Ontex Q1 2015: Solid quarter in challenging markets

Aalst-Erembodegem, May 11, 2015 - Ontex Group NV (Euronext Brussels: ONTEX; 'Ontex,' 'the Group' or 'the Company') today announced its trading update for the first quarter (Q1) ending March 31, 2015.

Q1 2015 Highlights

- Revenue stood at €425.1 million, up 6.2% on a reported basis and 5.1% on a like-for-like (LFL)[1] basis
- Solid growth of Adjusted EBITDA[2] by 5.7% to €52.0 million, against a very strong comparable first quarter in 2014 (€49.2 million), resulting in a margin of 12.2%
- Net Debt was €536.8 million as of March 31, 2015, leading to a net financial debt/LTM Adjusted EBITDA ratio of 2.70x.

Key Financials Q1 2015

In € million, unless otherwise noted	Q1 2015	Q1 2014	% Change
Reported Revenue	425.1	400.2	*6.2%*
LFL Revenue[1]	420.6	400.2	*5.1%*
Adjusted EBITDA[2]	52.0	49.2	*5.7%*
Adj. EBITDA Margin	*12.23%*	*12.29%*	*(6bps)*
Net Debt	536.8	862.1	*(37.7%)*
Net Debt / LTM Adj. EBITDA	*2.70x*	*4.67x*	*n.a*

Charles Bouaziz, Ontex CEO: "We have started 2015 well, with top line growth and Adjusted EBITDA margin ahead of our expectations, despite commodity and FX headwinds. As the competitive environment intensifies in Western European markets, we will remain disciplined in terms of balancing top line growth and profitability, while our balanced portfolio allows us to capture faster growth in emerging markets. We also continue to invest in innovation, operational excellence and building a stronger organization, in order to capture the growth opportunities in our categories and geographies."

1 *LFL revenues are 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. Adjusted EBITDA margin is Adjusted EBITDA divided by revenue.*

Market Dynamics

Market dynamics at the start of the year have been broadly in line with our expectations, with customers and consumers continually looking for better value for their money and products they can trust. Market conditions in emerging markets were generally favorable, although some countries continued to face political and economic volatility, curbing consumer demand.

The Euro was weaker against several currencies in which the Group's sales are denominated, compared to a year ago, which overall had a positive impact on revenue. However, the net impact on Adjusted EBITDA was negative, in particular due to a strengthening of the US Dollar.

As expected, overall costs for the major raw material groups were higher than a year ago as fluff prices remained at elevated levels and above Q1 last year, with the cost in Euro even higher due to the strengthening US Dollar. On the other hand, the oil-based raw material indices started to decline at the end of 2014 but only had a limited impact on the Group in Q1 due to a time lag in pricing agreements. The positive impact on oil-based raw materials anticipated in Q2 2015 is not expected to last long, as the relevant price indices have started increasing in March already, which will have an impact after Q2 due to a time lag in the price mechanism.

Overview of Ontex Performance in Q1 2015

Ontex started 2015 with a solid first quarter, as reported revenue was €425.1 million which represents a 5.1% increase on a LFL basis. On a reported basis, revenue was up 6.2% as a consequence of net positive foreign exchange movements versus the Euro. LFL revenue was higher in all four Divisions and three categories. Geographically, while sales in Eastern Europe and the Rest of the World rose, Western Europe showed a slight decline compared to a very strong Q1 2014.

Adjusted EBITDA of €52.0 million was 5.7% higher year-on-year due to volume growth and a consistent focus on cost management, and despite FX and commodity headwinds. The Q1 2015 Adjusted EBITDA margin was 12.2%, above the 12.1% for full year 2014 and only 6 bps below Q1 2014.

Operational Review: Divisions

in € million	Q1 2015	Q1 2014	% Δ as reported	% Δ at LFL
Ontex Reported Revenue	**425.1**	**400.2**	**6.2%**	**5.1%**
Mature Market Retail	228.4	216.9	5.3%	3.0%
Growth Markets	31.3	28.0	11.8%	35.4%
Healthcare	108.4	105.5	2.7%	1.1%
MENA	57.0	49.8	14.5%	5.4%

Mature Market Retail

In Q1 2015, Mature Market Retail Divisional revenue was 3.0% higher than a year ago on a LFL basis, and 5.3% higher on a reported basis due to positive FX impacts. Promotional activity at retailers was greater than in Q1 2014 resulting in accelerated consumer purchases. Overall, LFL revenue growth was driven by good performances particularly in Poland and contract manufacturing. As in the past, we will continue to take a disciplined commercial approach in very challenging markets.

Growth Markets

On a LFL basis, the Growth Markets Division had a very solid Q1 growth of 35.4%. Reported revenue was up 11.8% and was negatively impacted by exchange rates, mainly the Russian Rouble. LFL revenue in Russia increased year-on-year due to solid volume growth, in particular for retailer brands which are growing fast from a relatively low base. Higher pricing implemented in Russia at the end of 2014 also contributed positively to Q1 2015 and largely offset the negative FX impact. Volumes in Central and Eastern Europe also rose, resulting in higher revenue in the quarter.

Healthcare

Revenue in the Healthcare Division was 1.1% higher in Q1 2015 on a LFL basis, and up 2.7% on a reported basis as a result of positive FX impacts. Italy and the UK generated higher revenue on a LFL basis, partly driven by growth in home delivery. Revenue in France also contributed positively. In Germany, as disclosed in previous quarters, revenue decreased mainly as a result of the scaling back of some contracts.

MENA

MENA Divisional revenue rose 5.4% in Q1 2015 on a LFL basis, while reported revenue was up 14.5% due to the positive impact of changes in exchange rates. Higher LFL revenue was led by Turkey, Morocco and Pakistan, where our brands continued to perform well. A number of other countries in the MENA Division were negatively impacted by political and economic issues, and recorded lower revenue in the first quarter.

Operational Review: Categories

in € million	Q1 2015	Q1 2014	% Δ as reported	% Δ at LFL
Ontex Reported Revenue[1]	**425.1**	**400.2**	**6.2%**	**5.1%**
Babycare	226.5	210.2	7.8%	6.1%
Femcare	50.8	49.4	2.8%	2.0%
Adult Inco	142.3	134.9	5.5%	5.0%

1 Includes €5.5 million in Q1 2015 and €5.7 million in Q1 2014 from Other category

Babycare

Q1 2015 revenue for the Babycare category increased 6.1% on a LFL basis, and was up 7.8% on a reported basis as a result of positive FX impacts. This category revenue was positively impacted by the further rollout of our Flexfit innovation, retailer brand growth supported by the premiumization trend, and solid growth of our products in emerging markets.

Femcare

Femcare category revenue grew 2.0% in Q1 2015 on a LFL basis, and was 2.8% higher on a reported basis due to favorable FX. Category revenue growth was driven by the dynamism in emerging markets while developed markets were more stable.

Adult Inco

The Adult Inco category recorded 5.0% higher revenue on a LFL basis in Q1 2015, and due to positive FX, reported revenue was up 5.5%. Revenue rose in both institutional and retail channels, with retail sales up by 13% on a LFL basis. In the Adult Inco category, there was solid growth of the fast-growing pull-up products.

Operational Review: Geographies

in € million	Q1 2015	Q1 2014	% Δ as reported	% Δ at LFL
Ontex Reported Revenue	**425.1**	**400.2**	**6.2%**	**5.1%**
Western Europe	280.1	277.0	1.1%	(1.0%)
Eastern Europe	60.8	47.6	27.7%	42.2%
ROW	84.2	75.6	11.4%	4.0%

Sales outside of Western Europe represented 34.1% of Group revenue in Q1 2015, up from 30.8% last year, as Eastern Europe increased by 42.2% on a LFL basis, while revenue in the Rest of the World rose by 4.0%. Western Europe in Q1 2015 was slightly lower, down 1.0% on a LFL basis.

OUTLOOK

Our Ontex model of sustainable, profitable growth remains unchanged. Given that revenue in the first quarter benefited from increased retailer promotional activity in developed markets and solid emerging markets growth, and that Q2 2014 revenue is the highest comparable quarter for revenue in absolute terms, we expect some rebalancing of growth between the first and second quarters. In response to increasing competitive pressures in Western Europe, we will remain disciplined. In spite of these pressures and costs which continue to be impacted by foreign exchange and commodity headwinds, we remain focused on outperforming in our markets and achieving Adjusted EBITDA margin expansion.

FINANCIAL REVIEW

Adjusted EBITDA

Adjusted EBITDA in Q1 2015 grew 5.7% to €52.0 million. This increase was achieved despite raw material and exchange rate headwinds in the quarter as expected, in particular due to a weakening of the Euro compared to the US Dollar. We continued to invest in the organization, with higher sales, marketing and administrative expenses. These higher expenses were mostly offset by ongoing efficiency actions, as well as some operating leverage, which underpinned the higher Adjusted EBITDA. The Q1 2015 Adjusted EBITDA margin was 12.2%, 6 bps lower than the same period a year ago.

Net debt

At March 31, 2015 net debt was €536.8 million, lower than at March 31 2014 (€862.1 million) as well as at 31 December 2014 (€585.1 million). Leverage based on the last twelve months Adjusted EBITDA was 2.70x. This improvement compared to end-December 2014 (2.98x) was mostly due to cash generated from operating activities, and modest capex impact due to phasing.

NOTES TO THE TRADING UPDATE

Corporate Information

This trading update of Ontex Group NV for the first quarter of 2015 was authorized for issue in accordance with a resolution of the Board on May 8, 2015.

CONFERENCE CALL

Management will host a presentation for investors and analysts on May 11, 2015 at 8:00am BST / 9:00am CEST. A one-week replay of the conference call will also be available. 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 before the scheduled start time to register your attendance. Dial in numbers for the call are as follows:

United Kingdom:	+44 (0)20 3427 1908
United States:	+1 718 354 1357
Belgium:	+32(0)2 404 0660
France:	+33 (0)1 76 77 22 22
Germany:	+49 (0)69 2222 10631
Passcode:	5591230

A replay of the call will be available for one week from May 11, 2015 at:

Replay numbers

United Kingdom:	+44 (0)20 3427 0598
United States:	+1 347 366 9565
Belgium:	+32 (0)2 789 7487
France:	+33 (0)1 74 20 28 00
Germany:	+49 (0)69 2222 2236
Passcode:	5591230

FINANCIAL CALENDAR 2015

Annual General Meeting	May 26, 2015
Second Quarter and Half Year 2015	July 29, 2015
Third Quarter and Nine Months 2015	November 5, 2015

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DISCLAIMER

This trading update 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.

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 trading update is available in English and in Dutch. In the case of discrepancies between the two versions, the Dutch version will prevail.