

# DARE TO LEAD CHANGE

## INTERVIEW OF THE CHAIRMAN OF THE BOARD AND CEO

### How would you characterize Ontex's performance in 2019?

**Charles Bouaziz, CEO:** 2019 marks the end of the second chapter in the company's history since its initial public offering in 2014.

Admittedly, it made less captivating reading than the first one. As we have documented in previous reports, it has featured strong external headwinds and a number of internal challenges.

During the year, we introduced a number of measures to improve all areas of our business and prepare us for the future.

First, we moved to three large Divisions (rather than five small-to-medium sized ones) with specific go-to-market models. We also established a single, centrally managed Operations organization to further drive efficiency. This more agile structure was an integral part of our readiness to adopt Transform2Grow, an all-encompassing program to revitalize us at every level of the company.

Introduced in the second quarter, T2G will speed our path to operational and commercial excellence. It acts as an enabler of our strategy and will accelerate value creation, specifically in terms of margin improvement and free cash flow. It covers every aspect of our operations from production and supply chain, through innovation and commercial, to how we work and act as an organization.

In all, there are around 2,000 T2G initiatives across the company. We have resources allocated, governance to monitor execution and progress and investments ring-fenced to underpin and sustain the transformation. Our Chief Transformation Officer, Thierry Navarre, provides more details of

progress on this drive for sustainable change on page 12.

We are encouraged by the energy and enthusiasm behind the faster tempo, the improvement of our trading performance in the second half of the year, partly thanks to the first benefits of T2G, and we look forward to reaping the full benefits of T2G within the next two years.

The resilience of our business, our ability to adapt and the hard work, determination and creativity of our people have all been vital elements in the year's performance and the introduction of T2G.

**Luc Missorten, Chairman:** The Board is happy with the direction that management took and the rigorous focus on execution. No stone was left unturned. The initial results are encouraging. They speak volumes for the integrity of the company, the commitment of the people and the quality of leadership that we have.

Our Board work sets the tone for the company and ensures good governance (see pages 50 to 77). The support of the fellow Board members has been

invaluable. Their diversity brings balance and a spectrum of relevant skills and experience which complement the talents of our executive team.

We review Board membership regularly to maintain an appropriate balance and orderly succession. During the year, we welcomed two new non-executives. Esther Berrozpe brings more than 25 years of FMCG experience from various marketing and executive roles, while Aldo Cardoso's experience from many industries in a number of different regions will be of great value in our multinational and multicultural environment. (See page 54 for fuller biographies.)

### Can you already see the effect of T2G?

**Charles:** The performance of our own brands in our AMEAA Division positively contributed to Like-for-like sales result and adjusted EBITDA, at constant currencies. Sales in retailer brands in Europe showed positive signs of recovery and, in Healthcare we are benefiting from boldly going beyond the traditional tender business into new areas such as self-pay, and extending our market offer to include more services.

Cash generation was stronger thanks to strict working capital management. We reduced our net debt and improved the important Debt/EBITDA ratio. We are comfortable with our covenant obligations.

Details of our operational and financial performance can be found on pages 28 to 29 and pages 78 to 143 respectively.

**Luc:** The Group's diversity in terms of geography and segments has clearly helped this year. And that diversity is something we plan to build on. We are encouraged by the changes we are seeing to ensure that we maximize our strengths and improve the long-term



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sustainability of our business. The Board is confident that we will see the positive impact of the strategic choices that have been made, and the transformational initiatives that are well under way.

### While your structure has changed, your model remains the same?

**Charles:** Our model remains unique. We are the only big player (we are number five in the world by revenue) playing equally on both the retailer side and the branded goods side. We manage to successfully satisfy the cost expectations of the retailer brand and to match the ever-changing needs of consumer brands. The fact that we play exclusively in three high value categories Baby Care, Feminine Care and Adult Care, distinguishes us from other large-scale operators. This is what really gives us a strong proposition.

**Luc:** The Ontex business model puts us in a position of trust – trust that we will grow our business in the right way, in

the interest of all of our stakeholders, and leave a sustainable legacy. It has been tested in recent years in terms of top line and margins, and our industry *per se* has proven more volatile than previously thought. The model has been a constant and the Board strongly supports it.

### How have you dealt with the issues specific to Brazil last year?

**Charles:** The team in Brazil has put in a great effort and the business is well along the path to recovery after the post-acquisition challenges. We centralized production without major disruption and brought better structure to the business. At the same time, we increased efforts to engage and empower our people. The much-improved safety record says much about their attitude. Brazil is a very competitive market where all the main branded players are competing for share. The process of recovery will take time but I am encouraged at gradual top-line

## Beyond Traditional Business

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improvement, the sequential margin expansion and better cash management as our local brands continued to generate solid consumer demand.

**Luc:** Brazil is a very exciting and important market for Ontex's growth plans. The significance of this region was mirrored by our decision to hold one of our board meetings there this year which included a visit to the factory so that we could see for ourselves the results of the plans to re-create value. The impression left makes it easier to understand why the turnaround is in progress and why we expect it to continue.

### Are there any standout successes you want to mention?

**Charles:** We are resilient people and restoring our performance will sustain that sense of pride (and daring) that has characterized us to date. Special mention should go to the efforts of our Healthcare team. They have made further inroads into the important self-pay channel and added different levels of service while maintaining their commitments to the institutional market. In Turkey, where we are big in Adult Care products, the Baby Care team managed to secure a substantial contract which means that we are now firing on all cylinders there. And in North America, we have succeeded in deepening our engagement with a very large supermarket chain in Baby Care, which will help drive scale and growth.

### In terms of sustainability, are you on track to meet your aspirations?

**Charles:** We want to make a positive difference to the world around us through our products and how we act. We manufacture disposable products so sustainability is hugely relevant to our business. 2019 marked the end of the latest stage of our sustainability journey. The targets we set have largely been met (see page 19) and during the year, we worked on revising our strategy and setting new targets that will take us to 2030 (see page 14), the year we have said we will be carbon neutral. All our European plants are now powered by green energy, and there is always an environmental assessment accompanying any new request for investment to make sure we get it right from the start.

**Luc:** The way Ontex makes its products and the way it behaves give the company an opportunity to build trust and respect. It is seizing that opportunity. Ontex has a strong commitment to corporate responsibility and a highly knowledgeable and motivated team leading environmental matters at Group level. The Board is satisfied with the direction the company is taking and with the plans to go further with the next set of goals. The company has found some real opportunities to make a difference and align itself closely with the UN's Sustainable Development Goals.

### And any news on the innovation front?

**Charles:** Our company is full of talented people with a real passion for and commitment to innovation. This report is sprinkled with examples of



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our pioneering thinking. During the year, we refined our innovation process. We split our R&D into two streams (retailer brands and our own brands) to ensure that we are surfacing the best ideas and innovations specific to them. (See page 30).

**Luc:** Innovation is very important to us as a Board and is always on our agenda. Innovation is not just value-generating, it also demonstrates the mind-set of the company. The company has created an environment where creative thinking can flourish. Growth will come from the ability to turn that into exciting new propositions that create real value for our customers and the world around us.

### You have just celebrated your 40<sup>th</sup> anniversary. Any reflections?

**Charles:** It is a reason to celebrate and we did that in various ways during the year, very much on a plant-by-plant basis. We appreciate the experience and expertise that those four decades have given us as we progressed from family ownership, through private equity to being a listed company. We are still a young and vital company. The actions we are taking today are preparing us for the next forty years. We are a completely different company today and we should also celebrate that.

**Luc:** We have much to look back on, but a lot more to look forward to. Our expectations for the Group in 2020 are positive. The new structure is bedded in, T2G is already having the desired effect, the geographic spread and pipeline of new products are promising. We are confident of progress.

In the longer term, the Board remains excited about the structural growth opportunities in the healthcare business, the potential for further revenue and profit growth, and healthy returns to shareholders.

## Confident of Progress

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## COVID-19 UPDATE APRIL 7<sup>TH</sup>, 2020

After the end of our 2019 financial year, on January 30<sup>th</sup>, 2020, the World Health Organization (WHO) declared a Covid-19 virus outbreak a Public Health Emergency of International Concern. On March 11<sup>th</sup>, 2020, the WHO Director General characterized COVID-19 as a pandemic.

We support global efforts to contain the virus and minimize its consequences. With more than 40 years of experience in personal hygiene, we feel our best course of action is to continue to produce and deliver our normal range of vital products to our customers and consumers.

We have implemented measures in all our production facilities and our global supply chain to keep our people safe and to ensure a steady, daily flow of millions of personal hygiene products to healthcare workers and retailers on five continents. Our suppliers are supporting us strongly in our efforts.

In addition, we are advising institutions on how our products can help doctors serve patients for longer uninterrupted periods. We have also donated tens of thousands of personal hygiene products to care-givers, including emergency response teams in China and Europe.

We thank all Ontex employees around the world at this difficult time. We are aware that this is not an easy time for them and their families and we very proud of their dedication and sense of responsibility in these challenging times. We have taken the necessary measures to slow the spread of COVID-19 and protect our employees, and this will remain our number one priority throughout this difficult time. Please note that all pictures of employees in this report were taken prior to 2020.