

24Q4 Transcript

Presentation

Geoffroy Raskin, Investor Relations

Good afternoon, everyone and thank you for joining us today. This is Geoff Raskin from IR. I'm pleased to have Gustavo Calvo Paz, our CEO, and Geert Peeters, our CFO, with us today to present the 2024 full-year results.

Before that, let me remind you of the safe harbor regarding forward-looking statements. I will not read them out loud, but I will assume you will have duly noted them. You're well aware that since 2022, our P&L is based on continuing operations, which consist of our Core Markets activities only, while the Emerging Markets are reported as discontinued operations. These continue to contribute to our results and to the presented debt and cash flow figures in particular. As we're close to concluding the divestments of all of the Emerging [Markets] activities, this should be the last year I have to say this. With that cleared up, Gustavo, over to you.

Gustavo Calvo Paz, CEO

Thanks, Geoff. Looking back on 2024, the second year of our transformation journey, we can see the delivery of our efforts in our financial results, building on the solid delivery in 2023. Let's look into them on the next page, please.

2024 marked yet again a noticeable improvement in our performance, first, with continued revenue growth of 3.5% like for like. While in 2023, this was largely thanks to price increases, this year it was entirely the result of volume growth of 6%, growing by double-digit growth in North America, in adult care category, in baby pants and in other selected categories. Our [adjusted] EBITDA margin has recovered to 12%, back to our historic levels, thanks to the relentless focus on the cost transformation program, which allow us to gain competitiveness, thereby supporting growth and improve profitability. While we continue to make substantial investments in our growth and in our transformation efforts, we deliver a strong free cash flow of €48 million, a strong improvement versus 2023. Finally, thanks to the strong EBITDA improvement by 28%, we have reduced our leverage ratio further to just below 2.5x. This reduction in indebtedness gives us greater financial flexibility. I will pass you over to Geert for the more detailed analysis on our 2024 performance.

Geert Peeters, CFO

Thanks a lot, Gustavo. Let me start explaining the like-for-like revenue growth of 3.5%. This growth is driven by strong volume and mix growth and largely offsets the anticipated lower prices. Our volumes grew in all categories, 5.7% overall. We thus outperformed the growth in the market demand in Europe and especially North America. Let's have a look at the volume development of our three product categories in Europe and then also baby care in the US. First of all, adult care in Europe. Market demand was up by mid-to-high single-digits supported by societal trends with an increasing and more active elderly population. Moreover, retailer brands gained market share. Ontex volumes grew by double digits, mainly thanks to market share gains in the healthcare channel. Secondly, feminine care in Europe. Demand was largely stable, but we benefited from market share gains in retailer brands. And then baby care in Europe. Market demand decreased by low single digits, reflecting the decreasing birth rate. Retailer brands however consolidated their market share gains made in 2023. Consequently, our baby care volumes in Europe were lower as well, but we continue to strengthen in higher added value products, like baby pants, where we grew volumes by double digits. And then last, baby care in North America. Demand was largely stable, with A-brands lost some market shares to retailer and lifestyle brands. Ontex grew by strong double digits boosted by the contract gains we secured with major retailers. Let's then go to the sales prices. These were lower across the categories, down 2.2% overall, investing in competitiveness and

reflecting lower raw material prices. This explains a revenue decrease in feminine care and stable performance in baby care. In adult care, volume growth ~~was~~ more than compensated for the price decrease. This resulted in a strong 9% like-for-like revenue growth.

Let's have a look at the adjusted EBITDA. We increased by 28% to reach €223 million. At the same time, our margin rose to 12%, up 2.3 percentage points. As explained on the revenue graph, the volume mix improved significantly, contributing €21 million to the EBITDA. The cost transformation program delivered €70 million of net operating savings. That means that the operating cost base thereby shrunk by close to 5% again with strong initiatives in purchasing the supply chain, manufacturing and innovation. As you can see, we partially reinvested this improvement in sales price decreases. Raw material prices had €39 million positive impact in particular for super-absorbent polymers and for fluff. In Q4, raw material prices have been flattening out. Other operating SG&A costs were up by €38 million, largely due to inflation of salaries as well as energy and distribution costs, but also includes temporary inefficiencies consequent to our asset and footprint transformation.

Then on the next slide, we go to the full P&L, which I compare to the previous year. Let's start first with the Core Markets. The increase in the adjusted EBITDA almost fully translates in an increase of adjusted profit to €76 million, which is close to double as compared to the last year. In this amount, depreciations were slightly up, reflecting the higher investment level, and net finance costs ended higher than in '23 despite lower indebtedness. This was due to negative forex impacts. Adjusted income taxes were stable but the effective tax rate improved, thanks to the recognition of historic deferred tax assets in the period. That brings the net profit in the Core Markets a bit lower at €21 million positive. And that's due to the important post-tax non-recurring costs of €55 million. On one hand, these non-recurring costs include €62 million restructuring provisions related to the Belgian footprint. On the other hand, also €11 million impairments on redundant assets. Then we go to the discontinued operations, what we call the Emerging Markets. They ended at a loss of €11 million. In this, the adjusted EBITDA ended positive at €29 million, which is lower than last year due to the reduction of scope with the divestments we did, and more challenging market context in Brazil. It also included significant one-time divestment-related costs. In total €27 million related to the divestments of Algeria, Pakistan, Brazil, and Turkey, of which main part is non-cash cumulative translation adjustments on Algeria. Adding then up those continuing and the discontinued operations, the profit of the period for the Total Group came at a positive of €10 million.

Then on the next slide, we go to the cash side. Starting from the adjusted EBITDA for the Group of €252 million, which includes a contribution of the Emerging Markets of €29 million. Solid working capital management contributed €9 million, despite higher inventories due to transformation inefficiencies and [which are] thus are temporary in nature. Net financing cash out totaled €31 million, substantially lower than in 2023 as the interest payments decreased, thanks to lower indebtedness. CapEx amounted to €112 million, representing close to 6% of the Core Markets revenue. This reflects the step up in investments for growth and transformation of the Group. One-time restructuring and divestments related cash out ended at €39 million, of which €29 million is the first payment of the restructuring of the Belgian operations. If we then add up everything, free cash flow ended at €48 million positive, which is very solid and well up compared to the €9 million in the previous year.

Then we move to the balance sheet with the evolution of net debt, which reduced 8% over the year from €665 million to €612 million. Besides the €48 million free cash flow, M&A proceeds added ~~to~~ €10 million. This mainly consists of the divestment proceeds of Algeria and Pakistan netted with costs and taxes, as well as some upfront costs on the Brazilian divestment. Gross financial debt of the Total Group reduced even more from €834 million to €736 million, thanks to the continuing cash management optimization. Besides lease liabilities, our debt consists primarily of [our] €580 million bond at the fixed 3.5% maturing in July '26 and €24 million drawn on the revolving credit facility. The latter was renewed at the end of last year and has a maximum capacity of €270 million for a period of five years. We're currently looking into refinancing the high-yield bond in the course of 2025.

Then our leverage ratio. The leverage ratio decreased significantly from 6.4x at the end of 2022 to 3.3x at the end of 2023 to just below 2.5x at the end of 2024. That is a combination of the net financial debt reduction, which is presented as a light blue line on the graph, and mostly thanks to the divestment proceeds, but also, and that's the dark blue line at the top, due to the fast improvement of adjusted EBITDA of Core Markets, which more than offset the impact of the scope reduction consequent to the divestments. The available liquidity of the Total Group increased from €322 million to €370 million, consisting of €124 million cash and the undrawn part of the revolving credit facility. The strengthening of the balance sheet and [the] continually improving profitability and cash flow was also recognized by the rating agencies which both upgraded Ontex in the course of the year. Let me hand you back over to Gustavo for what 2025 and beyond will bring us.

Gustavo Calvo Paz, CEO

Thanks, Geert. Looking back on 2024, the second year of our transformation journey, with several important milestones reached, we are confident that you will come to the same conclusion. Ontex is growing, it's more competitive, is more profitable, and on top of that, Ontex carries less debt and generates a stronger cash flow, while heavily investing in future growth and innovation. This success are the result of the passion of our Ontex people and their unwavering focus on operational efficiencies, business expansion and sustainable innovation throughout 2024, in close partnership with many of you. Let's move to the next page, please.

Looking ahead to 2025, which is the third year of our three-year transformation journey, we expect to continue to grow our revenue by 3% to 5% like for like, with a strong volume growth in North America, but also continuing to focus on selected categories in Europe. Our cost transformation program will continue to deliver operational efficiencies, allowing us to drive our profitability, while also investing in our competitiveness. We will manage pricing accordingly and also in function of the raw materials price evolution, which we currently expect to remain relatively stable. All in all, we thereby expect to continue to grow our Core [Markets] adjusted EBITDA by 4% to 7%. While we will continue to invest intensively in our transformation for one more year to finalize the three-year transformation plan, and continue to invest in our growth, we expect free cash flow to continue remaining strong, which brings me to the next slide.

We are reaching the end of our divestment plans and should be fully done by end of year. In 2023, the Mexican business was sold, and in 2024 we closed Algerian and Pakistan divestments. We have reached binding agreements to sell [the] Brazilian and Turkish businesses, which we expect to close in the first half and third quarter for this year respectively. The net proceeds received from these divestments help to reduce our indebtedness. With the portfolio transformation nearing completion, Ontex can focus fully on its Core business: retailer and healthcare brands. This helps in becoming an even more focused performance-driven organization. Let's move to the next page.

As explained before, we have three main value-creation drivers. First, competitive and sustainable innovation to offer the equivalent of A-brand innovation as fast as possible to our customers. Second, best-in-class operations, to structurally improve our operational cost, driving up our profitability while strengthening our competitiveness. And third, business expansion where we have set clear goals to strengthen our position in Europe and grow in North America. Let's go into some highlights of these three value creation drivers.

At Ontex, we believe that innovation should be accessible to everyone. This philosophy drives us to make innovation available as fast as possible and to make products smarter, safer, more affordable, and more sustainable than ever before. In 2024, we launched 13 major innovations across our product categories, that cater to diverse market needs. A major focus has been leak prevention with the launch of Dreamshields baby diapers with front and back barriers, as well as Dreamshield 360° baby pants with back barriers. Behind this science, everybody at Ontex takes pride in being a driving force behind our efforts to constantly improve the experience of our customers and consumers today and in the future. Protecting these efforts in our interest and especially in our customers' interests is an important element in our innovation strategy. In the last two years, we have filed for 28 new patent families and as such, we are among the top 10 in Belgium. We are also proud of our

sustainability progress and delighted to see this rewarded with a CDP “A”-score for leadership in climate action. Competitive and sustainable innovation is critical to strengthen further our competitiveness for [the] coming years.

Let's move to the next value creation driver, which is best-in-class operations. We are decomplexifying our organization drastically, simplifying our product portfolio. By the end of 2025, we will have reduced the number of product combinations by 45%. We harmonized and upgraded our production footprint and by the end of this year, more than 50% of our lines will have been either renewed, upgraded, moved or scrapped. We also further optimized our manufacturing footprint and initiated the transformation of our Belgian activities into a center of excellence for R&D and manufacturing for adult care, which should be largely done by the end of 2025. The successful implementation of our cost transformation initiatives has resulted in a more agile supply chain, leading to a 4% to 5% reduction of our operating cost, improving overall equipment efficiencies and reducing production scrap. A solid €126 million cumulative net savings were delivered so far over the years and we expect more than €200 million by the end of 2025. And meanwhile, we continue to invest in the transformation of our operations through capital expenditures and restructuring spent for a total amount slightly lower than that. Best-in-class operation is key to structurally improve our competitiveness and our margins.

Let's move to our third value creation driver, which is business expansion. We achieved a 7% like-for-like average revenue growth in the last two years, supported mainly by prices in 2023 and volumes in 2024. In Europe, we strengthened our leadership in retailers brands across categories. We strengthened our position selectively growing by double digits in, for example, baby pants and adult care which has now come at par with baby care category and even slightly surpassed it. In North America, currently focused on baby care, we realized double-digit growth over the two years and especially on the retailer brand side, where we have secured significant contracts including with top five retailers. This success can be attributed to an increased focus on customer centricity and nurturing customer relationship and we thereby expect this to continue. To support this growth, we invest in our operations and more in particular for our Stokesdale plant in North Carolina. By the end of 2025, we will have more than tripled the number of lines of our Stokesdale plant over the three years. Business expansion is key to sustain our top line growth. Next page, please.

We can already see the impact of these three value creation drivers in our profitability, with our adjusted EBITDA improving year on year since 2022. The three-year plan included investing more intensively to transform our operations to best-in-class, requiring capital expenditure and restructuring spent, [which] represent about 2% to 3% of our revenue. This currently leaves us with €48 million in free cash flow. This is a big improvement since last year. For 2025, we expect a similar picture as in 2024, as we will continue investing in our transformation. However, our free cash flow should improve from 2026, as our transformation investment will fade away, while our three-year plan will be near completion. Before we move to the Q&A, I would like to highlight the three most important points of this presentation on the following page.

First, we are starting the third year of our three-year transformation journey and we are well tracked to complete it successfully in the next 10 months. Teams have been working incredibly hard. It has been a real marathon and I would like to thank all my teams for their hard work so far and for the hard work that they will continue doing this year. Second, I want to remember that we are growing and that our adjusted EBITDA margin increased significantly reaching 12%. And finally, I would like to highlight the step change in our free cash flow generation this year, building a strong confidence for the future. Thank you all, and I'm looking forward to your questions.

Q&A

Geoffroy Raskin, Investor Relations

For the Q&A, can I ask you to limit your question to two, and if time allows, we'll do a second round of questions. If not, IR will happily take your questions off-line. Operator, over to you.

Operator

Ladies and gentlemen, if you would like to ask a question or make a contribution on today's call, please press Star-1 now on your telephone keypad, and to redraw your question it's Star-2. Also ensure your lines remain unmuted locally. You'll be advised when to ask your question.

The first question comes from the line of Charles Eden, calling from UBS. Please go ahead.

Charles Eden, UBS

Hi, good afternoon. Thanks for taking my questions. Two for me. Firstly, on the EBITDA guidance for 2025, if I take the midpoint of your guidance, so 5.5% EBITDA growth, then you're expecting about €12 million of additional EBITDA year on year. That's on a sales increase of 4% at the midpoint, or €74 million. So the incremental margin is sort of 6.5%, which feels quite low, especially as I would imagine there's some additional cost savings still coming through in 2025. So are there some additional cost headwinds we need to be aware of for this year? Or really is this the case of early year prudence with regards to the 2025 EBITDA growth expectations?

And then my second question on your guidance for free cash flow in 2025 and for it to be similar to the €48 million you did in 2024, can you remind us what restructuring costs will be in the cash flow? The impacts in cash flow in 2025, please? I'm trying to understand what a clean free cash flow might look like excluding any one-off restructuring charges. I think on my calculations that's sort of €100 million plus. Is that fair? And could we expect that to be the run rate level of free cash flow for 2026 onwards? Thank you.

Gustavo Calvo Paz, CEO

Thank you, Charles, for your questions. I'm going to take the first one. I believe Geert here will take the second one. On the EBITDA growth expected in our outlook for 2025, I would say that you use the word I appreciate, you use the word "prudent". And you can imagine that under the economic, social, political circumstances that all of us are facing at this point in time, we believe that it has been a prudent way, to continue showing our growth in our plans, and in our plans as a whole in terms of delivering the growth, delivering the EBITDA growth and delivering also our cash flow. So yeah, we are confirming that range that we have set up in the outlook.

Geert Peeters, CFO

And Charles, for the free cash flow, the way we look at it is first of all, we guide on an -- again a solid strong free cash flow generation in 2025. Now as [for the] components, Gustavo explained on his slides that for us a normal CapEx level would be 3.5% to 4%. And we intensified our CapEx investments in that three-year transformation journey. So that means we continue doing that in 2025. So we will have an extra amount on CapEx which is fading away at the end of the year. And then on the other hand, we have, of course, our restructuring costs. There, I want to refer to the fact that in the P&L, we have the full accrual for it. So there will be hardly any more accrual impact in 2025. But the expense is partially spread over 2024 and 2025. That means that out of the €60 million which we have as an accrual for the Belgian footprint, about half has been expensed in 2024, the other half will be in 2025 and early 2026, because then we're finalizing the program of building the center of excellence in Buggenhout.

Charles Eden, UBS

Okay, thanks, that's clear. So just to clarify, if you take €50 million round numbers free cash flow for 2024, there's €30 million still relating to restructuring. So you're sort of saying, you're running at a run rate of around €80 million of underlying free cash flow and then obviously depends where CapEx goes from that. Is that correct?

Gustavo Calvo Paz, CEO

Charles, those are your numbers. We cannot confirm nor deny any numbers that you are running. We are trying to be as much as transparent possible in terms of our outlook and also how we are running the business. So yeah, I'm good for you to do the numbers.

Charles Eden, UBS

I thought I'd try. Thanks both. Speak to you soon. Thanks.

Gustavo Calvo Paz, CEO

Yeah. Thank you.

Operator

The next question comes from the line of Wim Hoste calling from KBC-S. Please go ahead.

Wim Hoste, KBC

Yes, thank you, and good morning. I also would like to ask two questions then on Mexico and North America basically. Can you maybe first elaborate a bit more in detail about your production footprint? In the slides you showed that there's a more than tripling of capacity in Stokesdale by the end of 2025 over the strategic planning period. But yeah, can you put that a bit more into numbers? In my knowledge, I think there were or there are 12 production lines in the Mexican facility and at the moment, three production lines in Stokesdale. So can you maybe update [us] on those numbers, what that will be in the end of 2025 and how much capacity would then be split between the two plants? So that's the first question.

And the second question is on the contract structures you have in North America. Not sure you can elaborate on that, but I'm going to ask the question anyway. If there is, I assume that prices are just fixed, excluding tariffs or VAT or anything like that. So I was wondering if there's any change in the regulatory environment, how does that affect the pricing structures you have in the contracts with clients? If you can elaborate on that, that would also be interesting. Thank you.

Gustavo Calvo Paz, CEO

Okay, thank you, Wim. I will try to address your questions. First of all, on the footprint that we have in North America, Stokesdale is growing in capacity, and as I mentioned before, we [will] have tripled the capacity, tripled the assets base, by the end of this year, a little bit even more than triple. And at the same time, the output of those machines has also been increased significantly. So the total output of the plant in Stokesdale, it's increasing radically, I would say. And that is by the plans up to 2025. But those plans continue in the years to come. And yes, we still have our footprint in Mexico, supplying our customers in the West Coast of US, which deliver a significant benefit in terms of supply chain, in terms of transportation for the customers and for us. So it's a unique competitive position there.

Talking about the contracts that you were asking, it's a little bit [too] detailed. We cannot disclose those contracts, as you can imagine. But I can tell you that the contracts today with the retailers are going very well. We have an excellent relationship with the customers, strategic relationships that go beyond [the] specific contract. And we have signed also new contracts that will kick off, more in the second half of the year. And we definitely will, absolutely, it's in our plans to continue growth in [the] North America business. The opportunities are fantastic there and nothing has changed in terms of that. And we have a strong partnership with the retailers in North America.

Wim Hoste, KBC

But if there would be an introduction of a 25% tariff on anything that is imported in the US from Mexico, would that be a significant challenge to your business in your opinion or not?

Gustavo Calvo Paz, CEO

So we all know that the tariff situation is highly fluid at this point in time, right? And we are monitoring very close[ly] all the situation and we are adjusting our actions and plans with a lot of agility, as much as needed. But let me emphasize again that nothing has changed in terms of our growth ambitions in US. We will continue to support our customers' plans with sustainable innovation, with quality and with service levels, as we are committed to do with all our customers. Nothing has changed in terms of that. And we are assessing this tariff situation and implications. And it's not just for the finished goods, but also we need to understand the whole landscape, right. As I was mentioning, the supply chain, the freights and the distribution. Tariffs is a cost for us. It could be a cost. It's not different than any other cost that we have to address. And we will address [it]. At the same time, we need to understand that today 85% of our sales are in Europe, around 15% sales are in US and we have two plants sources in North America. So just to give a magnitude right on this. And in partnership with our customers today and with partnership with suppliers, and also thanks to the hard work that our supply chain team are doing, we have developed robust plans to mitigate all these potential challenges that we could have in the cost front. All that said, I am very confident that in our EBITDA cash flow growth plans as presented in our outlook, I can confirm those. No changes on that outlook at all.

Wim Hoste, KBC

Okay. Yeah, no, no, it's clear. Thank you. Thank you.

Operator

The next question comes from the line of Usama Tariq calling from ABN AMRO-ODDO BHF. Please go ahead.

Usama Tariq, ABN-AMRO / Oddo-BHF

Hi, good afternoon, team. Thank you for the opportunity. I have just two small set of questions. Number one being, could you give slight ballpark with regards to your net debt ratio going forward? What do you see by the end of 2025? I believe it's not in the guidance.

And secondly, if you could provide a ballpark figure of how much do you expect from the Brazilian and Turkish sale combined? If you expect any? Any ballpark figure in that regard would be like net inflow if possible. That would be really nice. Thank you.

Geert Peeters, CFO

I will start with the second one, because that's an easy one. We mentioned it even in the press release that for Brazil and Turkey, we still expect around €100 million of proceeds. So that's what we can confirm.

On that debt, indeed, we don't have a specific guidance on that. But we confirmed the solid cash flow that we foresee. From a leverage point of view, I can reconfirm what we said before. First of all, as a company, we believe that all we do below a leverage ratio of 3x, it's healthy as a company, but we have the intention that the level 2x to 2.5x is a good level for the coming periods, for which we have the intention to go.

Usama Tariq, ABN-AMRO / Oddo-BHF

Okay, thank you. Very helpful. Thank you.

Operator

The next question comes from the line of Fernand de Boer calling from Degroof Petercam. Please go ahead.

Fernand De Boer, Degroof-Petercam

Yes, good morning. Fernand de Boer from Degroof Petercam. Thank you for taking the questions. The first is on North America. Previous quarter, actually you had to lower your guidance because of hiccups in the US production. Now you have very strong volume growth delivered in the US, in North America. So does it mean that the problems are more or less behind also given the confidence you have in the volume growth going forward? That's the first question.

And then on the second one, you renewed your revolving credit facility, actually stepping up a little bit. But you also have to refinance I think €580 million bond in 2026. Does it mean that actually you will use part of the credit facility to refinance part of this bond refinancing?

Gustavo Calvo Paz, CEO

Fernand, hi, hello, how are you? And appreciate your question. I'm going to take the first one and Geert is going to take the second question. In terms of the expectations in growth in North America, last year, we grew strong double-digit growth and we have already plans and contracts that it will, we continue with ourselves now with the existing contracts and then we have some new contracts that are kicking off more in the second half of the year. So we are going to show continued volume, strong double-digit volume growth in North America in baby care. So our growth aspirations in North America, I can tell you that we are very solid. Of course, that is not lack of huge work from our supply chain teams especially, but our relationship with the customers are getting stronger quarter by quarter.

Geert Peeters, CFO

And then Ferdinand, on the high-yield bonds, as you rightly said, we already refinanced at the end of November, the revolving credit line. We will now look into the high-yield bonds. We're, as I said, working on it. We're confident on refinancing it in the course of 2025. For the RCF, it was also expiring six months before the high-yield bonds so we have somewhat more time. And as to the size, we will decide at that moment what size we will take on that refinancing. But of course, with all the cash flows we generate and the proceeds, it will be likely lower than the €580 million.

Fernand De Boer, Degroof-Petercam

Okay. Thank you. Maybe ... sorry.

Gustavo Calvo Paz, CEO

Go ahead, go ahead, Fernand.

Fernand De Boer, Degroof-Petercam

I had one other question. In baby care, so you have strong growth in the North America, but in Europe, I think you are still moving away from the lower end of the market. But how far will it go? Will it continue in 2025 that you still see lower volumes in that part of the market, or could that stabilize and at the end of the day, and have also higher volumes then, in Europe?

Gustavo Calvo Paz, CEO

So in Europe and as well as in North America, I want to support also the answer that I gave you before. I want to emphasize in the point about innovation, sustainable innovation that we are bringing to market, and the fact that we are building very strong strategic relationship with

customers. So the innovation and our pipeline is, is very, very strong and helping building those relationships. In Europe, on this follow-up question that you ask, the market, baby care market, it is declining. The birth rate is declining. So it has an impact on the total market. But retailer brands continue to grow, lower than perhaps in years before, but continue to grow. And retailer brands in many cases are getting very, very strong as a brand in the marketplace in some countries. And we are, in our forecast, we contemplate [to] continue to grow double digit in those trending subcategories within the baby care, [such] as baby pants, and including also gaining new contracts in open diapers, due to our strong innovation and great performance of [the] product, as they are seen by customers. So we are confident on our volume expectations also in Europe.

[Fernand De Boer, Degroof-Petercam](#)

Okay, thanks a lot.

[Gustavo Calvo Paz, CEO](#)

You're welcome.

[Operator](#)

The next question comes from the line of Reg Watson calling from ING. Please go ahead.

[Reg Watson, ING](#)

Afternoon. Yeah, it's a little bit of a follow-up to Fernand's question and it's prompted by the observation that adult care is for the first time ever, the largest revenue contributor for the business. So given your expectations for double-digit growth in North America, how do you see the revenue share evolving between adult care and baby care as we go forward?

[Gustavo Calvo Paz, CEO](#)

All right. So I'm not sure if I understood correctly your question, but so our focus in North America today, it's in baby care as mentioned before. The adult care is a very, very important category for us and we are growing significantly in adult care. We have a very strategic competitive position in two channels, a strong position in two channels, in the institutional channel and in the retailer channel, so in Europe. That gives us a very strategic good position. And we are growing double-digit growth in those trendy categories in light incontinence, in some categories, in light and moderate incontinence. So that's the reason why incontinence is growing significantly in the total Core [Markets] business that we have. Although, of course, that while we are growing faster in double-digit growth in the total baby care in North America, the mix of the two categories ... In one category, it's stronger in one region, the other one is growing significantly, so it's compensating. I don't see a major change towards the future in terms of the mix of the categories. And I don't see also as well that ... In those terms how we are doing the things, how we are approaching the markets currently in North America and in Europe, it's based on our plans for investments for the future. That does not mean that we will not do investments in the future, in incontinence in North America when the time comes.

[Reg Watson, ING](#)

Okay, okay. Thanks, Gustavo. So if we look into 2025, do you expect like-for-like growth to be higher in adult care or higher in baby care in aggregate?

[Gustavo Calvo Paz, CEO](#)

Based on the categories, I see [it] even, yeah.

Reg Watson, ING

Okay.

Gustavo Calvo Paz, CEO

In total, if we analyze this from a total Core [Markets], we see it even, because baby care will grow coming from North America, and adult care as it is a very big business today in Europe, [which] will continue to grow. So it's going to compensate one another.

Reg Watson, ING

Okay, that's really helpful. Thank you, Gustavo.

Gustavo Calvo Paz, CEO

You're welcome.

Operator

The next question comes from the line of Markus Schmitt calling from ODDO BHF. Please go ahead.

Markus Schmitt, Oddo-BHF

Yes, hello, thanks for taking the questions and congrats to the progress in 2024. Firstly on the asset sales, you spoke of a weaker Brazilian market in Q4. So just as a quick confirmation for me, is that in any way jeopardizing the sale process or do you still expect this will be completed in Q2, I think the period you mentioned?

And in terms of the new RCF, could you disclose the margin over EURIBOR on the new RCF, that would be helpful? Thank you.

Geert Peeters, CFO

Okay, Markus, two questions for me. First of all on the Brazilian sale, this is more related now to antitrust authorities looking at it. So the fact what's happening in the Brazilian market, that there's some more competitive pressure in the market. It doesn't matter for the deal. So the deal is continuing and we expect it to close in Q2 of this year.

On the RCF, the conditions, this will be very similar than the current RCF that we have, but for a period of five years.

Markus Schmitt, Oddo-BHF

Good, great. Thank you very much.

Operator

There are no further questions, ladies and gentlemen. So as a final reminder, if you would like to ask a question, please press Star-1 now, on your telephone keypad.

The next question comes from the line of Karel Zoete calling from Kepler Cheuvreux. Please go ahead.

Karel Zoete, Kepler-Cheuvreux

Yes, good afternoon. Thanks for taking the questions. I have a follow-up question on Mexico and about the tariff risk. Any help here in terms of quantification would be useful, I guess. Like what would be the impact in case tariffs go through? Because if I look to the business today, we know the

lion's share of the things sold in the US are still manufactured in the US. So how will you act in case there's a 25% tariff? Is that raising prices or working on efficiencies?

And the second question is a follow-up on the outlook, you guide for 4% to 7% EBITDA growth which is more or less where you see volumes probably ending up as well. I expected a bit more operating margin expansion given the big restructuring we had in Belgium with the big step on the fixed costs side. So, are these savings still to be expected a bit later? Are they partly reinvested? Those are the questions. Thank you.

Gustavo Calvo Paz, CEO

Thank you, Karel. I will take again the tariff questions and try to address it. Again I'm going to say that this situation is, you know that it's very fluid, right. So there are several things that are unknown yet, but for us it's as any other cost that we have in our product. So with that philosophy, that is a cost. We are treating [it] in all the ways that you have mentioned before. So we will treat a challenge in the cost, as [if] it were from a raw material. So we partner with customers. We partner with suppliers. We work hard in our operational efficiencies. But again, you're asking for an amount of money, that would be impossible to say that, because it can take me hours to explain to you all the different implications and potential ways to mitigate. You have to believe that we have several ways to mitigate that impact. And that's why we are confirming our outlook on our growth and in our EBITDA growth, as it says in this announcement. We are not changing that.

Karel Zoete, Kepler-Cheuvreux

Okay. So if tariffs do come, then the margins will at least be at the 12% level you generated this year?

Gustavo Calvo Paz, CEO

Yeah.

Karel Zoete, Kepler-Cheuvreux

Okay, that's clear.

Geert Peeters, CFO

Karel, on your second question, of course, it's also a dynamic of different impacts on our results. But first of all, the savings we expect from the footprint restructuring, of course, they are coming. Of course, there's a timing impact as you say. You know that, at the same time, we're completely reorientating Buggenhout, which comes with a lot of work, also with some costs that will be ongoing until Q1 2026. So that means some of the savings currently, they're still a bit hidden because of all the costs we do to do that transformation. So the full saving you see, we'll see that more in 2026 and of course, in 2027. And at the same time, you also know what we did exactly the same in 2024. Part of our savings, we also reinvest in the company. So that's also continuing in order to make the company more competitive and grow the volumes.

Gustavo Calvo Paz, CEO

If I can build on that as well, Geert, I think to clarify to Karel, our investments in restructuring, the payback as any other investment, it needs to be paid back in less than three years. And I can tell you that this one is in line with that policy that we have within us, three years payback. But then if I put together, as I mentioned in the presentation before, if we put together all our investments in efficiencies that we have done in the last couple of years and in restructuring. If I put all that money together, the cost transformation, net improvement that we have done, it's more than the investment that we have done, so in the same period of time. So very strong paybacks.

Karel Zoete, Kepler-Cheuvreux

Okay. And I think the factory in Eeklo has been closed, right. So those fixed savings and those are in the base by the end of 2024, right?

Gustavo Calvo Paz, CEO

Has been closed. Yes, it has been closed.

Karel Zoete, Kepler-Cheuvreux

Yeah. Okay, thank you.

Operator

The next question comes from again Wim Hoste calling from KBC-S. Please go ahead.

Wim Hoste, KBC

Yes, thank you for taking the second round of questions. Firstly on the like-for-like growth guidance, top line: 3% to 5% growth. Can you elaborate or split up between volumes and pricing? I think that you suggested that there will be further price investments. Does that mean that volume growth will be above that 3% to 5% range and then partly compensated by lower prices? Can you maybe elaborate on that? That's the first question.

And the second one would be on the North American supply chain for not only you, but the entire industry. Can you give us an idea about how much of the current products that are sold in the US or manufactured in the US and how much is then produced elsewhere, like Canada and Mexico? Is the bulk of the industry capacity in the US or not? That's basically the question.

Geert Peeters, CFO

Okay Wim. You ask difficult questions, because on the guidance, we give guidance on the overall of the revenue. What I can say on the volumes, Gustavo explained on the positive dynamic [that] we have in adult care, [that] we have in the US. So you can assume that that continues, the trend that you have seen over the last year. The same for the pricing. There's no reason to believe it will be completely different, except for the fact, with all the geopolitical uncertainties it might be, the pricing will also follow what's happening in the market from a cost point of view so that we will see how it materializes in the coming months and quarters.

Gustavo Calvo Paz, CEO

Very good. And regarding... You specifically asked about our capacity in North America, if we can source. We are sourcing two coasts from North America. And that, it's a little bit difficult to get. But having a West Coast sourcing and an East Coast sourcing with the Stokesdale plant, we are having a competitive advantage in terms of freight, that for this type of category is a significantly impact on the cost. Again, freights are part of the cost of the delivery. So balancing those things, production, tariff or not, balancing production in the different setups on the west and east is what we are doing. And also it grants, it gives supply guarantees and assurance to the customers, so that is another addition to the competitive advantage. Tariffs are going to be one more cost for us. Our increase in production in Stokesdale will continue, and our plans, we have strong plans to continue to grow in capacity in Stokesdale. And that has not changed anything in our plans. It has been from the beginning, from the start of the strategy, and it will continue to do like that. So I won't be able to give you exactly capacities as you're asking. Imagine that those are very strategic, you know.

Wim Hoste, KBC

My question was more on the industry as a whole. If you look both private label and A-brands that are being sold in North America, is the vast majority of production serving that market in both private label and A-label brands, is that coming or produced in the US or is there also significant chunk being imported in the US from either Mexico or Canada as main sources? Can you just give us a bit of a feel on that, whether you're the only one producing outside US or not?

Gustavo Calvo Paz, CEO

No, we are not the only one. And it goes depends on the different subcategories in all these sectors, in baby, feminine, and adult. There are different type of products, and there are different sourcing. But if you ask the question about generally speaking, is US capable to source their demand? Generally speaking is yes, majority is sourced from US. So yeah, I don't think that there are going to be a lack of products, any time in US, no.

Wim Hoste, KBC

Okay, understood. Thank you.

Gustavo Calvo Paz, CEO

You're welcome.

Operator

There are no further questions. So I will hand you back to your host to conclude today's conference. Thank you.

Gustavo Calvo Paz, CEO

So, I thank you very much for your questions and for this time investors by you to understand our business. And as I mentioned before, we are starting our third year of our three-year transformation journey. And we are ready to go for this year as very, very strong. Teams have been working incredibly hard and they will continue, and we will continue to work very hard. And I want to remember that we're growing on our top line, and driven by volume growth this time and we are expecting the same for 2025. Our adjusted EBITDA margin increased significantly reaching 12% in 2024, and we have made a significant step change in our free cash flow generation, which build a strong confidence on all of us for the future. So thank you very much and talk soon.

Operator

Thank you for joining today's call. You may now disconnect.