26Q3 Transcript

Presentation

Geoffroy Raskin, Investor Relations

Good afternoon, everyone, and thank you for joining us today. I am Geoff Raskin from IR, and I am pleased to have with us our CEO and Stéphane Re, our new CFO, to present the results of the third quarter of 2026 and an update on our strategic transformation.

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 have duly noted it. With that cleared up, Laurent, over to you.

Thank you, Laurent.

Laurent Nielly, CEO

And good afternoon to everyone. Today, we have reported the results of a challenging quarter and a further revision of our outlook, and we thought it was important to put this in the broader context of our transformation. So, let me start with that.

Last July, we articulated our direction and, in particular, four major strategic shifts to improve our performance and restore value creation. Together, they aim at increasing both volume growth, margin expansion, and better cash flow generation. Our Q3 results, if anything, just reinforce the need to execute the shifts even more, and we are making progress on each of the strategic shifts. We provided some concrete examples in our press release this morning. I will not have time to go through all of them, but I just wanted to give you a bit more flavor on the important *Focus to Valu*e program.

Focus to Value brings together several workstreams that ladder up to our €240 million savings target by the end of 2028, relative to the 2025 baseline, and this program delivered a solid €45 million year to date. I wanted to share a couple of the progress [examples] we're making progress in different workstreams. First, in manufacturing excellence, we're improving plant efficiency, including overall equipment effectiveness and scrap rates, while also adapting our production footprint. We are progressing well on what we had announced earlier this year on ceasing manufacturing in Australia, which will be finalized in Q4, and on rightsizing the tampon plant in Germany. Second, on logistics and planning, we have completed the new end-to-end planning blueprint and are moving into implementation, including a new advanced planning system to go live in the course of 2027. On complexity reduction, our current focus is on standardization of raw materials, which will support procurement savings and lower inventory requirements. Here again, the assessment has been completed, and we started to implement. And the fourth workstream that we highlighted today, is on streamlining our organization. We had shared in July a target of a reduction of more than 20% in white-collar positions outside of manufacturing, of which around one third has already been completed or is in execution. As you can see, we are attacking many fronts, and I am proud of the energy and the resolve that our team is showing in finding new ways to drive efficiency and strengthen our competitiveness.

I also wanted to highlight an important view on our business regarding financial performance, because I believe it underpins our confidence in our recovery and improved future. Looking at our group overall does not do justice to our starting position. So, if you split our total business by broad geographies, you will find that our business in Europe and, for clarity, this excludes Russia, represents around three quarters of our total group. It is the home of our adult business, and it is very encouraging that it has maintained a double-digit adjusted EBITDA margin over the first nine months of this year, while the overseas operations, which include, for instance, North America and Australia, remained a source of margin dilution. But our transformation addresses this exposure directly. And in addition, we are systematically reviewing every product and customer combination across all markets to continue to drive mix and to improve the robustness of our portfolio. This is why we're confident we have a strong enough core platform upon which to build our value creation model.

But clearly, it was not enough to help us address, what we need to say, is a very challenging environment. Ans so our third quarter performance and our financial results were disappointing. I want to be clear about

that, about what drove the shortfall, how we are responding, and why it does not change our confidence in the direction we set out in July.

Let me start with revenue, which was broadly stable compared with the previous three quarters, at €428 million. The decline of around 4% year-on-year reflects soft market demand and some contract exits we had anticipated. The decline in adjusted EBITDA, however, was greater than we expected. Raw material costs reached their highest level of the year, while pricing and cost-saving benefits are taking longer to materialize than we had planned. Closing that gap is the clear management priority. Disciplined cash management, however, allowed us to reduce net debt slightly despite the weaker operating results. The decline in adjusted EBITDA pushed leverage up to 3.75 times at the end of September, while liquidity remains solid above €270 million. Stéphane will discuss leverage and liquidity in more detail. Let me explain the factors driving our reported performance.

This chart should be familiar to the ones that follow us quarter after quarter. On the left, it shows our quarterly revenue since the onset of 2025, and you can see that revenue has stabilized sequentially in 2026. On the right, the adjusted EBITDA, where you cans see the pressure on profitability as we face an exceptional external environment. And after a broadly stable first half, Q3 took the full impact of the raw material's sharp increase.

So let me go deeper into what drive raw material prices today. The chart shows the indices that drive our main raw material costs. The indices rose sharply at the end of Q2, and that increase is what hit our Q3 costs. Although those indices have eased slightly since, they remain well above the start of the year, and we actually continue to see volatility as a result of the ongoing Middle-East crisis. Overall, raw material prices rose by about 10% in the third quarter compared to the start of the year, and transportation costs increased by a similar percentage, with high diesel prices impacting us since March. This is why continued pricing, together with mix and productivity, remain absolutely essential. But before I comment further on our revised outlook for the year, let me turn to Stéphane Re, who joined us as CFO in mid-September. He will now take you through the detailed Q3 2026 financial results and our financial position.

Stéphane Re, CFO

Thank you and good afternoon. This is my first results presentation with Ontex. Let me briefly introduce myself. I bring experience in fast-moving consumer goods, where understanding customers and maintaining cost discipline are absolutely essential. I have also led transformation and cash-focused programs in private equity-owned businesses. That experience has reinforced the importance of cash management and a realistic assessment of performance. My focus is on financial discipline and supporting the operational improvements needed to restore sustainable returns, and I'm looking forward to contributing to Ontex's transformation.

Revenues on this slide. You will find, as usual, the revenue bridge from Q3 last year to this year. And as Laurent explained, the revenue declined by around 4%, with volume down 5%. Let me break down that performance for you. Adult care volumes were stable overall. Continued growth in European healthcare offset weaker sales in retail. We continue to see adult care as an important source of future growth, while recognizing the near-term softness in retail. Feminine care volumes fell by 12%, mainly reflecting the planned contract exits in North American contract manufacturing and other overseas markets. The large volume impact came from baby care, where volumes declined by 9%. Contract exits overseas and weaker diaper demand, mainly in Europe, were the main factors. At the same time, baby pants continued to grow, especially in North America, thanks to the ramp-up of previously secured contracts, providing an important positive within the category. The change in our product mix contributed to a positive price/mix effect of around 1%. The pricing actions to recover inflation have not yet made a significant contribution, and passing higher costs through is taking longer than we anticipated in those categories with weak demand and strong competition. We remain focused on securing that recovery while managing our customer relationships very carefully. Currency translation added approximately 0.5% to revenue, mainly reflecting the appreciation of the US dollar and the British pound. Now, the stronger dollar works the other way on transactional cost exposure, as part of our raw materials is dollar-linked. And Laurent will come back to that in the outlook.

Let me now explain how these developments affected adjusted EBITDA. So here you have the same bridge for adjusted EBITDA. And you immediately see the €7 million negative effect of volumes not yet balanced by price increases. The net cost effect reduced adjusted EBITDA by a further €18 million. And Laurent explained the impact of higher raw material costs. But other costs are up as well by about 10% year-on-year. Our savings offset the cost increase partially by reducing, i.e. the cost base by some 4%. So savings

are making a real contribution. *Focus to Value*, our program, delivered €16 million in the quarter. Lower volumes nevertheless limit the benefit that we can realize in manufacturing, which is why both commercial recovery and productivity improvement remain important. In the SG&A environment, [savings] more than offset inflation and reduced absolute costs, and this demonstrates progress in the areas where we can directly control, with further opportunities still to capture. Currency translation provided a small positive effect, but it was insufficient to change the overall picture. Taken together, adjusted EBITDA declined by 49% to €26 million. The margin fell by 5.3 percentage points to 6.1%. These results show the size of the gap we need to close through pricing, savings, and sustained cost improvement. I will now turn to net debt, leverage, and liquidity.

Preserving liquidity is a central management priority for us. At the same time, the lowered last-12-months adjusted EBITDA is putting pressure on leverage. So we need to manage cash and covenant headroom very closely. We reduced net debt slightly despite the lower results. Working capital inflows helped, including improved payment terms under our *Focus to Value* program. We manage our capital expenditures much more carefully, taking into account demand and the timing of our investment requirements. Leverage nevertheless increased to 3.75 times at the end of September, because the last-12-months adjusted EBITDA declined. The revolving credit facility tests leverage at the end of June and December, and with a 3.5 times threshold and a one-time allowance up to 3.75 times. September is therefore not a test date for us, but the ratio highlights the limited headroom we have. As Laurent will explain, our year-end objective is to remain at or below 3.75 times, supported by earnings recovery and disciplined cash management. As the headroom covenant is limited, however, we are engaging with our banks to secure a temporary adjustment to the leverage covenant. Liquidity at the end of September was €272 million, comprising €82 million of cash and approximately 70% of our €270 million revolving credit facility remaining undrawn. This supports our operations and transformation program execution, and preserving that capacity remains a priority for us, and the available liquidity does not lessen the need to manage leverage.

Before handing back to Laurent, I will address the recent development affecting our Russian operations and the financial implications we can assess as of today. As we announced on October 16, our Russian entity was placed under interim administration by decree of October 15. Yet we remain the legal owner, but we currently have effectively lost control of its operations. We are assessing the situation, and it is too early to predict how the relationship between Ontex and the subsidiary will evolve. The business was already operating autonomously and in compliance with applicable regulations. The loss of control triggers the deconsolidation from October onwards. On a pro forma basis, at the end of September, net debt would decrease by around €10 million, reflecting the removal of about €19 million of cash and approximately €30 million of lease liabilities. Our liquidity position reduces to €252 million pro forma. We had originally expected around €2 million of adjusted EBITDA contribution into Q4 and following that, deconsolidation, that contribution is likely to be minimal. And with that, I will hand back to Laurent.

Laurent Nielly, CEO

Thank you, Stéphane. Let me now turn to what we see ahead with our revised outlook for the year.

So, yes, we are lowering our adjusted EBITDA range for the year versus our previous guidance, and four factors led us to change the outlook. First, and with the greatest impact, costs are staying higher for longer than we anticipated at mid-year. Diesel is an example, but it also includes the negative impact of the US dollar against the euro since mid-September, which raises the cost of our dollar-linked raw materials. Second, recovering these costs through pricing, as we said, is taking more time with customer concerns about consumer sentiment and footfall. Third, we have seen lower volumes than what we had expected initially. Our stable sales are encouraging, but frankly, we expected more both in North America and in Europe. Fourth, the impact of the deconsolidation of the Ontex Russia entity. These factors, already included into our Q3 low results, meant that our previous guidance was no longer within reach. We are bringing down, therefore, the full-year adjusted EBITDA range from €165 million to €180 million down to €143 million to €148 million.

Let me now share what it means for Q4. For Q4, we expect adjusted EBITDA to be in the range of €39 to €44 million, thereby recovering at or above the level achieved in the first half and of Q4 of last year. This is underpinned by confirmed pricing ramp-up, a modest quarter-on-quarter easing in cost inflation, and continued delivery of savings, in addition to slightly higher volumes linked to small seasonality of our sales. And it also anticipates some slight impact from the deconsolidation of the Russia entity, as Stéphane indicated.

Going to the other outlook KPIs. We are improving our guidance on free cash flow, which is now expected to improve to €0 to €(10) million, versus the previous guidance of €(15) to €(25) million, and this despite the lower adjusted EBITDA, as Stéphane explained, thanks to our continued strict cash management. Our year-end leverage is not to exceed 3.75 times, and we have a full plan in execution. And we are confident we will maintain the necessary liquidity and operate within our covenant limits.

Let me close with our immediate priorities for Q4. First and foremost, preserve financial flexibility. Second, continue pricing actions in the face of sustained higher input costs. The contribution from pricing is expected to increase in Q4. Third, deliver further productivity and efficiency gains through *Focus to Value*. We're making progress and this will accelerate also in 2027. Of course, in parallel, we continue to progress on all the other shifts like [our] adult strategy or [the] North America reset. So those are our immediate priorities. As I said in my opening, we are starting to see some progress on all key initiatives, but we are not satisfied with where we stand. We have significant work ahead to deliver the potential of the business. We have strong positions and assets to build on, and we're confident in the direction we're taking. With that, Stéphane and I are ready to take your questions.

Q&A

Geoffroy Raskin, Investor Relations

Thank you, Laurent and Stéphane. We will now open the Q&A [session]. To join the queue, please press the pound key followed by five. And to withdraw your question, press the pound key followed by six. Now the first question comes from Karine Elias from Barclays. Carine, we listen.

Karine Elias, Barclays

Hi, thank you for the presentation and thanks for taking my questions. I have a few, if I may. I think you mentioned that pricing actions have ramped up more gradually than you had anticipated. And this is, to be honest, very in line with what we're hearing from some of your peers and some of the paper and packaging companies. So, some of them have compared the current environment to 2017, where I think at the time [it took] five to six quarters to recover inflation. And they also mentioned overcapacity that needed to clear and adjust to reestablish that balance. Is that a fair assumption? Is that consistent with what you're seeing? That would be my first question. My second question: it is great to see you upgrading the free cash flow guidance despite the decline in the [adjusted] EBITDA. But I also noticed that you have drawn more on your factoring lines. So, I am just wondering if that is helping a little bit on the working capital and perhaps helping a little bit the guidance. Could you help me square that up? And then my last one was on the Q4 guidance. Obviously, I think part of you cutting outlook is because of the lower volumes. And I am just kind of wondering how confident you are about volumes in Q4, because I remember last year around about that same time you had reiterated guidance, and then obviously we had the profit warning in December. What could go wrong in Q4, or could infer that the €39 - €44 million would [not] happen. Thank you.

Laurent Nielly, CEO

All right, thank you, Karine, and I will address your first and third questions. And Stephane will answer on the factoring. On pricing, I think you're right. I think our current assumption is that it is going to take more time to recover the pricing. I think you were mentioning the 4 or 5 quarters from probably the 2021-2022 episode where we had steep inflation. I don't have an exact view on that, but yes, it is fair to assume that it will take another few quarters for that to be fully implemented. And for the reasons you mentioned regarding our customers' concerns about consumer sentiment, and the fact that there is, in some categories, a bit of capacity where we have, many players protecting their market positions. So that's a fair assessment. On your Q4 outlook that we present, most of the elements are pretty mechanical. So I feel pretty strong about the forecasts that we have for Q4. You are right that the one area where there is still a bit of a range is the volume, and we expect higher volume in Q4 versus Q3 on a like-for-like basis, but we have plans in place in case that volume will not 100% materialize. So we are pretty confident about the range we are providing today. Now I'm going to pass it to Stéphane to answer on the factoring question.

Stéphane Re, CFO

This is an excellent question. Look, you're right, we have taken a bit more from our factoring program. What you need to know is that we are managing, within our *Focus to Value* program, a very strong payment term management process. And therefore, the improvement that we've seen in our working capital does not come from the change in the factoring arrangement. It is mostly driven by the way we manage our inventories on one hand, and then the way we are managing our payment terms, on the other hand, with lots of possibilities. But it is factually correct. We are taking some opportunities to do better with our clients that are part of a factoring agreement.

Karine Elias, Barclays

That is very clear. I appreciate it. Best of luck.

Laurent Nielly, CEO

Thank you.

Geoffroy Raskin, Investor Relations

Thank you again. The next question comes from Maxime Stranart from ING. Maxim.

Maxime Stranart, ING

Hi. Good afternoon. I hope you can hear me well. Two questions on my side, if I may. First of all, looking at the article in a Danish newspaper yesterday mentioning that [the] Navarra [region] is planning to claim a €25 million damage fee from Ontex. Any color you can provide on this topic? And secondly, looking at the performance in Q3, baby care [was] down more than 8% like-for-like, femcare more than 10%. Could you elaborate what is the impact of the exit of contract manufacturing versus the actual performance of the category itself? That would be very helpful. Thank you.

Laurent Nielly, CEO

All right. Thank you, Maxime. It's Laurent. I will address your two questions. So on your first question, you are referring to an article published in the Spanish newspaper yesterday that was also taken partly by *De Tijd* newspaper also yesterday, concerning a damage claim of one of the regions in Spain against a consortium of companies. It is not just Ontex. It is a consortium of companies of which we were a part. It is an old claim that we do. We have not been receiving any official notification to that date, so I cannot really comment on rumors. What I can tell you is that we have a pretty strong legal position, and that we don't expect that it would have, if it were to be confirmed, any material impact on Ontex. That is on the first question. On the second question, yes, on femcare, I would say most of the decline is related to contract exits. If you look at the underlying category trend. It is flat, about flattish, okay, in Europe. And on the baby [category], conversely, here most of what is driving the decline in baby diapers is market related, where it's a high single-digit decline in baby diapers, both in North America and in Europe. And so that would be the key driver. While in pants, we are driving growth ahead of the market. I hope I answered your question.

Maxime Stranart, ING

It does. Thank you. Just maybe if I can squeeze a quick follow-up on this one. Could you maybe elaborate a bit on what is the mix in baby care: pants versus diapers? Or is it something you are not keen on providing at the moment?

Laurent Nielly, CEO

So I think the mix is pretty consistent with the market, which is if you look at it in volume, it's 25% to 30% to baby pants and the rest to baby diapers.

Maxime Stranart, ING

That is very helpful. Thank you for the answers.

Geoffroy Raskin, Investor Relations

Thank you, Maxime. The next question comes from Rebecca Clements from J.P. Morgan. And just as a reminder, if you want to join the queue, please press the pound key followed by five. If you want to withdraw, followed by six. Rebecca, the line is yours.

Rebecca Clements, J.P. Morgan

Hi, thanks for taking my questions. I had a couple. Just regarding Russia, can you give us a sense for what the sales mix was there across your different product categories and what the full-year [adjusted] EBITDA contribution would have been? You said 2 million in the fourth quarter, but I did not know if there was any seasonality in that. So that's my first question. The second question is regarding discussions with banks. I believe your credit facility is currently unsecured, and I was curious: get some headroom here and give yourselves an appropriate amount of space to operate in. Do you think that you are going to have to provide security, or that they may require that you change that credit facility to secure it? And would that impact your ability to factor receivables at all? And then just lastly, is there any change in the capex outlook, now that you are obviously being quite disciplined about capex right now? Thank you.

Laurent Nielly, CEO

Yeah. All right. Thank you, Rebecca, I'll take your [questions] one and three, and then Stéphane will comment on the bank discussion. On Russia, our sales are a majority adult care products, and the rest is baby. It is a very, no fem care sales. And the [adjusted] EBITDA for full year, if you look at the historical data, we had indicated into our press release a 7% to 8%. It's running, the run rate, a little bit below that. So, you know, if you wanted to have a full year impact, you could take approximately the indication on Q4 and annualize it, [and] you would not be very far from what you think. But it is still not 100% confirmed on what the relationship will be between the two subsidiaries. That is why it is so difficult for us to predict, okay. On the CapEx, you are correct that we will end up the year below our initial target. So, we will probably end up the year below 4% of sales in CapEx. And now I'm going to let Stéphane comment on the bank.

Stéphane Re, CFO

That is a good question. Look, as I was saying before, we have engaged with our banking partners to get a temporary adjustment of our leverage. We do not anticipate any change as far as the core terms and conditions of the RCF. And once again, I repeat, this is a temporary adjustment only. We are not changing the mechanics or fundamentally the content of the RCF arrangement. To the other part of the question, no, we do not anticipate, therefore, as a consequence, any change in our ability to factor our receivables. The bank that is factoring our receivables is also one of the banks within the pool, and we are progressing very well with all of those banks as we speak.

Rebecca Clements, J.P. Morgan

Could I slip in one more question?

Laurent Nielly, CEO

Go ahead.

Rebecca Clements, J.P. Morgan

Just regarding your guidance, given the spike that you had in your raw material costs in the third quarter, I think your updated guidance sort of implies that you would be flat in the fourth quarter with [the] 2025 fourth quarter. If that is the case, and you have commented that the price increases are slower to come through than you would like, is it reasonable to think that, I am just curious how you are going to be able to manage around that from a margin perspective, especially when you factor in as well the deconsolidation of Russia, etc.? So, what am I missing here? Are there hedges that came into effect on your raw materials, or is there some other factor that I'm missing, or is pricing coming through better than maybe I'm thinking. It will just kind of help on the margin front, given how much of an impact it was for you in the third quarter. Thank you.

Laurent Nielly, CEO

Yes, thank you. It is a good question. I think if you look at it versus last year, which is your question, you would find more productivity than what we delivered last year, which is incremental. You would find that, yes, we are reducing the gap between the cost inflation and the price. So a big contribution going from Q3 to Q4 will be on price that has been confirmed. But mathematically, some of our price increases only started in September. So that is a mechanical effect into Q4. You [will] find a better mix and slightly better volume in Q4 this year than the last year. And then finally, we are making progress on improving our profitability in North America, which also will be a positive contribution. And last but not least, because we are looking at also productivity gains across all the lines, the SG&A is contained. Right, and so those would all be positive contributors. Not there is no magic trick or hedging or other factors included in those results ... including in that guidance, I should say, not results.

Rebecca Clements, J P Morgan

Thank you.

Geoffroy Raskin, Investor Relations

All right. Thank you very much, Rebecca. There are no further questions. So Laurent, I will hand it back over to you.

Laurent Nielly, CEO

Well, thank you. Thank you Geoff and Stéphane. And thank you all for joining the call and for the questions that we received. We are moving forward and started the execution of the transformation towards a more focused, resilient, and cash-generating Ontex. At the same time, this quarter financials fell short of our expectations. And while we expect a recovery in Q4, we have to continue to work harder on all the elements against an external backdrop that remains difficult. But our core business is really resilient, and we have many opportunities for profitable growth and clear actions to tackle where we have margin-dilutive operations. We remain focused on converting those strengths and initiatives into better earnings and cash generation, and we look forward to updating you on our progress. Have a good day.