



**ADEL KALEMCİLİK
2020 EARNINGS RELEASE**





ADEL KALEMCİLİK (BIST: ADEL.IS)

Jan.-Dec. 2020 EARNINGS RELEASE

©

(000 TL)	12M2019	12M2020	%
Net Sales	347.114	391.147	13%
Gross Profit	151.824	148.789	-2%
EBITDA	69.557	54.438	-22%
Net Income/(Loss)	-14.673	1.915	N.A
Gross Margin	44%	38%	
EBITDA Margin	20%	14%	
Net Financial Debt	151.551	108.688	-28%

MESSAGE FROM GENERAL MANAGER EVRİM HİZALER

The year 2020 passed under the influence of the Covid-19 pandemic since March. It has been a very difficult year for the Stationery Industry, where we operate, due to the uncertainties arising from the slowdown of the economy and the continuous postponement of the decisions regarding the opening of schools.

By determining the health of our employees as our priority throughout the year, we evaluated every aspect of the effects of the pandemic on our procurement, production and sales activities, and we continued our work with various scenarios in order to minimize the negative impact of the pandemic on our business goals.

After June, when the new normal life started in our country, the news about the opening of schools was constantly postponed. Though education, started face-to-face again with a hybrid model for certain classes at October 12, it was returned to online because of increased cases at November. Therefore, the decrease of consumer attraction caused retail turnover to remain below previous years.

Despite all the difficulties of the year; by the end of 2020; net sales increased by 13% compared to the previous year and was realized as 391.1 Million TL. Debt Ratio improved by 28% compared to the previous year and was realized as 108.7 million TL as a result of the improvement in net working capital.

Since the beginning of the epidemic, all the measures recommended by our health unit and official authorities were taken, As a result of these measures, Adel has earned the "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 to earn this Certificate.

As an institution that always works with the principle of sustainability for its stakeholders; we would like to take this opportunity to proudly share with you that, as a result of the examination carried out by Saha Corporate Governance and Credit Rating Services Inc. authorized by the Capital Markets Board, our company's rating was determined as the highest level long term (TR) AA- and short-term (TR) A1+. In addition to the position of our company in the market, our financials, strong partnerships, corporate structure and management of financial / operational risks were influential for our rating.

Being a company that works in essence with "goodness" value, we continued our Corporate Social Responsibility Activities, which we regularly carry out, during the pandemic period:

1. During the Back to School period, we contributed to the education of children in need with our brand, Faber-Castell, in collaboration with Unicef Turkey.

2. We continued our activities to increase individual and corporate environmental awareness under our CSR umbrella; The Goodness Tree. On the 100th anniversary of the National Sovereignty and Children's Day, we started the "Goodness Tree Forest" project in Ankara. We continued our project during the back to school season in different cities of Turkey. We left a green-friendly mark by planting 80,000 trees in total for a sustainable future.

In line with our goals, we realized our projects to add value to the society with the "goodness" inside us and our awareness for social responsibility against the pandemic. Due to the measures we took during the year in terms of receivables management and our prudent sales approach in order to minimize the cash flow risks that might have occurred in the market because of the challenging conditions of 2020, we successfully completed the year without any additional customer risks.

We will continue to focus on effective balance sheet management and positive cash flow for sustainable growth, while increasing the reputation of our brands for our stakeholders by providing strategies and content in accordance with changing consumer and channel needs in 2021.

FINANCIAL PERFORMANCE

A-NET SALES

Adel Kalemçilik (Adel) announced net sales of TL 391.1 million in 2020, increased by 13% compared to previous year.

B-EBITDA

In 2020, while net sales were 13% higher than previous year, EBITDA has been realized as TL 54,4 million, 22% below the previous period, due to the economic developments since 2018 and the pandemic causing a serious contraction in the purchasing power of the consumer, increasing discounts, additional sales campaigns and the increase in costs.

C- NET FINANCIAL DEBT

Net working capital improved compared to last year due to the shortening of the collection maturity of receivables and the extension of the terms of commercial debt. In addition, due to early borrowing at a low interest rate in 2020, financing costs remained lower than last year.

As a result of these improvements, the Company's year-end debt amount of 151.5 Million TL in 2019 was realized as 108.7 Million TL with an improvement of 28% in 2020.

2021 YEAR-END EXPECTATIONS

The effects of the Covid-19 pandemic on economic activities and the decisions regarding the opening of schools are carefully monitored. Our 2021 year-end forecast, based on the studies carried out with the prediction that gradual opening of schools will continue as of March 2021, is stated below;

- Growth in net sales in-line with year-end 2020
- Realizing positive free cash flow at year-end 2020 with effective working capital management
- Realizing net debt amount in-line with year-end 2020

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

	31.12.2019	31.12.2020
Revenue	347.114	391.147
Cost of sales (-)	(195.290)	(242.358)
Gross profit	151.824	148.789
Operating expenses	(97.997)	(111.660)
Other operating income/(expense), net	(2.947)	(2.329)
Operating income	50.880	34.800
Income/(expense) from investing activities, net	3.160	386
Gain/(loss) from investments accounted through equity method	(6.081)	(164)
Financial income/(expense), net	(65.875)	(31.297)
Income/(loss) before tax from continuing operations	(17.916)	3.725
Tax income/(expense)	3.243	(1.810)
Net income/(loss)	(14.673)	1.915
EBITDA	69.557	54.438
Profitability ratios	31.12.2019	31.12.2020
Gross profit margin	44%	38%
Operating profit margin	15%	9%
Net income margin	-4%	0%
EBITDA Margin	20%	14%
	31.12.2019	31.12.2020
Market value as of Decemeber 31 (000 TL)	370.913	825.458

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

	31.12.2019	31.12.2020
Cash and cash equivalents	13.421	279.347
Trade receivables	82.018	59.496
Inventories	137.387	139.751
Other current assets	28.814	35.237
Current assets	261.640	513.831
Financial investments	234	234
Investments accounted through equity method	-	-
Property, plant and equipment	105.340	100.774
Intangible assets	8.273	7.988
Other non-current assets	14.034	11.592
Non-current assets	127.881	120.588
Total assets	389.521	634.419
Short-term borrowings	118.687	309.336
Current portion of long-term borrowings	7.241	15.245
Trade payables	22.331	38.336
Other current liabilities	18.443	46.523
Current liabilities	166.702	409.440
Long-term borrowings	51.042	69.673
Long-term provisions	8.558	9.917
Non-current liabilities	59.600	79.590
Total equity	163.219	145.389
Total liabilities and equity	389.521	634.419

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. In order to avoid these risks, loans with 1-year maturity were used at the lowest loan rates as of June, and the average loan term of the company in 2020 was 315 days and the average loan interest rate was 8.90%. An average interest rate of 12% is expected for 2021.

FX Risks: 70-75% 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 was hedged. It is planned to hedge all of the foreign currency risk in 2021.

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 "Direct Debiting System" as collateral. Amount of collaterals has increased through years and Direct Debiting System has been used since 2020.

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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