element solutions

Second Quarter 2021

Earnings Presentation

July
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 the parties' ability to satisfy the closing conditions of the Coventya acquisition and to finalize and execute the definitive documentation relating to the add-on debt, including the execution of an amendment to the Company's credit agreement and closing of the incremental facility for the increase of the existing term loans; the timing of the closing of the Coventya acquisition, the purchase price for the Coventya acquisition, funding of the add-on transaction and effective date of the related swaps; the Coventya acquisition's contributions to Element Solutions’ annual adjusted EBITDA and adjusted EPS for the full year 2021; continued demand for the Company’s products in end markets; working capital reduction in 2H 2021; FY 2021 cash flow outlook, including cash interest, cash taxes and net capex; interest savings; the use of proceeds from the add-on transaction; expected benefits from the Coventya acquisition, including access to new talents and customers and synergy opportunities; full year 2021 financial guidance as of July 2021 related to adjusted EBITDA, adjusted EPS and free cash flow; additional considerations relating to adjusted EBITDA growth in Q3 2021 and return to more typical seasonality; combining strong execution, secular growth tailwinds and prudent capital allocation to compound earnings per share.

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.

In addition, this presentation includes projected Coventya’s financial estimates for its fiscal year 2021. Coventya’s financial information, provided by Coventya, is prepared in accordance with non-GAAP that may or may not be comparable to the Company’s financial statements. Consequently, there is no assurance that the financial results, information and projections for Coventya contained in this presentation are accurate or complete, or representative in any way of Element Solutions’ actual and future results as a consolidated company. This presentation also includes FY 2021 free cash flow 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.

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, financial guidance related to adjusted EBITDA, adjusted EPS and free cash flow for the full year of 2021 (including any impact from the Coventya acquisition), adjusted EBITDA growth for Q3 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 July 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 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.

Second Quarter 2021 Highlights

element solutions

Strong operational execution

- Organic net sales* increased 30% year-over-year, lapping severe impact of COVID in Q2 2020 with sustained growth in high-end electronics markets and automotive / industrially oriented businesses
- Constant currency adj. EBITDA* growth of 47% and adj. EBITDA* margin expansion of 50 bps
- Excluding net sales from Assembly pass-through metals ($107 million), adj. EBITDA***** margin would have been 28%[1]
- Adj. EPS* growth of 94%

($ in millions)	Q2 2021	Q2 2020	YoY	Constant Currency* YoY	Organic* YoY
Net Sales	**$587**	**$387**	***52%***	***44%***	***30%***
Electronics	382	253	*51%*	*44%*	*25%*
Industrial & Specialty	205	134	*53%*	*45%*	*41%*
GAAP Diluted EPS	**$0.32**	**$0.01**			
Adj. EBITDA*	**$133**	**$85**	***57%***	***47%***	
% margin	*22.7%*	*21.9%*	*80 bps*	*50 bps*	
Electronics	91	58	*56%*	*46%*	
% margin	*23.7%*	*22.9%*	*80 bps*	*50 bps*	
Industrial & Specialty	42	27	*58%*	*50%*	
% margin	*20.7%*	*20.0%*	*70 bps*	*70 bps*	
Adj. EPS*	**$0.35**	**$0.18**	*94%*		

Highly complementary & strategic acquisitions

COVENTYA

Purchase price expected to be ~€420M ($500M) or less than 10X synergized[2] adj. EBITDA

*Enhanced global scale and product breadth in **industrial metal finishing***

Significant growth and cost synergy opportunities

H K Wentworth Group

ELECTROLUBE
THE SOLUTIONS PEOPLE

Closed ~$50M acquisition for high-single-digit adj. EBITDA multiple pre-synergy

*Complementary portfolio of specialized electronics products for **semiconductor and assembly customers***

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 form Assembly pass-through metals is $133 million in adjusted EBITDA divided by ($587 million net sales less $107 million metals net sales)
2 – Inclusive of $15 million of anticipated synergies and based on projected Coventya's adj. EBITDA for FY 2021 ending September 30, 2021

Second Quarter 2021 Segment Details

Market Commentary

Electronics

	Net Sales *($ in millions)*	Organic Growth*	Key Drivers
Assembly	$205	*37%*	Recovery of automotive electronics markets depressed by COVID-19 and strong growth across high-end electronics and with EV customers
Circuitry	$112	*13%*	Strong demand across high-end electronics in China and the Americas, automotive electronics demand and memory disk
Semi	$65	*18%*	Continued demand for wafer plating chemistries across mobile, automotive and telecom end-markets
Total	**$382**	***25%***	

Industrial & Specialty

	Net Sales *($ in millions)*	Organic Growth*	Key Drivers
Industrial	$148	*61%*	Increased activity in automotive & core industrial end markets globally, lapping 2020 COVID-19-related production shutdowns
Graphics	$40	*11%*	Uptick in packaging sector demand in the Americas and Europe lapping Q2 2020 impact on consumer packaging
Energy	$17	*0%*	Lagging recovery in demand for deep-water activity given trend in energy prices
Total	**$205**	***41%***	

* See non-GAAP definitions and reconciliations in the appendix

Balance Sheet and Cash Flow Considerations

Key Cash Flow Items

- **Q2 2021 free cash flow* of $72 million**
- Moderate working capital investment in Q2 associated with sequential increase in net sales, increased raw material prices and some additional safety stock builds given continuation of global supply chain disruptions
- YTD working capital Investment of ~$70M primarily driven by inventory build
- Modest working capital reduction in 2H 2021 of ~ $20 million to achieve FY FCF guidance assumes supply chain instability begins to resolve

YTD Cash Flow Uses and FY Outlook

$ millions	YTD Q2 2021	FY 2021
Cash Interest	$25	~$50
Cash Taxes	$35	~$70
Net Capex*	$17	~$30

Balance Sheet Management

- **Net debt to adj. EBITDA ratio* of 2.4x on a LTM basis as of June 30, 2021**
- $400M add-on to TLB agreed in principle on pricing & syndication expected to fund a portion of the proposed Coventya Acquisition
  - L + 200 bps rate swapped to EUR fixed at <2%
  - Reflecting Coventya, Q2 total net leverage* would be ~ 3.0x[1]
- Moody's Investor Service and S&P Global Ratings affirmed their corporate-level ratings of the Company of Ba2 and BB
  - Also affirmed senior secured tranche ratings of Ba1 and BBB-

Q2 2021 Capital Structure

Instrument	*(in millions)*
Corporate Revolver	$0
Term Loans	731
Total First Lien Debt	**$731**
Total Unsecured Debt	**$800**
Total Debt	**$1,531**
Cash Balance	318
Net Debt	**$1,213**
Adjusted Shares Outstanding[2]	252
Market Capitalization[3]	$5,896
Total Capitalization	**$7,109**

Note: All numbers presented excluding the potential impact of the Coventya acquisition announced on June 11, 2021. Totals may not sum due to rounding
* See non-GAAP definitions in the appendix

1. Assumes anticipated $400M add-on to Term Loan B, ESI Q2 2021 net debt of $1,213M, projected Coventya adj. EBITDA contribution of ~$35M in its FY 2021 ending 9/30/21 and ESI LTM Q2 2021 adj. EBITDA of $499M
2. See p.9 for reconciliation to Adjusted Share Counts
3. Based on Element Solutions' closing stock price of $23.38 at June 30, 2021

Coventya Acquisition Highlights

Highly Strategic to ESI's Industrial Vertical

Coventya is a global provider of surface treatment technology to automotive and general industrial end-markets:

- Highly complementary business with strength in anti-corrosion & functional coatings
- Enhances portfolio of customer solutions in attractive growth areas such as light-metal surface treatment
- Access to new commercial talent and strong customer relationships
- Significant synergy opportunities of $15M within 24 months of transaction close
- Transaction on pace to close in September 2021, subject to customary closing conditions

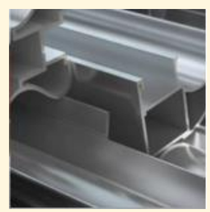
Expect ~$190M FY21E* Revenue

Expect ~$35M FY21E* Adj. EBITDA

~ 650 employees

13 manufacturing and 8 R&D facilities globally

*FY ending on September 30, 2021

Products							
Coventya % of FY20 Sales	**Protective** 37%	**Functional** 14%	**Decorative** 11%	**Aluminum** 9%	**Precious Metals** 8%	**Pretreatment** 8%	**Watercare** 3%
Function	Protection against corrosion	Mechanical properties improvement	Aesthetics improvement	Decorative, protective & functional	Aesthetics improvement	Cleaning & activation	Wastewater treatment
ESI Overlap:	✓	✓	✓			✓	✓

Full Year 2021 Financial Guidance

Updated as of July 2021

FY Adj. EBITDA*	**$505M to $520M** ***(~20% growth)***
FY Adjusted EPS*	**$1.35+** ***(40% growth)***
FY Free Cash Flow*	**~$285M** ***(10% growth)***

Additional Considerations

- Expect Q3 2021 adj. EBITDA* of $125 million to $130 million
- Expect more typical seasonality with Q3 stronger than Q4
- Guidance excludes any impact from the Coventya acquisition
- Coventya expected to generate ~$35M in adj. EBITDA*, based on projected FY21 results
- Acquisition expected to contribute ~$0.07 per share to adj. EPS on an annualized basis

Combining strong operational execution, secular growth tailwinds and prudent capital allocation to compound earnings per share

* See non-GAAP definitions and reconciliations in the appendix

Appendix

Reconciliation to Adjusted Share Counts

(amounts in millions)	Q2 2021	Q2 2020
Common shares outstanding	**248**	**249**
Number of shares issuable upon vesting of granted Equity Awards[1]	5	3
Adjusted common shares outstanding	**252**	**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)	**Q2 2021**	**Q2 2020**
Net income attributable to common stockholders	**$81**	**$1**
Add (subtract):		
(Income) loss from discontinued operations, net of tax	(2)	1
Income tax (benefit) expense	(32)	6
Interest expense, net	13	17
Depreciation expense	10	11
Amortization expense	30	29
EBITDA	**100**	**64**
Adjustments to reconcile to Adjusted EBITDA:		
Amortization of inventory step-up	2	—
Restructuring expense	2	3
Acquisition and integration expense	6	1
Foreign exchange loss on internal debt	5	12
Adjustment of stock compensation previously not probable	14	—
Other, net	5	4
Adjusted EBITDA	**$133**	**$85**

Note: Totals may not sum due to rounding

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

($ millions)	YTD 2021	Q3 2020	Q4 2020	LTM Q2 2021
Net income attributable to common stockholders	**$163**	**$36**	**$30**	**$229**
Add (subtract):				
(Income) loss from discontinued operations, net of tax	(2)	0	—	(2)
Income tax (benefit) expense	(1)	(47)	42	(6)
Interest expense, net	26	17	13	56
Depreciation expense	19	11	11	40
Amortization expense	60	31	30	121
EBITDA	**266**	**47**	**125**	**438**
Adjustments to reconcile to Adjusted EBITDA:				
Amortization of inventory-step-up	2	1	—	3
Restructuring expense	4	1	1	6
Acquisition and integration expense	3	0	4	8
Foreign exchange (gain) loss on internal debt	(23)	2	(8)	(29)
Debt refinancing	—	46	—	46
Foundation contributions	—	—	5	5
Adjustment of stock compensation previously not probable	14	—	—	14
Other, net	6	4	(1)	9
Adjusted EBITDA	**$271**	**$102**	**$126**	**$499**
Net Debt				**$1,213**
Net Debt to Adjusted EBITDA Ratio				***2.4x***

Note: Totals may not sum due to rounding

GAAP Net Income Reconciliation to Adjusted Diluted EPS

($ millions, except per share amounts)	Q2 2021	Q2 2020
Net income attributable to common stockholders	**$81**	**$1**
Net income (loss) from discontinued operations attributable to common stockholders	2	(1)
Net income from continuing operations attributable to common stockholders	**79**	**2**
Reversal of amortization expense	30	29
Adjustment to reverse incremental depreciation expense from acquisitions	1	2
Amortization of inventory-step-up	2	—
Restructuring expense	2	3
Acquisition and integration expense	6	1
Foreign exchange loss on internal debt	5	12
Adjustment of stock compensation previously not probable	14	—
Other, net	5	4
Tax effect of pre-tax non-GAAP adjustments	(13)	(13)
Adjustment to estimated effective tax rate	(41)	4
Adjusted net income from continuing operations attributable to common stockholders	**$89**	**$44**
Adjusted earnings per share from continuing operations	**$0.35**	**$0.18**
Adjusted common shares outstanding[1]	***252***	***252***

Note: Totals may not sum due to rounding
1. See p.9 for a reconciliation to Adjusted Share Counts

Organic Net Sales Growth Reconciliation

	Three Months Ended June 30, 2021					
	Reported Net Sales Growth	Impact of Currency	Constant Currency	Change in Pass-Through Metals Pricing	Acquisitions	Organic Net Sales Growth
Electronics	51%	(7)%	44%	(16)%	(2)%	25%
Industrial & Specialty	53%	(8)%	45%	—%	(4)%	41%
Total	**52%**	**(8)%**	**44%**	**(11)%**	**(3)%**	**30%**

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)		Q2 2021		Q2 2020
Cash flows from operating activities	$	80	$	64
Capital expenditures		(9)		(5)
Disposal of property, plant and equipment		-		2
Free cash flows	**$**	**72**	**$**	**61**

Note: Totals may not sum due to rounding

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, 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 and six months ended June 30, 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).

<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 $18.1 million at June 30, 2021, 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. 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 June 30, 2021, Electronics' consolidated results were positively impacted by $41.6 million of pass-through metals pricing and $6.1 million of acquisitions and Industrial & Specialty's consolidated results were positively impacted by $5.0 million of acquisitions.

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The Company only provides third 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.