



OVER 30 YEARS OF INNOVATION

PRESS RELEASE

Q1 2024 Positive Trends and Return to Profitability

❖ New Services Launched and Gaining Traction

- Lower inventory of natural polished diamonds at FY2023 year's end and significant reductions in natural rough prices in Q1 2024 contributed to a recovery in their flow, benefiting Sarine's core businesses.
- Coupled with implemented reductions to operating expenses, Sarine returned to profitability in Q1 2024
- Sarine's new services launched in Q1 2024 are gaining traction and starting to generate additional recurring revenues streams: (i) Most Valuable Plan™ (MVP) paradigm for the optimal planning of small rough diamonds; (ii) Adaptation of rough planning technologies to LGD; (iii) GCAL by Sarine LGD grading lab in India.
- AutoScan™ Plus and Journey™ combined solution best positioned to address ESG issues for luxury brands; along with collaboration with DeBeers' subsidiary Tracr™, also provide verifiable data for G7 sanctions on Russian-sourced diamonds.

Hod Hasharon (Israel) 19 May 2024 - Singapore Exchange Mainboard and Tel Aviv Exchange listed Sarine Technologies Ltd (“Sarine” and along with its subsidiaries “the Group”) (U77:SI; SARN.TA), a worldwide leader in the development, manufacturing, marketing and sale of precision technology products for the evaluation, planning, processing, measurement, grading and trading of diamonds and gems, wishes to update the investing public on key developments in the three months ended 31 March 2024.

Review of Q1 2024

Economic woes in China continued in Q1 2024 to stifle consumer demand in the second most important market for diamond jewellery, as consumers preferred to buy gold, the classic safe-haven. The rapid expansion of the LGD segment in the U.S. market has slowed significantly, also impacted by dramatic price drops - a one carat LGD can now be had retail for US\$ 500! Consumer demand split between LGD and natural diamonds, with the latter's historic market share reduced,



is the new reality. DeBeers sales, though significantly recovered from late 2023, with each of the initial sales cycles of 2024 progressively improving, are still some 16% down y-o-y in the initial four months of 2024, with expectations for full year sales cut by 10%. Vagueness as to the G7 sanctions regime and how it is to be expanded commencing September 2024, has also added uncertainty to the diamond industry, pertaining to natural stones and LGD alike.

However, with a partial recovery in the natural diamond value chain, as evidenced by DeBeers improving sales cycles, Group revenue for Q1 2024 increased by 27% as compared to Q4 2023 to US\$11.2 million (virtually flat with Q1 2023's US\$ 11.5 million). At the segmental level, capital equipment sales recovered by 19%, while as recurring revenues grew by 31%, as the quantities of rough diamonds entering the pipeline rebounded (our GCAL subsidiary grading revenues in Q1 2024 were actually seasonably lower than Q4 2023, the peak of the end-of-year U.S. holiday season). As of March 31, 2024, our installed base of Galaxy[®]-family systems was 832 systems.

On higher revenues, but with a revenue mix that includes GCAL's operations, gross profit margin was 64.1% in Q1 2024, as compared to 49.5% in Q4 2023 and 71.4% in Q1 2023, before the GCAL acquisition. Correspondingly, gross profit for Q1 2024 was US\$ 7.2 million up from US\$ 4.3 million in Q4 2023, but down from US\$ 8.2 million in Q1 2023. In line with management's aggressive ongoing cost cutting, operational expenses were reduced by just under 6% as compared to Q4 2023 and fell by over 12% as compared to Q1 2023, enabling the Group to realise a profit of US\$ 0.6 million in Q1 2024, as compared to a loss of US\$2.8 million in Q4 2023.

Prospects

Within the natural diamond industry, conditions have improved from the challenges of late 2023. Considerably lower inflow of rough diamonds during Q4 2023 reduced the inventory of polished natural diamonds in the pipeline. Substantial ongoing reductions in the prices of rough diamonds in 2024 have improved the profit margins of manufacturers. The market disruption caused by LGD most likely peaked in 2023. The recovery of the natural diamond industry in 2024, if sustained, though at new levels lower than historic ones, has and should continue to benefit our traditional businesses of capital equipment sales and Galaxy[®] scanning.

The Group's newly introduced services have started gaining traction, and we expect recurring revenue to increase from their broadening adoption throughout 2024.

Our Most Valuable Plan[™] (MVP) paradigm for the optimal planning of rough diamonds 40 points and below (to be extended up to 90 points later in 2024) has an immediately addressable market of the 33 million stones of sub-90 points scanned on our systems in 2023. Since its launch in February, MVP has shown high double digit monthly expansion. As our per-stone charge is proportionate to the value of these very small stones, our realised revenues will be more substantial in the second half of the year, as the volumes to which the MVP paradigm is applied grow. The just released (May 2024) new Meteor[™] Plus inclusion scanning system for stones up to 90 points will help drive the adoption of MVP in this segment of larger small stones. To note, our introduction of the MVP offering should also drive sales of software upgrade packages of Meteor[™] and Meteorite[™] systems to Plus models (20 upgrades sold in Q1 2024) with very high gross margins.



LGD will account for a meaningful portion of the diamond jewellery market going forward. To adequately address this segment, we have launched two commercial initiatives during Q1 2024. We have successfully adapted our industry-leading rough planning technologies to LGD, and are offering them as a pay-per-carat service. We already have a number of key leading LGD manufacturers employing our technology, with additional customers running paid tests. Since its launch in February, we have seen its utilisation effectively double monthly and the per-carat revenues are trending upwards proportionately. Our LGD-focused GCAL by Sarine grading lab in India commenced operations in January this year. Adaptation of our AI-derived grading technologies to LGD, scheduled for H2 2024, will enable implementation of our e-Grading™ paradigm and galvanise further expansion of our grading services for LGD. Our target is to attain an 8 -10% market share of the estimated US\$ 100 million LGD grading market in FY2024. Together with our LGD planning services noted above, we expect our LGD-related revenues to contribute 15-20% of our overall revenues for FY2024.

The AutoScan™ Plus and Sarine Diamond Journey™ combined solution, bolstered by our collaboration with DeBeers' Tracr™ subsidiary, provides an easily scalable and cost-effective means to address the G7 policy of tighter sanctions on Russian-sourced diamonds, with minimal overhead or disruption to the diamond value chain. If the sanctions' enforcement is ultimately predicated on "verifiable" data, we believe we have a very strong offering and are a solid contender to be one of the preferred solutions endorsed. The sanctions are to be broadened in September 2024 to apply to polished diamonds a half-carat and up in weight, addressing an estimated 3 million plus diamonds annually. Based on previously introduced similar services' fees, in the US\$ 10-20 range, the revenues derived from this opportunity could be very substantial. In any case, we expect adoption of our traceability technology by additional high-end luxury brands to address their ESG concerns in 2024.

About Sarine Technologies

Established in 1988, Sarine Technologies Ltd. is a worldwide leader in the development and manufacturing of advanced modeling, analysis, evaluation, planning, processing, finishing, grading and trading systems for diamonds. Sarine products include the Galaxy® family of inclusion and tension mapping systems, rough diamond planning and optimisation technologies, laser cutting and shaping tools, laser-marking, inscription and fingerprinting equipment, automated (AI-derived) Clarity, Color, Cut and light performance grading systems and traceability, visualisation and retailing services. Sarine systems have become standard tools in every modern manufacturing plant, properly equipped gemology lab and diamond appraisal business, and are essential aids for diamond polishers, dealers and retailers. For more information about Sarine and its products and services, visit <http://www.sarine.com>

APAC IR
Cyrus Capital Consulting
Mr. Lee Teong Sang
Tel:+65-96339035
teongsang@cyrus.com.sg

Sarine Technologies Ltd. Marketing & Communications
Ms. Romy Gakh-Baram
Tel:+972-9-7903500
romy.gakh-baram@sarine.com