TACİRLER YATIRIM

Lila Paper

We held an analyst meeting with Lila Paper's Investor Relations team. During the meeting, recent developments regarding the company's current operations were discussed, along with investments and strategic priorities expected to contribute to growth in the medium to long term.

Main Topics of the Meeting

Operational Performance, Financials and Outlook

In the third quarter of the year, the increase in foreign exchange rates remaining below the inflation rate, together with the decline in pulp prices limiting sales prices, led to a 21% year-on-year decline in sales in TRY terms, despite the relatively supportive contribution from domestic converting activities and the contraction in export markets. As of 2025, a contraction in sales volumes has also been observed, and volumes are expected to remain below the budgeted level of 210–215 thousand tons. In line with this outlook, the company revised its previously flat sales volume guidance for 3Q25 to reflect a partial contraction and increased its operating expenses-to-sales ratio expectation from 15% to 17% due to the decline in sales.

Nevertheless, Lila Paper's strategic focus on profitable growth continues to support margin performance. Despite the downward trend in pulp prices, the company preserved its gross margin thanks to its markup-based pricing model, while EBITDA per ton increased by 8% in 3Q25, supported by inflation accounting effects and despite FX rates lagging inflation. Accordingly, while net sales declined by 21% year-on-year in 3Q25, EBITDA increased by 3%, with the EBITDA margin improving by 488 basis points to 20.8%. Over the same period, the net profit margin rose by 129 basis points year-on-year to 12.9%.

Strategically, the company continues to increase the share of premium products and focus on higher unit profitability products. By maintaining pricing discipline and emphasizing quality growth, Lila Paper is able to balance sales volumes on a periodic basis. Supported by strong operating cash generation, the company reported a net cash position of TRY 3.3 billion as of 9M25, while financial debt declined by 58% compared to year-end 2024. This strong balance sheet structure enhances financial flexibility against market volatility and provides significant capacity to support value-added investment opportunities.

In 3Q25, based on TurkStat's August data, Lila Paper accounted for 29% of Turkey's tissue paper exports, with export markets representing 75% of total sales. Converting and jumbo rolls are exported to nearby markets, while exports to distant markets mainly consist of jumbo rolls.

LILAK

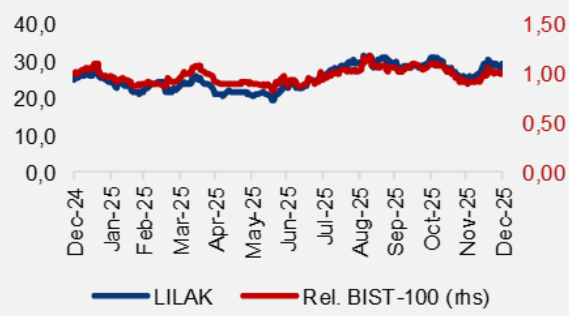
Share Data	
Ticker:	LILAK TI
Share price (as of September 9, 2024)	28,58
Share price (52 week range)	19 / 32
Market cap. (TL mn - USD mn)	16862,2 - 402,4
# of shares outstanding (mn)	590
Free Float	44%

Avg. trading volume	1M	3M	12M
USD mn	3,6	3,3	4,7

Price performance	1M	3M	Y-t-D
TL	14%	-1%	0%
USD	13%	-4%	0%
Rel. to BIST-100	11%	-3%	0%

TL mn	2022	2023	2024
Revenues	22.827	16.942	15.701
EBITDA	5.646	3.822	3.073
Net Earnings	3.718	406	1.474
Net Debt	5.842	3.217	-4.134

Valuation	2022	2023	2024
P/E			16,6x
P/BV			1,2x
EV/EBITDA			2,8x
EV/Sales			0,65x



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As of 2025, geopolitical uncertainties, international trade policies, and weakening export demand continue to weigh on the operating environment in the global tissue paper market. In this context, the company prioritizes profitability and pricing discipline over volume growth.

In the standard jumbo roll segment, which is perceived as a commodity, there is a risk that Far Eastern producers—facing challenges in the U.S. market due to tariff impacts—may increasingly target the Europe–Middle East–Africa (EMEA) region and pursue aggressive competitive strategies in these markets. Conversely, the fact that Chinese producers are largely directing capacity toward the domestic market and the Far East stands out as a factor limiting direct competitive pressure in Lila Paper's target markets in Europe, the Middle East, and nearby regions. The company exports to 81 countries, with a well-balanced regional distribution and no significant concentration risk on a country basis.

Growth Strategy and Investments

The company has a factory investment in Erzurum that is expected to be commissioned in phases. The first phase is planned to be operational by the end of this year, and with the commissioning of the Erzurum facility, a notable increase in converting exports is anticipated. This investment is expected to support export revenues by shifting the company's product mix toward higher value-added segments.

In the second phase of the investment, the commissioning of a fifth paper production line in Erzurum is planned as of 2027. Upon completion of the investment, the facility is targeted to reach an annual gross paper production capacity of 70 thousand tons.

This capacity increase will strengthen the company's integrated production structure, enhancing both cost flexibility and security of product supply. In addition, with respect to the factory land where the Erzurum investments are ongoing, an additional land allocation was granted to the company on October 16, 2025, under a zoning amendment approved by the Ministry of Industry and Technology of the Republic of Türkiye. This development stands out as an important factor supporting the medium- to long-term expansion potential of the investment.

The company follows a flexible strategy that does not rule out inorganic growth opportunities. In this context, there are plans to pursue an acquisition in Romania, with the aim of strengthening access to Central and Western European markets. Moreover, the Middle East market continues to offer structural growth potential for the company, driven by increasing urbanization and population growth.

On the energy side, the company holds a 28.1 MW solar power plant (SPP) license in Bitlis, with the environmental impact assessment (EIA) process ongoing, and the investment is planned to be commissioned by 2028. Additionally, the company targets reaching a total installed renewable energy capacity of 50 MW by 2028. If achieved, this would be expected to cover approximately 25% of total energy costs and generate annual savings potential of USD 7–10 million.

Over the past two years, dividends have been distributed at levels well above the company's stated dividend policy, and with a decline in capital expenditures, the continuation of a sustainable dividend policy is expected.

Regarding the outlook, management views 2026 as a year of gradual recovery. The decline in inflation and the normalization of the FX–inflation gap, leading to a more balanced and predictable pricing environment, stand out as the key factors supporting this expectation.

LILAK Summary Tables

Balance Sheet	2022	2023	2024
Cash	1.192	1.808	7.112
Accounts receivables	5.523	3.797	3.072
Inventory	3.775	2.034	1.948
Other current assets	368	706	263
Current assets	**10.858**	**8.344**	**12.396**
Financial investments	0	0	0
Net fixed assets	6.660	6.825	6.911
Intangible assets	30	34	41
Other non-current assets	442	254	248
Non-current assets	**7.132**	**7.113**	**7.199**
Total assets	**17.990**	**15.457**	**19.595**
Short-term financial loans	5.421	3.970	2.242
Accounts payables	1.467	766	880
Other short-term payables	322	329	378
Current liabilities	**7.210**	**5.064**	**3.500**
Long-term financial loans	1.613	1.054	737
Other long-term payables	79	125	444
Non-current liabilities	**1.692**	**1.180**	**1.181**
Shareholders' equity	**9.088**	**9.213**	**14.914**
Parent company	9.088	9.213	14.914
Minorities	0	0	0
Total liabilities & equity	**17.990**	**15.457**	**19.595**
Net debt	5.842	3.217	-4.134
Net working capital	7.878	5.443	4.025
Net working capital (Operating)	7.832	5.066	4.140
Invested Capital	14.568	12.302	10.976

Ratios	2022	2023	2024
Profitability			
ROE	50,5%	4,4%	12,2%
Net margin	16,3%	2,4%	9,4%
Asset turnover	1,4x	1,0x	0,9x
Leverage	2,2x	1,8x	1,5x
ROA	23,1%	2,4%	8,4%
ROIC	30,9%	17,8%	14,8%
Leverage			
Financial debt/Total assets	39%	33%	15%
Net debt/Equity	0,64	0,35	-0,28
Net debt/EBITDA	1,03	0,84	-1,35

Income statement	2022	2023	2024
Revenues	**22.827**	**16.942**	**15.701**
Gross profit	7.960	5.106	4.413
Operating expenses	2.982	2.119	2.255
Operating profit	4.978	2.987	2.158
EBITDA	**5.646**	**3.822**	**3.073**
Other income, net	296	350	381
Financial income, net	-1.265	-2.597	-644
Earnings before taxes	4.009	740	1.895
Tax expense	291	333	421
Net earnings - Parent	**3.718**	**406**	**1.474**

Cashflow statement	2022	2023	2024
EBITDA	**5.646**	**3.822**	**3.073**
Taxes on EBIT	361	1.345	479
Capital expenditures		709	681
Chg. in NWC	3.410	-2.435	-1.418
Free cashflows to firm		**4.203**	**3.329**

Growth & margins	2022	2023	2024
Revenues	93%	-26%	-7%
EBITDA	72%	-32%	-20%
Net earnings	175%	-89%	263%
Gross margin	34,9%	30,1%	28,1%
Operating margin	21,8%	17,6%	13,7%
EBITDA margin	24,7%	22,6%	19,6%
Net margin	16,3%	2,4%	9,4%
Free cashflow margin	n.m.	2,4%	9,4%

Per share (TL)	2022	2023	2024
EPS	6,30	0,69	2,50
BVPS	15,40	15,62	25,28
DPS	0,00	0,00	0,31

Valuation	
P/E	16,6x
P/BV	1,24x
EV/EBITDA	2,8x
EV/Sales	0,65x

Source: Bloomberg, Tacirler Investment

** All figures are stated in millions of TL unless otherwise stated.*

Important Disclosures

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