REGULATED INFORMATION

Ontex announces Q3 2020 results; Strategic review and cost reduction plans underway to step up performance and value creation

Aalst-Erembodegem, November 4, 2020 - Ontex Group NV (Euronext Brussels: ONTEX; 'Ontex,' 'the Group' or 'the Company') today announced its results for the three months and nine months ending September 30, 2020.

- **Reported revenue: €508 million (-12% vs. Q3 2019) including a €43 million negative currency impact; -4.6% like-for-like (LFL) on the back of lower personal hygiene market demand and increased competition**
- **Adjusted EBITDA: €57 million (-€4 million vs. Q3 2019) including a €17 million negative currency impact; Adjusted EBITDA margin of 11.3% (+57 bps vs. Q3 2019), benefiting from further gains from T2G and lower raw material indices**
- **Actions underway to restore growth and profitability**
    - **Launch of in-depth strategic review and creation of Strategy Committee**
    - **Intensified T2G efforts to secure operational and commercial gains**
    - **Additional plan to reduce overhead costs by €11 million on a full-year basis**
    - **Cut in 2020 management variable compensation pool**

Strategic review underway to step up performance and value creation
Following recent leadership changes, including the appointment in May of Hans van Bylen as new Chairman of the Board and in July of Thierry Navarre as interim CEO, the Board of Directors has decided to create a Strategy Committee, tasked with re-shaping the company's strategic priorities and expediting decision-making and execution. A strategic review launched in late August is currently underway, covering the following aspects:

- Accelerating delivery of operational efficiencies through intensified T2G efforts
- Reviewing the company's cost structure
    - First decision to reduce overhead costs by €11 million on a full-year basis with first savings starting in Q4 2020
- Strengthening commercial capabilities in an increasingly competitive marketplace
- Re-assessing Ontex's strategic intent for each geography, category, channel and brand
- Right-sizing the operational footprint in line with strategic choices and level of activity
- Evaluating external growth opportunities with strict financial discipline

The outcome of this review will be a strengthened business model, reflecting clear choices on where to play and how to win, and measurable targets to follow progress in implementation. Capital will be allocated in alignment with key priorities, and the remuneration policy is being revised to tie management compensation more closely with company performance.

Thierry Navarre, Ontex CEO, commented: *"Ontex posted a sequential improvement in sales in Q3 in the face of the unprecedented market conditions resulting from the COVID-19 pandemic, and profitability benefited from ongoing T2G-driven gains. However, even allowing for these market conditions, we are not satisfied with the current level of performance and recognize that it must be stepped up. Therefore, Ontex's Board of Directors and Management are mobilizing all Ontex resources to take further decisive actions. This encompasses a wide range of initiatives, including a full strategic review with no taboos, as well as first decisions to reduce overhead costs across the Group and a cut in management's short-term variable compensation pool for this year. We are fully committed to making the necessary changes in order to address our challenges and return to sustainable top- and bottom-line growth and value creation."*

Key Financials for 9M 2020 and Q3 2020

€ in million, except per share data	Nine Months			Third Quarter		
	2020	2019	% Change	2020	2019	% Change
Reported Revenue	**1,561.3**	**1,688.7**	**-7.5%**	**507.9**	**574.4**	**-11.6%**
LFL Revenue	**1,639.9**	**1,688.7**	**-2.9%**	**548.2**	**574.4**	**-4.6%**
Adjusted EBITDA	**183.1**	**172.4**	**+6.2%**	**57.1**	**61.4**	**-6.9%**
Adj. EBITDA Margin	***11.7%***	***10.2%***	***+152 bps***	***11.3%***	***10.7%***	***+57 bps***
Adjusted EBITDA at constant currencies	231.8	172.4	+34.5%	74.1	61.4	+20.7%
Adjusted EBITDA Margin at constant currencies	*14.1%*	*10.2%*	*+390 bps*	*13.4%*	*10.7%*	*+272 bps*

in € million, except per share data	Nine Months		
	2020	2019	% Change
Net Debt	877.6	875.7	+0.2%
Net Debt / LTM Adj. EBITDA	3.43x	3.68x	-0.25x

N.M.: not meaningful

Notes which apply to this document
Unless otherwise indicated, all comments in this document on changes in revenue are on a like-for-like basis (at constant currencies).
Definitions of Alternative Performance Measures (APMs) in this document can be found under the section Corporate Information.
Due to rounding, numbers presented throughout this press release may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Net debt

Net debt was €877.6 million at September 30, 2020, in line with September 30, 2019. Leverage stood at 3.43x at September 30, 2020, lower than the 3.68x at September 30, 2019, and marginally below 3.51x at December 31, 2019.

Decision on dividend in 2020

On April 9, 2020 the Company disclosed in an ad-hoc update on activity and COVID-19 impact that the Board of Directors had decided not to propose paying a dividend to the General Meeting in May to preserve cash resources and financial flexibility, and pledged to revisit the possible payment of a dividend later in the year. The Board of Directors has now decided that it would not be appropriate to pay a dividend in 2020 in light of ongoing uncertainties related to the pandemic and continued focus on cash preservation.

Planned retirement of CFO; succession process underway

Charles Desmartis, CFO, has communicated his intention to retire, effective March 31, 2021. A search for his successor is underway.

Transform to Grow (T2G) Progress Report

We have generated €57 million of T2G-related gross gains to Adjusted EBITDA at constant currencies in the first nine months of 2020.

After nine months we continue to be ahead of our targets in procurement, excluding any benefit from lower raw material indices. The delivery of our efficiency and cost improvement ambitions in manufacturing and supply chain is progressing but requires a further enhancement of our skills, processes and systems, and thus is taking more time than initially anticipated. The commercial workstreams are not yet delivering the expected benefits to date, in an environment characterized by increased volatility and lower demand.

The pandemic and related measures taken to combat it have impeded progress of initiatives in both the operational and commercial workstreams since March 2020. All efforts are being made to overcome these obstacles and capture the targeted benefits.

Q3 2020 Highlights

Q3 2020 reported revenue of €508 millon marked a €29 million improvement versus Q2 2020, with demand slowly recovering following the initial pandemic-related demand surge and subsequent decrease in H1. Furthermore, the depreciation of currencies versus the euro resulted in a negative currency impact of €43 million on Q3 sales, resulting in a decrease in reported revenue of -11.6% year-on-year.

Q3 2020 Adjusted EBITDA was €57.1 million, including a €17 million unfavorable impact of currency movements compared with Q3 2019. The year-on-year improvement at constant currencies was supported by T2G-driven gains and lower raw material indices. The Board has approved Management's proposal of a significant cut in the 2020 short-term variable compensation pool, taking into account the expected FY 2020 performance reflecting unprecedented negative currency effects and lower activity. This has resulted in a one-time adjustment of +€4 million to Q3 Adjusted EBITDA. COVID-19 related costs for an amount of -€3 million were incurred in Q3 2020 (YTD 2020: -€11 million) and recognized as recurring expenses in the income statement.

2020 outlook

Ontex continues to operate in a highly uncertain environment across its markets due to the evolution of the pandemic, which has been undermining currencies of emerging countries, disrupting consumer demand and purchasing behavior and resulting in increased competition as industry players face sales contraction in traditional channels.

In such an environment, FY Group LFL revenue variation could be expected to be broadly similar to 9M 2020. However, the resurgence of the pandemic in many geographies, including Europe, has already triggered new lockdown measures whose impact on sales in the final 2 months of 2020 is difficult to predict.

The positive impacts from further improvement of T2G workstreams, raw material indices and the first effects of overhead cost reduction measures on operating profitability will largely be offset by higher price investments and lower operating leverage on the back of lower volumes.

The effects of currency movements in Q4 on both revenue and Adjusted EBITDA are expected to be the highest of the year.

Operational Review: Categories

in € million	Nine Months 2020	Nine Months 2019	Nine Months % Δ as reported	Nine Months % Δ at LFL	Third Quarter 2020	Third Quarter 2019	Third Quarter % Δ as reported	Third Quarter % Δ at LFL
Ontex Reported Revenue	**1,561.3**	**1,688.7**	**-7.5%**	**-2.9%**	**507.9**	**574.4**	**-11.6%**	**-4.6%**
Babycare	871.8	989.8	-11.9%	-6.3%	282.3	340.9	-17.2%	-8.5%
Adult Incontinence	503.7	517.1	-2.6%	+1.5%	165.3	171.9	-3.8%	+2.7%
Femcare	162.3	159.5	+1.7%	+1.3%	51.3	53.2	-3.6%	-6.7%
Other	23.5	22.3	+5.4%	+15.8%	9.1	8.4	+8.0%	+21.0%

Ontex **Babycare** revenue decreased 8.5% in Q3 2020 versus the same period last year, due to lower volumes. While market demand in the Babycare category has improved since the summer compared with pandemic-induced pantry loading and subsequent unwinding in our markets, it was below trends observed prior to the impact of COVID-19 which became visible in our markets at the end of Q1. Baby pants outperformed baby diapers in the quarter.

Q3 2020 **Adult Incontinence** (Adult Inco) revenue increased, up +2.7% year-on-year. Sales of Adult Inco products in retail channels grew by 10%, with both Europe and AMEAA Divisions posting higher revenue. Adult Inco sales in institutional channels were below last year, as COVID-19 impacts resulted in lower demand in hospitals and care homes. Sales of Adult pants were well ahead of overall category growth.

Revenue of **Feminine Care** products was down 6.7% in Q3 2020 versus prior year. The majority of our Feminine Care sales are in Europe, where market demand was visibly lower than the same period a year ago. Reported revenue was positively impacted by sales to retailer customers in the USA, following completion of the Albaad Feminine Care acquisition on July 1st and subsequent consolidation in our results.

Operational Review: Divisions

in € million	Nine Months 2020	Nine Months 2019	Nine Months % Δ as reported	Nine Months % Δ at LFL	Third Quarter 2020	Third Quarter 2019	Third Quarter % Δ as reported	Third Quarter % Δ at LFL
Ontex Reported Revenue	**1,561.3**	**1,688.7**	**-7.5%**	**-2.9%**	**507.9**	**574.4**	**-11.6%**	**-4.6%**
Europe	651.5	707.1	-7.9%	-6.4%	209.5	238.0	-12.0%	-9.8%
AMEAA	582.7	647.8	-10.1%	+0.5%	189.1	225.1	-16.0%	-0.4%
Healthcare	327.1	333.7	-2.0%	-1.9%	109.2	111.3	-1.9%	-1.6%

[1] 2019 revenue in AMEAA and Healthcare has been adjusted due to a shift of customer responsibility between these Divisions effective January 1, 2020, which has no impact on total Ontex revenue. Details can be found in annex.

Europe

Revenue in our Europe Division was down 9.8% in Q3 2020, an improvement on Q2 although below H1 as COVID-19 impacts weighed on market demand. Tracked channel sales decreased in Babycare (down high single digits) and Feminine Care (down mid single digits), with Adult Inco revenue up low single digits, confirming that market demand has not recovered to pre-pandemic levels. Within this demand environment, promotional activity of the leading international branded diaper was reinstated following a brief temporary pause during the demand surge in March and April, and reached unprecedented levels in some major markets in Q3. In addition, the quarter had a net negative balance of contract gains and losses, which will also impact revenue in Q4 2020. Our direct to consumer baby diaper offering in France and Benelux recorded solid growth.

Americas, Middle East, Africa and Asia (AMEAA)
Q3 2020 revenue in the AMEAA Division came in essentially at the same level as last year, or -0.4%, better than Q2, with end market demand continuing to be affected by consumer habits evolving in response to the pandemic. Americas revenue had a limited decrease, with lower sales in Mexico on the back of softer market demand and resulting in increased competition. This was largely offset by growth in the USA, which had higher sales at online customers and new retailer brand business starting to ship at the back end of the quarter. Brazil also posted higher sales as the relentless focus to improve our brands and route to market have made our business more competitive. The MEAA markets posted higher revenue on the back of increased volumes.

Healthcare
Healthcare Division revenue in Q3 was down 1.6% compared with a solid performance in the same period in 2019. Our sales trends in e-commerce and self-pay channels continued to be positive, and home delivery revenue also increased. Demand for Adult Inco products in hospitals and nursing homes was lower due to impacts from the pandemic and related actions taken by authorities such as restricted access.

Adjusted EBITDA

Q3 2020 Adjusted EBITDA was €57.1 million, resulting in a margin of 11.3%, an increase of 57 basis points vs. prior year. The further depreciation of several foreign currencies versus the euro resulted in an unfavorable impact of €17.0 million in Q3 (YTD 2020: €48.7 million).

Adjusted EBITDA continued to show good progress at constant currencies, up 21% to €74.1 million in Q3 2020. The Adjusted EBITDA margin at constant currencies rose 272 basis points to 13.4%. T2G-generated gross gains were the largest contributor to this improvement, which was also supported by lower raw material indices. Q3 Adjusted EBITDA also reflects a positive +€4 million adjustment to the short-term variable compensation pool as a result of a management decision, considering the reported performance forecast for the year, as disclosed above in this press release. COVID-19 related costs for an amount of -€3 million were also recorded in the quarter as recurring expenses.

Corporate information

The above press release and related financial information of Ontex Group NV for the three and nine months ended September 30, 2020 was authorized for issue in accordance with a resolution of the Board on November 3, 2020.

AUDIO WEBCAST

Management will host an audio webcast for investors and analysts on November 4, 2020 at 9:00am CET/8:00am UK.

A copy of the presentation slides will be available at http://www.ontexglobal.com/

Click on the link below to attend the presentation from your laptop, tablet or mobile device. Audio will stream through your selected device, so be sure to have headphones or your volume turned up.

https://globalmeet.webcasts.com/starthere.jsp?ei=1396257&tp_key=26badb56dc

A full replay of the presentation will be available at the same link shortly after the conclusion of the live presentation.

FINANCIAL CALENDAR 2020

FY 2020	February 24, 2021
Q1 2021	April 28, 2021
AGM	May 25, 2021
H1 2021	July 29, 2021
Q3 2021	October 28, 2021

ENQUIRIES

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Alternative Performance Measures

Alternative performance measures (non-GAAP) are used in this press release since management believes that they are widely used by certain investors, securities analysts and other interested parties as supplemental measure of performance and liquidity. The alternative performance measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results, our performance or our liquidity under IFRS.

Like-for-like revenue (LFL)

Like-for-like revenue is defined as revenue at constant currencies excluding change in scope of consolidation or M&A.

Non-recurring Income and expenses

Income and expenses classified under the heading "non-recurring income and expenses" are those items that are considered by management not to relate to transactions, projects and adjustments to the value of assets and liabilities taking place in the ordinary course of activities of the Company. Non-recurring income and expenses are presented separately, due to their size or nature, so as to allow users of the consolidated financial statements of the Company to get a better understanding of the normalized performance of the Company. Non-recurring income and expenses relate to:

- acquisition-related expenses;
- changes to the measurement of contingent considerations in the context of business combinations;
- changes to the Group structure, business restructuring costs, including costs related to the liquidation of subsidiaries and the closure, opening or relocations of factories;
- impairment of assets and major litigations.

Non-recurring income and expenses of the Group for the years ended December 31 are composed of the following items presented in the consolidated income statement:

- income/(expenses) related to changes to Group structure; and
- income/(expenses) related to impairments and major litigations.

EBITDA and Adjusted EBITDA and related margins

EBITDA is defined as earnings before net finance cost, income taxes, depreciations and amortizations. Adjusted EBITDA is defined as EBITDA plus non-recurring income and expenses. EBITDA and Adjusted EBITDA margins are EBITDA and Adjusted EBITDA divided by revenue.

Net financial debt/LTM Adjusted EBITDA ratio (Leverage)

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).

Annex A – 2019 Division revenue presented in 2020 Division structure

2020 Structure	2019				
Ontex Reported Revenue in € million	**Q1**	**Q2**	**Q3**	**Q4**	**FY**
Ontex Group	546.2	568.1	574.4	592.6	2,281.3
Europe	233.7	235.4	238.0	249.7	956.9
AMEAA	199.5	223.2	225.1	235.1	882.9
Healthcare	113.0	109.4	111.3	107.8	441.6
% ∆ at LFL	**Q1**	**Q2**	**Q3**	**Q4**	**FY**
Ontex Group	-1.5%	-1.1%	0.2%	-1.4%	-1.0%
Europe	-6.7%	-10.0%	-6.0%	-2.8%	-6.4%
AMEAA	5.7%	10.0%	7.1%	0.4%	5.6%
Healthcare	-2.0%	-0.1%	1.3%	-2.0%	-0.7%
% ∆ as reported	**Q1**	**Q2**	**Q3**	**Q4**	**FY**
Ontex Group	-2.1%	-0.6%	1.4%	-0.6%	-0.5%
Europe	-7.6%	-10.0%	-5.6%	-1.7%	-6.3%
AMEAA	5.0%	11.2%	10.0%	1.1%	6.7%
Healthcare	-1.7%	0.1%	1.2%	-1.4%	-0.5%

2019 Structure	2019				
Ontex Reported Revenue in € million	**Q1**	**Q2**	**Q3**	**Q4**	**FY**
Ontex Group	546.2	568.1	574.4	592.6	2,281.3
Europe	233.7	235.4	238.0	249.7	956.9
AMEAA	201.6	225.7	226.8	237.8	891.9
Healthcare	110.9	107.0	109.6	105.1	432.5
% ∆ at LFL	**Q1**	**Q2**	**Q3**	**Q4**	**FY**
Ontex Group	-1.5%	-1.1%	0.2%	-1.4%	-1.0%
Europe	-6.7%	-10.0%	-6.0%	-2.8%	-6.4%
AMEAA	5.7%	10.4%	6.6%	0.5%	5.6%
Healthcare	-2.1%	-1.0%	2.1%	-2.2%	-0.8%
% ∆ as reported	**Q1**	**Q2**	**Q3**	**Q4**	**FY**
Ontex Group	-2.1%	-0.6%	1.4%	-0.6%	-0.5%
Europe	-7.6%	-10.0%	-5.6%	-1.7%	-6.3%
AMEAA	5.1%	11.7%	9.5%	1.3%	6.7%
Healthcare	-2.0%	-1.0%	2.0%	-1.7%	-0.7%

DISCLAIMER

This report may include forward-looking statements. Forward-looking statements are statements regarding or based upon our management's current intentions, beliefs or expectations relating to, among other things, Ontex's future results of operations, financial condition, liquidity, prospects, growth, strategies or developments in the industry in which we operate. By their nature, forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results or future events to differ materially from those expressed or implied thereby. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein.

Forward-looking statements contained in this report regarding trends or current activities should not be taken as a report that such trends or activities will continue in the future. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on any such forward-looking statements, which speak only as of the date of this report.

The information contained in this report is subject to change without notice. No re-report or warranty, express or implied, is made as to the fairness, accuracy, reasonableness or completeness of the information contained herein and no reliance should be placed on it.

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 trading update.

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