
# First Quarter 2021

## Earnings Presentation

April
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 availability of supply to customers; improved inventory days over the course of 2021; FY 2021 cash flow outlook, including cash interest, cash taxes and net capex; interest savings; full year 2021 financial guidance as of April 2021, including guidance related to adjusted EBITDA, adjusted EPS and free cash flow; additional considerations relating to adjusted EBITDA growth in Q2 2021 and FX headwind for the full year of 2021; converting tailwinds and COVID-19 recovery into earnings growth; and long-term outperformance.

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 efficacy, 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, net debt to adjusted EBITDA ratio, organic net sales growth, second quarter 2021 guidance for adjusted EBITDA and full year 2021 guidance for adjusted EBITDA, adjusted EPS and free cash flow. 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 April 28, 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 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 or that are considered to be associated with its capital structure. 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 Q1 2021 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.

# First Quarter 2021 Financial Results

| ($ in millions) | Q1 2021 | Q1 2020 | YoY | Constant Currency* YoY | Organic* YoY |
|---|---|---|---|---|---|
| **Net Sales** | **$550** | **$453** | ***22%*** | ***17%*** | ***11%*** |
| Electronics | 354 | 269 | *31%* | *27%* | *18%* |
| Industrial & Specialty | 197 | 184 | *7%* | *4%* | *1%* |
| **GAAP Diluted EPS** | **$0.33** | **$0.03** | | | |
| **Adj. EBITDA*** | **$138** | **$110** | ***25%*** | ***20%*** | |
| *% margin* | *25.1%* | *24.3%* | *80 bps* | *60 bps* | |
| Electronics | 93 | 67 | *39%* | *33%* | |
| *% margin* | *26.2%* | *24.8%* | *140 bps* | *110 bps* | |
| Industrial & Specialty | 45 | 44 | *4%* | *1%* | |
| *% margin* | *23.1%* | *23.7%* | *(60) bps* | *(60) bps* | |
| **Adj. EPS*** | **$0.37** | **$0.25** | *48%* | | |

- Organic net sales* increased 11% year-over-year, driven by sustained growth in high-end electronics end-markets and industrially oriented businesses
  - FX translation benefit of 4% and metals price benefit of 5%
- Constant currency adj. EBITDA* growth of 20% and adj. EBITDA* margin expansion of 60 bps
  - Realization of cost efficiencies and benefit of operating leverage on higher net sales
  - Travel expense continues to be muted across all regions
- Excluding net sales from Assembly pass-through metals ($87 million), adj. EBITDA* margin would have been 29.8%[1]
- Q1 2021 adj. EPS* growth of 48% reflects growth in operating profit, lower interest expense due to Aug 2020 bond refinancing and lower adjusted tax rate

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

- 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 Calculation for adjusted EBITDA* margin excluding net sales from Assembly pass-through metals is $138 million in adjusted EBITDA divided by ($550 million net sales less $87 million metals net sales).

# First Quarter 2021 Segment Details

## Market Commentary

### Electronics

| | Net Sales *($ in millions)* | Organic Growth* | Key Drivers |
|---|---|---|---|
| Assembly | $189 | *27%* | Industrial recovery in Asia and the Americas, strong growth with EV customers, continued strength in electronics end-markets |
| Circuitry | $108 | *11%* | Demand strength from mobile and automotive end-markets; shorter holiday closures in China and lapping of initial COVID-19 impacts in prior year |
| Semi | $56 | *11%* | Strong demand for wafer plating chemistries across mobile, automotive and telecommunications end-markets |
| **Total** | **$354** | ***18%*** | |

### Industrial & Specialty

| | Net Sales *($ in millions)* | Organic Growth* | Key Drivers |
|---|---|---|---|
| Industrial | $146 | *8%* | Strong recovery in Asian automotive markets lapping COVID-19 shutdowns, increased demand in construction & core industrial end-markets globally |
| Graphics | $35 | *(12)%* | Difficult comparison to Q1 2020 COVID-related stock-up for consumer packaged goods; delays due to supply chain disruptions in Europe and Asia |
| Energy | $16 | *(19)%* | Continuation of 2H 2020 demand trend as drilling activity rebound lags energy price recovery |
| **Total** | **$197** | ***1%*** | |

*See non-GAAP definitions and reconciliations in the appendix

# Balance Sheet and Cash Flow Considerations

## Key Cash Flow Items

- **Q1 2021 free cash flow* of $24 million**
- Q1 2021 burdened by full-year impact of prior year incentive payments
- Includes cash interest paid of $21 million; reflects semi-annual bond payment of $16 million
- Q1 working capital increase associated with strong net sales growth and safety stock builds to ensure availability of supply to customers given various global supply chain disruptions
  - Expect inventory days to improve over the course of the year

## Balance Sheet Management

- **Net debt to adj. EBITDA ratio* of 2.7x on a LTM basis as of March 31, 2021**
- Over $600 million of liquidity with no maturities until 2026
- April 13 - Moody's Corporate Family Rating (CFR) upgraded to Ba2 from Ba3 reflecting 2020 financial performance
  - First lien credit facility ratings upgraded Ba1 from Ba2
- April 22 – S&P issuer credit rating raised to BB from BB-

### Q1 2021 Cash Flow Uses and FY 2021 Outlook

| *$ millions* | Q1 2021 | FY 2021 |
|---|---|---|
| Cash Interest | $21 | ~$50 |
| Cash Taxes | $13 | ~$70 |
| Net Capex* | $9 | ~$30 |

### Q1 2021 Capital Structure

| Instrument | *(in millions)* |
|---|---|
| Corporate Revolver ($330 million) | $0 |
| Term Loans | 733 |
| **Total First Lien Debt** | **$733** |
| **Total Unsecured Debt** | **$800** |
| **Total Debt** | **$1,533** |
| Cash Balance | 318 |
| **Net Debt** | **$1,216** |
| Adjusted Shares Outstanding[1] | 250 |
| Market Capitalization[2] | $4,569 |
| **Total Capitalization** | **$5,785** |

Note: Totals may not sum due to rounding
* See non-GAAP definitions and reconciliations in the appendix
1. See p.8 for reconciliation to Adjusted Share Counts
2. Based on Element Solutions' closing stock price of $18.29 at March 31, 2021

# Full Year 2021 Financial Guidance

## As of April 2021

| | |
|---|---|
| **FY Adj. EBITDA*** | **$500M to $510M**<br>***~20% growth*** |
| **FY Adjusted EPS*** | **Greater than $1.30**<br>***(more than 35% growth)*** |
| **Free Cash Flow*** | **~$285M**<br>***(14% growth)*** |

**Additional Considerations**

- Expect Q2 2021 adj. EBITDA* of $125 million to $130 million
- Assumes a modest FX headwind to prior guidance
- Guidance does not take into consideration possibility of additional COVID-related headwinds or shutdowns

**Converting secular tailwinds (5G & EV) and COVID-19 recovery into robust earnings growth, while continuing to lay a foundation for long-term outperformance**

* See non-GAAP definitions and reconciliations in the appendix

# Appendix

# Reconciliation to Adjusted Share Counts

| *(amounts in millions)* | Q1 2021 | Q1 2020 |
|---|---|---|
| **Common shares outstanding** | **248** | **249** |
| Number of shares issuable upon vesting of granted Equity Awards[1] | 2 | 3 |
| **Adjusted common shares outstanding** | **250** | **252** |

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

| *($ millions)* | **Q1 2021** | **Q1 2020** |
|---|---|---|
| **Net income attributable to common stockholders** | **$82** | **$9** |
| ***Add (subtract):*** | | |
| Income from discontinued operations, net of tax | - | 0 |
| Income tax expense | 31 | 4 |
| Interest expense, net | 13 | 17 |
| Depreciation expense | 9 | 11 |
| Amortization expense | 30 | 29 |
| **EBITDA** | **165** | **69** |
| ***Adjustments to reconcile to adjusted EBITDA:*** | | |
| Amortization of inventory step-up | - | 1 |
| Restructuring expense | 2 | 1 |
| Acquisition and integration (income) expense | (3) | 7 |
| Foreign exchange (gain) loss on internal debt | (28) | 29 |
| Other, net | 1 | 3 |
| **Adjusted EBITDA** | **$138** | **$110** |

Note: Totals may not sum due to rounding

# Net Debt to Adj. EBITDA Ratio Reconciliation on a Trailing Twelve Month Basis

| *($ millions)* | QTD 2021 | Q2 2020 | Q3 2020 | Q4 2020 | LTM Q1 2021 |
|---|---|---|---|---|---|
| **Net income attributable to common stockholders** | **$82** | **$1** | **$36** | **$30** | **$149** |
| ***Add (subtract):*** | | | | | |
| Loss from discontinued operations, net of tax | - | 1 | 0 | - | 1 |
| Income tax expense (benefit) | 31 | 6 | (47) | 42 | 31 |
| Interest expense, net | 13 | 17 | 17 | 13 | 60 |
| Depreciation expense | 9 | 11 | 11 | 11 | 41 |
| Amortization expense | 30 | 29 | 31 | 30 | 120 |
| **EBITDA** | **165** | **64** | **47** | **125** | **402** |
| ***Adjustments to reconcile to adjusted EBITDA:*** | | | | | |
| Amortization of inventory-step-up | - | - | 1 | - | 1 |
| Restructuring expense | 2 | 3 | 1 | 1 | 8 |
| Acquisition and integration (income) expense | (3) | 1 | 0 | 4 | 3 |
| Foreign exchange (gain) loss on internal debt | (28) | 12 | 2 | (8) | (22) |
| Debt refinancing costs | - | - | 46 | - | 46 |
| Foundation contributions | - | - | - | 5 | 5 |
| Other, net | 1 | 4 | 4 | (1) | 8 |
| **Adjusted EBITDA** | **$138** | **$85** | **$102** | **$126** | **$450** |
| **Net Debt** | | | | | **$1,216** |
| ***Net Debt to Adjusted EBITDA Ratio*** | | | | | ***2.7x*** |

Note: Totals may not sum due to rounding

# GAAP Net Income Reconciliation to Adjusted Diluted EPS

| *($ millions, except per share amounts)* | Q1 2021 | Q1 2020 |
|---|---|---|
| **Net income attributable to common stockholders** | **$82** | **$9** |
| Net income from discontinued operations attributable to common stockholders | - | 0 |
| **Net income from continuing operations attributable to common stockholders** | **82** | **8** |
| Reversal of amortization expense | 30 | 29 |
| Adjustment to reverse incremental depreciation expense from acquisitions | 1 | 2 |
| Amortization of inventory-step-up | - | 1 |
| Restructuring expense | 2 | 1 |
| Acquisition and integration (income) expense | (3) | 7 |
| Foreign exchange (gain) loss on internal debt | (28) | 29 |
| Other, net | 1 | 3 |
| Tax effect of pre-tax non-GAAP adjustments | (1) | (19) |
| Adjustment to estimated effective tax rate | 8 | 1 |
| **Adjusted net income from continuing operations attributable to common stockholders** | **$93** | **$63** |
| **Adjusted earnings per share from continuing operations** | **$0.37** | **$0.25** |
| ***Adjusted common shares outstanding[1]*** | ***250*** | ***252*** |

Note: Totals may not sum due to rounding

1. See p.8 for a reconciliation to Adjusted Share Counts

# Organic Net Sales Growth Reconciliation

| | Three Months Ended March 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Reported Net Sales Growth | Impact of Currency | Constant Currency | Change in Pass-Through Metals Pricing | Acquisitions | Organic Net Sales Growth |
| Electronics | 31% | (5)% | 27% | (8)% | —% | 18% |
| Industrial & Specialty | 7% | (3)% | 4% | —% | (3)% | 1% |
| **Total** | **22%** | **(4)%** | **17%** | **(5)%** | **(1)%** | **11%** |

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

# Free Cash Flow Reconciliation

| *(dollars in millions)* | | Q1 2021 | | Q1 2020 |
|---|---|---|---|---|
| **Cash flows from operating activities** | $ | 33 | $ | 61 |
| Capital expenditures | | (9) | | (11) |
| **Free cash flows** | **$** | **24** | **$** | **51** |

Note: Totals may not sum due to rounding

# Non-GAAP Definitions

**Adjusted Earnings Per Share (EPS)**: Adjusted EPS is a key metric used by management to measure operating performance and trends as management believes 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 20% and 26% for the three months ended March 31, 2021 and 2020, respectively, as described in the Release. 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, plus shares issuable upon exercise or vesting of all outstanding equity awards (assuming a performance achievement target level for equity awards with targets considered probable).

**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 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.

**Net Debt to Adjusted EBITDA ratio:** 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 $18.8 million at March 31, 2021, less cash divided by adjusted EBITDA.

**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. 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.

**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, 2021, Electronics' consolidated results were positively impacted by $22.8 million of pass-through metals pricing and Industrial & Specialty's consolidated results were positively impacted by $4.7 million of acquisitions.

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The Company only provides second quarter 2021 guidance for adjusted EBITDA and full year 2021 guidance for adjusted EBITDA, adjusted EPS and free cash flow, 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.