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# Q3 2023 Earnings Call

October 26, 2023

# Safe Harbor

In addition to historical information, this presentation 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 presentation. Orbia undertakes no obligation to revise or update publicly any forward-looking statement for any reason unless required by law.

# Q3 2023 Overview

01

Orbia's performance was driven by a weakening market environment in construction, infrastructure and capital investments due to the impact of prolonged high global interest rates as well as global effects of lower industrial and construction activity in China

02

Orbia generated strong operating cash flow in the quarter and maintains a strong liquidity position

03

Despite the difficult current environment, Orbia's long-term fundamentals remain intact

Revenue

**\$2.0B**

Down 14% YoY

Slowdown in Polymer Solutions, Connectivity Solutions and Fluorinated Solutions due to slowdown in demand and lower pricing; partially offset by a stronger Precision Agriculture

EBITDA

**\$320M**

Down 16% YoY

Lower prices and softer demand across most markets, particularly in Polymer Solutions, Connectivity Solutions and Fluorinated Solutions, partially offset by higher profitability in Building and Infrastructure and Precision Agriculture

EBITDA Margin

**16.2%**

Down 46 bps

Lower prices and softer demand across most markets, particularly in Polymer Solutions, Connectivity Solutions and Fluorinated Solutions

Operating Cash Flow

**\$218M**

Down 3% YoY

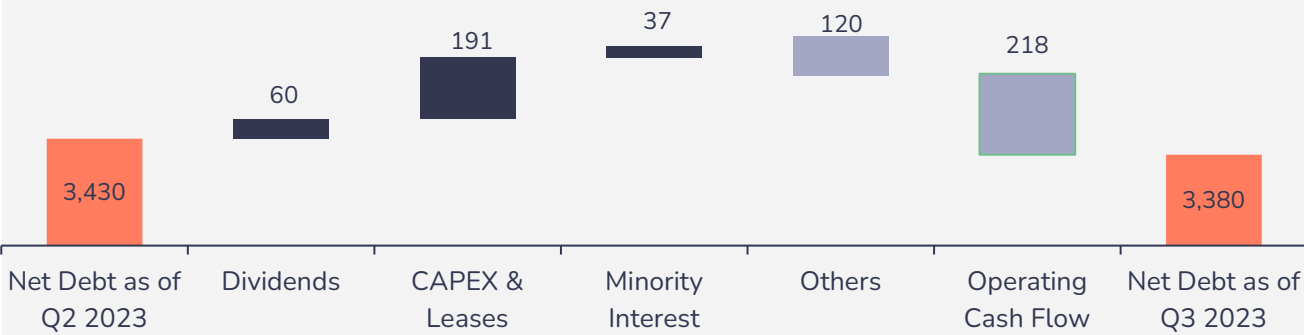
Lower EBITDA and higher taxes paid, partly offset by effective management of working capital

# Strong operating cash flow in the third quarter

## Q3 2023 Highlights

- **Capital expenditures of \$166M**, up 41%, reflecting ongoing maintenance spending and investments to support our growth initiatives
- **Operating cash flow of \$218M**, down by \$7M resulting from lower EBITDA and higher taxes paid
- Orbia added ~\$197M of net debt resulting in a **net change in debt of \$85M**
- Orbia **paid \$60M in dividends** during the quarter as the third installment of the ordinary dividend approved at the Annual Shareholders Meeting held on March

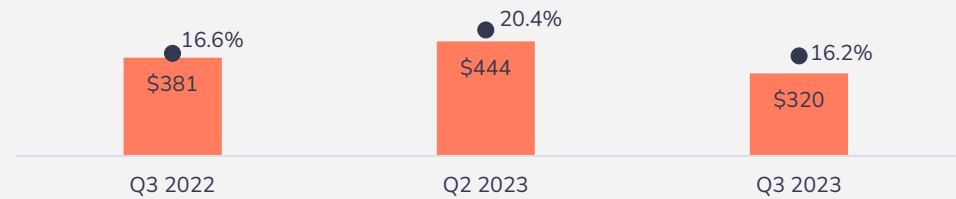
## Disciplined Capital Deployment Maintaining Moderate Debt Levels



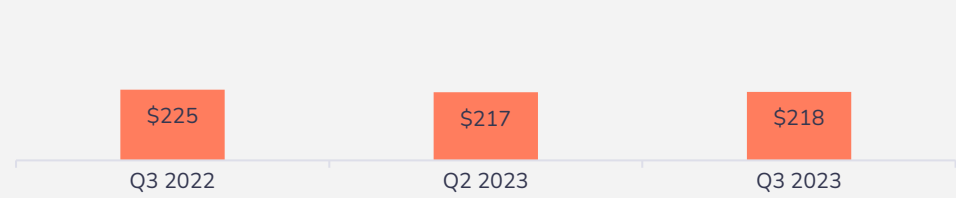
## Sales (\$M)



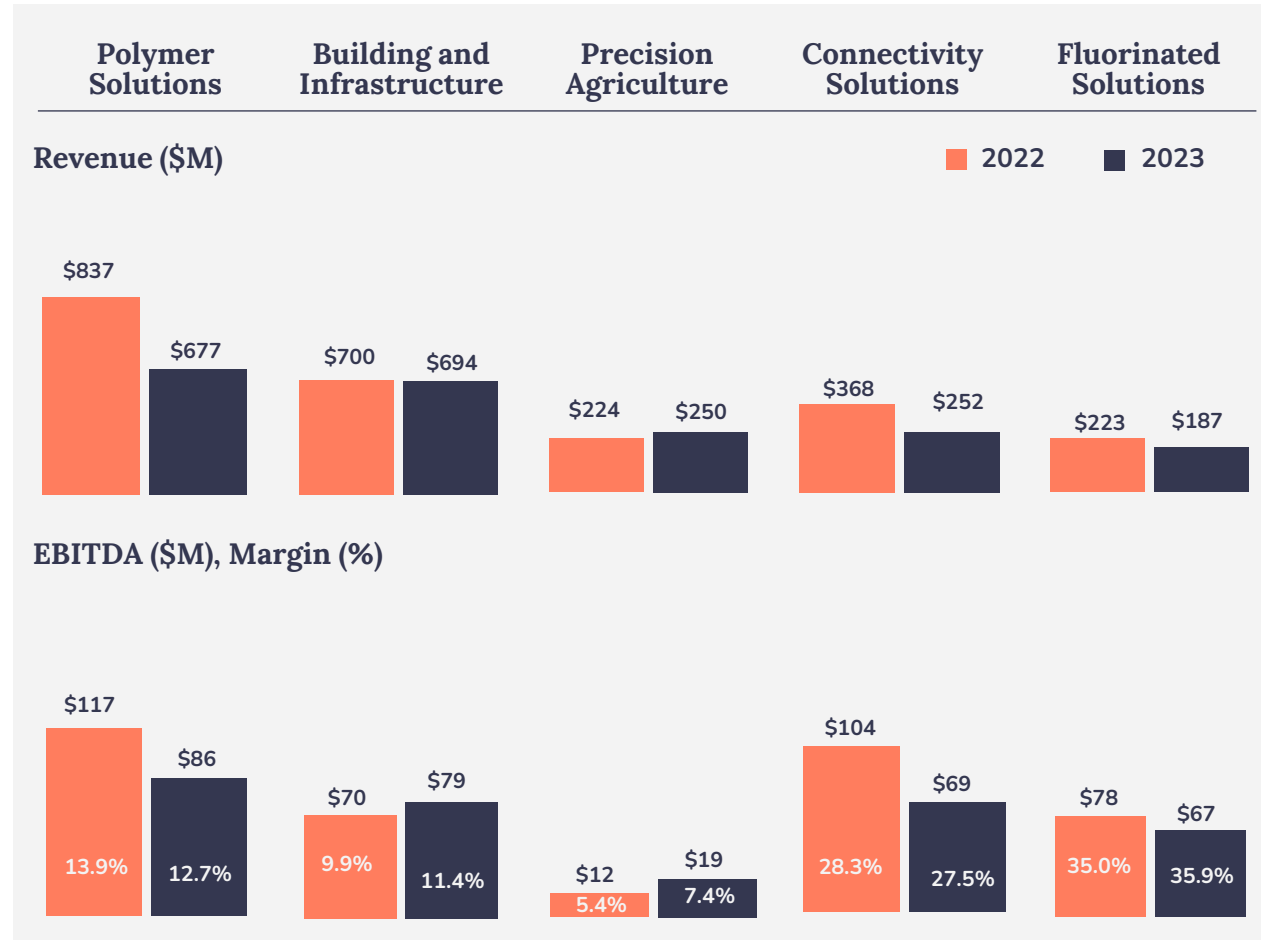
## EBITDA (\$M), Margin (%)



## Operating Cash Flow (\$M)



# Building and Infrastructure and Precision Agriculture increased, offset by Polymer Solutions, Connectivity Solutions and Fluorinated Solutions



## Polymer Solutions

- Weaker market conditions and lower PVC and caustic soda pricing. The lower pricing resulted from weaker construction markets tied to higher interest rates as well as the global impact of weakness in China
- EBITDA was lower due primarily to lower selling prices, while the business continues to manage its costs and operations

## Building and Infrastructure

- Impact of high interest rates which resulted in lower demand in construction and infrastructure sectors, particularly in Europe and North America. This was partly offset by volume improvement in Latin America and Asia markets
- EBITDA improvement reflects lower cost of raw materials, cost optimization and contribution from recent acquisitions such as Bow Plumbing Group

## Precision Agriculture

- Strong performance in certain Asian, Latin American markets and improvement in Europe, which more than offset the reduced demand in the US and other markets driven by weaker economic conditions and weather-related events
- EBITDA increased due primarily to the higher revenues

## Connectivity Solutions

- Lower volume across major markets and lower pricing as many customers deferred orders as a result of the current high interest rate environment
- Higher EBITDA due to strong pricing and stabilization of raw material costs

## Fluorinated Solutions

- Product mix and lower volume related to delayed timing on certain shipments and inventory destocking in the refrigerant gases business, particularly in the US
- EBITDA decreased by lower revenue and higher production costs due to the appreciation of the MXN. This was partially offset by higher y-o-y pricing

# 2023 Guidance and Market Outlook

## 2023 Guidance

**EBITDA** ~\$1.45B

**CAPEX** ~\$600M

**Effective Tax Rate** 44% – 47%

### Polymer Solutions

- We expect the softer business performance to continue due to the high interest rate environment and continued availability of exported PVC from China
- Prices for general purpose PVC and caustic soda are expected to remain at low levels, both due to weak demand

### Building & Infrastructure

- We expect continued weakness in EMEA, with solid markets in most of Latin America
- Focused on business optimization efforts across all market segments and remained committed to our growth efforts in India, Indonesia and North America

### Precision Agriculture

- We continue to see lower than expected demand across Europe and in parts of the Americas, particularly the US
- However, this is partly offset by seasonal increases in the fourth quarter and sustained strong markets in India, China, Turkey, and parts of Latin America

### Connectivity Solutions

- We expect ongoing market weakness in North America and Europe due to continued high interest-rate driven delays in customer demand
- We continue to believe in the long-term fundamentals of this business as the market opportunity remains to connect over 70 million households with fiber

### Fluorinated Solutions

- We expect demand headwinds to continue in certain markets through the remainder of the year. This will be partly offset by shipments timing
- We are continuing to invest in growth projects in the energy materials segment, next generation refrigerants and medical propellants and are making good progress on these projects



# Q&A







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Orbia is a company driven by a shared purpose: to advance life around the world. The five Orbia business groups have a collective focus on expanding access to health and wellness, reinventing the future of cities and homes, ensuring food and water security, connecting communities to information and accelerating a circular economy with basic and advanced materials, specialty products and innovative solutions.