

Press release

IMCD reports 58% EBITA growth in the first half of 2022

Rotterdam, The Netherlands (4 August 2022) - IMCD N.V. ("IMCD" or "Company"), a leading distributor of speciality chemicals and ingredients, today announces its first half year 2022 results.

HIGHLIGHTS

- Gross profit growth of 42% to EUR 584.2 million (+36% on a constant currency basis)
- Operating EBITA increase of 58% to EUR 296.7 million (+52% on a constant currency basis)
- Net result increase of 68% to EUR 177.0 million (+60% on a constant currency basis)
- Cash earnings per share increased by 57% to EUR 3.68 (first half of 2021: EUR 2.34)
- In the second quarter of 2022, IMCD signed an agreement to acquire 100% of the shares of Welex, based in China

Piet van der Slikke, CEO: "IMCD's first six months showed record growth with an increase of 58% of operating EBITA. The trend of strong demand and increased prices continued. In addition, we were able to attract new product lines and the acquired businesses performed beyond expectation. Obviously there is a lot of macro-economic and political uncertainty which makes future developments difficult to predict. We remain however confident in our strong and resilient business model operating with a highly competent and motivated staff across the world in various market segments with a wide variety of products."

KEY FIGURES

EUR MILLION	JAN. 1 - JUNE 30, 2022	JAN. 1 - JUNE 30, 2021 ¹	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	2,317.9	1,673.9	644.0	38%	33%
Gross profit	584.2	410.9	173.3	42%	36%
Gross profit as a % of revenue	25.2%	24.5%	0.7%		
Operating EBITA ²	296.7	187.4	109.3	58%	52%
Operating EBITA as a % of revenue	12.8%	11.2%	1.6%		
Conversion margin ³	50.8%	45.6%	5.2%		
Net result	177.0	105.6	71.4	68%	60%
Free cash flow ⁴	117.6	113.7	3.9	3%	
Cash conversion margin ⁵	38.9%	59.2%	(20.3%)		
Earnings per share (weighted)	3.11	1.86	1.25	68%	60%
Cash earnings per share (weighted) ⁶	3.68	2.34	1.34	57%	50%
Number of full time employees end of period	4,013	3,516	497	14%	

¹ The figures for 2021 have been restated as a result of a change in accounting policy following the IFRIC agenda decision on cloud computing arrangements published in March 2021

² Result from operating activities before amortisation of intangibles and non-recurring items

³ Operating EBITA in percentage of gross profit

⁴ Operating EBITDA excluding non-cash share-based payment expenses, less lease payments, plus/less changes in working capital, less capital expenditures

⁵ Free cash flow in percentage of adjusted operating EBITDA (operating EBITDA plus non-cash share-based payment costs minus lease payments)

⁶ Result for the year before amortisation (net of tax) divided by the weighted average number of outstanding shares

Revenue

In the first half of 2022, revenue increased by 38% to EUR 2,317.9 million, compared with the same period of 2021. On a constant currency basis, the increase in revenue is 33%, consisting of organic growth of 26% and the impact of the first-time inclusion of companies acquired in 2021 and 2022 of 7%.

Gross profit

Gross profit, defined as revenue less costs of materials and inbound logistics, increased by 42% from EUR 410.9 million in the first half of 2021 to EUR 584.2 million in the same period of 2022. On a constant currency basis, the gross profit growth was 36%, consisting of organic growth of 30% and the impact of the first-time inclusion of businesses acquired in 2021 and 2022 of 6%.

Gross profit in % of revenue increased by 0.7%-point from 24.5% in the first half of 2021 to 25.2% in 2022. The gross profit margin increase is the result of changes in local market conditions, gross margin improvement initiatives, currency exchange rate movements and fluctuations in the product mix.

Operating EBITA

Operating EBITA increased by 58% from EUR 187.4 million in the first half of 2021 to EUR 296.7 million in the same period of 2022. On a constant currency basis operating EBITA increased by 52%. The growth in operating EBITA, on a constant currency basis, is a combination of organic growth (+45%) and the impact of the first-time inclusion of companies acquired in 2021 and 2022 (+7%).

The operating EBITA in % of revenue increased by 1.6%-point from 11.2% in the first half of 2021 to 12.8% in 2022.

The conversion margin, defined as operating EBITA as a percentage of gross profit, increased by 5.2%-point from 45.6% in the first half of 2021 to 50.8% in 2022. The increase in conversion margin is the result of substantial organic EBITA growth, whereby organic gross profit growth more than compensated organic own cost growth.

Cash flow and capital expenditure

In the first half of 2022, free cash flow was EUR 117.6 million compared with EUR 113.7 million in the first half of 2021 (+EUR 3.9 million).

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 payments), was 38.9% compared with 59.2% in the first half of 2021. The decrease of the cash conversion margin in 2022 is the result of higher operating EBITDA more than offset by higher investments in net working capital, together with higher capital expenditures, compared to the first half of 2021.

The investment in net working capital (sum of inventories, trade and other receivables minus trade and other payables) in the first half of 2022 was EUR 179.9 million compared with EUR 76.0 million in the first half of 2021. Working capital investments were primarily driven by increased business activities. As at the end of June 2022, net working capital in days of revenue was 65 days (June 2021: 56 days).

Capital expenditure was EUR 5.1 million in the first half of 2022 compared with EUR 2.3 million in the same period of 2021 and mainly relates to investments in the ICT infrastructure, office improvements and technical and office equipment.

Net debt

As at 30 June 2022, net debt was EUR 1,137.8 million compared with EUR 940.0 million as at 31 December 2021.

The leverage ratio (net debt/operating EBITDA ratio including full year impact of acquisitions) as at the end of June 2022, was 2.2 times EBITDA (31 December 2021: 2.3). Calculated on the basis of the definitions used in the IMCD loan documentation, the leverage ratio at the end of June 2022 was 1.5 times EBITDA (31 December 2021: 1.5), which is well below the maximum of 3.5 as allowed under the loan documentation.

The leverage development in the first half of 2022 is, among other things, influenced by a dividend payment of EUR 92.2 million in May and by considerations paid for acquired business of EUR 92.6 million.

DEVELOPMENTS BY OPERATING SEGMENT

The reporting segments are defined as follows:

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

The developments by operating segment in the first half of 2022 are as follows.

EMEA

EUR MILLION	JAN. 1 - JUNE 30, 2022	JAN. 1 - JUNE 30, 2021	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	1,052.3	800.6	251.7	31%	32%
Gross profit	280.0	206.7	73.3	35%	36%
Gross profit as a % of revenue	26.6%	25.8%	0.8%		
Operating EBITA	140.4	92.5	47.9	52%	54%
Operating EBITA as a % of revenue	13.3%	11.6%	1.7%		
Conversion margin	50.1%	44.8%	5.3%		

Revenue increased by 31% from EUR 800.6 million in the first half of 2021 to EUR 1,052.3 million in 2022. On a constant currency basis, revenue growth was 32%. Gross profit increased by 35% to EUR 280.0 million in the first half of 2022 (+36% on a constant currency basis). Gross profit margin increased by 0.8%-point to 26.6%.

Operating EBITA increased by 52% from EUR 92.5 million in the first half of 2021 to EUR 140.4 million in 2022. On a constant currency basis the increase in operating EBITA was 54%. Compared with the same period in 2021, operating EBITA in % of revenue increased by 1.7%-point to 13.3% in the first half of 2022.

The first half of 2022 figures include the impact the acquisition of Polychem Handelsges.m.b.H. (Austria and Southeast Europe), completed in February 2022 and Evenlode Foods Ltd (UK), completed in March 2022.

Americas

EUR MILLION	JAN. 1 - JUNE 30, 2022	JAN. 1 - JUNE 30, 2021	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	773.1	530.6	242.5	46%	31%
Gross profit	183.7	118.9	64.8	55%	39%
Gross profit as a % of revenue	23.8%	22.4%	1.4%		
Operating EBITA	93.1	54.4	38.7	71%	53%
Operating EBITA as a % of revenue	12.0%	10.3%	1.7%		
Conversion margin	50.7%	45.8%	4.9%		

In the first half of 2022, revenue increased by 46% compared to the same period of 2021. On a constant currency basis, revenue growth was 31%. Gross profit increased by 55% to EUR 183.7 million in 2022, compared with EUR 118.9 million in the first half of 2021 (+39% on a constant currency basis). Gross profit margin increased by 1.4%-point from 22.4% in the first half of 2021 to 23.8% in 2022.

Operating EBITA increased by 71% from EUR 54.4 million in the first half of 2021 to EUR 93.1 million in 2022. On a constant currency basis operating EBITA increased by 53%. Operating EBITA in % of revenue increased by 1.7%-point to 12.0%.

The first half of 2022 figures include the impact the acquisition of Siliconas y Quimicos (Colombia) and Andes Chemical Corp (Central America, Colombia and Peru) completed in May 2021, Materias Químicas de México S.A. de C.V. and Pluralmex S.A de C.V. (Mexico) completed in August 2021, and Polyorganic® Tecnologia Ltda (Brazil) and Quelaris Internacional S.A. (Colombia, Costa Rica and Peru) completed in March 2022.

Asia Pacific

EUR MILLION	JAN. 1 - JUNE 30, 2022	JAN. 1 - JUNE 30, 2021	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	492.5	342.7	149.8	44%	36%
Gross profit	120.4	85.3	35.1	41%	34%
Gross profit as a % of revenue	24.4%	24.9%	(0.5%)		
Operating EBITA	79.1	54.2	24.9	46%	38%
Operating EBITA as a % of revenue	16.1%	15.8%	0.3%		
Conversion margin	65.7%	63.6%	2.1%		

In the first half of 2022, revenue increased by 44% to EUR 492.5 million (+36% on a constant currency basis). Gross profit increased by 41% to EUR 120.4 million in the first half of 2022, compared with EUR 85.3 million in the same period in 2021 (+34% on a constant currency basis). Gross profit in % of revenue was 24.4% in the first half of 2022, compared with 24.9% in the same period of 2021.

Operating EBITA increased by 46% from EUR 54.2 million in the first half of 2021 to EUR 79.1 million in 2022 (+38% on a constant currency basis). In the first half of 2022, operating EBITA in % of revenue was 16.1% compared with 15.8% in the same period of last year.

On 21 June 2022, IMCD signed an agreement to acquire 100% of the shares of Welex S.A. Holdings Limited and certain related business ("Welex"), based in China. Welex focuses on industries covering coatings and inks, textiles, additives for speciality compounding, and agrochemicals. Welex generated a revenue of approximately EUR 39 million in 2021 and has 68 employees across China. The transaction is expected to close in October 2022.

The first half year of 2022 results include the impact of the acquisition of Shanghai Yuanhe Chemicals Co. (China) completed in June 2021, PT Megasetia Agung Kimia (Indonesia) completed in December 2021, Shanghai Syntec Additive Limited and Shanghai Weike Additive Limited (China) and RPL Trading (Australia and New Zealand) completed in January 2022, and Aquatech Speciality (Shanghai) International Trading Co., Ltd. (China) completed in February 2022.

Holding companies

EUR MILLION	JAN. 1 - JUNE 30, 2022	JAN. 1 - JUNE 30, 2021 ¹	CHANGE	CHANGE	FX ADJ. CHANGE
Operating EBITA	(15.9)	(13.8)	(2.1)	(15%)	(13%)
Operating EBITA as a % of revenue	(0.7%)	(0.8%)	0.1%		

¹ The figures for 2021 have been restated as a result of a change in accounting policy following the IFRIC agenda decision on cloud computing arrangements published in March 2021

Operating EBITA of Holding companies represents costs relating to the central head office in Rotterdam and the regional head offices in Singapore and in the USA.

Operating expenses increased by EUR 2.1 million from EUR 13.8 million in the first half of 2021 to EUR 15.9 million in 2022. The cost increase reflects the growth of IMCD and as a consequence the 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.

Based on the performance in the first half year 2022 and the strong fundamentals of its business, IMCD expects operating EBITA growth in 2022.

FINANCIAL CALENDAR

10 November 2022	First nine months 2022 results
24 February 2023	Full year 2022 results
26 April 2023	First quarter 2023 results
26 April 2023	Annual General Meeting
For further information:	Investor Relations
	T: +31 (0)102908684
	ir@imcdgroup.com

FURTHER INFORMATION

Today's analysts conference call and webcast will start at 10:00 am CET. A recording of the call and webcast will be made available on the IMCD website (www.imcdgroup.com).

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 3,435 million in 2021 with more than 3,700 employees in over 50 countries on six 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 56,000 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 4 August 2022, 07:00 am CET.

IMCD N.V.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST HALF YEAR 2022

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR 1,000	NOTE	30 JUNE 2022	31 DECEMBER 2021
Assets			
Property, plant and equipment		110,061	97,932
Goodwill		1,366,097	1,257,011
Other intangible assets		569,807	551,088
Intangible assets		1,935,904	1,808,099
Equity-accounted investees		59	71
Other financial assets		5,574	5,422
Deferred tax assets		32,396	35,393
Non-current assets		2,083,994	1,946,917
Inventories		646,453	526,300
Trade and other receivables		857,148	619,462
Cash and cash equivalents		182,695	177,879
Current assets		1,686,296	1,323,641
Total assets		3,770,290	3,270,558

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR 1,000	NOTE	30 JUNE 2022	31 DECEMBER 2021
Equity	9		
Share capital		9,118	9,118
Share premium		1,051,438	1,051,438
Reserves		(2,268)	(63,895)
Retained earnings		372,779	255,888
Unappropriated result		177,051	207,276
Total shareholders' equity		1,608,118	1,459,825
Non-controlling interests		1,621	1,529
Total equity		1,609,739	1,461,354
Liabilities			
Loans and borrowings	10	986,015	666,853
Employee benefits		29,171	29,258
Provisions		12,481	6,494
Deferred tax liabilities		128,273	122,251
Total non-current liabilities		1,155,940	824,856
Other short term financial liabilities	10	334,481	451,050
Trade payables		509,039	403,010
Other payables		161,091	130,288
Total current liabilities		1,004,611	984,348
Total liabilities		2,160,551	1,809,204
Total equity and liabilities		3,770,290	3,270,558

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

EUR 1,000	NOTE	JAN. 1 - JUNE 30, 2022	JAN. 1 - JUNE 30, 2021 ¹
Revenue	6	2,317,927	1,673,895
Other income		11,021	16,728
Operating income		2,328,948	1,690,623
Cost of materials and inbound logistics		(1,733,760)	(1,263,028)
Cost of warehousing, outbound logistics and other services		(67,753)	(48,672)
Wages and salaries		(133,195)	(110,190)
Social security and other charges		(36,279)	(29,258)
Depreciation of property, plant and equipment		(14,827)	(13,129)
Amortisation of intangible assets		(36,904)	(31,669)
Other operating expenses		(53,376)	(37,329)
Operating expenses		(2,076,094)	(1,533,275)
Result from operating activities		252,854	157,348
Finance income		993	738
Finance costs		(8,792)	(8,616)
Net finance costs	7	(7,799)	(7,878)
Share of profit of equity-accounted investees, net of tax		(12)	11
Result before income tax		245,043	149,481
Income tax expense		(68,023)	(43,840)
Result for the year		177,020	105,641
Result for the year attributable to the shareholders of the Company		177,051	105,641
Result for the year attributable to non-controlling interest		(31)	-
Result for the year		177,020	105,641
Gross profit ²		584,167	410,867
Gross profit in % of revenue		25.2%	24.5%
Operating EBITA ³	4	296,714	187,395
Operating EBITA in % of revenue		12.8%	11.2%

¹ The figures for 2021 have been restated as a result of a change in accounting policy following the IFRIC agenda decision on cloud computing arrangements published in March 2021

² Revenue minus cost of materials and inbound logistics

³ Result from operating activities before amortisation of intangibles and non-recurring items

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME (CONTINUED)

EUR 1,000	JAN. 1 - JUNE 30, 2022	JAN. 1 - JUNE 30, 2021 ¹
Result for the year	177,020	105,641
Defined benefit plan actuarial gains/(losses)	1,614	253
Related tax	(443)	(101)
Items that will never be reclassified to profit or loss	1,171	152
Foreign currency translation differences re foreign operations	68,626	24,090
Related tax	(857)	(824)
Items that are or may be reclassified to profit or loss	67,769	23,266
Other comprehensive income for the period, net of income tax	68,940	23,418
Total comprehensive income for the period	245,960	129,059
Total comprehensive income attributable to:		
Shareholders of the Company	245,837	129,059
Non-controlling interests	123	-
Total comprehensive income for the period	245,960	129,059
Weighted average number of shares	56,947,309	56,936,176
Basic earnings per share	3.11	1.86
Diluted earnings per share	3.15	1.89

¹ The figures for 2021 have been restated as a result of a change in accounting policy following the IFRIC agenda decision on cloud computing arrangements published in March 2021

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000	NOTE	SHARE CAPITAL	SHARE PREMIUM	TRANSLATION RESERVE	HEDGING RESERVE	RESERVE OWN SHARES	OTHER RESERVES	RETAINED EARNINGS	UNAPPROPRIATED RESULT	TOTAL SHAREHOLDERS' EQUITY	NON-CONTROLLING INTEREST	TOTAL EQUITY
Balance as at 31 December 2021		9,118	1,051,438	(58,285)	(100)	(2,172)	(3,337)	255,888	207,276	1,459,825	1,529	1,461,354
Adjustment for IAS 29 - Turkey	3	-	-	-	-	-	-	4,953	-	4,953	-	4,953
Balance as at 1 January 2022		9,118	1,051,438	(58,285)	(100)	(2,172)	(3,337)	260,841	207,276	1,464,778	1,529	1,466,307
Appropriation of prior year's result		-	-	-	-	-	-	115,047	(115,047)	-	-	-
		9,118	1,051,438	(58,285)	(100)	(2,172)	(3,337)	375,887	92,229	1,464,778	1,529	1,466,307
Result for the year		-	-	-	-	-	-	-	177,051	177,051	(31)	177,020
Total other comprehensive income		-	-	67,646	-	-	1,171	-	-	68,817	123	68,940
Total comprehensive income for the year		-	-	67,646	-	-	1,171	-	177,051	245,868	92	245,960
Cash dividend		-	-	-	-	-	-	-	(92,229)	(92,229)	-	(92,229)
Share based payments		-	-	-	-	-	(1,674)	(7,789)	-	(9,463)	-	(9,463)
Purchase and transfer own shares		-	-	-	-	(5,517)	-	4,681	-	(836)	-	(836)
Total contributions by and distributions to owners of the Company		-	-	-	-	(5,517)	(1,674)	(3,108)	(92,229)	(102,528)	-	(102,528)
Balance as at 30 June 2022	9	9,118	1,051,438	9,361	(100)	(7,689)	(3,840)	372,779	177,051	1,608,118	1,621	1,609,739

EUR 1,000	SHARE CAPITAL	SHARE PREMIUM	TRANSLATION RESERVE	HEDGING RESERVE	RESERVE OWN SHARES	OTHER RESERVES	RETAINED EARNINGS	UNAPPROPRIATED RESULT	TOTAL SHAREHOLDERS' EQUITY	NON-CONTROLLING INTEREST	TOTAL EQUITY ¹
Balance as at 1 January 2021	9,118	1,051,438	(114,329)	(206)	(3,893)	(4,774)	194,927	120,128	1,252,408	-	1,252,408
Appropriation of prior year's result	-	-	-	-	-	-	62,000	(62,000)	-	-	-
	9,118	1,051,438	(114,329)	(206)	(3,893)	(4,774)	262,369	58,128	1,252,408	-	1,252,408
Result for the year	-	-	-	-	-	-	-	105,641	105,641	-	105,641
Total other comprehensive income	-	-	23,266	-	-	152	-	-	23,418	-	23,418
Total comprehensive income for the year	-	-	23,266	-	-	152	-	105,361	129,059	-	129,059
Cash dividend	-	-	-	-	-	-	-	(58,128)	(58,128)	-	(58,128)
Share based payments	-	-	-	-	-	(2,191)	(4,323)	-	(6,514)	-	(6,514)
Purchase and transfer own shares	-	-	-	-	1,688	-	4,700	-	6,388	-	6,388
Total contributions by and distributions to owners of the Company	-	-	-	-	1,688	(2,191)	377	(58,128)	(58,254)	-	(58,254)
Balance as at 30 June 2021	9,118	1,051,438	(91,063)	(206)	(2,205)	(6,813)	262,746	105,361	1,323,213	-	1,323,213

¹ The figures for 2021 have been restated as a result of a change in accounting policy following the IFRIC agenda decision on cloud computing arrangements published in March 2021

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	NOTE	JAN. 1 - JUNE 30, 2022	JAN. 1 - JUNE 30, 2021 ¹
Cash flows from operating activities			
Result for the period		177,020	105,641
Adjustments for:			
• Depreciation of property, plant and equipment		14,827	13,129
• Amortisation of intangible assets		36,904	31,669
• Net finance costs excluding currency exchange results		12,005	9,589
• Currency exchange results		(4,206)	(1,711)
• One-off other operating income		-	(6,224)
• Cost of share based payments		2,538	2,150
• Share of profit of equity-accounted investees, net of tax		12	(11)
• Income tax expense		68,023	43,840
		307,123	198,072
Change in:			
• Inventories		(81,695)	(27,822)
• Trade and other receivables		(184,867)	(115,004)
• Trade and other payables		86,650	66,874
• Provisions and employee benefits		(1,547)	(108)
Cash generated from operating activities		125,665	122,012
Interest paid		(14,026)	(11,743)
Income tax paid		(57,079)	(24,796)
Net cash from operating activities		54,559	85,473
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired and divestures	5	(92,575)	(70,140)
Acquisition of intangible assets		(3,448)	(8,523)
Acquisition of property, plant and equipment		(5,077)	(2,290)
Acquisition of other financial assets		152	(1,892)
Net cash used in investing activities		(100,947)	(82,845)
Cash flows from financing activities			
Dividends paid	9	(92,229)	(58,082)
Purchase of and transfer own shares		(7,369)	-
Share based payments		(5,465)	(3,964)
Payment of transaction costs related to loans and borrowings		(2,346)	(0)
Movements in bank loans and other short term financial liabilities	10, 11	32,992	2,565
Proceeds from issue of current and non-current loans and borrowings		504,161	136,257
Repayment of loans and borrowings	10, 11	(375,174)	(105,686)
Redemption of lease liabilities		(10,746)	(10,029)
Net cash from financing activities		43,824	(38,939)
Net increase in cash and cash equivalents		(2,564)	(36,312)
Cash and cash equivalents as at 1 January		177,879	169,008
Effect of exchange rate fluctuations		7,380	5,688
Cash and cash equivalents as at 30 June		182,695	138,384

¹ The figures for 2021 have been restated as a result of a change in accounting policy following the IFRIC agenda decision on cloud computing arrangements published in March 2021

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Reporting entity

IMCD N.V. (the 'Company') is a public limited company domiciled in The Netherlands and registered in The Netherlands Chamber of Commerce Commercial register under number 21740070. The address of the Company's registered office is Wilhelminaplein 32, Rotterdam. The condensed consolidated interim financial statements of the Company as at and for the first half year ended 30 June 2022, comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Company is acting as the parent company of the IMCD Group, a group of companies leading in sales, marketing and distribution of speciality chemicals, pharmaceutical and food ingredients. The Group has offices in Europe, Africa, North and Latin America and Asia Pacific.

2. Basis of preparation

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements and should be read in conjunction with the consolidated financial statements of IMCD as at and for the year ended 31 December 2021. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2021.

The condensed consolidated interim financial statements were prepared by the Management Board and were authorised for issue by the Supervisory Board on 3 August 2022.

Functional and presentation currency

The condensed consolidated interim financial statements are presented in Euro, which is the Company's functional currency. All financial information presented in Euro has been rounded to the nearest thousand, unless mentioned differently.

Use of estimates and judgements

In preparing the condensed consolidated interim financial statements, Management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2021.

3. Changes in significant accounting policies

Except for the change in accounting referred to hereafter, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2021.

A number of new and amended standards are effective from 1 January 2022 but did not have a material effect on the Company's condensed consolidated financial statements. The Company has not early-adopted any standard, interpretation or amendment that has been issued but is not yet effective and endorsed.

IAS 29 Financial reporting in hyperinflationary economies

As per June 2022, Turkey has been added to the list of countries with a hyperinflation economy. IAS 29 Financial Reporting in Hyperinflationary Economies has been applied to IMCD's operations in Turkey.

As a consequence, the balance sheet of IMCD Turkey has been restated, which resulted in a positive adjustment of the retained earnings opening balance of EUR 5.0 million.

4. Operating segments

In presenting information on the basis of operating segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets with the exception of assets related to holding companies, which are presented in a separate reporting unit.

The reporting segments used are defined as follows:

- EMEA: all operating companies in Europe, Turkey, 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 and the Dominican Republic
- 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.

EMEA

EUR 1,000	JAN. 1 - JUNE 30, 2022	JAN. 1 - JUNE 30, 2021
Revenue	1,052,307	800,595
Gross profit	280,019	206,685
Operating EBITA	140,413	92,506
Result from operating activities	122,768	78,303
Total Assets	1,208,289	1,010,220
Total Liabilities	426,969	343,157

Americas

EUR 1,000	JAN. 1 - JUNE 30, 2022	JAN. 1 - JUNE 30, 2021
Revenue	773,131	530,565
Gross profit	183,734	118,856
Operating EBITA	93,084	54,445
Result from operating activities	83,941	53,493
Total Assets	819,324	589,101
Total Liabilities	269,168	201,654

Asia Pacific

EUR 1,000	JAN. 1 - JUNE 30, 2022	JAN. 1 - JUNE 30, 2021
Revenue	492,489	342,735
Gross profit	120,414	85,326
Operating EBITA	79,114	54,237
Result from operating activities	62,339	38,968
Total Assets	1,364,929	993,915
Total Liabilities	512,035	338,645

Holding Companies

EUR 1,000	JAN. 1 - JUNE 30, 2022	JAN. 1 - JUNE 30, 2021 ¹
Operating EBITA	(15,897)	(13,793)
Result from operating activities	(16,194)	(13,416)
Total Assets	376,051	341,486
Total Liabilities	952,379	728,053

¹ The figures for 2021 have been restated as a result of a change in accounting policy following the IFRIC agenda decision on cloud computing arrangements published in March 2021

Results from operating activities

Operating EBITA is defined as the sum of the result from operating activities, amortisation of intangible assets and non-recurring items. Non-recurring items include costs related to corporate restructurings and reorganisations, cost related to realised and non-realised acquisitions and other non-recurring income and expenses.

EUR 1,000	JAN. 1 - JUNE 30, 2022	JAN. 1 - JUNE 30, 2021 ¹
Result from operating activities	252,854	157,348
Amortisation of intangible assets	36,904	31,669
Non-recurring items in result from operating activities	6,956	(1,622)
Operating EBITA	296,714	187,395

¹ The figures for 2021 have been restated as a result of a change in accounting policy following the IFRIC agenda decision on cloud computing arrangements published in March 2021

The non-recurring expenses in 2022 and 2021 relate to acquisitions and divestment of businesses and one-off adjustments to the organisation. The non-recurring expenses in 2022 include the estimated financial impact of the winding down of the operations in Russia.

5. Business combinations

On 18 January 2022, IMCD acquired 100% of the shares in Shanghai Syntec Additive Limited and Shanghai Weike Additive Limited (jointly “Syntec”). Syntec provides market, technical and formulation expertise in China's personal care, cosmetics, and home care industries. Syntec generated a revenue of approximately EUR 17 million in 2021 and has 25 employees.

On 31 January 2022, IMCD acquired 100% of the shares of RPL Trading, a speciality chemicals distributor focused on services and formulation expertise for customers and partners in the home care and water treatment markets. RPL Trading generated a revenue of approximately EUR 16 million for the fiscal year ended on 30 June 2021 and has 15 employees.

On 8 February 2022, IMCD acquired 100% of the shares in Polychem Handelsges.m.b.H. (“POLYchem”), a leading provider of chemical raw materials and additives in Austria and Southeast Europe. POLYchem offers a diverse portfolio of products for the coatings, construction, and composite industries. POLYchem has 65 employees and generated revenue of EUR 28 million in 2021.

On 28 February 2022, acquired 100% of the shares in Aquatech Speciality (Shanghai) International Trading Co., Ltd. and Aquatech Speciality (Guangzhou) Trading Co., Ltd. (“Aquatech”) in China. Aquatech is active in waterborne solutions in coatings, ink, and textile industries. Aquatech has 10 employees and generated a revenue of EUR 6 million in 2021.

On 2 March 2022, IMCD acquired 100% of the shares in Evenlode Foods Ltd (“Evenlode”) in the UK. Evenlode is active in speciality food and beverage ingredients throughout the UK and Ireland. Evenlode has 5 employees and generated a revenue of EUR 8.5 million in 2021.

On 4 March 2022, IMCD acquired 100% of the shares in speciality chemicals and ingredients distributor Polyorganic@ Tecnologia Ltda (“Polyorganic”). Headquartered in São Paulo, Brazil, Polyorganic is active in the household, industrial and institutional (HI&I), water treatment industry and other industrial markets segment in Brazil. In 2021, Polyorganic generated a revenue of approximately EUR 12 million.

On 22 March 2022, IMCD acquired 100% of the business and the subsidiaries of Quelaris Internacional S.A. (“Quelaris”). Quelaris is a LATAM regional raw material distributor with offices in Colombia, Costa Rica and Peru and has a strong presence in the polyurethane, coatings, adhesives, rubber and other industrial markets throughout the region. With 46 employees, Quelaris generated revenue of approximately USD 52 million in 2021.

On 21 June 2022, IMCD signed an agreement to acquire 100% of the shares of Welex S.A. Holdings Limited and certain related business (“Welex”), based in China. Welex focuses on industries covering coatings and inks, textiles, additives for speciality compounding, and agrochemicals. Welex generated a revenue of approximately EUR 39 million in 2021 and has 68 employees across China. The transaction is expected to close in October 2022.

The aforementioned transactions added EUR 47.8 million of revenue and EUR 3.4 million of result for the year to the Group's results in 2022. If the acquisitions had occurred on 1 January 2022, management estimates that the consolidated revenue would have been EUR 2,336.6 million and the consolidated net profit would have been EUR 178.2 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

Identifiable assets recognised and liabilities assumed

The recognised amounts of assets acquired and liabilities assumed on the basis of provisional purchase price allocation at the acquisition dates of the acquisitions completed in the first half of 2022, are as follows:

EUR 1,000	TOTAL
Property, plant and equipment	2,561
Intangible assets	33,141
Deferred tax assets	1,364
Other financial assets	46
Inventories	17,526
Trade and other receivables	31,173
Cash and cash equivalents	13,308
Loans and borrowings	(3,474)
Other short term financial liabilities	(3,718)
Employee benefits and other provisions	(6,038)
Deferred tax liabilities	(7,668)
Trade and other payables	(22,379)
Total net identifiable assets	55,842

Goodwill

The goodwill recognised as a result of the acquisitions is as follows:

EUR 1,000	TOTAL
Total consideration, including deferred and contingent considerations	113,776
Less: Fair value of identifiable net assets	55,842
Goodwill	57,935

The goodwill is mainly attributable to the skills and technical talent of the work force, the international network and the synergies expected to be achieved from integration of acquired companies into the Group's existing distribution business.

6. Revenue

The Group generates revenue primarily from the sale and distribution of speciality chemicals and ingredients. Other sources of revenue include revenue from commission where the Group acts as agent in the sale and distribution of speciality chemicals and ingredients.

EUR 1,000	JAN. 1 - JUNE 30, 2022	JAN. 1 - JUNE 30, 2021
Sales of goods	2,310,545	1,668,231
Commissions	7,382	5,664
Total revenue	2,317,927	1,673,895

In the following tables, revenue from contracts with customers is disaggregated by primary geographical market and their market segments, being Life Science and Industrial.

Geographical Market

The breakdown of revenue by geographical market is as follows:

EUR 1,000	JAN. 1 - JUNE 30, 2022	JAN. 1 - JUNE 30, 2021
Netherlands	46,107	34,623
Rest of EMEA	1,006,200	765,973
EMEA	1,052,307	800,595
North America	580,721	442,969
Latin America	192,410	87,595
Americas	773,131	530,565
Asia-Pacific	492,489	342,735
Total revenue	2,317,927	1,673,895

Market segments

IMCD's business model is based on long lasting relationships with suppliers of speciality chemicals and ingredients. In order to provide more insight into the market segments served, IMCD breaks down the sales into the market segments Life Science and Industrial.

Life Science consists of the following lines of business: Pharmaceuticals, Beauty & Personal Care and Food & Nutrition. In general, the lines of business within Life Science historically have been less sensitive to economic fluctuations. Furthermore, the Life Science segment generally shows lower order volumes and higher margins than the Industrial market segment.

The Industrial segment contains the lines of business of Coatings & Construction, Lubricants & Energy, Industrial Solutions, Advanced Materials and Home Care and I&I. This segment has a more cyclical nature as the performance is dependent on the developments of the housing and real estate, automotive and oil & gas markets.

The breakdown of sales of goods per market segment is as follows:

EUR 1,000	JAN. 1 - JUNE 30, 2022	JAN. 1 - JUNE 30, 2021
Life Science	1,071,157	830,390
Industrial	1,239,388	837,842
Total sales of goods	2,310,545	1,668,231

7. Net finance costs

The net finance costs in the first half of 2022 consist of the following items:

EUR 1,000	JAN. 1 - JUNE 30, 2022	JAN. 1 - JUNE 30, 2021 ¹
Interest income on loans and receivables	993	738
Interest expenses on financial liabilities	(9,697)	(7,509)
Changes in deferred considerations	(1,457)	(1,064)
Amortisation of finance costs	(388)	(311)
Interest expenses related to employee benefits	(205)	(124)
Interest expenses on lease liabilities	(1,251)	(1,319)
Currency exchange results	4,206	1,711
Net finance costs recognised in profit or loss	(7,799)	(7,878)

¹ The figures for 2021 have been restated as a result of a change in accounting policy following the IFRIC agenda decision on cloud computing arrangements published in March 2021

In the first half of 2022, net finance costs were EUR 7.8 million compared with EUR 7.9 million in the same period of 2021. The increase of interest expenses on financial liabilities was offset by positive foreign currency exchange results.

8. Seasonality of operations

The Group is not strongly subject to seasonal fluctuations throughout the year except for a slight decrease of sales during the normal holiday seasons in the different regions.

9. Equity

Following the decision about the appropriation of the financial result 2021 by the Annual General Meeting of May 2, 2022, the Company distributed a dividend in cash of EUR 92.2 million (EUR 1.62 per share). In 2021, the Company distributed a dividend in cash of EUR 58.1 million (EUR 1.02 per share).

10. Loans and borrowings

As at 30 June 2022, net debt was EUR 1,137.8 million (31 December 2021: EUR 940.0 million).

In March 2022, IMCD was assigned investment grade rating of Baa3 by Moody's Investors Services and BBB- by Fitch Ratings, both with a stable outlook. In the same month, IMCD issued an EUR 300 million rated corporate bond loan with institutional investors. This five-year senior unsecured bond loan, maturing in March 2027, has a fixed coupon of 2.125%. The bond loan is listed on the Luxembourg Stock Exchange MTF market. The proceeds of the bond loan issue have been used for general corporate purposes, including the refinancing of existing indebtedness.

As at the end of June 2022, the leverage ratio (net debt/operating EBITDA ratio including full year impact of acquisitions) was 2.2 times EBITDA (31 December 2021: 2.3).

The actual leverage as at 30 June 2022, calculated on the basis of the definitions used in the IMCD loan documentation, was 1.5 times EBITDA (31 December 2021: 1.5).

Two leverage covenants are applicable to the Group:

- For the Schuldscheindarlehen of EUR 40 million, a maximum leverage of 3.5 times EBITDA applies (with a spike period maximum of 4.0), tested annually.
- For the revolving credit facilities of EUR 500 million, a maximum leverage of 3.75 times EBITDA applies (with a spike period maximum of 4.25), tested semi-annually.

As at 30 June 2022, the actual leverage of 1.5 times EBITDA is well below the applicable maximum leverages.

11. Financial instruments

30 JUNE 2022		CARRYING AMOUNT				FAIR VALUE				
EUR 1,000	NOTE	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AMORTISED COST	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
		2,985	-	-	-	2,985	-	2,985	-	2,985
		-	-	984	-	984	-	984	-	984
	11	-	-	325,354	-	325,354	-	-	325,354	325,354

31 DECEMBER 2021		CARRYING AMOUNT				FAIR VALUE				
EUR 1,000	NOTE	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AMORTISED COST	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
		61	-	-	-	61	-	61	-	61
		-	-	195	-	195	-	195	-	195
	11	-	-	308,856	-	308,856	-	-	308,856	308,856

Measurement of fair values

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Contingent consideration	<i>Discounted cash flows:</i> The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast EBITDA, the amount to be paid under each scenario and the probability of each scenario.	<ul style="list-style-type: none"> Forecast EBITDA margin Risk-adjusted discount rate 	The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> the EBITDA margins were higher/(lower); or the risk-adjusted discount rates were lower/(higher).
Forward exchange contracts and interest rate swaps	<i>Market comparison technique:</i> The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Financial assets ¹	Discounted cash flows	Not applicable
Financial liabilities ²	Discounted cash flows	Not applicable

¹ Financial assets include trade and other receivables and cash and cash equivalents.

² Financial liabilities include syndicated senior bank loans, other loans and borrowings, other short term financial liabilities, trade payables and other payables.

Level 3 fair values

The following table shows the reconciliation from the opening balances to the closing balances for level 3 values.

Contingent consideration

EUR1,000	CONTINGENT CONSIDERATION
Balance as at 1 January 2022	308,856
Assumed in a business combination	11,252
Paid contingent consideration	(5,142)
Result included in profit or loss	1,457
Effect of movement in exchange rates	8,931
Balance as at 30 June 2022	325,354

12. Related parties

The Group has related party relationships with its shareholders, subsidiaries, associates, Management Board, Supervisory Board and post-employment benefit plans. The financial transactions between the Company and its subsidiaries comprise financing related transactions and operational transactions in the normal course of business and are eliminated in the consolidated financial statements. The related party transactions in the first half of 2022 do not substantially deviate from the transactions as reflected in the financial statements as at and for the year ended 31 December 2021.

13. Subsequent events

There were no material events after 30 June 2022 that would have changed the judgement and analysis by management of the financial conditions at 30 June 2022 or the result for the first half of 2022 of the Company.

14. Auditor's review

The consolidated interim financial statements for the first half year of 2022 have not been audited or reviewed by the external auditor.

15. Responsibility statement

The Management Board of IMCD N.V. hereby declares that, to the best of its knowledge, the Interim Consolidated Financial information for the first half year of 2022, as prepared in accordance with IAS 34 Interim Financial Reporting, gives a true and fair view of the assets, liabilities, financial position and the profit or loss of IMCD N.V. and its jointly consolidated companies included in the consolidation as a whole, and that the semi-annual report gives a fair view of the information required in accordance with Section 5:25d subsection 8 and 9 of the Dutch Financial Supervision Act (Wet op het financieel toezicht).

Rotterdam, 3 August 2022

Management Board:

P.C.J. van der Slikke, CEO

H.J.J. Kooijmans, CFO

M. C. Jordan, COO