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TÜRK OTOMOBİL FABRİKASI A.Ş.

TOFAŞ Türk Otomobil Fabrikası A.Ş.
First Half 2025
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, 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 Half 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: Good afternoon and good morning. Thank you all for joining our call. In a moment, Mehmet Agyüz, our Head of Investor Relations, will take you through the details of our results for the First Half of 2025. But before that, I would like to provide you some highlights for the results.

At the end of April, we closed the Stellantis Turkey, transaction. Hence, our First Half results reflect 2 months impact of this acquisition. Thanks to this impact and slightly better profitability, net income turned to positive in Q2. With this acquisition, Tofas is now the domestic market leader with a total light vehicle market share of 26.2%.

Our LCV market share was around 45% and our PC market share was 22% in the First Half of this year. One of our key focus areas is the integration of Stellantis Turkey and exploiting synergies from sizable scale economies to create additional value.

In the second quarter, despite tight macroeconomic environment, domestic light vehicle demand was strong with a year-on-year growth of 17%. After 2 consecutive years of record light vehicle sales, year-to-date pace of demand exceeded our expectations and create an upside risk to our previous guidance for the Full Year.

Production tempo at our plant continue to increase in Q2 with 23% growth over the previous quarter. The ramp-up of our new commercial vehicle K0 is in progress, and we foresee a notable acceleration in production, thanks to launch of new variants of this model in the second half of the year.

Lastly, we plan to release the details of our new model in the Third Quarter, which we previously announced 150,000 units annual production capacity, with an investment of EUR256 million. We started the pre-spending of this investment and expect this model to significantly improve our profitability when the production begins in the Third Quarter of the next year.

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

AGYÜZ M: Thank you, Ahmet bey. Good afternoon, and good morning, everybody. We start with the production. In the First Half, Turkish motor vehicle production was flat compared to the prior year and reached to 706,000 units. Tofas constituted around 8.4% of the industry with a production of 59,000 units.

In Third Quarter alone, our production was realized at 33,000 units, which increased by more than 20% sequentially. And this reflects the ramp-up of our K0 model. In terms of production mix, passenger car constitutes around 62%. This is slightly less than the prior year, while the remainder constitute of the LCV production.

Moving on to domestic market. Despite the tight macroeconomic conditions, light vehicle demand was robust in the first half of the year and grew by 5%, reaching to 608,000 units. This performance was mainly driven by strong acceleration in the second quarter, where we observed a demand increase of 17%. And this growth was evenly distributed between LCV and the PC side.

You can see here after 2 years of record demand in the first 2 months of this year there's a slight pullback in demand as we expected. However, starting from March, the growth resumed in light vehicle market. This is mainly due to start of the macro volatility during that month with consumers pulling their demand forward which is also triggered by dealer campaigns.

Secondly, increasing penetration of the full electric vehicle sales, where consumers are trying to take advantage of the low special

consumption tax in certain segments of the electric vehicle market. And thirdly, there has been a quite tight monetary policy in Turkey in the last two years and deposit rates have been quite high with positive real yields. Thus, there is also wealth effect with the sizable savings in the system. And this benefits overall light vehicle demand in Turkey.

In this growing and attractive market, Türkiye becomes quite a strategic market for Stellantis Group. In this slide, you could see the market shares of Stellantis in Europe. And in terms of market share, Türkiye stands at third position in Europe. In terms of sales volume, it stands at fourth position. This shows the strategic importance of Türkiye for Stellantis, and increases the importance of Tofas in Stellantis universe.

This strong sales performance is powered by an unmatched dealer network, Tofas has the most extensive sales and service network with more than 400 sales points and service centers of close to 650. And you can see the average market share of Stellantis brands has been hovering around 30% in the last 4-5 years, and our goal is also to improve towards this level in the coming years.

Tofas has an extensive brand portfolio, four main brands and four premium brands, It is the fourth largest market for Citroen and Fiat globally, we have been the market leader six years in a row, and Fiat is the most selling brand of Stellantis globally.

And also, after Germany and U.K., Türkiye is the third largest market for Opel brand. For Peugeot, which is the -- one of the

most important brands of Stellantis, second most selling brand of Stellantis. Türkiye is a market where Stellantis has the fourth biggest sales volume in the world.

This slide shows the sales combination of both Groups and it's pro forma basis as if it's consolidated since 2024. And as of the First Half of 2025, Group sales was close to 160,000 units and two-thirds of that 105,000 units was consisted of the Stellantis Turkey brands and the rest was from mainly Fiat brand.

There is 3% y/y decline and the main driver of that is the decline in Fiat sales due to product transition at our plant, and aging of our product portfolio. On the other hand, Stellantis brands increased their volumes by around 15% compared to the prior year.

And more remarkable figure here is the LCV sales, which constitutes around one-third of the Group's combined sales in local market. There is 16% increase compared to the prior year, despite the phase-out of Fioriono at the end of First Half of last year.

This slide shows the overall breakdown of our breakdown of our combined market share, where we have 26.2% market share, which is well ahead of the closest peers. Fiat brand constitutes around one-third of our sales and Peugeot by around one-quarter, and the rest is pretty much evenly split between Citroen and Opel brands.

In terms of market share by brands, compared to the prior year, Peugeot and Opel brands improved their market share. This is supported by their new product cycles that there have been a notable launch activity of new models in the past 9 to 12 months. And here, the year-over-year decline in Fiat brand market share is due to phase-out and transition at our plant, which we expect to recover in the coming years.

On the LCV market share, the decline on the Fiat side is due to phase-out of Fiorino, whereas the other Stellantis brands all seen a remarkable increase in their market shares compared to the prior year. And now we are controlling slightly less than half of the market on the LCV side, which we expect to sustain this performance with higher production portfolio in the coming years.

On the passenger car side, I would like to mention that Peugeot brand expanded its local passenger car market share by around 50 basis points despite high competition. This is mainly driven by the fivefold increase in the BEV sales as there has been significant penetration of the electric vehicles in Turkish market ytd. And Peugeot brand is taking its fair share from this trend, which now electric vehicles constitute around 15% of its PC shipments.

Moving on to export business. Our export volume stood at around slightly above 17,000 units in the First Half, which is 33% less than previous year. We had a sizable jump in our LCV exports, which grew by close to 60% to 15,000 units, thanks to the ongoing ramp-up of K0 model. This was offset by the decline in our passenger car export business.

Our export volumes on a monthly basis, you could observe here that after four months of decline, resumed growth, and we are expecting further growth and acceleration in the remainder of the year, especially with the launch of the new variants of the K0 model at our plant.

In terms of regional breakdown of our exports business. In the First Half, France became the biggest market for exports with more than 30% of our shipments, followed by Italy at 20% and Germany by 13% replacing the biggest markets as Italy and MENA region last year. As we are at a ramp-up phase of our exports, this chart is likely to change when we see higher volumes on the export side.

This slide shows our shipment volumes by model and brands. On the left-hand side, our export volumes, we shipped around 8,600 less exports, and mainly due to Tipo and the phase-out of Fiorino, which is partly offset by ramp-up of K0 model.

On the right-hand side, First Half '25 figures include two months contribution from Stellantis Türkiye. Including this, we shipped 24,000 units more -- reaching to slightly less than 100,000 units in the First Half of the year. So overall, our total shipments grew by around 15,000 units to 116,000 units as of First Half of 2025.

Moving on to financial performance. 15% increase in unit volumes reflected into the revenue with a similar increase at 17%. Our revenue reached to TRY95 billion in the First Half. And this translated into TRY3.2 billion EBITDA and TRY1.3 billion PBT in the First Half of the year.

This slide shows a snapshot of our P&L. Although, there has been a significant improvement in second quarter with the contribution of Stellantis and also slightly better profitability of the core business, we recorded 1.3 billion of PBT and with the effect of the deferred tax income, we recorded 1.6 billion of net profit with a net margin of slightly less than 2%.

In terms of balance sheet. We paid EUR400 million at the end of April for the acquisition of Stellantis Turkey. And, our cash position compared to the year-end is TRY7 billion less at TRY16 billion.

One important aspect to highlight here is that you can see the increase in the inventory and trade receivables at around TRY33 billion, was mainly offset by the increase on the payables with limited burden on net working capital from Stellantis-Turkiye.

Intangible assets increased by around TRY7 billion due to goodwill we recorded for the acquisition. All-in-all, our shareholders' equity stood at TRY48 billion as of the end of First Half.

Moving on to investments. We spent EUR67 million in the First Half of the year, bulk of which constituted of our ongoing K0 investments for the new variants of this family. The remainder was constituted of the other investments, which mainly includes the new vehicle project in the second quarter of the year.

Moving on to outlook. Considering higher-than-expected demand in the local market, we are raising our domestic light vehicle market expectation by around 15% to 1.1 million to 1.2 million

units. Incorporating this Stellantis Turkey acquisition to our volumes, we are also raising our domestic retail sales by around 200,000 units to 300,000 to 330,000 units. I should mention that this is the annualized volume assuming that the Stellantis is with us for the Full Year, whereas, we'll see the financial benefits for eight months of the year.

On the export side, we are slightly reducing the high end of our guidance by 10,000 units to 70,000 to 80,000 units. And in parallel to that, our production volumes comes to 150,000 to 160,000 units. We maintain our capex for the EUR150 million, which doesn't include our previously announced new light vehicle model, which is likely to be revised at the next call.

For PBT margin, as you know, that we suspended our PBT margin guidance in the previous call due to the very recent approval of the Stellantis Turkey. So after careful assessment of this business, we are resuming our PBT margin guidance for 2025 at around 3%. And more importantly, for 2028, we are setting our PBT margin target at 5% to 7% with the full consolidation of Stellantis Turkey as well as the launch of the new products at our plant.

This concludes our presentation, and we are happy to take your questions. Operator?

OPERATOR:

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

KILICKIRAN H: Thank you very much for the presentation. I have two questions. The first one is about your PBT margin guidance for 2028. Can you please explain what additional projects are included in this margin guidance? And what would -- I mean what would be the target capacity utilization rate by 2028?

And second, you have a rather slow start in exports in this year, but you didn't much change the guidance. I mean what is the reason of slow start? Is it due to low demand or the ramp-up process takes some time? How comfortable are you with your export guidance for this year? Thank you.

TASANGIL A: Thank you, Hanzade, for the questions. Starting with our guidance for 2028, we mentioned like 5% to 7%, which is currently around 2%. Now I mean, there are two main ingredients for the increase. One is the increase in our capacity utilization rate.

Starting from 2028, we would like to have the plant to work on the full capacity basis. This will increase our productivity a lot. And in 2028, the number of vehicles to be sold, we assume that it will be around 600,000 units. So that will also increase our profitability.

And the third reason of the increase in the profitability is the mix change from the import cars to the locally produced cars with the new projects on hand and to be announced in the coming months, we will also have a change in our mix on a gradual basis in the coming years. And as you know, the locally produced cars have

much higher profit margin. So that will be the third engine, if you like, on the increase of our margins.

On the other one, we are mentioning about the ramp-up stage for K0 a lot, but that is the reality. We will be introducing new models, new variants in the coming months as well, such as combi and platform cab. So this will increase our export volumes, and we are confident that we will make the volumes that we mentioned in our guidance. Thank you.

KILICKIRAN H: Thank you very much. That's very clear.

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

DEMIRTAS C: Thank you for the presentation. My question is -- the first question is about the competitiveness of Turkish plants. Could you comment on that current situation, I wonder? And the second one is about the investment amount for the rest of the year and possibly in 2026 and 2027. Just a rough amounts, euro-denominated amount would be helpful?

And the third one is about the Stellantis Türkiye operations. In foot notes, we see the gross margin at 8% and net margin at 1.5%. Could you comment on the EBITDA margin side for Stellantis Türkiye, at least for the portion you mentioned in the foot notes, it will be helpful maybe for the future? Thank you very much.

TASANGIL A:

Okay. Thank you very much for the questions. Going one by one, starting from the very first one. I mean for the competitiveness of the Turkish plants, as you know, the current situation, especially on the euro inflation side, on the transformation cost, we are not at our best stage. But we believe that, that is not at a sustainable level. And in the years to come, we will again be in a very competitive stage in terms of competitiveness regarding the transformation cost part.

For the investment amount, I mean, it is hard to make a number for the time being. But as you know, for a vehicle that has a capacity of 100 -- more than 100,000 units per annum, you know the numbers that we announced. The investment capex is around EUR250 million. So as I mentioned to you, starting from 2028, we would like to be in a stage where we use the plant at a full capacity.

So for the time being, we have only one project that is new. So you know that we will announce another one, and it will be at a capacity of 150,000 units with an investment amount of EUR250 million.

And the third vehicle, you may assume for your analysis around those numbers, because we also assume that, that third vehicle project will be around no less than 100,000 units of annual production capacity. So you can just separate them into the upcoming years for your estimations as well.

On Stellantis Türkiye side, I mean, the margins, we really don't disclose them on an entity basis, but you can -- as you

mentioned, you can come up with some rough estimations. You may safely assume that it is no different than Tofas consolidated numbers that you have on hand. Thank you.

DEMIRTAS C: Thank you. Okay. And at the EBITDA level, because at the EBITDA level, excluding Stellantis, the gross margin was much lower. So that's why I ask the impact on the EBITDA level, but that's okay. That's fine. And my -- maybe last question, another question is about the demand conditions. This year was surprisingly resilient, to be honest, but several factors affected. I would like to hear some color on the current situation, mostly after the special consumption tax changes and also the electric vehicle sales, how do you see the trends from your side? Thank you.

TASANGIL A: Okay. Thank you for the question. As you mentioned, the market is really resilient for the time being and we expect that it will go on. So we also increased our guidance on this one. So we believe that the number will not be no less than 1.1 million vehicles for the year, even maybe 1.2 million. Again, we will see that one.

Regarding the recent changes, as you know, on the macroeconomic side, the easing has also started. So it will be an upside potential for the market. On the other hand, as you also know, there is a change in the special consumption tax brackets as well.

For us, that one will have a neutral effect on the market. Maybe we can see some ups and downs in the near future. But on the medium-term and talking about the whole market for the whole year, we don't see a major change in terms of the market size.

And as you know, we have a market share of almost 30% and we have brands, eight brands on hand. So some brands, they are negatively affected from the special consumption tax and others are positively affected. So that's the beauty of having such a vast portfolio and we are trying to get the most out of it.

So we believe that -- and it is also based on our guidance, we would like to increase our market share from the level that is 26% for the time being. So we also believe that we will at least make 27%, 28% of market share. Thank you.

DEMIRTAS C: Thank you, Ahmet.

OPERATOR: Mr. Demirtas, are you done with your questions?

DEMIRTAS C: Yes. I'm done. Thank you.

OPERATOR: Thank you so much, sir. The next question is a follow-up question from the line of Kilickiran Hanzade with JPMorgan. Please go ahead.

KILICKIRAN H: Thank you. I just want to make a follow-up about on the merged entity. What is the current leverage? I mean, on the merger entity, I couldn't calculate it, as I don't know the last 12-month EBITDA in Stellantis? Thank you.

TASANGIL A: Yes. On that one, as you know, we paid the transaction in cash EUR40 -- EUR400 million and we were in a net cash position before that. Just excluding the consumer finance business, just taking into account professions Stellantis Türkiye altogether for the industrial debt, if you like, we are at a net debt position of

around EUR70 million. And just taking into account our EBITDA levels, this is -- it's a very small. So we are here to invest more for the projects that I just mentioned.

KILICKIRAN H: All right. Thank you very much. And you have highlighted about the third project, I mean, third model, which is, I think, included in your 2028 PBT guidance. So is it also fair to assume that a similar type of, I mean, amount of capex could be spent on this third project as well like EUR250 million or this may require higher capex?

TASANGIL A: It's too early to give an exact number. We are still in talks with Stellantis on this one. But, I mean, as an assumption, if you take what I just mentioned in one of the previous questions, you will not be too wrong for your estimations.

KILICKIRAN H: All right. Thank you very much.

TASANGIL A: Thank you.

OPERATOR: We have the next follow-up question from the line of Demirtas Cemal with Ata Invest. Please go ahead.

DEMIRTAS C: Thank you. And could you comment on the synergies to be generated from the merger with Stellantis Türkiye? And what are the early impressions before the deal and after the deal, could you a little bit elaborate that? Did you see better-than-expected picture or a little bit slower than expected. Maybe a recovery or realization of synergies. What are your -- the early just inflation? That's my question.

TASANGIL A: Yeah. Thank you. Thank you very much for the question. I mean, as I mentioned to you, we have started our study for the synergies. There are many actual areas that we can get synergies and we are trying to get the most of it. Even for this year, we will be getting some synergies both from logistics, from purchasing, from general administrative expenses an amount around EUR10 million.

But this we believe will increase in the years to come, especially when we also launch the medium-term projects as well, especially on spare parts business and secondhand business as well. So we are really positive on this, both on cost synergies side and also on the revenue synergy side. We are really positive and things are going well for the time being.

DEMIRTAS C: Thank you. And maybe last question, maybe to Cengiz bey. I would like to hear he's just like told about the last 20 years, maybe for Tofas, there have been three major moves. And possibly, in my view, that's the third one. The one -- the first one was the Doblo and the others was with new projects. And it looks to me like this is the third big cycle coming for Tofas. Just I know here what you think about this perspective?

EROLDU C: Demirtas, thank you for the question. You also self-answered to the question. As you know, in the automotive industry, there is always cycles for the companies. So I think we are entering in one of the new investment cycle also after the long discussion between the shareholders. Now we conclude them in a very positive way. And now we are looking forward.

So as you said, we are in the new loop of investments and the new projects. So we are working on the second one. And hopefully, we will be able to announce also the others in the coming periods. Thank you.

DEMIRTAS C: Thank you.

OPERATOR: Ladies and gentlemen, there are no further audio questions at this time. We will now move on to written question from our webcast participant. The first webcast question is from Mr. Mehmet Levent Penbegül and I quote. In light of the new projects initiated through the Stellantis partnership, what is Tofas' long-term strategy for product portfolio beyond 2027?

Is the focus shifting solely towards to LCVs or is a balanced mix of passenger and commercial vehicles targeted for both domestic and export markets?

TASANGIL A: Okay. Thank you for the question. I mean as Cengiz, mentioned, the first target that we have is to fulfill the capacity of the plant, which is around 400,000 units. And for this one, we have K0, we will announce another one in the coming months as well and the third vehicle project as well. So that will be our first aim for the time being.

And at least one of the projects should be, we believe, on the PC side as well, so that we can also grab the -- our fair share, if you like, on the Turkish market on the PC segment as well. But here the first aim is to fulfill the capacity, and then we will move

forward. If we achieve this target, then maybe there can be other projects to enlarge the capacity as well.

But I mean, this is a far shot for the time being. And the roadmap that we have ahead is clear for us. Thank you.

OPERATOR: Thank you, sir. The next webcast question is also from Mr. Mehmet Levent Penbegül and I quote with the Egea production cycle coming to an end, could you please share your strategic vision for the new model plan to replace it in terms of segment positioning, market allocation, domestic versus export and expected ramp-up time line?

Specifically, by which quarter of 2027, do you anticipate reaching full capacity utilization? And are there any ongoing discussions for additional product mandates to sustain digitalization into 2028 and beyond?

TASANGIL A: Okay. On the Egea side, on the Tipo side, we are discussing about a possible extension, but we haven't decided it yet, but we will make it clear in this quarter as well, whether to extend it or not. So that is one thing.

On the other end, as you know, with the acquisition now, we comment volume of more than 300,000 units domestic sales. So we are not only confined with one model for one brand. Now we have a very significant portfolio. So I mean, from a sustainability point of view, we don't feel any kind of a concern in terms of the -- of our market share and in terms of our presence.

Speaking about the upcoming projects, we believe that we will launch the third vehicle in 2027, but the full rate of the production after the ramp-up, we will observe it in 2028.

OPERATOR: The next webcast question comes from Mehmet Levent Penbe gül again. And the question is, during the previous quarterly call, it was stated that the new model project with an annual capacity of 150,000 units was nearing finalization with Stellantis, and that further details would be disclosed shortly. However, no formal announcement has been made since then.

Could you kindly clarify whether this delay is due to a change in product scope, timing, or strategic direction? Additionally, has the production time line or model content been revised? Thank you.

TASANGIL A: Okay. Thank you for the question. I mean, it is correct that we mentioned that it will be announced shortly. As you know, this kind of agreements take some time, but we are at the very final stage of it, and we plan to announce it in this quarter.

Having said that, we already started the pre-spending of it. So the project will be on time, and we expect that it will be launched in the Third Quarter of 2026.

OPERATOR: Our next webcast question is from Cenk Orcan with HSBC. And I quote will we extend a Egea type of sales into 2026 until the launch of the new LV? Thank you.

TASANGIL A: We are currently evaluating the option to extend it, and we will make our decision within this quarter. Thank you.

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