



Max Stock Limited Reports First Quarter 2022 Financial Results

ISRAEL – May 31, 2022 – Max Stock Limited (TASE: MAXO) (the “Company”) today reported financial results for first quarter ended March 31, 2022.

First Quarter 2022 Summary Compared with First Quarter 2021

- Revenue decreased 0.4% to ILS 250.9 million.
- Comparable store sales decreased 10%.
- Adjusted net income decreased 32.2% to ILS 20.9 million.
- Adjusted EPS¹ (attributable to shareholders) decreased 32.2% to ILS 0.13
- Adjusted EBITDA² decreased 25.1% to ILS 31.8 million.

The Company views comparison to the 2019 period to be more meaningful than the comparable 2021 period given the exceptional COVID-19 related consumer demand changes experienced in the same period in 2021.

First Quarter 2022 Summary Compared with First Quarter 2019

- Revenue increased 44.2%.
- Comparable store sales increased 22%.
- Adjusted net income increased 29.5%.
- Adjusted EPS¹ (attributable to shareholders) increased 29.5%.
- Adjusted EBITDA² increased 36.0%.

Ori Max, Founder and Chief Executive Officer, stated, “We achieved revenue largely in-line with the first quarter last year along with a strong operating cash-flow, despite the shift of Passover holiday sales into the second quarter this year. Our performance on a multi-year basis underscores the progress we have made expanding our market share and strengthening Max Stock’s position as Israel’s leading extreme value retailer. We have opened 5 new stores over the last four quarters and intend on continuing our store expansion in the coming years, while concurrently laying the groundwork for future growth engines. We look forward to creating enhanced value for our customers and our shareholders in the months and years ahead.”

1. As used throughout this release, adjusted EPS defined as Net Income + Share-based payment, multiplied by the portion attributable to shareholders and divided by the number of shares.
2. 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.



First Quarter Results

Revenue decreased 0.4% to ILS 250.9 million in the first quarter 2022 as compared with revenue of ILS 252.0 million in the first quarter 2021. The slight decrease over the same period last year was driven primarily by sales contributions from new stores, offset by difference in timing of the Passover holiday, which occurred in the first quarter of 2021 and the second quarter of 2022, respectively. Revenue in Q1 2022 increased 44.2% from ILS 174.0 million in Q1 2019.

Gross profit decreased 2.0% to ILS 97.8 million in the first quarter 2022 from ILS 99.8 million in the first quarter 2021. Gross margin was 39.0% as compared to 39.6% in the prior year period and 38.6% in the three year ago period. The 60-basis point change in gross margin year-over-year was due primarily to higher logistics costs. Gross profit in Q1 2022 increased 45.5% from ILS 67.2 million in Q1 2019.

Selling, general and administrative expenses increased to ILS 70.1 million in the first quarter 2022 from ILS 60.8 million in the first quarter 2021, primarily driven by an increase in salary and wage expenses, branch maintenance, depreciation of fixed property and amortization of right of use assets arising from opening new branches. Selling, general and administrative expenses in Q1 2019 were ILS 43.6 million. Selling, general and administrative expenses (including stock-based compensation) as a percentage of net sales in Q1 2022 were 27.9% compared with 24.1% in Q1 2021 and 25.1% in Q1 2019.

Adjusted net income decreased 32.2% to ILS 20.9 million, or ILS 0.13 per share, in the first quarter of 2022 as compared with adjusted net income of ILS 30.8 million, or ILS 0.18 per share, in the first quarter of 2021. Adjusted net income in Q1 2019 was ILS 16.2, or ILS 0.10 per share.

Adjusted EBITDA decreased 25.1% to ILS 31.8 million in the first quarter fiscal 2022 from ILS 42.4 million in the first quarter 2021. Adjusted EBITDA in Q1 2022 increased 36.0% from ILS 23.4 million in Q1 2019.

Balance Sheet, Cash Flow and Other Highlights

The Company's cash and cash equivalents balance at March 31, 2022 was ILS 60.9 million compared with ILS 50.3 million at December 31. The Company ended the first quarter of 2022 with total debt of ILS 77.6 million compared with total debt of ILS 70.5 million at the end of fiscal 2021.

Inventories at March 31, 2022 were ILS 219.1 million compared with ILS 213.7 million at December 31, 2021.

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Operating cash flows in Q1 2022 were ILS 23.6 million compared with negative operating cash flows of ILS 18.5 million in the first quarter of 2021. The increase was primarily attributable to a decline in the Company's working capital relative to the same period last year in which the Company was building up on inventories due to a concern of delays with merchandise supplies on the backdrop of the global COVID-19 crisis.

On April 26, 2022, the Israel Tax Authority rendered a decision regarding a VAT assessment of transactions totaling approximately ILS 5.1 million, whereby all the Company's arguments were accepted, and the entire assessment charges were cancelled.

Conference Call Information

The Company will host a conference call on May 31, 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: 13730079.

A telephone replay of the call will be available until June 7, 2022, (844) 512-2921 (US) or (412) 317-6671 (international) and entering the conference identification number: 13730079.

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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