

# INTERIM REPORT

January–September 2022

11 November 2022  
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GROUP





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2. January–September 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



A kitchen counter with various items. On the left, a clear storage bin holds a stack of bamboo chopsticks and a tube of wasabi. Next to it is a white pot filled with fresh green herbs. To the right, a clear storage bin contains several whole onions and a small container of garlic. Further right, a bamboo steamer sits on a clear storage bin. In the foreground, a small white bowl is filled with shredded cheese. The background is a white tiled wall.



# January–September 2022

## Net sales

- Distribution build-up had a positive impact on sales development in Europe outside the Nordics during the third quarter
- Customer purchasing behavior was impacted by market uncertainty

## Cost inflation impacted profitability

- Cost inflation in raw materials, purchased goods, transportation and energy was high
- Results were affected by the weakening of the Swedish krona
- Continued rising costs and balancing between campaign sales, price increases and sales volume have characterised the year so far

## Raw material price development

- Between December 2020 and September 2022, the raw material price index has increased, currently on 45% higher level
- Actively working with a long-term pricing strategy to adapt to the cost inflation

# Q3 2022: Net sales increased by 1.4% and adjusted EBITA was EUR 2.2 million

## Net Sales

- Net sales increased by 1.4% to EUR 22.1 million (21.8)
- Invoiced sales increased by 0.6% and totalled EUR 22.2 million (22.0)

## Adjusted EBITA

- Adjusted EBITA was EUR 2.2 million (3.3)
- Adjusted EBITA margin was 10.1% (15.1)

## Cash flows

- Net cash flows from operating activities were EUR 4.4 million (1.8)
  - High raw material prices visible in inventory value





# Q1-Q3 2022: Net sales decreased by 2.9% and adjusted EBITA was EUR 3.9 million

## Net Sales

- Net sales decreased by 2.9% to EUR 63.7 million (65.6)
- Invoiced sales decreased by 2.7% and totalled EUR 65.2 million (67.0)

## Adjusted EBITA

- Adjusted EBITA was EUR 3.9 million (9.2)
- Adjusted EBITA margin was 6.1% (14.1)

## Net debt to adjusted EBITDA ratio

- Leverage was 2.5x (1.6)

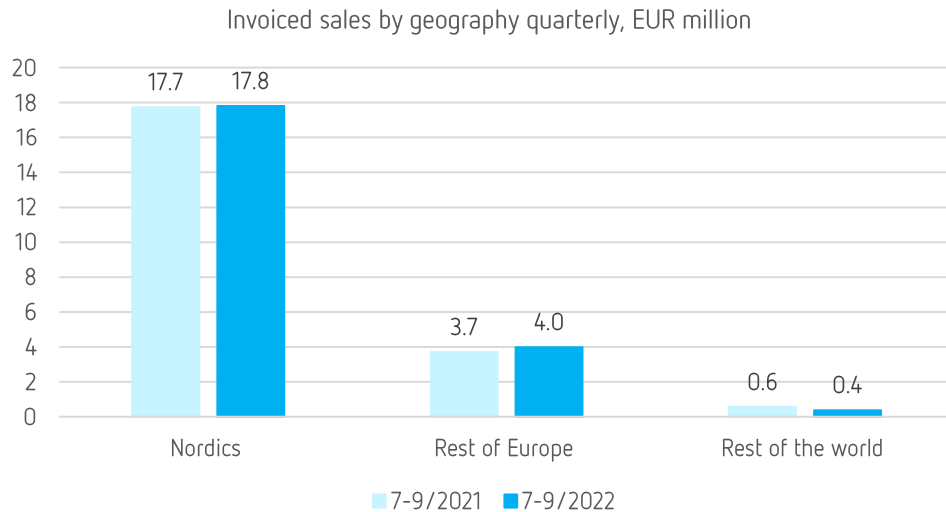
## Cash flows

- Net cash flows from operating activities were EUR 5.9 million (7.2)

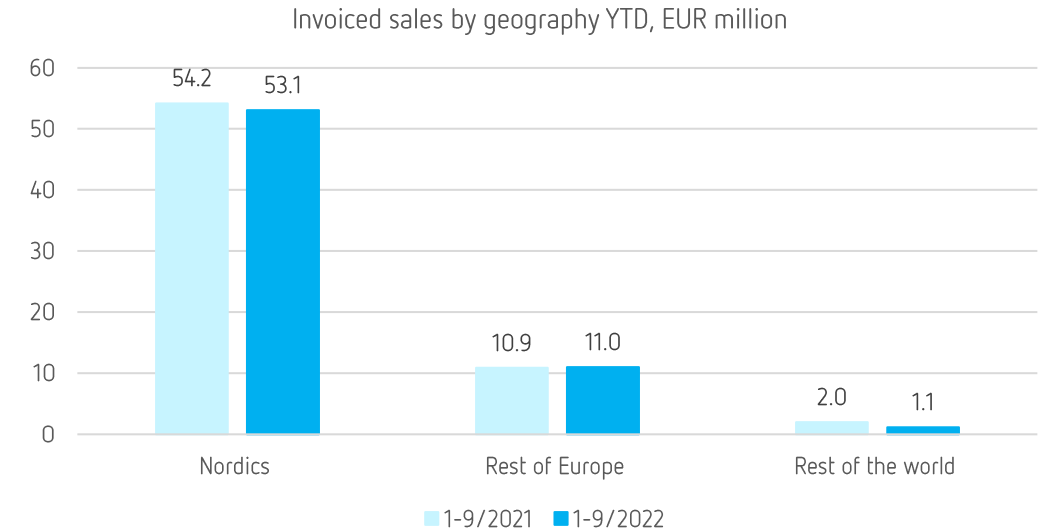




# Invoiced sales by geography

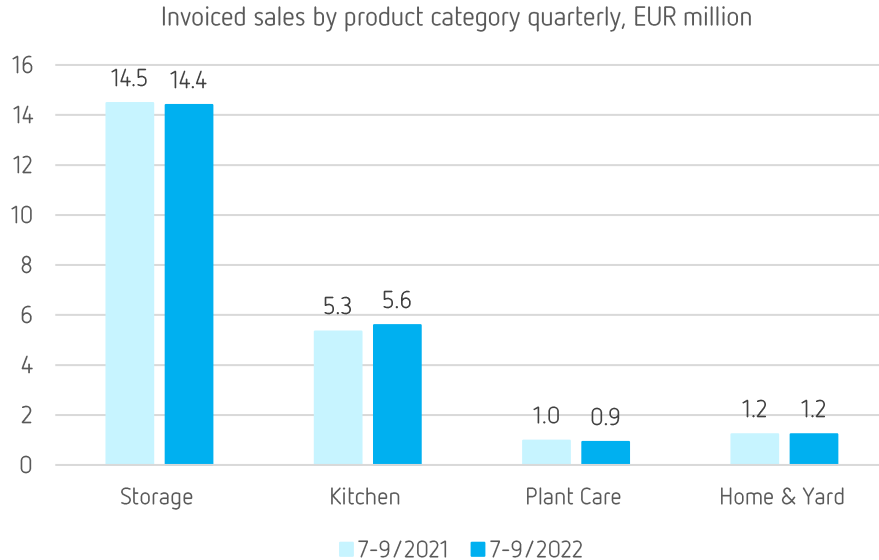


- Orthex's invoiced sales in the core market Nordics were EUR 17,8 million (17,7)
- Invoiced sales in the rest of Europe grew by 7.4% and were EUR 4.0 million (3.7). Distribution build-up had a positive impact on sales development in Europe outside the Nordics. Invoiced sales in the rest of the world totalled EUR 0.4 million (0.6)
- The invoiced sales outside the Nordics increased by 1.7% compared to Q3 2021

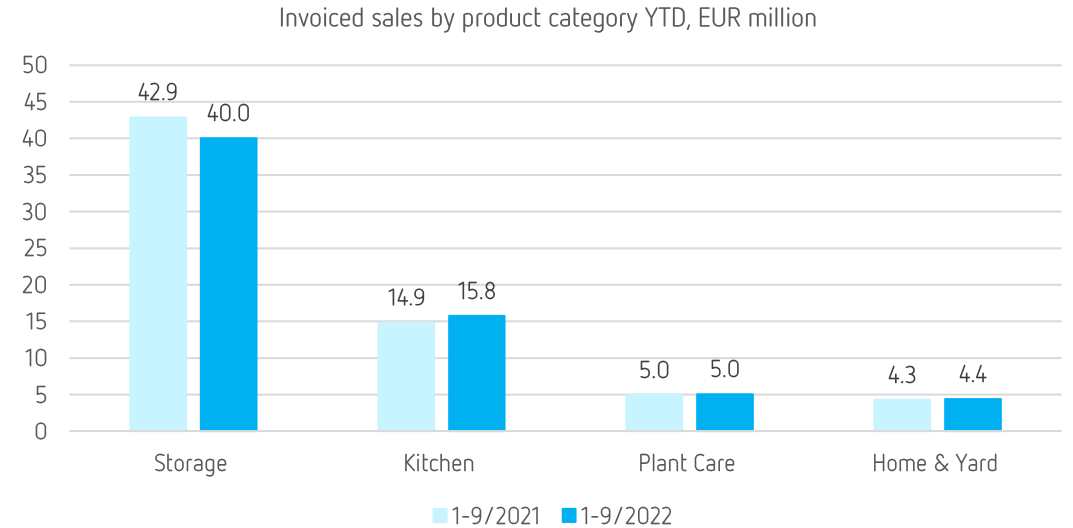


- Orthex's invoiced sales in the Nordics were EUR 53.1 million (54.2)
- Invoiced sales in the rest of Europe were EUR 11.0 million (10.9) and invoiced sales in the rest of the world totalled EUR 1.1 million (2.0)
- The invoiced sales outside the Nordics declined by 5.7% compared to Q1-Q3 2021
- The change in customer purchasing behaviour in a few major customers explains the decline

# Invoiced sales by product category



- Invoiced sales in the largest category Storage were EUR 14.4 million (14.5). The slight decrease was driven by the purchase behaviour of our retail customers and fewer campaigns in some major customers
- Invoiced sales in the Kitchen category increased to EUR 5.6 million (5.3)
- Invoiced sales in the Plant care category were EUR 0.9 million (1.0)
- Invoiced sales in the Home & Yard category remained flat at EUR 1.2 million (1.2)



- Invoiced sales in the largest category Storage decreased to EUR 40.0 million (42.9). Fewer campaigns in some major customers explains the decline
- Invoiced sales in the Kitchen category increased to EUR 15.8 million (14.9) which was mainly due to new customers and increasing demand among existing customers
- Invoiced sales in the Plant care category were EUR 5.0 million (5.0)
- Invoiced sales in the Home & Yard category were EUR 4.4 million (4.3)



# STRATEGY

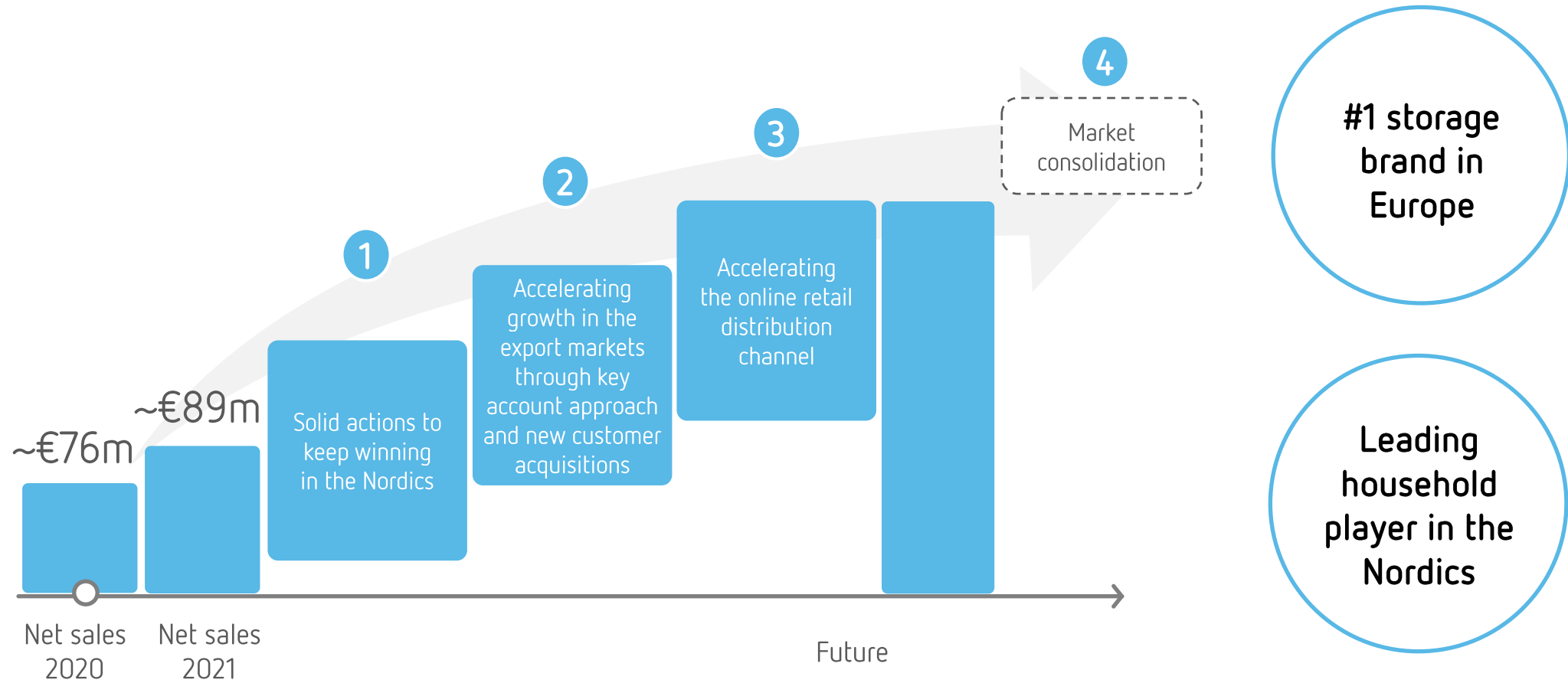
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Orthex's key objectives in its growth strategy are to become the number one brand in the Storage product category in Europe, and strengthen its position as a leading household company in the Nordics





# Clear growth strategy to deliver objectives



Clear category strategy focusing on storage



Showing the way in sustainability



Maintain a high innovation rate



# SUSTAINABILITY

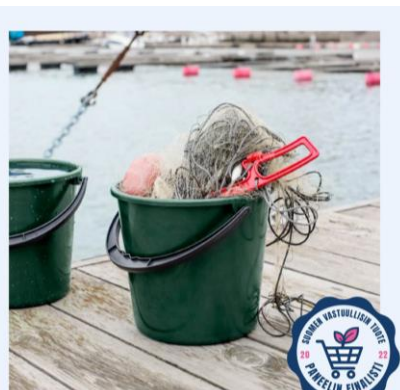
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## Sustainable products

- Orthex started using ISCC+ certified renewable raw materials applying mass balance approach in the production of its popular SmartStore™ Compact and Compact Clear storage boxes
- Orthex extended its product selection made from recycled plastics by launching SmartStore™ Collect Slim recycling solution
- Orthex participated in a competition for the most sustainable product in Finland with two products: Orthex bucket from old fishing nets and the SmartStore™ Collect sorting solution
  - Out of 291 pre-screened products, the competition panel selected Orthex bucket from old fishing nets as one of the 11 finalists



OLEMME EHDOLLA SUOMEN  
VASTUULLISIMMAKSI TUOTTEEKSI  
2022

# Orthex invests in research to increase the use of sustainable plastic

Orthex is involved in two significant research projects, the goals of which are to increase the use of recycled and renewable plastics

1. **CirPE:** Research project aiming at increasing the use of recycled plastic started in September and will last until the end of 2024. Special focus on recycled plastic suitable for food contact. The project is part of the extensive Borealis SPIRIT program supported by Business Finland
2. **PlastLife:** Orthex also participates in a large seven-year cooperation project starting January 2023. In the project, Orthex will focus on renewable plastic raw materials. The project is led by the Ministry of the Environment and the Finnish Environment Institute (SYKE) and it is part of the EU's LIFE program







# SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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## The SBTi has approved Orthex's near-term science-based emissions reduction target

Orthex joined the group of international pioneering companies by committing to science-based climate targets set by the Science Based Targets initiative (SBTi)

Orthex received approval from Science Based Targets for its own emissions reduction targets, which means that Orthex's emission reduction targets are aligned with keeping global warming below 1.5°C and meet the goals of the Paris Agreement



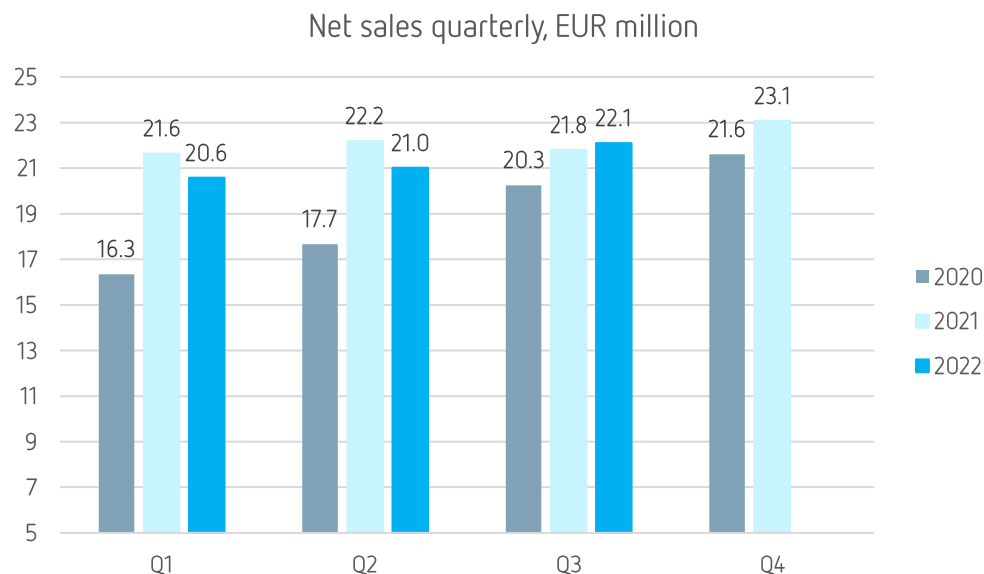


# FINANCIALS

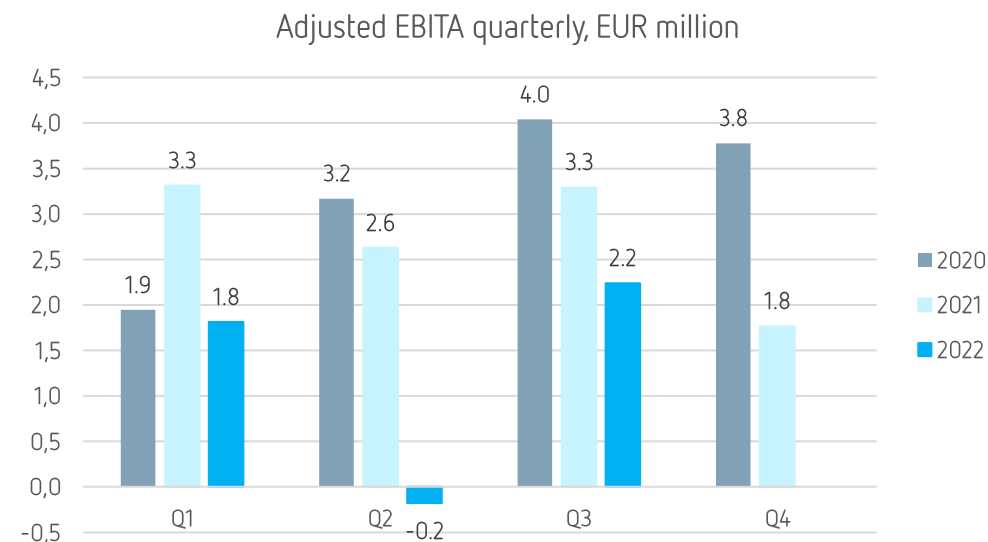
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# Net Sales & Profitability

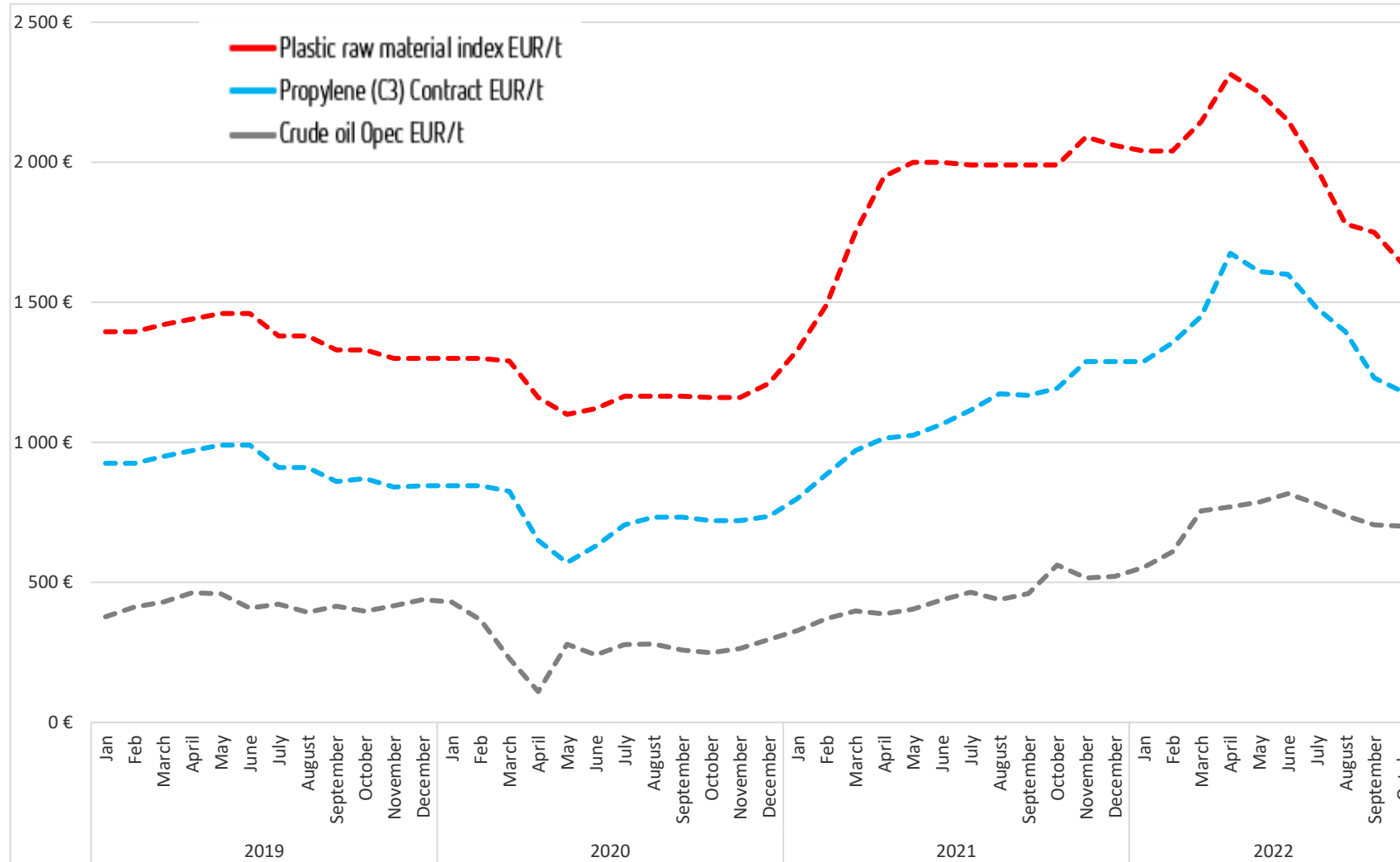


- In Q3 2022, the Group's Net sales increased by 1.4% to EUR 22.1 million (21.8)
- The increase in constant currency Net sales was 2.3% compared to the third quarter of 2021
- Sales increased in the Kitchen category due to new customers and increased assortment among existing customers
- Compared to Q3 2020, Net sales in Q3 2022 increased by 9%



- Adjusted EBITA decreased to EUR 2.2 million (3.3). The adjusted EBITA margin decreased to 10.0% (15.1)
- Adjusted Gross margin was EUR 5.0 million (5.8)
- Adjusted Gross margin % decreased 4.0 percentage points from 26.4% to 22.4%
- Profitability was affected by high raw material prices, cost inflation, high electricity cost and the deteriorated value of the Swedish Krona
- Effects of the latest price increasing visible during Q3 2022

# Development of raw material price indexes

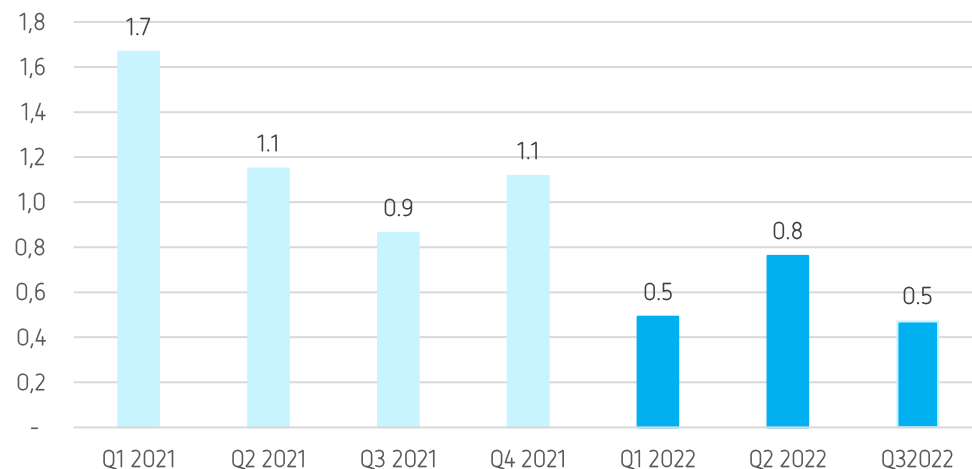


- Propylene (C3) price still on high level
- Between December 2020 and September 2022, the raw material price index has increased, currently on 45% higher level
- Stabilized supplier margins
- High uncertainty in energy prices might cause price pressure for raw material suppliers
- Signs of decreasing demand in Europe
- No availability issues



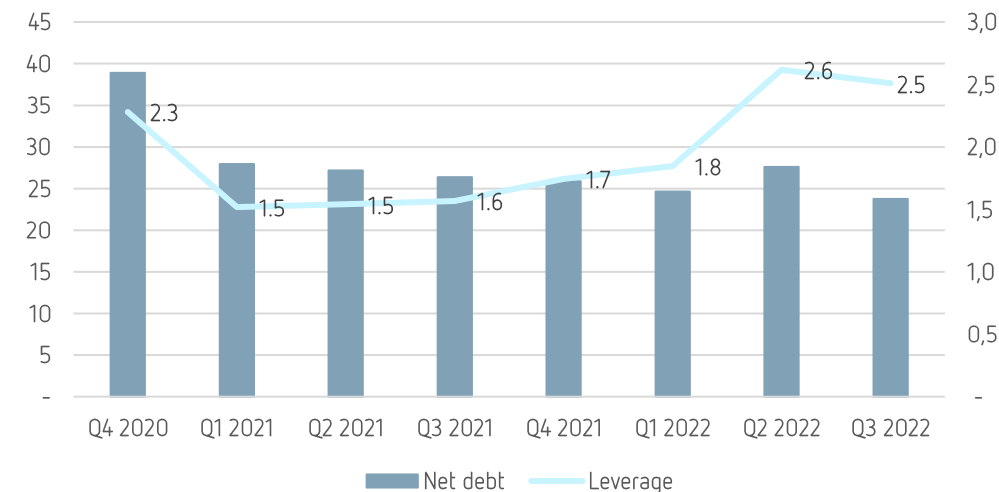
# Investments & Net Debt

Investments in tangible and intangible assets, EUR million



- Orthex's investments during the third quarter of 2022 amounted to EUR 0.5 million and were mainly related to new products and capacity increases
- During Q1-Q3 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 23.7 million (26.4)
- Capital returns paid during the Q2 had an impact of EUR 1.6 million on the Group's net debt
- The non-current interest-bearing liabilities were EUR 33.4 million (37.7) and Orthex's total interest-bearing liabilities were EUR 37.6 million (41.9) on 30 September 2022
- Leverage was 2.5x 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"	-2.9% total -5.7% outside Nordics
PROFITABILITY	18%	"Improving EBITA margin (adjusted for items affecting comparability) exceeding 18 per cent over time"	6.1%
LEVERAGE	<2.5x	"Net debt to adj. EBITDA below 2.5x. Leverage may temporarily exceed the target, for example, in conjunction with acquisitions"	2.5x
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

IMPROVEMENT IN SALES  
MOMENTUM IN EUROPE

UNCERTAINTY IN CUSTOMER  
PURCHASING BEHAVIOUR



Q&A

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# Key Figures

EUR million	7-9/2022	7-9/2021	Change	1-9/2022	1-9/2021	Change	1-12/2021
Invoiced sales	22.2	22.0	0.6%	65.2	67.0	-2.7%	90.6
Net sales	22.1	21.8	1.4%	63.7	65.6	-2.9%	88.7
Gross margin	5.0	5.8	-13.9%	13.0	18.1	-28.4%	23.2
Gross margin, %	22.4%	26.4%		20.3%	27.6%		26.2%
EBITDA	3.1	4.3	-26.4%	6.5	10.5	-37.9%	13.2
EBITDA margin, %	14.2%	19.6%		10.3%	16.1%		14.9%
Adjusted EBITDA	3.2	4.3	-25.5%	6.7	12.1	-44.5%	14.8
Adjusted EBITDA margin, %	14.4%	19.6%		10.5%	18.4%		16.7%
EBITA	2.2	3.3	-33.1%	3.7	7.7	-51.7%	9.4
EBITA margin, %	10.0%	15.1%		5.8%	11.7%		10.6%
Adjusted EBITA	2.2	3.3	-32.0%	3.9	9.2	-58.0%	11.0
Adjusted EBITA margin, %	10.1%	15.1%		6.1%	14.1%		12.4%
Operating profit	2.2	3.3	-33.4%	3.6	7.6	-52.3%	9.3
Operating profit margin, %	9.8%	14.9%		5.7%	11.5%		10.4%
Net cash flows from operating activities	4.4	1.8	144.5%	5.9	7.2	-18.2%	9.0
Net debt / Adjusted EBITDA	2.5	1.6		2.5	1.6		1.7x
Adjusted return on capital employed (ROCE), %	7.0%	9.9%		11.9%	28.0%		33.0%
Equity ratio, %	33.3%	34.8%		33.3%	34.8%		35.8%
Earnings per share, basic (EUR)	0.07	0.12	-42.6%	0.10	0.29	-65.5%	0.35
FTEs	298	319	-6.4%	298	318	-6.5%	314

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Practical is Beautiful