

# Kordsa

## 4Q'22 Financial Results

### Earnings Release

Feb 23, 2023

#### Financial Sustainable Growth

Kordsa, being one of the leading companies in reinforcement technologies, announces a strong capital structure in the last quarter of the year despite global recession expectations and increases on energy and labor costs in the EMEA region. Continuing to create value for its stakeholders with its new investments and collaborations in 2022, Kordsa protected its sustainable growth in 2022 with a turnover of 1,154 million USD (18,4 billion TRY) and a net profit of 94 million USD (1,5 billion TRY). During the same period, the company's earnings before interest, taxes, depreciation and amortization (EBITDA) was 135 million USD (2,2 billion TRY).

#### FINANCIAL HIGHLIGHTS

- In the last quarter of 2022, sales revenues increased by 9% in terms of USD compared to the same period of the previous year and amounted to 269 million USD (4.7 billion TRY). With the global recession expectations, the demand in tire reinforcement in the last two quarters was realized in the parallel with 2021 figures and but below the first two quarters of 2022.  
In the same period, revenues from the composite segment increased by 74% compared to the fourth quarter of 2021 and reached 40 million USD. The turnover contribution of Microtex Composites Srl, of which acquisition was completed in August 2022, in the last quarter amounts 9.0 million USD. Revenues from the construction segment were realized as 3.3 million USD with 59% growth rate comparing to the same quarter of 2021.
- Despite rising commodity and energy cost in EMEA region, the imbalance of USDTRY and inflation, the inventory effect of raw materials purchased in the second and third quarters of 2022, the EBITDA figure in the last quarter of 2022 was 16 million USD (287 million TRY), and the margin was 6.1%.
- Due to the negative conversion effect of the increases on EURUSD parity on our EUR-based loans, net profit before taxes in the last quarter of 2022 was realized as 0.4 million USD. With the deferred tax income coming from the revaluation effect in the end of the year, net profit was 12 million USD.
- Made an investment of 43 million USD (719 million TL) for the sustainability of machinery and products throughout 2022.
- With the completion of the Microtex Composites Srl acquisition and the working capital requirement due to rising raw material prices, financial liabilities amounted to 422 million USD. The Net debt/EBITDA ratio stood at 2.8x by 2022.

## SEGMENTS HIGHLIGHTS

### Tire Reinforcement:

- The strong demand in the first half of 2022 slow down with the global recession expectations. Despite the same performance in 2022 in the sector comparing to 2021, Kordsa's volume growth was realized as 2%. Despite the global recession expectations in the sector, Kordsa continued to grow.
- In all regions, sales volumes are above or parallel with 2021 figures.
- Impacts on the last quarter profitability of 2022 are summarized below:
  - The imbalance between supply and demand due to the global recession expectation,
  - With the decreases on commodity prices, the inventory effect of raw material prices in the second and third quarters,
  - Increasing global costs in an inflationary environment, Increase in inflationary expenses, especially labor and energy, in Europe, Middle East and Africa operations, failure to maintain a balance between inflation and exchange rate,
  - Increasing global costs in an inflationary environment,
- Considering these figures, the tire reinforcement segment's revenue was realized as 211 million USD in the last quarter of 2022 while it was 217 million USD in the last quarter of 2021

### Composite Reinforcement:

- With sector and product differentiation, the last quarter turnover of the segment for 2022 was 40 million USD. In 2021, this figure was 23 million USD. On the basis of the last quarter, the growth rate was 74% compared to the same period of the previous year and 10% comparing to the third quarter of 2022.
- In the last quarter of 2022, the Microtex's effect was 9 million USD on the consolidated revenue level.

### Construction Reinforcement:

- With the increase in domestic demand and the emphasis on export activities, the turnover was realized as 3.3 million USD with 59% growth comparing to the last quarter of 2021. The revenue of the segment reached to 10.4 million USD with %18 growth rate.

## FINANCIAL RESULTS

	TL Financials (MTL)					
	YE 2021	YE 2022	Δ	4Q 2021	4Q 2022	Δ
Sales	7,891	18,440	133.7%	2,702	4,679	73.2%
Gross Profit	1,732	3,359	94.0%	562	676	20.2%
Gross Margin (%)	21.9%	18.2%	▼ -4 pts'	20.8%	14.5%	▼ -6 pts'
OPEX (%)	10.9%	9.9%	▼ -1 pts'	11.6%	11.7%	0 pts'
Operating Profit	1,326	1,650	24.4%	538	251	▼ -53.2%
Operating Profit Margin (%)	16.8%	8.9%	▼ -8 pts'	19.9%	5.4%	▼ -15 pts'
EBITDA	1,218	2,152	76.7%	334	287	▼ -14.2%
EBITDA* Margin (%)	15.4%	11.7%	▼ -4 pts'	12.4%	6.1%	▼ -6 pts'
Net Income	856	1,509	76.4%	297	230	▼ -22.6%
Effective Tax Rate (%)	8.6%	5.5%	▼ -3 pts'	-2.5%	-3128.4%	▼ -3126 pts'
Net Income (%)	10.8%	8.2%	▼ -3 pts'	11.0%	4.9%	▼ -6 pts'

	USD Financials (MUSD)					
	YE 2021	YE 2022	Δ	4Q 2021	4Q 2022	Δ
Sales	888	1,154	30.0%	246	269	9.3%
Gross Profit	195	210	7.9%	50	38	-25.1%
Gross Margin (%)	21.9%	18.2%	▼ -4 pts'	20.4%	14.0%	▼ -6 pts'
OPEX (%)	10.9%	9.9%	▼ -1 pts'	11.6%	11.7%	0 pts'
Operating Profit	149	103	▼ -30.9%	49	13	▼ -72.9%
Operating Profit Margin (%)	16.8%	8.9%	▼ -8 pts'	19.9%	4.9%	▼ -15 pts'
EBITDA	137	135	▼ -1.7%	30	16	▼ -45.8%
EBITDA* Margin (%)	15.4%	11.7%	▼ -4 pts'	12.4%	6.1%	▼ -6 pts'
Net Income	96	94	▼ -1.9%	25	12	▼ -51.9%
Effective Tax Rate (%)	8.6%	5.5%	▼ -3 pts'	-2.5%	-3128.4%	▼ -3126 pts'
Net Income (%)	10.8%	8.2%	▼ -3 pts'	11.0%	4.9%	▼ -6 pts'

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