# Ontex H1 2016: Solid reported revenue growth and margins in competitive markets and Mabe integration on track

- **After first half revenue in line with market expectations, we will deliver FY 2016 Group revenue of more than €2 billion**
- **Successful Mabe integration will generate deal-related synergies, contributing to a solid FY 2016 Group EBITDA margin**

Aalst-Erembodegem, July 28, 2016 - Ontex Group NV (Euronext Brussels: ONTEX; 'Ontex,' 'the Group' or 'the Company') today announced its results for the six months period ending June 30, 2016.

## H1 2016 Highlights

- Revenue was €962.6 million, up 12.9% on a reported basis
  - -0.1% on a like-for-like (LFL)[1] basis, year-on-year (yoy)
  - +2.3% pro-forma at constant currency[2]
- Adjusted EBITDA[3] increased by 12.2% yoy to €123.3 million, resulting in an Adjusted EBITDA margin of 12.8%, in line with our expectations
- Net foreign exchange (FX) headwinds of €29.4 million on revenue and €27.8 million on Adjusted EBITDA
- Adjusted net profit was €65.7 million, up 11.0% compared to last year; Adjusted earnings per share was €0.89
- Net Debt was €660.2 million including €97.6 million of acquisition related earn-outs as of June 30, 2016, resulting in a net debt/LTM[4] Adjusted EBITDA ratio of 2.97x

## Q2 2016 Highlights

- Revenue was €510.2 million, a yoy increase of 19.3% on a reported basis
  - -1.2% on a LFL basis yoy, lower than Q1 as expected and highlighted at the Q1 update
  - +0.7% pro-forma at constant currency
- Adjusted EBITDA increased by 14.3% yoy to €66.2 million, including the first synergies from the Grupo Mabe acquisition, resulting in an Adjusted EBITDA margin of 13.0%
- Net negative FX impact of €16.4 million on revenue and €14.6 million on Adjusted EBITDA

## Key Financials H1 2016 and Q2 2016

| *In € million, except margin & per share data* | H1 2016 | H1 2015 | % Change | | Q2 2016 | Q2 2015 | % Change |
|---|---|---|---|---|---|---|---|
| Reported Revenue | 962.6 | 852.8 | 12.9% | | 510.2 | 427.7 | 19.3% |
| LFL Revenue[1] | 851.9 | 852.8 | (0.1%) | | 422.4 | 427.7 | (1.2%) |
| *Pro-forma revenue at constant currency[2]* | *1,095.7* | *1,071.5* | *2.3%* | | *540.8* | *537.3* | *0.7%* |
| Adjusted EBITDA[3] | 123.3 | 109.9 | 12.2% | | 66.2 | 57.9 | 14.3% |
| *Adj. EBITDA Margin* | 12.8% | 12.9% | (7 bps) | | 13.0% | 13.5% | (56 bps) |
| Adj. profit/(loss) for the period | 65.7 | 59.2 | 11.0% | | - | - | - |

| *In € million, except margin & per share data* | H1 2016 | H1 2015 | % Change | | Q2 2016 | Q2 2015 | % Change |
|---|---|---|---|---|---|---|---|
| Adjusted EPS | 0.89 | 0.87 | 2.3% | | - | - | - |
| Profit/(Loss) for the period | 58.2 | 56.9 | 2.3% | | - | - | - |
| Basic EPS | 0.79 | 0.84 | (6.0%) | | - | - | - |
| Adj. Free Cash Flow[5] | 108.7 | 106.9 | 1.7% | | - | - | - |
| Net Debt | 660.2 | 514.7 | 28.3% | | N.A. | N.A. | N.A |

1 *LFL is defined as at constant currency excluding change in perimeter of consolidation or M&A*
2 *Pro-forma at constant currency includes Grupo Mabe revenue for H1 and Q2 data for 2015 and 2016*
3 *Adjusted EBITDA is a non-IFRS measure, defined as EBITDA plus non-recurring expenses and revenues excluding non-recurring depreciation and amortization and has consistently been applied throughout reporting periods. EBITDA is a non-IFRS measure, defined as earnings before net finance cost, income taxes, depreciation and amortization. For further detail refer to Annex A, page 13*
4 *Last twelve months (LTM) of Adjusted EBITDA includes the last twelve months of Ontex, and the last four months contribution of Grupo Mabe since completion of the acquisition*
5 *Adjusted Free Cash Flow calculated as Adjusted EBITDA less capex, change in working capital and cash taxes paid.*

Charles Bouaziz, Ontex CEO commented: “We demonstrated our resilience in the first half in more challenging markets. Growth in our developing markets was strong and our Healthcare business was also solidly ahead, while in our mature markets we remained disciplined on price and continued to invest in our go-to-market capabilities. Grupo Mabe has performed well, and in just four months has helped to increase the proportion of Ontex revenue generated outside of Western Europe in the first half to 46%. The integration is proceeding well and we are starting to capture the expected synergies. In the second half, as we roll off the impact of some contract gains and losses in Mature Markets, we expect to deliver Group revenue growth in line with our mid term model.”

## Market Dynamics

As anticipated our markets grew more slowly in H1 2016. The Western European market had a slight decline in value terms due to lower pricing, which partly reflects the promotional campaigns by international brands. Developing markets showed further growth, albeit at a lower rate due to a mix of cycling 2015 price increases linked to devaluating currencies, and also increased promotional activities by international brands. Retailer brands maintained a strong and stable share in Western Europe, and continued to take share in Russia.

Changes in foreign exchange rates compared to the Euro led to strong headwinds for Ontex for both revenue and Adjusted EBITDA. In H1 2016 the Euro appreciated against the Russian Rouble, the Turkish Lira, the British Pound, the Polish Zloty and the Algerian Dinar, impacting revenue. For Adjusted EBITDA, the main FX impacts were due to the US Dollar, the Russian Rouble, the Turkish Lira, the Polish Zloty and the Algerian Dinar. The Euro also appreciated against the Mexican Peso, resulting in a translation impact for Grupo Mabe’s results.

The overall costs of our main commodity raw materials in H1 2016 were lower in their reference currencies than in the same period of 2015. Prices for fluff pulp, denominated in USD, continued to be very high. The total costs of commodity raw materials based on crude oil were lower in the first half of 2016, with most of the benefit recorded in the first quarter. Based on the current level of oil-based commodities indices, we anticipate a positive impact from pricing in Q3.

## OUTLOOK

Based on current FX rates, outlook on commodity pricing and competitive environment:

- We expect that second half 2016 revenue growth will be in our mid-term range of 4% to 6% like-for-like, based upon a better performance in Mature Market Retail and continued solid performances in the balance of our portfolio of activities
- We will continue to capture efficiencies and savings throughout our business. In addition, in the second half of the year we will deliver an increasing amount of synergies from the Mabe acquisition. Including the dilutive impact of Grupo Mabe, we expect to have a Group Adjusted EBITDA margin for FY 2016 at least in line with FY 2015 (12.4%) on a much larger revenue base

## Overview of Ontex Performance in H1 2016

Group revenue amounted to €962.6 million in H1 2016, including sales from Grupo Mabe for the period March to June, up 12.9% compared to last year on a reported basis. On a LFL basis, revenue was essentially in line with last year. Sales in developing markets grew by double digits mainly driven by higher volumes, while revenue in developed market retail was lower as anticipated. Including Grupo Mabe sales for the first six months, pro-forma H1 2016 Group revenue at constant currency would have increased by 2.3%.

H1 2016 Adjusted EBITDA was €123.3 million, an increase of 12.2% year-on-year including consolidation of Grupo Mabe for March to June. Changes in foreign exchange rates had a negative impact of nearly €28 million, significantly outweighing the positive impact of raw material pricing. Our portfolio of efficiency and savings projects, and the first synergies from our deal with Grupo Mabe, helped to mitigate these external factors. As a result, we generated a solid Adjusted EBITDA margin of 12.8%.

## Operational Review: Divisions

| | Six Months | | | | Second Quarter | | | |
|---|---|---|---|---|---|---|---|---|
| **in € million** | **H1 2016** | **H1 2015** | **% Δ as reported** | **% Δ at LFL** | **Q2 2016** | **Q2 2015** | **% Δ as reported** | **% Δ at LFL** |
| **Ontex Reported Revenue** | **962.6** | **852.8** | **12.9%** | **(0.1%)** | **510.2** | **427.7** | **19.3%** | **(1.2%)** |
| Mature Market Retail | 425.7 | 460.8 | (7.6%) | (7.7%) | 212.2 | 232.4 | (8.7%) | (9.2%) |
| Growth Markets | 79.8 | 73.7 | 8.3% | 20.2% | 42.9 | 42.4 | 1.2% | 15.1% |
| Healthcare | 216.9 | 215.3 | 0.7% | 1.7% | 108.4 | 106.9 | 1.4% | 2.7% |
| MENA | 108.1 | 103.0 | 5.0% | 15.4% | 48.3 | 46.0 | 5.0% | 14.1% |
| Americas Retail | 132.2 | n.a. | n.a. | n.a. | 98.4 | n.a. | n.a. | n.a. |
| *Americas Retail pro-forma*[1] | 206.7 | 207.1 | (0.2%) | 12.4% | 98.4 | 103.8 | (5.2%) | 8.6% |

1 *Americas Retail pro-forma H1 and Q2 data for 2015 and 2016. For this pro-forma data, the % change at LFL is at constant currency.*

**Mature Market Retail**

Revenue in the Mature Market Retail Division in H1 2016 was 7.7% lower than the same period last year on a LFL basis due to continued cycling of contract losses from 2015 (-7.6% on a reported basis, which included a negative FX impact from the British Pound and Polish Zloty, and €7.9 million of incremental sales since March 1 2016 from Grupo Mabe's European activites). Based on market data, we believe that the overall market, including babycare, femcare and adult inco, was slightly down year-on-year for the period January to May 2016 due to lower pricing. The competitive environment remained challenging, with increased promotional activities by international brands in many markets. Against this background, our business continued to be disciplined in its pricing approach, and further reinforced its efforts to provide our retail partners with innovative, high-quality products and services. H1 2016 revenue decreased in the UK and France, and increased in Italy and Poland.

**Growth Markets**

Revenue in our Growth Markets Division was up 20.2% on a LFL basis in H1 2016 (+8.3% on a reported basis, with the negative FX impact mostly due to the Russian Rouble), continuing to outpace estimated market growth. Volume growth in Russia and Central Eastern Europe was the primary driver of higher sales. The contribution to growth from pricing was lower in the first half, partly due to increased price competition.

**Healthcare**

Healthcare Divisional revenue rose 1.7% in H1 2016 on a LFL basis (+0.7% on a reported basis, mainly due to the negative impact of the British Pound). Revenue grew on a LFL basis in Italy, Spain and the UK, with sales in France and Germany lower year-on-year. Sales via home delivery developed positively in Germany and Italy, as we continue to leverage our expertise in this channel in multiple markets.

**MENA**

MENA Divisional revenue increased 15.4% in H1 2016 on a LFL basis (+5.0% on a reported basis, reflecting a negative FX impact mainly from the Turkish Lira and Algerian Dinar). Higher sales were achieved in nearly all markets, mostly due to good volume growth of Ontex brands. Competitor pricing dynamics have become more volatile in Turkey, including increased promotional activity by international brands, after devaluation of the Turkish Lira over the past several months. Average selling prices for Ontex have risen to partially compensate for currency devaluation, and also contributed to H1 revenue growth. We continued to invest in our leading brands, including Canbebe, where in Turkey we have used insights based on consumer research to re-launch an innovative new product.

**Americas Retail**

H1 2016 revenue for Americas Retail covers the four month period March to June 2016, following completion of the Grupo Mabe acquisition on February 29, 2016. Our business has had a strong performance year to date, with revenue increasing by 12.4% for H1 2016 on a pro-forma basis at constant currency. Sales of our brands increased in the Babycare, Adult Inco and Femcare categories in Mexico. Adjusting for the negative FX impact, pro-forma revenue for H1 2016 was -0.2% year-on-year.

## Operational Review: Categories

| | Six Months | | | | Second Quarter | | | |
|---|---|---|---|---|---|---|---|---|
| in € million | H1 2016 | H1 2015 | % Δ as reported | % Δ at LFL | Q2 2016 | Q2 2015 | % Δ as reported | % Δ at LFL |
| **Ontex Reported Revenue[1]** | **962.6** | **852.8** | **12.9%** | **(0.1%)** | **510.2** | **427.7** | **19.3%** | **(1.2%)** |
| Babycare | 548.1 | 456.5 | 20.1% | (2.7%) | 298.2 | 230.0 | 29.7% | (6.1%) |
| Femcare | 104.3 | 101.6 | 2.7% | (0.2%) | 53.6 | 50.8 | 5.5% | 1.6% |
| Adult Inco | 298.4 | 282.4 | 5.7% | 4.2% | 153.8 | 140.1 | 9.8% | 7.2% |

*1 Includes €4.5 million in Q2 2016; €11.8 million in H1 2016; €6.8 million in Q2 2015; €12.3 million H1 2015 from Other category*

**Babycare**

Babycare category revenue was 20.1% higher on a reported basis in H1 2016 including Grupo Mabe sales from March to June 2016, and down 2.7% on a LFL basis. Sales of babycare products were well ahead of last year in developing markets, however this could not offset a decrease in developed markets.

**Femcare**

Revenue for the Femcare category rose 2.7% on a reported basis in H1 2016 including 4 months of Grupo Mabe sales, and was essentially stable at -0.2% on a LFL basis. Most of our femcare sales are in Western Europe through retailer brands, where our revenue was ahead of the market, which was slightly down year-on-year.

**Adult Inco**

H1 2016 Adult Inco category revenue was up 5.7% on a reported basis including 4 months of Grupo Mabe sales, and on a LFL basis grew 4.2%. On a LFL basis, sales in institutional channels were slightly higher, while retail sales grew 13% yoy.

## Operational Review: Geographies

| | Six Months | | | | Second Quarter | | | |
|---|---|---|---|---|---|---|---|---|
| in € million | H1 2016 | H1 2015 | % Δ as reported | % Δ at LFL | Q2 2016 | Q2 2015 | % Δ as reported | % Δ at LFL |
| **Ontex Reported Revenue** | **962.6** | **852.8** | **12.9%** | **(0.1%)** | **510.2** | **427.7** | **19.3%** | **(1.2%)** |
| Western Europe | 521.9 | 559.6 | (6.7%) | (7.2%) | 262.3 | 279.5 | (6.2%) | (7.0%) |
| Eastern Europe | 146.9 | 133.4 | 10.1% | 19.2% | 76.5 | 72.6 | 5.4% | 16.5% |
| Americas | 137.0 | 4.9 | n.m. | 20.4% | 100.3 | 2.2 | n.m. | 31.8% |
| ROW | 156.7 | 154.9 | 1.2% | 8.3% | 71.0 | 73.4 | (3.3%) | 2.2% |

*n.m. not meaningful*

Western Europe revenue decreased in H1 2016, mainly due to lower sales in retail channels and a negative FX impact. The proportion of revenue generated outside of Western Europe, including Grupo Mabe sales for March to June 2016, was 46% of Ontex Group revenue, compared to 34% in H1 2015.

# FINANCIAL REVIEW

## Selected P&L Financial Information

| in € million | Six Months H1 2016 | H1 2015 | % Δ |
|---|---|---|---|
| **Ontex Reported Revenue** | **962.6** | **852.8** | **12.9%** |
| Cost of sales | (679.0) | (612.8) | 10.8% |
| Gross margin | 283.6 | 240.0 | 18.2% |
| Operating expenses | (180.4) | (146.4) | 23.2% |
| Non-recurring revenue and expenses | (8.7) | (2.3) | 278.3% |
| Operating profit | 94.5 | 91.3 | 3.5% |
| Net finance cost | (14.1) | (17.4) | (19.0%) |
| Income tax expense | (22.2) | (17.0) | 30.6% |
| Basic EPS | 0.79 | 0.84 | (6.0%) |

## Selected Liquidity Financial Information

| in € million | Six Months H1 2016 | H1 2015 | % Δ |
|---|---|---|---|
| Adjusted Free Cash Flow (post tax) | 108.7 | 106.9 | 1.7% |
| - Of which change in WC | 15.1 | 19.0 | (20.5%) |
| - Of which Capex | (18.7) | (15.3) | 22.2% |
| | | | |
| Net debt[1] | 660.2 | 514.7 | 28.3% |
| Available liquidity (cash and cash equivalents plus undrawn RCF) | 344.1 | 216.4 | 59.0% |

*1 Net debt position for period ended June 30, 2015 has been restated to include earn-out payments*

### Gross Margin

H1 2016 Gross margin amounted to €283.6 million, an 18.2% increase on the same period of 2015, including contribution from Grupo Mabe since consolidation. Gross margin as a percentage of sales rose by 132 basis points, from 28.1% in H1 2015 to 29.5% in H1 2016. This improvement is mainly due to continued focus on efficiency gains and savings, and to a lesser extent to commodity raw material tailwinds; together these two impacts more than offset negative FX rates.

### Adjusted EBITDA

*Adjusted EBITDA is a non-IFRS measure is defined as EBITDA plus non-recurring expenses and revenues excluding non-recurring depreciation and amortization. EBITDA is also a non-IFRS measure, defined as earnings before net finance cost, income taxes, depreciation and amortization.*

Adjusted EBITDA was up 12.2% to €123.3 million. This positive result was driven by the strong increase in gross margin and the consolidation of Grupo Mabe. We also continued investing in the company and strengthening the foundations for future growth. The resulting Adjusted EBITDA margin was 12.8%, a slight decline from the prior year mainly due to strong FX headwinds.

### Foreign Exchange

The FX impact on the Group was substantial in the first half of 2016, both on revenue and Adjusted EBITDA. Changes in foreign exchange rates led to a -€29.4 million impact on revenue, mainly from the Russian Rouble, Turkish Lira, British Pound, Polish Zloty and Algerian Dinar. Appreciation of the Euro against the US Dollar, Russian Rouble, Turkish Lira, Polish Zloty and Algerian Dinar led to a -€27.8 million impact on Adjusted EBITDA. The Euro also appreciated against the Mexican Peso, impacting the translation of Grupo Mabe's results.

**Net Finance Costs**
H1 2016 net finance costs were €14.1 million, 19.0% below the same period of 2015. The decrease is fully explained by the net impact of exchange rate differences related to financing activities.

**Income Tax Expense**
The income tax expense in H1 2016 was €22.2 million. This led to an effective tax rate of 27.6%, in line with the company's expectation of an effective tax rate in the high 20s.

Regarding the announcement in January 2016 by the European Commission that the Belgian excess profit ruling is considered illegal state aid, Ontex has decided to appeal this decision.

**Working Capital**
As a percentage of H1 2016 revenue, working capital was 10.6%, remaining within our target to keep working capital at or below 12% of revenue. This result was in part achieved due to the sale of the remainder of an Italian VAT receivable, most of which was sold in mid-2015.

**Capex**
H1 2016 capital expenditure was €18.7 million, with the expected phasing for FY 2016 to be similar to the prior year. We expect FY 2016 capex to be between 3.5% to 4% of sales, including the impact of Grupo Mabe and IT investments.

**Adjusted Free Cash Flow (post tax)**
*Adjusted Free Cash Flow calculated as Adjusted EBITDA (see definition above) less capex, change in working capital and cash taxes paid.*
H1 2016 Adjusted free cash flow (post tax) was €108.7 million, 1.7% more than the same period of last year. While Adjusted EBITDA increased, we had slightly less cash inflows from changes in working capital, in part due to an inventory build-up ahead of the plant move in Northern France, as well as higher capex and cash taxes paid, compared to last year.

**Financing and Liquidity**
Net debt at June 30, 2016 was €660.2 million, and net leverage based on the last twelve months Adjusted EBITDA, including four months' contribution from Grupo Mabe, was 2.97x.

Cash and cash equivalents were €144.1 million at June 30, 2016. In addition to the cash position, Ontex has available funding consisting of a revolving credit facility of €100 million, and a term loan C of €125 million, of which €25 million was drawn. As a result, liquidity available to the Group on June 30, 2016 was €344.1 million.

## CONFERENCE CALL

Management will host a presentation for investors and analysts on July 28, 2016 at 8:00am BST/9:00am CEST.

A copy of the presentation slides will be available at http://www.ontexglobal.com/.

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

| | |
|---|---|
| United Kingdom | +44 (0) 20 3427 1913 |
| United States | +1 212 444 0895 |
| Belgium | +32 (0) 2 404 0660 |
| France | +33 (0) 1 76 77 22 28 |
| Germany | +49 (0) 69 2222 10623 |

**Passcode:** **4613030**

## FINANCIAL CALENDAR 2016

| | |
|---|---|
| Q3 & 9M 2016 | November 9, 2016 |
| FY 2016 | March 8, 2017 |

## ENQUIRIES

**Investors**
Philip Ludwig
+32 53 333 730
Philip.ludwig@ontexglobal.com

**Press**
Gaëlle Vilatte
+32 53 333 708
Gaelle.vilatte@ontexglobal.com

## 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.