



RNS Half-year/Interim Report

Interim Results

SOMERO ENTERPRISE INC.

Released 07:00:06 08 September 2021

RNS Number : 0500L
Somero Enterprises Inc.
08 September 2021

Press Announcement
For immediate release
08 September 2021

Somero[®] Enterprises, Inc.
("Somero" or "the Company" or "the Group")

Interim Results for the six months ended June 30, 2021
Record H1 results due to strong US market, raising 2021 guidance

Financial Highlights

- H1 revenues were US\$ 64.4m (H1 2020: US\$ 35.3m) led by a very strong and highly active US market
 - H1 2021 trading in the US was highlighted by accelerated activity from customers working to catch up on projects previously slowed by COVID-19 restrictions and by healthy demand for new warehousing
- Three of the Company's five international regions reported H1 2021 revenue growth over H1 2020 reflecting generally healthy non-residential construction market conditions and lessened COVID-19 restrictions compared to the prior year that enabled an increased level of activity
- Strong trading volume drove a record level of profits and operating cash flow for the period
 - US\$ 24.6m in H1 2021 adjusted EBITDA (H1 2020: US\$ 8.7m)
 - US\$ 16.0m in H1 2021 cash flow from operations (H1 2020: US\$ 7.0m)
- Supported by the record-setting H1 2021 results and a confident outlook for the remainder of the year, the Board has raised 2021 guidance and now expects revenues will approximate US\$ 120.0m, adjusted EBITDA will approximate US\$ 42.0m, and year-end net cash will approximate US\$ 36.0m
- The Board has also declared a US\$ 0.09 per share interim dividend representing a 125% increase compared to H1 2020, an increase commensurate with the growth in profits

	H1 2021	H1 2020	% Change
	US\$	US\$	
Revenue	\$ 64.4m	\$ 35.3m	82%
Adjusted EBITDA ^(1,2)	\$ 24.6m	\$ 8.7m	183%
Adjusted EBITDA margin ^(1,2)	38%	25%	1,300bps
Profits before tax	\$ 23.5m	\$ 7.5m	213%
Adjusted net income ^(1,3)	\$ 18.2m	\$ 5.8m	214%
Diluted adjusted net income per share ^(1,3)	\$ 0.32	\$ 0.10	220%
Cash flow from operations	\$ 16.0m	\$ 7.0m	129%
Net cash ⁽⁴⁾	\$ 32.8m	\$ 28.9m	13%
Interim dividend per share	\$ 0.090	\$ 0.0400	125%

Operational Highlights

- Investing to position the business for sustainable long-term growth
 - The Company is accelerating plans to expand the Houghton, Michigan Operations and Support Offices, to provide approximately 35% more operational capacity with a targeted project start in late H2 2021
 - The Australian direct sales and support team established in late 2020 drove a H1 2021 sales increase to US\$ 2.7m

(H1 2020: US\$ 0.9m)

- The Company added over 30 employees in H1 2021 prioritizing global sales, global customer support, and domestic operational roles
- Executing the product innovation growth strategy to expand the Company's addressable market
 - The SkyScreed® 36, the Somero® SRS-4, and Somero® Broom+Cure™ combined to contribute US\$ 4.8m to H1 2021 revenues (H1 2020: US\$ 1.6m)
- The Company's newest product introduced in June 2021, the SkyStrip®, an innovative solution for stripping plywood from ceilings for the structural high-rise market segment, expands the Company's product offering to 18 products
- In H1 2021, the Company also finished development of a new product that extends our reach to another slab-on-grade market segment currently unaddressed by the Company's product offering, which is anticipated to be released at the end of 2021 or early 2022

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:

"H1 2021 was an amazingly active six-month period during which the Company's revenue, profitability and cash flow reached historic levels. The rapid acceleration of US non-residential construction activity in H1 2021 drove unprecedented demand for our products and the Company delivered for our customers by successfully navigating supply chain challenges and quickly adding and training operations personnel.

It was a tremendous challenge to deliver these record setting results and a clear illustration of the talent, versatility, and dedication of the Somero team. While we expect supply chain challenges will continue in H2 2021, we have robust plans in place to mitigate these challenges.

Trading in the US during H1 2021 benefitted from customer efforts to catch up on projects previously slowed by COVID-19 restrictions as well as from demand for new warehousing required to keep pace with growth in e-commerce transactions. We are pleased with H1 2021 contributions from our international regions. Three of our five international regions reported revenue growth compared to H1 2020, and all our international regions combined to contribute a US\$ 6.1m increase (80%) in revenue over H1 2020.

The Company also remained on track with executing our growth strategy. We continued to drive forward product development initiatives culminating in the June 2021 launch of the SkyStrip® high-rise structural shoring plywood removal solution and in completing development of a new product that will extend our reach to another slab-on-grade market segment currently unaddressed by the Company's product offering. We anticipate this product will be released at the end of 2021 or in early 2022.

We are entering the second half of 2021 with positive momentum in our largest market, the US, with opportunities for further growth in our international markets and from new products, and with a strong financial position to invest in driving and supporting long-term growth. This momentum means we have the confidence to upgrade guidance for 2021, are positioned to deliver a record setting year of revenues, profits and cash flow for our shareholders this year, but most importantly, we remain committed to making sound strategic investments to deliver healthy profits and cash flows to our shareholders in the years to follow."

For further information, please contact:

Enquiries:

Somero Enterprises, Inc.

Jack Cooney, CEO
John Yuncza, CFO
Howard Hohmann, EVP Sales

www.somero.com
+1 239 210 6500

finnCap Ltd (NOMAD and Broker)

Matt Goode (Corporate Finance)
Kate Bannatyne (Corporate Finance)
Tim Redfern/Richard Chambers (ECM)

+44 (0)20 7220 0500

Alma PR (Financial PR Advisor)

David Ison
Sam Modlin
Molly Gretton

somero@almapr.co.uk
+44 (0)20 3405 0205

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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

Chairman's and Chief Executive Officer's Statement

Overview

H1 2021 revenue totaled US\$ 64.4m, an 82% increase compared to a H1 2020 period that was significantly impacted by the COVID-19 pandemic. North America drove accelerated H1 2021 trading as the market gained significant momentum to start the year with our customers working to catch up on projects previously slowed by COVID-19 restrictions. Our international regions also contributed significantly to H1 2021 revenue growth, most notably Europe and Australia. Our five international regions combined to contribute US\$ 13.5m to H1 2021 revenues, an 80% increase over H1 2020 and hence in line with growth in North America. Europe on a standalone basis reported US\$ 6.4m in H1 2021 revenues, an increase of US\$ 2.3m compared to H1 2020, while Australia reported US\$ 2.7m in H1 2021 revenues, an increase of US\$ 1.8m compared to H1 2020. China reported H1 2021 revenues of US\$ 1.7m, down US\$ 0.1m from H1 2020, as multiple factors continue to hinder near-term growth in this market, the most significant of which is the lack of demand for quality concrete floors by Chinese building owners and end-users.

We continue to make progress executing our product innovation growth strategy. In June 2021, we launched the SkyStrip®, an innovative solution to remove plywood sheets used in shoring structural high-rise floors. We also finished development of a new product that will open up a previously unaddressed slab-on-grade market segment. We anticipate releasing this product at the end of 2021 or in early 2022. New products introduced prior to 2021, consisting of the SkyScreed® 36, the Somero® SRS-4, and the Somero® Broom+Cure™ combined for US\$ 4.8m to H1 2021 revenues (H1 2020: US\$ 1.6m), also positively contributing to growth in the period.

The significant revenue growth in H1 2021 translated efficiently to strong profits and robust cash generation. The strong profits were underpinned by a considerable expansion of gross margin to 58.6% (H1 2020: 54.7%) driven by the benefits from increased volume and pricing increases offset modestly by higher material and logistical costs. The strong gross margin in turn supported a significant increase in adjusted EBITDA margin to 38.1% (H1 2020: 24.5% margin) an improvement that reflects considerable leveraging of support costs. These operating results underscore the scalability of the Company's operations and support functions to meet increased demand levels. H1 2021 operating cash flow of US\$ 16.0m (H1 2020: US\$ 7.0m) was particularly strong leading to a June 30, 2021 cash balance of US\$ 32.8m notwithstanding the payment of a US\$ 17.4m dividend in April 2021.

Region Reviews

North American sales grew to US\$ 50.9m, an increase of 83% from H1 2020. Non-residential construction activity gained significant momentum in H1 2021 with customers working to catch up on projects previously slowed by COVID-19 restrictions and the underlying US non-residential construction market remains healthy with our customers continuing to report extended project backlogs. Sales of Boomed screeds, Ride-on screeds, 3D Profiler Systems, the Somero Line Dragon Line Dragon®, and Other revenues all increased compared to H1 2020 reflecting a wide variety of projects in the market with the most significant growth coming from the Boomed screed category that grew to represent 47.5% of total H1 2021 North American revenue, compared to 29.5% in H1 2020. The strong performance in Boomed screed sales was driven by demand for new warehousing to keep pace with growth in e-commerce transaction volumes.

Europe reported sales of US\$ 6.4m in H1 2021, a 56% increase from H1 2020 with improved trading correlated to easing of COVID-19 related restrictions and reflecting generally positive non-residential construction market fundamentals. A key element of future growth in Europe will come from new products, and we are pleased with the US\$ 1.3m contribution to H1 2021 sales from the Somero® SRS-4, a product that is well suited to Europe due to its lightweight, compact, convenient to transport design.

In China, H1 2021 revenues declined to US\$ 1.7m compared to US\$ 1.8m in H1 2020. Disruption from the COVID-19 pandemic and deteriorated US-China trade relations are two factors that have hindered near-term growth in this market, but the ultimate obstacle to meaningful contribution from this market is the lack of demand for quality concrete floors by Chinese building owners and end-users. We will continue to evaluate our approach and China strategy as we progress through the remainder of the year.

Our Rest of World region reported H1 2021 sales of US\$ 4.4m, a US\$ 3.2m increase compared to H1 2020. The two primary markets in this region are Australia and India. In Australia, the transition to direct selling and support gained traction despite ongoing shelter-in-place restrictions throughout the market. H1 2021 sales in Australia grew to US\$ 2.7m (H1 2020: \$0.9m). India reported sales of US\$ 1.1m in H1 2021, a US\$ 0.8m increase compared to H1 2020 as our local sales team was able to navigate through severe COVID-19 restrictions and deliver this year-over-year improvement. Comparable to China, meaningful growth in India will be dependent on the demand for quality concrete floors by building owners and end-users in the market.

Latin America and the Middle East combined to report US\$ 1.0m in H1 2021 sales, up US\$ 0.6m compared to H1 2020. Given the small base of revenues in these markets, activity from period to period will be subject to a level of volatility that makes for challenging year-on-year comparisons, a factor further compounded by uncertainty over control over COVID-19 infection rates in each respective territory.

Strategic Progress

The two pillars of our growth strategy are product innovation and increased penetration of our international markets. We collaborate extensively with customers to identify and develop solutions that enable our customers to complete their projects faster, more efficiently, with improved quality and safety. Our solutions help customers build successful, profitable businesses and in turn drive Somero's profits. We also invest in targeted resources across the globe tasked with educating the market on the benefits of wide-placement theory and quality concrete flooring standards and with penetrating these markets with new and existing products. While the rate and pace of adopting quality flooring standards varies across the world, we see significant, targeted opportunities to grow revenues from our international markets.

We prioritize new product ideas that address untapped market segments and expand the global opportunity to provide a runway for future growth. The most recent addition to our product portfolio, the SkyStrip®, launched in June 2021, is another example of expanding the Company's addressable market. The SkyStrip® provides customers with a solution to replace manual labor, reduce material waste and improve safety in the process to strip plywood sheets used in shoring the floors in structural high-rises projects. The SkyStrip® adds to our product offering targeting the high-rise structural market, a significant growth opportunity for the Company. In H1 2021, the Company also finished development of a new product that extends our reach to another slab-on-grade market segment currently unaddressed by the Company's product offering. We anticipate release of this new product at the end of 2021 or early 2022. Finally, while we will continue to prioritize development of entirely new products, we will also routinely refresh our legacy products by adding new technology and design enhancements that will improve performance, productivity, ease of use and ease of maintenance to add value to the offering.

New products introduced prior to 2021, consisting of the Somero® SRS-4, the Somero Broom+Cure™, and the SkyScreed® 36, combined to contribute US\$ 4.8m to H1 2021 revenues (H1 2020: US\$ 1.6m) a key component of growth for the period. Of these new products, the biggest impact came from the Somero® SRS-4, introduced mid-year 2020, that contributed US\$ 3.4m in H1 2021 revenues (H1 2020: US\$ 1.1m) a meaningful portion of which came from our European market. The Somero Broom+Cure™ introduced at the end of 2020, a mechanical solution to apply curing agents and a broom finish to exterior concrete slabs, contributed revenue of US\$ 1.2m in H1 2021 (H1 2020: US\$ 0.2m) and we are pleased with the level of interest in this product. Lastly, penetrating the structural high-rise market with the SkyScreed® represents an exciting, significant long-term opportunity for Somero. In H1 2021, the SkyScreed® 36 contributed US\$ 0.2m to H1 2021 revenues (H1 2020: US\$ 0.3m) in part reflecting the prioritization by prospective buyers of catching up on projects previously slowed by COVID-19 over evaluating a new, disruptive solution through jobsite product demonstrations. We remain confident in the strong value proposition supporting the SkyScreed® and anticipate, as with all disruptive technologies, market acceptance will build at a measured pace. We continue to view long-term penetration in the high-rise structural market segment as a key, significant contributor to revenue growth and a source of new product introductions in the years to come.

Our international markets contributed H1 2021 revenues of US\$ 13.5m on a combined basis, an 80% increase over H1 2020. The positive H1 2021 results reflect generally healthy non-residential construction market conditions across our global footprint, lessened COVID-19 restrictions compared to H1 2020, and the positive impact of our investment in direct sales and support resources in Australia at the end of 2020. However, efforts to develop and educate our international markets have been hampered by fluctuating levels of COVID-19 restrictions that limit sales and marketing activities in the local markets and prevent our US personnel from travelling internationally to these markets. We expect the overhang of COVID-19 restrictions will continue for the foreseeable future impairing our market development efforts and are therefore focusing our near-term efforts on international markets where our value proposition is well understood and resonates best.

Our People

On behalf of the Board, we would like to thank all our global employees for their remarkable performance in 2021. Our employees quickly pivoted from the slowdown in 2020 to adjust to the challenge of unprecedented demand for our products in H1 2021. Delivering these exceptional results, while continuing to execute our long-term strategy is a true testament of the perseverance, resilience, and adaptability of our employees. The Board and management team remain as committed as ever to providing our employees with a rewarding and challenging working environment that is full of opportunity.

Facility Expansion

With the rapid pace of growth experienced in H1 2021 and continued expansion of the Company's product portfolio, the Board has approved plans to expand the operational capacity at our Houghton, Michigan Operations and Support Offices to prepare the business for the next phase of growth. The decision to expand the facility has been accelerated due to the rapid pace of growth in H1 2021. The expansion plan would add 50,000 square feet to the building, a 50% increase over the current footprint, at an approximate cost of US\$ 9.5m. The expanded facility would be able to support a business of approximately US\$ 175.0m in revenues up from the current US\$ 130.0m capacity. Project plans are being finalized and the Company intends to begin

construction in late 2021 and complete the project mid-year 2022.

Environmental, Social and Governance

The Board closely monitors material environmental, social and governance topics that impact our stakeholders. These topics are routinely discussed at the Board level to ensure Somero continues to strike the right balance between shareholder expectations and the needs and concerns of our employees and customers, the communities we live in and the environment as well as to ensure Somero is actively engaging with our stakeholders on these topics. We view this effort as a critical, long-term journey necessary for all sustainable businesses. As part of the ongoing review, the Board has decided to add a fourth independent non-executive director. Adding a new Board director will further enhance the Board's oversight independence, add another valuable strategic perspective to Board-level discussions, and provide the opportunity to add diversity to Board membership. The search for the new director will commence in H2 2021 and we will prioritize selecting the right candidate for the role over imposing a strict deadline to complete the search.

Dividend and share buyback program

Based on record results in H1 2021, our strong financial position and confidence in the outlook for the remainder of 2021, we are pleased to report that the Board has decided to declare an interim 2021 dividend of \$0.090 per share, which is a 125% increase from the last year and is commensurate with the growth of the business. The dividend, representing a total payment of approximately US\$ 5.1m, will be payable on October 22, 2021 to shareholders on the register as of September 24, 2021.

In H1 2021, the Company repurchased approximately 6,521 common shares under the Company's share buyback program that was put in place to offset dilution from on-going equity award programs. The common shares repurchased in H1 2021 were to complete the 2020 US\$ 1.0m share buyback authorization approved by the Board in August 2020. As of June 30, 2021, all the 2021 US\$ 1.0m share buyback authorization separately approved by the Board in February 2021 remains unused and the Company targets completing this buyback authorization by the end of 2021. Under the buyback program, the maximum price paid per Ordinary Share is to be no more than the higher of 105 per cent 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.

Current Trading and Outlook

H1 2021 was record setting six-month period for the Company led by very strong trading in North America, and strong contributions to growth from international markets and new products, that translated to record levels of profits and operating cash flow. This positive momentum is carrying over into H2 2021 with a positive outlook for the US market that is supported by an active non-residential construction market, extended customer project backlogs and continued strong demand for new warehousing. While we recognize H1 2021 results in the US were positively impacted by customer efforts to catch up on projects previously delayed by COVID-19 restrictions that accelerated demand for equipment, the positive market conditions remain intact. In Europe, we are pleased by the H1 2021 performance and the general health of non-residential construction across the region, which is supported by customers reporting solid project backlogs. We also look forward to the opportunity for new product growth from this region. In Australia, although we are early in the transition to direct selling and support in this market, we are encouraged by the traction gained in H1 2021 and see opportunity for growth particularly from new products. In China, a number of factors will continue to impact trading and limit near-term growth, but the demand for quality concrete floors by Chinese building owners and end-users remains the ultimate catalyst for meaningful performance from this market.

We are also pleased with the performance of the Middle East, Latin America, and remaining Rest of World territories that includes India. These regions combined to contribute US\$ 2.0m in H1 2021 revenue growth compared to the same period last year and we expect to see opportunities from growth from these regions but anticipate the level of activity will be dependent on control over COVID-19 infection rates in each respective territory going forward.

We maintain a confident, positive outlook for the remainder of 2021 and anticipate delivering record levels of revenues and profits to shareholders for the year. Although we recognize a level of risk associated with a potential resurgence of COVID-19 infections and from supply chain shortages that could slow our ability to fulfill customer orders for equipment in H2 2021, based on the remarkable H1 2021 results and an overarching confidence in the health and momentum of the business, the Board has raised guidance for 2021. The Board, taking a prudent approach to revising guidance in consideration of these factors, now expects full year 2021 revenues will approximate US\$ 120.0m (previously US\$ 110.0m), adjusted EBITDA will approximate US\$ 42.0m (previously US\$ 35.0m) as we anticipate slightly less of the benefits from increased volume and the leverage of support costs in H2. We also now expect year-end 2021 net cash will approximate US\$ 36.0m (previously US\$ 33.0m), a view that takes into account anticipated 2021 spending on the facility expansion project.

Larry Horsch

Non-Executive Chairman

Jack Cooney

President and Chief Executive Officer

September 8, 2021

FINANCIAL REVIEW**Summary of financial results**** unaudited***For the six months ended June 30**

	2021	2020
	US\$ 000	US\$ 000
	<i>Except per share data</i>	<i>Except per share data</i>
Revenue	64,384	35,266
Cost of sales	26,636	15,961
Gross profit	37,748	19,305
Operating expenses		
Selling, marketing and customer support	6,053	5,175
Engineering and product development	1,066	963
General and administrative	7,426	5,649
Total operating expenses	14,545	11,787
Operating income	23,203	7,518
Other income (expense)		
Interest expense	(24)	(22)
Interest income	97	109
Foreign exchange impact	105	(80)
Other	118	(60)
Income before income taxes	23,499	7,465
Provision for income taxes	5,200	1,712
Net income	18,299	5,753
	Per Share	Per Share
	US\$	US\$
Basic earnings per share	0.33	0.10
Diluted earnings per share	0.32	0.10
Basic adjusted net income per share ^{(1), (2), (4)}	0.32	0.10
Diluted adjusted net income per share ^{(1), (2), (4)}	0.32	0.10
Other data		
Adjusted EBITDA ^{(1), (2), (4)}	24,564	8,651
Adjusted net income ^{(1), (3), (4)}	18,239	5,779
Depreciation expense	549	486
Amortization of intangibles	77	77
Capital expenditures	645	1,463

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**

	2021 US\$ 000	2020 US\$ 000
Adjusted EBITDA reconciliation		
Net income	18,299	5,753
Tax provision	5,200	1,712
Interest expense	24	22
Interest income	(97)	(109)
Foreign exchange impact	(105)	80
Other	(118)	60
Depreciation	549	486
Amortization	77	77
Non-cash lease expense	135	105
Stock-based compensation	600	465
Adjusted EBITDA	24,564	8,651
Adjusted net income reconciliation		
Net income	18,299	5,753
Amortization	77	77
Tax impact of stock option & RSU settlements	(137)	(51)
Adjusted net income reconciliation	18,239	5,779

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 the Company's 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 in order 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.

Revenues

The Company's consolidated revenues increased by 82% to US\$ 64.4--m (H1 2020: US\$ 35.3m). The Company's revenues consist primarily of sales from Boomed Screed products, which include the 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, Somero Line Dragon®, formerly SP-16 Concrete Line Pulling and Placing System, SkyScreed®, Broom+Cure™ and Other revenues which consist of revenue from sales of parts and accessories, sales of other equipment, service, training and shipping charges. The overall increase for the period was primarily driven by increased sales of Boomed screeds along with increases in Ride-on screeds and Other revenues.

Boomed Screed sales increased to US\$ 32.1--m (H1 2020: US\$ 11.6m) as unit volume increased to 105 units (H1 2020: 43 units), Ride-on screed sales increased to US\$ 9.9m (H1 2020: US\$ 6.7m) primarily due to an increase in volume to 87 units (H1 2020: 63), remanufactured machine sales decreased to US\$ 2.0m (H1 2020: US\$ 2.7m) as unit volume decreased to 12 units (H1 2020: 20), 3-D Profiler System sales increased to US\$ 4.6m (H1 2020: US\$ 3.5m) as unit volume increased to 39 units (H1 2020: 32), Somero Line Dragon®, formerly SP-16 Concrete Line Pulling and Placing System, sales increased to US\$ 2.3m (H1 2020: US\$ 1.7m) as unit volume increased to 62 units (H1 2020: 48), SkyScreed® sales remained consistent with H1 2020, and Other revenues increased to US\$ 13.3m (H1 2020: US\$ 8.8m) mostly due to higher volume of parts and sales of the Broom+Cure™. The following table shows the breakdown during the six months ended June 30, 2021 and 2020:

Revenue breakdown by geography		North America US\$ in millions		EMEA ⁽¹⁾ US\$ in millions		ROW ⁽²⁾ US\$ in millions		Total US\$ in millions			
								2021		2020	
								Net sales	% of Net sales	Net sales	% of Net sales
		2021	2020	2021	2020	2021	2020				

Boomed screeds ⁽³⁾	24.2	8.2	5.0	2.7	2.9	0.7	32.1	50.0%	11.6	32.9%
Ride-on screeds ⁽⁴⁾	7.8	5.4	1.3	0.9	0.8	0.4	9.9	15.4%	6.7	19.0%
Remanufactured machines	2.0	2.4	-	-	-	0.3	2.0	3.1%	2.7	7.6%
3D Profiler System	4.2	3.2	0.1	-	0.3	0.3	4.6	7.1%	3.5	10.0%
Somero Line Dragon®	2.3	1.7	-	-	-	-	2.3	3.4%	1.7	4.8%
SkyScreed®	0.2	0.3	-	-	-	-	0.2	0.3%	0.3	0.8%
Other ⁽⁵⁾	10.2	6.6	1.4	0.9	1.7	1.3	13.3	20.7%	8.8	24.9%
Total	50.9	27.8	7.8	4.5	5.7	3.0	64.4	100.0%	35.3	100.0%

Notes:

1. EMEA includes the Europe, Middle East, Scandinavia and Russia.

2. ROW includes China, Australia, Latin America, Korea, India and Southeast Asia

3. Boomed Screeds include the S-22E, S-22EZ, 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 Broom+Cure™, STS-11M Topping Spreader, Copperhead, and Mini Screed C.

Units by product line	H1 2021	H1 2020
Boomed screeds	105	43
Ride-on screeds	87	63
Remanufactured machines	12	20
3-D Profiler System	39	32
Somero Line Dragon®	62	48
SkyScreed®	1	1
Other ⁽¹⁾	25	18
Total	331	225

Notes:

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

Sales to customers located in North America contributed 79% of total revenue (H1 2020: 79%), sales to customers in EMEA (Europe, Middle East, Scandinavia, and Russia) contributed 12% (H1 2020: 13%) and sales to customers in ROW (Southeast Asia, Australia, Latin America, India and China) contributed 9% (H1 2020: 8%).

Sales in North America totaled US\$ 50.9m (H1 2020: US\$ 27.8m) up 83%, primarily driven by an increase in sales volumes of Boomed screeds and Ride-on screeds, strong contribution from new products including the Somero SRS-4 and the Somero Broom+Cure™, the Somero Line Dragon®, 3-D Profiler Systems as well as parts and accessories. Sales to customers in EMEA were US\$ 7.8m (H1 2020: US\$ 4.5m) which increased 73% driven by an increase in sales across all product categories, particularly Boomed screeds. Sales to customers in ROW were US\$ 5.7m (H1 2020: US\$ 3.0m) increasing by 90% driven by an increase in sales of Boomed screeds.

Regional sales	US\$ in millions	
	H1 2021	H1 2020
North America	50.9	27.8
Europe	6.4	4.1
China	1.7	1.8
Middle East	0.2	0.2
Latin America	0.8	0.2
Rest of World ⁽¹⁾	4.4	1.2
Total	64.4	35.3

Notes:

(1) Includes Australia, India, Southeast Asia, Korea and Russia.

Gross profit

Gross profit increased to US\$ 37.8m (2020: US\$ 19.3m), with gross margins increasing to 58.6% compared to 54.7% in H1 2020 primarily due to increased volume driven manufacturing overhead absorption and higher average selling prices.

Operating expenses

Operating expenses excluding depreciation, amortization and stock-based compensation for H1 2021 were US\$ 13.3m (H1 2020: US\$ 11.0m), which is reflective of increased staffing that includes investment in sales and support staff in the US and abroad, as well as higher compensation, employee related expenses and professional fees.

Debt

As of June 30, 2021, the Company had no outstanding debt and there were no changes to the Company's US\$ 10.0m secured revolving line of credit which will mature in September 2024.

Other income (expense)

Other income (expense) was US\$ 0.1m of other income, compared to other expense of US\$ 0.1m in 2020.

Provision for income taxes

The provision for income taxes increased to US\$ 5.2m, at an overall effective tax rate of 22%, compared to a provision of US\$ 1.7m in H1 2020, at an overall effective tax rate of 23%.

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:

	Six months ended June 30	
	2021 US\$ 000	2020 US\$ 000
Income available to stockholders	18,299	5,753
Basic weighted shares outstanding	56,159,229	56,371,231
Net dilutive effect of stock options and restricted stock units	694,625	607,155
Diluted weighted average shares outstanding	56,853,854	56,978,386

	Per Share	Per Share
	US\$	US\$
Basic earnings per share	0.33	0.10
Diluted earnings per share	0.32	0.10
Basic adjusted net income per share	0.32	0.10
Diluted adjusted net income per share	0.32	0.10

Consolidated Balance Sheets

As of June 30, 2021 and December 31, 2020

* unaudited

	As of June 30, 2021 US\$ 000	As of December 31, 2020 US\$ 000
Assets		
Current assets:		
Cash and cash equivalents	32,817	35,388
Accounts receivable - net	9,374	6,411
Inventories - net	14,257	11,127
Prepaid expenses and other assets	2,584	1,676
Total current assets	59,032	54,602
Accounts receivable, non-current - net	431	736
Property, plant, and equipment - net	16,636	16,509
Financing lease right-of-use assets - net	488	485
Operating lease right-of-use assets - net	1,834	1,295
Intangible assets - net	1,469	1,545
Goodwill	3,294	3,294
Deferred tax asset	1,141	80
Other assets	335	303
Total assets	84,660	78,849
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	7,544	4,380

Accrued expenses	7,976	6,702
Financing lease liability - current	194	162
Operating lease liability - current	371	204
Income tax payable	-	888
Total current liabilities	16,085	12,336
Financing lease liability - long-term	193	228
Operating lease liability - long-term	1,504	1,133
Other liabilities	2,307	1,622
Total liabilities	20,089	15,319

Stockholders' equity

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, 56,425,598 shares issued and 56,175,742 and 56,124,409 shares outstanding on June 30, 2021 and December 31, 2020, respectively	26	26
Less: treasury stock, 249,856 shares as of June 30, 2021 and 301,189 shares as of December 31, 2020 at cost	(925)	(1,040)
Additional paid in capital	17,422	17,598
Retained earnings	50,704	49,771
Other comprehensive loss	(2,656)	(2,825)
Total stockholders' equity	64,571	63,530
Total liabilities and stockholders' equity	84,660	78,849

See Notes to unaudited consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the six months ended June 30, 2021 and 2020

* unaudited

	Six months ended June 30	
	2021	2020
	US\$ 000 Except per share data	US\$ 000 Except per share data
Revenue	64,384	35,266
Cost of sales	26,636	15,961
Gross profit	37,748	19,305
Operating expenses		
Sales, marketing and customer support	6,053	5,175
Engineering and product development	1,066	963
General and administrative	7,426	5,649
Total operating expenses	14,545	11,787
Operating income	23,203	7,518
Other income (expense)		
Interest expense	(24)	(22)
Interest income	97	109
Foreign exchange impact	105	(80)
Other	118	(60)
Income before income taxes	23,499	7,465
Provision for income taxes	5,200	1,712
Net income	18,299	5,753
Other comprehensive income		
Cumulative translation adjustment	169	(164)
Comprehensive income	18,468	5,589
Earnings per common share		
Earnings per share - basic	0.33	0.10

Earnings per share - diluted	0.32	0.10
------------------------------	------	------

Weighted average number of common shares outstanding

Basic	56,159,229	56,371,231
Diluted	56,853,854	56,978,386

See Notes to unaudited consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

For the six months ended June 30, 2021

* unaudited

	Common stock			Treasury stock				
	Shares	Amount US\$ 000	Additional paid-in capital US\$ 000	Shares	Amount US\$ 000	Retained earnings US\$ 000	Other Comprehensive income (loss) US\$ 000	Total Stockholders' equity US\$ 000
Balance - December 31, 2020	56,425,598	26	17,598	301,189	(1,040)	49,771	(2,825)	63,530
Cumulative translation adjustment	-	-	-	-	-	-	169	169
Net income	-	-	-	-	-	18,299	-	18,299
Stock-based compensation	-	-	600	-	-	-	-	600
Dividend	-	-	-	-	-	(17,366)	-	(17,366)
Treasury stock	-	-	(115)	(57,854)	115	-	-	-
RSUs settled for cash	-	-	(620)	-	-	-	-	(620)
Share buyback	-	-	(41)	6,521	-	-	-	(41)
Balance - June 30, 2021	56,425,598	26	17,422	249,856	(925)	50,704	(2,656)	64,571

See Notes to unaudited consolidated financial statements.

Consolidated Statements of Cash Flows

For the six months ended June 30, 2021 and 2020

*unaudited

	Six months ended June 30	
	2021	2020
	US\$ 000	US\$ 000
Cash flows from operating activities:		
Net income	18,299	5,753
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred taxes	(1,061)	(91)
Depreciation and amortization	626	563
Non-cash lease expense	135	105
Bad debt	99	58
Stock-based compensation	600	465
Loss (gain) on disposal of property and equipment	(31)	10
Working capital changes:		
Accounts receivable	(2,758)	3,045
Inventories	(3,130)	(1,528)
Prepaid expenses and other assets	(480)	(171)

Other assets	(32)	(1)
Accounts payable, accrued expenses and other liabilities	5,080	(1,423)
Income taxes payable	(1,316)	224
Net cash provided by operating activities	16,031	7,009
Cash flows from investing activities:		
Property and equipment purchases	(645)	(1,463)
Net cash used in investing activities	(645)	(1,463)
Cash flows from financing activities:		
Payment of dividend	(17,366)	-
RSUs settled for cash	(620)	(223)
Payments under financing capital leases	(99)	(73)
Investment in subsidiary	-	11
Share buy back	(41)	-
Net cash used in financing activities	(18,126)	(285)
Effect of exchange rates on cash and cash equivalents	169	(164)
Net increase (decrease) in cash and cash equivalents	(2,571)	5,097
Cash and cash equivalents:		
Beginning of period	35,388	23,757
End of period	32,817	28,854

See Notes to unaudited consolidated financial statements.

Notes to the Consolidated Financial Statements

As of June 30, 2021 and December 31, 2020

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 located 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, 2021 and December 31, 2020, the allowance for doubtful accounts was approximately US\$ 1,294,000 and US\$ 1,187,000, respectively. Bad debt expense for the six months ended June 30, 2021 and 2020, was US\$ 99,000 and US\$ 58,000, 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, 2021 and December 31, 2020, the provision for obsolete and slow-moving inventory was US\$ 502,000 and US\$ 361,000, respectively.

Business combinations and purchase accounting

The Company includes the results of operations of the businesses that it acquires as of the applicable acquisition date. The purchase price of the acquisition is allocated to the assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase price over the fair values of these identifiable assets and liabilities is recorded as goodwill. Acquisition-related expenses are recognized separately from the business combination and are expensed as incurred.

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, 2021 nor December 31, 2020.

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.

During the six months ended June 30, 2021 and 2020, there was US\$ 2,435,039 and US\$ 525,800, respectively of revenue recognized during the period from customer deposit liabilities (deferred contract revenue).

As of June 30, 2021 and December 31, 2020, there are US\$ 3,132,000 and US\$ 3,009,000, 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, 2021 and December 31, 2020, 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, 2020	(931)
Warranty charges	248
Accruals	(491)
Balance, December 31, 2020	(1,174)
Balance, January 1, 2021	(1,174)
Warranty charges	165
Accruals	(641)
Balance, June 30, 2021	(1,650)

Property, plant, and equipment

Property, plant and equipment is stated at estimated market value based on an independent appraisal at the acquisition date or at cost for subsequent acquisitions, 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 US\$ 600,000 and US\$ 465,000 for the six months ended June 30, 2021 and 2020, respectively. In addition, the Company settled US\$ 620,000 and US\$ 223,000 in restricted stock units for cash during the six months ended June 30, 2021 and 2020, 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	
	2021 US\$ 000	2020 US\$ 000
Net income	18,299	5,753
Basic weighted shares outstanding	56,159,229	56,371,231
Net dilutive effect of stock options and restricted stock units	694,625	607,155
Diluted weighted average shares outstanding	56,853,854	56,978,386

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.

The FASB has issued accounting guidance on fair value measurements. This guidance provides a common definition of fair value and a framework for measuring assets and liabilities at fair values when a particular standard prescribes it.

This guidance also specifies a fair value hierarchy based upon the observability of inputs used in valuation techniques. These valuation techniques may be based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs create the following fair value hierarchy.

- Level 1 - Quoted prices for identical instruments in active markets.
- Level 2 - Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; and model-derived other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities.
- Level 3 - Unobservable inputs for the asset or liability which are supported by little or no market activity and reflect the Company's assumptions that a market participant would use in pricing the asset or liability.

		Quoted prices in active markets identical assets <i>Level 1</i>	Significant other observable inputs <i>Level 2</i>	Significant other unobservable inputs <i>Level 3</i>
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Year ended December 31, 2020				
Asset: Non-recurring				
Goodwill	3,294			3,294
Period ended June 30, 2021				
Asset: Non-recurring				
Goodwill	3,294			3,294

3. Inventories

Inventories consisted of the following:

	June 30, 2021 US\$ 000	December 31, 2020 US\$ 000
Raw material	7,496	5,543
Finished goods and work in process	4,181	2,933
Remanufactured	2,580	2,651
Total	14,257	11,127

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, 2021 US\$ 000	December 31, 2020 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	18,650	18,626
	Intangible Assets		6,562	6,510
			25,213	25,136
<i>Net carrying costs</i>	Patents	12 years	597	621
	Intangible Assets		872	924
			1,469	1,545

Amortization expense associated with the intangible assets in each of the six months ended June 30, 2021 and 2020 was approximately US\$ 77,000 and US\$ 77,000, respectively.

5. Property, plant, and equipment

Property, plant, and equipment consist of the following:

	June 30, 2021 US\$ 000	December 31, 2020 US\$ 000
Land	864	864
Building and improvements	15,652	15,278
Machinery and equipment	7,220	6,906
	23,736	23,048
Less: accumulated depreciation and amortization	(7,100)	(6,539)
	16,636	16,509

Depreciation expense for the six months ended June 30, 2021 and 2020 was approximately US\$ 549,000 and US\$ 486,000,

respectively.

6. Line of credit and note payable

In November 2020, the Company renewed its amended credit facility, which consists of a US\$ 10.0m secured revolving line of credit, extending the maturity to September 2024. The interest rate on the revolving credit line is based on the one-month LIBOR rate plus 1.25%. The Company's credit facility is secured by substantially all its business assets. No amounts were drawn under the secured revolving credit line as of June 30, 2021 and December 31, 2020.

Interest expense for the six months ended June 30, 2021 and 2020 was approximately US\$ 23,600 and US\$ 21,900, 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\$ 445,000 to the savings and retirement plan during the six months ended June 30, 2021 and contributed US\$ 370,000 during the six months ended 2020.

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 12 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, 2021 US\$ 000
Operating lease cost	206
Finance lease cost:	
Amortization of right-of-use assets	135
Interest on lease liabilities	10
Total finance lease cost	145

As of June 30, 2021, the weighted average remaining lease term for finance and operating leases was 2.2 years and 7.4 years, respectively, and the weighted average discount rate was 4.7% and 3.3%, respectively.

Maturities of lease liabilities represent the remaining six months for 2021 and the full 12 months of each successive period as follows:

	Operating Leases US\$ 000	Finance Leases US\$ 000
2021	215	107
2022	425	189
2023	420	92
2024	245	20
2025	109	-
Thereafter	762	-
Total	2,176	408
Less imputed interest	(301)	(21)
Total	1,875	387

9. Supplemental cash flow and non-cash financing disclosures

	Six months ended June 30 2021 US\$ 000	2020 US\$ 000
Cash paid for interest	24	22
Cash paid for taxes	6,864	1,571
Finance lease liabilities arising from obtaining right-of-use assets	(4)	(82)
Operating lease liabilities arising from obtaining right-of-use assets	(538)	(170)

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, 2021 and December 31, 2020, the Company had four customers which represented 26% and five customers that represented 32% 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, 2021 was 22% compared to the federal statutory rate of 23%. 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 2014 forward is still open. The Company has no federal, foreign or state income tax returns currently under examination.

On June 30, 2021, the Company had US\$ 1,141,000 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 of 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 August 2020, the Board authorized on market share buyback program for such number of its listed shares of common stock as are equal to US\$ 1,000,000 (the "August 2020 Share Buyback Program"). 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, 2021 and December 31, 2020, the Company purchased cumulatively 274,534 and 268,013 shares of common stock, respectively, for an aggregate cumulative value of \$992,000 and \$950,330, respectively, completing the August 2020 Share Buyback Program. In February of 2021, the Board authorized another on market share buyback program for such number of its listed shares of common stock as are equal to US\$ 1,000,000 on the same terms as the August 2020 Share Buyback Program (the "February 2021 Share Buyback Program"), which commenced in July 2021. The Company estimates the February 2021 Share Buyback Program will be completed by the end of H2 2021.

14. Subsequent events

Dividend

The Board declared an interim dividend for the six months ended June 30, 2021 of 9.0 US cents per share. This dividend will be on October 22, 2021 to shareholders on the register as of September 24, 2021.

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 and 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:	\$0.090 cents per share
Ex-dividend date:	23 September 2021
Dividend record date:	24 September 2021
Final day for currency election:	8 October 2021
Payment date:	22 October 2021

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.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in

this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

IR FFFIVAIIDIL

London Stock Exchange plc is not responsible for and does not check content on this Website. Website users are responsible for checking content. Any news item (including any prospectus) which is addressed solely to the persons and countries specified therein should not be relied upon other than by such persons and/or outside the specified countries. [Terms and conditions](#), including restrictions on use and distribution apply.

© 2021 London Stock Exchange plc. All rights reserved.