

Kordsa.com



---

# Investor Presentation

---

Feb, 2023

The information and opinions contained in this document have been compiled by KORDSA Teknik Tekstil Anonim Şirketi (the "Company") 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. No undue reliance may be placed for any purposes whatsoever on the information contained in this presentation or on its completeness, accuracy or fairness. This document may contain forward-looking statements by using such words as "may", "will", "expect", "believe", "plan" and other similar terminology that reflect the Company management's current views, expectations, assumptions and forecasts with respect to certain future events. As the actual performance of the companies may be affected by risks and uncertainties, all opinions, information and estimates contained in this document constitute the Company's current judgment and are subject to change, update, amend, supplement or otherwise alter without notice. Although it is believed that the information and analysis are correct and expectations reflected in this document are reasonable, they may be affected by a variety of variables and changes in underlying assumptions that could cause actual results to differ materially.

The Company does not undertake any obligation and disclaims any duty to update or revise any forwardlooking statements, whether as a result of new information or future events. Neither this document nor the information contained within can construe any investment advice, invitation or an offer to buy or sell the Company and/or Its group companies' shares. The Company cannot guarantee that the securities described in this document constitute a suitable investment for all investors and nothing shall be taken as an inducement to any person to invest in or otherwise deal with any shares of the Company and its group companies. The information contained in this document is published for the assistance of recipients but is not to be relied upon as authoritative or taken in substitution for the exercise of judgment by any recipient. You must not distribute the information in this document to, or cause it to be used by, any person or entity in a place where its distribution or use would be unlawful. Neither the Company, its board of directors, directors, managers, nor any of Its employees shall have any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.

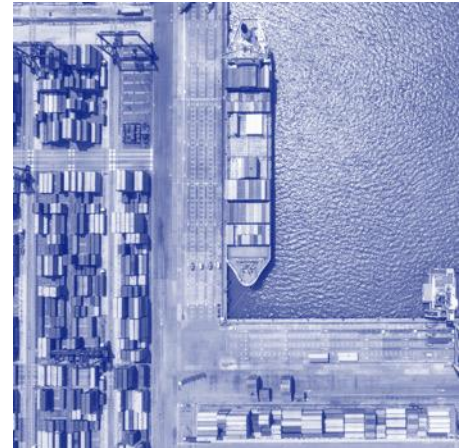
# Who we are

**4** continents  
**13** facilities

~**5,100**  
employees

**2 R&D**  
center

**921** patent applications  
**509** patents



WE **REINFORCE** LIFE

# AGENDA

---

**01.**

Kordsa Story

**02.**

Sustainability

**03.**

Investment  
Highlights

**04.**

Operations

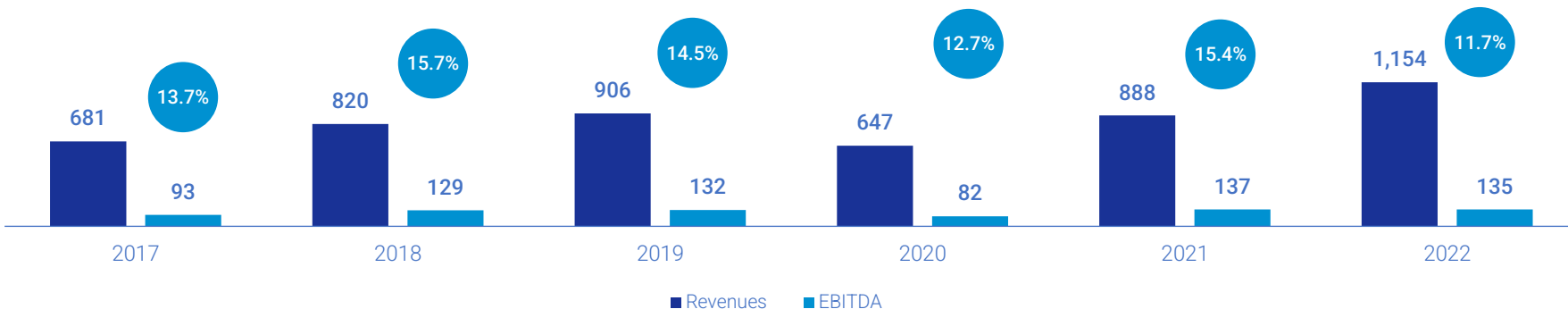
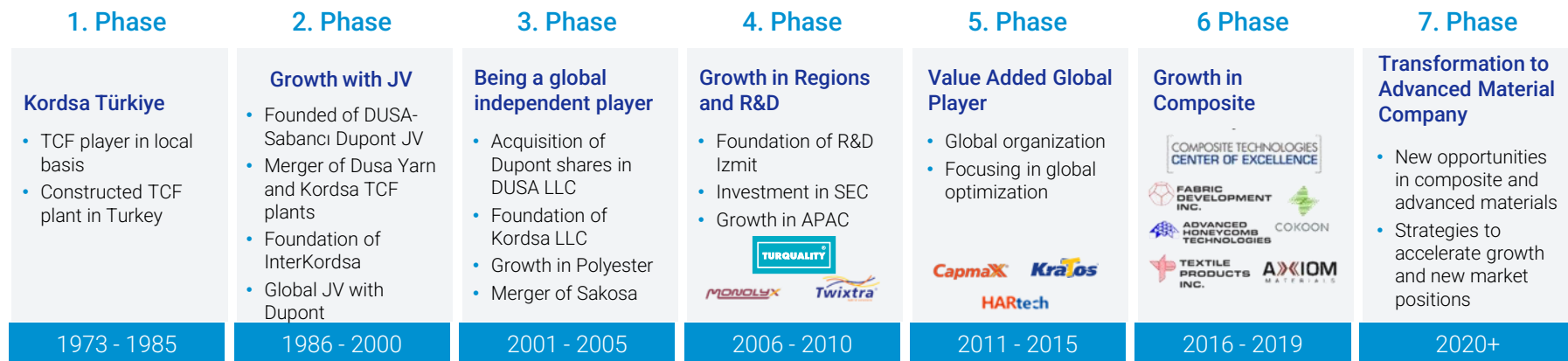
**05.**

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.

### 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.

### 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.

### 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 Digitalization.

## Passion for Business Excellence

Efficiency and improvements in our own operations to create a positive impact in our value chain and to accelerate 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**

46.2 % 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



### Kordsa Involved in COP27

Kordsa's Head of Sustainability Nevra Aydoğan delivered a speech at the Best Examples From Turkish Private Sector Session of the Green Transition Journey of the Private Sector Panel



**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**



Turkey's best R&D Center for the 4th time  
Ministry of Technology and Industry



## 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

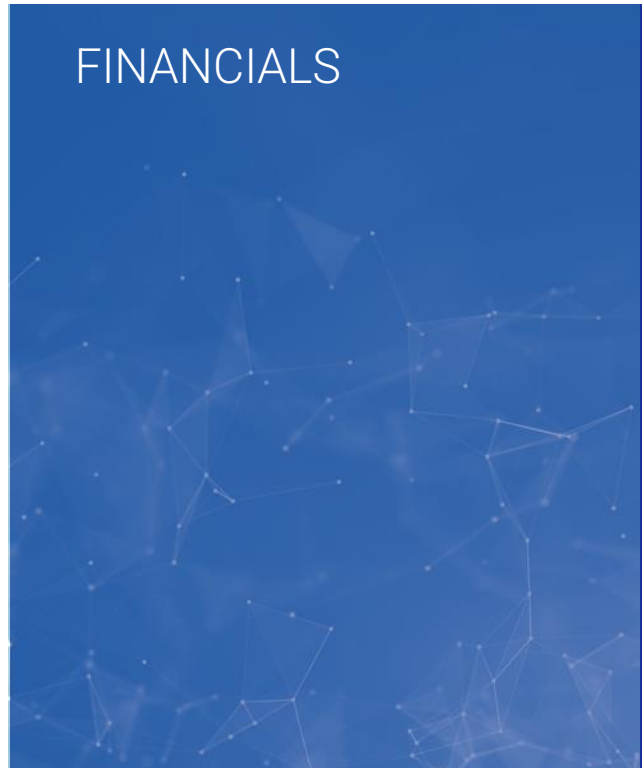
**05.**

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

## OPERATIONS



## FINANCIALS



# Global Footprint

## NORTH AMERICA

**+47%**  
vs. 2021

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

**+18%**  
vs. 2021

Brazil

## EMEA

**+27%**  
vs. 2021

Istanbul  
Izmit  
Pistoia, Italy  
Thailand  
Indonesia  
Indonesia

## APAC

**+23%**  
vs. 2021

## 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

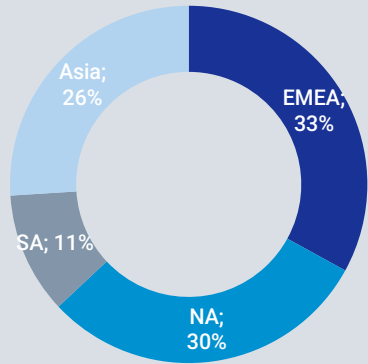
**#2** NY TCF producer

**#2** PET TCF producer

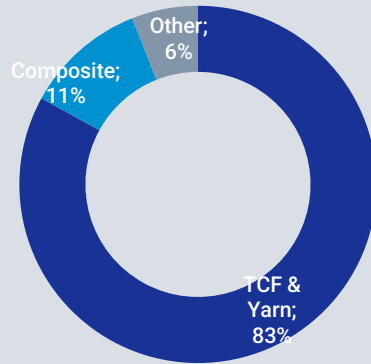
# Segment Reporting Results

## Dec, 22 Revenue Split

### By Region

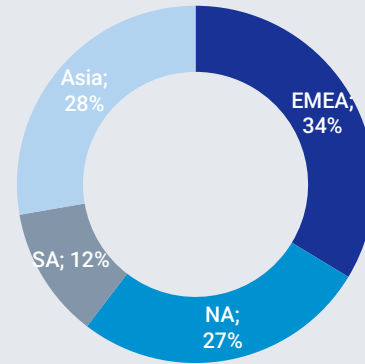


### By Product

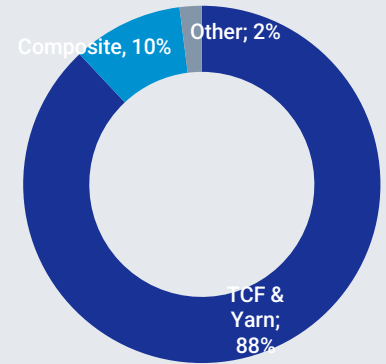


## Dec, 21 Revenue Split

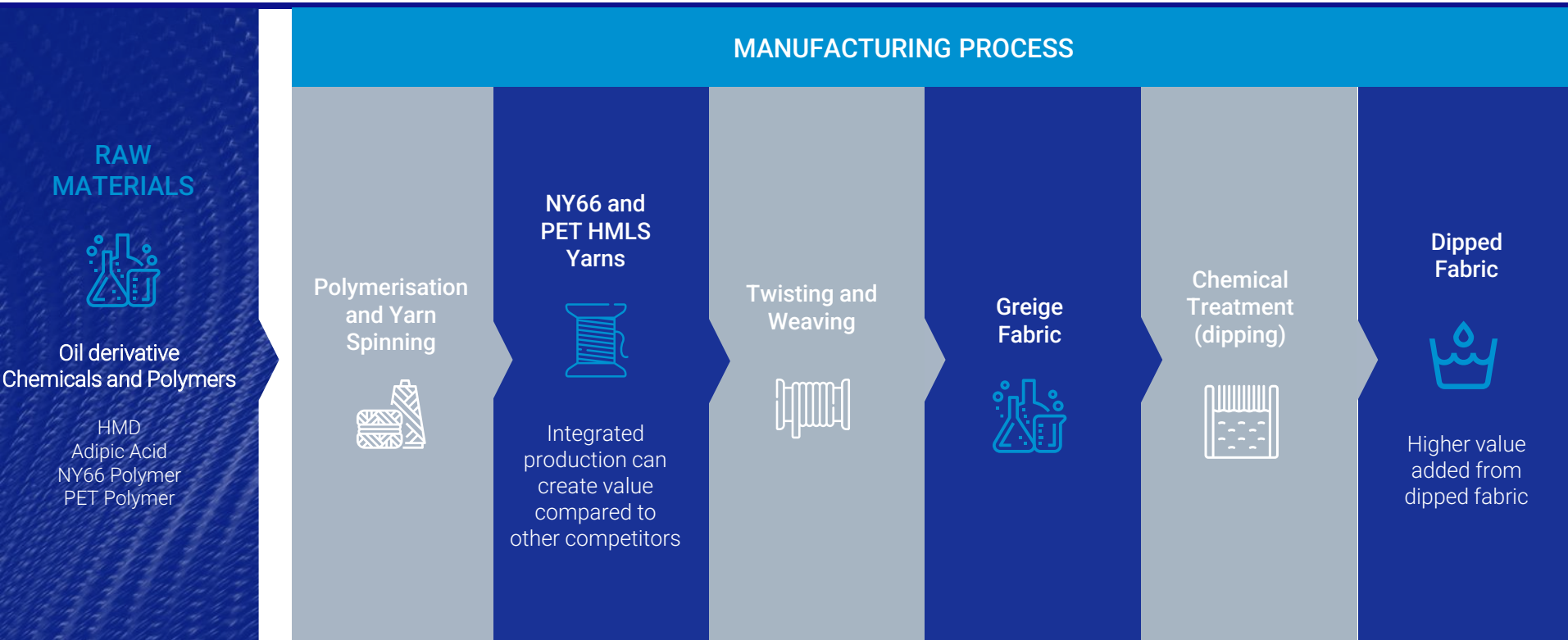
### By Region



### By Product



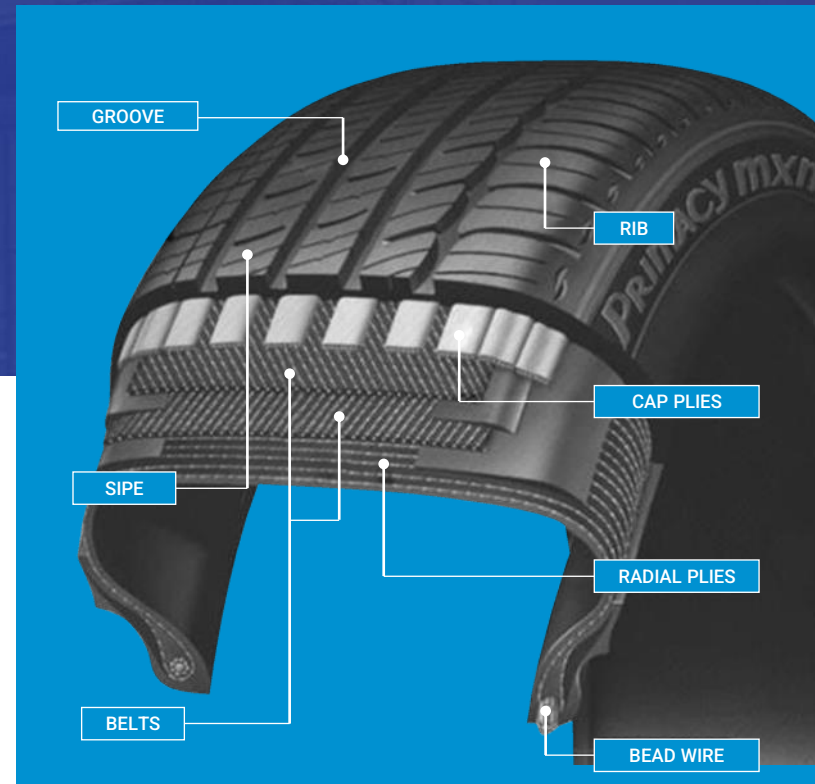
# Tire Cord Fabric Value Chain



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

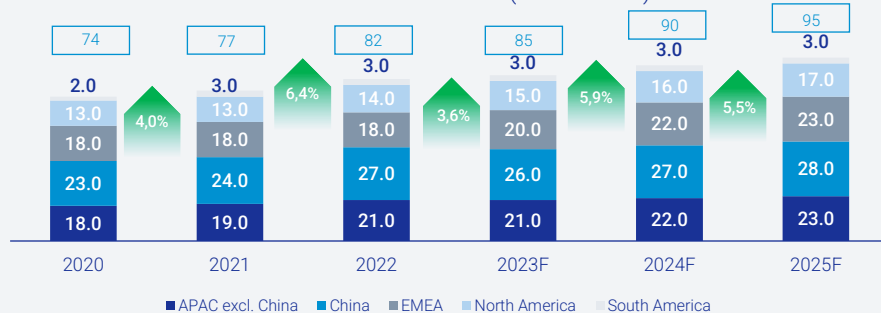
## Where do **our products** go...

- 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

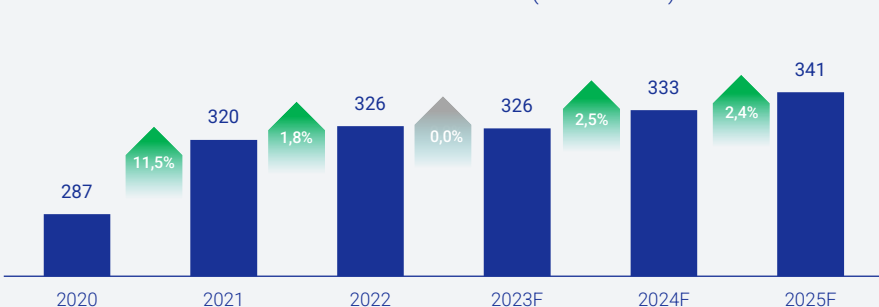
### Global Automotive Market (million units)



### 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

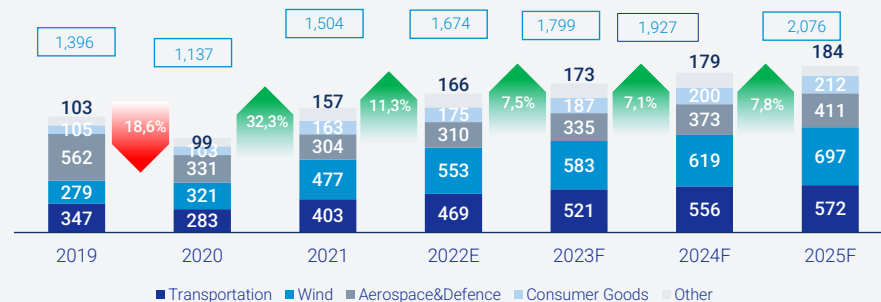


# Market Drivers / Composite

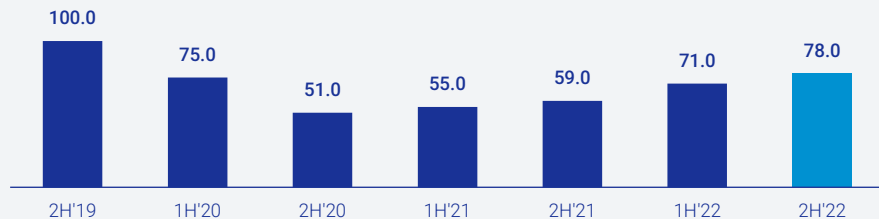
### Global Prepreg Market (MUSD)



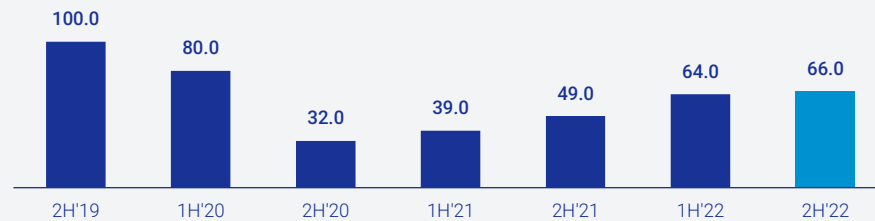
### Global Carbon Fiber Textile Market (MUSD)



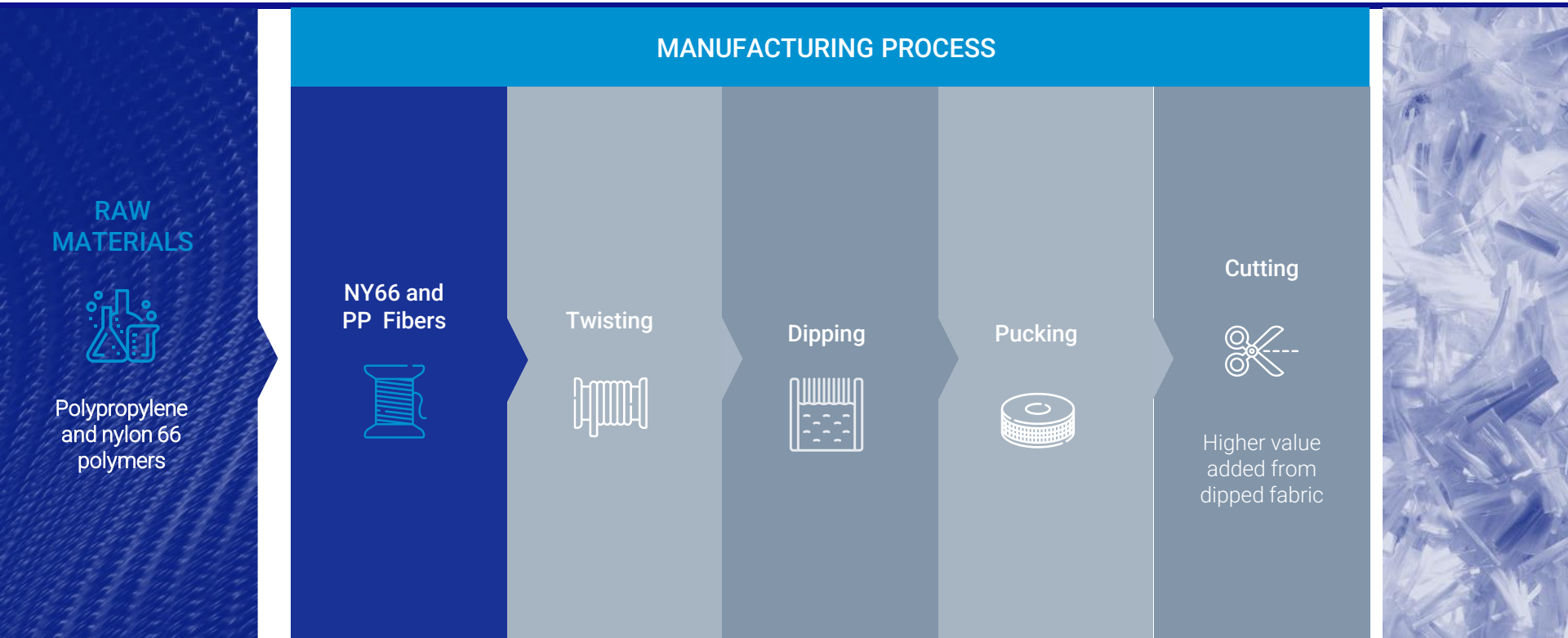
### Kordsa Composites Indexed Revenue



### Main Competitor Indexed Revenue



# Construction Value Chain



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

# Construction Value Chain

## REINFORCED CONCRETE STRUCTURES

### MAJOR APPLICATIONS

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



OPERATIONS

FINANCIALS



## 2022 Results vs 2021

### REVENUE



**1,154  
MUSD**  
All Hard-  
Currency

30% ↑ YOY

### EBITDA MARGIN



**11.7%**

135 MUSD

### NET INCOME



**94  
MUSD**

nearly same as 2021

### VOLUME



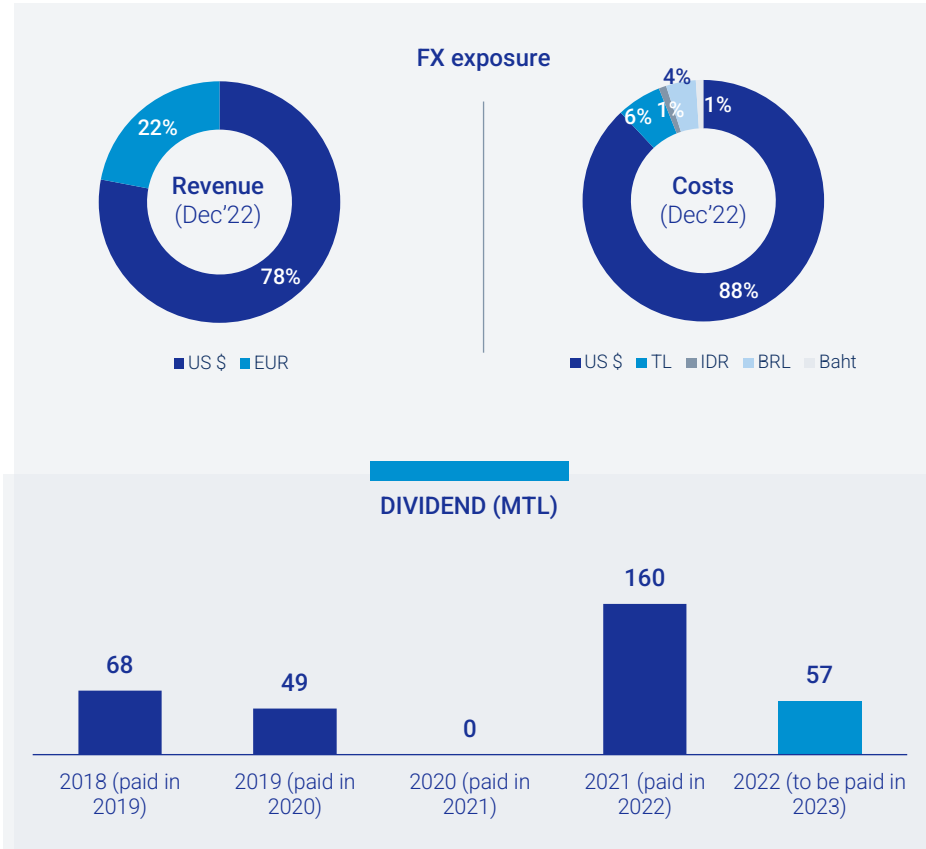
**2%**

Recessional slow down

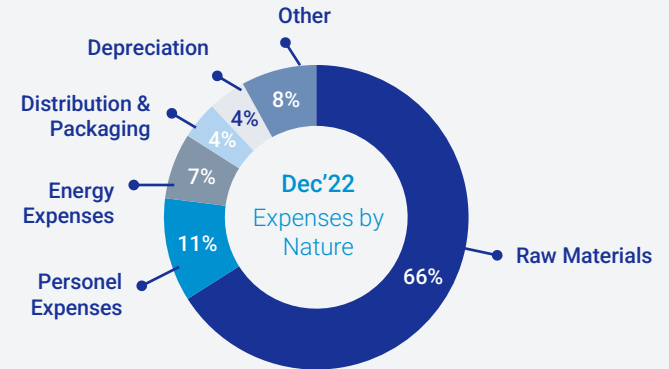
# Kordsa Income Statement YE'22

	USD Financials (MUSD)						
	2021	2022	Δ	1Q'22	2Q'22	3Q'22	4Q'22
Sales	888	1,154	30.0%	299	300	286	269
Gross Profit	195	210	7.9%	74	54	44	38
Gross Margin (%)	21.9%	18.2%	-4 pts'	24.9%	18.1%	15.4%	14.0%
OPEX (%)	11.0%	9.9%	-1 pts'	9.0%	9.4%	9.4%	11.7%
Operating Profit	149	103	-30.9%	45	27	17	13
Operating Profit Margin (%)	16.8%	8.9%	-8 pts'	15.2%	9.1%	6.0%	4.9%
EBITDA	137	135	-1.7%	57	35	26	16
EBITDA* Margin (%)	15.4%	11.7%	-4 pts'	18.9%	11.8%	9.2%	6.1%
Net Income	96	94	-1.9%	35	26	22	12
Effective Tax Rate (%)	8.5%	5.5%	-3 pts'	23.3%	19.9%	0.9%	-3128.4%
Net Income (%)	10.8%	8.2%	-3 pts'	11.6%	8.6%	7.5%	4.5%

# 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)

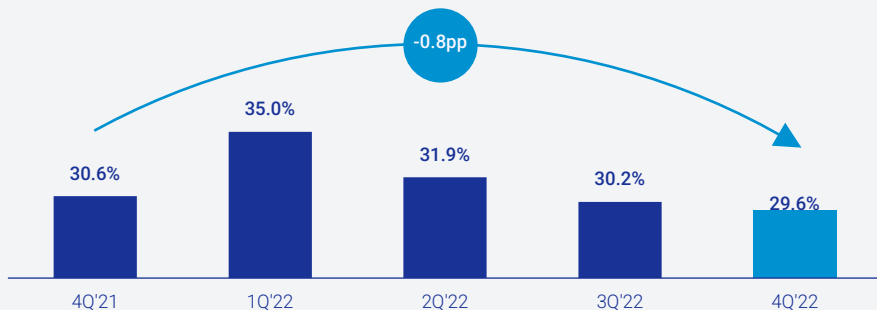


- Hard currency revenues
- FX exposure on costs -> EM footprint on local costs + hard currency priced raw materials
- Benefit from US\$ appreciation vs. TL, IDR and BRL

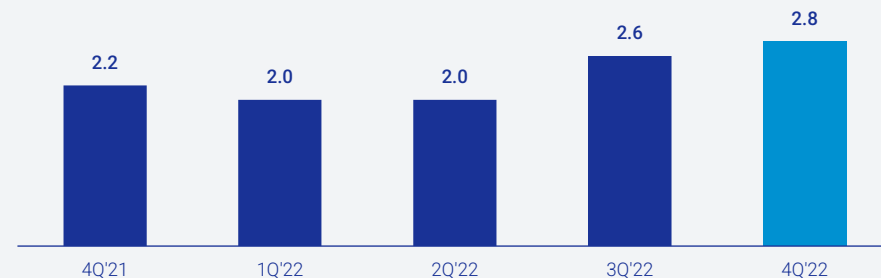


# Well-Positioned for Strong Cash Generation

### Average Working Capital Turnover



### Net Debt / EBITDA



## INVENTORIES UP 31% Y-O-Y

Driven by strong demand in tire and rm price increases

## RECEIVABLES UP 7% Y-O-Y

Driven by strong demand in tire reinforcement and price increases

## PAYABLES UP 10% Y-O-Y

Driven by strong demand in tire reinforcement and rm price increases

	Amount		Avg. Int. Rates
M\$	31.12.2021	31.12.2022	%
<b>Net Debt</b>	<b>299</b>	<b>379</b>	
USD-Basis	193	307	4.3%
EUR-Basis	75	83	4.4%
TRY-Basis	41	25	14.8%
Other Currencies	4	7	4.7%
Cash & Cash Equi.	-15	-43	

# HIGHLIGHTS & LOWLIGHTS

## HIGHLIGHTS

### COMPOSITE REINFORCEMENT

Based on market research, recovery process are rapidly accelerating starting from 2H'23

### GROWTH PLANS

Investments such as Polyester Line, construction, SEC in Turkey and Dipping in the USA continue and they are expected to be in production from 2024 which accelerate Kordsa's organic growth

### MICROTEX

With Microtex's acquisition finalized in Aug'22, Kordsa aims to increase its product diversity and expand its service range in the automotive and motorsport sectors

### SUSTAINABLE GROWTH

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

## LOWLIGHTS

### GLOBAL RECESSION

Cost and availability of funds could be more challenging  
Expectation for global recession is bringing more competition from APAC

### IMBALANCE BETWEEN USDTRY and INFLATION

High inflation especially in labor, energy and other inflationary expenses put pressures on profitability while USDTRY are stable

### HIGH COMPETITION in TIRE REINFORCEMENT

The global recession expectations and decrease on demand causes APAC competitors are attacking EMEA and US markets especially Chinese competitors which attack with lower prices

### GLOBAL UNCERTAINTIES

Uncertainties in macroeconomic indicators such as deviation of EURUSD, global inflation and energy prices

Thank You



---

THE REINFORCER

# Balance Sheet

	TL Financials (MTL)			USD Financials (MUSD)		
	YE 2021	YE 2022	Δ	YE 2021	YE 2022	Δ
Cash and Cash Equivalents	195	237	42	15	43	28
Account Receivables	2.566	3.557	991	193	206	14
Inventories	2.989	3.744	756	224	294	70
Other Current Assets	436	580	144	33	53	20
PPE & Intangibles	5.238	5.972	734	410	462	51
Investment Property	320	351	31	24	23	-1
Goodwill	1.640	1.800	161	123	135	12
Other Non-Current Assets	395	420	25	30	42	13
Account Payables	1.927	2.269	341	145	159	14
Total Debt	4.179	4.863	685	313	422	108
Short Term Debt	2.912	3.677	765	218	256	38
Long Term Debt	1.266	1.186	-80	95	165	70

# Kordsa Income Statement YE'22

	TRY Financials (MTRY)						
	2021	2022	Δ	1Q'22	2Q'22	3Q'22	4Q'22
Sales	7,891	18,440	133.7%	4,160	4,639	4,962	4,679
Gross Profit	1,732	3,359	94.0%	1,035	853	795	676
Gross Margin (%)	21.9%	18.2%	-4 pts'	24.9%	18.1%	15.4%	14.0%
OPEX (%)	11.0%	9.9%	-1 pts'	9.0%	9.4%	9.4%	11.5%
Operating Profit	1,326	1,650	24.4%	631	437	330	251
Operating Profit Margin (%)	16.8%	8.9%	-8 pts'	15.2%	9.1%	6.0%	4.9%
EBITDA	1,218	2,152	76.7%	788	546	455	287
EBITDA* Margin (%)	15.4%	11.7%	-4 pts'	18.9%	11.8%	9.2%	6.1%
Net Income	856	1,509	76.4%	484	408	387	230
Effective Tax Rate (%)	8.5%	5.5%	-3 pts'	23.3%	20.1%	4.4%	-366.5%
Net Income (%)	10.8%	8.2%	-3 pts'	11.6%	8.8%	7.8%	4.9%