Press release
Regulated information
October 27, 2023– 07:00 CET

Ontex Q3 2023 results:
Sales and adjusted EBITDA growth continues; Leverage down to 3.6 times

- → Revenue up 10% like-for-like, by sustaining prices at H1 level, and growing volume year on year;
- → Adjusted EBITDA margin of 9.5% for Core Markets, up 4.0pp, driven by operational efficiencies and sustained solid prices;
- → Strong contribution from Emerging Markets, while making progress on divestments;
- → Leverage ratio reduced over Q3 from 4.5 times to 3.6 times;
- → Full year outlook confirmed.

Q3 2023 results

- → **Revenue** [1] of Core Markets was €457 million, up 10% like for like versus Q3 2022. Prices were up 8% year on year and remained in line with H1. Volume and mix was up 3% year on year, driven by adult care sales in Europe, and baby pants in North America. Including a 5% adverse forex effect, total revenue was up 6% year on year.
- → **Adjusted EBITDA** [1] of Core Markets was €44 million, up €20 million year on year, and slightly higher than in the previous quarter, thanks to relentless focus on delivering 5% operational efficiencies. Sustained solid pricing contributed €33 million year on year, helping to offset the additional year-on-year cost inflation of €13 million and to manage the highly negative forex impact of €21 million. The adjusted EBITDA margin rose to 9.5%, up 4.0pp year on year. The operating profit was €29 million, compared to €3 million in 2022, reflecting the adjusted EBITDA increase.
- → **Total Group** revenue was €568 million, equally up 10% like for like. Adjusted EBITDA came in at €58 million, including a strong contribution from the discontinued operations (Emerging Markets division), mainly from Brazil. The adjusted EBITDA margin rose to 10.3%, up 4.8pp versus Q3 last year.
- → **Net debt** for the Total Group ended at €652 million end of September, a slight decrease from the €658 million at the start of the quarter, which combined with the adjusted EBITDA improvement, led to a significant leverage ratio reduction from 4.5 times to 3.6 times.

2023 Outlook

Ontex confirms and further refines 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 the high end of its previously iterated range of 8% to 10%, with Q4 margin expected at around 10%, based on continued strong delivery of the cost transformation plan;
- → **Discontinued operations** (Emerging Markets) to further contribute positively to adjusted EBITDA and free cash flow;
- → **Leverage** to reduce further from the 3.6 times realized end of September, while investing in the company turnaround with capex at close to 5% of revenue.

CEO quote

Gustavo Calvo Paz, Ontex's CEO, said "*The excellent set of numbers we have posted for Q3 represent another very encouraging quarter in Ontex's turnaround. I am particularly pleased that the Group's leverage has now recovered to less than half of the peak of a year ago, and on track to meet our ambitions, on the back of the increase in EBITDA. Against this backdrop, we have accelerated our core market investment plans which are key to operational excellence, margin improvement and driving future growth.*"

[1] Reported P&L figures, represent continuing operations, i.e. Core Markets, only. As from 2022, Emerging Markets 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 Q3 2023 financials

Key indicators

Key indicators	Third Quarter				First 9 Months			
in € million	2023	2022	%	% LFL	2023	2022	%	% LFL
Core Markets (continuing operations)								
Revenue	456.9	431.8	*6%*	*+10%*	1,348.7	1,212.4	*11%*	*13%*
Baby Care	202.3	194.2	4%	*+9%*	598.9	548.6	9%	*11%*
Adult Care	185.0	171.6	8%	*+14%*	544.9	477.3	14%	*17%*
Feminine Care	61.0	57.0	7%	*+9%*	184.0	162.3	13%	*14%*
Adj. EBITDA	43.6	24.0	81%		127.4	63.7	100%	
Adj. EBITDA margin	*9.5%*	*5.6%*	*+4.0pp*		*9.4%*	*5.3%*	*+4.2pp*	
Operating profit/(loss)	29.3	3.4	+764%		64.9	(81.1)	+180%	
Emerging Markets (discontinued operations) [1]								
Revenue	111.0	206.4	-46%	*+8%*	448.1	577.5	-22%	*+13%*
Adj. EBITDA	14.8	11.0	+34%		37.6	20.7	+81%	
Adj. EBITDA margin	*13.3%*	*5.4%*	*+8.0pp*		*8.4%*	*3.6%*	*+4.8pp*	
Operating profit/(loss)	12.3	10.7	+15%		9.5	(48.6)	+120%	
Total Group [1]								
Revenue	567.9	638.1	*-11%*	*+10%*	1,796.8	1,789.9	*+0%*	*+13%*
Adj. EBITDA	58.4	35.1	*+66%*		165.0	84.5	*+95%*	
Adj. EBITDA margin	*10.3%*	*5.5%*	*+4.8pp*		*9.2%*	*4.7%*	*+4.5pp*	
Operating profit/(loss)	41.6	14.1	+196%		74.4	(129.7)	+157%	
Net financial debt [2]					651.7	867.4	*-25%*	
Leverage ratio [2]					*3.6x*	*6.4x*	*(2.8x)*	

Core Markets (continuing operations) year on year evolution

Revenue in € million	2022	Volume/ mix	Price	2023 LFL	Forex	2023
Third Quarter	431.8	+12.2	+33.0	476.9	-20.0	456.9
First 9 Months	1,212.4	+19.0	+142.3	1,373.6	-24.9	1,348.7

Adj. EBITDA in € million	2022	Volume/ mix/price	Raw materials	Operating costs	Operating savings	SG&A/ Other	Forex	2023
Third Quarter	24.0	+33.7	-4.6	-7.5	+20.3	-1.2	-21.2	43.6
First 9 Months	63.7	+150.1	-74.3	-31.2	+55.5	-2.9	-33.6	127.4

[1] Emerging Markets and Total Group year-on-year comparison is affected by the divestment of the Mexican business activities as of May 2023. The LFL comparison is corrected for the scope reduction.

[2] Balance sheet data are compared to start of the period, i.e. September 2023 versus December 2022.

Q3 2023 business review of Core Markets (continuing operations)

Revenue

Revenue was €457 million, up 10% like for like versus the third quarter of 2022, driven by sustained pricing and volume growth. Adult care revenue was up 14% like for like, while in baby care and in feminine care 9% like-for-like growth was recorded. Forex had a significantly adverse effect, reducing total revenue growth to 6% year on year.

Volume and mix had a 3% growth impact. In Europe market demand remained subdued overall, albeit better than in the first half of the year, while retail brand volumes were up year on year and thus continued to gain share. Volume growth was most pronounced in adult care, where retail brands had been underperforming the market in the year so far. This largely reflected Ontex's own sales volumes in Europe with strong growth of adult care products in Southern Europe and of baby pants in Western and Central Europe. Sales volumes in feminine care remained lower. In North America volumes were back up by double digits thanks to customer gains and following the customer destocking affecting the first half of the year.

Prices were up 8% on average compared to the third quarter of 2022, reflecting increases across categories. The price increases were largely implemented in 2022, and prices in the third quarter were sustained at the levels of the first half of the year.

Forex fluctuations had an adverse impact of 5%. The strong year-on-year depreciation of the Russian ruble, and to a lesser extent the US dollar and the Australian dollar, more than offset the appreciation of the Polish zloty.

Adjusted EBITDA

Adjusted EBITDA was €44 million, up €20 million or 81% year on year, and slightly up versus the second quarter of 2023, thanks to relentless focus on delivering 5% operational efficiencies. Pricing helped to offset the year-on-year cost inflation and to manage the highly negative forex impact. The adjusted EBITDA margin rose to 9.5%, up 4.0pp year on year.

Volume and mix growth had a slight €1 million positive impact on adjusted EBITDA.

Cost transformation measures resulted in €20 million savings, leading to a reduction of the operational cost base by more than 5%. Procurement and supply chain initiatives, as well as operational efficiency were the main drivers behind the improvement.

Cost inflation continued to weigh on the year-on-year comparison, albeit less than in the previous quarters. Raw material costs were up by €5 million. While all raw material indices are down compared to the third quarter of 2022, especially those for oil-based materials, the impact on the P&L comes with a lag. Other operating costs were up by €7 million year on year, and also higher quarter on quarter, due to wage inflation and rising energy costs. These also included temporary higher energy costs in Ontex's retained plant in Tijuana, Mexico, following its carve-in triggered by the divestment of the main Mexican business in the second quarter. SG&A costs were up slightly with wage inflation as well, but remained at 9% of revenue.

Pricing efforts contributed €33 million year on year. While this offset the adverse forex evolution and the additional input cost inflation versus the previous year, thanks to continued disciplined approach, it still does not cover the cumulative cost increase incurred since the start of the inflation wave in 2021 in all markets and categories. Thereby careful management of the pricing policy is required.

Forex fluctuations had a €21 million net negative impact, reflecting the impact on the revenue, whereas the net impact on costs was largely neutral, with the appreciation of the Mexican peso offsetting the depreciation effect of the US dollar.

Q3 2023 financial review of Total Group

P&L

The **operating profit** (of continuing operations) was €29 million, a significant increase versus €3 million in the third quarter of 2022, reflecting the strong increase in adjusted EBITDA. Depreciation was €16 million, slightly lower than in 2022 due to forex fluctuations. EBITDA adjustments were made for a €2 million income, consisting mostly of a reversal of impairment related to the re-activation of production equipment.

Discontinued operations, consisting of the Emerging Markets division, generated a revenue of €111 million, up 8% like for like compared with last year, increasing across geographies. Strong pricing more than offset slightly lower volumes. Adjusted EBITDA came in at €15 million, with the largest contribution from the Brazilian business activities. The adjusted EBITDA margin of 13.3%, was up 8.0pp year on year. EBITDA adjustments were made for €2 million mostly divestment-related costs. The operating profit thereby was €12 million.

Cash and balance sheet

Net financial debt for the total Group was €652 million at the end of September 2023, a €6 million decrease compared to €658 million at the start of the quarter. The increase in **working capital needs** came to a halt. Active measures allowed to improve the cash conversion cycle, more than offsetting the impact of growing sales. As in the second quarter, **capex** grew to more than 4% of revenue. The investment intensity has been raised to support the transformation of the operations in Europe as well as the expansion in the US. The financing cash-out was in line with the previous year and included the semi-annual coupon payment on the fixed rate bond.

The **leverage ratio** decreased further to 3.6 times from 4.5 times at the end of June 2023 and less than half of the peak of 7.7 times in September 2022. The strong improvement is mostly driven by the increase in adjusted EBITDA over the last quarters.

During the quarter, an agreement was reached to divest Ontex's business activities in Algeria and Pakistan to two different third parties. The finalization of these **divestments** is foreseen before the end of the year. There were no significant changes reported on the net asset value of these entities. In the second quarter of this year the divestment of Ontex's Mexican business activities was closed. This deal is still subject to post-closing adjustments, as well as a deferred receivable of €39 million.

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.

Reconciliation of income statement		Third Quarter					
		2023			2022		
in € million		Continued	Discontinued	Total	Continued	Discontinued	Total
Revenue	*a*	**456.9**	**111.0**	**567.9**	**431.8**	**206.4**	**638.1**
Operating profit/(loss)	*b*	29.3	12.3	41.6	3.4	10.7	14.1
Depreciation and amortization	*c*	(16.3)	-	(16.3)	(17.9)	-	(17.9)
EBITDA	*d = b-c*	**45.6**	**12.3**	**57.9**	**21.3**	**10.7**	**32.0**
EBITDA adjustments	*g*	(2.0)	2.5	0.4	2.7	0.4	3.1
Adjusted EBITDA	*h = d+g*	**43.6**	**14.8**	**58.4**	**24.0**	**11.0**	**35.1**
Adjusted EBITDA margin	*i = h/a*	*9.5%*	*13.3%*	*10.3%*	*5.6%*	*5.4%*	*5.5%*

More information on the EBITDA adjustments can be found on page 4 of the press release.

Reconciliation of income statement in € million		First 9 Months					
		2023			2022		
		Continued	Discontinued	Total	Continued	Discontinued	Total
Revenue	*a*	**1,348.7**	**448.1**	**1,796.8**	**1,212.4**	**577.5**	**1,789.9**
Operating profit/(loss)	*b*	64.9	9.5	74.4	(81.1)	(48.6)	(129.7)
Depreciation and amortization	*c*	(52.0)	-	(52.0)	(52.4)	-	(52.4)
EBITDA	*d = b-c*	**116.9**	**9.5**	**126.4**	**(28.7)**	**(48.6)**	**(77.3)**
EBITDA adjustments	*g*	10.5	28.0	38.6	92.5	69.4	161.8
Adjusted EBITDA	*h = d+g*	**127.4**	**37.5**	**165.0**	**63.7**	**20.7**	**84.5**
Adjusted EBITDA margin	*i = h/a*	*9.4%*	*8.4%*	*9.2%*	*5.3%*	*3.6%*	*4.7%*

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		September 30, 2023			December 31, 2022		
		Continued	Discontinued	Total	Continued	Discontinued	Total
Non-current interest-bearing debts	*A*	668.7	15.0	683.7	891.7	16.8	908.5
Current interest-bearing debts	*B*	121.2	3.8	124.9	145.4	22.2	167.6
Cash and cash equivalents	*C*	96.6	60.4	157.0	149.1	59.7	208.7
Net financial debt	*D = A+B-C*	**693.2**	**(41.6)**	**651.7**	**888.1**	**(20.7)**	**867.4**
Adjusted EBITDA (LTM)*	*E*			181.8			135.7
Leverage ratio	*F = D/E*			*3.6x*			*6.4x*

* The LTM (last twelve months) adjusted EBITDA excludes the contribution of the Mexican business activities, divested in the second quarter of 2023.

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.

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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 nine months ended September 30, 2023 was authorized for issue in accordance with a resolution of the Board on October 26, 2023.

Audio webcast

Management will host an audio webcast for investors and analysts on October 27, 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/20231027_1

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

Financial calendar

- **February 8, 2024** Q4 & full year 2023 results
- **May 3, 2023** Q1 2024 results
- **May 3, 2023** 2024 Annual general meeting of shareholders
- **July 31, 2023** Q2 & H1 2024 results
- **October 24, 2023** Q3 2024 results

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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 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.

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