



Kordsa.com



Earnings Release

Feb 22, 2022

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AGENDA

01.

2021 in Brief

02.

Highlights/
Lowlights

03.

Market Dynamics

04.

ESG Focus

05.

Key Financials

REVENUE



888
MUSD
All Hard-
Currency

37% ↑ YOY

EBITDA MARGIN



15.4%

137 MUSD
robust margin

NET INCOME



96
MUSD

~ 5 fold increase

VOLUME GROWTH



30%

Strong demand in
tire reinforcement





FCF



211
MTL

Improvement in WC
28.5 M\$ investment

RESULTS





	USD-Based Revenue Growth	31.4% (vs 4Q'20)
	Tire Reinforcement Demand Growth	2.5% (vs 4Q'20)
	EBITDA Margin	13.2%
	Net Income	26 M\$

DRIVERS

- 2.5% volume growth
 - Revenue increase back of raw material prices (40% NY; 25% PET)
 - Construction revenue doubled (2.0M\$)
 - 3M\$ revenue growth in composite segment
-
- Demand growth not shadowed by automotive industry issues
 - Volume growth in EMEA and APAC, putting 2021 results well above 2020 and 2019.
-
- Lower EBITDA margin compared to the first three quarter of 2021 and the last quarter of 2020.
 - Sharp commodity price increases to be reflected in next quarter
 - Increases on freight costs of raw material and bargaining power of supplier
-
- Highest quarterly net income of all times
 - Nearly 6M\$ from K-TR revaluation of assets

RESULTS

DRIVERS

	USD-Based Revenue Growth	37.2% (vs YE'20)	<ul style="list-style-type: none"> • Strong tire reinforcement demand driving prices up • Kordsa volume growth above market growth • Price increases as a result of ingredients price hikes • Doubled revenue generation from construction (9.0M\$)
	Tire Reinforcement Demand Growth	30% (vs YE'20)	<ul style="list-style-type: none"> • Volume growth across all regions, putting 2021 results well above 2020 and 2019. • Growth leaders APAC, EMEA, LATAM, respectively. • Observing strong demand continuing in 1H'22.
	EBITDA Margin	15.4%	<ul style="list-style-type: none"> • The second best yearly EBITDA margin despite sluggish composite industry • Strong cost control
	Net Income	96 M\$	<ul style="list-style-type: none"> • Strong EBITDA improves net income • ~15 M\$ coming from Brazil tax-case and K-TR asset revaluation (impact on tax expense)

HIGHLIGHTS & LOWLIGHTS

HIGHLIGHTS

TIRE REINFORCEMENT DEMAND

Growth trend expected to continue in 2H'21

RECOVERY PROCESS in COMPOSITE

With increase of air travel, recovery process expected to start in 2H'22

GROWTH PLANS

Lower net debt/EBITDA creates financial opportunities for potential acquisitions

EFFECTIVE CASH MANAGEMENT

Improvement in WC turnover and strong free cash flow

LOWLIGHTS

FORCE MAJEURE

Still a continuing issue for raw material suppliers

CONTAINER ISSUES

Equipment and port issues continue

Available lines diminish

Costs continue to increase with record prices

COVID-19

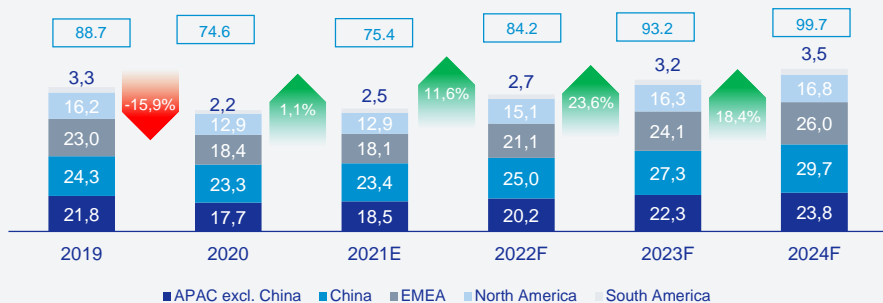
Variants bring uncertainties for all industries

RAW MATERIAL PRICES

Strong demand, increasing commodity prices expected to endure, supplier bargaining power increase

Market Dynamics / Tire

Global Automotive Market (million units)



Global Tire Market (million units)



Tire Reinforcement Market (NY6.6-ktons)



Tire Reinforcement Market (PET-ktons)

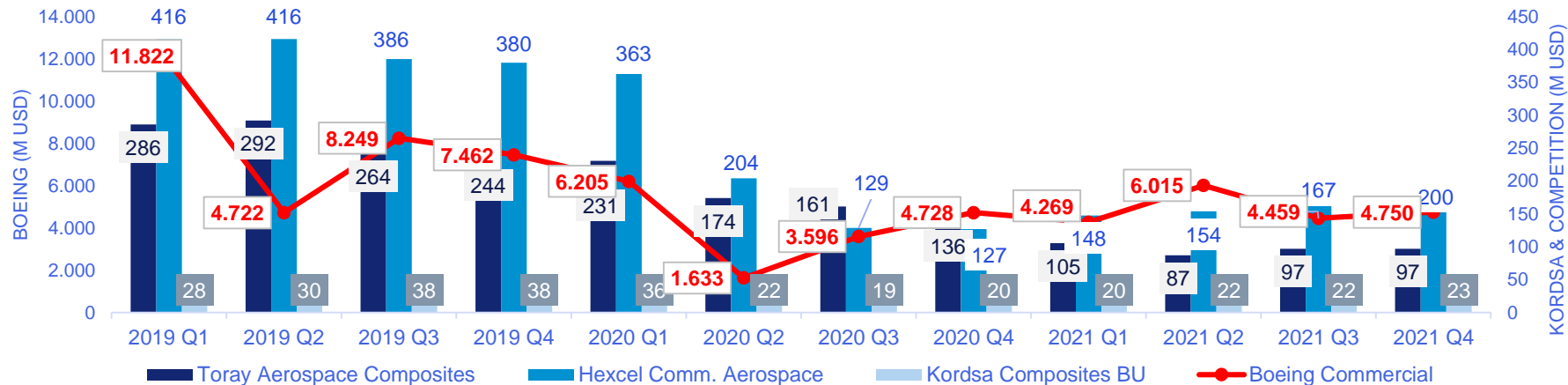
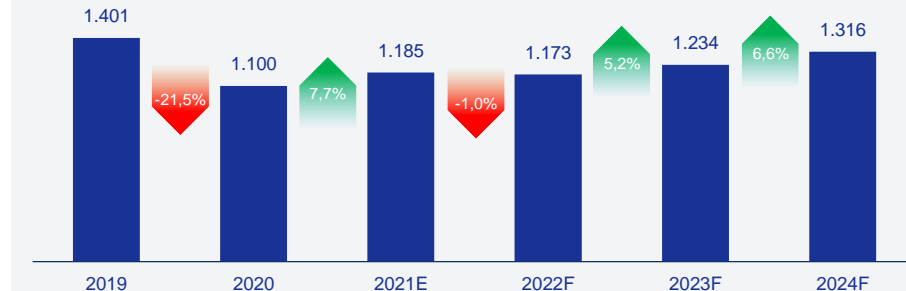


Market Drivers / Composite

Global Prepreg Market ('000 USD)



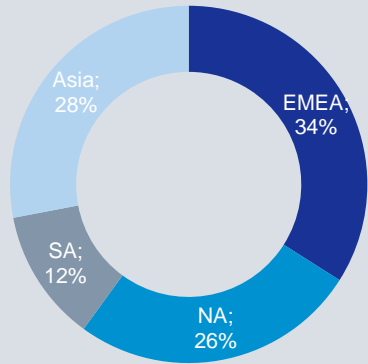
Global Carbon Fabric Market ('000 USD)



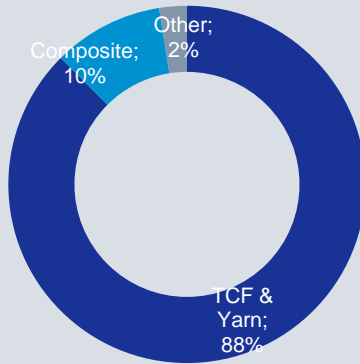
Segment Reporting Results

Dec, 21 Revenue Split

By Region

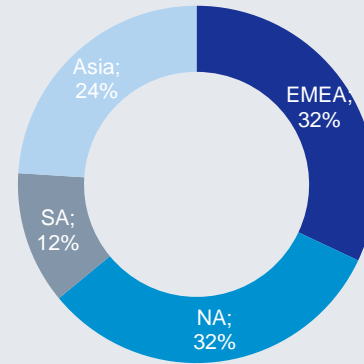


By Product

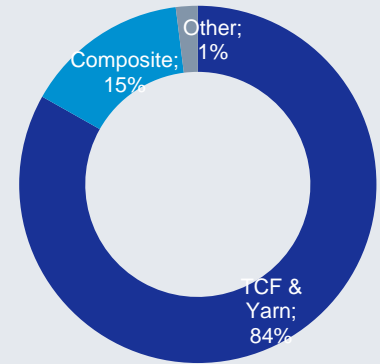


Dec, 20 Revenue Split

By Region



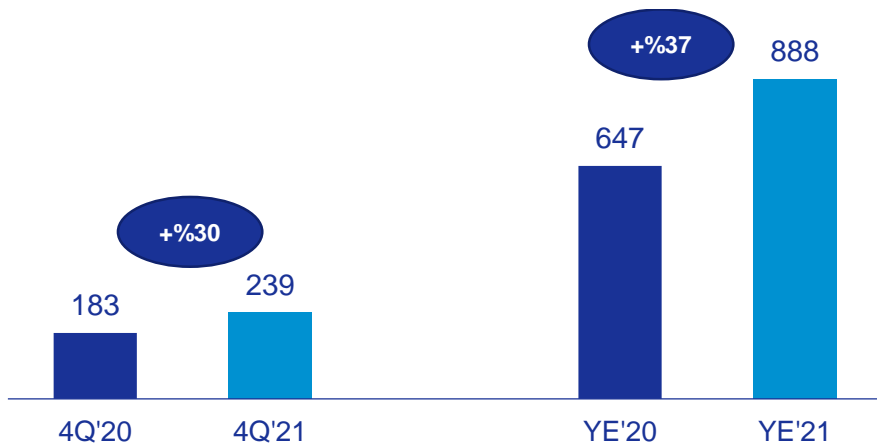
By Product



11 YE'21 Key Financials

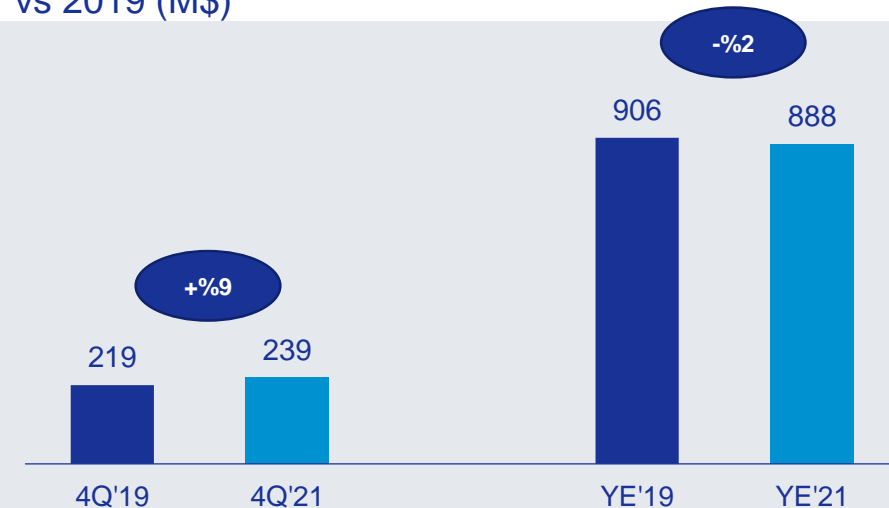
Revenue

vs 2020 (M\$)



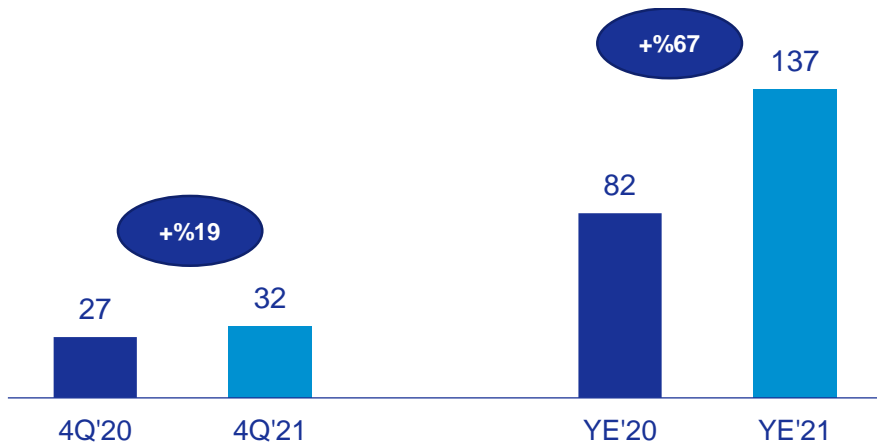
- Parallel volume in 4Q'21 in accordance with 4Q'20 in tire reinforcement
- 15% higher composite revenue in 4Q'21
- Growth: mainly driven by increases on raw material and sales price increases
- Demand: Strong tire reinforcement demand (30% growth on volume)
- Price: 20%+ RM price & better margins

vs 2019 (M\$)



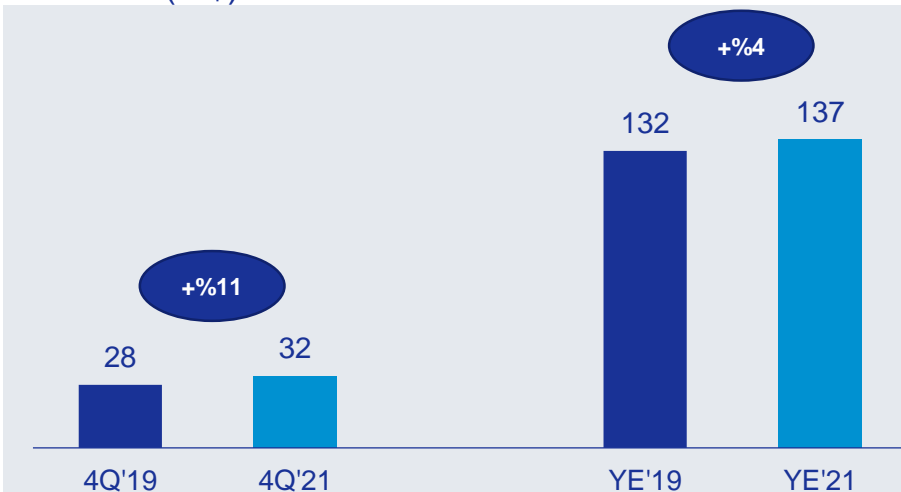
- %14 higher volume sales in 4Q'21 compared 4Q'19 in tire reinforcement
- 40% lower composite revenue in 4Q'21 vs 4Q'20 (23 M\$ vs 39M\$)
- Strong tire reinforcement demand
- Strong tire reinforcement demand (10% growth on volume)
- Lower revenue compared to 2019 due to sluggish composite industry

vs 2020 (M\$)



- Lower margin in 4Q'21 due to the lag in reflecting RM cost to sales price
- 13.2% EBITDA margin is lower compared to same period of 2021.
- Strong tire reinforcement demand & capacity utilization
- Capitalizing on local player position at all plants

vs 2019 (M\$)

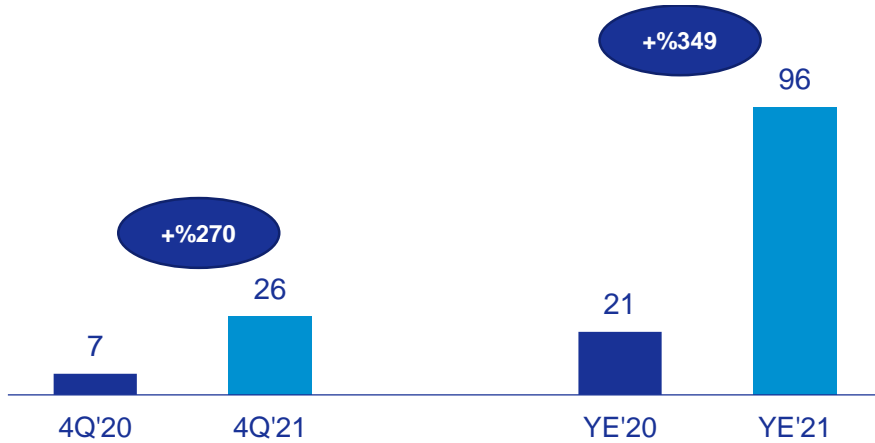


- Higher EBITDA level in 4Q'20 compared to 2019
- Lower operating expenses during pandemic limitations
- EBITDA performed better despite composite industry in 2021
- 2nd best yearly EBITDA margin %15.4 (2018 15.7%) despite pandemic conditions

YE'21 Key Financials

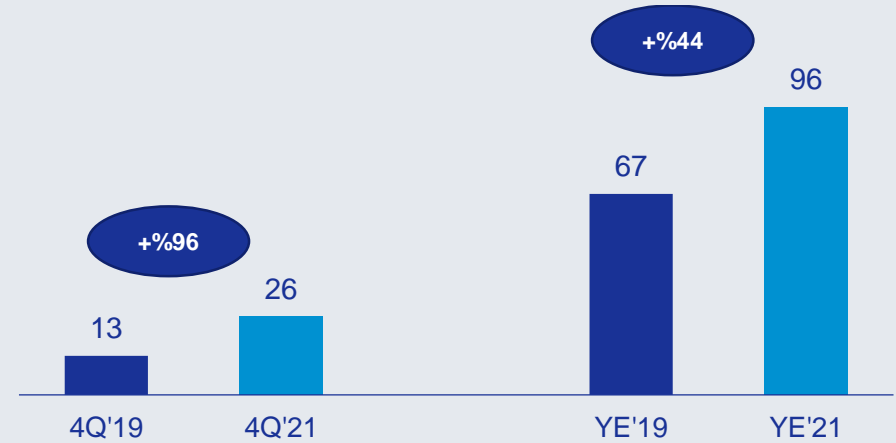
Net Income

vs 2020 (M\$)



- 55M\$ from EBITDA impact
- 15 M\$ from Brazil tax-case and K-TR asset revaluation

vs 2019 (M\$)



- +5 M\$ EBITDA level compared to 2019
- 15 M\$ from Brazil tax-case and K-TR asset revaluation

Global Footprint

NORTH AMERICA

13% vs. 2020
-22% 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

+35% vs. 2020
+6% vs. 2019

Brazil

EMEA

+45% vs. 2020
+9% vs. 2019

Istanbul
Izmit

APAC

+61% vs. 2020
+7% 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

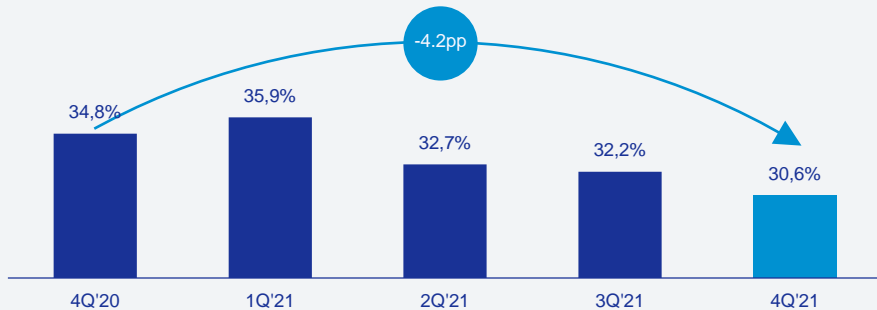
#2 PET TCF producer

Kordsa Income Statement YE'21

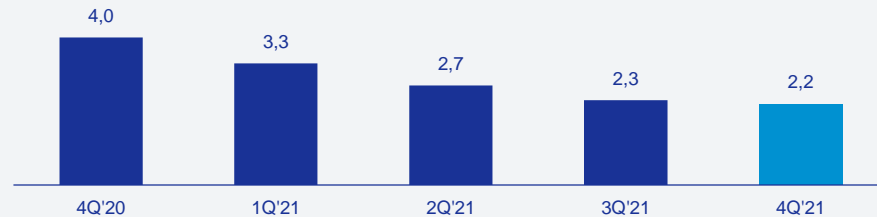
	USD Financials (MUSD)					
	YE 2020	YE 2021	Δ	4Q 2020	4Q 2021	Δ
Sales	647	888	37,2%	183	239	30,5%
Gross Profit	115	195	70,1%	37	50	33,8%
Gross Margin (%)	17,7%	21,9%	4 pts'	20,3%	20,8%	1 pts'
OPEX (%)	11,3%	11,0%	0 pts'	11,4%	10,6%	0 pts'
Operating Profit	55	149	172,6%	15	48	213,7%
Operating Profit Margin (%)	8,5%	16,8%	9 pts'	8,3%	19,9%	12 pts'
EBITDA	82	137	67,3%	27	32	18,8%
EBITDA Margin (%)	12,7%	15,4%	2 pts'	14,5%	13,2%	-1 pts'
Net Income	21	96	348,8%	7	26	270,1%
Effective Tax Rate (%)	12,5%	8,5%	-3 pts'	26,3%	-2,5%	28 pts'
Net Income (%)	3,3%	10,8%	8 pts'	3,9%	11,0%	7 pts'
EPS (TL/1,000 shares)	0,11	0,50	348,8%	0,13	0,64	414,0%

Well-Positioned for Strong Cash Generation

Average Working Capital Turnover



Net Debt / EBITDA



INVENTORIES UP 30% Y-O-Y

Driven by strong demand in tire and rm price increases

RECEIVABLES UP 30% Y-O-Y

Driven by strong demand in tire reinforcement and price increases

PAYABLES UP 31% Y-O-Y

Driven by strong demand in tire reinforcement and rm price increases

M\$	Amount		Avg. Int. Rates
	31.12.2020	31.12.2021	%
Total Debt	392	313	
USD-Basis	236	193	3.0%
EUR-Basis	96	75	1.1%
TRY-Basis	56	41	16.1%
Other Currencies	5	4	7.0%

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



2021 CDP Turkey Climate Change and Water Leader
(A-Global List in the world for water)



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

REALIZATION

TL-Basis

Sales : 74%

EBITDA: 112%

USD-Basis

Sales : 37%

EBITDA: 67%

Our company guidance for financial year 2021 is as follows:

Revenue

50% - 55%

TL basis

30% - 35%

USD basis

EBITDA

85% - 95%

TL basis

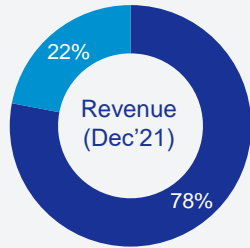
65% - 70%

USD basis

Thank You

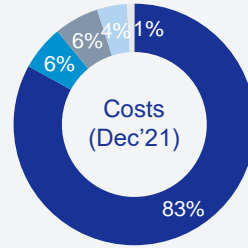


Well-Positioned for Strong Cash Generation and Dividends



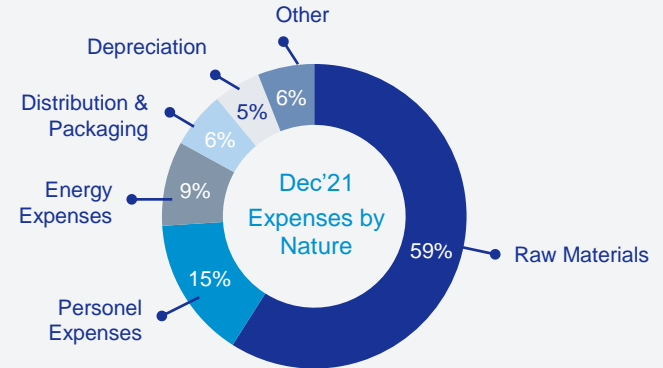
■ US \$ ■ EUR

FX exposure



■ US \$ ■ TL ■ IDR ■ BRL ■ Baht

- 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

Balance Sheet

	TL Financials (MTL)			USD Financials (MUSD)		
	YE 2020	YE 2021	Δ	YE 2020	YE 2021	Δ
Cash and Cash Equivalents	450	195	-255	61	15	-47
Account Receivables	1.091	2.566	1.475	149	193	44
Inventories	1.225	2.989	1.763	167	224	57
Other Current Assets	123	436	312	17	33	16
PPE & Intangibles	3.343	5.238	1.894	455	393	-63
Investment Property	175	320	145	24	24	0
Goodwill	923	1.640	716	126	123	-3
Other Non-Current Assets	273	628	355	37	47	10
Account Payables	664	1.927	1.263	90	145	54
Total Debt	2.878	4.179	1.300	392	313	-79
Short Term Debt	1.667	2.912	1.245	227	218	-9
Long Term Debt	1.211	1.266	56	165	95	-70
Other Liabilities	784	1.421	637	107	107	0

Cash Flow

	TL Financials (MTL)		
	YE 2020	YE 2021	Δ
Cash Used in Operating Activities	902	486	-416
Net Income	150	856	705
Depreciation & Amortization	285	350	65
Change in Working Capital	-71	-2.298	-2.227
Other Adjustments*	538	1.578	1.040
Cash Used in Investing Activities	-208	-274	-66
Maintenance CAPEX	-208	-222	14
M&A Investments	0	-52	-52
Free Cash Flow*	694	212	-482

* including unrealized currency translation difference