



OVER 30 YEARS OF INNOVATION

## PRESS RELEASE

### Ongoing Macro-economic and Industry Challenges Continue to Weigh on Business Environment and Results

- Economic uncertainties in U.S. and China continue to impact consumer confidence and retail sales
- Competition from lab grown diamonds (LGD), primarily in U.S., continues to weigh on natural diamond sales and to drive reduction in polishing activities in midstream
- Group revenues for Q3 2023 decline 28% y-o-y to US\$ 10.4M; Group records loss of just under US\$ 1M for the quarter
- Collaboration on traceability with DeBeers Tracr™ established to target global cross border opportunities
- Aggressive adaptation effort under way for e-Grading™ roll out for rapidly expanding LGD market segment in late Q4 2023
- Revolutionary Advisor® planning software release with significant added value for smaller diamonds scheduled for early 2024
- Board of Directors announces off-market equal access buyback offer

Hod Hasharon (Israel) 19 November 2023 - Singapore Exchange Mainboard and Tel Aviv Exchange listed Sarine Technologies Ltd ("**Sarine**" and along with its subsidiaries "**the Group**") (U77:SI; SARN.TA), a worldwide leader in the development, manufacturing, marketing and sale of precision technology products for the evaluation, planning, processing, measurement, grading and trading of diamonds and gems, wishes to update the public on industry conditions and business results for the quarter and 9 months ended 30 September 2023.



### Review of Q3 and 9M 2023

The macro-economic uncertainties in the U.S. continue to affect consumer confidence and retail sales. Economic woes in China have prevented the expected retail recovery in the second most important market for polished diamonds. These two key factors led to a decline in the sale of polished diamonds and a drop in their prices. Accordingly, Indian manufacturers strove to reduce inventories, especially going into the second half of the year, in anticipation of possibly weaker holiday seasons and ongoing competition from LGD in the U.S., as well as ahead of likely new G7 sanctions on Russian diamonds, anticipated for early 2024. The quantities of rough diamonds entering the pipeline have therefore decreased significantly, with DeBeers sights showing a 35% decline for the year and a 53% decline for their sights in H2 2023 so far. The latest sight in October was a mere US\$ 80 million (82% down y-o-y), as sight holders were allowed to refuse all their allocations. India's two-month voluntary freeze on rough imports, which went into effect October 15, has further helped reduce inventories, as has a late spurt of buying by US jewelers completing their holiday purchases and seeking goods before India's Diwali break in November. The US jewelers' purchasing activities actually drove polished diamond prices up somewhat, reversing a year-long downward trend.

With the decline in the quantities of rough diamonds entering the pipeline, commensurately reduced manufacturing activities were evident. Appropriately, our traditional businesses of selling capital equipment and, to a lesser extent, our inclusion scanning services, were impaired. As our inclusion scanning services are primarily on the larger higher-end rough diamonds, they are more resilient to a slowdown in overall diamond manufacturing and were less impacted. The holiday outlook remains uncertain, and budget-focused shoppers in the U.S. may show a further shift to LGD, further denting sales of 1- to 2-carat naturals. The extent of this trend, and the overall end-of-year holiday season in the West and the Chinese New Year buying early in 2024, will determine how fast the natural diamond industry recovers.

Group revenue and net profit for the nine months ended 30 September fell 25% and 100% respectively year over year to US\$34 million and US\$0 million respectively. Capital equipment sales in the third quarter dropped significantly, and, with no Galaxy®-family inclusion mapping systems delivered in the quarter, our installed base remained at 823 systems. Overall recurring revenues for Q3 and 9M 2023 were 72% and 64% of our overall revenue. Our new businesses relating to rough and polished diamond wholesale and retail related ("Trade-related services") activities, bolstered by our acquisition of the New York GCAL lab, continued to show growth. Trade-related revenues accounted for about 32% and 21% of our overall revenue in Q3 and 9M 2023.

The loss in Q3 2023 and the decline in profitability in 9M 2023 were mainly due to lower revenue and a lower gross profit margin resulting from lower revenue and product mix. To compensate for reduced midstream polishing activity, the Group is taking immediate steps to reduce operating expenses already in Q4 2023.



## Prospects

Overall industry conditions are likely to remain challenging for the rest of FY2023. Our traditional businesses of selling capital equipment and, to a lesser extent, our Galaxy scanning services, will remain affected under negative market conditions. However, the significant reduction in the supply of rough diamonds will reduce polished inventories and contribute to price stabilisation and eventual recovery, expected in the first half of 2024.

ESG issues are becoming increasingly important for investors, consumers and high-end retailers. With new sanctions on Russian-sourced diamonds expected to be announced in early 2024, we believe our readily scalable traceability technologies, along with our announced collaboration with Tracr™, position us favorably to provide the necessary infrastructure to accommodate the new obligations. We therefore expect increased revenues in 2024 from our traceability offerings, the Sarine Diamond Journey™ and our newly-released Sarine AutoScan™ Plus, the first of which has already been delivered to Dubai diamond wholesaler Star Gems, as announced.

Following our acquisition of GCAL in May, we are now providing GCAL-branded grading reports for both natural and LGD diamonds from our New-York based GCAL lab. Towards the end of the year, as the integration between the GCAL lab processes and our AI-derived grading technologies is completed, we will commence offering grading reports also in India, with the rapidly expanding and cost-sensitive LGD market segment to be aggressively targeted. We have also introduced a unique business model to encourage utilisation of our e-Grading™ paradigm by natural diamond suppliers, initially for internal grading purposes.

Lastly, to further bolster our position as the industry leader for natural diamond planning, we will be introducing in early 2024 a new algorithm to provide substantial added value for the expansive market of smaller rough stones.

The Board of Directors announced today, 19 November 2023, an Off-Market Equal Access Share Buyback Offer to improve Shareholder value and provide Shareholders with an opportunity to realise their investments in the Shares at a premium over recent market prices of the Shares without incurring transaction costs. For more details, please refer to the appropriate announcements posted today.

**Note:** Following the brutal and reprehensible attacks on Israel on 7 October 2023, the Israeli Government declared a state of war against the Hamas, and significant numbers of army reserves were mobilised - at this time some 10% of the Group's manpower are mobilised. Notwithstanding the considerable effects of the events on the Israeli society and economy as a whole, management has evaluated the potential disruptions to the Group's supply chain, manufacturing, sales and marketing and research and development activities, and has prepared appropriate contingency plans. Management is continuing to closely monitor developments on an ongoing basis, and will update the public on any material developments.

### **About Sarine Technologies**

Established in 1988, Sarine Technologies Ltd. is a worldwide leader in the development and manufacturing of advanced modeling, analysis, evaluation, planning, processing, finishing, grading and trading systems for diamonds. Sarine products include the Galaxy® family of inclusion and tension mapping systems, rough diamond planning and optimisation technologies, laser cutting and shaping tools, laser-marking, inscription and fingerprinting equipment, automated (AI-derived) Clarity, Color, Cut and light performance grading systems and traceability, visualisation and retailing services. Sarine systems have become standard tools in every modern manufacturing plant, properly equipped gemology lab and diamond appraisal business, and are essential aids for diamond polishers, dealers and retailers. For more information about Sarine and its products and services, visit <http://www.sarine.com>

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