

Solvay second quarter 2024 results

Sequentially improved EBITDA and margin with solid cash performance supported by cost savings initiatives

Highlights

- **Net sales** in Q2 2024 stabilized sequentially reaching €1,194 million. Net Sales were down -6.7% organically versus Q2 2023, with a positive impact from volumes for the second consecutive quarter, while prices were down year over year.
- **Underlying EBITDA** in Q2 2024 increased sequentially by 2.6% reaching €272 million while the EBITDA margin improved sequentially for the second quarter in a row reaching 22.8%. Underlying EBITDA in Q2 was -17.2% lower organically compared to a record Q2 2023, with negative Net pricing partially offset by positive volume impact and further fixed costs improvements.
- **Structural cost savings** initiatives delivered solid results, with €46 million in H1 2024, and are expected to reach €80 million for the full year.
- **Underlying net profit** from continuing operations was €116 million in Q2 2024 vs. €211 million in Q2 2023.
- **Free Cash Flow¹** was strong at €120 million in Q2 2024, from solid EBITDA performance combined with continued prudence on Capex and discipline on working capital.
- **ROCE** was 17.6% in Q2 2024.
- **Underlying Net Debt** at €1.6 billion, implying a leverage ratio of 1.5x.
- **2024 Outlook:** Solvay tightens its guidance of organic growth of the underlying EBITDA to “-10% to -15%”. The guidance for Free Cash Flow¹ is upgraded to “higher than €300 million”, including Capex between €300 million and €350 million in 2024.

Underlying (in € million)	Second quarter				First quarter		First half			
	2024	2023	% yoy	% organic	2024	2023	2024	2023	% yoy	% organic
Net sales	1,194	1,274	-6.3%	-6.7%	1,201	1,355	2,396	2,629	-8.9%	-9.4%
EBITDA	272	357	-23.7%	-17.2%	265	365	538	722	-25.5%	-15.5%
<i>EBITDA margin</i>	22.8%	28.0%	-5.2pp	-	22.1%	26.9%	22.5%	27.4%	-5.0pp	-
FCF¹	120	516	-76.7%	-	² 123	-130	246	386	-36.2%	-
ROCE							17.6%	N/A	n.m	-

Note: 2023 figures were restated to reflect the changes mentioned in the *Financial performance* introduction.

Philippe Kehren, Solvay CEO

“We continued to deliver a solid performance in the second quarter, in what continues to be a challenging environment. Our focus on deploying our cost-saving initiatives was key, and the €46 million of structural cost savings achieved so far are a testimony of the hard work of our teams. The new operating model is becoming a reality and will make our organization more agile and efficient. I am also particularly happy to see our employees embracing the change and playing an active role in our transformation.

Thanks to our proactivity and prudence in the first six months, we are now in a position to tighten our guidance and accelerate our investments in digitalization and in our future growth.”

¹ Free Cash Flow (FCF) here is the free cash to Solvay shareholders from continuing operations.

² Solvay is applying the change in all its APMs since Q2 2024. The change in APM for Q1 has been applied to H1 numbers, and represents €2 million of FCF. FCF in Q1 2024, with the change in APM, would have been €126 million instead of €123 million.

Financial performance

The 2023 IFRS and underlying figures, presented below, were restated to present the effect of the partial Demerger of the Specialty Businesses and to reflect the transfer of eH2O2 activities from Special Chem to Peroxides on January 1, 2024.

The impact of the scope change of Alternative Performance Metric (APM) applied from January 1, 2024 to the material equity accounted investment in Peroxidos do Brasil, is explained in the Restatements paragraph of the financial report. The Q2 and H1 2023 figures have not been restated and are reflected as scope change.

Key figures

<i>Underlying key figures (in € million)</i>	Q2 2024	Q2 2023	% yoy	H1 2024	H1 2023	% yoy
Net sales	1,194	1,274	-6.3%	2,396	2,629	-8.9%
EBITDA	272	357	-23.7%	538	722	-25.5%
<i>EBITDA margin</i>	22.8%	28.0%	-5.2pp	22.5%	27.4%	-5.0pp
EBIT	197	278	-29.2%	381	563	-32.4%
Net financial charges	-40	-27	-47.0%	-71	-63	-13.0%
Income tax expenses	-41	-40	-0.7%	-74	-103	28.1%
<i>Tax rate</i>				24.2%	21.3%	+2.8pp
Profit from continuing operations	116	211	-44.8%	236	397	-40.6%
Profit from discontinued operations	0	219	n.m.	1	494	n.m.
(Profit) / loss attributable to non-controlling interests	-6	-3	n.m.	-9	-6	52.3%
Profit / (loss) attributable to Solvay shareholders	111	426	-74.0%	228	886	-74.3%
Basic earnings per share (in €)	1.05	4.10	-74.4%	2.17	8.53	-74.6%
of which from continuing operations	1.05	2.00	-47.7%	2.16	3.79	-43.0%
Capex in continuing operations	48	79	-39.2%	108	147	-26.2%
FCF to Solvay shareholders from continuing operations	120	516	-76.7%	246	386	-36.2%
Net financial debt				1,568	N/A	n.m.
Underlying leverage ratio				1.5	N/A	n.m.
ROCE (continuing operations)				17.6%	N/A	n.m.

Note: 2023 figures were restated to reflect the changes mentioned here above.

Group performance

Underlying net sales of €1,194 million for the second quarter of 2024 were -6.3% lower versus the Q2 2023 (-6.7% organically, with a limited scope, APM and conversion impact of +0.5%), mainly due to lower prices (-11.1%). Volumes were up (+4.4%), reflecting positive dynamics in some of our end-markets.

Underlying EBITDA of €272 million in Q2 2024 was down -23.7% (-17.2% organically), including a negative scope, APM and conversion impact (-7.8%) from the exit of the thermal insulation and energy third parties businesses, and the change in APM in relation with Peroxidos do Brasil. Volume impact was favorable (+9.0%), highlighting a slight recovery of demand in the majority of Solvay's end markets. Net pricing had a negative impact (-28.5%) due to the lower soda ash prices year on year, as expected, while it was very resilient for all other businesses. Cost savings initiatives continued to support both variable and fixed costs, with €27 million savings in Q2 2024. Fixed costs contributed positively to the EBITDA variation (+9.7%) thanks to these savings initiatives and from the overall good costs control, more than offsetting inflation. Overall, the EBITDA margin decreased by -5.2pp from a record Q2 2023 to +22.8%.

Free Cash Flow to Solvay shareholders from continuing operations amounted to €120 million in Q2 2024 thanks to the resilient EBITDA performance combined with controlled cash outs on Capex and working capital variations. This compares to €516 million of FCF in Q2 2023 due to a strong decrease of working capital following Q1 2023 increase.

Underlying net financial debt was €1.6 billion at the end of Q2 2024, stable versus end of Q1 2024 and +€0.1 billion compared to the end of 2023. Dividend cash outs were offset by the strong free cash flow delivery, while some phased out separation costs were cashed out as expected for €72 million.

2024 outlook

Solvay expects demand to remain broadly flat in the second half. Following the good performance in the first half and the accelerated delivery of cost savings, Solvay tightens its guidance of underlying EBITDA to -10% to -15% organic growth (previously -10% to -20%), which means circa €975 million to €1,040 million, at a 1.10 EUR/USD exchange rate. This is supported by €80 million expected cost savings for the full year.

Solvay upgrades its guidance of Free Cash Flow³, which is now expected to be higher than €300 million. That includes an acceleration of the Capex in the second half, which is expected to be between €300 million and €350 million in 2024.

Performance by segment

Basic Chemicals

Basic Chemicals sales in Q2 2024 were slightly up +0.6% (-6.3% organically) compared to Q2 2023, with positive impacts from conversion, scope and change in APM (+7.4%) and higher volumes (+8.6%) being offset by the negative price impact (-15.4%).

Soda Ash & Derivatives sales were lower by -9.7% (-11.3% organically) for the quarter, from lower prices in soda ash, in line with expectations, while volumes were higher in both soda ash and bicarbonate. Soda ash demand continued to be strong in the seaborne market, though this was partly offset by the reduced demand from container glass in Europe, while bicarbonate demand was supported by the feed and flue gas treatment applications.

Peroxides sales increased by +29.2% year on year, including the consolidation of the Peroxidos do Brasil sales (+5.1% organically). Volumes were up year on year in all end markets, merchant, HPPO and electronics.

The segment EBITDA was down -25.6% (-27.4% organically) in Q2 2024 following lower Net pricing and despite the positive volume impact and lower fixed costs. The EBITDA margin reached 27.3%, decreasing by -9.6pp compared to a record level in Q2 2023.

Performance Chemicals

Performance Chemicals sales in Q2 2024 were down -14.4% (-7.5% organically) compared to Q2 2023, with negative scope and conversion impact (-7.5%), essentially flat volumes (-1.1%) and lower prices (-5.8%).

Silica sales for the quarter were lower by -8.2% (-8.4% organically) from lower prices due to formula indexations, while volumes were higher both in the tire and in the consumer and industrial goods markets.

Coatis sales were down by -8.0% (-5.2% organically) but with improved market conditions despite continued competition. Net pricing improved year on year and sequentially in a lower costs environment.

Special Chem sales were lower year on year by -23.6% from the exit of the thermal insulation activities, while organically, sales were down -8.8%. Overall product mix improved with volumes up in rare earth and fluorine automotive markets and in rare earth healthcare applications, while they were down in the other fluorine end markets. In electronics, volumes were down year on year but improving sequentially.

The segment EBITDA for the quarter was down -8.1% but up +11.3% organically, thanks to a favorable product mix and lower fixed costs, while Net pricing was essentially flat. The EBITDA margin increased +1.4pp to 21.0%.

³ Free Cash Flow (FCF) here is the free cash to Solvay shareholders from continuing operations.

Corporate

For Q2 2024, EBITDA was €-23 million, €-9 million lower compared to Q2 2023 due to the exit of the energy third party supply activities. Organically, EBITDA variation was positive €+6 million.

Corporate costs include a €18 million provision in Q2 2024 (in addition to €29 million in H1 2023, €19 million in H2 2023 and €11 million in Q1 2024), related to the energy transition project in Dombasle, France. In a context of record high inflation and supply disruption in the past two years, the project faced construction challenges leading to record these provisions relating to delay and overrun. After full reassessment, the project is expected to be completed in H2 2025, and the provisions reflect this revised timeline and project plan. Solvay remains focused on its energy transition with several projects, such as the ones in the US and in Germany, currently under completion on time and on budget.

Overall for Corporate EBITDA in Q2, this negative impact has been more than offset by both non-structural and structural savings that continue to be above expectations.

Key segment figures

Segment review (in € million)	Underlying							
	Q2 2024	Q2 2023	% yoy	% organic	H1 2024	H1 2023	% yoy	% organic
Net sales	1,194	1,274	-6.3%	-6.7%	2,396	2,629	-8.9%	-9.4%
Basic Chemicals	708	704	0.6%	-6.3%	1,423	1,499	-5.0%	-10.6%
Soda Ash & Derivatives	468	518	-9.7%	-11.3%	961	1,116	-13.9%	-14.9%
Peroxides	240	186	29.2%	5.1%	462	383	20.7%	-0.4%
Performance Chemicals	483	565	-14.4%	-7.5%	967	1,123	-13.9%	-7.7%
Silica	141	153	-8.2%	-8.4%	286	316	-9.6%	-10.0%
Coatis	167	182	-8.0%	-5.2%	323	354	-8.7%	-8.6%
Special Chem	175	230	-23.6%	-8.8%	359	454	-21.0%	-4.8%
Corporate	2	5	-53.0%	<i>n.m.</i>	5	6	<i>n.m.</i>	<i>n.m.</i>
EBITDA	272	357	-23.7%	-17.2%	538	722	-25.5%	-15.5%
Basic Chemicals	194	260	-25.6%	-27.4%	395	509	-22.4%	-24.7%
Performance Chemicals	101	110	-8.1%	11.3%	181	227	-20.1%	-2.6%
Corporate	-23	-14	-65.1%	<i>n.m.</i>	-39	-15	<i>n.m.</i>	<i>n.m.</i>
EBITDA margin	22.8%	28.0%	-5.2pp	-	22.5%	27.4%	-5.0pp	-
Basic Chemicals	27.3%	36.9%	-9.6pp	-	27.8%	34.0%	-6.2pp	-
Performance Chemicals	21.0%	19.5%	+1.4pp	-	18.8%	20.2%	-1.5pp	-

Note: 2023 figures were restated to reflect the changes mentioned in the *Financial performance* introduction

More information, including the condensed consolidated interim financial statements, notes, reconciliation of the APM and definitions, can be found in the [financial report](#), which is available on Solvay's website.

Financial calendar

- November 6, 2024: First nine months 2024 earnings
- [Link to Solvay's financial calendar](#)

Details of analysts and investors conference call

- Time: July 31, 2024 - 2pm CEST
- Registration: register to the webcast [here](#).

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About Solvay

Solvay, a pioneering chemical company with a legacy rooted in founder Ernest Solvay's pivotal innovations in the soda ash process, is dedicated to delivering essential solutions globally through its workforce of over 9,000 employees. Since 1863, Solvay harnesses the power of chemistry to create innovative, sustainable solutions that answer the world's most essential needs such as purifying the air we breathe and the water we use, preserving our food supplies, protecting our health and well-being, creating eco-friendly clothing, making the tires of our cars more sustainable and cleaning and protecting our homes. Solvay's unwavering commitment drives the transition to a carbon-neutral future by 2050, underscoring its dedication to sustainability and a fair and just transition. As a world-leading company with €4.9 billion in net sales in 2023, Solvay is listed on Euronext Brussels and Paris (SOLB). For more information about Solvay, please visit solvay.com or follow [Solvay](#) on LinkedIn.

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