



1Q 2025 Financial & Operational Results Conference Call

May 9, 2025, 16:00 (TR Time)

Conductors:

Mr. Çağlar Göğüş – Chief Executive Officer
Mrs. Melda Öztoprak - Investor Relations Director

Moderator:

Ladies and gentlemen, thank you for standing by and I would like to welcome you to Dogan Holding's conference call and live webcast to present and discuss 2025 First Quarter Financial Operational Results. We are here with the management team and after the call there will be an opportunity to ask questions. I would now like to turn the call over to Mrs. Melda Oztoprak, Investor Relations Director. Madam, the floor is yours. Please go ahead.

Melda Oztoprak:

Good morning and good afternoon, ladies and gentlemen, and thank you for joining our 2025 First Quarter Results' webcast. As the operator said, I'm here with our CEO, Çağlar Göğüş. Unfortunately our CFO, Bora Yalınay will not be able to join due to a family medical matter. Today's remarks will be accompanied by a slide deck, which can be downloaded from our IR website. We will then turn the call over to your questions.

Before we begin, please kindly be advised of our cautionary statements. The conference call may contain forward-looking management comments, including projections. These should be considered in conjunction with the cautionary language contained in our earnings release. A copy of our earnings release, webcast presentation and financials are available on our website both in Turkish and English. Now, let me turn the call over to Mr Çağlar Göğüş.

Çağlar Göğüş:

Thank you, Melda. Good morning and good afternoon, everyone. Thank you for joining Dogan Holding's 2025 First Quarter Results' webcast.

We started 2025 with challenges that market volatility and regulatory shifts brought about. First of all, especially March was quite difficult amid political landscape, which has resulted in weakening TL against hard currency. We have seen Turkish CDS levels increasing by 24% during the month and BIST 100 index remaining flat. On top of the market conditions, additional taxes imposed on passenger cars further worsened our automotive business' performance.

Under this weather, As Doğan Holding, we continued to stay agile and focused, creating long-term value through disciplined capital allocation and a clear growth roadmap. Accordingly, in the first quarter, Galata Wind took further step toward international expansion by progressing with its

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renewable energy investments in Europe, particularly in Italy and Germany on top of the ongoing project developments in Türkiye. These strategic moves strengthen our green energy footprint and position us for long-term sustainable and profitable growth in the region.

We also made notable headway in the mining sector with Gümüştaş delivering a strong margin performance and initiating the investment cycle under our USD 90 million CAPEX plan for three years. These investments will be utilized for both mineral processing facility capacity upgrades and exploration of research licenses. In digital financial services, Hepiyi Insurance outperformed expectations, expanding its market share and maintaining sector-leading cost efficiency. Currently, Hepiyi's market share in Motor Own Damage sector reached 4.3% in 1Q25 vs 1.9% and asset under management went up to 533 million USD vs 238 million realized same period last year.

Furthermore, our prudent and effective cash management capabilities enabled preserving our net cash position at 646 million USD despite 25% Daiichi stake acquisition for 15 million USD and circa 20 million USD advance payment to Dogan Investment Bank for paid-in capital increase. We decided to reinforce our presence in next-generation automotive technologies through the acquisition of Daiichi, a leading provider of automotive cockpit electronics and infotainment technology systems. This move not only strengthens our position in a high-margin, fast-growing segment but also supports the financial restructuring efforts of our industrial subsidiary, Karel. Additionally, we have increased D Investment Bank's paid-in capital to accelerate its growth trajectory and deepen our presence in the financial services sector.

Finally, our NAV got impacted negatively from the decline of our listed assets market capitalizations during the quarter, reaching 2.5 billion USD. In addition, thanks to continuous focus on value-generation and relentless dedication to corporate governance practices, the share of institutional investors in our free float increased by 10pp y/y, and the share of foreign institutional investors has gone up by 4pp y/y, reaching 20%. Furthermore, with a newly approved share buyback program and dividend payout, we reaffirm our commitment to delivering sustainable shareholder returns.

While the first quarter consolidated results were impacted by the weaker demand and heavy regulatory environment experienced by especially Karel and Dogan Trend Automotive, we remain focused on growing our strategic core businesses, scaling capital-efficient platforms, smart-utilization of our strong net cash position and simplifying our portfolio—always with the goal of building value for all stakeholders and for NAV development.

Next slide please.

During the first quarter, Dogan Holding reported 19 billion TL revenue, down by 22% vs same period last year especially due to the heavy regulatory environment and lack of sufficient demand at key customers. Accordingly, especially Dogan Trend started the year with approximately 60% tax burden on MG branded passenger cars. The increased localization threshold also negatively impacted the entire passenger car business, thereby resulting in 78% year-over-year reduction in our passenger car sales. Moreover, despite contractual pricing upgrades that Karel imposed at the beginning of the quarter, key clients have suffered lower demands and therefore impacting

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our revenue generation. Furthermore, electricity market clearing price was only up by 18% y/y, standing shy vs inflation and hence reducing Galata Wind's revenue performance.

Under these circumstances, we focused on what we can control and impact. Therefore, we were quite diligent on cost and opex control and I'm happy to share that we have managed to protect operational profitability thanks to the streamlining efforts imposed in all of our business lines. As such, we enjoyed 1pp increase in gross margin and flattish EBITDA margin on a year-over-year basis. On the flip side, our bottom line got negatively impacted by net monetary losses, which amounted to 755 million TL in the first quarter, mostly attributable to Hepiyi Insurance' unearned premium reserves, unlike the monetary gain recorded same period last year.

Next slide please.

Before moving into the operational and financial details of our operations, let me remind you of our holding focus for the foreseeable future.

As we had summarized in the previous webcast, we are grouping our business lines into 2:

Our strategic focus areas tend to contribute larger to our NAV and we are anticipating a regular dividend payment scheme out of them. These are our renewable energy business with publicly listed subsidiary – Galata Wind; our mining operations – Gumustas and our financial services operations – Hepiyi Insurance, Dogan Investment Bank and Doruk Factoring.

Our dynamic focus areas, on the other hand, are the plate where we constantly look for the best value-creation opportunities either through profitably growing these businesses rapidly or through corporate actions; namely, entry / exit or IPOs.

Under this umbrella, we have mobility business with Dogan Trend Automotive; electronics & technology and industrials, where we are very hopeful about fast-growing car electronics operation – Daiichi; and value extraction potential with our internet, entertainment and opportunistic real estate portfolio.

Now, Melda will cover the 2025 first quarter details of these business lines, as our CFO will not be joining due to a medical condition.

Melda Oztoprak:

Thank you Çağlar bey.

Let's start with Galata Wind, which publicly announced its results a few days ago.

As of March-end, Galata Wind kept its installed capacity unchanged at 297 MW and started its investments in developed European countries. In March and April, we have announced our steps towards operating solar power plants in Germany and Italy. Moreover, as of early-May, we have finalized all the necessary approvals from regulatory authorities and hence Mersin Wind Power Plant and the 2nd phase of Taşpınar Hybrid Solar Power Plant now became operational. With these additions, our total installed capacity has reached 348 MW as we speak today. We are very excited about the potential these plants will add on our existing backlog.

In the first quarter of this year, while wind conditions were softer and hence slightly limited our electricity production, market clearance prices improved by 18%. On the flip side, most of our costs are fixed; therefore, lower production affected our margins on a year-over-year basis.



Accordingly, we have posted 556 million TL revenue in the first quarter and 71% EBITDA margin, which is on track with our full year guidance for this year.

Finally, we have recorded 134 million TL net profit in the first quarter, which is 54% lower vs last year due to the surge in FX-related financial losses with weaker TL realization against Euro. Next slide please.

Moving on to Gümüştas, one of the top 3 lead and zinc producers in Türkiye. As a reminder, we started to consolidate Gumustas Mining business in the last quarter of 2024, therefore at this point, we are unable to present a year-over-year comparison for the first quarter.

During the period, Gumustas recorded 749 mn TL revenue and 409 mn TL EBITDA with 55% margin.

Q1 EBITDA margin exceeded our full-year guidance of 25 to 30%, driven by strong spot commodity prices and increased scale advantages with the growth in production amounts, as mineral processing increased by 48% y/y basis.

Thanks to its 12 million tons of reserves, 2 mineral processing facilities and 80 research licenses, we are quite hopeful about the future of our mining operations. In order to unlock further value, we had announced to spend 90 million USD capex between 2025 and 27 in order to both utilize the research licenses and increase our potential reserves and also to double the capacity of our existing 2 mineral processing facilities and hence generate new revenue streams.

In the first quarter, we completed 7 million USD in capex and looking forward to unleash further value in the future. Moving on to the next slide please.

Türkiye's first end-to-end digital insurance business - Hepiyi continued its fast growth in the first quarter as well and have reached 533 million USD Asset Under Management, more than doubling its position vs same period last year.

Thanks to balanced channel management between digital, call center and traditional channels and full robotic process automation, Hepiyi once again increased its market share from 3.1% at the year end to 4.3% by the end of March.

Hepiyi recorded 96% growth in revenues, reaching 6.5 billion TL in 1Q25, while also more than doubling its net profit.

Full digital automated business model once again enabled the lowest cost-to-revenue ratio in the sector with 2.5% vs the sector average of 6.7%. Looking forward, we are hopeful about digital insurance business' growth and market share acceleration of Hepiyi in MOD- Motor Own Damage and MTPL – Motor Third Partly Liability segments. Next slide please.

Among our strategic business lines, financial services arm continued to grow. We have announced our intention to increase Doğan Investment Bank's paid-in-capital by 20 million USD to support its expansion. Following the legal procedures, the increase expected to be completed in the first half of the year.

During the quarter, the bank led 11 corporate bond and asset-backed security issuances, totaling 2.1 billion TL nominal value. Following the finalization of capital increase, we trust the bank to solidify its position in the investment banking sector going forward.

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In addition, Doruk Factoring continued its profitable growth with revenues nearly doubling and net profit tripling on a year-over-year basis in the first quarter of the year. Next slide please.

Following multiple challenges Karel faced last year, the company started 2025 with relatively benign terms, proving its resilience and agility. As you might recall, Karel is engaged in 5 key business areas.

First of all, corporate projects, which are mainly services to telecom operators make up 47% of total revenues. While we have observed 40% y/y growth in revenues in 1Q25, we have also renewed our long-term contracts with key clients under this segment both in terms of scope and in pricing and anticipate further improvement in our financials especially in the remainder of the year.

Second, the share of automotive electronics segment in revenues reached 20%, which is mainly Karel's subsidiary Daiichi that is engaged in the production of automotive cockpit electronics and infotainment technology systems,. On a year-over year basis, the revenues have declined by 47% due to contraction in OEM orders. We anticipate the business to improve every quarter going forward.

Third, electronic card production segment make up 19% of revenues, which was 24% same period last year. While the decline mostly stem from the demand challenges that our key customers experience and limited passthru of the surge in cogs to topline, we are making significant operational streamlining for this business line, which should be visible towards the end of the year.

Telecom systems now contribute 9% to total revenues of Karel, which used to be 16% in the first quarter of 2024, thanks to special projects that were in the backlog then. Despite, regular annual price updates that we have imposed in early 2025, cost and opex increases were higher and hence resulted in gross margin decline on a y/y basis. In the remainder of the year, we anticipate the business to further improve.

Finally, defense business now make up 5% of total revenues – similar to 6% a year ago.

While we have stronger set of results in corporate projects segment, which has the lion share in Karel operations, the other business lines yet to pose for improvement and we expect them to be materialized in the second half of the year.

Thanks to operational streamlining efforts and prudent cost controls, EBITDA reached 139 million TL with 4% margin. While this is lower on a year-over-year basis, quarter-on-quarter improvement is significant, as EBITDA improved from 285 milion TL loss to 139 million TL profit.

Last but not the least, as Dogan Holding we acquired 21% stake of Daiichi from Karel, thereby injecting 12.6 million USD cash to Karel. This should support Karel's liquidity position in the short-term, while long-term needs anticipated to be catered with increased operational leverage. As a reminder, we have also acquired additional 4% stake of Daiichi from the founders, increasing our direct shareholding at Daiichi to 25%, while 54% stays at Karel and the remaining minority is with the founders. Next slide please.

Our niche, scalable and premium flexible packaging business – Sesa – continued its profitable growth with successful commercial gains during the quarter.

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Our premium product line kept gaining ground. These now represent 31% of our revenues —up from 27% a year ago. These innovative products helped support our margins; however, the mismatch between TL inflation and EUR-TL developments impacted the operational profitability negatively, as TL denominated operational expenses increased in line with TL inflation, while pricing of exported goods remained flattish.

Moreover, in the first quarter, share of exports reached 56% of our total sales vs 50% a year ago. This shows our clear focus on international markets, especially as local competition continues to intensify. As can be seen, among our export markets, the lion share is with UK, USA and Europe, which is anticipated to develop further in the future.

Our balance sheet remains strong and our big capex items were completed in the previous years, so we're now concentrating on efficiency and export-driven, profitable growth. Moving onto the next slide.

Our steering and suspensions systems company Ditas delivered relatively stronger results compared to the challenges realized in 2024.

Accordingly, Ditas improved its commercial capabilities in the first quarter of the year thanks to the smart pricing revisions and effective cost control. Despite the continued decline observed in vehicle production at our OEM customers, Ditas managed to improve EBITDA to a positive level. Ditas' net debt position is still high compared to its size. Therefore, net financing expenses shadowed operational efficiencies realized in the first quarter and the company recorded 96 mn TL net loss. In order to sustainably resolve the issue, Ditas Board of Directors decided to increase the paid-in capital by 200% via rights issue. Following the necessary regulatory approvals, the paid-in capital of the company will increase from 85 million TL to 255 million TL and all the proceeds will be used for loan repayments. Next slide please.

Our mobility business Dogan Trend's passenger car unit continued to get impacted from regulatory challenges in 1Q25 too.

As a reminder, an import tax on Chinese passenger cars at the amount of 40% implemented initially in December 2023 and then another 10% enacted in early 2024. On top of these, our MG imports from China suffered further with additional 10% tax that was applied in December 2024. Therefore, Dogan Trend started 2025 with approximately 60% tax burden on MG branded passenger cars.

In addition, the minimum local production rate required for vehicles to qualify for the Special Consumption Tax exemption has been increased from 20% to 40%. This increased localization requirement further exacerbated the situation for both MG and Suzuki. Accordingly, our MG and Suzuki sales dropped significantly in the first quarter by 78% vs same period last year.

On the other hand, motorcycle sales also dropped by 42% in the market as a total due to switch to Euro 5 regulations. We have started assembling Kymco motorcycles in our brand-new facility and hopeful about the robust growth of motorcycle market in Turkiye.

While cash flow was supported by the momentum in second-hand vehicle sales, thanks to trade-in campaigns, P&L negatively impacted from subdued passenger car operation. In the coming period, we are planning to expedite stock sales out of our second-hand vehicle and rental fleet,

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which should reduce our net debt position materially. Thanks to these liquidation efforts, we expect financing expenses to significantly decline as well, considering the loan pile up in line with the stocks at the fleet. Moving onto the next slide.

Kanal D Romania maintained its strong presence in the media landscape, consistently ranking as the second most-watched television channel in the country. The company continued to deliver steady returns during the quarter with 35% EBITDA expansion on a year-over-year basis.

Hepsiemlak solidified its standing as the second-largest online real estate listing platform in the market. During the quarter, Hepsiemlak recorded 33% robust revenue growth, while profitability remained subdued. We anticipate that operational profitability of Hepsiemlak to improve once scale advantages develop. Next slide please.

As a reminder, real estate valuations are conducted by independent experts once a year.

Accordingly, our real estate portfolio's March-end valuation is stable at 349 million USD.

Among our key properties, Trump Tower reported a 98% occupancy rate, while Milta Marina 95% occupancy. Recall that Milta Marina had reached 112% occupancy at peak summer season.

Going forward, we will be opportunistic with our real estate portfolio and extract the best value possible when the right prospects arise. Moving onto the next slide.

As of March-end, our holding-only cash position remained strong with 646 million USD. During the first quarter, we have acquired 25% stake at Daiichi for 15 million USD and made advance payment to Dogan Investment Bank to increase its paid-in capital by approximately 20 million USD.

Despite these outflows, prudent and effective fund management has enabled the growth of the cash position.

Our cash management strategy is quite dynamic, where we observe market conditions and yield prospects and make our currency and asset allocation accordingly.

During the quarter, we have initially increased TL share positioning of our cash to capture further yield advantages, while with the beginning of March we have translated mostly to hard currency back again to weather the volatile market conditions.

As of March-end, currency breakdown of our cash is as follows: 65% in USD, 10% in Eur, and remaining in TL.

Going forward, we will continue to be prudent and opportunistic to grow the solo cash position so that Dogan Holding can foster further value-enhancing acquisitions.

Now, back to Caglar for his closing remarks and thank you.

Caglar Gogus:

Thank you Melda,

During the quarter, we observed significant market volatility, where Turkish CDS went up by 20% ytd, reaching 313. At periods like these, we believe it is quite challenging to sustain the company's market valuation and therefore we decided to step in.

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Accordingly, we have been quite active with share buy-backs in order to support the stable formation of the share price.

In March and April, we have bought-back 4.3 million shares, totaling 1.8 million USD and corresponding to 0.17% of capital. During the active buy-back term, we are happy to see our stock price also improved by 23% vis-à-vis 4% gain of BIST100 index.

In addition, at the Ordinary General Assembly Meeting held on April 11, 2025, our shareholders approved a new share buyback program with a maximum allocation of 1.5 billion TL and 100 million shares, which will be valid for a maximum period of three years from the date of the General Assembly.

Going forward, we will continue to be active when we see unusual market volatility and do our best to sustainably support our company in reaching its fair valuation.

As Doğan Holding, we have always been a consistent dividend payer. As you can see in the chart, while our dividend policy indicates a minimum 5% distribution out of net distributable profit, our average is 17% since 2018. Even in 2023, we decided to share the proceeds from the successful exit of Aytemiz with our investors and paid out a special additional dividend.

Our dividend policy is straightforward: first of all, we would like to ensure that long-term NAV growth is sustained and a minimum 5% is distributed. Whenever there is a strong business performance or extraordinary M&A realization, we are happy to share these with our investors too.

As a sustainable dividend income receiver, we have the visibility of our cash inflows and proudly offer the same visibility to our investors.

On April 11, we had our ordinary general assembly, where 2025 dividend payment of 800 million TL gross out of 2024 net profit was approved. This payment corresponds to 16.4% payout ratio and based on 2024 year-end market close price, 2.1% dividend yield. Payment is scheduled no later than September 30, 2025.

Following the 2024 results, we had shared our 2025 guidance in order to offer visibility to our investors.

As our strategic focus areas delivered strong set of results in the first quarter, we are on track with their guidance. On a holding-consolidated perspective, we are aware of the challenges realized during the term; however, we are optimistic for the remainder of the year and keep our guidance unchanged.

As a reminder, for Galata Wind, we anticipate generating 900 to 980 thousand MWh electricity and recording 70-75% EBITDA margin. In addition, we aim to grow our TL revenues of mining business by more than 50% and expect EBITDA margin to be within 25-30% interval in 2025.

Last but not the least, our digital insurance business Hepiyi is set to add another 250 to 300 million USD further to its Asset Under Management backlog and hence we aim to grow total financial service revenues including Dogan Investment Bank and Doruk Factoring by more than 70% in 2025 thanks to relentless focus on innovative financial solutions.

All in all for Dogan Holding consolidated, we are optimistic about growing our TL revenues by 5 to 8 percentage points and EBITDA by 6 to 10 percentage points more than the CPI increase.

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Finally, we believe our USD NAV will increase by 5 to 10% y/y. Note that all are on an organic basis and including the impacts from TAS 29 standards.

With this, now I'd like to hand-over the call to Closir Agent to open up the Q&A session.

Thank you for listening.

Moderator:

Thank you. So we will now move to the question and answer section. If you would like to ask a question, please press star 2 on your phone and wait to be prompted. If you are dialed in by the web, you can type your question in the box provided or request to ask a voice question. We'll just wait a moment or two for the questions to come in. So again, on your phone, please press star 2. If you would like to ask a voice question, if you are connected via the web, you may also ask a voice question or send your question as a text.

Okay, we have received a text question from **Ozgur from İş Yatırım. Can you give an update on talks with SAIC?**

Caglar Gogus:

It's been on hold right now due to uncertainty about trade tariffs around Chinese products. So we put it on hold on both sides. You know, we are still partners of SAIC in Turkey and distributing MG brand and Maxus brands from SAIC. But the production talks are on hold right now.

Moderator:

Okay, thank you. Thank you very much. So maybe just another quick reminder. If you're connected via the phone and want to ask a voice question, please press star 2, the star 2 on your keypad. If you're connected via the web, you also have the option to ask a voice question or send your question as a text. Okay, looks like the presentation was comprehensive enough. So we'd like to thank you, everyone. Thank you for joining today's call. We look forward to seeing you on the next one. Thank you, everyone. This concludes today's call. Thank you and goodbye.