

# 2019 results



INNOVATION | GROWTH | EFFICIENCY

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The Company is the holding company for a number of operationally distinct and autonomous subsidiaries that conduct the day-to-day business of the different segments of the Elementis Group. The use of 'Elementis' in this presentation to describe one or more of those subsidiaries, or the Elementis Group as a whole, does not in any way detract from the legal, functional and operational separateness of the entities that comprise the Elementis Group.

# Results agenda

ELEMENTIS

## INTRODUCTION

Paul Waterman

## 2019 HIGHLIGHTS & PERFORMANCE

Paul Waterman

## GROUP FINANCIALS

Ralph Hewins

## 2020 OUTLOOK & PRIORITIES

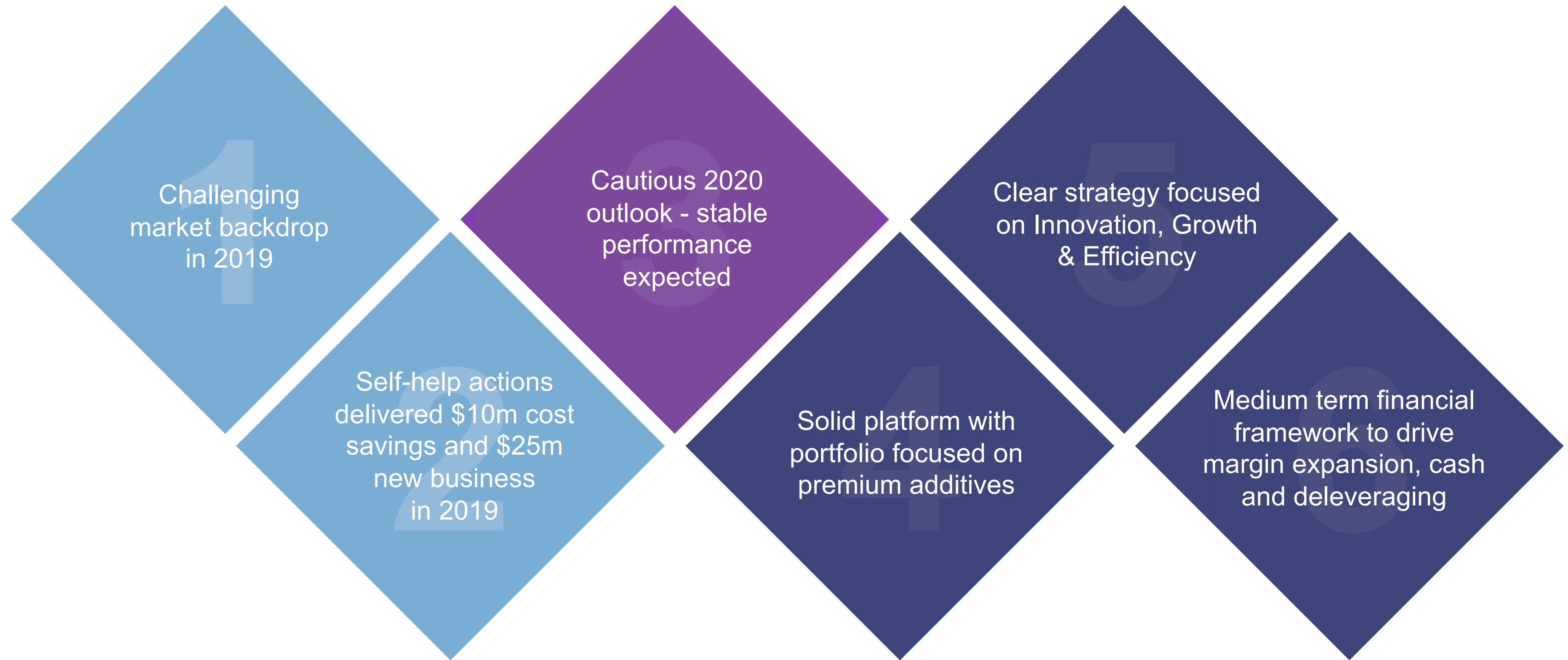
Paul Waterman

## QUESTIONS

Paul Waterman & Ralph Hewins



# Key messages



ELEMENTIS

A global specialty chemicals company

# 2019 HIGHLIGHTS & PERFORMANCE

PAUL WATERMAN, CEO

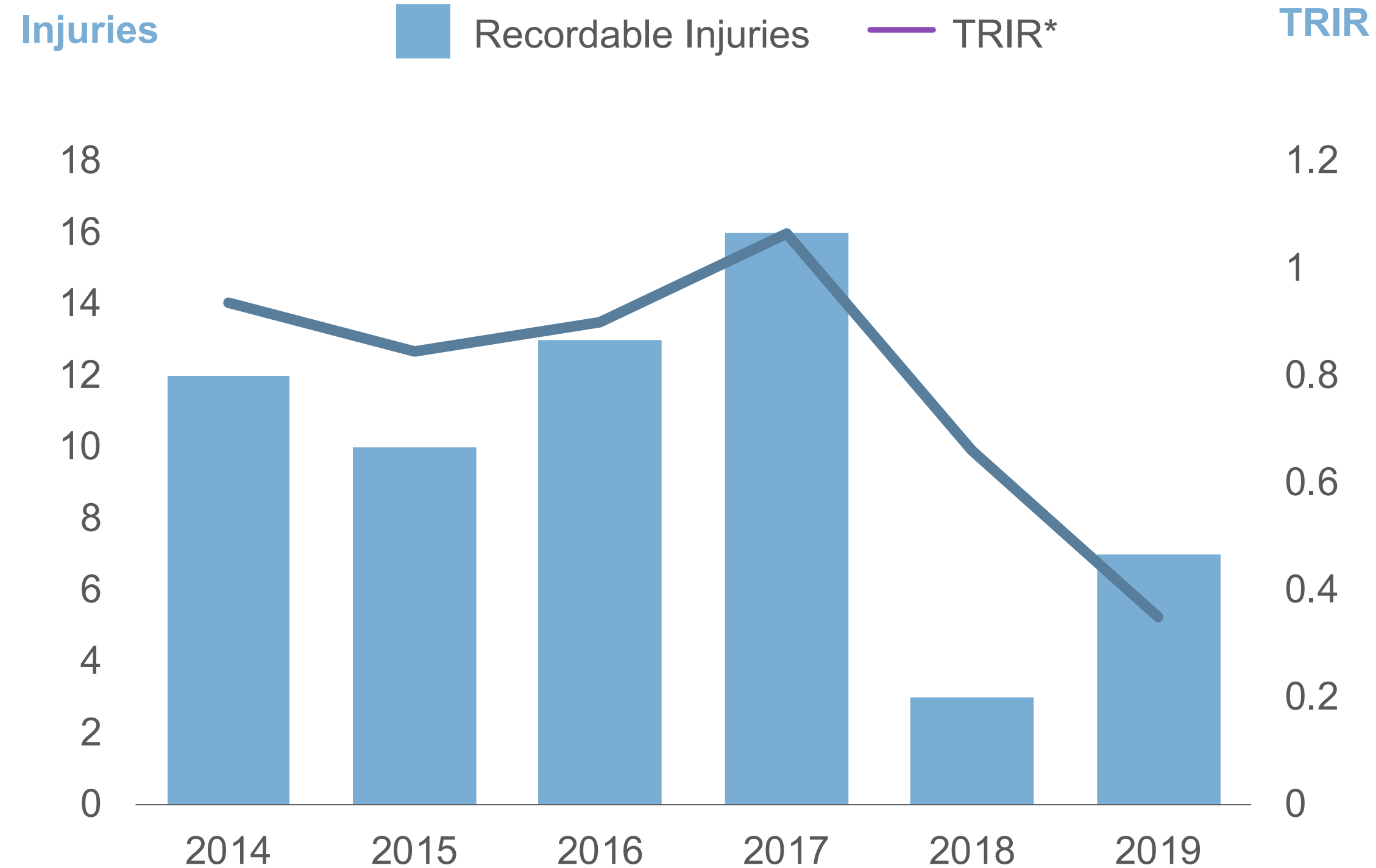


INNOVATION | GROWTH | EFFICIENCY

Enhanced Performance Through Applied Innovation

## SUSTAINED MEDIUM TERM IMPROVEMENT

### IMPROVED SAFETY PERFORMANCE



### HIGHLIGHTS

#### Performance

- Seven recordable injuries
- One lost time accident

#### Safety improvement initiatives

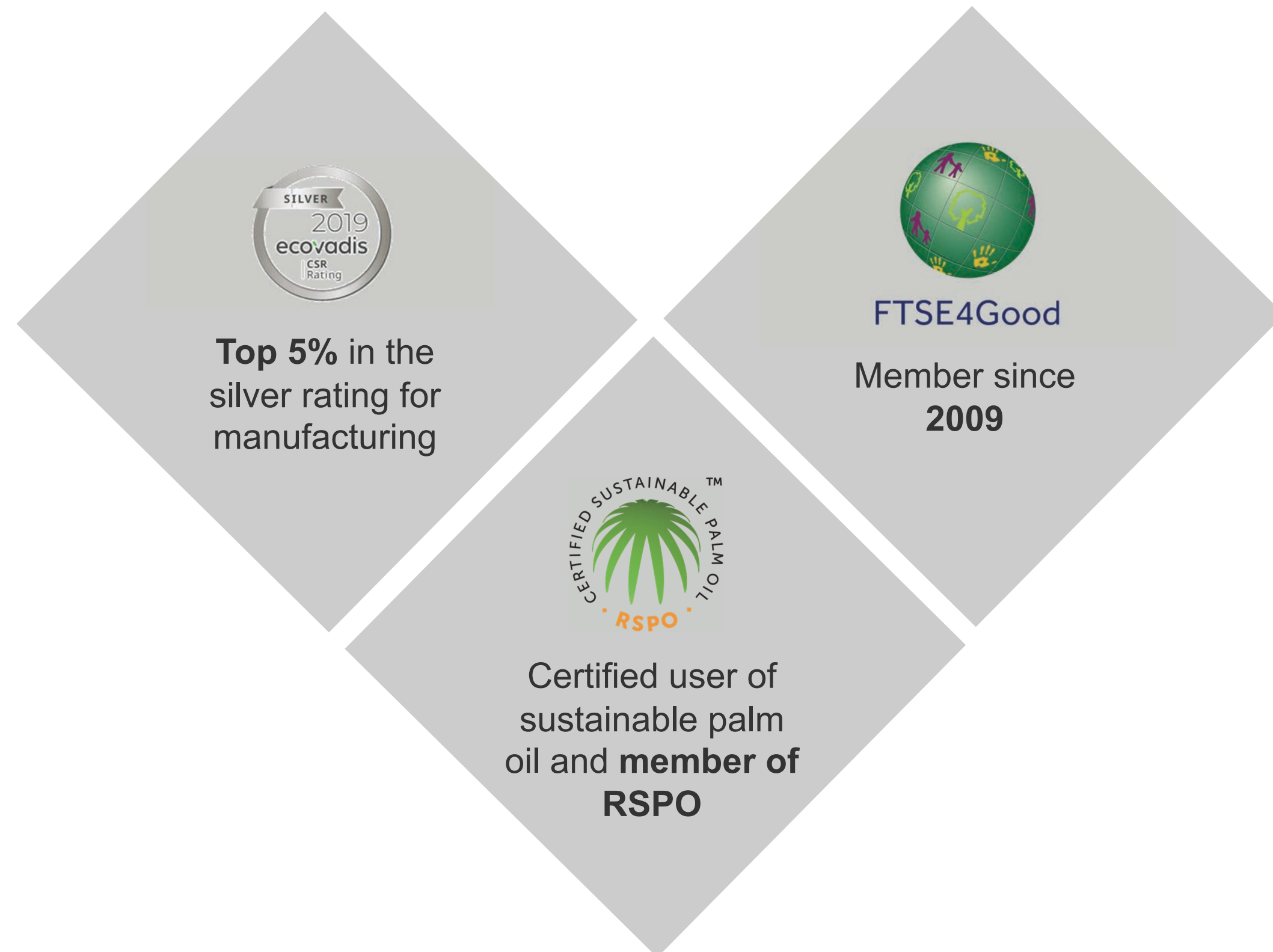
- New Health & Safety Council
- Capital investments to eliminate risks

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

\* Two year moving average

# Sustainability focus

## SUSTAINABILITY ACHIEVEMENTS



## ELEMENTIS PRODUCTS ENABLING PROGRESS

The section contains three horizontal panels with a dark blue background and white text.

- Panel 1:** Image of a person's hand holding a product. Text: **Natural personal care ingredients | Hectorite replacing synthetics**
- Panel 2:** Image of a large mining truck. Text: **Reduced vehicle emissions | Talc for vehicle light weighting**
- Panel 3:** Image of a person using a spray gun. Text: **Lower coatings VOCs | Additives enabling waterborne transition**

## FUTURE FOCUS

A horizontal panel with a dark blue background and white text. The background image shows wind turbines in a field.

**New sustainability targets in mid 2020**

# 2019 achievements

## PROGRESS AGAINST STRATEGIC OBJECTIVES

### INNOVATION



New **premium decorative** rheology modifiers



Successful **skin care** product launches



New waterborne industrial **coatings** additives

### GROWTH



**Talc** growing, synergies on track, integration complete



**Coatings** - \$9m new business delivery



Continued **Cosmetics** growth

### EFFICIENCY



\$10m of **cost savings**



**India** plant on track - H2 20 start up



New digital capabilities support efficiency





# Personal Care performance

## COSMETICS GROWTH, SHORT TERM CHALLENGES IN AP ACTIVES

			2019 vs 2018 % Change
\$m	2018	2019	Like for like <sup>1</sup>
Sales	210	195	-4%
Operating profit*	52	43	-16%
Operating margin*	24.8%	21.9%	



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

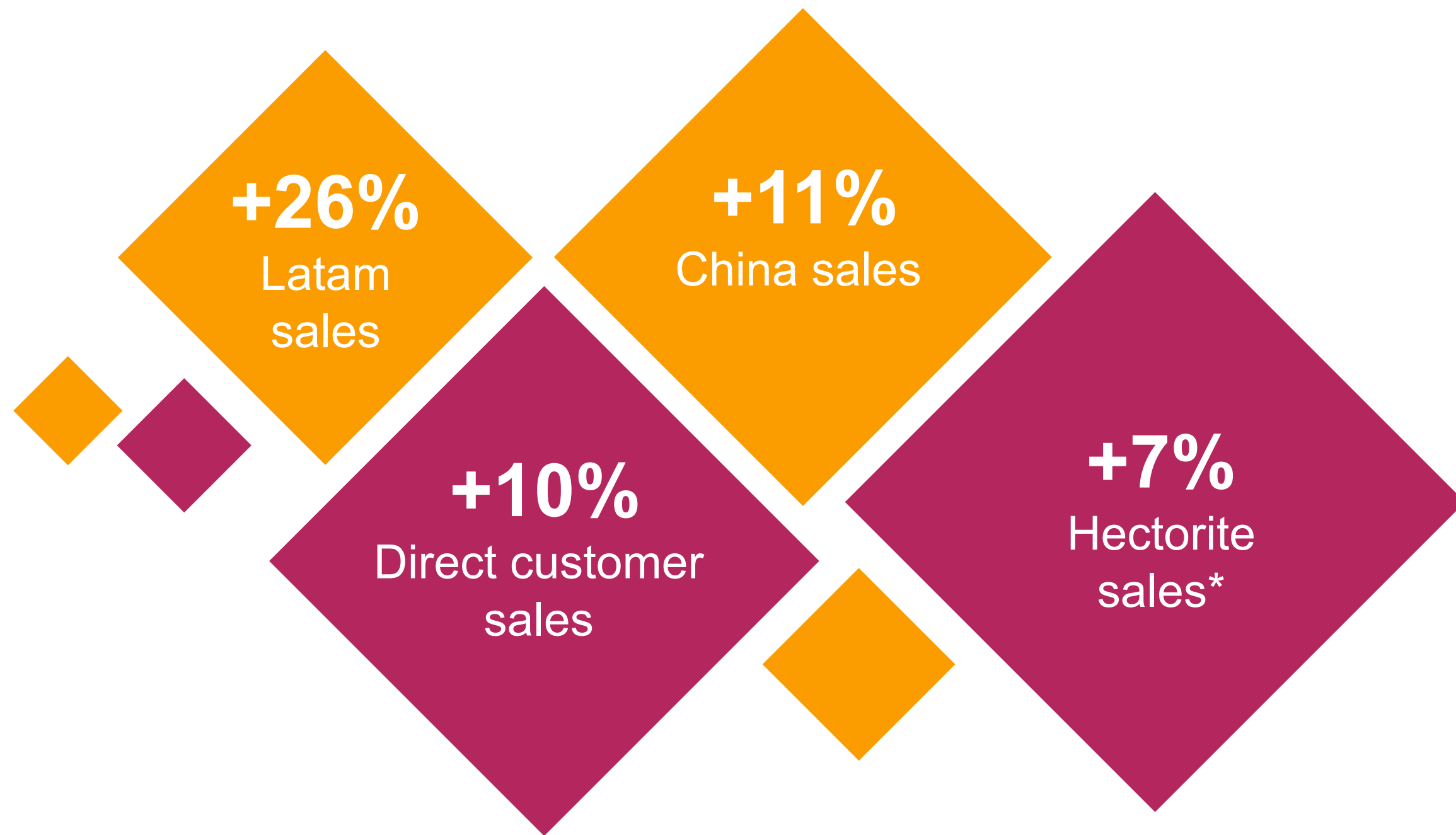


# Cosmetics performance

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A GROWTH BUSINESS, DRIVEN BY MANAGEMENT ACTIONS

## 2019 HIGHLIGHTS



## MANAGEMENT ACTIONS

Emerging market focus

New business at direct customers

New skin care products successfully launched

- BENTONE® LUXE and HYDROCLAY™



\* Hectorite based ingredients

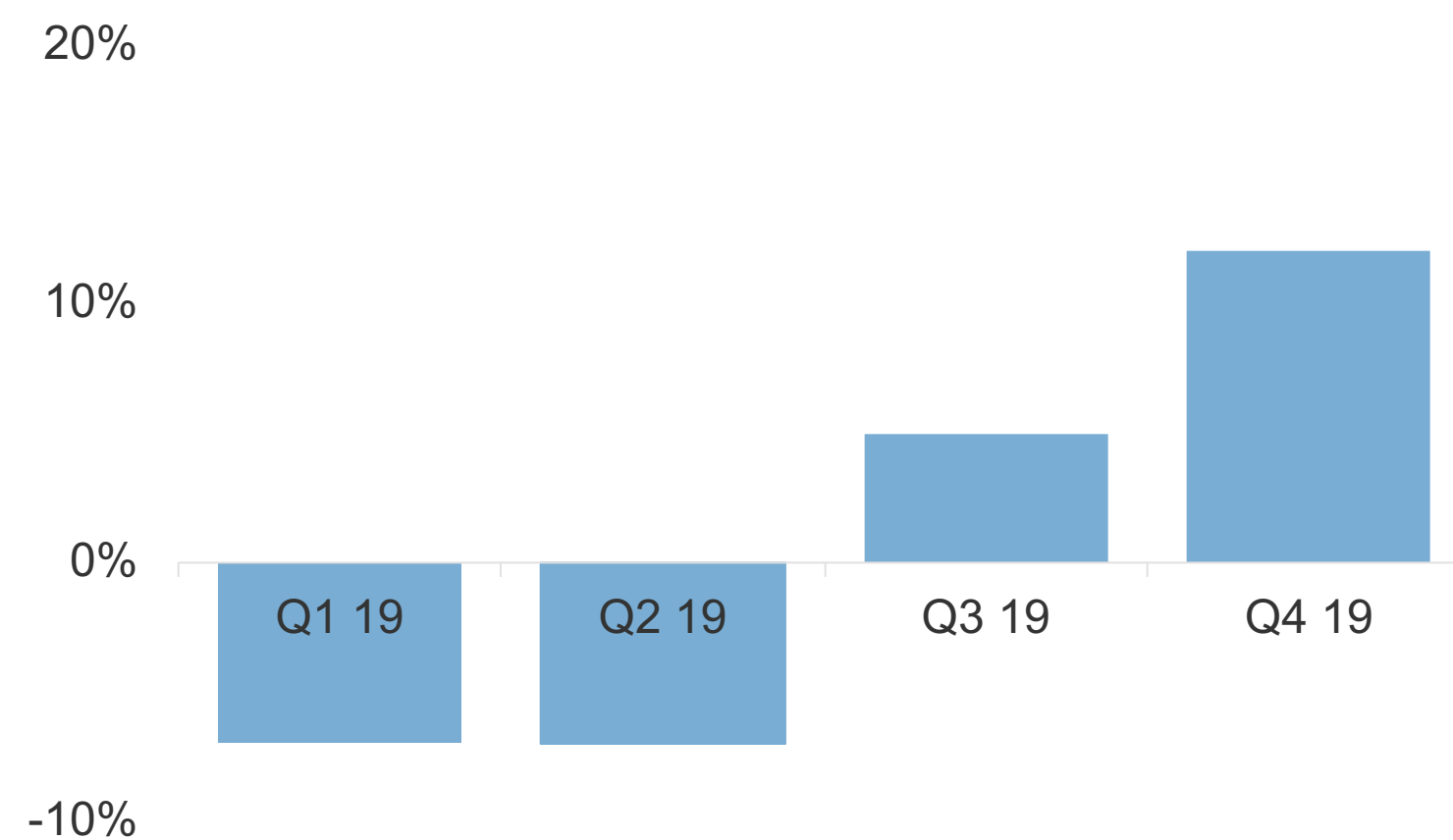
# AP Actives performance

VOLUME IMPROVEMENT DRIVEN BY MANAGEMENT ACTIONS

## VOLUME RECOVERY BUILDING

Business wins and competitive pricing recapturing volume

Year on Year Volume (%)



## INDIA PLANT - KEY STRATEGIC PILLAR



## STRONG INNOVATION OPPORTUNITIES





# Coatings performance

IMPROVED MARGINS DESPITE CHALLENGING MARKET DEMAND

			2019 vs 2018 % Change
	2018	2019	Like for like <sup>1</sup>
\$m			
Sales	362	<b>320</b>	-8%
Operating profit*	53	<b>48</b>	-8%
Operating margin*	14.5%	<b>15.1%</b>	



\* After adjusting items    <sup>1</sup> Adjusted for constant currency and the impact of business disposals (Coatings portfolio elimination following the Delden asset sale)

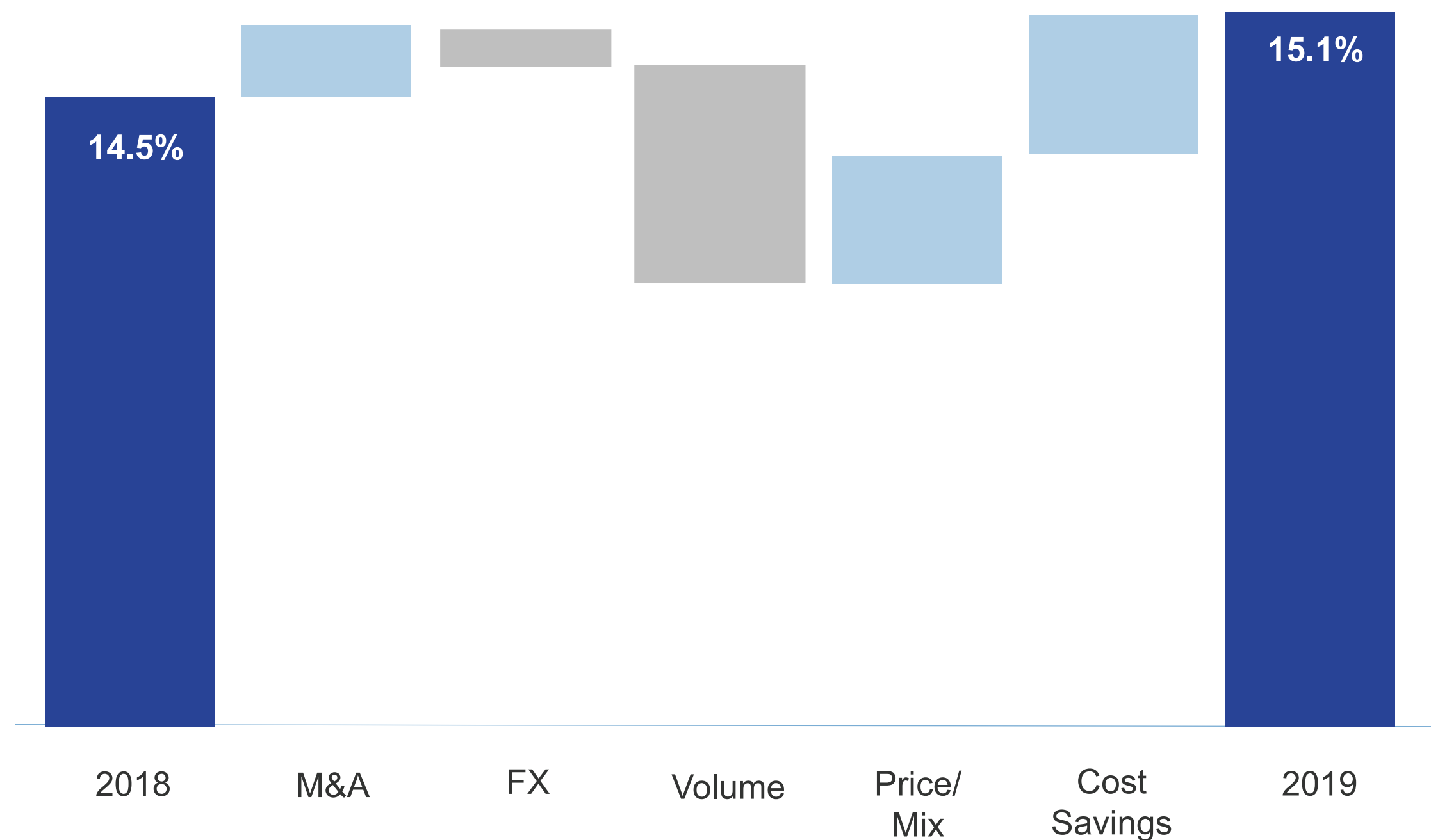
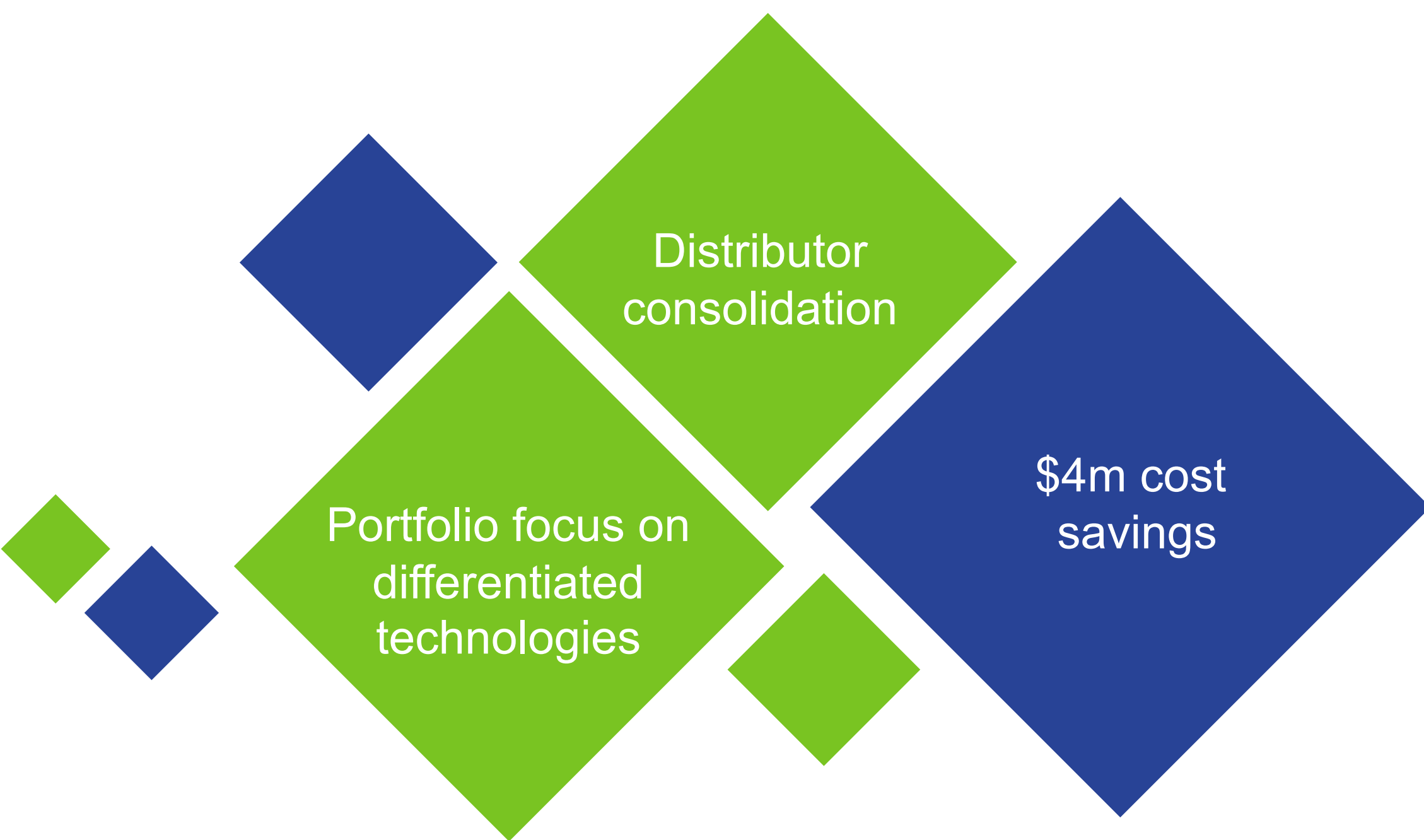


# Coatings performance

TRANSFORMATION DRIVES MARGIN IMPROVEMENT

## SELF HELP ACTIONS

## ADJUSTED OPERATING PROFIT MARGIN BRIDGE





Talc

# Talc performance

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## IMPROVED PROFIT AND MARGINS IN A CHALLENGING DEMAND ENVIRONMENT

			2019 vs 2018 % Change
\$m	2018**	2019	Constant Currency
Sales	158	<b>151</b>	+1%
Operating profit*	25	<b>26</b>	+11%
Operating margin*	15.5%	<b>17.1%</b>	



\* After adjusting items

\*\* 12 month pro forma numbers. Acquisition completed on 23 October 2018.



Talc

# Talc performance

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## 4% INDUSTRIAL TALC GROWTH DESPITE MACRO HEADWINDS

### Industrial Talc +4%\*

#### COMMENTARY

SALES  
(y-o-y)\*

SALES  
CONTRIBUTION\*\*

#### Plastics

Auto demand weakness partially offset by \$3m new business wins

-4%

26%

#### Coatings

Delivery of \$2m new business wins

+5%

26%

#### Other Diversified

Technical ceramics up 39% driven by market share gains

+13%

24%

\*Constant currency basis    \*\* Percentage of total Talc sales (incl. other minerals)



Talc

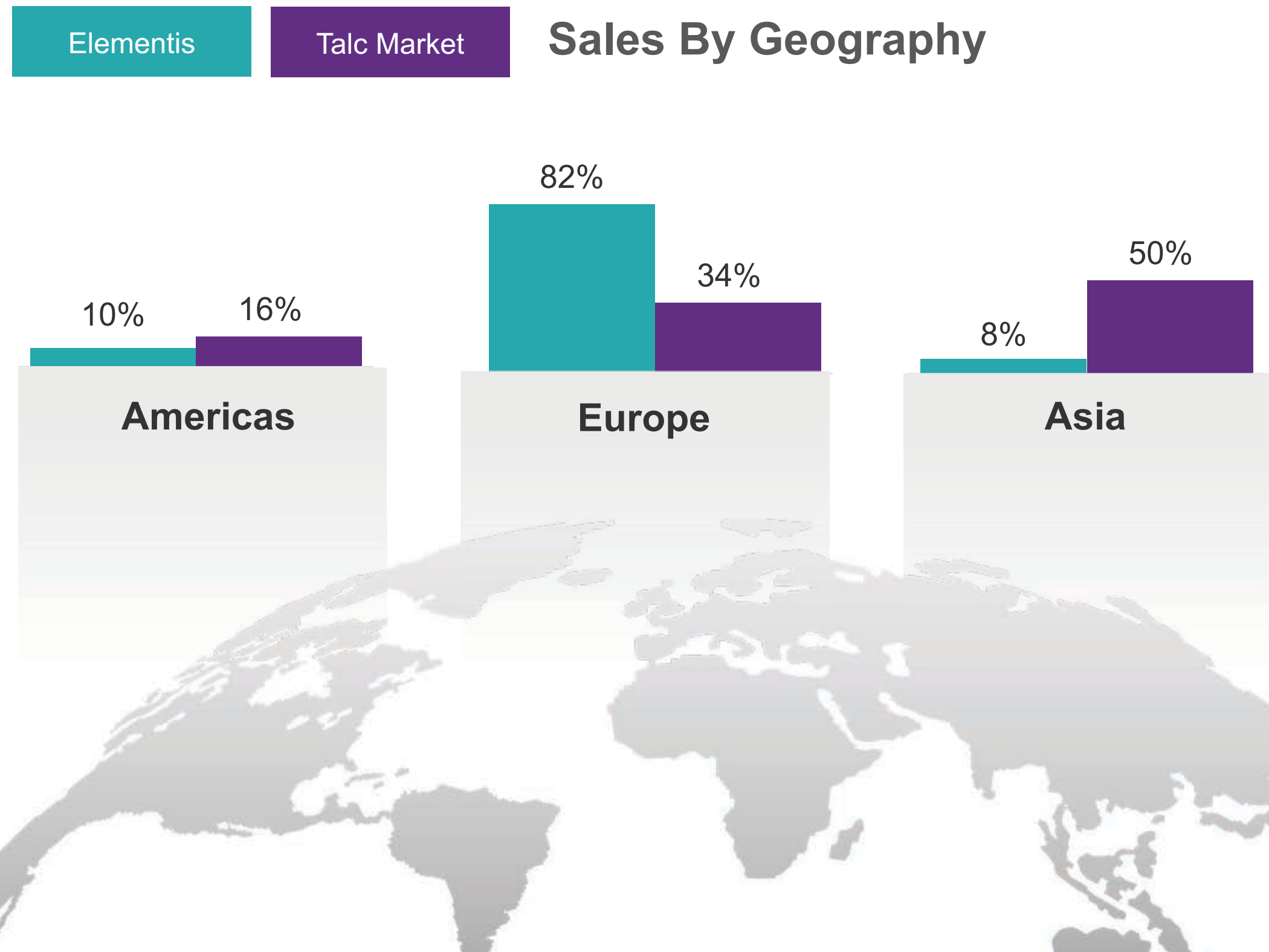
# Talc in Asia

## QUICKLY GAINING MARKET SHARE



### TALC INCREASINGLY A GLOBAL MARKET

High quality & technical support demanded on a global basis



### PROGRESS IN 2019

#### Sales up in 36% in Asia

- ✓ Plastics: growth into customer networks & new business
- ✓ Technical Ceramics: new customer wins & market growth

#### Enabled by

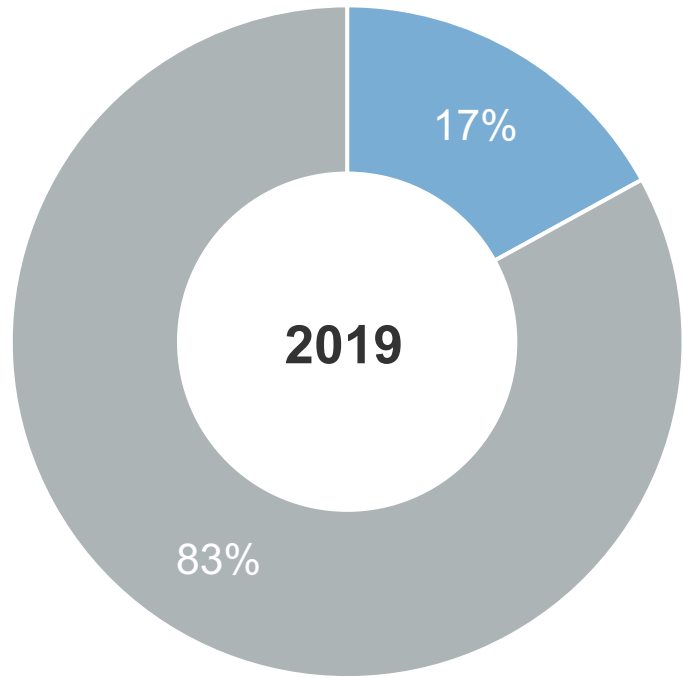
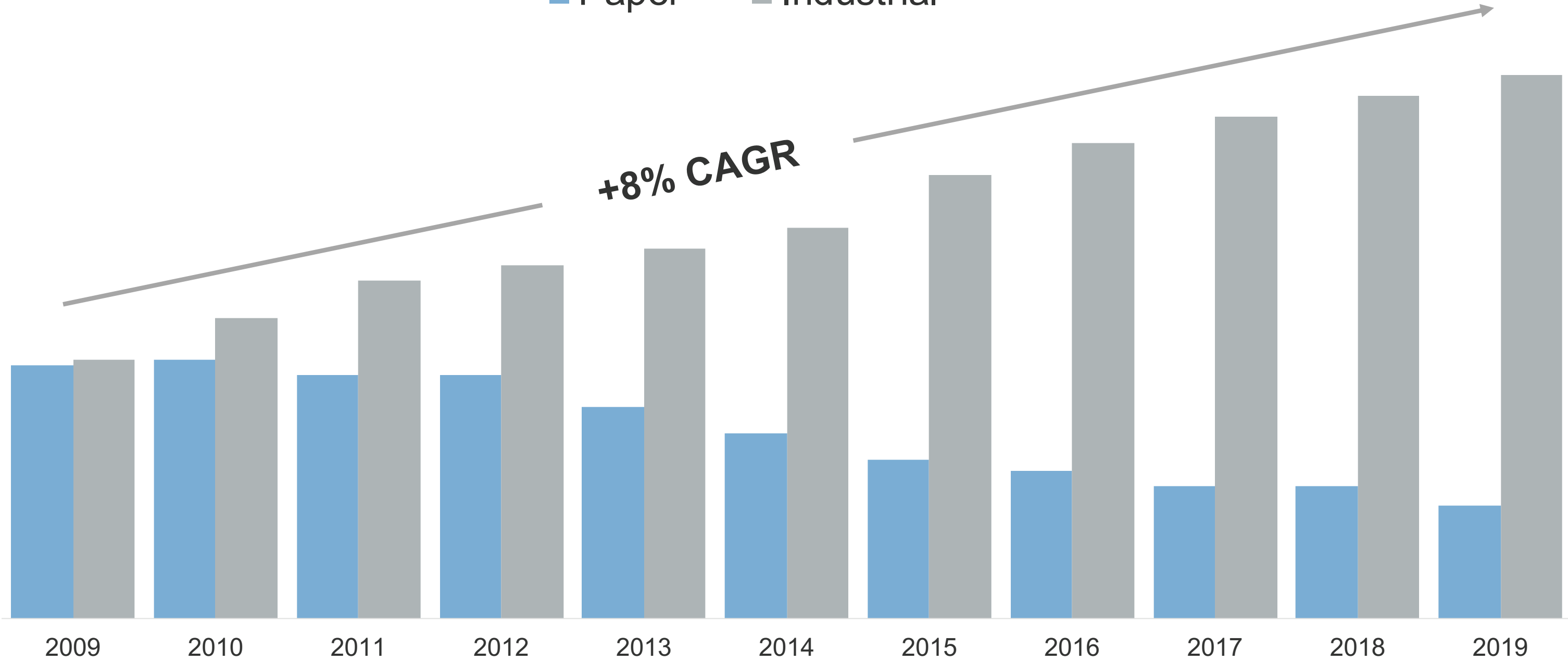
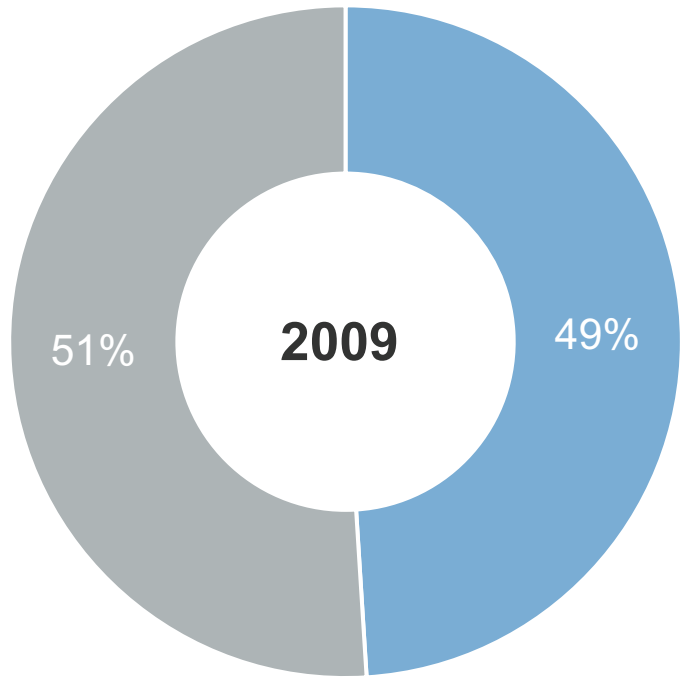
- ✓ People: 50% increase in salesforce
- ✓ Distribution: 5 new distributors in Asia



# Consistent industrial Talc growth

## PAPER VS INDUSTRIAL

■ Paper ■ Industrial



Note: graph shown in constant currency

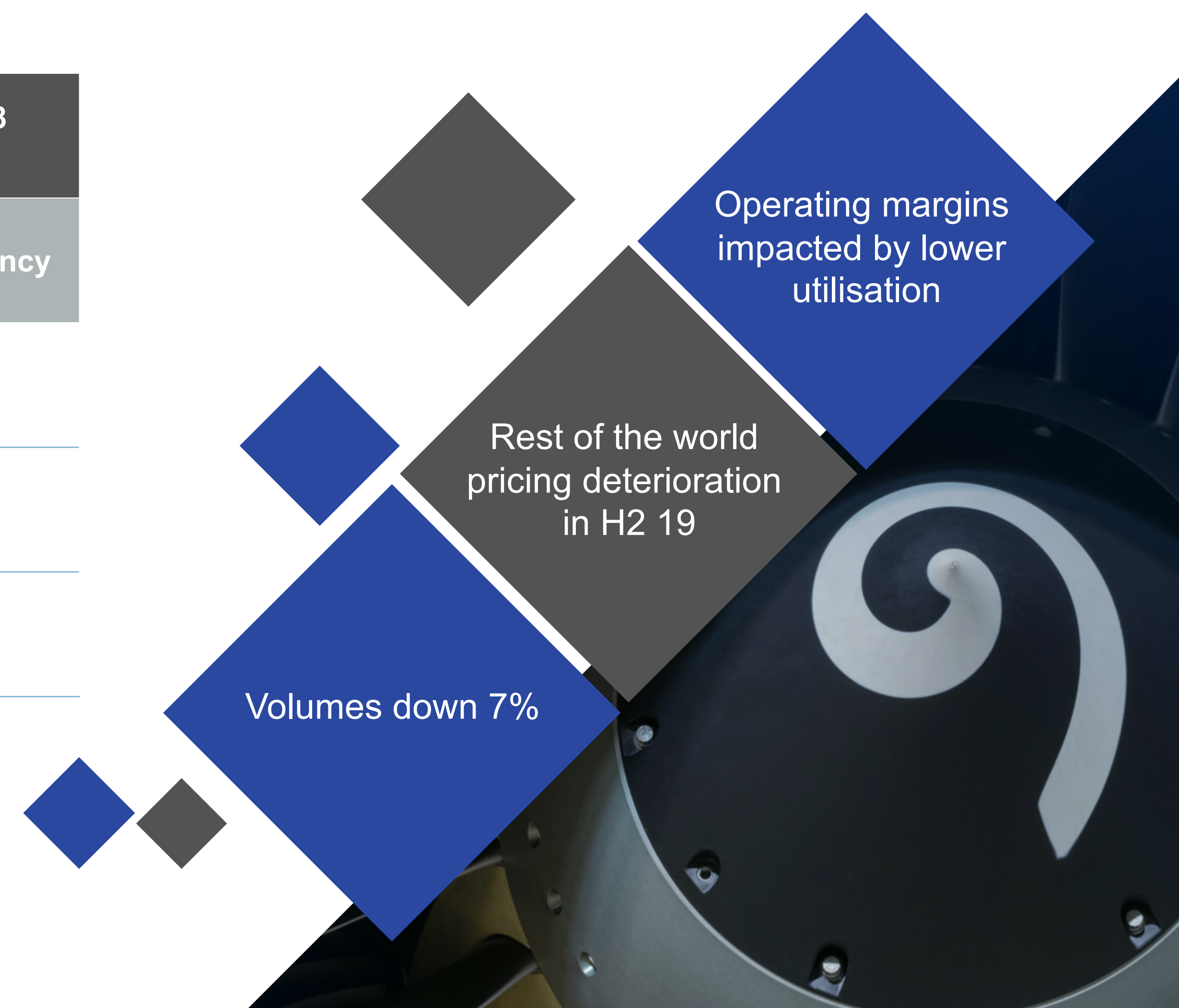


Chromium

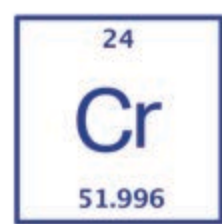
# Chromium performance

## WEAKER GLOBAL VOLUMES AND PRICING

			2019 vs 2018 % Change
\$m	2018	2019	Constant Currency
Sales	184	171	-7%
Operating profit*	33	18	- 45%
Operating margin*	17.9%	10.6%	



\* After adjusting items

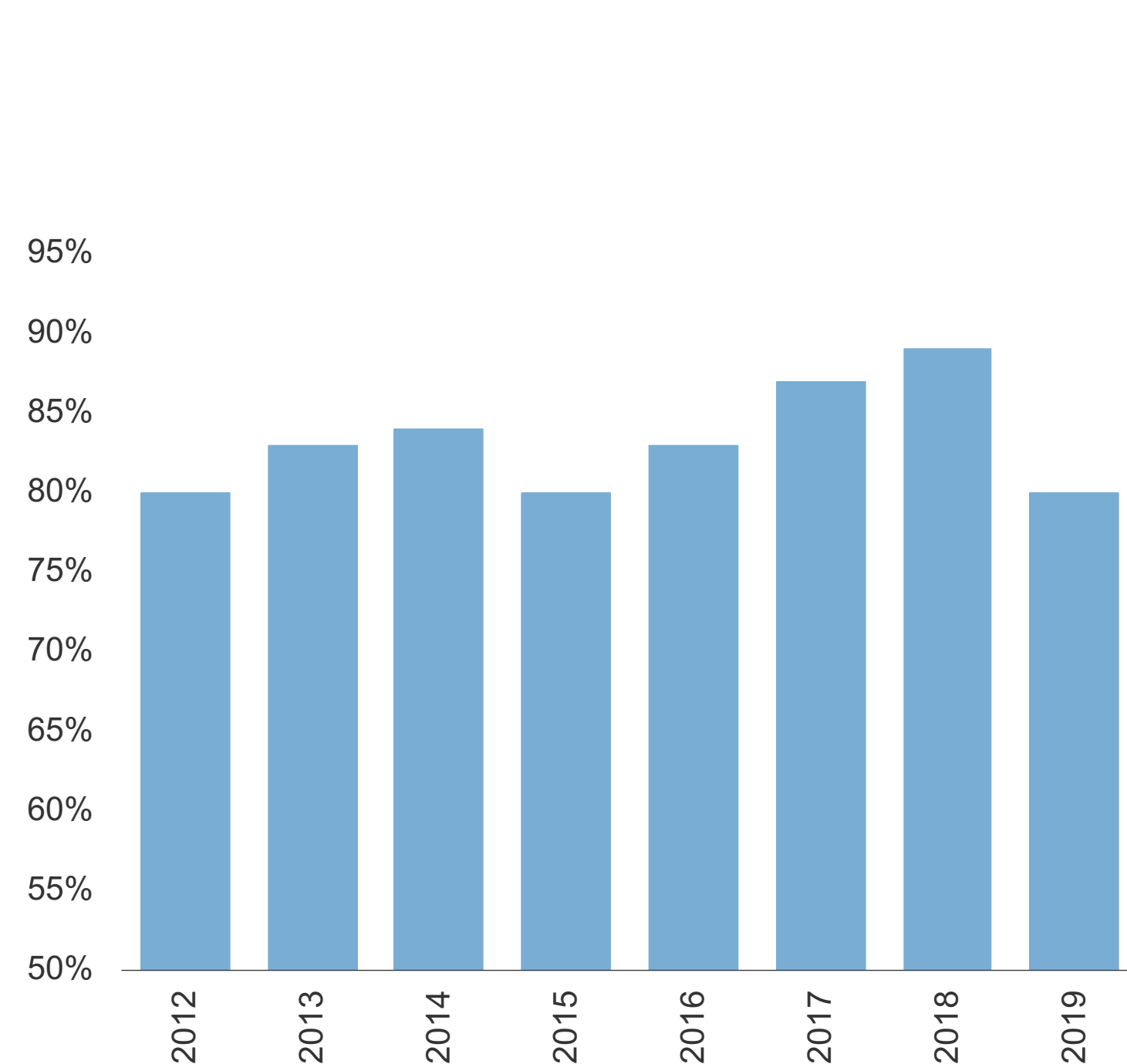


Chromium

# Chromium

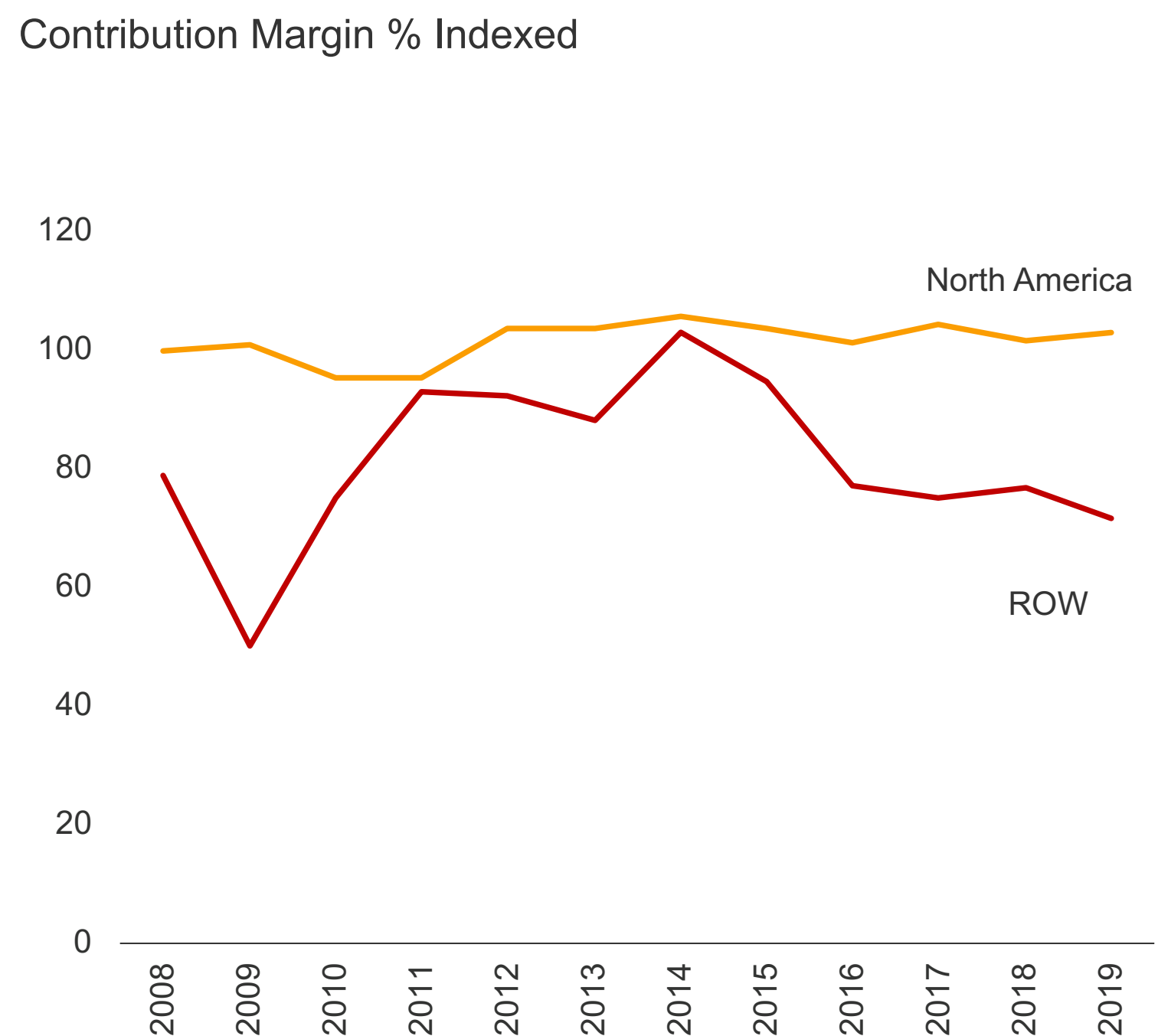
## NORTH AMERICA REMAINS STRONG DESPITE TOUGH OPERATING ENVIRONMENT

### INDUSTRY CAPACITY UTILISATION



Source: Elementis

### NORTH AMERICA REMAINS STABLE



Source: Elementis

### CHROMIUM IS A GOOD CASH GENERATOR

- Sole producer in North America
- High return on capital
- Strong cash generation
  - 10 year operating cash flow conversion = 90%



Energy

# Energy performance

## SIGNIFICANT DETERIORATION IN H2

			2019 vs 2018 % Change
\$m	2018	2019	Constant Currency
Sales	55	47	-14%
Operating profit*	7	4	-46%
Operating margin*	12.9%	8.2%	



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# GROUP FINANCIALS

RALPH HEWINS, CFO

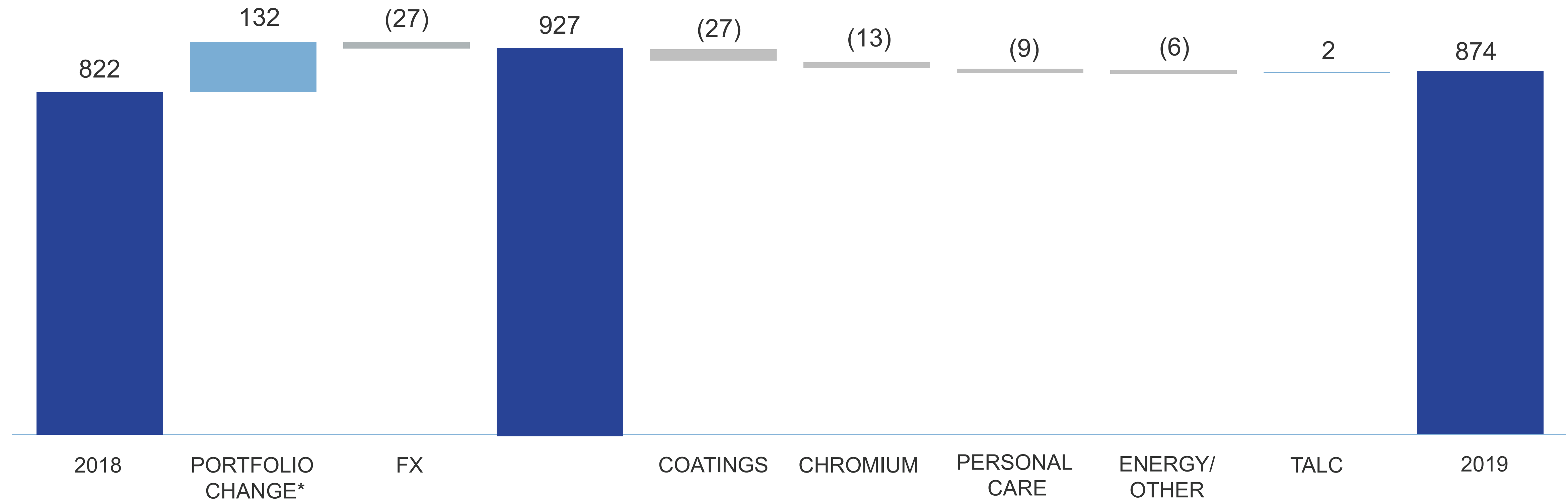
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# Group revenue

WEAK MARKET DEMAND ENVIRONMENT

REVENUE \$m



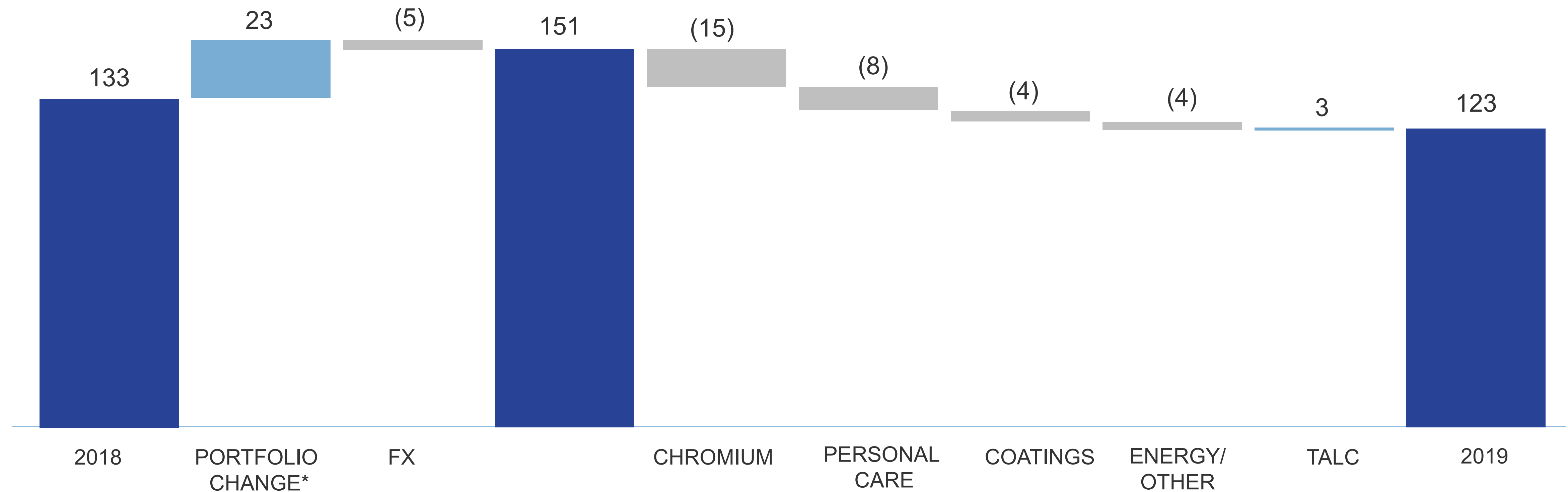
\* Portfolio change includes contribution from Talc and the impact of business disposals (i.e. product portfolio elimination in Coatings and Personal Care as a result of the Delden asset sale)

# Group operating profit

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7% OPERATING PROFIT DECLINE

ADJUSTED OPERATING PROFIT \$m



\* Portfolio change includes contribution from Talc and the impact of business disposals (i.e. product portfolio elimination in Coatings and Personal Care as a result of the Delden asset sale)

# Cost Savings

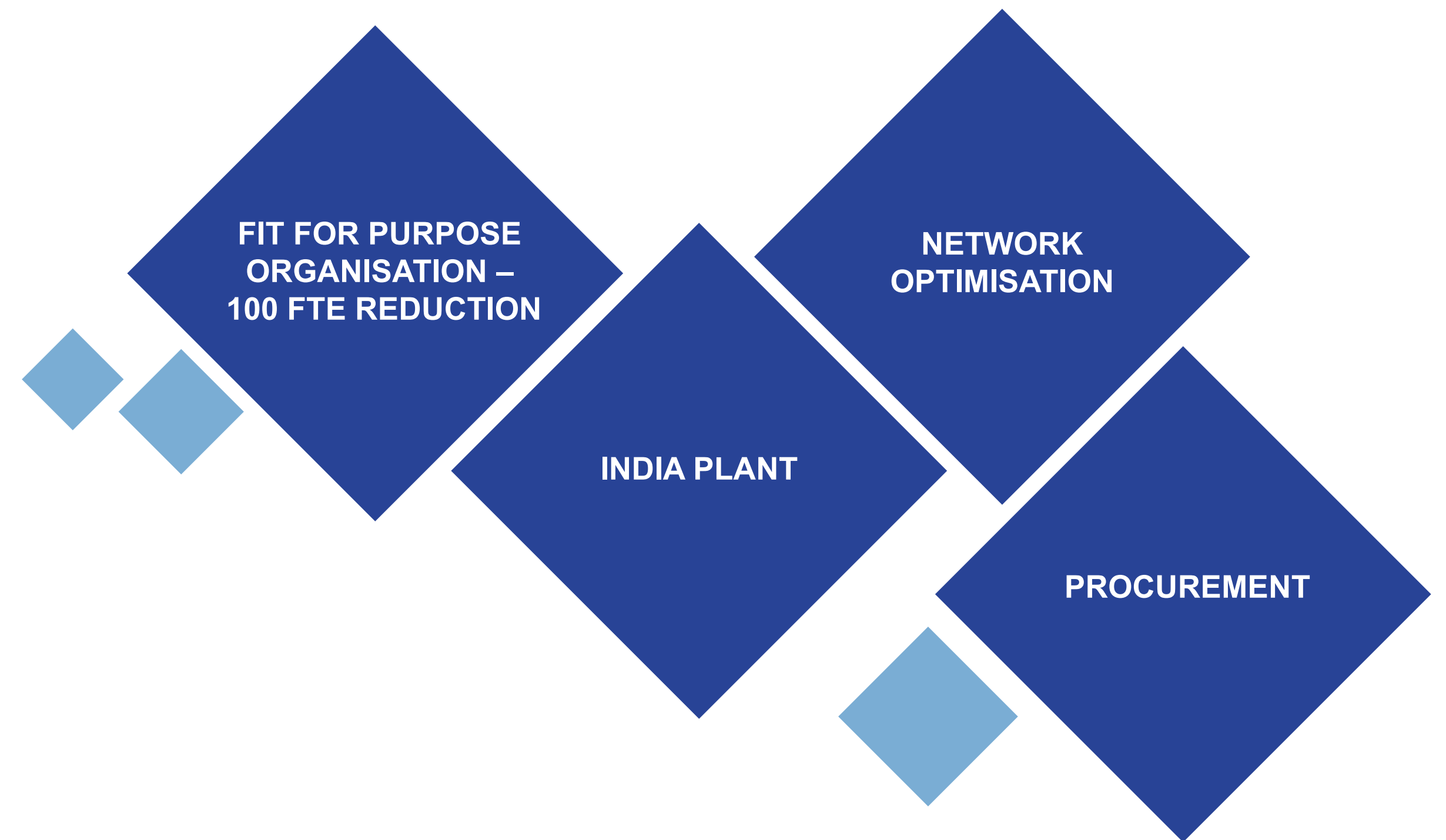
ONGOING EFFICIENCY AGENDA

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\$10M OF SAVINGS DELIVERED IN 2019



ADDITIONAL \$15M OF SAVINGS BY 2022





# Cash flow

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## 2.7X NET DEBT TO EBITDA

\$m	2018	2019
EBITDA	163	175
Change in working capital	(30)	32
Capital expenditure	(51)	(47)
<b>Operating Cash Flow</b>	<b>82</b>	<b>160</b>
Pension deficit payments	(1)	(1)
Interest	(14)	(25)
Tax & Other	(28)	(12)
<b>Free Cash Flow</b>	<b>39</b>	<b>122</b>
Dividends	(42)	(49)
Acquisitions and disposals	(427)	-
Rights issue	223	-
One off items (tax and legal settlement)	-	(29)
<b>Net Cash Flow</b>	<b>(207)</b>	<b>44</b>
<b>Net Balance Sheet Debt</b>	<b>498</b>	<b>454</b>
<b>Net debt/EBITDA*</b>	<b>2.5x</b>	<b>2.7x</b>

Operating cash conversion  
130% driven by working capital  
reductions

\$29m of one off cash outflows in H1

Net debt at 2.7x EBITDA\*

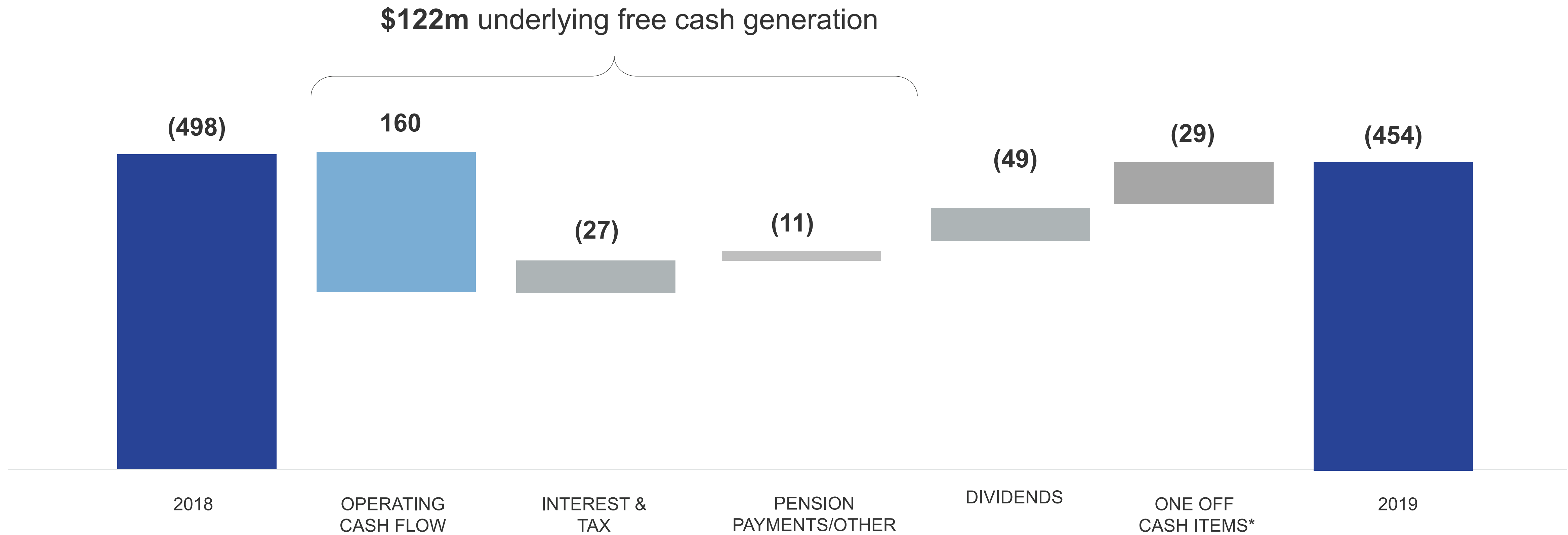
\* Based on last twelve months adjusted pro forma EBITDA excl. IFRS 16 impact for 2019

Note: Operating cash conversion calculated as (adjusted EBITDA – capex – working capital change) / adjusted operating profit.

# Net debt

OVER \$120M UNDERLYING FREE CASH GENERATION

NET DEBT \$m



\* \$19m in respect of a historical Talc tax case and \$10m for settlement of a commercial Surfactants case

# Tax charge

EFFECTIVE TAX RATE 22%

\$m	2018	2019
Underlying tax charge	24	<b>21</b>
Tax charge: adjusting items	(8)	<b>(6)</b>
Reported tax charge	16	<b>15</b>
Tax rate*	21.6%	<b>22.1%</b>

Underlying 2019 tax rate of 22%

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Medium term P&L tax rate of around 22%

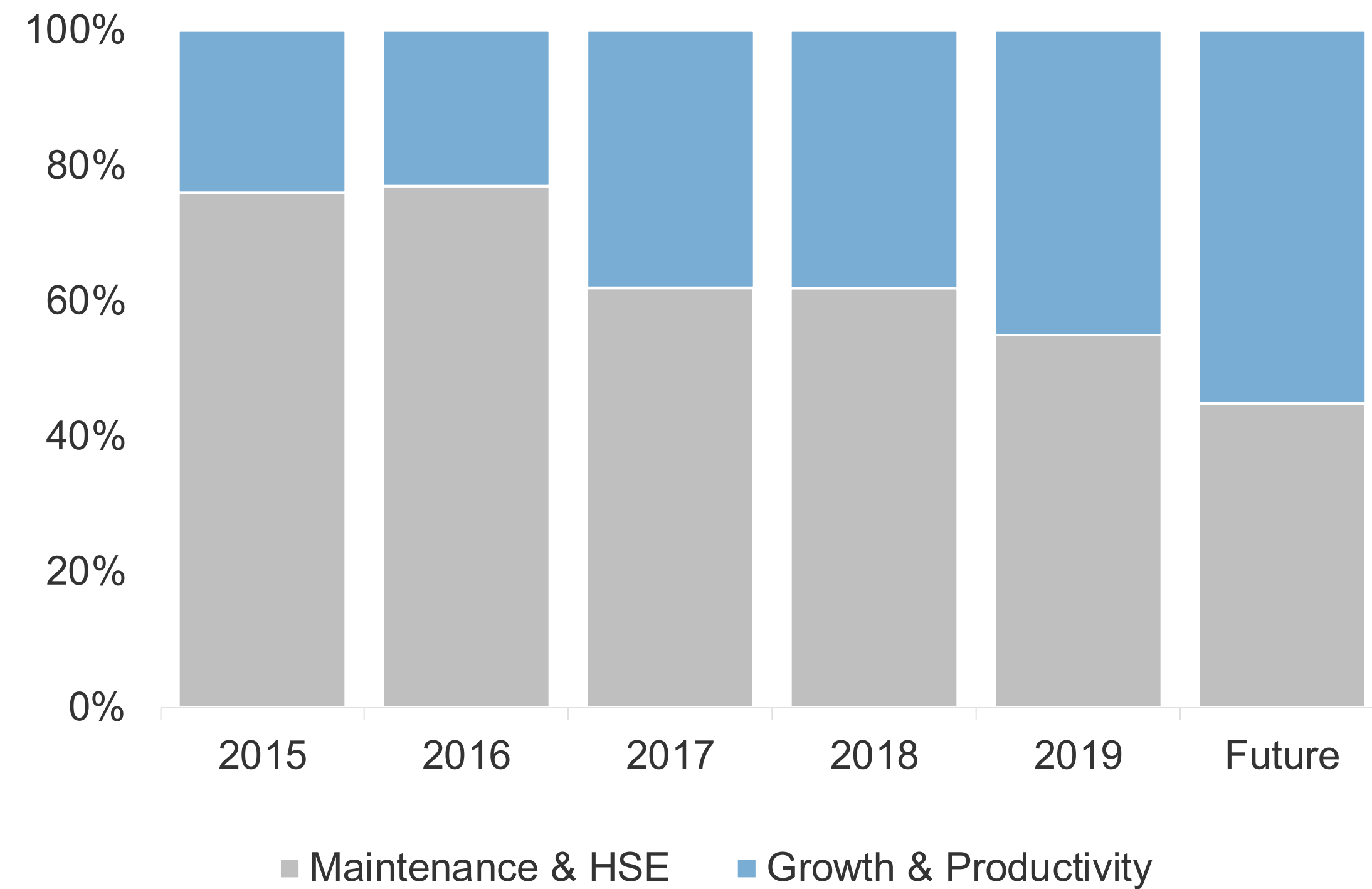
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2020 cash tax to converge with P&L tax charge

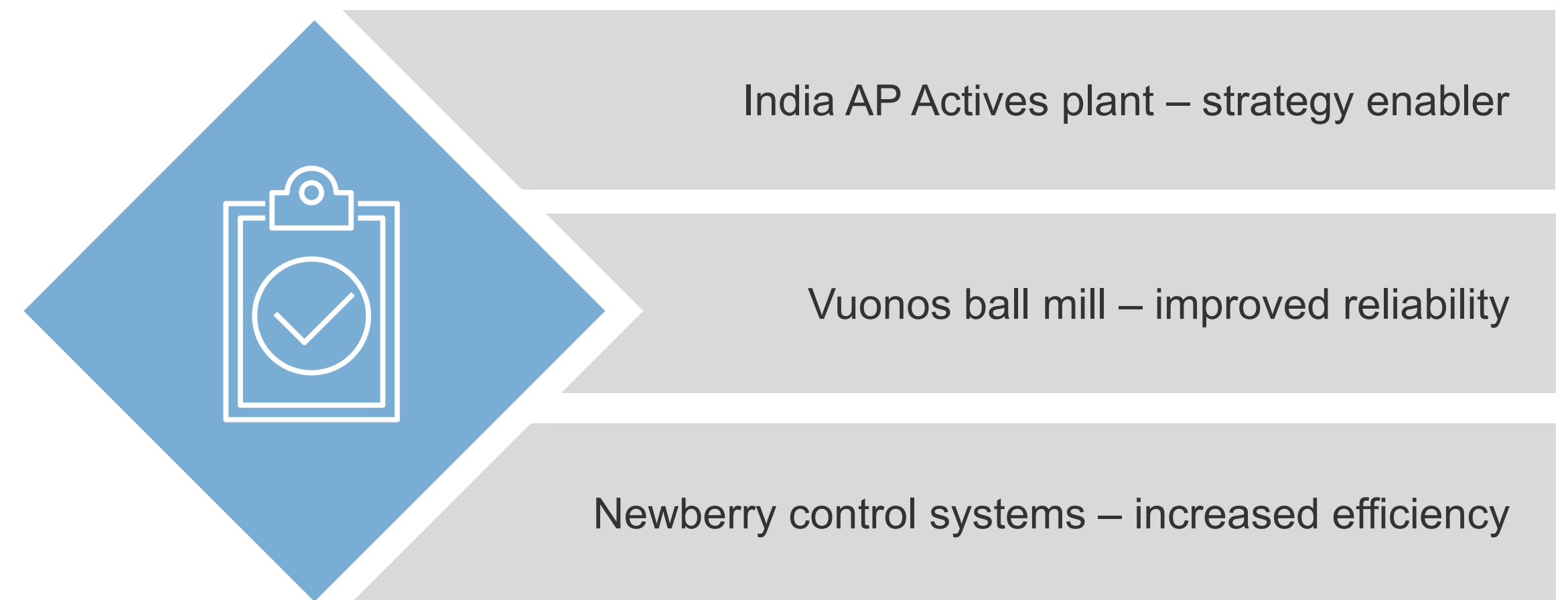
\* On continuing operations only

# Growth & productivity capex focus

## CAPEX SPEND ON GROWTH & PRODUCTIVITY



## 2020 CAPEX PRIORITIES

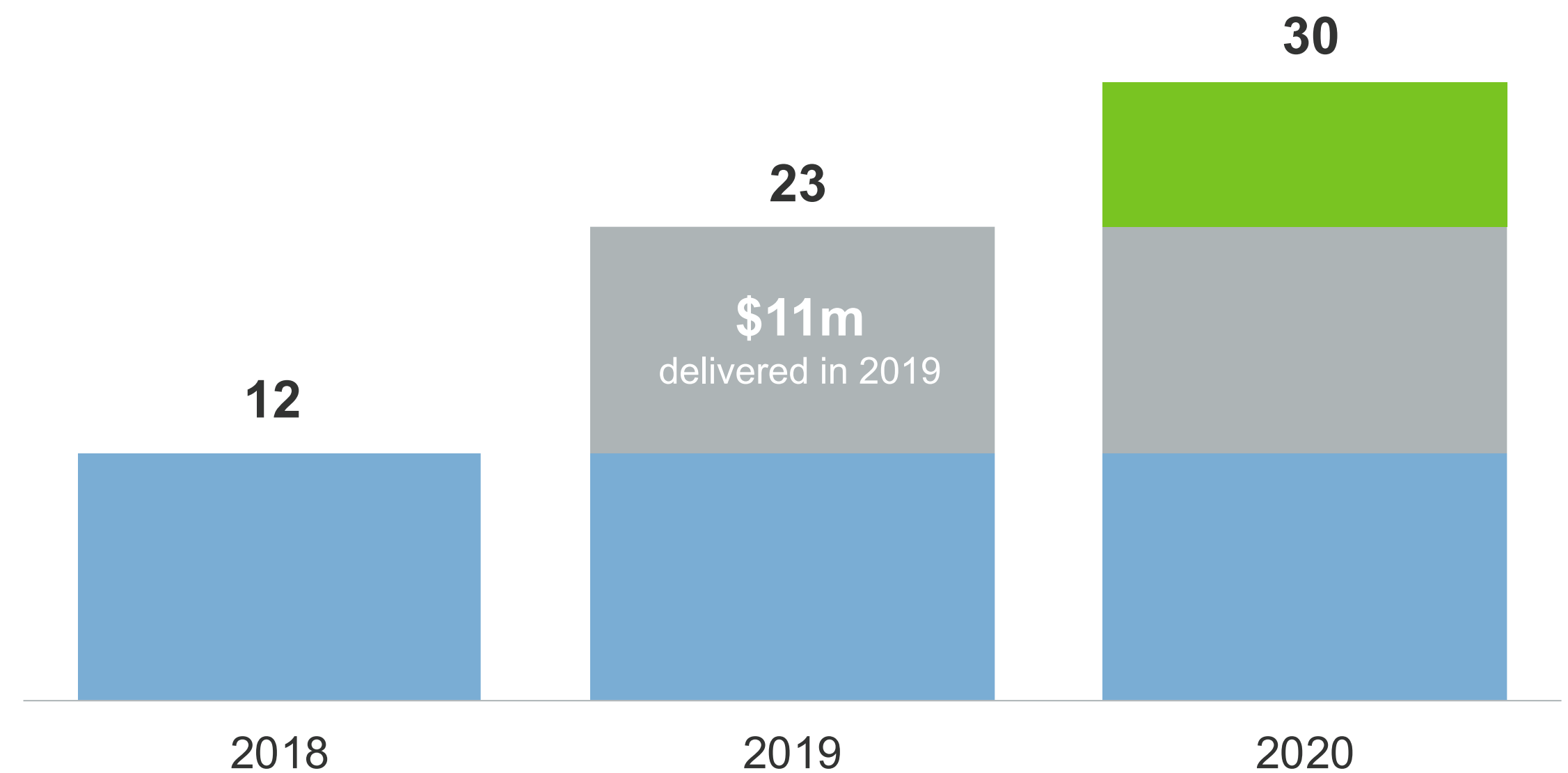


# Ongoing working capital improvement

## ACTIONS IN 2019

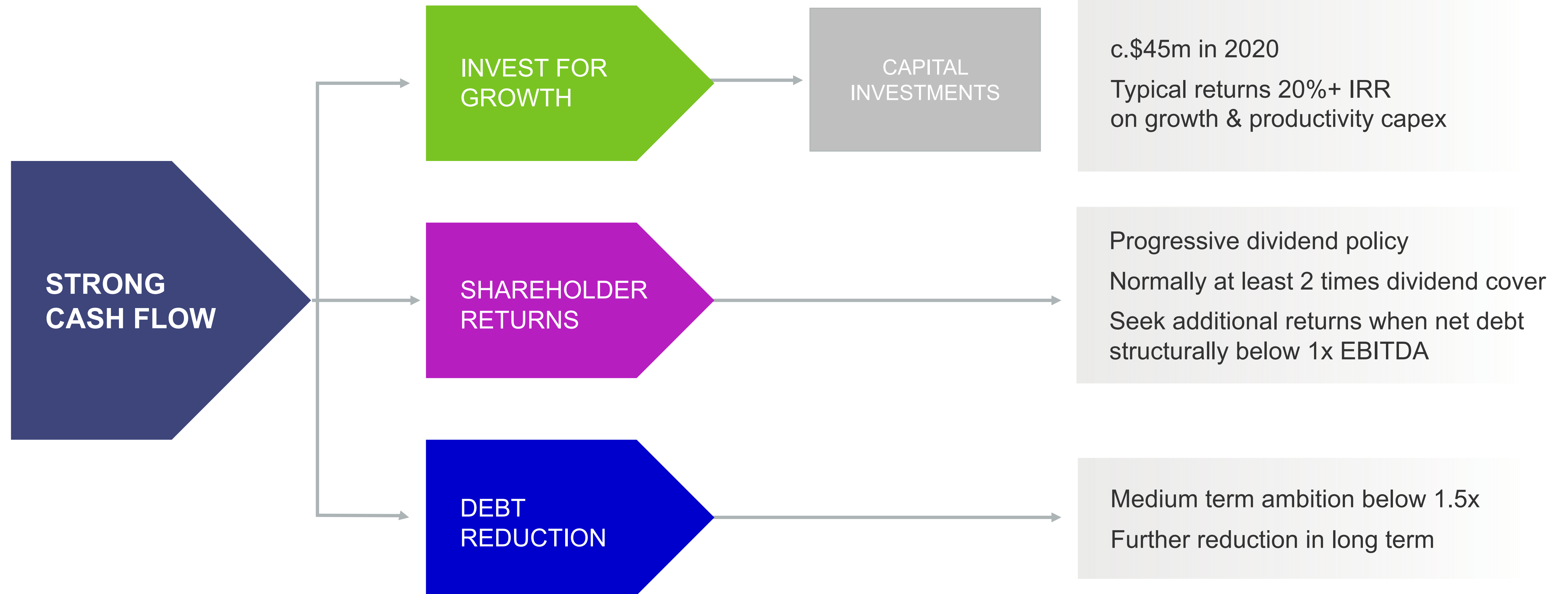
✓	<b>COMPLEXITY</b> Reduced SKUs
✓	<b>SERVICE LEVEL AGREEMENTS</b> Further roll out
✓	<b>DIGITISATION</b> Introduction of Demantra Digital supply chain planning process

## WORKING CAPITAL SAVINGS PROGRESS



More working capital progress to come post 2020

# Disciplined capital allocation



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# 2020 OUTLOOK & PRIORITIES

PAUL WATERMAN, CEO



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# 2020 Outlook

STABLE PERFORMANCE EXPECTED



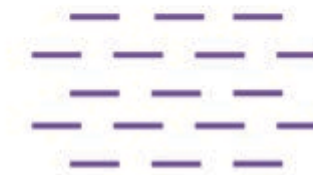
## Personal Care

**Modest Progress:**  
Cosmetics solid & AP actives rebuilding



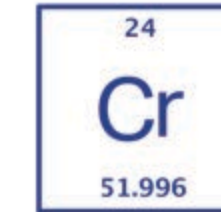
## Coatings

**Stable demand environment:**  
NBO focus



## Talc

**Further industrial Talc growth & emerging revenue synergies**



## Chromium

**Down on 2019:**  
weak exit rate partially offset by lower costs



## Energy

**Stable performance**





# A focus on premium performance additives...

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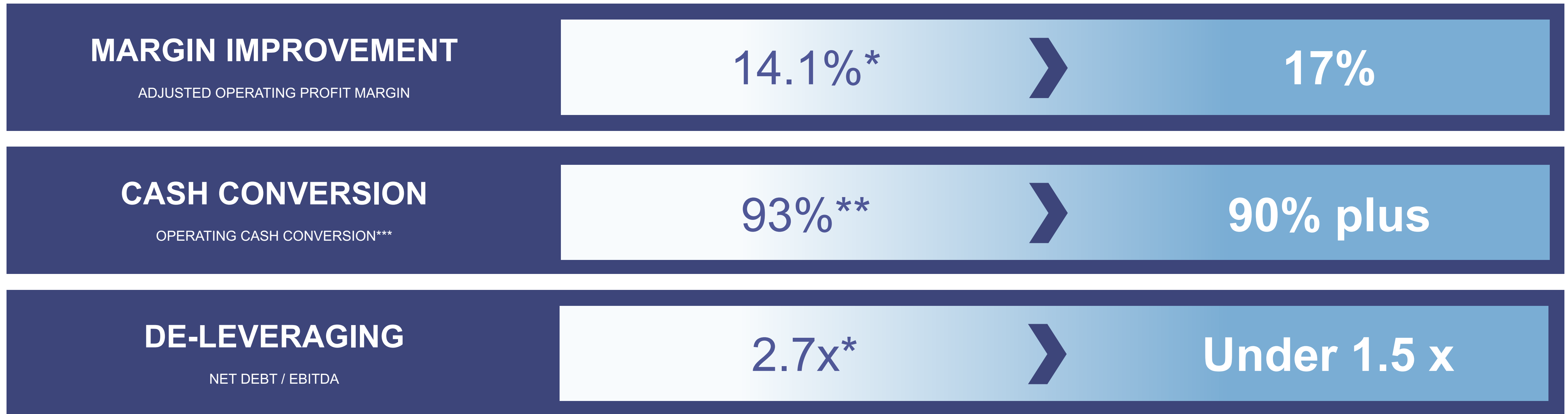
# ...with a strong platform for growth

## ELEMENTIS OPPORTUNITIES

 <p>PERSONAL CARE</p>	 <p><b>PERSONAL CARE</b> Rheology modifiers and AP actives</p>	<p>Asia Cosmetics   Skin Care   AP Actives   Talc</p>
 <p>TALC</p>	 <p><b>TALC</b> Talc based additives</p>	<p>Globalisation   Long Life Plastics   Technical Ceramics   Barrier Coatings</p>
 <p>COATINGS</p>	 <p><b>COATINGS</b> Rheology modifiers and additives</p>	<p>Premium Deco   Waterborne Industrial   Adhesives &amp; Sealants   Talc</p>

# Medium term Group performance objectives

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\* Last twelve months to 30 December 19

\*\* Last three year average

\*\*\* Calculated as (adjusted EBITDA – capex – working capital change) / adjusted operating profit

# Q&A



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# Adjusting items

\$m Expense/(Income)	2018	2019
M&A related activity	7	-
Amortisation of intangibles arising on acquisition	15	19
Environmental provision	17	5
Business transformation	6	7
Release of contingent consideration	-	(9)
GMP Pension	3	-
Net P&L adjusting items*	48	22

\$19m of amortisation of intangibles acquired with AP Actives & Talc

\$4m cash impact from adjusting items in 2019

\* Impact on operating profit of continuing operations only

# IFRS 16 Impact

	\$m	Pre IFRS 16	Operating lease expense	Depreciation on assets	Interest on lease liabilities	Post IFRS 16
Income Statement – 31 December 2019	Revenue	873.6	-	-	-	873.6
	Cost of sales	(552.2)	-	-	-	(522.2)
	<b>Gross profit</b>	<b>321.4</b>	-	-	-	<b>321.4</b>
	Net operating costs	(221.6)	7.8	(6.7)	-	(220.5)
	<b>Operating Profit</b>	<b>99.8</b>	<b>7.8</b>	<b>(6.7)</b>	-	<b>100.9</b>
	Loss on disposal	(9.0)	-	-	-	(9.0)
	Net Interest	(29.1)			(1.8)	(30.9)
	<b>PBT</b>	<b>61.7</b>	<b>7.8</b>	<b>(6.7)</b>	<b>(1.8)</b>	<b>61.0</b>
Balance sheet as at FY 19	Assets	1,864.0		41.2		1,905.2
	Current liability	(168.4)		(7.1)		(175.5)
	Non current liability	(784.8)		(38.7)		(823.5)

# FY 20 Technical Guidance

## P&L

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- Depreciation – c.\$50m  
(of which c.\$7m is IFRS 16 related)
- Amortisation – c.\$20m (of which majority is amortisation of acquired intangibles)
- Tax – Effective rate around 22%

## CASH

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- Net interest c. \$25m
- Capex c.\$45m