

May 5, 2021 at 7 a.m. CEST

Solvay first quarter 2021 results

Strong start to the year with double-digit growth in Cash and EBITDA and record EBITDA margins

Highlights

- **Net Sales** in the first quarter of 2021 were up 1.9% organically driven by strong demand in automotive, with organic sales in Specialty Polymers up 10% year-on-year, exceptional performance in Coatis up 55%, and recovery in the mining industry driving Technology Solutions sales up 15%, whereas sales in Composites were 37% lower.
- Net Sales grew 8.6% organically year on year excluding Composites and Oil & Gas, which still face challenges yet have shown sequential improvement versus the fourth quarter.
- Structural **cost savings** of €80 million achieved in Q1, up 78% versus Q4 2020.
- **Underlying EBITDA** in Q1 2021 was up 10.3% organically yoy, and 7% higher than Q1 2019 on comparable FX & scope basis despite 3% lower sales, reflecting the impacts of significant cost reduction measures taken in the last 2 years. The **underlying EBITDA margin** increased yoy to a new record at 24.6% driven mainly by strong volume recovery in most markets and cost reductions measures, despite the adverse impacts such as increasing raw material and logistic prices as well as supply chain disruptions due to US storms and the Suez Canal blockage. This is 1.6 and 2.4 percentage points higher than Q1 2020 and Q1 2019, respectively.
- **Underlying Net Profit** was €240 million in Q1 2021, up 1.8% compared to Q1 2020.
- **Free Cash Flow** in Q1 2021 amounted to €282 million, up 40% of Q1 2020, reflecting continued working capital discipline even as activity levels increased, as well as the benefit of deleveraging debt and pensions. Total voluntary pension contributions of €0.8 billion since Q4 2019 generate an improvement of more than €100 million per annum.
- Progress on **portfolio simplification**, with the closure of 5 business line divestments in the first quarter and the last one occurring in Q2 2021.
- Reinvesting in **Solvay One Planet**, including a decision to invest further in energy transition at our Rheinberg Soda Ash plant with a complete phase out of coal. This action not only enables the site to be the lowest Soda Ash CO₂ emitter globally (irrespective of the production process being natural or synthetic), but also creates significant economic value.

<i>Underlying, (in € million)</i>	Q1 2021	Q1 2020	% yoy	% organic
Net sales	2,373	2,474	-4.1%	+1.9%
EBITDA	583	569	+2.5%	+10.3%
EBITDA margin	24.6%	23.0%	+1.6pp	-
FCF to shareholders from continuing operations	282	202	+39.8%	-
FCF conversion ratio (LTM)	54.8%	40.4%	+14.4pp	-

CEO Quote

"First quarter results reflect the continued economic recovery visible across many of our markets. I am pleased to see that our disciplined structural actions taken last year to lower the company's cost base have enabled strong quality of earnings. We have also maintained our sharp focus on cash management, delivering eight consecutive quarters of positive free cash flow generation. Looking ahead, we are investing in our growth platforms, our front line, and in innovation that will support sustainable top line growth across the mid-term."

2021¹ Outlook

Full year underlying EBITDA is estimated between €2.0 and €2.2 billion, and Free Cash Flow is estimated around €650 million, up from the prior estimate between €600 and €650 million.

[Register to the webcast scheduled at 15:00 CEST here](#) - [Link to financial report](#) - [Link to financial calendar](#)

¹ Barring additional deterioration related to a third wave of Covid-19 in the second half.

Key figures

<i>Underlying, in € million</i>	Q1 2021	Q1 2020	% yoy
Net sales	2,373	2,474	-4.1%
EBITDA	583	569	+2.5%
<i>EBITDA margin</i>	24.6%	23.0%	+1.6pp
EBIT	382	371	+2.9%
Net financial charges	-63	-68	+8.4%
Income tax expenses	-71	-76	+6.9%
<i>Tax rate</i>	24%	26%	-2.8pp
Profit / (loss) attributable to Solvay shareholders	240	236	+1.8%
Basic EPS	2.33	2.28	+1.9%
Basic EPS from continuing operations (in €)	2.31	2.08	+11.2%
Capex in continuing operations	100	163	-38.6%
FCF to Solvay shareholders from continuing operations	282	202	+39.8%
FCF to Solvay shareholders (total)	282	197	+43.0%
FCF conversion ratio (LTM)	54.8%	40.4%	+14.4pp
Net financial debt	4,157		

Group performance

Net sales of €2,373 million in Q1 2021 were down 4.1% due mainly to the 5.9% negative impact from currency and scope, but up 1.9% organically. First quarter sales (+7% sequentially), marks the third consecutive sequential increase, reflecting improving market conditions across most businesses, especially in automotive, electronics, mining and construction industries. Volume growth in each of these markets combined with a supportive pricing environment drove the organic sales increase, which was partially offset by lower volumes in civil aerospace. Geographically, all regions progressed sequentially, with sales in China up by 30% versus the first quarter 2020.

Underlying EBITDA of €583 million was up 2.5% (+10.3% organically) in Q1 2021 as a result of higher sales and €80 million of additional structural cost savings. As a result, the EBITDA margin reached a record 24.6% in the quarter.

Free cash flow to shareholders from continuing operations reached €282 million, a 40% increase versus Q1 2020, reflecting continued discipline in working capital management, with working capital to sales ratio reaching 12% in Q1 2021. FCF was further supported by lower cash costs related to improvements in pension management.

Underlying net financial debt was roughly stable at €4.2 billion compared to December 2020, with strong free cash flow generation, the proceeds from divestments, the €52 million purchase of the EBRD shares in the Solvay holding of the Rusvinyl Joint Venture, and the €102 million additional voluntary pension contributions made in Belgium in January 2021. Credit ratings remain strong at BBB (S&P) and Baa2 (Moody's), and the outlook is now stable for both agencies following a recent improvement in outlook by Moody's.

Provisions are down by €208 million to €2.9 billion compared to December 2020, primarily related to €102 million voluntary pension contributions in Belgium and the impact of higher discount rates, and despite a €150 million non-cash restructuring provision related to the cost savings plan announced in February. Solvay continues to make progress on its pension funding roadmap, with cumulative funding of €768 million since Q4 2019, which has significantly reduced annual pension cash costs by more than €100 million.

Performance by segment

Net sales bridges

(in € million)	Q1 2020	Scope	Forex	Volume	Price	Q1 2021	Yoy %	Organic %
Materials	789	-8	-36	-51	-5	689	-12.7%	-7.5%
Chemicals	800	-3	-52	29	16	791	-1.2%	+6.1%
Solutions	883	-4	-42	62	-8	891	+0.9%	+6.4%
Corporate	1	-	-	1	-	3	N/A	N/A
Solvay	2,474	-16	-130	40	4	2,373	-4.1%	+1.9%

Materials

Sales in Q1 2021 were down 12.7% (7.5% organically) as headwinds in civil aero continue to weigh on the segment; a significant part of the decline was supported by continued recovery in specialty polymers.

Sales in Specialty Polymers increased by +6.3% (+10% organically) compared to the first quarter of 2020, and by +12% sequentially versus the fourth quarter 2020. This was driven by the continued strong demand in the automotive industry, partly related to the restocking effect. Automotive sales were up +19% organically versus Q1 2020, led by 80% growth in batteries for hybrid and electric vehicles. Other markets, including electronics and building were also solid, while healthcare was a bit softer than last year. Strong volume growth in Specialty Polymers was able to offset part of the headwinds related to civil aerospace.

Composite Materials sales were down 42.3% (36.6% organically) year on year, but improved by +8.6% sequentially versus the fourth quarter 2020. As expected, civil aerospace remains challenged yet improved sequentially compared to Q4 2020, while the defense and space sectors remain resilient.

Segment EBITDA decreased by 9.7% (4.7% organically) year on year, but was up +35% sequentially versus Q4, demonstrating the cost savings initiatives implemented in 2020, mainly attributed to the Composite Materials business following two plant closures. Pricing was sustained despite the various headwinds (raw material, supply chain and logistics issues). These initiatives supported a strong EBITDA margin of 29.9%.

Chemicals

First quarter 2021 sales in the segment were down 1.2% including forex and scope, but up +6.1% organically.

Soda Ash sales continued to improve sequentially, though were still 5.9% lower (-3.0% organically) than Q1 2020. The continuing recovery in building sustained good demand in flat glass, while demand for container glass used in the HORECA (hospitality, restaurant and catering) industry remained weak.

Peroxide sales were down by 11.1% (-4.7% organically), compared to Q1 2020, due to lower volumes in the pulp and paper markets in North America and Europe.

Silica sales were again strong +2.6% yoy (+7.9% organically), thanks to rising demand in the automotive segment, market share gain, and interest in our recently launched innovations.

Coatis had exceptional sales in this quarter, up +23.5% (+55% organically) with higher volumes and higher prices as a result of favorable market conditions.

Segment EBITDA was up +0.6% compared to Q1 2020 (+8.7% organically), and increased sequentially by 14.6% versus the fourth quarter 2020, as a result of favorable market conditions in Coatis combined with lower fixed costs in the business, as well as significant contributions from Rusvinyl, driven by strong PVC demand and higher prices. This resulted in a record underlying EBITDA margin of 30.4% in Q1 2021.

Solutions

Sales in the first quarter of 2021 were up +0.9% (+6.4% organically) due mainly to higher volumes across most major markets.

First quarter sales in Novecare increased organically by 4.9% year on year, and increased organically by 13% excluding oil & gas; growth was driven by higher volumes in coatings, home & personal care, and agro markets. Oil & gas improved sequentially by +11% versus Q4, yet declined 31% year on year.

Special Chem sales increased +2.7% (organically by +8.6%) year on year thanks to the continued recovery in the automotive industry and sustained strong demand in the electronics market.

Technology Solutions sales increased by +9.4% (+14.5% organically) compared to Q1 2020 thanks to Copper mine site re-openings driving higher production levels and greater demand for our extractant solutions. Sequential sales versus Q4 improved by a similar magnitude.

Aroma Performance sales increased sequentially by +11.6% in Q1 versus Q4, due to strong volumes across product lines, but were down organically by 1.6% compared to a very strong Q1 2020. The business is investing to increase capacity in natural vanilla to capture the opportunity in this fast growing market.

First quarter EBITDA in the segment was up +12.4% (+21.1% organically) year and year, and up 26% sequentially, reflecting the continued recovery across most markets. EBITDA margin in the segment was up +2pp to 19.4% in Q1 2021, further reflecting our cost reduction improvements across all businesses.

Key segment figures

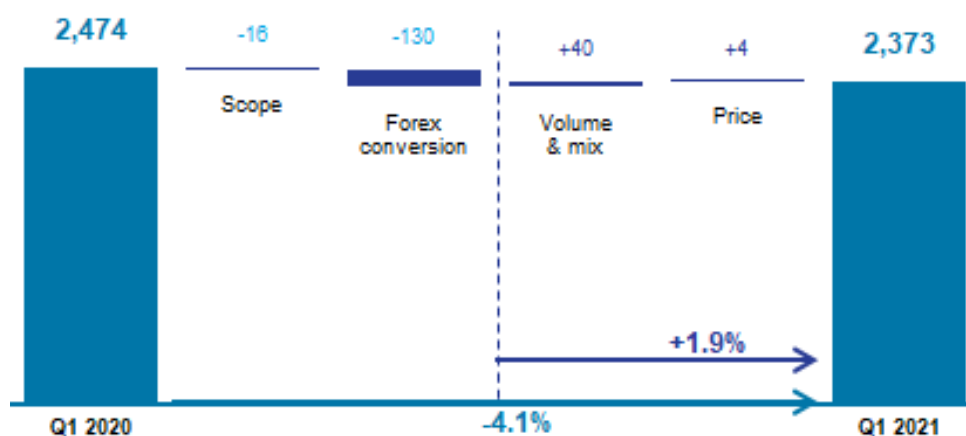
Segment review (in € million)	Underlying			
	Q1 2021	Q1 2020	% yoy	% organic
Net sales	2,373	2,474	-4.1%	+1.9%
Materials	689	789	-12.7%	-7.5%
Specialty Polymers	511	481	+6.3%	+10.0%
Composite Materials	178	308	-42.3%	-36.6%
Chemicals	791	800	-1.2%	+6.1%
Soda Ash & Derivatives	367	390	-5.9%	-3.0%
Peroxides	152	172	-11.1%	-4.7%
Coatis	157	127	+23.5%	+55.1%
Silica	114	111	+2.6%	+7.9%
Solutions	891	883	+0.9%	+6.4%
Novecare	416	421	-1.3%	+4.9%
Special Chem	211	206	+2.7%	+8.6%
Technology Solutions	154	140	+9.4%	+14.5%
Aroma Performance	110	116	-5.0%	-1.6%
Corporate & Business Services	3	1	+81.4%	+94.1%
EBITDA	583	569	+2.5%	+10.3%
Materials	206	228	-9.7%	-4.7%
Chemicals	240	239	+0.6%	+8.7%
Solutions	173	154	+12.4%	+21.1%
Corporate & Business Services	-36	-52	+30.3%	-
EBITDA margin	24.6%	23.0%	+1.6pp	-
Materials	29.9%	28.9%	+1.0pp	-
Chemicals	30.4%	29.8%	+0.5pp	-
Solutions	19.4%	17.4%	+2.0pp	-

Key IFRS figures

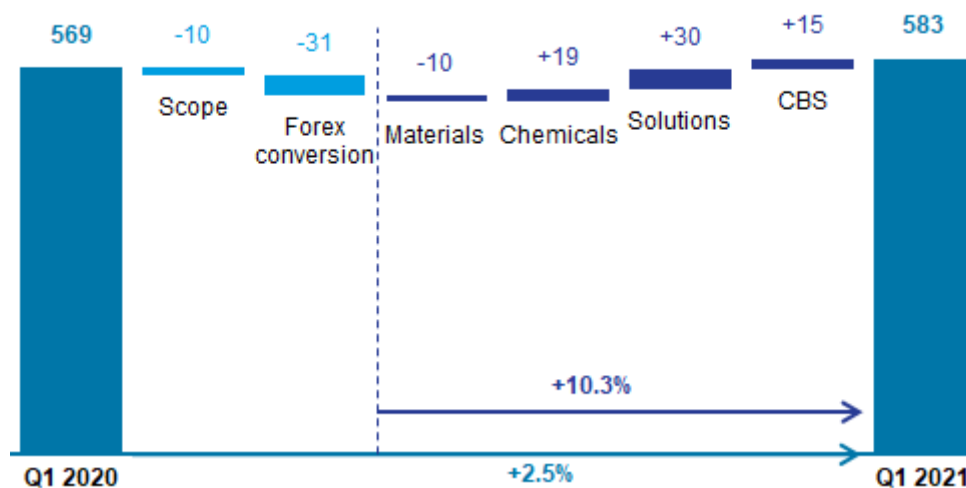
(in € million)	IFRS			Underlying		
	Q1 2021	Q1 2020	% yoy	Q1 2021	Q1 2020	% yoy
Net sales	2,373	2,474	-4.1%	2,373	2,474	-4.1%
EBITDA	414	485	-14.7%	583	569	+2.5%
<i>EBITDA margin</i>				24.6%	23.0%	+1.6pp
EBIT	169	233	-27.5%	382	371	+2.9%
Net financial charges	-30	-27	-11.8%	-63	-68	+8.4%
Income tax expenses	-25	-47	+46.2%	-70	-76	+7.7%
<i>Tax rate</i>				24%	26%	-2.7pp
Profit / (loss) attributable to Solvay shareholders	104	249	-58.3%	240	236	+1.8%
Basic EPS (in €)	1.01	2.41	-58.3%	2.33	2.28	+1.9%
Basic EPS, from continuing operations (in €)	1.01	1.43	-29.5%	2.31	2.08	+11.2%
Capex in continuing operations				100	163	-38.6%
FCF to Solvay shareholders, continuing operations				282	202	+39.8%
FCF to Solvay shareholders				282	197	+43.0%
FCF conversion ratio (LTM)				54.8%	40.4%	+14.4pp
Net financial debt				4,157		

Supplemental information: bridges

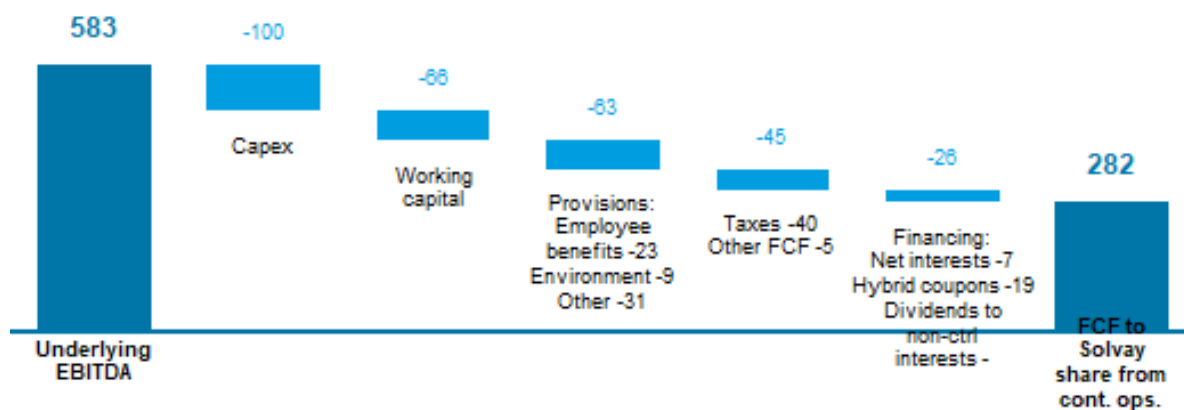
Net Sales



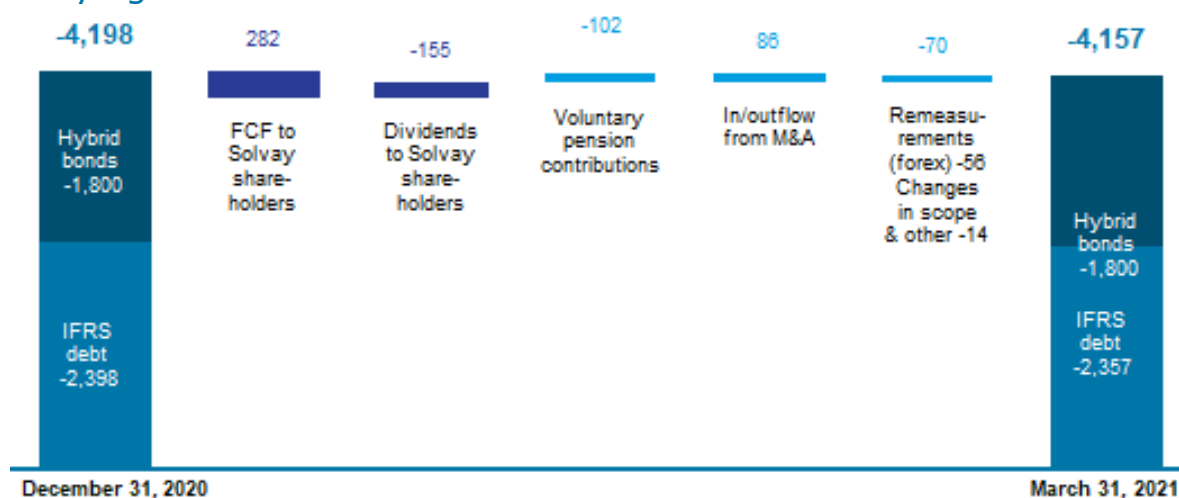
Underlying EBITDA



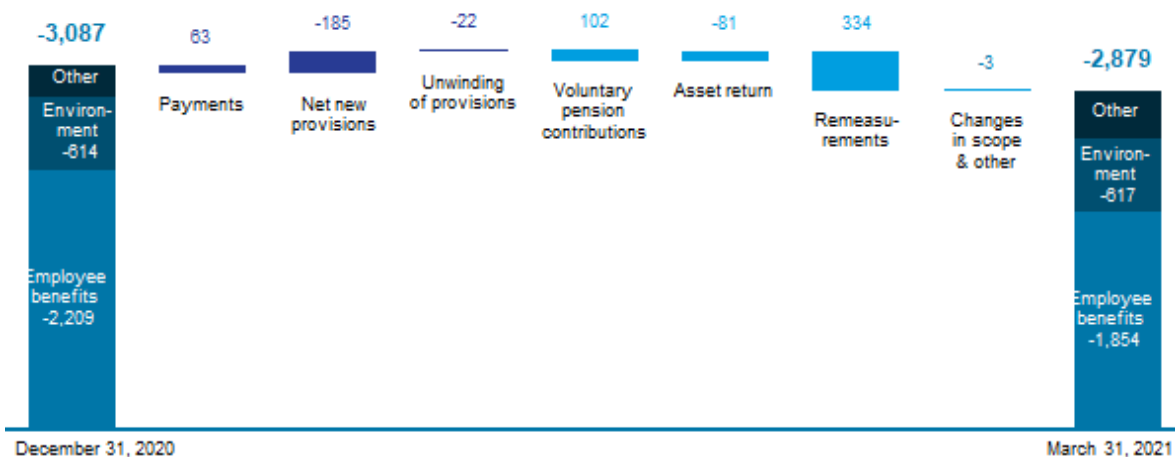
Free cash flow



Underlying net debt



Provisions



Glossary

EPS is earnings per share.

Extra-financial indicators: Indicators used to measure the sustainability performance of the company in complement to financial indicators. Solvay has selected 10 indicators that are included in the ONE Planet initiative. For more information, we refer to the last available annual report available on www.solvay.com.

Free cash flow to Solvay shareholders is the free cash flow after payment of net interests, coupons of perpetual hybrid bonds and dividends to non-controlling interests. This represents the cash flow available to Solvay shareholders, to pay their dividend and/or to reduce the net financial debt.

Free cash flow conversion ratio is calculated as the ratio between the free cash flow to Solvay shareholders of the last rolling 12 months (before netting of dividends paid to non-controlling interest) and the underlying EBITDA of the last rolling 12 months.

Organic growth excludes forex (foreign exchange conversion) and scope effects related to small M&A not leading to restatements.

Underlying figures adjust IFRS figures for the non-cash Purchase Price Allocation (PPA) accounting impacts related to acquisitions, for the coupons of perpetual hybrid bonds classified as equity under IFRS but treated as debt in the underlying statements, and for other elements to generate a measure that avoids distortion and facilitates the appreciation of performance and comparability of results over time.

Underlying net financial charges include the coupons on perpetual hybrid bonds (accounted as dividends under IFRS, and thereby excluded from the income statement), as well as the financial charges and realized foreign exchange losses from the RusVinyl joint venture (part of earnings from associates under IFRS, and thereby included in the IFRS EBITDA).

Underlying net financial debt includes the perpetual hybrid bonds, accounted for as equity under IFRS.

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Safe harbor

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About Solvay

Solvay is a science company whose technologies bring benefits to many aspects of daily life. With more than 23,000 employees in 64 countries, Solvay bonds people, ideas and elements to reinvent progress. The Group seeks to create sustainable shared value for all, notably through its Solvay One Planet plan crafted around three pillars: protecting the climate, preserving resources and fostering better life. The Group's innovative solutions contribute to safer, cleaner, and more sustainable products found in homes, food and consumer goods, planes, cars, batteries, smart devices, health care applications, water and air purification systems. Founded in 1863, Solvay today ranks among the world's top three companies for the vast majority of its activities and delivered net sales of €9.0 billion in 2020. Solvay is listed on Euronext Brussels (SOLB) and Paris and in the United States, where its shares (SOLVY) are traded through a Level I ADR program. Learn more at www.solvay.com.

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