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For immediate release

Quadpack 2021 results: continued pandemic effects, with first signs of recovery

- Turnover of €106 million in year ended 31 January 2022
- Turnover up 4% from €101.9 million in 2020 (2% like-for-like)
- H2 growth of 28% compared to H1 2021 (2020 H2 vs H1 growth -13%)
- Acquisition of decoration company Stefan Wicklein Kunststoffveredelung GmbH
- EBITDA €7.7 million (a decrease of 9.5% vs 2020)
- Operating profit (EBIT) at €1 million (vs €0.2 million in 2020)
- Net loss of €2.3 million (vs €1.5 million net loss in 2020), partly due to €0.5 million impairment from Quadpack Plastics
- CAPEX of €5 million focused on sustainable capacity, decoration and digitalisation
- Certified as Benefit Corp (B Corp)

Quadpack Industries (Euronext Growth: ALQP), manufacturer and provider of packaging solutions to the global beauty industry, reported subdued results for the year ending 31 January 2022. Turnover presented a 4% growth at €106 million. EBITDA was similar to 2020 at €7.7 million, which led to a net loss of €2.3 million. Due to COVID-related impacts, such as supply chain issues, raw material shortages and labour scarcity, full turnover recovery was not noted until the second semester. Continued strong order intake in the second half of the year meant that 2022 started with a record order book.

2021 was a year dedicated not only to recovery, but also to becoming a B Corp. The company's efforts in ESG led to certification in 2022, an achievement that reflects the passion and enthusiasm of the global Quadpack family to make a positive impact on the world.

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Financial highlights

<i>(In thousands €)</i>	2021	2020
Net revenue	106,360	101,986
<i>% growth</i>	<i>4.3%</i>	<i>-22.2%</i>
EBITDA	7,653	8,453
<i>EBITDA/Revenue %</i>	<i>7.2%</i>	<i>8.3%</i>
Operating results (EBIT)	(987)	183
Net results	(2,341)	(1,541)
Shares ('000)	4,381	4,381
<i>Net results per share (in €)</i>	<i>(0.53)</i>	<i>(0.36)</i>

“The budget and plans defined 2021 as a recovery year and, despite a moderate operating profit, we positively value our achievements in the year. The second half year saw a surge in order intake across all regions and categories and we enter the next financial year with €60 million of firm business already booked. The outlook is positive, strengthened by our new B Corp status, which helps us balance profit and purpose,” said Quadpack CFO Bardo Bevelander.

Uplift in sales

Sales reached almost €60 million in the second semester, up 28% from €47 million in the first half year. Monthly order intake returned to pre-COVID levels from March 2021, averaging €11 million. While Quadpack initially absorbed the increase in transportation and raw material costs, it proactively protected margin, with price increases throughout the year.

Consolidation of manufacturing led to an increase in sales of own-manufactured products to 40%. The resulting increase in gross margin was eroded by 2% through inflationary pressure, keeping EBITDA at similar levels to 2020.

Significant progress was made in this second year of Quadpack’s five-year business strategy, which focuses on five pillars: geographic expansion, agility, sustainability, collaborative innovation and being a great place to work.

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Global operations

Quadpack strengthened its presence in the Americas in 2021, with sales representation in New York, Los Angeles and Miami, a Mexican sourcing centre and a decoration and assembly plant in Dallas, Texas, to complement traditional and e-commerce sales. In Asia, Quadpack expanded through partnerships with established manufacturers, including Yuga in China and LM in Korea. All activity is focused on ensuring local supply to deliver solutions in the region, for the region. Through its own facilities or that of its partners, Quadpack is preparing to stock, decorate and assemble its solutions locally, for a faster time to market and a lower carbon footprint.

In its core market of Europe, strategic CAPEX focused on manufacturing capacity increase in sustainable plastic and wooden solutions, decoration and digitalisation, for greater agility. Industry 4.0 is being implemented across all facilities, starting at the wood factory in Spain. The new ERP (enterprise resource planning) solution SAP S4/HANA Cloud will connect this and other business-critical systems securely in the cloud. The first phase successfully went live in December 2021.

At the plastic injection factory in Kierspe, Germany, production capacity was increased and the groundwork was laid to establish a decoration hub. In September, Quadpack acquired one of the few remaining independent specialist decoration companies in Germany, Stefan Wicklein Kunststoffveredelung GmbH. Wicklein brings expert know-how and facilities and gives Quadpack greater ownership of decoration which, along with material transformation and assembly, accounts for approximately 20% of the final sales price of a pack. Total expenditure between CAPEX and M&A amounts to approximately €9 million.

Elevated transport and raw material costs put margin under pressure and led to an increase in stock. Though mitigated by strategic investments in capacity and vertical integration, this pressure will continue into 2022.

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Sustainable product innovation

Efforts to ensure local supply to customers were complemented by advances in developing a sustainable product portfolio. Quadpack commenced a huge undertaking to subject its entire QLine collection to life-cycle assessments, which measure the impact of each product, from water and energy use, to terrestrial and marine litter potential. This data is openly shared through a simple but powerful sustainability ratings system developed by Quadpack. The company hopes that this transparency will set a precedence and help towards reducing the industry's environmental impact. Quadpack's highest rating – 'positive-impact packaging' – applies to products that make a positive impact on the planet and on society.

Woodacity® was the first major product innovation in 2021 to carry that highest rating. This patented range of full-wood caps with a new closure system consolidates Quadpack's leadership in wooden componentry. It was recognised with two industry awards. In addition, the company engineered a refillable version of its best-selling airless pack, Regula Airless Refill, allowing brands to simply swap over without additional investment.

Quadpack conceived a new method of shape customisation in airless packaging, with minimum lead times and reduced investment, using 15% less plastic. Based on patented 'bag-in-bottle' technology, CANVAS Airless® is a collaborative innovation developed with R&D partner Inotech. Quadpack also continued its partnership with Sulapac, bringing to market a biodegradable jar for water-based formulas that leaves no microplastics behind.

Environmental and social governance

2021 was largely dedicated to preparing to become a B Corp. Quadpack's aim to ensure a positive impact on the environment and on society was central to achieving this, with heavy emphasis on the Quadpack Foundation, its product strategy to transform the QLine portfolio and a roadmap towards net zero operations, among other measures.

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Quadpack also addressed good governance practices, to ensure greater equality, diversity and transparency. The board of directors was joined by its first independent members, institutional investor Chrysoula Zervoudakis and diversity champion Cheryl Hall, to help shape its culture of oversight and purpose-driven governance.

Three new committees were created to reinforce sustainable practices, ethical processes, accountability and transparency, including a Sustainability Committee, an Audit and Risk Committee and a Remunerations and Nominations Committee. In addition, a profit-sharing scheme was introduced to further share value among employees.

Net results and net debt

The net result for this fiscal year was a loss of €2.3 million, against a net loss of €1.5 million in the previous year. No dividends are declared on this year's net result. Despite the net loss and an extraordinarily high investment in inventories of €10.9 million, the operative cash flow was €3.1 million positive. The investment in inventories was a temporary result of higher in-transit inventories from Asia at year-end.

Using the operative cash flow and last year's cash surplus, the Group invested €10.1 million in CAPEX and M&A. Additionally, cash flow from financing activities was €2 million negative, leading to a net decrease in cash of €9.2 million and a final cash position of €13.6 million.

The net debt position increased to €48 million as a result of the aforementioned net losses, investment activities and temporary in-transit inventories. Increased net debt, combined with the EBITDA level of €7.7 million, led to a leverage ratio of more than 6x EBITDA. As a result, the leverage ratio covenant obligations were waived. The Group aims to reduce the leverage ratio based on increased operating performance and cash generation in 2022.

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Outlook for 2022

Despite the net loss in 2021, Quadpack starts the next financial year on a high note and with renewed purpose. B Corp gives it a framework to measure its ESG progress in five impact areas: governance, workers, community, the environment and clients.

As global markets recover slowly but surely, supply chain issues and price pressure of raw materials will continue into 2022, exacerbated by the Ukraine conflict. In spite of this, the year ended with a strong order book and continued strong order intake into Q1 2022, returning to pre-COVID levels.

CEO Tim Eaves concluded: “Disruption and uncertainty are now part of everyone’s lives; in 2021, the pandemic strengthened our desire to become better corporate citizens and, in 2022, war has reinforced this desire. As a member of the global B Corp community, we are firmly committed to using our business as a force for good.”

–ENDS–

Full results for the 2021 financial year are published on the Quadpack web site:

www.quadpack.com/investors/investor-information/

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www.quadpack.com

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