Orbia

Second Quarter 2026 Earnings Conference Call

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CORPORATE PARTICIPANTS

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Diego Echave – *VP of Investor Relations*

PRESENTATION

Operator
Good morning, and welcome to Orbia's Second Quarter 2026 Earnings Conference Call. [Operator Instructions] Please note 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 Second Quarter 2026 Earnings Call. We appreciate your time and participation. Joining me today are Sameer Bharadwaj, CEO; and Cristian Capellino, CFO. 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, everyone. Before we begin discussing this quarter's results, I would like to thank our global employees for their continued commitment to improving business performance and staying customer-focused in these evolving market conditions.

Turning to Slide 3. I would like to share a high-level overview of our second quarter 2026 results. For the quarter, revenues of approximately $2.4 billion increased 20% and EBITDA of $467 million increased 56% compared to the prior year's quarter. Orbia's second quarter results reflect the continued benefits of the company's multi-year focus on strategic commercial execution, cost optimization, capital allocation discipline, and cash generation.

Our agility in responding to shifting market dynamics arising from recent geopolitical events, capturing higher prices in Polymer Solutions, and increasing margins supported by our largely advantaged cost position while swiftly offsetting higher input costs across our downstream businesses underscores the strength of our operating platform.

The strong contributions from Fluor & Energy Materials and Connectivity Solutions reflect robust fundamentals in the fluorine chain as well as growing demand in Connectivity Solutions for telecom, AI data center, and power grid infrastructure. Taken together, these results demonstrate that Orbia is well positioned to capitalize on improving market conditions, drive profitability, strengthen the balance sheet and de-lever.

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

Cristian Capellino
Thank you, Sameer, and good morning, everyone. I will start by discussing our overall second quarter results. Turning to Slide 4. On a consolidated basis, net revenues of $2.4 billion increased 20% year-over-year with growth coming from all business groups. I will provide a more comprehensive description of these items in the business section of my comments.

EBITDA of $467 million for the quarter increased 56% year-over-year, driven primarily by higher resin prices in Polymer Solutions, proactive commercial actions and favorable product mix in

Building & Infrastructure, recovery, and strength in key markets in Precision Agriculture, commercial strength in Fluor & Energy Materials and strong demand in Connectivity Solutions.

Operating cash flow of $62 million in the quarter increased by $15 million compared to prior year period, mainly due to higher EBITDA, partially offset by higher cash outflow from the seasonal buildup in working capital, which was amplified by higher selling prices and raw material costs resulting from the Middle East dynamics.

Free cash flow of negative $73 million, improved by $9 million year-over-year. Improvement in free cash flow was driven by higher operating cash flow. Working capital increase of $185 million in the second quarter of 2026 compares to an increase of $111 million in the same quarter of 2025, reflecting higher business activity and the impact of higher selling prices and input costs associated with Middle East market dynamics.

This working capital build is consistent with historical seasonal trends and typically reverses during the second half of the year. Capital expenditures of $100 million in the quarter increased by $3 million over the prior year quarter and included ongoing maintenance spending and investments to support the Company's targeted growth initiatives.

Net debt-to-EBITDA decreased from 3.64x to 3.28x compared to the previous quarter. Improvement was driven by an increase of approximately $168 million in the last 12 months EBITDA, partially offset by an increase in net debt of $157 million to fund the seasonal buildup of working capital. Adjusting for nonrecurring items that are not reflective of ongoing business performance, net debt-to-adjusted EBITDA decreased from 3.55x to 3.24x during the quarter.

Turning to Slide 5. I will go through our performance by business group.

In Polymer Solutions, second quarter revenues were $773 million, an increase of 25% year-over-year. The increase was primarily driven by higher resin prices due to market dynamics in the Middle East, favorable pricing conditions in certain strategic markets and higher derivatives volumes compared to the prior year, which had been affected by operational disruptions. Second quarter EBITDA was $144 million, an increase of 82% year-over-year with an EBITDA margin of 18.6%. Improvement was driven primarily by elevated resin prices and the resulting margin expansion, supported by Orbia's significant production exposure to relatively low-cost U.S. Gulf Coast ethane feedstock and natural gas. These gains were partially offset by higher input and energy costs in Europe and adverse currency fluctuations.

Building & Infrastructure, second quarter revenues were $725 million, an increase of 15% year-over-year. Growth was driven by proactive commercial actions implemented early in the period to offset higher input costs stemming from the Middle East dynamics. Higher volumes in Latin America and favorable currency fluctuations. This was partially offset by the absence of revenue from non-core assets divested during 2025. Second quarter EBITDA was $113 million, an increase of 79% year-over-year with an EBITDA margin of 15.7%, driven by margin expansion from proactive commercial actions and a favorable mix supported by growing adoption of recently launched value-added solutions. EBITDA also benefited from a timing lag between price increases and rising input costs as the business drew on raw materials procured ahead of the Middle East events, together with the continued impact of cost reduction initiatives.

In Fluor & Energy Materials, second quarter revenues were $329 million, an increase of 33% year-over-year. Growth was driven by commercial strength across all major product categories, particularly refrigerants, as well as favorable product life cycle dynamics in part of our medical propellant product portfolio. This was partially offset by lower volumes in Minerals and Chemical Intermediates. Second quarter EBITDA was $114 million, an increase of 58% year-over-year with EBITDA margin expanding 554 basis points to 34.7%. Improvement was driven by strong commercial performance across the portfolio, a continued favorable product mix and partially offset by higher sulphur and logistics costs, and adverse currency fluctuations.

Moving to Precision Agriculture, second quarter revenues were $325 million, an increase of 13% year-over-year, mainly driven by growth in the U.S., Turkey, Peru, and Australia as well as higher project revenues in Middle East and Africa and proactive pricing actions implemented to offset raw material cost increases stemming from the Middle East market dynamics, partially offset by lower volumes in India. Second quarter EBITDA of $47 million increased 19% year-over-year and EBITDA margin expanded 72 basis points to 14.5%. Improvement was driven by the growth previously discussed and strong pricing discipline, partially offset by adverse currency fluctuations.

Finally, in Connectivity Solutions, second quarter revenues were $319 million, an increase of 30% year-over-year. Growth was driven by strong demand across U.S. telecommunications, data center build-out and U.S. electric power grid modernization. Disciplined pricing actions were implemented to offset higher raw material costs stemming from the Middle East market dynamics. Second quarter EBITDA increased 33% to $54 million, and EBITDA margin expanded 39 basis points to 16.9%. Improvement was driven by higher volumes, a favorable product mix shift towards value-added solutions serving the data center market and the impact of cost reduction initiatives.

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

Sameer Bharadwaj
Thank you, Cape. Turning to Slide 6. I will now provide an update to our outlook for the current year. Based on strong second quarter results and fluid market dynamics for the second half of the year, Orbia now expects full year 2026 EBITDA of at least $1.2 billion.

The Company recognizes that the favorable effects observed in the second quarter may not be sustained at the same level during the second half of 2026 and remains watchful regarding demand trends in the latter part of the year and will manage operations accordingly. The Company expects 2026 capital expenditures of approximately $400 million with a focus on maintenance and asset integrity and selective strategic growth projects, primarily in the Fluor & Energy Materials business group.

Now let's look ahead to the coming quarter and the remainder of the year across each of our business segments.

Beginning with Polymer Solutions, Resin prices have trended downward during the start of the second half as global supply and demand dynamics have evolved. Nevertheless, experts anticipate that prices will stabilize above the levels observed in the second half of last year. The business will continue to prioritize strict cost control, operational safety, and asset integrity as well as cash generation and profitability growth.

In Building & Infrastructure, the business remains vigilant about the potential impact of higher prices on demand, particularly in Europe. The business will continue to focus on profitability, underpinned by new product introductions, rationalization of its manufacturing footprint and cost optimization initiatives.

In Fluor & Energy Materials, positive fluorine pricing trends are expected to persist through the second half of the year, partly offset by seasonal volume adjustments. Business will proactively implement strategic pricing actions to offset higher raw material and logistics costs while ensuring safe and stable mining and chemical operations and maximizing the value of fluorine across its portfolio. Growth investments will target mining infrastructure, next-generation medical propellants, and battery materials.

In Precision Agriculture, positive momentum is expected to continue across key markets, led by Brazil and Peru and sustained improvement in the U.S. This is complemented by solid project backlog in the Middle East and Africa. Growth will be further supported by the ramp-up of recently launched products, including the new direct pressure regulator with integrated valve, the new Orchard cooling solution and GrowSphere FLEX Beta, among others. That said, the business will continue to monitor potential impact on demand as a result of higher input costs for farmers.

And finally, in Connectivity Solutions, the business expects continued strong demand across its main markets. Supported by the renewal and expansion of broadband networks, the accelerating buildout of AI and data center infrastructure and the modernization of the power grid. Profitability is expected to improve, driven by high plant utilization and a greater contribution from higher value-added products within the portfolio.

We continue to prioritize our rigorous implementation of the strategic actions we undertook to de-lever the Company, including cost optimization, earnings contributions from recently completed capital projects and cash generation from the divestiture of nonstrategic assets.

We are actively tracking the effects of geopolitical developments in the Middle East on prices, raw material costs and end market demand taking pre-emptive measures to protect our margin profile while capitalizing on our differentiated competitive positioning and operational capabilities.

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

QUESTION-AND-ANSWER

Operator
We will now begin the question-and-answer session. [Operator Instructions] The first question today comes from Ben Isaacson with Scotiabank. Please go ahead.

Ben Isaacson
Thank you very much and good morning, everybody. Sameer, I'd like to ask a couple of questions one by one, if I may. The first question is you talked about pre-emptive measures. Can you talk -- can you explain what those pre-emptive measures are? But as part of that, and I think actually my main first question is, you've talked a lot about how the conflict in the Middle East is giving you a short-term benefit.

And as this conflict looks like the duration is lengthening, I assume that the short-term benefit will also lengthen as well in duration. But in the midterm, isn't this building and deferring inflationary pressure on some of your downstream businesses? In other words, is there going to be a bit of payback in 2027 for what the businesses are enjoying right now in the short-term?

Sameer Bharadwaj

Ben, so let me take your question in terms of pre-emptive measures. I mean what we mean by that is our ability to respond to these situations. This is not something that happens overnight. So over the last several years, we've been building the capability to respond to various crises, right, from COVID to the Ukraine war, to the Gaza war to now the Iran war, the tariff war.

And the processes and systems we put in place with respect to pricing, with respect to working capital management, inventory control, cash generation and just plain operating discipline is actually what enabled us to respond with agility to these dynamic market conditions. And as you can see, because the supply curve for PVC became very steep because of the increase in prices of oil and naphtha, and we had a cost structure off of the U.S. Gulf Coast, largely off of the U.S. Gulf Coast. So we benefited significantly during that period in that business.

Now for the downstream business, it was a significant increase in input costs, and we had to act once again, with agility to pass those cost increases through and faster in some businesses than others because we have some contractual obligations. But we've been largely able to recover input cost increases. Now you are absolutely right that this will create inflationary pressures and potentially, if it continued for a very long time, impact demand over the long-term. But we are watching that very closely, right, and which is also the reason for our cautionary guidance.

And as of now, we haven't seen significant impact. We see some short-term moderation of demand as customers may hold off purchases in anticipation of decreased raw material costs. But once again, now with the conflict escalating in the last 10 days, we are seeing oil prices go back up again. So it's really hard to predict. What I can say is all of our preparation has enabled us to respond to these situations quite effectively.

Ben Isaacson
Thank you for that. My second of three questions is on the connectivity business. Can you talk about the AI data center infrastructure? How important is that to connectivity? Is there a margin difference from everything else? Is it a few chunky projects that you're trying to tender for? Is this improving the overall segment's operating rate, and we're seeing unit costs come down? Thanks.

Sameer Bharadwaj
It's a very good question, Ben, and probably it deserves a proper response. Historically, Connectivity Solutions business, our primary markets were in the traditional telecom market where much of our business was focused on fiber to the premises. So that's our bread-and-butter business. And what we are now seeing is a significant growth in the long-haul part of the telco segment, which is a lot of the fiber in the ground is old and 20 – 25 years old, needs to be replaced. And so we are seeing significant growth in that segment as the networks replace the fiber in the ground.

Now your question about AI data centers. There are two sub-segments within AI data centers where we participate. One is on-campus, and this is where we provide pathway solutions for both fiber and power. And we are working with all the major hyperscalers and their engineering contractors and designing engineered solutions for their long-term use. And the amount of material that is used is quite significant, and it's growing at double-digit growth rates.

The second sub-segment for AI data centers is what we call interconnect, which is connecting different cities for the hyperscalers with dedicated lines, and which is -- which has some parallels with the long-haul telco market. So these are both growing quite nicely. And just a year ago, they were a small part of the business. And quite rapidly, the data center market is growing to 15%, 20% of our revenues. We always had a small portion of our business in the power segment, roughly 20%. And that is seeing very good growth now. With the modernization of the power grid, it's expected to grow at high single-digit rates over the next decade.

So hopefully, that answers your question on the various segments. And as far as utilization is concerned, we are operating at very high rates. And so obviously, when you operate at high rates, you get benefits of unit costs are optimized, and that's reflected in the business performance.

Ben Isaacson
Perfect. Thank you for that. And then just a quick one. On the Netafim business, I'm very aware that there is a crop input cost pressure rising and compressing farmer budgets and margins. But my question is, are you seeing any demand deferral as a result of “El Niño”? Are you starting to see farmers that are nervous and maybe kind of deferring the spend that they would have otherwise done on Netafim and kind of more wanting to wait it out and see what happens over the next six months? Thank you.

Sameer Bharadwaj
So no, with respect to “El Niño”, I would say no. One would have thought that the war, Iran war, and its impact on fertilizer production could have had some impact on near-term demand, but we haven't seen that either. And so in fact, if you look at year-over-year performance, year-to-date, the business performance is running at a run rate of $8 million to $10 million higher EBITDA per year. And we see that momentum continue with recovery in our traditional heavy wall market in the United States, recovery in Turkey, exceptionally strong performance in Brazil and growth in Brazil, driven by citrus, coffee, cocoa. And then the strength of projects in Africa and a very strong performance in Peru and Australia. So we haven't quite seen any slowdown in the near term in that business. And then “El Niño”, I would say, is a longer-term thing, but we haven't felt that yet.

Ben Isaacson
That's very helpful. Thank you very much. I appreciate it.

Operator
The next question comes from Tasso Vasconcellos with UBS. Please go ahead.

Tasso Vasconcellos
Hi, Sameer. Hi, everyone. Thanks for taking my questions here. Sameer, I think it's very clear the better momentum when we look at the spreads as a whole. But on the other side, there remains some several uncertainties on the markets, oil prices increasing, its volatility and potential implications on inflation, global interest rates and so on. How is the company thinking about all of these moving parts right now? And how to position, how to better prepare what's ahead? If I may put the same question in other words, what would you say to be the main capital allocation priorities at this moment? And when or what are the key metrics to watch for that would make you more confident in improving new projects, increasing investments or on the other side, to resume paying dividends?

And then if I may ask here a second question, I'd like to take advantage of the global footprint from Orbia operating in several regions, several countries and get your insights on what's the main challenge that you're seeing given the Middle East conflict that we're seeing right now, which regions are being impacted the most either because of a shift or some constraints on the product outflow? And the other part of this question, which regions would you see the biggest opportunities for Orbia following, let's say, some normalization on everything we are experiencing right now? Those are my two questions? Thank you.

Sameer Bharadwaj
Tasso, thanks for your questions. Let me respond with how we are dealing with the dynamic situation. We cannot predict what's going to happen in the world with respect to conflicts or oil prices or interest rates and demand. What we can do is focus on what's within our control. And we were already operating in a weak market environment for building and construction in most markets. And if you have higher interest rates for longer, you would expect that environment to continue in that fashion. However, having said that, if you actually go business by business, the dynamics are quite different. So in Polymer Solutions, we are indeed beneficiaries of improving spreads because of the geopolitical situation. And -- but we do believe that this is going to take a while to unwind.

And even though PVC prices have come back down in a very significant way, largely due to Chinese exports and some reduction in oil prices, it's still going to be volatile. And we do believe that it will eventually settle at better levels than the second half of last year. And we are focused on running our assets with efficiency at full utilization and maximizing our spreads with the markets, our advantaged markets in which we place our material. In Building & Infrastructure, we have been living with weak market conditions for a while. But there, for the last 3 years, we have been focused on optimizing our costs, restructuring our footprint, reducing our working capital, building operating leverage and introducing new products. And all of these are contributing to results. And regardless of the market conditions, we should continue to see sequential improvement.

We have also been very conservative with respect to our financial policy and capital allocation, and the teams are highly focused on cash generation. Continuing on to the other businesses, Connectivity Solutions, as we just talked about, the market dynamics there are very different. It is all driven by growth in telco, AI data centres, and the grid modernization. Fluor & Energy Materials, the fundamentals remain exceptionally strong. With growth in batteries, semiconductors, refrigerants, and medical propellants. And so that business is doing well. And then finally, even within Polymer Solutions, our compounds business, which has exposure to the AI data center market and the medical segment is doing quite well. And so it is hard to paint a broad brush and say that with higher interest rates, demand will get real suppressed across all of the portfolio.

But each of the businesses have their unique dynamics, and we have strong levers of resilience in each of the businesses that will help us navigate the next couple of years. In terms of -- you talked about dividends. And our capital allocations policy right now is our number one objective is to generate free cash flow year-over-year and use that to lower our debt and strengthen our balance sheet, okay? And until we get to a point where we feel comfortable with our leverage, of course, it is not my decision. It is the Board's decision to decide when and how we pay out dividends. But I think our objective will be to de-lever before we resume paying dividends.

In terms of our global footprint and what has been impacted, and so by and large, all of our operations are running fine and have not been impacted by the conflict. In fact, every -- all of our operations in Israel are operating very smoothly. We have had some disruptions in terms of cost of inputs, for example, sulphur costs in our fluorine chain where the sulphur costs went up to $700 per tonne. And this is because a lot of the sulphur comes from refineries that were in the Middle East. And we are also passing that cost increase down the value chain. And given the strength in that value chain, we are able to recover the cost increases. But other than that, we do not have any material disruptions in any of our operations.

Tasso Vasconcellos
It is all very clear. Thank you Sameer.

Sameer Bharadwaj
Thank you Tasso.

Operator
The next question comes from Mario Simplicio with Morgan Stanley. Please go ahead.

Mario Simplicio
Hi Sameer. Hi Orbia team. Thanks for taking my questions. Congrats on the results. I have one on the Fluor division. I wanted to understand better and if you could give us more color on what are the drivers for the strong performance in the divisions. Maybe share more about the dynamics between price and volumes across categories. And also provide more details on how are the dynamics on the rock, if you are losing market share, gaining market share. And if we should consider this strong result as something recurring and sustainable for the next quarter? Or what should we expect ahead? Thank you.

Sameer Bharadwaj
Thank you. So let me talk about the Fluor business in a more broader context. if you look at the fluorine chain, it is good to -- for everybody to understand our position in the fluorine chain. Orbia produces somewhere between 15% and 20% of the world's fluorine based on its strategic access to its mine in Mexico and which is the world's largest reserve of fluorspar and the highest concentration reserve of fluorspar.

About 60% - 65% of the world's fluorine comes from China, and that has been on the decline. And with growth within China, most of the fluorine within China stays in China or is exported as more value-added products. In that context, as demand for each of the fluorine segments grows, the current conventional segments include use of fluorine for steel manufacturing, cement manufacturing, aluminum manufacturing, refrigerant gases, medical propellants, pharmaceuticals, agrochemicals, and then the new sectors include batteries and semiconductors.

As you see these sectors grow over the next decade, fluorine supply will continue to become tight. And as it becomes tight, our ability to price products and get fairly paid for the value we create will increase over time, right?

Now in terms of near-term dynamics, we look at the segments as Minerals and Chemical Intermediates and minerals includes metallurgical fluorspar for steel and cement. It includes acidspar, which is used to make hydrofluoric acid and aluminum fluoride. And it also includes aluminum fluoride and hydrofluoric acid, which we sell to customers who use it to make products downstream in the value chain. We have had – we have seen some shifts in terms of where the product goes. So typically, what we do is we maximize the value of the fluorine atom by placing it in segments, where we get the most value, okay? And there have been some shifts with the impact of the Middle East on aluminum producers in the Middle East. We are selling less acidspar and more aluminum fluoride. So the product mix may change, but we are focused on maximizing value.

As far as refrigerant gases and medical propellants go, our pricing power remains robust. And the -- we are one of the largest owners of F-Gas quota in the world. And our objective in placing that quota is to maximize value. And we continue to do that while we work on introducing the next-generation medical propellant and next-generation refrigerants.

We have had some negative impact from illegal imports in Europe, and we continue to work with the European authorities and seeking their cooperation in mitigating the impacts of these illegal imports. And then, of course, we are working towards building the first plant for battery materials for $LiPF_6$, which is expected to come online in 2029 and will be a material contributor to earnings at that time. Now in terms of -- there is one product that contributed disproportionately to our earnings this year. And this is a medical propellant 227ea, which is at end of life. And when you -- when a product is at end of life, we run special campaigns for our customers.

And this has been a very significant contribution to our earnings this year, which will not repeat itself next year, but will be substituted partially with the next-generation medical propellants. Hopefully, that addresses your questions, Mario.

Mario Simplicio
That was very clear. Thank you very much.

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

Leonardo Marcondes
Hi. Hello everyone. Thank you for taking my questions. So my first question is regarding the war in the PVC market. So how does the war have been affecting the PVC market from the capacity perspective? I mean, have you seen any permanent shutdown more recently or any postponement of new capacity or maybe some companies giving up on building new capacity? And my second question is regarding the Building & Infrastructure business, which was one of the highlights of the quarter in your view, right? So I was wondering if you could break down what was the timing lag effect. And what was actually the proactive commercial actions and more favorable mix impact just to understand the sustainability of those strong margins? Thank you very much.

Sameer Bharadwaj
Leonardo, let me talk about PVC supply, right? And I think when you look at PVC supply, we should keep aside the short-term noise created by the war. If you take a long-term view, PVC demand is growing at roughly 2.7%, 2.8% a year. And that's a 50 million, 48 million ton market. And what that means is the world needs 1.2 million, 1.3 million tons of PVC every year, and there is no substitute.

And over a 5- or 6-year period, you're talking about a demand increase of 5 million or 6 million tons. In terms of supply, the only supply we have line of sight into in terms of new plants coming online is about 2 million tons or 2.1 million tons of capacity in India from Reliance and Adani and maybe 300,000, 400,000 tons of capacity in Southeast Asia from Asahi. It's about 2.5 million tons. That is it, okay?

And so, there is no other new capacity coming online in the next several years. And so, if you look at what the market experts like CMA say is that the operating rates today, which are at 77%, will gradually climb to 83% and which is when we had the previous peak of the cycle. So that's long-term supply for PVC.

Now in terms of the carbide-based producers in China, if you recall, China introduced an anti-involution policy according to which they stopped paying a rebate of about 13%, which is about $80 to $90 per ton to PVC producers in China, which the intent of that policy was to enable a consolidation or shutdown of uncompetitive carbide-based capacity in China.

Having said that, given what happened with the Iran war, it gave a bit of a lease of life to some of these carbide-based players, and they might stay open for longer. But long term, about 3 million to 4 million tons of carbide-based capacity is expected to come out of China, okay?

So, if you keep that in context with steady growth in demand about 2.7% a year and with only 2 million tons of capacity additions with demand growing by 6 million over the next several years, the supply-demand dynamics are favorable.

So, what happened in the last 3 months? It's not that there wasn't enough supply of PVC. So basically, the Asian producers who are dependent on naphtha to make ethylene and PVC did not have access to naphtha, but the carbide-based producers were able to address the gap, and the U.S.based producers were able to export more as well. So, there was no problem with supply of PVC. What changed was the steepness of the supply curve. Because of the increase in the price of naphtha, the marginal cost of PVC went up substantially and which is why PVC prices went up a lot, okay? So hopefully, that addresses your question on the supply-demand fundamentals of PVC.

As far as B&I is concerned, look, in Building & Infrastructure, it's a dynamic market. We stay on top of our input cost increases, and we swiftly are able to pass them on to the customers. And our objective is to be fair to our customer base and make sure we recover our input costs. And sometimes there are lags. And so, in B&I, we've been beneficiaries because we've had inventories at lower cost and higher pricing on the products. This will normalize to some extent in the third quarter and not in a very significant way, but it should normalize a bit. And we remain agile and dynamic with respect to pricing and fair with respect to pricing with respect to our long-term customers.

Leonardo Marcondes
That’s very clear. Thank you very much.

Operator
[Operator Instructions]

Conclusion

Sameer Bharadwaj
Before we close, I would like our CFO, Cristian Capellino, to provide a brief update on our leverage and the efforts we are making to de-lever.

Cristian Capellino
Thank you, Sameer. So, as we have seen, we have reduced the leverage during this quarter to 3.24x net debt-to-EBITDA. And as we also said, we are going to continue to focus on free cash flow generation and use all the proceeds to reduce our debt. Our forecast for this year is to get leverage to very, very close to three. And so, this is driven by the expansion of earnings and also our disciplined control of working capital.

So this quarter, we saw a significant increase in input costs, and then we increased prices as well, and we have increases in volumes. So, all of this means that the buildup of working capital is an important factor for this quarter. we have been really efficient in reducing the days of working capital, more than 10 days of reduction versus last year. And this has been an important contributor to cash, right?

We have saved hundreds of millions of dollars through these effective actions of reducing working capital, working on inventories, S&OP processes, our collection processes, also working with supply chain finance elements to work on the extension of our payables days. So, all these efforts are going to continue. And our capital allocation also to CapEx is very disciplined. And it's a continuation of the effort that we started some years ago when we laid out our organic strategy to reduce leverage.

We continue with efficiency efforts to reduce SG&A, manufacturing costs, we continue with the process of divestitures of non-core assets, small assets that are not being used that are in part of the effort of reducing costs that released some assets, and we are selling them as well as the execution of the projects that were close to revenue generation, and now we are starting to enjoy the benefits and all of this is appearing in our results.

So, all these efforts are going to continue, and we are going to keep all the financial community updated on our progress. And importantly, we have the revolver credit facility, an important liquidity backstop of $1.4 billion that we are not drawing any funds from there. We have it available. We have the reduction of our leverage, and the improvement of our interest coverage puts us very well in compliance with all the covenants that we have, and we are operating with headroom. The maturities, as you know, has been extended to 2030 and beyond, all material maturities. So, we have the flexibility to operate and focus on value creation, continue the deleveraging program and serving our customers with a strengthening balance sheet.

Sameer Bharadwaj
Thank you very much, Cape.

Cristian Capellino
You’re welcome.

Sameer Bharadwaj
So, as you can see, we remain focused on our strategy of delivering results and operating performance, de-levering and strengthening our balance sheet and simplifying and focusing our portfolio. Through preparation and discipline, we have demonstrated resilience and the ability to respond to dynamic market conditions with good outcomes. We will continue along that path. Look forward to talking to you at the end of the third quarter. Thank you very much.

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