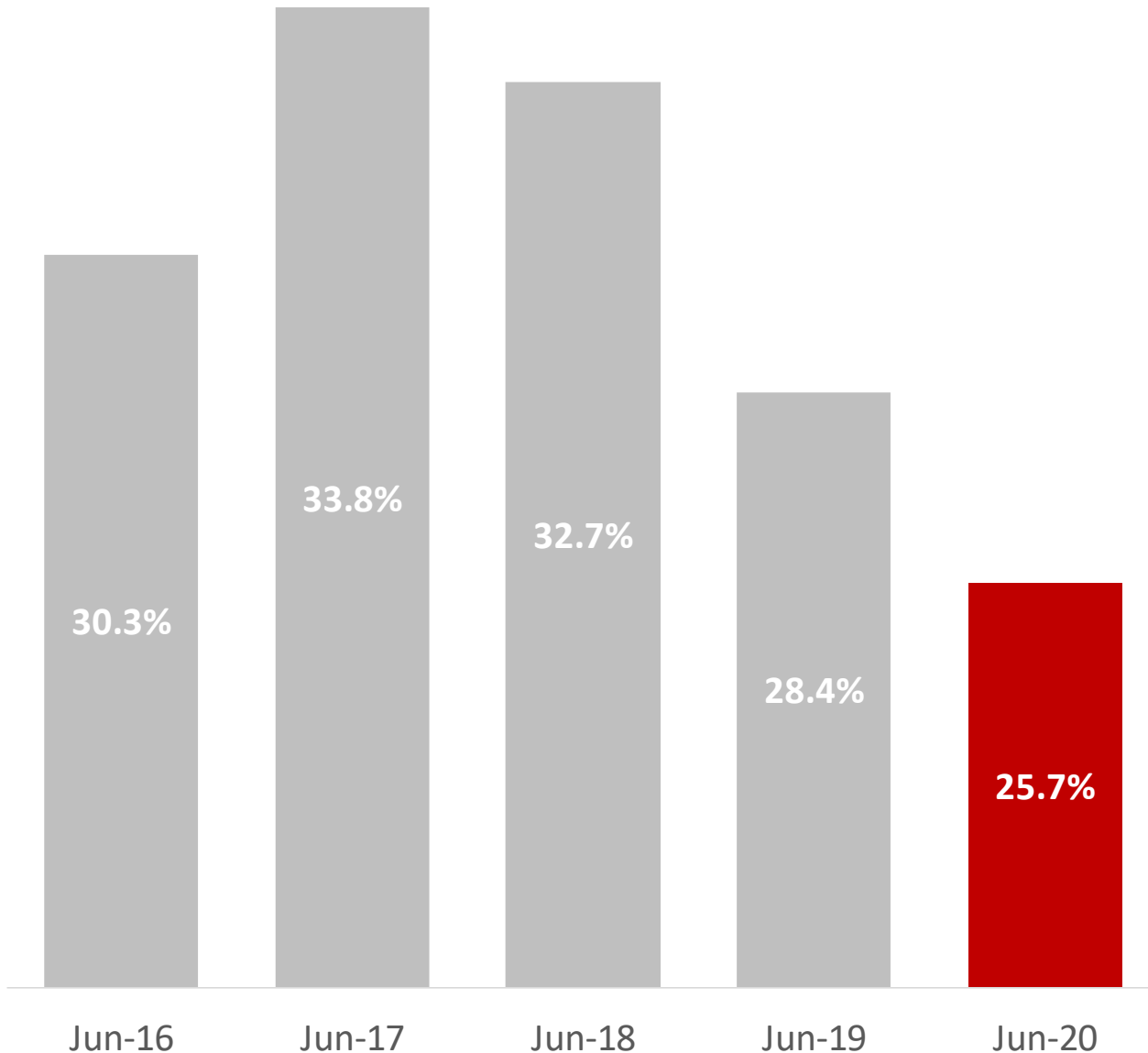
# 2020 Q2 Improvement in **OPEX/Sales**



## Successful Cost-Cutting Measures

- Support of government incentives
- Significant cut in administrative expenses
- Lower marketing investments, cancellation of some trade fairs
- Better inventory management
- Measures taken and rebound in revenue in June led to lowest monthly OPEX/Sales since 2013.

# 2020 Q2 Historically Low WC/Sales

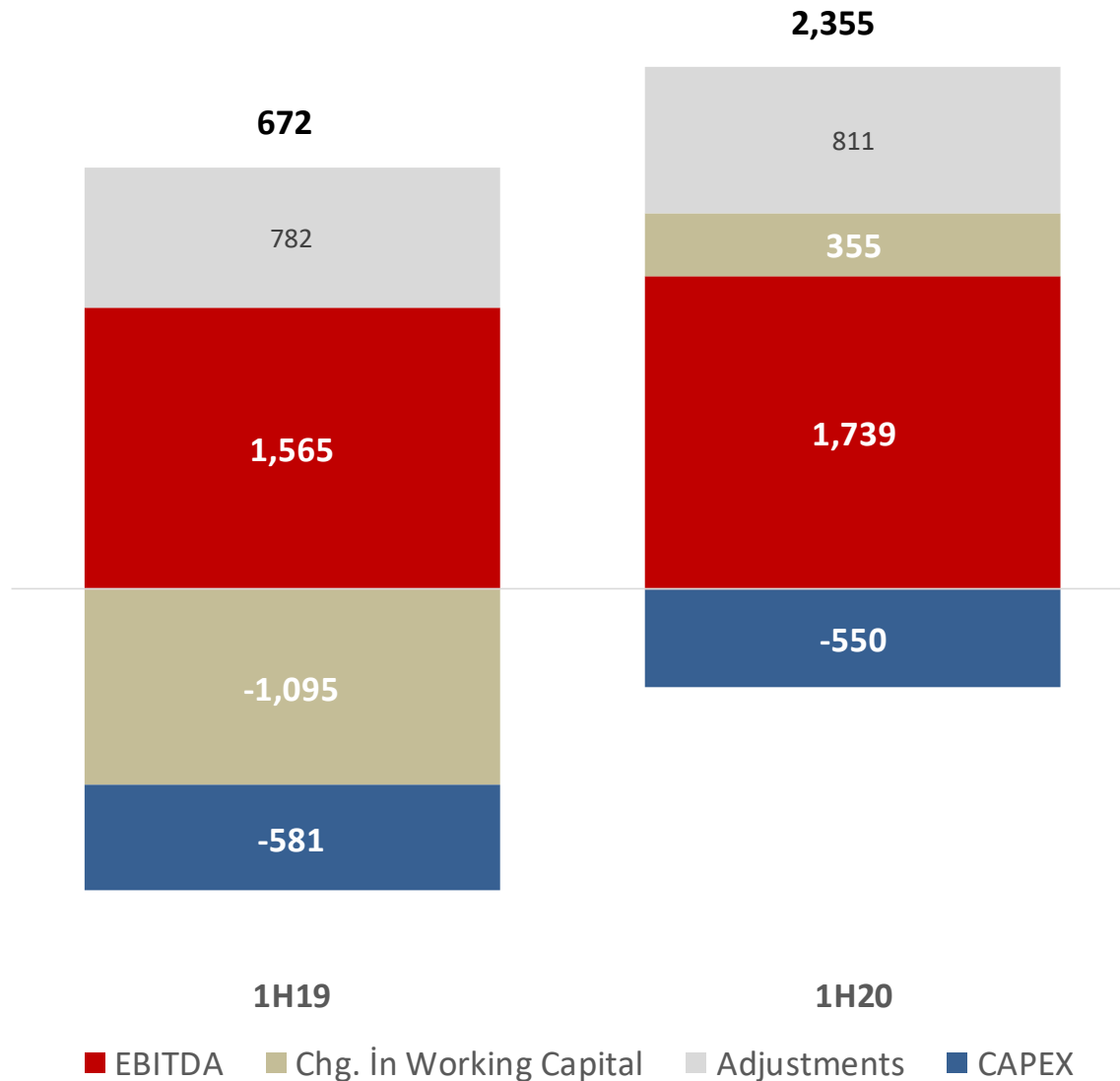


## Continuing Improvement in WC Management

- Decreasing receivables days in domestic market
- Continuation of measures in inventory management, such as SKU optimization, elimination of aged inventory and toxic SKUs
- Achieving better terms from large, international suppliers
- Supplier financing programme

# 2020 H1 Strong Cash Generation

FCF Generation (TRYmn)

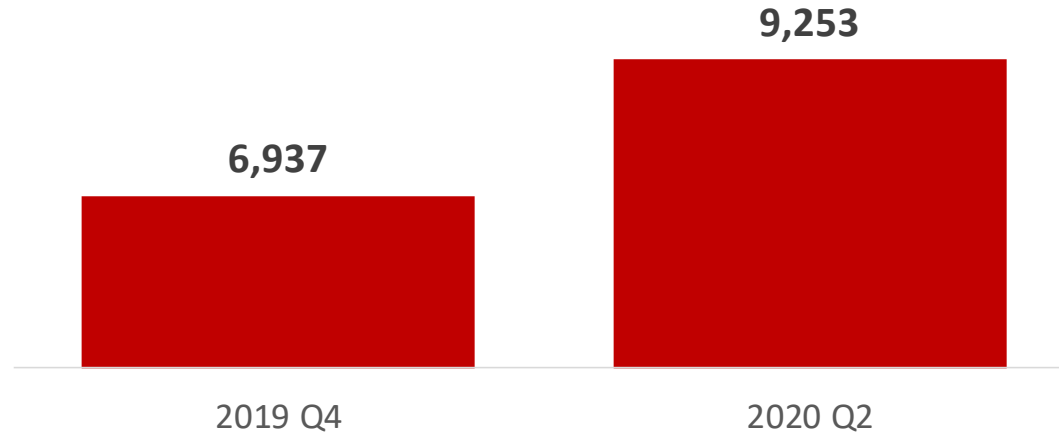


## FCF Performance Further Improved

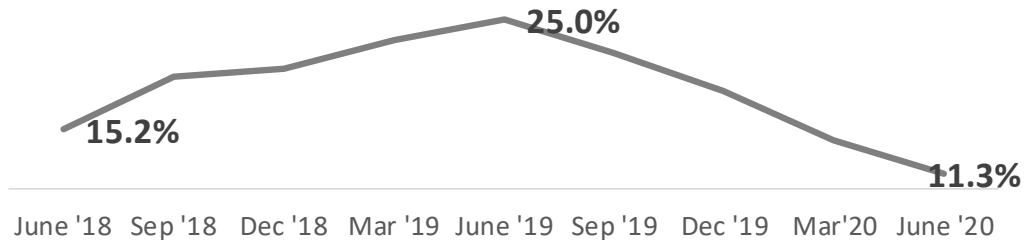
- Higher EBITDA generation in 1H20 in TRY terms
- Slightly lower CAPEX in TRY, ~15% decline in EUR
- Substantially stronger performance in WCR

# 2020 Q2 Strong **Balance Sheet**

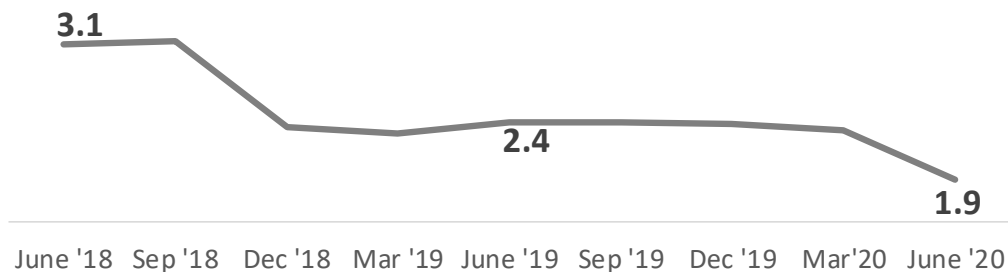
Cash and Equivalents (TRYmn)



TRY Average Interest Rate (Period End)



Net Leverage



## FCF Performance Further Improved

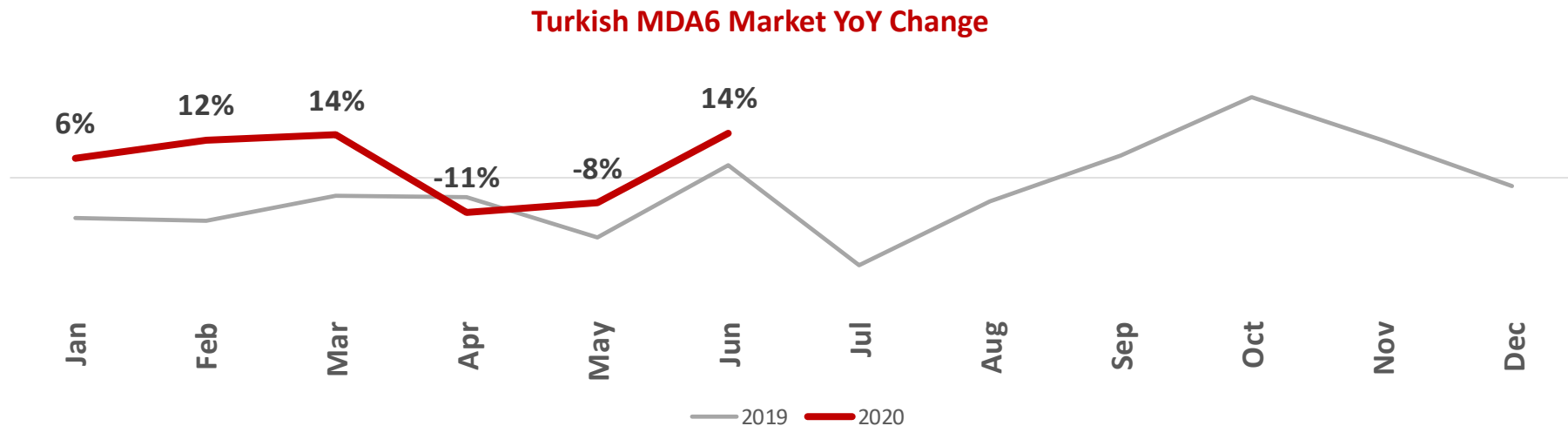
- TRY 9,3 bln. in cash (80% in hard currency)
- Undistributed dividend of TRY 500 mio. and Token sale of TRY 310 mio. to support liquidity
- Successfully rolled over H1 TRY-redemptions and have also done prefinancing at convenient rates
- Hard currency FX debt service is limited with Eurobond coupon payments
- Continuation of strict hedging policy
- Net leverage below 2X



# Regional Market Dynamics

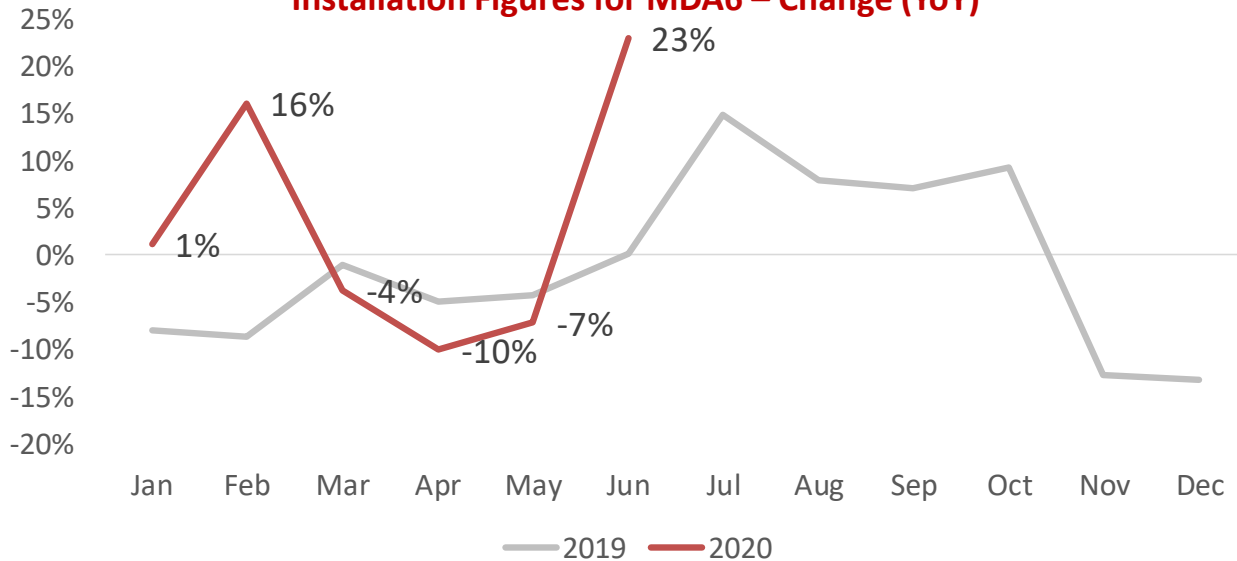
# 2020 Q2 Turkish Market

Market	 MDA-6	 Air-Conditioner	 TV
	-1%	+7%	+4%



# 2020 Q2 Arçelik Performance in Turkey: MDA6

Installation Figures for MDA6 – Change (YoY)



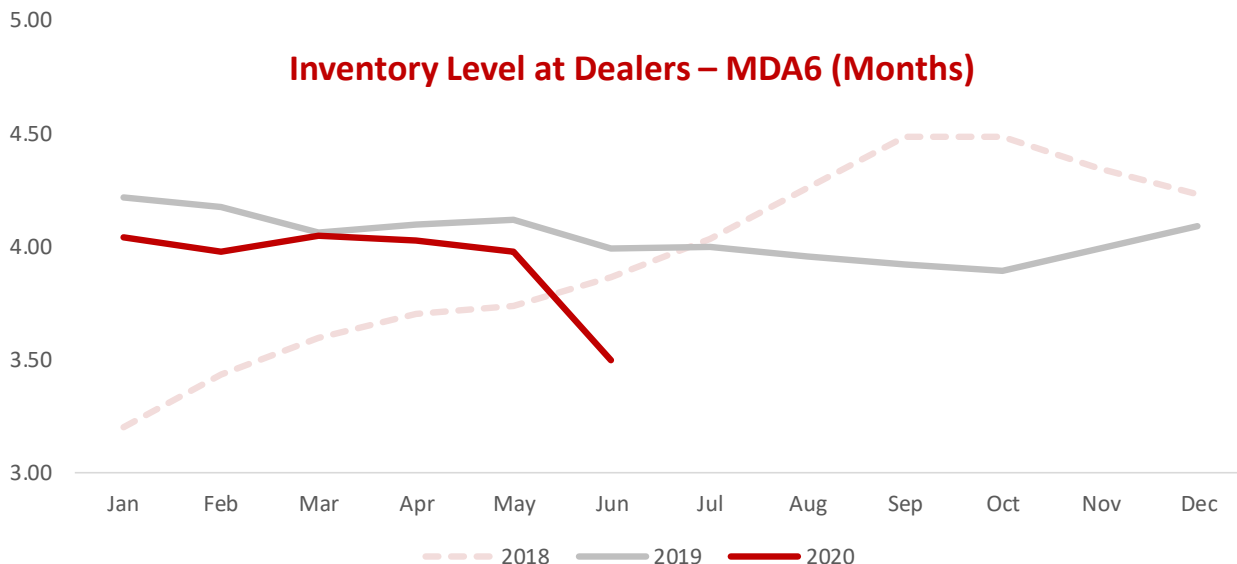
## Strong Performance in Sell-Out

- Intentionally cautious approach in sell-in sales, combined with high base of 2019, resulting in YoY decline in 2Q20 (-15%)
- However, sell-out was much stronger than sell-in during whole quarter
- More room for sell-in growth in 2H2020 due to low level of dealer inventory

## Omnichannel Transformation

- E-com fulfilment increased from 121 to 1.469 dealers in a month after Covid-19.
- Daily e-commerce revenue is 10-fold after e-com mobilisation
- Web traffic increased 43% compared to last year (32,6 Mio people visited our websites in 2020).
- We leveraged our competitive advantage focusing speed and service (Delivery in 48-hours, unconditional return in 14 days)

Inventory Level at Dealers – MDA6 (Months)

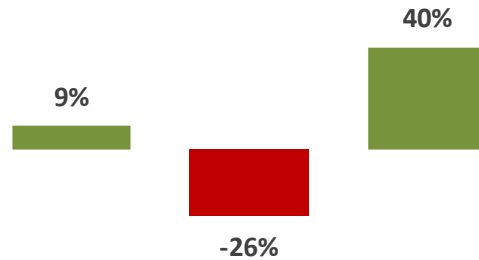


# 2020 Q2 Arçelik Performance in Turkey: TV, A/C, SDA

## Strong Performance in Sell-in

Unit Change (YoY)

2Q20 (YoY)

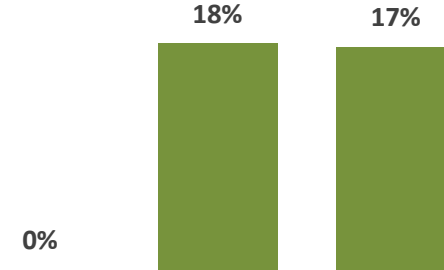


+5%

## Stronger Performance in Sell-Out

Sell-out/Sell-in (Units)

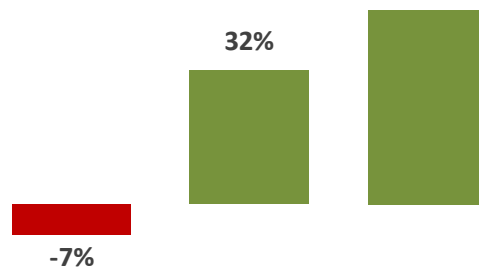
2Q20 (Sell-Out/Sell-in)



+15%

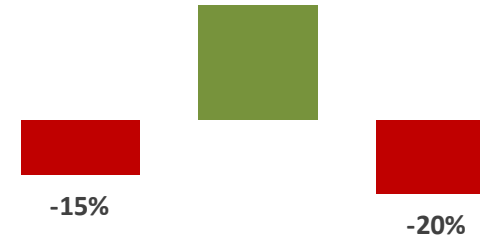
Unit Change (YoY)

46%



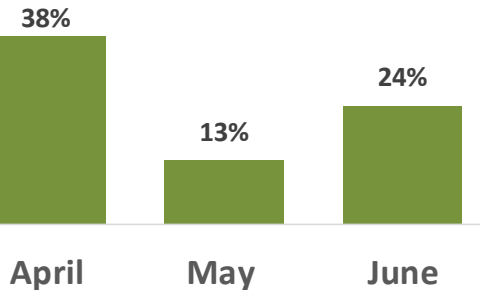
+29%

31%



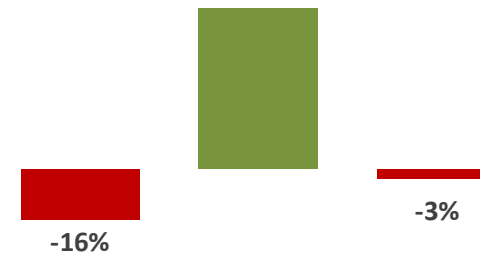
+3%

Revenue Change (TL, YoY)



+24%

50%



+15%

**Arçelik**

# 2020 Q2 European Market



## Recovery after the shock

- Some markets started already feeling the negative impact in March
- All major markets were negative in April
- Recovery started in May in Germany and E. Europe
- Almost all markets turned green in June
- July and August orders signals continuation of this trend

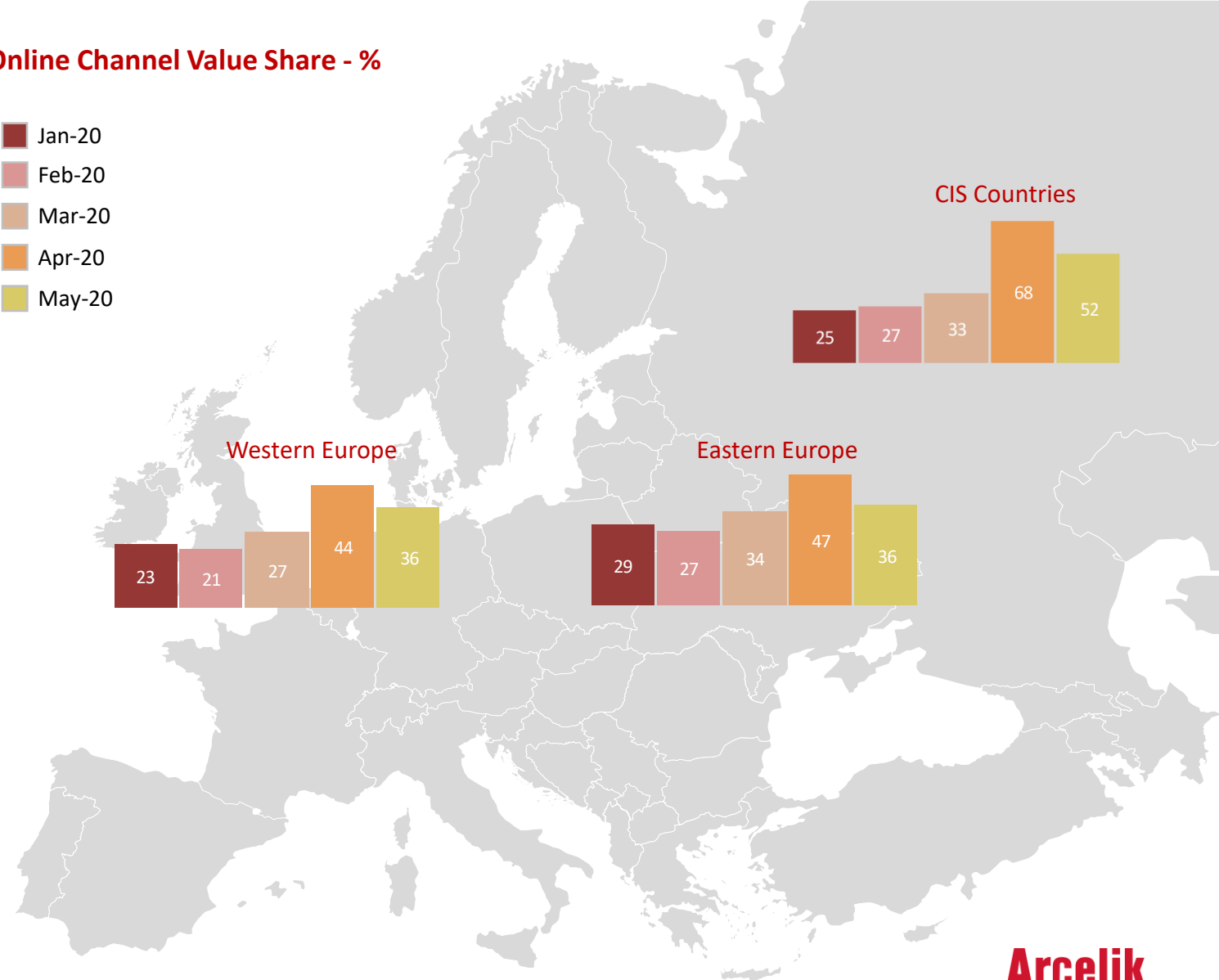
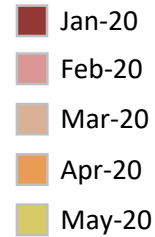


# 2020 Q2 **European Market**

## Booming Online Sales

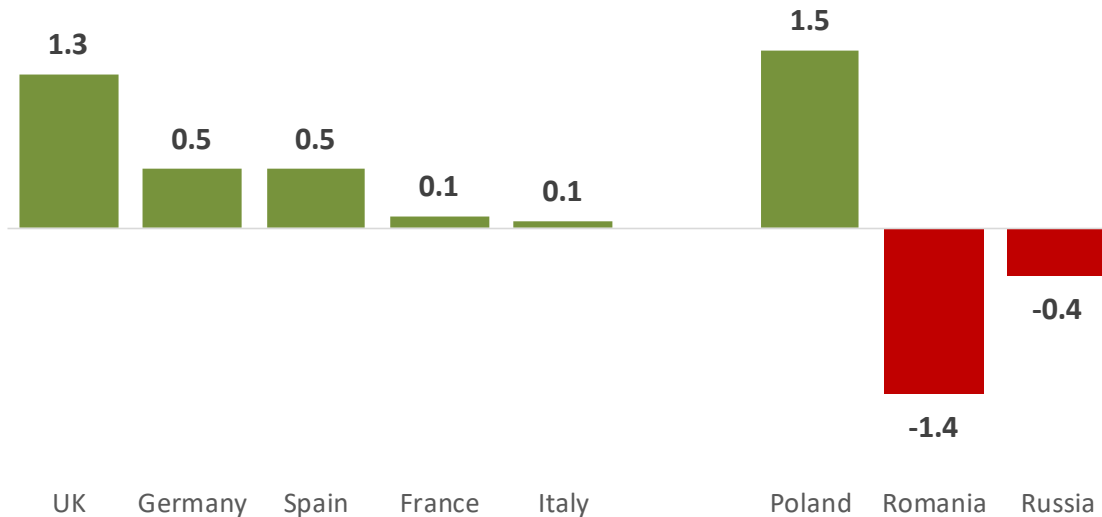
- Significant increase in online channel share, especially during lockdown periods
- Loyal customers accelerated rise of click & mortar business more than pure online players
  - 56% YTD increase in click&mortar
  - 16% YTD increase in pure online

### Online Channel Value Share - %



# 2020 Q2 Arçelik Performance in Europe

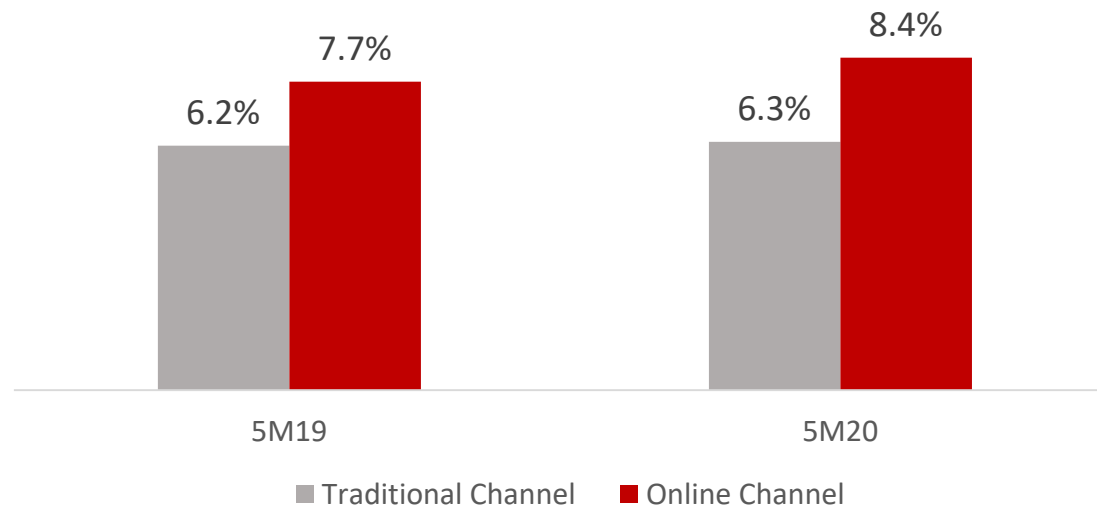
Arcelik Group Unit Market Share Change – YoY



## Market Share Gains

- Strong crisis performance with market share gains in major markets in Europe

Arcelik Group Value Market Share – MDA 8



## Winner in the Online

- Successfully managed structural change
- Gained market share in online channels
- Product range has a good fit with online sales

# 2020 Q2 Arçelik Performance in **International**

42%

Europe

- Online sales support in April, May
- Significant contraction in France, Spain and Italy in April and May
- Visible recovery especially in W. Europe in June led by Germany
- Contraction in E. Europe slowed down in June and some countries turned positive
- Market share gains continued in 2Q20

4%

Africa

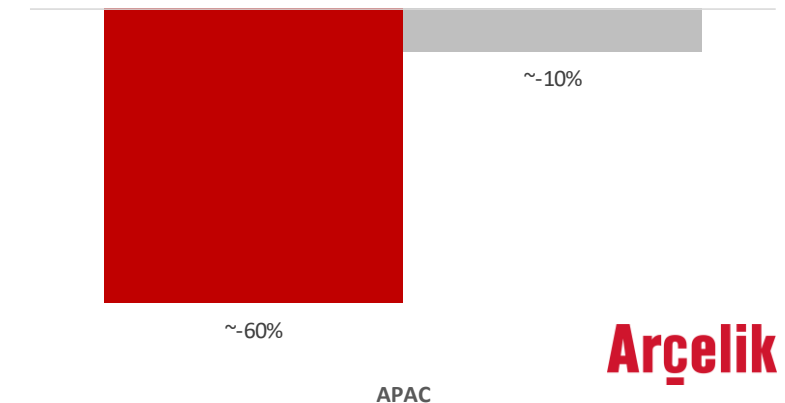
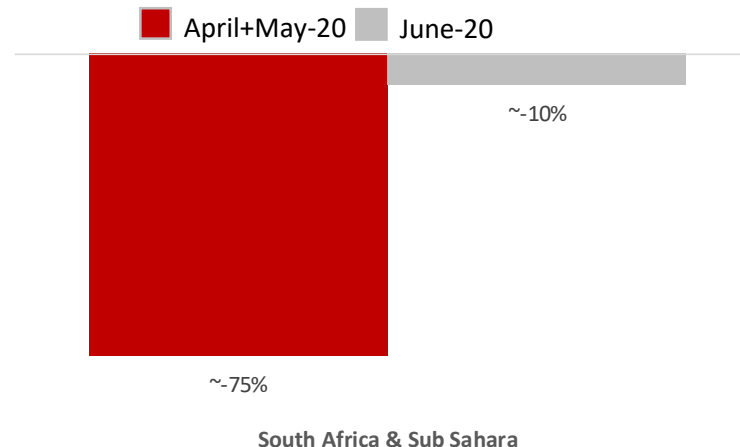
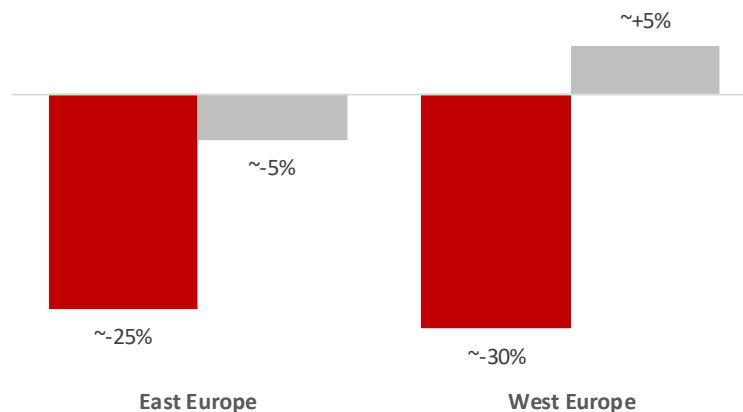
- Almost no sales in **S. Africa** in April due to lock-down
- Reopening of retailers started on June 1st.
- June contraction in MDA-9 was limited at 5-10% range
- Defy's exports in June was up by ~20% in EUR terms
- Profitability normalized in June

9%

Asia-Pacific

- ~55% revenue contraction in **Pakistan** in **PKR** terms reflecting both macro conditions and COVID19 impact.
- **Singer Bangladesh** had ~40% contraction in top-line despite a strong recovery in June
- **ASEAN** revenue realized at USD21mn, indicating to 27% YoY decline.

Arcelik Regional Sales Growth (YoY % in EUR)



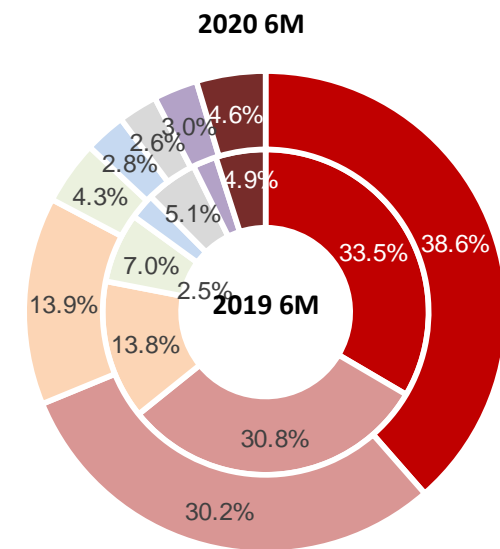
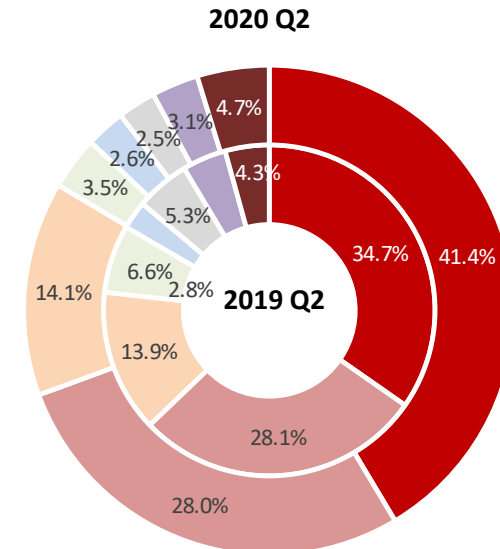
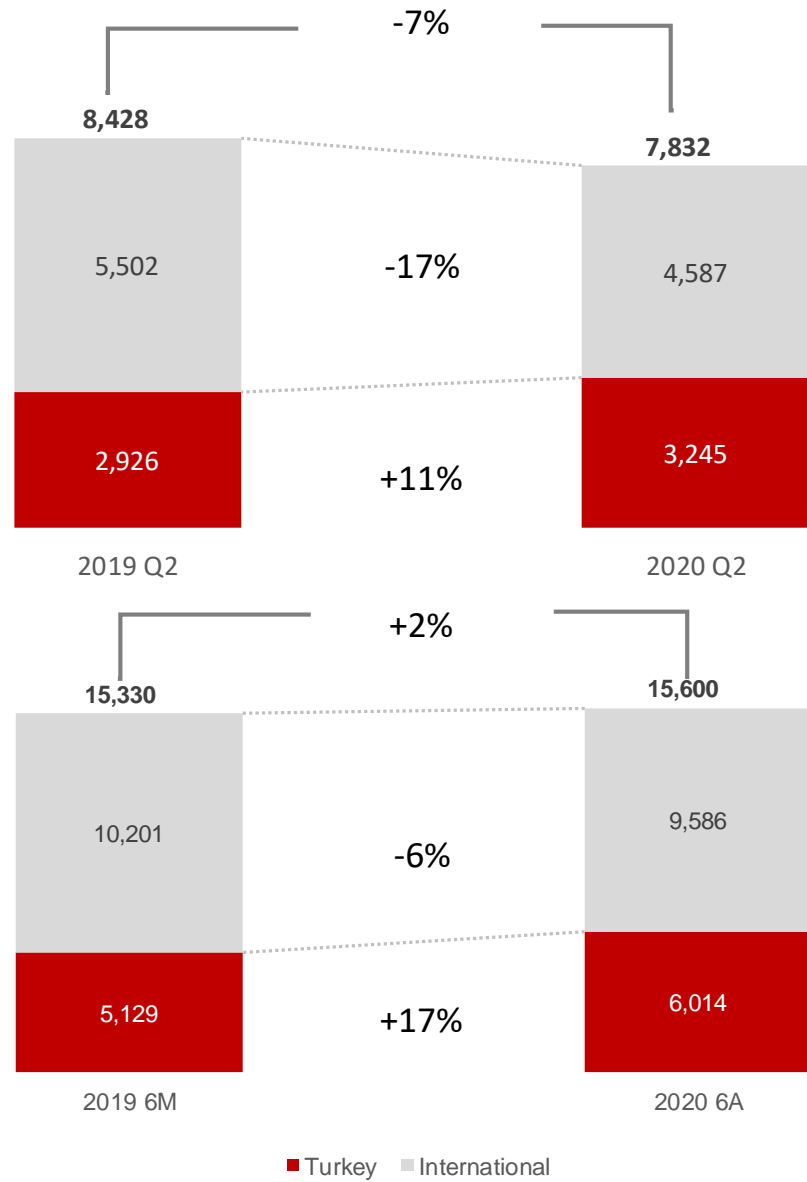
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# Sales Performance



**Arçelik**

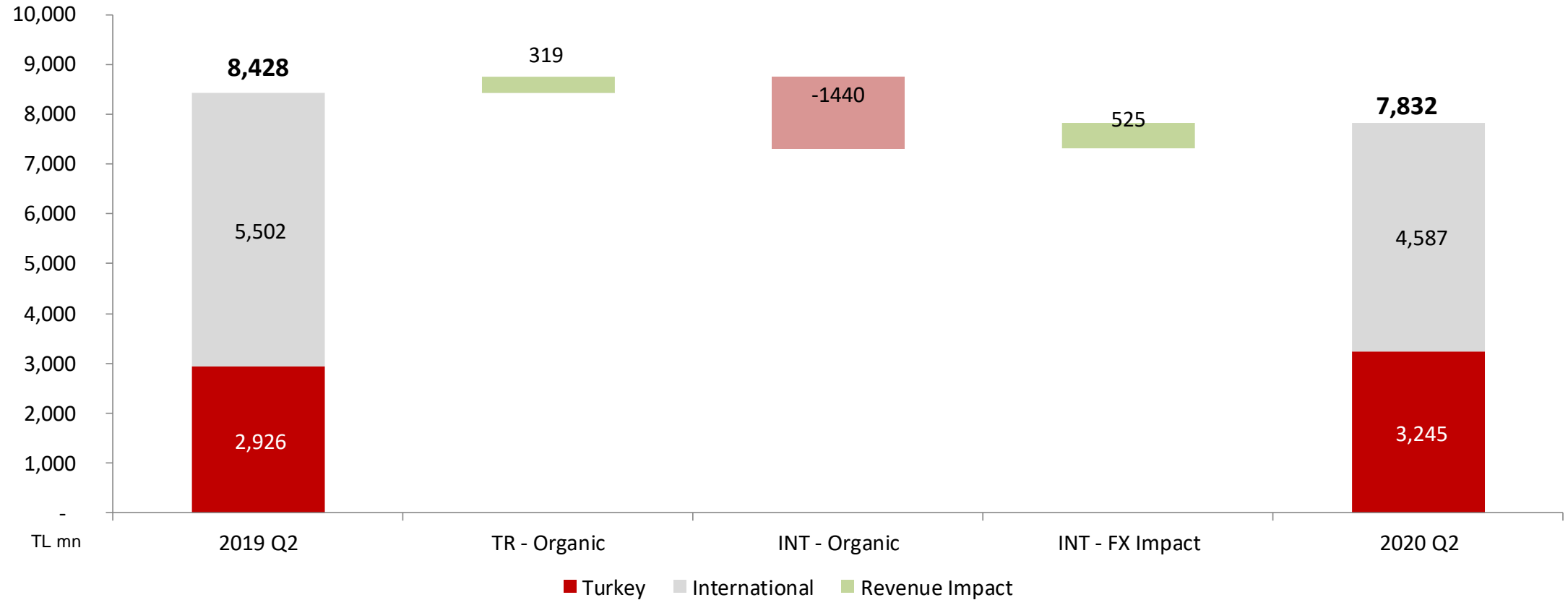
# 2020 Q2 Sales by Region



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



# 2020 Q2 Sales Bridge



2020 Q2	Organic	Currency Effect	Acquisition	TOTAL
Domestic Growth	10.9%	0.0%	0.0%	10.9%
International Growth	-26.2%	9.5%	0.0%	-16.6%
<b>Total Growth</b>	<b>-13.3%</b>	<b>6.2%</b>	<b>0.0%</b>	<b>-7.1%</b>

# P&L Performance



**Arçelik**

# 2020 Q2 Income Statement

TL mn	2020 Q2	2019 Q2	2020 Q1	Δ% YoY	Δ% QoQ	2020 6M	2019 6M	Δ% YoY
Revenue	7,832	8,428	7,768	-7	1	15,600	15,330	2
Gross Profit	2,419	2,643	2,470	-8	-2	4,889	4,882	0
margin	30.9	31.4	31.8			31.3	31.8	
EBIT *	572	629	589	-9	-3	1,161	1,058	10
margin	7.3	7.5	7.6			7.4	6.9	
Profit Before Tax	526	302	308	74	70	834	562	48
margin	6.7	3.6	4.0			5.3	3.7	
Net Income**	409	232	259	76	57	668	458	46
margin	5.2	2.8	3.3			4.3	3.0	
EBITDA*	869	887	871	-2	0	1,739	1,565	11
margin	11.1	10.5	11.2			11.2	10.2	
EBITDA - ex.one-offs	801	887	654	-10	23	1,455	1,565	-7
margin	10.2	10.5	8.4			9.3	10.2	

\* 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



# 2020 Guidance



**Arçelik**

# 2020 Expectations

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- In the mid of this global pandemic, the first priority of company management has been to ensure the **health and well-being of all employees and their families** all over the world.
- The second critical issue is to keep the **high liquid position** of the company to be prepared against any scenario.
- After a weak demand in second quarter, we expect **strong demand in Q3**. (mid-single digit growth in EUR)
- **Raw-material prices** and **EUR:USD parity** are expected to continue act as **tail-wind** in 2H20.
- Though there are still **uncertainty around Q4** related with COVID-19, the business impact may not be as hard as April and May.
- With all measures taken and implemented in all our factories and suppliers globally, we aim to **keep our factories running while keeping all our employees safe**.
- Thanks to our operational competitive advantages and strong balance sheet, we continue to see **more opportunities in the market aftermath of COVID-19**.



# 2020 Guidance

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## Arçelik Revenue

Turkey (in TRY)	15-20% growth	}	10-15%
International (in FX)	Around 5% decline		growth in TRY

## Profitability

2020 EBITDA Margin	10.5-11.0%
Long term EBITDA Margin	>11.5%

## CAPEX

Around EUR  
150-160 mio.

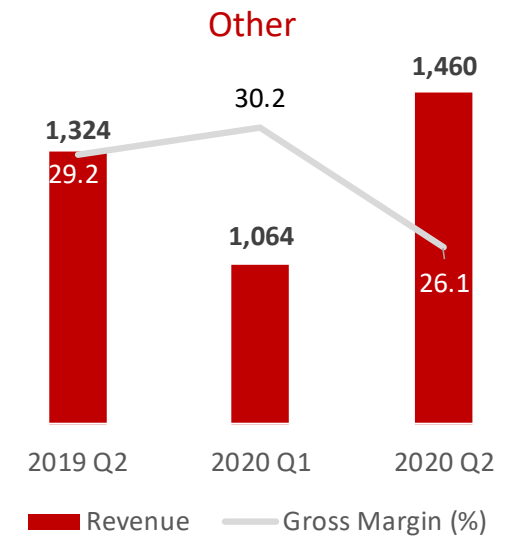
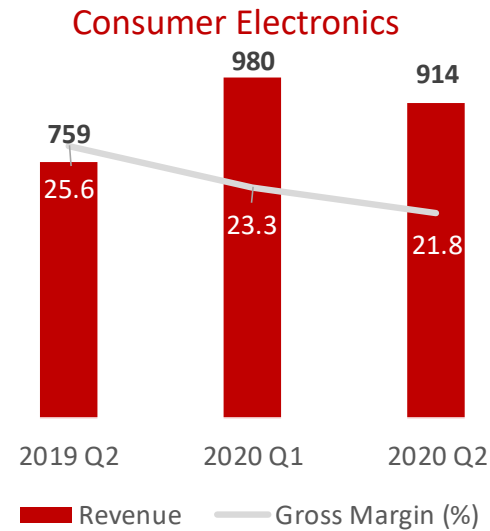
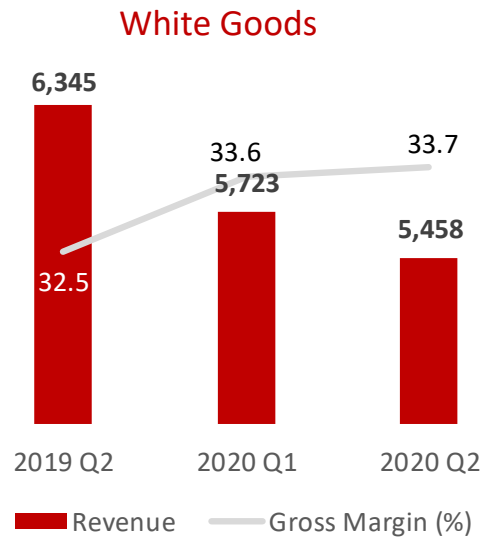
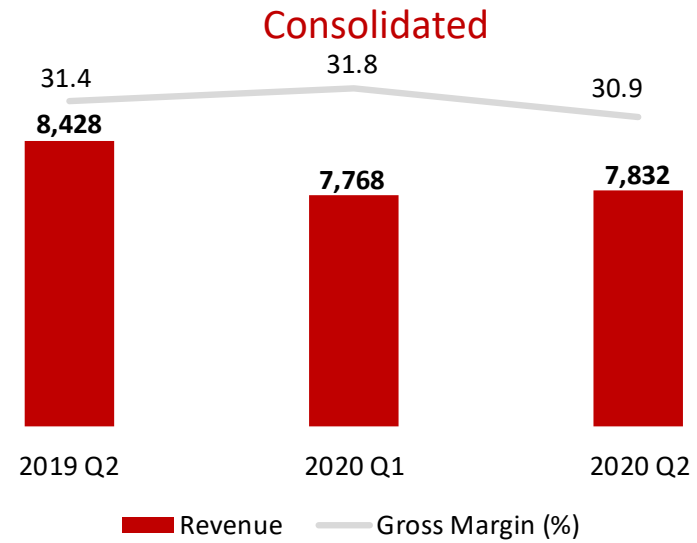
## WC/Sales

Below 30%

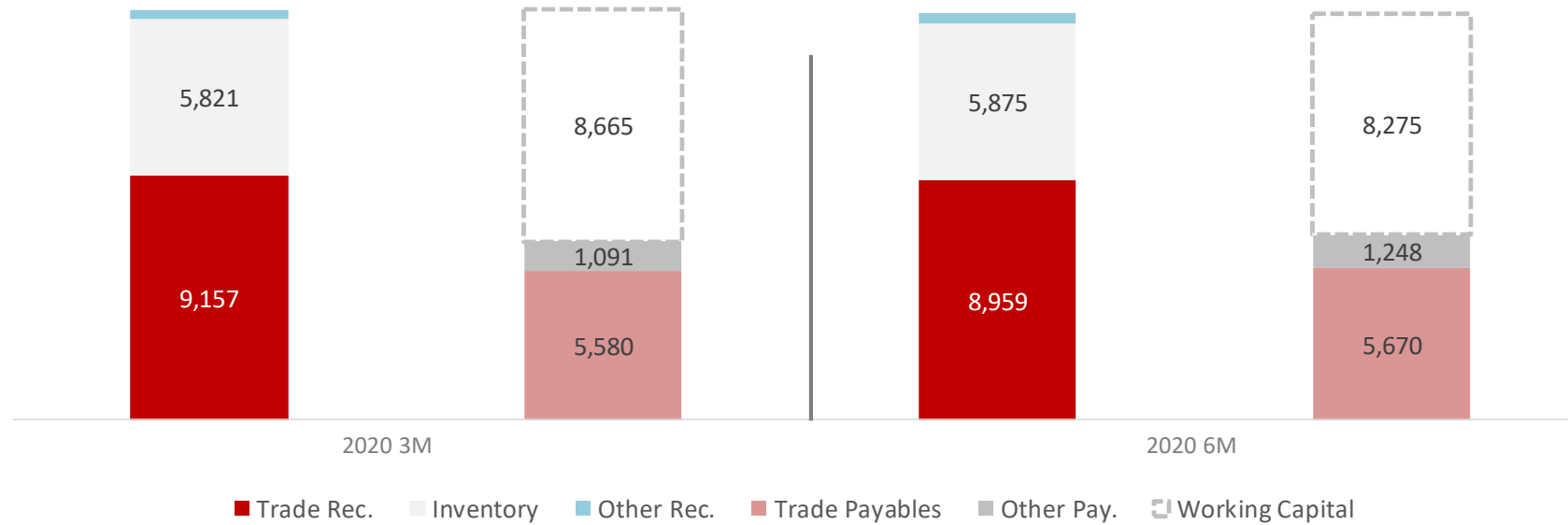


# APPENDIX: Other Financial Statements

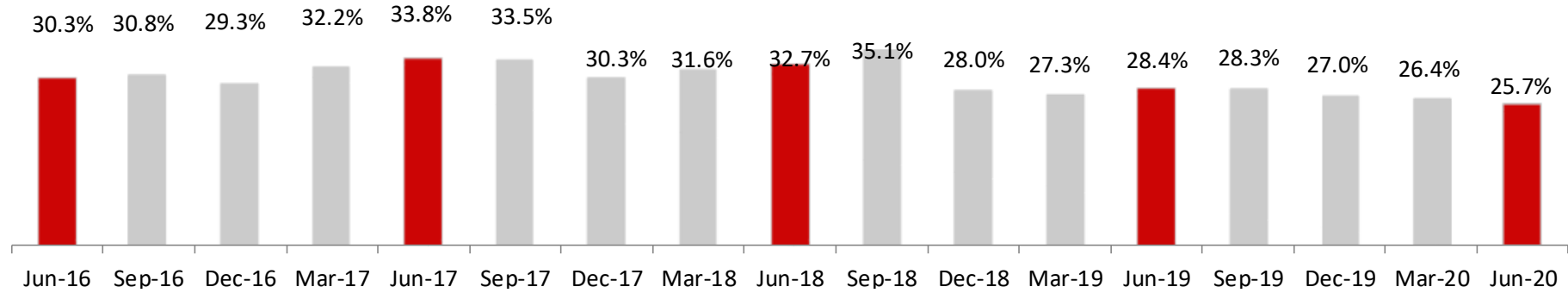
# 2020 Q2 Margin by Segments



# 2020 Q2 Working Capital

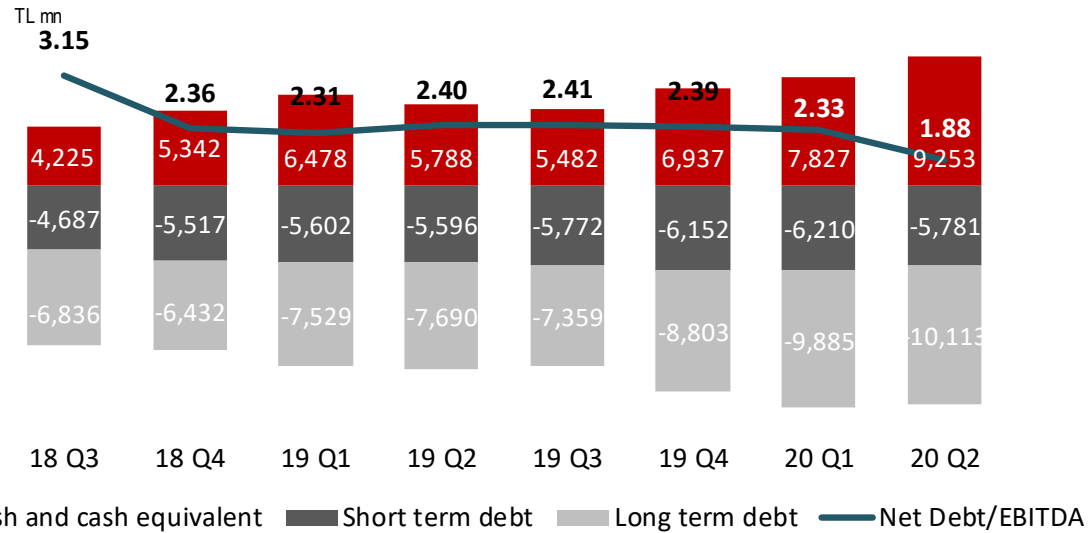


## Working Capital / Sales

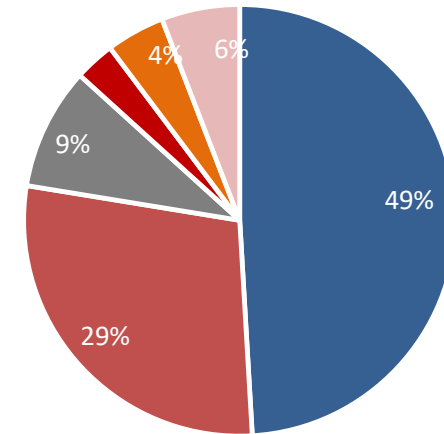




# 2020 Q2 Cash & Financial Debt



Cash Breakdown by Currency



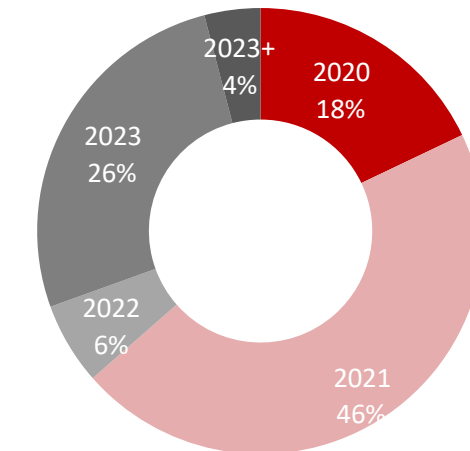
■ USD ■ EUR ■ TRY ■ GBP ■ RUB ■ Diğer

Financial Debt profile (as of Jun 30 2020)

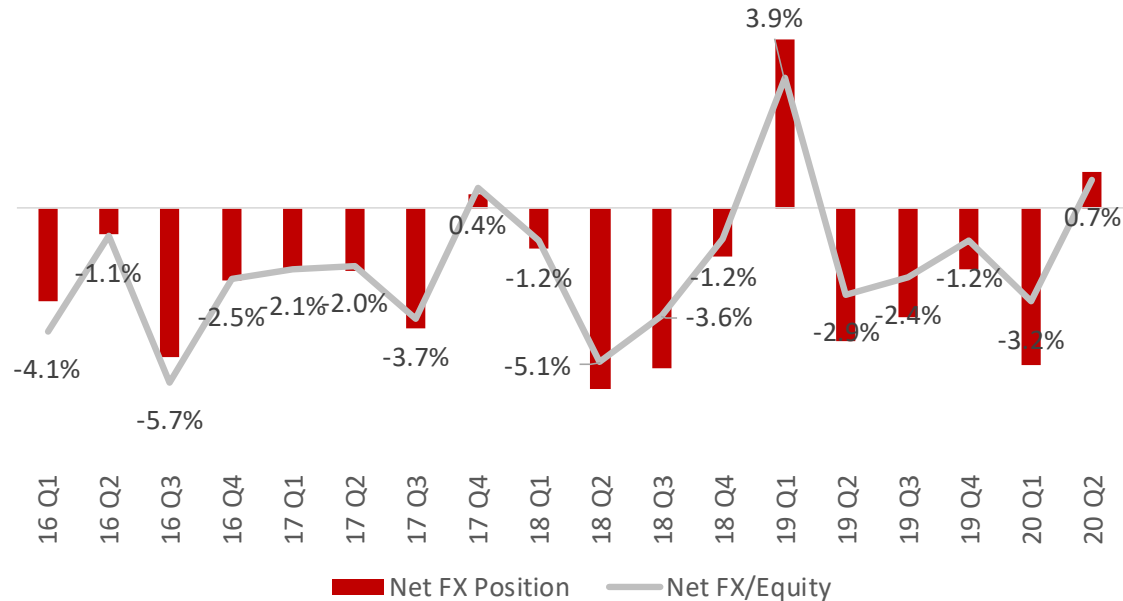
	Effective Interest Rate p.a. (%)	mn Original Currency	TL mn Equivalent
TRY	11.3%	4,183	4,183
EUR	0.9%	233	1,799
GBP	0.7%	3	28
USD	1.9%	47	322
ZAR	6.9%	980	390
AUD	3.3%	13	63
RUB	2.0%	27	3
PKR	10.0%	10,892	442
BDT	9.0%	6,722	543
<b>Total</b>			<b>7,773</b>
USD	5.1%	506	3,459
EUR	4.0%	360	2,778
TRY*	19.1%	1,015	1,015
<b>Total Bond</b>			<b>7,253</b>
<b>Total</b>			<b>15,026</b>

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

Debt Maturity Profile



# 2020 Q2 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	-1,170	1,261	91
USD	147	-231	-84
GBP	458	-431	26
Other	848	-807	41
<b>TOTAL</b>	<b>282</b>	<b>-208</b>	<b>74</b>

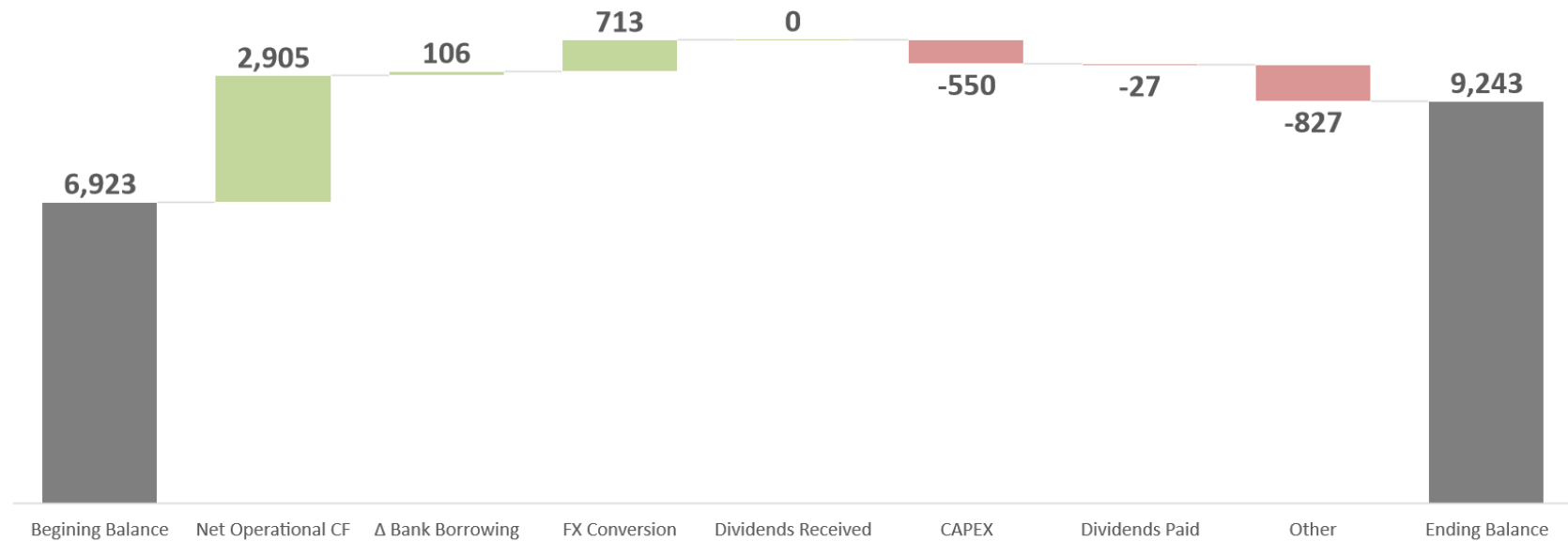
<b>Net FX Position/Equity</b>	<b>0.7%</b>
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- The primary strategy is on balance sheet hedging mainly through cash, receivables, payables and financial liabilities, and the remaining part is hedged through financial derivatives.

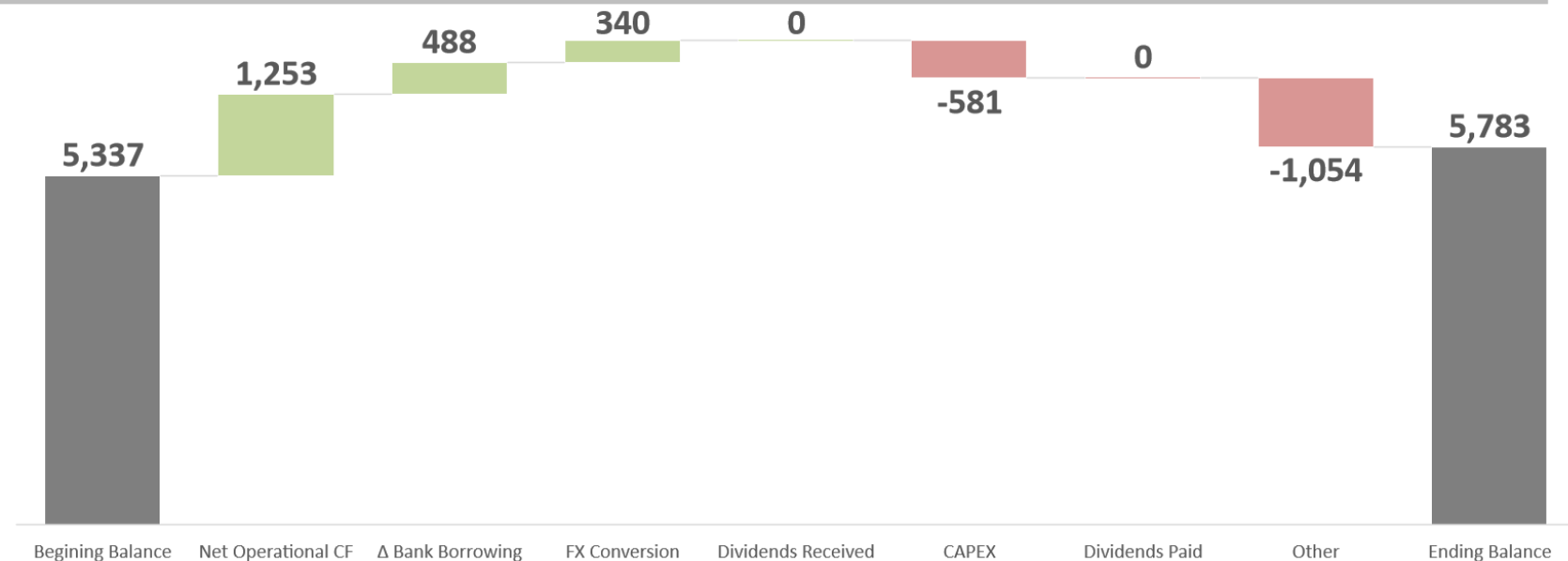


# 2020 H1 Cash Flow

2020 1H



2019 1H



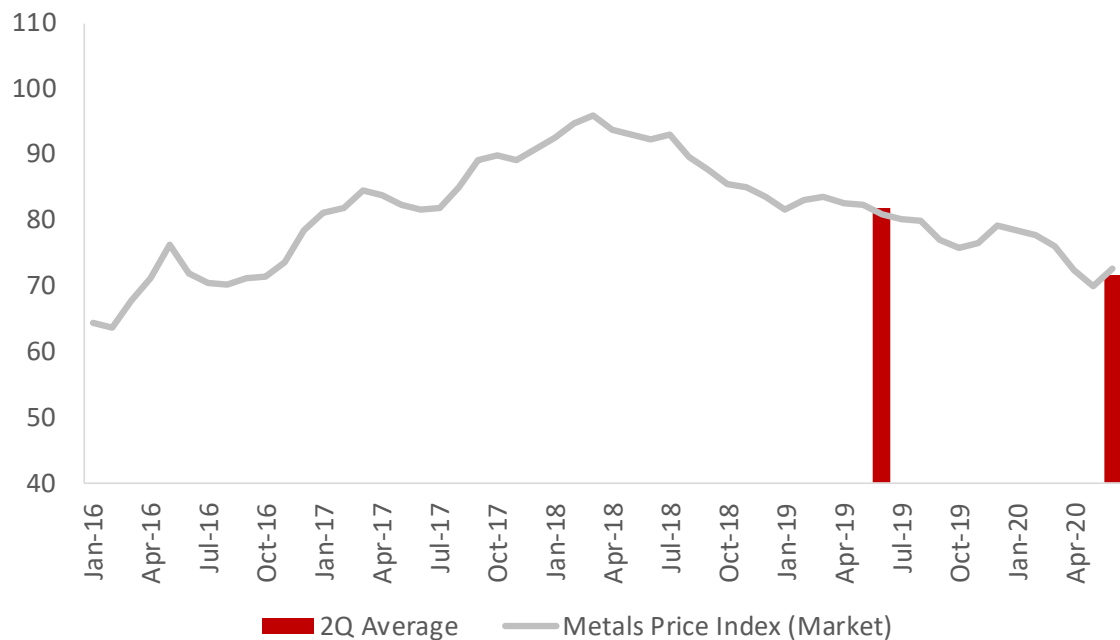
# 2020 Q2 Singer Bangladesh Results

BDT mn	2020 Q2	2019 Q2	2020 Q1	Δ% YoY	Δ% QoQ	2020 6M	2019 6M	Δ% YoY
Revenue	2,995	5,198	3,064	-42	-2	6,059	7,941	14
Gross Profit	830	1,442	825	-42	1	1,655	2,233	16
<i>margin</i>	<i>27.7</i>	<i>27.7</i>	<i>26.9</i>			<i>27.3</i>	<i>28.1</i>	
EBIT	266	695	266	-62	0	532	997	18
<i>margin</i>	<i>8.9</i>	<i>13.4</i>	<i>8.7</i>			<i>8.8</i>	<i>12.6</i>	
Profit Before Tax	129	560	163	-77	-21	292	745	15
<i>margin</i>	<i>4.3</i>	<i>10.8</i>	<i>5.3</i>			<i>4.8</i>	<i>9.4</i>	
Net Income	79	389	111	-80	-29	191	512	12
<i>margin</i>	<i>2.6</i>	<i>7.5</i>	<i>3.6</i>			<i>3.2</i>	<i>6.4</i>	

## 2Q20 Highlights

- Lockdowns and other measures led to ~40% top-line contraction in 2Q20
- Double-digit increase in June sales
- Washing Machine, SDA and MW Oven performed relatively better
- Better product mix helped gross margin throughout the quarter.
- EBIT margin declined on a YoY basis mainly due to revenue contraction

# 2020 Q2 Raw Material Trends

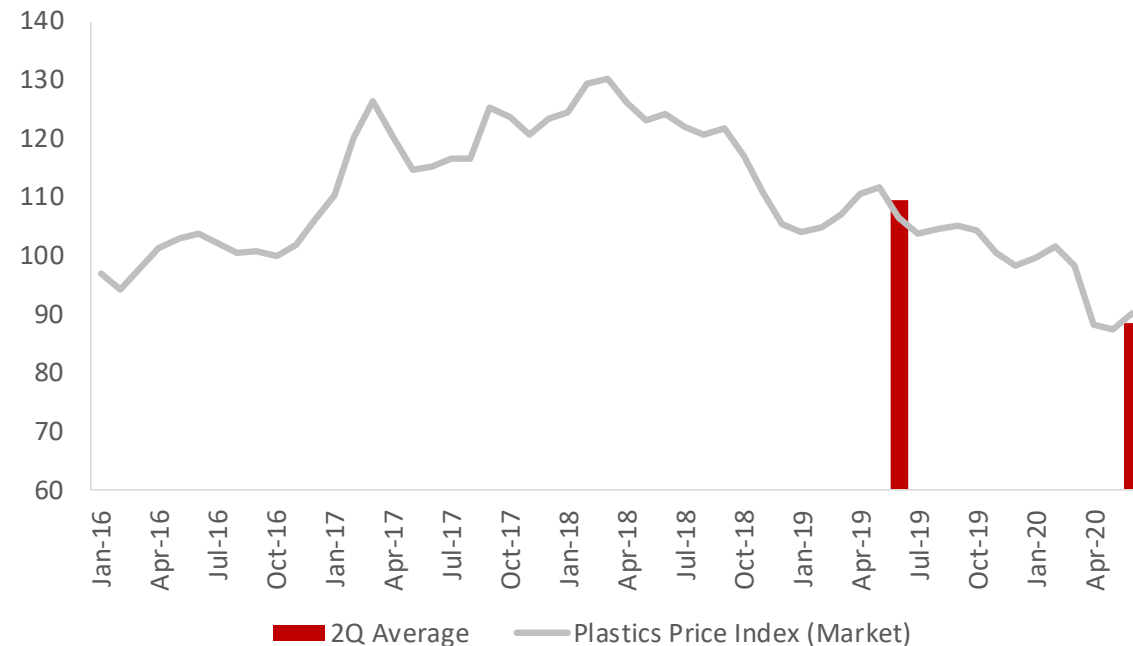


**Metal Prices Index Quarterly Average - Market**

3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
90	85	83	82	79	77	77	72

Source: Steel BB, Steel Orbis

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



**Plastic Prices Index Quarterly Average - Market**

3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
121	111	105	110	104	101	100	89

Source: ICIS - Chemical Industry News & Chemical Market Intelligence

Index includes: ABS, Polystyrene, Polyurethane, Polypropylene

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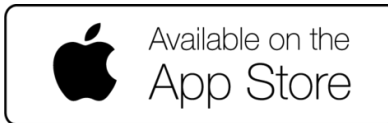
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