

# First Quarter 2020 Results

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April 29th, 2020

Alessandro Dazza - Chief Executive Officer

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# Disclaimer

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More comprehensive information about Imerys may be obtained on its website ([www.imerys.com](http://www.imerys.com)), under Regulated Information, including its Universal Registration Document filed under No. D.20-0165 March 24, 2020 with Autorité des Marchés Financiers. Imerys draws the attention of investors to the “Risk factors and Internal control” set forth in the Universal 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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# Agenda

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# Swift response to Covid-19

## All necessary measures in place

- Crisis management team in place
- Strict monitoring process under the supervision of the Executive Committee
- Implementation of a specific Action Plan supported by the Board of Directors

## EMPLOYEES

- Implementation of measures to ensure health & safety of employees (Covid-19 protocol, Personal Protective Equipments)

## CUSTOMERS, SUPPLIERS AND OTHER STAKEHOLDERS

- Continuous communications to customers, suppliers and other stakeholders
- Continuity of supply to customers whenever possible

## COMMITMENT

- CEO and Chairman of the Board cash compensation temporarily reduced by 25%, for solidarity actions related to Covid-19
- Donation of masks to local communities in several countries

## SHAREHOLDERS

- AGM maintained on May 4th but in closed session
- Proposal to reduce dividend by 20% to €1.72 per share with payment option in new shares

# Covid-19 impact on operations to date

	EMEA (48% of revenue, 110 plants)	Americas (29% of revenue, 66 plants)	APAC (23% of revenue, 48 plants)
Covid-19 first impact	<ul style="list-style-type: none"> <li>Mid March</li> </ul>	<ul style="list-style-type: none"> <li>April</li> </ul>	<ul style="list-style-type: none"> <li>January</li> </ul>
Situation of Imerys' plants as of April 24th, 2020 (224 in total)	<ul style="list-style-type: none"> <li>14 plants closed and 28 plants partially impacted mostly in France, Italy and South Africa</li> <li>Short time working implemented in several countries</li> </ul>	<ul style="list-style-type: none"> <li>2 plants closed and 7 plants partially impacted, mostly in Mexico</li> <li>Furloughs implemented</li> </ul>	<ul style="list-style-type: none"> <li>6 plants closed and 11 plants partially impacted particularly in India and Malaysia</li> <li>Production resumed in China (now &gt; 85% utilization rate)</li> </ul>
Status of demand	<ul style="list-style-type: none"> <li>Covid-19 impacting industrial markets, some already soft entering 2020 (automotive, iron and steel)</li> <li>Construction demonstrating resilience in Q1 overall, hit by lockdown measures since end of March</li> <li>Limited impact on Paper markets amid structurally declining demand</li> <li>Good level of activity in consumers businesses (food &amp; beverage, pharma &amp; health, agriculture)</li> </ul>		

**Estimated impact of Covid-19 on Q1 2020 revenue: - €34 million (-3.3%)**

# Action plan to limit impact on results and cash flow

## ACTION PLAN

### FIXED COSTS

- Current operating income to benefit from savings on fixed costs and overheads in 2020 between €70 million to €130 million, depending on level of activity
- In addition to the €100 million cost savings targeted for 2022 from transformation program

### CAPEX

- Reduction of capex to max. €250 million in 2020, significantly below the average range of €300 to €350 million per year
- Quality of assets base preserved

### WCR

- Reduction of working capital requirement consistent with lower activity, notably through a significant decrease in inventories
- Sustainability of supply guaranteed

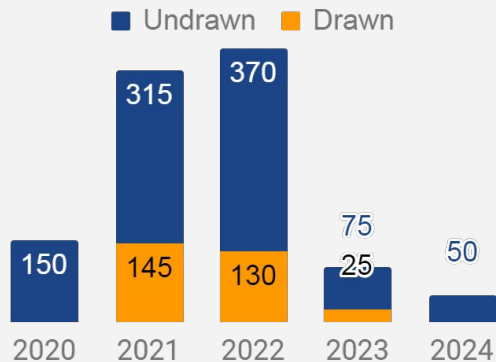
**Imerys well positioned to benefit from rebound in demand following Covid-19 crisis**

# Strong liquidity and sound balance sheet

## Cash (€m)

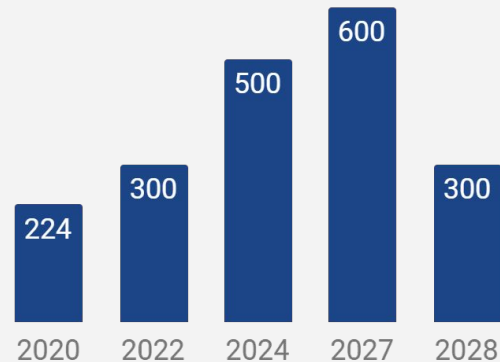
ca. **€800 m**  
as of March 31st, 2020

## Credit Facilities (€m)



2 years average maturity

## Bonds (€m)



5 years average maturity

- Strong liquidity position at €1.8 billion
- €224 m bond repayment in 2020 fully covered
- Gearing ratio at 53% as of December 31, 2019, well below Group's only covenant of 160% net financial debt / shareholders' equity



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# Q1 2020 Highlights

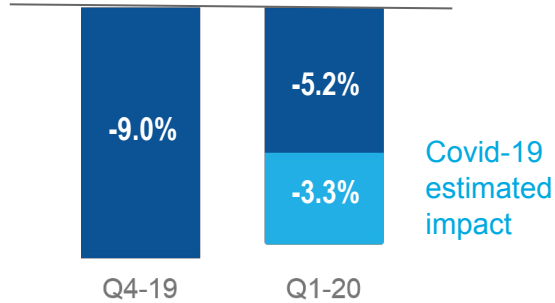
Revenue	Current EBITDA	Current operating income (COI)
<b>€1,029m</b> (-8.5%)	<b>€165m</b> (-11.5% <sup>(1)</sup> )	<b>€83m</b> (- 24.7%)
Organic growth: -7.5%	Current EBITDA margin: 16.0%	COI margin: 8.0%

- Performance affected by Covid-19 pandemic, with -3.3% impact on revenue
- Soft iron & steel and automotive markets, resilient construction and consumers markets
- Continuing positive price - mix at +1.0%
- Connect & Shape fixed costs and overheads savings in line with target

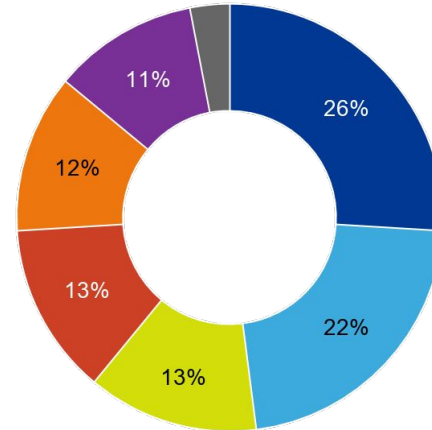
*(1) Compared to Q1 2019 adjusted from €18.0 million one-off costs, including non recurring pension fund contribution in particular*

# Sales volumes decline amid Covid-19 pandemic outbreak

## Quarterly volumes evolution (vs prior year)



## Revenue by end market



Covid-19 exposure	
Construction	Moderate
Consumer	Low
Industry	Moderate
Iron & Steel	High
Paper	Moderate
Automotive	High
Other	Moderate



### Light vehicle production:

-24% in Q1 2020 vs. Q1 2019 in Europe <sup>(1)</sup>



### Steel production:

-9% in Q1 2020 vs Q1 2019 in Europe <sup>(2)</sup>



### Paper markets:

-4% to -9% in Q1 2020 vs Q1 2019 in Europe / USA <sup>(3)</sup>



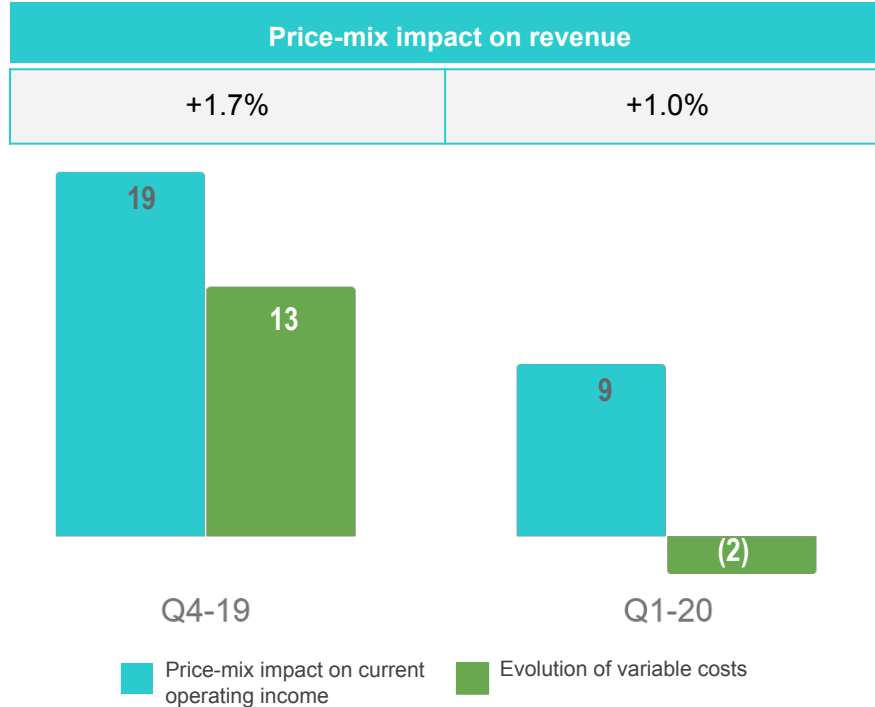
### Construction

+0.5% globally in Q1 2020 vs Q1 2019 <sup>(4)</sup>

(1) Source: IHS; (2) Source: Worldsteel Association; (3) Source: Eurograph, P&P Council; (4) Construction: OE.

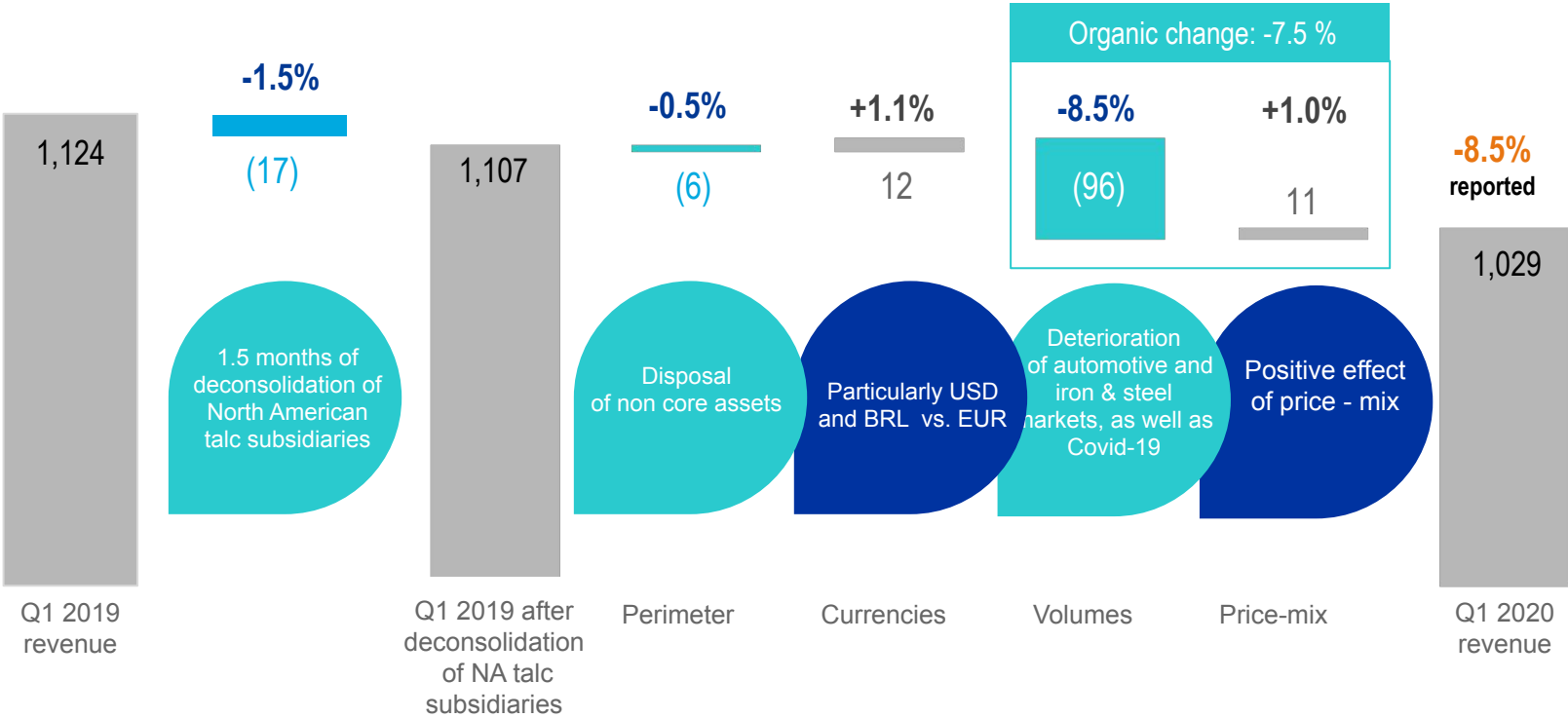
# Positive price - mix maintained

## Contribution of price-mix and evolution of variable costs (€m, vs prior year)



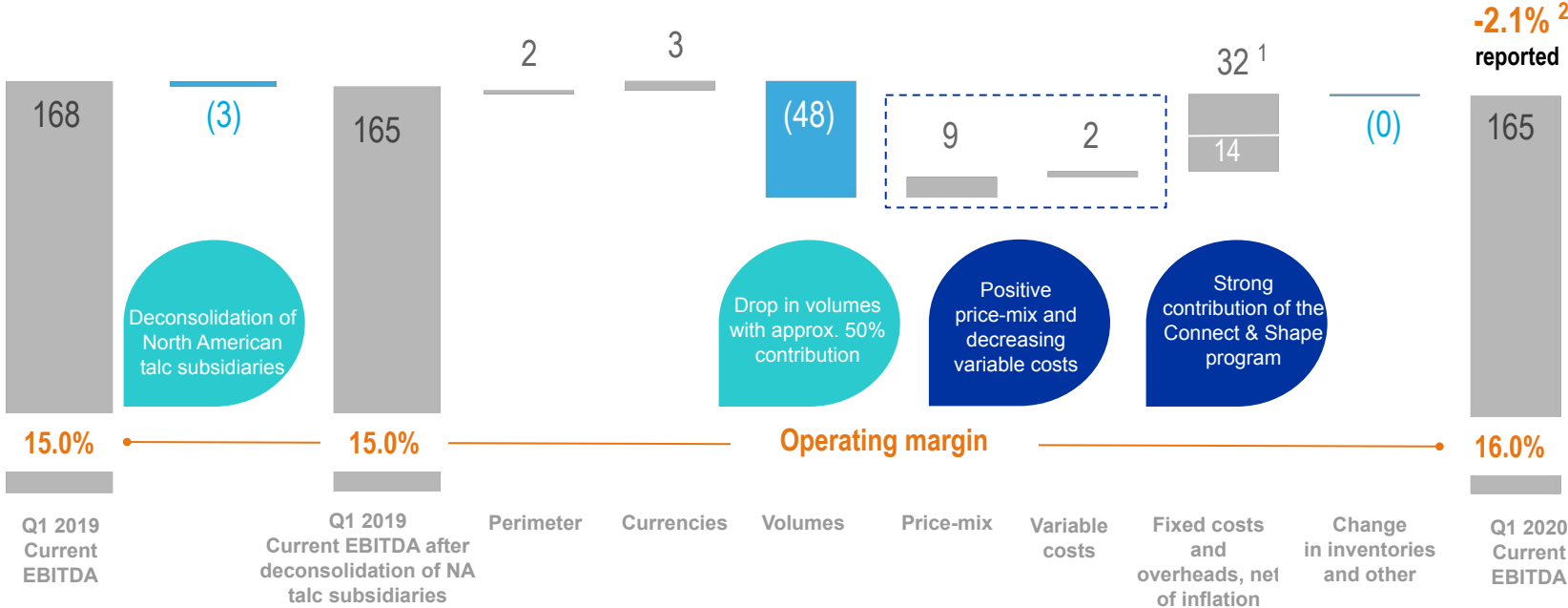
# Decline in volumes due to soft markets and impact of Covid-19

(€m)



# Current EBITDA impacted by decline in volumes

(€m, post IFRS 16)



(1) Of which €18.0 million of one-off costs in Q1 2019, including non recurring pension fund contribution in particular  
 (2) -11.5% excluding one-off costs in Q1 2019



# Performance Minerals: APAC first impacted by Covid-19

(€m)	Q1 2019 Reported	Q1 2019 restated from Kaolin <sup>(3)</sup>	Q1 2020	Like-for-like change <sup>(1)</sup> / Q1 2019	Reported change vs. Q1 2019 restated
Revenue: Americas	282	261	251	+0.6%	-3.9% <sup>(2)</sup>
Revenue: Europe, Middle East, Africa (EMEA)	259	291	273	-7.7%	-6.0%
Revenue: Asia Pacific (APAC)	115	123	111	-11.5%	-9.4%
Eliminations	(32)	(51)	(47)	-	-
<b>Total segment revenue</b>	<b>623</b>	<b>623</b>	<b>589</b>	<b>-4.8%</b>	<b>-5.5% <sup>(2)</sup></b>

## Americas

- Limited impact of Covid-19 in Q1
- Good performance in filtration, paints, rubber, paper and polymers; gradual recovery of Willsboro plant
- Acquisition in April of Cornerstone (\$12m annual revenue), producer of high-quality perlite in North America

## EMEA

- Impact of the Covid-19 pandemic in March amid already soft markets (traditional ceramics and paper in particular)
- Resilient consumers markets (i.e. filtration, agriculture, food and pharma), as well as packaging

## APAC

- Significant disruptions in China, India and Malaysia due to Covid-19 impacting all markets
- Strong sales for our specialty product Filmlink used for breathable plastics and medical rubber
- Good level of activity in paper & board business

(1) Organic growth or "Like-for-like" means "at comparable scope and exchange rates." This is the sum of volume effects and price-mix.

(2) Performance Minerals Americas: + 2.7 % and Performance Minerals: - 2.9 % excluding the deconsolidation of North American talc subsidiaries since February 14, 2019

(3) The Kaolin business revenue which was entirely recognized within the Performance Minerals Americas business area has been allocated to the Performance Minerals Americas, EMEA and APAC business areas based on the destination of sales since January 1st, 2020. Historical data has been restated accordingly.

# High Temperature Materials & Solutions: iron & steel and industrial markets decline

(€m)	Q1 2019	Q1 2020	Like-for-like change <sup>(1)</sup> / Q1 2019	Reported change vs. Q1 2019
Revenue: High Temperature Solutions	201	164	-14.5%	-18.7%
Revenue: Refractory, Abrasives, Construction	319	297	-8.0%	-7.0%
Eliminations	(11)	(11)	-	-
<b>Total segment revenue</b>	<b>510</b>	<b>449</b>	<b>-10.8%</b>	<b>-11.9%</b>

## High Temperature Solutions

- Steel and foundry markets weakness amplified by Covid-19 outbreak in Asia Pacific and in Europe
- Renovation projects for petrochemicals, boilers and incinerators further postponed due to lockdown measures in several countries

## Refractory, Abrasives & Construction

- Low production in automotive and steel markets, negatively impacting Imerys' refractory and abrasive business, but to a lesser extent than High Temperature Solutions
- Resilient building and infrastructure segment (building chemistry in particular) in Q1

(1) Organic growth or "Like-for-like" means "at comparable scope and exchange rates." This is the sum of volume and price-mix effects.



# Net income

(€m)	Q1 2019 Post IFRS 16	Q1 2020 Post IFRS 16	Change
<b>Current EBITDA</b>	168.3 <sup>(1)</sup>	164.8	-2.1% <sup>(2)</sup>
<i>Of which one-off costs</i>	(18.0)	-	-
<b>Current operating income</b>	109.6	82.6	-24.7%
<b>Current financial expenses</b>	(2.4)	(13.0)	n.a.
<i>Of which reimbursement of the yen denominated private placement</i>	+17.0	-	-
<b>Current income tax</b>	(31.1)	(19.5)	-37.0%
<i>Current tax rate</i>	29%	28%	-
<b>Minority interests</b>	(1.0)	(0.9)	-
<b>Net income from current operations, Group's share</b>	75.1	49.3	-34.5%
<b>Other operating income and expenses, net</b>	(7.9)	(5.2)	-
<b>Net income, Group share</b>	67.2	44.0	-34.5%

(1) €186.3 million before one-off costs in Q1 2019 .

(2) -11.5% compared to current EBITDA before one-off costs in Q1 2019

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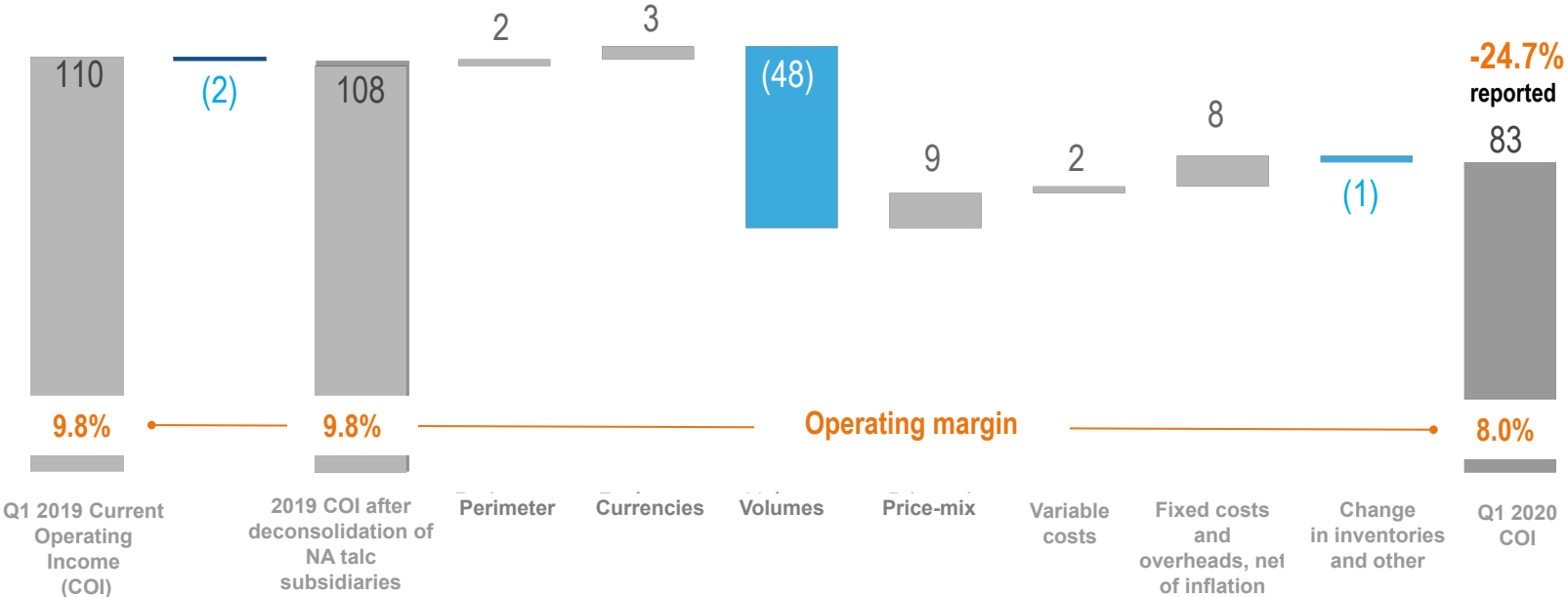
- Challenging market conditions to prevail, in particular in the second quarter
- Proven resilience thanks to a diversified geographical footprint and a portfolio of specialty minerals
- Comprehensive action plan launched to
  - Limit the adverse impact of volume shortfalls on the Group's results and cash flow
  - Get prepared to benefit from the expected rebound in demand upon market recovery
- Continued cost savings from the Connect & Shape transformation plan
- Strong liquidity and sound financial structure

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# Current operating income

(€m)



## Performance Minerals: restated revenue split by business areas

(€m)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019	Q1 2020
Americas	261	253	253	240	1,007	251
EMEA	291	289	270	260	1,110	273
APAC	123	123	117	117	480	111
Eliminations	(51)	(43)	(44)	(42)	(181)	(47)
<b>Performance Minerals</b>	<b>623</b>	<b>621</b>	<b>597</b>	<b>575</b>	<b>2,415</b>	<b>589</b>

Quarterly 2019 revenue has been restated to reflect the decision in the first quarter 2020 to recognize the Kaolin business revenue by product destination, instead of the previously adopted reporting by product origin. As a consequence, the Kaolin business revenue which was entirely recognized within the Performance Minerals Americas business area is now allocated to the Performance Minerals Americas, EMEA and APAC business areas based on the destination of sales. Historic data have been restated accordingly.

# Thank you for your attention

## Next events

<b>May 4, 2020</b>	Annual General Meeting
<b>July 27, 2020</b>	H1 2020 Results
<b>November 2, 2020</b>	Results 9M 2020

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