

Kordsa.com



Investor Presentation

Nov, 2022

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.

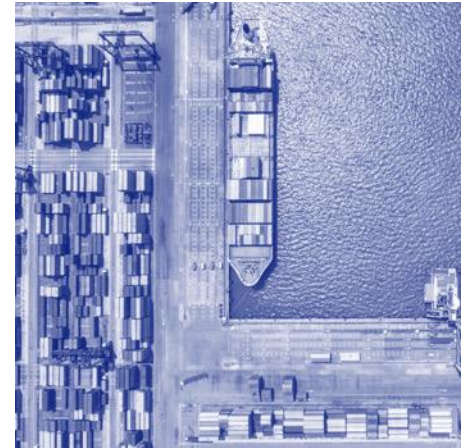
Who we are

4 continents
13 facilities

~**5,100**
employees

2 R&D
center

909 patent applications
506 patents



WE **REINFORCE** LIFE

AGENDA

01.

Kordsa Story

02.

Sustainability

03.

Investment
Highlights

04.

Operations

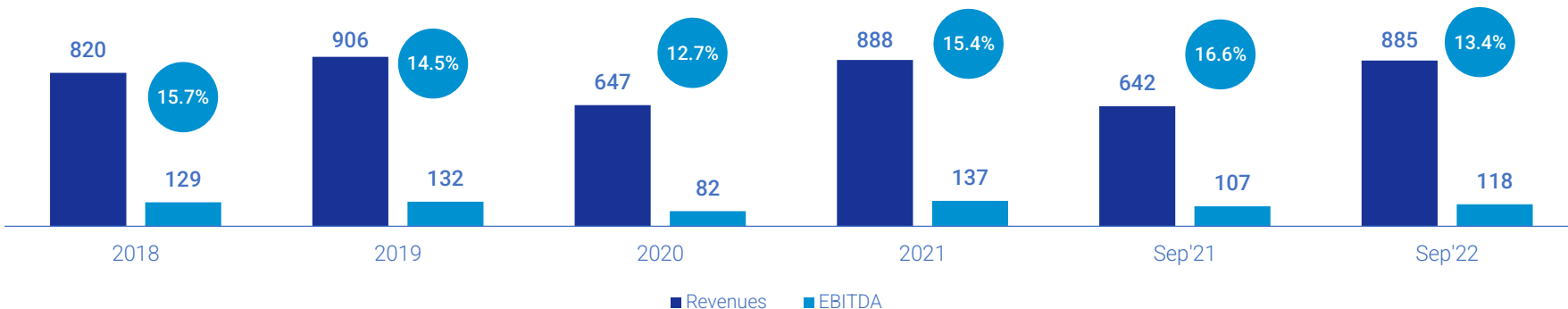
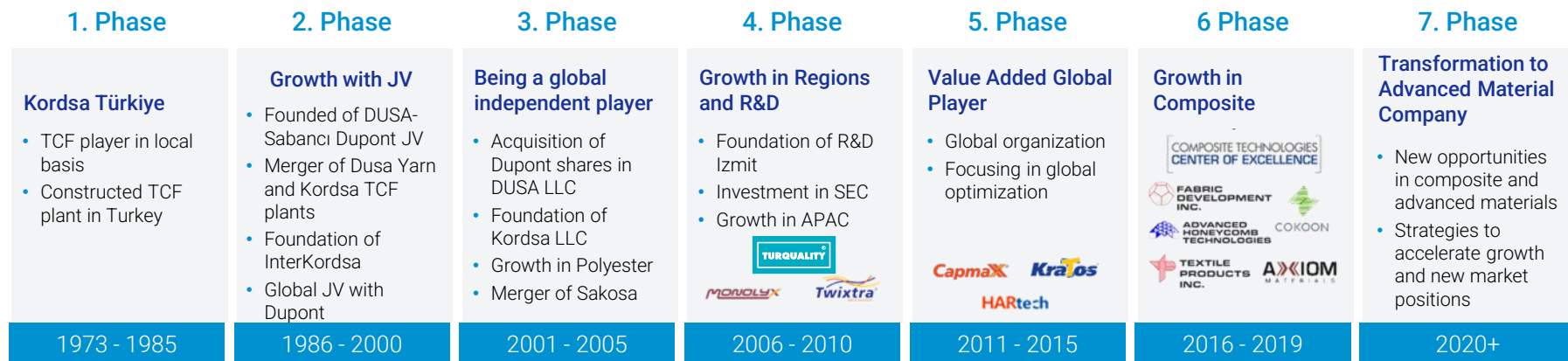
05.

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

30% 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



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

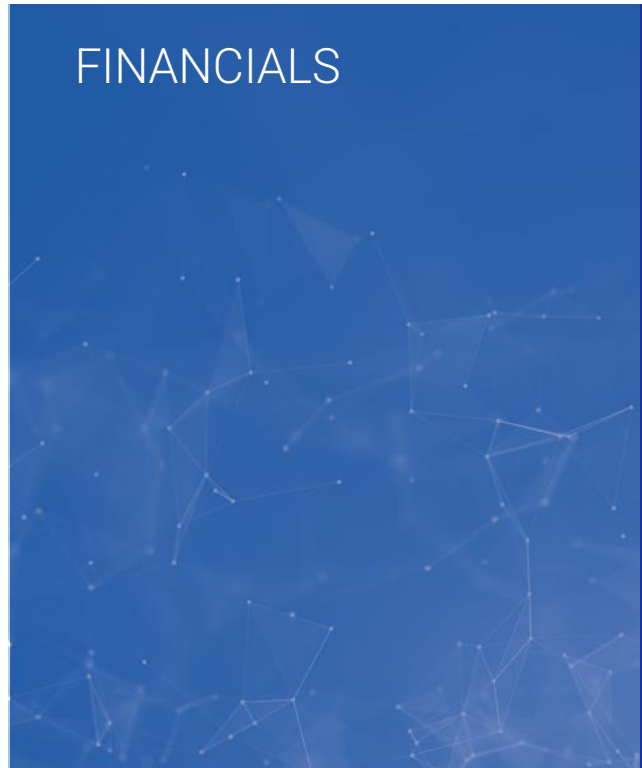
05.

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

OPERATIONS



FINANCIALS



Global Footprint

NORTH AMERICA

+52% vs. 2021
+59% 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

+25% vs. 2021
+59% vs. 2020

Brazil

EMEA

+36% vs. 2021
+107% vs. 2020

Istanbul
Izmit
Pistoia, Italy

APAC

+32% vs. 2021
+128% vs. 2020

Thailand
Indonesia
Indonesia

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

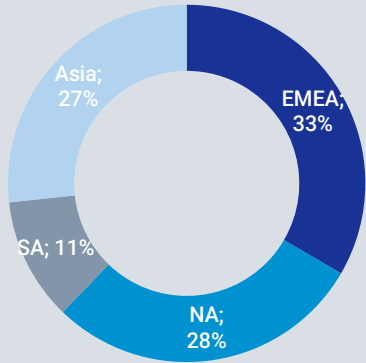
#2 NY TCF producer

#2 PET TCF producer

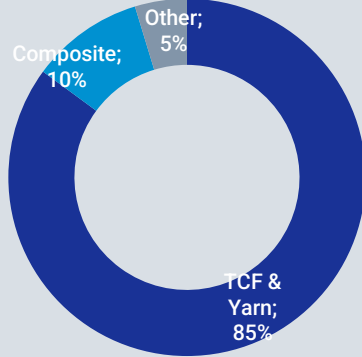
Segment Reporting Results

Sep, 22 Revenue Split

By Region

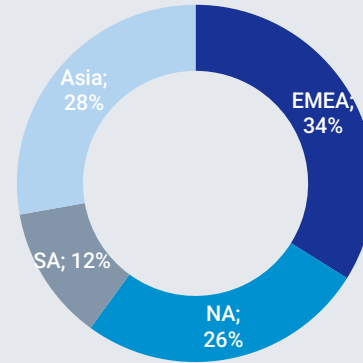


By Product

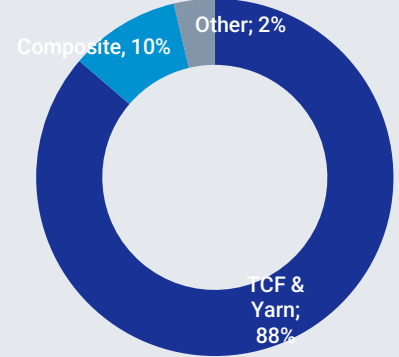


Sep, 21 Revenue Split

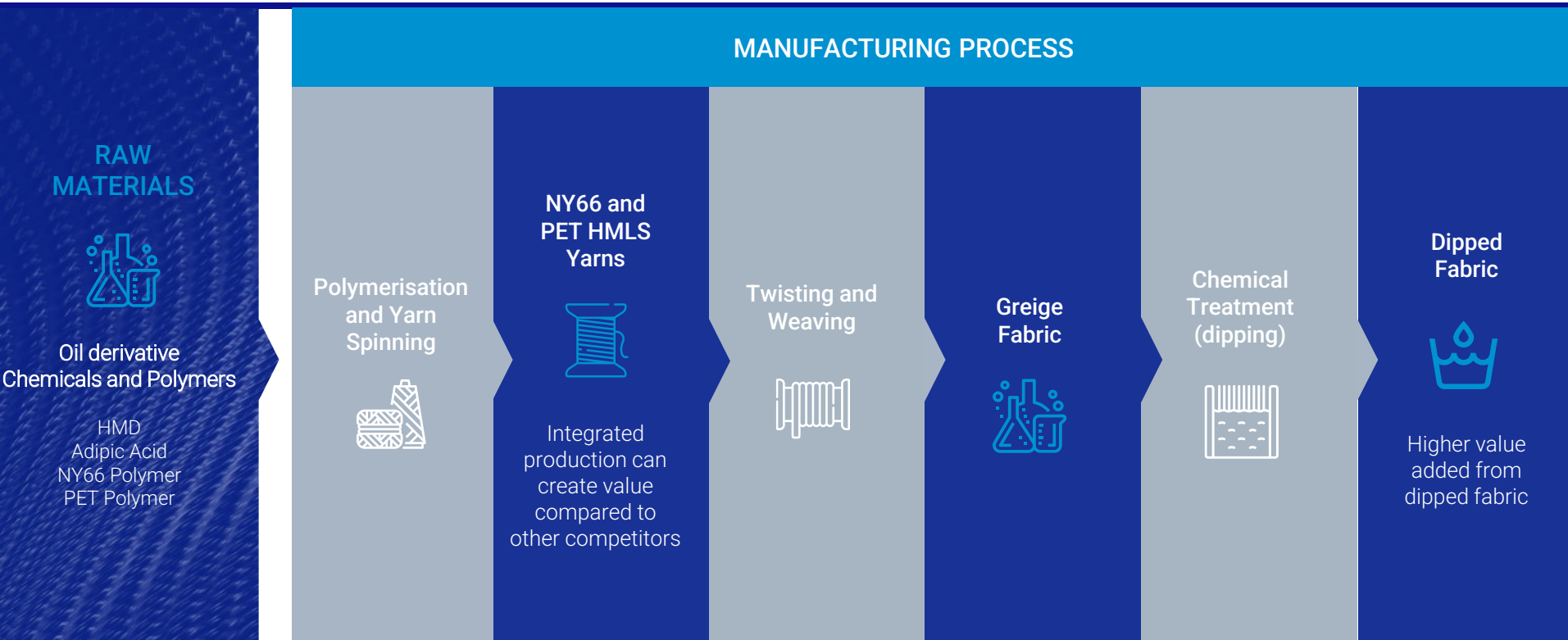
By Region



By Product



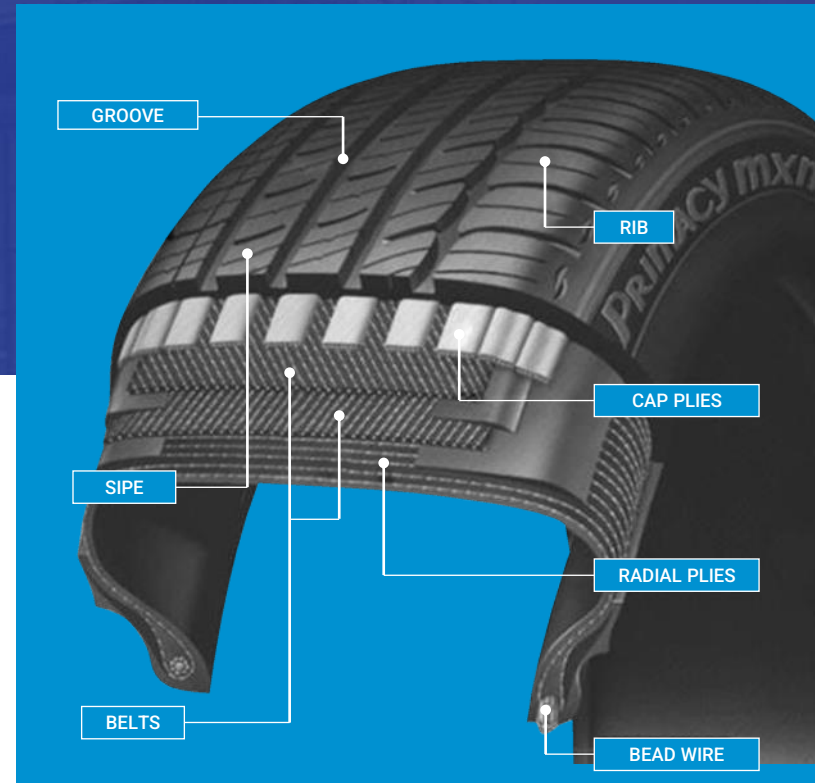
Tire Cord Fabric Value Chain



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

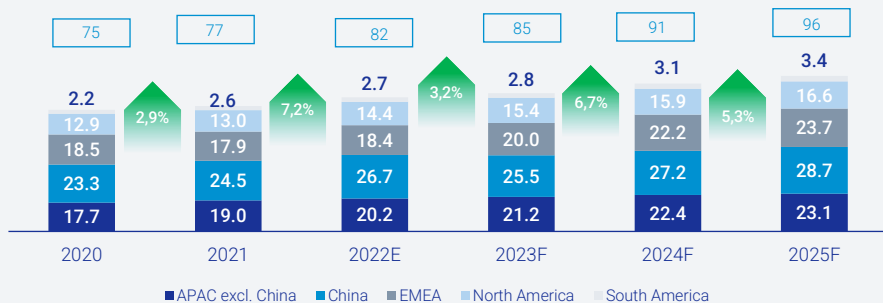
Where do **our products** go...

- 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

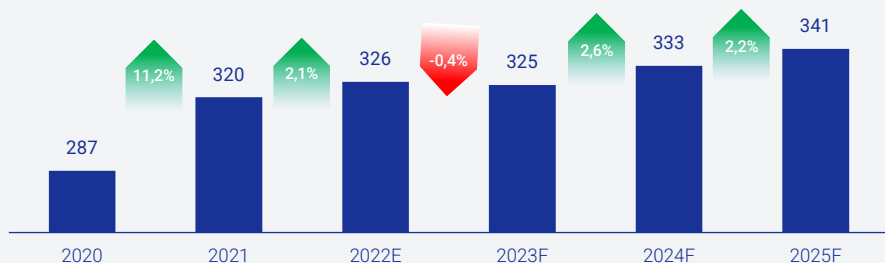
Global Automotive Market (million units)



Global Tire Market (million units)



Tire Reinforcement Market (NY6.6-ktons)



Tire Reinforcement Market (PET-ktons)



Composite Value Chain

RAW MATERIALS

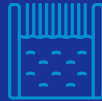


Fibers:

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

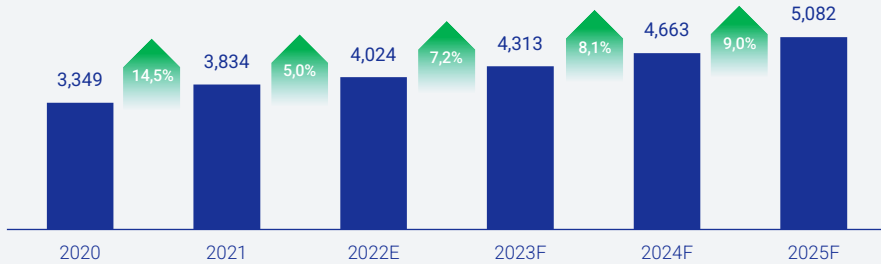
COMPOSITE PARTS

- 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

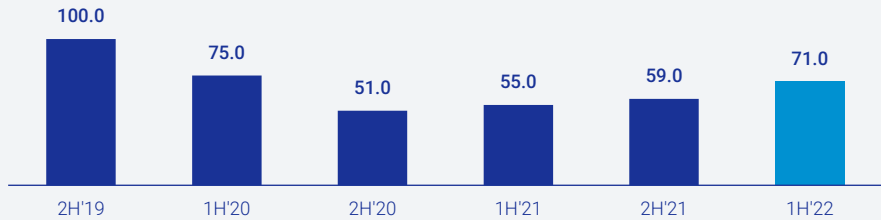
Global Prepreg Market ('000 USD)



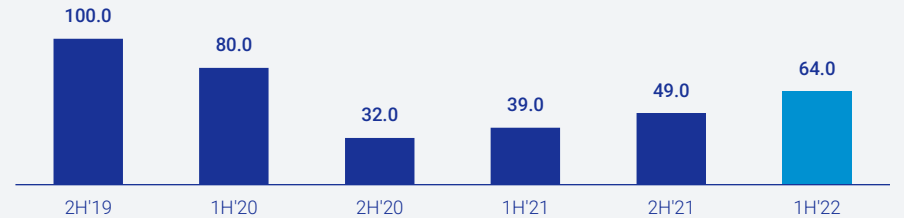
Global Carbon Fabric Market ('000 USD)



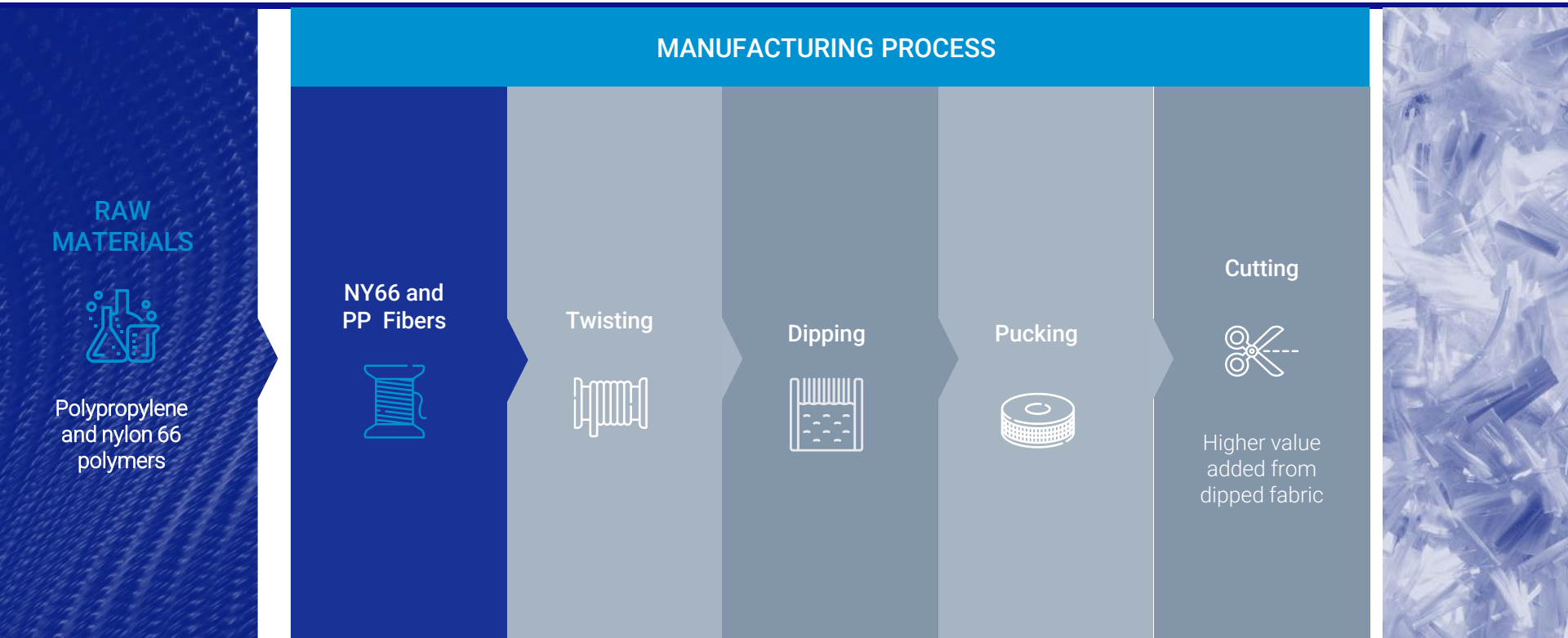
Kordsa Composites Indexed Revenue



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



855
MUSD
All Hard-Currency

38% ↑ YOY

EBITDA MARGIN



13.4%

118 MUSD
11% ↑ YOY

NET INCOME



82
MUSD

~ 16% increase

VOLUME GROWTH







6%

Strong demand in
tire reinforcement

Kordsa Income Statement Sep'22

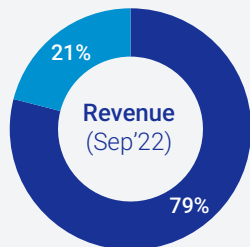
	USD Financials (MUSD)					
	Sep'21	Sep'222	Δ	3Q 2021	3Q 2022	Δ
Sales	642	885	37.9%	235	286	21.8%
Gross Profit	145	173	19.3%	51	44	-13.5%
Gross Margin (%)	22.5%	19.5%	-4 pts'	21.7%	15.4%	-7 pts'
OPEX (%)	10.6%	9.3%	-2 pts'	10.7%	9.4%	-2 pts'
Operating Profit	100	90	-10.4%	31	17	-44.8%
Operating Profit Margin (%)	15.6%	10.1%	-6 pts'	13.3%	6.0%	-7 pts'
EBITDA	107	118	10.9%	36	26	-27.7%
EBITDA* Margin (%)	16.6%	13.4%	-4 pts'	15.5%	9.2%	-6 pts'
Net Income	71	82	15.9%	21	22	2.3%
Effective Tax Rate (%)	13.5%	17.3%	4 pts'	19.3%	4.4%	-15 pts'
Net Income (%)	11.1%	9.3%	-2 pts'	9.0%	7.5%	-1 pts'

RESULTS

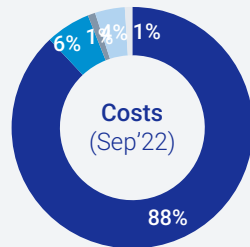
	Revenue Trend	286.0 M\$	<ul style="list-style-type: none"> • 21% growth compared to the same quarter of 2021 • 83% revenues coming from tire reinforcement. • With the contribution of Microtex, the shares of composite in revenue reached to 13% • Important effect coming from EURUSD depreciation
	EBITDA	26 M\$ (vs 2Q'21)	<ul style="list-style-type: none"> • Important effect coming from EURUSD Parity (2Q'22 vs 3Q'22 : 1.07 vs 1.01) • Increasing global costs in an inflationary environment • Increasing in inflationary expenses, especially labor and energy in EMEA • Imbalances between inflation growth and fx rate changes.
	Investments in Turkey and America	22 M\$ vs 20 M\$	<ul style="list-style-type: none"> • Total investment: 42M\$ (22 M\$ in Kordsa Turkey and 20 M\$ in Kordsa US) • Single-end cord, construction and PET Yarn investments in Turkey • Dipping production line in Kordsa US • Start up planned in 1H 2024
	Composite Segment	37.0 M\$ (Revenue)	<ul style="list-style-type: none"> • Finalized the purchase of 60% Microtex shares for 24,6 M€ in the 5th August, 2022 • 4.4 M\$ revenue contribution from Microtex for only 1,5 months • The recovery process in aerospace industry has not started yet • Due to shrinkage in aerospace industry, 64% growth compared to 3Q'21

Well-Positioned for Strong Cash Generation and Dividends

FX exposure

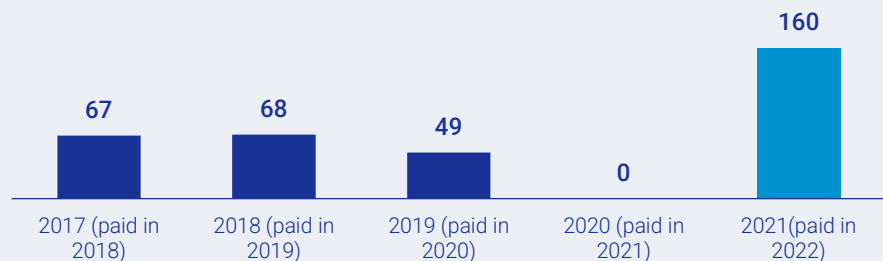


■ US \$ ■ EUR

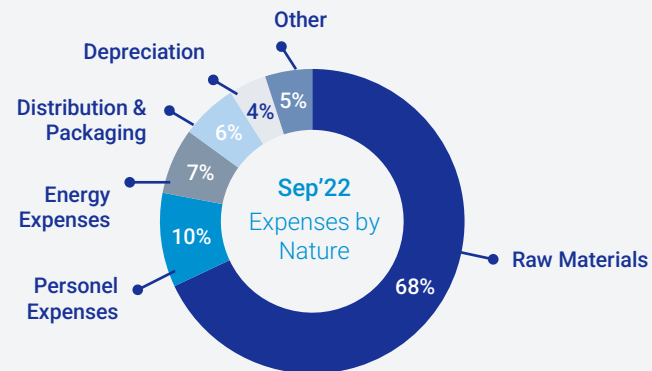


■ US \$ ■ TL ■ IDR ■ BRL ■ Baht

Dividend (MTL)



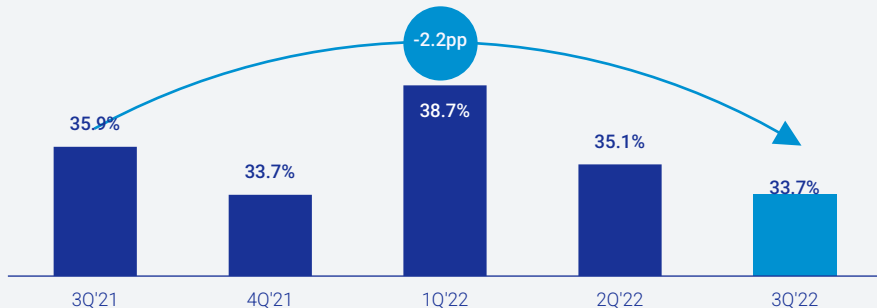
- Demonstrates value-based pricing model
- Ability to pass through raw material price volatility: (Revenue – raw material costs) tracked as a KPI by sales team
- Conversion costs as a key metric for management KPIs (main components are personnel expenses and energy costs)



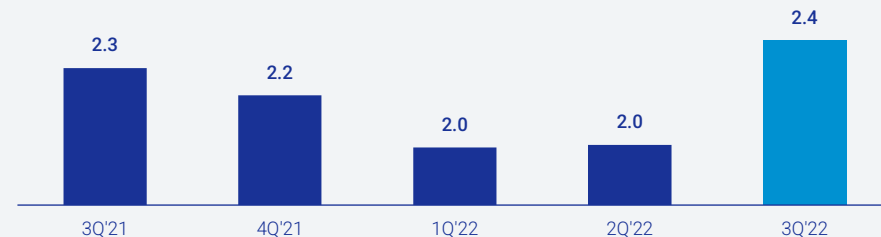
- Hard currency revenues
- FX exposure on costs -> EM footprint on local costs + hard currency priced raw materials
- Benefit from US\$ appreciation vs. TL, IDR and BRL

Well-Positioned for Strong Cash Generation

Average Working Capital Turnover



Net Debt / EBITDA



INVENTORIES UP 58% Y-O-Y

Driven by strong demand in tire, rm price increases and longer shipment periods

RECEIVABLES UP 24% Y-O-Y

Driven by strong demand in tire reinforcement and price increases

PAYABLES UP 54% Y-O-Y

Driven by strong demand in tire, rm price increases and longer shipment periods

M\$	Amount		Avg. Int. Rates
	31.12.2021	30.09.2022	%
Net Debt	299	365	
USD-Basis	193	316	3.9%
EUR-Basis	75	62	2.5%
TRY-Basis	41	5	13.0%
Other Currencies	4	8	4.5%
Cash & Cash Equi.	-15	-26	

HIGHLIGHTS

TIRE REINFORCEMENT DEMAND

Strong tire reinforcement demand continued in 3Q'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	Sep 2022	Δ	YE 2021	Sep 2022	Δ
Cash and Cash Equivalents	195	482	288	15	26	11
Account Receivables	2,566	4,269	1,703	193	231	38
Inventories	2,989	5,851	2,862	224	316	92
Other Current Assets	436	819	383	33	44	12
PPE & Intangibles	5,238	7,565	2,328	410	409	-2
Investment Property	320	444	124	24	24	0
Goodwill	1,640	2,707	834	123	146	23
Other Non-Current Assets	395	568	173	30	31	1
Account Payables	1,927	3,383	1,455	144	182	38
Total Debt	4,179	7,230	3,052	313	390	76
Short Term Debt	2,912	4,017	1,105	218	217	-2
Long Term Debt	1,266	3,213	1,946	95	173	78
Other Liabilities	7,905	12,093	4,189	107	132	-461

Kordsa Income Statement Sep'22

	TL Financials (MTL)					
	Sep'21	Sep'222	Δ	3Q 2021	3Q 2022	Δ
Sales	5,190	13,761	165.2%	1,987	4,962	149.8%
Gross Profit	1,169	2,683	129.4%	432	795	84.1%
Gross Margin (%)	22.5%	19.5%	-4 pts'	21.7%	16.0%	-6 pts'
OPEX (%)	10.6%	9.3%	-2 pts'	10.7%	9.4%	-2 pts'
Operating Profit	789	1,399	77.4%	246	330	34.4%
Operating Profit Margin (%)	15.2%	10.2%	-5 pts'	12.4%	6.7%	-5 pts'
EBITDA	861	1,837	113.3%	308	473	53.5%
EBITDA* Margin (%)	16.6%	13.4%	-4 pts'	15.5%	9.5%	-6 pts'
Net Income	558	1,282	129.6%	166	386	133.0%
Effective Tax Rate (%)	13.5%	17.3%	4 pts'	19.3%	4.4%	-15 pts'
Net Income (%)	10.8%	9.3%	-2 pts'	8.3%	7.8%	0 pts'