Klára Šípová:
And now I would like to introduce speakers on the call. It's Mr. Lubomir Kovařík, Chairman of the Board of the company and the president of the company. And Mr. Jan Drahota, Vice chairman of the company and Group Head of finance. And now I would like to hand over to Mr. Kovařík to start with the presentation. Thank you.

Lubomír Kovařík
Thank you so much. As Klára Šípová announced, it's our pleasure to inform you about one of the most important milestones in our history. We as a group signed agreement about the purchase of American small arms manufacturer called Colt, there is no need to introduce the Colt brand too much, Colt is one of most significant players in our industry worldwide. It's nearly two centuries history in direction in the production of small arms. It has been a partner for US Army more than 175 years and at the same time this is the partner and a key supplier for many military and law enforcement agencies all over the world from the Canada and in other countries. This company has two production facilities, one is located in West Hartford in the United States and the second one is located in Kitchener in Ontario, Canada. I would like to hand over this speech to Jan Drahota to continue with this presentation

Jan Drahota
Thank you Luboš, maybe if you go one slide back. I mean there are basic figures about the financial performance of Colt as you see, as everybody knows, Colt it's an iconic brand and not always the iconic brands have the right ownership, so Colt despite being a very strong player in the market, you know, went through its times for all this story and latest situation was in the years around 2015, where the let's say, previous ownership of the company leveraged the company quite significantly. And the company had to go through a restructuring, so they went through Chapter 11 proceedings and the current ownership are basically the financial investors who bought the receivables and or equity of the company throughout this Chapter proceeding. So, under current ownership, the management of the company changed and it's good to say that the company managed to do quite a great turnaround. So later on this slide, you'll see what happened in terms of revenues and profitability you see that the revenues dropped quite significantly prior to the Chapter 11 for various reasons. But since then, they have grown significantly and also the EBITDA grew significantly and 2020 unaudited preliminary EBITDA margin is around 20%. So, it's really great turnout for the company and the revenues reached more than $250 million in 2020. What is important here and this is what Luboš touched upon a bit is that if you look at Colt´s composition of sales and CZ composition of sales, Colt is a great fit. And it complements to what we have in our hands you know that CZ generates majority of its revenues from civilian market whereas Colt is a brand which is mainly military law enforcement. You see here split by three basic categories which is US military or international military law enforcement, then you see Canadian operations and then you see the civilian market you see that the civilian market represents around 30% of sales, which once again is a great fit. And you know when we had a roadshow, we discussed that we would like to make our sales more even or more diversified and maybe to gain position in the military law enforcement market and by this acquisition, we are doing exactly what we said

because it's really a nicely fitting. And all together the split will be much more balanced. It will be closer to 50/50 you know the split between military and law enforcement market. The split is also nice in terms of the global reach, because this will be really global reach in terms of the customer base. One more thing there and you see on this slide you see that Colt if you do simple math and you can calculate the Colt sales from the US commercial market are quite low. Why is that you could argue why's that because they have very limited sales to civilian market. Basically, the biggest product for them is the Colt 1911 pistol and the revolvers, okay, they don't sell much of AR-15 platform to supermarkets. So, this is great opportunity as well. And we believe that with our R&D and our capabilities, we can really capitalize on that. Colt is an iconic brand and definitely demands a premium over most of the market, it's really a brand which is considered one of the best in the market. So even their revolvers are selling at very nice price points. If you look at the price points at which the Colt drivers are selling on the market, you will see that the price points are above most of the competition so very, very good brands and we believe that we can not only capitalize on the military and law enforcement capabilities and access to the best let's say the most of the Western European but also emerging market military and law enforcement customers. But also, there is a huge upside on the commercial market if you deploy the right r&d and marketing. If you go to the next slide.

Transaction parameters, we did announce today the parameter of the transaction and here some of the figures might look different. So, I will try to explain them in detail. So first of all, we are buying 100% of the company that's for sure. That is the same, we expect the closing to happen in Q2 I mean what we are waiting for is the approval from the US and Canadian government because there is in both countries let's say foreign direct investment regulation. So, we expect that to happen in let's say two three months and also, we had to apply for a US anti-monopoly clearance which we don't believe that neither of those approvals should be a problem. Consideration I here write a bit different figure from what I what we have in the headline and it's not to misguide you, because you are professionals you understand. So, you will know you will understand the details. So, if I write here the cash consideration of 25 million of dollars, it is because part of the conditions of the transaction is that there will be cash left on the account of Colt and the cash left at the accounts of Colt is $50 million to subject to customary true up. So, basically, we are buying the company for slightly less because the company will have some cash on the on account. I think that this is important information for you guys, because you are doing modeling of your net debt to EBITDA so it should be part of this puzzle. Maybe how we want to finance the transaction, on slide several words about net debt to EBITDA but I think that it will be better to discuss it on further slides. I will focus now on composition or transaction financing. So, we want to use our own resources and we would like to also use proceeds of the contemplated bond issue what is important to say here and you know that if you follow us that after three quarters of the year, we said that after completion of the IPO our net debt to EBITDA was around 0.3 or something in this range. Obviously because the business is strong cash generating cash, our net debt to EBITDA is now I mean you can do your math and will be closer to zero. So basically, we will be using those cash resources which are on books and we will partially use the contemplated bond issue which we are working on. Here acquisition costs. This is once again summary of what I said already, first of all cash consideration 220 but if you take into account 50 million, it's less, 205. And also, that is the part of the transaction, issue of 1.1 million of new shares or a little bit less but approximately 1.1 million new shares of CZG which are also part of the consideration. So, this is for the upfront then we also did agree to an earn-out for the sellers and the earn-out is conditioned by the performance targets of the group and the performance targets are set for years to 2021,22, 23 and if those targets are met, then there is additional payment in kind. So, in shares of 1.1 million of shares and then this would be the paid you know, after each year if the quantitative targets are met.

Just go to next slide. Here this is a combined group at glance I think that this is the one of the key information today which you receive. First of all, for you to be able to understand what it means for us, we use our figures we use midpoint of the guidance, we don't have the final figures yet for the year 2020. So, but we thought that midpoint is a good starting point to be able to do some mathematics. So, we look at the combined group at glance, in terms of revenues, the combined group will have revenues of around 550 or a little bit more than $540 million dollars. If you calculate it as of 2020 expected and guidance results. As for CZG´s EBITDA from continued operations, we are talking about EBITDA of around or in excess of $110 million. So huge increase as well. If we speak about net debt, and I did mention it as well already, you know, I mean net debt will be slightly above two times EBITDA, depends on what calculations you use but it's well below 2.5 times EBITDA. And if you look at the contemplated maturity profile of the debt of the combined group, you'll see that the group will have basically two sources of financing. Two main sources of external financing which one are the bonds of CZUB Česká zbrojovka a.s., operating company in Uherský Brod, and those bonds are maturing in 2022 in the size of approximately $102 million. And the contemplated bond issue which would have maturity in 2026.I think that is there is a mistake. So, we had a contemplated bond issue with a maturity of six years, but it doesn't matter. So, it's I mean, you see that in terms of maturity of the debt, it will be, I would say that it's reasonably split and the group has a quite conservative, let's say time horizon of the maturity of its external financial liabilities. Okay, so that's it for this one. Maybe Luboš summarize what we already said.

Luboš Kovařík:
So why this transaction is so unique for us. Definitely, we strongly strengthen our position in military and law enforcement globally in North America, including different law enforcement agencies, and we will fulfill by American act by this acquisition, we increase our production capacities in United States it means that to the future, we will have two main production facilities one located in the Czech Republic and second one in United States. This acquisition brings us also significant production, commercial and r&d synergies. And as we mentioned, our vision is to be industry leader with target of 1 billion euro of revenue by the end of 2025. And this acquisition will significantly move us keep this goal.

Jan Drahota
So that's for the presentation, if you go to appendix, if I can comment here, in the appendix of the presentation, you see what it means in terms of new shares issued and what it means for the free float. So, this is nothing which I think this is quite straightforward. So, it doesn't make to make sense to comment it too much. Obviously, if you have any questions, you can you can raise them. If you go to next slide. You will see also the where Colt will fit into our structure Colt Holding will be, I mean the transaction is conducted as a merger between our newly created US SPV which is acquisition LLC. So, this company will merge with was Colt Holding Company and therefore Colt Holding will become sister company for US operations to CZ USA and If you go to next slide, you will see the full structure of Colt Holding. I think that there is nothing to be really discussed what is critical to say that they are as Luboš already mentioned, there are two key production facilities one is in Canada, one is in the US. Canada is a special one because it was acquisition of Colt in the past. And Canada is a special in a way that the company has an exclusive relationship with the Canadian military. So, it's by law designed as a supplier of small arms to the military. So basically, even though it's a private company, it's part of Colt group, it's also part of the of the military in a way so it's really very closely connected to Canadian military and produces basically all, it caters for all its small arms needs and produces even some of products of competitors not Colt made products, not Colt design products. So, of some competitors for Canadian army and we believe that this is one of the great attractions for us not to have only international but also strong present from US but also Canadian on the Canadian market because you know, the Colt is also supplier to Danish forces and other forces around the world. So that's basically it for I think for the presentation unless there is something more. Now that´s it and floor is open for your questions.

Klára Šípová:
If you have a question, please raise your hand in the Team's application or simply unmute your microphone and speak directly. Your questions will be recorded and we hope that we'll be able to answer all your questions. First question comes from Jakub Mician Wood&Co. Please go ahead.

Jakub Mician:
Thank you for taking the time and showing the presentation. Quick two questions from my side. First would be on Colt since it doesn't have the exclusive rights with the US government. Can you just share a little bit more details when the contracts with the army are expiring? And the second question would be obviously on the Arkansas and what happens next? Thank you.

Jan Drahota:
Maybe if I can answer that. So as far as our Arkansas facility is concerned, we believe that Colt accelerates our efforts to have a second production in the US, we believe that and Board of the group believe that we will use in the foreseeable future capacity in Hartford, Connecticut to produce both Colt and potentially CZ products. So as for Arkansas project, we believe the realization of the project is postponed for at least three to five years. And as far as the Colt relationship with the federal government, Colt is one of

the suppliers to US government that is more relationships than only the Federal Army. Colt is also part of FMS which is a program of US assistance to its ally countries and so Colt is not only selling to US Army but also to allies on this FMS program and I think that's it it's not exclusive contract but Colt is one of two suppliers to US Army so and the contract expires it's defined by number of pieces produced a number of pieces delivered so that is the way to go.

Klára Šípová
Thank you Honza. Next question comes from Petr Bartek from ČS.

Petr Bartek
Good afternoon. Congratulations to this deal, Exciting. Questions to the expected synergies, if you have any reports, on what kind of synergies would there be? What is the production capacity of Colt? What if you have any numbers they produced in the last year. You said that the Arkansas project is delayed, so in Colt production, do you expect to produce the polymer framed pistols and so on. And also, if you can talk a little bit about what capex needs are in the company. That's one thing. One additional to financing structure on the bond which you want to issue would be in USD or crowns or swapped to USD, natural hedge against the revenues from the US.

Lubomír Kovařík:
Okay maybe I will start with the with the synergies. So, I mentioned we expect it will be the commercial production, product and r&d synergies, for example, we are producing the polymer pistol and we expected that it will be possible to produce this polymer pistol via Colt production for US markets. Second one, Colt produce Colt as revolvers. System pistols can be used this type of the product through our worldwide or rest of the world. Jan, would you like to speak about the financials?

Jan Drahota:
Yes, I mean, I will not give you any figures, obviously, but, you know, stay tuned, we will definitely be more exact once we give our guidance, and we might discuss those things in more in detail. But as Luboš said, synergies are really, really wide. And there's really a lot to be mutually gained for both companies, if Luboš mentioned commercial production, you know, marketing, r&d, you know, everywhere. So we believe that there is a lot to be gained, one of the big synergies is and should be our ability to accelerate in time. And also, you know, let's see what will be the difference compared to the realization of the project in Little Rock. but definitely, our teams who were responsible for Little Rock, were assessing the ability of the production facility in Hartford, Connecticut, to size up and to produce also CZ products. What is important to say here that now because of the demand, you know, it's more seller's market. So basically, I mean, especially in the US market is really, it's really bullish. So, the strategy will be to prioritize products based on where we believe that is biggest value added for the group on both sides, and we will do so I know that I didn't give you any quantitative answer. Sorry, it's too early to give you quantitative answers, but trust us that our teams are as we speak already working on integration plans or plans where we believe the biggest synergies can be and how to realize them.

Klára Šípová:
And also, the next question was some about the bonds and in which currencies you're planning to issue them.

Jan Drahota:
okay. I mean, the contemplated bonds or we intend to use CZ capital market and CZ denomination to finance the transaction obviously and this is definitely great question. There is FX risk connected with the transaction there is an FX risk because we are buying you know US denominated asset and there are two things which we'll be considering in the overall mix that is first of all, you know, I mean, you are right that because we are long US dollars, there could be natural hedge if finance into USD, but we believe that Czech market is very and it will be great place to finance the transaction. So, for us we will definitely be contemplating or considering whether to hedge it especially the translation risk connected with the transaction, because we will have big USD assets. So, it makes sense to think how we will use how we will hedge the translational risk. Normally, I mean, if I give you without trying to give you that this is final decision, normally, even a synthetic change of denomination of the debt would be the way how to change how to take care of the translational risk so you don't have to issue USD denominated debt to have USD denominated liability.

Petr Bártek:
Thank you, maybe additional question regarding the Colt financials, the past financial are very volatile especially in terms of EBITDA margin. Last year quite an increase I assumed that this was because of the civilian market if you can, a little bit talk about this. If you if you see any normalized margin for Colt operations. Also, if I calculate correctly, the earn-out conditions imply about $30 million USD EBITDA from Colt on a normalized level. Is that correct?

Jan Drahota:
No, it's not correct.

Petr Bártek:
So, this 275 million over three years that's only for Colt or is it for the whole group?

Jan Drahota:
It's you know once again it's this is would be you I mean you are thinking the right way but what the result is a bit different you know, I mean we defined the earn-out as to make sure that in a way that basically we align a bit interests of two sides at the same time it was not in our minds we didn't have a let's say business plan of either Colt or CZ that are combined business plan that this is some kind of a trigger which will trigger a down payment it's simply the condition of the individuals which as it was defined so you don't please do not interpret it the way that we expect Colt to be making 30 million EBITDA per annum. For us I tell you this our mindset is that we believe that both brands can grow and can grow significantly so there is no reason why we should pull back and say that Colt after making EBITDA of 50 million in 2020 should be making less going forward I mean there is no reason for that because we believe that this is really a brand which can together with CZ can do big things in the

world not only on the US market so for us it's I mean we look at it this way. So that's basically the best answer I can give you but definitely we don't plan for ourselves to go down, we don't plan it for any of our acquisitions to go down in terms of revenue so profitability.

Petr Bártek:
I understand it in the midterm, near term results last year went up by more than 100% so I just wonder what was the magic behind that it. Was that the selling revolvers to civilian market or other…?

Jan Drahota:
Combination of I mean there is more reasons to that but it's definitely a combination of good performance on basically all of its markets. You know and also product split, so basically, it's based on both military and law enforcement because ML was very strong, and also commercial market but it's not that it's driven by the US commercial market that would be misreading of the situation.

Petr Bártek:
Thank you.

Jan Drahota:
You know, important thing here maybe I'll add one more thing important thing here is that the two companies really fit in like this. It's really incredible that how I mean even though they are operating in the same market they are fitting like this you know, it's really great complementarity there and in the worldwide reach and we are not really competing with each other. So, we really are when we are together really can you know push our boundaries even further because there's it's really a huge opportunity we strongly believe and same is for the management of Colt, they believe the same way.

Petr Bártek:
And they talk about the additional capacities so Colt has a spare capacity still after the increase over the last few years?

Jan Drahota:
It's I mean, obviously, as far as for CZ as for Colt, both companies have their own capex programs and they have their own, let's say plans of production capacity increase or maintenance or change or the split. So yes, I will say that our experts are working or will be working once we are owners, but we're assessing during the due diligence phase, what is scalability of the capacity and we believe that that is a nice case, to cater for both our plants and plants of Colt on the US market.

Petr Bártek:
Thank you.

Klára Šípová:
Thank you for your questions. Peter. Any other questions from the participants? Please go ahead.

Peter Bártek:
Maybe I could continue if there are no other questions because I had a few maybe about a potential deal breaker. Is it possible the deal

would be refused by US authorities or Canadian ones? Maybe because of the patterns and you know, national Security or whatsoever? And also, if you have any Colt shareholder that intents to be a long-term investor in CZG?

Lubomír Kovařík:
For the first question, we don't expect any troubles with the regulatory approval by government from the Canadian or from the US side.

Jan Drahota:
I mean, we have to look it in the way that we are strong allies of US. Czech Republic is traditional and a good ally of both US and Canada. So, we don't expect anything and we are strategic partner, we are very transparent company, CZ that is a public company. So definitely, we are very confident there. Obviously, it's up to authorities to authorize the transaction. That's for sure. And as far as your question, second question was sorry, I didn't…

Petr Bártek:
The selling shareholder if..

Jan Drahota:
Yes. Yes. We I mean, in the structure, we did implement a customary lock-up period for the selling shareholder. But I think that the best is to listen to shareholder what their plans are with the shares. So, it's not up to us, but I believe that they see, they recognize the potential of the combined group to create value for shareholders, that's, I would that would be my best comment. But I cannot speak for them.

Petr Bártek:
Thank you. And the management of Colt stays in place, right?

Jan Drahota:
I would say that this is, I mean, we are buying the company. And for us, the company is everything that is around it. So its people, its employees, management, you know, production everything. And for us, definitely, we believe that the current management did a great job. And, and there is no reason why they should not continue doing their job going forward. So, we believe that there is a great cultural mix and good chemistry among the management teams. So, we believe that it will be really great fit and addition to our management team on the global level, so that is the best answer I can give you.

Petr Bártek:
Thank you.

Klára Šípová:
Thank you, Peter. We have a next question from Dan Karpíšek from Amundi.

Dan Karpíšek:
Good afternoon, I have a question on the existing bonds. And if the new leverage doesn´t cause trouble with covenants?

Jan Drahota:
No, existing bonds are issued at the level of CZUB. So, we are talking about bonds issued at the level of CZG. And moreover, I mean, it is important to say that we did show you the leverage structure, the forecasted leverage of the group and it's well below even the current covenants of the bond. So, I mean, no, because they are issued to different entity, at lower entity and we are talking about group level. So, to overall group. And second, the answer is, you know, the contemplated leverage is very conservative, and we intend to be conservative going forward.

Klára Šípová:
Thank you. Do we have any other questions? Do we have any other questions from people that are on the phone? Okay, great. So, it's not. Thank you very much for joining this call on such a short notice. I thank you very much for talking to us. And thank you, Luboš and Jan for the presentation.

Lubomír Kovařík:
What a pleasure to speak with us again. Thank you very much, gentlemen. Ladies. Thank you.