

# 2021 interim results



INNOVATION | GROWTH | EFFICIENCY

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# Results agenda

ELEMENTIS

## INTRODUCTION

Paul Waterman

## HIGHLIGHTS & SEGMENT PERFORMANCE

Paul Waterman

## GROUP FINANCIALS

Ralph Hewins

## OUTLOOK & PRIORITIES

Paul Waterman

## QUESTIONS

Paul Waterman & Ralph Hewins



# HIGHLIGHTS

PAUL WATERMAN, CEO



INNOVATION | GROWTH | EFFICIENCY



Paul Waterman



Ralph Hewins

# Key messages

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1

Continued industrial demand recovery

2

COVID-19 impact lingers, expect multi-year recovery

3

Managing material supply chain & cost inflation challenges

4

Encouraging strategic progress

5

On track for full year leverage reduction



Paul Waterman



Ralph Hewins



## SAFETY PERFORMANCE



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

\* Two year moving average

## HIGHLIGHTS



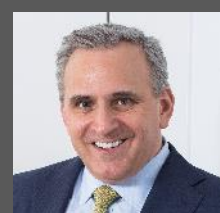
### Performance

- Five recordable injuries
- India plant 800,000 hours injury free



### Safety Initiatives

- First safety week campaign
- Site leader HSE certification



Paul Waterman



Ralph Hewins

# Strong performance **improvement**

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## H1 2021 FINANCIAL OVERVIEW

| \$m                | H1 20 | H1 21        | % Change |
|--------------------|-------|--------------|----------|
| Sales              | 387   | <b>452</b>   | + 17%    |
| Operating profit*  | 42    | <b>54</b>    | + 29%    |
| Operating margin*  | 10.9% | <b>12.0%</b> | + 110bps |
| Profit before tax* | 28    | <b>40</b>    | + 41%    |
| Diluted EPS*       | 3.5c  | <b>5.5c</b>  | + 57%    |
| Net debt           | 453   | <b>415</b>   | -8%      |

\* After adjusting items



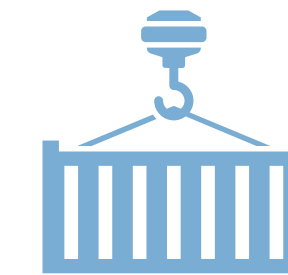
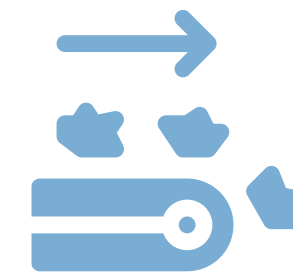
Paul Waterman



Ralph Hewins

# Proactive supply chain actions

CONTINUED OPERATIONAL RESILIENCE



## DEMAND

## RAW MATERIALS

## LOGISTICS

### CHALLENGE

Fast recovery

Shortages & cost increases

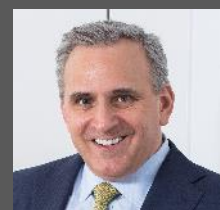
Congestion & increased freight rates

### ACTIONS

- ✓ Increased production
- ✓ Prioritised SKUs
- ✓ Order flexibility

- ✓ Alternative suppliers qualified
- ✓ Additional price increases

- ✓ Air freight
- ✓ Pre-booked shipping
- ✓ Surcharges



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Ralph Hewins



# Strategy implementation on track

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## H1 ACHIEVEMENTS

### INNOVATION



12 new product launches



New products up from 11% to 13% of sales



Open innovation – AQDOT & NXTLEVEL progress



2 Personal Care labs opened in Asia & South America

### GROWTH



\$25m of new business closed



15% Coatings revenue growth\*



Industrial Talc revenue up 22%\*



15% Elementis Asia growth\*

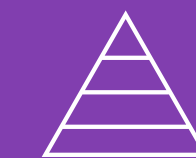
### EFFICIENCY



Charleston/St Louis consolidation complete



India plant Q3 start up on track

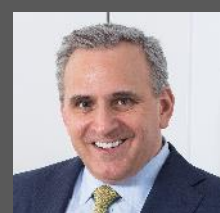


Asia ERP implementation complete



\$10m savings in 2021

\* Constant currency sales growth



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A global specialty chemicals company

# SEGMENT PERFORMANCE



INNOVATION | GROWTH | EFFICIENCY

Enhanced Performance Through Applied Innovation





# Personal Care performance

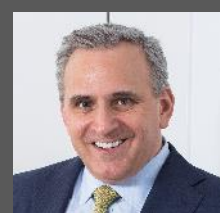
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## MARGINS RESILIENT DESPITE WEAK MARKET CONDITIONS

| \$m               |       |              | H1 21 vs H1 20<br>% Change     |
|-------------------|-------|--------------|--------------------------------|
|                   | H1 20 | H1 21        | Constant Currency <sup>1</sup> |
| Sales             | 90    | <b>89</b>    | -5%                            |
| Operating profit* | 20    | <b>19</b>    | -8%                            |
| Operating margin* | 22.4% | <b>21.6%</b> |                                |



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



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Ralph Hewins





# Personal Care performance

DEMAND RECOVERY BEGINS

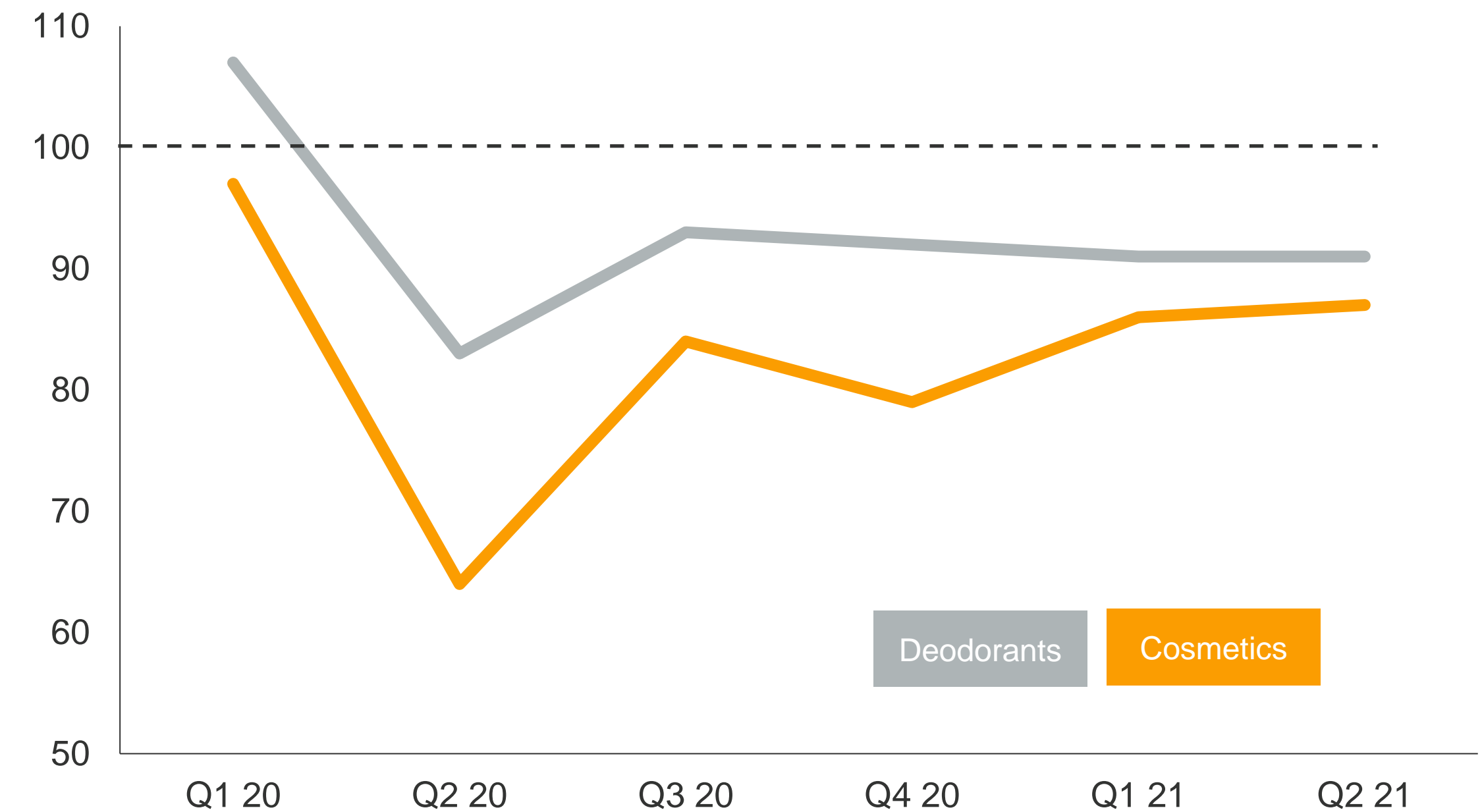
## MARKET DEMAND REMAINS BELOW 2019 LEVELS...

**-14%**  
European Cosmetics Retail Sales  
H1 21 vs H1 19

**-9%**  
European Deodorants Retail Sales  
H1 21 vs H1 19

## ...BUT EARLY SIGNS OF RECOVERY

European Retail Sales Growth (y-o-y)



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



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# Personal Care performance



## STRATEGIC PROGRESS



### SKIN CARE



### AP ACTIVES



### ASIA

13% revenue growth

2 new product launches

\$11m NBO pipeline

Q3 India start up on track

Creates resilient & lowest cost global supply chain

6 new AP product launches

15% revenue growth

New Shanghai lab opened in January

Additional sales, marketing & technical resources



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# Coatings performance

## DEMAND RECOVERY & MARGIN IMPROVEMENT

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| \$m               |         |              | H1 21 vs H1 20<br>% Change     |
|-------------------|---------|--------------|--------------------------------|
|                   | H1 20** | H1 21        | Constant currency <sup>1</sup> |
| Sales             | 162     | <b>197</b>   | + 15%                          |
| Operating profit* | 21      | <b>33</b>    | + 48%                          |
| Operating margin* | 12.7%   | <b>16.7%</b> |                                |

After adjusting items    \*\* Restated to include Energy business    <sup>1</sup> Adjusted for constant currency



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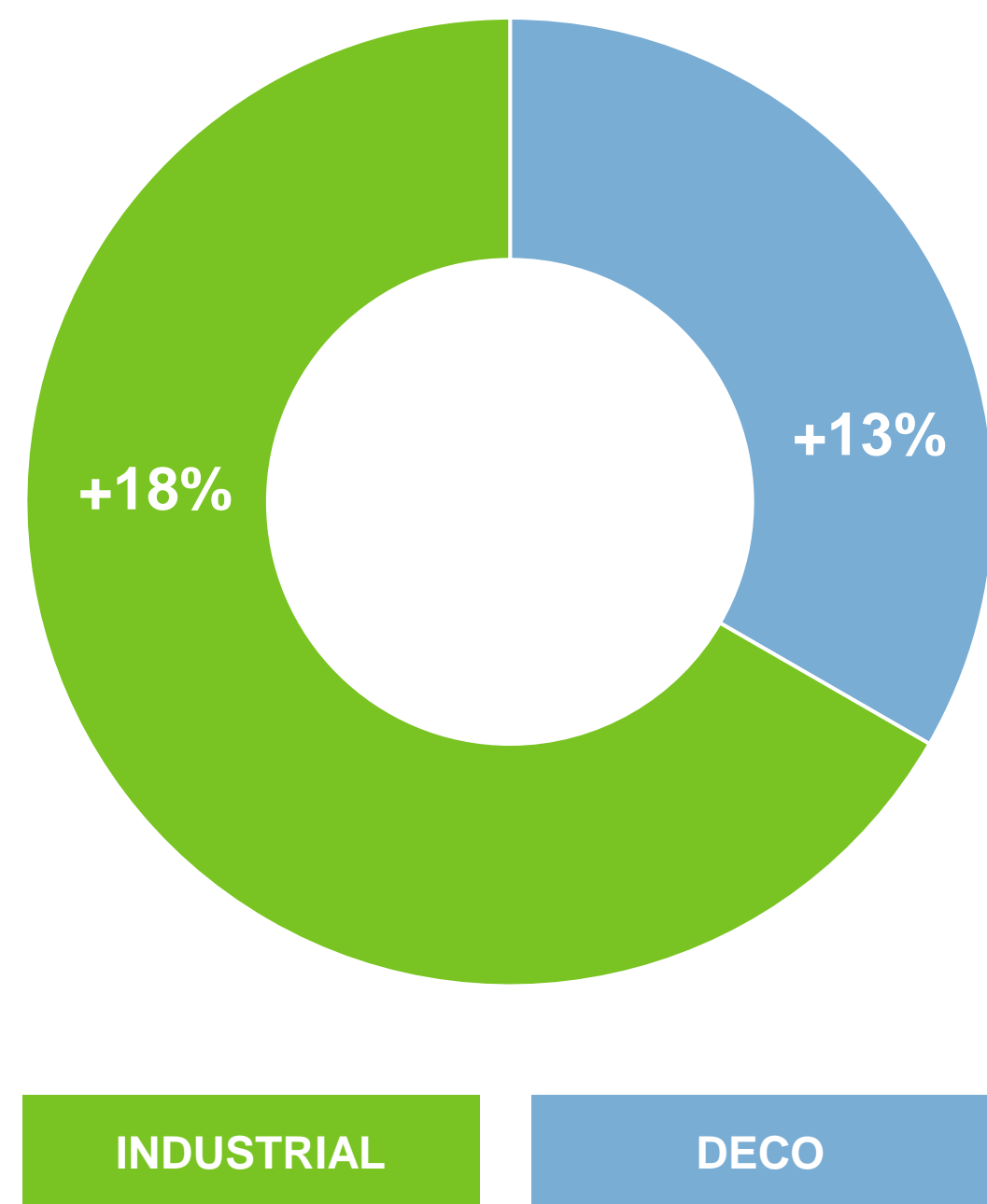


# Coatings performance

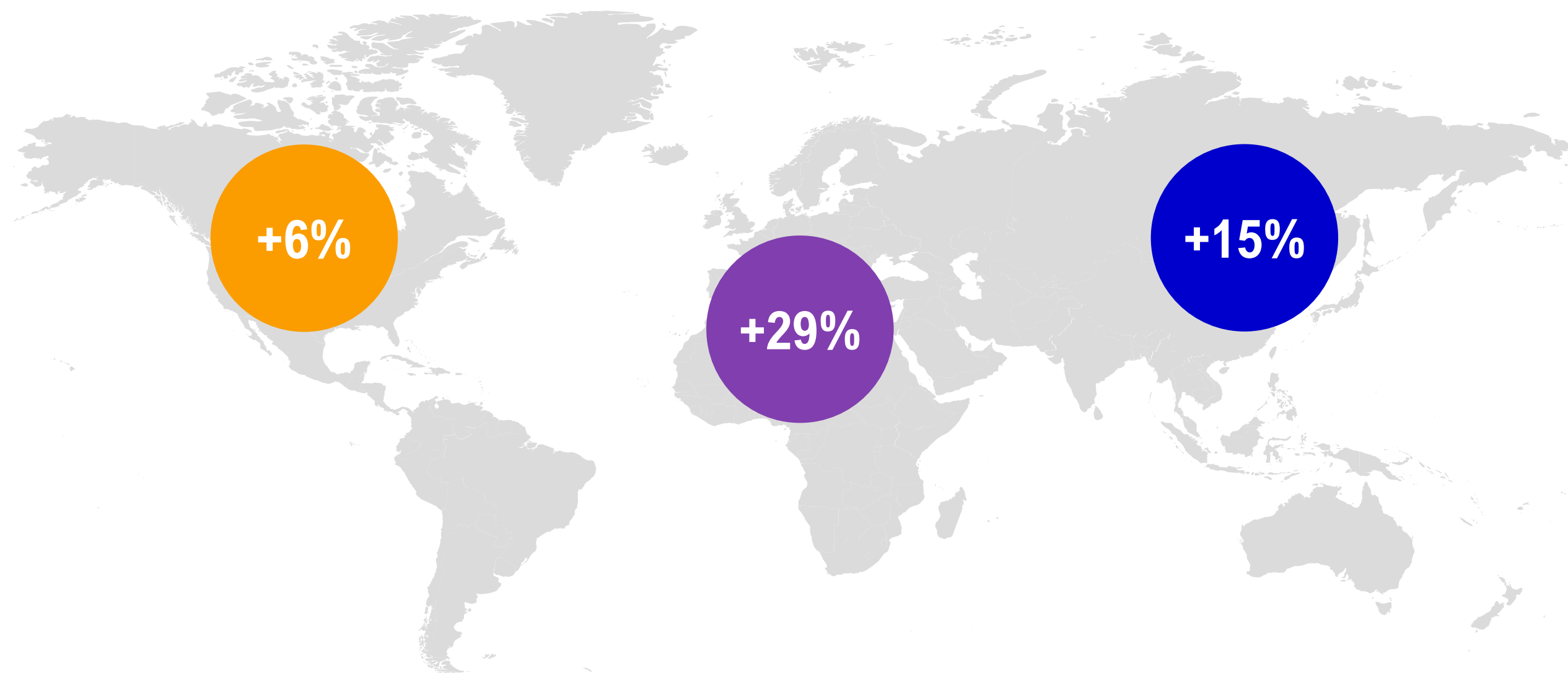
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STRONG PERFORMANCE ACROSS SECTORS, GEOGRAPHIES AND KEY ACCOUNTS

## SECTOR GROWTH\*



## REGIONAL GROWTH\*

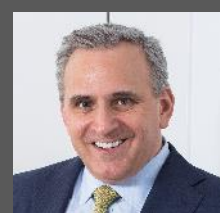


## GLOBAL KEY ACCOUNTS\*



\* Constant currency sales growth

Note: Analysis excludes Energy related sales (which were broadly flat y-o-y)



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# Coatings performance

## STRATEGIC PROGRESS

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### ACCELERATED INNOVATION

3 new products launched in H1; over 10 for 2021  
Water based industrial & Thixatrol® expansion



### NEW BUSINESS OPPORTUNITIES

Growth platforms revenue +34% y-o-y  
\$10m delivered in H1; \$15m plus for 2021



### SE ASIA GROWTH

Revenue up 30% y-o-y in H1  
Incremental sales & technology resources



### GLOBAL KEY ACCOUNT MANAGEMENT

Over 10 joint development projects  
Enhanced digital offering



Paul Waterman



Ralph Hewins



Talc

# Talc performance

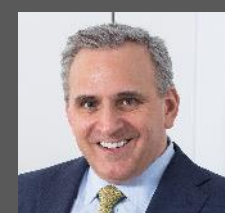
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## DEMAND RECOVERY & GEOGRAPHIC EXPANSION DRIVE VOLUME GROWTH

|                   |       |       | H1 21 vs H1 20<br>% Change     |
|-------------------|-------|-------|--------------------------------|
| \$m               | H1 20 | H1 21 | Constant Currency <sup>1</sup> |
| Sales             | 61    | 77    | +14%                           |
| Operating profit* | 6     | 8     | +18%                           |
| Operating margin* | 10.2% | 10.3% |                                |

\* After adjusting items

<sup>1</sup> Adjusted for constant currency



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Talc

# Talc performance

## DEMAND RECOVERY & NBO SUCCESS DRIVES INDUSTRIAL TALC GROWTH

**Industrial Talc (over 85% of segment revenue): +22% y-o-y\***

**COMMENTARY**

**SALES (y-o-y)\***

**SALES CONTRIBUTION\*\***

**Plastics**

Auto demand strength & \$2m of NBOs

**+25%**

**Coatings**

\$3m of NBOs and Americas share gains

**+11%**

**Other Diversified**

Strong technical ceramics - Asia share gains

**+32%**

\*Constant currency basis

\*\* Percentage of total industrial talc sales (i.e. excl. paper and other minerals)



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Talc

# Talc performance

## STRATEGIC PROGRESS

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### GLOBAL EXPANSION

\$6m of new business

19% Asia growth

60% Americas growth

### GROWTH PLATFORMS

Plastics – geographic expansion

Coatings – GKAM growth

Technical ceramics – market share gains

### SYNERGY DELIVERY

On track for \$20-25m by 2023

Pre-dispersed talc

Bacteria free talc



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Chromium

# Chromium performance

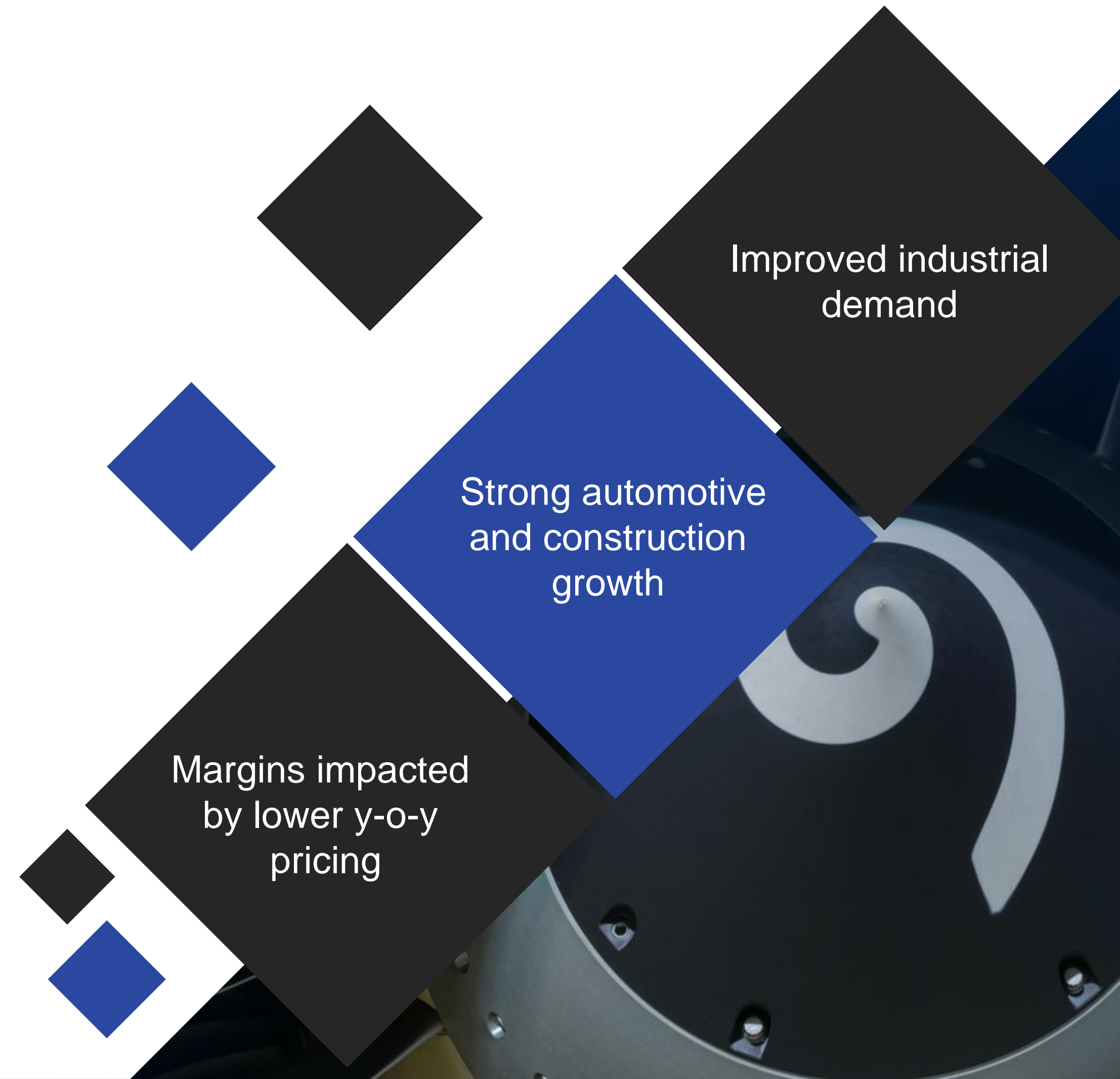
## ROBUST VOLUME RECOVERY

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|                   |       |       | H1 21 vs H1 20<br>% Change     |
|-------------------|-------|-------|--------------------------------|
| \$m               | H1 20 | H1 21 | Constant currency <sup>1</sup> |
| Sales             | 78    | 90    | +16%                           |
| Operating profit* | 3     | 5     | +48%                           |
| Operating margin* | 4.0%  | 5.1%  |                                |

\* After adjusting items

<sup>1</sup> Adjusted for constant currency



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Chromium

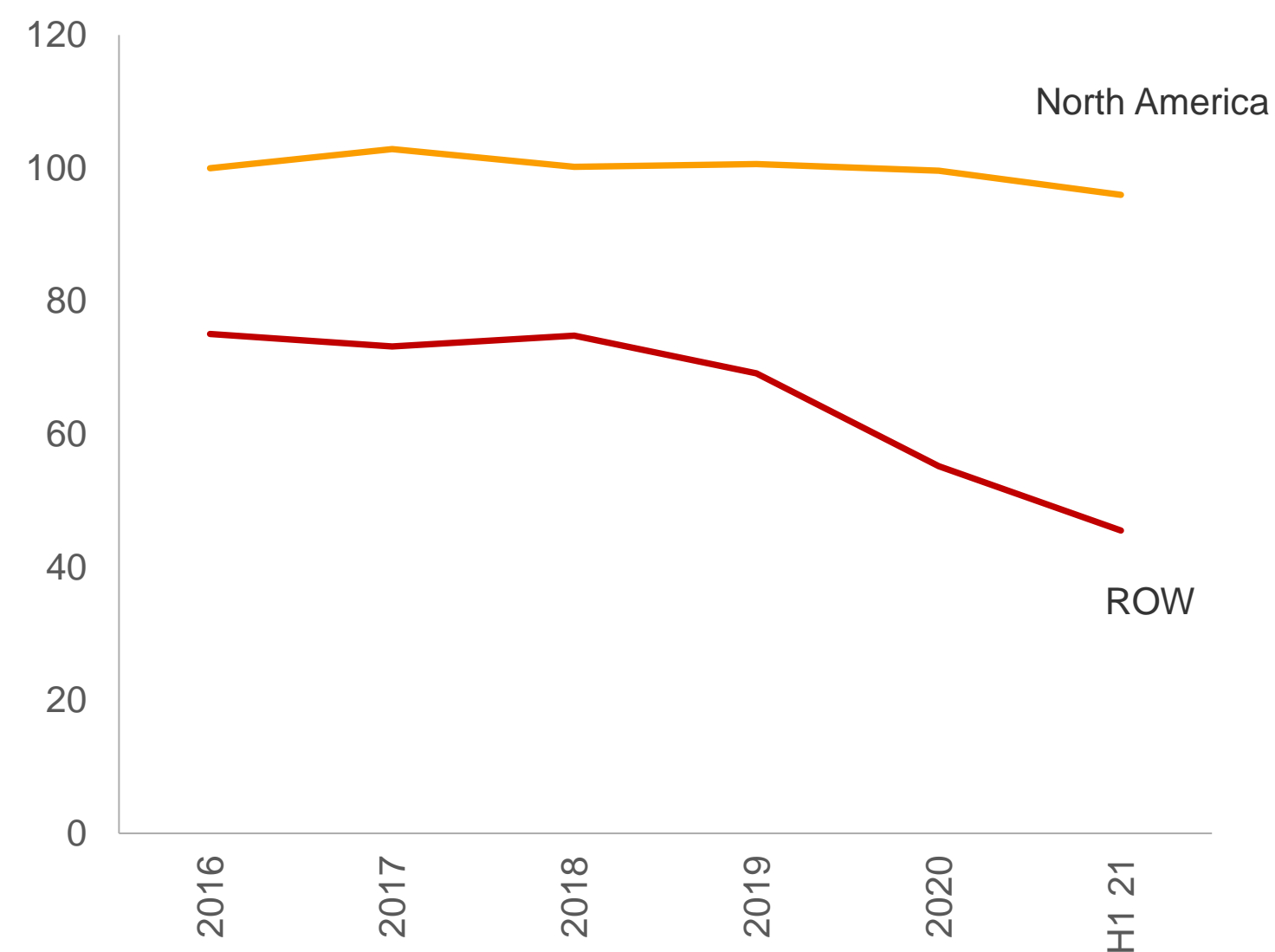
# Chromium performance



IMPROVING UTILISATION POINTS TO FUTURE PRICE RECOVERY

## NA MARGINS CONSISTENT

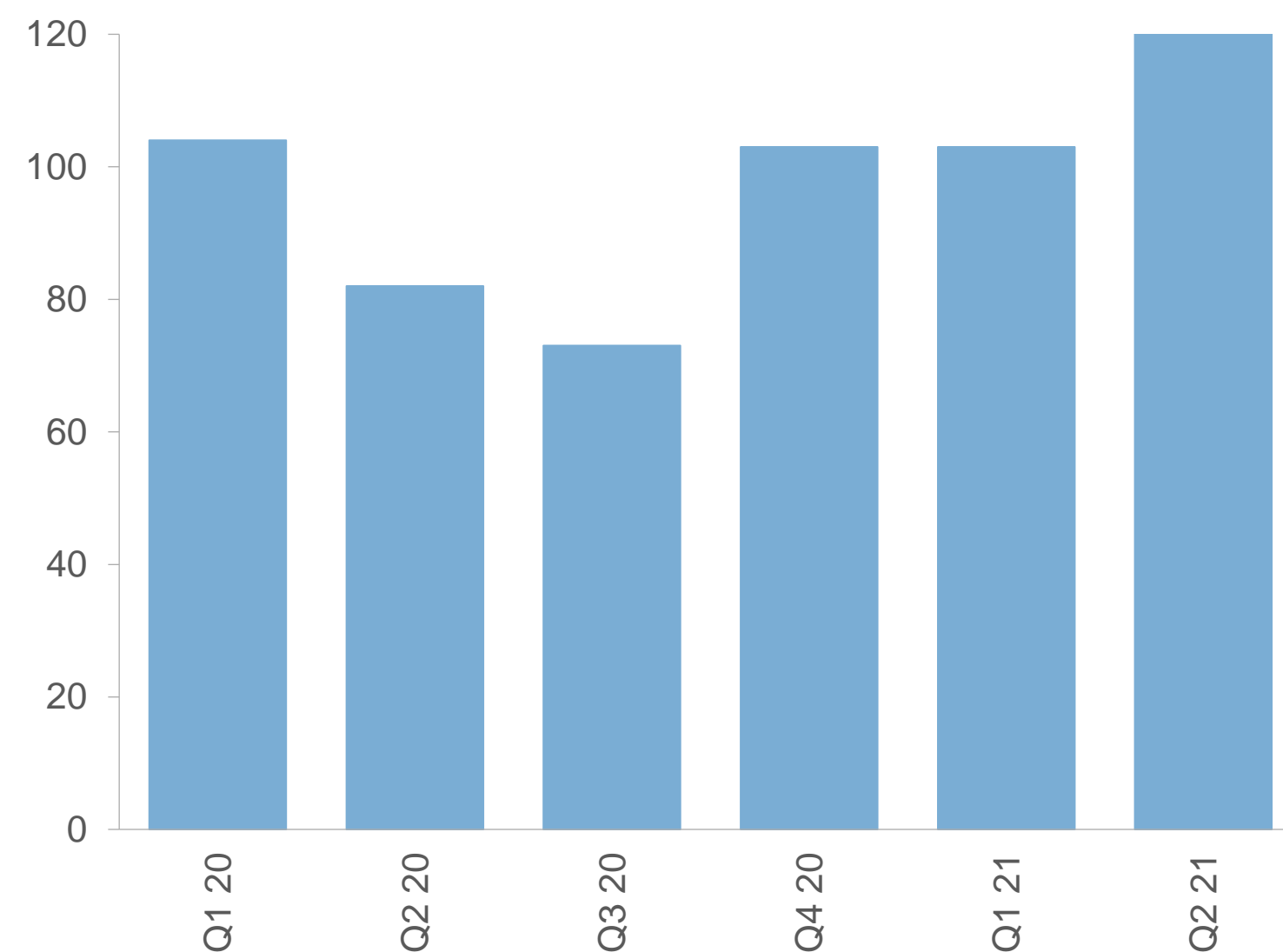
Elementis Contribution Margin % Indexed



Source: Elementis

## VOLUME RECOVERY CONTINUES

Elementis Chromium Volumes (Y-o-Y)\*

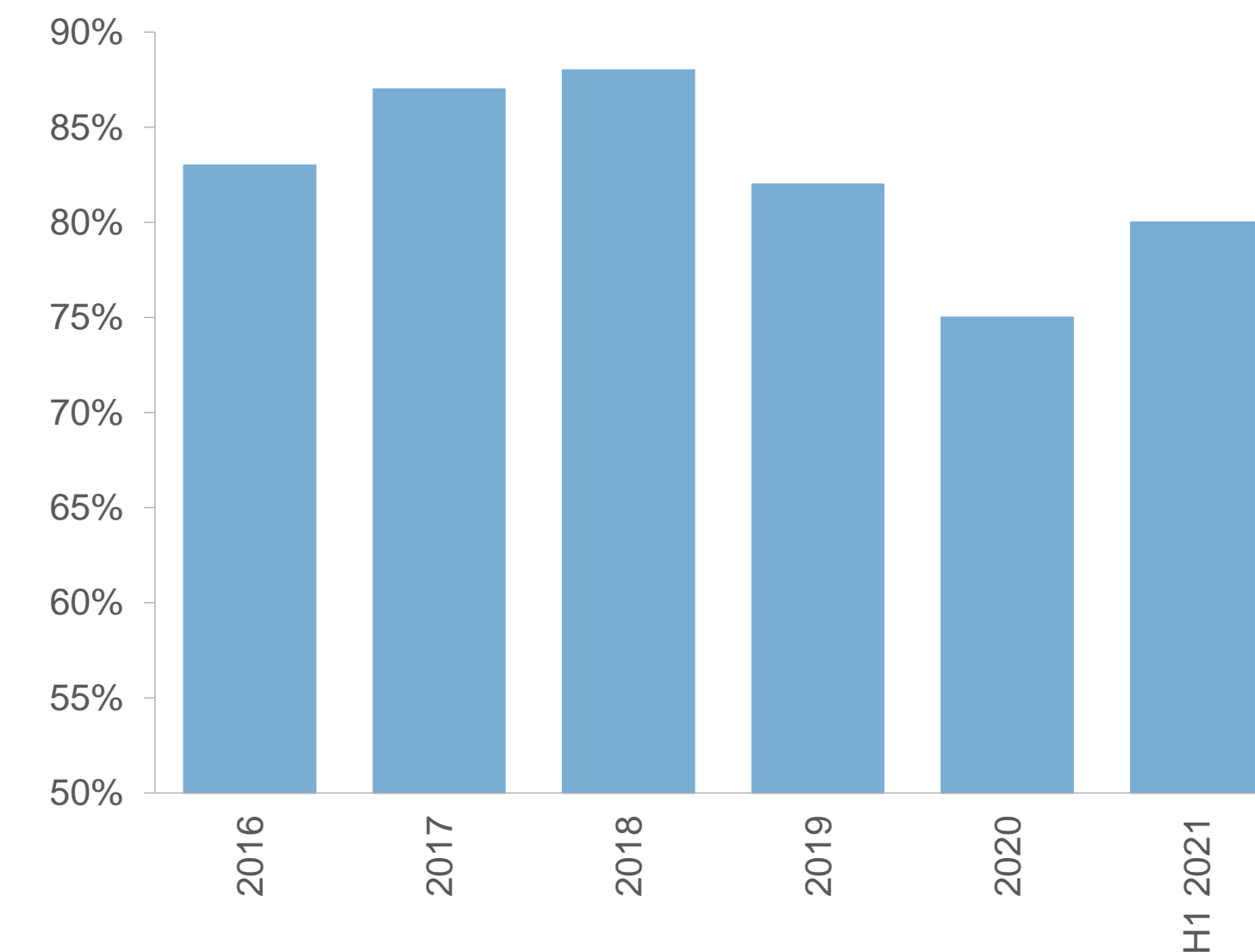


Source: Elementis

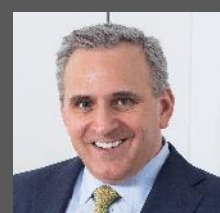
\* PY period = 100

## GLOBAL UTILISATION IMPROVING

Chromium Industry Capacity Utilisation



Source: Elementis



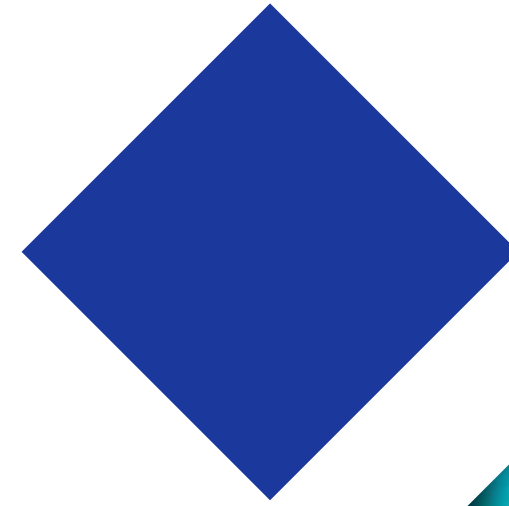
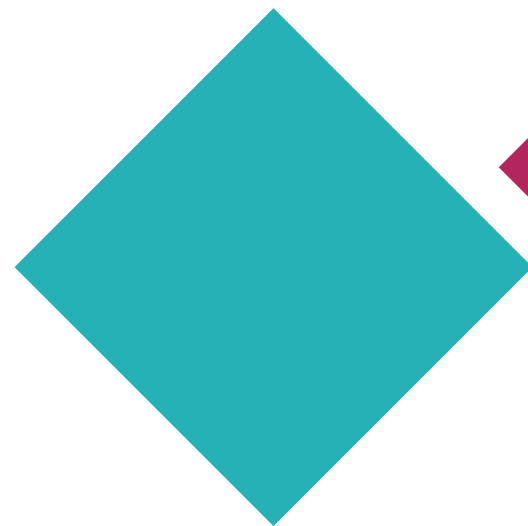
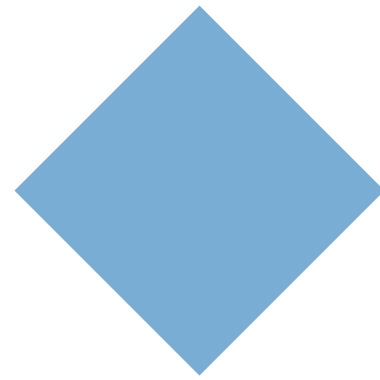
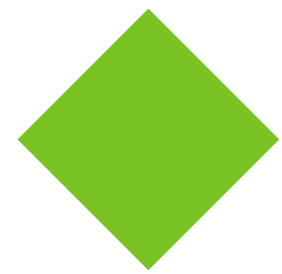
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# GROUP FINANCIALS

RALPH HEWINS, CFO



INNOVATION | GROWTH | EFFICIENCY



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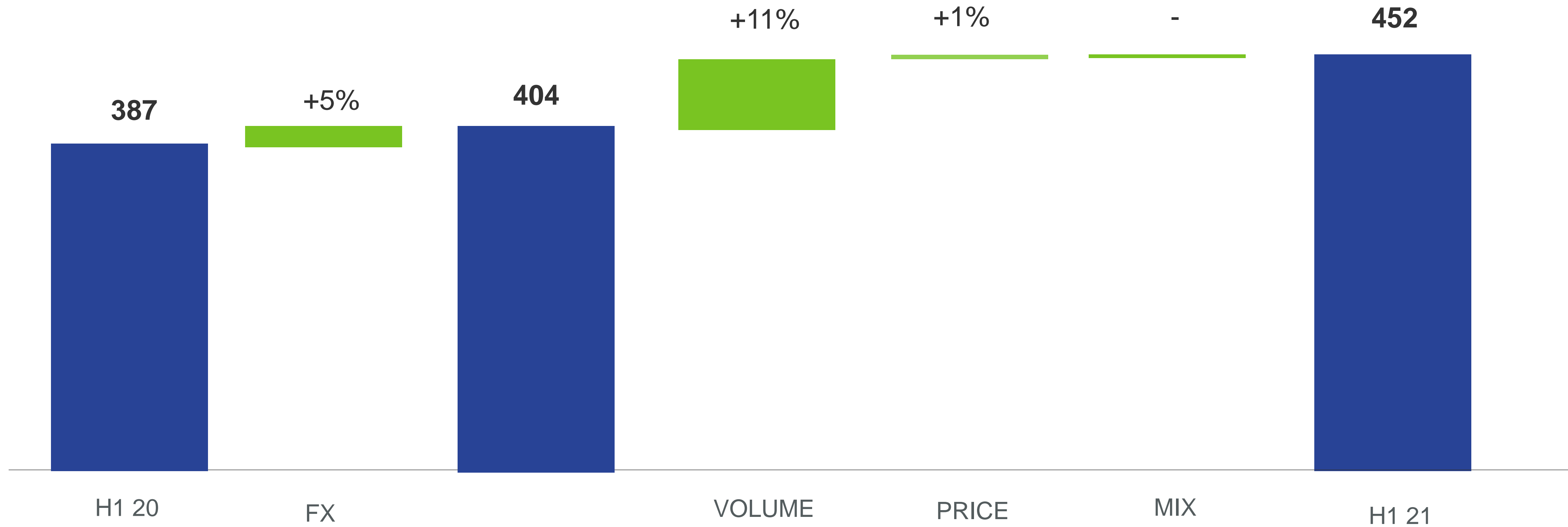


Ralph Hewins

# Group revenue

VOLUMES DRIVE 12% UNDERLYING REVENUE GROWTH

REVENUE \$m



Paul Waterman



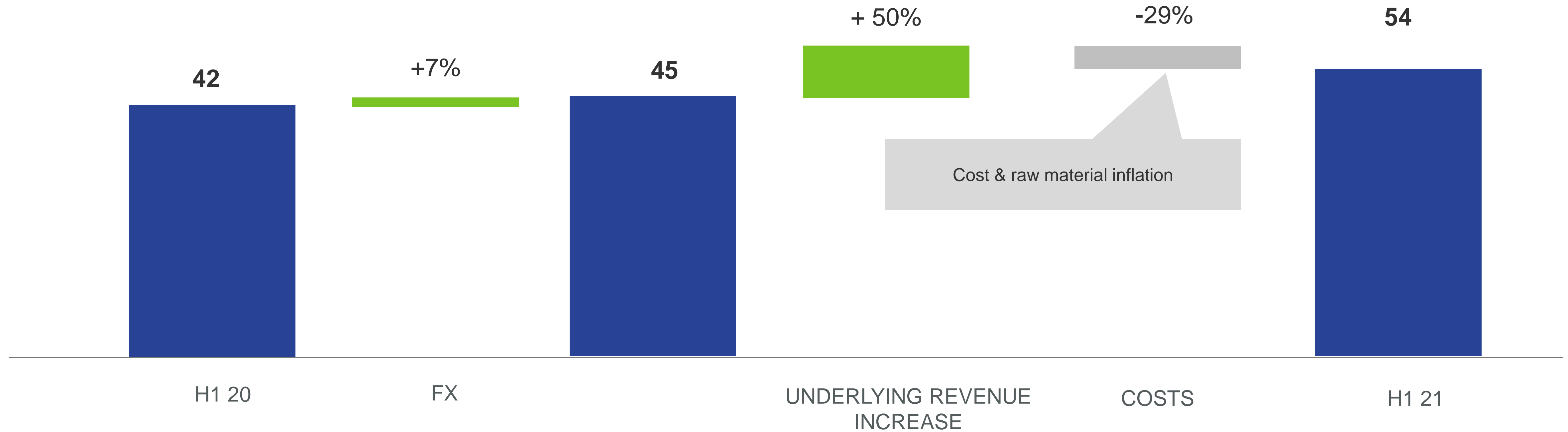
Ralph Hewins



# Group operating profit

STRONG REVENUE GROWTH OFFSETS COST INCREASES

ADJUSTED OPERATING PROFIT \$m



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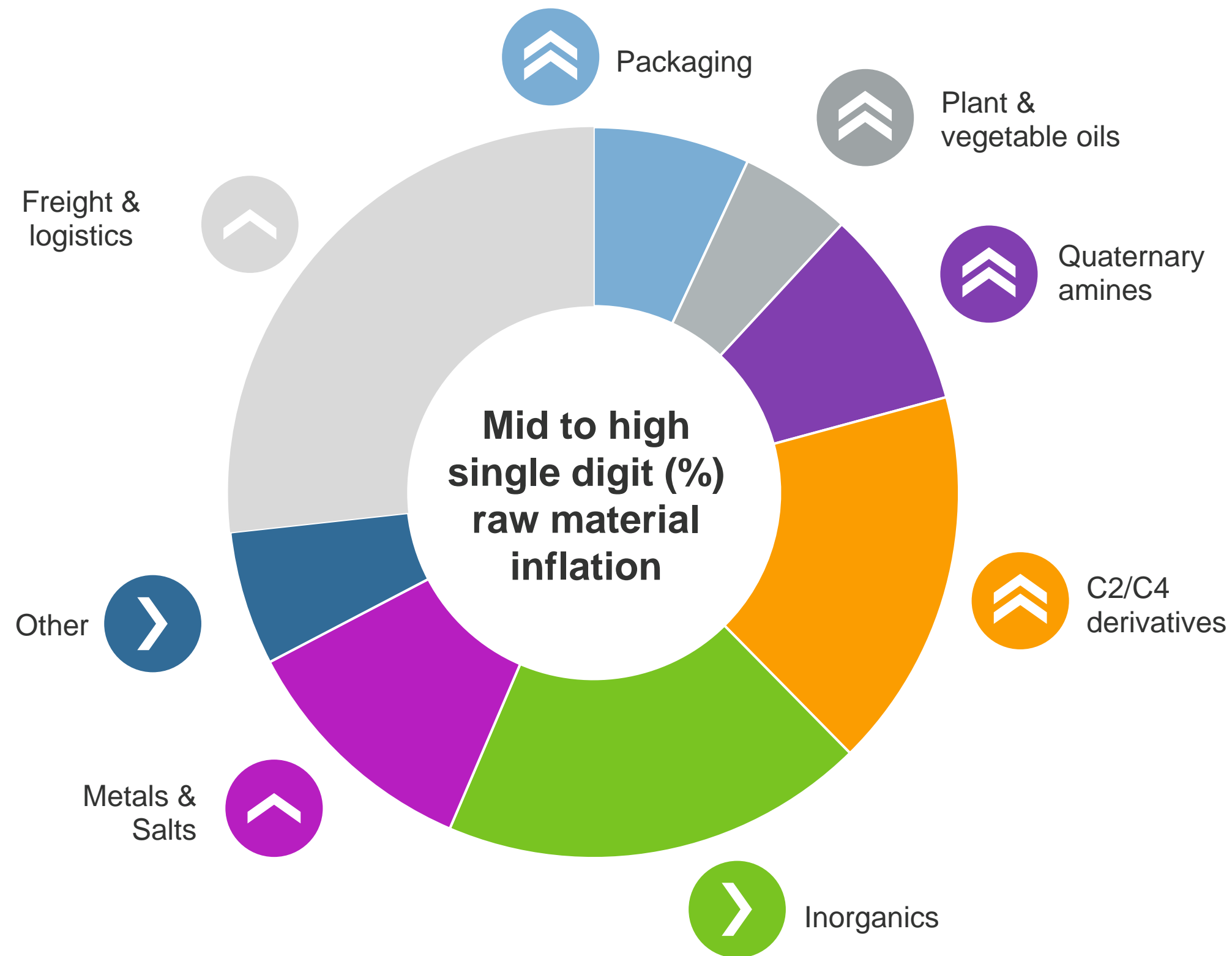
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# Cost inflation

CONFIDENT OF OFFSETTING ACCELERATING INFLATION

## BREAKDOWN OF SPEND & PRICE TREND

## ACTIONS TAKEN



Over 10 alternative suppliers qualified for disrupted supply chains



Doubled spend under strategic global procurement



Price increases executed to defend margins – ~ 2 to 3 months lag expected



Paul Waterman



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# Cost savings

\$10M OF COST SAVINGS UNDERPINNED IN 2021

## CHARLESTON & ST LOUIS



- ✓ Closed Charleston November 20
- ✓ St Louis capacity consolidation
- ✓ ~\$10m capex; ~\$5m annual cost savings

## PROCUREMENT



- ✓ Increased strategic purchasing
- ✓ Revised make vs buy strategy
- ✓ ~\$3m annual cost savings

## CONTINUOUS IMPROVEMENT



- ✓ Global process excellence
- ✓ Over 50 projects in progress
- ✓ ~\$3m annual cost savings



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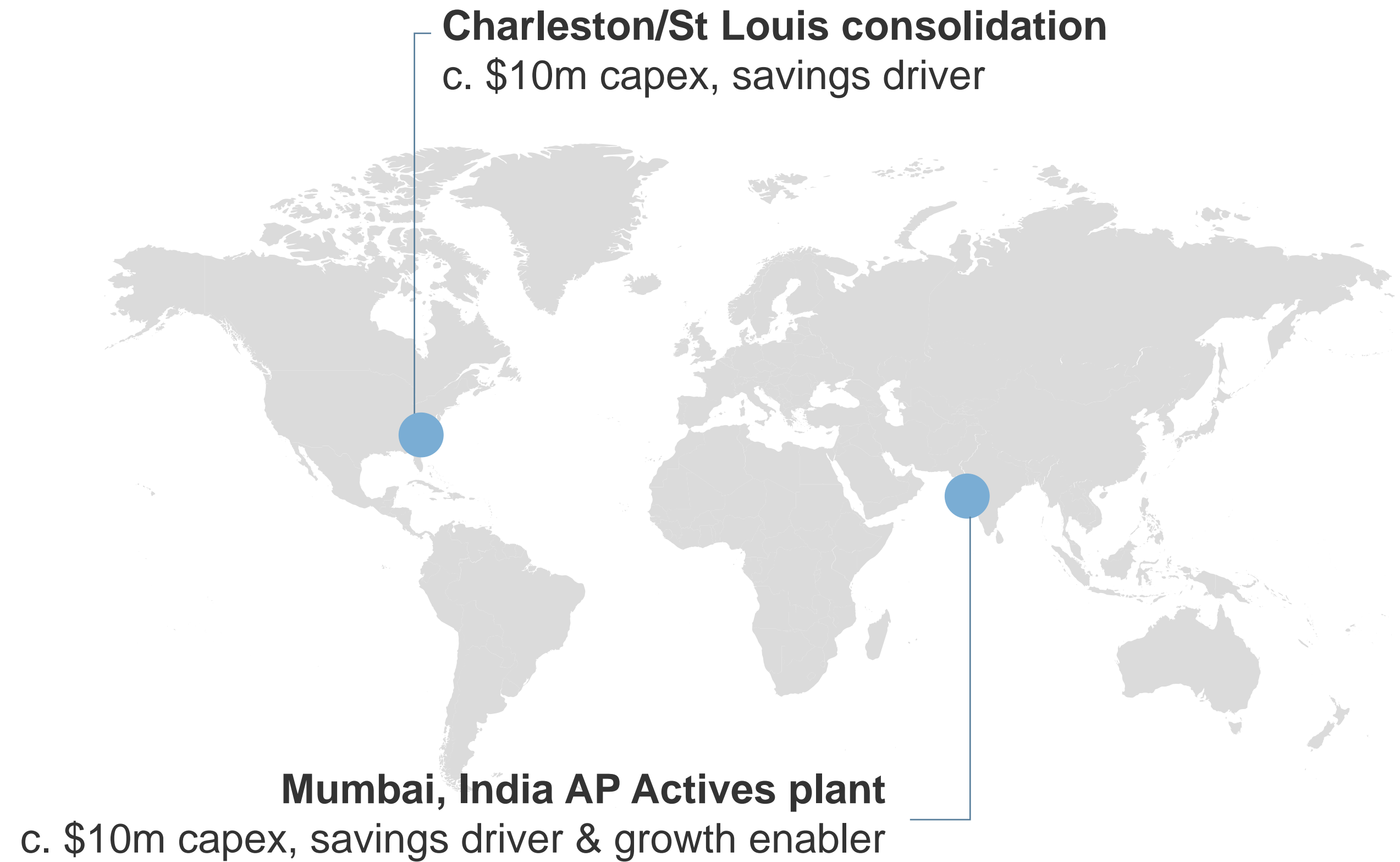
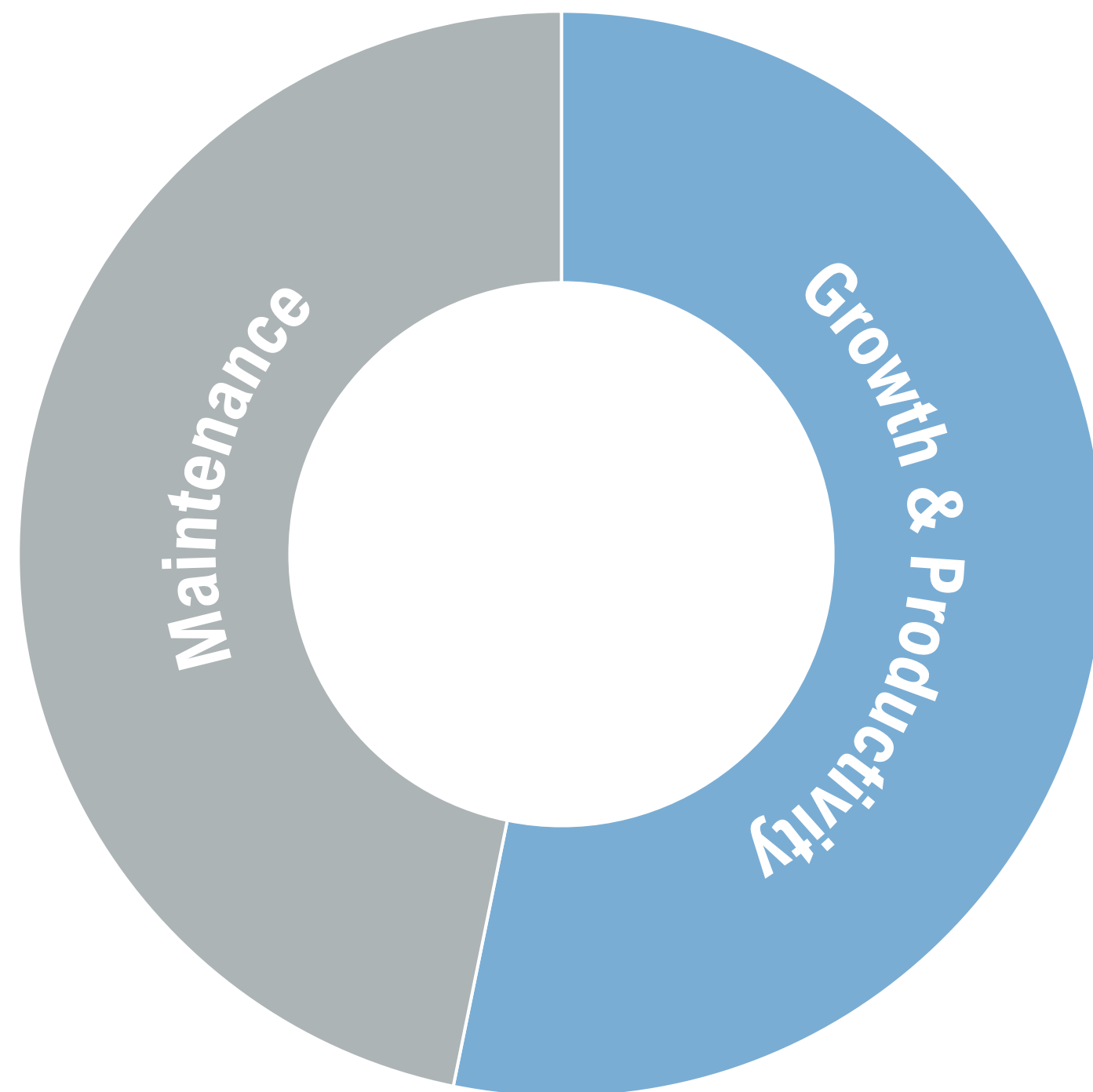


# Growth capex focus

SPEND FOCUSED ON GROWTH & PRODUCTIVITY INVESTMENTS

\$45-50M SPEND IN 2021, FOCUSED ON GROWTH

TWO PLANT PROJECTS DRIVE 2021 SPEND



Paul Waterman



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# Cash flow

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EARNINGS GROWTH OFFSETS \$20M EU TAX CASH OUT

| \$m                           | H1 20       | H1 21       |
|-------------------------------|-------------|-------------|
| EBITDA                        | 67          | 80          |
| Change in working capital     | (24)        | (27)        |
| Capital expenditure           | (16)        | (24)        |
| <b>Operating Cash Flow</b>    | <b>28</b>   | <b>30</b>   |
| Pension deficit payments      | -           | 1           |
| Interest                      | (12)        | (12)        |
| Tax & Other                   | (7)         | (27)        |
| <b>Free Cash Flow</b>         | <b>10</b>   | <b>(9)</b>  |
| Dividends                     | -           | -           |
| Acquisitions and disposals    | -           | 2           |
| One off items                 | (7)         | (6)         |
| Currency fluctuations         | (2)         | 5           |
| <b>Net Cash Flow</b>          | <b>1</b>    | <b>(7)</b>  |
| <b>Net Balance Sheet Debt</b> | <b>453</b>  | <b>415</b>  |
| <b>Net debt/EBITDA*</b>       | <b>3.1x</b> | <b>3.0x</b> |

Tax - \$20m EU state aid payment

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Revenue growth drives working capital outflow

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

Note: Table does not cast due to rounding's



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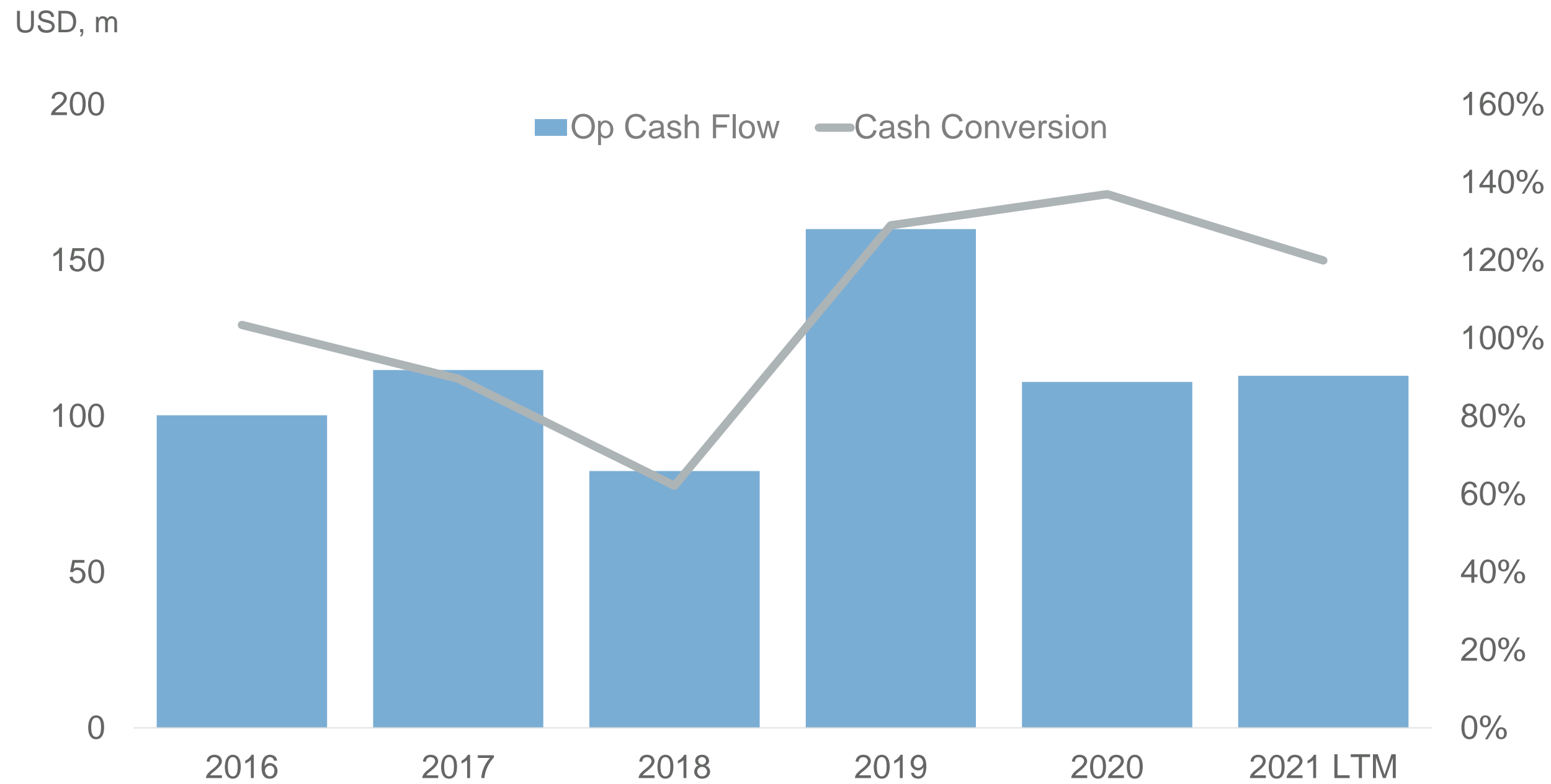
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# Financial leverage

IMPROVED CASHFLOW & EARNINGS TO DRIVE H2 LEVERAGE REDUCTION

## STRONG OPERATING CASH FLOW TRACK RECORD



Note: Cash conversion calculated as:  $(\text{adjusted EBITDA} - \text{capex} - \text{working capital change}) / \text{adjusted operating profit}$

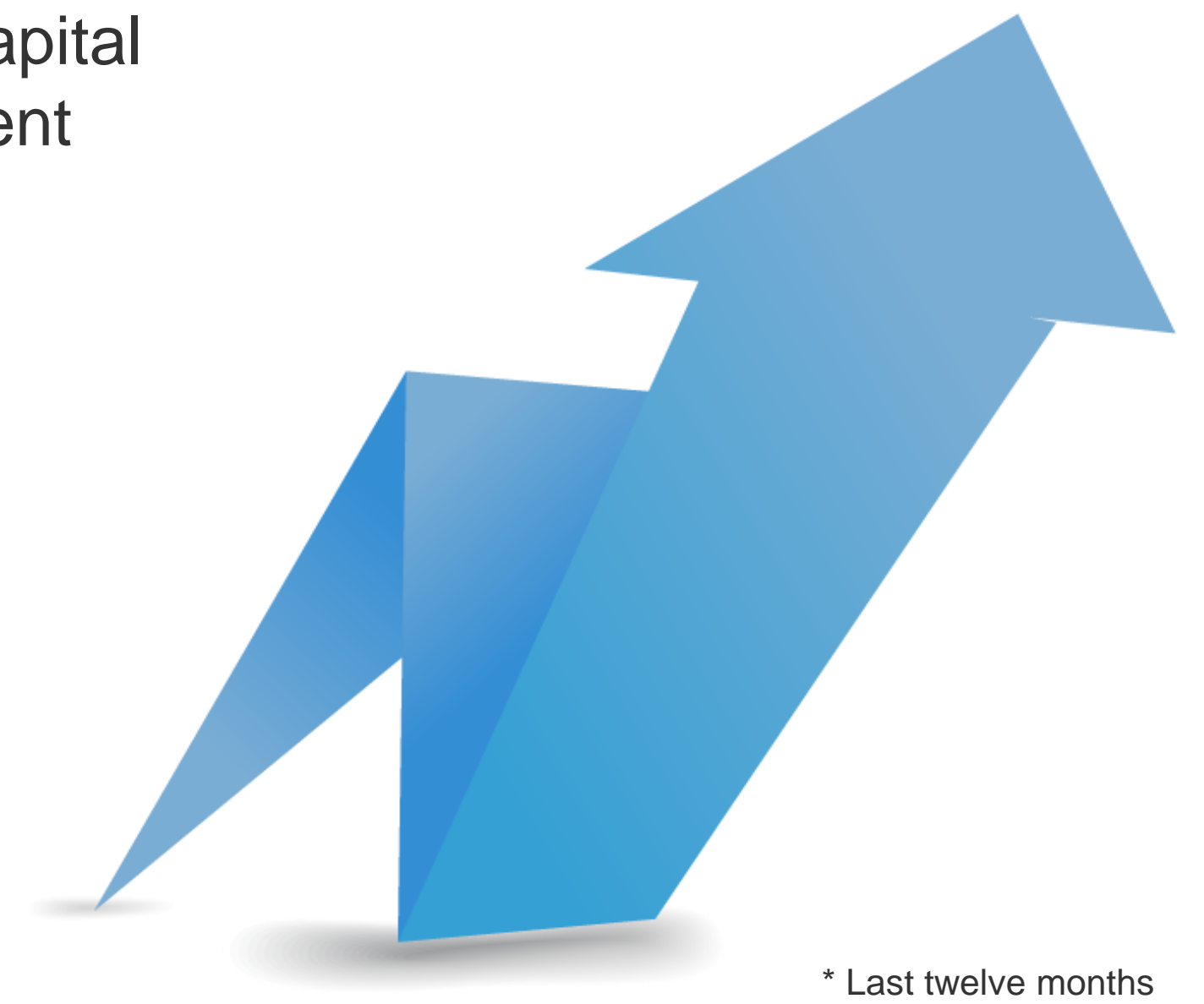
## H2 LEVERAGE RATIO REDUCTION DRIVERS



Improved LTM\* EBITDA



Working capital improvement



\* Last twelve months

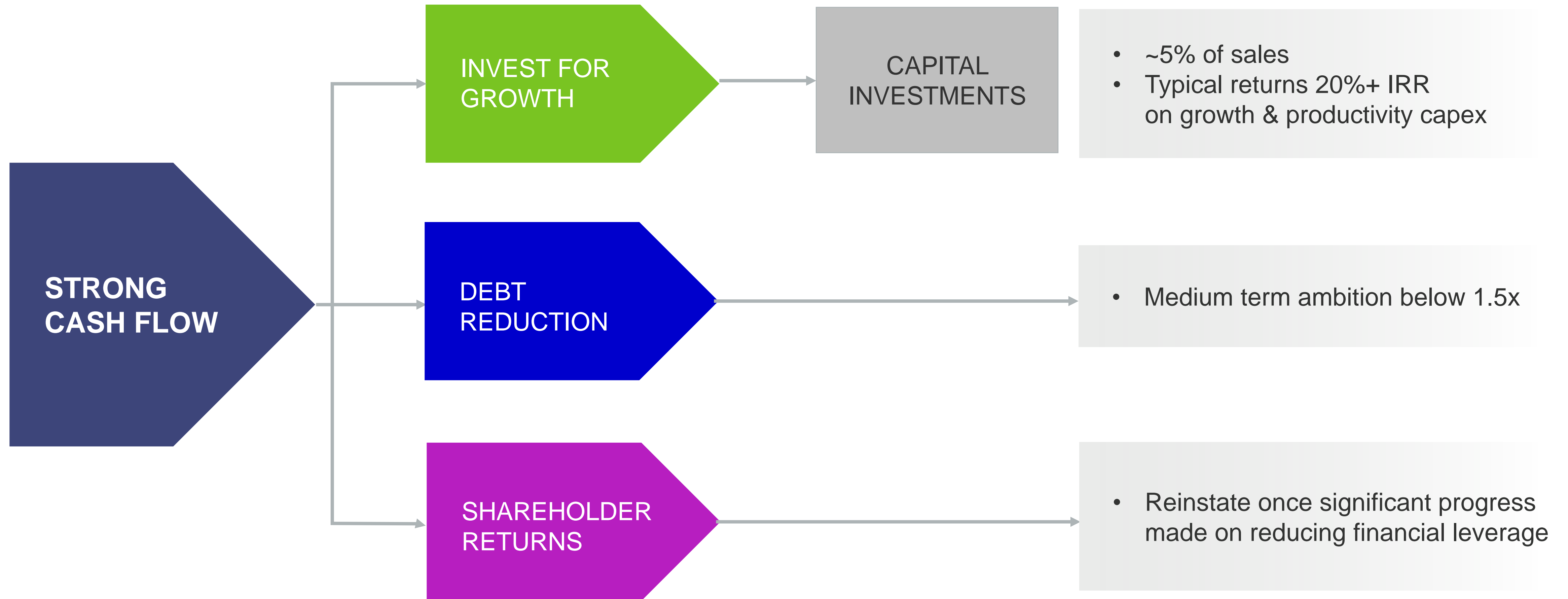


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# Disciplined capital allocation



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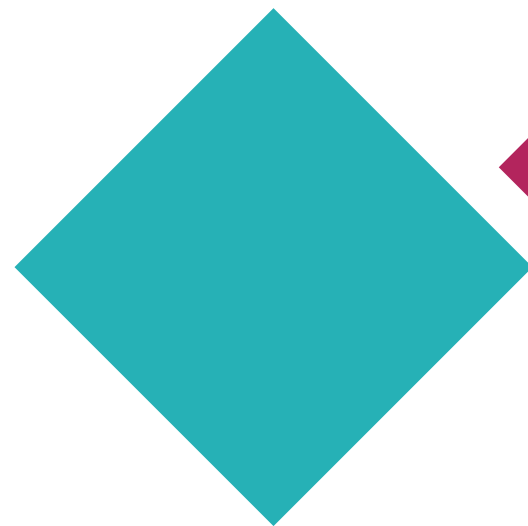
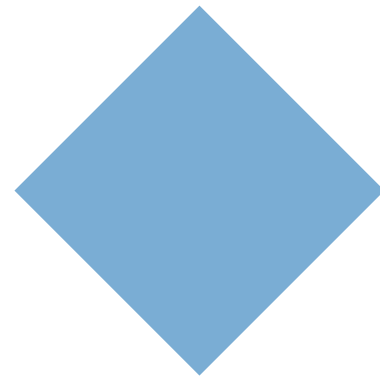
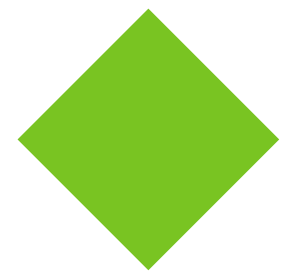


Ralph Hewins



# OUTLOOK & PRIORITIES

PAUL WATERMAN, CEO



INNOVATION | GROWTH | EFFICIENCY



Paul Waterman



Ralph Hewins

# 2021 Outlook & Priorities




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ON TRACK FOR IMPROVED FULL YEAR FINANCIAL PERFORMANCE & DELEVERAGING




## OUTLOOK

- 1 Maintain focus on strategy implementation & continued self help actions
- 2 Short term margin headwinds from accelerating cost inflation – price increases actioned
- 3 Multi-year demand recovery, linked to COVID-19

## INNOVATION

-  20 + new product launches
-  Leverage open innovation
-  Open 2 new Personal Care labs

## GROWTH

-  Secure \$35m + of NBOS
-  Start up India plant
-  Accelerate in emerging markets

## EFFICIENCY

-  Deliver \$10m of savings
-  Complete Charleston & St Louis consolidation
-  Underpin working capital delivery



Paul Waterman

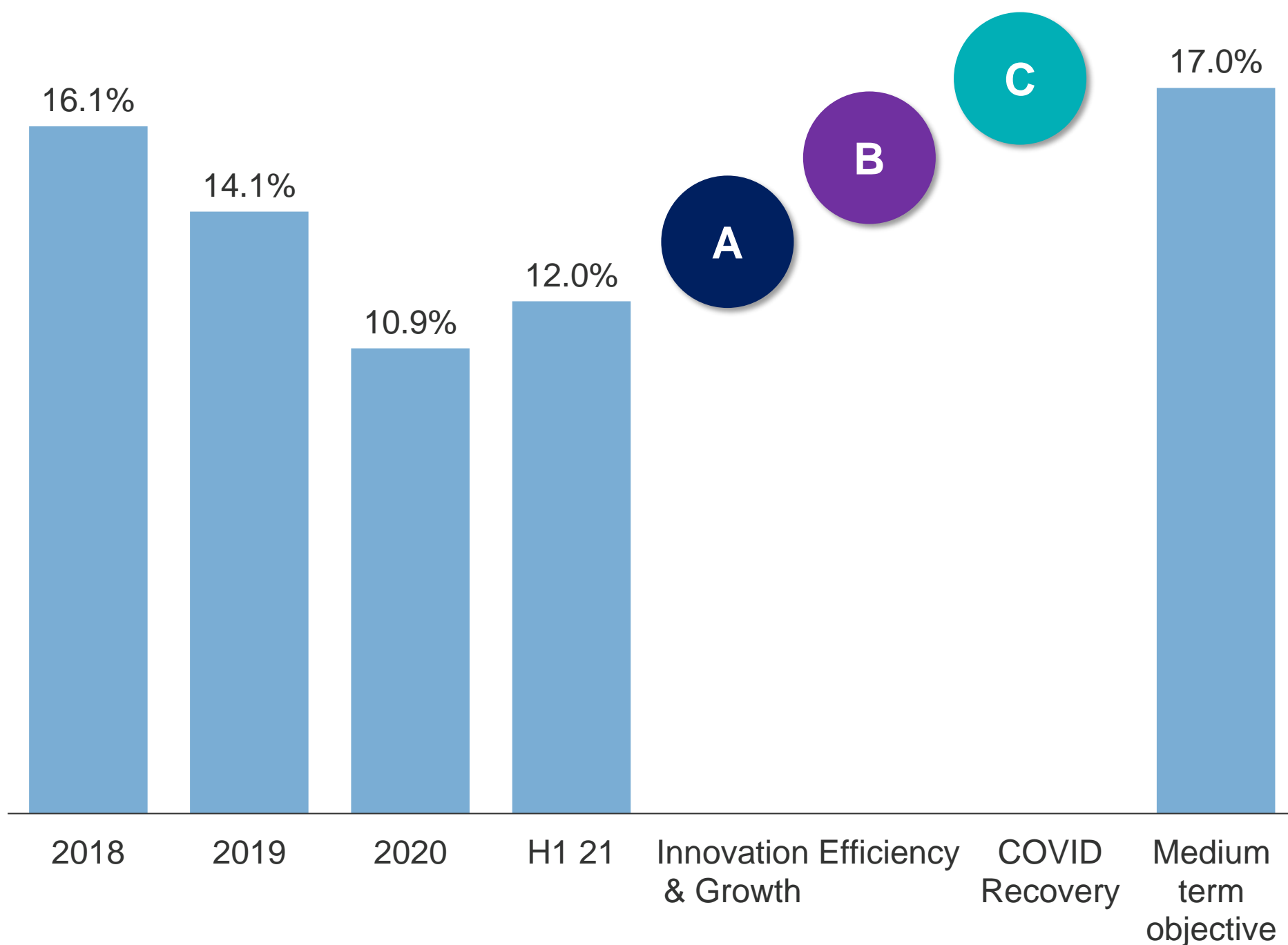


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# Value creation pathway

## PATH TO MEDIUM TERM OPERATING MARGIN %



### A

#### INNOVATION & GROWTH

Increasing proportion of revenue from **new products** with performance & sustainability benefits

Revenue growth opportunities of over \$100m

Skin Care  
Asia Cosmetics  
AP Actives

Premium decorative  
WB industrial  
Adhesives & sealants

Global expansion  
Technical ceramics  
Plastics  
Synergies

### B

#### EFFICIENCY

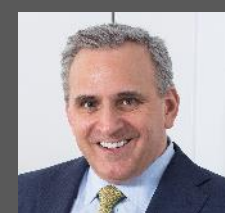
**\$10m annual supply chain savings in 2021**

St Louis & Charleston consolidation | Chromium efficiency

**Additional \$10m annual savings by 2023**

India plant | Global procurement

**Continuous improvement capability**



Paul Waterman

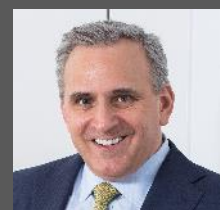


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# Q&A



INNOVATION | GROWTH | EFFICIENCY



Paul Waterman



Ralph Hewins



# Appendix



INNOVATION | GROWTH | EFFICIENCY

# Medium term Group performance objectives

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\* Last six months to 30 June 2021

\*\* Last three year average

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

# Accelerating sustainability implementation

2030 TARGETS



**GHG EMISSIONS**

**25%**

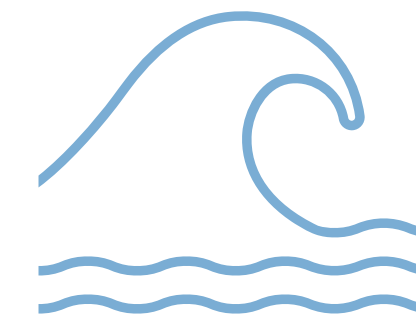
Reduction in GHG emissions



**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



# Tax charge

| \$m                          | H1 20  | H1 21        |
|------------------------------|--------|--------------|
| Underlying tax charge        | 8.0    | 7.5          |
| Tax charge: adjusting items  | (10.5) | <b>(0.6)</b> |
| Reported tax charge/(credit) | (2.5)  | <b>6.9</b>   |
| Underlying tax rate          | 28.5%  | <b>18.7%</b> |

FY 21 tax guidance 22-23%

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Medium term P&L effective tax rate guidance remains 22-23% until 2023, and 25-26% thereafter due to anticipated increase in UK corporation tax rates from April 2023

# Adjusting items

| \$m Expense/(Income)                               | H1 20     | H1 21    |
|--|-----------|----------|
| Amortisation of intangibles arising on acquisition | 10        | 8        |
| Environmental provisions                           | 4         | (2)      |
| Business transformation & restructuring            | 2         | 3        |
| Impairment of goodwill                             | 60        | -        |
| M&A and disposal costs                             | 1         | -        |
| <b>Net P&amp;L adjusting items*</b>                | <b>77</b> | <b>9</b> |

\$8m amortisation of acquired intangibles

\$2m environmental provision credit due to discount rate change

\* Impact on operating profit



# FY 21 Technical Guidance

## P&L

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- Depreciation – c.\$50m  
(of which c.\$5m is IFRS 16 related)
- Amortisation – c.\$15m (of which majority is amortisation of acquired intangibles)
- Tax – Effective rate 22-23%

## CASH

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- Net interest c.\$25m
- Capex \$45 - 50m
- One off \$20m tax payment in respect EU state aid