

## Orbia Announces Third Quarter 2023 Financial Results

**Mexico City, October 25, 2023** – Orbia Advance Corporation, S.A.B. de C.V. (BMV: ORBIA\*) (“the company” or “Orbia”) today released unaudited results for the third quarter of 2023.

Orbia’s third quarter performance reflects a weakening market environment in construction, infrastructure and capital investments due primarily to the increasing impact of prolonged high global interest rates as well as global effects of lower industrial and construction activity in China. These factors contributed to a more challenging environment across many of Orbia’s business groups in the quarter, and as a result, led to lower EBITDA compared to the prior year quarter. Nevertheless, the company continued to generate strong operating cash flow and maintained a solid balance sheet in the third quarter.

### Q3 2023 Financial Highlights

*(All metrics are compared to Q3 2022 unless otherwise noted)*

- Net revenues of \$2.0 billion decreased 14%, reflecting lower sales across most businesses.
- EBITDA of \$320 million decreased 16%, driven by lower volumes and lower prices in certain segments, partially offset by higher profitability in Building and Infrastructure and Precision Agriculture.
- Operating cash flow of \$218 million decreased by \$7 million, driven by lower EBITDA.

“Third quarter results reflect the impact of global demand weakness, despite our leading global market positions, the resilience of our businesses and relentless focus on what is within our control. We continue to optimize our global facilities based on regional market demand. However, we are seeing the impact of elevated interest rates and customers have become more cautious in placing orders. While proactively managing through these near-term challenges, Orbia remains strategically focused on the medium and long-term growth potential across all business groups.” said Sameer Bharadwaj, CEO of Orbia.

Bharadwaj continued, “Thank you to the entire Orbia team who demonstrate their commitment all over the world to our purpose as a company and our vision to resolve the world’s biggest challenges, every day.”

## Q3 2023 Consolidated Financial Information<sup>1</sup>

(All metrics are compared to Q3 2022 unless otherwise noted)

mm US\$	Third Quarter		
	2023	2022	%Var.
<b>Financial Highlights</b>			
Net sales	1,976	2,291	-14%
Selling, general and administrative expenses	319	290	10%
Operating income	178	234	-24%
EBITDA	320	381	-16%
EBITDA margin	16.2%	16.6%	-46 bps
Financial cost	79	100	-21%
Earnings before taxes	99	132	-25%
Income tax	4	25	-85%
Consolidated net income (loss)	95	107	-11%
Net majority income	72	86	-17%
Operating cash flow	218	225	-3%
Capital expenditures	(166)	(118)	41%
Free cash flow	27	101	-73%
Net debt	3,380	3,295	3%

**Net revenues** of \$1,976 million decreased 14%.

The decrease in revenues for the quarter was driven by Polymer Solutions, Connectivity Solutions and Fluorinated Solutions primarily due to a slowdown in demand and lower pricing in certain businesses. Lower General Purpose PVC resin prices and weaker end markets were partially offset by better performance in Precision Agriculture and continued solid pricing, particularly across the Fluorinated Solutions product portfolio.

<sup>1</sup>Unless noted otherwise, all figures in this release are derived from the Consolidated Financial Statements of the company as of September 30, 2023 and are prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting" of the International Financial Reporting Standards (IFRS), which have been published in the Bolsa Mexicana de Valores (BMV). [See Notes and Definitions at the end of this release for further explanation of terms used herein.](#)

**Cost of goods sold** of \$1,479 million decreased 16%.

The decrease in cost of goods sold for the quarter was driven primarily by lower volumes.

**Selling, general and administrative expenses** of \$319 million increased 10%. As a percentage of sales, SG&A increased approximately 349 basis points to 16.1%.

The increase in selling, general and administrative expenses was primarily due to inflation, the strengthening of certain currencies such as the Mexican Peso, restructuring costs to streamline our operations and continued investment in executing the company's growth strategy.

**EBITDA** of \$320 million for the quarter decreased 16%, while EBITDA margin decreased approximately 46 basis points to 16.2%.

The decrease in EBITDA and EBITDA margin was due to lower prices and softer demand across most markets, particularly in Polymer Solutions, Connectivity Solutions and Fluorinated Solutions. The decrease was partially offset by higher profitability in Building and Infrastructure and Precision Agriculture.

**Financial costs** of \$79 million decreased 21%.

The decrease in financial costs was driven primarily by foreign exchange benefit due to the depreciation of the Mexican Peso and other currencies, as well as higher interest income from an increase in the cash balance and higher short-term rates received. These factors were partially offset by an increase in debt to support growth initiatives.

**Income Taxes** of \$4 million decreased 85%. The effective tax rate for the quarter was 3.7%, which is a decrease from 18.9% in the same period last year. The statutory tax rate based on the regional earnings mix was 21% and 23% for quarter ended September 30, 2023 and 2022, respectively.

The decrease in the effective tax rate was primarily due to the weakening of the Mexican Peso against the US Dollar.

**Net income to majority shareholders** of \$72 million decreased 17%, largely due to lower EBITDA.

**Operating cash flow** of \$218 million decreased 3% with a **free cash flow** generation of \$27 million.

The decrease in operating cash flow was driven by lower EBITDA and higher taxes paid. The decrease in free cash flow was driven by the lower operating cash flow and higher capital expenditures.

**Net debt** of \$3,380 million was comprised of total debt of \$4,866 million, less cash and cash equivalents of \$1,486 million. The company's net debt-to-EBITDA ratio increased from 2.14x at the end of the second quarter 2023 to 2.19x at the end of the third quarter of 2023. This increase was driven by a decrease in the cumulative trailing 12-month EBITDA.

## Q3 2023 Revenues by Region

(All metrics are compared to Q3 2022 unless otherwise noted)

mm US\$ Region	Third Quarter			
	2023	2022	% Var. Prev Year	% Revenue
North America	703	910	-23%	36%
Europe	595	683	-13%	30%
South America	428	468	-9%	22%
Asia	197	143	38%	10%
Africa and others	53	86	-38%	3%
<b>Total</b>	<b>1,976</b>	<b>2,291</b>	<b>-14%</b>	<b>100%</b>

## Q3 2023 Financial Performance by Business Group

(All metrics are compared to Q3 2022 unless otherwise noted)

### Polymer Solutions (Vestolit and Alphagary), 34% of Revenues

Orbia's Polymer Solutions business group with Vestolit and Alphagary brands focuses on General Purpose and Specialty PVC resins (polyvinyl chloride) and PVC and zero-halogen specialty compounds with a wide variety of applications in everyday products for everyday life, from pipes and cables to household appliances to medical devices. The business group supplies Orbia's downstream businesses and a global customer base.

mm US\$	Third Quarter		
	2023	2022	%Var.
<b>Polymer Solutions</b>			
Total sales*	677	837	-19%
Operating income	23	54	-58%
EBITDA	86	117	-26%

\*Intercompany sales were \$59 million and \$49 million in Q3 23 and Q3 22, respectively.

Revenues of \$677 million decreased 19%, EBITDA of \$86 million decreased 26% and EBITDA margin decreased approximately 122 basis points to 12.7%

The decrease in revenues was driven primarily by weaker market conditions and lower PVC and caustic soda pricing. This was partly offset by an increase in general resins volumes particularly in Latin America. The lower pricing resulted from weaker construction markets tied to higher interest rates as well as the global impact of weakness in China.

EBITDA was lower due primarily to lower selling prices, while the business continues to manage its costs and operations.

### Building and Infrastructure (Wavin), 35% of Revenues

Orbia's Building and Infrastructure business group with the Wavin brand is redefining today's pipes and fittings industry by creating solutions that last longer and perform better, all with less installation labor required. The business group benefits from supply chain integration with the Polymer Solutions business group, a customer base spanning three continents, and investments in sustainable, resilient technologies for water and indoor climate management.

mm US\$	Third Quarter		
	2023	2022	%Var.
<b>Building &amp; Infrastructure</b>			
Total sales	694	700	-1%
Operating income	49	39	27%
EBITDA	79	70	13%

Revenues of \$694 million decreased 1%, EBITDA of \$79 million increased 13%. EBITDA margin increased 143 basis points to 11.4%.

Revenues declined slightly driven by the impact of high interest rates which resulted in lower demand in construction and infrastructure sectors, particularly in Europe and North America. This was partly offset by volume improvement in Latin America and Asia markets.

EBITDA improvement reflects lower cost of raw materials, cost optimization and contribution from recent acquisitions such as Bow Plumbing Group.

### Precision Agriculture (Netafim), 13% of Revenues

Orbia's Precision Agriculture business group with the Netafim brand provides leading-edge irrigation systems, services and digital farming technologies to enable farmers to achieve significantly higher and better-quality yields while using less water, fertilizer and other inputs. By helping farmers worldwide grow more with less, the business group is contributing to feeding the planet efficiently and sustainably.

mm US\$	Third Quarter		
	2023	2022	%Var.
<b>Precision Agriculture</b>			
Total sales	250	224	12%
Operating income	(8)	(13)	40%
EBITDA	19	12	54%

Revenues of \$250 million increased 12% year-over-year. EBITDA of \$19 million increased 54%. EBITDA margin increased 202 basis points to 7.4%.

Revenues increased due to strong performance in certain Asian, Latin American markets and improvement in Europe, which more than offset the reduced demand in the US and other markets driven by weaker economic conditions and weather-related events.

EBITDA increased due primarily to the higher revenues noted above.

### Connectivity Solutions (Dura-Line), 13% of Revenues

Orbia's Connectivity Solutions business group with the brand Dura-Line, produces telecommunications conduit, cable-in-conduit and other products, solutions and services that create physical pathways for fiber and other network technologies connecting cities, homes and people.

mm US\$	Third Quarter		
	2023	2022	%Var.
<b>Connectivity Solutions</b>			
Total sales	252	368	-32%
Operating income	60	93	-36%
EBITDA	69	104	-34%

Revenues of \$252 million decreased 32% year-over-year. EBITDA of \$69 million decreased 34% and EBITDA margin decreased 84 basis points to 27.5%.

Revenues decreased year-over-year due to lower volume across major markets and lower pricing as many customers deferred orders as a result of the current high interest rate environment.

EBITDA decreased year-over-year driven by lower volume and pricing mentioned above, despite lower material costs and stringent cost control.

### Fluorinated Solutions (Koura), 9% of Revenues

Orbia's Fluorinated Solutions business group with the brand Koura provides fluorine and downstream products that support modern, efficient living. The business group operates the world's largest fluorspar mine and produces intermediates, refrigerants and propellants used in automotive, infrastructure, semiconductor, health, medicine, climate control, food cold chain, energy storage, computing and telecommunications applications.

mm US\$	Third Quarter		
	2023	2022	%Var.
<b>Fluorinated Solutions</b>			
Total sales	187	223	-16%
Operating income	54	63	-14%
EBITDA	67	78	-14%

Revenues of \$187 million decreased 16% year-over-year. EBITDA of \$67 million decreased 14% and EBITDA margin improved 82 basis points to 35.9%.

Revenues decreased year-over-year driven by product mix and lower volume related to delayed timing on certain shipments and inventory destocking in the refrigerant gases business, particularly in the US.

EBITDA decreased year-over-year driven by lower revenue as mentioned above and higher production costs due to the appreciation of the Mexican Peso. This was partially offset by higher year-over-year pricing.

## Balance Sheet, Liquidity and Capital Allocation

Orbia continued to maintain a strong balance sheet. The net debt-to-EBITDA ratio increased to 2.19x from 2.14x in the second quarter due to a reduction in the cumulative trailing 12-month EBITDA.

During the quarter, Orbia increased debt by \$197 million reflecting a net effect from the reopening of the Cebures in the Mexican market and the use of those proceeds to pay down short-term debt maturities.

Working capital decreased by \$80 million during the third quarter, reflecting an improvement of \$1 million compared to the prior year period.

Capital expenditures of \$166 million increased 41% year-over-year, including ongoing maintenance spending and investments to support the company's growth initiatives.

During the quarter Orbia paid an aggregate dividend of \$60 million as the third installment of the ordinary dividend, as approved at the Annual Shareholders Meeting held on March 30, 2023.

## 2023 Outlook

Orbia is continuing to proceed cautiously as it enters the last quarter of 2023 given the weak demand and pricing environment. The Company is focused on revenue generation, commercial and operational excellence and fiscal discipline. Its updated guidance now reflects a mid-teens percentage decline in revenue year-over-year and EBITDA of approximately \$1.45 billion for 2023. Orbia also continues to expect a tax rate between 44% and 47%, and capital expenditures of approximately \$600 million.

## Conference Call Details

Orbia will host a conference call to discuss Q3 2023 results on October 26, 2023, at 8:00 am Central Time (MX; Mexico City)/10:00 am Eastern Time (ET; New York). To access the call, please dial 001-855-817-7630 (Mexico), 1-888-339-0721 (United States) or 1-412-317-5247 (International).

Participants may pre-register for the conference call [here](#).

The live webcast can be accessed [here](#).

A recording of the webcast will be posted several hours after the call is completed on Orbia's [website](#).

For all company news, please visit [www.orbia.com/this-is-orbia/newsroom](http://www.orbia.com/this-is-orbia/newsroom).

## Consolidated Income Statement

mm US\$	Third Quarter			January - September		
	2023	2022	%	2023	2022	%
<b>Income Statement</b>						
Net sales	1,976	2,291	-14%	6,432	7,548	-15%
Cost of sales	1,479	1,767	-16%	4,641	5,488	-15%
<b>Gross profit</b>	<b>497</b>	<b>524</b>	<b>-5%</b>	<b>1,791</b>	<b>2,059</b>	<b>-13%</b>
Selling, general and administrative expenses	319	290	10%	993	892	11%
<b>Operating income (loss)</b>	<b>178</b>	<b>234</b>	<b>-24%</b>	<b>798</b>	<b>1,168</b>	<b>-32%</b>
Financial cost	79	100	-21%	312	214	46%
Equity in income of associated entity	0	(1)	N/A	-	2	-100%
Impairment expense	0	-	N/A	4	-	N/A
<b>Income (loss) from continuing operations before income tax</b>	<b>99</b>	<b>132</b>	<b>-25%</b>	<b>482</b>	<b>955</b>	<b>-50%</b>
Income tax	4	25	-85%	275	268	3%
<b>Income (loss) from continuing operations</b>	<b>95</b>	<b>107</b>	<b>-11%</b>	<b>207</b>	<b>687</b>	<b>-70%</b>
Discontinued operations	-	0	-100%	-	(1)	N/A
<b>Consolidated net income (loss)</b>	<b>95</b>	<b>107</b>	<b>-11%</b>	<b>207</b>	<b>686</b>	<b>-70%</b>
Minority stockholders	23	21	9%	72	84	-15%
<b>Majority Net income (loss)</b>	<b>72</b>	<b>86</b>	<b>-17%</b>	<b>135</b>	<b>602</b>	<b>-78%</b>
<b>EBITDA</b>	<b>320</b>	<b>381</b>	<b>-16%</b>	<b>1,234</b>	<b>1,601</b>	<b>-23%</b>



## Consolidated Balance Sheet

	mm US\$		
Balance sheet	Sep 2023	Dec 2022	Sep 2022
<b>Total assets</b>	<b>11,625</b>	<b>11,624</b>	<b>11,123</b>
<b>Current assets</b>	<b>4,468</b>	<b>4,584</b>	<b>4,177</b>
Cash and temporary investments	1,486	1,546	897
Receivables	1,358	1,229	1,519
Inventories	1,193	1,320	1,415
Others current assets	432	489	345
<b>Non current assets</b>	<b>7,156</b>	<b>7,040</b>	<b>6,946</b>
Property, plant and equipment, net	3,265	3,170	3,034
Right of use fixed assets, net	352	358	345
Intangible assets and goodwill	3,142	3,105	3,181
Long-term assets	398	408	387
<b>Total liabilities</b>	<b>8,370</b>	<b>8,301</b>	<b>7,887</b>
<b>Current liabilities</b>	<b>2,730</b>	<b>3,045</b>	<b>3,035</b>
Current portion of long-term debt	496	760	765
Suppliers	1,261	1,279	1,386
Short-term leasings	91	84	84
Other current liabilities	882	923	800
<b>Non current liabilities</b>	<b>5,639</b>	<b>5,256</b>	<b>4,852</b>
Long-term debt	4,370	3,936	3,427
Long-term employee benefits	136	137	185
Long-term deferred tax liabilities	373	373	333
Long-term leasings	267	285	272
Other long-term liabilities	492	525	635
<b>Consolidated shareholders' equity</b>	<b>3,255</b>	<b>3,324</b>	<b>3,236</b>
Minority shareholders' equity	623	655	678
<b>Majority shareholders' equity</b>	<b>2,632</b>	<b>2,668</b>	<b>2,559</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>11,625</b>	<b>11,624</b>	<b>11,123</b>

## Cash Flow Statement

mm US\$	Third Quarter			January - September		
	2023	2022	%Var.	2023	2022	% Var.
EBITDA	320	381	-16%	1,234	1,601	-23%
Taxes paid, net	(118)	(104)	14%	(342)	(434)	-21%
Net interest / bank commissions	(65)	(68)	-4%	(211)	(157)	34%
Change in trade working capital	80	79	1%	(60)	(323)	-81%
Others (other assets - provisions, Net)	(37)	(9)	298%	(111)	(54)	106%
CTA and FX	39	(54)	N/A	93	(81)	N/A
<b>Operating cash flow</b>	<b>218</b>	<b>225</b>	<b>-3%</b>	<b>603</b>	<b>552</b>	<b>9%</b>
Capital expenditures	(166)	(118)	41%	(470)	(328)	43%
Leasing payments	(25)	(5)	369%	(73)	(65)	11%
<b>Free cash flow</b>	<b>27</b>	<b>101</b>	<b>-73%</b>	<b>60</b>	<b>158</b>	<b>-62%</b>
<i>FCF conversion (%)</i>	<i>8.4%</i>	<i>26.6%</i>		<i>4.8%</i>	<i>9.9%</i>	
Dividends to shareholders	(60)	(75)	-20%	(180)	(224)	-20%
Buy-back shares program	13	(16)	N/A	21	(142)	N/A
Debt	197	157	25%	98	670	-85%
Minority interest payments	(37)	(48)	-23%	(100)	(105)	-5%
Mergers & acquisitions	-	(109)	-100%	(8)	(217)	-96%
Financial instruments and others	61	(12)	N/A	47	(23)	N/A
<b>Net change in cash</b>	<b>202</b>	<b>(1)</b>	<b>N/A</b>	<b>(61)</b>	<b>116</b>	<b>N/A</b>
Initial cash balance	1,283	898	43%	1,546	782	98%
<b>Cash balance</b>	<b>1,486</b>	<b>897</b>	<b>66%</b>	<b>1,486</b>	<b>897</b>	<b>66%</b>

## Notes and Definitions

The results contained in this release have been prepared in accordance with International Financial Reporting Standards (“NIIF” or “IFRS”) with U.S. Dollars as the reporting currency. Figures are presented in millions, unless specified otherwise.

Figures and percentages have been rounded and may not add up.

## About Orbia

Orbia is a company driven by a shared purpose: to advance life around the world. Orbia operates in the Polymer Solutions (Vestolit and Alphagary), Building and Infrastructure (Wavin), Precision Agriculture (Netafim), Connectivity Solutions (Dura-Line) and Fluorinated Solutions (Koura) sectors. The five Orbia business groups have a collective focus on expanding access to health and well-being, reinventing the future of cities and homes, ensuring food, water and sanitation security, connecting communities to information and enabling the energy transition with basic and advanced materials, specialty products and innovative solutions. Orbia has a global team of over 24,000 employees, commercial activities in more than 100 countries and operations in over 50, with global headquarters in Boston, Mexico City, Amsterdam and Tel Aviv. The company generated \$9.6 billion in revenue in 2022. To learn more, visit: [orbia.com](https://www.orbia.com).

## Prospective Information

In addition to historical information, this press release contains "forward-looking" statements that reflect management's expectations for the future. The words “anticipate,” “believe,” “expect,” “hope,” “have the intention of,” “might,” “plan,” “should” and similar expressions generally indicate comments on expectations. The forward-looking statements included in this press release are subject to a number of material risks and uncertainties, and our results may be materially different from current expectations due to factors, which include, but are not limited to, global and local changes in politics, economic factors, business, competition, market and regulatory factors, cyclical trends in relevant sectors as well as other factors affecting our operations, markets, products, services and prices that are highlighted under the title “Risk Factors” in the annual report submitted by Orbia to the Mexican National Banking and Securities Commission (CNBV) and available on our website at <https://ir.orbia.com/financial-information/annual-reports-proxy-statements>. The forward-looking statements included herein represent Orbia’s views as of the date of this press release. Orbia undertakes no obligation to revise or update publicly any forward-looking statement for any reason unless required by law.”

Orbia has implemented a Code of Ethics that helps define our obligations to and relationships with our employees, clients, suppliers, and others. Orbia’s Code of Ethics is available for consultation at the following link: [http://www.Orbia.com/Codigo\\_de\\_etica.html](http://www.Orbia.com/Codigo_de_etica.html). Additionally, according to the terms contained in the Mexican Securities Exchange Act No 42, the Orbia Audit Committee has established a “hotline” system permitting any person who is aware of a failure to adhere to applicable operational and accounting records guidelines, internal controls or the Code of Ethics, whether by the company itself or any of its controlled subsidiaries, to file a complaint (including anonymously). This system is operated by an independent third-party service provider. The system may be accessed via telephone in Mexico, via internet at [www.ethics.orbia.com](http://www.ethics.orbia.com) or via email at [ethics@orbias.com](mailto:ethics@orbias.com). Orbia’s Audit Committee has oversight responsibility for ensuring that all such complaints are appropriately investigated and resolved.