IMPROVING PERFORMANCE TREND ACROSS THE YEAR

FINANCIAL REVIEW

THE CHALLENGES THAT ONTEX HAS FACED IN THE LAST THREE YEARS SHOWED LITTLE SIGN OF ABATING FOR MOST OF 2019. OUR COMPETITIVE CULTURE, WHICH MANIFESTS ITSELF THROUGH COST CONTROL AND DIFFERENTIATION THROUGH INNOVATION, ONCE AGAIN ACCOUNTED FOR THE RESILIENCE OF OUR OPERATING PERFORMANCE.

Revenue[1] (€/B)
2.28
-1%
(LFL growth %)

Gross profit[1] (€/M)
620.0
-1.4%

Adjusted EBITDA[1] (€/M)
245.1
-7.0%

Adjusted profit for the period[1] (€/M)
86.4
-20.0%

A highlight of the year was our strong cash flow generation on the back of a comprehensive working capital management effort led by Group Finance. Tight control of our financial leverage also contributed, as did improvements to the quality and reliability of the forecasting processes in the perpetually volatile environment of input prices, currency and operations.

The finance function was also intimately involved in the planning and implementation of T2G, from the overall economic evaluation of the project, through the assessment of each of its initiatives, to the tracking of results as those projects moved into implementation.

REVENUE BY DIVISION (€/M)

- Europe **956.9**
- Americas **891.9**
- Healthcare **432.5**

Revenue

We delivered a resilient like-for-like (LFL) revenue performance with growth in developing markets nearly compensating lower sales in developed markets. LFL revenue was down 1.0%, with a positive price/mix in each of the three product categories and all three Divisions, largely offsetting the anticipated decline in volume.

Group sales of €2.28 billion were broadly stable (-0.5%) including a positive foreign exchange impact of €11 million.

Gross profit

Gross profit amounted to €620 million in FY 2019, a limited decrease of 1.4% compared with the previous year. Gross profit growth in H2 2019 nearly offset the decrease recorded in the first half of the year. Gross profit as a percentage of sales was 27.2% in 2019, down 26 basis points versus prior year. 2019 gross profit benefitted from another year of savings and efficiencies, mostly as results of the T2G implementation, as well as a positive contribution from sales price/mix effects, nearly offset foreign exchange and raw material headwinds.

Adjusted EBITDA

2019 Adjusted EBITDA came in at €261 million at constant currencies, 1.1% below prior year and supported by improving trends in

1. All comparisons vs. 2018, pro forma IFRS 16. Like-for-like revenue is defined as revenue at constant currency excluding change in scope of consolidation or M&A.

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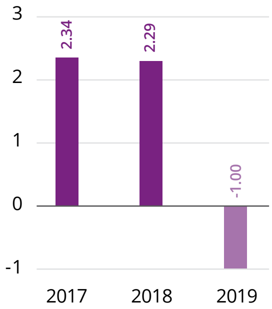
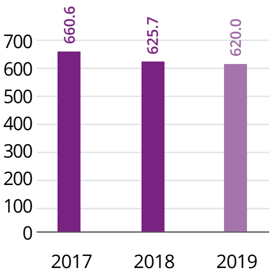
CHARLES DESMARTIS, CFO

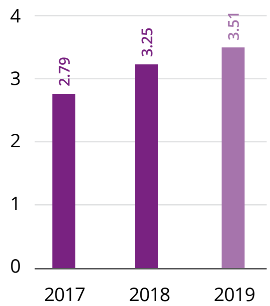
REVENUE GROWTH[2] (LFL GROWTH %)



GROSS PROFIT (€M)



NET FINANCIAL DEBT/LTM ADJUSTED EBITDA RATIO (LEVERAGE)[3]



the second half of the year as anticipated. Adjusted EBITDA at constant currencies was broadly stable while we continued to invest to strengthen our engineering and commercial capabilities.

Non-recurring income and expenses

Non-recurring expenses amounted to €70.3 million in 2019, primarily due to restructuring expenses and consulting fees related to the implementation of the T2G program. The cash flow impact of non-recurring expenses was limited to €30.1 million in 2019 due to differences between expense recognition, which has been more front-loaded in 2019 linked to the start of many T2G initiatives, and cash out which will be more evenly spread over the T2G program period of 2019 to 2021.

Foreign exchange

The rates of our functional currencies versus the euro remained volatile during 2019. Group revenue ended up benefiting from a positive effect of +€11.1 million, essentially due to a stronger Mexican peso and US dollar partly offset by weaker Turkish lira, Brazilian real and Pakistani rupee, relative to the euro. However, the impact on Adjusted EBITDA of variations of currencies versus the euro was -€15.7 million, mainly attributable to the stronger US dollar, the currency in which we purchase a large part of our raw materials, as well as the weaker Turkish lira.

Net finance costs

2019 net finance costs were €37.7 million, 6.6% more than prior year.

Income tax expense

The income tax expense was €12.2 million in 2019, for an effective tax rate of 24.7%.

Working capital

At the end of 2019, working capital as a percentage of FY revenue was 9%, marking a strong improvement on top of the 11.2% achieved at 2018 end. A coordinated, cross-functional approach implemented during 2019, including specific trade receivables, trade payables and inventory management practices implemented through the T2G program, account for this excellent performance.

Capital expenditure

Capital expenditure was €103.9 million in 2019, or 4.6% of revenue. This amount includes T2G-specific capex and was at the lower end of our initial range planned for the year.

Free cash flow (post tax)

Free cash flow (post tax) improved by a very strong +50.5% or €36.8 million in 2019 to €109.7 million, net of €29.9 million in T2G-specific cash outflows (for one-off expenses and capital expenditure). Improved management of our working capital was the main driver for the strong cash generation.

Net debt and leverage

Net debt stood at €861.3 million at December 31, 2019, down €37.5 million compared with June 30, 2019, and down €46.3 million compared with December 31, 2018 (pro forma for IFRS 16). Leverage was 3.51x at December 31, 2019, lower than the 3.71x reported at June 30, 2019 and only marginally higher than one year ago (pro forma for IFRS 16). We remained fully compliant with the leverage covenant of our financing agreements, and headroom improved over H2.

Dividends

The Board of Directors has proposed a dividend of €0.16 per share, in line with Ontex's policy to pay out 35% of net profit.

(€M UNLESS OTHERWISE SPECIFIED)	2019	2018	CHANGE
Revenue	2,281.3	2,292.2	-0.5%
Gross profit	620.0	628.9	-1.4%
Adjusted EBITDA	245.1	263.6	-7.0%
Adjusted profit for the period	86.4	107.9	-20.0%
Adjusted free cash flow	109.7	72.9	+50.5%
Net debt	861.3	907.6	-5.1%
Leverage	3.51x	3.44x	+0.07x

2. Like-for-like revenue is defined as revenue at constant currency excluding change in scope of consolidation or M&A.
3. Net financial debt is calculated by adding short-term and long-term debt and deducting cash and cash equivalents. LTM adjusted EBITDA is defined as EBITDA plus non-recurring income and expenses for the last twelve months (LTM).