

INTERIM RESULTS

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Somero Enterprises Inc.
07 September 2022

Press Announcement
For immediate release
07 September 2022

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

Interim Results for the six months ended June 30, 2022
Record H1 revenue driven by continued strength in the US market

Financial Highlights

- H1 2022 revenues were US\$ 68.5m (H1 2021: US\$64.4m), a record level for H1
 - Led by US revenues which were up 9% on H1 2021, reflecting a strong, active non-residential construction market and the positive impact of 2022 price increases
 - Three of the Company's five regions reported revenues up over H1 2021 including the US, with Australia and Latin America contributing a combined US\$ 1.9m to H1 2022 growth
- Record H1 revenue translated efficiently to strong profits and operating cash flow
 - US\$ 24.1m in H1 2022 adjusted EBITDA (H1 2021: US\$ 24.6m)
 - US\$ 12.8m in H1 2022 cash flow from operations (H1 2021: US\$ 16.0m)
- Based on strong H1 2022 results and a positive H2 2022 outlook, the Board anticipates the business to trade in line with expectations for 2022 revenues of approximately US\$ 138.8m, EBITDA of approximately US\$ 47.7m, and year-end cash of approximately US\$ 39.9m

	H1 2022	H1 2021	% Change
	US\$	US\$	
Revenue	\$68.5m	\$ 64.4m	6%
Adjusted EBITDA ^(1,2)	\$24.1m	\$ 24.6m	-2%
Adjusted EBITDA margin ^(1,2)	35.3%	38.2%	-290bps
Profits before tax	\$22.4m	\$ 23.5m	-5%
Adjusted net income ^(1,3)	\$17.3m	\$ 18.2m	-5%
Diluted adjusted net income per share ^(1,3)	\$0.31	\$ 0.32	-3%
Cash flow from operations	\$12.8m	\$ 16.0m	-20%
Net cash ⁽⁴⁾	\$27.2m	\$ 32.8m	-17%
Interim dividend per share	\$ 0.10	\$ 0.09	11%

Operational Highlights

- Re-investing for sustainable long-term growth

- The US\$ 9.5m expansion project for the Houghton, Michigan, Operations and Support Offices remains on track for Q3 2022 completion
- The Company added a total of seventeen employees since June 30, 2021 primarily in sales, customer support and operational roles, with six employees added in Europe and Australia combined
- Developing new products to expand the addressable market and contribute to growth
 - The SkyScreed® 36, S-PS50, SkyStrip® and Somero Broom+Cure™, all launched since 2019 to target new market segments, combined to contribute US\$ 3.2m to H1 2022 revenues (H1 2021: US\$ 1.4m)
 - The customer-led product development process made substantial progress in H1 2022 driven by a high volume of job site visits with customers and innovation council events

Post-Period Highlights

- The Board has also declared a US\$ 0.10 per share interim dividend, an 11% increase compared to the 2021 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:

"The Company delivered record H1 2022 revenues thanks to the remarkable performance by our talented and dedicated employees who managed to keep pace with a highly active US market, delivering equipment to meet our customers' needs and continuing to reinforce our reputation as reliable partners. Outside of a very strong US market, we are pleased with the contribution to revenues from our international regions, and in particular with the activity levels and interest in our equipment, new and existing, that we continue to see in Europe and Australia.

Equally impressive was the efficiency of our operations during this period. The Company delivered a very healthy level of profit and generated a high-level of cash from operations, providing the financial strength necessary to fund investment in new employees and a major expansion of our Houghton facility.

The Company also made good progress on executing its product development growth strategy. New products contributed materially to H1 2022 revenues and we took meaningful steps to enhance our product development pipeline.

Based on the success of the first half and current market conditions, we confirm our guidance for 2022. We expect to deliver strong revenues, profits and cash flow for our shareholders and, most importantly, we remain committed to making sound strategic investments to deliver healthy profits and cash flows to our shareholders in the years that follow."

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The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU No. 596/2014) which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. 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 2022 revenue totaled US\$ 68.5m, growing 6% compared to H1 2021 to reach record H1 revenues. North America drove the strong performance, reporting H1 2022 revenues of US\$ 55.6m (H1 2021: US\$ 50.9m) reflecting a robust US non-residential construction market. Our international regions contributed meaningfully to revenues in the period, led by Europe and Australia, which contributed US\$ 4.8m (H1 2021: US\$ 6.4m) and US\$ 4.0m (H1 2021: US\$ 2.7m), respectively. In addition to the strong H1 2022 trading, the Company made substantial progress on its new product growth strategy, both in generating revenues and developing the pipeline of new products.

Leveraging the H1 2022 revenue, the Company delivered strong profits and cash generation during the period. H1 2022 adjusted EBITDA was US\$ 24.1m (H1 2021: US\$ 24.6m) reflecting an adjusted EBITDA margin of 35.3% (H1 2021: 38.2%). The Company mostly offset higher expenses compared to H1 2021 from a higher headcount and cost inflation with 2022 price increases and improved operational efficiency. H1 2022 profits benefitted from a strong gross margin of 58.3% (H1 2021: 58.6%) as the aforementioned 2022 price increases and operational efficiency gains mostly offset higher materials and logistics costs. Operating cash flow in H1 2022 was US\$ 12.8m (H1 2021: US\$ 16.0m), a healthy level that translated to a sizable June 30, 2022 cash balance of US\$ 27.2m, notwithstanding the payment of a substantial US\$ 23.4m dividend in May 2022. The H1 2022 results highlight the scalability of operations to efficiently meet high demand and the Company's commitment to add key talent to execute its long-term growth plan.

Region and Product Reviews

North America

H1 2022 North American sales grew 9% from H1 2021 to US\$ 55.6m as our US customers continued work on a large volume of projects, including large footprint manufacturing facilities and warehousing. During the period, customers were able to manage through supply challenges, including inconsistent availability of concrete, long-lead times from equipment providers other than Somero, and the long-standing and worsening shortage of skilled labor, challenges that remain in place as we enter H2 2022.

Europe

Europe reported sales of US\$ 4.8m in H1 2022, down from US\$ 6.4m in H1 2021. Although trading fell below the prior year, activity was healthy along with solid interest in our equipment during the period. The H1 2022 trading result in Europe was impacted by temporary logistics delays that resulted in shipment of certain orders getting pushed to H2 2022. We anticipate improved trading in Europe in H2 2022 as these temporarily delays are resolved and with the solid activity and interest levels expected to continue.

Europe is one of our target international markets where we see meaningful opportunity for growth from sales of new and existing products. In H1 2022, we took steps to execute our European growth strategy that included starting the process to introduce the SkyScreed® 36 to the UK market, adding three European-based sales and customer support employees including a direct sales territory manager in Italy, and at the end of H1 2022 introducing a competitively priced, entry-level ride-on screed, the EcoScreed, designed to attract new customers to the Somero family.

Australia

Australia reported H1 2022 sales of US\$ 4.0m, a 48% increase from the US\$ 2.7m in H1 2021. The higher sales were attributable to a direct sales team focused on selling a broader range of our products, a direct support team strengthening customer relationships and identifying sales opportunities, and to favorable exchange rates. We are introducing the SkyScreed® 36 to the Australian market in 2022 and excited by the opportunity to gain traction with this product in an Australian structural high-rise market segment that has similar characteristics to those in the US.

Australia is also a target international market where we see meaningful opportunity for growth. The transition to a direct sales and support model at the end of 2020 has provided the foundation for strong performance in H1 2022 and future growth, and we grew this team by adding three customer service employees that will support new product launches, a higher volume of job site demonstrations, and the introduction of the SkyScreed® 36 to the market.

Latin America

Latin America reported US\$ 1.4m in H1 2022 sales, a US\$ 0.6m increase compared to H1 2021 with positive activity in the region's main market, Mexico. Latin America remains a relatively small contributor to overall sales, and as such, period to period results will be subject to a certain level of volatility due to the small base of revenues.

Rest of World

Our Rest of World region, which includes China, the Middle East, India, Southeast Asia, and Korea, reported H1 2022 sales of US\$ 2.7m, representing a US\$ 0.9m decrease compared to H1 2021. The main contributors to H1 2022 revenues, as in past periods, were China, India, and the Middle East. Excluding China, the Rest of World region reported H1 2022 revenues of US\$ 2.3m, an increase of US\$ 0.4m compared to H1 2021. China reported H1 2022 revenues of US\$ 0.4m (H1 2021: US\$ 1.7m), down from the prior year period as expected due to the previously announced downsizing of our local China team, severe COVID-19 restrictions put in place by the Chinese government that drastically limited activity across broad sections of the country, and to the negative impact of a worsening environment for multi-national firms investing in China-based building projects. India reported sales of US\$ 1.5m in H1 2022, a US\$ 0.4m increase compared to H1 2021. This was thanks to a strong contribution from our local sales team despite the lingering effects of COVID-19 restrictions, while the Middle East reported sales of US\$ 0.5m compared to US\$ 0.2m in H1 2021, an encouraging improvement albeit off a small base.

Products

Revenue from sales of Boomed screeds, Ride-on screeds, 3D Profiler Systems, and Other revenues all increased compared to H1 2021, reflecting a healthy and balanced range of construction projects in the

market. There continues to be healthy demand for our large Boomed screed equipment suitable for large footprint projects such as warehousing and manufacturing facilities. There also continues to be healthy demand for our Ride-on screeds suitable for smaller footprint projects and smaller concrete slab pours necessitated by an inconsistent supply of concrete. Sales of the 3D Profiler System contributed US\$ 5.3m to H1 2022 revenue, an increase of 15% over H1 2021, driven by continued growth in concrete parking and loading areas around the perimeter of buildings. Other revenues, primarily parts and accessories, grew 8% from H1 2021 to US\$ 14.3m due to a larger installed base of equipment and a high-level of equipment utilization in the market. The period over period comparisons for other product lines were subject to typical fluctuation driven by customer project types.

New products are a key driver of long-term growth. Products released since 2019, the SkyScreed® 36, S-PS50, SkyStrip® and the Somero Broom+Cure™, that target entirely new market segments, combined to contribute US\$ 3.2m in H1 2022 revenues US\$ 1.8m ahead of H1 2021, as we continue to build market acceptance for these disruptive products. Our customer-led product development process remained highly active in H1 2022 with extensive job-site visits and innovation council events to advance new product ideas through our multi-stage development process.

Our People

On behalf of the Board, we would like to thank all our global employees for their remarkable performance in H1 2022. The effort of the entire Somero team to overcome formidable challenges and deliver these outstanding results sets us apart from other providers of equipment in our industry. In addition to retaining our talented employees, we are pleased to have added a range of new talent to the organization that will support our long-term growth strategy. Since June 30, 2021, we have added seventeen employees to fill important positions across our global operations. 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

We made substantial progress on the project to expand our Houghton, Michigan, Operations and Support Offices during H1 2022. The 50,000 square foot expansion provides a 35% increase in operational capacity that will increase operational efficiency, support future growth of our product portfolio, and provide our engineering team with an expanded development and testing area. The project remains in line with the US\$ 9.5m budgeted cost and we anticipate project completion in Q3 2022 with the new space fully operational in Q4 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 strikes the right balance between shareholder expectations and the needs and concerns of our employees, customers, communities, our impact on the environment, and that Somero is actively engaging with stakeholders on these material topics. One material topic is the environmental impact of the use of our equipment in the construction process. In 2021, we commissioned an initial study with a university to issue a white paper that outlines this impact. The study concluded that the use of our laser screed machines in non-residential construction projects provides a number of environment benefits including a reduction in concrete required to install the concrete slab. In H2 2022, we will begin part two of the study that will comprehensively assess the environmental impact from the use of our equipment in the construction process. We anticipate the study will be completed in H1 2023.

Dividend and share buyback program

Based on record results in H1 2022, our strong financial position and confidence in the outlook for the remainder of 2022, we are pleased to report that the Board has decided to declare an interim 2022 dividend of US\$ 0.10 per share, representing a 11% increase from the interim 2021 dividend as a step toward more balanced payments of ordinary interim and final dividends. The dividend, representing a total payment of approximately US\$ 5.6m, will be payable on October 21, 2022 to shareholders on the register as of September 23, 2022.

In H1 2022, the Company repurchased a total of 138,130 shares of common stock under the Company's share buyback program put in place to offset dilution from on-going equity award programs. Of the total common

shares repurchased in H1 2022, 5,901 common shares were to complete the 2021 US\$ 1.0m share buyback authorization approved by the Board in February 2021, and 132,229 common shares were repurchased pursuant to the US\$ 2.0m share buyback authorization approved by the Board in February 2022. The Company is on pace to complete the majority of the US\$ 2.0m share buyback by the end of 2022. 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.

Current Trading and Outlook

H1 2022 was an outstanding start to the year and established a record level of H1 revenue. Strong trading in North America, meaningful contributions from international markets and new products, and the positive impact of 2022 price increases translated to strong profits and operating cash flow that funded re-investment in the business to expand our operational footprint and add key new talent to the organization.

Favorable H1 2022 activity is carrying over into H2 2022, and our positive outlook for H2 2022 is supported by a US non-residential construction market that remains healthy with extended customer project backlogs and by opportunities for growth in our international markets and from new products. In Europe, we were pleased by the interest in our equipment during H1 2022 and the level of non-residential construction taking place across the region. In Australia, the positive momentum from strong H1 2022 trading is carrying over to H2 2022, and we continue to see strong opportunities for growth from new products, including the introduction of the SkyScreed® 36. In our Rest of World regions, we expect to see opportunities for growth, with the exception of China, where we expect revenues will decline from the prior year period due to the downsizing of our operations there and limited near-term growth opportunities in our targeted quality market segment.

We maintain a positive outlook for the remainder of 2022 and anticipate delivering strong revenues, profits, and cash flows to shareholders for the year. We recognize risks associated with supply chain shortages that could slow our ability to fulfill customer orders and the pace of customers' work on their healthy backlog of projects. While these shortages can carry over and negatively impact 2023 trading if continuing unimproved, based on the strong H1 2022 results, confidence in the health of the non-residential construction market, and with the benefit of unfilled orders carried over from H1 2022, the Board is pleased to confirm 2022 results are anticipated to fall in line with market expectations for revenues of approximately US\$ 138.8m, EBITDA of approximately US\$ 47.7m, and year-end cash of approximately US\$ 39.9m.

Larry Horsch

Non-Executive Chairman

Jack Cooney

Chief Executive Officer

September 7, 2022

FINANCIAL REVIEW

Summary of financial results

* *unaudited*

For the six months ended June 30

	2022	2021
	US\$ 000	US\$ 000
	<i>Except per share</i>	<i>Except per share</i>
	<i>data</i>	<i>data</i>

Revenue	68,473	64,384
Cost of sales	28,535	26,636
Gross profit	39,938	37,748
Operating expenses		
Selling, marketing and customer support	7,391	6,053
Engineering and product development	1,203	1,066
General and administrative	8,747	7,426
Total operating expenses	17,341	14,545
Operating income	22,597	23,203
Other income (expense)		
Interest expense	(9)	(24)
Interest income	38	97
Foreign exchange impact	(242)	105
Other	(3)	118
Income before income taxes	22,381	23,499
Provision for income taxes	4,891	5,200
Net income	17,490	18,299

	Per Share	Per Share
	US\$	US\$
Basic earnings per share	0.31	0.33
Diluted earnings per share	0.31	0.32
Basic adjusted net income per share ^{(1), (2), (4)}	0.31	0.32
Diluted adjusted net income per share ^{(1), (2), (4)}	0.31	0.32

Other data

Adjusted EBITDA ^{(1), (2), (4)}	24,141	24,564
Adjusted net income ^{(1), (3), (4)}	17,323	18,239
Depreciation expense	656	549
Amortization of intangibles	67	77
Capital expenditures	2,251	645

Notes:

- 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.
- 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.
- 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.
- 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	
	2022	2021
	US\$ 000	US\$ 000
Adjusted EBITDA reconciliation		
Net income	17,490	18,299
Tax provision	4,891	5,200
Interest expense	9	24
Interest income	(38)	(97)
Foreign exchange impact	242	(105)
Other	3	(118)
Depreciation	656	549
Amortization	67	77
Non-cash lease expense	148	135
Stock-based compensation	673	600
Adjusted EBITDA	24,141	24,564
Adjusted net income reconciliation		
Net income	17,490	18,299
Amortization	67	77
Tax impact of stock option & RSU settlements	(234)	(137)
Adjusted net income reconciliation	17,323	18,239

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 6% to US\$ 68.5 (H1 2021: US\$ 64.4--m). 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, Somero Line Dragon®, SkyScreed®, Broom+Cure™, S-PS50 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 higher pricing across most of our product portfolio, including the newly launched S-28EZ versus its predecessor, elevated volume in Ride-on

Screed products, remanufactured machines and 3-D Profiler systems, along with an increased take rate in our new product offerings.

Boomed Screed sales increased to US\$ 32.9 (H1 2021: US\$ 32.1--m) as price increases offset unit volume decrease to 93 units (H1 2021: 105 units), Ride-on screed sales increased to US\$ 10.5m (H1 2021: US\$ 9.9m) partly due to price increases and an increase in volume to 90 units (H1 2021: 87), remanufactured machine sales increased to US\$ 3.2m (H1 2021: US\$ 2.0m) as unit volume increased to 14 units (H1 2021: 12), 3-D Profiler System sales increased to US\$ 5.3m (H1 2021: US\$ 4.6m) as unit volume increased to 43 units (H1 2021: 39), Somero Line Dragon® sales decreased to US\$ 1.2m (H1 2021: US\$ 2.3m) as unit volume decreased to 29 units (H1 2021: 62), SkyScreed® sales increased to US\$ 1.1m (H1 2021: USD\$ 0.2m), as unit volume increased to 3 units (H1 2021: 1) and Other revenues increased to US\$ 14.3 (H1 2021: US\$ 13.3m) mostly due to the introduction of the S-PS50 in 2022, which contributed revenue of US\$ 0.8m. The following table shows the breakdown during the six months ended June 30, 2022 and 2021:

Revenue breakdown by geography		North America US\$ in millions		EMEA ⁽¹⁾ US\$ in millions		ROW ⁽²⁾ US\$ in millions		Total US\$ in millions			
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
								Net sales	% of Net sales	Net sales	% of Net sales
Boomed screeds (3)		26.9	24.2	2.8	4.6	3.2	3.3	32.9	48.0%	32.1	49.9%
Ride-on screeds (4)		7.5	7.8	0.8	0.8	2.2	1.3	10.5	15.3%	9.9	15.4%
Remanufactured machines		2.9	2.0	0.3	-	-	-	3.2	4.7%	2.0	3.1%
3D Profiler System		5.0	4.2	-	0.1	0.3	0.3	5.3	7.7%	4.6	7.1%
Somero Line Dragon®		1.1	2.3	0.1	-	-	-	1.2	1.8%	2.3	3.5%
SkyScreed®		1.1	0.2	-	-	-	-	1.1	1.6%	0.2	0.3%
Other (5)		11.1	10.2	1.4	1.2	1.8	1.9	14.3	20.9%	13.3	20.7%
Total		55.6	50.9	5.4	6.7	7.5	6.8	68.5	100%	64.4	100.0%

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 Broom+Cure™, STS-11M Topping Spreader, Copperhead, Mini Screed C and S-PS50.

Units by product line	H1 2022	H1 2021
Boomed screeds	93	105
Ride-on screeds	90	87
Remanufactured machines	14	12
3-D Profiler System	43	39
Somero Line Dragon®	29	62
SkyScreed®	3	1
Other (1)	28	25
Total	300	331

Notes:

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

Sales to customers located in North America contributed 81% of total revenue (H1 2021: 79%), sales to customers in EMEA (Europe, Middle East, and Scandinavia) contributed 8% (H1 2021: 10%) and sales to customers in ROW (Southeast Asia, Australia, Latin America, India and China) contributed 11% (H1 2021: 11%).

Sales in North America totaled US\$ 55.6m (H1 2021: US\$ 50.9m) up 9%, primarily driven by an increase in pricing across most of the product portfolio, including the newly launched S-28EZ versus its predecessor, higher volumes of the SRS-4, 3-D Profiler systems, the Somero Broom+CureTM, and Mini C, and strong contribution from new products including the S-PS50, and the SkyScreed, as well as parts and accessories. Sales to customers in EMEA were US\$ 5.4m (H1 2021: US\$ 6.7m) which decreased 19% driven by supply chain and logistical challenges in building up inventory levels in H1. Sales to customers in ROW were US\$ 7.5m (H1 2021: US\$ 6.8m) increasing by 10% driven by an increase in sales of Ride-on Screeds.

Regional sales	US\$ in millions	
	H1 2022	H1 2021
North America	55.6	50.9
Europe	4.8	6.4
Australia	4.0	2.7
Latin America	1.4	0.8
Rest of World ⁽¹⁾	2.7	3.6
Total	68.5	64.4

Notes:

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

Gross profit

Gross profit increased to US\$ 39.9m (2021: US\$ 37.7), with gross margins decreasing slightly to 58.3% compared to 58.6% in H1 2021, reflecting price increases partly offset by higher input costs.

Operating expenses

Operating expenses excluding depreciation, amortization and stock-based compensation for H1 2022 were US\$ 16.2m (H1 2021: US\$ 13.3m), 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 increased travel.

Debt

As of June 30, 2022, 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.

Provision for income taxes

The provision for income taxes decreased to US\$ 4.9m, at an overall effective tax rate of 22%, compared to a provision of US\$ 5.2m in H1 2021, 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:

	2022 US\$ 000	2021 US\$ 000
Income available to stockholders	17,490	18,299
Basic weighted shares outstanding	56,038,690	56,159,229
Net dilutive effect of stock options and restricted stock units	661,282	694,625
Diluted weighted average shares outstanding	56,699,972	56,853,854

	Per Share US\$	Per Share US\$
Basic earnings per share	0.31	0.33
Diluted earnings per share	0.31	0.32
Basic adjusted net income per share	0.31	0.32
Diluted adjusted net income per share	0.31	0.32

Consolidated Balance Sheets

As of June 30, 2022 and December 31, 2021

	As of June 30, 2022 <i>* unaudited</i> US\$ 000	As of December 31, 2021 US\$ 000
Assets		
Current assets:		
Cash and cash equivalents	27,176	42,146
Accounts receivable - net	6,576	7,691
Inventories - net	19,984	14,293
Prepaid expenses and other assets	2,458	1,590
Income tax receivable	2,720	2,376
Total current assets	58,914	68,096
Accounts receivable, non-current - net	305	461
Property, plant, and equipment - net	23,190	21,589
Financing lease right-of-use assets - net	315	383
Operating lease right-of-use assets - net	1,277	1,578
Intangible assets - net	1,325	1,392
Goodwill	3,294	3,294
Deferred tax asset	1,147	172
Other assets	238	394
Total assets	90,005	97,359
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	7,410	7,111
Accrued expenses	10,376	10,291
Financing lease liability - current	163	183
Operating lease liability - current	320	360
Total current liabilities	18,269	17,945
Financing lease liability - long-term	98	127
Operating lease liability - long-term	993	1,255
Other liabilities	2,307	2,367
Total liabilities	21,667	21,694

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, 56,013,493 and 56,246,964 shares issued on June 30, 2022 and December 31, 2021, respectively, and 55,957,147 and 56,039,924 shares outstanding on June 30, 2022 and December 31, 2021, respectively	26	26
Less: treasury stock, 56,346 shares as of June 30, 2022 and 207,040 shares as of December 31, 2021 at cost	(282)	(848)
Additional paid in capital	15,083	16,769
Retained earnings	56,280	62,187
Other comprehensive loss	(2,769)	(2,469)
Total stockholders' equity	68,338	75,665
Total liabilities and stockholders' equity	90,005	97,359

See Notes to unaudited consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the six months ended June 30, 2022 and 2021

* unaudited

	Six months ended June 30	
	2022	2021
	US\$ 000	US\$ 000
	Except per share data	Except per share data
Revenue	68,473	64,384
Cost of sales	28,535	26,636
Gross profit	39,938	37,748
Operating expenses		
Sales, marketing, and customer support	7,391	6,053
Engineering and product development	1,203	1,066
General and administrative	8,747	7,426
Total operating expenses	17,341	14,545
Operating income	22,597	23,203
Other income (expense)		
Interest expense	(9)	(24)
Interest income	38	97
Foreign exchange impact	(242)	105
Other	(3)	118
Income before income taxes	22,381	23,499
Provision for income taxes	4,891	5,200
Net income	17,490	18,299
Other comprehensive income		
Cumulative translation adjustment	(300)	169
Comprehensive income	17,190	18,468
Earnings per common share		
Earnings per share - basic	0.31	0.33
Earnings per share - diluted	0.31	0.32

**Weighted average number of common
shares outstanding**

Basic	56,038,690	56,159,229
Diluted	56,699,972	56,853,854

See Notes to unaudited consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

For the six months ended June 30, 2022

** unaudited*

	<u>Common stock</u>			<u>Treasury stock</u>			<u>Other</u>	<u>Total</u>
		<u>Amount</u>	<u>Additional</u>		<u>Amount</u>	<u>Retained</u>	<u>Comprehensive</u>	<u>Stockholders'</u>
	<u>Shares</u>	<u>US\$ 000</u>	<u>paid-in</u>	<u>Shares</u>	<u>US\$ 000</u>	<u>earnings</u>	<u>loss</u>	<u>equity</u>
			<u>US\$ 000</u>			<u>US\$ 000</u>	<u>US\$ 000</u>	<u>US\$ 000</u>
Balance -	56,246,964	26	16,769	207,040	(848)	62,187	(2,469)	75,665
December 31,								
2021								
Cumulative								
translation	-	-	-	-	-	-	(300)	(300)
adjustment								
Net income	-	-	-	-	-	17,490	-	17,490
Stock-based	-	-	673	-	-	-	-	673
compensation								
Dividend	-	-	-	-	-	(23,397)	-	(23,397)
Treasury stock	(288,824)	-	(1,287)	(288,824)	1,287	-	-	-
RSUs settled for	-	-	(1,072)	-	-	-	-	(1,072)
cash								
Share buyback	-	-	-	138,130	(721)	-	-	(721)
New shares issued	55,353	-	-	-	-	-	-	-
Balance - June 30,	56,013,493	26	15,083	56,346	(282)	56,280	(2,769)	68,338
2022								

See Notes to unaudited consolidated financial statements.

Consolidated Statements of Cash Flows

For the six months ended June 30, 2022 and 2021

**unaudited*

	<u>Six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>
	<u>US\$ 000</u>	<u>US\$ 000</u>
Cash flows from operating activities:		
Net income	17,490	18,299
Adjustments to reconcile net income to net cash provided by		

operating activities:		
Deferred taxes	(976)	(1,061)
Depreciation and amortization	723	626
Non-cash lease expense	148	135
Bad debt	113	99
Stock-based compensation	673	600
Gain on disposal of property and equipment	(46)	(31)
Working capital changes:		
Accounts receivable	1,159	(2,758)
Inventories	(5,691)	(3,130)
Prepaid expenses and other assets	(868)	(480)
Income taxes receivable	(344)	(1,316)
Other assets	156	(32)
Accounts payable, accrued expenses and other liabilities	297	5,080
Net cash provided by operating activities	12,834	16,031
Cash flows from investing activities:		
Property and equipment purchases	(2,251)	(645)
Proceeds from sale of equipment	40	-
Net cash used in investing activities	(2,211)	(645)
Cash flows from financing activities:		
Payment of dividend	(23,397)	(17,366)
RSUs settled for cash	(1,072)	(620)
Payments under financing capital leases	(103)	(99)
Share buy back	(721)	(41)
Net cash used in financing activities	(25,293)	(18,126)
Effect of exchange rates on cash and cash equivalents	(300)	169
Net decrease in cash and cash equivalents	(14,970)	(2,571)
Cash and cash equivalents:		
Beginning of period	42,146	35,388
End of period	27,176	32,817

See Notes to unaudited consolidated financial statements.

Notes to the Consolidated Financial Statements

As of June 30, 2022 and December 31, 2021

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, 2022 and December 31, 2021, the allowance for doubtful accounts was approximately US\$ 1,690,000 and US\$ 1,637,000, respectively. Bad debt expense for the six months ended June 30, 2022 and 2021, was US\$ 113,000 and US\$ 99,000, 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, 2022 and December 31, 2021, the provision for obsolete and slow-moving inventory was US\$ 864,000 and US\$ 1,212,000, 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, 2022 nor December 31, 2021.

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, 2022 and December 31, 2021, there were US\$ 571,000 and US\$ 507,000, respectively, of extended service agreement liabilities. During the six months ended June 30, 2022 and 2021, US\$ 308,000 and US\$ 234,000, 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, 2022 and December 31, 2021, there were US\$ 3,392,000 and US\$ 4,009,000, 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, 2022 and December 31, 2021, 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, 2021	(1,174)
Warranty charges	362
Accruals	(1,174)
Balance, December 31, 2021	(1,986)
Balance, January 1, 2022	(1,986)
Warranty charges	293
Accruals	(371)
Balance, June 30, 2022	(2,064)

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 US\$ 673,000 and US\$ 600,000 for the six months ended June 30, 2022 and

2021, respectively. In addition, the Company settled US\$ 1,072,000 and US\$ 620,000 in restricted stock units for cash during the six months ended June 30, 2022 and 2021, 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	
	2022	2021
	US\$ 000	US\$ 000
Net income	17,490	18,299
Basic weighted shares outstanding	56,038,690	56,159,229
Net dilutive effect of stock options and restricted stock units	661,282	694,625
Diluted weighted average shares outstanding	56,699,972	56,853,854

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, 2021				
Asset: Non-recurring				
Goodwill	3,294			3,294
Period ended June 30, 2022				
Asset: Non-recurring				
Goodwill	3,294			3,294

3. Inventories

Inventories consisted of the following:

	June 30, 2022 US\$ 000	December 31, 2021 US\$ 000
Raw material	10,931	8,679
Finished goods and work in process	6,995	3,462
Remanufactured	2,058	2,152
Total	19,984	14,293

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, 2022 US\$ 000	December 31, 2021 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	18,697	18,673
	Intangible Assets		6,659	6,616
			25,356	25,289
<i>Net carrying costs</i>	Patents	12 years	550	574
	Intangible Assets		775	818
			1,325	1,392

Amortization expense associated with the intangible assets in each of the six months ended June 30, 2022 and 2021 was approximately US\$ 67,000 and US\$ 77,000, respectively. The amortization expense for each of the next 5 years will be US\$ 135,000 and the remaining amortization thereafter will be US\$ 650,000.

5. Property, plant, and equipment

Property, plant, and equipment consist of the following:

	June 30, 2022 US\$ 000	December 31, 2021 US\$ 000
Land	864	864
Building and improvements	22,100	20,191
Machinery and equipment	8,374	8,185
	31,338	29,240
Less: accumulated depreciation and amortization	(8,148)	(7,650)
	23,190	21,589

Depreciation expense for the six months ended June 30, 2022 and 2021 was approximately US\$ 656,000 and US\$ 549,000, 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, 2022 and December 31, 2021.

Interest expense for the six months ended June 30, 2022 and 2021 was approximately US\$ 9,300 and US\$ 23,600, 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\$ 445,000 to the savings and retirement plan during the six months ended June 30, 2022 and 2021, 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 11 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, 2022 US\$ 000
Operating lease cost	182
Finance lease cost:	
Amortization of right-of-use assets	148
Interest on lease liabilities	6
Total finance lease cost	154

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 2022 and the full 12 months of each successive period as follows:

	Operating Leases US\$ 000	Finance Leases US\$ 000
2022	182	105
2022	362	118

2023	215	38
2024	96	14
2025	96	-
Thereafter	576	-
Total	1,527	275
Less imputed interest	(214)	(14)
Total	1,313	261

9. Supplemental cash flow and non-cash financing disclosures

	Six months ended June 30	
	2022 US\$ 000	2021 US\$ 000
Cash paid for interest	9	24
Cash paid for taxes	6,274	6,864
Finance lease liabilities arising from obtaining right-of-use assets	(102)	(4)
Operating lease liabilities arising from obtaining right-of-use assets	(250)	(538)

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, 2022 and December 31, 2021, the Company had two customers which represented 20% and two customers that represented 21% 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, 2022 was 22% compared to 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 2014 forward is still open. The Company has no federal, foreign, or state income tax returns currently under examination.

On June 30, 2022, the Company had US\$ 1,147,000 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 and 2021, the Board authorized an on-market share buyback program for such number of listed shares of common stock as are equal to US\$ 2,000,000 and US\$ 1,000,000, 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, 2022,

the Company purchased 132,229 shares of common stock for an aggregate value of US\$ 683,000 pursuant to the share buyback program authorized in 2022, and 5,901 shares of common stock for an aggregate value of US\$ 38,000, which completed the share buyback program authorized in 2021. The company estimates the share buyback program authorized in 2022 will be completed by the end of H2 2022. In connection with the Company's share buyback programs authorized in 2022, 2021 and 2020, 288,824 shares held in treasury were cancelled in H1 2022.

14. Subsequent events

Dividend

The Board declared an interim dividend for the six months ended June 30, 2022 of 10.0 US cents per share. This dividend will be on October 21, 2022 to shareholders on the register as of September 23, 2022.

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:	22 September 2022
Dividend record date:	23 September 2022
Final day for currency election:	7 October 2022
Payment date:	21 October 2022

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.

Line of Credit

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.

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