

26 November 2021

## Quadpack's H1 2021 results: ongoing effects from the pandemic downturn

- H1 2021 revenues of €46.7 million, down 15% compared to H1 2020
- Net result still negative at -€0.9 million, due to the ongoing effects of the pandemic
- EBITDA of €3.5 million with an EBITDA margin stable at 7.5% of revenue (vs 7.3% in 2020)
- 45% of sales coming from Quadpack's own manufacturing business, at €20.9 million (+12% compared to H1 2020)
- High manufacturing EBITDA margin at 10.1%
- Ongoing investment of €2.3 million in sustainability
- Cash position of €16 million, with a slight increase in net debt to €41.5 million

In H1 2021, Quadpack Industries (Euronext Growth: ALQP), manufacturer and provider of packaging solutions to the global beauty industry, focused its efforts to recover from the impact of the COVID-19 pandemic, which affected its 2020 results. Results for H1 (ending 31 July) show ongoing effects from this crisis. Nevertheless, significant progress has been made to execute its business strategy. It aims to increase the company's manufacturing base, while placing it in a strong position for sustainable growth. Focal points include sustainability, digital transformation, late differentiation and regionalisation.

### Financial highlights

<i>(In €'thousands)</i>	H1 2021	H1 2020
Net revenue	46,678	54,597
% growth	-14.5%	-9.1%
EBITDA	3,507	3,999
<i>EBITDA/Revenue %</i>	<i>7.5%</i>	<i>7.3%</i>
Operating result	(250)	1,072
Net result	(916)	(148)
Shares	4,380,572	4,380,572
<i>Net result per share (in €)</i>	<i>(0.21)</i>	<i>(0.02)</i>
<i>Net result per share, diluted (in €)</i>	<i>(0.21)</i>	<i>(0.02)</i>

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H1 2021 revenues reached €46.7 million, a 15% decline compared to H1 2020. However, thanks to a sharp increase in the percentage of sales of products manufactured internally, EBITDA reached €3.5 million with a stable EBITDA margin at 7.5%. The products manufactured by Quadpack now stand at 45% of total sales. Its target is to optimise the balance between manufacturing internally and outsourcing to supply partners. This will enable Quadpack to secure its supply chain and maintain its profitability.

Quadpack ended H1 2021 with a cash position of €16 million (compared to €22 million in 2020). Cash flow from operating activities is positive at €1.4 million in H1 2021, €1.7 million more than in H1 2020. An increase in inventories was necessary due to global transportation issues. This led to an increase in working capital from €16.5 million to €17.6 million.

Quadpack has invested €2.3 million during the period to increase its manufacturing capacity and to roll out its digitalisation projects, to enhance connectivity and efficiency. These investments will improve Quadpack's future performance.

The Group continues to monitor carefully its net debt position by balancing its cash flow from operating activities with its cash flow from investing activities. As a result, the net debt increased by €1.5 million compared to FY 2020 to reach €41.3 million.

### **Supply issues and opportunities**

One of the long-lasting effects of the pandemic is the inflation in raw material and transportation costs. Throughout 2021, Quadpack is absorbing many of the price increases, with the intention of recouping the lost margins during 2022. In this way, Quadpack will reduce the impact on its customers by spreading the cost over time, when the industry is in a more solid position, to sustain its repeat business long term. In addition, pressures on the supply chain are causing longer lead times.

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In parallel, Quadpack is reorganising its supply chain by focusing on a flexible portfolio of products, on local supply and on collaboration with regional partners. In H1 2020, Quadpack signed agreements with packaging manufacturers Yuga in China and LM in Korea. Both have a strong presence in their respective markets and facilities to manufacture, stock, assemble and decorate QLine components.

### **Manufacturing agility**

Agility in manufacturing has been enhanced with the roll-out of Industry 4.0 at the Quadpack Wood plant in Spain. 63 machines are now connected by Internet of Things (IoT) devices which provide real-time data, giving visibility to the process and an efficient control of the equipment. The initial investment of €360,000 in 2021 is the start of a multi-year project which includes more factories and systems. All will be incorporated in the company-wide digital transformation project, which will see the first companies in Spain going live with SAP S/4 HANA Cloud in December 2021.

In H12021, Quadpack negotiated the acquisition of the German decoration specialist Stefan Wicklein Kunststoffveredelung GmbH, completed in H2 2021. In addition to adding value to its decoration offer, the acquisition allows Quadpack to bring in-house a service which was previously outsourced. Long-term, the company plans to increase its ownership of decoration which, along with material transformation and assembly, accounts for approximately 20% of the final sales price of a pack.

### **Sustainability – focus on people, product, process**

Progress continues in multiple areas with regards to sustainability. Community involvement through the Quadpack Foundation is under the direction of a new manager, Marta Gil, who comes from NGO management.

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Product development continues to be guided by Quadpack's 'positive-impact packaging' strategy. Using data-based life-cycle assessments (LCAs) to measure products' environmental impact brings greater transparency and accountability to innovations. Quadpack's goal is to have all its QLine products assessed by the end of 2021.

Inaugurated in 2020, the biomass plant at Quadpack Wood has helped the company reduce its annual CO2 consumption by 430 tonnes. Other measures – such as suppliers' assessments through the EcoVadis Buyer Platform, usage of renewable electricity at European plants and offices and more efficient waste management – are key actions that are helping Quadpack achieve carbon neutrality.

#### **Equality and good governance**

Ensuring Quadpack is a great place to work starts at board level. At the annual shareholder's meeting on 13 July 2021, the company welcomed its first independent members: institutional investor Chrysoula Zervoudakis and sustainability champion Cheryl Hall. Their appointments enrich the board's diversity, as Quadpack continues to shape its culture of oversight and purpose-driven governance. Three new committees were created focusing on sustainability, audit and risk, and remunerations and nominations.

Quadpack CEO Tim Eaves said: "As the year draws to a close, we all look to 2022 with optimism, but also pragmatism. We cannot ignore the enormous pressure on global supply chains, nor the unprecedented increases in costs and shortages of materials and labour, which will undoubtedly affect our full-year results. However, a stronger than ever order book and a resurgence in new business awards is a clear reflection of increased market confidence and a validation of our business strategy."

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**Contact details**

Email: [investorrelations@quadpack.com](mailto:investorrelations@quadpack.com)

**Further information**

[www.quadpack.com](http://www.quadpack.com)