



Orthex Corporation: Half-year financial report January–June 2023

Orthex Corporation, Stock exchange release, 24 August 2023 at 9.00 a.m. EEST

Improved profitability despite weak demand in the Nordics

This release is a summary of Orthex Corporation's Half-year financial report for January–June 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/>.

April–June 2023

- Invoiced sales decreased by 4.3% and totalled EUR 20.6 million (21.5)
- Net sales decreased by 4.1% to EUR 20.1 million (21.0)
- Adjusted EBITDA was EUR 3.1 million (0.8)
- Adjusted EBITA was EUR 2.1 million (-0.2), representing 10.3% of sales (-0.8)
- Operating profit was EUR 2.1 million (-0.3)
- Net cash flows from operating activities were EUR 2.0 million (-0.4)
- Earnings per share, basic was EUR 0.06 (-0.03)
- Orthex was granted and paid Swedish state electricity support (EUR 0.8 million included in adjusted EBITA) for the period 1 October 2021–30 September 2022.
- Ecovadis awarded Orthex with a silver medal for its sustainability performance.
- Orthex's Gnosjö factory was granted an ISCC PLUS certificate.

January–June 2023

- Invoiced sales decreased by 2.8% and totalled EUR 41.8 million (43.0)
- Net sales decreased by 2.3% to EUR 40.6 million (41.6)
- Adjusted EBITDA was EUR 6.5 million (3.5)
- Adjusted EBITA was EUR 4.5 million (1.6), representing 11.0% of sales (3.9)
- Operating profit was EUR 4.4 million (1.4)
- Net cash flows from operating activities were EUR 4.5 million (1.5)
- Net debt / Adjusted EBITDA was 2.0x (2.6)
- Earnings per share, basic was EUR 0.13 (0.03)

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	4-6/2023	4-6/2022	Change	1-6/2023	1-6/2022	Change	1-12/2022
Invoiced sales	20.6	21.5	-4.3%	41.8	43.0	-2.8%	85.8
Net sales	20.1	21.0	-4.1%	40.6	41.6	-2.3%	84.0
Gross margin	5.2	3.1	66.3%	10.6	8.0	32.1%	17.9
Gross margin, %	25.6%	14.7%		26.0%	19.2%		21.3%
EBITDA	3.1	0.6	386.1%	6.5	3.4	89.9%	9.2
EBITDA margin, %	15.4%	3.0%		15.9%	8.2%		10.9%
Adjusted EBITDA	3.1	0.8	303.4%	6.5	3.5	84.4%	9.3
Adjusted EBITDA margin, %	15.4%	3.7%		16.0%	8.5%		11.1%
EBITA	2.1	-0.3	776.5%	4.4	1.5	194.4%	5.3
EBITA margin, %	10.3%	-1.5%		10.9%	3.6%		6.3%
Adjusted EBITA	2.1	-0.2	1,277.2%	4.5	1.6	174.2%	5.5
Adjusted EBITA margin, %	10.3%	-0.8%		11.0%	3.9%		6.5%
Operating profit	2.1	-0.3	704.8%	4.4	1.4	203.0%	5.2
Operating profit margin, %	10.2%	-1.6%		10.8%	3.5%		6.2%
Net cash flows from operating activities	2.0	-0.4	609.7%	4.5	1.5	206.9%	6.2
Net debt / Adjusted EBITDA	2.0	2.6		2.0	2.6		2.8
Adjusted return on capital employed (ROCE), %	6.4%	-0.6%		13.6%	4.7%		15.9%
Equity ratio, %	36.0%	33.0%		36.0%	33.0%		36.3%
Earnings per share, basic (EUR)	0.06	-0.03	272.1%	0.13	0.03	372.1%	0.12
FTEs	280	301	-6.8%	282	297	-5.2%	295

Alexander Rosenlew, CEO:

"In the second quarter, constant currency net sales development was flat at -0.1%. With currency effect, Orthex's net sales decreased by 4.1% to 20.1 million euros (21.0). The strategy of accelerating sales in the Rest of Europe delivered invoiced sales growth of 13.5% and sales were 3.9 million euros (3.5). International distribution build-up continued with Orthex's sales team being very committed to meeting customers and to attending trade and customer fairs. Active presence on our key markets is an important part of the growth strategy.

The sales in the Nordics were slowed down by careful consumer behaviour and weak currencies. The impact resulted in overall Nordic invoiced sales development of -6.9% mostly driven by the weak Swedish and Norwegian currencies.

The biggest category Storage represents most of the business outside of the Nordic countries. The positive sales development outside the Nordics took the overall Storage category growth to 3.1% compared to the same period last year. Kitchen, Plant Care and Home and Yard product categories, traditionally strong in the Nordics, declined overall because of the careful Nordic customer and consumer behaviour.

Orthex's profitability improved significantly compared to the same period last year. The adjusted EBITA margin in the second quarter was 10.3% (-0.8) and the adjusted EBITA was 2.1 million euros (-0.3). The more favourable raw-material prices, cost control and adapting the operations to lower volumes affected the result positively. In addition, Orthex received one-off support of 0.8 million euros relating to high electricity prices in Sweden between October 2021 and September 2022. The result was negatively influenced by cost inflation and the continued weak value of the Swedish and Norwegian Krona. Second quarter cash flows improved to 2.0 million euros (-0.4) and inventory level decreased according to plan.

Sales volumes have declined, however mostly off-set by increasing sales value. We are adapting our actions to the fast-changing market conditions to ensure future long-term success. Thus, we have increased our investment in commercial activity, strengthened the commercial team and put additional focus on improving in-store execution. We are constantly strengthening our pipeline of interesting new products for the years to come.

Sustainability is an important part of the core strategy. During the second quarter, Orthex participated for the first time in the EcoVadis ESG assessment and was awarded a silver medal for sustainability performance. The result places Orthex globally among the top 18 percent of

companies assessed by EcoVadis. In May, Orthex's Gnosjö factory was granted an ISCC PLUS certificate, to extend the usage of renewable raw materials applying the mass balance approach in production. Granting of the certificate supports Orthex's long-term carbon neutrality target, and the target to increase the share of sustainable raw materials in production. In June, Orthex was awarded the Nasdaq ESG Transparency Partner badge for 2022 ESG reporting.

Strong dedication to the strategy, along with our proactive approach in adapting to fast changing market conditions, is yielding positive traction. The strong efforts of our employees and the support from our stakeholders are key factors in achieving success. We are devoted and determined to capitalize and build on the momentum to accomplishing our long-term objectives."

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 in 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/>.

Further enquiries:

Alexander Rosenlew, CEO, Orthex Corporation
Tel. +358 (0)40 500 3826
alexander.rosenlew@orthexgroup.com

Saara Mäkelä, CFO, Orthex Corporation
Tel. +358 (0)40 083 8782
saara.makela@orthexgroup.com

Distribution:

Nasdaq Helsinki Ltd
Main media
<https://investors.orthexgroup.com/>

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.

Follow Orthex on [LinkedIn](#) | [Twitter](#) | [Facebook](#) | [Instagram](#)