

Press release

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

Rotterdam, The Netherlands (29 April 2022) - IMCD N.V. ("IMCD" or "Company"), a leading distributor of speciality chemicals and ingredients, today announces its first three months 2022 results

HIGHLIGHTS

- Gross profit growth of 40% to EUR 277.4 million (+36% on a constant currency basis)
- Operating EBITA increase of 59% to EUR 139.9 million (+54% on a constant currency basis)
- Result for the year increase of 68% to EUR 78.6 million (+62% on a constant currency basis)
- Cash earnings per share increased by 55% to EUR 1.65 (first three months of 2021: EUR 1.06)
- Successful completion of acquisitions in EMEA (POLYchem and Evenlode), Americas (Polyorganic and Quelaris) and APAC (Syntec, RPL Trading and Aquatech)

Piet van der Slikke, CEO: "IMCD's first quarter results showed again strong growth (Operating EBITA +59%, vs Q1 2021). We continue to benefit from strong demand and increasing prices. Markets and supply chains remain unpredictable resulting temporarily in higher working capital requirements. We were able to successfully complete acquisitions in all regions and are very pleased with the projects on further expanding our product portfolio and digital initiatives."

KEY FIGURES

EUR MILLION	JAN. 1 - MARCH 31, 2022	JAN. 1 - MARCH 31, 2021 ¹	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	1,106.5	809.9	296.6	37%	32%
Gross profit	277.4	197.6	79.8	40%	36%
Gross profit as a % of revenue	25.1%	24.4%	0.7%		
Operating EBITA ²	139.9	88.2	51.7	59%	54%
Operating EBITA as a % of revenue	12.6%	10.9%	1.7%		
Conversion margin ³	50.4%	44.6%	5.8%		
Result for the year	78.6	46.9	31.7	68%	62%
Free cash flow ⁴	66.1	62.8	3.3	5%	
Cash conversion margin ⁵	46.3%	69.4%	(23.1%)		
Earnings per share (weighted)	1.38	0.82	0.56	68%	62%
Cash earnings per share (weighted) ⁶	1.65	1.06	0.59	55%	50%
Number of full time employees end of period	3,950	3,360	590	18%	

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 in 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 in 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 three months of 2022, revenue increased by 37% to EUR 1,106.5 million, compared with EUR 809.9 million in the same period in 2021. On a constant currency basis, revenue growth was 32%, consisting of organic growth (+25%) and the impact of the first time inclusion of companies acquired in 2021 and 2022 (+7%). All regions contributed to the organic revenue growth.

Gross profit

Gross profit, defined as revenue less cost of materials and inbound logistics, increased by 40% from EUR 197.6 million in the first three months of 2021 to EUR 277.4 million in 2022. On a constant currency basis, the increase in gross profit is 36%, consisting of organic growth of 31% and growth as a result of the first time inclusion of acquisitions completed in 2021 and 2022 of 5%.

Gross profit in % of revenue increased by 0.7%-point from 24.4% in the first three 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, the impact of newly acquired businesses, currency exchange rate developments and fluctuations in the product mix.

Operating EBITA

Operating EBITA increased by 59% from EUR 88.2 million in the first three months of 2021 to EUR 139.9 million in the same period of 2022. On a constant currency basis, operating EBITA increased by 54%. The growth in operating EBITA, on a constant currency basis, is a combination of organic growth and the first time inclusion of companies acquired in 2021 and 2022. Operating EBITA in % of revenue increased by 1.7%-point from 10.9% in the first three months of 2021 to 12.6% in 2022.

The conversion margin, defined as operating EBITA in percentage of gross profit, increased from 44.6% in the first three months of 2021 to 50.4% in 2022. The increase in conversion margin is primarily driven by improved gross profit margins.

Cash flow and capital expenditure

Free cash flow increased by EUR 3.3 million, from EUR 62.8 million in the first three months of 2021 to EUR 66.1 million in 2022.

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 46.3% compared with 69.4% in the first three months of 2021. The decrease of the cash conversion margin in 2022 is the result of higher operating EBITDA more than offset by higher 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 three months of 2022 was EUR 74.7 million compared with EUR 27.0 million in the first three months of 2021. The increase in net working capital is the result of the high level of business activities and impacts of external factors, including supply chain issues and exchange rate differences. As at the end of March 2022, net working capital in days of revenue was 58 days (March 2021: 54 days).

In the first three months of 2022, capital expenditure was EUR 1.9 million compared with EUR 0.7 million in the same period of 2021 and mainly relates to investments in the ICT infrastructure, office improvements and technical and office equipment.

Net debt

As at 31 March 2022, net debt was EUR 1,038.7 million compared with EUR 940.0 million as of 31 December 2021.

In March 2022, IMCD was assigned investment grade rating of Baa3 by Moody's Investors Services and BBB- by Fitch Ratings, both with a stable outlook. In the same month, IMCD issued an EUR 300 million rated corporate bond loan with institutional investors. This five-year senior unsecured bond loan, maturing in March 2027, has a fixed coupon of 2.125%. The bond loan is listed on the Luxembourg Stock Exchange MTF market. The proceeds of the bond loan issue will be used for general corporate purposes, including the refinancing of existing indebtedness.

The leverage ratio (net debt/operating EBITDA ratio including full year impact of acquisitions) as at the end of March 2022, was 2.2 times EBITDA (31 December 2021: 2.3). Calculated on the basis of the definitions used in the IMCD loan documents, the leverage ratio as at the end of March 2022 was 1.5 times EBITDA (31 December 2021: 1.5) which is well below the maximum of 3.5 as allowed under the loan documents.

Equity

In January and February IMCD transferred 21,984 respectively 16,041 own shares to settle its annual obligations under its long-term incentive plan. In March 2022, IMCD purchased 50,000 own shares to fund its long-term incentive plan. As at 31 March 2022, the number of own shares held by IMCD was 56,275 (31 December 2021: 44,300).

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, 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 three months of 2022 by operating segments are as follows.

EMEA

EUR MILLION	JAN. 1 - MARCH 31, 2022	JAN. 1 - MARCH 31, 2021	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	512.0	390.6	121.4	31%	31%
Gross profit	135.7	99.5	36.2	36%	37%
Gross profit as a % of revenue	26.5%	25.5%	1.0%		
Operating EBITA	68.3	44.2	24.1	54%	56%
Operating EBITA as a % of revenue	13.3%	11.3%	2.0%		
Conversion margin	50.3%	44.4%	5.9%		

Revenue was EUR 512.0 million in the first three months of 2022, compared with EUR 390.6 million in the same period of 2021 (+31%). Gross profit increased by 36% from EUR 99.5 million in the first three months of 2021 to EUR 135.7 million in 2022. On a constant currency basis, gross profit growth was 37%. Gross profit margin increased by 1.0%-point from 25.5% in the first three months of 2021, to 26.5% in 2022.

Operating EBITA increased by 54%, from EUR 44.2 million in the first three months of 2021 to EUR 68.3 million in 2022 (+56% on a constant currency basis). Compared with the same period in 2021, operating EBITA in % of revenue increased by 2.0%-point to 13.3% in the first three months of 2022.

On 8 February 2022, IMCD acquired 100% of the shares in Polychem Handelsges.m.b.H. (“POLYchem”), a leading provider of chemical raw materials and additives in Austria and Southeast Europe. POLYchem offers a diverse portfolio of products for the coatings, construction, and composite industries. POLYchem has 65 employees and generated revenue of EUR 28 million in 2021.

On 2 March 2022, IMCD acquired 100% of the shares in Evenlode Foods Ltd (“Evenlode”) in the UK. Evenlode is active in speciality food and beverage ingredients throughout the UK and Ireland. With 5 employees, Evenlode generated a revenue of EUR 8.5 million in 2021.

Americas

EUR MILLION	JAN. 1 - MARCH 31, 2022	JAN. 1 - MARCH 31, 2021	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	359.4	251.4	108.0	43%	32%
Gross profit	84.6	57.3	27.3	48%	36%
Gross profit as a % of revenue	23.6%	22.8%	0.8%		
Operating EBITA	41.7	25.4	16.3	65%	51%
Operating EBITA as a % of revenue	11.6%	10.1%	1.5%		
Conversion margin	49.3%	44.3%	5.0%		

Revenue increased by 43% from EUR 251.4 million in the first three months of 2021 to EUR 359.4 million in the same period of 2022. On a constant currency basis, revenue growth was 32%. Gross profit increased by 48% to EUR 84.6 million in the first three months of 2022 (+36% on a constant currency basis).

Gross profit in percentage of revenue increased by 0.8%-point from 22.8% in the first three months of 2021 to 23.6% in 2022, which is the result of margin improvement initiatives and changes in the product mix.

Operating EBITA increased by 65% in the first three months of 2022, compared with the same period in 2021. On a constant currency basis operating EBITA increased by 51%.

On 4 March 2022, IMCD acquired 100% of the shares in speciality chemicals and ingredients distributor Polyorganic@ Tecnologia Ltda (“Polyorganic”). Headquartered in São Paulo, Brazil, Polyorganic is active in the household, industrial and institutional (HI&I), water treatment industry and other industrial markets segment in Brazil. In 2021, Polyorganic generated a revenue of approximately EUR 12 million.

On 22 March 2022, IMCD acquired 100% of the business and the subsidiaries of Quelaris Internacional S.A. (“Quelaris”). Quelaris is a LATAM regional raw material distributor with offices in Colombia, Costa Rica and Peru and has a strong presence in the polyurethane, coatings, adhesives, rubber and other industrial markets throughout the region. With 46 employees, Quelaris generated revenue of approximately USD 52 million in 2021.

The first three months of 2022 figures include the impact the acquisition of Siliconas (Colombia) and Andes Chemical (Central America, Colombia and Peru) in May 2021, Maquimex (Mexico) in August 2021 and the divestment of the Nutri Granulation business (USA) in April 2021.

Asia-Pacific

EUR MILLION	JAN. 1 - MARCH 31, 2022	JAN. 1 - MARCH 31, 2021	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	235.1	167.9	67.2	40%	35%
Gross profit	57.1	40.8	16.3	40%	34%
Gross profit as a % of revenue	24.3%	24.3%	(0.0%)		
Operating EBITA	37.2	25.3	11.9	47%	40%
Operating EBITA as a % of revenue	15.8%	15.1%	0.7%		
Conversion margin	65.1%	62.1%	3.0%		

In the first three months of 2022 revenue increased by 40% to EUR 235.1 million (+35% on a constant currency basis). Gross profit increased by 40% from EUR 40.8 million in the first three months of 2021 to EUR 57.1 million in the same period of 2022 (+34% on a constant currency basis). In line with the first three months of 2021, gross profit in % of revenue was 24.3% in 2022.

Compared with the same period in 2021, operating EBITA increased by 47% to EUR 37.2 million in the first three months of 2022 (+40% on a constant currency basis). Operating EBITA in % of revenue increased by 0.7%-point to 15.8%.

On 18 January 2022, IMCD acquired 100% of the shares in Shanghai Syntec Additive Limited and Shanghai Weike Additive Limited (jointly "Syntec"). Syntec provides market, technical and formulation expertise in China's personal care, cosmetics, and home care industries. Syntec generated a revenue of approximately EUR 17 million in 2021 and has 23 employees.

On 31 January 2022, IMCD acquired 100% of the shares in RPL Trading Pty Ltd and RPL Trading New Zealand Ltd (jointly "RPL Trading"), a speciality chemicals distributor focused on services and formulation expertise for customers and partners in the home care and water treatment markets. RPL Trading generated a revenue of approximately EUR 16 million for the fiscal year ended on 30 June 2021 and has 15 employees.

On 28 February 2022, IMCD acquired 100% of the shares in Aquatech Speciality (Shanghai) International Trading Co., Ltd. and Aquatech Speciality (Guangzhou) Trading Co., Ltd. (jointly "Aquatech") in China. Aquatech is active in waterborne solutions in coatings, ink, and textile industries. Aquatech has 10 employees and generated a revenue of approximately EUR 6 million in 2021.

The first three months of 2022 results include the impact of the acquisition Yuanhe (China) in June 2021 and Megasetia (Indonesia) in December 2021.

Holding companies

EUR MILLION	JAN. 1 - MARCH 31, 2022	JAN. 1 - MARCH 31, 2021 ¹	CHANGE	CHANGE	FX ADJ. CHANGE
Operating EBITA	(7.4)	(6.7)	(0.7)	(9%)	(7%)
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 costs related to the central head office in Rotterdam as well as the regional head offices in Singapore and USA.

Operating costs increased by EUR 0.7 million from EUR 6.7 million in 2021 to EUR 7.4 million in 2022. The cost increase reflects the growth of IMCD and the corresponding need to further strengthen 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.

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

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

FINANCIAL CALENDAR

2 May 2022	Annual General Meeting
2 May 2022	Dividend announcement
4 May 2022	Ex-dividend date
5 May 2022	Dividend record date
9 May 2022	Dividend payment date
4 August 2022	First half-year 2022 results
10 November 2022	First nine months 2022 results

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FURTHER INFORMATION

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

ABOUT IMCD

IMCD, based in Rotterdam, the Netherlands, is a market leader in the marketing, sales 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. 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 29 April 2022, 7:00 am CET.