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Maytronics Reports Second Quarter and First Half 2024 Results

- **Revenues** in H1 2024 were NIS 1.063 billion, down 15.2% compared to H1 2023
- Q2 **revenues** were NIS 607.2 million, down 16.7% compared to last year.
- Q2 revenues in a geographic split: **North America** sales were down 16%, **Europe** sales were down 21%, **Oceania** sales were up 12%, and **RoW** sales were down 12%.
- Residential robotic pool cleaner revenues in Q2 were NIS 423.6 million, down 26.7%.
- Commercial (public) robotic pool cleaner revenues were NIS 32.8 million, down 9.3%.
- Safety products and related pool product revenues were NIS 150.7 million, up 30.8%.
- **Gross profit** in H1 2024 was NIS 424.9 million, down 22.4%.

  Gross profit in Q2 was NIS 247.6 million, down 19.4%.

  The **gross margin** in Q2 reached 40.8% of sales, reflecting an improvement of 40 and 130 basis points in the gross margin of sales of residential and commercial robotic pool cleaners, respectively. These were offset by a decline in the gross margin in the safety and related pool products segment, among other things as a result of infrastructure expansion in ECCXI and the product mix.

  The gross margin in the quarter rose 190 BPS compared to Q1 2024, reflecting the success of measures applied to reduce manufacturing costs, an increase in the robot sales mix through ECCXI, and higher production volumes despite the negative effect of the revenue mix and ASP adjustments in a number of models taken in the 2023 season, which led to a 130 BPS erosion compared to the same quarter last year.
- **Operating profit** in Q2 was NIS 73.3 million, down 43%, and in H1 was NIS 133.5 million, down 45.5%.
- **Finance expenses** in Q2 were NIS 18.7 million compared to NIS 17.3 million last year.
- **Net income** in H1 was NIS 82.9 million, down 54.2%. In Q2, net income was NIS 43.2 million, down 53.4%.
- **Operating cash flow** in H1 2024 was NIS 155.6 million, up 84.5%, reflecting the decline in inventory levels and successful collection.

  Robot and robot raw material inventories declined in Q2 by NIS 115 million, which was somewhat offset by an increase in inventories of products designated for sale by ECCXI. In the past year, robot and raw material inventories declined by NIS 128 million, i.e. 14%.
- The Board of Directors decided on an interim dividend of NIS 20 million.

Sharon Goldenberg, CEO: “2024 is marked by an increasingly conservative approach to inventory buildup by the distribution channels in North America and Europe due to a late-starting pool season and a growing strength of the online channel on account of traditional distribution channels. At the same time, the volume and demand characteristics by pool owners continue to be impacted by macroeconomic conditions, which are reflected in strong demand for products at the lower end of the price range. These trends have intensified the impact of competition on the scope and profitability of the company’s business.

“The strategic process undertaken by the company in 2023 identified these trends, and several courses of action were crafted to address the changing market conditions. In practice, significant processes designed to expand the company’s value propositions and enhance its competitive capabilities were implemented later than originally planned, largely because of the effects of the Swords of Iron war. We estimate that these factors created a gap relative to initial guidance that amounts to NIS 85 million on our 2024 revenues.

“At the same time, our strategic focus on cost structure since the beginning of the year has delivered substantial cost reductions. Successful implementation of Initiatives related to the direct costs of producing a robot, amount to an estimated reduction of about 7% in year end terms, as part of a process designed to reduce the direct cost of sale by 10%-15% within three years. In addition, in the past few months the company launched a process of organization alignment that relates to OPEX and CAPEX across the organization. These initiatives will deliver OPEX cash flow savings of NIS 7.3 million in the second half of 2024 and their full year impact amounts to NIS 17.5 million. On top of these, prioritization and adjustments that relates to projects, IT spent, marketing spend rationalization, and others, are expected to reduce the OPEX and CAPEX cash flow by about NIS 15 million.

“In light of the trends which are expected to persist and the results for the first half of 2024, the company reduces its guidance for 2024 and estimates that 2024 annual revenues will decline by 5%-15%, the range represents the level of uncertainty in the market. The gross profit is expected to range between 39%- 40%.

“Maytronics operates in a growing market with the potential for further significant growth, but the perfect storm resulting from the combination of macroeconomic conditions, a late-starting pool season, increased competition and the effects of the war, is reflected in a significant downturn in the 2024 financial results. Nevertheless, we believe our positioning in the market, and the significant steps taken in 2024, and others that will follow, can be expected to begin to deliver solid results in both revenue and margins beginning in 2025.”