ELEMENTIS

A global specialty chemicals company

2019 Interim results

Enhanced Performance Through Applied Innovation

Cautionary statement

JULY 2019

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Results agenda

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INTRODUCTION
Paul Waterman

FINANCIAL HIGHLIGHTS
Ralph Hewins

PERFORMANCE & OUTLOOK
Paul Waterman

QUESTIONS
Paul Waterman & Ralph Hewins

Safety

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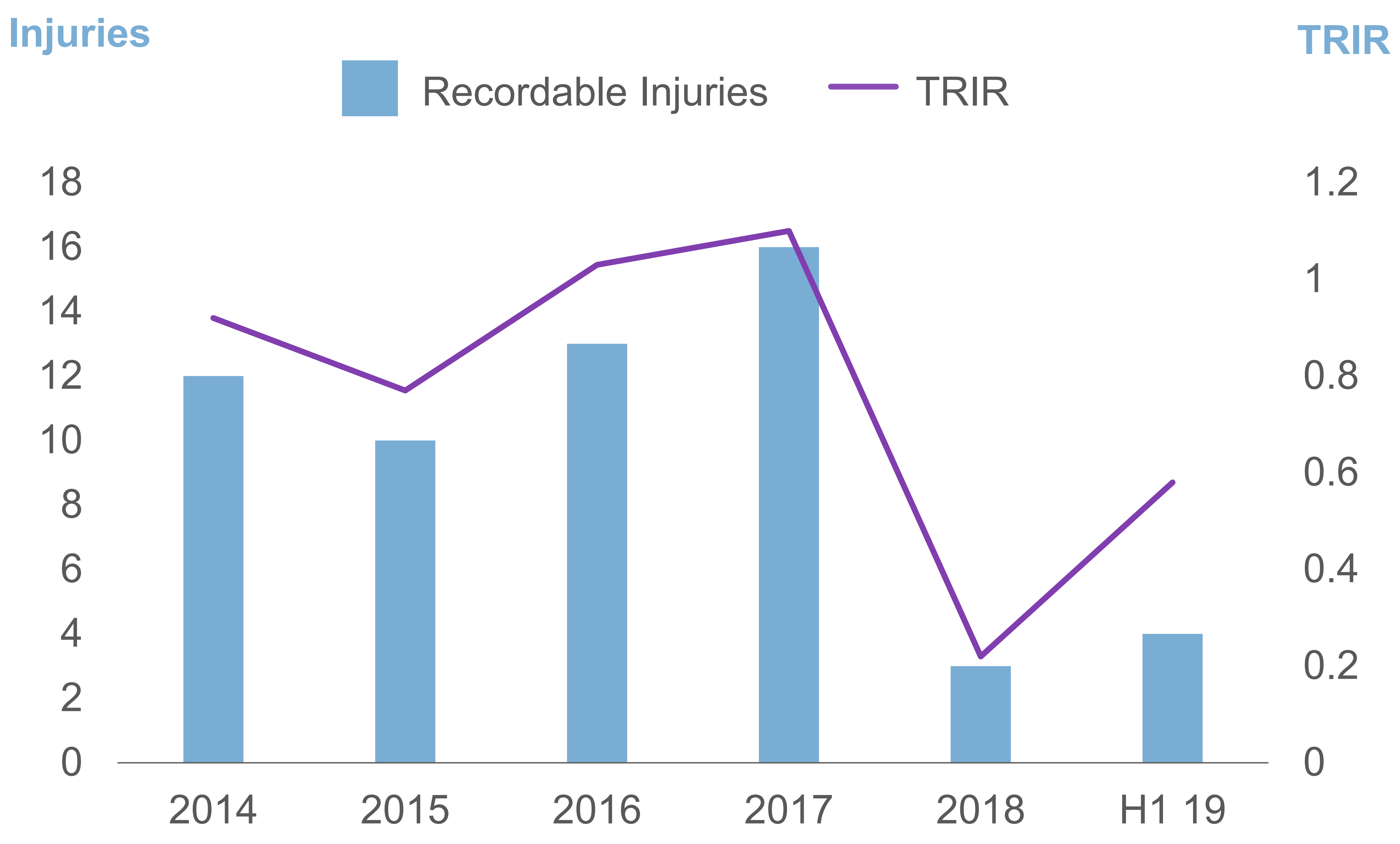
FOCUSING ON CONTINUOUS PERFORMANCE IMPROVEMENT

RECORDABLE INCIDENT RATE (TRIR)



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

HIGHLIGHTS

Performance

- Four recordable injuries
- Zero lost time accidents (LTAs)
- No reportable spills

Safety investments to reduce operational risk

Interim results

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IMPROVED MOMENTUM AND MANAGEMENT ACTIONS TO DRIVE STRONGER H2 PERFORMANCE

1. Challenging demand environment
2. Q1 destocking, Q2 recovery
3. H2 underpinned by self help and strong cash generation
4. Compelling growth opportunities

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Financial Highlights

Ralph Hewins

2019 interim results

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WEAK DEMAND ACROSS ALL SEGMENTS, Q2 OPERATING PROFIT* $40M

$m	H1 18	H1 19	H1 19 vs H1 18 % Change
Sales	421	**450**	+ 7%
Operating profit*	68	**64**	- 5%
Operating margin*	16.0%	**14.3%**	- 170ps
Diluted EPS*	9.1c**	**6.5c**	-29%
Dividends per share	2.70c**	**2.80c**	+ 4%
Net debt	260	**509**	

*Continuing operations after adjusting items

**Rebased to reflect bonus element of rights issue

Group revenue

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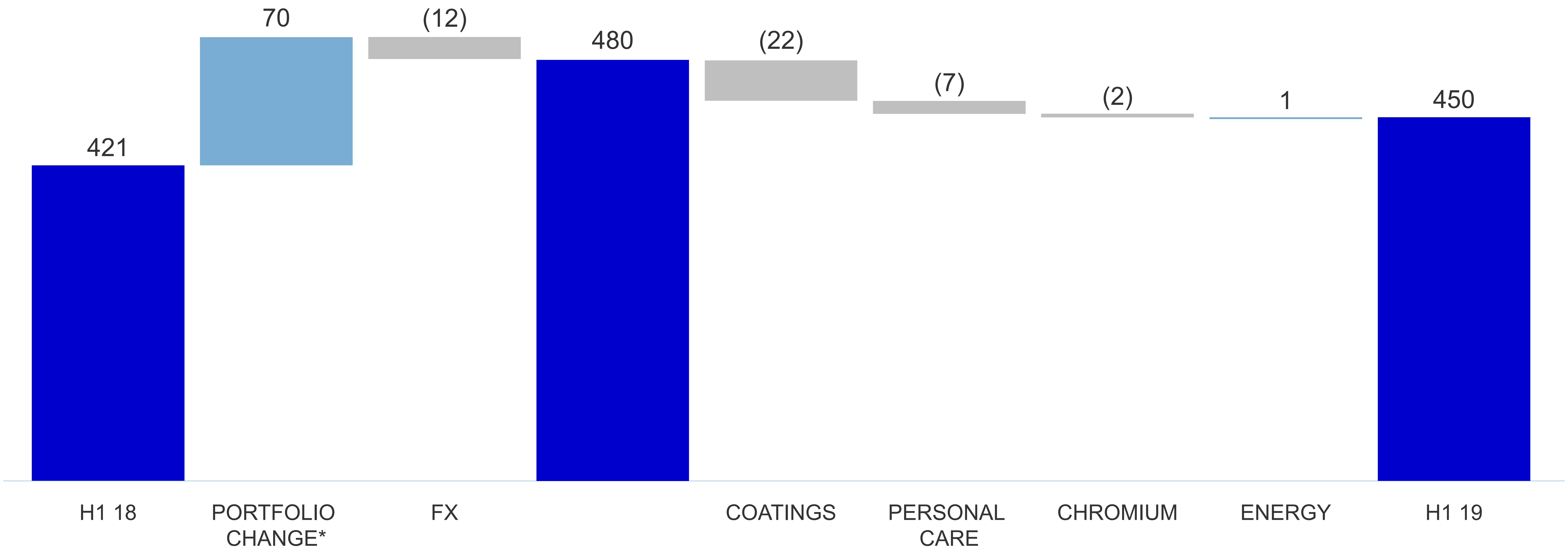
REVENUE DOWN 7% ON UNDERLYING BASIS

REVENUE $m

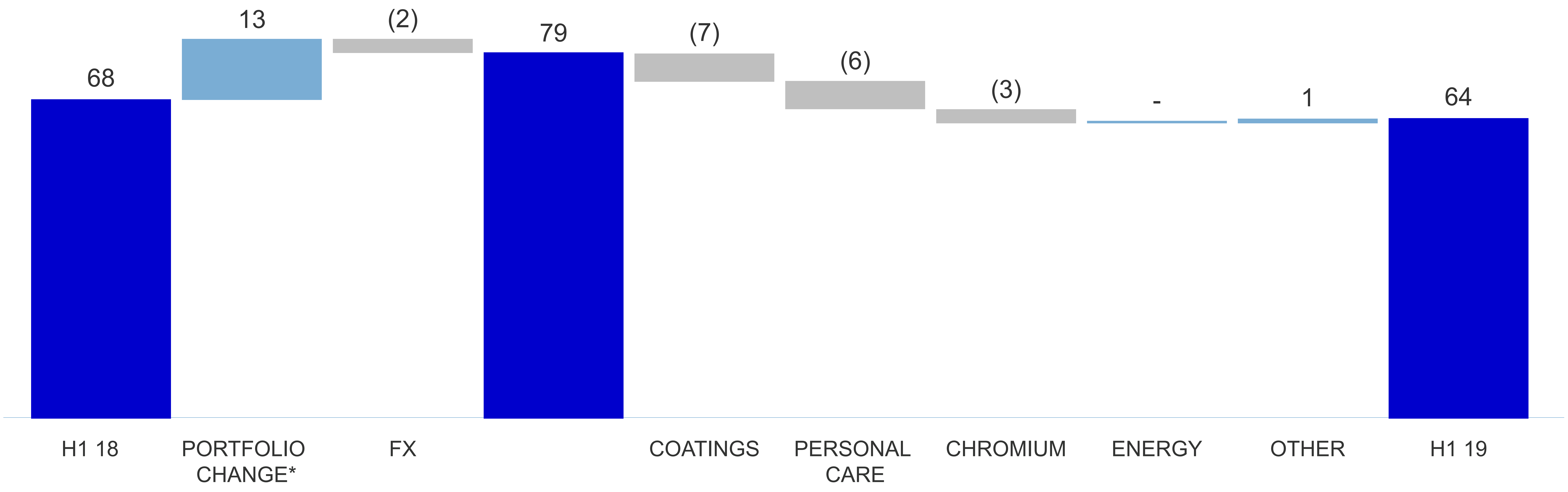


* Portfolio change includes six months contribution from Talc and the impact of business disposals (i.e. product portfolio elimination in Coatings and Personal Care as a result of the Delden asset sale)

Group operating profit

OPERATING PROFIT DOWN 21% ON UNDERLYING BASIS

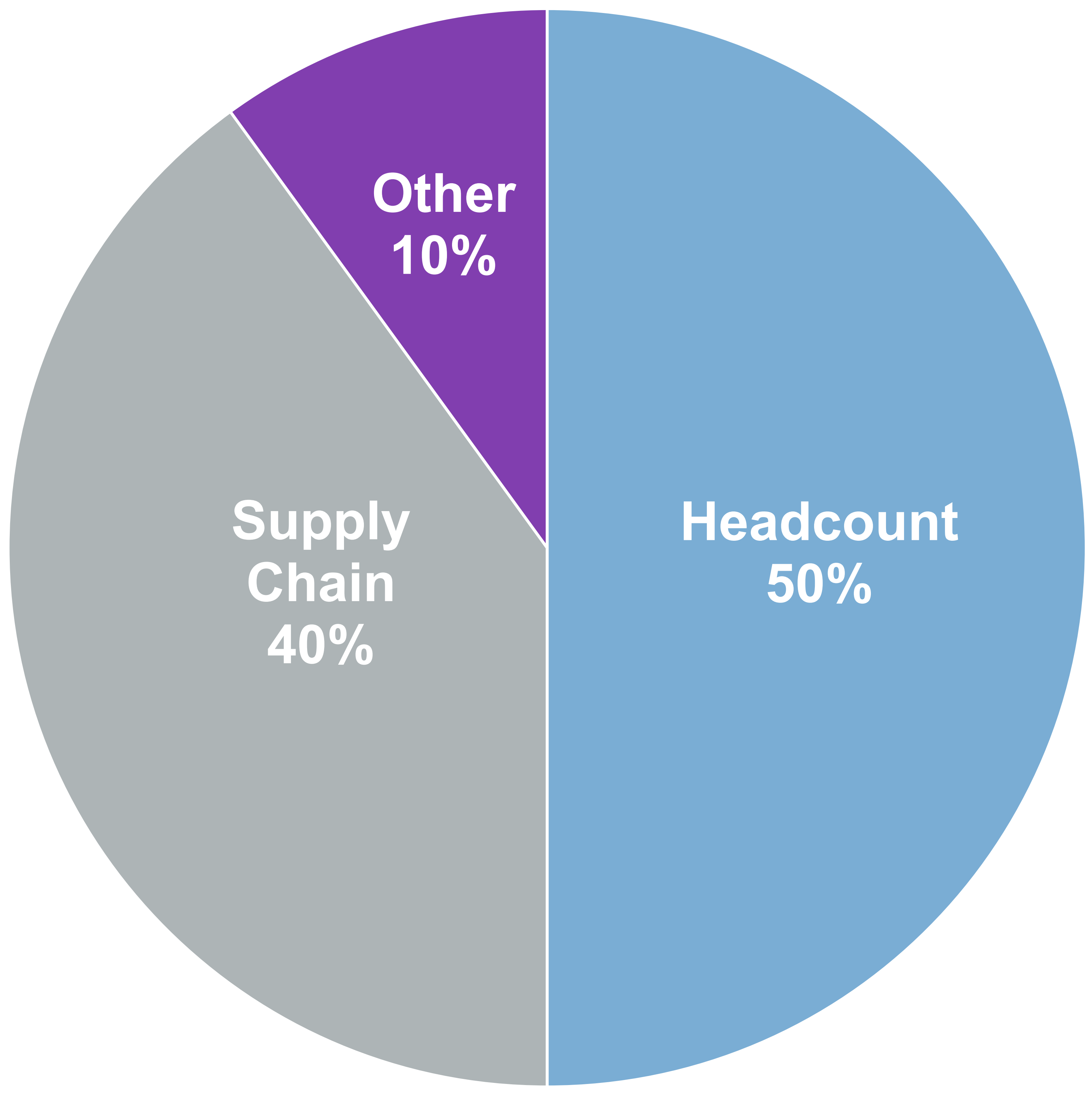
ADJUSTED OPERATING PROFIT $m



* Portfolio change includes six months 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

$10M OF SAVINGS TO BENEFIT 2019 PERFORMANCE



Timing	$10m cost savings implemented $3m realised in H1
Sources	Headcount: Corporate and support functions Supply chain: Plant efficiencies, warehouse closures

Working capital optimisation

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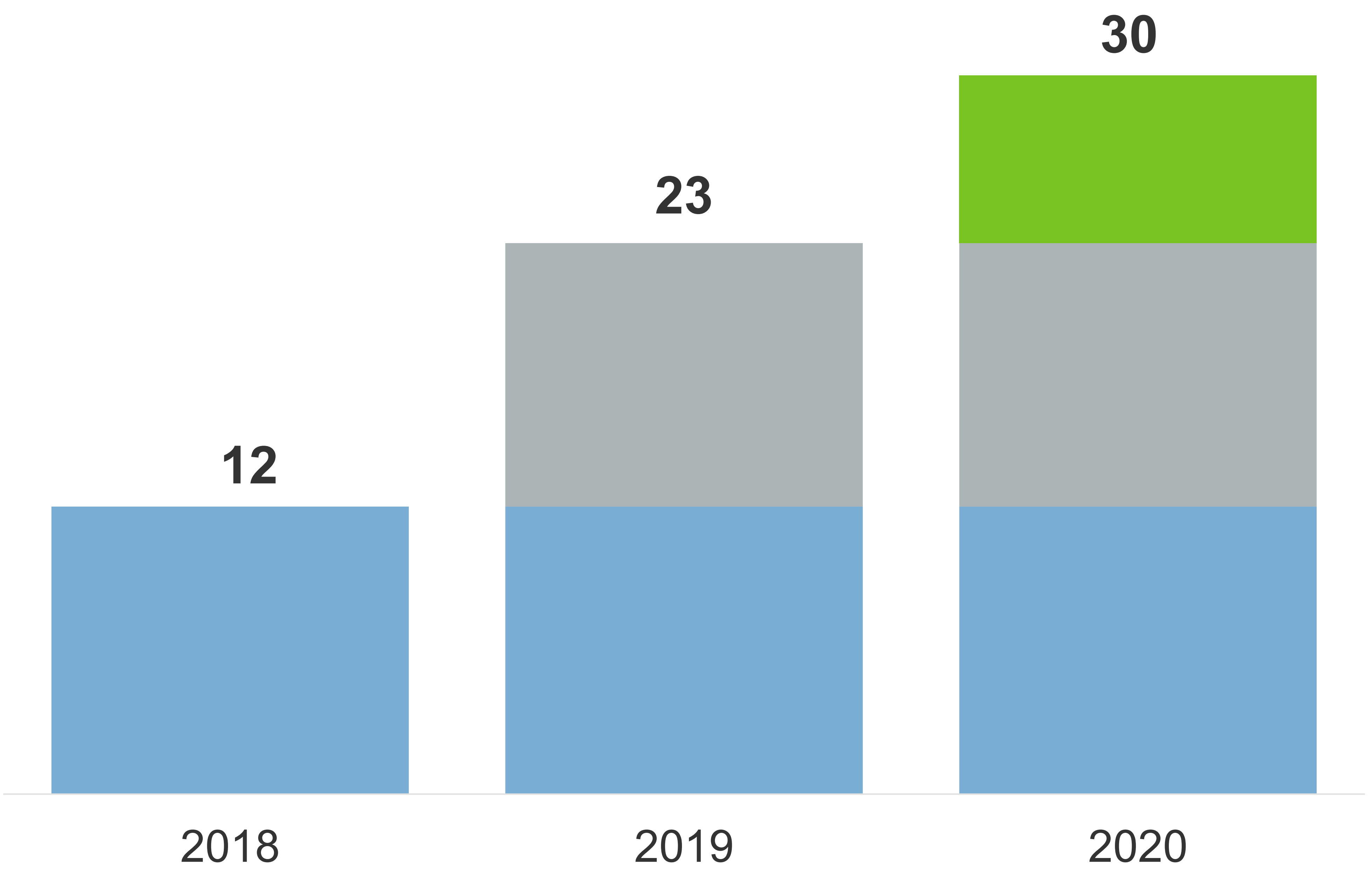
WORKING CAPITAL TARGET INCREASED FROM $25M TO $30M BY 2020

ACTIONS IN H1 19

COMPLEXITY	Reduced SKUs & products	SKU elimination complete
SERVICE LEVEL AGREEMENTS	Rolled out across accounts	97% compliance
INVENTORY	New demand planning tools	$4m of inventory reduction, statistical demand planning model implemented

WORKING CAPITAL REDUCTION



Cash flow

STRONG OPERATING CASH FLOW OFFSET BY ONE-OFF EFFECTS

$m	H1 18	H1 19
EBITDA	81	**85**
Change in working capital	(28)	**1**
Capital expenditure	(21)	**(23)**
Other	(3)	**(2)**
Operating Cash Flow	**29**	**62**
Pension deficit payments	-	**-**
Interest	(7)	**(12)**
Tax and other	(6)	**2**
Free cash flow	**17**	**51**
Tax and legal settlement	-	(29)
Acquisitions & Disposals	43	-
Dividends	(28)	(33)
Net cash movement	**32**	**(11)**
Net Balance Sheet Debt	**260**	**509**
Net debt/EBITDA*	**1.7x**	**2.8x**

* Based on last twelve months adjusted pro forma EBITDA.

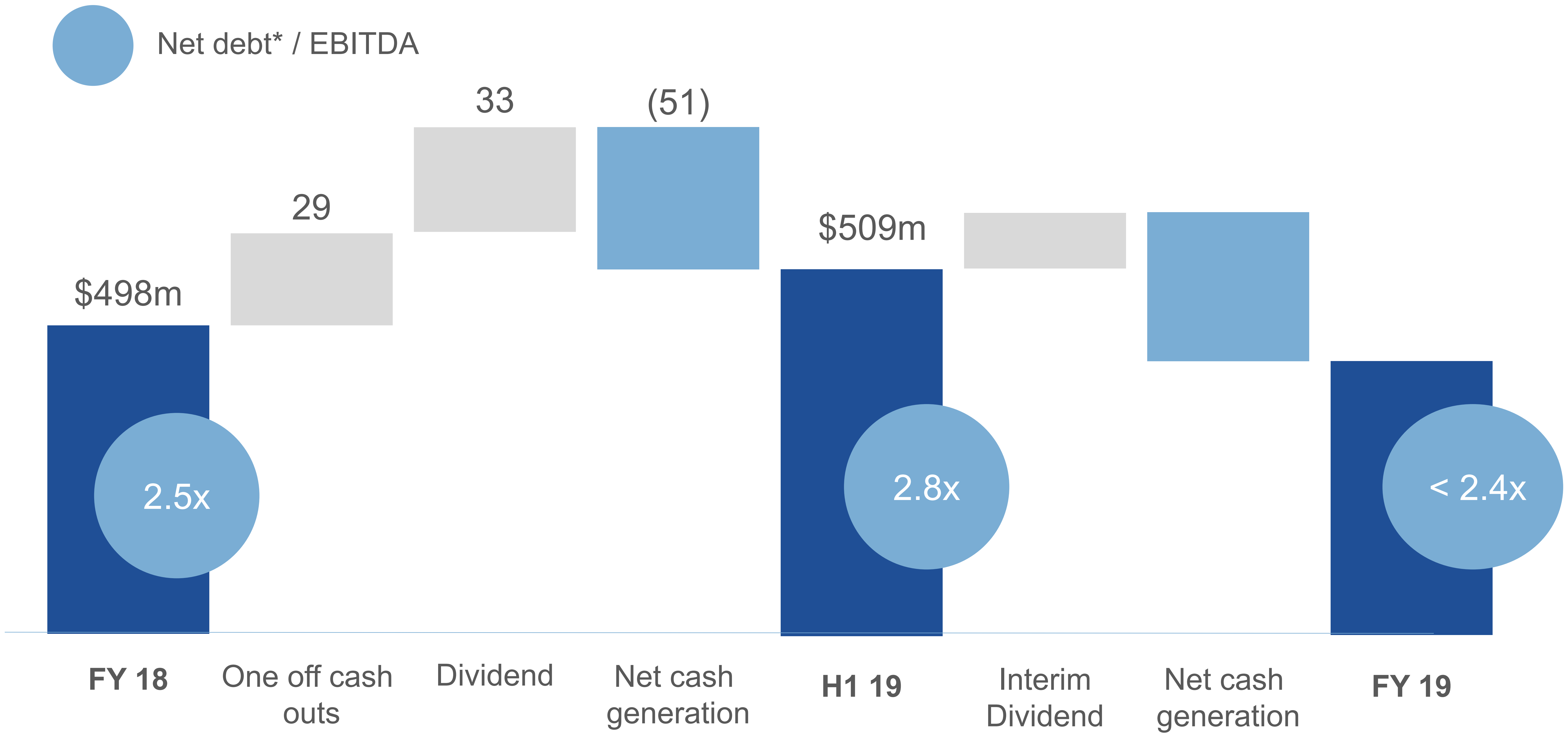
Strong operating cash flow
– close to 100% cash conversion

Capex maintained at $50m for 2019
– focused on growth

Net cash flow impacted by $29m
of one-off cash items
– tax and legal settlement

Financial leverage

CASH GENERATION TO IMPROVE IN H2



H2 cash generation improvement driven by

- Improved business performance
- Working capital savings
- Absence of cash one offs

Good deleveraging going forward – 0.4 turns per annum on average

Interim dividend up 4%, reflecting Board's confidence in medium term growth potential

Note: Graph not drawn to scale

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Performance & Outlook

Coatings performance

DESTOCKING COMPLETE, MARGINS RESILIENT

				H1 19 vs H1 18 % Change
$m	**H1 18**	**H2 18**	**H1 19**	**Like for like[1]**
Sales	198	165	**164**	-11%
Operating profit*	30	22	**24**	-22%
Operating margin*	15.1%	13.7%	**14.6%**	

- All regions weak, particularly China
- Material Q1 de-stocking impact – now completed
- Margins resilient – portfolio improvement, transformation benefits

* After adjusting items

[1] Adjusted for constant currency and the impact of business disposals (Coatings portfolio elimination following the Delden asset sale)

Coatings performance

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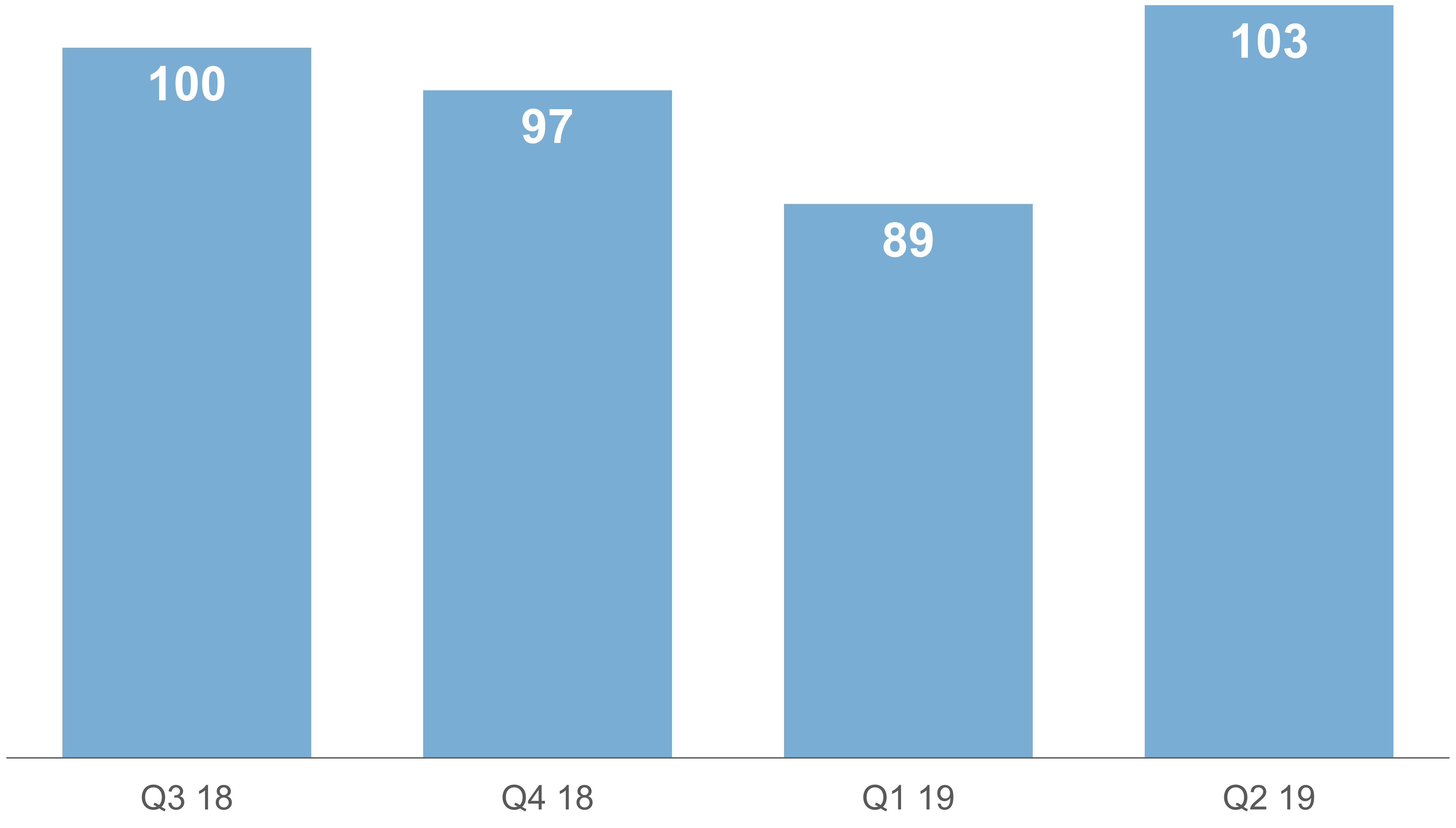
Q1 DESTOCKING COMPLETE, Q2 VOLUME RECOVERY

PERFORMANCE CONTEXT

- Sales excluding portfolio rationalisation decisions down 7% y-o-y
- Asia margins up from 13% to 17%
- Sales to global key accounts maintained in EMEA & Americas

Q2 VOLUME RECOVERY



Coatings – Transformation on track

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1. New leadership and global organisation since mid 2018
2. Self-help: $5m cost savings, $8m new business confirmed in 2019
3. Strong new product pipeline – 10 new products to launch in the next year

OUTLOOK
H2 performance improvement, underpinned by self help

Personal Care performance

COSMETICS GROWTH, SHORT TERM CHALLENGES IN AP ACTIVES

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				H1 19 vs H1 18 % Change
$m	**H1 18**	**H2 18**	**H1 19**	**Like for like[1]**
Sales	112	99	**101**	-6%
Operating profit*	30	22	**23**	-20%
Operating margin*	26.7%	22.6%	**23.0%**	

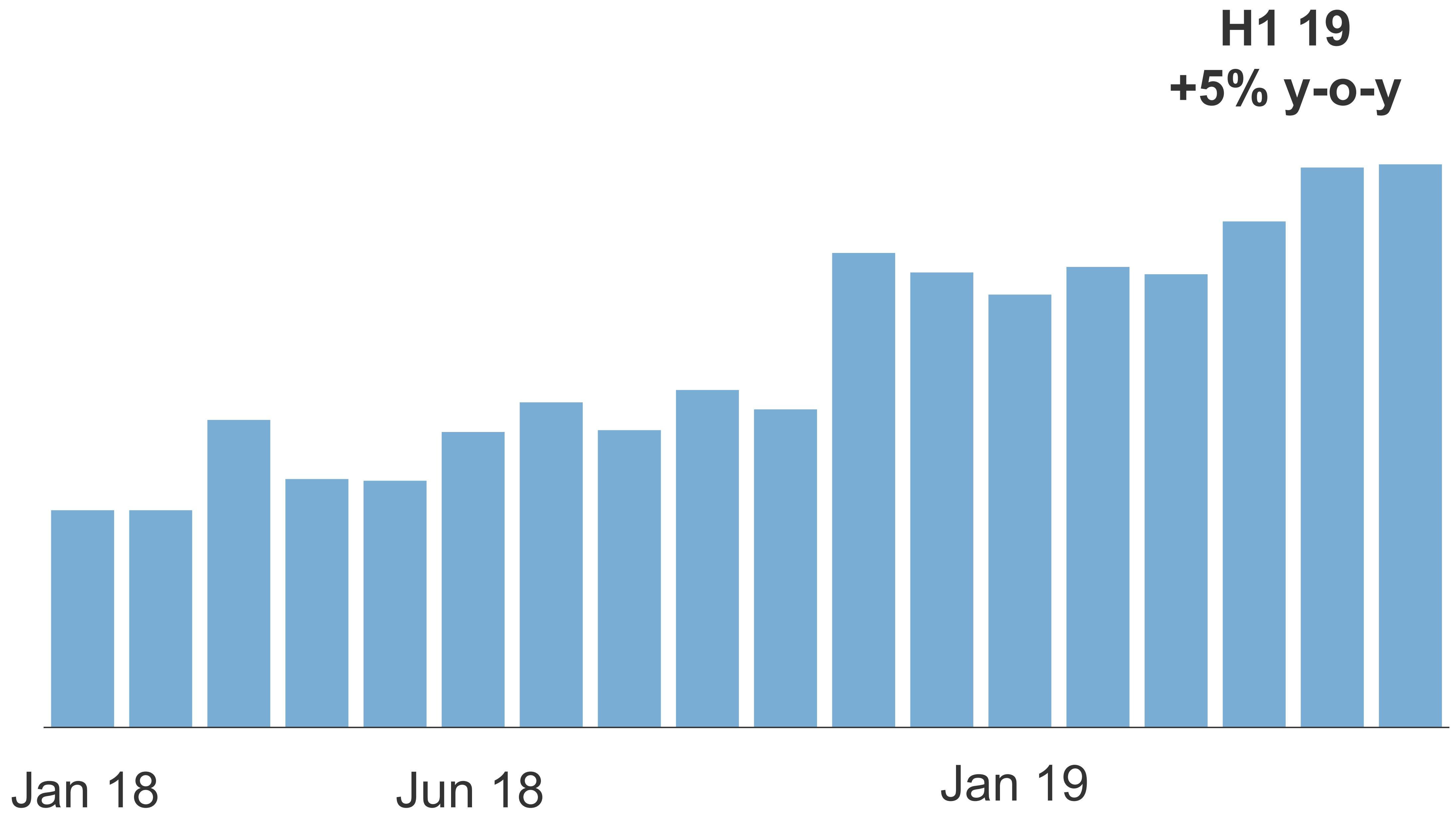
- Cosmetics sales up 5% on L-f-L basis
- AP Actives impacted by $2m absorption of new US tariffs, and volume effects of 2018 price increases

* After adjusting items [1] Adjusted for constant currency and business disposals (Personal Care portfolio elimination following Delden asset sale)

Cosmetics performance

A GROWTH BUSINESS, DRIVEN BY MANAGEMENT ACTIONS

IMPROVED H1 PERFORMANCE



OUTLOOK

H2 improved via continued growth, positive product mix

Note: Graph is on a rolling 12 month sales basis

MANAGEMENT ACTIONS

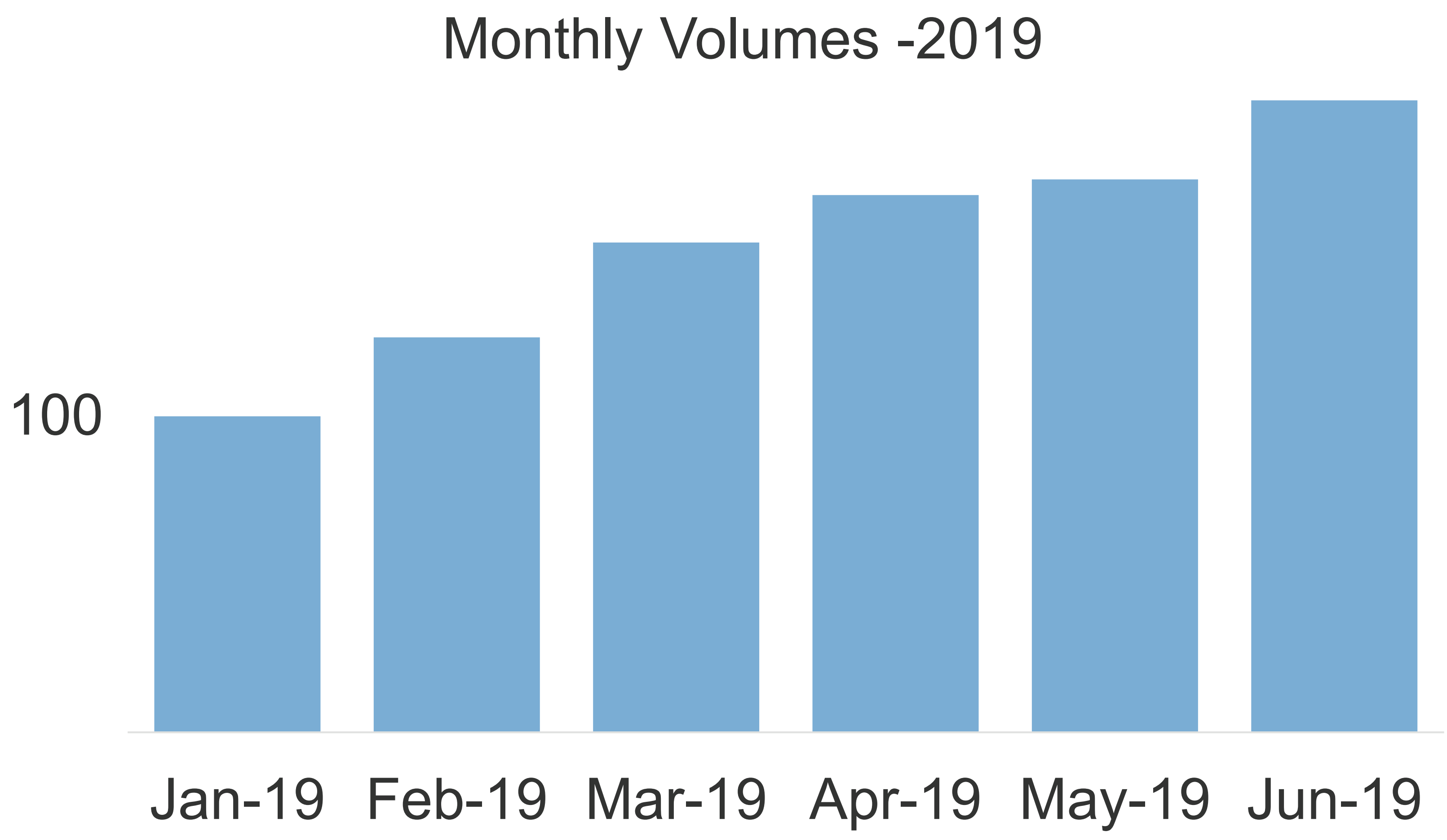
- Investments in emerging markets driving growth:
  - Sales in China +5%, Latam +25%
- New products launched in April 2019 targeting skin care:
  - **Bentone® Luxe WN**: exceptional emulsification and rheology control
  - **Bentone Hydroclay™**: water phase rheology modifiers sourced from nature

AP Actives performance

EXPECTED VOLUME IMPROVEMENT DRIVEN BY MANAGEMENT ACTIONS

VOLUME RECOVERY BUILDING

- Business wins and competitive pricing recapturing volume



INDIA PLANT - KEY STRATEGIC PILLAR

- New India plant to produce c. 70% of volume by 2021
- Materially reduces production costs and mitigates tariffs

STRONG INNOVATION OPPORTUNITIES

- Strong innovation pipeline, synergistic with Cosmetics business

OUTLOOK

Continued H2 volume improvement, rebased for tariffs

Talc performance

RESILIENT SALES IN CHALLENGING DEMAND ENVIRONMENT

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				H1 19 vs H1 18 % Change
$m	**H1 18****	**H2 18****	**H1 19**	**Constant Currency**
Sales	87	72	**75**	-8%
Operating profit*	14	11	**10**	-16%
Operating margin*	15.7%	15.3%	**14.0%**	

* After adjusting items

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

Talc performance

GOOD INDUSTRIAL TALC PERFORMANCE DESPITE MACRO HEADWINDS

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Industrial Talc +1%*

	Plastics	Coatings	Other Diversified
SALES (y-o-y)*	-6%	+5%	+4%
H1 COMMENTARY	Auto demand weakness – Q1 destocking	Market share gains	Technical ceramics market share gains
H2 OUTLOOK	Demand in line with Q2	Continued new business momentum	Continued new business momentum
SALES CONTRIBUTION**	26%	28%	23%

- Resilient industrial talc performance
- Paper volumes impacted by temporary customer pricing differential; volume decline anticipated to moderate in H2
- $2m adjusted operating profit impact from nickel sales phasing

*Constant currency basis ** Percentage of total Talc segment sales

Talc - Integration & cost synergies on track

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1	Integration	▪ On track to complete by Q4 19 ▪ All key staff retained
2	Synergies	▪ $2m annual cost reduction identified ▪ Early revenue synergy progress: distributor expansion, multiple innovation projects in action, customer testing
3	New business	▪ $6m of new business confirmed ▪ Sustainable long term growth opportunities

OUTLOOK

Much improved H2 driven by new business, cost synergies and nickel sales phasing

Chromium performance

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RESILIENT US PERFORMANCE, REST OF THE WORLD WEAKER

				H1 19 vs H1 18 % Change
$m	**H1 18**	**H2 18**	**H1 19**	**Constant Currency**
Sales	91	94	**88**	-2%
Operating profit*	14	19	**11**	- 19%
Operating margin*	15.4%	20.4%	**12.7%**	

* After adjusting items

Resilient US performance, RoW impacted by lower industry capacity utilisation

Investment in plant reliability
- strong operational performance

Modest H2 improvement driven by favourable product mix

Energy performance

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SALES UNDERPINNED BY NEW BUSINESS WINS

				H1 19 vs H1 18 % Change
$m	**H1 18**	**H2 18**	**H1 19**	**Constant Currency**
Sales	27	28	**28**	+ 4%
Operating profit*	3	4	**3**	-
Operating margin*	11.9%	14.0%	**11.1%**	

* After adjusting items

- $5m of 2019 new business, $1m in H2
- Outperforming soft North American drilling environment
- India plant to support eastern hemisphere growth; +50% capacity expansion

OUTLOOK

Improved H2 performance, driven by new business and cost savings

H2 outlook

IMPROVED MOMENTUM AND MANAGEMENT ACTIONS TO DRIVE STRONGER H2 PERFORMANCE

1. Market conditions consistent with Q2
2. Talc integration complete by Q4 – synergies confirmed
3. Improved performance underpinned by $10m of secured cost savings and $22m of confirmed new business
4. New product launches

Elementis fundamentals

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A HIGH QUALITY, ADVANTAGED PORTFOLIO WITH SIGNIFICANT GROWTH OPPORTUNITIES

1. Transformed portfolio with distinctive positions in attractive markets
2. Material growth opportunities in Talc, Personal Care and Coatings
3. Innovation focus on sustainable, differentiated new products
4. Strong cash generation; margin improvement opportunity

November CMD

19 NOVEMBER

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1. Introduce business & technology leaders
2. Organic growth initiatives
3. Additional cost efficiency
4. Specific financial metrics

Q&A

Tax charge

UNDERLYING H1 19 TAX RATE OF 21.9%

$m	H1 18	H1 19
Underlying tax charge	11.5	**10.7**
Tax charge: adjusting items	4.4	**(2.3)**
Reported tax charge/(credit)	15.9	**8.4**
Tax rate*	19.8%	**21.9%**

Underlying H1 19 tax rate of 21.9%

Full year P&L tax rate of around 22%

*underlying tax rate, for continuing operations

Adjusting items

$m	H1 18	H1 19
M&A related activity	3	-
Amortisation of intangibles arising on acquisition	7	**9**
Release of contingent consideration	-	**(9)**
Other	1	-
Net adjusting items	11	-

$9m of amortisation of acquired intangibles

$9m release of Talc contingent consideration

IFRS 16 Impact

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Income Statement – Six months to 30 June 2019

$m	Pre IFRS 16	Operating lease expense	Depreciation on assets	Interest on lease liabilities	Post IFRS 16
Revenue	449.7	-	-	-	449.7
Cost of sales	(285.6)	-	-	-	(285.6)
Gross profit	**164.1**	**-**	**-**	**-**	**164.1**
Net operating costs	(100.8)	3.8	(3.3)	-	(100.3)
Operating Profit	**63.3**	**3.8**	**(3.3)**		**63.8**
Net Interest	(14.3)			(0.9)	(15.2)
PBT	**49.0**	**3.8**	**(3.3)**	**(0.9)**	**48.6**

Balance sheet as at H1 19

Assets	1,894.5		43.9		1,938.4
Current liability	(169.7)		(7.4)		(177.1)
Non current liability	(802.6)		(41.2)		(843.8)

FY 19 Guidance

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P&L

- Depreciation – c.$50m
  (of which c.$6m is IFRS 16 related)
- Amortisation – c.$20m (of which majority is amortisation of acquired intangibles)
- Tax – Effective rate around 22%

CASH

- Net interest c. $25m
- Capex c.$50m