

Kordsa

1Q'23 Financial Results

Earnings Release

May 5, 2023

Tire, construction and composite reinforcement leader Kordsa completed the first quarter of 2023 with positive financial results compared to the previous quarter, despite the shrinkage in demand in the global tire reinforcement industry and the increase in labor and energy costs, particularly in the Europe, Africa and Middle East (“EMEA”) region. Continuing to create value for its stakeholders with its new investments and collaborations in the first quarter of 2023, Kordsa increased its sales by 25% in the first quarter of 2023 compared to the same quarter of the previous year, with a turnover of 276 million USD (5.2 billion TL). In the first quarter of 2023, Kordsa's net profit was 5 million USD (90 million TL), and its profit before interest depreciation and tax (EBITDA) was 23 million USD (431 million TL).

FINANCIAL DEVELOPMENTS

- In the first quarter of 2023, sales revenues increased by 25% on TL basis compared to the same period of the previous year, reaching TL 5.2 billion (276 million USD). Despite falling freight costs and competitive pressure from Asia-Pacific manufacturers, tire reinforcement volume in the last quarter of 2022 was maintained in the first quarter of 2023 as well. In the same period, revenues from the composite segment increased by 30% compared to the previous quarter and reached 49 million USD. The positive contribution of Microtex Composites Srl, whose acquisition was completed in August 2022, continued in the first quarter of 2023 and its contribution to turnover was 11 million USD. Revenues from the construction segment, on the other hand, amounted to 1.8 million USD due to the stagnation experienced as a result of by the construction sector's canalization to the disaster region due to the Kahramanmaras-centered earthquake on 6 February.
- In the second half of 2022, in an economy where raw material prices fell, the stock effect of raw materials, the increase in energy and labor costs, especially in Europe, Africa and the Middle East, the inability to maintain the balance in inflation and USDTRY exchange rate, and the negative effects of the decrease in EURUSD parity were observed. Under these circumstances, EBITDA of 16 million USD (287 million TL) was achieved in the last quarter of 2022. In the first quarter of 2023, the increase in labor expenses continued and there was a negative deviation of 5 million USD compared to the previous quarter. On the other hand, thanks to the positive EBITDA contribution;
 - from the composite segment in the first quarter of 2023 (4Q'22 : 0.5M\$ – 1Q'23 : 5M\$),
 - the effective pricing method in our sales prices,
 - the EURUSD parity rising (4Q'22 : 1.02 – 1Q'23 : 1.07),
 - with the decrease in energy costs and the effects of downward freight costs, EBITDA rise to 23 million USD with an increase of 39% compared to the previous quarter. The EBITDA margin was 8.3%.

- In the last quarter of 2022, the net profit figure was realized as 12 million USD, with the effects of revaluation and deferred tax income. In the first quarter of 2023, with the increasing EBITDA (+7 million USD) compared to the previous quarter, the net profit amount is 5 million USD.
- In the first quarter of 2023, 9 million USD (168 million TL) invested in machinery and product sustainability.
- Due to the working capital requirement, financial debts amounted to 439 million USD. As of the first quarter of 2023, the Net debt/EBITDA ratio stood at 3.8x.

FINANCIAL RESULTS

	TL Financials (MTL)					
	1Q 2022	1Q 2023	Δ	2Q 2022	3Q 2022	4Q 2022
Sales	4,160	5,194	24.8%	4,639	4,962	4,679
Gross Profit	1,035	768	-25.8%	853	795	676
Gross Margin (%)	24.9%	14.8%	▼ -10 pts'	18.4%	16.0%	14.5%
OPEX (%)	9.1%	10.2%	▲ 1 pts'	9.4%	9.4%	11.7%
Operating Profit	631	265	▼ -58.0%	437	330	251
Operating Profit Margin (%)	15.2%	5.1%	▼ -10 pts'	9.4%	6.7%	5.4%
EBITDA	788	431	▼ -45.3%	546	455	287
EBITDA* Margin (%)	18.9%	8.3%	▼ -11 pts'	11.8%	9.2%	6.1%
Net Income	484	90	▼ -81.3%	408	387	230
Effective Tax Rate (%)	23.3%	21.9%	▼ -1 pts'	19.9%	0.9%	-3128.4%
Net Income (%)	11.6%	1.7%	▼ -10 pts'	8.8%	7.8%	4.9%

	USD Financials (MUSD)					
	1Q 2022	1Q 2023	Δ	2Q 2022	3Q 2022	4Q 2022
Sales	299	276	-7.6%	300	286	269
Gross Profit	74	41	▼ -45.1%	55	46	39
Gross Margin (%)	24.9%	14.8%	▼ -10 pts'	18.4%	16.0%	14.5%
OPEX (%)	9.1%	10.2%	▲ 1 pts'	9.4%	9.4%	11.7%
Operating Profit	45	14	▼ -69.0%	28	19	14
Operating Profit Margin (%)	15.2%	5.1%	▼ -10 pts'	9.4%	6.7%	5.4%
EBITDA	57	23	▼ -59.5%	35	26	16
EBITDA* Margin (%)	18.9%	8.3%	▼ -11 pts'	11.8%	9.2%	6.1%
Net Income	35	5	▼ -86.2%	26	22	13
Effective Tax Rate (%)	23.3%	21.9%	▼ -1 pts'	19.9%	0.9%	-3128.4%
Net Income (%)	11.6%	1.7%	▼ -10 pts'	8.8%	7.8%	4.9%

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