

**For immediate release**

31 August 2023

**Somero® Enterprises, Inc.**

("Somero" or "the Company" or "the Group")

**Interim Results for the six months ended June 30, 2023****Financial Highlights**

- H1 2023 revenues were US\$ 58.9m (H1 2022: US\$68.5m)
  - Non-residential construction markets remain healthy across a wide range of sectors and customers report high activity levels and extended project backlogs
  - Three of the Company's four regions reported revenues up over H1 2022 with Europe, Australia and ROW demonstrating the continued success of the international strategy in growing a combined 29%
  - North America revenues declined 24% as the conversion of continued favorable non-residential construction activity into trading was impacted by delayed project starts and pauses, primarily due to elevated interest rates, and tightened bank lending standards
  - Limited availability of the relaunched S-22EZ further tempered trading in H1 2023, now in full production
- H1 revenue translated efficiently to profits and operating cash flow
  - H1 2023 adjusted EBITDA margin of 29.5% (H1 2022: 35.3%)
  - US\$ 8.8m cash flow from operations (H1 2022: US\$ 12.8m)
- Expected improvement in H2 2023, trading in line with expectations for 2023 revenues of approximately US\$ 120.0m, EBITDA of approximately US\$ 36.0m, and year-end cash of approximately US\$ 32.0m

	<b>H1 2023</b>	<b>H1 2022</b>	<b>% Change</b>
	<b>US\$</b>	<b>US\$</b>	
Revenue	\$58.9m	\$68.5m	-14%
Adjusted EBITDA <sup>(1,2)</sup>	\$17.3m	\$24.1m	-28%
Adjusted EBITDA margin <sup>(1,2)</sup>	29.5%	35.3%	-580bps
Profits before tax	\$15.6m	\$22.4m	-30%
Adjusted net income <sup>(1,3)</sup>	\$12.2m	\$17.3m	-29%
Diluted adjusted net income per share <sup>(1,3)</sup>	\$0.22	\$0.31	-29%
Cash flow from operations	\$8.8m	\$12.8m	-31%
Net cash <sup>(4)</sup>	\$25.2m	\$27.2m	-7%
Interim dividend per share	\$ 0.10	\$ 0.10	-

**Operational Highlights**

- Strategically targeted investments for sustainable long-term growth
  - Key personnel prioritizing international sales and customer support roles
  - Larger facility in Australia that provides expanded capacity and additional capabilities
  - Europe and Australia reported heightened revenues, growing 46% and 33% from H1 2022, respectively
- High level of new product development activity with a high volume of job site visits and innovation council events, that includes exploring new technologies to incorporate into future products
- Continued penetration of our broader product offerings in international markets
- S-22EZ entered full production at the end of H1 2023
- Completed installation of in-house painting and material preparation systems in the Houghton, Michigan facility as part of the planned expansion completed in H1 2023

**Post-Period Highlights**

- Declaration of a US\$ 0.10 per share interim dividend, consistent with 2022 interim dividend

**Notes:**

1. The Company uses non-US GAAP financial measures to provide supplemental information regarding the Company's operating performance. See further information regarding non-GAAP measures below.
2. Adjusted EBITDA as used herein is a calculation of the Company's net income plus tax provision, interest expense, interest income, foreign exchange loss, other expense, depreciation, amortization stock-based compensation and non-cash lease expense.
3. Adjusted net income as used herein is a calculation of net income plus amortization of intangibles and excluding the tax impact of stock option and RSU settlements and other special items.
4. Net cash is defined as cash and cash equivalents less borrowings under bank obligations exclusive of deferred financing costs.

**Jack Cooney, CEO of Somero, said:**

*"While the state of the overall US non-residential construction market remains fundamentally sound and allows us and our customers to maintain a positive outlook for the remainder of 2023, with customers continuing to report a high level of activity and healthy backlogs, trading was slowed in the US due to delays in project starts, as previously announced. Our main international markets reported exceptional revenue growth, particularly Europe and Australia with Rest of World regions also contributing favorably.*

*In response to the slower H1 trading in the US, we reduced our operational workforce commensurate with revenue decline and imposed cost controls for the remainder of 2023 to partly offset the profitability impact. The Company has also taken additional measures to preserve cash through inventory reductions.*

*We remained diligent and focused on product development through a high level of customer interactions. And we continue to build market acceptance for our new products targeting entirely new market segments and are exploring opportunities to incorporate new technologies to address customer needs today and in the future.*

*The expected improvement in H2 2023 trading in the US compared to H1 2023, supported by the entry of the S-22EZ into full production, contributions from key international markets and positive feedback from customers, reinforces the Board's belief that 2023 results will fall in line with market expectations. With a healthy financial position, we remain committed to making sound strategic investments to deliver strong results and cash flows to our shareholders."*

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**Notes to Editors:**

Somero Enterprises provides industry-leading concrete-levelling equipment, training, education and support to customers in over 90 countries. The Company's cutting-edge technology allows its customers to install high-quality horizontal concrete floors faster, flatter and with fewer people. Somero® equipment that incorporates laser-technology and wide-placement methods is used to place and screed the concrete slab in all building types and has been specified for use in a wide range of commercial construction projects for numerous global blue-chip companies.

Somero pioneered the Laser Screed® market in 1986 and has maintained its market-leading position by continuing to focus on bringing new products to market and developing patent-protected proprietary designs. In addition to its

products, Somero offers customers unparalleled global service, technical support, training and education, reflecting the Company's emphasis on helping its customers achieve their business and profitability goals, a key differentiator to its peers.

For more information, visit [www.somero.com](http://www.somero.com)

## **Chairman's and Chief Executive Officer's Statement**

### **Overview**

Against an exceptional H1 2022 and taking into consideration the previously reported factors outside of Somero's control impacting the pace of trading in North America, the Board believes overall performance in H1 2023 to have been solid with commercial delivery in our international markets a particular highlight. Led by Europe and Australia, our overseas revenues grew significantly compared to H1 2022. Group H1 2023 revenues totaled US\$ 58.9m (H1 2022: US\$68.5m), with the 14% decline driven by the trading slowdown in North America.

Leveraging the Company's flexible cost structure, which enabled it to quickly adjust to the changing circumstances, H1 2023 adjusted EBITDA margin remained healthy at 29.5% (H1 2022: 35.3%). H1 2023 adjusted EBITDA was US\$ 17.3m (H1 2022: US\$ 24.1m), with the decline primarily due to lower volume and to a lesser degree to strategically added headcount to execute the long-term growth strategy. The Company was able to offset cost inflation affecting wages and material costs with 2023 price increases and operational efficiency gains. As a result of all these factors, H1 2023 profits benefitted from a strong gross margin of 57.0% (H1 2022: 58.3%). Operating cash flow in H1 2023 was US\$ 8.8m (H1 2022: US\$ 12.8m), translating to a June 30, 2023 cash balance of US\$ 25.2m, notwithstanding the dividend payment of US\$ 14.2m in May 2023. The Company has taken additional steps to minimize inventory levels and maintain accounts receivable at moderate levels which is anticipated to have a positive impact on year-end cash.

### **Regional Review**

#### ***North America***

H1 2023 North American sales declined 24% from H1 2022 to US\$ 42.2m. Our US customers continue to report a high level of activity and a diverse range of projects ranging from large footprint manufacturing facilities, data centers and warehousing to smaller footprint retail, schools, and medical centers, and maintain extended project backlogs. As noted in the 20 June 2023 Trading Update, while underlying market conditions remain positive, new factors emerged to impact the translation of construction activity into trading in the US. Elevated interest rates, tightened bank lending standards and, to a lesser degree, construction permitting delays due to large complex projects creating bottlenecks in the approval process in certain portions of the US, led to delayed starts and pauses to non-residential construction projects. While US customers have not reported project cancellations, certain customers have indicated these project delays have impacted the timing of their equipment purchase decisions. In addition, the S-22EZ, which was re-launched in early 2023, did not reach full production until the end of H1 2023, and its limited availability delayed sales to customers with a preference for it. Other market factors as noted in the 08 March 2023 Final Results statement, such as the limited supply of concrete across the US, have remained unchanged. The long-standing and worsening shortage of skilled labor necessitating the need for automation and work productivity continues to drive demand for our products in the territory.

#### ***Europe***

Europe continues to be one of our target international markets where we see meaningful opportunity for growth from sales of new and existing products. Europe reported sales of US\$ 7.0m in H1 2023, up 46% from US\$ 4.8m in H1 2022. The Company's investments in customer facing resources and capabilities, including adding three European-based sales positions and customer support employees, has led to an increase in new customer acquisitions and deeper penetration of new and existing products, such as the S-28EZ and the SRS-4, contributed to the growth. The Company remains focused on attracting new customers by leveraging entry-level equipment such as the SRS-4 in the boomed screed category and the EcoScreed in the ride-on category, and intends to continue to invest in this market in H2 2023 and 2024.

#### ***Australia***

Australia reported H1 2023 sales of US\$ 5.3m, a 33% increase from the US\$ 4.0m in H1 2022. Similar to Europe, the higher sales were attributable to our direct sales and customer support teams that were expanded with additional staff in late 2021 and throughout 2022, focused on new customer acquisitions and selling a broader range of new and existing products, coupled with favorable exchange rates.

Australia is also a target international market where we see meaningful opportunity for growth through increased market penetration across our product portfolio. The transition to a direct sales and support model at the end of 2020 has provided the foundation for the strong performance in H1 2023 and future growth.

Due to the success and continued growth in in the region, in late H1 2023 we secured a larger facility to replace the current one. This provides additional space to stock a broader range of our products locally to quickly capitalize on sales opportunities, accommodate recent and future staff additions, and enhance our training and machine repair capabilities in the market. Operations were transitioned to the new facility in August 2023.

As in Europe, the Company intends to continue to invest in this market in H2 2023 and 2024.

### ***Rest of World***

Our Rest of World region, which includes Latin America, the Middle East, India, Southeast Asia, Korea and China, reported H1 2023 sales of US\$ 4.4m, representing a 7% increase compared to H1 2022. The main contributors to H1 2023 revenues were Latin America and the Middle East, which reported respective sales of US\$ 1.6m and US\$ 1.1m, compared to US\$ 1.4m and US\$ 0.5m in H1 2022, respectively. India reported sales of US\$ 1.1m in H1 2023, a US\$ 0.4m decrease compared to H1 2022, and China reported sales of US\$ 0.4m, comparable to prior year. Given the relatively small base of business in each region, trading will fluctuate from period to period. Albeit, the Company intends to maintain the resources allocated to the regions and add personnel as appropriate.

### **Product Review**

Demand for our product categories is impacted by the type and size of projects, and applications, which are ultimately driven by end users. Large Boomed screeds are suitable for large footprint projects such as warehousing, medical facilities and manufacturing facilities, while Ride-on screeds are suitable for smaller footprint projects and smaller concrete slabs. Different applications drive demand for other equipment, such as exterior applications drive demand for the 3D Profiler Systems and the Somero Broom+Cure<sup>TM</sup>. As these variables shift, our product mix fluctuates accordingly.

Revenue from sales of Boomed screeds and 3D Profiler Systems both decreased compared to H1 2022, driven by the factors in the US noted in the 20 June 2023 Trading Update and in the section above. Nonetheless, there continues to be healthy demand for large Boomed screeds driven by recent onshoring efforts, an increase in electric vehicle battery plants and US legislation including the CHIPS Act, a statute providing roughly US\$ 280 billion in new funding to boost domestic research and manufacturing of semiconductors in the United States. There also continues to be healthy demand for our Ride-on screeds, including smaller concrete slab pours necessitated by an inconsistent supply of concrete. Ride-on screeds grew 7% from H1 2022 contributing US\$ 11.2m to H1 2023 revenues. Sales of 3D Profiler System contributed US\$ 4.3m to H1 2023 revenue, a decrease of 19% compared to H1 2022, driven by adverse weather conditions as this product is typically used for concrete parking and loading areas around the exterior perimeter of buildings. Other revenues increased slightly driven by strong parts trading reflective of the high level of equipment utilization by our customers.

Products released since 2019, the SkyScreed® 36, S-PS50, SkyStrip® and the Somero Broom+Cure<sup>TM</sup>, combined to contribute US\$ 0.8m in H1 2023 revenues, down from H1 2022 of US\$ 3.2m. The modest contribution from the new product category reflects a slower than anticipated pace in achieving sustainable traction due to their disruptive nature. These are new inventions that address entirely new market segments and customer bases, and therefore market acceptance will be gradual, and trading will be somewhat volatile. Nevertheless, we are confident in the value proposition of the offerings and will continue to work through its strategy to increase the market penetration of these new products.

We continue to dedicate significant organizational time and resources to engage customers directly to develop a pipeline of ideas for solutions that address pain points. H1 2023 was an active period in this regard, with extensive jobsite visits and innovation council sessions both in the US and internationally. Additionally, as part of this process, we are exploring new technological advancements and the impact advanced technology will have on the future product offering.

### **Cashflow and Balance Sheet**

Somero reported operating cash flow in H1 2023 of US\$ 8.8m, down from US\$ 12.8m reported in H1 2022, primarily due to lower profits, partly offset by a decrease in working capital. The decreased working capital requirement in H1 2023

came from a lower level of inventory receipts as a result of improved raw material lead times and availability, allowing the Company to start returning safety stock back to more normal levels.

The Company spent US\$ 1.0m in H1 2023 on capital expenditures, relating to on-going product software programs, and other activities in the ordinary course of business. The Company also paid dividends in H1 2023 totaling US\$ 14.2m (2022: US\$ 23.4m), reflecting the Company's ongoing commitment to disciplined return of cash to shareholders, as well as repurchasing US\$ 0.4m in common stock under the 2022 US\$ 2.0m share buyback program that carried over into 2023.

The Company ended H1 2023 with US\$ 25.2m in net cash down from the US\$ 33.7m reported at the end of 2022, reflecting the sizable dividend payment, but still providing ample liquidity to support the business and allow it to continue making strategic investments. The Company's net working capital remains moderate relative to level of trading. The balance sheet remains debt-free with access to an untapped US\$ 25.0m secured revolving line of credit. All of which provide a secure financial position to fund future growth.

### **Dividend and share buyback program**

Based on the results in H1 2023, our strong financial position and confidence in the outlook for the remainder of 2023, we are pleased to report that the Board has decided to declare an interim 2023 dividend of US\$ 0.10 per share, consistent with the interim 2022 dividend. The dividend, representing a total payment of approximately US\$ 5.6m, will be payable on October 20, 2023 to shareholders on the register as of September 22, 2023. The common stock ex-dividend date is 21 September 2023.

In H1 2023, the Company repurchased a total of 107,978 shares of common stock under the Company's share buyback program put in place to offset dilution from on-going equity award programs. Under the buyback program, the maximum price paid per Ordinary Share is to be no more than the higher of 105% of the average middle market closing price of an ordinary share for the five business days preceding the date of any share buyback, the price of the last independent trade and the highest current independent purchase bid. It is intended that any shares repurchased will be immediately cancelled and the Company will make further announcements to the market as and when share purchases are made.

### **Our People**

On behalf of the Board, we would like to thank all our global employees for their great performance in H1 2023. A core strength of the Somero team is its ability to quickly adjust to changing conditions while always delivering the highest level of products and service to our customers. This core strength underpins the Company's highly flexible cost model that enables it to deliver healthy profits. John Yuncza, former President and Director of Somero, left the Company post-period on 28 August 2023. John made a significant contribution to Somero and we wish him all the best in his future endeavors. The search for John's successor is underway with Jack Cooney reassuming the dual role of CEO and President until an appointment is made. The Board and management team remain as committed as ever to providing all our employees with a rewarding and challenging working environment that is full of opportunity.

### **Facility Expansion**

The 50,000 square foot expansion of the Houghton, Michigan, Operations and Support Offices became fully operational in H1 2023. This expansion provides a 35% increase in operational capacity that increases operational efficiency, supports future growth of our product portfolio, and provides our engineering team with an expanded development and testing area.

### **Environmental, Social and Governance**

The Board closely monitors environmental, social and governance topics that materially impact our stakeholders. These topics are routinely discussed to ensure Somero strikes the appropriate balance of meeting shareholder expectations and addressing the concerns of key stakeholders necessary to ensure sustainability of the business. A primary material topic is the environmental impact of our business including the use of our equipment in the construction process. In 2022, we commissioned a phase two environmental study by Colorado State University that is nearing completion. The phase two study supplements the phase one study that was completed in 2021 by Middle Tennessee State University, the results of which are outlined in a white paper available on our website. The phase one study concluded the use of our laser screed machines in non-residential construction provides a number of environmental benefits, including a reduction in required

manpower and concrete used in building projects that in turn reduces carbon emissions during construction that would otherwise occur from the use of alternative manual methods.

### **Outlook**

Non-residential construction across our main markets remains healthy, underscored by customers reporting high levels of activity and extended project backlogs across a wide range of sectors and project types.

In the US, we do not see any indications of fundamental changes in the non-residential construction market, and the factors that have impacted the pace of work have not caused project cancellations and have not changed the direct feedback we receive from customers regarding their project backlogs.

The Company anticipates improvement in H2 2023 trading in our home region compared to H1 2023, driven in large part by the increased availability of the S-22EZ. This confidence is supported by our primary means of gauging market health, which is direct feedback from customers. Our US customers continue to indicate non-residential construction is active, encompasses a wide range of project types, and that project backlogs remain healthy and extended.

The Company also anticipates healthy contributions to H2 2023 trading from Europe and Australia, and H2 2023 trading comparable to H1 2023 in the Rest of World territories.

As such, the Board remains confident that 2023 results will fall in line with market expectations with revenues of approximately US\$ 120.0m, EBITDA of approximately US\$ 36.0m, and year-end cash of approximately US\$ 32.0m.

**Larry Horsch**

Non-Executive Chairman

**Jack Cooney**

Chief Executive Officer

August 31, 2023

## FINANCIAL REVIEW

### Summary of financial results

\* *unaudited*

For the six months ended June 30

	2023	2022
	US\$ 000	US\$ 000
	Except per share data	Except per share data
<b>Revenue</b>	58,850	68,473
<b>Cost of sales</b>	25,281	28,535
<b>Gross profit</b>	33,569	39,938
<b>Operating expenses</b>		
Selling, marketing and customer support	7,634	7,391
Engineering and product development	1,386	1,203
General and administrative	8,641	8,747
<b>Total operating expenses</b>	17,661	17,341
<b>Operating income</b>	15,908	22,597
<b>Other income (expense)</b>		
Interest expense	(11)	(9)
Interest income	37	38
Foreign exchange impact	(472)	(242)
Other	173	(3)
<b>Income before income taxes</b>	15,635	22,381
<b>Provision for income taxes</b>	3,234	4,891
<b>Net income</b>	<b>12,401</b>	<b>17,490</b>
	<b>Per Share</b>	<b>Per Share</b>
	US\$	US\$
Basic earnings per share	0.23	0.31
Diluted earnings per share	0.22	0.31
Basic adjusted net income per share <sup>(1), (2), (4)</sup>	0.22	0.31
Diluted adjusted net income per share <sup>(1), (2), (4)</sup>	0.22	0.31
<b>Other data</b>		
Adjusted EBITDA <sup>(1), (2), (4)</sup>	17,337	24,141
Adjusted net income <sup>(1), (3), (4)</sup>	12,230	17,323
Depreciation expense	640	656
Amortization of intangibles	68	67
Capital expenditures	1,005	2,251

Notes:

1. Adjusted EBITDA and Adjusted net income are not measurements of the Company's financial performance under US GAAP and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with US GAAP or as an alternative to US GAAP cash flow from operating activities as a measure of profitability or liquidity. Adjusted EBITDA and Adjusted net income are presented herein because management believes they are useful analytical tools for measuring the profitability and cash generation of the business. Adjusted EBITDA is also used to determine pricing and covenant compliance under the Company's credit facility and as a measurement for calculation of management incentive compensation. The Company understands that although Adjusted EBITDA is frequently used by securities analysts, lenders, and others in their evaluation of companies, its calculation of Adjusted EBITDA may not be comparable to other similarly titled measures reported by other companies.

2. Adjusted EBITDA as used herein is a calculation of net income plus tax provision, interest expense, interest income, foreign exchange gain (loss), other expense, depreciation, amortization, stock-based compensation, and non-cash lease expense.



3. Adjusted net income as used herein is a calculation of net income plus amortization of intangibles and excluding the tax impact of stock option and RSU settlements and other special items.

4. The Company uses non-US GAAP financial measures to provide supplemental information regarding the Company's operating performance. The non-US GAAP financial measures presented herein should not be considered in isolation from, or as a substitute to, financial measures calculated in accordance with US GAAP. Investors are cautioned that there are inherent limitations associated with the use of each non-US GAAP financial measure. In particular, non-US GAAP financial measures are not based on a comprehensive set of accounting rules or principles, and many of the adjustments to the US GAAP financial measures reflect the exclusion of items that may have a material effect on the Company's financial results calculated in accordance with US GAAP.

**Net income to adjusted EBITDA reconciliation and  
Adjusted net income reconciliation**

\* unaudited

	Six months ended June 30	
	2023 US\$ 000	2022 US\$ 000
<b>Adjusted EBITDA reconciliation</b>		
Net income	12,401	17,490
Tax provision	3,234	4,891
Interest expense	11	9
Interest income	(37)	(38)
Foreign exchange impact	472	242
Other	(173)	3
Depreciation	640	656
Amortization	68	67
Non-cash lease expense	173	148
Stock-based compensation	548	673
<b>Adjusted EBITDA</b>	<b>17,337</b>	<b>24,141</b>
<b>Adjusted net income reconciliation</b>		
Net income	12,401	17,490
Amortization	68	67
Tax impact of stock option & RSU settlements	(239)	(234)
<b>Adjusted net income reconciliation</b>	<b>12,230</b>	<b>17,323</b>

Notes:

1. Adjusted EBITDA and Adjusted net income are not measurements of the Company's financial performance under US GAAP and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with US GAAP or as an alternative to US GAAP cash flow from operating activities as a measure of profitability or liquidity. Adjusted EBITDA and Adjusted net income are presented herein because management believes they are useful analytical tools for measuring the profitability and cash generation of the business. Adjusted EBITDA is also used to determine pricing and covenant compliance under the Company's credit facility and as a measurement for calculation of management incentive compensation. The Company understands that although Adjusted EBITDA is frequently used by securities analysts, lenders, and others in their evaluation of companies, its calculation of Adjusted EBITDA may not be comparable to other similarly titled measures reported by other companies.

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3. Adjusted net income as used herein is a calculation of net income plus amortization of intangibles and excluding the tax impact of stock option and RSU settlements and other special items.

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## Revenues

The Company's consolidated revenues decreased by 14% to approximately US\$ 58.9 (H1 2022: US\$ 68.5m). The Company's revenues consist primarily of sales from Boomed Screed products, which include the S-28EZ, S22-EZ, S-15R, S-10A and SRS-4 Laser Screed machines, sales from Ride-on Screed products, which are drive through the concrete machines that include the S-485, S-940 and S-158C Laser Screed machines, remanufactured machines sales, 3-D Profiler Systems, SkyScreed®, and Other revenues which consist of revenue from sales of parts and accessories, sales of other equipment, service, training and shipping charges. The overall decrease for the period was primarily driven by lower volume of the Boomed Screeds, particularly the S-28EZ, and 3-D Profiler System, partly offset by elevated volume in Ride-on Screed products Other revenue.

Boomed Screed sales decreased to approximately US\$ 24.4m (H1 2022: US\$ 32.9m) as unit volume decrease to 84 units (H1 2022: 93 units), Ride-on screed sales increased to approximately US\$ 11.2m (H1 2022: US\$ 10.5m) partly due to price increases and an increase in volume to 94 units (H1 2022: 90), remanufactured machine sales increased slightly to approximately US\$ 3.4m (H1 2022: US\$ 3.2m) due to higher prices as unit volume remained unchanged at 14 units (H1 2022: 14), 3-D Profiler System sales decreased to approximately US\$ 4.3m (H1 2022: US\$ 5.3m) as unit volume decreased to 41 units (H1 2022: 43), there were no sales of the SkyScreed® in H1 2023, compared to 3 units in H1 2022. Other revenues increased slightly to approximately US\$ 15.6m (H1 2022: US\$ 15.5m) due to an increase in parts sales. The following table shows the breakdown during the six months ended June 30, 2023 and 2022:

Revenue breakdown by geography			North America US\$ in millions		EMEA <sup>(1)</sup> US\$ in millions		ROW <sup>(2)</sup> US\$ in millions		Total US\$ in millions			
			2023	2022	2023	2022	2023	2022	2023 Net sales	% of Net sales	2022 Net sales	% of Net sales
Boomed screeds <sup>(3)</sup>			16.8	26.9	4.2	2.8	3.4	3.2	24.4	41.4%	32.9	48.0%
Ride-on screeds <sup>(4)</sup>			8.4	7.5	1.0	0.8	1.8	2.2	11.2	19.0%	10.5	15.3%
Remanufactured machines			2.2	2.9	0.9	0.3	0.3	-	3.4	5.8%	3.2	4.7%
3D Profiler System			3.1	5.0	0.1	-	1.1	0.3	4.3	7.3%	5.3	7.7%
SkyScreed®			-	1.1	-	-	-	-	-	-	1.1	1.6%
Other <sup>(5)</sup>			11.7	12.2	1.9	1.5	2.0	1.8	15.6	26.5%	15.5	22.7%
Total			42.2	55.6	8.1	5.4	8.6	7.5	58.9	100%	68.5	100%

- Notes:
1. EMEA includes the Europe, Middle East, and Scandinavia.
  2. ROW includes Australia, Latin America, India, China, Korea, and Southeast Asia
  3. Boomed Screeds include the S-22EZ, S-28EZ, S-15R, S-10A and SRS-4.
  4. Ride-on Screeds include the S-940, S-485, and S-158C.
  5. Other includes parts, accessories, services, and freight, as well as other equipment such as the Somero Line Dragon®, Somero Broom+Cure™, STS-11M Topping Spreader, Copperhead, Mini Screed C and S-PS50.

Units by product line	H1 2023	H1 2022
Boomed screeds	84	93
Ride-on screeds	94	90
Remanufactured machines	14	14
3-D Profiler System	41	43
SkyScreed®	0	3
Other <sup>(1)</sup>	47	57
Total	280	300

**Notes:**

1. Other includes equipment such as the Somero Line Dragon®, Somero Broom+Cure™, STS-11M Topping Spreader, Copperhead, Mini Screed C and S-PS50.

Sales to customers located in North America contributed 72% of total revenue (H1 2022: 81%), sales to customers in EMEA (Europe, Middle East, and Scandinavia) contributed 14% (H1 2022: 8%) and sales to customers in ROW (Southeast Asia, Australia, Latin America, India and China) contributed 14% (H1 2022: 11%).

Sales in North America totaled approximately US\$ 42.2m (H1 2022: US\$ 55.6m) down 24%, primarily driven by a decrease in Boomed Screeds. Sales to customers in EMEA were approximately US\$ 8.1m (H1 2022: US\$ 5.4m), which increased 50% driven by a higher volume sold in Europe across most product categories and higher prices, accompanied by a higher volume of boom screeds sold in the Middle East. Sales to customers in ROW were approximately US\$ 8.6m (H1 2022: US\$ 7.5m) increasing by 15% driven primarily by an increase in sales of Boomed Screeds and 3-D Profiler System in Australia and Latin America.

Regional sales	US\$ in millions	
	H1 2023	H1 2022
North America	42.2	55.6
Europe	7.0	4.8
Australia	5.3	4.0
Rest of World <sup>(1)</sup>	4.4	4.1
Total	58.9	68.5

**Notes:**

(1) Includes India, Middle East, China, Southeast Asia, Korea and Latin America.

**Gross profit**

Gross profit decreased to approximately US\$ 33.6m (2022: US\$ 39.9m), with gross margins decreased slightly to 57.0% compared to 58.3% in H1 2022, reflecting higher input and logistical costs, and training expense, partly offset by a price increase.

**Operating expenses**

Operating expenses excluding depreciation, amortization and stock-based compensation for H1 2023 were approximately US\$ 16.6m (H1 2022: US\$ 16.2m), which is reflective of increased staffing that includes investment in sales and support staff in the US and abroad, and increased travel, offset by lower incentive compensation and sales commissions.

**Debt**

As of June 30, 2023, the Company had no outstanding debt. In August 2022, the Company updated its credit facility to a US\$ 25.0m secured revolving line of credit, with a maturity date of August 2027. The interest rate on the revolving credit line is based on the BSBY Index plus 1.25%. The Company's credit facility is secured by substantially all of its business assets.

**Provision for income taxes**

The provision for income taxes decreased to approximately US\$ 3.2m, at an overall effective tax rate of 21%, compared to a provision of approximately US\$ 4.9m in H1 2022, at an overall effective tax rate of 22%.

**Earnings per share**

Basic earnings per share represents income available to common stockholders divided by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustments to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate to outstanding stock options and restricted stock units.

Earnings per common share has been computed based on the following:

	<b>Six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>
	<b>US\$ 000</b>	<b>US\$ 000</b>
Income available to stockholders	12,401	17,490
Basic weighted shares outstanding	54,825,552	56,038,690
Net dilutive effect of stock options and restricted stock units	626,219	661,282
Diluted weighted average shares outstanding	55,451,771	56,699,972

	<b>Per Share</b>	<b>Per Share</b>
	<b>US\$</b>	<b>US\$</b>
Basic earnings per share	0.23	0.31
Diluted earnings per share	0.22	0.31
Basic adjusted net income per share	0.22	0.31
Diluted adjusted net income per share	0.22	0.31

## Consolidated Balance Sheets

As of June 30, 2023 and December 31, 2022

	As of June 30, 2023 * unaudited US\$ 000	As of December 31, 2022 US\$ 000
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	25,243	33,699
Accounts receivable – net	7,257	10,315
Inventories – net	21,406	18,849
Prepaid expenses and other assets	1,661	2,724
<b>Total current assets</b>	<b>55,567</b>	<b>65,587</b>
Accounts receivable, non-current – net	669	414
Property, plant, and equipment – net	26,012	25,650
Financing lease right-of-use assets – net	350	323
Operating lease right-of-use assets – net	1,808	1,066
Intangible assets – net	1,189	1,257
Goodwill	3,294	3,294
Deferred tax asset	1,949	1,165
Other assets	245	235
<b>Total assets</b>	<b>91,083</b>	<b>98,991</b>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities:</b>		
Accounts payable	5,088	9,683
Accrued expenses	7,623	8,495
Financing lease liability – current	214	175
Operating lease liability – current	437	304
<b>Total current liabilities</b>	<b>13,362</b>	<b>18,657</b>
Financing lease liability – long-term	90	98
Operating lease liability – long-term	1,409	799
Other liabilities	2,309	2,311
<b>Total liabilities</b>	<b>17,170</b>	<b>21,865</b>
<b>Stockholders' equity</b>		
Preferred stock, US\$.001 par value, 50,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, US\$.001 par value, 80,000,000 shares authorized, 55,784,380 and 55,818,357 shares issued on June 30, 2023 and December 31, 2022, respectively, and 55,765,025 and 55,812,857 shares outstanding on June 30, 2023 and December 31, 2022, respectively	26	26
Less: treasury stock, 19,355 shares as of June 30, 2023 and 5,500 shares as of December 31, 2022 at cost	(91)	(39)
Additional paid in capital	13,634	14,625
Retained earnings	62,488	64,325
Other comprehensive loss	(2,144)	(1,811)
<b>Total stockholders' equity</b>	<b>73,913</b>	<b>77,126</b>
<b>Total liabilities and stockholders' equity</b>	<b>91,083</b>	<b>98,991</b>

See Notes to unaudited consolidated financial statements.

**Consolidated Statements of Comprehensive Income**

For the six months ended June 30, 2023 and 2022

*\* unaudited*

	<b>Six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>
	<b>US\$ 000</b>	<b>US\$ 000</b>
	<i>Except per share data</i>	<i>Except per share data</i>
<b>Revenue</b>	58,850	68,473
<b>Cost of sales</b>	25,281	28,535
<b>Gross profit</b>	33,569	39,938
<b>Operating expenses</b>		
Sales, marketing, and customer support	7,634	7,391
Engineering and product development	1,386	1,203
General and administrative	8,641	8,747
<b>Total operating expenses</b>	17,661	17,341
<b>Operating income</b>	15,908	22,597
<b>Other income (expense)</b>		
Interest expense	(11)	(9)
Interest income	37	38
Foreign exchange impact	(472)	(242)
Other	173	(3)
<b>Income before income taxes</b>	15,635	22,381
<b>Provision for income taxes</b>	3,234	4,891
<b>Net income</b>	<b>12,401</b>	<b>17,490</b>
<b>Other comprehensive income</b>		
Cumulative translation adjustment	(333)	(300)
<b>Comprehensive income</b>	12,068	17,190
<b>Earnings per common share</b>		
Earnings per share – basic	0.23	0.31
Earnings per share – diluted	0.22	0.31
<b>Weighted average number of common shares outstanding</b>		
Basic	54,825,552	56,038,690
Diluted	55,451,771	56,699,972

*See Notes to unaudited consolidated financial statements.*

## Consolidated Statements of Changes in Stockholders' Equity

For the six months ended June 30, 2023

\* *unaudited*

	<u>Common stock</u>			<u>Treasury stock</u>		Retained earnings US\$ 000	Other Comprehensive loss US\$ 000	Total Stockholders' equity US\$ 000
	Shares	Amount US\$ 000	Additional paid-in capital US\$ 000	Shares	Amount US\$ 000			
<b>Balance - December 31, 2022</b>	55,818,357	26	14,625	5,500	(39)	64,325	(1,811)	77,126
Cumulative translation adjustment	-	-	-	-	-	-	(333)	(333)
Net income	-	-	-	-	-	12,401	-	12,401
Stock-based compensation	-	-	548	-	-	-	-	548
Dividend	-	-	-	-	-	(14,238)	-	(14,238)
Treasury stock	(94,123)	-	(384)	(94,123)	384	-	-	-
RSUs settled for cash	-	-	(1,155)	-	-	-	-	(1,155)
Share buyback	-	-	-	107,978	(436)	-	-	(436)
New shares issued	60,146	-	-	-	-	-	-	-
<b>Balance - June 30, 2023</b>	55,784,380	26	13,634	19,355	(91)	62,488	(2,144)	73,913

See Notes to unaudited consolidated financial statements.

**Consolidated Statements of Cash Flows**

For the six months ended June 30, 2023 and 2022

*\*unaudited*

	<b>Six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>
	<b>US\$ 000</b>	<b>US\$ 000</b>
<b>Cash flows from operating activities:</b>		
Net income	12,401	17,490
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred taxes	(784)	(976)
Depreciation and amortization	708	723
Non-cash lease expense	173	148
Bad debt	96	113
Stock-based compensation	548	673
Gain on disposal of property and equipment	3	(46)
Working capital changes:		
Accounts receivable	2,707	1,159
Inventories	(2,557)	(5,691)
Prepaid expenses and other assets	361	(1,212)
Other assets	(12)	156
Accounts payable, accrued expenses and other liabilities	(4,809)	297
<b>Net cash provided by operating activities</b>	<b>8,835</b>	<b>12,834</b>
<b>Cash flows from investing activities:</b>		
Property and equipment purchases	(1,005)	(2,251)
Proceeds from sale of equipment	-	40
<b>Net cash used in investing activities</b>	<b>(1,005)</b>	<b>(2,211)</b>
<b>Cash flows from financing activities:</b>		
Payment of dividend	(14,238)	(23,397)
RSUs settled for cash	(1,156)	(1,072)
Payments under financing capital leases	(124)	(103)
Share buy back	(435)	(721)
<b>Net cash used in financing activities</b>	<b>(15,953)</b>	<b>(25,293)</b>
Effect of exchange rates on cash and cash equivalents	(333)	(300)
<b>Net decrease in cash and cash equivalents</b>	<b>(8,456)</b>	<b>(14,970)</b>
Cash and cash equivalents:		
Beginning of period	33,699	42,146
End of period	25,243	27,176

*See Notes to unaudited consolidated financial statements.*



## Notes to the Consolidated Financial Statements

As of June 30, 2023 and December 31, 2022

### 1. Organization and description of business

#### Nature of business

Somero Enterprises, Inc. (the “Company” or “Somero”) designs, assembles, remanufactures, sells, and distributes concrete levelling, contouring, and placing equipment, related parts and accessories, and training services worldwide. Somero’s Operations and Support Offices are located in Michigan, USA with Global Headquarters and Training Facilities in Florida, USA. Sales and service offices are in Chesterfield, England; Shanghai, China; New Delhi, India; and Melbourne, Australia.

### 2. Summary of significant accounting policies

#### Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America.

#### Principles of consolidation

The consolidated financial statements include the accounts of Somero Enterprises, Inc., and its subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

#### Cash and cash equivalents

Cash includes cash on hand, cash in banks, and temporary investments with a maturity of three months or less when purchased. The Company maintains deposits primarily in one financial institution, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (“FDIC”). The Company has not experienced any losses related to amounts in excess of FDIC limits.

#### Accounts receivable and allowances for doubtful accounts

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable. The Company’s accounts receivable are derived from revenue earned from a diverse group of customers. The Company performs credit evaluations of its commercial customers and maintains an allowance for doubtful accounts receivable based upon the expected ability to collect accounts receivable. Allowances, if necessary, are established for amounts determined to be uncollectible based on specific identification and historical experience. As of June 30, 2023 and December 31, 2022, the allowance for doubtful accounts was approximately US\$ 1,919,000 and US\$ 1,780,000, respectively. Bad debt expense for the six months ended June 30, 2023 and 2022, was approximately US\$ 96,000 and US\$ 113,000, respectively.

#### Inventories

Inventories are stated using the first in, first out (“FIFO”) method, at the lower of cost or net realizable value (“NRV”). Provision for potentially obsolete or slow-moving inventory is made based on management’s analysis of inventory levels and future sales forecasts. As of June 30, 2023 and December 31, 2022, the provision for obsolete and slow-moving inventory was approximately US\$ 851,000 and US\$ 643,000, respectively.

#### Intangible assets and goodwill

Intangible assets consist primarily of customer relationships, trademarks, and patents, and are carried at their fair value when acquired, less accumulated amortization. Intangible assets are amortized using the straight-line method over a period of three to seventeen years, which is their estimated period of economic benefit.

Goodwill is not amortized but is subject to impairment tests on an annual basis, and the Company has chosen December 31 as its periodic assessment date. Goodwill represents the excess cost of the business combination over the Company’s interest in the fair value of the identifiable assets and liabilities. Goodwill arose from the Company’s prior sale from Dover

Corporation to The Gores Group in 2005 and the purchase of the Line Dragon, LLC business assets in January 2019. The Company did not incur a goodwill impairment loss for the periods ended June 30, 2023 nor December 31, 2022.

### Revenue recognition

The Company generates revenue by selling equipment, parts, accessories, service agreements and training. The Company recognizes revenue for equipment, parts, and accessories when it satisfies the performance obligation of transferring the control to the customer. For product sales where shipping terms are FOB shipping point, revenue is recognized upon shipment. For arrangements which include FOB destination shipping terms, revenue is recognized upon delivery to the customer. The Company recognizes the revenue for service agreements and training once the service or training has occurred.

As of June 30, 2023 and December 31, 2022, there were approximately US\$ 732,000 and US\$ 582,000, respectively, of extended service agreement liabilities. During the six months ended June 30, 2023 and 2022, approximately US\$ 304,000 and US\$ 308,000, respectively, of revenue was recognized related to the amounts recorded as liabilities on the balance sheets in the prior year (deferred contract revenue).

As of June 30, 2023 and December 31, 2022, there were approximately US\$ 1,995,000 and US\$ 2,180,000, respectively, in customer deposit liabilities for advance payments received during the period for contracts expected to ship following the end of the period. As of June 30, 2023 and December 31, 2022, there are no significant contract costs such as sales commissions or costs deferred. Interest income on financing arrangements is recognized as interest accrues, using the effective interest method.

### Warranty liability

The Company provides warranties on all equipment sales ranging from 60 days to three years, depending on the product. Warranty liabilities are estimated net of the warranty passed through to the Company from vendors, based on specific identification of issues and historical experience.

	US\$ 000
Balance, January 1, 2022	(1,986)
Warranty charges	808
Accruals	(270)
Balance, December 31, 2022	(1,448)
Balance, January 1, 2023	(1,448)
Warranty charges	541
Accruals	(319)
Balance, June 30, 2023	(1,226)

### Property, plant, and equipment

Property, plant, and equipment is stated at cost, net of accumulated depreciation and amortization. Land is not depreciated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is 31.5 to 40 years for buildings (depending on the nature of the building), 15 years for improvements, and 3 to 10 years for machinery and equipment.

### Income taxes

The Company determines income taxes using the asset and liability approach. Tax laws require items to be included in tax filings at different times than the items are reflected in the financial statements. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance, if necessary, to the extent that it appears more likely than not that such assets will be unrecoverable.

The Company evaluates tax positions that have been taken or are expected to be taken in its tax returns and records a liability for uncertain tax positions. This involves a two-step approach to recognizing and measuring uncertain tax positions. First, tax positions are recognized if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon examination, including resolution of related appeals or litigation processes, if any. Second, the tax position is measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement.

### Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### Stock-based compensation

The Company recognizes the cost of employee services received in exchange for an award of equity instruments in the financial statements over the period the employee is required to perform the services in exchange for the award (presumptively the vesting period). The Company measures the cost of employee services in exchange for an award based on the grant-date fair value of the award. Compensation expense related to stock-based payments was approximately US\$ 548,000 and US\$ 673,000 for the six months ended June 30, 2023 and 2022, respectively. In addition, the Company settled approximately US\$ 1,155,000 and US\$ 1,072,000 in restricted stock units for cash during the six months ended June 30, 2023 and 2022, respectively.

### Transactions in and translation of foreign currency

The functional currency for the Company's subsidiaries outside the United States is the applicable local currency. The preparation of the consolidated financial statements requires the translation of these financial statements to USD. Balance sheet amounts are translated at period-end exchange rates and the statement of comprehensive income accounts are translated at average rates. The resulting gains or losses are charged directly to accumulated other comprehensive income. The Company is also exposed to market risks related to fluctuations in foreign exchange rates because some sales transactions, and some assets and liabilities of its foreign subsidiaries, are denominated in foreign currencies other than the designated functional currency. Gains and losses from transactions are included as foreign exchange gain (loss) in the accompanying consolidated statements of comprehensive income.

### Comprehensive income

Comprehensive income is the combination of reported net income and other comprehensive income ("OCI"). OCI is changes in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources not included in net income.

### Earnings per share

Basic earnings per share represents income available to common stockholders divided by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued using the treasury stock method. Potential common shares that may be issued by the Company relate to outstanding stock options and restricted stock units.

Earnings per common share have been computed based on the following:

	Six months ended June 30	
	2023 US\$ 000	2022 US\$ 000
Net income	12,401	17,490
Basic weighted shares outstanding	54,825,552	56,038,690
Net dilutive effect of stock options and restricted stock units	626,219	661,282
Diluted weighted average shares outstanding	55,451,771	56,699,972

## Fair value

The carrying values of cash and cash equivalents, accounts receivable, accounts payable, and other current assets and liabilities approximate fair value because of the short-term nature of these instruments. The carrying value of our long-term debt approximates fair value due to the variable nature of the interest rates under our Credit Facility.

## Restricted Cash

Restricted cash of approximately US\$ 255,000 is included in “Cash and cash equivalents” on the consolidated balance sheet as of June 30, 2023. This represents cash deposited by the Company into a guaranteed deposit account and designated as collateral for the building lease in Australia in accordance with the lease agreement.

## 3. Inventories

Inventories consisted of the following:

	June 30, 2023 US\$ 000	December 31, 2022 US\$ 000
Raw material	11,653	11,393
Finished goods and work in process	7,410	5,768
Remanufactured	2,343	1,688
Total	21,406	18,849

## 4. Goodwill and intangible assets

Goodwill represents the excess of the cost of a business combination over the fair value of the net assets acquired. The Company is required to test goodwill for impairment, at the reporting unit level, annually and when events or circumstances indicate the fair value of a unit may be below its carrying value.

The following table reflects other intangible assets:

		Weighted average Amortization Period	June 30, 2023 US\$ 000	December 31, 2022 US\$ 000
<i>Capitalized cost</i>	Patents	12 years	19,247	19,247
	Intangible Assets		7,434	7,434
			26,681	26,681
<i>Accumulated amortization</i>	Patents	12 years	18,745	18,721
	Intangible Assets		6,747	6,703
			25,492	25,424
<i>Net carrying costs</i>	Patents	12 years	502	526
	Intangible Assets		687	731
			1,189	1,257

Amortization expense associated with the intangible assets in each of the six months ended June 30, 2023 and 2022 was approximately US\$ 68,000 and US\$ 67,000, respectively. The amortization expense for each of the next 5 years will be approximately US\$ 135,000 and the remaining amortization thereafter will be approximately US\$ 514,000.

## 5. Property, plant, and equipment

Property, plant, and equipment consist of the following:

	June 30, 2023 US\$ 000	December 31, 2022 US\$ 000
Land	864	864
Building and improvements	25,521	24,812
Machinery and equipment	7,768	8,744
	34,153	34,420
Less: accumulated depreciation and amortization	(8,141)	(8,770)
	26,012	25,650

Depreciation expense for the six months ended June 30, 2023 and 2022 was approximately US\$ 640,000 and US\$ 656,000, respectively.

## 6. Line of credit and note payable

In August 2022, the Company updated its credit facility to a US\$ 25.0m secured revolving line of credit, with a maturity date of August 2027. The interest rate on the revolving credit line is based on the BSBY Index plus 1.25%. The Company's credit facility is secured by substantially all its business assets. No amounts were drawn under the secured revolving line of credit as of June 30, 2023 and December 31, 2022.

Interest expense for the six months ended June 30, 2023 and 2022 was approximately US\$ 10,800 and US\$ 9,300, respectively, and relates primarily to interest costs on leased vehicles.

## 7. Retirement program

The Company has a savings and retirement plan for its employees, which is intended to qualify under Section 401(k) of the Internal Revenue Code ("IRC"). This savings and retirement plan provides for voluntary contributions by participating employees, not to exceed maximum limits set forth by the IRC. The Company's matching contributions vest immediately. The Company contributed approximately US\$ 579,000 and US\$ 579,000 to the savings and retirement plan during the six months ended June 30, 2023 and 2022, respectively.

## 8. Leases

The Company leases property, vehicles, and equipment under leases accounted for as operating and finance leases. The leases have remaining lease terms of less than 1 year to 10 years, some of which include options for renewal. The exercise of these renewal options is at the sole discretion of the Company. The right-of-use assets and related liabilities presented on the Consolidated Balance Sheets, reflect management's current expectations regarding the exercise of renewal options.

The components for lease expense were as follows:

	Six Months Ended June 30, 2023 US\$ 000	Six Months Ended June 30, 2022 US\$ 000
Operating lease cost	205	182
Finance lease cost:		
Amortization of right-of-use assets	137	148
Interest on lease liabilities	8	6
Total finance lease cost	145	154

As of June 30, 2023, the weighted average remaining lease term for finance and operating leases was 1.5 years and 6.3 years, respectively, and the weighted average discount rate was 4.7% and 5.1%, respectively. As of June 30, 2022, the weighted average remaining lease term for finance and operating leases was 1.8 years and 7.2 years, respectively, and the weighted average discount rate was 4.8% and 3.5%, respectively.

Maturities of lease liabilities represent the remaining six months for 2023 and the full 12 months of each successive period as follows:

	Operating Leases US\$ 000	Finance Leases US\$ 000
2023	275	122
2024	413	158
2025	304	31
2026	304	5
2027	304	-
Thereafter	565	-
Total	2,165	316
Less imputed interest	(319)	(12)
Total	1,846	304

## 9. Supplemental cash flow and non-cash financing disclosures

	Six months ended June 30	
	2023	2022
	US\$ 000	US\$ 000
Cash paid for interest	11	9
Cash paid for taxes	2,594	6,274
Finance lease liabilities arising from obtaining right-of-use assets	31	(102)
Operating lease liabilities arising from obtaining right-of-use assets	744	(250)

## 10. Business and credit concentration

The Company's line of business could be significantly impacted by, among other things, the state of the general economy, the Company's ability to continue to protect its intellectual property rights, and the potential future growth of competitors. Any of the foregoing may significantly affect management's estimates and the Company's performance. On June 30, 2023 and December 31, 2022, the Company had four customers which represented 31% and five customers that represented 42% of total accounts receivable, respectively.

## 11. Commitments and contingencies

The Company has entered into employment agreements with certain members of senior management. The terms of these are for renewable one-year periods and include non-compete and non-disclosure provisions as well as provide for defined severance payments in the event of termination or change in control.

The Company is also subject to various unresolved legal actions which arise in the normal course of its business. Although it is not possible to predict with certainty the outcome of these unresolved legal actions or the range of possible losses, the Company believes these unresolved legal actions will not have a material effect on its consolidated financial statements.

## 12. Income taxes

The Company's effective tax rate for the six months ended June 30, 2023 was 21%, which is in line with the U.S. federal statutory rate of 21%. The Company is subject to US federal income tax as well as income tax of multiple state and foreign jurisdictions. The Company was formed in 2005. The statute of limitations for all federal, foreign, and state income tax

matters for tax years from 2019 forward is still open. The Company has no federal, foreign, or state income tax returns currently under examination.

As of June 30, 2023, and December 31, 2022 the Company had income tax payable of approximately US\$ 495,000 and income tax receivable of US\$ 702,000, respectively.

On June 30, 2023, the Company had approximately US\$ 1,949,000 in non-current net deferred tax assets recorded on its balance sheet. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

### **13. Share buyback**

In February 2022, the Board authorized an on-market share buyback programs for such number of listed shares of common stock as are equal to US\$ 2,000,000, respectively. The maximum price paid per Ordinary Share was no more than the higher of 105 percent of the average middle market closing price of an Ordinary Share for the five business days preceding the date of the share buyback, the price of the last independent trade and the highest current independent purchase bid. As of June 30, 2023, the Company purchased 107,978 shares of common stock for an aggregate value of approximately US\$ 436,000 pursuant to the share buyback program authorized in 2022. The company estimates the share buyback program authorized in 2022 will be completed by the end of H2 2023. In connection with the Company's share buyback program authorized in 2022, 94,123 shares held in treasury were cancelled in H1 2023.

### **14. Subsequent events**

#### **Dividend**

The Board declared an interim dividend for the six months ended June 30, 2023 of 10.0 US cents per share. This dividend will be paid on October 20, 2023 to shareholders on the register as of September 22, 2023.

All dividends, including both ordinary and supplemental, have the option of being paid in two currencies, GBP, and USD. In addition, there is also the option of being paid by Check or through Crest for either currency or additionally via BACS for GBP payments. If no election is made, dividends will be paid in USD and via Check. If shareholders wish to change their current currency or payment methods, forms are available through Computershare Investor Services PLC at

<https://www-uk.computershare.com/Investor/#Help/PrintableForms>

Distribution amount:	\$0.10 cents per share
Ex-dividend date:	21 September 2023
Dividend record date:	22 September 2023
Final day for currency election:	6 October 2023
Payment date:	20 October 2023

All dividends have the option of being paid in either GBP or USD. Payments in USD can be paid by Check or through Crest. Payments in GBP can be paid via Check, Crest and BACS. The default option if no election is made will be for a USD payment via check. Should shareholders wish to change their current currency or payment methods, forms are available through Computershare Investor Services PLC at

<https://www.uk.computershare.com/Investor/#Help/PrintableForms>

If shares are held as Depositary Interests through a broker or nominee, the holding company must be contacted and advised of the payment preferences. Such requests are subject to the terms and conditions of the broker or nominee.

Additional information on currency election and tax withholding can be found at: <https://investors.somero.com/aim-rule-26>. Shareholders can also contact Computershare Investor Services PLC by telephone at +44 (0370) 702 0000 or email via [webcorres@computershare.co.uk](mailto:webcorres@computershare.co.uk).