



element  
solutions



**First Quarter 2019**

**Earnings Presentation**

May  
2019

## SAFE HARBOR

Please note that in this presentation, we may discuss events or results that have not yet occurred or been realized, commonly referred to as forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the Company. Such discussion and statements will often contain words such as “expect,” “anticipate,” “project,” “will,” “should,” “believe,” “intend,” “plan,” “assume,” “estimate,” “predict,” “seek,” “continue,” “outlook,” “may,” “might,” “can have,” “likely,” “potential,” “target,” “goal” or “priority” and variations of such words and similar expressions, and relate in this presentation, without limitation, to the Company’s YTD Q1 free cash flow on an adjusted basis; 2H recovery and market trends; outlook for the Company’s markets and the demand for its products; cash flow outlook; full year 2019 financial guidance, including Q2 2019 considerations, organic net sales growth expectations, anticipated translational FX impacts, constant currency adjusted EBITDA guidance and adjusted earnings per share (EPS) guidance; as well as 2019 priorities.

These projections and statements are based on management’s estimates, assumptions and expectations with respect to future events and financial performance and are believed to be reasonable, though are inherently uncertain and difficult to predict. Actual results could differ materially from those expressed or implied in the forward-looking statements if one or more of the underlying estimates, assumptions or expectations prove to be inaccurate or are unrealized. Important factors that could cause actual results to differ materially from those suggested by these forward-looking statements include, but are not limited to, the Company’s ability to realize the anticipated benefits, efficiencies and cost savings expected from the recent sale of its Agricultural Solutions business; the success of the Company’s leadership transition and go-forward structure and strategy; the impact of acquisitions, divestitures, restructurings, refinancings, and other unusual items, including the Company’s ability to raise and/or retire new debt and/or equity and to integrate and obtain the anticipated benefits, results and synergies from these items or other related strategic initiatives. Additional information concerning these and other factors that could cause actual results to vary is, or will be, included in Element Solutions’ periodic and other reports filed with the Securities and Exchange Commission. Element Solutions undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

## NON-GAAP FINANCIAL MEASURES

To supplement the financial measures prepared in accordance with generally accepted accounting principles in the United States (“GAAP”), the Company uses the following non-GAAP financial measures: EBITDA, adjusted EBITDA, adjusted EBITDA margin, adjusted EPS, free cash flow, guidance related to constant currency adjusted EBITDA and adjusted EPS, net debt to adjusted EBITDA ratio, organic net sales growth and organic net sales growth expectations. The Company also evaluates and presents its results of operations on a constant currency basis. The definitions and reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with GAAP can be found in the footnotes and appendix of this presentation and in the Company’s earnings release dated May 1, 2019 (the “Release”), a copy of which can be found on the Company’s website at [www.elementsolutionsinc.com](http://www.elementsolutionsinc.com). This presentation should be read in conjunction with the Release.

Management internally reviews each of these non-GAAP measures to evaluate performance on a comparative period-to-period basis in terms of absolute performance, trends and expected future performance with respect to the Company’s businesses and believes that these non-GAAP measures provide investors with an additional perspective on trends and underlying operating results on a period-to-period comparable basis. The Company also believes that investors find this information helpful in understanding the ongoing performance of its operations separate from items that may have a disproportionate positive or negative impact on its financial results in any particular period. These non-GAAP financial measures, however, have limitations as analytical tools, and should not be considered in isolation from, a substitute for, or superior to, the related financial information that the Company reports in accordance with GAAP. Investors are encouraged to review the reconciliations of these non-GAAP financial measures to their most comparable GAAP financial measures included herein and in the Release, and not to rely on any single financial measure to evaluate the Company’s businesses.

In addition, this presentation includes adjusted EPS and free cash flow information for the Company’s continuing operations on an adjusted basis assuming a close of the Arysta transaction and the implementation of the Company’s new capital structure on January 1, 2019. This data is provided for informational purposes only and is not necessarily, and should not be assumed to be, an indication of the results that may be achieved in the future.

## Strategic

- ▶ Completed the sale of Arysta LifeScience
- ▶ Launched Element Solutions
- ▶ Repurchased approximately 13% of the shares then outstanding
- ▶ Solidified leadership team and Board of Directors

## Financial

- ▶ Constant currency adjusted EBITDA\* increased 1% year-over-year, despite challenging end-market headwinds
- ▶ ~\$3 million of additional corporate cost savings realized in first quarter<sup>1</sup>
- ▶ YTD Q1 free cash flow\* of \$54 million on an adjusted basis
- ▶ Reaffirming full year 2019 financial guidance: adjusted EPS\* of \$0.82 to \$0.87 and 5 – 8% constant currency\* adj. EBITDA growth\*; ~flat to 2% organic net sales growth\* expected for 2019

\* These financial measures, on this slide and on subsequent slides, are not prepared in accordance with GAAP. For definitions of these non-GAAP measures, discussions of adjustments and reconciliations, please refer to the appendix of this presentation.

1. ~\$8 million of cumulative corporate cost savings realized in total since the July 2018 announcement of the Arysta transaction, which closed on January 31, 2019

# First Quarter 2019 Financial Results

## Continuing Operations



(\$ in millions)	Q1 2019	Q1 2018	YoY%	Constant Currency*	Organic*
				YoY%	YoY%
<b>Net Sales</b>	<b>\$460</b>	<b>\$492</b>	<b>(7%)</b>	<b>(2%)</b>	<b>(3%)</b>
Electronics	266	288	(8%)	(4%)	(5%)
Industrial & Specialty	194	205	(5%)	0%	0%
<b>GAAP Diluted EPS</b>	<b>\$(0.02)</b>	<b>\$(0.04)</b>			
<b>Adj. EBITDA*</b>	<b>\$99</b>	<b>\$104</b>	<b>(5%)</b>	<b>1%</b>	
% margin	21.4%	21.1%	30 bps	70 bps	
Electronics	56	60	(6%)	(1%)	
% margin	21.2%	20.9%	30 bps	60 bps	
Industrial & Specialty	42	44	(4%)	3%	
% margin	21.8%	21.5%	30 bps	60 bps	
<b>Adj. EPS<sup>1*</sup></b>	<b>\$0.20</b>	<b>\$0.04</b>			

- Organic net sales\* declined 3% year-over-year in Q1 2019, primarily driven by weak global demand in consumer electronics and Asian automotive markets
  - Continued weakness in high-end mobile phone market drove lower year-over-year organic net sales growth\* in Circuitry Solutions, partially offset by growth in Semiconductor Solutions
  - Organic net sales growth\* in Energy Solutions and flat growth in Industrial Solutions offset by Graphic Solutions, which was impacted by delayed marketing initiatives by customers
- Constant currency adj. EBITDA\* increased 1% year-over-year
  - Weakness in organic net sales growth\* offset by procurement and supply chain savings initiatives, functional cost containment and realized corporate cost savings
  - ~\$6 million year-over-year impact from FX translation driven by CNY, EUR and GBP
  - Continued focus on higher margin market share opportunities, corporate reorganization initiatives and executing on other operational efficiencies
- Q1 2019 adj. EPS<sup>1\*</sup> of \$0.20 reflects impact of lower interest expense from new capital structure and lower share count from recent share buyback

Note: Totals may not sum due to rounding or due to varying sizes of the two reportable segments

\* See Non-GAAP footnotes on p. 3

1. Adj. EPS includes 2019 interest expense adjustments to reflect the Company's new capital structure by assuming that the sale of Arysta had closed and the new credit agreement had been in place on January 1, 2019

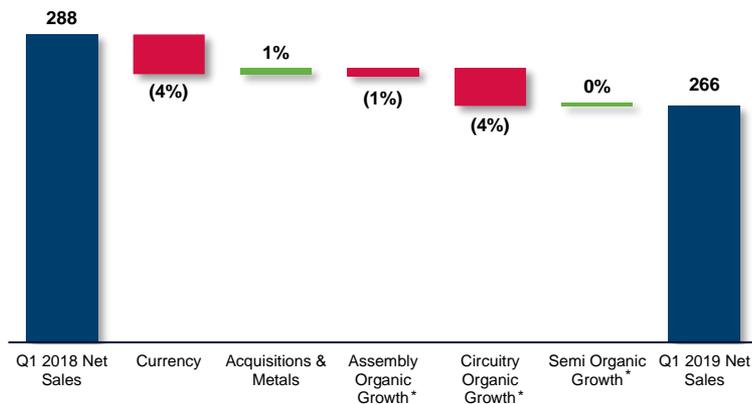
### Electronics

- Year-over-year declines in mobile device shipments in Q1 2019, continuing the trend from Q4 2018
  - Assembly buoyed by increasing demand for advanced assembly products related to electronic vehicle growth
  - Organic net sales growth in Semiconductor driven by advanced assembly materials business, albeit on the smallest portion of our Electronics segment
- Trade tensions further disrupting production and pushing manufacturers to transfer, or consider transferring, production to other low-cost regions
  - Element Solutions should be well positioned to capture volume transfers
- Industry participants remain optimistic around 2H recovery based on planned product launches and supply chain commentary

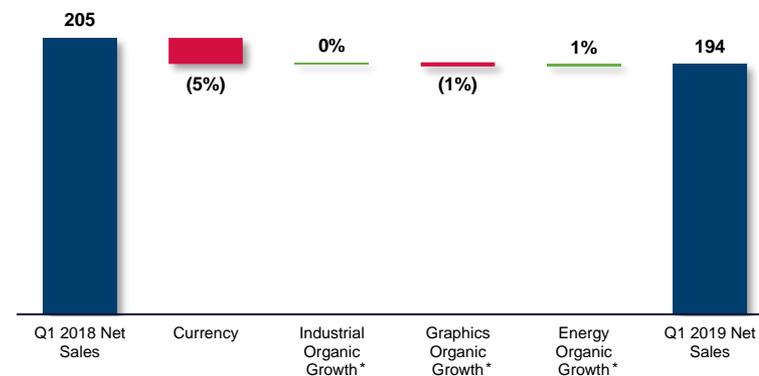
### Industrial & Specialty

- Weaker global production particularly in China and western Europe impacted end-markets
- Flat organic net sales growth in Industrial
  - Price increases in the Americas and Europe and geographic expansion in water treatment helped offset impacts from continued declines in automotive unit production
- Graphics experienced strong growth in Latin America, offset by delayed marketing campaigns by customers in North America
- Higher year-over-year energy prices creating positive market dynamics for offshore production particularly in Europe and Asia

### Electronics Net Sales (\$ in millions)



### Industrial & Specialty Net Sales (\$ in millions)



\* See Non-GAAP footnotes on p. 3

# Balance Sheet and Cash Flow Considerations

## Continuing Operations



### Key Cash Flow Items

- YTD Q1 free cash flow\* from continuing operations of \$54 million on an adjusted basis, which excludes the impact of our prior capital structure for the month of January and includes other costs
- Cash interest reflects new capital structure which is substantially fixed due to swaps
- Cash tax optimization plans are underway with Q1 payments slightly better than planned
- Working capital investment consistent with seasonal trends but less than typical due to lower sales in the quarter

### Q1 2019 Cash Flow Uses and Outlook

\$ millions	Q1 2019 YTD	2019E
Cash Interest	\$9 <sup>1</sup>	~\$80
Cash Taxes	\$14	~\$85
Net Capex*	\$7	~\$30

Note: Totals may not sum due to rounding

\* See Non-GAAP footnotes on p. 3

1. Cash interest is adjusted to reflect the Company's new capital structure by assuming that the sale of Arysta had closed and the new credit agreement had been in place on January 1, 2019

2. Based on Element Solutions' closing price of \$10.10 at March 29, 2019, the last trading day of Q1 2019

### Balance Sheet Management

- **Net-debt to adj. EBITDA ratio\* below 3.5x**
- Net debt position driven by Q1 2019 transactions:
  - ~\$237 million of net Arysta transaction proceeds after debt reduction and fees
  - \$434 million of share buybacks
  - \$40 million contingent consideration payment related to the achievement of certain common stock trading targets in connection with the MacDermid acquisition
- Balance sheet capacity for potential opportunistic cash deployment expected to increase over remainder of 2019

### Q1 2019 Capital Structure

Instrument	(in millions)
Corporate Revolver	\$120
Term Loans and Other	749
<b>Total First Lien Debt</b>	<b>\$869</b>
<b>Total Unsecured Debt</b>	<b>\$800</b>
<b>Total Debt</b>	<b>\$1,669</b>
Cash Balance	230
<b>Net Debt</b>	<b>\$1,439</b>
Adjusted Shares Outstanding*	262
Market Capitalization <sup>2</sup>	\$2,650
<b>Total Capitalization</b>	<b>\$4,089</b>

	Electronics	Industrial & Specialty
<b>Q2 2019 Considerations</b>	<ul style="list-style-type: none"> <li>Continuation of Q1 softness into Q2, particularly in Circuitry markets</li> <li>Electronic content growth in auto expected to drive above market performance</li> <li>Semiconductor market share opportunities identified, supporting organic growth outlook</li> <li>Volume growth expected to partially recover in 2H on back of expected new device launches</li> </ul>	<ul style="list-style-type: none"> <li>Multiple share gain opportunities expected to help offset automotive slowdown which is expected to sustain through at least Q2</li> <li>Sales in Graphics expected to ramp sequentially due to increased marketing campaigns and recent product launches</li> </ul>
<b>FY Organic Net Sales* Expectations</b>	Flat to 2% organic net sales growth	
<b>FY Anticipated Translational FX Impacts</b>	~2% of net sales; ~\$15 million on adjusted EBITDA*	
<b>FY Adj. EBITDA* Guidance</b>	~5 – 8% growth on a constant currency basis*	
<b>FY Adjusted EPS* Guidance</b>	\$0.82 – \$0.87 adjusted earnings per share*	

\* See Non-GAAP footnote on p.3



**Successful Launch of Element Solutions**

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**Delivery of Financial Commitments and Strategic Initiatives**

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**Compelling Free Cash Flow Growth**

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**Capital Allocation to Compound Long-Term Shareholder Value**



# Appendix

(\$ millions)			
Instrument	Maturity	Coupon	3/31/2019
Corporate Revolver	1/31/2024	LIBOR plus 2.25%	\$120
First Lien Credit Facility - USD Term Loans <sup>1</sup>	1/31/2026	LIBOR plus 2.25%	748
Other Secured Debt			1
<b>Total First Lien Debt</b>			<b>\$869</b>
Senior Notes due 2025	12/1/2025	5.875%	800
Other Unsecured Debt			0
<b>Total Unsecured Debt</b>			<b>\$800</b>
<b>Total Debt</b>			<b>\$1,669</b>
Cash Balance			\$230
<b>Net Debt</b>			<b>\$1,439</b>
Adjusted Shares Outstanding <sup>2</sup>			262
<b>Market Capitalization<sup>3</sup></b>			<b>\$2,650</b>
<b>Total Capitalization</b>			<b>\$4,089</b>

Note: Totals may not sum due to rounding

1. Element Solutions swapped its floating term loan to fixed rate through January 2024. At March 31, 2019, approximately 93% of the debt was fixed and 7% was floating
2. See p.11 for reconciliation to Adjusted Share Counts
3. Based on Element Solutions' closing price of \$10.10 at March 29, 2019, the last trading day of Q1 2019

# Reconciliation to Adjusted Share Counts



<i>(amounts in millions)</i>	Q1 2019	Q1 2018
<b>Basic outstanding common shares</b>	<b>257</b>	<b>288</b>
Number of shares issuable upon conversion of PDH Common Stock*	—	4
Number of shares issuable upon conversion of Series A Preferred Stock	2	2
Number of shares issuable upon vesting and exercise of Stock Options	1	1
Number of shares issuable upon vesting of granted Equity Awards	2	4
<b>Adjusted common shares outstanding</b>	<b>262</b>	<b>299</b>

Note: Totals may not sum due to rounding

\* On March 29, 2019, PDH merged into the Company and each share of PDH common stock outstanding was converted into the right to receive one share of the Company's common stock. At March 29, 2019 approximately 4.0 million shares of the Company's common stock had not been issued pending receipt of the required documentation to effect such conversion. The Company has however treated such shares as outstanding at March 31, 2019 given that the receipt of such documentation is considered perfunctory as of the Company is legally obligated to issue these shares, and that PDH ceased to exist as a legal entity on March 29, 2019

# Net Income Attributable to Common Stockholders Reconciliation to Adj. EBITDA (Continuing Operations)



<i>(\$ millions)</i>	Q1 2019	Q1 2018
<b>Net income attributable to common stockholders</b>	<b>\$23</b>	<b>\$37</b>
<b>Add (subtract):</b>		
Net income attributable to the non-controlling interests	1	1
Income from discontinued operations, net of tax	(27)	(47)
Income tax (benefit) expense	(10)	10
Interest expense, net	38	77
Depreciation expense	10	12
Amortization expense	28	29
<b>EBITDA</b>	<b>63</b>	<b>118</b>
<b>Adjustments to reconcile to Adjusted EBITDA:</b>		
Restructuring expense	1	2
Integration costs	1	1
Foreign exchange gain on foreign denominated external and internal long-term debt	(28)	(8)
Debt refinancing costs	61	—
Gain on sale of equity investment	—	(11)
Change in fair value of contingent consideration	2	1
Other, net	(2)	2
<b>Adjusted EBITDA</b>	<b>\$99</b>	<b>\$104</b>

Note: Totals may not sum due to rounding

# GAAP Net Income Reconciliation to Adjusted Diluted EPS (Continuing Operations)



<i>(\$ millions, except per share amounts)</i>	Q1 2019	Q1 2018
<b>Net income attributable to common stockholders</b>	<b>\$23</b>	<b>\$37</b>
Net income from discontinued operations attributable to common stockholders	27	48
<b>Net loss from continuing operations attributable to common stockholders</b>	<b>(4)</b>	<b>(10)</b>
Reversal of amortization expense	28	29
Adjustment to reverse incremental depreciation expense from acquisitions	2	3
Adjustment to interest expense <sup>1</sup>	20	—
Restructuring expense	1	2
Integration costs	1	1
Foreign exchange gain on foreign denominated external and internal long-term debt	(28)	(8)
Debt refinancing costs	61	—
Gain on sale of equity investment	—	(11)
Change in fair value of contingent consideration	2	1
Other, net	(2)	2
Tax effect of pre-tax non-GAAP adjustments	(23)	(6)
Adjustment to estimated effective tax rate	(7)	10
Adjustment to reverse income attributable to certain non-controlling interests	1	1
<b>Adjusted net income from continuing operations attributable to common stockholders</b>	<b>\$53</b>	<b>\$12</b>
<b>Adjusted earnings per share from continuing operations</b>	<b>\$0.20</b>	<b>\$0.04</b>
 <b>Adjusted common shares outstanding<sup>2</sup></b>	 <b>262</b>	 <b>299</b>

Note: Totals may not sum due to rounding

1. Element Solutions adjusts its 2019 interest expense to reflect its new capital structure by assuming that the sale of Arysta had closed and the new credit agreement had been in place on January 1, 2019

2. See p.11 for a reconciliation to Adjusted Share Counts

# Organic Net Sales Growth Reconciliation (Continuing Operations)



Three Months Ended March 31, 2019

	Reported Net Sales Growth	Impact of Currency	Constant Currency	Change in Pass-Through Metals Pricing	Acquisitions	Organic Net Sales Growth
Electronics	(8)%	4%	(4)%	0%	(1)%	(5)%
Industrial & Specialty	(5)%	5%	0%	—%	—%	0%
<b>Total</b>	<b>(7)%</b>	<b>5%</b>	<b>(2)%</b>	<b>0%</b>	<b>(1)%</b>	<b>(3)%</b>

Note: Totals may not sum due to rounding or due to varying sizes of the two reportable segments

**Adjusted Earnings Per Share (EPS):** Adjusted earnings per share is defined as net income (loss) from continuing operations attributable to common stockholders adjusted to reflect adjustments consistent with the Company's definition of adjusted EBITDA. Additionally, the Company eliminates the amortization associated with intangible assets and the step-up depreciation associated with fixed assets, both recognized in purchase accounting for acquisitions. Further, the Company adjusts its effective tax rate to 27% for 2019 and 34% for 2018. Lastly, the 2019 adjusted EPS total is based on the Company's new capital structure by assuming that the sale of Agricultural Solutions had closed and the new credit agreement had been in place on January 1, 2019. The resulting adjusted net income available to stockholders is divided by the number of shares of outstanding common stock as of the period end plus the number of shares that would be issued if all the Company's convertible stock were converted to common stock, stock options were vested and exercised, and equity grants with targets that are considered probable of achievement were vested at target and issued. Adjusted EPS is a key metric used by management to measure operating performance and trends. In particular, the exclusion of certain expenses in calculating adjusted earnings per share facilitates operating performance comparisons on a period-to-period basis.

**Constant Currency:** Management discloses net sales and adjusted EBITDA on a constant currency basis, by adjusting results to exclude the impact of changes due to the translation of foreign currencies of its international locations into U.S. dollar. Management believes this non-GAAP financial information facilitates period-to-period comparison in the analysis of trends in business performance, thereby providing valuable supplemental information regarding its results of operations, consistent with how the Company evaluates its financial results.

The impact of foreign currency is calculated by converting the Company's current-period local currency financial results into U.S. dollar using the prior period's exchange rates and comparing these adjusted amounts to its prior period reported results. The difference between actual growth rates and constant currency growth rates represents the impact of foreign currency translation.

**EBITDA and Adjusted EBITDA:** EBITDA represents earnings before interest, provision for income taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA, excluding the impact of additional items included in GAAP earnings which the Company believes are not representative or indicative of its ongoing business or are considered to be associated with its capital structure, as described in the footnotes to the non-GAAP measures reconciliations in the Release. Adjusted EBITDA also includes corporate costs, such as compensation expense and professional fees. Management believes adjusted EBITDA and adjusted EBITDA margin provide investors with a more complete understanding of the long-term profitability trends of the Company's business, and facilitate comparisons of its profitability to prior and future periods. However, these measures, which do not consider certain cash requirements, should not be construed as an alternative to net income or cash flow from operations as a measure of profitability or liquidity.

**Free Cash Flow:** Free cash flow is defined as net cash flows from operating activities less net capital expenditures. Net capital expenditures include capital expenditures less proceeds from the disposal of property, plant and equipment. Free cash flow on an adjusted basis adjusts of one-time cash operating expenses, including a \$38 million adjustment for the MacDermid contingent consideration payment and payment for employee expenses associated with the Arysta sale that do not qualify for discontinued operations, and a \$55 million adjustment for 2019 interest payments to reflect the Company's new capital structure by assuming that the Arysta transaction had closed and the new credit agreement had been in place on January 1, 2019. Management believes that free cash flow, which measures the Company's ability to generate cash from its business operations, is an important financial measure for use in evaluating the Company's financial performance. However, free cash flow should be considered in addition to, rather than as a substitute for net cash provided by operating activities as a measure of the Company's liquidity.

**Net Debt to Adjusted EBITDA ratio:** Net debt to adjusted EBITDA ratio is defined as total debt and capital lease obligations, excluding unamortized premium, discounts and debt issuance costs, less cash divided by adjusted EBITDA.

**Organic Net Sales Growth:** Organic net sales growth is defined as net sales excluding the impact of foreign currency translation, changes due to the pass-through pricing of certain metals, and acquisitions and/ or divestitures, as applicable. Management believes this non-GAAP financial measure provides investors with a more complete understanding of the underlying net sales trends by providing comparable net sales over differing periods on a consistent basis.

For the three months ended March 31, 2019, Electronics' and the Company's consolidated results were positively impacted by \$2.6 million of acquisitions and \$1.0 million of pass-through metals pricing.