Press release
Regulated information
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Ontex Q1 2023 results: Further EBITDA margin growth and leverage recovery

→ Double-digit year-on-year revenue growth;

→ Adjusted EBITDA doubling versus Q1 2022, with margin at 9%, up year on year and quarter on quarter;

→ Leverage ratio reduced to 5.3x, fueled by EBITDA increase;

→ Full year outlook confirmed;

→ Divestment of Mexican business concluded for total net proceeds of approximately €265 million, allowing reimbursement of €220 million term loan.

Q1 2023 results

→ **Revenue** [1] of Core Markets was €446 million, up 15% like for like versus Q1 2022, driven by double digit price increases across all businesses, including additional pricing in the quarter. Volume and mix was overall stable, with growth in baby pants and adult care in Europe, offsetting customer destocking in North America. Including favorable forex, total revenue was up 16% year on year.

→ **Adjusted EBITDA** [1] of Core Markets was €41 million, up 95% year on year. While pricing offset the additional input cost inflation in the quarter versus a year ago, it does not cover the total cumulative cost inflation incurred since 2021. Operating cost reduction measures continued to reduce the operational cost base by close to 5% year on year. The adjusted EBITDA margin rose to 9.1%, up 3.7pp year on year and 0.4pp quarter on quarter.

→ **Total Group** revenue was €652 million, up 16% like for like versus Q1 2022, including an equally strong, price-driven contribution from the discontinued Emerging Markets. Adjusted EBITDA came in at €56 million, up 126% year on year, and 9% quarter on quarter pursuing the recovery shown since Q3 2022. The adjusted EBITDA margin of 8.5% was up 4.1pp versus Q1 and 1.0pp versus Q4 2022.

→ **Net debt** for the total Group was largely stable ending at €880 million on March 31, before the proceeds from the Mexican divestment were received. Combined with a significantly improved last-twelve-months adjusted EBITDA the leverage ratio reduced further to 5.3x, from 6.4x at the start of the year.

2023 Outlook

In the context of the continuing volatile inflationary macro-economic environment, Ontex confirms its 2023 outlook, expecting:

→ **Revenue** of Core Markets, to grow by high single-digit, consolidating the improvement realized in 2022 and further balancing the portfolio;

→ **Adjusted EBITDA margin** for Core Markets in a range of 8% to 10%, with cost inflation headwinds to be offset as additional pricing is passed through and structural cost reduction measures continue to deliver;

→ **Discontinued operations** to contribute positively to adjusted EBITDA and free cash flow;

→ **Leverage** to reduce by year end to less than 4x, with improving profitability and cash flow discipline remaining a focus.

CEO quote

Gustavo Calvo Paz, Ontex's CEO, said "*The solid improvement in the Group's performance has continued during the first quarter with strong revenue growth cementing the momentum delivered throughout last year. Most importantly, we have turned the corner in the restoration of margins and thereby pursued the process of bringing down the leverage ratio through higher profitability. These results and the completion of the Mexican divestment are another positive step, as we accelerate our efforts to simplify our operations, increase efficiencies, strengthen relations with our customers, and secure our financing.*"

[1] Reported P&L figures, represent continuing operations, i.e. Core Markets, only. As from 2022, Emerging Markets, representing about 30% of revenue, 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.

Key Q1 2023 financials

Key indicators

Key indicators in € million	First quarter 2023	 2022	 %	 % LFL
Core Markets (continuing operations)				
Revenue	445.9	384.7	*+16%*	*+15%*
Baby Care	195.1	176.4	+11%	*+10%*
Adult Care	183.0	149.1	+23%	*+22%*
Feminine Care	61.3	52.6	+17%	*+16%*
Adj. EBITDA	40.7	20.9	+95%	
Adj. EBITDA margin	*9.1%*	*5.4%*	*+3.7pp*	
Emerging Markets (discontinued operations)				
Revenue	205.8	168.7	+22%	*+17%*
Adj. EBITDA	15.0	3.7	+300%	
Adj. EBITDA margin	*7.3%*	*2.2%*	*+5.1pp*	
Total Group				
Revenue	651.6	553.4	*+18%*	*+16%*
Adj. EBITDA	55.7	24.7	*+126%*	
Adj. EBITDA margin	*8.5%*	*4.5%*	*+4.1pp*	
Net financial debt [1]	879.9	867.4	*+1%*	
Leverage ratio [1]	*5.3x*	*6.4x*	*-1.1x*	

Core Markets (continuing operations)

Revenue in € million	2022	Volume/ mix	Price	2023 LFL	Forex	2023
First quarter	384.7	-0.5	+58.2	442.4	+3.5	445.9

Adj. EBITDA in € million	2022	Volume/ mix/price	Raw materials	Operating costs	Operating savings	SG&A/ Other	Forex	2023
First quarter	20.9	+62.8	-38.5	-17.2	+15.6	-1.2	-1.8	40.7

[1] Balance sheet data are compared to start of the period, i.e. March 2023 versus December 2022 for the first quarter.

Q1 2023 business review

Revenue of Core Markets (continuing operations)

Revenue of Core Markets was €446 million, up 15% like for like versus the first quarter of 2022, driven by double digit price increases across all businesses. In baby care revenue grew 10% like for like compared to last year, driven by continued volume growth of baby pants. In adult care revenue growth was 22% like for like, and also up quarter on quarter based on solid demand, both in healthcare and in retail channels. Feminine care revenue grew 16% like for like. Including favorable forex, total revenue growth was up 16% year on year, and 3% lower compared to the fourth quarter of 2022, reflecting more pronounced seasonality.

Volume and mix changes had no significant net impact. In Europe the product mix improved, including higher growth of baby pants and adult care. Volumes were stable, compared to the first quarter of 2022 which was boosted by price-driven forward-buying of customers. Market demand continues to be supportive for retail brands, gaining market share in an overall flat market. Ontex volumes in North America reduced in the quarter, due to more pronounced destocking at certain lifestyle customers, also affecting the product mix.

Prices were up 15% on average versus last year, with double digit price increases in all categories and major regions. Following the huge increase in raw material and other input costs, Ontex steadily rolled out price increases over the course of 2022 to mitigate the impact. While the majority of the pricing in this quarter is the effect of this, Ontex continued to execute additional pricing to recover cumulative cost inflation.

Forex fluctuations had slight positive impact of 1%. The year-on-year appreciation of the Russian ruble and US dollar more than offset the depreciation of the British pound.

Adjusted EBITDA of Core Markets (continuing operations)

Adjusted EBITDA of Core Markets was €41 million, up 95% year on year. Compared to the fourth quarter of 2022 it was largely stable, offsetting continued sequential cost inflation with pricing and productivity gains. Adjusted EBITDA margin rose to 9.1%, by 3.7pp year on year and 0.4pp quarter on quarter.

While there was no **volume and mix** effect on revenue, the improvement of the product mix, including in adult care and baby pants, had a €5 million positive impact on the EBITDA.

Operating cost reduction measures represented €16 million in savings, a reduction of the operational cost base by close to 5%. Procurement initiatives and operational efficiency were the main drivers behind the improvement. While slightly up in line with inflation, mostly on wages, SG&A costs over sales were kept below 10%.

Cost inflation weighed heavily on the year-on-year comparison, with a negative impact of €38 million from raw materials, especially on fluff and super-absorbent-polymers, and €17 million from other operating costs, including wage inflation. While the year-on-year increase is slowing versus the peak in the third quarter of 2022, it still marks a significant increase compared to the fourth quarter of last year, following the contract renewals at the start of the year. The total cost base went up by close to 20% versus the first quarter of 2022.

The strong continued **pricing** contributed €58 million year on year. While this offset the additional input cost inflation versus the previous year for the first time overall, it does not cover the cumulative cost increase incurred since the start of the inflation wave in 2021 in all markets and categories. Thereby continued adjustments including selective pricing is required.

Forex fluctuations had a €2 million net negative impact as the positive impact on revenue was more than offset by the year-on-year US dollar appreciation effect on input costs.

Total Group (including discontinued operations)

Discontinued operations, consisting of the Emerging Markets division, generated a revenue of €206 million, up 17% like for like compared with last year, driven mostly by pricing across regions. Lower volumes in Mexico and the Middle East were offset by volume growth in Brazil and a general mix improvement. Overall revenue growth was 22% year on year, thanks to positive forex fluctuations, with the appreciation of the Mexican peso and Brazilian real more than offsetting the depreciation and hyperinflation impact of the Turkish lira. Adjusted EBITDA came in at €15 million, versus €4 million in 2022, and marking a further increase of 37% versus the fourth quarter of last year. The adjusted EBITDA margin of 7.3%, is up 5.1pp year on year and 2.2pp quarter on quarter.

Total Group revenue was €652 million, up 16% like for like versus the first quarter of 2022 and 18% overall. Price increases represented the bulk of this at 15%, volume and mix was overall stable and forex fluctuations had a positive impact. Adjusted EBITDA came in at €56 million, up 126% year on year, and 9% quarter on quarter pursuing the recovery shown since Q3 2022. The sales price increase of €85 million offset the €83 million increase of input cost prices. The mix improvement contributed €15 million and gross operating savings €20 million, whereas SG&A was up €9 million reflecting mostly wage inflation. The EBITDA margin thereby rose to 8.5%, up 4.1pp year on year, and 1.0pp quarter on quarter.

Q1 2023 financial review

Cash and balance sheet

Net financial debt for the total Group was €880 million at the end of March, not including the proceeds from the Mexican business divestment, compared to €867 million at the start of the year. While EBITDA of the Total Group was up significantly year on year, including €10 million of restructuring and divestment charges, capex increased as anticipated to more than 3% of sales. Financing costs were up reflecting the rise in interest rates on the floating rate portion of the debt, and included the semi-annual coupon payment on the fixed rate bond. Working capital needs increased mainly due to the impact of higher quarter-on-quarter input costs.

The **leverage ratio** decreased further to 5.3x from 6.4x at the end of December 2022, and the peak of 7.7x at the end of September before that. The strong increase in adjusted EBITDA over the last quarters has been driving this reduction in leverage.

Following the finalization of the Mexican business **divestment**, the net proceeds received at closing amounted to approximately €225 million, after deduction of taxes, transaction and hedging expenses as well as balance sheet adjustments. These remain subject to the customary post-closing adjustments. The transaction also includes an additional deferred payment to be received in the next five years of some €40 million, bringing the total net proceeds to approximately €265 million.

The divestment proceeds, will be used to reimburse the €220 million term loan by mid-May. This will substantially strengthen Ontex's debt position with the fixed rate bond at 3.5%, representing about 75% of total **gross financial debt** excluding leases.

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. The reconciliation of like-for-like revenue can be found on page 2 of this document.

EBITDA and Adjusted EBITDA and related margins

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

EBITDA adjustments are made for income and expenses 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 Group. These 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, and 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.

In the consolidated income statement these EBITDA adjustments are composed of the following items:

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

Reconcilation of income statement in € million		First quarter			
		2023			2022
		Continued	Dis-continued	Total	Total
Revenue	*a*	**445.9**	**205.8**	**651.6**	**553.4**
Operating profit/(loss)	*b*	17.0	12.4	29.4	(0.8)
Depreciation and amortization	*c*	16.7	-	16.7	21.4
EBITDA	*d = b-c*	**33.8**	**12.4**	**46.1**	**20.6**
EBITDA adjustments	*g*	6.9	2.6	9.5	4.0
Adjusted EBITDA	*h = d+g*	**40.7**	**15.0**	**55.7**	**24.7**
Adjusted EBITDA margin	*i = h/a*	*9.1%*	*7.3%*	*8.5%*	*4.5%*

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 as the net financial debt divided by the adjusted EBITDA for the last twelve months (LTM).

Reconciliation of net financial debt in € million		March 31, 2023			December 31, 2022		
		Continued	Dis-continued	Total	Continued	Dis-continued	Total
Non-current interest-bearing debts	*A*	886.5	15.5	902.0	891.7	16.8	908.5
Current interest-bearing debts	*B*	184.6	14.7	199.3	145.4	22.2	167.6
Cash and cash equivalents	*C*	108.6	112.8	221.3	149.1	59.7	208.7
Net financial debt	*D = A+B-C*	**962.5**	**(82.6)**	**879.9**	**888.1**	**(20.7)**	**867.4**
Adjusted EBITDA (LTM)	*E*			166.7			135.7
Leverage ratio	*F = D/E*			*5.3x*			*6.4x*

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.

Corporate information

The above press release and related financial information of Ontex Group NV for the three months ended March 31, 2023 was authorized for issue in accordance with a resolution of the Board on May 3, 2023.

Audio webcast

Management will host an audio webcast for investors and analysts on May 4, 2023 at 12:00 CEST / 11:00 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/landingpage/ontexgroup/20230504_1

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

Financial calendar

- **May 5, 2023** Annual general meeting
- **July 28, 2023** Q2 & H1 2023 results
- **October 27, 2023** Q3 2023 results
- **February 28, 2024** Q4 & FY 2023 results

Enquiries

- **Investors** Geoffroy Raskin +32 53 33 37 30 investor.relations@ontexglobal.com
- **Media** Maarten Verbanck +32 492 72 42 67 corporate.communications@ontexglobal.com

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 around 100 countries through leading retailer brands, lifestyle brands and Ontex brands. Employing some 7,500 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.

ONTEX GROUP NV
Korte Keppestraat 21 – 9320 Erembodegem (Aalst) – Belgium
0550.880.915 RPR Ghent – Division Dendermonde