IMCD reports 17% EBITA growth in 2015

Rotterdam, The Netherlands (16 March 2016) - IMCD N.V. ("IMCD" or "Company"), a leading distributor of speciality chemicals and food ingredients, today announces the full year 2015 results.

Highlights

- Revenue growth of 13% to EUR 1,530 million (+11% on a constant currency basis)
- Gross profit growth of 16% to EUR 332.8 million (+14% on a constant currency basis)
- Operating EBITA increased by 17% to EUR 128.3 million (+15% on a constant currency basis)
- Net result before amortisation and non-recurring items of EUR 87.2 million (2014: EUR 54.3 million)
- Cash earnings per share increased by 26% to EUR 1.79
- Dividend proposal of EUR 0.44 in cash per share

Piet van der Slikke, CEO, commented: "*The results 2015 show a consistent strong performance, despite difficult market conditions. The diligent execution of our business model and the continuous focus on margin improvement resulted in further growth. Through our selective acquisitions we were able to expand our strategic and geographic market coverage and with MF Cachat we acquired a solid and growing platform for further expansion in the attractive US market. In 2016 we will continue to build on the strong foundations of our business with the aim to achieve another year of growth.*"

Key figures

EUR million	2015	2014	Change	Change	Fx adj. change
Revenue	1,529.8	1,358.3	171.5	13%	11%
Gross profit	332.8	287.6	45.2	16%	14%
Gross profit in % of revenue	21.8%	21.2%	0.6%		
Operating EBITA[1]	128.3	110.0	18.3	17%	15%
Operating EBITA in % of revenue	8.4%	8.1%	0.3%		
Conversion margin[2]	38.5%	38.2%	0.3%		
Net result before amortisation / non recurring items	87.2	54.3	32.9	61%	58%
Free cash flow[3]	119.3	94.6	24.7	26%	
Cash conversion margin[4]	90.5%	83.9%	6.6%		
Net debt / Operating EBITDA ratio[5]	2.9	2.4	0.5	23%	
Earnings per share (weighted)	1.20	0.79	0.41	52%	
Cash earnings per share (weighted)[6]	1.79	1.42	0.37	26%	
Proposed dividend per share	0.44	0.20	0.24	120%	
Number of full time employees end of period	1,746	1,512	234	15%	

1 Result from operating activities before amortisation of intangibles and non-recurring items
2 Operating EBITA in percentage of Gross profit
3 Operating EBITDA plus/less changes in working capital less capital expenditures
4 Free cash flow in percentage of Operating EBITDA
5 Including full year impact of acquisitions 2015
6 Result for the year before amortisation (net of tax)

Revenue

Revenue increased from EUR 1,358 million to EUR 1,530 million, an increase of 13% compared to 2014. This increase was the balance of organic growth (1%), the first time inclusion of acquired companies (11%) and a positive contribution of foreign exchange differences (1%).

Organic revenue growth was the outcome of modest macroeconomic circumstances, rationalisations in the product portfolio that more or less offset the positive impact of adding new supplier relations, expanding relations with existing suppliers and an increase of customer penetration by adding new customers and selling more products to existing customers. Acquisitions completed in 2014 and acquisitions made in 2015 had a positive impact on revenue of EUR 145 million.

Gross profit

Gross profit, defined as revenue less cost of materials and inbound logistics, increased from EUR 287.6 million in 2014 to EUR 332.8 million in 2015, an increase of 16%. This increase was the balance of organic growth (5.2%), the first time inclusion of acquired companies (9.1%) and a positive contribution of foreign exchange differences (1.4%).

Gross profit in % of revenue increased from 21.2% in 2014 to 21.8% in 2015. This increase is the result of further optimisation of the product portfolio, the first time inclusion of acquired companies, local market circumstances, currency changes and the usual fluctuations in the product mix.

The gross profit in % of revenue improved in all regions whereby gross profit margins showed the normal level of differences in margins per region, margins per product and margins per product market combinations.

Operating EBITA

Operating EBITA, increased by 17% to EUR 128.3 million compared to EUR 110.0 million in 2014 (+15% on a constant currency basis).

In 2014 operating EBITA included the outcome of changes in Dutch pension legislation. Under IAS19 past service obligations in the Netherlands were reduced by EUR 2.7 million. This non-cash release of EUR 2.7 million was included in the 2014 operational EBITA. Excluding this 2014 one off item, the operating EBITA growth in 2015 was EUR 21 million (20%).

The growth in operating EBITA was a combination of organic growth, the first time inclusion of acquired companies and a positive impact of exchange differences (EUR 1.8 million). The operating EBITA in % of revenue increased from 8.1% in 2014 (7.9% excluding the IAS 19 pension adjustment) to 8.4% in 2015. All segments increased their EBITA margin in 2015 compared to 2014.

Furthermore, the conversion margin, operating EBITA as a percentage of gross profit, improved by 0.3% from 38.2% in 2014 to 38.5% in 2015. Excluding the 2014 IAS 19 pension adjustment the conversion margin improved 1.2% (from 37.3% to 38.5%).

The developments by operating segments are as follows:

Europe

EUR million	2015	2014	Change	Change	Fx adj. change
Revenue	968.9	957.8	11.1	1%	(1%)
Gross profit	222.9	212.8	10.1	5%	3%
Gross profit in % of revenue	23.0%	22.2%	0.8%		
Operating EBITA	87.3	83.5	3.8	5%	2%
Operating EBITA in % of revenue	9.0%	8.7%	0.3%		
Conversion margin	39.2%	39.2%			

The European activities performed well given modest macroeconomic market growth and industry specific challenges. Relationships with our suppliers remained strong. IMCD was able to add interesting new supplier relations and to further expand the relations with existing suppliers in new territories and with additional business lines.

Revenue in 2015 was more or less equal compared to 2014. Gross profit increased by 5% (+3% on a constant currency basis). This increase was the balance of changes in the product mix and adding new suppliers or expanding the relationships with existing suppliers. Various initiatives were taken to further strengthen the market position such as adding a new lubricants lab to better support the lubricants business, a further optimisation of the CRM system used in the group and activities to further streamline and optimise the logistic set up in various business cases.

Gross profit increased from EUR 212.8 million in 2014 to EUR 222.9 million in 2015, an increase of 5%. Gross profit margin improved from 22.2% in 2014 to 23.0% in 2015, primarily as a result of changes in the product mix.

Operating EBITA growth of 5% from EUR 83.5 million in 2014 to EUR 87.3 million in 2015 was a combination of organic growth of 2% and a positive impact of exchange rate differences of 3%. The organic growth, realised in a weak European economic environment, is a reflection of the strong position of IMCD in the various countries and markets and the ability to expand the product portfolio and supplier base. The operating EBITA margin improved from 8.7% in 2014 to 9.0% in 2015. Gross profit margin improvement was the main driver of this increase. The conversion margin, operating EBITA as a percentage of gross profit, remained stable at 39.2%.

Asia Pacific

EUR million	2015	2014	Change	Change	Fx adj. change
Revenue	310.5	283.9	26.6	9%	6%
Gross profit	58.1	49.5	8.6	17%	15%
Gross profit in % of revenue	18.7%	17.4%	1.3%		
Operating EBITA	27.9	23.5	4.4	19%	17%
Operating EBITA in % of revenue	9.0%	8.3%	0.7%		
Conversion margin	48.0%	47.5%			

In Asia Pacific, market circumstances were characterised by volatile macroeconomic developments. In 2015 fluctuations of local currencies versus the US $ and the EURO were substantial and negatively influenced competitive positions in certain areas. The focus on organisational and margin improvement, in particular of the acquired businesses in Asia, impacted results positively. Although market conditions in Australia remain difficult, the business performed well. In September an IMCD office was opened in Ho Chi Minh City, Vietnam. This opening marks the latest of a succession of steps that IMCD has taken to build up presence in Asia Pacific.

Notwithstanding the difficult market circumstances revenue increased by 9%, which was a combination of organic growth (2%), acquisition growth (5%) and the positive impact of exchange rate differences (2%).

Gross profit increased 17% to EUR 58.1 million in 2015. This increase was the balance of organic growth (10%), the first time inclusion of acquired companies (5%) and a positive contribution of foreign exchange differences (2%). Gross profit margin increased from 17.4% in 2014 to 18.7% in 2015. This increase was primarily due to a strong focus on margin improvement and adding new supplier relations.

The operating EBITA increased by 19% to EUR 27.9 million and operating EBITA in % of revenue rose from 8.3 % in 2014 to 9.0% in 2015. Gross profit margin improvement, combined with strict cost control were the main drivers of this increase. The conversion margin further improved from 47.5% in 2014 to 48.0% in 2015.

Other Emerging Markets

EUR million	2015	2014	Change	Change	Fx adj. change
Revenue	118.8	116.6	2.1	2%	9%
Gross profit	28.2	25.2	3.0	12%	19%
Gross profit in % of revenue	23.8%	21.6%	2.1%		
Operating EBITA	10.4	9.6	0.8	9%	14%
Operating EBITA in % of revenue	8.7%	8.2%	0.5%		
Conversion margin	36.8%	37.9%			

Other Emerging Markets, representing operations in Turkey, South Africa and Brazil, realised organic revenue growth of approximately 9% compared to 2014. In the first half of this year the segment Other Emerging Markets reported a positive currency impact of 4%. However, substantial weakening of local currencies in the second half of the year, whereby Brazilian Real and Turkish Lira both lost about 20% of their value versus the EURO, resulted in a negative full year currency impact of 7% on revenues.

Despite the significant negative impact of exchange rate differences, gross profit increased 12% to EUR 28.2 million in 2015. This increase was the balance of organic growth (18%) and a negative contribution of foreign exchange differences (6%). Gross profit margin increased from 21.6% in 2014 to 23.8% in 2015. This increase was the result of a strong focus on margin improvement and adding new supplier relations.

Operating EBITA increased by 9% to EUR 10.4 million compared to EUR 9.6 million in 2014. This increase is the balance of gross profit growth and further investments to strengthen local organisations. The operating EBITA margin improved to 8.7% (8.2% in 2014). The conversion margin slightly reduced from 37.9% in 2014 to 36.8% in 2015.

In December 2015 IMCD acquired Selectchemie to further strengthen the position in Brazil. Selectchemie, based in Sao Paulo, is a leading distributor of pharmaceutical ingredients in Brazil, representing world leading producers from the US, Europe and Asia. In 2015 Selectchemie generated revenues of BRL 82 million with 46 staff. As this transaction was closed in the second half of December 2015 Selectchemie did not contribute to the result of IMCD of 2015. Only year end balance sheet positions are included in the 2015 accounts.

USA
At the end of June 2015 IMCD acquired 80% of MF Cachat. MF Cachat is an excellent fit with the IMCD business model and strategy and provides a significant platform for further growth in the United States. Initially IMCD acquired 80% of the total share capital from the existing MF Cachat management who continue to lead the company. The remaining 20%, which is also owned by management, will be acquired at the latest in 2017.

MF Cachat is a leading speciality chemicals distributor in the US with a focus on coatings, construction, plastics, advanced materials and food. With its head office near Cleveland, Ohio, MF Cachat is active in the Midwest, Central, Eastern and Southern regions of the US and represents leading global chemical suppliers in more than 30 states. Since the acquisition, MF Cachat generated revenue of EUR 131.6 million with a gross profit of EUR 23.6 million (17.9% gross profit in % of revenue). Operating EBITA realised in this period was EUR 13.4 million resulting in an operating EBITA in % of revenue of 10.2% and a conversion margin of 56.9%.

Holding companies

EUR million	2015	2014	Change	Change	Fx adj. change
Operating EBITA	(10.7)	(6.6)	(4.1)	(62%)	(56%)

Operating EBITA of Holding Companies represents the head office in Rotterdam and the regional office in Singapore. Operating EBITA in 2014, normalised for the IAS 19 pension adjustment in the Netherlands, amounted to minus EUR 8.8 million. Operating costs increased in 2015 by EUR 1.9 million to EUR 10.7 million. This increase reflects the growth of IMCD and as a consequence the need to strengthen the support functions both in Rotterdam and Singapore. Further, the costs include the full year impact of additional costs related to the listing on Euronext and costs related to the long term incentive plan of EUR 0.7 million.

On 1 January 2016 IMCD opened a regional support office in New Jersey, USA managed by a member of IMCD's Executive Committee. Its purpose is to strengthen corporate infrastructure in the US and to affirm IMCD’s focus on the Americas region and its commitment to expanding the business there.

Cash flow and capital expenditure
Free cash flow increased 26% compared to 2014 from EUR 94.6 million to EUR 119.3 million. The cash conversion margin, defined as free cash flow as a percentage of operating EBITDA, improved 6.6% to 90.5% in 2015, with further growth of operating EBITA combined with less working capital investments as main drivers.

The asset light business model resulted in relatively low capital expenditure compared to the size of the overall operations and amounted to EUR 3.2 million in 2015 compared to EUR 3.1 million in 2014. Capital expenditure was mainly related to investments in the IT infrastructure and office furniture and equipment.

Working capital
Working capital is defined as inventories, trade and other receivables less trade payables and other payables. At the end of 2015 the absolute amount of working capital was EUR 227.8 million compared to EUR 179.7 at year end 2014. The increase of EUR 48.1 million is a combination of increased business activity leading to higher working capital levels (+EUR 13.9 million), impact of exchange rate differences on year end balance sheet positions (- EUR 3.9 million), acquisitions (+ EUR 39.8 million) and other working capital movements (- EUR 1.7 million). Monitoring working capital positions is a permanent focus of management attention and there are various processes and tools in place to optimise working capital requirements.

Net debt and total equity

Net debt amounted to 437.5 EUR million at year end 2015, compared to EUR 266.6 million at year end 2014. The increase in net debt is predominantly the balance of positive and healthy cash flows from operating activities and the net proceeds from the issuance of new shares, set off by cash outflows as a result of acquisition purchase prices paid and a dividend payment of EUR 10 million. Furthermore, net debt increased with approximately EUR 51 million due to the increase of deferred contingent considerations related to acquisitions made. The acquisitions made in 2015 were financed by available cash, existing credit lines, the net proceeds of the issuance of new shares of EUR 84.4 million (2.6 million new shares at a price of EUR 32.79) and an additional term loan of EUR 50 million.

The reported leverage ratio at the end of 2015, including the last full year result of MF Cachat and Selectchemie, was 2.9 times EBITDA (2.4 times at the end of 2014).

At the end of 2015, total equity amounted to EUR 653.8 million (2014: EUR 530.8 million). The positive impact of 2015 earnings and issue of shares resulted in a ratio at year end whereby net equity covers 45.6% of the balance sheet total (end of 2014: 47.4%).

Result for the year

Result for the year increased from EUR 19.9 million in 2014 to EUR 61.8 million in 2015. Weighted earnings per share increased from EUR 0.79 in 2014 to EUR 1.20 in 2015 (+52%).

Net result before amortisation and non-recurring items increased from EUR 54.3 million in 2014 to EUR 87.2 million in 2015. Drivers of this increase were the growth of operating EBITA and reduction of post IPO financing costs. Weighted cash earnings per share, calculated as net result before amortisation (net of tax), increased from EUR 1.42 in 2014 to EUR 1.79 in 2015 (+26%).

Dividend proposal

For 2015, a dividend of EUR 0.44 per share in cash will be proposed to the Annual General Meeting. Approval at the Annual General Meeting would result in IMCD paying EUR 23 million or 25% of the net 2015 result adjusted for non-cash amortisation charges (net of tax).

Outlook

IMCD operates in different, often fragmented market segments in multiple geographic regions, connecting many customers and suppliers across a very diverse product range. In general, results are impacted by macroeconomic conditions and developments in specific industries. Furthermore, results can be influenced from period to period by, amongst others, the ability to maintain and expand commercial relationships, the ability to introduce new products and start new customer and supplier relations and the timing, scope and impact of acquisitions.

IMCD's consistent strategy and resilient business model has led to successful expansion over the years and IMCD remains focused on achieving earnings growth by optimising its services and further strengthening its market positions. IMCD sees interesting opportunities to increase its global footprint and expand the product portfolio organically and by acquisitions.

Further information

Today's analyst and investors' call will start at 10 am CET. A recording of this call will be available on the IMCD website (www.imcdgroup.com). The download for the Annual Report 2015 and the convocation and other documentation for IMCD's Annual General Meeting on 12 May 2016 are published and available on IMCD's website as well.

Financial calendar

16 March 2016	Full year 2015 results
12 May 2016	Q1 2016 Trading Update
	Annual General Meeting
	Dividend announcement
16 May 2016	Ex-dividend date
17 May 2016	Record date
18 May 2016	Payment date
23 August 2016	First half year 2016 results
16 November 2016	Q3 2016 Trading Update

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About IMCD

IMCD is a market-leader in the sales, marketing and distribution of speciality chemicals and food ingredients. Its dedicated experts provide market-focused solutions to suppliers and customers across Europe, Africa, Asia-Pacific and Americas, offering a range of comprehensive product portfolios, including innovative formulations that embrace industry trends.
Listed at Euronext, Amsterdam (IMCD.AS), IMCD realised revenues of EUR 1,530 million in 2015. In over 40 countries on 6 continents its dedicated team of more than 1,700 technical and commercial experts work in close partnership to tailor best in class solutions for around 32,000 customers and a diverse range of world class suppliers.

For further information, please visit www.imcdgroup.com

Disclaimer forward looking statements

This press release may contain forward looking statements. These statements are based on current expectations, estimates and projections of IMCD's management and information currently available to the company. IMCD cautions that such statements contain elements of risk and uncertainties that are difficult to predict and that could cause actual performance and position to differ materially from these statements. IMCD disclaims any obligation to update or revise any statements made in this press release to reflect subsequent events or circumstances, except as required by law.

In the annual report of IMCD N.V, the relevant risk categories and risk factors that could adversely affect the company's business and financial performance have been described. They are deemed to be incorporated in this release.