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Maytronics Announces First Quarter 2025 Result

- Total revenue for the quarter amounted to 346.6 million ILS, approximately 3.5% above the upper range of the guidance, a decrease of 24% compared to the corresponding quarter last year.

- Revenue from the sale of robots for private pools amounted to 248.9 million ILS, a decrease of 31.9%, reflecting the challenging competitive environment, low pre-season sales to the distribution as a result of the continued trend of conservative pre-season stocking, and a change in the sales mix between quarters as a result of the implementation of the strategic shift to direct sales to end consumers (DTC).

- Revenue from the sale of robots for commercial pools amounted to 26.2 million ILS, an increase of 3.1%.

- Revenue from the sale of safety products and pool accessories amounted to 71.5 million ILS, an increase of 9.5%, mainly reflecting the contribution of the consolidation of Focus Chemicals revenues, and a decrease in the sales of covers and other products at ECCXI.

- The gross profit amounted to 128.5 million ILS, a decrease of 27.5%. Gross margin reached 37.1%, a decrease of 180 basis points compared to the corresponding quarter last year, in accordance with the company's plans.

  The gross profitability in the quarter reflects the successful implementation of efficiency measures in the production processes, which were translated to a decrease of 8% in the direct cost of robot production, a significant improvement in the profitability of sales of other products at ECCXI, and a positive contribution from the consolidation of Focus Chemicals. These effects partially offset the effects of the sales mix between robots and other products, and mainly the effects of the indirect costs in Israel and the subsidiaries on a lower level of sales.

- The operating profit amounted to 33.5 million ILS, and the operating margin reached 9.7% of sales, both better than the company's plans. Operating expenses amounted to 95 million ILS compared to 117 million ILS, a decrease of 18.8%. This decrease reflects, among other things, the implementation of efficiency initiatives as well as a decrease in variable expenses due to the volume of activity. The efficiency initiatives resulted in a decrease in expenses of approximately 13 million NIS in the first quarter of 2025 compared to the corresponding quarter - beyond the preliminary estimates and are part of the company's plan for a decrease of approximately 40 million NIS in operating expenses in 2025.

- Financing expenses amounted to approximately 16.1 million ILS compared to 10.3 million ILS in the corresponding quarter last year, mainly due to the recording of revenues from exchange rate differences in the amount of 2.2 million ILS compared to approximately 4.6 million ILS in the corresponding quarter, as well as an increase in interest expenses as a result of the increase in debt. The net debt balance amounted to 818.3 million ILS, an increase of 26.4 million ILS compared to 31.3.2024.

  The second and third quarters are characterized by a higher level of sales to end customers and collection from customers, which are expected to contribute to a decrease in debt. It should be noted that the start of collection in April and May enabled the start of the realization of a decrease in debt - as of May 18, the net credit balance amounted to 773, a decrease of 45 million ILS.

- The effective tax rate decreased to a level of 17.6% compared to 20.5% of the profit before tax, as a result of an improvement in the sales mix between inventory and production in the quarter, mainly at the USA subsidiary.
- The net profit amounted to 14.2 million ILS, higher than the company's work plans.

Sharon Goldenberg, CEO: "Despite the decrease compared to last year, which also stems from a change in the nature of our business activity in the first quarter, we are satisfied, both that the quarter's revenues reflect a nice improvement compared to the guidance, and from the contribution of the efficiency measures to the company's ability to generate profitability even at a relatively low level of revenues. The quarter's revenues reflect a combination of conservative pre-season stocking by the distribution and the impact of the implementation of the DTC strategy, which affects the sales mix between the quarters. In addition, the results are affected by the continues characterize of the competitive landscape in our markets.

In terms of the impact of tariffs, the direct impact is on the relevance of the Niya project in the US, and the company's inability to realize, as planned, the potential of expending the value proposition in 2025 through the Niya models. Looking ahead, the move has strategic importance, and we are examining alternatives for implementation. The more significant impact on the competitiveness of the offers by the Chinese has not yet been expressed in price increases, probably due to existing inventory or business decisions.

We continue to be very focused on implementing cost and efficiency initiatives. We continue to achieve cost improvements, and we are proud of ECCXI's significant margin improvement. Since the beginning of the year, significant work has been done in improving the digital marketing activity, and we expect to start reaping the fruits in revenues and profitability.

Looking ahead, the company's forecast for the second quarter is for revenues in the range of 530-600 million ILS, reflecting a combination of uncertainties attributed to the fact that the season is in its early stages, the effects of the tariffs, and the continued effects of the competition.

We confirm our guidance for 2025 - a decrease in fixed operating expenses in the amount of 40 million ILS, a decrease in inventory balances in the amount of approximately 80-100 million ILS, a decrease in investments in the amount of approximately 12-15 million ILS, and the continued implementation of reductions in the direct cost of robot production at a rate of 5%- 6%. These improvements are expected to result in a Free cash flow to Net income ratio of at least 100% that will contribute to reducing the level of debt.

Results of Operations for the First Quarter of 2025 -

- A decrease of 24% in sales, which amounted to 346.6 million NIS, compared to 456 million NIS in the corresponding quarter last year.
- Sales of robots for private pools amounted to 248.9 million NIS, a decrease of 31.9% compared to the corresponding quarter last year. Sales in the first quarter are mainly based on the supply of pre-season orders in Europe and North America. The decrease is attributed to the low level of pre-season sales to the distribution chain as a result of the continued trend of conservative stocking and the change in the sales mix between the quarters as a result of the implementation of the strategic pillar of increasing direct sales to end consumers (DTC).
- Sales of robots for public pools amounted to approximately 26.2 million NIS, an increase of 3.1%.
- Revenues from safety products and pool accessories amounted to approximately 71.5 million NIS, an increase of 9.5% compared to the corresponding quarter last year. Mainly reflecting the contribution of the consolidation of Focus's revenues, which was partially offset by a decrease in the sales of covers and the sales of other products at ECCXI.
- Sales in Europe decreased by 11% (8% in local currency terms) and amounted to 140.5 million ILS, representing 41% of sales, compared to 34% in the corresponding quarter last year.
- Sales in North America decreased by 42% (41% in local currency terms) and amounted to 142.4 million ILS, representing 41% of sales compared to 54% in the corresponding quarter last year.
- Sales in Oceania grew by 28% (36% in local currency terms) and amounted to 51.8 million ILS, representing 15% of sales compared to 9% in the corresponding quarter last year.
- Sales in the rest of the world decreased by 5% and amounted to 11.9 million ILS, representing 3% of sales.
- The impact of the changes in the exchange rates of the currencies on sales compared to last year amounts to a decrease of 7.4 million NIS in sales, as a result of the weakening of the Euro and the Australian dollar by an average of 2.9% and 5% respectively.
- The gross profit amounted to 128.5 million NIS, a decrease of 27.5% compared to the corresponding quarter last year. The gross profit rate reached a level of 37.1% compared to 38.9% last year, a decrease of 180 basis points.
- The gross profitability rate in the quarter is in accordance with the company's work plans and reflects a number of efficiency measures - A decrease of 8% in the direct cost of robot production. This decrease is the result of measures taken in this area in 2024. These measures were expressed in a positive contribution of 180 basis points to the gross profitability.
- In addition, since the beginning of 2025, reductions of 1.2% have been achieved out of the annual target of reductions in the range of 5% to 6%, these measures will be reflected in the company's future gross profitability.

- A significant improvement in the gross profitability of the commercial activity at Eccxi as a result of the improvement of the trade agreements with manufacturers and an improvement in transportation costs.

- Implementation of efficiency measures within which fixed expenses in Israel and the subsidiaries were reduced. However, this decrease compared to the rate of decrease in revenues reflected a negative contribution to the gross profitability in the first quarter. The estimate is that these measures will yield a positive contribution in an annual perspective.

- The consolidation of Focus contributed to an increase in the gross profitability of the safety products and pool accessories segment, as it was characterized by a gross profitability higher than the average in the reported segment.

- Additional elements that affected the gross profitability are: average price ASP associated with product mix and tactical price adjustments, the impact of changes in currency rates, and sales mix between robots and other products.

- Currency rates had a relatively minor negative contribution of 4 million ILS to the gross profit compared to the corresponding quarter last year (40 basis points).

- Research and development expenses amounted to approximately 10.2 million NIS, a decrease of 17.6% compared to the corresponding quarter last year. The decrease is mainly attributed to a reduction in the scope of personnel and other expenses in the development activity in the field of monitoring, control and treatment of pool water amounted to approximately 1 million NIS compared to approximately 2.5 million NIS in the corresponding quarter, given the focus of development in the field.

- Development expenses in the field of robots remained at similar levels as part of the company's strategy to continue to lead technologically in this segment and towards the launch of a new generation of robots in the coming years.

- Sales and marketing expenses amounted to approximately 51.8 million NIS, a decrease of approximately 25.1%. The decrease mainly stems from a reduction in salary expenses of approximately 2.5 million NIS (approximately 11%) as a result of the efficiency measures that the company is implementing, a decrease in shipping expenses, and a decrease in commissions for sales in online marketplaces and in expenses for campaigns and sales promotions, mainly for ECCXI activity.

- In contrast, an increase of approximately 1.7 million NIS was recorded from the consolidation of Focus's activity.

- General and administrative expenses amounted to approximately 33.2 million NIS, a decrease of 6.4%, mainly due to a reduction in salary expenses of approximately 2.1 million NIS (approximately 13%) and a decrease in expenses for consultants. In contrast, there was an increase of approximately 0.9 million NIS from the recording of salary expenses due to a conditional commitment to purchase the minority shares in ECCXI, an increase of approximately 1.3 million NIS from the consolidation of Focus's activity, and an increase of approximately 0.8 million NIS from an increase in depreciation expenses.

- Total operating expenses reflect a decrease of 18.8%, beyond the work plans.
- The operating profit amounted to approximately 33.5 million NIS, a decrease of 44.4% compared to the corresponding quarter last year. The operating profitability rate in the quarter reached 9.7%, exceeding the company's work plans.
- The EBITDA amounted to 59.7 million NIS, a decrease of 29% compared to the corresponding quarter last year.
- Net financing expenses amounted to approximately 16.2 million ILS, compared to 10.3 million NIS in the corresponding quarter last year.
- The increase in net financing expenses stems from an increase in interest expenses due to a higher volume of credit, as well as the impact of changes in exchange rates on balances in foreign currency and the revaluation of hedging transactions - in the first quarter, the company incurred revenues from the revaluation of foreign currency and foreign currency transactions, net in the amount of approximately 2.2 million NIS, compared to a net income of approximately 4.6 million NIS last year.
- The net credit balance amounted to 818.3 million ILS, an increase of 26.4 million ILS compared to 31.3.2024. The second and third quarters are characterized by a higher level of sales to end customers and collection from customers, which are expected to contribute to a decrease in the credit balance. Within this framework, it will be noted that the start of collection in April enabled the start of the realization of a decrease in credit - as of May 18, the net/gross credit balance amounted to 773, a decrease of 45 million ILS.
- Income taxes amounted to approximately 3 million NIS compared to 10.2 million NIS in the corresponding quarter last year. The effective tax rate decreased to 17.6% compared to 20.5% last year as a result of a change in the profit mix in the group.
- The net profit amounted to approximately 14.2 million NIS, a decrease of 64.1%.
- The cash flow used for current operations amounted to approximately 33.5 million NIS, an improvement of approximately 35.9 million ILS compared to the cash flow used by the company in the corresponding quarter. The decrease stems from an improvement in the operating working capital, which is based on better collection from customers and a decrease in inventory volumes.
- A decrease in the inventory balance of 144 million ILS (15%), mainly due to a decrease of approximately 134 in the inventory of finished goods, raw materials and work in progress in the field of robots, a decrease of 22 million ILS in the inventory balance of safety products and pool accessories, mainly attributed to the reduction of the inventory balance of the other products at Eccxi and the subsidiary in France (covers and alarms). In contrast, an increase of approximately 12 million NIS was recorded, associated with the first-time consolidation of Focus.