

Regulated Information

PRESS RELEASE

May 26, 2021

6 pm CET

## Q1 2021 Report<sup>1</sup>

**Net profit USD 1,911 thousand****Sales Revenues of USD 10,085 thousand****Order Backlog as of March 31, 2021 of USD 18,521 thousand**

**Ness-Ziona (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the first quarter of 2021 (three-month period ending March 31, 2021).**

**Net profit for the first three months of 2021 totaled USD 1,911 thousand.**

**Sales revenues for the first three months of 2021 totaled USD 10,085 thousand.**

**The COVID-19 crisis effect - Payton's worldwide manufacturing facilities and geographically spread of the Group's production sites minimized the effect of the COVID-19 epidemic and has proven it-self effective. Although the spread of the epidemic has been halted in most of the Far East countries, there have been recent reports of a repeated spread of the COVID-19 virus in some of them. Currently, all production sites are fully operational in a "Corona routine".**

**Global business environment changes - recently some other changes are noted, such as: global shortage and prices increase of raw materials, a significant extension of deliveries, changes in customers' demands and postponing of delivery dates, lack of manpower and increase in labor costs.**

**Devaluation of the US\$ against the local NIS, the Euro and the Pound also affects the Group's activity, mainly increases local labor costs and other operating costs (in Israel and the UK).**

**Order backlog of the Group as of March 31, 2021 was USD 18,521 thousand (December 31, 2020 - USD 18,921 thousand). The backlog is composed of the Company and its two fully owned subsidiaries firm orders.**

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

## Key financial highlights for the first three months of 2021

### Sales revenues

The Group's sales revenues for the three-month period ended March 31, 2021 were USD 10,085 thousand compared with USD 8,239 thousand in the three-month period ended March 31, 2020, increase of 22%. The Group succeeded to increase its sales volume in spite of the Corona Epidemic worldwide effect thanks to its diversity of projects and its manufacturing geographical spread. (See also information about the COVID-19 crisis effect and Global business environment changes, below).

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<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, 2020.

## Gross result

The Group's gross profit for the three-month period ended March 31, 2021 amounted USD 3,924 thousand (39% of sales) compared with USD 3,728 thousand (45% of sales) in the three-month period ended March 31, 2020. The decrease in the gross margin is affected mainly by the changes in sales products mix of each period and by raw materials prices increase.

## Expenses

During the first quarter of year 2021, The Group's *Development Costs* were USD 346 thousand compared with USD 327 thousand in the same period last year (2020).

*Selling & marketing expenses* - 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 (It is noted 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, 2021 were USD 453 thousand (4%) and USD 489 thousand (6%) in the three-month period ended March 31, 2020. In the first quarter of 2021, in light of the Covid-19 Epidemic, other selling expenses, mainly travel expenses and exhibitions costs, remained on a low volume similar to last year (2020).

The Group's *General & Administrative expenses* for the three-month period ended March 31, 2021 were USD 855 thousand compared with USD 813 thousand in the same period last year.

## Operating and financial result

*The total operating income* for the first quarter of 2021 amounted to USD 2,270 thousand compared to USD 2,099 thousand in the same period last year. During the first three months of 2021, Payton recorded a *net finance income* of USD 37 thousand compared to a net finance income of USD 145 thousand for the first three months of 2020. The decrease in *finance income* is mainly explained by a decrease of the market interest rate on bank deposits.

## Income taxes

*Tax expenses* for the first three months of 2021 totaled USD 339 thousand, compared to USD 403 thousand for the three-month period that ended on March 31, 2020.

## Result of the period

The total result for the first quarter of 2021 was a net profit of USD 1,911 thousand, compared to USD 1,759 thousand for the three-month period ended March 31, 2020.

## Balance sheet - cash position

*Cash and cash equivalents and Short-term Deposits* amounted to a total of USD 47,874 thousand as at March 31, 2021 compared to USD 44,379 thousand as at December 31, 2020 and USD 36,827 thousand as at March 31, 2020.

The Company profitability attributed most of the said increases. The Group's management believes, a solid financial position is an important factor in order to successfully overcome times of crisis.

*Trade accounts receivable* amounted to USD 7,804 thousand as at March 31, 2021 compared with USD 9,665 thousand as at December 31, 2020 and USD 6,398 thousand as at March 31, 2020. The decrease in this item, compared with December 31, 2020, resulted mainly due to decrease in sales volume near the reports dates. The increase in this item, compared with March 31, 2020, is in-line with the sales increase near the reports dates.

*Other accounts receivable* amounted to USD 1,470 thousand as at March 31, 2021 compared with USD 2,417 thousand as at December 31, 2020 and USD 1,573 thousand as at March 31, 2020. The decrease in this item is due to IFRS 15 implementation according to which the Company recognized revenues over time (instead of upon delivery). Revenues recorded prior to delivery are recorded against "contract assets", which are presented among "other accounts receivable". As at

March 31, 2020 & 2021 such contract assets amounted to approximately USD 1.0 million compared to USD 1.9 million as at December 31, 2020.

*Trade payables* amounted to USD 3,551 thousand as at March 31, 2021 compared with USD 5,053 thousand as at December 31, 2020 and USD 2,053 thousand as at March 31, 2020. The changes in this item are in-line with the purchases near the reports dates.

## Cash flow

*Cash flows generated from operating activities* for the three-month period ended March 31, 2021 amounted USD 3,542 thousand, compared with cash flows generated from operating activities of USD 2,997 thousand for the three-month period ended March 31, 2020. The cash flows from operating activities generated mainly from the profit for the period and from other non-cash adjustments and changes in assets and liabilities. *Cash flows used for investing activities* in the three-month period ended March 31, 2021, amounted USD 2,062 thousand, compared with cash flows generated from investing activities at the amount of USD 1,933 thousand in the three-month period ended March 31, 2020. In the first quarter of 2021, cash flows used mainly for investments in bank deposits. *Financing activities*, there were no cash flows used for financing activities in the three-month periods ended March 31, 2021 and 2020.

## Outlook

*The COVID-19 crisis effect* - Further to the report in the financial statements for the year 2020, in the first quarter of the year 2021, similar to the year 2020, due to the flexibility and global spread of the Group, it has successfully handled this crisis. The manufacturing lines in Israel operated continuously, in shifts, while taking the needed measures and abiding with all required distance regulations.

The local administrative staff continued to support the business activities, also remotely when needed. At the same time, also, the other Group members: the subsidiaries in England and United States continued their business operations in the same manner while keeping all needed measures and abiding with their local regulations.

Payton's worldwide manufacturing facilities and geographically spread of the Group's production sites in China, the Philippines, Israel, England and the United States minimized the effect of the COVID-19 epidemic and has proven itself effective enabling the delivery of most of the orders on time.

Although the spread of the epidemic has been halted in most of the Far East countries, there have been recent reports of a repeated spread of the COVID-19 virus in some of them.

As at the date of signing these financial statements, all production sites are fully operational in a "Corona routine".

*Global business environment changes* - recently some other changes are noted, such as: global shortage and prices increase of raw materials, a significant extension of deliveries, changes in customers' demands and postponing of delivery dates, lack of manpower and increase in labor costs.

Another factor that affects the Group's activity is the *devaluation of the US\$* against the local NIS, the Euro and the Pound, which mainly increases local labor costs and other operating costs in Israel and the United Kingdom.

The Group continues to follow-up all global developments in this respect and maintains its close contacts with its subcontractors, suppliers and customers, all in order to adjust its operations in the best possible way.

*On March 24, 2021* - the Company's Board of Directors decided to pay the shareholders a dividend for the financial years 2019 and 2020, at the amount of USD 7,422 thousand (USD 0.42 per share, to be paid during June 2021).

*Order backlog of the Group* as of March 31, 2021 was USD 18,521 thousand (December 31, 2020 - USD 18,921 thousand). The backlog is composed only of confirmed orders.

Management estimates that most of the backlog as of 31.3.2021 will be supplied until December 31, 2021.

*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 Planetics<sup>®</sup>, its customized line of planar transformers, conventional transformers 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 -

	Three months ended March 31	
	2021 USD 000	2020 USD 000
Sales revenues	10,085	8,239
Cost of sales	(6,161)	(4,511)
<b>Gross profit</b>	<b>3,924</b>	3,728
Development costs	(346)	(327)
Selling and marketing expenses	(453)	(489)
General and administrative expenses	(855)	(813)
Other income, net	-	-
<b>Operating profit</b>	<b>2,270</b>	2,099
Financial income	51	178
Financial expenses	(14)	(33)
Financial income, net	37	145
Share of losses of equity accounted investee	(57)	(82)
<b>Profit before income taxes</b>	<b>2,250</b>	2,162
Income taxes	(339)	(403)
<b>Profit for the period</b>	<b>1,911</b>	1,759
<b>Other comprehensive (loss) income items that will not be transferred to profit and loss</b>		
Remeasurement of defined benefit plan, net of taxes	-	112
Share of other comprehensive loss of equity accounted investee	(2)	(1)
<b>Total other comprehensive (loss) income</b>	<b>(2)</b>	111
<b>Total comprehensive income for the period</b>	<b>1,909</b>	1,870
Number of shares	17,670,775	17,670,775
Basic earnings per share (in USD)	0.11	0.10

### Condensed Interim Consolidated Statement of Financial Position

- unaudited -

	March 31	
	USD 000 2021	USD 000 2020
Current assets	60,619	48,213
Non-current assets	11,423	11,745
<b>Total assets</b>	<b>72,042</b>	59,958
Current liabilities	14,682	5,095
Non-current liabilities	1,641	1,742
Equity	55,719	53,121
<b>Total liabilities and Equity</b>	<b>72,042</b>	59,958

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

	Three months ended March 31	
	2021 USD 000	2020 USD 000
<b>Operating activities</b>		
Profit for the period	1,911	1,759
<b>Adjustments:</b>		
Depreciation	222	231
Income taxes	339	403
Share of losses of equity accounted investee	57	82
Gain on sale of fixed assets	-	-
Finance income, net	(15)	(153)
	<u>2,514</u>	<u>2,322</u>
Change in employee benefits	91	52
Decrease in trade accounts receivable	1,861	1,212
Decrease in other accounts receivable	947	160
(Increase) decrease in inventory	(9)	94
Decrease in trade payables	(1,467)	(620)
Increase in other payables	76	34
	<u>4,013</u>	<u>3,254</u>
Interest received	-	14
Interest paid	-	-
Income taxes paid	(471)	(271)
	<u>(471)</u>	<u>(271)</u>
<b>Cash flows generated from operating activities</b>	<u>3,542</u>	<u>2,997</u>
<b>Investing activities</b>		
(Investments in) proceeds from deposits, net	(2,000)	2,083
Acquisition of fixed assets	(62)	(150)
Proceeds from sale of fixed assets	-	-
	<u>(2,062)</u>	<u>1,933</u>
<b>Cash flows (used for) generated from investing activities</b>	<u>(2,062)</u>	<u>1,933</u>
<b>Net increase in cash and cash equivalents</b>	<u>1,480</u>	<u>4,930</u>
<b>Cash and cash equivalents at the beginning of the period</b>	<u>31,325</u>	<u>4,741</u>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<u>(22)</u>	<u>(25)</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>32,783</u>	<u>9,646</u>