16 November, 2021

Azelis reports strong momentum in the first nine months of 2021

Highlights

- Group performance remained strong in the third quarter (Q3 2021), with quarterly revenue growing 31.5% year-on-year to EUR 728.2m. This brings total revenue for the first nine months (9M 2021) to EUR 2,037.7m, representing growth of 20.7%, of which 13.6% was organic.
- Adjusted EBITA grew 39.2% in Q3 2021, bringing 9M 2021 adjusted EBITA to EUR 200.5m, implying margin expansion of 98 bps to 9.8% during the period.
- In 9M 2021, Azelis completed 10 acquisitions representing total full year revenue of ca. EUR 425m.
- Free cash flow increased 43.7% to EUR 151.6m, implying FCF conversion ratio of 74.9% in 9M 2021 (96.6% over the last twelve months).
- Following a successful IPO, net debt at the end of September stood at EUR 829.6m, compared to EUR 1.5bn at the end of June 2021 with leverage ratio reduced from 5.4x to 2.7x during the period.
- The Group was awarded an EcoVadis Platinum rating in July, underscoring its achievements and ongoing commitments to Sustainability

Azelis Group Highlights (EUR m unless indicated)	9M 2021	9M 2020	Reported Change	Constant Currency
Life Sciences	1,260.3	1,048.9	20.2%	22.5%
Industrial Chemicals	777.4	639.7	21.5%	24.3%
Revenue	**2,037.7**	**1,688.6**	**20.7%**	**22.9%**
Gross Profit	467.0	371.3	25.8%	29.9%
Gross Profit Margin	22.9%	22.0%	93 bps	
Adjusted EBITA[1]	**200.5**	**149.6**	**34.0%**	**36.8%**
Adjusted EBITA Margin	9.8%	8.9%	98 bps	
Conversion Margin[2]	42.9%	40.3%	265 bps	
Free Cash Flow	151.6	105.5	43.7%	
FCF conversion ratio[3]	74.9%	69.8%	510 bps	
Net Working Capital/Sales	14.8%	12.7%	210 bps	
Net debt	829.6	1,167.1	-28.9%	
Leverage ratio	2.7x	5.7x	-3.0x	

(1) Adjusted EBITA represents operating profit or loss before amortization and impairment of intangible assets and excluding adjustments
(2) Conversion margin defined as Adjusted EBITA / Gross profit
(3) FCF conversion ratio represents Free Cash Flow divided by Adjusted EBITDA less lease payments

Comment from Dr. Hans Joachim Müller, CEO: I am pleased to report continued positive momentum across our businesses, as reflected in the strong organic revenue growth of 13.6%. In addition, we completed 10 acquisitions during the period in-line with our growth strategy. We accelerated our growth in Asia Pacific with the acquisition of 7 companies across the region, and established a strong foothold in the specialty Flavors and Fragrances market with the acquisition of Vigon in the US and Quimdis in France. Despite our continued growth investments, we delivered 34.0% adjusted EBITA growth and generated 43.7% higher free cash flow. At the same time, we delivered on our Sustainability agenda, achieving a Platinum rating from EcoVadis in July. Our achievements in 9M 2021 reinforce my confidence that we will continue to deliver strong performance for the remainder of the year.

azelis

Innovation through formulation

Revenue

Revenue increased 20.7% to EUR 2,037.7m in 9M 2021, largely driven by organic growth of 13.6% as demand remains strong across most of our end-markets. Revenue contribution from acquisitions was EUR 157m representing topline growth contribution of 9.3%, whilst FX represented a 2.3% revenue headwind.

Revenue in industrial chemicals increased 21.5%, reflecting the ongoing recovery in the segment, and in particular a strong CASE[1] end-market driven by the rebound in building and construction activities. Likewise, the resilient life sciences market remains robust, generating 20.2% revenue growth, with food & health starting to normalize to pre-Covid levels.

Profitability

Gross profit increased by 25.8% to EUR 467.0m in 9M 2021, implying gross profit margin of 22.9%. The 93 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 34.0% to EUR 200.5m, resulting in a step-up of 98 bps in adjusted EBITA margin to 9.8% as strong organic growth and the benefits of scale mitigated the impact from the ongoing pressures on the supply chain.

Cash Flow and Financing

Net working capital to sales was 14.8% at the end of September 2021, compared to 12.7% in the prior year, mostly due to the first-time inclusion of recent acquisitions, whose revenues were included for only a few months, but with full net working capital reflected on the balance sheet as at September 30, 2021.

Capital expenditure in 9M 2021 was EUR 10.7m, compared to EUR 6.6m in the prior year, as the Group resumed investments in digital and IT infrastructure, as well as laboratory network to support our growth.

Free cash flow increased by 43.7% to EUR 151.6m during the period, representing free cash flow conversion ratio of 74.9%, versus 69.8% in the prior year. Over the last twelve months, free cash flow conversion ratio was 96.6%. The increase in free cash flow was primarily driven by the Group's higher adjusted EBITA.

At the end of September 2021, net debt was EUR 829.6m as proceeds of the IPO were used to pay down debt. Net debt/EBITDA stood at 2.7x, versus 5.4x at the end of June, 2021 and 5.7x at the end of September 2020. At the end of the period, the Group had liquidity of EUR 346.3m in both cash and unused revolving credit facility (RCF).

[1] CASE (Coatings, adhesives, sealants and elastomers)

Operating Segments

Azelis EMEA (EUR m unless indicated)	9M 2021	9M 2020	Reported Change	Constant Currency
Revenue	894.3	785.7	13.8%	15.3%
Gross Profit	210.5	179.5	17.3%	18.8%
Gross Profit Margin	23.5%	22.8%	70 bps	
Adjusted EBITA	94.7	78.5	20.7%	22.8%
Adjusted EBITA Margin	10.6%	10.0%	60 bps	
Conversion Margin	45.0%	43.7%	126 bps	

EMEA revenue increased by 13.8% to EUR 894.3m in 9M 2021. This includes 1 month of revenue contribution from Quimdis, a life sciences distributor mainly active in flavors & fragrances in France, which Azelis acquired end of August. During the period, our EMEA businesses generated organic growth of 11.1% supported by continued strength in end-market demand.

Gross profit increased 17.3% to EUR 210.5m in 9M 2021, implying gross profit margin of 23.5%, an expansion of 70 bps compared to the prior year. Adjusted EBITA grew 20.7% to EUR 94.7m, with adjusted EBITA margin expanding by 60 bps to 10.6% as we continued to benefit from scale and gains from past, as well as ongoing efficiency investments.

Azelis Americas (EUR m unless indicated)	9M 2021	9M 2020	Reported Change	Constant Currency
Revenue	855.5	728.5	17.4%	21.5%
Gross Profit	191.4	152.0	25.9%	29.9%
Gross Profit Margin	22.4%	20.9%	150 bps	
Adjusted EBITA	100.7	73.8	36.3%	40.0%
Adjusted EBITA Margin	11.8%	10.1%	163 bps	
Conversion Margin	52.6%	48.6%	403 bps	

Revenue in the **Americas** increased 17.4% to EUR 855.5m in 9M 2021. This includes 4 months of revenue contribution from Vigon, a leading distributor and manufacturer of ingredients for the flavors, fragrances, and cosmetics market segments in the US, which the Group acquired at the beginning of June. The Group's activities in the Americas generated 15.8% organic growth, supported by tailwinds from the ongoing rebound in the building and construction sectors, driving the growth in Industrial Chemicals, and especially in the CASE market, as well as continued strength in the life sciences market.

Gross profit in the region increased 25.9% to EUR 191.4m in 9M 2021. Gross profit margin expanded by 150 bps compared to the prior year, largely from improved mix effect as well as ongoing price optimisation initiatives. During the period, adjusted EBITA grew 36.3% to EUR 100.7m, with the 163 bps Adjusted EBITA margin uplift largely due to impact from the acquisition of Vigon as well as efficiency gains.

Azelis APAC (EUR m unless indicated)	9M 2021	9M 2020	Reported Change	Constant Currency
Revenue	286.4	176.7	62.0%	61.4%
Gross Profit	56.3	32.9	70.9%	70.4%
Gross Profit Margin	19.7%	18.6%	102 bps	
Adjusted EBITA	21.5	11.1	93.7%	93.6%
Adjusted EBITA Margin	7.5%	6.3%	123 bps	
Conversion Margin	38.2%	33.7%	450 bps	

Revenue in **APAC** increased 62.0% to EUR 286.4m in 9M 2021, including revenue contribution from several acquisitions in the region during the period. The Group generated 14.9% of organic growth in APAC, as demand remains robust across end-markets and Azelis leverages its growing footprint. In addition, the Group made further significant progress on its Asia Pacific growth strategy with the completion of 7 acquisitions, contributing 46.5% revenue growth during the period[2].

Gross profit increased 70.9% to EUR 56.3m during the period, with gross profit margin expanding 102 bps to 19.7%. Adjusted EBITA grew 93.7% to EUR 21.5m during the period, reflecting a 123 bps adjusted EBITA margin step-up as positive mix effect and scale benefits from our growing footprint in the region offset the impact of some of the recent smaller acquisitions.

Outlook

Our strategy of driving growth is underpinned by a continually 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 we expect the impact from current price increases and ongoing pressures on the supply chain to persist for the remainder of the year, based on our performance year to date, we are confident that we will deliver results in-line with, or slightly above current consensus expectations[3]. We continue to see solid strength in the end markets we serve and our pipeline of acquisitions remains robust.

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.

Contact information

Azelis Investor Relations
T: +32 3 613 01 27
E: investor-relations@azelis.com

[2] Excludes Ingredients Plus which was acquired at the end of the reporting period, but will only be included in Azelis Group reporting starting October 2021.
[3] Company compiled consensus as of 12 November, 2021: Revenue 2021E of EUR 2.7bn; Adjusted EBITA 2021E of EUR 252m.

Notes to the editor:

About Azelis

Azelis is a leading global innovation service provider in the specialty chemical and food ingredients industry present in over 50 countries across the globe with around 2,800 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 45,000 customers, supported by ~2,200 principal relationships, creating a turnover of €2.22 billion (2020). 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.