orbia

Stock Information
Mexican Stock Exchange
Ticker: Orbia*

Orbia Announces Fourth Quarter and Full Year Financial Results for 2019

Mexico City, February 26, 2020 – Orbia Advance Corporation, S.A.B. de C.V. (BMV: ORBIA*) ("the Company" or "Orbia") today released unaudited results for the fourth quarter and full year of 2019. Despite headwinds in some of Orbia's key businesses, sluggish market activity, and overall macroeconomic uncertainty related to trade tensions, the Company achieved its full year guidance in line with management's expectations.

Q4 2019 Financial Highlights[1]

- Orbia's reported EBITDA reached $294 million USD, an increase of 9%, reflecting an 18.0% margin; normalized EBITDA (excluding the impact of IFRS 16 and one-time[3] effects) increased 13%, yielding a margin of 18.5%, despite continuing headwinds related to the illegal import of refrigerant gases in Europe;
- Orbia's Fluent Business Group normalized EBITDA[3] (excluding the impact of IFRS 16) increased 35%, driven by strong performance in the Dura-Line and Netafim businesses;
- Orbia's revenues decreased 3% to $1.6 billion, mainly impacted by lower sales in our Wavin, Koura and Dura-Line businesses;
- Improvement in working capital drove higher cash generation of $312 million, with strong free cash flow conversion of 75.2% for the quarter.

Full Year 2019 Financial Highlights[2]

- Orbia's reported EBITDA reached $1.365 billion USD, reflecting a 19.5% margin; normalized EBITDA (excluding the impact of IFRS 16 and one-time[3] effects) decreased 5.8%;
- Orbia's Fluent Business Group normalized EBITDA[3] (excluding the impact of IFRS 16) increased 10%, driven by healthy growth in the Dura-Line and Netafim businesses;
- Orbia's revenues decreased 3% to $7.0 billion, mainly due to lower sales in the Vestolit and Wavin businesses;
- The Netafim business performed strongly, achieving sales increase of 12%;
- Orbia generated $414 million in free cash flow, reflecting a conversion rate of 30.3% across 2019.

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[1] Q4 2019 Financial Highlights as compared to Q4 2018

[2] Full Year 2019 Financial Highlights as compared to 2018

[3] We had a negative one-time effect from our Vestolit business amounting to $25 million USD, where we have accrued this amount in connection with potential liabilities relating to a previously disclosed investigation of the subsidiary by the European competition authorities. And Wavin LatAm accrued $3.7 million USD in restructuring costs for their Mexican operations.

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Q4 and Full Year 2019 Financial Highlights

mm US$	Fourth Quarter			January - December		
Financial Highlights	**2019**	**2018**	**%Var.**	**2019**	**2018**	**% Var.**
Net sales	1,636	1,689	-3%	6,987	7,198	-3%
Operating income	155	122	27%	823	935	-12%
EBITDA	294	269	9%	1,365	1,397	-2%
EBITDA margin	18.0%	15.9%	209 bps	19.5%	19.4%	14 bps
EBITDA wo IFRS 16 effect	274	269	2%	1,287	1,397	-8%
Normalized EBITDA wo IFRS 16 effect	303	269	13%	1,316	1,397	-6%
EBT	91	47	94%	533	655	-19%
Income (loss) from continuing operations	30	43	-30%	327	460	-29%
Consolidated net income (loss)	30	46	-35%	327	483	-32%
Net majority income	(2)	32	N/A	207	355	-42%
Cash generation	312	282	11%	766	734	4%
CapEx	(71)	(83)	-14%	(261)	(283)	-8%
Free cash flow	221	187	18%	413	406	2%
Cash balance	586	700	-16%	586	700	-16%

Unless noted otherwise, all figures in this release are derived from the Interim Consolidated Financial Statements of the Company as of December 31, 2019 and are prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" of the International Financial Reporting Standards (IFRS), which has been published in the Bolsa Mexicana de Valores (BMV). See "Notes and Definitions" at the end of this release for further explanation of terms used herein.

Daniel Martinez-Valle, CEO of Orbia Advance Corporation, remarked "2019 was an important year for our company. It marked the culmination of a multi-year acquisition strategy that had dramatically increased our global footprint and market penetration. We unveiled a new name, purpose and strategy that reflected our ability to tackle the world's most pressing challenges and our drive to advance life around the world. We reorganized into five business groups focused on providing customer-centered solutions across the Data Communications (Dura-Line), Precision Agriculture (Netafim), Building and Infrastructure (Wavin), Fluor (Koura) and Polymer Solutions (Vestolit) verticals. And we started operationalizing our play-to-win strategy to capitalize on organic growth opportunities and deliver superior operational and financial performance."

Added Martínez-Valle, "As we started doing in 2019, we will double down on operational excellence and focus on markets, products and solutions that will yield higher margins across our key verticals in 2020." As initiated in 2019, the Company continues to work to control costs, optimize its working capital management and steer a disciplined capital allocation policy.

Outlook for 2020

Recent developments related to the Coronavirus outbreak have significantly increased uncertainty around economic growth that could negatively impact some of our key markets. Assuming no major disruption in the global economy, the Company feels confident that it will deliver mid-single digit growth in EBITDA and stronger free cash flow generation that will in turn result in a decrease in leverage. The Company continues to double down on its efforts to drive operational excellence and deliver superior operational and financial performance.

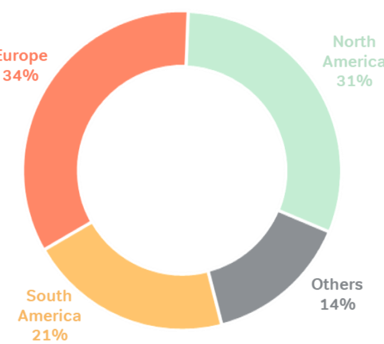
Consolidated Financial Information

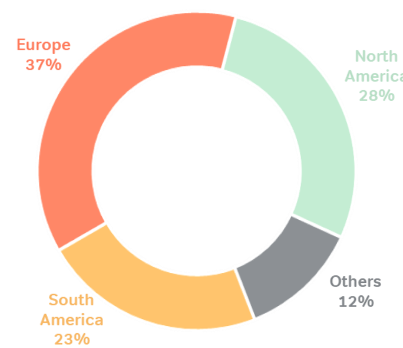
Revenues

In Q4 2019, revenues totaled $1.6 billion, down $53 million or 3% from Q4 2018, mainly due to lower sales in the Wavin and Dura-Line businesses.

In 2019 overall, revenues decreased to $7.0 billion, representing a 3% decline as compared to 2018, mainly due to lower sales in the Vestolit and Wavin businesses.

Sales by Region:





EBITDA

In Q4 2019, consolidated reported EBITDA was $294 million, up 9% from the $269 million reported in Q4 2018. The EBITDA margin for the quarter was 18.0%. Normalized EBITDA (excluding the impact of IFRS 16 and one-time effects) grew 13% with an implicit margin of 18.5%, due better product mix in Dura-Line and Netafim businesses in a context of lower costs of raw materials.

mm US$	EBITDA		
	4Q18	4Q19	%Var.
Vestolit	78	78	0%
Fluent	95	135	42%
Koura	74	73	-1%
Holding	22	8	-64%
Total	**269**	**294**	**9%**

In 2019 overall, reported EBITDA was $1.4 billion, down 2% as compared to 2018. The reported EBITDA margin for the year was 19.5%. Normalized EBITDA (excluding the impact of IFRS 16 and one-time effects) declined 5.8% with an implicit margin of 18.8%, mainly due to lower profit margins from Vestolit amidst challenging market conditions as well as Koura, which was negatively affected by illegal imports of refrigerant gases in Europe.

mm US$	EBITDA		
	12M18	12M19	%Var.
Vestolit	502	415	-17%
Fluent	503	590	17%
Koura	344	316	-8%
Holding	48	44	-8%
Total	**1,397**	**1,365**	**-2%**

Financial Costs

In Q4 2019, financial costs decreased by $12 million or 16%, as compared to Q4 2018. The decrease was mainly because in Q4 2018, we registered the full annual effect of the mark-to-market valuation of the put option granted to Netafim's minority shareholders in connection with the Netafim acquisition, while in 2019 the effect was recorded on a quarterly basis.

In 2019 overall, costs increased $12 million, or 4% as compared to 2018. The increase was mainly due to the adoption of IFRS 16 which impacted net interest expenses as well as higher bank commissions related to the renewal of Orbia's $1.5 billion revolving credit facility and Netafim's refinancing of its bank loan. These increased costs were partially offset by a decrease in foreign exchange losses.

Taxes

In Q4 2019, income tax charges were $62 million as compared to $5 million in Q4 2018, resulting in an effective tax rate of 68% driven by the appreciation of the Mexican Peso over the US Dollar and due to higher fiscal profits generated by inflation in Mexico.

In 2019 overall, income tax charges amounted to $206 million as compared to $195 million in 2018. This resulted in an effective tax rate of 39% driven by the appreciation of the Mexican Peso over the US Dollar as well as by the repatriation of dividends, as cited in the Q3 2019 report.

Consolidated Net Majority Income (Loss)

Net majority income in Q4 2019 decreased $34 million, as compared to a $32 million decrease in Q4 2018, yielding a $2 million loss, mainly affected by the one-time effects and the higher income tax as mentioned above.

In 2019 overall, Orbia posted $207 million in net majority income, as compared to $355 million reported in 2018, due primarily to lower operating income.

Financial Performance by Business Group

Fluent Business Group (including Wavin, Dura-Line, Netafim):

mm US$	Fourth Quarter			January - December		
Fluent	**2019**	**2018**	**%Var.**	**2019**	**2018**	**% Var.**
Sales	939	985	-5%	3,999	4,077	-2%
Wavin	533	559	-5%	2,328	2,449	-5%
Dura-Line	141	161	-12%	667	711	-6%
Netafim	269	276	-3%	1,063	945	12%
Intercompany eliminations	(4)	(11)	-64%	(59)	(28)	111%
Operating income	72	12	500%	341	294	16%
EBITDA	135	95	42%	590	503	17%
EBITDA wo IFRS	124	95	31%	550	503	9%
Normalized EBITDA wo IFRS	128	95	35%	553	503	10%

In Q4 2019, the Fluent Business Group posted revenues of $939 million, down 5% as compared Q4 2018. The drop was mainly due to a decline in Wavin's overall sales in Latin America, impacted by sluggish activity in Mexico and Ecuador and as well as lower sales in our main European markets. Dura-Line was mainly impacted by lower sales in India and the shift to a more profitable product mix, while Netafim's slight decline in sales was due to projects in India that concluded in 2018.

In 2019 overall, Fluent revenues decreased 2% to $4.0 billion as compared to 2018, mainly due to lower sales posted by Wavin Europe and Wavin LatAm as well as by Dura-Line. Dura-Line's lower sales numbers were largely due to a continued shift to a more profitable product mix as well as a reduction in India sales. These declines were partially offset by a 12% increase in Netafim sales.

mm US$	Fourth Quarter			January - December		
Fluent	**2019**	**2018**	**%Var.**	**2019**	**2018**	**% Var.**
Sales	939	985	-5%	3,999	4,077	-2%
Fluent LatAm	247	259	-5%	1,032	1,076	-4%
Fluent Europe	303	299	1%	1,320	1,385	-5%
Fluent USA & Canada	111	121	-8%	531	536	-1%
Fluent AMEA	14	41	-66%	110	159	-31%
Netafim	269	276	-3%	1,063	945	12%
Intercompany eliminations	(5)	(12)	-58%	(58)	(23)	152%
Operating income	72	12	500%	341	294	16%
EBITDA	135	95	42%	590	503	17%
EBITDA wo IFRS	124	95	31%	550	503	9%
Normalized EBITDA wo IFRS	128	95	35%	553	503	10%

In Q4 2019, reported EBITDA for the Fluent Business Group increased 42%. Normalized EBITDA (excluding the impact of IFRS 16) grew 35% as compared to Q4 2018, with an implicit margin of 13.6%—an expansion of 400 basis points. This increase reflected a significantly higher profitability in the Dura-Line business due to a better product mix and lower average raw material costs, as well as the high performance of the Netafim business spurred by similar trends.

In 2019 overall, reported EBITDA for the Fluent Business Group was $590 million, up 17% from $503 million in 2018. The reported EBITDA margin was 14.8% as compared to 12.3% in 2018. Normalized EBITDA (excluding the impact of IFRS 16) grew 10% as compared to 2018, with an implicit margin of 13.8%—an expansion of 150 basis points, mainly due to higher profitability in the Dura-Line and Netafim businesses (see above paragraph.) The normalized EBITDA for the group included $3.7 million in restructuring costs related to an operational optimization plan for Wavin LatAm's Mexican operations.

Vestolit (Polymer Solutions Business Group):

mm US$	Fourth Quarter			January - December		
Polymer Solutions	**2019**	**2018**	**%Var.**	**2019**	**2018**	**% Var.**
Volume (K tons)	626	580	8%	2,557	2,524	1%
Total sales*	549	552	-1%	2,334	2,460	-5%
Operating income	19	26	-27%	182	301	-40%
EBITDA	78	78	0%	415	502	-17%
EBITDA wo IFRS	70	78	-10%	384	502	-24%
Normalized EBITDA wo IFRS	96	78	23%	409	502	-19%

*Intercompany sales were $38 million and $44 million in Q4 19 and Q4 18, respectively. And as of December FY 2019 as compared to FY 2018, intercompany sales were $144 million and $180 million respectively.

In Q4 2019, Vestolit posted revenues of $549 million, down 1% as compared to Q4 2018. This slight decline was mainly due to lower caustic soda and PVC prices despite the higher sales volume.

In 2019 overall, Vestolit revenues decreased 5% to $2.3 billion, as compared to $2.5 billion in 2018, mainly due to challenging market conditions that resulted in lower caustic soda and PVC prices.

In Q4 2019, reported EBITDA for Vestolit was $78 million, remaining flat as compared to Q4 2018. During the quarter, Vestolit absorbed longer than expected maintenance work in one of its European plants as well as a one-time effect of $25 million in connection with potential liabilities relating to a previously disclosed investigation of Orbia's European subsidiary by the EU competition authorities. Normalized EBITDA (excluding the impact of IFRS 16 and one-time effects) grew 23% as compared to Q4 2018—a 17.4% margin expansion totaling 330 basis points.

In 2019 overall, reported EBITDA for Vestolit was $415 million, down 17% from the $502 million posted in 2018. EBITDA (excluding the impact of IFRS 16 and one-time effects) declined 19% primarily due to lower caustic soda and PVC prices, down 47% and 5% respectively. Full year EBITDA was also impacted by a temporary force majeure of a key supplier in Germany, as well as longer than expected maintenance work in a main VCM supplier plant in the US. The normalized EBITDA margin (excluding the impact of IFRS 16 and one-time effects) was 17.5%, down from 20.4% in 2018.

Koura (Fluor Business Group):

mm US$	Fourth Quarter			January - December		
Koura	**2019**	**2018**	**%Var.**	**2019**	**2018**	**% Var.**
Sales	187	193	-3%	805	837	-4%
Operating income	56	62	-10%	258	294	-12%
EBITDA	73	74	-1%	316	344	-8%
EBITDA wo IFRS	72	74	-3%	312	344	-9%

In Q4 2019, Koura revenues decreased 3% compared to Q4 2018. While the continuing impact of illegal imports of refrigerant gases in Europe constrained Koura's "downstream" (i.e. higher value-added fluorinated products) business, strong performance in Koura's "upstream" (i.e. fluorspar and HF) business partially offset this impact.

In 2019 overall, Koura revenues decreased 4% to $805 million, as compared to $837 million in 2018.

In Q4 2019, reported EBITDA was $73 million, down 1% from $74 million in Q4 2018, reflecting an EBITDA margin of 39.2% as compared to 38.5% in Q4 2018. This decline in EBITDA was mainly driven by the illegal import of refrigerant gases in Europe (see above).

In 2019 overall, reported EBITDA was $316 million, down 8% from $344 million in 2018, reflecting an EBITDA margin of 39.3% as compared to 41.1% in 2018. Again, this decline in EBITDA was mainly driven by the illegal import of refrigerant gases in Europe.

Operating Cash Flow

mm US$	Fourth Quarter			January - December		
	2019	2018	%Var.	2019	2018	% Var.
EBITDA	294	269	9%	1,365	1,397	-2%
Taxes paid, net	(52)	(71)	-27%	(233)	(242)	-4%
Net interest / Bank commissions	(28)	(49)	-43%	(261)	(237)	10%
Change in trade working capital	120	201	-40%	(112)	(92)	22%
Others (Other assets - provisions, Net)	(21)	(38)	-45%	36	4	800%
CTA and FX	(1)	(29)	-97%	(29)	(94)	-69%
Cash generation	312	282	11%	766	734	4%
CapEx	(71)	(83)	-14%	(261)	(283)	-8%
Leasing payments	(19)	(12)	58%	(92)	(45)	104%
Free cash flow	221	187	18%	414	406	2%
FCF conversion (%)	*75.2%*	*69.5%*	*0%*	*30.4%*	*29.1%*	
Dividends to Shareholders	(59)	(87)	-32%	(218)	(197)	11%
Buy-back shares program	(1)	(16)	-94%	(41)	(67)	-39%
New debt (paid)	(127)	(58)	119%	(125)	119	N/A
Minority interest payments	(42)	(45)	-7%	(151)	(145)	4%
Mergers & Acquisitions	-	(0)		-	(1,464)	-100%
Minority acquisition	-	(159)	-100%	-	(159)	-100%
Collection of insurance PMV	-	-		-	270	-100%
Unwind HSBC	(0)	-		8	-	
Net change in cash	(8)	(178)	-96%	(113)	(1,237)	-91%
Initial cash balance	594	878	-32%	700	1,937	-64%
Cash balance	586	700	-16%	587	700	-16%

(1) PMV's insurance A/R is not included in trade working capital calculation.
(2) Trade working capital variation (Dec 18 vs Dec 17) includes Netafim's proforma results for comparative purposes.

In Q4 2019, Orbia's cash generation and free cash flow was $312 million and $221 million respectively, resulting in a strong free cash flow conversion rate of 75.2%. Cash generation was positively influenced by improvements in working capital management. Additionally, Orbia continued to maintain a disciplined approach to capital deployment during the quarter.

Financial Debt

	Last Twelve Months	
	Dec 2019	Dec 2018
Net Debt USD million	2,865	2,871
Net Debt/EBITDA 12 M	2.10x	2.05x
Interest coverage	6.09x	6.62x

As of December 31, 2019, Orbia's net financial debt totaled $2.9 billion, from a total financial debt of $3.5 billion less cash and cash equivalents of $586 million.

As of December 31, 2019, Orbia's net debt/EBITDA ratio was 2.10x, while the Company's interest coverage ratio (EBITDA/interest expense) was 6.09x.

Conference Call Details

Orbia will host a conference call to discuss Q4 2019 results on February 27, 2020 at 10:00am Mexico City/11:00 am (US Eastern Time). To access the call, please dial 001-855-817-7630 (Mexico), 1-888-339-0721 (United States) or 1-412-317-5247 (International).

Participants may pre-register for the conference call here.

The live webcast can be accessed here.

A recording of the webcast will be posted several hours after the call is completed on Orbia's website.

For all company news, please visit Orbia's newsroom.

Consolidated Income Statement

USD in millions	Fourth Quarter			January - December		
Income Statement	**2019**	**2018**	**%**	**2019**	**2018**	**%**
Net sales	1,636	1,689	-3%	6,987	7,198	-3%
Cost of sales	1,176	1,283	-8%	5,029	5,199	-3%
Gross profit	**460**	**406**	**13%**	**1,958**	**1,999**	**-2%**
Operating expenses	305	284	7%	1,135	1,064	7%
Operating income (loss)	**155**	**122**	**27%**	**823**	**935**	**-12%**
Financial Costs	**63**	**75**	**-16%**	**296**	**284**	**4%**
Equity in income of associated entity	**-**	**-**		**(4)**	**(4)**	**0%**
Income (loss) from continuing operations before income tax	**91**	**47**	**94%**	**533**	**655**	**-19%**
Cash tax	72	58	24%	243	226	8%
Deferred taxes	(10)	(53)	-81%	(37)	(31)	19%
Income tax	**62**	**5**	**1140%**	**206**	**195**	**6%**
Income (loss) from continuing operations	**30**	**43**	**-30%**	**327**	**460**	**-29%**
Discontinued operations	1	4	-75%	-	23	-100%
Consolidated net income (loss)	**30**	**46**	**-35%**	**327**	**483**	**-32%**
Minority stockholders	32	15	113%	120	128	-6%
Net income (loss)	**(2)**	**32**	**N/A**	**207**	**355**	**-42%**
EBITDA	294	269	9%	1,365	1,397	-2%
EBITDA wo IFRS 16 effect	274	269	2%	1,287	1,397	-8%
Normalized EBITDA wo IFRS 16 effect	303	269	13%	1,316	1,397	-6%

Consolidated Balance Sheet

Balance sheet	USD in millions 2019	2018
Total assets	**10,057**	**10,075**
Cash and temporary investments	586	700
Receivables	1,158	1,150
Inventories	834	866
Others current assets	273	262
Property, plant and equipment, Net	3,349	3,507
Intangible assets and Goodwill	3,258	3,345
Right of use Fixed Assets, Net	337	-
Long term assets	262	245
Total liabilities	**6,963**	**6,905**
Current portion of long-term debt	322	396
Suppliers	1,264	1,414
Short-term leasings	78	18
Other current liabilities	913	881
Long-term debt	3,129	3,175
Long-term employee benefits	229	195
Long-Term deferred tax liabilities	335	349
Long-term leasings	267	15
Other long-term liabilities	426	462
Consolidated shareholders'equity	**3,094**	**3,170**
Minority shareholders' equity	719	761
Majority shareholders' equity	**2,375**	**2,409**
Total liabilities & shareholders' equity	**10,057**	**10,075**

Notes and Definitions

The results contained in this release have been prepared in accordance with International Financial Reporting Standards ("NIIF" or "IFRS") having US Dollars as the functional and reporting currency. Figures are presented in millions, unless specified otherwise.

Commencing Q1 2019, Business Groups EBITDAs are reported inclusive of corporate charges and intercompany royalties; comparable prior year figures have been adjusted accordingly.

In our continuous effort to better inform the market and as part of our transformation journey to become a more customer-centric organization, beginning in Q1 2019, we have presented Fluent revenues geographically and by global business division: Wavin (Building & Infrastructure in Europe and Amanco in LatAm), Dura-Line (Fluent US and Canada and Fluent AMEA – Datacom) and Netafim (Precision Agriculture).

The Fluent Business Group's prior year results include those of Netafim as of the February 7, 2018 acquisition closing date.

Figures and percentages have been rounded and may not add up.

About Orbia

Orbia is a community of companies bound together by a shared purpose: to advance life around the world. Orbia's business groups have a collective focus on ensuring food security, reducing water scarcity, reinventing the future of cities and homes, connecting communities to data infrastructure, and expanding access to health and wellness with advanced materials. The business groups include Precision Agriculture, Building and Infrastructure, Fluor, Polymer Solutions, and Data Communications, which collectively pursue human-centric solutions to global challenges. Orbia has commercial activities in more than 100 countries and operations in 41, with global headquarters in Mexico City, Boston, Amsterdam, and Tel Aviv.

Prospective Information

In addition to historical information, this press release contains "forward-looking" statements that reflect management's expectations for the future. The words "anticipate," "believe," "expect," "hope," "have the intention of," "might," "plan," "should" and similar expressions generally indicate comments on expectations. The final results may be materially different from current expectations due to several factors, which include, but are not limited to, global and local changes in politics, the economy, business, competition, market and regulatory factors, cyclical trends in relevant sectors; as well as other factors that are highlighted under the title "Risk Factors" in the annual report submitted by Orbia to the Mexican National Banking and Securities Commission (CNBV). The forward-looking statements included herein represent Orbia's views as of the date of this press release. Orbia undertakes no obligation to revise or update publicly any forward-looking statement for any reason unless required by law."

Orbia has implemented a Code of Ethics that helps define our obligations to and relationships with our employees, clients, suppliers and others. Orbia's Code of Ethics is available for consulting in the following link: http://www.Orbia.com/Codigo_de_etica.html. Additionally, according to the terms contained in the Mexican Securities Exchange Act No 42, the Orbia Audit Committee has established a "hotline" system permitting any person who is aware of a failure to adhere to applicable operational and accounting records guidelines, internal controls or the Code of Ethics, whether by the Company itself or any of its controlled subsidiaries to file a complaint (including anonymously). This system is operated by an independent third-party service provider. The system may be accessed via telephone in Mexico, the website at http://www.ethic-line.com/Orbia, or e-mail at Orbia@ethic-line.com. Orbia's Audit Committee has oversight responsibility for ensuring that all such complaints are appropriately investigated and resolved.