



**SOLVAY**  
PROGRESS BEYOND

# Full Year 2019 results

February 26, 2020

# Webcast

slides



# Forenote

IFRS 16 has been implemented in the Group's financial statements since January 1, 2019. Comparative information for the first quarter of 2018 in the business review is presented on an unaudited pro forma basis as if the implementation had taken place on January 1, 2018. This information is labelled "pro forma" or "PF". The balance sheet evolution is compared with January 1, 2019, which includes the IFRS 16 impact versus December 31, 2018.

Besides IFRS accounts, Solvay also presents underlying Income Statement performance indicators to provide a more consistent and comparable indication of the Group's financial performance. The underlying performance indicators 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 that would distort the analysis of the Group's underlying performance.

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# 2019 Financial results

Focus on cost, cash and customers in a challenging macro environment



**FY NET SALES**

Down 2% yoy  
Price partly offsets volumes

Q4: €2,440 m



**FY UNDERLYING EBITDA**

Foreign exchange offsets 2.8% decrease

Q4: €525 m



**FY FREE CASH FLOW to Solvay Shareholders**  
from continuing operations

Disciplined focus delivers solid results

Q4: €261 m

# Strategic update

## Portfolio

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- Divestment of Polyamides commodities
- Net Proceeds of €1.2 billion
- Used to reduce pension liabilities and delever net debt

## Structure

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- Bonus structure aligned to differentiated business mandates
- New efficiency measures announced
- Creates a leaner, more efficient organization
- Increases mid-term cost reduction target to min €350m

## Customer focus

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- Collaboration with leading auto OEM customer enabled Solvay to win new battery container application in hybrid vehicles



Our Purpose

We bond people,  
ideas and elements  
to reinvent progress

Together we can create a  
sustainable and shared future



# 10 SUSTAINABILITY GOALS BY



## 2030

Baseline 2018



Reduce the environmental impact of our operations at planetary scale: tackle climate & biodiversity

### CLIMATE

**Greenhouse gas emissions:** Align its trajectory with “well below 2°C temperature increase” (2015 Paris Agreement)

**Coal phase out and no new coal plant:** wherever renewable alternatives exist

**Biodiversity:** reduce negative pressure on biodiversity beyond climate change: terrestrial acidification, water eutrophication, marine ecotoxicity

-26% (-2%/y)

Achieve 100%

30% reduction



Accelerate the transition toward circular business and operations models.

### RESOURCES

**Sustainable Solutions:** increase the share of revenue in Sustainable Solutions measured by SPM

**Circular economy:** increase the percentage of sales of products based on renewable or recycled resources

**Industrial waste:** reduce non-recoverable industrial waste (landfill or incinerated without energy recovery)

**Water use efficiency:** decrease the impact on freshwater withdrawal by reducing intake of freshwater

Achieve 65% vs 50%

Achieve 15% vs 7%

30% reduction

25% reduction



Improve the quality of life of our employees and the society at large

### BETTER LIFE

**Safety:** a zero accident policy aiming to protect the safety and security of employees

**Inclusion and Diversity:** Gender parity for mid- and senior-level management by 2035

**Extending maternity and paternity leave:** Solvay is adapting its global policy of 14 weeks maternity leave to 16 weeks, extending it to co-parents inside the company regardless of their gender, by 2021.

Aim for zero accident

Parity vs 24%

Extension to 16 weeks (by 2021)



# Advanced Materials

## 2019 Performance



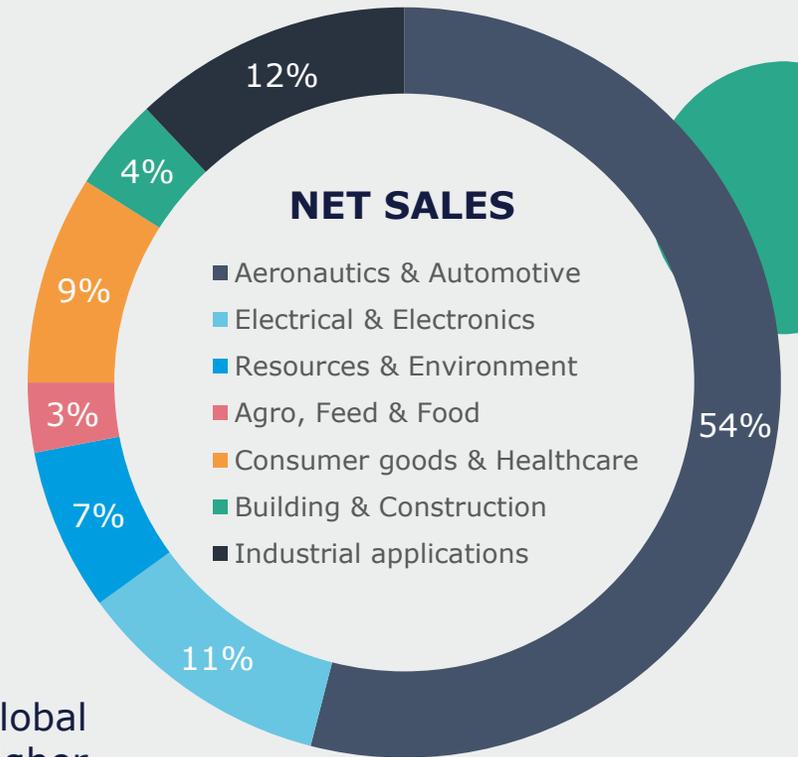
**NET SALES**  
*y/y organic*



**EBITDA**  
*y/y organic*



**EBITDA margin**



### Performance Highlights

- Double-digit growth in Composite Materials for aerospace offset lower volumes in Specialty Polymers into automotive and electronics
- Higher prices across segment
- Fixed costs up to support future growth
- Efficiency measures only partially offset higher variable costs and destocking

### Market Drivers

- Auto market down due to lower global production, offset slightly by higher sales to EV batteries
- Electronics down due to lower demand of semiconductor and smart devices
- Aerospace growth due to build rate increases across military and commercial aircrafts

# Advanced Formulations

## 2019 Performance



**NET SALES**  
*y/y organic*



**EBITDA**  
*y/y organic*



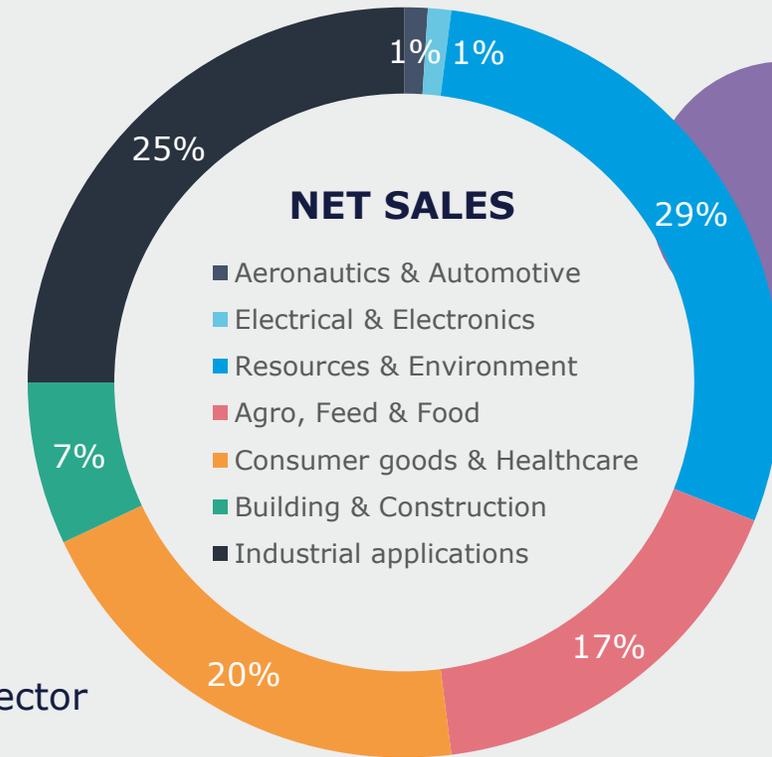
**EBITDA margin**

### Performance Highlights

- Oil & gas significantly down on lower demand as customers focus on costs
- Lower mining volumes due to production stoppages at some mining customers
- Net pricing positive and cost containment measures could only partially offset the volumes decline

### Market Drivers

- North American shale oil & gas sector remained challenged
- Mining environment soft with world mine production declining by about 0.4% in 2019
- Coatings, Agro, Personal care markets stable



# Performance Chemicals

## 2019 Performance



**NET SALES**  
y/y organic



**EBITDA**  
y/y organic



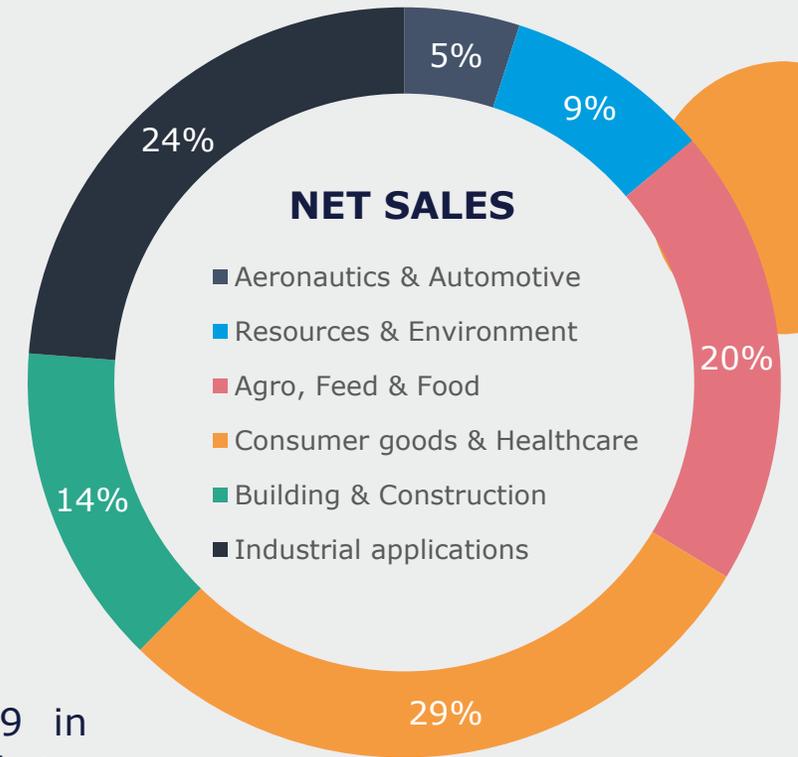
**EBITDA margin**

### Performance Highlights

- Higher pricing & healthy demand
- Pricing up in soda ash and peroxides
- Coatis sales down on softer demand in its domestic Brazilian market
- Productivity gains, favorable energy costs

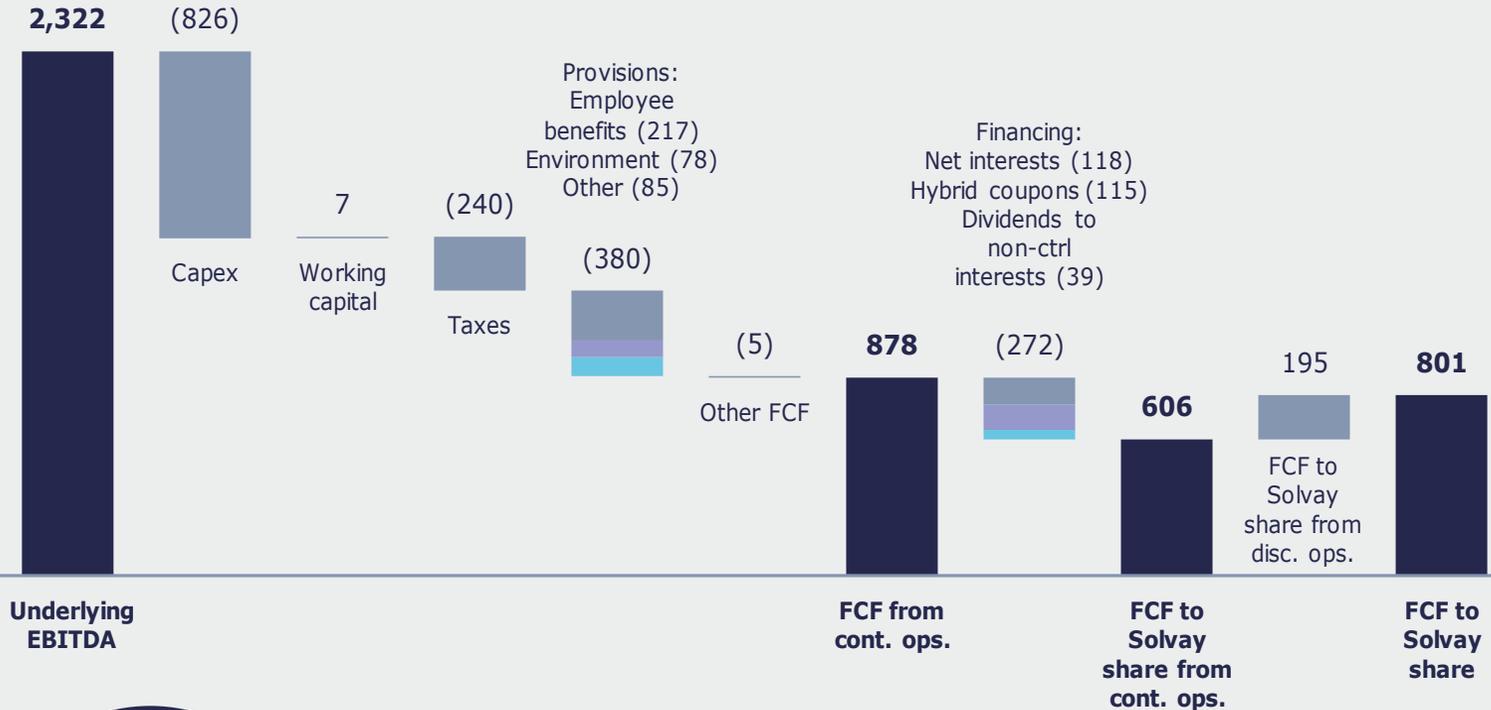
### Market Drivers

- Healthy demand throughout 2019 in Soda Ash and Peroxides markets, mainly consumer driven
- Latin American market challenged



# Significant free cash flow generation

**2019** (in € billion)



**2019 FCF to Solvay shareholders from continuing operations at €606 million**

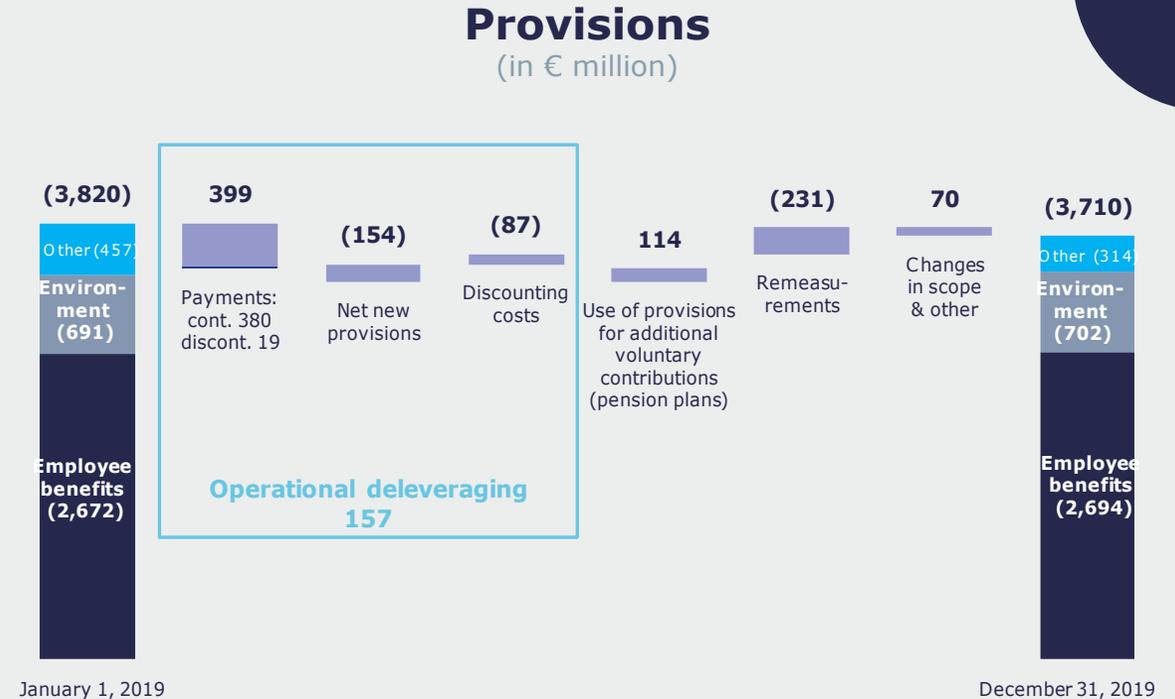
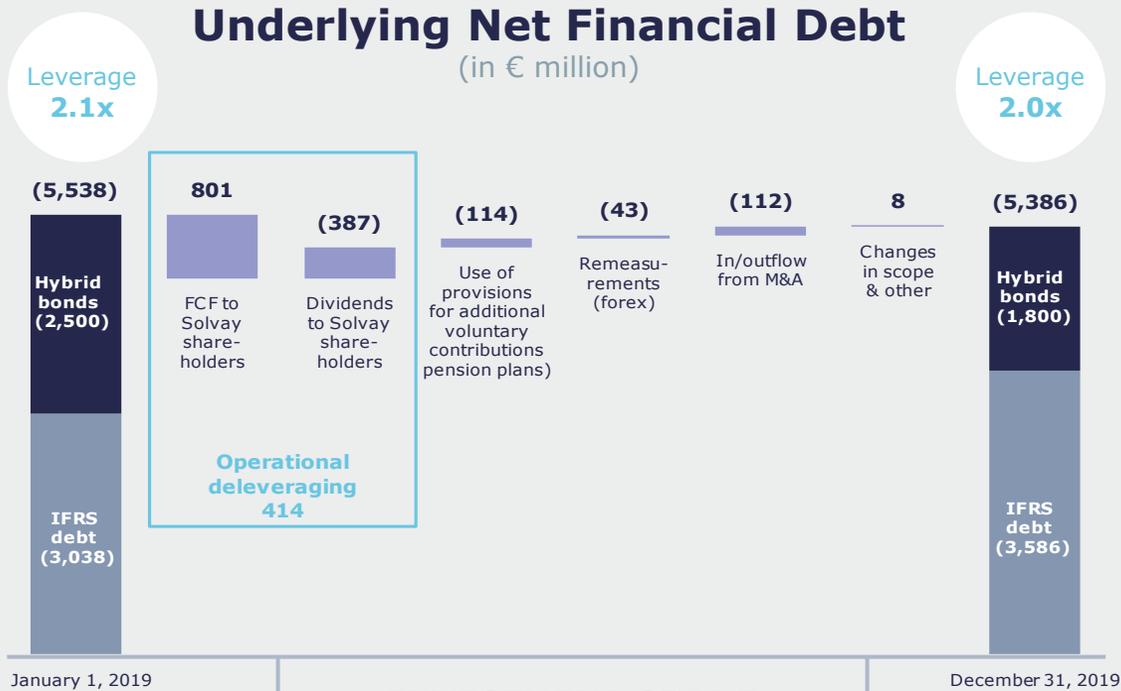
- Strict working capital management
- Capex discipline maintained

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**2019 Total FCF to Solvay shareholders at €801 million, including €195 million from discontinued operations → *RECORD DELIVERY***



# Strong operational deleveraging



## INVESTMENT GRADE

S&P

Moody's

BBB

Baa2

Stable outlook

Stable outlook

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[1] Impact of index, mortality, forex & discount rate changes

- **Strong operational deleveraging** of €157m and additional voluntary provisions of €114m
- These largely offset a €231m increase in post-employment provisions from the net effect of lower discount rates and higher returns from plan assets



# 2020 outlook

Return to growth in second half

0% to -3%

**UNDERLYING EBITDA**  
Organically  
from €2,322 million in 2019

28%

**FREE CASH FLOW**  
Conversion

~8%

**ROCE**  
stable

**Assumptions included in guidance:**

- 737MAX build rate of ~200 in 2020 versus almost ~600 in 2019 (~30m to 40m FY impact)
- COVID-19 virus uncertainty continues; assumes (~25m Q1) impact
- Macroeconomic environment remains a headwind at least through first half in key markets including auto, electronics, oil & gas
- As a result, first quarter expected to be down by high single-digits

# Committed to Delivering Enhanced Value

## Mid-term financial targets

	2019	2020 – 2024	
Underlying EBITDA growth	-2.8%	Mid-single digit / year average	 <p><b>GROWTH</b></p> <ul style="list-style-type: none"> <li>MATERIALS</li> <li>CHEMICALS</li> <li>SOLUTIONS</li> </ul>
FCF conversion <sup>[1]</sup>	28%	Exceed <b>30%</b> by 2024	More than ~ <b>€150M</b> FCF <sup>[2]</sup> run rate
ROCE	8.1%	Exceed <b>11%</b> by 2024	More than ~ <b>€300M</b> EBIT run rate
Cost Reduction		Exceed €350 million [updated]	Run rate by 2024

All targets are on an organic basis (at constant forex and scope)

<sup>[1]</sup> FCF Conversion: FCF to Solvay shareholders (before netting of dividends paid to Non Consolidated Interests) divided by the EBITDA  
<sup>[2]</sup> FCF to Solvay shareholders





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