



## 2022 Q3 Results

Oct 2022



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## **Business Highlights**

By Jean-Marc Dublanc

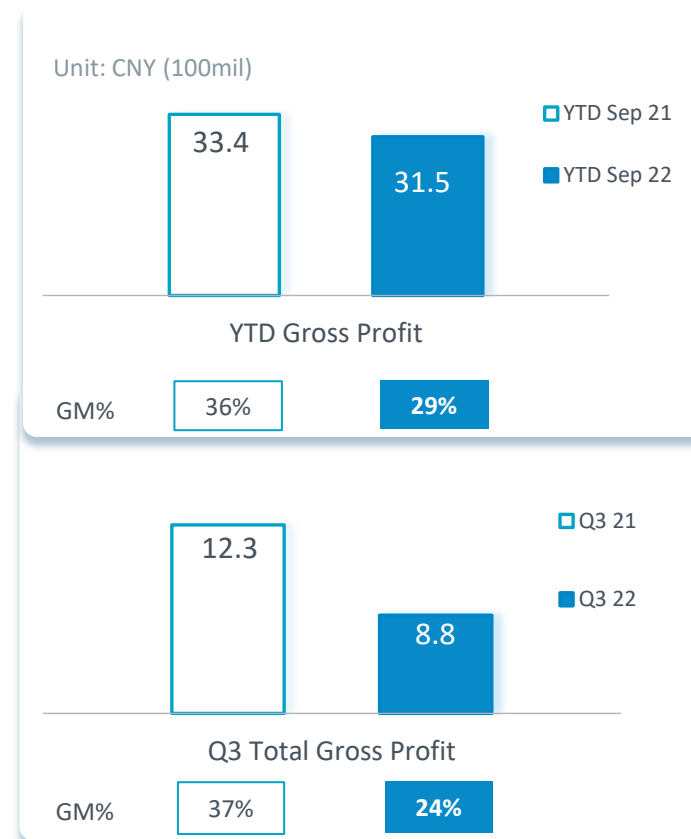
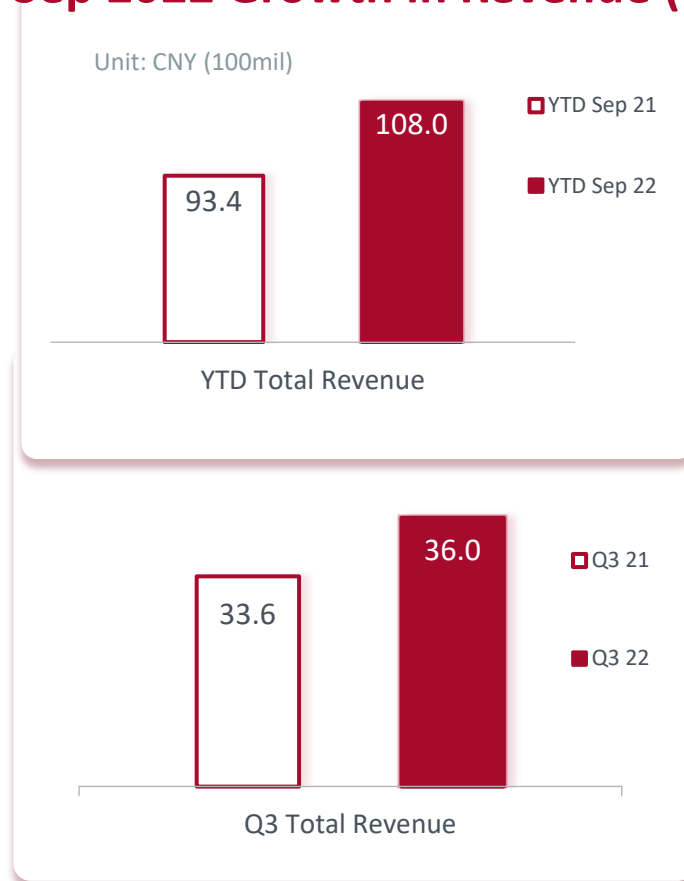




# Business Highlights

- **Sustainability & Environment:**
  - ❖ YTD Sep 2022 TRIR at **0.42**: reflecting Adisseo's on-going action plans to further improve safety
  - ❖ A dedicated sustainability project initiated in Nanjing plant: aiming to significantly reduce wastewater discharge, greenhouse gas emission as well as energy consumption
- **9M 2022: +16% growth in revenues and -8.6% decrease in net profit attributable to shareholders**
- **In Q3, continuous growth in revenues despite slow-down demand and significant drop in net margin due to huge rise in energy and raw material cost:**
  - ❖ **Performance product (+5% revenue growth with gross margin@20% in Q3)**
    1. Slow-down in demand mainly due to inventory management of customers
    2. Continuous pricing downward pressure on Vitamin A
    3. Proactive price management on methionine, partially offsetting the drastic energy cost increase in Europe
  - ❖ **Specialties: (+8% revenue growth with gross margin@42% in Q3)**
    1. Continuous growth in Ruminant, feed digestibility, health by nutrition and aqua
    2. Price increase not totally offsetting the energy and raw material costs in Europe
- **Immediate measures are being implemented to best serve customers while protecting margins, which includes:**
  - Temporary shutdown of one of the powder methionine line in Europe
  - Adapted Vitamin A production plan
  - Tight resources management
  - Leverage the Chinese competitive assets
- **Successful start-up and ramp-up of new 180KT Nanjing plant (BANC2)**
- **Calyseo project progressed towards start-up stage as planned**
- **Specialty capacity expansion projects in China and in Europe are progressing**

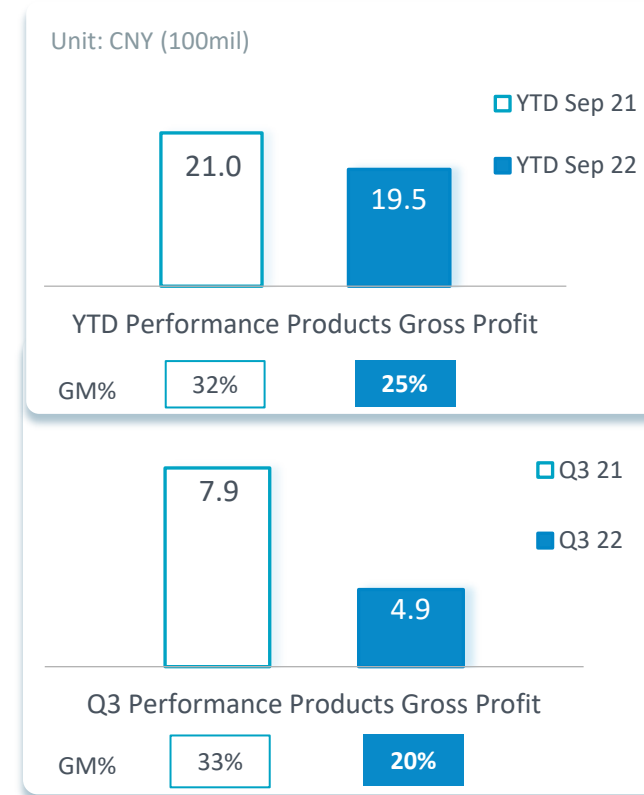
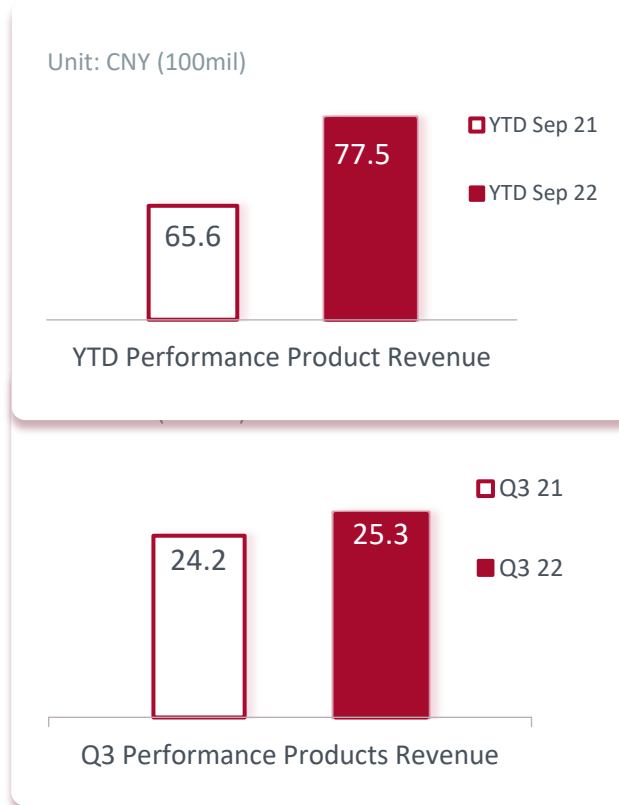
## YTD Sep 2022 Growth in Revenue (+16%) with Gross Margin Dropped to 29%



### Q3 Growth in Revenue (+7%) with Gross Margin dropped to 24%

- Continued revenue growth mainly driven by continuous pricing management in methionine and specialties
- Specialty business led by continued growth in all species
- Gross margin heavily impacted by the huge rise in raw material, energy and freight costs in Q3
- Action plans initiated and implemented in Oct to best serve our customers as well as to protect margins

## Performance Products in YTD 2022: growth in revenue (+18%), gross margin dropped to 25%



### Q3 result illustrating the unforeseen tough business environment

- Growth in revenue (+5%) driven by on-going pricing management in methionine but impacted by the temporary weakening demand in performance product
- Gross margin dropped 13ppt due to the continuous sharp rise in raw material, energy and logistic cost with negative impact partially mitigated by pricing increase
- Continuous deterioration of Vitamin A selling prices
- Strong action plan started in Oct to protect margins as well as to fully leverage BANC2 start-up

## Performance Products Business Highlights in Q3:

conjunction of lower demand of meat and milk (potential temporary) and higher raw material prices and sky rocketing energy prices in Europe



### Methionine

- Excellent production reliability in Nanjing plant
- Nanjing Plant & 180kt expansion project (BANC 2) started smoothly in mid Sept allowing to
  - Accelerate continued penetration in the market
  - Reinforce cost competitiveness at NJ plant and global
- European operations being adapted & optimized
  - Temporary shut-down of powder methionine production line till the end of 2022
  - Reduced production plan will allow to optimize production cost thanks to the gas contracts in place
- Global footprint allows to best serve clients while optimizing production and supply



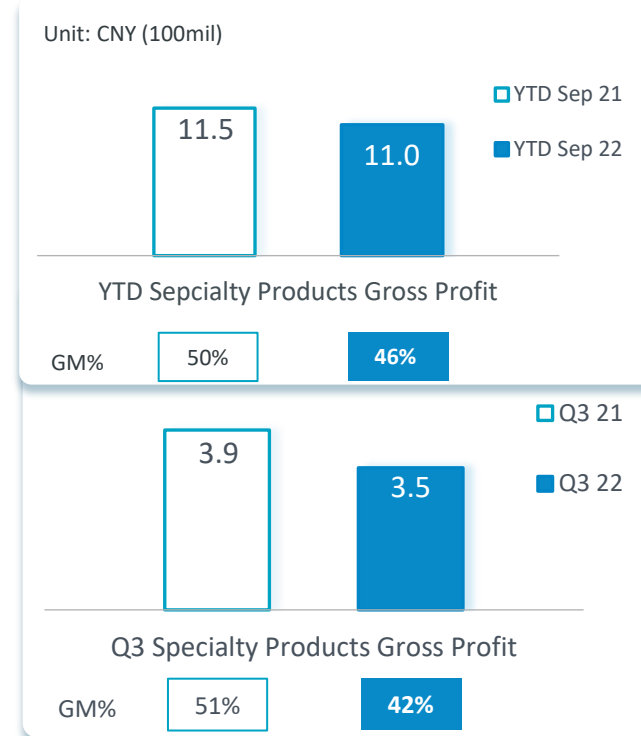
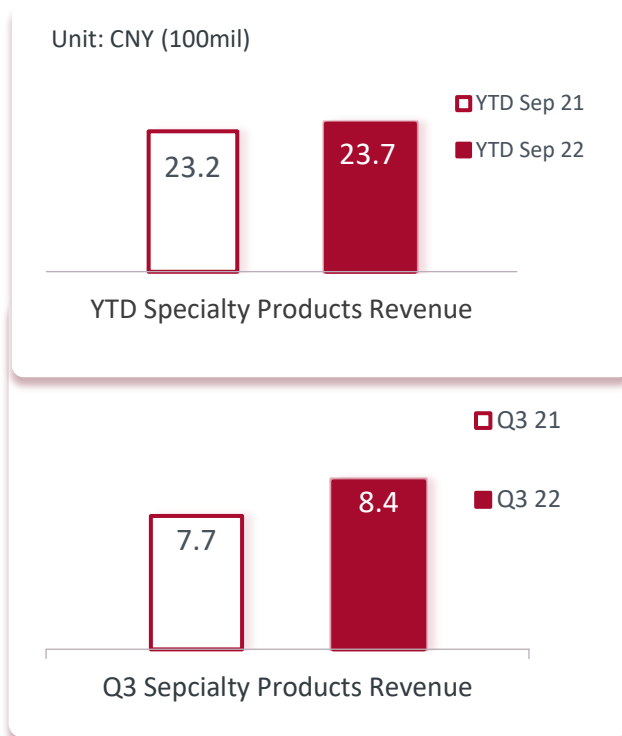
### Vitamins

- Slow-down in demand and sharp drop in Vitamin A prices
- Action plan in place to reduce production level of Vitamin A temporarily and further focus on costs management and competitiveness enhancement
- Vitamin E prices remained at solid level





## Specialty Products in YTD Sep 2022: Revenue continued growth in 3<sup>rd</sup> quarter but margin impacted by energy crisis in Europe



In the context of sharp increase in raw material and energy costs, Specialties business continued its revenue growth **(+8%)** in Q3 2022 thanks to the growth in all species while margin reduced to **42%** mainly due to

- ✓ Huge increase of energy and raw material costs in Europe
- ✓ Global supply chain tension, despite signs of improvement
- ✓ Product mix
- ✓ Partly offset by ongoing product portfolio optimization

## Specialty products business highlights in Q3

- Revenue growth in ruminant **(+15%)** driven by double-digit revenue growth in China, encouraging dynamics in the US market and penetration of new products such as RumenSmart
- Continued double-digit growth in Health by Nutrition driven by key products such as Selisseo and Alterion, contributing to a historically best quarter in Q3 2022
- Solid growth in feed digestibility (Rovabio)
- Continuous price adjustment across product lines
- Nestor, a new Adisseo service, launched to market, providing nutritional recommendations and nutritional values to customers, a step further in formulation accuracy for more sustainable production



## China Priorities

- Strong performance in China business (+32% revenue increase in Q3) driven by methionine business as well as continued growth in specialty business mainly driven by double-digit growth in ruminant, aqua and mycotoxin management
- Strategic projects:
  - ✓ 2nd Nanjing Plant (BANC 2 project) started up successfully in Sep 2022
  - ✓ Calysseo Chongqing Plant well on track
    - ✓ Seeding phase successfully completed
    - ✓ Inoculation commenced in mid Oct
    - ✓ First FeedKInd® product expected to be launched to Chinese market in Early 2023
  - ✓ Digitalization Transformation of Nanjing plant in progress, focusing on operation efficiency, yield improvement, HSE management with new data center to be established by 2022, enabling seamless data interfacing and application of big data technology.

# Financial Performance

By Virginie CAYATTE



## YTD Sep 2022 Financial Performance

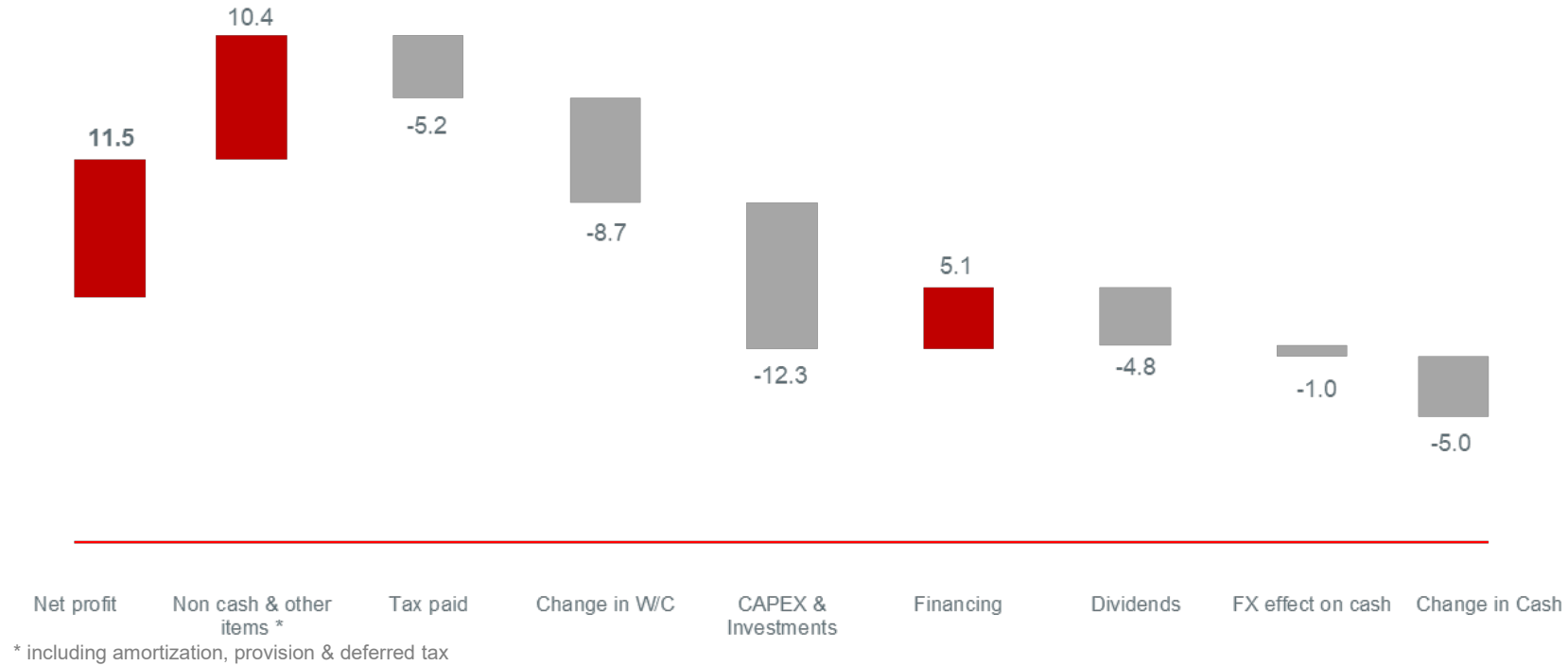
Unit : CNY 100mil	QUARTER TO DATE		VS PY	YEAR TO DATE		VS PY
	ACTUAL	PRIOR YEAR		ACTUAL	PRIOR YEAR	
REVENUE	36.0	33.6	7%	108.0	93.4	16%
GROSS PROFIT	8.8	12.3	-29%	31.5	33.4	-5.7%
CONTRIBUTION ON SALES	24%	37%		29%	36%	
EBITDA	6.50	9.28	-30%	23.5	26.1	-10%
EBITDA MARGIN	18%	28%		22%	28%	
NET PROFIT	2.7	4.7	-41%	11.5	12.8	-10.5%
NET MARGIN	8%	14%		11%	14%	
Net Profit Attributable to shareholders	2.7	4.3	-37%	11.4	12.5	-8.6%

2022 YTD Sep net profit attributable to shareholders (**CNY1.14 billion**) decreased by **-8.6%** yoy with net margin still at a solid level (**11%**) mainly due to

- Decreased gross profit
- Global inflation
- Selective investment in sales & marketing
- Continuous investment in research & innovation



## Cash flow YTD Sep 2022



■ Cash position as of end of Sep 2022 is **CNY 1.6bn**, a reduction of **CNY 0.5bn** compared to 31st Dec 2021, mainly driven by

- CAPEX financing
- Working Capital consumption in the context of supply challenges
- Dividend payment and preferred shares redemption net of new financing



# 2022 Outlook

By Jean-Marc Dublanc



# 2022 Outlook

## Business Outlook

Sustainability and safety remain our top priorities.

Volatility and uncertainty are more than ever prevailing. Facing the serious challenges from raw material, energy supply and cost increase in addition to on-going supply chain disruptions, Adisseo is taking immediate and strong actions to pursue growth and protect margins.

In FY 2022, Adisseo is thus expecting to deliver strong revenue growth, while protecting profitability at solid level thanks to:

- Acceleration of liquid methionine penetration supported by capacity expansion projects
- Robust growth in Specialties
- Immediate action plans to manage margins and optimize cost
- Leveraging global footprint and innovation capabilities

Adisseo is pursuing its long-term projects, including innovation and external growth opportunities to support sustainable and profitable business growth in the future.



