



ADEL KALEMCİLİK
30 JUNE 2022 EARNINGS RELEASE





ADEL KALEMCİLİK (BIST: ADEL.IS) 1H2022 EARNINGS RELEASE

(000 TL)	1H2021	1H2022	%
Net Sales	182.727	292.716	60%
Gross Profit	59.081	125.636	113%
EBITDA	5.902	56.510	857%
Net Income/(Loss)	-5.605	6.158	N/A
Gross Margin	32%	43%	
EBITDA Margin	3%	19%	
Net Financial Debt	333.242	460.698	38%

MESSAGE FROM OUR GENERAL MANAGER EVRİM HİZALER

In the first half of 2022, we see that the negative effects of the pandemic have decreased relatively, but rising prices in the field of energy, raw materials and logistics, triggered by the Russia-Ukraine War and global economic difficulties, are on the agenda. In Turkey, high inflation, increasing exchange rate and high borrowing interest were the main agendas of the first half.

In terms of the Stationery Industry, the permanent starting of schools for face-to-face education and the return to hybrid and full-time models in offices were evaluated as positive developments, however, we see that all the aforementioned economic and social negativities continue to complicate the conditions.

As Adel Kalemcilik, with our experience of more than fifty years, we constantly follow the economic developments taking place in Turkey and the world and in order to minimize the effects of these developments on our company's financial situation, we continue to implement our strategies in alternative ways, and we also accelerate our value engineering studies for increasing raw material and transportation prices. Considering the changes in the purchasing power of the consumer, we evaluate our competitive pricing policy and alternative sales channels. We shape our product portfolio according to this situation and take our commercial actions accordingly.

This year, we see the positive effects of our regional authorized dealership system, which we launched last year, which increases our effectiveness in the market by further improving the benefits and service quality we offer to our customers, creating added

value for all our stakeholders. Our Customer Satisfaction rates are increasing significantly and the participation in our sales and marketing activities in the first quarter confirms this. We continue to lead our industry in the rapidly changing new world by getting together with our stakeholders at our Regional Authorized Dealer meetings that we hold regularly.

Our net sales in the first half of 2022 were 60% higher than the previous year, and our gross profit margin was 125.6 million TL, 10.6 points higher than the previous year. Our EBITDA value, on the other hand, increased of nine times more compared to the previous year and reached 56 million TL with a 19% margin.

In line with our inherent value of "goodness", Quality Education and Climate Action, which are among the United Nations Sustainable Development Goals, are our two main focus areas. We will continue and expand our corporate social responsibility projects in these two focus areas, such as the "1500kelime.com Platform" and the "Goodness Tree Forest (İyilik Ağacı Ormanı)".

"1500kelime.com Platform", our latest project that we have implemented in the field of Quality Education and which supports the intelligence development of preschool children, has won a total of 10 different awards from national and international organizations since the day it was put into use. According to the results of the project activity research we conducted, 99% of the teachers recommend the 1500Kelime.com Platform for the mental development of children.

2022 Happy Place to Work - We were entitled to receive the Happy Place to Work award in our industry in Turkey's Happiest Workplaces research, and the BSCI certificate of conformity in line with our compliance with the BSCI (Business Social Compliance Initiative) code of conduct.

Thank you once again to all our friends who contributed to these valuable achievements.

In 2022, we will continue to work with the target of high double-digit growth, create positive pre-tax profitability and free cash flow, and implement social responsibility projects that will contribute to quality education and the environment.

FINANCIAL PERFORMANCE

A-NET SALES

Our sales and marketing activities in the first half of the year were realized within the framework of our expectations, and our net sales increased by 60% compared to the previous year and amounted to 292,7 million TL.

B- EBITDA

With the reduction of the effects of the pandemic in the first half of 2022, the permanent starting of face-to-face education and the return to the hybrid and physical working model in the offices had a positive impact on the sales and marketing activities we carried out in the first quarter. On the other hand, due to the high increases in energy prices, the inflationary environment in Turkey and the world, as well as the ongoing risks on the supply chain, product costs have increased significantly. Under all these conditions, our net sales in the first half of 2022 were 60% higher than the previous year, and our gross profit margin was 125.6 million TL, 10.6 points higher than the previous year. Our EBITDA value, on the other hand, increased 9 times compared to the previous year and reached 56.5 million TL with a 19% margin.

C- NET FINANCIAL DEBT

While the net debt of our company was 333.2 million TL as of the end of June 2021, it was realized as 460.7 million TL as of the end of June 2022 with an increase of 38%. Compared to the same period of the previous year, the main reason for the increase in net indebtedness is the increase in our imports in parallel with our increase in units.

2022 SECTORAL AND FINANCIAL OUTLOOK

We observe that the market is slowly returning to its normal course as of the season, due to the diminishing effect of the pandemic as of the first quarter of 2022, the resumption of face-to-face education in schools as of the 2021-2022 season, and the fact that office workers have largely returned to a physical or hybrid working model.

In this direction, the targets of our company within the framework of the strategic business plan for 2022 are as follows:

- High double-digit net turnover and EBITDA increase in domestic and international sales parallel to quantitative growth in main product categories
- Generating positive profit before tax and positive free cash flow
- Effective balance sheet management

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

	30.06.2021	30.06.2022
Revenue	182.727	292.716
Cost of sales (-)	(123.646)	(167.080)
Gross profit	59.081	125.636
Operating expenses	(54.282)	(84.880)
Other operating income/(expense), net	(8.318)	(3.956)
Operating income	(3.519)	36.800
Income/(expense) from investing activities, net	594	(2)
Gain/(loss) from investments accounted through equity method	-	-
Financial income/(expense), net	(11.381)	(38.409)
Income/(loss) before tax from continuing operations	(14.306)	(1.611)
Tax income/(expense)	8.701	7.769
Net income/(loss)	(5.605)	6.158
EBITDA	5.902	56.510
Profitability ratios	30.06.2021	30.06.2022
Gross profit margin	32%	43%
Operating profit margin	-2%	13%
Net income margin	-3%	2%
EBITDA Margin	3%	19%
	30.06.2021	30.06.2022
Market value as of June 30 (000 TL)	591.098	577.395

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

	31.12.2021	30.06.2022
Cash and cash equivalents	342.560	73.481
Financial investments	-	50.459
Trade receivables	92.569	270.989
Inventories	113.968	293.175
Other current assets	43.314	77.476
Current assets	592.411	765.580
Financial investments	234	234
Property, plant and equipment	99.115	104.444
Intangible assets	11.749	10.207
Other non-current assets	4.748	42.832
Non-current assets	115.846	157.717
Total assets	708.257	923.297
Short-term borrowings	303.390	451.274
Current portion of long-term borrowings	195.192	130.596
Trade payables	35.895	115.837
Other current liabilities	13.835	62.847
Current liabilities	548.312	760.554
Long-term borrowings	14.107	23.338
Long-term provisions	14.573	19.998
Non-current liabilities	28.680	43.336
Total equity	131.265	119.407
Total liabilities and equity	708.257	923.297

RISKS

Financial Risks: Our company's financial statements are sensitive to changes in interest rates due to the high working capital in the first 9 months of the year. Depending on the course of geopolitical risks and macroeconomic indicators in our country, there are upward or downward changes in interest rates. The company follows a policy that will remain below market interest rates, with the measures taken in a foresighted manner. Despite the increase in loan interest rates and changing regulations in loan utilization, the low-interest loans used in the last quarter of 2021 and in 2022 helped the company's loan interest rate to remain below the market rate.

FX Risk: Our company hedges at least 50% of the foreign exchange risk, according to its risk management policy. As of 30 June 2022, our company has no foreign currency risk.

Receivable Risk: Our company receives checks from dealers in advance for orders received during campaign and fair periods. With the making of the shipments, most of the said dealer's checks turn into DBS and Stationery Checks (Customer Checks). Mortgage, credit card and letter of guarantee are taken for the remaining dealer risks. Due to the fact that the Company operates in this system, there is no significant risk arising from its receivables. Our company has been increasing the guarantees it has received over the years. Our collateral structure mainly consists of DBS.

DISCLOSURE ON FORWARD-LOOKING STATEMENTS

This information note contains certain forward-looking statements regarding our future performance and should be regarded as the Company's good faith assumptions about the future. These forward-looking statements reflect management's expectations based on current data. Actual results of Adel Kalemcilik depend on future events and uncertainties that may significantly affect the Company's performance.

INVESTOR RELATIONS CONTACT INFORMATION

You can visit our website 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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