



ADEL KALEMCİLİK
JUNE 30, 2020 EARNINGS RELEASE





ADEL KALEMCİLİK (BIST: ADEL.IS) 1H2020 EARNINGS RELEASE

(000 TL)	2Q2019	2Q2020	%	1H2019	1H2020	%
Net Sales	86.183	110.567	28%	194.814	204.691	5%
Gross Profit	42.074	45.782	9%	94.819	84.897	-10%
EBITDA	22.461	24.720	10%	46.674	36.793	-21%
Gross Margin	49%	41%		49%	41%	
EBITDA Margin	26%	22%		24%	18%	
Free Cash Flow	-45.755	-108.407	n.a	-99.574	-141.987	n.a

MESSAGE FROM GENERAL MANAGER EVRİM HİZALER

The year 2020 continues to be effected from the difficulties caused by Covid-19 pandemic both in the world and in our country. With the start of the new normal life in our country, although there has been a little increase in economic activity, the possible effects of the pandemic have been carefully examined, and the predictions and assumptions shared by the authorities and institutions regarding how long the effects will continue have been followed meticulously.

In the first 6 months, our net sales were realized 5% above the same period of the previous year.

We have been continuing to work on alternative scenarios, in order to minimize the negative impact of the current and further slowdown in Turkey and the world's economic activity on the Company's financial conditions. The impacts of the COVID-19 pandemic have been evaluated in all aspects of our Company's supply production and sales activities, and all possible risk scenarios has continuously revised and the necessary emergency action plans have been studied.

From the beginning of the pandemic, all the measures recommended by our health unit and official authorities have been taken. Developments have been followed up and implementation changes are made if necessary. Our employees working in production and shipping activities continue their duties with Social distance rules and necessary preventive equipment.

Within the framework of social distance and isolation rules, maximum number of our office employees have worked home-office until June. With the beginning of the new normal life, the return to the office have started gradually and as of August, all our staff have started to working from the office. We have also introduced support programs for our employees to improve their physical conditions and manage their mental concerns during this challenging process.

As a result of these measures, Adel has taken "Covid-19 Safe Production Certificate" given by the Turkish Standards Institute (TSE). We are pleased to state that we are the first company in the stationery sector which has taken this Certificate.

Likewise, our business partners, dealers and sales channels we work with have taken similar measures for their own businesses.

In this period, as being a company that works in essence with "goodness" value, we have realized various social responsibility activities with AÇEV and HABITAT Associations for children who are in need and for the children of healthcare workers who work away from their families with the awareness of our social responsibility.

In addition, we continued our activities to increase individual and corporate environmental awareness under "Goodness Tree". In order to celebrate the April 23 National Sovereignty and Children's Day, which we celebrate its 100th anniversary, with the same enthusiasm as every year, we have left a green-friendly mark for a sustainable future by bringing the tree seeds to the soil through drones for each child who has drawn and shared the Tree of Goodness in his dreams.

Continuing our mission to accompany the education and development of generations, we have put our izbirakanogretmenler.com platform, which we have created with the aim of inspiring teachers with its creative content, to the service of all parents and students to spend more productive time at home.

Our target in 2020; to continue our projects that will contribute to the society with an awareness of social responsibility against the pandemic and our "goodness" value, to keep our turnover performance at the level of last year, and to continue our measures regarding free cash flow and receivable management.

FINANCIAL PERFORMANCE

A-NET SALES

Adel Kalemcilik (Adel) announced net sales of TL 204,7 million in the first half of 2020, increased by 5% compared to the 1H 2019.

Although our company has achieved a successful performance in the sales fairs, which is the most important sales activity and held at the beginning of the year, we have been following a cautious shipping policy due to the economic uncertainties experienced in 2020, delays in the supply of raw materials and commercial goods due to the pandemic also have put pressure on turnover.

B-EBITDA

In 1H 2020, while net sales were 5% higher than the same period of the previous year, amount of 36,8 million TL EBITDA realised due to the increase in cost of sales and operating expenses being higher than the increase in turnover.

C-FREE CASH FLOW

Considering the cash flow cycle of the company, due to seasonality in the sector, sales are realized in the first 9 months, whereas receivable collections are realized in the next 3 months. As a result, from January till September company has negative cash flow, from October till December has positive cash flow. Although the need for net working capital is high in the first 3 quarters, the Company creates positive free cash in the 4th quarter, in line with the collection of receivables predominantly during this period.

While the Company created negative cash flow of 99,6 million TL in the first half of 2019, in the first half of 2020 the cash requirement of the company increased by 42,4 million TL and realised 142 million TL negative free cash flow especially with the effect of the increase in trade receivables due to both the Company's cash cycle and the periodic shifts between the Company's sales campaigns.

2020 SECTORAL AND FINANCIAL OUTLOOK

The extent of the effects of the Covid-19 pandemic has not been fully predicted yet. The 2020 year-end targets created by evaluating the current predictions of our company are listed below. In our current projections, it has been assumed that the schools in our country will open as of August 31, as announced by the Ministry of National Education. The forecasts for 2020 will be revised according to the course of pandemic and its effect on Turkish and world economy.

- Realizing net sales amount in-line with year 2019
- Realizing positive free cash flow with effective working capital management,
- Reducing the company's indebtedness level,

Adel Kalemcilik Sanayi ve Ticaret A.Ş.
Summary Balance Sheet
(000 TL)

	31.12.2019	30.06.2020
Cash and cash equivalents	13.421	5.368
Trade receivables	82.018	224.551
Inventories	137.387	161.458
Other current assets	28.814	29.034
Current assets	261.640	420.411
Financial investments	234	234
Investments accounted through equity method	-	-
Property, plant and equipment	105.340	102.032
Intangible assets	8.273	7.288
Other non-current assets	14.034	21.052
Non-current assets	127.881	130.606
Total assets	389.521	551.017
Short-term borrowings	118.687	261.404
Current portion of long-term borrowings	7.241	13.486
Trade payables	22.331	39.973
Other current liabilities	18.443	31.252
Current liabilities	166.702	346.115
Long-term borrowings	51.042	37.699
Long-term provisions	8.558	9.301
Non-current liabilities	59.600	47.000
Total equity	163.219	157.902
Total liabilities and equity	389.521	551.017

Adel Kalemcilik Sanayi ve Ticaret A.Ş.
Summary Income Statement
(000 TL)

	30.06.2019	30.06.2020
Revenue	194.814	204.691
Cost of sales (-)	(99.995)	(119.794)
Gross profit	94.819	84.897
Operating expenses	(49.300)	(54.585)
Other operating income/(expense), net	(8.942)	(4.472)
Operating income	36.577	25.840
Income/(expense) from investing activities, net	3.153	2
Gain/(loss) from investments accounted through equity method	(4.307)	-
Financial income/(expense), net	(33.627)	(16.586)
Income/(loss) before tax from continuing operations	1.796	9.256
Tax income/(expense)	(1.760)	(231)
Net income/(loss)	36	9.025
EBITDA	46.674	36.793
Profitability ratios	30.06.2019	30.06.2020
Gross profit margin	49%	41%
Operating profit margin	19%	13%
Net income margin	0%	4%
EBITDA Margin	24%	18%
	30.06.2019	30.06.2020
Market value as of June 30 (000 TL)	290.351	338.310

RISKS

Financial Risks: Our Company's financial statements are sensitive to changes in interest rates as we operate with high working capital in the first 9 months of the year. Interest rates may fluctuate along the course of geopolitical risks and important macroeconomic indicators. Thus, the company has increased its average loan maturity up to 363 days.

FX Risks: 60-65% of the cost of goods sold is dependant to the exchange rate. Our company hedges minimum 50% of foreign exchange risk according to the risk management policy. In terms of 2020, all of the foreign exchange risk has been hedged.

Receivables Risks: Collections are recognized with the cheques received from dealers. As the drawer of the cheques received are the clients of the dealers, risk allocation is ensured. Thus, the company does not face material risks related with the receivables. Our company takes into account "Letter of guarantee", "mortgage" and "DBS" as collateral. Amount of collaterals has increased through years.

INVESTOR RELATIONS CONTACTS

Please visit our website www.adel.com.tr for financial reports. Please do not hesitate to contact with the people listed below on any subject.

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