

## **Max Stock Limited Reports Fiscal 2021 Full Year and Fourth Quarter Financial Results**

### **Company Executes Non-Binding Memorandum of Understanding Regarding Expansion into Portugal and Spain**

**ISRAEL – March 23, 2022** – Max Stock Limited (TASE: MAXO) (the “Company”) today reported financial results for the year and fourth quarter ended December 31, 2021.

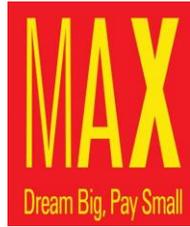
**2021 Full Year Summary Compared with 2020** (excluding the impact of one-time sales of COVID-19 related goods in 2020):

- Revenue increased 10.2% to ILS 976.3 million.
- Comparable store sales increased 6.5%.
- Adjusted net income increased 5.2% ILS to 98.1 million.
- Adjusted EPS<sup>1</sup> increased 7.0% to ILS 0.59.
- Adjusted EBITDA<sup>2</sup> increased to ILS142.9 million.

The Company views comparison to the fourth quarter 2019 period to be more meaningful than the fourth quarter 2020 given the unique operating conditions in Israel during the year ago period as a result of COVID-19. In the fourth quarter of 2020, the Company experienced exceptional year-over-year growth including a 53.9% increase in revenue and a 43.0% increase in comparable store sales, as some Max Stock stores were deemed essential under Israeli regulation and remained opened during two separate lockdowns, while other non-essential businesses were required to temporarily close.

### **Fourth Quarter 2021 Summary Compared with Fourth Quarter 2019**

- Revenue increased 36.6% to ILS 245.1 million.
- Comparable store sales increased 22.0%.
- Adjusted net income increased 34.8% to ILS 20.1 million.
- Adjusted EPS<sup>1</sup> attributable to shareholders increased 44.2% to ILS 0.12.
- Adjusted EBITDA Pre IFRS 16<sup>2</sup> increased 61.8% to ILS 33.4 million.



## **Fourth Quarter 2021 Summary Compared with Fourth Quarter 2020**

- Revenue decreased 11.2% to ILS 245.1 million.
- Comparable store sales decreased 17%.
- Adjusted net income decreased 20.9% to ILS 20.1 million.
- Adjusted EPS<sup>1</sup> (attributable to shareholders) decreased 17.5% to ILS 0.12.
- Adjusted EBITDA<sup>2</sup> decreased 22.2% to ILS 33.4 million.

Ori Max, Founder and Chief Executive Officer, stated, “Max Stock achieved another year of double-digit growth in revenues. This growth is particularly impressive in light of the Company's exceptional performance in all parameters in 2020. In 2021 we continued to solidify our position as Israel's leading discount retailer and we continued to expand the product range and categories we offer our customers. Despite sharp increases in freight and logistic costs, our gross margins have remained stable, this, among other things, thanks to the actions we already started to take in 2020 to significantly build up inventories. Max Stock is one of Israel's favorite brands and we are continuing to expand the chain to offer our products in additional locations throughout Israel. From the start of 2022 we have already opened two more stores in Nahariya and in Nof Hagalil and this year we are also planning to open another flagship store in Kfar Saba. I am very pleased with how well the organization is executing our key growth strategies and I look forward to creating even greater value for our customers and our shareholders in the months and years ahead.”

## **Full Year Results**

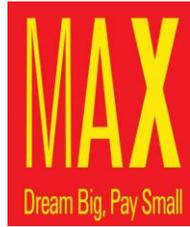
Revenue increased 10.2% to ILS 976.3 million in fiscal 2021 as compared with revenue (excluding one-time bulk sales of COVID-19 related goods of ILS 885.7 million in fiscal 2020). The year-over-year increase in revenue was driven by a 6.5% increase in comparable store sales; an expansion of existing stores and the addition of 5 new stores (four new owned stores, of which two replaced two other existing stores, and one franchised store); and growth in royalties and sales to franchisees.

Gross profit increased 10.1% to ILS 379.3 million in fiscal 2021 from ILS 344.6 million in fiscal 2020. Gross margin was 38.8% for fiscal 2021 as compared to 38.9% for fiscal 2020.

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<sup>1</sup>As used throughout this release, adjusted EPS defined as Net Income - Onetime bulk operation Net Income + IPO Expenses + Share-based payment, multiplied by the portion attributable to shareholders and divided by the number of shares.

<sup>2</sup>As used throughout this release, adjusted EBITDA Pre IFRS 16 defined as Net Income + Income Tax Expenses + Net Interest Expenses + D&A + Other Expenses – the impact of IFRS 16 + Share-based payment - Onetime bulk operation.



Selling, general and administrative expenses increased to ILS 251.2 million in 2021 from ILS 203.9 million in 2020, primarily driven by higher expenses related to share-based payments, one-time COVID-19 related discounts and grants received by the Company in 2020, higher salary and wage expenses associated with new stores, higher public company expenses and higher logistics costs (net of the benefit from the NIS appreciation). Excluding expenses related to share-based payments from both periods, selling, general and administrative expenses as a percentage of net sales were 24.1% compared with 22.8% in the year ago period.

Adjusted EBITDA (pre IFRS 16) was ILS 142.9 million in fiscal 2021 and ILS 142.7 million in fiscal 2020. Adjusted EBITDA margin decreased to 14.6% in fiscal 2021 compared with 16.1% in fiscal 2020, but expanded 100 basis points vs. fiscal 2019.

Adjusted net income increased 5.2% to ILS 98.1 million, or ILS 0.59 per diluted share, in fiscal 2021 as compared with net income of ILS 93.2 million, or ILS 0.55 per diluted share, in fiscal 2020.

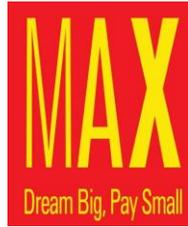
#### **Fourth Quarter Results**

Revenue decreased 11.2% to ILS 245.1 million in the fourth quarter 2021 as compared with revenue of ILS 276.1 million in the fourth quarter 2020. The decrease over the same period last year was driven primarily by the one-time benefit in Q4 2020 of Max stores being designated as an essential business while many competitors were temporarily closed due to the spread of COVID-19. Revenue in Q4 2021 increased 36.6% from ILS 179.3 million in Q4 2019.

Gross profit decreased 9.4% to ILS 95.3 million in the fourth quarter 2021 from ILS 105.2 million in the fourth quarter 2020. Gross margin was 38.9% as compared to 38.1% in the last year period and 39.9% in the two year ago period. Gross profit in Q4 2021 increased 33.3% from ILS 71.5 million in Q4 2019.

Selling, general and administrative expenses increased to ILS 68.8 million in the fourth quarter 2021 from ILS 65.7 million in the fourth quarter 2020, primarily driven by growth in volume activity, higher salary and wage expenses associated with new stores and higher expenses related to share-based payments. Selling, general and administrative expenses in Q4 2019 were ILS 50.1 million. Excluding expenses related to share-based payments from both periods, selling, general and administrative expenses as a percentage of net sales were 26.5% in Q4 2021 compared with 22.9% in Q4 2020. The 360-basis point decline was driven primarily by lower revenue in Q4 2021 when compared to the record Q4 2020 period generated from the essential business designation during COVID-19 lockdowns. Selling, general and administrative expenses as a percentage of net sales in Q4 2019 were 27.9%.

Adjusted net income decreased 20.9% to ILS 20.1 million, or ILS 0.12 per share, in the fourth quarter of 2021 as compared with adjusted net income of ILS 25.4 million, or ILS 0.15 per share, in the fourth quarter of 2020. Adjusted net income in Q4 2019 was ILS 14.9, or ILS 0.09 per share.



Adjusted EBITDA decreased 22.2% to ILS 33.4 million in the fourth quarter fiscal 2021 from ILS 42.9 million in the fourth quarter 2020. Adjusted EBITDA in Q4 2019 was ILS 20.6 million.

### **Other Updates**

On March 22, 2022, the Company executed a non-binding memorandum of understanding with a local partner in Portugal (the “MoU”). Under the MoU, the parties will act in the framework of a joint venture controlled by the Company, whose objective is to establish and manage the Max Stock store chain in Portugal and Spain. In the event that the parties execute a binding agreement and subject thereto and an agreed-upon business plan, the joint venture is anticipated to open its first store in Portugal in the next 12 months.

The forecasted financing for the first three years of the venture is up to EUR 5 million, which shall be extended to the joint venture by the Company in accordance with milestones established in the business plan. The sources of financing may be from the Company’s internal sources and/or from external sources.

The Company assesses that establishing the joint venture will enable it to penetrate the Western European market, as a first step in examining the possibility of expanding its operations to the international market.

### **Balance Sheet and Cash Flow Highlights**

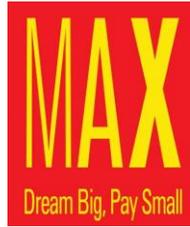
The Company's cash and cash equivalents balance at December 31, 2021 was ILS 50.3 million compared with ILS 142.8 million at December 31, 2020, primarily reflecting the ILS 70.0 million dividend paid to stockholders in 2021. The Company ended the year with total debt of ILS 70.5 million compared with total debt of ILS 36.1 million at the end of fiscal 2020.

Inventories at the end fiscal 2021 increased 67.9% to ILS 213.7 million compared with ILS 127.3 million at the end fiscal 2020. The increase was primarily driven by growth in volume activity, higher expenses related to shipping costs, and a purposeful build up of certain key inventory items in anticipation of potential supply chain disruptions.

### **Conference Call Information**

The Company will host a conference call on March 23, 2022 at 8:30 a.m. Eastern Standard Time to discuss fiscal 2020 results. There will be a slide presentation that accompanies the call. The slides and audio will be accessible through a live webcast at <https://ir.maxstock.co.il/en/event-en/>. Investors and analysts interested in participating in the call are also invited to dial (877) 407-9716 (US) or (201) 493-6779 (international) and entering the conference identification number: 13727860.

A telephone replay of the call will be available until March 30, 2022, (844) 512-2921 (US) or (412) 317-6671 (international) and entering the conference identification number: 13727860.



### **About Max Stock**

Max Stock is Israel's leading extreme value retailer, currently present in 55 locations throughout Israel. We offer a broad assortment of quality products for customers' everyday needs at affordable prices, helping customers "Dream Big, Pay Small". 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 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.

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