Orbia

Fourth Quarter and Full Year 2021 Earnings Results

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CORPORATE PARTICIPANTS

Gerardo Lozoya – *Investor Relations Director*

Sameer Bharadwaj – *Chief Executive Officer*

Jim Kelly – *Chief Financial Officer*

PRESENTATION

Operator
Good morning, and welcome to Orbia's Fourth Quarter and Full Year 2021 Earnings conference call. As we turn to Slide 1, all participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your touchtone phone. To withdraw your question, please press star then two. Please note that this event is being recorded.

I will now turn the conference over to Gerardo Lozoya, Orbia's Investor Relations Director. Please go ahead, sir.

Gerardo Lozoya
Thank you, operator. Good morning, and welcome to Orbia's Fourth Quarter and Full Year 2021 Earnings conference call. We appreciate your time and participation today. Joining me are Sameer Bharadwaj, CEO, and Jim Kelly, CFO.

A friendly reminder before we continue, some of our comments today will contain forward-looking statements based on our current view of our business, and actual future results may differ materially. Today's call should be considered in conjunction with the cautionary statements contained in our earnings release, and in our most recent [indiscernible]. The company disclaims any obligation to update or revise such forward-looking statements.

With that, let me now turn the call over to Sameer. Sameer?

Sameer Bharadwaj
Thank you, Gerardo, and good morning, everyone. I would first like to take the opportunity to recognize our nearly 22,000 employees for their resilience and dedication to Orbia and our stakeholders. Your commitment to our purpose to advance life around the world has made this quarter and this year a success, despite the ongoing challenging environment.

Turning to Slide 3, I would like to share a high-level overview of our fourth quarter and full-year 2021 performance. Orbia delivered another solid quarter, closing 2021 on a high note. Our diversified and integrated portfolio allowed us to deliver strong results, which more than offset the impact of continuing macro pressures, such as cost increases in raw materials, supply chain disruptions, labor disruptions and shortages, and other issues stemming from the COVID-19 pandemic. This represents our fourth consecutive quarter of favorable results and significant growth.

Revenues for the quarter total $2.3 billion, up 34% versus the prior year, and the EBITDA totaled $504 million, an increase of 31% compared to the prior year. These results were mainly driven by Polymer Solutions record performance, which offset the pressure from raw material and other operating cost increases experienced by some of our other businesses. Our EBITDA margin of 21.5% decreased by approximately 50 basis points year-over-year, due to higher input costs impacting our downstream businesses. We also generated strong cash flow of $304 million during the quarter, supported by the growth of our businesses.

For the full year, we achieved record financial performance, reaching $8.8 billion and $2.05 billion in revenue and EBITDA respectively, while our EBITDA margin increased approximately 280 basis points to 23.3%, driven by enhanced profitability in Polymer Solutions and Building & Infrastructure.

Finally, we were able to increase our cash flow by 4%, to $572 million, in spite of increased working capital needs, due to higher costs impacting our inventories and receivables. We also returned $365 million to shareholders during the year through dividends and share repurchases. Our robust financial performance is underpinned by a strong balance sheet that enables us to execute our growth strategy by investing in innovation, geographic expansion, and bolt-on acquisitions.

We continue to pursue innovation that is grounded in our commitment to sustainability and decarbonization. For example, Orbia Ventures and Fluorinated Solutions initiated and participated in a funding round of $70 million for Ascend Elements, formerly known as Battery Resourcers, to expand its global operations in commercial lithium ion battery recycling.

We expanded our presence in India during the year. Polymer Solutions acquired a majority ownership interest in Shakun Polymers, a market leader in the production of compounds for the wire and cable markets in the Indian subcontinent, the Middle East, Southeast Asia, and Africa.

In addition, Building & Infrastructure announced the acquisition of a majority stake in Vectus Industries Limited, a privately-held manufacturer of pipes and fittings, and the market leader in water storage tanks in India. This acquisition was completed in February of 2022, and puts Orbia at the forefront of India's high-growth water management industry.

We also continue to grow through strategic bolt-on acquisitions. Chlorinated Solutions acquired Silatronix, a leading battery technology startup. This acquisition complements Fluorinated Solutions current capabilities in the research and development of lithium ion battery materials, and augments our portfolio of electrolyte additive products. Our shared purpose is to advance life around the world. And a strong operational and financial performance in 2021 allowed us to meet challenges and deliver solutions across all our businesses.

I am proud of what we achieved in 2021, and look forward to building on this momentum and success throughout 2022.

I would now like to turn the call over to Jim to go through our financial performance in further detail. Jim?

Jim Kelly
Thank you, Sameer, and good morning, everyone. Turning to Slide 4, and following on Sameer’s comments, the Orbia team achieved significant accomplishments in 2021, and I am optimistic about the coming year, and our ability to continue executing our growth strategy to create value for our shareholders.

Related to our fourth quarter performance, we once again delivered strong top and bottom line results. On a consolidated basis, net revenues were $2.3 billion dollars, up 34% year-over-year, with significant growth in Polymer Solutions, Data Communications, and Building & Infrastructure. EBITDA was up 31%, with margins of 21.5%, slightly below those of 2020, due primarily to the impact of rising raw material and other input costs.

We delivered strong free cash flow of $304 million during the quarter, including a decrease in working capital, despite continued increases in input costs. Capital expenditures of $122 million were up 74% in the quarter, compared to a lower base last year, as COVID-19 restrictions prevented us from executing certain projects in 2020.

Finally, during the quarter, we returned cash to our shareholders totaling $146 million, with $49 million in dividends, and $97 million in share repurchases.

For full-year 2021, revenue and EBITDA reached record levels of $8.8 billion and $2.05 billion, respectively, and we generated $572 million in free cash flow. Revenue Growth of 37% was largely driven by higher sales across our business groups, and historically high PVC prices. EBITDA growth of 55% was due to the strong performance of Polymer Solutions and Building & Infrastructure. EBITDA margin increased by approximately 280 basis points to 23.3%. Capital expenditures totaled $311 million, representing a year-over-year increase of 36%, and reflecting higher investments across most businesses after lower activity levels in 2020.

Our return on invested capital reached 13.9%. We returned $365 million to shareholders through our dividend and share repurchase programs in 2021, comprised of nearly $200 million in dividends and $166 million in share repurchases.

We closed the year with net debt of $2.7 billion, and our net debt to EBITDA ratio was 1.34 times, representing one of our lowest leverage levels in years. During 2021, we reduced our average cost of debt from 4.6% to 4.1%, and extended our average debt maturity from 12.6 to 14.8 years, with our next significant maturity in 2026.

In summary, we have a very healthy balance sheet that allows us to take advantage of investment opportunities for organic growth and bolt-on acquisitions, and to return cash to shareholders during 2022 and beyond.

Turning to Slide 5, I'll go through our performance in more detail by business. In Polymer Solutions, fourth quarter and full-year 2021 performance was driven by strong topline growth and margin expansion, due to robust demand in the construction industry, and the ongoing tight supply demand environment that led to high PVC prices last year. Fourth quarter revenues were up 62% year-over-year. EBITDA was up 103%, and EBITDA margin increased approximately 640 basis points.

For full-year 2021, revenues were up 58, EBITDA was up 145%, and EBITDA margin increased 1,170 basis points. We expect the PVC market to remain strong in the coming years, with global demand outpacing supply. PVC prices are expected to moderate in 2022, due to industry supply recovery, and some small increments of new capacity, and to settle at levels higher than those before the pandemic.

For Building & Infrastructure, fourth quarter performance reflected a return to a more normalized market environment, after a period of logistical disruptions and product shortages, as well as the customary seasonal slowdown. Revenues for the quarter increased 21% year-over-year, mainly driven by higher pricing. EBITDA was down 6% compared to extraordinary COVID recovery results in the fourth quarter of 2020, with a margin of 11.7%, down approximately 340 basis points.

For full-year 2021, revenues were up 41%, mainly driven by higher prices, growth in value-added products, and increased volumes. EBITDA was up 63%, with a margin of 14.5%, an increase of approximately 190 basis points. First half performance was better year-over-year, driven by effective price management and our integrated access to raw materials during a period of short supply. This was partially offset by higher input costs during the second half of the year, and a return to a more normal competitive market environment.

Now let me turn to Precision Agriculture. Revenues during the quarter decreased 1% year-over-year, mainly driven by continued market weakness in India, offsetting robust market demand in most other parts of the world. EBITDA decreased by 82%, with a margin of 3.6%, approximately 1,590 basis points, primarily driven by the impact of approximately $19 million in one-time charges related to a project in Ethiopia and provisions recorded in India, driven by sustained pressure from COVID-19, and decisions by local government to delay certain projects. Excluding the one-time items, EBITDA margin for the quarter was 11%.

Revenue for the full-year 2021 increased 16%, mainly driven by strong demand, recovering market fundamentals, and price increases. EBITDA decreased 20%, with a margin of 12.9%, down approximately 570 basis points. Excluding one-time items, EBITDA margin for the full year was 15.2%, down approximately 340 basis points. Profitability throughout the year was impacted by continued increases in raw material and transportation costs, which were not yet fully reflected in selling prices.

For Data Communications, revenue during the fourth quarter increased 69% year-over-year. EBITDA increased by 19%, driven by higher sales volume and nearly full pass-through of cost increases. EBITDA margin was 13.6%, a contraction of approximately 570 basis points. Full-year 2021 revenues increased 36% compared to 2020, while EBITDA decreased 23%, and EBITDA margin was 13.5%, a decrease of approximately 1,020 basis points.

Revenue increases for both the fourth quarter and full-year 2021 were driven by growth in North America and Europe, from higher prices after input cost increases, strong market demand, and new fiber deployment projects. Strong fourth quarter EBITDA benefited from higher demand and stabilization of raw material costs. Full-year EBITDA was affected by increased raw material costs in the second and third quarters that were not fully offset by price adjustments. EBITDA margin for both the fourth quarter and the full year contracted year-over-year, as raw material prices increased from the record-setting lows of the fourth quarter of 2020.

Turning to Fluorinated Solutions, revenues for the fourth quarter increased by 9%, driven by improved product mix and strong pricing, particularly in refrigerants and hydrofluoric acid. EBITDA increased 15%, and EBITDA margin was 33.6%, an increase of approximately 160 basis points, primarily driven by higher selling prices that more than offset rising raw material and transportation costs, and expenses related to new investments that support business growth.

For the full-year 2021, revenues increased 7% year-over-year, due to improved pricing in refrigerants, hydrofluoric acid, and metspar. EBITDA decreased by 4%, with an EBITDA margin contraction of approximately 360 basis points, to 32.9%, as a result of increased input costs, and investments in costs to support growth.

In summary, we finished the year with another quarter of strong financial performance, and continued focus on operational and commercial excellence.

Let me turn the call back to Sameer now.

Sameer Bharadwaj
Thank you, Jim. I'm on Slide 6. Despite a challenging year, at Orbia, we have risen to every challenge and worked as one Orbia to solve the world's toughest issues, from urban and rural resilience, to water and food security, data connectivity to human health. By integrating our material supply chains and sharing our assets, we were able to meet demand, expand capacity, and pursue sustainable growth.

2021 was also a pivotal year for making progress against our ambitious environmental goals to see net zero carbon emissions by 2050, as we aligned our business objectives to reach our long-term environmental commitments, by looking at ways to decarbonize through optimizing manufacturing processes, and transitioning to low carbon and renewable energy sources.

Moving to Slide 7, we won't stop at net zero, but go beyond to maximize a positive impact on the world.

First, by developing products and services with improved environmental footprints in all of our businesses. Let me share a few examples.

In Polymer Solutions, we advanced the development of fossil-free bio-based PVC options to supply our customers around the world with cleaner, greener, and essential offerings for clean water, sanitation, and health delivery.

In Building & Infrastructure, we expanded our offerings in segments, including storm water management and indoor climate systems for resilience and energy efficiency. Additionally, we continue to develop our recycle content product portfolio, and unveiled a second plastic road.

In our Precision Agriculture business, we lightened the footprints of our precision irrigation offerings with the launch of Streamline X ReGen in Europe, and moved into turnkey greenhouse solutions to help our global stakeholders continually grow more with less.

In Data Communications, we invested in more large-scale big ones fiber and conduits, such as FuturePath MicroTrenching, which reduces environmental disruptions more than six-fold, as compared to traditional trenching. This was a critical advance to bring reliable high-speed internet connectivity to communities.

In Fluorinated Solutions, we expanded our portfolio of next generation refrigerants, propellants, and energy storage technologies set to fuel a decarbonized future. We commissioned a third R134a recycling plant in Japan, and launched our 456a in Europe, a 60% lower global warming potential refrigerant than incumbent, our 134a.

The business has several additional products in its pipeline that will help to significantly reduce Scope 3 emissions in the future. And the results of having worked closely and diligently across our business groups for wider adoption of renewables and green production processes started to show as of 2021. Sixty-six percent of our products and services contribute to advancing the UN sustainable development goals.

The second way we will accomplish a positive impact is by harnessing the power of partnerships, and ensuring that all of our investments squarely contribute to decarbonization and climate resilience. To that end in 2021, we invested in startups such as Ascend Elements, engaged in battery recycling and sustainable production of battery materials; StormSensor, offering a cloud-based storm water monitoring platform for real-time data and insights on flow and flood risks for water utilities in municipal corporations; and Osmoses, developing efficient membrane-based process technology for industrial chemical separations, with a vision for scaling the solution to energy, chemical, and petrochemical industries for hydrogen separation and carbon capture. And these are just a few examples of the steps we are taking to address climate change, and contribute to a more resilient planet.

It is my personal belief that the actions of this generation will lay the foundation for the world of the future.

Turning to Slide 8 and our 2022 outlook. We closed out 2021 with strong overall performance, and as we move into 2022, we are maintaining our daily focus on operational and commercial excellence, and investing in digital transformation for long-term value creation.

While we continue to be somewhat conservative in our expectations around global performance, due to ongoing uncertainties caused by COVID-19, supply chain, and labor disruptions, and high-inflation risks, we are introducing 2022 guidance and assumptions. Assuming no significant unexpected disruptions, Orbia expects EBITDA to be between $1.6 billion and $1.75 billion, driven by demand recovery in several of our key businesses, lower input costs that will allow our downstream businesses to recapture margin, and PVC prices that are expected to soften, but still remain above historical averages.

Capital expenditures are expected to be in the range of $350 million to $450 million, which includes incremental high-return growth-related projects, but excludes potential larger growth investments. Orbia's effective tax rate for 2022 is expected to be in the range of 29% to 32%.

For each of Orbia's businesses, we are making the following assumptions: In Polymer Solutions, the PVC market is expected to remain healthy, with prices softening, yet settling above pre-pandemic levels, and global demand growing above supply, resulting in a tight supply demand balance. In Building & Infrastructure, a normalization of market conditions is expected, as raw material supply constraints continue to ease. The business will continue to manage margins, and to focus on driving a higher value sales mix. For Precision Agriculture, strong demand is expected to continue in most parts of the world, with strong market fundamentals. The business will continue to focus on offsetting input cost increases through the year.

In Data Communications, volume and revenue growth will be driven by fiber infrastructure investments in US, Canada, and Europe. Additionally, the business expects normalization of raw material costs through the year. And in Fluorinated Solutions, improvements and revenue are expected across the product portfolio, due to market strengthening and new regulations. Additionally, the business expects to manage margins closely, with continued pressure on raw material prices and inflationary impacts.

For 2022, we will continue to prioritize organic growth and strategic bolt-on acquisitions, while maintaining our focus on operational excellence to deliver sustainable growth to our stakeholders. Given the company's growth plans, its low leverage ratio, and the current attractive interest rate environment, Orbia expects to explore alternatives for both short and longer term debt financing in 2022.

Finally, the company's board of directors has approved, and intends to recommend to its shareholders for their approval at Orbia's next annual general meeting of shareholders, one, ordinary dividend payments of $240 million payable in four quarterly installments in 2022; two, an additional extraordinary dividend payment of $60 million payable in equal installments, along with the regular dividends; and three, authorization to establish a share repurchase fund to repurchase company shares up to the maximum amount permitted by law.

Looking forward, we are confident that the continued execution of Orbia's strategic plans, driven by organic growth and selective bolt-on acquisitions, will generate sustainable and profitable growth, with both net sales and EBITDA growing at compound annual growth rates in the high-single digit or more over the long term.

Operator, we are ready to take questions.

QUESTIONS AND ANSWERS

Operator
We will now begin the question and answer session. To ask a question, you may press star then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. If, at any time, your question has been addressed, and you would like to withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster.

And our first question will come from Ben Isaacson with Scotiabank. Please go ahead.

Ben Isaacson
Good morning, and congratulations on the results. I have three questions, and I'd like to ask them one by one if that's okay. The first question is, obviously with the news overnight with Russia and Ukraine, can you talk about what $100 oil means to Orbia, and what kind of exposure does Orbia have in Europe or Eastern Europe, whether it's production or sales or anything like that? Thank you.

Sameer Bharadwaj
Thank you, Ben. Let me take that question. And, first of all, let me say that I'm really saddened by the turn of events, and the impact on human lives that this is going to have. We have been closely monitoring the situation. Our exposure to Russia, in terms of sales, is relatively low, compared to the size of Orbia. It’s somewhere in the range of $90 million to $100 million, both Russia and Ukraine, across all of our businesses. And the only business that actually has a footprint in Russia is our Building & Infrastructure business, with sales of approximately, domestic sales of approximately $10 million.

Having said that, the dislocations that this is going to cause in oil prices and energy prices will impact our operations in Europe with high energy costs. And, of course, we have long-term contracts in many of these locations, and we'll have to assess how that affects us over the long term, but spot prices have shot up considerably overnight.

In terms of $100 oil, that's an interesting question. See, the $100 oil affects ethylene producers that are based on NAFTA. And so, this will work to keep ethylene prices high, which then indirectly works to keep PVC prices high. Because we are on the left side of the supply curve with the raw material chain based on shale gas in the United States, we may benefit from that effect.

Ben Isaacson
That's very helpful. Thank you. My second question is just trying to understand where each of the segments, maybe not so much for Vestolit, because it's more of a price taker, but where each of the segments are in the cycle. And what I mean by that is, we've obviously seen cost pressure over the last few quarters. And now, from what I read in your report, you're starting to get higher price realizations, you're starting to pass that on to customers. Are you done passing on those higher costs to customers? Are you only halfway done? Should we expect more margin expansion or margin contraction, in terms of what you can control in the non-Vestolit divisions?

Sameer Bharadwaj
So, let me actually also respond to your comment on Vestolit, in terms of being a price taker. While that may appear to be the case at a global level, given the markets that we are in and the supply-demand imbalance that we see, it doesn't necessarily work that way. It has been our thesis for a while, for the last couple of years, that over the next several years, the world is going to be supply-demand constrained from a PVC standpoint, and capacity expansions are nowhere near the rate of growth of demand.

And the specific markets where we have a unique position in, we have a position of strength. And so, it's not entirely black and white, whether the Polymer Solutions business is a price taker.

In terms of the other businesses, all the downstream businesses have been working hard to catch up on all forms of cost increases, whether it’s raw materials, transportation, supply chain, logistics costs, labor costs. And I'm happy to say, most of the businesses have recovered a fair amount of the cost increases, and we continue to do so in the first quarter of this year. And in some of the businesses, we believe we have fully caught up.

Of course, the new dislocations that happened overnight, we will have to take that into consideration and take appropriate actions in the marketplace, but the teams have been relentlessly focused on recovering margins, and we expect margins and all our downstream businesses to improve in 2022.

Ben Isaacson
Thank you. And my final question, if I may, is on capital allocation. So, you guys did a really great job talking about the dividend, the special dividend, buybacks, improving leverage, maintenance capex, but not so much on the M&A front. And I guess the question is, is that on your agenda to look at M&A, and is the market frothy right now? Are valuations just too high? How do you see the M&A opportunity for Orbia over the next 12 months?

Sameer Bharadwaj
Okay. So, good question, Ben. In fact, it's good to take M&A in the context of our long-term capital allocation and growth strategy. And as we are in the middle of pulling together our strategic growth plans and projects over the next five to seven years, and we are developing clear line of sight into a slew of organic growth projects in each of our businesses, as well as very selective bolt-on acquisitions that address specific gaps, that will allow Orbia to deliver sustained topline growth and sustained EBITDA growth with strong cash conversion, and increasing margins over the next five to seven years.

And so, much of our capital allocation will be directed towards growth investments, both organic growth projects and selected bolt-on acquisitions.

Now, specifically on M&A, yes, we have been evaluating very targeted M&A deals in some of our businesses. At this stage, I can't disclose some of those for competitive reasons. But the general theme there is to address gaps in our geographic portfolio, gaps and our technology portfolio, and make sure we are investing in companies that we have good synergies with, as well as good growth. You cannot make M&A pay if you don't have good growth and synergies. And so, we'll be very disciplined as we look at that.

Valuations are high at this point, but again, our approach is very selective, and we will only do it if we see synergies and growth and can create value.

Ben Isaacson
Thank you for the comprehensive answers. I appreciate it.

Operator
Our next question will come from Andres Cardona with Citibank. Please go ahead.

Andres Cardona
Good morning, everybody. Congratulations for the results. I have two questions. The first one, if you can help us to understand, what are the assumptions that you have for PVC margins in your 2022 guidance? If you can give us color about how much are you expecting it to decline, it would be very helpful. Also, like trying to understand if your guidance, it's already including the recent acquisition you did in India, and how much should you expect from this acquisition?

And maybe the last one is, I'm trying to understand your cash flow in 2022, if you can provide some guidance about what you expect in terms of working capital and taxes. Thanks.

Sameer Bharadwaj
So, Andres, good morning. Let me take the first two questions, and I'll let Jim answer the question on cash flow. In terms of PVC margins, again, our thesis all along has been, the industry, overall, is short, and the smallest of disruptions in any part of the world lead to price dislocations, and it is very hard to add capacity overnight.

Now, we are assuming some softening of pricing of PVC, and you can look at the IHS and Platts forecasts and see what they are indicating, and we go by those numbers as well. But they will settle at levels well above pre-pandemic levels, and that's our assumption for the year, which leads us to mid-20s, low to mid-20s margin for Polymer Solutions for the year.

The second question was on our acquisition on—are you referring to Shakun Polymer or the Vectus acquisition?

Andres Cardona
Around the acquisition, yes. Yes, it was about the acquisition you recently did in India, the JV, if you are already incorporating that in 2022 guidance, and how much it's adding.

Sameer Bharadwaj
Okay. We have already incorporated contributions from the acquisition of Shakun Polymer as part of our Polymer Solutions business, and that acquisition is doing very well. They have a leadership position in India, Middle East, Africa, and they are seeing strong growth, and that is reflected in the guidance numbers.

The Vectus acquisition closed just very recently. This was a few weeks ago. And we are in the process of developing the business plans for the year. And those are not fully reflected in the guidance that we have issued. But we are very excited about both of these, both of these acquisitions.

The Vectus acquisition will massively strengthen the Building & Infrastructure business' footprint in India. And our ability to bring value-added products and solutions to India will be exponentially sped up, so that we can achieve a much stronger market position in India in a much shorter time.

Jim Kelly
So, I can take on the third question, Andres. Good to hear from you. So, first of all, addressing working capital. So, we were significantly impacted in 2021, as you can see in the cash flow, by the increase in raw material costs. So, we consumed $479 million in working capital in 2021. As we go towards 2022, we would expect to see that working capital should improve, and I would say that there are two drivers to that. One being the fact that, with raw material prices coming down, we would expect that to flow through the cash flow as inventory values come down. And then, also, on the days' side, we saw a slight increase in days as we worked through 2021. And so, that was about three days of increase. And we would expect to bring days back down over the course of 2022.

We, in fact, have a significant initiative going on throughout the company through all of the businesses to focus on working capital and cash flow as we go through the year.

On taxes, so it depends on whether you look specifically at the cash side of taxes or provisions in the income statement for tax. On the cash side, we would expect to see cash taxes go up as compared to what we saw in 2021, just because of the higher level of earnings in 2021, and the tax payments on those flowing through in 2022.

If you think of the P&L side of taxes, as we indicated in the earnings release, we expect an effective tax rate between 29% and 32%.

Andres Cardona
Thank you, Sameer and Jim, for the answers.

Sameer Bharadwaj
Thank you, Andres.

Operator
Our next question will come from Diego Serrano with Credit Suisse. Please go ahead.

Diego Serrano
Hi, Sameer, Jim, Gerardo. Thank you for the opportunity to ask questions. I just have two questions. The first one regarding Netafim. So, you mentioned the quarter’s EBITDA was impacted by these one-time charge of $90 million related to a new project in Ethiopia, and COVID-related provisions for India, which is quite significant, considering the $53 million EBITDA from the fourth quarter of 2020.

So, in that sense, should we expect any further charges related to this project, or any additional provisions from India in the upcoming quarters?

Sameer Bharadwaj
Let me address that, Diego. So, Netafim, let me, first of all, give a broader context on Netafim. We have experienced a very strong business performance in Netafim in most parts of the world. Outstanding performance in the Americas, we are in very strong performance in EMEA, very strong growth in the APAC region. The biggest challenges we've had this year in Netafim were in India, and those were largely COVID-related. And if you recall, Diego, the delta variant originated in India, and had a massive impact over the next four to six months, effectively shutting out the entire season, and resulting in significant delays in the government-led projects in many of the states, as well as delays in accomplishing the government sanctioned price increases as raw material costs change.

And so, a lot of things came together to affect performance in India last year, as a result of which Netafim, as a whole, appears as if it had weak performance. But the broader context is, the performance in all other parts of the world was very strong.

The other impact we had was from the project in Ethiopia, where, for about a year, due to civil war that is going on, the project has been on hold, because there's a lot of fighting and killings going on in the Tigray region. And, at this point, that project is half complete. And the reason we have taken some charges is because we're not sure when we will get paid for some of the work we have completed. And it's only when the civil war ends, and we can go back in and complete the project, can we resumed that project.

So, we have taken, conservatively, all the charges we need to take at this point of time.

And then, Jim, if you want to add anything, please go ahead.

Jim Kelly
I think you’ve covered it well, Sameer. I don't see any more near-term exposure. As you say, we've recorded everything that we see as being appropriate right now.

Diego Serrano
Okay, perfect. Thank you. Very clear.

Sameer Bharadwaj
I just want to clarify. India, we expect India to get back on track in 2022. So, India has been a very important country for Netafim, with consistent year-over-year growth. And we expect to bring this business, maybe not 100% back on track, but substantially back on track in 2022.

Diego Serrano
Okay, no, that's very clear. Thank you. And just a quick one regarding the Dura-Line. Do you have any update on the potential opportunities coming from Biden's infrastructure project in the US?

Sameer Bharadwaj
So, thank you for that question, Diego. So, Dura-Line is experiencing a lot of benefit from all of the growth drivers in the US, not only from Biden's infrastructure projects, but there are significant projects in rural deployment of fiber. There are 5G telecom projects, and there are cloud-computing projects. And so, all of these are coming together to drive significant growth in demand. The business is relentlessly focused on increasing the output from its plants, and meeting customer expectations. And as a result of the outlook, we are accelerating growth projects both in the United States and Canada to be able to meet customer demand over the next several years.

Diego Serrano
Okay, thank you. Very clear. And congratulations for the results.

Sameer Bharadwaj
Thank you, Diego.

Operator
Again, if you have a question, please press star then one. Our next question will come from Luiz Carvalho with UBS. Please go ahead.

Luiz Carvalho
Hi, Sameer, Jim, Gerardo. Thanks for taking the questions. I have basically three questions, and if I may, I would like to discuss a bit more broader teams [ph]. So, Sameer, you have been in this position for a while now, and I would like to maybe address with you how, with regards to, I mean, the one that you just presented, what would be the main achievements, as you see as CEO of the company, in a timeframe of, I don't know, two, three years? I mean, what would you consider as a success in your role to see the company within two or three years?

The second question, I would like to come back to the capital allocation. You mentioned about buybacks, and then, of course, you mentioned about the potential dividends, which [indiscernible] 6%, given a new also acquisition. So, just trying to understand here two different angles. First, what is the flexibility, and what would be the priorities here, in terms of these, I would say these metrics that you provided in terms of if you had a bigger and larger position, can you reduce dividends, can you reduce buybacks? So, just to understand a bit more flexibility here.

And second, when I think about acquisitions, what return metrics are you looking at in terms of returns? I mean, do you think it's, is there a threshold that you think it's a target? And then, how should we look to potential acquisitions in terms of returns looking forward? Thank you.

Sameer Bharadwaj
Very good, Luiz. Thank you for your questions. So, in terms of two or three years, let me address that in the context of our longer term strategy, and which we will share more details about on Investor Day, and as a company, Orbia, it's a unique company that is benefiting from significant vertical integration, and is at the forefront of addressing key world challenges, whether it is water management and providing clean water, sanitation, food security, energy efficiency, telecom. And we have good macro drivers behind us, as we look towards the next decade.

In that context, the board of directors have directed the management to focus on value creation versus value capture. Now, and value creation is focusing on the left-hand side of the balance sheet, where you really do the hard work of investing in growth projects that are significantly accretive, and deliver sustaining topline, bottom line margin, and cash conversion growth over time.

And so, for me, the most significant accomplishment in the next two to three years will be getting some of these significant growth projects on track. We have a tremendous set of organic growth projects, where the returns are, we can get EBITDA for one to three times. Where can you get EBITDA at a multiple of one to three times if you go and buy companies? And we will supplement that with M&A that is surgical, that is synergistic, that has growth, and is accretive to our ROIC over time. And so, that's the way we're going to be looking at it.

And so, for the next two to three years, our key objective is to get some of these projects on track for delivery over the next three to five years.

In terms of the flexibility in the capital allocation policy, we've made a substantial move in the dividends. The dividends have historically been in the range $200 million or less. And this is a strong signal we want to send, that we're going to raise the baseline dividend to $240 million, because we feel comfortable with where the earnings power of the company is over the next several years, which is in the range of $1.7 billion or higher.

And so, with this baseline dividend, with the growth in topline and bottom line, we also want to, depending on the results, consistently grow our dividends over time and return cash to shareholders.

In terms of buybacks, we expect to do buybacks in a similar range as what we did last year, with the caveat that first priority will always be growth investments, and buybacks will only happen at the authorization of the board, and if the share price remains low and attractive.

Now, how does this work in the context of the ambitious growth plans we have? Our leverage is very low, Luiz. And so, today we are at a leverage of 1.35. And as we demonstrated in 2020, in one of the worst possible years, the COVID year, our earnings were relatively flat, and flat to only 3% down, which demonstrates tremendous resilience in our business divisions, and will allow us to lever up comfortably to levels needed to support growth.

So, hopefully this addresses your question on capital allocation. We should be able to comfortably sustain the baseline dividend we are talking about, the $240 million over the next several years, be opportunistic about share buybacks, and give the highest priority to accelerating our growth investments.

Jim Kelly
There was a third question that I can address on how we look at acquisitions, Luiz. And essentially, we look at the financial metrics that you would typically think of, and Sameer has alluded to that, particularly ROIC. Also, the internal rate of return, and clearly making sure that, on a net basis, we're adding value. The returns are in excess of our weighted average cost of capital.

The important, I guess, I would say nonfinancial thing that it's important to point out as well, though, is that we not only look at the financial metrics, but we look at the ESG metrics as well, and how these projects would contribute to our decarbonization and other ESG goals.

So, there are multiple lenses that we use to look at these projects, and put strong weight on both of them.

Luiz Carvalho

Okay, clear. And if I [audio muffled] feedback to my question. The company has been delivering quite good results, [audio muffled] of disclosure, meaning maybe on to the business lines. So, it's more of like a feedback that we'd like to see more breakdown in each of the businesses, if that's possible looking forward. But thank you very much for the answers.

Sameer Bharadwaj
No, appreciate the feedback, Luiz, and again, we look forward to Investor Day, where we will share a lot of detail about all of our business divisions, and the growth plans for the future.

Luiz Carvalho
Thank you. Thank you.

CONCLUSION

Operator
Again, if you have a question, please press star then one. As there are no more questions, I will now turn the call back over to CEO, Sameer Bharadwaj for any closing comments.

CONCLUSION
Thank you, Matt. I am encouraged by the success we achieved in 2021, and look forward to building on that momentum in 2022. Our team is optimistic about our ability to deliver sustainable and profitable growth. We well-positioned for success in the coming year, with an improved cost position, a demonstrated track record of shifting our mix to high-end solutions to take advantage of secular growth trends, and a stronger, more flexible financial position.

We look forward to updating you on progress on our growth strategy and long-term goals at our Investor Day on May 17th. That will be held virtually, as well as in person in Boston. More details will follow in the upcoming weeks.

I am proud of our global team for continuing to successfully navigate short-term pressures, while delivering strong results. As a leader, I always commit to remaining open and transparent about how we unlock the embedded value within our business divisions to drive shareholder value creation.

Finally, thank you for your continued interest in Orbia, and your trust in us as we strive to advance life around the world. Thank you.

Operator
The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.