Press release

IMCD reports 11% EBITA growth in 2019

Rotterdam, The Netherlands (27 February 2020) - IMCD N.V. ("IMCD" or "Company"), a leading distributor of speciality chemicals and food ingredients, today announces its full year 2019 results.

Highlights

- Revenue growth of 13% to EUR 2,689.6 million (+12% on a constant currency basis)
- Gross profit growth of 12% to EUR 599.3 million (+11% on a constant currency basis)
- Operating EBITA increased by 11% to EUR 224.8 million (+10% on a constant currency basis)
- Net result before amortisation and non-recurring items of EUR 156.2 million (2018: EUR 139.7 million)
- Cash earnings per share increased by 13% to EUR 2.85 (2018: EUR 2.53)
- Dividend proposal of EUR 0.90 in cash per share (2018: EUR 0.80)

Piet van der Slikke, CEO, commented: *"Despite more challenging market conditions, the results of 2019 demonstrate consistent strong performance with exceptional cash generation. IMCD's diversified business model showed itself resilient and we took important steps in the diligent execution of our long-term growth strategy. Through selective acquisitions we strengthened our global positions in pharmaceuticals, food and advanced materials, and we are excited about the recent addition of the attractive South Korean and Colombian markets to our geographical coverage. Entering the year of IMCD's 25th anniversary in its present form, we feel proud of the success achieved and remain well positioned to deliver further growth to our business partners and stakeholders."*

Key figures

EUR million	2019	2018	Change	Change	Fx adj. change
Revenue	2,689.6	2,379.1	310.5	13%	12%
Gross profit	599.3	536.1	63.2	12%	11%
Gross profit in % of revenue	22.3%	22.5%	(0.2%)		
Operating EBITA[1]	224.8	202.1	22.7	11%	10%
Operating EBITA in % of revenue	8.4%	8.5%	(0.1%)		
Conversion margin[2]	37.5%	37.7%	(0.2%)		
Net result before amortisation / non-recurring items	156.2	139.7	16.5	12%	11%
Free cash flow[3]	222.2	166.5	55.7	33%	
Cash conversion margin[4]	97.4%	79.3%	18.1%		
Net debt / Operating EBITDA ratio[5]	2.8	2.8	0.0		
Earnings per share (weighted)	2.06	1.91	0.15	8%	7%
Cash earnings per share (weighted)[6]	2.85	2.53	0.32	13%	11%
Proposed dividend per share	0.90	0.80	0.10	13%	
Number of full time employees end of period	2,991	2,799	192	7%	

[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, less lease payments, plus/less changes in working capital, less capital expenditures
[4] Free cash flow in percentage of Adjusted Operating EBITDA (Operating EBITDA plus non-cash share-based payment costs minus lease payments)
[5] Including full year impact of acquisitions
[6] Result for the year before amortisation (net of tax)

IMCD

Value through expertise

Revenue

Revenue increased by 13% from EUR 2,379.1 million in 2018 to EUR 2,689.6 million in 2019. The revenue growth is the balance of organic developments (-1%), the first-time inclusion of acquisitions (13%) and a positive impact of foreign currency exchange fluctuations (1%).

The overall organic revenue development was the balance of macroeconomic circumstances, further strengthening of the product portfolio by adding new supplier relationships, expanding relationships with existing suppliers and increasing customer penetration by adding new products and selling more products to existing and new customers.

Gross profit

Gross profit, defined as revenue less cost of materials and inbound logistics, was EUR 599.3 million in 2019, compared with EUR 536.1 million in 2018, an increase of 12%. The increase in gross profit was the balance of organic growth (1%), the first time inclusion of acquisitions (10%) and the positive impact of foreign currency exchange rate developments (1%).

Gross profit in % of revenue was 22.3% compared with 22.5% in 2018. Gross profit in % of revenue remained stable in the Americas at 19.7% and decreased in EMEA with 0.1%-point to 24.7% and in Asia-Pacific with 0.4%-point to 20.5%. Gross profit margins showed the ordinary level of differences in margins per region, margins per product and margins per product market combination. Differences between and within the regions are caused by local market circumstances, product mix variances, product availability, foreign currency fluctuations and the impact of newly acquired businesses.

Operating EBITA

Operating EBITA increased by EUR 22.7 million (11%), from EUR 202.1 million in 2018 to EUR 224.8 million in 2019. On a constant currency basis, the increase was 10%.

The growth in operating EBITA of 11% was a combination of organic growth, the first-time inclusion of acquisitions completed in 2018 and 2019, the impact of the initial application of the new lease accounting standard (IFRS 16) and the positive impact of foreign currency exchange differences (1%). The application of IFRS 16 had a positive impact on the operating EBITA of EUR 5.1 million.

Operating EBITA in % of revenue was 8.4% in 2019, compared with 8.5% in 2018. Both regions EMEA and Asia-Pacific showed lower EBITA margins of 0.7%-point, respectively 0.2%-point. Segment Americas showed an increase in EBITA margin of 0.4%-point.

In 2019, the conversion margin, defined as operating EBITA as a percentage of gross profit, was 37.5% compared with 37.7% in 2018. The operating EBITA and the conversion margin are negatively impacted by the first time inclusion of acquired companies with lower than IMCD's average EBITA margins.

Free cash flow

Free cash flow is defined as operating EBITDA excluding non-cash share-based payment expenses, less lease payments, plus or less changes in working capital, less capital expenditures. Free cash flow increased by EUR 55.7 million from EUR 166.5 million in 2018 to EUR 222.2 million in 2019.

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) increased by 18.1%-point from 79.3% in 2018 to 97.4% in 2019.

The increase in conversion margin in 2019 is mainly the result of higher operating EBITDA in combination with less working capital investments. The investment in operational working capital in 2019, excluding additional working capital as a result of acquisitions completed, amounts to EUR 0.5 million, compared with EUR 39.1 million in 2018. In particular the investments in stock positions were considerably lower in 2019 compared with 2018. Managing working capital remains a permanent focus of management.

IMCD's asset light business model resulted in relatively low capital expenditure considering the size of the overall operations and amounted to EUR 5.4 million in 2019 compared with EUR 4.4 million in 2018. Capital expenditure was mainly related to investments in the ICT infrastructure, office furniture and technical, warehouse and office equipment.

In order to secure a leading position in the speciality chemicals distribution market, IMCD continues to invest in its ICT infrastructure. As part of IMCD's journey to become a truly digital company, in 2019 IMCD launched its B2B Customer Portal, a platform for IMCD's customers to handle their ongoing business with IMCD. We consider this digital platform as an important step to adapt to the omnichannel world.

Net debt and equity

IMCD aims to maintain a capital structure that offers flexibility and enables IMCD to cover its potential financial requirements and to execute its growth and acquisition strategy. As at the end of 2019, net debt was EUR 735.2 million, compared with EUR 610.7 million as at year-end 2018.

The increase in net debt is predominantly the balance of positive and healthy cash flows from operating activities set-off by cash outflows as a result of acquisition related payments of EUR 88.9 million and a dividend payment of EUR 42.1 million in 2019. The adoption of IFRS 16 resulted in additional net debt (lease liabilities) of EUR 74.8 million as at the end of 2019. Furthermore, net debt includes approximately EUR 38 million deferred and contingent considerations related to acquisitions made (31 December 2018: EUR 4 million).

As at the end of December 2019, the leverage ratio (net debt/operating EBITDA ratio including full year impact of acquisitions) was 2.8 times EBITDA (31 December 2018: 2.8). The actual leverage as at 31 December 2019, calculated on the basis of the definitions used in the IMCD loan documentation, was 2.6 times EBITDA (31 December 2018: 2.8). As at 31 December 2019, the actual leverage is well below the maximum leverage of 3.5 applicable to the 'Schuldschein Darlehen' and 3.75 applicable to the revolving credit facilities.

The interest cover, calculated based on the definitions used in the 'Schuldschein Dahrlehen' documentation, is 12.1 times EBITDA (31 December 2018: 13.0) which is well above the required minimum of 4.0 times EBITDA.

At 25 February 2019, IMCD successfully executed an option whereby the initial termination date of the syndicated EUR 400 million multi-currency revolving facility was extended by 1 year to 27 March 2024. All other conditions of the syndicated EUR 400 million multi-currency revolving facility remained the same.

The equity attributable to holders of ordinary shares increased by EUR 80.2 million from EUR 786.3 million as at 31 December 2018 to EUR 866.5 million as at 31 December 2019. The increase in total equity is the balance of the addition of the net profit for the year of EUR 108.0 million, other comprehensive income of EUR 12.8 million, dividend payments in cash of EUR 42.1 million and transactions related to the group's share-based payment programme of EUR 1.5 million. The increase of equity resulted in a solid ratio at year-end whereby net equity covers 39.6% of the balance sheet total (31 December 2018: 40.3%).

Result for the year

Result for the year increased by EUR 7.9 million (+8%) from EUR 100.1 million in 2018 to EUR 108.0 million in 2019. Earnings per share increased by 8% from EUR 1.91 in 2018 to EUR 2.06 in 2019.

In 2019, net result before amortisation of intangible assets, net of tax and before non-recurring items was EUR 156.2 million compared with EUR 139.7 million in 2018, an increase of 12%. The main drivers of this increase were the higher operating EBITA partly offset by increased (recurring) financing costs and tax expenses.

Cash earnings per share, calculated as earnings before amortisation of intangible assets (net of tax) per share increased from EUR 2.53 in 2018 to EUR 2.85 in 2019 (+13%).

Dividend proposal

For the financial year 2019, a dividend of EUR 0.90 per share in cash will be proposed to the Annual General Meeting. Compared with 2018 this means an increase of EUR 0.10 per share or 13%. Approval at the Annual General Meeting would result in IMCD paying EUR 47.3 million or 32% of the net result 2019 adjusted for non-cash amortisation charges, net of tax (2018: 32%).

Developments by operating segment

IMCD distinguishes the following operating segments:

- 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, Uruguay, Colombia and Mexico
- Asia-Pacific: all operating companies in Australia, New Zealand, India, 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 New Jersey, US

The developments in 2019 by operating segments are as follows.

EMEA

EUR million	2019	2018	Change	Change	Fx adj. change
Revenue	1,314.6	1,240.8	73.8	6%	6%
Gross profit	325.4	308.1	17.2	6%	6%
Gross profit in % of revenue	24.7%	24.8%	(0.1%)		
Operating EBITA	126.3	127.8	(1.6)	(1%)	(1%)
Operating EBITA in % of revenue	9.6%	10.3%	(0.7%)		
Conversion margin	38.8%	41.5%	(2.7%)		

The EMEA region realised revenue growth of 6% in 2019, which is a combination of the organic revenue development (-4%) and the impact of the first time inclusion of acquisitions completed in 2018 and 2019 (10%). In particular the more industrial part of the business in EMEA was affected by the challenging macroeconomic market circumstances. The 10% acquisition impact mainly relates to the acquisition of Velox (2018). The acquisition of DCS Pharma AG (DCS) in December 2019 had a limited impact on the results of EMEA.

In 2019 IMCD completed the commercial and organisational integration of the Velox organisation, acquired in 2018, into its existing organisation.

On 10 December 2019, IMCD acquired 90% of the outstanding shares of Basel (Switzerland) based pharmaceutical distributor DCS Pharma AG. The remaining 10% of the shares will be acquired as of 31 December 2021. DCS' product portfolio covers a range of active pharmaceutical ingredients for the pharmaceutical and nutraceutical industries and operates in eight markets, including Spain, Italy, Germany, Mexico, and China. In 2018, DCS generated a consolidated revenue of CHF 68 million (EUR 59 million) with 64 employees.

Gross profit increased by 6%, from EUR 308.1 million in 2018 to EUR 325.4 million in 2019. This increase was the balance of organic gross profit development (-2%) and the first time inclusion of acquisitions (8%). Despite the more difficult market conditions in a number of countries in EMEA, IMCD successfully added new supplier relationships and further expanded its relationships with existing suppliers in new territories and with additional business lines. Organic revenue development further included the usual variations in the product and customer mix. Gross profit margin slightly decreased from 24.8% in 2018 to 24.7% in 2019.

IMCD continued to optimise its supply chain network in 2019, to enhance customer service levels and to reduce operating costs in the supply chain. System-to-system connectivity and process integration of the supply chain partners is crucial for achieving the optimisation.

In 2019, operating EBITA was EUR 126.3 million compared with EUR 127.8 million in 2018, a decrease of 1%. Operating EBITA in % of revenue decreased by 0.7%-point from 10.3% in 2018 to 9.6% in 2019. The conversion margin decreased by 2.7%-point, from 41.5% in 2018 to 38.8% in 2019. The difficult market conditions, combined with the impact of the lower than IMCD's average conversion margin of acquisitions were the main drivers of the development of the conversion margin in 2019. IMCD continues to focus on gross profit margin improvement and strict cost control.

Americas

EUR million	2019	2018	Change	Change	Fx adj. change
Revenue	983.0	802.6	180.4	22%	18%
Gross profit	193.6	157.7	35.8	23%	18%
Gross profit in % of revenue	19.7%	19.7%	- %		
Operating EBITA	77.8	60.1	17.7	30%	24%
Operating EBITA in % of revenue	7.9%	7.5%	0.4%		
Conversion margin	40.2%	38.1%	2.1%		

In 2019, segment Americas showed good performance. Revenue increased by 22%, from EUR 802.6 million in 2018 to EUR 983.0 million in 2019. The organic revenue development in 2019 was -2% and the growth as a result of acquisitions completed in 2018 (E.T. Horn) and 2019 (Unired Químicas SAS and DCS) was 20%. The favourable developments of foreign currency exchange rates in the Americas region, resulted in a positive impact of 4% on the revenues in 2019.

In the fourth quarter of 2019, IMCD completed the integration of E.T. Horn into the IMCD US organisation, enabling IMCD US to act as one US organisation with dedicated market focus. The integration activities in the US not only resulted in an integrated commercial organisation, but in integrated systems and harmonised business processes as well.

On 20 November 2019, IMCD acquired 100% of the outstanding shares of the Colombia-based ingredient distributor, Unired Químicas SAS (“Unired”). With an office in Bogota, Colombia, Unired distributes speciality chemicals and ingredients to the pharmaceutical, food and personal care markets. In 2018, Unired generated revenue of USD 8 million (EUR 7 million) and had 15 employees.

In 2019, gross profit of operating segment Americas increased by 23% from EUR 157.7 million in 2018 to EUR 193.6 million. The increase in gross profit was the result of organic growth (2%), the impact of the first time inclusion of acquired companies (17%) and positive foreign currency exchange results (4%). Despite the impact of acquired businesses with gross profit margins below IMCD's average margin, gross profit margin remained stable at 19.7% in 2019. The impact on the gross profit margin of acquisitions completed in 2018 and 2019, was offset by margin improvement initiatives and changes in the product mix.

Operating EBITA increased by 30% from EUR 60.1 million in 2018 to EUR 77.8 million in 2019. On a constant currency basis the increase was 24%. It is reasonable to assume that approximately half of the operating EBITA growth is the result of the (full year) impact of acquisitions completed in 2018 and 2019. The operating EBITA margin increased by 0.4%- point from 7.5% in 2018 to 7.9% in 2019.

The conversion margin increased by 2.1%-point from 38.1% in 2018 to 40.2% in 2019. The increase in EBITA margin and conversion margin in 2019 was the result of lower margins of companies acquired in 2018 and 2019, more than offset by the relatively lower growth of own costs in 2019.

Asia-Pacific

EUR million	2019	2018	Change	Change	Fx adj. change
Revenue	392.0	335.7	56.3	17%	16%
Gross profit	80.3	70.2	10.1	14%	13%
Gross profit in % of revenue	20.5%	20.9%	(0.4%)		
Operating EBITA	35.7	31.2	4.5	14%	13%
Operating EBITA in % of revenue	9.1%	9.3%	(0.2%)		
Conversion margin	44.4%	44.4%	- %		

Overall, the region Asia-Pacific recorded strong growth numbers in 2019. Australia and New Zealand, responsible for almost half of the revenues of the Asia-Pacific region, continued to deliver solid results and healthy cash flows in 2019. The operations in India and Indonesia realised double digit growth numbers in 2019, mainly resulting from new supplier relationships, additional product portfolios and expansion of market segments. The operation in China reported growth numbers, albeit at a lower level than in 2018. The investments in the start-up activities in Japan, Thailand and Vietnam over the last few years, to build and strengthen IMCD's presence in Asia-Pacific, resulted in considerable revenue growth in these countries. Most notably IMCD Japan more than doubled its revenues in 2019.

On 29 March 2019, IMCD completed the sale of IMCD Australia's Muskvale flavour and fragrance manufacturing business. Muskvale is an Australian manufacturer and supplier of fragrances, flavours, food colours and essential oils for the food, health & wellness, personal care and chemical industries. IMCD Australia acquired the Muskvale business in 2012. In 2018, the Muskvale-related business generated a revenue of EUR 3.6 million with a gross profit margin of about 60%.

On 30 August 2019, IMCD acquired the food distribution business of Matrix Ingredients International Pte. Ltd., Maxim Ingredients International Pte. Ltd. and Matrix Ingredients Sdn. Bhd. (together: "Matrix"), in Singapore and Malaysia. Matrix was integrated into IMCD's existing organisation directly after closing the transaction. Matrix provides ingredients, technical services and formulation advice in the savoury and processed meat segment in both Singapore and Malaysia markets. In 2018, Matrix generated revenue of SGD 6.5 million (EUR 4.1 million).

On 18 September 2019, IMCD acquired 100% of the shares of Monachem Additives Private Limited (Monachem) and Addpol Chemspecialities Private Limited (Addpol). Monachem and Addpol, with an office in Vadodara, India, are engaged in supplying and selling a comprehensive range of speciality chemicals products for the advanced materials industry. In the financial year ending 31 March 2019, Monachem and Addpol, generated revenue of INR 800 million (about EUR 10 million) with 22 employees. Both entities will be fully integrated into IMCD's existing Indian organisation in 2020.

On 18 December 2019, IMCD acquired 57% of the outstanding shares of Seoul (South Korea) based pharmaceutical ingredient distributor Whawon Pharm Co. Ltd. (Whawon). The remaining 43% will be acquired no later than 2024. Whawon is a leading pharmaceutical distributor in South Korea with a focus on pharmaceutical formulation ingredients. In 2018, the company generated a revenue of KRW 57 billion (about EUR 44 million) with 54 employees. Due to the timing of the transaction, no results are included in the consolidated figures of the Group. The assets and liabilities of Whawon are fully consolidated.

In 2019, IMCD expanded its technical capabilities in Asia-Pacific with the addition of three Pharma Technical Centres in India, South East Asia and China. The three new centres facilitate IMCD to provide formulation support to the pharma industry in the region. In addition to the formulation support function, the centres will be used for training and development purposes for IMCD's sales teams.

In Asia-Pacific, revenue increased by 17% from EUR 335.7 million in 2018 to EUR 392.0 million in 2019. On a constant currency basis, revenue growth was 16%, consisting of organic growth of 7% and growth as a result of acquisitions completed in 2018 and 2019 of 9%. In 2019, gross profit increased by 14% (13% on a constant currency basis) of which 10% is organic.

The gross profit margin was 20.5% in 2019 compared with 20.9% in 2018. The gross profit margin decrease was primarily the result of changes in the product portfolio and the sale of the Muskvale business in 2019.

Operating EBITA increased by 14% from EUR 31.2 million in 2018 to EUR 35.7 million in 2019. On a constant currency basis, the growth of operating EBITA was 13%. Operating EBITA in % of revenue decreased by 0.2%-point from 9.3% in 2018 to 9.1% in 2019. The conversion margin remained stable at 44.4%.

Holding companies

EUR million	2019	2018	Change	Change	Fx adj. change
Operating EBITA	(15.0)	(17.0)	2.0	12%	13%
Operating EBITA in % of total revenue	(0.6%)	(0.7%)	0.1%		

Operating EBITA of Holding Companies represents costs related to the central head office in Rotterdam and the regional head offices in Singapore and New Jersey, US.

Operating costs decreased by EUR 2.0 million from EUR 17.0 million in 2018 to EUR 15.0 million in 2019 (12%). On a constant currency basis, the decrease is 13% which is the balance of organic costs increase (+12%) and the impact of the first time application of IFRS 16 (-25%). The organic cost increase reflects the growth of IMCD and as a consequence the need to strengthen the support functions in both Rotterdam and the regional head offices. Despite the increase in absolute value, operating costs of the Holding Companies in percentage of consolidated revenue decreased from 0.7% in 2018 to 0.6% in 2019.

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 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.

Financial calendar

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

Further information

Today's analysts call will start at 10 am CET. A recording of this call will be made available on the IMCD website (www.imcdgroup.com). The Annual Report 2019 and the convocation and other documentation for IMCD's Annual General Meeting on 7 May 2020 will be published and made available on IMCD's website.

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, 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 2,690 million in 2019 with nearly 3,000 employees in over 50 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 49,000 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 27 February 2020, 7:00 am CET.