



APRIL 21<sup>ST</sup> 2023 10.00 CEST

# Oriflame

FIRST QUARTER 2023

Magnus Brännström, CEO  
Gabriel Bennet, CFO

ORIFLAME  
SWEDEN

# CAUTIONARY STATEMENT

Some statements herein are forward looking and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially affected by other factors like, for example, the effect of economic conditions, exchange-rate and interest-rate movements, political risks, impact of competing products and their pricing, product development, commercialization and supply disturbances.

# HIGHLIGHTS



# Q1 highlights

*Difficult sales and market conditions remain in all regions*

**Sales** €208.3m (€229.9m) -9% in €, -10% in LC

- Members average 2.0m (2.4m) -19%
- Members average LC productivity +8%
- All regions with Euro/LC decline except for Latin America
- Cetes Manufacturing external sales up 43%

**Adjusted EBITDA** €16.8m (€22.1m)

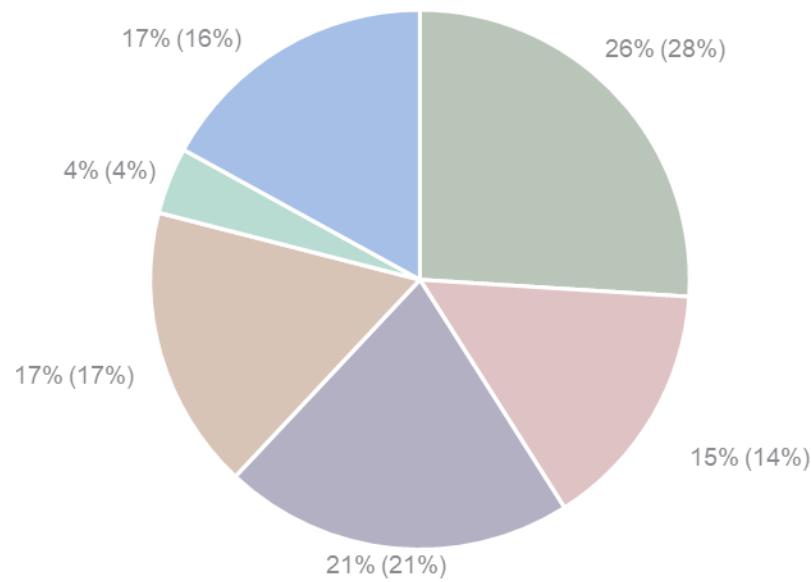
- Adjusted EBITDA margin 8.1% (9.6%)
- First signs of pricing catching up with product cost
- Lower cost base from restructuring partially offset by inflationary increases

**Adjusted cash flow before financing** €-16.2m (€-11.5m\*)

**Strategic review of assets for sale in Russia**

- Progressing and has resulted in several offers on the Oriflame manufacturing entity in Russia (Cetes Cosmetics)

Product categories Q1 2023 (Q1 2022)



- Wellness
- Accessories
- Personal and Hair Care
- Fragrances
- Colour Cosmetics
- Skin Care

## Operational highlights

### Brand and Innovation

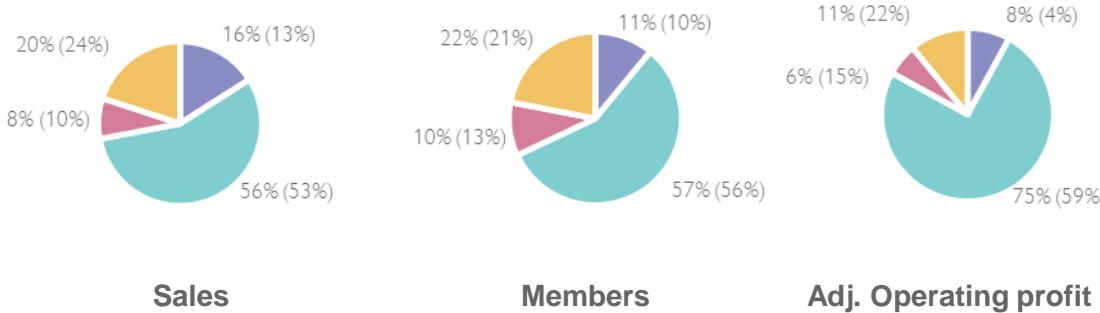
*Skin Care* was the lead category in Q1. The Novage anti-aging brand continues to be the main share of sales.

*Fragrances* was still in high demand, supported by Valentine's and Women's Day. The hero brand Giordani Gold continues to be the most relevant within the category.

The Wellness packs Women and Men maintained the top product positions within the *Wellness* category.

Within *Personal & Hair Care*, the Love Nature brand, which has been restaged, performed very well and Activelle, featuring a small range of anti-perspirant deodorants, showed good results.

# Q1 Regional overview



	Latin America	Europe & CIS	Asia	Türkiye & Africa	Group
Q1					
EUR growth	7%	-5%	-26%	-32%	-9%
LC growth	0%	-11%	-23%	-7%*	-10%
Adj. Operating margin	4.0%	10.8%	4.3%	6.2%	5.0%

## Latin America

Sales increase in € while in local currency sales were unchanged. Increase in € coming from higher activity among members with improvements seen mainly in Mexico and Colombia.

## Europe & CIS

Sales decreased in € and local currency, due to lower number of members from weaker activity and recruitment. In Ukraine sales continues to recover. Operating margin decreased - price increases and positive exchange rate variations compensated for product cost inflation, while selling and administrative expenses were higher.

## Asia

Sales drop in € and local currency due to less members and lower activity. China improved the activity among members, which somewhat improved sales levels after the reopening after strict lockdowns. Operating margin decreased due to lower sales and higher selling expenses.

## Türkiye & Africa

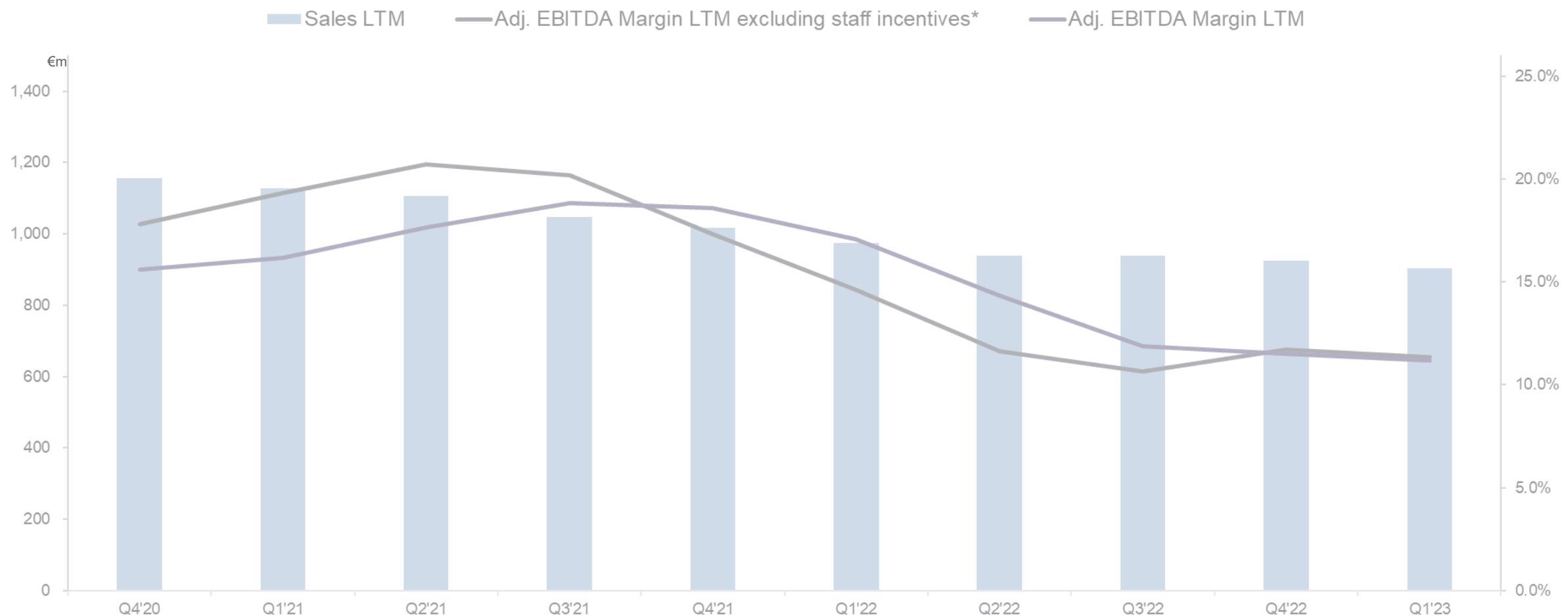
€ sales drop as a result of strong devaluations of local currency in Türkiye and Nigeria as well as weak performance in the region. Sales in local currencies also decreased. The operating margin decreased, negatively impacted by adverse exchange rate impacts and higher selling and administrative costs.



\* Sales growth in local currencies calculation has been adjusted for Türkiye hyperinflation

# FINANCIALS

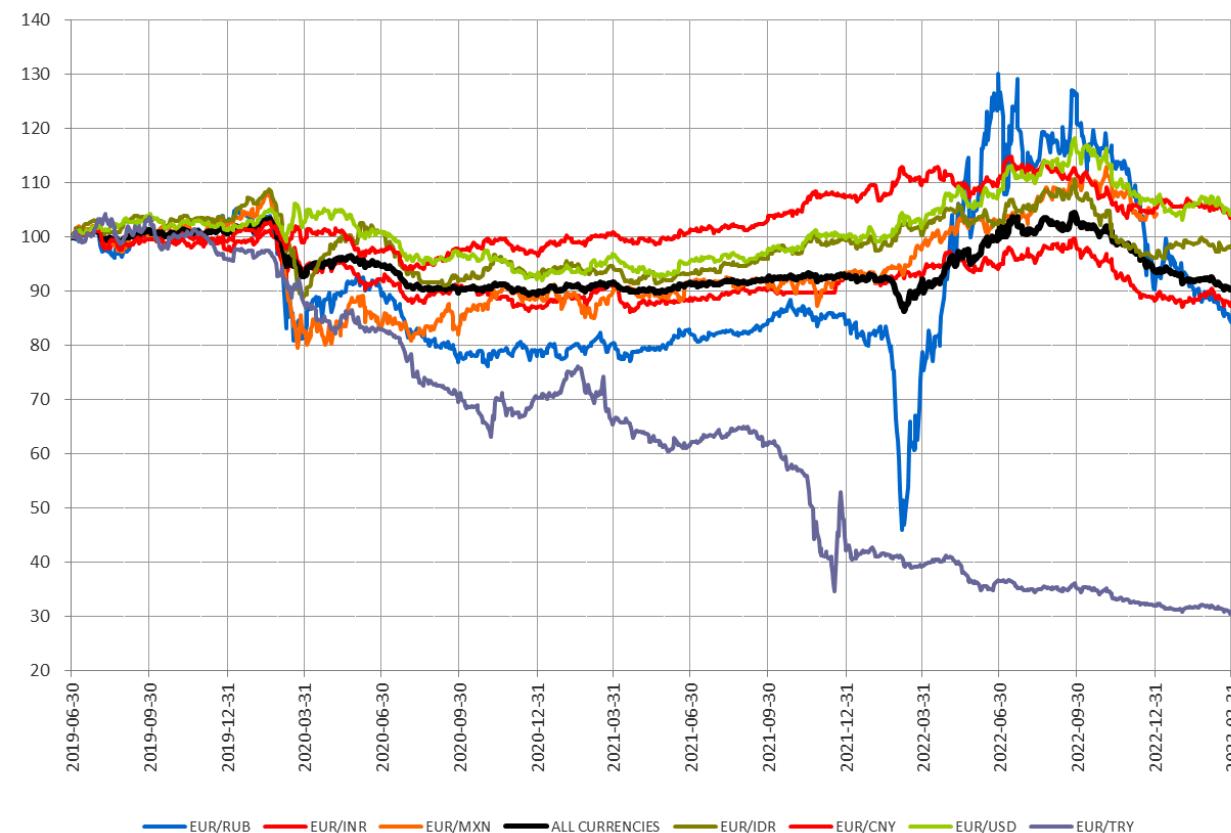
# LTM Sales, adj. EBITDA margin LTM excl. staff incentives, adj. EBITDA Margin LTM



\* Unaudited - Estimated amount of staff incentives

# Group Currencies Impact (on Sales) – Q1 2023

## Since July 2019



- The exchange rates had a slightly positive impact for the group in the quarter. There was a gradual weakening of the exchange rates during the quarter linked to the weakening of the Russian Ruble and strengthening of the Euro. The Turkish Lira continued to weaken.
- Impact on adj. operating profit was positive 40bps in Q1
- For Q2 and with the uncertainty and volatility of exchange rates in mind, we currently expect the negative impact on both sales (-10%) and EBIT (-250).
- Below is the exchange rate impact for 2023 (grey numbers = actual, blue numbers = forecast)

Estimated impact on:	Q1 act	Q2 Fc	FY Fc
- Sales, around	+1%	-10%	-12%
- OP – approx. (bps)	+40	-250	-275

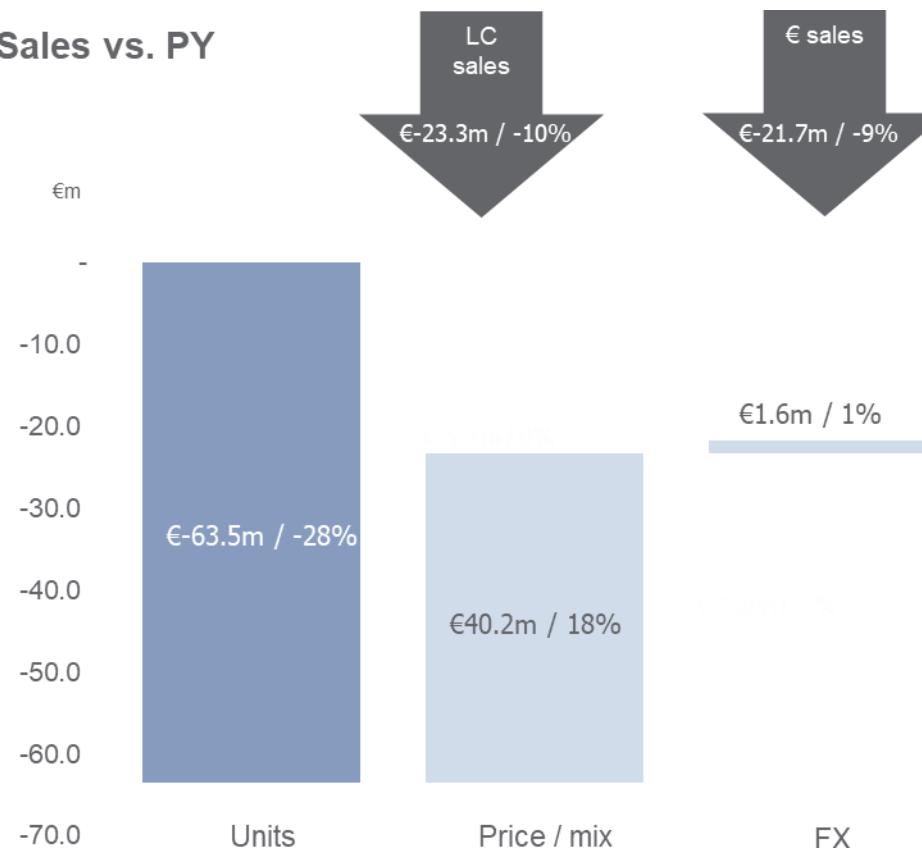
€m	Q1'23	Q1'22	% change
Sales	208.3	229.9	-9.4%
Cost of Sales	-70.6	-82.2	-14.0%
<b>Adj. Gross profit</b>	<b>137.6</b>	<b>147.7</b>	<b>-6.8%</b>
	<b>66.1%</b>	<b>64.3%</b>	
Selling and marketing expenses	-66.8	-69.5	-3.8%
Distribution and Infrastructure	-5.9	-6.1	-4.1%
Administrative expenses	-54.6	-57.7	-5.4%
<b>Adj. Operating profit</b>	<b>10.3</b>	<b>14.4</b>	<b>-28.4%</b>
	<b>5.0%</b>	<b>6.3%</b>	
Net financing costs	-14.9	-0.3	
Loss from associates, net of tax	-0.0	-0.0	215.5%
<b>Adj. Net profit before tax</b>	<b>-4.6</b>	<b>14.2</b>	
	<b>-2.2%</b>	<b>6.2%</b>	
Total income tax expense	-2.2	-4.3	-48.2%
<b>Adjusted net profit</b>	<b>-6.8</b>	<b>9.9</b>	
	<b>-3.3%</b>	<b>4.3%</b>	
<b>Adj. EBITDA</b>	<b>16.8</b>	<b>22.1</b>	<b>-24.1%</b>
<b>Adj. EBITDA margin, %</b>	<b>8.1%</b>	<b>9.6%</b>	

## Adj. income statement Q1

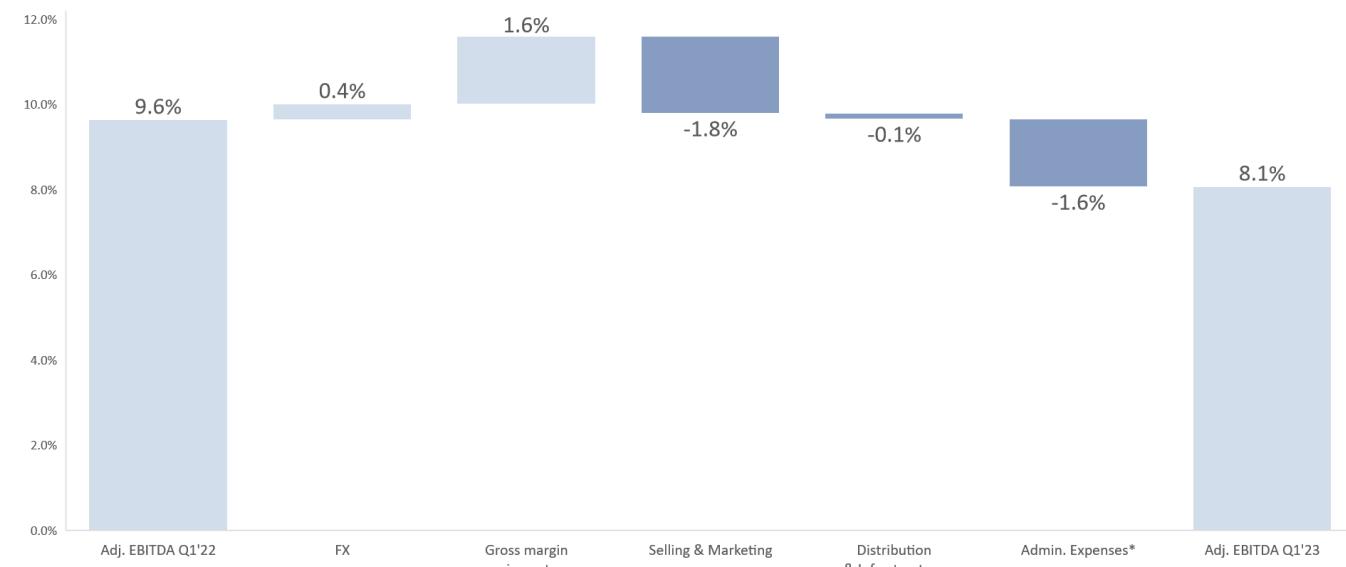
- Sales mix
  - Unit sales: -28%
  - Price/mix: 18%
- Adj. Gross margin 66.1% (64.3%)
  - Positive impacts from price increase and exchange rate more than offsetting product cost increases
- Adj. EBITDA margin 8.1% (9.6%)
- Adj. operating margin 5.0% (6.3%)
  - Higher gross margins
  - Lower administrative expenses due to savings from restructuring programs in staff and office expenses, partly offset by inflationary increases
  - Currency impact was positive 40bps
- Net financing cost income of €11.9m previous year from sale of Russian rouble forward contracts
- Adj. net profit €-6.8m (€9.9m)

# Q1 sales and adjusted EBITDA analysis

## Sales vs. PY

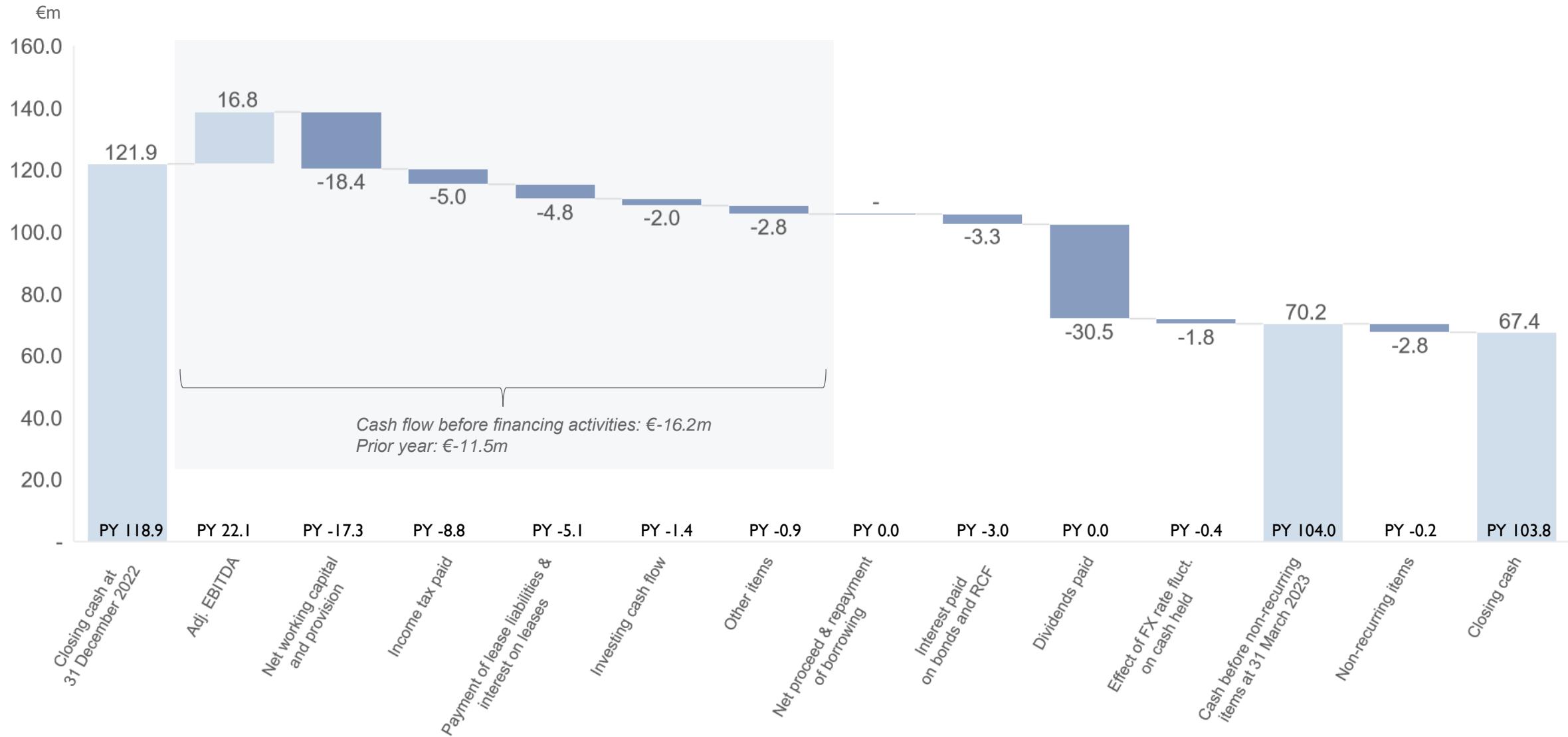


## Adj. EBITDA margin vs. PY



\* Administrative expenses excluding FX and depreciation & amortisation went up from deleveraging of lower sales impact. On an absolute value, the reduced by €2.0m, partly offset by inflationary increases

# Cash flow development – Quarter 1, 2023



€m	31 March 2023	Year end 2022
Notes *1	755.7	765.7
Revolving Facility	-	-
<b>Total secured debt</b>	<b>755.7</b>	<b>765.7</b>
 Cash and Cash Equivalents	 67.4* <sup>3</sup>	 121.9
 <b>Total Net Secured Debt</b>	 <b>688.3</b>	 <b>643.7</b>
Lease liabilities *1	39.2	46.6
 <b>Total Net Debt</b>	 <b>727.6</b>	 <b>690.3</b>
 <b>Total debt *1</b>	 <b>795.0</b>	 <b>812.3</b>

## Funding and financial position

### Refinancing

- Refinancing completed May 2021
- €250m at a rate of 4.25% + 3 month Euribor (*€200m notional swapped into fixed EUR with margin 0.14%*)
- \$550m at a rate of 5.125% (swapped € interest rate 3.53%)
- Maturity May 2026

### Liquidity / Financial ratios

- Cash on balance sheet: €67.4m\*<sup>3</sup>
- €100.0m Revolving Facility (maturity Oct 2025): no draw down as of 31 March 2023
- Net Secured Debt ratio: 6.8 \*<sup>1</sup>
- Net Secured Debt ratio at hedged value: 6.3 \*<sup>1</sup>
- Adj. EBITDA LTM: €101.2m \*<sup>2</sup>

\*1 see appendix "Debt" and "debt ratio"

\*2 see appendix "Adjusted EBITDA"

\*3 including cash held for sale of €1.2 million

# GOING FORWARD



# Going forward

## Short-term actions to regain sales momentum

- Stronger recruitment and activation initiatives
- Q2 re-launch of Novage+ skincare range
- Attention to more activity driven product segments
- Renewed focus on social gathering, meetings and conferences to boost sales
- Focus on increased usage of digital sales tools, such as eCatalogue

## Ongoing focus

- Pricing up in line with inflation
- Cost reduction program implementation
- Focus on Skin Care and Wellness to drive positive product mix
- Focus on online and digital tools
- Further penetration of existing markets and enter new markets

# Q&A

# Appendix

- Oriflame snapshot 2022
- Net financing cost Q1 2023
- Purchase Price allocation (PPA) and non-recurring items
- Adjusted EBITDA
- Debt & Debt ratio



# Oriflame snapshot 2022

An international social selling beauty company with strong Swedish attributes operating in 60+ countries\*

Approximately **2.1m** Members

**€0.9b** in sales

Adj. EBITDA **€106.5m** and **€76.3m** Adj. Operating Profit

**98%** of orders online. Around 1 million Oriflame App

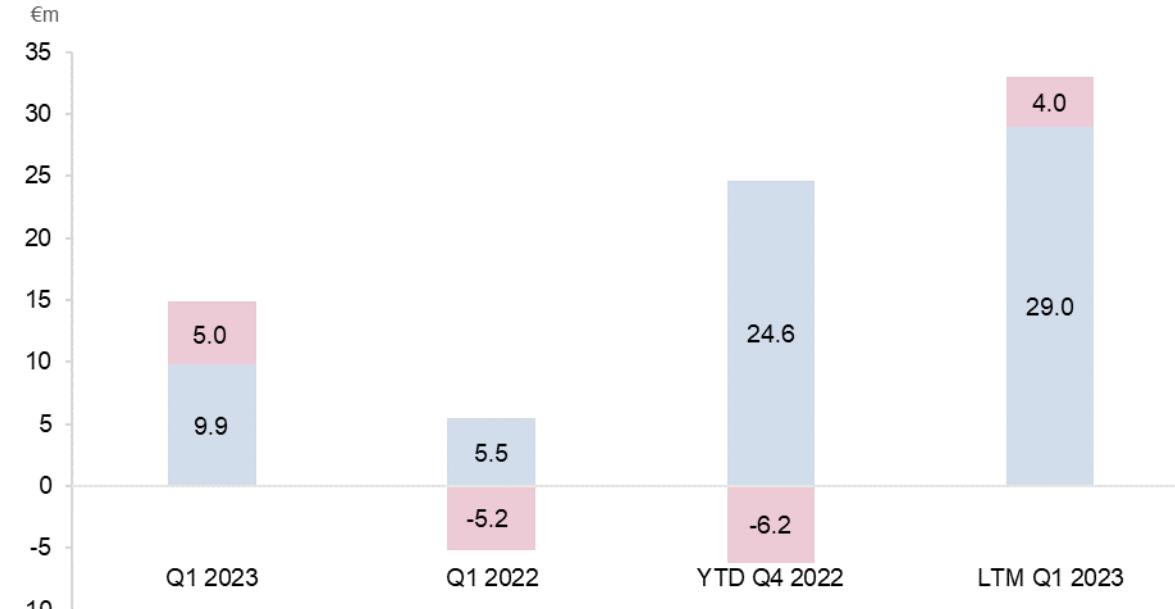
Around **1,400** beauty and wellness **products** (including approximately 200 accessories)

Founded in 1967. Manufacturing in China, India, Poland & Russia. Headquartered in UK & Switzerland



\* including markets operated by franchisees

■ Interest expenses ■ (Profit)/Loss on Exchange



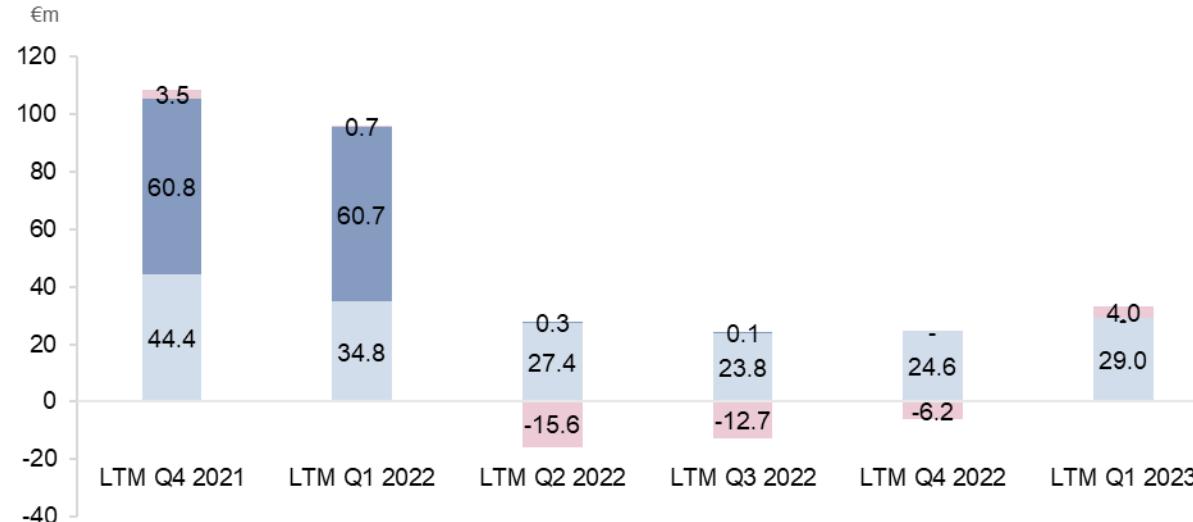
# Net financing cost Q1 2023

## Net financing costs Q1

Increase of net financing costs in Q1 2023 compared to Q1 2022 due to:

- Income recognised in Q1 2022 from the sale of RUB forward contracts amounting to €11.9m
- Positive revaluation impact of interest swap derivative instruments in place for bonds prior year

■ Interest expenses ■ non Recurring and PPA items ■ (Profit)/Loss on Exchange



## Non-recurring and PPA items

LTM Q2 2021 to Q1 2022 include non-recurring items from the refinancing in Q2 2021:

- €41.3m make-whole on early repayment of the old bonds
- €19.0m write-off of capitalized front fees on the repaid old bonds

# Purchase Price Allocation (PPA) and non-recurring items

Summary (€'000)	Impact on the Balance Sheet	Impact on the income statement										Comments	
		2019	2019 YTD	2020	2020 YTD	2021	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2022 YTD	2023 Q1	
Inventory	322.0	-308.5	-13.5	-	-	-	-	-	-	-	-	-	Consumed by Q1 2020
Customer list	14.1	-3.5	-5.3	-3.5	-	-	-	-	-	-	-	-	Depreciated over 2 years
Manufacturing know-how	37.5	-3.8	-5.6	-7.5	-1.9	-1.9	-1.9	-1.9	-1.9	-7.6	-1.9	-	Depreciated over 5 years
Brand	546.2	-	-	-	-	-	-	-	-	-	-	-	Indefinite life time with annual impairment test
Goodwill	279.2	-	-	-	-	-	-	-	-18.8	-18.8	-	-	Impairment recognised during Q4'22
Other	4.1	0.0	0.0	0.2	-	-	-	-	-	-	-	-	IFRS 16 leases
<b>Total PPA on EBIT</b>		<b>-315.8</b>	<b>-24.4</b>	<b>-10.8</b>	<b>-1.9</b>	<b>-1.9</b>	<b>-1.9</b>	<b>-20.6</b>	<b>-26.3</b>	<b>-1.9</b>			
Financial expenses		-0.8	-0.9	-0.6	-	-	-	-	-	-	-	-	IFRS 16 leases
<b>Total PPA on PBT</b>		<b>-316.6</b>	<b>-25.3</b>	<b>-11.4</b>	<b>-1.9</b>	<b>-1.9</b>	<b>-1.9</b>	<b>-20.6</b>	<b>-26.3</b>	<b>-1.9</b>			
Tax	-139.6	72.7	5.4	1.7	0.2	0.2	0.2	0.2	0.7	0.2	0.2	-	Tax impact on PPA
<b>Total PPA</b>	<b>1,063.4</b>	<b>-243.9</b>	<b>-19.9</b>	<b>-9.7</b>	<b>-1.7</b>	<b>-1.7</b>	<b>-1.7</b>	<b>-20.5</b>	<b>-25.5</b>	<b>-1.7</b>			
NRI (net of tax)		-62.1	-8.0	-61.1	-6.8	-62.1	-2.5	-0.4	-71.8	-1.2			Restructuring / Impact from war in Ukraine / 2021 Refinancing / Employee related costs
<b>Total PPA and NRI</b>		<b>-306.0</b>	<b>-27.9</b>	<b>-70.8</b>	<b>-8.5</b>	<b>-63.8</b>	<b>-4.2</b>	<b>-20.8</b>	<b>-97.3</b>	<b>-2.9</b>			

# Adjusted EBITDA

€ million	Q1'23	Q1'22	LTM Q1'23	YTD'22
Operating profit	7.0	8.6	-26.2	-24.6
Depreciation, amortisation and impairment	8.6	9.6	110.9	111.9
<b>EBITDA</b>	<b>15.6</b>	<b>18.2</b>	<b>84.6</b>	<b>87.3</b>
Purchase Price Allocation (PPA) items	1.9	1.9	26.3	26.3
Non-recurring items *	1.5	3.9	72.1	74.6
Amortization included in PPA	-1.9	-1.9	-7.5	-7.5
Impairment included in non-recurring items and PPA	-0.2	-	-74.3	-74.1
<b>Adjusted EBITDA</b>	<b>16.8</b>	<b>22.1</b>	<b>101.2</b>	<b>106.5</b>
 * Non-recurring items	 1.5	 3.9	 72.1	 74.6
Impairment of property, plant and equipment	-	-	55.3	55.3
Restructuring costs	1.5	2.4	14.8	15.8
Employee related costs	-	-	2.6	2.6
Impact from the war in Ukraine	-	1.5	-0.6	0.9

## Debt

€ million	31 March 2023	Year end 2022	€ million	31 March 2023	Year end 2022
<i>Senior Secured Notes - € 250.0 million</i>	250.0	250.0	Net Secured debt	688.3	643.7
<i>Senior Secured Notes - \$ 550.0 million</i>	505.7	515.7	Adjusted EBITDA LTM	101.2	106.5
Notes	755.7	765.7	<b>(a) Net Secured debt ratio</b>	<b>6.8</b>	<b>6.0</b>
RCF	-	-	Net Secured debt at hedged value	640.1	585.6
<b>Secured debt</b>	<b>755.7</b>	<b>765.7</b>	Adjusted EBITDA LTM	101.2	106.5
less cash and cash equivalents	-67.4	-121.9	<b>(b) Net Secured debt ratio at hedged value</b>	<b>6.3</b>	<b>5.5</b>
<b>(a) Net Secured Debt</b>	<b>688.3</b>	<b>643.7</b>			
Hedge on Secured Debt	-48.2	-58.1			
<b>(b) Net Secured Debt at hedged value</b>	<b>640.1</b>	<b>585.6</b>			
Secured debt	755.7	765.7			
<i>Lease liabilities short term</i>	12.9	13.1			
<i>Lease liabilities long term</i>	26.3	33.5			
Lease liabilities	39.2	46.6			
<b>Total debt</b>	<b>795.0</b>	<b>812.3</b>			
less cash and cash equivalents	-67.4	-121.9			
<b>Total Net debt</b>	<b>727.6</b>	<b>690.3</b>			

*More than 50 years in, Oriflame is the choice of more than two million people. Looking ahead, we are committed to continuing to build on this simple formula – empowering people and enabling positive change around the world.*

