

Orbia Announces Third Quarter 2021 Financial Results

Mexico City, October 27, 2021 – Orbia Advance Corporation, S.A.B. de C.V. (BMV: ORBIA*) (“the Company” or “Orbia”) today released unaudited results for the third quarter of 2021.

Q3 2021 Financial Highlights

(All metrics are compared to Q3 2020 unless otherwise noted)

Orbia delivered outstanding results for the third quarter. Polymer Solutions in particular benefited from robust demand and limited global supply of PVC. Wavin, Dura-Line and Netafim also contributed strong top-line performance, although EBITDA for Dura-Line and Netafim was impacted by continued increases in raw materials and logistics costs.

- Net revenues of \$2.3 billion increased 40%, with higher sales across all five business groups
- EBITDA of \$532 million increased 47% and EBITDA margin expanded 118 basis points to 23.3%, driven by enhanced profitability in Polymer Solutions
- Net majority income of \$197 million increased 167%
- Free cash flow was \$90 million
- Leverage ratio (Net Debt to EBITDA) decreased to 1.48x
- 2021 EBITDA growth guidance raised to 44% to 48% above prior year

“First, I would like to thank our team for their incredible dedication to delivering value for our customers and shareholders around the world,” said Sameer Bharadwaj, CEO of Orbia. “As we keep up our momentum and begin returning to sites and offices when deemed safe, we are positioned to benefit from investments in additional capacity, our ongoing focus on operational excellence and synergies across our businesses. Executing our strategy will drive long-term revenue and EBITDA expansion in a recovering global market.”

Bharadwaj continued, “This quarter, we continued to experience strong demand across our five business groups. Our operational efficiency and relentless focus on execution resulted in revenue growth and margin expansion of over 100 basis points. We were able to reduce our net debt and return cash to shareholders through dividends and share repurchases. Given strong fundamentals across our businesses, we were able to continue to invest in growth initiatives. We continue to prioritize investments in geographic expansion, selective bolt-on acquisitions and moves into new products, services and solutions connected to our core businesses. We did this while maintaining our commitment to sustainability by continuing to reduce our carbon footprint, use water more efficiently and reduce waste to landfill on our journey to advance life around the world.”

Q3 2021 Consolidated Financial Information¹

(All metrics are compared to Q3 2020 unless otherwise noted)

mm US\$	Third Quarter		
	2021	2020	%Var.
Financial Highlights			
Net sales	2,287	1,639	40%
SG&A	273	243	12%
Operating income	388	222	75%
EBITDA	532	362	47%
EBITDA margin	23.3%	22.1%	118 bps
Financial cost	71	59	21%
EBT	319	163	96%
Income tax	93	57	63%
Consolidated net income (loss)	226	103	119%
Net majority income	197	74	167%
Cash generation	185	193	-4%
CapEx	(73)	(43)	69%
Free cash flow	90	127	-29%
Net debt	2,847	2,935	-3%

Net revenue of \$2,287 million increased 40%, driven by strengthened Polymer Solutions and Wavin results, while Dura-Line and Netafim benefited from increased market demand in North America and Europe.

Cost of goods sold of \$1,626 million increased 39%, primarily due to increased raw material costs, and to a lesser extent, higher labor and freight costs across all business groups.

¹ Unless noted otherwise, all figures in this release are derived from the Interim Consolidated Financial Statements of the Company as of September 30, 2021, and are prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting" of the International Financial Reporting Standards (IFRS), which have been published in the Bolsa Mexicana de Valores (BMV). See Notes and Definitions at the end of this release for further explanation of terms used [herein](#).

SG&A of \$273 million increased 12%, primarily due to higher incentive compensation. SG&A as a percentage of sales decreased 291 basis points to 11.9%.

EBITDA of \$532 million increased 47%, mainly driven by Polymer Solutions and Wavin. EBITDA margin was 23.3%, up 118 basis points, despite cost increases in Koura, Dura-Line and Netafim, most notably in raw materials and freight costs.

Financial costs of \$71 million increased 21%, driven by one-time charges associated with the early retirement of outstanding debt as well as FX losses related to the Mexican Peso and Brazilian Real, as compared to FX gains in the comparable period in 2020.

Taxes of \$93 million increased from \$57 million as a result of significantly higher profits and the geographic mix of earnings. The effective tax rate for the quarter was 29.0%.

Net income to majority shareholders was \$197 million, an increase of 167%, mainly driven by the strong profitability noted above.

Free cash flow of \$90 million, reflecting strong EBITDA performance partly offset by increased working capital of \$184 million, reflecting robust business activity, increased selling prices, higher raw materials costs in our inventories and a reduction in accounts payable.

Net debt of \$2,847 million, was comprised of total debt of \$3,502 million, less cash and cash equivalents of \$655 million. The leverage ratio decreased from 1.56x to 1.48x during the quarter.

Q3 2021 Revenues by Region

(All metrics are compared to Q3 2020 unless otherwise noted)

Third Quarter				
Region	2021	2020	% Var. Prev Year	% Revenue
Europe	765	555	38%	33%
North America	784	518	52%	34%
South America	532	351	52%	23%
Asia	138	165	-16%	6%
Africa and others	68	51	33%	3%
Total	2,287	1,639	40%	100%

Q3 2021 Financial Performance by Business Group

(All metrics are compared to Q3 2020 unless otherwise noted)

Netafim (Precision Agriculture, 12% of Revenues)

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

mm US\$	Third Quarter		
	2021	2020	%Var.
Netafim			
Total sales	272	223	22%
Operating income	9	17	-46%
EBITDA	33	40	-16%

Revenue of \$272 million increased 22% year-over-year, driven by robust market demand particularly in the U.S., Europe, Africa, Brazil and Turkey, offsetting continued market weakness in India due to COVID-19. Our recently acquired greenhouse business, Gakon Horticultural Projects, contributed to top-line growth, consistent with last quarter's performance.

EBITDA of \$33 million decreased 16% and EBITDA margin of 12.3% decreased 555 basis points, primarily due to continued increases in raw material and transportation costs not yet fully reflected in selling prices.

Dura-Line (Data Communications, 12% of Revenues)

Dura-Line annually produces more than 400 million meters of essential and innovative infrastructure – conduit, cable-in-conduit and HDPE products for cable, fiber optics and natural gas pressurized piping and solutions that create physical pathways for fiber and other network technologies to connect cities, homes and people worldwide.

mm US\$	Third Quarter		
	2021	2020	%Var.
Dura-Line			
Total sales	273	193	42%
Operating income	25	47	-46%
EBITDA	33	55	-40%

Revenue of \$273 million increased 42% year-over-year, driven by higher prices following input cost increases, continued strong market demand, enhanced sales coverage and growth in higher value-added products and new fiber deployment projects.

EBITDA of \$33 million decreased 40% and EBITDA margin of 12.2% decreased 1,632 basis points, primarily due to continued increases in raw material and transportation costs and labor shortages in North America and Europe. Dura-Line also experienced margin compression associated with extended lead times and shipment delays. These results contrast with the extraordinary EBITDA margin levels Dura-Line experienced in Q2 and Q3 of 2020 due to historically low raw material costs.

Wavin (Building & Infrastructure, 33% of Revenues)

Wavin is redefining today's pipes and fittings industry by creating solutions that last longer and require less labor to install. Benefiting from PVC supply chain integration with the Polymer Solutions businesses and serving customers in three continents, Wavin is also developing sustainable technologies around water management and indoor climate systems for the development of the livable, lovable and resilient cities of the future.

mm US\$	Third Quarter		
	2021	2020	%Var.
Wavin			
Total sales	753	568	32%
Operating income	72	64	13%
EBITDA	106	95	12%

Revenue of \$753 million increased 32% year-over-year, mainly driven by higher prices. This reflects a return to a more normalized market environment later in the quarter, following a period of logistical disruptions and product shortages.

EBITDA of \$106 million increased 12%, as price increases more than offset rising input costs. EBITDA margin of 14.1% decreased 265 basis points, primarily due to the impact of higher revenues and a less favorable product mix.

Koura (Fluorinated Solutions, 7% of Revenues)

Koura provides fluorine and downstream products that support modern living in a vast number of ways. Koura operates the world's largest fluorspar mine and produces intermediates, refrigerants and propellants used in automotive, infrastructure, semiconductor, health, medicine, climate control, food cold chain, energy storage, computing and telecommunications applications.

mm US\$	Third Quarter		
	2021	2020	%Var.
Koura			
Total sales	171	167	3%
Operating income	40	49	-20%
EBITDA	52	63	-16%

Revenue of \$171 million increased 3% year-over-year, driven by strong pricing, partially offset by lower sales volumes, primarily in acid grade fluorspar due to weak demand in China.

EBITDA of \$52 million decreased 16% and EBITDA margin of 30.6% decreased 697 basis points, primarily due to lower acid grade fluorspar volumes, rising raw material and transportation costs and investments to support the growth of the business. In addition, EBITDA included a one-time unfavorable impact of \$3 million associated with hurricane Ida.

Polymer Solutions (Vestolit & Alphagary, 37% of Revenues)

The Polymer Solutions businesses focus on PVC general and specialty resins and zero-halogen specialty compounds with a wide variety of applications in solutions that undergird everyday life. Vestolit and Alphagary supply Orbia's downstream businesses and global customers seeking applications in pipes, cables, flooring, auto parts, household appliances, clothing, packaging and medical devices.

mm US\$	Third Quarter		
	2021	2020	%Var.
Polymer Solutions			
Total sales*	909	544	67%
Operating income	240	56	326%
EBITDA	303	119	155%

*Intercompany sales were \$63 million and \$45 million in 3Q21 and 3Q20, respectively.

Revenue of \$909 million increased 67% year-over-year, driven by higher PVC prices resulting from the global supply-demand imbalance as well as robust demand in the construction industry. The supply-demand imbalance in the quarter was exacerbated by adverse weather conditions in the U.S. Gulf region and in Europe. Sales performance in key markets exceeded pre-pandemic levels, complemented by increased compounds prices and included the contribution of Shakun Polymers, in which Alphagary acquired a majority ownership interest in Q2.

EBITDA of \$303 million increased 155% and EBITDA margin of 33.4% increased 1,154 basis points, primarily due to historically high PVC prices and expanded volumes.

Balance Sheet, Liquidity and Capital Allocation

Orbia continued to strengthen its balance sheet, generating free cash flow of \$90 million, and reducing its leverage ratio to 1.48x. Working capital increased by \$184 million, reflecting higher selling prices, higher inventory costs and lower accounts payable. Capital expenditures of \$73 million increased 69% year-over-year.

Orbia completed the retirement of the remainder of its \$750 million in senior notes maturing in 2022. The Company has extended its average debt maturity from 12.6 to 14.2 years while reducing its average cost of debt from 4.6% to 4.2%. Consequently, Orbia's next material debt maturity has been extended to 2026.

Orbia completed \$37 million in share buybacks and paid an aggregate of \$100 million as the second and third installments of the dividend approved at the Annual Shareholders Meeting held on March 30, 2021.

Pursuant to the approval granted by its shareholders, the Company has taken all necessary steps to cancel 90 million of its shares held in treasury, and the Mexican securities authority is expected to complete the administrative process to update the Company's share count in due course.

2021 Revised Outlook

Orbia now expects EBITDA growth for the full year of 2021 to be in the range of 44% to 48% above 2020 EBITDA. This revised guidance reflects the strong performance observed in the first nine months of 2021, mainly in Polymer Solutions, and expected continued, but gradually slowing, momentum during the remainder of 2021. Capital expenditures for the year are expected to be in the range of \$300 to \$350 million.

Looking forward, the Company's management is confident that the continued execution of Orbia's strategic plans driven by organic growth and selective acquisitions will generate sustainable and profitable growth. This revised outlook assumes no pandemic-related or other material disruptions to Orbia's businesses.

Conference Call Details

Orbia will host a conference call to discuss Q3 2021 results on October 28, 2021, at 10:00 am Central Time (CT; Mexico City)/11:00 am Eastern Time (ET; New York). To access the call, please dial 001-855-817-7630 (Mexico), 1-888-339-0721 (United States) or 1-412-317-5247 (International).

Participants may pre-register for the conference call [here](#).

The live webcast can be accessed [here](#).

A recording of the webcast will be posted several hours after the call is completed on Orbia's [website](#).

For all company news, please visit [Orbia's newsroom](#).

Consolidated Income Statement

USD in millions	Third Quarter			January - September		
	2021	2020	%	2021	2020	%
Income Statement						
Net sales	2,287	1,639	40%	6,444	4,677	38%
Cost of sales	1,626	1,174	39%	4,494	3,430	31%
Gross profit	661	465	42%	1,950	1,247	56%
SG&A	273	243	12%	846	727	16%
Operating income (loss)	388	222	75%	1,104	520	112%
Financial Costs	71	59	21%	211	208	1%
Equity in income of associated entity	(2)	0	N/A	(2)	(1)	155%
Income (loss) from continuing operations before income tax	319	163	96%	895	313	186%
Income tax	93	57	63%	273	82	233%
Income (loss) from continuing operations	226	106	113%	622	231	169%
Discontinued operations	(0)	(3)	-99%	(0)	(8)	-97%
Consolidated net income (loss)	226	103	119%	622	223	179%
Minority stockholders	29	29	-1%	90	94	-4%
Majority Net income (loss)	197	74	167%	531	129	312%
EBITDA	532	362	47%	1,543	935	65%

Note: During 2021 the Company performed a reclassification of criteria from SG&A to cost of goods sold in relation to Direct Storage & Dispatch for approximately \$20 million, \$15 million and \$21 million for Q1 20, Q2 20 and Q3 20 respectively, to fully align criteria among all segments.

Consolidated Balance Sheet

Balance sheet	USD in millions		
	Sep 2021	Dec 2020	Sep 2020
Total assets	10,466	10,211	10,444
Current assets	3,633	3,156	3,425
Cash and temporary investments	655	875	1,245
Receivables	1,543	1,093	1,155
Inventories	1,192	861	784
Others current assets	244	326	242
Non current assets	6,832	7,055	7,019
Property, plant and equipment, Net	3,060	3,186	3,175
Right of use Fixed Assets, Net	283	323	322
Intangible assets and Goodwill	3,152	3,225	3,206
Long term assets	338	320	316
Total liabilities	7,124	7,032	7,367
Current liabilities	2,583	2,588	2,393
Current portion of long-term debt	213	495	459
Suppliers	1,426	1,326	1,151
Short-term leasings	77	82	81
Other current liabilities	867	684	703
Non current liabilities	4,541	4,444	4,974
Long-term debt	3,289	3,131	3,721
Long-term employee benefits	271	274	231
Long-Term deferred tax liabilities	327	314	322
Long-term leasings	224	263	248
Other long-term liabilities	430	463	452
Consolidated shareholders' equity	3,342	3,180	3,077
Minority shareholders' equity	679	687	693
Majority shareholders' equity	2,663	2,493	2,384
Total liabilities & shareholders' equity	10,466	10,211	10,444

Operating Cash Flow

mm US\$	Third Quarter			January - September		
	2021	2020	%Var.	2021	2020	% Var.
EBITDA	532	362	47%	1,543	935	65%
Taxes paid, net	(73)	(70)	5%	(193)	(178)	8%
Net interest / Bank commissions	(85)	(78)	9%	(220)	(182)	21%
Change in trade working capital	(184)	(65)	183%	(570)	(58)	883%
Others (Other assets - provisions, Net)	20	60	-66%	11	38	-71%
CTA and FX	(25)	(16)	56%	(38)	(73)	-48%
Cash generation	185	193	-4%	533	481	11%
CapEx	(73)	(43)	69%	(189)	(158)	20%
Leasing payments	(22)	(23)	-4%	(74)	(74)	0%
Free cash flow	90	127	-29%	269	249	8%
<i>FCF conversion (%)</i>	<i>16.9%</i>	<i>35.2%</i>		<i>17.4%</i>	<i>26.6%</i>	
Dividends to Shareholders	(100)	(45)	122%	(150)	(185)	-19%
Buy-back shares program	(37)	-		(69)	(42)	64%
New debt (paid)	(295)	(31)	850%	(137)	775	N/A
Minority interest payments	(46)	(37)	25%	(104)	(115)	-10%
Mergers & Acquisitions	-	-		(37)	-	
Financial instruments and others	(16)	(7)	124%	7	(23)	N/A
Net change in cash	(404)	7	N/A	(220)	658	N/A
Initial cash balance	1,059	1,238	-14%	875	586	49%
Cash balance	655	1,245	-47%	655	1,245	-47%

Notes and Definitions

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

Reflective of Orbia’s continuous efforts to better inform the market and become a more customer-centric organization, beginning in Q1 2020, the Company is presenting the revenues, operating incomes and EBITDAs of each of its five businesses as follows: Netafim (Precision Agriculture), Dura-Line (Data Communications), Wavin (Building & Infrastructure) – all of which previously were combined and presented as “Fluent” for reporting purposes only – Koura (Fluorinated Solutions) and Vestolit & Alphagary (Polymer Solutions).

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

About Orbia

Orbia is a community of companies united by a shared purpose: to advance life around the world. The Orbia companies have a collective focus on ensuring food security, reducing water scarcity, connecting communities to data infrastructure, reinventing the future of cities and homes and expanding access to health and wellness with basic and advanced materials. Orbia operates in the Precision Agriculture, Data Communications, Building and Infrastructure, Fluorinated Solutions and Polymer Solutions sectors. The Company has commercial activities in more than 110 countries and operations in over 50, with global headquarters in Mexico City, Boston, Amsterdam and Tel Aviv. To learn more, please visit orbia.com.

Prospective Information

In addition to historical information, this press release contains “forward-looking” statements that reflect management’s expectations for the future. The words “anticipate,” “believe,” “expect,” “hope,” “have the intention of,” “might,” “plan,” “should” and similar expressions generally indicate comments on expectations. The 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, economic factors, 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) and available on our website at <https://www.orbia.com/investor-relations/financial-reports/annual-reports-and-filings/>. The forward-looking statements included herein represent Orbia’s views as of the date of this press release. Orbia undertakes no obligation to revise or update publicly any forward-looking statement for any reason unless required by law.”

Orbia has implemented a Code of Ethics that helps define our obligations to and relationships with our employees, clients, suppliers, and others. Orbia’s Code of Ethics is available for consulting in the following link: http://www.Orbia.com/Codigo_de_etica.html. Additionally, according to the terms contained in the Mexican Securities Exchange Act No 42, the Orbia Audit Committee has established a “hotline” system permitting any person who is aware of a failure to adhere to applicable operational and accounting records guidelines, internal controls or the Code of Ethics, whether by the Company itself or any of its controlled subsidiaries, to file a complaint (including anonymously). This system is operated by an independent third-party service provider. The system may be accessed via telephone in Mexico, at <http://www.ethic-line.com/Orbia> or via e-mailing Orbia@ethic-line.com. Orbia’s Audit Committee has oversight responsibility for ensuring that all such complaints are appropriately investigated and resolved.