

PRESS RELEASE

Corbion nv
Piet Heinkade 127
Amsterdam, 1019 GM • PO Box 349
1000 AH Amsterdam
The Netherlands

T +31 (0)20 590 6911
press@corbion.com
www.corbion.com

DATE October 26, 2023

Corbion Q3 2023 Interim Management Statement

Corbion, the Amsterdam-listed sustainable ingredients company that champions preservation through the application of science, today publishes its results for the first nine months of 2023.

Key highlights first nine months 2023:

- Sales € 1,091.0 million; an organic increase of 2.6%
- Adjusted EBITDA € 142.8 million; an organic increase of 7.1%
- Operating profit € 75.9 million; an organic growth of 0.2%
- Organic growth core activities: Sales 4.2% & Adjusted EBITDA 12.3%
- Q3 2023:
 - Sales € 353.0 million and Adjusted EBITDA € 46.0 million
 - Organic growth core activities: Sales -2.2% & Adjusted EBITDA 6.1%
- Positive Free Cash Flow for the 2nd consecutive quarter as anticipated

Strategic Developments:

- Restructuring program underway to accelerate significant positive free cash flow delivery, including a full review to drive material improvements in operating expenses, capital program and working capital
- Broader auction process underway to divest the non-core emulsifier business in order to maximize value
- Strategic review of Corbion's position in PLA
- Algae Ingredients roadmap 2025-2030 following strong growth prospect underway
- Continued focus on high growth, high value biomedical business

€ million	YTD 2023	YTD 2022	Total growth	Organic growth
Sales	1,091.0	1,080.4	1.0%	2.6%
Adjusted EBITDA	142.8	142.8	0.0%	7.1%
Adjusted EBITDA margin	13.1%	13.2%		
Operating profit	75.9	91.7	-17.2%	0.2%
Core activities				
Sales	952.3	927.9	2.6%	4.2%
Adjusted EBITDA	121.5	116.6	4.2%	12.3%
Adjusted EBITDA margin	12.8%	12.6%		

PRESS RELEASE

Commenting on today's results, Olivier Rigaud, CEO, stated:

“We delivered organic sales and Adjusted EBITDA growth in the first nine months of 2023, demonstrating the underlying strength and resilience of our business. This was achieved in a particularly challenging and volatile macro-economic environment. In Q3, we have experienced similar volume/mix growth dynamics as in Q2 and margins went up slightly.

In Sustainable Food Solutions, the growth was driven by pricing. This growth has been partially offset by a decline in sales volume attributed to customer destocking and a relatively subdued end-consumer market. We are pleased to note that we are seeing continued growth in our product/market adjacencies like dairy stabilizers, anti-oxidants and natural mold inhibitors. In Lactic Acid & Specialties, we continue to experience a temporary slowdown in some markets, such as PLA, semiconductors, and agrochemicals, where we also saw destocking taking place. Our biomedical business continues to perform extremely well. The Algae Ingredients business delivered outstanding progress in sales growth in aquaculture, next to expanding our product pipeline and portfolio for the pet food and human nutrition markets.

As anticipated, we are delivering a positive free cash flow as from Q2 driven by enhanced operational efficiencies, ongoing efforts in optimizing working capital and strict capital discipline.

Whilst we remain confident in our favorable longer-term growth outlook, we anticipate the increasingly challenging and volatile geopolitical and macro-economic environment to continue into next year. To address this, we plan to introduce a comprehensive set of initiatives in 2024 focusing on a significant free cash flow delivery and leverage reduction.”

Strategic Developments

At our CMD in December 2022, we identified the attractions of our addressable markets. These opportunities remain. However, given the ongoing challenges of our macro-economic environment, a comprehensive review of certain elements of our portfolio is warranted.

We are preparing a restructuring program to manifest itself in 2024. This program includes a full review of operating expenses, capital program and working capital to accelerate positive free cash flow delivery and margin improvement. As a result, we anticipate a significant positive free cash flow as from 2024 (excluding the free cashflow contribution from the divestment of non-core emulsifiers).

A broader auction process to divest the non-core emulsifier business has been started in order to maximize value, which is likely to extend the conclusion of the divestment transaction into the first half of 2024.

In Q2 2023, we announced the decision to pause further investment in a 2nd PLA plant. Given the current challenging market backdrop, we have initiated a strategic review of our position in PLA.

PRESS RELEASE

The Algae business continues to deliver outstanding progress showing growth in both sales and EBITDA. Following our strong performance in this segment, we are reviewing how we can best maximize the value creation of the longer-term growth opportunity. Within this we are considering various financing structures.

We continue to focus on and further develop our high growth, high value biomedical business.

We anticipate to present our plans in greater detail on 31st January 2024.

PRESS RELEASE

Segment information

Core activities

In the first nine months, the core activities, encompassing Sustainable Food Solutions, Lactic Acid & Specialties, Algae Ingredients and Incubator, collectively achieved a 2.6% increase in sales. This growth was driven by a 4.2% organic increase in sales, partially offset by adverse currency effects amounting to -1.6%, mainly attributable to the depreciation of the U.S. dollar. The Adjusted EBITDA increased by 4.2% to € 121.5 million, with organic growth accounting for 12.3%.

In Q3, we experienced an organic sales decline of -2.2%, driven by volume/mix of -3.6%, partly offset by positive pricing of 1.4%.

Sustainable Food Solutions

In the first nine months, Sustainable Food Solutions saw a 1.6% organic increase in sales, where price increases (+7.5%) more than offset negative volume/mix changes (-5.9%).

The pricing impact was the result of our initiatives in the course of 2022 to compensate for increased input costs. As expected, Q3 saw a modest year-on-year price increase of 1.5%. Concurrently, we encountered a decline in volume/mix, primarily due to factors such as supply chain destocking, softening of consumer demand in line with macro conditions and some volume/mix losses in the less specialized part of our portfolio, as we maintain our pricing discipline.

Sales within Functional Systems demonstrated modest growth, primarily driven by price increases, partly offset by a slight volume/mix decrease. We anticipate the destocking effect in this segment, which prevailed in the first half of 2023, to have concluded by Q3. The U.S. bakery end-market, which represents a substantial portion of our Functional Systems segment, contracted during 2023 (IRI retail U.S. Bakery -2%). On a more positive note, we continue to see ongoing momentum within our Dairy segment, attributable to the successful implementation of our strategic initiatives.

Preservation featured only modest sales growth, primarily attributed to price increases. However, we noted a decrease in consumer demand and an ongoing destocking effect. Notably, the U.S. processed meat market, one of the largest end-market for our preservation solutions, exhibited a significant decline of -5% in 2023 (IRI retail U.S. Processed Meat).

Other Ingredient sales declined in 2023 mainly on reduced volumes. The volume decline has been driven by softer consumer demand and losses in the less specialized part of our portfolio as we maintain our pricing discipline.

The Adjusted EBITDA margin for the first nine months stood at 10.7%, marking a decrease compared to the previous year. The decline is attributed to a more pronounced dilution effect resulting from pricing actions to counteract higher input costs and the adverse impact of negative operational leverage due to lower volumes and inventory movements.

PRESS RELEASE

Lactic Acid & Specialties

Sales in Lactic Acid & Specialties declined organically in the first nine months by -1.4%, driven by volume/mix of -9.8% partly offset by pricing of +8.4%. Q3 saw negative vol/mix of -10.3%.

The decline can be attributed to several factors, like the continuation of lower lactic acid supply to the TotalEnergies Corbion joint venture, reduced sales to the semiconductor business following the general market trend and softer demand in the agrochemical business due to customer destocking and adverse weather conditions. In contrast, the biomedical segment continued to perform well in both drug delivery and orthopedic in line with our Advance 2025 targets.

Notably, the Adjusted EBITDA margin improved to 20.6%, marking a significant increase of +420bps year-on-year. This improvement was driven by growth in the biomedical segment and a favorable mix from lower sales to the joint venture.

Algae Ingredients

Sales in Algae Ingredients increased organically in the first nine month by +68.9%, driven by strong volume/mix growth of +52.1% and sustainable price increases of +16.8%. In Q3 2023, organic volume/mix growth was +34.9%.

The volume/mix growth is primarily driven by higher sales of AlgaPrime™ DHA (omega-3) within the aquaculture sector. In the petfood sector, we saw additional sales to new customers and in human nutrition, we are successfully building our extended product portfolio and pipeline with the first contribution expected from Q4 2023 onwards.

In the first nine months, Adjusted EBITDA was € 5.9 million, including a negative inventory movement of € 2.2 million. Supported by strong business performance and favorable market outlook, we are confident that we will meet our Algae Ingredients objectives for Advance 2025.

Incubator

Currently, there are no sales within the Incubator segment. The Adjusted EBITDA of € -6.9 million reflects investments in various programs as outlined at the December 2022 Capital Markets Day (Algae portfolio expansion, Biopolymers, Natural Preservation, Circular raw materials and Net Zero). Costs associated with Incubator operations amount to 0.7% of core sales, and therefore are in line with our ambition of being in the range of 0.5% - 1.5% of core sales.

Non-core activities

In our non-core activities, sales declined organically by -7.4% to € 138.7 million. The decrease was primarily due to a volume/mix (-18.7%), offset by price increases (11.3%). Adjusted EBITDA decreased by 18.7% to € 21.3 million following a record year last year (Adjusted EBITDA 2022 first nine months: € 26.2 million).

PRESS RELEASE

TotalEnergies Corbion joint venture

Sales in the joint venture declined by 33.7% (organic decline 32.6%), mainly driven by lower volumes as a result of the continued weakness of the PLA market.

The decline in sales of PLA became evident mid-2022 and began to stabilize in Q1'23. The last two quarters have been relatively stable. Whilst we see some early signs of recovery, we remain cautious about the short term outlook. The joint venture has announced several partnerships to further develop PLA-based applications (fe Bluepha, Danimer) and the size of the pipeline has increased.

The adjusted EBITDA margin of 14.4% has declined year-on-year, attributable to reduced operational leverage and negative pricing dynamics. The margin is not anticipated to increase over the coming quarters. Q3 adjusted EBITDA margin of 8.8% includes negative inventory movement; underlying margin of c15%.

Outlook 2023

Given the increasingly challenging and volatile geopolitical and macro-economic environment, we slightly adjust the Core Adjusted EBITDA organic growth for the full year towards the low end of the 15-20% range [previously between 15-20%].

On sales, we remain with our earlier guidance and expect mid-single digit organic sales growth in the Core business for the full year 2023. Positive pricing being offset by low single digit volume/mix decline in line with market developments [unchanged]. For Q4, the volume/mix development is expected to improve versus the declining rates of the previous quarters.

In line with our disciplined capital allocation approach, the estimated capital expenditure for 2023 is lowered to around € 130 million [previously € 145 - € 160 million] not adversely impacting the medium term growth. Our Thai lactic acid plant is expected to be completed on schedule by the end of 2023.

The covenant net debt/covenant EBITDA ratio by the end of 2023 is anticipated to be around the high end of the previous guided range [2.8-3.2x], being an improvement versus the June 2023 position (3.4x). Free cash flow is anticipated to be positive in H2 and approach break-even for the full year and is expected to continue to trend upwards in 2024 and beyond. This outlook excludes the positive free cash flow impact upon the realization of the divestment of our non-core emulsifier business.

PRESS RELEASE

Financial Results

Sales	Volume/ Mix	Price	Organic	Currency	Acquisitions/ (Divestments)	Total growth
YTD 2023 vs YTD 2022						
Core	-4.1%	8.3%	4.2%	-1.6%	0.0%	2.6%
- Sustainable Food Solutions	-5.9%	7.5%	1.6%	-1.5%	0.0%	0.1%
- Lactic Acid & Specialties	-9.8%	8.4%	-1.4%	-1.4%	0.0%	-2.8%
- Algae Ingredients	52.1%	16.8%	68.9%	-2.7%	0.0%	66.2%
Non-core	-18.7%	11.3%	-7.4%	-1.6%	0.0%	-9.0%
Total	-6.1%	8.7%	2.6%	-1.6%	0.0%	1.0%
Q3 2023 vs Q3 2022						
Core	-3.6%	1.4%	-2.2%	-5.4%	0.0%	-7.6%
- Sustainable Food Solutions	-5.1%	1.5%	-3.6%	-5.3%	0.0%	-8.9%
- Lactic Acid & Specialties	-10.3%	1.7%	-8.6%	-4.8%	0.0%	-13.4%
- Algae Ingredients	34.9%	0.0%	34.9%	-7.9%	0.0%	27.0%
Non-core	-21.0%	1.9%	-19.1%	-6.3%	0.0%	-25.4%
Total	-6.2%	1.5%	-4.7%	-5.5%	0.0%	-10.2%

PRESS RELEASE

Profit & Loss

€ million	YTD 2023	YTD 2022		Q3 2023	Q3 2022		Growth YTD
Sales							
Core	952.3	927.9		310.6	336.2		2.6%
- Sustainable Food Solutions	579.9	579.1		194.4	213.3		0.1%
- Lactic Acid & Specialties	292.3	300.6		85.6	98.8		-2.8%
- Algae Ingredients	80.1	48.2		30.6	24.1		66.2%
Non-core	138.7	152.5		42.4	56.8		-9.0%
Total Sales	1,091.0	1,080.4		353.0	393.0		1.0%
Adjusted EBITDA							
Core	121.5	116.6		39.3	41.0		4.2%
- Sustainable Food Solutions	62.3	79.2		19.9	28.7		-21.3%
- Lactic Acid & Specialties	60.2	49.2		17.2	14.0		22.4%
- Algae Ingredients	5.9	(5.2)		4.1	0.7		213.5%
- Incubator	(6.9)	(6.6)		(1.9)	(2.4)		-4.5%
Non-core	21.3	26.2		6.7	11.9		-18.7%
Total Adjusted EBITDA	142.8	142.8		46.0	52.9		0.0%
Adjusted EBITDA margin							
Core	12.8%	12.6%		12.7%	12.2%		
- Sustainable Food Solutions	10.7%	13.7%		10.2%	13.5%		
- Lactic Acid & Specialties	20.6%	16.4%		20.1%	14.2%		
- Algae Ingredients	7.4%	-10.8%		13.4%	2.9%		
Non-core	15.4%	17.2%		15.8%	21.0%		
Total Adjusted EBITDA margin	13.1%	13.2%		13.0%	13.5%		

PRESS RELEASE

TotalEnergies Corbion joint venture

€ million *	YTD 2023	YTD 2022		Q3 2023	Q3 2022
Sales	86.5	130.5		28.3	38.2
EBITDA	12.5	40.3		2.5	9.9
EBITDA margin	14.4%	30.9%		8.8%	26.0%

* Results on 100% basis. Corbion owns 50% of TotalEnergies Corbion joint venture

This press release contains inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

For more information. please contact:

Analysts and investors:

Peter Kazius. Director Investor Relations
+31(0)6 55 409 706

Press:

Sanne Verhoeven. Director Corporate Communications
+31 (0)20 590 6325, +31 (0)6 27 095 585

Background information:

Corbion is a sustainable ingredients company dedicated to preserving what matters, including food and food production, health, and the planet. We specialize in lactic acid, lactic acid derivatives, food preservation solutions, functional blends, and algae ingredients, using our deep application and product knowledge to propel nature's ingenuity through science. With more than a century of experience, we continue working side-by-side with our customers to make our cutting-edge technologies work for them. Leveraging our advanced capabilities in fermentation and preservation technology, we help customers differentiate their products in diverse markets ranging from food and animal nutrition to home & personal care, pharmaceuticals, electronics, medical devices, and bioplastics. In 2022, Corbion generated annual sales of €1,457.9 million with a workforce of 2,601 FTEs. Corbion is listed on Euronext Amsterdam. For more information: www.corbion.com