Q2 & H1 2022 RESULTS

WEBCAST

July 29, 2022

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Accounting changes

As from 2022, the Emerging Markets, which represented 30% of revenue in 2021, are reported as assets held for sale and discontinued operations, following the strategic decision to divest these businesses. Continuing operations encompass the Core Markets, which represented 70% of revenue in 2021.

Q2 & H1 2022 RESULTS

BUSINESS REVIEW

Esther Berrozpe, CEO

STRATEGIC TURNAROUND UNDER WAY
While managing a challenging external environment

Volume growth & cost reduction creating underlying value

7%
Volume/mix growth

4%
Savings on cost base

Cost inflation, partly offset by pricing, with additional pricing planned

€180M
Cost impact

8%
Price increase

Portfolio milestone reached with divestment of Mexican business

€285M
Enterprise value

€250M
Net proceeds

H1 impact

H1 KEY FIGURES
Revenue turn-around

Revenue

Total Group

€1,152M

+15% LFL vs H1 21

Core Markets

€781M

+12% LFL vs H1 21

Adj. EBITDA margin

Total Group

4.3%

-6.0pp vs H1 21

Core Markets

5.1%

-7.2pp vs H1 21

Cash Total Group

Net debt

€(826)M

vs **€(726)M** at end of Dec 21

Leverage

6.8x

vs **4.2x** at end of Dec 21

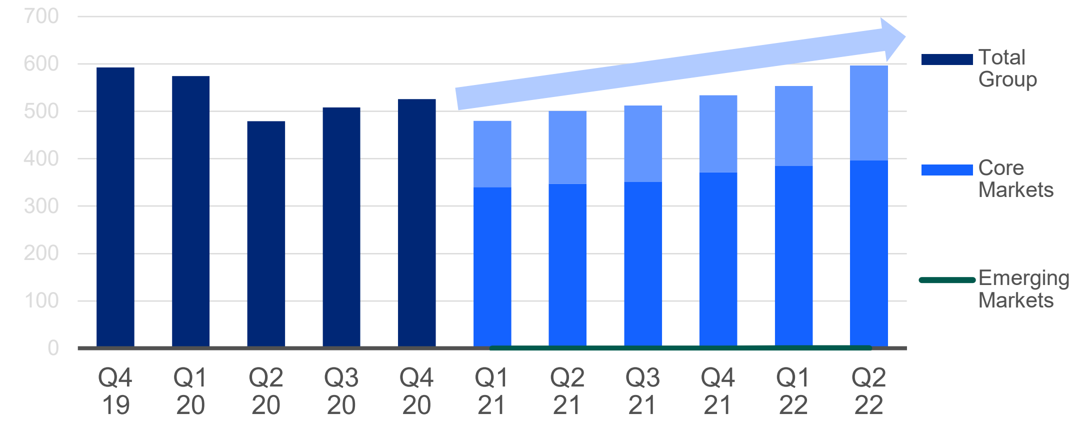
YoY = year on year, i.e. vs H1 21

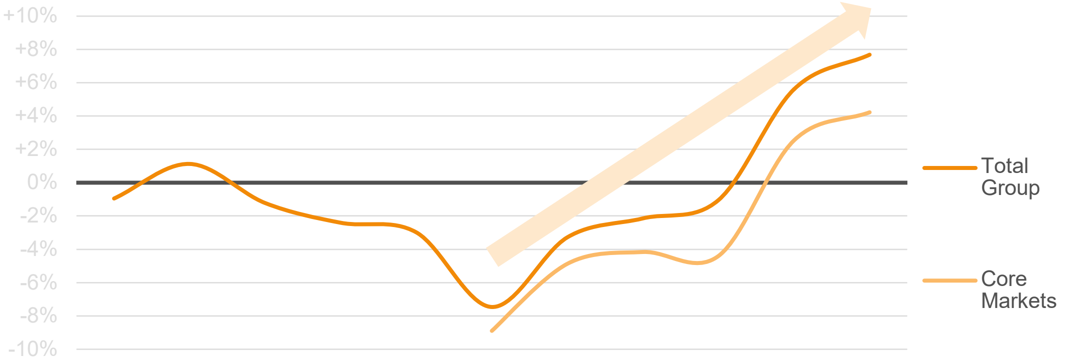
TURNAROUND CONFIRMED SINCE 2021

Back to net revenue growth in 2022

Revenue

(in €M)





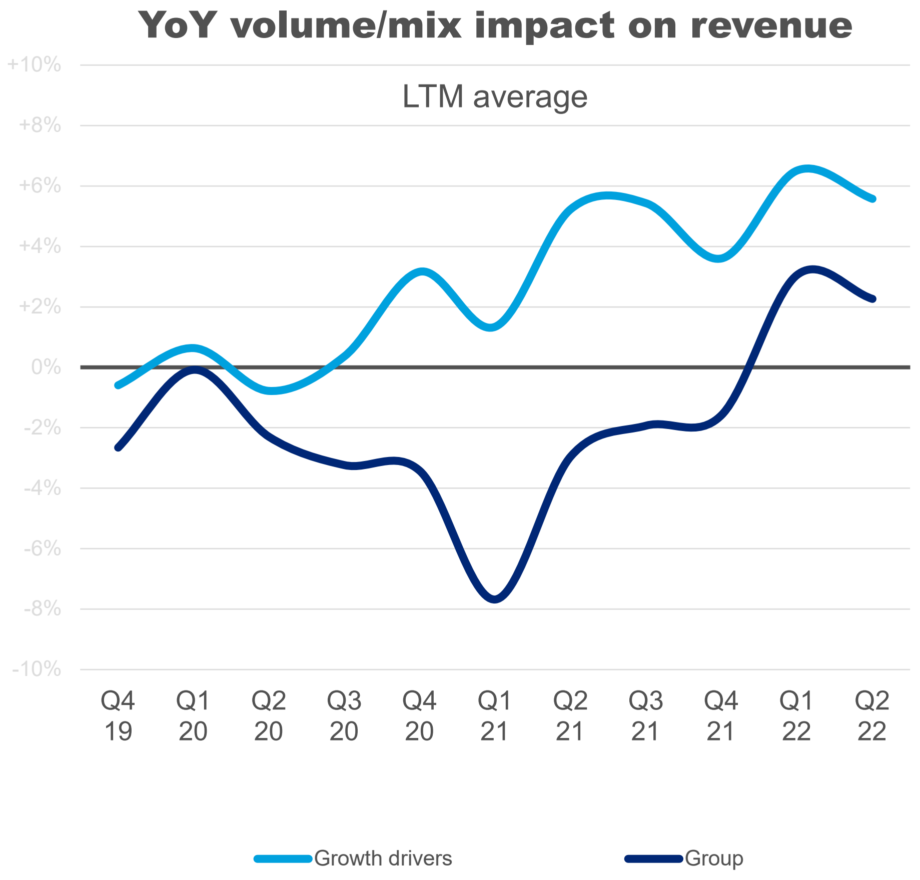
Revenue LFL growth **(LTM average)**

- H1 2022 delivers highest H1 revenue since 2017
  - Built on 5 quarters of sequential growth
  - Last-twelve-month average consistently positive since 2022
- Total Group revenue up **15%** LFL in H1
  - Volume/mix up 7%, driven by all categories
  - Price up 8%
- Core Markets revenue up **12%** LFL in H1
  - Volume/mix up 8%
  - Price up 4%

7% VOLUME/MIX REVENUE GROWTH IN H1

Outperforming growing market with focus on strategic drivers

- Retailer brands gaining market share in baby pants and feminine care
- Ontex outperforming market in most categories, especially on strategic growth drivers
- Consistent delivery with LTM volume growth well positive since 2022



North America
- Volume/mix up double digit in H1
- Contract wins in previous quarters dropping through

Baby pants
- Volume/mix up solid double digits in H1
- Retailer brands gaining share in growing market

Adult care
- Volume/mix up mid-single digit in H1
- Shift in market towards retail and on-line channels

Sustainable & natural solutions
- Double digit growth of organic cotton-based products
- Increased recycled content in packaging

[1] Strategic growth drivers include the North American, the Adult care and baby pants markets supported by sustainable & natural solutions

€36M COST REDUCTION DELIVERY IN H1

Delivering consistent run rate of ~4% of cost base [1]

Gross savings and SG&A

SG&A / sales
10% in H1
Core Markets at **10%**

Gross savings / Cost [1]
4% in H1
Core Markets at **5%**

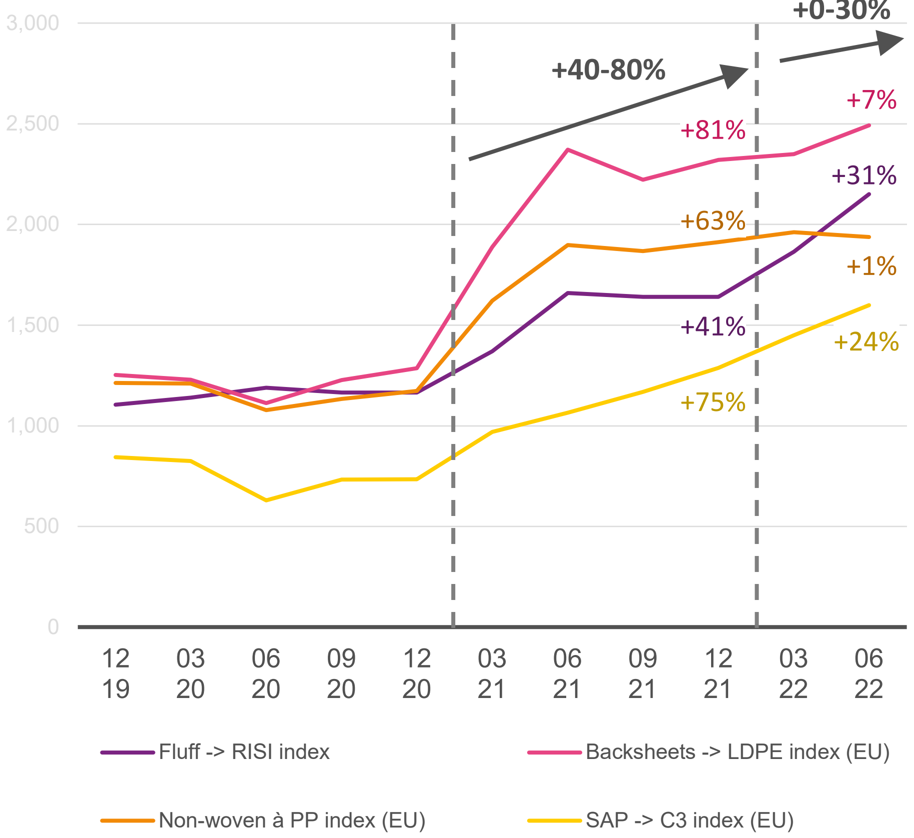
- Operating savings of €37M
  - €29M savings in Core Markets
  - Mayen production plant closed in April
  - Scrap rate and OEE further improved compared to 2021
  - Design-to-value innovation bearing fruit
- SG&A cost base increased slightly by €(1)M
  - €3M decrease in Core markets
  - Main restructuring effort in 2021, focusing on offsetting inflation in 2022 and beyond
  - Aiming to keep SG&A at or below 10% of sales

[1] Total cost base defined as revenue – adj. EBITDA

INFLATIONARY ENVIRONMENT INCREASED FURTHER

Early signs of stabilization

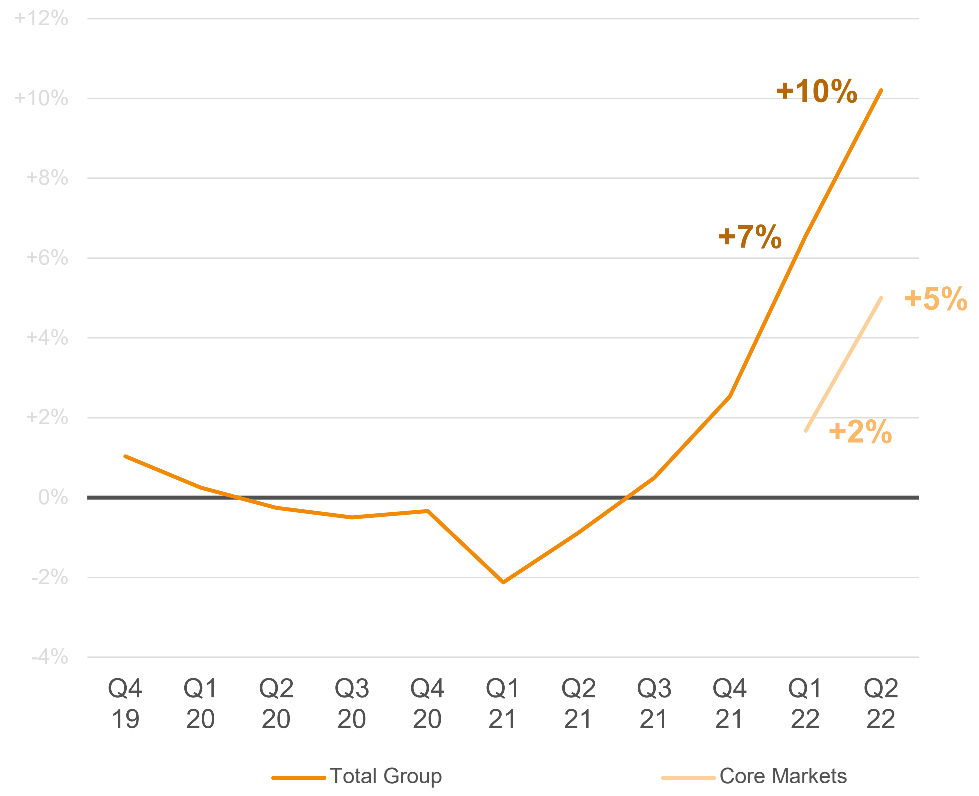
Main raw material indices



- Overall cost base up ~20% YoY
- Raw material prices up ~30% YoY
  - Main impact from price increase on SAP and non-woven materials
  - Index increase in 2021 fully reflected in cost increase, while increase in H1 (in Europe) partly in Q2 cost increase, with remainder to come in Q3
  - Rising energy and logistics costs on raw materials push prices up further
- Other operating costs up mainly on rising energy costs and wage inflation
  - Energy prices up ~30% YoY
  - Distribution costs up ~15% YoY
  - Wages up with inflation

RAMPING UP PRICING MOMENTUM
Core Markets catching up

YoY price increase

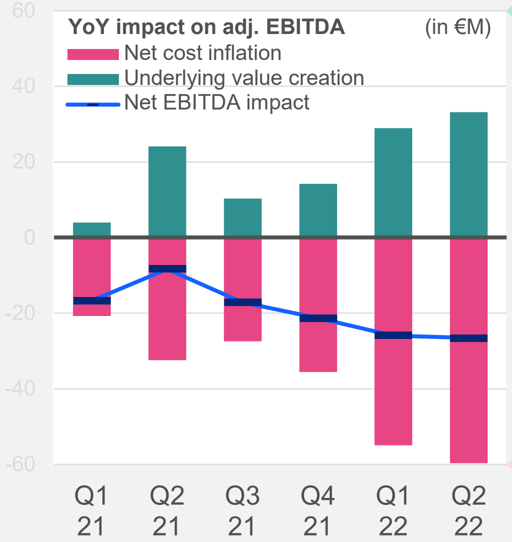


- 8% higher prices in total Group in H1
  - Strong delivery in discontinued Emerging Markets with double digits in own brands
  - Evolving from +7% in Q1 to +10% in Q2
- 4% higher prices in Core Markets in H1
  - Implementation is lagging inflation, as contract negotiations take longer
  - Evolving from +2% in Q1 to +5% in Q2
- More pricing planned, to positively impact coming months

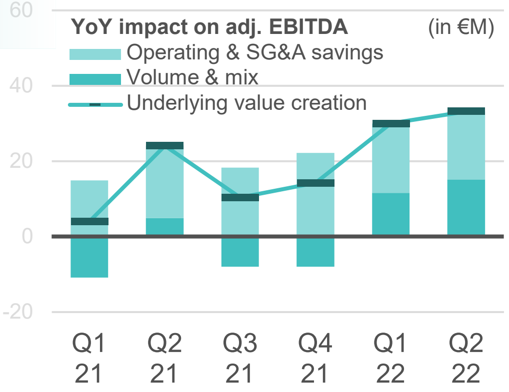
INFLATION OFFSETS UNDERLYING VALUE CREATION

Showing signs of stabilization

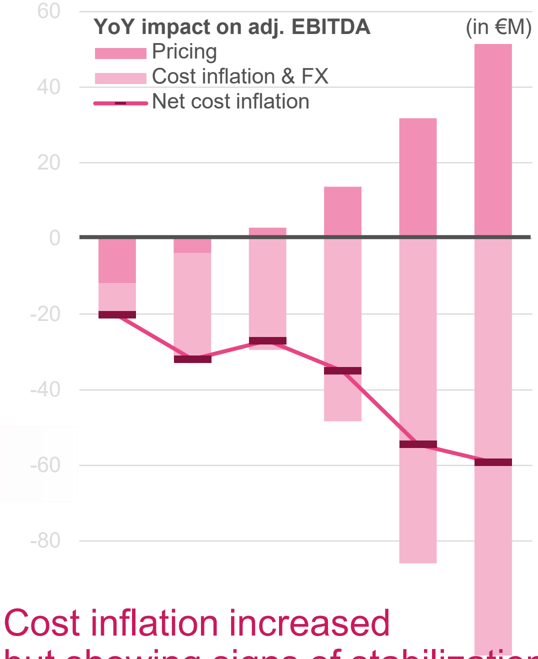
Net EBITDA impact



Underlying value creation



Net cost inflation impact



- Underlying value creation more than offset by net cost inflation impact so far
- Remaining delta starting to stabilize
- **Trend expected to turn in H2**

- Continuous cost reduction delivery
- Volume/mix growth as from 2022
- **YoY underlying value creation to persist in line with strategic plan**

- Cost inflation increased but showing signs of stabilization
- Price growth to continue
- **YoY net impact expected to drop**

Q2 & H1 2022 RESULTS

FINANCIAL REVIEW

Peter Vanneste, CFO

Q2 KEY FIGURES
Double digit revenue growth confirmed

Revenue

Total Group
€598M
+15% LFL YoY
+8% QoQ

Core Markets
€396M
+10% LFL YoY
+3% QoQ

Adj. EBITDA margin

Total Group
4.1%
-6.1pp YoY
-0.3pp QoQ

Core Markets
4.8%
-7.8pp YoY
-0.7pp QoQ

Debt Total Group

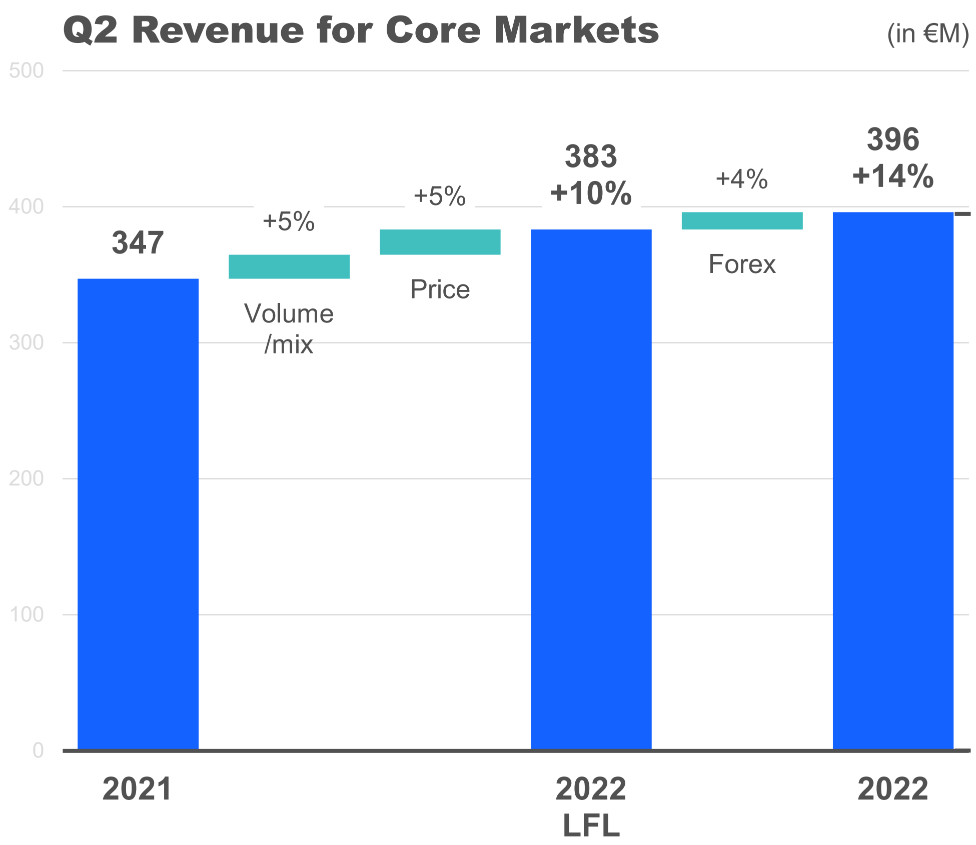
Net debt
€(826)M
vs **€(833)M**
at end of March 22

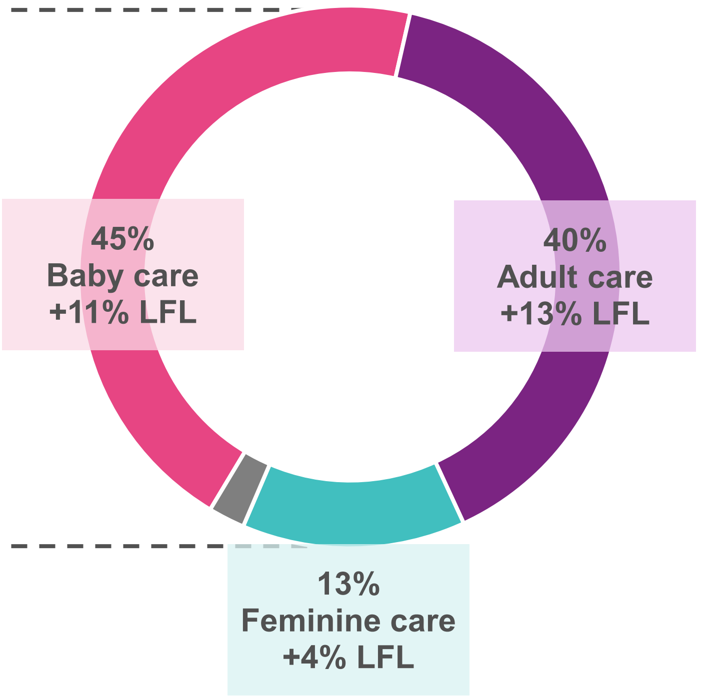
Leverage
6.8x
vs **5.7x**
at end of March 22

YoY = year on year, i.e. vs Q2 21 QoQ = quarter on quarter, i.e. vs Q1 22

REVENUE GROWTH CONTINUED

Based equally on volumes and pricing benefits

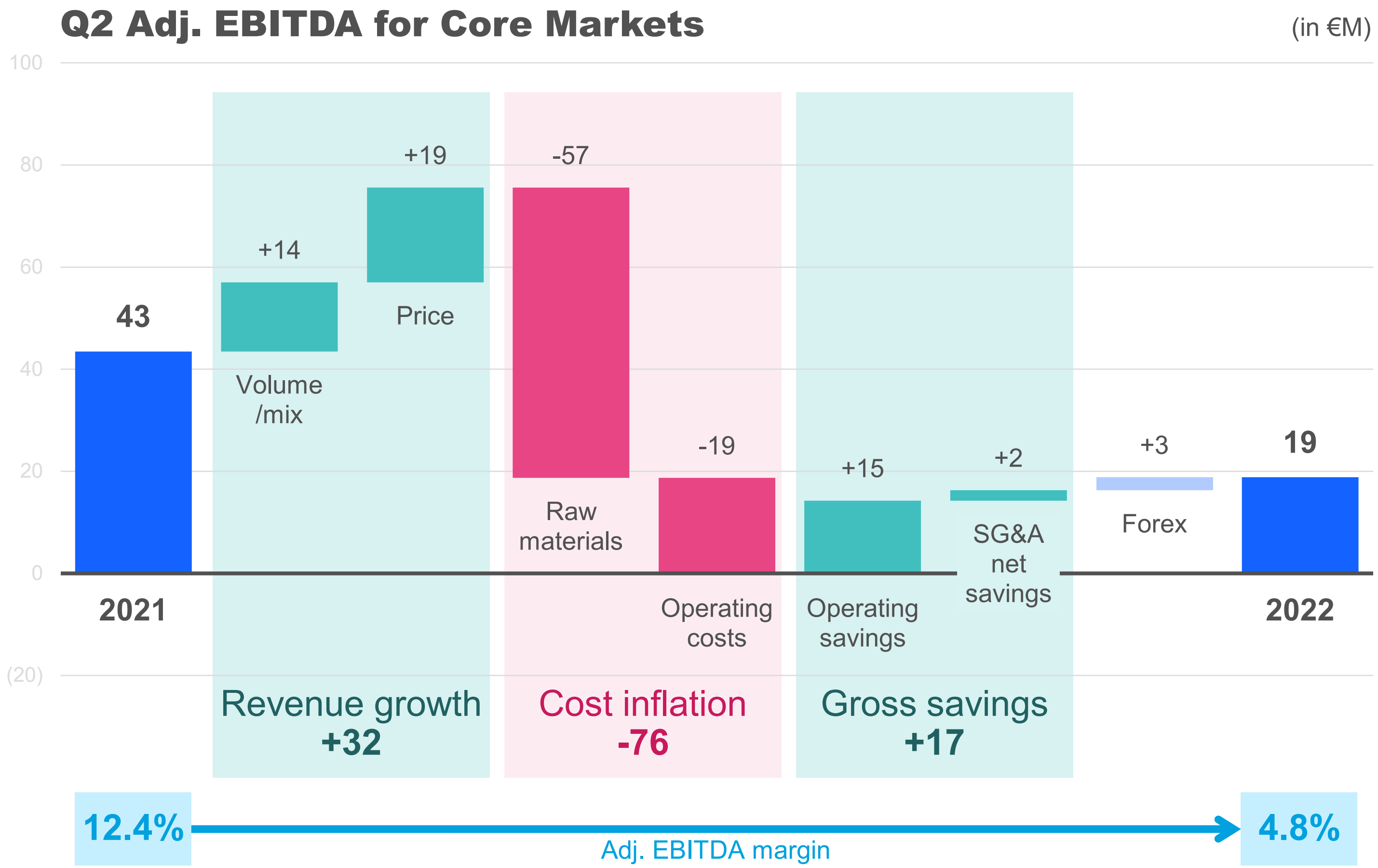




- 5% volume and mix growth across categories
  - Result of contract gains
  - Retail brands gaining share
  - Solid demand for essential goods
- Pricing passing through
  - Representing half of LFL increase
  - More pricing to come
- Supportive forex impact
  - Positive impact USD and RUB appreciation

SOLID GROWTH & SAVINGS OFFSET BY INFLATION

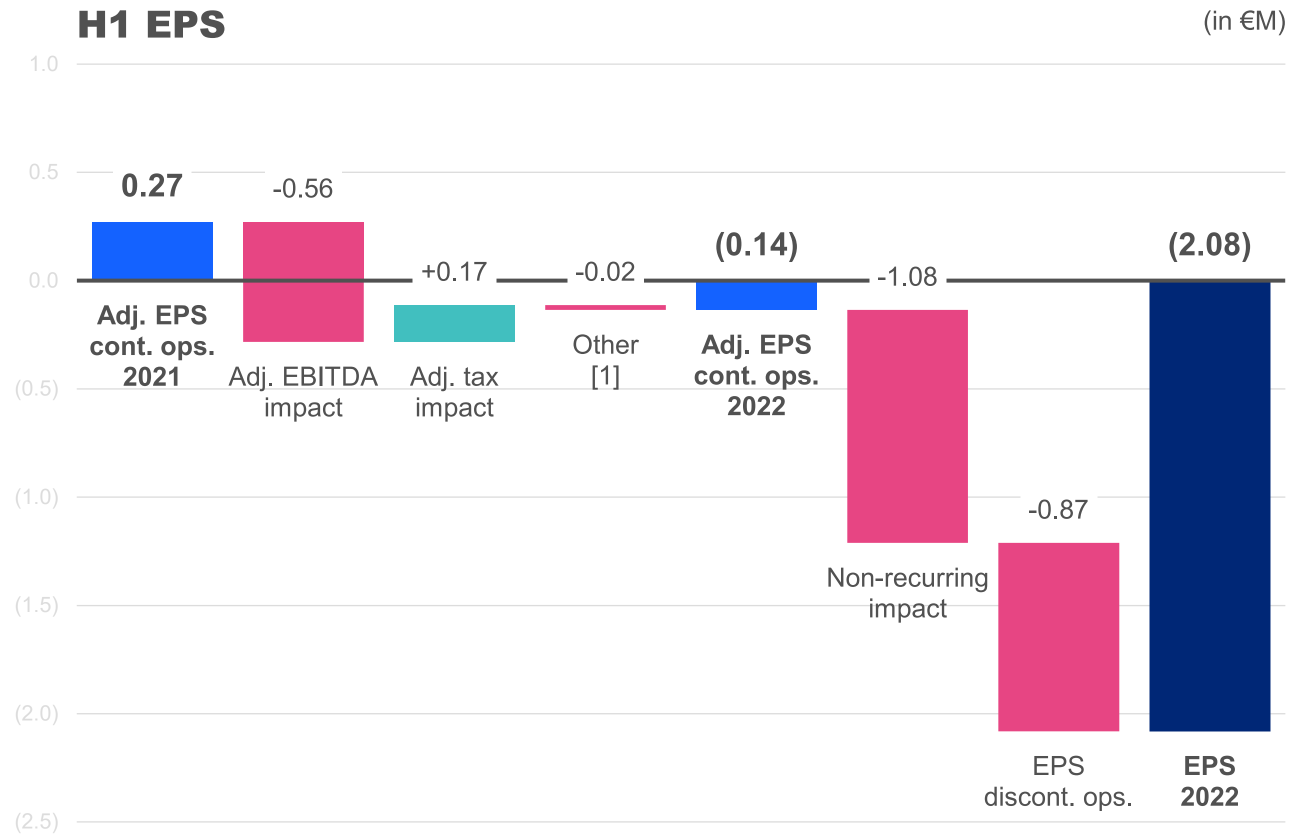
Resulting in EBITDA decrease



- Strong €49M YoY profit delivery from revenue growth and cost savings
- Consistent contribution of cost reduction measures at >4% of cost base
  - Operations: footprint, efficiency and design to value
  - SG&A down, more than offsetting wage inflation
- Significant impact of cost inflating by 25% [1]
  - On raw materials, wages, energy & distribution
  - Further increase vs. Q1, especially in Europe
- Supportive forex
  - RUB appreciation effect on sales more than offset USD appreciation impact on costs
- Margin at 4.8%
  - down 7.8pp YoY
  - down 0.7pp QoQ

[1] Cost base defined as revenue – adj. EBITDA

NON-CASH IMPAIRMENTS IMPACT EPS
Leading to Basic EPS of €(2.08)



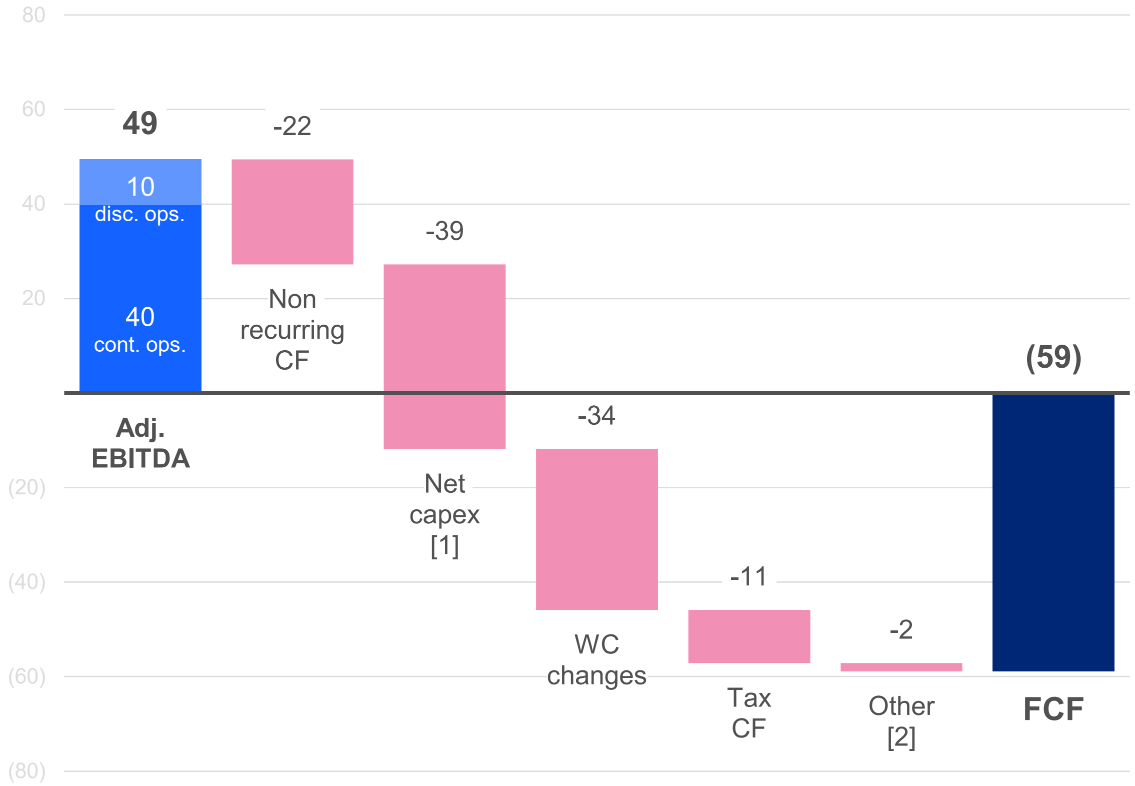
- Adj. EPS from cont. ops. at €(0.14)
  - Net financial costs at €(22)M in line with H1 2021
  - Positive tax impact
- Non-recurring costs at €(90)M
  - €(6)M cash, mainly from restructuring efforts to optimize European production footprint
  - €(84)M non-cash impairment on Russian assets, following autonomization of activities in view of sanctions
- Loss from discontinued operations of €(72)M
  - Strong price-driven revenue growth of 23% LFL
  - Adj. EBITDA margin at 2.6%, -3.0pp YoY, +2.7pp HoH
  - €(60)M non-cash impairment on Mexican activities, following carve-out process
  - €(9)M non-recurring costs, mainly restructuring of Ethiopian operations
  - €(6)M hyperinflation impact from Turkish operations

[1] Other includes the impact of change in DA (-0.02) and financial costs (-0.01)

INVESTMENT IN WC AND CAPEX IMPACT FCF
Leading to FCF of €(59)M

H1 22 EBITDA to FCF

(in €M)



[1] Net capex includes €(27)M capex and €(12)M lease payments
[2] Other includes provisions and non-cash adjusted EBITDA elements
[3] Capex including lease payments / depreciation
[4] Working capital excludes €184M of factoring

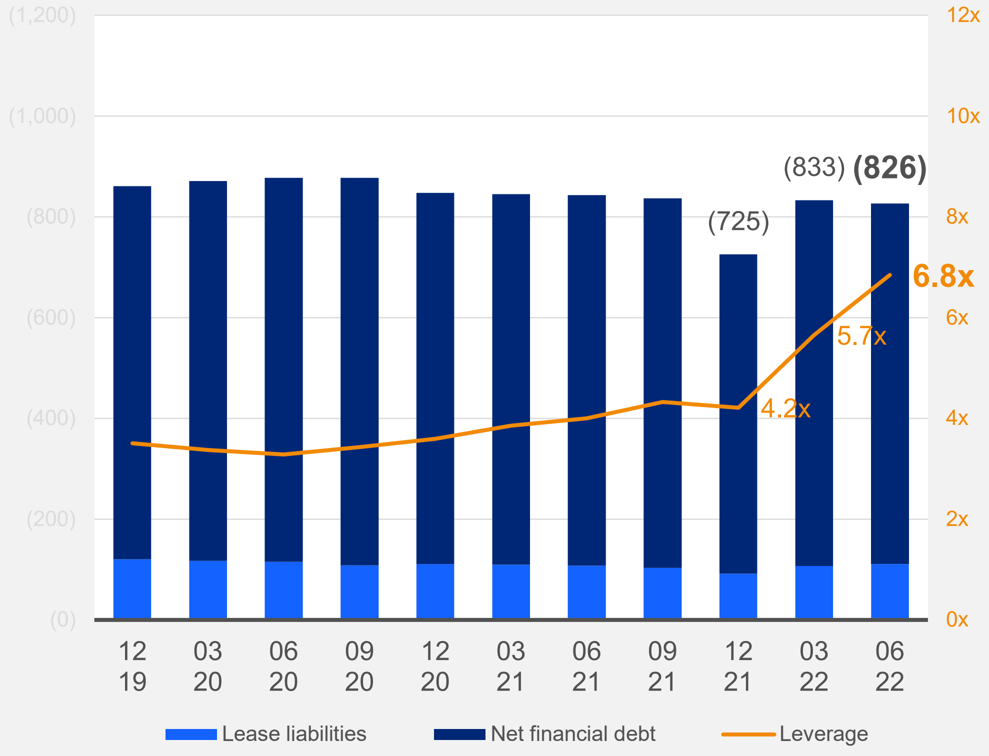
- Capex slightly up at €27M vs €23M in H1 21
  - Discipline maintained with capex/revenue at 2.3%, optimizing spend efficiency
  - Expected to increase in H2
  - Capex/depreciation [3] > 1x, securing investments in strategic growth and operational efficiency initiatives
  - New plant in Stokesdale opened to supply East Coast
- Working capital [4] up, reflecting volume growth & net inflation impact
  - WC up versus end 21, but down on March 22
  - Increase mostly driven by higher revenue in Q2 vs Q4 21
  - Inventories still higher than normal in view of continued tense supply context
- Negative FCF in Q1, partly offset by positive FCF in Q2

NET DEBT UP YTD, BUT IMPROVING VS MARCH

Leverage up mainly due to lower EBITDA

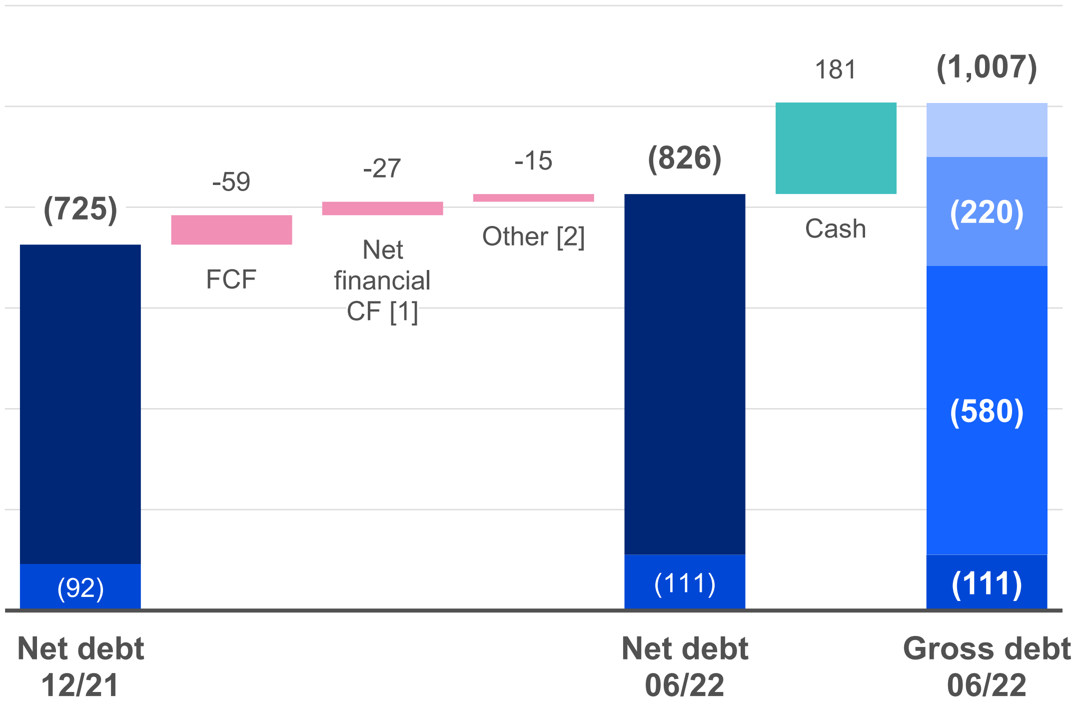
Net debt evolution

(in €M)



YtD Debt bridge

(in €M)



- **Other debt**
- **Term loan**
  - Floating rate
  - Covenant test in June 2023
  - Maturity in 2024
- **Bond**
  - Fixed rate at 3.5%
  - Maturity in 2026
- **Lease liabilities**

[1] Includes net interest payments of €(19)M

[2] Includes lease liability increases and non-cash forex fluctuations

MILESTONE IN PORTFOLIO TRANSFORMATION
Divestment of Mexican business agreed

- Agreement reached to divest Mexican branded business to Softys, subsidiary of Empresas CMPC
  - Includes Puebla plant, Mexican and related export business
  - Excludes Tijuana plant and North American partner brand business (part of Core Markets)
- Transaction details
  - EV of €285M [1,2]
  - Closing expected early 2023
  - Net proceeds of ~€250M [1,2], of which ~€225M [1] at closing to be used exclusively on debt reduction
  - Impairment of €60M booked in June
- Key figures
  - Revenue of €308M [1] in 2021
  - Workforce of ~1300 in June

[1] At current exchange rate
[2] Includes deferred payment of ~€25M spread over 5 years max

Q2 & H1 2022 RESULTS

GOING FORWARD

Esther Berrozpe, CEO

2022 OUTLOOK
H2 revenue and EBITDA margin to increase progressively

- Visibility remains low
  - Uncertain geo-political environment
  - Persisting volatile inflationary macro-economic situation
- Outlook base on following assumptions
  - Positive market momentum persists
  - Inflationary pressure on commodity and energy prices not increasing further

Core Markets

- Revenue growth **≥ 10% LFL**
  - With positive market momentum
  - With continued price increases
- QoQ margin improvement in H2
  - With additional pricing passed through
  - With structural cost reduction delivery
- Adj. EBITDA in **€100-110M** range

Group (incl. disc. ops.)

- Revenue growth **≥ 10% LFL**
- QoQ margin improvement in H2
- Adj. EBITDA **€125-140M** range
- Leverage **< 6.8x**, below level of June
  - WC / revenue to normalize
  - Capex to grow toward 4% in H2

KEY PRIORITIES

Continuous delivery on **savings**

Progress on **divestments**

Further **pricing**

Restore **margins**

Q2 & H1 2022 RESULTS

Q&A

Q2 & H1 2022 RESULTS

THANK YOU