

Initiation of Coverage

June 17, 2022

Kimteks Poliüretan (Kimpur)

Excelling in the chemistry of growth. With its roots going back to a business founded by two university friends in 1983, Kimpur has grown into one of the world's largest and Turkey's leading producer of PU (polyurethane) systems with an established global supply chain and expected production volume of >100K tons in 2022E. Having realized 100% growth in sales volume over 2018-2021, the company has a solid runway for further growth and we estimate double-digit volume growth to be sustained over the next five-year period as R&D driven product development efforts are likely to bring in new business volumes. The company is also adjusting its capacity higher and would be able to meet annual demand of around 200K by 2024 thanks to the second plant being built in Turkey and a small acquisition in Latvia.

Diversified and export oriented end-users of PU systems. Kimpur enjoys steady growth in PU consuming industries including footwear, home appliances, building insulation, furniture and automotive. Turkey is home to expanding manufacturing bases in each of these industries driven by robust export demand, low production costs and logistical advantages compared to Asian rivals. Kimpur generates c.30% of revenue from exports, offering diversification for the business.

(1) Insulation panels: Enjoying structural growth driven by energy efficiency incentives. Renovation wave in EU is expected to drive demand for insulation boards, for which Turkey has become an important manufacturing center. Rigid PU systems are one of the widely used and most efficient foam material for insulation panel systems. Today, Kimpur is the main supplier of top panel manufacturers in Turkey, hence benefits from increase in panel production.

(2) Footwear: Leader in a unique market, benefiting from supply chain shifts. Kimpur supplies PU sole systems for various types of footwear and has a diversified customer base in footwear sector, which is the company's largest segment in terms of volumes. Turkey has been promoting footwear production industry and attracted significant investment especially in the eastern parts of the country, which has become an export hub to EU and Middle East regions. While logistic bottlenecks and pandemic-related restrictions have caused problems for footwear manufacturers in the Far East, Turkish producers enjoyed growing orders as a result of shifting supply chains. Exports of footwear industry crossed USD1.0bn level in 2021, up from USD800mn in 2020 and USD0.4bn in 2015, which positively affect Kimpur's sales growth.

(3) Home appliances: Innovative solutions lead to market share gains. Kimpur has managed to develop an innovative PU formula for refrigerator producers, which use PU systems for insulation purposes. As the company's PU systems outperformed global competitors in terms of increasing energy efficiency and lowering production costs of the appliances; it led to rapid market share gains for Kimpur. Today, Kimpur collaborates with top producers of home appliances in Turkey.

(4) Automotive: Long-term growth driver as R&D efforts likely to bear fruits. Kimpur works on several R&D projects related to flexible PU systems, which are used in various auto parts (steering wheel, seating etc.). As it usually takes more time to become licensed supplier for auto parts, we believe the sector could be an important long-term growth driver for Kimpur, also considering large supply chain of Turkish automotive industry.

Initiate with an Outperform; 61% upside to TP of TL50.0/share. With forecasted 5-year CAGR of 13.0% in sales volume, 14.7% in revenue (EUR terms) and 16.3% in EBITDA (in EUR terms); we see attractive EV/EBITDA multiples of 6.5x/4.5x in 2022/2023 for Kimpur. Our EUR-based DCF model yields TP of TL50.0/share, pointing to 61% upside potential.

Rating

Outperform*(initiated)*

Target Price	TL50.00
Current Price (16/06/2022)	TL31.10
Return Potential	61%
<i>(*) ex-dividend prices</i>	

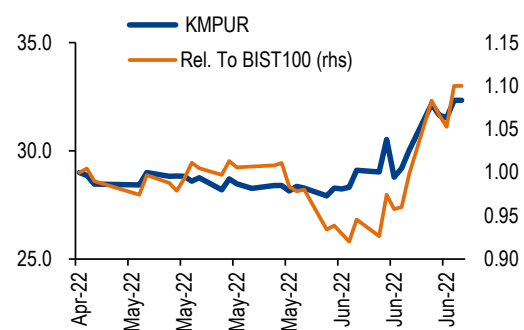
Bloomberg Ticker	KMPUR TI
Market Cap. (TLmn)	3,931
Market Cap. (USDmn)	227
Free Float	22%
# of Shares (mn)	122
3-Month Avg. Trading Vol. (TLmn)	64

Price Performance	1M	Since IPO
Nominal (TL)	15%	12%
Nominal (USD)	3%	-4%
Relative to BIST100	11%	10%

Estimates (TLmn)	2021	2022E	2023E
Revenues	2,173	4,760	6,716
EBITDA	302	701	1,006
Net Income	316	649	796

Valuation	2021	2022E	2023E
P/E	12.4x	6.1x	4.9x
EV/EBITDA	15.0x	6.5x	4.5x
P/BV	6.9x	2.8x	2.1x
Dividend Yield (%)	1.3%	3.8%	7.4%

Price Chart

**Serhat Kaya**

+90 (212) 334 98 36

serhat.kaya@yf.com.tr

Summary Financials

Kimpur Financials (TL Million)

Income Statement	2018	2019	2020	2021	2022E	2023E	2024E
Net Sales	584	715	939	2173	4760	6716	8387
% growth		22.4%	31.3%	131.4%	119.1%	41.1%	24.9%
Net Sales (EUR mn)	103	113	117	207	264	317	360
% growth		9.3%	3.7%	77.3%	27.7%	19.8%	13.5%
Gross Profit	122	115	192	379	833	1175	1468
% margin	20.9%	16.1%	20.4%	17.5%	17.5%	17.5%	17.5%
OPEX	-29	-39	-45	-91	-148	-201	-252
% of sales	-4.9%	-5.4%	-4.8%	-4.2%	-3.1%	-3.0%	-3.0%
Other Operating Income	-23	8	10	248	156	100	100
Net Financial Expenses	-51	-38	-56	-135	-274	-387	-435
Profit Before Taxes	20	44	100	407	763	937	1131
Tax Expense	-3	-8	-19	-90	-114	-141	-204
% effective tax rate	-14.5%	-17.8%	-19.4%	-22.2%	-15.0%	-15.0%	-18.0%
Net Profit (Parent Shares)	17	36	80	316	649	796	928
% margin	2.9%	5.1%	8.6%	14.6%	13.6%	11.9%	11.1%
EBITDA (excluding other operating income)	98	85	158	302	701	1006	1255
% margin	16.7%	11.9%	16.8%	13.9%	14.7%	15.0%	15.0%
EBITDA (EUR mn) (excluding other operating income)	17.2	13.4	19.6	28.8	38.9	47.5	53.8
EBITDA (including other operating income)	74	93	168	551	857	1106	1355
% margin	12.7%	13.0%	17.8%	25.4%	18.0%	16.5%	16.2%

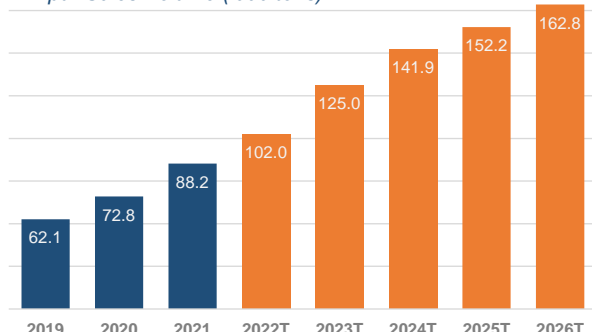
Balance Sheet	2018	2019	2020	2021	2022E	2023E	2024E
Current Assets	494	486	966	2,071	4,020	5,383	6,826
Cash and Equivalents	27	53	327	554	1,373	2,052	2,746
Trade Receivables	369	309	477	1,065	1,804	2,244	2,811
Other Receivables	1	4	9	7	7	7	8
Inventory	80	98	119	360	716	954	1,131
Prepaid Expenses	2	2	10	37	39	41	43
Other	10	19	23	48	47	49	52
Non-current Assets	82	88	100	137	341	408	424
Trade Receivables	1	2	11	0	0	0	0
Equity Pick-up	0	1	0	0	0	0	0
Tangible Fixed Assets	77	71	69	108	308	370	382
Intangible Fixed Assets	3	9	17	26	31	35	40
Other	0	4	4	3	3	3	3
TOTAL ASSETS	576	574	1,065	2,208	4,361	5,792	7,250
Short-term Liabilities	391	356	778	1,630	2,951	3,877	4,765
Bank Loans	280	182	522	1,033	1,935	2,731	3,410
Rent Liabilities	0	2	2	1	1	1	1
Trade Payables	61	148	206	440	853	977	1,180
Deferred Income	13	13	25	50	52	55	57
Other	37	10	24	107	110	113	117
Long-term Liabilities	11	10	12	12	11	11	12
Rent Liabilities	0	2	2	2	3	3	3
Other	11	8	10	9	8	8	9
SHAREHOLDERS EQUITY	173	208	275	567	1,399	1,904	2,473
TOTAL LIABILITIES AND EQUITY	576	574	1,065	2,208	4,361	5,792	7,250
NET DEBT	253	133	199	483	565	681	667
Net Debt / EBITDA (exc. other income)	2.6	1.6	1.3	1.6	0.8	0.7	0.5
Net Debt / EBITDA (inc. other income)	3.4	1.4	1.2	0.9	0.7	0.6	0.5

Source: YF Research

Key Charts

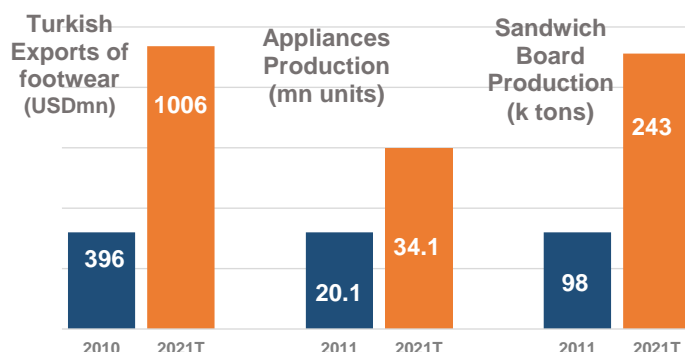
Double-digit volume growth set to continue
Uptrend in sales volume with capacity additions

Kimpur Sales Volume ('000 tons)



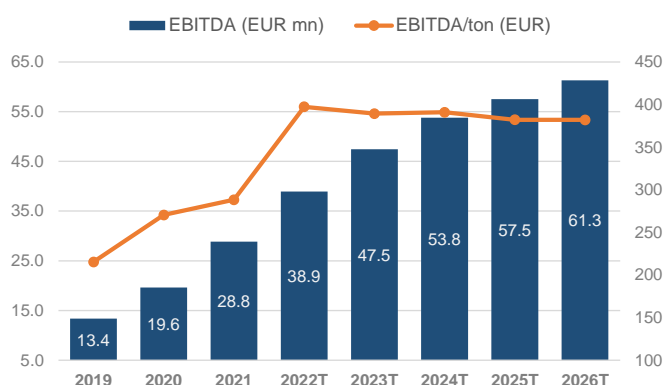
Source: YF Research

..thanks to steady growth in PU consuming sectors
Footwear, appliances and insulation panels growing



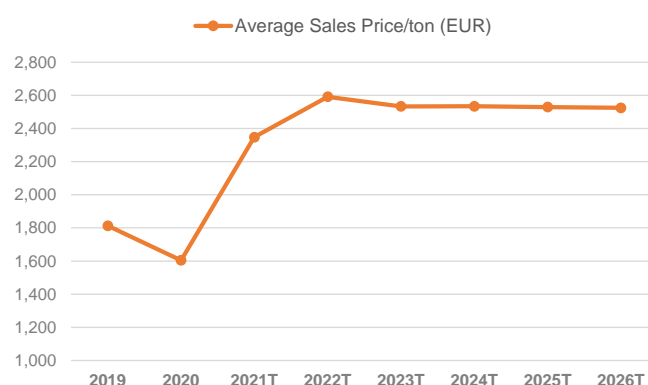
Source: YF Research

EBITDA growth led by higher volumes
Both EBITDA (in EUR) and EBITDA/ton display growth



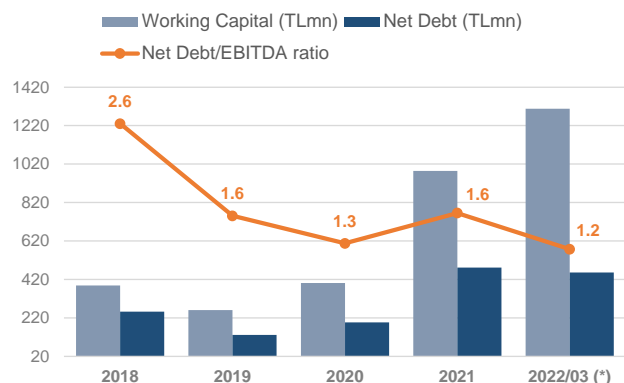
Source: YF Research

... with price/mix also trending higher
Commodity prices key driver of pricing



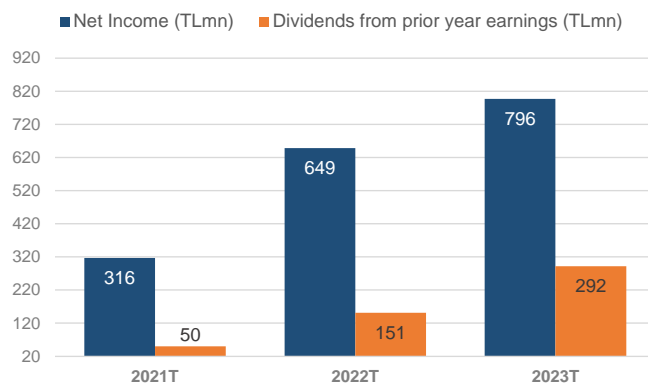
Source: YF Research

Working capital at manageable levels
Net Debt / EBITDA (excluding other income)



Source: YF Research (*) 2022/03 adj. post-IPO net debt.

...allowing stable dividend payout
Forecasting dividend yield rising to 7.4% in 2023E

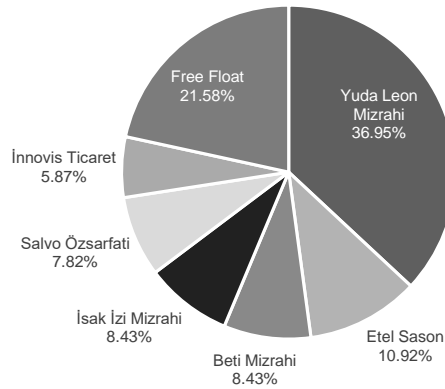


Source: YF Research

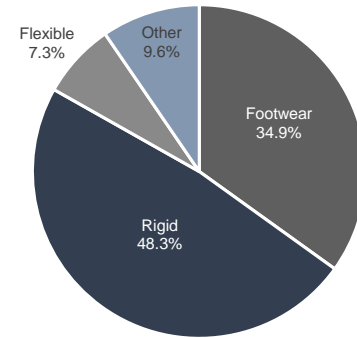
Company Profile

Founded in 1983, Kimteks Kimya Tekstil Ürünleri Sanayi ve Ticaret AŞ was the first legal entity of the group, which was operating as a trader/wholesaler of various chemicals and raw materials such as faux leather, footwear soles, rubber and paintings. The company started its first production investment in the area of PU systems in 1999 with an aim to serve growing demand from footwear, furniture, automotive and building industries. Kimpur's current plant in Gebze was commissioned in 2008 and its capacity had been gradually raised through continuous investments. "Kimteks Poliüretan (Kimpur)" was formed as a legal entity as of 2015-end through de-merger of PU production unit and Trading business unit of Kimteks. While sales volume of Kimpur was around 28.5K tons at the time of de-merger, it has reached 88K tons in 2021. Kimpur is both first domestically owned and the largest PU systems producer in Turkey. The company employs 219 people as of 1Q'2022, of which 26 is engaged in R&D, 98 is White-collar and 95 is blue-collar. Kimpur, leaped forward exactly 93 steps and took its place in the 221st rank in the "Turkey's Top 500 Industrial Enterprises" List, issued by Istanbul Chamber of Industry, based on 2021 results. Having exports to 47 different countries, Kimpur generated 27% of revenues from exports in 2021.

Kimpur – Shareholding Structure



Kimpur – Revenue Breakdown



Source: YF Research

Kimpur produces polyurethane systems that are used as raw material in manufacturing process of footwear, appliances, building insulation, automotive and furniture industries. Kimpur has over 1000 clients and 600 different SKUs, which are formulated by the company's engineers. Kimpur itself sources raw materials from global petrochemical suppliers in Asia and Europe. The company delivers PU systems to its clients in liquid form, which are processed to turn into foams with different characteristics such as soft, semi-rigid and rigid.

About Shareholders

Largest shareholder of Kimpur is Yuda Leon Mizrahi, who also acts as chairperson and owns 36.95% stake as of June 15. Beti Mizrahi and İsak Mizrahi also owns each 8.43% stake. Etel Sason and Salvo Özserfati are two minority shareholders, who retain ownership in Kimpur after the de-merger of Kimteks but are not represented in the BoD. İnnovis Ticaret, which is co-owned by Kimpur CEO, also owns 5.87% stake in Kimpur. Free float of Kimpur is 21.58%.

About Management

Mrs. Cavidan Karaca is the CEO and vice Chairperson, who joined the company back in 2014 as an advisor but then became CEO and a minority shareholder in the company. We believe her ownership in the company reflects that interests of management and shareholders are perfectly aligned. Before working at Kimpur, Mrs. Karaca served as a Purchasing Director at Omsan Lojistik, Purchasing Manager at Arçelik and Production Planning Engineer at Erkunt Sanayi AŞ.

Milestones

- 1983** ▪ Kimteks Kimya was established, which was mainly involved in trading/wholesale of various chemicals and raw materials such as faux leather, footwear soles, rubber and paintings.
- 1999** ▪ The company started its first production investment in the area of PU systems with an aim to serve growing demand from footwear, furniture, automotive and building industries. First production plant was located in İstanbul.
- 2008** ▪ Production moved to new plant in Gebze, which is still used as main plant of Kimpur with continuous capacity expansions from 2008 to date.
- 2009** ▪ Product portfolio expanded with the launch of rigid PU systems, serving insulation panels and appliance industries.
- 2010** ▪ Flexible PU systems started to be developed to further expand product range and serve automotive and furniture industries.
- 2015** ▪ Kimteks Polyurethane was formed through demerger of Kimteks Kimya as shareholders decided to focus on different business lines. Today, Kimteks Kimya continues its operations as a wholesaler and distributor of various chemicals and there is no material business transaction between Kimpur and Kimteks Kimya.
- 2016** ▪ In 2016 Kimpur achieved a growth of 33%. The company launched R&D operations with 26 R&D employees.
- 2017** ▪ Kimpur makes its way among among the top 500 industrial companies in Turkey. The same year in May, Kimpur receives its R&D center certificate.
- 2020** ▪ According to the R&D 250 research conducted by Turkishtime in 2020, Kimpur is the only polyurethane system house among the Top 10 companies that invest the most in R&D in the Chemicals and Chemical Products category. The same year, Kimpur enters the Top 5 as the only Polyurethane System House Export Record Holder in the raw materials category.
- 2021** ▪ Kimpur published its first sustainability report.
 - Kimpur expanded its product range and acquired EVA production plant, now called Kimplast, which is an alternate raw material for footwear boots. The company also decided to expand in Europe with an acquisition in Latvia. A full-owned subsidiary was established in Malta for trading purposes.
 - The annual production of Kimpur reached 88,000 tons by the end of 2021, up from 28,500 tons 5 years ago, meaning a growth of over 200%.
- 2022** ▪ Kimpur successfully completed its IPO. A total of 33.0 million shares were sold in the IPO at a price of TL29.0/share with total proceeds of TL957mn, of which 35% (TL335mn) was injected into the company in the form of a capital increase (with total shares outstanding increasing from 110 mn to 111.55mn shares).
 - The groundbreaking ceremony of Düzce facility, which will be implemented in order to continue sustainable growth and develop environmentally friendly solutions, was held on Tuesday, May 24.
 - At new facility in Düzce Gümüşova OSB, with a total annual capacity of 65 thousand tons, the production of 50 thousand tons of polyurethane systems, 5 thousand tons of green product range polyester polyol production synthesized from PET residues and 10 thousand tons of additional 'eva granule raw material' production are planned.
 - Kimpur aims to reach this capacity in Düzce facility in the period of 2022-2024.

Kimpur Subsidiaries and Assets

PU System House – Main plant in Gebze

Production Capacity: 129,000 tons/year (as of 2021)

Realized Production: 88,000 tons (2021)

Düzce Plant (under construction)

Production Capacity: 50,000 tons/year PU systems (planned to be completed by 2023-end)
5,000 tons/year PET recycling and PET based poliol production
10,000 tons/year EVA granule raw material production

Kimplast

Kimpur initially acquired 50% shares of Kimplast Granül Sanayi ve Ticaret A.Ş. which was a JV focused on the design, development and production of EVA compounds used in footwear manufacturing. Kimpur later increased its stake in Kimplast and now fully owns the asset.

Kimpur Russia

Established in Russia as a fully-owned subsidiary of Kimpur, Kimpur Russia has a paid-in-capital of RUB3.0mn and operates in the field of sales and distribution of PU systems.

Kimpur Europe

Production Capacity: 10,000 tons/year

Kimpur acquired 75% stake in a PU production plant in Latvia with an annual capacity of 10K tons (which could be raised to 30K tons based on 3-shift operation plan).

Kimpur Malta

Kimpur fully owns Kimpur Malta, which was established to assist in the global supply chain management and export operations.

Logistic Warehouses and Assets

Gebze: In addition to main plant, the company has 2 different warehouse on rent.

Gaziantep: Warehouses mainly serving footwear producers in the region.

Mersin: Warehouse on rent, used for raw material import operations

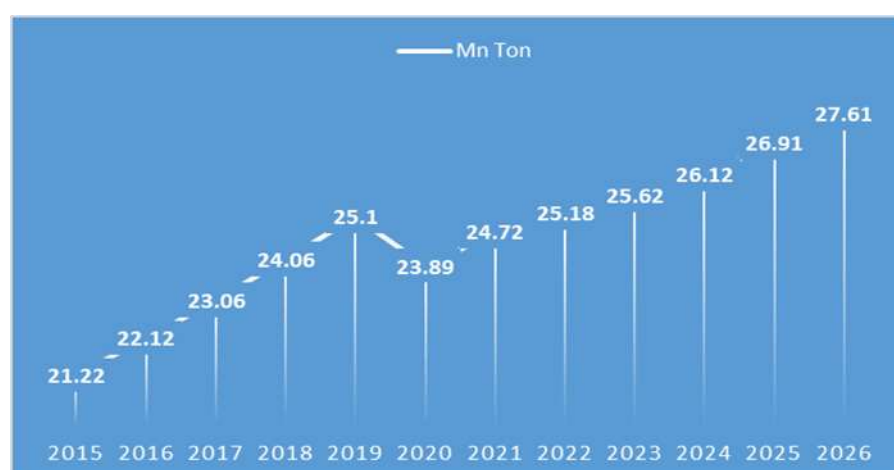
Adana: Warehouse on rent, used for raw material import operations

Global Polyurethane Sector

PU systems are widely used globally in various surfaces and products that are frequently encountered in everyday life. Initially invented in 1930s as an alternative material to rubber, PU foams are well known for their wide range of hardness (soft, rigid or flexible), cost effectiveness, low heat transfer, high load bearing capacity and high tear resistance.

Global PU market is estimated to be around 23.9mn tons in 2020 and the market had posted CAGR of 2.1% over 2015-2020. Projections for global demand indicates around 2.0% growth in PU demand p.a. over the next 5-year period.

Development of Global PU market (Mn tons)



Source: A.Austin, D.A. Hicks, A review of the global PU industry and

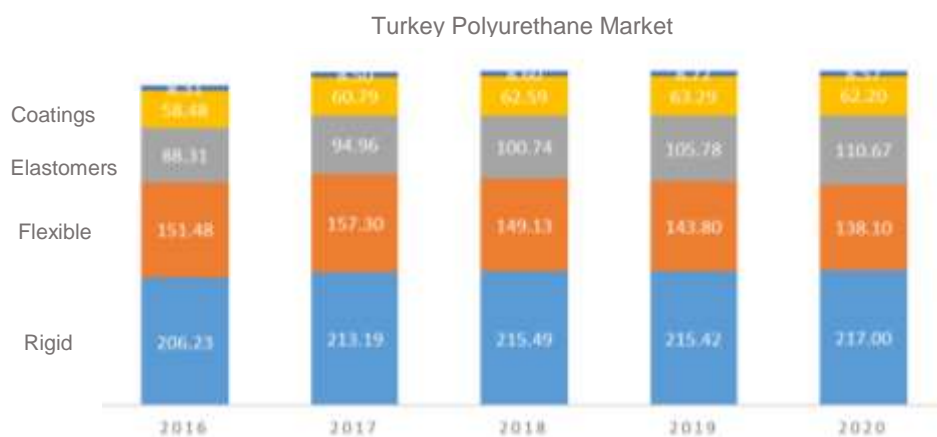
China is estimated to have the largest share with 40.5% in global PU industry. EMEA region is the second largest market with a share of 25.3%, followed by 16.6% share of NAFTA, 14.1% share of Asia-Pacific and 3.4% share of South America.

The largest segment of PU market has become rigid products, which accounts for around 34% of total demand. Flexible PU systems constitute second largest segment with a share of 33%, whereas PU coatings have 15% share in total market.

Polyurethane Sector in Turkey

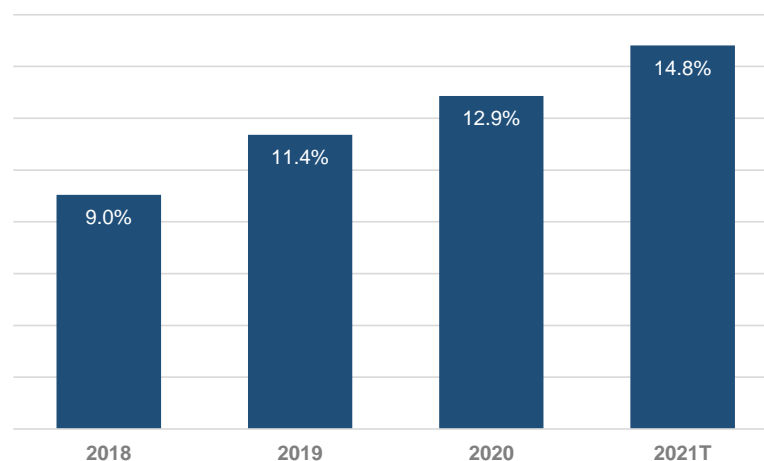
Turkish market for PU systems is estimated to be around 538 thousand tons, but excluding products that are not in the portfolio of Kimpur, addressable market for Kimpur is estimated to be around 450 thousand tons. Rigid foam represents the largest market segment with around 217K annual sales, followed by 138K flexible

Turkey – PU Systems Market Size ('000 Tons)



Source: IAL Consultants Polyurethane Chemicals and Products in Europe, Middle East & Africa (EMEA), 2021

Kimpur – Estimated Market Share in Turkey



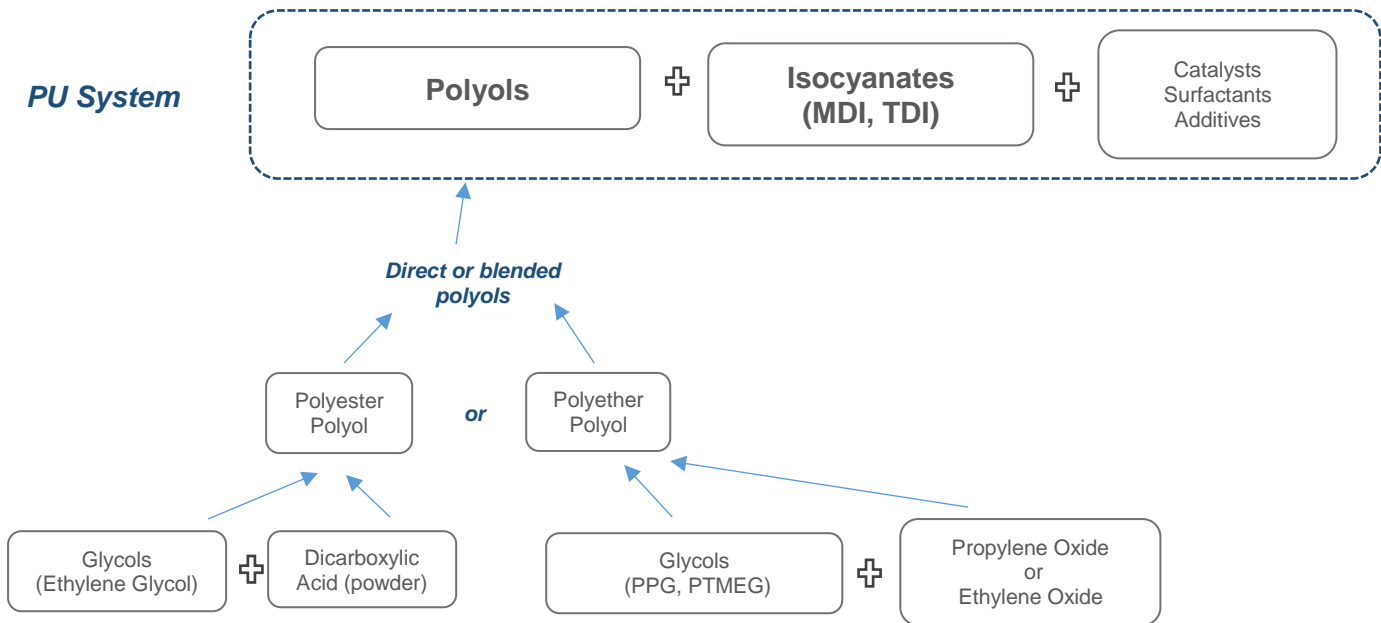
Source: IPO Circular
 (*) Based on addressable market of Kimpur.

Chemistry of Polyurethane

Polyurethane is produced in a polymerization reaction between polyols (OH alcohols) and isocyanates (NCO). There two main types of polyols used in PU systems: 1) polyester polyol 2) polyether polyol. Most widely used isocyanates are TDI (toluene diisocyanate) and MDI (methylene diphenyl diisocyanate). PU system components are usually delivered in liquid form to the end-user, which are then mixed in the manufacturing process of end-user to get into their required foam character.

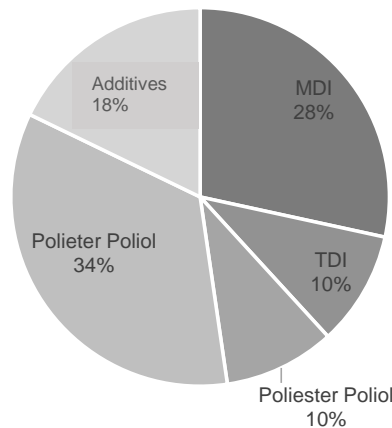
As a PU system house, Kimpur produces polyester polyols and prepolymers in the company's reactor tanks, using ethylene glycol and Dicarboxylic Acid as inputs. On the other hand, polyether polyols are imported and formulated according to customer demands. Isocyanates (MDI), catalysts and various additives are also sourced from international suppliers.

PU System Components



Kaynak: YF Araştırma

PU Systems – Breakdown of Raw Materials (based on tons of consumption)



Source: A.Austin, D.A. Hicks, A review of the global PU industry 2016

Kimpur Product Range

Kimpur has four main product categories.

- 1) **Kim FOOT** – PU systems for footwear industry
- 2) **Kim RIGID** – PU systems for insulation panels and home appliances
- 3) **Kim FLEX** – PU systems for office furniture and automotive sectors
- 4) **Kim CASE** – Coatings, Adhesives, Elastomers, other applications
- 5) **Kim POL** – Polyester Polyols

Kimpur has gradually expanded its product range and the company now wide range of PU system solutions that are able to compete with global rivals. As the first and largest domestically owned PU system producer, the company also has a high level of brand awareness and quality perception in the domestic market. Thanks to these factors, Kimpur managed to continuously increase its market share in Turkey over the years.

Kimpur direct sells its production to end clients and rarely uses distributors. Sales teams are organized based on product categories, while exports are managed through country managers.

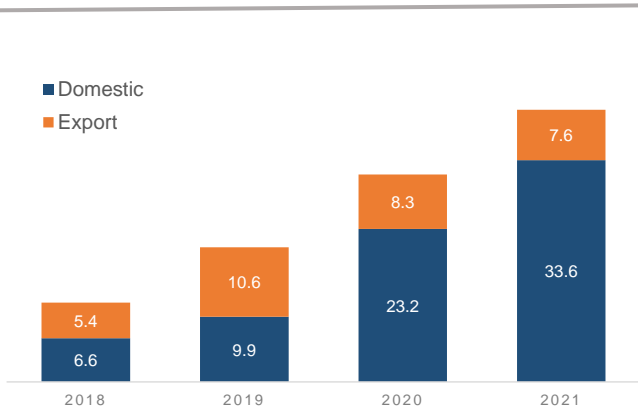
The company has around 1,000 total customers, of which around 600 placed orders over the last 12M. Around 19% of customers account for 80% of sales. Management's policy is to have a maximum of 5.0% share in total sales for one customer.

Kimpur also offers after-sale technical support and R&D support for its clients, in order for them to find out best formulations meeting their needs.

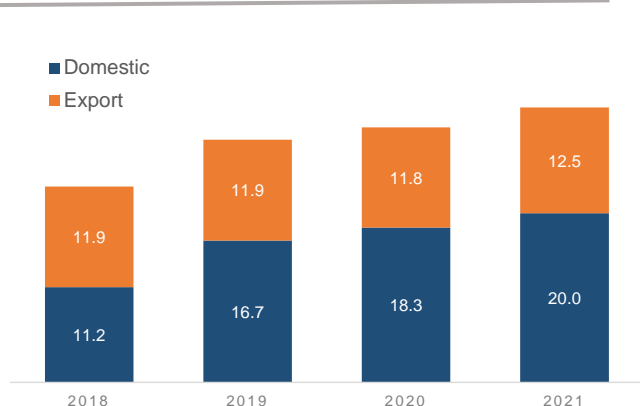
Exports allows Kimpur to divert sales to overseas markets in the event of weakness in domestic demand. Export share in total sales of Kimpur was 25% in 2015 and hit its highest level of 42.5% in 2019 due to contraction in domestic market. As Turkish market performed much better than export markets during the pandemic, export share in 2020 and 2021 gradually came down for Kimpur. Company management aims to reach 50-50 export-domestic balance in the long term.

Product	Customers	Avg. Customer Scale	Price/ton	R&D Intensity	Other Competitive Factors
Kim Foot	Shoe industry (sole/boot systems)	Small	Average	Medium	Innovative Solutions, Trade Financing, Quality
Kim Rigid	Insulation Board Refrigerators	Medium& Large	Average	High	Innovative Solutions
Kim Flex	Automotive Furniture	Medium& Large	Above Average	High	Reliability
Kim Case	Coating	Small& Medium	Above Average	High	R&D
KimPol	Footwear, Rigid, Flexible, CASE	Medium& Large	Above Average	High	R&D

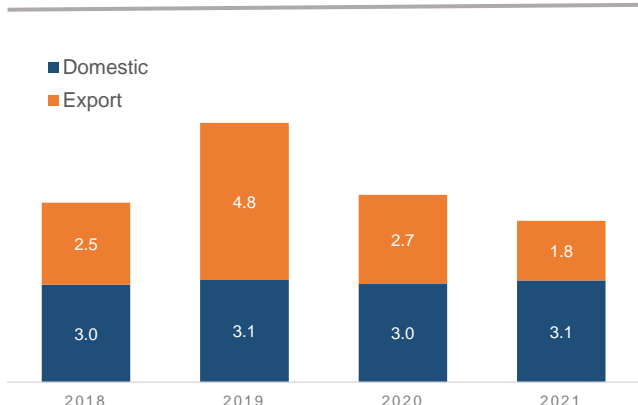
Kim RIGID Sales Volumes



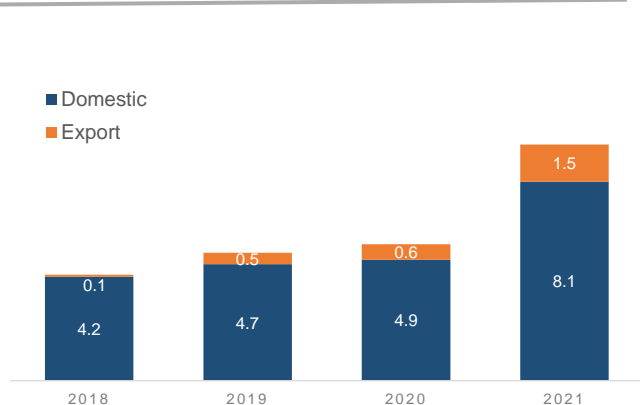
Kim FOOT Sales Volumes



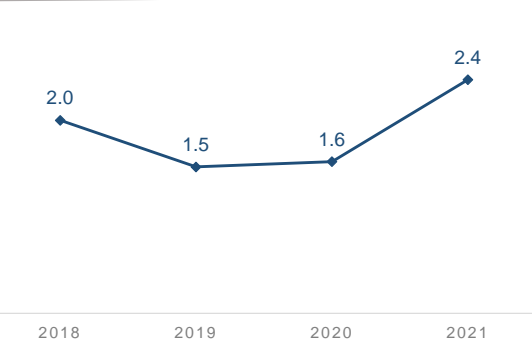
Kim FLEX Sales Volumes



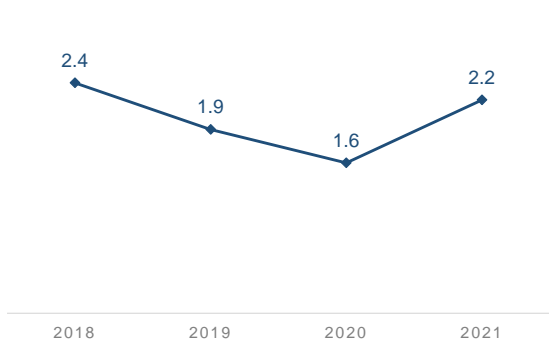
Other Products Sales Volumes



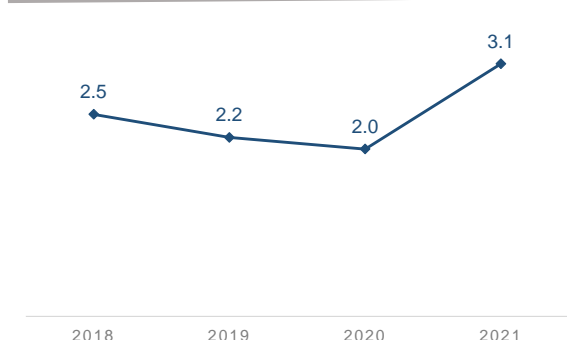
Kim RIGID Average Price/mix (EUR/kg)



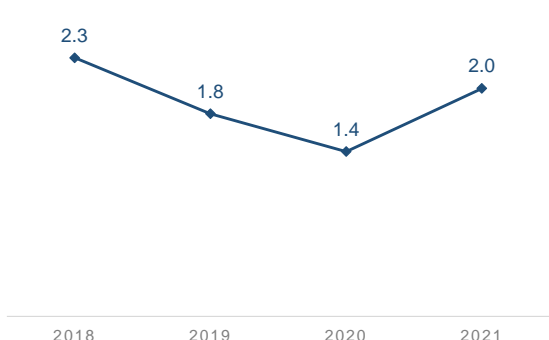
Kim Foot Average Price/mix (EUR/kg)



Kim FLEX Average Price/mix (EUR/kg)



Other Products Average Price/mix (EUR/kg)



Kimpur – Growth Strategy

Kimpur's expansion has been mainly driven by organic growth and reinforced by gradual capacity increases in Gebze Plant, expansion of product range through R&D projects and new customer acquisitions on the back of innovative solutions.

New plant in Düzce to secure long-term capacity needs. Kimpur started construction of its second production plant in Düzce, which is located 150 km east of current plant in Gebze, which has reached physical limits in terms of expansion. While capacity of Gebze plant is now around 129K tons, new plant in Düzce is expected to add 50K tons of new PU capacity by 2023-end with an estimated capex of USD15mn.

Seeking potential new business relations as R&D projects bear fruits. Kimpur strategically goes after new business relations especially in Kim Flex and Kim Case product categories, which currently account for less than 10% of sales volume.

Management indicates that potential new business for Kim Flex with a prospective PU-consuming Tier-1 auto parts supplier could bring in around 30K tons of annual sales volume (expected to be achieved in 3 years), meaning around 30% incremental growth potential in a single deal.

Another important project for Kimpur is run in cooperation with a private university and one of global automotive OEMs, where R&D teams from project participants are working on the use of Bio-based polyols in the automotive industry. Management indicates that this project could be granted significant financing from ESG-oriented funds and we believe it could be an important growth driver once it is able to be commercialized.

Kimpur also managed to initiate a new business as an exporter to the US market thanks to positive feedbacks for an R&D product in Kim Case product category, which usually has higher price/ton and above average margins. Management thinks potential demand of new customer could reach up to 30K tons, but it would likely take time for Kimpur to ramp up production for the new product.

Inorganic Expansion in Europe. Kimpur acquired 75% stake in a PU production plant in Latvia, which was operating with around 10K tons of annual capacity. The company plans to expand this operation up to 30K tons by moving to 3-shifts from 1-shift in the medium term. New plant in Latvia could help Kimpur penetrate into new markets in Europe, in our view, which currently has a low share in the company's exports.

On the other hand, Russian market could offer some opportunities for Kimpur as one of the two local producers ceased operations amid Russia-Ukraine war. The size of Russian market is estimated to be around 300K tons and Kimpur could take over some market share in Russia as Turkey-Russia trade so far is not affected by sanctions of the US and EU.

Established Supply Chain

Supply chain security and sustainability plays a critical role in Kimpur's operations. The company imports c.95% of its raw materials, of which 60% is sourced from Far East and the rest is sourced from European suppliers. All raw materials are priced in FX, mostly in USD terms.

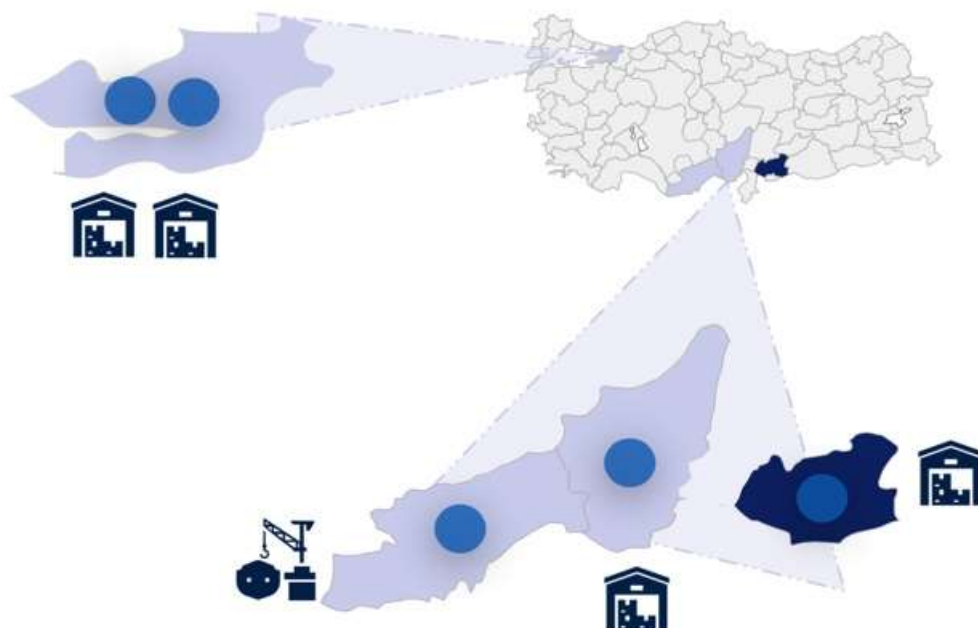
Kimpur management always keeps more than one supplier for every raw material and usually likes to have access to suppliers in different regions. This not only reduces operational risks, but also helps to go after lowest cost supplies in the market.

As Kimpur is the largest domestic producer in Turkey and the shareholders have a good track record since 1980s as an international trader of chemical raw materials, Kimpur always manages to secure its supply from raw material producers and it has not faced any shortages even during most difficult periods.

Management places raw material purchasing orders on a weekly basis and usually likes to have about 3 months of inventory secured in advance (1 months of physical inventory, 1 months of inventory in transit and 1 months of inventory in placed orders).

An important competitive strength of Kimpur is relatively short lead times as the company is usually able to ship orders from clients within 7 days. The company uses its logistic centers and warehouses near Gebze plant and in locations close to industrial zones in order to quickly meet demands of end users.

Kimpur – Logistic Warehouses



Projections – Sales Growth

Kimpur – Sales Volumes and Segment based Revenue Projections

Kimpur - Revenue Model	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Sales Volume ('000 tons)	44.9	62.1	72.8	88.2	102.0	125.0	141.9	152.2	162.8
Foot	23.1	28.6	30.1	32.4	40.0	49.7	55.8	58.0	59.8
Flex	5.4	7.9	5.7	4.9	8.7	10.5	12.4	12.6	12.8
Rigid	12.0	20.4	31.5	40.9	40.7	51.4	57.8	63.2	69.0
Diğer	4.3	5.2	5.5	10.0	12.7	13.4	15.9	18.4	21.1
% volume growth		38%	17%	21%	16%	23%	13%	7%	7%
Foot		24%	5%	8%	23%	24%	12%	4%	3%
Flex		44%	-28%	-14%	78%	21%	18%	2%	2%
Rigid		70%	54%	30%	-1%	27%	12%	9%	9%
Diğer		21%	7%	80%	28%	5%	19%	16%	15%
	2018	2019	2020	2021T	2022T	2023T	2024T	2025T	2026T
Average price/mix (EUR/ton)	2,296	1,813	1,604	2,348	2,592	2,533	2,534	2,529	2,525
Foot	2,409	1,921	1,572	2,230	2,453	2,404	2,404	2,404	2,404
Flex	2,463	2,181	2,040	3,078	3,386	3,319	3,319	3,319	3,319
Rigid	2,018	1,530	1,586	2,442	2,686	2,600	2,600	2,600	2,600
Diğer	2,252	1,765	1,436	1,986	2,184	2,141	2,141	2,141	2,141
% change in price/mix (EUR)		-21%	-11%	46%	10%	-2%	0%	0%	0%
Foot		-20%	-18%	42%	10%	-2%	0%	0%	0%
Flex		-11%	-6%	51%	10%	-2%	0%	0%	0%
Rigid		-24%	4%	54%	10%	-3%	0%	0%	0%
Diğer		-22%	-19%	38%	10%	-2%	0%	0%	0%
	2018	2019	2020	2021T	2022T	2023T	2024T	2025T	2026T
Revenue (EUR million)	103	113	117	207	264	317	360	385	411
Foot	56	55	47	72	98	119	134	139	144
Flex	13	17	12	15	29	35	41	42	43
Rigid	24	31	50	100	109	134	150	164	179
Diğer	10	9	8	20	28	29	34	39	45
% revenue growth (EUR)		9%	4%	77%	28%	20%	14%	7%	7%
Foot		-1%	-14%	53%	36%	22%	12%	4%	3%
Flex		28%	-32%	30%	95%	19%	18%	2%	2%
Rigid		29%	60%	100%	9%	22%	12%	9%	9%
Diğer		-5%	-13%	150%	40%	3%	19%	16%	15%

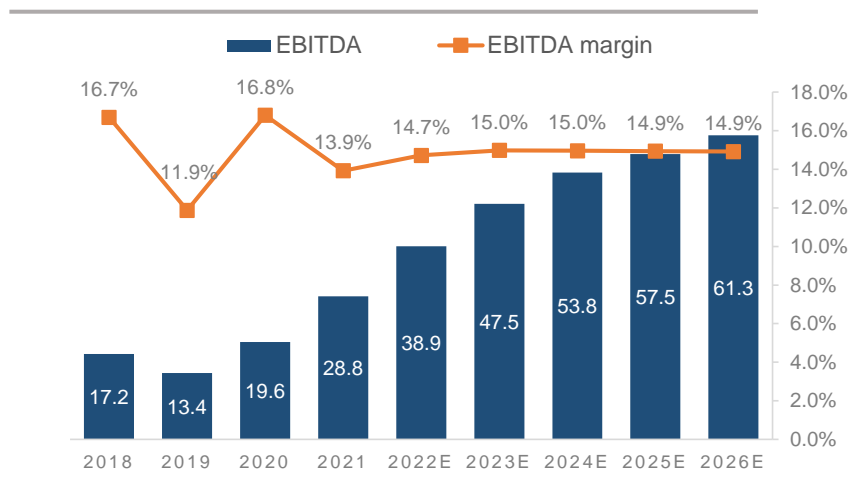
Source: YF Research

Projections – Profit Margins

Estimating 16% CAGR in EBITDA (EUR terms) during 2021-2026

Kimpur posted EBITDA of EUR28.8mn in 2021 with a margin of 13.9% (excluding other operating income). Average EBITDA margin of the company, excluding other operating income and expense items, was realized as 14.8% between 2018 and 2021, whereas EBITDA (in EUR terms) has increased at a CAGR of 18.8% during 2018-2021. As we expect volume growth to remain in double-digit levels in the next five years, we estimate EBITDA to register 16.3% CAGR during 2021-2026 and EBITDA to reach EUR61mn in 2026E.

EBITDA of Kimpur (EUR million)



Source: YF Research

Factors driving profit margins for Kimpur

Change in FX rates: Kimpur sets the price of its products in EUR terms, but around 50% of invoices are based in TL. In order to manage the impact of currency depreciation on TL based receivables, Kimpur tries to build FX long position in its balance sheet by borrowing in TL and keeping cash in hard currency. On the other hand, changes in FX rates could cause inventory gains and losses for Kimpur. As the company's inventory turns over every two months, potential depreciation in currency during this period lead to lower costs and higher margins (vice versa).

Raw Material Prices: PU systems are produced using mostly imported raw materials. While commodity prices usually affect every producer in similar ways, Kimpur enjoys being in a position to be able to get supply from petchem producers in both Europe and Far East. This increases flexibility and offers cost advantages sometimes such as this year since high nat-gas prices in Europe made raw material sourcing from Asia more attractive.

Supply-Demand balance: Kimpur has a diversified end-user base, so this allows to better manage changes in demand outlook in PU consuming industries. On the supply-side, possible production turnarounds or spike in energy prices usually push product prices higher as we witness for the last 12-18M.

Profit Margins over 2018-2026 Period: Gross Profit and EBITDA

Kimpur - Profit Margins	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Gross Profit (EUR mn)	21.6	18.1	23.9	36.2	46.3	55.4	62.9	67.4	71.9
% Gross Margin	20.9%	16.1%	20.4%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%
EBITDA (EUR mn)	17.2	13.4	19.6	28.8	38.9	47.5	53.8	57.5	61.3
% EBITDA Margin	16.7%	11.9%	16.8%	13.9%	14.7%	15.0%	15.0%	14.9%	14.9%

Source: YF Research

Projections – Capex and Working Capital

Kimpur had capital spending of TL14mn in 2018, TL13mn in 2019, TL15mn in 2020 and TL30mn in 2021 (totaling TL72mn or EUR9.2mn over the last 4 years). These capex represented investments in Gebze plant including maintenance, gradual capacity adjustments and R&D Center project investment costs.

As the company foresees almost reaching fully capacity in Gebze plant in 2-3 years, management decided to build a new plant in Düzce with a planned capacity of 50K tons of annual PU production. Total capex for new plant is expected to be around USD15mn and construction is expected to be completed as of 2022-end.

Kimpur has a working capital-to-sales ratio of 45.3% on a trailing TL basis, but we calculate adjusted working capital ratio at around 32% once we convert TL balance sheet into EUR. Since trailing revenue does not fully reflect TL depreciation that took place in the end of 2021, we believe it would be fair to look at working capital trends in EUR basis.

We estimate working capital to stay around 32% of revenues in our projections, which point to around 50 days of inventory, 110 days of receivable turnover and 60 days of payables turnover.

In our cash flow projections, we estimate total investment of EUR64mn in working capital over the next 5 years (equal to 31% of absolute increase in revenue for the same period).

Development of Capex and Working capital

Working Capital(TL Million)	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Inventory	80	98	119	360	716	954	1,131	1,203	1,397
Days in inventory	63	54	53	49	50	55	55	55	55
Trade Receivables	370	311	488	1,065	1,804	2,244	2,811	2,847	3,455
Days in receivables	231	173	153	130	110	110	110	110	110
Trade Payables	61	148	206	440	853	977	1,180	964	1,421
Days in payables	48	64	87	66	60	60	57	51	50
Operating Working Capital	389	261	401	986	1,666	2,221	2,762	3,085	3,430
% of sales (TL)	66.6%	36.4%	42.7%	45.4%	35.0%	33.1%	32.9%	32.9%	32.8%
Operating Working Capital (EUR mn)	64	39	44	65	83	100	113	121	129
% of sales (EUR)	62.5%	34.7%	37.7%	31.6%	31.5%	31.5%	31.5%	31.5%	31.5%

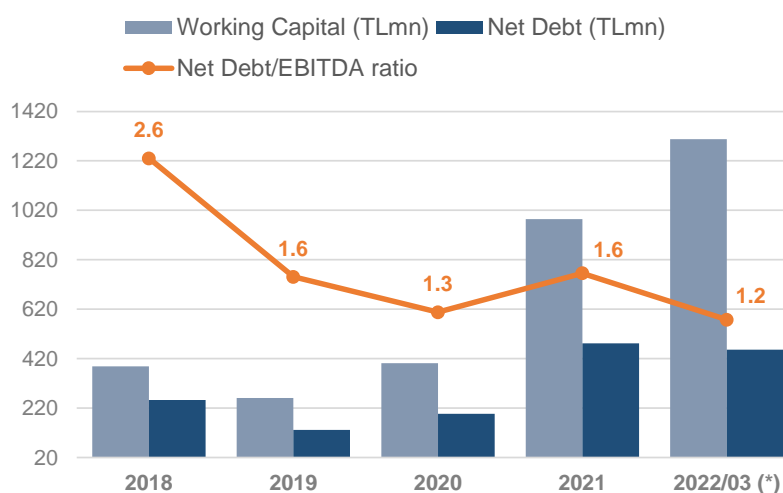
Source: YF Research

Balance Sheet and Net Debt Profile

Kimpur reported a net debt position of TL791mn as of 1Q'2022, which indicates Net Debt/EBITDA ratio of 2.1x based on trailing TL financials and excluding FX gains reported as part of other operating income (1.6x if trailing EBITDA is calculated in FX terms and 1.1x if other operating income is included in EBITDA). Note that TL335mn out of the IPO proceeds was also injected into the equity, which would lead to adjusted net debt balance of TL456mn (adj. leverage ratio of 1.2x excluding other income).

Kimpur opts to borrow in TL terms to finance its working capital requirement and the company has no financial debt in FX. Total financial debt of the company stands at TL1.37bn as of 1Q'2022, which is 100% short-term and has an average TL interest of c.19%. The company maintains long FX position of >TL1bn in its balance sheet including FX-linked deposits and derivative positions.

Development of Net Debt



Source: YF Research

Kimpur FX Position	2018	2019	2020	2021
Financial Debt (TL million)	280	182	522	1033
TL	250	96	379	1033
FX	30	86	143	0
Cash (TL million)	27	53	281	554
TL	2	32	83	14
FX	25	21	198	540
Net Debt (TL million)	253	129	241	483
Trade Receivables (TL million)	370	311	488	1065
TL	286	254	334	627
FX	85	58	154	438
Trade Payables (TL million)	61	148	206	441
TL	10	11	18	113
FX	52	138	188	328
Net FX Position (TL equivalent)	40	-142	22	669

Source: YF Research

DCF Valuation

DCF Summary (EUR mn)	2021	2022E	2023E	2024E	2025E	2026E
Net Sales	207.1	264.4	316.8	359.7	385.0	411.0
<i>Sales volume ('000 tons)</i>	88.2	102.0	125.0	141.9	152.2	162.8
<i>Average price/mix (EUR/ton)</i>	2,348	2,592	2,533	2,534	2,529	2,525
<i>% revenue growth (EUR)</i>	77%	28%	20%	14%	7%	7%
<i>% volume growth (ton)</i>	21%	16%	23%	13%	7%	7%
<i>% change in price/mix (EUR)</i>	46%	10%	-2%	0%	0%	0%
EBITDA	28.8	38.9	47.5	53.8	57.5	61.3
<i>% margin</i>	13.9%	14.7%	15.0%	15.0%	14.9%	14.9%
<i>EBITDA per ton (EUR/ton)</i>	327	382	380	379	378	377
(-) Taxes on EBIT	-6.1	-5.7	-6.9	-9.4	-10.0	-10.7
(-) Working Capital Investment	-21.4	-18.0	-16.5	-13.5	-8.0	-8.2
(-) Fixed Capital Investments	-2.8	-12.2	-4.7	-2.4	-2.5	-2.8
FCF	-0.7	3.0	19.4	28.6	37.0	39.7
<i>% of sales</i>	-0.4%	1.2%	6.1%	7.9%	9.6%	9.7%

NPV of cash flow (2022-2026)	101.5
Terminal Value (5.5x EBITDA multiple)	238.7
Adj. Net Debt (1Q'22 post-IPO post-dividend)	35.8
Target Mcap (EUR mn)	304.4
Target Mcap (TL mn) at EUR/TRY of 20.0	6,087
Target Price	50.00
Stock Price (*)	31.10
Upside Potential	61%

(*) Ex-dividend price

Risk-free Rate (EUR)	6.5%
Beta	1.0
Equity Risk Premium	5.0%
Cost of Equity	11.5%
Cost of Debt	7.5%
Tax Rate	20.0%
After-tax Cost of Debt	6.0%
WACC	9.0%
<i>% weight of equity</i>	55%
<i>% weight of debt</i>	45%

Source: YF Research

Tel: +90 (212) 317 69 00
 Fax: +90 (212) 282 15 50 - 51
 Bloomberg: YATF
www.yf.com.tr

Meclis - i Mebusan Caddesi No: 81 Fındıklı
 Beyoğlu / İstanbul 34427
 TURKEY

Levent Durusoy	Executive Vice President	levent.durusoy@yf.com.tr	+90 (212) 334 98 33
Institutional Sales			
Burak Demircioğlu	Head of Sales & Trading	burak.demircioglu@yf.com.tr	+90 (212) 334 98 42
Levent Mutlu	Trading Director	levent.mutlu@yf.com.tr	+90 (212) 334 98 40
Alper Yenilmez	Salesperson	alper.yenilmez@yf.com.tr	+90 (212) 334 98 49
Nil Tola	Sales Trader	nil.tola@yf.com.tr	+90 (212) 334 98 51
Mehmet Ali Sukuşu	Senior Settlements Officer	mehmetali.sukusu@yf.com.tr	+90 (212) 317 68 42
Equity Research			
Serhat Kaya	Research Manager	serhat.kaya@yf.com.tr	+90 (212) 334 98 36
Miraç Başcı	Research Analyst	mirac.basci@yf.com.tr	+90 (212) 334 98 89
Emre Duman	Research Analyst	emre.duman@yf.com.tr	+90 (212) 334 98 58
Selim Bülbül	Research Analyst	selim.bulbul@yf.com.tr	+90 (212) 334 98 64
Macroeconomic Research			
Erol Gürcan	Chief Economist	erol.gurcan@yf.com.tr	+90 (212) 317 98 37

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