



Azelis Press Release

Antwerp, Belgium, May 12th, 2022 - 07.00am CET

Azelis reports 95% growth in adjusted EBITA for Q1 2022

Q1 2022 Highlights

- Revenue of EUR 975.3m in Q1 2022, representing year-on-year growth of 59.4%. The Group generated record organic growth of 32.6% during the quarter, with strong performance in both Life Sciences and Industrial Chemicals, and across all regions.
- In the first three months of the year, Azelis completed 3 acquisitions representing total full year revenue of over EUR 160m¹.
- Gross profit of EUR 235.9m represents year-on-year growth of 71.3%, of which 43.0% was organic. The 167 bp gross profit margin expansion was driven by an acceleration in demand growth.
- Adjusted EBITA of EUR 116.0m representing a 94.6% increase implies 215 bp margin step-up. Conversion margin expanded by 589 bp to 49.2% compared to Q1 2021.
- Azelis generated free cash flow of EUR 57.9m despite elevated working capital to support strong performance.
- Leverage ratio reduced to 2.6x at the end of March 2022, compared to 5.0x in the previous year, and 2.7x at the end of December 2021.
- Raising full year 2022 guidance. The Group expects adjusted EBITA to exceed recently-upgraded consensus estimate of EUR 325m by at least 10% in 2022.

Azelis Group (EUR m)	Q1 2022	Q1 2021	Reported Change	Constant Currency
Life Sciences	592.8	372.6	59.1%	57.0%
Industrial Chemicals	382.5	239.1	60.0%	56.4%
Revenue	975.3	611.7	59.4%	56.8%
Gross Profit	235.9	137.8	71.3%	68.7%
Gross Profit Margin	24.2%	22.5%	167 bp	170 bp
Adjusted EBITDA ⁽¹⁾	121.9	64.1	90.4%	88.1%
Adjusted EBITDA Margin	12.5%	10.5%	203 bp	208 bp
Adjusted EBITA⁽²⁾	116.0	59.6	94.6%	92.3%
Adjusted EBITA Margin	11.9%	9.8%	215 bp	219 bp
Conversion Margin ⁽³⁾	49.2%	43.3%	589 bp	601 bp
Free Cash Flow ⁽⁴⁾	57.9	57.8		
FCF Conversion ratio ⁽⁵⁾	49.5%	96.0%		
Net working capital / Revenue normalized for acquisitions ⁽⁶⁾	14.6%	10.8%		
Leverage ratio	2.6x	5.0x		

(1) Adjusted EBITA before depreciation of property, plant and equipment

(2) Operating profit or loss before amortization and impairment of intangible assets and excluding adjustments

(3) Adjusted EBITA / Gross profit

(4) Adjusted EBITDA less lease payments, plus changes in Net Working Capital, plus changes in other assets, liabilities and provisions, less net capital expenditures

(5) Free Cash Flow divided by Adjusted EBITDA less lease payments

(6) Net Working Capital/Revenue including those from acquisitions for the full period

¹ Combined annual revenue in 2021

Comment from Dr. Hans Joachim Müller, CEO: Azelis had a very good start to the year, with strong momentum across our businesses translating to a 33% organic growth in the first quarter. We also completed 3 acquisitions with combined 2021 revenue of over EUR 160m. Adjusted EBITA increased by 95% to EUR 116m, translating to a significant improvement of 589 bp in the Group's conversion margin over the period. Given the Group's strong performance in the first three months despite ongoing supply chain disruptions as well as sustained inflation, I am confident that we should be able to exceed the recently-upgraded consensus estimate² for the full year by at least 10%.

Conference call

The management of Azelis invites you to a conference call and live webcast at 10:00 CET to discuss the operating trends and outlook for the remainder of the year. Please [click here](#) to view the webcast.

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² Company-compiled consensus estimate for full year 2022 adjusted EBITA

Operational Review

Azelis EMEA (EUR m)	Q1 2022	Q1 2021	Reported Change	Constant Currency
Revenue	450.5	297.1	51.6%	53.4%
Gross Profit	111.6	71.1	56.9%	58.3%
Gross Profit Margin	24.8%	23.9%	84 bp	73 bp
Adjusted EBITDA	62.5	36.1	73.1%	75.3%
Adjusted EBITDA Margin	13.9%	12.2%	172 bp	178 bp
Adjusted EBITA	60.1	34.0	76.6%	78.9%
Adjusted EBITA Margin	13.3%	11.5%	189 bp	194 bp
Conversion Margin	53.9%	47.9%	600 bp	643 bp

EMEA revenue increased by 51.6% to EUR 450.5m in the first three months of the year. Recovery in Life Sciences, and in particular in Food & Health, observed in the second half of 2021 further strengthened in Q1 2022. During the period, our EMEA businesses generated organic growth of 33.9% supported by continued strength in end-market demand. Revenue growth contribution from acquisitions was 19.5%, whilst FX translation represented 1.8% headwind.

Gross profit increased 56.9% to EUR 111.6m in Q1 2022, implying gross profit margin of 24.8%, an expansion of 84 bps compared to the prior year, supported by positive mix effects as well as margin optimisation initiatives. Adjusted EBITA grew 76.6% to EUR 60.1m, with adjusted EBITA margin expanding by 189 bps to 13.3%, implying solid conversion margin expansion to 53.9%.

Azelis Americas (EUR m)	Q1 2022	Q1 2021	Reported Change	Constant Currency
Revenue	366.5	243.7	50.4%	43.0%
Gross Profit	92.9	52.0	78.8%	71.4%
Gross Profit Margin	25.4%	21.3%	403 bp	403 bp
Adjusted EBITDA	51.6	27.0	91.2%	83.8%
Adjusted EBITDA Margin	14.1%	11.1%	300 bp	353 bp
Adjusted EBITA	49.7	25.7	93.5%	86.1%
Adjusted EBITA Margin	13.6%	10.5%	302 bp	302 bp
Conversion Margin	53.5%	49.4%	407 bp	407 bp

Revenue in the Americas increased 50.4% to EUR 366.5m in Q1 2022. The Group's activities in the Americas generated 27.9% organic growth, supported by continuing tailwinds in industrial chemicals, as well as growth with new and existing customers in both the Industrial Chemicals and Life Sciences markets. Revenue growth contribution from acquisitions was 15.1%, and FX translation represented a 7.4% tailwind for the period.

Gross profit in the region increased 78.8% to EUR 92.9m in Q1 2022, representing gross margin expansion of 403 bps compared to the prior year, largely from positive mix effect. During the period, adjusted EBITA grew 93.5% to EUR 49.7m, with the 302 bps Adjusted EBITA margin uplift largely due to impact from the inclusion of Vigon as well as efficiency gains.

Azelis Asia Pacific (EUR m)	Q1 2022	Q1 2021	Reported Change	Constant Currency
Revenue	158.3	70.9	123.4%	118.1%
Gross Profit	31.4	14.8	112.6%	108.4%
Gross Profit Margin	19.9%	20.9%	-100 bp	-80 bp
Adjusted EBITDA	15.0	5.9	155.4%	151.2%
Adjusted EBITDA Margin	9.5%	8.3%	119 bp	127 bp
Adjusted EBITA	13.6	5.1	168.7%	164.5%
Adjusted EBITA Margin	8.6%	7.1%	145 bp	152 bp
Conversion Margin	43.2%	34.2%	900 bp	903 bp

Revenue in APAC increased 123.4% to EUR 158.3m in Q1 2022. The Group generated 43.6% of organic growth in the region, as robust end-market demand in most markets mitigate the impact of new lockdowns in China. Acquisitions contributed 74.5% of revenue growth, whilst FX translation represented a 5.3% tailwind during the period.

Gross profit increased 112.6% to EUR 31.4m during the period, representing margin contraction of 100 bps to 19.9% due mostly to negative mix effect. Adjusted EBITA grew 168.7% to EUR 13.6m during the period, reflecting a 145 bps adjusted EBITA margin step-up as scale benefits from our growing footprint in the region offset the impact of some of the recent acquisitions.

Holding companies	Q1 2022	Q1 2021	Reported Change	Constant Currency
Adjusted EBITA (EURm)	-7.3	-5.1	43.0%	43.0%
As % of Group Revenues	-0.8%	-0.8%	8.6 bp	-2.2 bp

Operating costs at the Group's holding companies, which relate to the Group's non-operating entities as well as the head office in Belgium, were EUR 7.3m in Q1 2022, compared to EUR 5.1m in the previous year. Relative to total revenue, operating costs at the Group's holding companies remained broadly stable during the period.

Outlook

Our strategy of driving growth is underpinned by a constantly strengthening lateral value chain, supported by continuous investments in innovation capabilities and digitalization, as well as a commitment to sustainability to create long-term value. In line with this, we are positive that we should be able to generate 8-10% of revenue growth and deliver 10-15 bps adjusted EBITA margin expansion per year in the medium-term.

Although uncertainty from ongoing supply chain disruptions as well as sustained inflation persist, the outlook for the full year 2022 remains positive for Azelis. Given the strong performance in the first three months of the year, the management expects the Group to exceed the recently-upgraded consensus estimate of EUR 325m in adjusted EBITA for the full year by at least 10%.

Financial Review

Azelis Headline Results (EUR m)	Q1 2022	Q1 2021	F/X Translation	M&A Growth Contribution	Organic Growth	Total Growth
EMEA	450.5	297.1	-1.8%	19.5%	33.9%	51.6%
Americas	366.5	243.7	7.4%	15.1%	27.9%	50.4%
Asia Pacific	158.3	70.9	5.3%	74.5%	43.6%	123.4%
Group Revenue	975.3	611.7	2.7%	24.1%	32.6%	59.4%
EMEA	111.6	71.1	-1.4%	14.9%	43.4%	56.9%
Americas	92.9	52.0	7.4%	32.1%	39.3%	78.8%
Asia Pacific	31.4	14.8	4.2%	54.8%	53.6%	112.6%
Group Gross Profit	235.9	137.8	2.5%	25.7%	43.0%	71.3%

Revenue

Revenue increased 59.4% to EUR 975.3m in Q1 2022, largely driven by organic growth of 32.6% as demand remains strong across most of our end-markets. Revenue contribution from acquisitions was EUR 147.5m representing topline growth contribution of 24.1%, whilst FX translation represented a 2.7% revenue tailwind.

Revenue in Industrial Chemicals increased 60.0%, reflecting continued strong demand in the segment, and in particular in the CASE end-market supported by strong building and construction activities. Likewise, the recovery in Life Sciences market continued to strengthen, generating 59.1% revenue growth, with Food & Health as well as Pharma end segments starting to normalize to pre-Covid levels.

Profitability

Gross profit increased by 71.3% to EUR 235.9m in Q1 2022, implying gross profit margin of 24.2%. The 167 bps improvement in gross profit margin was due to positive mix effect as well as the Group's pricing management discipline.

During the period, adjusted EBITA increased by 94.6% to EUR 116.0m, resulting in a step-up of 215 bps in adjusted EBITA margin to 11.9% as strong organic growth and the benefits of scale mitigated the impact from the ongoing pressures on the supply chain.

Cash Flow and Financing

Free cash flow was stable at EUR 57.9m, representing cash flow conversion of 49.5%, versus 96.0% in the prior year. The decline was driven by the temporary increase in working capital investments on the back of the strong revenue growth. Over the last twelve months, free cash flow conversion ratio was 55.5%.

Net working capital to sales was 14.6% at the end of March 2022, compared to 10.8% in the prior year, due largely to higher inventory levels to support the ongoing strong demand, as well as the impact of new acquisitions. Working capital represented 55 days of revenue at the end of March 2022, compared to 61 days at the end of December 2021 and 39 days at the end of March 2021.

Capital expenditure in Q1 2022 was EUR 4.4m, compared to EUR 2.3m in the prior year, as the Group continues to invest in digital and IT infrastructure, as well as laboratory network to support our growth.

At the end of March 2022, net debt was EUR 965.9m, with the leverage ratio reduced to 2.6x, versus EUR 1,155.5m and 5.0x respectively at the end of March 2021. At the end of the period, the Group had liquidity of EUR 287.3m in both cash and unused revolving credit facility (RCF).

Post-closing event

At the end of April 2022, Azelis successfully upsized its existing Euro Term Loan and Revolving Credit facilities by EUR 350m. The additional financing was provided by the Group's existing club of banks, as well as 2 new bank partners. The additional funds were provided at the same terms and conditions as the original facilities in September 2021, with the amount split between the term loan and RCF on a pro-rated basis. The transaction further optimises Azelis' balance sheet, and strengthens the Group's ability to respond to growth opportunities as and when they arise.

Notes to the editor

About Azelis:

Azelis is a leading global innovation service provider in the specialty chemical and food ingredients industry present in 57 countries across the globe with +3,000 employees. Our knowledgeable teams of industry, market and technical experts are each dedicated to a specific market within Life Sciences and Industrial Chemicals. We offer a lateral value chain of complementary products to more than +51,000 customers, supported by +2,300 principal relationships, creating a turnover of €2.8 billion (2021). Azelis Group NV is listed on Euronext Brussels under ticker AZE.

Across our extensive network of more than 60 application laboratories, our award-winning staff help develop formulations and provide technical guidance throughout the customers' product development process. We combine a global market reach with a local footprint to offer a reliable, integrated and unique digital service to local customers and attractive business opportunities to principals. EcoVadis Platinum rated, Azelis is a leader in sustainability. We believe in building and nurturing solid, honest and transparent relationships with our people and partners.

Impact through ideas. Innovation through formulation.

Important disclaimer:

This announcement may contain statement relevant to Azelis Group NV (the "Company") and/or its affiliated companies (collectively "Azelis" or the "Azelis Group") which are not historical facts and are hereby identified as "forward-looking statements". Such forward looking statements, include, without limitation, those relating to the future business prospects, revenue, working capital, liquidity, capital needs, interest costs and income, in each case relating to the Azelis Group.

The forward-looking statements and estimates contained herein represent the judgement of and are based on the information available to the Company's management as of the date of this announcement. They involve a number of known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements to differ materially from those expressed or implied by the forward looking statements.

These forward-looking statements should not be considered as guarantees for future performance of the Azelis Group and should, therefore, be considered in light of various important factors that could cause actual results to differ materially from estimates or projections contained in the forward looking statements. These include without limitation economic and business cycles, the terms and conditions of the Azelis' financing arrangements, foreign currency rate fluctuations, competition in Azelis' key markets, acquisitions or disposals of businesses or assets and trends in Azelis' principal industries or economies.

The foregoing list of important factors is not exhaustive. When considering forward looking statements, careful consideration should be given to the foregoing factors and other uncertainties and events, as well as factors described in any other document published by the Company with the Belgian Financial Services and Markets Authority ("FSMA") or on the Azelis website (www.azelis.com/investor-relations) from time to time, including the prospectus related to the admission to trading of the securities of Azelis Group NV on the regulated market of Euronext Brussels dated 14 September 2021. No undue reliance should be placed on such forward looking statements which are relevant only as of the date of this announcement. Except as required by the FSMA, Euronext or otherwise in accordance with applicable law, the Company undertakes no obligation to update publicly or revise any forward looking statements, whether as a result of new information, future events or otherwise.