

# Kordsa

## 3Q'22 Financial Results

### Earnings Release

Nov 2, 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 third quarter of the year. Continuing to create value for its stakeholders with its new investments and collaborations in 2022, Kordsa continued its sustainable growth in the first nine months of 2022 with a turnover of 885 million USD (13,8 billion TRY) and a net profit of 82 million USD (1,3 billion TRY). During the same period, the company's earnings before interest, taxes, depreciation and amortization (EBITDA) was 118 million USD (1,8 billion TRY).

Kordsa, one of the world's leading advanced materials companies, acquired majority shares of Italian Microtex Composites in August 2022 in line with its strategic growth plans. After four acquisitions in the USA in previous years, Kordsa expanded its global footprint with this investment in Europe by adding the super luxury automotive and motor sports industries to its wide customer portfolio.

Kordsa accelerated its production line investments abroad and in Turkey in the third quarter of 2022. With a 7 million US dollar investment in its Izmit production facility, Kordsa decided to increase its capacity with an additional line in the production of single end cord used in high performance tires, it also took action to invest an additional 5 million US dollars to produce Kratos' polypropylene monofilament fiber synthetic reinforcement. With a total investment of 22 million US dollars together with the polyester yarn production line investment, which was launched in the second quarter of 2022, the Company further contributes to Türkiye's economy. The Company has taken initiatives to invest 20 million USD to expand its tire cord dipping line at its US facilities to meet increasing customer demand. With these new investments, the Company will further expand its competencies and maintain its strong position.

#### **FINANCIAL HIGHLIGHTS**

- In the third quarter of 2022, sales revenues increased by 22% compared to the same period of the previous year and amounted to 286 million USD (5.0 billion TRY). The high demand in the tire reinforcement segment in the first half of the year, along with the global recession expectations, was slightly below the figures of the first two quarters, parallel to the third quarter of 2021. In the same period, revenues from the composite segment increased by 65% compared to the third quarter of 2021 and reached 37 million USD. The turnover contribution of Microtex Composites Srl, whose acquisition was completed in August 2022, in the third quarter amounts 4.4 million USD. Revenues

from the construction segment were realized in parallel with the third quarter of 2021 with 2.6 million USD.

- As a result of the fact that the EURUSD parity was 1.01, the increase in inflationary expenses and the inability to maintain the balance in the USDTRY exchange rate, the EBITDA figure in the third quarter of 2022 was 26 million USD (473 million TL) and the margin was 9.5%.
- Due to the positive conversion effect of the decline in EURUSD parity on our EUR-based loans, net profit in the third quarter of 2022 was realized as 22 million USD, parallel to the same quarter of 2021, and reached 386 million TL with an increase of 133% on TL basis.
- In the third quarter of 2022, it made an investment of 21 million USD (339 million TL) for machinery and product sustainability.
- With the completion of the Microtex Composites Srl acquisition and the working capital requirement due to rising raw material prices, financial liabilities amounted to 390 million USD. As of the end of the third quarter of 2022, the Net debt/EBITDA ratio stood at 2.4x by 2022.

## SEGMENTS HIGHLIGHTS

### Tire Reinforcement:

- Strong demand in the first half of 2022 continued in the third quarter, despite the expectations of a slowdown in the global economy. Tire reinforcement volume, which was below the first two quarters of 2022, was realized in parallel with the third quarter of 2021.
- Sales volumes in all regions were in line with the volumes in the third quarter of 2021.
- Impacts on third quarter profitability of 2022 are summarized below:
  - The decline of EURUSD parity, which was at 1.07 in the second quarter, to 1.01,
  - Failure to maintain the balance between supply and demand with global slowdown expectations,
  - 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,

### Composite Reinforcement:

- Despite the fact that the recovery of civil aviation after Covid-19 did not start with the product and sector differentiation, the third quarter turnover of the segment was 37 million USD (Microtex effect 4.4 million USD) in 2021, this figure was 22 million USD. While the growth rate was 22% in the third quarter of 2022 compared to the previous quarter, the growth rate was 65% compared to the same quarter of 2021.

### Construction Reinforcement:

- With the increase in domestic demand and the emphasis on export activities, the turnover was 2.6 million USD in parallel with the third quarter of 2021.

## FINANCIAL RESULTS

	TL Financials (MTL)					
	Sep'21	Sep'22	Δ	3Q 2021	3Q 2022	Δ
Sales	5.190	13.761	165,2%	1.987	4.962	149,8%
Gross Profit	1.169	2.683	129,4%	432	795	84,1%
Gross Margin (%)	22,5%	19,5%	-4 pts'	21,7%	16,0%	-6 pts'
OPEX (%)	10,6%	9,3%	-2 pts'	10,7%	9,4%	-2 pts'
Operating Profit	789	1.399	77,4%	246	330	34,4%
Operating Profit Margin (%)	15,2%	10,2%	-5 pts'	12,4%	6,7%	-5 pts'
EBITDA	861	1.837	113,3%	308	473	53,5%
EBITDA* Margin (%)	16,6%	13,4%	-4 pts'	15,5%	9,5%	-6 pts'
Net Income	558	1.282	129,6%	166	386	133,0%
Effective Tax Rate (%)	13,5%	17,3%	4 pts'	19,3%	4,4%	-15 pts'
Net Income (%)	10,8%	9,3%	-2 pts'	8,3%	7,8%	0 pts'

	USD Financials (MUSD)					
	Sep'21	Sep'22	Δ	3Q 2021	3Q 2022	Δ
Sales	642	885	37,9%	235	286	21,8%
Gross Profit	145	173	19,3%	51	44	-13,5%
Gross Margin (%)	22,5%	19,5%	-4 pts'	21,7%	15,4%	-7 pts'
OPEX (%)	10,6%	9,3%	-2 pts'	10,7%	9,4%	-2 pts'
Operating Profit	100	90	-10,4%	31	17	-44,8%
Operating Profit Margin (%)	15,6%	10,1%	-6 pts'	13,3%	6,0%	-7 pts'
EBITDA	107	118	10,9%	36	26	-27,7%
EBITDA* Margin (%)	16,6%	13,4%	-4 pts'	15,5%	9,2%	-6 pts'
Net Income	71	82	15,9%	21	22	2,3%
Effective Tax Rate (%)	13,5%	17,3%	4 pts'	19,3%	4,4%	-15 pts'
Net Income (%)	11,1%	9,3%	-2 pts'	9,0%	7,5%	-1 pts'

## DISCLAIMER

The information and opinions contained in this document have been compiled by Kordsa Teknik Tekstil A.Ş. ("Kordsa") from sources believed to be reliable and in good faith, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness or correctness.

This document is an accompanying part of consolidated financial statements available in Kordsa Investor Relations website and public disclosure platform.