

November 5, 2020 at 7 a.m

Solvay nine months 2020 results

Record free cash flow and cost delivery

Highlights

- **Net Sales** were €6,751 million in 9 months 2020, down 11.9% organically due to lower volumes primarily in aero, auto, oil & gas and construction markets. Third quarter sales of €2,103 million were down 14.3% organically versus 3Q 2019, with some demand improvement in September.
- **Cost savings** reached €260 million year to date, of which €130 million is structural, with €90 million of savings achieved in Q3.
- **Underlying EBITDA** for nine months was €1,481 million, down 16% organically versus 9M 2019. EBITDA in the third quarter 2020 of €473 million was up sequentially by 7.7% versus Q2 and the decline was contained to 17% organically versus Q3 2019 as cost reductions and sustained pricing significantly offset volume declines. **EBITDA margin** improved to 22.5%, illustrating the quality of earnings.
- **Underlying Net Profit** was €522 million in 9M 2020, with €176 million in the third quarter.
- Strong **Free Cash Flow** of €801 million year to date was more than double the prior year period, with €366 million delivered in the third quarter. The strong performance was predominantly driven by disciplined working capital management and value creation initiatives and contributed favorably to debt deleveraging.
- An **interim dividend** of €1.50 gross per share, flat versus last year, will be payable on January 18, 2021, reflecting the high level of free cash flow generated in 2020.

Q3 2020	Q3 2019	% yoy	% organic	Underlying, (in € million)	9M 2020	9M 2019	% yoy	% organic
2,103	2,578	-18.4%	-14.3%	Net sales	6,751	7,803	-13.5%	-11.9%
473	601	-21.4%	-17.3%	EBITDA	1,481	1,796	-17.5%	-16.0%
22.5%	23.3%	-0.8pp	-	EBITDA margin	21.9%	23.0%	-1.1pp	-
366	313	+17.1%	-	FCF to shareholders from continuing operations	801	345	n.m.	-
54.8%	35.3%	+19.5pp	-	FCF conversion ratio (LTM)	-	-	-	-

CEO Quote

“Our relentless focus on cash and cost in this challenging environment resulted in record cash generation of €801 million through the nine month period. Actions taken across the organization to reduce costs strengthened delivery with higher Q3 EBITDA relative to the second quarter despite the continued headwinds in some key end markets. I would like to thank our employees for their mobilization that delivered the strong performance. We have selectively resumed investments and are working closely with our customers to commercialize new innovations,” said CEO Ilham Kadri.

Outlook¹ for 2020

Full Year underlying EBITDA is estimated to be between €1,890 million and €1,970 million, and FCF is estimated to be around €900 million, a 50% improvement relative to last year.

[Register to the webcast scheduled at 14:30 CET here](#)

[Link to financial report](#)

¹ Barring further deterioration related to a second wave of Covid-19

Key figures

<i>Underlying, in € million</i>	Q3 2020	Q3 2019	% yoy	9M 2020	9M/ 2019	% yoy
Net sales	2,103	2,578	-18.4%	6,751	7,803	-13.5%
EBITDA	473	601	-21.4%	1,481	1,796	-17.5%
<i>EBITDA margin</i>	22.5%	23.3%	-0.8pp	21.9%	23.0%	-1.1pp
EBIT	277	397	-30.1%	850	1,197	-29.0%
Net financial charges	(71)	(80)	+10.2%	(204)	(246)	+17.0%
Income tax expenses	(20)	(61)	+66.4%	(119)	(231)	+48.5%
<i>Tax rate</i>				20%	26%	-6.3pp
Profit / (loss) attributable to Solvay shareholders	176	304	-41.9%	522	911	-42.8%
Basic EPS	1.71	2.95	-41.9%	5.06	8.84	-42.8%
Basic EPS from continuing operations (in €)	1.71	2.37	-27.9%	4.86	6.68	-27.2%
Capex in continuing operations	(116)	(215)	+46.2%	(411)	(570)	+28.0%
FCF to Solvay shareholders from continuing operations	366	313	+17.1%	801	345	n.m.
FCF to Solvay shareholders (total)	365	336	+8.8%	796	527	+51.1%
FCF conversion ratio (LTM)	54.8%	35.3%	+19.5pp	-	-	-
Net financial debt	(4,279)			(4,279)		

Group performance

Net sales for nine months year to date were down 13.5% (11.9% organically) driven by volumes, while pricing was sustained across the group. Sales in the third quarter were down 18.4% (14.3% organically) primarily due to lower volumes and foreign exchange. Demand in the third quarter remained low in July and August, whereas September showed some improvement in certain automotive applications, including tires and EV batteries. Other markets remained resilient, including electronics, healthcare, home & personal care, agro, and coatings, while civil aerospace and oil & gas remained challenged.

Cost savings reached €260 million year to date, of which €130 million are structural savings. In the third quarter, a total of €90 million of cost savings were realized, of which €50 million are structural. Within the structural savings, approximately 50% are related to restructuring actions, 40% from indirect spend, and 10% from productivity and efficiency improvements.

Underlying EBITDA of €1,481 million was down 17.5% (16% organically) in the nine months year to date as a result of the lower sales volumes. Underlying EBITDA in the third quarter of €473 million increased sequentially by 7.7% versus the second quarter 2020, reflecting improvement in the quality of earnings. Underlying EBITDA declined 21.4% (17.3% organically) in the third quarter 2020 versus the third quarter 2019 due mainly to volumes and foreign exchange impact. The EBITDA margin improved to 22.5%, which is a sequential improvement compared to the 20.2% in the second quarter thanks to the acceleration and delivery of cost measures.

Free cash flow to shareholders from continuing operations in the nine months year to date period reached €801 million versus €345 million in 9 month 2019. Free cash flow to Solvay shareholders from continuing operations totalled €366 million in the third quarter, reflecting the continued discipline in working capital management and other value creating elements including reduced cash taxes and pension cash costs totaling €105 million of sustainable operational deleveraging.

Underlying net financial debt decreased by €1.1 billion for the nine months year to date, driven by the closing of the Polyamides sale in the first quarter (€1.2 billion proceeds less voluntary pension contributions of €0.5 billion) and a record free cash flow. Net debt decreased by €350 million at the end of September 2020 (vs the end of June) to €4.3 billion.

Provisions are down by €429 million to €3.3 billion thanks primarily to the €460 million voluntary pension contributions made in the first quarter of 2020 (in addition to the €114m contributions made in December 2019) and to a lesser extent the reduction of environmental liabilities driven mainly by foreign exchange.

Performance by segments

Net sales bridges

(in € million)	Q3 2019	Scope	Forex	Volume	Price	Q3 2020	Yoy %	Organic %
Materials	818	-	(28)	(184)	(1)	606	-26.0%	-23.4%
Chemicals	845	10	(62)	(78)	10	725	-14.2%	-8.5%
Solutions	912	-	(46)	(88)	(9)	770	-15.6%	-11.1%
Corporate	2	-	-	(1)	-	1	-	-
Solvay	2,578	10	(136)	(350)	1	2,103	-18.4%	-14.3%

(in € million)	9M 2019	Scope	Forex	Volume	Price	9M 2020	Yoy %	Organic %
Materials	2,452	-	(10)	(373)	7	2,076	-15.4%	-15.0%
Chemicals	2,512	32	(114)	(282)	35	2,184	-13.1%	-10.2%
Solutions	2,834	-	(49)	(294)	(4)	2,487	-12.2%	-10.7%
Corporate	5	-	-	(1)	-	5	-10.6%	-11.1%
Solvay	7,803	32	(173)	(949)	38	6,751	-13.5%	-11.9%

Materials

Nine months 2020 sales were down 15.4% (15.0% organically) as a result of volume declines predominantly in the second and third quarters. Nine month EBITDA was down 20.4% (20.4% organically) with swift cost actions mitigating part of the volume decline, protecting the segment's 27.0% margins.

Third quarter net sales were down 26.0% in the segment, including forex, and down 23.4% organically due to significantly lower volumes, primarily related to demand in the civil aerospace and automotive sectors.

Specialty Polymers sales were down 13.6% in the third quarter, as growth in healthcare and electronics partly offset the demand decline in automotive and other industrial markets. Sales to automotive were down approximately 20% versus Q3 2019 but flat sequentially versus Q2 2020 thanks to growth in batteries for hybrid and electric vehicles which resumed in September.

Composite Materials sales were down 44.3% in the third quarter given the further decline in commercial aircrafts build rates, while sales to the defense sector remained resilient. The business remains on track to deliver its cost savings plan which includes the permanent closure of two manufacturing sites.

As a result, third quarter EBITDA for the segment decreased 30.7% (28.9% organically) driven by volumes. The rapid mitigation response enabled significant fixed cost reduction in the segment which supported an EBITDA margin of 26.6%.

Chemicals

Nine months 2020 sales in the segment were down 13.1% (10.2% organically) due primarily to volume declines, offset partly by price. Nine months 2020 EBITDA was down 14.9% (11.7% organically), as cost mitigation measures supported much of the volume shortfall and preserved 27.8% EBITDA margins.

Third quarter net sales were down 14.2% in the segment including forex and scope, and down 8.5% organically due mainly to lower volumes.

In Soda Ash, sales were down 17.1% driven by lower demand for container glass used in the hospitality industry, which offset increased demand for flat glass used in construction.

Peroxides sales were down by 8.6% in the quarter mainly related to lower volumes in pulp and paper markets, which was partially offset by growth in HPPO to various industrial markets, and further supported by price.

Silica sales rebounded significantly following a low Q2, with sales down 13.6% versus Q3 2019 but up sequentially by 48% versus a low Q2 2020 as demand for tires improved throughout the quarter.

Coatis sales also increased sequentially by 29% versus Q2 2020, but were down 12.8% versus Q3 2019 due to volume reduction and currency devaluation.

Third quarter EBITDA in the segment declined 16.7% (10.4% organically) as a result of the lower volumes. Fixed cost reductions and price support mitigated much of the impact, leading to 27.7% EBITDA margins in the quarter.

Solutions

Nine months sales in the segment were down 12.2% (10.7% organically) due to volume declines largely driven by the challenges in oil & gas. EBITDA was down 16.3% (14.3% organically) while supportive cost measures helped to sustain an EBITDA margin of 17.3%.

Third quarter net sales were down 15.6% including forex, and down 11.1% organically.

Sales in Novecare in Q3 were down 16.8%, as growth in agro, home & personal care and coatings was able to offset a significant part of the oil & gas decline.

Technology Solutions sales were down 16.5% due to low volumes in mining. Special Chem sales dropped by 16.5% related to volume declines in automotive and other industrial applications, whereas electronics remained resilient.

Aroma Performance sales decreased by 7.6% following several quarters of strong growth, as demand for vanillin was not able to offset weakness in other industrial markets.

Third quarter EBITDA in the segment was down 15.3% (9.8% organically). Cost control actions and price drove an increase in EBITDA margin to 18.4% in Q3 despite the lower volumes.

Portfolio update

In line with our GROW strategy, Solvay began the process of exploring options to sell certain business lines. To date, agreements² have been reached to sell our interests in a few business lines, including the sodium chlorate business and related assets in Portugal (part of Peroxides), certain fluorine chemicals and our site in Korea (part of Special Chem) and most recently the process materials product line (part of Composites). Solvay will continue to explore other opportunities to further simplify its portfolio.

² The completion of the transaction would remain subject to prior consultation with employee representatives and/or approval by the relevant regulatory authorities.

Key segment figures

Underlying

<i>(in € million)</i>	Q3 2020	Q3 2019	% yoy	% org	9M 2020	9M 2019	% yoy	% org
Net sales	2,103	2,578	-18.4%	-14.3%	6,751	7,803	-13.5%	-11.9%
Materials	606	818	-26.0%	-23.4%	2,076	2,452	-15.4%	-15.0%
Specialty Polymers	423	489	-13.6%	-	1,365	1,478	-7.7%	-
Composite Materials	183	329	-44.3%	-	711	974	-27.0%	-
Chemicals	725	845	-14.2%	-8.5%	2,184	2,512	-13.1%	-10.2%
Soda Ash & Derivatives	350	423	-17.1%	-	1,090	1,250	-12.7%	-
Peroxides	157	172	-8.6%	-	478	515	-7.1%	-
Coatis	119	136	-12.8%	-	338	407	-16.9%	-
Silica	99	115	-13.6%	-	277	340	-18.7%	-
Solutions	770	912	-15.6%	-11.1%	2,487	2,834	-12.2%	-10.7%
Novelcare	363	436	-16.8%	-	1,183	1,390	-14.8%	-
Special Chem	174	209	-16.5%	-	554	651	-14.9%	-
Technology Solutions	132	159	-16.5%	-	414	474	-12.7%	-
Aroma Performance	101	109	-7.6%	-	336	319	+5.2%	-
Corporate & Business Services	1	2	-33.8%	-	5	5	-10.6%	-
EBITDA	473	601	-21.4%	-17.3%	1,481	1,796	-17.5%	-16.0%
Materials	161	233	-30.7%	-28.9%	560	703	-20.4%	-20.4%
Chemicals	201	241	-16.7%	-10.4%	606	713	-14.9%	-11.7%
Solutions	142	168	-15.3%	-9.8%	429	513	-16.3%	-14.3%
Corporate & Business Services	(31)	(40)	+21.6%	-	(114)	(132)	+13.9%	-
EBITDA margin	22.5%	23.3%	-0.8pp	-	21.9%	23.0%	-1.1pp	-
Materials	26.6%	28.4%	-1.8pp	-	27.0%	28.7%	-1.7pp	-
Chemicals	27.7%	28.5%	-0.8pp	-	27.8%	28.4%	-0.6pp	-
Solutions	18.4%	18.4%	+0.1pp	-	17.3%	18.1%	-0.8pp	-

Key IFRS figures

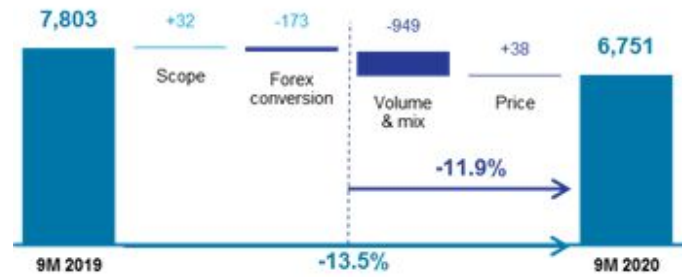
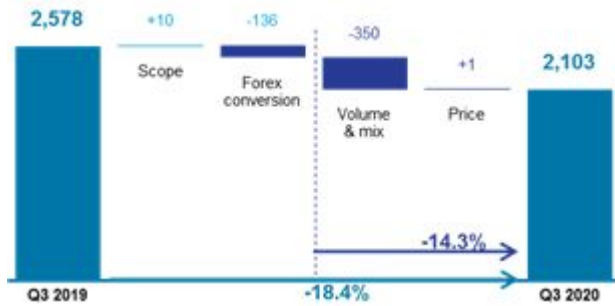
As announced on June 24, 2020, a non-cash impairment charge of €1.46 billion was recorded in Q2 2020. As a result, the underlying profit/(loss) attributable to Solvay shareholders in 9M 2020 was €522 million, whereas it totaled €(1,038) million on an IFRS basis. Further details are available in the financial report.

Q3 key figures (in € million)	IFRS			Underlying		
	Q3 2020	Q3 2019	% yoy	Q3 2020	Q3 2019	% yoy
Net sales	2,103	2,578	-18.4%	2,103	2,578	-18.4%
EBITDA	451	591	-23.7%	473	601	-21.4%
<i>EBITDA margin</i>				22.5%	23.3%	-0.8pp
EBIT	262	(492)	n.m.	277	397	-30.1%
Net financial charges	(39)	(62)	+36.2%	(71)	(80)	+10.2%
Income tax expenses	(4)	120	n.m.	(20)	(61)	+66.4%
Profit / (loss) attributable to Solvay shareholders	252	(387)	n.m.	176	304	-41.9%
Basic EPS (in €)	2.44	(3.76)	n.m.	1.71	2.95	-41.9%
Basic EPS, from continuing operations (in €)	2.04	(4.32)	n.m.	1.71	2.37	-27.9%
Capex in continuing operations				(116)	(215)	+46.2%
FCF to Solvay shareholders, continuing operations				366	313	+17.1%
FCF to Solvay shareholders				365	336	+8.8%
FCF conversion ratio (LTM)				54.8%	35.3%	+19.5pp
Net financial debt				(4,279)		

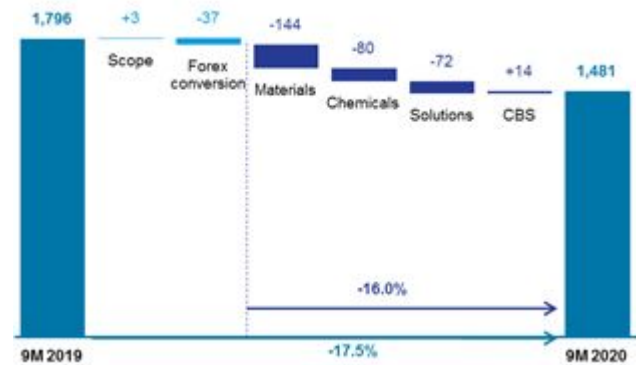
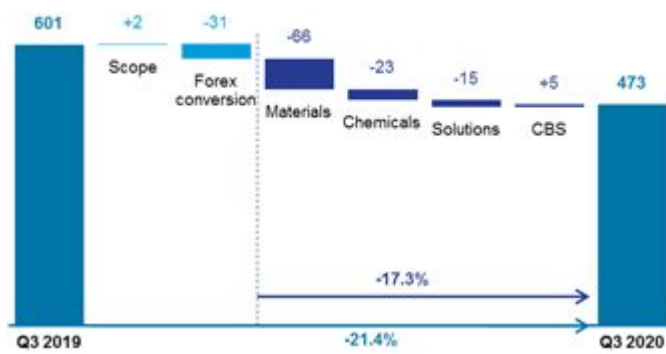
9M key figures (in € million)	IFRS			Underlying		
	9M 2020	9M 2019	% yoy	9M 2020	9M 2019	% yoy
Net sales	6,751	7,803	-13.5%	6,751	7,803	-13.5%
EBITDA	1,335	1,707	-21.8%	1,481	1,796	-17.5%
<i>EBITDA margin</i>				21.9%	23.0%	-1.1pp
EBIT	(852)	114	n.m.	850	1,197	-29.0%
Net financial charges	(112)	(175)	+36.2%	(204)	(246)	+17.0%
Income tax expenses	(207)	(7)	n.m.	(119)	(231)	+48.5%
<i>Tax rate</i>				20%	26%	-6.3pp
Profit / (loss) attributable to Solvay shareholders	(1,038)	110	n.m.	522	911	-42.8%
Basic EPS (in €)	(10.07)	1.06	n.m.	5.06	8.84	-42.8%
Basic EPS, from continuing operations (in €)	(11.60)	(0.96)	n.m.	4.86	6.68	-27.2%
Capex in continuing operations				(411)	(570)	+28.0%
FCF to Solvay shareholders, continuing operations				801	345	n.m.
FCF to Solvay shareholders				796	527	+51.1%
Net financial debt				(4,279)		

Supplemental information: bridges

Net Sales



Underlying EBITDA



Free cash flow

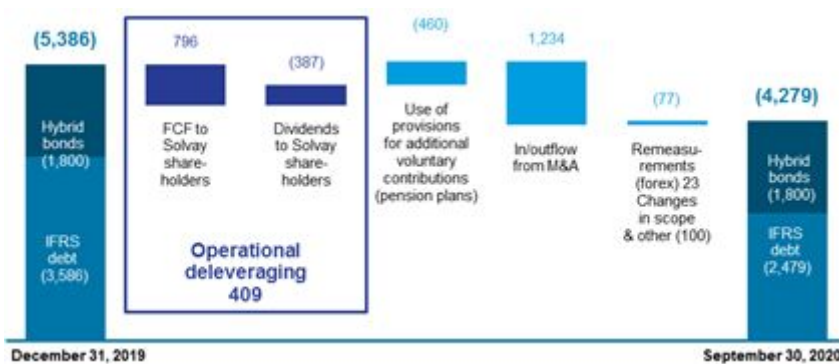
Q3 2020



9M 2020



Underlying net debt



Glossary

EPS is earnings per share.

Free cash flow to Solvay shareholders is the 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 between the free cash flow to Solvay shareholders of the last rolling 12 months (before netting of dividends paid to non-controlling interest) and the underlying EBITDA of the last rolling 12 months.

Organic growth excludes forex (foreign exchange conversion) and scope effects related to small M&A not leading to restatements.

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.

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Safe harbor

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About Solvay

Solvay is a science company whose technologies bring benefits to many aspects of daily life. With more than 24,100 employees in 64 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 plan crafted around three pillars: protecting the climate, preserving resources and fostering 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 €10.2 billion in 2019. Solvay is listed on Euronext Brussels (SOLB) and Paris and in the United States, where its shares (SOLVY) are traded through a Level I ADR program. Learn more at www.solvay.com.

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