

ANNOUNCEMENT

November 1st, 2021

Papoutsanis: Nine- month 2021 Financial Results

Increased turnover and high returns in the categories of branded products, products for third parties and soap noodles.

Basic financial figures for nine months

- Turnover increased by 24% in Q3 2021 compared to 2020, and amounted to € 38,2 million
- Profits before taxes amounted to € 5,1 million, compared to € 4,6 million in the corresponding period of 2020
- Profits after taxes amounted to € 4 million, compared to € 3,5 million in the corresponding period of 2020

	Q3 2021	Q3 2020	Variation
Turnover	€ 38,2 million	€ 30,8 million	24%
Gross profit	€ 13,03 million	€ 10,3 million	26%
Profits before taxes	€ 5,1 million	€ 4,6 million	12%
Profits after taxes	€ 4 million	€ 3,5 million	15%

Mr. Menelaos Tassopoulos, CEO of Papoutsanis SA, commented: "During the first nine months of 2021 we overcame the ongoing challenges, by remaining committed to the implementation of our strategy for a sustainable and healthy financial growth. The further implementation of our business and investment plan, along with the expansion of our collaborations in 2021 formed high returns in the categories of branded products, except antiseptics, products for third parties and soap noodles sales. The improved trend in tourism during 2021 led to a better performance of Papoutsanis' hotel products and considering the positive messages of the industry, we expect further improvement of the category. For the last quarter of 2020, we estimate that Papoutsanis will achieve further growth and improvement of its financial performance compared to 2020".

Results Overview

Papoutsanis SA recorded significant increase on its turnover by 24% in the first nine months of 2021. Specifically, the Company's sales during this period amounted to 38,2 million euro, compared to 30,8 million euro in the corresponding period in 2020.

Since the beginning of 2021, the Company directly serves the large retail chains. Due to this change, there is an impact on the way of invoicing, resulting in an increase of 1,6 million euro on the published turnover and an equal increase on distribution costs. If this change had not occurred, the Company's turnover would have amounted to € 36,6 million and distribution costs would have reached the amount of € 3,4 million.

The main reasons which contributed to the turnover increase were the high performance of the Company in the categories of branded products, except for antiseptics, products for third parties and soap noodles sales. The partial recovery of the hotel market, both in Greece and abroad, also contributed to this result.

More specifically, 22% of the total revenue comes from Papoutsanis branded products sales in Greece and abroad, 11% from hotel market sales, 51% from products for third parties and 16% from industrial sales of soap noodles.

Papoutsanis' exports amounted to 22,5 million euro in the first nine months of 2021, equal to 59% of the total turnover, which is an increase of 55% compared to the same period of the previous year.

In September 2021 the Company decided to sell its share in the subsidiary PAPOUTSANIS S.p.z.o.o. based in Poland. The result from the sale was a loss of 44 thousand euro, and no other impact is expected on the Company's results by this transaction.

The gross profit also affected positively by sales growth and amounted to 13 million euro compared to 10,3 million in the corresponding period of 2020, improved by 26%. The gross profit margin improved and amounted to 34,1% compared to 33,5% in the first nine months of 2020.

The total earnings before taxes amounted to 5,1 million euro, compared to 4,6 million euro in the first nine months of 2020, while earnings after taxes amounted to 4 million euro compared to 3,5 million euro in the corresponding period of 2020.

Overview by Business Segment

Branded products

The sales of branded products, excluding antiseptics, increased by 44% in the first nine months of 2021 (or 10% if the invoicing change had not taken place as mentioned above) compared to the corresponding period of 2020 and by 2% including antiseptic. It is worth noted that in 2020 this category benefited significantly from increased sales of antiseptics, due to COVID-19 pandemic.

Hotel Amenities

The category increased by 48% during the first nine months of 2021 compared to the corresponding period of 2020. A further improvement in the growth rate is expected for the last quarter of 2021, as the signs from the hotel market, mainly abroad, are particularly positive.

Third Party Manufacturing, Private Label

This category increased by 27% compared to the first nine months of 2020. The growth comes mainly from the expansion of significant partnerships with multinational companies for the manufacturing of their products.

Soap Noodles

This category recorded an increase of 38%, mainly due to exports. Growth is attributed to the establishment of the Company as one of the main suppliers of special soap noodles in the international market, the continuous expansion of the customer portfolio and the offered range of products. The launch of synthetic soap noodles, special products with very positive ecological footprint and high added value, is estimated to further strengthen the category. Furthermore, it is worth noting that the current situation of historically high shipping costs and the delivery delays from Asia leads to further development of soap noodles sales, which are commodities traditionally served by Indonesia and Malaysia.

Outlook for business activities during the last quarter of the year

For the last quarter of the year, we estimate that we will achieve further significant growth compared to the corresponding quarter of 2020. Therefore, we anticipate a higher growth rate for the whole year compared to that of the current nine months, thanks to the new – in progress - collaborations and the higher rates of the hotel market in Greece and abroad. At the same time, the completion and operational starting of the investment plan that started two years ago for the production and warehouse capacity increase and modernization is expected to contribute in the significant reduction of production and transportation costs.

Business Perspective

Management's estimations for the next year's growth rate and profitability are also positive, and are based on:

- the strengthening of branded products placement in the market channels as part of the Company's strategic priority for further improvement of its market share.
- the further improvement of the hotel amenities market in Greece and abroad

- the expansion of the existing long-term partnerships with multinational companies and the customer portfolio, with new innovative and sustainable third-party products.
- Further development of soap noodles category with the launching of synthetic soap (Syndet) and the expansion of our customers base.

The Company's management closely monitors the market conditions of raw materials and energy and estimates that it will mitigate their impact through:

- production costs reduction, as a consequence of the past two years investment plan completion
- operating costs reduction, mainly logistics and distribution costs that were higher this year due to the deposition of products in third party facilities, as an interim solution until the expansion of the size and capacity of our own warehouse to volumes suitable to support the growth rate of the Company.
- The sales price adjustment for mitigating the increased prices of raw materials and packaging materials. At this point, the Company, despite the obvious pressure from the above increases, is in a relatively more advantageous position since more than 65% of its sales come from contracts where the price adjustment is provided contractually (open book costing).