

Press release

IMCD reports 59% EBITA growth in the first nine months of 2022

Rotterdam, The Netherlands (10 November 2022) - IMCD N.V. ("IMCD" or "Company"), a leading distributor of speciality chemicals and ingredients, today announces its first nine months 2022 results.

HIGHLIGHTS

- Gross profit growth of 42% to EUR 883.0 million (+35% on a constant currency basis)
- Operating EBITA increase of 59% to EUR 443.5 million (+51% on a constant currency basis)
- Net result increase of 74% to EUR 264.0 million (+65% on a constant currency basis)
- Cash earnings per share increased by 57% to EUR 5.34 (first nine months of 2021: EUR 3.40)
- Since the end of Q2 2022, IMCD acquired PromaPlast in Mexico/USA, Kuni Chemical in Japan and signed an agreement to acquire Sanrise in China

Piet van der Slikke, CEO: *"I am pleased to report strong results in the first nine months of the year, with operating EBITA growth of 59%, or EUR 164 million, and an increase in cash earnings per share of 57%. All regions realised double-digit organic growth numbers. In addition, we successfully expanded our global network and product portfolio by acquisitions in all of our regions, most recently in Mexico and US, Japan and China. It is likely that the uncertainty in the market due to a number of global macro-economic and geopolitical concerns, will persist in the following quarters. Nevertheless we are confident that with our diversified business model, strong financial position and our diverse and entrepreneurial teams, we remain well positioned to deliver future growth."*

KEY FIGURES

EUR MILLION	JAN. 1 - SEPT. 30, 2022	JAN. 1 - SEPT. 30, 2021 ¹	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	3,511.8	2,537.1	974.7	38%	31%
Gross profit	883.0	620.8	262.2	42%	35%
Gross profit as a % of revenue	25.1%	24.5%	0.6%		
Operating EBITA ²	443.5	279.1	164.4	59%	51%
Operating EBITA as a % of revenue	12.6%	11.0%	1.6%		
Conversion margin ³	50.2%	45.0%	5.2%		
Net result	264.0	152.0	112.0	74%	65%
Free cash flow ⁴	249.3	201.1	48.2	24%	
Cash conversion margin ⁵	55.1%	70.2%	(15.1%)		
Earnings per share (weighted)	4.64	2.67	1.97	74%	65%
Cash earnings per share (weighted) ⁶	5.34	3.40	1.94	57%	49%
Number of full time employees end of period	4,202	3,579	623	17%	

¹ The figures for 2021 have been restated as a result of a change in accounting policy following the IFRIC agenda decision on cloud computing arrangements published in March 2021

² Result from operating activities before amortisation of intangibles and non-recurring items

³ Operating EBITA as a percentage of gross profit

⁴ Operating EBITDA excluding non-cash share-based payment expenses, less lease payments, plus/less changes in working capital, less capital expenditures

⁵ Free cash flow as a percentage of adjusted operating EBITDA (operating EBITDA plus non-cash share-based payment costs minus lease payments)

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

Revenue

In the first nine months of 2022, revenue increased by 38% to EUR 3,511.8 million (+31% on a constant currency basis), compared with EUR 2,537.1 million in the same period of 2021. The increase in revenue, based on constant currencies, is the result of organic growth (+24%) and the impact of the first time inclusion of companies acquired in 2021 and 2022 (+7%).

Gross profit

Gross profit, defined as revenue less cost of materials and inbound logistics, increased by 42% from EUR 620.8 million in the first nine months of 2021 to EUR 883.0 million in 2022. On a constant currency basis, the increase in gross profit is 35%, consisting of organic growth of 29% and growth as a result of the first time inclusion of acquisitions of 6%.

Gross profit as a % of revenue increased by 0.6%-point from 24.5% in the first nine months of 2021 to 25.1% in 2022. 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 59% from EUR 279.1 million in the first nine months of 2021 to EUR 443.5 million in the same period of 2022. The growth in operating EBITA was a combination of organic growth and the impact of the first time inclusion of companies acquired in 2021 and 2022.

The operating EBITA as a % of revenue increased by 1.6%-point from 11.0% in the first nine months of 2021 to 12.6% in 2022.

The conversion margin, defined as operating EBITA as a percentage of gross profit, increased by 5.2%-point from 45.0% in the first nine months of 2021 to 50.2% in 2022. The increase in conversion margin is the result of substantial organic EBITA growth, whereby organic gross profit growth more than compensated own cost growth.

Cash flow and capital expenditure

In the first nine months of 2022, free cash flow was EUR 249.3 million, compared with EUR 201.1 million in the same period of 2021. The increase of the free cash flow in 2022 is the result of higher operating EBITDA, more than offsetting higher investments in net working capital and higher capital expenditures.

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 55.1% compared with 70.2% in the first nine months of 2021.

The investment in net working capital (sum of inventories, trade and other receivables minus trade and other payables) in the first nine months of 2022 was EUR 196.6 million compared with EUR 82.5 million in the same period of 2021. Working capital investments were primarily driven by new and substantially increased business activities in 2022 together with an increase of working capital days. At the end of September 2022, net working capital in days of revenue was 67 days (September 2021: 58 days).

Capital expenditure was EUR 6.1 million in 2022 compared with EUR 2.9 million in the first nine months of 2021 and mainly relates to investments in the ICT infrastructure, office improvements and technical and office equipment.

Net debt

As at 30 September 2022, net debt was EUR 1,122.0 million compared with EUR 940.0 million as of 31 December 2021.

The leverage ratio (net debt/operating EBITDA ratio including full year impact of acquisitions) as at the end of September 2022, was 1.9 times EBITDA (31 December 2021: 2.3). Calculated on the basis of the definitions used in the IMCD loan documentation, the leverage ratio as at the end of September 2022 was 1.4 times EBITDA (31 December 2021: 1.5) which is well below the maximum of 3.5 as allowed under the loan documentation.

The development of the leverage ratio is, among other things, influenced by a dividend distribution of EUR 92.2 million in May and by considerations paid for acquired businesses.

DEVELOPMENTS BY OPERATING SEGMENT

The reporting segments are defined as follows:

- EMEA: all operating companies in Europe, Turkey, Israel, United Arab Emirates, Saudi Arabia and Africa
- Americas: all operating companies in the United States, Canada, Brazil, Puerto Rico, Chile, Argentina, Uruguay, Colombia, Ecuador, Mexico, Peru, Guatemala, Costa Rica and Dominican Republic
- 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 the USA

The developments in the first nine months of 2022 by operating segments are as follows.

EMEA

EUR MILLION	JAN. 1 - SEPT. 30, 2022	JAN. 1 - SEPT. 30, 2021	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	1,548.1	1,194.2	353.9	30%	30%
Gross profit	409.1	307.8	101.3	33%	34%
Gross profit as a % of revenue	26.4%	25.8%	0.6%		
Operating EBITA	199.3	134.9	64.4	48%	50%
Operating EBITA as a % of revenue	12.9%	11.3%	1.6%		
Conversion margin	48.7%	43.8%	4.9%		

Revenue increased by 30% from EUR 1,194.2 million in the first nine months of 2021 to EUR 1,548.1 million in 2022 (+30% on a constant currency basis). In the first nine months of 2022, gross profit was EUR 409.1, an increase of 33% compared with the same period of last year. On a constant currency basis, gross profit growth was 34%. Gross profit margin increased by 0.6%-point to 26.4%.

Operating EBITA increased by 48%, from EUR 134.9 million in the first nine months of 2021, to EUR 199.3 million in 2022. Compared with the same period in 2021, operating EBITA as a % of revenue increased by 1.6%-point to 12.9% in the first nine months of 2022.

The first nine months of 2022 figures include the impact of the acquisition of Polychem Handelsges.m.b.H. (Austria and Southeast Europe), completed in February 2022 and Evenlode Foods Ltd (UK), completed in March 2022.

Americas

EUR MILLION	JAN. 1 - SEPT. 30, 2022	JAN. 1 - SEPT. 30, 2021	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	1,208.1	821.9	386.2	47%	30%
Gross profit	290.7	184.4	106.2	58%	39%
Gross profit as a % of revenue	24.1%	22.4%	1.7%		
Operating EBITA	151.0	84.6	66.4	79%	57%
Operating EBITA as a % of revenue	12.5%	10.3%	2.2%		
Conversion margin	51.9%	45.9%	6.0%		

In the first nine months of 2022, revenue was EUR 1,208.1 million, an increase of 47% compared with the same period of 2021 (+30% on a constant currency basis). Gross profit increased by 58% from EUR 184.4 million in the first nine months of 2021 to EUR 290.7 million in 2022 (+39% on a constant currency basis). Gross profit in percentage of revenue increased by 1.7%-point to 24.1%.

Operating EBITA increased by 79% from EUR 84.6 million in the first nine months of 2021 to EUR 151.0 million in 2022 (+57% on a constant currency basis).

On 15 September 2022, IMCD acquired 100% of the shares in PromaPlast Resinas, S.A. de C.V., Proveedora de Materiales Plásticos, S.A. de C.V. and PromaPlast USA Inc. (jointly "PromaPlast"). PromaPlast has a highly diversified product portfolio of resins and compounds to serve the Mexican and U.S. Markets. In 2021, PromaPlast generated a revenue of approximately USD 77 million.

The figures of the first nine months of 2022 include the impact of the acquisition of Siliconas y Químicos (Colombia) and Andes Chemical Corp (Central America, Colombia and Peru) completed in May 2021, Materias Químicas de México S.A. de C.V. and Pluralmex S.A de C.V. (Mexico) completed in August 2021, and Polyorganic® Tecnologia Ltda (Brazil) and Quelaris Internacional S.A. (Colombia, Costa Rica and Peru) completed in March 2022.

Asia-Pacific

EUR MILLION	JAN. 1 - SEPT. 30, 2022	JAN. 1 - SEPT. 30, 2021	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	755.6	521.0	234.6	45%	37%
Gross profit	183.2	128.5	54.7	43%	34%
Gross profit as a % of revenue	24.2%	24.7%	(0.5%)		
Operating EBITA	116.7	80.8	35.9	44%	36%
Operating EBITA as a % of revenue	15.4%	15.5%	(0.1%)		
Conversion margin	63.7%	62.9%	0.8%		

In the first nine months of 2022 revenue increased by 45% to EUR 755.6 million (+37% on a constant currency basis). Gross profit increased by 43% from EUR 128.5 million in the first nine months of 2021 to EUR 183.2 million in the same period of 2022 (+34% on a constant currency basis). Gross profit as a % of revenue decreased by 0.5%-point from 24.7% in the first nine months of 2021, to 24.2% in 2022.

Operating EBITA increased by 44% to EUR 116.7 million in the first nine months of 2022 (+36% on a constant currency basis). In the first nine months of 2022, operating EBITA as a % of revenue was 15.4%-point, compared with 15.5% in the same period of 2021.

On 7 September 2022, IMCD acquired 100% of the shares in speciality distribution company, Kuni Chemical Co., Ltd ("Kuni Chemical"). Kuni Chemical specialises in industrial applications, ranging from coatings and construction to

automotive and packaging materials. The company, based in Osaka, generated a revenue of approximately EUR 18 million in 2021 and has 28 employees.

On 31 October 2022, IMCD signed an agreement to acquire 100% of the shares in Shanghai Sanrise Industries & Development Co., Ltd. (“Sanrise”), one of the leading distributors in the personal care markets in China. Sanrise offers a wide range of personal care and industrial solutions with a key focus on personal care applications. With approximately 60 employees, Sanrise generated a revenue of approximately EUR 90 million in 2021.

The first nine months of 2022 results include the impact of the acquisition of Shanghai Yuanhe Chemicals Co. (China) completed in June 2021, PT Megasetia Agung Kimia (Indonesia) completed in December 2021, Shanghai Syntec Additive Limited and Shanghai Weike Additive Limited (China) and RPL Trading (Australia and New Zealand) completed in January 2022, and Aquatech Speciality (Shanghai) International Trading Co., Ltd. (China) completed in February 2022.

Holding companies

EUR MILLION	JAN. 1 - SEPT. 30, 2022	JAN. 1 - SEPT. 30, 2021 ¹	CHANGE	CHANGE	FX ADJ. CHANGE
Operating EBITA	(23.6)	(21.2)	(2.4)	(11%)	(9%)
Operating EBITA as a % of total revenue	(0.7%)	(0.8%)	0.1%		

¹ The figures for 2021 have been restated as a result of a change in accounting policy following the IFRIC agenda decision on cloud computing arrangements published in March 2021

Operating EBITA of Holding companies represents the central head office in Rotterdam as well as the regional head offices in Singapore and in the USA.

Operating expenses increased by EUR 2.4 million from EUR 21.2 million in the first nine months of 2021 to EUR 23.6 million in 2022. The cost increase reflects the growth of IMCD and as a consequence the need to further strengthen its support functions in both the headquarters in 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.

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.

Based on the performance in the first nine months of 2022 and the strong fundamentals of its business, IMCD expects operating EBITA growth in 2022.

FINANCIAL CALENDAR

24 February 2023	Full year 2022 results
26 April 2023	First quarter 2023 results
26 April 2023	Annual General Meeting
4 August 2023	First half year 2023 results
10 November 2023	First nine months 2023 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/investors.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, 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 3,435 million in 2021 with more than 3,700 employees in over 50 countries on six 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 56,000 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. These 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 10 November 2022, 7:00 am CET.