

Regulated Information
PRESS RELEASE
May 25, 2022
6 pm CET

Q1 2022 Report¹

Net profit USD 1,244 thousand

Sales Revenues of USD 10,783 thousand

Order Backlog as of March 31, 2022 of USD 46,675 thousand

Ness-Ziona (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the first quarter of 2022 (three-month period ending March 31, 2022).

Net profit for the first three months of 2022 totaled USD 1,244 thousand.

Sales revenues for the first three months of 2022 totaled USD 10,783 thousand.

Order backlog of the Group as of March 31, 2022 was USD 46,675 thousand (December 31, 2021 - USD 31,525 thousand). The backlog is composed of the Company and its two fully owned subsidiaries firm orders.

Today, all production sites are fully operational. While it seems that most countries over the world conduct their economic and business activities side by side the COVID-19 epidemic, in China a renewed outbreak of COVID-19 epidemic has been observed in number of cities and provinces, leading to a lockdown and shutdown of activities. The lockdown in China and Hong Kong led to logistic difficulties and delays in deliveries, thus, sales that were due by the end of the first quarter of 2022, were delayed by several days and were delivered after the report date, and as such, will be included in sales revenues in the second quarter of 2022.

Global changes continued in 2022, among these changes are: a significant global shortage and price increase of raw materials, a significant increase of materials lead-time, increase in shipping and transportation costs, changes in customers' demands and postponing of delivery dates, lack of manpower and increase in labor costs that might result in production capacity shortage. Management believes these trends are not going to end in the near future and will continue during year 2022 too.

It is noted that the above statements are forward-looking statement as defined below.

Key financial highlights for the first three months of 2022

Sales revenues

The Group's sales revenues for the three-month period ended March 31, 2022 were USD 10,783 thousand compared with USD 10,085 thousand in the three-month period ended March 31, 2021. At the end of Q1/ 2022, due to the lockdown in China and Hong Kong, some deliveries were few days delayed and as such will be included in sales revenues in the second quarter of 2022.

¹ The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements as at December 31, 2021.

Gross result

The Group's *gross profit* for the three-month period ended March 31, 2022 amounted USD 4,275 thousand (40% of sales) compared with USD 3,924 thousand (39% of sales) in the three-month period ended March 31, 2021. The gross margin is mainly affected by sales products mix.

Expenses

During the first quarter of year 2022, The Group's *Development Costs* were USD 354 thousand compared with USD 346 thousand in the same period last year (2021).

The Group's *selling & marketing expenses* are mainly comprised of: (1) commissions to the Group's reps' and Marketing Personnel, which are calculated as a portion of sales (It is noted that not all the sales are subject to reps' commissions) and of (2) other selling expenses (fixed) based on management policy. The Group's marketing efforts are concentrated through participation in major power electronic shows around the world and by collaborating with its worldwide rep's Network. The Group's selling & marketing expenses for the three-month period ended March 31, 2022 were USD 486 thousand (4.5%) and USD 453 thousand (4.5%) in the three-month period ended March 31, 2021. In the first quarter of 2022, marketing activity has resumed gradually with regards to other selling expenses such as travel expenses and exhibitions costs.

The Group's *General & Administrative expenses* for the three-month period ended March 31, 2022 were USD 926 thousand and USD 855 thousand in the three-month period ended March 31, 2021. Increase was mainly in other G&A costs

Operating and financial result

The total *operating income* for the first quarter of 2022 amounted to USD 2,519 thousand compared to USD 2,270 thousand in the same period last year. During the first three months of 2022, Payton recorded a *net finance income* of USD 23 thousand compared to a net finance income of USD 37 thousand for the first three months of 2021.

Taxes on income

Taxes on income for the three-month period ended March 31, 2022 were USD 1,350 thousand compared with USD 339 thousand in the three-month period ended March 31, 2021. During the first quarter of 2022 the Company recorded previous year tax expenses at the amount of 927 thousand resulted from the Company's decision to apply the Temporary Order to the Law for the Encouragement of Capital Investments enabling it a beneficiary corporate tax rate on its exempt profits.

Result of the period

The total result for the first quarter of 2022 was a net profit of USD 1,244 thousand, compared to USD 1,911 thousand for the three-month period ended March 31, 2021.

Balance sheet - cash position

Cash and cash equivalents, Short-term Deposits and marketable securities amounted to a total of USD 46,353 thousand as at March 31, 2022 compared to USD 38,625 thousand as at December 31, 2021 and USD 47,874 thousand as at March 31, 2021. The increase in these items compare to December 31, 2021 resulted mainly from presenting an amount of USD 5,020 thousand, previously classified as long-term deposits, as short-term deposits as well as from Company's profitability for the period. Management believes, a solid financial position is an important factor in order to successfully overcome times of crisis.

Trade accounts receivable amounted to USD 8,394 thousand as at March 31, 2022 compared with USD 9,917 thousand as at December 31, 2021 and USD 7,804 thousand as at March 31, 2021. The decrease in this item, compared with December 31, 2021, resulted mainly due to decrease in sales volume near the reports dates.

Other accounts receivable amounted to USD 2,562 thousand as at March 31, 2022 compared with USD 3,226 thousand as at December 31, 2021 and USD 1,470 thousand as at March 31, 2021. Changes in this item result mainly from changes in "contract assets" according to IFRS 15 as well as from increase or decrease in advance payments made to suppliers. According to IFRS 15

Company recognizes revenues over time (instead of upon delivery). Revenues recorded prior to delivery are recorded against "contract assets" and presented among "other accounts receivable".

Long-term deposits, on December 31, 2021, amounted to USD 5,020 thousand. These 18 months period bank deposits were classified as short-term deposits on March 31, 2022.

Trade payables amounted to USD 2,519 thousand as at March 31, 2022 compared with USD 4,088 thousand as at December 31, 2021 and USD 3,551 thousand as at March 31, 2021. The decrease in this item compare to December 31, 2021 is in-line with the purchases decrease near the reports dates. The decrease in this item compare to March 31, 2021 resulted mainly due to advance payment and shorter payment terms in favor of subcontractors.

Dividend payables amounted to USD 8,023 thousand as at March 31, 2022. This dividend was announced on March 28, 2022 and has not been paid yet.

Cash flow

Cash flows generated from operating activities for the three-month period ended March 31, 2022 amounted USD 2,817 thousand, compared with cash flows generated from operating activities of USD 3,542 thousand for the three-month period ended March 31, 2021. The cash flows from operating activities generated mainly from the profit for the period and from other non-cash adjustments and changes in assets and liabilities. *Cash flows used for investing activities* in the three-month period ended March 31, 2022, amounted USD 1,078 thousand, compared with cash flows used for investing activities at the amount of USD 2,062 thousand in the three-month period ended March 31, 2021. Cash flows for investing activities used mainly for investments in bank deposits. There were no *cash flows used for financing activities* in the three-month periods ended March 31, 2022 and 2021. Cash flows used for financing activities for the year ended December 31, 2021, amounted USD 7,422 thousand, representing a dividend payment (announced March 24, 2021) that was paid on June 2021.

Outlook

The COVID-19 crisis effect – In the first quarter of the year 2022, Group's manufacturing lines in Israel, England and United States continued their business operations continuously. Payton's worldwide planning, manufacturing facilities geographical spread in: China, Philippines, Israel, England and the United States minimized the effect of the COVID-19 epidemic and has proven itself effective enabling most of the deliveries on time. While it seems that most countries over the world conduct their economic and business activities side by side the COVID-19 epidemic, in China a renewed outbreak of COVID-19 epidemic has been observed in number of cities and provinces, leading to a lockdown and shutdown of activities. The lockdown in China and Hong Kong led to logistic difficulties and delays in deliveries, thus, sales that were due by the end of the first quarter of 2022, were delayed by several days and were delivered after the report date, and as such, will be included in sales revenues in the second quarter of 2022.

Global business environment changes - During the first quarter of 2022 the global changes noted last year (2021) continued. Among these global changes are: a significant global shortage and price increase of raw materials, a significant increase of materials lead-time, increase in shipping and transportation costs, changes in customers' demands and postponing of delivery dates, lack of manpower and increase in labor costs that might result in production capacity shortage. Management believes these trends are not going to end in the near future and will continue during year 2022 too.

The Group continues to follow-up and monitors all the above mentioned global developments trying to minimize any impact including maintaining its close contacts with its subcontractors, suppliers and customers, all in order to adjust its operations in the best possible way.

It is noted that the above statements includes a forward-looking statement as defined below.

On March 28, 2022 - the Company's Board of Directors decided to pay the shareholders a dividend at the amount of USD 8,023 thousand (USD 0.454 per share, to be paid during June 2022). Pursuant to the amendment of the law for the Encouragement of Capital Investments executed on November 15, 2021 (the temporary order*), per Company's decision, this dividend will be subject to a beneficiary corporate tax rate*, at the amount of USD 0.9 million, paid in full on April 2022. It is noted that this dividend is submitted to a tax withholding of 15%.

* see Note 17A(4) to the 2021 yearly Report

Order backlog of the Group as of March 31, 2022 was USD 46,675 thousand (December 31, 2021 - USD 31,525 thousand). The backlog is composed of the Company and its two fully owned subsidiaries firm orders.

Management estimates that most of the backlog as of 31.3.2022 will be supplied until March 31, 2023.

The above statement is a forward-looking statement as defined below.

The complete financial statements and the quarterly report are available for downloading in the investors section of www.paytongroup.com.

For more information, please visit Payton's website at www.paytongroup.com or contact Michal Lichtenstein, CFO at +972-3-9611164 -Michal@paytongroup.com or Nathalie Verbeeck at Citigate Dewe Rogerson Belgium + 32 (0) 477 45 75 41
Nathalie.Verbeeck@citigatedewerogerson.com

Note - forward-looking statements:

This document contains certain forward-looking statements and information relating to the Company that are based on the beliefs of the Management of the Company as well as assumptions made by and information currently available to the Management of the Company. Such statements reflect the current views of the Company with respect to future events. Management emphasize that the assumptions do not in any way imply commitment towards realization. The outcome of which is subject to certain risks and other factors which may be outside of the Company's control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein as projected, anticipated, believed, estimated, expected or intended.

Reference in this document to forward looking statement shall be by stating that such information is given by way of estimation, evaluation, assessment, intentions, expectations, beliefs and similar terms, but it is possible that such information shall be given under other phrases.

About us

Payton Planar Magnetics Ltd., an Israeli-based high-tech company, designs, manufactures and markets Planetics[®], its customized line of planar transformers, conventional transformers and inductors to Original Equipment Manufacturers and their suppliers of power electronics. The Group currently employs about 175 people (including executive officers). Planar Magnetic Components are used in end products in various industries, including telecom, automotive, cellular infrastructure, Military/Avionics, portable equipment and consumer goods. Planar Magnetics is a revolutionary design technology that is superior to conventional transformers and inductors, and has already been accepted by electronics design engineers as the state-of-the-art in high frequency power electronics design. Payton Planar Magnetics is a subsidiary of Payton Industries, headquartered in Israel, and has manufacturing and marketing operations in Israel, U.K. and United States. Payton Planar Magnetics is publicly traded on the Euronext stock exchange in Brussels (ticker: PAY).

Annex: Selected Financial Statements

Key financial figures – Payton Planar Magnetics Ltd.

Condensed Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income

- unaudited -

	Three months ended March 31	
	2022 USD 000	2021 USD 000
Sales revenues	10,783	10,085
Cost of sales	(6,508)	(6,161)
Gross profit	4,275	3,924
Development costs	(354)	(346)
Selling and marketing expenses	(486)	(453)
General and administrative expenses	(926)	(855)
Other income, net	10	-
Operating profit	2,519	2,270
Financial income	70	51
Financial expenses	(47)	(14)
Financial income, net	23	37
Share of profits (losses) of equity accounted investee	52	(57)
Profit before taxes on income	2,594	2,250
Taxes on income	(1,350)	(339)
Profit for the period	1,244	1,911
Other comprehensive income (loss) items that will not be transferred to profit and loss		
Remeasurement of defined benefit plan, net of taxes	142	-
Share of other comprehensive income (loss) of equity accounted investee	2	(2)
Total other comprehensive income (loss)	144	(2)
Total comprehensive income for the period	1,388	1,909
Number of shares	17,670,775	17,670,775
Basic earnings per share (in USD)	0.07	0.11

Condensed Interim Consolidated Statement of Financial Position

- unaudited -

	March 31	
	USD 000 2022	USD 000 2021
Current assets	61,231	60,619
Non-current assets	11,156	11,423
Total assets	72,387	72,042
Current liabilities	15,053	14,682
Non-current liabilities	1,644	1,641
Equity	55,690	55,719
Total liabilities and Equity	72,387	72,042

Condensed Interim Consolidated Statements of Cash Flows

- unaudited -

	Three months ended March 31 2022 USD 000	Three months ended March 31 2021 USD 000
Operating activities		
Profit for the period	1,244	1,911
Adjustments:		
Depreciation	216	222
Taxes on income	1,350	339
Share of losses (profits) of equity accounted investee	(52)	57
Gain on sale of fixed assets	(10)	-
Finance expenses (income), net	25	(15)
	<u>2,773</u>	<u>2,514</u>
Change in employee benefits	66	91
Decrease (increase) in trade accounts receivable	1,523	1,861
Decrease (increase) in other accounts receivable	664	947
Increase in inventory	(150)	(9)
Decrease in trade payables	(1,581)	(1,467)
Increase in other payables	214	76
	<u>3,509</u>	<u>4,013</u>
Interest received	23	-
Interest paid	(17)	-
Income taxes paid, net	(698)	(471)
	<u>2,817</u>	<u>3,542</u>
Cash flows generated from operating activities		
Investing activities		
Investments in deposits, net	(1,000)	(2,000)
Investments in marketable securities held for trading	-	-
Acquisition of fixed assets	(109)	(62)
Proceeds from sale of fixed assets	31	-
	<u>(1,078)</u>	<u>(2,062)</u>
Cash flows used for investing activities		
Cash flows used for financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,739	1,480
Cash and cash equivalents at the beginning of the period	22,146	31,325
Effect of exchange rate fluctuations on cash and cash equivalents	(28)	(22)
Cash and cash equivalents at the end of the period	<u>23,857</u>	<u>32,783</u>