Ontex

FY 2019 results

March 4, 2020

Forward-looking statements

This Presentation 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 Presentation regarding trends or current activities should not be taken as a representation 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 Presentation.

Table of contents

FY 2019 Highlights

Charles Bouaziz, CEO

FY 2019 highlights

Outlook delivered; Q4 profitability improvement marks inflection point, supported by Transform to Grow

- ✓ 2019: A pivotal year, with the launch in Q2 of Transform to Grow (T2G) program, which is already delivering first benefits
- ✓ Revenue and operating profitability broadly in line with our expectations…
  - ✓ Solid LFL revenue growth in AMEAA largely offset lower sales in Europe
  - ✓ Adjusted EBITDA at constant currencies broadly in-line with prior year despite raw material pressures, thanks to positive price/mix and the first benefits of the T2G program in the second half of the year
- ✓ … With encouraging signs of improving performance
  - ✓ Meaningful improvement of EBITDA in Q4 marking an inflection point
  - ✓ Strong Free Cash Flow generation, above targets, reflected strict working capital management and stricter allocation of capital expenditure
- ✓ New business gains in US underpin decision to invest in local manufacturing
- ✓ Stepping up investment in innovation, IT and marketing to drive long-term growth and value creation

Innovations driven by changing consumer needs and trends

Baby Care

Adult Inco

Feminine Care

Transform 2 Grow update

Thierry Navarre, CTO

Transform 2 Grow on track to significantly step up competitiveness and profitability

Status since Q2 2019 launch

- **More than 55% of initiatives implemented**…ramping up with a long runway ahead in 2020-2021
- Initial tangible results already visible and contributing to step-up in Adjusted EBITDA in H2 2019
- Focus on working capital management as main driver for strong cash flow generation in 2019

Operations

- New operating model launched in 4 plants, capabilities upgraded and productivity raised
- New production set-up for tampons to unlock major capacity challenges
- Implemented new warehouse operations practices, in-sourced storage and exited 9 external warehouses
- Leveraged training and new tools to successfully renegotiate our transportation rates, main direct and indirect procurement spend
- Reduction of nearly 1,000 FTEs

Commercial

- New R&D organization and processes to increase speed-to-market on innovation
- Baby care product development line fully dedicated to R&D
- More than 50 Account Plans covering a big part of our business fully rebuilt and upgraded, leading to strengthened relationships with key customers and major new gains
- Launched online diaper subscription offer Little Big Change in Benelux

Change Management for a sustainable Transformation

- Training initiatives rolled-out across the organization covering hard and soft skills
- New capabilities hired in several areas
- Transformation Office: Dedicated resources and governance in place, ensuring swift execution

Implementation of T2G is well on-track to deliver

FY 2019 Financial review

Charles Desmartis, CFO

FY 2019 highlights

Key financials

FY 2019

Group revenue: €2,281 million, down 1.0% LFL

- Solid revenue growth of Ontex local brands in AMEAA
- Positive price/mix in all categories and Divisions largely offset lower volumes
- Reported revenue down 0.5%

Revenue
€2,281 million

Adjusted EBITDA: €245 million, €261 million at constant currencies, down 1.1%*

- Adjusted EBITDA margin of 11.5% at constant currencies, in line with prior year
- Positive price/mix and T2G-driven savings contributions offset higher raw material costs in first nine months
- Currency headwinds over FY; small tailwind in Q4
- Reported Adjusted EBITDA of €245.1 million for a margin of 10.7%

Adj. EBITDA Margin @ CC
11.5%

Strong free cash flow generation: €110 million, driving net debt down

- Free cash flow rose by 51% to €109.7 million on strict management of working capital
- Net debt of €861.3 million* at 31/12/19, down €46 million versus 31/12/18
- Leverage at 3.51x LTM Adjusted EBITDA at 31/12/19 (3.44x at 31/12/18), improving versus 3.71 at 30/6/19
- Full compliance with leverage covenant of financing agreements, headroom increased over H2

FCF
€110 million

**Taking into account IFRS 16 impact, effective January 1, 2019. Adjusted EBITDA comparison is versus FY 2018 pro forma for IFRS 16*
Note: see "Alternative Performance Measures" in the appendix of this presentation for more information on the key metrics used

LFL revenue down 1%: Improved price/mix did not fully offset lower volumes

Group revenue review

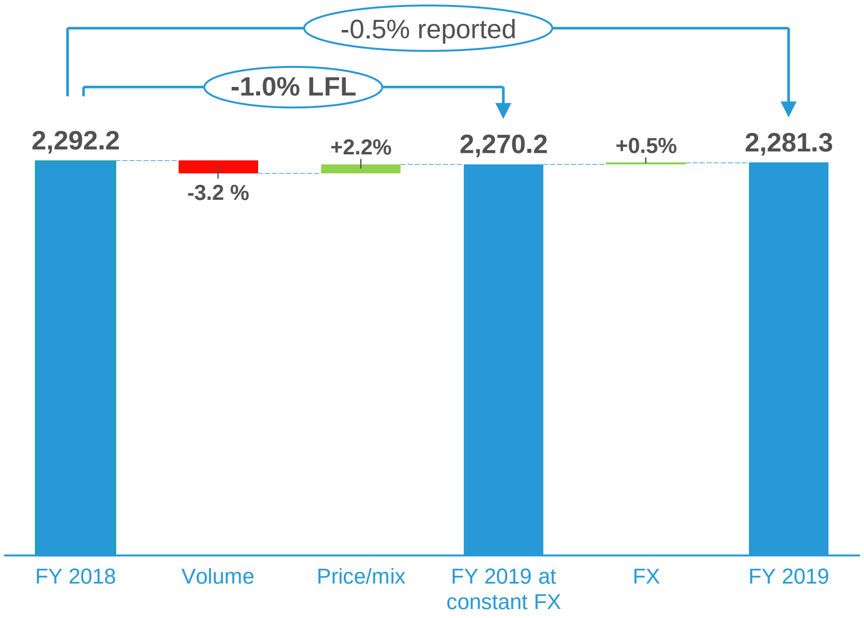
- **FY 2019 LFL revenue: €2,270 million, -1.0%**
  - Improving LFL trends in H2 despite a challenging comparable for AMEAA from Q4 2018

    H1 LFL: -1.3%, **H2 LFL: -0.6%** (Q4 LFL: -1.4%)

- Top-line drivers
  - Lower volumes in Europe and Healthcare, volume growth in AMEAA
  - Positive price/mix in all categories and Divisions

- Currency impact: +€11.1 million, +0.5%
  - FY 2019 reported revenue: €2,281 million, -0.5%

FY 2019 Sales bridge (€m)

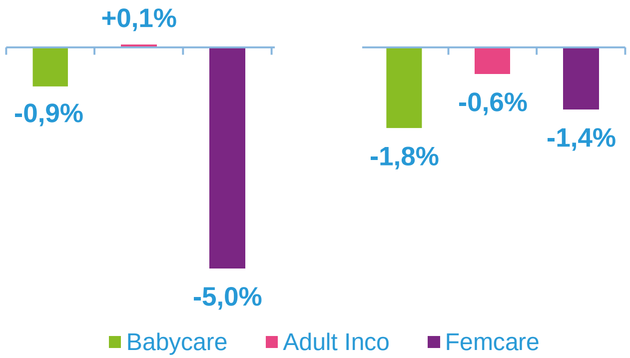


Category review

- **FY 2019 Babycare revenue: €1,346 million, -0.9% LFL**
  - Higher sales of Ontex brands in AMEAA
  - Retailer brand revenue in Europe down, but clear improvement in H2 versus H1 on the back of higher Baby pants revenue
- **FY 2019 Adult Inco revenue: €692 million, +0.1% LFL**
  - Retail channel sales up 2% driven by Ontex brands
  - Lower revenue in institutional channels, impacted in Q4 by temporary suspension of a large contract
  - Continued growth of Adult pants sales
- **FY 2019 Femcare revenue: €213 million, -5.0% LFL**
  - Improving yoy trend in H2 (-2.8%) and Q4 (-1.4%)
  - Retailer brands sales down
  - Revenue grew in AMEAA with Ontex brands and lifestyle brands
  - Organic cotton tampons strongly higher

LFL sales growth

% reported group sales[1]	FY 2019			Q4 2019		
	59%	30%	9%	60%	30%	9%



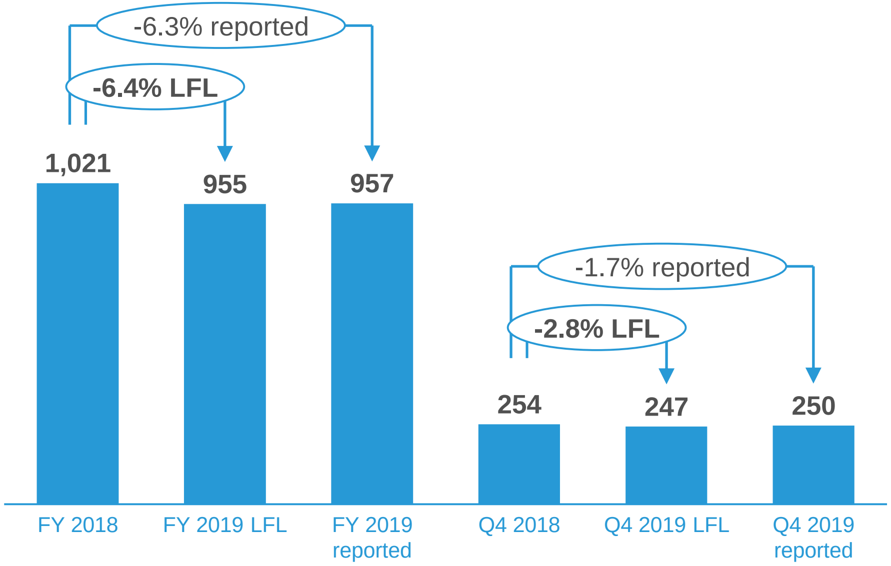
Note 1: Category split excludes 1% of "Other" in FY and Q4, respectively

Europe: Improving LFL revenue trend confirmed on-going recovery

Volumes down, slight price/mix improvement

- **FY 2019 LFL revenue: €955 million, -6.4%**
- LFL trend improved
  - **H1: -8.4%, H2: -4.4% (Q4: -2.8%)** as contract loss effects are easing
- Baby pants continued outperformance
- Leveraging T2G for better innovation and commercial support for leading retail customers
- Baby diaper subscription growth accelerated in France, now extended to the Benelux
- FY 2019 reported revenue: €957 million, -6.3%

Europe (42% of Group revenue)
Revenue (€m) and LFL evolution

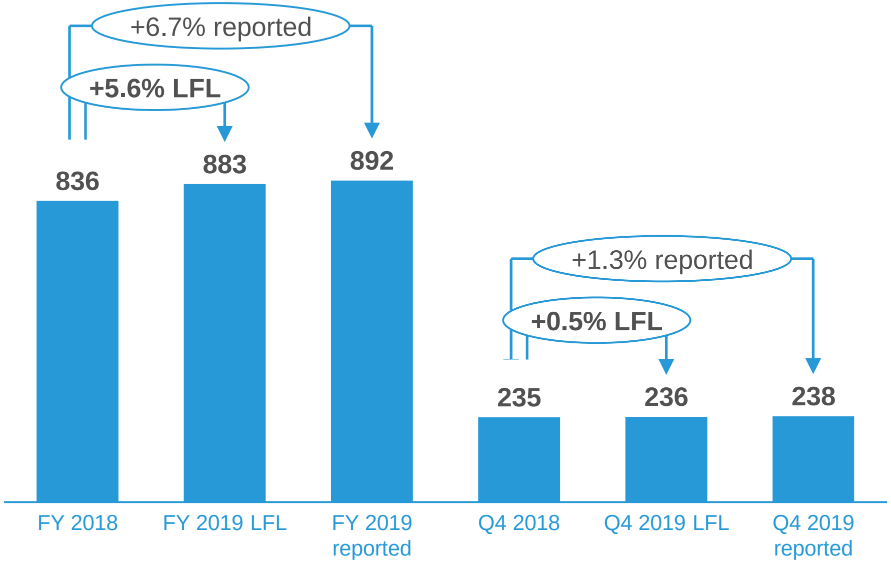


Americas, Middle East, Africa and Asia: Consistent growth

Revenue higher in all categories

- **FY 2019 LFL revenue: €883 million, +5.6%**
  - Q4 2019 LFL revenue +0.5% versus strong comparable in all geographies; healthy growth expected to resume in 2020
- Americas revenue growth driven by higher volumes and improved price/mix
  - Mexico up, led by bbtips and Chicolastic baby diapers
  - Brazil ahead thanks to relaunched baby diaper brands
  - US higher as retailer brand business gained momentum
- MEAA delivered solid sales gains in challenging environments
  - Canbebe baby diaper and Canped Adult Inco brands drove growth in Babycare and Adult Inco categories
- Unique approach to meet consumer needs confirmed its merits
  - Developing markets: Local Ontex brands gaining relevance
  - North America: Lifestyle and increasing penetration of retailer brands
- FY 2019 reported revenue: €892 million, +6.7%

AMEAA (39% of Group revenue)
LFL revenue (€m) and evolution

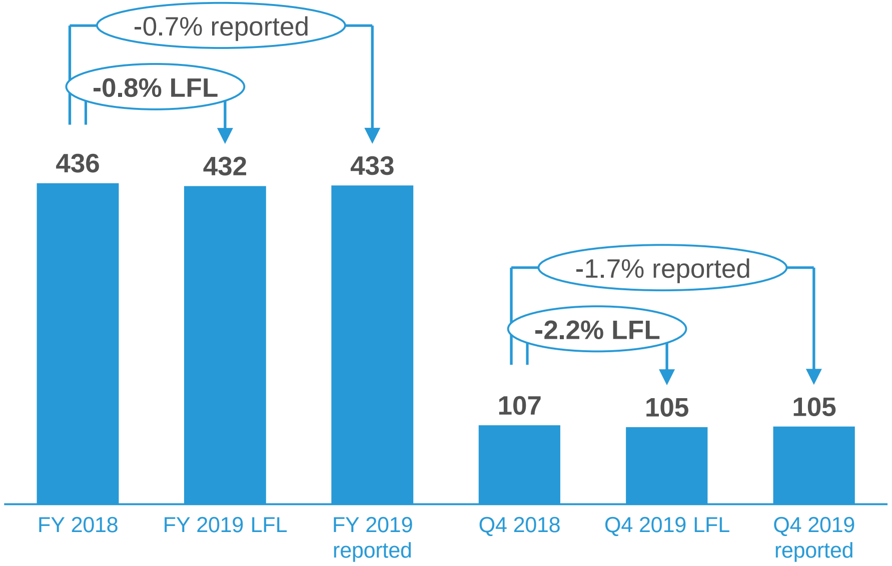


Healthcare: Revenue slightly decreased

Lower volumes with price/mix improving

- **FY 2019 LFL revenue: €432 million, -0.8%**
- Lower contract business in highly competitive institutional channels
  - Impacted by a temporary suspension of a large contract in Q4 2019; shipments to resume in Q2 2020
- Solid revenue growth in self-pay channels and e-commerce
- Adult pants posted higher sales, with innovation focused on providing security, discretion and comfort for active lifestyles
- FY 2019 reported revenue: €433 million, -0.7%

Healthcare (19% of Group revenue)
LFL revenue (€m) and evolution



Adjusted EBITDA margin: Steady improvement across the year, accelerating in Q4

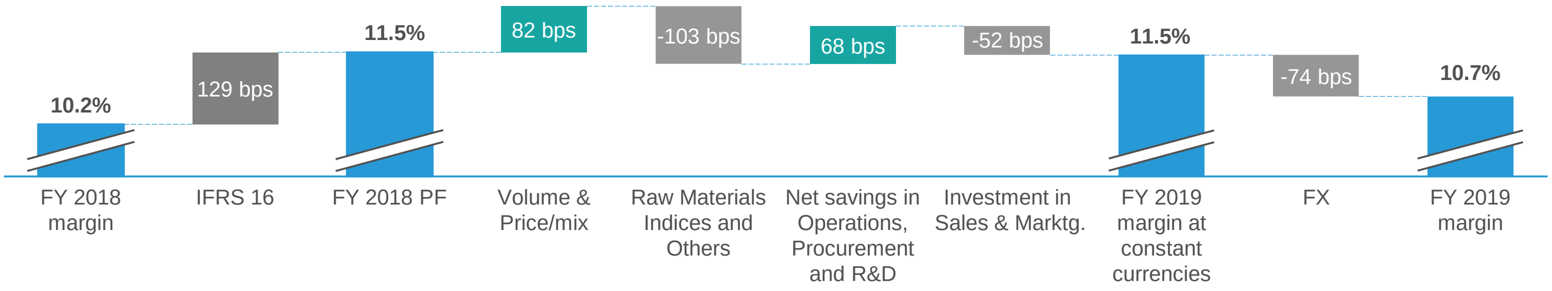
Q4 2019 : €71 million at constant currencies, margin at 12.1% of LFL sales, a meaningful improvement vs. Q4 18, reflecting initial benefits of Transform to Grow program and raw material indices starting to ease

FY 2019 : €261m at constant currencies, margin at 11.5% in-line with 2018 pro forma IFRS 16

- Raw material indices decreased in H2 yet remained a headwind for FY
- T2G initial benefits ramped up across H2 2019
  - Improvements in commercial planning and execution drove enhanced price/mix
  - Savings in operations and procurement boosted by on-going reorganizations, streamlined processes and efficiency gains
- Increased sales and marketing investment to secure future growth

- Strong currency headwinds
  - -€16 million mainly due to US Dollar and Turkish Lira: 74 bps unfavorable impact on Adjusted EBITDA margin
  - FY 2019 Adjusted EBITDA: €245 million, margin: 10.7%

FY2019 Adjusted EBITDA margin bridge



Non-recurring income and expenses

Mainly related to implementation of T2G project; limited cash impact

FY 2019

- Non-recurring expenses in the income statement amounted to €70.3 million in FY 2019, of which €49.9m related to T2G implementation
- The cash impact of non-recurring items in **FY 2019** was €30.0 million, of which €20.7 million related to T2G implementation

Income statement impact In millions of Euro	FY 2019	FY 2018	change
Group reorganization, acquisition integration and restructuring	(8.8)	(15.6)	*+6.8*
Litigations and other projects	(3.9)	0.1	*(4.0)*
Impairment of assets	(7.6)	(8.8)	*+1.2*
Non-recurring income and expenses excl. T2G	**(20.3)**	**(24.3)**	***+4.0***
T2G-related non-recurring expenses			
Restructuring expenses and consulting fees	(38.2)	-	*(38.2)*
Transformation Office and other expenses	(11.7)	-	*(11.7)*
T2G-related non-recurring expenses	**(49.9)**	**-**	***(49.9)***
Total non-recurring income and expenses	**(70.3)**	**(24.3)**	***(46.0)***

For FY 2020 we expect:

- non-recurring expenses in the income statement to be €35 million to €40 million, of which €25 million to €30 million related to T2G implementation
- the cash impact of non-recurring items to be €45 million to €50 million, of which €35 million to €40 million related to T2G implementation

Note 1: Includes cash received from non-recourse factoring of receivables

Free Cash Flow

Strong Free Cash Flow generation in FY 2019

- Free cash flow of €109.7 million in FY 2019, net of €30 million in T2G-specific cash outflows (€21 million for one-off expenses and €9 million for capital expenditure)
  - FCF 51% above FY 2018, thanks to strict cash management
  - Coordinated, cross-functional approach to working capital implemented in 2019 as part of T2G
    - Working capital as percentage of revenue was 9.0%*, 220bps improvement versus FY 2018
  - Capital expenditure of €104 million, unchanged versus prior year,
    - 4.6% of revenue including T2G-specific capex, at the low end of our initial range planned for the year, reflecting revised allocation of capital and timing of projects
  - Cash taxes increased mainly due tax payments made in 2019 relating to previous years (timing difference)
  - Repayment of lease liabilities rose due to new lease agreements entered into in 2019

In millions of Euro	FY 2019	FY 2018 pro forma for IFRS 16	change	FY 2018 reported
EBITDA	**174.8**	**239.3**	***-64.5***	**209.7**
Non-cash from operating activities	30.3	7.5	*+22.8*	7.5
Changes in working capital				
Inventories	49.8	(39.9)	*+89.7*	(39.9)
Trade and other receivables [1]	44.4	24.5	*+19.9*	24.5
Trade and other payables	(25.1)	4.3	*(29.4)*	4.3
Employee benefit liabilities	7.0	2.6	*+4.4*	2.6
Cash taxes paid	(42.3)	(39.1)	*(3.2)*	(39.1)
Net cash generated from operating activities	**239.0**	**199.3**	***+39.7***	**169.7**
Capex	(103.9)	(103.8)	*(0.1)*	(103.8)
Cash (used in)/from on disposal	2.2	2.6	*(0.4)*	2.6
Repayment of lease liabilities	(27.6)	(25.2)	*(2.4)*	(2.4)
Free Cash Flow (post tax)	**109.7**	**72.9**	***+36.8***	**66.1**

**excluding trade receivables monetized through factoring lines: €161 million at 2019 end, €163 million at 2018 end*

Note 1: Includes cash received from non-recourse factoring of receivables

Outlook

Charles Bouaziz, CEO

Outlook

We expect to deliver higher revenue, operating profitability and net profit in 2020.

- **Revenue:** We forecast low single digit LFL revenue growth, driven by another year of solid top line growth in AMEAA; sales in Europe and Healthcare should be broadly stable versus 2019 with a slow start in Q1 and improving thereafter, as T2G-driven commercial plans to strengthen our market positions are gaining momentum.

- **Adjusted EBITDA** at constant currencies is expected to increase to €270/€275 million in 2020 from €245 million in 2019, on the back of a strong improvement in gross margin, thanks to increasing benefits from our T2G program and lower raw material indices.

- **Capital expenditure:** We anticipate capital expenditure of approximately 5% of revenue including T2G-specific capex.

As a result, we expect to further reduce our leverage by year-end 2020.

We will provide an update regarding progress against our 2021 targets at the time of our Q1 2020 trading update in May.

Q&A

Appendix

Alternative Performance Measures

The following alternative performance measures (non-GAAP) have been included in this presentation 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 currencies excluding change in perimeter of consolidation or M&A.
- **EBITDA and Adjusted EBITDA and related margins**: **EBITDA** is defined as earnings before net finance cost, income taxes, depreciation and amortisation. **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 short-term and long-term debt and deducting cash and cash equivalents. **LTM adjusted EBITDA** is defined as EBITDA plus non-recurring income and expenses for the last 12 months (LTM).
- **Non-recurring Income and expenses**: Non-recurring income and expenses are defined as those items that are considered to be non-recurring or unusual because of their nature. The 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.

Alternative Performance Measures

The following alternative performance measures (non-GAAP) have been included in this presentation 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.

- **Free Cash Flow:** 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 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). Furthermore, the Group decided to disclose from now on Free cash flow instead of Adjusted free cash flow in order to facilitate the reading and the reconciliation with the consolidated cash flow statement. As such, free cash flow is defined as net cash generated from operating activities (as presented in the consolidated cash flow statement, i.e. including income taxes paid) less capital expenditures (Capex, defined as purchases of property, plant and equipment and intangible assets), less repayment of lease liabilities and including cash (used in)/from disposal.

- **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 receivables and prepaid expenses and other receivables plus trade payables and accrued expenses and other payables.

Thank you