Ontex

Q2 & H1 2020 results

July 30, 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

H1 2020 Highlights	04
T2G Progress Report	10
H1 2020 Financial review	13
Current prospects for Q3 2020	22
Appendix	25

H1 2020 Highlights
Strong progress in an unprecedented environment

Thierry Navarre, CEO

Strong progress in an unprecedented environment

Meaningful profitability improvement; T2G ramping up

- Meaningful improvement in H1 operating performance thanks to mobilization of all Ontex employees and business partners to mitigate the pandemic's disruptions to operations
  - Lower market demand weighs on sales
  - Substantial improvement in profitability
  - Positive free cash flow and deleveraging
- Relentless focus on executing T2G: €49 million gross value creation at constant currencies
- US expansion strategy advances:
  - US manufacturing plans with greenfield site start-up foreseen H1 2021
  - Feminine care acquisition closed on July 1, 2020
- All efforts made to protect employees and support our communities, ensure continuity of operations and enhance profitability and cash generation amid persistent uncertainty

H1 2020 financial highlights

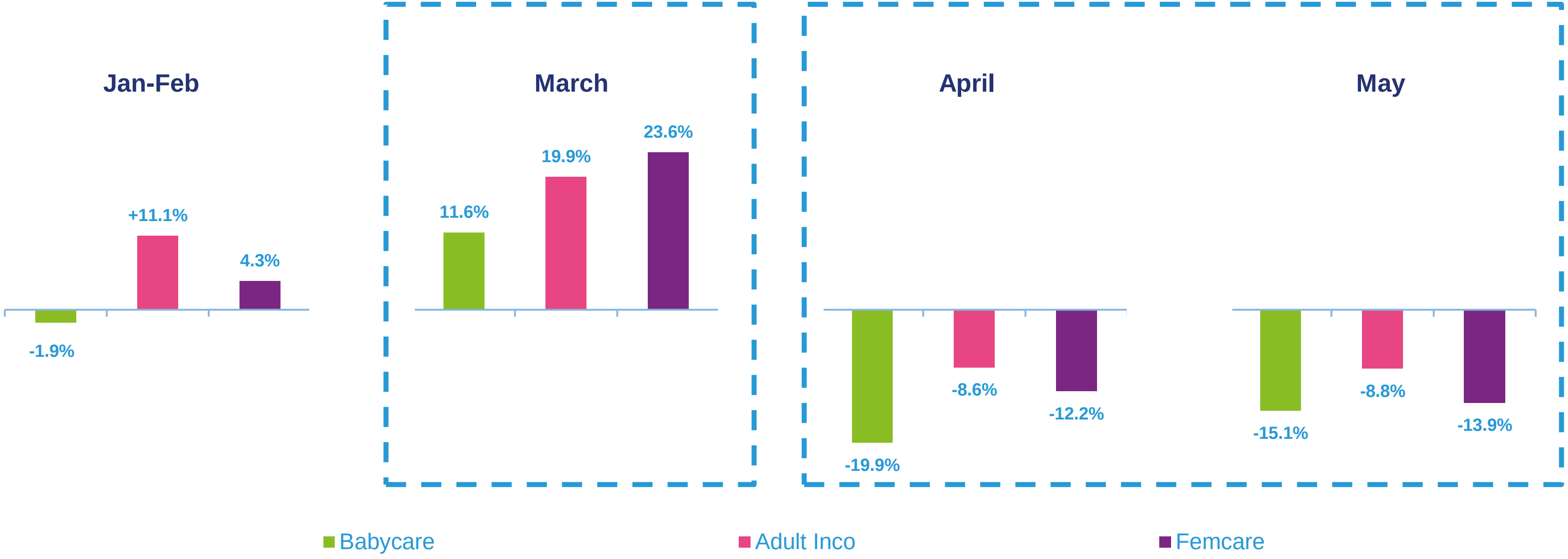
Key financials

	H1 2020	Q2 2020
Group revenue: €1,092 million, down 2.0% LFL • Strong Q1, Q2 marked decrease in April-May with June improving • Positive price/mix in all categories • Reported revenue down 5.5%	LFL revenue -2.0%	LFL revenue -10.5%
Adjusted EBITDA: €126 million, +13%; €158 million at constant currencies, up 42% • 14.4% Adjusted EBITDA margin at constant currencies, +448 bps versus last year • Driven by gross profit +8% despite lower topline; gross margin 30.1%, up 373 bps • Ongoing T2G ramp up and lower raw material costs • Adjusted EBITDA of €126 million for a margin of 12.0% including strong FX headwinds	Adj. EBITDA Margin @ CC 14.4%	Adj. EBITDA Margin @ CC 15.6%
Adjusted EPS +34%; positive FCF, leverage under control • Adjusted EPS progress on the back of higher operating profit • Positive free cash flow generation of €29 million in H1 on the back of higher EBITDA • Leverage at 3.28x LTM Adjusted EBITDA at 30/06/20 (3.71x at 30/06/19), improving versus 3.51x at 31/12/19	Adj. EPS €0.61 Leverage 3.28x	

Note: see "Alternative Performance Measures" in the appendix of this presentation for more information on the key metrics used

Operating in an unprecedented environment – market trends

Europe tracked retail channel sales growth



Source: Market data from third party providers

US expansion strategy advances

- New greenfield plant and feminine care acquisition in North Carolina demonstrate Ontex's commitment to further develop North American business
- Strategic location: Approximately half the U.S. population lives within a 1,000 km/650-mile radius, complements shipments from abroad to serve growing business
- Acquisition strengthens Ontex's growing feminine care business in North America
  - Experienced team of new colleagues
  - More robust supply capabilities
  - Expanded offering to customers and consumers
  - Deal closed July 1st as anticipated

H1 2020 Innovations

New products across all categories

BABYCARE - DIAPER	FEMCARE – ULTRA TOWEL	FEMCARE - PACKAGING	ADULT INCO – PADS
SeconDRY® Instant dryness system	**Genius Core** Smart Channel	**Lens effect packaging** For tampons	**Light Inco Pads Extension** New sizes

- New **liquid handling system**
- Achieves short-term (90 seconds) dryness **on par with A-brand**
- **Lower carbon footprint** per diaper

- Integration **channeled core**
  - Faster liquid absorption
  - Improved liquid distribution
  - Close body fit, movement proof

- **New packaging technique**, for slimmer & more premium look
- Stronger presence on-shelf

- A bridge between femcare/femco and light incontinence
- Direct answer to A-brands
- Completing the Ontex pads range

T2G Progress Report
Ramping up and delivering value

Thierry Navarre, CEO

After successful start of T2G implementation in 2019, continuous progress in 2020 COVID-19 world

2019

- ✓ Rolled out updated T2G **governance, and tracking processes**
- ✓ **Working capital benefits delivered**

2020

- ✓ Increase the focus on **transformational projects, interdependencies, and capability building**
- ✓ **€49 million of gross value creation delivered in H1 2020 at constant currencies**
- ✓ ***Impacted by disruptions due to COVID-19 impacting several commercial and operational workstreams***

2021

- ✓ Institutionalize the new capabilities, tools & processes **to continue deliver margin and cash continuous improvement**
- ✓ **Finalize implementation** of value creation initiatives

T2G's €49m gross gains* are driving the performance improvement of Ontex, despite some execution challenges in an uncertain environment

Boost Operational Efficiency

STRATEGIC PROCUREMENT
- Direct and indirect procurement gains, driven by negotiation performance and more efficient cross-functional execution

SUPPLY CHAIN OPTIMIZATION
- Implemented new warehouse operations practices in 19 sites, exited 14 external warehouses
- Already delivered 25% of the target increase in pallet fill-rate and reduced transportation tariffs by 4%

PRODUCT COST OPTIMIZATION
- More than 60% of planned initiatives delivered

MANUFACTURING EXCELLENCE
- Launched new 'Autonomous Manufacturing Units' model and Ontex manufacturing excellence practices: visible improvements on shopfloor and reduced raw material consumption
- Delayed equipment efficiency gains and scrap reduction translating into transformation cost savings lagging behind targets

€57m of gross gains at constant currencies in H1 2020, incl. 80% from Procurement excl. indices

Drive Commercial Excellence

Facing challenges on implementation in context of COVID-19 crisis (lower market demand) and increased competitive pressure

INNOVATION SPEED
- Rolled out new R&D organization and processes
- Implementing holistic plan to speed up validations (incl. 1 dedicated line)
- Developed new 3yr innovation roadmaps across our 3 categories

CATEGORY MIX OPTIMIZATION
- Doubled share of organic cotton vs. viscose tampons since 2018
- Mix improvement on Baby and Adult Pants behind target

CUSTOMER VALUE PROPOSITION
- New account planning process: more than 50 account plans
- Launched smart pricing and complexity management programs
- Additional investments in Commercial capabilities to secure execution
- ➢ **Volume shortfall due to lower demand and intense competition**

- €8m impact on the T2G gross gains in H1 2020: volume shortfall partially offset by price/mix

T2G one-off costs expected to remain within the foreseen budget of €85m across 2019 - 2021

* *Gross gains to adjusted EBITDA at constant currencies vs. H1 2019*

H1 2020 Financial review
Meaningful profitability improvement

Charles Desmartis, CFO

LFL revenue decrease of 2% in volatile demand environment

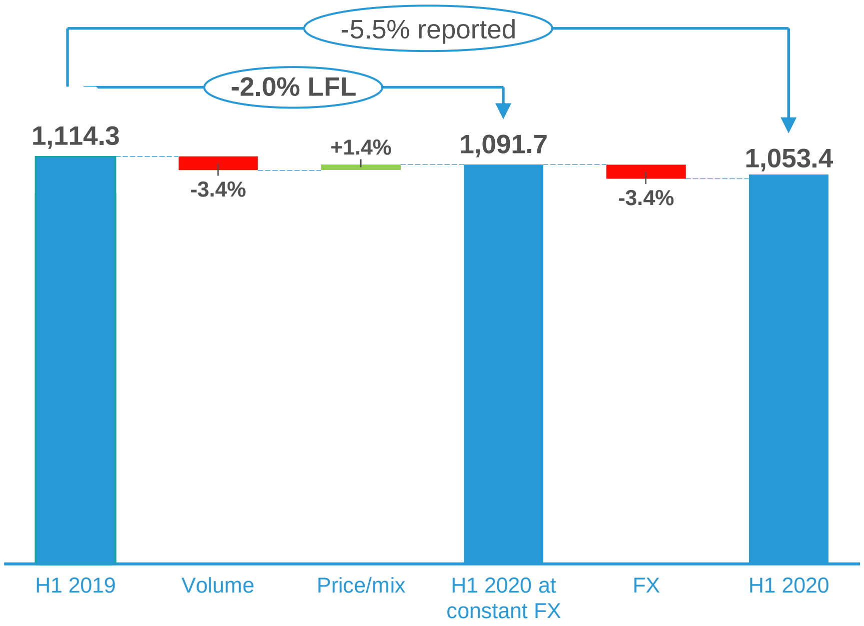
Group revenue review

- **H1 2020 LFL revenue: €1,091.7 million, -2.0%**
  - After volume surge in March mainly in Europe and the US, Q2 demand decreased in tracked channels impacted by:
    - customers and consumers using their stock of products after stockpiling
    - lower personal hygiene consumption due to restricted consumer mobility
    - lower store traffic due to lockdown-related closures and consumer health and safety concerns
    - postponement of promotions and new product launches by retailers
    - higher online sales

- Top-line drivers
  - Lower demand in all Divisions
  - Positive price/mix in all categories, mainly in AMEAA

- **H1 2020 reported revenue: €1,053.4 million, -5.5%**
  - Currency impact: -€38 million, -3.4%, reflecting mainly the weakness of the Mexican Peso and Brazilian Real

H1 2020 Sales bridge (€m)

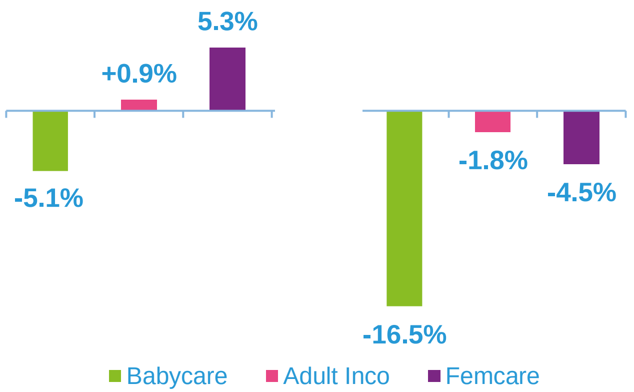


Category review

- **H1 2020 Babycare revenue: €590 million, -5.1% LFL**
  - Category sales strongly impacted in Q2 after the surge recorded in March due to lockdown measures
  - Lower consumption patterns as consumers were largely confined throughout Q2
- **H1 2020 Adult Inco revenue: €338 million, +0.9% LFL**
  - Retail channel sales +5%
  - Lower revenue in institutional channels, impacted by temporary suspension in Q1 of a large contract in our Healthcare Division
- **H1 2020 Femcare revenue: €111 million, +5.3% LFL**
  - Increased sales in AMEAA with Ontex brands and lifestyle brands
  - Organic cotton tampons strongly higher

LFL sales growth

% reported group sales[1]	H1 2020			Q2 2020		
	56%	32%	11%	55%	34%	10%



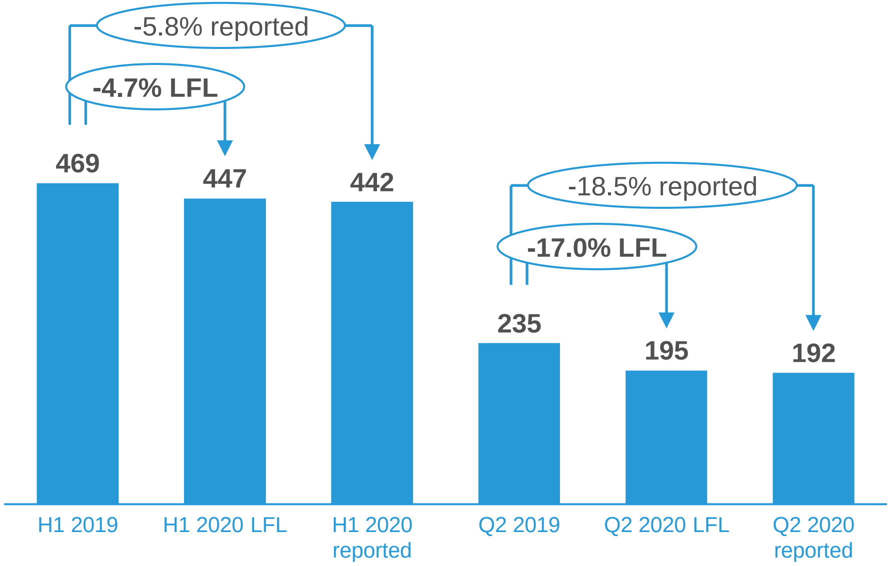
Note 1: Category split excludes 1% and 2% of "Other" in H1 and Q2, respectively

Europe: Lower sales reflect wide quarterly sequential swing in market demand

Volume decrease, stable price/mix

- **H1 2020 LFL revenue: €447 million, -4.7%**
- Strong surge in March followed by lower sales during Q2 reflected market trends, with May weaker than expected while June showed slight sequential improvement
- Commercial teams working closely with large customer base to ensure uninterrupted supply of essential personal hygiene products
- Baby diaper subscription growth continued to grow in France and Benelux
- **H1 2020 reported revenue: €442 million, -5.8%**

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



Americas, Middle East, Africa and Asia: Sales slightly ahead vs. high comparable

Positive price/mix, lower volumes on contrasting demand patterns

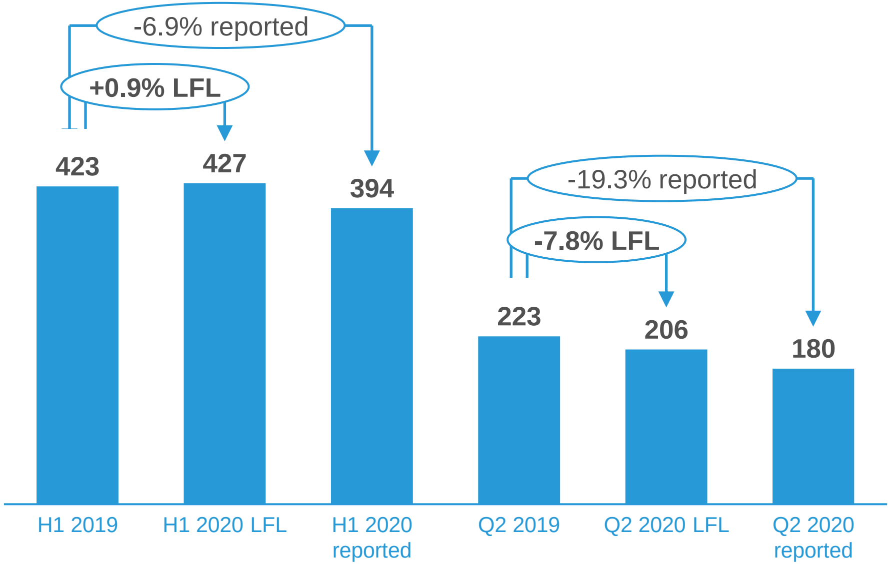
- **H1 2020 LFL revenue: €427 million, +0.9%**

- Americas sales up on the back of improved price/mix and stable volumes
  - Solid positioning of our local brands helped our business in Mexico contain the impact of lower demand in Q2
  - Brazil sales up despite several weeks of store closures
  - US grew though Q2 was impacted by less store visits

- MEAA revenue down, impacted by pandemic and related health measures
  - Markets were growth was achieved more than offset by less sales partly due to reduced consumer access to shops and limited commercial activities

- Strong currency headwinds: €33m, mainly due to Mexican Peso and Brazilian Real depreciation
- **H1 2020 reported revenue: €394 million, -6.9%**

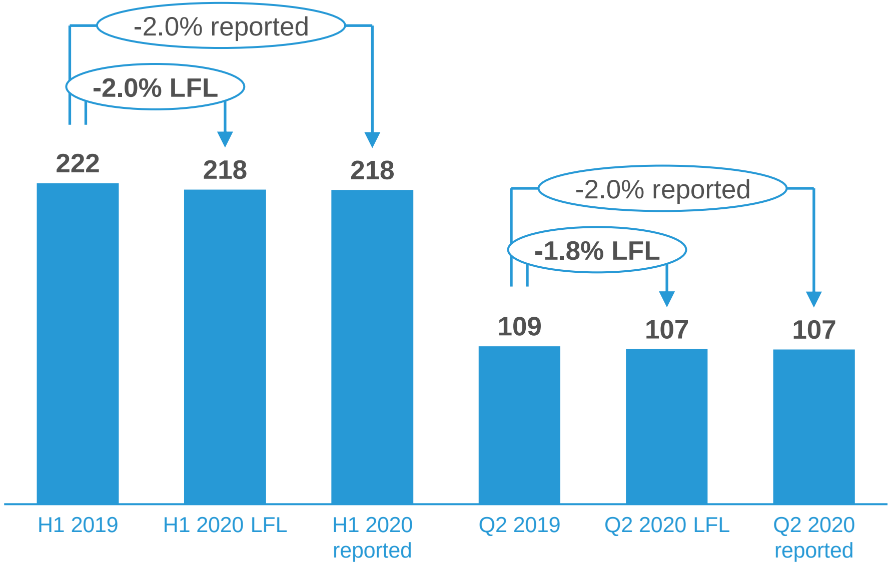
AMEAA (37% of Group revenue)
Revenue (€m) and evolution (LFL and reported)



Healthcare: Resilient sales in challenging environment

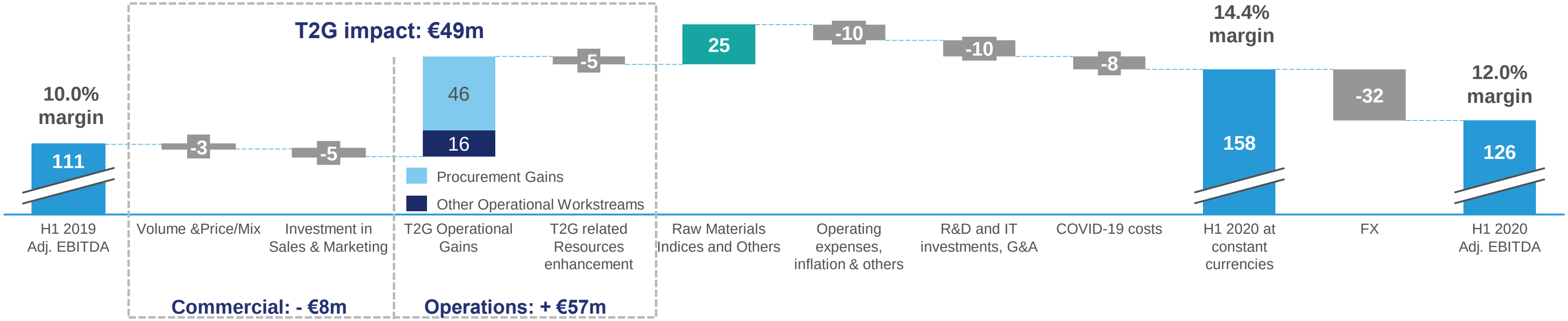
- **H1 2020 LFL revenue: €218 million, -2.0%**
- Sales down overall in institutional channels
  - Entirely due to temporary suspension of a large institutional contract; shipments resumed in Q2 2020
  - Excluding this temporary impact, revenue was up year-on-year
  - Partial closure of certain sales channels in March and April; gradually re-opened from mid-May
- Continued progress in self-pay channels and e-commerce
- Adult pants revenue showed further growth
- **H1 2020 reported revenue: €218 million, -2.0%**

Healthcare (21% of Group revenue)
Revenue (€m) and evolution (LFL and reported)



Adjusted EBITDA: Meaningful increase driven by T2G and lower raw material indices

H1 2020 Adjusted EBITDA bridge (€million)



H1 2020: €158 million at constant currencies, margin at 14.4%, +448bps versus previous year

T2G gross gains: **€49 million at constant currencies, +476 bps**

• Lower volume outweighs positive price/mix	- €3m
• Sales and marketing investment to support Ontex brands (adjusted in Q2 2020 to market conditions)	- €5m
• Gross gains of €46 million generated in procurement and €16 million in other operational workstreams	+€62m
• Investment of €5 million in production engineering and management resources to drive the manufacturing transformation	- €5m

- Lower raw material indices
- Additional resources in R&D to accelerate innovation, in IT to support manufacturing transformation and digital initiatives; phasing differences in G&A
- c. €8 million COVID-19 related expenses in H1

Strong currency headwinds from March onward

- -**€32 million** (249 bps) unfavorable impact on Adjusted EBITDA margin mainly due to Brazilian Real and Mexican Peso

H1 2020 Adjusted EBITDA: €126 million, margin at 12.0%, +199 bps

Non-recurring expenses improving strongly

H1 2020

- Non-recurring expenses in the income statement amounted to €10.8 million in H1 2020 vs. €39.6m in prior year.
    - T2G-related expenses: €6.5m vs. €27.6m in prior year
- The cash impact of non-recurring items in H1 2020 was €23.0 million, of which €20.8 million related to T2G implementation

Income statement impact In millions of Euro	H1 2020	H1 2019	change
Group reorganization, acquisition integration and restructuring	(1.2)	(6.6)	*+5.4*
Litigations and other projects	(3.1)	(3.1)	-
Impairment of assets	-	(2.3)	*+2.3*
Non-recurring income and expenses excl. T2G	**(4.3)**	**(12.0)**	***+7.7***
T2G-related non-recurring expenses			
Restructuring expenses and consulting fees	(0.8)	(22.0)	*+21.1*
Transformation Office and other expenses	(5.7)	(5.7)	-
T2G-related non-recurring expenses	**(6.5)**	**(27.6)**	***+21.1***
Total non-recurring income and expenses	**(10.8)**	**(39.6)**	***+28.8***

For FY 2020 we now expect lower non-recurring expenses and cash impacts than previously disclosed:

- non-recurring expenses in the income statement to be €30 million to €35 million, of which €15 million to €20 million related to T2G implementation
- the cash impact of non-recurring items to be €35 million to €40 million, of which €25 million to €30 million related to T2G implementation

Free Cash Flow in line with Prior Year excluding T2G specific outflows

H1 2020

- Free cash flow of +€28.7 million, net of -€25 million in T2G-related cash outflows (€21 million for one-off expenses and €4 million for capital expenditure)
- Excluding T2G outflows, €53.7m, in-line with prior year
  - Solid growth of EBITDA on the back of higher gross profit and reduced non-recurring P&L expenses
  - Tight management of trade receivables and payables mitigating impact of higher inventories at end-June
    - increase in finished goods compared with the low level at end-December 2019, due to lower Q2 sales
    - raw material stockbuild to ensure production continuity during the pandemic.
  - Working capital as percentage of LTM revenue was 8.1%*
  - Capital expenditure of €45 million
    - Within planned 2020 expenditure including incremental T2G capex

*excluding monetization through factoring lines:
€157 million at end-June 2020 end, €171 million at end-June 2019

In millions of Euro	H1 2020	H1 2019	change
EBITDA	**115.1**	**71.5**	***+43.6***
Non-cash from operating activities	(5.2)	12.7	*-17.9*
Changes in working capital			
Inventories	(62.9)	30.4	*-93.3*
Trade and other receivables [1]	26.6	26.9	*-0.3*
Trade and other payables	25.9	(14.1)	*+40.0*
Employee benefit liabilities	6.4	(2.6)	*+9.0*
Cash taxes paid	(18.8)	(20.2)	*+1.4*
Net cash generated from operating activities	**87.2**	**104.6**	***-17.4***
Capex	(45.2)	(39.6)	*-5.6*
Cash (used in)/from on disposal	0.4	0.4	*-0.1*
Repayment of lease liabilities	(13.7)	(13.3)	*-0.4*
Free Cash Flow (post tax)	**28.7**	**52.1**	***-23.4***
T2G-specific outflow	**(25.0)**	**(4.6)**	***-20.4***
Free Cash Flow (post tax) excluding T2G	**53.7**	**56.7**	***-3.0***

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

Q3 prospects

Thierry Navarre, CEO

Q3 prospects

- Considering the persisting uncertainties related to the pandemic and its impacts on our business, in particular on the evolution of demand in our markets, we are not in a position to provide projections for the balance of 2020. In this challenging context, we remain focused on supporting our customers and improving our operating performance.
- The fluff pulp index has increased sequentially (in US Dollars) since early this year, which will have a limited impact on our purchasing prices. The most recent indices for oil-based derivatives show sequential increases following downwards trends earlier in Q2. However, these indices remain below the levels of prior year.
- At current rates, we expect the year-on-year negative impact of currency depreciations on reported revenue and Adjusted EBITDA in Q3 to be similar to the impacts reported in Q2.

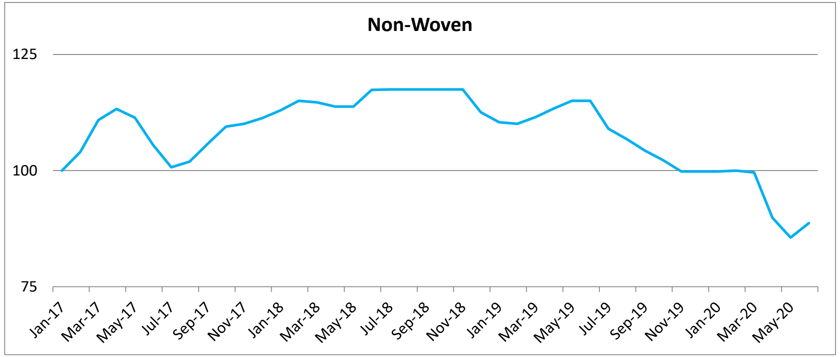
Ontex

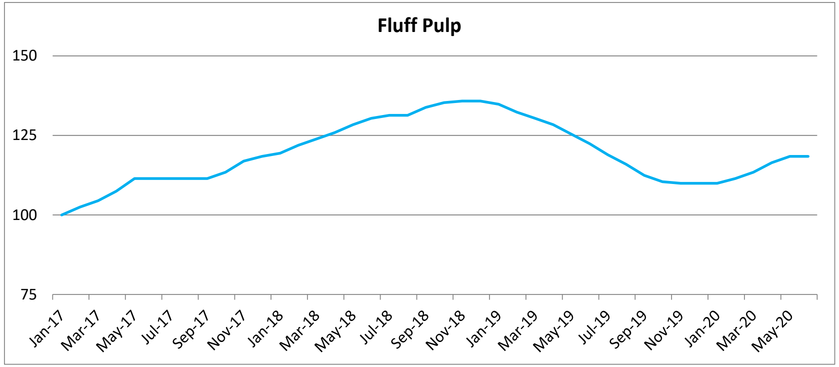
Q&A

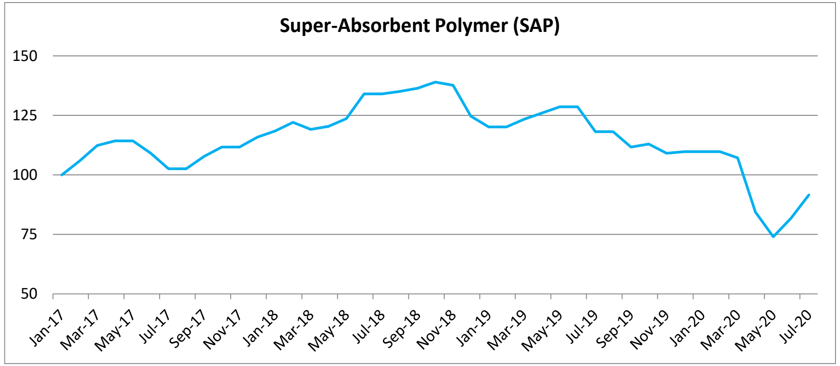
Appendix

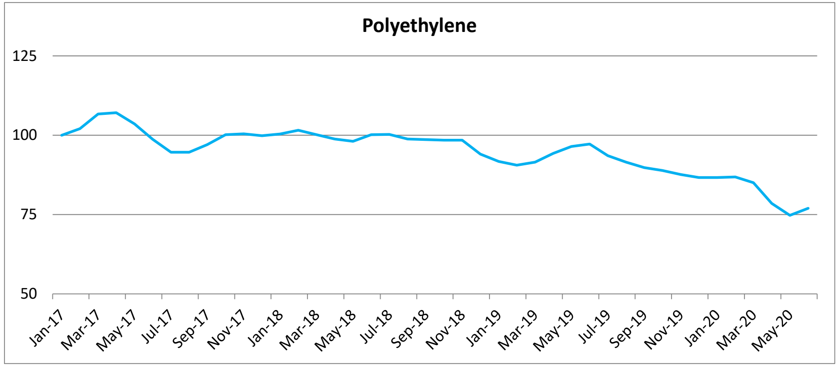
Evolution of raw material indices

Oil derivatives tending down until recently; fluff pulp rising sequentially



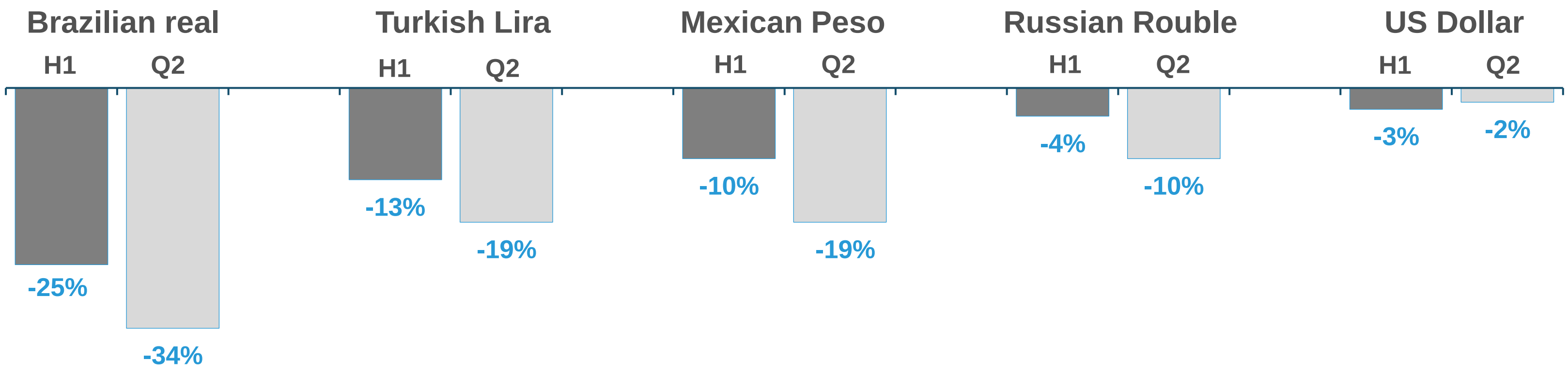






Year-on-year evolution of main currencies versus euro

Unfavorable devaluations started in February 2020



- Impact was **-€38.3 million on H1 Group revenue**, primarily attributable to a depreciation versus the euro of the Brazilian Real and Mexican Peso, and to a lesser extent the Turkish Lira, Polish Zloty and Russian Ruble.
- The evolution of these currencies against the euro also explained most of the **-€31.7 million impact on H1 Adjusted EBITDA**

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.

Thank you

Ontex