

Colt CZ Group SE increased its net profit by 15.8% to CZK 1.5 billion in the first nine months of 2023

Prague (November 23, 2023) — Colt CZ Group SE (“Colt CZ”, the “Group” or the “Company”) today announced its consolidated unaudited financial results for the first nine months of 2023 ending September 30.

9M 2023 Financial Highlights:

- ▶ The Group’s revenues in the first nine months of 2023 amounted to CZK 9.9 billion, down by 3.0% y-o-y, mainly due to the higher seasonality of military and law enforcement (M/LE) sales, impact of FX translation of USD and EUR into CZK and also the decline of some product segments on the US commercial market.
- ▶ Adjusted EBITDA reached CZK 1.9 billion, down by 17.3% y-o-y for the first nine months of 2023.
- ▶ Adjusted net profit for the first nine months of 2023 reached CZK 1.5 billion, which is 1.5% more compared to the same period in 2022, due to the positive results from financial operations at the back of the gains from the derivative transactions.
- ▶ The number of firearms sold in the first nine months of 2023 declined by 12.2% compared to the same period in 2022 and reached 449 thous. units sold.

“The results for the first nine months of this year continued to be affected by the higher seasonality in the military and law enforcement segment, strong CZK against USD and EUR, and further slowdown of the US commercial market impacting CZ-brand products. This development is not unexpected for us, and we have responded to it with several operational and cost-cutting measures. The recovery of the US commercial market has been slower than originally anticipated and we have, therefore, decided to revise our full year guidance for revenues and EBITDA,” commented **Jan Drahota, CEO and Chairman of the Board of Directors of Colt CZ Group.**

Revenues

Compared with the results as of September 30, 2022, the revenues for the first nine months of 2023 declined by 3.0% to CZK 9.9 billion, due to the high comparative base in 2022, higher seasonality in the M/LE segment, impacts of FX translation of USD and EUR into CZK, and also due to the decline of some product segments in the US commercial market.

Regionally, the revenues generated in the Czech Republic went up y-o-y by 95.9% to CZK 1.7 billion as of September 30, 2023, due to the continued deliveries to the Czech Army under the framework contract. Revenues generated in the United States declined y-o-y by 19.8% to CZK 4.6 billion for the first nine months of 2023. The revenues in Canada reached CZK 1.4 billion in the first nine months of 2023, up by 79.3% y-o-y. A significant portion of these revenues is related to the Canadian government's support for Ukraine. Revenues generated in Europe (excluding the Czech Republic) increased y-o-y by 13.6% to CZK 1.3 billion for the nine months ended September 30, 2023, mainly as a result of higher sales in Central and Eastern Europe.

Revenues generated in Africa increased by 112.0% to CZK 161.5 million for the nine months ended September 30, 2023, at the back of new deliveries to the M/LE segment that have been, despite the increase, lower than expected. Revenues generated in Asia decreased y-o-y by 63.4% to CZK 485.5 million for the first nine months ended September 30, 2023, as most of the deliveries to the M/LE customers happened last year. Revenues from sales to other parts of the world reached CZK 296.5 million in the first nine months of 2023, down by 9.1% y-o-y.

The share of regional revenues on the total revenues in the first nine months of 2023 closely followed the development for the entire year 2022, when, for instance, the share of revenues generated in the United States reached almost 48% of total revenues and the share of revenues from sales in the Czech Republic was 13.2%.

Breakdown of Group's revenues for the reported periods by regions:

(in CZK thousand)	9M 2023	9M 2022	Change in %	Share on total revenues in %
Czech Republic	1,715,846	875,946	95.9%	17.3%
USA	4,581,293	5,709,242	(19.8%)	46.2%
Canada	1,378,353	768,731	79.3%	13.9%
Europe (excl. the Czech Republic)	1,291,582	1,137,150	13.6%	13.0%
Africa	161,512	76,185	112.0%	1.6%
Asia	485,462	1,326,471	(63.4%)	4.9%
Other	296,498	326,178	(9.1%)	3.1%
Total	9,910,546	10,219,903	(3.0%)	100.0%

Overview of the firearm units sold by type:

In units	9M 2023	9M 2022	Change in %
Handguns	275,054	293,037	(6.1%)
Long firearms	173,805	218,387	(20.4%)
Total firearms	448,859	511,424	(12.2%)

EBITDA, adjusted EBITDA¹ and EBIT

In the nine months ended September 30, 2023, EBITDA went down by 20.5% to CZK 1.7 billion compared with the same period last year, primarily due to lower revenues related to higher seasonality in the M/LE segment, impacts of FX translation of USD and EUR into CZK and also due to the decline of some product segments in the US commercial market.

The adjusted EBITDA went down by 17.3% to CZK 1.9 billion compared with the same period of last year. In the first nine months of 2023, EBITDA was adjusted by one-off items related to acquisition costs and payments related to the employee stock option plan which are not related to operational performance and value creation in the given period.

In the first nine months of 2023, the operating profit (EBIT) reached CZK 1.1 billion, down by 24,4% y-o-y.

Profit (loss) before tax

Profit (loss) before tax increased by 11.1% y-o-y to CZK 1.9 billion for the first nine months of 2023. The growth relates to the positive results from the financial operations and negative goodwill related to the acquisition of the swissAA Group.

Net profit / Adjusted Net profit²

Profit for the first nine months of 2023 increased by 15.8% to CZK 1.5 billion compared with the same period of last year, due to the positive effect of gains from the derivative transactions which the Group uses for hedging the CZK FX rate against the USD and EUR operations, and negative goodwill related to acquisition of the swissAA Group.

Profit for the first nine months of 2023 adjusted by extraordinary items increased by 1.5% to CZK 1.5 billion compared with the same period in 2022.

Investments

The Group's cash capital expenditures were CZK 424.4 million in the first nine months of 2023, down 4.9% y-o-y, representing 4.3% of total revenues in this period, in line with the 2023 guidance (approximately 5% of 2023 revenues).

Revised 2023 Guidance

The Company expects a significant growth of its performance in the fourth quarter 2023 also in connection with deliveries of major contract to the M/LE segment customers. The revised guidance for the full year 2023 is as follows:

¹ In the first nine months of 2023, EBITDA was adjusted by one-off items related to acquisitions and payments related to the employee stock option plan which are not related to operational performance and value creation in the given period.

² In 9M 2023, net profit was adjusted by one-off items related to acquisitions and payments related to the employee stock option plan, cost of revaluation of equity earnout related to the Colt acquisition and by financing cost related to bond issue which are not related to operational performance and value creation in the given period and was also adjusted by the profit from the negative goodwill in connection with the swissAA acquisition. In 9M 2022, net profit was adjusted by one-off items related to unrealized acquisitions, payments related to the employee stock option plan and cost of revaluation of equity earnout related to the Colt acquisition that are generally unrelated to the current period's operations and value creation.

In 000' CZK	Guidance	Y-o-y change in %
Revenues	15,200 – 15,500	4.2% – 6.2%
Adjusted EBITDA	3,000 – 3,300	(10.9%) – (1.9%)

The capital expenditures of the Group in 2023 may reach a 5% share of the 2023 expected revenues, which is in line with the medium-term target of the Company.

The condensed consolidated interim financial statements for the period of nine months from January 1 to September 30, 2023, are attached to this report.

About Colt CZ Group SE

Colt CZ Group (Colt CZ) is one of the leading producers of firearms and ammunition for military and law enforcement, personal defense, hunting, sport shooting, and other commercial use. It markets and sells its products mainly under the Colt, CZ (Česká zbrojovka), Colt Canada, CZ-USA, Dan Wesson, Spuhr, swissAA and 4M Systems brands.

Colt CZ Group is headquartered in the Czech Republic and employs more than 2,000 people in its production facilities in the Czech Republic, the United States, Canada, Sweden, Switzerland, and Hungary. Colt CZ is owned by Česká zbrojovka Partners SE from 76.2%, with the remaining 23.8% being a free float.

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