Press release
Regulated information
November 10, 2022– 07:00 CET

Ontex Q3 2022 results:

- → Double digit price increases and sustained volume, mix and cost reduction delivery, counter the further cost inflation, improving EBITDA sequentially
- → Record revenue, with LFL growth of 17%, outperforming the market, driven by volume, mix and pricing
- → Full year outlook confirmed

2022 Q3 results

- → **Revenue** [1] of Core Markets was €432 million, up 17% like for like versus 2021, of which 11% from overall higher prices, and 6% volume/mix growth, primarily in baby pants, feminine care and in North America. Including favorable forex, total revenue growth was up 23% year on year, and 9% compared to Q2, marking six consecutive quarters of sequential growth.
- → **Adjusted EBITDA** [1] of Core Markets was €24 million, down 41% year on year, but marking a 28% improvement quarter on quarter. Revenue growth contributed €48 million and operating savings €15 million to the year-on-year evolution, partly offsetting the adverse impact of raw material and operating cost inflation of €81 million. The adjusted EBITDA margin thereby dropped to 5.6%, down 6.1pp versus Q3 2021, and up 0.8pp versus Q2 2022.
- → **Total Group** revenue, including the discontinued Emerging Markets, was a record €638 million, up 17% like for like versus 2021, with pricing and volume/mix contributing 13% and 4% respectively. Adjusted EBITDA came in at €35 million, down 12% year on year, but up 41% quarter on quarter demonstrating the strong recovery. The adjusted EBITDA margin of 5.5% was down 2.3pp versus Q3 2021, and up 1.4pp versus Q2 2022.
- → **Net debt** for the total Group was €895 million at the end of September, compared to €826 million at the end of June, reflecting the increasing working capital needs on growing sales. The net debt does not take into account the expected net proceeds of about €250 million from the divestment of the Mexican business activities announced in July. Combined with a lower last-twelve-months adjusted EBITDA, the leverage ratio peaked at 7.7x compared with 6.8x at the start of the quarter. Based on annualized adjusted EBITDA of the last quarter, the leverage ratio started to decrease.

2022 Outlook

While the uncertain geo-political environment and resulting volatile inflationary macro-economic situation persists, Ontex confirms its full year 2022 outlook and expects:

- → **Revenue** of Core Markets and of total Group, including discontinued Emerging Markets, to grow about 15% like for like, pursuing the positive growth momentum and delivering on further price increases;
- → **Adjusted EBITDA** of Core Markets to be within a €100 to €110 million range, while total Group adjusted EBITDA, including discontinued Emerging Markets, is expected at the high end of the previously shared range of €125 to €140 million;
- → **Leverage ratio** to reduce by year end to below 6.5x, as EBITDA strengthens and the ratio of working capital over revenue reduces by year end.

CFO quote

Peter Vanneste, Ontex's CFO, said "*I believe that we are now at a turning point with a start to our performance recovery visible in the Q3 results, and this despite the continued sequential cost inflation. Our strong revenue growth shows that Ontex's reputation for innovative and high quality products remains solid. The Group's profitability has now started to recover from the low point in Q2 and will continue to do so in Q4.*"

[1] Reported P&L figures, represent continuing operations, i.e. Core Markets, only. As from 2022, Emerging Markets, representing 30% of revenue in 2021, are reported as assets held for sale and discontinued operations, following the strategic decision to divest these businesses.

Unless otherwise indicated, all comments in this document on changes are on a year-on-year basis and for revenue specifically on a like-for-like (LFL) basis (at constant currencies and scope and excluding hyperinflation effects). Definitions of Alternative Performance Measures (APMs) can be found further in the document.

2022 9 months results

- **Revenue** [1] of Core Markets was €1,212 million, up 13% like for like, with 6% overall higher prices and 7% volume/mix growth, driven by baby pants, adult and feminine care. The strong increase denotes Ontex's top line turnaround after several years of organic sales stagnation or decline. Including forex it was up 17%.
- **Adjusted EBITDA** [1] of Core Markets was €64 million, down 49% year on year, with revenue growth contributing €99 million and operating savings €41 million. These were more than offset by the adverse impact of raw material and operating cost inflation of €206 million combined. The adjusted EBITDA margin thereby dropped to 5.3%, down 6.8pp year on year.
- **Total Group** revenue, including the discontinued Emerging Markets was €1,790 million, up 16% LFL, driven by 10% pricing and 6% volume/mix, while adjusted EBITDA came in at €84 million, down 40% year on year. The resulting EBITDA margin of 4.7% was down 4.7pp year on year.
- **Net debt** for the total Group was €895 million at the end of September, compared to €725 million at the start of the year, the increase being largely linked to increasing working capital needs as revenue grew. The net debt does not take into account the expected net proceeds of about €250 million from the divestment of the Mexican business activities announced in July. Combined with a lower last-twelve-months adjusted EBITDA, the leverage ratio peaked at 7.7x versus 4.2x in December 2021.

Key Q3 & 9 months 2022 financials

Total Group

Key indicators in € million	Q3 2022	Q3 2021	Q3 %	Q3 % LFL	1st 9 months 2022	1st 9 months 2021	1st 9 months %	1st 9 months % LFL
Core Markets (continuing operations)								
Revenue	431.8	350.9	+23%	+17%	1,212.4	1,037.8	*+17%*	*+13%*
Adj. EBITDA	24.0	40.9	-41%		63.7	125.6	-49%	
Adj. EBITDA margin	5.6%	11.7%	*-6.1pp*		5.3%	12.1%	*-6.8pp*	
Emerging Markets (discontinued operations)								
Revenue	206.4	161.4	+28%	+18%	577.5	455.1	+27%	*+21%*
Adj. EBITDA	11.0	(0.9)	-1327%		20.7	15.4	+35%	
Adj. EBITDA margin	5.4%	-0.6%	*+5.9pp*		3.6%	3.4%	*+0.2pp*	
Group (total)								
Revenue	638.1	512.3	*+25%*	*+17%*	1,789.9	1,492.9	*+20%*	*+16%*
Adj. EBITDA	35.1	40.0	*-12%*		84.5	141.0	*-40%*	
Adj. EBITDA margin	*5.5%*	*7.8%*	*-2.3pp*		*4.7%*	*9.4%*	*-4.7pp*	
Net financial debt [1]	895.2	826.3	*+8%*		895.2	725.5	*+23%*	
Leverage ratio [1]	*7.7x*	*6.8x*	*+0.9x*		*7.7x*	*4.2x*	*+3.5x*	

[1] Balance sheet data are compared to start of the period, i.e. September 2022 versus June 2022 for the third quarter, and September 2022 versus December 2021 for the first 9 months.

Core Markets (continuing operations)

Revenue in € million	Q3 2022	Q3 2021	Q3 %	Q3 % LFL	1st 9 months 2022	1st 9 months 2021	1st 9 months %	1st 9 months % LFL
Baby Care	194.2	158.2	+23%	+15%	548.6	460.6	+19%	+15%
Adult Care	171.6	143.9	+19%	+14%	477.3	421.6	+13%	+11%
Feminine Care	57.0	43.0	+33%	+29%	162.3	136.3	+19%	+17%
Other	9.0	5.8	+55%	+52%	24.2	19.3	+25%	+23%

Revenue in € million	2021	Volume/ mix	Price	2022 LFL	Forex	2022
Third Quarter	350.9	+21.9	+37.9	410.7	+21.0	431.8
First 9 months	1,037.8	+77.8	+62.1	1,177.8	+34.6	1,212.4

Adj. EBITDA in € million	2021	Volume/ mix/price	Raw materials	Operating costs	Operating savings	SG&A / Other	Forex	2022
Third Quarter	40.9	+48.2	-59.1	-22.3	+15.4	-4.9	+5.9	24.0
First 9 months	125.6	+99.2	-152.4	-53.4	+41.2	-1.9	+5.5	63.7

Q3 2022 business review

Revenue of Core Markets (continuing operations)

Revenue of Core Markets was €432 million, up 17% like for like compared to 2021, driven by 11% higher prices and 6% growth of volume and mix. Positive forex fluctuations added 6%, bringing overall revenue growth to 23% year on year.

The **volume and mix** increase of 6% was based on strong market momentum supplemented by the contract gains secured in 2021 both in Europe and North America. Retail brands are gaining market share in Europe, as consumers seek better value-for-money alternatives, mostly in feminine care and baby pants. The year-on-year uplift is in line with the second quarter but lower than the first quarter, as it benefitted from pre-loading by customers.

Prices were up 11% on average versus last year, an acceleration versus 2% in the first quarter and 5% in the second. Price increases were reflected in all categories and will further support revenue going forward, responding to the inflation of input costs.

In **baby care** revenue grew 15% like for like compared to last year, driven by strong double digit growth of baby pants, benefitting from a new product range, share gains by our customers, and the success of retail brands. In **adult care** revenue growth was 14% like for like, mostly driven by pricing and volume growth in retail channels. **Feminine care** revenue grew 29% like for like, mostly driven by the success of retail brands.

Forex fluctuations added 6%, with the significant year-on-year appreciation of the US dollar and Russian ruble.

Adjusted EBITDA of Core Markets (continuing operations)

Adjusted EBITDA of Core Markets was €24 million, down 41% versus the third quarter of 2021, but up 28% sequentially versus the second quarter of the year. The revenue growth effect represented €48 million, mostly price, while continuous operating cost reduction efforts contributed €15 million. Cost inflation intensified as expected, resulting in an €81 million year-on-year increase of raw materials and operating costs, and €5 million higher SG&A costs. Favorable forex fluctuations added €6 million.

Cost inflation weighed heavily on the year-on-year comparison, with a negative impact of €59 million from raw materials and €22 million from operating costs. This represents a further increase versus the first and second quarters of the year, but the rate of increase is slowing. The Increase was largely the result of higher raw material costs, especially for super-absorbent polymers. The indices increase in the second quarter impacted the third quarter cost base with a delay, and was exacerbated by higher energy prices and wage inflation. These higher energy prices and wage inflation also affected distribution and manufacturing costs. The total cost base went up by some 25% versus the third quarter of 2021.

Cost reduction measures represented €10 million in savings. The decrease versus the second quarter is linked to wage inflation weighing on SG&A costs. SG&A costs over sales remained below 10%. Gross savings in operations represented €15 million, benefitting from reduced scrap rates, improved production efficiencies and the result of design-to-value initiatives.

The **adjusted EBITDA margin** thereby dropped to 5.6%, 6.1pp lower year on year, but 0.8pp higher quarter on quarter.

Forex fluctuations had a €6 million positive net impact as the appreciation impact of the Russian ruble on sales offset the net negative impact of US dollar appreciation, which affected the cost base more than sales.

Total Group (including discontinued operations)

Discontinued operations, consisting of the Emerging Markets division, generated a revenue of €206 million, up 18% like for like compared with last year, driven mostly by pricing, while the impact of volume and mix was largely stable. Small volume decreases in Latin America were offset by mostly mix driven growth in the Middle East. Overall revenue growth was 28% year on year, thanks to positive forex fluctuations, with the appreciation of the Mexican peso and Brazilian real more than offsetting the depreciation impact of the Turkish lyra. Adjusted EBITDA came in at €11 million, versus a €1 million loss in the third quarter of 2021, and marking a further increase of 86% versus the second quarter of the year. The adjusted EBITDA margin of 5.4%, is up 5.9pp versus the third quarter of 2021 and 2.4pp versus the previous quarter.

Total Group revenue thereby rose to €638 million, up 17% like for like compared to 2021, and up 7% compared to the second quarter. Prices were up 13% and volume and mix contributed 4%. Including forex fluctuations, revenue was up 25% year on year. Adjusted EBITDA was €35 million, a 41% quarter-on-quarter increase, but still 12% lower year on year. Revenue growth, mostly driven by pricing, and €23 million gross operating savings could not yet offset the cost inflation impact on raw materials, operating and SG&A costs. The EBITDA margin thereby was 5.5%, down 2.3pp year on year, and up 1.4pp quarter on quarter.

Q3 2022 financial review

Balance sheet

Net debt at the end of September stood at €895 million, compared to €725 million at the start of the year and €826 million at the end of the June. The increase is largely linked to working capital increases with revenue rising over the quarter. While inventory levels remain higher in view of continued supply chain volatility, the days of sales outstanding improved in the quarter and year to date. The net debt at the end of September doesn't take into account the expected net proceeds of about €250 million from the Mexican business activities divestment, which was announced in July and is anticipated to close at the end of the first quarter of 2023.

The **leverage ratio** increased to 7.7x from 4.2x at the start of the year and 6.8x at the end of the June, due to the debt increase and the lower last-twelve-months adjusted EBITDA, which trails the current EBITDA sequential improvement. The leverage ratio based on the annualized adjusted EBITDA of the last quarter was 6.4x, still higher than the end of 2021 ratio of 5.8x, but already showing a significant improvement versus 8.3x at the end of June.

Additional information

Alternative Performance Measures

Alternative performance measures (non-GAAP) are used in this press release since management believes that they are widely used by certain investors, securities analysts and other interested parties as supplemental measure of performance and liquidity. The alternative performance measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results, our performance or our liquidity under IFRS.

Like-for-like revenue (LFL)

Like-for-like revenue is defined as revenue at constant currency excluding change in scope of consolidation or M&A and hyperinflation impacts.

Non-recurring Income and expenses

Income and expenses classified under the heading "non-recurring income and expenses" are those items that are considered by management not to relate to transactions, projects and adjustments to the value of assets and liabilities taking place in the ordinary course of activities of the Company. Non-recurring income and expenses are presented separately, due to their size or nature, so as to allow users of the consolidated financial statements of the Company to get a better understanding of the normalized performance of the Company. Non-recurring income and expenses relate to:

- acquisition-related expenses;
- changes to the measurement of contingent considerations in the context of business combinations;
- changes to the Group structure, business restructuring costs, including costs related to the liquidation of subsidiaries and the closure, opening or relocations of factories;
- impairment of assets and major litigations.

Non-recurring income and expenses of the Group are composed of the following items presented in the consolidated income statement:

- income/(expenses) related to changes to Group structure; and
- income/(expenses) related to impairments and major litigations.

EBITDA and Adjusted EBITDA and related margin

EBITDA is defined as earnings before net finance cost, income taxes, depreciations and amortizations. Adjusted EBITDA is defined as EBITDA plus non-recurring income and expenses. EBITDA and Adjusted EBITDA margins are EBITDA and Adjusted EBITDA divided by revenue.

Net financial debt and leverage ratio

Net financial debt is calculated by adding short-term and long-term debt and deducting cash and cash equivalents. The leverage ratio is defined by the ratio between the net financial debt and the LTM adjusted EBITDA, which is defined as EBITDA plus non-recurring income and expenses for the last twelve months (LTM).

Disclaimer

This report may include forward-looking statements. Forward-looking statements are statements regarding or based upon our management's current intentions, beliefs or expectations relating to, among other things, Ontex's future results of operations, financial condition, liquidity, prospects, growth, strategies or developments in the industry in which we operate. By their nature, forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results or future events to differ materially from those expressed or implied thereby. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein.

Forward-looking statements contained in this report regarding trends or current activities should not be taken as a report that such trends or activities will continue in the future. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on any such forward-looking statements, which speak only as of the date of this report.

The information contained in this report is subject to change without notice. No re-report or warranty, express or implied, is made as to the fairness, accuracy, reasonableness or completeness of the information contained herein and no reliance should be placed on it.

In most of the tables of this report, amounts are shown in € million for reasons of transparency. This may give rise to rounding differences in the tables presented in the report.

Publication information

The above press release and related financial information of Ontex Group NV for the three months ended September 30, 2022 was authorized for issue in accordance with a resolution of the Board on November 9, 2022.

Audio webcast

Management will host an audio webcast for investors and analysts on November 10, 2022 at 13:00 CEST / 12:00 BST. A copy of the presentation slides will be available on ontex.com.

Click on the link below to attend the presentation from your laptop, tablet or mobile device. Audio will stream through your selected device, so be sure to have headphones or your volume turned up.

https://channel.royalcast.com/ontexgroup/#!/ontexgroup/20221110_1

A full replay of the presentation will be available at the same link shortly after the conclusion of the live presentation.

Financial calendar

- **Q4 & FY 2022** March 1, 2023
- **Q1 2023** May 4, 2023
- **Q2 & H1 2023** July 28, 2023
- **Q3 2023** October 27, 2023

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About Ontex

Ontex is a leading international provider of personal hygiene solutions, with expertise in baby care, feminine care and adult care. Ontex's innovative products are distributed in more than 110 countries through leading retailer brands, lifestyle brands and Ontex brands. Employing some 9,000 people all over the world, Ontex has a presence in 21 countries, with its headquarters in Aalst, Belgium. Ontex is listed on Euronext Brussels and is part of the Bel Mid®. To keep up with the latest news, visit ontex.com or follow Ontex on LinkedIn, Facebook, Instagram and YouTube.

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