



Max Stock Limited Reports Second Quarter and First Half Fiscal 2021 Financial Results

Second Quarter Comparable Store Sales Increased 26% First Half Comparable Store Sales Increased 32%

ISRAEL – August 16, 2021 – Max Stock Limited (TASE: MAXO) (the “Company”) today reported financial results for the second quarter ended June 30, 2021.

Second Quarter Summary (excluding the impact of one-time sales of COVID-19 related goods in the year ago period):

- Total revenue increased 28.4% to ILS 223.6 million.
- Comparable store sales increased 26%.
- Operating income of ILS 30.2 million
- Net income was 18.4 million
- EPS was ILS 0.10
- Adjusted EBITDA¹ increased 4.4% to ILS 30.7 million.

First Half 2021 Summary: (excluding the impact of one-time sales of COVID-19 related goods in the year ago period)

- Total revenue increased 36.8% to ILS 475.6 million.
- Comparable store sales increased 32%.
- Operating income increased 24.6% to ILS 69.3 million
- Net income increased 19.5% to ILS 45.4 million
- EPS increased 13.0% to ILS 0.26
- Adjusted EBITDA¹ increased 35.8% to ILS 73.2 million.

Evan Neumann, Co - Chief Executive Officer, stated, “Our core retail business continued to perform very well during the second quarter underscored by a 26% increase in comparable store sales. We are very pleased with our recent results, especially as a portion of our stores were temporarily closed for a period in May. Over the past year, we have strengthened our foundation for growth through the successful execution of our key merchandising, in-store, and customer service initiatives combined with important infrastructure investments. With our expanding product selection and competitive pricing resonating with a broader audience and driving market share gains, we are fortifying Max Stock’s position as the leading extreme value retailer in Israel and creating an exciting future for all of our stakeholders.”

Second Quarter Results

Excluding one-time sales of COVID-19 related goods in the second quarter of 2020, second quarter 2021 total revenue increased 28.4% year-over-year to ILS 223.6 driven primarily by a 26% increase in comparable store sales and the addition of 4 new stores. Total revenue decreased 21.9% to compared

¹ As used throughout this release, adjusted EBITDA defined as Net Income + Income Tax Expenses + Net Interest Expenses + D&A + Other Expenses - the impact of IFRS 16 + Share-based payment.

with total revenue of ILS 286.4 million in the year ago period driven by PPE Transaction activities in the same period last year.

Gross profit, excluding one-time sales of COVID-19 related goods in the second quarter of 2020, increased 27.5% to ILS 85.6 million in the second quarter 2021 from ILS 67.2 million in the second quarter 2020. Gross margin was 38.3% as compared to 38.6% in the year ago period.

Selling, general and administrative expenses increased to ILS 57.0 million in the second quarter 2021 from ILS 36.9 million in the second quarter 2020, primarily driven by higher salary and wage expenses associated with new stores and higher expenses related to share-based payments, combined with lower expenses in the year ago period due to cost saving actions in response to COVID-19. Excluding one-time sales of COVID-19 related goods in the second quarter of 2020, selling, general and administrative expenses as a percentage of net sales were 25.4% compared with 21.2% in the year ago period.

Operating income was ILS 30.2 million, or 13.5% of total revenue in the second quarter of 2021 compared to operating income excluding the impact from one-time sales of COVID-19 related goods of ILS 30.7 million, or 17.6% of total revenue. Total operating income in the second quarter of 2020 was ILS 40.4 million, or 14.1% of total revenue.

Excluding one-time sales of COVID-19 related goods in the second quarter of 2020, net income was ILS 18.4 million, or ILS 0.10 per diluted share, in the second quarter of 2021 as compared with net income of ILS 18.9 million, or ILS 0.11 per diluted share, in the second quarter of 2020. Total net income in the second quarter of 2020 was 19.9 million ILS, or ILS 0.11 per diluted share. Adjusted earnings per share increased 23% to ILS 0.13.

Adjusted EBIDTA in the second quarter of 2021 increased 4.4% year-over-year. to ILS 30.7 million from ILS 29.5 million in the year ago period. Adjusted EBITDA excludes the effect of IFRS16, the effect of Share-based payment and the impact from one-time sales of COVID-19 related goods.

First Half 2021 Results

Excluding one-time sales of COVID-19 related goods in 2020, total revenue for the first half of 2021 increased 36.8% year-over-year to ILS 475.6 million driven primarily by a 32% increase in comparable store sales and the addition of 4 new stores. Total revenue increased 0.7% to ILS 475.6 million in the first half of 2021 as compared with total revenue of ILS 472.4 million in the year ago period.

Gross profit, excluding one-time sales of COVID-19 related goods in 2020, increased 35.4% to ILS 185.4 million in the first half of 2021 from ILS 136.9 million in the first half of 2020. Gross margin was 39.0% as compared to 39.4% in the year ago period.

Selling, general and administrative expenses increased to ILS 117.7 million in the first half of 2021 from ILS 81.8 million in the first half of 2020, primarily driven by higher salary and wage expenses associated with new stores and higher expenses related to share-based payments, combined with lower expenses in the year ago period due to cost saving actions in response to COVID-19. Excluding one-time sales of COVID-19 related goods in 2020, selling, general and administrative expenses as a percentage of net sales were 24.8% compared with 23.5% in the year ago period.

Operating income was ILS 69.3 million, or 14.6% of total revenue in the first half of 2021 compared to operating income excluding the impact from one-time sales of COVID-19 related goods of ILS 55.6 million, or 16.0% of total revenue in 2020. Total operation income in the first half of 2020 was ILS 69.9 million, or 14.8% of total revenue.

Excluding one-time sales of COVID-19 related goods in 2020, net income increased 26.0% to ILS 45.4 million, or ILS 0.26 per diluted share, in the first half of 2021 as compared with net income of ILS 36.0

million, or ILS 0.21 per diluted share, in the first half of 2020. Total net income in the first half of 2020 was ILS 38.0 million, or ILS 0.21. Adjusted earnings per share of the first half of 2021 increased 47% to ILS 0.32.

Adjusted EBITDA increased 35.8% to ILS 73.2 million in the first half of 2021 from ILS 53.9 million in the year ago period. Adjusted EBITDA excludes the effect of IFRS16, the effect of Share-based payment and the impact from one-time sales of COVID-19 related goods.

Balance Sheet and Cash Flow Highlights

The Company's cash and cash equivalents balance at June 30, 2021 was ILS 31.2 million, a decrease of 62.2% compared with ILS 82.5 million at June 30, 2020. The Company ended the second quarter 2021 with total debt of ILS 54.9 million compared with total debt of ILS 80.8 million at the end of the second quarter last year.

Inventories increased 78.7% to ILS 197.1 million at June 30, 2021 compared with ILS 110.3 million at June 30, 2020. The increase primarily driven by growth in volume activity and higher expenses related to shipping costs.

Conference Call Information

The Company will host a conference call on August 17, 2021 at 8:30 a.m. Eastern Standard Time to discuss second quarter fiscal 2021 results. Investors and analysts interested in participating in the call are invited to dial (877) 407-9716 (domestic) or (201) 493-6779 (international) and provide the conference identification number: 13722417. The conference call will also be available to interested parties through a live webcast at <https://ir.maxstock.co.il>

A telephone replay of the call will be available until August 24, 2021, by dialing (844) 512-2921 (domestic) or (412) 317-6671 (international) and entering the conference identification number: 13722417.

About Max Stock

Max Stock is a leading general discount retailer of everyday essential items in Israel. We offer a broad selection of merchandise across six major categories, operating 52 stores across the country. For more information, please visit <https://ir.maxstock.co.il>

Forward-Looking Statements

It should be emphasized that this report includes forward-looking information as defined under the Israeli Securities Law, 5728-1968. Forward-looking information is uncertain information regarding the future, including forecasts, projections, estimates or other information which refer to a future event or matter, the eventuation of which is uncertain and/or not within the Company's control. The forward-looking information included in this report is based on the current information held by the Company or its current assessments, as of the publication date of this report.

Company Contact

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Condensed Consolidated Reports of Financial Position

	As of June 30		As of December
	2021	2020	31
	Unaudited		Audited
	ILS 000's		
<u>Current assets</u>			
Cash and cash equivalents	31,165	82,486	118,263
Shorts term deposits	-	40,000	24,500
Trade receivables (customers)	71,881	67,602	73,740
Current tax rebates	1,579	2,835	825
Accounts receivable and credit balances	19,714	6,067 (*)	18,373
Financial derivatives	183	931 (*)	-
Inventory	197,146	110,334	127,272
	<u>321,668</u>	<u>310,255</u>	<u>362,973</u>
<u>Non-Current Assets</u>			
Long-term deposit	160	160	160
Fixed assets, property, plant and equipment, net	56,439	44,257	47,329
Right of use assets	494,594	359,452	511,704
Deferred taxes	9,996	7,417	10,558
	<u>561,189</u>	<u>411,286</u>	<u>569,751</u>
	<u>882,857</u>	<u>721,541</u>	<u>932,724</u>
<u>Current liabilities</u>			
Credit from banking corporations	32,150	57,434	15,432
Lease liabilities	53,439	48,242	53,830
Trade payables (liabilities to vendors, suppliers and service providers)	101,760	63,745 (*)	116,890
Current taxes payable	8,522	5,935	9,783
Accounts payable and debit balances	31,674	31,715 (*)	29,775
Dividend payable	-	3,767	-
Financial derivatives	-	-	2,738
	<u>227,545</u>	<u>210,838</u>	<u>228,448</u>
<u>Non-Current Liabilities</u>			
Loans from banking corporations	22,768	23,354	20,622
Lease liabilities	469,482	336,910	486,126
Liabilities for employee benefits	1,936	1,964	1,936
	<u>494,186</u>	<u>362,228</u>	<u>508,684</u>
<u>Equity</u>			
Shareholders' equity	152,311	134,844	177,274
Non-controlling interests (minority rights)	8,815	13,631	18,318
	<u>161,126</u>	<u>148,475</u>	<u>195,592</u>
	<u>882,857</u>	<u>721,541</u>	<u>932,724</u>

(*) Reclassified.

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Profit

	For the period of six months ended On 30 June		For the three-month period ended On 30 June		For the year ending December 31
	2021	2020	2021	2020	2020
	Unaudited		Unaudited		Audited
	ILS 000's (save for the data about net profit per share)				
Revenues from sales	475,570	472,441 321,185	223,604	286,375	1,010,495
Cost of goods sold	290,174	(*)	138,008	209,535 (*)	651,562
Gross Profit	185,396	151,256	85,596	76,840	358,933
Sales and marketing expenses	95,818	69,898 (*)	47,318	30,910 (*)	170,167
General and administrative expenses	21,929	11,936 (*)	9,648	5,991 (*)	33,782
Other income	(1,613)	(503)	(1,613)	(485)	(1,224)
Other expenses	-	-	-	-	5,479
Operating profit	69,262	69,925	30,243	40,424	150,729
Financing revenues	(1,026)	(2,109)	-	(727)	(1,118)
Financing expenses	8,612	10,035	4,724	6,491	20,400
Financing expenses for extraordinary transactions	-	11,831 (*)	-	8,375 (*)	13,276
Profits before taxes on income	61,676	50,168	25,519	26,285	118,171
Taxes on income	16,268	12,181	7,076	6,374	30,542
Net profit	45,408	37,987	18,443	19,911	87,629
Total other comprehensive profit (loss): Amounts not to be reclassified to profit or loss:					
Remeasurement of defined benefit plan	-	-	-	-	(32)
Total comprehensive profit	45,408	37,987	18,443	19,911	87,597
Net profit attributable to:					
Shareholders of the Company	37,335	32,530	14,920	16,263	72,647
Non-controlling interests (minority rights)	8,073	5,457	3,523	3,648	14,982
	45,408	37,987	18,443	19,911	87,629
Total comprehensive profit attributable to:					
Shareholders of the Company	37,335	32,530	14,920	16,263	72,615
Non-controlling interests (minority rights)	8,073	5,457	3,523	3,648	14,982
	45,408	37,987	18,443	19,911	87,597
Net profit per share attributable to shareholders of the Company (ILS)					
Base net profit	0.26	0.23	0.10	0.11	0.51
Diluted net profit	0.26	0.23	0.10	0.11	0.51
(*) Reclassified					

Condensed Consolidated Reports of Cash Flows

	For the period of six months ended		For the three-month period ended		For the year ending
	On 30 June		On 30 June		December 31
	2021	2020	2021	2020	2020
	Unaudited		Unaudited		Audited
	ILS 000's				
Cash flows from current activities:					
Net profit	45,408	37,987	18,443	19,911	87,629
Adjustments required to present cash flows from current operations (a)	(54,039)	17,955 (*)	(8,556)	27,840 (*)	72,308 (*)
Net cash deriving from (utilized for) current operations	(8,631)	55,942	9,887	47,751	159,937
Cash Flows from Investment Activities					
Acquisition of fixed assets (property, plant and equipment)	(12,566)	(8,924)	(6,393)	(4,118)	(17,497)
Proceeds from realizing fixed assets	-	-	-	-	640
Revenues (payments) from exercising financial derivatives	(1,897)	639 (*)	(891)	569 (*)	62 (*)
Redeeming (making) short-term deposits	24,500	(40,000)	16,500	7,300	(24,500)
Net cash deriving from (utilized for) investment activities	10,037	(48,285)	9,216	3,751	(41,295)
Cash Flows from Financing Activities					
Obtaining long-term loans from banking corporations	12,000	14,500	-	2,500	20,500
Obtaining short-term loans from banking corporations	15,030	40,000	15,030	-	40,000
Repayment of long-term loans from banking corporations	(8,166)	(10,258)	(3,668)	(5,263)	(20,992)
Repayment of short-term loans from banking corporations	-	-	-	-	(40,000)
Lease payments	(19,792)	(12,122)	(10,729)	(6,606) (*)	(30,267)
Dividends paid to non-controlling (minority) interest holders	(17,576)	-	(13,011)	-	(8,606)
Dividend paid to Company shareholders	(70,000)	-	(70,000)	-	-
Acquisition of non-controlling interests (minority rights)	-	(3,348)	-	(2,332)	(7,071)
Net cash deriving from (utilized for) financing activities	(88,504)	28,772	(82,378)	(11,701)	(46,436)
Increase (decrease) in cash and cash equivalents	(87,098)	36,429	(63,275)	39,801	72,206
Balance of cash and cash equivalents at beginning of the period	118,263	46,057	94,440	42,685	46,057
Balance of cash and cash equivalents at the end of the period	31,165	82,486	31,165	82,486	118,263

(*) Reclassified.

Condensed Consolidated Reports of Cash Flows

For the period of six months ended On 30 June		For the three-month period ended On 30 June		For the year ending December 31
2021	2020	2021	2020	2020
Unaudited		Unaudited		Audited
ILS 000's				

Adjustments required to present cash flows (a)
from current operations:

Adjustments to the profit or loss items:

Depreciation and amortization	24,935	19,931	12,573	9,444 (*)	45,347
Financing expenses, net	10,507	20,688 (*)	5,143	11,373 (*)	29,820 (*)
Profit from derecognizing lease liabilities	(1,613)	(503)	(1,613)	(485)	(1,224)
Decrease (increase) in fair value of financial derivatives	(2,921)	(931) (*)	(419)	2,768 (*)	2,738 (*)
Cost of share-based payments	7,702	-	3,858	-	2,345
Change in liabilities for employee benefits, net	-	-	-	-	(61)
Taxes on income	16,268	12,181	7,076	6,374	30,542
Capital loss	-	-	-	-	866
	<u>54,878</u>	<u>51,366</u>	<u>26,618</u>	<u>29,474</u>	<u>110,373</u>

Changes in property and liability items:

Decrease (increase) in trade receivables/customers	1,859	(13,633)	17,340	(25,171)	(19,771)
Decrease (increase) in receivables and credit balances	(1,341)	5,358 (*)	1,894	30,002 (*)	(6,948)
Decrease (increase) in inventory	(69,874)	(7,979)	(33,213)	28,975	(24,917)
Increase (decrease) in trade payables (liabilities to vendors, suppliers and service providers)	(15,130)	4,721 (*)	(976)	23,178 (*)	57,866
Increase (decrease) in creditors and debit balances	<u>1,893</u>	<u>6,112 (*)</u>	<u>(6,160)</u>	<u>(41,763) (*)</u>	<u>9,394 (*)</u>
	<u>(82,593)</u>	<u>(5,421)</u>	<u>(21,115)</u>	<u>15,221</u>	<u>15,624</u>

Cash paid and received by the Company during the year for:

Interest paid	(8,605)	(9,497)	(4,248)	(3,566)	(16,606)
Interest paid for extraordinary transactions	-	(10,331)	-	(10,331)	(13,276)
Taxes paid, net	<u>(17,719)</u>	<u>(8,162)</u>	<u>(9,811)</u>	<u>(2,958)</u>	<u>(23,807)</u>
Total adjustments required to present cash flows deriving from current activities	<u>(54,039)</u>	<u>17,955</u>	<u>(8,556)</u>	<u>27,840</u>	<u>72,308</u>

Non-cash material activity: (b)

Dividend declared	-	3,767	-	3,767	-
Recognition of a right-of-use asset against a lease liability	<u>18,994</u>	<u>11,815 (*)</u>	<u>14,430</u>	<u>8,959 (*)</u>	<u>190,000</u>
Derecognizing a right-of-use asset against a lease liability	<u>(14,624)</u>	<u>(3,917) (*)</u>	<u>(14,624)</u>	<u>(3,839) (*)</u>	<u>(8,429)</u>
Acquisition of non-controlling interests with credit	-	3,723	-	3,723	-

(*) Reclassified.

The accompanying notes are an integral part of the interim consolidated financial statements