Arçelik

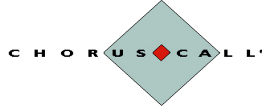
Arçelik A.Ş. Full Year 2024 Financial Results Conference Call

Friday, 31st January 2025, 19:00 (TR Time)

Conductors:

Mr. Barış Alparslan, Chief Financial Officer
Ms. Mine Şule Yazgan, Finance & ERM Executive Director
Mrs. Delal Alver, Capital Market Compliance Senior Lead
Mr. Sezer Ercan, Investor Relations Senior Lead

Conference Call Conducted by Chorus Call Hellas



CHORUS CALL HELLAS
PROVIDER OF TELECONFERENCING SERVICES
TEL: +30 210 94 27 300
FAX: + 30 210 94 27 330
Web: www.choruscall.com

Sensitivity: Public

OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Gelly your Chorus Call operator. Welcome and thank you for joining the Arçelik conference call and Live Webcast to present and discuss the Full Year 2024 Financial Results.

At this time, I would like to turn the conference over to Mr. Barış Alparslan, Chief Financial Officer, Mrs. Mine Şule Yazgan, Finance & ERM Executive Director, Mrs. Delal Alver, Capital Market Compliance Senior Lead and Mr. Sezer Ercan, Investor Relations Senior Lead

Mr. Alparslan you may now proceed.

ALPARSLAN B: Good morning and good afternoon, ladies and gentlemen. Welcome to our Full Year 2024 Financial Results Webcast. This presentation contains the company's financial information prepared according to TFRS by application of IAS 29 Inflation Accounting Provisions.

We start with the highlights of 2024. Beko generated 428.5 billion revenues with a gross margin of 27.6% in 2024, reflecting a 15.4% sales growth year-on-year in real terms, mostly due to Europe and MENA acquisitions. Acquired entities caused roughly 1 point deterioration in gross profit margin in 2024.

In Türkiye, we observed a robust demand in both wholesale and retail markets in MDA and air conditioning segments throughout the year, whereas international demand remained weak despite some improvements. After a period of three years, slowdown points to an end in European market. APAC region remained challenging in 2024.

Our Opex over sales ratio is 26.2% for the Full Year, implying an increase of 1.4 points year-on-year,

Sensitivity: Public

predominantly caused by increasing personnel and marketing and selling expenses. The impact of the acquired operations on our Opex is approximately 0.5 points.

We recorded a weaker EBITDA compared to last year, with a margin of 5.3% for the period. The dilutive impact of the acquired operations is measured approximately 1.1 points in 2024. Please note that our EBITDA adjustment excludes one-off transaction expenses regarding Europe and MENA transactions.

Our Net Working Capital over sales ratio as of 2024 year-end is 21%, reflecting a remarkable improvement of 4.6 points year-on-year with the contribution of the acquisitions. Our leverage is 3.8x as of year-end due to the increase in our borrowings and weak EBITDA, and this figure reflects an improvement compared to the last quarter, thanks to the improved cash generation.

As per the decision of Public Oversight Authority dated October 26th, we provided the breakdown of monetary gain and loss for Full Year results for years 2024 and 2023 in detail in our financial report. According to this breakdown, TRY6.8 billion of monetary gain booked for the year 2024 was due to the inflation impact over inventories. Therefore, when the related amount is added back on top of our EBITDA, our MGL adjusted EBITDA margin is calculated as 6.8% and 9.6% for 2024 and 2023, respectively. This adjustment leads to a leverage of around 3x as of 2024 year-end. Please note that this is a performance adjustment presuming pricing of inventories at least in line with the indexation figure, and the aim is here just to roughly decipher the impact of inflation accounting on the operating margins.

Sensitivity: Public

In 2024, we delivered a 15.4% of revenue growth year-on-year in real terms, recording TRY428.5 billion of consolidated revenues. Inorganic growth was the main driver, whereas local sales remained flattish and international sales were slightly poor.

Our gross profit margin for 2024 is 27.6%, which is 1.7 points lower year-on-year due to mainly pricing pressures, intensified competition, unfavorable Euro/Dollar parity, and also higher manufacturing costs as compared to the last year.

Beko recorded an adjusted EBITDA margin of 5.3% on a yearly basis due to lower gross profitability and higher Opex as mentioned. In 2024, on a yearly basis, local sales increased by 13.6% in euro terms. Drivers of the growth were volume increase and price production mix almost evenly.

However, real figures in Turkish Lira reflect a flattish performance in local market year-on-year. This is simply because the growth in CPI for the period was substantially greater than the change in the FX rate. International revenues increased substantially by 43% in Euro terms year-on-year with the key contribution of inorganic growth.

Acquired entities contributed to consolidated sales roughly EUR2 billion for the year. Organic sales volume remained flattish as the challenging pricing environment in international markets remained unchanged throughout the year. However, figures in Turkish Lira shows 24.7% growth in international markets.

Sensitivity: Public

You may see the quarterly figures below which reflects a similar performance in comparison with the previous year's last quarter.

On the right-hand side, you can see our regional sales breakdown. Türkiye's share in total revenues declined to 32% in 2024 versus 37% last year.

Europe now constitutes approximately half of the consolidated revenues with the impact of the transactions. Western Europe's share in total revenues jumped to 33% from 23% whereas CIS and Eastern Europe market had 16% and remained the same. Revenues generated in APAC region dropped to 10%, whereas it was 14% for 2023.

Africa and Middle East region generates almost 8% of total revenues in total which corresponds to roughly 1 point decline compared to the previous year. You may see quarterly figures as well on the left-hand side.

In 2024, demand in the domestic market in MDA6 was robust.

Our sales volume grew by 6.3% in line with the market on a yearly basis. Q4 figures reflect a much stronger growth around 23% in sales volume whereas Arçelik outperformed the market in the last quarter. However, in real terms, the increase of Turkish Lira revenues in MDA6 segment was much limited due to sales campaigns and product mix in Q4.

Volumes in air conditioning segment reflects the growth over 20% in line with the market. In Q4, we underperformed the market in terms of sales volume. Our retail TV sales volume decreased by 14.2% compared to

Sensitivity: Public

last year, which implies an underperformance on a yearly basis.

Similarly, Q4 figures reflect a substantial decrease compared to the same quarter of last year with an underperformance. Relatively poor sales in TV segment combined with the decrease in professional display solution segment due to the postponement of the tenders for smart boards previously held in Q4 of last year have suppressed overall local performance in Q4.

In 2024, with flattish local revenues in real terms, we generated TRY138.9 billion revenues in Türkiye where MDA6 demand remaining solid, unit growth in air conditioning was strong unlike declining TV sales volume. In overall, share of the domestic market in total business corresponds to 32% of total revenues for the Full Year.

Having 49% share in consolidated revenues in Full Year 2024, revenues generated in Europe increased over 66% in euro terms with the contribution of the acquired operations. Consumer demand in Western Europe substantially recovered throughout the year in terms of sales volume.

Unit growth as of November end was 1.6% points, pointing to a further recovery in Q4. However, there is no growth in euro terms on a yearly basis. In key markets such as UK, Italy, Germany, Spain, Belgium, and Austria, solid growth has been observed in sales volume.

However, slowdown continued in France albeit with a slower pace. Having 33% of shares in total sales revenue in Western Europe, Beko preserved the market leadership

Sensitivity: Public

with a slightly improved pricing ability in the market in 2024.

Meanwhile, in Eastern Europe, demand growth was solid throughout the year.

Major markets in the region point out to a substantial growth in November 2024. In Eastern Europe, having 16% share in total sales, Beko maintained its market leadership despite slight underperformance in the region.

So, the revenues generated in Africa and Middle East region constitutes 8% of consolidated sales in 2024.

In euro terms, sales within the region grew almost 20%. Main drivers of the growth were the contribution of acquired MENA operations and solid growth in African markets. MDA demand in Africa region remained robust and resulted in a growth in Defy's sales revenue over 10% in euro terms for the year 2024.

Domestic sales growth exceeded the growth in exports both year-on-year and on a quarterly basis. These figures imply 10% both in terms of units and euro on a quarterly basis.

As another key market in the region, demand in Egypt was robust throughout the year.

Beko Egypt sales growth figures were 14% and 9%, respectively, in units and euro terms, respectively, despite the challenges in market conditions. Quarterly figures show a slowdown in demand in Q4 compared to the same period last year in Egypt.

Sensitivity: Public

On the other hand, having 10% share in consolidated revenues, APAC home appliances landscape remained challenging throughout 2024.

Revenues generated in the region reflect a decrease over 2.5% for the year in Euro terms, whereas strong demand in Pakistan and Bangladesh softened the decline.

In Pakistan, sales revenues showed a robust growth both in euro terms and sales volume in 2024, corresponding to 20% and 17% increase, respectively. On quarterly basis, numbers reflect a lighter growth both in volumes and euro terms.

In Bangladesh, revenue growth over 2% succeeded in euro terms compared to last year, whereas volume growth was slightly higher. In Q4, growth was stronger compared to the same period of last year.

In 2024, trend in raw material prices were different for metal and plastic side.

On the metal side, raw material prices declined slightly compared to last year's average prices. This was mostly due to weaker global demand, high policy rates, and lower energy costs. We expect a similar price level in 2025 on the average, albeit gradual increases quarterly.

Average plastic raw material prices were relatively higher throughout the year, despite the gradual declines in the second half of the year. This was due to weak demand, slowdown in growth, and lower capacity utilization in production. We do not expect a major change in prices on average in 2025.

Sensitivity: Public

Now, I hand over the webcast to Mine to present the financial performance.

YAZGAN M: Thank you, Barış Bey. Here is the summary of our Full Year 2024 financials as per inflation accounting for both yearly and quarterly comparison. Our consolidated revenues were TRY458.5 billion in 2024, reflecting 15% growth annually and a 5% decline quarterly compared to the same quarter last year. Growth profitability is weaker both on a yearly basis and compared to the same quarter last year. Margins are lower by 1.8 and 1.2 points, respectively.

However, numbers reflect an improvement in comparison with the previous quarter, roughly around 0.5 points.

Our operating profit and adjusted EBITDA margins were substantially weaker in 2024 and Q4 due to the lower gross margin and growth in opex. Operating margins declined by 3.2 points year-on-year and 2.1 points quarterly.

On the other operating income and expense account, there are substantial items both on income and expense side in Q4. On the income side, we have recorded an income from the purchase price allocation regarding Europe and MENA acquisitions corresponding to roughly TRY17 billion.

On the expense side, we have recorded a one-off expense over TRY11.8 billion due to restructuring efforts. Combined impact of these items has supported the bottom line both in Q4 and 2024 Full Year results.

Sensitivity: Public

Net financial expenses grew substantially by 46% year-on-year and doubled compared to the same quarter last year. This is mostly due to increased net interest expense in line with growing debt and increasing hedging costs. However, the improvement in financial expenses in comparison with the previous quarter is noteworthy which points out 18% decrease.

A one-off income has been reported in the last quarter's monetary gain due to the recalculation of net monetary position resulting from the indexing of foreign subsidiaries shareholdings by the parent company. The recalculated amount has also been adjusted in the previous year's financial.

As a result, we have recorded a monetary gain amount of TRY7.1 billion in the last quarter adding up to TRY15.8 billion in Full Year 2024 results which supported the bottom line. The figure for 2023 was TRY22.7 billion. Consequently, we posted a loss of TRY2.2 billion before minority in year-end which corresponds to minus 0.5% Net Margin. Decline is 6.1 points year-on-year.

Finally, with a margin of 5.3%, we have recorded an adjusted EBITDA of TRY22.9 billion in 2024. We have excluded transaction-related one-off expenses amounting to TRY629 million due to adjustments. Corresponding amount in the last quarter was TRY88 million. Adjustments for 2023 and the same quarter last year were TRY1.2 billion and TRY436 million, respectively.

As of 2024 year-end, with an increase of TRY9.8 billion in Net Debt and weaker adjusted EBITDA, our leverage is 3.8x which matches our covenants. We have succeeded to meet

Sensitivity: Public

the required level by increasing our receivable factoring and early collection amount above our ordinary utilization of the tool to improve liquidity.

However, we anticipate an intrinsic improvement on the leverage side as the better operational performance starts to support EBITDA throughout the year.

You may find the details regarding our debt currency breakdown and effective interest rates of our loan and bond portfolio on the figure at the right-hand side with a total borrowing amount of TRY138 billion and an average duration of 2 years.

Our average effective Turkish Lira, euro, dollar funding rates including loans and bonds were 42%, 5.2% and 8.5% respectively.

On the bottom left-hand side, you may see our cash currency breakdown for the amount EUR1.4 billion as of year-end.

With well-diversified cash holdings among currencies, our cash and cash equivalents were TR 50.8 billion. 35% of our total cash is in euro, 21% in dollar, 15% in Turkish Lira, whereas the other currencies correspond to the remaining 29%.

Euro-denominated borrowings constitute 41% of our total borrowings, whereas dollar and Turkish Lira-denominated borrowings correspond to 21% and 24% respectively.

On the debt maturity side, when our notional cash flow utilization and short-term cash management instruments

Sensitivity: Public

utilizations are excluded, less than one-third of our borrowings is due 2025 end.

As of 2024 year-end, our long-term borrowings comprise more than 55%, whereas short-term borrowings correspond to 45%. It was vice versa as of last year-end.

On the upper left corner, you can see our adjusted EBITDA margin bridge. Narrowing gross margin and increasing Opex were the main drivers of a significantly lower margin of 5.3% in 2024. The change in D&A had a positive impact over yearly EBITDA margin, where one-off adjustments had a negative impact on calculations in transaction-related one-off items were larger in 2023.

On the upper right corner, our net working capital-to-sales ratio around 21% for 2024 as you've seen. The ratio was 25.6% for the previous year, which reflects an improvement of 4.6 points year-on-year. Quick wins from acquired operations supported the improvement in Net Working Capital. Please note that having 12-month rolling data with yearly results, now we use 12-month average net working capital in calculation.

On the lower left corner, you can see our capex-to-sales ratio of 5.4% as of 2024-end, which implies an increase of 0.7 points year-on-year. This was mainly due to Egypt and Bangladesh investments that we have completed in 2024.

Finally, at the lower right corner, you may see our free cash flow figures. Due to big cash generated from operations and growing capital expenditures, we have generated negative free cash flow of approximately TRY8.7 billion in 2024 versus the negative amount of TRY18.1 billion in 2023.

Sensitivity: Public

As we have stated in previous calls, we're anticipating an improvement in cash generation capability in 2025. Now, I'll leave the floor once more to Barış Bey for our guidance.

ALPARSLAN B: Thank you, Mine Hanım. So, here you may see our guidance and actual figures for the year 2024. With no real growth in local revenues in Turkish lira terms and 43% of growth in international revenues in euro terms, we've partially met our guided numbers for 2024 on the top line.

Slightly less than expected contribution of acquired operations and slower recovery in international demand were the main causes of the deviation. On the EBITDA margin side, we failed to meet our latest guidance roughly by 0.5 points. This is mainly due to more than expected depreciation in euro-dollar parity after the US elections on top of slower recovery in international markets.

We've partially succeeded to meet our guidance for networking capital over sales ratio with a slight deviation around 1 point for the year 2024. Finally, we've met our revised Capex guidance around EUR400 million with an actual amount of approximately EUR375 million in 2024.

Here you may see our 2025 guidance based on our recent forecast and expectations for the year. We expect our local revenues to be flattish in real terms by the end of the year 2025. On international revenues, our expectation implies a growth of approximately 15% in euro terms supported by Full Year contribution of acquired operations compared to three quarters last year.

With a significant improvement in profitability, we expect an EBITDA margin around 6.5% in 2025 backed by positive impact of cost savings and synergies as we move forward

Sensitivity: Public

with further necessary actions for more efficient operations.

We expect further improvement in our networking capital over sales ratio and go below 20% by the end of the year.

Finally, our guidance for capital expenditures is approximately EUR300 million for 2025.

So, as we've disclosed in the previous quarters, we estimate savings of approximately EUR140 million through eliminating roughly 2,000 office positions across our global operations within a three years’ time frame.

Here you may see the recent updates and realized figures in 2024 year-end. So far, we've completed almost half of our planned role eliminations as of by the end of 2024. So that concludes our presentation.

OPERATOR: The first question is from the line of Bystrova, Evgeniia with Barclays. Please go ahead.

BYSTROVA B: Thank you very much for the presentation. Congrats on the results. I have several questions. I would like to go one-by-one. So, my first question is regarding your margins. So, in Fourth Quarter, it seems that your margins were poorer than you initially expected.

So, what was the reason for that and also for your 2025 guidance? Could you please maybe provide a breakdown of how much savings you expect to generate in 2025 that would feed into 6.5% guidance? Thank you.

Sensitivity: Public

ALPARSLAN B: Sure. As explained as part of the presentation, the main reason in decline of margins is mainly Euro/Dollar parity, ongoing pricing pressure, especially in the international markets, high level of interest rates in the domestic market and relatively low consumer sentiment, and higher manufacturing costs on the back of real increases in salary and wages.

And when it comes to your second question of the expectation of savings, especially from the turnaround operations from the Beko Europe side, we expect around EUR100-EUR150 million of cost savings and synergies in 2025 that would be factored into the margin guidance.

BYSTROVA E: Just to double check, you said EUR100-EUR150 million?

ALPARSLAN B: EUR100-EUR150 million. Yes, yes.

BYSTROVA B: Okay. Also, so my second question is regarding your cash flow generation. I mean, you reported slightly lower Capex, but generally, free cash flow was much better than after Third Quarter.

So, I was just wondering what was the driver of that? And maybe to my final question, I think you had plans to refinance some of the short-term debt with a few other facilities. Could you please provide an update on your progress on that front? Thank you.

Sensitivity: Public

ALPARSLAN B: Sure. On the cash flow generation side, tight control over inventories and accelerated collections of trade receivables was the main reason of extended cash flow generation. And in September and November, in particular, the European market was pretty strong.

And for the local domestic market, Türkiye continued to perform relatively well, contributing to the EBITDA generation. And on the Capex side, we were in line with the guidance. Altogether, they let the benign cash flow generation and reduced leverage environment.

When it comes to the refinancing of our funding, so we do not have a major redemption in 2025. And we do not expect any major capital expenditures. That's why the refinancing will be mainly on the networking capital-related short-term debt on which we do not expect any problem given our extended credit limits in local market, domestic bond market, and the hard currency borrowing environment, especially in the bilateral lending.

We also have several plans to further extend the duration of our funding structure on which I can provide further details in case of any need.

BYSTROVA E: Do you plan to conclude those extensions, the duration extensions during this year?

ALPARSLAN B: Yes, I mean, as the new debt funding facilities like ECA' and some other syndicated facilities will come on stream, our duration will be extended as we refinance the short-

Sensitivity: Public

term debt. Right now, it's on the average around two years in terms of duration.

BYSTROVA E: Okay, thank you very much.

ALPARSLAN B: You're welcome.

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

KILICKIRAN H: Thank you very much for the presentation. I want to make a follow up about these savings in 2024. How many production plans have been closed so far? And how many plans are you expected to close in 2025? And I wonder if these expected closures in 2025 also included in your EBITDA guidance or your EBITDA guidance is based on the existing, I mean, plant closures. So, I just try to understand if that could be an upside on the EBITDA margin if you close other plants in Europe?

ALPARSLAN B: Sure. In terms of plant closures, we've completed the closure of Yate in UK as of 2024 year-end. For our Polish operations, the ones that are announced in Lodz and Wroclaw, we expected to conclude within the First Half of 2025.

And right now, the synergies that we expect from those closures are already bulked in our EBITDA margin guidance. And the remaining part is, as we announced, let's

Sensitivity: Public

say, consequently, for Italy operations, the discussions are ongoing and you can follow up from the announcements as they fall due.

KILICKIRAN H: And actually, that's my second question. So, your, I mean, your Capex guidance is EUR300 million. Does it include the Italy guidance, Capex without Italy?

ALPARSLAN B: So, as it pertains to Italy, as you know, this is a highly sensitive topic concerning political discussions and the negotiations with the regulatory authorities are ongoing. That 300, while calculating our synergies, we've already bulked in or factored in our turnaround-related Opex and Capex to our synergy calculations. And that 300 million Euro is actually merely a restatement of the required turnaround Opex and Capex to achieve those synergies.

And they include not only capital expenditures, they also include operating expenditures, IT-related expenditures and or capitalized R&D-like expenditures. So, that's why do not consider this as merely Capex. And the Capex guidance that we provided already includes the Capex-related items as it pertains to Italy.

KILICKIRAN H: Okay. So, in 2025, if you proceed on Italy, we won't see extra charges, right? I mean, it's already considered?

ALPARSLAN B: Yeah, sure. And to be honest with you and also provided in the relevant disclosure notes of the audit report, we have fully provisioned when it comes to our turnaround operations going forward, including Italy, Poland, UK,

Sensitivity: Public

etcetera. That's why you should not expect any more, let's say, further expenses that would be hitting the P&L in 2025 when it comes to those operations.

KILICKIRAN H: Okay. So, that means that everything has been provisioned this year…

ALPARSLAN B: Yes, I mean, as it pertains to the Europe turnaround operations.

KILICKIRAN H: All right. Thank you very much. And one final stop on this, I mean production plant closure, because I'm trying to understand when you move all this production to Türkiye, how much savings, I mean, how much do you save on the margin side? I mean, can you be really competitive with Chinese manufacturers in Europe afterwards?

ALPARSLAN B: Yes, I mean, these are our calculations. And we're not closing all the factories, just to correct. These are the ones that are mainly related to the dryer and cooking factories, as announced in Wroclaw, Lodz and Yate in the UK.

And we do not provide a full breakdown of the expected synergies when it comes to production, procurement, R&D, or HR admin redundancies. But the high-level number that I provided to you is mainly related to production, procurement, R&D, as well as HR admin redundancy. So, with impact, positive impact, both in GP and OP eventually.

KILICKIRAN H: But, I mean, when I check the prices in the UK, I can see that you can price Beko very close to your Chinese competitors. So, when you move the Whirlpool brand to Türkiye, is it reasonable to assume that you can also price Whirlpool close to Chinese manufacturers in the segments,

Sensitivity: Public

I mean, their respective segments, so that you can be more competitive in 2025?

ALPARSLAN B: Whirlpool is our brand that will be positioned on a highly premium basis. That's why I don't think that will be the Chinese benchmark is not the right benchmark.

KILICKIRAN H: You don't have any plan to introduce in the entry segment of these brands?

ALPARSLAN B: No, we have different brands like Indesit for the entry segment. And for the premium segment, we have Whirlpool, Hotpoint, depending on the location that we have. Whirlpool, for example, Whirlpool in France, Hotpoint in the UK. So, it depends on the region as well.

KILICKIRAN H: Okay. So, Indesit in Italy, right? I mean, if I'm not wrong. Indesit is currently produced in Italy, right?

ALPARSLAN B: Indesit is produced currently in Italy, yes.

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

ALPARSLAN B: You're welcome.

OPERATOR: The next question comes from the line of Demirtas, Cemal with ATA Invest. Please go ahead.

DEMIRTAS C: Thank you for the presentation. My first question is about the domestic side. I don't know if I missed it, but you expect a flattish market, a flattish Turkish lira revenue growth. How do you think the volume and the pricing side will be for this year? And what are the initial signals for the first half of the year? That's my first question.

And the second question is related to negative goodwill side and restructuring costs you recorded. I think maybe you

Sensitivity: Public

can just repeat that part. From here, I see 17 billion from the acquisition and other income.

And I see TRY11 billion for the Full Year regarding the restructuring. So, could you just give us maybe a concrete number for Fourth Quarter and total year specifically in order to understand the effect of these two main factors in the Fourth Quarter? And again, after that, I can ask some questions about the monetary gain side.

ALPARSLAN B: Sure. So, in terms of outlook for Türkiye, in accordance with our guidance in local sales, we do not expect significant growth in real terms. And here, let's say, diminishing expendable household income and limited monthly installment availability are the main headwinds as we expect.

And considering the high base impact in the First Half, especially the pull-forward demand in the First Quarter before the election, figures for the First Half is expected to be under pressure from our perspective. However, as the policy rate cuts come to a point of saturation, we expect to see a growth in demand in the Second Half of the year. And as you see, Türkiye is always an active market and it's a consumer-driven economy. So, there is always more hope and more upside for Türkiye, especially on the volume side.

So, when it comes to your second question, the negative goodwill, yes, I confirmed the numbers. The positive impact of the negative goodwill is TRY17 billion. And for restructuring costs and on which we provide a detailed breakdown under note 27 of the audit report is TRY11.8 billion. That's provided on a geography and nature basis.

Sensitivity: Public

And to be honest, this is a very detailed table where you can see the provisioning levels. And they are related to the same transaction and are recorded to the same year, 2024. The essence of negative goodwill is obviously to the consideration of transaction was 25% of Beko Europe operations. And we acquired 75% of Europe operations.

And as part of the purchase price allocation study, all the fixed assets and the brands intangibles were revalued. And the difference between those two, the consideration and the acquired operation resulted in that number.

And we also, as part of the purchase price allocation study, it is also cross-checked commonly accepted valuation methodologies, such as discounted cash flow, etc. These numbers do not include synergies as per the methodology. And it shows the magnitude of the bargain price that we've achieved in that transaction.

And on the flipside, we have our restructuring costs. Those are calculated based on our reliable estimates, the probable losses that we expect going forward over the next couple of years, with detailed calculations behind it.

And they refer to the announcements. So, they match the announcements that we made so far in 2024. And we keep updating our disclosures as they fall due. And I presume you're going to ask for the monetary gain and loss that was recorded as a one-off impact.

DEMIRTAS C: Yes. That's my other question. And you give details in, 31, I think, the footnote. When I look at here, I see, especially when we put, like, we don't have an exact calculation to have. But at least for the first nine months, we had at the purchasing power of year-end, we have around TRY11

Sensitivity: Public

billion, in monetary gain in the nine months. But when we come over here, we have an additional TRY6 billion in the Fourth Quarter. Just could you further elaborate that side?

ALPARSLAN B: Great. So, do you have any other questions? And I can answer both of them.

DEMIRTAS C: And the other one question is, when you give this footnote, could we say that, looking at this footnote, if you were not applied, if you didn't apply inflation accounting, your income would be 2.5 billion less. Is it a fair just, you know, comment? Or do you share anything about, that without IFRS 29, what would your net income would be?

ALPARSLAN B: Sure. I mean, just to start from scratch, as you know, on the back of our annual audit procedures, we were reviewing our accounting policies. And in line with the guidance of our auditors, we classified the impact of inflation accounting on the international subsidiaries under the equity movement table with no net impact on the equity.

And as you also realized, there is also obviously no impact on the operational line items. And the impact was, before that adjustment, the impact was handled under the currency translation adjustments, whereas it's now reclassified under monetary gain and loss. And that's the essence of the increase.

So given this is a yearly impact, a one-off impact, as of the last quarter, you should actually distribute this incremental number throughout 2024 and come up with an adjusted, let's say, potential sales figure for monetary gain and loss.

And when you project going forward, obviously the indexation, I don't know whether you're projecting

Sensitivity: Public

monetary gain and loss, but the indexation levels will obviously change. So, they will decline on the average throughout 2025. They can change on a monthly basis, but on the average, we expect them to be lower on the back of lower announced inflation figures.

And going forward, I mean, once you come up with an adjusted number for 2024, the best way, in my view, would be to wait for the first quarter of 2025 to see the monetary gain and loss number as percentage of sales, and then project going forward for 2025.

DEMIRTAS C: Okay, so I think we need to further maybe elaborate.

ALPARSLAN B: We can always take it offline for further questions. But you can track, so you know the quarterly total monetary gain and loss numbers, and then you have that impact for the last quarter, the one-off impact. And you can actually decompose and decipher the net incremental number, and you can distribute it to 2024, because this refers to the Full Year as a one-off reclassification, and then extrapolate from that on the back of, especially for Q1 results. We can help you with that to understand it better.

DEMIRTAS C: So related to negative goodwill, we are not going to see another negative goodwill going forward, but we will see restructuring costs may be similar to that number for the Full Year, or more, or any indication on that.

So, are we going to see in the first half of the year, could we assume that? Or it's like the three-year process, you already complete maybe half of it. I would like to understand how are we going to see the bottom line going forward?

Sensitivity: Public

ALPARSLAN B: Sure. As I responded to the previous question, the restructuring provisions are largely done, so you should not expect anything related to the PPA and or provisioning of such magnitude. There might be some things here and there, but we consider ourselves largely/fully provisioned as of 2024.

So, you should expect, I won't say less, but almost a minimal to non-P&L volatility under other operating income and expenses as it relates to the provisioning, restructuring, or PPA, etcetera, etcetera.

So, the expenses that will come will be on an actual basis going forward, not provisions, and we will obviously unwind those provisions with zero impact on the P&L. So, they are already handled in 2024.

DEMIRTAS C: And maybe last question, maybe you answered, sorry again if I miss it, but it's related to international parts. You have 15% in FX terms. What would be the driver, the pricing side versus the volume side again, and in which regions we are going to see improvements?

The China factor and the European factor really is putting additional pressure on Turkish exporters. And when do you think this will, we don't know the answer possibly, but when do we expect the recovery that will have some momentum on companies like you, which have the export potential and the growth potential?

Currently that level is high when we look at like this, and it's reflected to your share price. But at some point, there should be some catalyst, and you are at the middle of a big investment or restructuring. So, there are many

Sensitivity: Public

headwinds. When do you think you will see some light at the end of the tunnel?

ALPARSLAN B: So, coming back to your first question, as you know the closing of the Beko Europe transaction was done as of April the 1st in 2024. So, the numbers do not include the first quarter results of Whirlpool. So, the main reason for the year-on-year increase of 15% is mainly related to that.

We do not expect a major change in volumes and or in pricing. Having said that, obviously on the back of the recovery in Europe and ECB's actions, as you know, have started to stimulate the consumer demand. And that's why having inflation slow down and backed by the low base effect in Europe, we expect relatively higher growth in sales volume.

But that would be of course balanced by the pricing pressure, intensified competition. But as you know, we have all these brands right now, Whirlpool, Hotpoint, Beko, Indesit, and the main strategy is going to be positioned themselves just to nullify the impact of the pricing competition.

So, the silver lining or the light at the end of the tunnel has already started to come on stream, especially when it comes to Europe. In some regions, as I mentioned, like UK, Belgium, etcetera. In our case, I think more to come, but especially the First Quarter is not going to be easy.

But when I look at the initial results, we're more or less in line with our expectations. And the breakthroughs will be the main drivers going forward, on which we see hopeful signs when it comes to ECB.

Sensitivity: Public

DEMIRTAS C: Thank you.

ALPARSLAN B: You're welcome.

OPERATOR: The next question is from the line of Gibney, Tom with ADF Asset Management. Please go ahead.

GIBNEY T: Hi, good evening. Thanks for taking my question. I just wanted to first of all, I couldn't access the presentation. I wondered if you could confirm what the adjusted EBITDA was in the Fourth Quarter in euro terms and also what the percentage change was year-on-year?

ALPARSLAN B: One second. Why didn't you have access to the presentation to start with?

GIBNEY T: I don't know. It wasn't on your website.

ALPARSLAN B: Can you repeat your question because I didn't catch the exact number that you're asking?

GIBNEY T: Sure. Just the adjusted EBITDA in the Fourth Quarter. What was it in euro terms and how much did it change year-on-year?

ALPARSLAN B: We published our results in Turkish Lira. Let me tell you the Turkish Lira number which is TRY4.9 billion in the last quarter of 2024. And in terms of margin, it's 5.3%. And that includes the extraction of one of the expenses related to the transactions.

In total, that number is TRY629 million and that is also in our audit report. Without this, the number is 5.2%. But on an adjusted basis, the margin is 5.3%.

GIBNEY T: Could you confirm what it was last year on a comparable basis?

Sensitivity: Public

ALPARSLAN B: Last year it was TRY5.7 billion and this is an indexed number. So based on the current purchasing power and on the adjusted EBITDA margin, it was 6.3%.

GIBNEY T: Okay, great. And then with respect to your guidance, obviously, you're guiding for a higher margin in 2025, but the Fourth Quarter was still relatively weak. And you kind of said the First Quarter will not be easy.

Should we expect that margin to kick in from the Second Quarter -- the margin improvement to start from the Second Quarter or the First Quarter? When should we expect that? Year-on-year margin improvement to come through?

ALPARSLAN B: Sure. When we look at the seasonality as well, I think the Second and Third Quarters when the impact of the rate cuts overall globally will kick in on the consumer sentiment, I think these two quarters will be much more determining. And as I mentioned, and I also provided some high-level numbers on the synergies that would be incremental to the operating profit.

I think you can easily calculate with that number and when you project certain revenues going forward in line with our revenue growth guidance, you will more or less end up with around 0.8% to 1% margin improvement on the back of our factors in synergies. And obviously, the impact of inflation accounting will also abate when we proceed to 2025.

But this will be balanced on the gross profit level vis-à-vis the pricing pressure that might continue at least for the first half, as you rightly pointed out. So, overall, we've spent a lot of time in coming up with that guidance and we

Sensitivity: Public

wanted to provide you with 6.5% for 2025 for the entire year as an average. And as you rightly pointed out, we expect it to gradually recover towards the end of the year.

GIBNEY T: Okay, great. That's helpful. Thanks. And then there was an article in the news this morning that you may increase your investments in Italy from EUR110 million to EUR300 million. I understand that you're in discussions with the government.

So, you probably can't comment on that number, but in terms of any additional investment that you commit to in Italy is that likely to fall primarily in 2026 rather than 2025?

ALPARSLAN B: So, the discussions around Italy, as I mentioned it's a process that is dictated by political interactions. And as I said that number and we do not consider it as an increment on top of what we've already provided. Obviously, disclosures come in areas gradually.

And that number is not only related to capital expenditures, as I said. We've already factored in and or projected going forward expenditures related to our operations in Italy, be it as I said, IT, be it operating expenses, be it capitalized and or expense R&D.

And this number is actually a restatement of the total expenditures that we expect over the next, let's say, five years, which is a long-term period going forward. And when you look at our Capex guidance and maybe you would recall that in our previous webcast, I mentioned that with the end of the expansion Capex programs like Egypt-Bangladesh, the transfer of Çayırova to Manisa, etcetera, is they are finished or almost finished now.

Sensitivity: Public

Going forward, our capital expenditures will be mainly around maintenance Capex that we expect. And including those expenditures, I think more or less the number that I provided in the guidance would include all of it.

GIBNEY T: Okay, I understand. And then with respect to sort of related question, you raised EUR500 million at the Beko level in 2024. Would you expect to need to raise any more in 2025 or 2026?

ALPARSLAN B: $500 million or Euro.

GIBNEY T: I thought it was Euro. You raised 500 million at Beko. Do you expect to raise any more financing at that level?

ALPARSLAN T: I think you're either referring to the syndication that we've done in August and the follow-up towards the end of the year. We're not in need of long-term funding per se. I can comfortably state that, but just to extend our duration and if we are able to lock in relatively low interest rates in specialized lending such as ECA, as I mentioned before, then we'll hit the market.

But to be honest with you, we're not in need of any long-term funding. And our first redemption will come on May 2026 for our green bond. And 2028 September 2028, for our bond, euro bond issuance that was done back in September 2023.

So, for 2025, we're not in need of a major redemption. So, we're fully covered on that respect. And with an average duration of three years, we're really very comfortable in terms of funding needs going forward.

Sensitivity: Public

GIBNEY T: Okay, thank you. And then just last one for me. You mentioned that you had accelerated some receivables collection in the fourth quarter. Was that related or rather did you increase your factoring during the quarter? Did that contribute to it or should we expect some reversal of that receivables collection benefit in the First Quarter?

ALPARSLAN B: It was a mix of both early discounts that we're getting from our distributors and or factoring. And the factoring interest rates are really highly favorable, ranging from 100 to 150 basis points in terms of spread. And we're actively using that.

This is actually the beauty of that industry. It's highly cyclical and or networking capital heavy where you can play around with your trade receivables going forward. But that does not mean that we've depleted our networking capital.

So it's just mainly based on the seasonality. And as I mentioned, the September and November results especially in Europe were very, very strong. And that's why these actually refer to the collection of this turnover towards the year end. And we continue to actively use such availabilities, credit limits, as we also migrate at Whirlpool operations.

So in a nutshell, that's a part of the funding synergies that we were expecting. And secondly, we've been pretty strong in controlling and reducing our slow-paced inventory levels. And especially the raw material inventory levels towards the last quarter. And that strategy is going to continue within 2025.

Sensitivity: Public

We'll be extremely stringent on our inventory management going forward. And just one note, because I mentioned that in the previous webcast is as you know with the migration of the Whirlpool balance sheet, the asset had to recalibrate itself, especially on the networking capital.

When you look at the pre-cash flow generation in 2024 which won't repeat and are mainly one-off in my view and the impact of that has been really reduced throughout the last quarter as promised is that the negative networking capital investment that on the back of the migration of Whirlpool balance sheet and the ongoing capital expenditures were the main culprit. These won't repeat in 2025.

And we have already, we're seeing, we've started to see the positive impact throughout the last quarter. So on a cash conversion basis, 2025 will be highly favourable in our view.

GIBNEY T: Okay, great. And is it possible to give a number for the factoring balance at the end of the year and also in the same sort of purchasing terms at the third quarter, just to kind of give a sense of how factoring changed and how that was used during the quarter?

ALPARSLAN B: I have the flow numbers, but Mine is now looking at the balance, the stock numbers as of the Fourth Quarter factoring.

YAZGAN M: Yes, sure. Well, in the Fourth Quarter the number was not really very different from the Third Quarter in terms of factoring, but the early discount contributed the bottom line like around EUR500 million which were EUR387 million in the Third Quarter.

Sensitivity: Public

GIBNEY T: Okay, so that increased by 120?

YAZGAN M: Yes.

GIBNEY T: Thank you. That's great. Thanks very much.

OPERATOR: The next question is from the line of Campos, Gustavo with Jefferies. Please go ahead.

CAMPOS G: Hello, can you hear me?

ALPARSLAN B: Yes, very well.

CAMPOS G: Okay, thank you. Yes, I just wanted to confirm a few things. I was looking at your outlook slide and just doing some simple math here, you generated around 430 billion in revenue in 2024 in Turkish Lira, so that equates to around EUR11 billion.

You expect 15% growth in FX for 2025. So apply your expected margin of 6.5%, you have expected EBITDA of EUR850 million. Is that a fair nominal number? Did I do the math correctly here as far as your 2025 expectations in nominal terms?

ALPARSLAN B: Your math per se is correct, but I cannot comment on the exact number that you mentioned, as you can imagine.

CAMPOS G: Okay. All right, at least my math is correct. Thank you. And that EBITDA dynamic will be mostly driven by cost savings and integration, because you mentioned that pricing conditions may remain somewhat challenging in 2025. So, most of any upside as far as your financial performance and your profitability will come from the cost side. Is that correct?

Sensitivity: Public

ALPARSLAN B: That's a fair assumption, but on the pricing side we also have our plan, as I mentioned in terms of positioning of the brands. We'll effectively utilize Whirlpool and on every segment we have a relevant brand to shake off the competition. As you know in Türkiye, we are price makers, so we're pretty strong on the back of our exclusive dealership network.

And in Europe, we're putting a lot of emphasis on the positioning of our brand. So, this year was a trial period, but in 2025 we'll be much more, let's say, comfortable in fighting off competition. So, we expect to nullify or eliminate the relatively negative impact of pricing.

Having said that, and as you rightly pointed out, the main positive impact is expected to come from synergies, which have repercussions on the gross profit and on the operating expenses side. So, it will be a mixture of both.

CAMPOS G: Understood. Yeah, thank you. That's very clear. Secondly, if you could provide a quick comment on your expectations on net debt, it was around like EUR2.4 billion as of the end of 2024. Are you expecting that to change materially, one way or the other throughout this year and into the end of 2025?

ALPARSLAN B: I cannot comment on an exact level, but in terms of EBITDA leverage, we expect it to be reduced, of course, substantially on the back of reduced interest rates and high cash flow generation. I think you can more or less calculate the free cash flow generation, including the interest expenses.

But be careful when it comes to the cash interest expenses, because when you look at the P&L, there are some non-

Sensitivity: Public

cash expenses like with discounts, etcetera. So, on the back of high inflationary environment and high interest rate environment, that number actually comprises a relatively large chunk of total net financing expenses that you see on a reported basis in the P&L.

But I think it's a relatively easy task and when I look at the broker consensus, you're doing a good job in projecting such numbers, but we're happy to help out on an offline basis, of course, within the constraints of confidentiality.

CAMPOS G: No problem. Thank you. That's very helpful. Then, two last questions from my side. I'm looking at your Capex here around EUR300 million and you said that is all just focused on maintenance activities at the moment. If you could provide some breakdown of discretionary and maintenance activities in this outlook, that could be very helpful?

ALPARSLAN B: I can state that it's mainly maintenance, but of course, there are some leftovers and transfers from 2024 in terms of expansionary Capex and as I mentioned as it pertains to the turnaround Capex for Beko Europe restructuring, but it's mainly related to maintenance Capex in our existing factories.

And new product investments as well, because I wanted to mention actually in one of the previous questions, the question was whether only Italy factories produce Indesit that’s predominantly, yes, but there are cross-sourcing initiatives and in some regions, we also produce Indesit brands.

So, it's not only Italy, predominantly, yes. The cross-sourcing requires new product investments which is already factored in our capex figures.

Sensitivity: Public

CAMPOS G: All right. Understood. That's also very helpful. Thank you. The last question here, I'm seeing your total debt breakdown and there's still a portion of funding that is in Turkish Lira which can be viewed as a bit expensive given the current conditions in the market right now.

Are you expecting this currency breakdown in your funding to change, perhaps decreasing Turkish Lira or do you see it as probably going to stay where it is into 2025? That's my last question. Thank you.

ALPARSLAN B: You're welcome. When it comes to Turkish Lira lending facilities, the average duration is relatively low, let's say 6 months. I mean, occasionally there are some domestic bonds, which are one or two-year duration, but they are just a small portion of our total Turkish Lira funding.

So which means on the back of reduced interest rates, we're able to refinance and reprice them very quickly. So, these are mainly short-term. When it comes to alternatives and we started that at the end of 2024 is to utilize EXIM facilities and the interest rates of those facilities have started to fall below 30% which is a favorable number.

So I think and this is how we project in our minds this year is that the impact of the reduced interest rates will have a really positive impact for this year in terms of financing expenses, starting from Turkish Lira. We're not locked in on Turkish Lira, so we can easily reprice them.

We're also keeping a close eye on our fixed position, obviously, and that's why we have almost zero concern about lending and rollover of our lending facilities.

Sensitivity: Public

CAMPOS G: All right. Sounds good. Thank you again for taking your time.

ALPARSLAN B: You're welcome. Thank you for the question.

OPERATOR: The next question is from the line of Doshi, Anjali with Nuveen. Please go ahead.

DOSHI A: Yes, thank you for the call. I think most of my questions have been answered. Just curious, with regard to your margin outlook, I am curious about what your expectations are in terms of raw materials prices going into 2025, particularly the metals and the plastic side, and also curious about your assumption on EUR-USD parity into 2025 that you're using in the guidance?

ALPARSLAN B: Sure. Thank you. On the average, we do not expect a major change in raw material prices on both sides, neither in metals nor in plastics. The demand-supply balance in those raw materials points to, let's say, a similar environment when it comes to the average levels.

In terms of EUR-USD parity, I think current levels more or less reflect our expectation. Obviously, everybody was expecting that they will be falling towards one or below one. But I think, as you can also closely follow from the political statements, especially on the US side, there's always a barrier or floor to that number. I think the rate cut is going to go hand in hand going forward.

I think there might be some downside, but the parity levels currently reflect more or less what we expect for this year, and are also relatively in line with what we've budgeted or projected for this year.

Sensitivity: Public

DOSHI A: Understood. Thank you.

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

KILICKIRAN H: I do apologize, but I may be lost in all these numbers, particularly on the debt side. I'm trying to understand. When you say that we expect some improvement in free cash flow, do you mean that free cash flow is going to turn into positive in 2025?

ALPARSLAN B: Yes, that's our expectation.

KILICKIRAN H: All right. Is there any possibility that you can also guide us about your working capital need? I know you put a number as percentage of revenue, but I think it's based on IAS 29, so inventory could be a bit different. So are you planning to generate some sort of inflow from working capital in 2025?

ALPARSLAN B: I think the base case would be it should grow in line with the change in sales, more or less. And we also always, in our projections, factor in some improvements, a couple of days in some areas, some relatively more aggressive, especially on the inventory side. It's a never-ending target, but obviously both on the payables and the receivable side, the market is relatively known.

But on the payable side, the Whirlpool operations have really benefited in terms of extending our trade payables. I'm 100% sure you can follow that from the numbers and its percentage of sales numbers as well. And this is mainly related to the supply chain finance that we migrated. But in your base case, you can factor in and relatively in line with the percentage change in sales going forward.

Sensitivity: Public

KILICKIRAN H: Okay, thank you very much. And finally on this one, I mean, I understand you feel, I mean, you seem to be comfortable about this refinancing in 2025. So all these short-term loans are going to be refinanced in 2025 then, right? I mean, probably Turkish Lira loans.

ALPARSLAN B: We can redeem some of them, especially high-interest ones that we see at every opportunity. This is what we have done back in the last quarter, especially we have redeemed the high-interest ones, especially on the hard currency side. But in 2025, when I look at our credit limits versus utilization, especially on the local market, there is like a 90% gap between those numbers, and that excludes non-cash loans.

So that's why we're really comfortable and the market is open in terms of credit limit utilization. We do not have a large chunk that will come in 2025. We'll manage it in conjunction with our networking capital needs, which is always flexible. And you can juggle between your receivables, extending your payable terms, inventories, and currently the sell-in, sell-out balance is pretty well, especially on the channels, both in Türkiye and in Europe, mostly in most of the countries.

And that's why we can generate cash out of core operations, plus revolving credits, plus overdraft, plus bilateral lending. So we really, really do not expect any major funding issue in 2025.

KILICKIRAN H: Okay. So it's very clear that there is no capital risk in 2025?

ALPARSLAN B: Yes, absolutely zero.

KILICKIRAN H: All right. Thank you very much.

Sensitivity: Public

OPERATOR: The next question is a follow-up question from Demirtas, Cemal. Please go ahead.

DEMIRTAS C: Thank you, again. My question is about what my friend mentioned about the parity side and the raw material side. What about the labor side, especially in the Turkish side?

We have the high service inflation versus maybe lower product inflation. How does it affect the competitiveness in global area? Do you see any improvements going forward on that side? Because you have 5.3% EBITDA margin without one-offs this year. And next, in 2025, you expect some improvements.

What would be the main driver of that improvement, just the base effect? Or you expect some additional pricing or the lower cost? But basically, I would like to understand the labor side, how Turkish production is competitive. And of course, you have a comparison in some of your activity in Europe and other markets. So could you just compare the competitiveness in terms of labor cost?

ALPARSLAN B: Thank you. I think it's widely known now that the exporters, all of the exporters, be it on the textile side or be it on consumer durables and automobiles, they are suffering from high labor costs in hard currency terms on an hourly basis.

We just see the news every day and discussions from the unions or regulators, etc. So we do not -- I think, when I look at the last couple of years, obviously, the increase in wages of blue-collar workers have been pretty profound and had a profound impact on the profitability and gross profit margins of exporters.

Sensitivity: Public

And on the back of declining inflation, our expectation is that the worst is over on that side. I think, obviously, it will be highly dependent on the political agenda going forward. Having said that, even if something, a welfare share incentive is factored in, it will be relatively low as compared to the last years where the inflation rates were hovering around 60-65 percentage numbers.

So that's why we also see some signs that, if any, salary or wage increases are now done on a forward-looking basis, on the expected inflation versus the actual inflation or historical inflation. So there is some understanding, as we see, going forward. But obviously, the levels are pretty high, almost in line with our Romanian and our Polish operations.

This is a general issue which is being voiced over at every opportunity from the exporters. We do not expect any major worsening from that situation. If any, if there is some real devaluation in Turkish lira, obviously, it will have some impact, some positive impact on EBITDA going forward, but certainly with a lag given the inventory turnover days.

And there's a corresponding hit if the FX normalizes going forward above inflation on the bottom line given hard currency-nominated lending, etcetera. So it works both ways. So there is a short-term impact and there's a long-term impact.

It all boils down to the pricing, to be honest with you. So if you're able to pass through those costs and it is relatively easier on the back of a relatively low-inflation environment

Sensitivity: Public

to pass through such prices, I think the P&L of all the exporters will also normalize going forward.

So we do not expect a major benefit from that phenomenon or macro tailwind. Our main expectation for the year is from our own synergy extraction turnaround operations and normalization of our operations on the back of integration studies and the ramp up of the recent investments such as Egypt, Bangladesh. These will really contribute heavily going forward.

And if any macro support will come, that will definitely come on top of the numbers that we've already shared in terms of guidance. I can comfortably state that.

DEMIRTAS C: Thank you. And one last question about the Whirlpool-Beko or Beko-Europe operations, I can say. How fast do you think the process go right now in terms of regulations?

Because from time to time in such mergers or acquisitions, you face some regulatory issues. So far, I think there's no problem. In the future, do you expect any difficulties on that front or do you expect it smoothly?

Because you're in a process and sometimes the competition boards and other organizations put some delay on some issues. So do you see any risk of slower than expected integration?

ALPARSLAN B: I think we've come a fair way in terms of executing, especially on the UK and Poland side, as you can follow from the press releases, announcements, news, etc. We haven't experienced anything. I think it couldn't go smoother than that, to be very honest with you.

Sensitivity: Public

And the same applies to Italian discussions as well, as you can see. Obviously, the operations in Italy are much larger and it will take some more time, as you can see, but they're always in a constructive phase. So we haven't experienced any roadblocks so far and it's been executed pretty successfully, I might say, and in a very, very short time period.

So it's been really accelerated. As you can see, we've completed all major provisioning as of 2024, including the PPA benefits that we got from the transaction. So it was a cleanup in 2024, which I believe we're starting 2025 with a really clean slate and we will be significantly focused on our core operations, on the operating line items.

We have all the means, we have enough SKUs, capacities, brands, I mentioned that before as well, and enough human capital. We'll continue to execute on our strategy and we haven't experienced any major issues so far. So it's going pretty well, touchwood, in our view, collectively.

DEMIRTAS C: And maybe the one last question about the inflation accounting side, did you make any sensitivity regarding the pace of inflation decline for 2025, in terms of the margin effect? Because right now we see a declining inflation, pace of declining inflation, so we assume that the effect would be positive on the margins. It's going forward, all other factors same, just the declining inflation could have a positive effect on your margins. Is that a fair assumption or did you make any study on that?

ALPARSLAN B: That's a fair assumption, obviously. But as I said, it's also a reclassification between the MGL as it pertains to the inventories and the gross profit. So that's why we tried to

Sensitivity: Public

mention at the outset of the webcast the impact of the inventory-related MGL to the margins on a pro forma basis, so that you can see that.

But it will be merely a reclass. So when you look at the profit before tax and or line items that are after MGL, you see the result, I mean, excluding financing expenses, so to speak. But when you just are only focused on the operating line items, yes, it's a fair assumption.

But you have to look at every part of the P&L just to make a correct approach to the margins that we have and compare it against our historical margins. That's what we're trying to tell both the creditors, to the market, to the investors. And that was the essence of our script at the outset.

OPERATOR: Ladies and gentlemen, there are no audio questions at this time, so we will move on to our webcast participant questions. The first question is from the line of Emre Duman with Yatırım Finansman.

And I quote, hi, thank you very much for the presentation. There is a significant decrease in your net debt compared to the previous quarter. What is the main driver?

In 2025, should we expect a further decline in net debt EBITDA ratio? And can the company generate positive free cash flow? What would your 2025 EBITDA margin guidance be if it did not include one-off items?

ALPARSLAN B: Thank you. I already answered that question. The EBITDA cash generation is a mixture of EBITDA increase, lower net working capital need and lower CAPEX need.

Sensitivity: Public

Net debt EBITDA is expected to be reduced throughout the entire year. And I mean, our guidance excludes one-off items, so it's 6.5% in terms of EBITDA margin.

OPERATOR: Thank you. The next question is from Mustafa Kemal Eski with FSSA. And I quote, thank you for the presentation. You said that there is a horizontal expectation in the TL market in 2025 expectations. Didn't the increase in household prices in the last three, four months have an impact on Arçelik? Did you have a clear expectation for the net debt/EBITDA in 2025?

44% of debts will be paid in 2025. Do you spend your active cash for this or continue to convert it with debt instruments? Do you expect fluctuations in euro and dollar starting from the second half of the year? What did you consider the euro-dollar parity when making a budget? Thank you.

ALPARSLAN B: I think I already answered most of those questions, to be honest with you, so we can skip that question.

OPERATOR: Thank you. The next one is from Marko Kirner with Valiant. Does accelerated collection of receivables mean receivables factoring?

ALPARSLAN B: We said mainly, it was related to early discount, which is based on our relationship with our distributors. And there is some increase in factoring, but not much.

OPERATOR: Thank you. The next question is from Michal Sopiel with Center Bank. Good afternoon. I would be grateful for giving us some flavor about factors could lay behind the market recovery in Western Europe. Do you expect a positive

Sensitivity: Public

volume effect year-on-year in Western Europe in that Full Year 2025?

ALPARSLAN B: I answered that as well. We expect a more positive outlook for European market. That has already started, especially in some regions. ECB's actions will be the primary driver to stimulate the consumer demand, so inflation will slow down. And there is, of course, a low base effect over the last couple of years, the European market has suffered. And we expect a growth in sales volume. Pricing, we will balance with our pricing and positioning actions.

OPERATOR: Thank you. And we have a follow-up from Emre Duman, Yatırım Finansman. In 2025, what should we expect the market outlook in Asia to be? Is it possible to share numerical data with VOLTBEK in India, market share growth trend, etc.?

ALPARSLAN B: Well, VOLTBEK India, our numbers are based on equity accounting. As you know, you can follow from our P&L. It's a really thriving operation in our view.

And as it pertains to APAC in 2025, improvement in our market share continues. And January-November data points to a 2-point increase. And we've reached almost 5% market share in the refrigerator product group, while we have high expectations on the washing machine as well.

In that category, market share increased by 3 points and reached 8.1%. So APAC, although it's a very tough market, in some of the regions, we will continue to increase our market share.

OPERATOR: Thank you. Ladies and gentlemen, there are no further questions at this time. I will now turn the conference over

Sensitivity: Public

again to Mr. Alparslan for any closing comments. Thank you.

ALPARSLAN B: Thank you very much for attending our webcast and for all of the questions. We can take any questions that you might have left offline and see you in our next webcast. Thank you very much.

Sensitivity: Public