Press release

IMCD reports 9% EBITA growth in 2017

Rotterdam, The Netherlands (2 March 2018) - IMCD N.V. ("IMCD" or "Company"), a leading distributor of speciality chemicals and food ingredients, today announces its full year 2017 results.

Highlights

- Revenue growth of 11% to EUR 1,907.4 million (+12% on a constant currency basis)
- Gross profit growth of 12% to EUR 428.7 million (+13% on a constant currency basis)
- Operating EBITA increased by 9% to EUR 161.7 million (+11% on a constant currency basis)
- Net result before amortisation and non-recurring items of EUR 110.1 million (2016: EUR 102.6 million)
- Cash earnings per share increased by 3% to EUR 2.06 (2016: EUR 2.01)
- Dividend proposal of EUR 0.62 in cash per share (2016: EUR 0.55)

Piet van der Slikke, CEO: *"IMCD has delivered another year of significant growth which is the result of our focus on operational excellence, acquisitions and a favourable economy. Free cash flow increased by 15% to EUR 161.3 million. The acquisition of L.V. Lomas in Canada and the US is an important step in realising our strategy in this region. With Lomas we entered the Canadian market and we expanded our footprint in the US, both geographically and in important life science market segments, in particular food. In 2018 we will continue to invest in our formulation expertise and in our ICT and digital infrastructure and we will remain focused on creating an exciting company for our staff, business partners and shareholders resulting in further growth."*

Key figures

EUR million	2017	2016	Change	Change	Fx adj. change
Revenue	1,907.4	1,714.5	192.9	11%	12%
Gross profit	428.7	381.6	47.1	12%	13%
Gross profit in % of revenue	22.5%	22.3%	0.2%		
Operating EBITA[1]	161.7	147.8	13.9	9%	11%
Operating EBITA in % of revenue	8.5%	8.6%	(0.1%)		
Conversion margin[2]	37.7%	38.7%	(1.0%)		
Net result before amortisation / non-recurring items	110.1	102.6	7.5	7%	8%
Free cash flow[3]	161.3	140.4	20.9	15%	
Cash conversion margin[4]	97.2%	92.3%	4.9%		
Net debt / Operating EBITDA ratio[5]	2.8	2.6	0.2		
Earnings per share (weighted)	1.47	1.39	0.08	6%	7%
Cash earnings per share (weighted)[6]	2.06	2.01	0.05	3%	4%
Proposed dividend per share	0.62	0.55	0.07	13%	
Number of full time employees end of period	2,265	1,863	402	22%	

[1] Result from operating activities before amortisation of intangibles and non-recurring items
[2] Operating EBITA in percentage of Gross profit
[3] Operating EBITDA excluding non-cash share based payment expenses, plus/less changes in working capital, less capital expenditures
[4] Free cash flow in percentage of Operating EBITDA
[5] Including full year impact of acquisitions
[6] Result for the year before amortisation (net of tax)

IMCD

Value through expertise

Revenue

Revenue increased from EUR 1,714.5 million to EUR 1,907.4 million, an increase of 11% compared to 2016. This increase was the balance of organic growth (4%), the first-time inclusion of acquisitions (8%) and a negative contribution of foreign exchange differences (-1%).

Organic revenue growth of 4% was the result of strong performance in EMEA and a flattish development in the other regions where IMCD is active. The overall organic revenue growth is the balance of macroeconomic circumstances, a further strengthening of the product portfolio by adding new supplier relations, expanding relations with existing suppliers and an increase of customer penetration by adding new products and selling more products to existing and new customers.

Acquisitions completed in 2016 and 2017 had a positive impact on revenue of 8%.

Gross profit

Gross profit, defined as revenue less cost of materials and inbound logistics, increased from EUR 381.6 million in 2016 to EUR 428.7 million in 2017, an increase of 12%. This increase was the balance of organic growth (6%), the first time inclusion of acquisitions (7%) and a negative contribution of foreign exchange differences (-1%).

Gross profit in % of revenue increased from 22.3% in 2016 to 22.5% in 2017. The gross profit in % of revenue improved in EMEA and Asia-Pacific and slightly decreased in the Americas, mainly as a result of acquisitions made. Gross profit margins showed the usual level of differences in margins per region, margins per product and margins per product market combination. Differences in the regions are caused by local market circumstances, product mix, product availability, currency fluctuations and the impact of newly acquired businesses.

Operating EBITA

Operating EBITA increased by 9% to EUR 161.7 million compared to EUR 147.8 million in 2016 (+11% on a constant currency basis).The growth in operating EBITA of EUR 13.9 million was a combination of organic growth, the first-time inclusion of acquisitions and a negative impact of exchange differences (-2%).

The operating EBITA in % of revenue slightly decreased from 8.6% in 2016 to 8.5% in 2017. In EMEA the EBITA margin further improved from 9.6% in 2016 to 9.9% in 2017. In Asia-Pacific the EBITA margin was stable at 8.9%, despite start-up costs related to new activities. In the Americas there was a decrease in EBITA margin from 9.2% in 2016 to 7.9% in 2017. This decrease was mainly due to the impact of the acquisition of L.V. Lomas in 2017.

The conversion margin, defined as operating EBITA as a percentage of gross profit slightly decreased from 38.7% in 2016 to 37.7% in 2017. The impact of first time inclusion of acquired companies was the main driver of this decrease.

Cash flow and capital expenditure

Free cash flow increased by 15% from EUR 140.4 million in 2016 to EUR 161.3 million in 2017. The cash conversion margin, defined as free cash flow as a percentage of operating EBITDA, improved by 4.9% to 97.2% in 2017, driven by further growth of operating EBITDA combined with lower investment in operational working capital. The investment in operational working capital in 2017, excluding additional working capital as a result of acquisitions made, amounts to EUR 4.1 million. The increase in operational working capital levels includes the impact of currency depreciations of EUR 14.1 million.

IMCD's asset light business model resulted in relatively low capital expenditure compared to the size of the overall operations and amounted to EUR 3.1 million in 2017 compared to EUR 5.2 million in 2016. Capital expenditure was mainly related to investments in the ICT infrastructure, office furniture and technical, warehouse and office equipment.

Working capital

Working capital is defined as inventories, trade and other receivables less trade payables and other payables. At the end of 2017 the absolute amount of working capital was EUR 314.3 million compared to EUR 248.4 million at year-end 2016. The increase of EUR 65.9 million is the result of increased business activity leading to higher working capital levels (EUR 17.2 million), impact of exchange rate differences on year-end balance sheet positions (EUR -14.1 million) and acquisitions (EUR 62.8 million). Monitoring working capital positions is a permanent area of management attention and there are various processes and tools in place to optimise working capital.

Net debt and equity

IMCD aims to maintain a capital structure that offers flexibility and enables IMCD to cover its potential financial requirements and to execute its growth and acquisition strategy. A central team at the head office in Rotterdam largely manages liquidity and interest risks. Net debt amounted to EUR 490.0 million at year-end 2017, compared to EUR 397.6 million at year-end 2016. The increase in net debt is predominantly the balance of positive and healthy cash flows from operating activities offset by cash outflows as a result of acquisition related payments of EUR 169 million and a dividend payment of EUR 29 million.

IMCD’s EUR 500 million syndicated banking facilities consist of a fully drawn term facility of EUR 200 million and a revolving facility of EUR 300 million. As at the end of 2017, EUR 178 million of this revolving credit facility was drawn. On top of the revolving credit facility the loan documentation caters for some additional facilities to make use of local financing possibilities.

Following an amendment of the syndicated banking facilities, a debt capital market issuance (“Schuldscheindarlehen”) of EUR 100 million and USD 90 million with a tenor of 5 and 7 years was closed in 2016. This Schuldscheindarlehen is fully drawn. Furthermore, net debt includes approximately EUR 3 million deferred contingent considerations related to acquisitions made (2016: EUR 61 million).

The loan documentation related to the external interest-bearing loans includes maximum leverage and interest cover conditions. The reported leverage ratio (net debt/operating EBITDA ratio including full year impact of acquisitions) at the end of December was 2.8 times EBITDA (31 December 2016: 2.6). The actual leverage at the end of 2017, calculated on the basis of the definitions used in the IMCD loan documentation, was 2.7 times EBITDA (2.3 times EBITDA end of 2016), which is well below the required maximum of 3.5 times EBITDA. The interest cover condition requires an EBITDA to net interest ratio of at least 4.0 times and will increase to 4.25 for December 2018 and onwards (for the Schuldscheindarlehen the interest cover is fixed at 4.0 times). The interest cover, calculated based on the definitions used in the loan documentation, is 16.3 times EBITDA (31 December 2016: 13.9) which is well above the required minimum of 4.0 times EBITDA.

The equity attributable to holders of ordinary shares increased by EUR 7.1 million to EUR 729.2 million (31 December 2016: EUR 722.1 million). This increase includes the addition of the net profit for the year of

EUR 77 million, other comprehensive income of negative EUR 42 million and a dividend payment in cash of EUR 29 million. The increase of equity resulted in a solid equity-to-asset ratio at year-end whereby net equity covers 44.1% of the balance sheet total (31 December 2016: 48.7%).

Result for the year

Result for the year increased by 6% to EUR 77.3 million (2016: EUR 73.0 million). Weighted earnings per share increased from EUR 1.39 in 2016 to EUR 1.47 in 2017 (+6%).

Net result before amortisation and non-recurring items increased from EUR 102.6 million in 2016 to EUR 110.1 million in 2017 (+7%). The main drivers of this increase were the increase of operating EBITA partly offset by higher financing and tax costs.

Weighted cash earnings per share, calculated as earnings per share before amortisation of intangible assets (net of tax) increased from EUR 2.01 in 2016 to EUR 2.06 in 2017 (+3%).

Dividend proposal

For 2017, a dividend of EUR 0.62 per share in cash will be proposed to the Annual General Meeting, which would mean an increase of 13% compared to 2016 (2016: EUR 0.55). Approval at the Annual General Meeting would result in IMCD paying EUR 33 million or 30% (2016: 27%) of the net result 2017 adjusted for non-cash amortisation charges (net of tax).

Developments by operating segment

IMCD distinguishes the following operating segments:

- EMEA: all operating companies in Europe, Turkey and Africa
- Asia-Pacific: all operating companies in Australia, New Zealand, India, China, Malaysia, Indonesia, Philippines, Thailand, Singapore, Vietnam and Japan
- Americas: all operating companies in the United States of America, Canada, Brazil, Puerto Rico, Chile and Argentina
- Holding companies: all non-operating companies, including the head office in Rotterdam and the regional offices in Singapore and New Jersey, US

The developments in 2017 by operating segments are as follows.

EMEA

EUR million	2017	2016	Change	Change	Fx adj. change
Revenue	1,141.7	1,053.6	88.2	8%	9%
Gross profit	274.2	248.8	25.3	10%	11%
Gross profit in % of revenue	24.0%	23.6%	0.4%	0.4%	
Operating EBITA	112.6	100.8	11.8	12%	13%
Operating EBITA in % of revenue	9.9%	9.6%	0.3%	0.3%	
Conversion margin	41.1%	40.5%		0.6%	

The operations in EMEA showed another year with a strong performance. The combination of more positive macroeconomic market circumstances and a strong IMCD EMEA organisation resulted in 8% revenue growth, of which 7% organic growth, 2% growth through acquisitions and a negative impact of exchange rate differences of 1%.

The acquisition impact was the (full year) result of three acquisitions done in this segment in 2016 and 2017. In September 2016 IMCD acquired the business and certain assets of Chemicals and Solvents (EA) Ltd. (C&S) in Kenya. In full year 2016 C&S generated about EUR 5 million revenue with 26 employees. In December 2016 IMCD acquired Feza Kimya in Istanbul, Turkey, a leading distributor selling into the coatings, plastics, rubber, lubricants and detergent sectors. In 2017 Feza Kimya has been successfully integrated into the existing IMCD Turkey organisation. In 2016, Feza generated revenue of EUR 8 million with 23 employees.

End of June 2017 IMCD acquired Neuvendis based in Milan, Italy. Neuvendis is focussed on selling speciality chemicals to the construction, coatings & paints, adhesives, plastics, inks and leather sectors. In 2016, Neuvendis generated revenue of EUR 26 million with 20 employees.

Gross profit increased from EUR 248.8 million in 2016 to EUR 274.2 million in 2017, an increase of 10%. This increase was the balance of organic growth (8%), first time inclusion of acquisitions (3%) and a negative contribution of foreign exchange differences (-1%). IMCD was able to add interesting new supplier relations and to further expand its relationships with existing suppliers in new territories and with additional business lines. Organic growth further included the usual changes in the product and customer mix.

Gross profit margin improved from 23.6% in 2016 to 24.0% in 2017, primarily as a result of changes in the product mix.

Operating EBITA increased by 12% to EUR 112.6 million compared to EUR 100.8 million in 2016 (+13% on a constant currency basis). It is fair to state that most of this growth was organic. Operating EBITA in % of revenue rose from 9.6 % in 2016 to 9.9% in 2017.

The conversion margin further improved from 40.5% in 2016 to 41.1% in 2017. Gross profit margin improvement, combined with strict cost control were the main drivers of this increase.

Asia-Pacific

EUR million	2017	2016	Change	Change	Fx adj. change
Revenue	314.9	316.9	(2.0)	(1%)	0%
Gross profit	65.2	63.9	1.3	2%	4%
Gross profit in % of revenue	20.7%	20.1%	0.6%	0.6%	
Operating EBITA	28.1	28.3	(0.2)	(1%)	1%
Operating EBITA in % of revenue	8.9%	8.9%	0.0%	0.0%	
Conversion margin	43.2%	44.4%		(1.2%)	

In Asia-Pacific, market circumstances were characterised by substantial differences between the countries. Australia and New Zealand, representing more than 50% of IMCD's revenue in this region, reported modest GDP growth compared to countries like India and China. However, IMCD's well established business in Australia/New Zealand had another good year, producing solid results and healthy cash flows. IMCD's activities in India and China, although small compared to the size of the markets, are developing well and growing nicely. South East Asia faced a more stagnating economic environment and some headwind compared to 2016. In 2017 IMCD further invested in the start-up activities in Japan, Thailand and Vietnam to build and strengthen its presence in Asia-Pacific.

Revenue in this region was more or less flat in 2017 compared to 2016. Gross profit increased by 4% forex adjusted whereby the gross profit margin increased from 20.1% in 2016 to 20.7% in 2017. This increase was primarily due to a strong focus on margin improvement, changes in the product portfolio and adding new supplier relationships.

Investments related to the start-up activities combined with further investments in the quality of IMCD's sales force affected operating EBITA. In 2017 Asia-Pacific reported operating EBITA of EUR 28.1 million, EUR 0.2 million lower than the 2016 outcome. Forex adjusted EBITA 2017 showed an increase of 1% compared to 2016.

Operating EBITA in % of revenue remained stable at 8.9% in 2017. The conversion margin decreased from 44.4% in 2016 to 43.2% in 2017. The conversion margin decrease was mainly the result of additional own costs to further strengthen the existing organisations and start-up costs of new operations in the region.

Americas

EUR million	2017	2016	Change	Change	Fx adj. change
Revenue	450.7	344.0	106.7	31%	31%
Gross profit	89.4	68.9	20.4	30%	29%
Gross profit in % of revenue	19.8%	20.0%	(0.2%)		
Operating EBITA	35.5	31.6	3.9	12%	13%
Operating EBITA in % of revenue	7.9%	9.2%	(1.3%)		
Conversion margin	39.7%	45.8%			

Revenue in Americas grew by 31% which was a combination of organic growth (-1%) and the first time inclusion of acquired companies (+32%). Despite a substantial weakening of exchange rates in this region in the second half of 2017, the average exchange rate during this year was close to the 2016 average.

It is IMCD's strategy to build a strong North American business. In line with this ambition IMCD acquired two companies in this region in 2017.

In July IMCD acquired the speciality chemicals distribution business of Bossco Industries Inc., located in Houston, Texas. This acquisition, supplying products and technical solutions to all major industrial market segments in the southwestern region of the United States, further strengthened IMCD US and the ability to offer national coverage to its principal partners. Bossco generated revenue of USD 11 million in 2016.

In August IMCD acquired L.V. Lomas with activities at six locations in Canada and the US, including offices in Toronto (Head Office), Montreal and Vancouver, L.V. Lomas is one of North Americas leading distributors of speciality chemicals and food ingredients and is distinguished by its experienced and qualified professionals that provide its customers with advanced technical support and market intelligence. This acquisition is an excellent fit with the IMCD business model and immediately provides IMCD with a significant presence in Canada and a further enhanced position in the US. In 2016, the acquired business of L.V. Lomas generated revenue of C$ 383 million and realised a normalised EBITDA of C$ 18 million with approximately 280 employees.

In 2017 IMCD started to integrate its activities in the North American market and to further invest in technical centres of excellence for key market segments. As a part of this, IMCD invested in laboratory facilities for coatings and personal care and will further expand its already excellent food lab in Toronto. IMCD works hard and diligently to establish an organisation of the highest quality that can serve its principals and customers throughout the North American market.

After a slow start, industrial output in the North American markets rebounded in the course of 2017 across a diverse set of chemical consuming industries. Hurricane Harvey caused widespread, though temporary, disruptions to the heart of the American chemical industry in the third quarter. As a result, the overall growth of the chemical market was modest in 2017.

Due to the continuing weak economic environment, in the first half of 2017 the Brazilian market seemed to have stabilised on the relatively low activity level that IMCD experienced during 2016. Especially, IMCD's industrial activities in Brazil had a difficult time. The pharmaceutical activities of IMCD Brasil were less affected and performed in line with expectations. In the second half of 2017 the Brazilian economy was gaining some momentum despite political uncertainty.

Gross profit of operating segment Americas increased from EUR 68.9 million in 2016 to EUR 89.4 million in 2017, an increase of 30%, mainly the result of acquisitions completed in 2016 and 2017. Gross profit margin decreased from 20.0% in 2016 to 19.8% in 2017. This decrease was the balance of the first time inclusion of acquired companies with on average lower gross margin %, partly offset by margin improvement and changes in the product mix.

Operating EBITA increased by 13%, forex adjusted, to EUR 35.5 million compared to EUR 31.6 million in 2016. It is fair to assume that most of the growth is the result of the (full year) impact of acquisitions made in 2016 and 2017. The operating EBITA margin decreased to 7.9% (9.2% in 2016). The conversion margin decreased from 45.8% in 2016 to 39.7% in 2017 mainly due to the first time inclusion of L.V. Lomas.

Holding companies

EUR million	2017	2016	Change	Change	Fx adj. change
Operating EBITA	(14.5)	(13.0)	(1.6)	(12%)	(13%)

Operating EBITA of Holding Companies represents costs related to the central head office in Rotterdam and the regional head offices in Singapore and New Jersey, US.

Operating costs increased by EUR 1.6 million to EUR 14.5 million in 2017. This increase reflects the growth of IMCD and as a consequence the need to strengthen the support functions in both Rotterdam and the regional head offices. Furthermore, in 2016 an amendment of the Dutch employee benefit plan resulted in a one-off cost saving of EUR 1.0 million.

Outlook

IMCD operates in different, often fragmented market segments in multiple geographic regions, connecting many customers and suppliers across a very diverse product range. In general, results are impacted by macroeconomic conditions and developments in specific industries.

Furthermore, results can be influenced from period to period by, amongst other things, the ability to maintain and expand commercial relationships, the ability to introduce new products and start new customer and supplier relationships and the timing, scope and impact of acquisitions. IMCD's consistent strategy and resilient business model has led to successful expansion over the years and IMCD remains focused on achieving earnings growth by optimising its services and further strengthening its market positions.

IMCD sees interesting opportunities to increase its global footprint and expand its product portfolio both organically and by acquisitions.

Financial calendar

2 March 2018	Full year 2017 results
9 May 2018	First quarter 2018 trading update
	Annual General Meeting
	Dividend announcement
11 May 2018	Ex-dividend date
14 May 2018	Record date
15 May 2018	Payment date
17 August 2018	First half year 2018 results
7 November 2018	Third quarter 2018 trading update
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Further information

Today's analysts call will start at 10 am CET. A recording of this call will be made available on the IMCD website (www.imcdgroup.com). The Annual Report 2017 and the convocation and other documentation for IMCD's Annual General Meeting on 9 May 2018 will be published and made available on IMCD's website as well.

About IMCD

IMCD is a market-leader in the sales, marketing and distribution of speciality chemicals and food ingredients. Its result-driven professionals provide market-focused solutions to suppliers and customers across EMEA, Asia-Pacific and Americas, offering a range of comprehensive product portfolios, including innovative formulations that embrace industry trends.

Listed at Euronext, Amsterdam (IMCD), IMCD realised revenues of EUR 1,907.4 million in 2017 with more than 2,200 employees in over 45 countries on 6 continents. IMCD's dedicated team of technical and commercial experts work in close partnership to tailor best in class solutions and provide value through expertise for around 37,000 customers and a diverse range of world class suppliers.

For further information, please visit www.imcdgroup.com

Disclaimer forward looking statements

This press release may contain forward looking statements. These statements are based on current expectations, estimates and projections of IMCD's management and information currently available to the company. IMCD cautions that such statements contain elements of risk and uncertainties that are difficult to predict and that could cause actual performance and position to differ materially from these statements. IMCD disclaims any obligation to update or revise any statements made in this press release to reflect subsequent events or circumstances, except as required by law.

In the annual report of IMCD N.V, the relevant risk categories and risk factors that could adversely affect the company's business and financial performance have been described. They are deemed to be incorporated in this release.

This press release contains inside information as meant in clause 7 of the Market Abuse Regulation.