

FY2021 Results Investor conference call

4 March 2022 (*)

Italmatch provides a critical ingredient
in gear-oils for a significant share of
European and ASEAN wind turbines



(*) Revised in April 2022 with minor modifications to take into account definitive and audited FY2021 numbers

Today's presenters



Sergio Iorio
Founder & CEO



Maurizio Turci
*General Manager
Corporate & CFO*



ITALMATCH IN 2021

SALES REVENUES:

598M€ | +18.7% vs. FY2020

CONTRIBUTION MARGIN:

206M€ | +10.5% vs. FY2020

ADJ. EBITDA:

103M€ | +10.1% vs. FY2020

NET FINANCIAL DEBT:

6.1x | (6.5x as of 3Q21)

LIQUIDITY POSITION^(*):

114M€ | (126M€ as of 3Q21)

- Continued positive momentum in Q421 trading and **strong FY results across all end markets**
- Double digits revenues growth in **LPA** (+27%), **FPA** (+58%) and **PPA** (+16%) and high single digits in **AWS** (+8%)
- **Unit margin resilience** thanks to focus on **pass-through** in a raw materials inflationary/shortage environment and continued **cost control** through the recovery
- Successfully managing through global supply chain and raw materials complexity, with focus on ensuring **security of supply** and pricing **pass-through**
- **Strong liquidity profile** maintained and on **deleveraging** trajectory vs. Q321
- We continue to see **very positive trading momentum in Q1 2022** with strong demand **across end markets**

(*) "Cash and available liquidity": Cash and Cash Equivalents + Undrawn amount of RCF + Undrawn Uncommitted Short Term Lines



SUSTAINABLE CHEMISTRY: AWS

- New **biodegradable antiscalant** for reverse-osmosis **desalination** applications
- **Innovative antiscalant** for **geothermal applications** in severe conditions
- New product line for **efficient sugar refining**
- New High Temperature Multiple Effect Distillation (**desalination antiscalant**)
- New **biodegradable** for **North Sea**
- New **tagged fluorescent polymers**



SUSTAINABLE CHEMISTRY: LPA

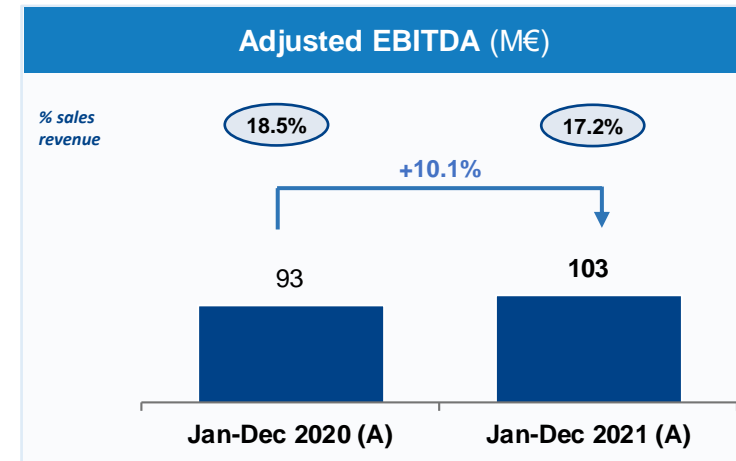
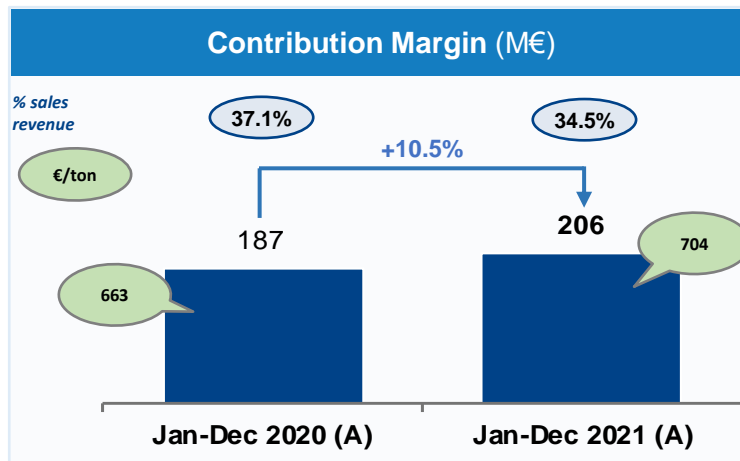
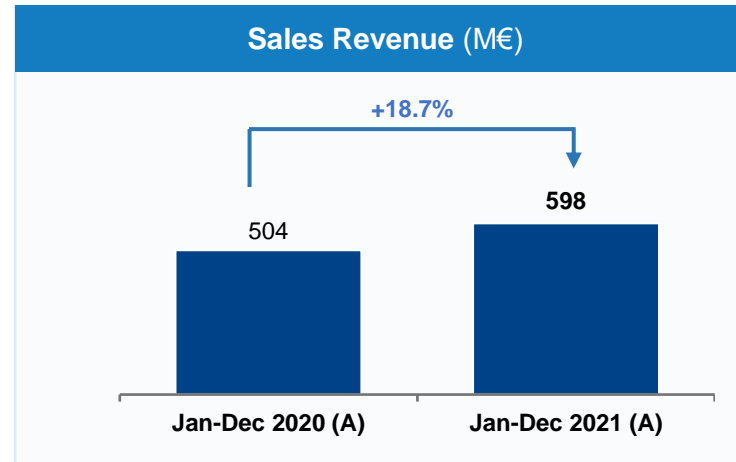
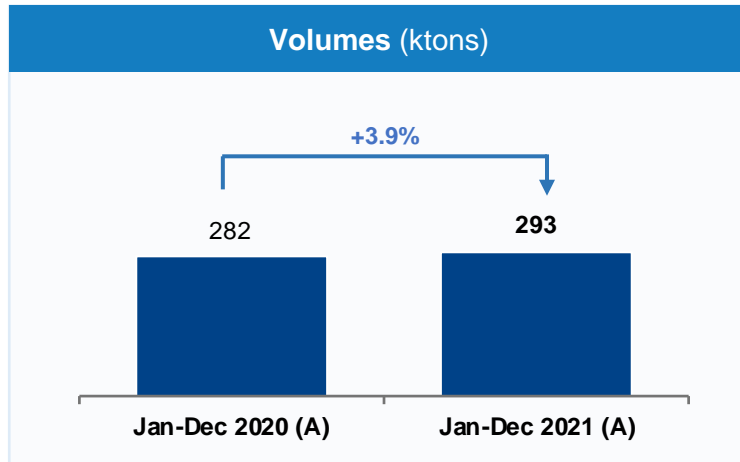
- R&D in **biodegradable products** for LPA applications
- New **dispersant products**
- New **Automatic Transmission Fluids** for USA
- Italmatch polymers for **EV lubricants** to deliver outstanding heat transfer and dielectric fluids



OTHER INITIATIVES

- Successful investment in **PA production in Frankfurt** to ensure **security of supply** to our customers
- **Circular economy projects** to produce elemental phosphorus out of **waste materials**, metal recovery from **exhausted EV batteries** and anti-agglomerants from **fish waste**, as mid/long term ESG Projects
- First shipment of our Flame Retardant products for the TESLA EV car

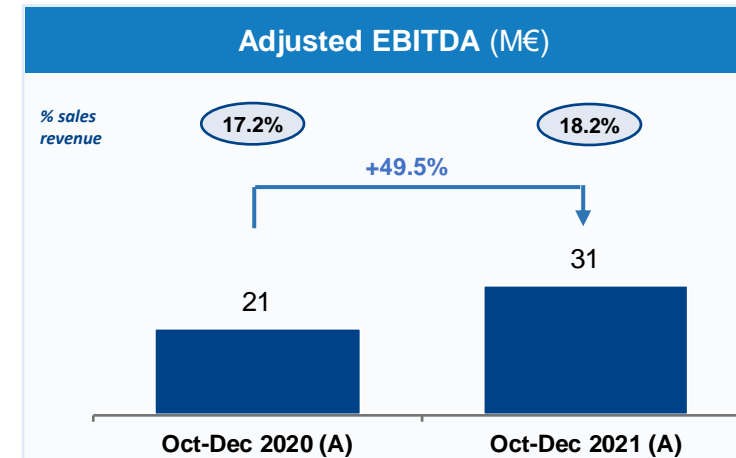
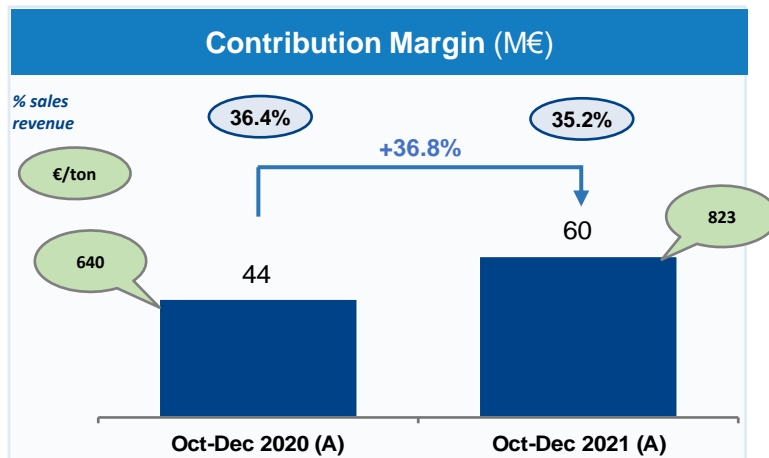
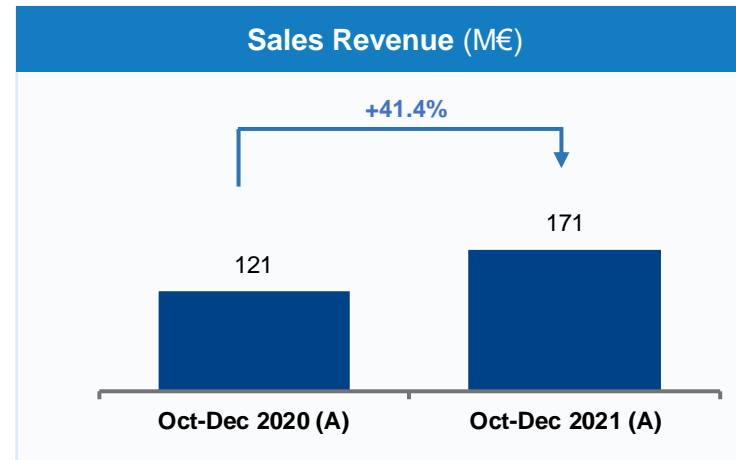
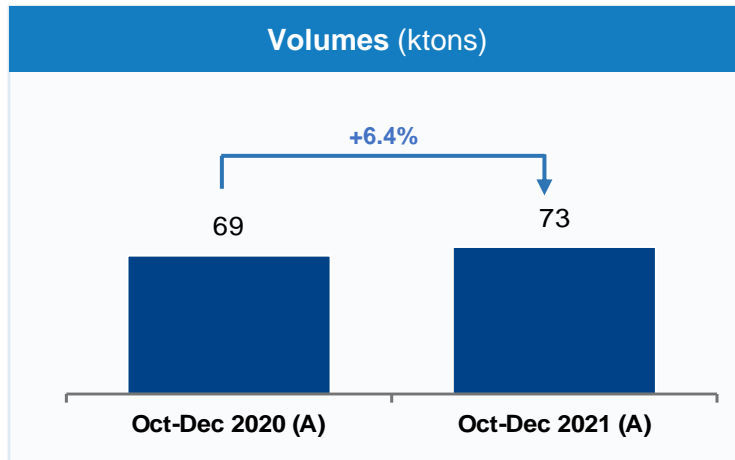
GROUP FY 2021



COMMENTARY

- FY 2021 **Volumes** increased by 3.9% vs. LY with **Sales Revenue** 18.7% higher thanks to mix and pass-through price increases
- **Contribution Margin**: +10.5% vs. FY 2020, (704€/ton vs. 663€/ton) proving successful pass-through
- **Adj. EBITDA** improved in line with CM notwithstanding slightly higher fixed costs vs. FY20 (due to reversal of 2020 exceptional measures)

GROUP Q4 2021

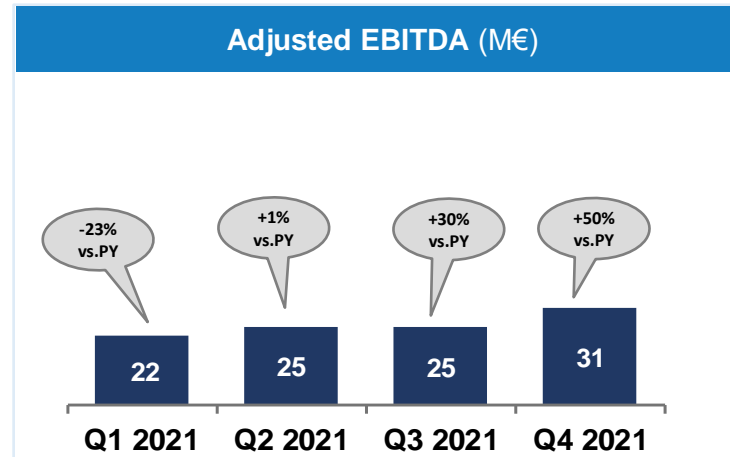
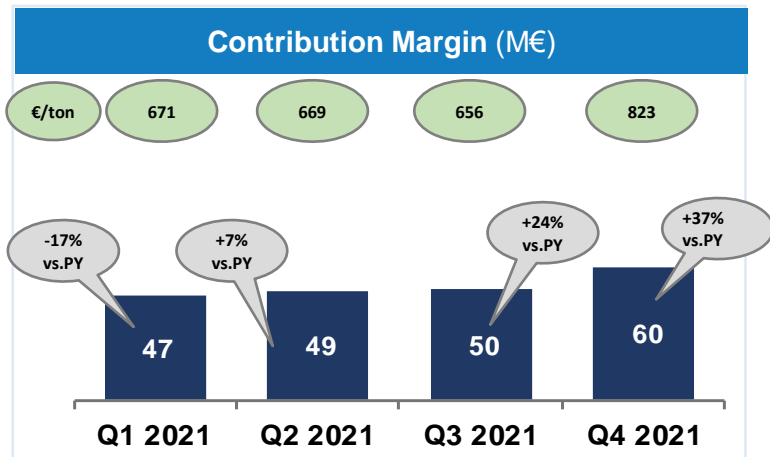
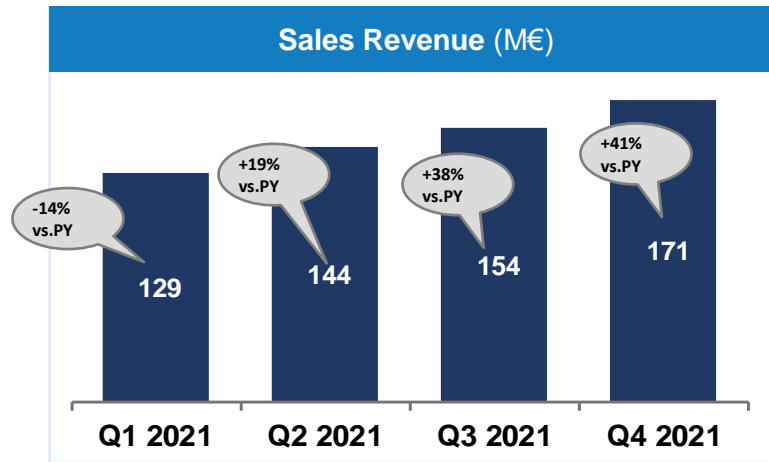
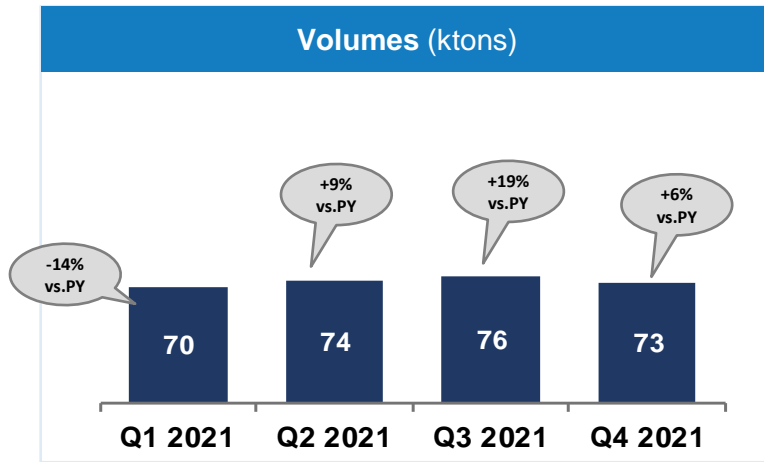


COMMENTARY

- **Very strong Q4 2021** with good demand recovery across end markets, +6.4% Volumes and +41.4% Revenues vs. same period LY
- **Significant unit margin improvement** (from 640 €/ton to 823 €/ton), confirming the critical nature of Italmatch's products and our ability to pass-through raw material cost increases and logistic emergency

2021 Quarterly Key Performance Indicators

2021 QUARTERLY TREND



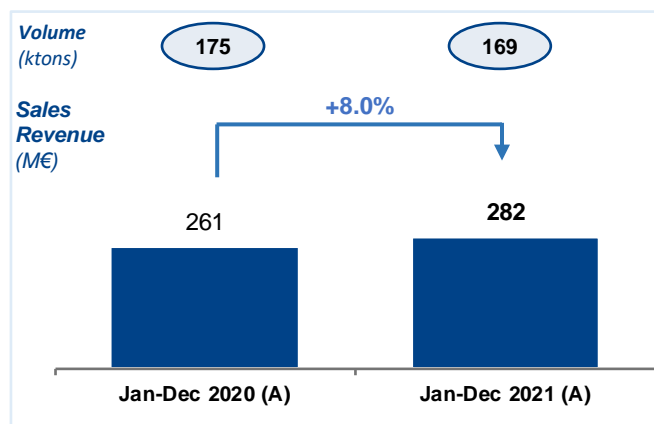
COMMENTARY

- **Consistent progressive quarter on quarter improvement in 2021** across main KPIs, highlighting trajectory of demand recovery and successful margin management
- **Q4 2021 EBITDA at 31M€ (+50% vs. last year)** is highest ever for Italmatch to date

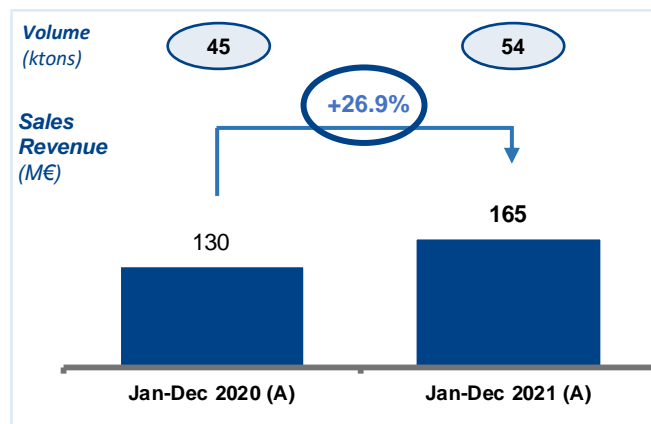
FY2021 Performance by End Market



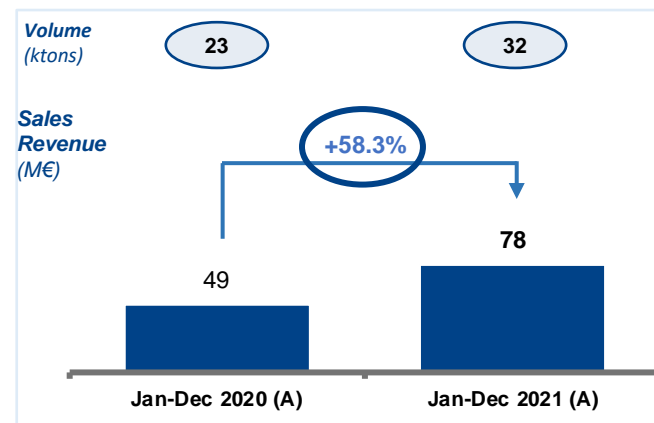
AWS



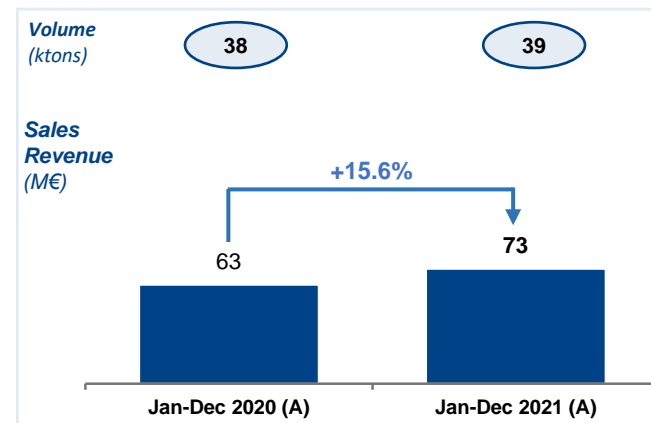
LPA



FPA



PPA



COMMENTARY



AWS

- Sales Revenue **+8.0%** driven mostly by **price increases** (as volumes slightly down due to production constraints)
- Shipments to desalination and geothermal markets restarted in H2 2021
- Move to Functional Sol./Specialty (i.e. R.O.)



LPA

- Strong performance (**+26.9% in Sales**), also benefitting from **new recurring business** from Q1 in Arese plant



FPA

- **+58.3% increase in Sales**, mainly driven by strong performance in **innovative halogen-free flame retardants** for E&E, as well as **PVC/PE additives** driven by rebound of construction market



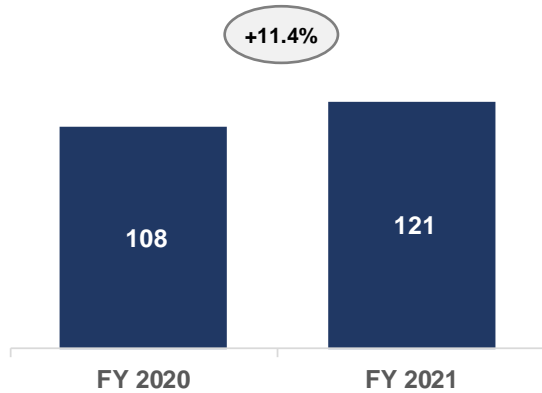
PPA

- Frankfurt plant **working at full capacity** thanks to phosphorus chlorides products for internal uses and external customers
- Fatty acid chlorides continue to perform strongly thanks to demand in **Personal Care, Pharma and Agrochemicals**

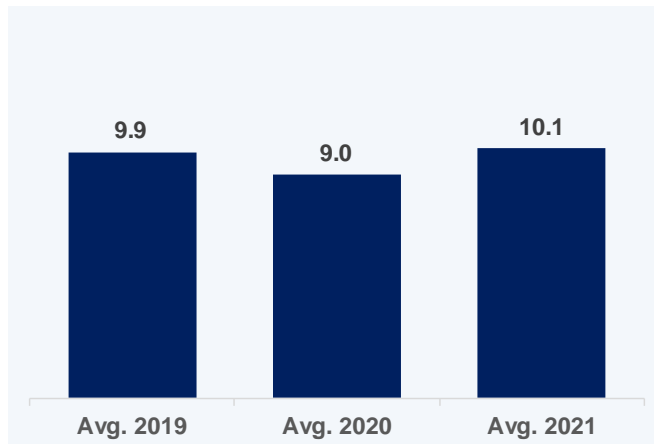
The sales revenue recognition and measurement criteria we utilize in our management accounts are different from those we utilize in our statutory accounts.

Fixed Costs and cost base evolution

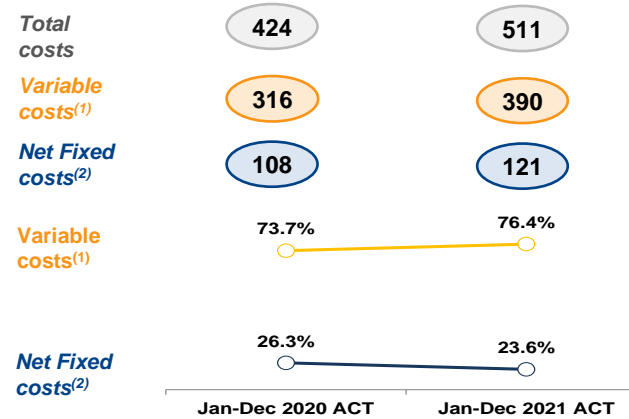
Fixed Costs FY2021 vs. FY'20 | M€



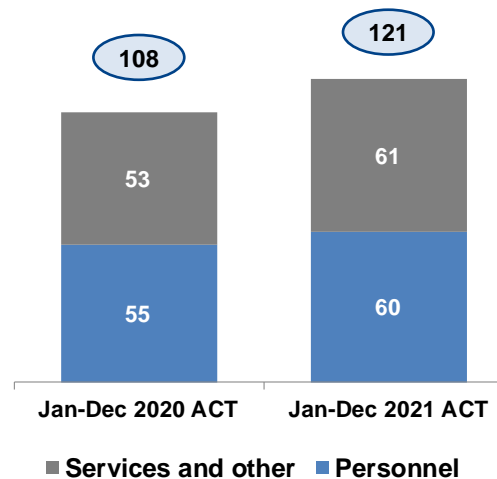
Fixed Costs | Monthly average | M€



Operating cost base evolution | M€



Fixed cost breakdown | M€

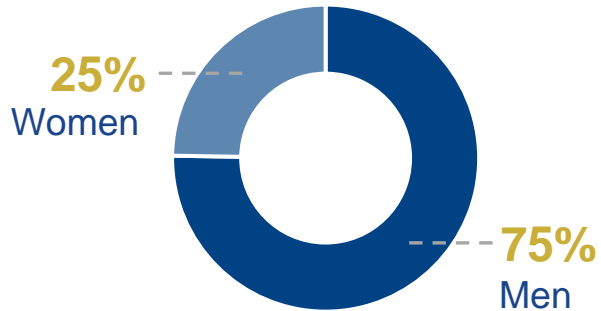


COMMENTARY

- **Fixed costs remain under control** during the recovery, and considering reversal of last year's extraordinary cost savings due to the pandemic (Solidarity Fund)
- We retained some of the temporary savings in 2021, including T&E and part of the third-party external services

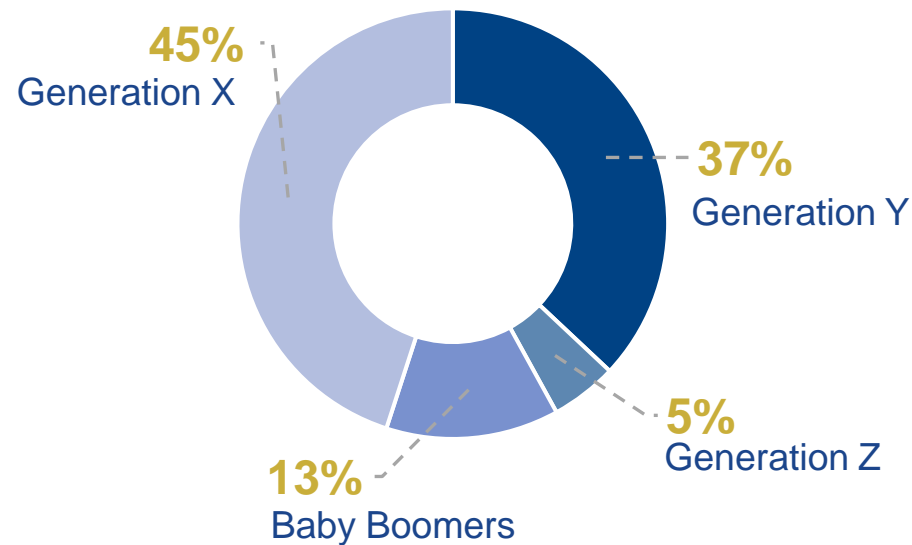
Note: based on consolidated management accounts and includes operating costs such as FMC, SG&A and R&D (excluding stock effect)
 (1) Defined as "cost of production sold" (2) includes operating costs such as FMC, SG&A and R&D (excluding stock effect).

Gender Diversity

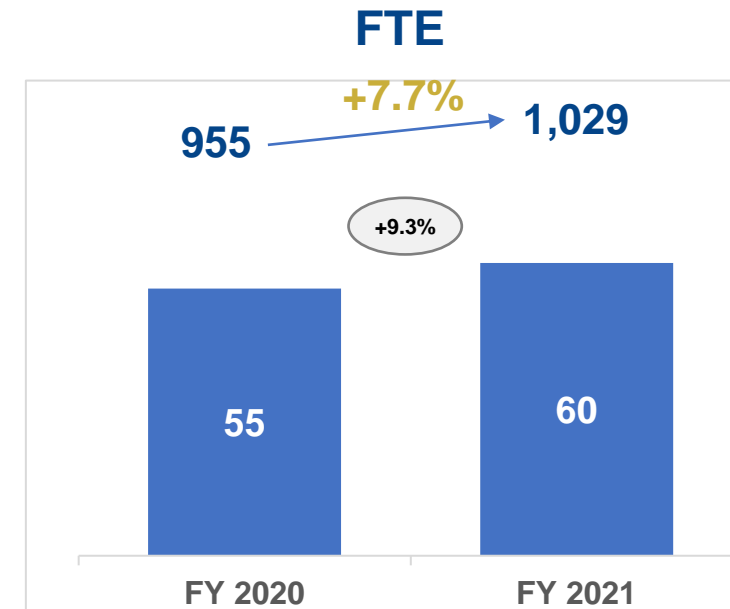


Aging & Group Seniority

44 yrs average age **8.5** yrs average seniority



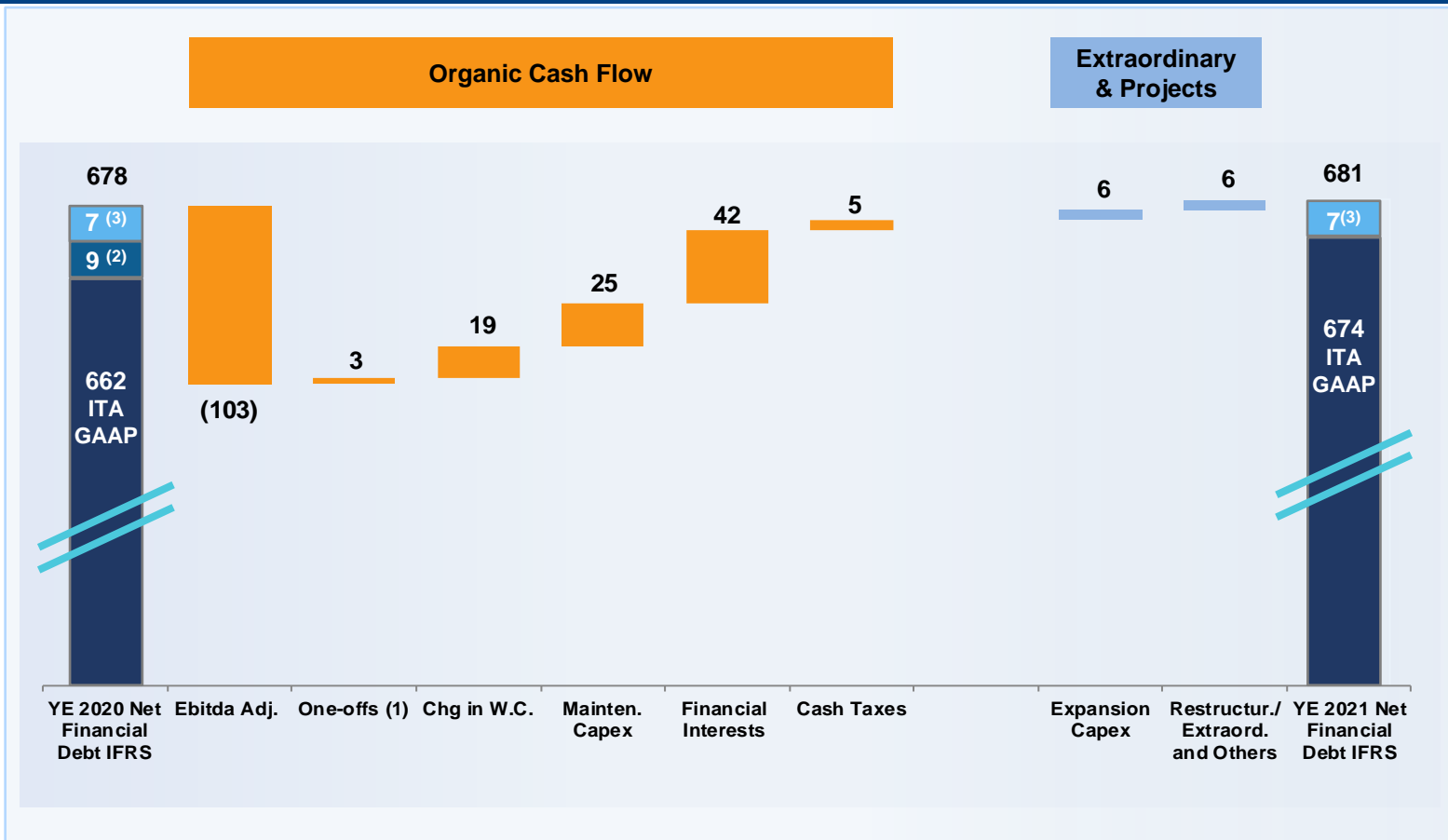
Group Labour Cost (M€) and FTE (FY 2021 vs. FY '20)



- We continue to be focused on efficiency (both on Plants and Corporate level)
- FTE increased driven by expansion of GRS (Naples) and GIC Plants
- Overall costs increased mainly due to reversal of 2020 Solidarity Fund initiatives and inflation

Note: HR Initiatives ongoing and planned in order to improve about KPIs

Bridge to 31st December 2021



COMMENTARY

- At the end of December 2021 **Net Financial Debt at 681M€** (including 7M€ of Leases), substantially flat vs. YE 2020
- **Cash conversion at 76%**⁽⁴⁾
- Total **Working Capital** absorption 19M€ out of which 25M€ related to exceptional purchases of raw materials and other safety stocks in Q421 to ensure **security of supply** to our customers
- **Overall Capex in line with plans** with Maintenance Capex at historical range of ~4% of Sales Revenues

(1) Including minor adjustments for COVID-19

(2) Factoring: two of the Group's factoring contracts in place did not meet the derecognition criteria under IFRS 9. Starting from 1 April 2021 the two contracts have been recognised "without recourse"

(3) Leasing: Management has identified Right of Use Asset to be capitalised and it will be amortised over the lease term; the contracts provide a lease liability

(4) Cash conversion is defined as the quotient of EBITDA Adj. less Maintenance Capex, divided by EBITDA Adj.

- In January and February, demand is still robust and prices and CM consistent with previous months
- We expect demand to remain strong also in March and in Q2 across all end markets, potentially also driven by supply concerns in the short term
- Italmatch continues to prove to be a reliable supplier and trusted partner to our customers in a macro backdrop characterized by raw materials shortage and supply chain challenges
- Short-term direct impact of the Ukraine conflict is being evaluated:
 - Italmatch has no operations in affected areas
 - Sales to Russia and Belarus are limited to ~10M€ sales per year and Italmatch has taken actions to comply with sanctions
 - Logistics of one raw material typically requires transit through Russia, not impacted as of today and we are preparing alternatives

Q&A

Annex

Current capital structure

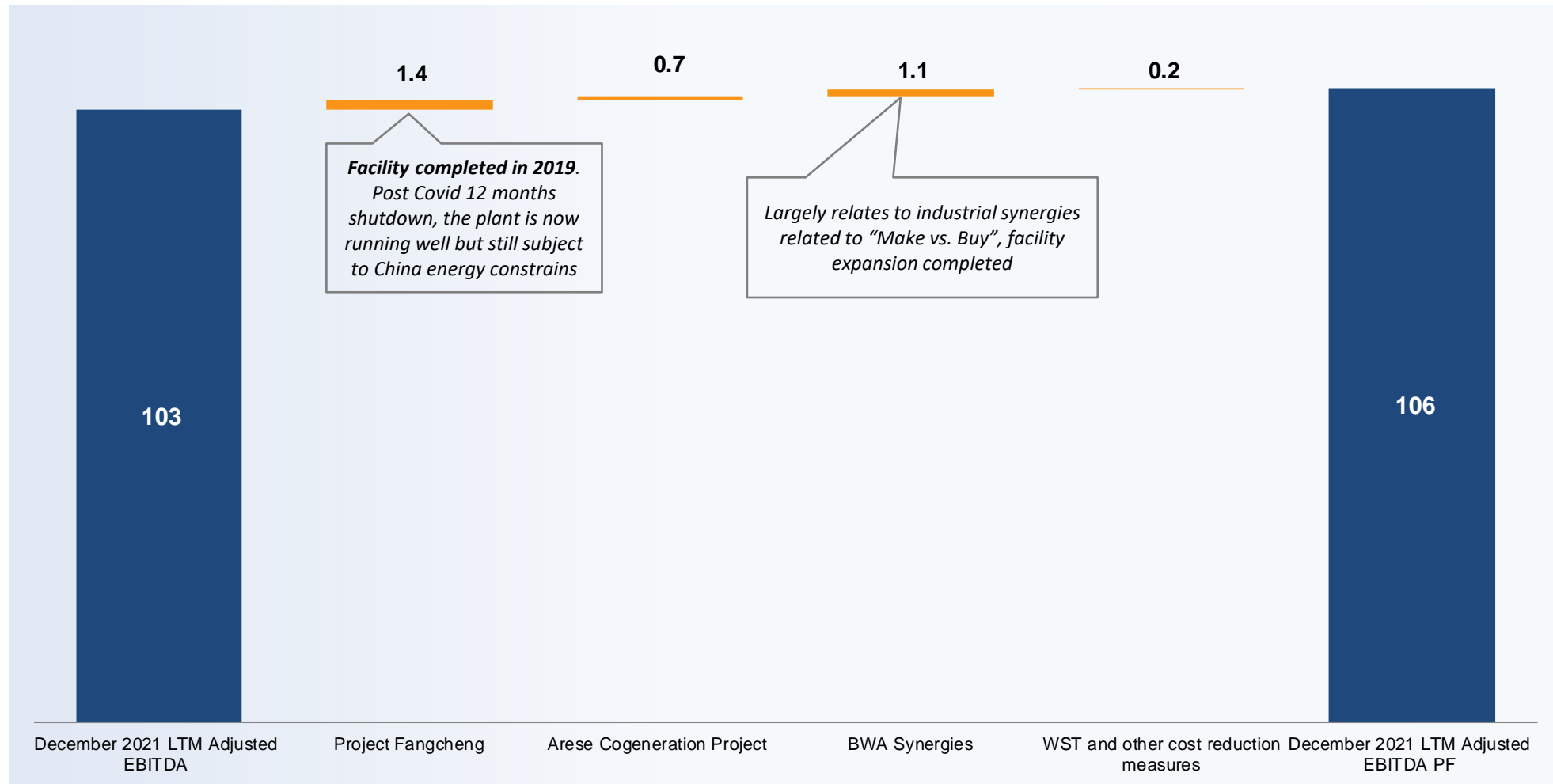
Capital Structure as of 31 December 2021

M€	Amount Outstanding	x EBITDA
Cash and Cash Equivalents	(36)	
Super Senior RCF (€107m)	38	
Senior Secured Floating Rate Notes	650	
Net Senior Secured Debt	651	~ 6.1x
Short Term Debt	23	
Lease Liabilities (IFRS 16)	7	
Net Debt	681	~ 6.4x
December 2021 LTM Adj. PF EBITDA	106	
Liquidity M€	Amount Outstanding	
Cash and Cash Equivalents	36	
Super Senior RCF (€107m)	107	
(-) Amount Drawn	(38)	
Undrawn Uncommitted Short Term Lines	8	
Total Liquidity	114	

COMMENTARY

- Net Senior Structured Debt Ratio at **6.1x** vs 6.5x in Q3 2021 (and 6.8x in Q1 and Q2 2021)
- The total available liquidity is equal **114M€**
- In December, we decided to draw down **8M€** of the RCF to finance ~25M€ extraordinary raw materials campaign
- In 2021 the amount drawn from RCF reduced from 44.5M€ to 37.5M€ (equals to 7M€ net reimbursement)

Bridge to LTM Adjusted EBITDA Pro Forma



For over 20 years, sustainable chemistry for a better life. Worldwide.

Italmatch Chemicals is a leading global chemical group, specialising in performance additives and functional solutions for water treatment, lubricants and other critical applications and boasts a wide product range able to fulfil the requirements of the most demanding applications.

Our end markets



AWS
Advanced Water Solutions



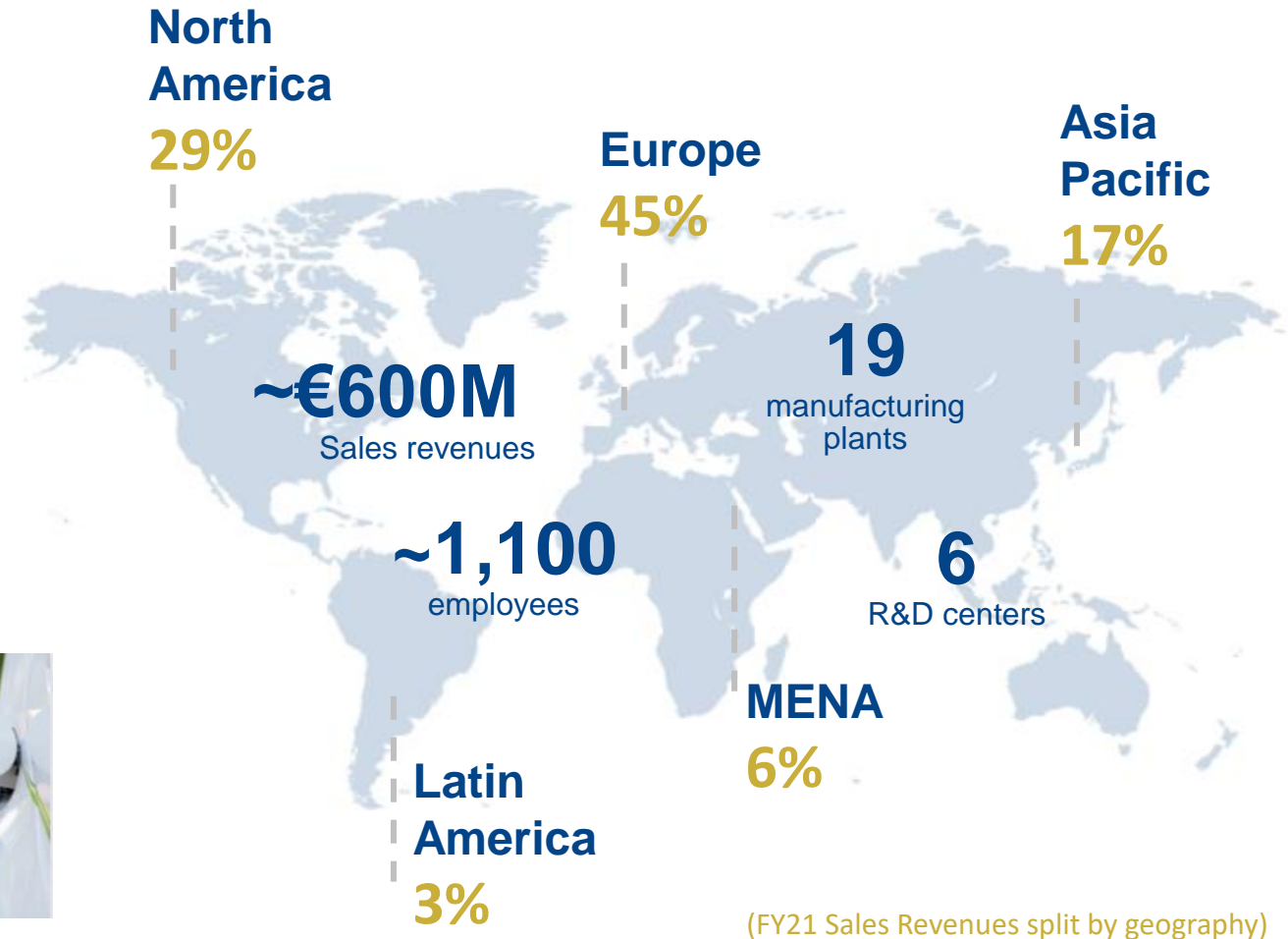
LPA
Lubricant Performance Additives



FPA
Flame Retardants & Plastic Additives



PPA
Performance Products & Personal Care



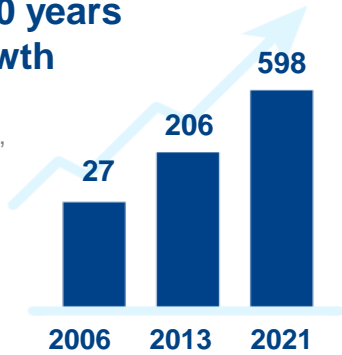
Strength of the Italmatch Platform

Management team with long-standing track record

1

From 1997 over 20 years of growth

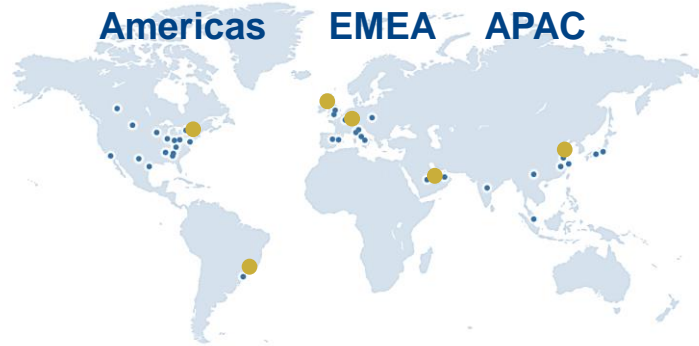
(Sales Revenues, €M)



Global and diversified manufacturing footprint

2

- Flexible multi-chemistry plants
- Offices and logistics centers



Critical products in attractive and resilient end markets

3

(Sales Revenues FY21 split)



AWS

47%

Desalination, Cleaning, IWT, Geothermal



FPA

13%

Additives for safety of plastic E&E products and construction



LPA

28%

Additives for wind turbine, MWF, gear-oil, engine oil and EV



PPA

12%

Essential products for e-mobility, batteries, agriculture, circularity (e.g. recovery of metals from batteries)

Track record of organic and R&D lead growth, greenfield developments and M&A

4

R&D: >10
new products launched in 2021

M&A: 8x
M&A acquisitions in last 5 years

Greenfield: 2x
projects executed in last 3 years



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The ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain and subject to change. The extent of the impact of the COVID-19 pandemic on our operational and financial performance, will depend on future developments, including, but not limited to, the duration and the spread of the pandemic, its severity, the actions to contain the disease or treat its impact, related restrictions on travel, and the duration, timing and severity of the impact on customer spending, including any recession resulting from the pandemic, all of which are uncertain and cannot be predicted. An extended period of global supply chain and economic disruption as a result of the COVID-19 pandemic could have a material negative impact on our business, results of operations, access to sources of liquidity and financial condition, though the full extent and duration is uncertain.

Thank you



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