

Kordsa.com



Investor Presentation

Aug, 2022

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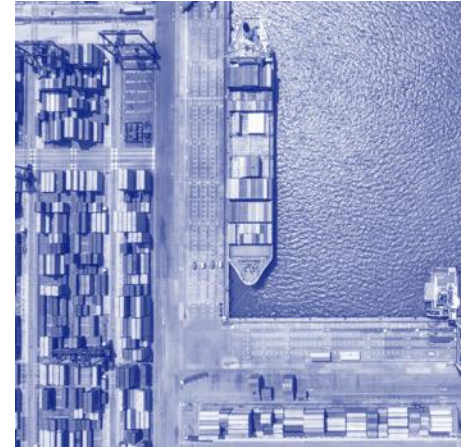
Who we are

4 continents
12 facilities

~**5,000**
employees

2 R&D
center

906 patent applications
503 patents



WE **REINFORCE** LIFE

AGENDA

01.

Kordsa Story

02.

Sustainability

03.

Investment
Highlights

04.

Operations

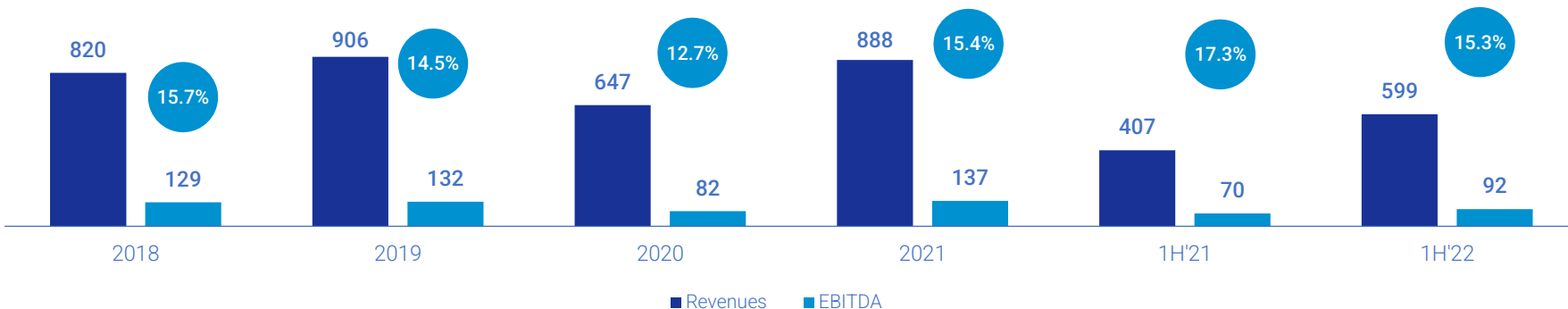
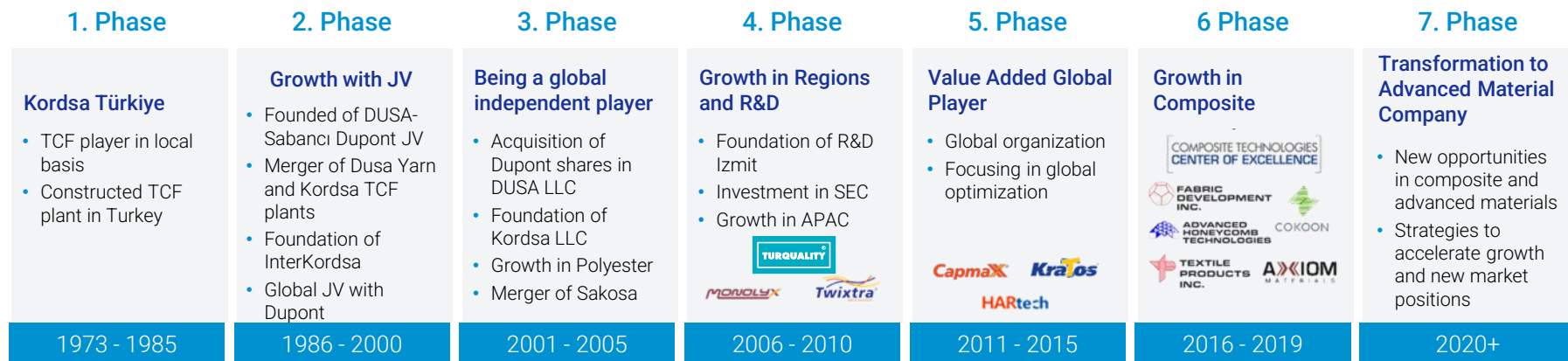
05.

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

13 CLIMATE ACTION




2030
30% 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
50% total waste reduction per tonnage product

8 DECENT WORK AND ECONOMIC GROWTH



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

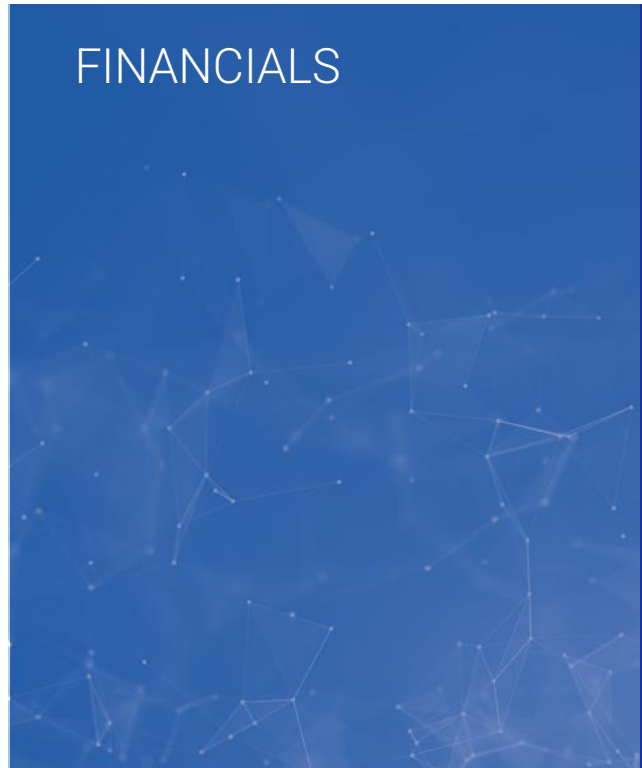
05.

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

OPERATIONS



FINANCIALS



Global Footprint

NORTH AMERICA

+63% vs. 2021
+48% vs. 2020

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

+37% vs. 2021
+120% vs. 2020

Brazil

EMEA

+44% vs. 2021
+100% vs. 2020

Istanbul
Izmit

APAC

+41% vs. 2021
+144% vs. 2020

Thailand

Indonesia

Brazil

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

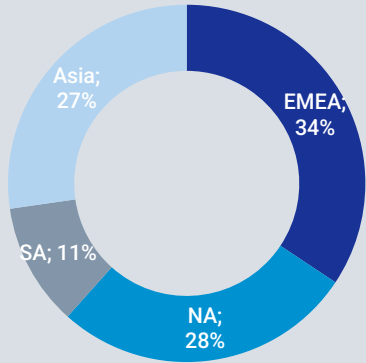
#2 NY TCF producer

#2 PET TCF producer

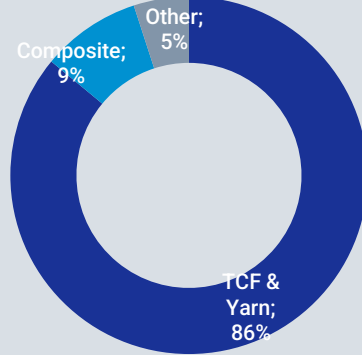
Segment Reporting Results

Jun, 22 Revenue Split

By Region

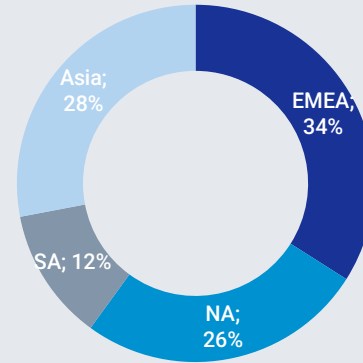


By Product

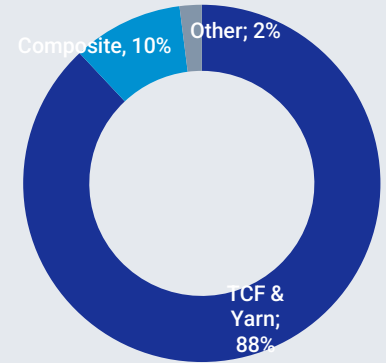


Jun, 21 Revenue Split

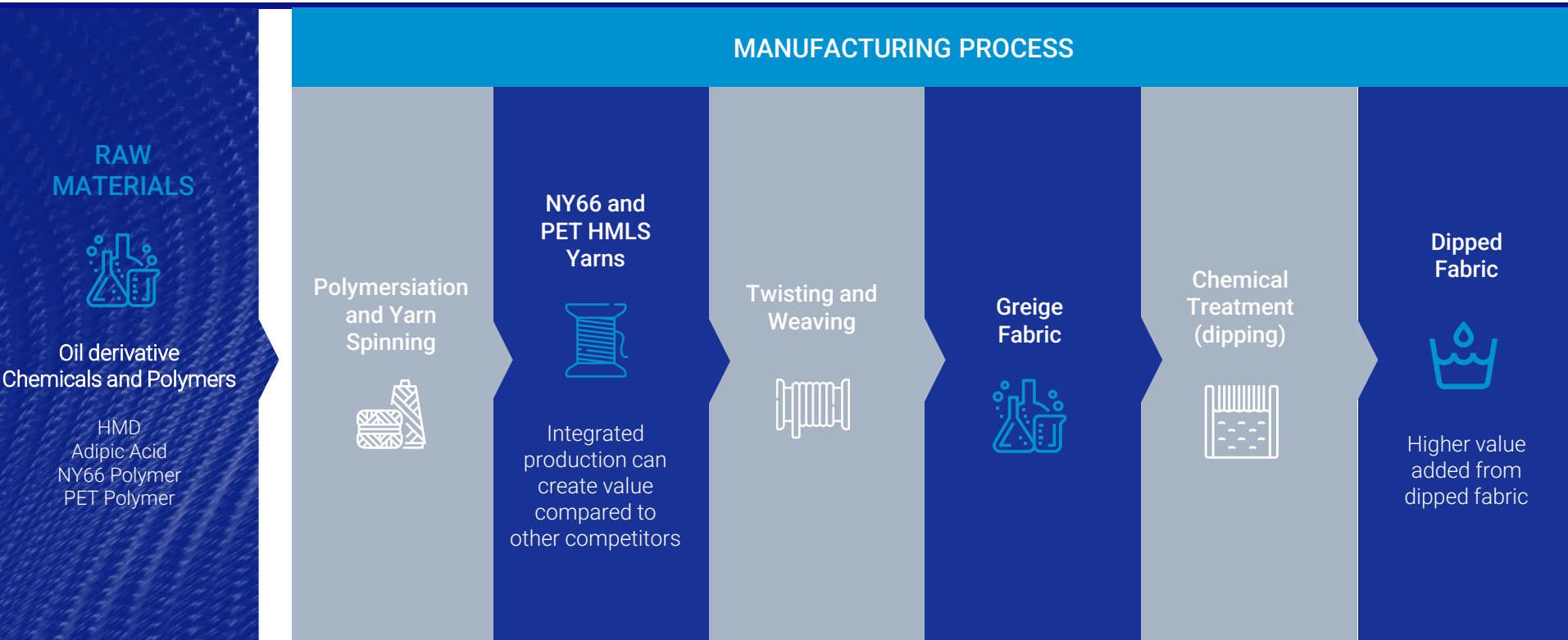
By Region



By Product



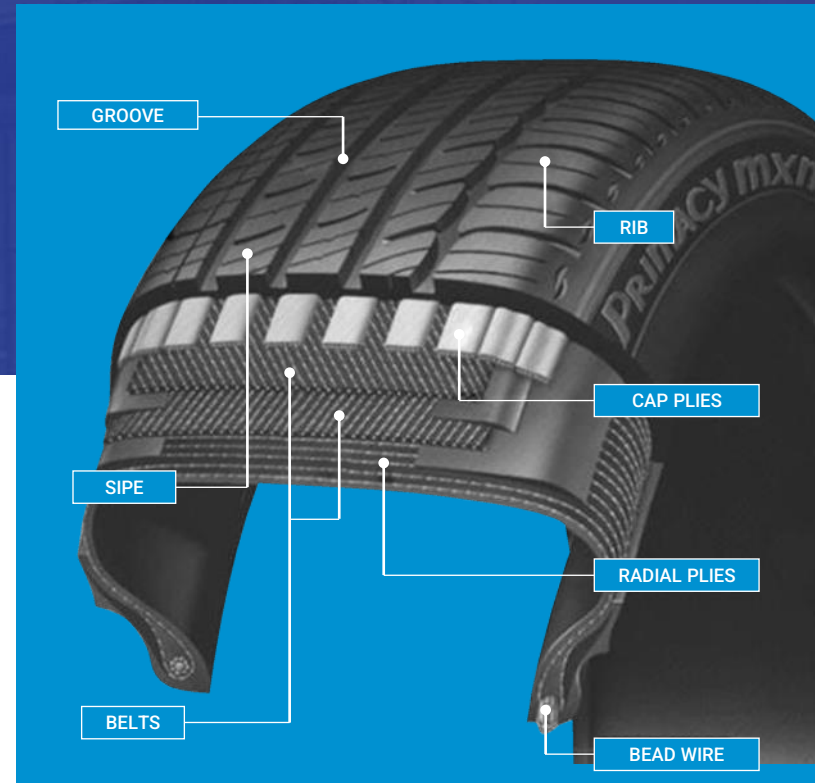
Tire Cord Fabric Value Chain



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

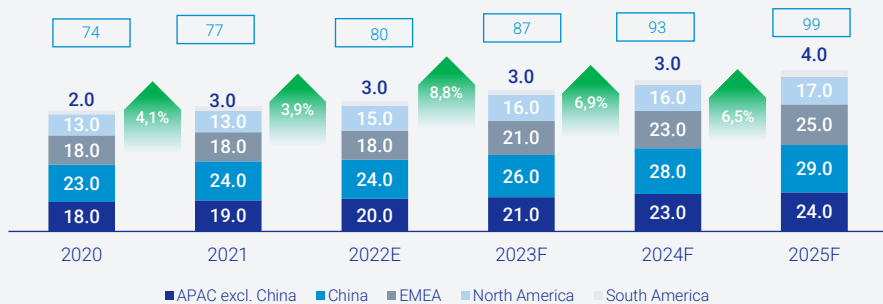
Where do **our products** go...

- 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

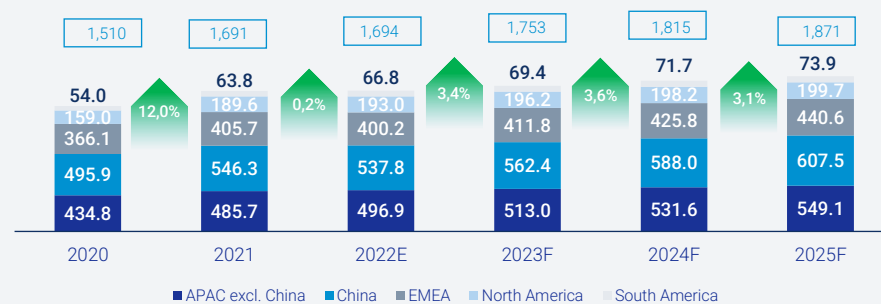


Market Dynamics / Tire

Global Automotive Market (million units)



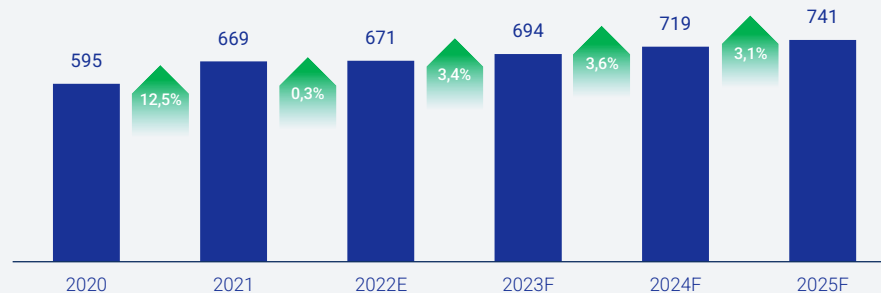
Global Tire Market (million units)



Tire Reinforcement Market (NY6.6-ktons)



Tire Reinforcement Market (PET-ktons)



Composite Value Chain

RAW MATERIALS

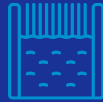


Fibers:

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

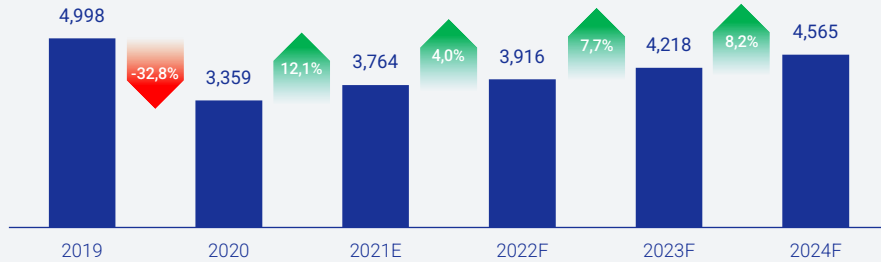
COMPOSITE PARTS

- 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

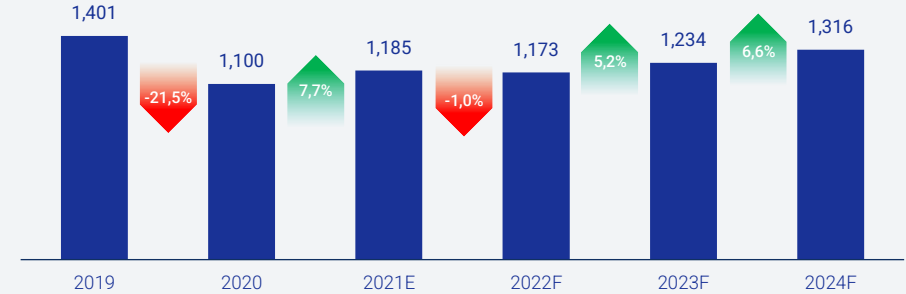


Market Drivers / Composite

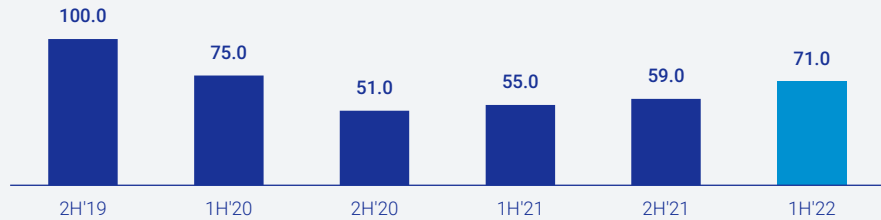
Global Prepreg Market ('000 USD)



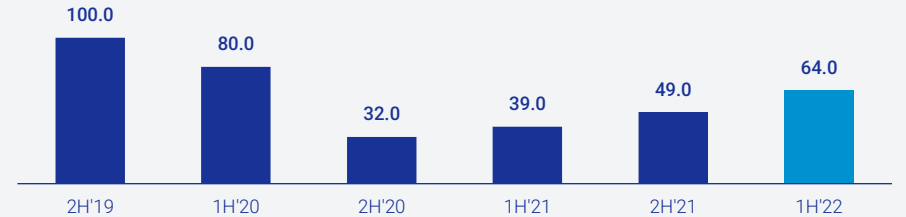
Global Carbon Fabric Market ('000 USD)



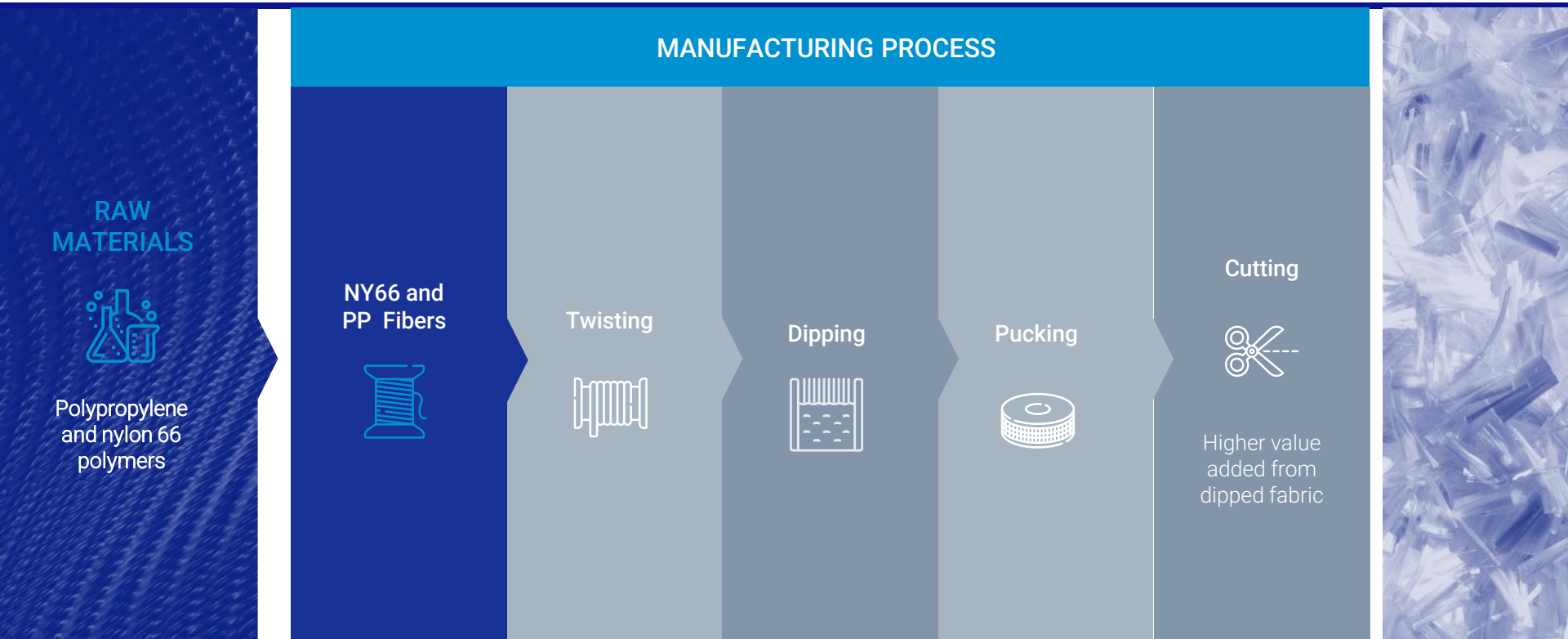
Kordsa Composites Indexed Revenue



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



REVENUE



599
MUSD
All Hard-Currency

47% ↑ YOY

EBITDA MARGIN



15.3%

92 MUSD
robust margin

NET INCOME



61
MUSD

~ 22% increase

VOLUME GROWTH



10%

Strong demand in
tire reinforcement




Kordsa Income Statement 1H'22

	USD Financials (MUSD)					
	1H 2021	1H 2022	Δ	2Q 2021	2Q 2022	Δ
Sales	407	599	47.1%	202	300	48.6%
Gross Profit	94	129	37.1%	46	54	17.5%
Gross Margin (%)	23.0%	21.5%	-2 pts'	22.8%	18.1%	-5 pts'
OPEX (%)	10.6%	9.2%	-2 pts'	10.6%	9.2%	-2 pts'
Operating Profit	69	73	5.2%	37	28	-25.4%
Operating Profit Margin (%)	16.9%	12.1%	-5 pts'	18.4%	9.2%	-9 pts'
EBITDA	70	92	30.8%	34	35	3.8%
EBITDA* Margin (%)	17.3%	15.3%	-2 pts'	16.9%	11.8%	-5 pts'
Net Income	50	61	21.7%	30	24	-19.0%
Effective Tax Rate (%)	10.8%	20.1%	9 pts'	5.5%	21.9%	16 pts'
Net Income (%)	12.3%	10.1%	-2 pts'	14.7%	8.0%	-7 pts'

RESULTS

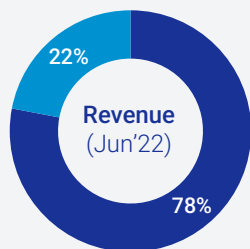
RESULTS			DRIVERS
	Microtex Composites	24.6 M€ (Deal Value)	<ul style="list-style-type: none"> Finalized the purchase of 60% shares for 24,6 M€ Microtex specializes in carbon fiber weaving and prepreg production with focus on super-luxury automotive and motorsports in Europe Transaction in support of our diversification of industry and products Strong financial performance contributing to Kordsa composite segment
	Tire Reinforcement Demand Growth	16% (vs 2Q'21)	<ul style="list-style-type: none"> Volume growth across all regions, putting 2022 results well above 2021. Growth leaders NA and EMEA, respectively. Local player position enhanced market position Strong demand continued in Q2.
	PET Investment in Kordsa Turkey	9.8 M\$	<ul style="list-style-type: none"> Total investment : 9.8 M\$ Start up planned in Q3 2024 Additional 7kt/yr PET HMLS yarn capacity for KTR Elimination of 3rd party yarn purchases, will improve margins of PET TCF
	Feedstock Prices	>40% NY >20% PET	<ul style="list-style-type: none"> Hiking commodity and energy prices impacted feedstock prices in Q2 In Q3 2022, down-turn on raw material prices have started lead by Asia Supply security is still an issue due to continuing ocean transport issues

RESULTS

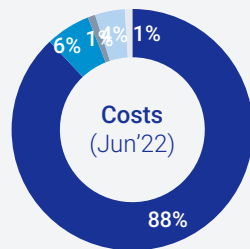
RESULTS			DRIVERS
	USD-Based Revenue Growth	47.1% (vs 1H'21)	<ul style="list-style-type: none"> • Strong tire reinforcement demand driving prices up • 54 M\$ revenue contribution from composite segment (+30% YOY) • Price increases excepted by market due to commodity, energy and freight price hikes
	Tire Reinforcement Demand Growth	10% (vs 1H'21)	<ul style="list-style-type: none"> • Volume growth across all regions • Growth leaders NA and EMEA, respectively. • Local player position enhancing market position • Steady demand continuing into 2H'22.
	EBITDA Margin	15.3%	<ul style="list-style-type: none"> • High freight costs on both incoming and outgoing materials, energy costs and inflationist pressures impact OPEX.
	Net Income	61 M\$	<ul style="list-style-type: none"> • Strong EBITDA improves net income • Cost of financing is on the rise especially in TR • Recorded 3.4 M\$ as 2021 donation to Sabancı University as per our Articles of Association

Well-Positioned for Strong Cash Generation and Dividends

FX exposure

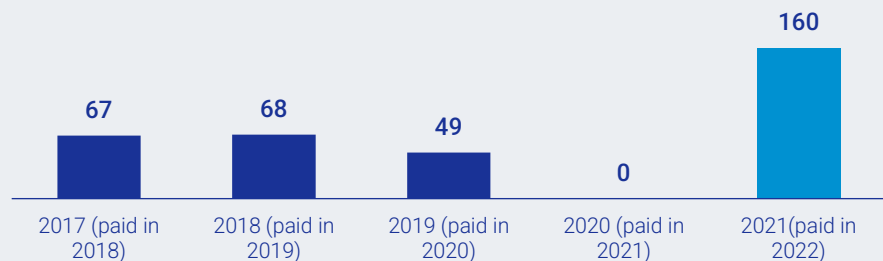


■ US \$ ■ EUR

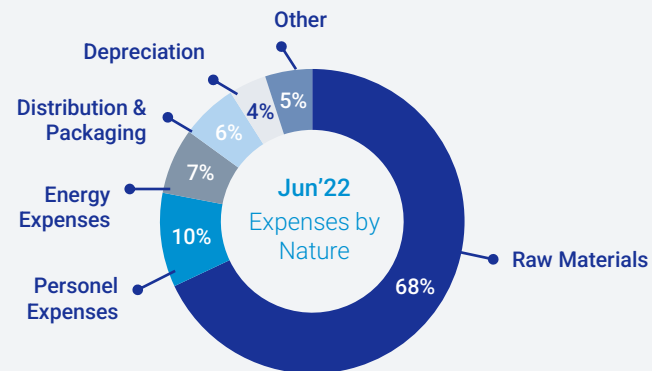


■ US \$ ■ TL ■ IDR ■ BRL ■ Baht

Dividend (MTL)



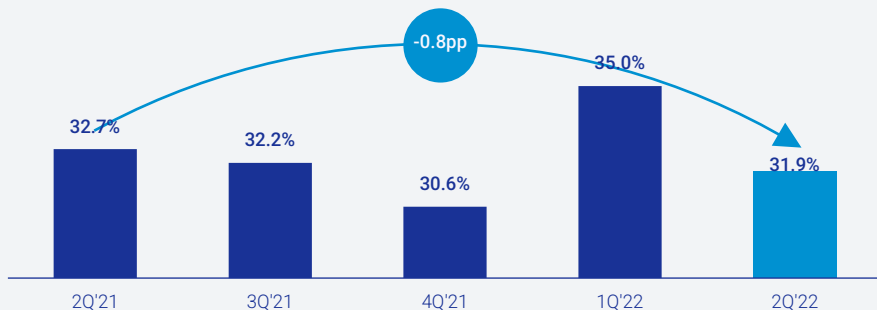
- Demonstrates value-based pricing model
- Ability to pass through raw material price volatility: (Revenue – raw material costs) tracked as a KPI by sales team
- Conversion costs as a key metric for management KPIs (main components are personnel expenses and energy costs)



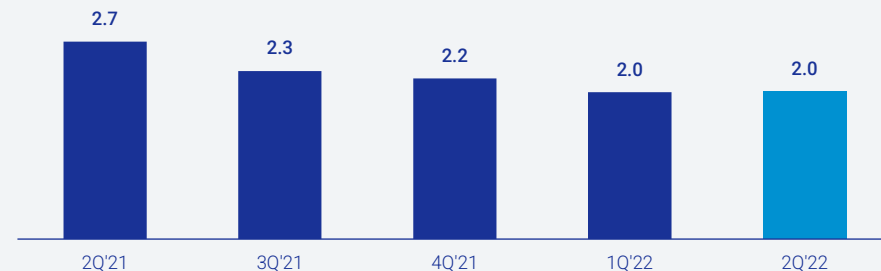
- Hard currency revenues
- FX exposure on costs -> EM footprint on local costs + hard currency priced raw materials
- Benefit from US\$ appreciation vs. TL, IDR and BRL

Well-Positioned for Strong Cash Generation

Average Working Capital Turnover



Net Debt / EBITDA



INVENTORIES UP 21% Y-O-Y

Driven by strong demand in tire and rm price increases

RECEIVABLES UP 23% Y-O-Y

Driven by strong demand in tire reinforcement and price increases

PAYABLES UP 14% Y-O-Y

Driven by strong demand in tire reinforcement and rm price increases

M\$	Amount		Avg. Int. Rates
	31.12.2021	30.06.2022	%
Net Debt	299	320	
USD-Basis	193	278	3.1%
EUR-Basis	75	53	2.8%
TRY-Basis	41	41	14.9%
Other Currencies	4	9	7.2%
Cash & Cash Equi.	-15	-59	

HIGHLIGHTS & LOWLIGHTS

HIGHLIGHTS

TIRE REINFORCEMENT DEMAND

Steady trend expected to continue in 2H'22

STRONG LOCAL PLAYER GAME

Global footprint helps to be the preferred / majority supplier of internationals and locals

GROWTH PLANS

Lower net debt/EBITDA creates room for further M&A's (Microtex S.r.l.)

GROWTH IN ALL REGIONS

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

LOWLIGHTS

RECOVERY PROCESS in COMPOSITE

Recovery is taking longer than expected impacting profitability of segment

GLOBAL CRISIS (UKRAINE – RUSSIA WAR)

Global uncertainties promotes the increase in commodity and energy prices

RAW MATERIAL and FREIGHT

Equipment and port issues continue, less lines to operate
With expectation of a slower H2 globally, freight and commodity prices are expected to decrease especially in Q4

GLOBAL RECESSION

Expectations for global recession are increasing
Cost and availability of funds could be more challenging.
High caution is needed to manage working capital to meet abrupt changes in demand and supply.

Thank You



THE REINFORCER

Balance Sheet

	TL Financials (MTL)			USD Financials (MUSD)		
	YE 2021	1H 2022	Δ	YE 2021	1H 2022	Δ
Cash and Cash Equivalents	195	989	794	15	59	45
Account Receivables	2,566	3,966	1,399	193	238	45
Inventories	2,989	4,535	1,546	224	272	48
Other Current Assets	436	643	207	33	39	6
PPE & Intangibles	5,238	6,698	1,461	410	402	-8
Investment Property	320	400	80	24	24	0
Goodwill	1,640	2,049	410	123	123	0
Other Non-Current Assets	395	485	90	30	29	-1
Account Payables	1,927	2,759	832	144	165	21
Total Debt	4,179	6,338	2,159	313	380	66
Short Term Debt	2,912	3,156	243	218	189	-29
Long Term Debt	1,266	3,182	1,916	95	191	96
Other Liabilities	7,905	1,829	-6,076	107	110	2

Kordsa Income Statement 1H'22

	USD Financials (MUSD)					
	1H 2021	1H 2022	Δ	2Q 2021	2Q 2022	Δ
Sales	3,203	8,799	174.7%	1,692	4,639	174.2%
Gross Profit	738	1,888	156.0%	386	853	120.9%
Gross Margin (%)	23.0%	21.5%	-2 pts'	22.8%	18.4%	-5 pts'
OPEX (%)	10.6%	9.2%	-2 pts'	10.6%	9.2%	-2 pts'
Operating Profit	543	1,068	96.8%	311	437	40.6%
Operating Profit Margin (%)	16.9%	12.1%	-5 pts'	18.4%	9.4%	-9 pts'
EBITDA	553	1,364	146.7%	285	547	91.6%
EBITDA* Margin (%)	17.3%	15.5%	-2 pts'	16.9%	11.8%	-5 pts'
Net Income	393	892	127.2%	249	408	64.0%
Effective Tax Rate (%)	10.8%	20.1%	9 pts'	5.5%	21.9%	16 pts'
Net Income (%)	12.3%	10.1%	-2 pts'	14.7%	8.8%	-6 pts'