Ontex H1 2015: Robust first half performance

Aalst-Erembodegem, July 29, 2015 - Ontex Group NV (Euronext Brussels: ONTEX; 'Ontex,' 'the Group' or 'the Company') today announced their unaudited interim results for the six months period ending June 30, 2015.

H1 2015 Highlights

- Revenue was €852.8 million, an increase of 5.3% on a reported basis and 4.4% on a like-for-like (LFL)[1] basis
- Adjusted EBITDA[2] grew 11.5% to €109.9 million; Adjusted EBITDA margin expansion was 72 basis points to 12.9%
- Foreign exchange (FX) impacts were net €7.6 million positive on revenue, and net €8.7 million negative on Adjusted EBITDA
- Adjusted Free Cash Flow[3] for H1 2015 was €106.9 million due to solid operational profitability and management of working capital requirements
- Net Debt further decreased to €504.7 million as of June 30, 2015, leading to a net financial debt/LTM Adjusted EBITDA ratio of 2.43x

Q2 2015 Highlights

- Revenue of €427.7 million, up 4.4% on a reported basis and 3.6% on a LFL basis
- Adjusted EBITDA increased by 17.2% year-on-year to €57.9 million, resulting in an Adjusted EBITDA margin to 13.5%, 148 bps above a year ago. The strong tailwind from oil-based commodities in Q2 2015 will not recur in Q3 2015, due to increases in the price indices of these products, as disclosed in our Q1 trading update.
- In Q2 2015 FX impacts were net €3.2 million positive on revenue, and net €3.7 million negative on Adjusted EBITDA

Key Financials H1 2015 and Q2 2015

In € million, except per share data	Q2 2015	Q2 2014	% Change		H1 2015	H1 2014	% Change
Reported Revenue	427.7	409.7	*4.4%*		852.8	809.9	*5.3%*
LFL Revenue[1]	424.5	409.7	*3.6%*		845.2	809.9	*4.4%*
Adjusted EBITDA[2]	57.9	49.4	*17.2%*		109.9	98.6	*11.5%*
Adj. EBITDA Margin	13.5%	12.1%	*148bps*		12.9%	12.2%	*72bps*
Profit/(loss) for the period	28.9	(2.7)	*N.M.*		56.9	11.9	*N.M.*
Basic EPS	0.42	(0.04)	*N.M.*		0.84	0.17	*N.M.*
Adj. Free Cash Flow[3]	54.7	40.7	*34.4%*		106.9	46.2	*131.4%*
Net Debt[4]	N.A.	N.A.	*N.A.*		504.7	532.8	*(5.3%)*

CEO Charles Bouaziz commented: "This is a very robust set of results. We have made further progress on both the top and bottom line in the first half of 2015. Despite slowing market growth and heightened competitiveness in Western Europe, group revenue moved 4.4% higher on a LFL basis, and 5.3% higher on a reported basis due to net favorable foreign exchange impacts. We maintain a disciplined commercial approach where competitive pressures are particularly strong, and captured revenue growth in a number of our developing markets, confirming the benefits of our balanced portfolio. In a more volatile FX and commodities environment, our commitment remains to grow profitably, including a relentless pursuit of efficiencies which will support continued moderate margin expansion for the full year 2015. The benefits of our refinancing are now coming through, driving strong net profit growth. And finally, our net debt position improved further, demonstrating financial discipline."

1 *LFL is defined as at constant currency excluding change in perimeter of consolidation or M&A*
2 *Adjusted EBITDA is a non-IFRS measure, defined as EBITDA plus non-recurring expenses and revenues excluding non-recurring depreciation and amortization and has consistently been applied throughout reporting periods. EBITDA is a non-IFRS measure, defined as earnings before net finance cost, income taxes, depreciation and amortization. For further detail refer to Annex A, page 12.*
3 *Adjusted Free Cash Flow calculated as Adjusted EBITDA less capex, change in working capital and cash taxes paid.*
4 *For definition and further detail of Net Debt, refer to Annex A, page 25*

Market Dynamics

For the first half of 2015, the Western European markets have grown at a slower rate, and price competition remains intense in both retail and institutional channels. Our developing markets continued to grow, with increasing volumes, as well as higher prices implemented to offset the impact of devaluating currencies. Retailer brands in our categories continued to outgrow markets in both Western and Eastern Europe.

Changes in foreign currencies had a net positive impact on revenue, and net negative impact on Adjusted EBITDA in H1 2015. The largest positive impacts related to the British Pound and Turkish Lira (Lira only for revenue), while in particular the Russian Rouble had a negative impact. The incremental negative impact on Adjusted EBITDA was attributable to the US Dollar strengthening against the Euro, as 15% to 20% of our raw materials relate to fluff pulp purchased in USD.

For the first half of 2015, overall costs of our major raw materials were lower than a year ago, as lower oil-based materials were partly offset by higher fluff pulp. The main driver was lower oil-based commodities only in the second quarter, while fluff pulp costs remained near record high levels in US Dollars throughout the first half. However, as communicated at the Q1 2015 results, indices for oil-based commodities started rising already in March, and have continued to increase further, despite much lower crude oil pricing.

For Adjusted EBITDA, based upon published indices, the impact from commodities will be broadly neutral in Q3 2015 year on year. At current rates, foreign exchange will continue to be a headwind.

Overview of Ontex Performance in H1 2015

Ontex recorded a very solid first half with revenue of €852.8 million, up 4.4% LFL and 5.3% on a reported basis, due to a net favorable impact of currencies. Growth of 3.6% LFL in Q2 2015 reflected the anticipated rebalancing of growth between Q1 and Q2. All four Divisions and three product categories generated more revenue in H1 2015 on a LFL basis than the same period a year ago. In a more challenging environment in Mature Market Retail and Healthcare, we have continued to grow ahead of the markets in which we operate. This is being supported by good growth in our developing markets, with MENA and Growth Markets combined revenue 19% above last year on a LFL basis.

Continued top line growth and further efficiency gains, together with oil-based commodity tailwinds in Q2 drove Adjusted EBITDA up 11.5% to €109.9 million, in spite of a negative FX impact of nearly €9 million. Adjusted EBITDA margin was 12.9% for H1 2015, up 72 bps compared to the same period last year.

Operational Review: Divisions

in € million	Second Quarter				Six Months			
	Q2 2015	Q2 2014[1]	% Δ as reported	% Δ at LFL	H1 2015	H1 2014[1]	% Δ as reported	% Δ at LFL
Ontex Reported Revenue	**427.7**	**409.7**	**4.4%**	**3.6%**	**852.8**	**809.9**	**5.3%**	**4.4%**
Mature Market Retail	232.4	229.0	1.5%	(1.0%)	460.8	445.9	3.4%	1.0%
Growth Markets	42.4	31.5	34.6%	49.2%	73.7	59.5	23.8%	42.8%
Healthcare	106.9	105.0	1.8%	0.2%	215.3	210.5	2.3%	0.7%
MENA	46.0	44.2	4.1%	2.9%	103.0	94.0	9.5%	4.2%

1 *As previously disclosed in the FY 2014 report, following a review of the Group's customers and countries, a slight modification to the 4 Divisions has been made for which revenue is reported, effective January 1, 2015. A limited amount of activities which represent in aggregate less than 2% of Group revenue have been re-assigned to the Growth Markets Division from Mature Market Retail, Middle East Africa (MEA) which becomes Middle East North Africa (MENA), and Healthcare. Prior year information has been restated as a basis for comparison in future reporting. Refer to the FY 2014 report for further details.*

Mature Market Retail

The Mature Market Retail Division delivered LFL growth of 1.0% in H1 2015 (+3.4% on a reported basis, mainly due to the British Pound) in challenging market conditions, and against a strong comparable result in the same period last year. H1 revenue grew in spite of slower market growth and an intensified competitive environment. We have remained disciplined and focused on sustainable, profitable growth, accepting that this can have an unfavourable impact on gains and losses in the short term. First half 2015 revenue was higher year on year in Australia, Poland and Southern Europe, while the UK and Germany were lower.

Growth Markets

H1 revenue in the Growth Markets Division was up 42.8% on a LFL basis (+23.8% reported due to a negative FX impact, primarily the Russian Rouble). Volumes continued to grow in Russia, in particular for the small but growing retailer brand category, which provides an attractive alternative to consumers, leading to solid LFL growth in H1. Also in Russia, in addition to higher volumes, industry-wide prices have risen to compensate for a negative FX impact, further driving LFL revenue. Elsewhere in the Division, Central Eastern Europe also continued to capture volume-led growth.

Healthcare

Healthcare Divisional revenue rose 0.7% on a LFL basis in H1 2015 (reported +2.3% due to a positive impact of the British Pound). H1 2015 revenue increased in Italy on the back of continued growth in home delivery, which also continued to develop positively in the UK, while France and Benelux also grew. In Germany, revenue declined, entirely due to some scaled down contracts as disclosed in previous quarters.

MENA

Middle East North Africa Divisional revenue was up 4.2% in H1 2015 on a LFL basis, and 9.5% higher as reported due to a positive FX impact, mainly due to the Turkish Lira. The main drivers of higher LFL in the Division were growth of our branded sales in Turkey, in particular in adult incontinence, as well as in Pakistan, where we continue to build our position. At the same time, in some of our markets in North Africa, we are working to improve our distribution network to address a heightened competitive environment and reduced market liquidity.

Operational Review: Categories

in € million	Second Quarter				Six Months			
	Q2 2015	Q2 2014	% Δ as reported	% Δ at LFL	H1 2015	H1 2014	% Δ as reported	% Δ at LFL
Ontex Reported Revenue[1]	**427.7**	**409.7**	**4.4%**	**3.6%**	**852.8**	**809.9**	**5.3%**	**4.4%**
Babycare	230.0	218.6	5.2%	4.3%	456.5	428.8	6.5%	5.2%
Femcare	50.8	50.7	0.2%	(1.0%)	101.6	100.1	1.5%	0.5%
Adult Inco	140.1	134.1	4.5%	4.0%	282.4	269.0	5.0%	4.5%

1 *Includes €6.8 million in Q2 2015; €12.3 million in H1 2015; €6.3 million in Q2 2014; €12.0 million H1 2014 from Other category*

Babycare

H1 2015 Babycare category revenue was up 5.2% LFL (+6.5% reported) on top of an exceptionally high comparable period (+11.4% LFL) a year ago, due to the exit of a competitor. This continued growth was achieved with retailer brands in both developed and developing markets, as well as with Ontex brands in developing markets.

Femcare

Revenue for the Femcare category rose 0.5% on a LFL basis (+1.5% reported) in the first six months of 2015, growing in line with Western European retailer brands market performance where most of our sales are generated.

Adult Inco

Adult Inco revenue grew 4.5% LFL (reported +5.0%) for H1 2015, with revenue of pull-ups continuing to perform well. Growth was again recorded in institutional channels, as well as in retail where revenue was 14% higher on a LFL basis than a year ago.

Operational Review: Geographies

in € million	Second Quarter				Six Months			
	Q2 2015	Q2 2014	% Δ as reported	% Δ at LFL	H1 2015	H1 2014	% Δ as reported	% Δ at LFL
Ontex Reported Revenue	**427.7**	**409.7**	**4.4%**	**3.6%**	**852.8**	**809.9**	**5.3%**	**4.4%**
Western Europe	279.5	282.2	(1.0%)	(3.1%)	559.6	559.2	0.1%	(2.0%)
Eastern Europe	72.6	55.1	31.8%	39.6%	133.4	102.7	29.9%	40.8%
ROW	75.6	72.4	4.4%	2.5%	159.8	148.0	8.0%	3.3%

Revenue for Eastern Europe and ROW together represented 34% of total Ontex revenue in H1 2015, up from 31% in the first half of last year.

OUTLOOK

We remain committed to delivering sustainable, profitable growth. While the growth in our key developed markets is slower than last year and overall at the low end of the range of 3% to 4%, we continue to aim to outperform by helping retailers grow their brands and increasing Ontex brand share. Accessing faster growth in our developing markets allows us to maintain commercial discipline in competitive developed markets. Given the outlook for commodities and foreign exchange for the rest of 2015, for full year 2015 Adjusted EBITDA growth we confirm our full year aim to deliver about 30bps of Adjusted EBITDA margin expansion.

FINANCIAL REVIEW

Selected P&L Financial Information

in € million	Six Months		
	H1 2015	**H1 2014**	**% Δ**
Ontex Reported Revenue	**852.8**	**809.9**	**5.3%**
Cost of sales	(612.8)	(587.6)	4.3%
Gross margin	240.0	222.3	8.0%
Operating expenses	(146.4)	(139.7)	4.8%
Non-recurring revenue and expenses	(2.3)	(22.0)	N.M.
Operating profit	91.3	60.6	50.7%
Net finance cost	(17.4)	(39.1)	(55.5%)
Income tax expense	(17.0)	(9.6)	77.1%
Profit/loss for the period	56.9	11.9	N.M.
Basic EPS	0.84	0.17	N.M.
Adjusted EBITDA	109.9	98.6	11.5%

Selected Liquidity Financial Information

in € million	Six Months		
	H1 2015	**H1 2014**	**% Δ**
Adjusted Free Cash Flow (post tax)	106.9	46.2	131.4%
- Of which change in WC	19.0	(29.6)	N.M.
- Of which Capex	(15.3)	(18.7)	(18.2%)
Net debt	504.7	532.8	(5.3%)
Available liquidity (cash and cash equivalents plus undrawn RCF)	216.4	453.4	*(52.3%)*

Gross Margin

H1 2015 gross margin was €240.0 million, an 8.0% increase compared to H1 2014 in spite of a negative foreign exchange impact, mainly related to raw material purchases in US Dollars. As a percentage of sales, H1 2015 gross margin expanded to 28.1%, 69 basis points higher than last year. The main driver of this growth was an ongoing focus on capturing efficiencies and a strong tailwind from oil-based commodities in the second quarter.

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS measure, defined as EBITDA plus non-recurring expenses and revenues excluding non-recurring depreciation and amortization. EBITDA is also a non-IFRS measure, defined as earnings before net finance cost, income taxes, depreciation and amortization.

H1 2015 Adjusted EBITDA rose by 11.5% to €109.9 million, and by 17.2% to €57.9 million in Q2. This growth is mainly attributable to an increase in gross margins detailed above. We continued to invest strongly in sales and marketing, as well as in support functions.

Foreign Exchange

The impact of foreign exchange on revenue for H1 2015 was a positive €7.6 million. Positive effects were mainly due to the British Pound and to a much lesser extent Turkish Lira, while the Russian Rouble had a negative impact.

By contrast, changes in foreign exchange rates impacted Adjusted EBITDA negatively by €8.7 million in H1 2015, where the positive impact of the British Pound could not offset the strong negative impacts of the US Dollar, and to a lesser extent the Russian Rouble.

Net Finance Costs
The net finance cost for H1 2015 totalled €17.4 million, 55.5% lower than the previous year. The sharp fall in net finance costs is almost entirely due to lower interest expenses, as a result of lower average net debt and a lower average interest rate, following the IPO and refinancing of our debt in Q4 2014.

Income Tax Expense
Income Tax Expense was €17.0 million in H1 2015, an increase of 77.1% compared to H1 2014.

Working Capital
H1 2015 working capital as a percentage of sales was 9.5%. This performance is mainly due to a focus on receivables, and also benefited from the sale of €16.1 million of the VAT in Italy which built up during 2014.

Capex
Capital expenditures for H1 2015 were €15.3 million, reflecting phasing year to date. For the full year, our guidance of capex/sales is slightly above 3% linked to IT investments.

Adjusted Free Cash Flow (post tax)
Adjusted Free Cash Flow calculated as Adjusted EBITDA (see definition above) less capex, change in working capital and cash taxes paid.
H1 2015 adjusted free cash flow was €106.9 million. This result is primarily due to a strong operating profit and an improvement in working capital detailed above.

Financing and Liquidity
Cash and cash equivalents were €116.4 million at June 30, 2015.

Net debt at June 30, 2015 amounted to €504.7 million, and leverage based on the last twelve months Adjusted EBITDA was 2.43x.

The revolving credit facility of €100 million was undrawn at the end of June 2015, and available liquidity was €216.4 million.

CONFERENCE CALL

Management will host a presentation for investors and analysts on July 29, 2015 at 8:00am BST / 9:00am CET. A copy of the presentation slides will be available at http://www.ontexglobal.com/.

If you would like to participate in the conference call, please dial-in 5 to 10 minutes prior using the details below:

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FINANCIAL CALENDAR 2015

Third Quarter and Nine Months 2015	November 5, 2015

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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.

This report has been prepared in Dutch and translated into English. In the case of discrepancies between the two versions, the Dutch version will prevail.