

ELEMENTIS

A global specialty chemicals company

2020 interim results

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.

Results agenda

ELEMENTIS

INTRODUCTION

Paul Waterman

HIGHLIGHTS & SEGMENT PERFORMANCE

Paul Waterman

GROUP FINANCIALS

Ralph Hewins

PERFORMANCE SUMMARY & PRIORITIES

Paul Waterman

QUESTIONS

Paul Waterman & Ralph Hewins



ELEMENTIS

A global specialty chemicals company

HIGHLIGHTS

PAUL WATERMAN, CEO



INNOVATION | GROWTH | EFFICIENCY



Paul Waterman

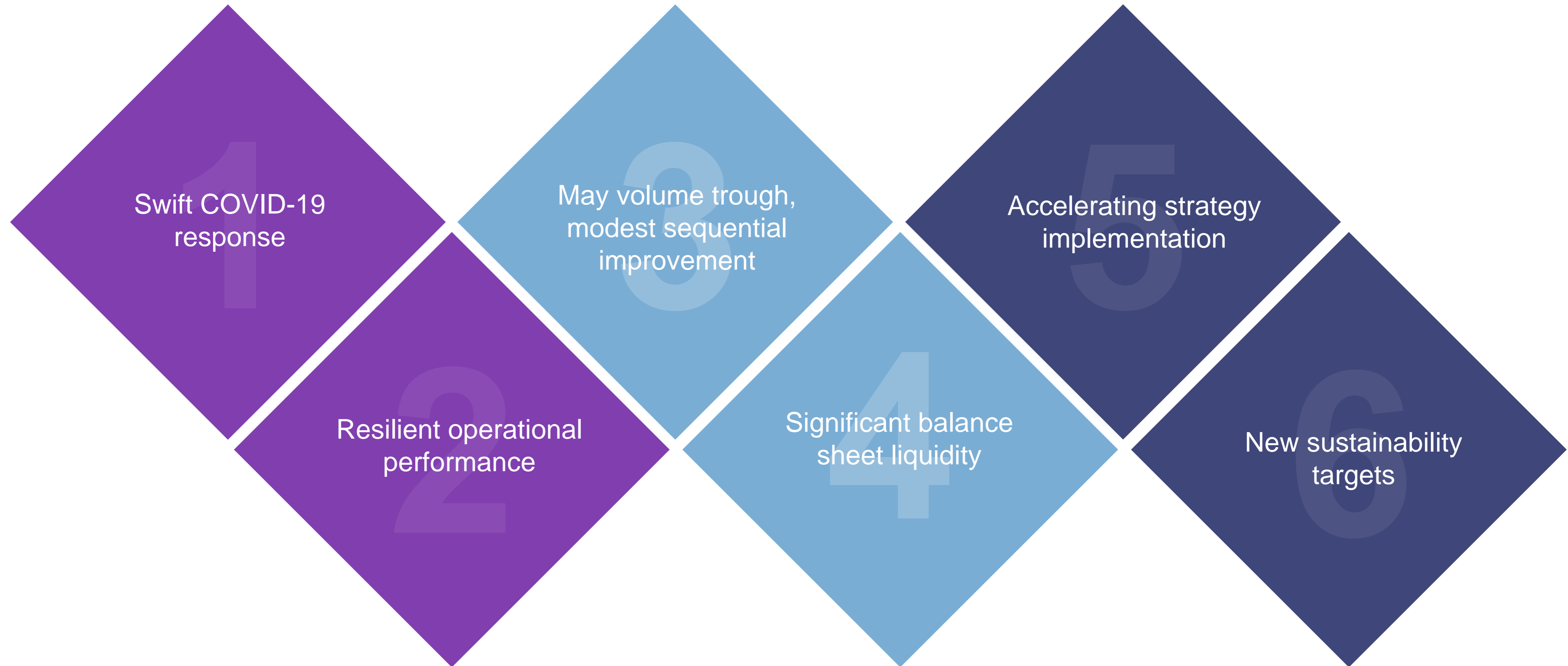


Ralph Hewins

Enhanced Performance Through Applied Innovation

Key messages

ELEMENTIS

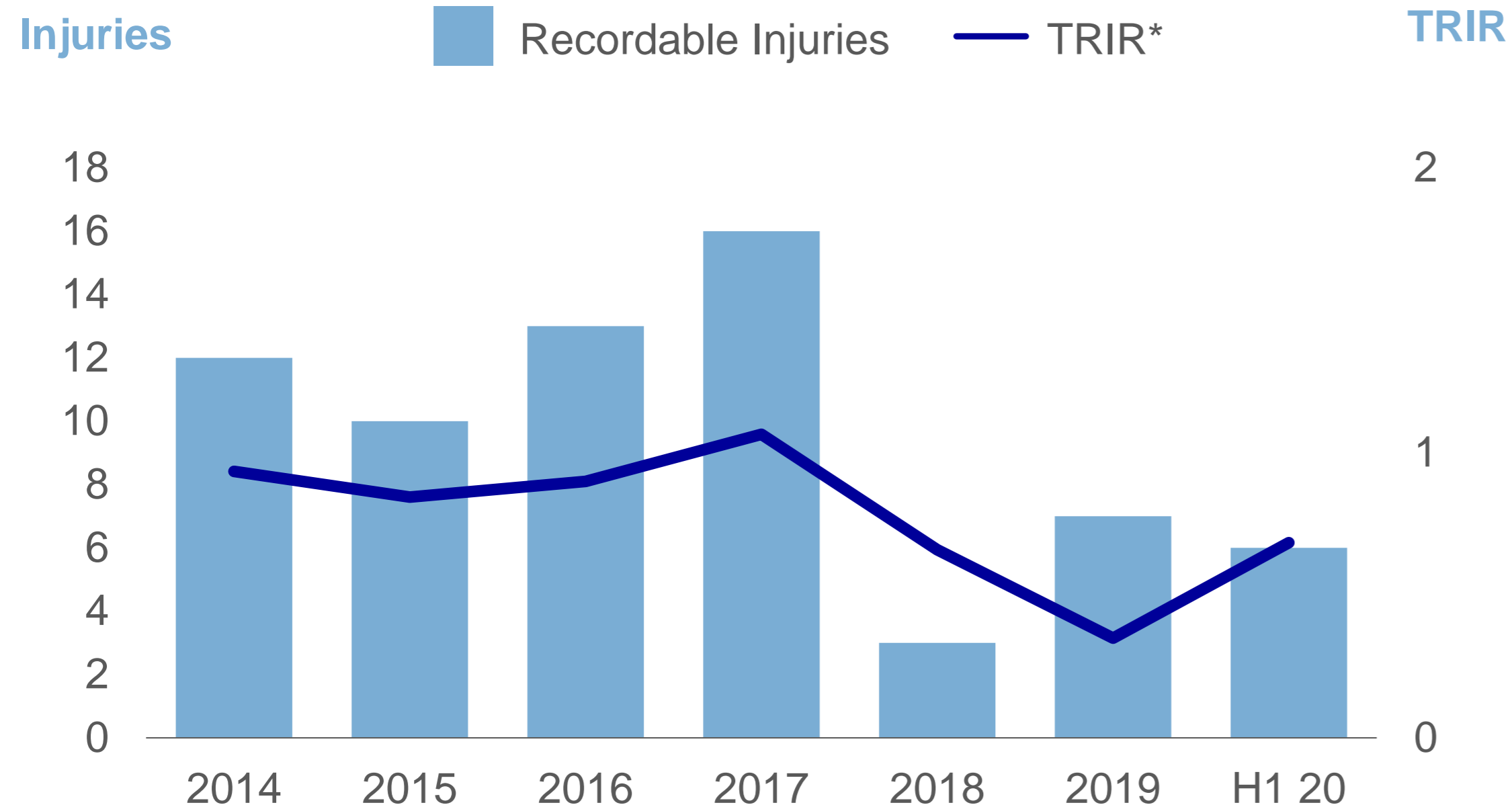


Paul Waterman



Ralph Hewins

SAFETY PERFORMANCE



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

* Two year moving average

HIGHLIGHTS

Performance

- Six recordable injuries
- One lost time accident

Safety Initiatives

- Proactive COVID-19 response
- Global TogetherSAFE campaign



Paul Waterman



Ralph Hewins

COVID-19 response

ADDRESSING THE NEEDS OF ALL OUR STAKEHOLDERS

Employees	Shareholders	Customers
<p>Health & safety focus</p> <p>Home working where possible</p> <p>Enhanced communications & support</p>	<p>\$10m in year cost interventions</p> <p>Cash conservation measures</p> <p>Covenant relaxation</p>	<p>Reliable customer service</p> <p>Resilient operational performance</p> <p>Digital connectivity</p>



Paul Waterman



Ralph Hewins

Digital connectivity

SUPPORTING OUR CUSTOMERS REMOTELY

ELEMENTIS

ONLINE INNOVATION & TRAINING SESSIONS BY NUMBERS

7,000+ Customer employees

400 Customers

60 Countries



“The online seminars have allowed us to initiate new projects and develop existing opportunities in a difficult environment”

Sales Director,
Fitz Chem

“Thank you for all the online training...this is adding real value to our organisation”

R&D Senior Scientist,
Sherwin Williams



Paul Waterman



Ralph Hewins

H1 20 achievements

STRATEGY IMPLEMENTATION ON TRACK – DESPITE COVID-19 CHALLENGES

INNOVATION



Coatings & Personal Care
new products



AP Actives product development



Talc barrier coatings

GROWTH



\$20m of NBOs closed



Talc sales up 22% in China



AP Actives 11%
volume growth

EFFICIENCY



2019 organisation
restructuring; \$5m savings



Accelerated global supply
chain savings; \$10m in 2021



On course for \$7m working
capital reduction in 2020



Paul Waterman



Ralph Hewins

ELEMENTIS

A global specialty chemicals company

SEGMENT PERFORMANCE

PAUL WATERMAN, CEO



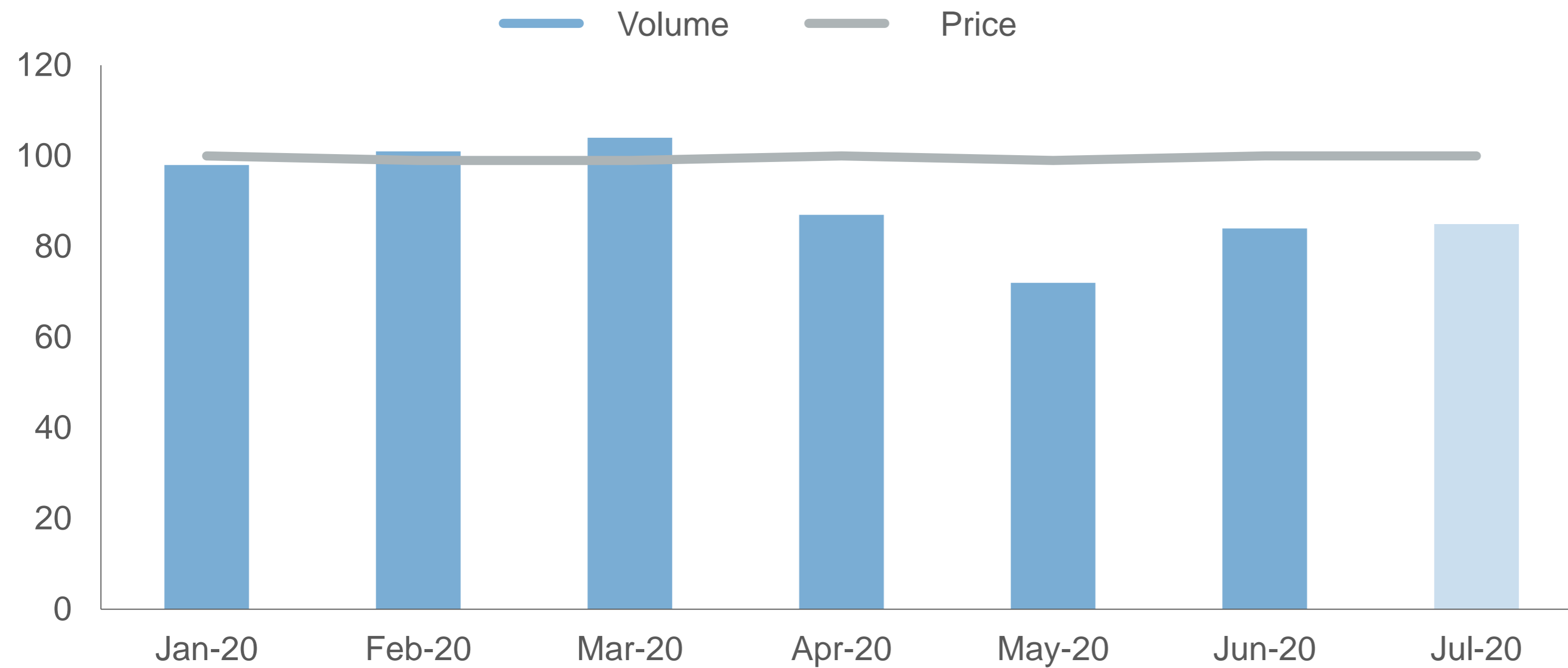
INNOVATION | GROWTH | EFFICIENCY

Enhanced Performance Through Applied Innovation

Monthly trading

MAY VOLUME TROUGH, MODEST SEQUENTIAL IMPROVEMENT

ELEMENTIS GROUP - REVENUE DEVELOPMENT Y-O-Y



Q2 volume weakness:
COVID-19 impact

Modest improvement from May

Resilient pricing

Note: Graph shows change on prior year comparative (=100). July 2020 represents best estimate.



Paul Waterman



Ralph Hewins



Personal Care performance

COSMETICS AND AP ACTIVES RESILIENT

ELEMENTIS

			H1 20 vs H1 19 % Change
\$m	H1 19	H1 20	Like for like ¹
Sales	101	90	0%
Operating profit*	23	20	-11%
Operating margin*	23.0%	22.4%	



* After adjusting items ¹ Adjusted for constant currency and business disposals (Dental gypsum plant)



Paul Waterman



Ralph Hewins

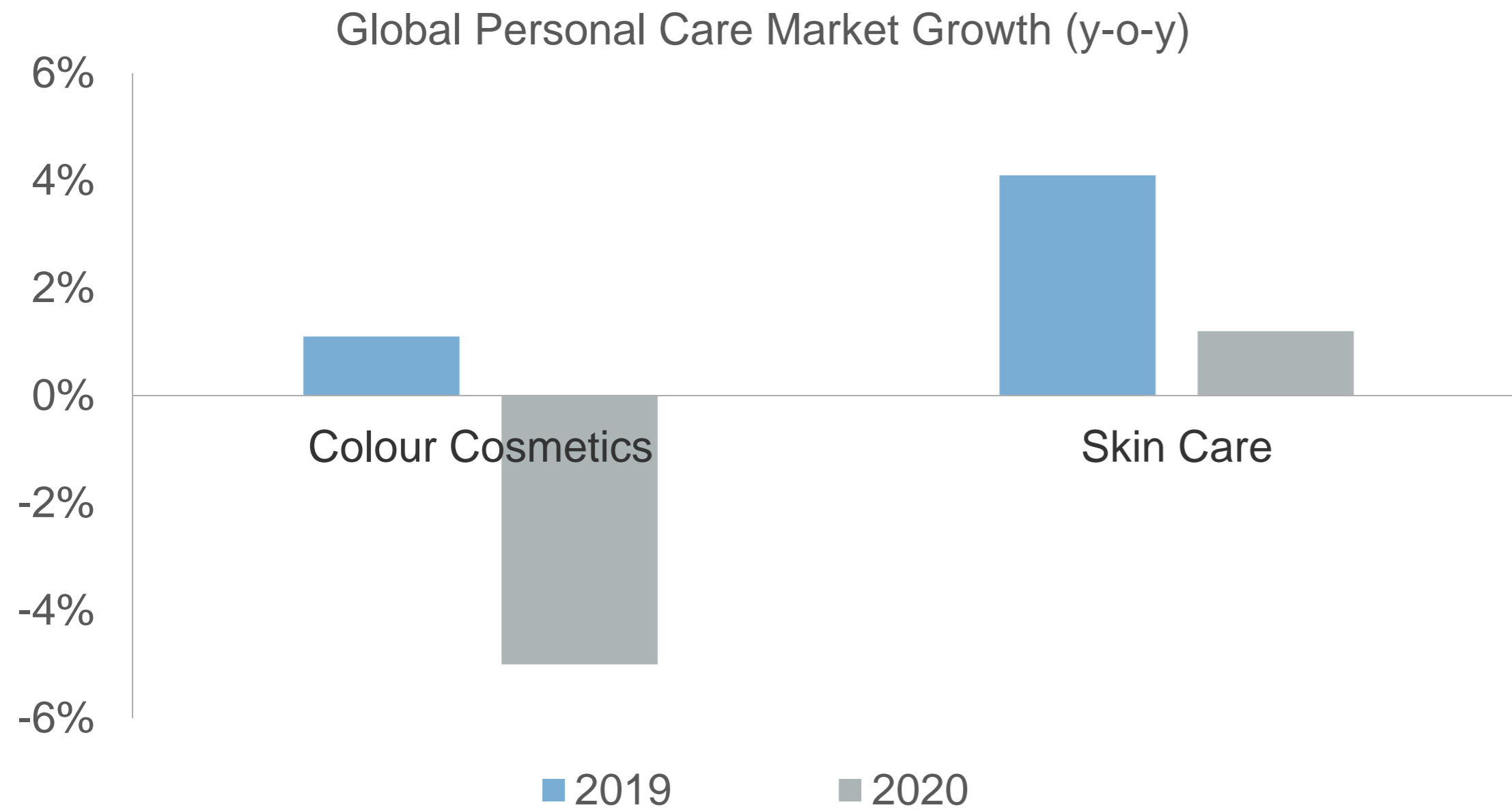


Cosmetics performance

DECLINE REFLECTS WEAKER MARKET DEMAND

ELEMENTIS

CHALLENGING MARKET CONDITIONS



Source: Euromonitor

STRATEGIC PROGRESS

New business at direct customers

Marketing & technical hires to drive Asia growth

Good momentum in new skin care products

- BENTONE® LUXE and HYDROCLAY™



Paul Waterman



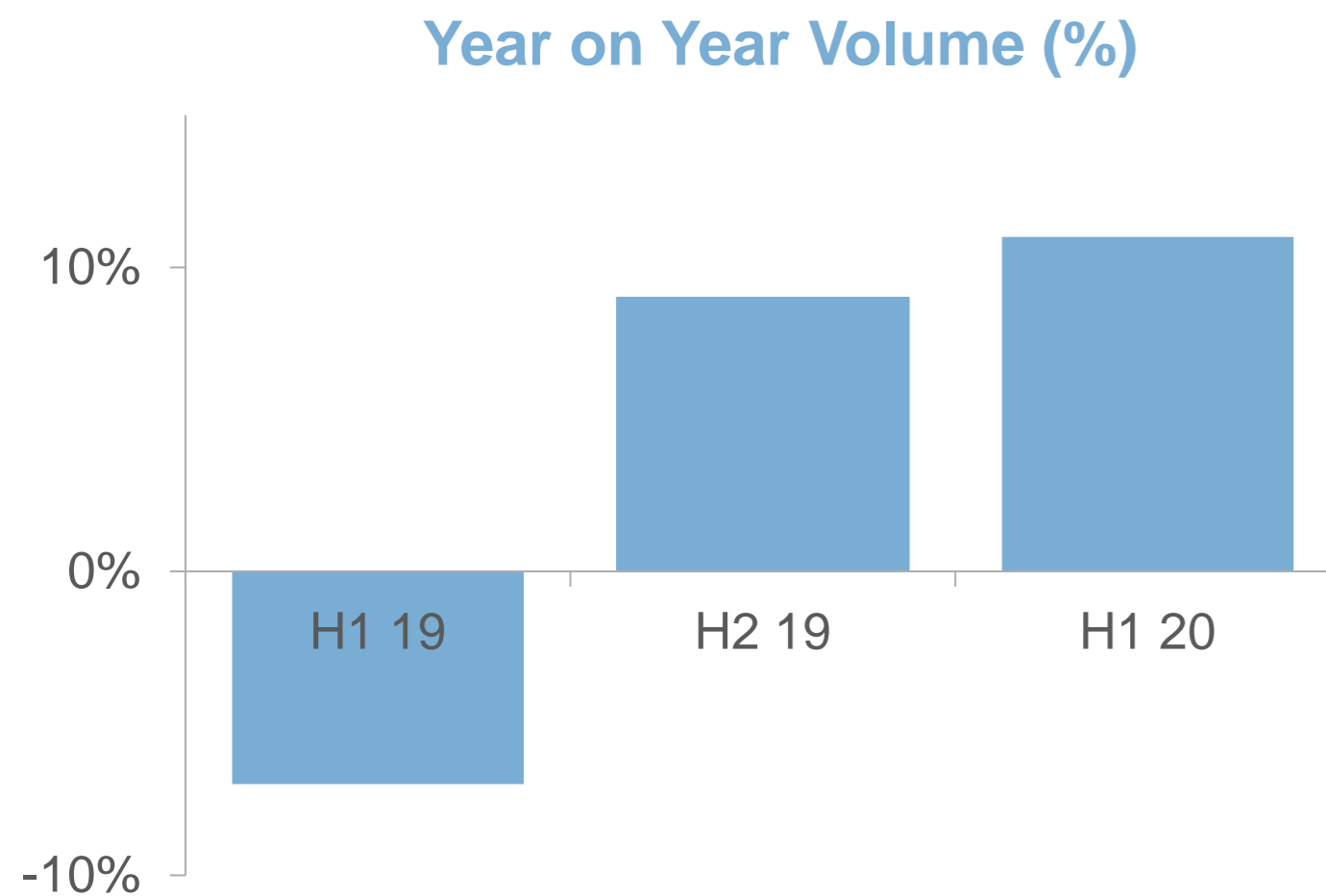
Ralph Hewins

AP Actives performance

CONTINUING TO OUTPERFORM CATEGORY

ELEMENTIS VOLUME GROWTH

AP business wins and competitive pricing recapturing volume



INDIA PLANT – KEY STRATEGIC PILLAR

New India plant materially improves competitiveness

- Mitigate tariffs
- Reduce production costs
- Access Asia growth

Start up mid 2021



STRONG INNOVATION OPPORTUNITIES

Strong innovation pipeline

- Superior performance
- Lower operating costs
- Improved sustainability



Paul Waterman



Ralph Hewins



Coatings

Coatings performance

ELEMENTIS

RESILIENT PERFORMANCE DESPITE DEMAND HEADWINDS

			H1 20 vs H1 19 % Change
\$m	H1 19	H1 20	Constant Currency ¹
Sales	164	148	-7%
Operating profit*	24	23	-1%
Operating margin*	14.6%	15.5%	

* After adjusting items ¹ Adjusted for constant currency



Paul Waterman



Ralph Hewins



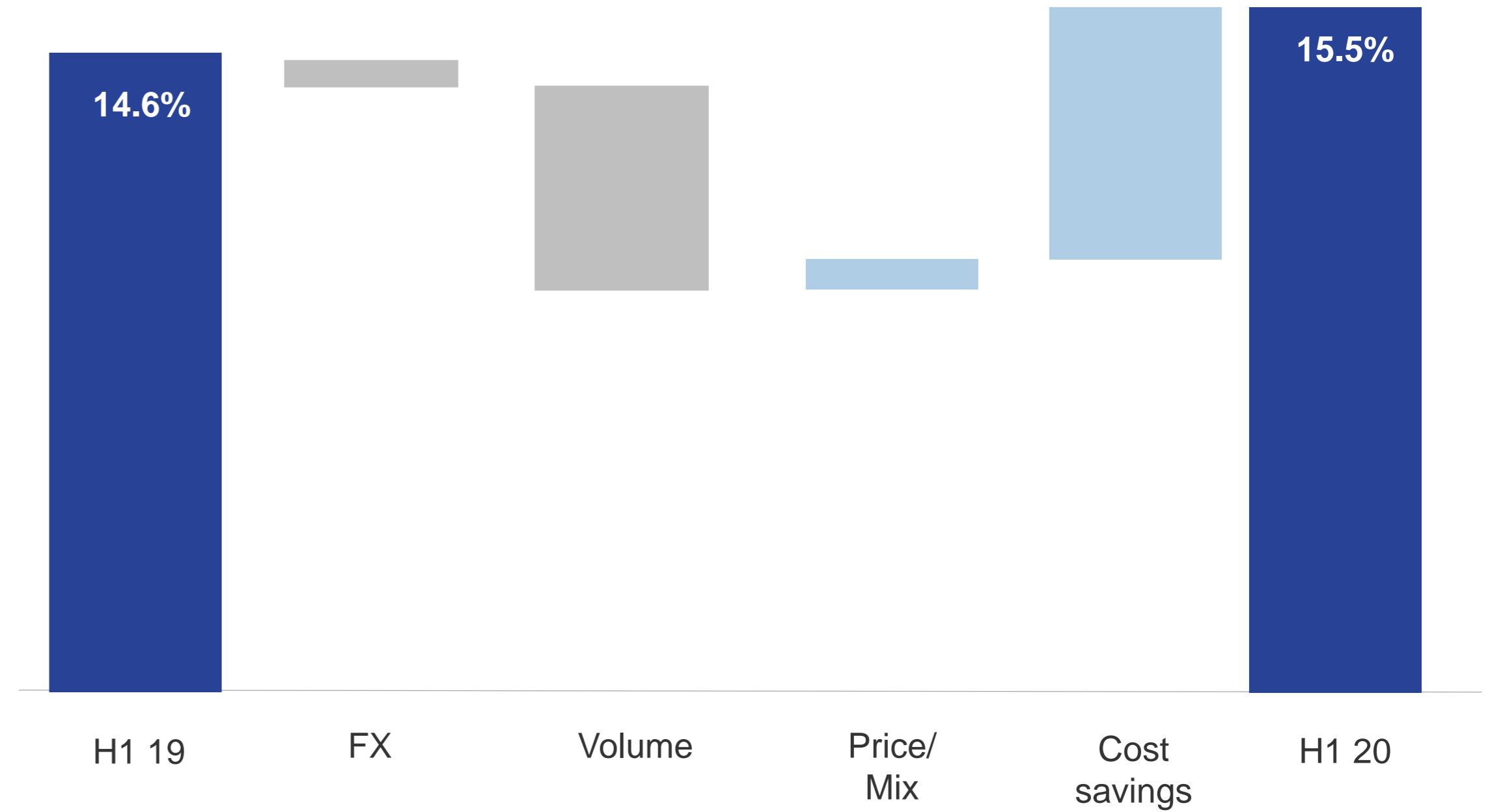
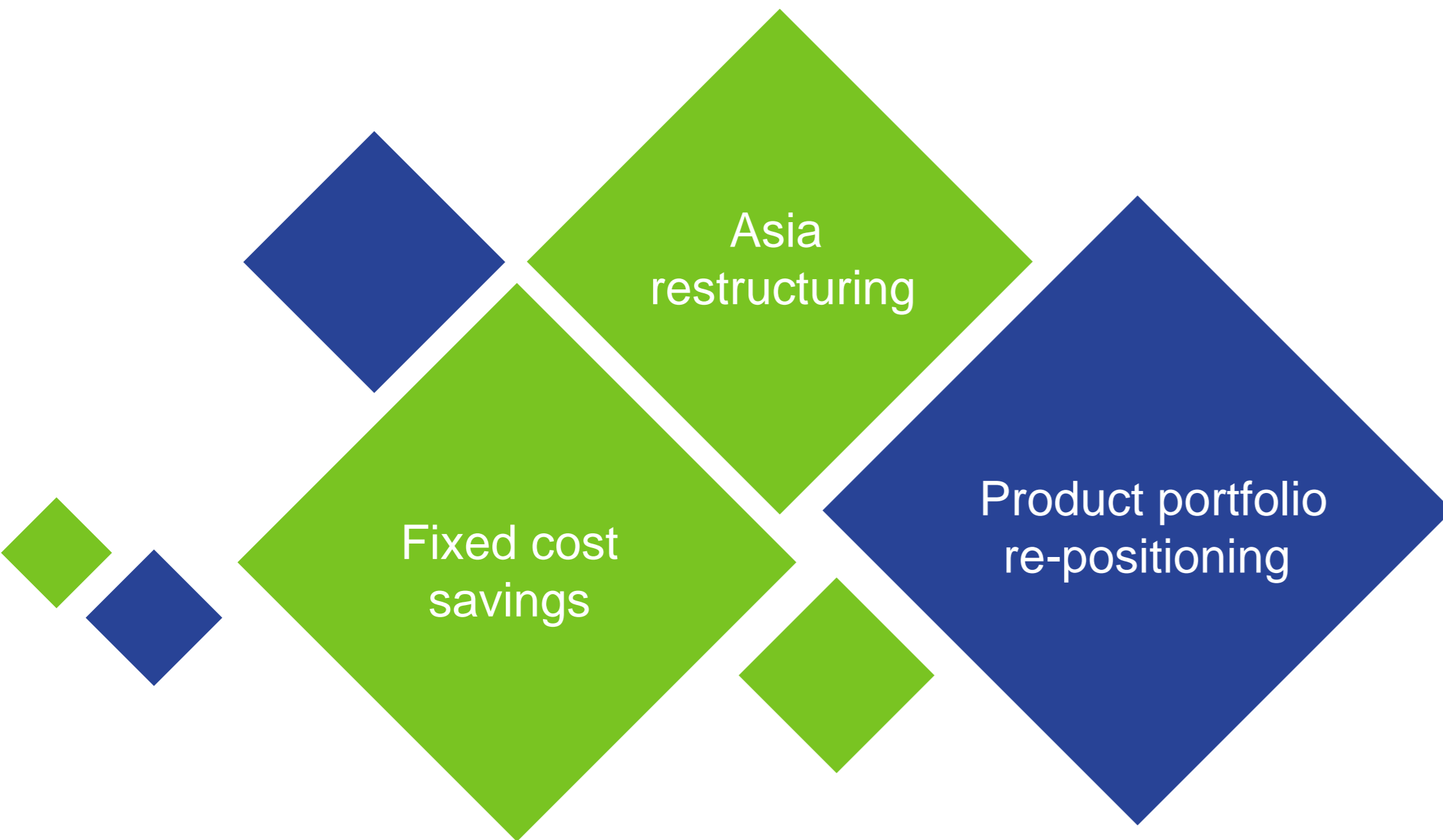
Coatings performance



TRANSFORMATION DRIVES MARGIN IMPROVEMENT

SELF HELP ACTIONS

ADJUSTED OPERATING PROFIT MARGIN BRIDGE



Paul Waterman



Ralph Hewins



Coatings

Focus on growth platforms

3% GROWTH IN H1 2020

ELEMENTIS



NEW BUSINESS OPPORTUNITIES

- \$10m delivered in H1
- Strong H2 pipeline



ACCELERATED INNOVATION

- 3 new products launched in H1
- 19 new products scheduled for next 12 months



NEW MARKETS

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



Paul Waterman



Ralph Hewins



Talc

Talc performance

ELEMENTIS

CHALLENGING Q2 VOLUME ENVIRONMENT, RESILIENT PRICING

			H1 20 vs H1 19 % Change
\$m	H1 19	H1 20	Constant Currency
Sales	75	61	-16%
Operating profit*	10	6	-37%
Operating margin*	14.0%	10.2%	

* After adjusting items



Paul Waterman



Ralph Hewins

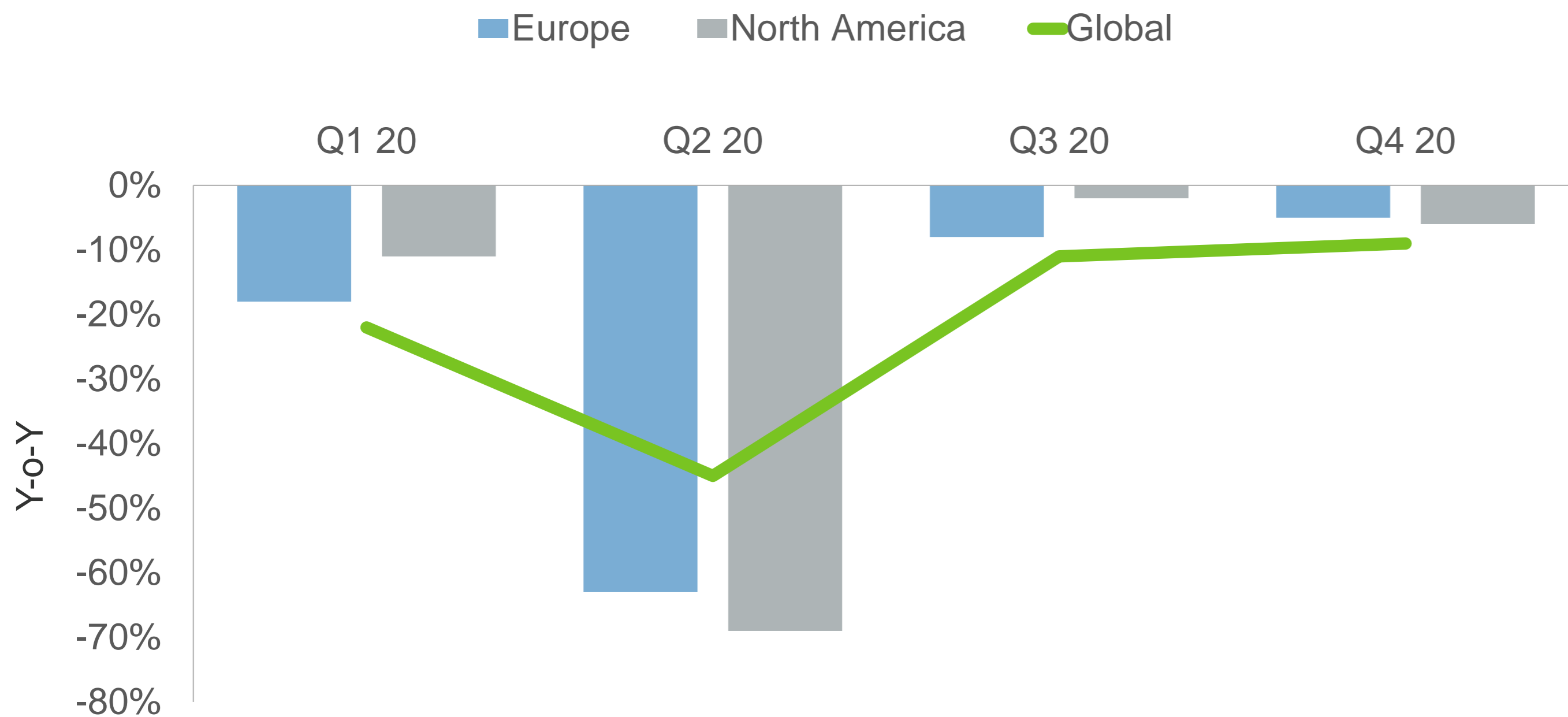


Talc

Macro headwinds

MATERIAL NEGATIVE IMPACT FROM AUTO PLANT SHUTDOWNS

GLOBAL LIGHT VEHICLE PRODUCTION



Source: IHS Automotive

Talc revenue **c.25%** auto exposure
– Plastics & Technical Ceramics

Material **Q2 volume impact**

Q3 auto plant restarts
– sequential improvement expected



Paul Waterman



Ralph Hewins



Talc

Healthy fundamentals



WELL POSITIONED TO RESUME LONG TERM GROWTH

BUSINESS FUNDAMENTALS

Attractive industry structure

- ✓ #2 global player in niche market

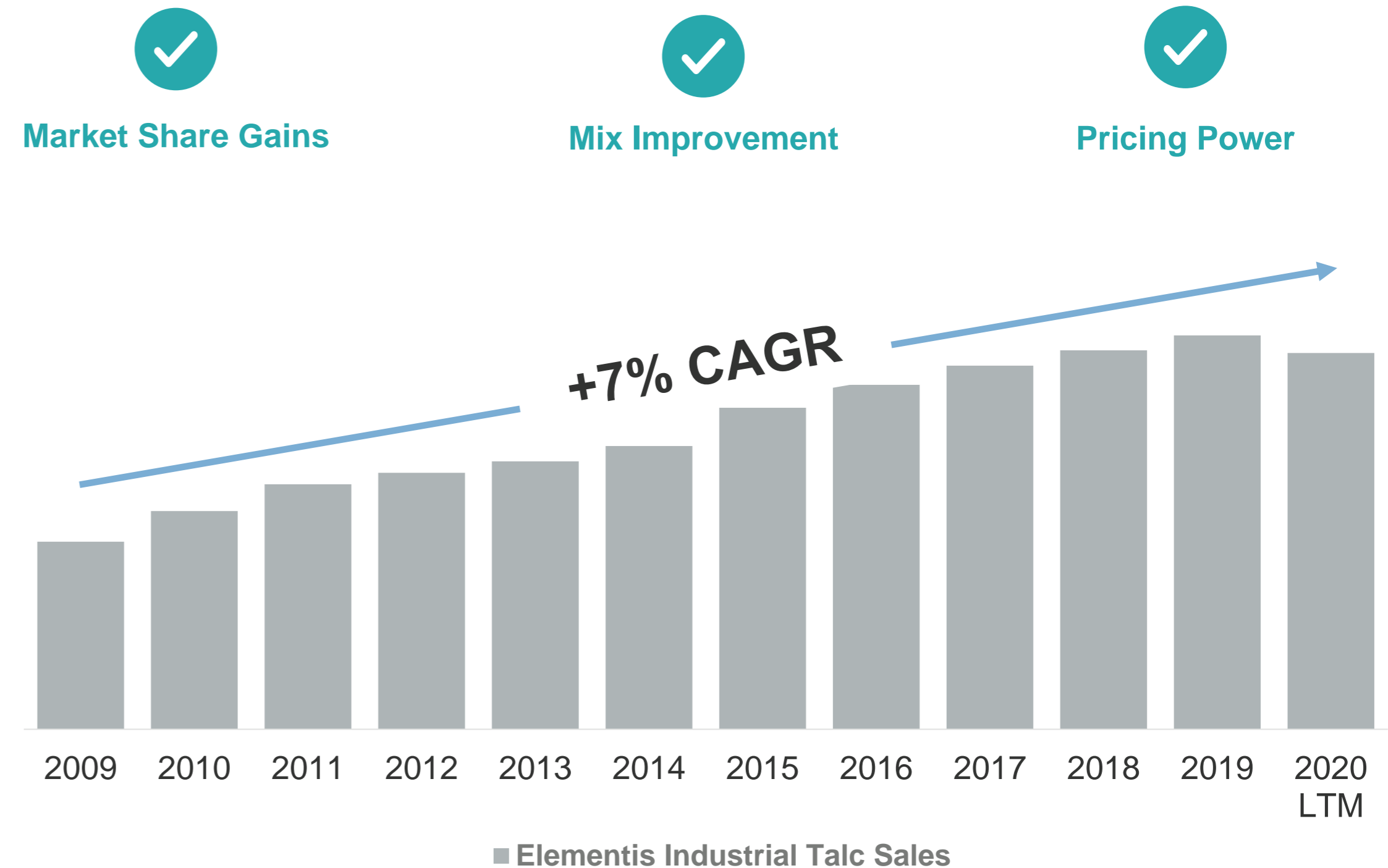
Strong customer service, quality & consistency

- ✓ High customer loyalty

Material growth opportunities

- ✓ Asia & Americas expansion
- ✓ Long life plastics, technical ceramics & barrier coatings
- ✓ \$20-25m synergy delivery on track

CONSISTENT INDUSTRIAL TALC GROWTH



Paul Waterman



Ralph Hewins



Chromium

Chromium performance



WEAK DEMAND AND INDUSTRY CAPACITY UTILISATION

			H1 20 vs H1 19 % Change
\$m	H1 19	H1 20	Constant Currency
Sales	88	78	-12%
Operating profit*	11	3	-72%
Operating margin*	12.7%	4.0%	



* After adjusting items



Paul Waterman



Ralph Hewins



Chromium

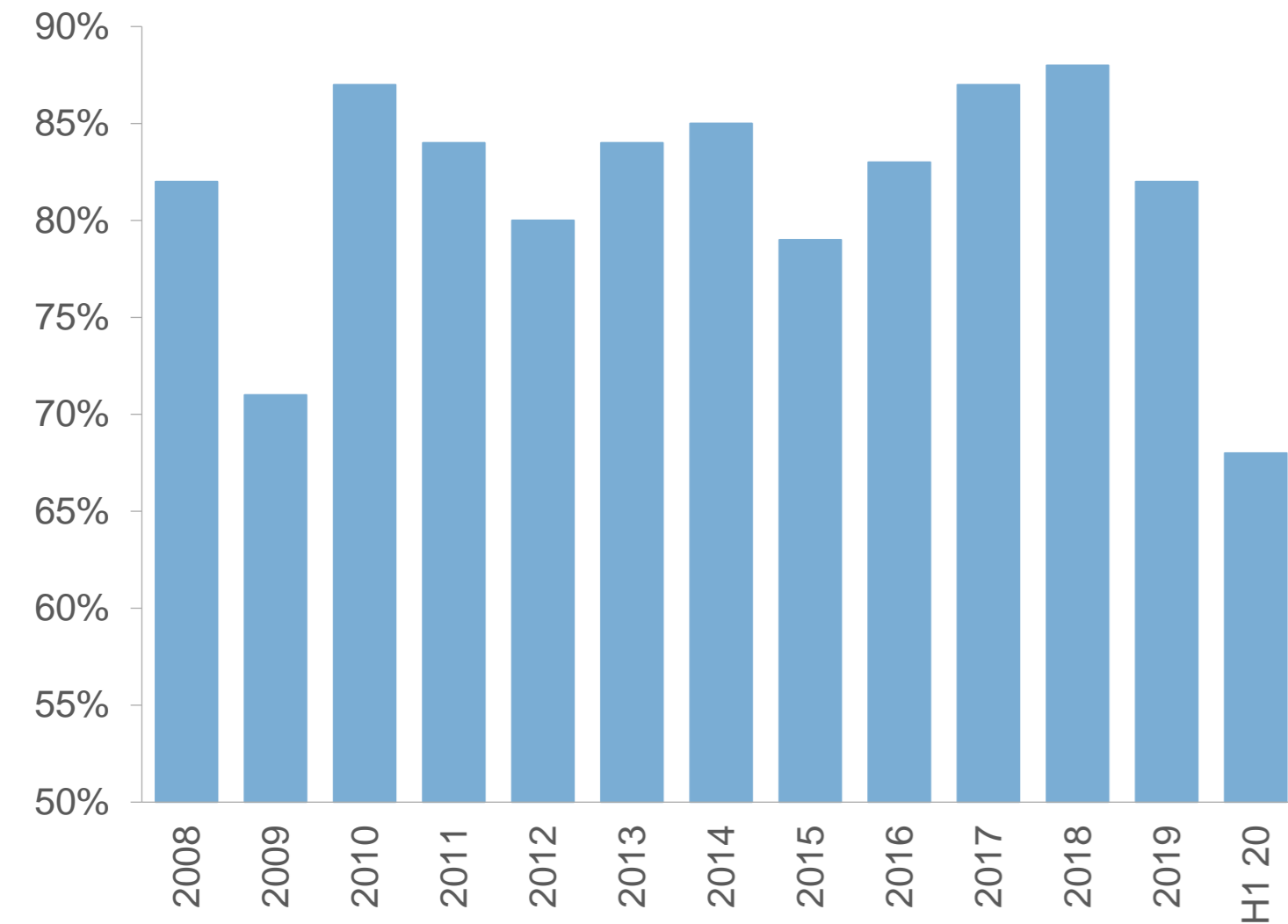
Chromium



NORTH AMERICA MARGINS STABLE, RETURNS AT HISTORICAL TROUGH

WEAKEST UTILISATION SINCE 2009

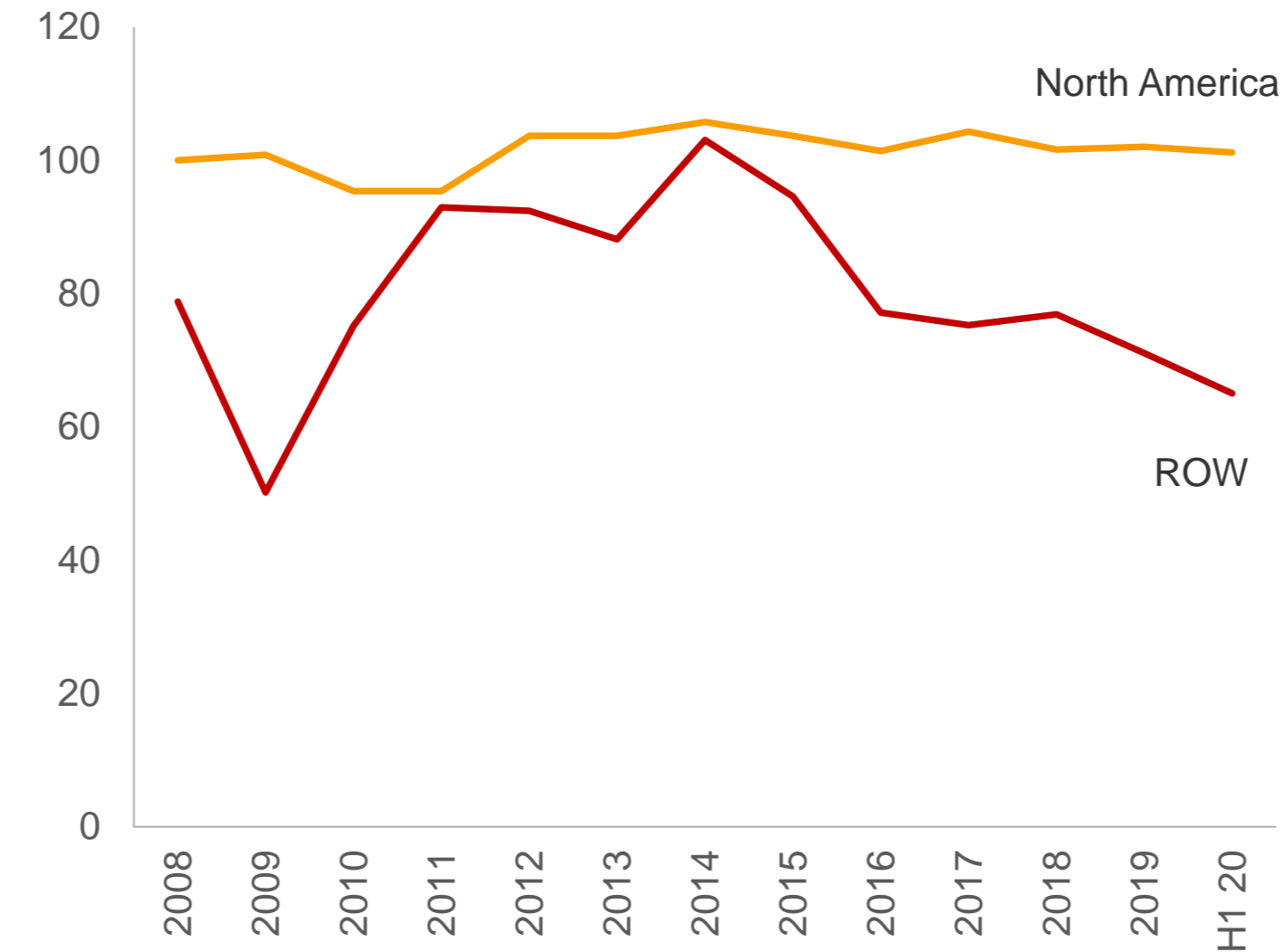
Chromium Industry Capacity Utilisation



Source: Elementis

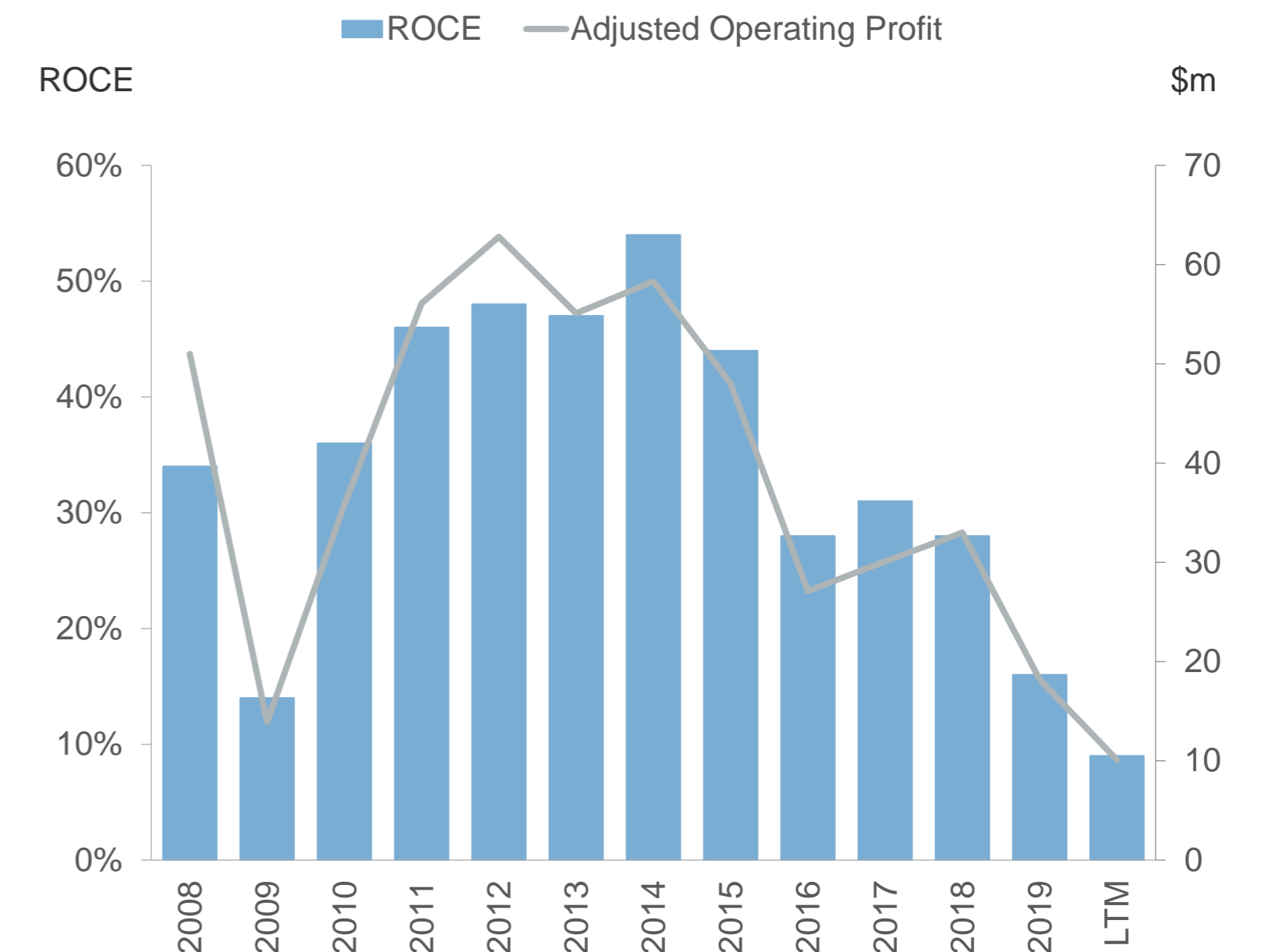
NORTH AMERICA REMAINS STABLE

Elementis Contribution Margin % Indexed



Source: Elementis

RETURNS AT TROUGH LEVELS



Source: Elementis



Paul Waterman



Ralph Hewins



Energy

Energy performance

SIGNIFICANT DEMAND DETERIORATION

ELEMENTIS

			H1 20 vs H1 19 % Change
	H1 19	H1 20	Constant Currency
\$m			
Sales	28	14	-50%
Operating profit*	3	(2)	n/s
Operating margin*	11.1%	(17.1%)	



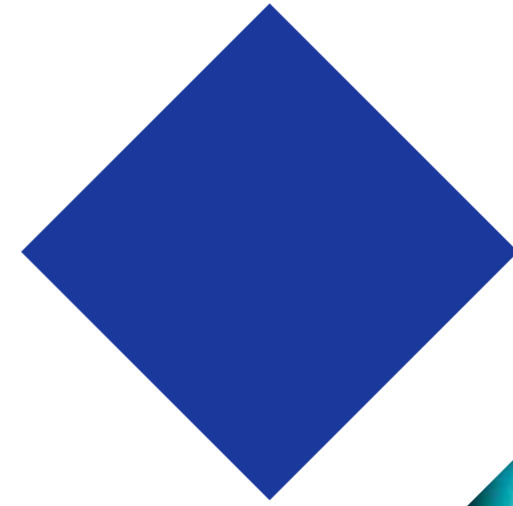
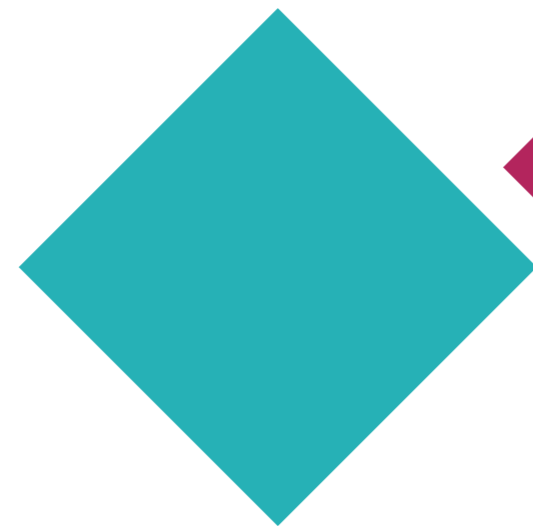
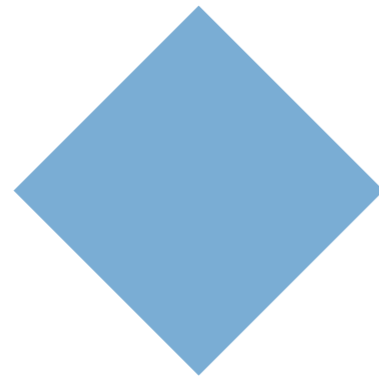
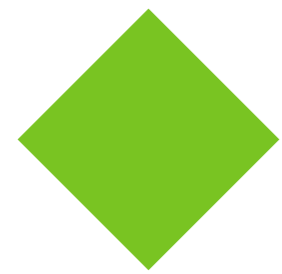
Paul Waterman



Ralph Hewins

GROUP FINANCIALS

RALPH HEWINS, CFO



INNOVATION | GROWTH | EFFICIENCY



Paul Waterman

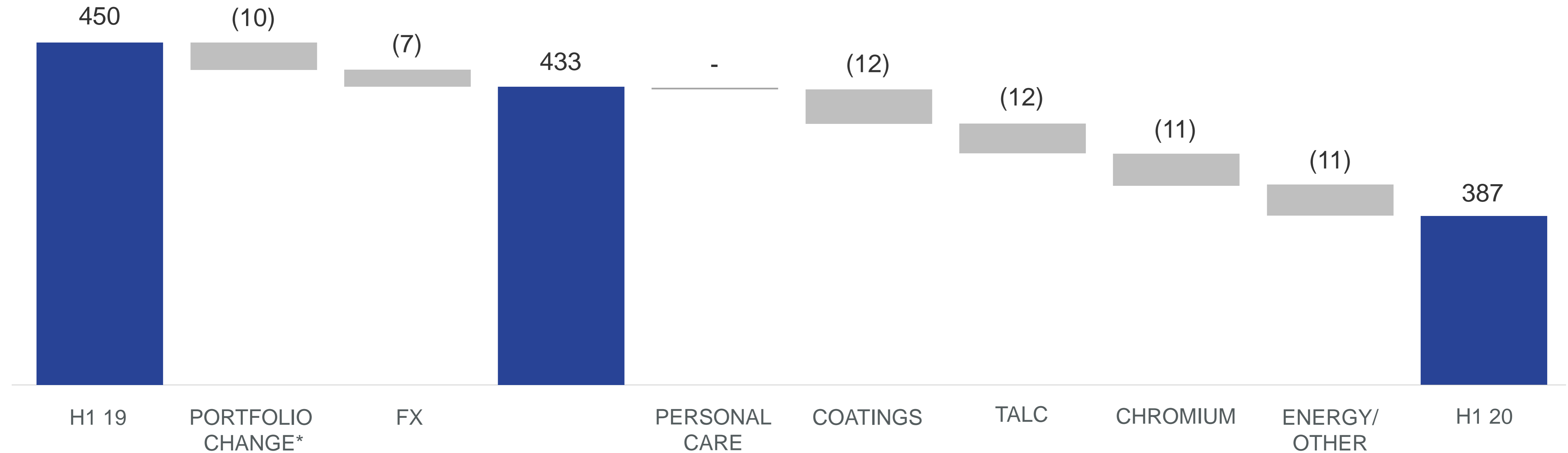


Ralph Hewins

Group revenue

WEAK Q2 VOLUMES DRIVE 11% ORGANIC REVENUE DECLINE

REVENUE \$m



* Portfolio change includes the disposal of the Dental gypsum plant



Paul Waterman

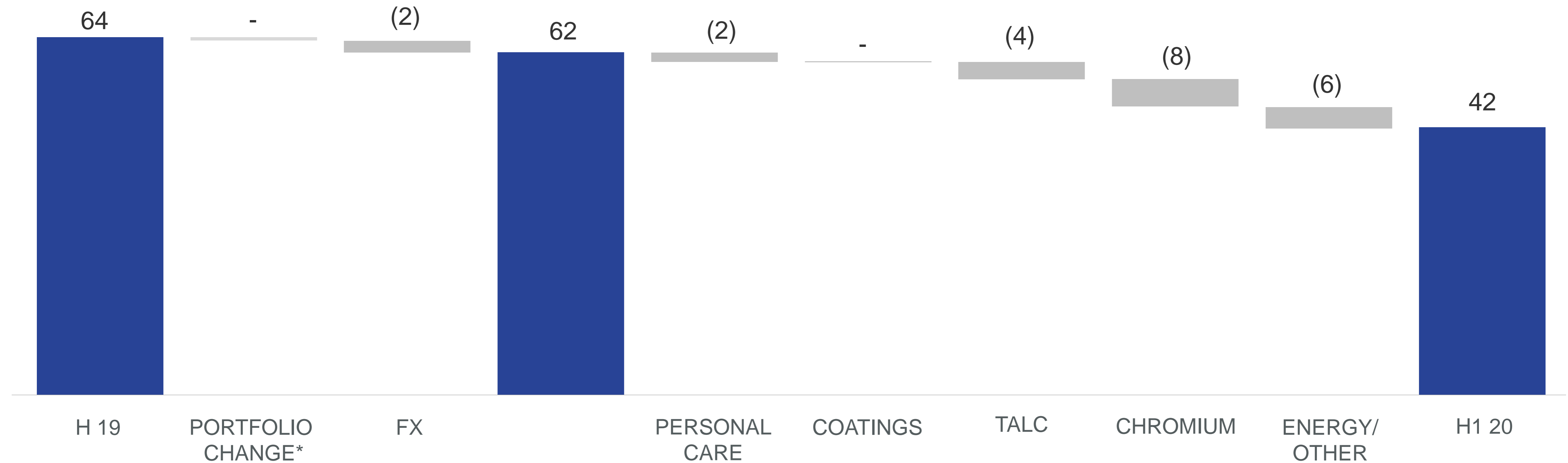


Ralph Hewins

Group operating profit

DEMONSTRABLE PROFIT RESILIENCE IN COATINGS & PERSONAL CARE

ADJUSTED OPERATING PROFIT \$m



* Portfolio change includes the disposal of the Dental gypsum plant



Paul Waterman



Ralph Hewins

Cost savings

A CONTINUOUS IMPROVEMENT FOCUS

COVID-19 IN YEAR COST INTERVENTIONS

- Travel & entertainment costs close to zero
- Trade shows cancelled
- Reduced manufacturing costs
- Lower variable incentives



~\$10m
in 2020

ORGANISATION RESTRUCTURING

- Increased spans of control, reduced management layers
- Aligned jobs levels
- 100 roles eliminated



~\$5m
in 2020

SUPPLY CHAIN SAVINGS

- Ongoing efficiency agenda
- Delivery accelerated from 2022 to 2021



~\$10m
in 2021



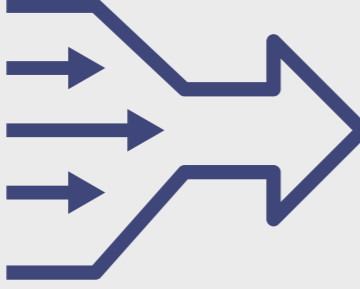



Paul Waterman



Ralph Hewins

Supply chain savings

\$10M OF SAVINGS BROUGHT FORWARD TO 2021

	VOLUME REALLOCATION	CHROMIUM EFFICIENCY	PROCUREMENT	INDIA PLANT
OPPORTUNITY	Internal volumes optimised Third parties reduced	Implement best practices to lower operational costs	Optimise warehouse & logistics Raw material supply competition	Lower cost to serve Tariff neutral Closer to new growth markets
ACTION	Global volume optimisation 	Work process re-design, training & performance management 	Supplier and asset review 	Shift volumes to India 



Paul Waterman



Ralph Hewins

Cash flow

ELEMENTIS

POSITIVE NET CASH GENERATION IN A TOUGH ENVIRONMENT

\$m	H1 19	H1 20
EBITDA	85	67
Change in working capital	1	(24)
Capital expenditure	(23)	(16)
Operating Cash Flow	63	28
Pension deficit payments	-	-
Interest	(12)	(12)
Tax & Other	-	(9)
Free Cash Flow	51	8
Dividends	(33)	-
Acquisitions and disposals	-	-
One off items	(29)	(7)
Net Cash Flow	(11)	1
Net Balance Sheet Debt	509	453
Net debt/EBITDA*	2.8x	3.1x

Temporary working capital outflow

Tight capex discipline

Dividend suspension to preserve cash

* Based on last twelve months adjusted pro forma EBITDA excl. IFRS 16



Paul Waterman

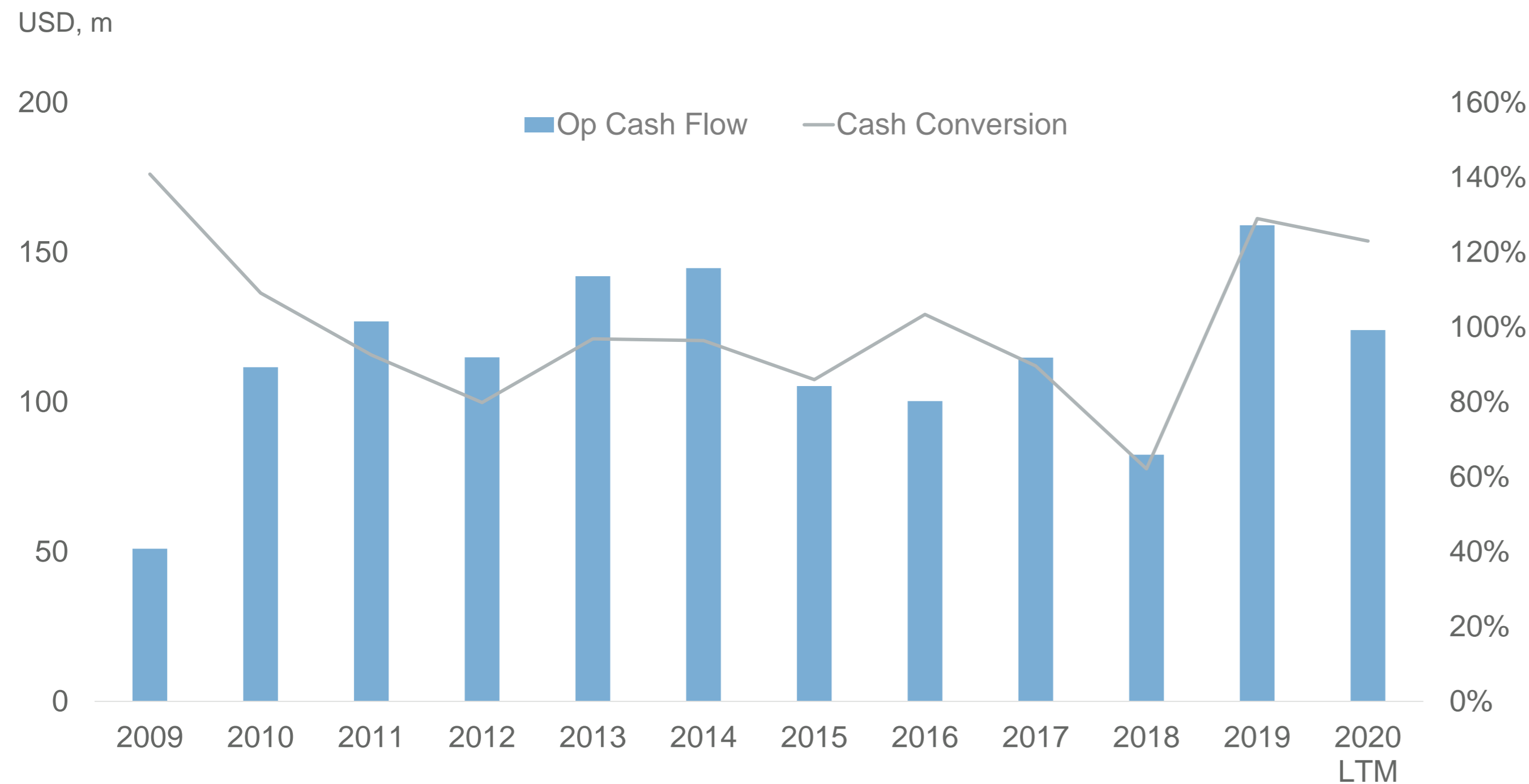


Ralph Hewins

Financial leverage

HIGHLY CASH GENERATIVE BUSINESS MODEL TO DRIVE DEBT REDUCTION

OPERATING CASH FLOW OVER THE CYCLE



Net debt expected to significantly reduce in H2 20

Over \$300m of liquidity immediately available

Going concern material uncertainty noted under severe downside scenario due to 2021 covenant step down - confident of agreeing extension if required

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

* Covenant scheduled to drop from 3.75x to 3.25x LTM EBITDA for June 2021 test onwards



Paul Waterman



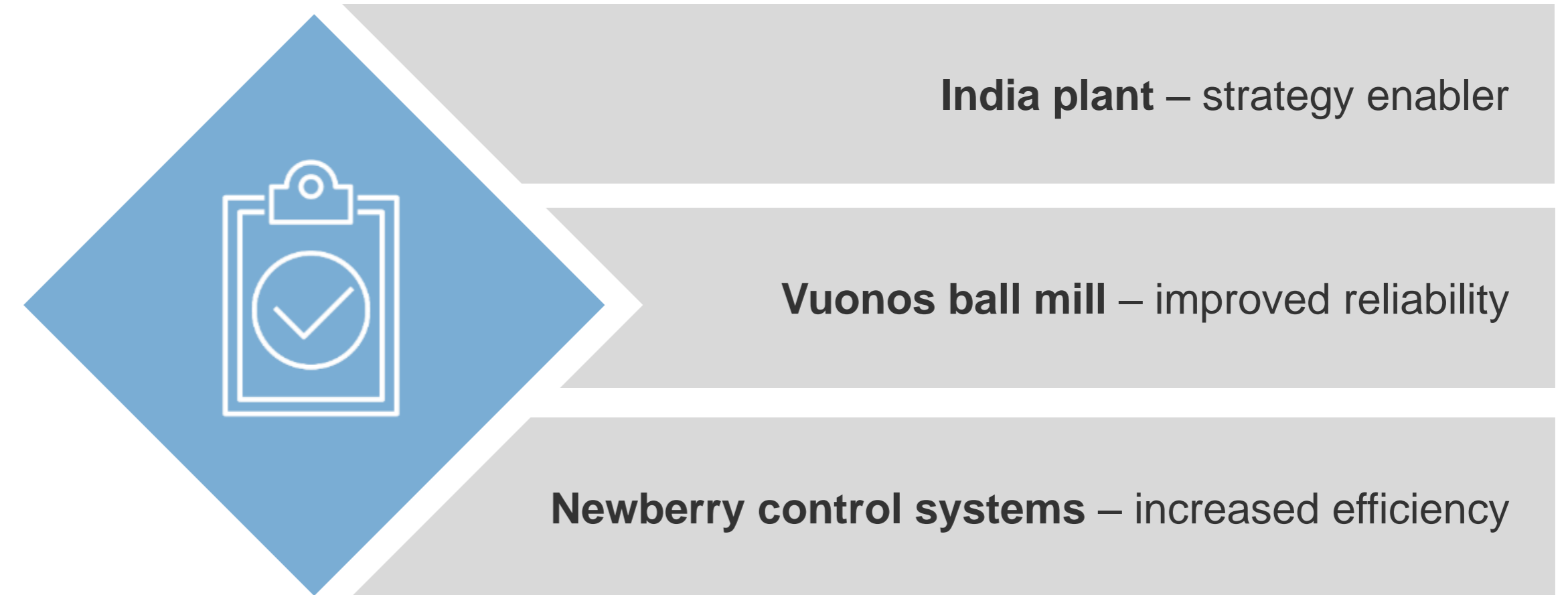
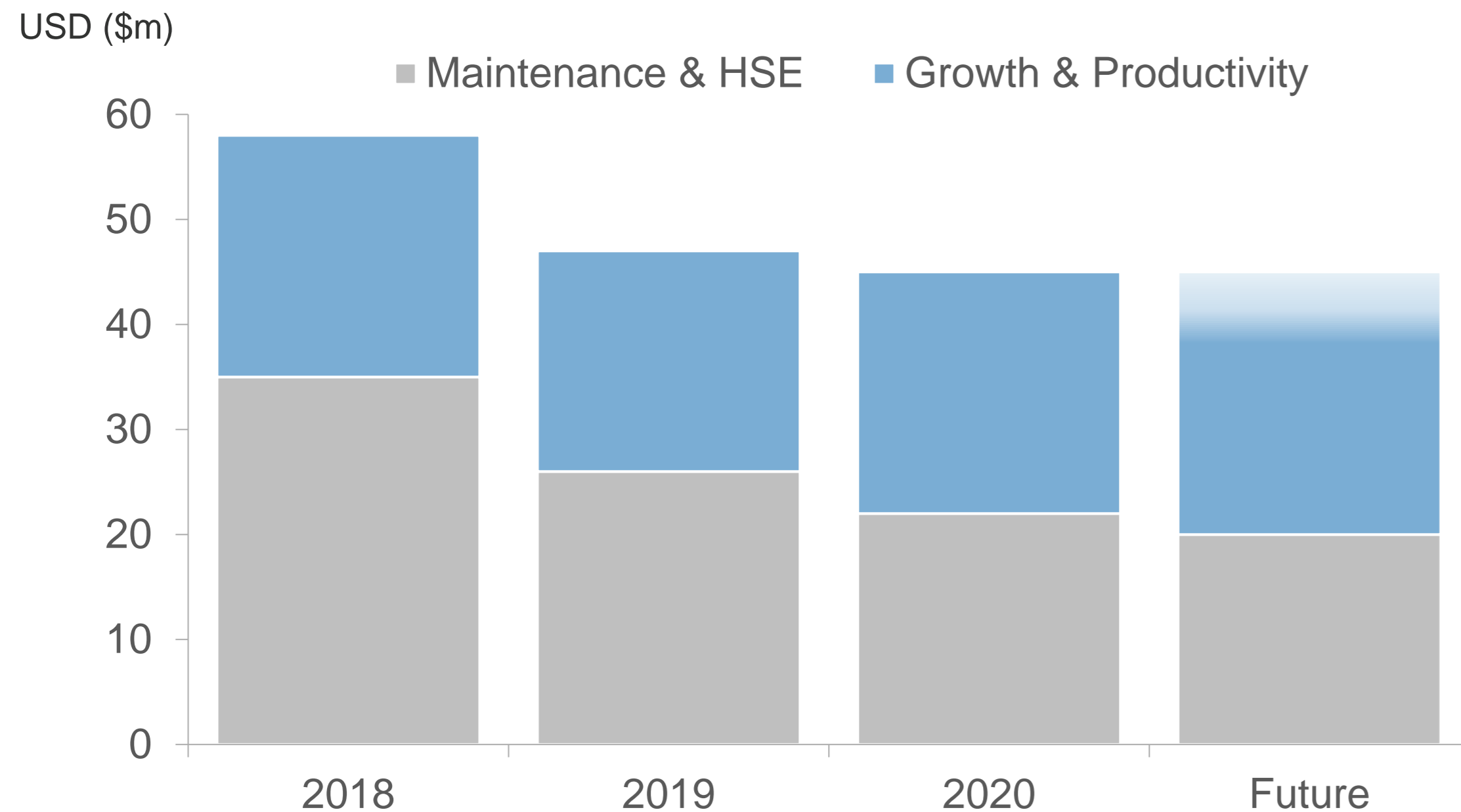
Ralph Hewins

Lower capex, improved mix

COMMITTED TO OUR GROWTH AND PRODUCTIVITY PROJECTS

CAPEX SPEND ON GROWTH & PRODUCTIVITY

2020 CAPEX PRIORITIES - \$45M TOTAL SPEND



Note: 2018 capex is pro-forma including 12 months of Talc



Paul Waterman



Ralph Hewins

Adjusting items

\$m Expense/(Income)	H1 19	H1 20
Amortisation of intangibles arising on acquisition	9	10
Environmental provisions	-	4
Business transformation	-	2
Impairment of goodwill	-	60
Release of contingent consideration	(9)	-
Other	-	1
Net P&L adjusting items*	-	77

\$60m goodwill impairment -
Energy \$27m: challenging market outlook;
Talc \$33m: WACC increase & COVID-19
impact on timing of profit delivery

\$4m environmental provision
– lower discount rates

\$7m of cash adjusting items

* Impact on operating profit



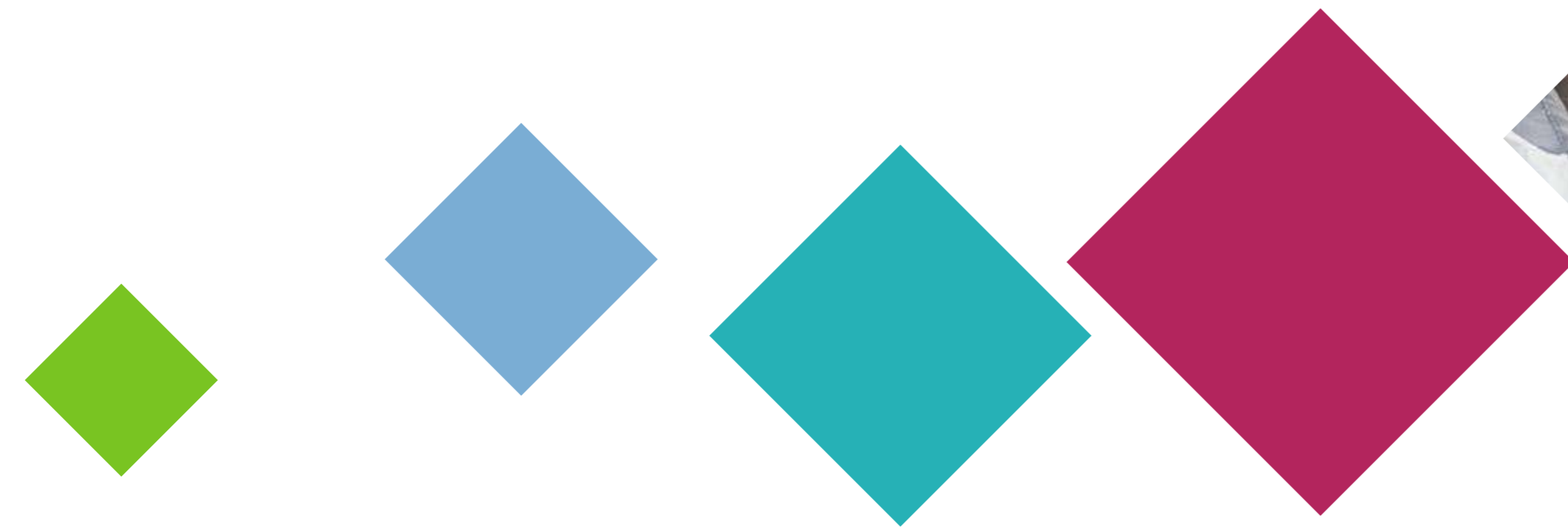
Paul Waterman



Ralph Hewins

PERFORMANCE SUMMARY & PRIORITIES

PAUL WATERMAN, CEO



INNOVATION | GROWTH | EFFICIENCY



Paul Waterman



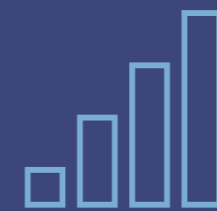
Ralph Hewins

Performance summary

ELEMENTIS



**Employee health
& safety**



**May volume trough,
modest sequential
recovery**



Strategy on track



Cash focus



**November 2019
CMD performance
commitments
unchanged**



Paul Waterman



Ralph Hewins

A focus on premium performance additives...

ELEMENTIS



Paul Waterman




Ralph Hewins

...with a strong platform for growth

ELEMENTIS

ELEMENTIS OPPORTUNITIES

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



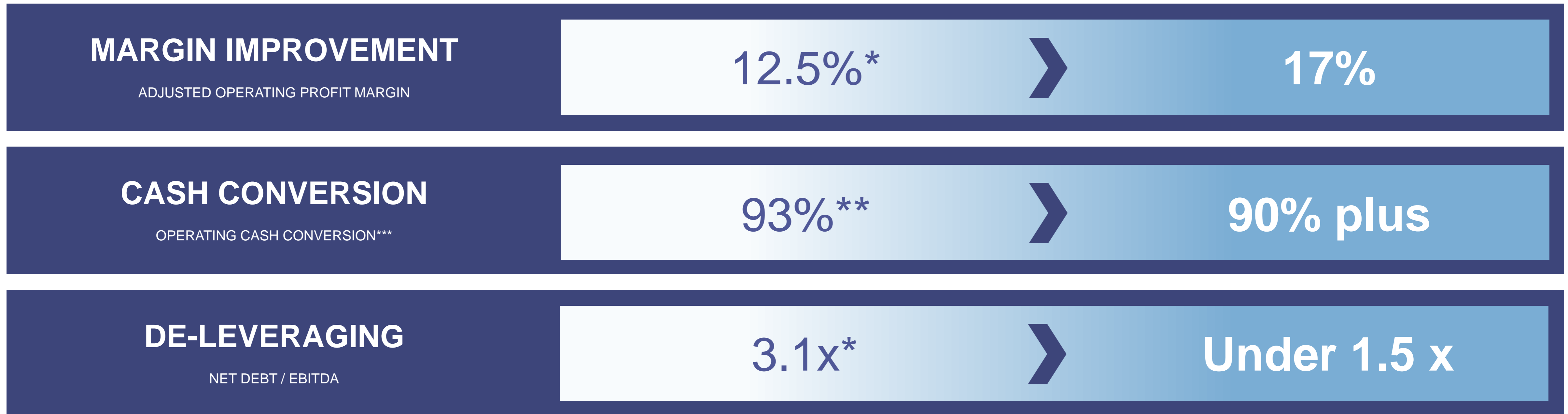
Paul Waterman



Ralph Hewins

Medium term Group performance objectives

ELEMENTIS



* Last twelve months to 30 June 2020

** Last three year average

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



Paul Waterman






Ralph Hewins

Sustainability focus

ELEMENTIS

ELEMENTIS ENABLING CHANGE

- **NATURAL PERSONAL CARE INGREDIENTS**
Hectorite replacing synthetics
- **REDUCED VEHICLE EMISSIONS**
Talc for vehicle light weighting
- **LOWER COATINGS VOCs**
Additives enabling waterborne transition

SUSTAINABILITY PROGRESS



Paul Waterman



Ralph Hewins

Accelerating sustainability implementation

2030 TARGETS



GHG EMISSIONS

25%

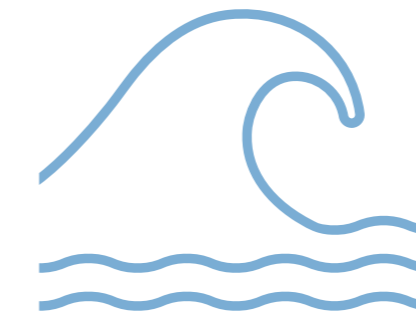
Reduction in GHG emissions



ENERGY

20%

Increase in energy efficiency



WATER

10%

Reduction in water usage



WASTE

10%

Reduction of waste

Ultimate goal = carbon neutrality

Note: Targets are volume based metrics (e.g. joules/tonne of production) set against 2019 baseline



Paul Waterman



Ralph Hewins

Q&A



INNOVATION | GROWTH | EFFICIENCY



Paul Waterman

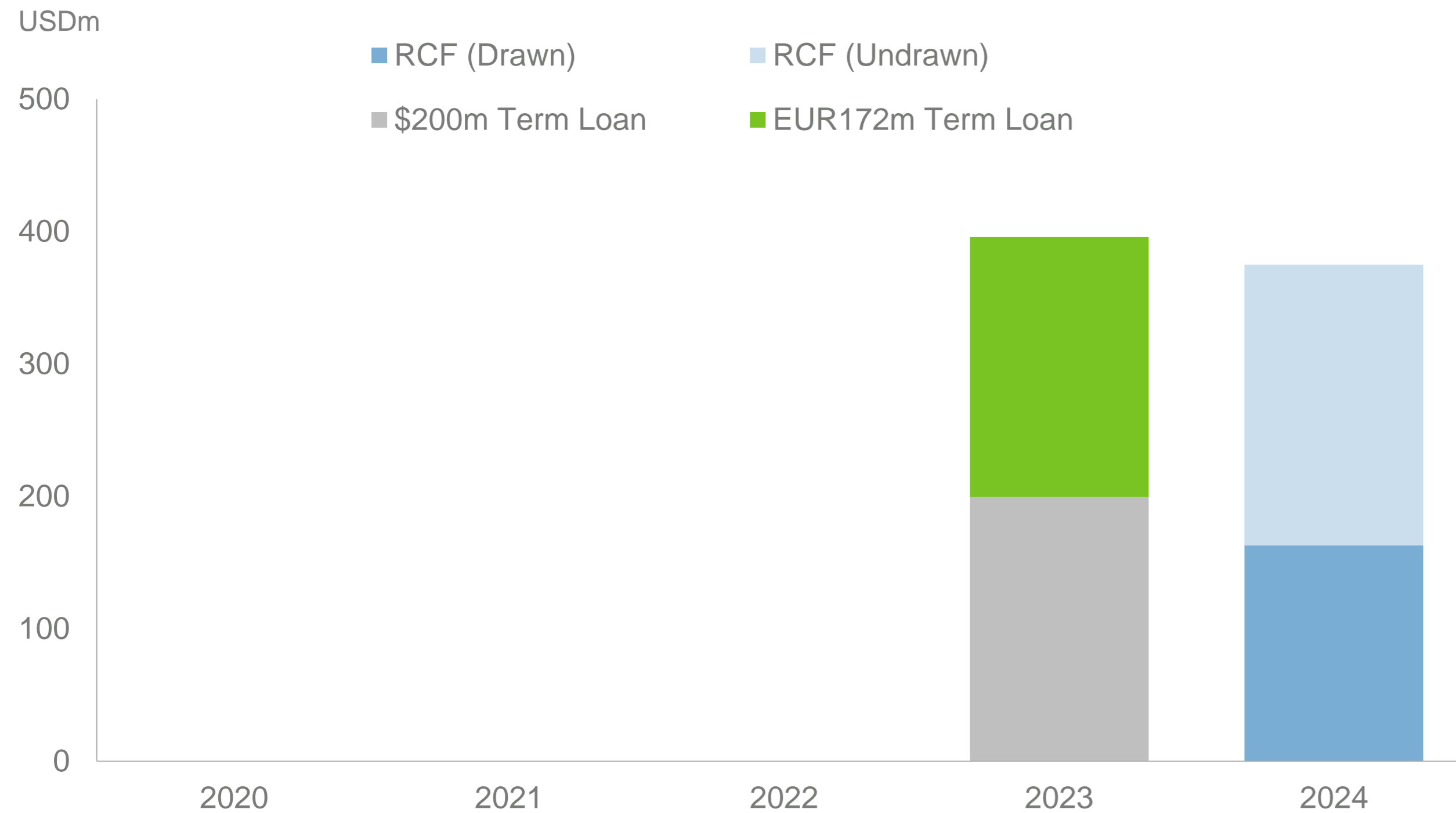


Ralph Hewins

Debt facilities & liquidity

STRONG LIQUIDITY POSITION

DEBT MATURITY PROFILE AT 30 JUNE 2020



Over \$300m of immediately available liquidity including c.\$100m of cash & c.\$200m of undrawn RCF

Banking covenants:

- 1) Net debt/EBITDA of <math>< 3.75x</math> in 2020 and <math>< 3.25x</math> thereafter
- 2) Interest cover > 3x

Tax charge

EFFECTIVE TAX RATE 29%

ELEMENTIS

\$m	H1 19	H1 20
Underlying tax charge	10.7	8.0
Tax charge: adjusting items	(2.3)	(10.5)
Reported tax charge/(credit)	8.4	(2.5)
Tax rate	21.9%	28.5%

Tax rate above guidance due to impact of withholding taxes

Medium term P&L tax rate guidance remains of around 22%

FY 20 Technical Guidance

P&L

- Depreciation – c.\$50m
(of which c.\$5m is IFRS 16 related)
- Amortisation – c.\$20m (of which majority is amortisation of acquired intangibles)
- Tax – Effective rate around 26%

CASH

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