IMCD

Press release

IMCD reports 54% EBITA growth in 2021

Rotterdam, The Netherlands (25 February 2022) - IMCD N.V. (“IMCD” or “Company”), a leading distributor of speciality chemicals and ingredients, today announces its full year 2021 results.

HIGHLIGHTS

- Revenue growth of 24% to EUR 3,435 million (+25% on constant currency basis)
- Gross profit growth of 29% to EUR 836 million (+30% on a constant currency basis)
- Operating EBITA increase of 54% to EUR 374 million (+55% on a constant currency basis)
- Net result for the year increase of 73% to EUR 207 million (+74% on a constant currency basis)
- Cash earnings per share increased by 53% to EUR 4.64 (2020: EUR 3.03)
- Dividend proposal of EUR 1.62 in cash per share (2020: EUR 1.02)

Piet van der Slikke, CEO: *"I am pleased to report a year of record growth: operating EBITA increased by 54% and cash earnings per share by 53%. In 2021, all our regions and business segments showed strong growth, both organically and as the result of strategic acquisitions. I want to specifically mention the strengthening of our business in Mexico, Central America, China and Indonesia, that position us well to serve our customers and suppliers in these attractive markets. Our teams have worked tirelessly to maintain supply to our customers, overcoming challenges that persisted in 2021. The economic environment is still favourable for us and we are quite optimistic about further growth for our Group."*

KEY FIGURES

EUR MILLION	2021	2020[1]	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	3,435.3	2,774.9	660.3	24%	25%
Gross profit	836.3	647.5	188.8	29%	30%
Gross profit as a % of revenue	24.3%	23.3%	1.0%		
Operating EBITA[2]	373.6	243.2	130.4	54%	55%
Operating EBITA as a % of revenue	10.9%	8.8%	2.1%		
Conversion margin[3]	44.7%	37.6%	7.1%		
Net result for the year	207.2	120.1	87.1	73%	74%
Free cash flow[4]	278.9	277.4	1.5	1%	
Cash conversion margin[5]	72.6%	109.4%	(36.8%)		
Net debt / Operating EBITDA ratio[6]	2.3	2.3	(0.0)		
Earnings per share	3.64	2.23	1.40	63%	64%
Cash earnings per share[7]	4.64	3.03	1.61	53%	54%
(Proposed) dividend per share	1.62	1.02	0.60	59%	
Number of full time employees end of period	3,740	3,298	442	13%	

1 The figures for 2020 have been restated as a result of a change in accounting policy following the IFRIC agenda decision on cloud computing arrangements published in March 2021
2 Result from operating activities before amortisation of intangibles and non-recurring items
3 Operating EBITA in percentage of gross profit
4 Operating EBITDA excluding non-cash share-based payment expenses, less lease payments, plus/less changes in working capital, less capital expenditures
5 Free cash flow in percentage of adjusted operating EBITDA (Operating EBITDA plus non-cash share-based payment costs minus lease payments)
6 Including full year impact of acquisitions
7 Result for the year before amortisation (net of tax) divided by the weighted average number of outstanding shares

Creating a world of opportunity

Revenue

The year 2021 can be characterised as another challenging year, with strong growth in a dynamic environment. Although the pandemic continued to pose unprecedented challenges for our people and the communities where we operate, the dedication, resilience and flexibility of our teams and the solid fundamentals of our business model resulted in a strong performance. Compared with 2020, many of the economies we operate in showed a strong rebound in growth in 2021. Global shipping disruptions and input shortages kept the industry from expanding production in line with the rapid growth in demand for manufactured goods. The imbalance between strong demand and supply at the global levels, has intensified shortages and led to price volatility, affecting many countries and sectors.

Compared with 2020, revenue increased by 24% to EUR 3,435.3 million in 2021. On a constant currency basis, revenue growth is 25% and consists of organic growth (+16%) and the impact of the first-time inclusion of acquisitions (+9%).

The overall organic revenue development was shaped by the balance of local macroeconomic circumstances, further strengthening of the product portfolio by adding new suppliers, 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, increased by 29% from EUR 647.5 million in 2020 to EUR 836.3 million in 2021. The increase in gross profit on a constant currency basis is 30% and consists of organic growth (21%) and the impact of the first-time inclusion of acquisitions (9%).

Gross profit as a % of revenue increased by 1.0%-point from 23.3% in 2020 to 24.3% in 2021. All regions contributed to the improved gross profit margin in 2021. Gross profit margins showed the usual level of differences in margins per region, per product and 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 130.4 million (54%) from EUR 243.2 million in 2020 to EUR 373.6 million in 2021. On a constant currency basis, the increase in operating EBITA is 55%, consisting of organic growth of 35% and the impact of the first-time inclusion of acquisitions completed in 2020 and 2021 of 20%.

Operating EBITA as a % of revenue increased by 2.1%-point from 8.8% in the 2020 to 10.9% in 2021.

The conversion margin, defined as operating EBITA in percentage of gross profit, increased from 37.6% in 2020 to 44.7% in 2021. The increase in conversion margin is the result of substantial organic EBITA growth, whereby gross profit growth more than compensated own cost growth, combined with a positive impact of acquisitions made.

Following clarifying guidance from the International Financial Reporting Interpretations Committee (IFRIC) in March 2021, IMCD adopted a change in accounting policy in relation to the treatment of configuration and customisation costs relating to cloud computing arrangements. Under the revised accounting policy, costs that previously would have been capitalised and subsequently amortised, are treated as operating expenses. The changes in accounting policies have been adopted retrospectively and prior year (2020) comparative figures have been restated.

The impact of the change in accounting policy on the operating EBITA of 2021 is negative EUR 9.8 million (2020: EUR -10.4 million), and only affects segment Holdings. The impact on the net result for both years is negligible as higher operating expenses are practically compensating the lower amortisation costs as a result of the revised accounting policy.

Cash flow and capital expenditure

Free cash flow increased by EUR 1.5 million from EUR 277.4 million in 2020 to EUR 278.9 million in 2021.

The cash conversion margin is defined as free cash flow as a percentage of adjusted operating EBITDA (operating EBITDA adjusted for non-cash share-based payments and lease premiums). The cash conversion margin decreased by 36.8%-point from 109.4% in 2020 to 72.6% in 2021.

The decrease in cash conversion margin in 2021 is the result of a combination of higher operating EBITDA, lower capital expenditures and higher working capital investments, compared with 2020.

Net working capital, defined as inventories, trade and other receivables less trade payables and other payables, increased by EUR 168.8 million (38%) from EUR 443.7 million as at the end of 2020 to EUR 612.5 million as of 31 December 2021. The increase in net working capital is the result of the high level of business activities in 2021, impacts of external factors, including supply chain issues, leading to higher working capital levels (EUR 104 million), impact of exchange rate differences on year-end balance sheet positions (EUR 15.1 million) and the impact of acquisitions completed in 2021 (EUR 49.8 million).

At the end of December 2021, net working capital in days of revenue was 63 days (December 2020: 55 days). In particular the strong sales towards the end of 2021 contributed to higher trade and other receivable days (+5 days) compared to the end of 2020. In addition the healthy order book for the beginning of 2022 had an upward effect on the inventory days (+8 days) and on the trade payables days (+5 days) compared with 31 December 2020.

IMCD's asset-light business model resulted in relatively low capital expenditure considering the size of the overall operations and amounted to EUR 4.9 million in 2021, compared with EUR 6.6 million in 2020. Capital expenditure mainly relates to investments in the ICT infrastructure, office furniture and technical, warehouse and office equipment.

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.

In November 2021, IMCD repaid EUR 60 million and USD 25 million for its long-term promissory note (Schuldscheindarlehen).

As at the end of 2021, net debt was EUR 940.0 million compared with EUR 727.0 million as at 31 December 2020. The increase in net debt is predominantly the balance of positive and healthy cash flows from operating activities, more than offset by cash outflows as a result of acquisition-related payments of EUR 180.0 million and a dividend payment of EUR 58.1 million in 2021. Furthermore, net debt includes EUR 308.9 million deferred and contingent considerations related to acquisitions (31 December 2020: EUR 193.6 million).

As at the end of December 2021, the leverage ratio (net debt/operating EBITDA ratio including the full-year impact of acquisitions) was 2.3 times EBITDA (31 December 2020: 2.3). The actual leverage as at 31 December 2021, calculated on the basis of the definitions used in the IMCD loan documents, was 1.5 times EBITDA (31 December 2020: 1.7).

As at the end of December 2021, the interest cover, calculated based on the definitions used in the Schuldscheindarlehen document, is 29.1 times EBITDA (31 December 2020: 16.9), which is well above the required minimum of 4.0 times EBITDA.

Total equity increased by EUR 208.9 million from EUR 1,252.4 million as at 31 December 2020 to EUR 1,461.4 million as at 31 December 2021. The increase in total equity is the balance of the addition of the net profit for the year of EUR 207.2 million, other comprehensive income of EUR 56.6 million, dividend payments in cash of EUR 58.1 million, transactions related to the group's share-based payment programme of EUR 1.7 million and the non-controlling interest of EUR 1.5 million. The increase of equity resulted in a solid ratio at year-end, whereby total equity covers 44.7% of the balance sheet total (31 December 2020: 46.4%).

Result for the year

The result for the year increased by EUR 87.1 million (+73%) from EUR 120.1 million in 2020 to EUR 207.2 million in 2021. The main drivers of this increase were higher operating EBITA and lower net financing costs, partly offset by higher corporate income tax expenses.

Earnings per share increased by 63% from EUR 2.23 in 2020 to EUR 3.64 in 2021.

Cash earnings per share, calculated as earnings per share before amortisation of intangible assets (net of tax), divided by the weighted average number of outstanding shares, increased by EUR 1.61 (+53%) from EUR 3.03 in 2020 to EUR 4.64 in 2021.

Dividend proposal

For the financial year 2021 a dividend of EUR 1.62 per share will be proposed to the Annual General Meeting. Compared with 2020 this means an increase of EUR 0.60 per share, or 59%. Approval of the dividend proposal by the Annual General Meeting will lead to a dividend distribution of EUR 92.3 million in cash (2020: EUR 58.1 million), which is 35% of the net result 2021 adjusted for non-cash amortisation charges, net of tax (2020: 36%).

DEVELOPMENTS BY OPERATING SEGMENT

The reporting segments are defined as follows:

- EMEA: all operating companies in Europe, Turkey, Israel, Egypt, United Arab Emirates, Saudi Arabia and Africa
- Americas: all operating companies in the United States of America, Canada, Brazil, Puerto Rico, Chile, Argentina, Uruguay, Colombia, Mexico, Peru, Costa Rica and Dominican Republic
- Asia-Pacific: all operating companies in Australia, New Zealand, India, Bangladesh, 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 by operating segments in 2021 are as follows.

EMEA

EUR MILLION	2021	2020	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	1,601.6	1,326.9	274.7	21%	21%
Gross profit	411.7	337.4	74.3	22%	22%
Gross profit as a % of revenue	25.7%	25.4%	0.3%		
Operating EBITA	180.3	131.2	49.1	37%	39%
Operating EBITA as a % of revenue	11.3%	9.9%	1.4%		
Conversion margin	43.8%	38.9%	4.9%		

In 2021, the revenue in the EMEA region increased by 21% compared with 2020, consisting of organic revenue growth (+18%) and the impact of the first-time inclusion of acquisitions completed in 2020 and 2021 (+3%). The acquisition impact of 3% relates to Zifroni and Kokko-Fiber in 2020, and Ejder Kimya, Peak International and Siyeza in 2021.

In addition to the acquisitions completed 2021, on 22 December 2021 IMCD signed an agreement to acquire 100% of the shares in Polychem Handelsges.m.b.H. (“POLYchem”), a leading provider of chemical raw materials and additives in Austria and Southeast Europe. POLYchem offers a diverse portfolio of products for the coatings, construction, and composite industries. POLYchem has 65 employees and generated revenue of EUR 25 million in 2020. The transaction was closed on 8 February 2022.

Gross profit increased by 22%, from EUR 337.4 million in 2020 to EUR 411.7 million in 2021. The gross profit growth consists of organic growth (+20%) and the impact of the first-time inclusion of acquisitions (+2%). Despite the challenging market conditions, including the impact of the COVID-19 pandemic and supply chain issues, in many EMEA countries, IMCD successfully added new suppliers and further expanded its relationships with existing suppliers in new territories and with additional business lines. Organic gross profit development further included the usual variations in the product and customer mix.

Operating EBITA increased by 37% from EUR 131.2 in 2020 to EUR 180.3 million in 2021. Operating EBITA as a % of revenue increased by 1.4%-point, from 9.9% in 2020 to 11.3% in 2021. The conversion margin increased by 4.9%-point, from 38.9% in 2020 to 43.8% in 2021.

Americas

EUR MILLION	2021	2020	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	1,119.6	945.1	174.5	18%	22%
Gross profit	250.5	204.2	46.3	23%	26%
Gross profit as a % of revenue	22.4%	21.6%	0.8%		
Operating EBITA	113.0	86.0	27.0	31%	36%
Operating EBITA as a % of revenue	10.1%	9.1%	1.0%		
Conversion margin	45.1%	42.1%	3.0%		

In the Americas segment, revenue was EUR 1,119.6 million in 2021 compared with EUR 945.1 million in 2020 (+18%). In 2021, organic revenue growth was 16% and growth as a result of acquisitions completed in 2020 (VitaQualy, Millikan and Banner Química) and 2021 (Siliconas, Andes Chemical and Maquimex) and the divestment of the Nutri Granulations business in the US, was 6%.

In 2021, the Americas segment reported a gross profit increase of EUR 46.3 million (+23%) to EUR 250.5 million, compared with EUR 204.2 million in 2020. On a constant currency basis, the increase in gross profit is 26%, consisting of organic growth (+21%) and the impact of the first-time inclusion of acquired companies (5%).

Gross profit profit margin increased by 0.8%-point, from 21.6% in 2020 to 22.4% in 2021. The gross profit margin improvements are the result of margin improvement initiatives and changes in the product mix.

In 2021, operating EBITA increased by EUR 27.0 million to EUR 113.0 million, compared to EUR 86.0 million in 2020 (+ 31%). On a constant currency basis the operating EBITA increased by 36%. Apart from a modest impact of acquisitions completed in 2020 and 2021, the main drivers of the operating EBITA increase are the organic business developments.

Operating EBITA margin increased by 1.0%-point from 9.1% in 2020 to 10.1% in 2021. The conversion margin increased by 3.0%-point from 42.1% in 2020 to 45.1% in 2021.

Asia-Pacific

EUR MILLION	2021	2020	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	714.1	502.9	211.2	42%	39%
Gross profit	174.2	105.9	68.3	64%	61%
Gross profit as a % of revenue	24.4%	21.1%	3.3%		
Operating EBITA	109.7	52.9	56.8	107%	101%
Operating EBITA as a % of revenue	15.4%	10.5%	4.9%		
Conversion margin	63.0%	49.9%	13.1%		

In Asia-Pacific, revenue increased by 42% from EUR 502.9 million in 2020 to EUR 714.1 million in 2021. On a constant currency basis, revenue growth in 2021 was 39% which consists of organic growth of 9%, and 30% growth as a result of acquisitions completed in 2020 (Develing and Signet) and 2021 (Yuanhe).

IMCD continued to execute its selective acquisition strategy, which led to two acquisitions in the Asia-Pacific region in 2021. In addition to the acquisition of the Yuanhe (China) completed in June 2021, IMCD acquired 70% of the shares in PT Megasetia Agung Kimia ("Megasetia") on 21 December 2021. Megasetia is a distributor of speciality ingredients for the pharmaceutical industry, has 160 employees and generated revenue of approximately EUR 80 million in 2021. The remaining 30% of the shares in Megasetia will be acquired in 2025 by the latest.

In additions to the two closed transactions in 2021, IMCD signed three acquisition agreements in the fourth quarter of 2021.

On 29 September 2021, IMCD signed an agreement to acquire 100% of the shares in Aquatech Speciality (Shanghai) International Trading Co., Ltd. and Aquatech Speciality (Guangzhou) Trading Co., Ltd. (jointly “Aquatech”) in China. Aquatech is active in waterborne solutions in coatings, ink, and textile industries. Aquatech has 10 employees and generated revenue of EUR 6.7 million in 2020. The closing of the transaction is expected to take place in the first quarter of 2022.

On 6 December 2021, IMCD signed an agreement to acquire 100% of the shares in Shanghai Syntec Additive Limited and Shanghai Weike Additive Limited (jointly “Syntec”). Syntec provides market, technical and formulation expertise in China's personal care, cosmetics, and home care industries. Syntec generated revenue of approximately EUR 14 million in 2020 and has 25 employees. The transaction was closed on 18 January 2022.

On 22 December 2021, IMCD signed an agreement to acquire 100% of the shares in RPL Trading Pty Ltd and RPL Trading New Zealand Ltd. (jointly “RPL Trading”), a speciality chemicals distributor focused on services and formulation expertise for customers and partners in the home care and water treatment markets. RPL Trading generated a revenue of approximately EUR 16 million for the fiscal year ended on 30 June 2021 and has 15 employees. The transaction was closed on 31 January 2022.

In 2021, gross profit increased by 64%. On a constant currency basis, gross profit growth was 61%, consisting of 19% organic growth and 42% growth as a result of the first time inclusion of businesses acquired in 2020 and 2021. The gross profit margin increased by 3.3%-point from 21.1% in 2020 to 24.4% in 2021. The gross profit margin increase is the result of gross margin improvement initiatives, changes in the product mix and the impact of the first time inclusion of acquired businesses with gross margins higher than IMCD's average.

Compared with 2020, operating EBITA increased by EUR 56.8 million (+107%) to EUR 109.7 million in 2021. On a constant currency basis, the growth of operating EBITA was 101%.

Operating EBITA as a % of revenue increased by 4.9%-point from 10.5% in 2020 to 15.4% in 2021. The conversion margin further improved by 13.1%-point to 63.0% in 2021. The improvement of the conversion margin is the result of higher gross margins offsetting higher own costs. In addition, the acquisition of Signet in 2020 had a positive impact on the development of the conversion margin in the Asia-Pacific segment in 2021, compared with 2020.

Holding companies

EUR MILLION	2021	2020	CHANGE	CHANGE	FX ADJ. CHANGE
Operating EBITA	(29.3)	(26.9)	(2.4)	(9%)	(10%)
Operating EBITA in % of total revenue	(0.9%)	(1.0%)	0.1%		

Operating EBITA of Holding companies represents the central head office in Rotterdam as well as the regional head offices in Singapore and New Jersey, US.

Operating costs increased by EUR 2.4 million (+9%) from EUR 26.9 million in 2020 to EUR 29.3 million in 2021. On a constant currency basis, the increase is 10%. The 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. Operating costs of the Holding Companies in percentage of consolidated revenue decreased by 0.1%-point to 0.9% in 2021.

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.

Results can be influenced from period to period by, among 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.

Despite the impact of the COVID-19 restrictions on the economic situation, IMCD delivered strong results in 2021. Unfortunately, the uncertainty about the duration of the COVID-19 crisis and its impact on the global economy continued for longer than expected and recovery comes with new challenges, such as volatile product availability and demand, and serious supply chain disruptions. Nevertheless, IMCD is a strong, resilient and well diversified business with a robust liquidity position and capital structure. IMCD's people have shown great flexibility and creativity to counter the challenges that appeared and have proven their ability to achieve excellent results.

IMCD sees interesting opportunities to further increase its global footprint and expand its product portfolio both organically and by acquisitions.

IMCD

FINANCIAL CALENDAR

29 April 2022	First three months 2022 results
2 May 2022	Annual General Meeting
2 May 2022	Dividend announcement
4 May 2022	Ex-dividend date
5 May 2022	Dividend record date
9 May 2022	Dividend payment date
4 August 2022	First half-year 2022 results
10 November 2022	First nine months 2022 results

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FURTHER INFORMATION

Today's analysts call will start at 10:00 am CET. A recording of this call will be made available on the IMCD website (www.imcdgroup.com).

Click here to download the Annual Report 2021 from the reports and presentations' section on our website.

Non-IFRS financial measures and ratios

This press release contains certain non-IFRS financial measures and ratios, which are not recognised measures of financial performance or liquidity under IFRS. Operating EBITA is defined as result from operating activities before amortisation of intangibles and non-recurring item. Non-recurring items include cost of corporate restructurings and reorganisations and cost related to realised and non-realised acquisitions.

Auditor's involvement

This press release is based on the financial statements 2021 of the Company, published in accordance with statutory provisions. The auditor has issued an unqualified auditor’s report on the financial Statements 2021.

ABOUT IMCD

IMCD is a market-leader in the sales, marketing and distribution of speciality chemicals and 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 3,435 million in 2021 with more than 3,700 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 56,000 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 25 February 2022, 7:00 am CET.