



**ADEL KALEMCİLİK
2019 EARNINGS RELEASE**





ADEL KALEMCİLİK (BIST: ADEL.IS) Jan.-Dec. 2019 EARNINGS RELEASE

(000 TL)	4Q2018	4Q2019	%	12M2018	12M2019	%
Net Sales	31.211	50.803	63%	385.115	347.114	-10%
Gross Profit	10.884	11.154	2%	174.274	151.824	-13%
EBITDA	-8.477	-4.400	48%	82.981	69.557	-16%
Gross Margin	35%	22%		45%	44%	
EBITDA Margin	-27%	-9%		22%	20%	
Free Cash Flow	144.609	119.498	-17%	-51.349	21.690	n.a

MESSAGE FROM GENERAL MANAGER EVRİM HİZALER

2019 was a very difficult year for Turkish economy as well as the world. In Turkey, the first three quarters, compared to previous year's same period, the dollar exchange rate increased by 22% and interest rates increased by 33% caused erosion in margins in sectors with high working capital required, such as the stationery sector in which we operate. We have always taken new actions to prevent this negative impact throughout the year. These actions resulted in a turnover realization of 84% at the end of the first 3 quarters compared to the same period of the previous year. In the last quarter, with the effect of the positive signals in economy and the markets, the actions we have taken have yielded and we have achieved a 63% turnover growth compared to the last quarter of the previous year.

Consequently, we accomplished turnover realization of 90% compared to 2018 in such a difficult year. Despite our precautions like savings, the year-on-year gross profit margin decreased by 1 point due to the increase in FX dependant energy and raw material costs and shrinking demand.

The first of the two most important positive developments in our company in 2019; 63% increase in sales that we realized caught in the last quarter, and secondly, 21,7 million TL free cash flow created as a result of our effective balance sheet management policies implemented throughout the year.

Besides, in order to manage the liquidity risk that may arise in the market due to the difficult economic conditions mentioned above, we completed 2019 without any additional customer risk thanks to the measures we have taken especially regarding receivables management and our prudent sales approach.

We see that markets started to be more positive in 2020 compared to last year.

Our main priorities in 2020; to keep on sustainable growth and continue to create positive free cash flow through effective balance sheet management and reduce our level of indebtedness.

FINANCIAL PERFORMANCE

A-NET SALES

Adel Kalemcilik (Adel) announced net sales of TL 347,1 million in 2019, down by 10% compared to the last year.

At 2019, despite net sales decreased by 10%, in October-December period, net sales increased by 63% with the actions taken to increase sales.

B-EBITDA

In 2019, while net sales were 10% lower than last year, EBITDA remained 16% lower than last year due to the drop in cost of goods sold by 7% and operating expenses by 4%, with the effect of the increase in exchange rates.

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 collections are realized in the 3 next 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 51,3 million TL in 2018, in 2019 21,7 million TL positive free cash flow was created as a result of the improvement in net working capital in parallel with the Company's targets.

2020 EXPECTATIONS

The targets of our Company within the framework of the strategic business plan for 2020 are given below;

- 10-12% growth in net sales
- To increase the amount of 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)

	31.12.2018	31.12.2019
Cash and cash equivalents	59.155	13.421
Trade receivables	77.794	82.018
Inventories	158.379	137.387
Other current assets	45.959	28.814
Current assets	341.287	261.640
Financial investments	234	234
Investments accounted through equity method	-	-
Property, plant and equipment	111.082	105.340
Intangible assets	6.860	8.273
Other non-current assets	6.569	14.034
Non-current assets	124.745	127.881
Total assets	466.032	389.521
Short-term borrowings	205.390	118.687
Current portion of long-term borrowings	10.083	7.241
Trade payables	24.115	22.331
Other current liabilities	26.628	18.443
Current liabilities	266.216	166.702
Long-term borrowings	4.668	51.042
Long-term provisions	6.367	8.558
Non-current liabilities	11.035	59.600
Total equity	188.781	163.219
Total liabilities and equity	466.032	389.521

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

	31.12.2018	31.12.2019
Revenue	385.115	347.114
Cost of sales (-)	(210.841)	(195.290)
Gross profit	174.274	151.824
Operating expenses	(102.520)	(97.997)
Other operating income/(expense), net	(5.183)	(2.947)
Operating income	66.571	50.880
Income/(expense) from investing activities, net	364	3.160
Gain/(loss) from investments accounted through equity method	(753)	(6.081)
Financial income/(expense), net	(44.825)	(65.875)
Income/(loss) before tax from continuing operations	21.357	(17.916)
Tax income/(expense)	(7.527)	3.243
Net income/(loss)	13.830	(14.673)
EBITDA	82.981	69.557
Profitability ratios	31.12.2018	31.12.2019
Gross profit margin	45%	44%
Operating profit margin	17%	15%
Net income margin	4%	-4%
EBITDA Margin	22%	20%
	31.12.2018	31.12.2019
Market value as of December 31 (000 TL)	259.875	370.913

RISKS

Financial Risks: While interest rates, which were above 30% at the beginning of the year, have dropped to around 12%, they may still fluctuate along the course of geopolitical risks and important macroeconomic indicators. Thus, the company plans to increase its maturity profile. For this purpose, the proportion of long-term borrowings in the Company's total financial debts increased to 29% in 2019, although it was 2% in 2018.

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. As collateral, our company takes into account "Letter of guarantee", "mortgage" and "DBS". Our company has increased the amount of collaterals through years.

INVESTOR RELATIONS CONTACTS

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