

Sales in third quarter of 2024 up 11.6%, with EBITDA increasing 12.3%

Agrate Brianza, November 6, 2024 - The Board of Directors of Intercos S.p.A. (ICOS.MI), at today's meeting chaired by Dario Gianandrea Ferrari, approved the Interim Report for the period ended September 30, 2024.

- **Net Sales** in Q3 of **€275.2 million**, growth of +11.6% on the previous year (+12.0% at constant exchange rates). We highlight the Make-up business unit performance in the quarter, which returned to double-digit growth (+14.6%), alongside Asia which saw exceptional increases (+30%), significantly outperforming the western players. Sales in the first nine months of 2024 amounted to **€775.1 million**, growth of +5.4% on 9M 2023 (+6% at constant exchange rates). The strong order in-take continues, increasing over the last four months compared to the previous year.
- **Adjusted EBITDA** in Q3 of **€39.2 million**, up +12.3% (+€4.3 million) on the third quarter of 2023, with a margin on net sales of 14.3% slightly increasing on the previous year. EBITDA in the nine months of **€103.2 million**, increasing €0.9 million on the previous year (+0.9%), fully recovering the EBITDA contraction in the first quarter caused by the Cyber attack, which negatively impacted EBITDA for €9 million.
- **Net Financial Position** at September 30, 2024 of **€117.7 million**, decreasing **€5.8 million** on September 30, 2023. **Financial leverage** (net financial position on adjusted EBITDA over the twelve months) of **0.85x** (0.89x at September 30, 2023), maintaining excellent levels in spite of the negative impact from the Cyber attack in the first quarter and the dividends distributed in the first half of the year. The net financial position at September 30, 2024, excluding the IFRS 16 impact, was €74.4 million.

Renato Semerari, CEO of Intercos

“Despite the recent Beauty market performances which were weaker than forecast at the beginning of the year, third quarter revenues were in line with our expectations, reporting double-digit growth (+12% at constant exchange rates). We are particularly satisfied with the excellent Make-up business unit performance, which saw sustained growth of +14.6%, and the exceptional growth in Asia (+30%) and in the EMEA region (+15.3%). Looking to sales by customer type, we highlight the recovery of the multinationals (+10.4%) and another strong performance by the emerging brands (+17.6%).

The sustained Group revenue growth, although within a slightly contracting Beauty market in China and a substantially flat US market, highlights our Group's ability to continue to gain market share, thanks particularly to the drive provided by our innovation and the diversification built into our business model.

Third quarter Group EBITDA was Euro 39.2 million, representing a stronger percentage increase than sales (+12.3%), thanks to the slight increase in profitability. This however did not meet our expectations due to a customer mix which, although prestige, purchase “full-service” products (i.e. with packaging bought from Intercos) and therefore at lower profitability.

We expect that while this trend will allow us to continue to grow at a significantly stronger rate compared to the Beauty market, on the other hand it will again have an impact on marginality in the first period of the fourth quarter of the year. We therefore confirm the previously announced guidance for a fourth quarter again featuring sales growth of between +10% and +13%. This growth will position us strongly at the beginning of the new year to tap into the opportunities which shall present themselves once more favourable market conditions emerge”.

Sales by Business Unit, Commercial area, customer type

€/mln	9M24	9M23	Var.	% vs. 9M23	3Q24	3Q23	Var.	% vs. 3Q23
<u>Business Unit</u>								
Make-up	455.0	454.0	1.0	0.2%	171.6	149.8	21.8	14.6%
Skincare	125.2	109.6	15.6	14.2%	42.2	37.6	4.6	12.3%
Hair&Body	194.9	171.4	23.4	13.7%	61.3	59.3	2.0	3.4%
Total Net Sales	775.1	735.0	40.0	5.4%	275.2	246.7	28.5	11.6%
<u>Commercial Company</u>								
EMEA	404.3	380.5	23.8	6.2%	140.9	122.3	18.7	15.3%
Americas	215.5	234.0	(18.5)	(7.9%)	80.0	82.6	(2.7)	(3.2%)
Asia	155.4	120.5	34.8	28.9%	54.3	41.8	12.5	30.0%
Total Net Sales	775.1	735.0	40.0	5.4%	275.2	246.7	28.5	11.6%
<u>Customer Type</u>								
Multinationals	357.5	370.9	(13.3)	(3.6%)	128.2	116.1	12.1	10.4%
Emerging Brands	363.4	296.4	67.0	22.6%	126.3	107.4	18.9	17.6%
Retailers	54.1	67.7	(13.6)	(20.1%)	20.7	23.1	(2.5)	(10.7%)
Total Net Sales	775.1	735.0	40.0	5.4%	275.2	246.7	28.5	11.6%

Group Net sales in Q3 totalled **€275.2 million**, up **+11.6%**, or **+12%** at constant exchange rates. The excellent second quarter performance (+9.9%) and the further acceleration in the third allowed the Group to recover that lost in the first quarter as a result of the Cyber Attack, and to report significantly increased sales of **€775.1 million** for the first nine months of the year (+6% at constant exchange rates or +€40 million on 2023).

Analyzing revenues by **business unit**:

- The **Make-up** business unit reported sales in the third quarter of **€171.6 million**, growth of **+14.6%** and fully recovering the contraction in the first half of the year as a result of the Cyber Attack. The growth trend was evident across all geographical areas, with Asia sharply increasing. The multinationals expanded strongly, followed by the Emerging Brands. The first nine months saw sales in line with the same period of 2023.
- **Skincare** in the third quarter reported sales of **€42.2 million**, up **+12.3%**. The performance was driven by the strong Emerging Brands and Asian customer results. The business unit in the first nine months of the year therefore continued on its double-digit growth trajectory (+14.2% on 2023), benefiting also from the reduced impact from the Cyber attack in the first quarter.

- **Hair & Body** reported third quarter sales of **€61.3 million**, growth of **+3.4%** and a strong result in view of the significant growth in Q3 2023 (+36.7%).

In terms of sales by **commercial area**:

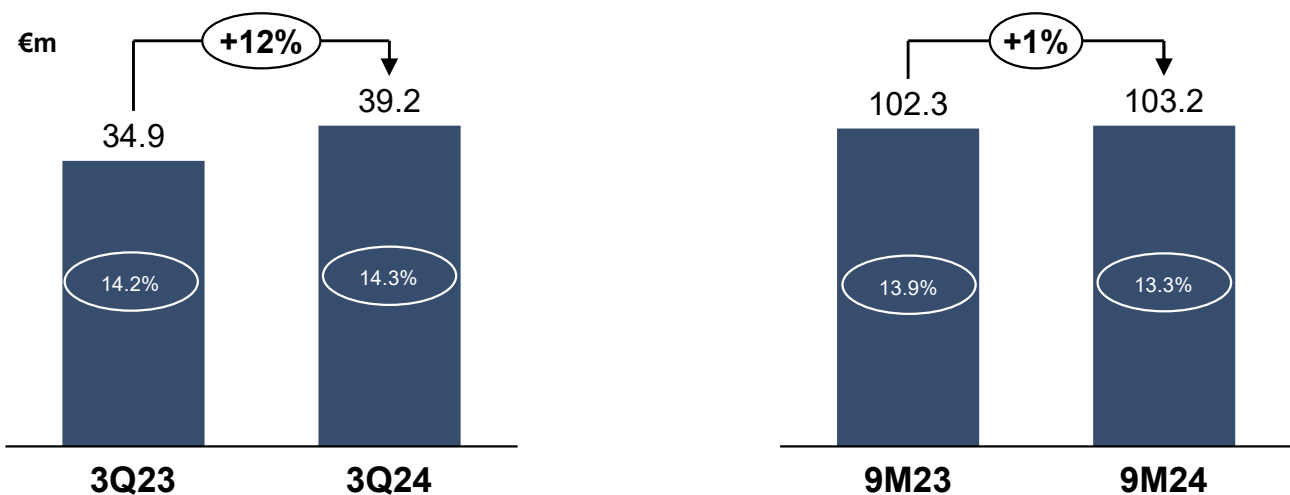
- **EMEA** in the third quarter grew **+15.3%**, with sales of **€140.9 million**. The Make-up and Hair & Body business units report excellent performances, both for the Multinational customers and the Emerging Brands. Sales in the first nine months grew +6.2%, despite the Cyber attack in the first quarter impacting Group operations.
- The **Americas** in the third quarter reported revenues of **€80 million**, slightly decreasing on the same period of the previous year (-3.2%), reflecting the still less vibrant American market in 2024. Looking to sales by customer type, the multinationals were most impacted by this result, particularly in the Skincare segment. Make-up however grew despite the sluggish general market performance. Sales of €215.5 million were therefore reported for the first nine months, contracting -7.9% on 2023.
- **Asia** continues to display the strongest growth rate. The region reported sales in the third quarter of **€54.3 million**, a further sharp rise (**+30%**), thanks to the significant growth in China and in South Korea. Looking to the sales by business unit, both Make-up and Skincare report excellent growth, thanks to the Emerging Brands and the Multinationals. Asia in the first nine months therefore reported sales of €155.4 million, up +28.9% on the first nine months of 2023.

Finally, with regards to sales by **customer type**:

- **Multinational** customers reported third quarter sales of **€128.2 million**, an increase of **+10.4%**, thanks particularly to the strong Make-up results across all regions and primarily Asia and EMEA. The results for the first nine months (-3.6%) were again impacted by the first half performance, which was significantly affected by the Cyber Attack.
- The **Emerging Brands** confirmed their strong growth trajectory, reporting sales of **€126.3 million** in the third quarter, up **+17.6%** on the previous year. The excellent performance was seen across all business units, and particularly in Asia and EMEA. Sales in the first nine months amounted to **€363.4 million (+22.6%)**.
- **Retailer** customers contracted in the third quarter (**-10.7%**), with sales of **€20.7 million** (or €54.1 million in the first nine months). As the Retailers share of business is significantly lower than the others (accounting for approximately 7% of Group sales), the performances over the short-term may therefore be subject to greater volatility. We particularly highlight, as we have done previously, the reduced business volumes with the “The Body Shop” customer.

EBITDA

Group **Adjusted EBITDA** in the third quarter of 2024 was **€39.2 million**, increasing **+12.3%** (or **+€4.3 million**), thanks to the strong sales and slightly increased profitability (+9Bps). The EBITDA margin on net sales in the quarter, although increasing, was impacted by the higher percentage of “full-service” products (i.e. with packaging purchased from Intercos), resulting therefore in a dilution of profitability in the second half of the quarter. Excluding in fact the packaging component, the profitability compared to the third quarter of the previous year saw a sharper increase. The EBITDA growth in the third quarter (+€4.3 million), together with that reported in the second (+€5.7 million), allowed for a full recovery of the significant decrease reported in the first three months of the year as a result of the Cyber attack. In the first nine months of 2024, Adjusted EBITDA was therefore **€103.2 million**, increasing +€0.9 million (or **+1%**).



Outlook & Guidance

In view of the recent market trends characterizing the second half of the year, together with the difficulties that the Group was forced to manage as a result of the Cyber attack, we are satisfied with the results for the first nine months of 2024.

In terms of the market in which we operate, the American Beauty market unfortunately has not yet demonstrated the hoped-for signs of recovery, continuing to see contracting volumes. We meanwhile note signs of recovery for the luxury segment and now expect the market to recover from 2025. Asia, and in particular China, doesn't show encouraging signs overall, although it continues to feature the significant strength of the local brands. EMEA is however the only market really growing, also at volume level, although growth rates were slightly lower in the second half of 2024.

Against this backdrop, our Group in the last quarter again reported double-digit growth, with strong performances in Europe, and excellent results in Asia, thanks also to the significantly increased market share of the local brands which trust our Group to raise the quality of their innovations.

Outlook & Guidance

As evident in the growth of our sales, which have significantly outperformed the general market, we can reasonably consider that our Group is gradually growing its market share. We expect this to be a key factor over the medium-term, when the hoped-for recoveries in the US and China markets shall materialize. Furthermore, market periods featuring more contained growth levels inevitably shape the “make or buy” decisions of the multinationals, which seek greater flexibility by opening up product portfolios to B2B sector players such as Intercos.

Looking to the short-term, for the remainder of the year we confirm the guidance provided on publishing the first half results, and therefore expectations for further sales growth in the fourth quarter within a range of between +10% and +13%. At the same time, the trend seen in recent months, characterized by growth of products sold to prestige brands in “full-service” (i.e. with packaging purchased from Intercos), will still impact marginality in the first period of the fourth quarter of the year.

In September-October 2024, the company’s order in-take (excluding contract manufacturing, i.e. the Hair & Body Business Unit) was again above last year, reaching €110 million (+10%). Over the same period of time, Make-up grew by +15% vs. 2023. Despite the recent market trend and the recent strong growth in sales, Order Book at the end of October 2024 amounted to €303 million, up by +4% vs. October 2023, mainly sustained by the Make-up business unit (+6%).

OTHER INFORMATION

DECLARATION OF THE EXECUTIVE OFFICER FOR FINANCIAL REPORTING

Mr. Vittorio Brenna, as Executive Officer for Financial Reporting, declares - in accordance with paragraph 2, Article 154-bis of Legislative Decree No. 58/1998 ("Consolidated Finance Act") - that the accounting information included in this press release corresponds to the underlying accounting records.

APPOINTMENT OF THE NEW GROUP CHIEF FINANCIAL OFFICER, SENIOR DIRECTOR (SD) AND EXECUTIVE OFFICER FOR FINANCIAL REPORTING

We recall that, following the resignation of Mr. Pietro Oriani, Group Chief Financial Officer of the Intercos Group, Executive Officer for Financial Reporting (Executive Officer) and Senior Director with strategic responsibilities of the company, from August 2, 2024, Mr. Vittorio Brenna, the Group Chief Operating Officer, has on an *ad interim* basis undertaken the role of Group Chief Financial Officer and Executive Officer, for the time necessary to find an adequate replacement to cover these roles.

The selection process has concluded with the identification of Mr. Stefano Zanelli as the new Group Chief Financial Officer in view of his high-level managerial profile and proven experience in the economic and financial sector, gained at a number of Italian and multinational companies.

Therefore, the Board of Directors of Intercos S.p.A. on November 6, 2024, having consulted the Appointments and Remuneration Committee, appointed Mr. Stefano Zanelli as the new Group Chief Financial Officer of the Intercos Group, with effect from November 8, 2024.

In view of this strategic role, the Board of Directors identified Mr. Stefano Zanelli as a Company "Senior Director with strategic responsibilities" and determined his remuneration package in line with the current remuneration policy, having received the opinion of the Appointments and Remuneration Committee and the Related Parties Committee to the extent of their competence.

The Company's Board of Directors today also, having received the favorable opinion of the Board of Statutory Auditors, in compliance with the legal requirements and the By-Laws, appointed Mr. Stefano Zanelli as the new Executive Officer for Financial Reporting, effective November 8, 2024 and until revoked, with responsibility for the declarations as per Article 154-*bis* of the CFA, including the declaration on sustainability reporting.

Mr. Vittorio Brenna retains the role of Chief Operating Officer of the Intercos Group.

Based on the available information, Mr. Stefano Zanelli does not hold Company shares.

RESULTS PRESENTATION CONFERENCE CALL

The first nine months 2024 results shall be presented to analysts and investors on November 6, 2024 at 6.30PM (CET). The conference may be followed by connecting to the following numbers: +39 02 8020911 (from Italy), +44 1 212818004 (from UK), +1 718 7058796 (from USA), (for journalists +39 02 8020927). The supporting presentation for the conference call shall be made available on the company website www.intercos-investor.com in the "Investor Relations" section at the following link: <https://www.intercos-investor.com/investors/documenti-finanziari/presentazioni/> and on the "1info" storage mechanism at www.1info.it. From the day subsequent to the call, a recording of the call shall be made available on the same website.

UPCOMING FINANCIAL CALENDAR EVENTS

The date of publication of the Annual Financial Report at December 31, 2024 will be announced on the publication of the next financial calendar.

IDENTIFICATION CODES

ISIN Code of the Shares: IT0005455875

Symbol: ICOS

INTERCOS GROUP

Intercos is one of the leading business-to-business operators internationally in the creation, production and marketing of cosmetics (Make-up) and Skincare products, in addition to hair and body care products (Hair&Body), for leading domestic and international brands, emerging brands and retailers serving the cosmetics market and the wider beauty sector. Founded in 1972 by Dario Ferrari, Intercos lists the top cosmetics brands among its customers, with a staff of 5,500, 11 research centers, 16 production facilities and 16 commercial offices across three continents. Intercos for 50 years has interpreted beauty, creating cosmetic products and becoming a trend setter which predicts, anticipates and influences new cosmetic trends, meeting the demands of a range of customers with products for all price ranges.

OTHER INFORMATION

NOTE AND DEFINITIONS

Alternative performance measures, not covered by IFRS, are used by management for a better assessment of the Group's operating and financial performance and are in line with the Group's performance policies and control parameters. These measures should not be considered to replace those set out in the IFRS.

The alternative performance measures not stemming directly from the financial statements are outlined below:

- EBITDA: this is defined as the sum of net profit for the period, plus income taxes, financial income and expense, and the effects of valuing equity investments held as financial investments using the equity method and amortization and depreciation.
- Adjusted EBITDA: this is obtained by deducting from EBITDA those components evaluated by the Company as non-recurring, i.e., particularly significant events that are not linked to the ordinary performance of the core businesses or that do not determine cash flows and/or changes in the amount of equity.
- Net debt (cash) or net financial position: the sum of current and non-current financial payables, net of current and non-current financial receivables, including cash and cash equivalents;

Other definitions:

- Order-in-take: means all orders legally placed and processed by a company during the accounting period or fiscal year under review.
- Order Book: open order book at a certain date

DISCLAIMER

The information presented in this document has not been audited. This document may contain forward-looking statements relating to future events and results of operations, financial position and cash flows of Intercos. These statements by nature contain an element of risk and uncertainty in that they depend on future events and developments. The actual results may even diverge significantly from those announced, due to a range of factors.

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