



## Ford Otosan A.Ş.

### Ford Otosan First Half 2025 Financial Results Conference Call

Thursday, 31<sup>st</sup> July 2025, at 16:00 (TR Time)

#### **Conductors:**

***Mr. Sinan Özer, Business Finance Leader***

***Mrs. Duygu Yalınkılıç Başaran, IR Specialist***

***Mr. Hamza Sümer, Investor Relation Specialist***

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](http://www.choruscall.com)

OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Mina your Chorus Call operator. Welcome and thank you for joining the Ford Otosan 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. Sinan Özer, Business Finance Leader, Mrs. Duygu Yalınkılıç Basaran, IR Specialist, Mr. Hamza Sumer, IR Specialist.

Mr. Özer, you may now proceed.

ÖZER S: Thank you and welcome all. This is Sinan Özer. Let me make a brief introduction of myself before I start. This is my 25th year in Ford Otosan. I have served in various finance and strategy roles in the company. Currently I'm serving as a business finance leader responsible for business strategy and controllership functions across the company.

So, let's start with the first of financials. The highlights in the domestic markets as Ford Otosan we ranked as the third company with 8% market share and in the commercial vehicle markets, we achieved 27.5% market share. This corresponds to an increase of 3% by volume and the 10% reduction of revenue which is driven by the sales mix and we'll be getting into the details of this one in the following pages.

In terms of the export performance we delivered 306,000 export units this year which represents a strong growth compared to previous year's performance. 18% on the

volume and 19% on revenue growth. This is mainly driven by the completed ramp up of our 1-ton commercial vehicle lineup as well as the new launch in Craiova, the launch of Puma and Courier electrified versions.

In terms of capacity utilization, we achieved 75% capacity utilization, 71% in Turkey and 85% in Romania and 15.8% of our vehicles are either fully electrified or plug-in hybrid vehicles. With this business performance we achieved 8.4% EBITDA profitability corresponding to EUR1,839 per vehicle and our net debt over EBITDA performance improved to 1.66 compared to the 2.38 as of 2024 year-end.

In terms of the numbers, we remain as a very significant player in the markets that we operate. In Turkey we represent 32% of total vehicle production and in Romania is 45% of production. Also, we are delivering 84% of Turkey's commercial vehicle production, so we remain a key player in Turkey, Romania, and a Ford Motor Company.

Here I will pause and leave the work to Hamza to explain the domestic sales performance.

SUMER H:

Thank you, Sinan Bey. Hi everyone, I am Hamza from Investor Relations. Today I will be covering the key developments of Turkish automotive market and how Ford Otosan performing during this First Half. Let me begin by saying that the First Half was quite an interesting period.

The year start off in line with the expectations and the market declined by 7% in the first quarter. However, the second quarter brought a much stronger recovery than anticipated. As a result, this rebound offset the earlier decline and the total market grew by 5% year-over-year and reached 625k units sold in the First Half.

Actually, this market recovery was mainly driven by three factors. The first was aggressive sales campaigns reflecting intense price competition across the industry and the second was ongoing macro-political uncertainties which led to customers to bring forward their purchase decisions. The final was expectations of an increase in special consumption tax.

In fact, June saw a significant surge in sales especially from brands trying to front load demand. Expectations materialized as the special consumption tax was indeed increased in July.

Now turning to Ford Otosan's performance in this period. We achieved a 2% increase in retail sales volume, reaching 50k units. This allows us to maintain our third position in the market with an 8% market share. When we look at on segment basis in the passenger car segment our sales declined by 16% mainly due to changes in special consumption tax exemption criteria and ongoing pricing competition.

To remind you the exemption threshold increased TRY1.6 million to TRY2.3 million and the most important one is the vehicles must also have at least 40% local content.

Despite the headwinds I would like to emphasize that we continue to focus on profitability over market share in this segment.

On the other hand in the commercial vehicle segment, we further built up our market leadership increasing our market share to 27.5% up from 25.6% last year. We are quite happy to increase market share both in light and medium commercial vehicle segment.

However, the truck sales remain soft. The primary reason is slow moving recovery of some sectors such as construction and logistics which are traditionally the key drivers of demand for this segment.

Now I will leave the floor to my colleagues Duygu to explain European markets. Thank you.

YALINKILINC D: Thank you Hamza. This is Duygu. I'll be continuing with the export markets performance. Looking at the ACEA data we see a 3% contraction in the overall automotive market. This is PC and CV combined. If you look at the segment breakdown PC came down marginally by 1.1% while the CV segment saw a sharp 13% drop here. Our key export segment that is the van segment declined by 13.4% with an even steeper contraction in trucks by 15%.

Here the main factor of these declines these results remain as the ongoing challenging economic environment plus a high base effect from last year which was driven by pre-GSR sales. I'll be continuing with how Ford Motor Company performed in this environment.

So, as I said with the stabilization of our ramp up periods our export units improved in this period by 18% and this is also reflected on Ford Motor Company's performance in the European CV market. Here you see that Ford kept its number one position and even improved its market share compared to last year to 17.7%.

And in this period of Ford Otosan, we produced 80% of Ford's CVs sold in Europe and supported its performance in the PC segment by producing 41% of Ford's PC sales in Europe. So on this page you see the end destinations of our export units.

We mainly spoke about the tariff related concerns mostly last quarter and even though the recent agreements between the US and EU have somehow eased the tensions. We again wanted to emphasize that as Ford Otosan we are not directly impacted by the tariff related concerns because as you see on the screen.

Our exports to the outside of Europe are minimal and primarily limited to our Custom models of which we are the sole producer in the world. And the other part on the screen also includes some of the spare parts units we sell outside of the Europe.

So here the key message is that our core export markets remain in Europe and as Ford Otosan we are relatively immune to those tariff related adversities. And this is also all from my side. Now I'm leaving the word to Sinan Bey again to explain the financial results. Thank you.

ÖZER S: Thank you Duygu and Hamza. And now let's take a close look at our financial results. Starting with revenues we had a strong half year especially in the export markets. Our exports are up 19% compared to last year First Half and in overall we have 12% revenue improvements which delivers us TRY365 billion revenues.

When we look at the profitability with our adjusted EBITDA and I'll come to the explanation of what that means in the upcoming slides. Our adjusted EBITDA is TRY30.5 billion which is up 18% compared to last year and there are factors working in both directions influencing our EBITDA.

Of course, the revenue increase is contributing to our EBITDA. The sales mix effects and the competitive pricing environment in Turkey created some pressure on our profitability in the domestic markets and also, we have the rising cost as part of our inflationary environment.

Also, the higher production of EVs and the increase of export revenues as we complete the ramp up of our vehicle lineup is also affect our profitability in the market. We also got affected by the strong Euro appreciation in the First Half which has an impact mainly on our export receivables.

When we exclude the other items our EBITDA is almost flat we can say about TRY26 billion. In terms of the operating profits we have 10% operating profit growth this year. Here we have 4.6 billion contribution of foreign exchange gains generated by our export business and in

terms of profit before tax we are down 23% compared to this year.

In the PBT what comes into play is a net financial expense. We have foreign exchange losses including our net financial impact negatively affecting our profit before tax and this is mainly associated with our lump sum payment of Romania acquisition cost which is we paid the second installment of Romania acquisition which is EUR196 million as of June and this had an impact on our net financial impact.

In fact, it amplified the effect of our net financial expenses. And in terms of net profits, we have 13 billion net profit in First Half of 2025. Here we are seeing the effect of deferred tax expense this is mainly carried over from the first quarter.

We had 2.3 billion deferred tax expense in the first quarter and the second quarter is almost flat I can say in terms of tax expenses. In terms of the margins our adjusted EBITDA is improved compared to last year. We have 8.4% EBITDA which is better than last year and better than our guidance.

EBITDA excluding other items is 7.1. We will be also showing you a walk of our EBITDA. The operating margin is slightly lower than last year at 5.5% and the PBT margin is 4.4% which is two percentage points down compared to last year because of the net financial expense impact and our net margin is 3.6%.

Here we are explaining our adjusted EBITDA. Actually, we changed the nomenclature in this reporting to adjusted EBITDA in terms of content it's similar to what we have been reporting before it's company's best interpretation of EBITDA.

We are including the effect of the embedded lease which we have discussed in the quarter 1 results in depth and also we are incorporating the effect of other income from operating activities mainly foreign exchange in our EBITDA calculation. We believe this is the best representation and our best metric in terms of representing companies free cash flow generation capability.

This is a high-level EBITDA breach. What this page is showing us is in terms of gross profits we are broadly flat. We have minor improvement in our gross profits when we factor in the effect of embedded lease as well and in terms of operating expenses we are negatively affected in the sales and marketing expenses that's mainly driven from the intense competition in the Turkey market.

And we are actually concentrating on the expense discipline within the company, so we have created some improvements in general administration and R&D expenses so mainly wiping out the negative impact on sales and marketing.

And we have a significant contribution from the foreign exchange impact that's mainly related with our foreign export receivables and the effect of Euro appreciation in

the First Half of 2025 leading to TRY30.5 billion EBITDA as of First Half of 2025.

SUMER H: We can carry on.

ÖZER S: In terms of the cost dynamics here it's worth noting that we have some consistency this time, in terms of the inflation and the Euro TL development unlike the previous quarters so we believe this is a healthy development under these circumstances, it's easier to have some sustainable results and also interpretation of the financial results is more meaningful under these circumstances.

This is our sales volume. Hamza, actually touched on some topics here we in the passenger car market we have some volume reduction actually that this is a strategic choice I can say given the price competition in Turkey market we have not prioritized volume growth in the passenger car market.

There is some growth in the LCV market as well and some shrinkage in the larger models are two-ton MCVs and heavy trucks, volumes are negatively affected by the developments in the market.

I think we can skip this one here I would like to draw your attention to the cash flow there has been substantial improvement in the cash flow from operating activities, actually we were able to generate almost 60 billion cash mainly with the contribution of our working capital discipline.

And also, we have a lower cash impact from the investing activities compared to last year the cash outflow is much lower compared to last year and with the contribution of our operating cash flow performance in the bottom line we have significant improvement in our cash position leaving us with TRY57 billion cash as of end of the First Half.

Here you can see our net financial debt is also significantly improved by 23% and the working capital improvement you can see there are improvements almost in all aspects on average our networking capital cycle improved from 28 days to 22 days and as a result of these cash factors just can you go back our covenant ratio our net debt to adjusted EBITDA ratio is 1.66 compared to 2.38 last year.

We can move on about the guidance having seen the strong performance in the First Half of the year, especially in the passenger car market we have increased our Turkish market guidance from 950 to 1 million 150 is about 10% improvement in our guidance.

However, the growth in the Turkey market the composition of the growth is not entirely matching our lineup, so the growth is mainly generated in the passenger car market and we as I mentioned we are actually putting profitability before volume in the passenger car market.

So as a result of that we have not changed our domestic volume retail sales guidance it remains between 90k and 100k also our export volume performance is in in line with

our expectations at the beginning of the year, so our export volume and wholesale volume guidance are also unchanged, as well as our production volume guidance.

In terms of CapEx in the First Half of the year, we had a slow spending pace and as a result of that we are actually updating our CapEx guidance to 600 to 700 million intervals compared to 750, 850 million, range the reason of the CapEx forecast change is mainly the calendarization of the projects.

As we are constantly monitoring the cycle plan and the launch dates of our projects we also the market conditions the penetration of EVs in the European and Turkish markets, we felt the need to retime our project plan and our investment plan and also the fact that we have introduced many new vehicles we have renewed our commercial vehicle lineup this gives us some flexibility in managing our cycle plan, as we already have a strong lineup currently.

So as a result of all these evaluations we made an update on our CapEx guidance. Our revenue growth guidance remains the same as well as our adjusted EBITDA margin guidance between 7% and 8%.

This was our last bench. Thank you very much for listening. I think we can open up for questions now.

OPERATOR:

The first question comes from the line of Kilickiran Hanzade with JP Morgan. Please go ahead.

KILICKIRAN H: Hello. Thank you very much for the presentation and I just want to make a follow up on your margin outlook because you have a cautious form on your margin outlook for a while despite some over delivery in the second quarter including these embedded lasers and we also decided about potentially promoting your profitability and it's a – and changing sales mix.

So, is there a particular reason for this cautious stance such as, I mean, one of the prospects in the second quarter that may disappear in the Second Half of the year or do you see a change in the operating environment that may impact your margins in the Second Half of the year? Thank you.

ÖZER S: Thank you. The main reason why we kept the guidance for EBITDA is about our exchange rate estimations as you have seen in the numbers in the First Half of the year we had a contribution on the export receivables, we booked some foreign exchange gains in the Second Half of the year, because of the uncertainties about the exchange rate.

We did not book any similar level improvement in the Second Half of the year and as a result of that we decided to keep our guidance between 7% and 8% despite we have 8.4% in the First Half of the year.

KILICKIRAN H: Okay. So, this total depends on the euro-dollar exchange rate, I take it, right?

ÖZER S: Yes. It's the main driver.

KILICKIRAN H: All right. Thank you very much. And the second one is that, I mean, you made significant savings on the OpEx side, which helped you on the profitability. I mean how sustainable is this OpEx savings that you have achieved in the rest of the year? Thank you.

ÖZER S: Thank you. Actually, we have a sharpened cost focus in the company, I can say, starting with the last year. We implemented some new processes in terms of cost control. We created a dedicated cost attack team within the company and we were already implementing zero-based budgeting for the last few years, but actually, we went beyond that.

And now, we believe the expense discipline that we have implemented is sustainable in the company. It's not a one-off, I can say. And we have mostly completed our launch period, which makes it difficult to actually have some sustainable expenses because during the launch period, we always had some project expenses and surprises. Now, we are in better control of our costs and expenses, and I think, I can say that, the expense savings are sustainable for the company.

KILICKIRAN H: Thank you very much. So, is it fair to assume a like OpEx global sales ratio at similar rates of, I mean, rates that you observe in the Second Quarter?

ÖZER S: Yes.

KILICKIRAN H: Okay. Thank you very much.

ÖZER S: Thank you.

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

CAMPOS G: Hello. Thank you very much for the presentation and congrats on the results. I see that you revised your guidance here particularly for CapEx which is going to be lower. Does that change your expectations for free cash flow? Could you remind us what your free cash flow expectations are and where do you see net leverage ending by the end of the year? That would be my first question. Thank you.

ÖZER S: Thank you. There are actually two factors contributing to the improvements of our free cash flow, cash generation, the working capital, and the lower CapEx. The CapEx number we -- actually we are forecasting that it will accelerate compared to the First Half. In the First Half the spending is EUR191 million. We are planning to spend a higher amount significantly higher in the Second Half of the year despite that it will be lower than our initial guidance.

And in the second, the working capital now improvement, we are showing our best efforts to actually make it sustainable. Of course, it's -- there is an element in that depending on the market and demand especially in the inventory management, the efforts, and the precautions that we have put in place will be there indeed and our aim will be to sustain or even further improve this picture. But there is an element that's outside of our control, I should say.

CAMPOS G: Understood. Thank you. And I'm sorry if I missed it. What is -- where do you expect net leverage to be by the end of the year? I think right now you reported it at 1.66 times. Where do you expect it to be by the year? Yeah. Sorry.

ÖZER S: We expect it to be below 2.5 times. That's our main guidance. Yes. We are trying to manage our leverage. Actually, it's not part of our typical guidance, I should say. But the -- our main forecast is, it may be slightly higher than what you see today. But we are planning to keep it below 2.5 times levels, I can say.

CAMPOS G: Okay. Yeah. Understood. And I'm sorry, I'm trying to understand. As far as, like, CapEx, could you please elaborate on the product-related investment, and as well as your funding sources for this CapEx? If you could just be a bit more specific that would be helpful. Where did the CapEx funding will come from, like, and what are the key projects in the pipeline? Thank you.

ÖZER S: Thank you. About more than 80% of our CapEx is related to the product actions and also the savings on the CapEx we can say is also similar. 80% on product and 20% on non-product side. Actually, I -- this is a combination of we have some CapEx actually continuing from our earlier launch projects such as the Vantone and the Romania programs.

We still continue to pay to complete the commitments left over from these programs and this will continue for several months still and we have some future programs

in the cycle plan. I'm not in a liberty to say which programs actually, but I can say we will continue to make investments to keep our product line fresh and maximize our capacity utilization.

CAMPOS G: Understood. Thank you. And how about the funding for this CapEx? Are you planning to come to the bond market and issue Eurobond or is it bank lending or are you going to use existing cash? What's the funding source that's expected?

ÖZER S: Well, we have introduced our first Eurobond last year and we are happy with the performance on this one. Eurobond is a viable option financing option for Ford Otosan. We will be monitoring the cash out, the spendings and the company cash generation performance and depending on that we will tap into the most efficient financing source and Eurobond is a viable option for us.

CAMPOS G: Understood. Thank you. And last question if I may. I'm trying to understand the dynamic here because the European commercial vehicle market was a little bit weak in the First Half of the year. How are you like -- how has Ford Otosan managed to keep its guidance intact and are there downside risks for the volume exports that are expected for the remainder of the year if the weaker environment continues? That would be my last question. Thank you.

ÖZER S: Thank you. We have confidence in our lineup. We have state-of-the-art vehicles in the commercial vehicle segments and with the contribution of those we have

actually achieved as the Ford brand a record level of commercial vehicle market share 17.7%. Also this is being helped by the Ford Pro Service Network. It's also contributing to the sales performance in Europe.

So with the help of the share improvement, we managed to maintain our volume targets even in a shrinking market. Actually, if the market goes back to its historic performance, historic average, I see an opportunity here rather than a risk.

CAMPOS G: Understood. Yeah, thank you very much. Thank you for the details.

ÖZER S: Thank you.

OPERATOR: The next question is from the line of Indeba Sybil with Schroders. Please go ahead.

INDEBA S: Hi there. Thank you. Thank you for the presentation. I wondered what is the developments in the truck business? How are you seeing the demand here and is there any indication of recovery?

ÖZER S: Well in the truck markets actually we have in operation in around 50 countries despite that our main volume driver is still Turkey markets. We are planning to expand our presence in the export markets. In the Turkey markets actually, the local manufacturers suffered in the recent periods because of the high availability in Europe.

The importers actually pushed some vehicles into the market and also the low euro rates historically helped them compete against local manufacturers. We see this

as a kind of temporary situation and as local manufacturers we forecast that we will be gaining more space in the domestic market and when the construction and logistics industries improve we think that there will be some growth in the market as well.

In the export markets actually we are still implementing our growth plan in the western Europe. We are introducing countries and distributors in other countries, but that's a time-consuming process and it takes time to build a presence in the Europe.

The fact that we had high inflation in Turkey and low exchange rates actually affected us in the export markets, so it reduced our pace of penetration in the export markets, but we are committed to heavy truck business. We will keep investing and expanding our heavy truck in the near future.

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

ÖZER S: Thank you very much for your time. We believe we had a very successful First Half with strong business performance and within the company we will continue to have sharpened focus on cost and quality which we believe will make us competitive and sustainable in the long run. Thank you very much for your time.