

Orbia

Second Quarter 2025 Earnings Results
Conference Call

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CORPORATE PARTICIPANTS

Sameer Bharadwaj – *Chief Executive Officer*

Jim Kelly – *Chief Financial Officer*

Diego Echave – *VP of Investor Relations*

PRESENTATION

Operator

Good morning and welcome to Orbia's second quarter 2025 earnings conference call. As we turn to slide one, all participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your telephone keypad. To withdraw your question, please press star then two. Please note this event is being recorded. I would now like to turn the conference over to Diego Echave, Orbia's Vice President of Investor Relations. Please go ahead.

Diego Echave

Thank you, operator. Good morning, and welcome to Orbia's Second Quarter 2025 Earnings Call. We appreciate your time and participation. Joining me today are Sameer Bharadwaj, CEO, and Jim Kelly, 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 solving our customers' challenges in difficult market conditions.

Turning to Slide 3, I will share a high-level overview of our second quarter 2025 performance. Revenues of \$2 billion were flat year-over-year and EBITDA of \$300 million decreased 10% compared to the prior year period. Our performance this quarter reflects the on-going headwinds from challenging global markets in nearly all of our businesses.

However, most of our markets seem to have stabilized at current levels and in some cases, are showing early signs of improvement with pockets of growth emerging in certain areas. As a result, we are reaffirming our 2025 EBITDA guidance adjusted for non-operating items of between \$1.1 billion and \$1.2 billion.

As communicated in prior quarters, our strategic focus remains on executing initiatives that fortify the balance sheet and position Orbia for long-term value creation. In today's environment, we are concentrating on the factors within our control, addressing customer needs, sharpening our market positioning, and driving robust free cash flow generation to reinforce financial strength.

During the quarter, we successfully extended all material debt maturities to 2030 and beyond, raising approximately \$1.4 billion to refinance existing obligations. This proactive capital structure management enhances our financial flexibility and reduces near-term refinancing risk.

Our disciplined cost management, combined with the ramp-up of recently completed growth investments is expected to significantly expand our EBITDA generation capacity. Concurrently,

we are advancing the divestiture of non-core assets to sharpen our strategic focus and unlock additional value.

In parallel, we have made changes at the Board level and continue to make changes at the management level to sharpen focus on performance and strengthen accountability throughout the organization. We remain confident in the compelling growth opportunities across all our business segments and are committed to delivering sustainable returns for our shareholders.

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

James Kelly

Thank you, Sameer, and good morning, everyone. I'll start with a discussion of our consolidated second quarter results on Slide 4. Net revenues of \$2 billion were flat year-over-year. Market conditions remain challenging with lower prices in Polymer Solutions and lower volumes in certain countries within Building & Infrastructure. These factors were offset by increases in Fluor & Energy Materials, Connectivity Solutions and Precision Agriculture compared to the prior year quarter. I'll provide a more comprehensive description of these items in the business section of my comments.

EBITDA was \$300 million in the quarter, a decrease of 10% year-over-year which was largely driven by lower revenues and prices in Polymer Solutions, unfavorable product mix and Building and Infrastructure and generally higher input costs.

Operating cash flow of \$47 million increased by \$43 million compared to the prior year quarter, and free cash flow in the quarter was negative \$82 million, an improvement of \$48 million year-over-year. The improvements were mainly due to lower interest expense and a lower cash impact from incentive compensation payments and accruals, partially offset by lower EBITDA.

Net debt to EBITDA increased from 3.67x to 3.98x in the quarter. The increase in the ratio during the quarter was driven by an increase in total debt of \$189 million and a decrease in the last 12-month EBITDA of approximately \$34 million. Net debt-to-EBITDA at the end of the second quarter, using adjusted EBITDA for non-operating items to better reflect underlying earnings, increased from 3.23x to 3.51x. As a reminder, this increase was anticipated due to the normal seasonality of Orbia's business activity, and the ratio is expected to decrease over the second half of the year.

During the second quarter, Orbia completed two debt offerings which extended the maturity profile of our long-term debt. On April 11, 2025, Orbia issued long-term notes in the Mexican debt market for approximately \$300 million, split evenly between three and 10-year notes. The proceeds of the notes were used to refinance short-term maturities in the local market.

On April 30, 2025, Orbia issued senior notes due in 2030 and 2035 for approximately \$1.1 billion. The proceeds of the notes have been used primarily to refinance previous senior notes due in 2026 and 2027. Orbia has redeemed and canceled its 2026 senior notes and a portion of the 2027 senior notes and plans to redeem the remaining 2027 senior notes on the next eligible redemption date in accordance with the underlying indenture.

Turning to Slide 5, I'll review our business performance. In Polymer Solutions, second quarter revenue of \$616 million was down 4% year-over-year, largely driven by lower resin pricing and an operational disruption in derivatives, which was addressed by the end of the quarter. Second quarter EBITDA of \$79 million declined 26% year-over-year with an EBITDA margin of 13%. The

year-over-year decline in EBITDA was driven primarily by lower revenues, the operational disruption in derivatives as well as higher input costs.

In Building & Infrastructure, second quarter revenue was \$629 million, a decline of 5% year-over-year, driven by lower volumes in India related to the divestiture of the tanks business, weakness in Mexico and an unfavorable product mix, partly offset by stronger performance in the U.K. and increased volumes in Indonesia.

Second quarter EBITDA was \$63 million, a decrease of 19% year-over-year with an EBITDA margin of 10%. The lower EBITDA was driven by an unfavorable product mix in Western Europe and lower revenue in Mexico and India, partially offset by the U.K., Indonesia, Eastern Europe and Brazil and continued benefits from cost savings initiatives.

Moving to Precision Agriculture. Second quarter revenue was \$288 million, an increase of 2% year-over-year. The increase in revenues for the quarter was primarily driven by Brazil, the U.S. and Peru, partially offset by declines in Mexico, Chile, and lower greenhouse project activity. Second quarter EBITDA was \$40 million, which increased marginally year-over-year with an EBITDA margin of 14%. The increase in EBITDA was driven by higher revenues and a favorable product mix.

In Fluor & Energy Materials, second quarter revenue was \$247 million, an increase of 7% year-over-year, driven by slightly more favorable prices in upstream minerals and a favorable product mix. These gains were partially offset by lower upstream minerals volumes and an unfavorable refrigerant gas mix. Second quarter EBITDA was \$72 million, a decrease of 11% year-over-year with an EBITDA margin of 29%. The lower EBITDA was due primarily to higher input costs across key raw materials and unfavorable currency fluctuations, partly offset by a favorable product mix and the benefits from cost savings initiatives.

Finally, in our Connectivity Solutions segment, second quarter revenue was \$246 million, an increase of 4% year-over-year. The increase in revenues for the quarter was driven by higher volumes, supported by increased demand in North America telecommunications and data center markets as well as a favorable product mix, partially offset by lower prices. Second quarter EBITDA increased 1% year-over-year to \$41 million with an EBITDA margin of 17%. The increase was primarily driven by higher revenues and favorable costs, partially offset by lower prices.

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

Sameer Bharadwaj

Thank you, Jim. Turning to Slide 6. I'd like to provide an update on our progress in improving earnings and strengthening our balance sheet as outlined in our October 2024 business update and reviewed again last quarter. First, our cost reduction program continues on track to deliver cumulative annual savings of \$160 million by the end of 2025 relative to the end of 2023, achieving 70% of our target to reach a savings level of \$250 million per year by 2027.

Second, we are focused on ramping up revenues from recently completed and soon to be completed organic growth investments in 2025. These include new product launches and the Indonesia investment in Building & Infrastructure, the completed capacity expansions in North America in Connectivity Solutions and in India in Polymer Solutions, the new custom electrolyte production facility for batteries in the U.S. in Fluor & Energy Materials, among others.

Finally, we have signed agreements that will generate proceeds of over \$35 million from non-core asset divestments as of the end of the second quarter of 2025. We anticipate reaching at least \$75 million in proceeds by the end of the year and continue to target \$150 million or more by the end of 2026.

Turning to Slide 7. I will now provide an update to our outlook for the current year. The underlying assumptions for the most recent guidance remain generally unchanged. Therefore, we reaffirm the full year 2025 adjusted EBITDA guidance range of approximately \$1.1 billion to \$1.2 billion. We also reaffirm the 2025 capital expenditures guidance of approximately \$400 million or less with a continued focus on investments to ensure safety and operational integrity, completing growth projects under execution that are close to revenue and being extremely selective on any new growth investments.

Now looking ahead in each of our business segments for the coming quarter and remainder of the year. Beginning with Polymer Solutions, persistent soft market dynamics driven by excess supply and lower export prices out of China and the U.S. are expected to continue for the remainder of the year. The full year performance is expected to be lower than last year due to the one-off impacts of the raw material supply disruption, and operational challenges in derivatives experienced during the first half of the year. With these issues behind us, we expect that second half results will improve compared to the first half results. In this environment, we remain focused on realizing the benefits of cost-saving initiatives and disciplined cash management.

For our Building & Infrastructure segment, we expect modest growth from new product launches and stabilization across key markets despite continued challenging market conditions in Western Europe and Mexico. The business will continue its focus on realizing operational cost efficiencies to improve profitability.

In Precision Agriculture, market conditions are expected to remain stable to slightly improving, supported by recent positive momentum in Brazil, the U.S. and Turkey. The company anticipates strong performance in parts of Latin America and projects in Africa. The business will remain focused on driving growth through deeper penetration in extensive crops while maintaining a consistent emphasis on cost management and working capital improvements.

In Fluor & Energy Materials, we expect continued strength in fluorine markets with demand and pricing expected to remain stable or show modest improvement through the remainder of the year, helping offset input cost increases. To support margins, cost control initiatives will remain a priority alongside active product portfolio management focused on maximizing value creation.

In Connectivity Solutions, volumes are expected to continue growing throughout the year, supported by sustained momentum in network deployment, data center demand and investment in the power sector. Profitably growth will be driven by increased demand, along with benefits from cost-saving initiatives and higher utilization of manufacturing facilities, partially offset by a weak pricing environment.

In closing, Orbia's near-term priorities are to deliver, delever, simplify and focus on our core business. We will drive EBITDA improvement through achieving cost savings initiatives and from recently completed growth project investments in addition to generating cash from the sale of noncore assets. These actions are designed to reduce our leverage to approximately 2.5 times by the end of 2026 without considering potential market recovery and to simplify our businesses. Our ongoing commitment remains on proactively meeting customer needs and generating long-term value for our shareholders. Operator, we are ready to take questions at this time.

QUESTION AND ANSWER

Operator

We will now begin the question-and-answer session. To ask a question, you may press star then one on your telephone keypad. If you are using a speaker phone, please pick up your handset before pressing the keys. If you would like to withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster.

And our first question comes from Pablo Monsivais of Barclays. Please go ahead.

Pablo Monsivais

Thank you, Sameer, Jim, and Diego, for taking my questions. I was wondering about your adjusted net debt-to-EBITDA result this quarter. My question is whether this is the peak level that we are supposed to see. And going forward, we should see a gradual decline. And if so, what would be the level that is likely to see on adjusted net debt to EBITDA by year-end? Thank you.

James Kelly

Pablo, this is Jim. Thanks for the question. Yes, as we've talked about in prior quarters, there is a normal seasonality to our business, where typically in the first half of the year, largely with increases in working capital. We do see the leverage increasing. And so that has been the case. And yes, we do expect that the end of Q2 here is the maximum for the year. And as you would have seen in prior years, we have significant reductions and significant generation of cash flow from operations in the second half of the year. That is expected to happen again this year.

In terms of where we would expect to end the year. At this point in time, I would say, at a level slightly over 3x in terms of the net debt to adjusted EBITDA as you called out, making sure that you're noting it's the adjusted EBITDA.

Pablo Monsivais

Okay. Perfect. Thank you very much Jim.

Operator

The next question comes from Ben Isaacson of Scotiabank. Please go ahead.

Ben Isaacson

Good morning. Thank you for taking my questions. I have 2 questions. First one is on Building & Infrastructure. In your outlook, you talk about new product launches. Can you just give some examples of what those product launches are? And how should we think about the stability of those new product launch margins versus regular margins in the segment?

And then my second question, if I can ask it, is on Precision Agriculture. You talked about market conditions expected to remain stable or slightly improving. That was a little bit surprising to me because from what I understand, lots of articles out over Indian farmers really, really struggling right now as prices are not keeping up with cost inflation, corn, wheat, and soy farmer economics in the U.S. are almost at a 10-year low. Brazilian farmers are struggling with 15%, 20% cost of borrowing. Europe has a one in a century drought and tariffs are increasing for fertilizer imports. So I was actually thinking a farmer was struggling. So I just wanted to kind of bridge that gap.

Sameer Bharadwaj

Very good, Ben. Let me take your question on B&I, the new product launches. So in fact, a fair amount of capital investments went into that business over the last 2 or 3 years, and those investments are now nearing completion, and we are beginning to ramp up revenues from those investments. And so the first one I want to talk about is the Hep2O G5 product launch in the U.K. This is the push fit fitting that is incredibly popular with our customers and plumbers in the U.K.

The previous generation G4 was a significant part of our portfolio and has very good margins. And with G5, we have introduced a product that doesn't require a key for the plumber to use the fitting. And it's far more efficient for us to produce. And therefore, it will have as good or better margins. So that product launch has gone well, and it was launched a couple of months ago, and we expect to see decent revenue ramp-up of that product over the course of the year.

The second one in the pipeline is the Tegra below ground system. And the next-generation Tegra is being launched in the next few months. That is also a good margin product on the higher end of our portfolio, and that is expected to contribute significantly as well. We also have the investments in BIAx in the Netherlands that have been -- that are now ramping up to revenues and already contributing.

And of course, the Indonesia plant was completed at the end of last year and revenues are ramping up there nicely as well. And so overall, we expect these investments to ramp up. They're all on schedule and should contribute meaningfully in the second half of the year and next year.

Your next question was on Precision Agriculture. And actually, it's not -- the comparisons with commodity crops. You have to be very specific about what crops you're looking at when you look at market conditions for the Precision Agriculture business. In fact, just to give you some numbers, we have seen 12% growth year-over-year in Q2 in the U.S., okay?

And so if you remember, the U.S. Central Valley of California is a very big market for us. We are very big in almonds, pistachios, walnuts, fruits, vegetables, wine, grapes, and those markets have been depressed for the last couple of years, and we are beginning to see some signs of recovery and a 12% growth there is encouraging.

While that's nowhere close to what it was at the peak, but it's a positive encouraging sign. Turkey is up 7% year-over-year, quarter-over-quarter, which is quite encouraging as well. Last year, Turkey took a big hit because of high inflation and high interest rates and that has stabilized, and we are beginning to see demand come back.

And Brazil is absolutely fantastic in terms of performance. The quarter-over-quarter growth is extraordinary,-- it's about 70%. But year-over-year, we are expecting 30% growth in Brazil, and we expect another 20% growth in 2026. So it really depends on what parts of the world you're looking at and what crops you're looking at. We continue to have weakness in some of our other markets, particularly in Europe, excluding Southern Europe.

And we are seeing some great order intake and new projects that we have signed up on in Africa. And India, it's a timing issue. It's the -- there was an early monsoon this year, which disrupted Q2 to some extent. But otherwise, long term, the business there is stable. So hopefully that answers your question on Precision Agriculture.

Ben Isaacson

That's great. Thank you.

Operator

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

Tasso Vasconcellos

Hi. Thanks for taking my questions here. First one, Sameer, you mentioned in the earnings release that you view early signs of recovery in the market. Can you please give us some additional details on what exactly are designs? And what are the key indications? And how you expect this to evolve in the second half of this year and also 2026? And maybe actually a follow-up on this question, what would you link as the top upside and downside risks to the scenarios? What could happen from now on for us to view much lower pricing or spreads in the market?

The second question, maybe for Jim, in terms of deleveraging efforts, what are the top alternatives that you have here? I know that the company has been rationalizing expenses, CapEx, you mentioned about some fundraising with some sales. But looking at other alternatives, in other top priorities that you might have selling a business as a whole is an alternative, selling parts of business, doing an IPO on each one of the business. Just trying to think here at stronger alternatives in case the market headwinds persist for much longer. Those are my two questions. Thank you.

Sameer Bharadwaj

Okay. Tasso, that's a great question. I anticipated at least somebody asking about these early signs of recovery. So let me go business by business. And hopefully, people get a flavor for what's going on in the market. If you look at the PVC business, we are at the bottom of the cycle. Things can't go any lower and even the marginal players from China lose money at these prices. And here are some of the encouraging signs. Number one, Brazil has imposed a very significant anti-dumping duty on PVC of 45% on top of the 20%, which directly benefits us as we can export from Colombia to Brazil with no import duties.

The second notable piece of news is there has been a significant capacity reduction of PVC in Europe to the tune of around 400,000 - 450,000 tons from Vynova, from Dow and a few others in Eastern Europe, and this is almost 8% to 10% of capacity and has a direct impact on the stability of the business in Europe, in addition to the fact that Europe has 65% to 70% anti-dumping duties on U.S. PVC. And so I was just in Marl, our German operations last week, and we believe we are in a strong position to be one of the cost-efficient producers and survivors in Europe as we go forward.

The third interesting piece of news is Mexico has finally applied anti-dumping duties on caustic. And that is going to benefit us in the second half of the year. We have also submitted an application for anti-dumping duties on U.S. PVC within Mexico, and that application is currently under consideration. There's more recent news from China, where the Chinese government is cracking down on coal mines that are not safe or overproducing and causing a distortion in the market. As a result of which coal prices are going up, and therefore, we have seen significant increases in spot prices of coal-based PVC from China over the last few weeks. So the pricing has gone up from \$650 a ton upwards of \$690 to \$700-plus per ton, which is an encouraging sign.

And then finally, in our PVC business, much of the operational disruptions we experienced in the first half of the year are behind us. And so we will experience the benefit of running our operations at full steam in the second half of the year. So hopefully, that gives you a sense for the recovery for the PVC business.

In Building & Infrastructure, unfortunately, demand remains weak in certain parts of the world, particularly Western Europe and Mexico. We do expect a stronger second half of the year in Brazil. But having said that, that business is performing as well as it can because of all the efforts we have put in to optimize our operations, both manufacturing costs, SG&A costs, and we are beginning to see the impact of the growth investments, which I talked about earlier.

And moreover, we have taken steps to simplify and focus our portfolio within the Building & Infrastructure business with the divestiture of the clay business in the U.K., and as you will see from the recent announcements, we have reached a landmark partnership deal with Supreme Industries in India, where Supreme will take over Wavin's India assets and enter into a long-term technology licensing agreement.

And keep in mind, Supreme is the number one player in India. They have extraordinary scale and reach, and we have the best-in-class technologies. And as India's GDP triples over the next decade, we hope to have massive growth and participate in that growth together.

A note of mention about our Alphagary business, which is in Polymer Solutions. Once again, as I talk about bright spots, while we do have weakness in Mexico, we have now established a leadership position in medical compounds in the U.S. okay. We are also beneficiaries of the strong growth in data centers in the U.S. as we have a significant presence in the data cable market. And our India joint venture is performing extremely well, okay.

Next, in the Connectivity Solutions business and we have mentioned this in the release, we are seeing record demand in that business with strength in the Telco and data center markets. The power segment is also very strategic, and we see significant growth potential in that segment as they have to upgrade the power grid for artificial intelligence over the next few years.

The challenge in that business has been spreads and margins with increased competition, okay. In the Fluor business, we are seeing stability and strength in pricing across the entire chain. And I've talked about this before. In refrigerant gases, there was a quota step down last year and we expect prices to go up with a lag of 12 to 18 months and that has actually happened. We have seen a significant increase in refrigerant prices in the U.S. from the start of the year and we expect that stability to continue.

In the Fluor business as well, another bright spot is the growth of our pharma segment, where the adoption of 152a as the next-gen medical propellant is going very well. And as that ramps up over the rest of the year and next year, we expect a significant contribution to earnings from the pharma business. And I've already talked about the bright spots in Precision Agriculture.

But hopefully, this gives you a comprehensive view of what we meant by early signs of improvement, okay? I'll let Jim start with his response to the second half of your question and support his comments as well.

James Kelly

Sure. So I can start on the operational elements of the deleveraging. And then when it comes to the other portfolio moves that you asked about specifically, I'll turn it back to Sameer to discuss those. But just going back to the discussion we had last October in terms of the delevering plan. Remember, there were really three primary elements that we spoke of. So we talked about \$250 million of cost savings relative to a 2023 base.

And just in terms of an update on the progress on that, we are on track. We're making good progress. We expect that by the end of this year, we'll achieve approximately \$160 million of that \$250 million and honestly we continue to work to increase that number of \$250 million over the coming years. So I do believe that there will be continued upside there. And again, we are seeing very strong performance in terms of execution on that plan.

You may recall the second element was generating \$150 million of EBITDA through the new product introductions, some of which Sameer spoke of, particularly with B&I in one of his prior responses here. Our expectation right now across all of the businesses, is it will generate roughly \$60 million of that \$150 million by the end of this year. So again, things progressing well in terms of achieving that.

And then the third element was the non-core asset sales. So this is pieces of land potentially that become excess land as we consolidate the manufacturing footprint in Building & Infrastructure and other businesses as well as the sale of non-strategic portions of our current and existing businesses. And on that, we have already signed agreements so far this year for approximately \$35 million and we expect to achieve between \$75 and \$80 million by the end of the year of this \$150 million that we've spoken of.

We also continue to look at the businesses for our possibilities of increasing that \$150 number. So we'll be continuing to try to identify other non-strategic assets that could be used to generate cash to further bring the leverage down. I think it's also important to note the work that we'd be doing on capital expenditures. So recall that back in October, we said that CapEx would be about 450 million for both this year and next. We're now saying below 400 for 2025 and 2026 will certainly be at that level or below. We are making considerable progress on working capital. So while you see an increase in working capital dollars so far in this year, as I talked about in response to the very first question that Pablo had. If you were to look at that in terms of days, we've gone from 83 days of working capital a year ago or 80 at the end of last year, down to 76 days at the end of June and we expect to continue to reduce those days as we go through the remainder of the year.

And again, as a reminder of our cash flow trends, if you were to look at last year, we generated just under \$600 million or thereabout \$550-\$560 and operating cash flow in the second half of the year. And we expect that we'll have a similar trend in that regard this year. So we will continue to have significant improvements in operating cash flow in the second half of the year.

I'll remind you as well that back when we spoke in October, we talked about a general target of conversion of EBITDA to operating cash flow of 60% and our expectation is that we will be right around that area for this full year. So we are also still on target in terms of operationally how we convert our EBITDA to operating cash flow. So I think overall, you can see that we are being very aggressive in terms of achieving the various elements of the plan that we've put in place and things are on track.

And while I stated that by the end of the year, we expect to be at probably slightly north of 3x for the net debt-to-EBITDA on an adjusted EBITDA basis, we do remain committed to the 2.5x by the end of 2026. And we continue to remain committed to maintaining our investment grade rating on our debts and we continue to have positive conversations with the rating agencies in that regard. With that, I'll turn it over to Sameer to talk about the portfolio side.

Sameer Bharadwaj

So thank you, Jim. I think Jim covered very well all the operating levers that we are pulling to get our leverage, to deliver results and to get our leverage to our desired levels. And these include the business optimization efforts, delivering growth from deployed capital and the non-core asset sales, smaller non-core asset sales within the businesses. And those should get us to our targets by the end of 2026.

Having said that, we continue to assess ways in which potential changes to our portfolio at the Orbia level could help us sharpen our focus, further reduce leverage, and create significant shareholder value. And earlier in the year, we had talked about, we are considering divesting in whole or in part businesses that we determine are not an optimal fit within our portfolio or that would create more value under a different owner.

Now any such process will be done deliberately on a time frame we determine, especially given the challenging mergers and acquisitions environment, we do not want to take any decisions that are suboptimal from a large portfolio move standpoint. Our focus remains building a strategically focused highly synergistic portfolio going forward with a single-minded dedication to creating shareholder value. Hopefully, that answers your question, Tasso, it's a bit long, but hopefully, comprehensive.

James Kelly

And if maybe I can come back and just add one thing that I didn't mention that I think is important to note and that is the liquidity that we have as an organization, Tasso. If you were to go back to the activities that we engaged in the second quarter, so you would have seen that we've now extended all of our debt maturities out significantly. Really the only one we have coming up now before 2030 is \$150 million in 2028 related to the Mexican Cebures that we just refinanced.

So I think we've significantly derisked our balance sheet by doing that. And then on top of that, you would have seen we continue to have \$860 million of cash on hand and as well we continue to have \$1.4 billion of revolving credit facility that's committed and completely undrawn. So I thought it was also important just to ensure that from a liquidity perspective, that you recognize the availability that we have to get us through this period as well.

Tasso Vasconcellos

Super clear. I appreciate the insight here. Thanks.

Sameer Bharadwaj

Thank you, Tasso.

Operator

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

Mario Simplicio

Hi, Orbia team. Thank you for taking my question. I have one question, first one on the Connectivity Solutions business. We have seen some sequential recovery in margins, now close to the 20% level. What do you think is the normalized margin in the business unit? How do you see the path to achieve this more normalized level of EBITDA margins? And then my second question is...

Sameer Bharadwaj

Yes, go ahead.

Mario Simplicio

Perfect. Thanks. So on the second -- my second question is regarding the investments on the Fluor & Energy storage materials in the U.S. Can you just please provide an update on that?

Sameer Bharadwaj

Very good. So speaking about Connectivity Solutions margins, we have modelled the supply-demand curves for the Telco segments, data center markets and power markets over the next several years. And as we are seeing the demand recover, there has been increased supply in the last couple of years and that's the result why margins have been compressed.

Having said that, in Q2 we are at 17% EBITDA margins in the Connectivity Solutions business and long-term stable margins for this business are in the 20% in order of magnitude of 20% would be a good margin for this business going forward, with the competitive dynamic going forward. And we expect continued increase in demand through '26 and '27 and as the supply demand balance closes, we would expect an improvement in the margins as that happens, okay.

In the Fluor & Energy Materials business, great question about our battery materials projects. We remain committed to the extraordinary opportunity that lies ahead of us in energy storage over the next decade. And keep in mind, this is broader than just EVs. There's a massive requirement for upgrading of the power grid for artificial intelligence and will require significant amount of grid level energy storage, not just for renewable energy, but also to stabilize the grid as these data centers consume a lot of energy.

And if you look at -- and there's a lot of noise out there around EV adoption and the removal of subsidies, etcetera. Our belief is that eventually market forces will determine the right adoption pace for EVs. So even though that might be slower than anticipated, overall energy storage growth is still expected to be robust by the end of the decade in the order of magnitude of 3 terawatt hours.

And in that context, we are -- we continue to work on developing both of our projects, both the LiPF6 project and the PVDF project. We are currently working on the engineering to optimize the capital. We still have the DOE grant. So there is no concerns about the DOE grant as of now for the LiPF6 project. And we also have significant incentives from the state of Louisiana as well as the 45X tax credit.

And as we complete the preliminary work on engineering, we will take this to our Board for approval in the second half of this year. And we'll keep you posted on the developments as we go along. The PVDF project, as we have said earlier is going to be behind by a year or 2 and that is driven by the pace of investment that is needed to meet market requirements. And we'll keep you updated if there's any news on that front to report.

What I can say is we are in active conversations with customers for delivery contracts, supply contracts towards the end of the decade for LiPF6. And there is a clear driver from the customers to domesticate the supply chain. As you might have seen, the U.S. government has imposed a 93% anti-dumping duty on graphite coming from China. And similar duties are expected on other battery materials.

And we fall within the critical materials definition of the United States in all the fluorinated battery materials are critical materials for national security. And so if you can get past the noise in the market and think harder about energy storage in the broader context, this is still an incredible

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opportunity for us. And we -- but we will be very deliberate in our choice when we choose to go ahead with the investment.

Mario Simplicio

That's super clear. Thank you.

Operator

The next question comes from Pablo Ricalde of Itau. Please go ahead.

Pablo Ricalde

Hi, good morning.

Sameer Bharadwaj

Hi.

Pablo Ricalde

I have a very quick question on your tax. I know you explained part of the increase on the tax report on the P&L was because of FX movements throughout the quarter. But I don't know if you can provide more details on how should we think on your tax payments for the second half of 2025? That's it.

Jim Kelly

Sure. So, obviously, it's a very unusual tax results for the quarter. I'm sure everyone has noted that. But there's a significant portion of the tax charge that you saw for the quarter that's related to, what I would call, unusual items. So, if you take a combination of the impact of the appreciation of the Mexican peso, inflation impacts in Mexico, and then also some impacts related to some intercompany dividends that were paid, about \$125 million of the tax charge that you see in the quarter is related to those. So it's a significant descriptor of the impact of tax in the quarter.

So, it's also important, I think, to note, if you look at the cash flow statement that cash taxes were only about \$40 million. So while we had a significant tax charge in the P&L that is not a cash tax. Cash taxes were more like \$40 million. And then we also noted in our forecast or outlook for the year that you should think of a normalized tax rate of somewhere in the range of something like 27% to 32% for -- on an ongoing normalized basis, excluding all of these sorts of factors that I just talked about.

Now if you think about the remainder of the year, particularly, I think, your question was specifically around cash tax. So keep in mind that we tend to pay a lot of our cash taxes more in the first half of the year than in the second half of the year. So I would say the expectation at this point in time would be that the second half of the year cash taxes would be considerably lower, I would say, than they were in the first half of the year. And that is a normal seasonality. If you were to look at our actual tax on a cash basis in prior years, you would see a similar phenomenon. I hope that helps.

Pablo Ricalde

No. No. Yes. That helps a lot. Thanks.

Jim Kelly

You're welcome.

Conclusion

Operator

This concludes our question-and-answer session. I'd like to turn the call back over to Sameer for any closing remarks.

Sameer Bharadwaj

Thank you, Andrea. We are relatively stable at the bottom of the cycle and through our actions have created significant operating leverage to increase earnings when the markets recover. We also take performance and accountability very seriously. And in that context, we have mentioned that we have made a few changes at the Board level and the management level over the past few years in the spirit of continuing to drive performance and accountability. Three of our Board members have retired, and we have added a new independent Board member who brings a lot of experience to the table and will bring in a fresh perspective.

We have talked about the significant management change that we had implemented in the Building & Infrastructure business. And subsequent to that, we now have a new leader in the Building & Infrastructure business, and the entire management team there has been overhauled.

In addition, with the departure of Peter Hajdu, the leader of the Connectivity Solutions business, Gautam Nivarthi has taken on added responsibility for that business, bringing incredible hands on leadership and an intense new focus to drive a recovery and growth in that business. And there are many other changes we have implemented across the Board once again to drive performance and accountability.

As we had said earlier, we are seeing early signs of improvement in certain parts of our businesses and are hopeful that these trends will continue. Thank you for participating in the call and I look forward to speaking with you again in October.

Operator

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