Press release

IMCD reports 6% EBITA growth in the first three months of 2023

Rotterdam, The Netherlands (26 April 2023) - IMCD N.V. ("IMCD" or "Company"), a leading distributor of speciality chemicals and ingredients, today announces its first three months 2023 results

HIGHLIGHTS

- Gross profit growth of 8% to EUR 300.0 million (+9% on a constant currency basis)
- Operating EBITA increase of 6% to EUR 148.5 million (+8% on a constant currency basis)
- Result for the year increase of 5% to EUR 82.6 million (+6% on a constant currency basis)
- Cash earnings per share increased by 5% to EUR 1.74 (first three months of 2022: EUR 1.65)
- Successful completion of the acquisitions of Orange Chemicals in the UK, Sanrise in China, ACM in Sweden and Tradeimpex in India
- Agreement signed to acquire 100% of the shares of CPS Oil-Tech in South Africa

Piet van der Slikke, CEO: *"After record growth in 2022, I am pleased to report that IMCD's results grew again in Q1. All regions contributed to the growth, despite the continuing difficult geopolitical and macroeconomic conditions. Markets and supply chains remain unpredictable, requiring agility of our teams. In the first quarter of 2023, we realised an operating EBITA of EUR 148.5 million (+8% forex adjusted). In addition, we generated healthy cash flows of EUR 147.1 million resulting in a strong cash conversion margin of 97.4%. Together we continue to look for opportunities to further strengthen our business model through acquisitions and expansion of our product and supplier portfolio and to optimise our customer excellence."*

KEY FIGURES

EUR MILLION	JAN. 1 - MARCH 31, 2023	JAN. 1 - MARCH 31, 2022	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	1,160.4	1,106.5	53.9	5%	5%
Gross profit	300.0	277.4	22.6	8%	9%
Gross profit as a % of revenue	25.9%	25.1%	0.8%		
Operating EBITA[1]	148.5	139.9	8.6	6%	8%
Operating EBITA as a % of revenue	12.8%	12.6%	0.2%		
Conversion margin[2]	49.5%	50.4%	(0.9%)		
Result for the year	82.6	78.6	4.0	5%	6%
Free cash flow[3]	147.1	66.1	81.0	123%	
Cash conversion margin[4]	97.4%	46.3%	51.1%		
Earnings per share (weighted)	1.45	1.38	0.07	5%	6%
Cash earnings per share (weighted)[5]	1.74	1.65	0.09	5%	6%
Number of full time employees end of period	4,507	3,950	557	14%	

[1] Result from operating activities before amortisation of intangibles and non-recurring items
[2] Operating EBITA as a 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 as a percentage of adjusted operating EBITDA (operating EBITDA plus non-cash share-based payment costs minus lease payments)
[5] Result for the year before amortisation (net of tax) divided by the weighted average number of outstanding shares

Creating a world of opportunity

Revenue

In the first three months of 2023, revenue increased by 5% to EUR 1,160.4 million, compared with EUR 1,106.5 million in the same period in 2022. On a constant currency basis, revenue growth was 5%, and was mainly driven by the impact of the first time inclusion of companies acquired in 2022 and 2023.

Gross profit

Gross profit, defined as revenue less cost of materials and inbound logistics, increased by 8% from EUR 277.4 million in the first three months of 2022 to EUR 300.0 million in 2023. On a constant currency basis, the increase in gross profit is 9%, consisting of organic growth of 5% and growth as a result of the first time inclusion of acquisitions completed in 2022 and 2023 of 4%.

Gross profit as a % of revenue increased by 0.8%-point from 25.1% in the first three months of 2022 to 25.9% in 2023. 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 6% from EUR 139.9 million in the first three months of 2022 to EUR 148.5 million in the same period of 2023. On a constant currency basis, operating EBITA increased by 8%. 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 2022 and 2023. Operating EBITA as a % of revenue increased by 0.2%-point from 12.6% in the first three months of 2022 to 12.8% in 2023.

The conversion margin, defined as operating EBITA as a percentage of gross profit, decreased from 50.4% in the first three months of 2022 to 49.5% in 2023. The decrease in conversion margin is the result of higher gross profit margins being more than offset by the growth of the operating expenses.

Cash flow and capital expenditure

Free cash flow increased by EUR 81.0 million, from EUR 66.1 million in the first three months of 2022 to EUR 147.1 million in 2023.

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 97.4% compared with 46.3% in the first three months of 2022. The increase of the cash conversion margin in 2023 is the result of higher operating EBITDA combined with lower 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 2023 was EUR 2.1 million compared with EUR 74.7 million in the first three months of 2022. The decrease in net working capital investment is predominantly the result of modest revenue growth in the first three months of 2023 compared with the same period of last year, and the impact of exchange rate differences. As at the end of March 2023, net working capital in days of revenue was 60 days (March 2022: 58 days).

In the first three months of 2023, capital expenditure was EUR 1.8 million compared with EUR 1.9 million in the same period of 2022, and mainly relates to investments in the ICT infrastructure, office improvements and technical and office equipment.

Net debt

As at 31 March 2023, net debt was EUR 1,112.1 million compared with EUR 1,026.9 million as of 31 December 2022.

On 13 February 2023, IMCD completed the refinancing of its multi-currency revolving credit facility. The new facility, with a maturity date of 8 February 2028, amounts to EUR 600 million and can be drawn in EUR and USD as well as, to an agreed sub-limit, in AUD and GBP. The revolving credit facility has an interest margin dependent on external credit ratings. For the new revolving credit facility a maximum leverage of 3.75 times EBITDA (with a spike period maximum of 4.25), tested semi-annually is applicable.

The leverage ratio (net debt/operating EBITDA ratio including full year impact of acquisitions) as at the end of March 2023, was 1.8 times EBITDA (31 December 2022: 1.7). Calculated on the basis of the definitions used in the IMCD loan documents of the new revolving facility, the actual leverage was 1.3 times EBITDA (31 December 2022: 1.3), which is well below the applicable maximum of 4.25.

Equity

In January and February IMCD transferred 21,503 respectively 11,998 own shares to settle its annual obligations under its long-term incentive plan. As at 31 March 2023, the number of own shares held by IMCD was 67,774 (31 December 2022: 101,275).

DEVELOPMENTS BY OPERATING SEGMENT

The reporting segments are defined as follows:

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

The developments in the first three months of 2023 by operating segments are as follows.

EMEA

EUR MILLION	JAN. 1 - MARCH 31, 2023	JAN. 1 - MARCH 31, 2022	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	524.3	512.0	12.3	2%	5%
Gross profit	143.8	135.7	8.1	6%	9%
Gross profit as a % of revenue	27.4%	26.5%	0.9%		
Operating EBITA	71.3	68.3	3.0	4%	7%
Operating EBITA as a % of revenue	13.6%	13.3%	0.3%		
Conversion margin	49.6%	50.3%	(0.7%)		

Revenue was EUR 524.3 million in the first three months of 2022, compared with EUR 512.0 million in the same period of 2022 (+2%). Gross profit increased by 6% from EUR 135.7 million in the first three months of 2022 to EUR 143.8 million in 2023. On a constant currency basis, gross profit growth was 9%. Gross profit margin increased by 0.9%-point from 26.5% in the first three months of 2022, to 27.4% in 2023.

Operating EBITA increased by 4%, from EUR 68.3 million in the first three months of 2022 to EUR 71.3 million in 2022 (+7% on a constant currency basis). Compared with the same period in 2022, operating EBITA as a % of revenue increased by 0.3%-point to 13.6% in the first three months of 2023.

On 16 February 2023, IMCD signed an agreement to acquire 100% of the shares in CPS Chemical Oil-Tech (Pty) Ltd ("CPS Oil-Tech"), a distributor of raw materials to the petroleum, additive, grease manufacturing and other industry related segments in South Africa. With 8 employees, CPS Oil-Tech generated revenues of approximately EUR 12 million in the financial year that ended on February 28, 2022. The closing of the transaction is subject to customary closing conditions and regulatory approval and is expected to take place in the second quarter of 2023.

On 28 February 2023, IMCD acquired 100% of the shares in Orange Chemicals Ltd ("Orange Chemicals"), a distributor of performance chemicals throughout the UK and Ireland. Orange Chemicals, headquartered in Winchester, generated revenues of approximately EUR 30 million in the financial year 2022 and adds seven employees to the IMCD UK team.

On 20 April 2023, IMCD acquired 100% of the share capital of ACM AB ("ACM"), a distributor of minerals and chemicals. Based in Sweden, ACM is mostly active within the coatings, adhesives, paper, plastics, rubber, and construction industries. With six employees ACM generated revenues of approximately EUR 13 million in 2022.

The first three months of 2023 results include the impact of the acquisition Polychem (South Eastern Europe) in February 2022 and Evenlode (UK and Ireland) in March 2022.

Americas

EUR MILLION	JAN. 1 - MARCH 31, 2023	JAN. 1 - MARCH 31, 2022	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	375.4	359.4	16.0	4%	1%
Gross profit	92.9	84.6	8.3	10%	6%
Gross profit as a % of revenue	24.8%	23.6%	1.2%		
Operating EBITA	46.5	41.7	4.8	11%	8%
Operating EBITA as a % of revenue	12.4%	11.6%	0.8%		
Conversion margin	50.0%	49.3%	0.7%		

Revenue increased by 4% from EUR 359.4 million in the first three months of 2022 to EUR 375.4 million in the same period of 2023. On a constant currency basis, revenue growth was 1%. Gross profit increased by 10% to EUR 92.9 million in the first three months of 2023 (+6% on a constant currency basis).

Gross profit as a percentage of revenue increased by 1.2%-point from 23.6% in the first three months of 2022 to 24.8% in 2023, which is the result of margin improvement initiatives and changes in the product mix.

Operating EBITA increased by 11% in the first three months of 2023, compared with the same period in 2022. On a constant currency basis operating EBITA increased by 8%.

The first three months of 2023 results include the impact of the acquisition Polyorganic (Brazil) and Quelaris (LATAM regional) in March 2022, and Promaplast (Mexico) in September 2022.

Asia-Pacific

EUR MILLION	JAN. 1 - MARCH 31, 2023	JAN. 1 - MARCH 31, 2022	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	260.8	235.1	25.7	11%	14%
Gross profit	63.4	57.1	6.3	11%	14%
Gross profit as a % of revenue	24.3%	24.3%	(0.0%)		
Operating EBITA	38.8	37.2	1.6	4%	8%
Operating EBITA as a % of revenue	14.9%	15.8%	(0.9%)		
Conversion margin	61.2%	65.1%	(3.9%)		

In the first three months of 2023 revenue increased by 11% to EUR 260.8 million (+14% on a constant currency basis). Gross profit increased by 11% from EUR 57.1 million in the first three months of 2022 to EUR 63.4 million in the same period of 2023 (+14% on a constant currency basis). In line with the first three months of 2022, gross profit as a % of revenue was 24.3% in 2023.

Compared with the same period in 2022, operating EBITA increased by 4% to EUR 38.8 million in the first three months of 2023 (+8% on a constant currency basis). Operating EBITA as a % of revenue decreased by 0.9%-point to 14.9%.

On 15 March 2023, IMCD completed the acquisition of 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 revenues of approximately EUR 90 million in 2021. The transaction will take place in two tranches, with first 70% of Sanrise's share capital acquired in March 2023, and the remaining 30% to be acquired in 2025.

On 20 April 2023, IMCD acquired 100% of the shares in Tradeimpex Polymers (India) Private Limited ("Tradeimpex"), a distributor of high-performance polymers and engineering plastics. With 24 employees, Tradeimpex generated revenues of approximately EUR 39 million in the financial year that ended on March 31, 2022.

The first three months of 2023 results include the impact of the acquisition RPL Trading (Australia and New Zealand) and Syntec (China) in January 2022, Aquatech (China) in February 2022, Kuni Chemical (Japan) in September 2022, and Welex (China) and Parkash DyeChem (India) in December 2022.

Holding companies

EUR MILLION	JAN. 1 - MARCH 31, 2023	JAN. 1 - MARCH 31, 2022	CHANGE	CHANGE	FX ADJ. CHANGE
Operating EBITA	(8.1)	(7.4)	(0.7)	(10%)	(8%)
Operating EBITA as a % of total revenue	(0.7%)	(0.7%)	- %		

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 the USA.

Operating costs increased by EUR 0.7 million from EUR 7.4 million in 2022 to EUR 8.1 million in 2023. 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.

Given the macro-economic uncertainties it is prudent not to give a near-term trading outlook.

FINANCIAL CALENDAR

26 April 2023	Annual General Meeting
26 April 2023	Dividend announcement
28 April 2023	Ex-dividend date
2 May 2023	Dividend record date
4 May 2023	Dividend payment date
4 August 2023	First half-year 2023 results
10 November 2023	First nine months 2023 results

For further information:

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FURTHER INFORMATION

Today's analyst conference call and webcast will start at 09:00 am CET. A recording of the call and the webcast will be made available on the IMCD website (www.imcdgroup.com).

Non-IFRS financial measures and ratios

This press release contains certain non-IFRS financial measures and ratios, which are not recognised measures of financial performance or liquidity under IFRS. Operating EBITA is defined as result from operating activities before amortisation of intangibles and non-recurring item. Non-recurring items include cost of corporate restructurings and reorganisations and cost related to realised and non-realised acquisitions.

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 4,601 million in 2022 with more than 4,300 employees in over 60 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 60,000 customers and a diverse range of world class suppliers.

For further information, please visit www.imcdgroup.com

DISCLAIMER FORWARD LOOKING STATEMENTS

This press release contains inside information as meant in clause 7 of the Market Abuse Regulation and was issued on 26 April 2023, 7:00 am CET.