



**A Review of 2023 &**

**Expectations for 2024**

**February 15, 2024**



# Strategic Priorities 2024-26

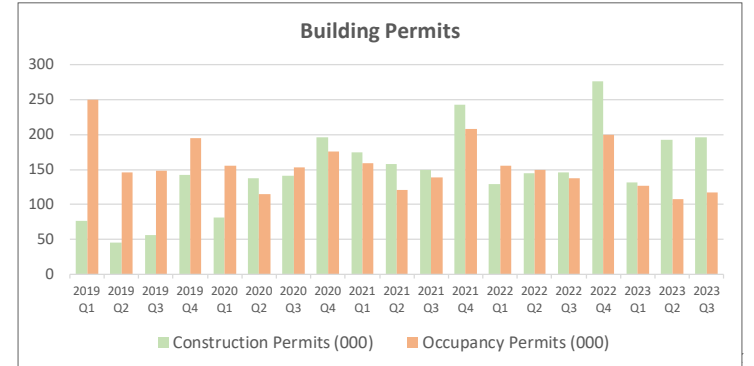
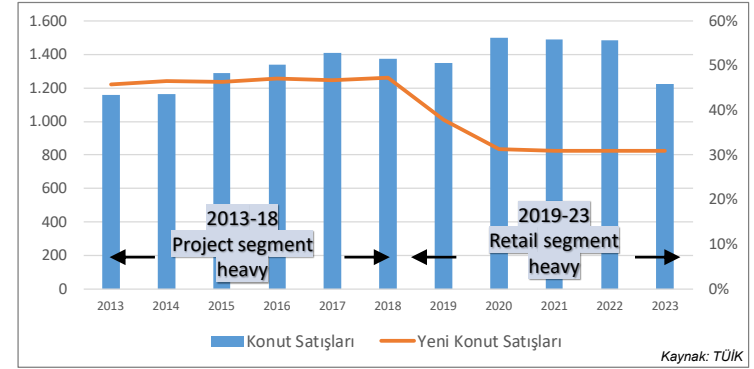
- ❑ Growth in International Markets
- ❑ Developing and Growing in New Business Areas
- ❑ Innovation in Products, Processes and Business Model
- ❑ Creating "Shared Value" through Sustainability Activities
- ❑ Maintaining Profitability in Ceramic Applications





# Turkish Market – 2023/24

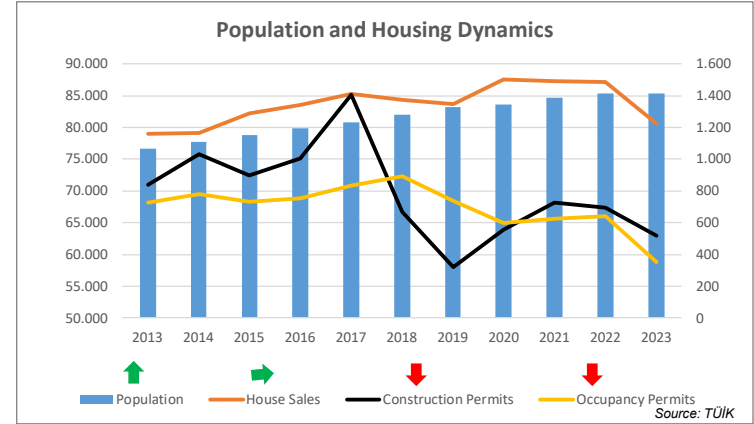
- While **total house sales decreased by 17.5%** compared to the previous year, with **1.23 million units in 2023**, the **share of new house sales**, which decreased at a similar rate, in the total was **31%**.
- Weakness in new home sales** was also **reflected in building occupancy permits, which decreased by 21% in the 9-M period** compared to the same period last year.
- On the other hand, **24% increase in the number of construction permits in the first nine months of 2023** can be perceived as **positive** for the coming period.
- While the **share of the large-scale construction projects** in the total building chemicals market has **decreased** in the last 5 years, the **share of retail segment**, consisting of small-scale urban transformation and renovation works **has grown**.





# Turkish Market – 2023/24

- Although the **annual new housing need is over 1 million** due to the country's demographic structure and growth, the **average housing production of the last 10 years has remained below 750 K.**
  - Household need arising from marriages & divorces (# of marriages 574 K and divorces 181 K in 2022)
  - Household need due to decreasing family size (2012: 3,69 – 2022: 3,17 people)
- Housing stock that needs to undergo urban transformation and the need for new housing, which emerged after the Feb. 6 earthquakes, have pushed this figure even higher.
  - According to a report dated 2020, the number of independent units that needs **urban transformation in Türkiye is 6.7 mio.**, 1.5 mio. of which are urgent.
  - Approximately 810 K independent units** are expected to be **rebuilt in the earthquake zone.**



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



- Though the **tightening steps in monetary policy** will continue to **limit housing sales**, especially **mortgage sales**, in 2024, total **housing sales** are expected to be **at least parallel to 2023**.
- A **possible stagnation in the new project segment** can be expected to be **balanced by the retail segment**, as has been the case in recent periods.

## DETERMINANT FACTORS IN CONSTRUCTION INDUSTRY

- Strong organic demand for housing
- Possible boom in the market before local elections
- Recent increase in construction permits
- Construction activities in the earthquake zone
- Urban transformation activities



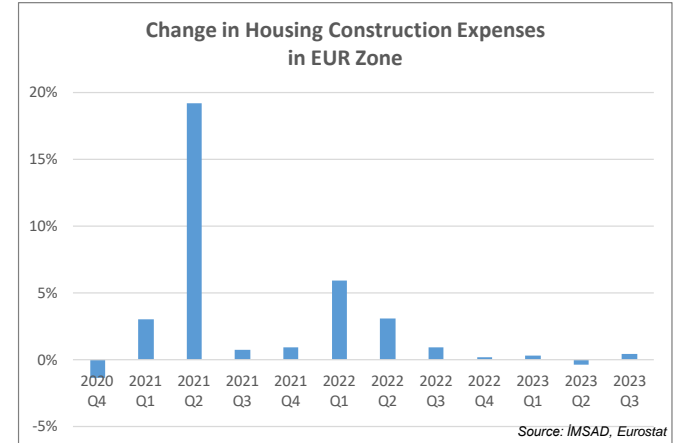
- Tightening steps in monetary policy (high interest, etc)
- High construction costs & wage increases
- Limited qualified workforce in the sector
- Slowdown in public investments & tax regulations





# International Markets – 2023/24

- **Tight monetary policies** and **high interest rates** implemented to beat global inflation in 2023 have **led to a slowdown in the world economy** and a **contraction in trade**.
- The **contraction in the construction sectors in Europe**, which is our main export market as a country, continued to have a **limiting effect on the country's exports**.
- In the January-November 2023 period, **Turkiye's construction materials exports decreased by 14%** and reached 26.8 billion USD.
- On the other hand, **building chemicals** and **construction paint/varnish** sub-product groups **differed** from the general picture by recording **growth of 9.7% and 21.2%**, respectively.



(USD million)	2022 Jan. - Nov.	2023 Jan. - Nov.
<b>Total Construction Materials</b>	31.127,4	26.776,9
Building Chemicals	769,1	839,4
Construction Paint/Varnish	324,6	385,7

Source: IMSAD



# International Markets – 2023/24

- As we see some signals of decreasing inflation in the first weeks of 2024 in major international markets, a **decrease in interest rates** and **loosening of monetary policies** can be expected as of the **second half of the year** as a result of a permanent decrease.
- It is expected to be a year where **growth is stable** in the **first quarter**, **expectations improve** in the **second quarter**, and **growth recovers** in the **second half**.
- The construction industry continues to be vibrant in Iraq**, Kalekim's main export market.
- In line with **our growth target in Eastern Europe**, the **strong performance** of the construction industry is expected to continue **in Romania**, where we have just established a sales and marketing company.

	2020	2021	2022	2023	2024
EU	-3,2	5,8	1,8	-0,8	-0,1
GERMANY	3,9	-2,6	-1,8	-1,4	-0,8
FRANCE	-11,5	13,5	0,1	-1,4	-1,1
ITALY	-6,4	29,7	11,4	-3,2	-2,6
SPAIN	-9,2	0,4	2,6	3,2	2,4
NETHERLANDS	0,4	3,1	1,9	0,9	-1,8
BELGIUM	-5,6	3,5	-2,0	0,6	1,1
SWEDEN	0,9	2,6	2,8	-5,7	-4,2
DENMARK	5,0	9,7	-3,7	-0,5	1,1
POLAND	-3,3	4,5	2,9	7,3	3,0
CZECH REP.	-1,8	-2,6	0,0	-4,1	0,7
ROMANIA	11,4	0,8	14,1	11,3	9,3
UK	-15,1	10,4	7,5	-0,3	-1,9
USA	-0,2	2,2	-6,4	-0,3	2,6

Source: IMSAD, Eurostat



# **Ongoing Investment Projects (2023-25)**





# Investments in 2023-25

## Duhok – Irak Factory



Commissioning Date: **June 2025**

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

Expected Results: **Strengthening our market position in Northern Iraq**  
**Opportunity to enter in to more affordable product segments**  
**Capability to reach Central/South Iraq and appeal to a potential Syrian market**  
**2023 actual 118 K & 2024 budgeted 134 K  
(375 K tonnes planned for 2025-26)**



# Investments in 2023-25

## Solar Power Plant



Commissioning Date: **March 2024**

Investment Amount: **Around USD 6,3 million**

Expected Results: **Reducing greenhouse gas emissions, promoting the production of Affordable and Clean Energy (SDG-7), one of the sustainability development goals**

**Improvement in energy expenses, which are 1-2% of total expenses, as a result of meeting the energy needs of seven facilities with 50% of production,**

**Opportunity to produce additional energy and sell it as much as we consume**

**+100 bps expected in EBITDA**



# Investments in 2023-25

## K. Lyksor Mersin Facility



Commissioning Date: **October 2023**

Investment Amount: **Around USD 450.000**

Expected Results: **Targeting eastern regions of the country and increasing competitive edge thanks to**

- producing own raw material
- decreasing product and logistics cost
- reaching new sales channels

**Production capacity of 90.000 tonnes**  
*(capacity of Diyarbakır facility, which stopped production, was 60.000 tonnes)*



# Kalekim Lyksor Investment & Results Achieved



Cost of Share Purchase : **TL 140,6 million (%75 of share capital)**

Cumulated figures for Apr. 1, 2022 and Sep.30, 2023 period

- Net Sales : **TL 965,0 million**
- EBITDA : **TL 313,5 million TL (Margin 32,5%)**

2021 – 2023 Comparison

**26% volume increase**

**96 new customers**

**26 new projects**

**13 completed projects**





# Investments in 2023-25

## Muğla Facility



Date of Commissioning: **March 2024**

Investment Amount: **Around USD 1,1 million  
(Additional appr. USD 3.5 million  
if purchase option is exercised)**

Expected Results: **Additional capacity that will positively  
affect our dry mortar - especially rough  
plaster - sales in the Southern Aegean and  
Western Mediterranean regions  
(sales of additional 30.000 tonnes in 2024)**

**Contributing to the sustainability policy by  
processing waste marble pieces**



## 2024 Guidance

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□ Net Sales (**USD**) :

- Türkiye (*tonnes*) :

- International (*tonnes*) :

□ EBITDA Margin :

□ CAPEX :

□ Working Capital / Net Sales :

5%-10% growth in USD terms

5%-10% growth in volume

15%-20% growth in volume

20% - 25%

TL 700-800 milion

Around 10%



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The background features several overlapping, semi-transparent geometric shapes in shades of orange and red. A large, light orange shape is in the top right corner. Below it, a darker orange shape overlaps. In the bottom left, there is a red shape that overlaps with a darker orange shape. The overall composition is modern and minimalist.