

# Analyst call\_ Preliminary financial results FY 2024-

## **Klára Šípová:**

Hello, good morning, ladies and gentlemen.

I would like to welcome you at the Analyst conference call in connection with publication of preliminary financial results for 2024 of Colt CZ Group, which were published in this morning and are also available on our website.

First of all, I would like to welcome today's speakers at the call.

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

Good morning.

I would like to welcome Mr. Radek Musil, the CEO of the Group and the Vice Chairman of the Board of Directors.

Hello, Radek.

Good morning.

Also, I would like to welcome at the call Mr. Jan Zajíc, the CEO of CZUB and also member of the Board of Directors.

Hello Jan, Good morning.

And Mrs. Jana Matoušková, Group Head of Finance.

Hello, Jana.

I would like to ask you to stay muted during the call.

We will start with presentation.

We will go through slide by slide and afterwards you will have the opportunity to ask questions.

You will be able to ask questions by raising your hand in Teams application or simply speaking to the phone.

And now I would like to hand over to Jan to start a presentation.

Thank you.

## **Jan Drahota:**

Thank you, Clara.

And once again, good morning to everyone.

Before I start with the presentation, I would like to also use this opportunity to congratulate Radek Musil, who from the CEO of SB became a CEO of the Group since the start of the year.

And now let's jump to the figures or to the results of 2024.

As far as the key performance indicators are concerned, our revenues went up by almost 51% to 22.4 billion Czech Korunas, adjusted EBITDA almost 51% to 4.6 billion Czech Korunas.

Then net adjusted net profit 1.9 billion Czech Korunas a little bit less than six percent, 66% down and EPS 41 Czech Korunas per share pro forma revenues, which is I think even more relevant or at least in, in my view is twenty-five billion and pro forma adjusted EBITDA at 5.4 billion CZK.

Why?

For me it's more important because as you all know the transaction or the acquisition of S&B was done in a logbook basis.

So economically the performance of S&B is of the Group as of 1st of January 2020.

For even though accounting wise obviously the we started to consolidate only in the second half of May since the acquisition was completed.

There is one figure which is missing here and this is what I always also use when I think about our net profitability is that S&Bs net profit for the first five months or a little bit less than five months of the year was around seven hundred million, seven hundred million CZK. If you go to next slide.

So, this time we put on paper as well comments to the to the results.

First of all, what we should be happy about is that we grew not only because of the acquisition of SB, but also organically.

So, the organic growth was almost 18%.

What I like a little bit less is that the Adjusted EBITDA profitability was flat acquisition of S&B, we consider it, you know it's now almost one year since we took over and 18 months and since we agreed to or since we started to the process to acquire SB.

We are pleased with the performance of the business and it the 2024 performance does did confirm that the decision was right.

And also, and on top of that, not only the business performance we like, but also we like the management and people overall in the business.

And we think that it will and complement but also enhance the culture of the Group.

But there is also comment on US commercial market.

What is I would think, I think important to say is that on the US commercial market we grew on in firearms, we grew by almost 27%.

So, we definitely did outperform the market because the market was flat to down by single digits, but it was accompanied by below expected profitability performance of the of the US business.

There were several reasons for that.

We will discuss them.

But overall if I were to discuss individual companies at this stage, I already did mention that S&B fulfilled to what would be expected.

CZUB also had a really good year.

The we were not satisfied or less satisfied.

We are less satisfied with performance of Colt West Hartford.

At the same time, we did significant investments and you know to build base for years to come.

So, we believe that we should be able to, to, to, to, to harvest the feeds which we which we did in 2024.

Like this year we should be selling first our own produced MK47 grade launchers.

As far as net profit is concerned, there is commented is down for me there are two main reasons.

One is our interested costs connected with the acquisition of S&B, but also there is that that due to the allocation of purchase price, purchase price allocation process we the level of amortization to amortize nontangible assets grew by around 600 million CZK.

So, it does have impact on the net income and once again to remind you, there was also net income realized by S&B for the first plus -5 months over the year post Abd net leverage of the group went back down to let's say levels closer to two.

So, it stood at the end of last year at 2.3x EBITDA.

Don't forget one thing and this is important to say that the overall acquisition price or acquisition value of the of SB was in excess of \$800 million.

So even though we did such a transformative acquisition, we are back to the leverage level which is we believe acceptable and gives us space to do potential moves.

If you decide to, if you go to next slide, this slide gives you more, more view on the original split.

What is important to say that and this is really visible on the right-hand side of the slide is that there are markets which are differently important to ammunition production and firearms.

So, overall, the most important market for us is US.

So, US commercial market remains and is the most important market for us followed by Czech Republic including Ukraine and Europe.

But you see that the importance is different for firearms production and ammunition where Europe is dominant for fire for ammunition production, SB being the dominant supplier of or key supplier of military law enforcement customers in Europe and US being more important for our firearms business because there is single largest firearms market in the world, US commercial market.

If you go to next slide, what maybe, maybe before we go to the next slide, sorry, there is one more comment here which I would have.

And this is if you look at the slide, you see that the graphs or the, the charts, the charts for, for Asia and Africa are relatively small.

So, importance for us is relatively small.

I have to say that it doesn't mean that we don't see opportunities there.

On the contrary, we feel that these markets will grow in importance and especially now with the global security situation worsening.

But so, so we see nice potential and nice upside for us on top of what we see in Europe and our NATO countries.

If you go to next slide, this slide gives you more information about the profitability or relative profitability or different segments.

Overall EBITDA, Adjusted EBITDA margin at around 21%.

And you know that we have been repeating the repeatedly saying that for us the minimum acceptable margin for the business is for our kind of business is 20%.

So, and we want to have higher margin.

We also see that firearms production, the margin that is around 20% once again.

And you know, my comment would be that we have we in 2024, we achieved the unsatisfactory or margin which we didn't, which we are not happy with in, in North America or US.

And we overachieved quite significantly in, in, in Europe on the ammunition production.

S&B being dominant and star of the show Swiss business was not, not, not in such a, such a good position.

So, it was it was pulling down the profitability a bit because of the legacy contracts which were not done at the best of commercial terms with the with some of the customers.

But this is clear that this was cleared and will be finalized finally cleared this year trading.

We also do buy and sell some stuff unfortunately.

And I say that you know, with you know, I would say really sorry with openly.

Unfortunately, trading is not yet as important to us as it should be.

And I think that current market opportunities providers have much more potential there.

We did only two billion of revenues and then obviously with much lower profitability.

I feel that this segment could be much bigger.

Obviously we have to have let's say better system for that.

So, we are still our DNA is much more manufacturing and design, manufacturing and sales less sales only.

So, this is area where we feel there is a significant room for us to grow.

But the margin is lower there because it's only buy and sell business.

So, we wanted to highlight this, this activity separately for you to understand also that it's dragging down the margin, but it's not that we are understanding our own production, but it's because we are, you know, applying on this more margin when we do trading of different products.

If you go to next slide, customer segments plate, you know that when we were doing the IPO, we were saying that we would like to be 50:50 business and here we are in 2024-2025 and the split of the business is 51% MLE customers and 49% commercial market customers.

So, we are already 50:50 business which is really stunning change of the business accompanied by the growth and it shows you that we are able to grab opportunities where they occur.

There is nothing more to comment.

We still feel that there is substantial, I mean substantial potential on the risk side of the of the of our customers but also commercial market.

We feel that we can grow because our brands are still under presented.

If you go to next slide, I will not comment much on the firearms unit salt.

You know the number of firearms unit salt grew slower than the number of than the top line in terms of U.S. dollars for Czech Korunas.

So, but it tells you it also shows you that we sold more long guns which includes obviously the military grade firearms.

So, you know and they tend to be more expensive.

So better product mix means that we grow, but we grow financially far faster than in terms of the product produced.

Also, and this is worth mentioning and highlighting is that even though we were not able to complete some contracts by the end of last year because of licensing and delays in in in process, it was still the record the quarter for us at almost seven, 4.5 billion Korunas of revenues and 1.6 billion Korunas of adj. EBITDA.

If you go to next slide net profit, I did already mention that that's the only KPI which is down year on year.

And I also already mentioned the reasons; they are reasons meaning higher interest rate costs and amortization related to that.

So, when I think about it once again, I look at it that there was also we are entitled or part of our to our benefit is net income generated by S&B for first five months of the year.

And we also have to look at amortization in the amount of 620 million CZK for last year plus minus as, as something which is noncash and which is not, which doesn't have to be invested reinvested to the business because it's, it's, it's accounting way how to amortize the intangible assets related to purchase price allocation.

Earnings per share they are influenced.

Obviously the drop of earnings per share is influenced is by the fact that we did not do or we did finance substantial part of the acquisition by banking shares to CBC and also come during the ABB at the end of last year in order to fulfill the conditions of the of the SPA with CBC.

So, with CBC to purchase the S&B.

So that's, that's, that's this Capex, nothing really to be commented here apart of the fact that, that we were below or in line with our guidance.

We said that it will be below for 5% and it was and regional splits you see that now with having S&B and CZ in Czech Republic.

Obviously Czech Republic slash Europe will be more important in, in Capex because that two of the larger companies in the group.

So that's how it is.

We expect the split to be kind of similar going forward.

And for this year what we say is that guidance for the year is that's the first guidance we have which we are giving you is that Capex will be 5% of revenues.

It's one point 1.3 billion CZK net leverage.

I did comment already that we are back at 2.3 times EBITDA before the end of last year we partially paid one of the one of the branches of the of the acquisition facilities.

So now we have less cash and less debt as well net debt at the end of last year just shy of twelve billion to 11.9 billion CZK.

Going forward how we see about it is that we'll obviously be always revaluating what are the best financing options for us.

I have to say that so far, OK, we are in majority relying on the bond market and we I can imagine that we will raise it idea of maybe refinancing part, part or full amount of the acquisition final loans on the on the bond market, there's no commitment there.

But I just mentioned it that just in the in transparency that we are evaluating options, what is the cheapest or most efficient way for us to fund ourselves the acquisition of S&B?

We already showed you the slide.

Actually, I, I, I wrongly said that amortization 2024 was 640.

It was 620 mm CZK.

Sorry for this mistake.

I and, and we expect next three years or next four years still to be amortizing quite substantial.

So, so every year it's around 6-5 hundred 600 mm CZK once again, noncash item related to allocation of purchase price.

But it's important because I think that it's important for you to assess and or maybe look at our true performance and understand that rather what is net profit and how it, how it, let's say is derived and what is the distribution as well ratio?

Because for me this is this could be distributed as a free cash which is generated by the business.

If you go next slide guidance and priorities for 2025.

So, I already told you that we see that year into year 2025.

We are optimistic going forward to the year, it's it will be about work, but we still see a lot of opportunities in terms of revenues.

We would like to reach twenty-five billion of our guidance is our guidance for the year is twenty-five billion of revenues and EBITDA 545,000,000 CZK which is 12 - 20% up respectively year on year basis.

We also give some tolerance you know plus minus 7%, it's only to and we will speak about it.

There are upsides to the guidance and also risk to the guidance related to the nature of the business.

Also based on our discussion last time, we indicate our expected net interest costs of around 630 million check on us.

So that's the base case or that's how we see it now.

And also, for you to better understand our business, we try to outline how we expect the year to be failed.

So how it's how it is among different quarters you see Q1,Q2,Q3,Q4 and different relative profitability, different level of sales.

So, see that of the business and very much related to our ability to deliver what we produce especially for military law enforcement customers.

So, we build up inventory and then you deliver based on the on the fact that you have license and stuff like that.

So obviously if you look at this, you see that there is a lot of work behind the figures if you go to next slide.

So, first of all.

What are our priorities for the year?

There was the last information which I have not given you yet.

We as the board when we were thinking about how we would like to use the net profit for last year, we said that we would like to gain new shareholders, we believe that they deserve dividend.

This time though we thought that we might think about not only about current and past, but also about current and future.

So, we said, OK, we would like to use the one point almost around 1.7 billion Czech Korunas you know roughly and half of it 847 million Czech Korunas which is around fifteen which is 15 CZK per share to pay as cash dividend and the same around so around 847 mm CZK locate for buybacks.

So, we as a board will propose to the supervisory board slash general showroom meeting this logic.

So, we would for the first time do a buyback of the shares.

The logic behind it is to basically we believe that it's beneficial to the shareholders because it will definitely increase the future EPS.

It will definitely increase the free float.

You know, if there was let's say participation of the majority shareholders, then we could even maybe slightly increase the free float.

But also, we believe that this could be in the long crown one of the ways how to let's say manage our capital structure.

We are aware of the fact that it's not yet much use in the Czech Republic.

You know, not many companies do buybacks and they do them systematically.

Nevertheless, we feel that it's our obligation to propose this to the generation meeting and we shall see what generation of the meeting says we feel about every day, every day or every time he meet.

As a board we are thinking how to make our business better but simultaneously what we can do better in managing our business in terms of capital structure and other things.

So that's the result of the discussion.

Second comment here and this is already commenting for priorities for this year.

We see, we really see, we call it or I call it once in a generation business opportunity.

You know on MLE segment globally we have never seen so much interest from customers, so much discussion with customers and so much decisiveness from customers as well.

So, you know even countries which used to be very bureaucratic are now in selected cases willing and able to fast track their decision-making process.

So obviously there is a long way from potential and we always say there is a long way from potential to realization of the of the business.

But this time on there are countries which really can act fast and can act decisively.

So, this is something which is especially valid in Europe.

And obviously it will depend on our ability to capture this opportunity to and to use it for the benefit of the business and our shareholders.

As the first comment, second comment is that we see the maybe not so let's say widespread but also important change of mind of countries outside of Europe to invest into, into defense and security.

Would it be Asia, certain countries in Asia and also certain countries in Africa.

So obviously in Africa it also has to be accompanied by availability of sources and money.

But the truth is that the, the, the landscape or the MLE market is different than it was three years ago before the war and before the world started to debate whether there is a new world order coming.

So that's, I think, very positive for the business.

Obviously our future success will depend on our ability to capture this, but this is definitely what is on the market now and I would feel really bad would not be able to capture this.

And that's why I also mentioned that we have to beef up our ability to do to trade or basically to deliver our customers what they need as well outside of our portfolio because we are globally present.

We are present in a hundred countries and we sell to ninety plus countries and we can really connect the dots here.

So, this is our obligation towards our customers globally.

Also, I highlighted two key projects which we have in the in the pipeline, which we have had in the pipeline already.

We want to continue support of Ukraine by TOT.

So, it's not selling products there only, but it's really transfer of technology to rearm, to help rearm and help strengthen security of Ukraine going forward even you know beyond years 2526.

So, this is really ongoing future project.

These are future project and you know that there is a ton of brand two of two Ukraine which is done by CZ and also seven below is helping and will be helping in the future to build small carbon ammunition capabilities to rate of standards in Ukraine.

US commercial market comment.

We see that US commercial market changed a bit.

I would say that it changed for better because there is now no discussion about regulatory changes.

So, I would say that as far as the administration slash legislative state standpoint versus the firearms, we are in a situation where there is a very strong program pro Second Amendment stands from the US current US administration.

So, the market will be much more consumer market.

So, everything our future success will depend on the on two things.



First of all, our ability to introduce new products and secondly, consumers having discretionary income to spend on, on, on those products.

For this year, we've ready a very strong, very strong pipeline of products which we have to introduce to the market.

You know that this year we changed the leadership since beginning for this year we changed the leadership.

We speed the role of CEO and Chairman of the Board and I'm really happy that Radek with this, this is 20 plus year experience of really making Sellier and Belot one of the most efficient and most competitive companies in the small caliber ammunition production globally took over a role of the CEO and I'm sure that he will help to drive the our ambition to be as efficient and competitive in all our subsidiaries globally.

So, I think that Radek is now great partner, much better partner than me to the individual CEOs to help them to make sure that what they are doing in the most competitive way.

Last point on this slide is a note to that we, it's our obligation or I consider our obligation to look whether there are areas where we can grow or enhance our portfolio or product offering because simply the, the world is changing super-fast and very dynamically in the area of defense, yeah, it's not commercial market, but it's defense more related.

War in Ukraine was a really big exercise for all the armies globally to understand what works and what doesn't work on battlefield for us, what we like, what we are very proud of is that Brent 2 proved itself as a battle proven rifle.

So, it's really reliable and, and, and rifle used by, by the best, by the, by the elite, elite, elite soldiers in the in the war.

So, this is really big, you know, big privilege or we are really, really happy about it.

At the same time, it's our big issue to think whether there are no areas where we are not yet present and we should be present.

Would it be larger calibers for firearms or ammunition and also autumn autonomous platforms, would it be land or air where we see that there is more now use of those platforms, you know, in order to protect the soldier and give it give the soldier simultaneously advantage.

So, we will be reviewing that and the fact that we have presence in Ukraine gives us great platform, you know to see whether and where we should maybe expand our presence go to next slide risk and opportunities.

I already mentioned opportunities.

So, first of all or first of all, I was having opportunities.

First of all, there are some potential historically large contracts for us which you know if they materialize then it could be really important for the group and obviously there could be big if you are if you materialize first and then they we are also able to start to deliver in 2025.

So, this is something so we were we could see upside.

I also already mentioned that that we are nowhere I would say or very not using as much our global platform in terms of trading.

So, this is where we will invest our energy and resources a bit, you know, to enhance this because this is different.

This is maybe quicker, where we can really have upside to what we see as, as, as, as our ambition for this year risk obviously farther deterioration of global economy or US commercial market.

You know, obviously I said that the US commercial market is about consumer and you know, if consumer is strained, then it's then it might influence his behavior, his purchasing behavior timing to market of key products.



I mentioned that we have very strong pipeline and we are very confident about it and we already see it quite promising, you know, first 2 1/2 months of the year are quite promising in the US So we are confident about the pipeline.

It's about availability to introduce all the products at the right time as we, as we intend to do this year of third thing, and this is connected to what I mentioned as well, is that there are several larger projects which depend on us, but also other customers that we will finish all the paperwork.

And then we will, you know, we'll be able to, to start to deliver based on receiving the licensing as well.

Because you know, especially in the US licensing used or they used to be quite a bit, quite a, quite a lengthy process.

And it was no exception that the lies that we got a contact with the customer and we were waiting for 12-18 months to, to get a license or, or we don't have a license till today for something which is already maybe to your side.

So, this is something which is, which has been an issue for us.

At the same time, I have to say that we see progress, positive progress this year now with the new administration.

So, we shall see.

I don't want to, to, to, to, to try to assess how it, things will evolve, but this is, this is the current state of things and FX development, FX development would not have, let's say impact on the economic performance of the business.

It would be more impact on the split of the profitability between EBITDA and financial result because the if Czech koruna was much stronger then it would mean that we are well hedged.

That part of this would be offset in the hedging income for the group.

So that's basically the logical rate.

So, this is for the for the presentation.

So, thank you for your attention.

I was, I was maybe it longer than I thought I would be or I should be now.

Please use the time to ask questions.

Since we have Radek as the new CEO and former CEO of SB and also Jan Zajíc, the CZUB and Jana Matoušková is the head of finance, you know to, to please ask your questions.

**Klára Šípová**

Thank you, Jan for the presentation.

Ladies and gentlemen, we are now moving to Q&A sessions.

Please know that this call is being recorded.

I see the first question coming from Pavel Ryska from J&T Bank.

Pavel, please go ahead.

**Pavel Ryska:**

Hi, Clara and good morning, everyone.

First of all, congratulations on the very swift growth in operating results in 2024.

I actually have quite a lot of questions, but I will start with the novelty, which is the share buyback program that you just announced.

And I want to ask basically two things about the share buyback.

First of all, so you issued new shares in it was October last year to basically reduce leverage, which was understandable after the acquisition of SB and you issued them at a price under six hundred Czech korunas.

And now you are announcing a share buyback program, which in itself is, is, of course, a useful thing for all shareholders, but it will be done at much higher prices which are now on the market.

And what I'm curious about is how this fits in your thinking together and why these two things, the issue of new shares in the old in, in autumn last year and now the share buyback, which should, which should kick in, how these two match together that the time spent between the two is quite short.

First, issuing shares and then buying them back.

And, and second, I want to ask about the technicals about the of, of the share buyback program, how precisely it should be done, if you will have your stockbroker who will do it for you on the market or if it would be more like a tender offer that you would say.

Now we are ready to buy back shares and whoever wants to tender their shares, we, we will, we will buy them from them.

In this case, I can see how it would increase free float because the main shareholder could, could tender his shares and while others would not.

But if it was done on the market, then I, I see no way how it, it should increase the free, free float.

So, these, these are basically the questions.

**Jan Drahota:**

Thank you for those questions.

And, and OK, I will start answering with the first part.

You are right and we don't think about you, you are right about the timing, you know buyback and ABB.

My first comment about ABB is that it was one of the conditions for the, for the transaction which we did with CBC.

We didn't know obviously how the share price would evolve, whether it would go to 806 hundred, 705 hundred.

We didn't know when we when we did sign SPA with CBC, but when we the part of the SPA was related to the final percentage allocation of the of the shares to CBC in connection with the with the acquisition of S&B from them both.

There were some conditions or some parameters related to the to the net debt or sources for financing of the transaction.

So, for us, we, I look at it the way that we had to do the ABB in order not to dilute current shareholders on the benefit of for CBC.

So basically, it was condition of the purchase of S&B.

Now the pricing discussion, ABB versus potential buyback I would say and also the technicalities of the buyback.

Please give us some time to complete the proposal to the General Meeting and, and, and let's see how, whether and how it will be implemented.

For me, how I look at it is that we are not in a game of trying to assess where our share price should be for us.

Obviously, we are in the game of making sure that shareholders money, shareholders money are the best invested.

So, and, and as far as the technicalities is connected whether it will be through broker or tender offer this is same thing, yes.

So, we will discuss still internally how we want to approach it and we will and we will propose a social to the general showroom meeting.

And general meeting will decide for me what was critical in when we announce it now is that I think that it's important that you guys and our shareholders understand how we are thinking.

So, we are thinking the way that even though it's not much use in the Czech Republic buybacks, it can in the, you know, going forward enhanced value for shareholders.

And it's a tool which is varied.

And we have to give it a serious discussion slash, you know, approval process with the general show meeting because it's our, I feel it as our responsibility or our obligation towards shareholders.

So, if you ask me, so I and so I want to even speculate about the, the pricing terms.

Obviously, we will do it the way which will be a, let's say in line with the regulation and we'll create value for the shareholders.

**Pavel Ryska:**

OK, so two follow up questions.

Yes, so, do you expect a part of the shares that you will that will be bought back?

Do you expect to cancel a part of them and as a result help EPS or do you expect to keep them on your books and maybe use them for acquisition purposes etcetera?

And second, when do you expect to give us details about how the share buyback will be done?

Will it be sometime in the spring?

**Jan Drahota:**

I think that once we prepare materials for the general meeting, which I expect to happen within next.

It should be the end of not May in general, but so no expected.

Yes, so it will be in within next 6 to 8 weeks.

We will have more details for the general show meeting.

I would say OK.

And the and the previous question about whether you want to keep it on your books or if you want to cancel them, the sheriff's board back.

I think that even details about this would be part of it would be part of the information towards the general shore meeting.

I can imagine both situations.

And I'm what I can assure you that we will not keep the shares idle for forever on our books.

If I put it this way, you know, for us, how we look at it and once again how we how we how we approach it is that.

If we will not have a better use of money than which we would feel is superior to what shoulders can achieve, we will distribute those money to shareholders.

And for me cancelling all those shares is quasi distribution towards shareholders because it because it does increase future EPS.

So, we will definitely behave in this logic.

You definitely behave in this logic and, and, but we don't have it yet on, you know, everything, everything on paper.

I think that for us today, what was important to raise this issue to, to say to the market, to say to our shoulders to understand how we are thinking, Can we assure that we want to make sure that we distribute the profits but not no details yet.

OK.

**Pavel Ryska:**

And one different question from a different feel, but important what I noticed on your first slide in the presentation.

So, at the bottom you have that pro forma revenues last year were roughly 25 billion CZK, which is at the bottom on the left and you are expecting for this year you are guiding 25 billion CZK again.

So that would mean that you expect no organic growth between the two years or maybe more precisely what do you think about organic growth going forward if you see this year, if you see it next year or if this really means those two numbers, if it really means that you basically only expect the consolidation effect of SB to help revenues but no organic growth.

**Jan Drahota:**

No, obviously we plan great growth.

Yes, what we gave you is the guidance for the year.

And you know that we approach the guidance to with, with cautiousness because we don't want to overstretch ourselves towards the investors, towards the market and also undershoot ourselves.

So, we're, so how we think about it is, is this is the figure, the midpoint if I put it this way is something which we stand behind firmly and we see that we can we have a good visibility how to, how to make it, make it, make it happen at the same time.

So, but if you ask me whether we feel that the business can go, whether the business can go organically, yes.

And we expect and in our internal discussions, internal planning, internal goals and stuff like that, we plan this organic growth of the business and we look at it and we look at it away.

And this is important and this is and the guys could confirm it to you that any discussion we have is that we don't look at it away.

That the fact that we do acquisition is a growth for us, whereas the growth is the organic one and acquisition obviously boosts the accounting figures because you add some figures but you but you plan for growth and the growth is, is the organic one.

**Pavel Ryska:**

Do you see this organic growth as rather single digit or can it be double digit in the coming years given these huge changes and the revival in defense spending that we are seeing in Europe and also in Asia?

**Jan Drahota:**

You know, the guidance which we gave you is the guidance which you wanted to give you, right.

So, so please don't press me too much, but you know the if I say that the opportunities are unprecedented, then on the segment of the military law enforcement market, it would be disappointing would not be able to grow faster.

The question is how the commercial market behave and everything together, but we see opportunities, but everything is also linked to the to the ability to capture those opportunities and, and, and produce them and fill them in a profitable way.

**Pavel Ryska:**

OK, Thank you very much for all these, all these answers.

**Klára Šípová:**

I see the next question coming from Atinc Ozkan from Wood&Co.

Atinc, the floor is yours.

**Atinc Ozkan Wood&Co".**

Thank you, Clara.

Good morning all.

A couple of questions on my part.

The first one is actually related to your guidance and your comments regarding these once-in-a-lifetime military market opportunities.

How much of your midpoint guidance is twenty-five billion as well as the EBITDA target is reflecting any of these once in a lifetime opportunities or is that extra?

That's the first question.

The second one I noticed from your comments during this presentation that's you have emphasized opportunities on trading side, but that's a lower margin business again vis a vis your 2025 guidance.

If as we assume you are able to execute swiftly, let's say in early to earlier regarding these trading opportunities, is there any downside risk to your guidance because of heightened activities on trading side?

And my third question is regarding, let's say hypothetically if we assume US tariff boards escalate, how ready is your U.S.

business to produce products without CZUB?

Are you able to do that?

Thank you.

**Jan Drahota:**

I will ask the first two questions and the last one I will put to; I will give to Radek and Jan Zajíc.

So first two questions about guidance.

You know, the flavor which we gave you is the we are not able and it would be we would be changing the picture.

It would be giving you more details on it.

When I say, but you know my general comment when I say once in life, once in a generation opportunities, then the growth or the, the figure which we show you doesn't reflect that, right.

You know, if it was once in the generation opportunity to grow, to be stable on a pro forma basis versus the, the guidance, then it wouldn't be once in a generation opportunity.

So obviously.

But when I say once in a generation opportunity, we also look at it the way that there is a way from opportunity to capturing the opportunity to finalizing the opportunity, delivering the opportunity.

So that's, that's the comment here.

And trading wise, we have several projects which we believe could and should not realize, but it's, it's premature to, to, to once again stretch ourselves and give you false hopes of great results in this area because we are, it's not our nature.

OK.

So that's, that's how it is.

And as far as the tariffs and our ability to tackle those, Jan and maybe Radek could, could help you with that.

**Radek Musil:**

So regarding the tariffs, I wouldn't like to speculate how the tariffs will be because only I know that there is a more the sales of US guns and ammunitions going from the States to Europe than vice versa.

So, I'm not sure how it would be, how effective would be on the end of the day.

So, and the for overall impact, I wouldn't like to speculate at the future.

**Atinc Ozkan:**

I mean can you provide some color because you are working and invested on investing on in-house production capability of colts because we know when you acquired that asset they were outsourcing even I guess barrel and bolt action mechanism production.

So, four years later where are you regarding you know those capabilities?

This is what I'm trying to understand.

And we also know from your earlier disclosures that you have started to assemble CZ branded products in US again there are those critical components still shipped from check, Yes or are you able to produce them in US?

**Jan Drahota:**

That's what I'm trying to tell you, OK?

The most of the, the components in Colt are from the United States.

There's only it's almost negligible what it's going from the what was going on from Czech Republic at the moment from Europe.

So, we plan to growth it that that's true.

But at the moment, this part wouldn't be affected.

OK.

We also increasing the capabilities there and the production from the parts of them.

And, and what do you have asked really to, to transfer IP or something like this to, to use the coordinated effort as well?

The majority of the parts will be produced in US.

Some parts of for example, the new piece, new pistol or you also mentioned that the rifle we talk about this still the majority is produced in the US. We do deliveries of the certain parts but insignificant.

**Atinc Ozkan:**

Thank you for the additional colour.

**Klára Šípová:**

I see the next question coming from Peter Bartek from Erste Bank.

Peter, please go ahead.

**Peter Bartek Erste Bank:**

Good morning.

Thank you.

Maybe follow up question on the previous one.

So, Colt US is basically supplied mainly from the USA and the CZ brand which you sell in the US is also already produced in in the US just to make clear, mostly supply, yes, mostly supply from CZ.

**Jan Drahota:**

We have some products which are supplied from USA, but the still majority goes from Czech.

**Peter Bartek Erste Bank:**

OK, thank you.

And I would have question on the margins.

I see that in 2024 you have firearms margin of 20% which is just on, on, on our same bottom of the of your targets ammunition at 26%.

So, if you could elaborate on what you see going forward the very good conditions in Europe for MLA if, if it would support your margins going forward.

Any color on that?

**Jan Drahota:**

Yes, if I may, I will first of all comment and just say my one thing and then Jan can maybe elaborate further.

There is one important thing which is important to take into account.

I said that the EBITDA margin of 20% for last year on firearms includes both our target performance on the US on the US so covers Hartford.

So, it was well below that.

So, the melted margin is twenty, but it it's a huge difference between a Czech Republic and or significant difference between Czech Republic and the US.

So going for what we will, we have to increase in the US and it would positively be backed overall and young can give maybe can give you more favor on how we see search Czech Republic.

Yes, it's easy, you know, for me, I see the blended or the average margins.

Yes, let's see what counts in the end.

Probably we will not comment on the on the different segments or margin or companies.

But I understand it on in the very beginning that the US, the North American margin for 20/24 were below the expectations.

We already could see a clear signals for twenty-five that the margins.

Margins are getting up.

We if we keep the profitability and we are strongly confident we do for the rest of the world.

The margin for a firearms should increase in 2025 overall worldwide, all brands for the ammunition business.

Well, the ammunition business there's a #26 persons blended it with the with the SB.

So, and I think it's going well and I expect it to be better than last year.

So, the I would say it's going well.

**Peter Bartek Erste Bank:**

OK, thank you.

**Klára Šípová:**

Previously I saw the raising hand in the application from Jakub Blaha from Patria Finance.

Jakub, are you still ready to ask questions?

**Jakub Blaha Patria Finance**

Thanks Clara for noticing and also congratulations to the management and to the whole company.

For the record quarter, basically I had prepared two questions, but I guess all of them were answered already.

My first question was about the timing of the buy back and I same as Pavel Ryska, I wanted to ask basically about why you decided just now to do the share buyback when your stock is at all-time high.

And the second question I guess was already also answered and it was about guidance basically on the on the first slide, we can see that you demonstrate a double digit growth, but on a pro forma basis, it's the revenue will be rather flat.



So, I was wondering whether it's because of some US commercial weakness in the market or is it because of some capacity constraints etcetera.

So maybe some if you have some additional comments to these two questions, I would really appreciate it.

**Jan Drahota:**

Honestly speaking, I don't think that we have additional comments because what we said, we said and that's, that's our current state of looking at the year with all the, let's say, responsibility and cautiousness and transparency towards you guys and towards the market, if I put it this way.

So, but obviously we feel I will just reiterate, we want to grow and we want to grow in a profitable manner.

So, and we believe that there is space for overall growth.

That's how it is.

OK.

Thank you very much.

**Klára Šípová:**

I see additional question coming from Pavel Ryska from J&T Bank.

Pavel, the floor is yours.

**Pavel Ryska:**

Thank you once again.

Two additional questions popped up in, in my mind though, in, in the last few weeks, we have seen incredible things in Germany where Chancellor Mertz has announced and probably will push through €500 billion of spending into defense and infrastructure.

This is roughly 10% of German GDP.

It's unbelievable the size.

I want to ask you, I know that you do not give a lot of details regarding individual countries in MLE, but still you did in in the past you commented about several countries buying your products.

I want to ask you; do you sell into MLE in Germany at the moment?

And do you think that this huge ramp up in in spending could bring you opportunities in this country?

Or is it rather that your competition like Heckler & Koch pretty much has like this market for themselves and it's impenetrable?

**Radek Musil:**

If I may, maybe I will start, maybe I will start with ammunition.

On ammunition side, we sell to Germany from Switzerland.

So, there is always established long term relation model 50 Cal and some other caliber.

So, so we, we already do serve Germany very small number, but we sell to Germany from Switzerland.

**Pavel Ryska:**

And yes, maybe you know, you can give some flavor that how we feel about the market and what we want to do.

Yes, right.

If the public information which is, which is available maybe is the best.

**Radek Musil:**

I just wanted to use this public information starting from the history as you asked as the first question.

We do not supply that much to the Germany currently.

We have some smaller deliveries to the special unit and this as a public information, there is a big tender in Germany for a pistols and we've been shortlisted.

It's very significant amount of the of the guns and I don't want to comment beyond the information which we have which been publicly presented.

So too short to make it short the reply for your second question, we do see potential from this.

We're all benefiting from the increased amount for a defense in Germany.

**Pavel Ryska:**

OK, thank you.

And so, the second question, roughly 2 weeks ago Smith and Wesson, your US competitor had their earnings results and they described a pretty weak quarter for them and also weak outlook for the next one.

Of course, they have a different product than you do, but can you give some more flavor on the US market as you see it now?

You said a while ago that the first months of this year are quite promising in the US.

Is it that the overall market is rather weak, but you have the right product line now going to the market so that you can basically reverse this weak evolution of the whole market?

Or do you think that what they what they said was pretty much only their problem and the overall market is stable?

So, which of these two is it?

Is it rather in the US?

**Jan Drahota:**

Well, the market in US is weak.

So, they are they are competitors to US men and rival wars and the if I compare Colt to them, the Colt has the much smaller portfolio.

They have only 30-32 comparing the 130 almost 140 to, to work by many competitors.

Now our main task is the increase this portfolio and with this increasing of portfolio it will bring us a better market share.

So, we believe that with this the rebel versus it will not hit us that much.

And comparing to the talking about the pistols on the commercial market in US, we recently we have changed the style of the distribution in states.

And because they're from a basic 4P product placement and promo, the place placement was our weakness.

And we change it.

At the beginning of the year and it starts to bring us the results.

So, and we believe it will bring us some benefits on the market.

**Pavel Ryska:**

That's very, very helpful.

Thank you.

**Jan Drahota:**

And maybe Jan Zajíc could add to that because he just came from the US, right.

You were just in the US with distribution.

So, so correct.

Jan Zajíc knows the best now, correct.

**Jan Zajíc:**

So what we do see from our point of view and I already highlighted the first quarter is in both brands in US looks promising and for us it's rather in the market is weak stable.

I don't know how what the best word is to describe it.

But from my point of view, the combination of the distribution branding and the product mix will really or be a strong economist that really bring the profitability and sales data or sales results on a higher level than we could see in the last year.

That's why I said that we are very optimistic on the margin in USA.

**Pavel Ryska:**

Thanks a lot.

Thank you very much.

**Klára Šípová:**

Are there any other questions from the audience?

Maybe some questions from media?

OK, fantastic.

We had a great call.

Thank you, Jan and Jana and Radek for your performance.

Ladies and gentlemen, if you have any further questions, you can always write us an e-mail and you will find the transcript of this conference call later on the website.

Thank you very much for your participation.

Bye, bye.

Have a good day.

Goodbye.