



# 2023 Q4 Operational Results

*April 18, 2024*



# Legal Reminder

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With the Capital Markets Board of Turkey's Bulletin dated 28.12.2023 numbered 2023/81, CMB announced that issuers and capital market institutions shall prepare their annual financial statements ending on 31.12.2023 or later, in accordance with IAS 29 inflationary accounting provisions.

Accordingly, this presentation on 2023 year-end financial results contain the Company's audited financial information prepared according to Turkish Accounting / Financial Reporting Standards by application of IAS 29 inflation accounting provisions, in accordance with CMB's decision dated 28.12.2023.

In addition to these, given that the guidance information and the 2023 interim financial results announced so far were presented without the application of inflation accounting, in order to enable investors and analysts to conduct a full-fledged analysis, supplementary historical information for selected key performance indicators used in prior periods' investor presentations were provided. Such supplementary information is made available only for this period, and contains unaudited financial information prepared for management reporting purposes.



# 2023 Guidance vs. Actuals\*

\* IAS-29 **NOT** applied

|                                         | Guidance based<br>on '23 budget<br>March 3, 2023 | Latest<br>Guidance revision<br>Oct. 23, 2023 | 2023 Actuals  |
|-----------------------------------------|--------------------------------------------------|----------------------------------------------|---------------|
| ❑ Net Sales (TL)                        | 55%-70%                                          | 70%-80%                                      | 75% ✓         |
| - Turkiye ( <i>tonnes based</i> )       | Mid-single<br>digit growth                       | ~15% growth                                  | 16% growth ✓  |
| - International ( <i>tonnes based</i> ) | 10%-15% growth                                   | ~10% growth                                  | 13% growth ✓✓ |
| ❑ EBITDA Margin                         | Around 20%                                       | 20% - 25%                                    | 25,0% ✓       |
| ❑ CAPEX                                 | TL 400-500 mio.                                  | TL 400-500 mio.                              | TL 350 mio. < |
| ❑ Working Capital/Net Sales             | 10%-15%                                          | Around 10%                                   | 12% ✓         |



# 2023 Highlights

- 11% turnover increase\* in net sales thanks to the volume increase in domestic and international markets
- Improved operational margins thanks to volume increase, cost optimization and efficiency projects
- 300% bonus issue
- Kick-off of work on local production in Iraq
- Solar Power Plant (SPP) Investment
- Renting a factory for dry mortar production in Muğla with purchase option
- K. Lyksor, moving production from Diyarbakır to Mersin
- Application of inflation accounting

**TL 4,7 billion**

**Net Sales**

**38,6%**

**Gross Profit Margin**

**22,7%**

**EBITDA Margin**

**TL 895 million**

**Cash and cash eq.**

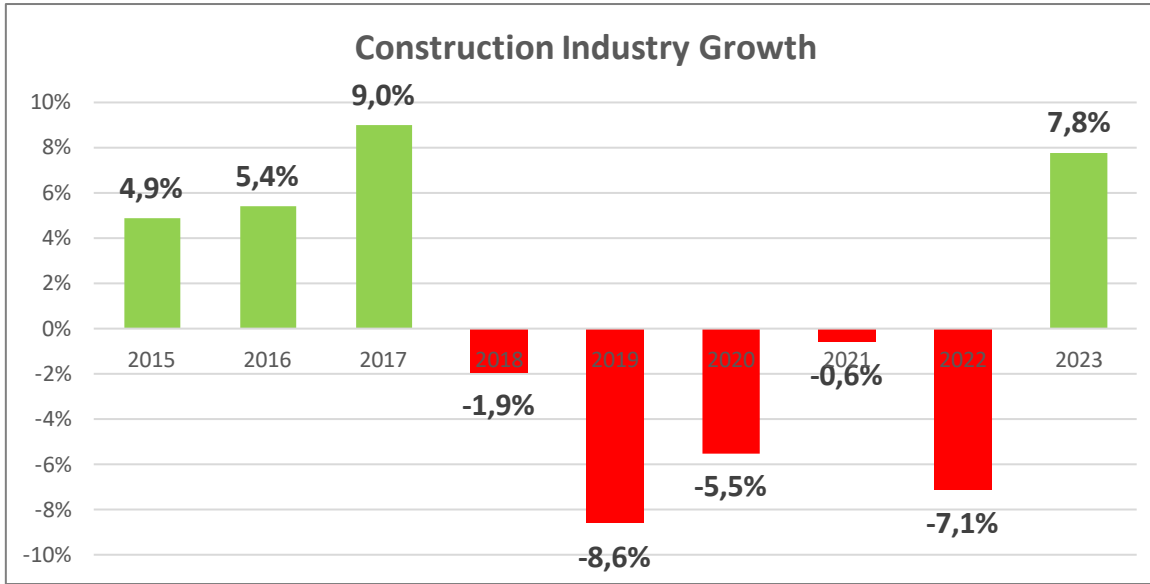
**10,3%**

**Net Working Capital/  
Net Sales**

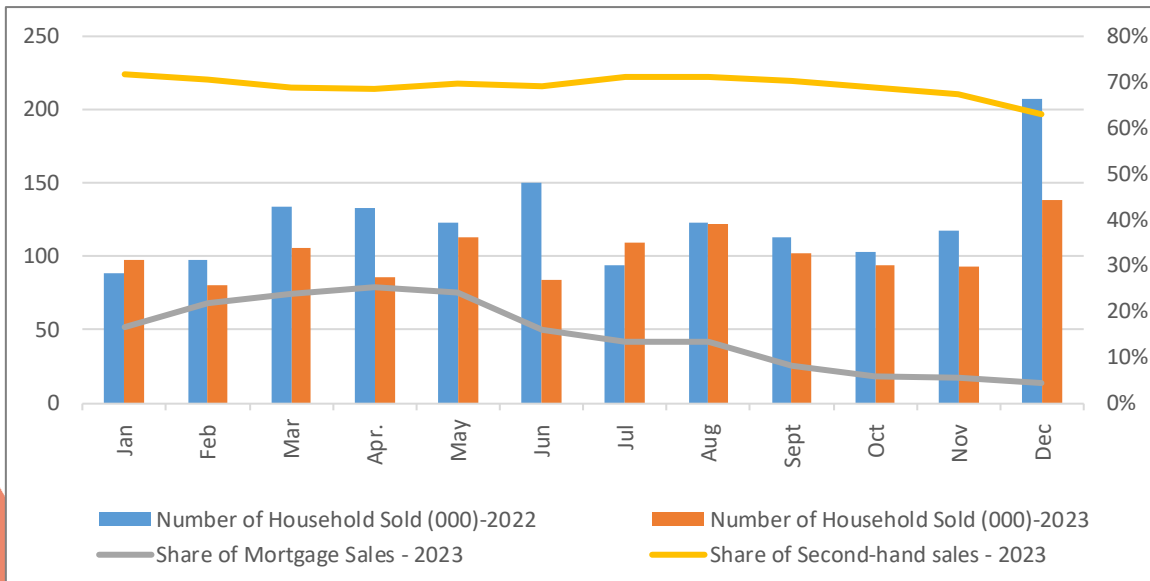
*\* IAS-29 applied*



# Turkish Market: Construction Industry



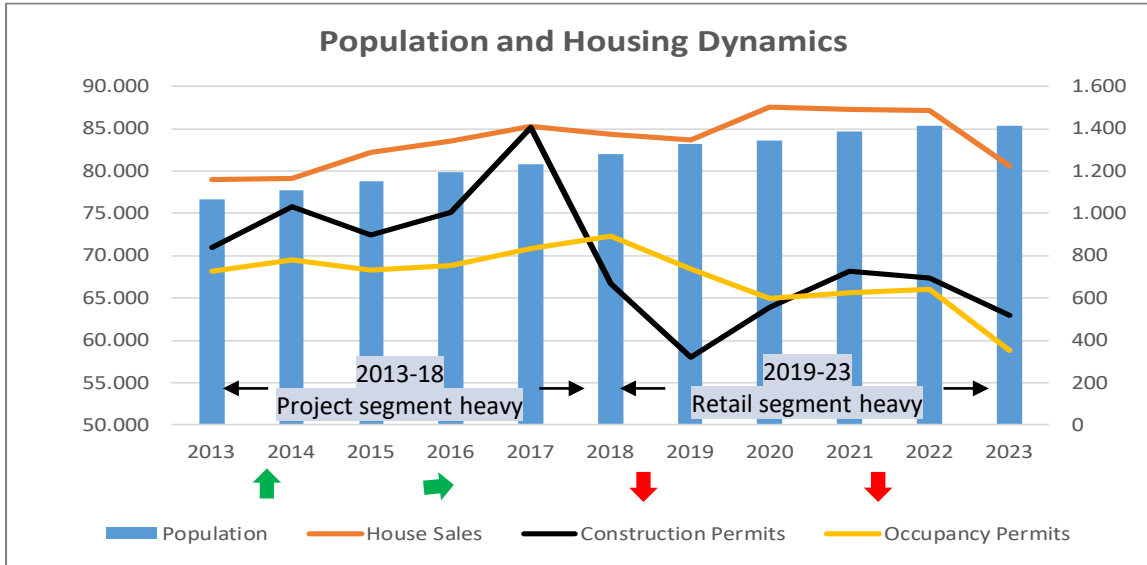
- The construction sector grew for the first time in 5 years in 2023. However, with 7,8% growth in 2023, 35% of the contraction in the last 5 years was compensated.
- Construction activities in earthquake zones, accelerated urban transformation and infrastructure investment before local elections supported the sector.



- With the 24% contraction in housing sales in the Q423, the decline in 2023 reached 17.5%.
- Due to the rising interest rates in recent months, the share of mortgage sales in total decreased to single digit (8%) in September 2023 and became 5% in Q4.
- The share of second-hand sales, which was ~70% at the start of the year, decreased to 63% at year-end.



# Turkish Market: Construction Industry



Source: Turkstat

| Number of Damaged Buildings in 11 Provinces hit with earthquake | Number of Buildings | Independent units |
|-----------------------------------------------------------------|---------------------|-------------------|
| No damage                                                       | 860.006             | 2.387.163         |
| Slightly damaged                                                | 431.421             | 1.615.817         |
| <b>Moderately damaged</b>                                       | <b>40.228</b>       | <b>166.132</b>    |
| <b>Heavily damaged</b>                                          | <b>179.786</b>      | <b>494.588</b>    |
| <b>Ruined</b>                                                   | <b>35.355</b>       | <b>96.100</b>     |
| <b>To be destroyed immediately</b>                              | <b>17.491</b>       | <b>60.728</b>     |
| Not detected yet                                                | 147.895             | 296.508           |
| <b>TOTAL</b>                                                    | <b>1.712.182</b>    | <b>5.117.036</b>  |

Source: TR Presidency of Strategy and Budget Department, Earthquake Report 2023 March

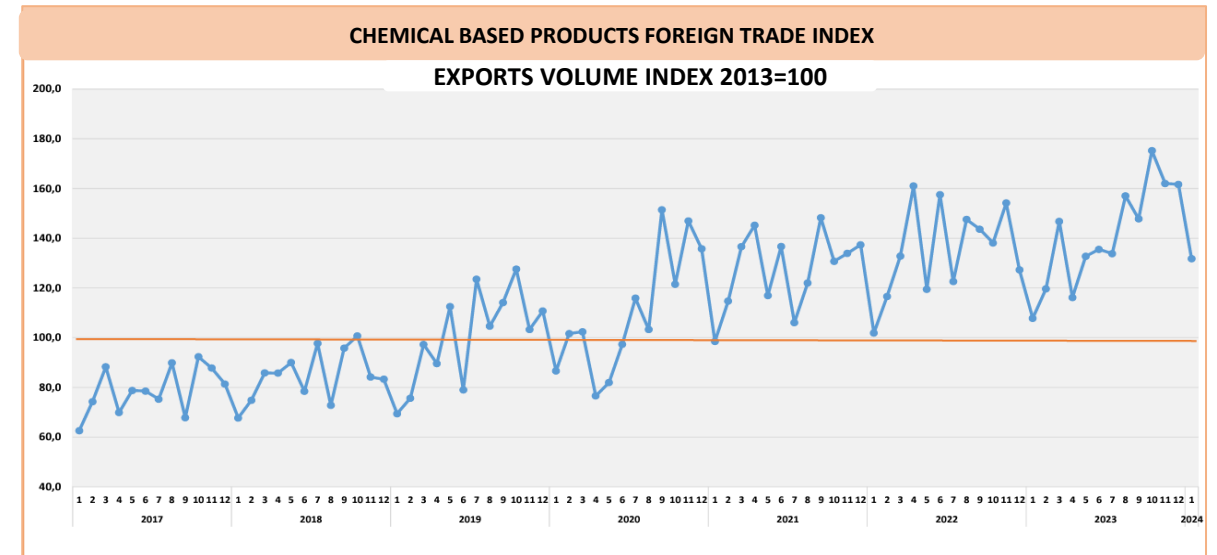
- Although the annual new housing need is over 1 mio. units, the average production of the last 10 years has remained below 750 K.
- While the share of the large-scale construction projects has decreased in the last 5 years, the share of retail segment, consisting of small-scale urban transformation and renovation works has grown.
- Housing stock that needs urban transformation and the Feb. 6 earthquakes have pushed the need for new housing figure even higher.
  - According to a 2020 report, number of independent units that needs urban transformation is 6,7 million.
  - Approximately 810 K independent units are expected to be rebuilt in the earthquake zone.



# Export Markets: Construction Materials Industry

- The contraction in the construction industry in Europe, which is our main export market as a country, continued to have a limiting effect on the country's exports.
- In 2023, construction materials exports decreased by 13.4% to USD 29.2 billion.
- In the first half of the year, the earthquake, the stagnation in FX and the decrease in the number of working days in some months had a negative impact on exports. In the second half of '23, the main impact was the contraction in export markets.
- However, there was an increase of 8% and 17%, respectively, in the exports of our company's main products: construction chemicals and paint&varnish.

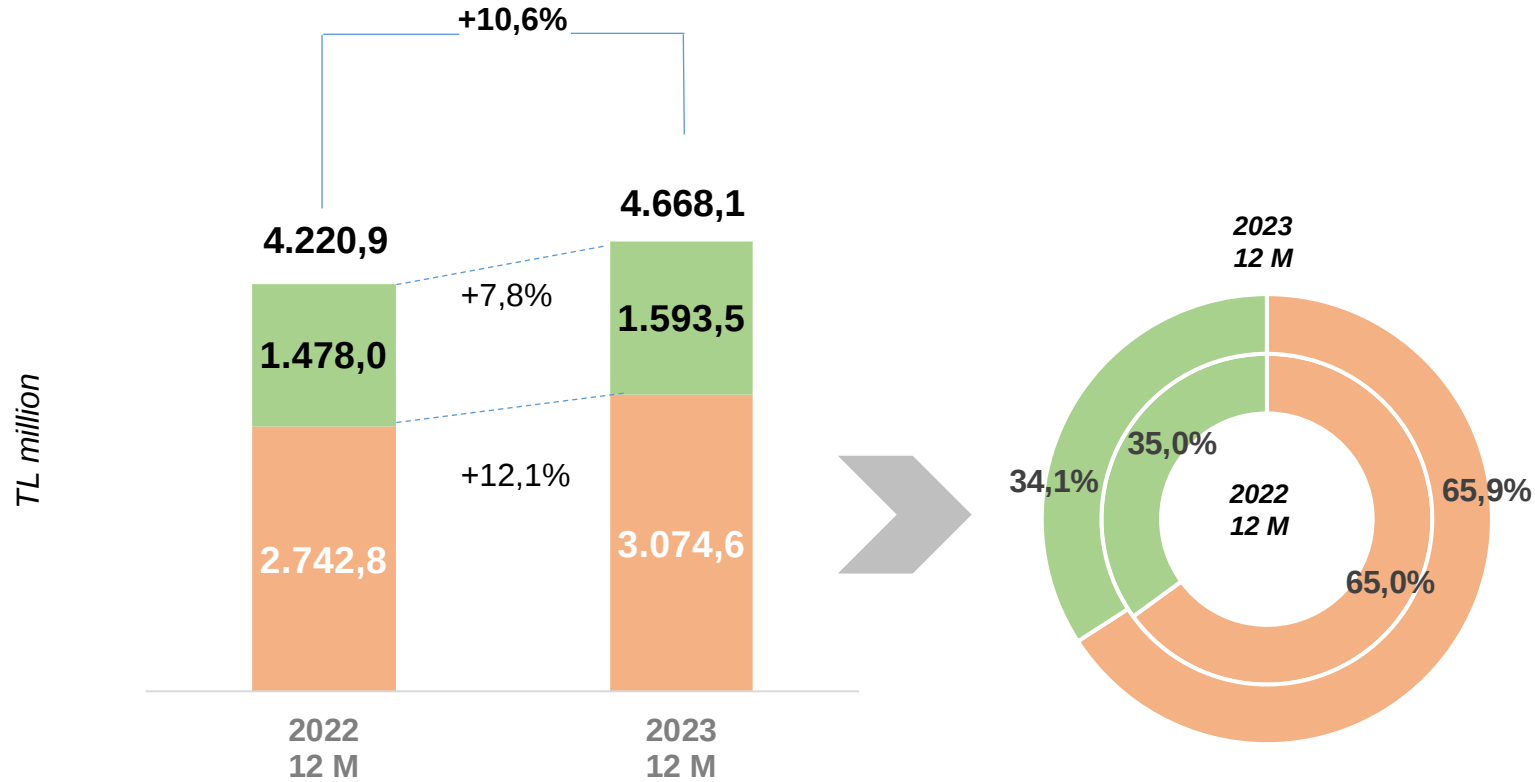
| Exports (mio. USD)            | Jan.-Decç 2023 | Jan.-Decç 2022 | Change          |
|-------------------------------|----------------|----------------|-----------------|
| <b>Construction Materials</b> | <b>29.200</b>  | <b>33.731</b>  | <b>↓ -%13,4</b> |
| - Construction Chemicals      | 911            | 845            | <b>↑ +%7,8</b>  |
| - Cons. Paint & Varnish       | 416            | 356            | <b>↑ +%16,9</b> |



Source: Association of Turkish Construction Material Producers (IMSAD)



# Sales Growth & Breakdown by Region



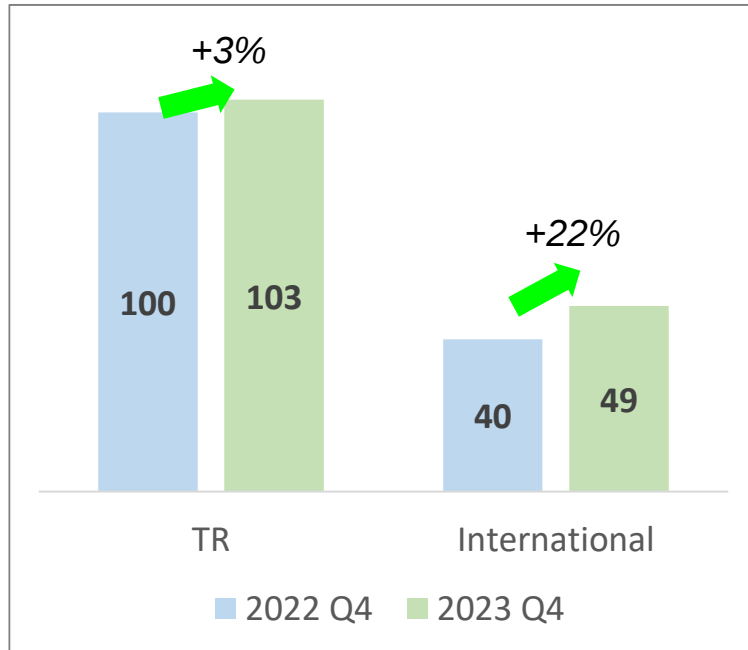
- Thanks to organic growth achieved in both Turkish and international markets, there was an 11% increase in total net sales.
- Due to the higher organic growth in Türkiye, the share of domestic sales increased from 65% to 66% in 2023.



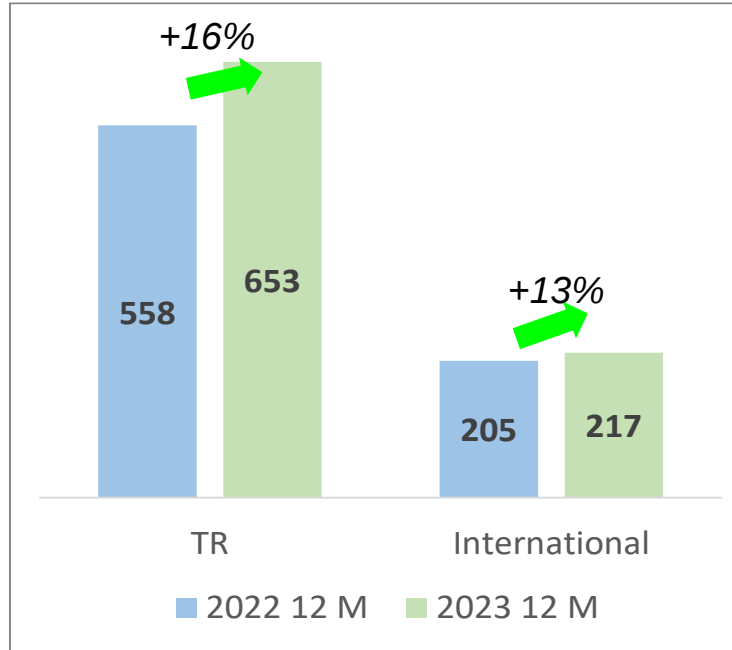
# Sales Volume Growth

- In the domestic market, there was a 3% volume increase in Q4, following strong demand increase (+47%) in Q3.
- Thanks to the continuing strong demand, especially in our main export market, Iraq, a volume increase of over 20% was achieved in Q4'24 compared to Q4'23, following an already 27% increase in Q3'24. With sales exceeding 20 K tons in December, the historical monthly export sales volume was reached.
- Kalekim Lyksor recorded 17% growth in sales volume in 2023.

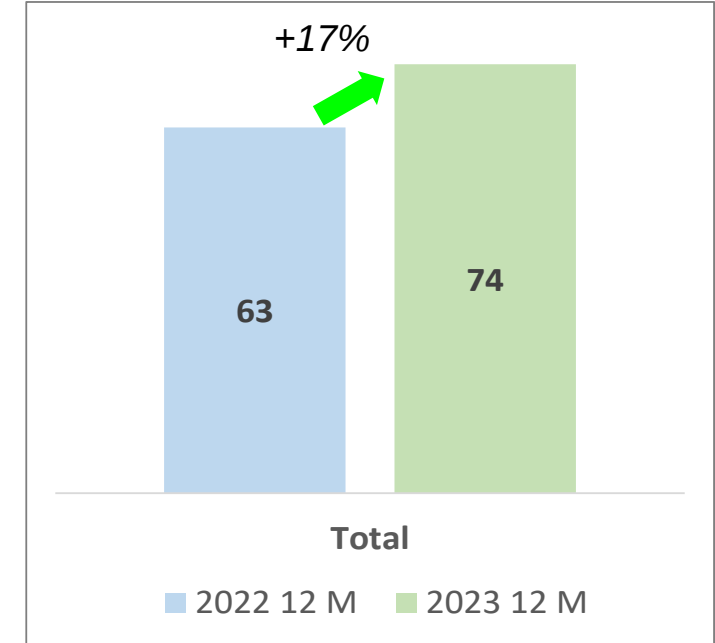
**Dry Mortar & Paint/Plaster Sales Volume (000 tonnes)**



+16%



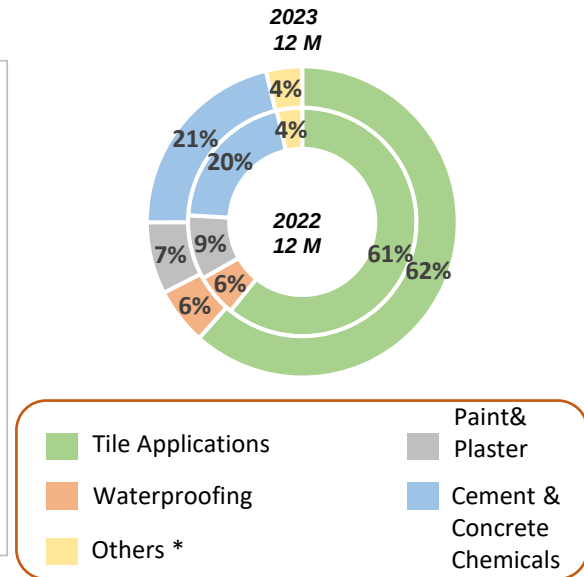
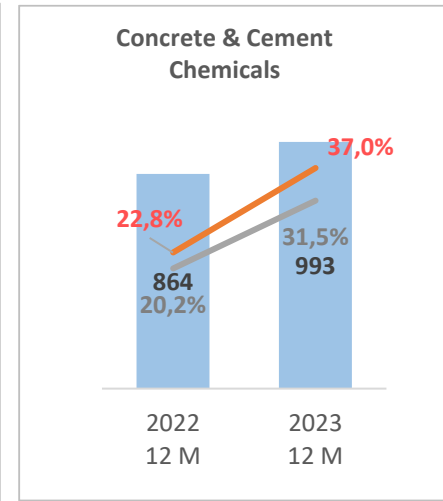
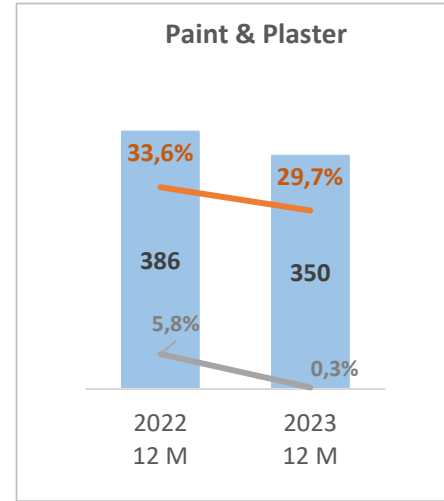
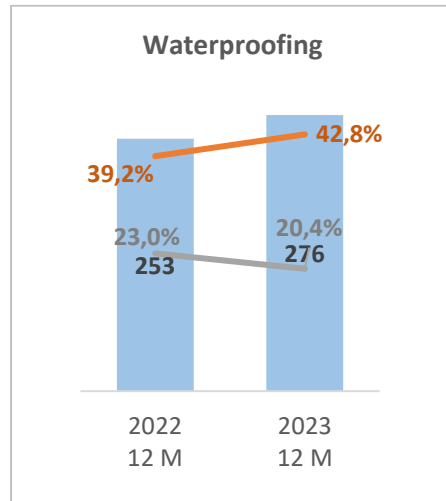
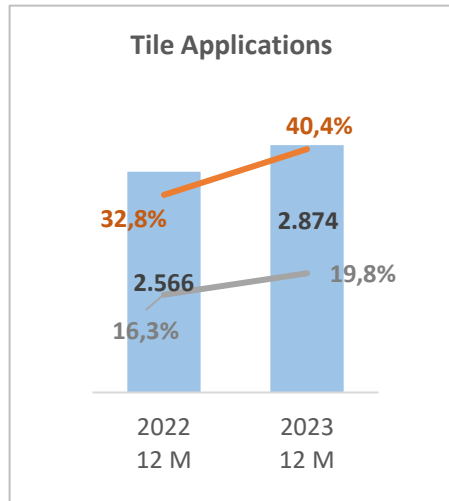
**Concrete & Cement Chemicals Sales Volume (000 tonnes)**





# Sales Growth & Profitability by Product Group

- Significant improvements were achieved in operational profit margins in ceramic applications, concrete and cement chemicals product groups.
- Although the gross profit margin improved in the waterproofing product group, there was an increase in operational expenses related to the growth targets in this product group.
- In the paint-plaster product group, there is a slight decrease in profit margins due to competitive conditions.



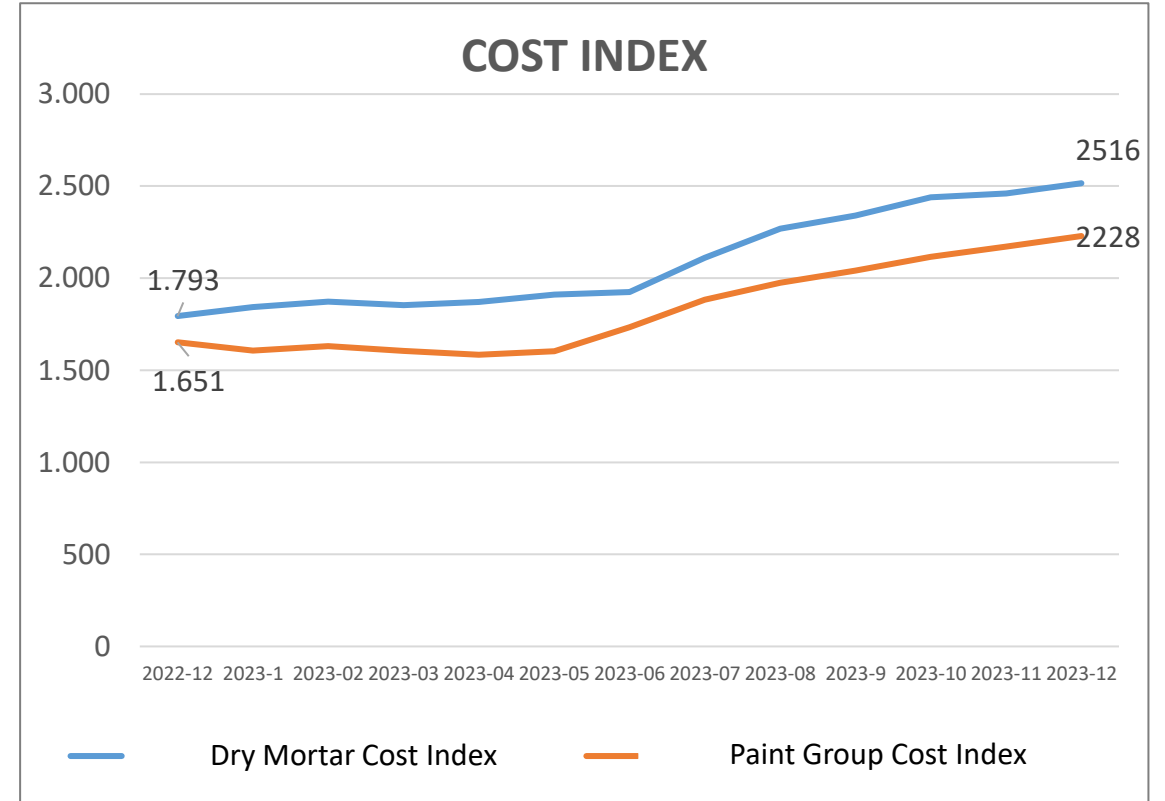
\* Heat insulation and other

Net Sales (TL million) – After eliminations    Gross Profit Margin    Operating Profit Margin



# Effective Supply Chain and Cost Management

- In the chemical raw material markets, in Q4, similar to Q3, the decline in raw material prices continued, albeit partially, due to the low global demand.
- Price changes in cement, filler and wooden packaging materials along with the exchange rate moves were effective in the cost inflation increases.
- As of the end of Dec. 2023, the dry mortars cost index increased by 40% and the paint group cost index increased by 35% in the last 12-months.
- In line with the strategy of supplier diversification in the purchasing process, connections were made with new suppliers from China.





# Investments in 2023

## Solar Power Plant



- An agreement was signed with the contractor company in June 2023.
- The construction process was completed in March 2024. It is expected to be put into operation following the license and approval of Turkish Electr. Distribution Corp..
- The investment amount is ~ USD 6.3 million. The SPP is expected to contribute 100 bps at EBITDA level once it becomes operational.

## Muğla Facility



- The facility was rented in August '23.
- Production started at the end of March '24,, which will positively affect dry mortar sales in Southern Aegean and Western Mediterranean with additional 30,000 tons in 2024.
- In addition to USD 1,1 mio. rental fee, there will be another investment of USD 3.5 million if the purchase option is used.

## K. Lyksor Mersin Facility



- Kalekim Lyksor moved to a new facility in Mersin Organized Industrial Zone.
- The facility, which will produce its own raw materials, will provide advantages in terms of freight and raw material costs.
- With an investment of around USD 450.000, the facility became operational in October 2023.



# Ongoing Investments

## Duhok – Irak Factory



**Commissioning Date**

: June 2025

**Investment Amount**

: Around USD 10 million  
(dry mortar, paint, concrete & cement chemicals)

**Expected Results**

: Strengthening market position in Northern Iraq

Opportunity to enter into more affordable  
product segments

Capability to reach Central/South regions of Iraq  
and appeal to a potential Syrian market

2023 actual 118 K & 2024 budget 134 K tonnes  
(375 K tonnes planned for 2025-26)



# Financial Statements

*IAS-29 APPLIED*

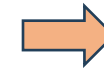


# P&L Summary\*

\* IAS-29 APPLIED

- The impact of the inflation accounting application on the company's operational margins remained at minimum (200-250 bps) and showed an improvement compared to the indexed data of the previous year.

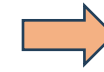
| (TL million)                  | 2023<br>12-M | 2022<br>12-M | Y-on-Y<br>Change |
|-------------------------------|--------------|--------------|------------------|
| Net Sales                     | 4.668,1      | 4.220,9      | 10,6%            |
| Gross Profit                  | 1.804,1      | 1.313,8      | 37,3%            |
| Margin                        | 38,6%        | 31,1%        |                  |
| Operating Profit              | 936,7        | 663,9        | 41,1%            |
| Margin                        | 20,1%        | 15,7%        |                  |
| Profit Before Financing       | 1.078,9      | 771,9        | 39,8%            |
| Margin                        | 23,1%        | 18,3%        |                  |
| Monetary Gain (Loss)          | -530,8       | -358,6       |                  |
| Profit Before Tax             | 652,0        | 464,8        | 40,3%            |
| Margin                        | 14,0%        | 11,0%        |                  |
| Deferred Tax Income (Expense) | -78,3        | 95,8         |                  |
| Net Profit                    | 454,9        | 429,8        | 5,8%             |
| Margin                        | 9,7%         | 10,2%        |                  |
| EBITDA                        | 1.058,1      | 779,3        | 35,8%            |
| Margin                        | 22,7%        | 18,5%        |                  |



Organic (volume) growth impact in Türkiye and export markets



Positive contribution of volume increase, cost optimizations and high stock turnover rate



With the application of inflation accounting, equity-weighted balance sheet impact TL -358 million, P&L effect TL -172 million



With the application of inflation accounting, withdrawal of the deferred tax advantage obtained in 2022 through fixed asset valuation



# Balance Sheet \*

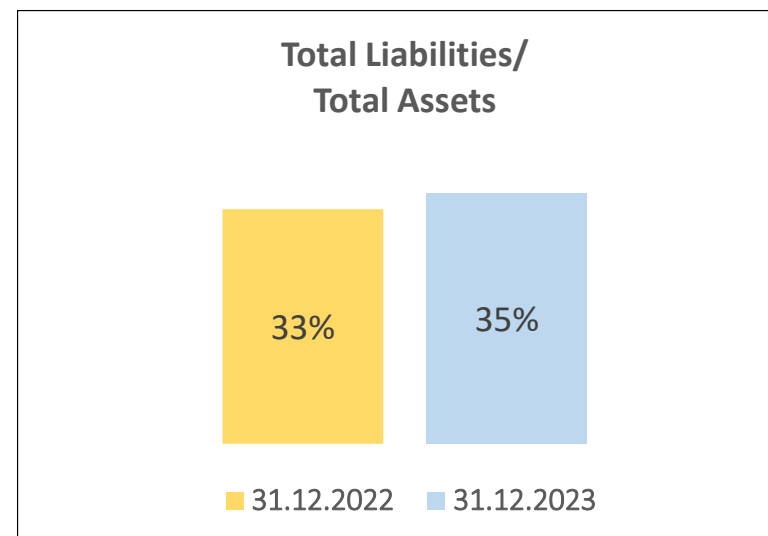
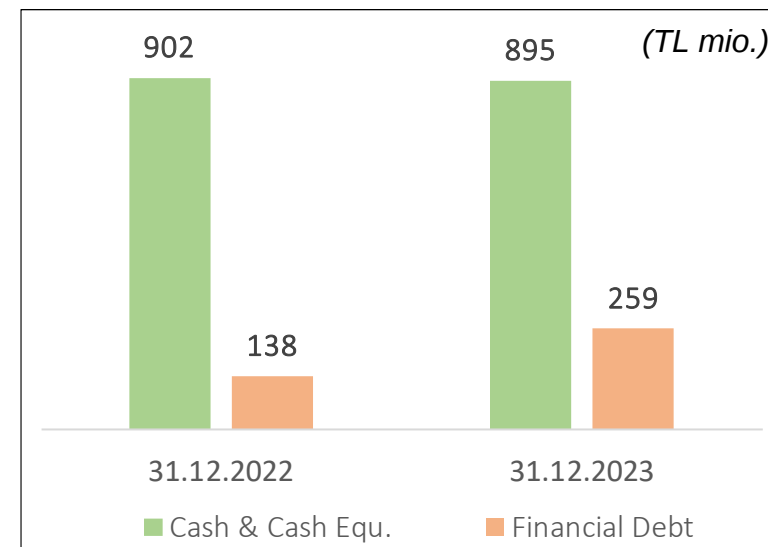
\* IAS-29 APPLIED

| (TL million)                      | 31.12.2023     | 31.12.2022     |                                       | 31.12.2023     | 31.12.2022     |
|-----------------------------------|----------------|----------------|---------------------------------------|----------------|----------------|
| <b>Current Assets</b>             | <b>2.281,8</b> | <b>2.182,8</b> | <b>Current Liabilities</b>            | <b>1.236,4</b> | <b>1.002,8</b> |
| Cash & Cash Equivalents           | 894,7          | 821,9          | Bank Loans                            | 220,0          | 108,8          |
| Financial Investments             | 0,3            | 80,5           | Lease Liabilities                     | 14,3           | 9,7            |
| Trade Receivables                 | 883,0          | 826,1          | Trade Payables                        | 732,3          | 652,9          |
| Inventories                       | 329,1          | 394,7          | Deferred Incomes                      | 122,9          | 131,7          |
| Prepaid Expenses                  | 55,7           | 17,8           | Provisions                            | 58,3           | 41,7           |
| Current Tax Assets                | 68,0           | 2,8            | Others                                | 88,7           | 58,1           |
| Others                            | 50,9           | 39,0           | <b>Non-current Liabilities</b>        | <b>97,6</b>    | <b>104,7</b>   |
| <b>Non-current Assets</b>         | <b>1.577,4</b> | <b>1.210,2</b> | Bank Loans                            | 0,0            | 1,7            |
| Tangibles Assets                  | 1.079,7        | 812,6          | Provisions                            | 36,6           | 76,7           |
| Intangible Assets                 | 116,1          | 136,0          | Lease Liabilities                     | 24,8           | 17,5           |
| Properties for Investment Purpose | 142,1          | 134,7          | Deferred Tax Liabilities              | 36,2           | 8,7            |
| Deferred Tax Assets               | 132,5          | 0,6            | <b>Total Equity</b>                   | <b>2.525,2</b> | <b>2.285,6</b> |
| Others                            | 106,9          | 126,4          | Issued Capital & Inflation adj.       | 1.418,0        | 943,4          |
| <b>TOTAL ASSETS</b>               | <b>3.859,1</b> | <b>3.393,0</b> | <b>TOTAL LIABILITIES &amp; EQUITY</b> | <b>3.859,1</b> | <b>3.393,0</b> |



# Strong Balance Sheet

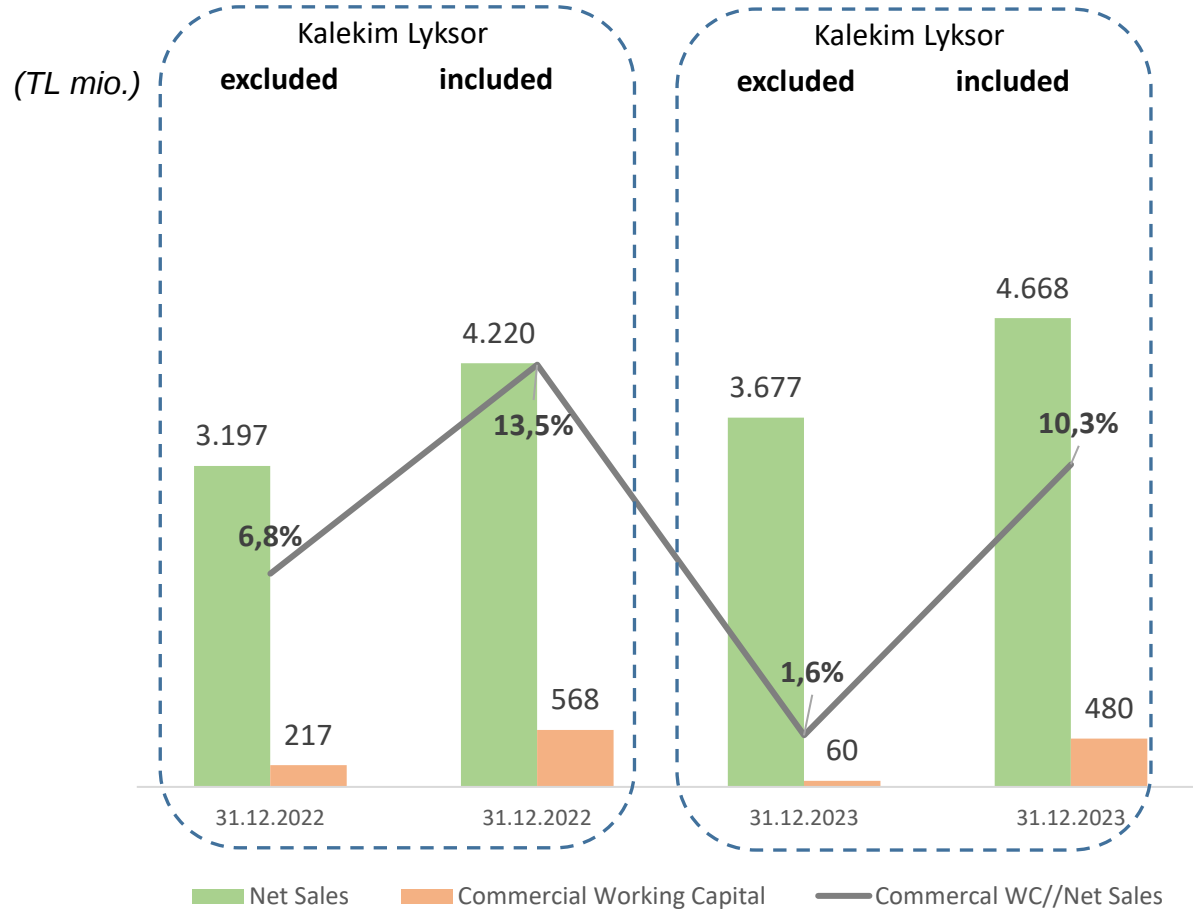
- Total value of cash, cash equivalents and financial investments\* is TL 895 mio. at year-end.
  - ❑ The fact that the 2022 cash level indexed to the end of 2023 has been preserved in 2023 despite the negative real interest rate environment is one of the indicators of effective balance sheet management.
- The breakdown of TL 259 mio. total financial debt is as follows:
  - ❑ TL 39 mio. from short and long-term leasing
  - ❑ TL 124 mio. TL for financing around 70% of SPP investment
  - ❑ TL 96 mio. for working capital need of Kalekim
- As the consolidated net cash position is TL 636 mio., net debt/EBITDA is at -0,6X, and 0,2X for K. Lyksor, which had a net debt of TL 65 mio.



\* Financial investments also are included since FX-protected cash deposits are classified under this item.



# Working Capital Management



- By the end of 2023, working capital / net sales was at 10,3% including Kalekim Lyksor, and 1,6% excluding Kalekim Lyksor.

| Number of Days    | Kalekim Lyksor |       | Kalekim Lyksor |       |
|-------------------|----------------|-------|----------------|-------|
|                   | excl.          | incl. | excl.          | incl. |
|                   | Dec 31, 2022   |       | Dec 31, 2023   |       |
| Trade Receivables | 60             | 69    | 53             | 66    |
| Inventory         | 41             | 41    | 41             | 45    |
| Trade Payables    | 105            | 81    | 107            | 87    |

# 2024 Guidance



# 2024 Guidance

|                                     | Guidance on<br>Feb 15, 2024 | Revised<br>Guidance         |
|-------------------------------------|-----------------------------|-----------------------------|
| ❑ Net Sales* ( <b>USD</b> ) :       | 5%-10% growth<br>in USD     | 5%-10% growth<br>in USD     |
| - Türkiye ( <i>tonnes</i> ) :       | 5%-10% growth<br>in volume  | 5%-10% growth<br>in volume  |
| - International ( <i>tonnes</i> ) : | 15%-20% growth<br>in volume | 15%-20% growth<br>in volume |
| ❑ EBITDA Margin :                   | 20% - 25%                   | 20% - 25%                   |
| ❑ CAPEX :                           | TL 700-800 mio.             | TL 700-800 mio.             |
| ❑ Working Capital / Net Sales :     | Around %10                  | <b>%10 - %15</b>            |

\* 2023 consolidated net sales USD 159 million

# Appendix



# P&L Summary (*IAS-29 not applied*)

| (mio. TL)         | 2023<br>Q4 | 2022<br>Q4 | Y-on-Y<br>Change | 2023<br>12-M | 2022<br>12-M | Y-on-Y<br>Change |
|-------------------|------------|------------|------------------|--------------|--------------|------------------|
| Net Sales         | 1.206,8    | 724,5      | 67%              | 3.752,0      | 2.143,3      | 75%              |
| Gross Profit      | 497,4      | 264,3      | 88%              | 1.543,4      | 786,2        | 96%              |
| Margin            | 41,2%      | 36,5%      |                  | 41,1%        | 36,7%        |                  |
| Operating Profit  | 245,9      | 148,1      | 66%              | 851,1        | 424,5        | 100%             |
| Margin            | 20,4%      | 20,4%      |                  | 22,7%        | 19,8%        |                  |
| Profit Before Tax | 301,5      | 186,8      | 61%              | 1.042,9      | 508,0        | 105%             |
| Margin            | 25,0%      | 25,8%      |                  | 27,8%        | 23,7%        |                  |
| Net Profit        | 279,9      | 250,6      | 12%              | 883,1        | 524,7        | 68%              |
| Margin            | 23,2%      | 34,6%      |                  | 23,5%        | 24,5%        |                  |
| EBITDA            | 273,1      | 158,2      | 73%              | 937,1        | 467,1        | 101%             |
| Margin            | 22,6%      | 21,8%      |                  | 25,0%        | 21,8%        |                  |



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