

CZG – ČESKÁ ZBROJOVKA GROUP SE

FINANCIAL HIGHLIGHTS

9M 2020

November 2020

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Agenda and today's presenters

1	9M 2020 AT A GLANCE
2	FINANCIAL HIGHLIGHTS
3	APPENDIX

PRESENTERS



LUBOMÍR KOVAŘÍK
Chairman of the Board of Directors
CZG

Responsible for strategy and business development, Chairman since 2018
Lubomír is also a minority shareholder in CZG
20+ years of experience in top management



JAN DRAHOŘ
Vice-chairman of the Board of Directors, Head of Finance
CZG

Responsible for finance and M&A, Head of Finance since 2018
Jan is also a minority shareholder in CZG
15 years of experience in Investment Banking

1 9M 2020 at a glance



GROW



BUILD



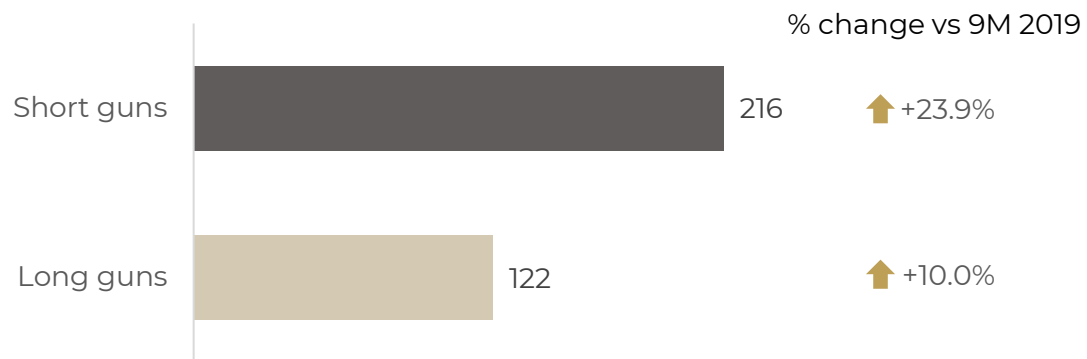
BUY

- Despite the lockdown caused by COVID-19 pandemic company managed to increase revenue by +10.2% for 9M 2020, compare to same period in 2019, to almost CZK 5 bn
 - Sales driven mainly by civilian market in the US, strong demand for CZ products globally, enormous increase of demand on the US civilian market
 - CZG collected top award in Digital Transformation competition 2020 with 1st online configurator of civilian firearms in the industry
-
- Conditions related to the agreement with Arkansas state has been preserved and extended
 - Plant construction expected to start in early 2021, with full ramp-up in 2022
-
- Acquisition of 25% stake in Spuhr i Dalby AP, Swedish manufacturer of optical mounting solutions and firearms upgrades
 - CZG was granted time-limited exclusivity to conduct due diligence for the acquisition of 100% of the outstanding equity interest in Colt Holding LLC. Negotiating of definitive documentation is anticipated to be ready for execution by the end of 2020

1 9M 2020 at a glance – Operational performance

Revenue breakdown by units sold

'000 units

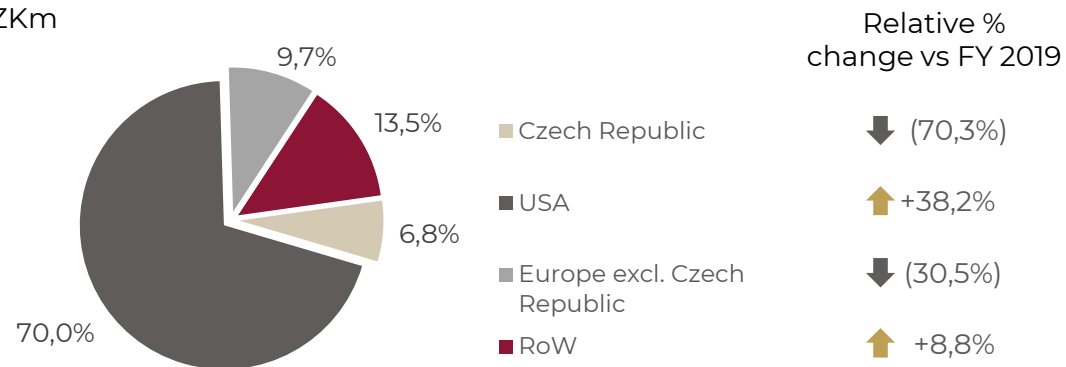


Comments

- Total units sold increased by 18.5% to 337 thousands in 9M 2020, compare to 284 thousands units sold in 9M 2019
- Revenue split dramatically influenced by the spike in demand on the US civilian market and by the temporary lockdown in Europe in early 2020, US market represented more than 2/3 of total revenues

Revenue breakdown by geography 9M 2020

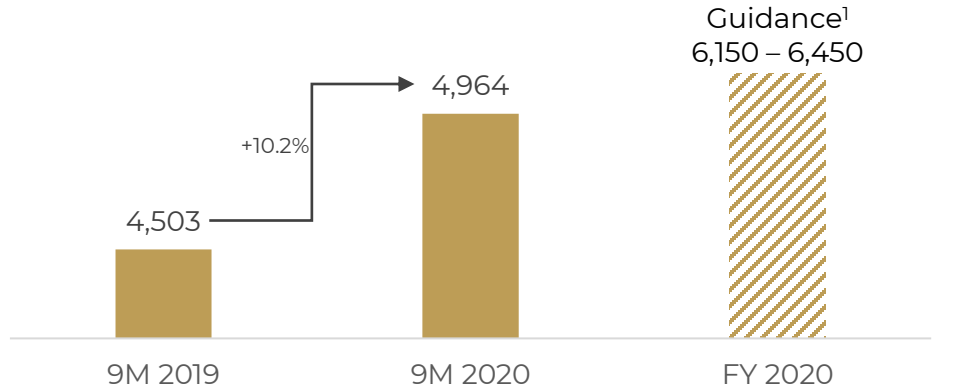
CZKkm



2 Financial highlights - Key indicators 9M 2020

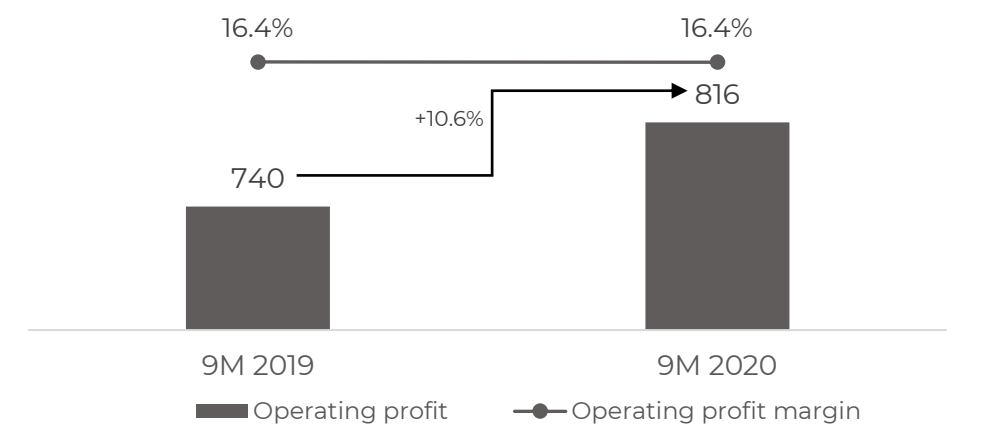
Revenue

CZKm



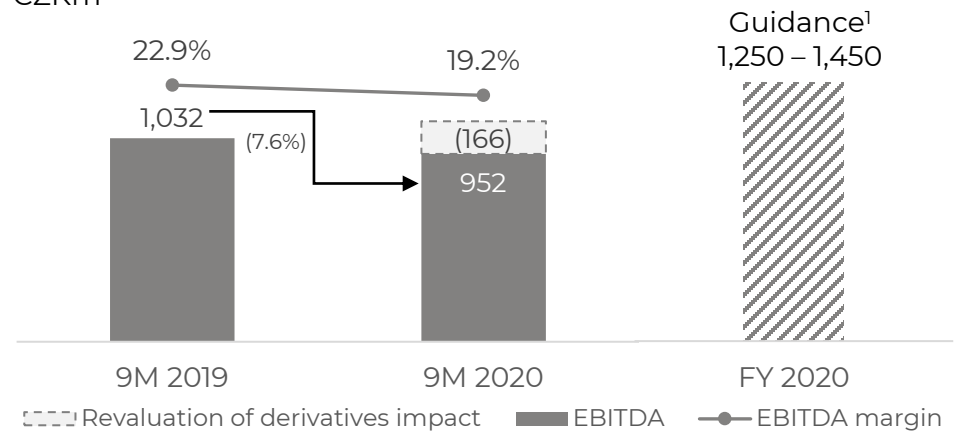
Operating profit

CZKm



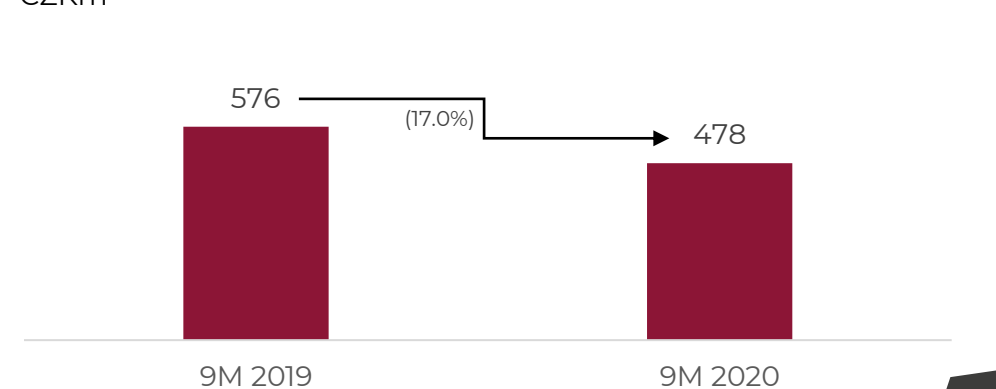
EBITDA from continued operations²

CZKm



Net profit

CZKm



Source: Unaudited consolidated financial statements for the period ended 30 September 2020; figures are for continuing operations.

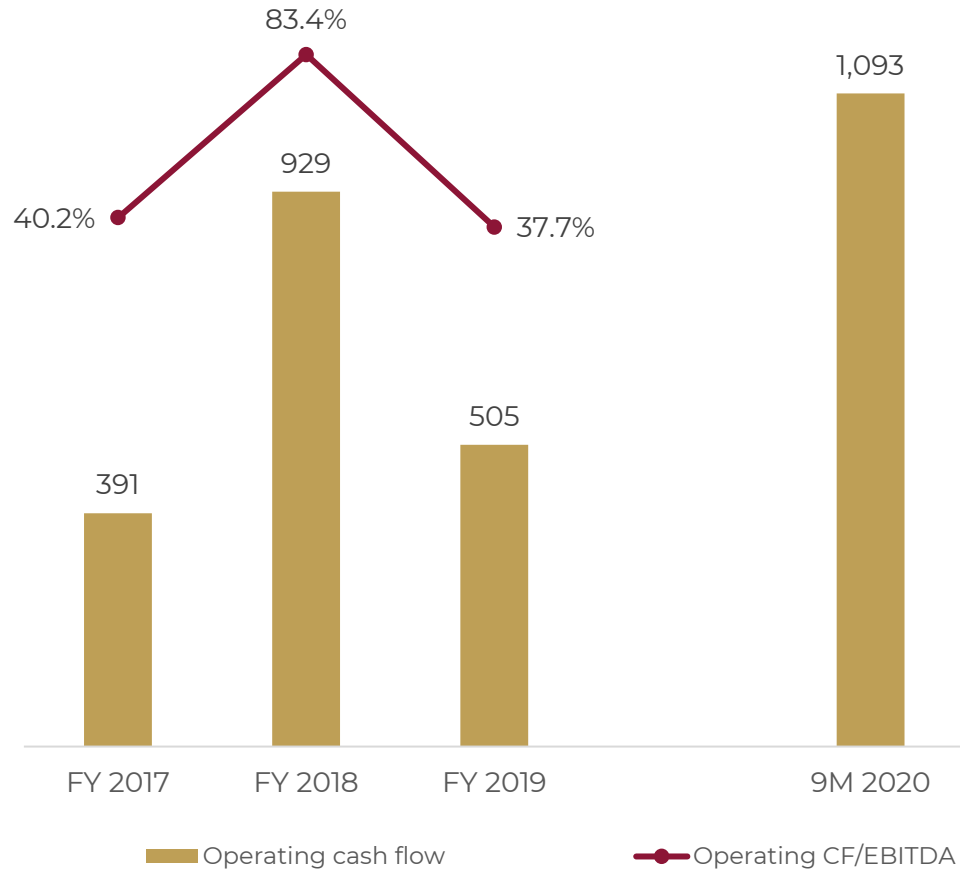
Notes: 1 – Based on management expectations.

2 – EBITDA from continued operations is defined as a post-tax profit from continued operations for the period less interest income plus interest expenses plus depreciation and amortization.

2 Financial highlights – Cash flow indicators 9M 2020

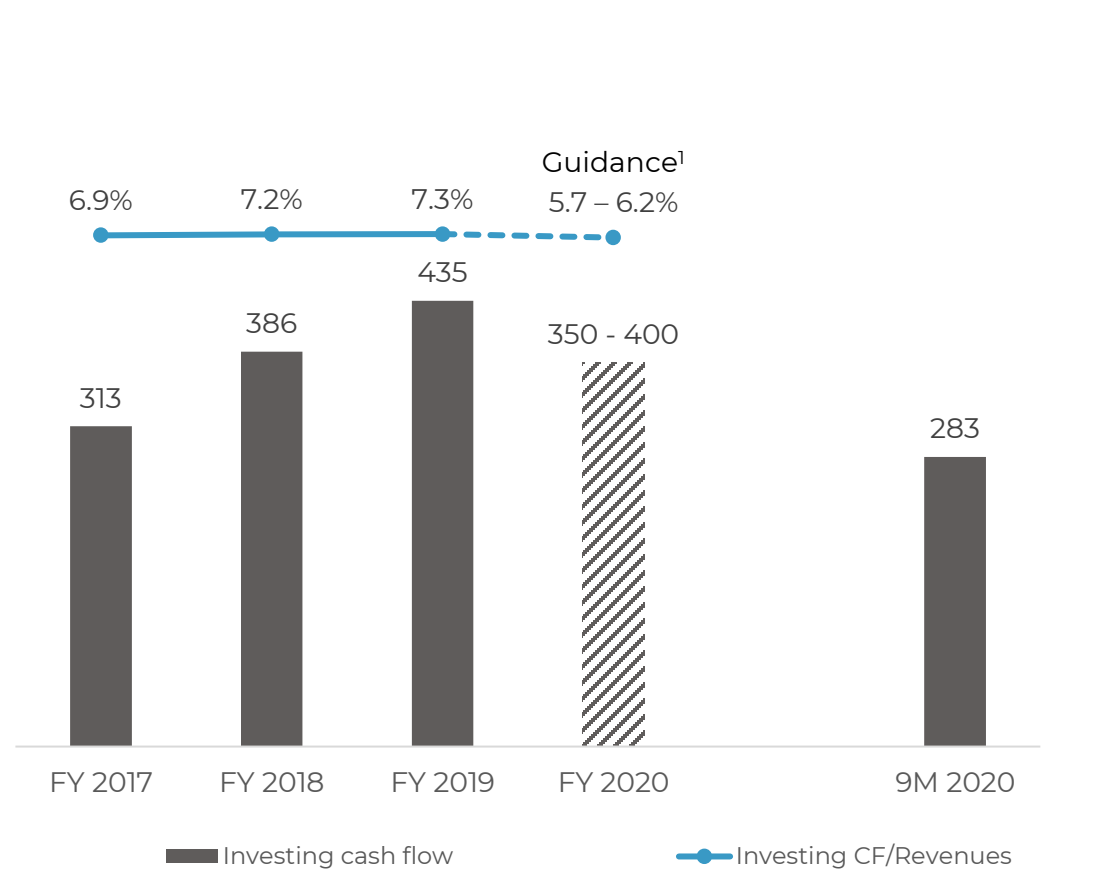
Operating cash flow

CZKm



Investing cash flow/CAPEX

CZKm



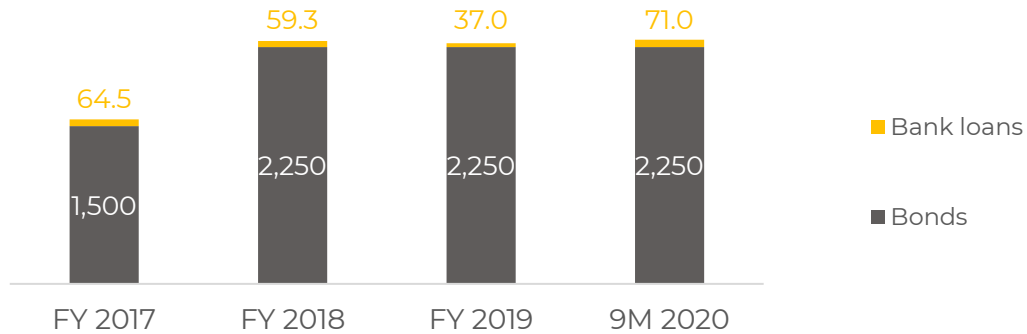
Source: Consolidated Financial Statements for the Period Ended 30 September 2020; figures are for continuing operations

Notes: 1 – Based on management expectations.

2 Financial highlights – Net debt 9M 2020

Debt structure

CZKm

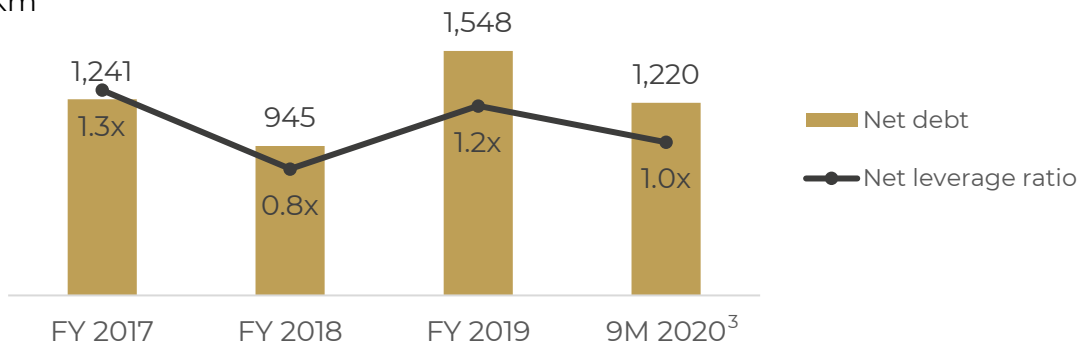


Comment

- Keeping a fairly conservative leverage profile, providing CZG with enough flexibility for potential big moves
- Majority of debt financing in the form of CZK denominated bonds of Česká zbrojovka a.s. listed on the regulated market of the Prague Stock Exchange due 2022
 - Bond with nominal value of CZK 2,250 m
 - Coupon of 6M PRIBOR + margin 1.7% p.a.
 - Coupon paid on semi – annual basis
 - Bond due date January 2022
- Various CZK, EUR and USD denominated short term loan arrangements in the total amount equivalent to approximately CZK 700 m

Net financial debt¹ and Net leverage ratio²

CZKm



Source: Consolidated Financial Statements for the Period Ended 30 September 2020; figures are for continuing operations.

Notes: 1 - Net financial debt is defined as long-term and short-term bank loans and borrowings and lease payables (non-current and current), less cash and cash equivalents as reported in the Audited Financial Statements and the Unaudited Interim Financial Statements.

2 - Net leverage ratio is defined as the ratio of net financial debt at the end of the period to EBITDA from continued operations for the period, except that the net leverage ratio as of 30 September 2020 is calculated based on EBITDA from continued operations for the twelve months ended 30 September 2020.

3 - Excluding gross proceeds from IPO of CZK 812 m

2

Financial highlights – Q&A section

THANK YOU FOR YOUR ATTENTION

3 Appendix – Summary of selected KPIs

Unaudited consolidated financial results

CZK '000 / %	9M 2020	9M 2019	change
Revenue	4,964,212	4,502,695	10.2%
EBITDA from continued operations ¹	952,409	1,031,584	(7.7%)
Underlying EBITDA from continued operations ²	857,222	946,526	(9.4)%
<i>Depreciation and amortization</i>	(291,709)	(278,856)	4.6%
Profit before Interest and Taxes (EBIT)	660,700	752,728	(12.2%)
<i>Interest income and interest expense</i>	66,835	44,408	50.5%
Profit before tax (EBT)	593,865	708,320	(16.2%)
<i>Tax expense</i>	(116,350)	(152,056)	(23.5%)
Net income	477,515	575,514	(17.0%)
Earning per share (CZK)	13.0	19.0	-

Notes: 1 - EBITDA from continued operations is defined as post-tax profit for the period less post-tax profit from discontinued operations plus income tax less interest income plus interest expenses plus depreciation and amortization.

2 - Underlying EBITDA from continued operations is defined as post-tax profit for the period less post-tax profit from discontinued operations plus income tax less other financial income plus other financial expenses less interest income plus interest expenses plus depreciation and amortization.

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Appendix – Profit and loss statement

Unaudited consolidated Profit & loss statement

CZK '000 / %	9M 2020	9M 2019	change
Revenues from the sale of own products, goods and services	4,964,212	4,502,695	10.2%
Other operating income	89,294	130,320	(31.5%)
Changes in inventories of finished goods and works in progress	(135,590)	61,753	(319.6%)
Own work capitalised	91,226	73,024	24.9%
Raw materials and consumables used	(2,251,592)	(2,251,126)	0.0%
Services	(693,888)	(648,770)	7.0%
Personnel costs	(935,492)	(790,786)	18.3%
Depreciation and amortisation	(291,709)	(278,856)	4.6%
Other operating expenses	(20,806)	(57,830)	(64.0%)
Operating profit	815,655	740,424	10.2%
Interest income	14,176	20,325	(30.3%)
Interest expense	(81,011)	(64,733)	25.1%
Other financial income	378,795	202,404	87.1%
Other financial expenses	(544,480)	(190,261)	186.2%
Share in the profit of associates	10,730	161	6564.6%
Profit before tax	593,865	708,320	(16.2%)
Income tax	(116,350)	(152,056)	(23.5%)
Profit for the period from continued operations	477,515	556,264	(14.2%)

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Appendix – Balance sheet 1/2

Unaudited consolidated Balance sheet – Assets

CZK '000 / %	9M 2020	9M 2019	change
Non-current assets			
Property, plant and equipment	1,999,477	2,146,852	(6.9%)
Intangible assets	779,860	873,790	(10.7%)
Long-term receivables	291,505	65,709	343.6%
Equity-accounted securities and investments	100,372	15,201	560.3%
Deferred tax asset	0	16,450	(100.0%)
Goodwill	280,686	280,686	0.0%
Total non-current assets	3,451,900	3,398,688	1.6%
Current assets			
Inventories	1,714,758	2,022,770	(15.2%)
Trade receivables	733,962	1,174,982	(37.5%)
Current tax receivables	21,624	22,609	(4.4%)
Other receivables	162,893	85,201	91.2%
Financial derivatives	285,566	144,145	98.1%
Cash and cash on bank accounts	1,166,354	495,545	135.4%
Assets held for sale and for distribution to owners	0	0	0.0%
Total current assets	4,085,157	3,945,252	3.5%
Total assets	7,537,057	7,343,940	2.6%

3

Appendix – Balance sheet 2/2

Unaudited consolidated Balance sheet – Equity and liabilities

CZK '000 / %	9M 2020	9M 2019	change
Equity			
Share capital	2,984	2,984	0.0%
Capital funds	1,431,285	1,313,092	9.0%
Accumulated profits	1,836,988	1,787,084	2.8%
Equity attributable to the shareholder of the Company	3,271,257	3,103,160	5.4%
Non-controlling interests	1,822	45,094	(96.0%)
Total equity	3,273,079	3,148,254	4.0%
Non-current liabilities			
Bank loans and borrowings	2,252,645	2,253,013	(0.0%)
Lease payables	57,165	26,025	119.7%
Deferred tax liability	223,877	236,986	(5.5%)
Provisions	6,450	38,021	(83.0%)
Other long-term payables	3,551	8,304	(57.2%)
Total Non-current liabilities	2,543,688	2,611,981	(2.6%)
Current liabilities			
Trade payables	463,179	506,348	(8.5%)
Short-term bank loans and overdrafts	71,370	94,230	(24.3%)
Lease payables	5,581	7,484	(25.4%)
Provisions	60,984	49,632	22.9%
Current tax payables	132,850	56,798	133.9%
Other payables	311,495	280,694	11.0%
Financial derivatives	674,831	638,151	5.7%
Liabilities related to assets held for sale and for distribution to owners	0	0	0.0%
Total current liabilities	1,720,290	1,583,705	8.6%
Total liabilities	4,263,978	4,195,686	1.6%
Total liabilities and equity	7,537,057	7,343,940	2.6%

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Appendix – Cash flow statement

Unaudited consolidated Cash flow statement – simplified¹

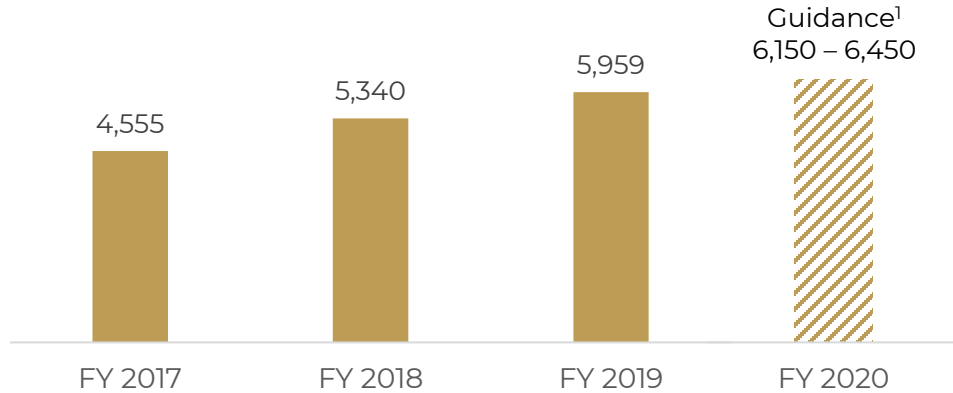
CZK '000	9M 2020
Cash flows from principal economic activity (operating activity)	
Profit from ordinary activity before tax	583,135
Adjustments for non-cash transactions	365,370
Depreciation/amortisation of non-current assets	291,709
Change in allowances and provisions	(101,664)
Interest expense and interest income	66,835
Adjustments for other non-cash operations	108,879
Net cash flow from operating activities before changes in working capital	948,505
Change in working capital	
Cash generated by operations	1,342,040
Interest paid	(87,888)
Interest received	8,631
Income tax paid for ordinary activity	(169,474)
Net cash flow from operating activities	1,093,309
Cash flows from investing activities	
Acquisition of non-current assets	(213,932)
Income from the sale of non-current assets	867
Acquisition of investment in an associate	(69,823)
Net cash flow from investing activities	(282,888)
Cash flows from financing activities	
Repayments of loans and borrowings	(250,054)
Proceeds from loans and borrowings	34,412
Changes in equity	(332,267)
Net cash flow from financing activities	(547,909)
Net change in cash and cash equivalents	286,039
Opening balance of cash and cash equivalents	880,315
Effects of exchange rate changes on cash and cash equivalents	23,527
Closing balance of cash and cash equivalents	1,166,354

Note: 1 – Selected items with none/insignificant impact not showed in CF breakdowns.

3 Appendix – Financial performance annually

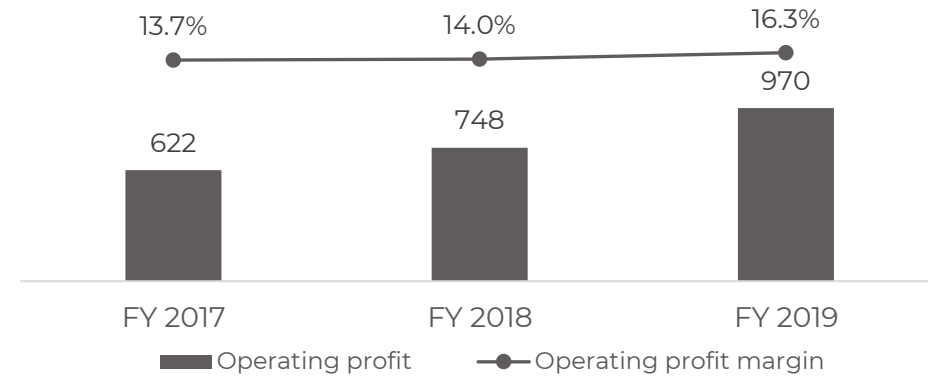
Revenue

CZKm



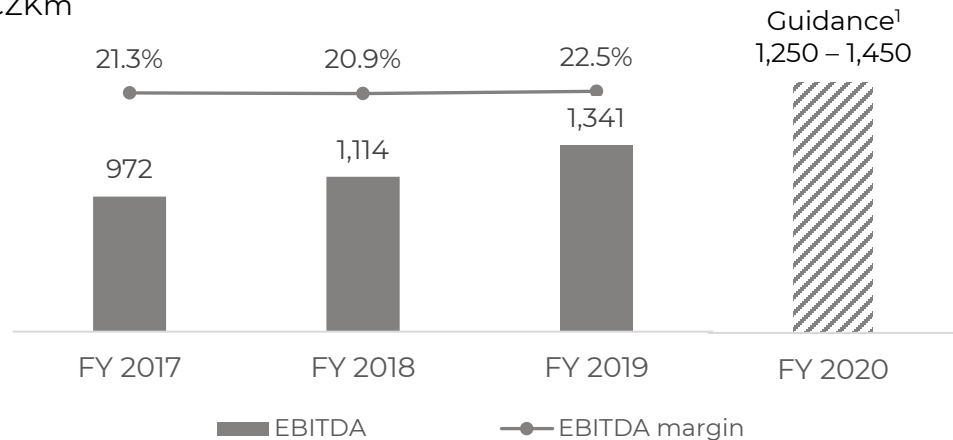
Operating profit

CZKm



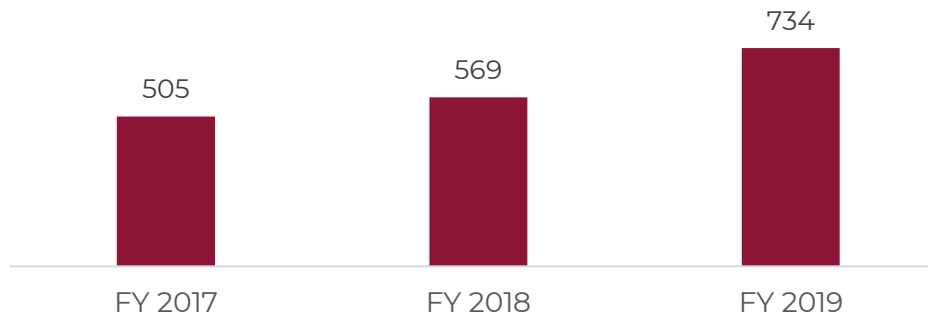
EBITDA from continued operations²

CZKm



Net income

CZKm



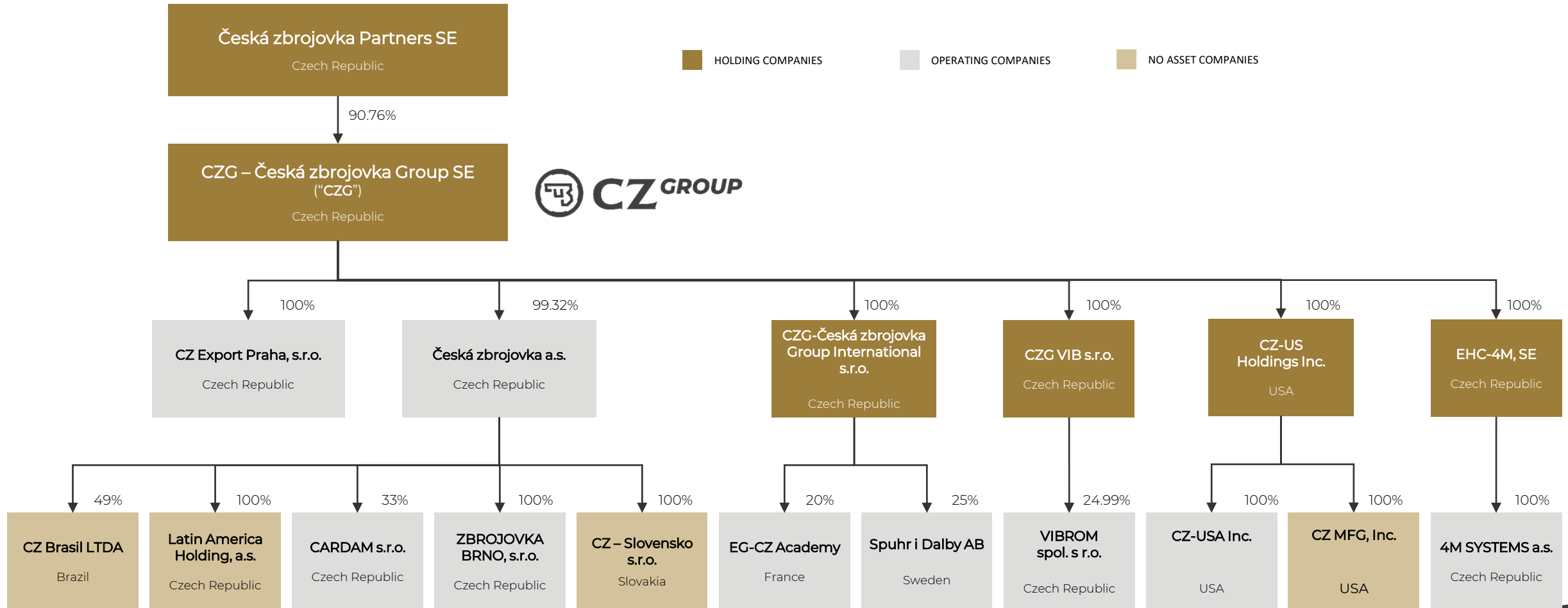
Source: Consolidated Financial Statements of CZG as of 31 December 2019; amounts are from continuing operations.

Notes: 1 – Based on management expectations.

2 – EBITDA from continued operations is defined as a post-tax profit for the period less post-tax profit from discontinued operations plus income tax less interest income plus interest expenses plus depreciation and amortization.

3

Appendix – Company's structure¹



Notes: 1 – As of 31 October 2020, post-IPO