

July 27th, 2020

Papoutsanis: 2020 First Half Financial Results

Ongoing growth, entry in the disinfectant products category and profitability improvement

Key financial figures

- Significant turnover growth, entry in the disinfectant products category and profitability improvement in the first half of 2020.
- Consolidated turnover amounted to € 20.9 million, increased by 46%.
- Consolidated earnings before taxes amounted to € 3.2 million, compared to € 0.8 million in the same period in 2019.
- Consolidated earnings after taxes amounted to € 2.3 million, compared to € 0.6 million in the corresponding period in 2019

	H1 2020	H1 2019	Change%
Turnover	€ 20,9 mil.	€ 14,4 mil.	46%
Gross profit	€ 7,1 mil.	€ 4,1 mil.	72%
Consolidated Earnings Before Interest and Taxes EBITDA	€ 4,5 mil.	€ 1,7 mil.	163%
Earnings before taxes	€ 3,2 mil.	€ 0,8 mil.	306%
Earnings after taxes	€ 2,3 mil.	€ 0,6 mil.	275%

Menelaos Tassopoulos, Vice President and Chief Executive Officer of Papoutsanis SA commented:

"During the first half of 2020 and despite the unprecedented conditions created by the Covid-19 pandemic, we managed to achieve positive performance, confirming our successful strategy, built on the development and growth of different business segments.

At the same time, entering the biocides and disinfectants market helped us to offset losses from the hotel amenities while enabling us to respond to the needs of the Greek society for value for money disinfectants.

For the remainder of the year, despite the challenges and uncertainties created by the pandemic, we believe that focusing on our innovative products, our ongoing commercial and marketing initiatives and the implementation of our investment plan, will enable us to further achieve positive results.

Financial Overview

In the first half of 2020, Papoutsanis SA achieved significant turnover growth of 45% compared to the same period in 2019, while consolidated turnover increased by 46%. Specifically, total Papoutsanis sales amounted to €20.9 m. versus €14.4 m. in the first half of 2019.

Turnover increase is mainly attributed to the high performance of branded products and third-party manufacturing categories while also to the increase in sales of soap noodles, which is used as raw material for the production of solid soap.

Papoutsanis SA exports in the first half of 2020 amounted to €10.4 m. representing 50% of total turnover.

Papoutsanis' branded products sales in Greece and abroad represent 26% of total turnover while hotel amenities sales contributed 10% to the total turnover of the company. Third party manufacturing represents 49% of total turnover while soap noodles contributed 15% to the sales of the company.

At the same time, since the beginning of April, Papoutsanis SA, having received the approvals of the relevant authorities of the country, incorporated in its main activities the production of biocides and disinfectants, utilizing part of its production line of the state-of-the-art plant in Ritsona, Evia, as it has the production capacity to cover to the largest extent the needs of the country in relevant products.

Gross profit was positively affected by sales growth in the period as well as the reduction of production cost, as a result of the investments implemented by the company, and amounted (for the Group and the Company) to € 7.1 million versus € 4.1 million in the same period in 2019, an increase of 72%. Gross profit margin improved to 34%, compared to 29% in the first half of 2019.

Profit before taxes for the Group and the Company amounted to € 3.2 million, compared to profit of € 0.8 million in the first half of 2019, while profit after taxes amounted to € 2.3 million versus € 0.6 million in the same period in 2019.

The results before taxes, financial, investment results and depreciation (EBIDTA) were (for the Group and the Company) profits of € 4.5 million compared to profits of € 1.7 million in the first half of 2019.

Overview by business segment

Branded products

Branded products sales increased by 100% in the first half of 2020 compared to the same period in 2019, benefiting from the increased demand for personal hygiene products and antiseptics, as a result of the COVID-19 pandemic. The upward sales trend of the category is expected to continue in the second half of the year; the company however is not able to estimate exact amount.

Hotel Amenities

In the first half of the year, the specific category dropped by 61% compared to the first half of 2019, as conditions posed by Covid-19 did not allow hotels to operate as planned. The decline was sharper in the domestic market, reaching 71%, while sales of hotel amenities abroad decreased by 44% compared to the same period in 2019, given that in many countries in Europe, but in America too, the restrictions on travel and the consequent reduction in overnight stays were delayed in relation to Greece. Given the current situation of the hotel market in Greece and abroad, it is estimated that in the second half there will be a corresponding decrease in sales.

Third party manufacturing, private label

Third party manufacturing - private label segment increased by 134% compared to the first half of 2019 due to the further expansion of an existing co-operation with a large multinational company, which had already begun to grow significantly since the second quarter of 2019. In addition, the demand for solid soap and other personal hygiene products by both domestic and foreign customers was further improved. Finally, the specific category was also supported by the sale of antiseptics to domestic industrial customers. It is estimated that the category will continue to perform positively for the rest of the year, as a new cooperation with a large German company for the production of most of their European needs in solid soap has already begun.

Soap Noodles

Soap Noodles segment, mainly exports, grew by 47%. Growth came from the expansion of the clientele and the increased demand, as it is an intermediate product used for the production of soaps.

Business Outlook

Main goal of the management team of Papoutsanis SA remains further turnover growth through the expansion of current collaborations and conclusion of new agreements in all product categories.

At the same time, current investment program is in full swing, aiming at doubling the production capacity of solid soap by the beginning of 2021, thus covering the increased demand by the European market, while further reducing production costs. The production of synthetic soap is expected to start at the same period. The company has secured the necessary liquidity, through the conclusion of two bond agreements, to support its development plan while at the same time focuses on improving its operating cash flows.



Finally, having received the permanent license to produce biocides and disinfectants, the company will be able to increase the range of offered products and to proceed with exports.