

Colt CZ Group SE increased its net profit by 7.9% to CZK 587.8 million in the first quarter of 2023

Prague (May 24, 2023) — Colt CZ Group SE (“Colt CZ”, the “Group” or the “Company”) today announced its consolidated unaudited financial results for the first three months of 2023 ending March 31.

Q1 2023 Financial Highlights:

- ▶ The Group’s revenues in the first three months of 2023 amounted to CZK 3.0 billion, down by 15.2% y-o-y, mainly due to the higher seasonality of 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 683.4 million, down by 28.4% y-o-y for the first quarter of 2023.
- ▶ Net profit for the first three months of 2023 reached CZK 587.8 million, which is 7.9% more compared to the same period in 2022, due to the positive result from financial operations at the back of the gains from the derivatives transactions which the Group uses for hedging the fluctuation of CZK exchange rate against USD and EUR.
- ▶ The number of firearms sold in the first quarter of 2023 declined by 25.3% compared to the same period in 2022 and reached 149,511 units sold.

“The results for the first three months of this year were relatively weaker compared to the same period in 2022 which was historically the strongest first quarter of the year that our Group ever recorded. The financial results reflect higher seasonality of our business which is related to the higher share of sales to M/LE segment, strengthening of CZK against USD and EUR and the relative slowdown of the US commercial market in those segments where CZ brand has been traditionally strong. We anticipated this development and responded to it with several operational and cost cutting measures. At the same time, we are succeeding to secure new contracts for the military and law enforcement segment in our key markets. The Group management strives to meet the indicated full year ambition for revenues and other Group KPIs in 2023. We assess positively the increase of the net income, which is essential to our ability to pay future dividends to shareholders,” commented **Jan Drahota, CEO and Chairman of the Board of Directors of Colt CZ Group**. *„The general meeting, which is currently taking place, is voting to approve the payment of dividend for 2022 in the amount of CZK 30 per share, which is 20% more than the previous year,”* added Jan Drahota.

Revenues

Compared with the results as of March 31, 2022, the revenues for the first three months 2023 declined by 15.2% to CZK 3.0 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 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 108.1% to CZK 491.3 million as of March 31, 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 24.7% to CZK 1.6 billion for the first three months 2023. The revenues in Canada reached CZK 219.9 million in the first three months of 2023, down by 7.4% y-o-y. Revenues generated in Europe (excluding the Czech Republic) increased y-o-y by 38.8% to CZK 381.8 million for the three months ended March 31, 2023, mainly as a result of higher sales in Central and Eastern Europe.

Revenues generated in Africa increased by 245.0% to CZK 51.0 million for the three months ended March 31, 2023, at the back of new deliveries to the M/LE segment. Revenues generated in Asia decreased y-o-y by 75.1% to CZK 133.4 million for the three months ended March 31, 2023, as most of the deliveries to the military and law enforcement sector customers happened last year. Revenues from sales to other parts of the world reached CZK 102.1 million in the first three months of 2023, up by 19.4% y-o-y.

The share of regional revenues on the total revenues in the first quarter 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)	Q1 2023	Q1 2022	Change in %	Share on total revenues in %
Czech Republic	491,319	236,067	108.1%	16.3%
USA	1,632,944	2,168,372	(24.7%)	54.2%
Canada	219,904	237,485	(7.4%)	7.3%
Europe (excl. the Czech Republic)	381,785	275,003	38.8%	12.7%
Africa	51,043	14,796	245.0%	1.7%
Asia	133,421	536,253	(75.1%)	4.4%
Other	102,140	85,581	19.4%	3.4%
Total	3,012,556	3,553,557	(15.2%)	100.0%

Overview of the firearm units sold by type:

In units	Q1 2023	Q1 2022	Change in %
Handguns	92,491	118,173	(21.7%)
Long firearms	57,020	82,069	(30.5%)
Total firearms	149,511	200,242	(25.3%)

EBITDA, adjusted EBITDA¹ and EBIT

In the three months ended March 31, 2023, EBITDA went down by 37.3% to CZK 599.1 million compared with the same period last year.

The adjusted EBITDA went down by 28.4% to CZK 683.4 million compared with the same period last year. In the first quarter of 2023, EBITDA was adjusted by one-off items related to unrealized acquisitions 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 three months of 2023, the operating profit (EBIT) reached CZK 411.5 million, down by 45.1% y-o-y.

Profit (loss) before tax

Profit (loss) before tax increased by 1.1% y-o-y to CZK 734.7 million for the first three months of 2023. The growth relates to the positive results from the financial operations.

Net profit/ Adjusted Net profit²

Profit for the first quarter of 2023 increased by 7.9% to CZK 587.8 million compared with the same period last year, due to the positive effect of gains from the derivatives transaction which the Group uses for hedging the CZK FX rate against the USD and EUR.

Profit for the first quarter of 2023 adjusted by extraordinary items increased by 9.2% to CZK 689.9 million compared with the same period in 2022.

Investments

The Group's cash capital expenditures were CZK 154 million in the first three months of 2023, up 4.8% y-o-y, representing 5.1% of total revenues in this period, in line with the 2023 guidance (approximately 5% of 2023 revenues).

2023 Guidance Confirmed

¹ In the first quarter of 2023, EBITDA was adjusted by one-off items related to unrealized acquisitions and payments related to the employee stock option plan which are not related to operational performance and value creation in the given period. For the period from 1 January 2022 till 31 March 2022, the Company did not report any EBITDA adjustments.

² In Q1 2023, net profit was adjusted by one-off items related to unrealized 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. In Q1 2022, net profit was adjusted by cost of revaluation of equity earnout related to the Colt acquisition that are generally unrelated to the current period's operations and value creation.

The Group's financial results for the first quarter of 2023 correspond to the scenarios that the Company indicated in March this year when publishing preliminary full-year results. The sales in the first quarter of 2023 were affected by the higher seasonality of sales to the M/LE segment, impact of FX translation into CZK and the slowdown in the most important commercial market for the Group, in the United States of America. Lower demand in the USA affected sales of CZ branded products. The Group responded to demand fluctuations by adjusting the production cycle and product mix structure, optimizing the headcount and other measures, especially in the Czech Republic.

At the same time, the Group signed several significant contracts in the M/LE segment both in Europe and overseas, which will materialize still this year.

Nevertheless, the Company has decided to take a cautious approach and for now not to change the communicated guidance for 2023, which remains in three scenarios.

In 000' CZK	Guidance	Y-o-y change in %
Scenario I Pessimistic		
Revenues	15,100 – 15,500	3.5% -6.2%
Adjusted EBITDA	3,100 – 3,300	(7.9%) - (1.9%)
Scenario II Neutral		
Revenues	16,100 – 16,500	10.4% - 13.1%
Adjusted EBITDA	3,400 – 3,600	1.0% - 7.0%
Scenario III Group Ambition		
Revenues	16,400 – 16,900	12.4% - 15.8%
Adjusted EBITDA	3,600 – 3,800	7.0% - 12.9%

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.

Other significant information concerning the Company by the date of this report

The Company proposed to the general meeting (per rollam) for approval the payment of a dividend of CZK 30 per share from its net profit for the year 2022. Compared to the payment of CZK 25 per share last year, this is a 20% increase. The decision by the general meeting will take place on June 12, 2023. The dividend record date was set for June 19, 2023.

The condensed consolidated interim financial statements for the period of three months from January 1 to March 31, 2023, are attached to this report.

About Colt CZ Group SE

Colt CZ Group (Colt CZ) is one of the leading producers of firearms 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, and 4M Systems brands.

COLT CZGROUP

Colt CZ Group is headquartered in the Czech Republic and has production facilities in the Czech Republic, the United States, Canada, and Sweden. It employs more than 2,000 people in the Czech Republic, the USA, Canada, Sweden, and Germany. Colt CZ is owned by Česká zbrojovka Partners SE from 76.0%, with the remaining 24.0% being a free float.

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