

14 March 2019

PAPOUTSANIS SA: 2018 Financial Results

Further revenue growth and profitability improvement

Papoutsanis SA announced the financial results for the year ended on 31st December 2018.

Key financial figures

- Significant turnover/revenue growth and profitability improvement
- Sales turnover/revenue amounted to €24,2 m., increased by 16,7%.
- EBIT amounted to €1,06 m. increased by 97%.
- Net Profits amounted to €1,11m, increased by 163%.

	FY 2018	FY 2017	Change%
Turnover/ Revenue	€ 24,2 m	€ 20,8 m	+16,7%
Gross Profit	€ 6,7 m.	€ 5,8 m	+15,1%
EBITDA	€ 2,9 m.	€ 2,3 .m	+24,5%
Earnings Before Interest and Taxes (EBIT)	€ 1,06 m.	€ 0,54 m	+97,2%
Net profits	€ 1,11 m	€ 0,42 .m	+162,9%

Menelaos Tasopoulos, Executive Vice President of Papoutsanis SA, commented on the financial results:

"I am satisfied with the progress achieved in 2018, a year of good performance, high revenue growth and improved profitability. This improvement is a result of stronger sales, increased exports, expansion of our co-operations with multinational companies and establishment of new ones, as well as expansion of our presence in key international markets such as the USA. In 2019, we continue to focus on further growth of our turnover, control of production and operational costs and increase of productivity. Our capabilities

and overall product proposition make us confident that this year we will also achieve improved profitability and operating cash flows”.

Michael Panagis, CEO of Papoutsanis, added:

“I am very pleased to be part of the Papoutsanis leadership team, a team with great potential and growth prospects in all business segments. 2018 has been a very good year. In 2019, we remain focused on further growing our product portfolio and on our commercial strategy, looking forward to achieving two-digit sales growth. The outlook remains positive and we are optimistic that 2019 again will be once more a successful year.”

Review of 2018 Financial Results

In 2018, Papoutsanis SA achieved significant growth of its turnover by 16,7%, amounting to €24,2 m versus €20,8 m in 2017.

The company has also improved its EBIT by 97%. EBIT amounted to €1,1m in 2018 versus €0,5 m in 2017.

Turnover growth has been mainly achieved through the expansion of Papoutsanis existing co-operations with multinational companies, as well as through new partnerships. The distribution of the company’s branded products (e.g. Olivia) in new markets abroad (mainly USA) also contributed to the sales growth. The important growth in the category of special soap noodles (the key material for the production of bar soaps), a product channeled to foreign markets, had also a great impact on overall sales growth.

Papoutsanis exports were enhanced by 24% and amounted to €10m in 2018, representing 41% of total turnover, vs €8,1m in 2017 (39% of turnover).

FY2018 gross profit amounted to €6,7m versus €5,8m in 2017, (increased by 15,1%) due to sales growth.

EBIT amounted to €1,06m versus €0,54m in 2017, while net profits amounted to €1,1m versus €0,42m in 2017.

Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to €2,9m versus €2,3m in 2017, increased by 24,5%.

The improvement in Papoutsanis profitability has also positively affected its operational cash flows, which amounted to €3,6m in 2018 versus €2,4m in 2017, increased by 49%.

Net bank borrowing amounted to €6,36 m versus €6,88m in 2017, representing 26% of Papoutsanis turnover in 2018, (33% in 2017) and 16% of total assets (19% in 2017).

Overview by business segment

Branded Products

Branded products (Olivia, Karavaki, Natura, Aromatics etc.) contribute 23% of Papoutsanis's total turnover in Greece and abroad. This sector grew by 10%, mainly due to the increase in exports and sales in Greek retail chains.

The company plans to further strengthen its branded products category, through the expansion of its product portfolio and the promotion of its existing brands, as well as through the launching of new brands.

In this context, at the end of 2018 Papoutsanis launched a new hair care line, under the brand name HAIRCHIC, with an integrated promotion program already being in place.

Hotel Amenities

Hotel amenities represent 33% of annual turnover, growing by 10% in 2018, mainly through the co-operation with Sysco Guest Supply, a company that holds a leading position in the global hotel amenities market.

Branded products of Papoutsanis, under the brand names of Olivia, Skin Essentials, Karavaki etc., as well as the products of Korres are distributed in large hotel chains, as well as in individual hotels in Greece and abroad.

In the Hotel Amenities sector, Papoutsanis is expecting further increase of exports, through the expansion of its existing partnerships, as well as through its planned entry in new markets within 2019.

With regards to the Greek market, Papoutsanis has significantly strengthened its sales team, aiming to a dynamic promotion of its branded hotel products.

Third Party Manufacturing, Private Label

Third party manufacturing represents 29% of Papoutsanis turnover. In this particular category a 16% increase in sales has been achieved, compared to 2017. The category growth came from the Greek market and the expansion of an existing co-operation with a large multinational company.

Papoutsanis has already signed new partnerships as well as new significant agreements with existing customers for the production of their products in serving the markets of various European countries.

Soap Noodles

15% of Papoutsanis annual turnover comes from industrial sales of soap noodles. This category grew by 50% between 2017 and 2018, due to the significant increase in exports.

The sales of this particular category record notable growth rates over the last 3 years, due to the increase of demand from multinational companies abroad for specific types of soap noodles as well as due to the recognition of Papoutsanis as one of the leading producers of such products in Europe.

Papoutsanis has the know-how for the development of these special industrial products, something that results in the continuous strengthening of its sales and shares in foreign markets.

Business Outlook

Improvement of Papoutsanis results is expected to continue in 2019, with the relevant prospects remaining positive. The new partnerships that have been achieved and the strategy of further strengthening the company's brands and products can lead to a two-digit growth rate of turnover in 2019.

Overall, growth in all four sectors of the company is expected, through the promotion of branded products, the increase in exported hotel amenities and the targeting of new markets and partnerships. At the same time, the rapidly growing category of special soap noodles will contribute significantly to the expected growth in turnover.

Productivity and operational costs management initiatives and the increase in productivity ensure continued improvement in the company's profitability and liquidity.

For 2019, Papoutsanis emphasizes on the further expansion and strengthening of its partnerships, the implementation of commercial initiatives, the expansion and evolution of its product portfolio and the growth of its export activity.

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