

Corporate Credit Rating

☑ New ☐ Update

Sector: Stationery Manufacturing
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RATINGS

| RATINGS | | Long Term | Short Term |
|-------------------------------|-------------------------------|---------------|------------|
| ICRs (Issuer Credit Profile) | National ICR | AA-(tr) | J1+(tr) |
| | National ICR Outlooks | Stable | Stable |
| | International FC ICR | BB | - |
| | International FC ICR Outlooks | Negative | - |
| | International LC ICR | BB | - |
| | International LC ICR Outlooks | Negative | - |
| ISRs (Issue Specific Profile) | National ISR | - | - |
| | International FC ISR | - | - |
| | International LC ISR | - | - |
| Sovereign* | Foreign Currency | BB (Negative) | - |
| | Local Currency | BB (Negative) | - |

* Assigned by JCR on Aug 18, 2022

ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

JCR Eurasia Rating, has evaluated the "Adel Kalemcilik Ticaret Ve Sanayi A.Ş." in the very high investment level category and assigned the ratings on the Long-Term National Issuer Credit Rating as 'AA- (tr)' and the Short-Term National Scale as 'J1+' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB/Negative' as parallel to international ratings and outlooks of Republic of Turkey.

Adel Kalemcilik Ticaret Ve Sanayi A.Ş. (hereinafter "the Company" or "Adel Kalemcilik"), was established in 1967 and started operating when its first factory was built in Kartal, Istanbul in 1969. In 1995, Adel Kalemcilik has established a partnership with Faber Castell which is one of the oldest stationery brands in world. Adel Kalemcilik moved to its new production facility in Çayırova in 2015 and involved in manufacturing of wood-cased lead pencils, pastel paints, ballpoint pencils, liquid ink pens, markers, felt-tip pens, watercolours, erasers, sharpeners, finger paints, play dough and gouache paints. Adel Kalemcilik offers nearly 3,800 product types, as well as Faber-Castell, Graf von Faber-Castell, Adel, Adeland, Atlas, Max, Panfix and Citizen branded stationery products. It also carries out the marketing and sales of toy products of the Adeland brand. The Company's shares have been publicly traded on the Borsa İstanbul (BIST) under the ticker symbol "ADEL" since 1996.

The Company's shareholders are AG Anadolu Grubu Holding A.Ş. and Faber Castell Aktiengesellschaft with the shares of 56.89% and 15.40%, respectively. Adel Kalemcilik (ADEL) is traded in Borsa İstanbul with the 27.71% free float rate. The Company employed a staff force of 384 as of 1H2022.

Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Increase in both sales volume and revenue in post pandemic period,
- Recovery in profitability indicators in 1H2022,
- Reputable brand name with over 50 years of experience in sector,
- Having competitive advantages via accessing markets and operational strength of AG Anadolu Grubu Holding A.Ş.,
- High level of compliance regarding corporate governance implementations.

Constraints

- Increased and high short-term debt structure may pressure liquidity
- Downward trend in CFO and FOCF creating external funding need for operational cycle,
- Existing uncertainty due to Russia-Ukraine war affecting input prices, demand and investment plans in the world,

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been assigned as 'AA- (tr)'. Increase in revenue, recovery in profitability ratios, reputable brand name, operational strength of AG Anadolu Grubu Holding A.Ş., as well as short-term debt structure, downward trend of CFO and FOCF and Russia-Ukraine crisis have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The level of debt ratios, profitability ratios, cash flow generation, sectorial regulations and the attainability of the Company's budgeted projections will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

