

## TURKCELL ANALYST MEETING NOTES

On Aug 7, Turkcell held an Analyst Meeting at its HQ with the participation of research analysts and the heads of research of various brokerages. From Turkcell's side, Mr. Ahmet Akça (BoD Chairman), Mr. Kaan Terzioğlu (CEO), Mr. Bülent Aksu (CFO), Mr. İsmail Bütün (CMO), Mr. Murat Erkan (CSO) and Ms. Ayşem Ertopuz (Chief Digital Services and Solutions Officer) along with the IR team were present at the meeting.

The meeting kicked off with opening remarks by Mr. Akça, where he commented on the important role of brokerages in the development of Turkey's capital markets. Mr. Terzioğlu talked about Turkcell's digital transformation journey over the past two years to become a digital services provider, and how this strategy has been critical in achieving strong Q2 results. He stated that Turkcell would like to be present in the lives of its customers throughout their entire day (or 1,440 minutes) as the leader digital operator offering the greatest value.

These remarks were followed by a demo on core digital services: BiP, Ucall, fizy, Dergilik, Cropy and lifebox. Mr. Terzioğlu explained the advantages of being a telecom operator in the OTT world and demonstrated a few examples regarding "digital cockpit", the platform over which Turkcell management monitors the performance of its digital services and other KPIs.

A brief presentation on Q217 results by the CEO and the CFO was followed by a Q&A session. Below are brief notes on questions and their answers.

### Q&A

**Q: Should we expect the positive churn and customer acquisition trends in Q217 to continue? Are these levels sustainable?**

**A:** Our ability to retain our customers has exceeded our expectations. We observe the positive contribution of our digital services to customer loyalty. Besides, the actions we have taken on the distribution side, as well as our investment in educating Turkcell store employees have played a great role in customer acquisition and retention.

**Q: You have already reached your medium term guidance. Any plans to update these targets?**

**A:** Our focus has been on providing a variety of services, rather than competing on price. Our performance so far has been better than we had assumed. We have already begun to revise our long-term plans. We are considering an analyst day in November to disclose updated target levels.

Our strategy is to be "asset-light" to the greatest extent possible. We have the ultimate aim of sharing some of our investments (towers etc.). The more we share, the less unnecessary capital expenditure is incurred, which makes for a better use of resources.

**Q: Are there any developments re the Fintur sale? What is your strategy there?**

**A:** We think that now not the right time to enter into new markets given prevailing global political challenges. Re Fintur, we are acting in tandem with Telia. Our expectation is to complete the process before the end of the year. The asset may be sold in part, or as a whole; we are considering all of our options. There are a few parties interested in the asset.

## TURKCELL ANALYST MEETING NOTES

As Turkcell, we have plans to be in new markets with our digital services. BiP is a good example in this regard, as it has been downloaded in over 180 countries.

**Q: What level would you expect the contribution of digital services to rise to?**

**A:** Today, it is 18%, which I can confirm is one of the highest levels in the sector. Our aim is to sell “processed data,” rather than “raw data”. This is not easy; it requires billing capability.

95% of our investment is related to data; 80% of consumption is data. Hence, we expect the 65% level of today, the contribution of data and digital services revenues to total revenues, to align with this trend going forward.

**Q: Your expectations for Turkcell’s performance in the second half?**

**A:** We expect the momentum to continue. Naturally, there will be a base effect on a year-on-year basis. We will continue to gain new customers and increase our ARPU.

**Q: Any developments on the shareholder conflict?**

**A:** Turkcell management works in tandem with the BoD. Our BoD comprises independent board members. This is what is important. We meet regularly with our shareholders, including major shareholders, to update them and canvas their views. We have their support.

We have distributed 54% of our net income since 2010, reflecting our dividend policy. We hope to ultimately see an end to the conflict between shareholders. Our job is to focus on the business, and to generate value for our shareholders and our country.

**Q: OGER is in financial difficulty. Would you consider a strategic move for TTKOM?**

**A:** We do not expect consolidation in the sector. All operators are growing by double digits, which indicates a healthy market.

**Q: Any update on the Global Tower IPO?**

**A:** Our intention was to extract hidden value from our balance sheet, and Global Tower is one of example of this. It was on the market with a 12x multiple. We will evaluate the asset by taking its comparables into consideration at the appropriate time.

**Q: How do you calculate the contribution of digital services to your revenues?**

**A:** Our tariffs include both raw data and data assigned to our digital services. This is reflected in the pricing of our digital services. Moreover, we generate revenues from our digital services from all-access subscriptions.

## TURKCELL ANALYST MEETING NOTES

**Q: Are your marketing costs at the optimal level for this churn level? Is there room for further cost optimization?**

**A:** We observe that traffic at our stores has increased significantly post renovation. To date, some 20% have been renovated. We expect to see further contribution going forward.

**Q: What is the impact of the churn policy change on the churn level?**

**A:** The change in policy was mainly to eliminate the seasonality factor. This change does not explain the impressive improvement in churn levels. I would expect the churn at 5% levels to be sustainable.

**Q: What is the view of the Regulatory Authority on digital services? Do you expect additional taxation?**

**A:** The telecommunication sector is already heavily taxed at 60-70% levels. The government may always consider new taxation, or the lifting off existing taxation; however, our expectation is to have a tax environment where telecom players and OTT players are treated fairly.

**Q: What differentiates you in your ability to be a digital operator?**

**A:** Our ability and flexibility in billing in real-time, our investment in spectrum and our R&D team of one thousand engineers. We are investing in this business.

**Q: Have you focused on the customer or profitability in digital services?**

**A:** Not necessarily one or the other. I think the cost structure and business model of a digital services provider are different from those of a telco operator, which I expect to be reflected to our valuation. Over the next three years, it will be all about digital services for Turkcell.

**Q: As new services, do you consider e-commerce?**

**A:** Identity management and payment services. These will be the new areas for us.

**Q: Any update on your fiber investments?**

**A:** We are in line with our three year plan outlined on our last Capital Markets Day. We are already in 16 cities (the target is 18). We're about to reach our 3 million home-pass target.

Three areas are important: (1) our share in carrying international traffic (2) to roll-out fiber to our own base stations and (3) to roll-out fiber to houses. Our investment in the fixed segment corresponds to approximately 40% of our total investments.

**Q: Update on fiber sharing?**

**A:** We have already begun sharing with Vodafone. We remain motivated in this regard.

**Q: Expectations regarding your international operations?**

**A:** The political turbulence prevails in Ukraine. The financials of Belarus have begun to improve as of last year, and I expect this to continue.

## TURKCELL ANALYST MEETING NOTES

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