

Press Release

Eltek Reports 2020 Third Quarter Financial Results

- Revenues of \$9.3 million
- Gross profit of \$1.8 million
- Net Profit of \$598,000

PETACH-TIKVA, Israel, November 18, 2020 - Eltek Ltd. (NASDAQ: [ELTK](#)), a global manufacturer and supplier of technologically advanced solutions in the field of printed circuit boards, announced today its financial results for the quarter ended September 30, 2020.

Mr. Eli Yaffe, Chief Executive Officer, commented: "We are pleased that our third quarter results reflect the continuing trend of improved results. We are gratified that despite the global Covid-19 pandemic and its related challenges, we were able to achieve continued profitability and improve our operating profit from \$1.0 million in the first nine months of 2019 to \$2.1 million in the first nine months of 2020."

"We are operating in a challenging business environment and making the necessary adjustments to increase revenues, maintain the trend of improved operating efficiencies and reach sustained profitability," concluded Mr. Yaffe.

Highlights of the Third Quarter of 2020 compared to the Third Quarter of 2019

- **Revenues** for the third quarter of 2020 were \$9.3 million consistent with our revenues in the third quarter of 2019;
- **Gross profit** increased from \$1.75 million (18.9% of revenues) in the third quarter of 2019 to \$1.82 million (19.7% of revenues) in the third quarter of 2020;
- **Operating profit** increased to \$638,000 during the third quarter of 2020 as compared to operating profit of \$568,000 in the third quarter of 2019;

- **Net profit** was \$598,000, or \$0.14 per fully diluted share in the third quarter of 2020 compared to net profit of \$391,000, or \$0.09 per fully diluted share, in the third quarter of 2019;
- **EBITDA** was \$1.0 million in the third quarter of 2020 compared to EBITDA of \$940,000 in the third quarter of 2019;
- **Net cash provided by operating activities** amounted to \$873,000 in the third quarter of 2020 compared to net cash provided by operating activities of \$1.4 million in the third quarter of 2019.

Highlights for the First Nine Months of 2020

- **Revenues** for the first nine months of 2020 were \$27.2 million compared to \$26.2 million in the first nine months of 2019;
- **Gross profit** was \$5.5 million (20.3% of revenues) compared to gross profit of \$4.5 million (17.4% of revenues) in the first nine months of 2019;
- **Operating profit** was \$2.1 million in the first nine months of 2020 compared to operating profit of \$1.0 million in the first nine months of 2019;
- **Other expenses** were \$10,000 in the first nine months of 2020 as compared to other income of \$875,000 in the first nine months of 2019 which was attributable to an insurance payment related to a claim for damages incurred during 2018;
- **Net profit** was \$1.8 million, or \$0.42 per fully diluted share in the first nine months of 2020 compared to net profit of \$1.4 million, or \$0.40 per fully diluted share in the first nine months of 2019;
- **EBITDA** was \$3.2 million in the first nine months of 2020 compared to EBITDA of \$3.0 million in the first nine months of 2019;
- **Net cash provided by operating activities** amounted to \$3.7 million in the first nine months of 2020 compared to net cash provided by operating activities of \$2.7 million





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in the first nine months of 2019.

Conference Call

Today, Wednesday, November 18, 2020, at 8:30 a.m. Eastern Time, Eltek will conduct a conference call to discuss the results. The call will feature remarks by Eli Yaffe, Chief Executive Officer and Alon Mualem, Chief Financial Officer.

To participate, please call the following teleconference numbers. Please allow for additional time to connect prior to the call:

United States: 1-888-668-9141
Israel: 03-9180644
International: +972-3-9180644

At:

8:30 a.m. Eastern Time

5:30 a.m. Pacific Time

15:30 p.m. Israel Time

A replay of the call will be available through the Investor Info section on Eltek's corporate website at <http://www.nisteceltek.com> approximately 24 hours after the conference call is completed and will be archived for 30 days.

About Eltek

Eltek – "Innovation Across the Board", is a global manufacturer and supplier of technologically advanced solutions in the field of printed circuit boards (PCBs), and is the Israeli leader in this industry. PCBs are the core circuitry of most electronic devices. Eltek specializes in the manufacture and supply of complex and high quality PCBs, HDI, multilayered and flex-rigid boards for the high-end market. Eltek is ITAR compliant and has AS-9100 and NADCAP Electronics certifications. Its customers include leading companies in the defense, aerospace and medical industries in Israel, the United States, Europe and Asia.

Eltek was founded in 1970. The Company's headquarters, R&D, production and marketing center are located in Israel. Eltek also operates through its subsidiaries in North America and in Europe and by agents and distributors in Europe, India, South Africa and South America.



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For more information, visit Eltek's web site at www.nisteceltek.com.

Use of Non-GAAP Financial Information

The Company reports financial results in accordance with U.S. GAAP and herein provides some non-GAAP measures, including EBITDA. These non-GAAP measures are not in accordance with, nor are they a substitute for, GAAP measures. These non-GAAP measures are intended to supplement the Company's presentation of its financial results that are prepared in accordance with GAAP. The Company uses the non-GAAP measures presented to evaluate and manage the Company's operations internally. The Company is also providing this information to assist investors in performing additional financial analysis. Reconciliation between the company's results on a GAAP and non-GAAP basis is provided in a table below.

Forward Looking Statement:

Certain matters discussed in this news release are forward-looking statements that involve a number of risks and uncertainties including, but not limited to statements regarding expected results in future quarters, the impact of the Coronavirus on the economy and our operations, risks in product and technology development and rapid technological change, product demand, the impact of competitive products and pricing, market acceptance, the sales cycle, changing economic conditions and other risk factors detailed in the Company's Annual Report on Form 20-F and other filings with the United States Securities and Exchange Commission.

Investor Contact:

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(Tables follow)

Eltel Ltd.
Consolidated Statements of Operations
(In thousands US\$, except per share data)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Revenues	9,256	9,279	27,205	26,213
Costs of revenues	(7,433)	(7,524)	(21,679)	(21,663)
Gross profit	1,823	1,755	5,527	4,550
Selling, general and administrative expenses	(1,183)	(1,187)	(3,467)	(3,541)
R&D expenses, net	(2)	-	-	-
Operating profit	638	568	2,060	1,009
Financial expenses, net	(19)	(146)	(158)	(409)
Other income, net	(10)	(2)	(10)	875
Profit before income tax	609	420	1,892	1,475
Tax expenses	(11)	(29)	(49)	(51)
Net Profit	598	391	1,842	1,424
Earnings per share				
Basic and diluted net profit per ordinary share	0.14	0.09	0.42	0.40
Weighted average number of ordinary shares used to compute basic net profit per ordinary share (in thousands)	4,380	4,380	4,380	3,519

Eitek Ltd.
Consolidated Balance Sheets
(In thousands US\$)

	<u>September 30,</u>	<u>December 31,</u>
	2020	2019
Assets		
Current assets		
Cash and cash equivalents	2,651	1,628
Receivables: Trade, net of provision for doubtful accounts	6,402	7,480
Other	1,719	145
Inventories	3,552	3,735
Prepaid expenses	151	530
Total current assets	<u>14,475</u>	<u>13,518</u>
Long term assets		
Restricted deposits	58	-
Severance pay fund	60	60
Operating lease right of use assets	1,745	2,490
Total long term assets	<u>1,863</u>	<u>2,550</u>
Fixed assets, less accumulated depreciation	<u>6,658</u>	<u>6,761</u>
Total Assets	<u>22,996</u>	<u>22,829</u>
Liabilities and Shareholder's equity		
Current liabilities		
Short-term credit and current maturities of long-term debts	214	2,120
Short-term credit from related party	2,906	3,472
Accounts payable: Trade	4,851	4,673
Other	3,315	3,118
Short-term operating lease liabilities	1,170	1,383
Total current liabilities	<u>12,456</u>	<u>14,766</u>
Long-term liabilities		
Long term debt, excluding current maturities	1,372	387
Employee severance benefits	296	268
Deferred tax liabilities	64	45
Long-term operating lease liabilities	558	1,094
Total long-term liabilities	<u>2,290</u>	<u>1,794</u>
Equity		
Ordinary shares, NIS 3.0 par value authorized 10,000,000 shares, issued and outstanding 4,380,268	3,964	3,964
Additional paid-in capital	18,583	18,583
Cumulative foreign currency translation adjustments	2,527	2,479
Capital reserve	1,054	963
Accumulated deficit	(17,878)	(19,720)
Shareholders' equity	<u>8,250</u>	<u>6,269</u>
Total liabilities and shareholders' equity	<u>22,996</u>	<u>22,829</u>

Eltek Ltd.
Unaudited Non-GAAP EBITDA Reconciliations
(In thousands US\$)

Non-GAAP EBITDA Reconciliations

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
GAAP Net Income	598	391	1,842	1,424
Add back items:				
Financial expenses, net	19	146	158	409
Income tax expense	11	29	49	51
Depreciation and amortization	390	374	1,176	1,118
Non-GAAP EBITDA	1,018	940	3,226	3,002

Etek Ltd.
Consolidated Statement of Cash flow
(In thousands US\$)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Cash flows from operating activities:				
Net Income	598	391	1,842	1,424
Adjustments to reconcile net profit to net cash flows provided by operating activities:				
Depreciation and amortization	391	371	1,177	1,119
Capital gain on disposal of fixed assets, net	(16)	-	(16)	-
Stock-based compensation	48	26	91	87
Transaction with controlling shareholder	-	15	-	44
Revaluation of long term loans	(2)	(12)	2	(36)
Increase in deferred tax liabilities	6	-	18	-
	<u>427</u>	<u>400</u>	<u>1,272</u>	<u>1,214</u>
Decrease in operating lease right-of-use assets	(1)	(1)	(5)	(11)
Decrease (increase) in trade receivables	949	886	1,098	(712)
Decrease (increase) in other receivables and prepaid expenses	(1,077)	(224)	(890)	655
Decrease (increase) in inventories	(50)	211	198	98
Increase (decrease) in trade payables	397	(102)	27	92
Increase in other liabilities and accrued expenses	(357)	(188)	181	(55)
Increase (decrease) in employee severance benefits, net	(13)	23	27	14
	<u>(152)</u>	<u>605</u>	<u>636</u>	<u>81</u>
Net cash provided by operating activities	<u>873</u>	<u>1,396</u>	<u>3,750</u>	<u>2,719</u>
Cash flows from investing activities:				
Purchase of fixed assets	(348)	(293)	(802)	(543)
Restricted deposits	(1)	-	(58)	-
Net cash used in investing activities	<u>(349)</u>	<u>(293)</u>	<u>(860)</u>	<u>(543)</u>
Cash flows from financing activities:				
Short- term bank credit, net	(1,163)	(921)	(1,928)	(4,315)
Proceeds from short- term shareholder loan	-	-	-	557
Repayment of short- term shareholder loan	-	-	(571)	-
Issuance of ordinary shares in rights offering, net	-	-	-	3,298
Repayment of long-term loans from bank	(37)	(220)	(145)	(675)
Proceeds from long-term loans	-	557	1,141	558
Repayment of credit from fixed asset payables	(87)	(94)	(391)	(289)
Net cash used in financing activities	<u>(1,287)</u>	<u>(678)</u>	<u>(1,894)</u>	<u>(866)</u>
Effect of translation adjustments	7	27	27	(13)
Net increase (decrease) in cash and cash equivalents	<u>(756)</u>	<u>452</u>	<u>1,023</u>	<u>1,297</u>
Cash and cash equivalents at beginning of the period	<u>3,407</u>	<u>1,837</u>	<u>1,628</u>	<u>992</u>
Cash and cash equivalents at period end	<u>2,651</u>	<u>2,289</u>	<u>2,651</u>	<u>2,289</u>