

ELEMENTIS

A global specialty chemicals company

# COATINGS

## SELL SIDE ANALYST ROUNDTABLE

LUC VAN RAVENSTEIN

15 October 2020

INNOVATION | GROWTH | EFFICIENCY

Enhanced Performance Through Applied Innovation

# Cautionary statement

This presentation, the presentation materials and discussion may contain certain forecasts, projections and forward-looking statements – that is, statements related to future, not past events – in relation to, or in respect of the financial condition, operations or businesses of Elementis plc (the 'Company').

Any such statements involve risk and uncertainty because they relate to future events and circumstances. There are many factors that could cause actual results or developments to differ materially from those expressed or implied by any such forward looking statements, including, but not limited to, matters of a political, economic, business, competitive or reputational nature. Nothing in this presentation, presentation materials and discussion should be construed as a profit estimate or profit forecast. Elementis does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or expectations.

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.

# Key messages



1

Coatings transformation complete

2

Clear growth strategy – growth platforms, global key accounts & geographic expansion

3

Execution of CMD growth opportunities - early successes

4

Well positioned for growth & margin improvement



# Coatings Overview

ELEMENTIS

OVERVIEW

## KEY FIGURES (2019)

**\$320m**

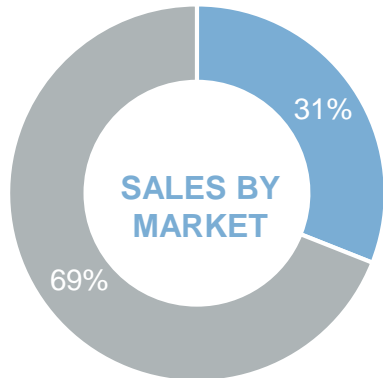
NET SALES

**\$48m**

OPERATING PROFIT\*

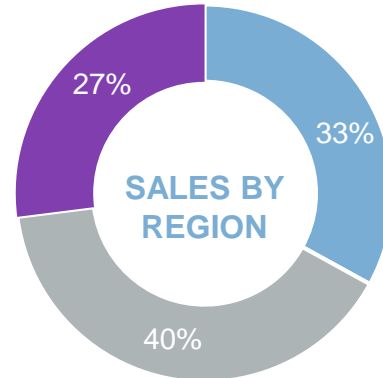
**15.1%**

MARGIN\*



Industrial

Decorative



Asia

Americas

Europe

## SOURCES OF COMPETITIVE ADVANTAGE

- Global leader in rheology
- Unique hectorite resource
- Complementary high value additive technology
- Global reach & customer intimacy
- Capital light business model

\*Adjusted operating profit / margin



# What we do in Coatings

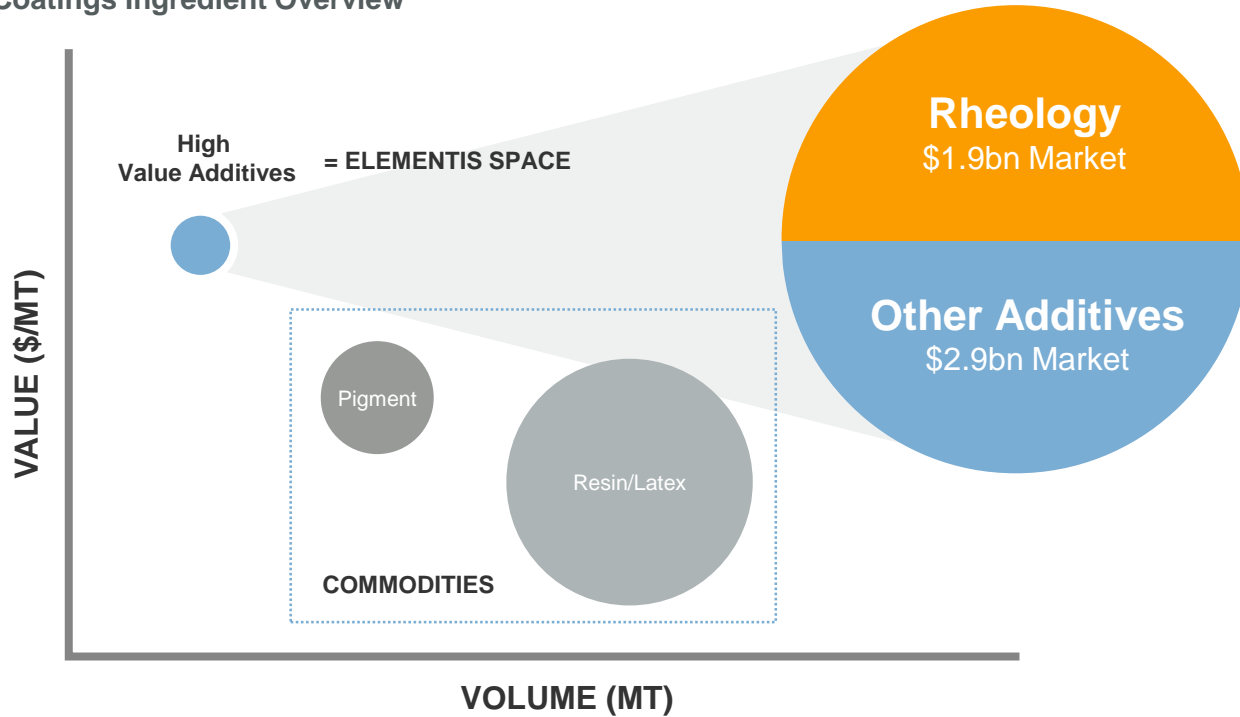
OVERVIEW

RHEOLOGY & HIGH PERFORMANCE ADDITIVE FOCUS

## ELEMENTIS COMPETES IN A HIGH VALUE NICHE

## ELEMENTIS HELPS CUSTOMERS MEET MARKET TRENDS

Coatings Ingredient Overview



Critical to end product performance, but < 5% of customer formulation costs



# Why customers choose Elementis

ELEMENTIS

OVERVIEW

LEADER IN PROVIDING RHEOLOGY & FORMULATION SOLUTIONS



## Customised solutions

- Partnership model
- Systems approach
- Scalable



## World leader in rheology

- Fast to market
- Complementary additives
- Local formulation support



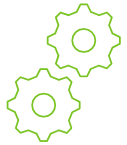
## Sole global organoclay producer

- State of the art manufacturing
- Global reach, local presence
- Reliability of supply



## Sustainable technologies

- Low VOC enabling
- Emission-reducing
- Naturally derived ingredients

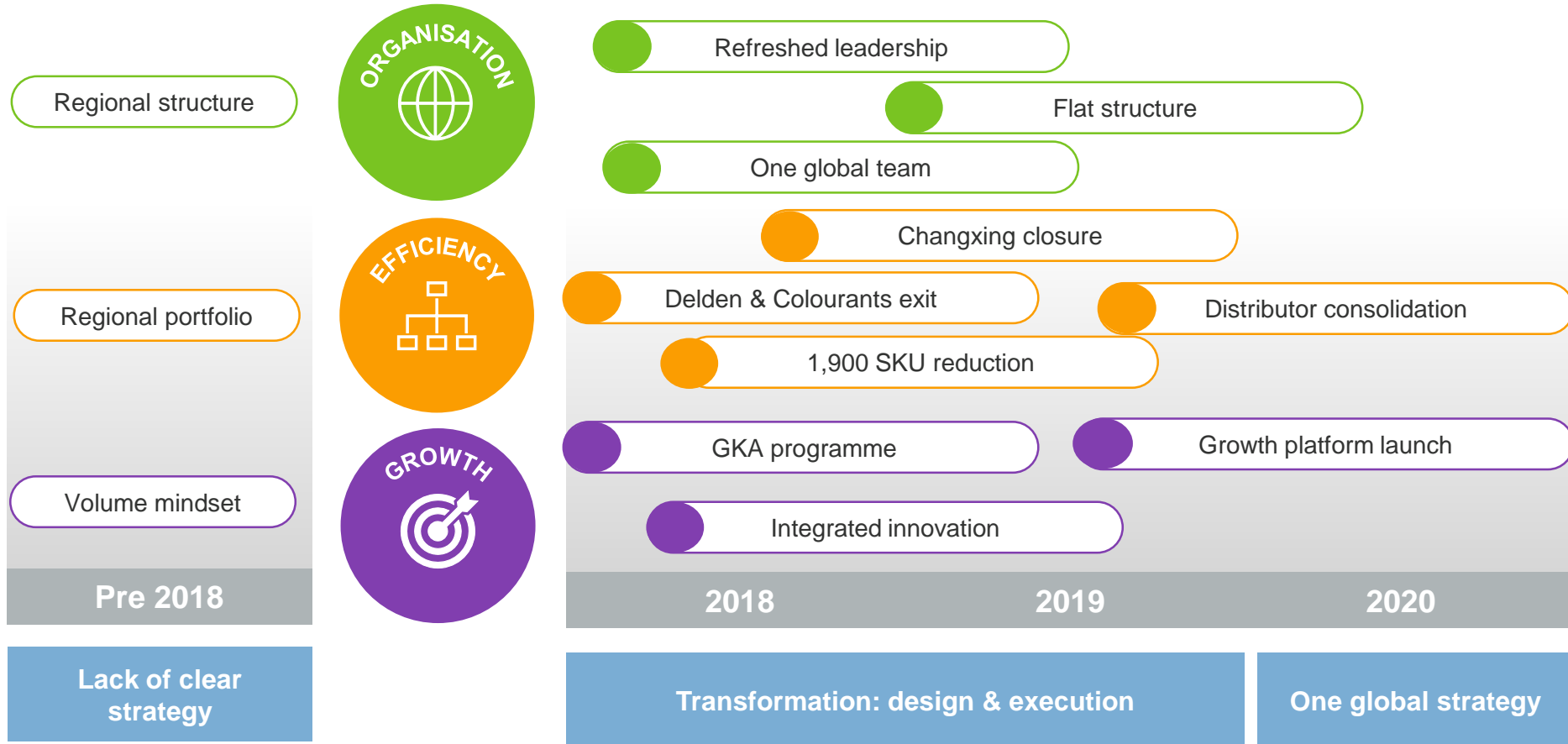


# Coatings transformation

ELEMENTIS

TRANSFORMATION

TRANSFORMATION COMPLETE, ONE GLOBAL GROWTH STRATEGY



- ✓ \$5m cost savings
- \$30m working capital reduction\*
- Doubled GKA pipeline
- 17 new product launches
- 15%+ margin

\* Group figure



STRATEGY

# One global growth strategy

ELEMENTIS

THREE AREAS OF FOCUS



## GROWTH PLATFORMS

Premium Decorative  
Adhesives & Sealants  
Waterborne Industrial Additives  
Performance Hectorite & Talc



## GLOBAL KEY ACCOUNTS

Dedicated Resources  
Integrated Innovation  
Value Over Volume



## GEOGRAPHIC EXPANSION

Portfolio Alignment  
Resource Investment  
Route To Market Optimisation

Medium term  
financial outlook:

**GDP+**  
organic revenue growth

**Improving**  
operating profit margin\*

\*Adjusted operating profit





# Growth platforms

3% H1 REVENUE GROWTH & CONTINUED MOMENTUM

## ENCOURAGING EARLY SUCCESS



### NEW BUSINESS OPPORTUNITIES

- \$9m delivered in 2019
- On track for \$17m in 2020



### ACCELERATED INNOVATION

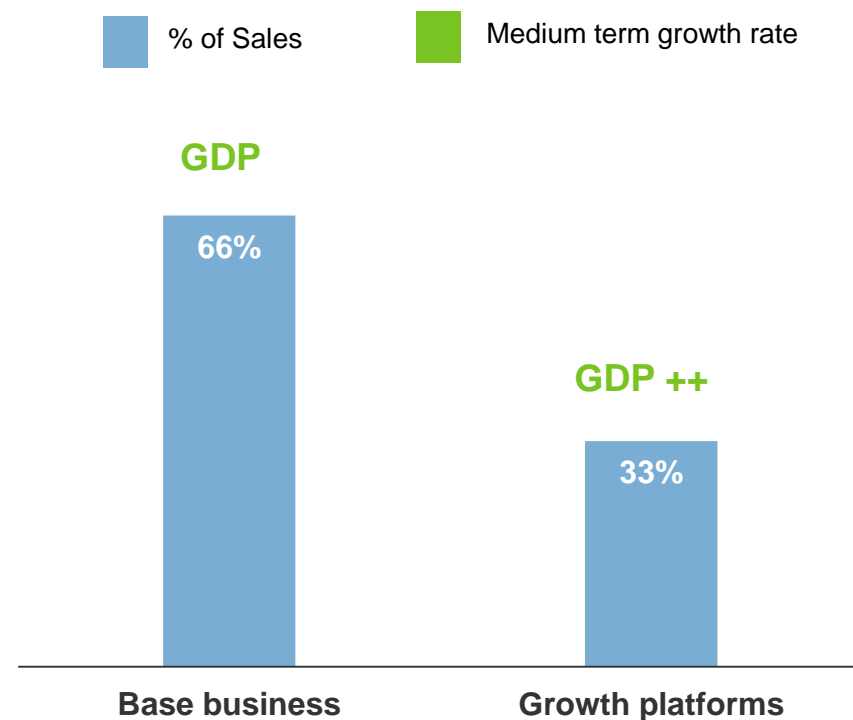
- New products as % of sales up over 100 bps
- 19 new products by end of 2021



### NEW MARKETS

- Thixatrol® for hybrid adhesives & sealants
- Hectorite/Talc for construction applications

## POSITIVE MEDIUM TERM OUTLOOK





# Premium decorative coatings

ELEMENTIS

VALUE DRIVERS AND CUSTOMER IMPACT

## ELEMENTIS HIGH PERFORMANCE DECORATIVE TECHNOLOGY VS TRADITIONAL SYSTEMS



### Performance

Smoother application & improved one coat hide

Up to 50% better stain resistance



### Efficiency

Improved formulation flexibility

Consistent performance across all colours



### Sustainability

VOC, biocide & surfactant free

**\$400m**  
addressable market,  
15-20% share  
aim\*

\* Medium term ambition.



# Premium decorative coatings

ELEMENTIS

TECHNOLOGY IN ACTION

## RHEOLATE® HX 6025 - NEXT GENERATION ONE COAT HIDE

### CHALLENGE:

Effective one coat hide & improved stain resistance in high solid paints

### SOLUTION:

Rheolate® HX 6025 series - up to 50% hide improvement vs industry leading competitors



2019	2020	2021
One coat hide launch	Biocide free launch	Dry system launch
#1 Deco Paint in Consumer Reports	1 <sup>ST</sup> Preservative free NiSAT	1 <sup>ST</sup> Powder to market
9x YTD Revenue*	>\$1m sales in 2020	~20% Addressable market expansion

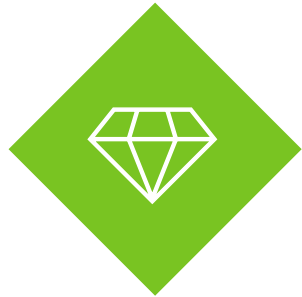
\* 2020 revenue growth vs 2019



# Hybrid adhesives & sealants

VALUE DRIVERS AND CUSTOMER IMPACT

## ELEMENTIS ORGANIC THIXOTROPES VS TRADITIONAL SYSTEMS



### Performance

Clean application  
Improved adhesion



### Efficiency

Up to 30% energy savings  
Up to 50% faster processing



### Sustainability

Naturally derived from castor wax  
Safer & easier handling



**\$150m**  
addressable market,  
growing at 7% per  
annum



# Hybrid adhesives & sealants

TECHNOLOGY IN ACTION

## THIXATROL® AS8053 – LOWER TEMPERATURE ACTIVATION & IMPROVED PERFORMANCE

<b>CHALLENGE:</b>	Rheology modifier for hybrid adhesives that cost effectively improves performance
<b>SOLUTION:</b>	Thixatrol® AS8053 series - faster throughput, lower temperature activation & material cost savings

**2x**  
*Customer base in 2020*

**30%**  
*YTD revenue growth*

**300%**  
*YTD pipeline growth\**

# Enhanced Performance

**THIXATROL® 8053**  
LESS temperature and LESS time

Click [here](#) for animation

\* New business opportunity pipeline



# Waterborne industrial additives

VALUE DRIVERS AND CUSTOMER IMPACT

## ELEMENTIS WATERBORNE TECHNOLOGY VS TRADITIONAL SOLVENT SYSTEMS



### Performance

Solvent like performance with WB technology

Improved visual aesthetics



### Efficiency

Faster production throughput

Thinner coatings

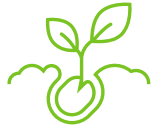


### Sustainability

Lower VOCs

Easier & safer to handle





GROWTH  
PLATFORMS

# Waterborne industrial additives

ELEMENTIS

TECHNOLOGY IN ACTION

## THIXATROL® 5020W - WATERBORNE METALLIC COATINGS

### CHALLENGE:

Waterborne technology that delivers improved flake orientation in coatings

### SOLUTION:

Thixatrol® 5020W - enhanced visual appearance and sustainability

**26%**

YTD revenue growth

**New space**

Entrance into consumer electronics

**500+**

Customer trials in progress

**Metallic Challenges**

**THIXATROL® 5020W**  
Mastering the 4 CHALLENGES of metallic coatings

Click [here](#) for animation



# Talc in coatings

## VALUE DRIVERS AND CUSTOMER IMPACT

### 1. Performance

### 2. Efficiency

### 3. Sustainability

#### DECO

Improved scrub & stain resistance

Ready to use slurry, >30% increase in efficiency

Enables VOC reduction

#### INDUSTRIAL

Improved corrosion resistance and binding

Surface treated Talc

Enables VOC reduction

#### CONSTRUCTION

Better water resistance in tile mortars

Functional extenders for additives

Naturally derived material





# Talc in coatings

\$10-15M SYNERGY DELIVERY ON TRACK

## GLOBAL EXPANSION IN PROGRESS & MORE TO COME

- ✓ **Increased geographic penetration**
  - 13 new geographies
  - 60 new customers

- ✓ **Increased customer penetration**
  - 30% increase in ship to locations

- ✓ **Encouraging momentum**
  - \$10m new business pipeline





GLOBAL KEY  
ACCOUNTS

# Global key accounts

DELIVERING CUSTOMER VALUE

ELEMENTIS

## INCREASED CUSTOMER INTIMACY



### DEDICATED RESOURCES & STRUCTURE

- Doubled NBO pipeline
- Preferred supplier to world's largest coatings companies



### INTEGRATED INNOVATION

- Launch of joint innovation projects
- Global innovation partner to leading players

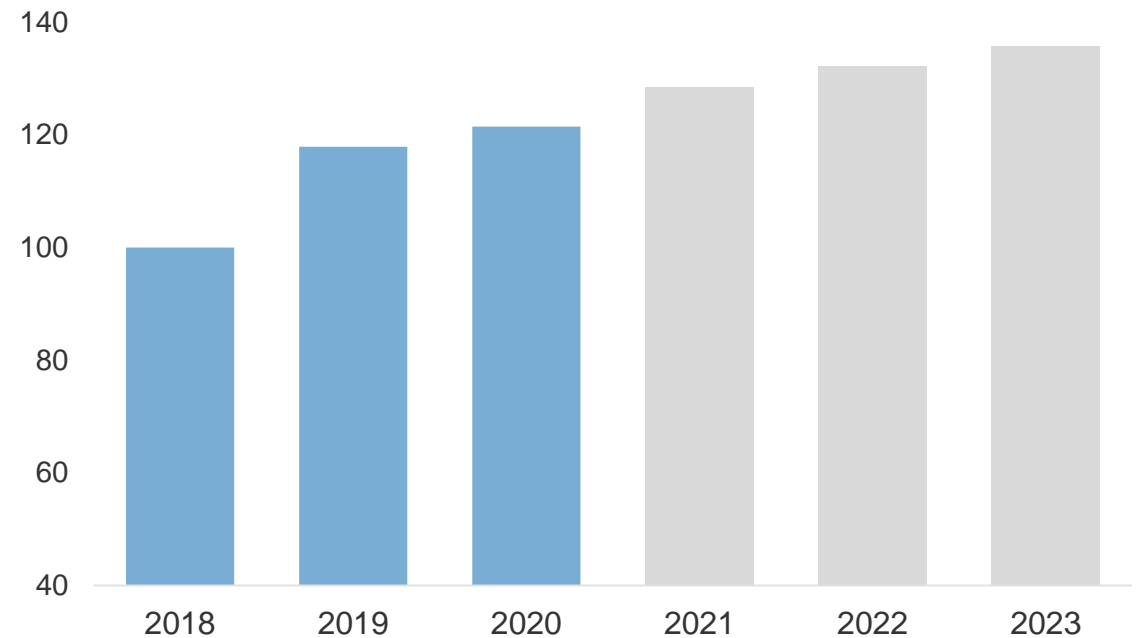


### VALUE OVER VOLUME STRATEGY

- Contribution margin enhancement
- Performance series

## FOCUSED PROFITABLE GROWTH

Global Key Accounts - Contribution margin (%)



Note: 2018 = 100



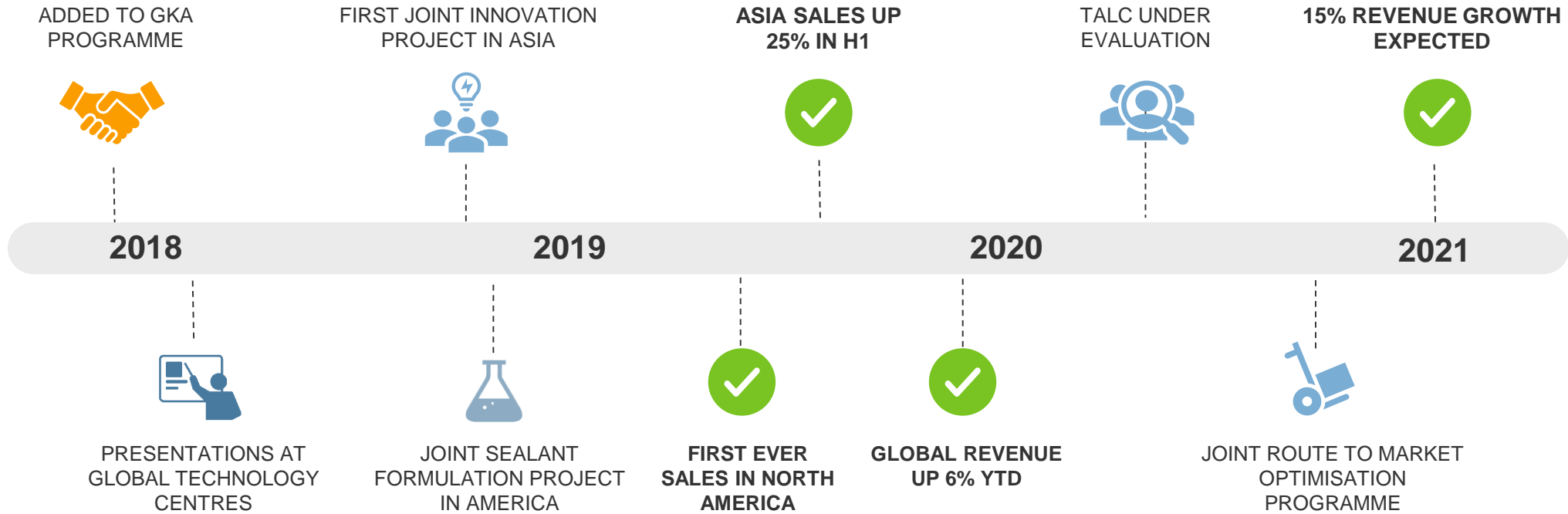
GLOBAL KEY ACCOUNTS

# Global key accounts

ELEMENTIS

CASE STUDY – LEADING GLOBAL ADHESIVE & SEALANTS PRODUCER

PRE 2018  
Good EMEA relationship,  
no presence elsewhere





GEOGRAPHIC EXPANSION

# Geographic expansion

ELEMENTIS

INVIGORATING GROWTH IN UNDER-SERVED MARKETS

## SOUTH EAST ASIA – UNDERWEIGHT IN A GROWTH MARKET



### Large & high growth market

- \$100m addressable market
- Growing at 5-7% CAGR



### Elementis underweight

- Market share: 50% of global average



### Addressable market trends

- Increasing middle class
- Waterborne industrial transition
- Local champions

## ACTIONS TO DRIVE IMPROVED FUTURE PERFORMANCE



### PORTFOLIO

Targeted product offering



### RESOURCES

Investments to fund growth



### ROUTE TO MARKET

Bring accounts direct where possible

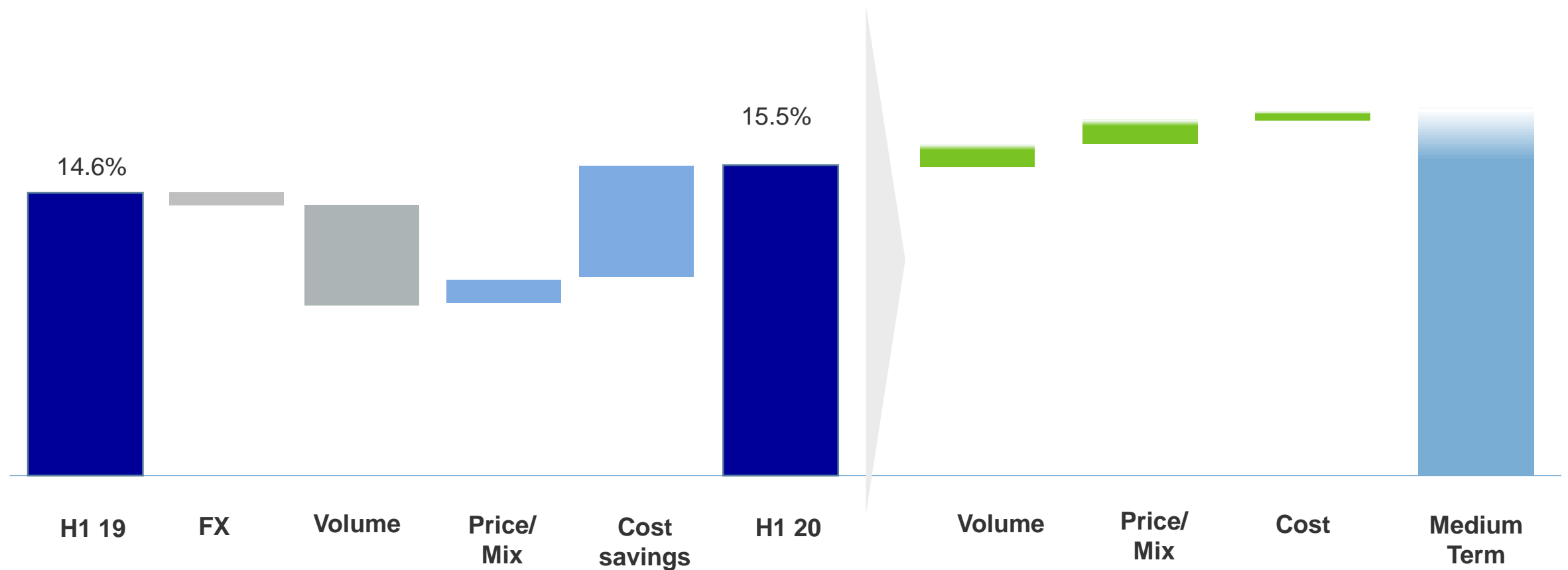


\* Medium term ambition.

# Margin improvement

CLEAR MEDIUM TERM ROADMAP

ADJUSTED OPERATING PROFIT MARGIN



Note: Graph not drawn to scale

# Key messages



1

Coatings transformation complete

2

Clear growth strategy – growth platforms, global key accounts & geographic expansion

3

Execution of CMD growth opportunities - early successes

4

Well positioned for growth & margin improvement