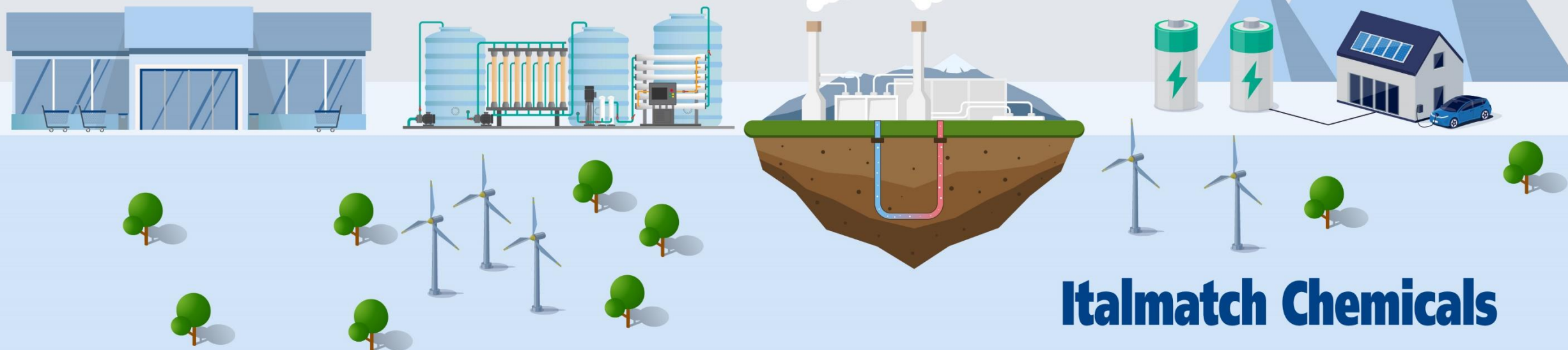


# 9M 2022 Results

## Investor Conference Call

29 November 2022



**Italmatch Chemicals**

# Today's Presenters

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**Sergio Iorio**

Founder & Chief Executive Officer



**Enrica Mambelli**

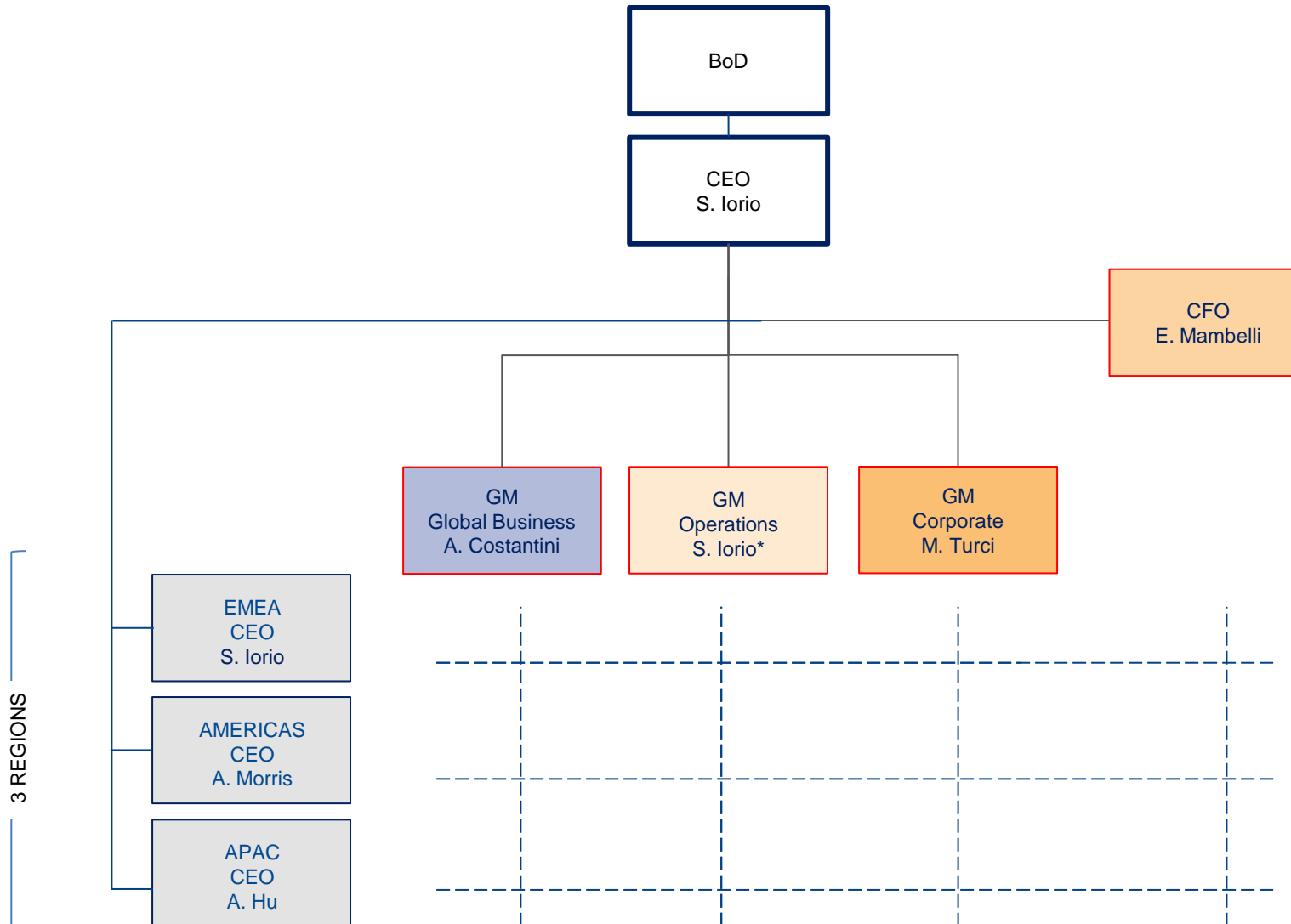
Group Chief Financial Officer



**Maurizio Turci**

Group General Manager Corporate

# New Organization Structure



## COMMENTARY

- A **new Organizational Model**, designed to support the continuous improvement of the Group’s performance and governance, based on 3 key pillars:
  - ✓ **3 Regions**
  - ✓ **1 Global Business** (including 4 operating segments)
  - ✓ **3 Global Services**
- This business-oriented model is leveraging on a distinctive global presence and a lean corporate approach, aimed at boosting growth and “raise the game”:
  - ✓ 1 General Manager, focusing on the development of the **Global Business** across the entire offering portfolio
  - ✓ 2 General Managers (Corporate and Operations) and the Group Chief Financial Officer focusing on **Group Services** and unleashing operative synergies
  - ✓ **Full geographic matrix** and organizational integration leveraging on 3 Regional CEOs
- **New C-Level Suite** already in place and fully operating

\* Ad interim. The process to select and appoint the new Group General Manager, Operations is currently ongoing.

## Record 9M Results, Delivering Another Strong Quarterly Performance

### REVENUE:

€686m | +59% vs. 9M 2021

### CONTRIBUTION MARGIN:

€228m | +56% vs. 9M 2021

### ADJ. EBITDA:

€129m | +79% vs. 9M 2021

### NET SENIOR SECURED DEBT RATIO<sup>1</sup>:

4.2x | (4.4x as of H1 2022)

### LIQUIDITY POSITION<sup>2</sup>:

€79m | (€98m as of H1 2022)

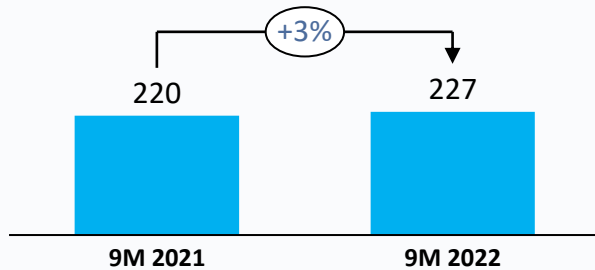
- **Continued track record in Q322**, thanks to resilient underlying demand across all end-markets and disciplined pass-through of raw materials, energy and freight cost increase
- **Strong performance despite challenging global macro environment**, thanks to a fast response to external headwinds, ensuring security of supply and delivering continuous service to customers, further consolidating trust and positioning as reliable partner
- **Current trading and outlook:** current trading in October and November continues to be positive, but we remain cautious given uncertainty around macro scenarios
- **Operating cash flow** impacted by increase in inventories, driven by raw material inflation and FX, and strategic increase to support security of supply
- **Keeping focus on deleveraging trajectory** since H1 2021
- In line with our prudent financial strategy, we plan to start considering the refinancing process over the course of the coming months

1. Ratio vs Further Adjusted EBITDA

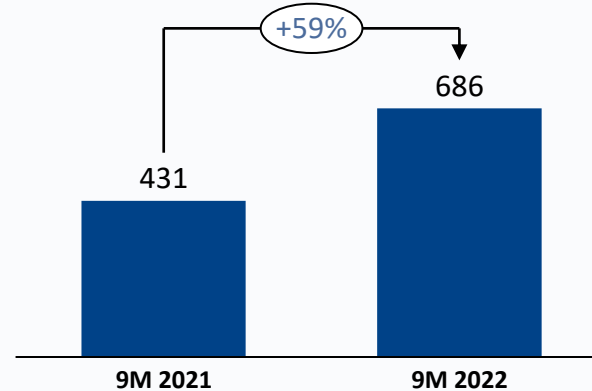
2. 'Cash and available liquidity': Cash and Cash Equivalents + Undrawn amount of RCF + Undrawn Uncommitted Short Term Lines.

# 9M 2022 – Group Key Operational Performance Indicators

## Volumes (ktons)



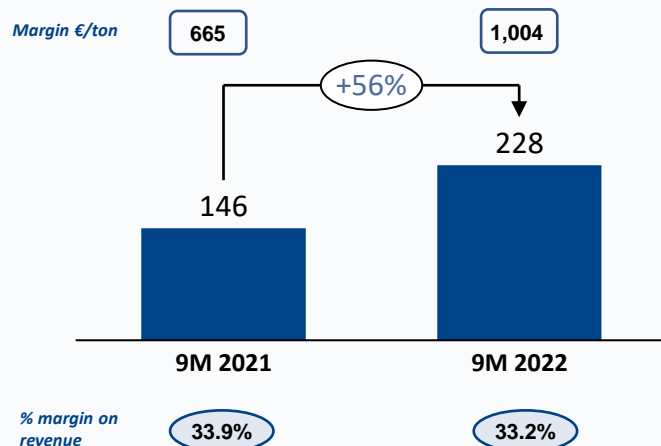
## Revenue (M€)



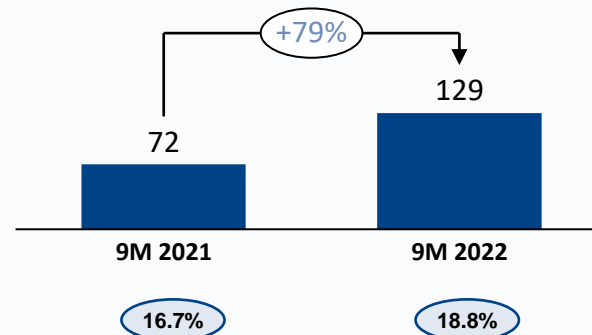
## COMMENTARY

- **Revenue up +59%** driven by volume growth, product mix improvement and successful pass-through of raw materials and energy cost increases, leveraging on Italmatch’s consolidated **leadership** in phosphorus specialties and antiscalants
- **Contribution Margin:** >50% increase vs. 9M21 thanks to mix improvement (new high value products) and higher prices (successful pass-through supported by securing reliable supply to our customer base)
- **Remarkable increase of Adj. EBITDA** vs. 9M21, with an Adj. EBITDA margin on revenue of approximately 19%
- **9M 2022 operational metrics supported by resilient business model:** well balanced regional footprint (reducing supply shortage and guaranteeing **security of supply** even in a complex macro environment) combined with enhanced positioning in high value products and focus on innovation are key drivers of **premium value for our customers** and continuous performance

## Contribution Margin (M€)

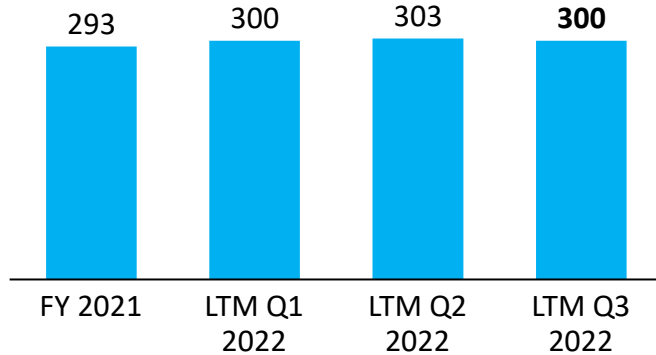


## Adjusted EBITDA (M€)

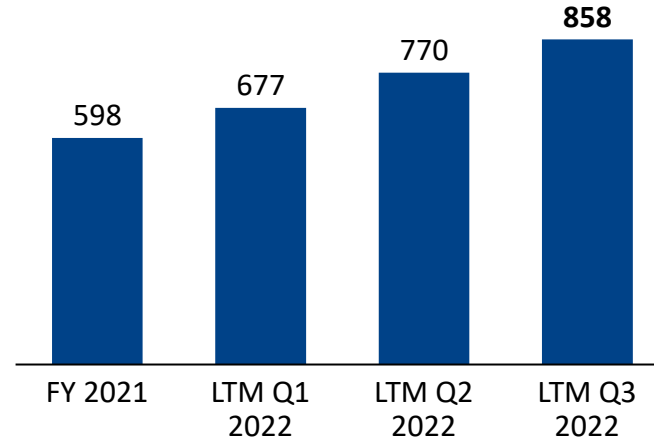


# Group LTM Quarterly Key Performance Indicators

## Volumes (ktons)



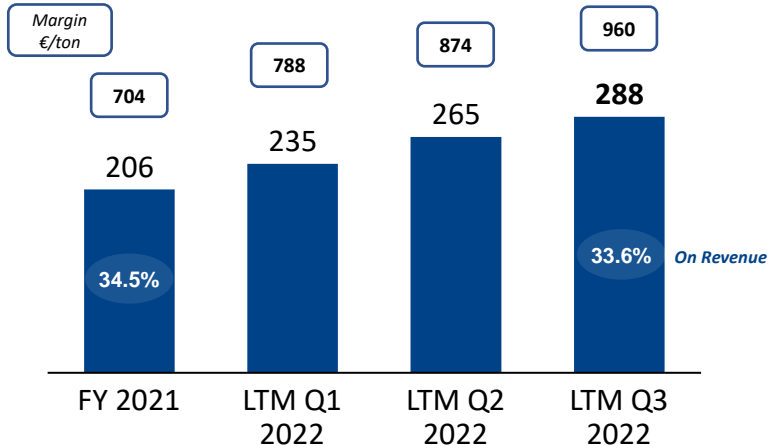
## Revenue (M€)



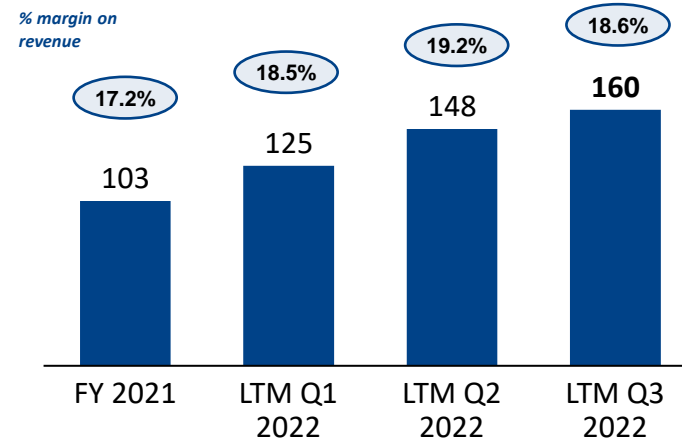
## COMMENTARY

- Four consecutive quarters of improving key economics (Revenue, CM and Adjusted EBITDA)
- LTM Adjusted Ebitda as of Sep 22 record at **160M€** (~19% on 858M€ revenue)
- LTM “Further Adjusted Ebitda” as of Sept 22 at **162M€**, +65% vs Sept 2021 (98M€)

## Contribution Margin (M€)



## Adjusted EBITDA (M€)

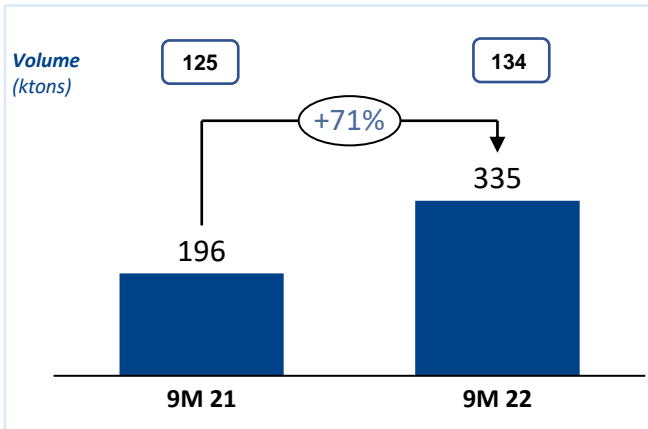


“Further Adj. EBITDA” is Adj EBITDA as further adjusted for certain synergies that we expect to realize from the expansion of our plant in Qualiano, the Arese cogeneration project and the Aubin acquisition

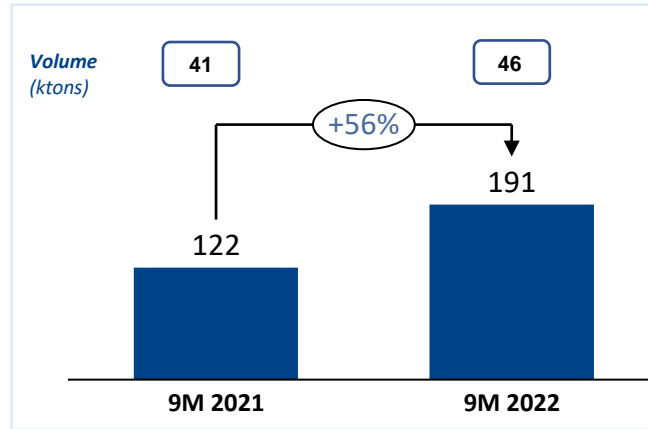
# 9M 2022 – Revenue Performance by End Market



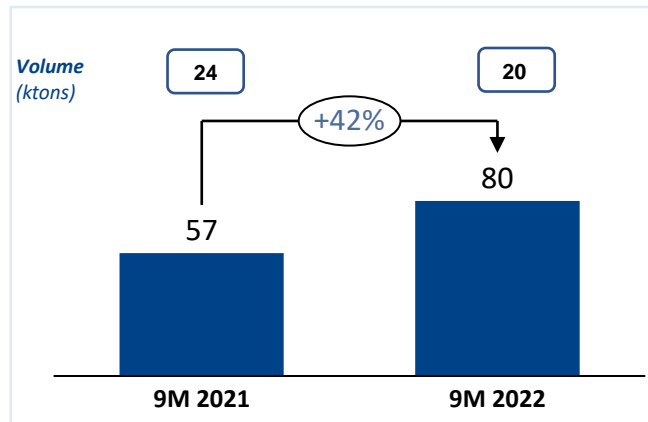
## AWS



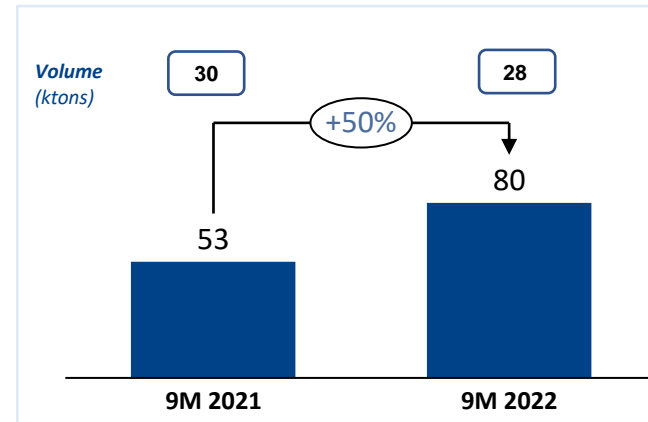
## LPA



## FPA



## PPA



Figures in M€

## COMMENTARY



### AWS

- **Volumes up +7%**, also leveraging new Qualiano production capacity, substituting third party purchases (make or buy)
- **Revenue performance** remain robust across key businesses. We continue to push on Functional Solutions penetration



### LPA

- **Volumes up +12%**, also thanks to full available capacity in YYCO and Arese new capacity (new fuel dispersants)
- **Strong revenue performance**, supported by pass-through initiatives, as well as introduction of new products



### FPA

- **Revenue increase +42%** driven by price/mix initiatives while softer volumes compared to exceptional 2020-21
- Strong performance of **innovative halogen-free flame retardants** for **E&E** and **EV**
- Signs of slowdown in PVC additives for construction

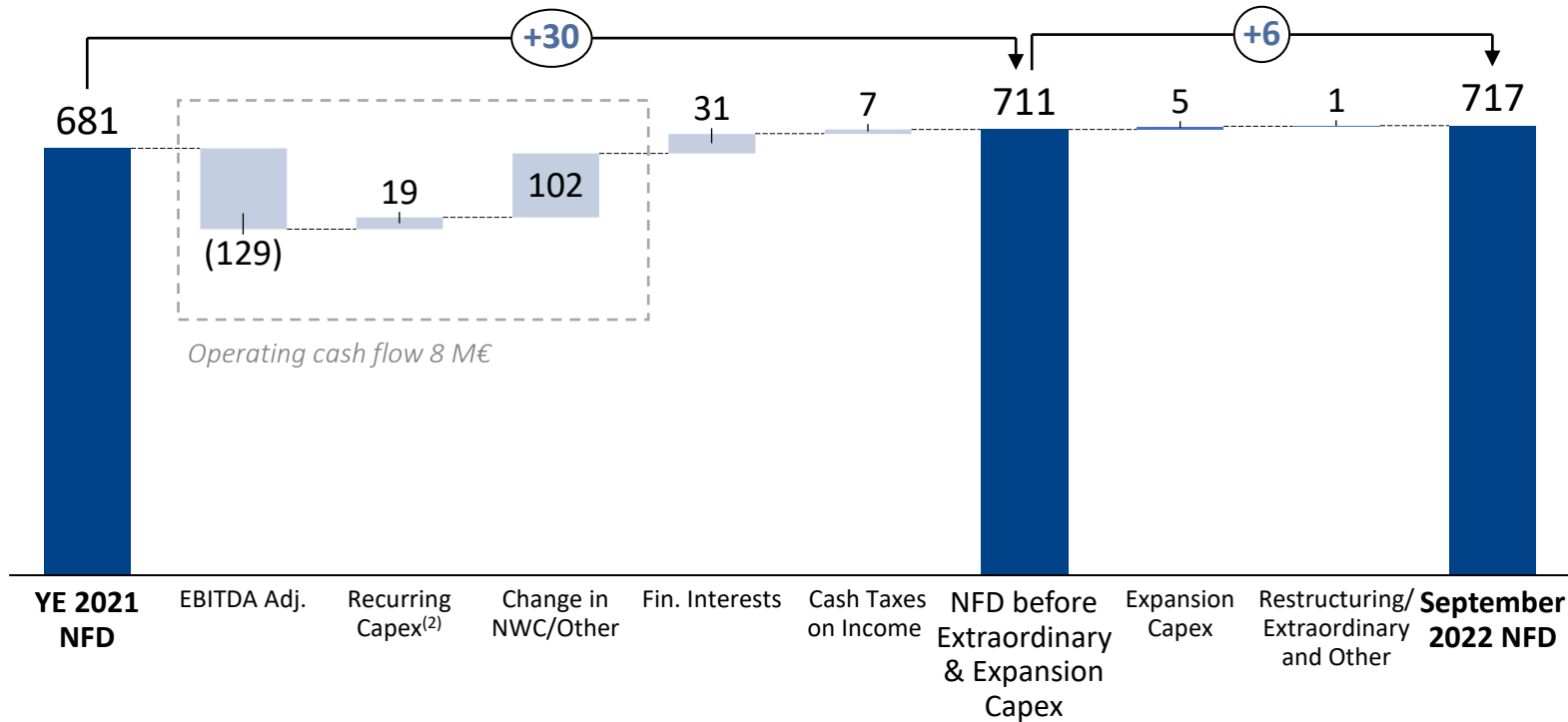


### PPA

- **Frankfurt plant at full load** on phosphorus chlorides. Increasing internal uses vs. external ones drive volumes slightly down
- Fatty acid chlorides continue to perform strongly thanks to demand in **Personal Care, Rubber, Pharma, Agrochem.** and new capacity in Arese Site

# 9M 2022 – Cash Flow

Data in M€



## COMMENTARY

- At the end of September 2022 **Net Financial Debt at 717M€** (including 6M€ of IFRS 16 Leases)
- **Cash conversion at 86%**<sup>(1)</sup>
- Total **Working Capital** absorption 102M€, mainly driven by investment in inventory +94M€ to guarantee **security of supply** for our customers
- **Strong focus on actions to reduce inventory levels over next quarters**
- **Overall Capex** in line with historical level in the range of ~3/4% of Revenue

Cash flow presentation is based on management accounts which apply different criteria from statutory accounts (please refer to the 9M 2022 interim financial report also published on our website)

Aubin effects are included in the single items of the cash flow. The financial effect is reported in the statutory accounts

1. Cash conversion is defined as Adj. EBITDA less Recurring Capex, divided by Adj. EBITDA

2. Including right of use



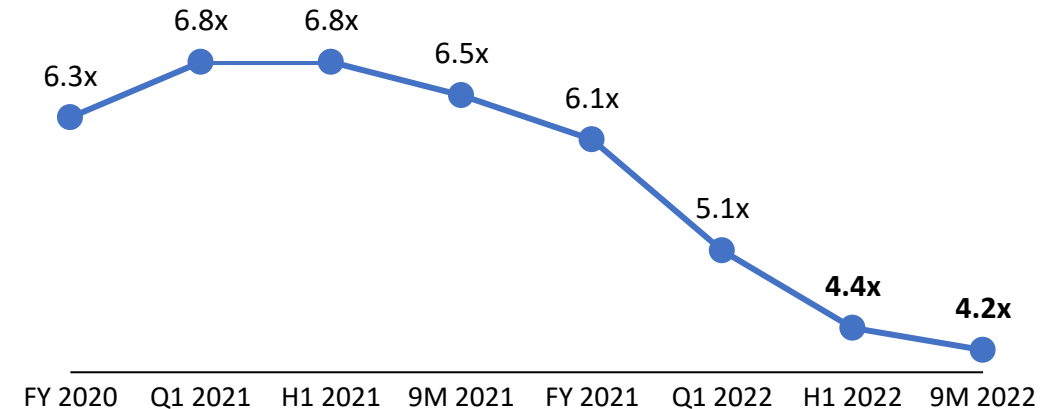
# Current Capital Structure as of September 2022

M€	Amount Outstanding	x Further Adj. EBITDA
Cash and Cash Equivalents	(31)	
Super Senior RCF (€107m)	67	
Senior Secured Floating Rate Notes	650	
<b>Net Senior Secured Debt</b>	<b>686</b>	<b>~ 4.2x</b>
Short Term Debt	25	
Lease Liabilities (IFRS 16)	6	
<b>Net Financial Debt</b>	<b>717</b>	<b>~ 4.4x</b>
<b>September 2022 LTM Further Adjusted EBITDA</b>	<b>162</b>	

Liquidity M€	Amount Outstanding
Cash and Cash Equivalents	31
Super Senior RCF (€107m)	107
(-) Amount Drawn	(67)
Undrawn Uncommitted Short Term Lines	8
<b>Total Liquidity</b>	<b>79</b>

Commentary
<ul style="list-style-type: none"> <li>• Net Senior Secured Debt Ratio at <b>4.2x</b> vs 6.1x in Q4 2021</li> <li>• The total available liquidity is equal to 79M€</li> </ul>

## Historical Net Senior Secured Debt Leverage Ratios



  
**Strong focus on deleveraging**

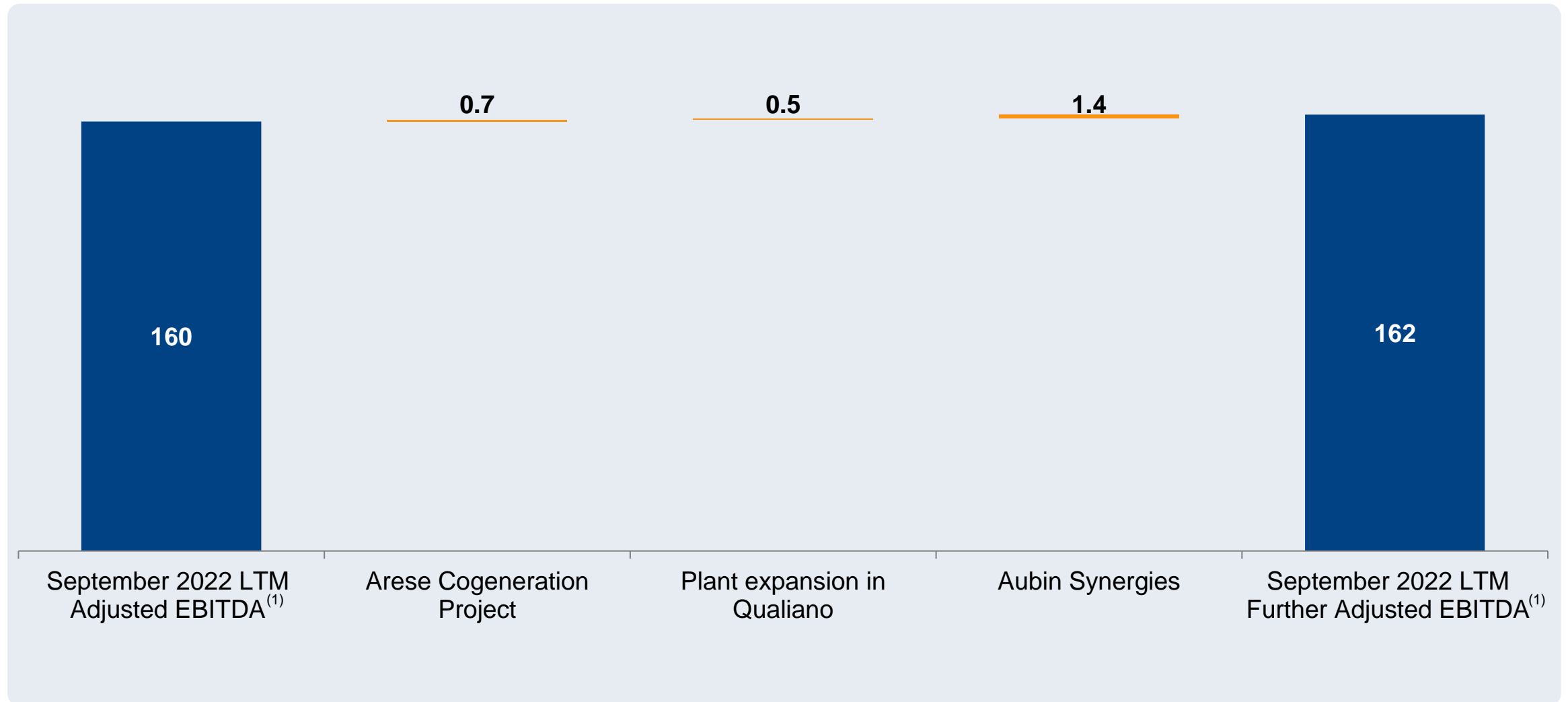
Net Financial Position as of 30 September 2022 in the statutory accounts of 709M€ includes accounting items mainly referring to amortized costs on LT Borrowings (SSFRN and RCF)

- **October-November current trading remains positive with LTM EBITDA in line with September levels.** Demand stabilizing / softening in some end-markets after strong growth experienced in previous quarters (and comparison with strong 4Q21), margins remain strong
- **Mid-term outlook more uncertain and linked to evolution of macro environment:**
  - We see early signs of customers' destocking given more uncertain outlook and as pressure on raw material prices eases
  - Early indication of volumes for 2023 from our customers, however non-binding, are broadly in line with 2022 volumes
  - As raw material inflation eases, we expect some level of price normalization in coming quarters, and we are focussed on managing margins in downward raw material cycle
- **Going forward, we expect to return to cash generation as long as working capital levels normalize**

# Q&A

# Annex

# Bridge to LTM Further Adjusted EBITDA



(1) In evaluating Adjusted EBITDA and Further Adjusted EBITDA you should be aware that, as an analytical tool, Adjusted EBITDA and Further Adjusted EBITDA are subject to certain limitations. Neither our independent auditors, nor any other independent accountants, have audited, reviewed, verified, compiled, examined or performed any procedures with respect to our Adjusted EBITDA or Further Adjusted EBITDA, nor have they expressed any opinion or any other form of assurance on such information or its achievability.

- **Italy is diversifying gas supply away from Russia and Government contingency plan significantly limits impact** of a Russian supply cut-off scenarios, giving us comfort on supply outlook for 2022-23; in any case Italy is still working hard at EU level to cap gas price
- **Italmatch has implemented a clear contingency plan for our European plants:**
  - **Italy and Spain:** we have implemented a contingency plan (with limited investment and without losing production capacity) which gives us the ability to switch from gas to other traditional available fuels; on top, we secure energy through advance payment with 4-5M€ one-off impact on WC increase
  - **Germany:** our plant is inside a large chemical park and service supplier has implemented a contingency plan to guarantee supply of steam to our plant via alternative fuels in case of gas supply disruption
  - **UK:** UK Government<sup>(\*)</sup> does not see a risk of gas supply disruption in the Country
- **Thanks to contingency plans we don't currently see a material risk to our security of supply**
- **Energy costs relatively limited (~2-3% of Revenue) for Italmatch and contractually passed to customers through dedicated temporary surcharges. Additional charge in Q3 2022 equals to 3.2M€ compared to Q2 2022 (11.9M€ vs. 8.7M€)**

(\*) Source: <https://www.ofgem.gov.uk>

## Business Overview

- **Leading innovative chemical group** specialising in Advanced Water Solutions (**AWS**), Lubricant Performance Additives (**LPA**), Flame Retardants & Plastic Additives (**FPA**) and Performance Products & Personal Care (**PPA**)
- Strong leadership in backbone chemistries, common to all end markets (phosphorus derivatives, polymers, esters, biodegradable products, maleic anhydride derivatives)
- Operates through **19 manufacturing plants**<sup>(1)</sup> (9 in EMEA, 5 in US, 5 in APAC)
- Employs approximately **1,100 workers**
- **Growing and innovation-driven** with:
  - **7 state of the art innovation centres**, 10 new products launched last year
  - **9 M&A acquisitions** closed in last 5 years
  - **2 greenfield projects** executed in last 3 years

## Business Segments



**AWS**  
Advanced Water Solutions



**LPA**  
Lubricant Performance Additives



**FPA**  
Flame Retardants & Plastic Additives



**PPA**  
Performance Products & Personal Care



## Key Figures (LTM 9M'22)

**€858m**

Revenue

**€160m**

Adjusted EBITDA

**19%**

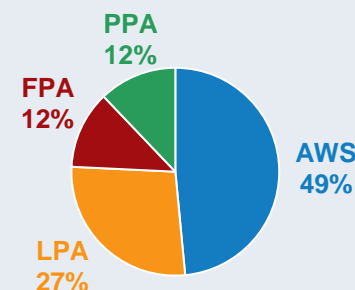
Adjusted EBITDA Margin

**84%**

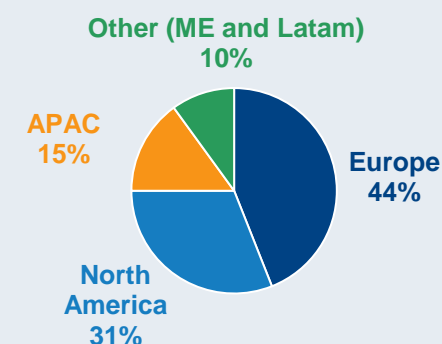
Cash Conversion<sup>(2)</sup>

## Revenue Splits (LTM 9M'22)

### By Business Segment



### By Geography



1. Of which 2 in APAC third party 100% exclusive tolling.

2. Cash conversion defined as Adj. EBITDA less Maintenance Capex, divided by Adj. EBITDA.

## Key Developments



SUSTAINABLE CHEMISTRY: AWS

- **Biodegradable antiscalant** for reverse-osmosis desalination applications
- Innovative **antiscalant for geothermal applications** in severe conditions
- New high temperature multiple effect distillation **desalination antiscalant**
- **Biodegradable solutions** for North Sea



SUSTAINABLE CHEMISTRY: LPA

- **Biodegradable products** for **LPA** applications
- New **dispersant products**
- New automatic **transmission fluids**
- Italmatch polymers for **EV lubricants** to deliver outstanding heat transfer and dielectric fluids



OTHER INITIATIVES

- Expansion of **P-derivatives portfolio** to produce Electrolytes for Li-ion batteries **targeting the future of E-Mobility**
- First shipment of our **Flame Retardant** products for the Tesla EV car
- **Circular economy projects** to produce phosphorus out of **urban waste materials**, metal recovery from **exhausted batteries** and anti-agglomerants from **fish waste**

## Examples

### New biodegradable antiscalant for reverse osmosis desalination



New product development completed, currently obtaining regulatory approvals. Field trials scheduled for Q4-2022.

### Innovative antiscalant for geothermal in severe conditions



Field trials completed and first geothermal fields started to use product.

### Biodegradable products for LPA



We completed development of additive for biodegradable and fire resistant hydraulic fluids. Commercialized later this year.

### Electrolytes for Li-ion Batteries



Key raw material for today's, as well as next gen tech (solid electrolytes) for high capacity lithium ion batteries.



## Sustainable Solutions

### Sustainable Chemistry

- **Eco-Inhibitors:** patented circular inhibitors from fish waste
- **Flashphos:** circular P4 recovery from sewage
- **Biodegradable** chemicals for desal and North Sea
- Selective metal recovery from batteries

### Sustainable Applications

- **Geothermal:** water treatment additives
- **Wind:** turbine lubricant additives
- **E-Mobility:** lubricants, batteries chemicals, flame retardants for Tesla
- **Desalination:** water treatment additives for R.O. new technology
- **Magpie:** patented tech for recovery of precious metals from waste

### Process Efficiency

- **Reduce water consumption** through water treatment
- **Reduce energy consumption** (e.g. performance products for efficient sugar refining, high-temperature desalination antiscalants, ...)

## EU Funded Projects

- **IPCEI 2:** Strategic project for the development of a European battery value chain
- **Flashphos:** we are part of a consortium of 17 companies and research institutes to develop a pilot plant for the recovery of P4 from sewage sludge



## Social and Governance

### Diversity & Inclusion

- **Trainings and webinars** to spread an inclusive corporate culture to value diversity, maintaining a focus on gender equality (in partnership with **Valore D**).
- **Parental Supporting initiatives** (training and experts' by Un Fiocco in Azienda').
- **Development and training paths for women.**
- **Testimonies in schools** to encourage young girls to STEM education.
- **New D&I Policy at Group level**, to formalize and share Italmatch' s commitment in supporting equal opportunities opposing all forms of discrimination.



### Wellbeing

- **Remote working policy** confirmed and extended.
- **Benefits:** work in progress in terms of roadmap definition and goals setting for a global approach. Different initiatives ongoing such as medical and psychological support, mental health support through meditation sessions and mindfulness trainings, behavioural health programs (counselling, legal support, expert referrals,..), specific insurances.

### Employee Engagement

- **Cross-company mentoring courses for women.**
- **HR processes** based on SAP Success Factors, e.g. implementation of Performance Management module with the aim to have the 1st wave/pilot ready for FY 2023.
- **Employees Survey:** Work in progress in terms of evaluation on survey to deliver.



### Responsible Governance

- Maturity review on **sustainability of the supply chain** by **ecovadis** to assess the current situation and set priorities for the next 3 years to improve.
- Frequent **Cybersecurity risk assessment:** Cybersel will perform the next in 2023.
- **New policies** released (e.g **Conflict minerals, D&I policy, Whistleblowing policy**)



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The ongoing effects of the COVID-19 pandemic, the latest global developments, including the Russia-Ukraine conflict, and effects of the inflationary trends, raw material prices, energy costs and supply chain disruption add significant uncertainty to our operating environment. An extended period of global supply chain and economic disruption as a result of the COVID-19 pandemic and geopolitical instability 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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