



**ADEL KALEMCİLİK**  
**JUNE 30, 2021 EARNINGS RELEASE**





## ADEL KALEMCİLİK (BIST: ADEL.IS)

### 1H2021 EARNINGS RELEASE

(000 TL)	1H2020	1H2021	%
Net Sales	204.691	182.727	-11%
Gross Profit	84.897	59.081	-30%
EBITDA	36.793	7.523	N.A
Net Income/(Loss)	9.025	-5.605	N.A
Gross Margin	41%	32%	
EBITDA Margin	18%	4%	
Net Financial Debt	299.523	333.244	11%

#### **MESSAGE FROM OUR GENERAL MANAGER EVRİM HİZALER**

*The Covid-19 pandemic, which affects all areas of life, especially the economy in Turkey and the world, continues in 2021 as well and the Stationery Sector we are in has become one of the sectors most affected by the pandemic, with schools closed for 3 academic years.*

*We constantly follow the economic developments in Turkey and the world related to the stationery sector, which is the main field of activity of our company, we continue to develop our strategies in alternative ways in order to minimize the effects of these developments on the financial situation of our company, and we are accelerating our value engineering efforts for increasing raw material and shipping prices. In this process, where the pandemic continues, we are evaluating alternative sales channels in line with possible demand contractions, especially during the period when schools are closed, and we plan our commercial actions accordingly.*

*Due to the continuation of the increase in the number of Covid-19 cases, the distance education of schools and the postponement of our sales and marketing activities, which we carry out in the first two months of each year, for 1 month in order to prepare for the season, in the first half of the year, our shipments, and therefore our net sales, were 11% lower than the same period last year. At the end of the year, with the removal of the effect of the seasonal shift, a low double-digit increase is expected in annual net sales compared to the previous year. EBITDA, which was realized as 7.5 Million TL in the first half of the year, remaining below the previous period, is expected to be positive at the end of the year, again in parallel with the last year, once the effect of the periodic shift is removed.*

*The Ministry of National Education announced that the schools will open on September 6, 2021. With the opening of schools in September, there is an expectation of an increase*

*in consumer traction, which will reflect positively on the figures. However, the statements of the Ministry of National Education are followed sensitively against adverse scenarios that may occur in line with the delta or compound variant risk.*

*In addition, we meticulously follow the estimates and assumptions shared by the competent authorities and institutions regarding the course of the effects of the pandemic, and we implement our support programs to protect the psychological and physical health of our employees, as has been the case since the beginning of the pandemic.*

*Within the framework of social distance and isolation rules, our office employees continued their work remotely at the maximum level, and carried out our work without interruption, with the coordination of our human resources directorate and relevant department managers. In line with the vaccination rates within the company, as of the end of July, all our staff carry out their work from the office.*

*Our employees working in production and shipping activities continue their duties with social distance rules and necessary preventive equipment. All measures recommended by our health unit and official authorities are taken against the pandemic, and changes are made in practice if necessary, by constantly monitoring the developments. Likewise, our business partners, dealers and sales channels we work with take similar measures for their own businesses.*

*Nevertheless, in this period, as a company that works with the value of "goodness" in essence, while supporting children in need through UNICEF, with the awareness of our social responsibility, on the other hand, we have completed the preparations of the "1500 Word.com" platform, which will improve the preschool vocabulary in order to contribute to the intelligence development of preschool children and prepare them for a bright future, with a team of academicians who are experts in their fields, as a gift to children on April 23.*

*Our goal for the rest of 2021 is to continue our sustainable projects that will contribute to society, to keep our turnover performance at a low double-digit growth level compared to last year, to act in a way that generates positive free cash flow, to continue our measures regarding receivables management and to continue to reduce the net indebtedness level of our company.*

## **FINANCIAL PERFORMANCE**

### **A-NET SALES**

Net sales were realized as 182,7 Million TL. Since we generally started the sales and marketing activities, we carried out at the beginning of the year, in March, there was a period shift regarding order purchases, which caused first quarter shipments to fall short of expectations. A low double digit increase in annual net sales is expected compared to last year, with the removal of the effect of the periodic shift at the end of the year.

## **B- EBITDA**

The pandemic, which started in 2020, caused schools not to open for face-to-face education, thus reducing consumer demand. The developments in 2018 and beyond caused the increasing exchange rates, and in this case, a serious contraction in the purchasing power of the consumer. In order to eliminate these negative effects, additional discounts were given, additional sales campaigns were made, additional sales were made in channels other than the regular dealers and chain stores, and in parallel with this, the gross profit margin decreased due to a significant increase in costs. With the effect of all these developments, EBITDA was realized as 7.5 Million TL, below the previous period. At the end of the year, EBITDA is expected in parallel with the previous year, with additional coverage efforts.

## **C- NET FINANCIAL DEBT**

As of the end of June 2020, the Company's net indebtedness amounted to TL 299.5 million, and as of the end of June 2021, it was TL 333.2 million. The reason for the increase in net indebtedness compared to the same period of the previous year is the changes in the channel mix and import periods. Low double-digit growth is expected at the end of the year.

## **2021 SECTORAL AND FINANCIAL OUTLOOK**

*The effects of the Covid-19 pandemic on both economic activity and the opening period of schools are carefully followed. It is seen that the pandemic continues to increase as of the second quarter of the year. This situation will create some negativity in free cash flow, profitability and year-end net indebtedness level. The Ministry of National Education announced that the schools will open on September 6, 2021. Our end-of-year expectations in case the schools are opened in this period are as follows. The opening of schools may be delayed if the delta variant spreads rapidly and the number of cases increases significantly. In this case, there will be a realization below the expectations below.*

- *Low double-digit growth in net sales compared to 2020*
- *EBITDA to be at the level of 2020*
- *Positive free cash flow*

*Our company, in a way to serve the vision of "To be in the life of everyone who wants to leave a mark by shaping and colouring their dreams"; it will continue to implement training / development programs for its employees, product and service development activities for its consumers and dealers, and social responsibility projects that will contribute to society and the environment, primarily children, with the strength it derives from the value of "goodness" in its essence.*

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

	<b>30.06.2020</b>	<b>30.06.2021</b>
Revenue	204.691	182.727
Cost of sales (-)	(119.794)	(123.646)
<b>Gross profit</b>	<b>84.897</b>	<b>59.081</b>
Operating expenses	(54.585)	(54.282)
Other operating income/(expense), net	(4.472)	(8.318)
<b>Operating income</b>	<b>25.840</b>	<b>(3.519)</b>
Income/(expense) from investing activities, net	2	594
Gain/(loss) from investments accounted through equity method	-	-
Financial income/(expense), net	(16.586)	(11.381)
<b>Income/(loss) before tax from continuing operations</b>	<b>9.256</b>	<b>(14.306)</b>
Tax income/(expense)	(231)	8.701
<b>Net income/(loss)</b>	<b>9.025</b>	<b>(5.605)</b>
<b>EBITDA</b>	<b>36.793</b>	<b>7.523</b>
<b>Profitability ratios</b>	<b>30.06.2020</b>	<b>30.06.2021</b>
Gross profit margin	41%	32%
Operating profit margin	13%	-2%
Net income margin	4%	-3%
EBITDA Margin	18%	4%
	<b>30.06.2020</b>	<b>30.06.2021</b>
Market value as of March 31 (000 TL)	338.310	591.098

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

	<b>31.12.2020</b>	<b>30.06.2021</b>
Cash and cash equivalents	279.347	7.301
Trade receivables	59.496	172.384
Inventories	139.751	197.349
Other current assets	35.237	44.555
<b>Current assets</b>	<b>513.831</b>	<b>421.589</b>
Financial investments	234	234
Investments accounted through equity method	-	-
Property, plant and equipment	100.774	98.779
Intangible assets	7.988	7.963
Other non-current assets	11.592	17.869
<b>Non-current assets</b>	<b>120.588</b>	<b>124.845</b>
<b>Total assets</b>	<b>634.419</b>	<b>546.434</b>
Short-term borrowings	309.336	306.108
Current portion of long-term borrowings	15.245	17.772
Trade payables	38.336	33.062
Other current liabilities	46.523	28.067
<b>Current liabilities</b>	<b>409.440</b>	<b>385.009</b>
Long-term borrowings	69.673	21.489
Long-term provisions	9.917	11.410
<b>Non-current liabilities</b>	<b>79.590</b>	<b>32.899</b>
<b>Total equity</b>	<b>145.389</b>	<b>128.526</b>
<b>Total liabilities and equity</b>	<b>634.419</b>	<b>546.434</b>

## **RISKS**

**Financial Risks:** The financial statements of our company are sensitive to changes in interest rates due to working with high working capital in the first 9 months of the year. Depending on the course of geopolitical risks and macroeconomic indicators in our country, upward or downward changes are experienced in interest rates. Low-interest loans, which are tied for 2021 in July-September 2020, will ensure that the average loan interest rate for 2021 remains at 12.9%, even though the loan interest rates increase to 19% in 2021.

**FX Risk:** 70-75% of the cost of sales is indexed to the exchange rate. Our company hedges a minimum of 50% of the foreign exchange risk, according to its risk management policy. Considering the perspective of 2021, it is aimed to hedge all of the foreign exchange risk.

**Credit Risk:** Our Company receives checks from dealers for the orders it has received during the campaign and fair periods. With the delivery, most of the mentioned dealer checks turn into DBS and Stationery Checks (Customer Checks). For the remaining dealer risks, mortgage and letter of guarantee are received. Since the company works in this system, there is no significant risk arising from its receivables. Our Company has been increasing the collaterals it receives over the years, and since 2020, our collateral structure mainly consists of DBS.

## **INVESTOR RELATIONS CONTACT INFORMATION**

You can visit our website at [www.adel.com.tr](http://www.adel.com.tr) to access the company's financial statements and annual report. You can contact the people listed below on any subject.

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