



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





ADEL KALEMCİLİK (BIST: ADEL.IS)

9M2021 EARNINGS RELEASE

(000 TL)	9M2020	9M2021	%
Net Sales	350.862	344.464	-2%
Gross Profit	129.553	114.752	-11%
EBITDA	51.204	38.676	-24%
Net Income/(Loss)	8.999	2.956	-67%
Gross Margin	37%	33%	
EBITDA Margin	15%	11%	
Net Financial Debt	356.969	380.972	7%

MESSAGE FROM OUR GENERAL MANAGER EVRİM HİZALER

The Covid-19 pandemic, which affects all areas of life, especially the economy, in Turkey and in the world and we live on on a global scale, continues in 2021 as well. During this time, we can say that the stationery sector we are in has been the sector most affected by the pandemic. Factors such as the online or hybrid model of schools, the remote work of many office workers, changing consumer preferences, and online shopping orientations have changed the direction of stationery sales.

With the increase in the time spent at home during the pandemic, there have been significant changes in some product groups. In the toy category, puzzles, board games and hobby materials recorded significant sales increases in line with the developing trends in this period. As in many categories, online sales of stationery products increased significantly. Considering the change in consumers' behavior and preferences during the pandemic process, while meeting the needs of consumers in the best way with our innovative products such as antibacterial pencils, acrylic paints, textile markers, washable felt-tip pens, which we developed in accordance with the spirit of the time, we achieved more than 50% growth in the online channel with our channel-based strategy.

With the opening of schools on September 6, we observed activity in the stationery sector, but we saw that the demands were still below 2019.

Due to Covid-19, our net sales in the first 9 months of the year were 2% below the first 9 months of the previous year, as schools continued mainly with distance education in the 2020/2021 period. In the 2021/2022 back-to-school period, we anticipate that they will make some of the purchases postponed by the channel in the first 9 months of the year, with the effect of the face-to-face opening of the schools and the decrease in the

Genel / Public

risk of school closure. Again, with the contribution of the additional stationary tenders we received in the last quarter, we expect our net sales in 2021 to be 15-20% higher than the previous year, and our EBITDA 5% higher than last year.

As Adel Kalemcilik, we constantly follow the economic developments in Turkey and in the world, in order to minimize the effects of these developments on the financial situation of our company, we create our strategic business plans with alternatives and accelerate our value engineering studies for increasing raw material, product and transportation prices. In this process, where the pandemic continues, we continue to shape our commercial actions against possible supply and demand contractions.

In addition, we meticulously follow the estimates and assumptions shared by the 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 the developments are constantly monitored and changes are made if necessary. Likewise, our business partners, dealers and sales channels we work with take similar measures for their own businesses.

As a company that works with our inherent "goodness" value, we implement our Corporate Social Responsibility projects around "Quality Education" and "Climate Action", which are also included in the United Nations 2030 Sustainable Development Goals.

The first of our important social projects that we have realized within the scope of these two purposes in 2021 is the 1500Kelime.com platform. The purpose of this platform, on which we have been working meticulously for about 2 years, based on research with a team of academicians who are experts in their fields and observing the standards set by the Ministry of National Education, especially to contribute to the intelligence development of children aged 3-6 and to develop their vocabulary in order to prepare them for a bright future. While the average schooling rate for the age of 3-5 is above 80% in OECD countries, this rate is 43% in Turkey. On this platform, which is designed completely free of charge, children will be able to develop their vocabulary by having fun and sharing with each other.

We carried out afforestation campaigns in Ankara and Mersin regions in our "Adel İyilik Ağacı Ormanı (Adel Goodness Tree Forest)" project, which we started within the scope of "Climate Action".

Forest fires and flood disasters in our country, especially in the summer months, have deeply saddened us all. As part of our Corporate Social Responsibility framework, the

"Tree of Goodness", we provided stationery supplies to children living in areas affected by disasters and in need during their return to school period, in cooperation with various NGOs.

In a way that will serve our vision "to be in the life of everyone who wants to leave a mark by shaping and coloring their dreams"; we will continue to implement training/development programs for our employees, product and service development activities for our consumers and dealers, and quality education and social responsibility projects that will contribute to society and the environment, especially the climate crisis, with the strength we derive from the intrinsic value of "goodness".

In 2022, our target will be to improve our financial performance compared to the previous year and continue to grow, while continuing our sustainability projects that will contribute to the society. Continuing to reduce our risk management, positive free cash flow and net indebtedness levels will continue to be among our priorities.

FINANCIAL PERFORMANCE

A-NET SALES

Net sales in the first 9 months of the year amounted to 344.4 million TL, 2% below the first 9 months of the previous year, due to the fact that schools continued mainly with distance education in the 2020/2021 period due to Covid-19.

In the 2021/2022 back-to-school period, it is predicted that they will make some of the postponed purchases by the channel in the first 9 months of the year, with the effect of the face-to-face opening of the schools and the decrease in the risk of school closure. Again with the contribution of the additional stationery tenders taken in the last quarter, net sales in 2021 are expected to be 15-20% higher than the previous year.

B- EBITDA

The developments in 2018 and beyond caused increasing exchange rates, which in turn caused a serious contraction in the purchasing power of the consumer. The pandemic, which started in 2020 and still continues, has caused schools not to open face-to-face, which further reduced the shrinking consumer demand. Although the 2021-2022 school term has started face-to-face, the consumption level is still below the 2019 level. In order to eliminate these negative effects, additional sales campaigns were made, and additional sales such as tenders were made in channels other than ordinary sales channels. Again, with the effect of the exchange rate increase and the pandemic, there have been serious increases in product costs. With the effect of all these, the gross profit margin also decreased and in parallel, the EBITDA value was realized as 38.6 Million TL, below the previous period.

At the end of the year, EBITDA is expected to be 5% higher than last year, with the contribution of additional campaigns, the completion of some of the postponed dealer purchases and the additional stationery tenders received in the last quarter.

C- NET FINANCIAL DEBT

As of the end of September 2020, the Company's net indebtedness amounted to TL 356.9 million, and as of the end of September 2021, it was TL 380.9 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. At the end of the year, a low double-digit increase is expected in net indebtedness.

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 third quarter of the year. However, schools were opened on September 6, 2021, and although there are cases in the classrooms, it is seen that the schools are not closed. In this context, our expectations for the end of 2021 are listed below.

- *Growth of net sales by 15-20% compared to 2020*
- *EBITDA above 5% 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)

	30.09.2020	30.09.2021
Revenue	350.862	344.464
Cost of sales (-)	(221.309)	(229.712)
Gross profit	129.553	114.752
Operating expenses	(85.304)	(84.143)
Other operating income/(expense), net	(8.298)	(6.787)
Operating income	35.951	23.822
Income/(expense) from investing activities, net	38	622
Gain/(loss) from investments accounted through equity method	1.134	-
Financial income/(expense), net	(25.393)	(29.671)
Income/(loss) before tax from continuing operations	11.730	(5.227)
Tax income/(expense)	(2.731)	8.183
Net income/(loss)	8.999	2.956
EBITDA	51.204	38.676
Profitability ratios	30.09.2020	30.09.2021
Gross profit margin	37%	33%
Operating profit margin	10%	7%
Net income margin	3%	1%
EBITDA Margin	15%	11%
	30.09.2020	30.09.2021
Market value as of September 31 (000 TL)	486.203	592.515

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

	31.12.2020	30.09.2021
Cash and cash equivalents	279.347	9.284
Trade receivables	59.496	283.308
Inventories	139.751	173.084
Other current assets	35.237	18.979
Current assets	513.831	484.655
Financial investments	234	234
Property, plant and equipment	100.774	99.902
Intangible assets	7.988	7.354
Other non-current assets	11.592	20.274
Non-current assets	120.588	127.764
Total assets	634.419	612.419
Short-term borrowings	309.336	317.130
Current portion of long-term borrowings	15.245	58.220
Trade payables	38.336	41.754
Other current liabilities	46.523	27.877
Current liabilities	409.440	444.981
Long-term borrowings	69.673	18.653
Long-term provisions	9.917	11.606
Non-current liabilities	79.590	30.259
Total equity	145.389	137.179
Total liabilities and equity	634.419	612.419

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 14.3%, 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 to access the company's financial statements and annual report. You can contact the people listed below on any subject.

İRİFAN ÇETİN
Financial Affairs Director
Investor Relations Unit Manager
E-Mail: irfan.cetin@adel.com.tr
Phone: 0 850 677 70 00
Fax: 0 850 202 72 10

PELİN İSLAMOĞLU
Budget Reporting Manager
Investor Relations Unit Employee
E-Mail: pegin.islamoglu@adel.com.tr
Phone: 0 850 677 70 00
Fax: 0 850 202 72 10

ÜMİT İBİLOĞLU
Budget Reporting Supervisor
Investor Relations Unit Manager
E-Mail: umit.ibiloglu@adel.com.tr
Phone: 0 850 677 70 00
Fax: 0 850 202 72 10