



ELEMENTIS

A global specialty chemicals company

## 2018 results



# Cautionary statement

ELEMENTIS

MARCH 2019

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Notes: All numbers refer to continuing operations unless otherwise stated

# Results agenda

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## 2018 HIGHLIGHTS

Paul Waterman

## 2018 FINANCIALS

Ralph Hewins

## TALC OVERVIEW

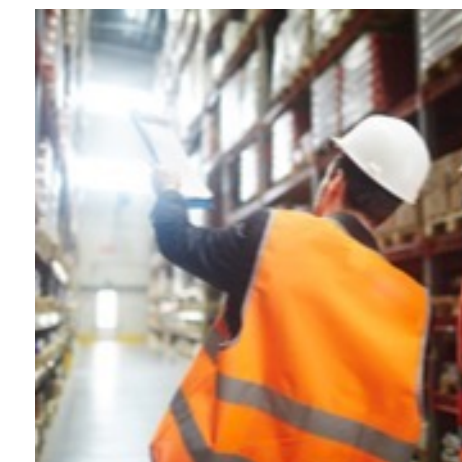
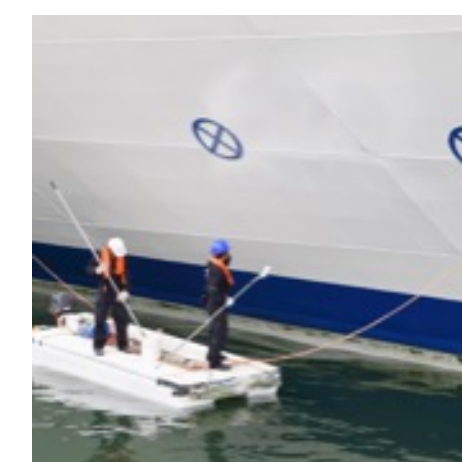
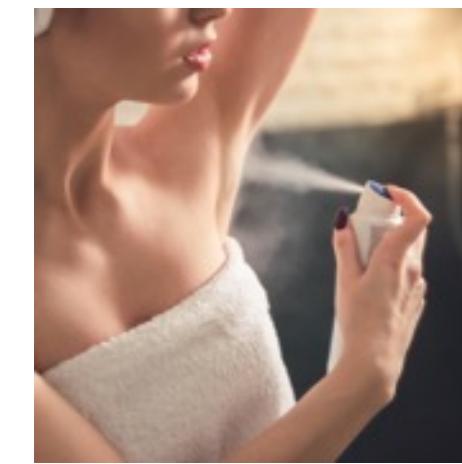
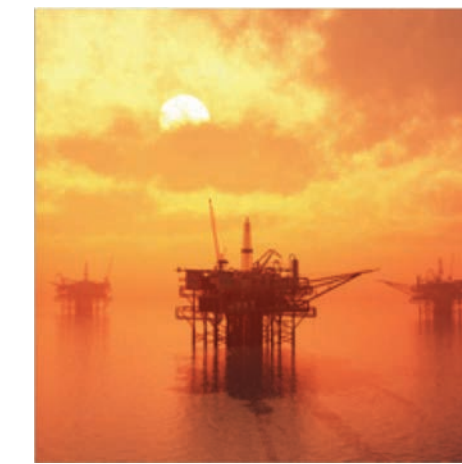
Christian Kather

## 2019 OUTLOOK

Paul Waterman

## QUESTIONS

Paul Waterman & Ralph Hewins



# Key messages

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## REIGNITE GROWTH

Continued momentum  
in 2018, in-line with  
strategy



## PORTFOLIO TRANSFORMATION

Advantaged, higher  
quality portfolio



## TALC

Performing as expected,  
synergies confirmed,  
integration at pace



## 2019

Focus on self help,  
improving returns



## INVESTOR DAY

Update in November



# 2018 highlights

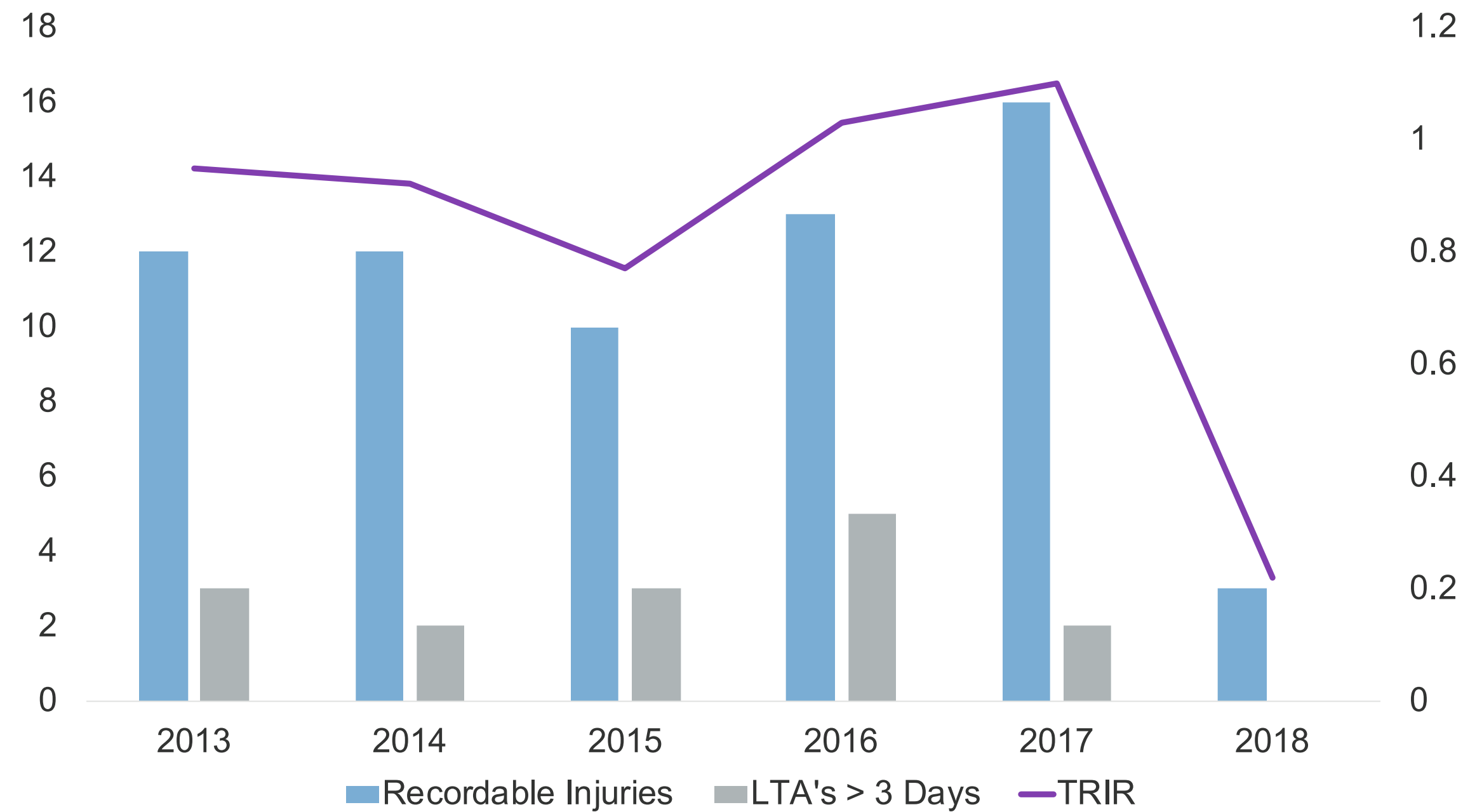
Paul Waterman | CEO

# Safety

## RECORD PERFORMANCE

### TOTAL RECORDABLE INCIDENT RATE (TRIR)

#### Injuries



#### TRIR

### HIGHLIGHTS

#### Performance

- Three recordable injuries
- Zero lost time accidents (LTAs)

#### Safety improvement initiatives

- Roll out of comprehensive HSE information management solution
- Capital investments at plants to eliminate risks

Note: Total Recordable Incident Rate is incidents per 200,000 hours worked

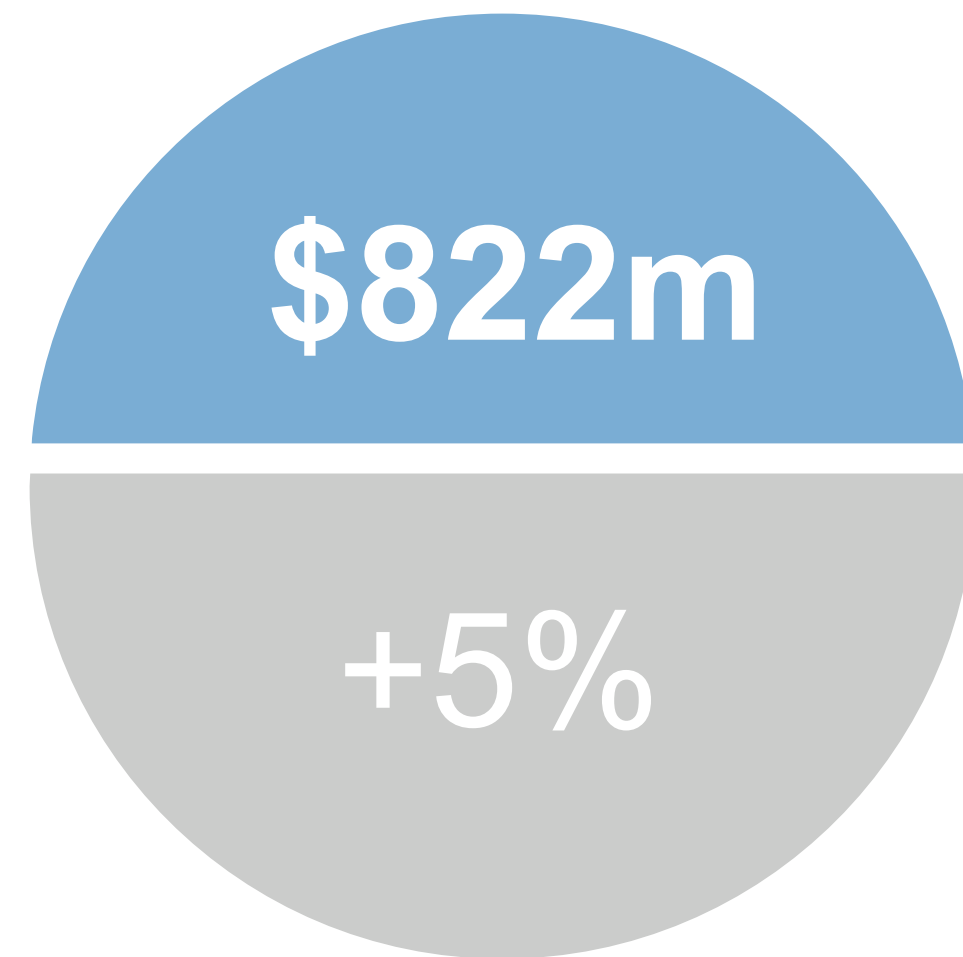
# Headline financials

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A YEAR OF CONTINUED PROGRESS

## STEADY SALES PERFORMANCE

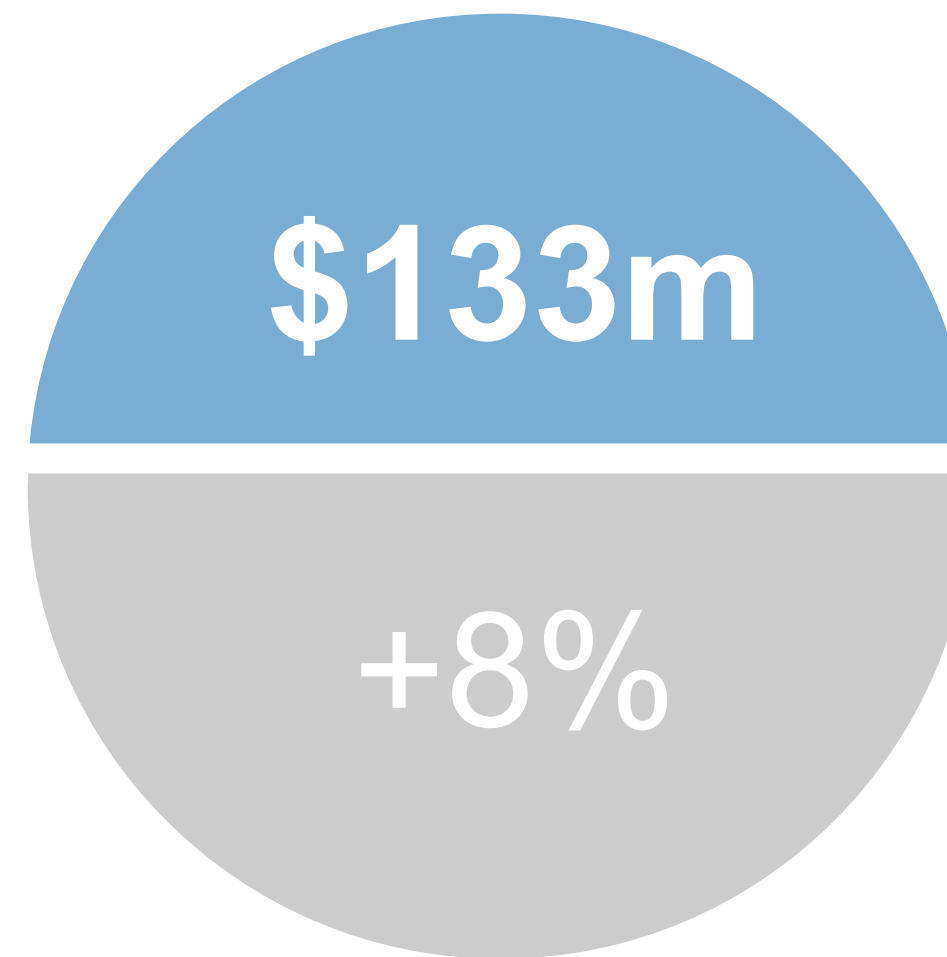
Revenue



Year on year change

## SOLID EARNINGS GROWTH

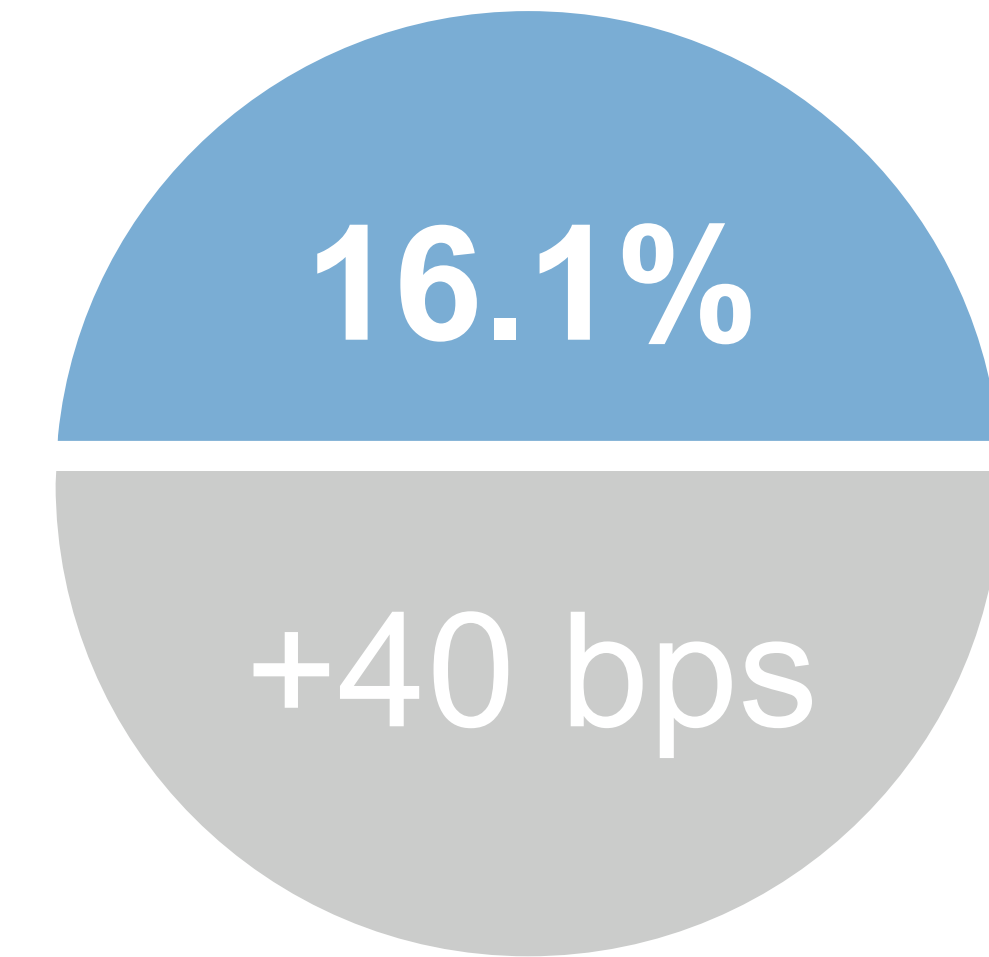
Adjusted Operating Profit



Year on year change

## GOOD MARGIN IMPROVEMENT

Adjusted Operating Profit Margin



Year on year change



# Portfolio transformation

CREATING A HIGHER GROWTH, HIGHER MARGIN BUSINESS

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2018

OP PROFIT  
\$133m

OP MARGIN  
16.1%

2016\*\*

OP PROFIT  
\$97m

OP MARGIN  
14.7%

SPECIALTY PRODUCTS

CHROMIUM SURFACTANTS

SUMMITREHEIS ACQUISITION



US COLOURANTS DISPOSAL



SURFACTANTS DISPOSAL



MONDO ACQUISITION



ENERGY

CHROMIUM

TALC\*

COATINGS

PERSONAL CARE

PERSONAL CARE, COATINGS AND TALC APPROXIMATELY 80% OF OPERATING PROFIT\*

\*\*Total operations

\* Based on pro forma 2018 earnings.

Op Profit : Adjusted Operating Profit



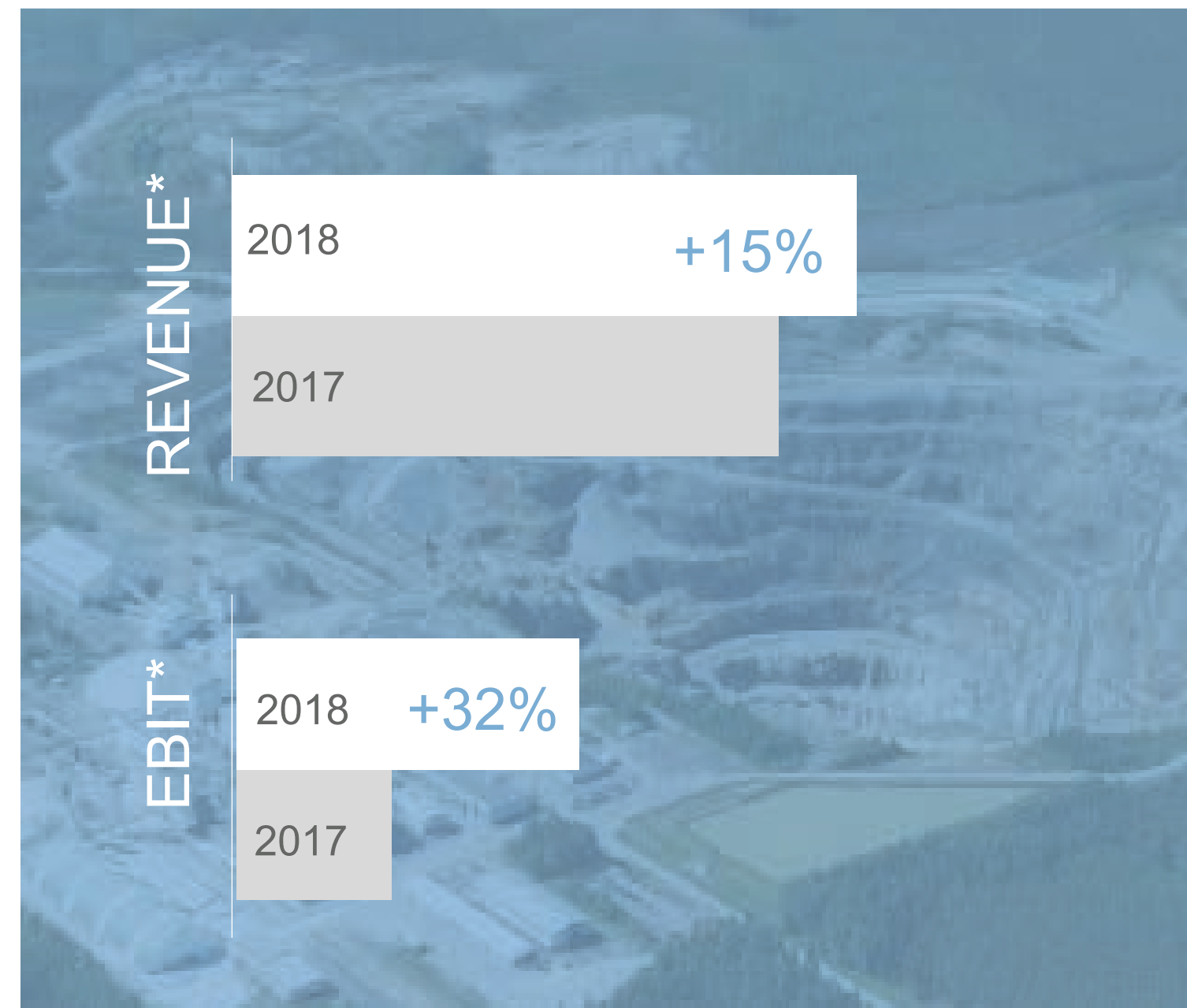
# Mondo acquisition

STRONG PERFORMANCE IN LINE WITH EXPECTATIONS, INTEGRATION AT PACE


## COMPELLING OPPORTUNITY

-  **PREMIUM PERFORMANCE ADDITIVES BUSINESS**  
- #2 globally
-  **ATTRACTIVE GROWTH OPPORTUNITIES**  
- 5 to 7% medium term revenue growth
-  **MATERIAL ELEMENTIS SYNERGY POTENTIAL**  
- \$20 to \$25m revenue synergies by 2023
-  **POSITIVE FINANCIAL IMPACT**  
- EPS accretive year 1, ROIC > WACC year 2

## PERFORMANCE IN LINE



## INTEGRATION AT PACE

-  Integration team in place
-  Implementation in progress
-  \$2m cost synergies identified

\* Financials as reported in dollars

# 2018 achievements

## PROGRESS AGAINST STRATEGIC OBJECTIVES

### Pursue Best Growth Opportunities

Talc acquisition complete

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Launched Coatings transformation

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KAM revenue growth 6%

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SummitReheis synergies \$3m

### Pursue Supply Chain Transformation

Surfactants disposal – \$46m

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Jersey City sale – \$17m

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US organoclay optimisation

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India brownfield site acquired

### Innovate for High Margins & Distinctiveness

Product successes – Rheoluxe<sup>®</sup>, Thixatrol<sup>®</sup>

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Partner of choice at strategic customers

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Focus on natural and sustainable technology solutions

### Create a Culture of High Performance

Released \$12m working capital & target increased to \$25m

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Growth & productivity capex focus

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New segmental reporting

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Global Coatings team



# 2018 financials

Ralph Hewins | CFO

# 2018 results

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A YEAR OF PROGRESS

\$m	2017	2018	% Change
Sales	783	<b>822</b>	+ 5%
Operating profit*	123	<b>133</b>	+ 8%
Operating margin*	15.7%	<b>16.1%</b>	+ 40bps
Profit before tax*	110	<b>113</b>	+ 3%
Diluted EPS*	17.0c***	<b>16.9c</b>	- 1%
Dividends per share	8.1c***	<b>8.4c</b>	+ 4%
Net debt	291	<b>498</b>	+ 71%
Net debt / EBITDA**	1.9x	<b>2.5x</b>	

\*Continuing operations after adjusting items

\*\*Pro forma EBITDA for 2018

\*\*\*Rebased to reflect bonus element of rights issue



# Personal Care

\$3M SYNERGY DELIVERY, STRONGER H2 SALES

\$m	Full Year		% Change		
	2017	2018	Reported	Constant Currency	Like for like <sup>1</sup>
Sales	179	<b>210</b>	+17%	+14%	+1%
Operating profit*	45	<b>52</b>	+17%	+14%	+8%
Operating margin*	24.9%	<b>24.8%</b>			

H1 18 LFL growth impacted by raw material inflation in AP Actives, and distributor destocking in Cosmetics

H2 18 LFL growth stronger: Cosmetics sales +6%, AP Actives sales +5%. Combined both represent 90% of profits

LFL operating profit up 8%  
– pricing actions and \$3m synergy delivery, as expected

\* After adjusting items <sup>1</sup> Adjusted for constant currency, business disposals (Personal Care portfolio elimination following Delden asset sale) and the acquisition of SummitReheis

# Coatings

OPERATING PROFIT UP 7% ON UNDERLYING BASIS

\$m	Full Year		% Change		
	2017	2018	Reported	Constant Currency	Like for like <sup>1</sup>
Sales	373	<b>362</b>	- 3%	- 5%	- %
Operating profit*	55	<b>53</b>	- 4%	- 8%	+7%
Operating margin*	14.7%	<b>14.5%</b>			

Good sales growth in US, subdued demand in EMEA and Asia

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Reported operating profit down 8% at constant currency due to \$8m impact of Delden sale and new supply agreement

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Portfolio high grade in progress

\* After adjusting items

<sup>1</sup> Adjusted for constant currency and the impact of business disposals (US Colourants business and Coatings portfolio elimination following the Delden asset sale)

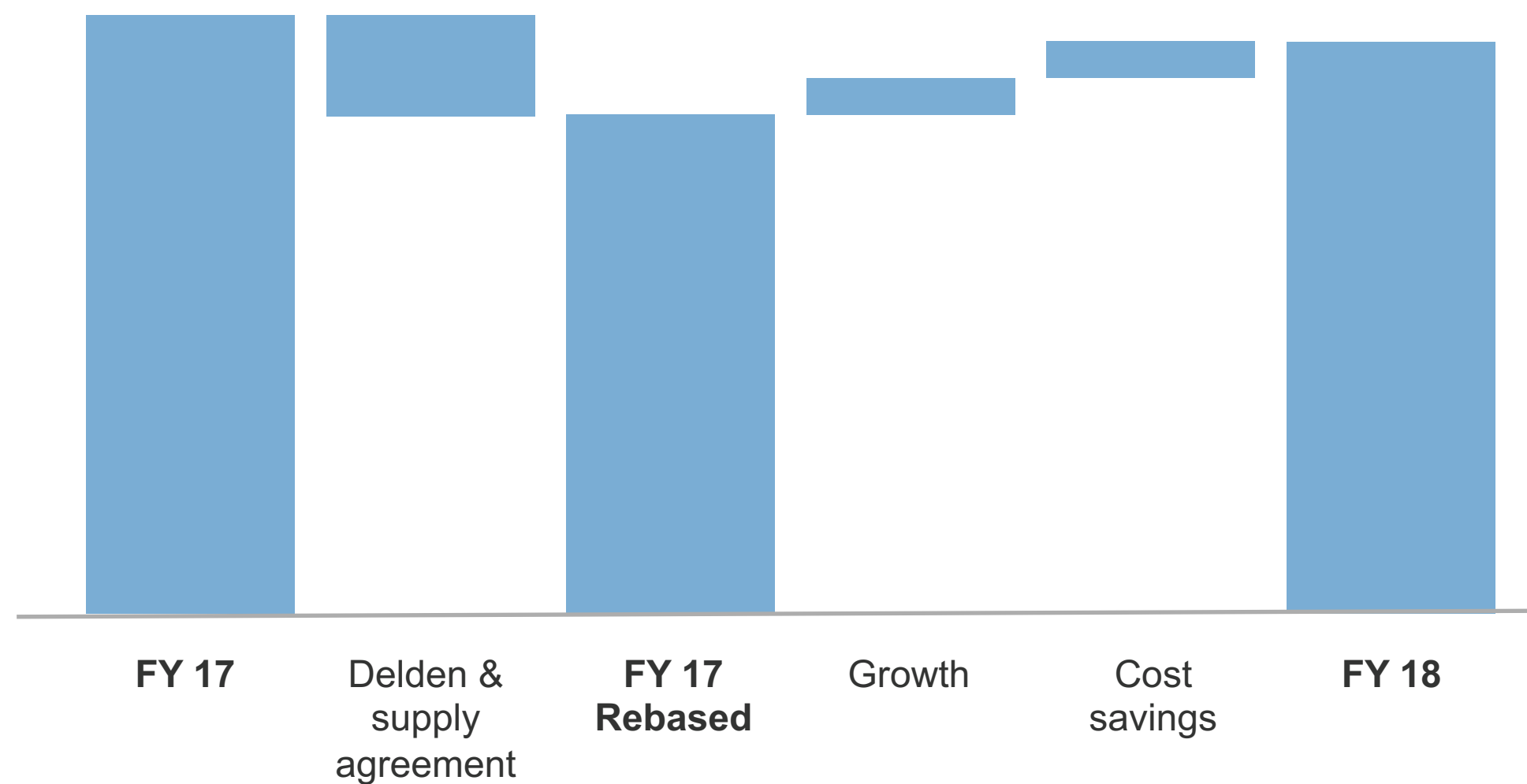


# Coatings improvement





UNDERLYING PERFORMANCE REFLECTS TRANSFORMATION PROGRAMME

## 2018 OPERATING PROFIT BRIDGE

<b>Sales</b>	373	354	362
<b>OP</b>	55	47	53
<b>Margin</b>	14.7%	13.3%	14.5%



## TRANSFORMATION – MORE TO COME IN 19 & 20

-  Product rationalisation & focus
-  Route to market optimisation
-  Efficient global manufacturing & supply
-  High performance global Coatings team

## STRONG PERFORMANCE AS EXPECTED

\$m	Full Year**		% Change	
	2017	2018	Reported	Constant Currency
Sales	138	<b>158</b>	+15%	+10%
Operating profit*	19	<b>25</b>	+32%	+26%
Operating margin*	13.5%	<b>15.5%</b>		

\* After adjusting items

\*\* 12 month pro forma numbers

Transaction completed 23 October 2018, integration proceeding as expected

FY 18 performance as expected at time of acquisition - driven by industrial talc momentum and other minerals monetisation

Improved margin performance reflects better utilisation and positive mix

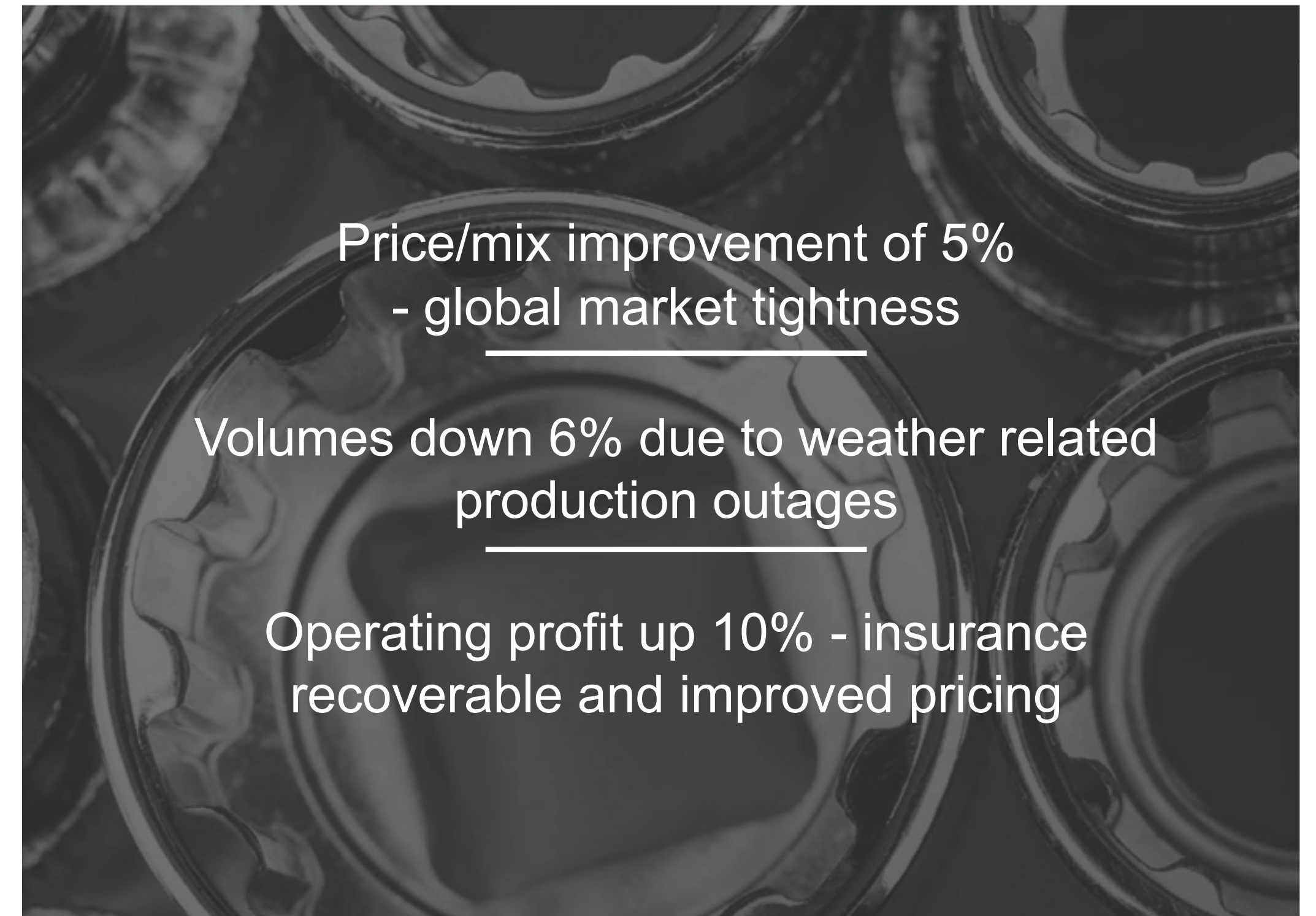


# Chromium

## GOOD PERFORMANCE DESPITE PRODUCTION OUTAGES

\$m	Full Year		% Change	
	2017	2018	Reported	Constant Currency
Sales	187	<b>184</b>	- 1%	- 1%
Operating profit*	30	<b>33</b>	+ 10%	+ 10%
Operating margin*	16.1%	<b>17.9%</b>		

\* After adjusting items



## INFRASTRUCTURE CONSTRAINTS NEGATIVELY IMPACTED PERFORMANCE

\$m	Full Year		% Change	
	2017	2018	Reported	Constant Currency
Sales	59	<b>55</b>	- 7%	-7%
Operating profit*	10	<b>7</b>	- 27%	- 27%
Operating margin*	16.5%	<b>12.9%</b>		

Sales impacted by lower drilling volumes  
- North America infrastructure constraints

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Operating profit down to \$7m on lower volumes and weaker mix

\* After adjusting items

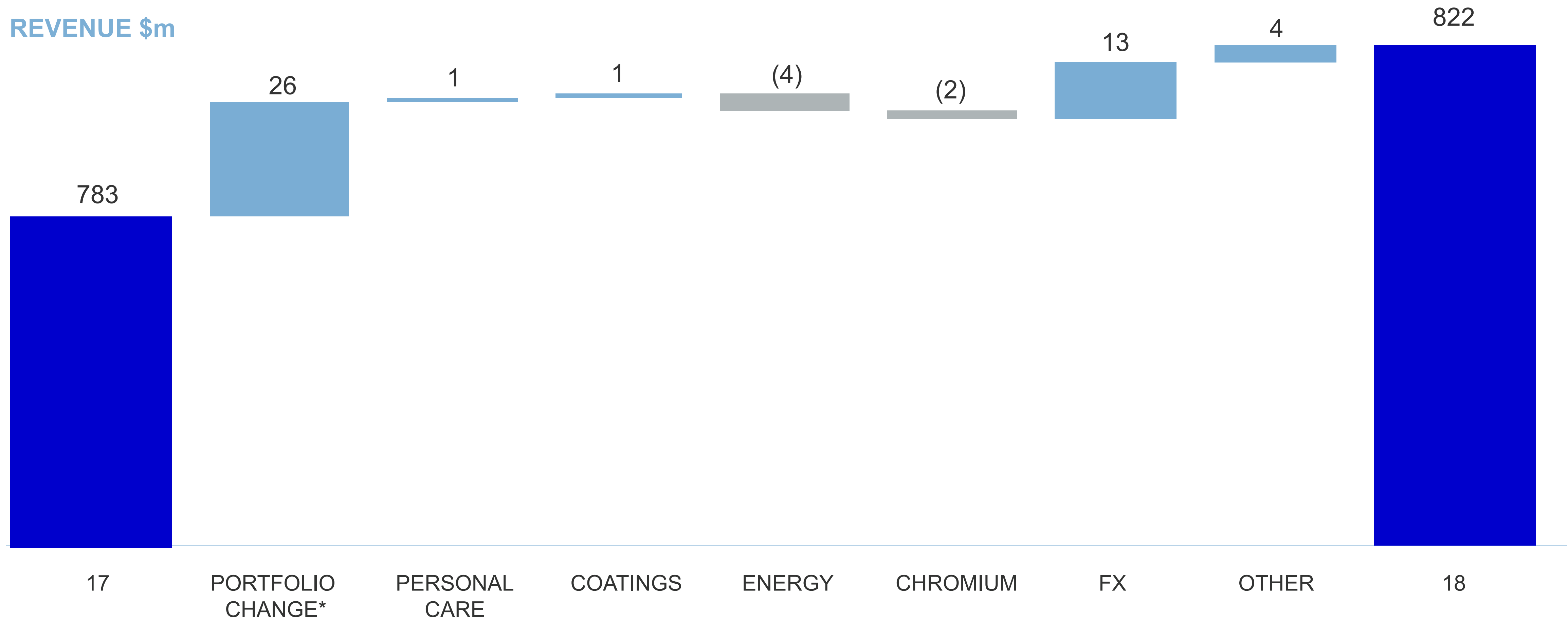


# Group revenue

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REVENUE FROM CONTINUING OPERATIONS UP 5% TO \$822m

REVENUE \$m



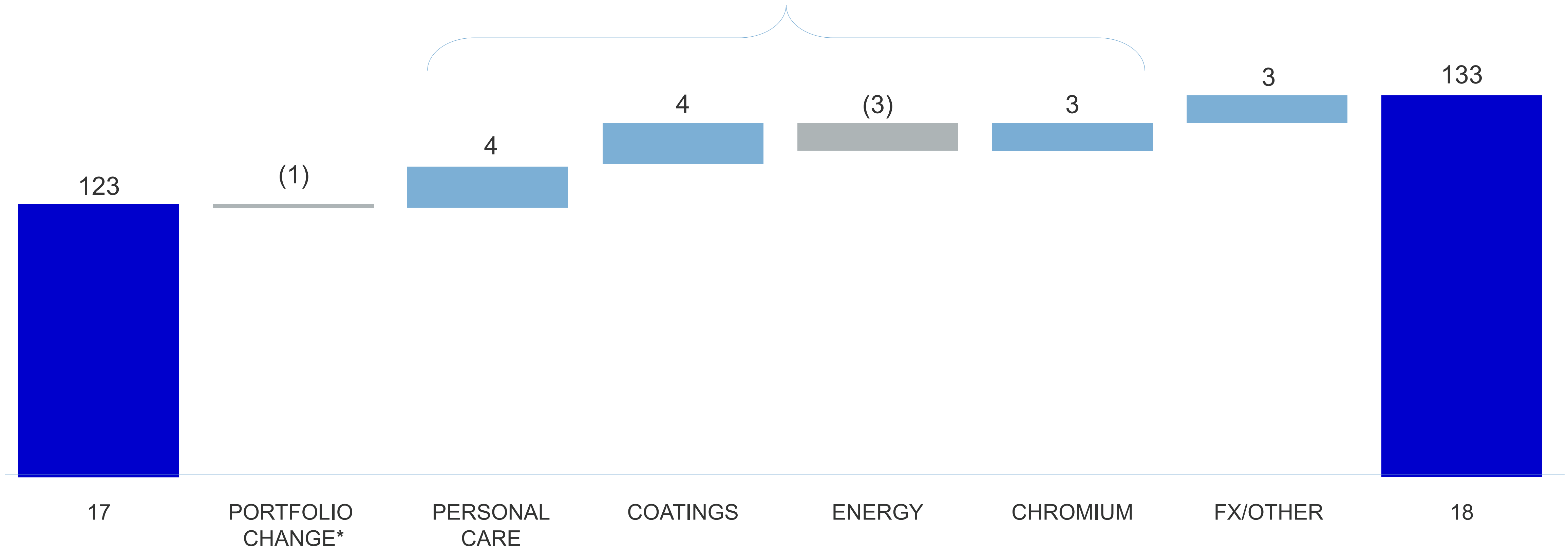
\* Portfolio change includes the extra quarter contribution from SummitReheis, two months contribution from Mondo and the impact of business disposals (i.e. US Colourants sale and product portfolio elimination in Coatings and Personal Care as a result of the Delden asset sale)

# Group operating profit

6% ORGANIC OPERATING PROFIT GROWTH

ADJUSTED OPERATING PROFIT \$m

+6%



\* Portfolio change includes the extra quarter contribution from SummitReheis, two months contribution from Mondo and the impact of business disposals (i.e. US Colourants sale and product portfolio elimination in Coatings and Personal Care as a result of the Delden asset sale)



# Cash flow

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2.5X NET DEBT TO EBITDA, IN LINE WITH EXPECTATIONS

\$m	2017	2018
EBITDA	156	163
Change in working capital	1	(30)
Capital expenditure	(42)	(51)
Other	(8)	(4)
<b>Operating Cash Flow</b>	<b>107</b>	<b>78</b>
Pension deficit payments	(6)	(1)
Dividends	(78)	(42)
Acquisitions and disposals	(362)	(427)
Rights issue	-	223
Interest	(8)	(14)
Tax and other	(22)	(24)
<b>Net Cash Flow</b>	<b>(369)</b>	<b>(207)</b>
<b>Net Balance Sheet Debt</b>	<b>291</b>	<b>498</b>
<b>Net debt/EBITDA*</b>	<b>1.9x</b>	<b>2.5x</b>

Working capital impacted by c. \$25m pre buy of raw materials

Net cash flow impacted by Mondo acquisition and rights issue

Pro forma net debt as expected at 2.5x

\* Based on last twelve months adjusted pro forma EBITDA

# Tax charge

EFFECTIVE TAX RATE 22%

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\$m	2017	2018
Underlying tax charge	23	24
Tax charge: adjusting items	(57)	(9)
Reported tax charge/(credit)	(34)	15
Tax rate*	20.5%	21.6%

Underlying 18 tax rate of 21.6%

Medium term P&L tax rate  
of around 22%

\*underlying tax rate, for continuing operations



# Adjusting items

\$m Expense/(Income)	2017	2018
M&A related activity	13	7
Amortisation of intangibles arising on acquisition	12	15
Environmental provision	2	17
Business transformation	4	6
GMP Pension	-	3
<b>Net adjusting items*</b>	<b>31</b>	<b>48</b>

\$15m of amortisation of intangibles acquired with SummitReheis & Mondo

\$17m environmental provision uplift due to remediation time period extension – no short term cash impact

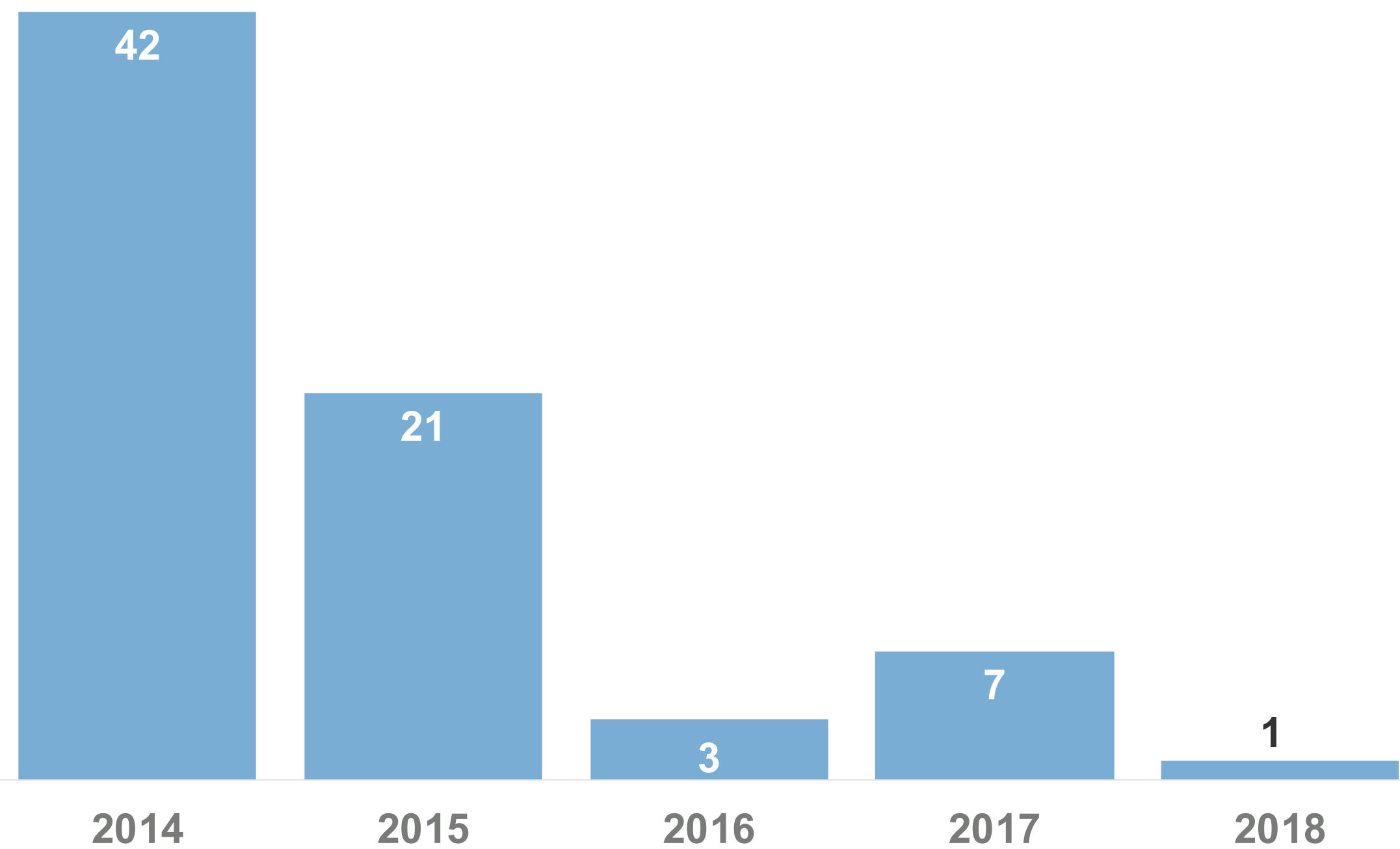
\$7m of M&A related costs

\* On continuing operations only

# Pensions

NO UK PENSION SCHEME PAYMENTS UNTIL AT LEAST 2021

## UK SCHEME CONTRIBUTIONS \$M



## PENSION UPDATE

Latest UK triennial review concluded in September 2018

No cash top up payments required until at least 2021

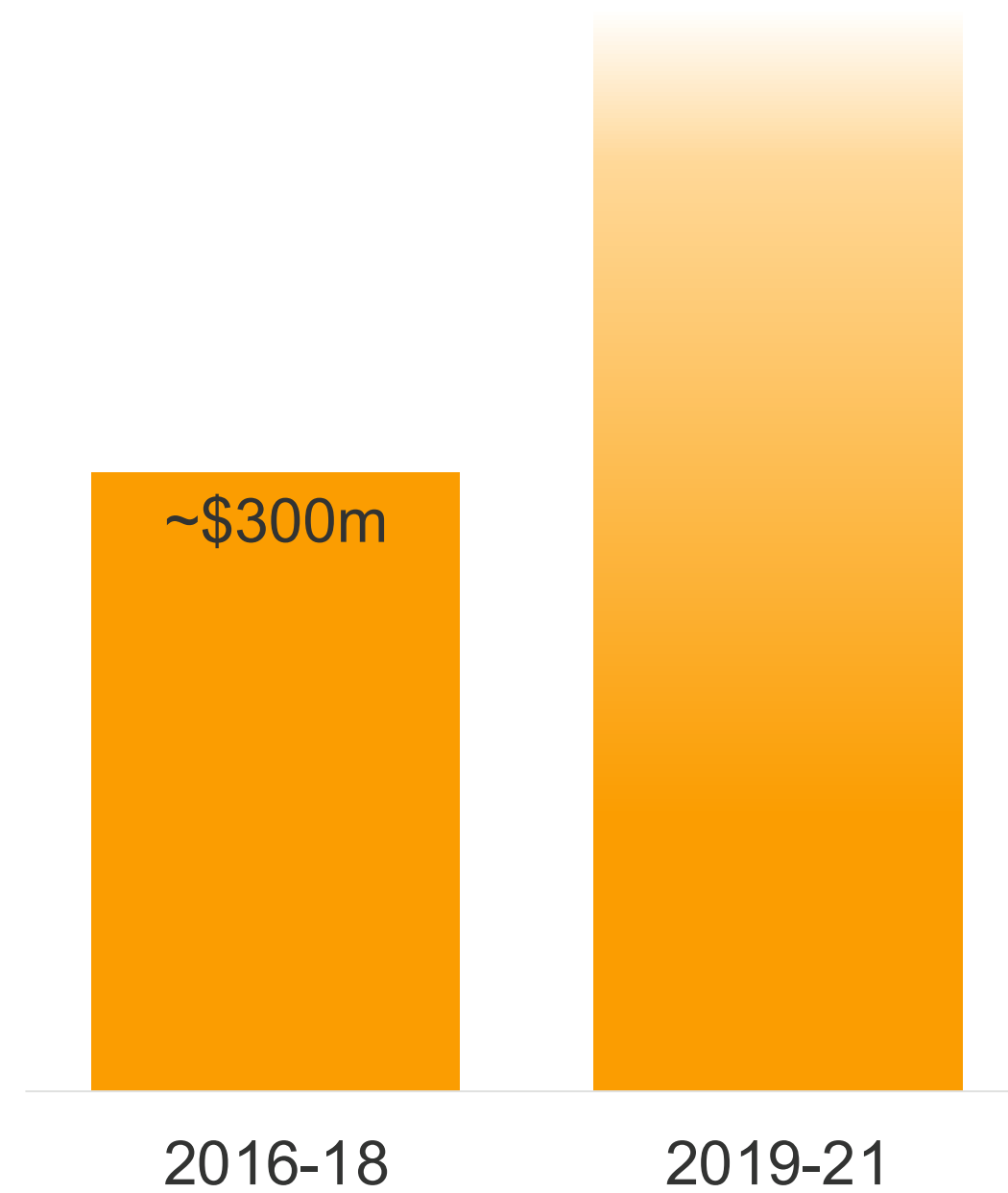
\$22m IAS 19 surplus for UK scheme



# Cash generation

STRONG CASH GENERATION TO IMPROVE FURTHER

## OPERATING CASHFLOW\*



## CASH FOCUSED INITIATIVES



\* Defined as operating cash flow (as per finance report)

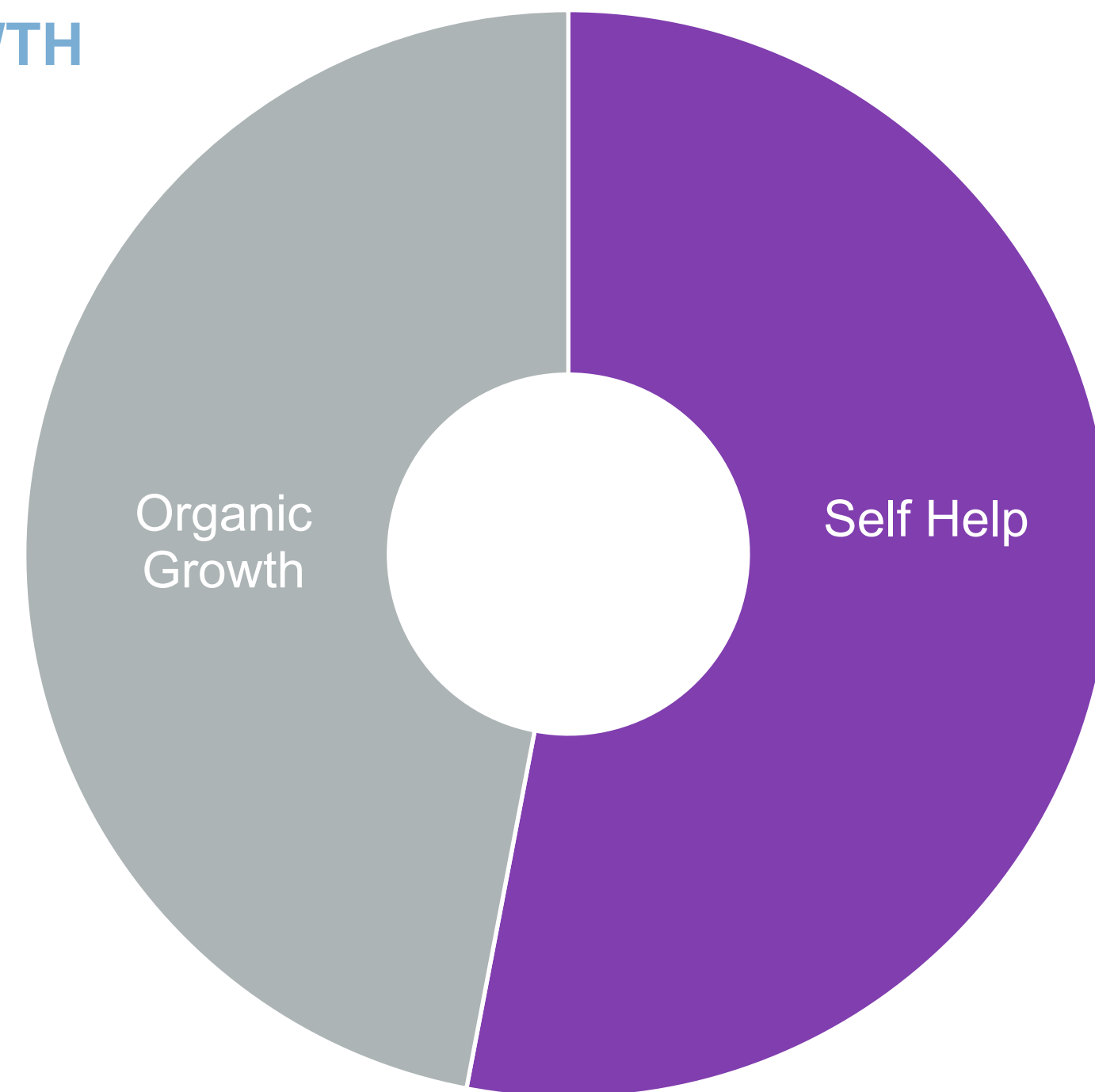
# 2019 Business improvements

SIGNIFICANT SELF HELP OPPORTUNITY



## 2019 – SOURCES OF ORGANIC OPERATING PROFIT GROWTH

Excludes portfolio change & FX



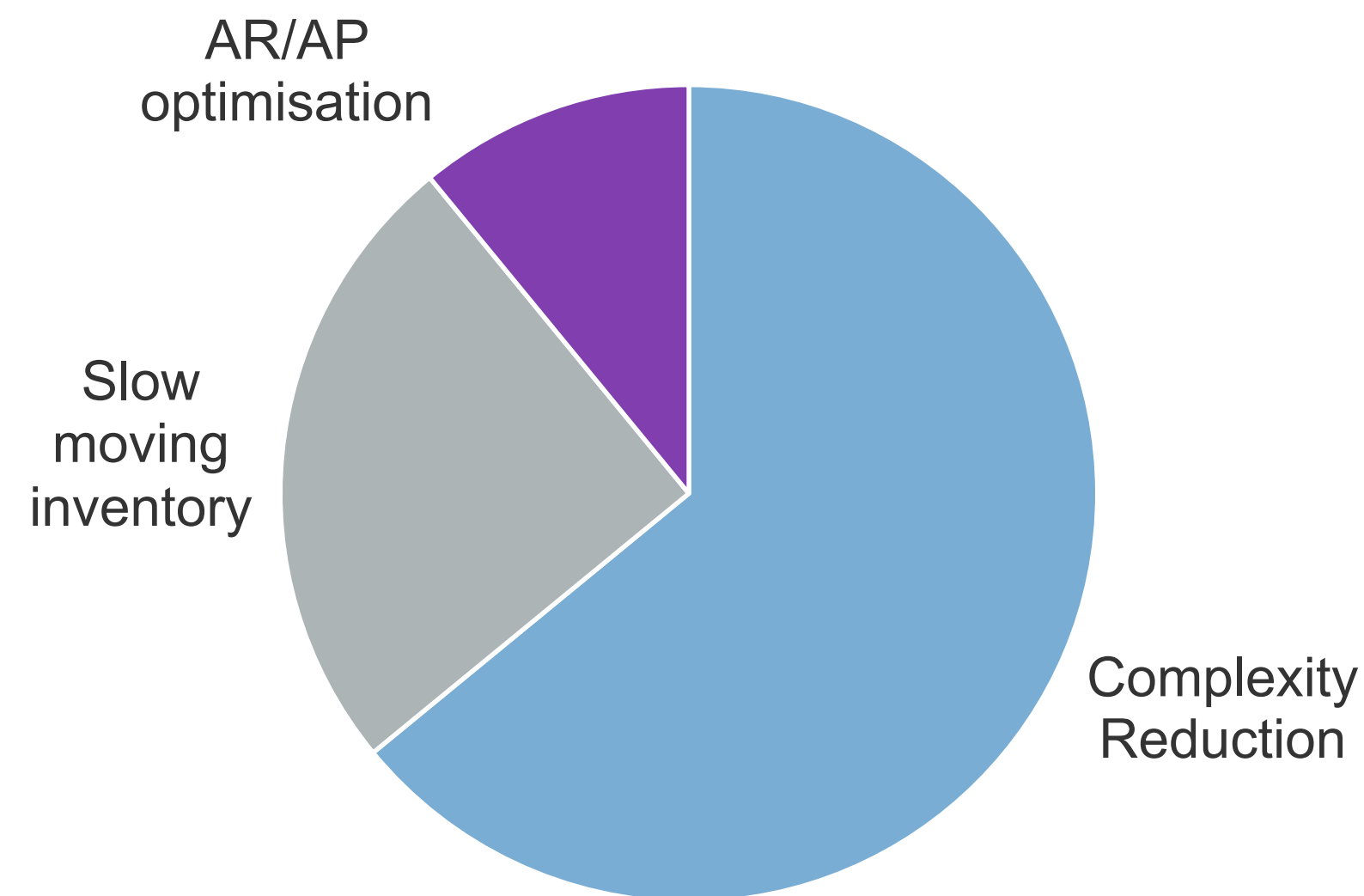
- ✓ Global coatings transformation
- ✓ Supply chain optimisation
- ✓ Talc synergies

# 2019 Business improvements

WORKING CAPITAL TARGET INCREASED FROM \$18M TO \$25M



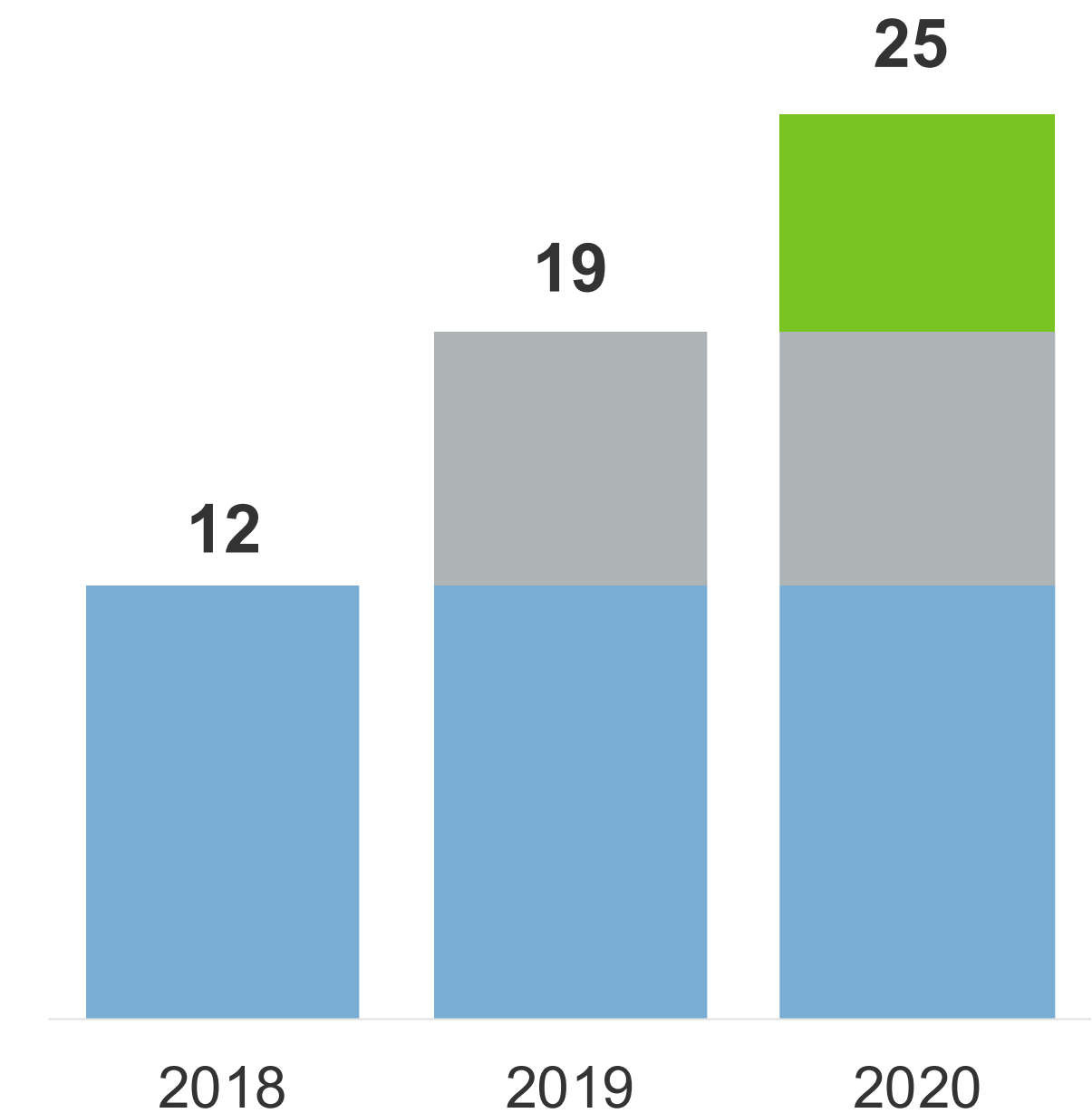
2018 SAVINGS



2019 PRIORITIES

- ✓ Demand planning
- ✓ Complexity reduction
- ✓ Ongoing SLA roll out

TARGET INCREASED TO \$25M





# 2019 Business improvements

CAPEX SPEND OF \$50-55M FOR 2019

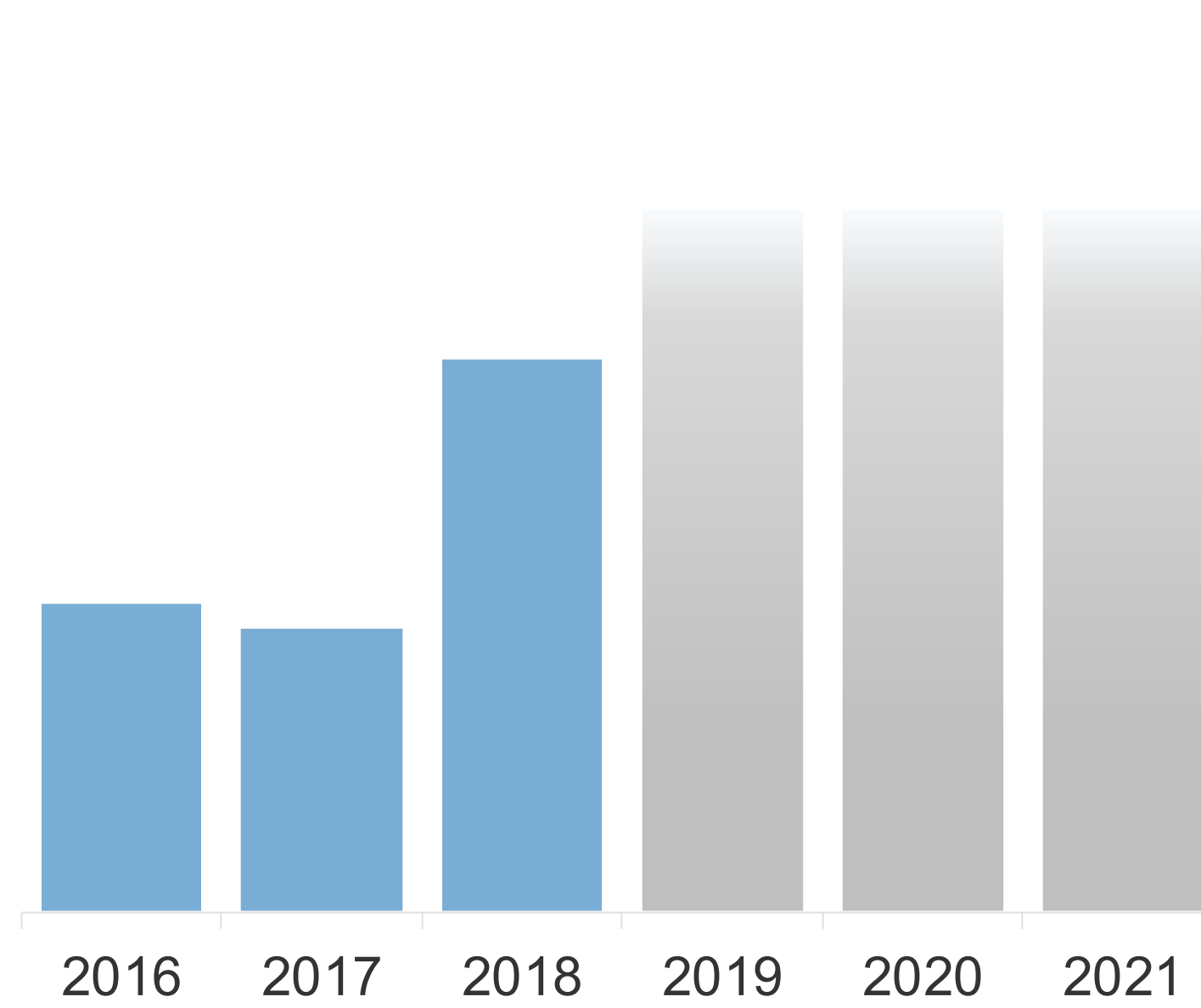


## CAPITAL INTENSITY

Capex as % of sales



## GROWTH & PRODUCTIVITY CAPEX – SHARE OF TOTAL



## KEY PROJECTS FOR 2019

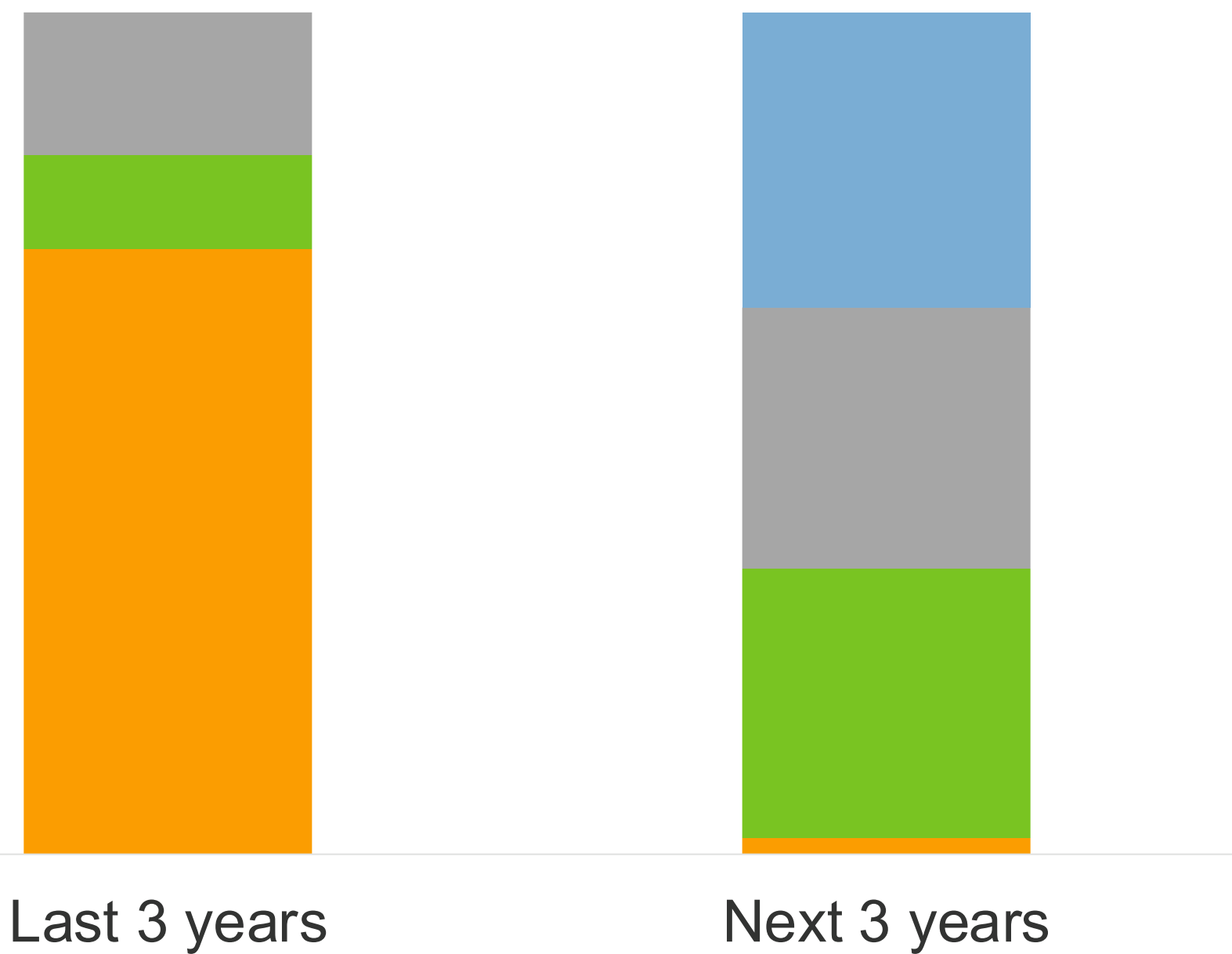
- India facility
- Digitalisation
- Chromium resilience

# Capital allocation

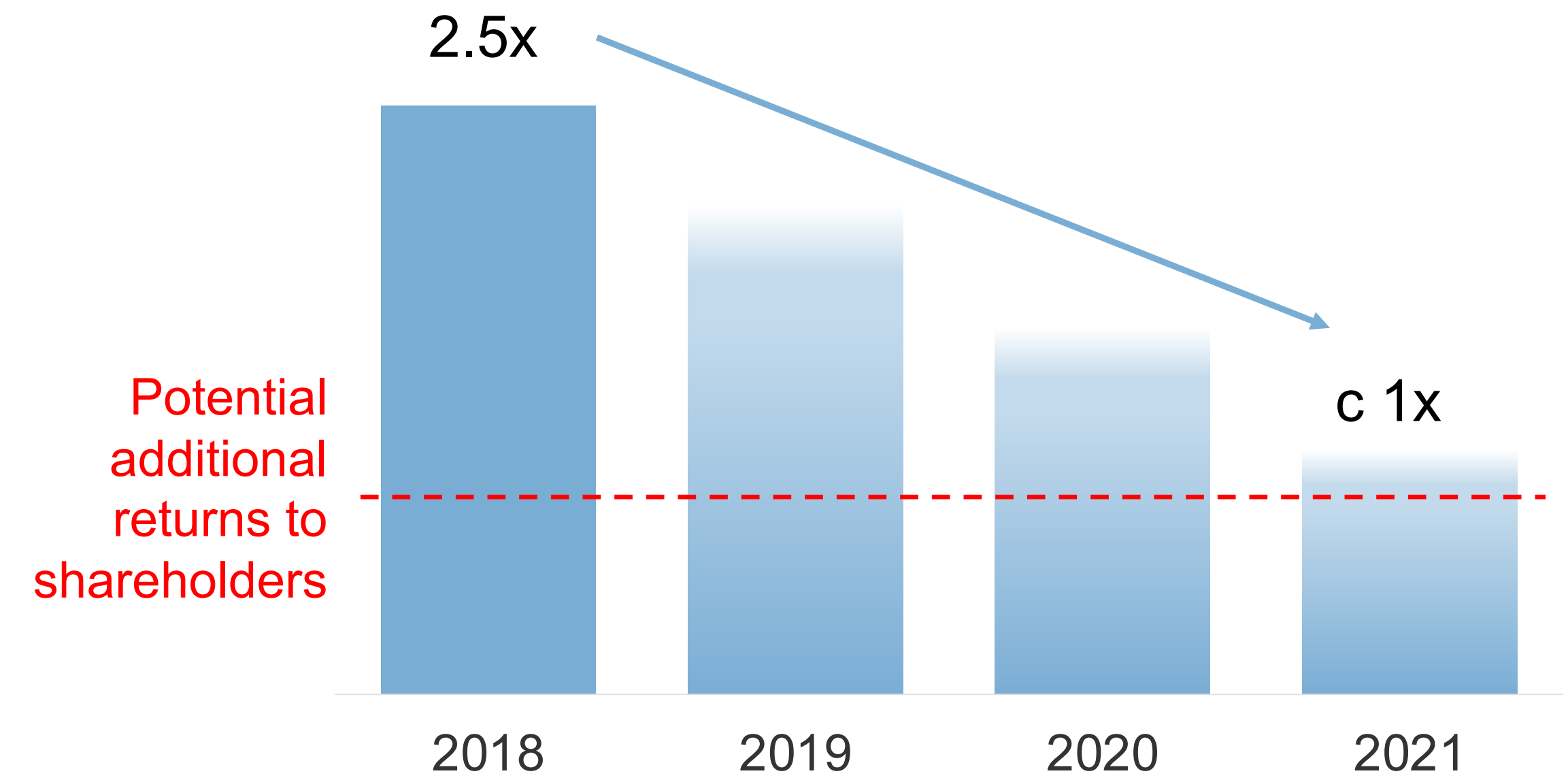
FOCUS ON DIVIDENDS, DELEVERAGING AND ORGANIC GROWTH

## CUMULATIVE CAPITAL DEPLOYED

M&A Capex Dividends Delever



## DELEVERAGING PROFILE





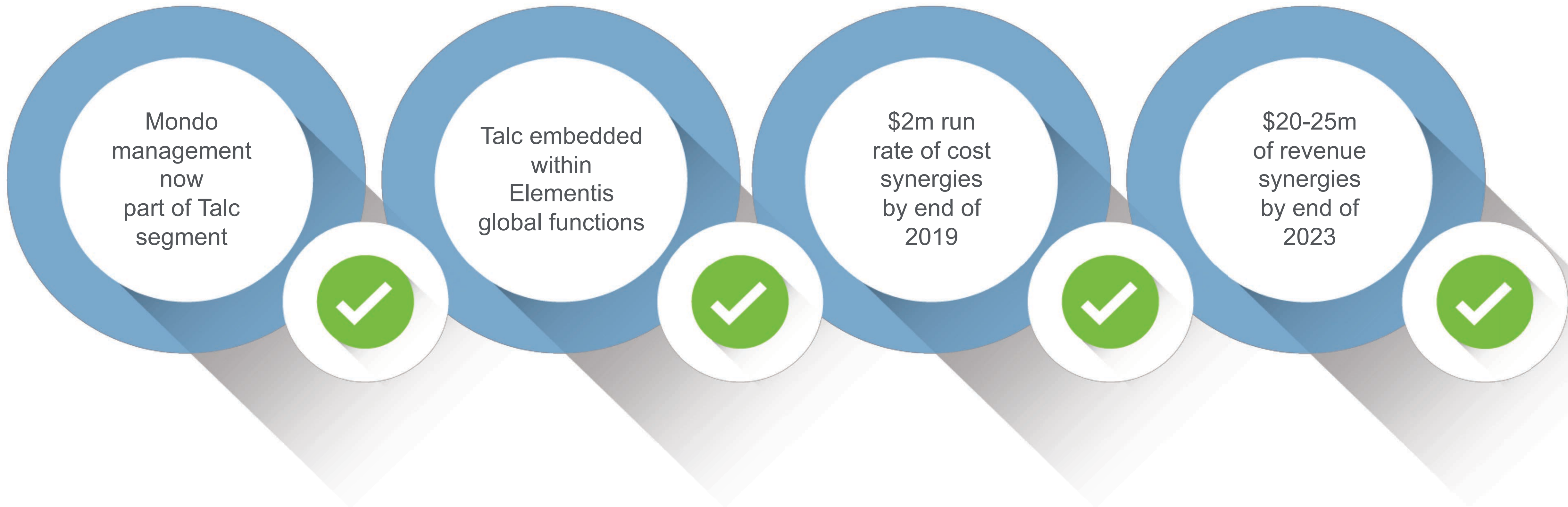
# Talc Overview

Christian Kather | VP Talc













# Talc integration

FULL INTEGRATION PLANNED BY OCTOBER 2019



# Talc overview

## TALC FOLLOWS AN ADDITIVE LOGIC

Verticals	Valued Properties	Share of Total Formulation Cost	Customers
 <p>Plastics</p>	<p>Stiffness   Inertness Mechanical resistance   Colour consistency</p>	<p>Up to 10%</p>	
 <p>Paints &amp; Coatings</p>	<p>Mechanical resistance   Sheen Opacity   Hydrophobicity</p>	<p>1 – 3%</p>	
 <p>Technical Ceramics</p>	<p>Lower firing temperature   Reduced cracking</p>	<p>c.5%</p>	
 <p>Life Sciences</p>	<p>Inertness   Whiteness   Lubricant properties</p>	<p>c.1%</p>	
 <p>Paper</p>	<p>Printability   Barrier effect</p>	<p>c.10%</p>	

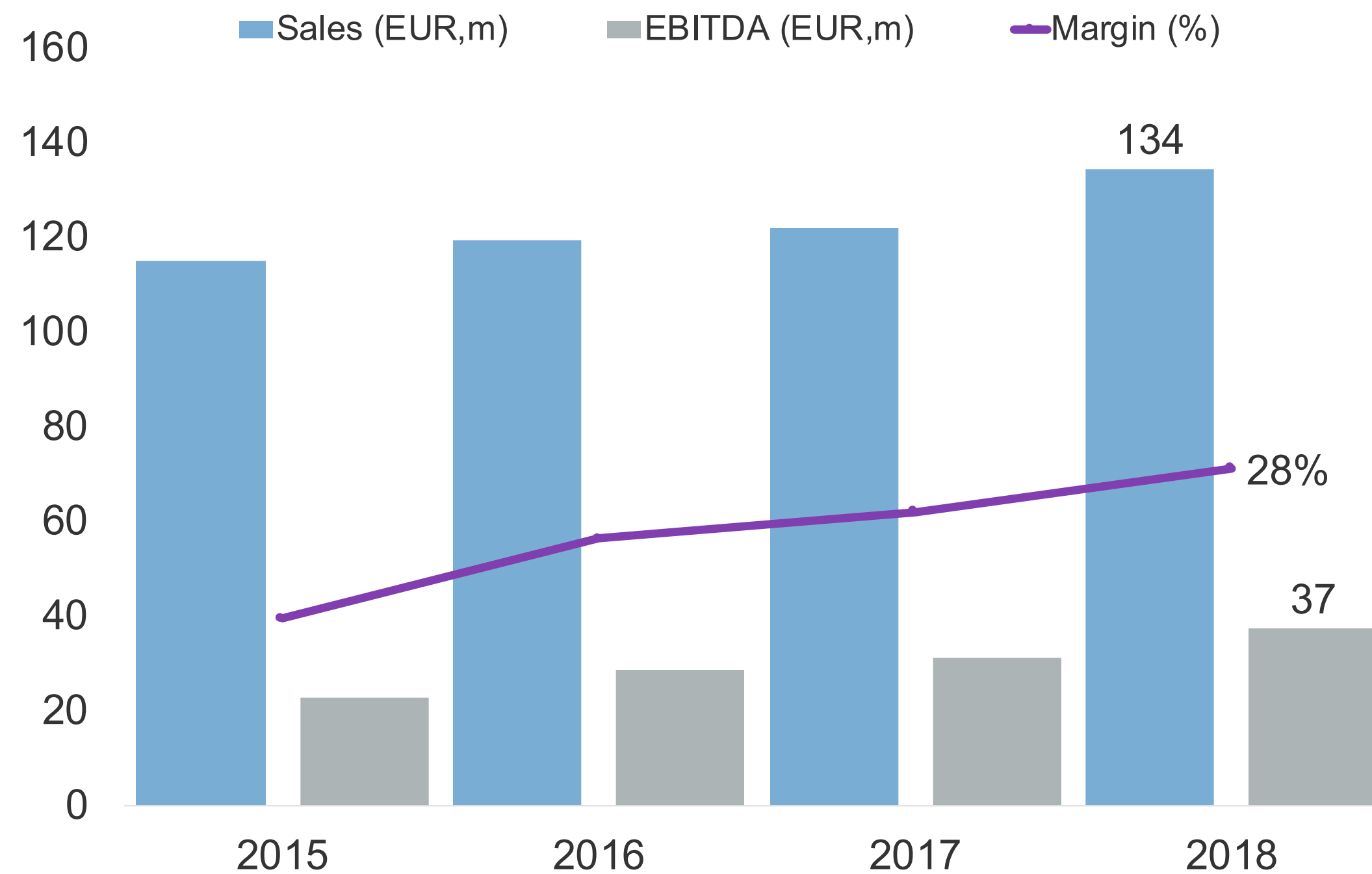
Talc adds critical performance features to a highly diverse set of end-markets...  
 ... Yet talc constitutes only a small portion of the overall formulation cost for the customer



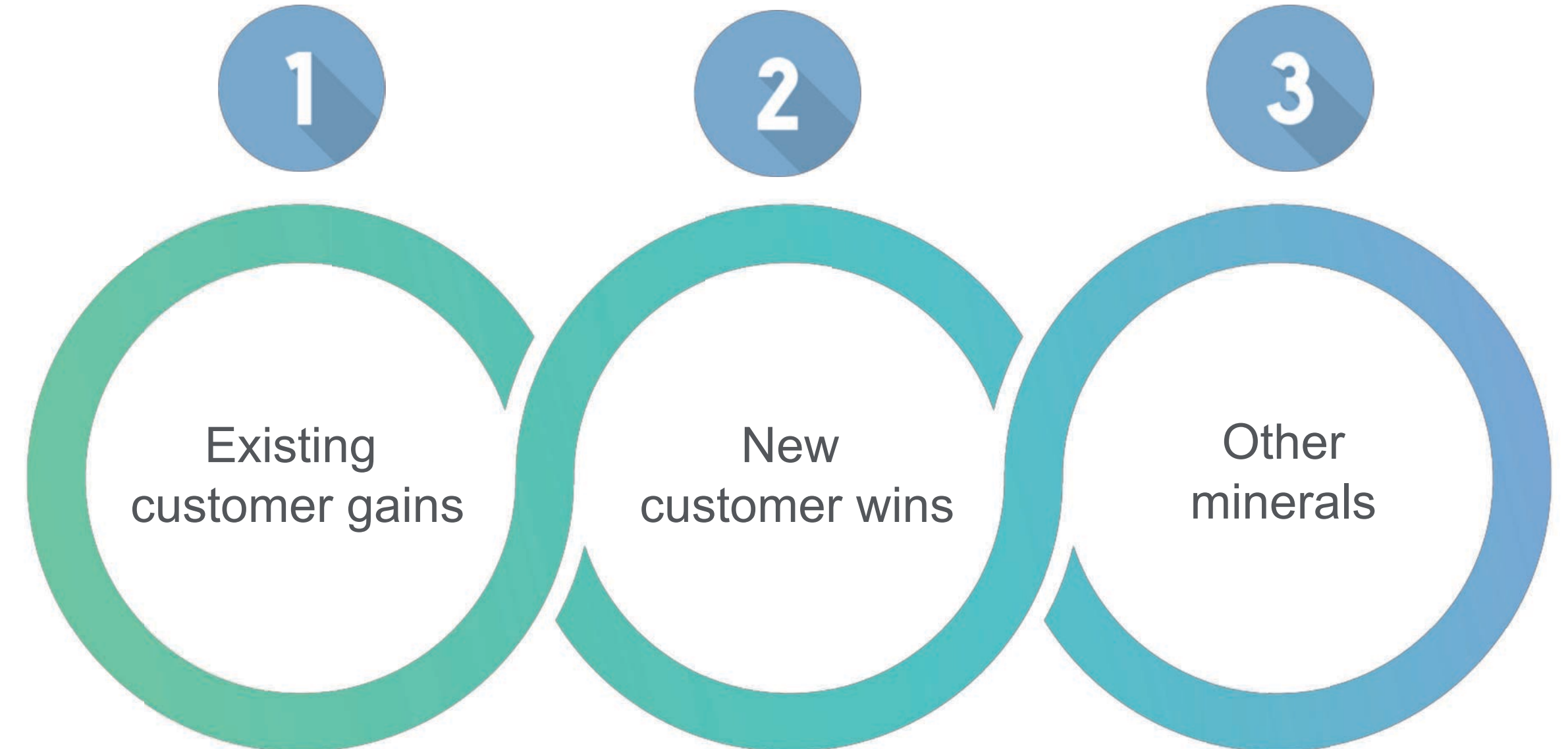
# Talc financials

## STRONG 2018 PERFORMANCE

### REVENUE AND EARNINGS MOMENTUM



### 2018 PERFORMANCE DRIVERS





# Elementis & Talc

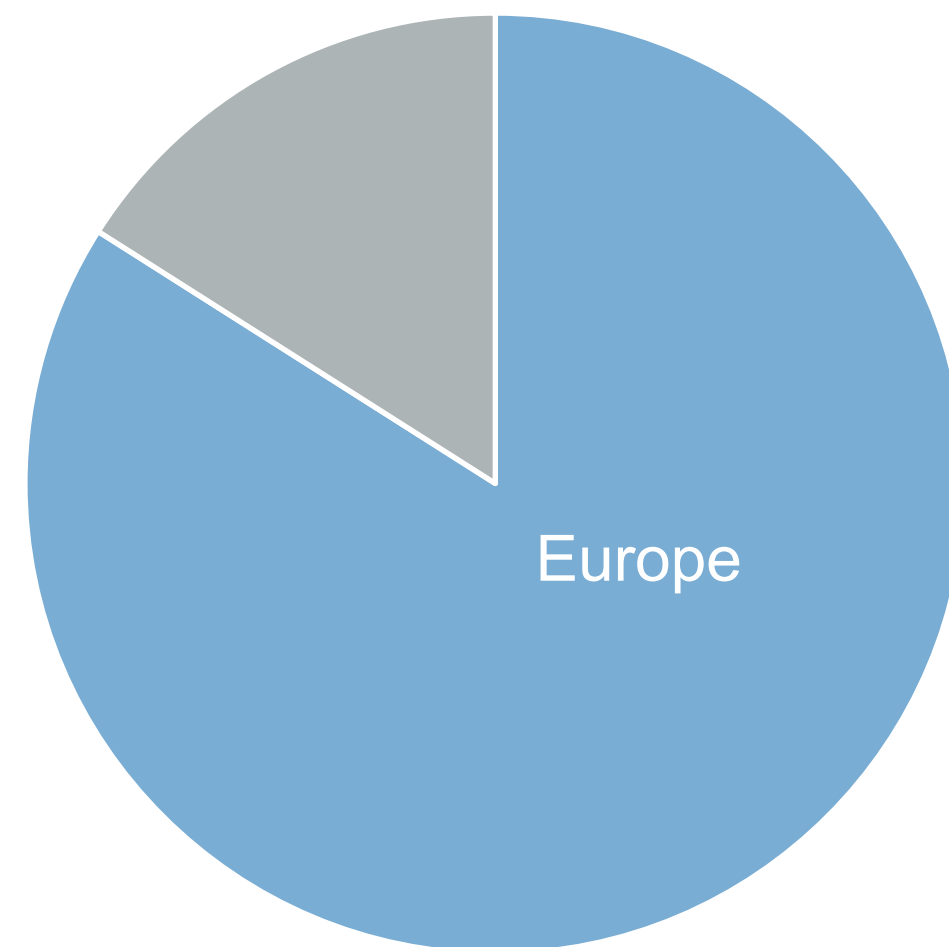
ELEMENTIS

## ATTRACTIVE GROWTH OPPORTUNITIES

### GEOGRAPHIC EXPANSION

Utilise global sales network – direct and distributors – and technical services to expand outside of Europe

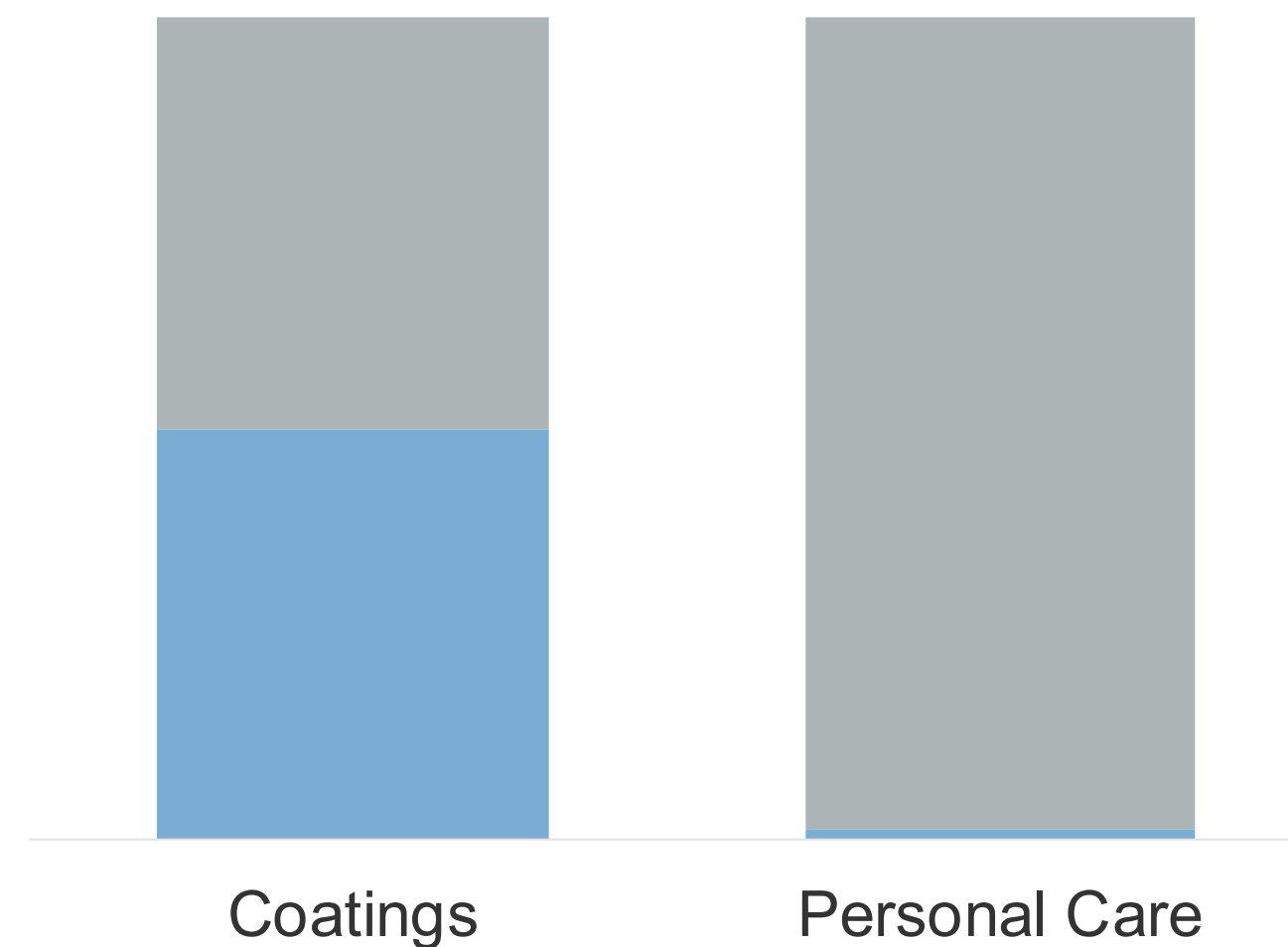
Talc Sales by Geography



### CUSTOMER PENETRATION

Leverage relationships to increase market share in Coatings and Personal Care

Talc penetration of top 10 global accounts\*



### INNOVATION OPPORTUNITIES

Unlock opportunities through expertise in surface chemistry modification



\* Illustrative of number of commercial relationships

# 2019 Outlook

Paul Waterman



# Towards a higher quality, higher return business


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Safe & reliable  
operations



High quality  
& resilient  
portfolio



Unrelenting  
focus  
on cash

Improved returns – operating margin & ROCE



# 2019 outlook

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CHALLENGING ENVIRONMENT BUT FOCUSED ON DELIVERY, IMPROVING RETURNS & DELEVERAGING

## PERSONAL CARE

Improved cosmetics  
& AP actives  
momentum

## COATINGS

Challenging market  
conditions, significant  
margin improvement  
targeted

## TALC

Top and bottom line  
growth, integration  
& \$2m of cost  
synergies

## CHROMIUM

Resilient margins,  
improved reliability

## ENERGY

Productivity  
improvement to  
enhance earnings

Investor day planned for November 2019



# Enhanced Performance Through Applied Innovation