

Q1 2025 Report¹

Net profit USD 2,912 thousand

Sales Revenues of USD 11,645 thousand

Order Backlog as of March 31, 2025 of USD 26,419 thousand

Ness-Ziona (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the first quarter of 2025 (three-month period ending March 31, 2025).

Net profit for the first three months of 2025 totaled USD 2,912 thousand (25%).

Sales revenues for the first three months of 2025 totaled USD 11,645 thousand.

Order backlog of the Group as of March 31, 2025, was USD 26,419 thousand (December 31, 2024 - USD 25,165 thousand). The backlog is composed of the Company and its two fully owned subsidiaries firm orders.

In the first quarter of 2025 the global slowdown environment continued. It seems that, decrease in demand, excess inventory levels and the high interest rate are factors influencing customers' activity and sometimes resulting in push-out of scheduled deliveries up on their needs. High prices of raw materials and high manpower costs remain relevant too. Management estimates these trends are going to continue in the coming months.

On March 12, 2025, the Company's US subsidiary entered into agreements aiming at: (a) acquiring 100% of the issued and paid-up share capital of SI Manufacturing, Inc., a corporation incorporated under the laws of California (hereinafter: "SI") in exchange for payment of total consideration of approximately USD 5.6 million (hereinafter: the "Share Purchase Agreement"). SI manufactures and sells electronic coils, assembling power supplies and custom magnetic components for customers in various industrial sectors including transportation, aviation, space and defence. The Share Purchase Agreement includes additional contingent consideration of up to USD 500 thousand based on SI performance during 2025; (b) acquiring the real property, for a total amount of USD 4.4 million, on which the SI's factory is built, [such factory being] owned by RSG Holdings LLC, a corporation incorporated under the laws of California (hereinafter: "RSG Holdings") and partly held by the Chairman of SI who is also a shareholder thereof (45%) as well as by two of the founders of SI who currently provide consulting services to SI as independent contractors (hereinafter: the "Real Property Purchase Agreement"), and (c) entering into employment/consulting agreements with the CEO of SI and a senior engineering service provider of SI, which will come into effect as of the closing date and include customary terms for agreements of this type, all in accordance with the provisions of the agreements (the "Transaction"). The completion of the Transaction is subject to the fulfillment of several conditions precedent detailed in the Share Purchase Agreement, including, among others, the transfer of ownership of the real property in accordance with the Real Property Purchase Agreement, as well as the provision of notices and obtainment of required regulatory approvals in the United States and certain other third-party consents. The financing of this acquisition will be through a loan between the Company and its fully owned US subsidiary, as well as from the subsidiary's own equity.

It is noted that the above statements are forward-looking statements as defined below.

¹ The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements as at December 31, 2024.

Key financial highlights for the first three months of 2025

Sales revenues

The Group's sales revenues for the three-month period ended March 31, 2025, were USD 11,645 thousand compared with USD 12,642 thousand in the three-month period ended March 31, 2024, reflecting 8% decrease mainly explained by the global economic slowdown and deliveries pushouts.

Cost of sales & gross result

The Group's gross profit for the three-month period ended March 31, 2025 amounted to USD 5,205 thousand (45% of sales) compared with USD 5,596 thousand (44% of sales) in the three-month period ended March 31, 2024. The gross margin is mainly affected by sales product mix and production sites.

Expenses

The Group's General & Administrative expenses, for the three-month period ended March 31, 2025, were USD 1,310 thousand and USD 1,047 thousand in the three-month period ended March 31, 2024. The increase relates mainly to an increase in management & administrative employer costs, benefits and other incentives, as well as an increase in computing expenses.

Selling & marketing expenses are mainly comprised of: (1) commissions to the Group's reps and Marketing Personnel, which are calculated as a portion of sales, however it is further explained that not all the sales are subject to reps' commissions and of (2) other selling expenses (fixed) based on management policy. The Group's marketing efforts are concentrated through participation in major power electronic shows around the world and by collaborating with its worldwide reps Network. The Group's selling & marketing expenses for the three-month period ended March 31, 2025 were USD 516 thousand (4.4%) and USD 557 thousand (4.4%) in the three-month period ended March 31, 2024.

The Group's development costs - Payton's strategy is aimed at maintaining the leadership of Planar Technology. The Engineering Department works in conjunction with the engineering departments of the forerunners of today's global technology. Development costs are mainly incurred to design and customize products for specific orders. These development costs, mainly engineering labor costs, are based upon time expended by the department's employees. The Group's development costs for the three months ended March 31, 2025 were USD 433 thousand compared with USD 369 thousand in the same period last year. The increase in this item resulted mainly from enlargement of the engineering team as well as increase of labor cost and other employees' benefits.

Operating & financial results

The total *operating income* for the first quarter of 2025 amounted to USD 2,946 thousand compared to USD 3,633 thousand in the same period last year. During the first three months of 2025, Payton recorded a net *finance income* of USD 604 thousand compared to a net finance income of USD 538 thousand for the first three months of 2024.

Taxes on income

Taxes on income for the three-month period ended March 31, 2025 were USD 627 thousand compared to USD 674 thousand for the three-month period ended March 31, 2024.

Result of the period

The total result for the first quarter of 2025 was a net profit of USD 2,912 thousand, compared to USD 3,491 thousand for the three-month period ended March 31, 2024.

Balance sheet - cash position

Cash and cash equivalents, Short-term Deposits and marketable securities - these items amounted to a total of USD 59,959 thousand as at March 31, 2025, compared to USD 58,088 thousand as at December 31, 2024 and USD 51,432 thousand as at March 31, 2024.

The Company presents an increase in Cash and cash equivalents attributed mainly to the Company's profitability. The Group's management believes a solid financial position is an important factor in business operation.

Trade accounts receivable - these amounted to USD 9,012 thousand as at March 31, 2025 compared with USD 7,925 thousand as at December 31, 2024 and USD 7,778 thousand as at March 31, 2024. The increase in accounts receivable resulted mainly due to timing differences arising from revenue recognition and from a temporary increase in few customers payment terms.

Other investment - as at March 31, 2025 and December 31, 2024, this amounted to USD 2,733 thousand compared with USD 900 thousand as at March 31, 2024. This item represents the Company's investment in shares of CaPow Technologies Ltd. (hereinafter: "CaPow"), an Israeli startup in the field of wireless charging solution. In May 2024, the Company exercised its warrants to purchase additional 4,489 shares, and keep its holding share, against payment of USD 333 thousand (representing 1.2 times the original purchase price). In September 2024, the Company participated in a second fundraising round with an additional investment of USD 1.5 million. The Company holds about 7% of the shares of CaPow and following the additional investment, the Company was granted representation on CaPow's Board of Directors. The Company has a professional and business interest in being involved in new developments in this area and sees CaPow as a strategic investment.

Trade payables - amounted to USD 1,177 thousand as at March 31, 2025 compared with USD 1,261 thousand as at December 31, 2024 and USD 3,694 thousand as at March 31, 2024. The decrease in this item compared to March 31, 2024, resulted mainly from an increase in advance payment to a principal subcontractor as well as from purchases decrease near the report dates which was in line with the business activity.

Dividend payables - as of March 31, 2025, amounted to USD 5,301 thousand. This dividend was announced on March 27, 2025 and will be paid on June 9, 2025.

Cash flow statement

Cash flows generated from operating activities for the three-month period ended March 31, 2025, amounted to USD 2,203 thousand, compared with cash flows generated from operating activities of USD 5,628 thousand for the three-month period ended March 31, 2024. The decrease in cash flows from operating activities was generated mostly from the increase in trade accounts receivable balances, decrease in the net profit for the period, as well as from other non-cash adjustments and changes in assets and liabilities.

Cash flows generated from investing activities in the three-month period ended March 31, 2025, amounted to USD 1,912 thousand, compared with cash flows generated from investing activities at the amount of USD 4,160 thousand in the three-month period ended March 31, 2024. Cash flows from investing activities generated mainly from bank deposits proceeds.

Cash flows used for financing activities in the three-month period ended March 31, 2024, amounted to USD 10,072 thousand, representing a dividend payment (announced on January 24, 2024) and was paid on March 2024.

Outlook & Global Environment changes

In the first quarter of 2025 the global slowdown environment continued. It seems that, decrease in demand, excess inventory levels and the high interest rate are factors influencing customers' activity and sometimes resulting in push-out of scheduled deliveries up on their needs. High prices of raw materials and high manpower costs remain relevant too. Management estimates these trends are going to continue in the coming months.

Furthermore, in 2025, the Group plans to complete and integrate the purchase of SI MANUFACTURING, INC, in order to expand Group activity and global presence.

It is noted that the above statement is a forward-looking statement as defined below.

The complete financial statements and the quarterly report are available for downloading in the investors section of www.paytongroup.com.

Note - forward-looking statements:

This document contains certain forward-looking statements and information relating to the Company that are based on the beliefs of the Management of the Company as well as assumptions made by and information currently available to the Management of the Company. Such statements reflect the current views of the Company with respect to future events. Management emphasize that the assumptions do not in any way imply commitment

towards realization. The outcome of which is subject to certain risks and other factors which may be outside of the Company's control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein as projected, anticipated, believed, estimated, expected or intended.

Reference in this document to forward looking statement shall be by stating that such information is given by way of estimation, evaluation, assessment, intentions, expectations, beliefs and similar terms, but it is possible that such information shall be given under other phrases.

About us

Payton Planar Magnetics Ltd., an Israeli-based high-tech company, designs, manufactures and markets Planetics®, its customized line of planar transformers, conventional transformers and inductors to Original Equipment Manufacturers and their suppliers of power electronics. The group currently employs 170 people (including executive officers). Planar Magnetic Components are used in end products in various industries, including Telecommunications, cellular infrastructure, welding machines, High-reliability/Avionics, portable equipment and consumer goods. Planar Magnetics is a revolutionary design technology that is superior to conventional transformers and inductors, and has already been accepted by electronics design engineers as the state-of-the-art in high frequency power electronics design. Payton Planar Magnetics is a subsidiary of Payton Industries, headquartered in Israel, and has manufacturing and marketing operations in Israel, United States and in the U.K. Payton Planar Magnetics is publicly traded on the Euronext stock exchange in Brussels (ticker: PAY).

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Annex: Selected Financial Statements

Key financial figures – Payton Planar Magnetics Ltd.

Condensed Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income - unaudited -

	For the three months ended March 31	
	2025	2024
	\$ thousands	\$ thousands
Revenues	11,645	12,642
Cost of sales	(6,440)	(7,046)
Gross profit	5,205	5,596
Development costs	(433)	(369)
Selling and marketing expenses	(516)	(557)
General and administrative expenses	(1,310)	(1,047)
Other income, net	-	10
Operating profit	2,946	3,633
Finance income	635	574
Finance expenses	(31)	(36)
Finance income, net	604	538
Share of profits (loss) of equity accounted investee	(11)	(6)
Profit before taxes on income	3,539	4,165
Taxes on income	(627)	(674)
Net profit	2,912	3,491
Other comprehensive income (loss) items that will not be transferred to profit and loss		
Share of other comprehensive income (loss) of equity accounted investee	3	(10)
Total other comprehensive income (loss), net of tax	3	(10)
Total comprehensive income	2,915	3,481
Earnings per share		
Basic and diluted earnings per share (in \$)	0.16	0.20

Condensed Interim Consolidated Statement of Financial Position - unaudited -

	March 31	
	USD 000	USD 000
	2025	2024
Current assets	75,007	66,257
Non-current assets	13,915	12,108
Total assets	88,922	78,365
Current liabilities	10,808	8,021
Non-current liabilities	1,591	1,713
Equity	76,523	68,631
Total liabilities and Equity	88,922	78,365

Condensed Interim Consolidated Statements of Cash Flows

- unaudited -

For the three months ended
March 31

	2025	2024
	\$ thousands	\$ thousands
Operating activities		
Net Profit	2,912	3,491
Adjustments:		
Depreciation	216	182
Taxes on income	627	674
Share of loss (profits) of equity accounted investee	11	6
Gain on sale of property, plant and equipment, net	-	(10)
Share-based compensation provided by controlling shareholder	113	-
Finance income, net	(576)	(518)
	<u>3,303</u>	<u>3,825</u>
Decrease (increase) in trade accounts receivable	(1,087)	1,768
Decrease (increase) in other accounts receivable	(587)	(185)
Decrease (increase) in inventory	500	(134)
Increase (decrease) in trade payables	1	(32)
Increase in other payables	58	208
Change in employee benefits	(1)	6
	<u>2,187</u>	<u>5,456</u>
Interest received	596	753
Income taxes paid, net	(580)	(581)
	<u>2,203</u>	<u>5,628</u>
Cash flows generated from operating activities		
Investing activities		
Proceeds from (investments in) deposits, net	2,224	4,235
Acquisition of property, plant and equipment	(312)	(93)
Investments in marketable securities	-	(108)
Proceeds from sale of property, plant and equipment	-	18
Proceeds from sale of marketable securities	-	108
	<u>1,912</u>	<u>4,160</u>
Cash flows generated from (used for) investing activities		
Financing activities		
Dividend paid	-	(10,072)
	<u>-</u>	<u>(10,072)</u>
Cash flows used for financing activities		
Net increase (decrease) in cash and cash equivalents	4,115	(284)
Cash and cash equivalents at the beginning of the period	23,148	26,921
Effect of exchange rate fluctuations on cash and cash equivalents	(23)	(7)
	<u>(23)</u>	<u>(7)</u>
Cash and cash equivalents at the end of the period	27,240	26,630