Corbion

Corbion Full Year and Fourth Quarter 2024 Conference Call

Thursday, 27th February 2025

Introduction

Alex Sokolowski

Head of IR, Corbion

Good morning and welcome to the Corbion full-year and fourth quarter 2024 Conference Call. This morning, we published our Q4 and full-year results, and the press release and presentation can be found on our website-- www.corbion.com, Investor Relations, Financial Publications.

Before we begin, please note that today's discussion will include forward-looking statements based on current expectations and assumptions. These statements involve risks and uncertainties that may cause actual results to differ materially from those expressed. Factors beyond our control, including market conditions, economic changes, and regulatory actions, can impact outcomes. Corbion does not undertake any obligation to update statements made in this call or contained in today's press release and presentation. For more details on our assumptions and estimates, please refer to our annual reports.

This is Alex Sokolowski, Head of IR, and with me on the call are Olivier Rigaud, Chief Executive Officer and Peter Kazius, Chief Financial Officer.

Now, I would like to hand the call over to Olivier…

Olivier Rigaud

CEO, Corbion

Good morning, everyone. Thank you for joining Corbion's full-year 2024 Earnings call.

I am pleased to share that in 2024, Corbion successfully met its upgraded targets for sales, and Adjusted EBITDA, while significantly surpassing our free cash flow target. We achieved organic sales growth and double-digit increases in both Adjusted EBITDA and Adjusted Operating Profit.

Our strong volume/mix performance, our focus on operational efficiencies, the successful implementation of our restructuring program, and our capex discipline resulted in the significant increase in free cash flow.

Taking a closer look at our 2024 highlights, we achieved positive organic sales growth of 2.2%, driven by a volume/mix increase of 5.2% and a pricing decline of 3.0%. Our organic adjusted EBITDA grew by an impressive 23.3%, and we generated a free cash flow of €98.3 million from continued operations.

In our Health & Nutrition segment, we saw strong growth in both sales and adjusted EBITDA, driven primarily by our Nutrition business. Our Functional Ingredients & Solutions segment also experienced positive volume/mix growth, particularly from our Food and Lactic Acid sales to the joint venture businesses.

Looking ahead to 2025, we remain confident in our strategic targets and expect to continue delivering strong performance-- more on that later, when we present our 2025 outlook.

Now, let's move on to the opportunities for differentiation in key markets. We have made significant strides in differentiating ourselves in key markets. Our sales into the mature bakery and meat markets have grown, thanks to our innovative and differentiated solutions as food ferments and clean label preservatives. By targeting these growing market subsegments, we have been able to capture new opportunities and grow with trends in food markets. Additionally, our value proposition in the strongly growing Health & Nutrition markets has been confirmed with strong sales and earnings growth. This success underscores our commitment to delivering value to our customers and stakeholders.

Turning to the challenges we face, raw material and freight prices were volatile over 2024. While we have seen some relaxation in input prices, such as sugar-- freight and energy costs remain unpredictable in the near-term. However, we anticipate an improvement in overall input costs in 2025, which should provide some relief. We are also closely monitoring the potential impact posed by tariffs on goods into the United States.

Heath and Sustainability continue to be at the forefront of our strategy. The trend towards clean labels and natural preservatives is accelerating, outpacing the overall food market growth. The proliferation of GLP-1s, increased scrutiny on ultra-processed foods, and heightened regulation in both the European and US ingredients space could create increased demand for natural and healthful food ingredients. Furthermore, our sustainable omega-3 solution offers structural growth driven by higher adoption in aquaculture and a supply-constrained long-term outlook for fish oil. We are well-positioned to capitalize on these trends and drive sustainable growth.

Before I turn things over to Peter to present our financial performance in 2024, I would like to emphasize that we are confident in our strategic direction and our ability to continue delivering strong performance in 2025. Peter, the floor is yours…

Peter Kazius

CFO, Corbion

Thank you, Olivier. Good morning all.

In 2024, our sales increased by 1.9% compared to 2023. This growth includes an organic growth rate of 2.2%. Currency impacts, particularly due to the depreciation of the Japanese Yen and the Brazilian Real slightly countered the sales growth, while the US Dollar remained flat year-over-year at 1.08 dollar/Euro.

Our Health & Nutrition segment drove our organic sales growth with an impressive 18.5% increase. In the Functional Ingredients & Solutions segment, we saw positive volume/mix growth, although this was offset by price declines following input cost relaxation.

Turning now to our adjusted EBITDA, we achieved a remarkable growth of 24.8% year-over-year, with 23.3% of this growth being organic. The key contributor to this strong performance was our Health & Nutrition segment, which benefited from robust volume/mix growth, as well as favorable pricing.

On the other hand, our Functional Ingredients & Solutions segment experienced a slight negative impact. It's important to note that our EBITDA was affected by some phasing of costs in Q4, including delayed transport cost increases from mid-year, maintenance expenses, and variable compensation.

Looking at Profit and Loss from Continued operations, our Depreciation & Amortization increased year-over-year. This is primarily due to the completion of our ERP implementation and several capital expenditure projects.

Moving on to Adjustments, these have been mainly driven by our restructuring program, which resulted in a reduction of approximately 180 FTEs compared to the end of 2023. It's important to note that the adjustments in 2023 were influenced by the reversal of an impairment of an algae fermentation asset in the Nutrition business.

Regarding Financial Income/Expense, we have observed a decrease compared to last year. This is attributed to the divestment of our Emulsifier business and some non-cash foreign exchange items.

In terms of our Joint Venture, the results have been negative. Although we achieved a positive EBITDA of 12 million Euros, this was offset by interest paid to shareholders and tax obligations.

Our effective tax rate stands at 26.6%, which aligns with the jurisdictions in which we operate.

Finally, our results after tax have seen a positive impact of 6.5%.

Looking at the Functional Ingredients & Solutions business unit, for the full year, we experienced a positive volume/mix growth of 3.3% for the year and 3.4% for Q4. This growth was primarily driven by our food business, particularly in bakery, meat, and dairy markets, as well as our key product and market adjacencies. Additionally, we observed growth in Lactic Acid volumes to our Joint Venture, driven by increased PLA demand.

Moving on to our biochemicals performance, this segment was down compared to last year, primarily driven by weaker demand in agrochemicals and softness in the semiconductor market.

Regarding pricing, we faced a negative impact of 4.9% for the year and 4.1% for Q4, following the relaxation of input costs resulting in a slight decline in sales of 1.6%, with Q4 showing only a slight decline of -0.7%.

Our EBITDA margin for the full year stood at 8.8%, with Q4 at 7.0%. The adjusted EBITDA includes the absorption of stranded costs from the emulsifiers divestment, which impacted margins by approximately 200 basis points. Compared to Q3, the Q4 margin was softer as expected due to seasonality and the phasing of expenses, including temporary freight costs, maintenance costs, and variable compensation.

In terms of volume and mix growth, we continued to see positive trends in Q4, driven by our food segment. We experienced growth in key markets like bakery, meat, and dairy, as well as strategic initiatives such as dough conditioners, natural mold inhibitors, dairy stabilizers, and natural antioxidants.

For the full-year sales, our performance was driven by volume/mix growth in Food, offset by lower pricing and currency impacts. Lactic acid to the joint venture showed strong growth, while the biochemical markets remained soft.

Looking ahead to 2025, we see continued positive growth and margin improvement as we plan to fully compensate for the allocated costs. We are implementing a series of initiatives to achieve this, including process efficiencies, complexity reduction, procurement savings, insourcing, pricing adjustments and savings from the lactic acid plant in Thailand.

Moving on to Health & Nutrition, and starting with our organic sales growth, we achieved an impressive 18.5% for the full year, with Q4 contributing 8.8%. This growth was driven by strong performance in our Nutrition business, particularly in the aquaculture and pet food markets. Our volume/mix growth for the year was 13.9%, with Q4 showing a more modest increase of 0.2% due to the strong phasing effect seen in Q3. The substantial growth was primarily due to the robust demand for our Algae-fermentation DHA products, which support both aquaculture and pet nutrition markets.

In the Pharma business, we experienced volume/mix growth, although this was partially offset by reduced sales prices compared to last year. Despite this, we continue to see positive momentum in this segment.

Our Biomedical Polymers business remained relatively flat for the year, with a slight sales growth of 1.0%. However, we anticipate sales growth in 2025, driven by business development in drug delivery.

Moving on to our EBITDA margin, we achieved a full-year margin level of 29.9%. We have maintained high EBITDA margins consistently throughout the year. The increase compared to last year is attributed to a combination of increased operational leverage, strain optimization, and a favorable product mix.

In summary, our Health & Nutrition segment has demonstrated strong performance with double-digit volume and mix growth, sustainable high EBITDA margins, and positive momentum across our key business areas. We remain confident in our ability to continue this growth trajectory into 2025 and beyond.

Moving now to the performance of the TotalEnergies Corbion Joint Venture, the JV achieved an organic sales growth of 13.2% for the full year, with Q4 contributing 7.1%. This growth was driven by a continuous recovery in volumes.

However, the business faced significant pricing headwinds, which partially offset their volume growth. Despite these challenges, the robust long-term drivers for the PLA market remain attractive.

Moving on to the EBITDA margin, the JV achieved a full-year margin of 8.7%, with Q4 at 2.1%. The margin contraction vs last year was primarily driven by negative pricing dynamics and commoditization in certain applications, which impacted the regional and product mix.

It's important to note that while margins have been relatively soft in 2024, we anticipate high single-digit EBITDA margins for 2025.

I am pleased to report that we have achieved our seventh consecutive quarter of positive free cash flow. This positive free cash flow generation is a testament to our strong EBITDA development and disciplined approach to capital expenditures.

We have continued to invest in our key priorities while carefully managing our overall capital expenditure levels. In, 2024 we spent around €80 million, and we anticipate maintaining this level of investment for 2025 as well through our capex discipline in both maintenance and expansion capex.

Our free cash flow in 2024 has been partly impacted by other working capital factors. These include the phasing of customer rebates, the monetization of VAT receivables in Brazil, and variable compensation. While we have made progress in reducing our operating working capital, it has not yet reached our target levels. This has been partly driven by ongoing challenges in the Red Sea region and an increase in inventories in anticipation of a potential harbor strike in the US, which ultimately did not materialize.

Looking ahead, we plan to further reduce our working capital levels in 2025 , and we are confident that our strategic initiatives and disciplined financial management will enable us to achieve this goal.

In summary, our continued positive free cash flow generation, disciplined capex management, and strategic investments position us well for future growth.

Our dividend policy is designed to be progressive, with the ambition to annually pay out a stable to gradually increasing absolute dividend amount per share. This year, following our positive net result and strong free cash flow development, we are proposing a 5% increase in the regular dividend, bringing it to €0.64 per ordinary share.

This proposal reflects our commitment to delivering consistent and growing returns to our shareholders. The proposed dividend is subject to approval at the Annual General Meeting, which is planned for May 14, 2025. If approved, the ex-dividend date will be May 16, 2025, with the record date set for May 19, 2025. Cash dividends will be payable on May 27, 2025.

In summary, our proposed dividend increase underscores our confidence in the company's financial health and our dedication to providing value to our shareholders. We believe this approach aligns with our long-term strategic goals and supports our ambition to maintain a progressive dividend policy.

Now for a bit on our ESG accomplishments and ambitions-- starting with our revenue contribution to Sustainable Development Goals (SDGs), we have seen a notable increase. In 2024, 74% of our revenue contributed to SDGs 2, 3, and 12, up in 2023. This improvement is partly due to the divestment of our emulsifiers business, which did not align with our sustainability goals related to preventing food waste, health, circular economy, or biodiversity.

Our commitment to Life Cycle Assessment (LCA) has also strengthened. In 2024, 92% of our products were covered by LCA, compared to 79% in 2023. This comprehensive assessment ensures that we are continuously improving the environmental impact of our products.

Our Scope 3 CO2 emissions increased in 2024 compared to 2023 but are still down from 2021 levels. This increase is related to higher output and supplier mix.

We are proud to have received high ratings from CDP, recognizing our implementation of best practices in climate change, and a "Gold" score from EcoVadis for our leadership in sustainability, both achieved in 2024.

And now back to you, Olivier, for the outlook.

Olivier Rigaud

CEO, Corbion

Thank you, Peter.

I am excited to share our ambitious targets for the year 2025 which are in line with our previously shared objectives. These targets reflect our commitment to driving growth, enhancing profitability, and delivering value to our shareholders.

First, let's discuss our organic sales growth-- we are targeting a volume/mix growth of between 2% and 6%. This growth will be driven by our continued focus on expanding our market presence and leveraging our strong product portfolio.

Moving on to our organic adjusted EBITDA growth, we are aiming for an impressive growth rate of over 25% from our continued operations. This target underscores our confidence in our ability to optimize our operations, improve efficiencies, and capitalize on market opportunities, and is in line with the guidance shared previously at our capital markets day.

Our capital expenditure for 2025 is projected to be between €80 million and €90 million. This investment will support our maintenance and growth initiatives, including capacity expansions for alge fermentation, biomedical polymers and insourcing.

In terms of free cash flow, we are targeting a figure of over €85 million, excluding divestments and acquisitions. This positive cash flow will enable us to reinvest in our business, pursue strategic initiatives, and return value to our shareholders.

Finally, we anticipate a covenant net debt to covenant EBITDA ratio of approximately 1.6x by the end of the year. This target reflects our commitment to maintaining a strong balance sheet.

We are confident in our strategies and our ability to achieve these ambitious goals, and we look forward to sharing our progress with you throughout the year.

Now, peter and I are happy to take your questions.

Q&A

Alex Sokolowski: Thank you, Olivier. Call participants, if you'd like to ask a question on the call this morning, please press star one one on your telephone and you'll be placed in the queue. If you'd like to remove yourself from the queue. Press star one one again. Also, kindly mute your line while your question is being answered. Our first call this morning comes from Setu Sharda of Barclays Bank. Setu, please go ahead.

Setu Sharda: My question, I have three questions. The first one is on the health and nutrition volumes. These are flat in Q4, contrary to the expected high single digit growth expectation you guided in Q3. So what factors are contributing to this slowdown? And additionally, how has the Q1 started for health and nutrition? And in terms of my second question, despite the volume growth in food, functional ingredient and solution margins have declined sharply. Like, so how significant is the impact of fixed cost phasing in the decline, and what is your outlook on the margin development for the next year? Like, can you share some insight on this? And the third one is on your cost saving programs like you announced during the CMD along with the recovery of stranded costs from the emulsifier deal. So in terms of progress, like how much of the absolute EBITDA growth of 35 million this year is attributed to the savings? And additionally, what is the expected contribution from these savings in FY25?

Peter Kazius: Yeah. Thank you for the three questions and let me start answering them one by one. First health and nutrition. You're right that for this business unit, we got a double-digit growth for the full year. That is what we also delivered. If you look to Q3, Q4 there is really a phasing of order impact in that one, as we indicated, I think in the Q3 call as well. So if you look to the combination of H2, it's perfectly in line with our strategic ambition, with some phasing. If you look to the opening into Q1 of this year, actually, that is in line with the commitments which we which we did provide and with the outlook. So from that perspective, see Q4 really as a phasing, another kind of starting of decline.

Your second is on margins in functional ingredients and solution and there are a couple of things to note, which we also indicated in the Q3 call, because therefore it's not unexpected. So if you compare Q3 to Q4, there is always a seasonality impact, meaning that the absolute sales level is lower in Q4. And if you look on variable margins, it's roughly at the same at the same level. And then it's indeed, as you said, impacted by some phasing of fixed costs, including inventory movement, maintenance and variable compensation. If you look margins going forward, then we are on the right trajectory. And that is also reflected in the comments made on the outlook. And we see that margin uptick already happening earlier in the year.

Now if you then look on your question on the fixed cost savings and the strand of costs a bit of color on, on that and all these costs are really included in the guidance which we provided both for 2024 as well as for 20 2025. So a key part of the 35 million of fixed cost has been driven by the redundancy of 180 people. And you clearly can see in the FTE development a decline from year end 2023 to year end 2024. So the decrease is roughly the amount I just told. And then on top of that we divested the emulsifiers. So therefore, you see an even bigger reduction in the annual report. The other significant item was the closure of um of Peoria or the mothballing of Peoria which we did by end Q1, early Q2. And also, as indicated, this reduction of FTEs have been done by the starting the end of Q1 and then phased during, I would say, Q2 and a bit of Q3. The projects articulated related to the stranded costs will have an effect as of Q1 next year. I hope that gives some color to.

Setu Sharda: Yeah. That is helpful. Thank you.

Alex Sokolowski: Okay. Very good. Our next question comes from Robert Jan Vos from ABN-Amro, ODDO BHF. Robert Jan, please go ahead.

Robert Jan Vos: Yes, I'm here. Good morning, all. Thanks for taking my questions. I have a few. Um to start with, functional ingredients and solutions; pricing remained quite negative throughout the year. Very small improvement in Q4, but still materially negative. You earlier you said that there has also to do with the easing of input costs, but what is your view on pricing for this unit in 2025? Because if I recall correctly, you also said probably at half year or Q3, I don't remember that that going forward you will focus more on your pricing towards your customers in order to improve the profitability.

And related question, indeed, is year on year, you reported an EBITDA decline 8.8%. Why are you still confident that you can achieve mid-teens? And what is the time for achieving that? Can you remind us? my second question is on - and that is more positive, it's on health and nutrition, the EBITDA profitability one notch shy of 30% in 2024. Taking into consideration the further plans for pet nutrition and also human nutrition for Omega-3, is it fair to assume that there could be further upside in this margin, or are there other factors to take into consideration and maybe be a bit more cautious there?

And my last question is on the PLA joint venture. Why do you expect a high single digit EBITDA margin following the Q4 margin of just above 2%? What's the background of that expectation and related? Also, why describe this business as long term attractive following the recent steep trend towards commoditization that we are seeing? So those are my questions. Thank you.

Olivier Rigaud: Well, thanks, Robert. And well, so just to answer the FIS pricing and the PLA and Peter will take on the H&M as well. So I think you're fully right. If you look at the trajectory of pricing in 2024, indeed, we've had this, this price this price erosion basically related to input cost. What has been very important, of course, is the last pricing round. This happens usually for a big chunk of the business in the course of Q4 for 2025. And we see, of course, less erosion. We've been also even going for price increase in some markets.

So what you will see in the in the course of 2025 is a lot less erosion in pricing actually on the fixed part. Obviously, we are scrutinizing, as we've said earlier, the impact of any potential tariffs that might occur. But we are preparing for that. So to that stage we still have some pricing rounds to be done for Q2 and for H2. So there is also some flexibility to react in the course of the year on pricing and movements in the FI&S division at the same time, on the margin. We have indeed this plan to really also compensate for the stranded cost, as Peter alluded to, which is primarily impacting the FI&S division.

So the compensation of the so-called stranded cost that we committed to will really favorably impact the margin recovery in FI&S. But this is where the impact going to be visible. So the initiatives we mentioned in the Q3 results related to not only pricing but also procurement initiatives, but also product portfolio simplification, SKU reductions as well as some operational efficiencies related to the Thai plant ramping up and the also insourcing initiatives that we've put in motion will really contribute to the margin recovery in FI&S to the mid-teens level. Now, I'm not saying we are going to achieve the mid-teens in 2025.

Now I'll jump to the PLA JV and then we are going to come back on the health and nutrition question. I think one of the ways we see margin getting better than the Q4 level, which was really low, is that the plant is filling up. So we are seeing operational leverage in the plant because you might remember the entire market and ours as well, dropped by almost 50% back into mid-2022. And now we start to see and rebuild volume recovery. And we see that translated as operational leverage into the plant on our cost. So that is one thing that is important.

The second element is that the joint venture is also benefiting to some extent from lower input costs related primarily to sugar prices. So, as you can expect, it's also favorably impacting the joint venture. However, we mentioned that also in Peter's presentation, the PLA prices do remain depressed. So now when we say the fundamentals do remain intact, if you look at the drivers, we also discussed previously that most of the growth today is happening across Asia and particularly China. And that is something we see continuing in 2025. Obviously, there is upcoming new regulation in China that we are expecting in the course of the year to really come official, to even strengthen the usage of PLA in some categories on the Chinese market, which is a very big market. So this is something where, basically, most of the signals so far are positive on the volume recovery of the PLA market. The big question remains on pricing. So Peter, maybe you take over for the H&N question. Yeah.

Peter Kazius: So, I mean, you're right, Robert, that if you look to health and nutrition. I mean, a great success in terms of EBITDA margin with almost 30% and also quite consistently throughout the different quarters. And you're right that we are going to these nice, attractive markets and see some growth areas in there. I would be conservative putting any numbers higher than 30% on that one. So if you look to the EBITDA delivery into next year, that is more as Olivier eluded regarding FIS, then it's a step up in margin in the health and nutrition part of the of the business.

Robert Jan Vos: That is clear. I'm just wondering, Peter, why you advise to be conservative. Are there other factors that that could have an impact? Because I understood that margins on human nutrition products can be significantly higher than the margins that you currently realize on the portfolio.

Peter Kazius: Two things on that-- the one is margins in dollar per kilo. Definitely margins in percentage also higher from that perspective, what you might see at some time is if you invest in additional capacity, you sometimes need some more operators here and there. So do I anticipate a nice impact on that one? Yes. Will it be less? Maybe so, but I would be cautious.

Robert Jan Vos: Thank you.

Alex Sokolowski: Thank you, Robert Jan. Also, the next question comes from Wim Hoste from KBC Securities. Wim, whenever you're ready.

Wim Hoste: Yes. Good. I could hear your return pretty well. Questions from my side. Can you talk a little bit on the outlook of the biochemicals part? Agrochemicals markets. How do you see that evolving in 2025? And then also, can you provide a bit more granularity on the status of the product adjacencies in foods dairy stabilizers, et cetera. How much are they contributing to revenue in 2024 and how much growth you are still seeing in 2025 and beyond for those products? Those were my questions. Thank you.

Olivier Rigaud: Thank you. So I will take that. So on the biochemicals, it's in quite many applications. Of course, you mentioned agrochemicals and semiconductors. These are two big ones, but they are also some businesses in green solvents, in HPCs and so on. So very different dynamic. But um, a couple of things. Starting with semiconductors, this has been indeed a down cycle category for now, quite a long period because we are used to down cycle of 12, 15-month max. Now we are almost 18 months to two years in a down cycle there. But it has stabilized. So we've seen in the last part of 2024 really some good stabilization. And if we look to our forecast for H1, we don't see any further also decline.

So, there are some early signals now which make things greener than what we've seen in the last year in the semiconductor. Obviously, when you look at some of the announcements from the giant players in that space and thinking about the Samsung of this world, you could see that it's really an even according to some geographies as well, but no further decline into that space. Agrochemicals is of a different nature. Agrochemicals, basically, we are facing also a lot of negative regulation moves into this segment. And these are really not a sector we are prioritizing any more. So we do not expect any rebounds on or making any major difference.

Also, this is a space where we are not investing either in terms of resources for new products or capabilities.

Now back to FI&S and the product adjacencies. We mentioned some initiatives around natural antioxidant mold inhibitors. We have all the enzyme technologies around door conditioning as well in there. So we came into, let's say compared to the total food business, roughly last year to approximate a 10% of our sales into these initiatives. So which were a lot of them, we started from scratch a few years ago. So I have to say that now we have confirmation on some of these product lines that each time really to potentially accelerate. And this is primarily around what we call the food ferments and the mold inhibitors where we see the biggest size of the price there.

And we are also looking whether we can in-source some of the products that we've been also promoting, developing in functional systems, in the case of dairy stabilizers, as dairy is becoming now new emerging categories for us. De-risking, what we do in meat and bakery. So these are really, I think, enabling us new areas and pockets of growth going forward. So basically, on these five adjacencies, we are just moving on the current growth trajectory that we've seen in the last couple of years. So hopefully it helps. I mean, to answer your question.

Wim Hoste: Yes it does. Thank you very much.

Alex Sokolowski: Okay. Thank you. Our next question this morning comes from Sebastian Bray from Berenberg. Sebastian, if you can hear me, please go ahead.

Sebastian Bray: Yes, hello. Hello. Good morning and thank you for taking my questions. I would have two, please. Can I just ask about why Corbion is staying in PLA at all? Because, I mean, the explanation given at the moment is, well, maybe Chinese regulation comes to the rescue, but it feels like this business has a problem and one that could get worse. When Cargill bring on new capacity in the late this year, what stops the company turning around and tomorrow putting a press release out saying we are exploring options to exit this JV? Why is it still an attractive business to be in?

My second question is on the underlying volume growth in the food segment. How has this actually developed if we exclude mix over the last three or four years, has there been any volume development? And my third one is just on the outlook as you see it for the biochemicals area. So the health semiconductors and so on in 2025. It all looks pretty positive, but any color on that is helpful. Thank you.

Olivier Rigaud: Thank you. So I will answer your questions on PLA and biochemicals, and Peter will take the FI&S question. So no, it's a relevant question if you remember, a couple of years ago, we've asked ourselves and we had a strategic review of that business. Obviously, it was at the time, the market was heavily depressed. So the only thing I can tell now at that stage is that, as you know, we are coming to the end of the current strategic cycle on advance 2025 by the end of this year. About PLA actually, we are ending the strategic period. So obviously, we are getting into a new strategic exercise as from H2, and we are planning to come back to you by year end, where obviously the PLA JV will be, as any other pieces of our portfolio, part of the review. So now it's a bit premature to make any statement on that. We will of course work a lot over the coming months in our portfolio to again come back to you by Q4 this year. So more to come on that front.

On the biochemicals outlook, I think, again, this is a part where we do not necessarily see huge pocket of growth coming up from our portfolio. So again, there are very sizable important piece of business that we have like this green solvent to the semiconductors. But on the other industries, we are small players. These are not necessarily industries we are prioritizing, or we intend to prioritize going further. So I would say, where are we going to make a difference is in our food ingredient space or natural preservatives. This is where we are strongly committed to invest for growth and into our health and nutrition business unit. But this is where the priorities are today. The rest obviously, we manage very efficiently. We manage it for cash but that is a bit the trajectory we are taking.

Sebastian Bray: That is helpful. Thank you.

Peter Kazius: Let me pick up your question. Sebastian, what you had on volume mix development in FI&S over the last year or so. I mean, if you look over the last year and let's pick 2020, like the early start of our advanced strategy, then the volume mix which we achieved is indeed a combination of both volume as well as mix. So it's not one negative and the other significantly positive. It's really driven by two effects.

Sebastian Bray: That is that is helpful. Could I just quickly follow up on with one on CapEx? the number is down on what was guided in 2024. Where has the 30 million cut roughly come from? And can you make any comments on how you expect working capital to perform in 2025. It looks like it was pretty good in 2024.

Peter Kazius: Yeah, so if you look at capex, it's a combination of both in maintenance as well as expansion. So what we have not done is reduce activities in expansion. But we put quite some discipline and regular processes in that. The reduction is basically driven byt both of these elements. And as Olivier alluded to, we anticipate the same level also in 2025. If you look in other in working capital and then split a bit, the operating working capital part and the other working capital part in terms of operating working capital are anticipated further reduction in percentage of sales. If you look to other working capital that has been impacted by some phasing, I would say, so that one would reverse a bit into 2025.

Sebastian Bray: That is helpful. Thank you.

Alex Sokolowski: Thank you, Sebastian. Our next question comes from Fernand de Boer from Degroof Petercam. Fernand, if you can hear us, please ask away.

Fernando de Boer: Yes I can hear you, but I think that I missed most of the call. Since Robert Jan's questions, i hardly heard anything. So no answers at all. So I don't know. I heard the question of Sebastian, but also didn't hear the answer. So but fine. I'm not sure how you're going to solve that problem, that we didn't get that information. In the meantime, if I look at your leverage guidance for 2025 of the 1.6 and you say, okay, and your EBITDA guidance of plus 25%, so that means an EBITDA of at least, let's say, roughly €220 million. Then I end up with net debt of around €350 million, which is covenant net debt, which is similar to what is now. So then the question is where is all the free cash flow going? Because that is my first question and I'm not sure, but did you pay the taxes on the gain you had from the emulsified disposal already?

Peter Kazius: So let me let me answer them one by one. So the tax on the emulsifier piece, we did pay, I think, even in Q3. So that is fully paid and nothing outstanding from that perspective. If you look to the EBITDA contribution and then the working capital and the free cash flow, you end up with the positive free cash flow, which is €85 million. Then you should come to the guidance of roughly 1.6 in terms of covenant net debt to EBITDA.

Fernando de Boer: That is my calculation. Correct, that your net debt is then expected to land at around €350 million.

Peter Kazius: Two factors after free cash flow, which can impact that is in financing free cash flow. Is this IFRS leases of roughly €15 million. And there is the last outstanding payment which is also in there. That can be the only other factor.

Fernando de Boer: How did you call that last one?

Peter Kazius: The Bunge payment. So if you remember from the Alge acquisition, there is an earn out mechanism and the last payment is into 2025. And that is also in the kind of financing and cash flow line. And otherwise, happy to help offline on this one, Fernand.

Fernando de Boer: Yeah. Okay. Very good. Yeah. And the other questions that were answered but I could not hear?

Peter Kazius: We are going to find a way either we publish it, or we do it via a webcast. But there we need to we need to see how we can help.

Fernando de Boer: So I think that because I also had the question on the H&N growth in Q4 and going forward, but I think that is it. Yeah. Okay. Thank you.

Alex Sokolowski: I have another question in the queue. This is from Alex Sloan at Barclays. Alex, I hope you can hear me. Please continue with your question. Again, that is Alex Sloan at Barclays. You're on stage.

All right. Currently, I have no callers in the Q&A queue. If you'd like to ask a question, please press star one one, since we have the audio working now. All right. There seems to be no further questions.

Thank you all for tuning in. We'll make the replay available with audio if many participants did not hear. This concludes our conference call this morning. Thank you all for your attendance and questions. And we look forward to having discussions in person on our upcoming roadshows and conferences in the next weeks. Please note that we will report out our Q1 2025 results on April 23rd, and we will speak with you all then at the latest.

[END OF TRANSCRIPT]