



## Q1 2023 Results

Apr 2023



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## **Business Highlights**

By Jean-Marc Dublanc





# Business Highlights

## ■ Sustainability & Environment

- Safety is and remains Adisseo's First Priority ( 12m rolling TRIR @Q1 2023: **0.54**).
- 2022 Sustainability report issued
- On track towards our sustainability ambition: GHG emissions being reduced in line with the Company's Science Based Target 2025 objective despite growth activities

## ■ Q1 2023 revenues of CNY3.15bn (-9% vs Q1 2022), net profit attributable to shareholders landing at break-even position given sharp price erosion and raw material costs still at a high level even though reduced.

## ■ Business highlights

- Accelerated penetration of liquid methionine especially in China
- Continued double digit revenue growth in specialties across all species

## ■ Action plan to protect margins

- Optimization of product volume allocation fully leveraging new BANC360 facility
- Continued temporary shut-down of 1 powder methionine production line and reduction of liquid methionine production in European plants
- Extra cost-cutting program on top of ongoing competitiveness program, targeting to save additional CNY200mil on fixed costs
- Strict control of resources focused on business development to pursue growth

## ■ One-China Strategy in continuous progress

- BANC360 running at high safety standards and reliability
- Business revenue growth driven by liquid methionine strong penetration in China market
- Adisseo R&I/ RICA positioned by SinoChem as "SinoChem Animal Nutrition Central Institute"

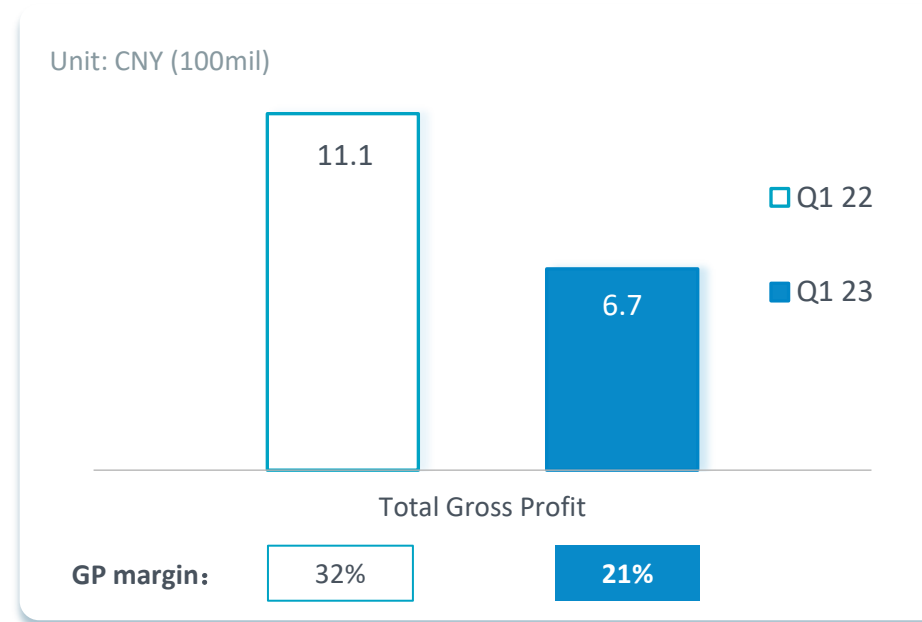
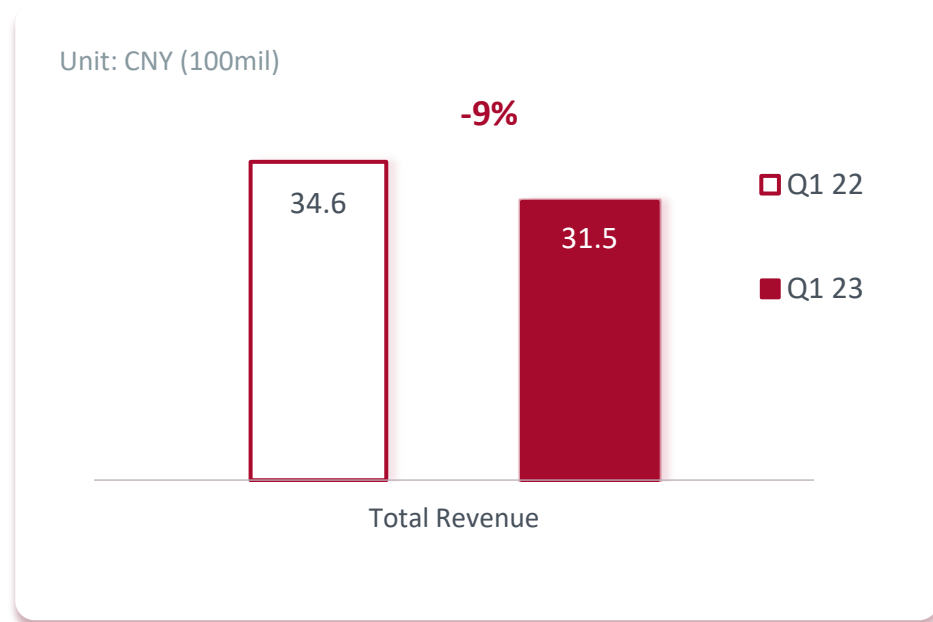
## ■ Calysseo: On-going trial production expecting to launch FeedKind to Chinese market in the second half of 2023

## ■ Positive free cash flow (CNY148mil) before M&A reflecting tight working capital and cash management

## ■ Management update

- Retirement of Jean-Marc Dublanc from CEO position on 30 June 2023 but retained as a Director
- Nomination of Zhigang Hao, the Chairman to take over the role of CEO from 1 July 2023

## Q1 2023 Revenues of CNY3.15bn (yoy -9%) and Gross Margin squeeze (-11ppt vs. Q1 2022)



### Decrease in revenue and gross profit in Q1 2023 in the context of a challenging environment:

- Sharp price erosion in performance products arising from weak market demand
- Raw material costs still at a high level even though reduced

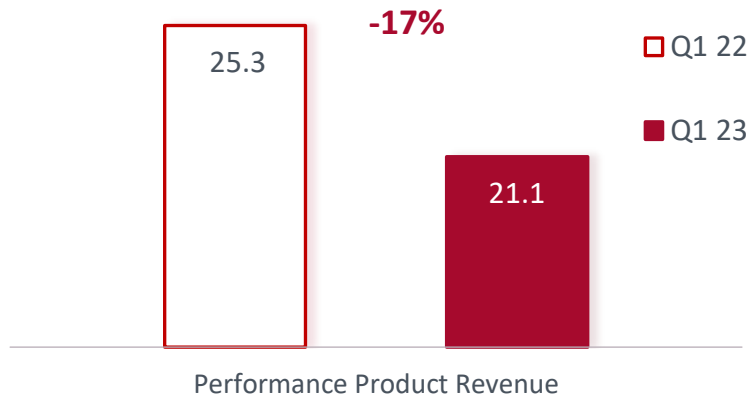
### Partially offset by

- Accelerated volume growth in liquid methionine allowing for accelerated penetration
- Continued double-digit revenue growth in specialties across all species
- Swift and agile action plans to protect margins, including price optimization, product volume allocation, proactive cash management and extra cost-cutting programs targeting to save additional **CNY200mil** on fixed costs.

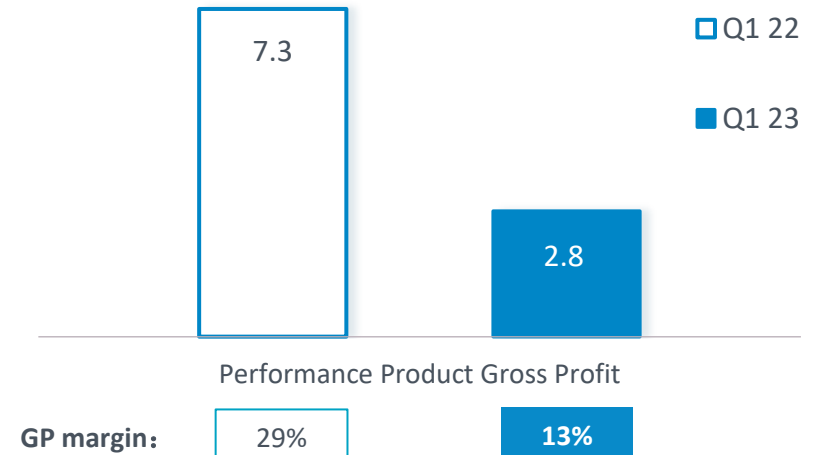


## Performance Products

Unit: CNY (100mil)



Unit: CNY (100mil)



- First signs of price stabilization appeared but are yet to be confirmed
- Strong volume growth in liquid methionine **(+25%)**
- Optimized product volume allocation in methionine leveraging highly competitive BANC360
- The positive effect arising from the decreased raw material and energy costs is expected to be materialized later this year due to the destocking effect
- Operational excellence programs and strict cost-cutting plans in addition to ongoing competitiveness enhancement program - more benefits are expected in the coming quarters.

# Performance Products: Business Highlights



## Methionine

- Pricing has been under ongoing downwards pressure globally, but some signs of stabilization are starting in the Chinese market
- Strong volume growth **(+25%)** in liquid methionine driven notably by China - a positive dynamic in the Chinese market, showing promising future for continuous penetration of liquid methionine, supported by the successful acceleration in the installation of new liquid methionine spraying equipment
- Temporary shut-down of 1 powder methionine line and reduced production level of liquid methionine in Europe
- BANC360 running at high reliability with excellent safety result enabling optimization of volume allocation in the context of fluctuating raw material and energy costs
- Pursuing investment in sustainability and capacity expansion to reinforce leadership in methionine
  - ✓ **Steam turbine heating project expected to run in Sept 2023**



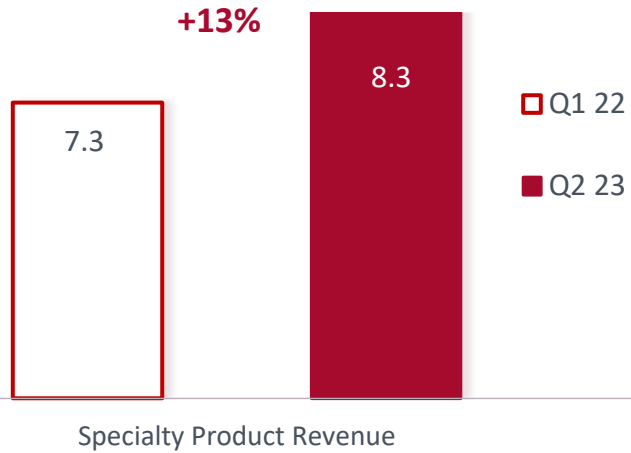
## Vitamins

- Vitamin A business was significantly impacted in the context of pricing pressure
- Vitamin E price resisted

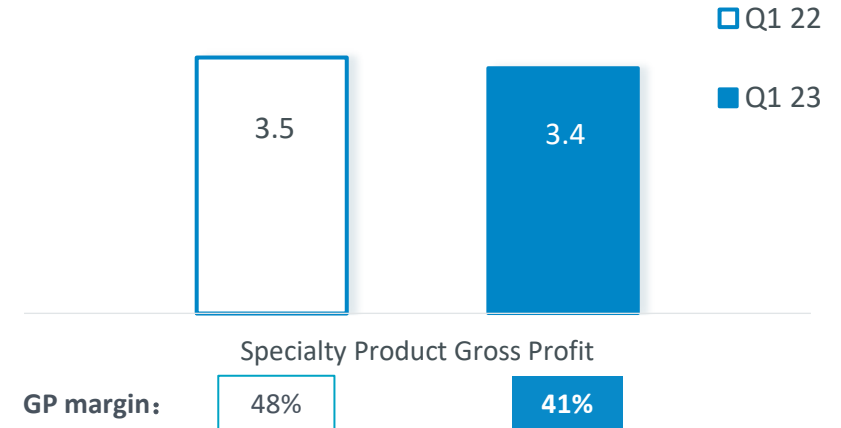


## Specialty Products

Unit: CNY (100mil)



Unit: CNY (100mil)



**Double-digit growth (+13%) in revenues but gross margin negatively impacted by the cost pressure primarily**

- A margin improvement is expected in the coming quarters given during this first quarter, Adisseo experienced destocking of high-cost products

## Specialties: Business Highlights

- Double-digit growth in ruminant business despite headwinds and the difficulties in China market due to economic crisis in dairy industry
- Continued growth in Feed digestibility and Health by Nutrition driven by the fast penetration of new products: Rovabio Phyplus and continued double-digit growth of Selisseo with expected growth acceleration in H2 2023
- Continuous double-digit growth in aqua
- Specialties Capacity Expansion and Optimization Project has been progressing as planned both in China and Europe to support business growth, optimize industrial set-up and improve customer service
- The acquisition of Nor-Feed was closed in February 2023
  - ✓ Nor-Feed is a French group that designs, produces and markets plant-based specialty ingredients and plant extracts for animal nutrition
  - ✓ Allowing Adisseo to enter the attractive fast-growing segment of natural plant extracts

## One-China Strategy on Track

- Double-digit revenue growth in China **(+26%)** driven by extraordinary penetration of liquid methionine in China market
- Nanjing Plant (BANC360) operates stably with competitive cost and excellent safety performance
- Basic Engineering Design of new China Specialty blending facility in progress with land purchase to be finalized shortly
- “Smart Plant” Digitalization Project running at full speed with expected promising return on yield improvement, energy consumption as well as higher-level safety and sustainability
- Adisseo Research & Innovation Organization has been positioned by SinoChem as “SinoChem Animal Nutrition Central Institute” with Research & Innovation center in China being an important contributor
- Calyseo Chongqing plant, the world’s first commercial FeedKind® facility, entered trial production in Q1 2023 with excellent safety performance
  - ✓ Products to be launched into Chinese market in the second half of 2023



# Financial Performance

By Virginie CAYATTE

## Q1 2023 Financial Performance

Unit: CNY 100mil	Q1 2023	Q1 2022	vs PY	vs PY%
REVENUE	31.5	34.6	-3.1	-9%
GROSS PROFIT	6.7	11.1	-4.4	-40%
EBITDA	4.1	8.3	-4.2	-51%
EBITDA MARGIN	13%	24%		
NET PROFIT	0.0	4.3	-4.3	-100%
NET MARGIN	0%	12%		
Attributable to Shareholders	0.0	4.3	-4.3	-100%

2023 Q1 net profit attributable to shareholders sharply decreased to break-even position because of significant decrease in gross profit and increased depreciation and amortization.

Ongoing action plan was implemented to protect margins, while at the same time, Adisseo continues its investment in research and innovation and sales and marketing to pursue business expansion.

## **ACTION PLAN TO Protect Margins**

**Competitiveness Enhancement Program (recurring savings of CNY138mil for FY2023)**

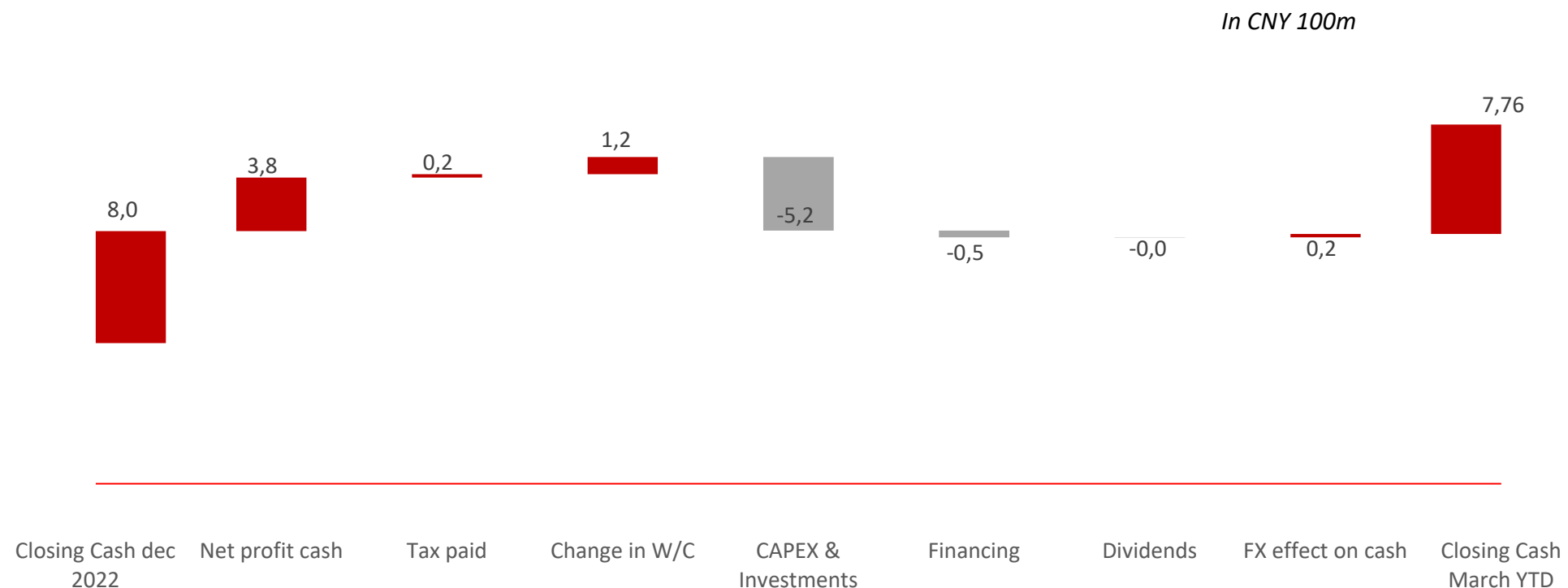
**Extra Cost-Cutting Plans (CNY200mil more savings on fixed costs)**

- Product volume allocation and price optimization
- Yield improvement
- Reliability enhancement
- Optimization of distribution costs
- FTE control





## Cash flow Q1 2023



- Cash position as of end of March 2023 is **CNY776mil**, a reduction of **CNY20mil** compared to 31st Dec 2022
- Adisseo recorded positive free cash flow before M&A, amounting to **CNY148mil**, reflecting tight working capital and cash management
- Positive cash flow from operating activities mainly spent on investments including M&A





## **Management update**

By Jean-Marc Dublanc/Zhigang Hao

### **Retirement of Jean-Marc Dublanc from CEO position on 30 June 2023**

- He will retain as a Director for Adisseo to contribute his insightful advice on a strategic level

### **The Chairman Zhigang Hao will take over the role of CEO from 1 July 2023**

- With the well-prepared succession plan in place, Adisseo will go through a smooth transition and ensures management continuity



# 2023 Outlook

By Jean-Marc Dublanc

## 2023 Outlook

### Business Outlook

Sustainability and safety remain Adisseo's top priorities.

The visibility on market demand remains low but pricing is starting to stabilize and cost is going down. Throughout 2023, the volume growth is expected to continue thanks to:

- Strong growth in methionine and specialties
- Innovation and external growth opportunities

In this uncertain environment, Adisseo is fully engaged to implement all necessary actions to protection margins and to pursue investment for future. This includes:

- Ongoing proactive margin and cost optimization arising from competitiveness enhancement program and extra cost-cutting plans
- Full leverage of raw material and energy costs decrease
- Pursuing its strategic projects to support sustainable and profitable business growth in the long term



