

CZG – ČESKÁ ZBROJOVKA GROUP SE

FINANCIAL HIGHLIGHTS

Full year 2021

March 2022

INVESTOR PRESENTATION

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Agenda and today's presenters

- 1 FY2021 AT A GLANCE
- 2 CORPORATE RESPONSIBILITY
- 3 FINANCIAL HIGHLIGHTS
- 4 EFFICIENCY INITIATIVES
- 5 M&A UPDATE

PRESENTERS



JAN DRAHOTA

President & Chairman of
the Board of Directors of
CZG

Jan is minority shareholder in CZG
With the Group since 2014



DENNIS VEILLEUX

CEO of Colt – CZ North
America & Member of the
Board of Directors of CZG

With Colt since 2006



JAN ZAJÍC

CEO of CZUB & Member of
Board of Directors of CZG

With the CZG since 2019

2021 a truly record year for CZG

Section: FY 2021 at a glance

Revenues



10.7B CZK
+56.7% yoy

12.8B CZK
+88.0% yoy

Adjusted EBITDA^{1;2}



2.2B CZK
+49.6% yoy

2.7B CZK
+82.5% yoy

Adjusted Net profit²



1.2B CZK
+71.6% yoy

Adjusted EPS²



34.4 CZK
+71.6% yoy

Best performing stock on PSE



*CZG stock price increased by +70%, which makes it the **best performing stock on the***



PRAGUE STOCK EXCHANGE
BURZA CENNÝCH PAPÍRŮ PRAHA

Legend: Non-IFRS pro forma
CZG + Colt

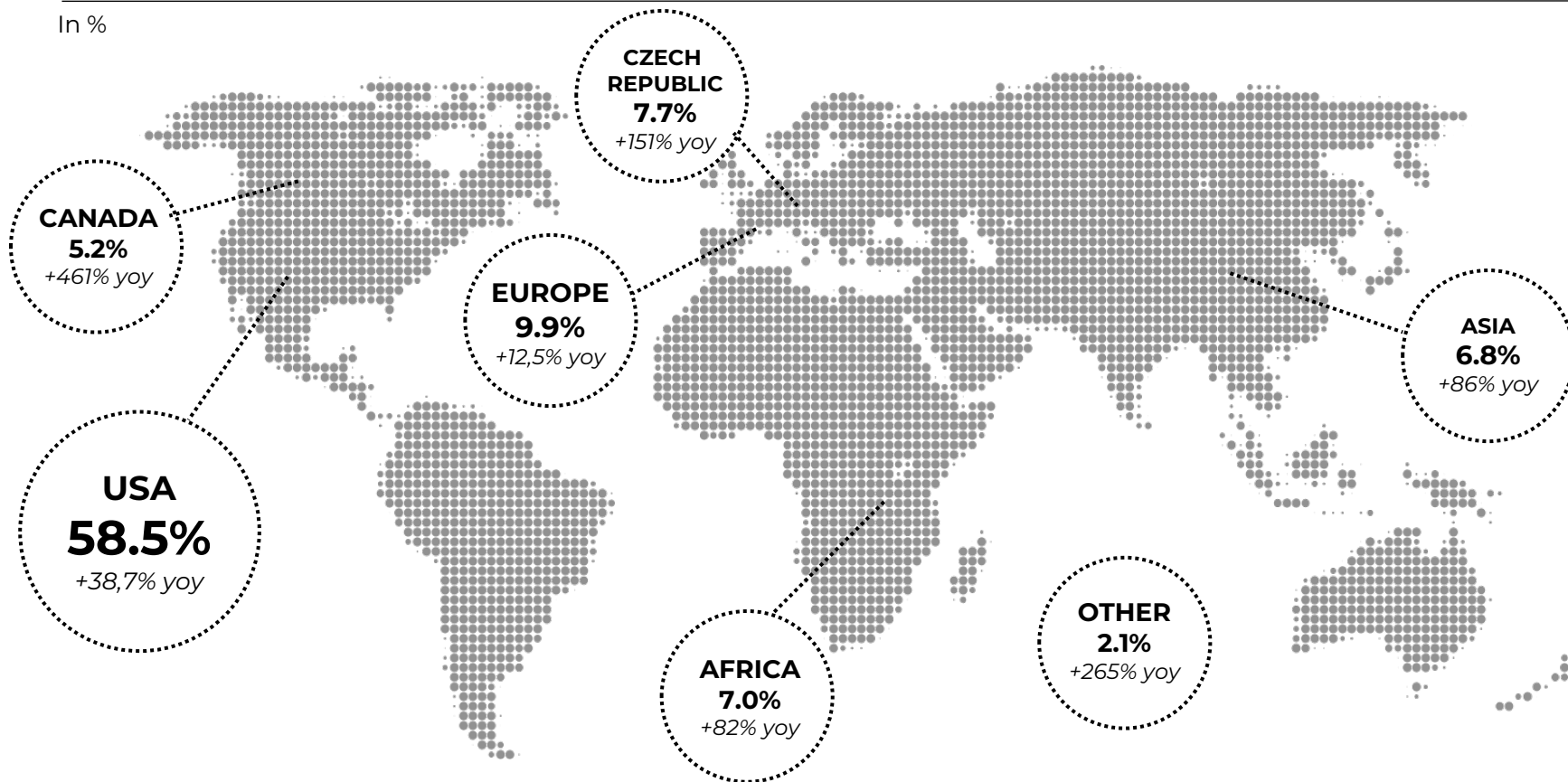
Notes: 1 – EBITDA defined as post-tax profit for the period; plus income tax; plus correction about income/loss from derivatives transactions; less share in the profit of associates; less other financial income; plus other financial expenses; less interest income; plus interest expenses; plus deprec. and amortization.
2 – Breakdown of all adjustments explained further in the presentation.

Revenue change in geographical split driven mainly by Colt consolidation

Section: Financial highlights

Revenue breakdown by geography

In %

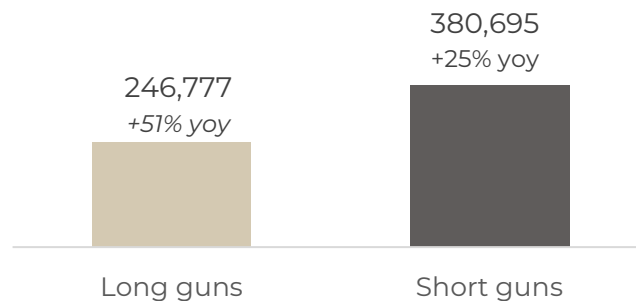


Selected M&LE contracts

- Start of deliveries to **Czech Army** under the framework agreement
- Signed contract via the **NATO Support and Procurement Agency** with Portuguese Air Force
- Historically first delivery to the **Brazilian Military police**
- Deliveries to the **US, Canadian, UK and other M&LE** forces
- Further deliveries to the **Royal Thai Army**

Units sold

In units



NEW CORPORATE IDENTITY

Rationale for the change:

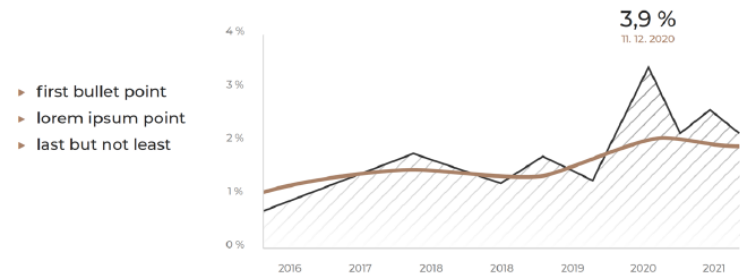
- ▶ Reflect the acquisition of Colt and the strength of this alliance in the Group identity
- ▶ Enhance awareness of the Group by its two major assets and its position and prestige on the market
- ▶ Underline the long-term relationship and commitment both internally and externally by using both key brands, i.e. CZ and Colt
- ▶ Draw stronger investor interest
- ▶ Extend the reach of our communication

COLT
CZGROUP

COLT
CZGROUP

CHARTS, GRAPHS, INFOGRAPHICS

LINE & AREA CHART



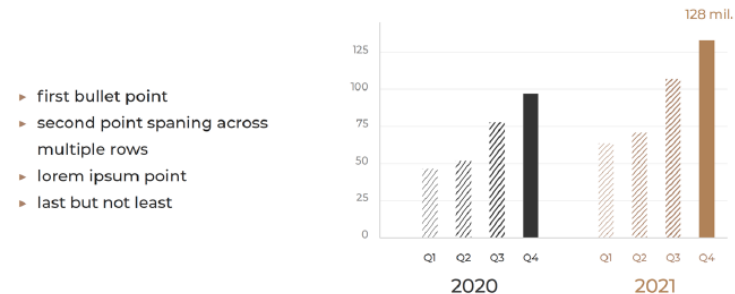
COLT
CZGROUP

PRESENTATION NAME | PLACE, 6. 5. 2022

15

CHARTS, GRAPHS, INFOGRAPHICS

BAR CHART



COLT
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15

COLT
CZGROUP

Name Surname
Position

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surname@coltczgroup.com

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Opelova 1284/37
110 00 Prague 1, Czech Republic

coltczgroup.com

COLT
CZGROUP

Name Surname
Company
Street 123
123 45 City

Dear Sir,

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Yours faithfully,
Name Surname

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info@coltczgroup.com

CZG – VISION, MISSION, VALUES



VISION

Our vision is to become
the recognized
undisputed leader of the
small arms industry.



MISSION

We are committed
to providing innovative
and high-quality products
that our customers can
rely on in any situation.



VALUES

Team Spirit
Integrity
Responsibility
Innovation

Financial Target 2025:

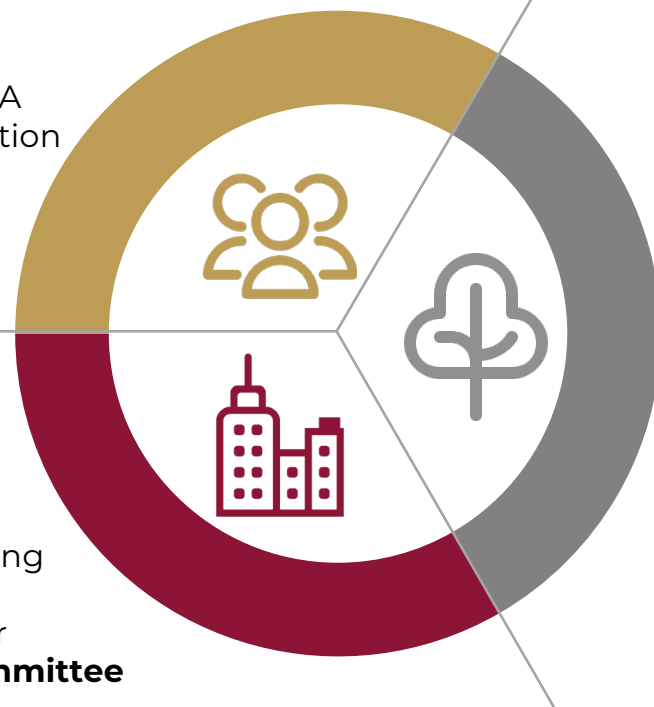
Revenues of EUR 1 bn, minimum 20% EBITDA margin

SOCIAL

- **Antidiscrimination, employment of disabled**, high proportion of female employees and employees above age of 50
- **Proactive SHE** policy including regular assessment and remedy plan
- **Support the municipality of Uherský Brod** during covid-19 pandemic 2020/2021
- **Over 60 charities supported**¹ in the Czech Republic, Colt USA supports Folds of Honour², Colt Canada Patriot Love Foundation

GOVERNANCE

- **Compliance officer** position overseeing adherence to Ethical code, Anti-corruption policy and Code of Conduct
- Set of **internal documents and rules** governing behavior and actions of all employees including whistleblowing mechanism
- **Dedicated committees** to govern multiple aspects and their orientation towards CZG goals – **Compliance and Ethics committee** established in September 2021



ENVIRONMENTAL



- Manufacture of weapons classified as **low carbon** according to the EU taxonomy compass
- Commitment to corporate environmental transparency through **CDP disclosure**
- Comprehensive solutions to management of operating liquids, wastewater treatment, recycling/ reusing of waste supported by **high standard environmental compliance policies**
- Business partners and supply chain are regularly **assessed against environmental criteria**

8 Notes: 1 – Support of armed forces, police and emergency services, financial sponsorship for child oncology in Brno and many more
2 – Non-profit organization for families of veterans, fallen and disabled members of military in the USA

CZG is ready to prioritize and accelerate deliveries for NATO & EU M&LE forces

Section: Corporate responsibility



M&LE focus product portfolio



Portfolio



Product family

CZ Bren 2
CZ Scorpion EVO
CZ polymer pistols

C20 rifle
M4 & M5
M16

Vests
Helmets
Other functional wear

Selected M&LE references

Military and law enforcement units

Australia, Canada, Czech Republic, Denmark, Denmark, Hungary, Jordan, Malaysia, Netherlands, New Zealand, Poland, Portugal, Romania, Slovakia, Sweden, Thailand, United Kingdom, United States

Police and/or border guards

Albania, Brazil, Canada, Chile, Colombia, Czech Republic, Germany, Greece, Indonesia, Israel, Kenya, Malaysia, Mexico, Poland, Romania, Singapore, Slovakia, Taiwan, Thailand, Vietnam, United States

Special forces

France, Indonesia, Italy, Portugal, United Kingdom, United States



„In connection with the development of the security situation in the Eastern Europe, we are ready to prioritize and accelerate deliveries for our customers from the M&LE forces, especially from NATO and EU countries.“

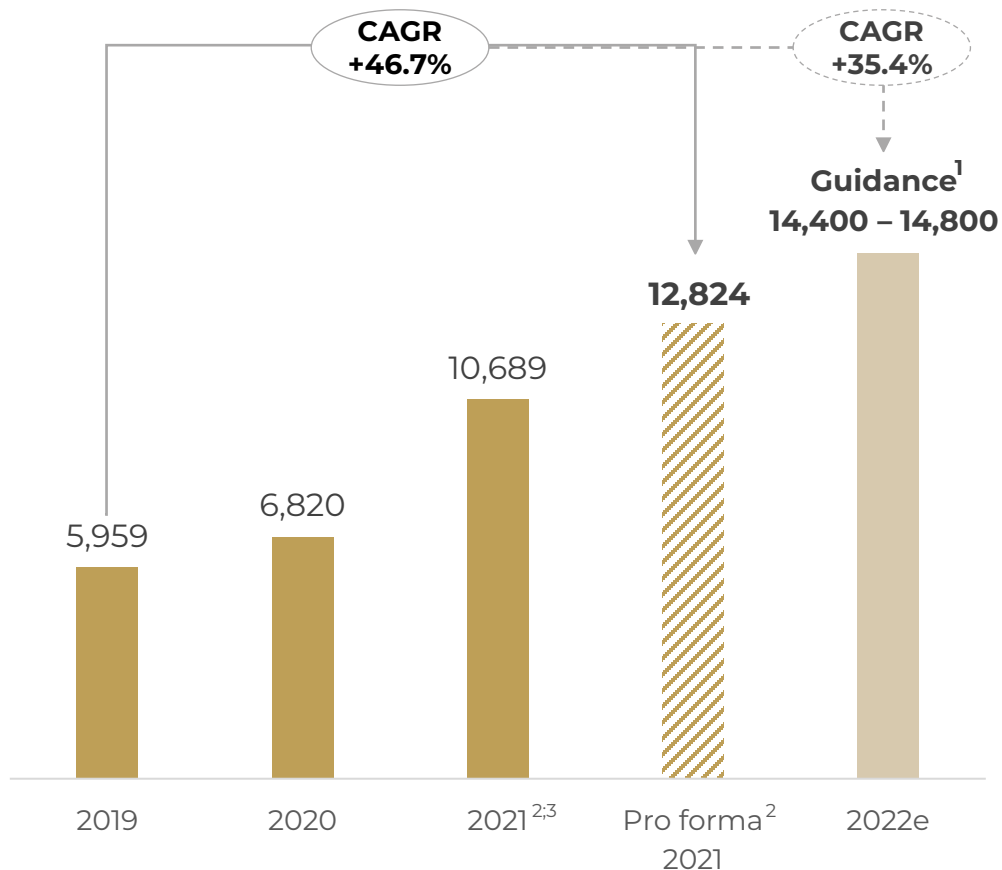


Management expects the Adjusted EBITDA in FY22e to surpass CZK 3 b

Section: Financial highlights

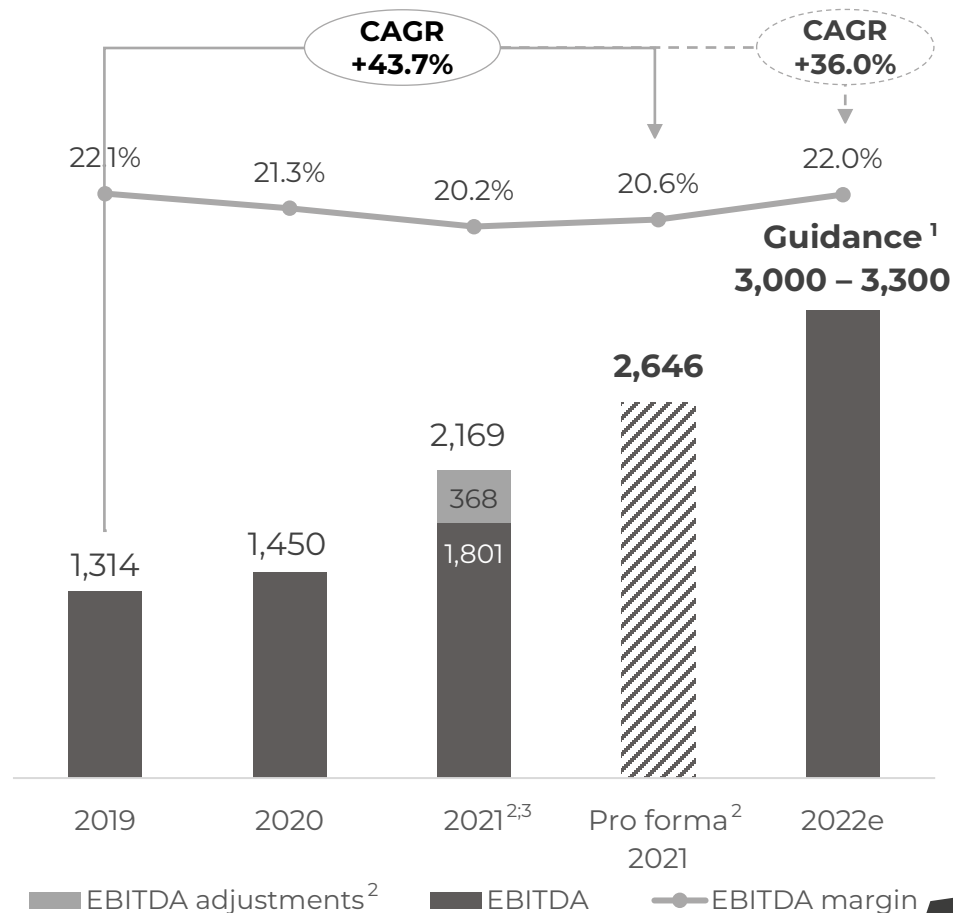
Revenues

CZKm



Adjusted EBITDA

CZKm



Source: Unaudited Consolidated Financial Statements for the Period Ended 31 December 2021

Notes: 1 – Guidance is based on management expectations as of the date of the presentation

2 – Adjusted by Colt acquisition costs, impairment of assets related to Little Rock project, one-off inventory step up, and increase in the CZ-USA inventory provision. (Breakdown of adjustments available on page 17)

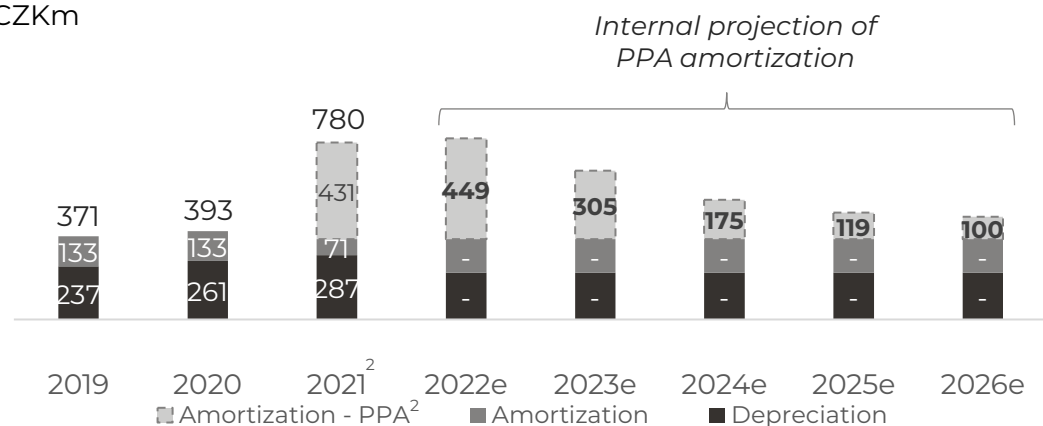
3 – Consolidation of Colt Holding LLC since 21/05/2021

3 CZG BoD propose CZK 25 dividend per share

Section: Financial highlights

D&A impact on net profit and EPS

CZKm



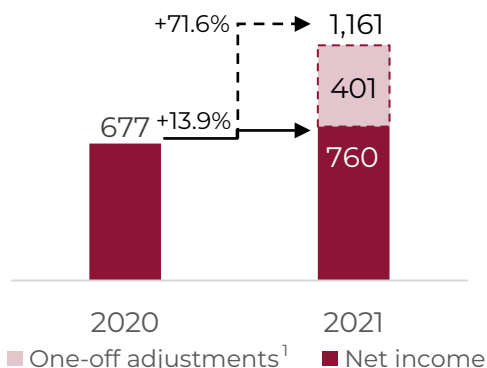
Dividend per share

CZK



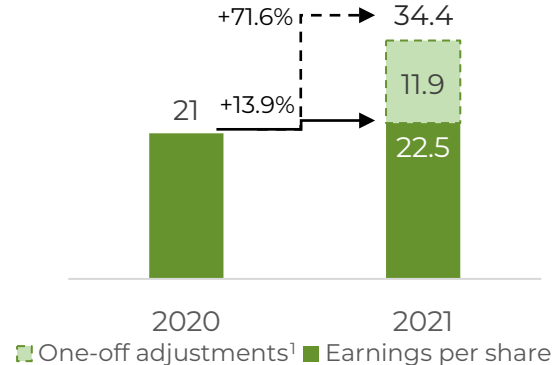
Adjusted net profit

CZKm



Adjusted EPS

CZKm



Comment

- Increase in Amortization due to **Purchase Price Allocation** significantly affecting Net profit/EPS (impact on EPS in 2021 approx. CZK 12.8)
- Proposed **dividend pay-out corresponds to the ~72% of Adjusted Net profit** generated in FY2021

Source: Unaudited Consolidated Financial Statements for the Period Ended 31 December 2021

Notes: 1 – Adjusted by Colt acquisition costs, impairment of assets related to Little Rock project, one-off inventory step up, increase in the CZ-USA inventory provision, bond issue related costs and earnout costs (Breakdown of adjustments available on page 18)

2 – PPA amortization in 2021 corresponds only to the ~7 months of 2021, more precisely since the date of Colt acquisition 21/05/2021

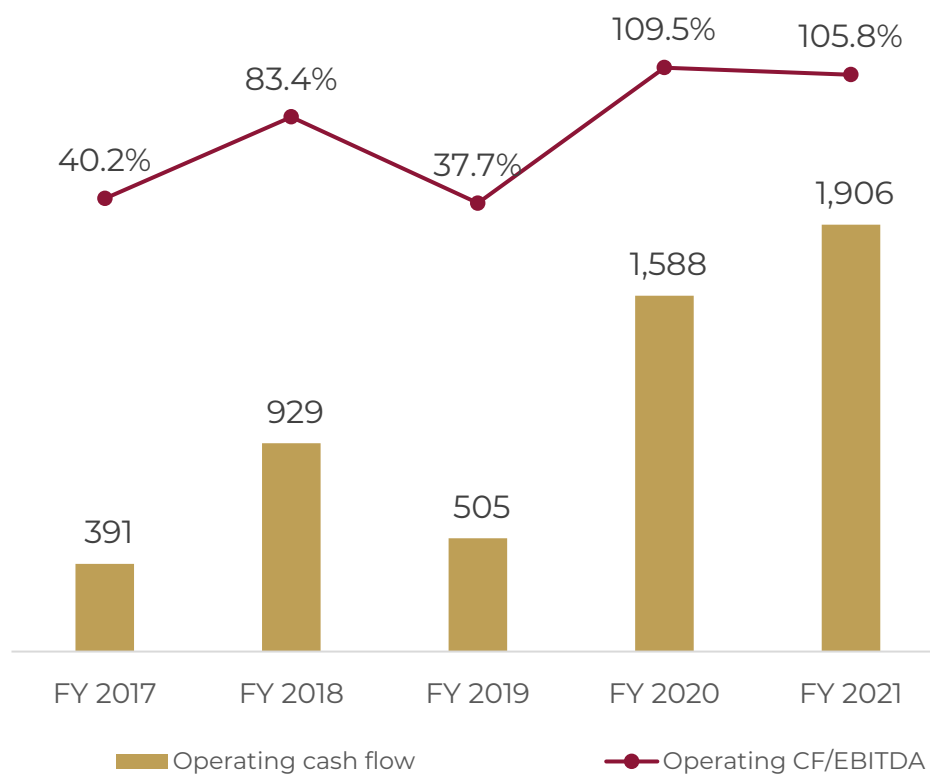
3

Management guidance for CAPEX at $\leq 5.0\%$ of revenues

Section: Financial highlights

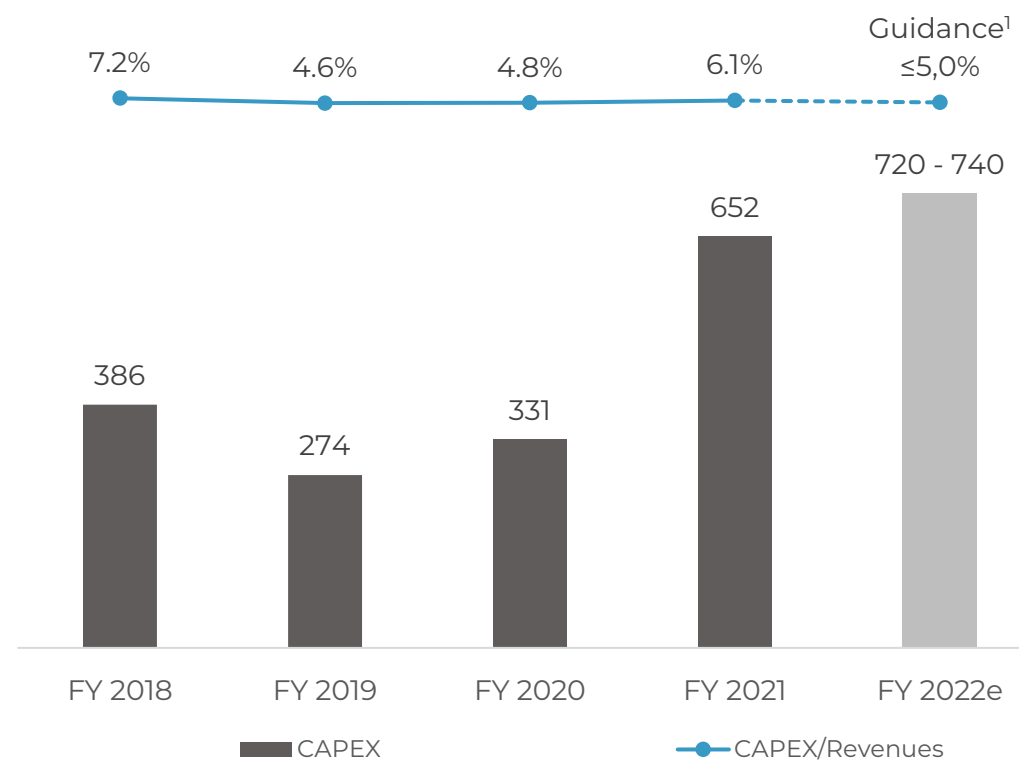
Operating cash flow

CZKm



Capital expenditures

CZKm



¹² Source: Unaudited Consolidated Financial Statements for the Period Ended 31 December 2021 (incl. consolidation of Colt Holding LLC since 21/05/2021)

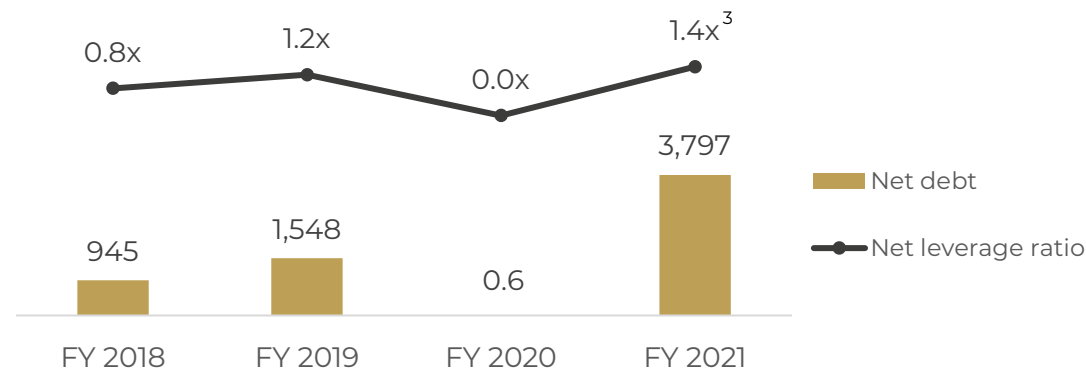
Notes: 1 – Guidance is based on management expectations as of the date of the presentation

Strong financial position and prolonged debt maturity profile

Section: Financial highlights

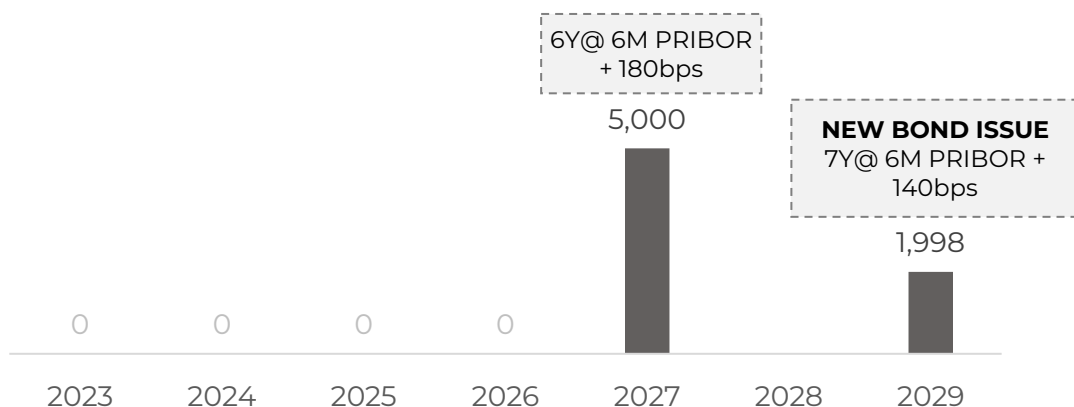
Net financial debt¹ and Net leverage ratio²

CZKm



Debt maturity profile

CZKm



Comments

- In 01/2022 **CZG issued 7Y bonds** in the amount of CZK 1 998M to partially refinance current CZUB bonds due in early 2022
- In terms of FX hedging strategy, CZG **successfully hedged >50% of expected 2022 exposure in USD** (at average rate of 23.75 USDCZK) and **>80% of expected 2022 exposure in EUR** (at average rate of 26.15 EURCZK), using mainly forwards and FX put options
- CZG hedged the interest rate risk of around 100% of our net debt, the **effective weighted average interest rate** paid in CZK/EUR and USD is **~2.7% p. a**

Source: Consolidated Financial Statements for the Period Ended 31 December 2021 (incl. consolidation of Colt Holding LLC since 21/05/2021)

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







2 – Net leverage ratio is defined as the ratio of net financial debt at the end of the period to EBITDA

3 – As for Net leverage ratio for FY 2021, used Adjusted proforma EBITDA

4

Colt integration is progressing according to the plan

Section: Efficiency initiatives

Area	Main objective		Status
	Cross functional	Process improvement across the CZUB organization (main areas involved: procurement, sales and distribution chain)	Finalized
	Finance	Consolidation of CZ-USA and Colt finance function under one roof	Finalized
	Sales	Re-organization of sales structure across the entire Group	Finalized
	Manufacturing	Ability to assemble and produce CZ products in the West Hartford production facility	Ongoing
	R&D	Joint development of new products supported by both CZUB and Colt R&D teams	Ongoing
	Supply chain	Distribution of Colt products through the CZUB distribution channels <i>(especially in Europe)</i>	Ongoing

CZG M&A APPROACH



Monitors **acquisition opportunities** among **competitors with strong military and law enforcement** market presence



Considers acquisitions of **selected producers of complementary products** (e.g. optics, opto-electronics or ammunition)

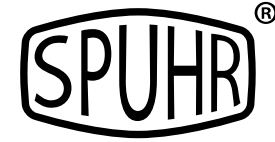


Intends to focus on increasing the penetration of Military & Law Enforcement markets, **particularly in Western Europe and USA**



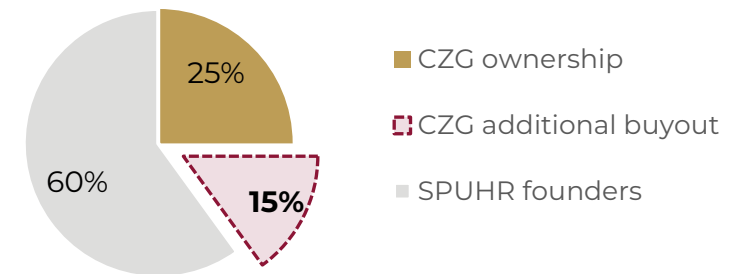
Targets an Enterprise Value ranging from **EUR 50m-300m**, to be financed by **mix of debt and equity**

CZG follows a disciplined approach towards the M&A



In Q2 2022, CZG plans to execute its call option for **additional purchase of 15% equity stake in SPUHR** i Dalby, resulting in total of 40% CZG ownership by the end of Q2 2022

Ownership structure



Time for your questions

Section: Q&A

THANK YOU FOR YOUR ATTENTION

4 Appendix – Adjusted EBITDA reconciliation

Unaudited consolidated financial results

CZK '000 / %	FY 2021
Net income	760,046
Tax expenses	(171,0186)
Financial income (expense), net	(80,049)
Operating profit (EBIT)	1,011,181
Depreciation & amortization	(789,623)
Depreciation	(287,396)
Amortization	(502,227)
Purchase price allocation	(431,115)
EBITDA¹	1,800,804
Costs relate to Colt acquisition – Inventory step up	(162,435)
Costs related to Colt acquisition – Advisory/due diligence	(144,087)
One-off CZUSA inventories provision & impairment of assets related to Little Rock project	(61,471)
Adjusted EBITDA¹	2,168,797

4 Appendix – Adjusted Net profit reconciliation

Unaudited consolidated financial results

CZK '000 / %	FY 2021
Earnings before tax	931,132
Tax expenses	(170,086)
Net income	760,046
Costs relate to Colt acquisition – Inventory step up	(162,435)
Costs related to Colt acquisition – Advisory/due diligence	(144,087)
One-off CZUSA inventories provision & impairment of assets related to Little Rock project	(61,471)
Bond issue related costs	(4,059)
Earn-out related costs ¹	(118,868)
Adjusted earnings before tax (Adj. EBT)	1,422,052
Effective tax rate on Adj. EBT (~18.36%)	(261,040)
Adjusted Net Income	1,161,012

4 Appendix – Profit and loss statement

Unaudited consolidated Profit & loss statement

CZK '000 / %	FY 2021	FY 2020	change
Revenues from the sale of own products, goods and services	10,688,927	6,819,673	56.7%
Other operating income	61,679	67,999	(9.3%)
Changes in inventories of finished goods and works in progress	160,441	-380,396	(142.2%)
Own work capitalised	139,611	123,511	13.0%
Raw materials and consumables used	(5,133,946)	(2,736,016)	87.6%
Services	(1,764,899)	(1,094,683)	61.2%
Personnel costs	(2,088,146)	(1,299,086)	60.7%
Depreciation	(287,396)	(260,925)	10.1%
Amortisation	(502,227)	(132,571)	278.0%
Other operating expenses	(162,992)	(122,878)	32.6%
Allowances	(99,871)	71,691	-
Operating profit	1,011,181	1,056,319	(4.3%)
Interest income	50,038	17,280	189.6%
Interest expense	(204,985)	(76,504)	167.9%
Other financial income	32,488	513	6232.9%
Other financial expenses	(168,509)	(66,218)	154.5%
Income/loss from derivatives transactions	184,139	(101,255)	-
Share in the profit of associates	26,780	20,888	28.2%
Profit before tax	931,132	851,023	9.4%
Income tax	(171,086)	(174,452)	(1.9%)
Profit for the period from continued operations	760,046	676,571	12.3%

4 Appendix – Balance sheet 1/2

Unaudited consolidated Balance sheet – Assets

CZK '000 / %	FY 2021	FY 2020
Non-current assets		
Property, plant and equipment	2,810,115	2,050,783
Intangible assets	3,505,464	770,194
Long-term receivables	70,162	37,000
Equity-accounted securities and investments	109,030	110,524
Deferred tax asset	0	2,825
Financial derivatives	171,195	436,267
Goodwill	2,390,127	280,686
Financial instruments and other financial assets	0	259,260
Total non-current assets	9,056,093	3,947,539
Current assets		
Inventories	2,861,673	1,622,702
Trade receivables	1,012,879	589,186
Current tax receivables	6,357	34,334
Other receivables	373,690	130,819
Financial derivatives	156,118	93,303
Cash and cash equivalents	3,573,467	2,358,608
Total current assets	7,984,184	4,828,952
Total assets	17,040,277	8,776,491

4 Appendix – Balance sheet 2/2

Unaudited consolidated Balance sheet – Equity and liabilities

CZK '000 / %	FY 2021	FY 2020
Equity		
Share capital	3,374	3,264
Capital funds	2,688,289	2,478,885
Accumulated profits	2,538,784	2,027,994
Equity attributable to the shareholder of the Company	5,230,447	4,510,143
Non-controlling interests	0	12,543
Total equity	5,230,447	4,522,686
Non-current liabilities		
Bank loans and borrowings	5,000,000	2,250,000
Finance lease payables	32,606	75,939
Deferred tax liability	800,612	324,145
Provisions	63,695	754
Other long-term payables	32,779	160
Financial derivatives	270,515	268,219
Other Financial instruments and fin. liabilities	372,531	0
Employee benefit liabilities	357,707	6,836
Total Non-current liabilities	6,930,445	2,926,053
Current liabilities		
Trade payables	1,116,373	540,621
Bank loans and borrowings	2,317,579	40,747
Lease payables	20,695	11,436
Provisions	50,780	10,649
Current tax payables	76,156	12,682
Other payables	1,074,021	655,267
Financial derivatives	20,097	55,372
Other Financial instruments and fin. Liabilities	185,568	0
Employee benefit liabilities	18,116	978
Total current liabilities	4,879,385	1,327,752
Total liabilities	11,809,830	4,253,805
Total liabilities and equity	17,040,277	8,776,491

4

Appendix – Cash flow statement 1/2

Unaudited consolidated Cash flow statement

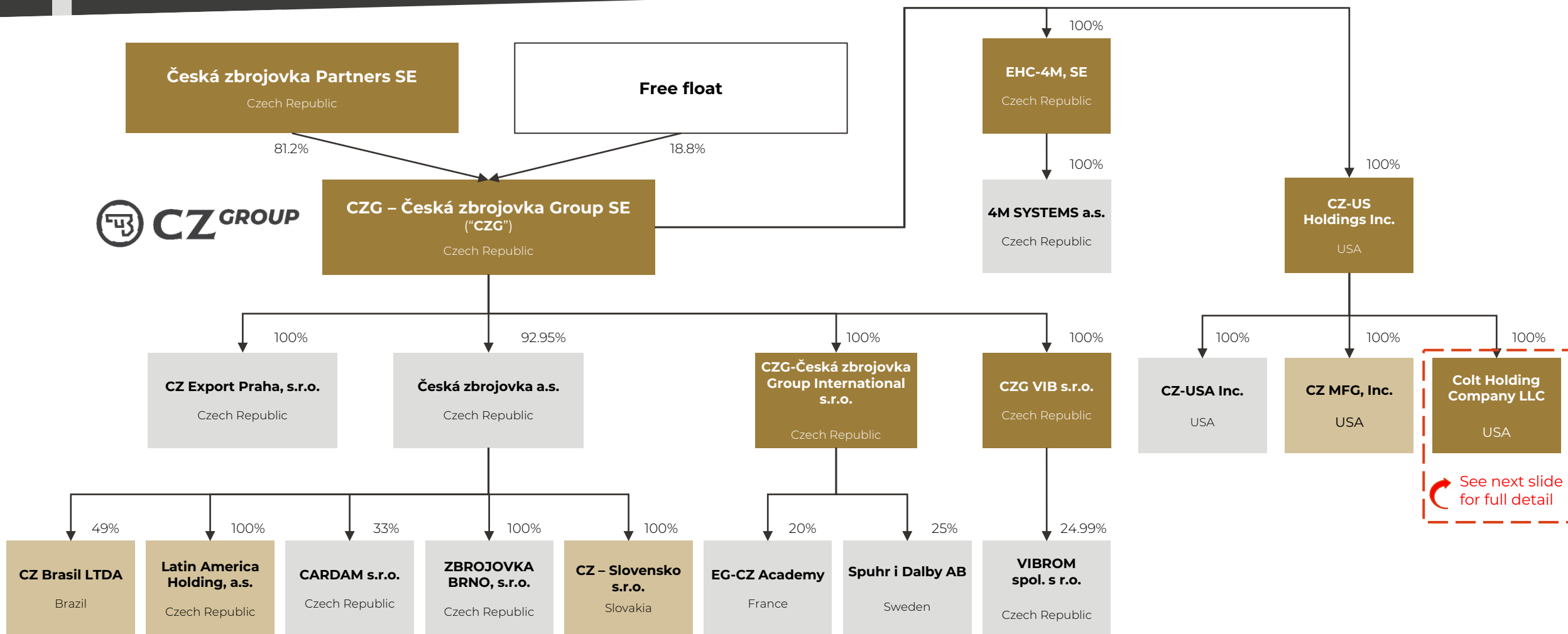
CZK '000	FY 2021
Cash flows from ordinary activities	
Profit/(Loss) for the period before tax	931,132
Adjustments for:	
Depreciation and amortization of fixed assets	789,622
Change in provisions and other adjustments	139,546
Profit(-) (Loss(+)) on sale of fixed assets	(2,340)
Revenue from dividends and profit distribution	-
Expense and revenue interest accounted for	154,947
Share of (profit)/loss of associates, net of tax	(26,780)
Effect of unrealized FX differences	(149,784)
Other non-cash transactions	(30,751)
Net operating cash flow before taxation and changes in working capital	874,449
Change in trade and other receivables	344,108
Change in trade and other payables	(58,269)
Change in inventories	(410,096)
Cash generated from (used in) operations	2,239,435
Interest paid excluding amounts capitalised	(84,098)
Interest received	-
Income taxes paid on ordinary income and income tax relating to prior periods	(249,620)
Dividends received	-
Net cash generated from/(used in) operating activities	1,905,716
Cash flows from investing activities	
Acquisition of tangible fixed assets	(592,417)
Acquisition of intangible fixed assets	(59,530)
Proceeds from sale of tangible and intangible fixed assets	-
Acquisition of subsidiaries – net of cash	(5,527,993)
Acquisition of subsidiaries – cash	319,499
Acquisition of subsidiaries – change in consideration transferred not paid (earn out liability)	-
Proceeds from sale of subsidiaries	(595)
Acquisition of other investment	-
Proceeds from sale of other investments	-
Change in non-controlling interest	-
Loans provided	74,000
Loans provided - repayments received	(19,628)
Pension & Post-retirement health plan - settlement & paid	(5,806,664)
Net cash used in investing activities	(5,248,554)

4 Appendix – Cash flow statement 1/2

Unaudited consolidated Cash flow statement

CZK '000	FY 2021
Cash flows from financing activities	
Public offer of shares	416,377
Dividends paid to owners	(253,025)
Dividends paid to non controlling interests	(8,101)
Loans received	-
Repayment of loans and interest payable	-
Repayment of leasing	-
Cash flow hedge – revaluation of effective portion of hedging instruments	(38,771)
Income from bond emission	5,000,000
Net cash used in financing activities	5,116,480
Net decrease in cash and cash equivalents	1,215,532
Effect of foreign exchange rate changes	(673)
Cash and cash equivalents at beginning of year/period	2,358,608
Cash and cash equivalents at end of year/period	3,573,467

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Appendix – Company structure¹

HOLDING COMPANIES

OPERATING COMPANIES

NO ASSET COMPANIES

ACQUIRED COLT ENTITY

4

Appendix – Company structure¹

