Orbia

Second Quarter 2024 Earnings Results

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CORPORATE PARTICIPANTS

Diego Echave – *Vice President of Investor Relations*

Sameer Bharadwaj – *Chief Executive Officer*

Jim Kelly – *Chief Financial Officer*

PRESENTATION

Operator
Good morning and welcome to Orbia's Second Quarter 2024 Earnings Conference Call. As we turn to slide 1, all participants will be in a listen-only mode. Should you need any assistance during the call, 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. To withdraw your question, please press star then two. Please also 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 second quarter 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. Before we begin discussing this quarter's results, I would like to thank our global employees for their continued commitment to improving business performance and solving our customers' challenges in difficult market conditions.

Turning to slide 3, I will share a high-level overview of our second quarter 2024 performance. Revenues of $2 billion decreased 9%, and EBITDA of $334 million decreased 25% compared to the prior-year period. EBITDA included $13 million of non-operating charges. Compared to the previous quarter, our results demonstrated sequential improvement across all businesses, in line with anticipated trends discussed during our first quarter earnings call.

While volumes have started to show a recovery in many of our businesses and geographies, compared to the prior-year quarter, revenues continued to be impacted by lower prices and unfavorable product mix. However, despite these near-term headwinds, long-term fundamentals remain strong.

As part of our previously stated strategy to be disciplined operators and good stewards of capital, we continue to take proactive steps to control costs and maximize efficiency across our businesses, which will enable Orbia to capture benefits associated with market recovery, and to continue to create value for our shareholders.

During the quarter, progress continued on the engineering for the investment in U.S. PVDF capacity through our joint venture with Syensqo. The Board of Directors also approved moving forward with engineering for the LiPF6 project. Our new Building & Infrastructure facility in Indonesia is nearing completion and is expected to begin commercial operations in the fall. The expansion of our specialty compounds joint venture plant in India for semi-conductive compounds is also nearing completion. In addition, the Building & Infrastructure business is launching a slew of new innovative products in the fall. We also continued our focus on cost optimization, reducing year-to-date manufacturing and SG&A costs by a total of $35 million compared to last year.

I will now turn the call over to Jim to go over our financial performance in further detail.

Jim Kelly
Thank you, Sameer, and good morning, everyone. I'll start with a discussion of our consolidated second quarter results on slide 4. I'll remind you that the first half of last year was strong, so our second quarter comparisons are challenging, particularly in Connectivity Solutions and Fluor & Energy Materials.

Net revenues of $2 billion for total Orbia were down 9% year-over-year, with lower or flat sales across all business segments. Although volumes were up or flat year-over-year in most of our businesses, they were more than offset by lower prices and unfavorable product mix impacts. EBITDA was $334 million in the quarter, which represents a decrease of 25% year-over-year, largely driven by lower revenues across our businesses. As Sameer noted, this EBITDA included $13 million of non-operating costs in the quarter.

Operating cash flow of $4 million decreased by $212 million compared to the prior year quarter, primarily due to the lower EBITDA and a use of cash for working capital. Free cash flow in the quarter was negative $130 million, a decrease of $160 million year-over-year. Lower operating cash flow compared to last year was partly offset by lower capital expenditures.

Our effective tax rate was negative 61% for the quarter as compared to 80% in the prior year period. The tax benefit this quarter was primarily due to the depreciation of the Mexican peso against the U.S. dollar. Excluding the foreign exchange impact, the effective tax rate would have been 22%.

Net debt-to-EBITDA increased from 2.96x to 3.39x in the quarter. Net debt increased due to a lower cash balance, which was partially offset by a decrease in total debt. Additionally, the 12-month rolling EBITDA decreased since the calculation now excludes the strong EBITDA quarter of Q2 of 2023. Orbia made dividend payments of $80 million during the quarter, which consisted of the first and second installments of the $160 million ordinary dividend that was approved at the Annual Shareholders Meeting held on April 9, 2024.

Turning to slide 5, I'll review our performance by business group. In Polymer Solutions, second quarter revenue of $644 million was flat year-over-year, supported by higher volumes, despite the temporary operational disruption at our Altamira 1 facility in Mexico due to the water challenges and lower prices across the portfolio.

Second quarter EBITDA of $107 million was up 4% year-over-year, with an EBITDA margin of 17%. The EBITDA increase was driven by higher volumes, the continued recovery in U.S. and UK wire and cable markets in our compounds business, and the ongoing implementation of strict cost control measures.

In Building & Infrastructure, second quarter revenue was $665 million, a decline of 5% year-over-year, driven by continued market challenges across parts of Europe and Latin America, and low resin prices. Second quarter EBITDA was $78 million, an increase of 4% year-over-year, with an EBITDA margin of 12%. The EBITDA margin improvement was driven primarily by operational cost optimization, partially offset by an unfavorable product mix.

Moving to Precision Agriculture, second quarter revenue was $284 million, a decrease of 2% year-over-year due to softness in Turkey, India, and the U.S., partially offset by stronger revenues in China, the

Middle East and Africa. Second quarter EBITDA was $39 million, down 3% year-over-year, with an EBITDA margin of 14%. The decrease in EBITDA was mainly driven by the lower revenues, partially offset by benefits from cost-saving efforts.

In Connectivity Solutions, second quarter revenue was $236 million, a decline of 30% year-over-year. This was driven by lower volumes, weaker prices compared to last year, and an unfavorable product mix. The decrease in volumes was caused by a combination of the ongoing high interest rate environment, as well as customers reducing excess levels of inventory in the supply chain.

Second quarter EBITDA declined 63% to $41 million, with an EBITDA margin of 17%. This was driven by lower revenues and lower absorption of fixed costs in our manufacturing sites, partially offset by lower input costs and benefits from the implementation of cost-saving initiatives.

Finally, for Fluor & Energy Materials, second quarter revenue was $230 million, a decrease of 13% year-over-year, largely due to softer volumes in refrigerants due to quota phase-downs in the U.S. and Europe and high customer inventory levels in the U.S. Second quarter EBITDA was $81 million, a decrease of 30% year-over-year, with an EBITDA margin of 35%. The lower EBITDA was due primarily to the lower refrigerant volumes, partially offset by cost optimization measures.

In conclusion, we've continued to execute our operating plan for 2024, despite ongoing headwinds, by driving revenues, meaningful cost optimization, and operational efficiency efforts. We have a demonstrated track record of successful navigation across all parts of the cycle, and we remain confident in our continued ability to do so.

With that, I'll now turn the call back over to Sameer.

Sameer Bharadwaj
Thank you, Jim. I would like to share some of the highlights from our efforts to continue advancing sustainable solutions, to solve our customers' problems. We continue making progress towards the commercialization of our low-carbon medical propellants, with a key long-term customer contract in place, and others in process.

Design and engineering of a large-scale medical propellant facility in the UK has begun. Revenue streams from our next-generation medical propellant sales will include intellectual property and licensing fees for formulations, in addition to propellant sales. We are working on exciting new projects in the Building & Infrastructure and Precision Agriculture businesses that we will share in the next quarter.

Turning to slide 6, I will provide an update to our outlook for the current year. As we enter the second half of 2024, headwinds persist, including a higher-for-longer interest rate environment around the world, and a weak building and construction and infrastructure environment. We also see recovery in a couple of our businesses.

Our current EBITDA estimate for full year 2024 is approximately $1.3 billion should business conditions remain stable. Total capital expenditures are expected to be in the range of $500 million to $540 million for 2024, including maintenance and strategic growth-related investments. We expect our effective tax rate for the year to be between 29% and 32%, and we expect that by the end of the year our net debt-to-EBITDA ratio will decrease to between 2.7x and 2.85x.

Looking ahead in each of our business segments to the coming quarter and the balance of the year, beginning with Polymer Solutions, we expect our end markets to remain relatively flat throughout the second half of the year. However, we will continue to focus on maximizing volumes, optimizing production with a focus on profitability and strict control of expenses.

In Building & Infrastructure, we expect an improvement in the second half of the year, supported by a gradual recovery in parts of EMEA and Latin America and continued benefits from optimizing operational costs. The business will remain focused on delivering cost efficiencies, growing the profitability from new geographies, and introducing new products.

In Precision Agriculture, market conditions are expected to remain flat in most geographies due to the prevailing interest rate environment and low crop prices. The business will continue to implement strategies to grow its market penetration in extensive crops, focus on cost management, and optimize operations.

In Connectivity Solutions, we expect the sequential volume recovery to continue throughout the second half of the year, and the initial distribution of U.S. government funds for fiber deployment towards the latter part of the year.

And lastly in Fluor & Energy Materials, for the balance of the year we are focused on maximizing production and optimizing value across the chain. Pricing is expected to remain stable. The business will continue to focus on cost management and optimizing operations.

In closing, our focus remains on proactively navigating through market challenges through commercial, operational, and financial discipline to meet the needs of our customers and generate long-term value for our shareholders.

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

QUESTIONS AND ANSWERS

Operator
We will now begin the question and answer session. To ask a question, you may press star then one on your telephone keypad. If you’re using a speakerphone, please pick up your handset before pressing the keys. To withdraw a question, you may press star then two. At this time, we will pause momentarily to assemble our roster.

Our first question today will come from Leonardo Marcondes with Bank of America. Please go ahead.

Leonardo Marcondes
Hi, everyone. Thank you for picking my questions. I have two questions here from my end. The first one is related to the guidance. It seems that the improvement is expected to come mainly from the Building & Infrastructure and Connectivity Solution segments, right? So, I was wondering if you could point out what are the risks involved in these assumptions. What could impact these improvements in the second half of the year? And my second question is more related to the new projects that you guys are implementing. Could you provide some update on the PVDF and LiPF6 projects, please? Thank you.

Sameer Bharadwaj
Thank you, Leonardo. Let me address your question on guidance. As we've talked about the outlook for the second half, we've demonstrated significant sequential improvement, and we want to build upon that momentum and see that momentum continue.

As you rightly took away, the improvements will come in the Building & Infrastructure business, that's from seasonality, and in Connectivity Solutions, so we are seeing demand come back. And depending on the pace of that recovery, we will see how quickly that accelerates through the course of the year. As of now, we have an order backlog, and we are working hard to staff up the plants to meet deliveries.

We are also seeing strong demand and results in our Polymer Solutions' specialty compounds business. And so, that will also contribute in a significant way in the second half of the year. Now, the risks to watch out for in the second half is what happens with PVC pricing. If PVC pricing remains stable, where they are right now, which is in the mid to high 800s, we should be fine. And if PVC pricing goes down, that could be a downward risk.

Having said that, what we have seen is today, the exports from China, we are beginning to see a decline. This is partly driven by high logistics costs out of China at about $180 to $200 a ton. We have also seen Europe impose anti-dumping duties on U.S. exports of PVC, about 60% to 70% depending on the manufacturer. These are both factors that support a higher PVC price. And while this might put pressure on PVC exports from the U.S., we have the ability to place our PVC in markets where pricing is favorable, and so we hope to manage through that situation in that manner. And then in Fluor & Energy Materials, the outlook is stable with respect to the first half of the year.

Your second question was around the LiPF6 and the PVDF projects. We had the groundbreaking ceremony for the PVDF project with our joint venture Syensqo at the location in Georgia, where the polymerization facilities will be, and right now we are in the engineering phase for that project. And we still don't have a fully developed estimate of plan for the timing of when the plant will be built, but at a high level, it should be in the '27, '28 timeframe. The LiPF6 project, which is right behind the PVDF project, we presented the business case to the Board earlier this week, and we have now secured the Board's approval to proceed with the FEL-3 level engineering for the LiPF6 project.

Leonardo Marcondes
That's very clear. Thank you.

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

Pablo Monsivais
Hi, Sameer, Jim, and Diego. Thanks for taking my question. I have a simple question. On your optimization efforts, Sameer, you mentioned that you have savings for $35 million so far. How should we see those efforts evolving for the second half of this year, and what should we expect from those for 2025? Thank you.

Sameer Bharadwaj
Great, Pablo. So, as I've said, our focus has been relentlessly to drive the top line, bottom line, control spending in between, work hard on working capital, and super disciplined in capex allocation, so that we can definitively turn this business around, independent of a market recovery.

As part of these efforts, we have rolled out extensive business optimization efforts across all of Orbia in most of our businesses, and these efforts include working on SG&A cost reductions, manufacturing cost reductions, as well as optimizing our manufacturing footprint, which should take a couple of years to execute on.

You can already see that in the results. We have demonstrated a $35 million year-over reduction in manufacturing and SG&A costs, and you can imagine a full-year impact of that of $70 million, or that order of magnitude or more. And as we continue these efforts, the goal of this exercise is to restore the baseline earnings power of Orbia closer to $1.5 billion, independent of any market recovery. So, without counting on any market recovery, the efforts that we will execute along these lines should help us to get it to $1.45 billion to $1.5 billion.

And then of course, then you can layer market recovery as interest rates go down in September as expected, and that momentum continues, then we should see a release of pent-up demand. If that market recovery comes over the next couple of years, that would be in addition to restoring the baseline. And then, beyond that, you have our growth projects, and at this point we are super selective about which growth projects we invest in. Only the highest IRR projects will get funding from a capital allocation standpoint.

And in that context, I want to reemphasize that while we are working through this challenging market situation and focusing on demonstrating definitive improvement in business performance quarter-over-quarter, we are absolutely committed to maintaining a healthy balance sheet, and our investment-grade rating. And we have multiple levers to manage our leverage to a reasonable level, below 3.0x, as we go through the next few years.

Pablo Monsivais
Okay, a follow-up if I may, on what you just said. The $1.5 billion earnings power or EBITDA that you are suggesting, do you have any similar amount for long-term maintenance capex needs?

Sameer Bharadwaj
Long term, sorry, maintenance capex?

Pablo Monsivais
Capex, yes.

Sameer Bharadwaj
Yes. So, our maintenance capex, depending on the year, there are some plants for which the turnaround happens only once in two years, or once in three years. So, depending on the year, the maintenance capex is typically between $270 million and $300 million every year. And then on top of that, we have the growth capital. Now, for this year, we are striving to get to the low $500 millions in terms of total capital. So, let's say the midpoint of our guidance is $520 million, of which $270 million will be maintenance capex, and the rest is the growth capex.

And then over the next couple of years, we are going to be super disciplined with respect to growth capital, such that only the highest IRR projects are funded. We've already made several growth capital investments, these are smaller investments in the Building & Infrastructure business, in Connectivity Solutions, in Precision Agriculture, in the compounds business, these have already been deployed, and will begin to start contributing to results in the second half of this year and next year. And so those should also start to contribute to the earnings meaningfully.

Pablo Monsivais
Perfect. Very clear. Thank you very much.

Sameer Bharadwaj
Yes.

And our next question will come from Pablo Ricalde with Santander. Please go ahead.

Pablo Ricalde
Hello, Orbia team. My question is a follow-up on the other Pablo's question on the capex. How much of

these $520 million capex guidance should go to the energy division?

Sameer Bharadwaj
It's about $250 million in total that is going to growth capital this year, we can get this number to you offline. This year we are only focused on engineering for both of those projects. And so, we can confirm the precise numbers offline, but I would imagine it would be in the tens of millions.

Pablo Ricalde
Okay. So, of that maybe $250 million, everything should be growth capex on the energy side?

Sameer Bharadwaj
Yes, about $50 million of the $250 million, let's say.

Pablo Ricalde
Perfect.

Operator
And our next question will come from Andres Cardona with Citigroup. Please go ahead.

Andres Cardona
Hi, good morning, Sameer, Jim. I have two questions. The first one, EBITDA revision to the guidance range. So, you talked already about the sequential improvement, but versus the initial expectations, what are the businesses that are lagging versus those ones? And the second one is, what can we expect in terms of EBITDA margin for the Datacom segment in the second half of the year? Thank you, guys.

Sameer Bharadwaj
Thank you, Andres, for your questions. Now, in terms of the EBITDA guidance, we had guided in the early part of the year, $1.3 billion to $1.4 billion, with a midpoint of around $1.35 billion. And there's a couple of reasons why we've guided that lower.

First, we've had the one-off impacts of the water situation that we experienced in Mexico that impacted Polymer Solutions results for this quarter. I mean, if that hadn't happened, we would have had even better performance. And then we've had a few one-offs, we mentioned $13 million of one-off charges related to legal provisions and restructuring costs. And so, just accounting for those would take it slightly below that midpoint. And then it still remains to be seen how PVC pricing will evolve for the rest of the year. Now, our thesis is it should stay stable, but in case there is a slight decline, then we just want to make sure that we take that into account in our outlook. Now, we haven't factored in any benefits of potential interest rate reductions or increase in demand for the rest of the year. At this point, it remains to be seen what actually happens.

In terms of margins for the Datacom business, in the second half, we expect Connectivity Solutions to have around 19% to 20% margins. As I said, we are seeing significant order uptake, particularly in standard ducts. The key accounts are still working through their inventories of advanced products, that should also begin to accelerate in the second half of the year. The BEAD infrastructure funding is taking a while to be rolled out by the states, and so we don't anticipate that to have a significant beneficial impact until late in the year but should definitely have a very positive impact in 2025.

Andres Cardona
Thank you, Sameer and Jim.

Operator
And our next question will come from Tasso Vasconcellos with UBS. Please go ahead.

Tasso Vasconcellos
Hi, Sameer. Hi, Jim. Thanks for taking my questions. I think I had two questions for Sameer. Sameer, first, I think it would be great to hear from you your thoughts on what are you seeing as potential impacts following the elections, either in Mexico or the one to be hosted later on in the United States. What are the main, potentially, challenges or issues or opportunities that you see, I don't know, maybe in terms of potential benefits, increasing or reducing taxes, import taxes, and so on? So, just to get your thoughts here on the main challenges and opportunities on these both elections.

And second question. You guys did provide this guidance of the net debt-to-EBITDA ratio by the year end. But in case this scenario doesn't improve, or if this challenging environment persists for longer, is there any alternative on the table eventually, portfolio revaluation and so on? What would be the main alternatives for Orbia? Those are my two main questions. Thank you.

Sameer Bharadwaj
Excellent questions, Vasconcellos. Let me first talk about the impact of both elections. Let's take the Mexico election first. Orbia is very proud of its deep roots and long history in Mexico, and is committed to operating and investing in Mexico for the long term. We believe that Mexico represents an exceptional opportunity for business and investment and is uniquely positioned to succeed in the global economy.

We are grateful to the communities where we operate, and to our large and extremely capable team in Mexico. With this outlook, we take our responsibilities to our many Mexican shareholders extremely seriously, and look forward to productive engagement with the new administration. We are optimistic that it will support fair, clear, and balanced regulation that respects the interests of various stakeholders involved, and creates a favorable environment for continued investment in growth.

And we continue to believe in the near-shoring story. It's very clear that for critical industries such as batteries and semiconductors, the United States wants to decouple from China, and that is independent of whether we have a Democratic President or a Republican President in the United States. Mexico will play a very important role in the near-shoring of critical materials and minerals for both the battery and semiconductor industries, and I think we are very well positioned to play an important role there.

As far as the U.S. elections are concerned, it's not clear at this point, it's pretty balanced in terms of outlook. We are prepared for either scenario, and we don't see any material impact to our businesses in the U.S. for the long term because both sides are committed to investing in long-term growth in the U.S. And all of our U.S. investments should benefit from that outlook.

On your second question, on net debt-to-EBITDA, we provided a range of 2.7x to 2.85x, and that range is in line with our guidance for EBITDA for the year. And that range basically takes into account some uncertainties that you might see with respect to earnings or cash generation, timing of cash generation. And so, we feel quite comfortable about that.

And you asked about what are our levers. In terms of levers, we are focused on creating shareholder value, including through regularly assessing our portfolio of businesses and ensuring that we are maximizing synergies and operating efficiencies. Where we identify concrete opportunities to increase shareholder value, for example, by sharpening our strategic focus and strengthening our balance sheet, we will pursue those opportunities. But it's too early to discuss that at this time.

Operator
And our next question will come from Till Moewes with Schroders. Please go ahead.

Till Moewes
Hello and thanks for taking my question. It is about anything that you might be planning to do in the debt capital markets, perhaps with a view on 2025 after the U.S. elections are done and the world is at least to be expected in a bit of a more stable environment. What are your thoughts there? What debts would you be tackling, and what other factors are you looking at?

Jim Kelly
Hello, Till. This is Jim. I'll address that. So, in terms of our desire to be in the capital markets or debt markets in the near term, I wouldn't say that there is anything that is planned for the immediate term, other than the fact that in 2025 we do have some of our Mexican CEBURES notes, about $300 million, that are coming due. So, we will be looking to address the possible refinancing of those going forward. And then in the following years, we do have about $600 million coming due in '26, another $500 million in '27.

So, we'll be looking strategically at where rates are going, and where there may be the best opportunities available to us to begin to look at how we refinance those, and we'll be looking certainly well in advance of when those maturities are taking place. But I wouldn't say that there's anything planned for the immediate term in terms of accessing markets. As Sameer has been talking about, we are committed to maintaining our investment-grade ratings on our debt and working on the optimization of our results, and making sure that we maintain a reasonable leverage level here going forward.

Till Moewes
Great. Thank you, Jim.

Jim Kelly
You're welcome.

Operator
And our next question will come from Alejandra Obregon with Morgan Stanley. Please go ahead.

Alejandra Obregon
Hi, good morning. Thank you, Orbia team, for taking my question. I guess I wanted to dive a little bit more into quota, especially on the volume dynamics. So, you did mention that you're seeing some disruptions because of the HFC phase-out. But I was hoping to get more color on the volume of the rock itself. Are you seeing any changes on the dynamics of the exports of the rock to the U.S., for example? Sameer, you did mention that some commodities might become critical for the U.S. agenda. So, anything on the volume dynamics for Metspar and Acidspar, that would be fantastic. Thank you.

Sameer Bharadwaj
Alejandra, as you know, our approach in Fluor is,we are always in a sold out state, right? So, we are production limited at the mine and so whatever we produce we can sell. And what I can tell you is, if you look at globally the supply and demand for fluorspar, it's getting tighter and tighter. You can go look at the China prices for fluorspar both Acidspar and Metspar and they have continuously gone up, okay? One of the challenges we faced in Q2 is during the dry season when we didn't have enough water and it impacted our ability to produce Acidspar. And after the rains, we have significantly ramped up production and are hoping to catch up in the second half of the year. But the philosophy on volumes there is, we will be able to place and sell every ton we produce, and the pricing is stable to increasing.

The negative volume impact is on refrigerants. And now it's not a disruption, this is a planned phase-down of HFCs over time. And so, 2024 is a year in which the quota stepped down. And so, we fully anticipated and expected the volume impact of refrigerants going down. Now, typically what happens in a quota environment, when volumes go down, you expect prices to go up, but that typically takes a lag of 9 months, 12 months, 15 months.

We've seen this play out in Europe, and you can see that with the pricing in Europe today, pricing for refrigerants in Europe is more than $25 a kg. Pricing in the U.S. is around $10 a kg. Typically, in the year before the quota goes down, customers build up inventories in anticipation of the quota going down. And it takes a while for them to work through those inventories, which is why there is a lag on when the pricing goes up. The pricing has to go up because eventually the prices of the next generation refrigerant, which is R-1234yf, that's around $60 a kg. So, the customer has a choice of using the current generation refrigerant and paying for the quota, or using the new generation refrigerant. So, the design of the whole quota scheme is to let those prices converge over time.

The price of the next generation refrigerant should come down, the price of the current generation refrigerant goes up, and then they match. That's happening in Europe as we speak. We expect this to happen sometime next year. And until then, our focus is on maximizing the value of our quota for this year, placing our volumes and quota and maximizing value in that process. We will sell every ton we produce. and we will place every ton of quota that we have.

Alejandra Obregon
Got you. That was very clear. Thank you very much, Sameer.

Sameer Bharadwaj
Thank you, Alejandra.

CONCLUSION

Operator
Again, if you have a question, you may press star then one to join the queue. Please stand by while we assemble a roster.

With no remaining questions, this will conclude our question-and-answer session. I'd like to turn the conference back over to Sameer Bharadwaj for any closing remarks.

Sameer Bharadwaj
Thank you. So, I'd like to emphasize that our focus right now, is a relentless focus on improving the current business performance and definitively turning it around independent of the timing of a market recovery. And we have demonstrated significant sequential improvement, we want to maintain and build upon that momentum.

We have launched extensive business optimization efforts across the company, which will have a significant impact over the next two years, and restore the baseline closer to $1.45 billion to $1.5 billion without any market recovery. And then, as you see the markets recover, with interest rates coming down and business activity picking up, that should provide a significant boost. Simultaneously, as I have said before, and I'll repeat this, we will be very disciplined stewards of capital and only invest in the highest return growth projects. We are 100% committed to a very strong balance sheet and an investment-grade rating, and we have multiple levers to manage that.

So, with that, I'd like to thank everybody for your interest in Orbia and for being investors. And look forward to the next update at the end of next quarter.

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