Press release
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Ontex FY 2021 results: Solid savings delivery, cash discipline and gradual sales turnaround offset by unprecedented input cost inflation

Full year results

- **Revenue:** €2,026 million, down -1.5% LFL on lower volumes while prices remained overall stable, with year-on-year increase in H2 partly offsetting the decrease in H1; overall topline down -2.9% including adverse forex
- **Adjusted EBITDA:** €172 million, -27% lower, with margin down -2.8pp to 8.5%, following the unprecedented raw materials and operating cost inflation impact of -5.1pp, mitigated by continued gross savings of +3.6pp
- **EPS:** Adjusted basic EPS at €0.07 compared to €1.01 in 2020, reflecting the lower operating results and higher financing costs; basic EPS at €(0.76), including €(85) million non-recurring costs, of which €(121) million impairments
- **Free cash flow:** €53 million, down €7 million, with strict capex and working capital discipline offsetting most of the impact of lower operating results
- **Net debt:** €(725) million on December 31, 2021, €122 million lower year on year, thanks to free cash flow and the €80 million arbitration settlement obtained on the Brazil acquisition in October; Leverage ratio at 4.2x
- **Dividend:** Board proposal not to issue dividend for financial year 2021

Q4 results

- **Revenue:** €534 million, up 0.7% LFL, on initial pricing in AMEAA
- **Adjusted EBITDA:** €31.2 million, -41% lower, with margin down -4.1pp to 5.9%, as inflation pressure intensified

Strategic actions

- **Portfolio:** New strategy to focus on partner & healthcare brand businesses in the Core Markets of Europe and North America; Actively pursuing divestment opportunities for mostly own brand-focused business in Emerging Markets
- **Growth drivers:** Progress on growth priorities supported by continuous innovation and added capabilities: mid-single digit growth in North America and in adult care, turnaround in baby pants and further foundations build up in sustainable and natural solutions
- **Cost savings:** Delivered €75 million gross in 2021; Annual 4% reduction of cost base to continue going forward
- **Financing:** Agreement with bank lenders to waive covenant tests in June and December 2022

2022 Outlook for Core Markets [1]

- Revenue to return to growth, with cost-based pricing impact over 2022-2023, and continued momentum on growth drivers
- Additional input cost inflation in the year of €(160)-(170) million, starting in Q1
- Relentless focus on savings, to deliver €60 million in the year, and strict cash discipline to continue
- Adjusted EBITDA margin to drop sequentially in Q1, improving gradually thereafter with quarter-on-quarter delivery on pricing and savings

CEO quote

"*In 2021, we put in place important building blocks necessary to turn around the Group's operating and financial performance. We have a new strategy with clear growth drivers, a new management team, and major action plans to improve our operations with ambitious cost reduction targets. With the unprecedented rise in input costs, we are working closely with our customers to implement price increases and drive mix. The amount of structural cost savings being delivered is very promising and underwrites our potential margin improvement once the raw material crisis is behind us. In line with our strategic choices, we are pursuing divestment opportunities for the Emerging Markets activities. I am encouraged by our progress and actions on areas within our control, and I am confident that we can return Ontex to profitable growth in the mid-term.*"

[1] Assuming no change in inflationary environment and for Core Markets only. These represented about 70% of 2021 revenue. Emerging Markets represented 30% and as these are planned to be divested, they will be reported as assets held for sale and discontinued operations going forward.

Key financials

Key financials

in € million	Fourth Quarter 2021	Fourth Quarter 2020	Variance	% Δ at LFL	Full Year 2021	Full Year 2020	Variance	% Δ at LFL
Revenue	533.5	525.5	1.5%	0.7%	2,026.4	2,086.8	-2.9%	-1.5%
Adjusted EBITDA	31.2	52.5	-40.6%	-43.5%	172.2	235.6	-26.9%	-22.7%
Adjusted EBITDA Margin	*5.9%*	*10.0%*	*-4.1pp*	*-4.4pp*	*8.5%*	*11.3%*	*-2.8pp*	*-2.4pp*
Adjusted profit/(loss) for the period					5.3	81.6	-93.6%	
Adjusted EPS (in €)					0.07	1.01	-93.6%	
Non-recurring income and expenses					(84.7)	(37.9)	123.8%	
Profit/(Loss) for the period					(61.9)	54.0	-214.7%	
Basic EPS (in €)					(0.76)	0.67	-214.5%	
Free Cash Flow					52.9	59.5	-11.1%	
Net Debt					725.5	847.6	-14.4%	
Net Debt / LTM Adj. EBITDA					*4.21x*	*3.60x*	*0.62x*	

Revenue split

in € million	Fourth Quarter 2021	Fourth Quarter 2020	Variance	% Δ at LFL	Full Year 2021	Full Year 2020	Variance	% Δ at LFL
Europe	325.3	331.5	-1.9%	-3.2%	1,228.0	1,302.2	-5.7%	-5.7%
AMEAA	208.2	194.0	7.3%	7.5%	798.4	784.6	1.8%	5.6%
Baby Care	292.1	290.8	0.5%	-0.5%	1,099.3	1,162.5	-5.4%	-3.6%
Adult Care	181.4	175.8	3.2%	2.7%	691.8	679.5	1.8%	3.6%
Feminine Care	48.0	50.0	-4.0%	-4.7%	195.5	212.2	-7.9%	-10.3%
Other	12.1	9.0	33.7%	32.2%	39.9	32.6	22.5%	25.3%

Bridges

Revenue in € million	2020	Volume/ mix	Price	2021 LFL	Forex	Scope	2021
Fourth Quarter	525.5	(9.5)	13.3	529.3	4.2	-	533.5
Full Year	2,086.8	(29.8)	(0.5)	2,056.4	(35.6)	5.6	2,026.4

Adjusted EBITDA in € million	2020	Volume/ mix/price	Raw materials	Operating costs	Operating savings	SG&A net savings	Forex	2021
Fourth Quarter	52.5	5.3	(41.5)	(8.7)	17.4	4.8	1.5	31.2
Full Year	235.6	(23.6)	(86.5)	(19.1)	57.9	16.7	(10.0)	172.2

Unless otherwise indicated, all comments in this document on changes in revenue are on a like-for-like (LFL) basis (at constant currencies and scope). Definitions of Alternative Performance Measures (APMs) in this document can be found in note 5 of the Notes to the Consolidated Financial Information.

Due to rounding, numbers presented throughout this press release may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

2021 business review

Revenue

Revenue was €2,026.4 million, -1.5% down like for like on lower volumes. Prices remained overall stable with a year-on-year increase in the second half of the year offsetting the decrease in the first half. Increases in the AMEAA division in the second half, accelerated in the fourth quarter, offsetting a decrease in the Europe division resulting from pricing investments on tenders made in 2020 and early 2021. Volumes were down -1.4%, with improving performance in the second half, despite the impact of supply chain disruptions. These were particularly felt in the feminine care category, as well as some lifestyle brands where specialized raw materials were unavailable. The forex effect was negative for -1.7pp, linked to the devaluation of the Turkish lira and Brazilian real primarily, and to a lesser extent the US dollar. Scope changes added +0.3pp, following an acquisition mid-2020.

In the **Europe** division revenue was down -5.7%, mainly on lower volumes and to a lesser extent price, but showed improvement in the second half. Growth in adult care continued, driven by continued progress and share gains in the retail & pharma markets, which more than offset softness in the institutional channel. In baby and feminine care sales were lower, mostly due to lost tenders in the prior years, and to supply chain disruption in the second half. The tender gain-loss balance which had been consistently negative over the last three years, reduced and was flat in the second half, turning positive in the last quarter and entering 2022.

In the **AMEAA** division revenue was up +5.6% like for like, on volume, mix and price increases and across main geographies. In North America revenue growth was volume-driven, gaining share in private label business with contract wins. The scope impact from the acquisition of feminine hygiene assets mid-2020 offset the lower US dollar forex impact. In Central America the growth was more subdued and linked to adult care and the launch of baby pants. In South America revenue was spurred by pricing and volume growth in both adult and baby care, the latter with renewed brands. In the Middle East pricing was well up as well, but volume growth in adult was offset by lower sales in baby care.

Adjusted EBITDA

Adjusted EBITDA was €172.2 million, -26.9% lower year on year, as margin decreased -2.8pp to 8.5%. The revenue decrease accounted for -1.0pp, while adverse forex and scope changes were -0.3pp.

The unprecedented **inflation** impact was €(106) million net for the year, of which €(86) million from raw materials and €(19) million from other operating costs, contracting margin by -5.1pp combined. Oil-based ingredients such as SAP, non-woven materials and polyethylene backsheets were the main drivers behind the raw materials price increase. Higher energy prices and transport costs drove other operating expenses up.

Gross cost **savings** accounted for €75 million, with consistent delivery throughout the year, contributing +3.6pp to the margin. Restructuring of Ontex's SG&A, reducing management layers and gaining efficiency, led to €17 million net savings. Footprint optimization and productivity gains across the complete supply chain generated €58 million savings. These are recurrent in nature and form the basis for continued efforts, allowing Ontex to become leaner and more competitive in the market.

Q4 2021 business review

Revenue

Revenue in the fourth quarter was up +0.7% like-for-like as a result of +2.5% higher overall prices, coming from the AMEAA division, more than offsetting a -1.8% volume and mix contraction, mainly in the Europe division. Including the positive effect of forex fluctuations, i.e. the appreciation of the Mexican peso, Brazilian real and US dollar, total revenue grew +1.5%.

In the **Europe** division revenue was -3.2% lower like-for-like. Volumes were down year on year in baby care and to a lesser extent feminine care, as supply chain disruptions continued to affect timely delivery. The underlying volume trend is solid, however, as the net gains/losses balance of major contracts is turning positive. In adult care volumes were well up. Prices were still lower year on year, subsequent to the price investments made earlier, but less toward year end as pricing initiatives started to have an effect, albeit slow due to the contracts structure.

In the **AMEAA** division prices were up. Ontex raised prices for its own brands, which make up the majority of its sales in emerging markets. The overall impact in these regions on volume was neutral. In North America, which is predominantly a partner brand business, effective price increases were limited so far. Volumes in that region were well up, mainly in baby care, despite the input supply chain complications.

Adjusted EBITDA

Adjusted EBITDA was down -41% lower as margin decreased -4.1pp to 5.9%. Inflationary headwinds intensified, impacting the margin by -9.5pp. The input price surge in the second quarter gradually translated into contractual price increases, resulting in €(42) million increase in raw material costs and €(9) million other operating costs, leading to a combined -9.5pp impact on margin. These were mitigated by continued savings efforts of €22 million, which resulted in +4.2pp margin support. The price-driven revenue increase had a +0.9pp effect on margin and favorable forex +0.2pp.

Reporting structure going forward

In 2022 the reporting will be changed to align with the reviewed strategy. "Core Markets" encompass Europe, North America and some smaller partner and healthcare focused businesses elsewhere. These businesses form the core of Ontex's activities and will be reported as continuing operations. "Emerging Markets" are primarily driven by own brands and essentially groups the Central and South American activities, and those in the Middle East and Africa. Ontex has announced it will pursue divestment opportunities for these and will thereby report these as assets held for sale and discontinued operations going forward. The carve-out of the Emerging Markets activities is well advanced, meanwhile only preliminary unaudited figures for 2021 can be shared, which are used in the following discussion.

In 2021 the **Core Markets** revenue was some €1.4 billion and adjusted EBITDA margin about 11.5%. Adjusted EBITDA was resilient in the first nine months, with savings initiatives offsetting most of the inflation impact. Inflationary pressure started in the third quarter and intensified in the fourth quarter, leading to EBITDA margin in the fourth quarter to be some -3pp lower than the year average.

In Emerging Markets revenue was some €0.6 billion in 2021. Inflationary headwinds had a significant adverse effect, starting earlier as of the second quarter. EBITDA margin for the year was thereby about 2% on average over the different regions. This includes about -2pp of Group cost allocation and the majority of the Group's adverse forex impact, accounting for about -1pp.

2022 outlook

As Ontex executes its strategic agenda, it is actively pursuing divestment opportunities for all its Emerging Markets activities, in order to maximize the cash value of these positions and deleverage the balance sheet. These activities will thereby be reported as assets for sale and discontinued operations going forward. Consequently, the 2022 outlook is focused on the Core activities only.

Full year revenue is expected to return back to growth, as Ontex's growth drivers continue to develop, and pricing is being pushed through in view of input cost inflation. Price increases will build up gradually from the start of 2022 and continue into 2023, subject to the evolution of the inflationary environment.

As indicated previously, the inflation impact on raw materials and other operating costs raises the cost base by 15-20% versus 2020 for the Group. The 2021 impact on Core Markets was €(65) million and €(160) to €(170) million is expected to weigh on 2022 as of the first quarter. This expectation assumes no relaxation in the cost environment, while considerable uncertainty and volatility remains regarding the outlook for commodity, freight and packaging costs.

The Group has planned to generate recurring cost savings exceeding those in 2021. €60 million are planned to be generated in Core Markets, and the saving momentum of 4% of costs is planned to continue.

With the full input cost inflation impact flowing through from the start of the year, the adjusted EBITDA margin for Core Markets is expected to be sequentially lower in the first quarter. The performance is expected to improve thereafter, as savings and pricing efforts are delivered, quarter after quarter.

Ontex's strict cash flow discipline will continue. Capital expenditure will grow back gradually to around 4% of sales, focused on innovation and growth driving projects, as well as supporting the savings initiatives.

2021 strategic actions

Operational excellence

In 2021 gross savings of €75 million were achieved, with consistent delivery over the quarters, and representing 4% of Ontex's total cost structure. These represented €56 million net, after deduction of non-raw materials related cost inflation.

These include the streamlining of the **SG&A** structure to the One Platform approach across the whole Group, allowing to reduce hierarchic layers and bundling its expertise across regions. These resulted in €17 million savings in the year, net of wage inflation. At 11.6% of revenue with a -1.1pp reduction in the year, this brings the company closer to its ambition to bring SG&A costs below 10% of revenue.

To optimize the European **manufacturing footprint** the (feminine care) operations in Eeklo (Belgium) were downsized in the year. That effort will continue with the baby care production activities in Mayen (Germany) that will stop production in the second quarter of 2022.

The optimization of its operations, stretching from manufacturing to the complete supply chain has resulted in significant **productivity** gains. The scrap generation was reduced by -30% and Overall Equipment Efficiency (OEE) improved further by more than +5pp over the year. Simplification is one of the drivers behind this, such as reducing the number of SKU's. The simplification and streamlining of the supply chain across the Group led to improved service levels in the first half of the year, up more than +2pp. However, these were affected in the second half by the cross-industry supply chain disruptions. To increase flexibility in the short-term, some inventories have been increased. In addition, the procurement team has been working on enlarging and diversifying sourcing in the mid-term.

Portfolio focus

In June and December 2021, Ontex laid out its strategic plan to focus on partner and healthcare brands. As a consequence it will consolidate its activities primarily in Europe and North America, where these channels are more sizeable and offer the best potential for Ontex to rebuild profitability and grow. Ontex is thereby pursuing divestment opportunities for its business activities in the emerging markets of Central America, South America as well as in the Middle-East and Africa. These efforts are in full implementation and aim to be finalized by the end of 2023.

Growth drivers

Ontex has identified specific axes on which it builds its profitable growth ambitions. Despite overall lower year-on-year revenues and supply chain disruptions in the second half of the year, these growth axes delivered superior growth.

In the **North America** region revenues grew +7.0% LFL, double digit in the first half, as in prior years, but shortage of raw materials held back the momentum in the second half. Future growth will be further supported by the new facility in Stokesdale, North Carolina, on the US east coast, which is ramping up. Together with the Tijuana plant in Mexico, close to the West coast, this will give Ontex a unique coast-to-coast footprint.

Adult care revenues grew +3.6% LFL in the year, driven by Europe but also in Central America and the Middle East. In Europe growth came from traction in the retail and self-service channels, which are faster growing markets than the institutional channels, where Ontex already has a solid position. These self-service channels are growing rapidly as home-care is growing, boosted by the Covid-19 pandemic. In 2021 Ontex initiated pilot production of the Orizon smart diaper, a patented technology that offers a connected incontinence care solution for improved care in elderly homes. Beyond better service it offers more efficient use of the products, reducing the eco-impact.

Sales in the **baby pants** [2] product line recovered, after a more subdued performance in 2020. Capabilities to supply the market in a competitive way are now fully up to speed to capture the rapidly growing segment in the coming years. The next generation of baby pants was designed and launched, significantly improving fit and performance, outperforming competitors in panel tests.

Further progress was made in Ontex's **eco solutions** offer. Eco/health labelled solutions grew from 41% of sales in 2020 to 48% 2021 [3]. Ontex aims to look at the whole life cycle, collaborating with suppliers on developing and testing alternative raw materials, promoting material reuse as well as reduction and replacement of petrochemical based plastics. In 2021 cotton topsheets were introduced in feminine care, and the first baby diaper with a 100% cotton topsheet was launched in the US market. Recycled plastic packaging was introduced and paper bags were launched. Sustainable innovation projects now represent some 75% of the top growth innovation projects. One of the breakthrough projects, launched in April 2021, is the collaboration with Les Alchimistes, a French engineering firm, to create a new circular economy cycle that allows used diaper inserts to be collected, cleaned and composted, reducing waste landfilling and incineration.

Environment [3]

As a leading supplier of affordable personal hygiene products, Ontex focuses on achieving climate neutral operations by 2030 and moving towards a circular business model, creating a positive impact in its supply chain and regenerating natural resources, and it aims to enhance transparency and lead the way to a fair society.

In the context of reacting to **climate change** Ontex reduced its emissions across operations by 40% compared with base year 2020. The manufacturing sites are now powered by 100% renewable electricity in Europe, and by 90% for the Group, with additional solar rooftops in the Ortona (Italy) and Puebla (Mexico) plants installed in the year. Six out of 19 plants are now carbon neutral, four more than in 2020. In 2021 Ontex set its science-based targets (SBT) aiming to reduce scope 1-2 emissions by 42% and scope 3 emissions by 25% by 2030 versus 2020. These targets were submitted for validation to the Science-Based Target Initiative (SBTI) in December 2021.

Gradually Ontex is boosting its **circular product & packaging solutions**. In 2021, the amount of manufacturing waste recycled increased to 95%, up 4pp. More packaging had a minimum of 35% recycled material, and paper bags were introduced in the US. In March 2021 a partnership was set up with Woosh, a Belgian start-up, to enable the recycling of used disposable diapers.

The **sustainable supply chain** was further reenforced. Wood-based raw materials were already 100% certified or controlled and more than 90% of cotton was already organic. In 2021 more than 90% of our supplier signed Ontex's Supplier Code of Conducts was signed by suppliers and the REDcert2 certification was received for sustainable bio- and recycled plastics.

[2] Pants are disposable solutions, which unlike classical taped diapers do not have to be opened or closed, making them easy to put on and off and giving it an underwear like feel

[3] Preliminary unaudited figures. Final figures to be presented in the annual report.

Financial review

Selected Financial Information

in € million	Full Year 2021	Full Year 2020	% Δ
Ontex Reported Revenue	2,026.4	2,086.8	-2.9%
Cost of sales	(1,510.4)	(1,477.7)	2.2%
Gross profit	516.0	609.1	-15.3%
Operating expenses	(343.8)	(373.5)	-7.9%
Adjusted EBITDA	172.2	235.6	-26.9%
Non-recurring income and expenses	(84.7)	(37.9)	123.8%
EBITDA	87.5	197.7	-55.8%
Depreciation and amortization	(87.7)	(86.8)	1.0%
Operating profit	(0.2)	110.9	-100.2%
Net finance cost	(42.7)	(35.7)	19.5%
Income tax expense	(19.0)	(21.3)	-10.5%
Adjusted profit for the period	5.3	81.6	-93.6%
Adjusted Basic EPS	0.07	1.01	-93.6%
Profit for the period	(61.9)	54.0	-214.7%
Basic EPS	(0.76)	0.67	-214.5%
Free Cash Flow	52.9	59.5	-11.1%
- Of which change in WC	15.8	20.8	-24.2%
- Of which Capex	(56.5)	(105.6)	-46.5%
- Of which repayment of lease liabilities	(22.7)	(26.0)	-12.8%
Net debt	725.5	847.6	-14.4%

P&L items

Non-recurring expenses in 2021 totaled €(84.7) million. The restructuring efforts represented €(35) million, covering both the optimization of the SG&A structure of the Group and the manufacturing footprint reduction in Europe. Non-cash impairments accounted for €(121) million, relating to the idling of assets following the footprint optimization and a €(96) million impairment of the Brazilian operations. These were offset by the settlement following the arbitration on the acquisition of the Brazilian assets for €77 million, net of advisory fees.

FY 2021 **net finance cost** was €(42.7) million, €(6.9) million higher, reflecting the refinancing in June 2021. These included €(6.8) million one-off costs, and led to higher interest charges in the second half of the year. Forex had a minor impact.

The **income tax expense** amounted to €(19) million in total, despite a negative profit before taxes, mainly due to the geographical mix, and as no deferred tax asset can currently be recognized on the impairment on the Brazilian activities and certain other losses.

Adjusted **earnings per share** were €0.07 compared to €1.01 reflecting the lower income and higher finance cost. Basic earnings per share were €(0.76) including the impact of non-recurring income and expenses.

Cash and balance sheet items

Working capital at the end of the period was €129.6 million, a €(21.9) million reduction versus the end of 2020, representing 6.4% of revenue, -0.9pp lower. Inventories increased toward year end as a result of the higher input costs and to create an additional buffer to respond to the supply chain disruptions incurred in the second half. These were offset by lower trade receivables and higher trade payables, also reflecting higher input costs. The working capital excludes forex effects and the monetization of accounts receivables through factoring for €163 million, versus €156.0 million at the end of 2020.

Capital expenditure in 2021 was €(56.5) million, or 2.8% of revenue, well below €(105.6) million in 2020, as result of strict capital management in current challenging business conditions. This was mostly focused on operations, where maintenance capex schedules and expansion needs were temporarily reviewed in the current context. Capex initiatives were focused on adding additional capabilities for adult care in Europe and pants in North America, while supporting the transformation of the operations to generate savings going forward. Innovation-driven expenditure was increased so as not to hold back the potential of future product growth drivers.

Free cash flow (after-tax) stood at €52.9 million. The €6.6 million decrease compared with prior year essentially reflects solid working capital and capex discipline offsetting most of the €63 million lower adjusted EBITDA. Capex, lease payments and smaller assets disposals were €(77.4) million combined, €53.7 lower. The cash impact of non-recurring costs, excluding the €80 million benefit from the arbitration settlement in Brazil, was €(35) million, €10 million less than in 2020. Cash taxes represented €(20.6) million, €12.7 million less.

The Board will propose to not pay out a **dividend** for the fiscal year 2021 at the upcoming annual general meeting.

Net debt stood at €(725.5) million at December 31, 2021, including net financial debt of €(611.9) million and lease liabilities of €(113.6) million. This represents a €122.1 million reduction versus December 31, 2020, based on free cash flow generation and the €80 million benefit from the settlement it received in October, related to the acquisition of the Brazilian personal hygiene business from Hypera in March 2017. Net interest payments were €(24.3) million, and other financing income was €17.6 million, mainly related to the unwinding of hedge positions linked to the Brazil settlement. Non-cash changes were €(4.2) million, encompassing forex fluctuations and accrual of interests.

Leverage was 4.2x net debt over adjusted EBITDA at December 31, 2021, and Ontex was in full compliance with bank debt leverage covenants at year end. Going forward, Ontex's bank lenders have unanimously agreed to waive the leverage covenant tests in June 2022 and December 2022, and in June 2023 to reset the level, with the condition that no dividend would be paid out prior to that date.

Consolidated financial information for the year 2021

Consolidated Income Statement

	Full Year	
in € million	2021	2020
Revenue	2,026.4	2,086.8
Cost of sales	(1,510.4)	(1,477.7)
Gross Profit	**516.0**	**609.1**
Distribution expenses	(196.4)	(194.6)
Sales and marketing expenses	(145.1)	(166.0)
General administrative expenses	(84.3)	(91.2)
Other operating income/(expenses), net	(5.6)	(8.5)
Income and expenses related to changes to Group structure	38.6	(25.4)
Income and expenses related to impairments and major litigations	(123.3)	(12.4)
Operating profit	**(0.2)**	**110.9**
Finance income	2.6	1.8
Finance costs	(48.4)	(38.0)
Net exchange differences relating to financing activities	3.2	0.5
Net finance cost	**(42.7)**	**(35.7)**
Profit before income tax	**(42.9)**	**75.2**
Income tax expense	(19.0)	(21.3)
Profit for the period from continuing operations	**(61.9)**	**54.0**
Profit for the period	**(61.9)**	**54.0**
Profit attributable to:		
Owners of the parent	(61.9)	54.0
Profit for the period	**(61.9)**	**54.0**

Consolidated Statement of Financial Position

ASSETS in € million	December 31, 2021	December 31, 2020
Non-current Assets		
Goodwill	1,039.9	1,106.7
Intangible assets	45.8	53.5
Property, plant and equipment	573.4	615.9
Right-of-use assets	102.0	126.8
Deferred tax assets	19.7	24.9
Non-current receivables	3.5	6.9
	1,784.4	1,934.7
Current Assets		
Inventories	358.7	319.1
Trade receivables	269.8	286.3
Prepaid expenses and other receivables	69.2	57.0
Current tax assets	15.0	18.8
Derivative financial assets	5.7	18.0
Cash and cash equivalents	246.7	430.1
Non-current assets held for sale	0.0	2.9
	965.1	1,132.4
TOTAL ASSETS	2,749.4	3,067.0

EQUITY AND LIABILITIES in € million	December 31, 2021	December 31, 2020
Equity attributable to owners of the company		
Share capital & premium	1,208.0	1,208.0
Treasury shares	(36.3)	(38.8)
Cumulative translation reserves	(333.1)	(333.5)
Retained earnings and other reserves	207.8	262.7
TOTAL EQUITY	1,046.3	1,098.4
Non-current liabilities		
Employee benefit liabilities	22.0	26.6
Interest-bearing debts	885.2	911.4
Deferred tax liabilities	22.5	29.2
Other payables	0.2	0.5
	929.9	967.6
Current liabilities		
Interest-bearing debts	87.0	366.3
Derivative financial liabilities	4.1	14.1
Trade payables	532.6	476.9
Accrued expenses and other payables	39.0	40.9
Employee benefit liabilities	46.2	52.5
Current tax liabilities	31.8	31.8
Provisions	32.6	18.5
	773.2	1,001.1
TOTAL LIABILITIES	1,703.2	1,968.7
TOTAL EQUITY AND LIABILITIES	2,749.4	3,067.0

Consolidated Statement of Cash Flows

	Full Year	
in € million	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	(61.9)	54.0
Adjustments for:		
Income tax expense	19.0	21.3
Depreciation and amortization	87.7	86.8
Impairment losses and items relating to investing activities	41.0	3.8
Provisions (including employee benefit liabilities)	15.4	(1.7)
Change in fair value of financial instruments	(2.4)	1.9
Net finance cost	42.7	35.7
Changes in working capital:		
Inventories	(39.2)	(29.9)
Trade and other receivables and prepaid expenses	(1.4)	(0.8)
Trade and other payables and accrued expenses	56.4	51.5
Employee benefit liabilities	(6.4)	1.2
Cash from operating activities before taxes	150.9	223.8
Income taxes paid	(20.6)	(33.3)
NET CASH GENERATED FROM OPERATING ACTIVITIES	130.3	190.5
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment and intangible assets	(56.5)	(105.6)
Proceeds from disposal of property, plant and equipment and intangible assets	1.9	0.6
Payment for (or Proceeds related to) acquisition of subsidiary, net of cash acquired	80.0	(7.6)
NET CASH USED IN INVESTING ACTIVITIES	25.3	(112.6)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	799.3	308.3
Repayment of borrowings	(1,125.0)	(33.2)
Interests paid	(26.8)	(29.8)
Interests received	2.5	1.8
Cost of refinancing & other costs of financing	19.7	(1.1)
Realized foreign exchange (losses)/gains on financing activities	0.3	(2.5)
Derivative financial assets	(2.4)	(0.9)
NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES	(332.4)	242.6
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(176.8)	320.5
Effects of exchange rate changes on cash and cash equivalents	(6.7)	(18.2)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	430.1	127.8
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	246.7	430.1

Notes to the consolidated financial information

Note 1 Legal status

Ontex Group NV (the “Company”) is a limited-liability company incorporated in the form of a “naamloze vennootschap” under Belgian law with company registration number 0550.880.915. Ontex Group NV has its registered office at Korte Keppestraat 21, 9320 Erembodegem (Aalst), Belgium. The shares of Ontex Group are listed on the regulated market of Euronext Brussels.

Note 2 Summary of significant accounting policies

Basis of preparation

The accounting policies used to prepare the financial statements for the period from January 1, 2021 to December 31, 2021 are consistent with those applied in the audited consolidated financial statement for the year ended December 31, 2020 of Ontex Group NV. The accounting policies have been consistently applied to all the periods presented.

The amounts in this document are presented in € millions, unless noted otherwise. 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.

Liquidity situation

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities during the normal course of business. The 2021 consolidated results of the Group present a negative result, while the consolidated statement of financial position includes positive retained earnings.

Management has prepared detailed budgets and cash flow forecasts for the next years, which reflect the strategy of the Group. Management acknowledges that uncertainty remains in these cash flow forecasts, but the Company is confident that, taking into account its available cash, cash equivalents, facilities available to the Company as committed facilities, it has sufficient liquidity to meet its present and future obligations and cover working capital needs.

The Group complied with all requirements of the loan covenants on its available credit facilities throughout the reporting period. Furthermore, as a support for the implementation of the strategic review communicated in December 2021, the Group is exempted from assessing bank loan covenants till June 30, 2023.

Note 3 Events after the end of the reporting period

In February 2022, as a support for the implementation of the strategic review communicated in December 2021, the Company’s bank lenders have unanimously agreed to waive the leverage covenant tests in June 2022 and December 2022, under the condition that no dividend would be paid out until June 2023.

Note 4 Auditors Report

The statutory auditor has confirmed that the audit, which is substantially complete, has not to date revealed any material misstatement in the draft consolidated accounts, and that the accounting data reported in the press release is consistent, in all material respects, with the draft accounts from which it has been derived.

Note 5 Alternative Performance Measures

Alternative performance measures (non-GAAP) are used in this press release since management believes that they are widely used by certain investors, securities analysts and other interested parties as supplemental measure 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 scope 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 for the years ended December 31 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, depreciations and amortizations. 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 twelve months (LTM).

Free Cash Flow

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 (or Adjusted Basic Earnings) 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.

Additional Financial Information

Earnings per share

Earnings per share (€)	Full Year 2021	Full Year 2020
Basic earnings per share	(0.76)	0.67
Diluted earnings per share	(0.76)	0.67
Adjusted basic earnings per share	0.07	1.01
Adjusted diluted earnings per share	0.06	1.01
Weighted average number of ordinary shares outstanding during the period	80,950,106	80,851,227
Total number of shares as of December 31	82,347,218	82,347,218

Reconciliation of alternative performance measures

EBITDA and Adjusted EBITDA

in € million	Full Year 2021	Full Year 2020
Operating profit	(0.2)	**110.9**
Depreciation and amortization	87.7	86.8
EBITDA	87.5	**197.7**
Non-recurring income and expenses	84.7	37.9
Adjusted EBITDA	172.2	**235.6**

Adjusted profit (Adjusted basic earnings)

in € million	Full Year 2021	Full Year 2020
Profit / (Loss) for the period	(61.9)	54.0
Non-recurring Income & Expenses	84.7	37.9
Tax correction	(17.6)	(10.2)
Adjusted profit (Adjusted Basic Earnings)	5.3	**81.6**

Free Cash Flow

in € million	Full Year 2021	Full Year 2020
Operating profit	(0.2)	**110.9**
Depreciation and amortization	87.7	86.8
EBITDA	87.5	**197.7**
Non-cash items and items relating to investing and financing activities	54.0	4.1
Change in working capital		
Inventories	(39.2)	(29.9)
Trade and other receivables and prepaid expenses	(1.4)	(0.8)
Trade and other payables and accrued expenses	56.4	51.5
Employee benefit liabilities	(6.4)	1.2
Cash from operating activities before taxes	150.9	**223.8**
Income taxes paid	(20.6)	(33.3)
Net cash generated from operating activities	130.3	**190.5**
Capex	(56.5)	(105.6)
Cash (used in)/from on disposal	1.9	0.6
Repayment of lease liabilities	(22.7)	(26.0)
Free cash flow	52.9	**59.5**

Net Debt

in € million	December 31, 2021	December 31, 2020
Non-current interest-bearing debts	885.2	911.4
Current interest-bearing debts	87.0	366.3
Cash and cash equivalents	(246.7)	(430.1)
Total net debt position	725.5	847.6
LTM Adjusted EBITDA	172.2	235.6
Net financial debt/LTM Adjusted EBITDA ratio	4.2	3.6

Working Capital

in € million	December 31, 2021	December 31, 2020
Inventories	358.7	319.1
Trade receivables	269.8	286.3
Prepaid expenses and other receivables	69.2	57.0
Non-current receivables	3.5	6.9
Trade payables	(532.6)	(476.9)
Accrued expenses and other payables	(39.0)	(40.9)
Working Capital	129.6	151.5

Additional information

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.

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Corporate information

The above press release and related financial information of Ontex Group NV for the three and twelve months ended December 31, 2021 was authorized for issue in accordance with a resolution of the Board on February 22, 2022.

Audio webcast

Management will host an audio webcast for investors and analysts on February 23, 2022 at 11:00am CET/10:00am UK. A copy of the presentation slides will be available at http://www.ontexglobal.com

Click on the link below to attend the presentation from your laptop, tablet or mobile device. Audio will stream through your selected device, so be sure to have headphones or your volume turned up.

https://channel.royalcast.com/landingpage/ontexgroup/20220223_1/

A full replay of the presentation will be available at the same link shortly after the conclusion of the live presentation.

Financial calendar

→ AGM 2022	May 5, 2022
→ Q1 2022	May 12, 2022
→ Q2 & H1 2022	July 29, 2022
→ Q3 2022	November 10, 2022
→ Q4 & FY 2022	March 1, 2023

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