



TOFAŞ Türk Otomobil Fabrikası A.Ş.
Twelve Months 2024
Financial Results Conference Call and Live Webcast

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Conductors:

Mr. Cengiz Eroldu, Chief Executive Officer
Mr. Ahmet Tasangil, Chief Financial Officer
Mr. Mehmet Ağyüz, Chartered Financial Analyst –
Investor Relations Manager

Conference Call Conducted by Chorus Call Hellas



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OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Konstantinos your Chorus Call operator. Welcome and thank you for joining the TOFAŞ Türk Otomobil Fabrikası A.Ş conference call and Live Webcast to present and discuss the Twelve Months 2024 Financial Results.

At this time, I would like to turn the conference over to Mr. Cengiz Eroldu, CEO, Mr. Ahmet Tasangil, CFO, Mr. Mehmet A. Ağyüz, CFA - Investor Relations Manager.

Mr. Tasangil, you may now proceed.

TASANGIL A: Okay. Thank you, Konstantinos. Good afternoon and good morning. Thank you all for joining our call. In a moment, Mehmet Ağyüz, our Head of Investor Relations, will take you through the details of our results for 2024. But before that, I would like to provide some highlights for the results.

2024 marked the sixth year that Fiat brand sustained its domestic market leadership with a market share of 11.2%. Since its launch, Egea has remained the best-selling vehicle in the local market for nine years in a row. We were able to achieve this, despite several headwinds throughout the year.

First of all, high competition in the local market with no revision in the special consumption tax brackets limited our local producer advantage. Secondly, we experienced a low-capacity

utilization rate, mainly due to phase-in and phase-out of some production models. These factors, coupled with the implementation of IAS 29, put pressure on our financials in 2025.

Our export business was also affected from the transition and 2024 marks the bottom for our export volumes. We expect significant recovery in our export volumes in 2025 with the contribution of our new commercial vehicle, K0. We started the production of this model in the fourth quarter of the last year and expect a significant ramp up with the introduction of new variants this year.

K0 is the first step of our industrial cooperation with Stellantis, and our plan is well positioned to secure additional projects in the near future. Regarding the consolidation of our commercial activities of Stellantis in Turkey, I could say that there is a constructive dialogue with the competition authority and the process reached to its final stage.

I will now give the floor to Mehmet for the presentation, then we will be glad to answer your questions. Thank you.

AGYÜZ M:

Hi. Good afternoon, and good morning, everybody. In 2024, Turkish vehicle production declined by around 7%, reaching to slightly below 1.4 million units. And so far, our production reached 140,000 units, which suggests around 41% contraction over the prior year. Our production constituted around 10% of the industry production in 2024. In terms of production mix,

passenger car production has increased slightly to 75% of our production, whereas the remainder was constituted of LCV.

Our total shipments in 2024 reached 174,000 units, which is around 33% less compared to the prior year. And the main driver of this decline is that our export shipments, which declined by 45% due to the product transition. However, you could observe that there is a sequential recovery in our export volumes in the fourth quarter with the initial production start of our new commercial vehicle, K0.

In terms of shipment volumes by business, in 2024, there wasn't a major material change, which in the total business, LCV share increased slightly by around 160 basis points and constitute around 35% of our total business.

Moving on to domestic markets. 2024 marked the second year in a row that light vehicle demand remained above 1 million units and reached 1.24 million units with a 1% increase over the prior year. This was higher than our initial expectations. And the main driver of the strength is the passenger car segment, and there was a 1% increase on the passenger car demand reaching to slightly below 1 million units, whereas LCV demand declined slightly by 3% to 260,000 units.

As you can see, in the fourth quarter, there is an acceleration in the light vehicle demand, which fourth quarter demand was up 4% compared to the prior year, mainly driven by notable increase on the LCV demand increasing 12% compared to the prior year.

In this slide, you can see the monthly evolution of the light vehicle retail sales. And as you can see throughout the year, light vehicle demand remained resilient, starting this year in the -- especially first quarter, quite strong, driven by the tax-exempt sales to the disabled citizens.

And throughout the year, with the GCR-2B regulation change, which is the deadline of July 2024, there was notable sales campaigns which supported sales for the auto players to deplete their inventory and also pent-up demand from the fleet customers throughout the year continue to support demand in 2024.

At Tofas, we shipped in local markets 144,000 units, which is around 28% less compared to the prior year. And our shipment's decline was pretty much similar with 30% decline on the passenger car and 24% decline on the LCV, mainly on the LCV side, the product transition with the phase out of MCV production in the middle of the year played a major role for this decline.

2024 marked the sixth year in a row that Fiat brand sustained its light vehicle market leadership with 11.2% market share. There was a slight decrease compared to the prior year due to high level of competition in the local market with new entrants from the Chinese players and also, which suggested around more than 600 basis points increase on the import share in the overall market.

Also considering the Central Bank policy of strengthening of Turkish lira, that also improved the competitive position of importers. And also there hasn't been any revision in the special consumption tax credit for two years now, which also limited our local production advantage. And lastly, phase out of our LCV production portfolio, although we started K0 towards the end of the year with very limited numbers, also had an impact on our market share in 2024.

When we look at Tofas including the premium brands, our market share stood at 11.6%, which showed a similar decline compared to the prior year. And all the brands under Stellantis' umbrella, light vehicle market share stood at 27% in 2024.

In light commercial vehicle markets, Fiat brand maintained its market share, although with a lower market share of 20%. And this was mainly due to discontinuing of MCV production. Overall, the LCV market share of Stellantis brands stood at slightly above 41% as of the end of last year.

Although Egea model since its launch maintained its market leadership for now nine years in a row, Fiat brands moved down to second position with slightly below 9% market share. And due to the elevated competition in the local markets. When we look at the PC market share of brands under Stellantis, it stood at slightly above 23% in 2024.

Moving on to export business. In 2024, passenger car registrations in Europe was pretty much stable, although some big markets like Germany and France showed contraction. There

was a 1% increase in the European registration. Also, on the other hand, battery electric registrations declined by 6%, now constituted 14% of registrations with the expiry of incentives as well as the concerns about the secondhand car value of these vehicles. On the other hand, LCV market was quite robust last year, which grew by 7% and this was driven by good growth across all the main markets in Europe.

At Tofas our export volumes stood at around 34,000 units last year, which is indicating a 45% decline. And this was equally split between the passenger car and LCV segments. On the LCV side, phase-out of MCV production had an effect on our export volumes. Whereas on the PC side, temporary import vehicle ban is one of the main export markets in MENA region impacted our export volume performance on the passenger car.

As you know, our K0 model is an export-oriented product, and it started in the fourth quarter '24, and it's set to ramp up significantly in 2025 which will likely to mark the bottom for our export volumes in 2024. You can see the monthly evolution of our export figures here chart. It has been in the second half of years relatively weak.

In terms of regional breakdown of our export business, although this may not be very representative due to our product transition station, this chart may change drastically in the coming years. MENA region and Italy constitutes the bulk of our export shipments, whereas as MENA constitutes 38% of our

export shipments and Italy constituted 39% of our export shipments in 2024.

Looking into our shipments by model. On the left-hand side, on the export business, we shipped around 27,000 less units. And you can see this was mainly driven by the Tipo model, which we shipped almost 22,000 units, which is suggesting around 50% decline, whereas also MCV shipments were down around 6,400 units at slightly below 10,000 units.

On the right-hand side, in the domestic business, we shipped 60,000 units left at 140,000 units in the local market. And Egea, of course, our best-selling car was the main contributor to that. We shipped 83,000 units, although it is coming to the close to the end of its life cycle. It has continued to perform quite well.

And also Fiorino we shipped 17,000 units less as we stop shipping these products in the second half of last year. So overall, in our total shipments, we shipped 174,000 units, which is around 87,000 units less compared to the prior year.

Moving on to financial performance. You can see there is a snapshot of our financial highlights in this slide. On the left-hand side, 33% decline in our shipments results in a parallel performance on the revenue side, which reached TRY120 billion, suggesting 35% decline.

Hence, we recorded TRY9.5 billion of EBITDA, which is around 67% less due to the challenges in the local market and also challenges with the transition with our capacity utilization. And

also with the effect of the inflationary accounting and high net monetary losses on our P&L. We recorded a PBT of TRY4.9 billion, which is around 80% less compared to 2023.

This is a snapshot of our P&L. As you can see, that the 35% decline in our revenues resulted in around 75% decline in our net profit, and we recorded a net profit of TRY5.2 billion with a net margin of 4.3%.

Looking at our balance sheet. We have a robust cash position as of the end of last year with around TRY20 billion, although we distributed around TRY10 billion of dividends. With the declining volumes in the local markets, there is a decline in our inventory and receivables with around TRY11 billion, which was offset by increase in our trade payables and also, we utilized the loss -- sustainability-linked loan, which we announced late last year for EUR290 million, which is also reflected here in our -- increase in our long-term financial liabilities here.

In 2024, we spent slightly below EUR140 billion capex and bulk of which was constituted by our investment in K0, which stood at EUR105 million, while the rest of the capex was split between ongoing structural investments in our plants as well as our passenger car model.

Moving on to outlook. After having two years in a row record sales, we are expecting in the local markets -- we are expecting a slight decrease in the light vehicle demand. Now we are expecting 900,000 to 1.1 million units in the local markets. And for Tofas, we are looking for domestic shipment volumes of

110,000 to 130,000 units, which is suggesting around 12% market share, similar to the last year's levels.

And on the export side, we are looking to more than double our export shipments reaching to 70,000 to 90,000 units in 2025. And as a result of this, we are looking for a gradually recovering our production tempo with 6% to 20% increase in our production volumes, reaching to 150,000 to 170,000 units. And in 2025, we continue to invest for K0 and we are looking for EUR150 million of investments. And on the profitability side, we are looking to a same, above 5% PBT margin in 2025.

Let me add this disclosure, please. Assumptions do not include the pending acquisition of the Stellantis Turkey operations. And this marks the end of our presentation, and we are happy to take your questions. Operator?

OPERATOR: The first question comes from the line of Kilickiran, Hanzade of JPMorgan.

KILICKIRAN H: Hello. Thank you very much for the presentation. I have three questions. And the first one is about your future plans. How do you plan to utilize the expiring Egea platform in 2026 and offset the potential volume loans in the Turkish market? And second is about your dividend payout ratio, I mean, dividend payout risk actually compared to previous years, given the gross cash is now very close to potential deal value of the Stellantis distribution assets? And the third one is that are you concerned about the recent management issues in Stellantis after the CEO left? I mean may this create a timing risk on your future plans?

AGYÜZ M: Okay. Thank you. Thank you, Hanzade. Going through all the questions regarding the Egea plan, I mean, this car is one of the best-selling cars in Turkey. And if there is a value creation opportunity for us, we are always discussing and evaluating any opportunity to have it produced in the next years as well. But for the time being, there is no such plan.

And related to the dividend payout ratio and dividend plan, this is, of course, the decision of the general assembly, not Tofas management. But as of today, we are in a net cash position and we have a healthy balance sheet. And the dividend distribution is a dynamic assessment taking into account all possible cash outflows and inflows such as capex and M&A activities. So it will be the decision of the general assembly.

Regarding the relationship between Stellantis and Tofas and the recent management change on the company, there is no negative issues on our side to correspondence and the relationship is, of course, clear and healthy. So there is no negativeness on our side related to the management change on Stellantis.

KILICKIRAN H: Thank you very much. Actually I don't want to mean about a kind of negative relationship, but I think you are planning some plans to expand the production in the recent years, I mean in the upcoming years. So I mean, these plans have been already discussed with Stellantis but with this change in the management, could there be a pause for a time and then again,

the negotiations may start? Or you are very comfortable about the 2026 production ramp up?

TASANGIL A: As you know, the capacity utilization rate is around 40% at Tofas. And it is for sure that such a low utilization rate is not sustainable in the medium term. And all parties are all aware of this fact and working towards it to create an additional value from Tofas operations.

KILICKIRAN H: Okay. So the trends are currently intact? I understand.

TASANGIL A: Yes, definitely.

EROLDU C: Eroldu Cengiz is speaking. So regarding the shareholders relation and the new governance on the Stellantis, I think you are also following now the Mr. Elkann has much more power, has much more, let's say, the operative power than the past.

So Mr. Elkann, who was the FCA main shareholder and now also managing the Board, not only the Board, also the operational facts and decisions inside the company. So we have a long knowledge companies but also between the Koç Holding and the Agnelli family and so on -- Koç Group and Agnelli family and so on. So I think these changes on the management side of the Stellantis but I see it's a positive for us.

KILICKIRAN H: Thank you very much.

EROLDU C: Thank you.

OPERATOR: Ladies and gentlemen, there are no further audio questions at this time. And I will now move into our written questions from our webcast participants -- Apologies, we do have audio question. The next question comes from Uz, Aytunç with AK Invest. Please go ahead.

UZ A: Hi, thank you for the opportunity to ask questions. I got two. The first one is, can you share some details regarding the increase in export revenue per vehicle in euro terms, I see a significant quarterly and yearly increase, should we expect some sort of almost normalization in the first quarter of '25?

And the second one is about trade payables. Again, there is a significant change there. There is a significant decline both quarterly and yearly on trade payables. Should we expect some sort of an upward normalization in the first quarter of '25? Thank you.

TASANGIL A: Thank you for the questions. Starting from the last one. Regarding the trade payables. The main reason for the decrease in the trade payables is the decrease in the production volumes. So we expect to improve our net working capital with the increase in the production volume. And for the first one, as far as I understand, you mentioned any restrictions on the export market, right?

UZ A: No, I was actually talking about export pricing. So export sales revenues divided by export sales volume, there is a significant increase there in euro terms, of course?

- TASANGIL A: On that one, the export volumes actually we don't foresee any changes in terms of pricing and in terms of profitability. So it would be a stable business for us in terms of profitability as well.
- UZ A: Okay. Thanks.
- AGYÜZ M: Maybe I can add something on the Mr. Uz's question. As you are referring to the fourth quarter and we are -- although the numbers are low, we are starting to produce K0, which is a bigger vehicle, which could also result in slightly higher average euro pricing that you are referring to.
- UZ A: I see. I was actually thinking about maybe there was some sort of a take-or-pay, there was some sort of reason regarding take-or-pay structure?
- AGYÜZ M: No, there is no change.
- UZ A: Okay. Thanks.
- OPERATOR: The next question comes from the line of Demirtas, Cemal with Ata Invest. Please go ahead.
- DEMIRTAS C: My question is about the dividend side. And one, regarding the inflation effects on your statutory accounts, did you benefit from that or not? That's one of the points I would like to understand. Did it have any tax impact on yourselves and the dividend side?
- And the other one is about, again, the Stellantis competition board. I know that every time we cannot give an exact date or

anything. But I see that you are more constructive on that side. Should we talk about the months or quarters about that at least, it's like expecting news. It has been the issue of the markets.

So I just want to understand how close we are, any -- not a signal, but at least should we wait and others like quarters, any signals or anything that at least your perspective will be helpful. If you don't share, it will be okay, but I think it will continue to be speculated in the market.

And of course, when the time goes on and on, the questions are raising and I know it's not under your control, the competition board decision for sure. Everybody wants to see that. But for the -- concerning the year of 2004, which was a difficult year in terms of the export and the volumes. So that's -- and you gave the positive signals and Cengiz mentioned about some key issues, I understand. But any clarification, anything more you can say about this issue?

TASANGIL A: Thank you very much for the questions. I mean, as you mentioned, it's really hard to come up with an exact date on the Stellantis Turkey acquisition and we are in the same position as yours. So we are waiting for the final decision of the Board and we have a positive expectation that they will give us greenlight, but the date and the exact timing is also unknown for us.

Regarding the dividend distribution part, I mean, we don't have any concerns on the statutory accounts as well. So from a technical point of view, we are in a position to distribute

dividends. So there is no harm done on the tax statutory part as well and also on the inflationary accounting side.

DEMIRTAS C: Thank you. And one last point I would like to ask, you don't share the TFRS 29 figures. But do you also still follow that, the operations or operating performance in that format too or what's the -- when you look at the financials, which financials do you really look when you are trying to see the picture of the company, with inflation numbers or without inflation numbers, do you still look at those figures or are you also reporting in that for your internal purposes?

TASANGIL A: I mean we all have all the numbers, obviously, but looking at it in a high inflationary environment, I guess it is best to look at inflationary stated numbers because it gives fair representation of our performance as well. So we have all the details. We are looking at it from a nominal perspective and inflation stated well. But as I said to you, it is the inflation stated numbers that clearly represent the operations of the company.

DEMIRTAS C: Okay. Because when I look at your -- from the footnotes, I come up with USD2 billion more if you had pre-inflation accounting numbers. I don't know if you have -- you comment on those things. But if we had pre-inflation accounting, based on your monetary position, your profits would have been higher and I think that would be -- that's because you are recording some mandatory losses. And should we expect that to continue in terms of -- within the picture for the following maybe 6 months, 9 months?

TASANGIL A: I mean looking at the balance sheet structure one can easily see that there's a negative effect of the inflation accounting. But as I said you, that's the fair representation of the company. And if the balance sheet structure changes in the next month or throughout the year, of course, the monetary gain loss effect will change as well.

DEMIRTAS C: Thank you.

OPERATOR: The next question is a follow-up question from the line of Kilickiran, Hanzade with JPMorgan.

KILICKIRAN H: Apologies for my basic question, but I'm trying to understand the opportunity here. When you highlight the "K0" in your volume table, it is even under Scudo brand name, which is, I believe, a brand name used by Fiat. And I think the model is also called like Opel Vivaro or Peugeot Expert in other Stellantis group companies. Are these brands also included in your export volume guidance in 2025?

TASANGIL A: Yes, definitely.

KILICKIRAN H: Alright. Thank you.

OPERATOR: Ladies and gentlemen, there are no further audio questions at this time. We will now move into our written questions from our webcast participants.

The first webcast question comes from Burcu Esin with Deniz Yatirim and I quote, "Hello. Firstly, thank you for the presentation. Burcu from Deniz Yatirim. I have a few questions.

After the 2023 financial results, you revised your expectations downwards every quarter. Did you announce your 2025 expectations in an optimistic scenario? Does it contain downside risk like in 2024?" This is the first question, if the management wish, I can take it one by one.

TASANGIL A: Yes, sure. We can answer that one. I mean these are the expectations for the year and we are in the beginning of the year. Of course, we base it on our -- on realistic assumptions, not too optimistic, not too pessimistic, but as you know, Turkish market is a very dynamic one. So we can, of course, update as you see it fit throughout the year. But for the time being, these are our expectations based on our realistic assumptions.

OPERATOR: Second question, "If the Competition Board approval approves the merger tomorrow, how long will we see the consolidation? Also, what is your expectation for domestic vehicle sales after the merger?" This is the second question.

TASANGIL A: Okay. I read it as how long it will take for us to close the transaction. So once we have the green light from the competition authority, we will be really quick to close the deal and finalize the acquisition. So it will not take more than a month to close the deal once we hear from them.

And for the second question, it was talking about the domestic vehicle sales, right, after the merger?

OPERATOR: Yes. Do you wish me to repeat the question, sir?

TASANGIL A: Please.

OPERATOR: Of course. So, "If the competition board approval approves the merger tomorrow, how long will we see the consolidation? Also, what is your expectation for domestic vehicle sales after the merger?"

TASANGIL A: So as you know, going to the second part of the question, once we have the consolidation, once we have the deal done, the Stellantis brands altogether in Turkey will have 27% as of the year-end market share in Turkey. So there will be, of course, a booth with the consolidation.

OPERATOR: Third question, "How will your EBIT margin expectation be revised after the PSA acquisition?"

TASANGIL A: On that one, as you all know, per competition rules, we don't have access to the latest financials of Stellantis Turkey. So once we have the deal closed, we will quickly update our budget and our forecast. And then we will, if needed and for sure, it will be needed, we will come up with a new guidance on the Tofas consolidated financials, including Stellantis Turkey operations.

OPERATOR: Fourth question, "After Egea production is over, will you be able to produce a model as strong as Egea in the domestic market? Can you tell us about your road map here?" Thank you.

TASANGIL A: Hopefully, we will have a strong vehicle after that. But as I mentioned to you, the capacity utilization rate is really low now, and it is not sustainable. And there will, for sure, be new

vehicles for the factory, but there is no tangible project yet. So we are working on it, and we will announce it when it is ready.

OPERATOR: Thank you. The next webcast question comes again from Mr. Burcu Esin with DenizYatirim and I quote, "Do you complete 2024 with 140,000 or 143,700 vehicles in the domestic market? There are 2 different figures in the presentation, could you explain the difference?" Thank you.

AGYÜZ M: Thanks for the question. The one figure refers to the retail sales and the other figures is the wholesale to our dealers. That's why the difference is coming from. Thank you.

OPERATOR: Thank you. Ladies and gentlemen, there are no further questions at this time. I will now turn the conference over to Mr. Tasangil for any closing comments. Thank you.

TASANGIL A: Thank you. We certainly appreciate your time today and your interest in our company. I wish you a good day.