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Maytronics wraps up Q1 2022 with 36% revenue growth, 41.5% growth in foreign currency terms

Significant growth (in foreign currency terms) in all key regions: 49% in Europe, 41% in North America, 18% in Oceania and 78% in RoW

Residential robotic pool cleaner sales totaled NIS 516.5 million, accounting for 90.7% of sales and reflecting 39.7% growth

Commercial robotic pool cleaner sales totaled NIS 19.8 million, accounting for 3.5% of sales and reflecting a drop of 15.8%

Sales of pool safety products and related pool products totaled NIS 33.3 million, 5.8% of sales, up by 29.3%

Gross profit totaled NIS 235.8 million, up by 29.4%; the gross margin was 41.4% of sales, a decline of 210 basis points compared to the corresponding quarter last year

Operating profit totaled NIS 142.9 million, up by 27.3%

Excluding foreign currency effects, operating profit rose by 41.8% and the operating margin was stable at 26.8% of sales

Net profit totaled NIS 115.2 million, up by 26.2%

Backlog orders on March 31, 2022 for delivery during the year amounted to NIS 636.4 million, up by 68% compared to backlog in the corresponding period last year

The Company has revised its forecast for 2022 and estimates revenue growth of 18%-22% in ILS, 22%-26% in foreign currency terms*

***Based on the exchange rates from the beginning of 2022 until the released date of Q1 2022 results**

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Sharon Goldenberg, CEO: "We are wrapping up a very strong first quarter, reflecting robust early-buy sales and effective preparation for the season in all markets in the Northern Hemisphere as well as continued high growth in Oceania sales.

"The results for the quarter were supported by continued elevated demand and the sharp increase in backlog for the 2022 season. The increase in backlog is the result of the massive demand that the company and the entire distribution network have been experiencing in the past two years and our forecasts for the future. This trend continues to be reflected in a large order backlog for the rest of the year.

"From the aspect of logistics and the supply chain, our margins in the quarter were affected by the increase in raw material prices and in shipping costs, the appreciation of the Shekel and the Omicron outbreak, which led to production inefficiency. These were partially offset by the growth in production and price increases prior to the season.

"We estimate that the 2022 season can be defined as a year of transition from the COVID-19 era to the "new normal"; on the one hand, demand for new pools as well as pool equipment in the industry has remained elevated, but contrary to the past two years, there is an emerging trend of weather conditions returning to influence consumption rates. Based on these estimates, the results for the quarter and the order backlog, we have revised our 2022 sales forecast and estimate growth of 18% to 22% in ILS, 22%-26% in foreign currency terms."

Business results for Q1 2022

Sales grew by 35.9% and amounted to NIS 569.6 million, compared to NIS 419 million in the corresponding period last year.

The effect of changes in exchange rates on sales compared to last year amounted to a significant decrease of NIS 23.3 million, largely due to the weakening of the Euro against the Shekel by an average of 6.7%, the weakening of the US Dollar against the Shekel by an average of 1.1% and the weakening of the Australian Dollar against the Shekel by an average of 7.3%.

Excluding foreign currency effects, the Company's revenue in the quarter was NIS 592.9 million, up by 41.5%.

The Company's revenues from sales of **residential robotic pool cleaners** amounted to NIS 516.5 million, up by 39.7% compared to the corresponding period last year. The growth is the result of elevated demand for these robots across all key regions, robust early-buy sales, effective preparation for the season in all markets in the Northern Hemisphere and continuing high growth in Oceania sales.

The Company's sales in the **commercial (public) robotic pool cleaner** segment totaled NIS 19.8 million, down by 15.8% compared to the corresponding period. The drop in sales in this segment is the result of supply chain challenges that are specific to the products in the segment, including availability of electronic components, which led to an inability to supply the entire demand.

Revenue from **safety products and related pool products** totaled NIS 33.3 million, up by 29.3% compared to the corresponding period last year. Sales growth in this segment is primarily due to increased sales of automatic pool covers and water treatment products.

Europe sales grew by 36% (49% excluding the effect of changes in the Euro exchange rate) and totaled NIS 239.6 million, accounting for 42% of the Company's sales.

North America sales grew by 38% (41% excluding the effect of changes in the US Dollar exchange rate) and totaled NIS 270 million, accounting for 47% of sales.

Oceania sales grew by 8% (18% in local currency) and totaled NIS 36.9 million, accounting for 6% of sales.

RoW sales grew by 78% and totaled NIS 23 million, accounting for 5% of sales.

Gross profit was NIS 235.8 million, up by 29.4% compared to the corresponding period last year. The gross margin was 41.4% compared to 43.5% last year.

The gross margin was negatively affected by several factors:

- **Foreign currency effects**. The US Dollar, the Euro and the Australian Dollar weakened against the Shekel, reducing gross profit by NIS 18 million.
- **Higher raw material prices**. In 2021, raw material prices rose, and have since maintained their elevated levels. However, the increase began to affect the financial statements of the Company only in the second quarter last year, such that the gross margin in the corresponding period last year was not yet affected by the price increases.
- **Outbreak of the Omicron variant**. The significant increase in infections in the quarter led to inefficient shift management in production – transportation, testing, intervals between shifts and reduced workplace density to maintain production continuity.

These effects were partially offset by several factors that had a positive effect on the gross margin:

- An increase in the average selling price (ASP) due to **price increases** prior to the 2022 season and the robot sales mix.
- **Volume**. 36% sales growth is reflected in economies of scale in production, in view of a smaller increase in fixed costs.
- **Improved margins in the safety products and related pool products segment**. Higher margins in the automatic pool cover segment.

R&D expenses totaled NIS 14.9 million, up by 47.2% compared to the corresponding period last year. The increase is the result of hiring for the development and quality control departments, ongoing development of the robot segment, and development costs in the pool water monitoring, control, and treatment system, which amounted to NIS 4.7 million compared to NIS 2.3 million last year.

R&D expenses to revenue ratio increased to 2.6%, compared to 2.4% in the corresponding period last year.

It is noted from an overall perspective, total R&D costs, including the capitalization of intangible assets recognized as investments in the cash flow report, amounted to NIS 25 million (NIS 10.2 million in the capitalization of intangible assets), up by 44.7%, and R&D

expenses as a percentage of revenue rose to 4.4% compared to 4.1% of revenue in the corresponding period.

Selling and marketing expenses were NIS 46.5 million, up by 40.9% compared to last year. The increase is largely due to a significant increase in the costs of shipping to customers, including the use of air freight services, increased labor costs due to additions to the workforce in most regions, and higher advertising and promotional expenses.

General and administrative expenses were NIS 31.6 million, up by NIS 4.7 million. The increase is attributed to an increase in workforce in different HQ departments and mainly in IT due to the accelerated growth of the Company's business and to support the "Maytronics 2025" strategy, as well as general expenses impacted by business growth (local taxes and depreciation).

The OPEX to sales ratio in dropped to 16.3%, compared to 16.7% in the corresponding quarter last year.

Operating profit totaled NIS 142.9 million, up by 27.3% compared to the corresponding period last year. Excluding foreign currency effects, operating profit rose by 41.8%, and the operating margin was stable at 26.8% of sales.

EBITDA totaled NIS 157.5 million, up by 25.5%.

Finance expenses totaled NIS 3 million, compared to NIS 2.4 million in the corresponding period last year. The increase is the result of interest expenses on larger credit volumes and net foreign currency effects in the Group.

Income tax expenses were NIS 24.6 million, up by 32.6% compared to the corresponding period last year. The effective tax rate rose to 17.6% from 16.9% in the corresponding period, mainly as a result of a change in the profit mix in the Group companies and a provision for income tax in respect of a dividend declared in March 2022 in light of Amendment 74 to the Encouragement of Capital Investments Law.

Net profit amounted to NIS 115.2 million, up by 26.2%.

Cash flows used in operating activities amounted to NIS 220.9 million, compared to NIS 116 million last year. Due to seasonality, in the first quarter of the year sales volumes resulting from early-buy sales are very high and the amount of receivables increases, whereas collection is relatively low, leading to a negative current cash flow. Based on past experience, collection from customers is expected to increase in the second and third quarters and will strengthen the operating cash flow.

Operating working capital increased by NIS 293.8 million and financed revenue growth of NIS 150.6 million.

- An increase of NIS 231.5 million in **inventory balance**, largely due to growth in the Company's business and a decision by the Company, in view of supply chain challenges, to make earlier purchases of components and raw materials to ensure a response to the demand for its products and maintain manufacturing continuity to the greatest extent possible. This decision, in addition to the increase in raw material prices, led to a considerable increase in the value of raw material inventory. Finished goods inventory also increased following the shipment of goods to the subsidiaries to prepare for early sales at the start of the season in the Northern Hemisphere in the first half of 2022. This is also reflected in average days in inventory, which rose to 145 days compared to 121 days in the corresponding period last year.
- An increase of NIS 140 million in the **balance of trade receivables**, largely due to sales growth. Average customer days in the quarter were 49 days, compared to 47 days in the corresponding period last year.
- An increase of NIS 77.6 million in the **balance of trade payables** due to business growth and increased inventory. Average supplier days in the quarter were 60 days, compared to 52 days in the corresponding period.

The Company's **cash flows used in investing activities** amounted to NIS 15.2 million, compared to NIS 15.7 million consumed in the corresponding period last year. In the quarter, fewer investments in fixed assets were recognized. The drop in the quarter is the result of timing, mainly due to greater purchases of fixed assets on credit in the period.

On March 31, 2022, the Company's **equity** attributable to shareholders totaled NIS 602.8 million, constituting 34.4% of total assets on the statement of financial position.

For more information, please contact:

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