

March 24th, 2021

Maytronics Released its results for 2020 - Revenues of NIS 1.077 billion – 27.2% growth and a net income of NIS 168.5 million, an increase of 43%

**Significant growth in all main territories - 22% growth in Europe,
32% in North America, and 36% in Oceania**

Sales of private pools robots amounted to NIS 911.2 million – a 31.1% growth

Sales of public pools robots amounted to NIS 64.6 million - a decrease of 8.9%, sales of safety products and related products increased by 25.3%

Operating profit amounted to NIS 208.2 million - a 43.3% growth, operating profit margin grew to 19.3%, as compared with 17.2% last year. Excluding currency effects, operating profit grew by 55.9%, and the margin grew to 20.5%

EBITDA amounted to NIS 255 million – a 37.2% growth

Net income amounted to NIS 168.5 million – a 43% growth

In Q4 2020, revenues grew by 42.1% amounting NIS 132.4 million. Operating loss decreased to NIS 8.8 million, compared with a NIS 15.8 million loss in the corresponding quarter last year. For the first time, the Company presents a positive EBITDA totaling NIS 3.9 million. Net loss in the quarter decreased to NIS 2.2. million, compared with a NIS 17.7 loss in the corresponding quarter last year

The Company's Board of Directors decided to distribute a NIS 45 million dividend, and together with the NIS 55 million dividend distributed in September 2020, the Company distributed a NIS 100 million dividend in respect of its 2020 profits

As of December 31st, 2020, the Q1 2020 orders backlog of private pools robots amounted to NIS 272.8 million – a 75% increase compared to the backlog in the corresponding period last year

The Company Expects 2021 growth of 18%-23% in revenues, based on more than 20% growth in sales of private pools robots.

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Jonathan Bassi, Chairman of the Board of Directors: “We are concluding a year during which many have suffered from the effects of the Coronavirus pandemic; however, we hope that the world has started recovering from this severe crisis. Unlike many business sectors, the swimming pools sector benefited from the shift to the domestic sphere and the transfer of economic resources to homes including the back yard and swimming pools. The infrastructures built in Maytronics over many years, our employees’ commitment, and management’s exceptional capabilities, generated excellent financial results. The long-term revenues and profitability targets, which we set for 2021 at the end of 2017 were fully achieved in 2020 - a year earlier than planned. Therefore, new targets were set for 2025 – sales of NIS 2.3 billion, and operating profit margin of 17% to 20%”.

Eyal Tryber, CEO: “2020 was a year of unprecedented demand in the swimming pools sector. Maytronics, which in the last five years achieved an average annual growth rate of over 15%, managed to achieve a significant 30% growth in 2020 in local currency terms; this is a significantly higher growth rate than that of our competitors – leading to an increase in our market share, and more importantly – an expansion of the market itself. These results rely on our balanced global presence in 65 countries worldwide, the expanded digital capabilities and the establishment of strong online distribution infrastructure during the last three years, which facilitated our strong market presence and a high-quality response to the high demand.

The Company is continuing to work diligently in order to maximize its tremendous potential in all markets, and particularly in the US market, where we grew by 32% during 2020. This growth is being facilitated by excellent partnerships with leading companies in the territory, while the online capabilities we have developed are providing a strong boost in all markets, and particularly in the United States.

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Looking forward, the Company is investing in expanding and automating its production and operating functions in order to increase capacity and operational effectiveness, such that it supports the continued growth. We are investing in IT and computer infrastructures that will support the expansion of our digital marketing capabilities, and in the road map to our next generation robots that will continue improving pool owners' exceptional experience and providing significant value offering to our customers.

We started 2021 with very high demand for private pools robots and expect that this segment will grow by more than 20% in 2021. We do not expect the public pools segment to recover and grow in 2021, and this will impact the sale of public pool robots and drowning detection systems to public pools. In total, we Expect that Company's revenues will increase by 18%-23% in 2021.

Operating results in 2020 -

Growth of 27.2% in Revenues, which amounted to NIS 1,076.9 million, as compared with NIS 846.5 million last year.

The Company's revenue from sales of private pool robots amounted to NIS 911.2 million - a growth of 31.1% relative to last year. The increase stems from increased demand for private pool robots in all main territories, accelerated growth in online sales, and extended period of good and stable weather throughout the pool season, which was extended in Europe and in the United States. The Coronavirus crisis also caused many pool owners in all markets to stay at home and increase the use of their pools, resulting in increased pool maintenance needs during the period.

The Company's sales in the public pool robots segment amounted to NIS 64.6 million, a decrease of 8.9%. The decrease was due to the Coronavirus crisis, which resulted in closure of some of the hotel and spa segments, due to social distancing measures which were imposed in various places around the world. It should be noted that in Q4 2020 this segment recorded an 11.5% increase in sales relative to the corresponding quarter last year, due to a certain recovery in the hotels segment; this recovery reduced the overall annual decline.

Revenue from safety products and related pool products amounted to NIS 101.2 million, an increase of 25.3% relative to last year. The increase in this segment's sales is mainly attributed to the first-time consolidation of BF GmbH in Q3 2020, and the increase in sales of automatic covers and water treatment

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products. On the other hand, the sales of the Poseidon product, which is targeted at the public pools market, decreased in the 4th quarter.

Sales in Europe grew by 22% (26% in local currency terms and 17% after removing the effect of the BF acquisition), and amounted to a total of NIS 461.4 million, constituting 43% of sales.

Sales in North America grew by 32% (37% in local currency terms), and amounted to a total of NIS 437.2 million, constituting 40% of sales.

Sales in Oceania grew by 36% (40% in local currency terms), and amounted to a total of NIS 128.5 million, constituting 12% of sales.

Sales in the rest of the world grew by 13%, and amounted to a total of NIS 49.8 million, constituting 5% of sales.

The effect of changes in currency exchange rates on sales relative to last year amounted to a material decrease of NIS 29.6 million in sales, mainly due to the weakening of the EUR by an average rate of 3.2% against the NIS, the weakening of the USD by an average rate of 2.6% against the NIS, and the weakening of the AUD by an average rate of 1.5%.

Gross profit amounted to NIS 451.3 million, an increase of 28% relative to last year. The gross profit margin increased to a level of 41.9%, compared with 41.7% last year. Gross profitability was positively affected by the increase in gross profitability in the private pool robots' segment, due to the sharp increase in sales, which was reflected in advantages in terms of production size, the continued reduction of BOM costs, and improvements in operational processes, as well as an increase of profitability in sales of automatic covers. These effects were mostly offset by changes in exchange rates and the decrease in the sales of robots for public pools.

R&D expenses amounted to a total of NIS 32.4 million, a growth of 32.2% relative to last year. The increase was mostly due to the continued development of new robot lines and development costs in the segment of monitoring, control and treatment of pool water, which totaled NIS 10.4 million in the reporting period.

Selling and marketing expenses amounted to NIS 121.4 million, a growth of 16.1% relative to last year. The increase was mostly due to an increase in workforce in most territories, the increase in costs of delivery to customers and digital marketing costs; on the other hand, there was a decrease in expenses associated with international travel, conferences and seminars.

The rate of selling and marketing expenses out of sales decreased to 11.3%, as compared with 12.3% last year.

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General and administrative expenses amounted to NIS 89.3 million, a total increase of NIS 10.9 million. The growth was mostly due to the increased expenses with respect to information systems and workforce, to support the Company's "Maytronics 2025" strategy, and due to transaction costs associated with the acquisition of BF (NIS 1.1 million). The rate of general and administrative expenses out of sales decreased to 8.3%, as compared with 9.3% last year.

The rate of operating expenses out of sales in the reporting period decreased to 22.6%, as compared with 24.5% of sales last year.

Operating profit amounted to a total of NIS 208.2 million, a 43.3% increase compared with last year. The rate of operating profitability out of sales increased to 19.3%, as compared with 17.2% last year. After removing the effects of foreign currency exchange rates, operating profit increased by 55.9%, and its rate out of sales increased to a level of 20.5%.

EBITDA amounted to NIS 255 million – a 37.2% increase.

Finance expenses amounted to NIS 13.4 million, as compared with NIS 1.1 million last year. The increase in net finance expenses was due to currency exchange rate effects in the Group, and an increase in interest expenses due to an increase in the volume of credit taken during the reported period. Last year, the Company recorded finance income due to effects of foreign currency exchange rates which were offset against interest expenses on short-term loans and interest expenses recorded last year for the first time in respect of IFRS 16.

Taxes on income amounted to NIS 26.3 million, an increase of 1.7% relative to the corresponding period last year. The decrease in the effective tax rate from 18% to 13.5%, was mostly due to updating the deferred tax balance in respect of losses accumulated in the subsidiary in France, tax income in respect of previous years, and the change in the mix of profits among Group companies.

Net income amounted to NIS 168.5 million – a 42.8% increase.

Cash flows from operating activities in 2020 amounted to NIS 245 million compared with NIS 144.8 million last year - a 69.2% increase, mostly due to the increase in the Company's profits and an increase in trade and other payables.

Despite the sharp growth in revenues, **operating working capital** decreased by NIS 24.5 million.

- A NIS 28.4 million increase in the **value of inventory**, mostly due to the growth in the Company's activity, delivery of finished goods to subsidiaries in order to prepare for early sales by increasing availability and flexibility, and the first-time consolidation of BF GmbH, with an inventory balance

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of NIS 5.9 million as of December 31st, 2020. Inventory days decreased in 2020 to 178 days compared with 219 days in 2019, mainly due to the significant improvement in forecast management in the French and US subsidiaries.

- A NIS 2.6 million increase in the **balance of trade receivables**. Average customer days decreased to an annual average of 71 days compared with 78 days last year.
- Increase in the **balance of trade payables**, in the amount of NIS 37.4 million, due to the growth in the levels of activity and inventory during the reported period. Suppliers' days decreased to an annual average of 72 days compared with 75 days last year.

The Company's **cash flows used in investing activities** amounted to NIS 78.7 million, as compared with NIS 45.1 million last year.

In 2020 the Company invested in the acquisition of BF GmbH, and invested more in the acquisition of fixed assets; the Company invested a total of NIS 33.9 million in the production sites in Yizra'el, Dalton and France and in capitalization of intangible assets.

In 2020, the Company invested NIS 60 million in development activities (consolidated), of which 32 million were expensed to profit and loss, and NIS 28 million were recognized as an intangible asset, of which NIS 14.3 were in respect of pool water monitoring and control system, and the remaining balance in respect of development of robots.

The Company expects to continue investing in development expenses in Israel during 2021 a total of NIS 84 million; some of this amount will be expensed to profit and loss and some will be recorded as an intangible asset.

The Company expects that it will invest a total of NIS 31 million in the development of the pool water monitoring and control system, with the system's first generation expected to be launched in 2023. The Company expects that in 2021 the costs of this segment will amount to NIS 15 million in R&D expenses and approx. NIS 16 million in investment and capitalized costs.

The Company's **equity** attributed to its shareholders amounted to approx. NIS 451.5 million as of December 31st, 2020, constituting 42.3% of the total balance sheet.

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MAYTRONICS LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

NIS in thousands

(AUDITED)

Unofficial Translation from Hebrew

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2020	2019
	Audited	
	NIS in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	226,517	78,548
Short-term investments	18,303	18,218
Trade receivables, net	81,997	79,370
Other accounts receivable	36,749	24,489
Inventory	326,296	297,916
	<u>689,862</u>	<u>498,541</u>
NON-CURRENT ASSETS:		
Long-term receivables	1,194	1,509
Long-term deposits	114	109
Fixed assets, net	109,878	90,596
Right-of-use assets, net	96,130	90,436
Intangible assets, net	142,774	71,995
Deferred taxes	26,147	23,795
	<u>376,237</u>	<u>278,440</u>
	<u>1,066,099</u>	<u>776,981</u>

Unofficial Translation from Hebrew

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2020	2019
	Audited	
	NIS in thousands	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Credit from banks	132,951	88,641
Current maturities of lease liability	16,840	15,209
Current maturities of deferred liability of acquired subsidiary	17,299	-
Trade payables	130,992	93,594
Income taxes payable	9,130	6,626
Other accounts payable	91,984	64,050
Provisions	11,830	10,393
	411,026	278,513
NON-CURRENT LIABILITIES:		
Loans from bank and others	58,591	6,465
Lease liability	81,778	76,464
Deferred liability of acquired subsidiary	16,877	-
Employee benefit liabilities, net	4,555	3,766
Other long-term liabilities	6,442	2,396
Deferred taxes	3,649	5,981
	171,892	95,072
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:		
Share capital	11,116	11,052
Share premium	108,007	102,891
Treasury shares	(500)	(500)
Retained earnings	357,963	286,683
Capital reserve from share-based payment transactions	8,440	9,206
Capital reserve from transactions with controlling shareholder	164	164
Capital reserve from remeasurement of defined benefit plans	(1,981)	(1,537)
Revaluation surplus	2,147	2,147
Capital reserve from transactions with non-controlling interests	(6,895)	(6,895)
Adjustments arising from translating financial statements of foreign operations	(26,969)	(20,093)
	451,492	383,118
Non-controlling interests	31,689	20,278
Total Equity	483,181	403,396
	1,066,099	776,981

Unofficial Translation from Hebrew

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2020	2019	2018
	Audited		
	NIS in thousands (except earnings per share data)		
Revenues from sales	1,076,880	846,506	748,326
Cost of sales	625,532	493,807	429,187
Gross profit	451,348	352,699	319,139
Research and development expenses	32,436	24,528	22,451
Selling and marketing expenses	121,367	104,526	92,947
General and administrative expenses	89,330	78,372	70,552
Operating income	208,215	145,273	133,189
Other income (expenses), net	(2)	(298)	78
Financial income	467	18,318	3,233
Financial expenses	(13,881)	(19,445)	(9,576)
Income before taxes	194,799	143,848	126,924
Taxes on income	26,351	25,909	20,837
Net income	168,448	117,939	106,087
Adjustments arising from translating financial statements of foreign operations	(6,763)	(12,567)	4,408
Remeasurement gain (loss) from defined benefit plans	(444)	(1,295)	206
Total other comprehensive gain (loss)	(7,207)	(13,862)	4,614
Total comprehensive income	161,241	104,077	110,701
Net income attributable to:			
Equity holders of the Company	154,280	111,212	99,524
Non-controlling interests	14,168	6,727	6,563
	168,448	117,939	106,087
Total comprehensive income attributable to:			
Equity holders of the Company	146,960	98,896	104,451
Non-controlling interests	14,281	5,181	6,250
	161,241	104,077	110,701
Net basic earnings per share attributable to equity holders of the Company (in NIS):	1.43	1.03	0.92
Net diluted earnings per share attributable to equity holders of the Company (in NIS):	1.41	1.03	0.92

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2020	2019	2018
		Audited	
	NIS in thousands		
<u>Cash flows from operating activities:</u>			
Net income	168,448	117,939	106,087
<u>Adjustments to reconcile net income to net cash provided by operating activities:</u>			
Adjustments to the profit or loss items:			
Taxes on income	35,234	19,640	18,745
Deferred taxes, net	(8,839)	2,519	(1,362)
Financial expenses, net	5,985	5,193	1,642
Depreciation and amortization	46,790	40,577	20,987
Cost of share-based payment	4,350	4,615	4,591
Revaluation of options to Kibbutz members	1,501	1,047	461
Increase in employee benefits liabilities, net	277	275	236
Interest accrued on long-term deposit and exchange differences from investments	(308)	353	(43)
Capital loss (gain) from sale of fixed assets	(41)	(40)	225
Revaluation of securities measured at fair value through profit or loss, net	302	(845)	635
Revaluation of derivatives	2,107	(4,148)	(452)
Exchange differences from cash and cash equivalents	1,127	1,131	(917)
	88,485	70,317	44,748
Changes in asset and liability items:			
Decrease (increase) in trade receivables	1,733	(13,666)	(15,171)
Decrease (increase) in other accounts receivable (including long-term)	(12,935)	11,238	(4,320)
Increase in inventories	(28,452)	(29,241)	(42,977)
Increase (decrease) in trade payables	36,186	(1,061)	10,527
Increase in other accounts payable, provisions and taxes payable	30,825	11,565	5,200
Increase in other liabilities	1,920	2,545	381
	29,277	(18,620)	(46,360)
Cash paid and received during the period for:			
Interest and dividend received	454	515	484
Interest paid	(6,439)	(5,708)	(2,126)
Taxes paid	(35,234)	(19,640)	(18,745)
	(41,219)	(24,833)	(20,387)
Net cash provided by operating activities	244,991	144,803	84,088

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2020	2019	2018
		Audited	
	NIS in thousands		
<u>Cash flows from investing activities:</u>			
Purchase and capitalization of intangible assets	(33,857)	(22,256)	(22,563)
Purchase of fixed assets	(35,245)	(22,992)	(33,175)
Proceeds from sale of fixed assets	179	182	147
Acquisition of initially consolidated subsidiary (B)	2,411	-	-
Repayment of deferred liability of acquired subsidiary	(11,821)	-	-
Receipt of investment grants	-	489	1,337
Purchase of securities measured at fair value through profit or loss, net	(387)	(514)	(110)
Net cash used in investing activities	(78,720)	(45,091)	(54,364)
<u>Cash flows from financing activities:</u>			
Proceeds from exercise of options	64	-	-
Receipt of short-term credit, net	25,644	26,312	33,986
Receipt of long-term loan	80,000	-	8,473
Repayment of long-term loan	(15,031)	(5,722)	(2,199)
Dividend paid to shareholders of the Company	(83,000)	(72,000)	(63,000)
Dividend paid to non-controlling interests	(2,870)	(1,915)	(1,757)
Issuance of shares to non-controlling interests	-	-	1,184
Repayment of lease liability	(16,830)	(14,753)	-
Net cash used in financing activities	(12,023)	(68,078)	(23,313)
Exchange differences on balances of cash and cash equivalents	(1,127)	(1,131)	917
Translation differences from cash balances of foreign operations	(5,152)	(4,156)	1,134
Increase in cash and cash equivalents	147,969	26,347	8,462
Cash and cash equivalents at the beginning of the year	78,548	52,201	43,739
Cash and cash equivalents at the end of the year	226,517	78,548	52,201
<u>(A) Significant non-cash transactions:</u>			
Purchase of fixed assets and intangible assets on credit	3,723	2,056	2,173
Recognition of the right of use assets against lease liability	23,913	7,054	-
Acquisition of subsidiary	34,176	-	-

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2020	2019	2018
		Audited	
	NIS in thousands		
(B) Acquisition of initially consolidated subsidiary:			
Working capital (excluding cash and cash equivalents)	(5,491)	-	-
Long-term accounts receivable	(101)	-	-
Fixed assets	(233)	-	-
Intangible assets	(15,492)	-	-
Goodwill	(28,919)	-	-
Loan from others	3,883	-	-
Deferred taxes	4,054	-	-
Deferred liability	44,710	-	-
	<u>2,411</u>	<u>-</u>	<u>-</u>