

# DESA

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## **DESA records a remarkable 236% YoY increase in Net Profit in the First Half of 2023**

### **DESA's Net Profit for the First Half of 2023 Reaches TL 230 million**

DESA Leather Industry and Trade Inc., a prominent player in the global and Turkish leather sector, has announced its financial results for the first half of 2023, reflecting an impressive operational performance and substantial increase in profitability. With the marked improvement in key financial indicators such as sales, EBITDA, net profit and net cash position, DESA has once again showcased its sustainable growth to stakeholders and shareholders alike.

### **DESA achieves impressive financial progress with TL 859 million in revenue in the First Half of 2023**

DESA's impressive performance during the first half of 2023 was marked by robust results across exports, retail, B2B and e-commerce channels. Demonstrating 86% growth in sales compared to the same period last year, DESA's total revenues soared to TL 859 million with a 236% jump in net profit to TL 230 million during the period. In parallel with this, the company's market capitalization has climbed by 50% since the end of 2022, reaching TL 4.407 billion as of August 4.

DESA's performance in the second quarter of 2023 continued to impress, with net sales rising by a substantial 59% compared to the same period last year to reach TL 430 million. EBITDA for the same period also performed strongly, rising by 76% to TL 118 million. This increase in operational profitability was accompanied by a 2.6 percentage point improvement in the EBITDA margin compared to the same period of last year and reaching to 27.5%. Furthermore, DESA's equity-based partnership, Samsonite JV, in which DESA has a 40% stake, has recorded a 100% annual increase in profits in the second quarter; thus, providing TL 14 million income to DESA. Thanks to robust operational profitability and the contribution of financial gains, net profit increased 308% compared to the same period of last year and reached TL 192 million.

### **DESA's CEO Burak Çelet highlights strong financial performance and growth vision**

Reflecting on these impressive results, Burak Çelet, the CEO of DESA Leather Industry and Trade Inc., emphasized, "DESA's financial performance in the first half of 2023 has been truly impressive. The adverse impact of the devastating earthquake which struck in the first quarter on our retail sales eased in the second quarter. Our sales surged by 86% compared to the same period last year, reaching TL 859 million. Our EBITDA margin, which stood at 12.4% in the first quarter of the year, more than doubled to reach 27.5% in Q2 2023. By maintaining vigilance against potential market volatility in the second quarter, DESA improved its net cash position and strengthened its net profit through strategic financial investments. Driven by solid operational performance and the effects of exchange rate gains, DESA's net profit increased by an impressive 236% in the first half of 2023 to reach TL 230 million. As a result, our net cash position expanded from TL 384 million at the end of March 2023, to TL 586 million by the end of June. The remarkable 50% increase in DESA's market capitalization since the end of 2022, to TL 4.408 billion as of August 4, stands as a clear reflection of the investor confidence in our financial performance and future prospects."

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## **DESA maintains its unwavering investment momentum**

Maintaining a focus on sustained growth and forward-looking strategies, DESA is dedicated to ongoing investments. Particularly noteworthy is DESA's investment in Italy, which has garnered significant attention across European media outlets. Çelet remarked, "Our investment in Italy has attracted substantial interest, particularly within the European context. In addition to our longstanding partnerships with globally renowned luxury brands, we have attracted interest from exclusive luxury brands which had not previously engaged with us. In line with this, we commenced production on our primary line in May based on orders from our esteemed customers. Our efforts are directed towards strengthening our investments in Italy and consolidating our presence in global markets. With the current workforce of 45 individuals in Italy, including trainees, we expect to have expanded our team to 90-100 by the end of this year. We project that each employment opportunity created in Italy in 2024 will create an additional five jobs in Turkey."

## **Retail Expansion a part of DESA's vision for growth**

Envisioning sustained expansion through customer-centric strategies, DESA is set to open new stores. Çelet stated, "Our recent store openings in Turkey include Antalya Kemer Samsonite, Alanya Uygun Center DESA, Kozyatağı City's İstanbul DESA, Mall of Antalya Samsonite and the Zorlu TUMI store established under our joint venture with Samsonite. These new stores facilitate easier access for customers and contribute to our growth. In the coming period, we will press ahead with these investments and launch four new store investments that have already been contracted within this year."

## **Continuing to Lead in Sustainability Efforts**

As the sole vertically integrated company in Turkey's retail sector, producing the majority of its products in-house starting from the leather, DESA remains committed to reinforcing its role in sustainability. Following the successful launch of the Green Energy System (GES) investment in its Düzce facility last year, enabling the facility to meet 150% of its energy needs through renewable sources, DESA is set to complete the GES investment in its tannery in Çorlu during 2023, meeting 90% of its energy requirements.

## **DESA's Holistic Approach: Empowering Employment and Contributing to the Community**

Çelet highlighted, "Our contributions to employment, comprehensive training programs to develop a skilled workforce and our efforts to promote gender equality are exemplary in the industry. Our policies which prioritize the employment of women in management positions in Turkey and Italy contribute to gender equality. Through partnerships with local communities, DESA is committed to enhancing social welfare through targeted social responsibility initiatives, promoting well-being and offering educational opportunities. Guided by our vision of sustainable growth, customer satisfaction, and meaningful contributions to society, we are unwavering in our determination to maintain and strengthen our leadership position in the industry."

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## DESA Leather Industry and Trade Inc. Second Quarter Highlights:

Summary Balance Sheet (mn TL)	12/31/2022	3/31/2023	6/30/2023
Current Assets	886	930	1,139
Fixed Assets	397	451	487
<b>Total Assets</b>	<b>1,283</b>	<b>1,381</b>	<b>1,626</b>
Short Term Liabilities	561	619	651
Long Term Liabilities	148	154	173
Shareholders Equity	574	608	802
<b>Total Liabilities and Shareholders Equity</b>	<b>1,283</b>	<b>1,381</b>	<b>1,626</b>
<b>Net Cash Position</b>	<b>336</b>	<b>384</b>	<b>586</b>

Summary Income Statement (mn TL)	2Q22	1Q23	2Q23	2Q23 / 1Q23	2Q23 / 2Q22	1H22	1H23	1H23 / 1H22
<b>REVENUES</b>	<b>270</b>	<b>430</b>	<b>430</b>	<b>0%</b>	<b>59%</b>	<b>462</b>	<b>859</b>	<b>86%</b>
<b>GROSS PROFIT</b>	<b>105</b>	<b>134</b>	<b>197</b>	<b>47%</b>	<b>89%</b>	<b>174</b>	<b>331</b>	<b>90%</b>
Sales and Marketing Expenses	-53	-97	-109	<b>13%</b>	<b>106%</b>	-94	-206	<b>119%</b>
General Administrative Expenses	-7	-21	-14	<b>-34%</b>	<b>90%</b>	-13	-35	<b>167%</b>
R&D Expenses	-1	-2	-2	<b>11%</b>	<b>99%</b>	-2	-3	<b>87%</b>
Other Incomes from Operating Activities	25	37	79	<b>112%</b>	<b>215%</b>	50	116	<b>132%</b>
Other Expenses from Operating Activities	-15	-20	-59	<b>187%</b>	<b>282%</b>	-37	-79	<b>117%</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>53</b>	<b>31</b>	<b>92</b>	<b>197%</b>	<b>74%</b>	<b>79</b>	<b>123</b>	<b>56%</b>
<b>Net Operating Profit (exc. oth. op. inc./exp.)</b>	<b>43</b>	<b>14</b>	<b>72</b>	<b>403%</b>	<b>66%</b>	<b>65</b>	<b>86</b>	<b>32%</b>
<b>EBITDA (with oth. op. inc./exp.)</b>	<b>67</b>	<b>53</b>	<b>118</b>	<b>121%</b>	<b>76%</b>	<b>106</b>	<b>171</b>	<b>62%</b>
<b>EBITDA (w/o oth. op. inc./exp.)</b>	<b>57</b>	<b>37</b>	<b>98</b>	<b>167%</b>	<b>71%</b>	<b>92</b>	<b>135</b>	<b>46%</b>
<b>Profit / (Loss) Share on Investments Valued by Equity Method</b>	<b>7</b>	<b>12</b>	<b>14</b>	<b>15%</b>	<b>100%</b>	<b>11</b>	<b>27</b>	<b>135%</b>
<b>Net Financing Income/ Expense</b>	<b>-4</b>	<b>2</b>	<b>131</b>	<b>8251%</b>	<b>n.m.</b>	<b>-9</b>	<b>133</b>	<b>n.m.</b>
<b>NET PROFIT</b>	<b>47</b>	<b>38</b>	<b>192</b>	<b>412%</b>	<b>308%</b>	<b>68</b>	<b>230</b>	<b>236%</b>
Gross Profit Margin	38.8%	31.1%	45.9%	14,8 pp	7,1 pp	37.8%	38.5%	0,8 pp
EBITDA Margin (with oth. op. inc./exp.)	24.9%	12.4%	27.5%	15,1 pp	2,6 pp	22.9%	20.0%	-2,9 pp
EBITDA Margin (w/o oth. op. inc./exp.)	21.3%	8.5%	22.8%	14,3 pp	1,5 pp	19.9%	15.7%	-4,3 pp
Net Profit Margin	17.4%	8.7%	44.7%	36 pp	27,3 pp	14.8%	26.7%	11,9 pp

### About DESA

Since its establishment in 1972, DESA has achieved remarkable success in Turkey's leather and leather goods sector. With its unique vertically integrated business model, DESA is one of Turkey's leading exporters, accounting for 70% of Turkey's leather goods exports to Italy. Operating 115 retail stores nationwide, DESA carries out the production and sales of both women's and men's leather apparel, leather bags and accessories through wholesale and retail channels. In the area of e-commerce, the brand engages effectively with customers through [desa.com.tr](http://desa.com.tr) and [1972desa.com](http://1972desa.com), with collaborates with the Zalando platform to deliver DESA-branded products to European consumers in five countries. Serving an international clientele, the refined and elegant 1972 DESA brand has a presence in over 100 international sales points. Listed on the Borsa İstanbul since May 2004, DESA's operations encompass a leather production facility in Çorlu, Tekirdağ and two factories in Düzce and Sefaköy, İstanbul. DESA invested in an R&D and production facility in Italy in 2022, which has recently entered operation.