

# Elementis plc 2023 Interim Results

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# Results agenda

## Introduction

Paul Waterman

## Highlights & segmental performance

Paul Waterman

## Group financials

Ralph Hewins

## Outlook & priorities

Paul Waterman

## Questions

Paul Waterman & Ralph Hewins



Unique chemistry, sustainable solutions

ELEMENTIS

# Highlights

Paul Waterman, CEO



# Key messages

Elementis, post Chromium, is a less cyclical, higher margin and lower carbon intensity business

01

Expectations unchanged - full year performance improvement & leverage reduction on track

02

Pricing discipline & cost management help to offset challenging demand environment

03

Strong Personal Care performance, now 44% of total Group earnings

04

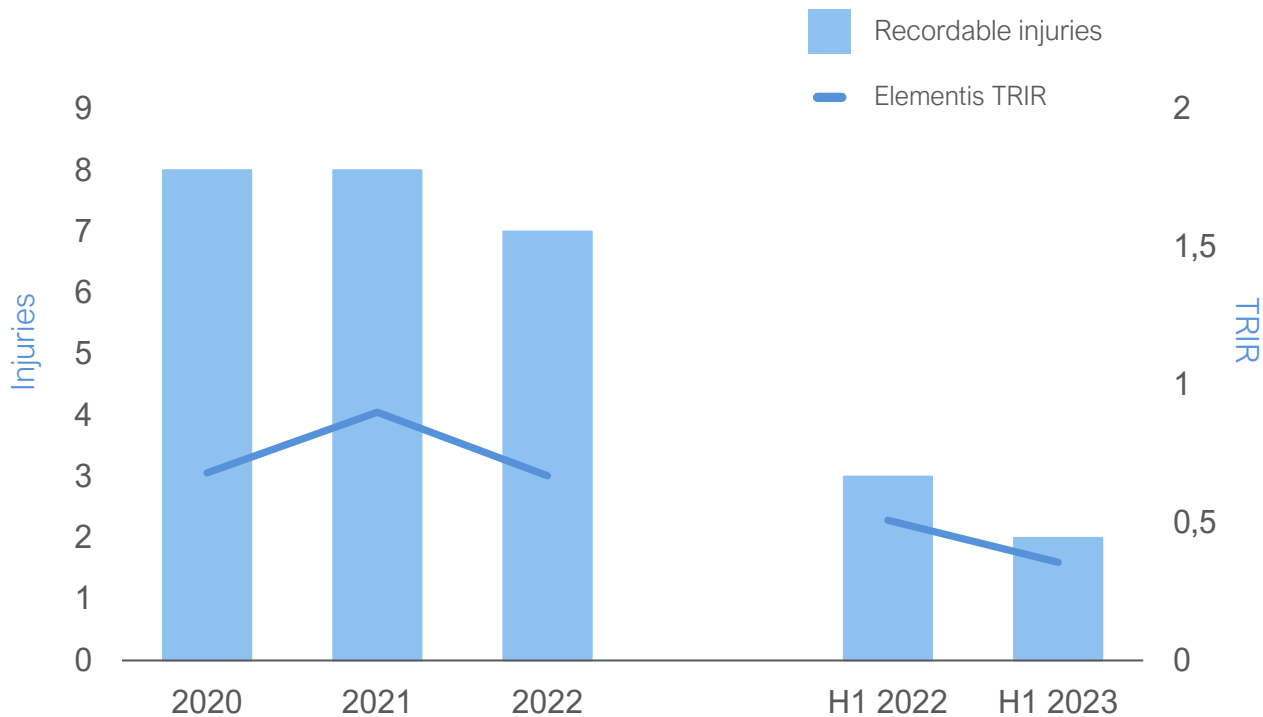
Coatings volumes materially impacted by weak demand and continued destocking

05

Talc financial turnaround on track

# Continued focus on safety

## Safety performance



Note: All historical data excludes Chromium. TRIR = Total Recordable Incident Rate (incidents per 200,000 hours worked)

## Highlights



### Performance

Improved first half performance  
72% of plants with zero employee injuries for > 1 year



### Safety initiatives

Global safety week campaign  
New Global HSE Director  
New HSE management framework

# Resilient performance

## H1 2023 financial overview

\$m	H1 22 (reported)	H1 22 (continuing)	H1 23 (continuing)	% Change (continuing)
Sales	478	387	<b>364</b>	-6%
Operating profit*	66	58	<b>53</b>	-10%
Operating margin*	13.7%	15.0%	<b>14.4%</b>	-60bps
Profit before tax*	53	46	<b>45</b>	-3%
Diluted EPS*	7.1c	6.1c	<b>5.6c</b>	-8%
Net debt	393	393	<b>255</b>	-35%
Net debt / EBITDA	2.4x		<b>2.0x</b>	

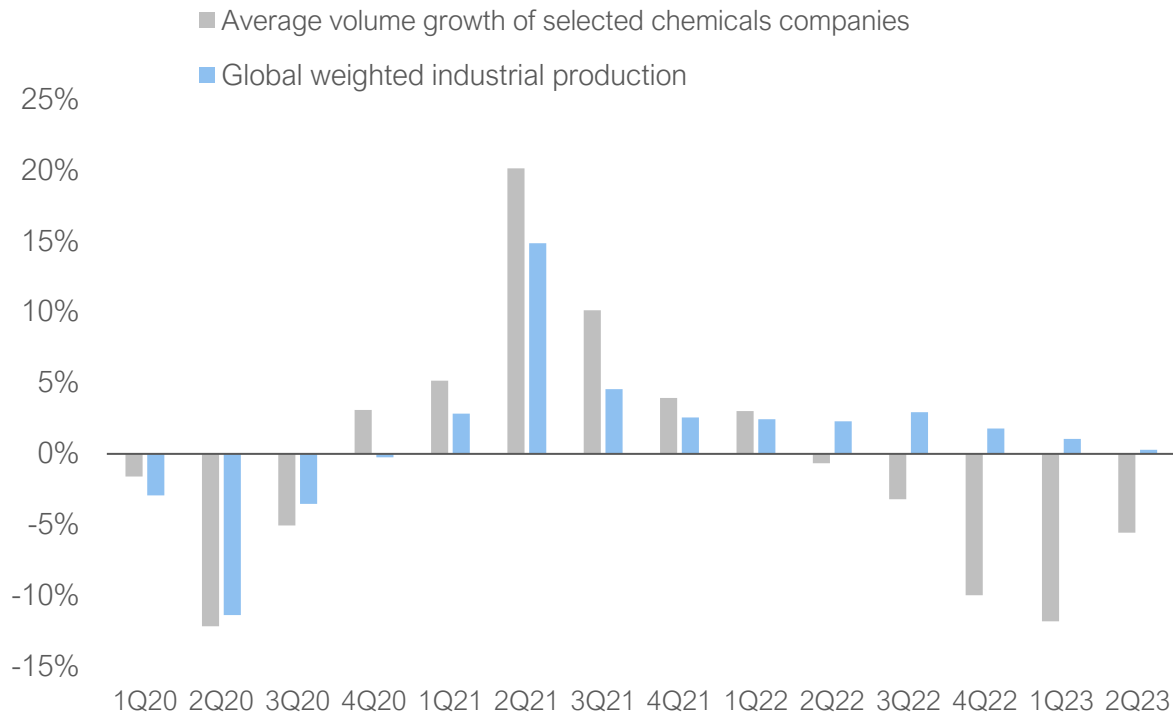
Note: Continuing operations exclude the discontinued Chromium business. Net debt/EBITDA calculated on a 12 month basis, pre IFRS 16

\* After adjusting items

# Self help actions underpin delivery

Improved portfolio quality & proactive cost management in action

Weak market demand & destocking....



Source: JP Morgan

...partially offset by self help actions







# Continued focus & strategy implementation

H1 2023 highlights


## Innovation



8 new products launched




Innovation sales – 14% of total




27 joint development projects with global key accounts


## Growth



\$25m new business won




16% colour cosmetics growth




Talc recovery plan on track


## Efficiency



\$10m of savings by 2023 underpinned



Chromium stranded costs elimination on track



India AP Actives ramp up

**CMD – 14<sup>th</sup> November:** Strategy update

# Segmental performance

# Personal Care performance

Strong revenue and earnings growth

			H1 23 vs H1 22 % change
\$m	H1 22	H1 23	Constant currency <sup>1</sup>
Sales	106	112	+7%
Operating profit*	24	27	+16%
Operating margin*	22.7%	24.5%	



Double digits cosmetics growth



Resilient AP Actives performance



Sales growth & cost management drive margin increase

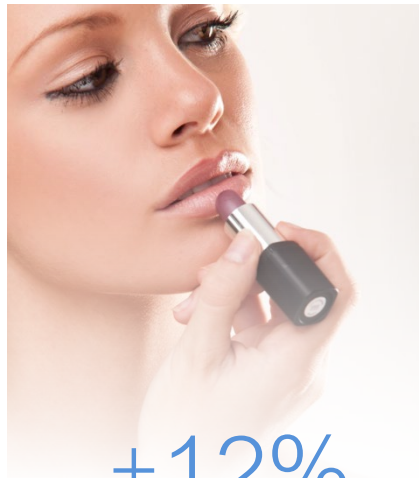
\* After adjusting items <sup>1</sup> Adjusted for constant currency

Note: H1 22 results are restated to account for the allocation of stranded costs related to the Chromium business

# Personal Care performance

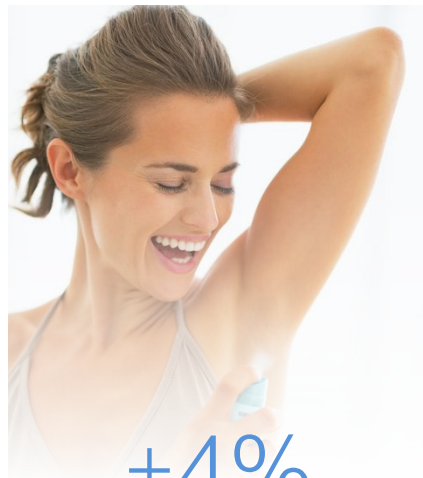
## Demand recovery continues

Key categories continue to recover...



**+12%**

European cosmetics  
retail volumes  
H1 23 vs H1 22

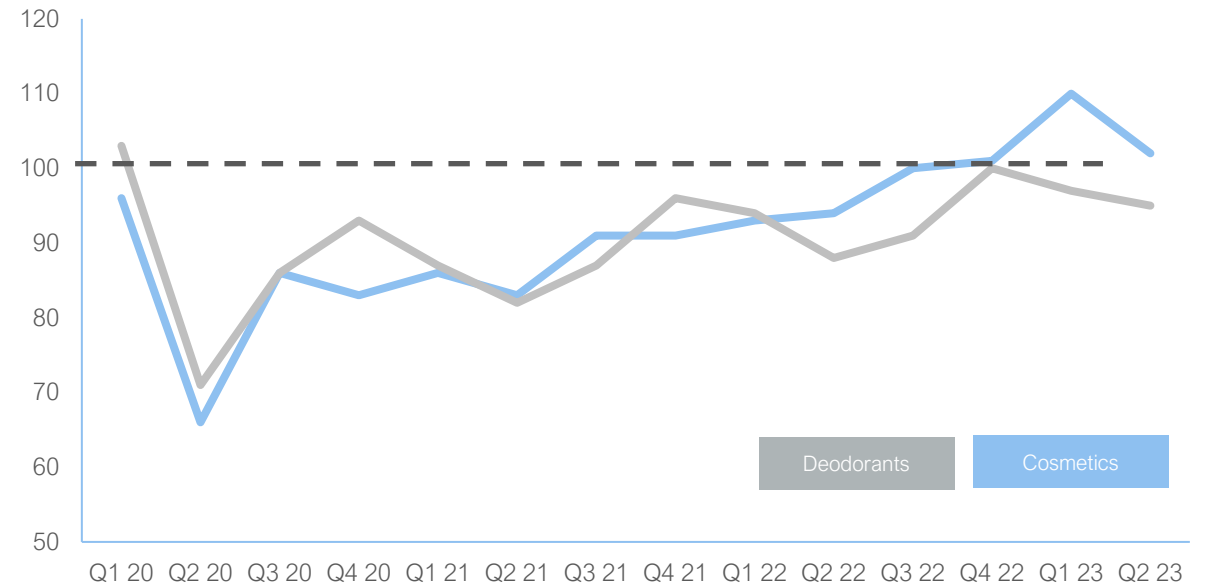


**+4%**

European deodorants  
retail volumes  
H1 23 vs H1 22

...and market volumes now back around 2019 levels

European Retail Volumes Growth (y-o-y)



Source: Nielsen European Retail Sales Data Note: 2019 = 100



# Personal Care performance

## Strategic progress



### Skin care

7% revenue growth

\$22m NBO pipeline,  
up 47% on prior year

New product momentum  
- Bentone Hydroclay™ 700



### Colour cosmetics

16% revenue growth

New product momentum – Bentone®  
Plus Glow launch

National Lipstick Day – 29 July



### AP Actives

India ramp up complete

Creates resilient & highly competitive  
global supply chain

Positive impact from recent new  
product launches



### Asia

34% growth in SE Asia

New Japan compliant gels

\$27m NBO pipeline in Asia driven by  
increased sales team investment





# Performance Specialties performance

Coatings destocking, NBOs, Talc performance recovery

			H1 23 vs H1 22 % change
\$m	H1 22	H1 23	Constant currency <sup>1</sup>
Sales	282	252	-9%
Operating Profit*	45	34	-21%
Operating margin*	15.9%	13.7%	

\* After adjusting items <sup>1</sup> Adjusted for constant currency

Note: H1 22 results are restated to account for the allocation stranded costs



Improved price/mix partially offsets double digit volume decline in Coatings



Talc performance recovery on track



\$16m new business opportunities

# Coatings performance

Resilient margin performance in a challenging demand environment



			H1 23 vs H1 22 % change
\$m	H1 22	H1 23	Constant currency <sup>1</sup>
Sales	209	181	-12%
Operating Profit*	42	25	-38%
Operating margin*	20.2%	14.0%	



Weak demand environment & material customer destocking



Resilient pricing and mix



Similar demand and performance levels to H2 22

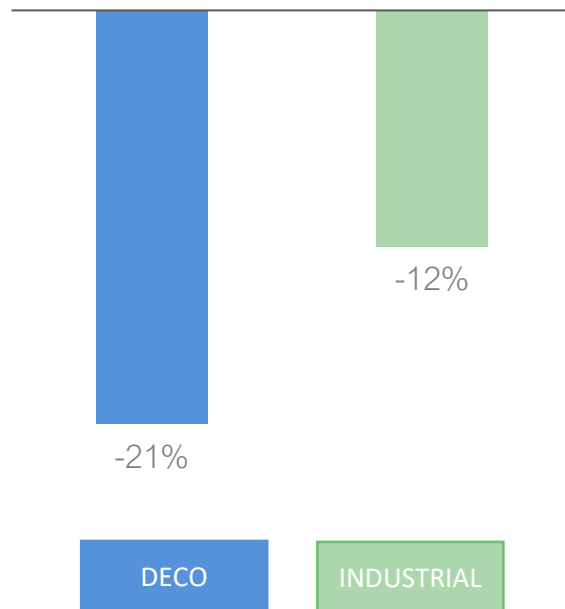
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Note: H1 22 results are restated to account for the allocation stranded costs

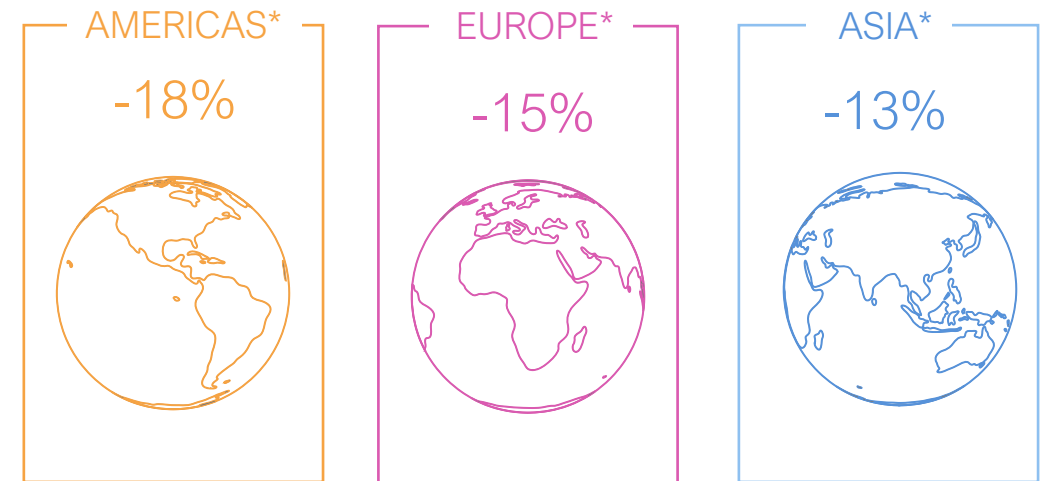
# Coatings performance

Weak demand and destocking across all markets and regions

Sector Growth\*



Regional Growth\*



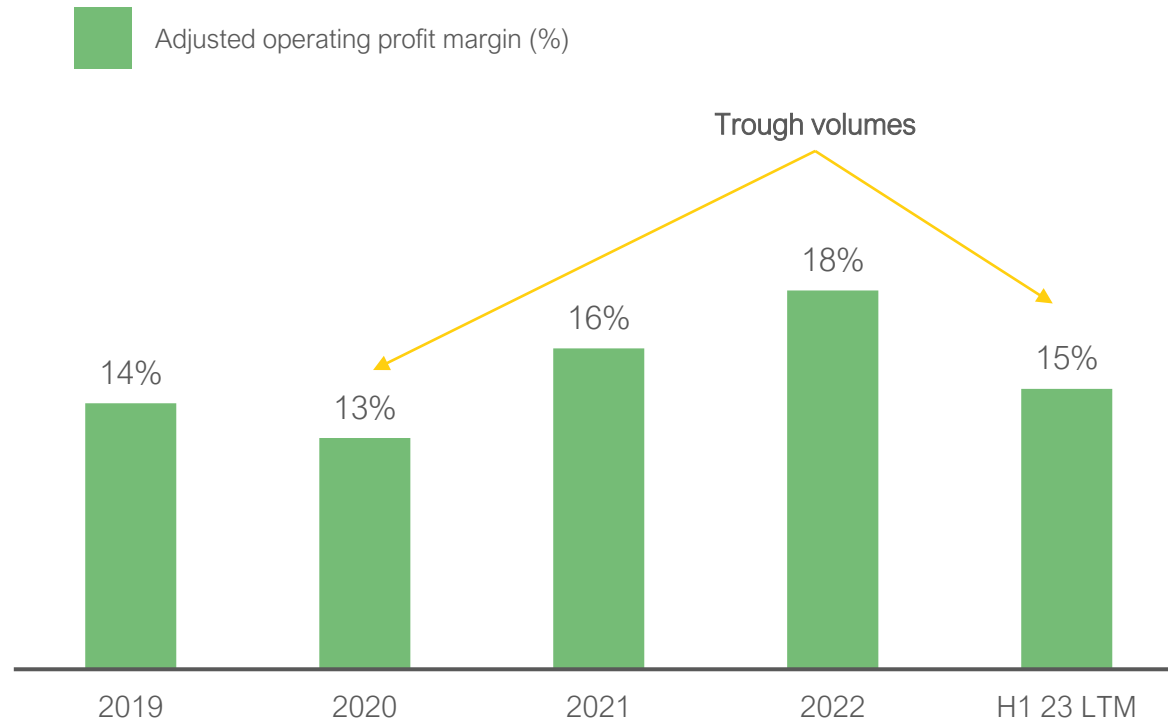
Global key accounts\*



Note: \* Constant currency sales growth, excluding energy

# Coatings performance

Self help actions drive quality improvement



## Portfolio Optimisation

Charleston & St Louis consolidation  
Commodity resin exit in 2019/20  
High margin, product capacity expansion



## Accelerated Innovation

24 new products launched since 2019  
Global technology partner to 10 leading coatings players



## New business momentum

c.\$80m of opportunities captured since 2019  
Growth platforms now c. 40% of total revenue



Talc

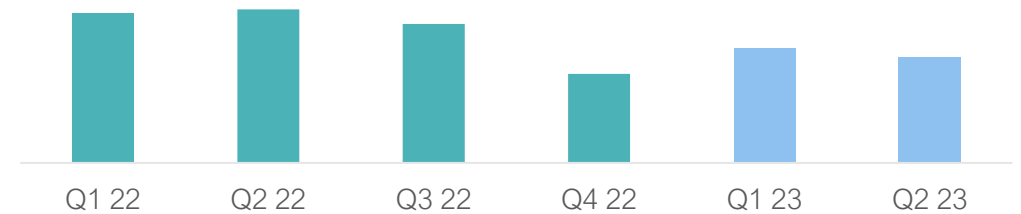
# Talc performance

## Financial recovery driven by self-help

			H1 23 vs H1 22 % change
\$m	H1 22	H1 23	Constant currency <sup>1</sup>
Sales	73	71	-
Operating Profit*	3	9	+246%
Operating margin*	3.7%	12.7%	

\* After adjusting items <sup>1</sup> Adjusted for constant currency  
 Note: H1 22 results are restated to account for the allocation stranded costs

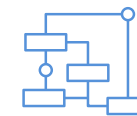
### Sequential volume stabilisation ...



### ...and self-help actions drive performance



Cost actions – simplified structure and moderated cost inflation



Pricing – benefits from H2 2022 actions



Portfolio optimization – value over volume strategy





Talc

# Talc performance

Focused plan to recover profitability



## Actions to date

- Multiple pricing actions to recover margins
- Simplified leadership structure
- Global consolidation of sales force & distribution network



## Actions in progress

- Refocus on higher margin value added segments
- Pursuing attractive market adjacencies
- Organisational synergies on track, \$2m by end 2024



## 2023 Outlook

- Continued profit recovery
- Stable volumes
- Targeting \$5m new business

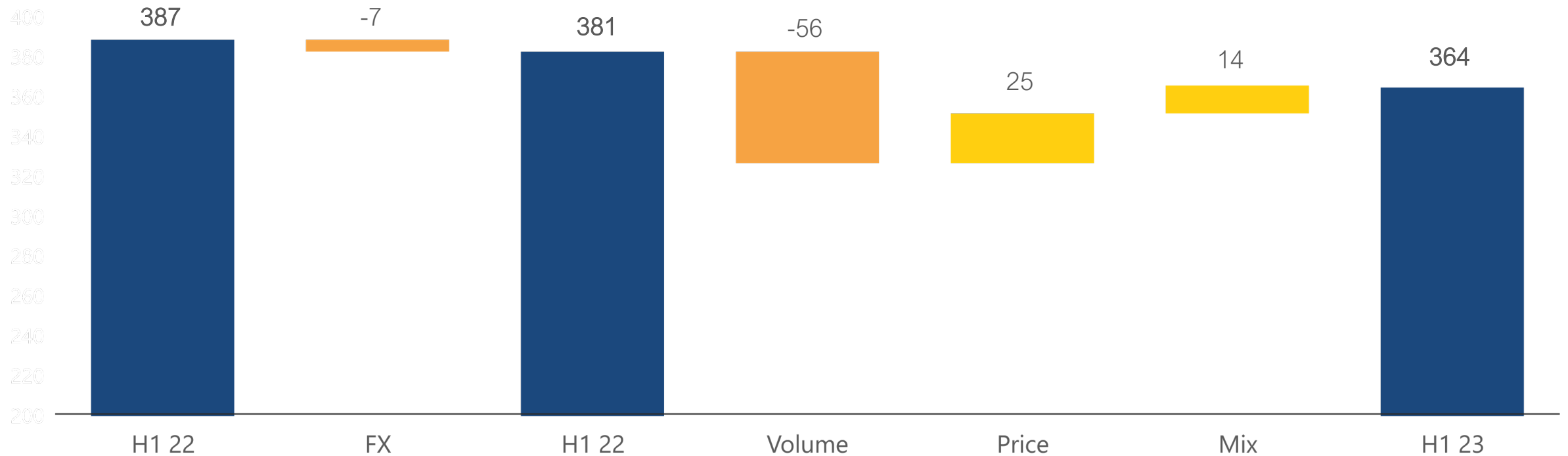
# Group Financials

Ralph Hewins, CFO



# Group revenue (\$m)

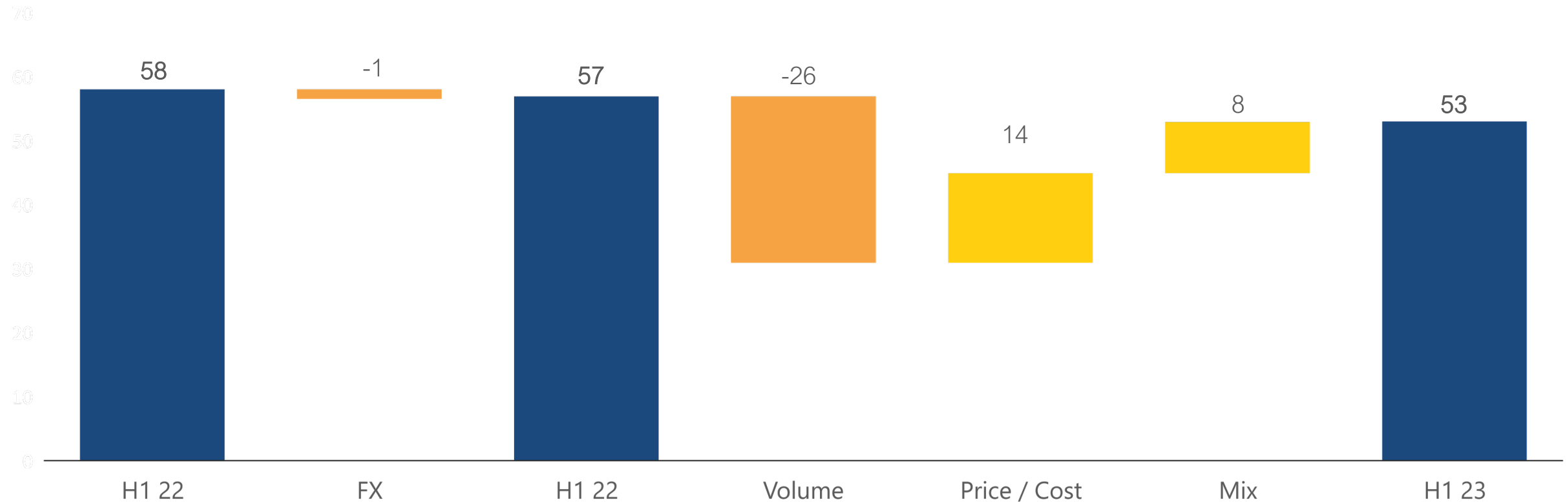
Volume headwinds partially offset by improved price/mix



Note: Bridge shown on a continuing operations basis and may not cast due to rounding

# Group operating profit (\$m)

Pricing resilience and cost actions optimise performance



Note: Bridge shown on a continuing operations basis and may not cast due to rounding

# Proactive cost management optimises performance

Continued focus on efficiency

\$10m of cost savings in 2023



Near term cost response – limited T&E and hiring, optimised production plans etc.

\$7m chromium stranded cost elimination on track

\$3m of continuous improvement & procurement savings

2024 and beyond



Full impact of India plant ramp up

Full benefits of Chromium simplification

Next wave efficiency actions – November CMD



# Cash flow

Chromium disposal proceeds significantly reduces debt

\$m	H1 22	H1 23
EBITDA	78	74
Change in working capital	(51)	(46)
Capital expenditure	(15)	(14)
<b>Operating Cash Flow</b>	12	14
Pensions	-	(1)
Interest	(11)	(11)
Tax related payments	(9)	(11)
Other	(3)	(2)
<b>Free Cash Flow</b>	(11)	(11)
Acquisitions and disposals	-	139
Currency fluctuations	13	(4)
Discontinued operations	6	(12)
One off items	(1)	(1)
<b>Net Cash Flow</b>	8	111
Net debt	393	255
Net debt/EBITDA*	2.4x	2.0x

Working capital outflow linked to sales and debtors evolution - in line with typical seasonality

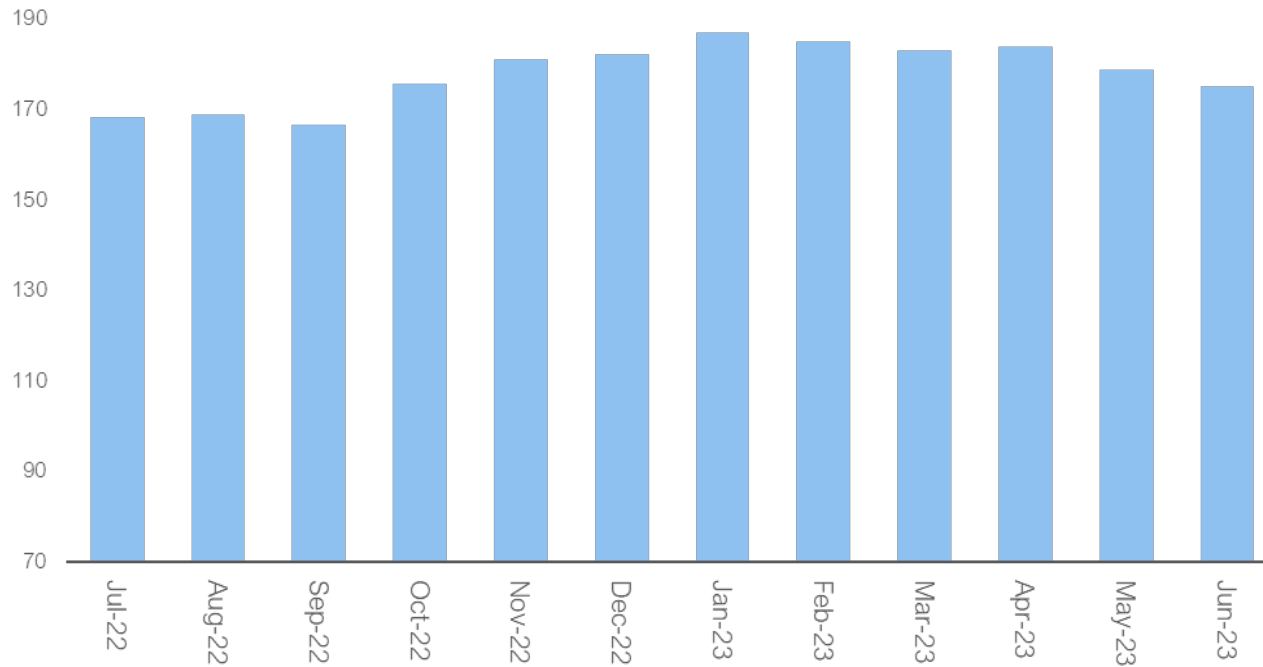
\$139m Chromium disposal proceeds

Notes: \*Based on last twelve months adjusted pro forma EBITDA excl. IFRS 16. Table may not cast due to rounding

# Working capital

Focus on reducing inventories

Total inventories (\$m)



Note: All inventory data excludes the Chromium business



\$10m inventory reduction in last 2 months



Initiatives to further reduce inventory position

Finished goods rebalancing

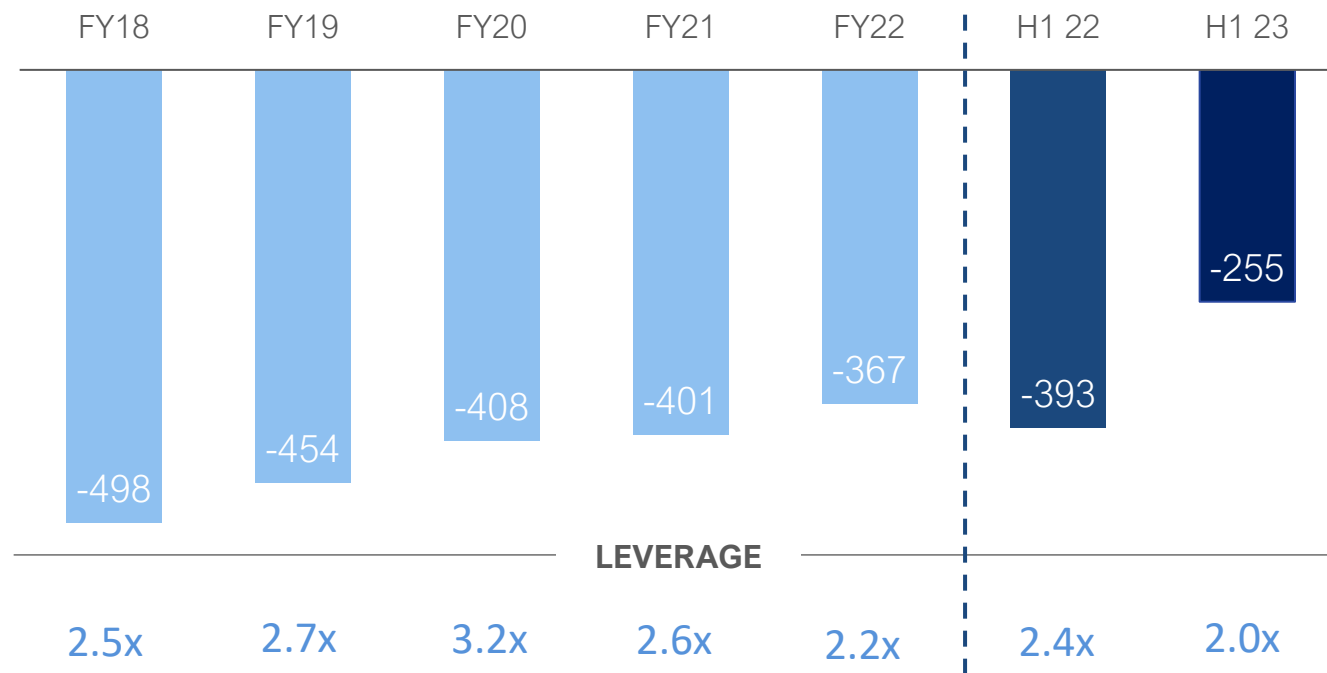
Improved forecasting /scheduling

Optimized plant production schedules

# Financial leverage

Substantial debt reduction post chromium

Net debt and leverage evolution \$m<sup>1</sup>



Leverage reduction on track



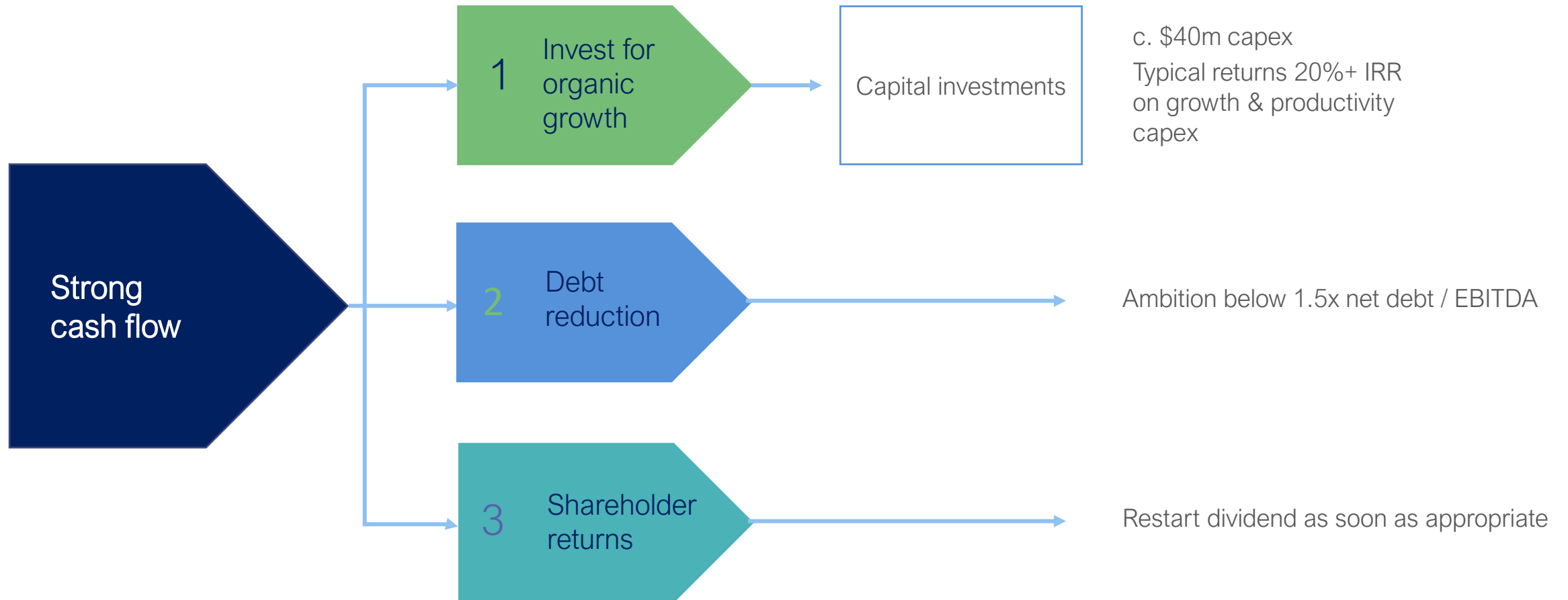
\$139m Chromium proceeds



1.5x medium term leverage target

<sup>1</sup> Excluding finance leases on a pre IFRS 16 basis. H1 23 leverage calculated based on LTM continuing EBITDA.

# Disciplined capital allocation



Unique chemistry, sustainable solutions

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# Outlook & Priorities

Paul Waterman, CEO



# Group: Medium-term objectives

Continued financial progress - committed to achieving 17% margin

	2021	2022	H1 23	Objective
<b>Margin improvement</b> Adjusted operating profit margin <sup>3</sup>	12.4%	13.6%	14.4%	17%
<b>Cash conversion</b> Operating cash conversion <sup>1,2</sup>	112%	87%	73%	> 90%
<b>De-leveraging</b> Net debt / EBITDA	2.6x	2.2x	2.0x	< 1.5x

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

2 Last three year average

3 2021 and 2022 include discontinued operations

# 2023 Outlook

Guidance unchanged - on track for improved full year financial performance & deleveraging

## 01


Clear strategy focused on attractive growth opportunities

## 02

Continued focus on operational excellence and cash generation

## 03

Assumed stable macro environment in H2



Well positioned to make continued financial progress – in line with expectations

# Capital markets day

Strategy update

Tuesday, 14 November, 14.00 – 17.00

Sea Containers, London

**Paul Waterman**  
President and CEO

**Ralph Hewins**  
CFO

**Luc van Ravenstein**  
Senior Vice President, Performance Specialties

**Stijn Dejonckheere**  
Senior Vice President, Personal Care

**Joe Lupia**  
Senior Vice President, Global Technology

Unique chemistry, sustainable solutions







# Appendix

# FY 23 Technical Guidance

## P&L

- Depreciation – \$40-\$45m (of which c. \$5m is IFRS 16 related)
- Amortisation – c. \$15m (of which majority is amortization of acquired intangibles)
- Tax – adjusted effective rate c. 25-26%

## Cash

- Net interest c. \$20m
- Capex c. \$40m



# Adjusting items

\$m Expense/(Income)	H1 22	H1 23
Amortisation of intangibles arising on acquisition	8	7
Environmental provisions	(1)	-
Business transformation/other	1	1
Impairment (Goodwill/PPE)	23	-
<b>Net P&amp;L adjusting items*</b>	<b>31</b>	<b>9</b>

\* Impact on continuing operating profit

Note: Table may not cast due to rounding

Cash component of adjusting items is  
c. \$1m

Environmental provisions increase offset  
by discount rates

# Tax charge

FY 23 tax guidance 25-26%

\$m	H1 22	H1 23
Adjusted tax charge	10	12
Tax charge: adjusting items	(5)	(3)
Reported tax charge	5	9
<b>Adjusted tax rate*</b>	22%	26%

\* Impact on continuing operating profit

For more details  
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