

# Third Quarter and 9 Months 2018 Results

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October 31, 2018

Conrad Keijzer - Chief Executive Officer

Olivier Pirotte - Chief Financial Officer



# Disclaimer

More comprehensive information about Imerys may be obtained on its website ([www.imerys.com](http://www.imerys.com)), under Regulated Information, including its Registration Document filed under No. D.18-0150 March 20, 2018 with Autorité des Marchés Financiers. Imerys draws the attention of investors to the “Risk factors and Internal control” set forth in section 4 of the Registration Document.

This document contains projections and other forward-looking statements. Investors are cautioned that such projections and forward-looking statements are subject to various risks and uncertainties (many of which are difficult to predict and generally beyond the control of Imerys) that could cause actual results and developments to differ materially from those expressed or implied.

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## Third Quarter and 9 Months 2018 Results

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# 1 Highlights

Conrad Keijzer - Chief Executive Officer

# Key figures for third quarter and first 9 months of 2018

(€m)	Q3 2017 proforma of Roofing (1)	Q3 2018	Actual change	Like-for-like Change (2)
■ Revenue	1,103	1,154	+4.6%	+3.1%
■ Current operating income (3)	145	141	-3.1%	-4.3%
■ Net income from current operations	88	90	+1.3%	-

(€m)	9M 2017 Proforma of Roofing (1)	9M 2018	Actual change	Like-for-like Change (2)
■ Revenue	3,167	3,464	+9.4%	+4.5%
■ Current operating income (3)	409	425	+3.9%	+ 1.5%
■ Net income from current operations	244	266	+9.1%	-

(1) Calculation on proforma basis: Roofing division accounted as discontinued activity since January 1st, 2018 and restated in 2017 accounts.

As a consequence, all financial data throughout this press release exclude the Roofing division

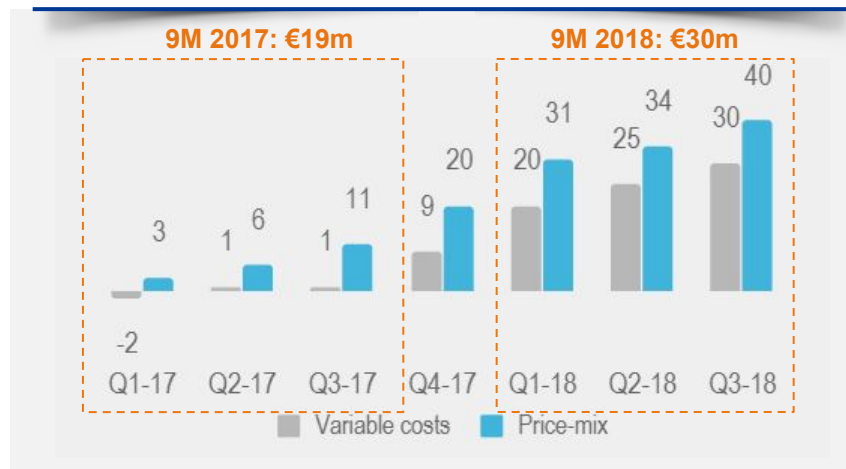
(2) Organic growth or "LFL" (like-for-like) means "at comparable Group's structure and exchange rates"

(3) Current Operating Income (COI), "Current" means "before other operating revenue and expenses as defined in the notes to the financial statements relating to the consolidated income statement"

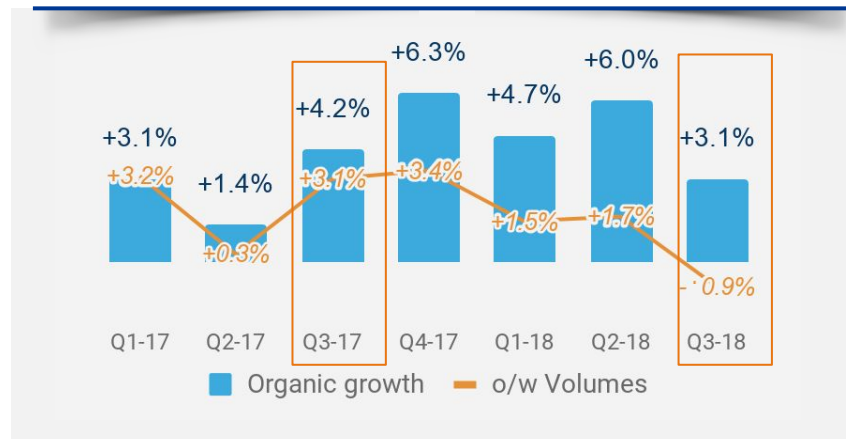
# Resilience in more challenging market conditions in the third quarter

- Favorable price-mix despite significant inflation of input costs
  - ◆ Benefiting from focus on specialty applications
  
- More challenging conditions in some markets, weighing on volumes
  - ◆ Uncertainty in automotive sector
  - ◆ Slow down of Graphite for lithium-ion batteries in China
  - ◆ Further drop in ceramic proppants market

Price-mix/ cost balance (€m)



Organic growth and volumes (y-o-y, pro forma)



## Strategic decisions

- Withdrawal from the ceramic proppants market

- Several divestiture scenarios under review
- - €5m negative contribution on current operating income expected for full year 2018
- Balance sheet value of €150m at fiscal year 2018 end

- Namibian operations put on “care and maintenance” program

- Protection of local valuable natural graphite mining assets
- Balance sheet value of €50m at fiscal year 2018 end

- Divestment of the Roofing effective since October 11, 2018

- Total net proceeds of €800m and capital gain of €700m to be booked in the fiscal year ending December 31, 2018, lowering Group’s net debt
- Pro forma Net financial debt/EBITDA of 1.9x as of June 30, 2018



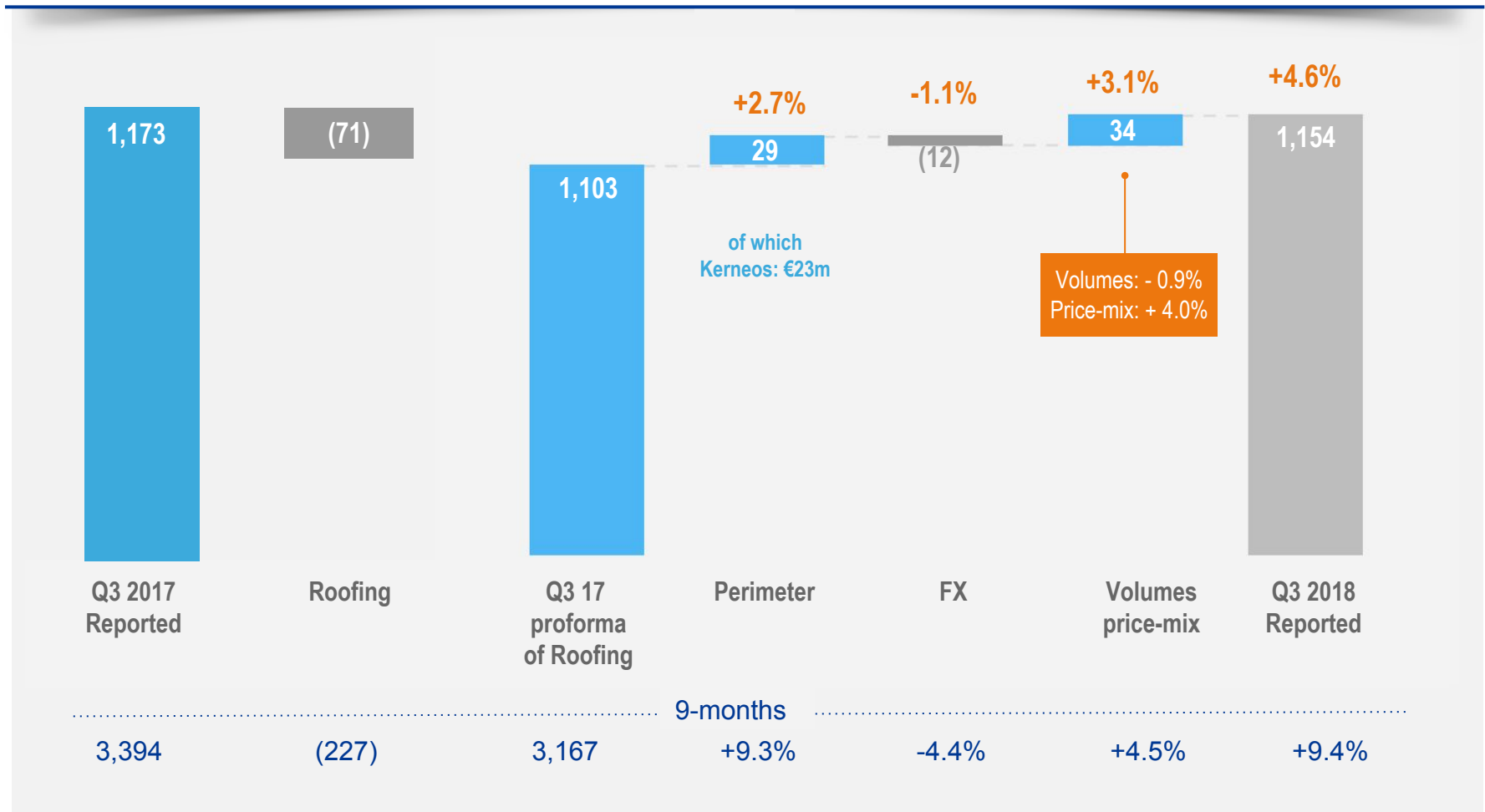
# **2 Financial Review**

**Olivier Pirotte** - Chief Financial Officer



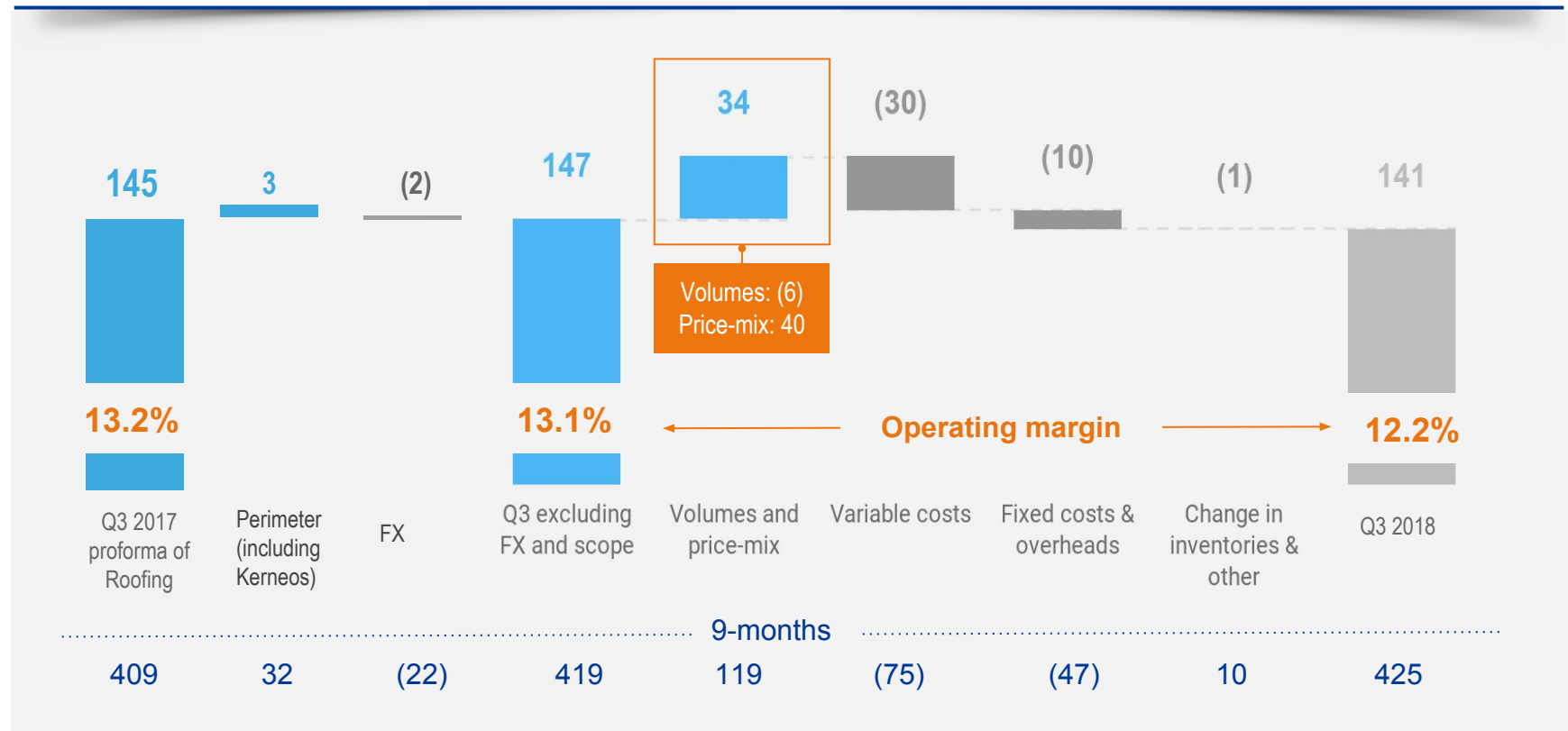
# Q3 pro forma revenue up + 4.6%

## Q3 revenue bridge (€m)



# Q3 pro forma current operating income down - 3.1%

## Q3 current operating income bridge (€m)



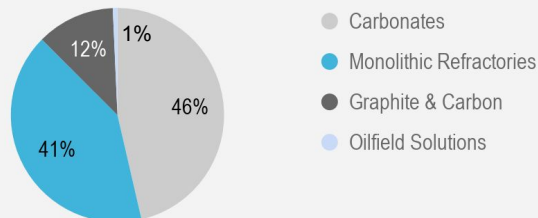
- Strong price mix offsetting higher variable costs (raw material, energy and logistics)
- Negative volumes affecting most contributive businesses: unfavorable business mix
- Further fixed costs and overheads reflecting ongoing investments in transformation programs

# Evolution by business group

## Energy Solutions & Specialties



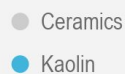
Revenue by division



## Filtration & Performance Additives



## Ceramic Materials



## High Resistance Minerals



(€m)	2017 proforma	2018	Organic growth*
■ Q3	339	328	(1.2%)
■ 9-months	992	975	+2.0%
■ Q3	302	325	+3.7%
■ 9-months	932	982	+4.9%
■ Q3	215	215	+3.4%
■ 9-months	672	638	+2.1%
■ Q3	263	309	+12.3%
■ 9-months	619	943	+14.6%

(1) "Organic growth or LFL (like-for-like) means "at comparable Group's structure and exchange rates"

# Net income from current operations

(€m)	9M 2017		9M 2018	Proforma change
	Reported	Proforma	Reported	
■ Current operating income	480	409	425	+3.9%
■ Current financial expense	(63)	(62)	(49)	-
■ Current income tax	(123)	(102)	(111)	-
◆ Current tax rate	29.5%	29.5%	29.6%	-
■ Minority interests	(0)	(1)	1	-
<b>Net income from current operations, Group's share</b>	<b>293</b>	<b>244</b>	<b>266</b>	<b>+9.1%</b>
<b>Net income from current operations, Group's share, per share <sup>(1)</sup></b>	<b>€3.71</b>	<b>€3.09</b>	<b>€3.36</b>	<b>+8.8%</b>
■ Other operating income and expenses, net, and net income of assets held for sale	(25)	(25)	(24)	-
■ Net income from discontinued activities	-	49	48	-
<b>Net income, Group's share</b>	<b>268</b>	<b>268</b>	<b>290</b>	<b>+8.3%</b>

(1) Average weighted number of outstanding shares: 79,208,109 in 9M 2018 against 79,031,930 in 9M 2017



# 3 Outlook

**Conrad Keijzer** - Chief Executive Officer

# 2018 outlook

- Market conditions to remain challenging in the fourth quarter
  - ◆ Less supportive macro environment
  - ◆ Persistent headwinds on volumes
  - ◆ Inflation of input costs
- Fourth quarter performance expected to be in line with the third quarter
  - ◆ High comparison basis in the fourth quarter
  - ◆ Favorable price-mix expected to continue offsetting upward pressure on variable costs



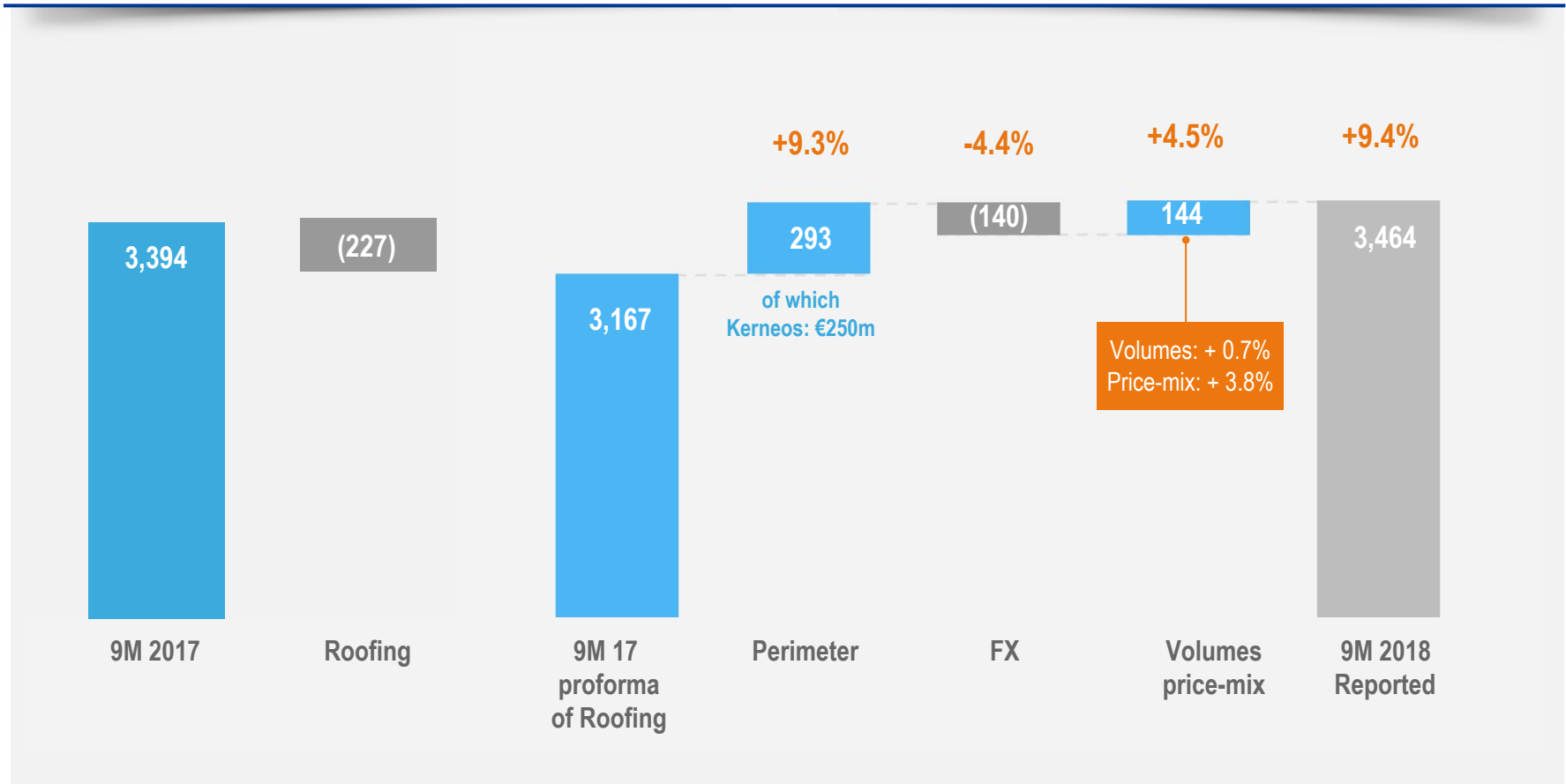
**Net income from current operations targeted to increase  
by close to +7% for full year 2018  
assuming no further change in market conditions**



**4** Appendix

# 9-months top-line growth

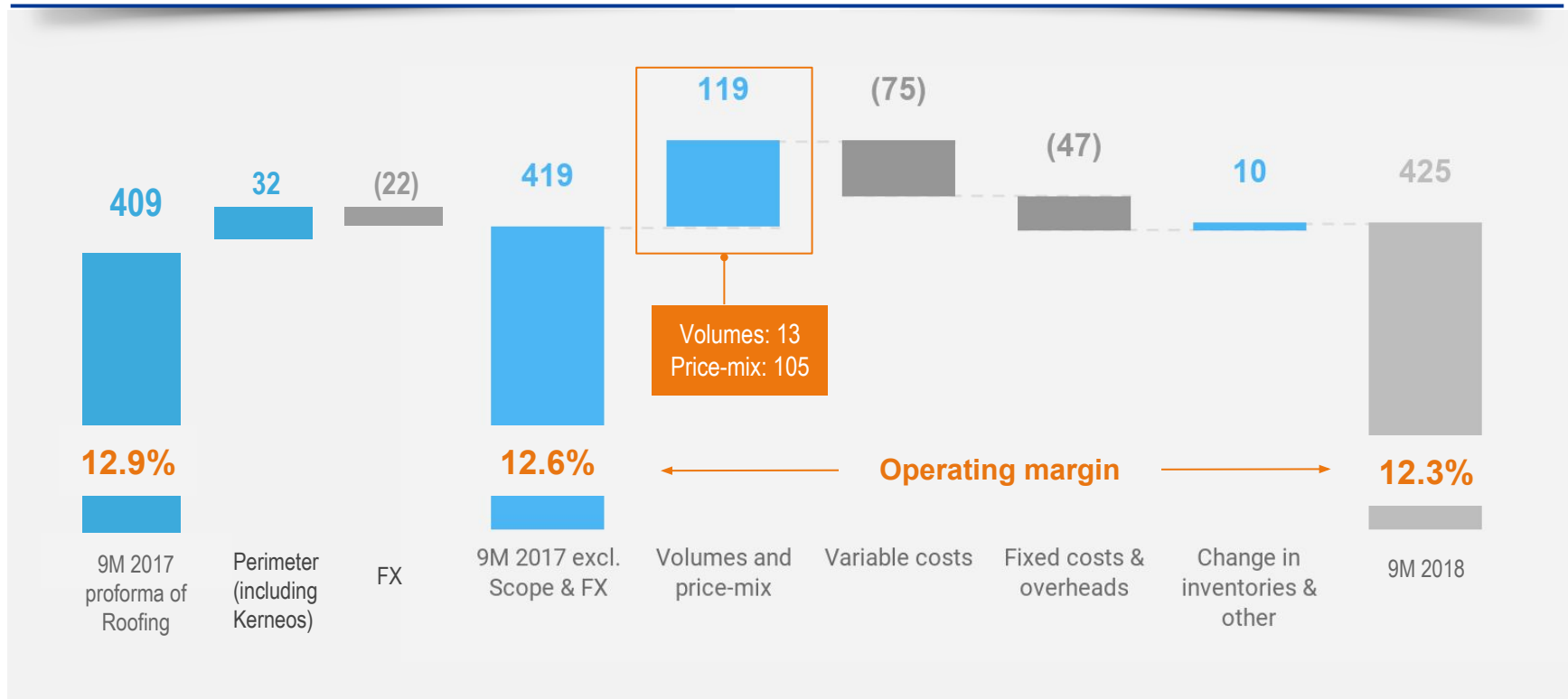
## Revenue bridge (€m)





# 9-months current operating income

Current operating income bridge (€m)



- Contribution from acquisitions, as per plan
- Negative foreign currency impact (- 0.3 point on operating margin) and business mix
- Positive price mix offsetting higher variable costs (raw material, energy and transport in particular)
- Fixed costs and overheads reflecting ongoing investments in transformation programs

# Revenue and Current Operating Income by quarter

## Historical Data

## Proforma of Roofing Data

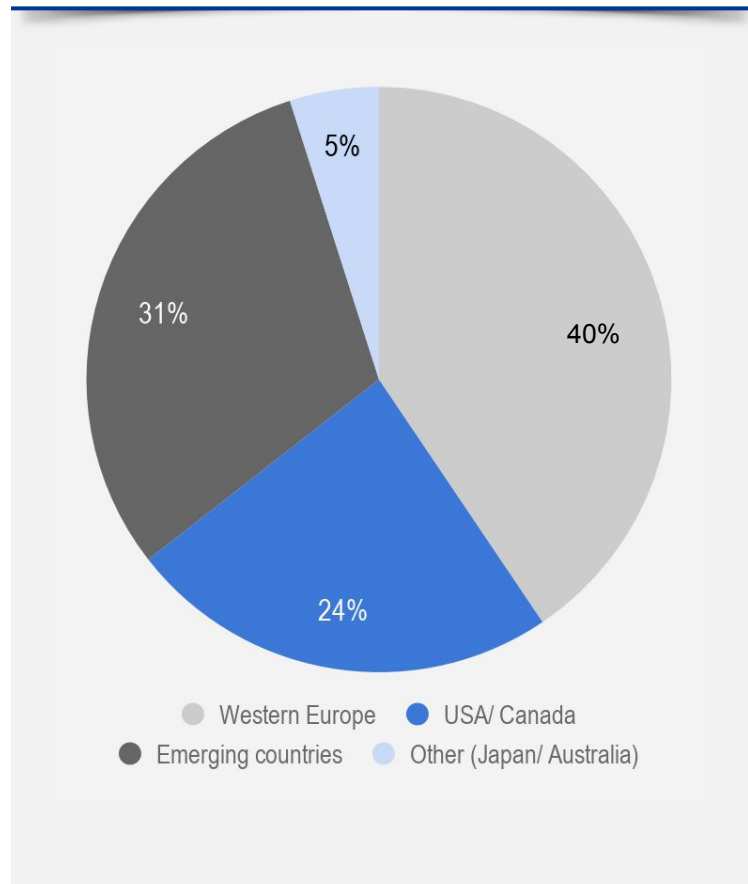
Revenue (€m)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Energy Solutions & Specialties	321.6	332.0	338.7	334.3	319.7	321.6	332.0	338.7	334.3	319.7	327.9	327.7
Filtration & Performance Additives	312.4	317.0	302.2	305.5	322.6	312.4	317.0	302.2	305.5	322.6	333.9	325.2
Ceramic Materials	310.9	300.9	285.9	285.3	286.6	231.7	224.4	215.4	211.9	208.7	214.6	214.5
High Resistance Minerals	184.2	171.5	263.1	296.2	304.2	184.2	171.5	263.1	296.2	304.2	329.8	309.4
Holding & Eliminations	(15.9)	(14.3)	(16.7)	(16.4)	(25.5)	(15.8)	(14.4)	(16.7)	(16.4)	(25.6)	(25.3)	(22.9)
<b>Consolidated revenue</b>	<b>1,113.2</b>	<b>1,107.1</b>	<b>1,173.2</b>	<b>1,204.9</b>	<b>1,207.6</b>	<b>1,034.1</b>	<b>1,030.5</b>	<b>1,102.7</b>	<b>1,131.5</b>	<b>1,129.6</b>	<b>1,180.9</b>	<b>1,153.9</b>
<b>Like-for-like revenue growth</b>	<b>Q1 2017</b>	<b>Q2 2017</b>	<b>Q3 2017</b>	<b>Q4 2017</b>	<b>Q1 2018</b>	<b>Q1 2017</b>	<b>Q2 2017</b>	<b>Q3 2017</b>	<b>Q4 2017</b>	<b>Q1 2018</b>	<b>Q2 2018</b>	<b>Q3 2018</b>
Energy Solutions & Specialties	+ 1.0 %	+ 0.7 %	+ 5.3 %	+ 9.0 %	+ 4.9 %	+ 1.0 %	+ 0.7 %	+ 5.3 %	+ 9.0 %	+ 4.9 %	+ 2.6 %	- 1.2 %
Filtration & Performance Additives	+ 6.5 %	+ 4.0 %	+ 4.8 %	+ 6.1 %	+ 5.8 %	+ 6.5 %	+ 4.0 %	+ 4.8 %	+ 6.1 %	+ 5.8 %	+ 5.3 %	+ 3.7 %
Ceramic Materials	- 4.7 %	- 2.9 %	- 1.8 %	- 0.2 %	- 1.2 %	- 4.5 %	- 3.6 %	- 1.2 %	- 1.2 %	- 0.7 %	+ 3.7 %	+ 3.4 %
High Resistance Minerals	+ 14.6 %	+ 4.4 %	+ 10.7 %	+ 13.2 %	+ 10.3 %	+ 14.6 %	+ 4.4 %	+ 10.7 %	+ 13.2 %	+ 10.3 %	+ 22.6 %	+ 12.3 %
<b>Like-for-like revenue growth</b>	<b>+ 2.4 %</b>	<b>+ 1.2 %</b>	<b>+ 3.6 %</b>	<b>+ 6.1 %</b>	<b>+ 4.2 %</b>	<b>+ 3.1 %</b>	<b>+ 1.4 %</b>	<b>+ 4.2 %</b>	<b>+ 6.3 %</b>	<b>+ 4.7 %</b>	<b>+ 6.0 %</b>	<b>+ 3.1 %</b>
<b>Current Operating Income (€m)</b>	<b>Q1 2017</b>	<b>Q2 2017</b>	<b>Q3 2017</b>	<b>Q4 2017</b>	<b>Q1 2018</b>	<b>Q1 2017</b>	<b>Q2 2017</b>	<b>Q3 2017</b>	<b>Q4 2017</b>	<b>Q1 2018</b>	<b>Q2 2018</b>	<b>Q3 2018</b>
<b>Current Operating Income</b>	<b>147.2</b>	<b>165.4</b>	<b>166.9</b>	<b>168.6</b>	<b>154.2</b>	<b>122.8</b>	<b>140.7</b>	<b>145.4</b>	<b>142.4</b>	<b>129.6</b>	<b>154.2</b>	<b>140.9</b>
Operating margin	13.2 %	14.9 %	14.2 %	14.0 %	12.8 %	11.9 %	13.6 %	13.2 %	12.6 %	11.5 %	13.1 %	12.2 %

# Current Operating Income and margin by semester

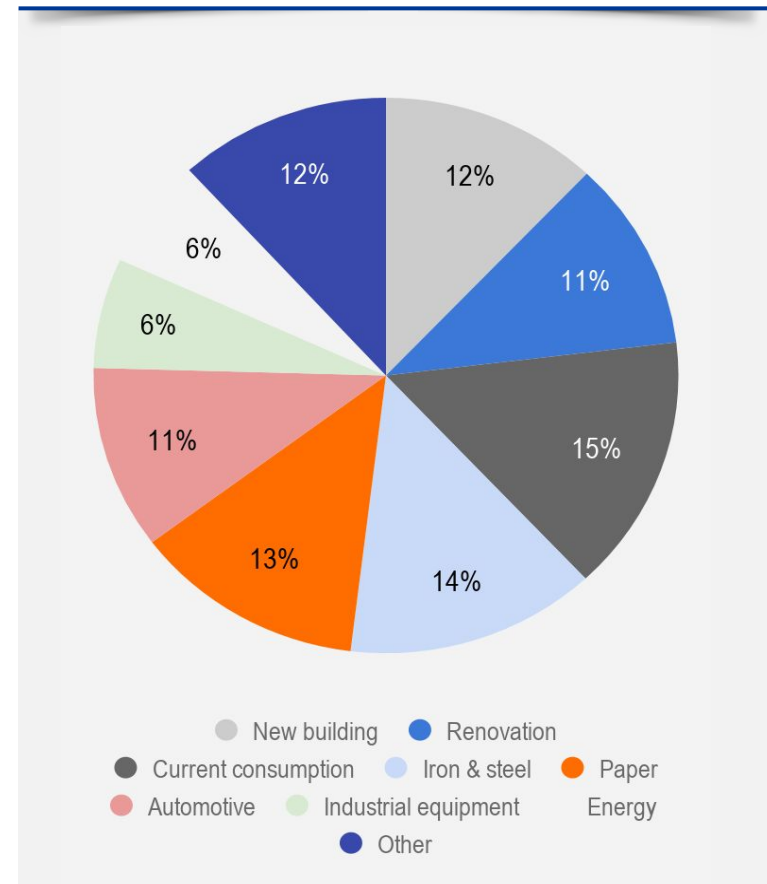
Current Operating Income (€m)	Historical Data		Proforma of Roofing Data		
	H1 2017	H2 2017	H1 2017	H2 2017	H1 2018
Energy Solutions & Specialties	68,8	72.3	68,8	72.3	57.1
Filtration & Performance Additives	125.0	129.2	125.0	129.2	121.8
Ceramic Materials	107,0	105.7	57.9	58.0	52.1
High Resistance Minerals	47.5	64.0	47.5	64.0	82.2
Holding & Eliminations	(35.7)	(35.7)	(35.7)	(35.7)	(29.4)
<b>Current Operating Income</b>	<b>312.6</b>	<b>335.5</b>	<b>263.4</b>	<b>287.8</b>	<b>283.8</b>
<b>Operating Margin</b>	<b>H1 2017</b>	<b>H2 2017</b>	<b>H1 2017</b>	<b>H2 2017</b>	<b>H1 2018</b>
Energy Solutions & Specialties	10.5 %	10.7 %	10.5 %	10.7 %	8.8%
Filtration & Performance Additives	19.9 %	21.3 %	19.9 %	21.3 %	18.6%
Ceramic Materials	17,5 %	18.5 %	12.7%	13.6%	12.3%
High Resistance Minerals	13.4 %	11.4 %	13.4 %	11.4 %	13.0%
<b>Operating Margin</b>	<b>14.1 %</b>	<b>14.1 %</b>	<b>12.8%</b>	<b>12.9%</b>	<b>12.3%</b>

# Revenue breakdown, proforma of Roofing division

## Revenue by geography as of 30/09/18



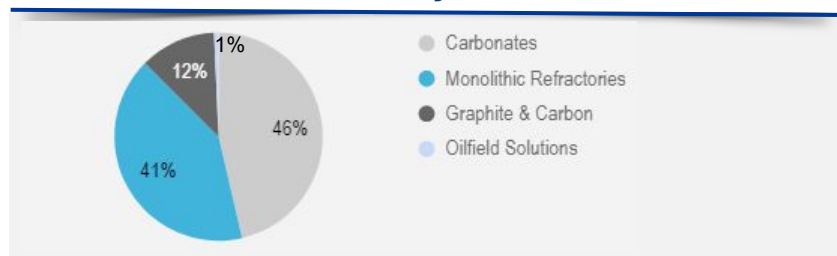
## Revenue by end-market (2017)



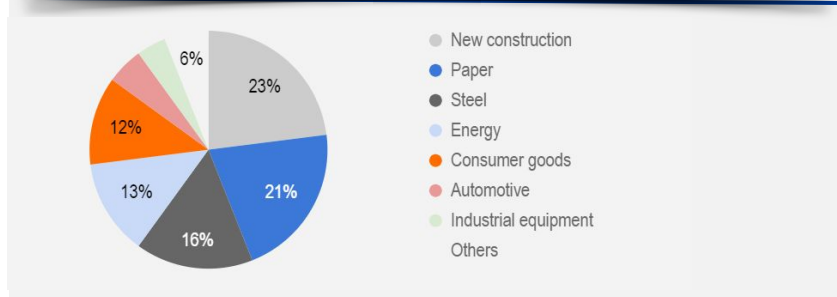
# Energy Solutions & Specialties (28% of revenue)

(€m)	2017	2018	Change	LFL Change <sup>(1)</sup>
■ H1	653.6	647.6	-0.9%	+3.7%
■ Q3	338.7	327.7	-3.2%	-1.2%
■ 9 months	992.3	975.3	-1.7%	+2.0%

## Revenue by division



## Revenue by market (2017)



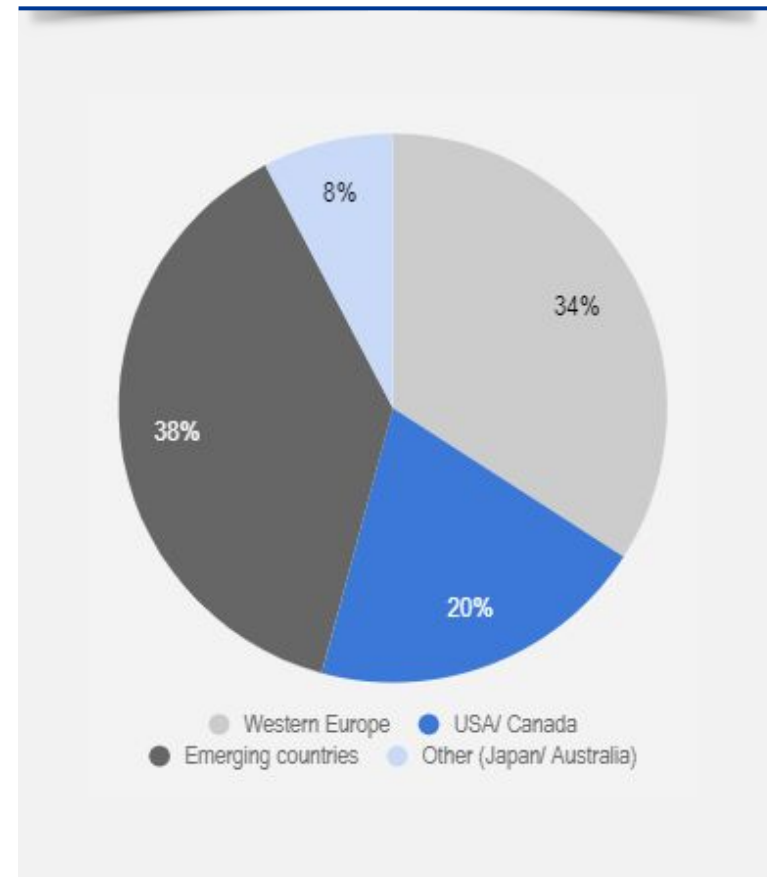
- Contrasted trends across geographies in the Carbonates division (growth in emerging markets offset by a softer demand in mature markets)
- Monolithic Refractories: softer industrial markets in Europe
- Slowdown of the graphite market in China (Graphite & Carbon)
  - ◆ Imerys to enter into “care and maintenance” program for its Namibian natural graphite operations
- Decrease in sales of the Oilfield Services division which the Group has decided to withdraw from

(1) “LFL” (like-for-like) means “at comparable Group’s structure and exchange rates”

# Energy Solutions & Specialties

- Carbonates
  - ◆ Natural (GCC) and Precipitated (PCC) Calcium Carbonates used as filling or coating pigment for paper production and functional additives for paints, plastics, etc..
- Monolithic Refractories
  - ◆ Unshaped refractory materials used to protect industrial equipment from high temperatures in heavy industries (steel, cement, power generation, petro-chemicals, etc.)
  - ◆ Protection for furnaces, kilns, crucibles and incinerators
- Graphite & Carbon
  - ◆ High performance graphite powder for mobile energy, electronics and engineering, refractories for the transport and automotive markets
- Oilfield Solutions
  - ◆ Production of ceramic proppants for non-conventional oil and gas exploration

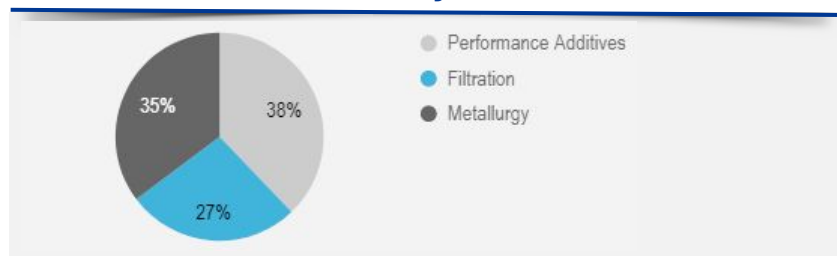
## 9M 2018 Revenue by geography



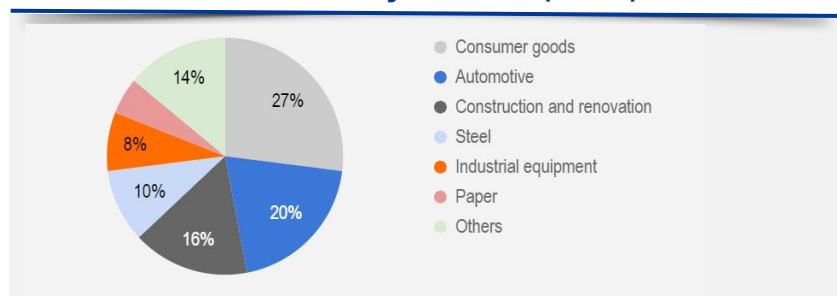
# Filtration & Performance Additives (28% of revenue)

(€m)	2017	2018	Change	LFL Change <sup>(1)</sup>
■ H1	629.4	656.5	+4.3%	+5.5%
■ Q3	302.2	325.2	+7.6%	+3.7%
■ 9 months	931.5	981.7	+5.4%	+4.9%

## Revenue by division



## Revenue by market (2017)



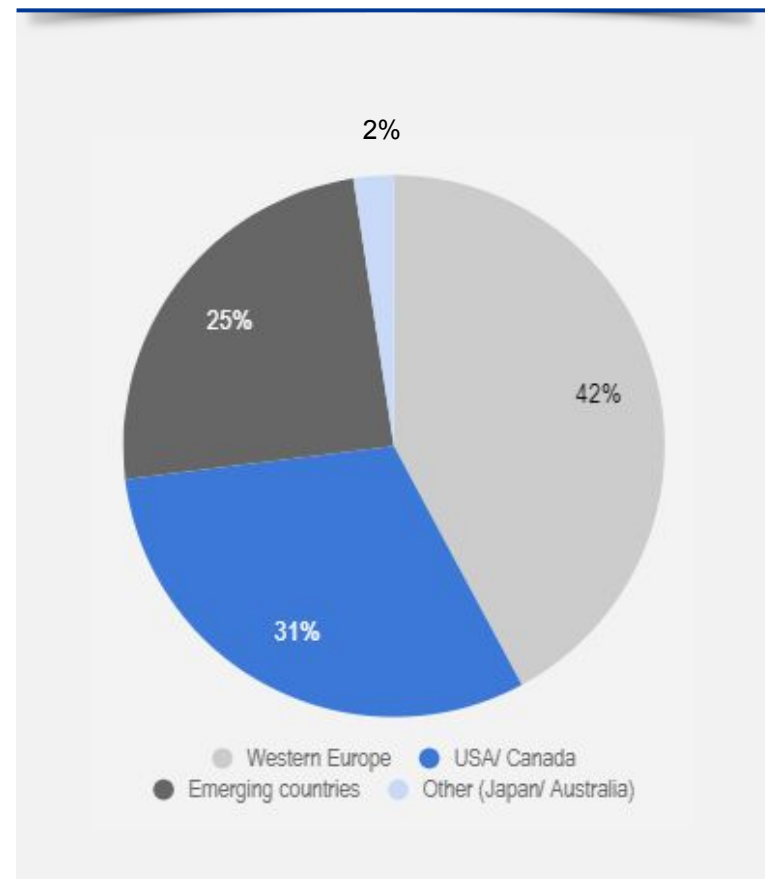
- Market environment broadly supportive
- Performance Additives division impacted by uncertainty on automotive market
- Metallurgy division activity supported by market share gains and healthy market growth
- Positive product mix effect in Filtration stemming from supportive beer and wine markets

(1) "LFL" (like-for-like) means "at comparable Group's structure and exchange rates"

# Filtration & Performance Additives

- Performance Additives
  - ◆ Additives for paints, plastics, polymers, rubbers, adhesives, sealants, pharma & personal care (mainly talc, mica and wollastonite, etc.)
- Filtration
  - ◆ Filtration minerals providing filter aid for edible liquids such as beer, wine, oil, fruit juice, etc. (mainly diatomite and perlite)
  - ◆ Perlite based solutions used in building materials and horticulture
- Metallurgy
  - ◆ Bentonite (binders for foundry, sealing solutions, additives for drilling and for consumer products) and continuous casting fluxes for the steel industry

9M 2018 Revenue by geography





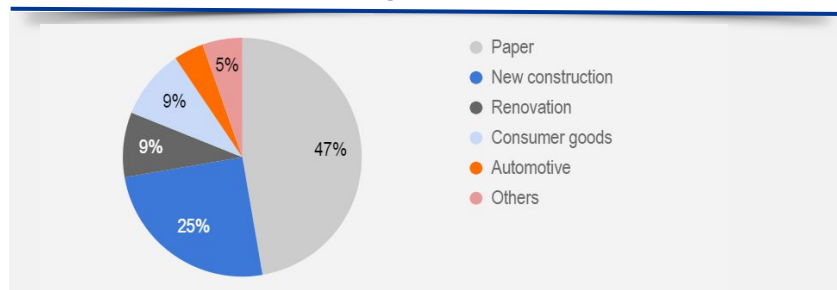
# Ceramic Materials (18% of revenue)

(€m)	2017 proforma	2018	Change	LFL Change <sup>(1)</sup>
■ H1	456.2	423.3	-7.2%	+1.5%
■ Q3	215.4	214.5	-0.4%	+3.4%
■ 9 months	671.5	637.8	-5.0%	+2.1%

## Revenue by division



## Revenue by market (2017)



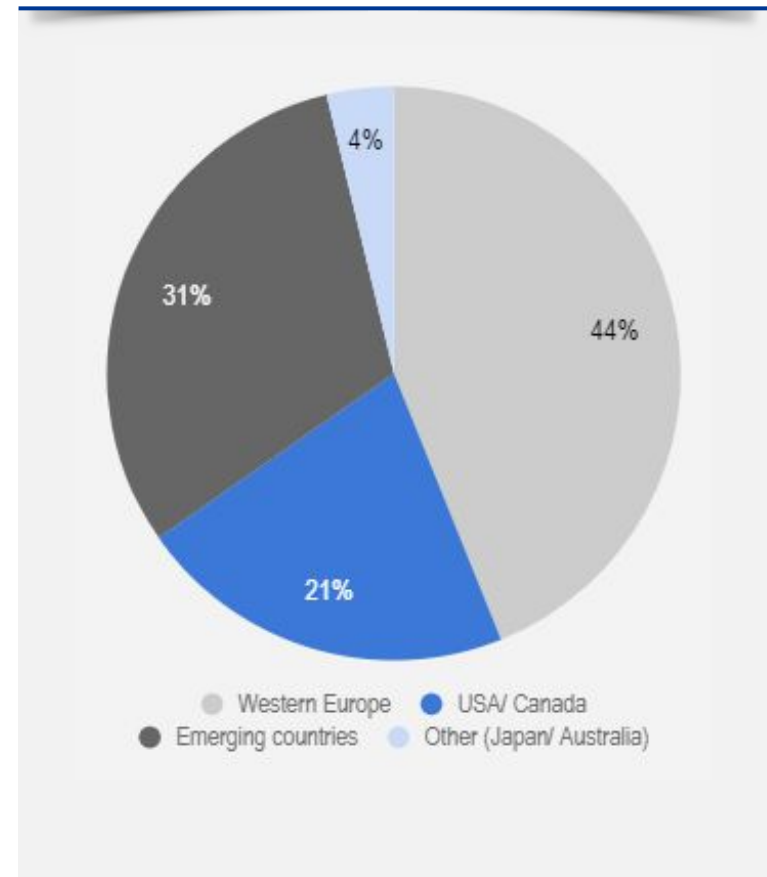
- Disposal of the Roofing division closed in October 2018
- Good momentum in the third quarter of 2018, particularly in sanitaryware and fiberglass, supported by well oriented construction markets
- Kaolin division benefitted from its expansion in specialty applications (mainly paint and plastics)

(1) "LFL" (like-for-like) means "at comparable Group's structure and exchange rates"

# Ceramic Materials

- Ceramics
  - ◆ Raw materials and bodies for tableware, sanitary and floor tiles, quartz, technical ceramics
- Kaolin
  - ◆ Kaolin for applications in the paper, paints, plastics, ceramics and refractories markets, etc.

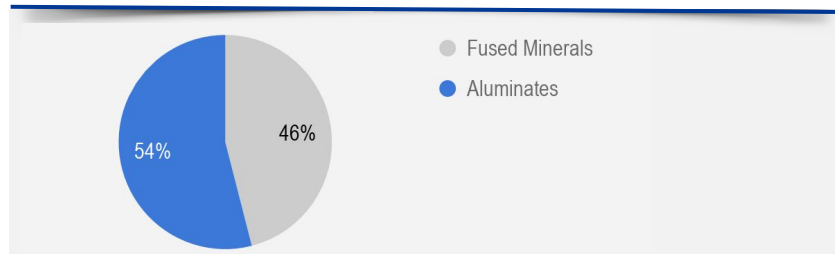
9M 2018 Revenue by geography



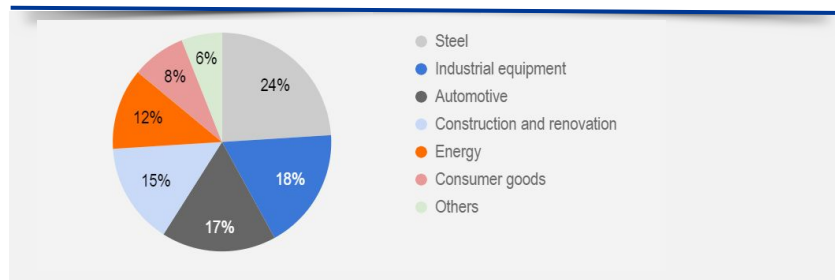
# High Resistance Minerals (26% of revenue)

(€m)	2017	2018	Change	LFL Change <sup>(1)</sup>
■ H1	355.7	633.9	+78.2%	+16.3%
■ Q3	263.1	309.4	+17.6%	+12.3%
■ 9 months	618.8	943.3	+52.5%	+14.6%

## Revenue by division



## Revenue by market (2017)



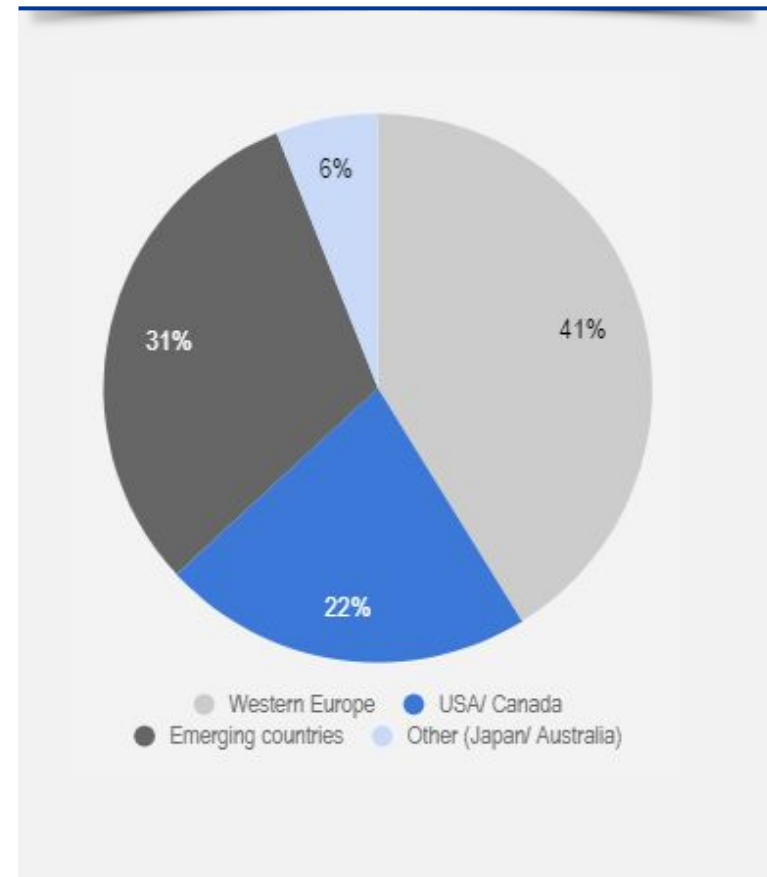
- Like-for-like revenue growth supported by firm price-mix due to a strong inflation in raw materials
- Demand in Aluminates division, which includes Kerneos, and Fused Minerals division continued to grow, albeit at a lower pace in the refractory and the industrial markets

(1) "LFL" (like-for-like) means "at comparable Group's structure and exchange rates"

# High Resistance Minerals

- Fused Minerals
  - ◆ Fused alumina and bauxite for abrasives (cutting, grinding and polishing mills, sandpapers), zirconium for refractories, oxygen sensor
- Aluminates
  - ◆ Binders and additives for soil preparation mortars, self-leveling screeds, glues and mortars, tile joints, technical mortars
  - ◆ Special hydraulic binders for monolithic refractory concretes, protective mortars and repair of sanitation networks
  - ◆ Production of acidic refractory minerals including andalusite, chamottes

9M 2018 Revenue by geography





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