Press release

# IMCD reports 28% EBITA growth in the first three months of 2019

**Rotterdam, The Netherlands (8 May 2019) - IMCD N.V. ("IMCD" or "Company"), a leading distributor of speciality chemicals and food ingredients, today announces its first three months 2019 results.**

## Highlights

- Gross profit growth of 23% to EUR 157.9 million (+23% on a constant currency basis)
- Operating EBITA increase of 28% to EUR 63.7 million (+27% on a constant currency basis)
- Net result before amortisation and non-recurring items increase of 27% to EUR 44.5 million (+26% on a constant currency basis)
- Cash earnings per share increased by 25% to EUR 0.83 (first three months of 2018: EUR 0.67)

Piet van der Slikke, CEO: *"The year started very well with an EBITA growth of 28%, strong free cash flow and an increase of earnings per share of 22%. The Americas and Asia Pacific outperformed whereas EMEA could not continue its strong growth of last year. The integration of the businesses acquired in 2018 in Europe (Velox), the US (E.T. Horn) and India (Aroma Chemicals) progresses according to plan. We will continue to work hard to further strengthen our business model and to deliver positive results for all our stakeholders."*

## Key figures

| EUR million | Jan. 1 - March 31 2019 | Jan. 1 - March 31 2018 | Change | Change | Fx adj. change |
|---|---|---|---|---|---|
| Revenue | 704.8 | 566.3 | 138.5 | 24% | 24% |
| Gross profit | 157.9 | 128.3 | 29.6 | 23% | 23% |
| Gross profit in % of revenue | 22.4% | 22.7% | (0.3%) | | |
| Operating EBITA[1] | 63.7 | 49.9 | 13.8 | 28% | 27% |
| Operating EBITA in % of revenue | 9.0% | 8.8% | 0.2% | | |
| Conversion margin[2] | 40.4% | 38.9% | 1.5% | | |
| Net result before amortisation / non-recurring items | 44.5 | 35.1 | 9.3 | 27% | 26% |
| Free cash flow[3] | 49.8 | 32.4 | 17.4 | 54% | |
| Cash conversion margin[4] | 72.3% | 63.5% | 8.8% | | |
| Earnings per share (weighted) | 0.64 | 0.52 | 0.11 | 22% | 22% |
| Cash earnings per share (weighted)[5] | 0.83 | 0.67 | 0.17 | 25% | 25% |
| Number of full time employees end of period | 2,801 | 2,273 | 528 | 23% | |

[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)

IMCD

Value through expertise

## Revenue

In the first three months of 2019, revenue was EUR 704.8 million, an increase of 24% compared to the same period in 2018. All regions contributed to this growth. The increase in revenue consists of organic growth (4%) and the impact of the first time inclusion of acquired companies (20%).

## Gross profit

Gross profit, defined as revenue less cost of materials and inbound logistics, increased from EUR 128.3 million in the first three months of 2018 to EUR 157.9 million in 2019. The reported increase of gross profit of 23% consists of organic growth of 8% and growth as a result of the first time inclusion of acquisitions of 15%.

Gross profit in % of revenue decreased from 22.7% in the first three months of 2018 to 22.4% in 2019. The gross profit margin development is the result of the impact of the first time inclusion of acquired companies with lower than IMCD's average gross profit margins, changes in local market circumstances, currency exchange rate movements and the usual fluctuations in the product mix.

## Operating EBITA

Operating EBITA increased by 28% from EUR 49.9 million in the first three months of 2018 to EUR 63.7 million in 2019. On a constant currency basis the increase is 27%.

The growth in operating EBITA was a combination of organic growth, the first time inclusion of companies acquired in 2018, the impact of the new lease accounting standard (IFRS 16) and a minor positive impact resulting from currency exchange rates developments. The adoption of the new lease accounting standard in 2019 had a possitive impact on the operating EBITA of EUR 1.2 million (2%) in the first three months of 2019.

The operating EBITA in % of revenue increased by 0.2%-point from 8.8% in the first three months of 2018 to 9.0% in 2019.

The conversion margin, defined as operating EBITA as a percentage of gross profit, increased from 38.9% in the first three months of 2018 to 40.4% in 2019.

## Cash flow and capital expenditure

In the first three months of 2019, free cash flow was EUR 49.8 million, an increase of 54% compared to the first three months of 2018. The adoption of the new lease accounting standard had a positive impact on the free cash flow of EUR 4.9 million in the first three months of 2019.

The cash conversion margin, defined as free cash flow as a percentage of operating EBITDA, was 72.3% compared to 63.5% in the first three months of 2018. The increase of free cash flow and cash conversion margin in 2019 was primarily the result of higher operating EBITDA.

The investment in working capital (sum of inventories, trade and other receivables minus trade and other payables) in the first three months of 2019 was EUR 18.8 million compared to EUR 18.0 million in the first three months of 2018. Working capital investments were primarily driven by the strong business activities in the first three months of 2019.

Capital expenditure was EUR 0.9 million in 2019 compared to EUR 1.2 million in the first three months of 2018 and mainly relates to investments in the ICT infrastructure, office furniture and technical and office equipment.

## Net debt

As at 31 March 2019, net debt was EUR 653 million compared to EUR 611 million at year end 2018. The adoption of IFRS 16, the new lease accounting standard, resulted in an increase of reported debt of EUR 63 million in the first three months of 2019.

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

## 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, 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 three months of 2019 by operating segments are as follows.

### EMEA

| EUR million | Jan. 1 - March 31 2019 | Jan. 1 - March 31 2018 | Change | Change | Fx adj. change |
|---|---|---|---|---|---|
| Revenue | 358.0 | 315.6 | 42.4 | 13% | 15% |
| Gross profit | 88.6 | 78.0 | 10.5 | 13% | 15% |
| Gross profit in % of revenue | 24.7% | 24.7% | 0.0% | | |
| Operating EBITA | 36.5 | 34.3 | 2.2 | 6% | 8% |
| Operating EBITA in % of revenue | 10.2% | 10.9% | (0.7%) | | |
| Conversion margin | 41.2% | 43.9% | (2.7%) | | |

Revenue growth was 13% in the first three months of 2019 compared to the same period of 2018 (+15% on a constant currency basis). Gross profit increased by 13% (+15% on a constant currency basis) whereby gross profit margin remained stable at 24.7%.

Operating EBITA growth of 6% from EUR 34.3 million in the first three months of 2018 to EUR 36.5 million in 2019. On a constant currency basis, the growth of the operating EBITA was 8%. Operating EBITA in % of revenue decreased by 0.7%-point in the first three months of 2019 compared to the same period in 2018. The decrease in operating EBITA margin is primarily the result of the lower than IMCD's average margins of Velox GmbH, acquired in September 2018.

### Americas

| EUR million | Jan. 1 - March 31 2019 | Jan. 1 - March 31 2018 | Change | Change | Fx adj. change |
|---|---|---|---|---|---|
| Revenue | 250.8 | 169.9 | 80.9 | 48% | 42% |
| Gross profit | 49.9 | 33.7 | 16.2 | 48% | 43% |
| Gross profit in % of revenue | 19.9% | 19.8% | 0.1% | | |
| Operating EBITA | 21.8 | 12.4 | 9.4 | 76% | 67% |
| Operating EBITA in % of revenue | 8.7% | 7.3% | 1.4% | | |
| Conversion margin | 43.8% | 36.7% | 7.1% | | |

Compared to the same period of 2018, revenue growth was 48% in the first three months of 2019 (+42% on a constant currency basis). Gross profit increased by 48% to EUR 49.9 million in 2019 compared to EUR 33.7 million in the first three months of 2018. Gross profit in percentage of revenue increased by 0.1%-point to 19.9%.

Operating EBITA increased by 76% from EUR 12.4 million in the first three months of 2018 to EUR 21.8 million in 2019 (+67% on a constant currency basis).

The first three months 2019 figures include the impact of the acquisition of E.T. Horn (US) completed in July 2018.

## Asia Pacific

| EUR million | Jan. 1 - March 31 2019 | Jan. 1 - March 31 2018 | Change | Change | Fx adj. change |
|---|---|---|---|---|---|
| Revenue | 96.0 | 80.8 | 15.2 | 19% | 19% |
| Gross profit | 19.5 | 16.6 | 2.9 | 18% | 18% |
| Gross profit in % of revenue | 20.4% | 20.6% | (0.2%) | | |
| Operating EBITA | 8.9 | 7.6 | 1.4 | 18% | 18% |
| Operating EBITA in % of revenue | 9.3% | 9.4% | (0.1%) | | |
| Conversion margin | 45.7% | 45.6% | 0.1% | | |

In the first three months of 2019 revenue increased by 19%, compared to the same period of 2018 (+19% on a constant currency basis). In the first three months of 2019 gross profit increased by 18% to EUR 19.5 million compared to EUR 16.6 million in the same period of 2018 (+18% on a constant currency basis). Gross profit in % of revenue decreased by 0.2%-point from 20.6% in the first three months of 2018 to 20.4% in 2019.

Operating EBITA increased by 18% to EUR 8.9 million (+18% on a constant currency basis). Operating EBITA in % of revenue decreased by 0.1%-point to 9.3%.

The first three months 2019 results include the impact of the acquisition of Aroma Chemical Agencies (India) Pvt. Ltd. and Alchemie Agencies Pvt. Ltd, completed in November 2018.

## Holding companies

| EUR million | Jan. 1 - March 31 2019 | Jan. 1 - March 31 2018 | Change | Change | Fx adj. change |
|---|---|---|---|---|---|
| Operating EBITA | (3.5) | (4.3) | 0.8 | 19% | 20% |
| Operating EBITA in % of total revenue | (0.5%) | (0.8%) | 0.3% | | |

Operating EBITA of Holding companies represents the central head office in Rotterdam as well as the regional head offices in Singapore and New Jersey, US.

Operating costs decreased by EUR 0.8 million from EUR 4.3 million in 2018 to EUR 3.5 million in 2019. This decrease 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 the new lease accounting standard in 2019 of EUR 1.0 million.

## 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 relations 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 the performance in the first three months of 2019 and the strong fundamentals of the business, IMCD expects operating EBITA growth in 2019.

## Financial calendar

| | |
|---|---|
| 8 May 2019 | Annual General Meeting<br>Dividend announcement |
| 10 May 2019 | Ex-dividend date |
| 13 May 2019 | Record date |
| 14 May 2019 | Payment date |
| 16 August 2019 | First half year 2019 results |
| 12 November 2019 | Third quarter 2019 trading update |
| 27 February 2020 | Full year 2019 results |
| For further information: | Investor Relations<br>T: +31 (0)10 290 86 84<br>ir@imcdgroup.com |

## Further information

Today's analysts call will start at 9 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 around 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.