



ADEL KALEMCİLİK
31 DECEMBER 2021 EARNINGS RELEASE





ADEL KALEMCİLİK (BIST: ADEL.IS)
FY2021 EARNINGS RELEASE

(000 TL)	2020	2021	%
Net Sales	391.147	486.155	24%
Gross Profit	148.789	153.865	3%
EBITDA	54.438	59.659	10%
Net Income/(Loss)	1.915	-12.698	-763%
Gross Margin	38%	32%	
EBITDA Margin	14%	12%	
Net Financial Debt	108.688	167.169	54%

MESSAGE FROM OUR GENERAL MANAGER EVRİM HİZALER

The stationery industry has been one of the industries most affected by both the economic difficulties and the ongoing Covid-19 epidemic in 2021. In such a year, we have determined our first priority as creating action plans that will ensure the continuity of our business.

Factors such as the online or hybrid model of schools, the remote work of many of the office workers, the increase in product groups for spending quality time due to the increase in the time spent at home, and the orientation to e-commerce sites have changed the direction of stationery sales. Despite this, we are focused on anticipating and best managing all risks associated with the pandemic.

Due to the changes in the habits of the consumers in purchasing power and the increase in the time spent at home during the pandemic period, we continued to develop our innovative products that capture the spirit of time with our "Innovation" value on a channel-based basis. The antibacterial product group was one of the most important innovations we launched in the 2021 back-to-school period. In addition to this, we expanded our portfolio in line with the increasing popularity of hobby & craft products in the eyes of consumers.

We have done many studies on what the new business model of the stationery industry could be. We took a new step in our sales and distribution approach to adapt to the multi-channel sales system, and implemented our Regional Authorized Dealership System and made our cooperation with our dealers much stronger.

As Adel Kalemcilik, we have created our strategic business plans with alternatives in order to minimize the effects of these developments on the financial situation of our company, by constantly following the economic developments in Turkey and in the world. We continued our value engineering studies for increasing raw material, product and transportation prices in 2021 as well. In this process, while minimizing our supply risk with alternative supplier evaluations, domestic production alternatives and effective demand planning, we evaluated alternative financial methods to manage receivables risks, and closed this process, which all sectors had great financial difficulties with, without the risk of receivables.

Due to the covid-19 pandemic, our net sales were below the same period of the previous year in the first 3 quarters due to the fact that schools continued mainly with distance education in the 2020/2021 period. However, despite all the difficulties of the year, as of the end of 2021, net sales increased by 24% compared to last year and amounted to TL 486.1 million, while EBITDA increased by 10% compared to last year.

In line with the Covid-19 measures we have taken since the first day of the epidemic in Turkey, we ensured the continuity of our business in 2021 without job loss.

We continued to carry out our corporate social responsibility projects, which are nourished by our core value of "Goodness", under the roof of the "Tree of Goodness", by focusing on Climate Action and Quality Education, which are included in the United Nations 2030 Sustainable Development Goals.

We have been implementing our social responsibility and sponsorship projects in the field of Quality Education since 2012. While continuing our projects such as the Creative Child Creative Brain (Yaratıcı Çocuk Yaratıcı Beyin) seminars and the Teachers Who Leave a Mark (İz Bırakan Öğretmenler) Digital Platform, we launched the 1500Kelime.com Platform in 2021 as our focus for the preschool period, where child development is the most critical. With this project, our goal is to contribute to raising generations that can understand what they read and express themselves well, and to prepare our children for a bright future.

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 aid to children living in areas affected by disasters and in need during their return to school period, in cooperation with various NGOs.

We continued our projects under the umbrella of Climate Action. Within the scope of the Goodness Tree Forest project, which we started in 2020, we contributed to the transfer of forests to future generations by throwing a total of 95,000 seeds with eco-drones.

In addition, we continue to produce our wood skinned products only from FSC® Certified trees grown for industrial use, in order to prevent the world's resources from depleting. In addition, we continue to meet half of our total energy needs with renewable energy in our production facility.

Gender Equality, which is among the Sustainable Development Goals, is also an area that we attach importance to and develop projects. We were included in the "Women-Friendly Companies Stock Index", which is based on the partnership shares of companies included in the investment grade pool of İş Portföy İş'te Kadın Stock Fund.

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 benefit society. In this direction, we will consider sustainability, effective balance sheet management, developing our portfolio with innovative products that meet changing consumer needs with new technologies, and continuing to carry out our corporate social responsibility projects that focus on climate action and quality education among our priorities.

FINANCIAL PERFORMANCE

A- NET SALES

Net Sales increased by 24% compared to the previous year and reached 486,1 million TL.

B- EBITDA

The pandemic, which started in 2020, caused the inability to provide face-to-face education in schools in the 2019-20 and 2020-21 academic years, which led to a further deepening of the decreasing consumer demand. In 2021, the total supply level in the market was quantitatively below the 2019 level. In order to eliminate these negative effects, additional sales campaigns were made and additional sales were made in channels other than ordinary sales channels. On the other hand, with the exchange rate increases during the year and the effect of the pandemic on the supply chain, product costs also increased significantly. Parallel to this, there was a short period in which we stopped production in 2021 and 7.2 million TL of non-working part expense was reserved. Under all these conditions, although our net sales in 2021 were 24% higher

than the previous year, our gross profit margin was 153.8 million TL, 3% higher than the previous year, and our EBITDA value increased by 10% compared to the previous year and reached 59.6 million TL with a 12% margin.

C-NET FINANCIAL DEBT

While the net debt amount of our company was 108.7 million TL as of the end of 2020, it was 167.2 million TL as of the end of 2021. The main reason for the increase in net indebtedness compared to the previous year is the changes in the channel mix and import periods.

2.3 2022 SECTORAL AND FINANCIAL OUTLOOK

The market is expected to return to its normal course due to the diminishing effect of the pandemic, the resumption of face-to-face education in schools, 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;

- 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

Adopting the vision of "being in the life of everyone who wants to leave a mark by shaping and coloring their dreams", our company 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 its inherent "goodness" value.

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

	31.12.2020	31.12.2021
Revenue	391.147	486.155
Cost of sales (-)	(242.358)	(332.290)
Gross profit	148.789	153.865
Operating expenses	(111.660)	(114.284)
Other operating income/(expense), net	(2.329)	(2.431)
Operating income	34.800	37.150
Income/(expense) from investing activities, net	386	622
Gain/(loss) from investments accounted through equity method	(164)	-
Financial income/(expense), net	(31.297)	(51.548)
Income/(loss) before tax from continuing operations	3.725	(13.776)
Tax income/(expense)	(1.810)	1.078
Net income/(loss)	1.915	(12.698)
EBITDA	54.438	59.659
Profitability ratios	31.12.2020	31.12.2021
Gross profit margin	38%	32%
Operating profit margin	9%	8%
Net income margin	0%	-3%
EBITDA Margin	14%	12%
	31.12.2020	31.12.2021
Market value as of December 31 (000 TL)	825.458	780.098

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

	31.12.2020	31.12.2021
Cash and cash equivalents	279.347	342.560
Trade receivables	59.496	92.569
Inventories	139.751	113.968
Other current assets	35.237	43.314
Current assets	513.831	592.411
Financial investments	234	234
Property, plant and equipment	100.774	99.115
Intangible assets	7.988	11.749
Other non-current assets	11.592	4.748
Non-current assets	120.588	115.846
Total assets	634.419	708.257
Short-term borrowings	309.336	303.390
Current portion of long-term borrowings	15.245	195.192
Trade payables	38.336	35.895
Other current liabilities	46.523	13.835
Current liabilities	409.440	548.312
Long-term borrowings	69.673	14.107
Long-term provisions	9.917	14.573
Non-current liabilities	79.590	28.680
Total equity	145.389	131.265
Total liabilities and equity	634.419	708.257

RISKS

Financial Risk: 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. In July-December 2020, thanks to the low-interest loans for 2021, our average loan interest rate for 2021 was 14.6%, although market loan rates rose to 19% in 2021. Regarding our 2022 average loan rate, an interest rate of 25%-26% is expected.

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. In terms of 2021, all foreign exchange risk has been hedged. Similarly, almost all of the foreign exchange risk is planned to be hedged in 2022.

Credit Risk: Our company takes a large part of the pre-shipment collection as DBS invoice loading and credit card collection, in order to minimize the risk regarding the orders it has received during the campaign and fair periods, while dealer checks, letters of guarantee and mortgages are received for the remaining part. All of the said dealer's checks are converted into Stationery Checks (Customer Checks) after the shipments are made. The Company does not have any risk arising from its receivables due to its operation in this system. Our company has been increasing the collateral instruments it has received over the years, and as of 2020, our collateral structure mainly consists of DBS.

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.

YASEMEN GÜVEN ÇAYIREZMEZ
Financial Affairs Manager
Investor Relations Unit Manager
E-Mail: yasemen.cayirezmez@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

FATİH ÇAKICI
Accounting Manager
Investor Relations Unit Employee
E-Mail: fatih.cakici@adel.com.tr
Phone: 0 850 677 70 00
Fax: 0 850 202 72 10