Max Stock Limited Reports Second Quarter 2022 Financial Results

Declares ILS 40 Million, 0.28 per share One-Time Dividend

ISRAEL – August 16, 2022 – Max Stock Limited (TASE: MAXO) (the "Company") today reported financial results for second quarter ended June 30, 2022.

Second Quarter 2022 Summary Compared with Second Quarter 2021

- Revenue increased 13.0% to ILS 252.7 million.
- Gross profit increased 15.8% to ILS 99.2 million.
- Comparable store sales increased 2.8%.
- Adjusted EBITDA[1] decreased 4.5% to ILS 29.3 million.
- Adjusted net income decreased 18.0% to ILS 18.3 million.
- Adjusted EPS[2] (attributable to shareholders) decreased 19.0% to ILS 0.11

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.

Second Quarter 2022 Summary Compared with Second Quarter 2019

- Revenue increased 41.9%.
- Comparable store sales increased 18.1%.
- Adjusted EBITDA[1] increased 9.0%.
- Adjusted net income decreased 4.6%.
- Adjusted EPS[2] (attributable to shareholders) decreased 6.4%

1. 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.
2. 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.
3. Three stores, net of closures.

Ori Max, Founder and Chief Executive Officer, stated, "We have concluded the first half of 2022 with double-digit top line growth in the second quarter driven by both new store openings and an increase in same store sales. Moreover, we increased gross margins by 100 basis point and generated strong cash flow despite the challenging macro-economic environment. With 5 new stores opened over the past year[3], there are now 55 Max Stock locations across Israel. This expansion has contributed positively to revenue, however, it has pressured near-term operating margins as we deleverage expenses while the new stores ramp to maturity. We believe this impact will moderate in the coming quarters and allow us to better translate our growth into improved profitability. Importantly, we plan to continue to build on Max Stock's position as Israel's leading extreme value retailer by increasing the scale of the group's activities by opening 3 to 5 stores annually. We are also excited to announce we have executed a binding agreement with Fortera, our local partner in Portugal, to establish and manage the Max Stock chain in Portugal."

Second Quarter Results

Revenue increased 13.0% to ILS 252.7 million in the second quarter 2022 as compared with revenue of ILS 223.6 million in the second quarter 2021. The increase in revenue was driven by the addition of 5 new stores and a 2.8% increase in same store sales. Revenue in Q2 2022 increased 41.9% from ILS 178.1 million in Q2 2019.

Gross profit increased 15.8% to ILS 99.2 million in the second quarter 2022 from ILS 85.6 million in the second quarter 2021. Gross margin was 39.3% as compared to 38.3% in the prior year period. The 100-basis point improvement in gross margin year-over-year was driven primarily by a positive impact from the timing of Passover (a major Jewish Holiday that occurred in Q2 2022 this year and in Q1 2021 last year). Gross profit in Q2 2022 increased 36.3% from ILS 72.8 million in Q2 2019.

GAAP Selling, general and administrative expenses increased to ILS 74.5 million in the second quarter 2022 from ILS 57.0 million in the second quarter 2021, primarily driven by an increase in salary and wage expenses both at new branches and the Company's head office, increased marketing expenses and a high cost relative to sales of depreciation of fixed property. Selling, general and administrative expenses as a percentage of net sales in Q2 2022 were 29.5% compared with 25.5% in Q2 2021 and 25.7% in Q2 2019.

Adjusted net income decreased 18.0% to ILS 18.3 million, or ILS 0.11 per share, in the second quarter of 2022 as compared with adjusted net income of ILS 22.3 million, or ILS 0.13 per share, in the second quarter of 2021. Adjusted net income in Q2 2019 was ILS 19.2 million, or ILS 0.11 per share.

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Adjusted EBITDA decreased 4.5% to ILS 29.3 million in the second quarter fiscal 2022 from ILS 30.7 million in the second quarter 2021. Adjusted EBITDA in Q2 2022 increased 9.0% from ILS 26.9 million in Q2 2019.

First Half 2022 Results

Total revenue for the first half of 2022 increased 5.9% year-over-year to ILS 503.6 million driven primarily by the addition of 5 new stores, partially offset by a 3.8% decrease in same store sales.

Gross profit increased 6.3% to ILS 197.0 million in the first half of 2021 from ILS 185.4 million in the first half of 2021. Gross margin was 39.1% as compared to 39.0% in the year ago period.

Selling, general and administrative expenses increased to ILS 144.6 million in the first half of 2021 from ILS 117.7 million in the first half of 2021, primarily driven by an increase in salary and wage expenses both at new branches and the Company's head office, increased marketing expenses and a high cost relative to sales of depreciation of fixed property. Selling, general and administrative expenses as a percentage of net sales were 28.7% compared with 24.8% in the year ago period.

Adjusted net income decreased 26.2% to ILS 39.2 million, or ILS 0.23 per diluted share, in the first half of 2022 as compared with adjusted net income of ILS 53.1 million, or ILS 0.32 per diluted share, in the first half of 2021.

Adjusted EBITDA decreased 16.4% to ILS 61.2 million in the first half of 2022 from ILS 73.2 million in the year ago period.

Balance Sheet, Cash Flow, Dividend Declaration and Share Buyback Highlights

The Company's cash and cash equivalents balance at June 30, 2022 was ILS 83.8 million compared with ILS 50.3 million at December 31, 2022 and ILS 31.2 million at June 30, 2021. The Company ended the second quarter of 2022 with total debt of ILS 64.8 million compared with total debt of ILS 70.5 million at the end of fiscal 2021.

The Company generated ILS 55.6 million and ILS 79.3 million in cash from operating activities for the second quarter and first half 2022, respectively, driven primarily by a planned reduction in inventories. Based on its strong cash position and outlook for the business, Max Stock's board declared a one-time dividend of ILS 40.0 million, or ILS 0.28 per share to be paid on September 6, 2022 (Date of Record is August 22, 2022). The Company has also repurchased ILS 4.8 million,

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or 698,236 of its ordinary shares since announcing a ILS 40 million share repurchase program on June 19, 2022.

Inventories at June 30, 2022 were ILS 190.3 million, down 10.9% compared with ILS 213.7 million at December 31, 2021 and down 3.4% compared with ILS 197.1 million at June 30, 2021.

Other Updates

Concurrently with the publication of Max Stock's quarterly reports, and further to the memorandum of understanding entered into between the Company and a local partner in Portugal in March 2022, the Company's board of directors has approved the execution of a binding agreement with Fortera Properties, LDA, the Company's local partner in Portugal, to establish a Max Stock store chain in Portugal. The parties will establish a company in Portugal to operate the joint activities, this company will be jointly held by both the Company (75%) and Fortera (25%). The jointly-owned company will initially operate in Portugal and may subsequently also expand into Spain, at the parties' discretion.

The initial financing required for the establishment, maintenance, development and operation of the joint company, including for the purchase of initial inventory and to establish stores, is up to EUR 5 million, which shall be provided by the parties according to milestones established in the business plan.

The Company shall have control over the jointly-owned company, with a majority on its board of directors and the right to appoint the general manager. Mr. Roy Ben-Nun, who serves as the Company's Chief Overseas Operations, is anticipated to serve as general manager of the jointly-owned company.

Conference Call Information

The Company will host a conference call on August 16, 2022 at 8:30 a.m. Eastern Standard Time to discuss second quarter fiscal 2022 results. The conference is accessible at https://ir.maxstock.co.il/en/event-en/. There will be a slide presentation that accompanies the call. The slides will be accessible at https://ir.maxstock.co.il/en/presentation-en/. Investors and analysts interested in participating in the call can also dial (929) 205 6099 and enter webinar ID 880 8309 0971 followed by the passcode 722665.

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

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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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