

Kordsa

2Q'22 Financial Results

Earnings Release

Aug 10, 2022

Strong Demand and Profitability in Tire Reinforcement

Kordsa, being one of the leading companies in reinforcement technologies, announces a strong capital structure in the first half of the year. Kordsa continued its sustainable growth in the first six months of 2022 with a turnover of 599 million USD (8,8 billion TRY) and a net profit of 61 million USD (892 million TRY). During the same period, the company's earnings before interest, taxes, depreciation and amortization (EBITDA) was 92 million USD (1,4 billion TRY).

By setting an example in the industry through its investment in the composites industry and the technology its developed in Turkey, Kordsa expands its global footprint through the acquisition of the majority shares of Italy based Microtex Composites.

Also, the Company decided to invest a total of 9,8 million USD (176 million TL) to increase its polyester yarn capacity by 7,000 tons at its Izmit, Turkey production facility in order to respond to the increasing demand in the first half of the year. With this new investment, Kordsa will further reinforce its strong position in producing new generation polyester yarn products. The line is expected to be operating in the third quarter of 2024.

Kordsa CEO İbrahim Özgür Yıldırım, said: "We are proud to be a global leader in our business lines with our 49 years of heritage in the industry. Accordingly, we have successfully proceeded with our plans with record growth and strategic investments in the composites industry in Europe. We have also taken initiatives for new investments to assure further growth. We continue to 'reinforce life' with a keen focus on sustainability and innovation."

FINANCIAL HIGHLIGHTS

- In the second quarter of 2022, sales revenues increased by 49% compared to the same period of the previous year and amounted to 300 million USD (4.6 billion TRY). High demand in the tire reinforcement segment in the first quarter of the year continued in this quarter as well. In the same period, the turnover generated from the construction segment, in parallel with second quarter of 2021, is 2.3 million USD and composite segment realized as 30 million USD with %30 growth rate.
- Despite rising commodity, energy and inflation-related expenses with global uncertainties in the second quarter of 2022, EBITDA growth is 4.2% in USD terms compared to the same period of 2021; On TL basis, it reached 92.4%. Due to the increases in commodity and energy costs, EBITDA was realized as 35.4 million USD (547 million TL) with an 11.8% margin.

- Net profit for the second quarter of 2022, in USD terms, decreased by 12% compared to the second quarter of 2021, reaching 26 million USD, as the consolidated effective tax rate reached 21.9% with the increase in financing costs and the increase in profits from regions with high tax rates. On TL basis, it increased by 64.0% to 408 million TL.
- Made an investment of 10 million USD (151 million TL) for the sustainability of machinery and products throughout the second quarter of 2022.
- Financial debts amounted to 320 million USD together with the emerging working capital requirement due to increased raw material prices. On the other hand, with the improvement in profitability, the Net debt/EBITDA ratio is 2.0x in line with the first quarter of 2022. This rate was 2.2x at the end of 2021.

SEGMENTS HIGHLIGHTS

Tire Reinforcement:

- Strong demand in the first quarter of 2022 continues in the second quarter. The tire reinforcement volume, which was realized in parallel with the first quarter of 2022, growth rate is 15.1% compared to the second quarter of 2021.
- Sales volumes in all regions, are above all quarters of 2021.
- The increase in commodity, energy and chemical costs, as a result of the increase in global uncertainties in the second quarter of 2022 and the inability to maintain the balance between supply and demand, puts pressure on profitability.
- In parallel with the first quarter of 2022, the increase in freight expenses in the second quarter also suppresses profitability. With the third quarter of 2022, there is an expectation of relaxation in commodity and freight costs.

Composite Reinforcement:

- Despite the fact that the recovery of civil aviation after Covid-19 did not start with the product and sector differentiation, the second quarter turnover of the segment for 2022 was 30 million USD. In 2021, this figure was 20 million USD. On the basis of the second quarter, the growth rate was 30% compared to the same period of the previous year.

Construction Reinforcement:

- With the increase in domestic demand and the emphasis on export activities, the turnover was realized as 2.3 million USD in parallel with the second quarter of 2021.

FINANCIAL RESULTS

	TL Financials (MTL)					
	1H 2021	1H 2022	Δ	2Q 2021	2Q 2022	Δ
Sales	3,203	8,799	174.7%	1,692	4,639	174.2%
Gross Profit	738	1,888	156.0%	386	853	120.9%
Gross Margin (%)	23.0%	21.5%	▼ -2 pts'	22.8%	18.4%	▼ -5 pts'
OPEX (%)	10.6%	9.2%	▼ -2 pts'	10.6%	9.2%	▼ -2 pts'
Operating Profit	543	1,068	96.8%	311	437	40.6%
Operating Profit Margin (%)	16.9%	12.1%	▼ -5 pts'	18.4%	9.4%	▼ -9 pts'
EBITDA	553	1,364	146.7%	285	547	91.6%
EBITDA* Margin (%)	17.3%	15.5%	▼ -2 pts'	16.9%	11.8%	▼ -5 pts'
Net Income	393	892	127.2%	249	408	64.0%
Effective Tax Rate (%)	10.8%	20.1%	▲ 9 pts'	5.5%	21.9%	▲ 16 pts'
Net Income (%)	12.3%	10.1%	▼ -2 pts'	14.7%	8.8%	▼ -6 pts'

	USD Financials (MUSD)					
	1H 2021	1H 2022	Δ	2Q 2021	2Q 2022	Δ
Sales	407	599	47.1%	202	300	48.6%
Gross Profit	94	129	37.1%	46	54	17.5%
Gross Margin (%)	23.0%	21.5%	-2 pts'	22.8%	18.1%	-5 pts'
OPEX (%)	10.6%	9.2%	-2 pts'	10.6%	9.2%	-2 pts'
Operating Profit	69	73	5.2%	37	28	-25.4%
Operating Profit Margin (%)	16.9%	12.1%	-5 pts'	18.4%	9.2%	-9 pts'
EBITDA	70	92	30.8%	34	35	3.8%
EBITDA* Margin (%)	17.3%	15.3%	-2 pts'	16.9%	11.8%	-5 pts'
Net Income	50	61	21.7%	30	24	-19.0%
Effective Tax Rate (%)	10.8%	20.1%	9 pts'	5.5%	21.9%	16 pts'
Net Income (%)	12.3%	10.1%	-2 pts'	14.7%	8.0%	-7 pts'

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