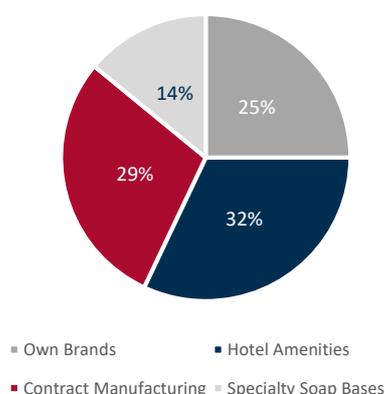


Figure 1: Key figures

Key figures	
Bloomberg Code	PAP:GA
Market Capitalization (in millions)	€ 41.07
Share Price (04/12/2019)	€1,65
52w High	€1,84
52w Low	€0,96
Stock Exchange	ATHEX

Source: Bloomberg

Figure 2: Business units


Source: Company reports

Figure 3: Share Price

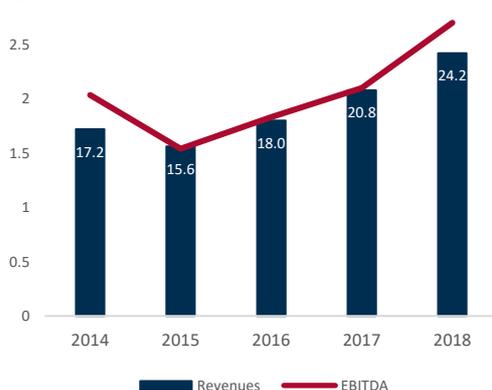

Source: Bloomberg

Company Overview

Papoutsanis is placed among the largest manufacturers of bar soap in Europe. The group produces soap and toiletries. More specifically, Papoutsanis sells its own brands through retailers and manufactures toiletries for hotels and other companies. Additionally, the company develops 100-150 own innovative formulas per year through its fully equipped laboratory.

- ✓ Papoutsanis develops and produces its own brands (25% of revenues). Among its own brands, the most famous are Karavaki, Olivia and Aromatics.
- ✓ The hotel amenities unit generates c32% of Papoutsanis revenues and among Papoutsanis clients can be found Hilton and Costa Navarino.
- ✓ Additionally, 29% of the revenue stems from contract manufacturing. Contract manufacturing stands for the manufacturing of products for famous global companies like Unilever and Sarantis.
- ✓ Finally, 14% of total revenues is derived from the specialty soap business. This business unit is posting the highest growth in the company (+c50% from 2017 to 2018) and the driver behind this pace is the fully integrated production plant playing at the cutting edge of the respective technology. Regarding its exporting profile, Papoutsanis is a highly extroverted company, with c40% of its sales coming from exports.

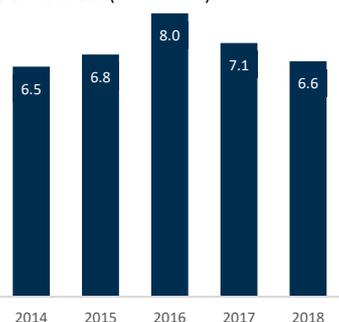
Key Financials

Figure 4: Revenues and EBITDA (in million €)


Source: Company reports

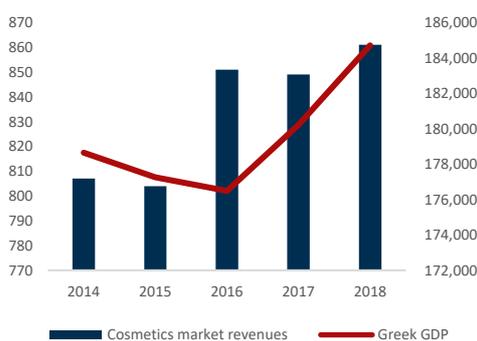
Papoutsanis: a comeback story. 2010 was a critical year for Papoutsanis. Its financial sheets were rather unhealthy with debt piling up and sales dropping down. However, the group was acquired by Mr. Gatzaros and Mr. Tassopoulos who also undertook the management of the company. Since then the company is posting great growth rates and maintains solid balance sheets. Revenues have increased with a c7% CAGR from 2014 (€17.2mn) to 2018 (€24.24mn). Similarly, net profit is following the same path of growth shifting from losses in 2014 (-€0.068mn) to positive bottom line in 2018 (+€1.1mn). Papoutsanis has managed to achieve this through organic growth but also through cost optimization. It is impressive that gross profit margin has risen from 23% in 2014 to 28% in 2018 thus creating room for profit generation.

Figure 5: Net Debt (in million €)



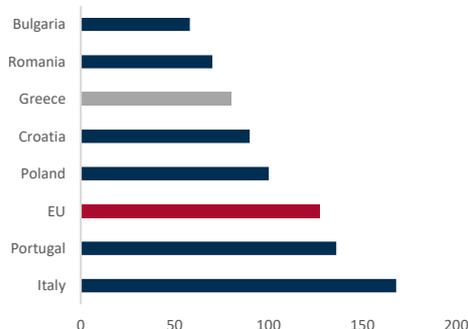
Source: Company reports

Figure 6: Greek Cosmetics market and GDP (in million €)



Source: PSVAK, ELSTAT

Figure 7: Expenditure on cosmetics by country (in million €)



Source: PSVAK

Figure 8: Own organic brands



Source: Company Reports

The group maintains a healthy balance sheet. The group is following a conservative policy regarding its debt accumulation. More specifically, its short-term debt amounts to c€3.1mn and its long-term debt to c€6.41mn. Net debt has remained stable from 2014 to 2018 at c€7mn. It is impressive that the group has kept its net debt stable and in the same time it has managed to grow by 40%. Net Debt/EBITDA was trending at low levels both in 2017 and 2018 (3.1x and 2.3x respectively).

Market Overview

Cosmetics market posting steady growth. According to studies the global cosmetics market is poised to grow with a CAGR of c2% between 2018-2023 and reach \$133bn while the Greek market is in the process of recovering since 2014, after suffering from continuous recession due to the Greek fiscal crisis, therefore leaving great room for growth. More specifically, the market contracted with an average annual rate of -2.5% between 2007 to 2013 and showed positive signs of recovery in 2016 and 2017 when it grew by 4.5% and 3.5% respectively. The drivers behind this recovery are multifold. Firstly, we expect Greek demand to surge based on the improvement of Greek macros and Greek economic climate. This local driver will be accompanied by global drivers such as the increased urbanization and the increase in the number of seniors worldwide.

Own brands capture the trend towards organic cosmetics. During the last decade there has been a notable surge in the sales of organic cosmetics. Namely, the global market of organic cosmetics is estimated to touch \$25.1bn by 2023 posting an impressive c10% CAGR from 2018 to 2023. This consumer shift is based on the inclination of consumers towards a healthier lifestyle thanks to the increased awareness of consumers for cosmetics to prevent the probability of infection. Organic cosmetics are further supported by the insurgence of social media since they pose a means of more efficient and targeted marketing. Regarding Papoutsanis, it is well placed to widen its market share through its famous organic brands like Karavaki, Natura and Olivia. This strategic placement on organic raw material greatly diversifies it from its competitors. Soap manufacturers from Asia have the advantage of exploiting vast areas, cultivating palm trees which provides them with palm oil which is their raw material. However, according to studies, palm oil cannot produce a soap close to the quality of olive oil and thus Papoutsanis offsets its lack of amount of land.

Hotel amenities is the cream of the crop. Papoutsanis provide high quality natural toiletry and beauty products to its numerous hotel clients and their customers in Greece and abroad. This business unit has been the pillar of growth since the new management came in control of the company in 2010 bringing in c32% of the group's revenues. Growth is based on the struck deals

Figure 9: Tourist arrivals and tourist expenses in Greece (in million visitors/€)

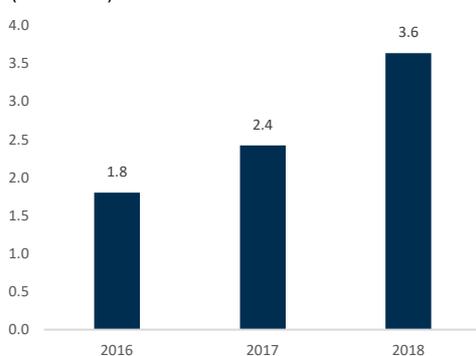


Source: SETE

of the group with famous international hotel chains like Hilton, Hyatt Regency, Chandris and Mitsis. Recently, the group made a new deal with SYSCO GuestSupply, one of the largest suppliers of hotel amenities in the world. Papoutsanis again is well placed in this market with Karavaki and Olivia being in high demand due to their organic nature accompanied by luxurious packaging and low production cost.

Well placed in contract manufacturing. As we explained before Papoutsanis has the ability through its state-of-the-art plant to produce the goods of other famous global players, among them Unilever, BIC and DIA. We believe that through these brands Papoutsanis is well placed enough to monetize on the increase in the cosmetics market.

Figure 10: Papoutsanis Noodle Soap revenues (in million €)



Source: Company reports

Soap Specialty: A rising star. Papoutsanis has recently entered the business of soap-noodle making. Soap noodles are the fatty acids derived either from vegetable oil or animal fats used as the main ingredient in the production of soap bars. It is produced from the saponification of neutral fats and oils, neutralization of fatty acid and saponification of methyl esters. Then, they are sold to other companies which make the final product. This market supported by the growth of organic products (olive oil is the company's expertise) is poised to provide the group with great revenue growth alongside high profitability margins. The opportunity becomes even more shiny when we take into account the recent bankruptcy of the German soap giant Kappus due to poor management. The figures of the noodle soap at figure 8 for 2016 and 2017 are estimated from the information given by the company's reports.

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