Fourth Quarter and Full Year 2020

Earnings Presentation

February
2021

Legal Notices

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," "aim," "can have," "likely," "potential," "target," "hope," "goal," "priority," "guidance," or "confident" and variations of such words and similar expressions, and relate in this presentation, without limitation, to capital investments in 2021; FY 2021 cash flow outlook, including cash interest, cash taxes and net capex; interest savings; full year 2021 financial guidance, including guidance related to adjusted EBITDA, adjusted EPS and free cash flow; additional considerations relating to adjusted EBITDA growth in Q1 2021 and first half of 2021 and FX tailwind for the full year of 2021; converting tailwinds into earnings growth; earnings growth allowing continued deleveraging in 2021; long-term outperformance and sustainability efforts.

These projections and statements reflect 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. Such projections and statements are based on the assessment of information available to management as of the current date, and management does not undertake any obligations to provide any further updates. 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 duration of the pandemic; the efficacity, availability and/or public acceptance of vaccines targeting COVID-19; the impact of variants of COVID-19 that may affect its spread or virulence or the effectiveness of vaccines on the virus; the impact of actions taken or that might be taken by governments, businesses or individuals to contain or reduce its repercussions and mitigate its economic implications; evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures; decreased consumer spending levels; reduction or changes in customer demand for the Company's products and services; the Company's ability to manufacture, sell and provide its products and services, including as a result of travel restrictions, closed borders, operating restrictions imposed on its facilities or reduced ability of its employees to continue to work efficiently; increased operating costs (whether as a results of changes to the Company's supply chain or increases in employee costs or otherwise); collectability of customer accounts; additional and prolonged devaluation of other countries' currencies relative to the U.S. dollar; the general impact of the pandemic on the Company's customers, employees, suppliers, vendors and other stakeholders; the Company's ability to realize the expected benefits of its cost containment and cost savings measures; business and management strategies; outstanding debt and debt leverage ratio; shares repurchases; expected returns to stockholders; and the impact of acquisitions, divestitures, restructurings, refinancings, impairments 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 the periodic and other reports of Element Solutions 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 earnings per share (EPS), adjusted common shares outstanding, free cash flow, free cash flow on an adjusted basis, financial guidance related to adjusted EBITDA, adjusted EPS and free cash flow for the full year of 2021, adjusted EBITDA growth for Q1 and the first half of 2021, net debt to adjusted EBITDA ratio and organic net sales growth. 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 February 24, 2021 (the "Release"), a copy of which can be found on the Company's website at 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 of the Company's business 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 FY 2020 cash flow uses and FY 2021 outlook. 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.

Full Year 2020 Highlights

Operational Excellence

&

Prudent Capital Allocation

In the context of a significant COVID-19 impact…

9%
Growth in Adj. EPS*

2%
Constant currency adj. EBITDA* growth

$249M
Free cash flow*

5%
Free cash flow* growth year-on-year[1]

Expanded adjusted EBITDA margin*

Committed to preserve employment

Maintained R&D and Capex investment levels

MacDermid ENVIO SOLUTIONS

Strategic acquisition of DMP launching new sustainability platform for wastewater treatment and recycling systems

Five Cent
per share quarterly dividend initiated in Q4 2020

$56M
Of share repurchases at an average price of ***$9.74*** *per share*

2.9x
Net debt to Adj. EBITDA at year-end*

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

1. Assumes growth over 2019 free cash flow on an adjusted basis of $238 million, which excludes the impact of the Arysta divestiture and assumes the Company's current capital structure had been in place as of January 1, 2019.

Fourth Quarter 2020 Financial Results

($ in millions)	Q4 2020	Q4 2019	YoY	Constant Currency* YoY	Organic* YoY
Net Sales	**$537**	**$455**	***18%***	***16%***	***10%***
Electronics	343	272	*26%*	*23%*	*16%*
Industrial & Specialty	193	183	*6%*	*5%*	*1%*
GAAP Diluted EPS	**$0.12**	**$0.29**			
Adj. EBITDA*	**$126**	**$102**	***23%***	***20%***	
% margin	*23.5%*	*22.5%*	*100 bps*	*80 bps*	
Electronics	81	63	*30%*	*25%*	
% margin	*23.5%*	*23.0%*	*50 bps*	*40 bps*	
Industrial & Specialty	45	40	*13%*	*11%*	
% margin	*23.3%*	*21.7%*	*160 bps*	*130 bps*	
Adj. EPS*	**$0.31**	**$0.22**	*41%*		

- Organic net sales* increased 10% year-over-year, driven by growth in high-end electronics end-markets and sharp recovery in industrially oriented businesses
- Constant currency adj. EBITDA* growth of 20% and adj. EBITDA* margin expansion of 80 bps
    - Mix benefit from growth in higher margin businesses
    - Cost management initiatives and reduced travel
- Q4 2020 adj. EPS* of $0.31 reflects lower interest expense due to bond refinancing and fewer shares outstanding

Note: Totals may not sum due to rounding or due to varying sizes of the two reportable segments
* See non-GAAP definitions and reconciliations in the appendix

Full Year 2020 Financial Results

($ in millions)	FY 2020	FY 2019	YoY	Constant Currency* YoY	Organic* YoY
Net Sales	**$1,854**	**$1,836**	***1%***	***1%***	***(3%)***
Electronics	1,172	1,086	*8%*	*8%*	*2%*
Industrial & Specialty	682	750	*(9%)*	*(8%)*	*(10%)*
GAAP Diluted EPS	**$0.31**	**$0.30**			
Adj. EBITDA*	**$423**	**$417**	***1%***	***2%***	
% margin	*22.8%*	*22.7%*	*10 bps*	*10 bps*	
Electronics	277	253	*10%*	*10%*	
% margin	*23.7%*	*23.3%*	*40 bps*	*40 bps*	
Industrial & Specialty	145	164	*(11%)*	*(10%)*	
% margin	*21.3%*	*21.8%*	*(50 bps)*	*(40 bps)*	
Adj. EPS*	**$0.96**	**$0.88**	*9%*		

- Net sales increased 1%; organic net sales* declined 3%
  - COVID-19-driven production slowdowns impacted most end markets – largest impacts in automotive and general industrial
  - Strong underlying demand for high-end smartphones and 5G telecommunications and internet infrastructure persisted despite COVID-related macro weakness
- Constant currency adj. EBITDA* growth of 2% and adj. EBITDA* margin expansion of 10 bps
- FY 2020 adj. EPS* grew 9% reflecting lower interest expense due to bond refinancing and share buybacks

Note: Totals may not sum due to rounding or due to varying sizes of the two reportable segments
* See non-GAAP definitions and reconciliations in the appendix

Full Year 2020 Segment Details

Market Commentary

Electronics

	Net Sales *($ in millions)*	Organic Growth*	Key Drivers
Assembly	$572	*(4)%*	Significant impact from automotive and consumer electronic production slowdowns due to COVID in Q2 – recovered in 2H
Circuitry	$401	*5%*	Growth driven by strong demand for high-end smartphones, 5G telecom infrastructure, and data center markets
Semi	$199	*17%*	Growth in advanced packaging, increased demand for advanced assembly products
Total	**$1,172**	***2%***	

Industrial & Specialty

	Net Sales *($ in millions)*	Organic Growth*	Key Drivers
Industrial	$473	*(11)%*	Automotive production slowdowns and demand weakness in construction and general industrial manufacturing markets – began recovery in 2H
Graphics	$144	*(4)%*	Lower volume of ancillary products (screen printing and newspaper plates) and delayed marketing campaigns by CPG customers; core packaging business grew
Energy	$65	*(13)%*	Oil price weakness and volatility curtailed production and drilling activity globally
Total	**$682**	***(10)%***	

*See non-GAAP definitions and reconciliations in the appendix

Balance Sheet and Cash Flow Considerations

Key Cash Flow Items

- FY 2020 free cash flow* of $249 million – growth[1] of 5% compared to 2019 adjusted free cash flow*
  - Q4 2020 free cash flow* of $75 million
- FY 2020 cash interest of $52 million, lower by $19 million year-on-year largely driven by August 2020 bond refinancing
- Moderate Q4 2020 and FY 2020 working capital investment driven by strong net sales recovery in 2H and particularly Q4
  - Further investment in 2021 should be modest, given year-end working capital balance

Balance Sheet Management

- Net debt to adj. EBITDA ratio* of 2.9x at year-end
- Refinanced existing 5.875% bonds with 8-year bonds at a coupon of 3.875% - annualized interest savings of $16 million
- Funded DMP acquisition with cash on-hand
- Repurchased 5.7 million shares at average price of $9.74 per share
  - ~2 million shares repurchased in Q4 2020
  - ~$187 million of remaining authorization under share repurchase program

FY 2020 Cash Flow Uses and FY 2021 Outlook

$ millions	FY 2020	FY 2021
Cash Interest	$52	~$50
Cash Taxes	$67	~$60
Net Capex*	$27	~$30

FY 2020 Capital Structure

Instrument	*(in millions)*
Corporate Revolver	$0
Term Loans	735
Total First Lien Debt	**$735**
Total Unsecured Debt	**$800**
Total Debt	**$1,535**
Cash Balance	292
Net Debt	**$1,243**
Adjusted Shares Outstanding[2]	250
Market Capitalization[3]	$4,429
Total Capitalization	**$5,672**

Note: Totals may not sum due to rounding
* See non-GAAP definitions and reconciliations in the appendix

1. Assumes growth over 2019 free cash flow on an adjusted basis of $238 million, which excludes the impact of the Arysta divestiture and assumes the Company's current capital structure had been in place as of January 1, 2019.
2. See p.12 for reconciliation to Adjusted Share Counts
3. Based on Element Solutions' closing stock price of $17.73 at December 31, 2020

Full Year 2021 Financial Guidance

As of January 2021

FY Adj. EBITDA*	**~7% growth**
FY Adjusted EPS*	**$1.10-$1.15** ***(15-20% growth)***
Free Cash Flow*	**~$275M** ***(10% growth)***

Additional Considerations

- Expect Q1 2021 adj. EBITDA* growth year-on-year of 8%-10%
- Adj. EBITDA* growth expected to be first half weighted
- Anticipate approximately 2% FX tailwind for the full year

Converting secular tailwinds (5G & EV) and COVID recovery into robust earnings growth, while continuing to lay foundation for long-term outperformance

* See non-GAAP definitions and reconciliations in the appendix

ESG at ESI

Published inaugural ESI Sustainability Report

Launched Macdermid Envio Solutions

Established ESI Foundation

Appendix

Capital Structure

($ millions)			
Instrument	**Maturity**	**Coupon**	**12/31/2020**
Corporate Revolver	1/31/2024	LIBOR plus 2.25%	$0
First Lien Credit Facility - USD Term Loans[1]	1/31/2026	LIBOR plus 2.00%	735
Total First Lien Debt			**$735**
Senior Notes	9/1/2028	3.875%	800
Total Unsecured Debt			**$800**
Total Debt			**$1,535**
Cash Balance			$292
Net Debt			**$1,243**
Adjusted Shares Outstanding[2]			250
Market Capitalization[3]			**$4,429**
Total Capitalization			**$5,672**

Note: Totals may not sum due to rounding

1. Element Solutions swapped its floating term loan to fixed rate through January 2024, which could vary due to changes in the Euro and the U.S. Dollar exchange rate. At December 31, 2020, approximately 100% of the debt was fixed
2. See p.12 for reconciliation to Adjusted Share Counts
3. Based on Element Solutions' closing stock price of $17.73 at December 31, 2020

Reconciliation to Adjusted Share Counts

(amounts in millions)	Q4 2020	Q4 2019	FY 2020 (Average)	FY 2019 (Average)
Basic outstanding common shares	**247**	**250**	**248**	**254**
Number of shares issuable upon conversion of Series A Preferred Stock	-	2	-	2
Number of shares issuable upon vesting of granted Equity Awards[1]	3	2	3	3
Adjusted common shares outstanding	**250**	**255**	**251**	**258**

Note: Totals may not sum due to rounding

1. Equity awards with targets that are considered probable of achievement vested at target level

Net Income Attributable to Common Stockholders Reconciliation to Adj. EBITDA

element solutions

($ millions)	**Q1 2020**	**Q2 2020**	**Q3 2020**	**Q4 2020**	**FY 2020**
Net income attributable to common stockholders	**$9**	**$1**	**$36**	**$30**	**$76**
Add (subtract):					
(Income) loss from discontinued operations, net of tax	(0)	1	0	—	1
Income tax expense (benefit)	4	6	(47)	42	4
Interest expense, net	17	17	17	13	63
Depreciation expense	11	11	11	11	42
Amortization expense	29	29	31	30	119
EBITDA	**69**	**64**	**47**	**125**	**306**
Adjustments to reconcile to Adjusted EBITDA:					
Amortization of inventory step-up	1	—	1	—	2
Restructuring expense	1	3	1	1	6
Acquisition and integration costs	7	1	0	4	12
Foreign exchange loss (gain) on foreign denominated external and internal long-term debt	29	12	2	(8)	35
Debt refinancing costs	—	—	46	—	46
Foundation contributions	—	—	—	5	5
Other, net	3	4	4	(1)	10
Adjusted EBITDA	**$110**	**$85**	**$102**	**$126**	**$423**

Note: Totals may not sum due to rounding

Net Income (Loss) Attributable to Common Stockholders Reconciliation to Adj. EBITDA

($ millions)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
Net income (loss) attributable to common stockholders	**$23**	**$2**	**$(7)**	**$74**	**$92**
Add (subtract):					
Net income (loss) attributable to the non-controlling interests	1	(0)	—	0	1
(Income) loss from discontinued operations, net of tax	(27)	13	1	(0)	(13)
Income tax (benefit) expense	(10)	(7)	57	21	61
Interest expense, net	38	18	17	17	91
Depreciation expense	10	10	10	11	42
Amortization expense	28	28	28	28	113
EBITDA	**63**	**65**	**107**	**152**	**386**
Adjustments to reconcile to Adjusted EBITDA:					
Amortization of inventory step-up	—	—	—	1	1
Restructuring expense	3	3	7	2	14
Acquisition and integration costs	1	0	1	(1)	2
Foreign exchange (gain) loss on foreign denominated external and internal long-term debt	(28)	29	1	(33)	(32)
Debt refinancing costs	61	0	—	1	62
Change in fair value of contingent consideration	2	1	1	(21)	(17)
Other, net	(3)	3	(1)	2	1
Adjusted EBITDA	**$99**	**$101**	**$115**	**$102**	**$417**

Note: Totals may not sum due to rounding

GAAP Net Income Reconciliation to Adjusted Diluted EPS

element solutions

($ millions, except per share amounts)	Q4 2020	Q4 2019	FY 2020	FY 2019
Net income attributable to common stockholders	**$30**	**$74**	**$76**	**$92**
Net income (loss) from discontinued operations attributable to common stockholders	—	0	(1)	13
Net income from continuing operations attributable to common stockholders	**30**	**74**	**77**	**79**
Reversal of amortization expense	30	28	119	113
Adjustment to reverse incremental depreciation expense from acquisitions	2	2	8	9
Amortization of inventory step-up	—	1	2	1
Adjustment to interest expense	—	—	—	20
Restructuring expense	1	2	6	14
Acquisition and integration costs	4	(1)	12	2
Foreign exchange (gain) loss on foreign denominated external and internal long-term debt	(8)	(33)	35	(32)
Debt refinancing costs	—	1	46	62
Foundation contributions	5	—	5	—
Change in fair value of contingent consideration	—	(21)	—	(17)
Other, net	(1)	2	10	1
Tax effect of pre-tax non-GAAP adjustments	(9)	5	(64)	(47)
Adjustment to estimated effective tax rate	23	(5)	(17)	23
Adjustment to reverse loss attributable to certain non-controlling interests	—	—	—	1
Adjusted net income from continuing operations attributable to common stockholders	**$77**	**$56**	**$241**	**$228**
Adjusted earnings per share from continuing operations	**$0.31**	**$0.22**	**$0.96**	**$0.88**
Adjusted common shares outstanding[1]	***250***	***255***	***251***	***258***

Note: Totals may not sum due to rounding
1. See p.12 for a reconciliation to Adjusted Share Counts

Quarterly Results Overview

($ millions)	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4
Net Sales								
Electronics	$266	$268	$280	$272	$269	$253	$307	$343
Industrial & Specialty	194	189	185	183	184	134	171	193
Total Net Sales	**$460**	**$457**	**$465**	**$455**	**$453**	**$387**	**$478**	**$537**
Adjusted EBITDA								
Electronics	$56	$60	$74	$63	$67	$58	$72	$81
Industrial & Specialty	42	40	42	40	44	27	30	45
Total Adjusted EBITDA	**$99**	**$101**	**$115**	**$102**	**$110**	**$85**	**$102**	**$126**

Note: Totals may not sum due to rounding

Organic Net Sales Growth Reconciliation

	Three Months Ended December 31, 2020					
	Reported Net Sales Growth	Impact of Currency	Constant Currency	Change in Pass-Through Metals Pricing	Acquisitions	Organic Net Sales Growth
Electronics	26%	(3)%	23%	(3)%	(4)%	16%
Industrial & Specialty	6%	(1)%	5%	—%	(4)%	1%
Total	**18%**	**(2)%**	**16%**	**(2)%**	**(4)%**	**10%**

	Twelve Months Ended December 31, 2020					
	Reported Net Sales Growth	Impact of Currency	Constant Currency	Change in Pass-Through Metals Pricing	Acquisitions	Organic Net Sales Growth
Electronics	8%	0%	8%	0%	(5)%	2%
Industrial & Specialty	(9)%	1%	(8)%	—%	(2)%	(10)%
Total	**1%**	**0%**	**1%**	**0%**	**(4)%**	**(3)%**

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

Free Cash Flow to Free Cash Flow on an Adjusted Basis Reconciliation

(dollars in millions)	FY 2019		FY 2020		Q4 2020	
Cash flows from operating activities	$	171	$	276	$	82
Capital expenditures		(30)		(29)		(7)
Disposal of property, plant and equipment		5		2		-
Free cash flows	**$**	**146**	**$**	**249**	**$**	**75**
Adjustments to arrive at free cash flows on an adjusted basis:						
Interest payments - prior capital structure (1)		57				
Interest payments - current capital structure (1)		(3)				
Other (2)		38				
Free cash flows on an adjusted basis	**$**	**238**				

Note: Totals may not sum due to rounding

1 Adjustments for 2019 interest payments to reflect the Company's new capital structure by assuming that the Arysta Sale had closed and its new credit agreement had been in place on January 1, 2019

2 Adjustment for the payment of the contingent consideration related to the MacDermid Acquisition and payment for employee expenses associated with the Arysta Sale that did not qualify for discontinued operations

Non-GAAP Definitions

<u>Adjusted Earnings Per Share (EPS)</u>: 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 EPS facilitates operating performance comparisons on a period-to-period basis. Adjusted EPS is defined as net income 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, incremental depreciation associated with the step up of fixed assets, and incremental cost of sales associated with the step up of inventories recognized in purchase accounting for acquisitions. Further, the Company adjusts its effective tax rate to 26% and 27% for the three and twelve months ended December 31, 2020 and 2019, respectively, as described in the Release. 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 is then divided by the Company's adjusted common shares outstanding. Adjusted common shares outstanding represent the shares outstanding as of the balance sheet date for the quarter-to-date period and an average of each quarter for the year-to-date period. Adjusted common shares outstanding consists of common shares outstanding, plus the shares that would be issued if all convertible stock was 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 level and issued.

<u>Constant Currency</u>: 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.

<u>EBITDA and Adjusted EBITDA</u>: 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 Release. Adjusted EBITDA for each segment also includes an allocation of 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.

<u>Net Debt to Adjusted EBITDA ratio</u>: Net debt to adjusted EBITDA ratio is defined as total debt (current installments of long-term debt, revolving credit facilities and long-term debt), excluding unamortized discounts and debt issuance costs, which totaled $19.6 million at December 31, 2020, less cash divided by adjusted EBITDA.

<u>Free Cash Flow</u>: 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 one-time cash operating expenses. 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.

<u>Organic Net Sales Growth</u>: 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 December 31, 2020, Electronics' consolidated results were positively impacted by $11.1 million of acquisitions and $9.0 million of pass-through metals pricing and Industrial & Specialty's consolidated results were positively impacted by $7.4 million of acquisitions.

For the twelve months ended December 31, 2020, Electronics' consolidated results were positively impacted by $53.6 million of acquisitions and $5.2 million of pass-through metals pricing and Industrial & Specialty's consolidated results were positively impacted by $11.3 million of acquisitions.

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The Company only provides full year 2021 guidance related to adjusted EBITDA, adjusted EPS and free cash flow, as well as expected growth in Q1 and the first half of 2021 for adjusted EBITDA, on a non-GAAP basis and does not provide reconciliations of these forward-looking non-GAAP measures to GAAP due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliations, including adjustments that could be made for restructurings, refinancings, impairments, divestitures, integration-related expenses, share-based compensation amounts, non-recurring, unusual or unanticipated charges, expenses or gains, adjustments to inventory and other charges reflected in the reconciliation of historic numbers, the amount of which, based on historical experience, could be significant.