Analyst call transcript: Q1 2025 financial results-Colt CZ Group SE

Good morning, ladies and gentlemen. Welcome at the Analyst Conference Call of Colt CZ Group. I would like to ask you to stay muted. I can still hear some background noise Analyst conference call of Colt CZ Group in connection with the publication of Q 1 2025 financial results, which were published this morning. We moved the conference call by 30 minutes. So, apologies to those that connected a little bit earlier. I'm sure it's going to be worth it.

I would like to introduce today's speakers on the call.

It's Mr. Jan Drahota, the Chairman of the Board of Directors.

Hello, Jan.

Good morning, everyone.

We have also with us Mr. Radek Musil, the CEO of the Group.

Hello, Radek.

Hello to all.

We have Mr. Jan Zajíc, the CEO of CZUB and the Board member of the Group.

Hello Jan.

Good morning and Jana Matouskova, the Group Head of Finance.

Hello Jana.

Hello, good morning.

We will go through the presentation slide by slide and afterwards we will move to the Q&A session. If you would like to place a question, please raise your hand in Teams application or speak directly to the phone. Since we have over 30 participants in the call, I would really ask you to stay muted during the presentation unless you want to ask question in the Q & A session.

And now I would like to hand over to Jan Drahota to start the presentation. Thank you.

Jan Drahota:

OK, thank you, Klara and once again, good morning, everyone.

So today we are presenting Q1 results of our Group.

You already saw the headline, so I will repeat them still in terms of key performance criteria which we are following and reporting.

In terms of revenues, we grew, our business grew approximately 50% to CZK 5.5 billion of revenues.

Adjusted EBITDA grew to CZK 1.2 billion for the first quarter, which is approximately 148% increase.

Adjusted net profit gain 50 almost 52% to CZK 547 million and EPS flat or slightly down to 9.7 CZK per share.

General comment to the quarter is that it was the strongest first quarter we had obviously very much influenced by the inclusion of S&B.

And once we go through the presentation you see that you know how the more granularity of the of the performance of the business.

Maybe one note to this slide sale is and you have it in the annex as well of this presentation.

If you look at the adjusted net profit of 547,000,000 Czech korunas, it also takes into account the subsection of the amortization related to PPA purchase price allocation or rather amortization of intangibles related to acquisition of S&B.

So, it's just I'm not saying that you should edit it up, but I just I just say that there is additional 150 million of amortization which was incurred in connection with the acquisition of S&B.

If you go to next slide, this is a slide which I don't think we showed you last time even though we did discuss that and I agree on that back in October, November last year when we had a management meeting the you know that when we met back in 2021, I remember that it was, it was presentation of three results for the third quarter of 2021.

We, it was just after the management, first management meeting we had back in Prague at the time.

And at that meeting we agreed that we, our ambition is to become, our vision is to become the recognized undisputed leader of the small arms industry and that still holds.

So we still want to become the leader of this small arms industry and when we set this vision or we agreed on this vision or boring of this vision and what it means for us, we also give gave ourselves a financial target which we thought was, was let's say reflecting these ambitions.

So, we said we would like to reach €1 billion of revenues and €200 million of EBITDA in 2025.

As you know, last year on pro-forma basis our business generated plus minus this figure, it was maybe a little bit better, but that's, that's, that's how it was.

So, when we met for the management meeting in France in autumn last year, we discussed what should be the next, you know, step for us.

Obviously, you know, that we discussed, you know, maybe enlargement of what we what we are doing, but actually I was insisting that we should also materialize it in figures so that everybody understands what we want to reach financial.

You know, even though financial performance is not the only criteria of competitiveness and quality of the business, it's important for you and for our investors as well to understand how we are doing.

So, we set ourselves new ambition, we call it Ambition 2030 and it's to double again.

Yes.

So, it's 2 billion of revenues, euro revenues in 2030 and 400 million of EBITDA, ambitious figures and they are very ambitious in terms of organic growth and needless to say that they have to be in order for them to be realized.

We need also to realize some acquisitions, but still, those are the figures which around which when we are setting out, let's say management medium term, you know, plans or medium-term incentives.

These are the figures which we are discussing with the supervisory board and show the representatives of the supervisory board as, as the criteria which we have to be fulfilled.

You go to the next slide Q1 that is more granularity on Q1.

Obviously, the growth was very much influenced by the inclusion of S&B.

So obviously it gave us uplift of the revenues and EBITDA even though we still grew organically in terms of revenues and EBITDA.

Ammunition segment was the start of the of the of quarter.

But I have to say here that it was also positively influenced by a revaluation of the inventory related to the increased prices of some commodities.

So basically, the EBITDA achieved EBITDA margin achieved by the ammunition segment of the in the Q1 will not be in the relative measure.

You know the 30 plus EBITDA will not be repeated in or in, in Q2-Q3-Q4.

It will normalize in high 20s.

So, 25 to 30% EBITDA margin that's what we count on rather than 30 plus EBITDA margin for ammunition business double digit revenue growth in the US that's important.

Obviously, there are two reasons for that.

One is the inclusion of S&B.

So, we grew, we grew organically on the firearms.

I already commented that leverage after the Q1 of this year, we are on that leverage basis around 2 times EBITDA.

I think that this figure only tells you that we have let's say room to move if you decide to move, but it doesn't mean that we have to move because we have space to go to next slide.

Important thing which happened in Q1 and maybe during the QA session that I can give you more thoughts on this.

We did acquire VSS business, we call it internal VSS.

It's VSS that has been a long-standing supplier to Colt.

I do recall that.

I hope that you, do you recall that when we were discussing Colt's business, we said that when we acquired the business it was essentially assembly, test, package and ship business.

It's, it's becoming more production but still there is still huge room for insourcing and actually this is kind of an insourcing.

So, we are buying supplier who was supplying 90% plus of its production to us.

So, we were keeping key customer to the business.

So, it will considerably help us with both production capabilities.

This is a state-of-the-art facility and very competent management, really competent management, but also it will give us more engineering and R&D resources in order to, to be faster to market.

And also importantly, obviously because the business was achieving even in our view, let's say acceptable margin.

So, and you know that our acceptable margin for production is 20% in terms of EBITDA with the right load it was achieving, you know, above 20% margin at the level of EBITDA.

It is accretive to our margins on selected products for especially for the commercial market.

We shall see how we will be able to apply it or use it for other products or other product categories.

But for the commercial market, some of the commercial market segment especially unless it's, it's a key supplier price of acquisition is single digit multiple of 2024 EBDA.

So basically, how good acquisition it will be depends purely on us and our ability to sell our products and the market willingness to buy our products because once again that is not, we didn't buy the business because it applies to outside customers or competitors.

The transaction is to be we hope to foreclose by summer this year or let's say early summer.

We are waiting basically the most important approval that more approvals still pending but the most important one is CFIUS, which we don't expect to have, let's say complications. And then since after that closing it will be basically natural part of the production base of cold was hard for next slides revenue split by regions or geographical split.

You see here a huge difference between geographical split of firearms and ammunition segment.

I will not comment in the markets because it's self-explaining on the slide.

But what I want to say and I think that here is a big credit to the guys from S&B is that U.S.

market is not let's say relatively it's, it's a relatively less important market currently for the S&B guys.

You know that last time we discussed that S&B is placing in the US its surplus production and not that it's a market which it has reserved 50% of capacity for.

So basically S&B guys were able to let's say reschedule some of the production from US to other markets in connection maybe with pricing in the US on the ammunition market and stuff.

So, this is a big credit to them and also it tells you a little bit more about the global character of the business which we are running here.

So that's basically coming to this year, revenues and EBITDA margin segments.

This is I think very important slide.

It tells you overall about 20% EBITDA margin, which is something which we are always saying we it's our ambition and our kind of rule that the business should achieve for us to be happy with the business.

But there is difference you know between ammunition and firearms, ammunition about 30%.

I did discuss partially that it was also influenced by the evolution of inventory and 14% of the own production firearms.

I will not tell you that it's better than last first quarter when it was 13% monthly.

But the major reason for lower relatively lower performance in terms of profitability on the firearm side is really delay of deliveries in some key M&Lprojects, you know especially in in Europe.

So, we once again we expect and our ambition is to have above 20% margin for the full year and this is what we are working towards and that's it.

Trading it's something which is which we don't have set, set margin threshold for us.

If it, if we feel that it does make sense in terms of risk reward, we will do it.

And margin can be lower than our threshold, trading didn't contribute much in the first quarter, our overall result.

If you go to the next slide customer segments, this confirms what I said at the previous slide.

You see that ammunition was selling mainly to M&L customers whereas the delay of some M&L contracts on the firearm side caused that it was selling more to the towards this commercial market customer.

We go to once again and you know that our ambition is to be 50:50 business.

So, and this is what we set our source as a goal and involved.

This is what we achieved last year and this is again what we expect or we strive to achieve in 2025.

Go to the next slide.

This is this slide is once again self-explanatory.

Long, long arms production of number of units sold and by long and long guns and short and firearms and handguns.

I would say that here what you see that we saw more handguns and this is just confirming that we were more geared towards the commercial market in first quarter.

But it's also underscores and it's not reflected yet fully in it because it's still we have quite boot back orders.

But there is a significant let's say demand for the newly introduced products of CZ, especially the shadow to compact carry, which is which was very well perceived by the market.

I don't know where you see whether you saw the commercials, but they were very nicely done and it's, it's a great gun and it's the first, let's say formerly or is the first carry gun.

We, I would say first true carry gun, which, which has such, so strong sport shooting, sport shooting.

This is super important.

So that's maybe also part of the story of the growth of some shotguns, handguns assault in Q1.

And also, you see here that we have the best Q1 of the study we should have because we it's including S&B next slide, net profit and net profit obviously effectively influenced by everything what we discussed previously, very small adjustments.

So, they are part of the annex.

I will not comment on those figures because they are self-exploratory.

Once again, I mentioned the amortization, you can also access amortization schedule for the next year's, this year and next year's and you can you can see how it how it does influence influences the net profitability, net profitability figures, Capex, nothing to this is Capex which is organic Capex or Capex to all production, nothing to be commented here mainly done in Europe, but it's combination of maintenance growth and Capex like that.

So, there is nothing to be committed here, a part of the fact that we are sticking to the guidance and we see still projects which we should be net leverage.

I did comment already on that figure.

Nothing changed compared to last presentation.

We are looking as I said last time, we are looking actively whether it would make or wouldn't make sense to maybe look at refinancing part of the bonds part of the outstanding that with the bonds but or full but it's nothing decided.

We'll be very opportunistic.

We don't, we are, we are under no pressure and, and we will do it only for commercial reasons because we would feel that it would make economic sense to us.

And maybe there is a note that we swapped, we did debt management.

So, we swapped part of the 2027 bonds.

We bought those and sold some of the 2030 bonds which we still had available.

So, there was maybe 1 of the, let's say, opportunistic transactions, which we thought make sense for us.

You go to next slide guidance.

So, you saw that the first quarter of the year was slightly better in terms of profitability than what we showed in the in the together with the presentation of the queue of the of the full year figures of 2024.

This is the split of the guidance for the year.

We see very well Q1Q2.

I think that this is obviously what we should do because we are in by the end of May almost.

So, we are we, we last time we said that there are some key projects which you have to realize this year in order to have the year to the year satisfactory for us, meaning that we want to grow on a on a year-on-year basis.

We progress in most of the projects, I would say all the projects we progressed, but we are not there yet.

So, we still need to clinch some of the projects which we count on to shape and to realize in Q3 and Q4 especially in order to have the year as, as we plan and as we as we tell you guys.

So, for us you know we'll get in the way that there is still work ahead of us, would it be getting the licenses for projects which are already signed or getting the final signing of things which are already agreed to or pre agreed to.

So that's basically it.

So, for us still there are many projects, especially in North America, but also in Europe where we need to clinch to final page and deliver in order.

To make the year a successful year and for our successful year is that we will draw.

So, we confirm the guidance we enlarge the boundary 10 + / -, 10 instead of 7%.

It's only just to, to give you maybe to, to, to illustrate the, the pressure, the pressure which we are under in order to deliver, meaning that we still have to do some homework to get with our customers to, to clean Jones for us.

It's you know, sometimes it's taking a little bit more time because government customers are, are not always, you know, the fastest customers.

And when there are changes in administration, for example, it may disrupt or maybe prolong the Nevertheless, when we saw the, when we discussed the, the presentation yesterday, we said that, you know, we, we, we still feel that we can achieve those things.

You know, as long as we get those contracts done this year, like this year not only signed and, but also get the licenses for, for and, and, and realize that this year, well, that's, that's what it is.

That's for the that's for these priorities and guidance.

We already discussed the dividends, and the invitation for the general meeting in order to end up plan and agenda for the GM.

Everything will be out, I would say any day.

Then we still count on the split fifty.

I mean it's, it's, it's a, but on a, on a, on a dividend and also a repurchase program for, for shares which we feel will be will beneficial to customers, to our sorry to our shareholders.

We, we strongly believe in that.

We still believe in the market and we still see that the market is, I mean this has not changed.

It's still one in a generation opportunity on the market.

We see what's going on in the in, in, in, in real defense and security is unprecedented and we see that there is many more customers which we are engaging and the contracts which are discussing which are not even part of this year need our or guidance, but our for several days ahead are significant.

So, this is really, so it's up to us whether we can get them and execute them.

That's really important.

But the opportunity is that there is no excuse on the MLE side on that one because that is real opportunity.

And the countries which were silent and you wouldn't hear about them in terms of security in Europe and elsewhere, they are really they woke up and they really want to invest and invest in soldiers as well.

We have these two projects in Ukraine, you know, ToT of them two and S&B ammunition technology.

So, this is part of the story and work which our colleagues in S&B and see that you we have to have to have to complete at work this year.

US commercial market so far, you know, I mean, so far in the, the market developed the way kind of we expected.

It's a market which is driven by new products.

So, unless you have new products, it's a slow market.

So that's what we see.

So, our ability to deliver new products and innovate and deliver what we put ourselves into for the for the year is key for us to succeed so far.

Maybe they might be questioned, but in terms of tariffs, what we saw is that the CZUB was basically able to pass on the tariffs, 10% on the on the customers, especially in the products where the simply it's the customer wants the product.

So, so far so good.

But obviously that is uncertainty on the trade side.

What will happen with the with the with the world.

Yeah, because currently it seems that everything is going to let's say organize direction, but you never know.

Yeah, definitely the risk is higher than I ever thought that Europe with the ally of US will have a trade war.

I never believed in that, but we had some very, very serious one for a short period of time.

Now it seems that things will get, let's say, sort it out.

It just makes sense because even though we are growing and we want to go, we have to go in a, in a smart way.

And then the other segments we already touched that whether it's for both ammunition and firearms, it, it can be for other stuff, you know, some electronics, but that's something which we are actively exploring, actively looking at.

So, this year full of hard work, maybe I, maybe I would like to use the last part of my monologue to thank all the guys in, in Czech Republic, Sweden, US, Canada, Switzerland and Hungary.

You know that they are, you know, working very hard to and, and, and, and every day, you know, to, to achieve our results and keep pushing.

Guys, if you go to the next slide, I think that it's, that's it for the presentation.

OK, let's get opportunities.

I did name it already.

I think that this is not, this has not changed.

This has not changed from the last presentation.

So, I will not read it and it has not changed from what I already said.

So, thank you for your attention once again, exciting times behind us and ahead of us and full of hard work.

And I think that now we are open to your questions.

Please use the time wisely.

So, it's, it's good to use the opportunity that they are with us and ask questions about individual businesses.

Thank you.

Klára Šípová
Yes, thank you, Jan.

Thank you very much for your presentation.

Ladies and gentlemen, if you would like to ask question, please press your hand in Teams application or speak directly to the microphone.

I can see already 2 questions coming.

I would like to ask the rest of the group to stay muted during the Q&A session.

And the first question I see is coming from Pavel Ryska from JT Bank.

Pavel, please go ahead.

Pavel Ryska:
Good morning, everybody.

First congratulations for the strong first quarter of this year.

Yes, I will certainly use the opportunity to ask most of your questions.

So, I have a couple of them, but I will take them one by one.

The first question, so you presented a new long-term goal for 2030 which implies doubling your revenues, which is something like compound annual growth rate 15%.

My question is what part of this growth should be organic and roughly and what part should be driven by acquisitions?

And when we are speaking of acquisitions where you want to look on the market if it is rather horizontal expansion or vertical expansion like the one that you presented today to us?

Jan Drahota:
OK, thank you.

I will, I will take this question.

So, you are right, actually I haven't done the math.

There's whether it's 15 or 16 or 14% per annum of growth.

When we set the goal, we believe that part of the growth can be organic and part of the growth has to be M&A.

So, whether it's 30% organic or 50% organic, you know, it really depends on many, many aspects, but that there is a strong element of organic growth, but probably more than half of the overall growth is, is related to acquisitions.

So that's, that's, that's, that's to be said areas where it should be.

There can be verticality, you know, but the question is in what verticality you feel makes sense.

It's really, it's really important question because we don't feel that we need more machining capacity globally.

You know, I'm not saying that, you know, the VSS was a special case because of its niche and, and very, I'd say specific focus and great team, great management in the company, which he thought will, will help us a lot to grow and, and maybe improve ourselves in the in North America or in US.

But there, you know, but there are so there are areas which we could still go, you know, in terms of integration, you know, I can imagine that, but also we have to it's our, I think, obligation to look whether there are areas which will, which maybe are not today white hot, meaning that they are not like, you know, over heat or over hyped and, and can give us a nice growth for the future.

So, we always try to think about the circles, you know, this layer.

So, for on the end, you know, we were discussing, you know, firearms, ammunition, you know, some electronics optics.

You could be talking about vertical integration on the on the ammunition side and you could be talking about, you know, we mentioned UAV, you know, and stuff like that.

You know which autonomous solutions in general, autonomous platforms in general could be very powerful going forward and in connection with both of our segments, firearms or firing product and also ammunition product.

So, so you are even thinking about stepping outside the current portfolio which means firearms and ammunition and expanding even into such things as UAV etcetera.

So, this is something that you are thinking about.

I wouldn't, I mean, yes, we are thinking about we wouldn't exclude it, but you know we were always, we always had this hedgehog concept that we are concentrating on what we know and what we do best.

So, for us to move out of our bread and butter or our core business, it would need us to understand better value opportunity and understand that we can manage the opportunity.

Because for us, we are not electronic experts, we are not AI experts.

So, it would be a bit naive or maybe too self-confident to go into areas when you know in, in such areas unless, unless we have a strong reason to believe that it does make sense.

Pavel Ryska:
My, my question about the split between organic and inorganic growth was also driven by the fact that you presented in one of your slides that the organic growth of revenues was only 2% in this quarter.

I can see that maybe some MLE contracts were missing.

Jan Drahota:
They will, they will come.

But still you said that more than half of the growth you suppose will come outside of organic growth, it will come from acquisition.

So, it's I, I have a slight concern that maybe as of now some organic growth is missing, even though there is a, a, a, a great area of opportunities in, in MLE, maybe one, one that hasn't been here for decades.

So, so that may be a slight concern of on the part of investors.

You know, I would say this way, you know, we tend not to be overconfident, OK.

So, so for us, obviously if you create a significant MLE contract, it's a big amount and it can help you and it can really drive up the revenues.

And there is opportunity, there are opportunities for that.

But we look at our, our business, our current business, that it can grow and it can go substantially on all segments of the market.

So not only MLE but you have to have strong foundations for that.

So, for what do you think about the growth rate, We have not put ourselves a target of five percent, 10% or 20%.

We have not done anything like that.

We don't have it in our model this way.

We have obviously we have long term or medium-term strategy which does reflect significant growth.

But we are not thinking, you know, as mathematically as you are in a way.

I don't know whether it satisfies your question or it may help you in terms of understanding how we are thinking.

We are not thinking as let's say mathematically or as spreadsheet as you may be like us.

But honestly speaking, if you think about it, you know, if you maybe one more thing, if you think about it, we had the same discussion when we when we discussed our original target back in 2021.

And I think that when I think about it now, it will be probably 50:50, right?

I think you know, we go to 1 billion, I think it was kind of 50:50.

So, we grew organically 50% and we grew; we grew by acquisition kind of 50%.

So I'm not saying that this is the same rule, but it's, it will be Colt, it's, it's the same logic, you know, and honestly speaking, when you agree on a figure which is doubling again, it's, it's, it's ambitious because we already grew a lot.

And, and for, for me, the figure is important for one thing, for us and for everybody in the business and the Group and to understand that we still want to grow.

We want to achieve something, you know, which is still there.

There is this light, you know, on the sky, this North star.

And for you guys as well to understand that we have this ambition to do it that.

But granularity is something which obviously we are not prepared to, to discuss in detail because it's a, it's, it's a big thing.

Pavel Ryska:

My, my, my, second and different question touches something else.

If, if there is one problem in, in your earnings over the past, let's say 2 years, it's, the EPS or let's be more precise, adjusted EPS.

So there has been expansion.

I, I personally consider the acquisition of S&B very good and accretive for the company.

But we have seen EPS drop a lot, which I think wasn't expecting at the beginning.

And my question is what concrete steps are you taking or are you thinking of taking to improve EPS over the coming years?

And also, and now I'm coming back to my first question.

We see long term goals for 30.

They have revenues, they have EBITDA, but they have no EPS and that may be a problem because even though you have expanded the, the operational part of your results the EPS line was not satisfactory.

So that's the second question, very fair command And first of all answer to your first part of the question and then I will react to the comment.

So, first part of the question, the only way to increase EPS is to is there are two ways basically increase net earnings and then or and maybe in combination with decreasing number of shares outstanding, right.

Jan Drahota:
So you see that we are working hard on having greater operational performance which should result in in higher net earnings.

And secondly, we started, you know, we, we, we, we took into our equitation, you know, of, of, of let's say, using the free cash or the resources generated by the business buybacks.

So, this is part of it.

So, I'm not, you know, we are at the beginning of, of days.

We shall see how it evolves.

But we are or myself personally I'm, I am, I'm concerned by it or I care for it and I think that we have to address it as well.

So, we are on the same page.

I would and agree with you that the acquisition of S&B was a good thing and it gives us a great balance to business.

It give us this OpEx slash Capex part of the business.

It give us new opportunities.

And when we think about future EPS is, it is something which has to be important to us.

At the same time, you know there is one comment here, you are right that the acquisition of S&B was there was a significant equity part in the acquisition process.

But it help us to do the acquisition, it help us to be reasonable average which we believe is a is a good thing.

So, it does decrease the risk of the business and it gives us space to do things in the future.

So even though it does have let's say temporary or short term effect on the EPS because there is a high base which you have to or distribute the earnings per share it was it was a great thing for the business and myself as a shoulder or you know that we have the representative of the largest shoulder sitting in the supervisory board.

There was no doubt that it does make sense to do the transaction.

So, there's the reaction to that for the long-term goal.

We didn't give you this 2 billion and 400 million to put it to your models.

We just wanted you to understand how we are thinking.

So that's why there is no EPS because we are thinking in in terms of growth.

It's not that we are that we think that you should now have you know, you know model directed towards to the.

Pavel Ryska:
OK.

I see.

Thank you.

I'll leave the floor to others, maybe I'll come back.

Thank you.

Klára Šípová
Thank you very much, Pavel.

The next question is coming from Wood & Company from Atinc Ozkan. Please go ahead.

Atinc Ozkan, Wood & co.
Thank you, Clara.

Good morning, all.

And I should say impressive set of results.

Congratulations.

Three questions on my side.

First one is regarding the pending MLE contracts.

If you could broadly elaborate which regions we are talking about, whether this is mostly North America, Europe or are there any opportunities, for instance, in Asia Pacific for you and whether these pending MLE contracts are part of your 2025 guidance?

That's the first question.

My second question is regarding the sales volume and looking into the mix.

In the prior quarters, handguns was always the soft spot and that was the weak link.

But it appears this quarter something has changed.

It's up 18% year on year.

Can you basically provide some details what draw that apart from new product introductions?

And in relation to that, my final question is if you could broadly comment what percentage of your U.S. sales are consisting of made in US products made by Colt or Dan Wesson or other your other US subsidiaries. This question is mostly related to the risk of tariffs.

Thank you.

Because I think that you know well the split of the pending, you know, where, where are the big contracts which we still want to do this year and also split over if I recorded well three questions.

The first one is a pending contract.

Jan Zajíc:

As you know, we are not disclosing the details about the customers or regions. So basically, how I would say there are two, two basic regions, one is Europe and the second one is America.

So, there are huge many contracts, some of those on the progress, some of those signs sign even and we are going to ship.

So that's a quick answer to this second question.

It was the share of the firearms US and let me say non-US. So that's 100% if I would guess because I don't have it in in, in mind that's that we are talking at a 60%, it might be US and 40% from the US talking CZ and other imports because we are also subcontractors working for us and shipping to under our brand and shipping to the US.

And with the with regards to the tariffs in US, I have to say that we've been quite successful.

I mean which reflects on the on the demand of our products and the quality of the product because what we have decided it's a couple of measures to avoid any financial impact of the tariffs, tariffs.

The first one was that we have to identify the products and the price increases which we have implied now fully.

I don't want to say on purpose that we did it flat on 10% flat or something like this really very precisely when on every product category and increase the prices.

So far, we do not see any negative impact to the financials.

So, which is a very good message.

And the last one, if you go to the units, please volume to the units.

I would comment on those that for firearms and you are very right, it's a mixture, it's a product assortment.

So, the first quarter of 24 was more on MLE products.

So higher pricing, how you high value added because it's talking about a bigger guns of course as a rifle and first quarter of 2025 more was more on handguns.

So that's why there is this shift on the on units, OK.

The other companies, the first question Colt Canada, they have the pending order stuff of course to Canada and they have potential for nice contracts to Europe, to some European countries. Colt West Hartford, depending on this that's around the whole world. It's difficult to specify where because it's almost everywhere and using as FMS the that did go through the state subsidy.

So, it's more or less defined and it's almost everything it's European.

Radek Musil:

Well, second is the tariffs the impact on impact on SB.

Well, SB decrease some volume on selected orders sent to United States.

So, to enter so to enter volume was shrink a little bit by a few percent.

But on the on the average on all items sent to United States in average remain the same.

Well, and what was another question?

That's it, various markets and there was a for us for firearms, so for ammunition is there that was it.

That's it.

Thank you very much.

Just was it OK for you?

Atinc Ozkan

Yes, just to clarify, 60 percent, 40% split 60% is imported 40% made in USA, right, Vice versa the other way around more in US, 60% made in USA.

All right, thank you.

Very detailed answer, much appreciated.

Thank you very much.

Klára Šípová
The next question I see coming is from Peter Bartek from Erste bank.

Please go ahead.

Peter Bartek from Erste Bank:
Yeah, good morning.

Thank you for taking my question and congratulations to the strong results.

Maybe first on the quarterly, quarterly guidance it from it, it looks like that the stronger than expected Q1 was mainly about the timing between the quarters or have you seen also some underlying positive or improving trends compared to what you expected before?

And second question maybe to Mr. Musil, there was an acquisition of SB, there was a lot of talk about synergies, but not in detail. So maybe now after several quarters, if you could, could provide some update on synergies, if you already see some synergies in on the cost side or on the business side, if you can quantify it a little bit.

So that would be second question.

And last question in terms of the acquisition in the USA, you know just broadly how big is the acquisition does that does that is it in the scope of the Capex guidance or is it some something extra on top of that?

Thank you.

Jan Drahota
Maybe I will start with the guidance and then will answer the questions.

So, first of all, what is important to know that this displayed per quotas was all is indicative one.

So, it's not really to give, it's not to give you guidance quarter per quarter, but maybe it's always also to show you how the year should look like in terms of split of per quarters.

And obviously it also shows that we are heavily, you know, or we are, we are heavily in Q3Q4 in terms of the performance.

And as far as the, as far as the so there was a question and maybe and as far as the acquisition is concerned, it is extra on top, on top of Capex.

I mentioned that the Capex is organic one, so it's not M&A because obviously it will be difficult to, it's difficult to plan for M&A as a Capex.

So obviously it would be we would never plan for SB Capex, or SB M&A before we bought it.

So that's it.

But I will answer the rest of the question.

Well, the synergies, synergies there are some synergies on business side.

I mean the sales. So now I'm abroad and today there were Group from some African countries.

And so, so we are we are sharing the sales, sales potential and on the technical sides at the moment I would like to comment it much deeper, but there is something very, very interesting.

It's like everybody's talking about a new 6.8 cartridge for United States Army and they want they want to spread it around the world.

And probably we are discussing some technical solutions which can be more efficient so we can which can be comparable efficient.

let's say that's something like it will bring us results in future.

So, it's difficult to talk about it more .

So, I hope it will be enough like that because I would like to talk about some, some practical results, practical results than some plans.

And the results are let's say to everyday, everyday discussion about the business, business potential.

And so that's that it's coming, but it's not a big number, it's not enormous number, but it's working right.

Is it OK like that?

Petr Bartek:

Yes. Well, thank you. Thank you, a lot. Maybe still to the quarterly guidance.

The second part of my question whether, whether you saw some underlying, you know, better development and what we expected 1/4 ago.

Jan Drahota:

No, we are not changing anything.

I mean we, we are, you know, we, we are not changing anything.

We, we told you that what we give you is something when we stand behind and we need to clinch some of the key contracts still to, to be able to deliver and that's it.

You know, we are not changing.

You know we there is not, I mean there is what is positive that everything moved, but it's still not, not, not the situation where we can say that now we are that we are done with the year and we can concentrate on 2026.

Klára Šípová:

Next question coming from BBG from Chris Chamonicolas.

Chris, please go ahead with your questions.

Chris Chamonicolas, Bloomberg:

Yes, hi. Can you hear me?

Thanks for the opportunity.

I had two questions which were very similar to those already asked, but I would still like to use the opportunity to drill down a little bit.

The first question regards again the, your, your comment about potential large contracts that might be closed in 2025.

And I'm, I'm still not sure if I understand correct, understood correctly whether those large contracts are already included in the 2025 earnings guidance and perhaps in the plus -10% range or whether if completed, those contracts would effectively kick in, in terms of the impact on your earnings in the coming years.

Whether the whether you can kind of at least clarify whether those contracts only would impact 2025 or whether they would actually lead to organic growth in 2026 relative to your 2025 guidance.

And then I had one more question about the impact of the tariffs, but I will ask that after I will, I will answer this one.

Jan Drahota:

Maybe the, the, it's, it depends on the contract.

But overall, there are contracts which we still need to deliver this year in order to have a good year.

So it's part of the guidance and there are something which are above it, you know, but it's, it's, it's not, it's not, it's not, let's say it's not as simple as this because the, the, the, the funnel is bigger than what you maybe need.

But we still need two key parts of the funnel to have A, to have a good year and we see if there is more than it would be even better.

OK.

So, so in other words, some of those contracts, so they are part of the guidance.

Yes, it will help you meet 2025 guidance.

And some of those contracts may kind of like only kick in next year and be part of your organic growth going forward.

But we need to say yes, yes, absolutely correct.

Chris Chamonicolas, Bloomberg:

And my other question was regarding the impact of the tariffs.

I was a little bit surprised by your ability to increase the price of the exported products imported to the US if I understood correctly by 10% given the very competitive sort of low margin market there.

So, if you could just elaborate on the, I guess the term is price elasticity there, you know how far there even you would go with price increases if need be.

And you know what, what would be the real pain threshold when either you have to you have to eat part of the tariff and then it affects your earnings or at which point the price increase will impair your ability to sell those products in the US market at all.

And kind of bigger picture question related to that, given this kind of trade war environment that you commented on and you said you were surprised and didn't expect it.

Are you now having conversations about potentially, I'm not sure you know if it's technically possible about potentially moving production for the US market to the US and production for the European market and other markets to Europe or maybe Canada in order to basically eliminate or drastically reduce the need for, for trade for exports imports within your Group?

Radek Musil:

Well, as I commented already, we haven't, we have not done any flat increases.

So, we have established a couple of measures, I mean to, to eliminate the negative impact of tariffs.

I was talking about the prices; it means the sensitive price increases.

A couple of things.

We have launched some of the new products in last month on last month itself.

So, there we see there we see a really high demand on those and the price were absorbed perfectly.

There are some of the current products we have increased a little bit lower.

So, this was the one measure.

The second measure also cost efficiency because we would really like to fight against those on all parts of the business.

So, what we have done also cost and production and let me say good efficiency measures.

I don't want to go to the details in both sides of the ocean of course in US as well with regards to the whether we have a calculation what should happen in order to hit us.

We don't, we don't really react on the situation which is currently valid and to speculate whether if this is 25, we need to do so or if it's 35, it's like this, it might really happen that it will be 0 or 35.

So that should be a waste of time.

So, we do react on the best, the best things we which we know on both parts the price and the cost and we do validate it so far that the measures are working.

And then with regards to long term, I think you know to develop the facility there, it's a heavy Capex and a long-term period of time.

So, OK, so, probably you're asking for the reason is what I see the reason.

Simply said, it was different before the tariffs were imposed.

Yeah, the market now it's down to comparing to last year the prices, the prices were lower last year because we did some action.

So today even before the tariffs with the higher prices is higher prices and the market in worse condition.

Besides that, because we see that on the commercial market in United States, there is the there is tremendous opportunity for us. knows the CZ, who knows the CZ brand and only 10% said yes, we know them.

Well then on the 1st of May be hired. I think the best person on to marketing and sales United State market.

He behind him are the three nice really successful stories, yes from Smith and Wesson, Mossberg and recently from SIG where he was there for a long time and the really successful stories in all these companies. And he started to work for us. And so, this is the tool what we believe together with the new sky use with new innovative products, what we are preparing in pipeline that we will achieve let's say in let's say this 2-3 years horizon. Very nice numbers. And regarding SB, I think I already commented and if you want to get more flavor that please ask me again.

OK, thank you.

Thank you very much.

Jan Drahota:

I will have to apologize myself because I have a very urgent meeting in 2 minutes. So, unless there is last question for me, I will run and I will leave you guys with Radek, Jan and the rest of the team.

Klára Šípová:

I see question coming from Pavel Ryska. So, Pavel, please go ahead.

Pavel Ryska:

So, two additional questions from my side. I remember on the last call there was a mention about a, an MLE contract in Germany. My question is if there is any evolution of this. I remember you said you had been shortlisted in that contract.

Jan Drahota:
So that's the first one well shortlisted well, I don't remember correctly last week ago, a week ago, sorry, last week the three of us submitted final offers and according to the schedule within the next weeks we will know the winner. So that that's the situation from the German side was a little bit postponed in the timing. So that is the current situation. So, I do believe till the end in May. Until and middle of June, we will know the result.

Pavel Ryska:

OK, thank you.

And the second question is directed at Mr. Musil. According to regulatory filings for the Czech National Bank, you sold quite a sizeable chunk of shares on, on the market in April, if I'm not mistaken. And it was, it was quite early after you took over the company. So, I think normally the market wouldn't like it very much seeing the seeing the new CEO sell shares quite quickly. So, I want to ask you what was the motivation behind this and if this is going to be repeated according to your assumptions or plans?

Radek Musil:

Thank you for this question because this is something that I should clarify. So probably you can find it in some documentation how much it was and frankly said is the substantial part of our family wealth. So, and from let's say how to say from the safety reason the I would like to diversify somehow and me as a member of the board, I have only some restricted time period where when I can sell the shares now I cannot. So, and that, so that was the clear reason because I see nice perspective from my side. Personally, I look to 2028 as a result for some initiatives.

And so that's from my side.

I will also again sell some shares and diversify to some other opportunities because it's not possible to give it everything in let's say in one item despite fact and, and I am in my position.

Pavel Ryska:

OK. I think I, I can, I can understand the motivation. So do you think you could repeat it like in a similar amount that you did or at the moment I don't consider that.

Radek Musil:

So, I cannot. Well, it could happen in this year. I remember at the moment it was something like I should do that. There I felt some tension I should do and at the moment I don't have any idea. But then it would depend on the opportunities. What let's say what my wife will come with some idea so that then it can happen, right?

Pavel Ryska:

OK, I see, I see.

Thank you for answering all, all the questions that I asked.

Klára Šípová:

Any other question from the floor, from the analyst or investors? I see some questions coming via chat from one of the smaller financial intermediaries. I think this would go the first one certainly would go to Jana Matouskova since Jan is no longer here.

“Hi, congrats on the great results. You give us guidance for 2025. How would you allocate the 25 billion in sales and EBITDA between ammunition segments?”

Klára Šípová:
We don't really split guidance by segment to start with, but we however, and Jana, if you can complement me, we do report segments by quarter.

Jana Matoušková:

Yes, I can go through, but we do not split the guidance for the segments. But as you mentioned, you can find in our financial statements the split of P&L between ammunition and firearms.

Klára Šípová:

“And the second question, can you provide any details on the financing structure of the announced acquisition? Additionally, could you outline at least approximately the scale of the M&A deal?”

Jana Matoušková:

The scale of the M&A, we will not disclose until closing which will be in few weeks. So, you will have to wait and financing structure. I think you know we can give rough guidance about what kind of proceeds we will use. I think OK, I will answer it only very limited because it's we mentioned in the slide about the VSS that some details can be specified before closing.

So only general answer about the resources. I can confirm that we do not expect to increase our debt regarding this regarding this acquisition and maybe more details about this after closing, but as he mentioned here is expected very soon during June 2025.

OK, thank you very much, Jana.

Klára Šípová:

Ladies and gentlemen, we had a nice over one-hour conference call. I would like to ask you for the last questions if you if you have some OK any, any further questions from media apart from the questions already asked by Bloomberg.

Ladies and gentlemen.

That's it.

Thank you very much for participating in this call and have a nice day.