

May 7th 2024

EARNINGS CALL

1Q24 RESULTS

intercos
GROUP

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Pietro Oriani, the Manager in charge of preparing the corporate accounting documents, declares that, pursuant to art. 154-bis, paragraph 2, of the Legislative Decree no.58 of February 24, 1998, the accounting information contained herein correspond to document results, books and accounting records.

Agenda



1Q24 Results
Overview

1Q24 Sales
Performance

Outlook &
Guidance

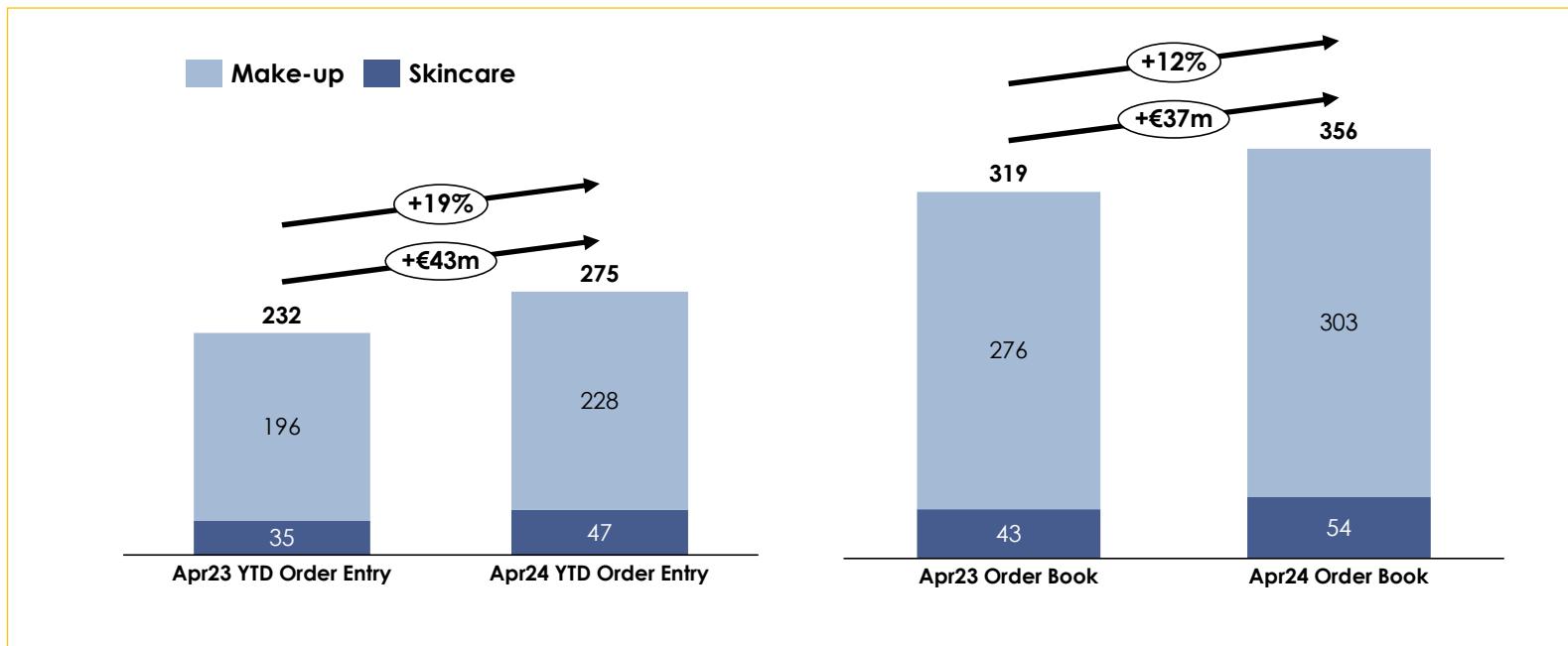
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1Q24 Results overview – All time high order entry evolution

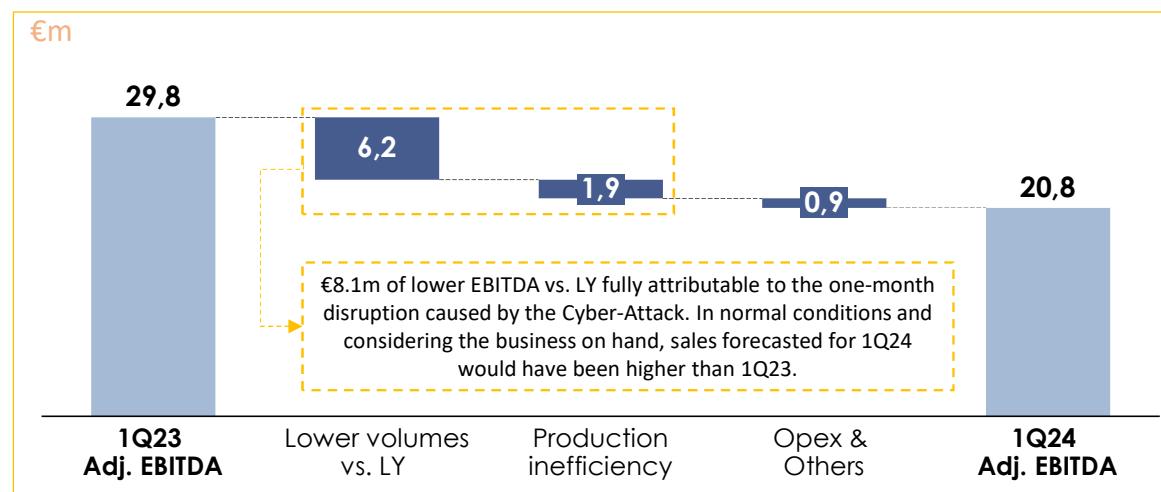
- **Apr24 YTD Order Entry:** following the record reached by the Group in the months of November and December 2023 (€127m), new records followed in the first four months of 2024, with orders increasing compared to the first four months of 2023 for a total of **+€43m**. In particular, in the months of **January-February** the order intake reached **€133m** (**+€21m** vs. the previous year), while in the months of March-April orders amounted to **€142m** (**+€23m** on the last year). Following the end of the de-stocking phase, prestige clients have gone back to a normal re-ordering pace (especially in Make-up BU). This is expected to benefit profitability in 2H24.
- **Apr24 Order Book:** the Order Book at the end of Apr24 reached a new all-time high level, despite April strong sales performance. The cumulated Make-up and Skincare orders placed and not yet invoiced were at **€356m** (**+€37m** vs. Apr23). Also, the Hair&Body division rolling forecast points to a strong performance in the next months.



1Q24 Results overview – Cyber-attack impact

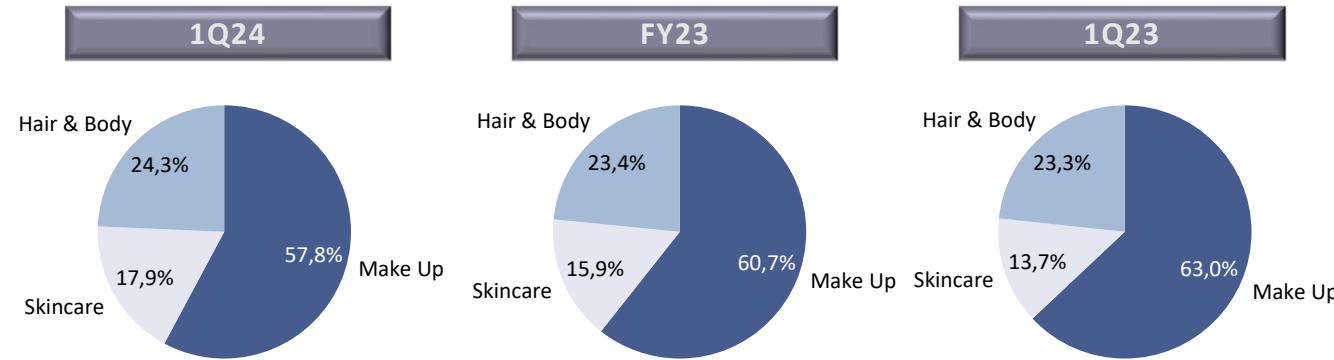
- **1Q24 Net Sales** amounted to **€221.1m**, slightly down compared to 1Q23 (-5.8%, or **-4.8%** at c.FX). The performance was affected by the Cyber-attack and the consequent slowdown of the production and invoicing processes. This extraordinary event mainly affected the make-up production plants based in Italy and US. Sales lost are expected to be fully recovered already in 2Q24. In the absence of the Cyber event and considering the order book, 1Q24 net sales would have been once again higher than LY.
- **1Q24 Adjusted EBITDA** stood at **€20.8m**, down by **-€9m** compared to 1Q23. The reduction was caused by the decrease in sales and the extra operations costs incurred following the Cyber-attack. The full closure of all the Group's information systems took place on the 18th of February and after some days the processes gradually restarted. The issue was solved after approximately a month and the ordinary activity was then completely restored. This resulted in (i) higher product transformation costs (manual interventions needed as systems were totally or partially not available) and (ii) variable costs that could not decrease proportionally to the turnover due to the sudden interruption of the business.
- **31Mar24 Net Debt** was equal to **€102.7m**, in line with the one of 31Dec23 (€100.2m) and slightly higher than the one of 31Mar23 (€96.7m). Despite the cyber-attack, which caused some issues in both cash inflows and outflows, and the decline in adj. EBITDA, leverage ratio (Net Debt on LTM EBITDA) remained well below 1x, at 0.8x.

€m	1Q24	1Q23	% vs 1Q23	
			Rep FX	c FX
Revenues	221.1	234.6	(6%)	(5%)
Adj. EBITDA	20.8	29.8	(30%)	
Adj. EBITDA %	9.4%	12.7%		
Net Debt	102.7	96.7		
Net Debt/Adj. EBITDA	0.80x	0.73x		



1Q24 Sales Performance – Revenues by BU

Business Units



1Q24, which already had high 1Q23 comps to beat, was heavily marked by the Cyber-attack impacts. As a matter of fact, sales trend varied according to the different magnitude of the Cyber impact, which has not been homogeneous in all Group's production plants. In this regard, Make-up production sites located in Italy and US have been the ones affected the most.

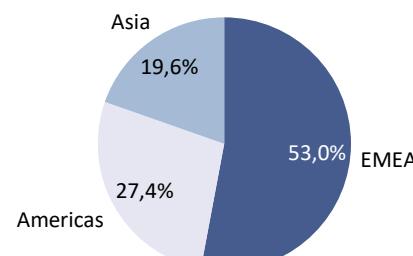
- **Make-up** reported revenues of **€127.9m** (-13.5% compared to 1Q23). As anticipated the BU was the most affected one, due to the high complexity that characterizes the production process. However, the good trends reported in Asia allowed to offset part of the impact, with the mass segment benefitting from the high volumes of orders collected in 2023.
- **Skincare** closed 1Q24 with revenues of **€39.5m**, up by +22.8% compared to last year. Unlike the plants dedicated to make-up, the Swiss and Korean ones were less affected by the cyber-attack, being able to recover normal operations much more quickly. The excellent performance of the business unit was mainly achieved thanks to the good performances of Asian and North American customers.
- **Hair & Body** recorded revenues of **€53.7m**, substantially in line with those of 1Q23 (€54.7m), despite the Polish and Italian plants reported performances below expectations due to the cyber-attack. Fragrance business continued to report excellent performances.

€m	1Q24	1Q23	% vs 1Q23
Revenues	221.1	234.6	(6%)
Make Up	127.9	147.8	(13%)
Skincare	39.5	32.1	23%
Hair & Body	53.7	54.7	(2%)

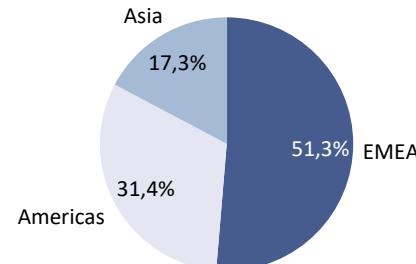
1Q24 Sales Performance – Revenues by Region

Regions

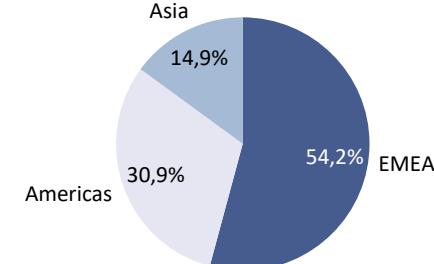
1Q24



FY23



1Q23

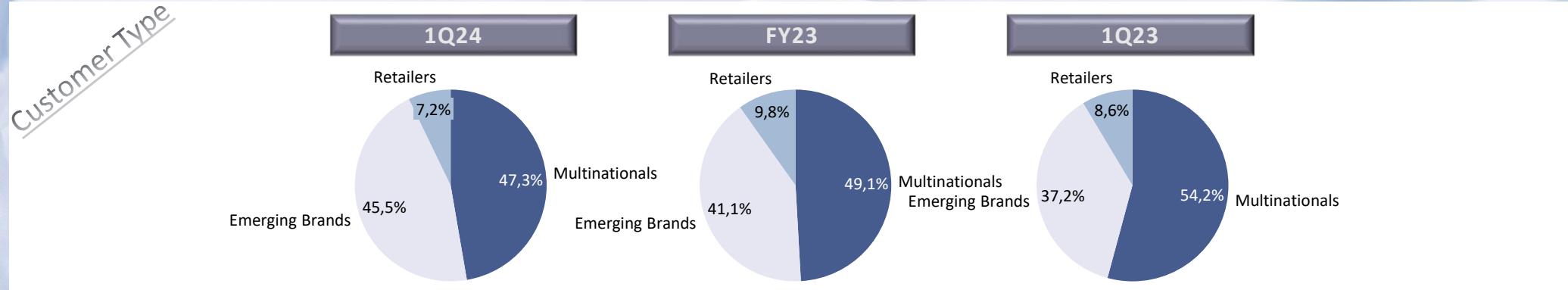


The different degrees of the Cyber-attack impact on plants efficiency, also marked sales trends by region, with Americas and EMEA suffering the most.

- **EMEA** reported revenues of **€117.1m**, down -7.9% compared to 1Q23. The decline was entirely due to the reduced operations of the make-up plants in Italy, in the absence of which, sales would have been growing. The plants dedicated to Skincare and Hair&Body limited the drop in turnover.
- **Americas** recorded revenues of **€60.6m**, down by -16.3% compared to the previous year for the same reasons already reported for EMEA, as the market is mainly served through the plants located in Italy and US. The performance of the skincare Business Unit was good, in continuity with the performances recorded in previous quarters.
- **Asia** is the only region which, having been less impacted by the Cyber Attack, closed the 1Q24 with strong growth in sales (+23.7%), amounting to **€43.4m**. Both Korea and China have contributed to this result, with local brands continuing to record excellent performances, both in make-up and skincare.

€m	1Q24	1Q23	% vs 1Q23
Revenues	221.1	234.6	(6%)
EMEA	117.1	127.1	(8%)
Americas	60.6	72.4	(16%)
Asia	43.4	35.1	24%

1Q24 Sales Performance – Revenues by Customer Type



The different degrees of the Cyber-attack impact on plants efficiency, also marked sales trends by Customer Type. Also in this case, the clients mostly served out Americas and EMEA suffered the most.

- **Multinational** customers are those who are more served by the make-up plants located in US and Italy. For this reason, the performance of this cluster of clients was the one most affected by the cyber-attack. Revenues thus closed the quarter at **€104.6m**, down by -17.8%.
- **Emerging Brands** were able to benefit from the local Asian brands and the performance of Hair&Body, closing the first quarter with revenues of **€100.6m** (+15.3%).
- **Retailers** recorded revenues of **€15.8m**, reporting a decline in sales (-21.4%) following the performance of the make-up business unit and the softer trend of this customer segment of the past couple of years.

€m	1Q24	1Q23	% vs 1Q23
Revenues	221.1	234.6	(6%)
Multinationals	104.6	127.2	(18%)
Emerging Brands	100.6	87.3	15%
Retailers	15.8	20.1	(21%)

Regarding the breakdown of sales by customer type, please note that, as last year, starting from the first quarter of 2024, the classification of some customers has been slightly revised in order to reflect some changes in the databases (e.g. some Emerging Brands subject to acquisition by multinationals reclassified in the respective cluster to which now they belong).

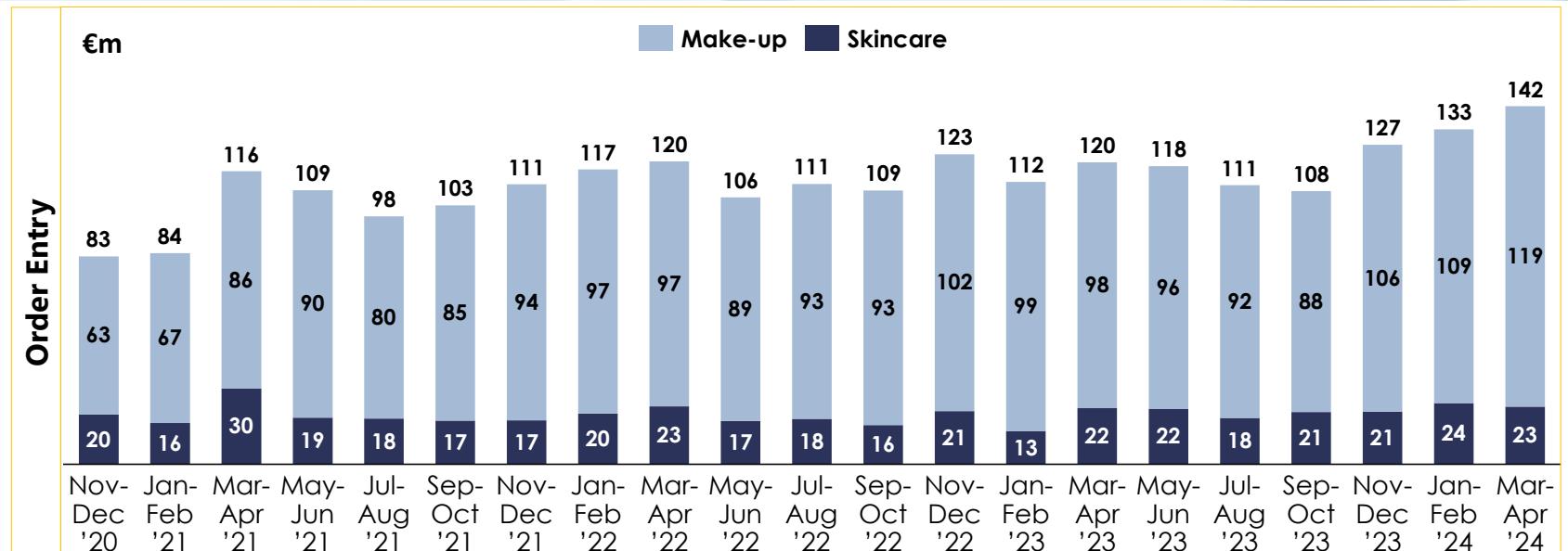
Outlook & Guidance

Topic	Update
Update on the Beauty market	<p>We continue to expect c.+5% of growth for the Global Beauty market. Europe is continuing to perform very well driven by strong consumer demand, also in the prestige segment, where innovation plays a big role. Moreover, the market growth continues to be well balanced between prices and volumes. Regarding US, as already anticipated, we were expecting a possible slowdown in 1H24, mainly due to a deceleration of the mass segment. Such slowdown is materializing. In any case, we continue to remain positive for the development of the market for the rest of the year, especially in 2H24. Regarding Asia, we are bullish for 2024: Korean market remains strong and the Korean innovation capabilities (where we have the second biggest R&D centre) are taking ground also abroad, especially in US. Chinese local brands, both emerging and well established, are gaining market shares from the Western ones, also leveraging on the new online platforms.</p>
Where we stand	<p>Innovation continues to be the main distinguishing factor of our business model and it is the main reason why our Group continues to be a protagonist in the Beauty sector worldwide. During Cosmoprof (the biggest international fair dedicated to Beauty) we met more than 400 customers coming from all over the world, from multinationals to emerging brands, interested in discovering new trends and new formulations proposed by Intercos for the years to come. We continue to develop new formulations and new patents, recognized by all players in the sector, as also demonstrated by the constant increase in orders. In this regard, we have recently made new collaborations with players of the food sector, which allow us to offer to the market new and cleaner formulations with unique performances.</p> <p>Our presence throughout the world and our know-how in the various markets, together with the proven ability to innovate, are progressively allowing us to take full advantage of the evident outsourcing trend in Beauty, which is constantly growing, not only thanks to the excellent performances of emerging brands, including the Asian ones, but also thanks to the increase of partnerships with multinational players. An example is the recent agreement signed with The Estee Lauder Companies, which decided to outsource the production of US cosmetic powders and whose collaboration will have positive financial impacts mainly starting from 2025.</p>
FY24 Guidance	<p>The latest developments make us even more confident in our capacity to outperform the market once again in FY24. Therefore, despite the 1Q24 impact due to the Cyber Attack, which caused a contraction in revenues of 4.8% at constant rates, the Group confirms its guidance for the full 2024 year, which foresees growth in net sales, at constant rates, in a range between +6% and +8%. This means projecting a sales increase for the next nine months in a range between c.+10% and c.+12% (more than twice the market growth forecasted).</p> <p>Moreover, the announced re-orders from prestige brands, especially in make-up, are coming back. This trend is confirming that the de-stocking phase is coming to an end, and this is expected to positively contribute to the overall Group profitability in 2H24.</p>

Outlook & Guidance – Order entry and Order in-take

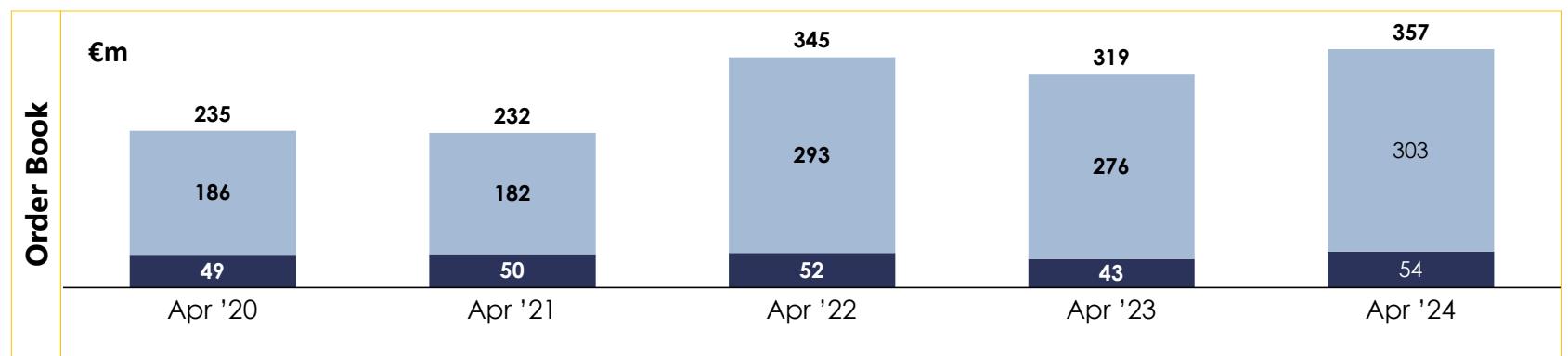
Total firm order-in-take by business unit excluding contract manufacturing (e.g. Hair & Body).

Third record in a row reached in Mar-Apr24



Total firm order book evolution by business unit excluding contract manufacturing business units (e.g. Hair & Body)

New record reached at the end of April despite strong April sales



Appendix

Definitions & main adjustments at EBITDA level

For the purpose of providing information in line with the performance analysis and control parameters of the Group, non-IFRS alternative performance measures are used by management to provide information for a better assessment of the results of operations and the financial position of the Group as described below. Such performance measures should not be interpreted as a substitute for the conventional performance measures established by IFRS.

The details of the content of the alternative performance measures not arrived at directly from the financial statements are defined as follows:

- **c.FX:** Constant exchange rates
- **EBITDA:** is defined as the sum of profit for the year plus income taxes, financial income and expenses and the effects of the valuation of investments using the equity method net of equity investments held for financial investment purposes and amortization, depreciation and write-downs.
- **Adjusted EBITDA:** is given by EBITDA less items of a non-recurring nature, that is, by particularly significant events that are not in the ordinary course of business or that have no effect on cash flows and/or changes in equity. At this regard, 1Q24 EBITDA total adjustments amounted to €4.1m (vs. €1.2m of 1Q23) and were related to: (i) €1.5m of extraordinary costs directly linked to the Cyber-Attack issue, (ii) €1.2m of Trade Receivables write-off regarding the client "The Body Shop" and referring to invoices issued between the closing of the financial statements at 31 December 2023 and before the appointment of an Administrator following the start of the crisis procedure, (iii) €1m of one-off consultancies and, (iv) other minor costs related to layoffs and the LTI incentive plan (non-cash costs).
- **Net indebtedness (cash) or net financial position/net debt:** is given by the sum of current and non-current financial payables net of current and non-current financial receivables, including cash and cash equivalents.
- **Order-in-take:** indicates the aggregate of legally placed and processed orders by a company during the reporting period.
- **Order Book:** is the order backlog opened at any one given date.