

Kordsa.com



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# Investor Presentation

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May, 2022

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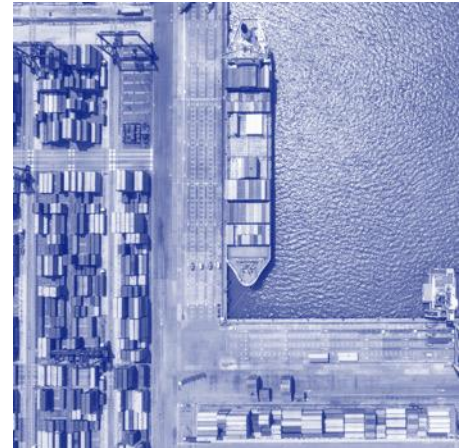
# Who we are

**4** continents  
**12** facilities

**~4,950**  
continents

**2 R&D**  
center

**892** patent applications  
**194** patents



WE **REINFORCE** LIFE

# AGENDA

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**01.**

Kordsa Story

**02.**

Sustainability

**03.**

Investment  
Highlights

**04.**

Operations

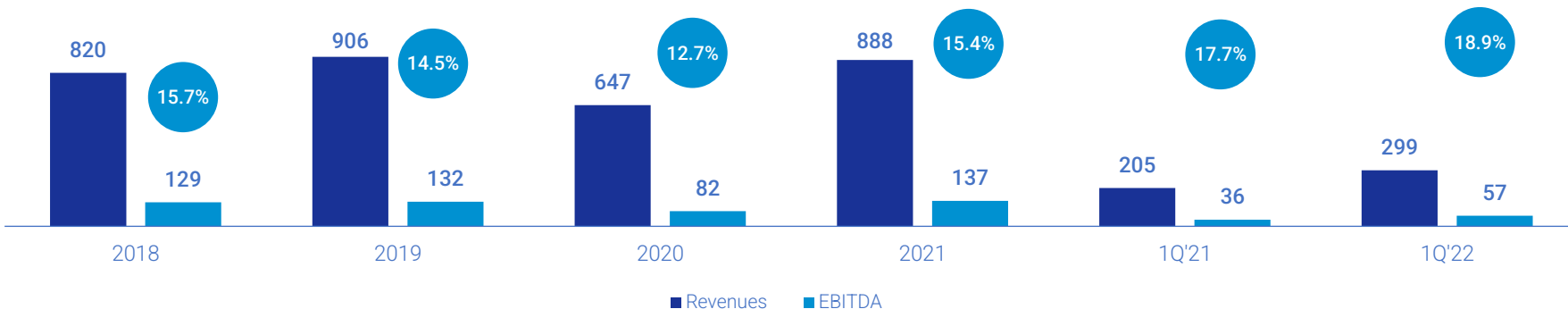
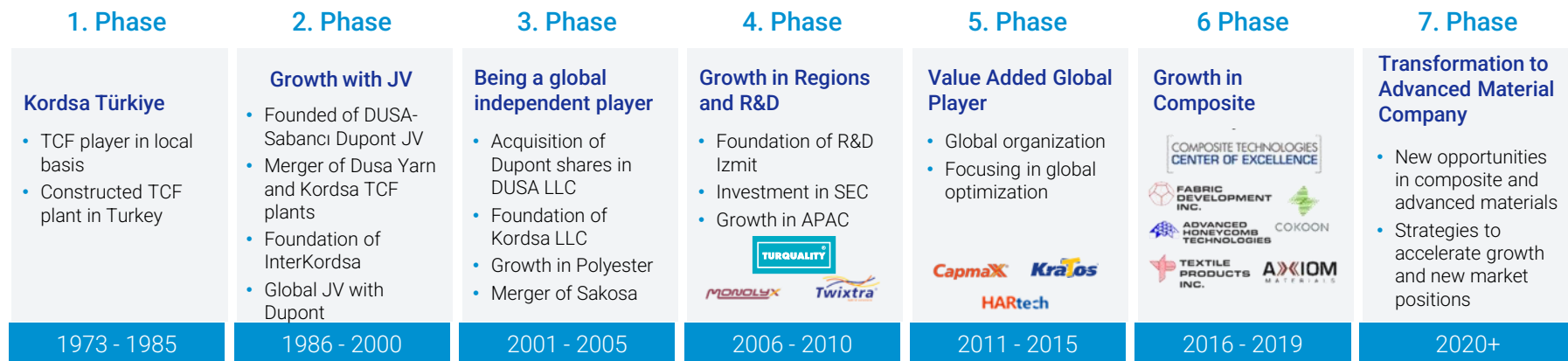
**05.**

Financial  
Performance

**06.**

Highlights &  
Lowlights

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**

# 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 Digitilization.

## 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



**2030**

30% Emission Reduction



**2030**

50% water withdrawal reduction per unit tonnage product



**2030**

50% total waste reduction per tonnage product



**2025**

45% Women employment\*



**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



## 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

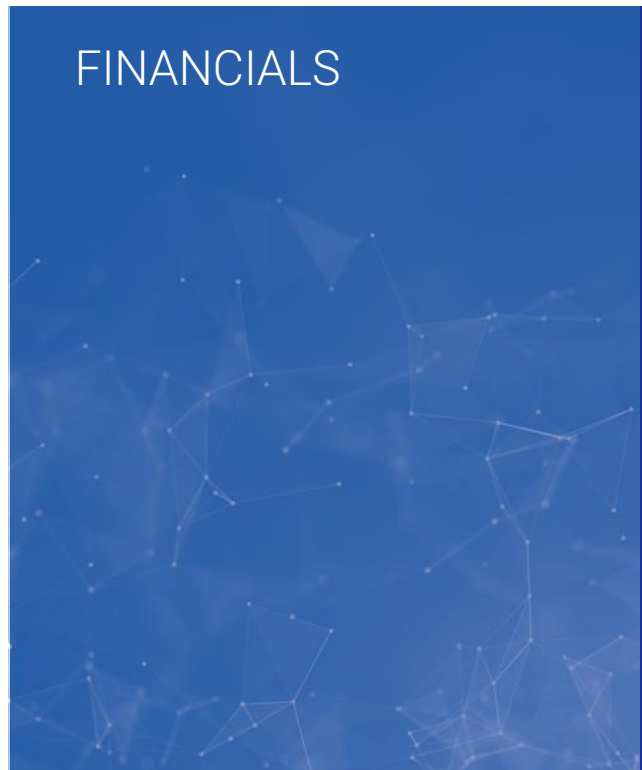
**05.**

Strong **cash generation** and **dividend payout**

## OPERATIONS



## FINANCIALS



# Global Footprint

## NORTH AMERICA

54%

vs. 2021

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

Brazil

## SOUTH AMERICA

+43%

vs. 2021

Istanbul  
 İzmit

## EMEA

+46%

vs. 2021

## APAC

+39%

vs. 2021

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

## 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

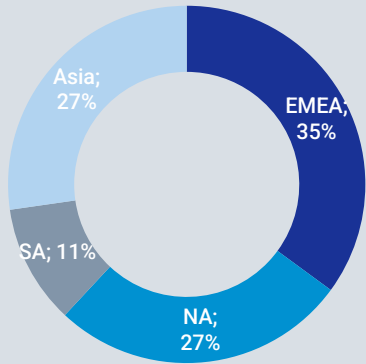
#2 NY TCF producer

#2 PET TCF producer

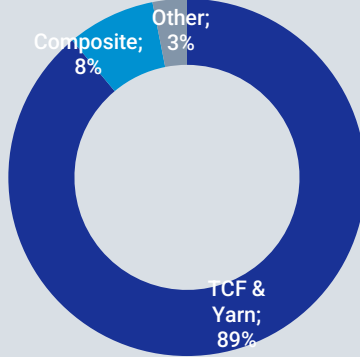
# Segment Reporting Results

## Mar, 22 Revenue Split

### By Region

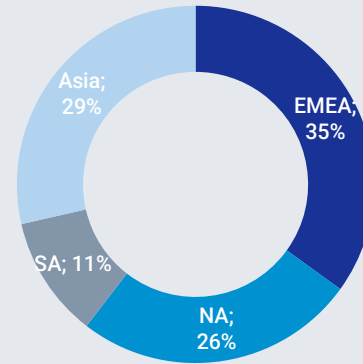


### By Product

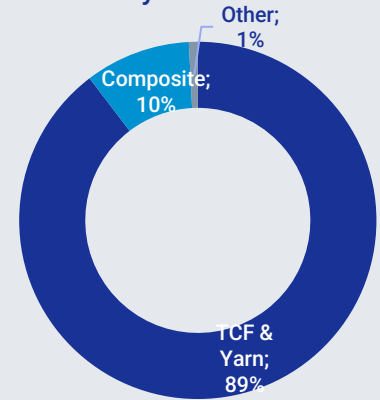


## Mar, 21 Revenue Split

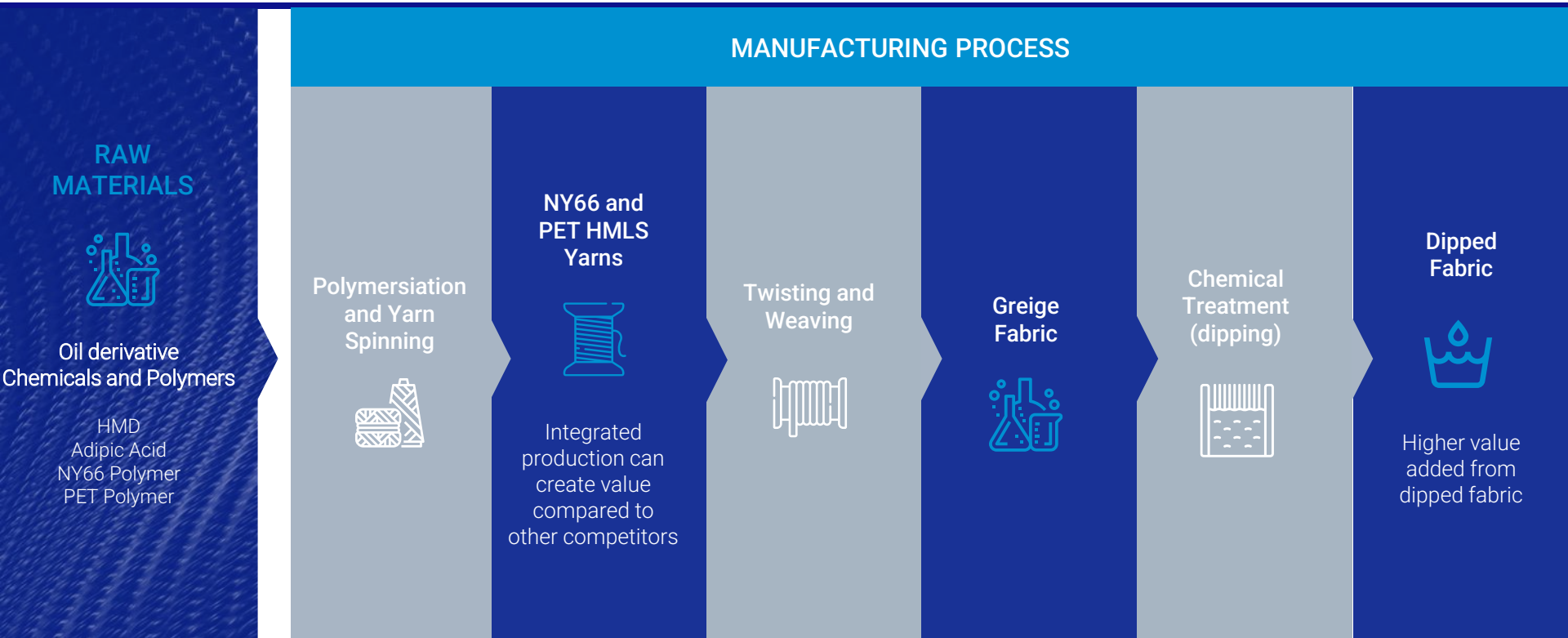
### By Region



### By Product



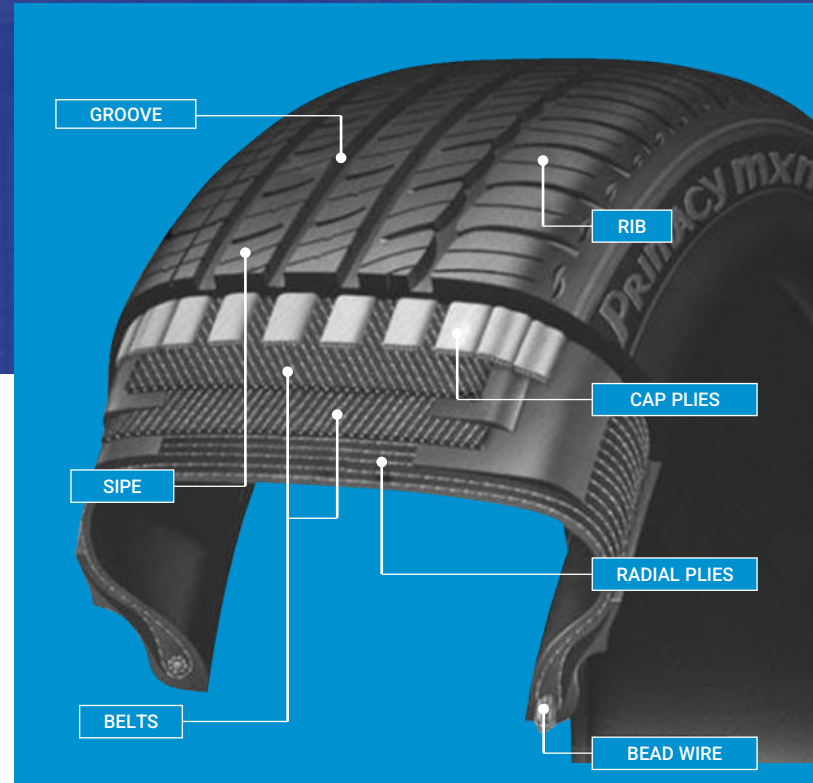
# Tire Cord Fabric Value Chain



Kordsa fabrics are developed for **specific requirements and are custom made**

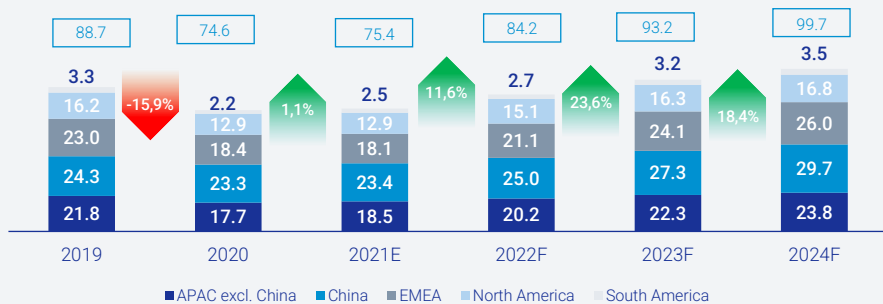
## Where do **our products** go...

- 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: 350-450gr per tire
- By value => Approx 7-10% cost of a tire is Tire Cord Fabric



# Market Dynamics / Tire

### Global Automotive Market (million units)



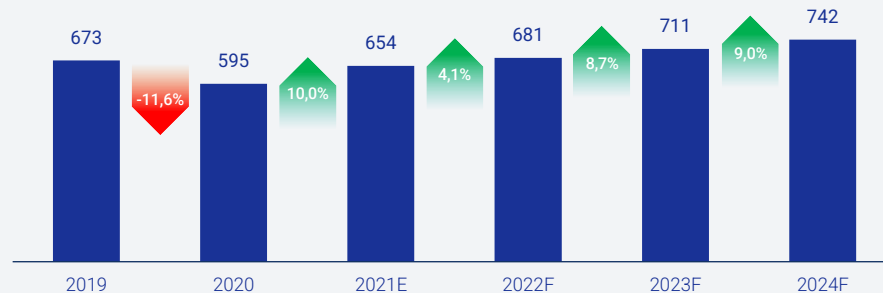
### Global Tire Market (million units)



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



### Tire Reinforcement Market (PET-ktons)



# Composite Value Chain

## RAW MATERIALS



### Fibers:

Carbon Fiber  
Aramid  
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

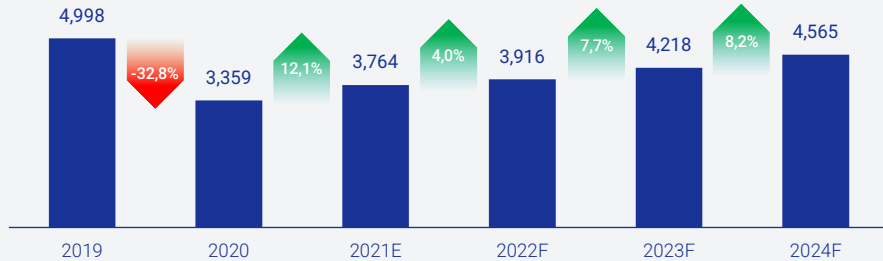
## COMPOSITE PARTS

- 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

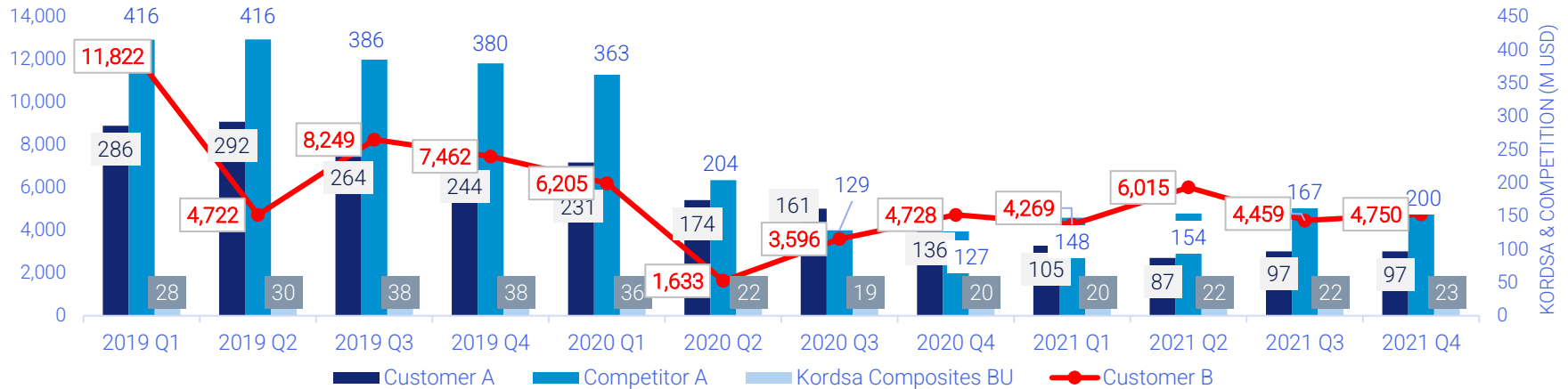
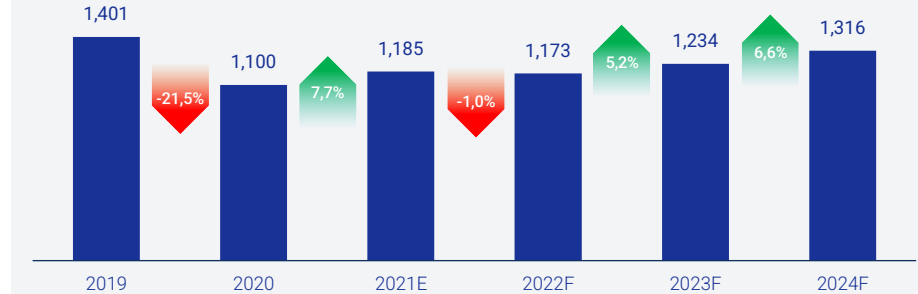


# Market Drivers / Composite

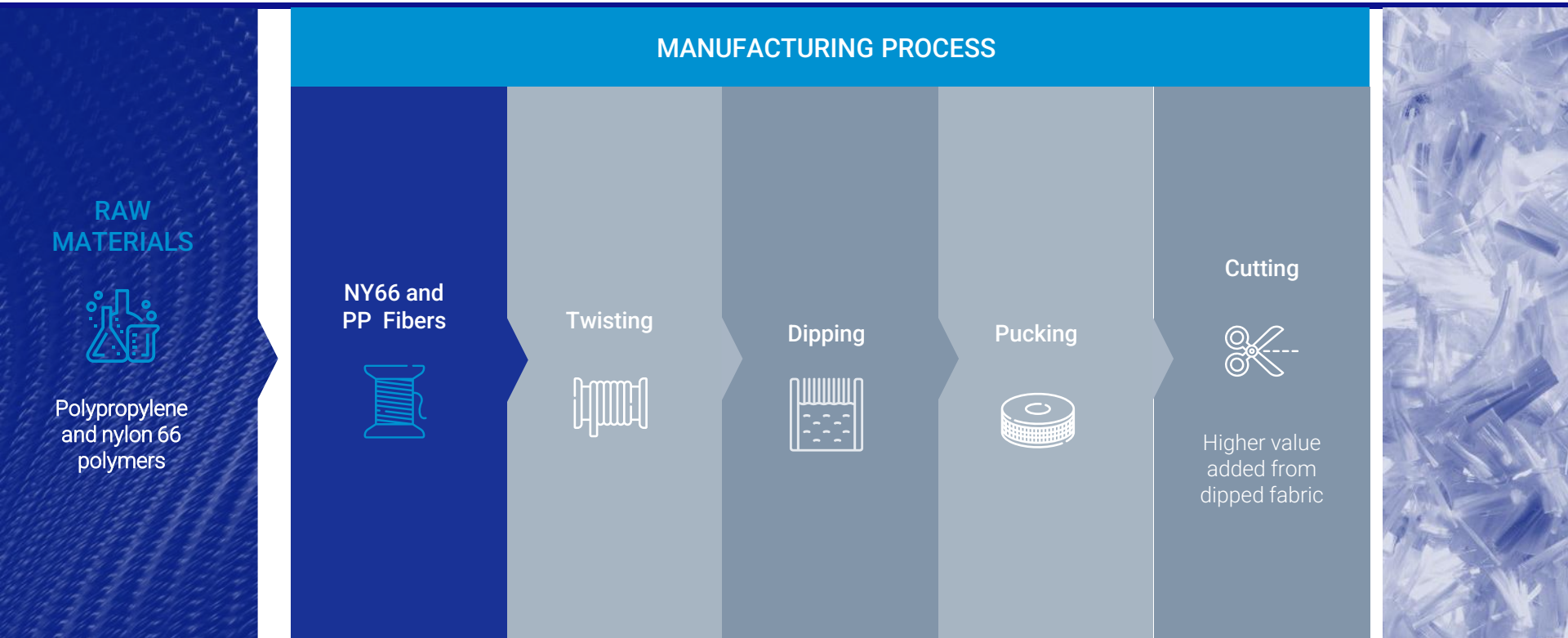
### Global Prepreg Market ('000 USD)



### 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



**299**  
**MUSD**  
All Hard-  
Currency

25% ↑ YOY

## EBITDA MARGIN



**18.9%**

57 MUSD  
robust margin

## NET INCOME



**35**  
**MUSD**

~ 2 fold increase

## VOLUME GROWTH



**5%**





Strong demand in  
tire reinforcement

# Kordsa Income Statement 1Q'22

	TL Financials (MTRY)			USD Financials (M\$)		
	1Q'21	1Q'22	Δ	1Q'21	1Q'22	Δ
Sales	1,514	4,160	174.8%	205	299	45.5%
Gross Profit	352	1,035	194.0%	48	74	55.7%
Gross Margin (%)	23.2%	24.9%	2 pts'	23.2%	24.9%	2 pts'
OPEX (%)	10.2%	9.1%	1 pts'	10.2%	9.1%	1 pts'
Operating Profit	233	631	171.5%	32	45	43.8%
Operating Profit Margin (%)	15.4%	15.2%	0 pts'	15.4%	15.2%	0 pts'
EBITDA *	268	788	193.9%	36	57	55.7%
EBITDA* Margin (%)	17.7%	18.9%	1 pts'	17.7%	18.9%	1 pts'
Net Income	144	484	235.2%	20	35	77.6%
Effective Tax Rate (%)	18.5%	23.3%	4 pts'	18.5%	23.3%	4 pts'
Net Income (%)	9.5%	11.6%	2 pts'	9.5%	11.6%	2 pts'

# 1Q'2022 Snapshot

## RESULTS

	USD-Based Revenue Growth	<b>24.9%</b> (vs 1Q'21)
	Tire Reinforcement Demand Growth	<b>4.4%</b> (vs 1Q'21)
	EBITDA Margin	<b>18.9%</b>
	Net Income	<b>35 M\$</b>

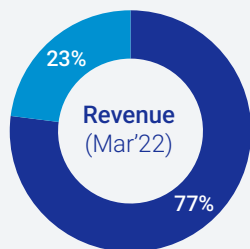
## DRIVERS

- 4.4% volume growth
  - Revenue increase back of raw material prices (60% NY; 50% PET)
  - %36 growth in construction revenue doubled (2.1M\$)
  - 24M\$ revenue contribution from composite segment
- 
- Demand growth not shadowed by automotive industry issues
  - Maximum capacity utilization rate in all regions
  - Volume growth in EMEA and NA, putting 1Q 2022 results well above 2021
- 
- Highest quarterly EBITDA margin and EBITDA of all times (56.6 M\$)
  - Effective cost management and pricing to especially local players are key effects for profitability
  - Strong cost control for OPEX items
- 
- Highest quarterly net income of all times
  - Strong EBITDA - - - > Strong Net Income

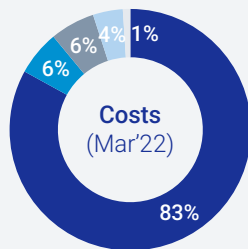


# Well-Positioned for Strong Cash Generation and Dividends

## FX exposure

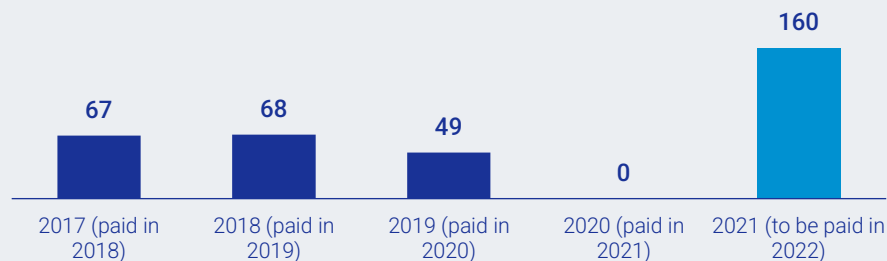


■ US \$ ■ EUR

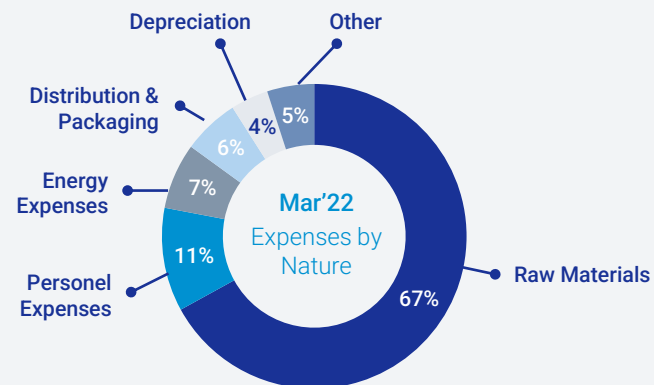


■ US \$ ■ TL ■ IDR ■ BRL ■ Baht

## Dividend (MTL)



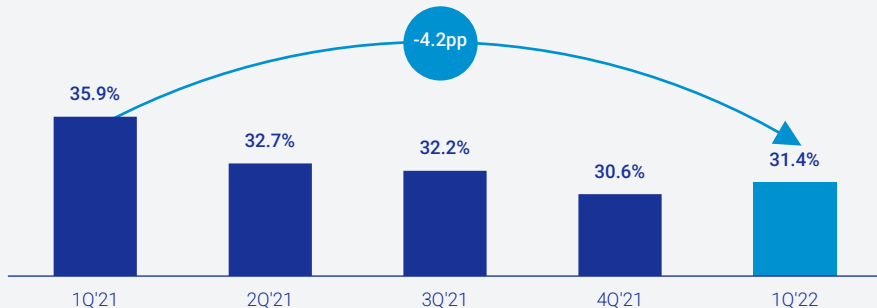
- Demonstrates value-based pricing model
- Ability to pass through raw material price volatility: (Revenue – raw material costs) tracked as a KPI by sales team
- Conversion costs as a key metric for management KPIs (main components are personnel expenses and energy costs)



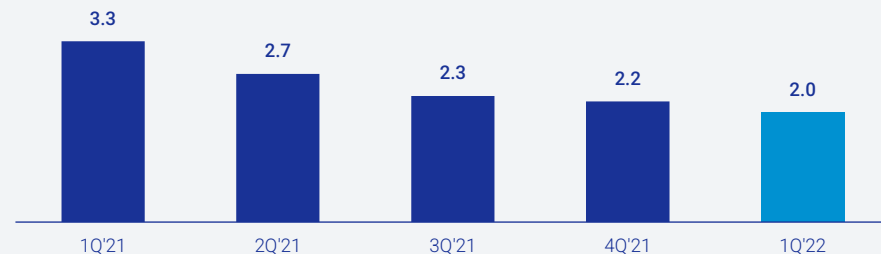
- Hard currency revenues
- FX exposure on costs -> EM footprint on local costs + hard currency priced raw materials
- Benefit from US\$ appreciation vs. TL, IDR and BRL

# Well-Positioned for Strong Cash Generation

### Average Working Capital Turnover



### Net Debt / EBITDA



## INVENTORIES UP 14% Y-O-Y

Driven by strong demand in tire and RM price increases

## RECEIVABLES UP 26% Y-O-Y

Driven by strong demand in tire reinforcement and price increases

## PAYABLES UP 7% Y-O-Y

Driven by strong demand in tire reinforcement and RM price increases

M\$	Amount		Avg. Int. Rates
	31.12.2021	31.03.2022	%
<b>Total Debt</b>	<b>313</b>	<b>332</b>	
USD-Basis	193	198	3.3%
EUR-Basis	75	65	1.8%
TRY-Basis	41	65	15.7%
Other Currencies	4	4	6.5%

## HIGHLIGHTS

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### TIRE REINFORCEMENT DEMAND

Growth trend expected to continue in 2022

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### BEING A LOCAL PLAYER

Global footprint helps to meet local players' requirements

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### GROWTH PLANS

Lower net debt/EBITDA creates financial opportunities for potential acquisition (Microtex S.r.l.)

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### GROWTH IN ALL REGIONS

Compared to 2021, all regions had material growth rates in tire reinforcement.

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## LOWLIGHTS

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### RECOVERY PROCESS in COMPOSITE

Based on market research, recovery process expected to start in 2023

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### GLOBAL CRISIS (UKRAINE – RUSSIA WAR)

Global uncertainties and war effects cause to increase energy prices

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### CONTAINER ISSUES

Equipment and port issues continue  
Available lines diminish  
Costs continue to increase with record prices

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### RAW MATERIAL PRICES

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

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Thank You



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THE REINFORCER

# Balance Sheet

Key Balance Sheet Items	TRY Financials (MTRY)			USD Financials (M\$)		
	Dec'21	Mar'22	Δ	Dec'21	Mar'22	Δ
Cash and Cash Equivalents	195	237	42	15	16	2
Account Receivables	2,566	3,557	991	193	243	50
Inventories	2,989	3,744	756	224	256	32
Other Current Assets	436	580	144	33	40	7
PPE & Intangibles	5,238	5,972	734	410	408	-2
Investment Property	320	351	31	24	24	0
Goodwill	1,873	1,800	-72	123	123	0
Other Non-Current Assets	395	420	25	30	29	-1
Account Payables	1,927	2,269	341	145	155	10
Total Debt	4,179	4,863	685	313	332	19
Short Term Debt	2,912	3,677	765	218	251	33
Long Term Debt	1,266	1,186	-80	95	81	-14
Other Liabilities & Equity	7,905	9,529	1,625	593	651	58
Net Debt (Cash&Cash Equ. Excluded)	3,984	4,626	643	299	316	17