

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	Δ
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 persisting challenges, by remaining committed to the implementation of our strategy towards financially healthy growth with a particular focus on sustainability. The successful execution of our business and investment plan, along with the expansion of our key collaborations in 2021 helped us achieve high growth in the categories of branded products, excluding antiseptics – hand sanitizers, third party sales and sales of specialty soap bases. The improved trend of the travel industry during 2021 led to a better performance of the hotel amenities unit, and considering the positive outlook, we expect further improvement. For the last quarter of 2021, we expect, further growth and improvement of our financial results 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 retail channels. Due to this operational change, and the respective change of invoicing, in 2021 we report 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 the 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 – hand sanitizers, 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.

Specifically, 22% of total revenues comes from Papoutsanis branded products sales in Greece and abroad, 11% from hotel market sales, 51% from products to third parties and 16% from industrial sales of soap noodles. The total exports increased by 55% against the respective period of the previous year and amounted to 22,5 million euro or 59% of total turnover.

In September 2021 the Company decided to sell its share in the subsidiary PΑPΟΥΤΣΑΝΙΣ 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.

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

Total earnings before taxes amounted to 5,1 million euro, compared to 4,6 million euro and the 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 – hand sanitizers, increased by 44% in the first nine months of 2021 compared to the corresponding period of 2020 (or by 10% if the invoicing change had not taken place as mentioned above) and by 2% including antiseptics. It is worth noting that in 2020 the category benefited significantly from increased sales of hand sanitizers, 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 is expected for the last quarter of 2021, as the outlook from the market, mainly abroad, is quite 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 and long term, partnerships with multinational companies.

Specialty Soap Bases

Soap Noodles sales increased by 38%, mainly due to exports. Growth is attributed to continuous expansion of the customer portfolio and the offered range of products and asserts the position of our Company as one of the main suppliers of specialty soap bases in the international market. The recent 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 freight costs and corresponding delivery delays from Asia generates additional spot sales of commodity noodle grades, that are traditionally produced primarily in Indonesia and Malaysia.

Outlook for business activities during the last quarter of the year

For the last quarter of the year, we believe Company performance will improve further with respect to Q4-20 and consequently that for 2021 we will achieve even further growth compared to full 2020.

Business Perspective

Management's estimations for the next year's growth rate and profitability are also positive, 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 overall customer portfolio, as well as introduction of new innovative and sustainable products.
- further improvement of soap noodles category with the launching of synthetic soap (Syndet) and further expansion of our customers portfolio.

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

- production costs reduction, due to the successful completion of last two years CAPEX.
- operating costs reduction, mainly in warehousing and transport that were exceptionally high in 2021 due to storage in third party facilities, as an interim solution until the completion of our own expanded warehouse suitable to support the growth rate of the Company.
- sales price adjustments whenever necessary, for mitigating the increased prices of raw and packaging materials as well as energy. Despite the obvious pressure from the above increases, our Company is in a relatively advantageous position as more than 65% of its sales are based on agreements with automatic price adjustment terms (open book costing).