

Orthex Corporation

# INTERIM REPORT

January – March 2023



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GROUP

## ORTHEX CORPORATION: INTERIM REPORT JANUARY – MARCH 2023

**Profitability improved. Strong sales growth in European strategic markets, consumer uncertainty hampered sales in the Nordics.**

### JANUARY-MARCH 2023

- Invoiced sales decreased by 1.3% and totalled EUR 21.2 million (21.5)
- Net sales decreased by 0.5% to EUR 20.5 million (20.6)
- Adjusted EBITDA was EUR 3.4 million (2.8)
- Adjusted EBITA was EUR 2.4 million (1.8), representing 11.7% of sales (8.8)
- Operating profit was EUR 2.3 million (1.8)
- Net cash flows from operating activities were EUR 2.5 million (1.9)
- Net debt / Adjusted EBITDA was 2.4x (1.8)
- Earnings per share, basic was EUR 0.07 (0.06)
- Orthex participated in the industry's most important sales fair Ambiente in Frankfurt in February.
- Orthex published its Annual and Sustainability Report 2022 and reported it reached many significant sustainability milestones.



*GastroMax Foldable grater*



## ALEXANDER ROSENLEW, CEO:

In the first quarter, Orthex's net sales decreased slightly by 0.5% to 20.5 million euros (20.6). In constant currency overall net sales growth was 2.5%. The strategy to accelerate sales in the rest of Europe delivered very strong invoiced sales growth of 37.3% and was 4.9 million euros (3.5). Distribution build-up continued in both existing and new customers. Orthex's sales team has been very active in meeting current and potential customers in person and in attending trade and customer fairs. Active commercial presence on our key markets is an important part of our growth strategy.

The development in the Nordics was hampered by consumer uncertainty and currency rates. A few customers in Sweden and Norway continued to limit their buying activity. This is related to the consumer uncertainty especially visible on these two markets. The impact on overall Nordic invoiced sales development was -8.8%. However, no distribution or customers were lost in the Nordic countries during the period.

Especially, Orthex's strong attendance at the Ambiente fair in Frankfurt that was organised again after a 3-year COVID-19 break was one of many commercial highlights of the quarter. Another highlight worth mentioning is the good progress of our presence both in multi-channel customers' and pure e-com players' web stores. We have during the past years built our knowledge and processes of working in the e-commerce channel.

The biggest category Storage represents most of the business outside of the Nordic countries. The positive development in sales outside the Nordics takes the overall Storage category growth to 7.2% compared to the same period last year. Plant Care and Home and Yard product sales suffered from the late spring in the Nordics and show a decline. Sales of Kitchen products declined as well, driven by the careful Nordic customer behaviour. The Kitchen category is especially strong in the Nordic countries and therefore a negative Nordic sales development is clearly seen in Kitchen category sales.

Orthex's profitability improved, and the adjusted EBITA margin increased in the first quarter to 11.7% (8.8) and the adjusted EBITA to 2.4 million euros (1.8) compared to the same period last year. The positive development is a result of the long-term pricing strategy, the more favourable raw-material prices, tight cost control and adapting the operations to lower volumes. On the other side of the scales, the result is still negatively influenced by cost inflation, higher than long-term average raw-material prices and the continued weak value of the Swedish and Norwegian Krona.



Cash flows in the quarter improved to 2.5 million euros (1.9) and inventory levels decreased as planned. Despite these short-term challenges and market uncertainty, our long-term target is to deliver an adjusted EBITA margin exceeding 18%, and we are re-confirming that we are committed to ensuring that our measures are in line with that long-term target. We are committed to implementing our growth strategy with a focus on international growth and sustainability.

We constantly strive to improve the sustainability of our products and our operations. Therefore, it was important that the ISCC PLUS certificate granted to Orthex's Lohja factory was renewed in March following an audit. The use of ISCC PLUS certified renewable raw materials applying the mass balance approach support Orthex's long-term carbon neutrality target, and the target to increase the share of sustainable raw materials in production.

We are constantly adapting our actions to the fast-changing market conditions. Sales volumes have been declining, however mostly off-set by increasing sales value. New product launches, in-store execution and strong campaigns are all important measures that are used to drive consumer interest, brand awareness and sales growth. We will continue to develop operations and strengthen our brands, to support our sales growth ambitions.

The strong commitment to our strategy and the systematic adaptation to changing operating conditions is delivering improving results. The dedication of our employees and the support of our stakeholders are key elements for success. We are committed and will continue to build on the momentum to achieve our goals. We look forward to working together for continued growth and profitability.



*Ambiente fair in Frankfurt in February 2023*

## KEY FIGURES

EUR million	1–3/2023	1–3/2022	Change	1–12/2022
Invoiced sales	21.2	21.5	-1.3%	85.8
Net sales	20.5	20.6	-0.5%	84.0
Gross margin	5.4	4.9	10.5%	17.9
Gross margin, %	26.5%	23.8%		21.3%
EBITDA	3.4	2.8	21.3%	9.2
EBITDA margin, %	16.4%	13.4%		10.9%
Adjusted EBITDA	3.4	2.8	23.3%	9.3
Adjusted EBITDA margin, %	16.6%	13.4%		11.1%
EBITA	2.3	1.8	29.4%	5.3
EBITA margin, %	11.5%	8.8%		6.3%
Adjusted EBITA	2.4	1.8	32.4%	5.5
Adjusted EBITA margin, %	11.7%	8.8%		6.5%
Operating profit	2.3	1.8	29.9%	5.2
Operating profit margin, %	11.3%	8.7%		6.2%
Net cash flows from operating activities	2.5	1.9	33.8%	6.2
Net debt / Adjusted EBITDA	2.4x	1.8x		2.8x
Adjusted return on capital employed (ROCE), %	7.2%	5.3%		15.9%
Equity ratio, %	37.6%	36.7%		36.3%
Earnings per share, basic (EUR)	0.07	0.06	17.3%	0.12
FTEs	281	294	-4.4%	295

## LONG-TERM FINANCIAL TARGETS

As long-term financial targets the company has adopted to an average annual organic Net sales growth to exceed 5 per cent at the Group level and to exceed 10 per cent outside the Nordics (growth in local currencies), adjusted EBITA margin (adjusted for items affecting comparability) to exceed 18 per cent over time and net debt to adjusted EBITDA ratio to stay below 2.5x. Leverage may temporarily exceed the target range (for example, in conjunction with acquisitions).

The company aims to distribute a stable and over time increasing dividend with a pay-out of at least 50 per cent of net profit, in total, on a biannual basis.

Orthex does not publish a short-term outlook.

## MARKET OVERVIEW

Orthex operates in the home storage, kitchenware, plant care and other household products market, which has historically been stable and resilient throughout different economic cycles. The market for household products in Europe is fragmented. According to Orthex's estimate, there are more than 30 significant competitors in Europe, 15 of which are roughly as big as Orthex in terms of net sales. Although the market is competitive, fragmentation lowers the threshold to increase market share and find attractive niches.

The major megatrends supporting Orthex's business include urbanisation and the related increase in the number of households and decrease in living space per household. As the area allocated for housing is sparser and more expensive in growth centres benefiting from urbanisation, consumers often choose location over space, resulting in increasing supply of smaller homes. Small spaces, in turn, drive demand for functional storage solutions and household products that allow efficient use of the living space. More people live in single-person households and family sizes are decreasing. According to Eurostat, the number of single-person households in the EU increased by 28.5% between 2009 and 2021. Despite households being inhabited by fewer people, the need for necessities, such as home storage, food storage and kitchen utensils, remains nearly the same per household.

Consumption patterns supporting Orthex's business are mainly related to how people spend their time at home. One of these is the interest in cooking at home, which is becoming more common as a healthy, and less expensive way of eating. In addition, consumers are increasingly concerned about climate change and biodiversity and want to do their part in the fight against them by buying sustainable products and sorting and recycling their waste. Tightening legislation also supports this development. However, only a few households have enough pre-installed waste recycling and sorting solutions, which creates a demand for these and for recycling and sorting solutions that can also function as interior design elements.

A third consumption pattern supporting Orthex's business is the demand for houseplants. Houseplants bring fresh air, colour, and cosiness into homes. Their use as design elements is becoming commonplace, particularly in dense urban areas that have limited green spaces. In addition, there is increasing popularity for gardening herbs and vegetables at home and indoors. These trends are driving demand for flowerpots and related products.

The uncertainties related to the general development of the global economy, such as the risk of an economic recession, general cost inflation, increasing interest rates and energy crisis as well as geopolitical tensions influence consumer confidence, purchasing power and behaviour and, as a result, can have an impact on Orthex's business in the Nordic core markets, especially in Sweden. As a result of the prevailing consumption uncertainty, many retailers are carefully monitoring their inventory levels and limiting buying to ensure efficiency. Orthex product price points are relatively low, and the products are bought to solve real needs, therefore Orthex believes that its product categories will be less affected by careful consumer purchasing behaviour than other, more expensive consumer goods categories.

## NET SALES AND PROFITABILITY

### Net sales and invoiced sales

#### Invoiced sales by geography

EUR million	1–3/2023	1–3/2022	Change	1–12/2022
Nordics	16.2	17.7	-8.8%	68.5
Rest of Europe	4.9	3.5	37.3%	15.9
Rest of the world	0.2	0.2	-20.6%	1.5
<b>Total</b>	<b>21.2</b>	<b>21.5</b>	<b>-1.3%</b>	<b>85.8</b>

#### Invoiced sales by product category

EUR million	1–3/2023	1–3/2022	Change	1–12/2022
Storage	14.2	13.2	7.2%	55.1
Kitchen	4.4	4.8	-8.8%	19.8
Plant Care	1.6	2.2	-29.5%	5.5
Home & Yard	1.1	1.2	-13.2%	5.3
<b>Total</b>	<b>21.2</b>	<b>21.5</b>	<b>-1.3%</b>	<b>85.8</b>

#### January–March 2023

In January–March, the Group's Net sales decreased by 0.5% to EUR 20.5 million (20.6). Invoiced sales amounted to EUR 21.2 million (21.5). The increase of constant currency Net sales was 2.5% compared to January–March 2022.

The review period was characterised by balancing between campaign sales, price increases and sales volume, on a market influenced by customer uncertainty especially in the Nordics.

### Development by geography

#### January–March 2023

Orthex's core market area by geography is the Nordics, where the Group's invoiced sales in January–March amounted to EUR 16.2 million (17.7). Invoiced sales in the rest of Europe increased to EUR 4.9 million (3.5). In the rest of the world, invoiced sales amounted to EUR 0.2 million (0.2).

The sales decreased in the Nordic core markets driven by a few larger customers that continued limiting their purchases during the first quarter. In the strategically important European markets, sales development was very positive during the start of the year.

The positive European sales development is a result of a successful commercial strategy implementation including widened distribution, customer collaboration, new customers, price increases and launch of new products.



Orthex's products are sold in more than 40 countries, and export to non-Nordic countries accounted for 23.7% (17.5) of the Group's invoiced sales during the period.

## Development by product category

### January–March 2023

Orthex's largest category is Storage with invoiced sales totalling EUR 14.2 million (13.2) during January–March. Products in the Storage category will play a key role in Orthex's expansion in Europe, as Orthex often uses them as flagship products when seeking agreements with new retailers. The Storage category also represents most of the business outside of the Nordic countries and the positive development in sales outside the Nordics took the overall Storage category growth to 7.2% compared to the same period last year.

Orthex has a strong position in the Nordics in food storage and kitchenware markets. However, the Group's invoiced sales in the Kitchen category decreased to EUR 4.4 million (4.8). Sales of Kitchen products declined driven by the careful Nordic customer behaviour.

Invoiced sales in the Plant Care category decreased to EUR 1.6 million (2.2).

Invoiced sales in the Home and Yard category decreased to EUR 1.1 million (1.2).

Plant Care and Home and Yard product sales suffered from the late spring in the Nordics.

## Profitability

### January–March 2023

EBITA was 2.3 million (1.8) during the review period. Adjusted EBITA increased to EUR 2.4 million (1.8) and the adjusted EBITA margin grew to 11.7% (8.8). Operating profit was EUR 2.3 million (1.8). Items affecting comparability totalled EUR 0.1 million (0.0).

Orthex's financial income and expenses during the review period consisted of EUR 0.6 million net expenses (0.3).

Profit before taxes was EUR 1.7 million (1.4) and profit for the period was EUR 1.3 million (1.1).

During the first quarter of 2023, profitability was particularly affected by the drop in the raw material prices and the weakening value of the Swedish and Norwegian krona.



## FINANCIAL POSITION AND CASH FLOW

At the end of March, the balance sheet totalled EUR 81.1 million (89.2), of which equity accounted for EUR 30.5 million (32.7).

The Group's net debt was EUR 24.1 million (24.7) at the end of the review period. Non-current interest-bearing liabilities were EUR 31.6 million (35.8) and Orthex's total interest-bearing liabilities were EUR 35.9 million (40.0). Interest-bearing liabilities include loans from credit institutions, pension liabilities and lease liabilities.

During the period January–March 2023, the Group's net cash flows from operating activities were EUR 2.5 million (1.9) and cash conversion was 85.5% (82.2). Interest paid during the period totalled EUR 0.1 million (0.1). Cash and cash equivalents amounted to EUR 11.8 million (15.3) at the end of the review period.

Net debt/adjusted EBITDA was 2.4x (1.8). Orthex's long-term target is to keep Net debt/adj. EBITDA below 2.5x.

At the end of the review period, the Group's Equity ratio was 37.6% (36.7). Adjusted return on capital employed (ROCE) was 7.2% (5.3) and return on equity (ROE) 4.4% (3.5).

## INVESTMENTS, RESEARCH, AND PRODUCT DEVELOPMENT

Orthex's investments during January–March 2023 amounted to EUR 0.5 million (0.5) and were mainly related to increasing the production capacity and moulds for new products.

In 2022, Orthex launched a research project for the development of recycled plastics and the project will continue throughout the year 2023. The goals of the project are to build an ecosystem aimed at increasing the use of recycled plastic and to generate new information about the use of recycled plastic in different applications, especially in products suitable for food contact. In addition, Orthex is participating in a large seven-year cooperation research project to find new potential renewable plastic raw materials. These investments in research support Orthex's 2030 carbon neutrality target and the target to increase the use of sustainable raw materials. Research and product development expenses have not been capitalized.

## SHARES AND SHAREHOLDERS

Orthex's shares are listed on Nasdaq Helsinki.

The company's registered share capital is EUR 80,000.00 and at the end of the period the company held 17,758,854 fully paid shares. Orthex has one series of shares, and each share entitles to one vote in the company's general meeting. There are no voting restrictions associated with the shares. Trading volume during the period was EUR 2.4 million and 476,098 shares. The highest price of the share was

EUR 5.76 and the lowest was EUR 4.42. The closing price of the share at the end of March 2023 was EUR 5.04. At the end of the review period, the market value of the share capital stood at EUR 89.5 million. The company did not have any treasury shares at the end of the period.

The number of registered shareholders at the end of the review period was 16,401, including nominee registers. At the end of the period, the ten largest registered shareholders possessed a total of 49.7% of Orthex's shares and votes.

The stock exchange releases on notifications of changes in holdings (flaggings) are available on the corporate website at <https://investors.orthexgroup.com/>. Orthex did not receive any flagging notifications during the review period.

During the review period, the Board of Directors was authorised to issue a total maximum of 1,800,000 shares and special rights entitling to shares. The Board of Directors did not exercise this authorisation during the review period. Share-related authorisations granted to the Board of Directors by the 2023 general meeting are explained further under the events after the review period.

## Group structure

There were no changes in the Group structure during the review period.

## SUSTAINABILITY

Sustainability is a core element in implementing Orthex's growth strategy and key objectives as we strive to be the number one brand in storage products in Europe, and to strengthen our position as a leading houseware company in the Nordics. Sustainability is a key factor in all decision making at Orthex and a significant driver of our development and investment agenda. Orthex aims to be the industry forerunner in sustainability by offering timelessly designed, high-quality, safe, and long-lasting products, reducing the carbon footprint of its operations and products, and sourcing more and more of its raw materials from renewable and recycled materials. Orthex's main sustainability target is to aim towards carbon neutrality in production by 2030.

Orthex has identified priority sustainability topics in environmental, social and governance (ESG) areas. For each topic, the company has defined key performance indicators and targets. Further information is available on the corporate website at [Sustainability - Orthex Group](#).

### Sustainability highlights in January-March 2023

Orthex published its Annual and Sustainability Report for the year 2022 on the corporate website in March. As highlighted in the Sustainability Report, the company reached many significant sustainability milestones during 2022. One major achievement was that SBTi approved Orthex's near-term science-based emissions reduction target, meaning that Orthex's climate targets are aligned with the target to keep global warming below 1.5 degrees. Another major achievement was that the company's Lohja factory was granted an ISCC PLUS certification giving the company the opportunity to start business

with mass balanced renewable materials in selected product series. As disclosed in the 2022 report as well, Orthex's Scope 1, 2 and 3 emissions decreased by 23% (31,107 vs. 40,304 tCO<sub>2</sub> eq.) and the relative carbon footprint was also significantly smaller than in 2021 (2.2 vs. 2.5 kgCO<sub>2</sub> eq./kg). In addition, the result of the employee survey improved to 14.6 (14.4 in 2021).

During Q1 2023, Orthex's Lohja factory was audited and ISCC PLUS certificate was renewed. Usage of ISCC PLUS certified renewable raw materials applying the mass balance approach support Orthex's long-term carbon neutrality target, and the target to increase the share of sustainable raw materials in production.

## SHORT-TERM RISKS AND UNCERTAINTIES

Plastic polymers are the largest group of raw materials, and the prices are typically negotiated annually. Fluctuations in raw material prices and supply disruptions may have a negative effect on profitability. The Group is not hedged against fluctuations in raw material prices but can better manage risks by tying prices to the plastic polymer supply chain. There is less volatility in the prices of renewable and recycled materials and merchandise. However, there has been shortage on the market because of higher demand and this can lead to higher prices also in renewable and recycled materials.

Increased inflation, raising interest rates, Russia's war against Ukraine, and political tensions impact the global economic trend as well as the development of consumers' purchasing behaviour and, as a result, can have an impact on Orthex's business. Russia's war against Ukraine does not directly affect Orthex's business as Orthex's products are not manufactured or sold in Russia, Belarus or Ukraine and the company does not source raw materials from these countries. However, Russia's war against Ukraine causes disturbances in global supply chains and contributes to the general economic situation and consumers' purchasing power and behaviour. These factors may affect the company's sales and profitability as well as operational reliability and efficiency. The Group has hedged part of its interest-bearing liabilities against rising interest rates with interest derivatives. In addition, some of the electricity contracts have been purchased at fixed prices due to the strong volatility of market electricity.

Thanks to its own production, the Group can control the quality of its products and the health and environmental aspects of production and products. Significant disruptions or interruptions in production and operations would materially impair the Group's ability to deliver its products and adversely affect its business and operating profit.

Orthex has operations in several countries, so the company is exposed to transaction and translation risk. The Group is typically not hedged against currency risk, except for certain large purchases under the Kökskungen brand. Fluctuations in exchange rates and interest rates can have a material adverse effect on the Group.

Further information on the company's risk management principles and on the main strategic, operative, and financial risks is included in the Board of Directors' report for the year 2022. The main principles of Orthex's financial risk management are described in the notes to the consolidated financial statements.

The company's Annual and Sustainability Report, which includes the Board of Directors' report and the consolidated financial statements with notes for the year 2022 is available on the corporate website.

## EVENTS AFTER THE REVIEW PERIOD

Orthex Corporation's Annual General Meeting was held on 18 April 2023 at the company's headquarters in Espoo, Finland. All the proposals made to the Annual General Meeting were approved.

### **Adoption of the financial statements, discharge of liability and distribution of dividend**

The general meeting adopted the financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial year 2022.

As proposed by the Board, the general meeting resolved that for the financial year 2022, shareholders will be paid a dividend of EUR 0.11 per share totalling approximately EUR 2.0 million in two instalments. The first instalment of the dividend amounting to EUR 0.06 per share was paid on 27 April 2023. The second instalment of the dividend amounting to EUR 0.05 per share will be paid in October 2023 to a shareholder who is registered in the company's shareholder register held by Euroclear Finland Oy on the record date of the second instalment of the dividend payment 2 October 2023. The second instalment of the dividend will be paid on 10 October 2023. The general meeting further authorised the Board to decide, if necessary, on a new record date and date of payment for the second instalment of the dividend should the rules of Euroclear Finland Oy or statutes governing the Finnish book-entry system change or otherwise so require.

### **The remuneration report and amended remuneration policy for governing bodies**

The general meeting approved the remuneration report 2022 and the amended remuneration policy for governing bodies.

### **Remuneration of the members of the Board of Directors**

The general meeting resolved that the remuneration of the members of the Board of Directors remain the same and that the Chair of the Board of Directors be paid a monthly fee of EUR 4,000 and other members of the Board of Directors a monthly fee of EUR 2,000. The general meeting further resolved that reasonable travel and other expenses related to the Board work be reimbursed in accordance with the company's travel rules.

### **Members of the Board of Directors**

The general meeting resolved to elect five members to the Board and resolved that Sanna Suvanto-Harsaae, Markus Hellström, Jyrki Mäki-Kala and Jens-Peter Poulsen be re-elected to the Board and Anette Rosengren elected as new member to the Board, all for a term of office ending at the end of the next Annual General Meeting. Background information on the members of the Board of Directors is available on the corporate website [Board of Directors - Orthex Group](#). At the constitutive meeting of the Board of Directors held on 18 April 2023, Sanna Suvanto-Harsaae was re-elected to chair the Board.



### **Auditor and auditor remuneration**

Ernst & Young Oy, a firm of Authorised Public Accountants, was re-elected the company's auditor with APA Mikko Ryttilähti as the company's new signing audit partner. The remuneration of the auditor will be paid according to a reasonable invoice approved by the Board.

### **Amendments to the Articles of Association**

The general meeting resolved to make amendments to Articles 5, 8 and 10 of the Articles of Association. Technical amendments were made to Article 5 and Finnish version of Article 8, and the Article 10 of the Articles of Association was supplemented so that the general meeting of shareholders may also be held completely without a physical meeting venue as a virtual meeting.

### **Authorising the Board of Directors to decide on acquisition of the company's own shares**

The general meeting authorised the Board of Directors to decide on acquisition of the company's own shares. Pursuant to the authorisation, the Board of Directors is authorised to decide on the acquisition of a maximum of 175,000 shares in the company corresponding to approximately 1.0 percent of all the company shares. Pursuant to the authorisation, the Board of Directors may decide to acquire the shares only with the company's unrestricted equity. The Board of Directors was authorised to decide on all other terms and conditions related to the acquisition of own shares. The authorisation will be valid until 30 June 2024.

### **Authorising the Board of Directors to decide on the issuance of shares and special rights entitling to shares**

The general meeting authorised the Board of Directors to decide on issuing new shares and conveying treasury shares and granting options and other special rights referred to in Chapter 10, Section 1 of the Limited Liability Companies Act. A total maximum of 1,600,000 shares may be issued or treasury shares conveyed in one or several instalments (including shares that can be issued based on the special rights) corresponding to approximately 9 per cent of all the shares in the company.

New shares may be issued, and treasury shares conveyed to the company's shareholders in proportion to their current shareholdings in the company, or in deviation from the shareholders' pre-emptive right, through a directed share issue if there is a weighty financial reason for it from the company's point of view. New shares may be issued also without payment to the company itself.

The subscription price of the new shares and the consideration payable for the treasury shares shall be recorded in the invested unrestricted equity fund. The authorisations revoked all earlier authorisations regarding issuance of shares and special rights entitling to shares. The Board of Directors was authorised to decide on all other terms and conditions related to the issuance of new shares, conveyance of treasury shares or issuance of special rights entitling to shares. The authorisations will be valid until 30 June 2024.

## FINANCIAL RELEASES IN 2023

Orthex will publish its financial reports in 2023 as follows:

24 August 2023: Half-year financial report January–June 2023

7 November 2023: Interim report January–September 2023

**Espoo, 16 May 2023**

ORTHEX CORPORATION  
Board of Directors

### **Additional information:**

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The results presentation will be held on 17 May 2023 at 11.00 a.m. EEST as a webcast meeting.

### **Webcast meeting**

Access meeting online [here](#).

### **Q&A**

Questions to the management can be sent through the meeting chat.

### **Presentation material and webcast recording**

The presentation material will be shared in the online meeting, and it can be downloaded on Orthex's website at <https://investors.orthexgroup.com/>. A recording of the event will be available later at the same address.

### **Distribution:**

Nasdaq Helsinki Ltd  
Main media

<https://investors.orthexgroup.com/>

## ORTHEX INTERIM REPORT JANUARY – MARCH 2023

### Consolidated statement of comprehensive income

EUR thousand	1–3/2023	1–3/2022	1–12/2022
<b>Net Sales</b>	<b>20,475</b>	<b>20,577</b>	<b>84,048</b>
Cost of sales	-15,056	-15,675	-66,129
<b>Gross Margin</b>	<b>5,419</b>	<b>4,902</b>	<b>17,919</b>
Other operating income	26	78	206
Selling and marketing expenses	-2,084	-1,901	-7,846
Administrative expenses	-1,047	-1,299	-5,089
<b>Operating profit</b>	<b>2,313</b>	<b>1,781</b>	<b>5,191</b>
Financial income and expenses	-617	-348	-2,182
<b>Profit before taxes</b>	<b>1,696</b>	<b>1,433</b>	<b>3,009</b>
Income taxes	-377	-308	-888
<b>Profit for the period</b>	<b>1,319</b>	<b>1,125</b>	<b>2,121</b>
<b>Profit for the period attributable to:</b>			
Equity holders of the parent	1,319	1,125	2,121
Earnings per share, basic (and diluted), EUR	0.07	0.06	0.12
<b>Other comprehensive income, net of tax</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Translation differences	-498	-229	-2,053
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurement gains/(losses) on defined benefit plans	-	-	1,042
<b>Other comprehensive income for the period, net of tax</b>	<b>-498</b>	<b>-229</b>	<b>-1,011</b>
<b>Total comprehensive income for the period</b>	<b>821</b>	<b>896</b>	<b>1,110</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent	821	896	1,110

## Consolidated statement of financial position

EUR thousand	31 Mar 2023	31 Mar 2022	31 Dec 2022
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	22,110	23,747	22,377
Property, plant, and equipment	13,330	12,848	13,547
Right-of-use assets	6,577	7,796	7,011
Other non-current assets	251	230	95
Deferred tax assets	801	1,325	760
<b>Total non-current assets</b>	<b>43,068</b>	<b>45,945</b>	<b>43,790</b>
<b>Current assets</b>			
Inventories	13,012	14,092	14,283
Trade and other receivables	13,202	13,782	13,387
Derivative financial instruments	77	13	93
Cash and cash equivalents	11,763	15,345	10,284
<b>Total current assets</b>	<b>38,053</b>	<b>43,232</b>	<b>38,047</b>
<b>Total assets</b>	<b>81,121</b>	<b>89,177</b>	<b>81,837</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to the equity holders of the parent company</b>			
Share capital	80	80	80
Invested unrestricted equity fund	7,851	11,047	7,851
Retained earnings	23,620	20,263	22,301
Translation differences	-1,019	1,303	-521
<b>Total equity</b>	<b>30,532</b>	<b>32,693</b>	<b>29,711</b>
<b>Non-current liabilities</b>			
Loans from credit institutions	22,370	23,738	22,363
Lease liabilities	6,134	7,336	6,480
Pension liabilities	3,142	4,722	3,179
Deferred tax liabilities	832	853	769
<b>Total non-current liabilities</b>	<b>32,479</b>	<b>36,649</b>	<b>32,791</b>
<b>Current liabilities</b>			
Loans from credit institutions	3,000	3,000	3,000
Lease liabilities	1,223	1,208	1,290
Trade and other payables	13,232	14,389	14,000
Derivative financial instruments	12	-	8
Income tax liabilities	643	1,237	1,037
<b>Total current liabilities</b>	<b>18,111</b>	<b>19,834</b>	<b>19,335</b>
<b>Total liabilities</b>	<b>50,589</b>	<b>56,484</b>	<b>52,126</b>
<b>Total equity and liabilities</b>	<b>81,121</b>	<b>89,177</b>	<b>81,837</b>



## Consolidated statement of changes in equity

Equity attributable to the equity holders of the parent company					
EUR thousand	Share capital	Invested unrestricted equity fund	Retained earnings	Translation differences	Total equity
<b>As at 1 Jan 2023</b>	<b>80</b>	<b>7,851</b>	<b>22,301</b>	<b>-521</b>	<b>29,711</b>
Profit for the period			1,319		1,319
Translation differences				-498	-498
<b>Total comprehensive income</b>			<b>1,319</b>	<b>-498</b>	<b>821</b>
<b>At 31 Mar 2023</b>	<b>80</b>	<b>7,851</b>	<b>23,620</b>	<b>-1,019</b>	<b>30,532</b>
<b>As at 1 Jan 2022</b>	<b>80</b>	<b>11,047</b>	<b>19,138</b>	<b>1,532</b>	<b>31,798</b>
Profit for the period			1,125		1,125
Translation differences				-229	-229
<b>Total comprehensive income</b>			<b>1,125</b>	<b>-229</b>	<b>896</b>
<b>At 31 Mar 2022</b>	<b>80</b>	<b>11,047</b>	<b>20,263</b>	<b>1,303</b>	<b>32,693</b>
<b>As at 1 Jan 2022</b>	<b>80</b>	<b>11,047</b>	<b>19,138</b>	<b>1,532</b>	<b>31,798</b>
Profit for the period			2,121		2,121
Translation differences				-2,053	-2,053
Remeasurement gains/(losses) on defined benefit plan			1,042		1,042
<b>Total comprehensive income</b>			<b>3,163</b>	<b>-2,053</b>	<b>1,110</b>
<b>Capital returns</b>		-3,197			-3,197
<b>At 31 Dec 2022</b>	<b>80</b>	<b>7,851</b>	<b>22,301</b>	<b>-521</b>	<b>29,711</b>

## Consolidated statement of cash flows

EUR thousand	1–3/2023	1–3/2022	1-12/2022
<b>Cash flows from operating activities</b>			
Profit before taxes	1,696	1,433	3,009
Adjustments:			
Depreciation, amortisation and impairment	1,038	982	3,964
Financial income and expenses	617	348	2,182
Other adjustments	-10	46	204
<b>Cash flows before changes in working capital</b>	<b>3,341</b>	<b>2,808</b>	<b>9,358</b>
<b>Changes in working capital</b>			
Decrease (+) / increase (–) in trade and other receivables	-104	1,535	1,324
Decrease (+) / increase (–) in inventories	1,172	-1,515	-2,358
Decrease (–) / increase (+) in trade and other payables	-986	721	1,155
<b>Cash flows from operating activities before financial items and taxes</b>	<b>3,422</b>	<b>3,549</b>	<b>9,479</b>
Interests paid	-133	-148	-1,135
Income taxes paid	-781	-1,526	-2,167
<b>Net cash flows from operating activities</b>	<b>2,509</b>	<b>1,875</b>	<b>6,177</b>
<b>Cash flows from investing activities</b>			
Investments in tangible and intangible assets	-495	-491	-3,553
Sale of tangible and intangible assets	-	-	28
<b>Net cash flows from investing activities</b>	<b>-495</b>	<b>-491</b>	<b>-3,525</b>
<b>Cash flows from financing activities</b>			
Capital returns paid	-	-	-3,197
Repayment of lease liabilities	-339	-324	-1,312
Proceeds from long-term borrowings	-	-	25,500
Repayment of long-term borrowings	-	-	-25,500
Repayment of short-term borrowings	-	-	-1,500
<b>Net cash flows from financing activities</b>	<b>-339</b>	<b>-324</b>	<b>-6,008</b>
Net change in cash and cash equivalents	1,674	1,059	-3,356
Net foreign exchange differences	-196	-48	-694
Cash and cash equivalents at the beginning of the period	10,284	14,334	14,334
<b>Cash and cash equivalents at the end of the period</b>	<b>11,763</b>	<b>15,345</b>	<b>10,284</b>

## NOTES TO THE GROUP'S INTERIM REPORT

### Basis of preparation

Orthex's interim report has been prepared in compliance with the IAS 34 Interim Financial Reporting standard. The same accounting principles have been applied to the interim report as to the latest consolidated financial statements.

Orthex's Board of Directors has approved this interim report in its meeting on 16 May 2023. Figures in the interim report have been rounded and consequently the sum of individual figures may deviate from the presented sum figure. The figures are unaudited.

### Accounting estimates and management judgements made in preparation of the interim information

The preparation of the interim information requires management to make accounting estimates and judgements as well as assumptions that affect the application of the preparation principles and the accounting estimates on assets, liabilities, income, and expenses. Actual results may differ from previously made estimates and judgements. Estimates and judgements are reviewed regularly. Changes in estimates are presented in the period during which the change occurs if the change only affects one period. If it affects both the period under review and following periods, the changes are presented in the period under review and following periods.

The significant management judgements and accounting estimates concerning key uncertainty factors in connection with the preparation of this interim report information are identical to those applied to the consolidated financial statements for 2022.

### Related party transactions

Transactions with related parties are made on an arm's length basis.

Orthex did not have any related party transactions during the reporting period.

## Commitments

EUR thousand	31 Mar 2023	31 Mar 2022	31 Dec 2022
<b>Guarantees and mortgages given on own behalf:</b>			
Enterprise mortgages	50,033	53,469	50,060
Property mortgages	10,192	10,192	10,192
Other guarantees	50	54	50
<b>Total</b>	<b>60,275</b>	<b>63,716</b>	<b>60,303</b>

## Contingent liabilities

Orthex Group was subject to a tax audit of Orthex Corporation regarding the financial years 2020 and 2021. Orthex Corporation received early in May 2022 a tax audit report from the Finnish tax authorities. The tax audit report included subsequent taxes and tax increases amounting to a total of EUR 0.3 million relating to the VAT deductibility of IPO related costs. The company disagrees with the interpretation made in the tax audit. The company was requested to pay additional taxes in accordance with the interpretations set out in the tax audit report. The company paid the subsequent taxes and tax increases in June 2022 but has filed a claim for adjustment to its taxation to the Assessment Adjustment Board of the Finnish tax authority. The Group has not recognised the subsequent taxes and tax increases in the consolidated statement of comprehensive income. At the time of releasing this interim report, the company's claim for adjustment was still pending.



## APPENDIX:

### Key Performance Indicators

EUR thousand	1–3/2023	1–3/2022	1–12/2022
Net sales	20,475	20,577	84,048
Net sales growth, %	-0.5%	-4.9%	-5.2%
Constant currency net sales growth, %	2.5%	-4.0%	-3.8%
Invoiced sales	21,217	21,503	85,794
Invoiced sales growth, %	-1.3%	-4.2%	-5.3%
Gross margin	5,419	4,902	17,919
Gross margin, %	26.5%	23.8%	21.3%
EBITDA	3,351	2,762	9,154
EBITDA margin, %	16.4%	13.4%	10.9%
EBITA	2,345	1,812	5,317
EBITA margin, %	11.5%	8.8%	6.3%
Operating profit	2,313	1,781	5,191
Operating profit margin, %	11.3%	8.7%	6.2%
Items affecting comparability	55	-	173
Adjusted gross margin	5,419	4,902	17,919
Adjusted gross margin, %	26.5%	23.8%	21.3%
Adjusted EBITDA	3,406	2,762	9,328
Adjusted EBITDA margin, %	16.6%	13.4%	11.1%
Adjusted EBITA	2,400	1,812	5,490
Adjusted EBITA margin, %	11.7%	8.8%	6.5%
Adjusted operating profit	2,368	1,781	5,364
Adjusted operating profit margin, %	11.6%	8.7%	6.4%
Earnings per share, basic (and diluted), EUR	0.07	0.06	0.12
FTEs	281	294	295
Personnel expenses	4,255	5,072	18,300
<b>Key cash flows indicators</b>			
Net cash flows from operating activities	2,509	1,875	6,177
Operating free cash flows	2,911	2,271	5,774
Cash conversion, %	85.5%	82.2%	61.9%
Investments in tangible and intangible assets	-495	-491	-3,553
<b>Financial position key figures</b>			
Net debt	24,107	24,659	26,028
Net debt / adjusted EBITDA last 12 months	2.4	1.8x	2.8x
Net working capital	12,982	13,484	13,670
Capital employed excluding goodwill	32,623	33,825	33,487
Return on capital employed (ROCE), %	7.0%	5.3%	15.4%
Adjusted return on capital employed (ROCE), %	7.2%	5.3%	15.9%
Equity ratio, %	37.6%	36.7%	36.3%
Return on equity, %	4.4%	3.5%	6.9%

## Reconciliation of APMs

EUR thousand	1-3/2023	1-3/2022	1-12/2022
<b>Net sales growth, %</b>			
Net sales	20,475	20,577	84,048
<b>Net sales growth, %</b>	<b>-0.5%</b>	<b>-4.9%</b>	<b>-5.2%</b>
<b>Constant currency Net sales growth, %</b>			
Net sales	20,475	20,577	84,048
FX rate adjustment	-	-610	-
Constant currency Net sales	20,475	19,967	84,048
<b>Constant currency Net sales growth, %</b>	<b>2.5%</b>	<b>-4.0%</b>	<b>-3.8%</b>
<b>Invoiced sales</b>			
Net sales	20,475	20,577	84,048
Discounts and bonuses	874	753	3,182
Other sales and refunds	-132	172	-1,437
<b>Invoiced sales</b>	<b>21,217</b>	<b>21,503</b>	<b>85,794</b>
Invoiced sales growth, %	-1.3%	-4.2%	-5.3%
<b>Gross margin</b>			
Net sales	20,475	20,577	84,048
Cost of sales	-15,056	-15,675	-66,129
<b>Gross margin</b>	<b>5,419</b>	<b>4,902</b>	<b>17,919</b>
Gross margin, %	26.5%	23.8%	21.3%
<b>EBITDA</b>			
Operating profit	2,313	1,781	5,191
Depreciation, amortisation, and impairment	1,038	982	3,964
<b>EBITDA</b>	<b>3,351</b>	<b>2,762</b>	<b>9,154</b>
EBITDA margin, %	16.4%	13.4%	10.9%
<b>EBITA</b>			
Operating profit	2,313	1,781	5,191
Amortisation and impairment	32	32	126
<b>EBITA</b>	<b>2,345</b>	<b>1,812</b>	<b>5,317</b>
EBITA margin, %	11.5%	8.8%	6.3%
<b>Operating profit</b>			
Operating profit	2,313	1,781	5,191
Operating profit margin, %	11.3%	8.7%	6.2%
<b>Items affecting comparability / adjustments (EBITDA)</b>			
Other items affecting comparability	55	-	173
<b>Items affecting comparability / adjustments (EBITDA)</b>	<b>55</b>	<b>-</b>	<b>173</b>

EUR thousand	1-3/2023	1-3/2022	1-12/2022
<b>Adjusted gross margin</b>			
Gross margin	5,419	4,902	17,919
<b>Adjusted gross margin</b>	<b>5,419</b>	<b>4,902</b>	<b>17,919</b>
Adjusted gross margin, %	26.5%	23.8%	21.3%
<b>Adjusted EBITDA</b>			
Operating profit	2,313	1,781	5,191
Depreciation, amortisation, and impairment	1,038	982	3,964
Adjustments (EBITDA)	55	-	173
<b>Adj. EBITDA</b>	<b>3,406</b>	<b>2,762</b>	<b>9,328</b>
Adj. EBITDA margin, %	16.6%	13.4%	11.1%
<b>Adjusted EBITA</b>			
Operating profit	2,313	1,781	5,191
Amortisation and impairment	32	32	126
Adjustments (EBITA)	55	-	173
<b>Adj. EBITA</b>	<b>2,400</b>	<b>1,812</b>	<b>5,490</b>
Adj. EBITA margin, %	11.7%	8.8%	6.5%
<b>Adjusted operating profit</b>			
Operating profit	2,313	1,781	5,191
Adjustments	55	-	173
<b>Adj. operating profit</b>	<b>2,368</b>	<b>1,781</b>	<b>5,364</b>
Adj. operating profit margin, %	11.6%	8.7%	6.4%
<b>Earnings per share, basic (and diluted), EUR</b>			
Profit for the period	1,319	1,125	2,121
Average number of shares	17,759	17,759	17,759
<b>Earnings per share, basic (and diluted), EUR</b>	<b>0.07</b>	<b>0.06</b>	<b>0.12</b>
<b>Operating free cash flows</b>			
Adj. EBITDA	3,406	2,762	9,328
Investments in tangible and intangible assets	-495	-491	-3,553
<b>Operating free cash flows</b>	<b>2,911</b>	<b>2,271</b>	<b>5,774</b>
<b>Cash conversion, %</b>			
Operating free cash flows	2,911	2,271	5,774
Adj. EBITDA	3,406	2,762	9,328
<b>Cash conversion, %</b>	<b>85.5%</b>	<b>82.2%</b>	<b>61.9%</b>
<b>Net debt</b>			
Total interest-bearing liabilities	35,870	40,004	36,312
Cash and cash equivalents	-11,763	-15,345	-10,284
<b>Net debt</b>	<b>24,107</b>	<b>24,659</b>	<b>26,028</b>
<b>Net debt/ Adj. EBITDA</b>			
Net debt	24,107	24,659	26,028
Adj. EBITDA, 12 months	9,971	13,348	9,328
<b>Net debt/ Adj. EBITDA</b>	<b>2.4x</b>	<b>1.8x</b>	<b>2.8x</b>

EUR thousand	1–3/2023	1–3/2022	1–12/2022
<b>Net working capital</b>			
Inventories	13,012	14,092	14,283
Trade and other receivables	13,202	13,782	13,387
Trade and other payables	-13,232	-14,389	-14,000
<b>Net working capital</b>	<b>12,982</b>	<b>13,484</b>	<b>13,670</b>
<b>Capital employed excluding goodwill</b>			
Total equity	30,532	32,693	29,711
Net debt	24,107	24,659	26,028
Goodwill	-22,016	-23,527	-22,252
<b>Capital employed excluding goodwill</b>	<b>32,623</b>	<b>33,825</b>	<b>33,487</b>
<b>Return on capital employed (ROCE), %</b>			
Operating profit	2,313	1,781	5,191
Average capital employed excluding goodwill	33,055	33,915	33,746
<b>Return on capital employed (ROCE), %</b>	<b>7.0%</b>	<b>5.3%</b>	<b>15.4%</b>
<b>Adjusted return on capital employed (ROCE), %</b>			
Adjusted operating profit	2,368	1,781	5,364
Average capital employed excluding goodwill	33,055	33,915	33,746
<b>Adjusted return on capital employed (ROCE), %</b>	<b>7.2%</b>	<b>5.3%</b>	<b>15.9%</b>
<b>Equity ratio, %</b>			
Total equity	30,532	32,693	29,711
Total assets	81,121	89,177	81,837
<b>Equity ratio, %</b>	<b>37.6%</b>	<b>36.7%</b>	<b>36.3%</b>
<b>Return on equity, %</b>			
Profit for the period	1,319	1,125	2,121
Total equity (average for the first and last day of the period)	30,121	32,246	30,754
<b>Return on equity, %</b>	<b>4.4%</b>	<b>3.5%</b>	<b>6.9%</b>

Orthex presents alternative performance measures as additional information to financial measures presented in the consolidated income statement, consolidated balance sheet and consolidated statement of cash flows prepared in accordance with IFRS. In Orthex's view, alternative performance measures provide significant additional information on Orthex's results of operations, financial position and cash flows to management, investors, analysts, and other stakeholders.

Alternative performance measures should not be viewed in isolation or as a substitute to the IFRS financial measures. All companies do not calculate alternative performance measures in a uniform way, and therefore Orthex's alternative performance measures may not be comparable with similarly named measures presented by other companies.

## Calculation of key figures

Key Performance Indicators	Formula
Constant currency invoiced sales growth, %	Invoiced sales growth calculated by using previous year's revenue translated at average foreign exchange rates for the current year
Invoiced sales	Product sales to resale customers excluding off invoice discounts, customer bonuses and cash discounts
Invoiced sales growth, %	Increase in invoiced sales
Gross margin	Net sales less Cost of sales
Gross margin, %	Gross margin / Net sales
EBITDA	Operating profit before depreciation, amortisation, and impairment
EBITDA margin, %	EBITDA / Net sales
EBITA	Operating profit before amortisation and impairment
EBITA margin, %	EBITA / Net sales
Operating profit	Operating profit
Operating profit margin, %	Operating profit / Net sales
Items affecting comparability	Material items outside ordinary course of business including restructuring costs, net gains or losses from sale of business operations or other non-current assets, strategic development projects, external advisory costs related to capital reorganisation, impairment charges on non-current assets incurred in connection with restructurings, compensation for damages and transaction costs related to business acquisitions
Adjusted gross margin	Gross margin excluding items affecting comparability
Adjusted gross margin, %	Adjusted gross margin / Net sales
Adjusted EBITDA	EBITDA excluding items affecting comparability
Adjusted EBITDA margin, %	Adjusted EBITDA / Net sales
Adjusted EBITA	EBITA excluding items affecting comparability
Adjusted EBITA margin, %	Adjusted EBITA / Net sales
Adjusted operating profit	Operating profit excluding items affecting comparability
Adjusted operating profit margin, %	Adjusted operating profit / Net sales
Earnings per share, basic (and diluted), EUR	Profit for the period attributable to the owners of the parent divided by weighted average number of shares outstanding
FTEs	Full-Time Equivalents
Personnel expenses	Total personnel expenses during the period

Key cash flows indicators	Formula
Net cash flows from operating activities	Net cash from operating activities as presented in the consolidated statement of cash flows
Operating free cash flows	Adjusted EBITDA less investments in tangible and intangible assets
Cash conversion, %	Operating free cash flows / Adjusted EBITDA
Investments in tangible and intangible assets	Investments in tangible and intangible assets as presented in the consolidated statement of cash flows

Financial position key figures	Formula
Net debt	Current and non-current interest-bearing liabilities less cash and cash equivalents
Net debt / adjusted EBITDA last 12 months	Net debt / Adjusted EBITDA
Net working capital	Inventories, trade, and other receivables less trade and other payables
Capital employed excluding goodwill	Total equity and net debt and less goodwill
Return on capital employed (ROCE), %	Operating profit / Average capital employed excluding goodwill
Adjusted return on capital employed (ROCE), %	Adjusted operating profit / Average capital employed excluding goodwill
Equity ratio, %	Total equity / Total assets
Return on equity, %	Result for the period / Total equity (average for the first and last day of the period)



## ORTHEX IN BRIEF

Orthex is a leading Nordic houseware company. Orthex designs, produces, and sells household products with a mission to make consumers' everyday life easier: Orthex strives to create functional, long lasting, and sustainable high-quality household products. Orthex's products cover multifunctional assortment of storage boxes, kitchen products and products for home and yard. Orthex markets and sells its products under three main consumer brands: SmartStore™, GastroMax™ and Orthex™. In addition, it sells externally produced kitchen products under the Kökskungen™ brand.

Orthex has more than 100 years of experience in the production, design, and marketing of household products, and it has approximately 800 customers in more than 40 countries. Orthex's core geographic markets are the Nordics and the export markets. The export markets are divided into the rest of Europe and the rest of the world. Orthex is headquartered in Espoo, Finland, and it currently has seven local sales offices located in the Nordics, Germany, France, and the United Kingdom. Orthex's production facilities are located in Tingsryd and Gnosjö, Sweden, and in Lohja, Finland. In addition, Orthex has centralised warehousing in Sweden and Finland in connection with its Tingsryd and Lohja production facilities, as well as an outsourced warehouse in Überherrn, Germany.

Orthex aims to be the industry forerunner in sustainability by promoting safe and long-lasting products, reducing the carbon footprint of its operations and products, as well as by sourcing an ever-increasing amount of raw materials from renewable and recycled materials. Orthex aims for its production to be carbon neutral by 2030.



*SmartStore Deco 12 First Aid*





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