

## Q1 2023 Report<sup>1</sup>

**Net profit USD 3,268 thousand**

**Sales Revenues of USD 12,057 thousand**

**Order Backlog as of March 31, 2023 of USD 44,135 thousand**

**Ness-Ziona (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the first quarter of 2023 (three-month period ending March 31, 2023).**

**Net profit for the first three months of 2023 totaled USD 3,268 thousand.**

**Sales revenues for the first three months of 2023 totaled USD 12,057 thousand.**

Order backlog of the Group as of March 31, 2023 was USD 44,135 thousand (December 31, 2022 - USD 43,839 thousand). The backlog is composed of the Company and its two fully owned subsidiaries firm orders.

In the first quarter of year 2023, the global trends characterizing last year (2022) remained relevant. Instability and uncertainty trends remained dominant in the global business environment as well as high prices of raw materials, high logistic cost, high manpower costs and mainly push-out of scheduled deliveries up on customer needs. Management believes these trends are not expected to end in the near future.

Another two factors that affected the Group's activity in the first quarter of 2023 are the *revaluation of the US\$* against the local NIS, the Euro and the Pound, which mainly decreases local labor costs and other operating costs in Israel and the United Kingdom during this period and *increase of global market interest rate* which increases the Group's income from bank deposits (the Company does not hold loans).

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

On March 28, 2023 - the Company's Board of Directors decided to pay the shareholders a dividend for the financial year 2022, at the amount of USD 8,482 thousand (USD 0.48 per share), expected to be paid in June 2023.

## Key financial highlights for the first three months of 2023

### Sales revenues

The Group's sales revenues for the three-month period ended March 31, 2023 were USD 12,057 thousand compared with USD 10,783 thousand in the three-month period ended March 31, 2022, representing 12% increase that reflects the growth in demand of several projects compared to the same period last year.

### Gross result

The Group's gross profit for the three-month period ended March 31, 2023 amounted USD 5,416 thousand (45% of sales) compared with USD 4,275 thousand (40% of sales) in the three-month period ended March 31, 2022. The gross margin is mainly affected by sales products mix and production sites.

---

<sup>1</sup> 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, 2022.

## Expenses

During the first quarter of year 2023, The Group's *Development Costs* were USD 332 thousand compared with USD 354 thousand in the same period last year (Q1/2022).

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, however it is further explained 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, 2023 were USD 499 thousand (4.1%) and USD 486 thousand (4.5%) in the three-month period ended March 31, 2022. In the first quarter of 2023, other selling expenses and travel expenses, mainly, have resumed gradually. Management believes these costs will continue to increase as digital marketing, traveling and exhibitions will expand.

The Group's *General & Administrative expenses* for the three-month period ended March 31, 2023 were USD 996 thousand and USD 926 thousand in the three-month period ended March 31, 2022. The increase relates mainly to increase in management incentives derived from the profits increase.

## Operating and financial result

The total *operating income* for the first quarter of 2023 amounted to USD 3,599 thousand compared to USD 2,519 thousand in the same period last year. During the first three months of 2023, Payton recorded a *net finance income* of USD 295 thousand compared to a net finance income of USD 23 thousand for the first three months of 2022. The increase in *net finance income* is mainly explained by the increase of the market interest rate on bank deposits.

## Taxes on income

*Taxes on income* for the three-month period ended March 31, 2023 were USD 647 thousand compared with USD 1,350 thousand in the three-month period ended March 31, 2022. During the first quarter of 2022 the Company decided 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 and recorded an exceptional tax expenses at the amount of USD 0.9 million.

## Result of the period

The total result for the first quarter of 2023 was a net profit of USD 3,268 thousand, compared to USD 1,244 thousand for the three-month period ended March 31, 2022.

## Balance sheet - cash position

*Cash and cash equivalents, Short-term Deposits and marketable securities*, these items amounted to a total of USD 52,140 thousand as at March 31, 2023 compared to USD 45,237 thousand as at December 31, 2022 and USD 46,353 thousand as at March 31, 2022. The increase in Cash and cash equivalents attributed mainly to Company's profitability in addition to the decrease in trade accounts receivable. Management believes, a solid financial position is an important factor in order to successfully overcome times of crisis.

*Trade accounts receivable*, these amounted to USD 7,307 thousand as at March 31, 2023 compared with USD 10,374 thousand as at December 31, 2022 and USD 8,394 thousand as at March 31, 2022. The decrease in this item resulted mainly due to decrease in sales volume near the reports dates.

*Other investment*, as at March 31, 2023 and December 31, 2022 this amounted to USD 900 thousand representing the Company's investment in shares and options of CaPow Technologies Ltd., an Israeli startup (less than 20% of the startup's share capital) in the field of wireless charging solution. The Company has a professional and business interest to become involved in new developments in this area.

*Trade payables*, amounted to USD 1,455 thousand as at March 31, 2023 compared with USD 1,419 thousand as at December 31, 2022 and USD 2,519 thousand as at March 31, 2022. The decrease in this item compared to March 31, 2022 resulted mainly due to increase of advance payment in favor of subcontractors and decrease in purchases near the reports dates.

*Dividend payables*, amounted to USD 8,482 thousand as at March 31, 2023. This dividend was announced on March 28, 2023 and has not been paid yet.

As at March 31, 2022, dividend amounted to USD 8,023 thousand (announced on March 28, 2022). This dividend was paid in full in June 2022.

## **Cash flow**

*Cash flows generated from operating activities* for the three-month period ended March 31, 2023 amounted USD 6,857 thousand, compared with cash flows generated from operating activities of USD 2,817 thousand for the three-month period ended March 31, 2022. The increase in cash flows from operating activities generated mostly from the profit increase and from decrease in trade account receivable. *Cash flows used for investing activities* in the three-month period ended March 31, 2023, amounted USD 1,929 thousand, compared with cash flows used for investing activities at the amount of USD 1,078 thousand in the three-month period ended March 31, 2022. 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, 2023 and 2022. *Cash flows used for financing activities* for the year ended December 31, 2022, amounted USD 8,023 thousand, representing a dividend payment (announced March 28, 2022) that was paid on June 2022.

## **Outlook**

*Global business environment changes:* In the first quarter of year 2023, the global trends characterizing last year (2022) remained relevant. Instability and uncertainty trends remained dominant in the global business environment as well as high prices of raw materials, high logistic cost, high manpower costs and mainly push-out of scheduled deliveries up on customer needs. Management believes these trends are not expected to end in the near future.

Another two factors that affected the Group's activity in the first quarter of 2023 are *the revaluation of the US\$* against the local NIS, the Euro and the Pound, which mainly decreases local labor costs and other operating costs in Israel and the United Kingdom during this period and *increase of global market interest rate* which increases the Group's income from bank deposits (the Company does not hold loans).

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 the best way possible.

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

On March 28, 2023, the Company's Board of Directors decided to pay the shareholders a dividend for the financial year 2022, at the amount of USD 8,482 thousand (USD 0.48 per share), expected to be paid in June 2023. It is noted that this dividend is submitted to a tax withholding of 15%.

*Order backlog* of the Group as of March 31, 2023 was USD 44,135 thousand (December 31, 2022 - USD 43,839 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 31.3.2023 will be supplied until June 30, 2024.

***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](http://www.paytongroup.com).

For more information, please visit Payton's website at [www.paytongroup.com](http://www.paytongroup.com)  
or contact Michal Lichtenstein, CFO at +972-3-9611164 -[Michal@paytongroup.com](mailto:Michal@paytongroup.com)  
or Nathalie Verbeeck at Citigate Dewe Rogerson Belgium + 32 (0) 477 45 75 41  
[Nathalie.Verbeeck@citigatedewerogerson.com](mailto: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 mainly customize lines of planar transformer 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 -

|  | For the three months ended |              |
|--|----------------------------|--------------|
|  | March 31                   |              |
|  | 2023                       | 2022         |
|  | (Unaudited)                | (Unaudited)  |
|  | \$ thousands               | \$ thousands |
| Revenues   | 12,057                     | 10,783       |
| Cost of sales  | (6,641)                    | (6,508)      |
| <b>Gross profit</b>  | <b>5,416</b>               | <b>4,275</b> |
| Development costs  | (332)                      | (354)        |
| Selling and marketing expenses   | (499)                      | (486)        |
| General and administrative expenses  | (996)                      | (926)        |
| Other income   | 10                         | 10           |
| <b>Operating profit</b>  | <b>3,599</b>               | <b>2,519</b> |
| Finance income   | 374                        | 70           |
| Finance expenses   | (79)                       | (47)         |
| Finance income, net  | 295                        | 23           |
| Share of profits of equity accounted investee  | 21                         | 52           |
| <b>Profit before taxes on income</b>   | <b>3,915</b>               | <b>2,594</b> |
| Taxes on income  | (647)                      | (1,350)      |
| <b>Net profit</b>  | <b>3,268</b>               | <b>1,244</b> |
| <b>Other comprehensive income (loss) items that will not be transferred to profit and loss</b> |                            |              |
| Remeasurement of defined benefit plan  | -                          | 142          |
| Share of other comprehensive income (loss) of equity accounted investee                        | 5                          | 2            |
| <b>Total other comprehensive income, net of tax</b>  | <b>5</b>                   | <b>144</b>   |
| <b>Total comprehensive income</b>  | <b>3,273</b>               | <b>1,388</b> |
| <b>Earnings per share</b>  |                            |              |
| Basic and diluted earnings per share (in \$)   | 0.18                       | 0.07         |

### Condensed Interim Consolidated Statement of Financial Position

- unaudited -

|                                     | March 31      |               |
|-------------------------------------|---------------|---------------|
|                                     | USD 000       | USD 000       |
|                                     | 2023          | 2022          |
| Current assets                      | 66,132        | 61,231        |
| Non-current assets                  | 12,539        | 11,156        |
| <b>Total assets</b>                 | <b>78,671</b> | <b>72,387</b> |
| Current liabilities                 | 13,815        | 15,053        |
| Non-current liabilities             | 1,648         | 1,644         |
| Equity                              | 63,208        | 55,690        |
| <b>Total liabilities and Equity</b> | <b>78,671</b> | <b>72,387</b> |

**Condensed Interim Consolidated Statements  
of Cash Flows**  
- unaudited -

|  | For the three months ended |                |
|--|----------------------------|----------------|
|  | March 31                   |                |
|  | 2023                       | 2022           |
|  | (Unaudited)                | (Unaudited)    |
|  | \$ thousands               | \$ thousands   |
| <b>Operating activities</b>  |                            |                |
| Profit for the period  | 3,268                      | 1,244          |
| <b>Adjustments:</b>  |                            |                |
| Depreciation   | 218                        | 216            |
| Taxes on income  | 647                        | 1,350          |
| Share of profits of equity accounted investee                            | (21)                       | (52)           |
| Gain on sale of fixed assets   | (10)                       | (10)           |
| Finance expenses (income), net   | (237)                      | 25             |
|  | <u>3,865</u>               | <u>2,773</u>   |
| <b>Change in employee benefits</b>                                       | 60                         | 66             |
| Decrease (increase) in trade accounts receivable                         | 3,067                      | 1,523          |
| Decrease (increase) in other accounts receivable                         | (253)                      | 664            |
| Decrease (increase) in inventory   | 342                        | (150)          |
| Increase (decrease) in trade payables                                    | 64                         | (1,581)        |
| Increase in other payables   | 273                        | 214            |
|  | <u>7,418</u>               | <u>3,509</u>   |
| Interest received  | 127                        | 23             |
| Interest paid  | (23)                       | (17)           |
| Income taxes paid, net   | <u>(665)</u>               | <u>(698)</u>   |
| <b>Cash flows generated from operating activities</b>                    | <u>6,857</u>               | <u>2,817</u>   |
| <b>Investing activities</b>  |                            |                |
| Investments in deposits, net   | (1,842)                    | (1,000)        |
| Acquisition of other investment  | -                          | -              |
| Acquisition of fixed assets  | (97)                       | (109)          |
| Proceeds from sale of fixed assets                                       | 10                         | 31             |
| Proceeds from sale of marketable securities                              | -                          | -              |
| <b>Cash flows used for investing activities</b>                          | <u>(1,929)</u>             | <u>(1,078)</u> |
| <b>Financing activities</b>  |                            |                |
| Dividend paid  | -                          | -              |
| <b>Cash flows used for financing activities</b>                          | <u>-</u>                   | <u>-</u>       |
| <b>Net increase (decrease) in cash and cash equivalents</b>              | 4,928                      | 1,739          |
| <b>Cash and cash equivalents at the beginning of the period</b>          | 19,003                     | 22,146         |
| <b>Effect of exchange rate fluctuations on cash and cash equivalents</b> | <u>(103)</u>               | <u>(28)</u>    |
| <b>Cash and cash equivalents at the end of the period</b>                | <u>23,828</u>              | <u>23,857</u>  |