



ADEL KALEMCİLİK
MARCH 31, 2020 EARNINGS RELEASE





ADEL KALEMCİLİK (BIST: ADEL.IS) 1Q2020 EARNINGS RELEASE

(000 TL)	1Q2019	1Q2020	%
Net Sales	108.631	94.124	-13%
Gross Profit	52.745	39.115	-26%
EBITDA	24.213	12.073	-50%
Gross Margin	49%	42%	
EBITDA Margin	22%	13%	
Free Cash Flow	-53.819	-33.580	n.a

MESSAGE FROM GENERAL MANAGER EVRİM HIZALER

Following 2019 which was a very difficult year for both Turkey's and the world's economy, 2020 has started more positive for Turkey and our Company. Unfortunately, 2020 continues to be a more uncertain and challenging year, while the pandemic affecting the whole world.

The impacts of the COVID-19 outbreak that emerged in China and then spread all over the world are 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.

The estimates and assumptions shared by the competent authorities and institutions regarding how long the impacts of the pandemic continue are carefully followed.

we have been working on alternative scenarios, in order to minimize the negative impact of the current and further slowdown in both the stationary sector in which we operate and Turkey and the world economic activity on the Company's financial conditions,

From the beginning of the outbreak of the pandemic, we have taken all the necessary health measures for our employees at the highest level. We have been also introducing support programs for our employees to improve their physical conditions and manage their mental concerns during this challenging process.

Within the framework of social distance and isolation rules, maximum number of our office employees have been working home-office and carry out our works without interruption.

Our employees working in production and shipping activities continue their duties with Social distance rules and necessary preventive equipment. Against the pandemic, all the measures recommended by our health unit and official authorities has been taken.

Developments have been followed up and implementation changes are made if necessary.

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.

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

Within the framework of these measures, although the sales orders we received in the first quarter were above last year, our net sales were 13% below the same period of the previous year due to our shipments within the framework of the measures taken by us and our business partners mutually against pandemic.

The possible effects of the pandemic have been carefully examined, and there may be some shrinkage in demand if the effects continue to increase and the time is extended. We have also created scenarios for possible demand shrinkage, and we have been working on alternative commercial and financial actions in the light of these scenarios.

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 Kalemçilik (Adel) announced net sales of TL 94,1 million in the first quarter of 2020, down by 13% compared to the 1Q 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.

B-EBITDA

In 1Q 2020, while net sales were 13% lower than the same period of the previous year, amount of 12,1 million TL EBITDA realised due to the drop in cost of goods sold by 2% with the effect of the increase in exchange rates and the seasonal increase in operating expenses.

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 53,8 million TL in the first quarter of 2019, in the first quarter of 2020 the cash requirement of the company decreased by 20,2 million TL and realised 33,6 million TL negative free cash flow as a result of the improvement in net working capital in parallel with the Company's targets.

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. When the ending time of the pandemic and its effect on Turkish and world economy become more clear, the impact on our operations can be calculated more certainly and the forecasts for 2020 will be revised accordingly.

- Net sales amount in-line with year 2019
- 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	31.03.2020
Cash and cash equivalents	13.421	97.346
Trade receivables	82.018	133.763
Inventories	137.387	123.913
Other current assets	28.814	35.026
Current assets	261.640	390.048
Financial investments	234	234
Investments accounted through equity method	-	-
Property, plant and equipment	105.340	103.751
Intangible assets	8.273	7.515
Other non-current assets	14.034	13.469
Non-current assets	127.881	124.969
Total assets	389.521	515.017
Short-term borrowings	118.687	247.718
Current portion of long-term borrowings	7.241	11.963
Trade payables	22.331	26.543
Other current liabilities	18.443	14.258
Current liabilities	166.702	300.482
Long-term borrowings	51.042	39.752
Long-term provisions	8.558	8.745
Non-current liabilities	59.600	48.497
Total equity	163.219	166.038
Total liabilities and equity	389.521	515.017

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

	31.03.2019	31.03.2020
Revenue	108.631	94.124
Cost of sales (-)	(55.886)	(55.009)
Gross profit	52.745	39.115
Operating expenses	(24.916)	(28.298)
Other operating income/(expense), net	(8.125)	(4.104)
Operating income	19.704	6.713
Income/(expense) from investing activities, net	4	2
Gain/(loss) from investments accounted through equity method	-	-
Financial income/(expense), net	(15.342)	(6.583)
Income/(loss) before tax from continuing operations	4.366	132
Tax income/(expense)	(1.067)	(215)
Net income/(loss)	3.299	(83)
EBITDA	24.213	12.073
Profitability ratios	31.03.2019	31.03.2020
Gross profit margin	49%	42%
Operating profit margin	18%	7%
Net income margin	3%	0%
EBITDA Margin	22%	13%
	31.03.2019	31.03.2020
Market value as of March 31 (000 TL)	290.351	235.778

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 plans to increase its maturity profile.

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, almost 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.

IRFAN CETIN
CFO
E-mail: irfan.cetin@adel.com.tr
Tel: 0 850 677 70 00
Fax: 0 850 202 72 10

BERRIN AKMAN
Budget Reporting Manager
E-mail: berrin.akman@adel.com.tr
Tel: 0 850 677 70 00
Fax: 0 850 202 72 10

PELIN ISLAMOGLU
Budget Reporting Supervisor
E-mail: peлин.islamoglu@adel.com.tr
Tel: 0 850 677 70 00
Fax: 0 850 202 72 10