Orion S.A.

First Quarter 2026 Earnings Conference Call

May 7, 2026

CORPORATE PARTICIPANTS

Chris Kapsch, *Vice President, Investor Relations*

Corning Painter, *Chief Executive Officer*

Jonathan Puckett, *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Kevin Estok, *Jefferies*

John Roberts, *Mizuho Securities*

Josh Spector, *UBS Investor Bank*

PRESENTATION

Operator

Greetings, and welcome to the Orion S.A. First Quarter 2026 Earnings Conference Call.

At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, zero on your telephone keypad.

As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Mr. Chris Kapsch, Vice President of Investor Relations. Thank you, sir. You may begin.

Chris Kapsch

Thank you, Michelle. Good morning, everyone. This is Chris Kapsch, VP of Investor Relations at Orion. Welcome to our conference call to discuss first quarter 2026 results. Joining our call are Corning Painter, Orion's Chief Executive Officer, and Jon Puckett, our Chief Financial Officer. We issued our first quarter results yesterday after the markets close. We have posted a slide presentation to the Investor Relation portion of our website. We will be referencing this deck during the call.

Before we begin, we are obligated to remind you that some of the comments made on today's call are forward-looking statements. These statements are subject to the risks and uncertainties described in the Company's filings with the Securities and Exchange Commission. Our actual results may differ from those described during the call. In addition, all forward-looking statements are made as of today, May 7, 2026. Orion is not obligated to update any forward-looking statements based on new circumstances or revised expectations.

All non-GAAP financial measures discussed during the call are reconciled to the most directly comparable GAAP measures in the tables attached to our press release and the quarterly earnings deck. Any non-GAAP financial measures presented in these materials should not be considered as alternatives to the financial measures required by GAAP.

With that, I will turn the call over to Corning.

Corning Painter

Good morning, and thank you all for joining us. I'll start with a few high-level comments on our first quarter results. Then, I want to touch on some of the bigger picture themes because they are directly related to how we're managing the Company in these dynamic times. Then I will hand the call over to Jon to discuss Q1 results in more detail, before some concluding remarks and Q&A.

Starting on Slide 3. We feel good about our first quarter results. Adjusted EBITDA of $46 million was ahead of our internal expectations, despite a relatively slow start to the quarter. Building from that start, we experienced a favorable progression with demand improving meaningfully during the month of March. The demand pickup was most pronounced in our Specialty segment with broad-based improvement across most end markets we serve.

Notably, demand strength has persisted through April and into May. This gives us confidence to increase our full year Adjusted EBITDA guidance range, which we'll address in a moment in more detail. Naturally, stronger demand may reflect a response to the move in oil prices and uncertainty about future costs. But

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we also believe the demand uptick reflects a shift in customer preference towards proven, more dependable and more local regional suppliers because of the concern about extended supply chains.

I think it goes without saying just how fluid the landscape has become. Energy prices are one factor, but our broader supply chain uncertainties related to the availability of crude oil and its derivatives being disrupted by the Middle East conflict are also in play. We see these dynamics as creating opportunity for Orion to showcase the inherent resilience of our business and the agility of our entire organization.

Most pointedly, we believe we are poised to benefit from our footprint, which is under-indexed to Southeast Asia relative to the global carbon black industry. Our large global customers that have substantial production in the Western Hemisphere should also be positioned to benefit from the current situation in the Middle East, as Middle East and Asia-based production is likely to be the most impacted.

Given the almost daily volatility, I wanted to share how proud I am of the Orion team. Our actions include balancing demand responsiveness with continued judicious inventory management. We have adroitly and proactively been executing pricing actions and purchasing decisions intended to protect margin as well.

I have provided the broader context of how to think about this conflict from Orion's perspective on Slide 4. As you know, 2026 is playing out against a rapidly evolving backdrop. To be certain, periods of geopolitical turbulence can reshape supply chains in precipitous and lasting ways, setting up a new normal. If there is just one takeaway from this slide, it would be how the current backdrop is reinforcing the value of reliable local manufacturing and logistics. In concrete terms, that means having the product in region with more stable raw material and logistic costs. It plays to Orion's supply and manufacturing footprint.

A couple of other considerations on this slide. We don't mind high oil prices. We've disclosed sensitivities consistently over the years showing Orion's beneficial P&L leverage to higher oil prices. This is a function of the investments that we have made in productivity and process yields, which are more valuable at higher feedstock prices. We mentioned how the global supply chain and energy price volatility has boosted demand for our products.

Note also the vast majority of our business is protected by contractual pass-through mechanisms and these are performing as expected. Our customers generally absorb underlying feedstock cost volatility. Where energy prices are not passed along through formulas, for example, in the spot market in China or a bit more than half of our specialty portfolio, we have been actively and successfully implementing price increases and surcharges to offset the higher feedstock costs and protect margin. For the most part, our feedstock availability has not been impacted by the Middle East conflict, largely because we buy in region for regional production.

As disclosed in our sensitivities, we do bear some working capital burden when oil prices move higher. Jon will elaborate more in a moment, but in short, the working capital headwind based on recent oil prices is managed.

On Slide 5, we highlight actions we're taking, flexing our agility to support our customers, protect our business and create margin opportunity. We have been nimble and responsive to the strengthening in demand. Although not the largest, we do have the industry's most diverse portfolio of reactor process technologies.

Against this backdrop, we are able to leverage our plant network to shuffle some production and fulfillment capabilities across our footprint to respond to higher demand trends and capture incremental opportunities at a premium.

Given the macro uncertain, we remain intently focused on company-wide cost reductions. On top of the headcount reductions we already have implemented, we are uncovering additional efficiencies through operational excellence initiatives, as well as incremental procurement savings. We remain on track to

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achieve the previously conveyed $20 million in gross savings, as well as our $90 million full year CapEx expectation, which is about $70 million lower than 2025.

We mentioned optimizing working capital during our February call. We now have good visibility on specific pathways focused on inventories, supplier payment terms and receivables that should collectively unlock at least $30 million of cash from working capital over the course of 2026. We are pressing to find additional levers.

On Slide 6, we view recent tire industry trade flow data as highly encouraging. Notably, the most recent favorable data was before the Middle East conflict even started impacting global supply chains. Many believe that chemical and rubber manufacturing in Asia will be significantly more impacted than in the U.S. and Europe, strengthening demand in these regions. There are a handful of Southeast Asian countries exporting tires to the U.S., but Thailand is by far the largest. As shown in the chart on the left, February monthly tire exports from Thailand to the U.S. were at their lowest level in more than two years, down 19% from last February and down 28% from last year's peak in May, during the 2025 surge to beat newly implemented Section 232 tariffs.

Conflict-induced tightness in key synthetic rubber inputs like butadiene and sharply higher other raw material and shipping costs may well—very well put further pressure on tire exports to the U.S. Exports appear in the import data on a one to two month lag basis. But as you can see in the U.S. tire import graph on the right, pre-conflict, February monthly tire import levels declined 9% year-over-year, already the lowest level in three years. It's worth mentioning several other potential catalysts or indicators for the second half of 2026 and the setup into 2027.

First and most important, last week, the European Commission distributed a document outlining its expected definitive findings from its investigation into the dumping of Chinese passenger car and light truck tires into the EU. China is by far the largest exporter of tires into Europe, comprising nearly 80% of the EU's Asian tire imports last year. The proposed duties basically range from 30% to 52% effective June 18. Separately, the anti-subsidy investigation there continues. Second, the USMCA trade agreement is scheduled for resetting on July 1. Third, leading auto industrial macro indicators have turned positive with Eurozone and North American PMI readings, both exceeding 50 for the last three months to four months. These foreshadow demand improvement in our Specialty segment, and possibly an upward inflection in the freight industry cyclical trough as well.

Fourth, most recent freight tonnage indexes have depicted acute strengthening. For example, the March ATA Index, a measure of freight tonnage in the U.S., posted its highest level since 2017. A recovery in the freight market would bode very well for replacement truck tire demand, as we discussed last quarter.

With that, I'll hand the call over to Jon.

Jonathan Puckett

Thank you, Corning. Slide 7 covers our Q1 results at a high level. Overall, Adjusted EBITDA of $46 million was ahead of our internal expectations, thanks to better demand late in the quarter, which drove 2% higher year-over-year volumes. However, Adjusted EBITDA was down year-over-year with essentially the entire bridge attributable to the outcome of our 2026 calendar pricing agreements within our rubber business.

Our Specialty segment was a bright spot in Q1, with Adjusted EBITDA improving 7% year-over-year to $27 million. Broad-based demand strength late in the quarter helped drive 3% higher Specialty volumes. Favorable mix contributed to the earnings growth, more than offsetting a fixed-cost absorption headwind from an inventory draw, in part reflecting the higher demand.

Our Rubber segment earnings declined sharply despite higher volumes, but results were generally in line with expectations. In addition to the lower annual contract pricing, the pass-through effects of lower year-over-year oil prices and adverse regional mix were also factors. During the quarter, we had a free cash

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outflow of $48 million, including a working capital use of $54 million, a function of normal seasonality and the incremental impact from higher oil price volatility in March.

Capital expenditures of $36 million were in line with expectations, reflecting some residual spending on growth projects that will taper off over the balance of the year.

Slide 8 highlights our Specialty segment's results in Q1, including 7% year-over-year Adjusted EBITDA growth on 3% better volumes. In addition to favorable mix, foreign currency was a positive contributor to our earnings bridge, helping more than offset an absorption headwind from an inventory draw. Considering that industrial markets overall remain generally soft, we were pleased with the Specialty segment's gross profit per ton of $675, which was roughly flat on a sequential basis. Looking forward and based on current order books and customer discussions, we expect late Q1 demand strength will persist through our second quarter.

Recovery of demand in China should continue for Orion, where we're making progress in our manufacturing technology improvement at Huaibei and ramping profit contribution at the site. In the past few months, we have made excellent progress resolving technical challenges at this facility. More than half of our Specialty business operates without contract costs passed through terms, so this is where a disproportionate amount of our commercial team's energy is focused, executing price increases and surcharges to mitigate higher feedstock energy or logistics costs and protect margins.

We are highly encouraged about the demand strength and near-term outlook in Specialty, but I will say our visibility beyond the second quarter is limited. The course and impact of the Middle East conflict is simply not known at this point. We are proactively monitoring order and our response to ensure the demand strength is genuine and not situational demand, driven by price increases across the entire chemical chain. Our implied forecast for the second half reflects today's uncertain geopolitical situation.

Slide 9 summarizes our Q1 Rubber segment results, including the 53% year-over-year decline to $19 million of Adjusted EBITDA. Let me reiterate the factors contributing to the bridge, including the annual pricing outcome from our 2026 supply agreements, adverse regional mix, and the pass-through effects associated with lower year-over-year oil prices in Q1 that were down about $10 a barrel. The segment's overall volume improved, including strong year-over-year gains in Asia and modest growth in EMEA, more than offsetting lower volumes in the Americas that was impacted by low tire channel sell-through due to severe weather early in the quarter.

On the right side of the slide, we have some forward-looking commentary. Based on current order books, we see the demand improvement witnessed late in the first quarter, continuing through the second quarter. Our contractual pass-through provisions will continue to protect Orion from oil price volatility, even as we continue to proactively optimize feedstock purchases. We expect the Middle East conflict disruption will drive purchasing preferences to local regional supply change, which is consistent with our footprint and should benefit Orion. But we have limited visibility into the second half of 2026.

On Slide 10, you will see that normal seasonality and oil price volatility late in the quarter resulted in a net working capital use of $54 million, leading to an operating cash use of $12 million. After CapEx of $36 million in Q1, our free cash outflow was $48 million.

Net debt ended the quarter at $965 million, resulting in a net leverage ratio of 4.2 times. This ratio is comfortably below what is required in our credit agreement. We ended the quarter with nearly $200 million in liquidity.

With that, I will hand the call back to Corning.

Corning Painter

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Thanks, Jon. On Slide 11, we share updated guidance. We're raising our full year guidance by $10 million to a range of $170 million to $210 million. We now expect our earnings split between the first and second half of 2026 will be roughly 50-50 because of the timing of annual European emission credits issuance has shifted from Q2 to Q3. Our implied second half guidance anticipates modest weakening of market conditions and typical seasonality. Sustained strength in the current order books would take us to the upper end of this guidance range. Should the macro lead to a pronounced second half weakening in our markets, we could reach the lower end of our guidance.

With the surge in volatility in oil prices and related working capital headlines, we now expect a full year free cash outflow between $25 million and $50 million, which is based on the assumption that oil prices remain elevated through Q2 before moderating to the mid-80s per barrel in the second half of 2026. Second quarter cash flow will be consistent with first quarter and should improve in the third quarter and turn positive in the fourth quarter. This cash flow range and cadence is consistent with our rule of thumb sensitivities on oil prices, which have held true even in the current global uncertainty.

On Slide 12, some concluding remarks before we open the call to Q&A. Again, I'm proud of Orion's agility against a tumultuous backdrop. The team is energized and working diligently to respond to higher customer demand, manage input cost volatility, execute on price increases and surcharges to protect margin dollars and to mitigate business risks. While testing our organization, we also believe the challenging environment is providing an opportunity for Orion to showcase our inherent resilience. Beyond feeling good about Q1 results and raising our full year guidance despite the turmoil, looking further out, we're increasingly optimistic about how the current trends set up for an earnings recovery in 2027.

With that, Michelle, let's open the call for Q&A.

Operator

Thank you. We'll now be conducting a question-and-answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for your questions. Our first question comes from the line of Laurence Alexander with Jefferies. Please proceed with your question.

Kevin Estok

Hey, good morning. This is Kevin on for Laurence. Thank you for taking my questions. You saw, that meaningful pickup in orders in March that have lasted through May. To what extent do you think that that recent order strength is being driven by customers that are securing supply versus, like, underlying, true underlying demand growth? I just want to know how sustainable you think this dynamic could be when and if supply chains eventually normalize?

Corning Painter

Sure. Let's divide that into two markets. On the rubber side of the house, there really isn't much in the way of inventory building, that kind of thing, especially with carbon black, just given the nature of the product and the quantities that are consumed in it. We think that reflects tire manufacturers making more tires in our key markets right now.

If we move into the Specialty area, okay, there's a supply chain before us, between us and the end consumer, for, let's say, the consumer-based portion of that. Again, our read, and we've been really cautious about this -- is this pre-buying, trying to get ahead of a price increase, something like that. But our read is our direct customers have orders for that product. Then, of course, some of that Specialty product goes more into the infrastructure site, that kind of area. That's going to be less impacted by those dynamics.

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Kevin Estok

Got it. Okay, thanks. Then just a second question on—with rubber even up, down, curious to know whether you think that Q1 could be the trough. How do you expect pricing and burst costs to trend through the remainder of the year?

Corning Painter

Sure. In Rubber, for the most part, the pricing is set in an annual negotiation process. We're in for this year's profitability and pricing. We were struck last year by like a perfect storm of many different factors, which I think really weakened the pricing environment. As we look forward for 2027, I would say we see a strengthening in that environment compared, certainly compared to where we were last year, in terms of fewer imports, in terms of supply demand balance, in talking to large customers recently, tier one customers, a renewed commitment of these guys to hold on to their market and rebuild from where they are.

Kevin Estok

Great. Thank you.

Operator

Thank you. Our next question comes from the line of John Roberts with Mizuho Securities. Please proceed with your question.

John Roberts

Thank you. Nice guidance. Are you seeing a lot of differentiation between the specialties and markets between plastics, master batch versus coatings, versus inks? Those customers have a lot of their other ingredients going up a lot because of the Persian Gulf conflict. I don't know if they have differentiated behaviors.

Corning Painter

Yes, John, great question. For right now, I'd say it was really quite across the board, geography wise, and end market wise. We just saw a stronger level of activity. Maybe if you think about the PMI activity, that makes sense, as well as, again, direct customers feeling they've got orders for it. If you look at the margins, it was obviously also a good quarter for us in terms of the premium grades taking part in that rally.

John Roberts

Okay. Second question, I know it's not a big market, but I think it's your largest Asian market is South Korea. It's one of the countries that stressed the most from the Persian Gulf conflict. I'd appreciate your thoughts on what you think happens in South Korea here as we go through the next couple of months.

Corning Painter

Yes, I think South Korea is just indicative of, let's say, a lot of Asia, ex-China, let's say, in that people who are reliant on petroleum and petroleum derivatives from the Middle East are in just a much more difficult situation. Even if this thing opens up tomorrow, it's very clear it's going to take quite a while to get back on its feet. That's a negative, obviously, for business activity in those areas, including Korea for us. But I think it's a real positive for manufacturing in the U.S. and yes, manufacturing in Europe as well.

John Roberts

Thank you.

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Operator

Thank you. Our final question comes from the line of Josh Spector with UBS. Please proceed with your question.

Josh Spector

Yes, hi, good morning. I was wondering if you could unpack the rubber bridge a little bit more. Being down $20 million was kind of more than we thought it would. We thought the pricing reset was maybe a $15 million headwind year-on-year. You had a pretty easy comp from a mechanical outage a year ago that we thought would help by about $10 million, but we didn't really see that. What were some of the other factors that maybe drove that around? Is that price impact on an annual basis much larger than what I'm sizing?

Corning Painter

Sure. No, the price impact was larger than what you expected. If you look at our volume, that was even—having lost some volume in some of the key, let's say, like Americas markets. I would look at that. That was a little bit offset by the higher oil pricing that we had in it, but pretty much the whole story there is pricing. Again, if I look to '27 and we look at what's happening in tire imports and the data on those graphs, the tumult in the marketplace, the resolve to hold onto their share, the ramping of some of the new investments in North America, I think it's a better setup. But last year was really tough.

Josh Spector

Did you get any cost help from the lapping of the manufacturing outages a year ago? I'm trying to figure, is pricing down $20 million a quarter or $30 million a quarter?

Corning Painter

I would say it's not down quite that amount in either one, if you think about the net for the whole year. But yes, certainly we had better manufacturing than we did last year, but we also had lower volumes in some of our markets. In those markets, there's a fixed cost component as well. Does that answer your question, Josh? I'm not sure.

Josh Spector

Yes, I mean, that's helpful. Then we can follow-up if it's need be. If I could just add one other one, I guess it's on the Specialty side. You made the comment, like you have a lot of pricing and surcharges. You feel pretty good about that. Do you think that generally matches your cost movements as you look at 2Q? Or would you expect a headwind in Specialty margins that then recover in 3Q?

Corning Painter

No, I think we had to raise prices again in May because we saw, for example, natural gas in Europe moves, we're very intent on trying to keep those—keep that even for us.

Josh Spector

Okay, thank you very much.

Corning Painter

All right. Thank you all. I appreciate everyone's time today and your actually excellent questions, given the situation that it is. I just want to once again, thank everyone and our investors interest in it, and just say,

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look, we are determined to make the most of the current market tumult. It actually creates opportunities for Orion in terms of a reset of how supply chain work in something that can go in our benefit. We are all over that.

Beyond that, I look forward to a continuing dialogue with many of you over the next coming weeks and months. Thank you and have a good rest of your day.

Operator

Thank you. This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation and have a wonderful day.

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