IMCD reports 12% EBITA growth in the first nine months of 2019

Rotterdam, The Netherlands (12 November 2019) - IMCD N.V. ("IMCD" or "Company"), a leading distributor of speciality chemicals and food ingredients, today announces its first nine months 2019 results.

Highlights

- Gross profit growth of 15% to EUR 457.3 million (+14% on a constant currency basis)
- Operating EBITA increase of 12% to EUR 175.7 million (+11% on a constant currency basis)
- Net result before amortisation and non-recurring items increase of 10% to EUR 120.1 million (+9% on a constant currency basis)
- Cash earnings per share increased by 15% to EUR 2.26
- 30 August, acquisition of the food ingredients business of Matrix (Singapore and Malaysia) and 18 September acquisition of Monachem and Addpol, expanding IMCD's position in the Advanced Materials industry in India
- Strengthening of pharma activities by signing agreements to acquire the shares of DCS Pharma AG (Switzerland) and 57% of the shares of Whawon Pharm Co. Ltd. (South Korea)

Piet van der Slikke, CEO: *"The first nine months resulted in an EBITA growth of 12% and a cash earnings per share growth of 15% versus the same period of last year. Both the Americas and Asia-Pacific performed satisfactorily whereas EMEA 's results were disappointing (EBITA -2%) caused by lower demand. Despite this, we are confident that we will continue to achieve our medium term targets on organic growth and we are positive about the acquisitions we have completed so far (Monachem and Matrix) and those we expect to complete this year (DCS, Switzerland and Whawon, South Korea).*"

Key figures

EUR million	Jan. 1 - Sept. 30 2019	Jan. 1 - Sept. 30 2018	Change	Change	Fx adj. Change
Revenue	2,061.0	1,754.6	306.4	17%	16%
Gross profit	457.3	398.7	58.6	15%	14%
Gross profit in % of revenue	22.2%	22.7%	(0.5%)		
Operating EBITA	175.7	156.6	19.1	12%	11%
Operating EBITA in % of revenue	8.5%	8.9%	(0.4%)		
Conversion margin	38.4%	39.3%	(0.9%)		
Net result before amortisation / non-recurring items	120.1	109.2	10.9	10%	9%
Free cash flow	139.6	109.0	30.6	28%	
Cash conversion margin	72.8%	68.0%	4.8%		
Earnings per share (weighted)	1.69	1.53	0.16	10%	10%
Cash earnings per share (weighted)	2.26	1.97	0.30	15%	14%
Number of full time employees end of period	2,840	2,507	333	13%	

Revenue

In the first nine months of 2019, revenue was EUR 2,061.0 million, an increase of 17% compared to the same period in 2018. All regions contributed to the increase. On a constant currency basis, the increase in revenue is 16%, driven by the first time inclusion of companies acquired in 2018.

Gross profit

Gross profit, defined as revenue less cost of materials and inbound logistics, increased from EUR 398.7 million to EUR 457.3 million, an increase of 15% compared to the first nine months of 2018. On a constant currency basis, gross profit growth was 14%, consisting of organic growth of 1% and the impact of the first time inclusion of acquisitions of 13%.

Gross profit in % of revenue decreased from 22.7% in the first nine months of 2018 to 22.2% in 2019. The gross profit margin development is the result of the first time inclusion of acquired companies with lower than IMCD's average gross profit margins, changes in local market conditions, currency exchange rate movements and the usual fluctuations in the product mix.

Operating EBITA

Operating EBITA increased by 12% from EUR 156.6 million in the first nine months of 2018 to EUR 175.7 million in the same period of 2019. On a constant currency basis, the increase was 11%.

The growth in operating EBITA was a combination of organic growth, the impact of the first time inclusion of acquisitions completed in 2018 and 2019 and the initial application of the new lease accounting standard (IFRS 16).

The operating EBITA in % of revenue decreased by 0.4%-point from 8.9% in the first nine months of 2018 to 8.5% in 2019.

The conversion margin, defined as operating EBITA as a percentage of gross profit, was 38.4% compared to 39.3% in the first nine months of 2018.

Cash flow and capital expenditure

Compared to the first nine months of 2018, free cash flow increased by 28%, from EUR 109.0 million to EUR 139.6 million. The cash conversion margin, defined as free cash flow as a percentage of operating EBITDA, was 72.8% compared to 68.0% in the first nine months of 2018. The increase in free cash flow and cash conversion margin in 2019 is the result of higher operating EBITDA and lower investments in net working capital. The initial application of IFRS 16 had a negative impact on the cash conversion margin of 5.5%. Based on the previous accounting standards, the cash conversion margin would have been 78.3%.

In the first nine months of 2019, the investment in working capital (sum of inventories, trade and other receivables minus trade and other payables) was EUR 35.2 million, compared to EUR 50.4 million in the same period of 2018. Working capital investments are the result of increased business activities.

Capital expenditure was EUR 3.5 million in the first nine months of 2019 (first nine months of 2018: EUR 2.5 million) and mainly relates to improvements of the ICT infrastructure and office furniture and equipment.

Net debt

As at 30 September 2019, net debt was EUR 671.8 million compared to EUR 610.7 million as at 31 December 2018. The initial application of IFRS 16 resulted in an increase of reported net debt of EUR 70.8 million in the first nine months of 2019.

The leverage ratio (net debt/operating EBITDA, including the full year impact of acquisitions), including new debt as a result of the implementation of IFRS 16, as at the end of September 2019, was 2.8 times EBITDA (31 December 2018: 2.8). The leverage ratio as at the end of September 2019 based on the definition used in the IMCD loan documentation, was 2.6 times EBITDA (31 December 2018: 2.8), which is well below the maximum of 3.5 as allowed under the loan documentation.

Developments by operating segment

The reporting segments are defined as follows:

- EMEA: all operating companies in Europe, Turkey and Africa
- Americas: all operating companies in the United States of America, Canada, Brazil and Puerto Rico, Chile, Argentina and Uruguay
- Asia Pacific: all operating companies in Australia, New Zealand, India, China, Malaysia, Indonesia, Philippines, Thailand, Singapore, Vietnam and Japan
- 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 2019 by operating segments are as follows.

EMEA

EUR million	Jan. 1 - Sept. 30 2019	Jan. 1 - Sept. 30 2018	Change	Change	Fx adj. change
Revenue	1,010.2	927.7	82.5	9%	10%
Gross profit	250.1	231.7	18.5	8%	9%
Gross profit in % of revenue	24.8%	25.0%	(0.2%)		
Operating EBITA	98.1	100.5	(2.4)	(2%)	(1%)
Operating EBITA in % of revenue	9.7%	10.8%	(1.1%)		
Conversion margin	39.2%	43.4%	(4.2%)		

In the first nine months of 2019, revenue growth was 9% compared to the same period of 2018 (10% on a constant currency basis). Gross profit increased from EUR 231.7 in the first nine months of 2018 to EUR 250.1 million in 2019, an increase of 8% (9% on a constant currency basis). In the first nine months of 2019, gross profit in % of revenue was 24.8% compared to 25.0% in the same period of 2018.

Operating EBITA decreased by 2% from EUR 100.5 million in the first nine months of 2018 to EUR 98.1 million in 2019. On a constant currency basis the decrease of the operating EBITA was 1%. Operating EBITA in % of revenue decreased by 1.1%-point in the first nine months of 2019 compared to the same period in 2018. The figures of the first nine months of 2019 include the positive impact of the acquisition of Velox GmbH completed in September 2018. The decrease in operating EBITA margin is primarily driven by lower than IMCD's average EBITA margins of Velox GmbH, acquired in September 2018.

On 31 October 2019, IMCD signed an agreement to acquire in two steps, 100% of the outstanding shares of Basel (Switzerland) based pharmaceutical distributor DCS Pharma AG ("DCS"); 90% of the shares upon fulfilment of transaction-related conditions and the remaining 10% as per 31 December 2021. DCS' product portfolio covers a range of Active Pharmaceutical Ingredients for the pharmaceutical and nutraceutical industries. DCS operates in eight markets, including Spain, Italy, Germany, Mexico, and China. In 2018, DCS generated a revenue of CHF 68 million with 64 employees.

Americas

EUR million	Jan. 1 - Sept. 30 2019	Jan. 1 - Sept. 30 2018	Change	Change	Fx adj. change
Revenue	760.0	578.7	181.3	31%	26%
Gross profit	148.4	114.9	33.5	29%	24%
Gross profit in % of revenue	19.5%	19.9%	(0.4%)		
Operating EBITA	62.3	46.0	16.3	35%	29%
Operating EBITA in % of revenue	8.2%	8.0%	0.2%		
Conversion margin	42.0%	40.1%	1.9%		

In the first nine months of 2019 revenue growth was 31%, compared to the same period of 2018 (26% on a constant currency basis). Gross profit increased by 29% to EUR 148.4 million in 2019, compared to EUR 114.9 million in the first nine months of 2018. Gross profit in % of revenue decreased by 0.4%-point to 19.5%.

Operating EBITA increased by 35% from EUR 46.0 million in the first nine months of 2018 to EUR 62.3 million in 2019 (+29% on a constant currency basis).

The increase in operating EBITA in 2019 is the result of organic growth, the impact of the acquisition of E.T. Horn completed in July 2018 and positive foreign currency rate developments.

Asia Pacific

EUR million	Jan. 1 - Sept. 30 2019	Jan. 1 - Sept. 30 2018	Change	Change	Fx adj. change
Revenue	290.9	248.1	42.8	17%	16%
Gross profit	58.8	52.1	6.7	13%	12%
Gross profit in % of revenue	20.2%	21.0%	(0.8%)		
Operating EBITA	25.8	23.4	2.4	10%	10%
Operating EBITA in % of revenue	8.9%	9.4%	`		
Conversion margin	44.0%	45.0%	(1.0%)		

Revenue increased by 17% in the first nine months of 2019 compared to the same period of 2018. On a constant currency basis, revenue growth is 16%. Gross profit increased by 13%, from EUR 52.1 million in the first nine months of 2018 to EUR 58.8 million in 2019 (+12% on a constant currency basis). Gross profit in % of revenue was 20.2% compared to 21.0% in the first nine months of 2018.

Operating EBITA increased by 10% from EUR 23.4 million in the first nine months of 2018 to EUR 25.8 million in 2019.

The results of the first nine months of 2019 include the positive impact of the acquisition of Aroma Chemical Agencies (India) Pvt. Ltd. and Alchemie Pvt. Ltd., completed in November 2018 and the inverse impact of the divestment of the flavour and fragrance manufacturing activities in Australia and New Zealand in March 2019.

On 30 August 2019, IMCD acquired the food distribution business of Matrix Ingredients International Pte. Ltd., Maxim Ingredients International Pte. Ltd. and Matrix Ingredients Sdn. Bhd. (together: "Matrix") in Singapore and Malaysia. Matrix provides ingredients, technical services and formulation advice in the savoury and processed meat segment in both Singapore and Malaysia markets. In 2018, Matrix generated revenue of SGD 6.5 million.

On 18 September 2019, IMCD acquired 100% of the shares of Monachem Additives Private Limited ("Monachem") and Addpol Chemspecialities Private Limited ("Addpol"). Monachem and Addpol, with offices in Vadodara, India, are engaged in supplying and selling a comprehensive range of speciality chemicals for the advanced materials industry. In the financial year ending March 31st, 2019, Monachem and Addpol generated revenue of INR 800 million with 22 employees.

On 4 November 2019, IMCD signed an agreement to acquire 57% of the outstanding shares of Seoul (South Korea) based pharmaceutical ingredient distributor Whawon Pharm Co. Ltd. ("Whawon"). Initially, IMCD will acquire 57% of the total share capital from the existing Whawon management, who will continue to lead the company. The remaining 43%, will be maintained by the management, for a period up to 5 years after closing. Whawon is a leading pharmaceutical distributor in South Korea with a focus on Pharmaceutical Formulation Ingredients. In 2018, the company generated a revenue of KRW 57 billion (about EUR 44 million) with 54 employees.

Holding companies

EUR million	Jan. 1 - Sept. 30 2019	Jan. 1 - Sept. 30 2018	Change	Change	Fx adj. change
Operating EBITA	(10.5)	(13.3)	2.8	(21%)	(22%)
Operating EBITA in % of total revenue	(0.5%)	(0.8%)	0.3%		

Operating EBITA of Holding companies relates to all non-operating companies, including the head office in Rotterdam and the regional offices in Singapore and in New Jersey, US.

Operating expenses decreased by EUR 2.8 million from EUR 13.3 million in the first nine months of 2018 to EUR 10.5 million in 2019. The decrease in operating expenses is the balance of increased operational expenses resulting from the further strengthening of the support functions in both Rotterdam and the regional head offices and the impact of the adoption of IFRS 16 in 2019.

Impact IFRS 16

The effect on the operating EBITA of the application of IFRS 16 in the first nine months of 2019 is EUR 3.7 million. The following table shows the impact of the application of IFRS 16 on the operating EBITA by segment.

EUR million	EMEA	Americas	Asia Pacific	Holding companies	Consolidated
Operating EBITA before IFRS 16	97.9	62.1	25.7	(13.6)	172.1
Impact IFRS 16	0.2	0.2	0.2	3.1	3.7
Operating EBITA after IFRS 16	**98.1**	**62.3**	**25.8**	**(10.5)**	**175.7**

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

Based on its performance in the first nine months of 2019 and the strong fundamentals of the business, IMCD expects operating EBITA growth in 2019.

Financial calendar

27 February 2020	Full year 2019 results
7 May 2020	First quarter 2020 trading update
7 May 2020	Annual General Meeting
18 August 2020	First half year 2020 results
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Further information

Today's analyst call will start at 9:30 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 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 2,379 million in 2018 with nearly 2,800 employees in over 47 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 about 43,000 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 12 November 2019, 07:00 CET.