

Press release

IMCD reports EBITA of EUR 400 million in the first nine months of 2023

Rotterdam, The Netherlands (10 November 2023) - IMCD N.V. ("IMCD" or "Company"), a global leading distribution partner, formulator of speciality chemicals and ingredients, and solutions provider, today announces its first nine months 2023 results.

HIGHLIGHTS

- Gross profit of EUR 856 million (+EUR 3 million on a constant currency basis)
- Operating EBITA decline of 10% to EUR 400 million (-6% on a constant currency basis)
- Net result decline of 19% to EUR 214 million (-16% on a constant currency basis)
- Free cash flow increase by 46% to EUR 364 million (first nine months of 2022: EUR 249 million)
- Since the end of Q2 2023, IMCD successfully completed acquisitions in South Africa, UK, Puerto Rico, Chile, South Korea and Singapore/Vietnam

Piet van der Slikke, CEO: *"Despite the prevailing difficult global economic conditions, and the lower demand in particular in the industrial market segment, IMCD delivered solid results. Gross profit was EUR 856 million which, on a constant currency basis, is in line with the first nine months of last year. Operating EBITA amounted to EUR 400 million (-6% forex adjusted). We generated a healthy cash flow of over EUR 364 million (+46%) together with a strong cash conversion margin of 89%. These results show, despite tough market circumstances, IMCD's resistant business model and we are confident that we will resume our growth path under improving conditions."*

KEY FIGURES

EUR MILLION	JAN. 1 - SEPT. 30, 2023	JAN. 1 - SEPT. 30, 2022	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	3,379	3,512	(133)	(4%)	(1%)
Gross profit	856	883	(27)	(3%)	0%
Gross profit as a % of revenue	25.3%	25.1%	0.2%		
Operating EBITA ¹	400	443	(43)	(10%)	(6%)
Operating EBITA as a % of revenue	11.8%	12.6%	(0.8%)		
Conversion margin ²	46.8%	50.2%	(3.4%)		
Net result	214	264	(50)	(19%)	(16%)
Free cash flow ³	364	249	115	46%	
Cash conversion margin ⁴	89.1%	55.1%	34.0%		
Earnings per share	3.76	4.64	(0.88)	(19%)	(16%)
Cash earnings per share ⁵	4.68	5.34	(0.66)	(12%)	(9%)
Number of full time employees end of period	4,700	4,202	498	12%	

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

Revenue

In the first nine months of 2023, revenue declined by 4% to EUR 3,378.7 million (-1% on a constant currency basis), compared with EUR 3,511.8 million in the same period of 2022. The decline in revenue, based on constant currencies, is the result of an organic decline of (-7%) and the impact of the first time inclusion of companies acquired in 2022 and 2023 (+6%).

Gross profit

Gross profit, defined as revenue less cost of materials and inbound logistics, was EUR 855.7 million in the first nine months of 2023, compared with EUR 883.0 million in the same period of 2022. On a constant currency basis, gross profit was on par with 2022, resulting from a combination of an organic decline of 4% and growth as a result of the first time inclusion of acquisitions of 4%.

Gross profit as a % of revenue increased by 0.2%-point from 25.1% in the first nine months of 2022 to 25.3% in 2023. The gross profit margin increase is the result of changes in local market conditions, gross margin improvement initiatives, fluctuations in the product mix, and currency exchange rate developments.

Operating EBITA

Operating EBITA declined by 10% from EUR 443.5 million in the first nine months of 2022 to EUR 400.2 million in the same period of 2023. The decline in operating EBITA is the result of a combination of organic contraction and the impact of the first time inclusion of companies acquired in 2022 and 2023.

The operating EBITA as a % of revenue declined by 0.8%-point from 12.6% in the first nine months of 2022 to 11.8% in 2023.

The conversion margin, defined as operating EBITA as a percentage of gross profit, declined by 3.4%-point from 50.2% in the first nine months of 2022 to 46.8% in 2023. The decline in conversion margin is the result of lower gross profit in combination with higher operating expenses. Organic increase of operating expenses is mainly driven by the impact of higher than usual cost inflation in most of the regions IMCD operates in.

Cash flow and capital expenditure

Free cash flow increased by EUR 114.5 million, from EUR 249.3 million in the first nine months of 2022 to EUR 263.8 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 89.1% compared with 55.1% in the first nine months of 2022. The increase in the cash conversion margin of 2023 is the result of lower operating EBITDA more than compensated by 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 nine months of 2023 was EUR 37.1 million compared with EUR 196.6 million in the same period of 2022. The reduced working capital investments were primarily driven by the lower level of business activities in the first nine months of 2023. As at the end of September 2023, net working capital in days of revenue was 66 days (September 2022: 67 days).

Capital expenditure was EUR 7.5 million in 2023 compared with EUR 6.1 million in the first nine months of 2022, and mainly relates to investments in the ICT infrastructure, office improvements and technical equipment.

Net debt

As at 30 September 2023, net debt was EUR 1,351.5 million compared with EUR 1,026.9 million as of 31 December 2022.

On 18 September 2023, IMCD issued an EUR 500 million rated corporate bond loan with institutional investors. This five-year senior unsecured bond loan matures on 18 September 2028 and has a fixed coupon of 4.875%. The bond loan is traded on the EURO MTF market of the Luxembourg Stock Exchange. The proceeds of the bond loan issue will be used for general corporate purposes, including the refinancing of existing indebtedness.

The leverage ratio (net debt/operating EBITDA ratio including full year impact of acquisitions) as at the end of September 2023, was 2.4 times EBITDA (31 December 2022: 1.7). Calculated on the basis of the definitions used in the IMCD loan documentation, the leverage ratio as at the end of September 2023 was 1.8 times EBITDA (31 December 2022: 1.3) which is well below the maximum of 3.5 as allowed under the loan documentation.

The leverage development in the nine months of 2023 is, among other things, influenced by a dividend payment of EUR 135.1 million in May and by considerations paid for acquired businesses of EUR 305.2 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 of America, Canada, Brazil, Puerto Rico, Chile, Argentina, Uruguay, Colombia, Ecuador, Mexico, Peru, Guatemala, Costa Rica and Dominican Republic
- Asia-Pacific: all operating companies in Australia, New Zealand, India, Bangladesh, China, Singapore, Malaysia, Indonesia, Philippines, Thailand, 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 in the first nine months of 2023 by operating segments are as follows.

EMEA

EUR MILLION	JAN. 1 - SEPT. 30, 2023	JAN. 1 - SEPT. 30, 2022	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	1,481.3	1,548.1	(66.8)	(4%)	(1%)
Gross profit	405.6	409.1	(3.5)	(1%)	2%
Gross profit as a % of revenue	27.4%	26.4%	1.0%		
Operating EBITA	188.1	199.3	(11.2)	(6%)	(2%)
Operating EBITA as a % of revenue	12.7%	12.9%	(0.2%)		
Conversion margin	46.4%	48.7%	(2.3%)		

Revenue declined by 4% from EUR 1,548.1 million in the first nine months of 2022 to EUR 1,481.3 million in 2023 (-1% on a constant currency basis). In the first nine months of 2023, gross profit was EUR 405.6 million, compared with EUR 409.1 million in the same period of 2022. On a constant currency basis, gross profit growth was 2%. Gross profit margin increased by 1.0%-point from 26.4% to 27.4%.

Operating EBITA declined by 6%, from EUR 199.3 million in the first nine months of 2022, to EUR 188.1 million in 2023. Compared with the same period in 2022, operating EBITA as a % of revenue declined by 0.2%-point to 12.7% in the first nine months of 2023.

On 3 July 2023, IMCD acquired 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.

On 13 July 2023, IMCD acquired 90% of the shares of O&3 Limited, (“O&3”), an industry leading supplier of speciality natural ingredients to the global beauty and personal care markets. With 69 employees, across its offices and facilities in Ripon (UK), Warka (Poland) and New York (USA), O&3 generated revenues of approximately EUR 37 million in the financial year that ended on March 31, 2023.

The nine months of 2023 results include, in addition to the aforementioned acquisitions, the impact of the acquisition of Polychem (South Eastern Europe) in February 2022, Evenlode (UK and Ireland) in March 2022, Orange Chemicals (UK) in February 2023, ACM (Sweden) in April 2023, Tagra Distribution Division (Israel) in May 2023, and KOI Products Solutions (Israel) in June 2023.

Americas

EUR MILLION	JAN. 1 - SEPT. 30, 2023	JAN. 1 - SEPT. 30, 2022	CHANGE	CHANGE	FX.ADJ. CHANGE
Revenue	1,086.7	1,208.1	(121.4)	(10%)	(9%)
Gross profit	261.5	290.7	(29.2)	(10%)	(8%)
Gross profit as a % of revenue	24.1%	24.1%	- %		
Operating EBITA	123.6	151.0	(27.4)	(18%)	(17%)
Operating EBITA as a % of revenue	11.4%	12.5%	(1.1%)		
Conversion margin	47.3%	51.9%	(4.6%)		

In the first nine months of 2023, revenue was EUR 1,086.7 million, a decline of 10% compared with the same period of 2022 (-9% on a constant currency basis). Gross profit declined by 10% from EUR 290.7 million in the first nine months of 2022 to EUR 261.5 million in 2023 (-8% on a constant currency basis). Gross profit in percentage of revenue remained stable at 24.1%.

Operating EBITA declined by 18% from EUR 151.0 million in the first nine months of 2022 to EUR 123.6 million in 2023 (-17% on a constant currency basis).

On 2 August 2023, IMCD acquired 100% of the shares of Sachs Chemical, Inc. (“Sachs”). Headquartered in San Juan, Puerto Rico, Sachs is a speciality chemicals distributor, providing customised solutions for the pharmaceutical industry. With 38 employees, Sachs generated revenues of approximately EUR 48 million in 2022.

On 3 August 2023, IMCD acquired 100% of the shares of Representaciones de Materias Primas Industriales Limitada (“MAPRIN”). MAPRIN is a raw materials distributor for the beauty and personal care industry, headquartered in Santiago, Chile. MAPRIN has 20 employees and generated revenues of approximately EUR 8 million in 2022.

The first nine months of 2023 results include, in addition to the acquisitions of Sachs and MAPRIN, the impact of the acquisitions of Polyorganic (Brazil) and Quelaris (Colombia, Costa Rica and Peru) in March 2022, Promaplast (Mexico) in September 2022, and Allianz (Colombia) in May 2023.

Asia-Pacific

EUR MILLION	JAN. 1 - SEPT. 30, 2023	JAN. 1 - SEPT. 30, 2022	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	810.8	755.6	55.2	7%	15%
Gross profit	188.6	183.2	5.4	3%	11%
Gross profit as a % of revenue	23.3%	24.2%	(0.9%)		
Operating EBITA	112.6	116.7	(4.1)	(3%)	4%
Operating EBITA as a % of revenue	13.9%	15.4%	(1.5%)		
Conversion margin	59.7%	63.7%	(4.0%)		

Revenue increased by 7% from EUR 755.6 million in the first nine months of 2022 to EUR 810.8 million in 2023 (+15% on a constant currency basis). Gross profit increased by 3% to EUR 188.6 million (+11% on a constant currency basis). Gross profit as a % of revenue declined by 0.9%-point from 24.2% in the first nine months of 2022, to 23.3% in 2023.

In the first nine months of 2023, operating EBITA was EUR 112.6 million (-3%). On a constant currency basis, operating EBITA increased by 4%. In the first nine months of 2023, operating EBITA as a % of revenue was 13.9%-point, compared with 15.4% in the same period of 2022.

On 19 October 2023, IMCD acquired 100% of the shares in Needfill Co., Ltd. ("Needfill") in South Korea, Needfill serves the paint, coatings, inks, textiles, electronics, and polymer markets. Needfill, based in Seoul, generated a revenue of approximately EUR 18 million in 2022 and has 18 employees.

On 6 November 2023, IMCD acquired 100% of the shares of the speciality distribution company Brylchem Pte Ltd and the business of Chemipac Pte Ltd. in Singapore, and the business of CMS Marketing Trading Co., Ltd in Vietnam ("jointly Brylchem Group"). Brylchem Group offers a wide range of products in the coatings, construction, advanced materials, agrochemical, home care and industrial cleaning, feed and veterinary, and lubricants industries, for the Singapore and Vietnam markets. With approximately 50 employees, Brylchem Group generated revenues of approximately EUR 58 million in 2022.

The first nine months of 2023 results include, in addition to acquisitions of Needfill and Brylchem Group, the impact of the acquisitions of 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, Sanrise (China) in March 2023, and Tradeimpex (India) in April 2023.

Holding companies

EUR MILLION	JAN. 1 - SEPT. 30, 2023	JAN. 1 - SEPT. 30, 2022	CHANGE	CHANGE	FX ADJ. CHANGE
Operating EBITA	(24.1)	(23.6)	(0.5)	(2%)	(2%)
Operating EBITA as a % of total revenue	(0.7%)	(0.7%)	- %		

Operating EBITA of Holding companies represents the central head office in Rotterdam as well as the regional head offices in Singapore and in the USA.

Operating expenses increased by EUR 0.5 million from EUR 23.6 million in the first nine months of 2022 to EUR 24.1 million in 2023. The cost increase reflects the growth of IMCD and as a consequence the need to further strengthen its support functions in both the headquarters in 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 increase its global footprint and expand its product portfolio both organically and by acquisitions.

Due to current macro-economic circumstances, and considering the exceptional results realised in 2022, IMCD expects the outcome of this year to be below last year. However, IMCD foresees its performance to improve in the fourth quarter, relative to the prior two quarters.

FINANCIAL CALENDAR

1 March 2024	Full year 2023 results
26 April 2024	First quarter 2024 results
14 May 2024	Annual General Meeting
2 August 2024	First half year 2024 results
8 November 2024	First nine months 2024 results

For further information:

Investor Relations
T: +31 (0)10 290 86 84
ir@imcdgroup.com

FURTHER INFORMATION

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

ABOUT IMCD

IMCD N.V. based in Rotterdam, The Netherlands, is a leading global distribution partner and formulator of speciality chemicals and ingredients. IMCD is an expert solutions provider and adds sustainable value to the supply chain. Every day professionals focus on providing the best service through commercial and operational excellence. The company is mindful of the role they play in creating a better planet for all and formulates with consciousness and executes with care, to address business challenges of tomorrow, in partnership and transparency.

In 2022, with over 4,300 employees, IMCD realised revenues of EUR 4,601 million. IMCD N.V.'s shares are traded at Euronext, Amsterdam (symbol: IMCD) and included in the Dutch ESG AEX index, as one of 25 companies within the AEX and AMX indices demonstrating best ESG practices.

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. These 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 10 November 2023, 7:00 am CET.