# SOLVAY



Philippe Kehren

Roadshow presentation
May 2024



Alexandre Blum



Profile 8 Strategy

#### A New Chapter

We are mastering the elements essential to our world





## Value unlocked by the separation



Simplification



Industry Leadership



Focused Investments

- → Standardization
- → End-to-End optimization
- → Lowest cost operations
- → Process innovation for sustainable operations
- Attractive shareholder returns
- → Investments for efficiency and decarbonization

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→ Maintain IG rating



## At a glance



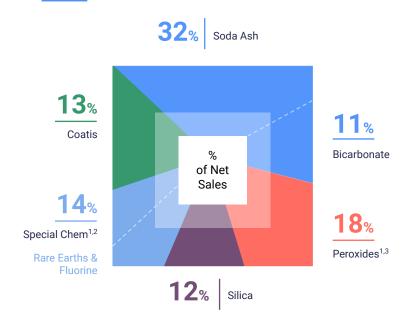


### Balanced global geographical exposure



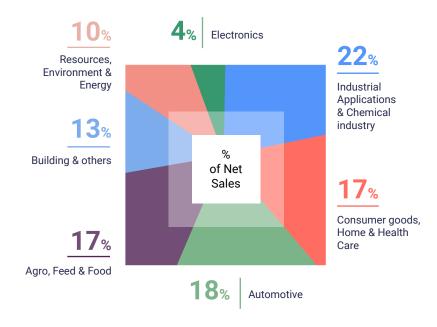


## Leadership across businesses



<sup>1</sup> Special Chem and Peroxides net sales take into account the transfer of eH202 business from Special Chem to Peroxides (effective in 2024)

# Essential to multiple end-markets



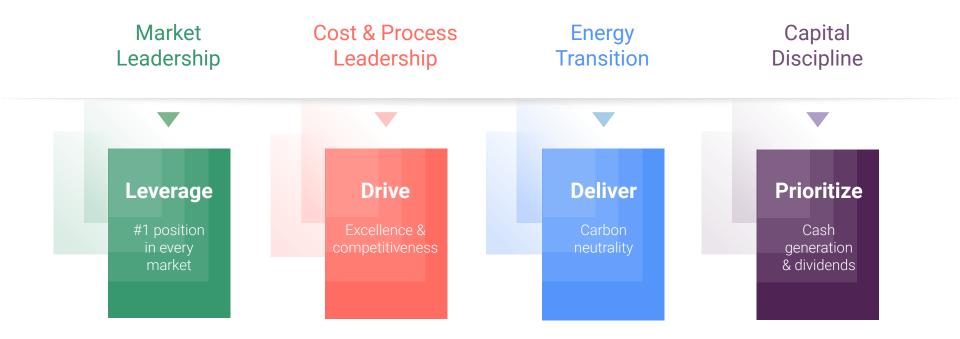
Based on 2023 net sales



<sup>2</sup> Special Chem net sales exclude thermal insulation business (phased out in 2023)

<sup>3</sup> Peroxides : including changes related to Peroxidos do Brazil and Zhenjiang

#### Strategy founded on 4 strategic priorities





#### Separation drives new and faster cost savings

Fixed costs reduction driven by ✓ operational excellence ✓ continued footprint optimization Manufacturing Variable costs improvement driven by ✓ process innovation An organization fit for purpose G&A with a simple ERP platform **Procurement** Reduction variable costs and logistic & Logistics optimization

€300 mn

Cost reduction by 2028

~60% fixed costs

~40% variable costs

Digital Transformation as a key enabler



### 2023 ESG performance demonstrates strong progress on climate and better life

Drastically reducing our CO<sub>2</sub> emissions with 27 major energy transition projects

	2023	2021	Progress	Targets	
Scope 1 & 2 GHG Emissions (Mt)	7.3	9.0	-19%	-30% by 2030	
Scope 3 GHG Emissions (Mt)	12.4	14.7	-16%	-20% by 2030	
Coal Phase out (Petajoules)	24.4	27.2	-10%	Coal phase out by 2030	
Safety (RIIR)	0.27	0.34	-21%	Aim for zero	
Diversity (% of women mid/sen. management)	26.3	28	-1.7pts	Gender parity by 2035	
UN Living wage initiative	NEW		Pilot	Living wage for 100% of workforce by 2026	

### Clear prioritization of Cash usage

~€4bn Levered pre-CAPEX cash flow Indicative over 2024-28

Priority 1
Essential CAPEX

- → One Planet
- → Sustenance

~1/3

Priority 2 **Dividends** 

'Stable to increasing' policy

~1/3

Priority 3

More value creation

- → Selective investment projects
- → Deleveraging
- → Further shareholder return

~1/3

SOLVAY

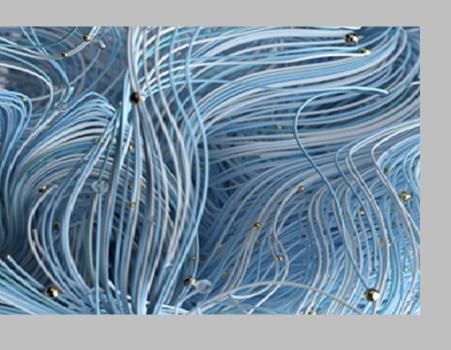


#### **Key Q1 accomplishments**

to drive us forward

- Capacity expansion in France, Italy linked to SOLVAir<sup>®</sup>
   bicarbonate and in China for photovoltaic grade H<sub>2</sub>O<sub>2</sub>
- **New** bio-based carbon neutral Augeo® for the Americas
- New sustainable blowing agent Alve-One®
- First cost savings initiatives already bearing fruit
- Inaugural €1.5bn bond placement , strengthening our balance sheet





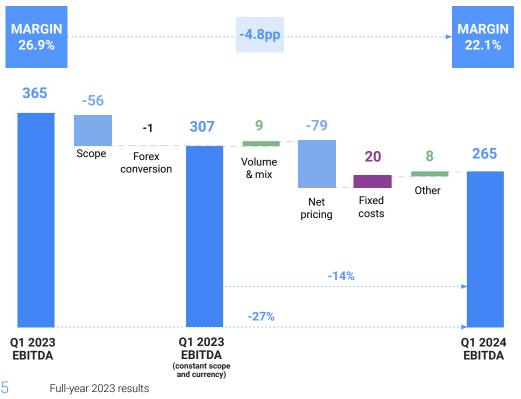
Financials

#### Q1 2024 results

Strong FCF supported by resilient EBITDA, cost and capex discipline



#### Q1 EBITDA bridge



€265m in Q1 2024

VS

€365m in Q1 2023

## Volumes growth for the first time in 7 quarters

#### **Negative net pricing**

mostly from soda ash other businesses very resilient

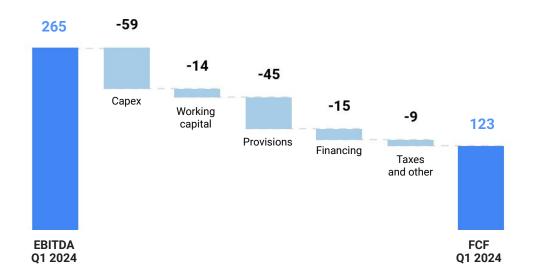
#### **Lower fixed costs**

cost discipline in challenging environment structural savings initiatives

**SOLVAY** 

**Strong FCF generation** 

Supported by resilient EBITDA and disciplined Capex and Working capital



€123m in Q1 2024

VS

€-130m in Q1 2023

Resilient EBITDA
Performance

Capex discipline

Mostly essential Capex

**Limited WC outflow** 

**SOLVAY** 

# Strong balance sheet stabilized with inaugural €1.5bn refinancing



#### **Dual tranches bond**

4 year €750m7.5 year €750m

3.875% coupon on 4y bond 4.250% coupon on 7.5y bond

#### Outlook unchanged

Expectations for 2024

01

Underlying EBITDA organic growth ranging between **-10% to -20%** compared to 2023 restated

02

Free Cash Flow¹ greater than **€260 million** 

## 2028 Targets

Underlying EBITDA Growth (in %)	Mid Single-Digit per year average				
Underlying EBITDA Margin (in %)	Mid to	High 20s			
Total Gross Savings	€300 mn run-rate				
Free cash flow Conversion (in %)	Exceed mid 30s				
ROCE (in %)	Increasing to low 20s				
Stable to increasing dividends					
Investment grade credit rating					





## Board of Directors representing all stakeholders



# Philippe Kehren

**Chief Executive** 

### Global Leadership Team



Alexandre Blum
Chief Finance & Strategy
Officer



Lisa Brown
General Counsel &
Corporate Secretary



Lanny Duvall
Chief Operations Officer



Mark van Bijsterveld
Chief People Officer



Jean Charles Djelalian

Chief Sustainability
Officer



Etienne Galan

President GBU Soda Ash & Derivatives



Daniela Manique

President GBU Coatis



An Nuyttens

President GBU Silica & Special Chem



**Brad Rector** 

Chief Information Officer



Carlos Silveira

President GBU Peroxides



#### Soda ash: market leadership with strong cash generation



Flat glass (construction, solar panels, automotive)



Container glass (food & beverages)



SODA ASH

Water softener for detergents



Other applications incl. sodium silicates, lithium carbonate





Flue gas treatment, pharma, feed, food



Net Sales

~€**2.1**bn

EBITDA Avg. Growth

~7%

Cash conversion

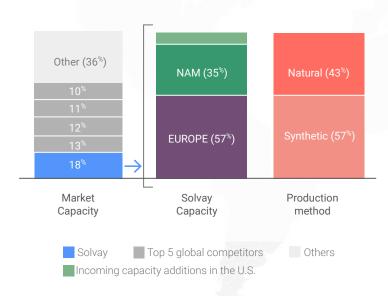
~70%



#### Soda ash: global market leader in both Soda Ash and Bicar

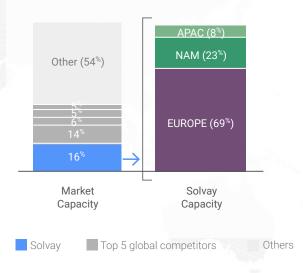
#### Global #1 position in Soda Ash

Soda Ash global capacity (excl. China) in kt (2022)



#### Global #1 position in Bicar

Bicar global capacity (incl. China) in kt (2023)





#### Peroxides: Market leadership and strong cash-generation





Pulp & Paper







Net Sales

~**€0.9**bn

EBITDA Avg. Growth

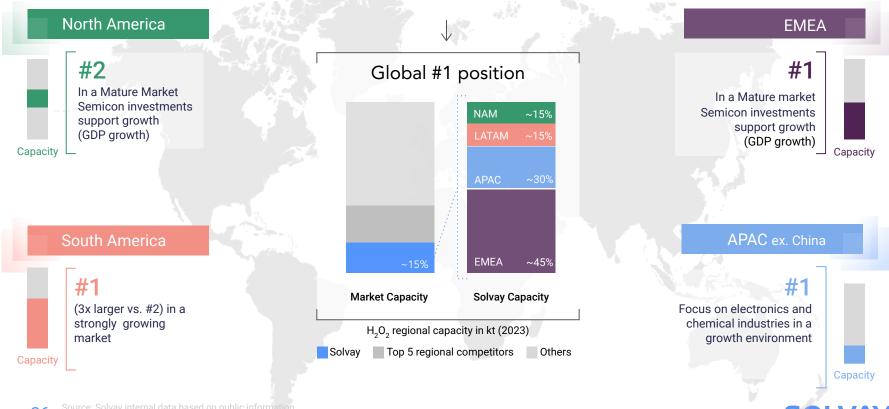
~9%

Cash conversion

>70%



#### Peroxides: undisputed market leader



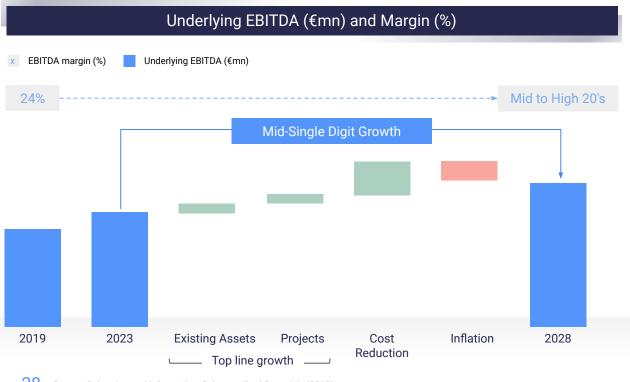


# A long track record of resilient growth, margin expansion and cash generation





#### Profitable growth drivers





**GDP Growth** 

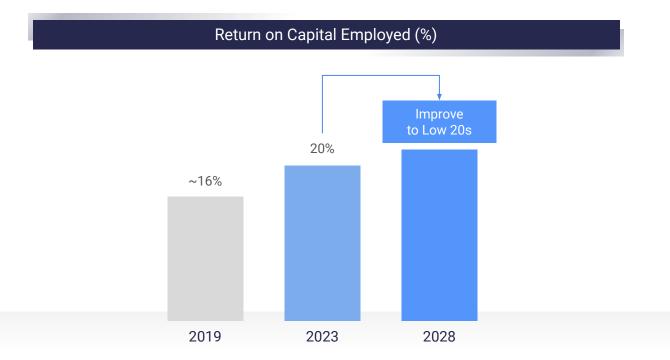
in key market segments with pockets going beyond

**Cost Savings** 

from G&A and Operational Excellence



#### Best-in-class ROCE to improve further





**Top Line Growth** 

**Cost Reduction** 

Value Creation investments

**Asset Efficiency Gains** 



#### 2023 Restated Underlying EBITDA and Net Sales

in € million	impact	Underlying EBITDA	Underlying Net Sales
2023 as published		1,246	4,880
phase-out thermal insulation	scope	-54	-107
phase-out third party energy supply	scope	-41	N/A
Dis-synergies	scope	-12	N/A
Zhenjiang	scope	-8	-25
Peroxidos do Brasil	APM	+23	+163
2023 Restated		1,154	4,911

In addition, on January 1st 2024, as communicated in Solvay's Capital Market Day presentation on November 13th 2023, the "eH202" (electronic-grade hydrogen peroxide) business has been transferred from GBU Special Chem part of Performance Chemicals to GBU Peroxides part of Basic Chemicals.

The 2023 quarterly underlying sales and EBITDA restated figures will be published in April, ahead of the Q1 2024 publication.



#### Glossary

- Capital expenditure (capex): Cash paid for the acquisition of tangible and intangible assets presented in cash flows from investing activities, and cash paid on the lease liabilities (excluding interests paid), presented in cash flows from financing activities, excluding acquisition of assets associated with the partial demerger project. This indicator is used to manage capital employed in the Group.
- Cash conversion: (Underlying EBITDA Capex from continuing operations) / Underlying EBITDA.
- Free cash flow: Cash flows from operating activities (excluding cash flows linked to acquisitions or disposals of subsidiaries, cash outflows of Voluntary Pension Contributions, as they are deleveraging in nature as a reimbursement of debt and cash flows related to internal management of portfolio such as one-off external costs of internal carveout and related taxes...), cash flows from investing activities (excluding cash flows from or related to acquisitions and disposals of subsidiaries and cash flows associated with the partial demerger project), and other investments, and excluding loans to associates and non-consolidated investments, and recognition of factored receivables), payment of lease liabilities, and increase/decrease of borrowings related to environmental remediation. Prior to the adoption of IFRS 16, operating lease payments were included within free cash flow. Following the application of IFRS 16, because leases are generally considered to be operating in nature, free cash flow incorporates the payment of the lease liability (excluding the interest expense). Excluding this item in the free cash flow would result in a significant improvement of free cash flow compared to prior periods, whereas the operations themselves have not been affected by the implementation of IFRS 16. It is a measure of cash generation, working capital efficiency and capital discipline of the Group.
- Free cash flow to Solvay shareholders: 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: Calculated as the ratio between the free cash flow to Solvay shareholders (before netting of dividends paid to noncontrolling interest) and underlying EBITDA.
- Levered pre-CAPEX cash flow: Free cash flow to Solvay shareholders before Capital expenditure (capex).
- ✓ **Net financial debt:** Non-current financial debt + current financial debt − cash & cash equivalents − other financial instruments (current and non-current). Underlying net debt reclassifies as debt 100% of the hybrid perpetual bonds, considered as equity under IFRS. It is a key measure of the strength of the Group's financial position and is widely used by credit rating agencies.
- ✓ Net sales: Sales of goods and value added services corresponding to Solvay's know-how and core business. Net sales exclude Revenue from non- core activities.
- ✓ Organic growth: Growth of Net sales or underlying EBITDA excluding scope changes (related to small M&A not leading to restatements) and forex conversion effects. The calculation is made by rebasing the prior period at the business scope and forex conversion rate of the current period. Scope impact includes the phasing out of Solvay's thermal insulation activities which were previously part of Special Chem as well as the phasing out of Solvay's third party energy supply activities that were previously included in Corporate Costs. Organic growth is the net of dissynergies related to PO2.
- ✓ RIIR: Reportable Injury & Illness rate. number of reportable injury or illness per 200,000 work hours.
- ✓ ROCE: Return on Capital Employed, calculated as the ratio between underlying EBIT (before adjustment for the amortization of PPA) and capital employed. Capital employed consists of net working capital, tangible and intangible assets, goodwill, rights-of-use assets, investments in associates & joint ventures and other investments, and is taken as the average of the situation at the end of the last 4 quarters.
- Underlying: Underlying results are deemed to provide a more comparable indication of Solvay's fundamental performance over the reference periods. They provide readers with additional information on the Group's underlying performance over time as well as the financial position and they are consistent with how the business' performance and financial position are reported to the Board of Directors and the Executive Committee.



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