

# TOFAŞ

TÜRK OTOMOBİL FABRİKASI A.Ş.

**TOFAŞ Türk Otomobil Fabrikası A.Ş.  
First Quarter 2025  
Financial Results Conference Call and Live Webcast**

Tuesday, 29<sup>th</sup> April 2025, 17:00 TR

**Conductors:**

**Mr. Cengiz Eroldu, Chief Executive Officer  
Mr. Ahmet Tasangil, Chief Financial Officer  
Mr. Mehmet Ağyüz, CFA - 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 First Quarter 2025 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: Thank you for joining our call. In a moment, Mehmet Agyuz, our Head of Investor Relations will take you through the details of our results for the First Quarter of 2025. But before that, I would like to provide some highlights for the results.

Q1 financials were negatively impacted by several factors, namely high competition in local market without any local producer advantage under current tax brackets, limited availability on some imported light commercial vehicles, our transition from phase-in/phase-out of some production models and lastly, implementation of hyperinflation accounting.

On the other hand, our company generated healthy level of cash with an operating cash flow of approximately TRY5 billion in the First Quarter of this year. Our export volumes in Q1 compared to the same period of the last year were affected by the phase-out of Fiorino production and by import restrictions in Algerian market.

However, ramp-up of our new model, K0 is ongoing, and we will be launching new variants of K0 soon. As a result, we expect notable acceleration in our export volumes for the rest of the year.

More importantly, we are very excited about the road ahead for Tofas after the regulatory approval of our Stellantis Turkey acquisition. This acquisition marks the beginning of a new era for Tofas to potentially transforming the company to the next level. We expect the closure of the deal very soon. The acquisition will solidify our local market leadership with a total market share of almost 26% in the First Quarter of 2025.

As a result, scale economies would enable us to reap benefit of cost synergies as well as to penetrate into new business areas. In addition, we are also focused on the saturation of our plant and recently announced EUR256 million investment for the production of a new light vehicle. This model is expected to have an annual production capacity of 150,000 units, including completely knocked down units.

We plan to start production of the new model in the Third Quarter of 2026 and expect to share more details when we finalize the contract with Stellantis soon. This investment mandate is the second step of our industrial cooperation with Stellantis after K0 allocation, and our plant is well-positioned to secure additional production mandates in the near future.

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

AGYÜZ M: Hi. Good afternoon, and good morning, everybody. I will walk you through our First Quarter performance in the rest of the presentation. In the First Quarter, Turkish automotive production declined by 9% reaching to 244,000 units. Our production was around 27,000 units, which was 50% less than the prior year, and Tofaş constituted around 8% of the industry in the First Quarter of the year.

In terms of production mix, it was stable compared to the prior year and passenger car production constituted 69%, whereas the remainder was composed of LCV production. In the First Quarter, we shipped 33,000 units, which was 44% less than the prior year and better than our production performance.

On the domestic front, our shipments were 37% lower, whereas our export shipments were 61% less compared to the prior year. We expect export volumes to recover significantly in the remainder of the year.

In terms of shipment volumes by business, the most significant change was observed in our export business, where LCV shipment share increased by more than 100% and reached 86% of our export business.

Moving on to domestic market. In the First Quarter, domestic market declined by 7%, reaching to 276,000 units. Passenger car demand fared better than the LCV and contracted by 4% at 224,000 units, whereas LCV demand contraction was higher at 16%, reaching to slightly above 52,000 units.

On this slide you see the monthly evolution of the retail light vehicle sales in Turkey. And after two consecutive years of record demand, demand retreated slightly in the first two months of the year.

However, in March, LV demand recorded a historic high figure for that month. This was mainly due to demand brought forward stemming from macro volatility with consumers anticipating price increases for the rest of the year.

Our shipment volumes in the local market stood at slightly above 23,000 units, which was 44% lower compared to the prior year. Our PC shipments stood at close to 17,000 units, which was 35% less, whereas our LCV shipments were around 10,000 units lower at around 7,000 units. The decline in the LCV side was mainly attributable to discontinuation of the Fiorino production at the end of First Half of last year.

In terms of market share, Fiat brand stood in the third position with a market share of 8% in the First Quarter. High competition in the local market with our less competitive advantage as a local producer due to lack of revision in the tax brackets continued to impact our market share as well as phase-in and phase-out of our production portfolio has continued to have a temporary negative impact on our market share.

Including premium brands, Tofas market share stood at 8.4%. And more importantly, LV market share of Stellantis brands stood at 25.8% in the First Quarter. And in fact, the brands we acquired improved their market share year-over-

year, which shows the resilience and the competitive position of our brand portfolio going forward. In LCV market, Fiat brand maintained the second position, albeit with a lower market share of 12.6% in the First Quarter.

Availability of the imported LCVs and the phase-out of Fiorino are the main contributors, whereas LCV market share of Stellantis brands stood at close to 44%. In fact, other brands improved their market shares significantly in the First Quarter.

In passenger car, Fiat brand moved down to third position with a market share of slightly below 7%. In addition to high competition, also, tax exempt sales to the disabled citizens impacted market share, as these sales tend to be quite high in the First Quarter of the year after the declaration of upper purchase limits by the government at the end of the year.

For the brands under Stellantis umbrella, the market share stood at 21%, which was 500 basis points lower compared to the prior year.

Moving on to export business; in the First Quarter, now due to the transition, our export volumes are quite low, we shipped around 10,000 units less at 6,500 units in total. Our LCV shipments were slightly lower compared to the prior year due to the continued ramp-up of our K0, whereas our passenger car shipments were down around 9,000 units due to the import restrictions at one of our key markets in the MENA region, as these restrictions started actually in the Second Quarter of last year.

You can see the monthly evolution of our export volumes on this slide, and you can see a gradual ramp-up. In the coming months, we are foreseeing a notable acceleration in our monthly figures. This is the regional breakdown of our exports and may not be very representative -- going forward as our export volumes are relatively low at 6,500 units.

Nevertheless, in the First Quarter, France became our biggest export destination with 38% of our export volumes, followed by Italy by a quarter of our export shipments and Spain with 16% of our export shipments in the First Quarter of the year.

Moving on to shipments by export and domestic markets by our model, you can see we shipped 6,500 units of exports, which is 10,000 units less, and this was mainly driven by lower passenger car shipments as K0 shipments mostly compensated for the discontinuation of Fiorino.

On the right-hand side, our domestic shipments, we shipped 26,500 units in the First Quarter which is around 16,000 units less compared to prior year. And most of that decline stems from the discontinuation of Fiorino. As a result, in total, we shipped 33,000 units which is around 26,000 less compared to the prior year.

Moving on to financial performance; 44% decline in our shipments translated into 48% decline in our consolidated revenue, whereas we generated almost TRY700 million of EBITDA, which is around 90% less. However, EBITDA had shown a slight recovery compared to the Fourth Quarter of last year. And due to our high net monetary position, we

recorded net monetary losses, which translated into a negative profit before tax of TRY188 million in the First Quarter.

You see the snapshot of our income statement here. Although we have taken cost control measures in the quarter, the 48% decline in the revenues translated into higher decline on our operating line due to the fixed cost structure of the business as well as the negative effect of the hyperinflationary accounting below the operating line. Our balance sheet, we continue to generate healthy level of cash in the First Quarter. As you can see, our cash and cash equivalents increased by almost TRY5 billion, standing at TRY26.6 billion.

We have shown an improvement in our net working capital, mainly driven by the receivables and the payables accounts, and we paid down around TRY1 billion of debt with our long-term financial liabilities standing close to around TRY30 billion.

Moving on to investments; in the First Quarter, we spent TRY38 million of capex, which is on track with our plan and around TRY35 million of that constituted of our K0 investments as we are in the stage of introducing new variants to the market.

Moving on to outlook; we -- as a standalone, we maintain our guidance of our light vehicle market outlook of 0.9 million to 1.1 million units and our domestic retail sales of 110,000 to 130,000 units and export shipments of 70,000 to 90,000

units. This translates into a production volume of 150,000 to 170,000 units with a capex of EUR150 million.

But I should note that, as we are in the process of closing the acquisition of Stellantis Turkey, which will change this picture notably, and we will provide more details after the closure of this acquisition. This marks the end of our presentation, and we would be happy to take your questions. Mina?

OPERATOR: The first question is from the line of Kilickiran Hanzade with JPMorgan. Please go ahead.

KILICKIRAN H: Hi, good afternoon. Thank you very much for the presentation. And I would like to make a follow-up on the potential project. I can understand that you don't want to disclose too much, but is it possible to comment what type of model this could be? And is it reasonable to assume that this may be a commercial vehicle that you have previously produced in Turkey such as Doblo as a product it's going to sold in Turkey and MENA rather than Europe.

And the other question is for Egea; if the new model is going to be launched in the second half of '26, could there be an extension on the Egea contract so that you may not face any void in the production during this transition period? Thank you.

TASANGIL A: Thank you Hanzade for the questions. Starting from the first one, from a commercial standpoint we will just defer the full details of the project until we sign the agreement. So for the time being, we will keep only the volume that we mentioned

in our public disclosures. And for the agreement, we are still discussing with Stellantis, and we hope to sign it soon. On the Egea...

KILICKIRAN H: I apologize, but I mean, since this account has been done recently and it's for 2026 and there is no project within Stellantis for '26, could this be an old model? For MENA?

TASANGIL A: We will disclose the details once we sign the agreement. We will not keep you waiting too long on this one. We will try to aim as soon as possible on this one. Going back to the Egea question, as we talked about it on the last time it's a topic that's on the table. We are discussing it. And it is on our agenda, and we will also announce it when there is a decision taken on that one.

KILICKIRAN H: All right. Okay. Thank you very much. Thank you.

TASANGIL A: Thank you.

OPERATOR: The next question is from the line of Ignebekcili Murat with HSBC. Please go ahead.

IGNEBEKCILI M: Hello. Thank you for the presentation. After the Egea model and should we necessarily expect PC model or given the dominance or the aggressiveness of the Chinese like EV competitors, could we just discard the – discard them switch to commercial vehicles a complete change in plans? Thank you.

TASANGIL A: Thank you for the question. Both of the options can be doable. As I mentioned, we are discussing and contemplating

on this one. So the pipeline is not clear yet. Two options are -- can be also possible and they are on the agenda.

OPERATOR: Mr. Ignebekcili, that was your question?

IGNEBEKCILI M: Yes. Thank you. And just another question that comes to my mind is how has the profitability of -- I mean can you compare the profitability of an export project and a domestic project after the change of the last -- I mean, in the change of the climate in the last 2 years given the relative value of Turkish lira? Can you comment on that, please?

TASANGIL A: For sure, if you produce in Turkey and sell in Turkey, that's much profitable from our side as well. And it was the case in the previous years and will be the case in the coming years as well.

IGNEBEKCILI M: So what I'm trying to say is domestic focus is not very easy to discuss, right? You obviously want to have that domestic exposure.

TASANGIL A: Sure, definitely. I mean that's -- we have a significant market share and to defend that market share, we also need a production that also caters to the domestic market as well.

IGNEBEKCILI M: Thank you.

OPERATOR: Ladies and gentlemen, there are no further audio questions at this time. We will now move on to written questions from our webcast participants. Our first question from webcast participants is from Cenk Orcan with HSBC, and I quote, nearly one third of K0 sales were on the domestic market in

Q1. Should we expect a change in this ratio for the Full Year?  
Thank you.

TASANGIL A: Thank you for the question. We expect significant change on that one as the ramp-up stage is also -- is ongoing for the time being. And as we mentioned in our guidance, the export volume is around 70,000 to 90,000 units. So we expect a significant change in favor of export volumes for K0. Thank you.

OPERATOR: Our next webcast question is from Mustafa Kemal Karaköse from Yatırım Finansman, and I quote, can you give us more color on cost synergies? What should be expecting in terms of margins and new business potential?

TASANGIL A: Thank you for the question. I mean both on cost and revenue side, there will be many synergies. On cost side, such synergies will be in areas like logistics, purchasing and many areas in sales and marketing expenses. And on the revenue side, there will be also many areas as well like insurance sales and new business areas such as used car business and independent aftermarket for spare parts as well. Thank you.

OPERATOR: Our final webcast question is from Yağız Kızıltekin with AK Portfoy and I quote, to which level do you think your total production volume will climb considering all the agreements and terminations with Stellantis? Will you be able to achieve CUR rates above 80%? Thank you.

TASANGIL A: Thank you for the question. For the time being, the capacity utilization rate is very low. And with this new vehicle, we will be having like at least 70% capacity utilization rate as well.

And for 2027, actually, that was a target year for us, and we would like to achieve a full capacity utilization rate by that date with potentially a new project that we will also announce in the meantime. Thank you very much.

OPERATOR: 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, Mina. We certainly appreciate your time today and your interest in Tofas. I wish you a good day.