

# HALF-YEAR FINANCIAL REPORT

January – June 2022

25 August 2022  
Alexander Rosenlew, CEO  
Saara Mäkelä, CFO  
Hanna Kukkonen, CMO



# Content

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2. January–June 2022 in brief
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# A leading Nordic producer of everyday household goods



7 sales offices



40 customer countries



3 factories (incl. warehouses)



90% own brands



300+ FTEs



Sustainability focus

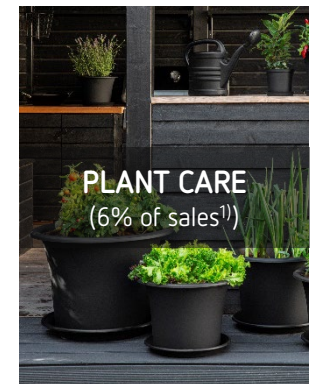


orthex™





# Mission to make everyday life easier



Functional and award-winning design



Forerunner in sustainability<sup>2)</sup>



Long-lasting high-quality products



~10% of sales from new launches



# JANUARY—JUNE 2022 IN BRIEF

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# January–June 2022

## Cost inflation impacted profitability

- Second quarter of 2022 was impacted by customer uncertainty and very rapid cost inflation
- Cost inflation in raw materials, purchased goods, transportation and energy accelerated to record levels
- Continued rising costs and balancing between campaign sales, price increases and sales volume have characterised the year so far
- Based on information and feedback from customers, Orthex has not lost market share

## Raw material price development

- Between December 2020 and June 2022, the raw material price index has increased by 78%
- The company has been actively working with price increases and has already implemented two rounds of increases during the past 12 months
- Additional price increases announced





# Q2 2022: Net sales decreased by 5.3% and adjusted EBITA was EUR -0.2 million

## Net Sales

- Net sales decreased by 5.3% to EUR 21.0 million (22.2)
- Invoiced sales decreased by 4.5% and totalled EUR 21.5 million (22.5)

## Adjusted EBITA

- Adjusted EBITA was EUR -0.2 million (2.6)
- Adjusted EBITA margin was -0.8% (11.9)

## Cash flows

- Net cash flows from operating activities were EUR -0.4 million (2.2)
  - Raw material prices visible in high inventory value





# H1 2022: Net sales decreased by 5.1% and adjusted EBITA was EUR 1.6 million

## Net Sales

- Net sales decreased by 5.1% to EUR 41.6 million (43.8)
- Invoiced sales decreased by 4.4% and totalled EUR 43.0 million (45.0)

## Adjusted EBITA

- Adjusted EBITA was EUR 1.6 million (5.9)
- Adjusted EBITA margin was 3.9% (13.6)

## Net debt to adjusted EBITDA ratio

- Leverage was 2.6x (1.5)

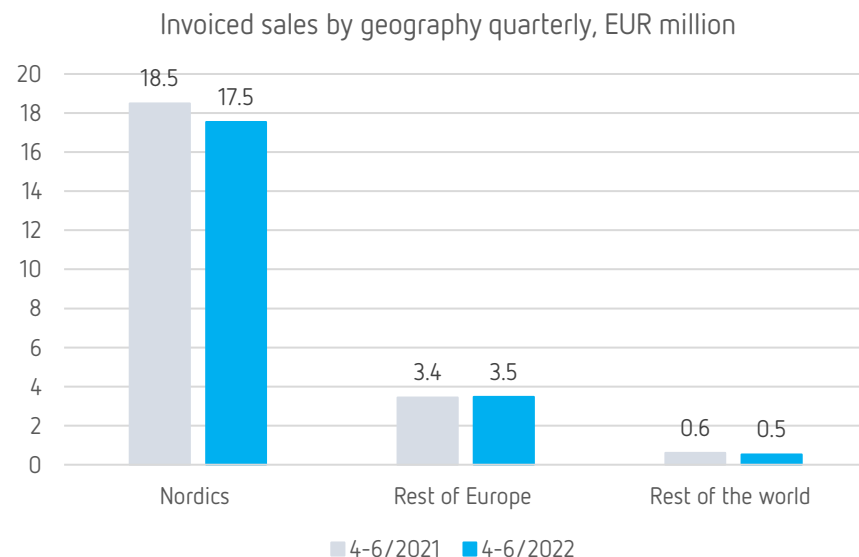
## Cash flows

- Net cash flows from operating activities were EUR 1.5 million (5.4)

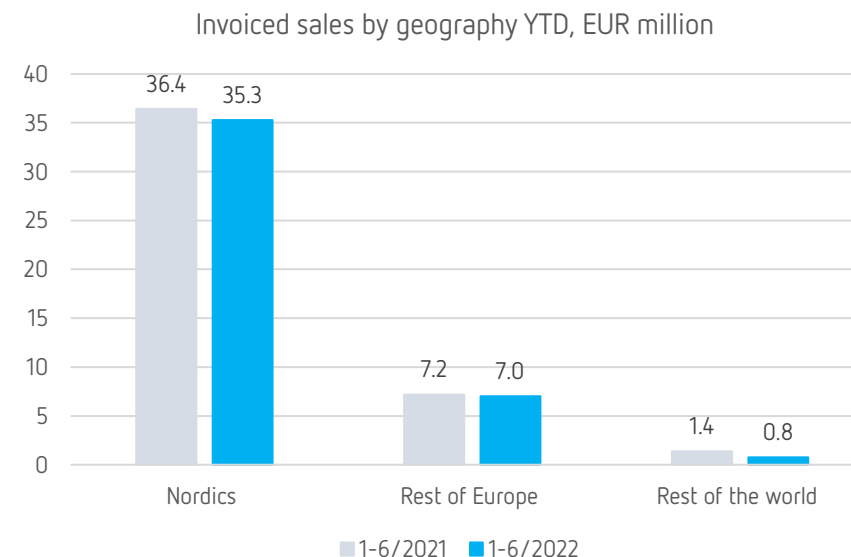




# Invoiced sales by Geography



- Orthex's invoiced sales in the core market Nordics were EUR 17.5 million (18.5)
- Invoiced sales in the rest of Europe were EUR 3.5 million (3.4)
- Invoiced sales in the rest of the world totalled EUR 0.5 million (0.6).
- The invoiced sales outside the Nordics declined by 1.5% compared to Q2 2021

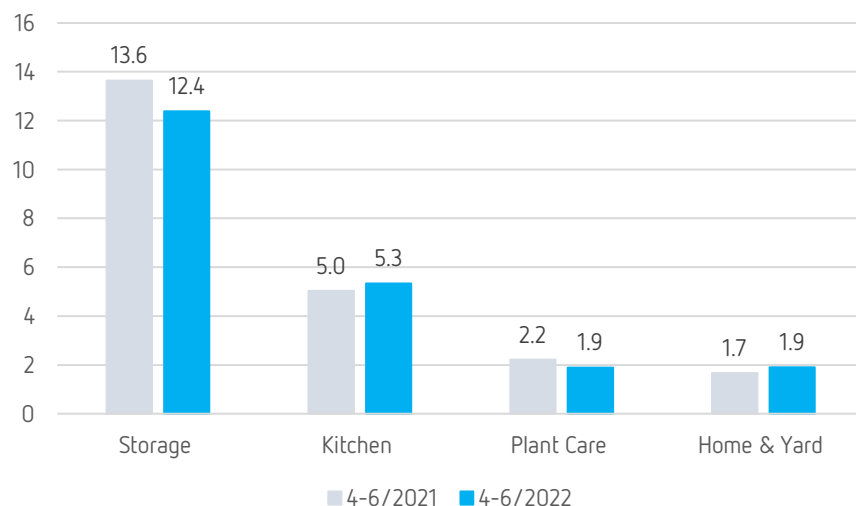


- Orthex's invoiced sales in the Nordics were EUR 35.3 million (36.4)
- Invoiced sales in the rest of Europe were EUR 7.0 million (7.2). Invoiced sales in the rest of the world totalled EUR 0.8 million (1.4).
- The invoiced sales outside the Nordics declined by 9.4% compared to H1 2021
- The change in customer purchasing behaviour in a few major customers explains the decline



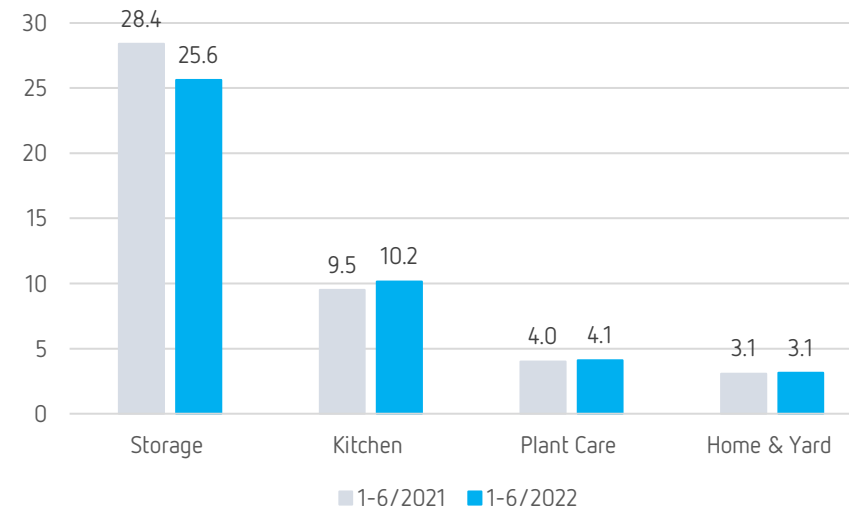
# Invoiced sales by Product category

Invoiced sales by product category quarterly, EUR million



- Invoiced sales in the largest category Storage decreased to EUR 12.4 million (13.6)
- Invoiced sales in the Kitchen category increased to EUR 5.3 million (5.0)
- Invoiced sales in the Plant care category were EUR 1.9 million (2.2)
- Invoiced sales in the Home & Yard category were EUR 1.9 million (1.7), which was especially due to our new bin products and buckets made of recycled fishing nets

Invoiced sales by product category YTD, EUR million



- Invoiced sales in the largest category Storage decreased to EUR 25.6 million (28.4). Fewer campaigns in some major customers explains the decline.
- Invoiced sales in the Kitchen category increased to EUR 10.2 million (9.5) which was mainly due to new customers and increasing demand among existing customers
- Invoiced sales in the Plant care category were EUR 4.1 million (4.0)
- Invoiced sales in the Home & Yard category were EUR 3.1 million (3.1)



# STRATEGY

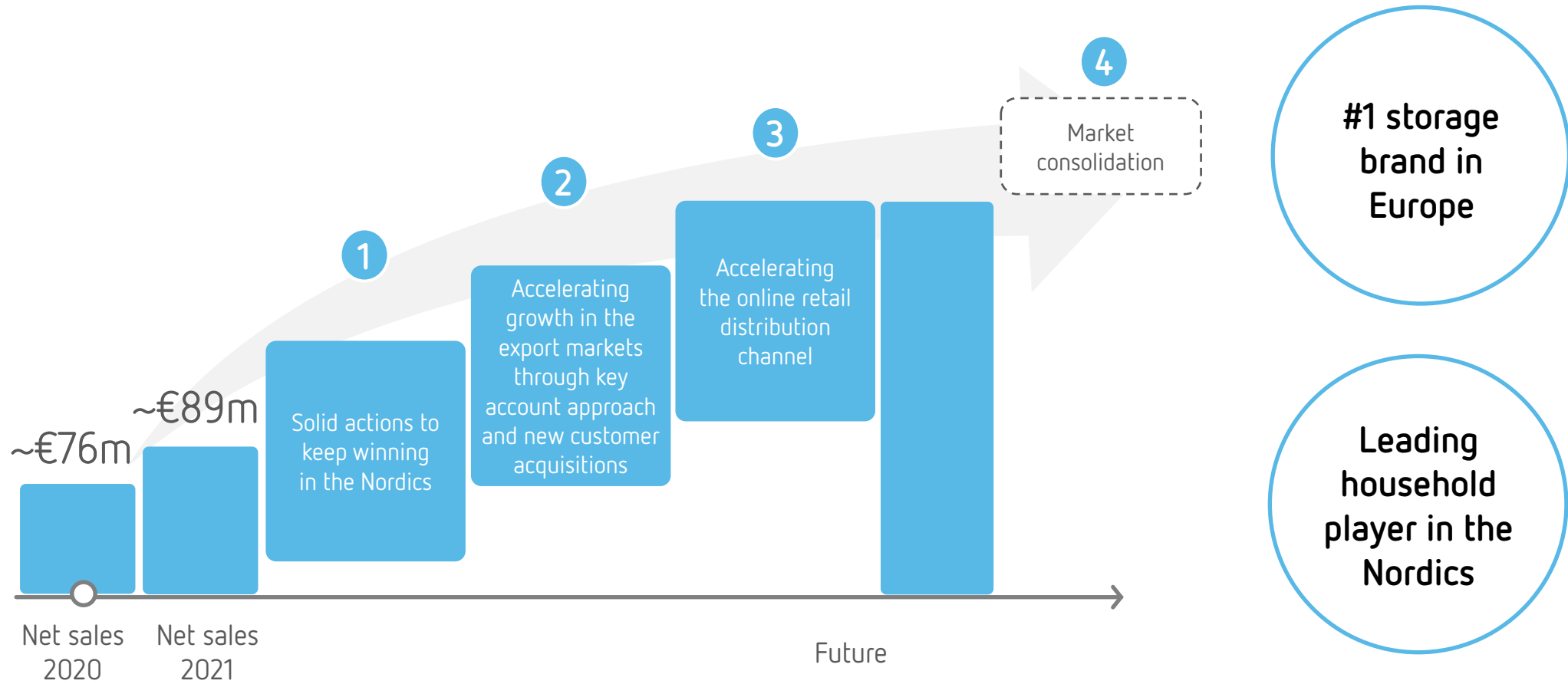
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Orthex's key objectives in its growth strategy are to become the number one brand in the Storage product category in Europe, and strengthen its position as a leading household company in the Nordics



# Clear growth strategy to deliver objectives



Clear category strategy focusing on storage



Showing the way in sustainability



Maintain a high innovation rate



# Welcome Alex Nielsen



**Sales Director, Europe and International Markets, and management team member as of 1 September 2022**

Born 1972

Danish citizen

Business diploma in Marketing, HD(A)

## Work experience

- Chief Commercial Officer at A. Espersen A/S between 2020 and 2022
- Sales Operations Director positions at Carlsberg Breweries A/S between 2016 and 2020
- General Manager and Sales Director at Hasbro Nordic between 2011 and 2016
- Director at Copenhagen Airport between 2010 and 2011
- Sales and Marketing leadership positions at Coca-Cola Company between 2004 and 2010
- Various sales and marketing positions at Gillette Group, Coca-Cola Company and COOP Denmark between 1994 and 2004



# SUSTAINABILITY

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# Sustainability

## Materiality assessment

- Orthex conducted a sustainability materiality assessment to align sustainability work with stakeholders' expectations
  - More than 500 replies from customers, employees, investors, suppliers and consumers
  - Orthex's sustainability efforts rated very high (4.35/5)

## Reporting

- Orthex disclosed environmental data in CDP Climate change program to meet the demands of investors and customers and to increase transparency
- Orthex was certified as a Nasdaq ESG Transparency Partner

## Promoting recycling of plastic

- Orthex promoted recycling of plastics by participating in an awareness-raising campaign organised by the Finnish Plastics Industries Federation



# Orthex is focusing on the right sustainability issues – all aspects were rated high

Average on scale of 1-5

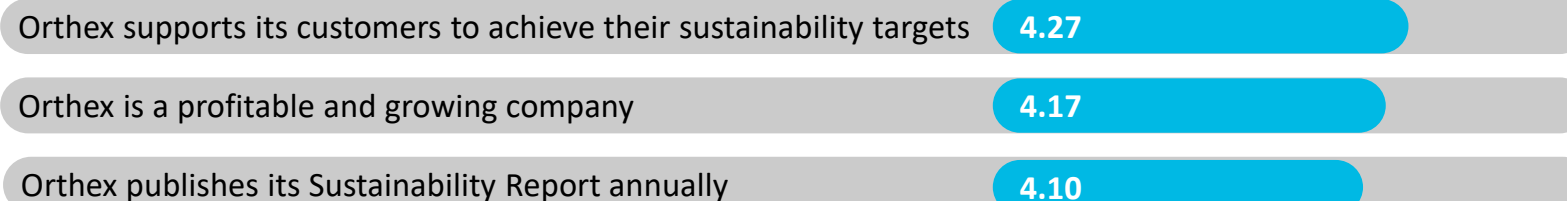
## Environment



## Social



## Econ



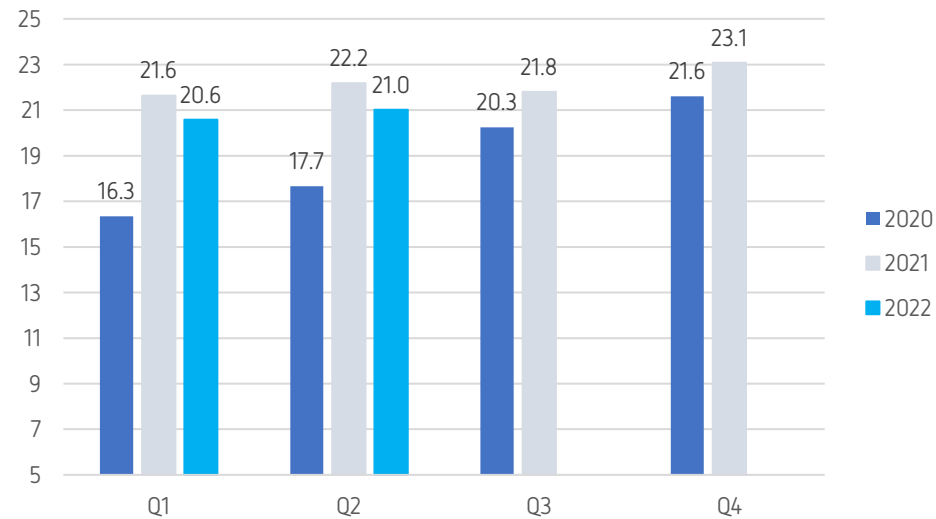


# FINANCIALS

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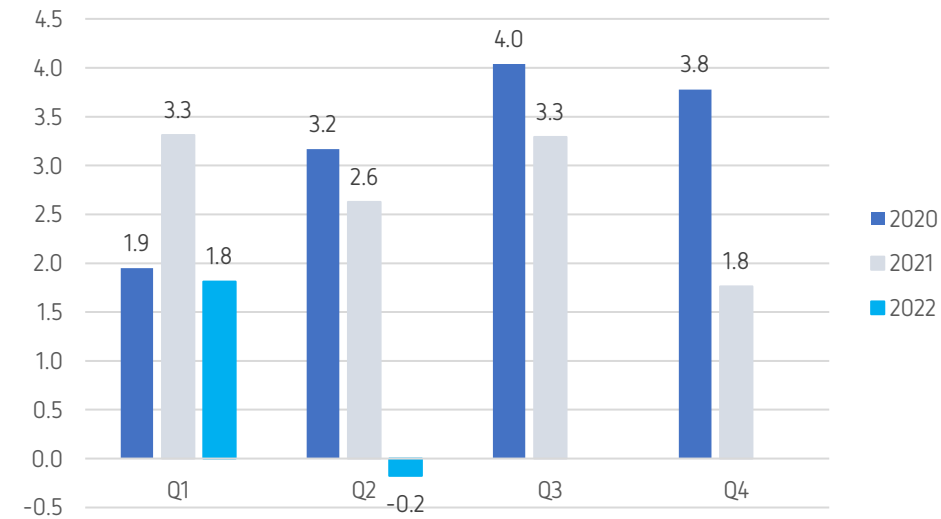
# Net Sales & Profitability

Net sales quarterly, EUR million



- In Q2 2022, the Group's Net sales decreased by 5.3% to EUR 21.0 million (22.2)
- The decrease in constant currency Net sales was 4.4% compared to the second quarter of 2021
- Sales decreased mainly due to change in customer purchasing behaviour and less Storage campaigns
- Compared to Q2 2020, Net sales in Q2 2022 increased by 19%

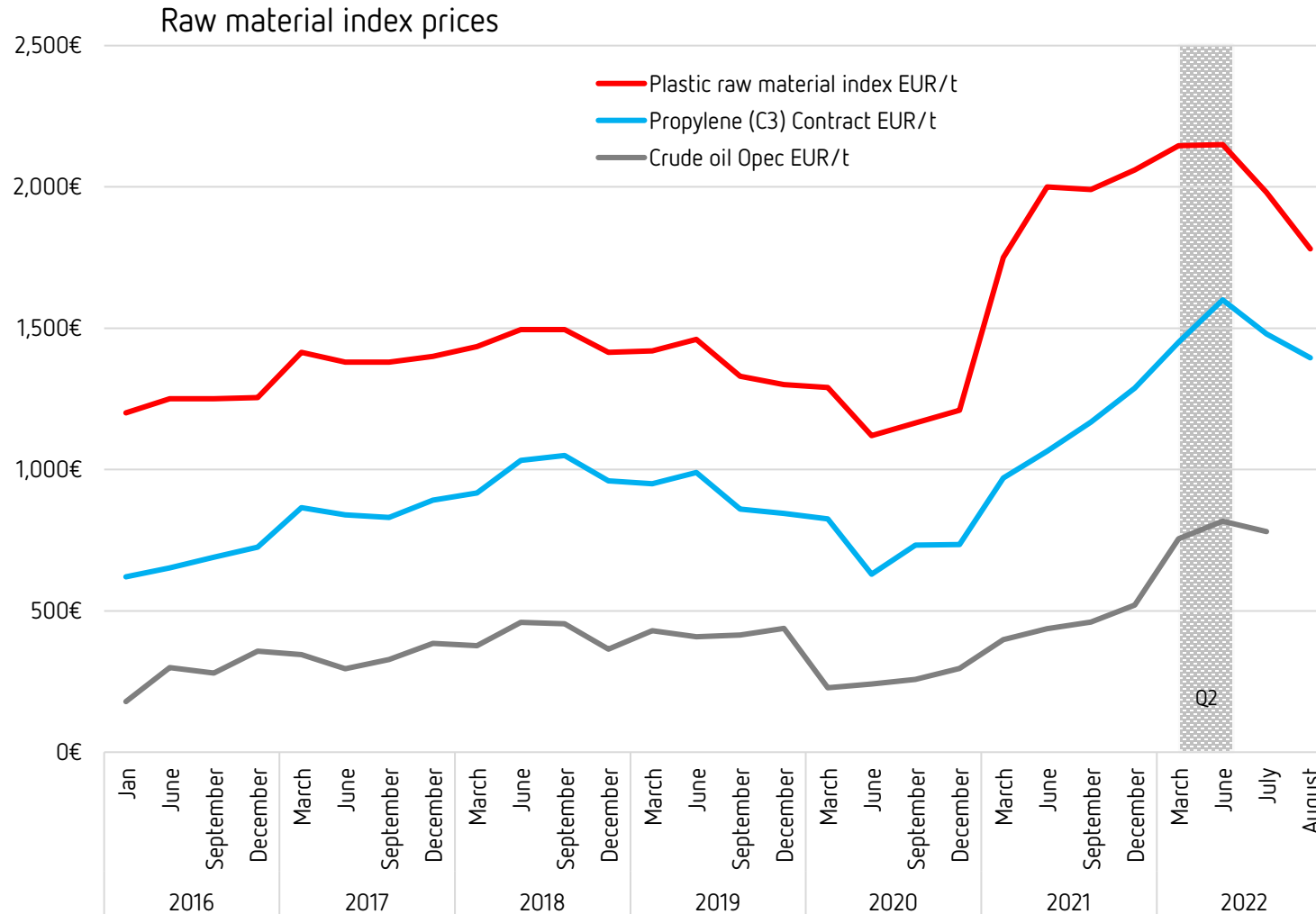
Adjusted EBITA quarterly, EUR million



- Adjusted EBITA decreased to EUR -0.2 million (2.6). The adjusted EBITA margin decreased to -0.8% (11.9).
- Adjusted Gross margin was EUR 3.1 million (5.6)
- Adjusted Gross margin % decreased 10.4 percentage points from 25.2% to 14.7%
- Profitability was affected by high raw material prices, cost inflation and the deteriorated value of the Swedish Krona. Without the negative exchange rate effect, the Q2 EBITA would have been positive.



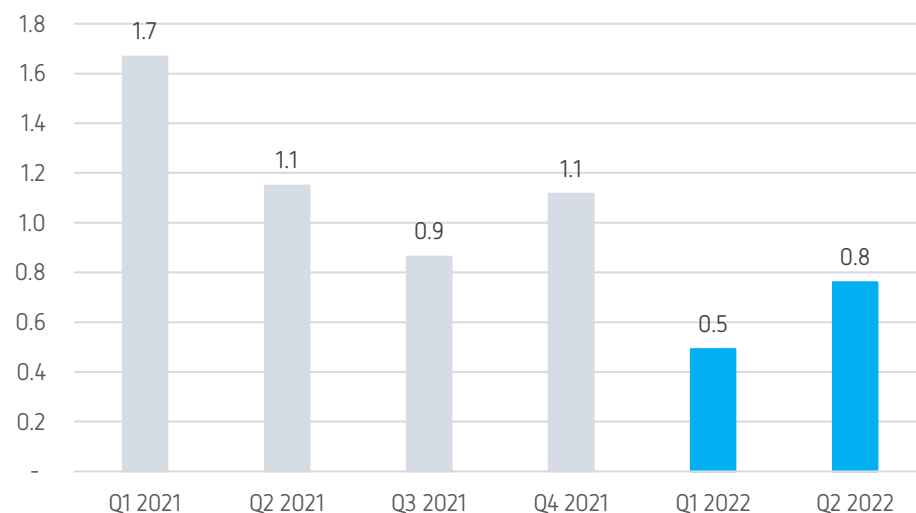
# Development of raw material price indexes



- Currently no availability issues
- Energy prices in Europe at record high levels due to sanctions on Russian oil and reduced gas deliveries
- Propylene (C3) price on extremely high level
- Supplier margins have decreased
- Plastic raw material index prices have stabilized on exceptionally high level
- Lack of clarity in European demand in general

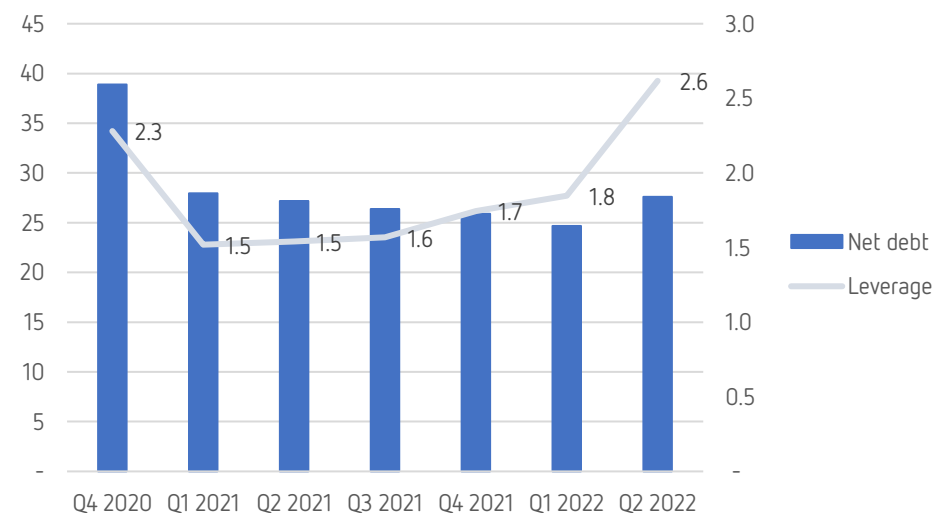
# Investments & Net Debt

Investments in tangible and intangible assets, EUR million



- Orthex's investments during the second quarter of 2022 amounted to EUR 0.8 million and were mainly related to new products and capacity increases
- During H1 2021, investments were on higher level due to a decision to speed up capacity investments

Net debt, EUR million & Leverage



- At the end of the reporting period, the Group's net debt was EUR 27.6 million (27.2)
- Capital returns paid during the period had an impact of EUR 1.6 million on the Group's net debt
- The non-current interest-bearing liabilities were EUR 33.8 million (37.9) and Orthex's total interest-bearing liabilities were EUR 38.0 million (42.2) on 30 June 2022.
- Leverage was 2.6x at the end of the reporting period



# Long-term financial targets

	Target	Description	Latest reported
SALES GROWTH	Total growth of >5% Outside Nordics >10%	"An over time annual organic net sales growth to exceed 5 per cent on a Group level, and 10 per cent outside the Nordic region"	-5.1% total -9.4% outside Nordics
PROFITABILITY	18%	"Improving EBITA margin (adjusted for items affecting comparability) exceeding 18 per cent over time"	3.9%
LEVERAGE	<2.5x	"Net debt to adj. EBITDA below 2.5x. Leverage may temporarily exceed the target, for example, in conjunction with acquisitions"	2.6x
PAY-OUT RATIO	>50%	"To distribute a stable and over time increasing dividend with a pay-out of at least 50% of net profit on a bi-annual basis"	52.0% 0.18 per share

# SUMMARY



COST INFLATION

EXCEPTIONALLY HIGH  
RAW MATERIAL PRICES

CUSTOMER PURCHASING  
BEHAVIOUR





Q&A

[www.investors.orthexgroup.com](http://www.investors.orthexgroup.com)

# Key Figures

EUR million	4-6/2022	4-6/2021	Change	1-6/2022	1-6/2021	Change	1-12/2021
Invoiced sales	21.5	22.5	-4.5%	43.0	45.0	-4.4%	90.6
Net sales	21.0	22.2	-5.3%	41.6	43.8	-5.1%	88.7
Gross margin	3.1	5.6	-44.4%	8.0	12.3	-35.1%	23.2
Gross margin, %	14.7%	25.1%		19.2%	28.1%		26.2%
EBITDA	0.6	3.3	-80.7%	3.4	6.3	-45.7%	13.2
EBITDA margin, %	3.0%	15.0%		8.2%	14.3%		14.9%
Adjusted EBITDA	0.8	3.6	-78.4%	3.5	7.8	-54.8%	14.8
Adjusted EBITDA margin, %	3.7%	16.1%		8.5%	17.9%		16.7%
EBITA	-0.3	2.4	-112.9%	1.5	4.4	-65.7%	9.4
EBITA margin, %	-1.5%	10.8%		3.6%	10.0%		10.6%
Adjusted EBITA	-0.2	2.6	-106.7%	1.6	5.9	-72.5%	11.0
Adjusted EBITA margin, %	-0.8%	11.9%		3.9%	13.6%		12.4%
Operating profit	-0.3	2.4	-114.4%	1.4	4.3	-66.6%	9.3
Operating profit margin, %	-1.6%	10.6%		3.5%	9.9%		10.4%
Net cash flows from operating activities	-0.4	2.2	-118.0%	1.5	5.4	-72.6%	9.0
Net debt / Adjusted EBITDA	2.6x	1.5x		2.6x	1.5		1.7x
Adjusted return on capital employed (ROCE), %	-0.6%	8.2%		4.7%	18.3%		33.0%
Equity ratio, %	33.0%	33.0%		33.0%	33.0%		35.8%
Earnings per share, basic (EUR)	-0.03	0.09	-139.8%	0.03	0.16	-82.7%	0.35
FTEs	301	321	-6.4%	297	318	-6.5%	314



orthex<sup>TM</sup>

Practical is Beautiful