SodaStream Expects 2014 Revenue To Increase 15%

SodaStream

AIRPORT CITY, Israel - **SodaStream International Ltd.,** a manufacturer of home beverage carbonation systems, announced its results for the three month period ended March 31, 2014.

For the first quarter ended March 31, 2014:

- Revenue was $118.2 million compared to $117.6 million in the first quarter 2013
- EBITDA was $6.3 million compared to $16.4 million in the first quarter 2013
- Net income was $1.8 million compared to $12.1 million in the first quarter 2013.
- Diluted earnings per share were $0.08, compared to $0.57 in the first quarter 2013.

"Our first quarter results were generally in-line with our expectations and reflect strong growth outside the U.S. offset by the negative impact on soda maker sell-in in the U.S. from the challenging holiday season," said Daniel Birnbaum, Chief Executive Officer of SodaStream. "Our global base of SodaStream users inclusive of the U.S. remains very active evidenced by strong consumable sales growth, giving us added conviction in the attractiveness of our home carbonation system. We are in the process of adjusting our marketing and selling strategies in order to reaccelerate soda maker demand and further increase household penetration. We are confident that our long history leading the evolution of home carbonation continues to provide us with strong competitive advantages and compelling growth opportunities across the globe."

Gross margin for the first quarter 2014 was 52.3% compared to 54.5% for the same period in 2013. The decline was primarily due to unfavorable changes in foreign currency exchange rates and increased share of higher-cost soda makers in the sales mix, which was partially offset by a higher share of CO2 refills in product mix.

Sales and marketing expenses for the first quarter 2014 totaled $46.1 million, or 39.0% of revenue, compared to $38.9 million, or 33.0% of revenue for the comparable period in the prior year. The 600 basis point change in sales and marketing expenses as a percent of revenue was mainly attributable to an increase in advertising and promotion expense as a percent of revenue to 18.1% from 13.5% in the first quarter 2013. This resulted primarily from the first quarter's marketing campaign in the U.S. and to a lesser extent from marketing campaigns in Europe

that did not take place in the first quarter of 2013.

General and administrative expenses for the first quarter 2014 were $13.4 million, or 11.3% of revenue, compared to $11.6 million, or 9.9% of revenue in the comparable period of last year. The increase was mainly due to additional expenses related to our newly acquired Italian distributer as well as additional infrastructure (mainly information technology systems) to support future growth.

Operating income decreased 82.8% to $2.3 million, or 2.0% of revenue, compared to $13.6 million, or 11.6% of revenue, in the first quarter 2013.

Tax expense was $348,000 million with effective tax rate of 16.4%, compared to $1.3 million with effective tax rate of 9.7% in the first quarter 2013. The increase in the effective tax rate was primarily due to the geographical income before tax distribution and the difference in local tax rates.

Balance Sheet Review

Cash and cash equivalents and bank deposits at March 31, 2014 were $36.1 million compared to $40.9 million at December 31, 2013. The decrease is primarily attributable to the investment in our new production facility and an increase in working capital.

The Company had $24.0 million of bank debt at March 31, 2014 mainly for financing the investment in its new production facility, compared to $15.5 million of bank debt at December 31, 2013.

Working capital at March 31, 2014 increased 3.2% to $160.4 million compared to $155.4 million at December 31, 2013. Inventories at March 31, 2014 increased 1.7% to $143.1 million compared to $140.7 million at December 31, 2013.

Guidance

Based on first quarter results and current projections for the remainder of the year, the Company is maintaining its outlook:

The company still expects full year 2014 revenue to increase approximately 15% over 2013 revenue of $562.7 million.

The company still expects full year 2014 EBITDA to increase approximately 11% over 2013 EBITDA of $62.2 million. Excluding changes in foreign currency exchange rates compared to 2013, the company expects 2014 EBITDA to increase approximately 25% over 2013.

The company still expects full year 2014 net income to increase approximately 3% over 2013 net income of $42.0 million

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