IMCD reports 26% EBITA growth in the first nine months of 2018

Rotterdam, The Netherlands (7 November 2018) - IMCD N.V. ("IMCD" or "Company"), a leading distributor of speciality chemicals and food ingredients, today announces its first nine months 2018 results.

Highlights

- Gross profit growth of 25% to EUR 398.7 million (+30% on a constant currency basis)
- Operating EBITA increase of 26% to EUR 156.6 million (+32% on a constant currency basis)
- Net result before amortisation and non-recurring items increase of 28% to EUR 109.2 million (+33% on a constant currency basis)
- Cash earnings per share increased by 23% to EUR 1.97
- Acquisition of Velox GmbH, completed on 26 September 2018, expanding IMCD's European network in the plastics, composites and other specialities markets.

Piet van der Slikke, CEO: *"The strong growth we reported after 6 months has continued, resulting in an increase of operating EBITA of 26% (+32% on a constant currency basis) in the first 9 months. All regions contributed with robust organic growth and in addition, in North America we benefitted from the recent acquisitions we have made. In September, we completed the acquisition of Velox, based in Hamburg, Germany with subsidiaries in many European countries. We have started the integration process of this company as well as of E.T. Horn, which we acquired end of July. We will continue executing our strategy and keep working hard to deliver superior value to our suppliers, customers and consequently to our shareholders.*"

Key figures

EUR million	Jan. 1 - Sept. 30 2018	Jan. 1 - Sept. 30 2017	Change	Change	Fx adj. Change
Revenue	1,754.6	1,411.3	343.3	24%	29%
Gross profit	398.7	317.9	80.8	25%	30%
Gross profit in % of revenue	22.7%	22.5%	0.2%		
Operating EBITA[1]	156.6	123.8	32.8	26%	32%
Operating EBITA in % of revenue	8.9%	8.8%	0.1%		
Conversion margin[2]	39.3%	39.0%	0.3%		
Net result before amortisation / non-recurring items	109.2	85.5	23.7	28%	33%
Free cash flow[3]	109.0	115.5	(6.5)	(6%)	
Cash conversion margin[4]	68.0%	90.7%	(22.7%)		
Earnings per share (weighted)	1.53	1.18	0.35	29%	34%
Cash earnings per share (weighted)[5]	1.97	1.60	0.37	23%	28%
Number of full time employees end of period	2,507	2,258	249	11%	

[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, plus/less changes in working capital, less capital expenditures
[4] Free cash flow in percentage of Operating EBITDA
[5] Result for the year before amortisation (net of tax)

Revenue

In the first nine months of 2018, revenue was EUR 1,754.6 million, an increase of 24% compared to the same period in 2017. All regions contributed to the increase. On a constant currency basis, the increase in revenue was 29%, consisting of organic growth (+11%) and the impact of the first time inclusion of acquired companies (+18%).

Gross profit

Gross profit, defined as revenue less cost of materials and inbound logistics, increased from EUR 317.9 million to EUR 398.7 million, an increase of 25% compared to the first nine months of 2017. On a constant currency basis, the gross profit growth was 30%, consisting of organic growth of 15% and the impact of the first time inclusion of acquisitions of 15%.

Gross profit in % of revenue increased from 22.5% in the first nine months of 2017 to 22.7% in 2018. The increase of 0.2%-point is the result of the first time inclusion of acquired companies, local market circumstances, currency rate changes and the usual fluctuations in the product mix.

Operating EBITA

Operating EBITA increased by 26% from EUR 123.8 million in the first nine months of 2017 to EUR 156.6 million in the same period of 2018. On a constant currency basis, the increase is 32%.

The growth in operating EBITA was a combination of organic growth and the impact of the first time inclusion of acquired companies. The operating EBITA in % of revenue increased from 8.8% in the first nine months of 2017 to 8.9% in 2018.

The conversion margin, defined as operating EBITA as a percentage of gross profit, increase by 0.3%-point from 39.0% in the first nine months of 2017 to 39.3% in 2018.

Cash flow and capital expenditure

Compared to the first nine months of 2017, free cash flow decreased by 6%, from EUR 115.5 million to EUR 109.0 million. The cash conversion margin, defined as free cash flow as a percentage of operating EBITDA, was 68.0% compared to 90.7% in the first nine months of 2017. The higher operating EBITDA was more than offset by higher working capital investments, driven by organic revenue growth.

In the first nine months of 2018, the investment in working capital (sum of inventories, trade and other receivables minus trade and other payables) was EUR 50.4 million, compared to EUR 10.9 million in the same period of 2017. The higher working capital investment in 2018 is the result of new and increased business activities, partly offset by the impact of the depreciation of non-EUR currencies in 2018.

Capital expenditure was EUR 2.5 million in the first nine months of 2018 (first nine months of 2017: EUR 2.5 million) and mainly relates to improvements of the ICT infrastructure and office furniture and equipment.

Net debt

As at 30 September 2018, net debt was EUR 619.9 million compared to EUR 490.0 million as at 31 December 2017. The leverage ratio (net debt/operating EBITDA, including the full year impact of acquisitions) as at the end of September 2018 was 2.9 times EBITDA (31 December 2017: 2.8).

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 2018 by operating segments are as follows.

EMEA

EUR million	Jan. 1 - Sept. 30 2018	Jan. 1 - Sept. 30 2017	Change	Change	Fx adj. change
Revenue	927.7	871.9	55.8	6%	8%
Gross profit	231.7	209.0	22.7	11%	13%
Gross profit in % of revenue	25.0%	24.0%	1.0%		
Operating EBITA	100.5	87.9	12.5	14%	17%
Operating EBITA in % of revenue	10.8%	10.1%	0.7%		
Conversion margin	43.4%	42.1%	1.3%		

Revenue growth of 6% to EUR 927.7 million in the first nine months of 2018 (+8% on a constant currency basis). Gross profit increased by 11% (+13% on a constant currency basis). In the first nine months of 2018, gross profit in % of revenue was 25.0%, an improvement of 1.0%-point compared to the same period of 2017.

Operating EBITA growth of 14% from EUR 87.9 million in the first nine months of 2017 to EUR 100.5 million in 2018. On a constant currency basis the growth of the operating EBITA was 17%. Operating EBITA in % of revenue increased by 0.7%-point in the first nine months of 2018 compared to the same period in 2017.

On 26 September 2018, IMCD acquired 100% of the outstanding shares of Velox GmbH (Velox), a group of companies with its headquarters in Hamburg, Germany. With its extensive commercial network accross Europe and its long-standing relationships with global suppliers in the plastics, composites and other speciality markets, Velox is an excellent fit with IMCD's existing operations. With approximately 255 employees in 18 countries, Velox generated EUR 155 million revenue and a normalised EBITDA of EUR 5.4 million in 2017.

Americas

EUR million	Jan. 1 - Sept. 30 2018	Jan. 1 - Sept. 30 2017	Change	Change	Fx adj. change
Revenue	578.7	302.7	276.0	91%	108%
Gross profit	114.9	60.1	54.8	91%	109%
Gross profit in % of revenue	19.9%	19.8%	0.1%		
Operating EBITA	46.0	26.0	20.1	77%	92%
Operating EBITA in % of revenue	8.0%	8.6%	(0.6%)		
Conversion margin	40.1%	43.2%	(3.1%)		

In the first nine months of 2018 revenue growth was 91% compared to the same period of 2017 (108% on a constant currency basis). Gross profit increased by 91% to EUR 114.9 million in 2018 compared to EUR 60.1 million in the first nine months of 2017. Gross profit in % of revenue increased by 0.1%-point to 19.9%.

Operating EBITA increased by 77% from EUR 26.0 million in the first nine months of 2017 to EUR 46.0 million in 2018 (+92% on a constant currency basis).

The increase in operating EBITA is the result of organic growth and the impact of the acquisition of Boscco industries completed in July 2017, L.V. Lomas completed in September 2017 and E.T. Horn completed in July 2018.

On 31 July 2018, IMCD acquired 100% of the outstanding shares of E.T. Horn (HORN). HORN is a leading speciality chemicals distributor in the US with a focus on coatings, construction, plastics, personal care, human food & nutrition, animal nutrition, nutraceuticals and other specialities. With a head office in La Mirada, California, HORN represents leading suppliers and is primarily focused on the West and South West regions in the US. In 2017, HORN generated revenue of USD 276 million and normalised EBITDA of USD 12 million and has approximately 200 employees.

Asia Pacific

EUR million	Jan. 1 - Sept. 30 2018	Jan. 1 - Sept. 30 2017	Change	Change	Fx adj. change
Revenue	248.1	236.7	11.4	5%	13%
Gross profit	52.1	48.9	3.2	7%	15%
Gross profit in % of revenue	21.0%	20.7%	0.3%		
Operating EBITA	23.4	21.0	2.4	12%	21%
Operating EBITA in % of revenue	9.4%	8.9%	0.5%		
Conversion margin	45.0%	42.9%	2.1%		

Revenue increased organically by 5% in the first nine months of 2018 compared to the same period of 2017. On a constant currency basis, revenue growth is 13%. Gross profit increased by 7%, from EUR 48.9 million in the first nine months of 2017 to EUR 52.1 million in 2018 (+15% on a constant currency basis). Gross profit in % of revenue is 21.0% compared to 20.7% in the first nine months of 2017.

Operating EBITA increased by 12% from EUR 21.0 million in the first nine months of 2017 to EUR 23.4 million in 2018.

Holding companies

EUR million	Jan. 1 - Sept. 30 2018	Jan. 1 - Sept. 30 2017	Change	Change	Fx adj. change
Operating EBITA	(13.3)	(11.1)	(2.2)	20%	23%

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. The increase in operating expenses reflects the strengthening of the support functions, facilitating the growth of IMCD.

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 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 2018 and the strong fundamentals of the business, IMCD expects operating EBITA growth in 2018.

Financial calendar

1 March 2019	Full year 2018 results
8 May 2019	First quarter 2019 trading update
8 May 2019	Annual General Meeting
16 August 2019	First half year 2019 results
For further information:	Investor Relations T: +31 (0)10 290 86 84 ir@imcdgroup.com

Further information

Today's analyst call will start at 10 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 1,907 million in 2017 with more than 2,200 employees in over 45 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 37,000 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 7 November 2018, 07:00 CET.