

Orbia Announces Second Quarter 2023 Financial Results

Mexico City, July 26, 2023 – Orbia Advance Corporation, S.A.B. de C.V. (BMV: ORBIA*) (“the company” or “Orbia”) today released unaudited results for the second quarter of 2023.

Orbia experienced a challenging second quarter of the year due primarily to weak demand and pricing and slowed building and construction market activity in certain regions, most notably in Europe. These factors were partially offset by continued strong results in the Fluorinated Solutions and Connectivity Solutions businesses. EBITDA declined as compared to the strong performance achieved in the prior year quarter, despite strong margins achieved from active pricing management. Nevertheless, Orbia generated strong operating cash flow and maintained a solid balance sheet in the second quarter.

Q2 2023 Financial Highlights

(All metrics are compared to Q2 2022 unless otherwise noted)

- Net revenues of \$2.2 billion decreased 18%, driven primarily by lower sales in Polymer Solutions and Building and Infrastructure.
- EBITDA of \$444 million decreased 27%, driven by lower volumes and lower prices in certain segments, partially offset by higher profitability in Fluorinated Solutions and Connectivity Solutions.
- Free cash flow of \$30 million increased by \$41 million, driven by effective working capital management and lower taxes paid, which more than offset lower EBITDA and increases in capital expenditures.

“In line with our expectations, we have had a challenging first half of the year, driven by continued market weakness, although we have seen sequential improvement in several of our businesses as compared to the end of 2022. We remain cautious regarding the second half of the year, and we will continue to manage our costs and margins with discipline while markets settle and recover. Long-term fundamentals in all of our segments are intact. We are continuing to execute on the key elements of our organic growth plans to enable water and food security, the energy transition and information access and connectivity,” said Sameer Bharadwaj, CEO of Orbia.

Bharadwaj continued, “As usual, I would like to take this opportunity to thank the Orbia team for their ongoing commitment to achieving results and dedication to our global stakeholders. We firmly believe that we are well-positioned to capture profitable, long-term growth across the company, as we shared in our recent Investor Update.”

Q2 2023 Consolidated Financial Information¹

(All metrics are compared to Q2 2022 unless otherwise noted)

mm US\$	Second Quarter		
	2023	2022	%Var.
Financial Highlights			
Net sales	2,177	2,662	-18%
Selling, general and administrative expenses	342	306	12%
Operating income	297	467	-36%
EBITDA	444	609	-27%
EBITDA margin	20.4%	22.9%	-249 bps
Financial cost	132	71	85%
Earnings before taxes	161	396	-59%
Income tax	129	100	29%
Consolidated net income (loss)	32	296	-89%
Net majority income	8	266	-97%
Operating cash flow	217	134	62%
Capital expenditures	(162)	(109)	48%
Free cash flow	30	(11)	N/A
Net debt	3,430	3,138	9%

Net revenues of \$2,177 million decreased 18%.

The decrease in revenues for the quarter was driven by Polymer Solutions, Building and Infrastructure, Precision Agriculture and Connectivity Solutions, primarily due to a slowdown in demand from a very strong prior year period. Lower General Purpose PVC resin prices and weaker end markets were partially offset by strong pricing, particularly across the Fluorinated Solutions product portfolio.

¹Unless noted otherwise, all figures in this release are derived from the Consolidated Financial Statements of the company as of June 30, 2023 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.](#)

Cost of goods sold of \$1,541 million decreased 18%.

The decrease in cost of goods sold for the quarter was driven primarily by lower volumes as well as lower raw material and input costs.

Selling, general and administrative expenses of \$335 million increased 10%. As a percentage of sales, SG&A increased approximately 390 basis points to 15.4%.

The increase in selling, general and administrative expenses was primarily due to inflation, the strengthening of certain currencies such as the Mexican Peso, restructuring costs to streamline our operations and continued investment in executing the company's growth strategy.

EBITDA of \$444 million in the quarter decreased 27% from a very strong prior year level, while EBITDA margin decreased approximately 250 basis points to 20.4%.

The decrease in EBITDA and EBITDA margin was due to lower prices and softer demand across certain markets, particularly in Polymer Solutions, Building and Infrastructure, and Precision Agriculture. The decrease was partially offset by higher profitability in Connectivity Solutions and Fluorinated Solutions.

Financial costs of \$135 million increased 89%.

The increase in financial costs was driven primarily by foreign exchange losses due to the appreciation of the Mexican Peso and other currencies, as well as an increase in debt to support growth initiatives. These factors were partially offset by higher interest income from an increase in the cash balance and higher short-term rates received.

Taxes of \$129 million increased 29%. The effective tax rate for the quarter was 80.4%, which is an increase from 25.2% in the same period last year. The statutory tax rate for the quarter based on the regional earnings mix was 24%.

The increase in the effective tax rate was primarily due to the strengthening of the Mexican Peso against the US Dollar.

Net income to majority shareholders of \$8 million decreased 97%, largely due to the decrease in EBITDA, higher financial costs and higher income taxes.

Operating cash flow of \$217 million increased 62% while **free cash flow** of \$30 million increased by \$41 million.

The increase in operating cash flow was driven by effective working capital management and lower cash taxes paid, partially offset by lower EBITDA. The increase in free cash flow was driven by the higher operating cash flow, partially offset by higher capital expenditures.

Net debt of \$3,430 million was comprised of total debt of \$4,713 million, less cash and cash equivalents of \$1,283 million. The company's net debt-to-EBITDA ratio increased from 1.84x at the end of the first quarter to 2.14x at the end of the second quarter of 2023. This increase was driven by higher debt balances as well as a decrease in the cumulative trailing 12-month EBITDA.

Q2 2023 Revenues by Region

(All metrics are compared to Q2 2022 unless otherwise noted)

mm US\$ Region	Second Quarter			
	2023	2022	% Var. Prev Year	% Revenue
North America	858	960	-11%	39%
Europe	673	858	-22%	31%
South America	390	544	-28%	18%
Asia	196	244	-20%	9%
Africa and others	60	56	8%	3%
Total	2,177	2,662	-18%	100%

Q2 2023 Financial Performance by Business Group

(All metrics are compared to Q2 2022 unless otherwise noted)

Polymer Solutions (Vestolit and Alphagary), 30% of Revenues

Orbia's Polymer Solutions business group with Vestolit and Alphagary brands focuses on General Purpose and Specialty PVC resins (polyvinyl chloride) and PVC and zero-halogen specialty compounds with a wide variety of applications in everyday products for everyday life, from pipes and cables to household appliances to medical devices. The business group supplies Orbia's downstream businesses and a global customer base.

mm US\$	Second Quarter		
	2023	2022	%Var.
Polymer Solutions			
Total sales*	645	1,059	-39%
Operating income	38	215	-82%
EBITDA	102	279	-63%

*Intercompany sales were \$46 million and \$71 million in 2Q23 and 2Q22, respectively.

Revenues of \$645 million decreased 39% year-over-year. EBITDA of \$102 million decreased 63% and EBITDA margin decreased approximately 1,050 basis points to 15.9%

The decrease in revenues was driven primarily by lower prices in General Purpose PVC and lower volumes, reflecting softer demand and a raw material shortage due to operational issues at one of our suppliers.

EBITDA decreased year-over-year due to lower prices and volumes, as well as higher operating expenses for strategic projects, partly offset by lower raw material costs and improved results year-over-year in the derivatives business.

Building and Infrastructure (Wavin), 32% of Revenues

Orbia's Building and Infrastructure business group with the Wavin brand is redefining today's pipes and fittings industry by creating solutions that last longer and perform better, all with less installation labor required. The business group benefits from supply chain integration with the Polymer Solutions business group, a customer base spanning three continents, and investments in sustainable, resilient technologies for water and indoor climate management.

mm US\$	Second Quarter		
	2023	2022	%Var.
Building & Infrastructure			
Total sales	698	787	-11%
Operating income	42	68	-38%
EBITDA	74	99	-25%

Revenues of \$698 million decreased 11% year-over-year. EBITDA of \$74 million decreased 25% and EBITDA margin decreased approximately 190 basis points to 10.7%.

The decrease in revenues was driven by lower volumes, particularly in Europe, due to the continued challenging environment, as well as lower prices in certain Latin American and Asian markets.

EBITDA declined year-over-year primarily reflecting the decrease in volumes and prices mentioned above and one-time costs related to business optimization.

Precision Agriculture (Netafim), 13% of Revenues

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

mm US\$	Second Quarter		
	2023	2022	%Var.
Precision Agriculture			
Total sales	288	320	-10%
Operating income	15	34	-56%
EBITDA	41	59	-30%

Revenues of \$288 million decreased 10% year-over-year. EBITDA of \$41 million decreased 30% and EBITDA margin decreased approximately 410 basis points to 14.2%.

The decrease in revenues was driven by a slowdown in demand, particularly in the US, Europe and Africa, driven by weaker economic and climate conditions, partially offset by strength in China, India and Turkey.

EBITDA decreased year-over-year, reflecting lower demand, as well as the impacts from hyperinflation in Turkey and foreign exchange changes.

Connectivity Solutions (Dura-Line), 16% of Revenues

Orbia's Connectivity Solutions business group with the brand Dura-Line, produces telecommunications conduit, cable-in-conduit and other products, solutions and services that create physical pathways for fiber and other network technologies connecting cities, homes and people.

mm US\$	Second Quarter		
	2023	2022	%Var.
Connectivity Solutions			
Total sales	338	360	-6%
Operating income	100	89	11%
EBITDA	109	98	11%

Revenues of \$338 million decreased 6% year-over-year. EBITDA of \$109 million increased 11% and EBITDA margin increased approximately 500 basis points to 32.3%.

Revenues decreased year-over-year driven by somewhat lower demand, partially offset by higher prices.

EBITDA increased year-over-year driven by strong pricing combined with a stabilization of material costs.

Fluorinated Solutions (Koura), 12% of Revenues

Orbia's Fluorinated Solutions business group with the brand Koura provides fluorine and downstream products that support modern, efficient living. The business group 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\$	Second Quarter		
	2023	2022	%Var.
Fluorinated Solutions			
Total sales	263	224	18%
Operating income	102	73	41%
EBITDA	116	86	35%

Revenues of \$263 million increased 18% year-over-year. EBITDA of \$116 million increased 35% and EBITDA margin increased approximately 560 basis points to 44.2%.

Revenues increased year-over-year reflecting strong pricing across the product portfolio, combined with higher volumes, following supply disruptions during the first half of 2022.

EBITDA increased year-over-year due to strong pricing across the product portfolio, which more than offset unfavorable foreign exchange changes and investments in strategic growth initiatives.

Balance Sheet, Liquidity and Capital Allocation

Orbia continued to maintain a strong balance sheet. The net debt-to-EBITDA ratio increased from 1.84x in the first quarter to 2.14x at the end of the second quarter of 2023 due to an increase in the debt balance during the quarter and a reduction in the cumulative trailing 12-month EBITDA.

During the quarter, Orbia increased debt by approximately \$29 million.

Working capital decreased by \$41 million during the second quarter, compared to an increase of \$93 million in the previous year. The decrease in the current quarter was primarily driven by improvements in accounts receivable and inventory, partially offset by a decrease in accounts payable. Capital expenditures of \$162 million increased 48% year-over-year, including ongoing maintenance spending and investments to support the company's growth initiatives.

During the quarter Orbia paid an aggregate dividend of \$120 million as the first and second installments of the ordinary dividend approved at the Annual Shareholders Meeting held on March 30, 2023.

2023 Outlook

During the second quarter of 2023, several of Orbia's end markets, particularly in the building and construction sector experienced lower demand and weaker pricing. The company remains cautious about the level of economic activity in the second half of the year in a number of regions due to ongoing impacts of monetary policy tightening, exchange rate volatility, inflationary challenges and the war in Ukraine. Given the decline in absolute levels of polymer prices and the weaker market environment described above, Orbia believes its revenues will be lower than prior year by mid to high single digit percentages. Orbia continues to work to mitigate the impacts of these factors on its results through fiscal discipline, commercial and operational excellence and business optimization efforts and is targeting EBITDA of approximately \$1.65 billion in 2023. In addition, the company is managing its current capital expenditures in line with current market conditions and now expects the CapEx guidance to be in the range of \$550 million to \$650 million for 2023, which includes maintenance spending and growth-related investments. Finally, due to the ongoing strength of the Mexican Peso, the company is revising its effective tax rate guidance for the year to between 44% and 47%.

Conference Call Details

Orbia will host a conference call to discuss Q2 2023 results on July 27, 2023, at 9:00 am Central Time (MX; 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 www.orbia.com/this-is-orbia/newsroom.

Consolidated Income Statement

mm US\$	Second Quarter			January - June		
	2023	2022	%	2023	2022	%
Income Statement						
Net sales	2,177	2,662	-18%	4,457	5,257	-15%
Cost of sales	1,541	1,889	-18%	3,162	3,721	-15%
Gross profit	635	772	-18%	1,295	1,536	-16%
Selling, general and administrative expenses	335	306	10%	671	602	11%
Operating income (loss)	297	467	-36%	621	933	-34%
Financial cost	135	71	89%	237	114	108%
Equity in income of associated entity	(0)	1	N/A	0	3	-97%
Impairment expense	-	-	N/A	-	-	N/A
Income (loss) from continuing operations before income tax	161	396	-59%	384	823	-53%
Income tax	129	100	29%	272	243	12%
Income (loss) from continuing operations	32	297	-89%	112	580	-81%
Discontinued operations	-	(0)	-100%	-	(1)	N/A
Consolidated net income (loss)	32	296	-89%	112	579	-81%
Minority stockholders	23	30	-23%	49	63	-22%
Majority Net income (loss)	8	266	-97%	63	516	-88%
EBITDA	444	609	-27%	913	1,220	-25%

Consolidated Balance Sheet

mm US\$				
Balance sheet	Jun 2023	Dec 2022	Jun 2022	
Total assets	11,707	11,624	11,315	
Current assets	4,499	4,584	4,412	
Cash and temporary investments	1,283	1,546	898	
Receivables	1,470	1,229	1,780	
Inventories	1,238	1,320	1,447	
Others current assets	508	489	286	
Non current assets	7,208	7,040	6,903	
Property, plant and equipment, net	3,261	3,170	3,037	
Right of use fixed assets, net	361	358	352	
Intangible assets and goodwill	3,130	3,105	3,143	
Long-term assets	456	408	371	
Total liabilities	8,476	8,301	8,051	
Current liabilities	3,305	3,045	3,198	
Current portion of long-term debt	890	760	614	
Suppliers	1,273	1,279	1,612	
Short-term leasings	94	84	85	
Other current liabilities	1,047	923	888	
Non current liabilities	5,171	5,256	4,853	
Long-term debt	3,823	3,936	3,423	
Long-term employee benefits	137	137	196	
Long-term deferred tax liabilities	372	373	342	
Long-term leasings	276	285	279	
Other long-term liabilities	563	525	614	
Consolidated shareholders' equity	3,231	3,324	3,263	
Minority shareholders' equity	637	655	700	
Majority shareholders' equity	2,594	2,668	2,563	
Total liabilities & shareholders' equity	11,707	11,624	11,315	

Cash Flow Statement

mm US\$	Second Quarter			January - June		
	2023	2022	%Var.	2023	2022	% Var.
EBITDA	444	609	-27%	913	1,220	-25%
Taxes paid, net	(160)	(261)	-39%	(224)	(330)	-32%
Net interest / bank commissions	(72)	(33)	115%	(146)	(89)	64%
Change in trade working capital	41	(93)	N/A	(140)	(402)	-65%
Others (other assets - provisions, net)	(55)	(35)	59%	(74)	(44)	66%
CTA and FX	18	(54)	N/A	54	(27)	N/A
Operating cash flow	217	134	62%	383	327	17%
Capital expenditures	(162)	(109)	48%	(304)	(210)	45%
Leasing payments	(24)	(36)	-33%	(48)	(60)	-20%
Free cash flow	30	(11)	N/A	31	57	-45%
<i>FCF conversion (%)</i>	6.9%	-1.9%	N/A	3.4%	4.7%	
Dividends to shareholders	(120)	(149)	-20%	(120)	(149)	-20%
Buy-back shares program	6	(98)	N/A	8	(126)	N/A
Debt	29	227	-87%	(99)	512	N/A
Minority interest payments	(32)	(26)	20%	(63)	(57)	9%
Mergers & acquisitions	(8)	-		(8)	(108)	-93%
Financial instruments and others	(7)	(13)	-46%	(14)	(12)	18%
Net change in cash	(101)	(72)	40%	(264)	117	N/A
Initial cash balance	1,384	970	43%	1,546	782	98%
Cash balance	1,283	898	43%	1,283	898	43%

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 reporting currency. Figures are presented in millions, unless specified otherwise.

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

About Orbia

Orbia is a company driven by a shared purpose: to advance life around the world. Orbia operates in the Polymer Solutions (Vestolit and Alphagary), Building and Infrastructure (Wavin), Precision Agriculture (Netafim), Connectivity Solutions (Dura-Line) and Fluorinated Solutions (Koura) sectors. The five Orbia business groups have a collective focus on expanding access to health and well-being, reinventing the future of cities and homes, ensuring food, water and sanitation security, connecting communities to information and enabling the energy transition with basic and advanced materials, specialty products and innovative solutions. Orbia has a global team of over 24,000 employees, commercial activities in more than 100 countries and operations in over 50, with global headquarters in Boston, Mexico City, Amsterdam and Tel Aviv. The company generated \$9.6 billion in revenue in 2022. To learn more, visit: [orbia.com](https://www.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 forward-looking statements included in this press release are subject to a number of material risks and uncertainties, and our results may be materially different from current expectations due to 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 affecting our operations, markets, products, services and prices 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://ir.orbia.com/financial-information/annual-reports-proxy-statements>. 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 consultation at 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, via internet at www.ethics.orbia.com or via email at ethics@orbia.com. Orbia’s Audit Committee has oversight responsibility for ensuring that all such complaints are appropriately investigated and resolved.