



Orthex Corporation: Interim report January-March 2023

Orthex Corporation, Stock exchange release, 17 May 2023 at 9.00 a.m. EEST

Profitability improved. Strong sales growth in European strategic markets, consumer uncertainty hampered sales in the Nordics.

This release is a summary of Orthex Corporation's Interim report for January–March 2023. The complete report is attached to this release as a pdf-file. It is also available on Orthex's website at <http://investors.orthexgroup.com/>.

January–March 2023

- Invoiced sales decreased by 1.3% and totalled EUR 21.2 million (21.5)
- Net sales decreased by 0.5% to EUR 20.5 million (20.6)
- Adjusted EBITDA was EUR 3.4 million (2.8)
- Adjusted EBITA was EUR 2.4 million (1.8), representing 11.7% of sales (8.8)
- Operating profit was EUR 2.3 million (1.8)
- Net cash flows from operating activities were EUR 2.5 million (1.9)
- Net debt / Adjusted EBITDA was 2.4x (1.8)
- Earnings per share, basic was EUR 0.07 (0.06)
- Orthex participated in the industry's most important sales fair Ambiente in Frankfurt in February.
- Orthex published its Annual and Sustainability Report 2022 and reported it reached many significant sustainability milestones.

Long-term financial targets

As long-term financial targets the company has adopted to an average annual organic Net sales growth to exceed 5 per cent at the Group level and to exceed 10 per cent outside the Nordics (growth in local currencies), adjusted EBITA margin (adjusted for items affecting comparability) to exceed 18 per cent over time and net debt to adjusted EBITDA ratio to stay below 2.5x. Leverage may temporarily exceed the target range (for example, in conjunction with acquisitions).

The company aims to distribute a stable and over time increasing dividend with a pay-out of at least 50 per cent of net profit, in total, on a biannual basis.

Orthex does not publish a short-term outlook.

Key figures

EUR million	1–3/2023	1–3/2022	Change	1–12/2022
Invoiced sales	21.2	21.5	-1.3%	85.8
Net sales	20.5	20.6	-0.5%	84.0
Gross margin	5.4	4.9	10.5%	17.9
Gross margin, %	26.5%	23.8%		21.3%
EBITDA	3.4	2.8	21.3%	9.2
EBITDA margin, %	16.4%	13.4%		10.9%
Adjusted EBITDA	3.4	2.8	23.3%	9.3

Adjusted EBITDA margin, %	16.6%	13.4%		11.1%
EBITA	2.3	1.8	29.4%	5.3
EBITA margin, %	11.5%	8.8%		6.3%
Adjusted EBITA	2.4	1.8	32.4%	5.5
Adjusted EBITA margin, %	11.7%	8.8%		6.5%
Operating profit	2.3	1.8	29.9%	5.2
Operating profit margin, %	11.3%	8.7%		6.2%
Net cash flows from operating activities	2.5	1.9	33.8%	6.2
Net debt / Adjusted EBITDA	2.4x	1.8x		2.8x
Adjusted return on capital employed (ROCE), %	7.2%	5.3%		15.9%
Equity ratio, %	37.6%	36.7%		36.3%
Earnings per share, basic (EUR)	0.07	0.06	17.3%	0.12
FTEs	281	294	-4.4%	295

Alexander Rosenlew, CEO:

In the first quarter, Orthex's net sales decreased slightly by 0.5% to 20.5 million euros (20.6). In constant currency overall net sales growth was 2.5%. The strategy to accelerate sales in the rest of Europe delivered very strong invoiced sales growth of 37.3% and was 4.9 million euros (3.5). Distribution build-up continued in both existing and new customers. Orthex's sales team has been very active in meeting current and potential customers in person and in attending trade and customer fairs. Active commercial presence on our key markets is an important part of our growth strategy.

The development in the Nordics was hampered by consumer uncertainty and currency rates. A few customers in Sweden and Norway continued to limit their buying activity. This is related to the consumer uncertainty especially visible on these two markets. The impact on overall Nordic invoiced sales development was -8.8%. However, no distribution or customers were lost in the Nordic countries during the period.

Especially, Orthex's strong attendance at the Ambiente fair in Frankfurt that was organised again after a 3-year COVID-19 break was one of many commercial highlights of the quarter. Another highlight worth mentioning is the good progress of our presence both in multi-channel customers' and pure e-com players' web stores. We have during the past years built our knowledge and processes of working in the e-commerce channel.

The biggest category Storage represents most of the business outside of the Nordic countries. The positive development in sales outside the Nordics takes the overall Storage category growth to 7.2% compared to the same period last year. Plant Care and Home and Yard product sales suffered from the late spring in the Nordics and show a decline. Sales of Kitchen products declined as well, driven by the careful Nordic customer behaviour. The Kitchen category is especially strong in the Nordic countries and therefore a negative Nordic sales development is clearly seen in Kitchen category sales.

Orthex's profitability improved, and the adjusted EBITA margin increased in the first quarter to 11.7% (8.8) and the adjusted EBITA to 2.4 million euros (1.8) compared to the same period last year. The positive development is a result of the long-term pricing strategy, the more favourable raw-material prices, tight cost control and adapting the operations to lower volumes. On the other side of the scales, the result is still negatively influenced by cost inflation, higher than long-term average raw-material prices and the continued weak value of the Swedish and Norwegian Krona.

Cash flows in the quarter improved to 2.5 million euros (1.9) and inventory levels decreased as planned. Despite these short-term challenges and market uncertainty, our long-term target is to deliver an adjusted EBITA margin exceeding 18%, and we are re-confirming that we are committed to ensuring that our measures are in line with that long-term target. We are committed to implementing our growth strategy with a focus on international growth and sustainability.

We constantly strive to improve the sustainability of our products and our operations. Therefore, it was important that the ISCC PLUS certificate granted to Orthex's Lohja factory was renewed in March following an audit. The use of ISCC PLUS certified renewable raw materials applying the mass balance approach support Orthex's long-term carbon neutrality target, and the target to increase the share of sustainable raw materials in production.

We are constantly adapting our actions to the fast-changing market conditions. Sales volumes have been declining, however mostly off-set by increasing sales value. New product launches, in-store execution and strong campaigns are all important measures that are used to drive consumer interest, brand awareness and sales growth. We will continue to develop operations and strengthen our brands, to support our sales growth ambitions.

The strong commitment to our strategy and the systematic adaptation to changing operating conditions is delivering improving results. The dedication of our employees and the support of our stakeholders are key elements for success. We are committed and will continue to build on the momentum to achieve our goals. We look forward to working together for continued growth and profitability.

Press conference on financial results:

Orthex's CEO **Alexander Rosenlew**, CFO **Saara Mäkelä** and CMO **Hanna Kukkonen** will present the report today in a webcast starting at 11.00 a.m. EEST. The webcast can be joined through [this link](#). The webcast presentation will be held in English.

Q&A:

Questions to the management can be sent through the meeting chat.

Presentation material:

The presentation material will be shared in the online meeting, and it can be downloaded the same day on Orthex's website at <http://investors.orthexgroup.com/>.

Recording of the event:

After the event, a recording will be available on the company's website at <http://investors.orthexgroup.com/>.

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Orthex in brief

Orthex (ORTHEX, Nasdaq Helsinki, Finland) is a leading Nordic houseware company. Orthex offers a broad assortment of practical and durable household products with a mission to make consumers' everyday life easier. Orthex main consumer brands are SmartStore™ in storage products, GastroMax™ in kitchenware and Orthex™ in home and plant care categories. Orthex aims to be the industry forerunner in sustainability and to become carbon neutral in its production by 2030. Read more www.orthexgroup.com.

Orthex's net sales in 2022 was 84.0 million euros. The company has customers in more than 40 countries and local sales offices in the Nordics, Germany, France, and the UK.

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