



Kordsa.com



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# Investor Presentation

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Nov, 2021

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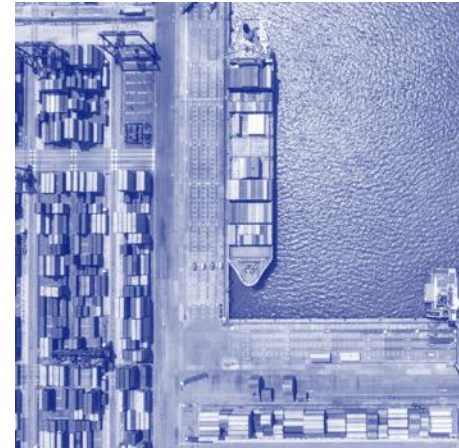
# Who we are

4 continents  
12 facilities

~4,500  
continents

2 R&D  
center

995 patent applications  
191 patents



WE REINFORCE LIFE

# AGENDA

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01.

Kordsa Story

02.

Sustainability

03.

Operations

04.

Financial  
Performance

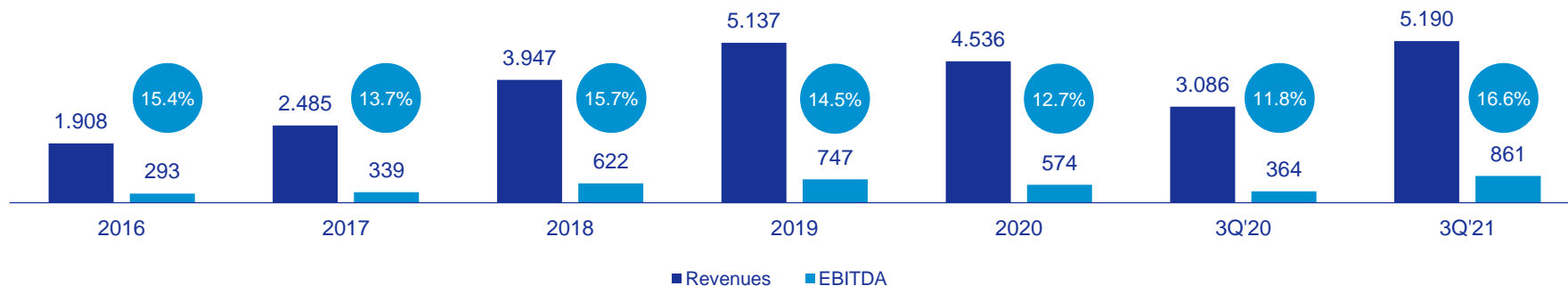
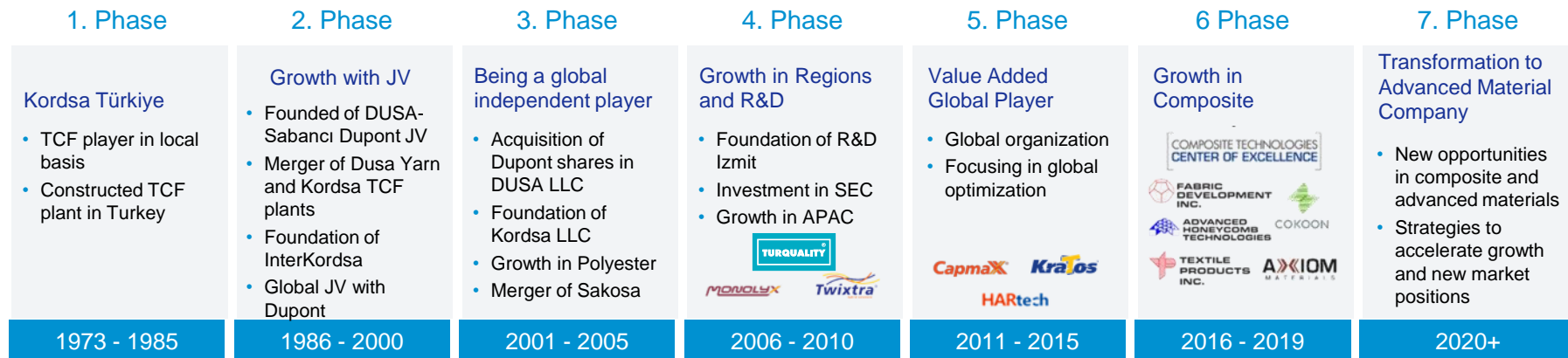
05.

Highlights &  
Lowlights

06.

Why Invest in  
Kordsa?

Our target is the continuation of market leadership in tire reinforcement, growth in Composite segment especially in Europe and actualization of transformation to advanced material company





# 1.

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## Business Excellence

- Operational Excellence: Safe and reliable operations, competitive cost
- Digital Transformation: Data analytics and Artificial Intelligence, Robotics and Automations, Cybersecurity
- Effective Finance & Risk Management
- Commercial Excellence

# 2.

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## Growth

- Growth in Tire Industry: Improve approved product base
- Growth in Composite Industry: Realization of growth business plan for composites, increase market penetration speed via acquisitions
- Growth in New Industries

# 3.

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## Innovation

- Innovation in Material Science
- Innovation in Tire Technology
- Innovation in Composite Technology
- Effective Innovation Management



## Kordsa Investment Highlights

01.

Strong hedge position to country risks through %100 hard-currency revenue

02.

Global footprint with large presence at growing regions

03.

Growth in composite reinforcement market

04.

Strong ESG position

05.

Strong cash generation and dividend payout

# Inspired to Reinforce Life for a Better Today and Tomorrow

Our sustainability strategy has been created within the framework of our material issues and is in harmony with our business strategy. Our enablers through our sustainability journey are Technology and Digitilazation.

## Passion for Business Excellence

Efficiency and improvements in our own operations to create a positive impact in our value chain and to accelarete low carbon transition.

## Responsibility for People

We commit to a non-discriminative, safe and healthy working environment for all.

Investing in community development with our social responsibility projects

## Innovation for Sustainable Materials

With high value added sustainable product portfolio Kordsa is facilitating in transition to a low carbon economy with lighter products than alternatives.






## Kordsa Sustainability Targets

**13** CLIMATE ACTION



**2030**  
30% Emission Reduction

**6** CLEAN WATER AND SANITATION



**2030**  
50% water withdrawal reduction per unit tonnage product

**5** GENDER EQUALITY



**2025**  
45% Women employment\*

**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



**2030**  
50% total waste reduction per tonnage product

**8** DECENT WORK AND ECONOMIC GROWTH



**Zero Accident**

## Kordsa Awards & Recognition



2020 CDP Turkey Climate Change and Water Leader



Ecovadis Gold Medal



Entered Istanbul Stock Exchange Sustainability Index for the 5th time



Four winner awards in IDC Turkey Digital Transformation Awards

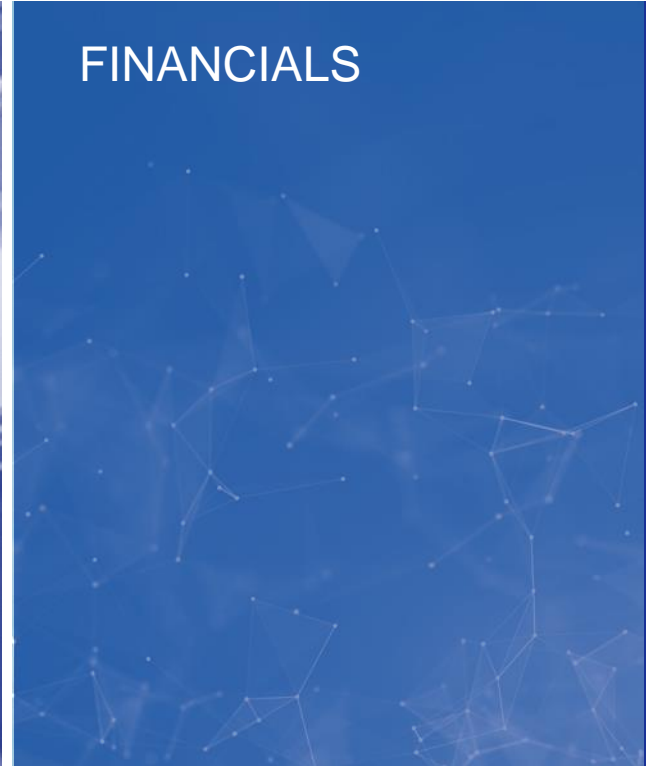


Silver Award for Best Materiality Reporting at Asia Sustainability Reporting Awards

## OPERATIONS



## FINANCIALS



# Global Footprint

## NORTH AMERICA

5% vs. 2020  
-27% vs. 2019

Anaheim, CA  
Santa Ana, CA  
San Marcos, CA  
Quakertown, PA  
Laurel Hill, NC  
Chattanooga, TN

- Composite Reinforcement
- Tire Reinforcement
- Construction Reinforcement
- R&D Center

## SOUTH AMERICA

+48% vs. 2020  
+3% vs. 2019

Brazil

## EMEA

+52% vs. 2020  
+5% vs. 2019

Istanbul  
Izmit

## APAC

+72% vs. 2020  
+1% vs. 2019

Thailand  
Indonesia  
Brazil

## Kordsa Market Position

### EMEA

#1 NY TCF producer

#1 PET TCF producer

### NA

#1 NY TCF producer in US

### SA

The only Pet yarn, TCF and SEC producer in LATAM

### APAC

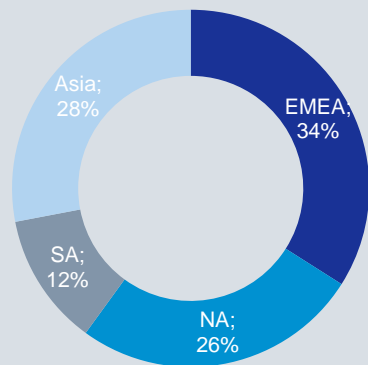
#2 NY TCF producer

#2 PET TCF producer

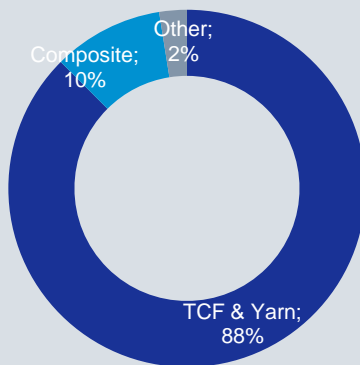
# Segment Reporting

## Sep, 21 Revenue Split

### By Region

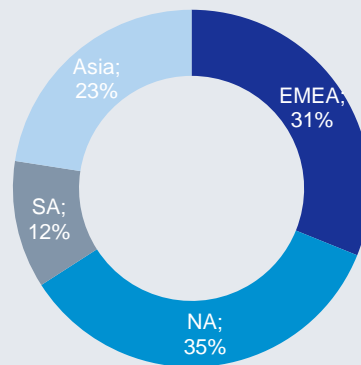


### By Product

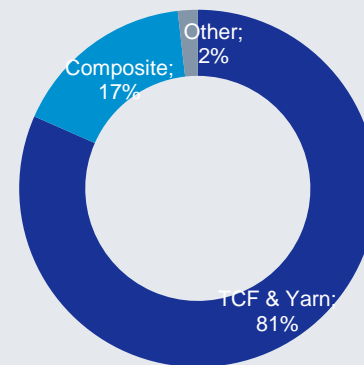


## Sep, 20 Revenue Split

### By Region

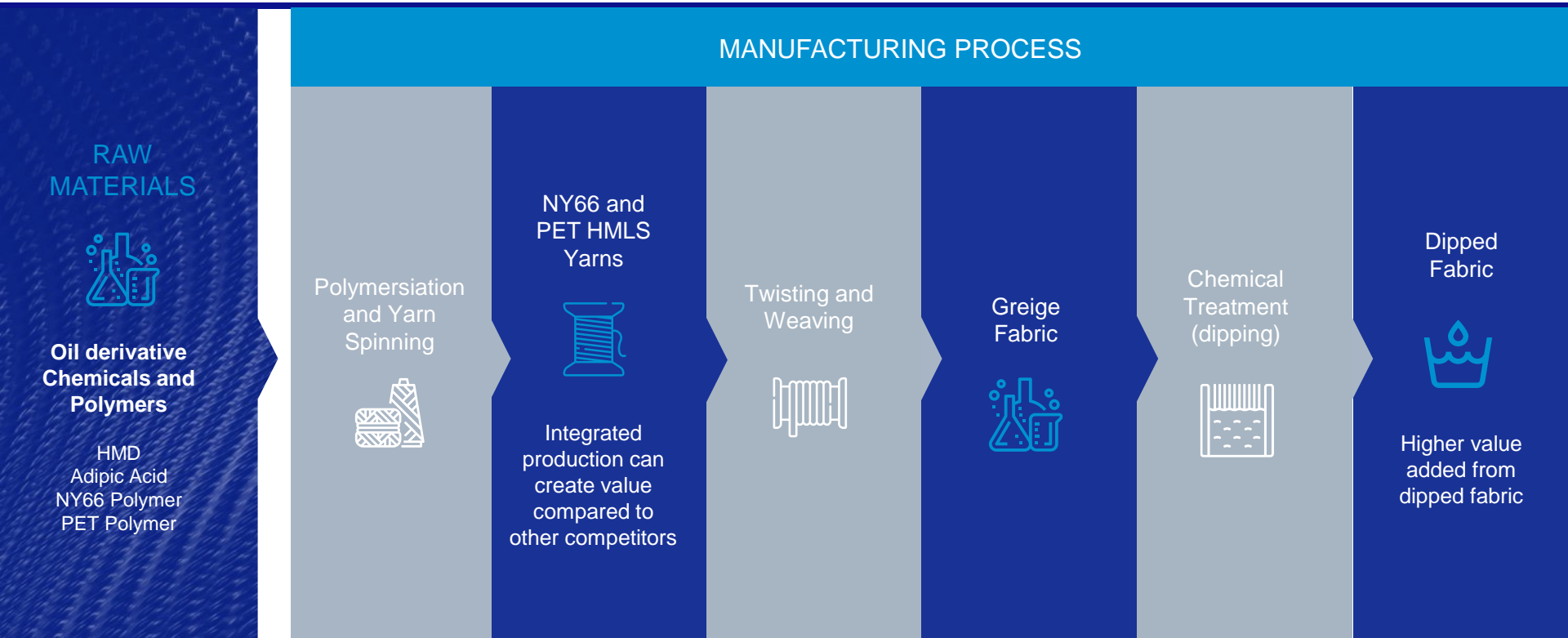


### By Product





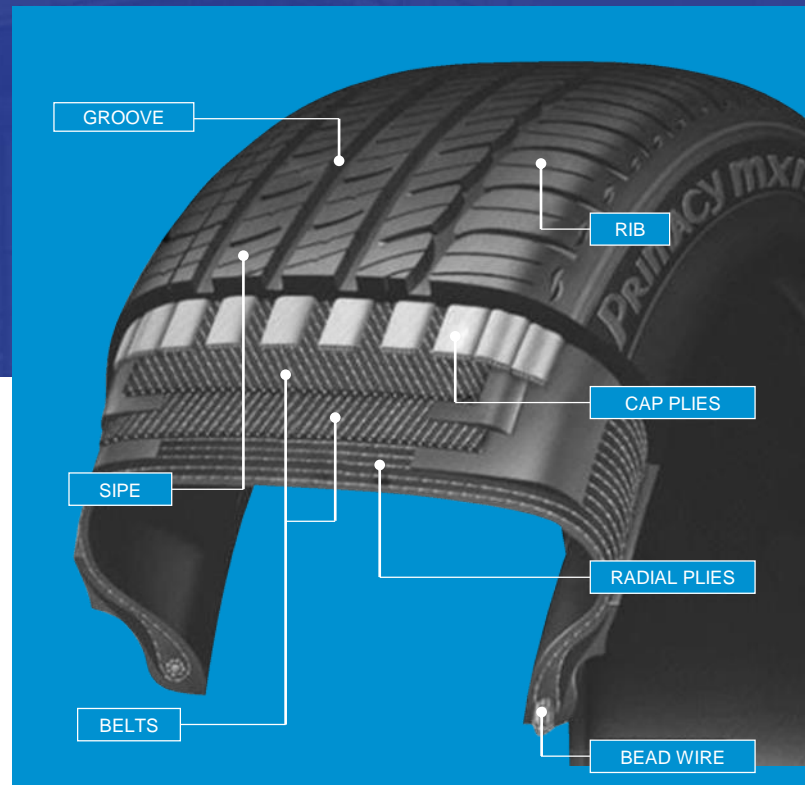
# Tire Cord Fabric Value Chain



Kordsa fabrics are developed for specific requirements and are custom made

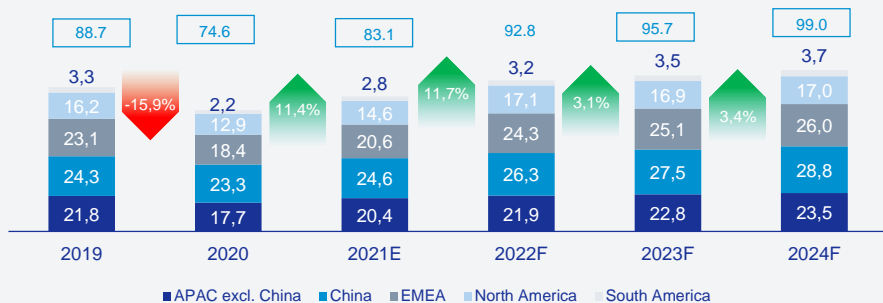
## Where do our products go...

- A tire is a highly complex composite with approx. 40 components working under dynamic conditions enduring heat and motion
- NY66 typically used in cap plies
- PET typically used in radial plies
- By weight:
- By value => Approx 7-10% cost of a tire is Tire Cord Fabric



# Market Dynamics / Tire

### Global Automotive Market (million units)



### Global Tire Market (million units)



### Tire Reinforcement Market (NY6.6-ktons)



### Tire Reinforcement Market (PET-ktons)



# Composite Value Chain

## RAW MATERIALS



Fibers:

- Carbon Fiber
- Aramide
- Glass Fiber
- Ceramic Fiber
- Kevlar

## INTERMEDIATES

Weaving



The sole supplier of B787 Dreamliner

Prepreg



Value added products comprised by ceramic, carbon, aramid, glass for various industries such as aerospace, energy, automotive, sports&leisures



Kordsa fabrics and prepregs offer cutting edge solutions for aerospace & automotive markets



# Composite Value Chain

## COMPOSITE PARTS

- Composites use in aerospace & automotive is increasing, due to improved material properties and weight savings over conventional materials
- «Lightweighting» is a major theme, driven by emission regulations as well as fuel-efficiency needs

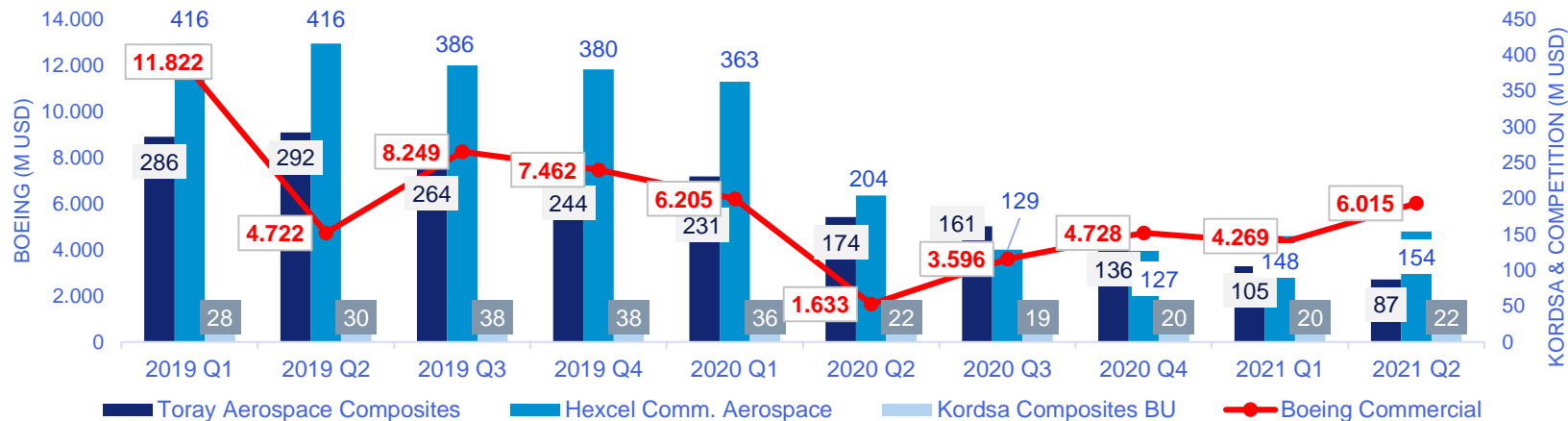
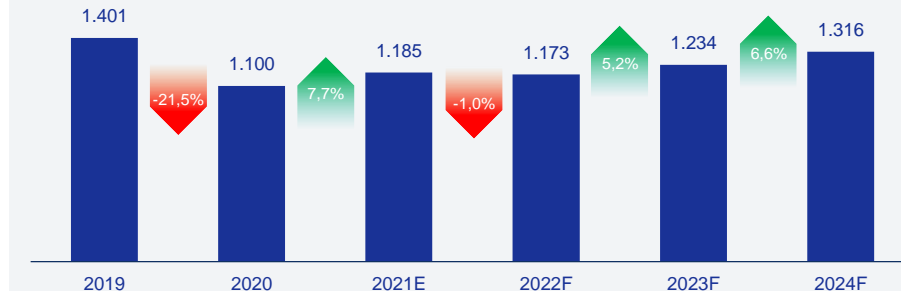


# Market Drivers / Composite

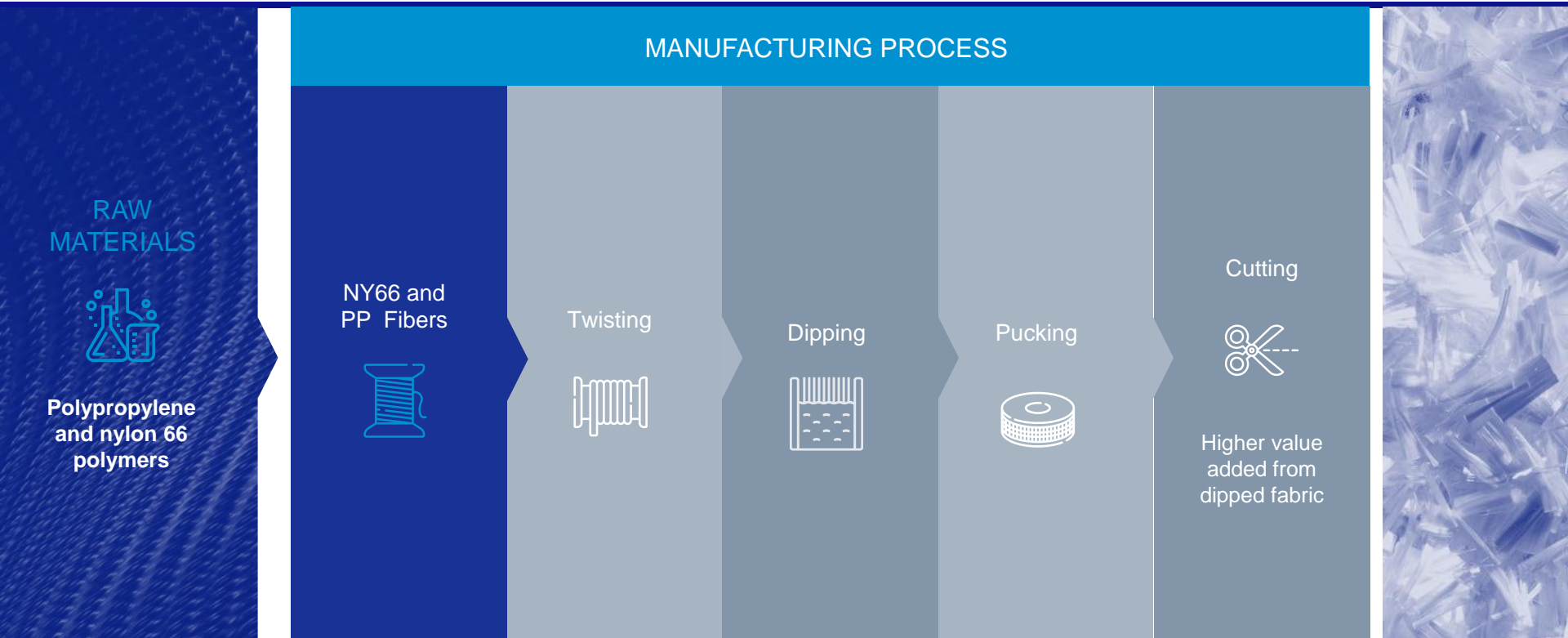
### Global Prepre Market ('000 USD)



### Global Carbon Fabric Market ('000 USD)



# Construction Value Chain



Kordsa's Kratos Fiber Reinforcement are applied in Superstructure & Infrastructure Solutions

# Composite Value Chain

## REINFORCED CONCRETE STRUCTURES

### MAJOR APPLICATIONS

- Infrastructure projects (tunnels, runways, dams, bridges, metro tracks, highways)
- Mines





OPERATIONS

FINANCIALS



## REVENUE



Up 68% y-o-y

## EBITDA MARGIN

strong margin  
861 MTL

## NET INCOME



5,5x times increase

REVENUE  
BREAKDOWN78% USD-Based  
22% EUR-Based

## COST BREAKDOWN




82% USD-Based  
18% EM Currency

# Kordsa Income Statement Sep'21

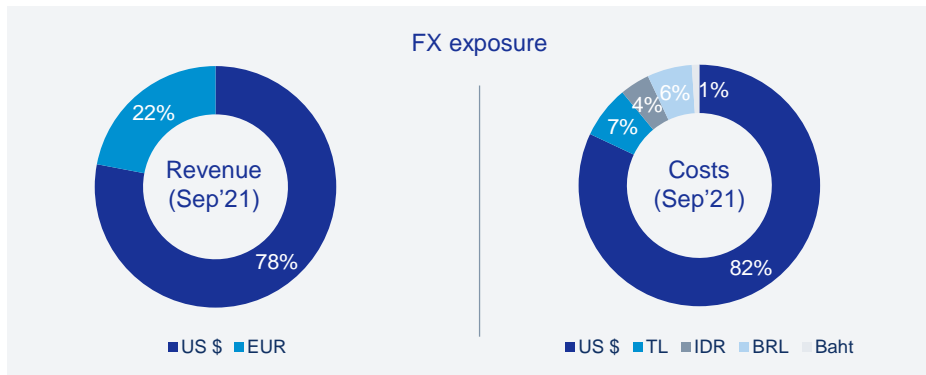
	TL Financials (MTL)					
	Sep'21	Sep'20	Δ	3Q'21	3Q'20	Δ
Sales	5.190	3.086	68,2%	1.987	1.079	84,1%
Gross Profit	1.169	509	129,9%	432	147	194,5%
Gross Margin (%)	22,5%	16,5%	7 pts'	21,7%	13,6%	8 pts'
OPEX (%)	10,6%	11,4%	0 pts'	10,7%	11,2%	0 pts'
Operating Profit	789	264	199,0%	246	72	240,1%
Operating Profit Margin (%)	15,2%	8,5%	6 pts'	12,4%	6,7%	5 pts'
EBITDA*	861	364	136,7%	309	96	220,2%
EBITDA* Margin (%)	16,6%	11,8%	5 pts'	15,5%	8,9%	7 pts'
Net Income**	558	94	493,2%	166	19	768,5%
Effective Tax Rate (%)	13,5%	-0,4%	13 pts'	19,3%	-197,8%	217 pts'
Net Income (%)	10,8%	3,0%	8 pts'	8,3%	1,8%	6 pts'
EPS (TL/1,000 shares)	25,61	4,83	430,3%	7,26	1,00	625,9%

## RESULTS

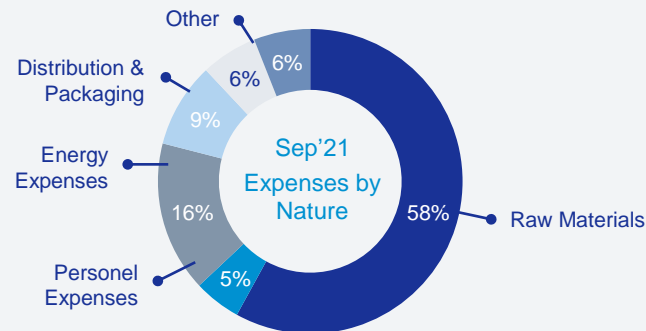
## DRIVERS

	<b>USD-Based Revenue Growth</b>	<b>55.7%</b> (vs 3Q'20)	<ul style="list-style-type: none"> <li>• Strong tire reinforcement demand driving prices up</li> <li>• Kordsa volume growth above market growth</li> <li>• Price increases as a result of ingredients price hikes</li> <li>• Doubled revenue generation from construction (7.0M\$)</li> </ul>
	<b>Tire Reinforcement Demand Growth</b>	<b>54%</b> (vs 3Q'20)	<ul style="list-style-type: none"> <li>• Volume growth across all regions, putting 3Q 2021 results well above 2020 and 2019.</li> <li>• Growth leaders APAC, EMEA, LATAM, NA</li> <li>• Observing strong demand continuing in 2H'21</li> </ul>
	<b>Free Cash Flow (MTL)</b>	<b>306</b>	<ul style="list-style-type: none"> <li>• WC turnover improved (3.7 vs 2.7 for 3Q'21 vs 3Q'20)</li> <li>• 14.3M\$ investment in 3Q'21 in parallel to 2020 (3Q'20: 18.8M\$)</li> </ul>

# Well-Positioned for Strong Cash Generation and Dividends



- Demonstrates value-based pricing model
- Ability to pass through raw material price volatility: (Revenue – raw material costs) tracked as a KPI by sales team
- Conversion costs as a key metric for management KPIs (main components are personnel expenses and energy costs)

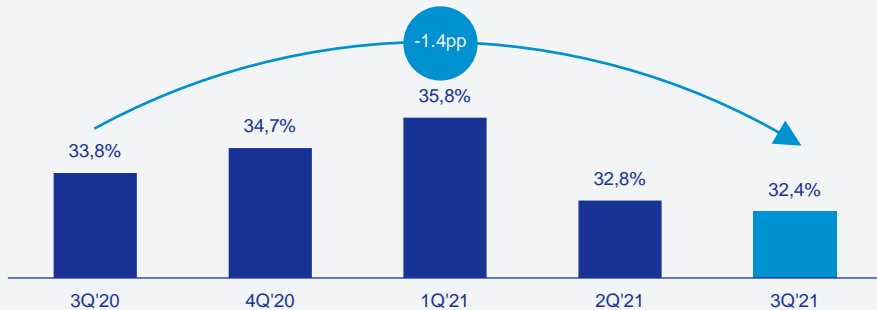


- Hard currency revenues
- FX exposure on costs -> EM footprint on local costs + hard currency priced raw materials
- Benefit from US\$ appreciation vs. TL, IDR and BRL

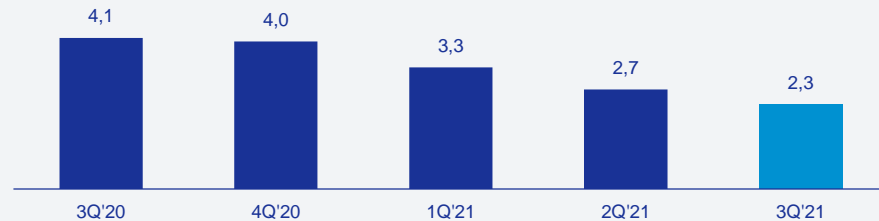


# Well-Positioned for Strong Cash Generation

### Average Working Capital Turnover



### Net Debt / EBITDA



## INVENTORIES DOWN 20% Y-O-Y

Driven by strong demand in tire and force majeure effect

## RECEIVABLES UP 25% Y-O-Y

Driven by strong demand in tire reinforcement

## PAYABLES UP 31% Y-O-Y

Driven by strong demand in tire reinforcement

M\$	Amount		Avg. Int. Rates
	31.12.2020	30.09.2021	%
Total Debt	392	342	
USD-Basis	236	172	3.1%
EUR-Basis	96	96	1.0%
TRY-Basis	56	69	16.2%
Other Currencies	5	5	6.5%

### EBITDA MARGINS

Kordsa is targeting progressive improvement in EBITDA margins over the medium term

### DIVIDEND POLICY

Distribution of all the distributable profits which is lower of the Kordsa Turkey local GAAP (VUK) or Kordsa Consolidated TFRS (IFRS) net income in the form of cash and/or bonus shares subject to general assembly approval

The distribution decision is agreed taking into consideration the sizable fixed asset purchases, acquisitions, covenants of current liabilities and the Company's mid and long term strategies, national and global economic conditions

### REOCCURRING CREEP CAPEX

USD 23 million

Our company guidance for financial year 2021 is as follows:

#### Revenue

50% - 55%  
TL basis

30% - 35%  
USD basis

#### EBITDA

85% - 95%  
TL basis

65% - 70%  
USD basis

Thank You

