PAPOUTSANIS
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Papoutsanis: Financial Results for Q3 2023

Improvements seen in the branded products and hotel products categories. New major partnerships for product production at Papoutsanis' facilities.

- ***Domestic sales up 21%.***
- ***Exports accounted for 53% of turnover.***
- ***Turnover for Q3 2023 stood at € 47.4 million compared to € 53.3 million for Q3 2022, down some 11%.***
- ***There was a major 12.7% improvement in gross profit, which stood at € 15.6 million compared to € 13.9 million in the corresponding period in 2022.***
- ***There was also a 9% increase in EBITDA, which stood at € 6.7 million compared to € 6.2 million in the corresponding period in 2022.***
- ***Consolidated earnings before taxes stood at € 3.6 million for Q3 2023 compared to € 4.6 million in the corresponding period in 2022.***
- ***Earnings after tax stood at € 2.8 million compared to € 3.6 million in the corresponding period in 2022.***

	Q3 2023	Q3 2022	Change
Turnover	€ 47.4 million	€ 53.3 million	-11%
Gross Profit	€ 15.6 million	€ 13.9 million	13%
Earnings before tax, financing/investment results and total depreciation and amortisation (EBITDA)	€ 6.7 million	€ 6.2 million	9%
EBT (Earnings before tax)	€ 3.6 million	€ 4.6 million	-22%
Earnings after tax	€ 2.8 million	€ 3.6 million	-22%

Mr. Menelaos Tassopoulos, CEO of Papoutsanis S.A., had the following to say about these developments: "We remain optimistic and aim to improve profitability for 2023 overall compared to 2022 despite the shortfall in turnover this year. The significantly improved gross profitability and double-digit growth in the branded and hotel product categories coupled with the completion of our 3-year investment plan, new major international partnerships and the gradual normalisation of costs in the markets are positive conditions for us continuing to grow both in terms of sales and financial results".

Financial Overview

Turnover for Q3 2023 stood at € 47.4 million compared to € 53.3 million in the corresponding period in 2022, i.e. down 11%, with the value of exports accounting for 53% of total turnover.

In Greece turnover stood at € 22.2 million, up 21% thanks to the significant growth in the category of branded products and sales on the domestic hotel market. Abroad there was a 28% drop, primarily due to the third party products category following removal of SKUs by multinational customers as a result of cost increases. The drop in turnover in the soap bases category is due to the increased demand noted in 2022, which can be attributed to the higher cost of transporting them from third countries. It is worth noting that this category rose by 16% this year compared to the same period in 2021.

The gross profit margin improved significantly compared to the same period last year and stood at 33.0% compared to 26.1%. This improvement is even greater compared to the total for 2022 when the gross profit margin stood at 24.4%.
Gross profit improved by 12.7% compared to Q3 2022 and stood at € 15.6 million (up from € 13.9 in the same period in 2022) despite the shortfall in turnover; this was a result of a gradual return to normal for the cost of raw materials and energy. The 53% increase in the branded products category compared to the same period in 2022 also contributed to improved gross profit.

There was also an improvement in terms of EBITDA (earnings before in taxes, financial/investment results and total depreciation/amortisation) since it stood at € 6.7 million or 14% of turnover despite the decline in sales by 11%. In Q3 2022 EBITDA stood at € 6.2 million.

EBT stood at € 3.6 million or 7.6% of turnover. For 2023 overall, Management estimates that these figures will be better than the corresponding ones for 2022 overall, even despite higher financial costs. Earnings after tax for Q3 stood at € 2.8 million or 5.9% of turnover compared to € 3.6 million in the corresponding period in 2022.

Company operating flows were negative at € 2.1 million compared to positive operating flows of € 1.0 million in Q3 2022. The impact on operating flows comes from the drop

in liabilities as a result of the drop in the cost of goods sold and the major drop in outflows for investments. Management expects positive operating flows for 2023 overall.
Investment expenses stood at € 3.7 million compared to € 8.5 million for Q3 2022, significantly down by 57%, as the strong investment plan of the previous three-year period has now been completed. Note that in 2022 the Company had acquired the ARKADI soap factory which involved an outflow of € 2.3 million.

Regarding the contribution of the four activity sectors to total figures, it should be noted that 27% of total revenue comes from sales of Papoutsanis branded products in Greece and abroad, 20% from sales in the hotel market, 38% from third party product production, and 15% from industrial sales of specialty soap bases.

Overview by activity sector

Branded Products
The category reported strong growth of 53% compared to Q3 2022, exceeding the losses from the drop in the antiseptic market (-54.8% in value in organised retail trade for the eight-month period January-August 2023 compared to the same period last year). Excluding antiseptics, the rise in the branded products category is 78% due to the organic development of Papoutsanis' mass distribution products and the positive contribution made by the ARKADI soap factory. Papoutsanis personal care products are already gaining a significant market share in Greece and at the same time have more than doubled their sales abroad, and hold out significant prospects for further growth. This development comes primarily from the major increase in the penetration of brand name Papoutsanis products into Greek households and the entry into new categories of personal care products. A small part of it relates to reasonable price increases in cases where that was considered necessary due to inflationary pressures on product costs.

Hotel products
Hotel product sales dropped by 24% compared to the corresponding sales figures for Q2 2022, though sales to hotels on the domestic market increased by 16% compared to the same period last year, which in part made up for the drop in sales abroad. These sales figures should be compared to a high Q3 2022 figure which was due to the resumption of business travel and the re-opening of the tourism market after the pandemic.

Third-party products (industrial sales, private label):
Sales in this category were down 18%, a trend driven by foreign sales. In foreign markets, and above all in Europe, major inflationary pressures over the last year led some of our multinational customers to redefine their strategy and re-evaluate their product portfolio, resulting in certain SKUs being dropped and demand falling. At the

same time, as mentioned above, Papoutsanis is in discussions about new partnerships with very good prospects, which will bolster the category from the start of 2024 onwards, both inside and outside the EU, where additional growth opportunities have been identified.

Industrial sales of soap bases

In Q3 2023, there was a 33% drop in this category (which primarily relates to foreign customers), mainly due to non-sale of the commodity soap bases manufactured in SE Asia. In 2022, by exploiting increased transport costs and long delays in deliveries from Asia, Papoutsanis was able to meet part of the overall demand in Europe, Africa and the Middle East for similar soap bases. Transport costs and delivery times from Asia have now returned to normal, but that specific set of circumstances allowed Papoutsanis to develop remarkable partnerships with significant potential, which can only bolster this category.

Business Outlook

As part of its strategic goal of increasing turnover, the Company is in negotiations with multinationals and other smaller companies operating in the soap and cosmetics sector. In that context, an agreement with a large multinational is in the final stages of implementation, with collaboration set to start in Q1 2024 and full implementation by Q3. It is estimated that this agreement will contribute additional sales of around € 6 million each year, and there are major prospects for further expansion.

In terms of profitability for 2023 overall, Management estimates that the financial results will be better than those for 2022, despite the reduced profitability in Q3 2023 (compared to Q3 2022). More specifically, improved results are expected in Q4 2023 compared to Q4 2022, during which material and energy prices had reached peak levels, leading to negative results in Q4 2022. Completion of the strong investment plan over the last three years, which brought about a significant reduction in the industrialisation costs, has contributed to this, positively affecting the profitability indicators as well as the prospects for the growth of turnover through new agreements, allowing Papoutsanis to offer superior quality products at competitive prices. For the rest of the year, flows for investment activities will remain low.