August 3, 2023 at 7 a.m. CEST

Solvay 2023 second quarter results

Quality results with strong cash generation and improved margins in a weak demand environment; 2023 full year profit and cash guidance confirmed

Highlights

- **Net sales** in the second quarter of 2023 decreased by -9.2% organically versus Q2 2022 driven by -13% lower volumes (€-458 million) in a weaker macro environment, which were partly offset by +4% higher prices (+€144 million). The lower year over year volumes were broad-based across various end markets, including batteries, agro, construction, and consumer-facing industries.
- **Structural cost savings** for the first half 2023 amounted to €36 million, bringing the total savings since 2019 to €502 million, 1.5 years ahead of our 2024 target.
- **Underlying EBITDA** of €790 million in Q2 2023 only decreased by -2.6% organically year on year, reflecting the quality of earnings. The year on year decline is due to the drop in volumes, partly offset by sustained net pricing and positive portfolio mix effects. The EBITDA decrease was contained to -6% sequentially vs Q1 2023.
- The underlying **EBITDA margin** of 25.6% in Q2 2023 is +0.7pp higher than in Q2 2022, mainly as a result of pricing and cost discipline, and despite lower volumes in a highly competitive environment.
- **Underlying Net Profit** was €426 million in Q2 2023 compared to €470 million in Q2 2022.
- **Free Cash Flow** of €556 million in Q2 2023 significantly increased year-on-year despite €59 million higher capex, reflecting working capital discipline including inventory reduction and low overdues.
- **ROCE** was 16.3%, +2.6 pp above Q2 2022 and +8.2 pp above 2019.
- Continued strengthening of the **balance sheet** with underlying net debt at €3.1 billion, reaching a historic low leverage of 0.9x.
- New Jersey (USA) PFAS settlement reached in June resulted in a €229 million provision in Q2 2023.

	Second quarter				First half			
Underlying (in € million)	**2023**	**2022**	**% yoy**	**% organic**	**2023**	**2022**	**% yoy**	**% organic**
Net sales	3,087	3,477	-11.2%	-9.2%	6,254	6,532	-4.3%	-3.9%
EBITDA	790	864	-8.6%	-2.6%	1,629	1,576	+3.4%	+8.7%
EBITDA margin	25.6%	24.8%	*+0.7pp*	-	26.1%	24.1%	*+1.9pp*	-
FCF[1]	556	257	*n.m.*	-	681	473	+44.2%	-
FCF conversion ratio (LTM)	40.0%	34.5%	*+5.5pp*	-	40.0%	34.5%	*+5.5pp*	-
ROCE (LTM)	16.3%	13.7%	*+2.6pp*	-	16.3%	13.7%	*+2.6pp*	-

Ilham Kadri, CEO

"I'm pleased that we continue to meet our customers' needs whilst maintaining strong net pricing across the majority of our portfolio. The accelerated achievement of our 2024 target of €500m in structural costs savings helped to sustain our industry-leading margins notwithstanding the weaker demand environment. We increased investments in the future success of EssentialCo and SpecialtyCo, reinforced working capital discipline and delivered €556 million of free cash flow in the quarter. We remain focused on adapting the posture of all our businesses with speed as we continue to face a particularly challenging macro environment, ready to deploy all levers within our control to maintain our competitive edge and drive superior performance. We recently announced target capital structures of the future entities, and we are on track to take the next steps in our journey to separate into two strong, investment-grade rated companies later this year."

2023 Outlook

Results for the first half 2023 are in line with expectations. The macroeconomic environment remains challenging and persistent demand weakness is expected to continue to weigh on volume recovery across most markets.

With this macroeconomic context, the company expects to maintain strong margins and cost discipline. Accordingly, it confirms its full year 2023 EBITDA guidance of +2% to -5% organic growth versus 2022[1]. This is equivalent to approximately €2.9 billion to €3.1 billion at prevailing foreign exchange rates. The low end of the guidance range assumes volumes stabilize in the second half and the high end of the range assumes modest volume recovery in the second half.

The company continues to invest for growth and estimates a minimum of €900 million in Free Cash Flow for the full year, reflecting its investments in capex and disciplined working capital in a lower volume environment.

Key figures

Underlying, in € million	Q2 2023	Q2 2022	% yoy	H1 2023	H1 2022	% yoy
Net sales	3,087	3,477	-11.2%	6,254	6,532	-4.3%
EBITDA	790	864	-8.6%	1,629	1,576	+3.4%
EBITDA margin	25.6%	24.8%	+0.7pp	26.1%	24.1%	+1.9pp
EBIT	599	674	-11.2%	1,241	1,200	+3.4%
Net financial charges	-49	-57	+13.1%	-98	-106	+7.7%
Income tax expenses	-120	-141	+15.5%	-251	-238	-5.5%
Tax rate				22.5%	23.7%	-1.2pp
Profit / (loss) attributable to Solvay shareholders	426	470	-9.2%	886	839	+5.6%
Basic EPS	4.10	4.53	-9.4%	8.53	8.09	+5.4%
Basic EPS from continuing operations (in €)	4.10	4.51	-9.0%	8.53	8.06	+5.8%
Capex	239	180	+32.8%	451	331	+36.4%
FCF to Solvay shareholders from continuing operations	556	257	n.m.	681	473	+44.2%
FCF conversion ratio (LTM)	40.0%	34.5%	+5.5pp	40.0%	34.5%	+5.5pp
Net financial debt				3,052	4,047	-24.6%
Underlying leverage ratio				0.9	1.5	-36.9%

Group performance

Net sales of €3,087 million in Q2 2023 was lower by -11.2% versus Q2 2022 (-9.2% organically) due to continued pricing actions more than offset by lower volumes, and modest negative currency effects across the Group. Lower volumes were due to softer demand across several end markets including batteries/automotive, construction, and consumer-driven industries. Sequentially, sales were down -3% versus Q1 2023 as volumes declined most notably in Aroma and Novecare, consistent with the consumer sector, and to a lesser extent in Soda Ash, mainly in seaborne markets. First half net sales were down -3.9% organically, as higher prices relative to H1 2022 were more than offset by lower volumes.

Underlying EBITDA of €790 million in Q2 2023 was lower by -8.6% as a result of lower volumes, higher fixed costs, negative scope effect related to the Rusvinyl disposal in Q1 2023, and foreign exchange, partly offset by higher pricing. On an organic basis, excluding the impacts of scope and foreign exchange, underlying EBITDA was lower by -2.6%. EBITDA margin increased slightly to 25.6% for the second quarter mainly as a result of positive net pricing and mix effects, offsetting lower volumes. EBITDA margin is +0.7pp higher than in Q2 2022, and +1.7pp higher when excluding the contribution of Rusvinyl last year. Sequentially, the EBITDA decrease was contained to -5.9%, which was better than expected thanks to a good month of June. First half 2023 EBITDA increased by +8.7% organically compared to the first half 2022.

[1] FY 2022 reported underlying EBITDA of €3,229 million included profits from Rusvinyl, which was divested in Q1 2023, and reflected stronger $/€ exchange rates, which together total €180 million assuming current exchange rates continue into H2. FY 2022 underlying EBITDA on a comparable basis to 2023 is €3,050 million.

Free cash flow to shareholders from continuing operations increased from €257 million in Q2 2022 to €556 million in the second quarter of 2023, mainly driven by disciplined working capital including the benefit of inventory reduction and sustained low overdues. Free cash flow in the first half of 2023 was €681 million, +44% higher than first half 2022.

Underlying net financial debt decreased by €539 million compared to the end of 2022, mainly due to the strong operational free cash flow of €681 million. Other main items included €432 million of proceeds from the sale of the Rusvinyl joint venture and the dividend payment of €421 million. The leverage ratio is at a historical low of 0.9x.

Provisions increased by €248 million in the quarter, primarily reflecting an additional €229 million provision resulting from the PFAS settlement reached in June. The PFAS provision represents the estimated expense and does not reflect expected recoveries from third party contributors or potential insurance proceeds, the combination of which could significantly reduce the resultant costs.

Performance by segment

Net sales bridges

(in € million)	H1 2022	Scope	Forex	Volume	Price	H1 2023	*Yoy %*	*Organic %*
Materials	1,927	-	-25	-33	245	2,114	*+9.7%*	*+11.1%*
Chemicals	2,158	28	7	-313	237	2,117	*-1.9%*	*-3.5%*
Solutions	2,443	-22	-16	-475	83	2.013	*-17.6%*	*-16.3%*
Corporate	4	-	-	6		10	*n.m.*	*n.m.*
Solvay	6,532	6	-34	-816	565	6,254	*-4.3%*	*-3.9%*

(in € million)	Q2 2022	Scope	Forex	Volume	Price	Q2 2023	*Yoy %*	*Organic %*
Materials	1,048	-	-30	-17	91	1,092	*+4.2%*	*+7.3%*
Chemicals	1,118	9	-14	-156	57	1,014	*-9.3%*	*-8.9%*
Solutions	1,309	-10	-31	-289	-4	975	*-25.5%*	*-23.1%*
Corporate	2	-	-	5	-	7	*n.m.*	*n.m.*
Solvay	3,477	-1	-74	-458	144	3,087	*-11.2%*	*-9.2%*

Materials

Segment sales in Q2 2023 increased +4.2% (+7.3% organically) driven by higher prices (+9%) more than offsetting lower volumes (-2%).

Sales in Specialty Polymers increased +1.4% (+4.7% organically) compared to the second quarter of 2022, and +6.3% sequentially versus Q1 2023 driven by sustained pricing power. Volumes were slightly down for the quarter due mainly to batteries for auto as customer destocking continued, while polymers used in semiconductors grew in the quarter.

Sales in Composite Materials were up +13.7% (+15.9% organically) compared to Q2 2022, and +8.7% sequentially, supported by both higher volumes and prices as the aerospace market recovery continues. Volume growth was driven by increased build rates of commercial aircraft as well as growth in space & defense.

Segment EBITDA increased +7.2% (+9.4% organically) compared with Q2 2022. The improvement was driven by higher prices in the context of increased variable costs. This led to an EBITDA margin of 33.4% in the second quarter or +0.9 points year on year.

Chemicals

Segment sales in Q2 2023 were lower by -9.3% (-8.9% organically) compared to Q2 2022, primarily due to lower volumes (-14%) partly offset by higher prices (+5%).

Coatis sales were, as expected, lower by -23.1% (-24.4% organically) compared to a strong Q2 2022 on lower demand of intermediates in Brazil as well as lower demand in Europe. Silica sales were down -8.6% (-7.1% organically) driven by lower volumes in the tire market due to soft demand in automotive. Peroxides sales were lower by -10.3% (-8.8% organically) driven by soft demand in the pulp & paper market and HPPO used in construction, while sales into electronics, food, and disinfection remained stable.

Soda Ash & Derivatives sales were down by -3.0% (-2.6% organically) due to reduced demand for soda ash used in construction and more competition on the seaborne market. Demand for bicarbonate into feed and flue gas markets was also weaker. Higher contract pricing was sustained, which partially offset the reduced volumes.

Segment EBITDA was down by -2.3% versus Q2 2022 after the disposal of Rusvinyl in Q1 2023, and +10.3% at constant scope and currency, as higher prices and lower variable costs offset the lower volumes. The Chemicals segment delivered an EBITDA margin of 30.4% in the second quarter or +2.2 points year on year.

Solutions

Sales in the second quarter of 2023 were down by -25.5% (-23.1% organically) on lower volumes of -22%, while pricing was essentially flat for the segment.

Sales of Aroma dropped by -46.7% (-45.8% organically) relative to Q2 2022 and was the largest contributor to the volume decline in the segment due to lower demand for synthetic vanillin used in food, flavors & fragrances markets as a result of customer destocking and strong competition. There was a general softening of demand across consumer and construction markets, and this impacted Novecare broadly and more notably in the Agro market, where major customers destocked across the entire value chain. This drove Novecare sales -33.2% lower (-30.1% organically).

Oil & gas sales were -18.4% lower in the quarter (-14.2% organically), driven by lower drilling activity in the United States due to the decline in natural gas prices. Technology Solutions sales were -15.2% lower (-14.2% organically) compared to Q2 2022 as growth in mining was offset by lower phosphorus sales to electronics. Special Chem sales were down -10.6% (-8.6% organically), also driven by weak demand in electronics.

As a result of the lower volumes, second quarter EBITDA in the segment was down by -42.1% (-39.8% organically). EBITDA margin in the segment was 17.3% in Q2 2023 or down 5.0 points year on year due to the impact of lower volumes on a stable fixed cost base.

Corporate and Business Services

Corporate and Business Services contributed €-52 million to EBITDA, an improvement of 37.8% compared to Q2 2022 thanks to successful cost control and a positive contribution from the third party energy supply business.

Key segment figures

				Underlying				
(in € million)	**Q2 2023**	**Q2 2022**	***% yoy***	***% organic***	**H1 2023**	**H1 2022**	***% yoy***	***% organic***
Net sales	**3,087**	**3,477**	***-11.2%***	***-9.2%***	**6,254**	**6,532**	***-4.3%***	***-3.9%***
Materials	1,092	1,048	*+4.2%*	*+7.3%*	2,114	1,927	*+9.7%*	*+11.1%*
Specialty Polymers	821	810	*+1.4%*	*+4.7%*	1,594	1,481	*+7.6%*	*+9.5%*
Composite Materials	271	238	*+13.7%*	*+15.9%*	520	446	*+16.7%*	*+16.6%*
Chemicals	1,014	1,118	*-9.3%*	*-8.9%*	2,117	2,158	*-1.9%*	*-3.5%*
Soda Ash & Derivatives	518	535	*-3.0%*	*-2.6%*	1,116	1,019	*+9.5%*	*+7.9%*
Peroxides	161	179	*-10.3%*	*-8.8%*	332	358	*-7.4%*	*-7.2%*
Coatis	182	237	*-23.1%*	*-24.4%*	354	460	*-23.1%*	*-26.9%*
Silica	153	168	*-8.6%*	*-7.1%*	316	320	*-1.3%*	*-0.7%*
Solutions	975	1,309	*-25.5%*	*-23.1%*	2,013	2,443	*-17.6%*	*-16.3%*
Novecare	338	506	*-33.2%*	*-30.1%*	724	958	*-24.5%*	*-22.3%*
Special Chem	255	285	*-10.6%*	*-8.6%*	505	525	*-3.7%*	*-2.6%*
Technology Solutions	176	207	*-15.2%*	*-14.2%*	357	362	*-1.1%*	*-1.7%*
Aroma Performance	89	167	*-46.7%*	*-45.8%*	188	308	*-39.1%*	*-38.9%*
Oil & Gas	117	143	*-18.4%*	*-14.2%*	238	290	*-17.9%*	*-16.1%*
Corporate	7	2	*n.m.*	*n.m.*	10	4	*n.m*	*n.m*
EBITDA	**790**	**864**	***-8.6%***	***-2.6%***	**1,629**	**1,576**	***+3.4%***	***+8.7%***
Materials	365	340	*+7.2%*	*+9.4%*	727	599	*+21.3%*	*+20.9%*
Chemicals	308	316	*-2.3%*	*+10.3%*	606	595	*+1.9%*	*+14.4%*
Solutions	169	292	*-42.1%*	*-39.8%*	388	530	*-26.8%*	*-25.5%*
Corporate	-52	-84	*+37.8%*	-	-92	-148	*+38.1%*	-
EBITDA margin	***25.6%***	***24.8%***	***+0.7pp***	**-**	***26.1%***	***24.1%***	***+1.9pp***	**-**
Materials	*33.4%*	*32.5%*	*+0.9pp*	-	*34.4%*	*31.1%*	*+3.3pp*	-
Chemicals	*30.4%*	*28.2%*	*+2.2pp*	-	*28.6%*	*27.6%*	*+1.1pp*	-
Solutions	*17.3%*	*22.3%*	*-5.0pp*	-	*19.3%*	*21.7%*	*-2.4pp*	-

Key IFRS figures

Q2 key figures *(in € million)*	IFRS			Underlying		
	Q2 2023	**Q2 2022**	*% yoy*	**Q2 2023**	**Q2 2022**	*% yoy*
Net sales	**3,087**	**3,477**	***-11.2%***	**3,087**	**3,477**	***-11.2%***
EBITDA	**461**	**1,123**	***-59.0%***	**790**	**864**	***-8.6%***
EBITDA margin				*25.6%*	*24.8%*	*+0.7pp*
EBIT	**232**	**895**	***-74.1%***	**599**	**674**	***-11.2%***
Net financial charges	-29	-33	*+12.5%*	-49	-57	*+13.1%*
Income tax expenses	-3	-148	*n.m.*	-120	-141	*+15.5%*
Profit / (loss) attributable to Solvay shareholders	**197**	**705**	**-72.1%**	**426**	**470**	**-9.2%**
Basic EPS (in €)	1.89	6.80	-72.2%	4.10	4.53	-9.4%
of which from continuing operations	1.89	6.80	-72.1%	4.10	4.51	-9.0%

H1 key figures *(in € million)*	IFRS			Underlying		
	H1 2023	**H1 2022**	*% yoy*	**H1 2023**	**H1 2022**	*% yoy*
Net sales	**6,254**	**6,532**	***-4.3%***	**6,254**	**6,532**	***-4.3%***
EBITDA	**1,089**	**1,802**	***-39.6%***	**1,629**	**1,576**	***+3.4%***
EBITDA margin				*26.1%*	*24.1%*	*+1.9pp*
EBIT	**625**	**1,352**	***-53.7%***	**1,241**	**1,200**	***+3.4%***
Net financial charges	-60	-62	*+4.5%*	-98	-106	*+7.7%*
Income tax expenses	-117	-227	*+48.6%.*	-251	-238	*-5.5%*
Tax rate				*22.5%*	*23.7%*	*-1.2pp*
Profit / (loss) attributable to Solvay shareholders	**443**	**1,043**	**-57.5%**	**886**	**839**	**+5.6%**
Basic EPS (in €)	4.27	10.05	-57.6%	8.53	8.09	+5.4%
of which from continuing operations	4.27	10.05	-57.5%	8.53	8.06	+5.8%

Financial calendar

- August 28, 2023: Publication on Solvay's website of the EssentialCo H1 2023 Unaudited Pro Forma Financial Information and SpecialtyCo H1 2023 Combined Financial Statements
- November 3, 2023: Q3 23 earnings

Link to financial calendar

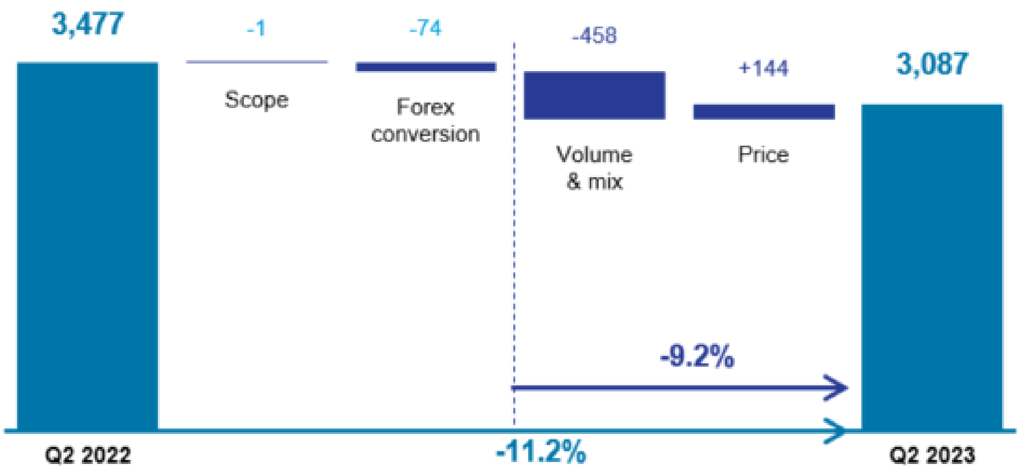
Conference call details

Time: August 3, 2023 - 2pm CEST
Registration: **Register to the webcast here**

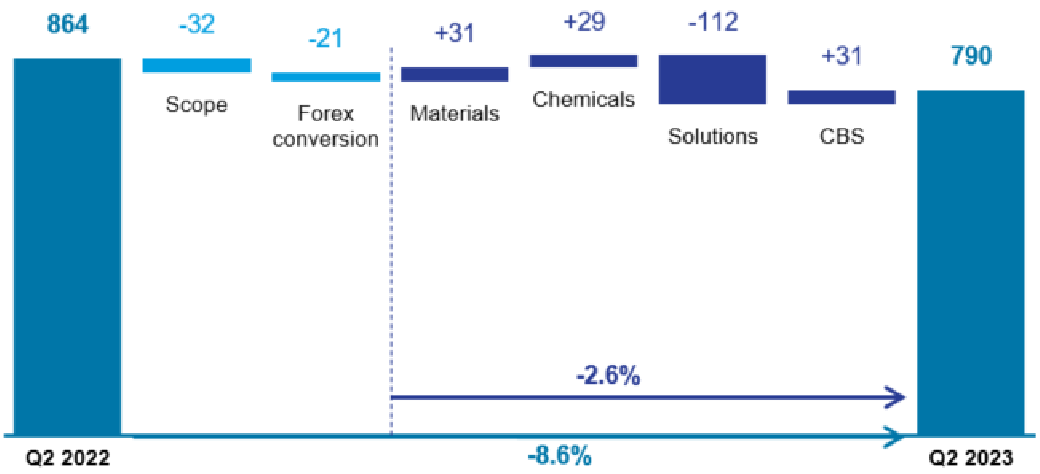
Link to financial report

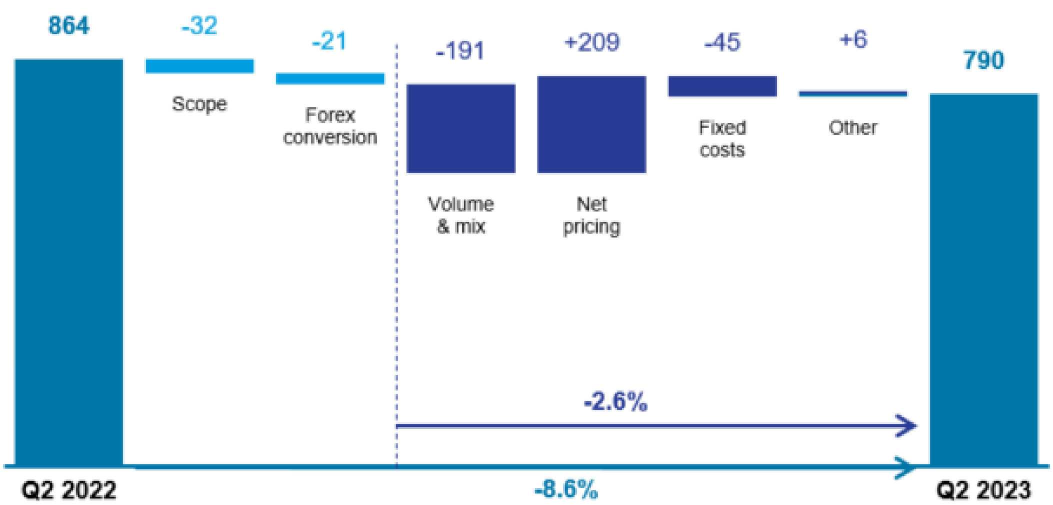
Supplemental information
(in € million)

Q2 bridges
Net Sales

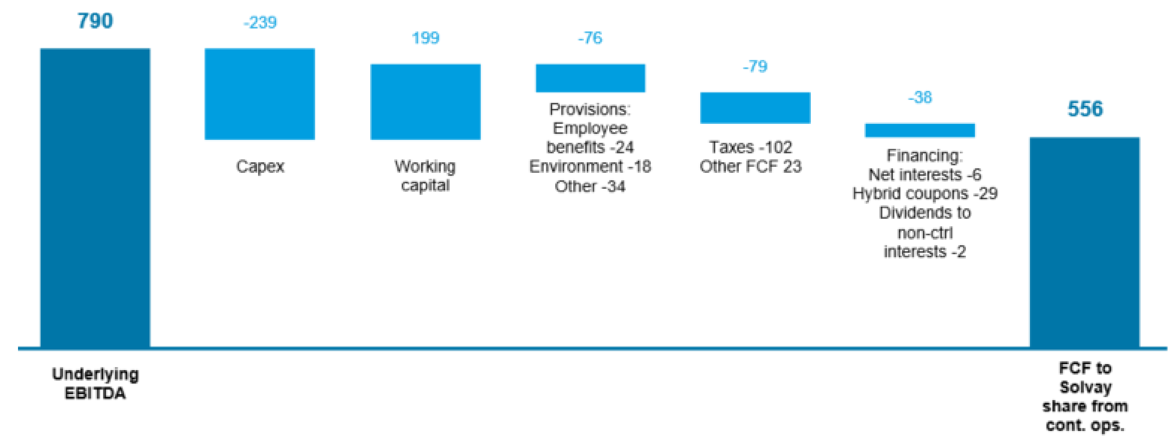


Underlying EBITDA



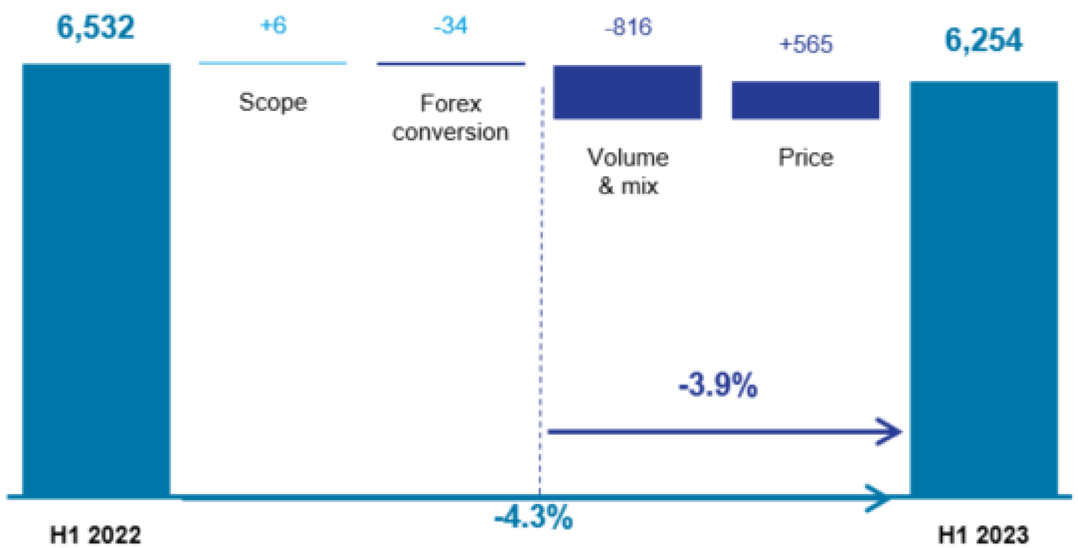


Free cash flow

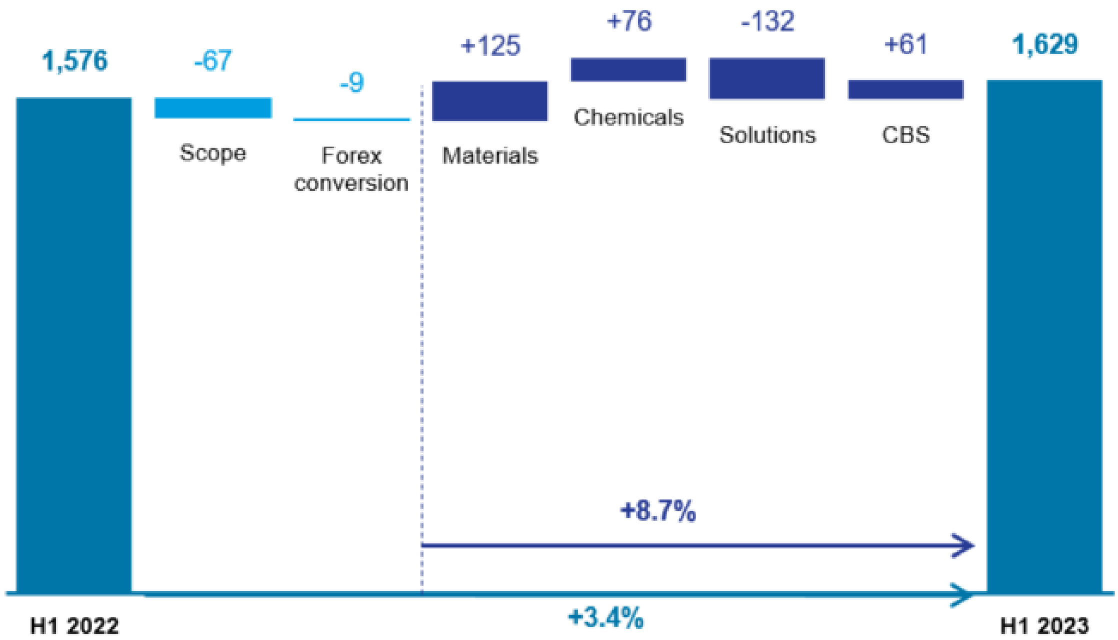


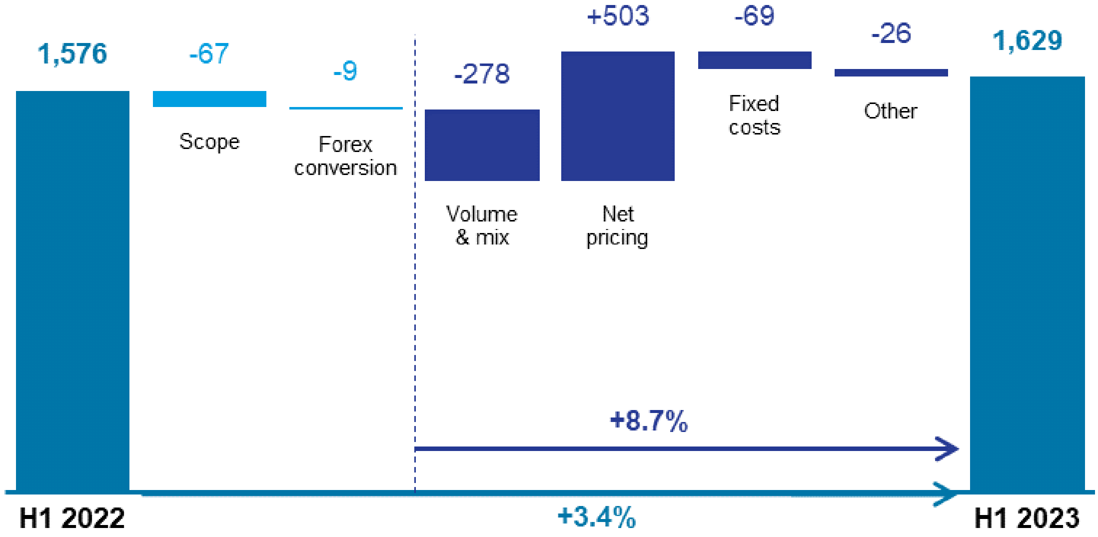
H1 bridges

Net Sales

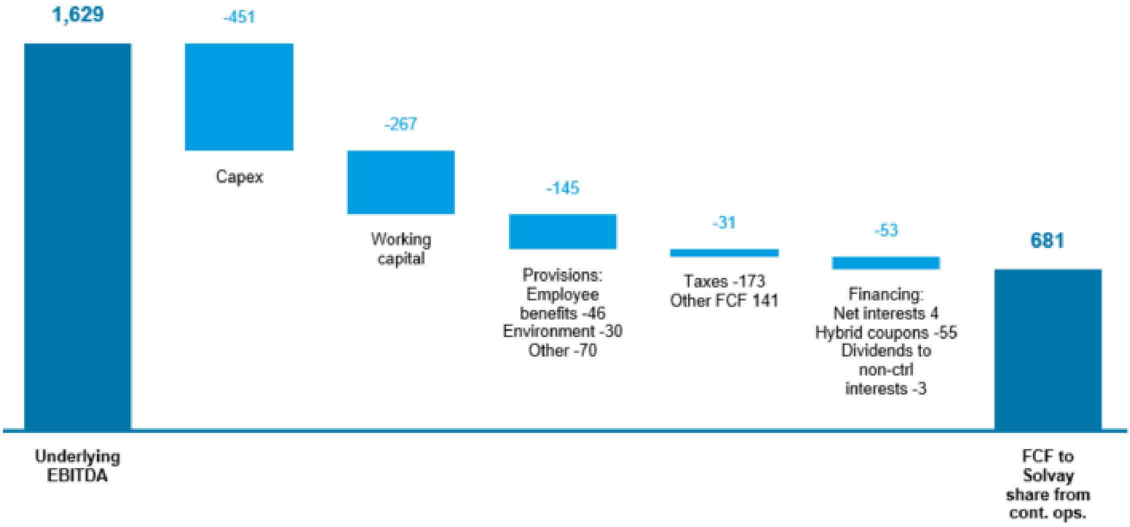


Underlying EBITDA

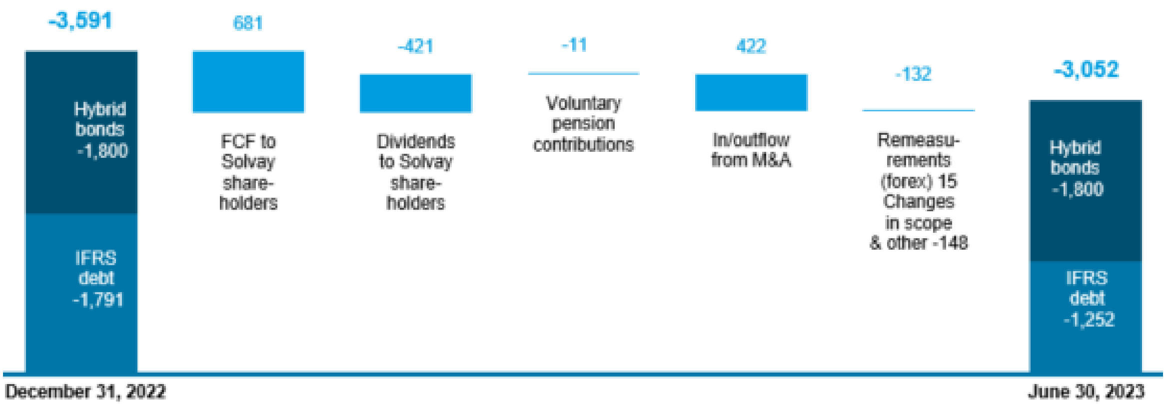




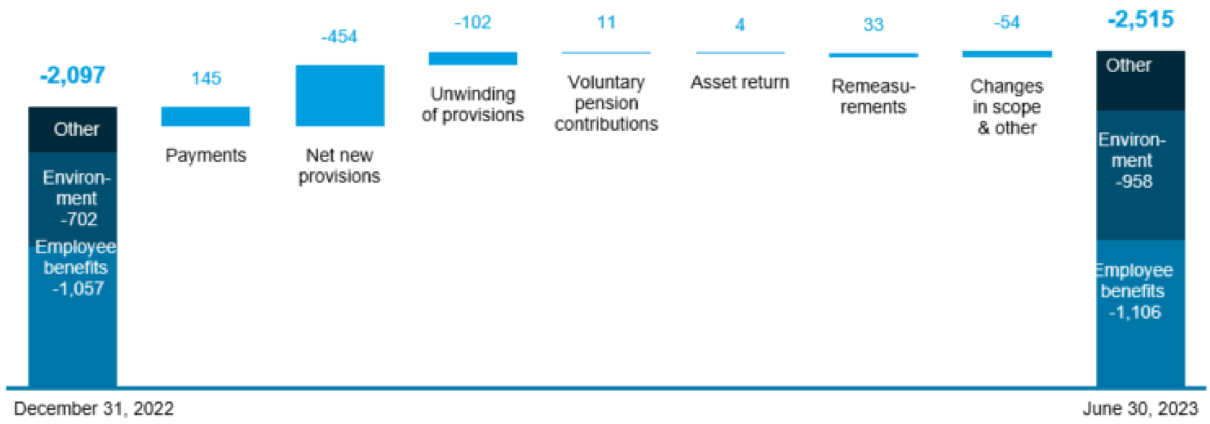
Free cash flow



Underlying net debt



Provisions



-2,097
Other
Environ-ment
-702
Employee benefits
-1,057
145
Payments
-454
Net new provisions
-102
Unwinding of provisions
11
Voluntary pension contributions
4
Asset return
33
Remeasu-rements
-54
Changes in scope & other
-2,515
Other
Environ-ment
-958
Employee benefits
-1,106
December 31, 2022
June 30, 2023

Glossary

EPS is earnings per share.

Free cash flow to Solvay shareholders: Free cash flow after payment of net interests, coupons of perpetual hybrid bonds and dividends to non-controlling interests. This represents the cash flow available to Solvay shareholders, to pay their dividend and/or to reduce the net financial debt.

Free cash flow conversion ratio is calculated as the ratio of free cash flow to Solvay shareholders of the last rolling 12 months (before netting of dividends paid to non-controlling interests) to the underlying EBITDA of the last rolling 12 months.

Last twelve months (LTM) refers to the timeframe of the immediately preceding 12 months.

Leverage ratio: Net debt / underlying EBITDA of last 12 months. Underlying leverage ratio = underlying net debt / underlying EBITDA of last 12 months.

Net Pricing: The difference between the change in sales prices versus the change in variable costs.

Organic growth*:* growth of Net sales or underlying EBITDA excluding scope changes and forex conversion effects. The calculation is made by rebasing the prior period at the business scope and forex conversion rate of the current period.

ROCE*:* Return on Capital Employed, calculated as the ratio between underlying EBIT (before adjustment for the amortization of PPA) and capital employed. Capital employed consists of net working capital, tangible and intangible assets, goodwill, rights-of-use assets, investments in associates & joint ventures and other investments, and is taken as the average of the situation at the end of the last 4 quarters.

Underlying figures adjust IFRS figures for the non-cash Purchase Price Allocation (PPA) accounting impacts related to acquisitions, for the coupons of perpetual hybrid bonds classified as equity under IFRS but treated as debt in the underlying statements, and for other elements to generate a measure that avoids distortion and facilitates the appreciation of performance and comparability of results over time.

Underlying net financial charges include the coupons on perpetual hybrid bonds (accounted as dividends under IFRS, and thereby excluded from the income statement), as well as the financial charges and realized foreign exchange losses from the RusVinyl joint venture (part of earnings from associates under IFRS, and thereby included in the IFRS EBITDA).

Underlying net financial debt includes the perpetual hybrid bonds, accounted for as equity under IFRS.

Please refer to the financial report for additional definitions.

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About Solvay
Solvay is a science company whose technologies bring benefits to many aspects of daily life. With more than 22,000 employees in 61 countries, Solvay bonds people, ideas and elements to reinvent progress. The Group seeks to create sustainable shared value for all, notably through its Solvay One Planet roadmap crafted around three pillars: protecting the climate, preserving resources and fostering a better life. The Group's innovative solutions contribute to safer, cleaner, and more sustainable products found in homes, food and consumer goods, planes, cars, batteries, smart devices, health care applications, water and air purification systems. Founded in 1863, Solvay today ranks among the world's top three companies for the vast majority of its activities and delivered net sales of €13.4 billion in 2022. Solvay is listed on Euronext Brussels and Paris (SOLB). Learn more at www.solvay.com.

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Results documentation
Annual report
G.R.O.W. Strategy
Separation plan
Share information
Credit information
ESG information
Webcasts, podcasts and presentations