

Press release

IMCD reports 8% EBITA growth in the first nine months of 2020

Rotterdam, The Netherlands (11 November 2020) - IMCD N.V. ("IMCD" or "Company"), a leading distributor of speciality chemicals and ingredients, today announces its first nine months 2020 results

HIGHLIGHTS

- Gross profit growth of 6% to EUR 485.7 million (+9% on a constant currency basis)
- Operating EBITA increase of 8% to EUR 189.9 million (+11% on a constant currency basis)
- Net result before amortisation and non-recurring items increase of 9% to EUR 130.8 million (+11% on a constant currency basis)
- Cash earnings per share increased by 8% to EUR 2.46 (first nine months of 2019: EUR 2.26)
- 4 November, acquisition of 70% of the outstanding shares of Signet Excipients Private Limited, one of the leading distributors of excipients in India

Piet van der Slikke, CEO: "IMCD reports strong results in the first nine months with an operating EBITA growth of 8% (11% fx adjusted). Cash flow (+EUR 29 million) was strong with a cash conversion margin of 87.5%. During Q3, our gross profit increased by 5% (fx adjusted 10%) and our operating EBITA by 11% (fx adjusted 17%). All regions contributed to this outcome. We are very pleased with these results considering the challenging market conditions that we are still facing due to the continuing COVID-19 pandemic. In addition to strong operational performance in the third quarter, we also achieved successes in the further execution of our strategy, with acquisitions in Brazil, Finland and most notably India, where we reached an agreement to acquire 70% of the shares of Signet Excipients, thus increasing our presence in the high-growth APAC region and delivering on our ambition to strengthen our global business in the distribution of pharmaceutical excipients."

KEY FIGURES

EUR MILLION	JAN. 1 - SEPT. 30 2020	JAN. 1 - SEPT. 30 2019	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	2,082.3	2,061.0	21.3	1%	3%
Gross profit	485.7	457.3	28.4	6%	9%
Gross profit in % of revenue	23.3%	22.2%	1.1%		
Operating EBITA ¹	189.9	175.7	14.2	8%	11%
Operating EBITA in % of revenue	9.1%	8.5%	0.6%		
Conversion margin ²	39.1%	38.4%	0.7%		
Net result before amortisation / non-recurring items	130.8	120.1	10.7	9%	11%
Free cash flow ³	168.3	139.6	28.7	21%	
Cash conversion margin ⁴	87.5%	78.3%	9.2%		
Earnings per share (weighted)	1.74	1.69	0.06	3%	6%
Cash earnings per share (weighted) ⁵	2.46	2.26	0.19	8%	11%
Number of full time employees end of period	3,095	2,840	255	9%	

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 expenses minus lease payments)

⁵ Result for the year before amortisation (net of tax) divided by the weighted average number of outstanding shares

Revenue

Compared with the first nine months of 2019, revenue increased by 1% from EUR 2,061.0 million to EUR 2,082.3 million (+3% on a constant currency basis). The revenue growth is the result of a combination of organic developments (-2%), the impact of the first time inclusion of companies acquired in 2019 and 2020 (+5%) and foreign currency rate impacts (-2%)

Gross profit

Gross profit, defined as revenue less cost of materials and inbound logistics, increased by 6% from EUR 457.3 million in the first nine months of 2019 to EUR 485.7 million in 2020. On a constant currency basis, the increase in gross profit is 9%, consisting of organic growth of 4% and growth as a result of the first time inclusion of acquisitions of 5%.

Gross profit in % of revenue increased by 1.1%-point from 22.2% in the first nine months of 2019 to 23.3% in 2020. The gross profit margin increase is the result of changes in local market circumstances, gross margin improvement initiatives, currency exchange rate developments and fluctuations in the product mix.

Operating EBITA

Operating EBITA increased by 8% from EUR 175.7 million in the first nine months of 2019 to EUR 189.9 million in 2020. The growth in operating EBITA was a combination of organic growth and the first time inclusion of companies acquired in 2019 and 2020.

The operating EBITA in % of revenue increased by 0.6%-point from 8.5% in the first nine months of 2019 to 9.1% in 2020.

The conversion margin, defined as operating EBITA as a percentage of gross profit, increased from 38.4% in the first nine months of 2019 to 39.1% in 2020.

Cash flow and capital expenditure

Free cash flow increased by EUR 28.7 million, from EUR 139.6 million in the first nine months of 2019 to EUR 168.3 million in 2020.

The cash conversion margin, defined as free cash flow as a percentage of adjusted operating EBITDA (Operating EBITDA adjusted for non-cash share-based payments and lease premiums), was 87.5% compared with 78.3% in the first nine months of 2019. The increase of the free cash flow and cash conversion margin in 2020 is the result of higher operating EBITDA and less investments in net working capital.

The investment in net working capital (sum of inventories, trade and other receivables minus trade and other payables) in the first nine months of 2020 was EUR 18.7 million compared with EUR 35.2 million in the first nine months of 2019. Working capital investments were primarily driven by new and increased business activities in the first nine months of 2020. As at the end of September 2020, net working capital in days of revenue was 55 days (June 2020: 60 days).

Capital expenditure was EUR 5.4 million in 2020 compared with EUR 3.5 million in the first nine months of 2019 and mainly relates to investments in the ICT infrastructure, office improvements and technical and office equipment.

Net debt

On 15 September 2020, IMCD successfully raised EUR 400.0 million 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 were used by IMCD to finance the acquisition of 70% of Signet Excipients Private Limited in November and for general corporate purposes.

As at 30 September 2020, net debt was EUR 319.1 million compared with EUR 735.2 million as of 31 December 2019.

The leverage ratio (net debt/operating EBITDA ratio including full year impact of acquisitions) as at the end of September 2020, was 1.2 times EBITDA (31 December 2019: 2.8). Calculated on the basis of the definitions used in the IMCD loan documentation, the leverage ratio as at the end of September 2020 was 0.9 times EBITDA (31 December 2019: 2.6) which is well below the maximum of 3.5 as allowed under the loan documentation.

Without the (net) proceeds from the issuance of the additional share capital and keeping all other factors equal, the reported leverage and the leverage according the IMCD loan documentation would have been 2.6 respectively 2.5 times EBITDA as per 30 September 2020.

The development of the leverage ratio is, among other things, influenced by a dividend distribution of EUR 47.3 million in July 2020.

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 of America, 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, US

The developments in the first nine months of 2020 by operating segments are as follows.

EMEA

EUR MILLION	JAN. 1 - SEPT. 30 2020	JAN. 1 - SEPT. 30 2019	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	1,003.6	1,010.2	(6.6)	(1%)	1%
Gross profit	255.9	250.1	5.8	2%	4%
Gross profit in % of revenue	25.5%	24.8%	0.7%		
Operating EBITA	99.6	98.1	1.5	2%	3%
Operating EBITA in % of revenue	9.9%	9.7%	0.2%		
Conversion margin	38.9%	39.2%	(0.3%)		

Revenue was EUR 1,003.6 million in the first nine months of 2020, compared with EUR 1,010.2 million in the the same period of 2019 (-1%). On a constant currency basis revenue increased by 1%. Gross profit increased by 2% from EUR 250.1 million in the first nine months of 2019 to EUR 255.9 million in 2020. On a constant currency basis, gross profit growth was 4%. Gross profit margin increased by 0.7%-point to 25.5%.

Operating EBITA growth was 2%, from EUR 98.1 million in the first nine months of 2019 to EUR 99.6 million in 2020. Compared with the same period in 2019, operating EBITA in % of revenue increased by 0.2%-point to 9.9% in the first nine months of 2020.

On 17 September 2020, IMCD acquired 100% of the share capital of Oy Kokko-Fiber Ab ("Kokko-Fiber"), a supplier of fiber-reinforced plastic composite materials in Finland. Kokko-Fiber has five employees and generated a revenue of EUR 9.0 million in 2019.

On 1 September 2020, IMCD signed an agreement to acquire 100% of the shares in the South African distributor Siyeza Fine Chem Propriety Limited ("Siyeza"). Siyeza, based in Johannesburg, 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 closing of the transaction is subject to customary regulatory review and is expected in December 2020.

The first nine months of 2020 figures include the impact the acquisition of DCS Pharma AG, completed in December 2019 and Zifroni Chemical Supplier Limited, completed in January 2020.

Americas

EUR MILLION	JAN. 1 - SEPT. 30 2020	JAN. 1 - SEPT. 30 2019	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	726.4	760.0	(33.6)	(4%)	(2%)
Gross profit	158.8	148.4	10.4	7%	11%
Gross profit in % of revenue	21.9%	19.5%	2.4%		
Operating EBITA	70.0	62.3	7.7	12%	16%
Operating EBITA in % of revenue	9.6%	8.2%	1.4%		
Conversion margin	44.1%	42.0%	2.1%		

In the first nine months of 2020, revenue was EUR 726.4 million, compared with EUR 760.0 million in the same period of 2019 (-4%). Gross profit increased by 7% from EUR 148.4 million in the first nine months of 2019 to EUR 158.8 million in 2020 (+11% on a constant currency basis).

Gross profit in percentage of revenue increased by 2.4%-point to 21.9% as a consequence of margin improvement initiatives and changes in the product mix.

Operating EBITA increased by 12% from EUR 62.3 million in the first nine months of 2019 to EUR 70.0 million in 2020 (+16% on a constant currency basis).

On 19 August 2020, IMCD acquired 100% of the outstanding shares of Brazilian speciality ingredient distributor, VitaQualy Comércio de Ingredientes LTDA ("VitaQualy"). Based in São Paulo, Brazil, VitaQualy has an asset light business model and holds long-term customer and supplier relationships as an ingredient distributor to the food, nutrition, pharmaceuticals and nutraceuticals markets. In 2019, VitaQualy generated a revenue of BRL 26 million (ca. EUR 4 million) and adds eight employees to the IMCD Brasil team. The company will be fully integrated into IMCD's organisation in 2021.

The first nine months 2020 figures include the impact of the acquisition of Unired Quimicas SAS, completed in November 2019.

Asia-Pacific

EUR MILLION	JAN. 1 - SEPT. 30 2020	JAN. 1 - SEPT. 30 2019	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	352.3	290.9	61.4	21%	25%
Gross profit	70.9	58.8	12.1	21%	25%
Gross profit in % of revenue	20.1%	20.2%	(0.1%)		
Operating EBITA	32.4	25.8	6.6	26%	29%
Operating EBITA in % of revenue	9.2%	8.9%	0.3%		
Conversion margin	45.6%	44.0%	1.6%		

In the first nine months of 2020 revenue increased by 21% to EUR 352.3 million (+25% on a constant currency basis). Gross profit increased by 21% from EUR 58.8 million in the first nine months of 2019 to EUR 70.9 million in the same period of 2020 (+25% on a constant currency basis). Gross profit in % of revenue was 20.1% in the first nine months of 2020 compared with 20.2% in the same period of 2019.

Operating EBITA increased by 26% to EUR 32.4 million in the first nine months of 2020 (+29% on a constant currency basis). Operating EBITA in % of revenue increased by 0.3%-point to 9.2%.

On 13 July 2020, IMCD acquired the pharmaceutical business in China of Develing International Trade (Shanghai) Co. Ltd. ("Develing"). The acquired business, with annual sales of approximately EUR 10 million, is fully integrated into IMCD China's Pharma business unit and is synergistic with IMCD's existing product range.

On 4 November 2020, IMCD acquired 70% of the outstanding shares of Signet Excipients Private Limited (“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 revenue of INR 13.2 billion (ca. EUR 152 million) in the last twelve months up to and including June 2020, and realised a normalised EBITA of INR 3.4 billion (ca. EUR 39 million).

The first nine months 2020 results include the impact of the acquisition of Whawon Pharm Co. Ltd., completed in December 2019.

Holding companies

EUR MILLION	JAN. 1 - SEPT. 30 2020	JAN. 1 - SEPT. 30 2019	CHANGE	CHANGE	FX ADJ. CHANGE
Operating EBITA	(12.0)	(10.5)	(1.5)	14%	15%
Operating EBITA in % of total revenue	(0.6%)	(0.5%)	(0.1%)		

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 1.5 million from EUR 10.5 million in 2019 to EUR 12.0 million in 2020. This increase is the result of the further strengthening of the support functions in both Rotterdam and the regional head offices.



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 relations 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.

Despite the impact of the COVID-19 pandemic on current economic situation, the first nine months of 2020 were satisfactory. Unfortunately, with numbers of COVID-19 infections increasing again in multiple regions in recent weeks, the uncertainty about the duration of the COVID-19 crisis and its impact on the global economy continues. However, IMCD is a strong, resilient and well diversified business with a robust liquidity position and capital structure. Based on its performance in the first nine months of 2020, IMCD expects operating EBITA growth for the full year.

FINANCIAL CALENDAR

26 February 2021	Full year 2020 results
29 April 2021	Annual General Meeting
29 April 2021	First quarter 2021 trading update
4 August 2021	First half year 2021 results

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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).

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, 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 2,690 million in 2019 with nearly 3,000 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 49,000 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.

Except for the aforementioned potential impact of the COVID-19 pandemic, the relevant risk categories and risk factors that could adversely affect the company's business and financial performance have been described in the annual report of the company. 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 11 November 2020, 7:00 am CET.

