



Ontex reports H1 2019 results

- Geographically diversified footprint allowed to mitigate impact of revenue decrease in Europe: Group LFL revenue decreased 1.3% in H1
- Adjusted EBITDA: Price/mix actions and savings largely offset raw material and FX headwinds
- Meaningful improvement in Adjusted Free Cash Flow thanks to strict working capital management

Aalst-Erembodegem, July 31, 2019 - Ontex Group NV (Euronext Brussels: ONTEX; 'Ontex,' 'the Group' or 'the Company') today announced its results for the six months ending June 30, 2019.

- Revenue of €1.1 billion, down 1.3% like-for-like (LFL) versus H1 2018
 - Positive price/mix in all Divisions
 - Revenue down 1.4% on a reported basis
- Adjusted EBITDA at constant currency of €123.9 million
 - Adjusted EBITDA margin at constant currency was 11.1%, down 61bps versus last year (pro forma for IFRS 16).
 - Adjusted EBITDA was €111.0 million, Adjusted EBITDA margin 10.0%
- Adjusted Free Cash Flow doubled to €81.2 million thanks to tight control of working capital
- Adjusted EPS of €0.45
- Full compliance with leverage covenant test

Operational Highlights

- Top line: Strong sales growth of Ontex own brands in emerging markets, further growth in Adult Inco
- Drive for profitability: Continued delivery of pricing and cost saving actions
- Implementation of Transform to Grow (T2G) program launched in Q2: All operational and commercial workstreams are well underway and progressing as expected

Key Financials H1 2019 and Q2 2019

<i>In € million, except margin & per share data</i>	H1 2019	H1 2018 pro forma for IFRS 16	% Change	H1 2018 reported	Q2 2019	Q2 2018 pro forma for IFRS 16	% Change	Q2 2018 reported
LFL Revenue	1,114.8	1,129.6	-1.3%	1,129.6	565.3	571.5	-1.1%	571.5
Reported Revenue	1,114.3	1,129.6	-1.4%	1,129.6	568.1	571.5	-0.6%	571.5
Adjusted EBITDA at constant currency	123.9	132.4	-6.4%	117.7	62.4	67.5	-7.6%	60.2
Adjusted EBITDA Margin at constant currency	11.1%	11.7%	-61 bps	10.4%	11.0%	11.8%	-80bps	10.5%
Adjusted EBITDA	111.0	132.4	-16.1%	117.7	58.1	67.5	-13.9%	60.2
Adjusted EBITDA Margin	10.0%	11.7%	-176 bps	10.4%	10.2%	11.8%	-160 bps	10.5%

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<i>In € million, except margin & per share data</i>	H1 2019	H1 2018 pro forma for IFRS 16	% Change	H1 2018 reported
Adjusted profit/(loss) for the period	36.5	56.3	-35.3%	57.2
Adjusted EPS (€)	0.45	0.69	-35.1%	0.70
Non-recurring income and expenses ¹	(39.6)	(10.0)	n.m	(10.0)
Profit/(Loss) for the period	8.4	49.7	-83.2%	50.6
Basic EPS (€)	0.10	0.61	-83.7%	0.62
Adjusted Free Cash Flow	81.2	39.7	104.2%	36.2
Net Debt	898.7	920.4	-2.4%	778.3

¹ Mainly non-recurring expenses related to the implementation of the T2G project. See further details in Note 6.10 of the H1 2019 report.

Notes which apply to this document

Unless otherwise indicated, all comments in this document on changes in revenue are on a like-for-like basis (at constant currency). Unaudited Q2 and H1 2018 financial data have been provided on a pro forma basis for IFRS 16 *Leases* following adoption of this accounting standard since January 2019. This additional information has been provided to facilitate comparisons and understanding of the Group's underlying performance.

All definitions of Alternative Performance Measures (APMs) in this press release can be found under the section Corporate Information.

Net debt and leverage

Net debt of €898.7 million decreased 2.4% compared to H1 2018 pro forma for IFRS16, reflecting a strong improvement in Adjusted Free Cash Flow. Net debt divided by the last twelve months Adjusted EBITDA was 3.71x at June 30, 2019, which reflects the application of IFRS16. For comparison purposes, H1 2018 leverage pro forma for IFRS 16 was estimated at 3.45x (the reported H1 2018 figure of 3.25x was prior to the application of IFRS 16).

Our financing arrangements provide for the effects of changes in accounting standards to be neutralized and therefore the application of IFRS 16 has no consequences for the Group's financing covenant testing. We were in full compliance with the leverage covenant of our financing arrangements at June 30, 2019.

Management comment

Charles Bouaziz, Ontex CEO commented: *"We generated solid LFL revenue growth in AMEAA and significantly improved cash flow generation in the first half of 2019. In Europe, LFL revenue evolution reached a low point in H1 2019 as expected. Going forward we expect progressive improvement in LFL revenue trends in this Division on the back of organic growth from our large customer base, supported by product innovations in all categories."*

"Our T2G program is now being implemented and Ontex is fully mobilized to deliver the operational and cash generation improvements underpinning the mid-term objectives communicated in May at our Investor Update."

OUTLOOK

Current levels of price indices show a stabilization or slight decrease for most raw materials. Pricing, mix improvement and cost savings actions will produce increasing effects in the second half of the year, leading to revenue and Adjusted EBITDA improvements in H2 versus H1 2019.

As a result, Ontex confirms its full year 2019 outlook of:

- Broadly stable sales at constant FX, with top-line growth in developing markets and lower revenue in developed markets;
- Stable Adjusted EBITDA at constant FX;
- Capex of 4.5% to 5.0% of revenue excluding T2G-specific Capex.

Market dynamics

The personal hygiene market remained highly competitive in H1 2019. The main trends seen during the past couple of years were unchanged: Babycare category volumes were lower, Femcare category value was stable and Adult Inco category value grew on the back of higher volumes. Babycare pricing improved in our main markets outside of Europe, leading to limited category value growth. In Europe, retailer brands continued to outperform the market, underlining the structural attractiveness of retailers competing with their own brands. Furthermore, pants continued to gain traction both in baby and adults.

Operational review: categories

in € million	Six Months				Second Quarter			
	H1 2019	H1 2018	% Δ as reported	% Δ at LFL	Q2 2019	Q2 2018	% Δ as reported	% Δ at LFL
Ontex Reported Revenue*	1,114.3	1,129.6	-1.4%	-1.3%	568.1	571.5	-0.6%	-1.1%
Babycare	648.9	655.2	-1.0%	-1.6%	337.5	333.5	+1.2%	+0.0%
Adult Inco	345.2	348.4	-0.9%	+0.4%	171.5	174.0	-1.5%	-0.7%
Femcare	106.3	113.9	-6.7%	-7.1%	52.2	56.3	-7.4%	-7.9%

* Includes €13.9 million of Other in H1 2019; €12.0 million of Other in H1 2018, €6.9 million of Other in Q2 2019; €7.7 million of Other in Q2 2018

Babycare revenue decreased 1.6% in H1 2019, as a result of lower retailer brand diaper volumes sold in Europe, while revenue of Ontex brand diapers in markets outside of Europe was higher. Baby pants grew in the first half of 2019.

Revenue of **Adult Inco** products in H1 2019 rose 0.4%, on top of a strong performance in the first half of last year. Revenue in retail channels was up 4%, while in institutional channels sales were lower. Adult pants sales posted broad-based growth, supported by our investments in expanding production capacity.

H1 2019 **Femcare** revenue was down 7.1%, due to a high comparable base in 2018 and lower retailer brand volumes linked to contract losses. Sales of organic cotton tampons were well ahead of a year ago.

Operational review: Divisions

in € million	Six Months				Second Quarter			
	H1 2019	H1 2018	% Δ as reported	% Δ at LFL	Q2 2019	Q2 2018	% Δ as reported	% Δ at LFL
Ontex Reported Revenue	1,114.3	1,129.6	-1.4%	-1.3%	568.1	571.5	-0.6%	-1.1%
Europe	469.1	514.5	-8.8%	-8.4%	235.4	261.5	-10.0%	-10.0%
AMEAA	427.3	393.9	+8.5%	+8.1%	225.7	202.0	+11.7%	+10.4%
Healthcare	217.8	221.2	-1.5%	-1.6%	107.0	108.0	-1.0%	-1.0%

Europe

Europe Divisional revenue was down 8.4% in H1 2019 on a challenging comparable period last year. First half 2019 sales were impacted by lower volumes due to retailer brand contract losses, which started to have an effect from Q3 2018. As a result, the comparable base effects will ease in H2 2019. Furthermore, actions are underway to improve execution further and support organic revenue growth in our large customer base, underpinning our expectations of progressively higher revenue in H2 versus H1. Overall, in Europe, Ontex remains the leading supplier of retailer brands, more than two times the size of the next competitor.

Americas, Middle East, Africa and Asia (AMEAA)

H1 2019 revenue in AMEAA was up 8.1%, strongly outperforming the market, with a clear acceleration in Q2. Sales of Ontex brands, which is the focus of this Division, were higher in all three categories and nearly all geographies. In the Americas, revenue grew in both Brazil and Mexico thanks to our portfolio of local brands, while the US also posted higher revenue, mainly driven by retailer brands. Revenue in the Middle East and Africa also rose despite political and economic challenges in some markets. Sales in Asia were below last year, fully attributable to a soft start to the year followed by solid growth in Q2.

Healthcare

Revenue in the Healthcare Division was down 1.6% in H1 2019 versus a strong first half in 2018. Sales of Adult Pants grew further, and actions continued to increase our presence in self-pay channels while maintaining a strong competitive position in institutional channels.

Operational review: geographies

in € million	Six Months				Second Quarter			
	H1 2019	H1 2018	% Δ as reported	% Δ at LFL	Q2 2019	Q2 2018	% Δ as reported	% Δ at LFL
Ontex Reported Revenue	1,114.3	1,129.6	-1.4%	-1.3%	568.1	571.5	-0.6%	-1.1%
Western Europe	508.2	548.2	-7.3%	-7.4%	252.0	275.4	-8.5%	-8.4%
Eastern Europe	135.8	142.7	-4.8%	-3.5%	69.3	71.8	-3.5%	-4.2%
Americas	314.1	286.6	+9.6%	+5.7%	169.8	150.4	+12.9%	+8.2%
ROW	156.1	152.1	+2.6%	+9.2%	77.0	73.9	+4.1%	+10.2%

Revenue grew strongly in the Americas and Rest of World (mainly reflecting our strong performance in Middle East Africa and Asia), which together represent 43% of Group revenue.

Financial review

Selected financial information

in € million	H1 2019 reported	H1 2018 pro forma for IFRS 16	% Δ	H1 2018 reported
Ontex Reported Revenue	1,114.3	1,129.6	-1.4%	1,129.6
Cost of sales	(820.3)	(811.2)	1.1%	(812.8)
Gross profit	294.0	318.4	-7.7%	316.8
Operating expenses	(225.3)	(227.1)	-0.8%	(227.9)
Adjusted EBITDA	111.0	132.4	-16.1%	117.7
Non-recurring income and expenses	(39.6)	(10.0)	N.M.	(10.0)
EBITDA	71.5	122.4	-41.6%	107.7
Depreciation and amortization	(42.4)	(41.1)	-3.2%	(28.8)
Operating profit	29.1	81.3	-64.2%	78.9
Net finance cost	(17.8)	(17.5)	1.5%	(14.1)
Income tax expense	(2.9)	(14.0)	-79.3%	(14.2)
Adjusted profit for the period	36.5	56.3	-35.3%	57.2
Adjusted EPS	0.45	0.69	-35.1%	0.70
Profit for the period	8.4	49.7	-83.2%	50.6
Basic EPS	0.10	0.61	-83.7%	0.62
Adjusted Free Cash Flow (post-tax)	81.2	39.7	104.2%	36.2
- Of which change in WC	43.2	(20.9)	n.m.	(20.9)
- Of which Capex	(39.6)	(39.0)	1.5%	(39.0)
- Of which repayment of lease liabilities	(13.3)	(11.3)	17.8%	-
Net debt	898.7	920.4	-2.4%	778.3

N.M. not meaningful

Gross profit

H1 2019 gross profit was €294.0 million, and gross profit as a percentage of sales of 26.4% was 180 basis points lower than last year. Material cost savings and higher selling prices did not fully offset higher raw material prices and a negative impact of FX.

Adjusted EBITDA

Adjusted EBITDA was €123.9 million at constant currency in H1 2019, 6.4% lower than Adjusted EBITDA last year pro forma for IFRS 16, as a result of the decrease in gross profit. Adjusted EBITDA at current FX rates was €111.0 million. Operating expenses were down on the back of lower distribution expenses, while we continued to invest in sales and marketing.

Non-recurring income and expenses

In H1 2019, non-recurring expenses were €39.6 million, primarily due to restructuring expenses and consulting fees related to the implementation of the T2G program. These charges had a limited impact on H1 2019 cash flow.

As communicated at the investor update on May 8th, we project a €130 million financial investment in T2G over the 2019 to 2021 period (one-off costs for €85 million and capital expenditure for €45 million). Of this amount, €45 million to €50 million is forecast to result in cash outlays this year, of which €5 million was cashed out in the first half.

Foreign Exchange

In H1 2019, changes in foreign exchange rates had virtually no impact on Group revenue but had a net negative impact on Adjusted EBITDA. The FX impact on Group revenue was -€0.5 million, mainly due to weaker Turkish Lira, Pakistani Rupee and Brazilian Real relative to the Euro, offset by stronger US Dollar and Mexican Peso. The impact of currency variations on Adjusted EBITDA was -€12.9 million, mostly due to the weaker Turkish Lira and a stronger US Dollar, as a significant part of our raw materials is purchased in USD.

Net Finance Costs

H1 2019 net finance costs were €17.8 million, slightly above the net finance costs of H1 2018 pro forma for IFRS 16.

Income Tax Expense

The H1 2019 income tax expense was €2.9 million, resulting in an effective tax rate of 25.7%. The effective tax rate in H1 is slightly higher than the rate reported for H1 2018, mainly because certain expenses which are not deductible for tax purposes do not vary commensurately with pretax profit. This impact is also expected for the FY 2019 effective tax rate.

Working Capital

Working capital as a percentage of revenue was 9.5% in H1 2019, a 200 bps improvement over the 11.5% in 2018 and well within our target of 12% or lower. This improvement reflects in particular the decrease of inventories over the first half of 2019. Looking ahead, we remain committed to strict management of our working capital to optimize cash flow conversion.

Capex

H1 2019 capital expenditure was €39.6 million, similar to last year. Full year 2019 capex is expected to be between 4.5% and 5% of sales excluding T2G-related capital expenditure.

Adjusted Free Cash Flow (post-tax)

Adjusted Free Cash Flow (post-tax) in H1 2019 was €81.2 million. Active management of working capital largely outweighed lower adjusted EBITDA and accounted for the increase of Adjusted Free Cash Flow of €40 million versus last year.

Net debt

Net debt was €898.7 million at June 30, 2019, a meaningful improvement of €40 million compared with net debt at March 31, 2019.

2018 pro-forma financial information

Ontex Group has applied the new accounting standard IFRS 16 - *Leases* since January 2019. For more information and to facilitate comparisons between 2019 and 2018, pro-forma statements (balance sheet, income statement, comprehensive income and cash flow) and related alternative performance measures are available for H1 2018 and FY 2018 in a separate document published today.

Corporate information

The above press release and related financial information of Ontex Group NV for the three and six months ended June 30, 2019 was authorized for issue in accordance with a resolution of the Board of Directors on July 30, 2019.

Conference call

Management will host a presentation for investors and analysts on July 31, 2019 at 9:00am CET/8:00am UK. A copy of the presentation slides will be available at:

<http://www.ontexglobal.com/financial-reports-including-annual-reviews>

If you would like to participate in the conference call, please dial-in 5 to 10 minutes prior using the details below:

Belgium	+32 (0)2 404 0659
France	+33 (0)1 76 77 22 88
Germany	+49 (0)69 2222 25575
United Kingdom	+44 (0)330 336 9125
United States	+1 323 794 2588
Passcode	2681838

A replay of the conference call will also be available for one week afterwards:

Belgium	+32 (0)2 620 0568
France	+33 (0)1 70 48 00 94
Germany	+49 (0)69 2000 1800
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United States	+1 719 457 0820
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Financial calendar 2019

Q3 2019 November 6, 2019

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Alternative Performance Measures

The following alternative performance measures (non-GAAP) have been included in this press release since management believes that they are widely used by certain investors, securities analysts and other interested parties as supplemental measures 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 perimeter of consolidation or M&A.

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 margins

EBITDA is defined as earnings before net finance cost, income taxes, depreciation and amortization. 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/LTM Adjusted EBITDA ratio (Leverage)

Net financial debt is calculated by adding current and non-current term debt and deducting cash and cash equivalents. LTM adjusted EBITDA is defined as EBITDA plus non-recurring income and expenses for the last twelve months (LTM).

Adjusted Free Cash Flow

Adjusted Free Cash Flow was previously defined as Adjusted EBITDA less capital expenditures (Capex, defined as purchases of property, plant and equipment and intangible assets), less change in working

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capital, less income taxes paid. This means that operating lease payments were included in the free cash flow.

As a result of the application of IFRS 16, lease payments will be reported as cash flows from financing activities. Considering that operationally nothing has changed and IFRS 16 is only an accounting change, the definition of free cash flow is adjusted to include the repayment of lease liabilities (i.e. excluding the interest expense).

Adjusted Profit & Adjusted EPS (earnings per share)

Adjusted Profit is defined as profit for the period plus non-recurring income and expenses and tax effect on non-recurring income and expenses, attributable to the owners of the parent. Adjusted EPS is Adjusted Profit divided by the weighted average number of ordinary shares.

Working Capital

The components of our working capital are inventories plus trade and other receivables and prepaid expenses plus trade and other payables and accrued expenses.

Annex A – Pro forma impact of IFRS 16 on 2018 EBITDA and net debt

€ million	Q1	Q2	Q3	Q4	FY 2018
Adjusted EBITDA as reported in 2018	57.5	60.2	58.1	58.2	234.0
<i>Adjusted EBITDA margin</i>	<i>10.3%</i>	<i>10.5%</i>	<i>10.3%</i>	<i>9.8%</i>	<i>10.2%</i>
Impact of IFRS 16 on Adjusted EBITDA	7.4	7.3	7.3	7.5	29.6
Adjusted EBITDA proforma IFRS 16 in 2018	64.9	67.5	65.4	65.7	263.6
<i>Adjusted EBITDA margin proforma IFRS 16 in 2018</i>	<i>11.6%</i>	<i>11.8%</i>	<i>11.5%</i>	<i>11.0%</i>	<i>11.5%</i>

€ million	Mar 31	Jun 30	Sep 30	Dec 31
Net debt as reported in 2018	776.0	778.3	764.8	760.0
Proforma IFRS 16 impact	147.0	142.1	153.7	147.6
Proforma net debt in 2018	923.0	920.4	918.5	907.6

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.

This report has been prepared in Dutch and translated into English. In the case of discrepancies between the two versions, the Dutch version will prevail.