

Kordsa.com



1H'23 Financial Results

Earnings Release

Aug 8 2023

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AGENDA

01.

1H'23 Highlights

02.

Market Dynamics

03.

Key Financials

04.

What's Next

1H'23 Highlights

TIRE REINFORCEMENT

- * Ongoing decline in global demand
- * Strong price competition by APAC competitors in EMEA and US markets
- * Inventory impact (High-priced inventory)

COMPOSITE REINFORCEMENT

- * Strong performance with growing Microtex
- * Growing demand in aviation sector

EXTERNALITIES

- * Growing cost pressures with inflation
- * FX impact

REVENUE



531
MUSD
 All Hard-Currency

EBITDA MARGIN



7.9%

42 MUSD

NET INCOME



3
MUSD

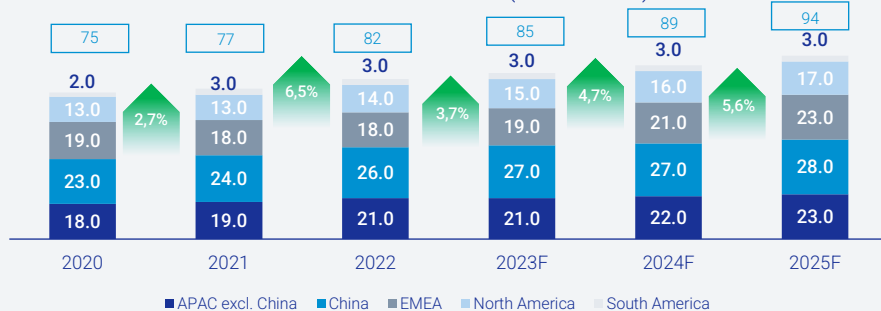
INVESTMENT



21
MUSD

Ongoing Decline in Global Tire Reinforcement Market

Global Automotive Market (million units)



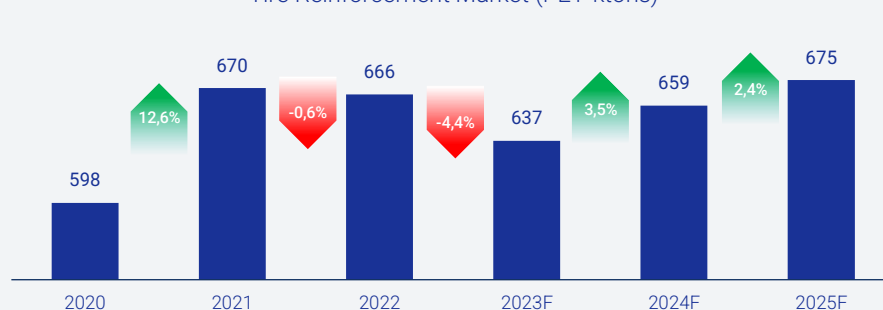
Global Tire Market (million units)



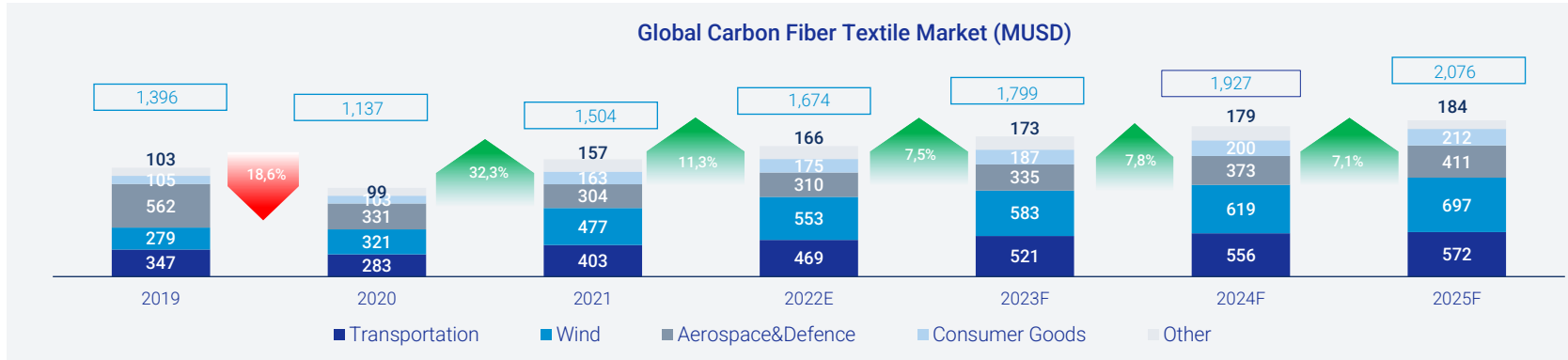
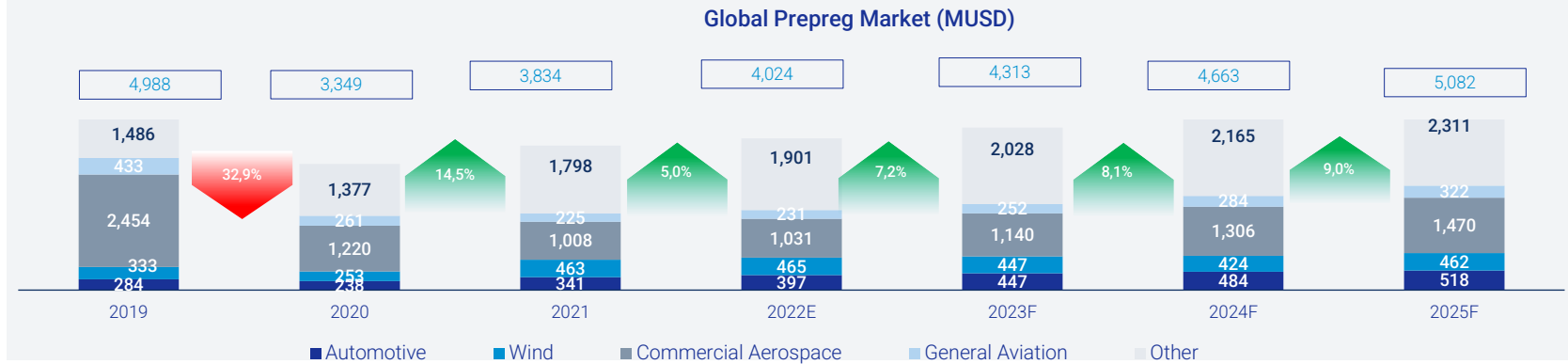
Tire Reinforcement Market (NY6.6-ktons)



Tire Reinforcement Market (PET-ktons)



Positive Outlook for the Composite Market 2023 and Beyond

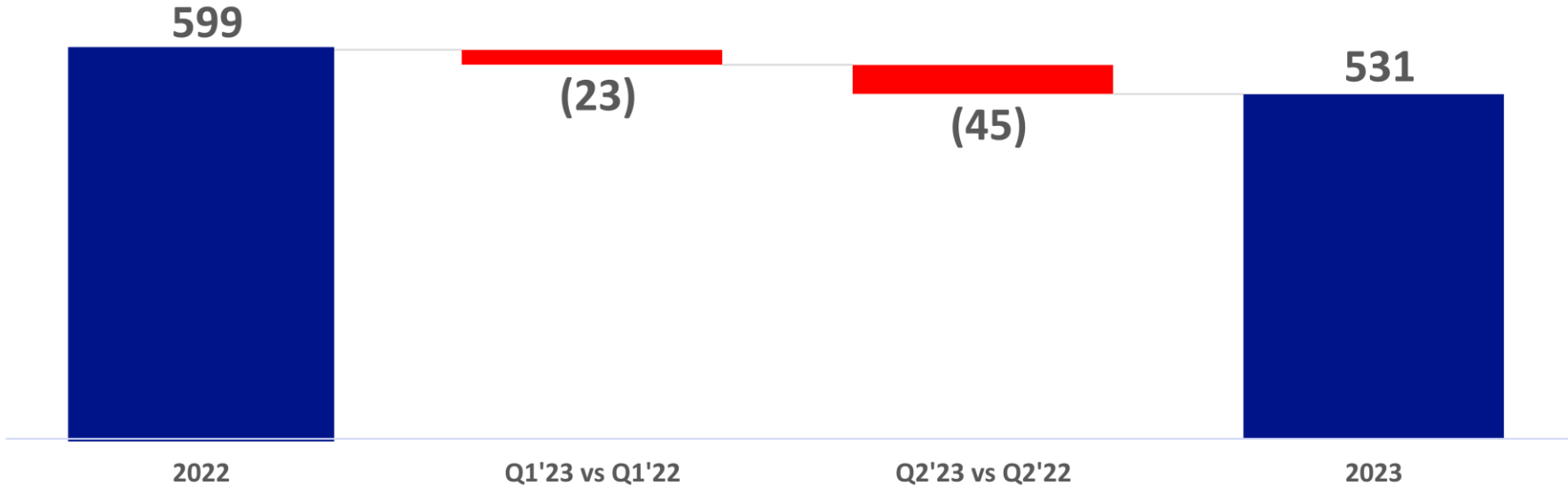


Ongoing challenging externalities impact financial performance

	Financials (MUSD)						
	1H'22	1H'23	Δ	3Q'22	4Q'22	1Q'23	2Q'23
Sales	599	531	-11.4%	286	269	276	255
Gross Profit	129	78	-39.6%	46	39	41	37
Gross Margin (%)	21.5%	14.6%	-6 pts'	16.0%	14.5%	14.8%	14.4%
OPEX (%)	9.2%	10.5%	1 pts'	9.4%	11.5%	10.2%	10.8%
Operating Profit	73	25	-65.9%	19	14	14	11
Operating Profit Margin (%)	12.1%	4.7%	-7 pts'	6.7%	5.4%	5.1%	4.2%
EBITDA	92	42	-54.2%	26	16	23	19
EBITDA* Margin (%)	15.3%	7.9%	-7 pts'	9.2%	6.1%	8.3%	7.5%
Net Income	61	3	-95.7%	22	13	5	-2
Effective Tax Rate (%)	-21.9%	-74.5%	-52 pts'	-4.4%	366.5%	-21.9%	-149.7%
Net Income (%)	10.1%	0.5%	-10 pts'	7.8%	4.9%	1.7%	-0.8%

Slight decline in revenues

Sales Bridge (MUSD)



%22 decline in tire reinforcement demand due to tough competition

Composite Sales	19
Microtex	11
Tire Volume	(50)
Tire Price/Mix	7
Other Sales	(10)

Composite Sales	10
Microtex	11
Tire Volume	(61)
Tire Price/Mix	4
Other Sales	(9)

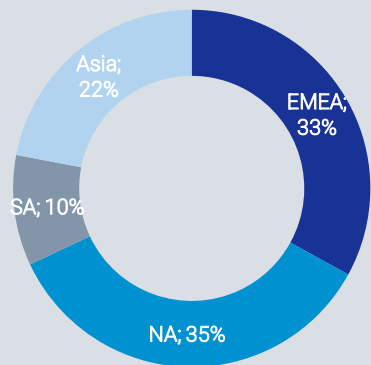
%70 growth in composite segment revenues with Microtex acquisition

Growth in NA contribution thanks to strong composite results

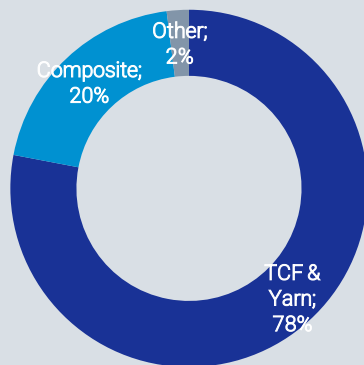
Segment Reporting Results

Jun, 23 Revenue Split

By Region



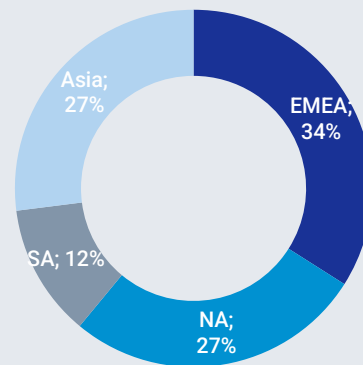
By Product



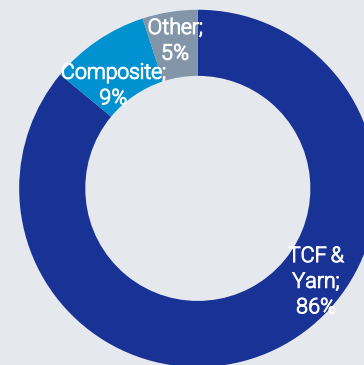
- * Composite sales increasing
- * Shrinkage in tire demand
- * High competition in especially in EMEA and APAC

Jun, 22 Revenue Split

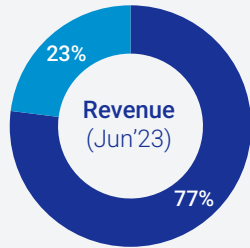
By Region



By Product



Hard Currency Revenue



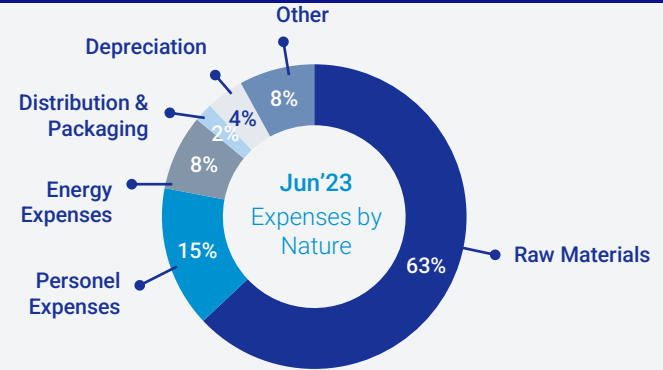
■ US \$ ■ EUR

FX exposure



■ US \$ ■ TL ■ EUR
 ■ IDR ■ BRL ■ Baht

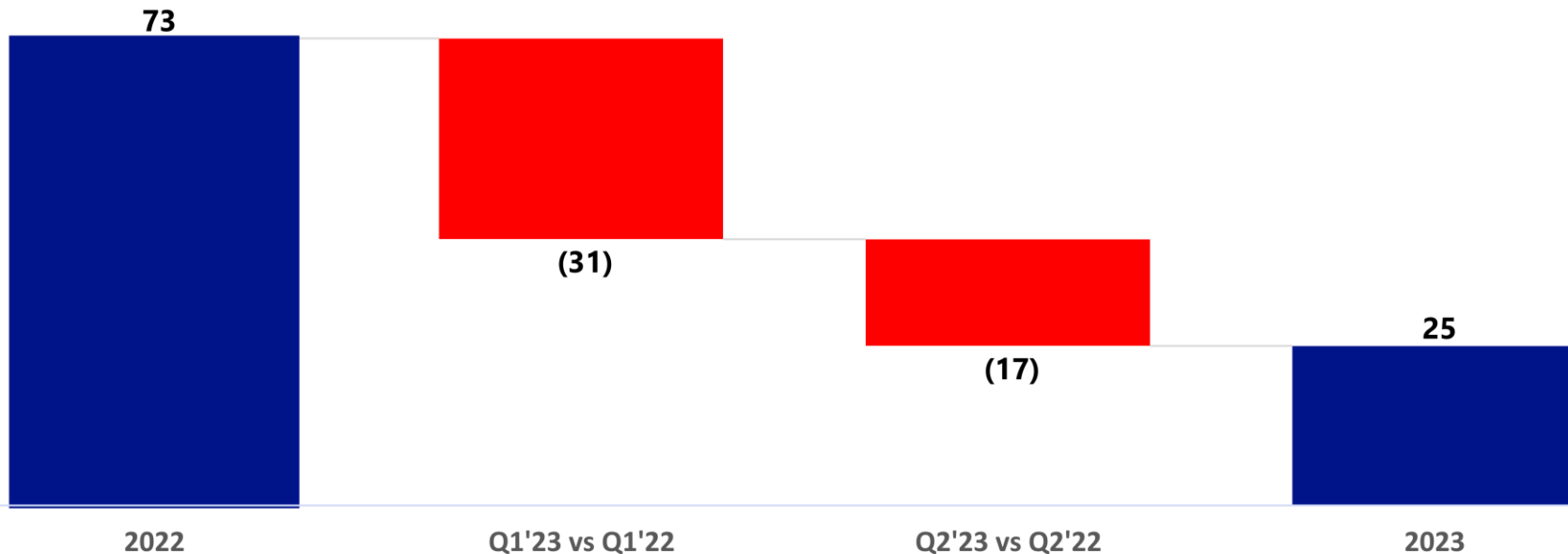
- Ability to pass through raw material price volatility: (Revenue – raw material costs) tracked as a KPI by sales team
- Conversion costs as a key metric for management KPIs (main components are personnel expenses and energy costs)



- 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

Difficulties in profitability margins coming from high competition in tire reinforcement market

EBIT Bridge (MUSD)



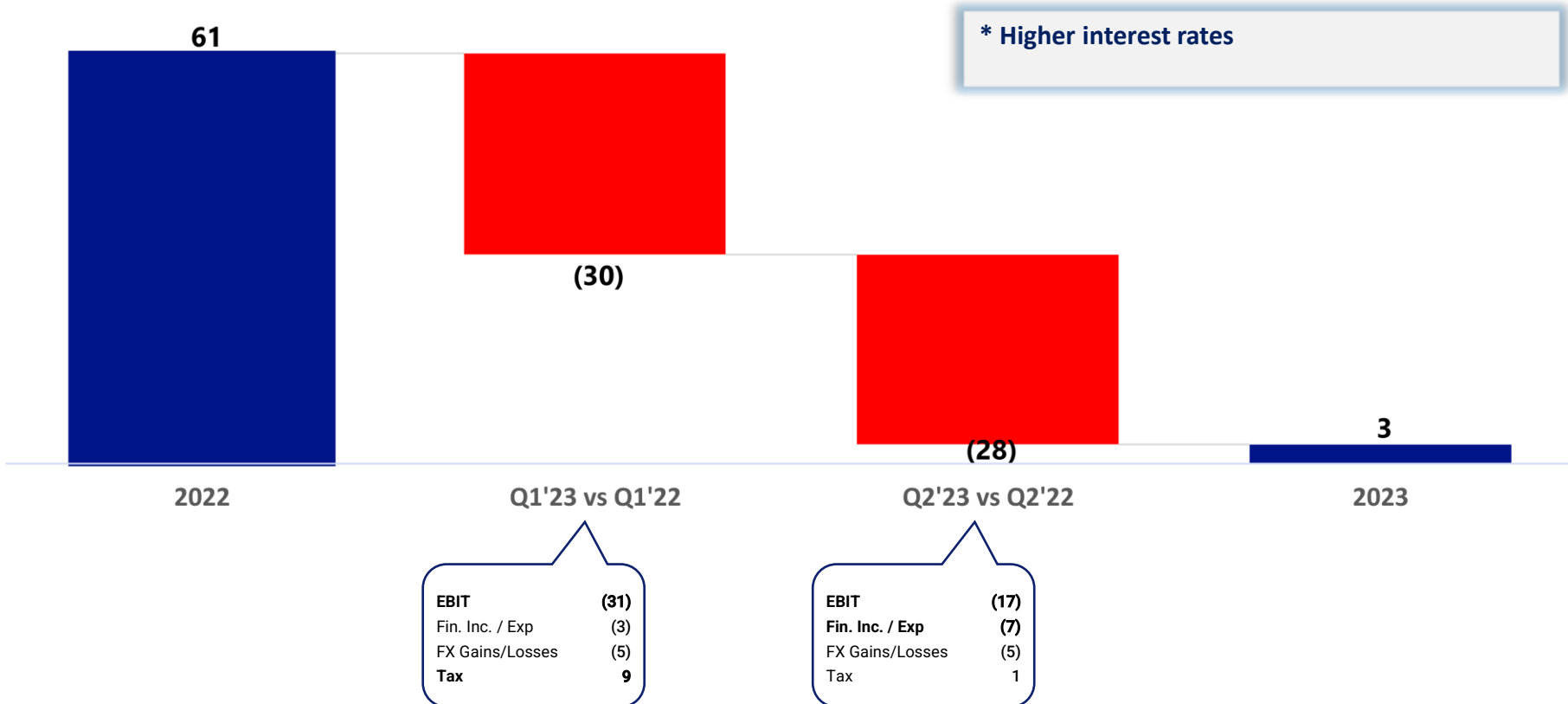
Sales	(23)
Raw Material	1
Energy	(2)
Personnel	(6)
Other	(1)

Sales	(45)
Raw Material	35
Energy	1
Personnel	(7)
Other	(1)

- * Inventory effect
- * Cost pressure from TR inflation
- * Imbalance between USDTRY and inflation
- * High competition – low profitability

Higher interest rates in new loans

Net Income Bridge (MUSD)

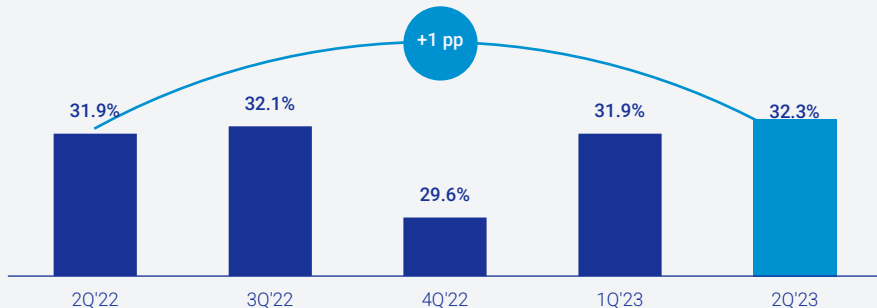


Balance Sheet

	TL Financials (MTL)			USD Financials (MUSD)		
	YE 2022	1H 2023	Δ	YE 2022	1H 2023	Δ
Cash and Cash Equivalents	799	1,298	499	43	50	8
Account Receivables	3,860	4,822	962	206	187	-20
Inventories	5,497	6,880	1,383	294	266	-28
Other Current Assets	989	1,511	522	53	59	6
PPE & Intangibles	8,131	11,238	3,108	435	435	0
Investment Property	426	589	162	23	23	0
Goodwill	2,515	3,473	958	135	135	0
Other Non-Current Assets	1,352	1,690	338	72	65	-7
Account Payables	2,972	2,702	-269	159	104	-54
Total Debt	7,900	11,401	3,501	422	441	19
Short Term Debt	4,804	5,280	475	256	204	-52
Long Term Debt	3,096	6,121	3,025	165	237	71

Through stock optimization and production planning

Average Working Capital Turnover



INVENTORIES DOWN 9% Y-O-Y

Driven by low demand in tire and rm price decreases

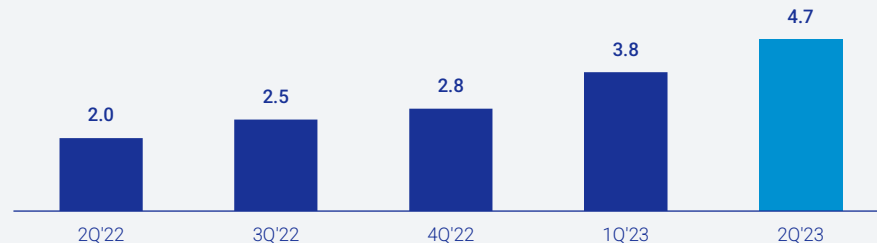
RECEIVABLES UP 7% Y-O-Y

Driven by low demand in tire and rm price decreases

PAYABLES UP 34% Y-O-Y

Driven by low demand in tire and rm price decreases and goods-in transit effect

Net Debt / EBITDA



M\$	Amount		Avg. Int. Rates
	31.12.2022	30.06.2023	%
Net Debt	379	391	
USD-Basis	307	357	8.1%
EUR-Basis	83	50	7.7%
TRY-Basis	25	25	12.1%
Other Currencies	7	9	5.4%
Cash & Cash Equi.	-43	-50	

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

ONGOING COST MANAGEMENT FOCUS

WC IMPROVEMENT PROJECT

Thank You



THE REINFORCER