

Kordsa.com



Investor Presentation

May, 2023

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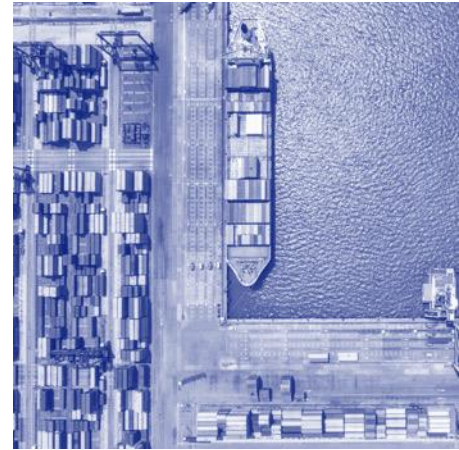
Who we are

4 continents
13 facilities

~**5,000**
employees

2 R&D
center

932 patent applications
510 patents



WE **REINFORCE** LIFE

AGENDA

01.

Kordsa Story

02.

Sustainability

03.

Investment
Highlights

04.

Operations

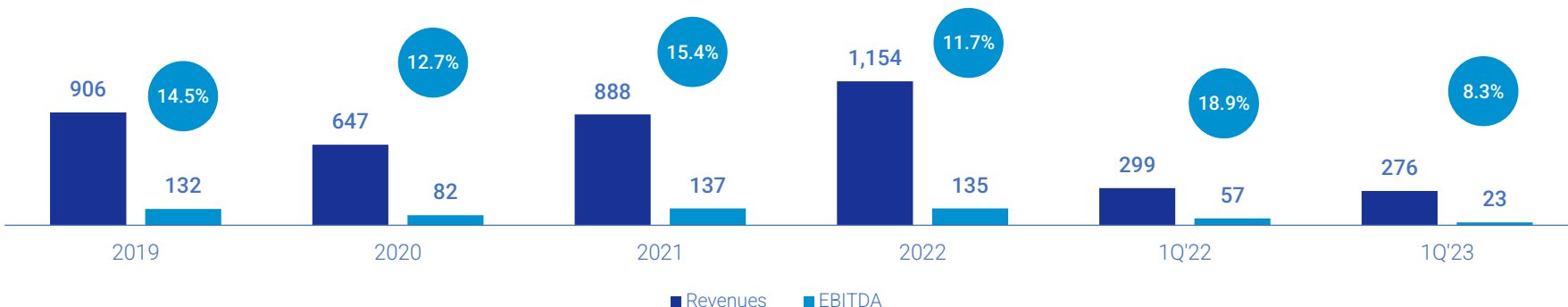
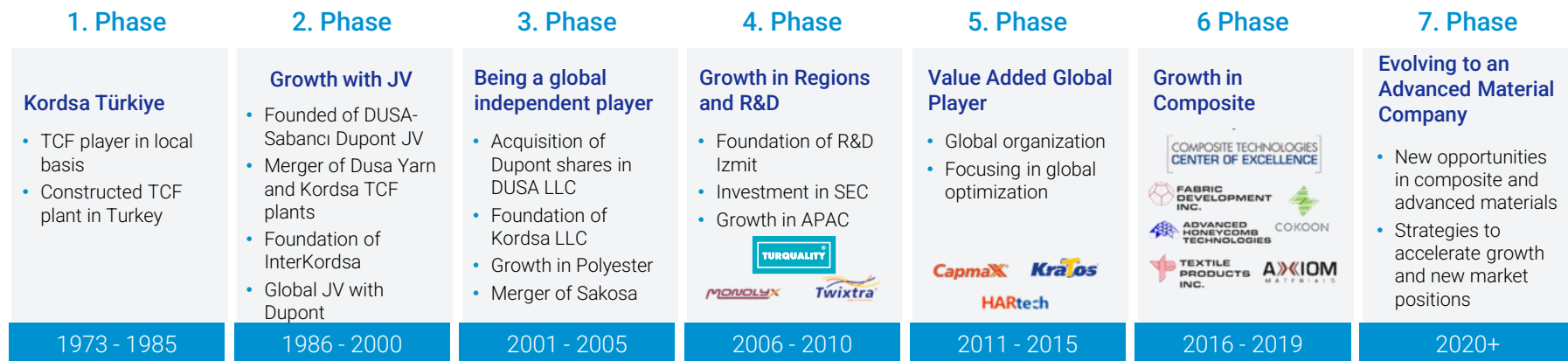
05.

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 evolving to an 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

13 CLIMATE ACTION

2030

46.2 % 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


2022 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 6th time**


'Sustainability Management' prize from Istanbul Chamber of Industry (ISO) 2023 Green Transformation 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

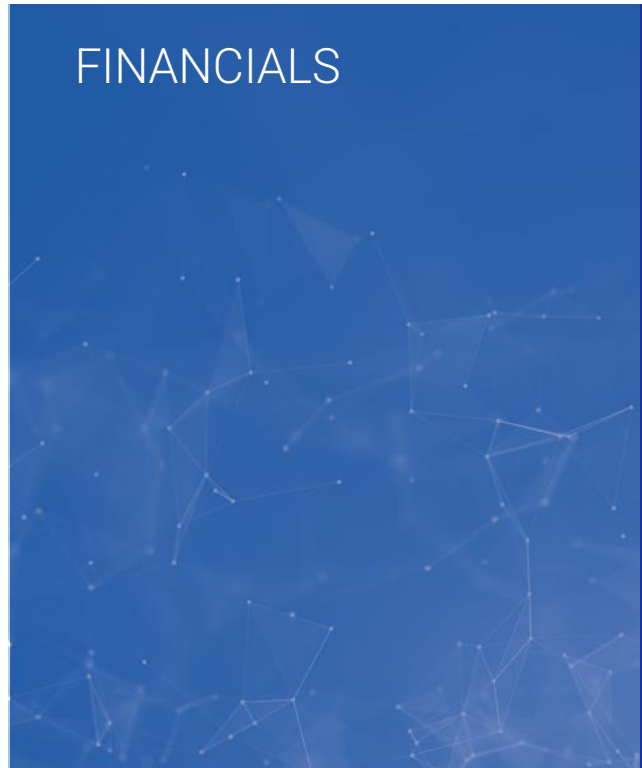
05.

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

OPERATIONS



FINANCIALS



Global Footprint

NORTH AMERICA

+19%
vs. 2022
Revenue

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

SOUTH AMERICA

-18%
vs. 2022
Revenue

Brazil

EMEA

-12%
vs. 2022
Revenue

Istanbul
Izmit
Pistoia, Italy

APAC

-25%
vs. 2022
Revenue

Thailand
Indonesia
Indonesia

- 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

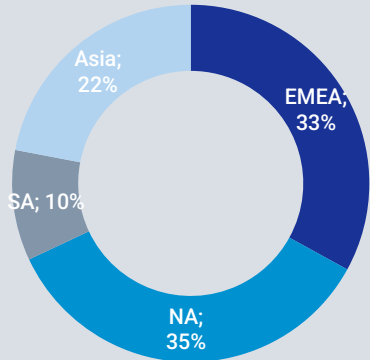
#2 NY TCF producer

#2 PET TCF producer

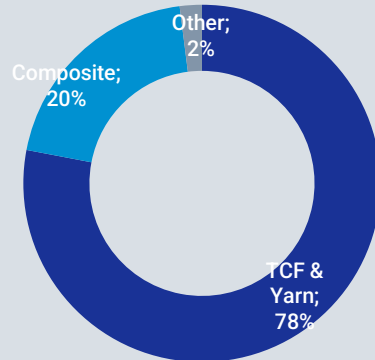
Segment Reporting Results

Mar, 23 Revenue Split

By Region

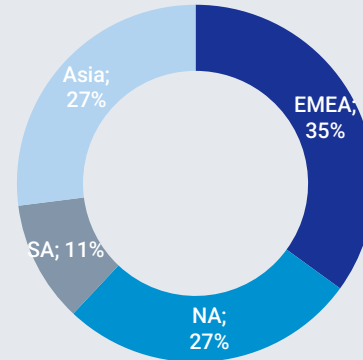


By Product

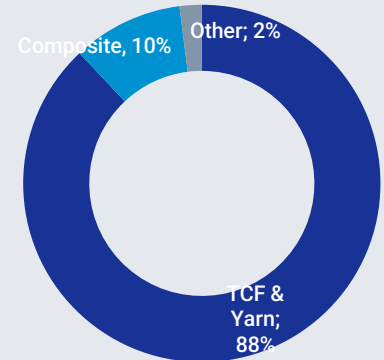


Mar, 22 Revenue Split

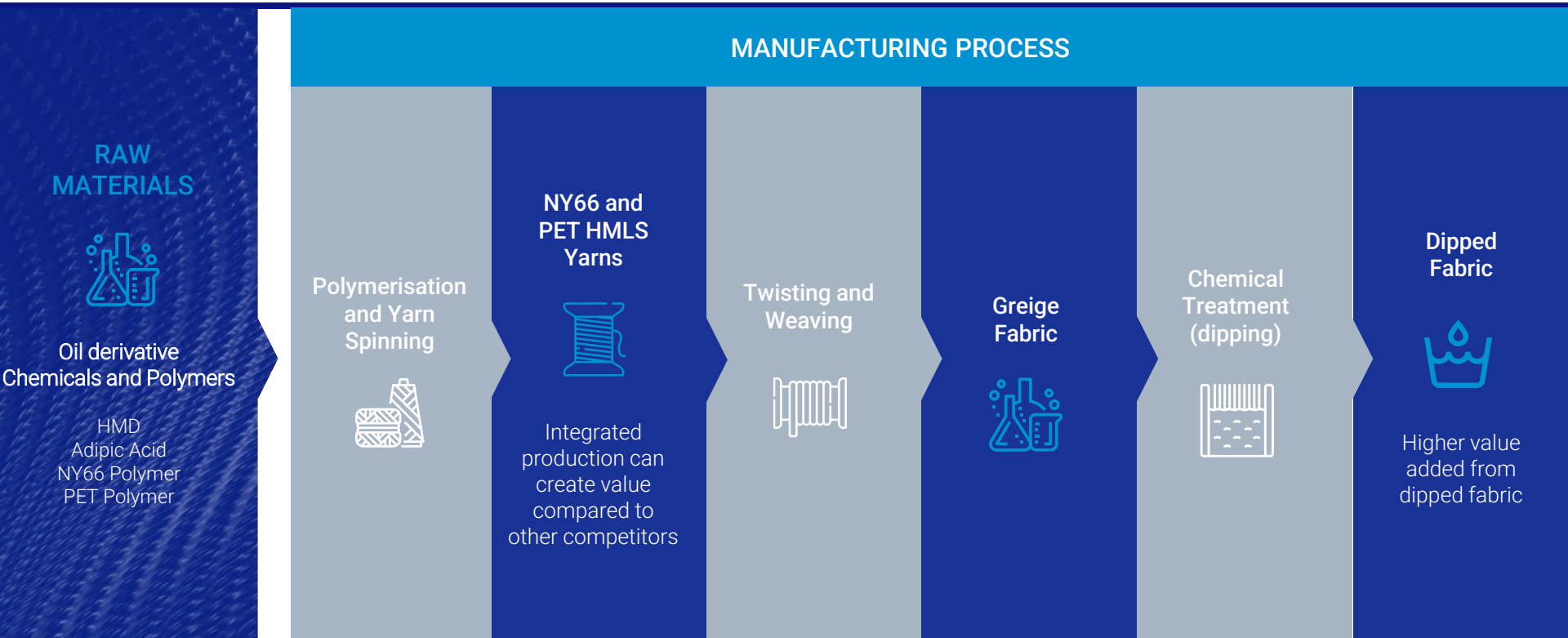
By Region



By Product



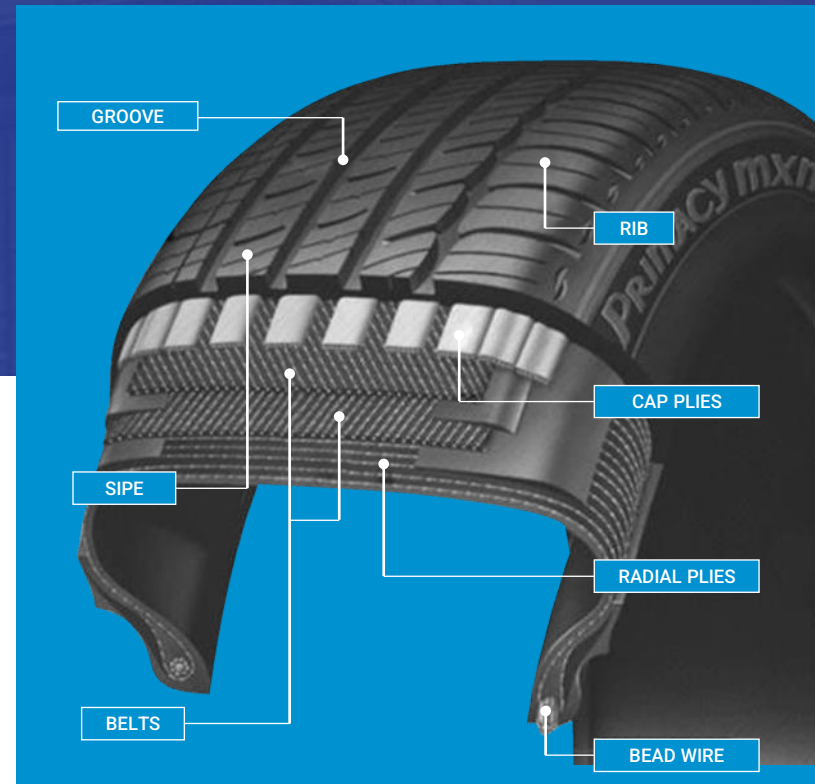
Tire Cord Fabric Value Chain



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

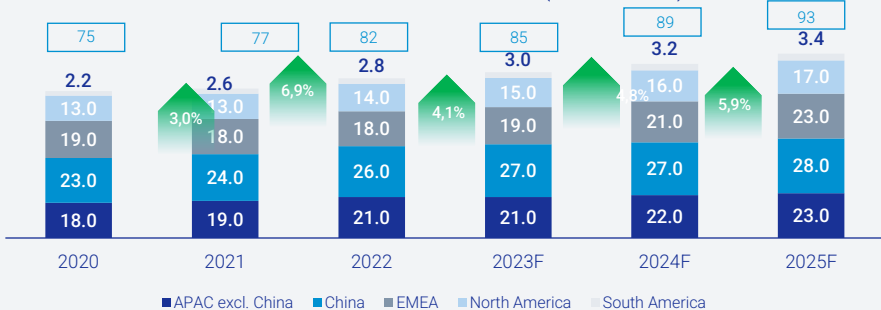
Where do **our products** go...

- 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

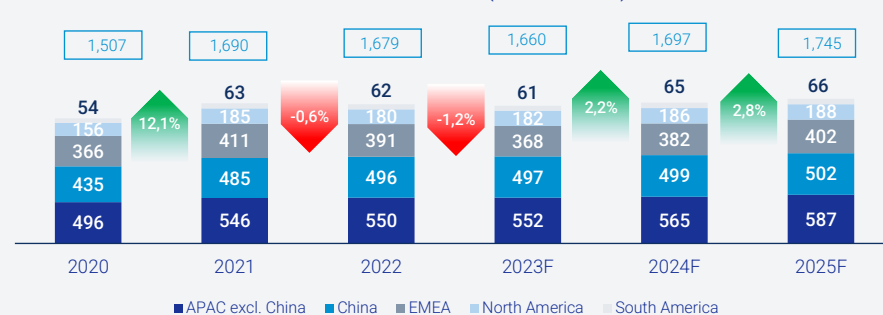


Market Dynamics / Tire

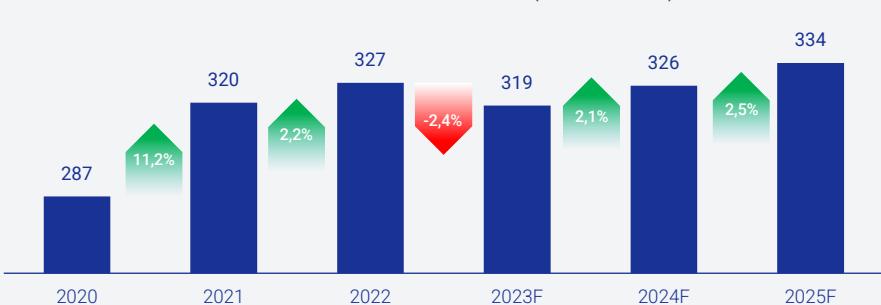
Global Automotive Market (million units)



Global Tire Market (million units)



Tire Reinforcement Market (NY6.6-ktons)



Tire Reinforcement Market (PET-ktons)



Composite Value Chain

RAW MATERIALS

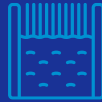


Fibers:

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

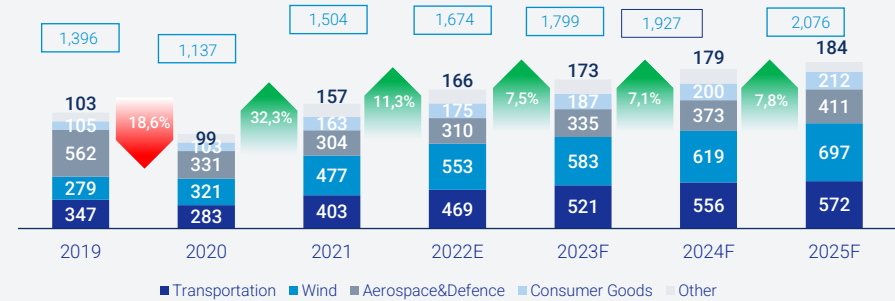


Market Drivers / Composite

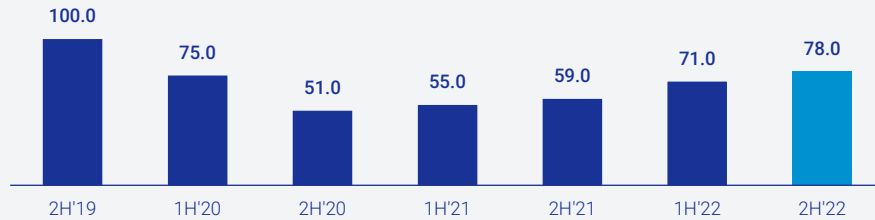
Global Prepreg Market (MUSD)



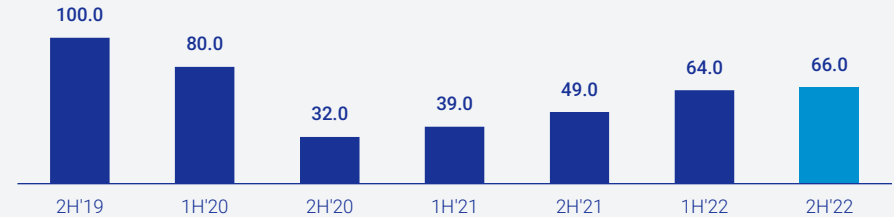
Global Carbon Fiber Textile Market (MUSD)



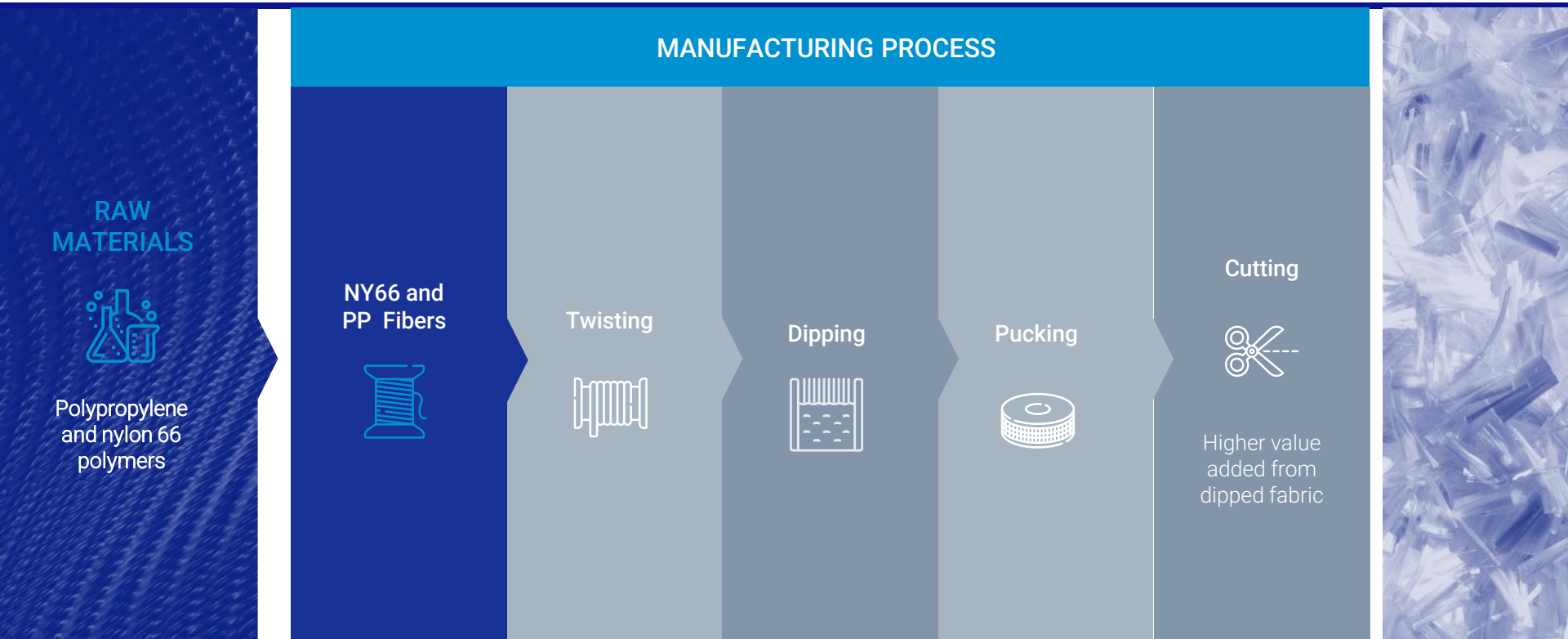
Kordsa Composites Indexed Revenue



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



2023 Q1 Results vs 2022

REVENUE



276
MUSD
All Hard-
Currency

8% ↓ YOY

EBITDA MARGIN



8.3%

23 MUSD

NET INCOME



5
MUSD

VOLUME



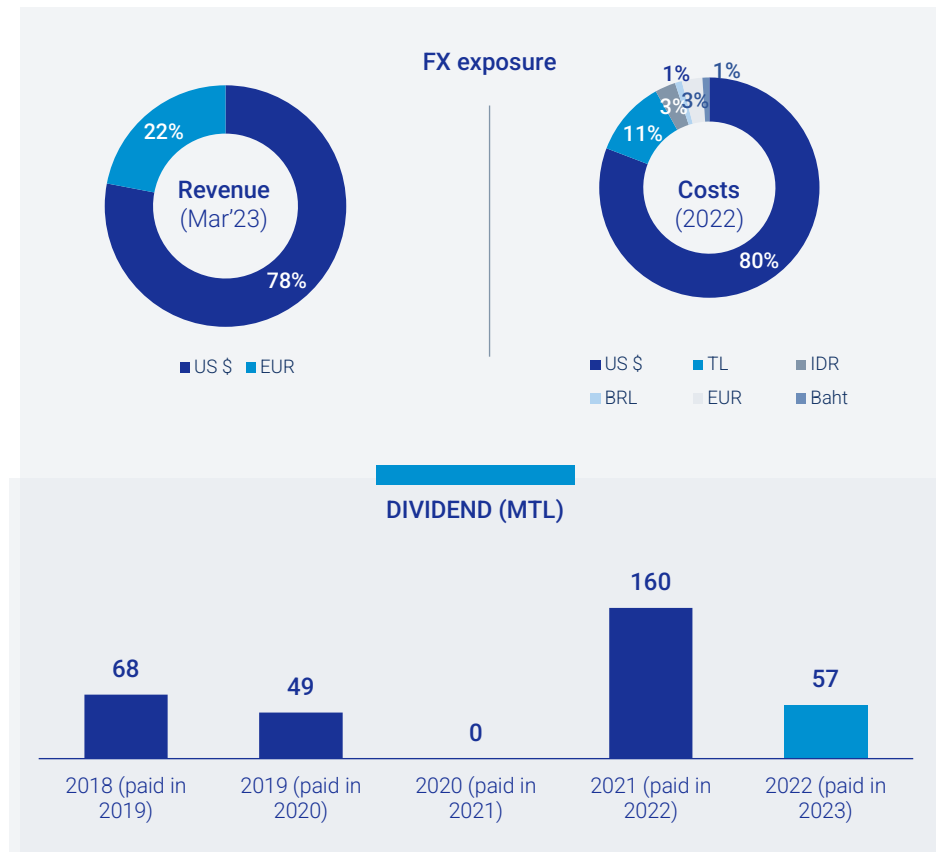
-19%

Recessional slow down
and earthquake disaster

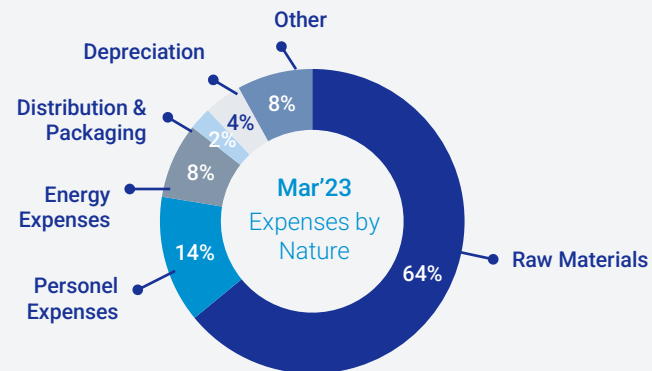
Kordsa Income Statement 1Q'23

	USD Financials (MUSD)					
	1Q'22	1Q'23	Δ	2Q'22	3Q'22	4Q'22
Sales	299	276	-7.6%	300	286	269
Gross Profit	74	41	-45.1%	55	46	39
Gross Margin (%)	24.9%	14.8%	-10 pts'	18.4%	16.0%	14.5%
OPEX (%)	9.1%	10.2%	1 pts'	9.4%	9.4%	11.5%
Operating Profit	45	14	-68.9%	28	19	14
Operating Profit Margin (%)	15.2%	5.1%	-10 pts'	9.4%	6.7%	5.4%
EBITDA	57	23	-59.5%	35	26	16
EBITDA* Margin (%)	18.9%	8.3%	-11 pts'	11.8%	9.2%	6.1%
Net Income	35	5	-86.2%	26	22	12
Effective Tax Rate (%)	23.3%	21.9%	-1 pts'	20.1%	4.4%	-366.5%
Net Income (%)	11.6%	1.7%	-10 pts'	8.6%	7.5%	4.5%

Well-Positioned for Strong Cash Generation and Dividends



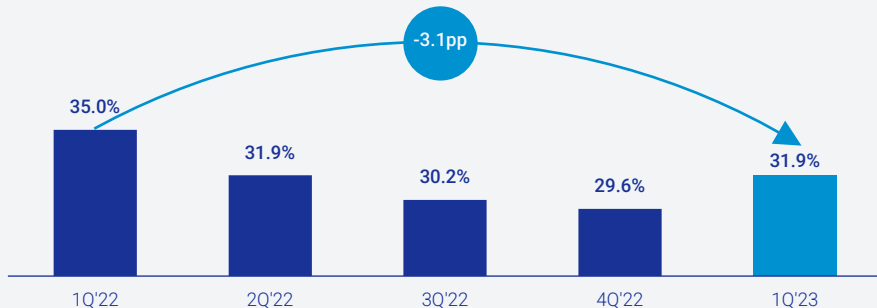
- Demonstrates value-based pricing model
- Ability to pass through raw material price volatility: (Revenue – raw material costs) tracked as a KPI by sales team
- Conversion costs as a key metric for management KPIs (main components are personnel expenses and energy costs)



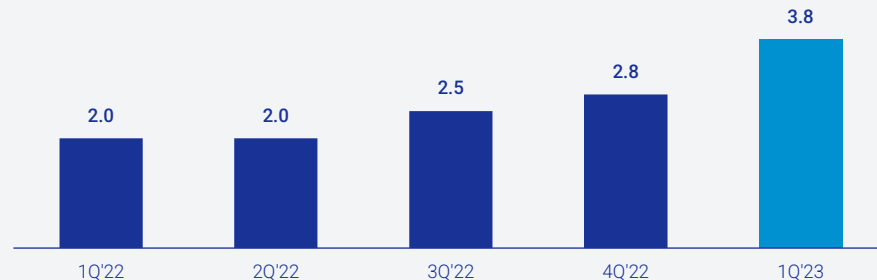
- Hard currency revenues
- FX exposure on costs -> EM footprint on local costs + hard currency priced raw materials
- Benefit from US\$ appreciation vs. TL, IDR and BRL

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\$	31.12.2022	31.03.2023	%
Net Debt	379	390	
USD-Basis	307	344	7.1%
EUR-Basis	83	77	6.8%
TRY-Basis	25	14	14.8%
Other Currencies	7	5	6.1%
Cash & Cash Equi.	-43	-50	

HIGHLIGHTS & LOWLIGHTS

HIGHLIGHTS

COMPOSITE REINFORCEMENT

The revenue contribution of composite reinforcement has reached to 53 million USD, quarterly.

EURUSD

Average quarterly EURUSD has reached to 1.07x (4Q'23: 1.02x) is helping to get higher turnover

VOLUME COMMITMENT

Despite global recession expectations and shrinkage on tire reinforcement demand, total volume are keeping the same as

ORGANIC INVESTMENT

Kordsa Turkey and North America organic investments which will be ready in 2024 will accelerate our growth in tire reinforcement segment

LOWLIGHTS

SHRINKAGE on TIRE REINFORCEMENT DEMAND

Shrinkage on tire reinforcement demand is bringing more competition from APAC which has impacts on demand and profitability.

IMBALANCE BETWEEN USDTRY and INFLATION

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

RECOVERY PROCESS in AEROSPACE INDUSTRY

Duration of recovery process in Aerospace Industry is longer than expected which impacts on composite segment's profitability

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 2022	Q1'2023	Δ	YE 2022	Q1'2023	Δ
Cash and Cash Equivalents	237	965	728	43	50	7
Account Receivables	3.557	4.060	503	206	212	6
Inventories	3.744	5.661	1.917	294	296	2
Other Current Assets	580	1.170	590	53	61	8
PPE & Intangibles	5.972	8.797	2.825	462	459	-3
Investment Property	351	437	86	23	23	0
Goodwill	1.800	2.576	776	135	135	0
Other Non-Current Assets	420	815	395	42	43	1
Account Payables	2.269	2.809	540	159	146	-13
Total Debt	4.863	8.987	4.124	422	468	18
Short Term Debt	3.677	4.806	1.129	256	250	-6
Long Term Debt	1.186	4.181	2.995	165	218	26

Kordsa Income Statement 1Q'23

	TRY Financials (MTL)					
	1Q'22	1Q'23	Δ	2Q'22	3Q'22	4Q'22
Sales	4,160	5,194	24.8%	4,639	4,962	4,679
Gross Profit	1,035	768	-25.8%	853	795	676
Gross Margin (%)	24.9%	14.8%	-10 pts'	18.4%	16.0%	14.5%
OPEX (%)	9.1%	10.2%	1 pts'	9.4%	9.4%	11.5%
Operating Profit	631	265	-58.0%	437	330	251
Operating Profit Margin (%)	15.2%	5.1%	-10 pts'	9.4%	6.7%	5.4%
EBITDA	788	431	-45.2%	546	455	287
EBITDA* Margin (%)	18.9%	8.3%	-11 pts'	11.8%	9.2%	6.1%
Net Income	484	90	-81.3%	408	387	230
Effective Tax Rate (%)	23.3%	21.9%	-1 pts'	20.1%	4.4%	-366.5%
Net Income (%)	11.6%	1.7%	-10 pts'	8.8%	7.8%	4.9%