



**ADEL KALEMCİLİK**  
**MARCH 31, 2021 EARNINGS RELEASE**





## ADEL KALEMCİLİK (BIST: ADEL.IS) 1Q2021 EARNINGS RELEASE

(000 TL)	1Q2020	1Q2021	%
Net Sales	94.124	80.178	-15%
Gross Profit	39.115	21.329	-45%
EBITDA	12.074	-9.731	N.A
Net Income/(Loss)	-83	-13.722	N.A
Gross Margin	42%	27%	
EBITDA Margin	13%	-12%	
Net Financial Debt	193.859	251.632	30%

### MESSAGE FROM OUR GENERAL MANAGER EVRİM HİZALER

*After 2020, which has been under the effect of the global Covid-19 epidemic that affects all areas of life, especially the economy in Turkey and the world, 2021 continues to be a challenging year for the Stationery Sector, full of uncertainties due to the pandemic effect.*

*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, and 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. In addition, we carefully follow the estimates and assumptions shared by the competent authorities and institutions regarding the course of the epidemic impacts.*

*As the Covid-19 pandemic continues, we are carefully examining the possible effects of the epidemic. In line with possible shrinking demand, we create scenarios by evaluating alternative sales channels, and in the light of these scenarios, we work on the necessary commercial and financial actions alternatively.*

*The fact that our sales and marketing activities, which were carried out in the first two months of the year in preparation for the season, were shifted to March-April due to the pandemic caused a periodic transition. As orders started to be received later than last year, shipments were similarly made later, in this direction, the product and channel mix in the first quarter also changed compared to last year. As a result of these developments, negative EBITDA emerged in the first quarter. Until the end of the year, it is expected that the effect of this periodic shift will disappear and a positive realization in EBITDA will be realized in parallel with the previous year.*

*Since the beginning of the epidemic, we have taken all necessary health measures for our employees at the highest level. The fair period, which is very important for our industry, was also passed with extraordinary measures and was completed without any threat to the health of our employees.*

*Within the framework of social distance and isolation rules, our office employees work remotely at the maximum level. Our employees, in coordination with our Human*

*Resources Directorate and related department managers, carry out our work without interruption.*

*Our employees, who work in production and delivery activities, continue their duties with social distance rules and necessary preventive equipment. Against the epidemic, all measures recommended by our health unit and official authorities have been taken, and implementation changes are made, if necessary, by constantly following the developments.*

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

*Due to the continuation of the increase in the number of Covid-19 cases, schools continued with distance education and our fairs were delayed by 1 month compared to the previous year in line with pandemic measures, our shipments and therefore our net sales were realized 15% below the same period of the previous year in the first quarter. While the pandemic process had a negative effect on the purchasing power of the consumer on the one hand, it also brought cost increases along with it, and the effect of this situation on gross profit became more negative.*

*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 Words" project, 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 in 2021; to continue our sustainable projects that will contribute to the society with the awareness of social responsibility against the epidemic and our "goodness" value in our essence, to keep our turnover performance at the level of last year, to act in a way to create positive free cash flow and to continue our measures regarding receivables management.*

## **FINANCIAL PERFORMANCE**

### **A- NET SALES**

Net sales were realized as 80.1 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 single digit increase in annual net sales is expected compared to last year, with the effect of the seasonal shift at the end of the year.

### **B- EBITDA**

With net sales 15% below the same period of the previous year in 2021 and the economic developments and pandemic that have been continuing since 2018, causing a serious contraction in the purchasing power of the consumer, EBITDA was realized as TL -9.7 million below the previous period due to increased discounts, additional sales campaigns, increase in costs and seasonal shift in shipments. At the end of the year, positive EBITDA is expected in parallel with the last year with the effect of the seasonal shift.

### **C- NET FINANCIAL DEBT**

As of the end of March 2021, the Company's debt amount was 251.6 Million TL, while it was 193.8 Million TL by the end of March 2020. The reason for the increase in net indebtedness compared to the same period last year is due to the changes in the channel mix and import periods. A low double digit increase is expected by the end of the year.

## **2021 SECTORAL AND FINANCIAL OUTLOOK**

The effects of the Covid-19 epidemic 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. Based on the assumption that the schools will open in August, our expectations for the end of the year for 2021 are given below.

- Low single-digit growth in net sales compared to 2020
- EBITDA to be at the level of 2020
- Limited 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>31.03.2020</b>	<b>31.03.2021</b>
Revenue	94.124	80.178
Cost of sales (-)	(55.009)	(58.849)
<b>Gross profit</b>	<b>39.115</b>	<b>21.329</b>
Operating expenses	(28.298)	(29.255)
Other operating income/(expense), net	(4.104)	(6.133)
<b>Operating income</b>	<b>6.713</b>	<b>(14.059)</b>
Income/(expense) from investing activities, net	2	72
Gain/(loss) from investments accounted through equity method	-	120
Financial income/(expense), net	(6.583)	(2.829)
<b>Income/(loss) before tax from continuing operations</b>	<b>132</b>	<b>(16.696)</b>
Tax income/(expense)	(215)	2.974
<b>Net income/(loss)</b>	<b>(83)</b>	<b>(13.722)</b>
<b>EBITDA</b>	<b>12.074</b>	<b>(9.731)</b>
<b>Profitability ratios</b>	<b>31.03.2020</b>	<b>31.03.2021</b>
Gross profit margin	42%	27%
Operating profit margin	7%	-18%
Net income margin	0%	-17%
EBITDA Margin	13%	-12%
	<b>31.03.2020</b>	<b>31.03.2021</b>
Market value as of March 31 (000 TL)	235.778	572.670

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

	<b>31.12.2020</b>	<b>31.03.2021</b>
Cash and cash equivalents	279.347	44.020
Trade receivables	59.496	120.563
Inventories	139.751	176.121
Other current assets	35.237	52.788
<b>Current assets</b>	<b>513.831</b>	<b>393.492</b>
Financial investments	234	234
Investments accounted through equity method	-	-
Property, plant and equipment	100.774	99.992
Intangible assets	7.988	7.533
Other non-current assets	11.592	11.616
<b>Non-current assets</b>	<b>120.588</b>	<b>119.375</b>
<b>Total assets</b>	<b>634.419</b>	<b>512.867</b>
Short-term borrowings	309.336	259.981
Current portion of long-term borrowings	15.245	15.214
Trade payables	38.336	34.433
Other current liabilities	46.523	28.749
<b>Current liabilities</b>	<b>409.440</b>	<b>338.377</b>
Long-term borrowings	69.673	25.990
Long-term provisions	9.917	10.204
<b>Non-current liabilities</b>	<b>79.590</b>	<b>36.194</b>
<b>Total equity</b>	<b>145.389</b>	<b>138.296</b>
<b>Total liabilities and equity</b>	<b>634.419</b>	<b>512.867</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. In order to avoid these risks, loans with 1-year maturity were used at the lowest loan interest rates as of June in 2020. The company's average loan term in 2020 is 315 days and the average loan interest rate is 8.90%. Correspondingly, it is estimated that the average interest rate in 2021 will be around 12%, despite the rising interest rates, since there is no need for credit for the first 6 months of 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 CONTACTS

Please visit our website [www.adel.com.tr](http://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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