



Kordsa.com



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# Earnings Release

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Aug 10, 2022

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# AGENDA

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**01.**

2022 in Brief

**02.**

Highlights/  
Lowlights

**03.**

Market Dynamics

**04.**

ESG Focus

**05.**

Key Financials

## 1H'22 Results vs 1H'21

### REVENUE



**599**  
**MUSD**  
All Hard-  
Currency

47% ↑ YOY

### EBITDA MARGIN



**15.3%**

92 MUSD  
robust margin

### NET INCOME



**61**  
**MUSD**

~ 22% increase

### VOLUME GROWTH







**10%**

Strong demand in  
tire reinforcement

## RESULTS

RESULTS			DRIVERS
	Microtex Composites	<b>24.6 M€</b> (Deal Value)	<ul style="list-style-type: none"> <li>Finalized the purchase of 60% shares for 24,6 M€</li> <li>Microtex specializes in carbon fiber weaving and prepreg production with focus on super-luxury automotive and motorsports in Europe</li> <li>Transaction in support of our diversification of industry and products</li> <li>Strong financial performance contributing to Kordsa composite segment</li> </ul>
	Tire Reinforcement Demand Growth	<b>16%</b> (vs 2Q'21)	<ul style="list-style-type: none"> <li>Volume growth across all regions, putting 2022 results well above 2021.</li> <li>Growth leaders NA and EMEA, respectively.</li> <li>Local player position enhanced market position</li> <li>Strong demand continued in Q2.</li> </ul>
	PET Investment in Kordsa Turkey	<b>9.8 M\$</b>	<ul style="list-style-type: none"> <li>Total investment : 9.8 M\$</li> <li>Start up planned in Q3 2024</li> <li>Additional 7kt/yr PET HMLS yarn capacity for KTR</li> <li>Elimination of 3<sup>rd</sup> party yarn purchases, will improve margins of PET TCF</li> </ul>
	Feedstock Prices	<b>&gt;40% NY</b> <b>&gt;20% PET</b>	<ul style="list-style-type: none"> <li>Hiking commodity and energy prices impacted feedstock prices in Q2</li> <li>In Q3 2022, down-turn on raw material prices have started lead by Asia</li> <li>Supply security is still an issue due to continuing ocean transport issues</li> </ul>

## RESULTS

RESULTS			DRIVERS
	USD-Based Revenue Growth	<b>47.1%</b> (vs 1H'21)	<ul style="list-style-type: none"> <li>• Strong tire reinforcement demand driving prices up</li> <li>• 54 M\$ revenue contribution from composite segment (+30% YOY)</li> <li>• Price increases excepted by market due to commodity, energy and freight price hikes</li> </ul>
	Tire Reinforcement Demand Growth	<b>10%</b> (vs 1H'21)	<ul style="list-style-type: none"> <li>• Volume growth across all regions</li> <li>• Growth leaders NA and EMEA, respectively.</li> <li>• Local player position enhancing market position</li> <li>• Steady demand continuing into 2H'22.</li> </ul>
	EBITDA Margin	<b>15.3%</b>	<ul style="list-style-type: none"> <li>• High freight costs on both incoming and outgoing materials, energy costs and inflationist pressures impact OPEX.</li> </ul>
	Net Income	<b>61 M\$</b>	<ul style="list-style-type: none"> <li>• Strong EBITDA improves net income</li> <li>• Cost of financing is on the rise especially in TR</li> <li>• Recorded 3.4 M\$ as 2021 donation to Sabancı University as per our Articles of Association</li> </ul>

## HIGHLIGHTS

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### TIRE REINFORCEMENT DEMAND

Steady trend expected to continue in 2H'22

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### STRONG LOCAL PLAYER GAME

Global footprint helps to be the preferred / majority supplier of internationals and locals

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### GROWTH PLANS

Lower net debt/EBITDA creates room for further M&A's (Microtex S.r.l.)

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### GROWTH IN ALL REGIONS

In 2022, all regions recorded significant growth rates in tire reinforcement.

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## LOWLIGHTS

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### RECOVERY PROCESS in COMPOSITE

Recovery is taking longer than expected impacting profitability of segment

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### GLOBAL CRISIS (UKRAINE – RUSSIA WAR)

Global uncertainties promotes the increase in commodity and energy prices

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### RAW MATERIAL and FREIGHT

Equipment and port issues continue, less lines to operate  
With expectation of a slower H2 globally, freight and commodity prices are expected to decrease especially in Q4

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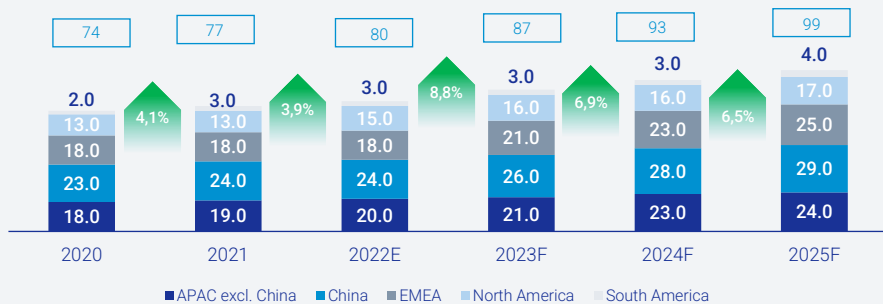
### GLOBAL RECESSION

Expectations for global recession are increasing  
Cost and availability of funds could be more challenging.  
High caution is needed to manage working capital to meet abrupt changes in demand and supply.

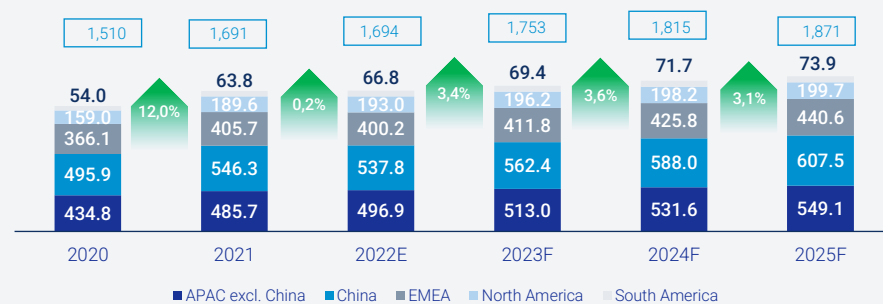
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# Market Dynamics / Tire

### Global Automotive Market (million units)



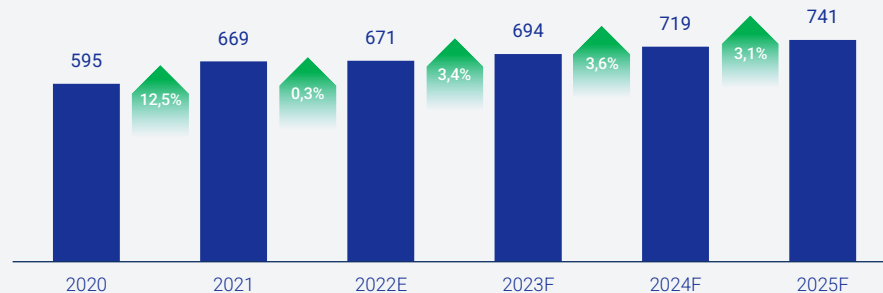
### Global Tire Market (million units)



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



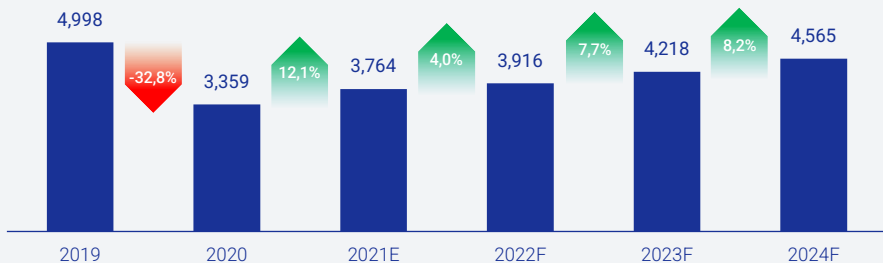
### Tire Reinforcement Market (PET-ktons)



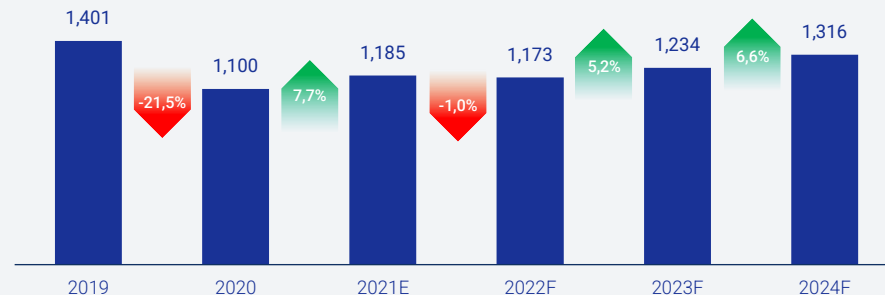


# Market Drivers / Composite

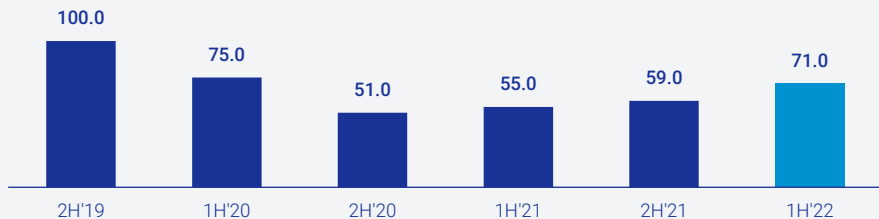
### Global Prepreg Market ('000 USD)



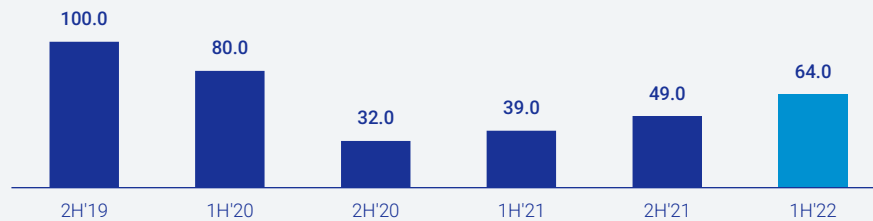
### Global Carbon Fabric Market ('000 USD)



### Kordsa Composites Indexed Revenue



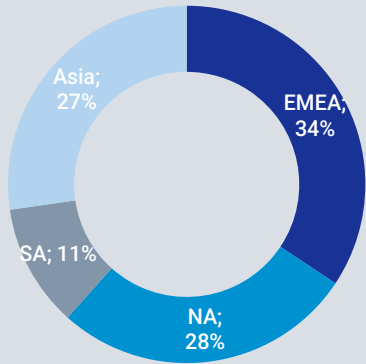
### Main Competitor Indexed Revenue



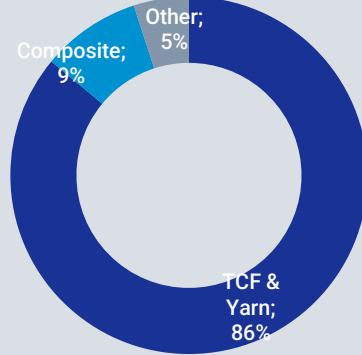
# Segment Reporting Results

## Jun, 22 Revenue Split

### By Region

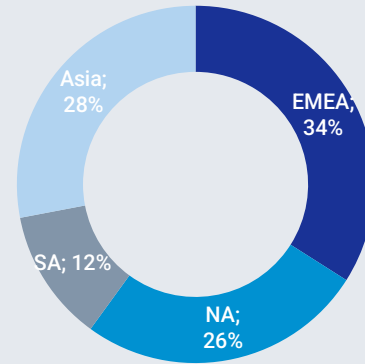


### By Product

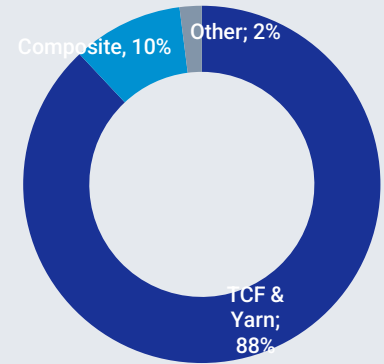


## Jun, 21 Revenue Split

### By Region

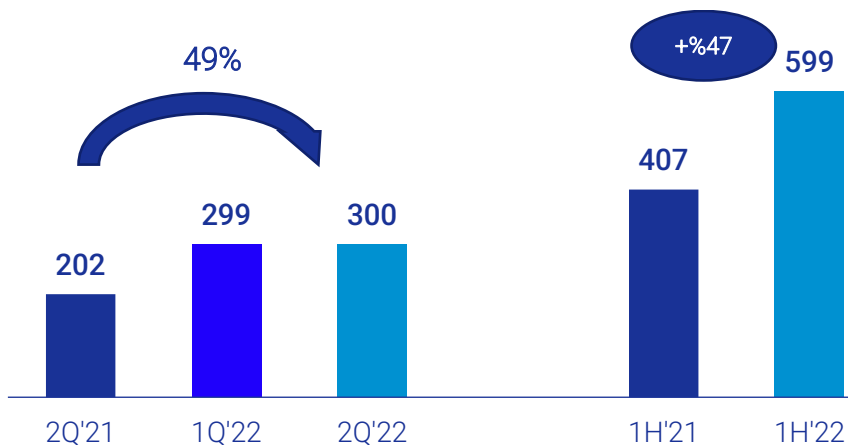


### By Product



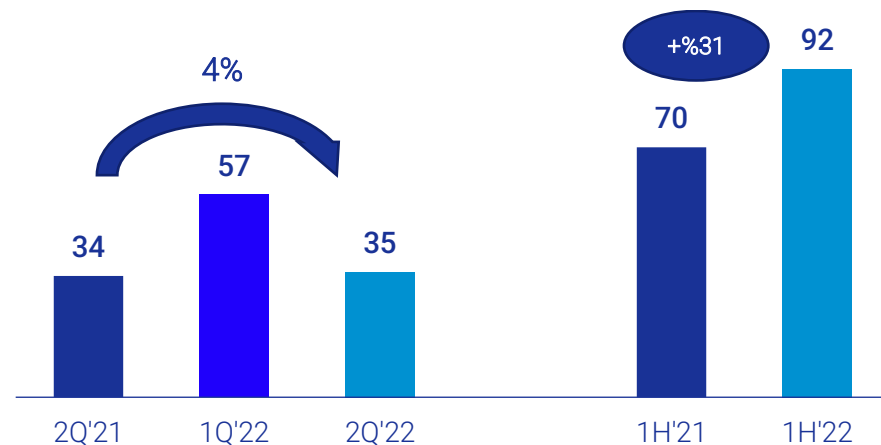
# 2022 Key Financials

## Revenue vs 2021 (M\$)



- Drivers of revenue:
  - >40% growth from tire reinforcement
  - >30% growth from composite reinforcement
- Similar volumes in Q2 and Q1 of 2022
- 49% growth compared to the same period last year.
- Raw material price increases reflected on prices drove revenue up
- 54 M\$ composite revenue generation came from not only aerospace but also from automotive and energy

## EBITDA vs 2021 (M\$)



- Higher cost of energy, transport and labor as a result of inflationary pressures put restraint of costs
- Lower EUR/USD parity effects EBITBA margin in EMEA (approx. 5 M\$, yet compensated in part in finex)
- Strong tire reinforcement demand & capacity utilization
- Better quarter performance compared to the same period of 2021, yet behind Q1 2022 due to inventory impact of low-cost commodities in Q1.
- Similar EBITDA performance compared to 2021 in the composite segment

# Global Footprint

## NORTH AMERICA

**+63%** vs. 2021  
**+48%** vs. 2020

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

**+37%** vs. 2021  
**+120%** vs. 2020

Brazil

## EMEA

**+44%** vs. 2021  
**+100%** vs. 2020

Istanbul  
Izmit

## APAC

**+41%** vs. 2021  
**+144%** vs. 2020

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

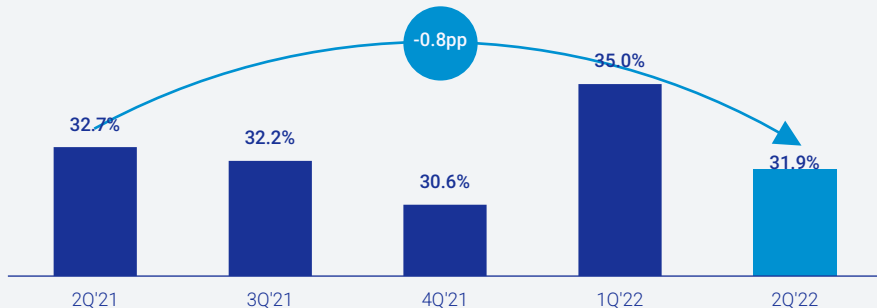
**#2** PET TCF producer

# Kordsa Income Statement 1H'22

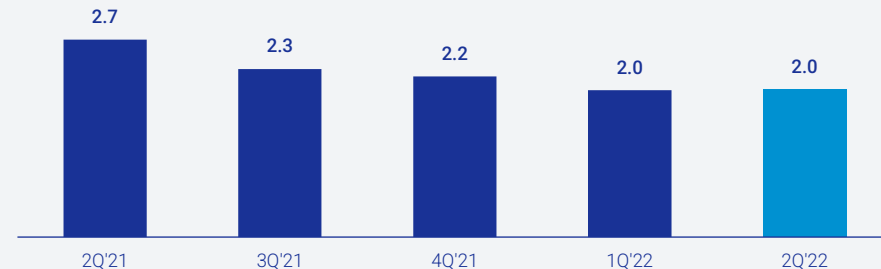
	USD Financials (MUSD)					
	1H 2021	1H 2022	Δ	2Q 2021	2Q 2022	Δ
Sales	407	599	47.1%	202	300	48.6%
Gross Profit	94	129	37.1%	46	54	17.5%
Gross Margin (%)	23.0%	21.5%	-2 pts'	22.8%	18.1%	-5 pts'
OPEX (%)	10.6%	9.2%	-2 pts'	10.6%	9.2%	-2 pts'
Operating Profit	69	73	5.2%	37	28	-25.4%
Operating Profit Margin (%)	16.9%	12.1%	-5 pts'	18.4%	9.2%	-9 pts'
EBITDA*	70	92	30.8%	34	35	3.8%
EBITDA* Margin (%)	17.3%	15.3%	-2 pts'	16.9%	11.8%	-5 pts'
Net Income**	50	61	21.7%	30	24	-19.0%
Effective Tax Rate (%)	10.8%	20.1%	9 pts'	5.5%	21.9%	16 pts'
Net Income (%)	12.3%	10.1%	-2 pts'	14.7%	8.0%	-7 pts'

# Well-Positioned for Strong Cash Generation

### Average Working Capital Turnover



### Net Debt / EBITDA



## INVENTORIES UP 21% Y-O-Y

Driven by strong demand in tire and rm price increases

## RECEIVABLES UP 23% Y-O-Y

Driven by strong demand in tire reinforcement and price increases

## PAYABLES UP 14% Y-O-Y

Driven by strong demand in tire reinforcement and rm price increases

M\$	Amount		Avg. Int. Rates
	31.12.2021	30.06.2022	%
<b>Net Debt</b>	<b>299</b>	<b>320</b>	
USD-Basis	193	278	3.1%
EUR-Basis	75	53	2.8%
TRY-Basis	41	41	14.9%
Other Currencies	4	9	7.2%
Cash & Cash Equi.	-15	-59	

## Kordsa Sustainability Events



Our CEO took part as a speaker in Tackling the "Triple Planetary Crisis: The role of the private sector in Europe" session at UN Global Compact Leaders Summit 2022 in June 2022



Our Chief Finance and Supply Chain Officer took part in the Turkey's strongest sustainable business meeting "Green Business: Sustainable Business Summit" in "Sustainable Finance&ESG" session in May 2022



Our Head of Sustainability took part in "Carbon Border Adjustment Mechanism Panel" organized as part of Wood&Co's ESG symposium in March 2022

## 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**  
46.2% 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



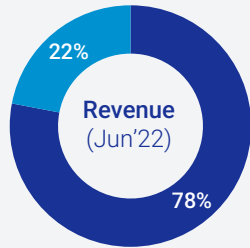
Thank You



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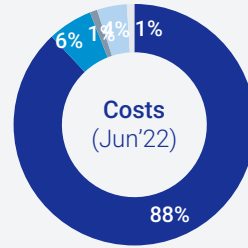
THE REINFORCER

# Well-Positioned for Strong Cash Generation and Dividends



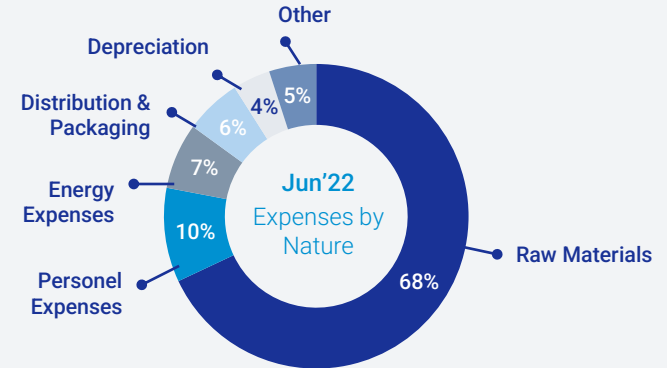
■ US \$ ■ EUR

## FX exposure



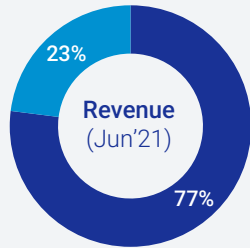
■ US \$ ■ TL ■ IDR ■ BRL ■ Baht

- 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)



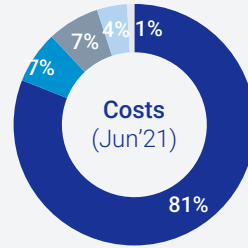
- Hard currency revenues
- FX exposure on costs -> EM footprint on local costs + hard currency priced raw materials
- Benefit from US\$ appreciation vs. TL, IDR and BRL

# Well-Positioned for Strong Cash Generation and Dividends



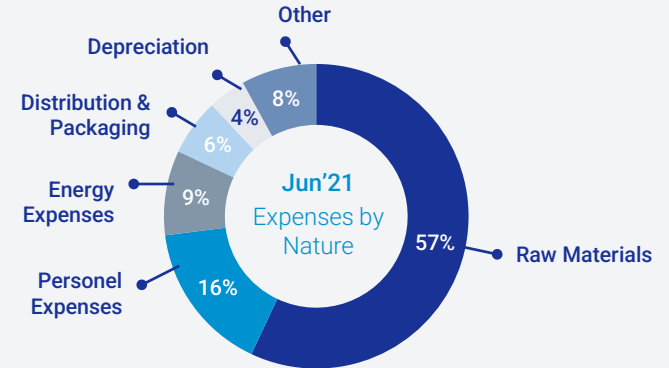
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# Balance Sheet

	USD Financials (MUSD)		
	YE 2021	1H 2022	Δ
Cash and Cash Equivalents	15	59	45
Account Receivables	193	238	45
Inventories	224	272	48
Other Current Assets	33	39	6
PPE & Intangibles	410	402	-8
Investment Property	24	24	0
Goodwill	123	123	0
Other Non-Current Assets	30	29	-1
Account Payables	144	165	21
Total Debt	313	380	66
Short Term Debt	218	189	-29
Long Term Debt	95	191	96
Other Liabilities	107	110	2