

Press release

IMCD reports 13% EBITA growth in 2020

Rotterdam, The Netherlands (26 February 2021) - IMCD N.V. ("IMCD" or "Company"), a leading distributor of speciality chemicals and ingredients, today announces its full year 2020 results

HIGHLIGHTS

- Revenue growth of 3% to EUR 2,774.9 million (+6% on constant currency basis)
- Gross profit growth of 8% to EUR 647.5 million (+11% on a constant currency basis)
- Operating EBITA increase of 13% to EUR 253.5 million (+16% on a constant currency basis)
- Net result before amortisation and non-recurring items increase of 14% to EUR 178.1 million (+19% on a constant currency basis)
- Cash earnings per share increased by 13% to EUR 3.22 (2019: EUR 2.85)
- Dividend proposal of EUR 1.02 in cash per share (2019: EUR 0.90)

Piet van der Slikke, CEO: "Throughout 2020 we reported strong results and I am happy to confirm that we finished the year very well: compared with 2019, our operating EBITA grew by 13% (16% on a constant currency basis) and free cash flow increased by 27% to EUR 282m. Cash earnings per share were up with 13%. Much has been said about the impact of COVID-19 during 2020 and I can only repeat my gratitude to our dedicated staff who kept IMCD open for business during these trying times. We are in our 25th year of value creation for our suppliers and customers and we owe a big thank you to them as well, for their trust and partnership during all these years. 2020 was also a year in which we accelerated our digital transformation and we successfully expanded our presence in several parts of the world. This is testimony to our continuing ambition to be the global leading distributor in specialities and ingredients. Despite the uncertain times we live in, we are very positive about IMCD's opportunities for further growth in the current year."

KEY FIGURES

EUR MILLION	2020	2019	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	2,774.9	2,689.6	85.3	3%	6%
Gross profit	647.5	599.3	48.2	8%	11%
Gross profit in % of revenue	23.3%	22.3%	1.0%		
Operating EBITA ¹	253.5	224.8	28.7	13%	16%
Operating EBITA in % of revenue	9.1%	8.4%	0.7%		
Conversion margin ²	39.2%	37.5%	1.7%		
Net result before amortisation / non-recurring items	178.1	156.2	21.9	14%	19%
Free cash flow ³	282.0	222.2	59.8	27%	
Cash conversion margin ⁴	109.3%	97.4%	11.9%		
Net debt / Operating EBITDA ratio ⁵	2.3	2.8	(0.5)		
Earnings per share (weighted)	2.25	2.06	0.19	9%	13%
Cash earnings per share (weighted) ⁶	3.22	2.85	0.37	13%	16%
Proposed dividend per share	1.02	0.90	0.12	13%	
Number of full time employees end of period	3,298	2,991	307	10%	

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, less lease payments, plus/less changes in working capital, less capital expenditures

⁴ Free cash flow in percentage of adjusted operating EBITDA (Operating EBITDA plus non-cash share-based payment costs minus lease payments)

⁵ Including full year impact of acquisitions

⁶ Result for the year before amortisation (net of tax) divided by the weighted average number of outstanding shares



Revenue

Although the severity differs between the various regions in the world, the COVID-19 pandemic has dramatically affected global economic activity since early 2020. Nevertheless, IMCD was able to remain open for business during these unprecedented times. The adoption of remote working has allowed IMCD to continue providing its services to customers and suppliers. Facilitated by digital communications and technologies to stay in contact with its business partners, IMCD has been able to continue its operations efficiently while securing an undisrupted supply chain and timely delivery of its products.

Compared with 2019, revenue increased by 3% to EUR 2,774.9 million in 2020. The revenue growth is the balance of the first-time inclusion of acquisitions (+6%) and a negative impact of foreign currency exchange differences (-3%).

The overall organic revenue development was shaped by the balance of local macroeconomic circumstances, further strengthening of the product portfolio by adding new suppliers, expanding relationships with existing suppliers and increasing customer penetration by adding new products and selling more products to existing and new customers.

Gross profit

Gross profit, defined as revenue less cost of materials and inbound logistics, increased by 8% from EUR 599.3 million in 2019 to EUR 647.5 million in 2020. The increase in gross profit was the balance of organic growth (5%), the first-time inclusion of acquisitions (6%) and the negative impact of foreign currency exchange rate developments (-3%).

Gross profit in % of revenue increased by 1.0%-point from 22.3% in 2019 to 23.3% in 2020. All regions contributed to the improved gross profit margin in 2020. Gross profit margins showed the usual level of differences in margins per region, margins per product and margins per product market combination. Differences between and within the regions are caused by local market circumstances, product mix variances, product availability, foreign currency fluctuations and the impact of newly acquired businesses.

Operating EBITA

Operating EBITA increased by EUR 28.7 million (13%) from EUR 224.8 million in 2019 to EUR 253.5 million in 2020. On a constant currency basis, the increase was by 16%. The growth in operating EBITA of 13% was a combination of organic growth, the first-time inclusion of acquisitions completed in 2019 and 2020 and the negative impact of foreign currency exchange differences (-3%).

Operating EBITA in % of revenue increased by 0.7%-point from 8.4% in the 2019 to 9.1% in 2020.

The conversion margin, defined as operating EBITA in percentage of gross profit, increased from 37.5% in 2019 to 39.2% in 2020. The increase in conversion margin was, amongst other things, the result of improved gross margins in combination with a lower level of operational expenses, which is primarily due to the COVID-19 restrictions and driven by cost optimisation efforts.

Cash flow and capital expenditure

Free cash flow increased by EUR 59.8 million from EUR 222.2 million in 2019 to EUR 282.0 million in 2020.

The cash conversion margin is defined as free cash flow as a percentage of adjusted operating EBITDA (operating EBITDA adjusted for non-cash share-based payments and lease premiums). The cash conversion margin increased by 11.9%-point from 97.4% in 2019 to 109.3% in 2020.

The increase in cash conversion margin in 2020 is mainly the result of higher operating EBITDA in combination with less working capital investments compared with 2019. The divestment in operational working capital in 2020, which excludes additional working capital as a result of acquisitions completed in 2020, amounts to EUR 30.6 million, compared with an investment of EUR 0.5 million in 2019. The relatively low level of operational net working capital in 2020 is the result of stringent net working capital management, the positive impact of currency exchange results and other external factors including the impact of COVID-19.

IMCD's asset-light business model resulted in relatively low capital expenditure considering the size of the overall operations and amounted to EUR 6.6 million in 2020, compared with EUR 5.4 million in 2019. Capital expenditure mainly relates to investments in the ICT infrastructure, office furniture and technical, warehouse and office equipment.

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.

In April 2020, IMCD completed an amendment to its multi-currency revolving credit facility, increasing the borrowing capacity from EUR 400 million to EUR 500 million. IMCD further arranged with its existing banking syndicate to extend the maturity date of this revolving credit facility from 27 March 2024 to 27 March 2025 as well as a reduction in the interest margins. The amendment and extension enhance the flexibility of IMCD's capital structure.

On 15 September 2020, IMCD successfully raised EUR 400.0 million in share capital by issuing 4.395.604 shares at an offer price of EUR 91.00 per ordinary share. The net proceeds of the offering have been used by IMCD to finance the acquisition of a 70% interest in Signet Excipients Private Limited ("Signet") and for general corporate purposes.

In November 2020, IMCD made an early repayment of USD 65 million for its long-term promissory note (Schuldscheindarlehen) maturing in November 2021.

As at the end of 2020, net debt was EUR 739.3 million compared with EUR 735.2 million as at 31 December 2019. The increase in net debt is predominantly the balance of positive and healthy cash flows from operating activities and proceeds from issue of share capital of EUR 394.6 million net of related costs, set-off by cash outflows as a result of acquisition-related payments of EUR 374.6 million and a dividend payment of EUR 47.3 million in 2020. Furthermore, net debt includes approximately EUR 194 million deferred and contingent considerations related to acquisitions made (31 December 2019: EUR 38 million).

As at the end of December 2020, the leverage ratio (net debt/operating EBITDA ratio including full-year impact of acquisitions) was 2.3 times EBITDA (31 December 2019: 2.8). The actual leverage as of 31 December 2020, calculated on the basis of the definitions used in the IMCD loan document, was 1.6 times EBITDA (31 December 2019: 2.6).

The interest cover, calculated based on the definitions used in the Schuldscheindarlehen document, is 17.3 times EBITDA (31 December 2019: 12.1), which is well above the required minimum of 4.0 times EBITDA.

The equity attributable to holders of ordinary shares increased by EUR 391.4 million from EUR 866.5 million as of 31 December 2019 to EUR 1,257.9 million as of 31 December 2020. The increase in total equity is the balance of the addition of the net profit for the year of EUR 120.9 million, other comprehensive income of EUR -80.1 million, net proceeds of the offering of new shares of EUR 394.6 million dividend payments in cash of EUR 47.3 million and transactions related to the group's share-based payment programme of EUR 3.2 million. The increase of equity resulted in a solid ratio at year-end whereby net equity covers 46.4% of the balance sheet total (31 December 2019: 39.6%).

Result for the year

The result for the year increased by EUR 12.9 million (+12%) from EUR 108.0 million in 2019 to EUR 120.9 million in 2020.

Earnings per share increased by 9% from EUR 2.06 in 2019 to EUR 2.25 in 2020. In 2020, net result before amortisation of intangible assets (net of tax) and before non-recurring items was EUR 178.1 million compared with EUR 156.2 million in 2019, an increase of 14% (+19% on a constant currency basis). The main drivers of this increase were higher operating EBITA and lower net financing costs, partly offset by higher tax expenses.

Cash earnings per share, calculated as earnings per share before amortisation of intangible assets (net of tax), divided by the weighted average number of outstanding shares, increased by EUR 0.37 (+13%) from EUR 2.85 in 2019 to EUR 3.22 in 2020.

Dividend proposal

For the financial year 2020 a dividend of EUR 1.02 per share will be proposed to the Annual General Meeting. Compared with 2019 this means an increase of EUR 0.12 per share, or 13%. Approval of the dividend proposal by the Annual General Meeting will lead to a dividend distribution of EUR 58.1 million in cash (2019: EUR 47.3 million), which is 34% of the net result 2020 adjusted for non-cash amortisation charges, net of tax (2019: 32%).

DEVELOPMENTS BY OPERATING SEGMENT

The reporting segments are defined as follows:

- EMEA: all operating companies in Europe, Turkey, Israel, United Arab Emirates, and Africa
- Americas: all operating companies in the United States, Canada, Brazil, Puerto Rico, Chile, Argentina, Uruguay, Colombia and Mexico
- Asia-Pacific: all operating companies in Australia, New Zealand, India, Bangladesh, China, Malaysia, Indonesia, Philippines, Thailand, Singapore, Vietnam, Japan and South Korea
- Holding companies: all non-operating companies, including the head office in Rotterdam and the regional offices in Singapore and New Jersey, USA

The developments by operating segments in 2020 are as follows.

EMEA

EUR MILLION	2020	2019	CHANGE	FX ADJ. CHANGE
Revenue	1,326.9	1,314.6	1%	3%
Gross profit	337.4	325.4	4%	5%
Gross profit in % of revenue	25.4%	24.7%	0.7%	
Operating EBITA	131.2	126.3	4%	6%
Operating EBITA in % of revenue	9.9%	9.6%	0.3%	
Conversion margin	38.9%	38.8%	0.1%	

In 2020, the revenue in the EMEA region increased by 1% compared to 2019. On a constant currency basis, the increase was 3% consisting of organic revenue development (-2%) and the impact of the first-time inclusion of acquisitions completed in 2019 and 2020 (5%). In particular, the more industrial part of the business in EMEA was affected by the challenging macroeconomic market circumstances. The acquisition impact of 5% relates to the acquisition of DCS (2019) and Zifroni (2020) and Kokko-Fiber (2020).

In addition to the two acquisitions completed in 2020, IMCD signed three acquisition agreements in the second half of 2020.

On 1 September 2020, IMCD signed an agreement to acquire 100% of the shares in Siyeza Fine Chem Propriety Limited ("Siyeza"). Based in Johannesburg, Siyeza is a distributor of pharmaceutical, veterinary, food and personal care speciality chemical ingredients in South Africa. The company has 27 employees and generated a revenue of EUR 12 million in 2019 through their representation of world leading producers from Europe and Asia. The transaction was closed on 8 January 2021.

On 5 November 2020, IMCD signed an agreement to acquire the pharmaceutical business of Peak International Products B.V. ("Peak International"). Peak International is a Dutch-based distributor in the active pharmaceutical ingredients business for Benelux, Vietnam, Germany and Israel. The Peak International pharmaceutical business generated a revenue of EUR 5.8 million in 2019. The transaction was closed on 7 January 2021.

On 26 November 2020, IMCD signed the agreement to acquire the personal care business of Ejder Kimya İlaç Danışmanlık Sanayi ve Ticaret A.Ş. ("Ejder Kimya"). Ejder Kimya is a Turkish chemicals distributor of raw materials for personal care and pharmaceuticals products and food additives. It has a strong and solid position in the personal care market in Turkey. Ejder

Kimya's personal care business generated a revenue of EUR 4.7 million in 2019. The transaction was closed on 6 January 2021.

In 2020, IMCD worked on the commercial, organisational and legal integration of the DCS organisation, acquired in December 2019, into its own organisation. The integration is planned to be fully completed in the first half of 2021.

IMCD completed the incorporation of IMCD Middle East FZCo and IMCD Middle East Trading LLC in Dubai in 2020. From the office in Dubai, IMCD serves the Gulf Cooperation Council (Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain, and Oman) as well as Jordan. IMCD finalised the incorporation of IMCD Saudi Arabia Trading LLC in January 2021.

Gross profit increased by 4%, from EUR 325.4 million in 2019 to EUR 337.4 million in 2020. The gross profit increase of 4% is the balance of organic gross profit development (+1%), the first-time inclusion of acquisitions (+5%) and negative foreign currency developments (-2%). Despite the challenging market conditions, in particular due to the impact of the COVID-19 pandemic, in many EMEA countries, IMCD successfully added new suppliers and further expanded its relationships with existing suppliers in new territories and with additional business lines. Organic gross profit development further included the usual variations in the product and customer mix.

Operating EBITA increased by 4% from EUR 126.3 in 2019 to EUR 131.2 million in 2020. Operating EBITA in % of revenue increased by 0.3%-point, from 9.6% in 2019 to 9.9% in 2020. The conversion margin increased by 0.1%-point, from 38.8% in 2019 to 38.9% in 2020. The negative impact of the difficult market conditions and the positive impact of the lower operational expenditures due to the COVID-19 restrictions, were the main drivers of the development of the conversion margin in 2020. IMCD continues to focus on revenue and gross profit growth, combined with strict cost control.

Americas

EUR MILLION	2020	2019	CHANGE	FX ADJ. CHANGE
Revenue	945.1	983.0	(4%)	0%
Gross profit	204.2	193.6	6%	11%
Gross profit in % of revenue	21.6%	19.7%	1.9%	
Operating EBITA	86.0	77.8	11%	16%
Operating EBITA in % of revenue	9.1%	7.9%	1.2%	
Conversion margin	42.1%	40.2%	1.9%	

In the Americas segment, revenue was EUR 945.1 million in 2020 compared with EUR 983.0 million in 2019. Organic revenue development was -1% in 2020 and growth as a result of acquisitions completed in 2019 (Unired and DCS Mexico) and 2020 (VitaQualy, Millikan and Banner Química) was 1%. The unfavourable developments of foreign currency exchange rates in the Americas region, resulted in a negative currency exchange impact of 4% on the revenues in 2020.

In addition to the acquisition of VitaQualy (Brazil) in August 2020, IMCD acquired 100% of the shares in two speciality distribution companies, Millikan S.A. de C.V. ("Millikan") and Banner Química S.A. de C.V. ("Banner Química") on 4 December 2020. Both based in Mexico City, Millikan and Banner Química collectively generated a revenue of USD 15 million in 2019 and add 60 employees to the IMCD Mexico team. Millikan and Banner Química serve customers in the food, nutrition, pharmaceuticals and industrial markets.

In 2020, the Americas segment reported a gross profit increase of 6% to EUR 204.2 million, compared with EUR 193.6 million in 2019. The increase in gross profit was the result of organic growth (10%), the impact of the first-time inclusion of acquired companies (1%) and negative foreign currency exchange results (-5%). Gross profit margin increased by 1.9%-point, from 19.7% in 2019 to 21.6% in 2020, mainly the result of gross margin improvement initiatives and changes in the product mix.

Operating EBITA was EUR 86.0 million in 2020, compared with EUR 77.8 million in 2019 (+11%). On a constant currency basis the operating EBITA increased by 16%. Apart from a modest impact of acquisitions completed in 2019 and 2020, the main drivers of the operating EBITA increase are the organic business developments.



Operating EBITA margin increased by 1.2%- point from 7.9% in 2019 to 9.1% in 2020. The conversion margin increased by 1.9%-point from 40.2% in 2019 to 42.1% in 2020. The increased EBITA margin and conversion margin in 2020 were the result of improved gross margins in combination with a lower level of operational expenses, which is primarily due to the COVID-19 restrictions and driven by cost optimisation efforts.

Asia-Pacific

EUR MILLION	2020	2019	CHANGE	FX ADJ. CHANGE
Revenue	502.9	392.0	28%	33%
Gross profit	105.9	80.3	32%	36%
Gross profit in % of revenue	21.1%	20.5%	0.6%	
Operating EBITA	52.9	35.7	48%	53%
Operating EBITA in % of revenue	10.5%	9.1%	1.4%	
Conversion margin	49.9%	44.4%	5.5%	

In Asia-Pacific, revenue increased by 28% from EUR 392.0 million in 2019 to EUR 502.9 million in 2020. Revenue growth in 2020, comprises organic growth of 11%, 21% growth as a result of acquisitions completed in 2019 and 2020, and negative currency exchange developments of -4%.

IMCD continued with the execution of its selective acquisition strategy, which led to two acquisitions in the Asia-Pacific region in 2020. In addition to the acquisition of the pharmaceutical business in China of Develing International Trade (Shanghai) Co. Ltd. in July 2020, IMCD completed a significant transaction in India.

On 4 November 2020, IMCD acquired 70% of the outstanding shares of Signet, one of the leading distributors of excipients in India. IMCD will acquire the remaining 30% of the share capital of Signet by 2024. Signet is well aligned with the IMCD business model and strategy and provides a significant platform for further growth in India and the Asia-Pacific region. Signet focusses on the distribution of pharmaceutical, nutraceutical and bio-pharma excipients across categories such as diluents, fillers, sweeteners, disintegrants, binders, surfactants and others. Based in Mumbai, Signet is active in India, Bangladesh, the Middle East and Africa. With approximately 100 employees, Signet generated a revenue of INR 13.2 billion (approx. EUR 152 million) in the last twelve months up to and including June 2020, and realised a normalised EBITA of INR 3.4 billion (approx. EUR 39 million).

Gross profit increased by 32% in 2020, of which 11% relates to organic growth and 25% is the result of the first time inclusion of businesses acquired in 2019 and 2020. The gross profit margin increased by 0.6%-point from 20.5% in 2019 to 21.1% in 2020. The gross profit margin increase is the result of gross margin improvement initiatives, changes in the product mix and the impact of the first time inclusion of acquired businesses.

Compared with 2019, operating EBITA increased by 48% to EUR 52.9 million in 2020. On a constant currency basis, the growth of operating EBITA was 53%. Operating EBITA in % of revenue increased by 1.4%-point from 9.1% in 2019 to 10.5% in 2020. The conversion margin further improved by 5.5%- point to 49.9% in 2020. The improvement of the conversion margin is the result of higher gross margins in combination with relatively lower operational expenditures, also due to the restriction related to the COVID-19 pandemic. In addition, the acquisition of Signet had a positive impact on the development of the conversion margin in the Asia-Pacific segment.



Holding companies

EUR MILLION	2020	2019	CHANGE	FX ADJ. CHANGE
Operating EBITA	(16.6)	(15.0)	(10%)	(12%)
Operating EBITA in % of total revenue	(0.6%)	(0.6%)	0.0%	

Operating EBITA of Holding companies represents the central head office in Rotterdam as well as the regional head offices in Singapore and New Jersey, US.

Operating costs increased by EUR 1.6 million (+10%) from EUR 15.0 million in 2019 to EUR 16.6 million in 2020. On a constant currency basis, the increase is 12%. The cost 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. Despite the increase in absolute value, operating costs of the Holding Companies in percentage of consolidated revenue remained stable at 0.6% in 2020.

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, among 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.

Despite the impact of the COVID-19 pandemic on current economic situation, IMCD delivered strong results in 2020. Unfortunately, with the large global numbers of COVID-19 infections, the uncertainty about the duration of the COVID-19 crisis and its impact on the global economy continues. Nevertheless, IMCD is a strong, resilient and well diversified business with a robust liquidity position and capital structure.

IMCD sees interesting opportunities to further increase its global footprint and expand its product portfolio both organically and by acquisitions in 2021.

FINANCIAL CALENDAR

29 April 2021	First quarter 2021 trading update
24 June 2021	Annual General Meeting
24 June 2021	Dividend announcement
28 June 2021	Ex-dividend date
29 June 2021	Record date
30 June 2021	Payment date
4 August 2021	First half year 2021 results
9 November 2021	Third quarter 2021 Trading update
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FURTHER INFORMATION

Today's analysts call will start at 10:00 am CET. A recording of this call will be made available on the IMCD website (www.imcdgroup.com).

Click [here](#) to download the Annual Report 2020 from the reports and presentations' section on our website.

ABOUT IMCD

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

Listed at Euronext, Amsterdam (IMCD), IMCD realised revenues of EUR 2,775 million in 2020 with nearly 3,300 employees in over 50 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 50,000 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 and was issued on 26 February 2021, 7:00 am CET.