

Orbia

First Quarter 2026 Earnings Conference Call

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**CORPORATE PARTICIPANTS**

**Sameer Bharadwaj** – *Chief Executive Officer*

**Jim Kelly** – *Chief Financial Officer*

**Cristian Capellino** – *Chief Financial Officer, Designate*

**Diego Echave** – *VP of Investor Relations*

## PRESENTATION

### Operator

Good morning, and welcome to Orbia's First Quarter 2026 Earnings Conference Call. [Operator Instructions] Please note that this event is being recorded.

I will now turn the conference over to Diego Echave, Orbia's Vice President of Investor Relations. Please go ahead, sir.

### Diego Echave

Thank you, operator. Good morning, and welcome to Orbia's first quarter 2026 earnings call. We appreciate your time and participation. Joining me today are Sameer Bharadwaj, CEO; Jim Kelly, CFO; and Cristian Capellino, CFO Designate.

Before we continue, a friendly reminder that 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 cautionary statements contained in our earnings release and in our most recent Bolsa Mexicana de Valores report. The company disclaims any obligation to update or revise any such forward-looking statements.

Now I would like to turn the call over to Sameer.

### Sameer Bharadwaj

Thank you, Diego, and good morning to all. Prior to reviewing this quarter's results, I want to express my sincere gratitude to our global workforce for their unwavering dedication and relentless focus on addressing our customers' needs amid challenging market conditions. I also extend my appreciation to our customers for their continued partnership and trust in us.

Business conditions shifted in early March following geopolitical and macroeconomic developments. We are managing these shifts proactively and we'll provide more detail later in this call. More importantly, all our colleagues are safe and accounted for. We have implemented comprehensive safety measures and remain vigilant, ensuring stakeholders are updated on any significant changes.

Turning to Slide 3. I would like to share a high-level overview of our first quarter 2026 results. For the quarter, revenues of approximately \$2 billion increased 8% and EBITDA of \$259 million increased 31% compared to the prior year's quarter. EBITDA for the current quarter was flat compared to Adjusted EBITDA of the prior year quarter. Our first quarter results reflect the sustained resilience of our businesses across market cycles amidst an evolving global economic and geopolitical landscape.

The favorable trends that emerged across 2025 in our Fluor & Energy Materials, Connectivity Solutions and Precision Agriculture segments have carried over into 2026, while our Polymer Solutions and Building & Infrastructure segments continue to experience challenging end market conditions. We began to incur higher input and logistics costs late in the quarter, driven by current global geopolitical events, and we are responding quickly and proactively to this dynamic.

Our teams are taking disciplined commercial actions to offset increases in costs and leverage our operational strengths. Despite generally soft building and infrastructure investment, disruptions caused by the war have resulted in higher PVC prices driven by an upward shift in the supply cost

curve. This, combined with a stable U.S. Gulf Coast feedstock and cost position, creates advantageous conditions in the coming quarters while the disruptions last.

Having said that, an extended conflict could have an impact on inflation and demand. In this environment, we remain focused on optimizing costs, strengthening the balance sheet, generating cash, and simplifying the portfolio in line with our long-term strategic objectives.

I will now turn the call over to Jim to go over our financial performance in further detail.

### **Jim Kelly**

Thank you, Sameer, and good morning, everyone. I'll start by discussing our overall first quarter results. Turning to Slide 4. On a consolidated basis, net revenues of \$1.96 billion increased 8% year-over-year, with growth coming from all business groups, led primarily by Fluor & Energy Materials, Connectivity Solutions and Building & Infrastructure. I'll provide a more comprehensive description of these items in the business section of my comments.

EBITDA of \$259 million for the quarter increased 31% year-over-year, driven primarily by the absence of legal and restructuring costs that were incurred in the prior year. Current quarter results were flat with the adjusted EBITDA reported in the year ago quarter, with increases in pricing in Fluor & Energy Materials and volumes in Connectivity Solutions, offset primarily by a decrease in selling prices in Polymer Solutions.

Operating cash flow of \$1 million in the quarter improved by \$23 million compared to the prior year period, as higher EBITDA and lower taxes paid were partially offset by higher cash outflow from a seasonal working capital increase driven by higher sales and higher raw material costs caused by the recent Middle East conflict.

Free cash flow was negative \$130 million, an improvement of \$25 million year-over-year. The working capital increase of \$212 million in the first quarter of 2026 compared to an increase of \$169 million in the prior year quarter. This seasonal increase aligns with historical operational trends and typically reverses during the later half of the year. A higher increase in 2026 is due to a higher level of business activity as well as higher input costs resulting from the Middle East conflict. Despite the increase in dollars, working capital days declined by five days in the quarter and nine days year-over-year as ongoing disciplined management continued to yield results.

Free cash flow benefited from higher operating cash flow and lower capital expenditures year-over-year with capital expenditures of \$95 million in the quarter, which was \$10 million lower than the prior year quarter. Net debt-to-EBITDA decreased from 3.70x to 3.64x compared to the year-end 2025. The decrease was driven primarily by an increase of \$60 million in the last 12 months EBITDA, partly offset by a decrease in cash and cash equivalents of \$156 million and an increase in total debt of \$2 million to fund the seasonal buildup of working capital. On an adjusted basis, net debt-to-EBITDA increased from 3.40x to 3.55x during the quarter for the same reasons.

Turning to Slide 5, I'll go through our performance by business group. In Polymer Solutions, first quarter revenues of \$602 million were essentially flat year-over-year. Revenues benefited from higher resins and derivatives volumes compared to the prior year, which was affected by a raw material supply disruption and operational disruptions in our derivatives business, offset by lower resin prices.

First quarter EBITDA of \$38 million, a decrease of 33% year-over-year and a 45% compared to adjusted EBITDA. EBITDA margin in the quarter was 6.4%. The year-over-year decrease in

EBITDA was driven primarily by lower resin selling prices, higher raw material costs, and unfavorable currency fluctuations.

Building & Infrastructure, first quarter revenues were \$622 million, an increase of 6% year-over-year. The increase in revenues for the quarter was driven by higher volumes, primarily in the Andean region, favorable pricing, and currency fluctuations. These factors were partially offset by soft demand in Western Europe, primarily driven by adverse weather conditions early in the quarter. Revenues also declined due to non-core asset divestments completed during 2025.

First quarter EBITDA was \$62 million, an increase of 69% year-over-year with an EBITDA margin of 10%, driven by the absence of last year's restructuring costs. The slight decrease compared to 2025 adjusted EBITDA of \$64 million was driven by higher raw material costs, offset by favorable pricing and continued benefits from cost reduction initiatives.

Moving on to Precision Agriculture. First quarter revenues were \$290 million, an increase of 7% year-over-year, driven primarily by strength in Turkey and Brazil, complemented by higher project revenue in Africa. First quarter EBITDA of \$34 million increased 2% year-over-year and EBITDA margin increased 58 basis points to 11.8% versus the prior year period, with the increase driven by the absence of last year's restructuring costs. The decrease compared to 2025 Adjusted EBITDA of \$37 million was driven by higher fixed costs due to the appreciation of the Israeli shekel compared to the U.S. dollar, partly offset by higher revenues.

In Fluor & Energy Materials, first quarter revenues were \$274 million, an increase of 27% year-over-year. Revenue growth was fueled by strong pricing across all major product categories, especially in refrigerants and medical propellants. First quarter EBITDA was \$91 million, an increase of 43% year-over-year, with an EBITDA margin of 33.3%, an increase of 376 basis points. The higher EBITDA results for the quarter were driven by favorable pricing and product mix, partially offset by higher raw material and logistics costs.

Finally, in Connectivity Solutions, first quarter revenues were \$238 million, an increase of 23% year-over-year. The increase in revenues for the quarter was driven by strong volume growth, supported by increased demand in the U.S. telecommunications and data center markets, partially offset by lower prices.

First quarter EBITDA increased 34% to \$35 million with an EBITDA margin of 14.9%, an increase of 124 basis points. The year-over-year increase in EBITDA was driven primarily by higher volumes, a favorable product mix, higher plant utilization, and benefits from cost reduction initiatives, partially offset by higher input costs and lower selling prices. Before handing the call over to Sameer, I want to address the recent development regarding our credit ratings.

During March, Fitch Ratings revised our debt rating from BBB- to BB+, while Moody's adjusted its rating from Ba1 to Ba2. Following these rating changes, we finalized discussions with our revolving credit facility syndicate and secured modifications to the underlying financial covenants of our \$1.4 billion revolver.

With that, I'll now turn the call back over to Sameer.

### **Sameer Bharadwaj**

Thank you, Jim. Turning to Slide 6. I will now provide an update to our outlook for the current year. The company reaffirms its expectation that 2026 EBITDA will be in the range of \$1.1 billion to \$1.2 billion, trending towards the high end of the range. The company anticipates that the

current market dynamics will have a favorable effect on its second quarter results. However, the company remains cautious regarding longer-term pricing trends and the potential impact of higher prices on market demand in the latter part of the year, particularly within its downstream businesses.

The company continues to actively monitor market conditions and will continue to provide updates as appropriate in a timely manner. The company also reaffirms its 2026 capital expenditures guidance of approximately \$400 million with a primary focus on investments to ensure safety and operational integrity as well as selective strategic growth projects, particularly in the Fluor & Energy Materials business group.

Now looking ahead in each of our business segments for the coming quarter and the remainder of the year. Beginning with Polymer Solutions, the conflict in the Middle East has temporarily altered global PVC cost dynamics, driving prices higher. The business expects that prices will remain elevated over the next several months before stabilizing in the second half of the year at levels above those at the start of 2026. The business expects a better result compared to its previous outlook, supported by strategic low-cost position and will continue to prioritize strict cost control, cash generation and profitability growth.

In Building & Infrastructure, market conditions are expected to remain subdued in Europe and moderate growth is anticipated in Latin America. The business has been proactively focused on strategic pricing to offset the higher input costs driven by the Middle East conflict. The business expects incremental growth and profitability, supported by its manufacturing footprint rationalization, new product introductions, and cost optimization initiatives.

In Precision Agriculture, the business expects continued strong momentum across key markets, led by robust demand in Brazil, Peru, and improvement in the U.S., as well as solid project revenue growth, particularly in Africa. The business has been proactively implementing price actions to offset raw material cost increases driven by the Middle East conflict. The business will continue focused on capturing additional benefits from ongoing operational and cash generational efficiency projects and the ramp-up of recently launched new products and features, including the new direct pressure regulator with an integrated valve, the new orchard cooling solution, and GrowSphere FLEX Beta, among others.

In Fluor & Energy Materials, the business expects positive fluorine market trends to continue throughout the year with strong demand and pricing. The business has also been proactively implementing price actions to offset raw material cost increases driven by the Middle East conflict. The business will continue its strategy based on ensuring safe and stable mining and chemical operations and maximizing the value of fluorine across its product portfolio. Growth investments will focus on mining infrastructure, battery materials, and next-generation medical propellants.

And finally, in Connectivity Solutions, the business anticipates continued growing demand driven by broadband expansion, new data center investments and the modernization of the U.S. electric power grid. Profitability is projected to improve, supported by higher plant utilization and growing the contribution from the higher-value products within its portfolio. The business has been proactively implementing price actions to offset raw material cost increases driven by the Middle East conflict.

We remain committed to meeting customer needs and driving shareholder value through the disciplined execution of the initiatives we launched to strengthen our balance sheet, including cost savings, profitability from recently completed investments and cash proceeds from non-core asset

sales. We are closely monitoring the impact of Middle East events on PVC pricing, input costs, and demand across businesses, responding proactively to manage our margins, leveraging our competitive advantages and operational strengths.

Before turning the call over to Q&A, as this will be Jim's last quarterly call with us, I would like to thank him for his contributions during his nearly five years as Orbia's CFO and for the strong relationships that he has developed with our investor and analyst communities. I would like to congratulate Cape on his appointment to the CFO role, and he, Diego and I will continue to ensure that we have robust communications with all of our stakeholders.

Cape, would you like to add some brief comments?

### **Cristian Capellino**

Thank you, Sameer. I'm honored to step into the role of CFO of Orbia and continue to drive the disciplined execution of our strategic priorities. I've had an opportunity to meet some of you already during my onboarding process, and I'm looking forward to meeting many more of you in the coming months through various conferences and investor meetings. Thank you, Jim, for your support during the transition period.

### **Sameer Bharadwaj**

Operator, we are ready to take questions at this time.

## **QUESTION AND ANSWER**

### **Operator**

[Operator Instructions] The first question comes from Andres Cardona with Citi. Please go ahead.

### **Andres Cardona**

Hi, good morning, everyone. Thanks for the presentation. Sameer, I have a question about capital allocation. I'm just wondering if the Middle East conflict has become a great challenge to close any potential divestiture of some of the non-core assets that you have in previous calls? And also a second one, I understand the level of uncertainty because of the conflict is relatively high, but maybe if you could signal like if you are already seeing benefits on the Polymer Solutions side of the business and where could be the main risk that could offset those benefits in what business lines in particular, you think there could be a risk that is worth to monitor?

### **Sameer Bharadwaj**

Very good, Andres. Let me take both of your questions. I think your first question is around the impact of the Middle East crisis on our stated objectives of taking a hard look at our portfolio as far as non-core asset sales are concerned. And what I can say is, of course, there's always an impact from a war, but our efforts continue as expected. And so we are -- there is a number of non-core asset sales, smaller ones that we are proceeding as planned. And as far as the big portfolio reviews are concerned, we've talked about that before, and those efforts continue as well. And when there is something material to report, we will share that publicly.

As far as Polymer Solutions is concerned, we are actually going to be beneficiaries of what's going on in the Middle East in a fairly significant way for as long as this situation persists. And so just to clarify, the impact on oil supply and consequently, naphtha supply from the Middle East is quite severe with respect to the Asian producers of PVC and in particular, the Chinese ethylene-based producers, Japan, Korea, Taiwan. And this has resulted in them operating at lower rates and some of the carbide based players in China trying to offset the gap that has been created.

Net-net, what we see is that the slope of the supply curve has increased sharply, leading to a significant increase in PVC prices, and we will be significant beneficiaries of that in the second quarter. And the obvious question is, how long do we expect the situation to last? And most experts that we see out there say that even if the war were to end soon, the supply chain logistics disruptions that have been caused would take a minimum of three months to six months to unwind.

And in our outlook, we normally go by the CMA forecast and their experts follow the industry and they make projections on oil supply, ethane supply, gas supply as well as all the polymers. And as of now, their outlook is to see a gradual decline in Q3 and further decline in Q4 with prices stabilizing in the \$800 per ton range for PVC. And so that's what's reflected in our outlook as well. And the longer this conflict persists, the longer we will have the benefit because we have a structural advantage with our cost base largely being on the U.S. Gulf Coast and based on ethane from the U.S. Gulf Coast, and that hasn't changed materially during this period for us.

**Andres Cardona**

Thanks a lot Sameer. Very clear.

**Sameer Bharadwaj**

Okay.

**Operator**

The next question comes from Pablo Monsivais with Barclays. Please go ahead.

**Pablo Monsivais**

Hi team. Thanks for taking my question. I have another question also on the Polymer Solutions side. May I ask you about the tariffs that the Mexican government imposed on imported PVC. What is the potential benefit that you estimate of that at your EBITDA level? Thank you.

**Sameer Bharadwaj**

Very good, Pablo. Let me comment on that. So as you may have been aware, there has been a significant dumping of PVC in the Mexican markets, largely from U.S. producers. at fairly low prices, much lower than what they are selling in the domestic markets in the United States. And there had been antidumping -- an antidumping case had been filed. And the antidumping duties of \$630 per ton went into effect a few weeks ago.

Now of course, there is a beneficial impact on Orbia because roughly 20% of the PVC that we produce in Mexico and Colombia is sold in Mexico. However, we need to be competitive with global prices. And we price our PVC competitive with landed cost of PVC from other parts of the world. And we also value our long-term customer relationships and make sure we take our actions that provide for a sustainable long-term business in Mexico.

**Pablo Monsivais**

Okay. Thank you.

**Operator**

The next question comes from Leonardo Marcondes with Bank of America. Please go ahead.

**Leonardo Marcondes**

Hi, everyone. Thank you for taking my questions. I have two from my end here. The first one is also related to the current environment that we're seeing for petrochemical prices, right? I mean we know that one of the main components of the costs of your downstream businesses are polyethylene and PVC, right, I mean for Wavin, Netafim and Dura-Line. So in this regard, could you provide some color on how have you been able to pass through these higher costs to the customers?

My second question is also regarding -- is actually a follow-up regarding our capital allocation strategy, right? I mean we have seen many news regarding a potential divestment, right? So given the improvement in the scenario for PVC, right, which could improve a lot the performance of Vestolit, how do you assess the probability of divesting from some assets? Also, at what level of leverage would you consider to keep your entire portfolio as it is? Thank you very much.

**Sameer Bharadwaj**

Thank you, Leonardo, let me take your first question on the impact of increased polymer prices on our downstream businesses. So as you can imagine, with polymer prices going up by 50% to 60%, whether it's PVC or polyethylene, the downstream businesses have had to be very surgical and analytical about how to pass on the cost increases through. It's not just raw material cost. It's also logistics costs that have been impacted. The freight costs have been impacted.

And these are unprecedented times where no producer in the downstream business will absorb these costs because it's not known how long these higher costs will persist. And so we have had a very systematic effort and very surgical effort to pass on all cost increases and be -- at the same time, be fair to our customer base. And our expectation is we should be able to keep up with the raw material cost increases and maintain our margins during this period.

As far as your second question is concerned, the impact of potentially improved results on our divestment plans, I go back to our long-term strategy. Our strategy is to deliver operational results, de-lever our balance sheet, focus on our core businesses and optimize our portfolio, and that has not changed. And so our efforts to explore portfolio options for some of our larger non-core businesses continue without any change.

**Leonardo Marcondes**

That's very clear. Thank you.

**Jim Kelly**

Leonardo, this is Jim. So just to address your third question regarding our leverage target. So historically, we've maintained always having a position of wanting to maintain a strong balance sheet and low leverage. And back -- if you go back to the October 2024 plan for de-levering that we announced, we talked about getting back down below a level of 2.5x net debt to EBITDA. And getting to and below that level would continue to be the target that we would have in mind.

**Leonardo Marcondes**

Very clear. Thank you, again.

**Operator**

[Operator Instructions] The next question comes from Joao Barichello with UBS. Please go ahead.

**Joao Barichello**

Good morning, everyone. Thanks for taking my questions. I have two from my side. So first, as a follow-up on leverage. So what is the leverage level that would leave you comfortable in resuming dividends at some point? Is the 2.5x level? Additionally, so could you provide more color on your view on potential implications for the PVC spread cycle if the disruptions in Middle East persists for longer in that scenario, like could we see an increase in guidance at some point if you don't see an escalation in the very short term?

**Sameer Bharadwaj**

Yes. Joao, in terms of capital allocation, priorities. Our first priority is to reduce leverage. And until we get leverage down to a comfortable level, which is below 2.5x, ideally, a few tenths of a point below 2.5x, somewhere between 2.2x and 2.5x. I don't think dividends would be a priority. I think getting down to that lower leverage would take priority more. Jim, do you want to say more?

**Jim Kelly**

Yes. Just I'd like to add to that, that's really a Board and shareholder vote decision. That's not management's decision. But I would say that we are aligned in terms of the Board's view and management's view that getting to 2.5x and below is the immediate target and our entire focus.

**Sameer Bharadwaj**

Yes. And then in terms of the PVC cycle, I think it's important to understand global supply and demand. Demand has been at generally low levels, driven by slowdown in building and construction around the world. What we have now seen is a supply shock. And so -- and because of the supply shock, the supply curve slope has increased, and that's what has resulted in higher PVC prices.

There is adequate -- if you globally look at the amount of PVC that's available, PVC is available. The prices are going to be high because the supply curve is steep. And so it all depends on where oil settles down in a few months. If oil stays well above \$60 a barrel, then we are not likely to see the low prices of \$600 per ton, \$700 per ton again. But if oil stays in the \$70 per barrel to \$90 per barrel range, you would expect PVC to settle somewhere in the \$800 per ton, over the longer period, which is actually a good thing, okay?

Now keep in mind that the difference between the bottom of the cycle and the top of the cycle in terms of operating rates is not that much, okay? The bottom of the cycle is at about 76% operating rates, and the top of the cycle is around 82%, 83% operating rates. And so the biggest catalyst for the PVC cycle to actually improve would be the end of the wars in the world and a resumption in building and construction demand, which would very rapidly result in an up cycle for PVC, okay? And so -- which is -- at this point, it's hard to predict.

**Joao Barichello**

Very clear. Thanks.

**Conclusion**

**Operator**

This concludes our question-and-answer session. I would like to turn the conference back over to Sameer Bharadwaj for any closing remarks.

**Sameer Bharadwaj**

Thank you very much. I know a lot of the questions on this call have been related to the war as well as the impact on the Polymer Solutions business. What I'd like to highlight is the strong

performance in some of our other businesses. So the Fluor & Energy Materials business continues on a very strong trend. The entire value chain for fluorine remains tight, and the business is doing well across the board in each of the segments.

The Connectivity Solutions business also continues to do very well and driven by not only growth in the telecom sector, but also significant growth in the data center and power markets. And despite the challenges that we are encountering in building and construction activity, our Building & Infrastructure business continues to benefit from the restructuring, footprint optimization, cost reduction programs and winning new business with new customers and are generating significant amounts of cash for Orbia.

**Operator**

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