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Corbion first half-year 2022 results

Corbion reported net sales of € 687.4 million in H1 2022. Organic net sales growth was 23.4% for the first half year. Adjusted EBITDA in H1 2022 increased by 16.6% to € 89.9 million.

Olivier Rigaud, CEO, commented: "We are proud to have delivered strong growth in sales and EBITDA during a period of unprecedented cost inflation and supply chain disruptions. Given that we are prioritizing price increases and mix improvements, we are encouraged to see that this has not led to adverse volume impact. This confirms the strength of our differentiated portfolio. I am happy to report that our AlgaPrime DHA business has been profitable as of June. Looking forward, we are on track to substantially improve our absolute Adjusted EBITDA for the company compared to last year, as we continue to adapt to the inflationary environment with price adjustments, and the realization of operational efficiencies. Given our growth prospects, we continue to invest in our production capabilities. Our major investment initiatives are progressing well and according to plan. We remain confident on the delivery of our Advance 2025 targets.

We are clearly ahead of schedule on reducing greenhouse gas emissions. As we already achieved our 2025 CO_2 reduction target, we have increased our commitment by submitting updated 1.5°C targets to the Science Based Targets initiative, in line with the most ambitious goal of the Paris Agreement.

Key financial highlights H1 2022*:

- Total net sales was € 687.4 million (H1 2021: € 515.6 million)
- Net sales organic growth was 23.4%. Core net sales organic growth: 23.0%
- Adjusted EBITDA was € 89.9 million (H1 2021: € 77.1 million; organic growth: -0.4%)
- Adjusted EBITDA margin was 13.1% (H1 2021: 15.0%)
- Operating result was € 59.1 million (H1 2021: € 70.3 million)
- Free cash flow was € -68.6 million (H1 2021: € -13.6 million)
- Covenant net debt/covenant EBITDA at half year-end was 3.3x (year-end 2021: 2.6x)

€ million	YTD 2022	YTD 2021	Total growth	Organic growth
Net sales	687.4	515.6	33.3%	23.4%
Adjusted EBITDA	89.9	77.1	16.6%	-0.4%
Adjusted EBITDA margin	13.1%	15.0%		
Operating result	59.1	70.3	-15.9%	-32.3%
ROCE	10.9%	13.0%		

- For non-GAAP definition see page 19

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Management review H1 2022

Net sales

Net sales in H1 2022 increased by 33.3% to € 687.4 million (H1 2021: € 515.6 million) due to organic growth (23.4%), a positive currency impact (9.7%), and the net effect of acquisitions & divestments (0.2%). Organic net sales growth of 18.5% in H1 2022 in the Sustainable Food Solutions business unit was mostly driven by price/mix improvements. In the Lactic Acid & Specialties business unit, sales organically increased by 26.4% versus H1 2021. A positive price/mix effect (25.3%) was supported by volume growth (4,7%). Organic net sales growth for the Incubator business unit was 87.3%. Organic net sales growth in the non-core activities was 26.3%.

Net sales	Volume	Price/Mix	Organic	Currency	Acquisitions/ (Divestments)	Total growth
YTD 2022 vs YTD 2021						
Core	**2.0%**	**21.0%**	**23.0%**	**9.2%**	**0.2%**	**32.4%**
- Sustainable Food Solutions	0.1%	18.4%	18.5%	10.0%	0.3%	28.8%
- Lactic Acid & Specialties	1.1%	25.3%	26.4%	7.2%	0.0%	33.6%
- Incubator	72.5%	14.8%	87.3%	16.9%	0.0%	104.2%
Non-core	**-2.6%**	**28.9%**	**26.3%**	**13.0%**	**0.0%**	**39.3%**
Total	**1.4%**	**22.0%**	**23.4%**	**9.7%**	**0.2%**	**33.3%**
Q2 2022 vs Q2 2021						
Core	**1.5%**	**24.6%**	**26.1%**	**11.8%**	**0.3%**	**38.2%**
- Sustainable Food Solutions	0.4%	20.8%	21.2%	12.7%	0.4%	34.3%
- Lactic Acid & Specialties	-1.9%	31.3%	29.4%	9.2%	0.0%	38.6%
- Incubator	89.3%	9.2%	98.5%	21.2%	0.0%	119.7%
Non-core	**-3.9%**	**32.4%**	**28.5%**	**16.2%**	**0.0%**	**44.7%**
Total	**0.8%**	**25.7%**	**26.5%**	**12.4%**	**0.2%**	**39.1%**

EBITDA

Adjusted EBITDA increased by 16.6% to € 89.9 million in H1 2022 mainly due to a positive currency effect of 17.8%. Organic growth was -0.4%.

€ million	YTD 2022	YTD 2021		Q2 2022	Q2 2021		Growth YTD
Net sales							
Core	**591.7**	**446.9**		**315.5**	**228.3**		**32.4%**
- Sustainable Food Solutions	365.8	284.1		195.0	145.2		28.8%
- Lactic Acid & Specialties	201.8	151.0		106.0	76.5		33.6%
- Incubator	24.1	11.8		14.5	6.6		104.2%
Non-core	**95.7**	**68.7**		**51.8**	**35.8**		**39.3%**
Total Net Sales	**687.4**	**515.6**		**367.3**	**264.1**		33.3%
Adjusted EBITDA							
Core	**75.8**	**66.0**		**41.1**	**27.9**		**14.8%**
- Sustainable Food Solutions	44.7	39.7		24.9	16.5		12.6%
- Lactic Acid & Specialties	39.6	33.1		19.9	14.8		19.6%
- Incubator	(8.5)	(6.8)		(3.7)	(3.4)		-25.0%
Non-core	**14.1**	**11.1**		**8.8**	**5.3**		**27.0%**
Total Adjusted EBITDA	**89.9**	**77.1**		**49.9**	**33.2**		16.6%

Depreciation, amortization, and impairment

Depreciation, amortization, and impairment of fixed assets before Adjustments amounted to € 36.3 million compared to € 30.3 million in H1 2021.

Operating result

Operating result decreased by € 11.2 million to € 59.1 million in H1 2022 (H1 2021: € 70.3 million). Adjusted operating result increased by € 6.8 million to € 53.6 million in H1 2022 (H1 2021: € 46.8 million).

Adjustments

In H1 2022, total adjustments of € 4.2 million were recorded (at Result after tax level), consisting of the following components:
1. Gain of € 9.3 million related to the sale of the Totowa warehouse.

2. Loss of € 2.2 million related to incremental cost as a result of the Q4 2021 production outage in our Blair facility.
3. Loss of € 0.7 million related to strategic portfolio optimization in the Algae business.
4. Loss of € 0.7 million related to write down of receivables as a result of the conflict in Ukraine.
5. Loss of € 0.2 million related to an adjustment of the sales price for a plot of land in the Dutch municipality of Breda.
6. Tax effects on the above of € -1.3 million.

Financial income and charges

Net financial charges decreased by € 7.7 million to a gain of € 1.8 million, mainly as a result of exchange rate differences.

Taxes

The tax charge on our operations in H1 2022 amounted to € 18.0 million compared to a charge of € 7.3 million in H1 2021 (which included a positive contribution due to the recording of a previously unrecognized deferred tax asset related to the sale of a plot of land in The Netherlands). In H1 2022, the effective tax rate (25.8%) was slightly above the expected effective tax rate based on statutory tax rates of 24.6%. For 2022 we expect an effective tax rate of approximately 25%.

Statement of financial position

Capital employed increased, compared to year-end 2021, by € 191.7 million to € 1,223.7 million. The movements were:

€ million	
Capital expenditure on (in)tangible fixed assets	99.4
New / modifications to lease contracts	6.8
Disposal of fixed assets	-1.2
Depreciation / amortization / impairment of (in)tangible fixed assets	-36.3
Change in operating working capital	76.9
Change in provisions, other working capital and financial assets / accruals	-19.2
Movements related to joint ventures	8.3
Taxes	-9.0
Exchange rate differences	66.0

Major capital expenditure projects were investments related to our lactic acid capacity expansions in existing plants, and capex amounts related to our new 125 kt lactic acid plant in Thailand (expected to become operational in H2 2023).

Operating working capital increased by € 76.9 million, excluding € 18.3 million related to currency effects.

Shareholders' equity increased by € 42.7 million to € 596.8 million. The movements were:

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- The positive result after taxes of € 51.8 million;
- A decrease of € 33.0 million related to the cash dividend for financial year 2021;
- Positive exchange rate differences of € 23.2 million due to the translation of equity denominated in currencies other than the euro;
- Negative movement of € 5.1 million in the hedge reserve;
- Net share-based remuneration movement of € 0.4 million;
- Positive tax effects of € 5.4 million.

At half year-end 2022, the ratio between balance sheet total and equity was 1:0.4 (2021 year-end: 1:0.4).

Cash flow/Financing

Cash flow from operating activities increased compared to H1 2021 by € 2.4 million to € 18.0 million. This is the balance of the higher operational cash flow before movements in working capital of € 14.0 million, a negative impact of the movement in working capital and provisions of € 18.2 million, and lower taxes and interest paid of € 6.6 million.

The cash flow required for investment activities increased compared to H1 2021 by € 57.4 million to € 86.6 million. Capital expenditures (€ 112.7 million) accounted for most of this cash outflow, partly compensated by received dividend from the PLA joint venture and payments received related to the 2021 sale of a plot of land in the municipality of Breda, The Netherlands and the 2022 sale of the Totowa (US) warehouse.

The net debt position at half year-end 2022 was € 610.0 million, an increase of € 149.0 million compared to year-end 2021, mainly caused by the dividend payment, capital expenditures, and increased working capital positions, partly compensated by the positive cash flow from operating activities. The covenant net debt (excluding the subordinated loan) was € 510.6 million at half year-end 2022.

At half year-end 2022, the ratio of the covenant net debt to covenant EBITDA was 3.3x (end of 2021: 2.6x). The interest cover for half year-end was 13.6x (end of 2021: 16.5x). We continue to stay well within the limits of our financing covenants.

Outlook 2022

Even though the business environment continues to experience a heightened uncertainty and volatility, we continue to make good progress towards achieving our Advance 2025 targets.

For our core business, we expect an organic sales growth rate of 20-25% (was: 15%-20%), mostly driven by price increases and mix improvements.

- In Sustainable Food Solutions growth will be mostly driven by price increases and mix improvements, consolidating our significant market share gains we made over the past two years
- In Lactic Acid & Specialties, lactic acid derivatives are expected to continue to perform well across all segments, with growth being mostly driven by increased prices and mix

improvements. Lactic acid sales to the PLA joint venture are expected to be stable versus last year due to the temporary adverse impact of Chinese lockdown measures and increased freight rates. We remain confident on the longer term prospects for PLA.

- In Incubator we expect AlgaPrime DHA to contribute positively to EBITDA in H2, after achieving the break-even milestone for the month of June. For other Incubator activities, we expect EBITDA investments at approximately -1% of Corbion core sales, in-line with our Advance 2025 strategy.

For our core activities, we expect an additional input cost increase of € 150 million in 2022 (was: € 90 million), on top of the cost increase of € 40 million incurred in 2021. Corbion has implemented price increases to compensate for these increases in input costs.

We expect an Adjusted EBITDA margin for the full year towards the lower end of the range of 12 – 15% for our core activities, reflecting the higher dilutive effect on our margin due to the implemented price increases. We are on track to substantially improve our absolute Adjusted EBITDA compared to last year.

The total estimated capital expenditure for 2022 is € 200 - 230 million, reflecting the peak of the investment for the lactic acid plant in Thailand. In line with our expectations, the Covenant Net Debt/Covenant EBITDA ratio increased to 3.3x at H1 2022. By the end of this year, we expect to improve this ratio compared to the mid-year position.