



# Q2 2020 Earnings Call

July 29, 2020



# 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."

# Q2 2020 Highlights

Daniel Martínez-Valle, CEO





# Key Messages

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Strong financial position despite temporary economic challenges with focus on organic growth, margin expansion, cash flow generation and ROIC.

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Aggressively managing costs with relentless focus on operational excellence while continuing to make seed-planting investments.

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03

Significant progress made on our transformation journey as we are laser-focused on executing our Play-to-Win strategy, which is rooted in purpose and customer-centricity.

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# Q2 Financial Highlights

## Revenue

Overall, our results were better than our initial expectations

**\$1.4** Billion

down 23%, reflecting the impact of COVID-19 and related softening demand primarily in our Wavin and Vestolit businesses.

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## EBITDA

Consolidated reported EBITDA totaled

**\$263** Million

a decline of 29%, offset by low material costs and aggressive cost management program.

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## EBITDA Margin

EBITDA margin of

**18.7%**

reflecting a decrease of 157 basis points and the resiliency of our diversified business portfolio.

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## Cash Generation

Working capital contributed to a strong cash generation of

**\$100** Million

as a result of managing optimal level of inventory and accounts receivables /payables, despite economic headwinds.

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# COVID-19 Business Update

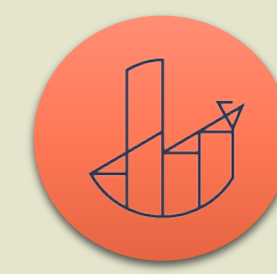
## Highlights

- We are remaining strong, collaborating, helping each other, and delivering value to customers in innovative ways
- Global task force constantly monitors and ensures employee safety, use of best practices and business continuity



## Team Management

- Restricted non-essential travel for health and safety
- Teams working remotely around the globe
- Expanded remote learning and training, extending remote health support and physician access to all employees



## Status of Operations

- Nearly 100% of our manufacturing plants, facilities and sites are operational without any supply chain disruptions
- Increased frequency of virtual contact with our suppliers and customers, so we can continue to respond to their needs



## Community Support

- Supported UNICEF by providing hand sanitation equipment to 450,000 children and families in hard-hit regions
- Adapted our manufacturing processes to deliver essential medical equipment and materials
- Helping our colleagues and neighbors by funding donations of critical resources

# Execution Against Play-to-Win Strategy



## Purpose-Led Organization

- **Feeding more people using less** water, land and energy
- **Building future cities** that are smart, sustainable and regenerative
- **Connecting and empowering communities** through better data access
- **Supporting innovation** to deliver life-saving technologies



## Customer-Centric Mindset

- **Enhancing the end user experience** with industry leading innovation and highest quality products
- **Developing into** a solution and end-to-end services powerhouse
- **Highly talented workforce** leveraging advanced technologies to solve the toughest challenges our customers face

***Future-Fit Organization Dedicated to Advancing Life Around the World as a Global Leader***

# Q2 2020 Financial Results

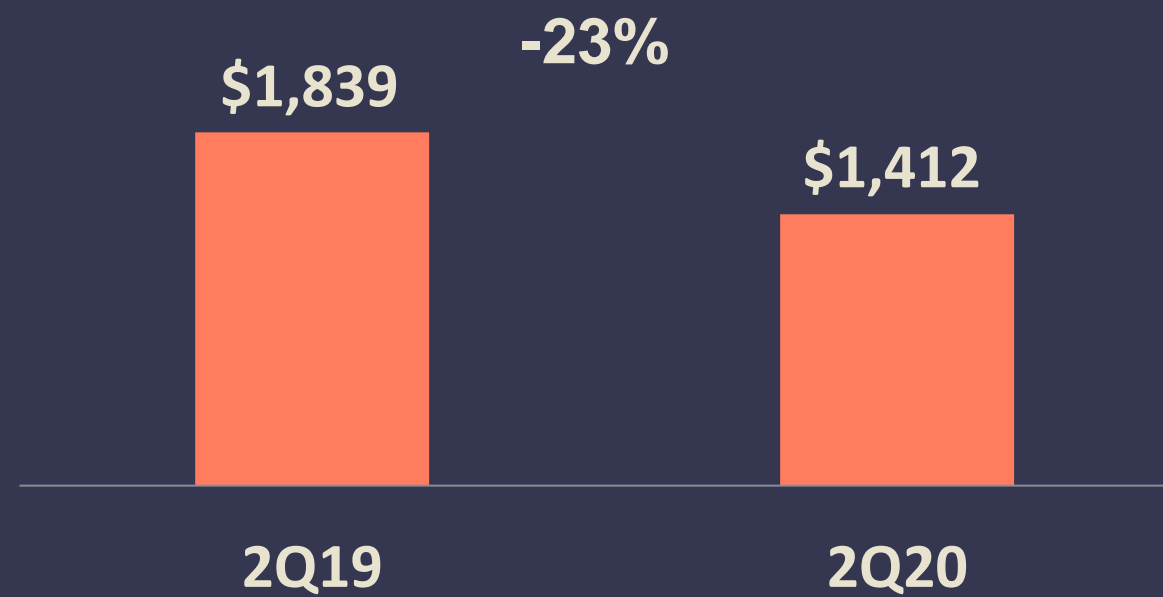
Edgardo Carlos, CFO





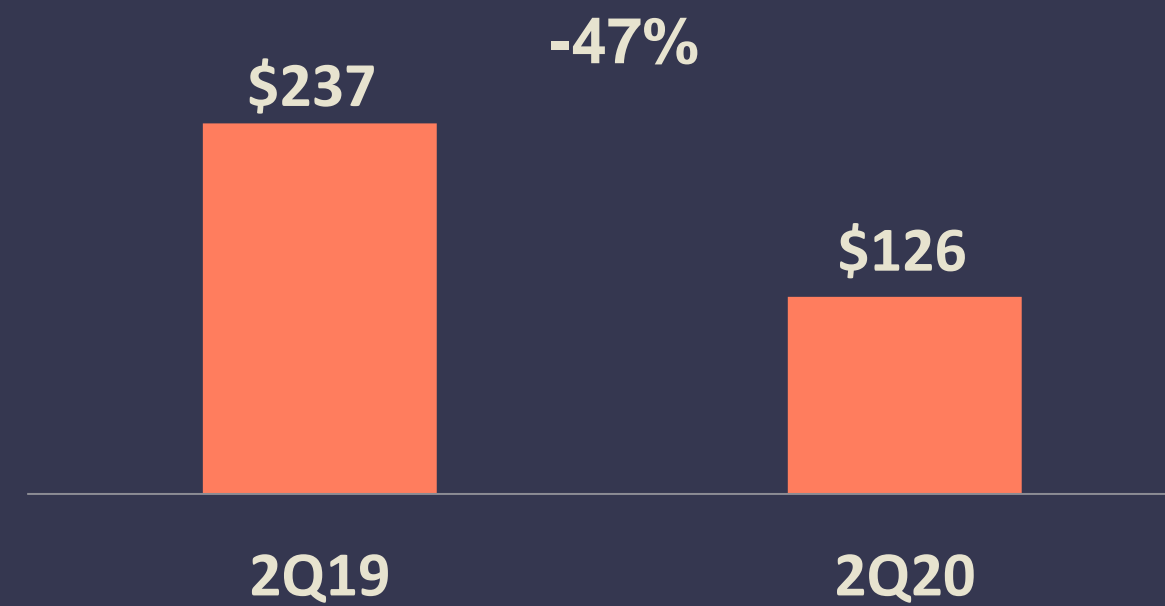
# Q2 Consolidated Financial Performance

## Net Sales (\$M)

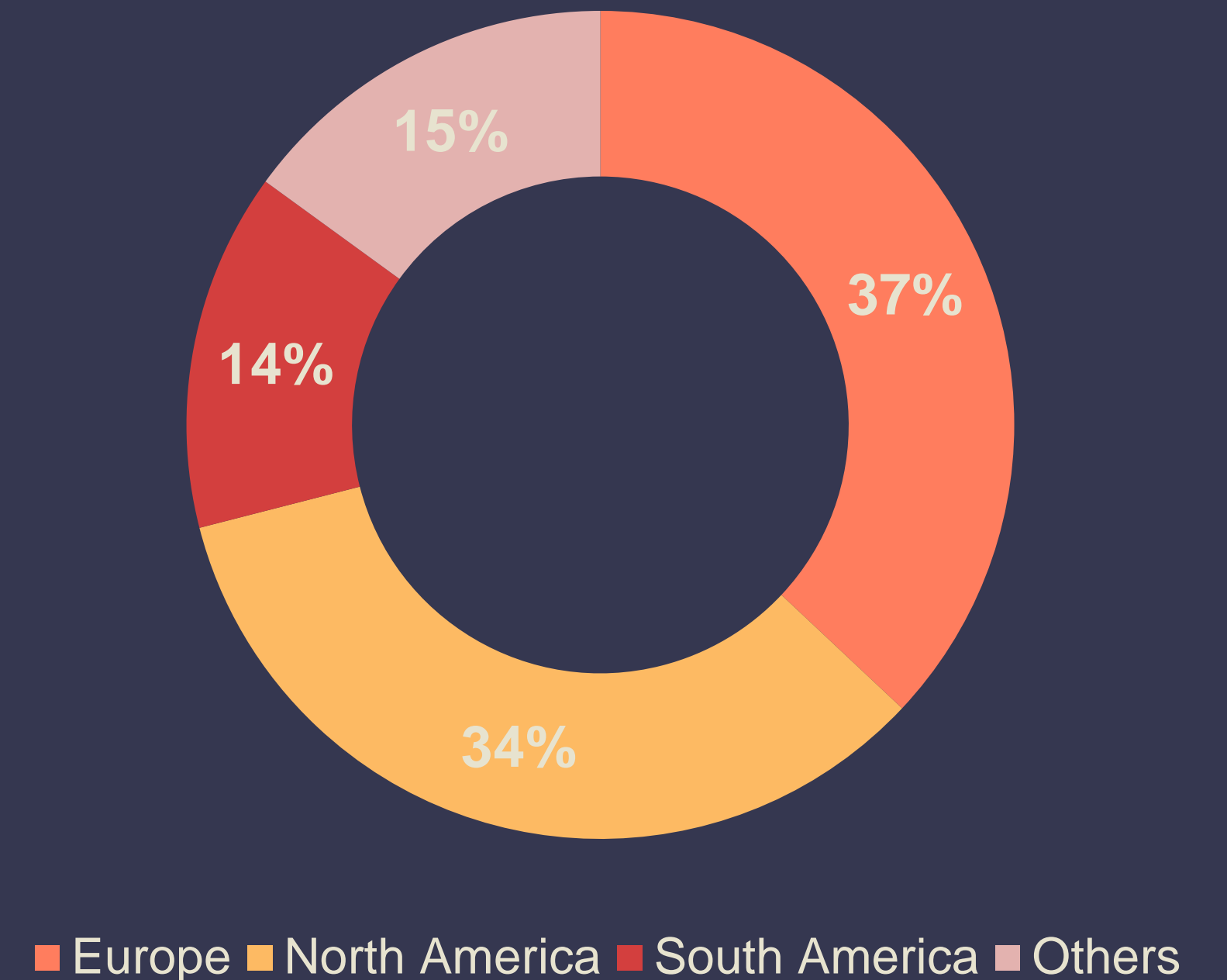


Sales decreased primarily due to lower sales in the Vestolit, Wavin and Netafim businesses, offset by resiliency of our diverse businesses

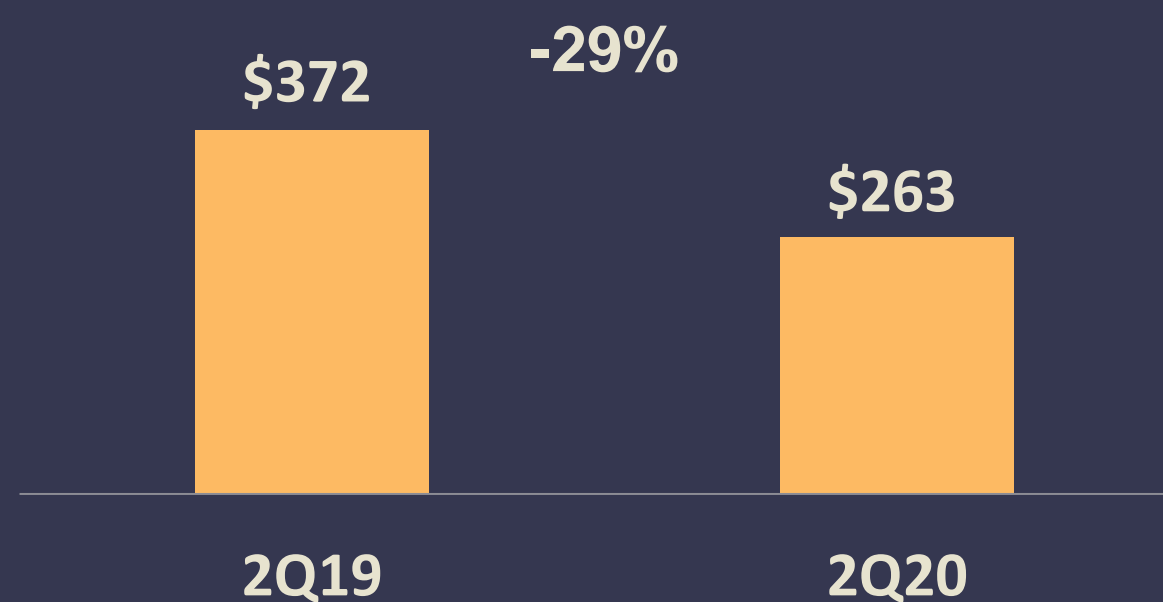
## Operating Income (\$M)



## Sales by Region Q2 2020

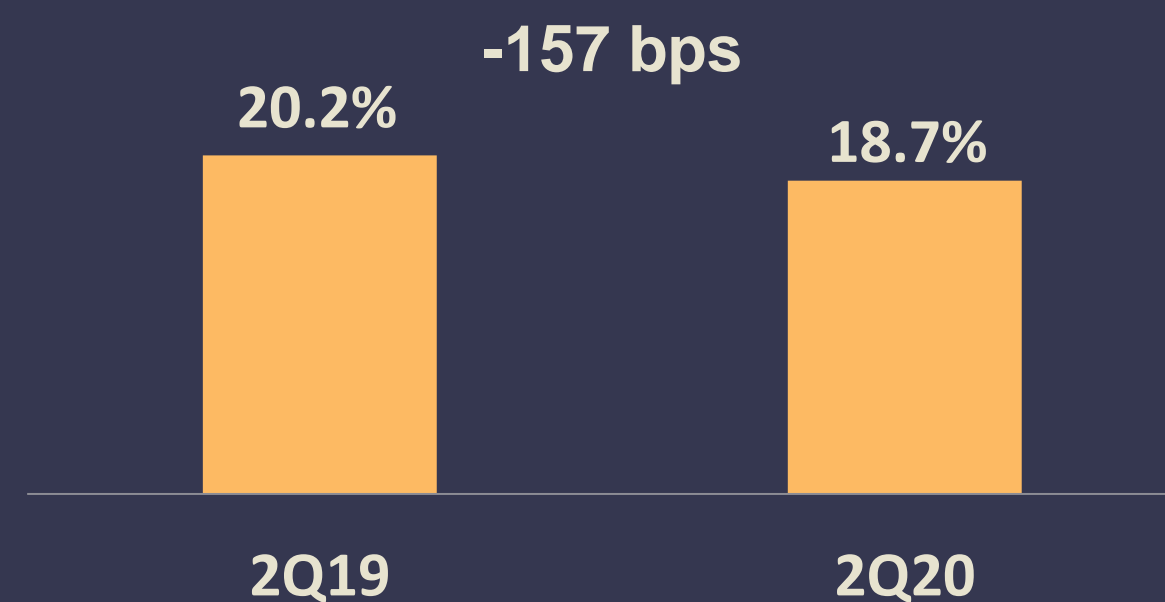


## EBITDA (\$M)



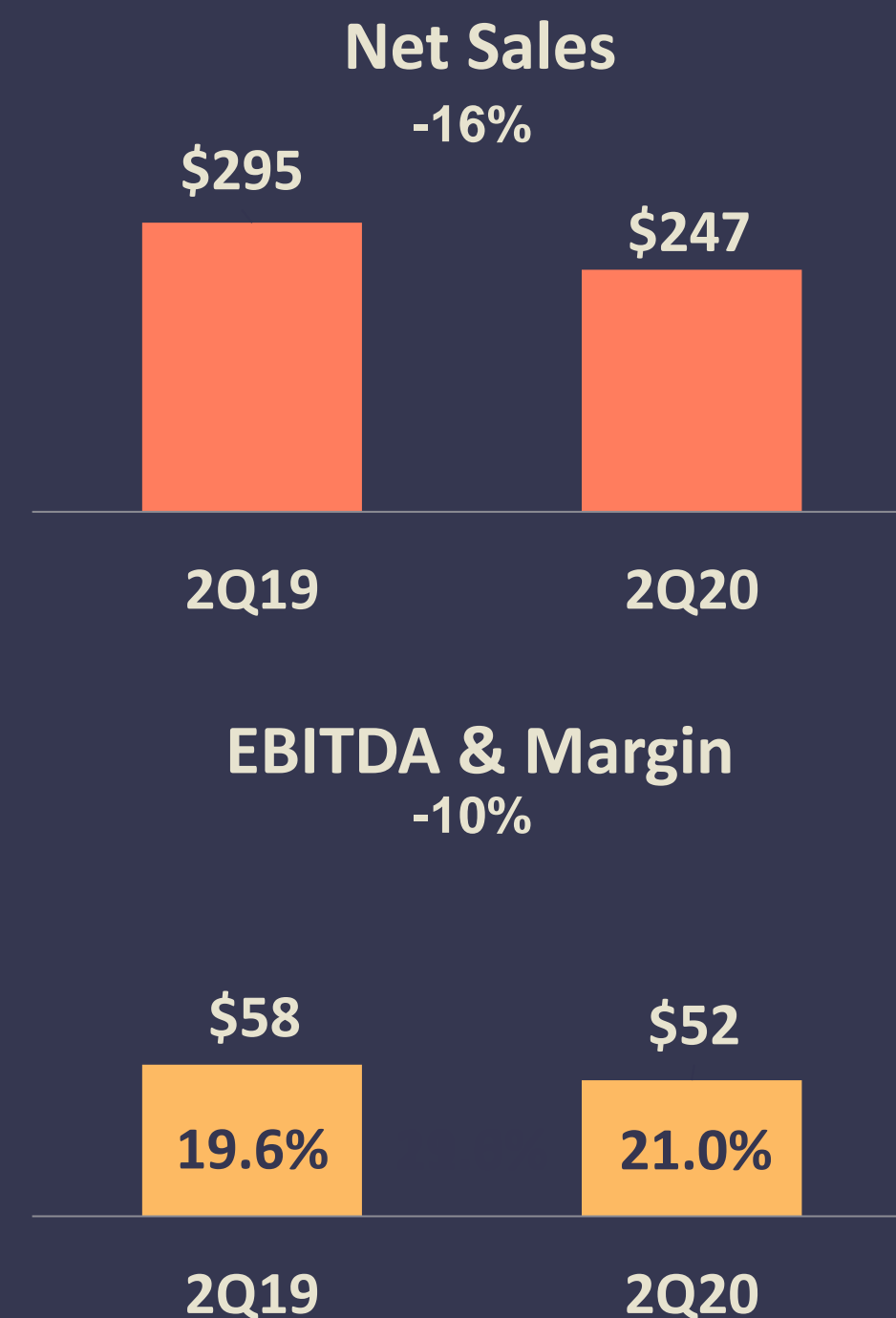
EBITDA decreased only 29% despite a revenue decline of 23%, reflecting our value-added solutions, lower material costs, operational and financial discipline, and benefits from strong cost containment programs

## EBITDA Margin

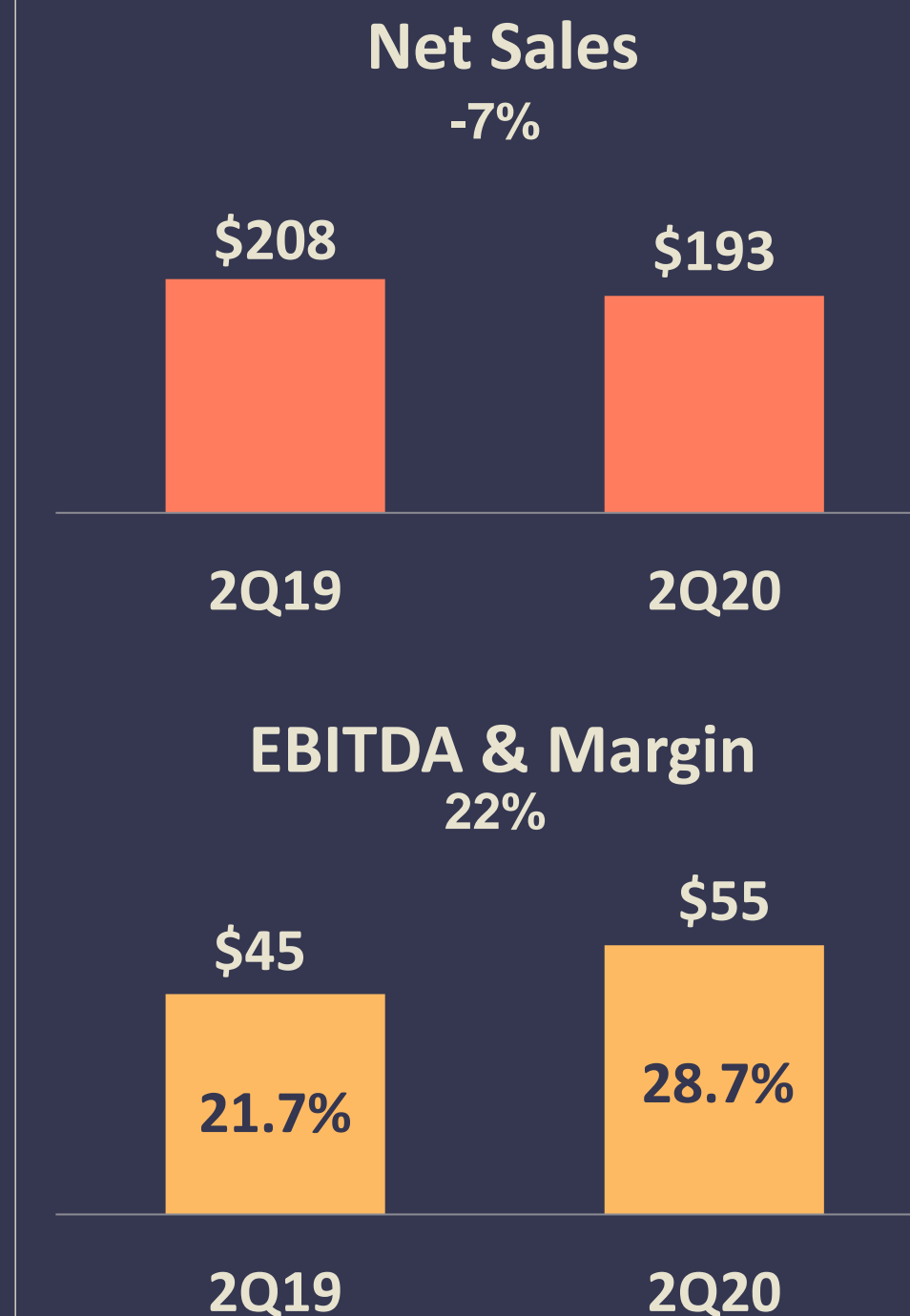


# Q2 Business Group Financial Results (\$M)

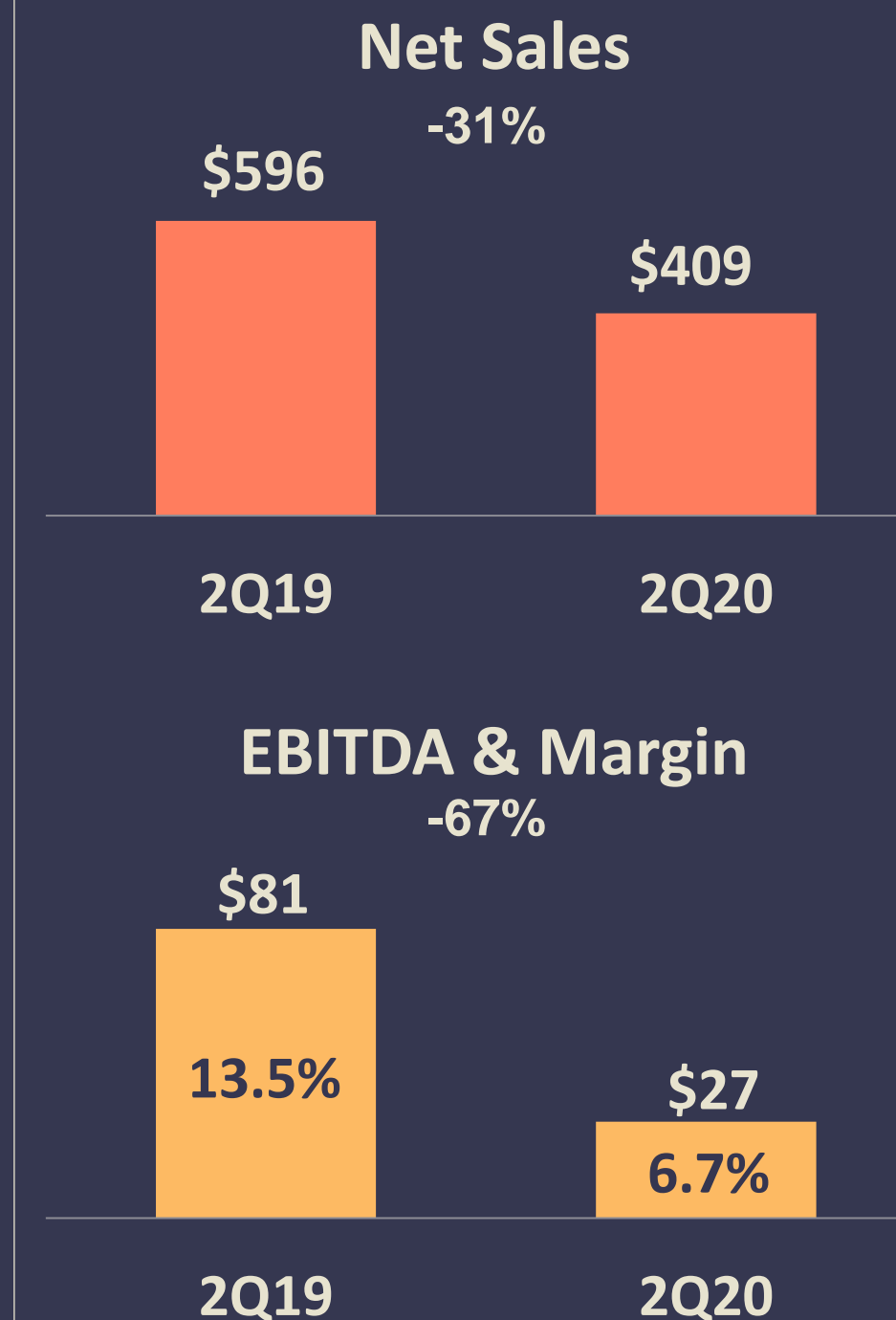
## Netafim



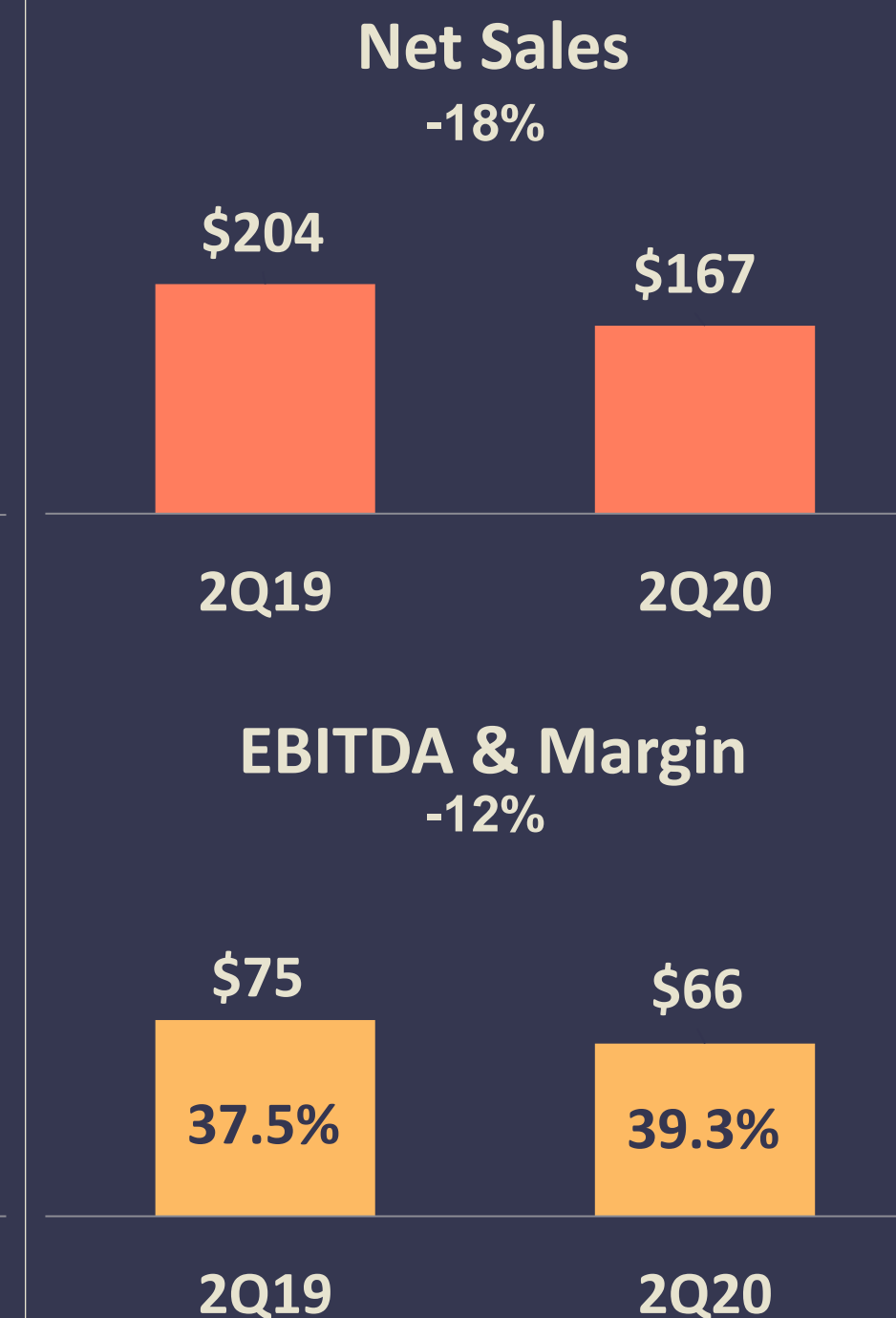
## Dura-Line



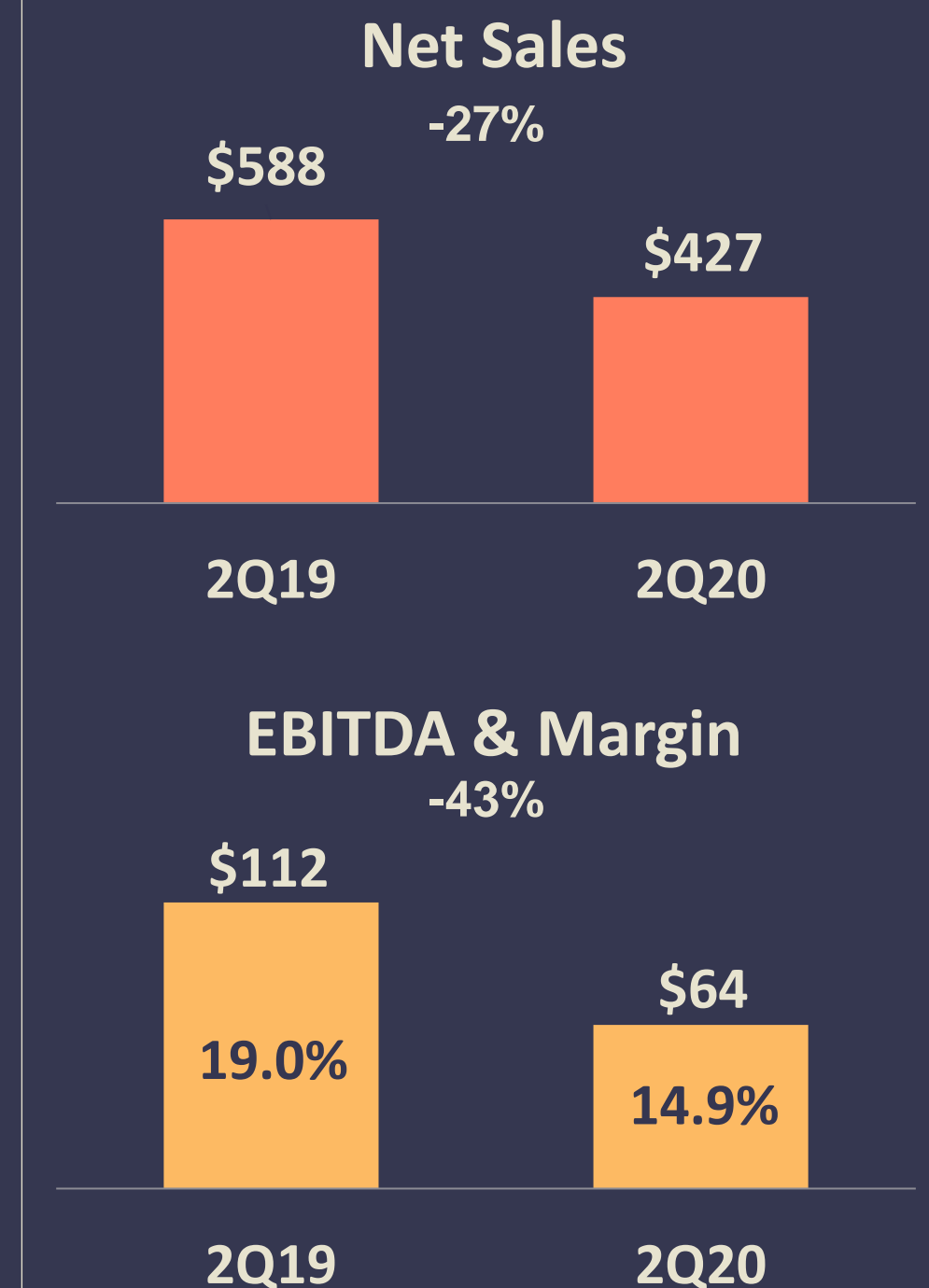
## Wavin



## Koura



## Vestolit



- Impact of the coronavirus across many of our markets, primarily in LatAm and India,
- FX impact in Asia Pacific and the U.S.

- Strict lockdown measures in most countries outside the U.S. during April and May
- High single-digit sales growth in North America as network construction continued to ramp, especially in the U.S.

- Coronavirus-related disruptions reflecting soft demand in LatAm
- Lower sales volume in the Andean region (including Colombia, Ecuador and Perú) and to a lesser extent in Europe, with the U.K. being the most affected

- The coronavirus pandemic impacted most of the fluorine value chain except for medical propellants
- Decline in demand primarily to the construction and automotive end markets

- Reduction in both volumes and pricing for PVC products driven by coronavirus-related disruptions and lower industrial activity



# Cost Management & Cash Preservation

- Reassessed CAPEX and applied zero-based budgeting in key areas
- Renegotiated contracts for raw materials, freights and other relevant supplies
- Focus on targeted and strategic capital investments
- Eliminated non-essential travel and further reduced discretionary expenses
- Enacted a hiring freeze across the organization
- Closely monitor credit risks, among other similar actions

***Well-Prepared to Manage Through Different Scenarios and Benefit as the Economic Recovery Begins***





# Strong Balance Sheet & Ample Liquidity

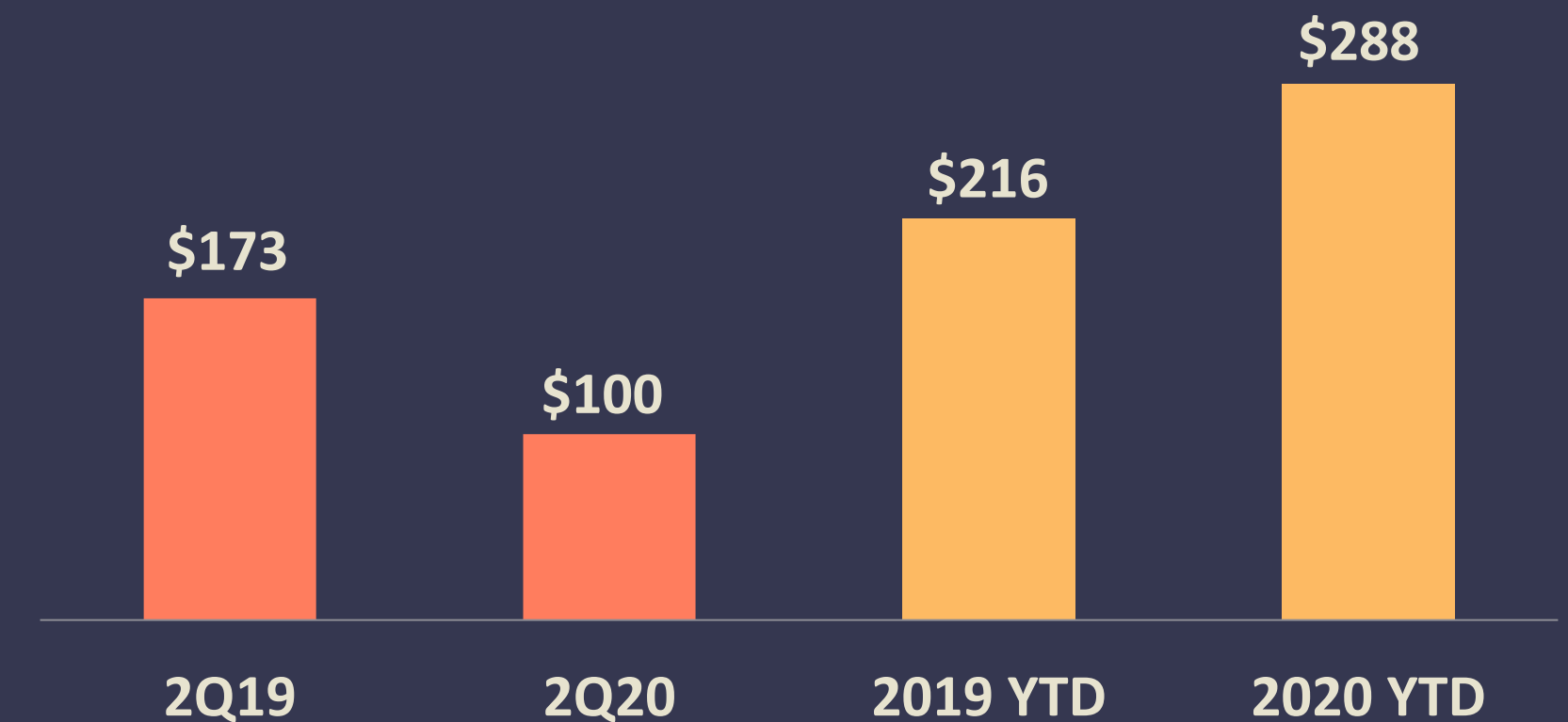
## Balance Sheet (\$M)

Cash / Cash Equivalents	1,238
Accounts Receivable	1,130
Inventory	773
<b>Total Assets</b>	<b>10,421</b>
Accounts Payable	1,197
Total Debt	4,208
<b>Total Liabilities</b>	<b>7,413</b>
Working Capital	707

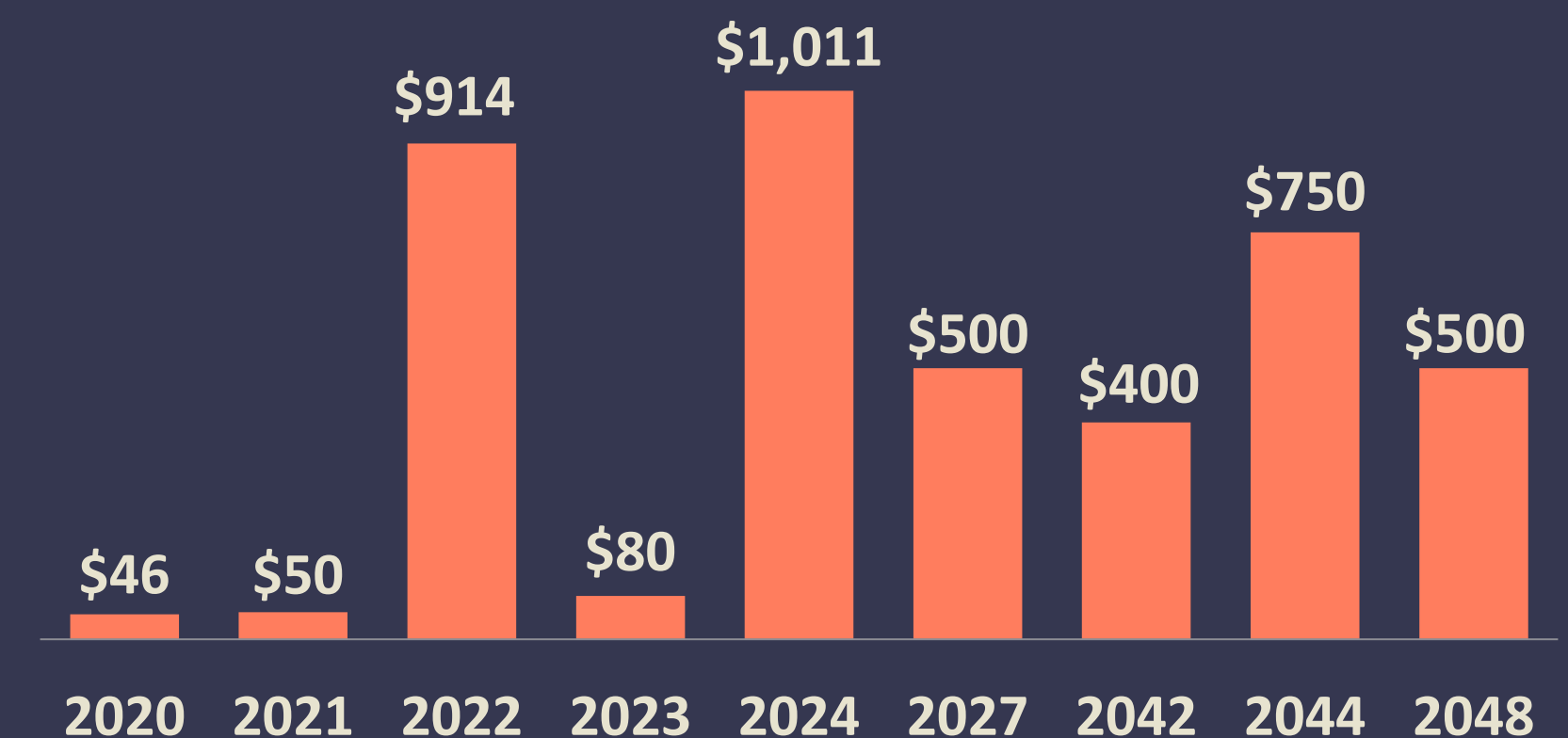
## Debt Profile (\$M)

Gross Debt	4,208
Less Cash	1,238
<b>Net Debt</b>	<b>2,969</b>
Gross Debt to EBITDA	3.37x
<b>Net Debt to EBITDA</b>	<b>2.38x</b>

## Cash Generation (\$M)



## Debt Maturity Schedule (\$M)



- Strong balance sheet with ample cash generation of \$100 million and free cash flow of \$19 million
- Significant improvement in working capital compared to last year, reflecting operational and financial discipline
- Prioritization of strategic growth projects in optimal end markets while maintaining current levels of maintenance CAPEX
- Maintaining appropriate debt profile with lowered weighted average cost of debt to 4.2% from 4.9% in December 2019; target leverage ratio of ~2.0x
- No significant maturities until 2022 with an average maturity life of 12 years



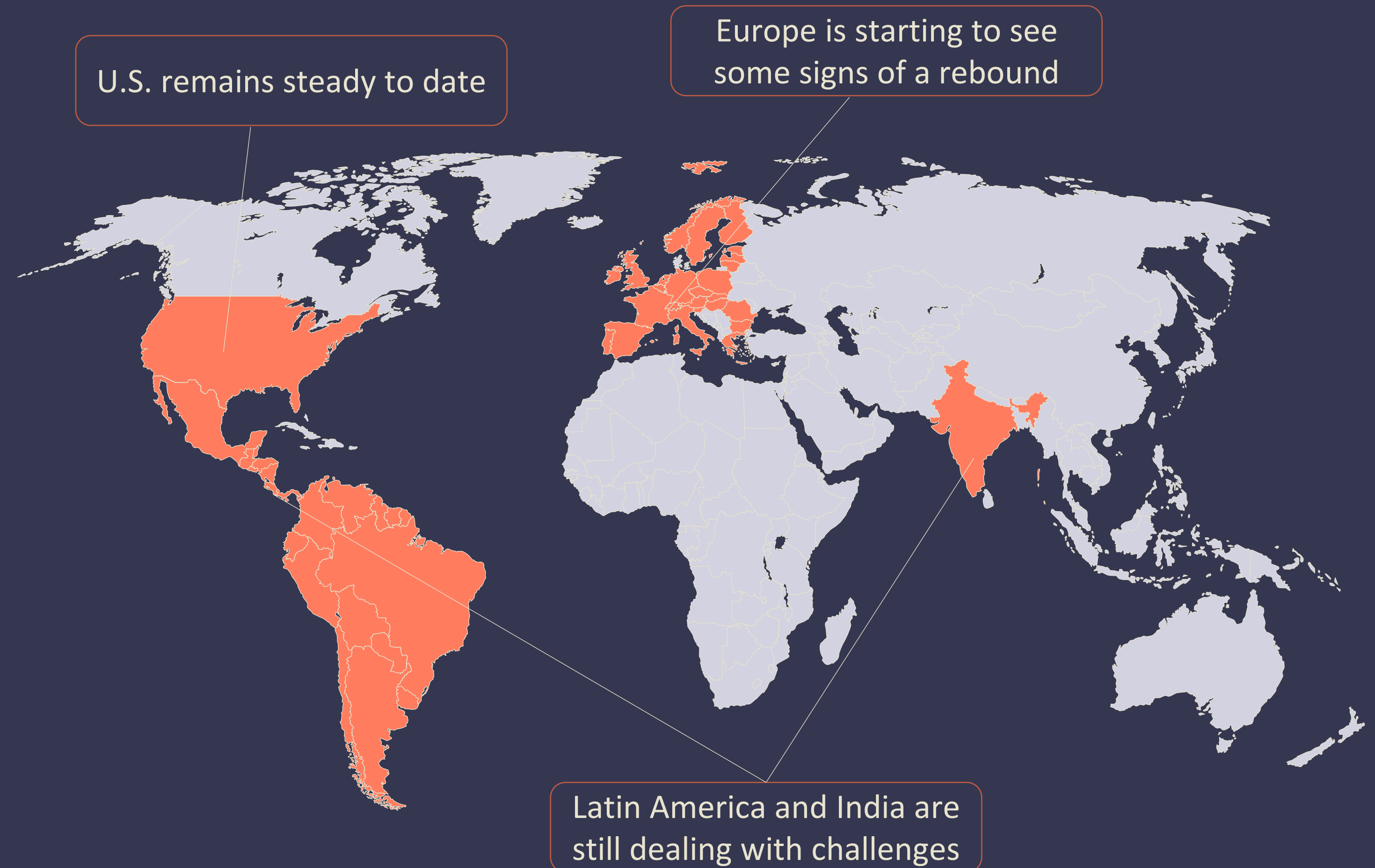
# Q2 2020 Closing Remarks

Daniel Martínez-Valle, CEO



# Global Business Trends and Expectations

- Assuming economic forecasts do not worsen, we expect earnings in Q3 to trend positively compared to Q2
- Anticipate a moderating performance in Q4 due to seasonality and other factors
- Well-Prepared to adapt our financial plans as economic conditions evolve





# Key Takeaways



Committed to delivering on our promise to Advance Life Around the World and deliver value for all our stakeholders.

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Strong balance sheet with ample liquidity to withstand the impact from COVID-19; well-positioned for growth when economic recovery begins.

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A changed company with a new, diverse and truly global management team in place and executing, well positioned for a future full of innovation, impact and solving the world's toughest challenges.

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# Appendix





# P&L

USD in millions	Second Quarter			January - June		
Income Statement	2020	2019	%	2020	2019	%
Net sales	1,412	1,839	-23%	3,039	3,605	-16%
Cost of sales	1,043	1,324	-21%	2,221	2,621	-15%
<b>Gross profit</b>	<b>369</b>	<b>514</b>	<b>-28%</b>	<b>818</b>	<b>983</b>	<b>-17%</b>
Operating expenses	243	278	-13%	520	560	-7%
<b>Operating income (loss)</b>	<b>126</b>	<b>237</b>	<b>-47%</b>	<b>298</b>	<b>423</b>	<b>-30%</b>
Financial Costs	64	79	-19%	149	150	-1%
Equity in income of associated entity	(1)	(2)	-50%	(1)	(3)	-67%
<b>Income (loss) from continuing operations before income tax</b>	<b>63</b>	<b>160</b>	<b>-61%</b>	<b>150</b>	<b>276</b>	<b>-46%</b>
Income tax	15	47	-68%	25	85	-71%
<b>Income (loss) from continuing operations</b>	<b>48</b>	<b>113</b>	<b>-58%</b>	<b>125</b>	<b>190</b>	<b>-34%</b>
Discontinued operations	(5)	-		(5)	(1)	400%
<b>Consolidated net income (loss)</b>	<b>42</b>	<b>113</b>	<b>-63%</b>	<b>119</b>	<b>190</b>	<b>-37%</b>
Minority stockholders	32	29	10%	65	58	12%
<b>Net income to majority shareholders (loss)</b>	<b>10</b>	<b>84</b>	<b>-88%</b>	<b>55</b>	<b>132</b>	<b>-58%</b>
<b>EBITDA</b>	<b>263</b>	<b>372</b>	<b>-29%</b>	<b>573</b>	<b>690</b>	<b>-17%</b>

# Balance Sheet

	USD in millions	
Balance sheet	Jun 2020	Dec 2019
<b>Total assets</b>	<b>10,421</b>	<b>10,057</b>
<b>Current assets</b>	<b>3,360</b>	<b>2,852</b>
Cash and temporary investments	1,238	586
Receivables	1,130	1,158
Inventories	773	834
Others current assets	219	274
<b>Non current assets</b>	<b>7,061</b>	<b>7,205</b>
Property, plant and equipment, Net	3,540	3,686
Intangible assets and Goodwill	3,200	3,257
Long term assets	321	262
<b>Total liabilities</b>	<b>7,413</b>	<b>6,963</b>
<b>Current liabilities</b>	<b>2,075</b>	<b>2,577</b>
Current portion of long-term debt	81	322
Suppliers	1,197	1,279
Other current liabilities	797	976
<b>Non current liabilities</b>	<b>5,338</b>	<b>4,385</b>
Long-term debt	4,127	3,129
Long-Term deferred tax liabilities	319	335
Other long-term liabilities	892	921
<b>Consolidated shareholders'equity</b>	<b>3,008</b>	<b>3,094</b>
Minority shareholders' equity	704	719
<b>Majority shareholders' equity</b>	<b>2,304</b>	<b>2,375</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>10,421</b>	<b>10,057</b>



# Cash Flow Statement

	Second Quarter			January - June		
mm US\$	2020	2019	%Var.	2020	2019	% Var.
EBITDA	263	372	-29%	573	690	-17%
Taxes paid, net	(78)	(52)	50%	(108)	(106)	2%
Net interest / Bank commissions	(15)	(36)	-58%	(104)	(125)	-17%
Change in trade working capital	(0)	(64)	-100%	7	(279)	N/A
Others (Other assets - provisions, Net)	(69)	(39)	77%	(22)	38	N/A
CTA and FX	(1)	(8)	-88%	(58)	(2)	2800%
<b>Cash generation</b>	<b>100</b>	<b>173</b>	<b>-42%</b>	<b>288</b>	<b>216</b>	<b>33%</b>
CapEx	(54)	(61)	-11%	(115)	(121)	-5%
Leasing payments	(27)	(25)	8%	(51)	(53)	-4%
<b>Free cash flow</b>	<b>19</b>	<b>87</b>	<b>-78%</b>	<b>123</b>	<b>43</b>	<b>186%</b>
<i>FCF conversion (%)</i>	<i>7.0%</i>	<i>23.4%</i>		<i>21.4%</i>	<i>6.2%</i>	
Dividends to Shareholders	(45)	(59)	-24%	(140)	(101)	39%
Buy-back shares program	(8)	(1)	700%	(42)	2	N/A
New debt (paid)	(124)	(1)	12300%	805	8	9963%
Minority interest payments	(39)	(31)	26%	(78)	(69)	13%
Swaps, net	(16)	8	N/A	(16)	8	N/A
<b>Net change in cash</b>	<b>(214)</b>	<b>3</b>	<b>N/A</b>	<b>652</b>	<b>(109)</b>	<b>N/A</b>
Initial cash balance	1,452	589	147%	586	700	-16%
<b>Cash balance</b>	<b>1,238</b>	<b>591</b>	<b>109%</b>	<b>1,238</b>	<b>591</b>	<b>109%</b>





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