



## Orbia Announces Third Quarter 2020 Financial Results

Mexico City, October 28, 2020 – Orbia Advance Corporation, S.A.B. de C.V. (BMV: ORBIA\*) (“the Company” or “Orbia”) today released unaudited results for the third quarter of 2020.

### Q3 2020 Financial Highlights

*(All metrics are compared to Q3 2019 unless otherwise noted)*

- Net revenues of \$1.6 billion decreased 6% due to lower sales in the Koura and Vestolit segments; sequentially, net revenues increased 16% driven by strong recovery in Wavin and Vestolit
- EBITDA of \$362 million decreased 5%; sequentially, EBITDA increased 38% reflecting a strong recovery in sales for Wavin and Vestolit
- EBITDA margin of 22.1% increased 29 basis points as a result of enhanced profitability at Wavin, Dura-Line and Netafim; EBITDA margin improved 340 basis points sequentially supported by strong performance in Wavin and Vestolit
- Consolidated net income of \$103 million decreased 4%
- Cash generation of \$193 million with strong free cash flow of \$127 million

“Despite difficult economic conditions worldwide, Orbia’s strong performance demonstrated resiliency in its diversified portfolio by delivering the highest profitability and free cash flow levels of the year, as well as a significant sequential improvement. I am immensely proud of and grateful to our teams across our businesses for maintaining a relentless focus on operational excellence and delivering results exceeding our internal expectations during these extraordinary times. As the challenges related to the COVID pandemic continue to evolve, we remain focused on the health and safety of our people and have positioned Orbia to adapt with precision and speed to the changing environment,” said Daniel Martinez-Valle, CEO of Orbia.

“We are successfully navigating the current global landscape with agility, ensuring business continuity, delivering strong results as we execute our Play-to-Win strategy and doubling down on our efforts to advance life around the world,” added Martinez-Valle.

### Business Continuity Update

As the Company’s global task force continues to monitor the progress of the pandemic, Orbia’s phased return-to-work protocols adopted at the beginning of the third quarter were successful. The Company has ensured strong operational execution while prioritizing the health and safety of all employees through strict adherence to protocols in all locations. Globally, Orbia’s teams are increasingly utilizing digital tools to collaborate and work efficiently, both within the organization and with customers.

The Company’s facilities have remained operational, adapting to the new hybrid way of working and have not experienced any supply chain disruptions. The current level of capacity utilization in the majority of Orbia’s plants is optimal after rebounding from trough levels during the second quarter.

## Q3 2020 Financial Overview<sup>1</sup>

mm US\$	Third quarter		
	2020	2019	%Var.
<b>Financial Highlights</b>			
Net Revenue	1,639	1,747	-6%
Operating Income	222	245	-9%
EBITDA	362	381	-5%
EBITDA Margin	22.1%	21.8%	29 bps
EBT	163	165	-1%
Income (loss) from Continuing Operations	106	107	-1%
Consolidated Net Income (loss)	103	107	-4%
Net Majority Income	74	76	-3%
Cash Generation	193	262	-26%
CapEx	(43)	(73)	-41%
Free Cash Flow	127	151	-16%
Cash Balance	1,245	593	110%

## Q3 2020 Consolidated Financial Information

(All metrics are compared to Q3 2019 unless otherwise noted)

Region	Third Quarter 2020			
	2020	2019	% Var. Y/Y	% Revenues
Europe	555	586	-5%	34%
North America	518	550	-6%	32%
South America	351	380	-8%	21%
Asia	165	172	-4%	10%
Africa y others	51	59	-14%	3%
<b>Total</b>	<b>1,639</b>	<b>1,747</b>	<b>-6%</b>	<b>100%</b>

**Net revenues** totaled \$1.6 billion, down \$108 million, or 6%, mainly driven by lower sales in the Koura and Vestolit businesses, reflecting lower economic activity and lower prices. Sequentially, net revenues were up 16% reflecting improving demand, particularly in Wavin (both Europe and LatAm regions) and higher sales at Vestolit amid global favorable pricing conditions in the PVC business reflecting volume recovery from restocking and revamping of the industry to higher operating rate levels.

<sup>1</sup> Unless noted otherwise, all figures in this release are derived from the Interim Consolidated Financial Statements of the Company as of September 30, 2020 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.](#)

**EBITDA** was \$362 million, down 5%, amid reduced business activity in Koura driving lower prices and volumes in fluorspar and in Vestolit reflecting lower PVC prices on top of a tough comparison base from last year's strong performance across both segments. However, EBITDA margin of 22.1% reflects a 29 basis point increase, mainly driven by margin expansion at Dura-Line, Netafim and Wavin. Sequentially, EBITDA was up 38%, reflecting the strong recovery for Wavin and Vestolit as well as broad-based margin expansion.

**Financial costs** were \$59 million, down \$21 million or 26%. The decrease was mainly due to a positive impact of a lower interest rate environment and also on positive FX gains in the quarter due to one-off transactions, compared to an FX loss in Q3 2019 driven then by the depreciation of the Argentinean Peso, Brazilian Real, among others.

**Net Income to majority shareholders** was \$74 million, down 3%. Earnings per share<sup>3</sup> (EPS) was \$0.037. On a sequential basis, net income increased by \$64 million.

## Financial Performance by Business Group

(All metrics are compared to Q3 2019 unless otherwise noted)

### Netafim (Precision Agriculture, 14% of Revenues)

*The Precision Agriculture group helps the world grow more with less. Netafim's leading-edge irrigation systems, services and digital farming technologies enable growers 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 enabling farmers worldwide to feed the planet more efficiently and sustainably.*

mm US\$	Third quarter		
	2020	2019	%Var.
<b>Netafim</b>			
Total Revenues	223	226	-1%
Operating Income	17	9	89%
EBITDA	40	32	25%

Netafim posted net revenues of \$223 million, down 1%, despite a strong performance in the U.S., China, Europe, and Australia. This was offset by the timing of certain projects in LatAm and Central Asia that were not present this quarter, tough market conditions in Peru and a negative FX impact primarily in Brazil.

EBITDA for Netafim was \$40 million, up 25%. EBITDA margin was 17.8%, an increase of 383 basis points due to better sales mix and pricing, lower raw material costs and lower operating expenses.

<sup>2</sup> Earnings per share is calculated excluding the shares that Orbia has in its share buyback program. As of September 30, 2020, we had 2,016,795,733 shares outstanding.

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

Dura-Line believes that every organization, every community and every person around the world deserves a chance to make the most of modern technology. The Company produces more than 400 million meters of essential and innovative infrastructure – conduit, FuturePath, cable-in-conduit, and accessories annually which create the physical pathways for fiber and other network technologies that connect cities, homes and people. Dura-Line is the leading global manufacturer and distributor in a highly dynamic industry.

mm US\$	Third quarter		
	2020	2019	%Var.
<b>Dura-Line</b>			
Total Revenues	193	196	-2%
Operating Income	47	34	38%
EBITDA	55	42	31%

Dura-Line posted net revenues of \$193 million, down 2%. The decline was mainly driven by lower order volume in Europe, Middle East, Africa and LatAm due to continued COVID-related business disruptions. However, the decline was partially offset by higher sales in the U.S.

EBITDA was \$55 million, up 31%. EBITDA margin was 28.5%, an increase of 678 basis points, primarily driven by a favorable mix shift towards higher value-added products, including greater penetration in Microducts mainly in the US, lower raw material costs and lower operating expenses.

### Wavin (Building & Infrastructure, 35% of Revenues)

The Building and Infrastructure group is redefining today's pipes and fittings industry by creating innovative solutions that last longer and require less labor to install. Serving customers in five continents, this group is also developing sustainable technologies around water management, and Indoor Climate Systems.

mm US\$	Third quarter		
	2020	2019	%Var.
<b>Wavin</b>			
Total Revenues	568	563	1%
Operating Income	64	42	52%
EBITDA	95	74	28%

Wavin posted net revenues of \$568 million, up 1% reflecting a strong performance amidst a very challenging market environment. The increase was primarily attributable to demand recovery in Europe as a result of higher sales volume in Germany, the Nordics, France, among others; and to a lesser extent in LatAm from stronger sales in Ecuador and Mexico. Sequentially, net revenues increased by 39% reflecting a strong recovery in Wavin's main markets from very a low activity in Q2 2019.

EBITDA was \$95 million, up 28%, driven by a stronger performance in Europe reflecting lower raw material costs, better segment/product and country mix, as well as benefits from continued cost control measures. In addition, LatAm experienced increased demand on high margin products. As a result of the above, EBITDA margin expanded by 363 basis points from 13.1% in Q3 2019. EBITDA for the quarter includes one-time charge of \$7.1 million associated with restructuring activities in Wavin. Sequentially, EBITDA increased 249% and EBITDA margin of 6.7% expanded 1,008 basis points to 16.7% driven by an overall top-line recovery, as well as a continued better mix of products towards above ground high-margin segment and lower raw material costs.

### **Koura (Fluor, 10% of Revenues)**

*The Fluor group provides fluorine-based products, technologies and other material applications that support modern living in a vast number of ways. With the world's largest fluorine mine and robust materials science expertise, this group produces value-added chemicals and propellants that serve a wide array of customer applications including automotive, infrastructure, health and medicine, HVAC climate control and the food cold-chain.*

mm US\$	Third quarter		
	2020	2019	%Var.
<b>Koura</b>			
Total Revenue	167	210	-20%
Operating Income	49	74	-34%
EBITDA	63	88	-28%

Koura posted net revenues of \$167 million, down 20%, partly due to a stronger-than-normal Q3 in 2019. COVID-19 had a more pronounced impact on fluorine markets in Q3 than we experienced in Q2, including lower prices across the value chain. Additionally, the European market remains challenged by the illegal import of refrigerant gases.

Koura's EBITDA was \$63 million, a reduction of 28% versus 2019. EBITDA margin was 37.5% a decrease of 440 basis points versus Q3 2019, driven primarily by product mix despite cost management efforts.

### **Vestolit (Polymer Solutions, 33% of Revenues)**

*The Polymer Solutions group is as adaptable and dynamic as the materials it produces. It focuses on PVC general and specialty resins and PVC and Zero-halogen specialty compounds with a wide variety of applications in solutions that undergird everyday life, including pipes, cables, flooring, auto parts, household appliances, clothing, packaging and medical devices.*

mm US\$	Third quarter		
	2020	2019	% Var.
<b>Vestolit</b>			
<b>Volume (K tons)</b>	669	670	0%
<b>Total revenues*</b>	544	602	-10%
<b>Operating income</b>	56	86	-35%
<b>EBITDA</b>	119	145	-18%

\*Intercompany revenues were \$45 million and \$32 million in 3Q20 and 3Q19, respectively. As of September 2020 and 2019 they were \$108 million and \$107 million, respectively.

Vestolit posted net revenues of \$544 million, down 10%. The resins business was pressured by lower average PVC prices on an annual basis. However, PVC prices increased significantly sequentially driven by global demand recovery and several extraordinary events, including weather-related, that impacted supply that led net revenues to increase by 28%. This strong price increase on PVC, in recent months, comes after experiencing a historic ten-year low last May.

EBITDA for Vestolit was \$119 million, down 18%. The adverse pricing environment was partially offset by high operating rates in our facilities, as well as our low-cost structure positioning that enabled us to maintain market competitiveness. EBITDA margin was 21.8% reflecting a decrease of 224 basis points. Sequentially, EBITDA increased 87% reflecting strong recovery in PVC prices while EBITDA margin increased by 690 basis points.

## Balance Sheet, Liquidity and Capital Allocation

Orbia maintains a very strong balance sheet with operating cash and free cash flow of \$193 million and \$127 million, respectively. In September, the Company established a Commercial Paper Program in the UK and sold notes for £300 million directly funded by the Bank of England under the Covid Corporate Financing Facility (CCFF) program with a maturity date of May 18, 2021 with an annual equivalent cost in USD of 0.74%. Based on the strong financial performance during the quarter, Orbia repaid \$400 million of its \$1 billion revolving credit facility.

As of September 30, 2020, Orbia's Net Debt was \$2.9 billion, comprising total debt of \$4.0 billion plus cash and cash equivalents of \$1.2 billion. Orbia's Net Debt-to-EBITDA ratio was 2.39x, while the Company's interest coverage ratio was 5.81x. The Company's target leverage ratio remains ~2.0x, consistent with its historic average.

The Company continues to prioritize critical maintenance projects while focusing on key strategic projects that will position the business for sustainable growth in the future. The reduction in capex during the quarter was 41% compared to the same period last year. This capex reduction was mainly due to the slowdown of certain projects and new project start delays to preserve cash as part of our COVID-19 response plans. Given demand recovery across many markets and strong cash generation, we reinitiated several strategic projects that will be deployed during 2021.

## **2020 Business Outlook**

Orbia remains confident in its mid- and long-term strategy as well as in its ability to adapt to market conditions based on the resiliency of its businesses and the quick recovery shown this quarter. However, given continued uncertainty around the potential impact of a second wave of COVID-19, the Company will not be reinstating annual guidance.

## **Conference Call Details**

Orbia will host a conference call to discuss Q3 2020 results on October 29, 2020 at 10:00 am Central Time (CT; Mexico City)/12:00 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		
	2020	2019	%	2020	2019	%
<b>Income Statement</b>						
Net Revenues	1,639	1,747	-6%	4,677	5,351	-13%
Cost of Sales	1,153	1,232	-6%	3,373	3,853	-12%
<b>Gross Profit</b>	<b>486</b>	<b>515</b>	<b>-6%</b>	<b>1,304</b>	<b>1,498</b>	<b>-13%</b>
Operating Expenses	264	270	-2%	784	830	-6%
<b>Operating Income (loss)</b>	<b>222</b>	<b>245</b>	<b>-9%</b>	<b>520</b>	<b>668</b>	<b>-22%</b>
Financial Costs	59	80	-26%	208	231	-10%
Equity in Income of Associated Entity	0	0		(1)	(4)	-75%
<b>Income (loss) from Continuing Operations before Income Tax</b>	<b>163</b>	<b>165</b>	<b>-1%</b>	<b>313</b>	<b>441</b>	<b>-29%</b>
Income Tax	57	58	-2%	82	144	-43%
<b>Income (loss) from Continuing Operations</b>	<b>106</b>	<b>107</b>	<b>-1%</b>	<b>231</b>	<b>297</b>	<b>-22%</b>
Discontinued Operations	(3)	(0)		(8)	(1)	700%
<b>Consolidated Net Income (loss)</b>	<b>103</b>	<b>107</b>	<b>-4%</b>	<b>223</b>	<b>297</b>	<b>-25%</b>
Minority Stockholders	29	30	-3%	94	88	7%
<b>Majority Net Income (loss)</b>	<b>74</b>	<b>76</b>	<b>-3%</b>	<b>129</b>	<b>208</b>	<b>-38%</b>
<b>EBITDA</b>	<b>362</b>	<b>381</b>	<b>-5%</b>	<b>935</b>	<b>1,071</b>	<b>-13%</b>

## Business Group First Nine Months 2020

Cumulative	Sales			EBITDA			EBITDA Margin		
	mm US\$	9M20	9M19	%Var.	9M20	9M19	%Var.	9M20	9M19
Vestolit	1,554	1,785	-13%	304	358	-15%	19.5%	20.1%	(53)
Koura	516	618	-17%	196	249	-21%	38.0%	40.3%	(233)
Wavin	1,490	1,717	-13%	173	218	-21%	11.6%	12.7%	(106)
Dura-Line	556	587	-5%	139	115	21%	25.1%	19.6%	545
Netafim	702	794	-12%	128	131	-2%	18.3%	16.5%	184
Eliminations/ Holding	(141)	(151)	-7%	(6)	-		4.1%	0.0%	414
<b>Orbia Consolidated</b>	<b>4,677</b>	<b>5,351</b>	<b>-13%</b>	<b>935</b>	<b>1,071</b>	<b>-13%</b>	<b>20.0%</b>	<b>20.0%</b>	<b>(3)</b>



## Consolidated Balance Sheet

Balance sheet	USD in millions	
	2020	2019
<b>Total assets</b>	<b>10,444</b>	<b>10,057</b>
<b>Current assets</b>	<b>3,425</b>	<b>2,852</b>
Cash and temporary investments	1,245	586
Receivables	1,155	1,158
Inventories	784	834
Others current assets	242	274
<b>Non current assets</b>	<b>7,019</b>	<b>7,205</b>
Property, plant and equipment, Net	3,175	3,349
Right of use Fixed Assets, Net	322	337
Intangible assets and Goodwill	3,206	3,257
Long term assets	316	262
<b>Total liabilities</b>	<b>7,367</b>	<b>6,963</b>
<b>Current liabilities</b>	<b>2,393</b>	<b>2,577</b>
Current portion of long-term debt	459	322
Suppliers	1,151	1,264
Short-term leasings	81	78
Other current liabilities	703	913
<b>Non current liabilities</b>	<b>4,974</b>	<b>4,386</b>
Long-term debt	3,721	3,129
Long-term employee benefits	231	229
Long-Term deferred tax liabilities	322	335
Long-term leasings	248	267
Other long-term liabilities	452	426
<b>Consolidated shareholders' equity</b>	<b>3,077</b>	<b>3,094</b>
Minority shareholders' equity	693	719
<b>Majority shareholders' equity</b>	<b>2,384</b>	<b>2,375</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>10,444</b>	<b>10,057</b>

## Operating Cash Flow

Cash flow	Third quarter			January - September		
	2020	2019	%Var.	2020	2019	% Var.
mm US\$						
EBITDA	362	381	-5.0%	935	1,071	-12.7%
Taxes paid, net	(70)	(59)	18.6%	(178)	(181)	-1.7%
Net interest / Bank commissions	(78)	(90)	-13.3%	(182)	(233)	-21.9%
Change in trade working capital	(65)	48	N/A	(58)	(232)	-75.0%
Others (Other assets - provisions, Net)	60	(15)	N/A	38	34	11.8%
CTA and FX	(16)	(3)	433.3%	(73)	(5)	1360.0%
Cash generation	193	262	-26.3%	481	454	5.9%
CapEx	(43)	(73)	-41.1%	(158)	(190)	-16.8%
Leasing payments	(23)	(39)	-41.0%	(74)	(72)	2.8%
Free cash flow	127	151	-15.9%	249	192	29.7%
FCF conversion (%)	35.2%	39.5%		26.6%	17.9%	
Dividends to Shareholders	(45)	(59)	-23.7%	(185)	(159)	16.4%
Buy-back shares program	-	(42)	-100.0%	(42)	(40)	5.0%
New debt (paid)	(31)	(7)	342.9%	775	2	38650.0%
Minority interest payments	(37)	(41)	-9.8%	(115)	(110)	4.5%
Swaps, net	(7)	-		(23)	8	N/A
Net change in cash	7	2	250.0%	658	(106)	N/A
Initial cash balance	1,238	591	109.5%	586	700	-16.3%
Cash balance	1,245	593	109.9%	1,245	594	109.6%

## Notes and Definitions

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

Since Q1 2019, Business Group EBITDAs are being reported inclusive of corporate charges; comparable prior year figures have been adjusted accordingly.

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: Wavin (Building & Infrastructure), Dura-Line (Data Communications), Netafim (Precision Agriculture)—all of which previously were presented as Fluent (for reporting purposes only)—Vestolit (Polymer Solutions) and Koura (Fluor).

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, reinventing the future of cities and homes, connecting communities to data infrastructure and expanding access to health and wellness with advanced materials. Orbia operates in the Precision Agriculture, Building and Infrastructure, Fluor, Polymer Solutions and Data Communications 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](http://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, 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 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](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](mailto:Orbia@ethic-line.com). Orbia’s Audit Committee has oversight responsibility for ensuring that all such complaints are appropriately investigated and resolved.