



Orbia

Q3 2020 Earnings Call

October 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."

Q3 2020 Highlights

Daniel Martínez-Valle, CEO

Delivering Value as We Celebrate the 1-Year Anniversary of “Orbia”

- 01** Executing with agility, delivering solid year-over-year financial results and strong sequential performance despite the significant challenges caused by the pandemic
- 02** Laser-focused on operational excellence and customer-centricity, driving process improvements with clear performance frameworks throughout the organization and getting closer to our customers
- 03** Investing for growth and allocating capital strategically across targeted regions; moving up the value chain by providing higher-margin, value-added solutions and services



Q3 Financial Highlights: Solid YoY Results with Strong Sequential Growth and Margin Performance

REVENUE

Better-than-expected top-line

\$1.6 Billion

Down 6%, reflecting softness in demand primarily in Vestolit and Koura; up 16% sequentially

EBITDA

Strong EBITDA performance

\$362 Million

Down 5%, due to lower price environment in Vestolit and subdued business activity in Koura's markets; up 38% sequentially

EBITDA MARGIN

YoY and sequential margin expansion

22.1%

Up 29 bps as a result of higher margins at Dura-Line, Netafim and Wavin; up 340 bps sequentially

FREE CASH FLOW

Sequentially robust Cash Flow growth

\$127 Million

Reflecting a strong free cash flow conversion rate of 35%

Continuing to Reopen Business While Remaining Vigilant Around the Health & Safety of Employees and Customers

Adapting quickly and prepared to take necessary actions to safeguard our teams while continuing to serve our customers and capture new market opportunities

Global task force monitoring activities daily; ensuring employee safety, adherence to protocols across every business



Our People

- Some employees safely returning to offices as certain lockdown measures put in place during the second quarter were partially lifted
- Teams working remotely around the globe, utilizing digital learning and training as applicable



Our Operations

- Our people, sites, and facilities continue to operate normally with no supply chain interruptions
- Increased frequency of contact with our suppliers and customers, so we can continue to respond to their needs

Making Significant Progress On Our Transformation Journey - Highlighting Three Key Areas this Quarter

HUMAN-CENTERED INNOVATION

In Progress

- Pivoting from current traditional, R&D-driven innovation approach to a human-centric approach
- Establishing cross-organization teams to work more directly with our customers

Focus Areas

- Consistently develop breakthrough innovations
- Generate product and software solutions that result in a growing installed base where we can layer on services

Orbia Ventures

- Closed first venture capital transaction by investing in SeeTree, a leading player in the ag tech space with a focus on tree farming

OPERATIONAL EXCELLENCE

Procurement

- Developing a best-in-class procurement organization, optimizing key processes and categories

Footprint Optimization

- Established a team of operations leaders for each business group to identify opportunities to drive asset efficiency across global manufacturing and warehouse facilities

Working Capital Management

- Renegotiating payment terms, strengthening our collections cycle and optimizing inventory levels

SUSTAINABILITY

Environment

- Commitment to achieving zero waste to landfill by 2025 and becoming Net Carbon Positive by 2050
- Started assessing our suppliers, through EcoVadis

Social

- Partnership with Tent for Refugees, UNICEF, Doctors without Borders to assisting the world's population of refugees; and providing clean water and sanitation, among others

Governance

- Strengthen and diversify Board skills and experience to achieve our strategic goals

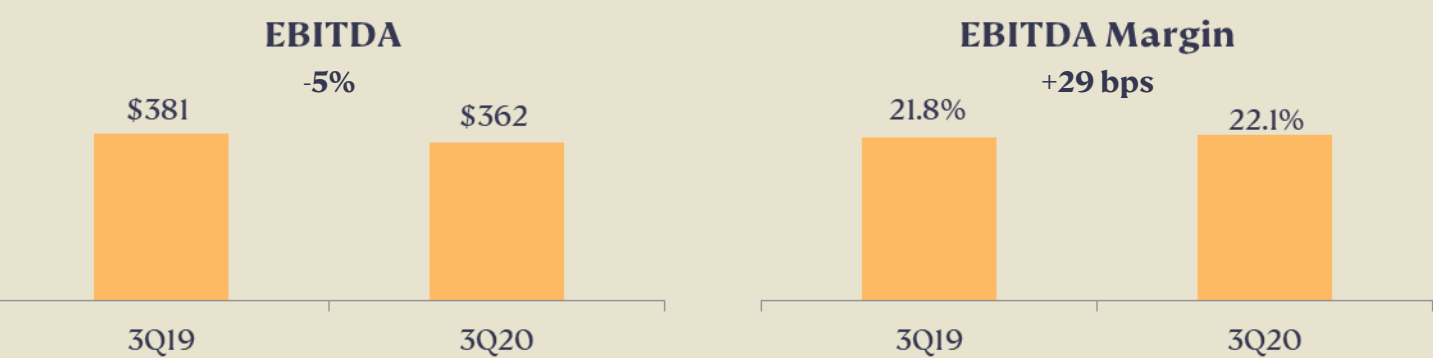
Q3 2020 Financial Results

Edgardo Carlos, CFO

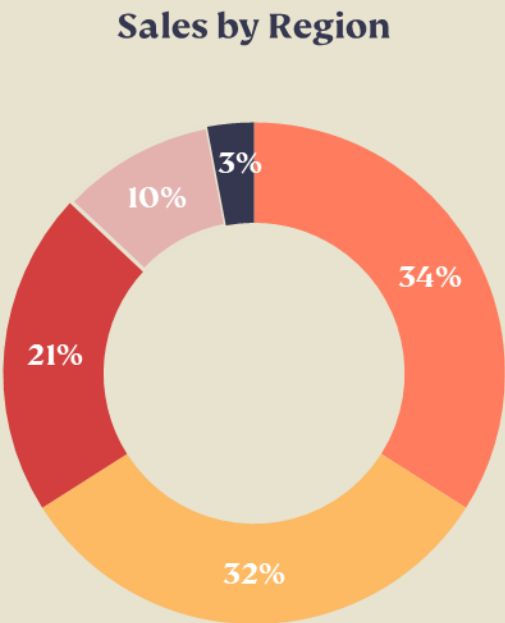
Q3 Consolidated Financial Performance (\$M)



Net revenue decreased due to lower sales in Koura and Vestolit; sequentially, up 16%, reflecting improving demand, particularly in Wavin (Europe and LatAm regions) and higher sales at Vestolit due to favorable pricing and better supply and demand dynamics in the PVC industry



EBITDA decreased in spite of extraordinary performance of Netafim, Dura-Line and Wavin due to lower pricing environment in Vestolit as well as subdued business activity in Koura's markets; sequentially, up 38%, reflecting strong recovery in demand for both Wavin and Vestolit

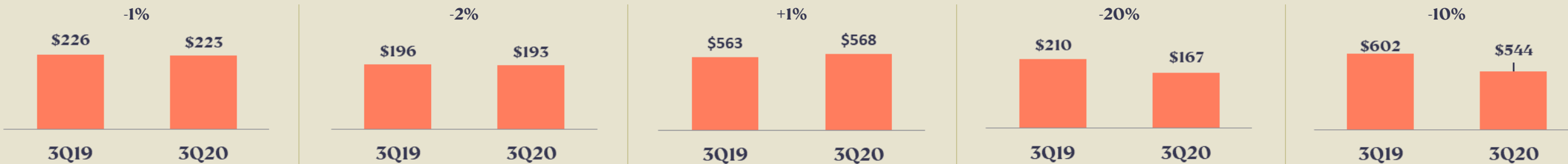


- Europe
- South America
- Africa & Others
- North America
- Asia

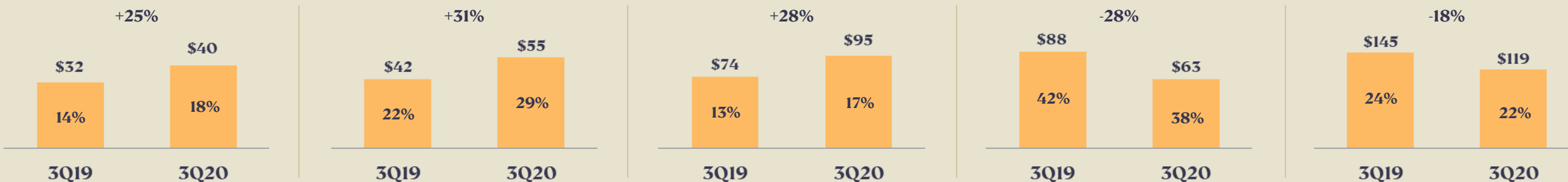
Q3 Business Group Financial Results (\$M)



Net Revenues



EBITDA & Margin



- Strong demand in U.S., China, and Australia partially offset by timing of certain projects in 2019 and continued Covid impact in LatAm
- Increased sales in the U.S. of higher value microtechnology products offset by lower order volume in Europe and LatAm due to continued COVID-related business disruptions
- Strong demand recovery in Europe, specifically higher sales volume in Germany, the Nordics and France, as well as LatAm
- COVID-19 had a more pronounced impact on fluorine markets this quarter and certain shipments were delayed to the following
- In spite of the strong recovery in volume and prices this quarter, sales were down primarily due to lower average PVC pricing

Strong Financial Position

Balance Sheet (\$M, 9/30/2020)

| | |
|--------------------------|---------------|
| Cash / Cash Equivalents | 1,245 |
| Accounts Receivable | 1,155 |
| Inventory | 784 |
| Total Assets | 10,444 |
| Accounts Payable | 1,151 |
| Total Debt | 4,179 |
| Total Liabilities | 7,367 |
| Working Capital | 771 |

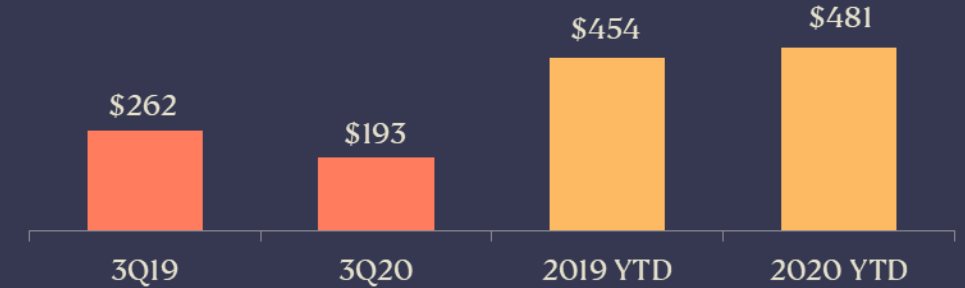
Debt Profile (\$M, 9/30/2020)

| | |
|---------------------------|--------------|
| Gross Debt | 4,179 |
| Less Cash | 1,245 |
| Net Debt | 2,935 |
| Gross Debt to EBITDA | 3.39x |
| Net Debt to EBITDA | 2.39x |

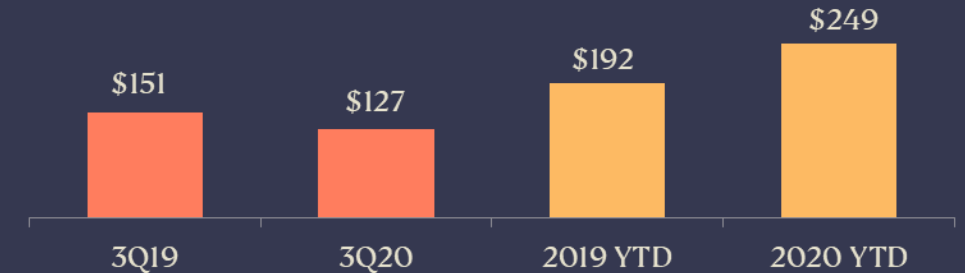
Highlights

- **Strong** financial position and **flexible** balance sheet
- **Repaid \$400M** of our \$1B revolving credit facility, while reducing cost of financing
- **Maintaining appropriate debt profile** with lowered weighted average cost of debt to 4.1% from 4.9% in December 2019; target leverage ratio of ~2.0x

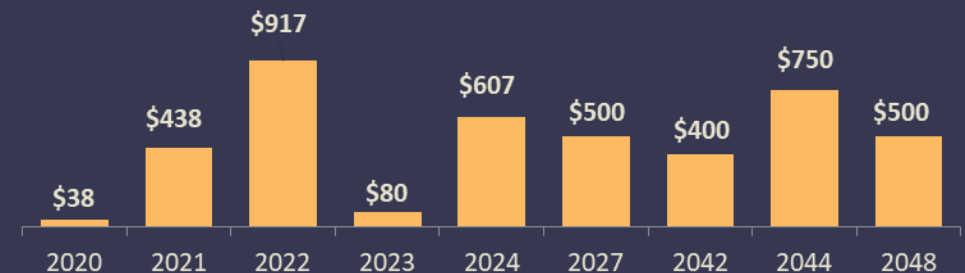
Cash Generation (\$M)



Free Cash Flow (\$M)



Debt Maturity Schedule (\$M)



Closing Remarks

Daniel Martínez-Valle, CEO

Closing Remarks

01

Successfully operating our businesses, executing our Play-to-Win strategy and positioning Orbia for future growth and long-term value delivery

02

While delivering on our commitment to people and the planet, we are keenly focused on profitability

03

Focusing on specific sights on achieving above-market organic growth, strong margin performance and expansion over time, robust free cash flow generation and double-digit return on invested capital

Appendix

P&L

| USD in millions | Third Quarter | | | January - September | | |
|---|---------------|------------|------------|---------------------|--------------|-------------|
| Income Statement | 2020 | 2019 | % | 2020 | 2019 | % |
| 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% |
| Gross Profit | 486 | 515 | -6% | 1,304 | 1,498 | -13% |
| Operating Expenses | 264 | 270 | -2% | 784 | 830 | -6% |
| Operating Income (loss) | 222 | 245 | -9% | 520 | 668 | -22% |
| Financial Costs | 59 | 80 | -26% | 208 | 231 | -10% |
| Equity in Income of Associated Entity | 0 | 0 | | (1) | (4) | -75% |
| Income (loss) from Continuing Operations before Income Tax | 163 | 165 | -1% | 313 | 441 | -29% |
| Income Tax | 57 | 58 | -2% | 82 | 144 | -43% |
| Income (loss) from Continuing Operations | 106 | 107 | -1% | 231 | 297 | -22% |
| Discontinued Operations | (3) | (0) | | (8) | (1) | 700% |
| Consolidated Net Income (loss) | 103 | 107 | -4% | 223 | 297 | -25% |
| Minority Stockholders | 29 | 30 | -3% | 94 | 88 | 7% |
| Majority Net Income (loss) | 74 | 76 | -3% | 129 | 208 | -38% |
| EBITDA | 362 | 381 | -5% | 935 | 1,071 | -13% |

Balance Sheet

| | USD in millions | |
|---|-----------------|---------------|
| Balance sheet | 2020 | 2019 |
| Total assets | 10,444 | 10,057 |
| Current assets | 3,425 | 2,852 |
| Cash and temporary investments | 1,245 | 586 |
| Receivables | 1,155 | 1,158 |
| Inventories | 784 | 834 |
| Others current assets | 242 | 274 |
| Non current assets | 7,019 | 7,205 |
| 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 |
| Total liabilities | 7,367 | 6,963 |
| Current liabilities | 2,393 | 2,577 |
| Current portion of long-term debt | 459 | 322 |
| Suppliers | 1,151 | 1,264 |
| Short-term leasings | 81 | 78 |
| Other current liabilities | 703 | 913 |
| Non current liabilities | 4,974 | 4,386 |
| 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 |
| Consolidated shareholders' equity | 3,077 | 3,094 |
| Minority shareholders' equity | 693 | 719 |
| Majority shareholders' equity | 2,384 | 2,375 |
| Total liabilities & shareholders' equity | 10,444 | 10,057 |

Cash Flow Statement

| Cash Flow | Third quarter | | | January - September | | |
|---|---------------|-------|---------|---------------------|-------|----------|
| | 2020 | 2019 | %Var. | 2020 | 2019 | % Var. |
| 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% |

