

## Elementis Plc

## 2019 Capital Markets Day

## Innovation. Growth. Efficiency.

## Clear medium term financial and performance objectives

Elementis will hold a Capital Markets Day for analysts and investors today to provide an update on its strategy. With strong positions in attractive markets we see clear growth and margin improvement opportunities and expect to deliver strong, sustainable returns over the medium term.

## Clear medium term Group performance objectives

- Adjusted operating profit margin of 17%
- Operating cash conversion of at least 90% per annum
- Financial leverage of under 1.5x net debt/EBITDA

Paul Waterman, CEO of Elementis Plc commented

“Elementis has made significant progress over the last three years to transform its portfolio and to re-position itself as a premium performance additives company with advantaged positions in growing markets. Coming through a challenging market backdrop in 2019, our medium term priorities are clear. The execution of our innovation, growth and efficiency strategy will address our customers’ most challenging problems whilst driving sustained value creation. We are excited about the potential at Elementis for material growth opportunities and margin improvement alongside strong cash generation.”

## Enhanced performance through applied innovation

Innovation is at the heart of what we do. Elementis is a global leader in performance-driven additives that help create innovative solutions for our customers. Leveraging our capabilities in rheology, surface chemistry and formulation, we help customers respond to their biggest challenges through deep partnerships, ongoing technical support and consistent quality, service and delivery. This focus on market leading innovation will drive our growth ambitions.

## Growth – Personal Care, Talc and Coatings

Approximately 80% of Elementis’ earnings are generated from Personal Care, Talc and Coatings; businesses with enduring competitive advantages and clear growth opportunities:

- In **Personal Care**, the growth of premium cosmetics in Asia and natural skin care ingredients are clear opportunities for our unique hectorite clay and talc based ingredients. Emerging market growth and increasing product performance requirements will drive growth in the antiperspirant actives category. Elementis is well positioned to capture these attractive opportunities and grow revenue well above GDP levels with high and stable operating profit margins over the medium term.
- As part of Elementis, **Talc** has been successfully integrated and is the global #2, serving growing high end industrial applications. It is well positioned to expand its market share outside of Europe and address the opportunities presented by global mega trends. Vehicle light weighting, emission regulations and reduced single use plastic consumption are expected

to drive strong sustainable demand for Elementis Talc ingredients. There is also significant revenue synergy potential (on track for \$20- 25m by 2023) leveraging Elementis' global reach, customer relationships and innovation expertise. As a result, over the medium term Talc is expected to grow revenue well above GDP with an improving operating profit margin.

- In **Coatings** we are a leading supplier of high value, premium additives, critical to performance. Our Coatings transformation programme has created an integrated, simpler and more customer centric organisation bringing margin improvement and focused, profitable growth. We see clear growth opportunities in premium decorative, waterborne industrial additives, adhesives & sealants and talc. We are targeting GDP+ organic revenue growth over the medium term, with an improving operating profit margin.

#### **Efficiency and simplification - \$15m of fixed cost savings by 2022**

We remain intent on building a more efficient business and fit for purpose organisation to strengthen our platform for growth and increase our agility. In addition to the \$10m cost savings being delivered in 2019, we aim to deliver a further \$15m of savings by 2022. This is comprised of approximately \$5m organisational efficiencies and around \$10m global supply chain savings from network efficiency and optimising third party production. A key enabler of these savings will be the further digitisation of Elementis, as we create a simpler and faster operating model and IT infrastructure.

#### **Strong operating cash flow to continue – disciplined capital allocation**

Elementis is targeting operating cash conversion of at least 90% per annum with underlying growth in adjusted operating profit and is on track for \$30m of working capital savings by 2020 with more to come thereafter. Capex is expected to be approximately \$50m per annum of which over half will be growth and productivity oriented, including a \$20m investment in a new site in Mumbai, India starting up in H2 2020.

#### **Financial deleveraging focus – under 1.5x EBITDA**

Financial deleveraging is a key focus. The execution of our medium term innovation, growth and efficiency priorities combined with strong cash generation will drive a clear deleveraging profile. Our medium term leverage objective is under 1.5x EBITDA, with further reduction thereafter.

#### **Enquiries**

##### **Elementis plc**

James Curran, Investor Relations

Tel: 020 7067 2994

##### **Tulchan**

Martin Robinson/David Allchurch

Tel: 020 7353 4200

Elementis Plc will be hosting a presentation for analysts and investors covering the Group's refreshed strategy and targets starting at 2.30pm today. The presentation will be webcast live at [www.elementis.com](http://www.elementis.com). A recording of the webcast will be made available on the website shortly after the presentation.