

Orbia Announces Second Quarter 2022 Financial Results

Mexico City, July 27, 2022 – Orbia Advance Corporation, S.A.B. de C.V. (BMV: ORBIA*) (“the Company” or “Orbia”) today released unaudited results for the second quarter of 2022.

Orbia had a robust second quarter and strong first half of the year, delivering double-digit revenue growth year-over-year across most business groups. Polymer Solutions delivered a strong quarter amidst rising input costs. Data Communications was bolstered by increased demand and higher pricing. Fluorinated Solutions delivered strong performance driven by recovery in global pricing.

Q2 2022 Financial Highlights

(All metrics are compared to Q2 2021 unless otherwise noted)

- Net revenues of \$2.7 billion, up 19%, with higher sales across all business groups with the exception of Building and Infrastructure
- EBITDA of \$609 million increased 9%, driven by higher sales and profitability in the Data Communications, Fluorinated Solutions and Precision Agriculture business groups
- Net majority income of \$266 million increased 38%, driven by higher revenues
- Operating cash flow of \$134 million, driven by strong EBITDA growth, partially offset by higher taxes paid and increased working capital.

“I would like to thank our team for their unwavering, purpose-driven commitment to delivering value to our customers and shareholders and addressing critical world challenges against the backdrop of a turbulent environment,” said Sameer Bharadwaj, CEO of Orbia. “The result is another strong quarter that demonstrates our resilience in changing market conditions as we head into the second half of the year.”

Added Bharadwaj, “This quarter, we continued to execute on our strategy and sustainability initiatives, described in detail at our Investor Day in May. We benefited from integration, and strong results in Data Communications and Fluorinated Solutions, which more than offset lower results in Building and Infrastructure. We maintained our healthy balance sheet, which gives us flexibility to take advantage of both short-term and long-term growth opportunities.”

Q2 2022 Consolidated Financial Information¹
(All metrics are compared to Q2 2021 unless otherwise noted)

mm US\$	Second Quarter		
	2022	2021	%Var.
Financial Highlights			
Net sales	2,662	2,243	19%
SG&A	306	296	3%
Operating income	467	410	14%
EBITDA	609	560	9%
EBITDA margin	22.9%	25.0%	-206 bps
Financial cost	71	72	0%
EBT	396	339	17%
Income tax	100	116	-14%
Consolidated net income (loss)	296	222	33%
Net majority income	266	193	38%
Operating cash flow	134	353	-62%
CapEx	(109)	(63)	73%
Free cash flow	(11)	265	N/A
Net debt	3,138	2,733	15%

Net revenues of \$2,662 million increased 19%.

Revenues for the quarter grew in all business groups except for Building and Infrastructure where they were flat compared to a very strong 2021 second quarter. Primary drivers for the year-over-year increase included favorable prices across all business groups and increased North American demand in Data Communications.

¹Unless noted otherwise, all figures in this release are derived from the Consolidated Financial Statements of the Company as of June 30, 2022, and are prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting" of the International Financial Reporting Standards (IFRS), which have 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.](#)

Cost of goods sold of \$1,889 million increased 23%.

This increase was primarily due to higher raw material costs and higher volumes, and to a lesser extent, increased freight and labor costs across all business groups.

SG&A of \$306 million increased 3%. As a percentage of sales, SG&A decreased approximately 170 basis points to 11.5%.

The decrease in SG&A as a percentage of sales was primarily due to a continued focus on expense management across all our business groups.

EBITDA of \$609 million increased 9%, while EBITDA margin decreased approximately 206 basis points to 22.9%.

The increase in EBITDA for the quarter was driven by higher revenues as noted above, partially offset by higher input costs, particularly in Polymer Solutions and Building and Infrastructure, which also drove the decrease in EBITDA margin.

Financial costs remained approximately flat at \$71 million.

An increase in FX losses, particularly associated with the Euro, as well as the revaluation of put options associated with several of our majority-owned investments, offset the absence of bond issuance costs and a make-whole provision included in prior year results.

Taxes of \$100 million decreased 14%. The effective tax rate for the quarter was 25.2%, which is a decrease of approximately 925 basis points compared to the same period last year.

The decrease in the tax provision and rate in the quarter were driven primarily by the release of valuation allowances, partially offset by the tax effect of an adjustment for inflation in Mexico.

Net income to majority shareholders of \$266 million increased 38%, mainly driven by the increase in profits noted above.

Operating cash flow was \$134 million while **free cash flow** was a cash use of \$11 million. During the quarter, strong EBITDA was offset by the timing of taxes paid, a net increase in working capital and higher capital expenditures.

Net debt of \$3,138 million was comprised of total debt of \$4,037 million, less cash and cash equivalents of \$898 million. The Company's net debt-to-EBITDA ratio increased from 1.29x to 1.39x quarter-over-quarter.

Q2 2022 Revenues by Region

(All metrics are compared to Q2 2021 unless otherwise noted)

Region	Second Quarter			
	2022	2021	% Var. Prev Year	% Revenue
Europe	858	827	4%	32%
North America	960	725	32%	36%
South America	544	464	17%	20%
Asia	244	171	43%	9%
Africa and others	56	56	0%	2%
Total	2,662	2,243	19%	100%

Q2 2022 Financial Performance by Business Group

(All metrics are compared to Q2 2021 unless otherwise noted)

Polymer Solutions (Vestolit and Alphagary), 38% of Revenues

Orbia's Polymer Solutions business group and businesses Vestolit and Alphagary focus on polyvinylchloride (PVC) general resins, PVC specialty resins and PVC and zero-halogen specialty compounds with a wide variety of applications in everyday products for everyday life, from pipes and cables to household appliances to medical devices. The business group supplies Orbia's downstream businesses and a global customer base.

mm US\$	Second Quarter		
	2022	2021	%Var.
Polymer Solutions			
Total sales*	1,059	822	29%
Operating income	215	223	-4%
EBITDA	279	287	-3%

*Intercompany sales were \$71 million and \$86 million in 2Q22 and 2Q21, respectively.

Revenues of \$1,059 million increased 29% year-over-year. EBITDA of \$279 million decreased 3% and EBITDA margin decreased approximately 850 basis points to 26.4%.

Strong revenue growth was driven primarily by higher volumes and prices in specialty resins and derivatives. The increase in volume reflects the impact of adverse weather conditions in the United States' Gulf Coast region during the prior year period, which negatively affected volumes.

EBITDA decreased year-over-year driven by higher feedstock and energy costs, particularly in Europe, partly offset by higher revenues. The margin percentage was lower despite higher volume and better prices, mainly due to the higher feedstock and energy costs.

Building and Infrastructure (Wavin), 30% of Revenues

Orbia's Building and Infrastructure business group and business Wavin is redefining today's pipes and fittings industry by creating solutions that last longer and perform better, all with less installation labor required. The business group benefits from supply chain integration with the Polymer Solutions business group, a customer base spanning three continents, and investments in sustainable, resilient technologies for water and indoor climate management.

mm US\$	Second Quarter		
	2022	2021	%Var.
Building & Infrastructure			
Total sales	787	788	0%
Operating income	68	104	-34%
EBITDA	99	140	-29%

Revenues of \$787 million remained flat year-over-year compared to a very strong quarter in 2021. EBITDA of \$99 million decreased 29% and EBITDA margin decreased approximately 525 basis points to 12.6%. As the quarter progressed, volumes began to decline, particularly in Europe.

EBITDA performance declined year-over-year, reflecting the continued input cost increases. Last year profitability was particularly strong as the industry faced raw material supply shortages, which have now subsided.

Precision Agriculture (Netafim), 12% of Revenues

Orbia's Precision Agriculture business group and business Netafim's leading-edge irrigation systems, services and digital farming technologies enable stakeholders to achieve significantly higher and better-quality yields while using less water, fertilizer and other inputs. By helping farmers worldwide grow more with less, the business group is contributing to feeding the planet efficiently and sustainably.

mm US\$	Second Quarter		
	2022	2021	%Var.
Precision Agriculture			
Total sales	320	313	2%
Operating income	34	26	30%
EBITDA	59	50	16%

Revenues of \$320 million increased 2% year-over-year. EBITDA of \$59 million increased 16% and EBITDA margin increased approximately 225 basis points to 18.3%.

Precision Agriculture experienced growing demand, particularly in the Americas and Turkey, with some improvement in India, partly offset by slowing demand in Europe.

Increased EBITDA was due to higher sales and favorable gross margins, as the business was able to partially pass-through higher input costs.

Data Communications (Dura-Line), 13% of Revenues

Orbia's Data Communications business group and business Dura-Line produces more than 500 million meters of essential and innovative infrastructure per year to bring a world's worth of information everywhere. The business group produces telecommunications conduit, cable-in-conduit and other HDPE products and solutions that create physical pathways for fiber and other network technologies connecting cities, homes and people.

mm US\$	Second Quarter		
	2022	2021	%Var.
Data Communications			
Total sales	360	239	50%
Operating income	89	23	281%
EBITDA	98	31	216%

Revenues of \$360 million increased 50% year-over-year. EBITDA of \$98 million increased 216% and EBITDA margin increased approximately 1,425 basis points to 27.2%.

Revenues were up year-over-year driven by continued robust growth, primarily in North America, combined with more favorable pricing.

EBITDA also significantly increased year-over-year, setting an all-time quarterly record driven by higher revenues.

Fluorinated Solutions (Koura), 8% of Revenues

Orbia's Fluorinated Solutions business group and business Koura provides fluorine and downstream products that support modern, efficient living. The business group owns and operates the world's largest fluorspar mine and produces intermediates, refrigerants and propellants used in automotive, infrastructure, semiconductor, health, medicine, climate control, food cold chain, energy storage, computing and telecommunications applications.

mm US\$	Second Quarter		
	2022	2021	%Var.
Fluorinated Solutions			
Total sales	224	202	11%
Operating income	73	53	37%
EBITDA	86	70	24%

Revenues of \$224 million increased 11% year-over-year. EBITDA of \$86 million increased 24% and EBITDA margin increased approximately 415 basis points to 38.4%.

Growth in revenues reflected better pricing, as well as higher demand in intermediates, such as hydrofluoric acid and aluminum fluoride, and downstream chemicals, including refrigerants and propellants.

The increase in EBITDA was driven by revenue growth, favorable product mix and improved pricing more than offsetting higher input costs.

Balance Sheet, Liquidity and Capital Allocation

Orbia maintained a strong balance sheet. The net debt-to-EBITDA ratio increased from 1.29x to 1.39x during the quarter.

During the quarter Orbia added approximately \$200 million of short-term loans, which is reflected as new debt in the Company's cash flow statement.

Working capital increased by \$93 million during the quarter, primarily reflecting higher selling prices and higher input costs. Capital expenditures of \$109 million during the quarter increased 73% year-over-year, supporting the Company's growth initiatives.

Orbia completed \$98 million in share buybacks and paid an aggregate of \$149 million as the first and second installments of the ordinary and extraordinary dividend approved at the Annual Shareholders Meeting held on April 1, 2022.

2022 Outlook

Considering the strong results year-to-date and the various challenging macroeconomic factors going into the second half of the year, Orbia reaffirms its EBITDA guidance for 2022 in the range of \$1,750 million to \$1,900 million. Also, the Company reaffirms its capital expenditure guidance in the range of \$350 million to \$450 million for 2022, which includes incremental, high-return, growth-related projects but excludes potential larger growth investments.

Conference Call Details

Orbia will host a conference call to discuss Q2 2022 results on July 28, 2022, at 10:00 am Central Time (CT; Mexico City)/11:00 am Eastern Time (ET; New York). 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 www.orbia.com/this-is-orbia/newsroom.

Consolidated Income Statement

USD in millions	Second Quarter			January - June		
	2022	2021	%	2022	2021	%
Income Statement						
Net sales	2,662	2,243	19%	5,257	4,157	26%
Cost of sales	1,889	1,536	23%	3,721	2,868	30%
Gross profit	772	706	9%	1,536	1,288	19%
SG&A	306	296	3%	602	573	5%
Operating income (loss)	467	410	14%	933	715	30%
Financial costs	71	72	0%	114	140	-18%
Equity in income of associated entity	1	0	N/A	3	(0)	N/A
Income (loss) from continuing operations before income tax	396	339	17%	823	576	43%
Income tax	100	116	-14%	243	180	35%
Income (loss) from continuing operations	297	222	33%	580	396	47%
Discontinued operations	(0)	(0)	N/A	(1)	(0)	N/A
Consolidated net income (loss)	296	222	33%	579	395	46%
Minority stockholders	30	29	3%	63	61	3%
Majority Net income (loss)	266	193	38%	516	334	54%
EBITDA	609	560	9%	1,220	1,011	21%

Orbia is a company
driven by a shared purpose:
to advance life around the world.

V vestolit

alphagary

wavin

NETAFIM

dura-line

koura

orbia
Advancing life together



Consolidated Balance Sheet

Balance sheet	USD in millions		
	Jun 2022	Dec 2021	Jun 2021
Total assets	11,315	10,587	10,900
Current assets	4,412	3,724	3,982
Cash and temporary investments	898	782	1,059
Receivables	1,780	1,370	1,537
Inventories	1,447	1,292	1,110
Others current assets	286	282	276
Non current assets	6,903	6,862	6,918
Property, plant and equipment, Net	3,037	3,051	3,097
Right of use Fixed Assets, Net	352	346	308
Intangible assets and Goodwill	3,143	3,130	3,194
Long-term assets	371	335	319
Total liabilities	8,051	7,182	7,660
Current liabilities	3,198	2,643	2,686
Current portion of long-term debt	614	240	96
Suppliers	1,612	1,505	1,546
Short-term leasings	85	86	80
Other current liabilities	888	812	965
Non current liabilities	4,853	4,539	4,974
Long-term debt	3,423	3,280	3,696
Long-term employee benefits	196	221	274
Long-term deferred tax liabilities	342	318	318
Long-term leasings	279	281	246
Other long-term liabilities	614	440	441
Consolidated shareholders' equity	3,263	3,404	3,240
Minority shareholders' equity	700	668	698
Majority shareholders' equity	2,563	2,737	2,542
Total liabilities & shareholders' equity	11,315	10,587	10,900

Cash Flow Statement

mm US\$	Second Quarter			January - June		
	2022	2021	%Var.	2022	2021	% Var.
EBITDA	609	560	9%	1,220	1,011	21%
Taxes paid, net	(261)	(43)	514%	(330)	(120)	176%
Net interest / Bank commissions	(33)	(55)	-39%	(89)	(135)	-34%
Change in trade working capital	(93)	(130)	-29%	(402)	(386)	4%
Others (Other assets - provisions, Net)	(35)	6	N/A	(44)	(9)	384%
CTA and FX	(54)	14	N/A	(27)	(12)	125%
Operating cash flow	134	353	-62%	327	348	-6%
CapEx	(109)	(63)	73%	(210)	(116)	81%
Leasing payments	(36)	(24)	47%	(60)	(52)	15%
Free cash flow	(11)	265	N/A	57	180	-68%
FCF conversion (%)	-1.9%	47.4%		4.7%	17.8%	
Dividends to Shareholders	(149)	(50)	197%	(149)	(50)	197%
Buy-back shares program	(98)	(31)	214%	(126)	(32)	295%
New debt (paid)	227	198	14%	512	158	224%
Minority interest payments	(26)	(27)	-2%	(57)	(58)	0%
Mergers & Acquisitions	-	(37)	-100%	(108)	(37)	194%
Financial instruments and others	(13)	27	N/A	(12)	22	N/A
Net change in cash	(72)	346	N/A	117	183	-36%
Initial cash balance	970	713	36%	782	875	-11%
Cash balance	898	1,059	-15%	898	1,059	-15%

Notes and Definitions

The results contained in this release have been prepared in accordance with International Financial Reporting Standards (“NIIF” or “IFRS”) with U.S. Dollars as the reporting currency. Figures are presented in millions, unless specified otherwise.

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

About Orbia

Orbia is a company driven by a shared purpose: to advance life around the world. Orbia operates in the Polymer Solutions (Vestolit and Alphagary), Building and Infrastructure (Wavin), Precision Agriculture (Netafim), Data Communications (Dura-Line) and Fluorinated Solutions (Koura) sectors. 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. Orbia has commercial activities in more than 110 countries and operations in over 50, with global headquarters in Boston, Mexico City, Amsterdam and Tel Aviv. To learn more, visit: orbia.com.

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 forward-looking statements included in this press release are subject to a number of material risks and uncertainties, and our results may be materially different from current expectations due to factors, which include, but are not limited to, global and local changes in politics, economic factors, business, competition, market and regulatory factors, cyclical trends in relevant sectors as well as other factors affecting our operations, markets, products, services and prices that are highlighted under the title “Risk Factors” in the annual report submitted by Orbia to the Mexican National Banking and Securities Commission (CNBV) and available on our website at <https://www.orbia.com/investor-relations/financial-reports/annual-reports-and-filings/>. 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 consultation at 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, via internet at <http://www.ethics.orbia.com> or via email at ethics@orbia.com. Orbia’s Audit Committee has oversight responsibility for ensuring that all such complaints are appropriately investigated and resolved.