Orbia

Fourth Quarter and Full Year 2024 Earnings Results Conference Call

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CORPORATE PARTICIPANTS

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Jim Kelly – *Chief Financial Officer*

Diego Echave – *VP of Investor Relations*

PRESENTATION

Operator
Good morning and welcome to Orbia's Fourth Quarter and Full Year 2024 Earnings Conference Call. As we turn to slide one, all participants will be in a 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 touchtone phone. And to withdraw your question, please press star and then two. Please note that this event is being recorded. I will now turn the conference over to Diego Echave, Orbia's Vice President of Investor Relations. Please go ahead, sir.

Diego Echave
Thank you, operator. Good morning and welcome to Orbia's fourth quarter and full year 2024 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. I would like to take the opportunity to thank all our employees for their commitment to building a resilient business that will continue to create value for our shareholders over the long term and to bring innovative solutions to our customers. Moving on to slide three, I will share a high-level overview of our fourth quarter and full year 2024 performance. For the full year, revenues of $7.5 billion decreased 9%, and EBITDA of approximately $1.1 billion decreased 25% compared to the previous year. Full year EBITDA included one-time charges of approximately 92 million related to one-time legal and restructuring costs.

Excluding these one-time charges, full year adjusted EBITDA was $1.19 billion. Overall, our performance during the year included lower revenues across all business groups affected by a continuation of higher interest rates combined with other political and economic factors across the globe that have had a direct impact on construction and infrastructure activity levels. This ongoing sluggish and uncertain economic environment has resulted in challenging conditions in most of our markets, negatively impacting demand for our products and creating a generally weaker pricing environment.

Despite these challenges, exiting 2024, we feel we have reached the bottom of the cycle and are keenly watching for signs of improvement while positioning the business for recovery. In our October call, we outlined and updated our plans to further strengthen Orbia's financial position while continuing to invest in the company's significant long-term growth opportunities. These efforts include the execution of the company's cost optimization program, driving results from recently completed growth investments, and improving balance sheet efficiency through tighter CapEx, non-core asset disposals, and working capital management. We remain committed to the targets that we shared and are making progress on delivering on them. With these, we will continue to strengthen our balance sheet, reduce leverage, and enable funding of focused growth opportunities. I will now turn the call over to Jim to go over our financial performance in further detail before we address our outlook for the year.

Jim Kelly
Thank you, Sameer. Good morning, everyone. I'll start by discussing our overall fourth quarter results. Turning to slide four, on a consolidated basis, net revenues of $1.8 billion increased 0.5% year-over-year as we saw higher revenues in Precision Agriculture as a result of better results in Brazil, India, and Israel, and higher volumes in Polymer Solutions due to the impact of last year's results from the planned plant turnaround in our joint venture with Oxy. These were mostly offset by lower revenues in the Connectivity Solutions, Building & Infrastructure and Fluor & Energy Materials segments, which I'll describe more fully in the business section of my comments. EBITDA of $222 million for the quarter decreased 2% year-over-year, primarily driven by lower results from our Fluor & Energy Materials, Connectivity Solutions, and Building & Infrastructure segments and one-time legal and restructuring cost of $51 million. This was partially offset by higher profitability in Precision Agriculture. Adjusted EBITDA of $273 million increased by 21% compared to last year.

Operating cash flow of $282 million decreased by $46 million, or 14%, compared to the prior year quarter, mainly due to negative currency fluctuations and the one-time charges, which were partially offset by lower cash taxes paid and effective working capital management. The operating cash flow conversion rate for the quarter was 127%. Free cash flow in the quarter was $124 million, an increase of $8 million year-over-year, driven by the tight management of capital expenditures. During the quarter, Orbia paid a total of $40 million as the fourth installment of the ordinary dividend approved at the Annual Shareholders Meeting held on April 9, 2024.

Turning now to slide five, I'll review our full year results for 2024. On a consolidated basis, net revenues were $7.5 billion, down 9% year-over-year, with lower sales across all segments. Primary drivers of the decrease included lower volumes and prices and an unfavorable mix in connectivity solutions, challenging market conditions in Europe and Latin America and Building & Infrastructure, lower volumes in Fluor & Energy Materials, and lower derivative volumes and prices in Polymer Solutions.

EBITDA of $1.1 billion decreased 25% year-over-year with an EBITDA margin of 14.6%, a decrease of over 300 basis points. These decreases were due to the revenue driving factors that I just highlighted as well as the one-time legal and restructuring charges for the year of $92 million. These results were partially offset by higher profitability in Precision Agriculture. During the year, we achieved a benefit of approximately $108 million as part of our ongoing cost reduction initiatives. Excluding one-time items related to legal and restructuring charges, adjusted EBITDA was $1.19 billion for the full year, representing a 19% decrease and an adjusted EBITDA margin of 15.8% for the year.

Operating cash flow and free cash flow were $519 million and negative $64 million respectively, reflecting the lower EBITDA, the negative impact of currency fluctuations, and one-time charges, partially offset by lower taxes paid, favorable working capital, and lower capital expenditures. The EBITDA to operating cash flow conversion rate for the full year was 47%. The decrease from the prior year was largely due to the unfavorable impact of foreign exchange as well as the impact of flat interest costs year-on-year on lower EBITDA levels.

Capital expenditures of $477 million declined by approximately 27% compared to the prior year, driven by tight controls over both maintenance and growth spending. Maintenance capital accounted for $289 million of total capital spending for the year. For the full year, we returned $160 million in cash dividend payouts to our shareholders.

Net debt of $3.617 billion included total debt of $4.626 billion, less cash of $1.009 billion. The net debt-to-EBITDA ratio was 3.30x at the end of the year, which decreased from 3.36x at the end of the prior quarter due to an increase in gross debt that was more than offset by a higher cash balance. The ratio increased by 0.95x compared to 2.35x at the prior year-end due to a decrease in the last 12 months running EBITDA and an increase in net debt of approximately $187 million, with lower total debt more than offset by lower cash balances year-over-year. On an adjusted basis, the net debt-to-EBITDA ratio at the end of 2024 was 3.04x. Our effective tax rate for the full year was negative 132% and a decrease from 68% in the prior year. This was largely driven by the depreciation of the Mexican peso against the U.S. dollar, partly offset by inflation in Mexico and recording of valuation allowances against deferred tax attributes. Adjusted for these items, our normalized tax rate for the year was approximately 36%.

Turning to slide six, I'll go through our performance by business group. In Polymer Solutions, fourth quarter revenues were $593 million, an increase of 3% year-over-year, driven by higher resin volumes as a result of the impact of the planned ethylene plant turnaround in the prior year quarter results. This was partially offset by lower derivative volumes and prices in Latin America.

Fourth quarter EBITDA was $73 million, an increase of 56% year-over-year, with EBITDA margin of 12.3%, driven by higher resin volumes and lower raw material and fixed costs. For the year, Polymer Solutions had revenues of $2.5 billion, a 6% decline, primarily driven by lower resin prices and derivative volumes and prices, partly offset by higher resin volumes. Full year EBITDA declined 7% versus the prior year to $356 million, driven primarily by lower revenues and one-time restructuring expenses, partly offset by cost savings initiatives. EBITDA margin was 14.1%, roughly consistent with the prior year's performance. Excluding one-time legal and restructuring costs, adjusted EBITDA was $83 million in the quarter and $378 million for the full year, representing an increase of 77% and a decrease of 1% respectively. Adjusted EBITDA margin was 14% for the quarter and 14.9% for the year.

In Building & Infrastructure, fourth quarter revenues were $578 million, a decline of 3% year-over-year, driven by lower volumes in Latin America, primarily in Mexico, Central America, and Asia, partially offset by a slight improvement in Northern Europe. Fourth quarter EBITDA was $53 million, a decrease of 10% year-over-year, with an EBITDA margin of 9.2%. The decline was driven primarily by lower volumes and unfavorable product mix and a one-time legal and restructuring expense, partly offset by the benefit of cost reduction initiatives.

For the year, Building & Infrastructure revenues were $2.5 billion, a decline of 7%. The decrease in revenues was primarily driven by lower volumes in Europe, mainly in Germany and France as well as weak demand in Latin America. Full year EBITDA of $274 million decreased 3% due to lower volumes and prices and one-time legal and restructuring expenses, partly offset by the benefit of cost reduction initiatives. EBITDA margin for the full year was 11%, modestly lower than the year ago period. Excluding one-time legal and restructuring costs, adjusted EBITDA was $65 million in the quarter and $291 million for the full year, representing an increase of 11% and 3% respectively. Adjusted EBITDA margin was 11.3% for the quarter and 11.7% for the year.

Moving on to Precision Agriculture, fourth quarter revenues were $266 million, an increase of 6%, primarily driven by Brazil, India, and Israel, partly offset by Turkey. Fourth quarter EBITDA was $33 million, an increase of $3 million year-over-year, with an EBITDA margin of 12.5%. The increase in EBITDA was largely driven by higher revenue and cost-saving initiatives. For the year, Precision Agriculture reported revenue of $1 billion, a decrease of 2%, driven by weaker demand in the U.S. and Turkey, partially offset by higher sales in China, Israel, Brazil, Africa, and in the Middle East. Full year EBITDA increased by 6% to $125 million, driven primarily by cost saving efforts and improved operational efficiencies, partly offset by lower revenues. Excluding one-time legal and restructuring costs, adjusted EBITDA was $36 million in the quarter and $133 million for the full year, representing an increase of 20% and 13% respectively. Adjusted EBITDA margin was 13.6% for the quarter and 12.8% for the year.

In Fluor & Energy Materials, fourth quarter revenues were $221 million, a decrease of 2%. The year-over-year decline was due to lower minerals and refrigerant volumes. Fourth quarter EBITDA was $33 million, a decrease of 53% year-over-year, due to a reduction in volumes and the impact of one-time legal expenses. EBITDA margin was 14.8%. For the full year, Fluor & Energy Materials revenues were $862 million, a decrease of 6%, driven by lower refrigerant volumes due to the quota phase down in both the U.S. and Europe. EBITDA for the full year decreased 34% to $234 million, and EBITDA margin was 27.1%. The full year decrease in EBITDA was primarily driven by lower revenues in refrigerant gases, one-time legal expenses, and higher raw material costs, partly offset by cost control measures. Excluding one-time legal and restructuring costs, adjusted EBITDA was $66 million in the quarter and $270 million for the full year, representing a decrease of 6% and 24% respectively. Adjusted EBITDA margin was 29.7% for the quarter and 31.3% for the year.

Finally, in Connectivity Solutions, fourth quarter revenues were $171 million, a decline of 9%. This was driven by lower prices and an unfavorable mix, partially offset by increased volumes. Fourth quarter EBITDA decreased 61% to $13 million with an EBITDA margin of 7.8%. This decline was driven by lower prices, partly offset by the benefits from cost control measures. For the year, Connectivity Solutions revenues were $839 million, a decrease of 25% due to lower prices and an unfavorable mix. For the full year, EBITDA of $108 million decreased 67%, and EBITDA margin was 12.9%, primarily driven by lower volumes and prices and an unfavorable mix, partly offset by benefits from cost controls. Excluding one-time legal and restructuring costs, adjusted EBITDA was $16 million in the quarter and $117 million for the full year, representing a decrease of 52% and 64% respectively. Adjusted EBITDA margin was 9.5% for the quarter and 14% for the year. I will now turn the call back to Sameer.

Sameer Bharadwaj
Thank you, Jim. On slide seven, I will discuss our outlook for 2025. Consistent with the information shared in our latest business update held in October 2024, the last year has been challenging due to weak demand in the building and construction, infrastructure, and agriculture markets. Persistent elevated interest rates and low crop prices have delayed the expected recovery, and the deployment of U.S. government infrastructure funds has been slower than anticipated, impacting Connectivity Solutions results. Despite the weak environment, the company has continued to maintain or improve its market positions across its businesses and remains confident on the medium and long-term drivers of each of its businesses.

Our 2025 outlook assumes limited to no recovery in market demand. We remain confident in the long-term fundamentals of the businesses and are well positioned for market recovery. Meanwhile, we will continue to execute on our initiatives to reduce leverage and enhance profitability. Key initiatives include achieving communicated cost reduction targets, realizing the benefits of organic growth investments, prioritizing and strictly controlling capital expenditures, tight management of working capital across all business units, and advancing the divestment of non-core assets. For 2025, we expect results to be in line with the target shared in our October 2024 investor update with EBITDA of approximately $1.25 billion. Capital expenditures for 2025 are expected to be lower than those shared in October at approximately $400 million with a primary focus on investments to ensure safety and operational integrity while continuing to invest in selective strategic growth projects.

Now looking ahead in each of our business segments for the year.

Beginning with Polymer Solutions, as we look ahead to 2025, we anticipate persistent challenging market dynamics to continue in 2025, driven by excess supply, especially from China and the U.S. The focus remains on realizing the benefits of previously announced footprint optimization initiatives and maintaining strict control over fixed costs, working capital, and capital investments, leading to improved profitability and cash generation.

In Building & Infrastructure, challenging market conditions are expected to continue in Europe, and moderate growth is anticipated in Latin America. We expect contributions for new product launches and emerging segments to ramp up through the year. The business will also continue to focus on realizing the benefits from cost optimization initiatives.

In Precision Agriculture, difficult market conditions are expected to remain in the U.S., Turkey, and parts of Europe, owing to low crop prices and macroeconomic conditions. Growth is anticipated from further penetration in extensive crops, primarily in Brazil, India, the U.S., and China. The business will also continue to focus on developing growth initiatives from its new digital farming system platform and from new projects while delivering benefits from operational efficiencies.

In Fluor & Energy Materials, we expect the markets in the flooring value chain to remain solid with consistent demand and stable prices. Site cost control measures will continue to support margins, and growth investments will be focused on next-generation refrigerants, medical propellants, and battery materials.

And finally, in Connectivity Solutions, we expect volumes to grow throughout the year as network investment activity returns to more normalized levels. Profitability growth will be driven by increased demand and improving mix as well as benefits from cost reductions and higher utilization of manufacturing facilities.

Consistent with our top priority to strengthen the balance sheet, the company's Board of Directors has approved and intends to recommend to its shareholders for their approval at Orbia's next Annual General Meeting of Shareholders not to declare an ordinary dividend payment for 2025.

Operator, we are ready to take questions at this time.

QUESTION AND ANSWER

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

And your first question today will come from Tasso Vasconcellos with UBS. Please go ahead.

Tasso Vasconcellos
Hi, Sameer. Hi, Jim. Thanks for taking my questions here. Can you guys hear me?

Sameer Bharadwaj
Not very well, but if you can speak up, that would be better.

Tasso Vasconcellos
Okay. Thanks for taking my questions here. I think the first one is leading to capital allocation. Historically, Orbia has been a very strong business player, right? But given the new industry dynamics, there is a clear focus here in strengthening the balance sheet and bring the works down. But despite this focus for this year in the no dividend announcement, you are about to launch this new share buyback program, which you now view if implemented at full to deliver above maybe 10% yield during a year. So, I would appreciate here an additional color on this, what is the timing for such program? And if you have a specific goal, for example, reaching a minimum level of shares in treasuries by year-end, something like that? And maybe a follow-up question here on the same topic. What are the main metrics that you will be looking at to exercise the share buyback? Is it the share price? Is it a minimum cash in balance? Is it leverage ratio? What are the main metrics that you'd be looking at? Those are my questions. Thank you.

Sameer Bharadwaj
Yes. Tasso, let me take this question first, and Jim can give you more specifics. Let me categorically state we are not engaging in a share buyback program. And Jim can explain it in more detail.

Jim Kelly
Hi. Thanks, Sameer. Yes, that is correct. And I think you described it as launching a new buyback program. This is actually a process that we've had for many years in history where we authorize the potential buyback. It does not mean any decision to buy back shares. And as Sameer just said, let me reaffirm, we have no intention of having a programmatic buyback plan this year. The one thing that we do do where you would have seen some activity in this regard in the past and this will likely continue in the future is what we call the refresh of treasury shares to maintain CUFIN, which is essentially a tax advantage that we get on dividend payments. And you have to refresh your shares every year in order to be able to maintain that benefit. So, what we do there is we sell treasury shares. And then normally, within a day, we buy back the same amount. So, that is the only activity that you should expect to see in share activities for us this year.

Sameer Bharadwaj
Yeah. And then -- and just to categorically state, our primary objective is to generate cash from operating activities and reduce our debt.

Tasso Vasconcellos
That's very clear. Thank you.

Operator
And your next question today will come from Pablo Monsivais with Barclays. Please go ahead.

Pablo Monsivais
Hi, Sameer, Diego, and Jim. Just what are your thoughts on the stance of the new U.S. administration towards energy transition and infra spending? I recall that the IRA, the chip size, and so on, were a catalyst for some of Orbia's business segment. So, what has changed now? What are your thoughts on this? Thank you.

Sameer Bharadwaj
It's a very good question, Pablo, and thanks for asking that question. I mean, clearly, there has been a lot of noise since the change of administration in terms of what their policies will be towards the energy transition. One thing is clear that the transition to EVs or the electrification of transportation, that has begun. And even though there might be a near-term slowdown while there is noise with respect to policy, long-term, it's going to be driven by market forces, and there is a positive direction in terms of market sources driving EV demand. Second, one of the biggest areas of growth now is stationary energy storage, driven not only by increasing renewable energy, but also with the growth in AI, the amount of energy required is enormous, and this is causing havoc on the grid. And energy storage is another way to manage that.

So, long-term, regardless of what we see in terms of policies from the Trump administration, energy storage markets remain robust. The projects that we are looking at, the fundamental economics -- we are competitive with anybody in the world and with or without any policy support from the government. And if there is any tariffs in the future, against, say, Chinese critical battery materials coming into the country or semiconductor materials coming into the country, they will only benefit us in addition to our baseline, okay? So -- but that's our view. Right now, we are still waiting for further clarity from the Trump administration on what's going to happen with the DoE grants. We are waiting for the new Head of DoE to take office and engage with them. And the previous administration and folks at DoE clearly understood the criticality of fluorine in securing the North American value chain for both batteries and semiconductors, and we will engage in those conversations. And we feel good about making our case that we are the only ones who can enable that security and that these projects are critical for the U.S. in the future.

Pablo Monsivais
Very clear. Thank you very much Sameer.

Sameer Bharadwaj
Thank you, Pablo.

Operator
Your next question today will come from Alejandra Obregon with Morgan Stanley. Please go ahead.

Alejandra Obregon
Hi. Good morning, Sameer, Jim, Diego. Thank you for taking my question. I wanted to ask about the restructuring. So, we noticed that Netafim is now on the Wavin umbrella, and everything else seems to be consolidated in this new operating company. So, I was just wondering if you can talk first of all about the rationale of this new structure or distribution, if I can call it like that. If there is any potential benefit that we could see from this structure or strategic view of this new separation. And of course, if there is any sort of additional one-off that we are still going to see into 2025, of course, on top of what we already saw in the fourth quarter. So, that would be my first question.

Sameer Bharadwaj
Okay. Alejandra, let me take that. So, in terms of what you see about Netafim being under the Wavin umbrella, that's purely from the point of view of a more efficient corporate structure, and -- but from an operating standpoint, there is no change. We are continuing to operate the businesses as two different business segments while optimizing for synergies across both of those segments. So, nothing has changed in terms of how we operate. Now, to address your question on restructuring and our cost optimization program across the various businesses, back in October, we had said that we are targeting close to $250 million of savings across

manufacturing and SG&A by 2027. And we had said in our October report that we were expecting about $85 million of benefits in 2024. Now, I am pleased to say that end of 2024, when we look at our scorecard, we have achieved SG&A and manufacturing cost reduction of 104 million, and we are solidly on track for our 2027 goals of $250 million per year.

And where is that coming from, we have engaged in significant optimization of our assets and footprint, particularly in the B&I business in Europe, where there is a significant reduction in our footprint of almost 40% to 45% with significant long-term benefits in terms of simplicity and cost savings. We have also closed three plants in our Polymer Solutions business, and this is all public information. We have also announced which plants are going to get consolidated in the B&I business publicly. And then finally, we have closed two plants in the connectivity solutions business. Now, all of these efforts, as you can imagine, SG&A reduction benefits come earlier, and the manufacturing footprint optimization benefits come a little bit later. And what I can tell you is we are optimizing every business and every function, okay? So, there have been significant reductions in the people function. We have restructured the legal function to better serve the needs of the business. We are taking a hard look at the IT function. But this is across the board, and we feel pretty good about achieving our target savings by 2027.

Alejandra Obregon
Got it. That's very clear, Sameer. And if I can have space for an additional question on the petchem [sp] division. Sameer, you mentioned a very still cautious outlook but perhaps thinking of an up cycle soon. So, what are sort of the levers that you would be looking to think of a sustained upward trend? Is it on the supply side like some downsizing of supply? Is it the Asian property market? Is it tariffs? Like, any color here on what are kind of like the milestones that you are looking at to think of a sustained up cycle for the petchem division? Thank you.

Sameer Bharadwaj
Very good. So, I think the recovery in global building and construction activity is going to be one of the single largest catalysts. And there has been a slowdown in building and construction activity in all -- pretty much all markets and -- driven by the wars that we saw in Europe and the Middle East, the high interest rates, and the fact that China went through a very significant slowdown. Now, as those things turn now, specifically if China begins to recover, even though building and construction in China might have slowed down, there are still significant infrastructure projects going on. And with the stimulus programs in place, if that picks up, and we see consolidation of some of the supply in China -- because at these price levels, some of the non-integrated coal-based players in China, it will be very hard for them to survive. So, if you see that consolidation, we see demand recovery in building and construction with the end of the wars. We see a reduction in interest rates. We should see an up cycle. I mean, this has happened several times before.

And so, what we are doing right now is we are positioning ourselves as best as we can for that to happen. Now, the outlook for the year is, I would say, stable. We are not seeing in terms of analyst reports and market reports any sign of any significant up cycle happening this year. But we remain focused on what we can control. So, we are optimizing our manufacturing footprint, our costs. We are focusing on selling our products in markets where we can realize the best prices. And so, even though global -- let's say, China PVC export prices and U.S. PVC export prices are at rock bottom in the $650 to $700 per ton range, our average prices are higher than that because of the markets we participate in, okay? And so, we are well positioned to ride through this down cycle. And when the up cycle comes, we are well positioned for that recovery, as well.

Alejandra Obregon
Thank you. That was very clear.

Operator
Your next question today will come from Hernán Kisluk with Metlife. Please go ahead.

Hernán Kisluk
Hello. Good morning and thank you for taking my questions. The first one is on your deleveraging measures, particularly on the program to divest some non-core assets, if you could comment on the progress you are making there. And the second one would be on your EBITDA guidance for 2025. So, I would like to understand what is the general view in economic growth and what you already said on PVC margins. But generally speaking, I would like to understand if there is some optimism or pessimism in the view of the drivers for the business for 2025 that underpin this guidance.

Sameer Bharadwaj
Okay. Look, let me take your question on our portfolio moves. As we have said in October, we are working to optimize our businesses in the ways we have already talked about before, which is optimizing our costs, realizing benefits from the growth projects we have already invested in, divesting our non-core assets. And that -- part of that discussion involves assessing ways in which potential changes to our portfolio could help us sharpen our focus, reduce leverage, and create significant shareholder value. Consistent with that approach, we believe the time has come to carefully consider portfolio moves in a whole or in part for businesses that are not an optimal fit or would create more value under a different owner. And we are currently exploring opportunities to build a strategically focused, highly synergistic portfolio with a single-minded dedication to creating shareholder value.

Now, in terms of your question on -- I believe there is some feedback and noise if you -- the other end can go on mute, that would be helpful. In terms of your second question on outlook for the year, as I would say, it’s too early in the year to have a clear read on what’s going to happen. I mean, what we are actually seeing is stability at the bottom of the cycle. And as we look at our different market segments -- I can give you a little bit of color on each of the segments. I have already talked about the PVC business. We expect that outlook to be stable and based -- depending on the catalysts for building and construction recovery, you might see something towards the end of the year, but we don’t see that in the analyst forecast. Our Polymer Solutions Compounds business is doing quite well, driven by growth in the data center markets, the data cables, and the medical segments. Our India JV in that business is also doing very well.

In the building and construction business -- in the B&I business, we still have weakness in parts of Europe, and we expect moderate growth in Latin America during the course of the year. But in that business, we are relentlessly focused on optimizing our costs and realizing those benefits and positioning ourselves for a recovery when that happens. In our connectivity solutions business, which suffered significantly last year from a decline in spending from our Tier 1 customers, we are off to a reasonable start to the year. And we are hoping order uptick -- ordering activity to ramp up as we go through the year, and we are keenly watching for signs of improved investment activity in that business. In the Fluorine chain, the Fluor business -- the Flourine item remains tight across the world, okay, from a supply standpoint, and we are focused on maximizing the output from our mine and realizing the maximum value for all products across the value chain, right. And so, as you know, the Fluor business is going through a phase of quota reduction, and when the quota goes down, the volume goes down, and therefore, the earnings go down. But over time, pricing picks up and offsets that impact, and that takes about 12 months to 18 months, and we are living through that right now. But overall, the situation in that business from a long-term standpoint is very stable and positive from a supply-demand standpoint.

And then finally, if you look at our Precision Agriculture business, the business ended on a strong note last year. Despite weakness in the U.S. and Turkey markets, we did well in some of our other markets, specifically Brazil, Mexico, China, and India. And while we don't expect a massive recovery, particularly in the U.S. and Turkey in 2025, we expect to see positive momentum in that business. There is a lot of operating leverage in that business, and when our traditional heavy wall market comes back, we are positioned for significant upside in our Precision Agriculture business. And so, I feel good about where that business is right now. So, hopefully, that gives you a flavor for what we see from a market standpoint in each of the businesses. And like I said, it's too early in the year to see what the overall forecast is going to be. And right now, we feel we are on track with what we said in October, and we will share more information as we -- as the year goes along.

Hernán Kisluk
Thank you, Sameer. The last one very quick on my side, if I may, regarding conversation with rating agencies. Have you had more conversations earlier this year? And do they see these measures positively?

Sameer Bharadwaj
Jim, do you want to take that one?

Jim Kelly
Sure. I can address that. So, we have a very transparent relationship with the other rating agencies. We have calls with them every quarter. So, we have not had this quarter, needless to say, because they come after the results have been released. So, we will have conversations with them over the course of the next couple of weeks. The last ones we had -- and we shared more details of the October conversation that we had with this group and -- as well as some of our projections for the longer term. So, they understand the nature of our business and our expectations and the commitments that we made in October very well. And as we have done in this call, we intend to reaffirm with them in the upcoming calls that we have that we are committed to the strengthening of our balance sheet, the reduction of our leverage, and that we made good progress on that in the fourth quarter.

Hernán Kisluk
Thank you.

Operator
Your next question today will come from Nicolas Barros with Bank of America. Please go ahead.

Nicolas Barros
Hi. Good morning, all. Thanks for taking my questions. I've got basically two on working capital. So, the company reported a $243 million right of working capital release in the quarter. However, when we look at the major lines, right, so inventories, receivables, and payables, they almost offset each other on a quarterly basis. So, I was wondering from where did the release primarily come from. And secondly, I would like to hear your thoughts on working capital needs going forward, especially considering the lower volume in almost all of the business units and the challenging environment, right, so described in the release. So, does it make sense to still have some release throughout the year, or are you guys expect you need a neutral effect? Thanks.

Sameer Bharadwaj
Jim, do you want to take this?

Jim Kelly
Sure. So, we did see improvement, as you noted, in release of working capital to cash in the quarter. So, generally, what we saw is -- there was a lot of activity taking place across all three elements of receivables, inventory, and payables. Most of the decline came from the receivables area. We did have some benefits in inventories, as well, and some increases in payables. As we look forward, we do have, in my mind, still some opportunities, particularly in the inventory area. So, I would expect that we would continue to generate cash from working capital as we go through 2025. If I were to categorize which element of working capital that would come from, I would say it's most likely to come through the inventory line where we continue to optimize our processes there and also with some of the activities that Sameer has talked about in terms of rationalization of footprint, etcetera, that provides us with some opportunities to continue to optimize our working capital and inventory levels, as well. So, I have to admit, I don't understand when you say you don't see quarter-to-quarter, the numbers coming down. We actually did see the benefits. So, I am not sure what numbers you are looking at, but we are happy to address that with you offline if you would like.

Nicolas Barros
Alright. Thank you.

Jim Kelly
You're welcome.

Operator
Your next question today will come from Pablo Ricarde with Itaú. Please go ahead.

Pablo Ricarde
Hi. Good morning Orbia team. I have one question on the quota revision or the energy solutions division. I don't know if you can explain what's going on profitable dynamics. But even if we adjust for the non-recurring expenses, profitability is below 30%. So, I just want to understand how to think on the division going forward? Is it fair to assume a margin below 30 going forward?

Sameer Bharadwaj
So, Pablo, let me talk about the Fluor business in terms of how we see it today for the next two or three years, and then we will see the impact of our energy materials initiatives, right? Today, the Fluor business, even without the energy materials projects, is fundamentally an exceptionally strong business where we have the unique resource, where we have 20% of the world's reserves and output of fluorspar in a market where fluorspar demand continues to grow, driven by new applications, and supply is declining, okay? So, from that standpoint, if you look at the fluorine atom over the next decade, from a supply-demand standpoint, it puts us in a very strong position in our value chain.

Our current businesses include metallurgical fluorspar for steel and cement where we are focused on placing whatever we can secure from the mine with key customers at the highest possible value. We are also producers of asset-grade fluorspar. And we have had some operating challenges at the mine with changes in composition, which have restricted our output, and we are working hard to recover that. But that asset grade fluorspar eventually goes into hydrofluoric acid, which is the key leverage point for going into anything downstream in fluor chemicals. And so, we participate not only in acidspar. We participate in hydrofluoric acid. We participate in aluminum fluoride. And as of today, we participate in refrigerant gases and medical propellants. And given our strong position in that value chain, we are maximizing the value in the acidspar chain, in the HF chain, in the aluminum fluoride chain. And then more importantly, in refrigerants, we are going through the transition from the previous generation refrigerant to the next-generation refrigerant. And the quota step-down that happened in 2024 was to enable and facilitate the transition to the next-generation refrigerant, and we have a significant set of products that we are in the process of launching for the next-gen refrigerants that will replace the decline in revenues and profits from the previous generation refrigerant over the next couple of years.

In addition, we have already launched the next-generation medical propellant our 152a, and in 2024, we signed two very significant contracts with large customers for long-term supply of our lower global warming potential medical propellant. And these will contribute in a very significant way. Also, the change in medical quota rules in Europe, where, starting in 2025, medical, which was normally exempt, is now part of the quota and being one of the largest producers of medical propellants via the recipients of the largest volume of quota, and that has significant value. So, if you look at all of these factors, over the next two or three years, we would expect Fluor's earnings power to return to levels we have previously seen. And while we are waiting for the energy transition projects, which will begin to contribute in the 2029 plus timeframe. So, hopefully, that gives you a better sense for where we are in the Fluor business.

Pablo Ricarde
That was very clear Sameer. Thanks a lot.

Sameer Bharadwaj
Thank you, Pablo.

CONCLUSION

Operator
We will conclude our question-and-answer session. I would like to turn the conference back over to Sameer Bharadwaj for any closing remarks.

Sameer Bharadwaj
So, thank you very much for the questions on this call. I would like to reiterate that, while we are going through the cyclical downturn in some of our businesses, Orbia remains a highly resilient company. And so, even though 2024 was a challenging year, we ended the year with 15.8% EBITDA margins and -- which compares well with our peer group at the bottom of the cycle. We are doing everything we possibly can within our control to optimize our footprint, reduce our costs, reduce working capital, get -- exit non-core -- small non-core assets to generate cash. And our singular focus being that we want to reduce our debt and strengthen our balance sheet and position us for a market recovery and focus on our key growth opportunities for the future. So, I look forward to the next update in our April earnings call. Thank you very much.

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