

Solvay 2020 first quarter results

Highlights

- Strong performance with underlying **EBITDA** of €569m, similar to Q1 2019 level, despite a €-20m impact from COVID-19 in China.
- Good demand across many markets including healthcare, home and personal care, agro, food, automotive, and military sectors helped to mitigate the challenging oil and gas market.
- Positive pricing and cost mitigation actions improved **EBITDA margin** 0.8pp to 23%.
- Strong **cash generation** of €202 million, up significantly versus Q1 2019.
- Confirmed **dividend** recommendation, highlighting the strength of cash flow generation, balance sheet, and liquidity.
- Launched Solvay Solidarity Fund to primarily support employees and dependents who experience hardship as a direct result of COVID-19.

<i>Underlying, (in € million)</i>	Q1 2020	Q1 2019	% yoy	% organic
Net sales	2,474	2,571	-3.8%	-4.3%
EBITDA	569	571	-0.4%	-1.2%
EBITDA margin	23.0%	22.2%	+0.8pp	-
FCF to shareholders from continuing operations	202	(91)	<i>n.m.</i>	-
FCF conversion ratio	40.4%	17.7%	+22.7pp	-

CEO Quote

"Our highest priority is to protect the health and safety of our employees during these unprecedented times, while remaining focused on safely serving our customers. The actions we took in particular on costs and cash supported our strong performance, protected our industry-leading margins and exceeded our profit and cash expectations. Looking forward, headwinds are increasing and we expect second quarter results to be substantially lower. That said, our decisive measures will set us on the path to rebound and resume our growth commitments at the right time," said Ilham Kadri, Solvay CEO.

Outlook for 2020

On April 9, Solvay withdrew its full year guidance for 2020 due to the effects of the heightened uncertainty of the COVID-19 pandemic on key end markets.

[Register to the webcast scheduled at 14:30 CEST here](#)
[Link to financial report](#)

Key figures

<i>Underlying, in € million</i>	Q1 2020	Q1 2019	% yoy
Net sales	2,474	2,571	-3.8%
EBITDA	569	571	-0.4%
<i>EBITDA margin</i>	23.0%	22.2%	+0.8pp
EBIT	371	376	-1.4%
Net financial charges	(68)	(88)	+22%
Income tax expenses	(76)	(72)	-5.6%
<i>Tax rate</i>	26.4%	26.1%	+0.3pp
Profit / (loss) attributable to Solvay shareholders	236	289	-18%
Basic EPS from continuing operations (in €)	2.08	2.01	+3.7%
Capex in continuing operations	(163)	(179)	+8.8%
FCF to Solvay shareholders from continuing operations	202	(91)	n.m.
FCF to Solvay shareholders (total)	197	(32)	n.m.
FCF conversion ratio	40.4%	17.7%	+22.7pp
Net financial debt	(4,673)		

Group performance

Net sales were down -3.8% including changes in scope and forex, or -4.3% organically due to low volumes (-4.9%) mainly in oil and gas and from the 737MAX program, partially offset by pricing (+0.5%) primarily in the Chemicals segment.

Underlying EBITDA was down -0.4% including forex, and -1.2% organically, driven by the resilient performance of the Chemicals segment, which partially offset lower volumes in Solutions due to the oil and gas industry and in Materials due to commercial aerospace.

Free cash flow to Solvay shareholders from continuing operations rose strongly to reach €202 million in the first quarter of 2020 (€197 million including discontinued operations) versus -€91 million last year. Drivers of strong performance included continued discipline in working capital management, lower costs from group-wide programs, one-off tax deductions for €65 million in continuing operations associated with the use of the proceeds of the polyamide divestment, and 9% lower capital expenditures.

Underlying net financial debt decreased €0.7 billion to €(4.7) billion at the end of March 2020, thanks to the proceeds from the sale of the Polyamide assets (partially used for additional voluntary contributions to pension plans). In addition, the free cash flow to Solvay shareholders was strong at €197 million and fully covered the interim dividend payment to shareholders.

Provisions decreased €0.5 billion to €(3.2) billion as a result of €460 million of additional voluntary pension contributions in France and the United States, more than offsetting an operational increase related mainly to the ongoing restructuring program.

Performance by segments

Net sales bridges

(in € million)	Q1 2019	Scope	Forex	Volume	Price	Q1 2020	Yoy %	Organic %
Materials	801	-	12	(27)	3	789	-1.5%	-2.9%
Chemicals	831	9	(13)	(38)	12	800	-3.7%	-3.2%
Solutions	938	-	7	(59)	(2)	883	-5.8%	-6.5%
Corporate	2	-	-	-	-	1	-	-
Solvay	2,571	9	6	(125)	13	2,474	-3.8%	-4.3%

Materials

First quarter net sales were down -1.5%, including forex, and down -2.9% organically due to lower volumes.

Specialty Polymers sales were in line with first quarter 2019 levels and up sequentially versus the fourth quarter due to solid demand in core markets, including automotive, healthcare, and consumer goods, while electronics showed mixed results.

Composite Materials sales were down -3.9% due primarily to the anticipated production stoppage of the 737MAX program, partially offset by increased demand for military aircraft while other commercial aircraft were stable.

First quarter underlying EBITDA decreased -3.3% (-5.0% organically), with price and strict cost reduction measures offsetting a significant part of the volume decline. Margins year on year declined -0.5% to 28.9% but are up on a sequential basis.

Chemicals

First quarter net sales were down -3.7% including forex and scope changes, and down -3.2% organically due to lower volumes, partially offset by higher prices.

In Soda Ash, sales were down -4.2% due to volume declines in building and construction partially offset by good demand in consumer goods and container glass in addition to stable pricing.

Peroxides sales were resilient as demand remained solid amid a supportive pricing environment.

First quarter underlying EBITDA increased +5.4% (+5.9% organically) due to higher prices and fixed cost reductions across the segment, and margin increased +2.5pp to 29.8%.

Solutions

First quarter net sales were down -5.8% including forex, and down -6.5% organically.

Sales in Novacare were down -12%, with significantly lower demand in the oil and gas industry outweighing the good performance in other markets including home and personal care, agro, and coatings.

In the other global business units, good demand in semiconductors, mining, and food offset weakness in thermal insulation and other industrial markets.

First quarter underlying EBITDA was down -4.3% (-5.5% organically) due primarily to lower volume in the oil and gas sector. Margins Increased by +0.2pp to 17.4% as a result of the continuous cost control measures.

Key segment figures

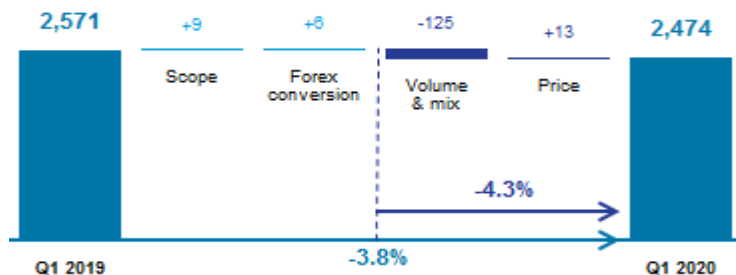
(in € million)	Underlying		
	Q1 2020	Q1 2019	% yoy
Net sales	2,474	2,571	-3.8%
Materials	789	801	-1.5%
Specialty Polymers	481	480	+0.1%
Composite Materials	308	321	-3.9%
Chemicals	800	831	-3.7%
Soda Ash & Derivatives	390	408	-4.2%
Peroxides	172	172	-0.1%
Coatis	127	138	-8.1%
Silica	111	113	-1.8%
Solutions	883	938	-5.8%
Novecare	421	478	-12%
Special Chem	206	210	-2.0%
Technology Solutions	140	144	-2.2%
Aroma Performance	116	106	+9.0%
Corporate	1	2	-27%
EBITDA	569	571	-0.4%
Materials	228	236	-3.3%
Chemicals	239	226	+5.4%
Solutions	154	161	-4.3%
Corporate	-52	-52	+0.8%
EBITDA margin	23.0%	22.2%	+0.8pp
Materials	28.9%	29.4%	-0.5pp
Chemicals	29.8%	27.3%	+2.5pp
Solutions	17.4%	17.2%	+0.2pp

Key IFRS figures

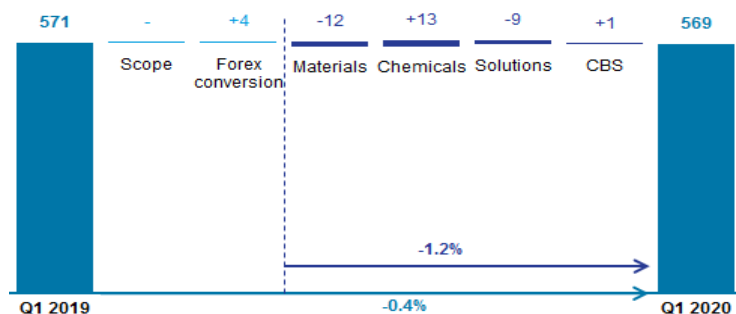
Q1 key figures (in € million)	IFRS			Underlying		
	Q1 2020	Q1 2019	% yoy	Q1 2020	Q1 2019	% yoy
Net sales	2,474	2,571	-3.8%	2,474	2,571	-3.8%
EBITDA	485	530	-8.4%	569	571	-0.4%
<i>EBITDA margin</i>				23.0%	22.2%	+0.8pp
EBIT	233	278	-16%	371	376	-1.4%
Net financial charges	(27)	(54)	+49%	(68)	(88)	+22%
Income tax expenses	(47)	(53)	+10%	(76)	(72)	-5.6%
<i>Tax rate</i>				26.4%	26.1%	+0.3pp
Profit / (loss) attributable to Solvay shareholders	249	228	+9.3%	236	289	-18%
Basic EPS, from continuing operations (in €)	1.43	1.58	-10%	2.08	2.01	+3.7%
Capex in continuing operations				(163)	(179)	+8.8%
FCF to Solvay shareholders, continuing operations				202	(91)	n.m.
FCF to Solvay shareholders				197	(32)	n.m.
FCF conversion ratio				40.4%	17.7%	+22.7pp
Net financial debt	(2,873)			(4,673)		

Supplemental information: bridges

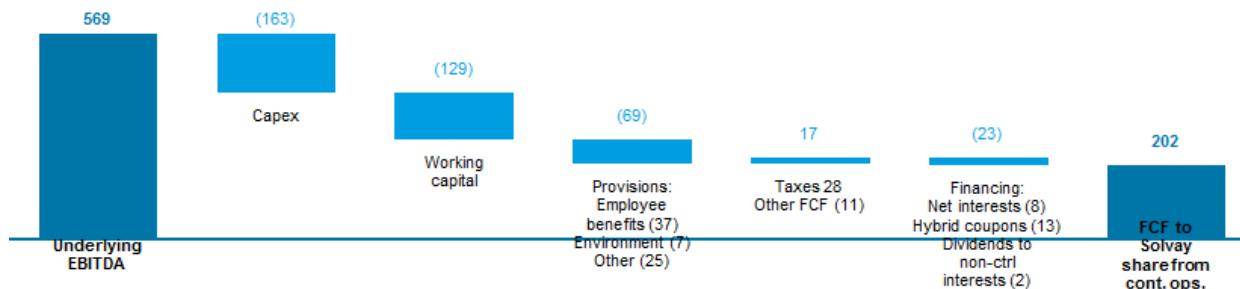
Net Sales



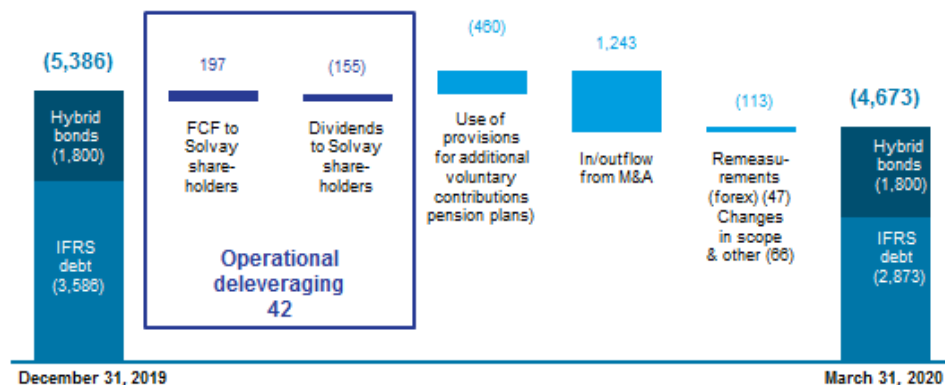
Underlying EBITDA



Free cash flow



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. The **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 the 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 P&L), 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.solway.com.

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