

Kordsa

1Q'22 Financial Results

Earnings Release

May 9, 2022

Strong Demand and Profitability in Tire Reinforcement

Kordsa, which operates in the fields of tire reinforcement, construction reinforcement and composite technologies with its nearly 4,950 employees in Turkey, Indonesia, Thailand, Brazil and the USA with the mission of "reinforcing life", continued to ensure business continuity in all geographies it shows.

Using the advantage of being a global player in response to the crises in the automotive industry and the problems in the supply chain, Kordsa reports a strong capital structure in first quarter of the year with the effect of high-capacity utilization rate and effective cost management in tire reinforcement. Continuing its sustainable growth in the first quarter of 2022, the company increased EBITDA by 55.7% and net income by 77.6%. In addition to its net income reaching 34.8 MUSD, it also increased its operational efficiency with the successful outputs of strategic investments and innovation efforts, and EBITDA reached 56.6 million USD.

Following the acquisition of 4 US composite technology companies over the past few years, Kordsa has now signed an agreement to acquire the majority shares of the Italian company, Microtex Composites S.r.l. The acquisition is expected to be finalized in the second quarter of 2022, subject to the fulfillment of the closing conditions required for European FDI approval. With the acquisition of Microtex Composites S.r.l., Kordsa has expanded its customer portfolio to now include super luxury automotive producers and motorsports. Through this acquisition, Kordsa also expands its footprint into Europe and gains a European hub, from which to better serve its clients.

Expressing his satisfaction with their growth in the first quarter of 2022, Kordsa's CEO İbrahim Özgür Yıldırım evaluated the financial results in comparison to the company's targets: "We aim to maintain the strong operational performance we obtained in the first quarter until the end of the year. As a global company with a portfolio in 5 different countries across 4 continents, we are working to overcome the difficulties experienced during the Covid-19. As the demand for mobility increased with the post-Covid effects, Kordsa supplied this increase in demand thanks to its alternative supply chain routes through its global footprint. With our solutions, we were able to ensure the continuity of the business during and after the pandemic period. Our revenues from our foreign operations and exports constitute 95% of our consolidated turnover. As an advanced material technologies company, we continue our reinforcement journey by sailing towards new horizons in Europe. We create economic value in the geographies where we operate and strive for a sustainable future by using natural resources responsibly."

FINANCIAL HIGHLIGHTS

- In the first quarter of 2022, sales revenues increased by 46% compared to the same period of the previous year and amounted to 299 million USD (4.2 billion TRY). Along with the high demand in the tire reinforcement segment, the positive effect of the increase in raw material prices on sales prices stood out as an important factor in the growth rate of turnover. In the same period, the turnover generated from the construction segment reached 2.1 million USD with 36% growth rate and composite segment realized as 24 million USD with %21 growth rate.
- Compared to the first quarter of 2021, EBITDA growth reached 46% with strong demand in the tire reinforcement industry, high-capacity utilization rate and effective cost management. This quarter EBITDA margin was 18.9%. Kordsa achieved the best quarter performance for EBITDA as 56.6 million USD (788 million TRY) over the years.
- Net profit of 35 million USD (484 million TRY) was the highest realized net profit figure on a quarterly basis. In the related period, the net profit margin was realized as 11.6%.
- Made an investment of 70 million TL (5.0 million USD) for the sustainability of machinery and products throughout the first quarter of 2022.
- Due to increases on raw material prices, financial debts realized as 332 million USD. The net debt/EBITDA ratio stood at 2.0x. This rate was 2.2x at the end of 2021.

SEGMENTS HIGHLIGHTS

Tire Reinforcement:

- The recovery process which continued strongly in 2021 continues as strong demand in 2022. On a first quarter basis, the volume growth rate was 4.4% due to the base effect of the first quarter of the previous year.
- Sales volumes in all regions, are above the all quarters of 2021.
- High demand in EMEA supported volume growth significantly, while demand in other regions accelerated overall growth.
- The increases on oil prices due to increases on global risk levels increased PET HMLS raw material prices. NY66 raw materials prices had a material change on the second half of 2021, that's why in the first quarter of 2022, they was stable compared to the last quarter of 2021. Sustainable profit margin was maintained together with effective cost management and pricing policy.
- Increases in freight costs have become an important risk factor for all players in the industry.

Composite Reinforcement:

- Due to the fact that the recovery in the sector after Covid-19 has not started, the turnover of the segment in the first quarter of 2022 was 24 million USD. In 2021, this figure was 20 million USD. On the basis of the first quarter, the growth rate is around 22% compared to the same period of the previous year.

Construction Reinforcement:

- With the increase in domestic demand and the emphasis on export activities, the turnover increased by 36% compared to 2021 and reached 2.1 million USD.

FINANCIAL RESULTS

	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'

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