

# Investor Day

February 24, 2022



# Cautionary statement about forward-looking statements

Certain statements in this presentation, the investor day remarks and discussions that follow, including, without limitation, statements with respect to Element Solutions' ("Element Solutions," "ESI," or the "Company") vision; operating system strategy and outputs; investment & execution driving better business quality; value creation through innovation, investment behind profitable growth and inorganic execution, including expected blended synergized adjusted EBITDA multiple from acquisitions; value creation, including 2022E free cash flow yield for the Company; the Company's position for profitable growth; robust secular growth drivers; defensibility; sustainability as a value driver; variable cost model protecting profits; growing free cash flow and strong returns; free cash flow generation (including 2022 expectations and next 5 year outlook of \$2 billion+); compelling path forward, including focused investment and execution; economic trends; secular growth drivers, including vehicle electrification (including content opportunity of approximately \$100 per high-end electric vehicle and expected addressable market for Element Solutions' power electronics portfolio to exceed \$300 million by 2025), next generation wireless technology requiring more ESI content (including 5G-related future market opportunities), enabling semiconductor market growth (including expected demand for ESI's semi products and double-digit growth in ESI's key semiconductor applications through 2025), electronic integration opportunities and reducing IS customers' environmental footprints; demand for Element Solutions' sustainable products, in particular in industrial surface treatment; strategic account management; increased focus on larger, strategic commercial opportunities; ESI sales growth algorithm, including market outperformance and blended growth forecast; ESI medium-term net sales growth of 5-6%; target market outperformance; accretive incremental margins and adjusted EBITDA growth target of 1.5x net sales growth; Coventya's annualized synergies of \$15 million expected to be achieved by YE 2023; expected incremental EBITDA margin expansion and 30-40% target; expected growth benefits of organic investments, including supporting businesses' breakthrough strategic objectives; balance sheet strength and flexibility; expected earnings growth and free cash flow generation; deleveraging of balance sheet by ~0.75x annually; framework for deploying excess capital (including capacity for accretive investments and returns); measured approach to capital allocation; returning excess capital to stockholders; expected ROI per investment; entering attractive adjacencies (including total addressable markets); ESG targets; 5 year growth algorithm and growth targets for net sales, adjusted EBITDA, incremental margins, adjusted EPS (including expected adjusted EPS of \$2.50 by 2026 or ~13% adj. EPS CAGR) and 5 year cumulative free cash flow of at least \$2 billion; path to compounding per share value; and all other information relating to matters that were not historical facts may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements and discussions 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 similar expressions, and variations or negatives of these words or phrases..

Forward-looking statements are based on 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 projected, anticipated or implied 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 the forward-looking statements include, but are not limited to, the duration and scope of the COVID-19 pandemic; the efficacy, availability and/or public acceptance of vaccines and treatments targeting COVID-19 and/or its variants; governments', businesses', and individuals' actions in response to the pandemic; the general impact of the pandemic on economic activity, including financial market instability, and on the Company's customers, employees, suppliers, vendors and other stakeholders; business and management strategies; outstanding debt and debt leverage ratio; shares repurchases; debt and/or equity issuance or retirement; returns to stockholders; and the impact of acquisitions, divestitures, restructurings, refinancings, impairments and other unusual items, including the Company's ability to integrate and obtain the anticipated benefits, results and synergies from these transactions 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. Forward-looking statements speak only as of the date the statements were made. Element Solutions undertakes no obligation to update any of the statements, whether as a result of new information, future events or otherwise.

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In all cases where historical performance is presented, please note that past performance is not a reliable indicator of future results and should not be relied upon as the basis for making an investment decision. In addition, historical financial results of acquired businesses, such as Coventya Holding S.A.S., H.K. Wentworth Limited and HSO Herbert Schmidt GmbH & Co and their respective subsidiaries, were derived from information not historically prepared in accordance with U.S. GAAP and 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 these legacy businesses are accurate or complete, or representative in any way of the Company's actual or future results as a consolidated company.

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# Non-GAAP information

This presentation includes information that does not conform to U.S. GAAP and are considered non-GAAP measures, including EBITDA, adjusted EBITDA, adjusted EBITDA margin, incremental EBITDA margin, adjusted earnings per share (EPS), normalized EPS, adjusted common shares outstanding, cash return on investment (CRI), free cash flow (FCF), adjusted FCF, net debt to adjusted EBITDA ratio, net sales adjusted for pass-through metals prices, metal price adjusted gross profit and gross profit margins, organic net sales growth, full-year 2022 expectations for free cash flow, 5 year expected growth of \$2 billion+ for free cash flow, and 5 year growth targets for adjusted EBITDA and adjusted EPS, including expected adjusted EPS of \$2.50 by 2026. The Company also evaluates and presents its results of operations on a constant currency basis adjusted to apply a constant FX rate. The definitions, calculations and reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP can be found in the footnotes and appendix of this presentation.

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. Furthermore, such non-GAAP measures may not be consistent with similar measures provided or used by other companies. Investors are encouraged to review the definitions and reconciliations of these non-GAAP financial measures to their most comparable GAAP financial measures included in the footnotes and appendix of this presentation, and not to rely on any single financial measure to evaluate the Company's businesses.

The Company only provides full-year 2022 expectations for free cash flow, 5 year expected growth of \$2 billion for free cash flow, and 5 year growth targets for adjusted EBITDA and adjusted EPS, including expected adjusted EPS of \$2.50 by 2026, 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, without unreasonable effort, 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.

# Welcome & agenda

1

**OPENING  
REMARKS**

2

**ELEMENT  
SOLUTIONS  
SINCE LAUNCH**

3

**KEY BUSINESS  
ATTRIBUTES**

4

**OUR  
COMPELLING  
PATH FORWARD**

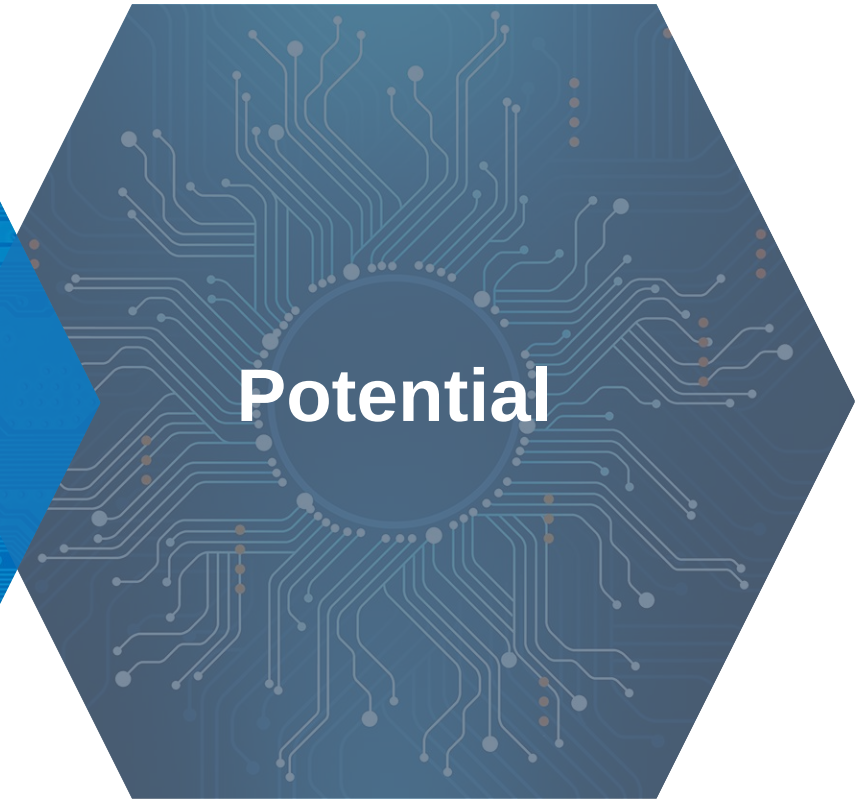
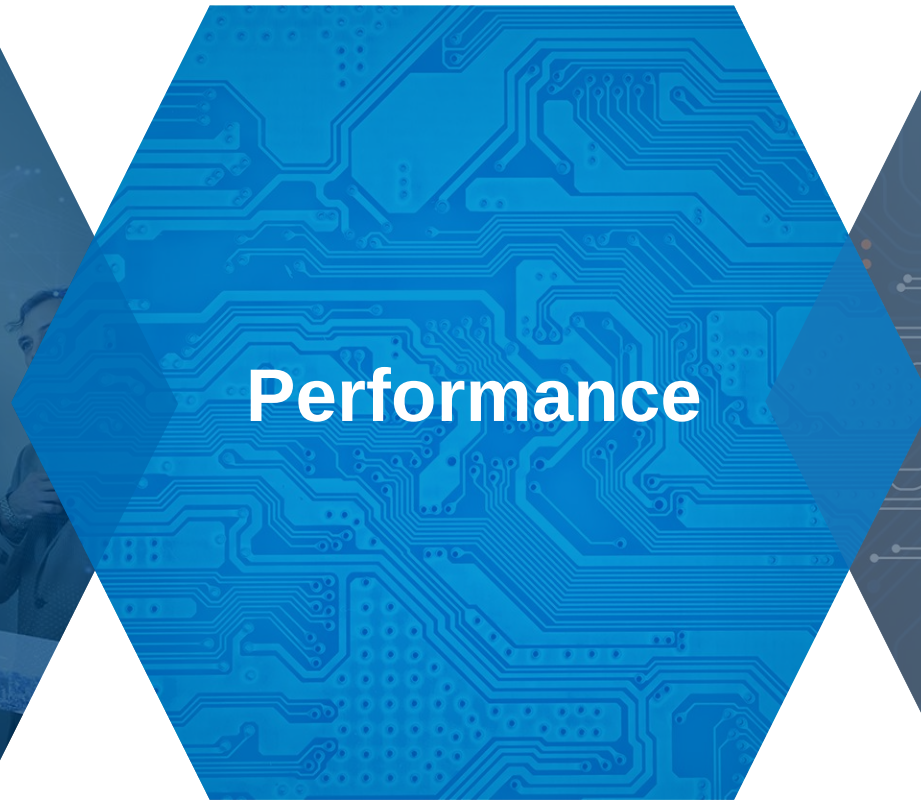
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**TAKEAWAYS**

6

**Q&A**

# Opening remarks

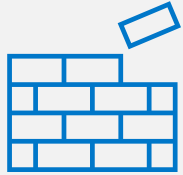


# Element Solutions since launch

Ben Gliklich | *President & CEO*



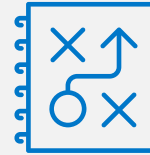
# Element Solutions since launch



2019

## LAYING THE FOUNDATION

- Defining identity, vision and culture
- Establishing an organizational structure and incentives to align with our objectives



2020

## COVID CRISIS MANAGEMENT AND NEW MARKET PARADIGMS

- Ensuring business continuity
- Stress testing our variable cost operating model
- Capturing demand as secular growth tailwinds inflected positively



2021

## WINNING NOW, WINNING LATER

- Capitalizing on recovering end-markets
- Refining commercial and operational processes for future growth
- Accelerating internal and external investment to grow market leadership

# Our vision

ESI strives to be the leading chemical technology solutions provider in three specific, measurable categories



**Gross Margins**

**Net Promoter Scores**

**+100 bps**  
from 2018-2021<sup>1</sup>



**Internal Fill Rate**

**Employee Satisfaction**

**92%**  
positive response rate from  
last employee survey



**Growing Adj. EPS\***

**Total Shareholder Return**

**+2x** from 2018-2021

**35%** CAGR<sup>2</sup> since Feb. 1, 2019

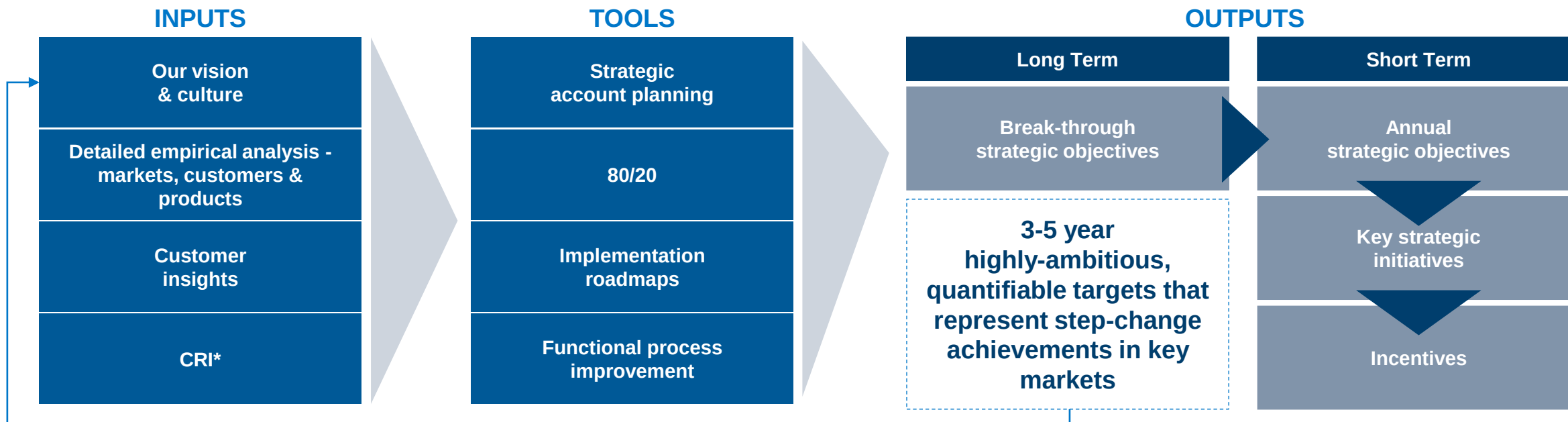
1. Gross margin improvement adjusted for pricing impact of pass-through assembly metals, applies a constant FX rate to all periods presented and excludes acquisitions of Coventya, HKW and DMP

2. TSR CAGR calculation based on period Feb 1, 2019 through Dec 31, 2021

\*See non-GAAP definition in the appendix

# Element Solutions operating system

Strategy process standardized across ESI but owned by each business



**element**  
Strategy  
development &  
implementation

Standardized & Central

- Metric & process development
- Oversight
- Capital allocation
- Incentive design

Local

- Goal setting
- Human resource allocation
- Commercial, technical and supply chain execution

\* CRI (Cash Return on Investment) is an internal performance metric defined as Adj. EBITDA less maintenance capex divided by gross fixed assets plus working capital (accounts receivable, inventory, accounts payable)  
Please refer to the appendix for non-GAAP definitions and reconciliations

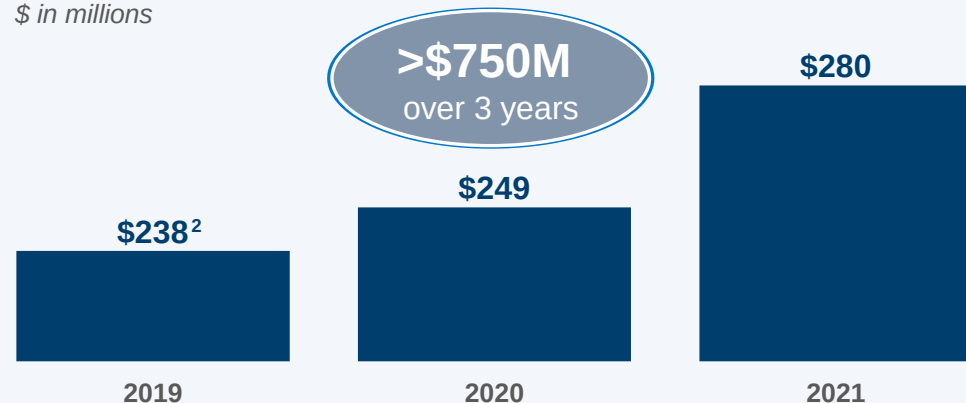
# A track record of performance

## GROWTH IN EXCESS OF END-MARKETS...

| (YoY Growth %)            | 2019        | 2020        | 2021       |
|---------------------------|-------------|-------------|------------|
| <b>ESI Organic Sales*</b> | <b>(4%)</b> | <b>(3%)</b> | <b>13%</b> |
| Auto Units                | (6%)        | (16%)       | (1%)       |
| Smartphone Units          | (4%)        | (6%)        | 1%         |
| PCB (sq meters)           | (3%)        | (1%)        | 13%        |

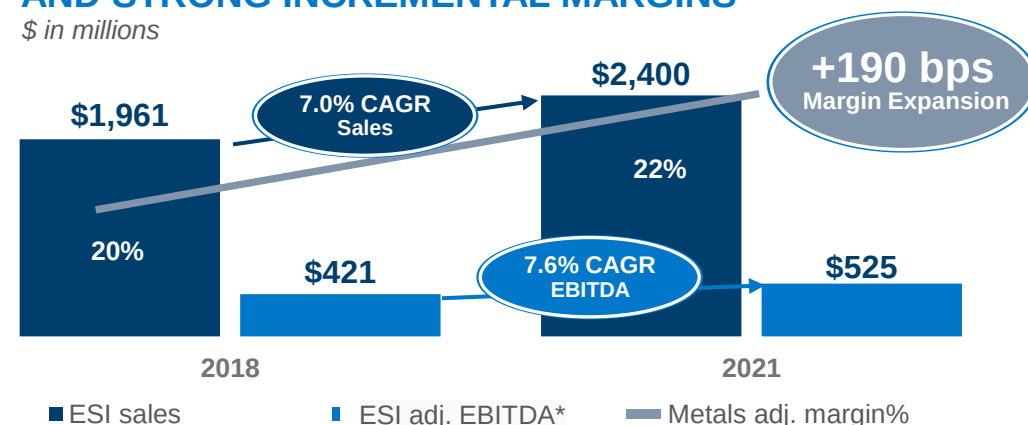
## COMBINED WITH CONSISTENT FCF\* GENERATION...

\$ in millions

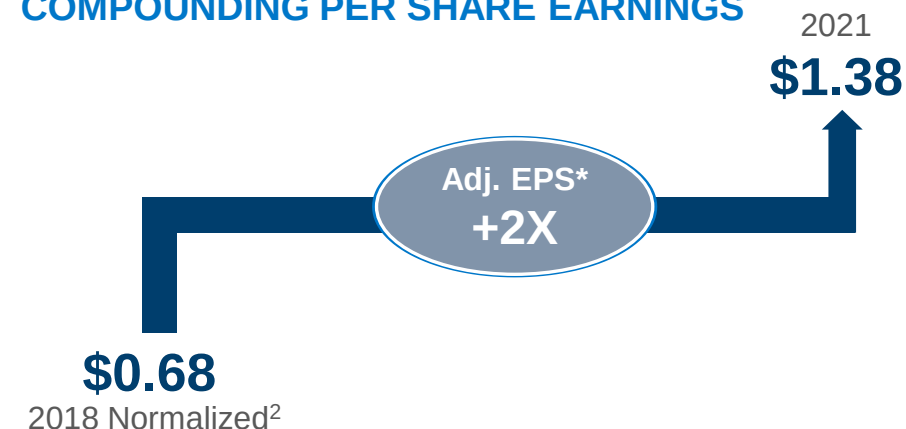


## AND STRONG INCREMENTAL MARGINS<sup>1</sup>

\$ in millions



## COMPOUNDING PER SHARE EARNINGS



\* The financial measures, on this slide and on subsequent slides, are not prepared in accordance with US GAAP. Please refer to the appendix for definitions, discussions of adjustments and reconciliations

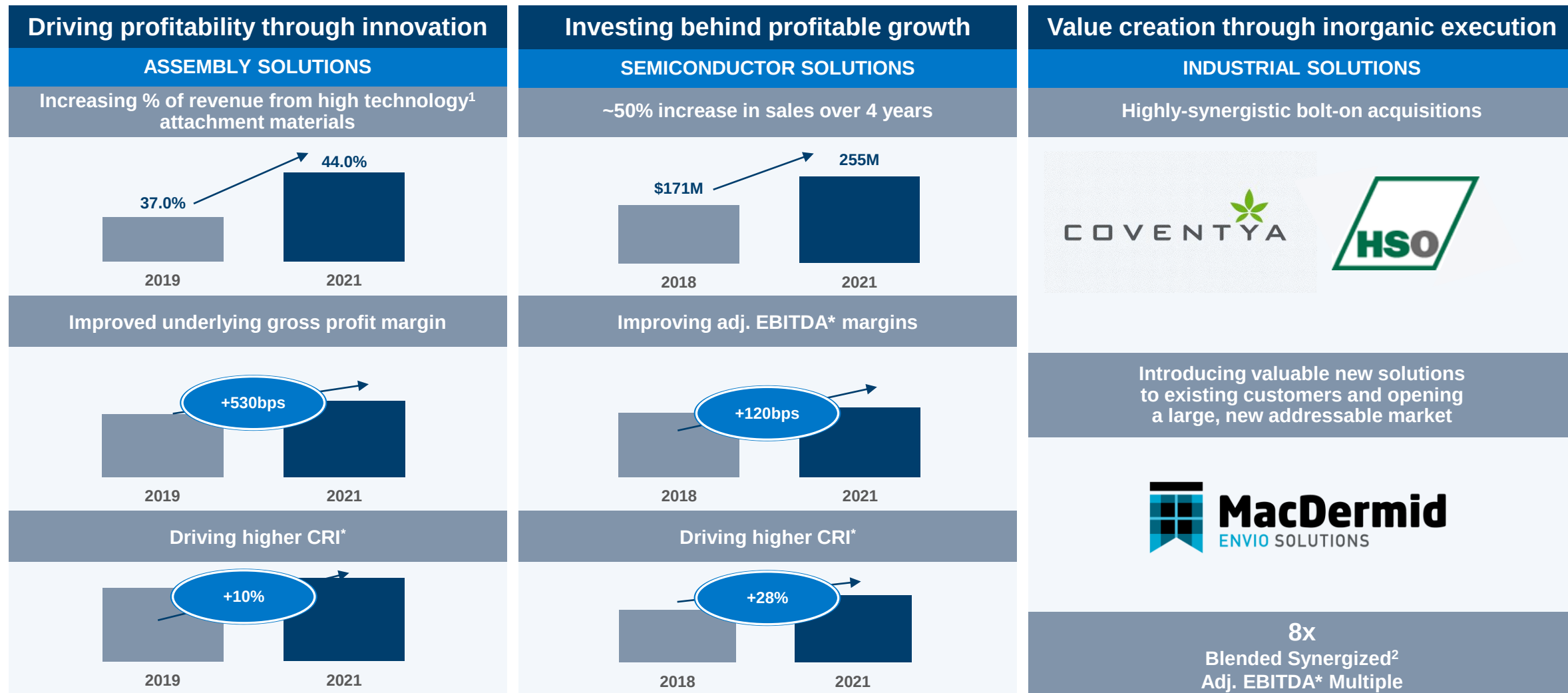
1. Defined as change in Adj. EBITDA\* divided by change in pass-through metal adjusted net sales

2. Adjusted FCF and normalized EPS assume the Arysta divestiture had occurred and ESI's current capital structure had been in place as of January 1, 2019 or 2018, as applicable

Sources: Management estimates, Prismark Partners, LLC, UBS Investment Research

# Investment & execution driving better business quality

## Case studies: multiple paths to value creation



\*Please refer to the appendix for non-GAAP definitions and reconciliations

1. High technology defined as power assembly, preforms, pastes, fluxes and adhesives

2. Based on aggregated expected run-rate adjusted EBITDA of \$67M, reflecting fully realized synergies 2 years after each purchase for the acquisitions of Coventia, HSO and DMP

# ESG in focus

Aligned with our vision

ESG IS A KEY PART OF OUR VALUE PROPOSITION – SINCE LAUNCHING ESI  
WE HAVE IMPROVED TRANSPARENCY AND ALIGNED WITH OUR VISION

### ESG INVESTMENT



### RECOGNITION



Ranked #46  
out of 2,000 businesses



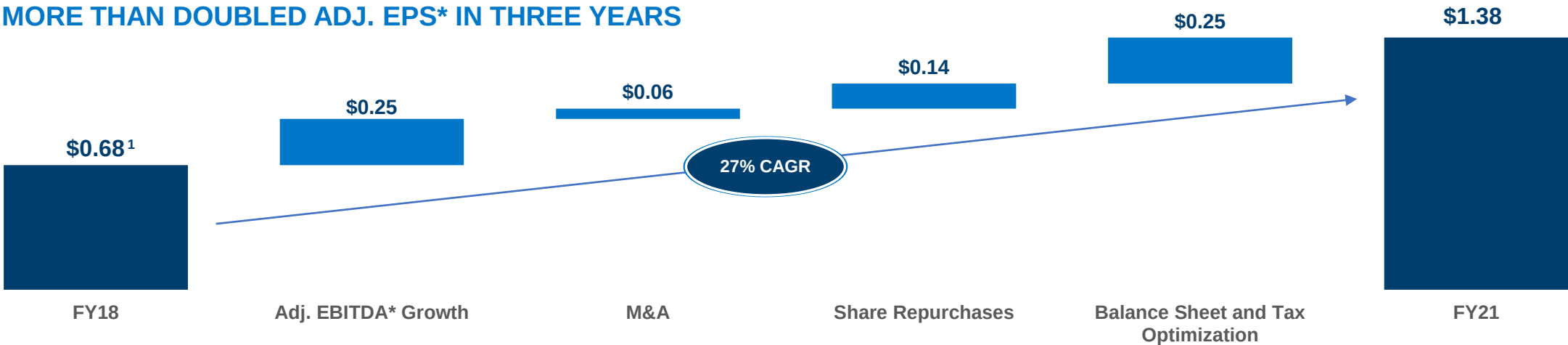
Top 10%  
of businesses

### COMMUNITY ENGAGEMENT

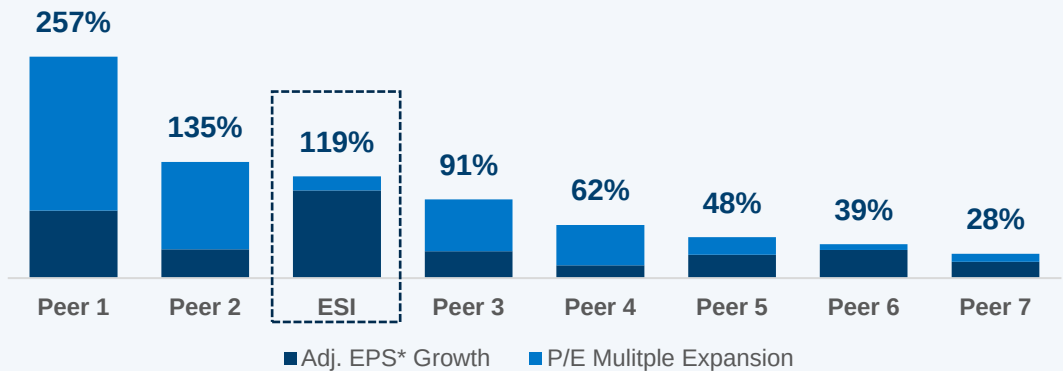


# Value creation at ESI

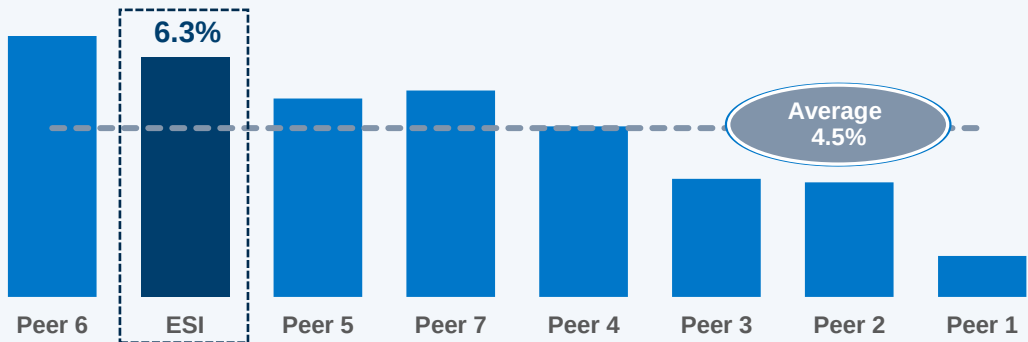
## ESI MORE THAN DOUBLED ADJ. EPS\* IN THREE YEARS



## SOURCE OF SHARE PRICE PERFORMANCE



## 2022E FREE CASH FLOW YIELD



\* Please refer to the appendix for definitions of non-GAAP measures, discussions of adjustments and reconciliations. Peers include ENTG, CCMP, AXTA, KWR, ROG, PPG, SHW. With the exception of CCMP and ROG which reflect prices immediately prior to their announced acquisitions on 12/14/21 and 11/1/21, respectively, P/E Multiple growth is based on prices at 12/31/2021 and 12/31/2018. Free cash flow yield is calculated as ratio of consensus estimates of CY2022 FCF per share and price per share as of 2/18/2022  
 1. Normalized adjusted EPS assumes the Arysta divestiture had occurred and ESI's current capital structure had been in place as of January 1, 2018  
 Source: CapitalIQ, public company filings

# Key business attributes

Ben Gliklich | *President & CEO*

# Key business attributes

1

**Growth:** Positioned for profitable growth in new technology markets

2

**Defensibility:** Sticky consumable products deeply embedded in high-value customer manufacturing processes

3

**Diversification:** Leadership positions in multiple niche markets with 13,000 customers in more than 50 countries

4

**Sustainability:** Leading enabler of sustainability for next generation technology and within customer supply chains

5

**Strong, Stable Margins:** Variable cost operating model allows for consistent, steady margins in all markets

6

**Strong, Stable Cash Flow and Returns:** Asset-lite operating model provides consistent cash flows, leading returns on capital and substantial cash flow to deploy

# Positioned for profitable growth

## Robust secular growth drivers

### Next Generation Wireless Technology

**20% 5G handset growth forecast '21-'25**

- High reliability, low latency circuit board chemistry to enable next-gen mobile phones and infrastructure
- Fine feature solder paste to enable greater computing power in smaller devices

### Rising Semiconductor Intensity

**8% MSI<sup>1</sup> growth forecast '20-'25**

- Wafer-deposition materials to build nano-circuits
- Advanced packaging materials for chip assembly and die-attach

### Electrification of Vehicles

**18% EV production growth forecast '21-'25**

- Range and reliability enabling power electronics solutions
- High-reliability, high-performance circuit board chemistry, assembly materials, and thermal interface materials for systems control and ADAS
- Flexible, formable printed electronics solutions (chemistries and films) for weight reductions
- Decorative and functional coatings for light-weighting and wear resistance

### Sustainability

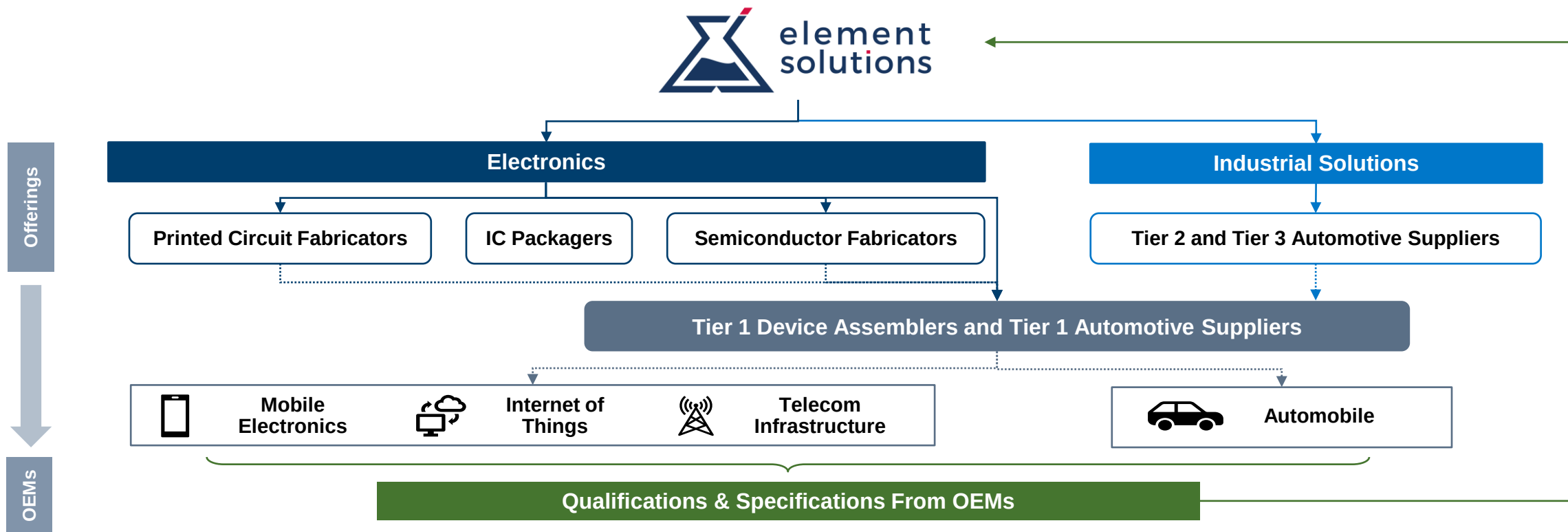
**>70% of top industrial customers plan to invest in sustainability**

- Circuit board solutions with lower water and energy intensity than conventional technologies
- Recycled metal assembly materials
- Waste treatment solutions for metals reclaim and water reduction
- Hex-chrome free metal plating solutions

1. MSI defined as millions of square inches of silicon wafer capacity  
Source: Management estimates, MarketsandMarkets Research, Market Intelligence & Consulting Institute, Prismark Partners LLC, Market Survey of Top 100 Global Industrial customers

# Defensibility: deeply embedded in customer supply chains

Consumable products, qualified through the supply chain



**80%**  
of product revenue  
specified or qualified by  
customers and OEMs

**99%**  
Consumable  
Revenue

More than  
**2,100**  
technical staff supporting  
our customers

PCB plating chemistries  
represent just  
**~3%**  
of the total PCB cost

# Diversified revenue base

## Our segments

### ELECTRONICS



### END-MARKET DIVERSITY



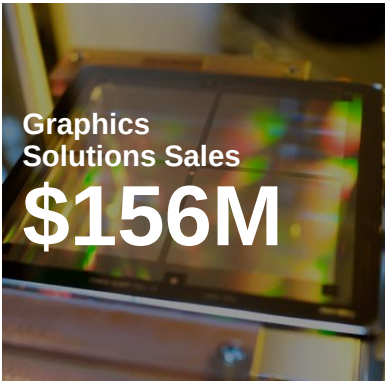
- ~30% Mobile Devices
- ~25% Automotive
- ~20% Medical, Aerospace, and Engineering
- ~15% Consumer and Other
- ~10% Data and Telecom Infrastructure

### 2021 NET SALES BY REGION



- ~60% Asia
- ~25% Americas
- ~15% EMEA

### INDUSTRIAL & SPECIALTY



### END-MARKET DIVERSITY



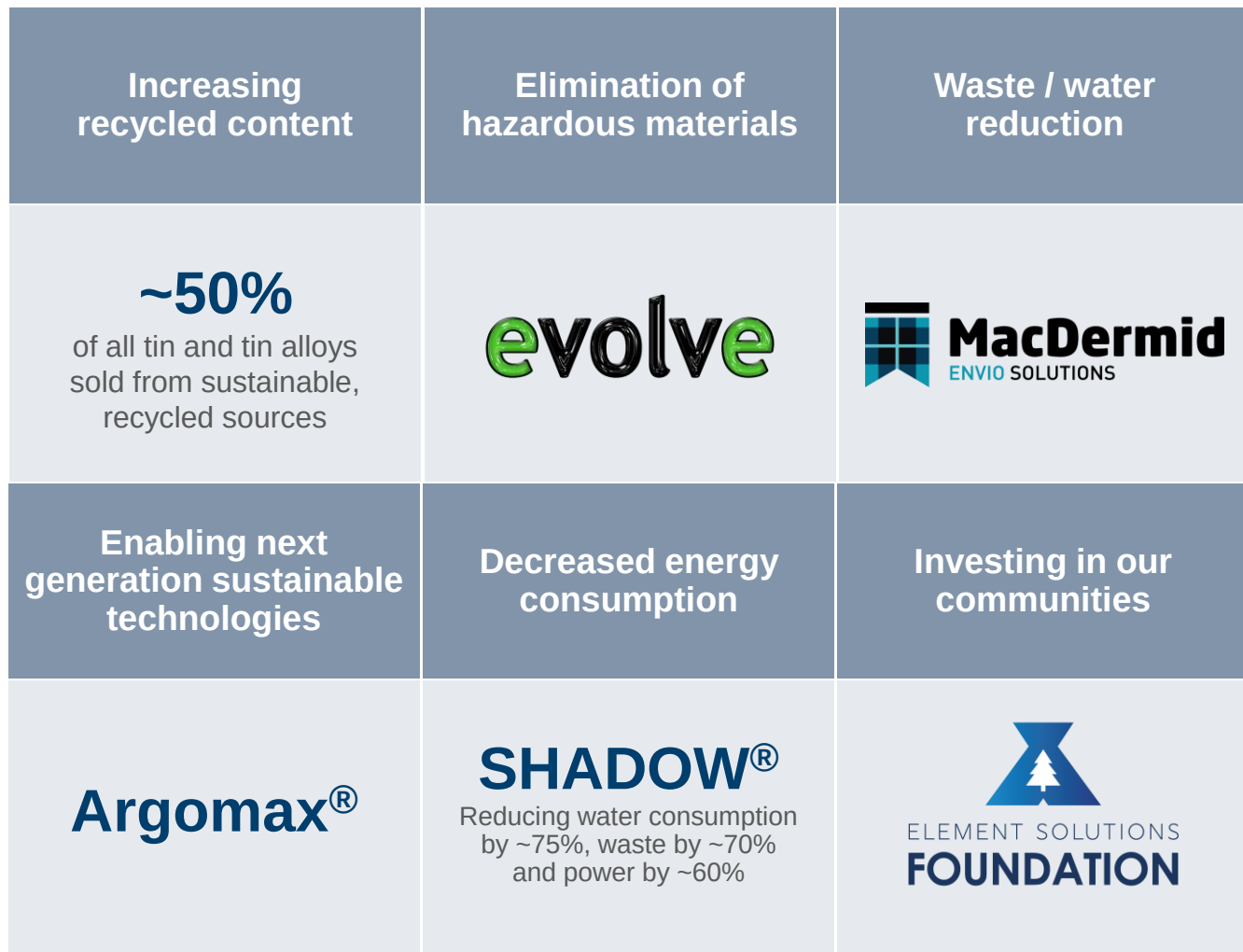
- ~30% Automotive
- ~30% Medical, Aerospace, and Engineering
- ~20% Graphics
- ~13% Consumer and Other
- ~7% Energy

### 2021 NET SALES BY REGION



- ~45% EMEA
- ~35% Americas
- ~20% Asia

## Sustainability as a value-driver



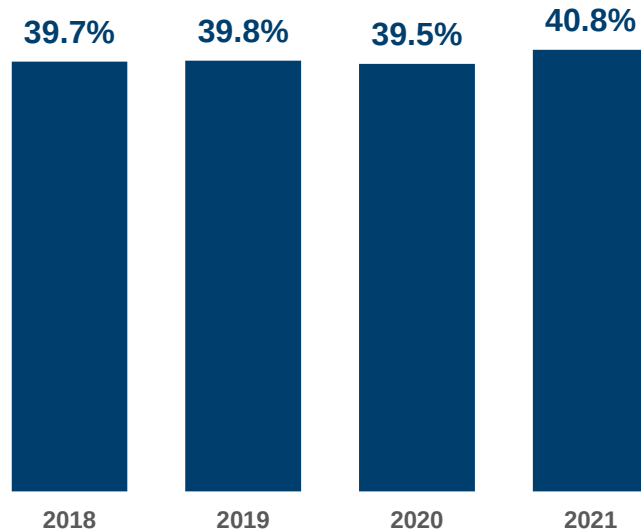
# Strong, stable margins

A variable operating cost model

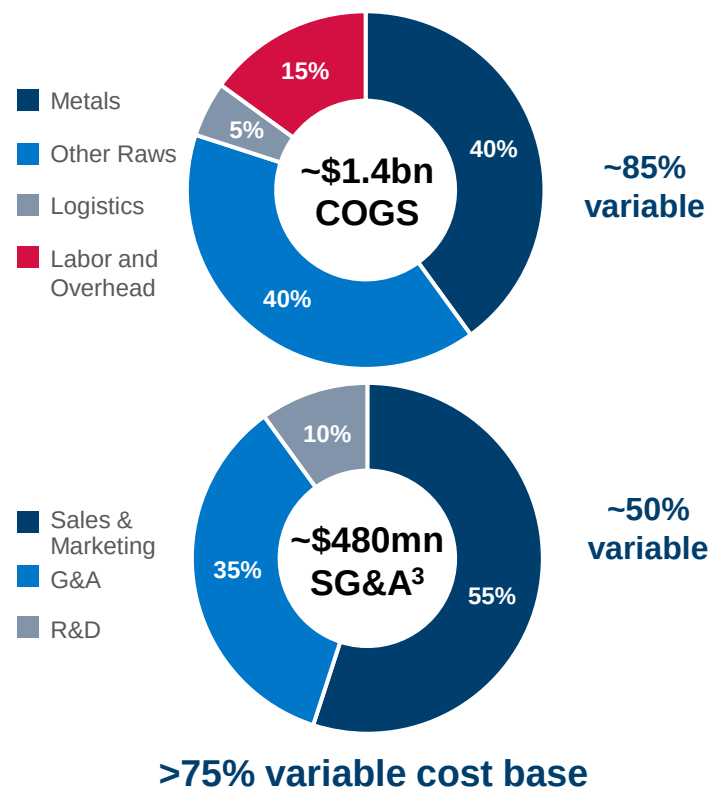
## VARIABLE COST STRUCTURE PROTECTS PROFIT IN SOFT MARKETS

### HIGH, STABLE GROSS MARGINS<sup>1</sup>

Stable metals price adjusted gross margins despite COVID volatility and 2021 inflationary pressure



### VARIABLE OPERATING COST<sup>2</sup>



### MARGIN DURABILITY

| YoY Change           | Q2'20    | FY20   |
|----------------------|----------|--------|
| Organic Net Sales* % | (15%)    | (3%)   |
| Adj. EBITDA* %       | (16%)    | 1%     |
| Adj. EBITDA* Margin  | (10 bps) | 10 bps |

Q2 2020 Adj. EBITDA\* margins remained ~flat YoY despite 15% organic sales decline during COVID shutdowns

\* Please refer to the appendix for definitions of non-GAAP measures, discussions of adjustments and reconciliations

1. Gross margin improvement adjusted for pricing impact of pass-through assembly metals, applies a constant FX rate to all periods presented and excludes acquisitions of Coventry, HKW and DMP

2. Based on FY2021 expenses

3. Excludes amortization of intangibles from purchase accounting

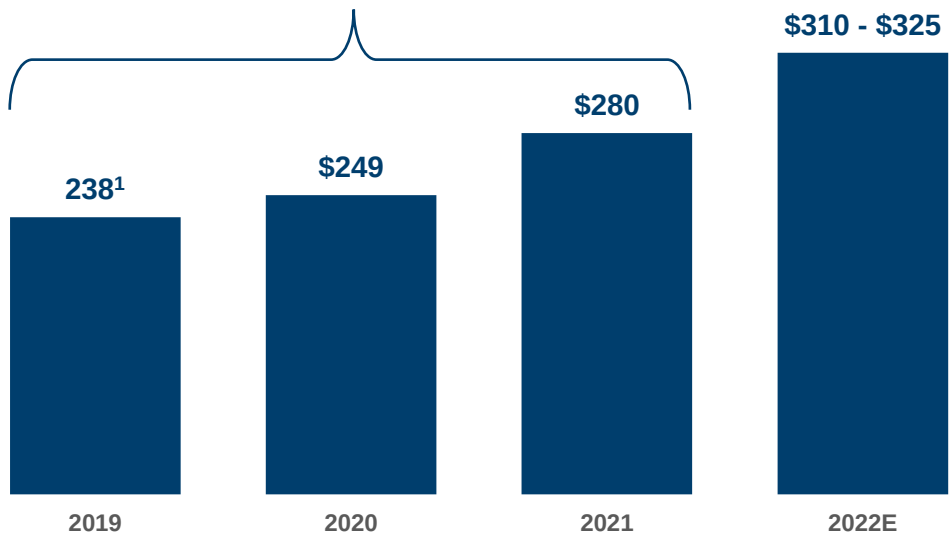
# Growing free cash flow and strong returns

Disciplined growth drives accelerating free cash flow

## ACCELERATING FREE CASH FLOW\*

\$ in millions

**+\$750M FCF generated over last 3 years**



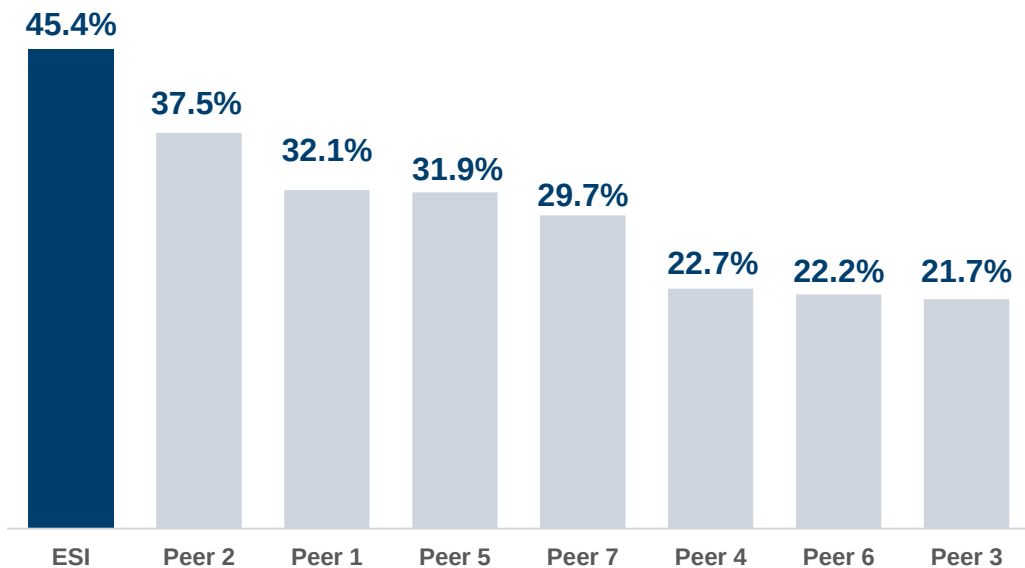
**\$2B+ of FCF\* expected over next 5 years**

## 2021 CASH RETURN ON INVESTMENT (CRI)\*

$$\frac{\text{Adj. EBITDA}^* - \text{Maintenance Capex}^*}{\text{Gross PPE} + \text{Working Capital}}$$

**45%**

## PEER CASH RETURN ON INVESTMENT (CRI)²



\* Please refer to the appendix for definitions of non-GAAP measures, discussions of adjustments and reconciliations

1. Adjusted FCF assumes the Arysta divestiture had occurred and ESI's current capital structure had been in place as of January 1, 2019

2. Peer Cash Return on Investment defined as Adj. EBITDA less maintenance capex divided by gross property plant and equipment plus working capital, where maintenance capex is 50% of total reported capex. Peers include ENTG, CCMP, AXTA, KWR, ROG, PPG, SHW

Source: Management estimates, S&P Capital IQ

# Our compelling path forward

Ben Gliklich | *President & CEO*

Joe D'Ambrisi | *EVP, Head of Electronics*

Rick Fricke | *GM, Semiconductor Solutions*

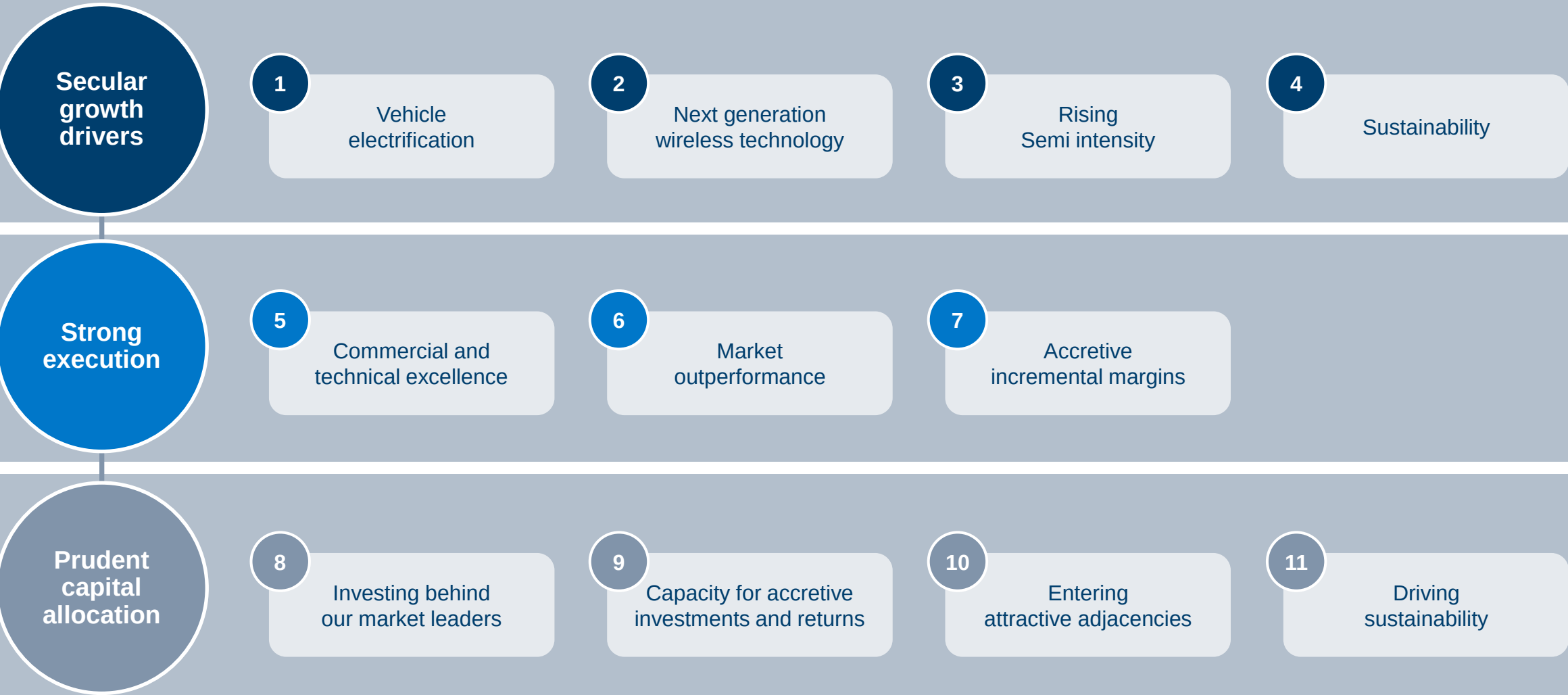
Rich Lynch | *GM, Industrial Solutions*

Carey Dorman | *EVP, CFO*



# Our compelling path forward

Focused investment and execution within compelling growth markets

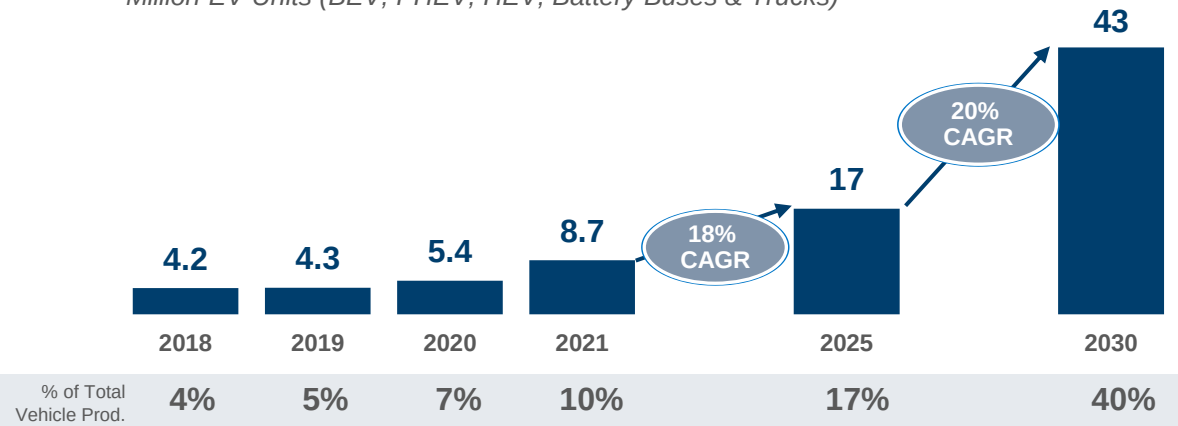


# Content opportunity across auto supply chain

## Vehicle electrification

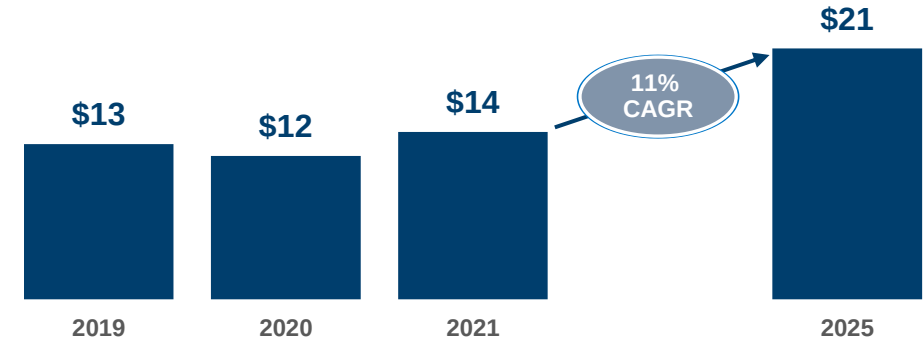
### RAPID ACCELERATION IN EV PRODUCTION

Million EV Units (BEV, PHEV, HEV, Battery Buses & Trucks)



### PROLIFERATION OF ADAS SENSORS

\$ bn spend on Lidar, Radar, Cameras & Off-Sensor Processing



| OPPORTUNITY             |  Displays & in-mold electronics                           |  Advanced driver assistance & safety systems (ADAS) |  Connected vehicles, infotainment & general electronics |  Power electronics / EV           |  Protective, decorative, & functional coatings  |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| INDUSTRY CONCERNS       | <ul style="list-style-type: none"> <li>Elimination of heavy wiring systems</li> <li>Electronic circuit integration</li> </ul>              | <ul style="list-style-type: none"> <li>System reliability</li> <li>Safety standards</li> </ul>                                       | <ul style="list-style-type: none"> <li>Consumer demands</li> <li>Vehicle communication</li> </ul>                                          | <ul style="list-style-type: none"> <li>Power storage</li> <li>Transfer efficiency</li> <li>Charging speed</li> </ul> | <ul style="list-style-type: none"> <li>Surface treatment reliability and consistency</li> </ul>                                    |
| ESI TARGET APPLICATIONS | <ul style="list-style-type: none"> <li>User interfaces &amp; controls</li> <li>Displays</li> <li>Exterior cameras &amp; sensors</li> </ul> | <ul style="list-style-type: none"> <li>LIDAR &amp; radar</li> <li>Cameras &amp; sensors</li> <li>Central computer</li> </ul>         | <ul style="list-style-type: none"> <li>Communication &amp; navigation (mobile, satellite, V2V)</li> <li>Central computer</li> </ul>        | <ul style="list-style-type: none"> <li>Inverters</li> <li>Batteries</li> <li>Power control systems</li> </ul>        | <ul style="list-style-type: none"> <li>Interior &amp; exterior trim</li> <li>Brakes &amp; suspension</li> <li>Fasteners</li> </ul> |

**CONTENT OPPORTUNITY OF APPROXIMATELY \$100 PER HIGH-END ELECTRIC VEHICLE**

# Power electronics

## Vehicle electrification

### ARGOMAX®

- Market leading, uniquely high-performing sintering solution for the power electronics market
- Lower thermal resistance means market leading acceleration and battery ranges in electric vehicles
  - ✓ 84% power density increase
  - ✓ 10X increase in endurance
  - ✓ 34% reduction in weight

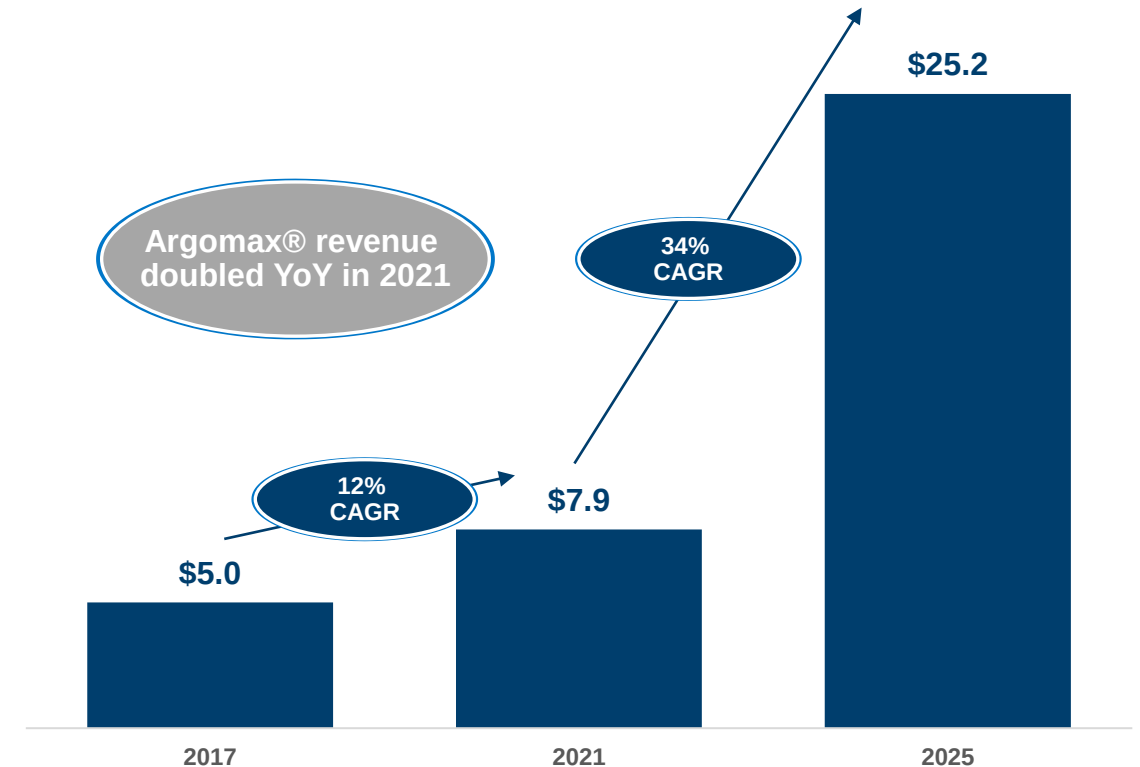
### GROWTH INVESTMENT

- Applications labs in Germany & Singapore (China under construction)
- New \$10 million manufacturing site under construction in North America
- 60% increase in marketing, sales & R&D headcount since 2018

Source: Management estimates

### POWER ELECTRONICS MARKET GROWTH<sup>1</sup>

\$ in billions



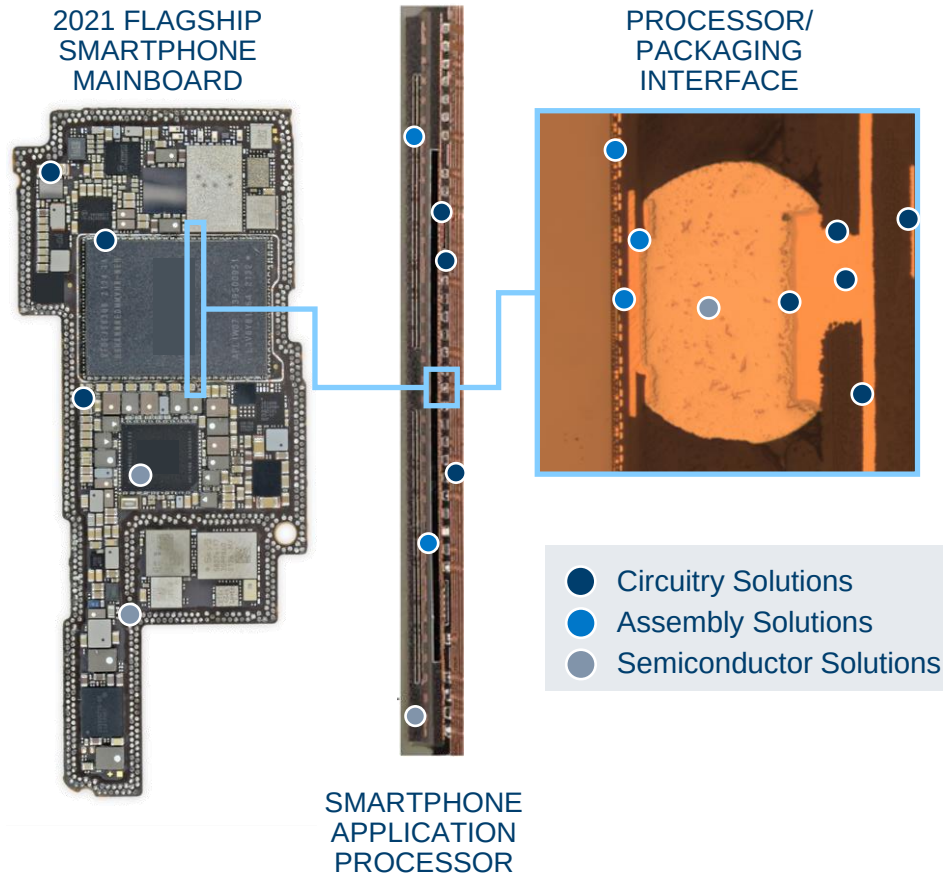
**WE EXPECT THE ADDRESSABLE MARKET FOR POWER ELECTRONICS PORTFOLIO TO EXCEED \$300 MILLION BY 2025**

# Increasing device complexity

Next generation wireless technology

## THE ADDITIONAL COMPLEXITY OF NEXT GENERATION WIRELESS TECHNOLOGY REQUIRES SIGNIFICANTLY MORE ESI CONTENT

**BROAD  
PORTFOLIO OF  
MISSION CRITICAL  
TECHNOLOGIES**



Circuit boards  
& package substrates  
**2x increase  
in density in  
5G vs. 4G**

Assembly materials  
high reliability alloys  
in 5G have  
**2x margin %**  
vs. conventional  
assembly products

Semiconductor  
devices  
**30% more silicon**  
in 5G vs. 4G  
handsets

**+10% 5-yr CAGR**  
expected for  
high-performance  
thermal interface  
materials

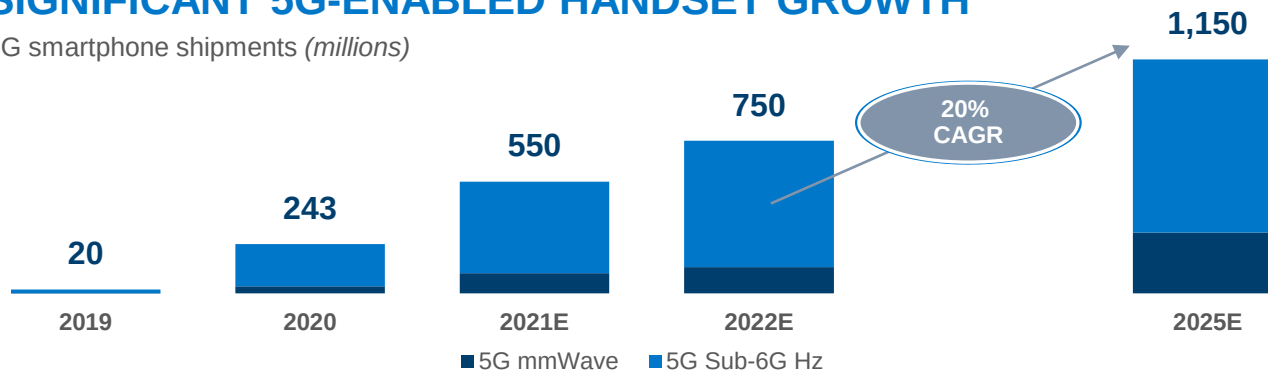
# 5G is just beginning

Next generation wireless technology

WE ARE IN THE EARLY STAGES OF THE ADOPTION AND INVESTMENT IN NEXT GENERATION WIRELESS TECHNOLOGY

## SIGNIFICANT 5G-ENABLED HANDSET GROWTH

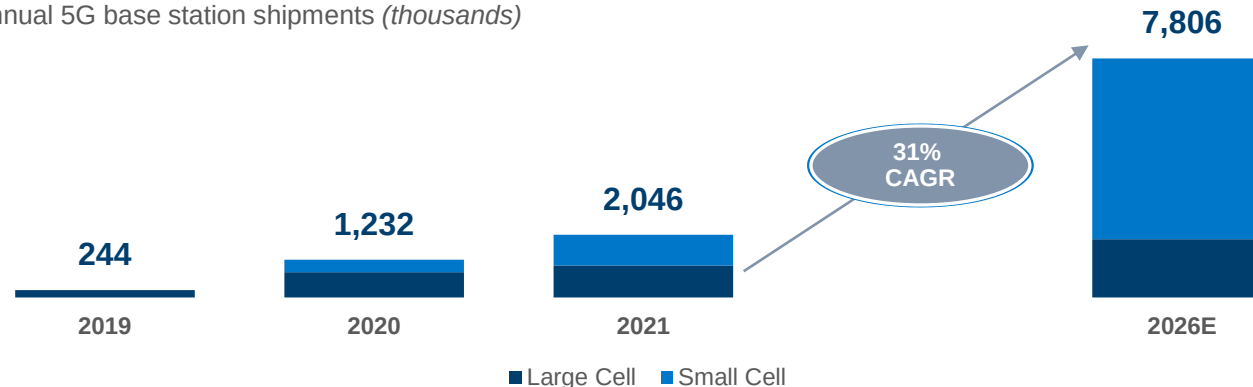
5G smartphone shipments (millions)



**15%**  
more value per unit  
vs. predecessor technology

## SMALL CELL INFRASTRUCTURE ROLLOUT JUST BEGINNING

Annual 5G base station shipments (thousands)

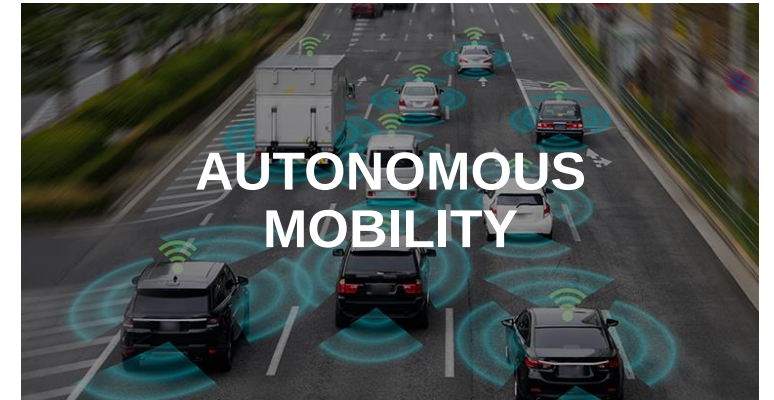
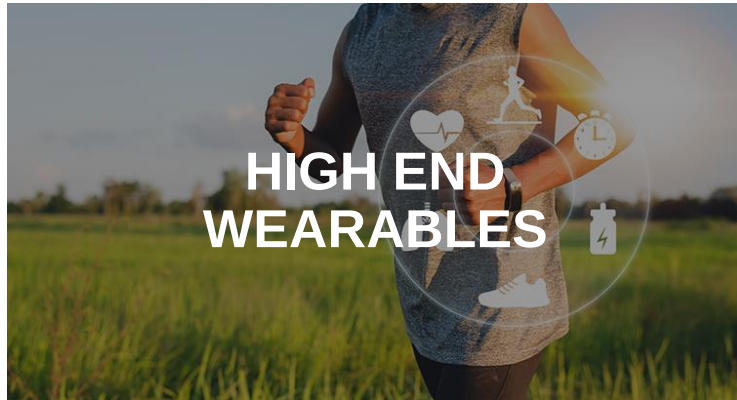


Annual base station unit shipments  
expected to grow  
**~3x**  
by 2026

# 5G enables several future market opportunities

Next generation wireless technology

**DENSE 5G COVERAGE WILL ENABLE MOBILE, HIGH COMPUTING POWER APPLICATIONS**



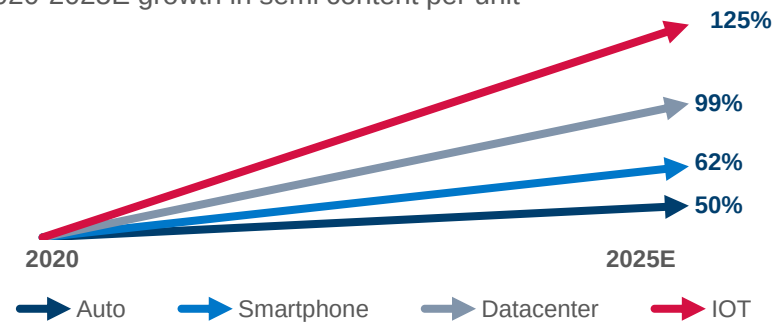
# Enabling semiconductor market growth

Rising semiconductor intensity

## DOUBLE-DIGIT GROWTH IN ESI'S KEY SEMICONDUCTOR APPLICATIONS THROUGH 2025

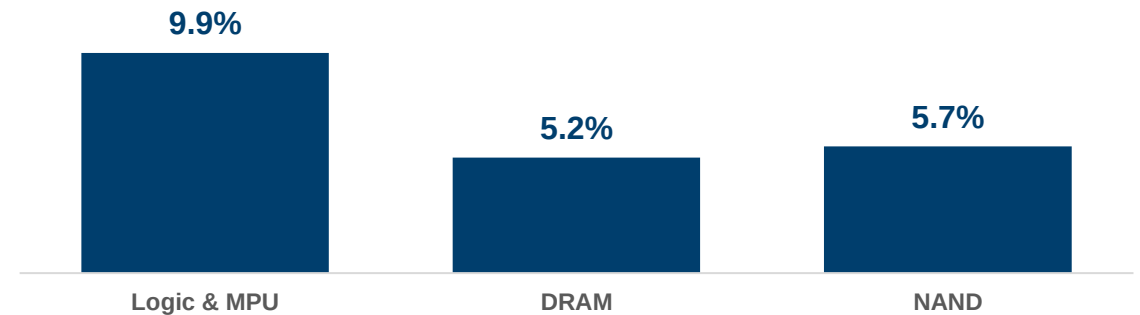
### RISING SEMI-INTENSITY ACROSS APPLICATIONS...

Forecast 2020-2025E growth in semi content per unit

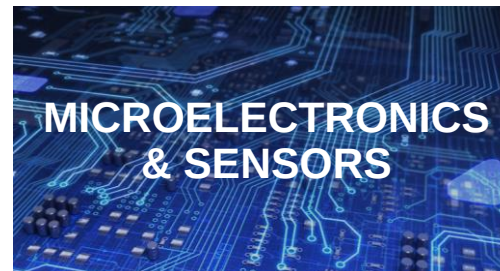
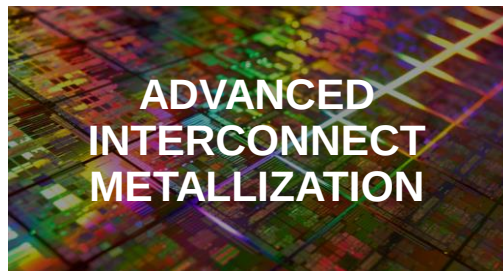


### ...DRIVING AN INCREASE IN WAFER PRODUCTION

Million wafer starts/ month 2020-2025E growth CAGR



## Demand for our Semi products

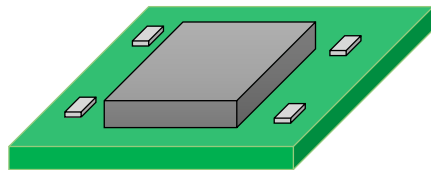


# “More than Moore” drives electronic integration opportunities

Rising semiconductor intensity

## SEMICONDUCTOR AND CIRCUIT BOARD TECHNOLOGIES ARE CONVERGING...

### NON-INTEGRATED CHIP PACKAGE

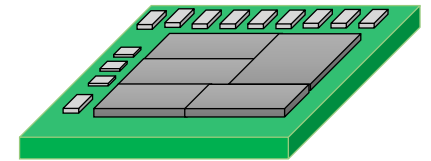


(Monolithic Design:  
Single Die / Passives / Memory)

- Increased functionality in constrained space
- Lower power consumption
- Improved performance at system-level
- Cost effectiveness

**~2X**  
\$ content per unit

### HETEROGENEOUS INTEGRATION



(Disaggregated SoC:  
Multiple Die of Varying Silicon Nodes)

...AND ESI'S ADVANCED MATERIALS SOLUTIONS ARE PROVIDING THE TOOLS TO ENABLE A NEW AGE OF ELECTRONICS

# Reducing IS customers' environmental footprints

## Sustainability

### SUSTAINABILITY IS DRIVING KEY TRENDS IN INDUSTRIAL SURFACE TREATMENT

Regulatory compliance

Demand for energy efficiency

Vehicle weight-reduction

Clean manufacturing preferences

Business continuity and supply chain risk management



**MacDermid Enthone**  
INDUSTRIAL SOLUTIONS

**90 OEM approvals** with our leading environmentally compliant technologies

**Hex-Chrome free processes** specifically designed for supply chain sustainability have been in production for +3 years

**+30 current global engagements** on *evolve* including all major global automotive OEMs

**Compliance with REACH & China** wastewater limitations



**MacDermid**  
ENVIO SOLUTIONS

Combining intimate chemistry know-how and advanced engineering solutions to reduce customer water usage and chemical discharge

**Waste water treatment equipment & chemistry:** High-performance, cost-effective, turnkey equipment & chemical application solutions

**Metals reclaim:** Supporting customer recovery of metals from plating processes that saves money and reduces discharge enabling recycling and water use reduction

# Leveraging our scale with strategic account management

## Commercial & technical excellence

### LEADING GLOBAL AUTO PARTS SUPPLIER

#### Technical partnership

- Established applicator partner relationship & validated technology to the OEM community
- Leveraged *Envio* nickel recovery technology to win new lines in Thailand and the US
- Coventya acquisition opening opportunities in light metal solutions

Opportunity to **3X** annual revenue  
with Top 10 Customer  
in next 2 years

### FORTUNE 500 INDUSTRIAL TOOL MANUFACTURER

#### Environmental innovation

- ESI process enabled elimination of hexavalent chrome and metal recycling
- Provided industry-first application for environmentally friendly bulk processing
- 3-Yr exclusive agreement to deliver proprietary chemistry to tool plants in North America, EU & Asia

**4X** our business expected in 2022  
at single facility & expand to 4 other  
sites in Asia & Europe

### LEADING BRITISH PRECISION ENGINEERING PROVIDER

#### Leveraging *Envio*

- Provided technical support for strategic plant relocation
- Our *Envio Solutions* business presented turnkey water treatment solution packaged with surface finishing chemistry for a complete solution
- Awarded 2 lines in existing facility for training and process validation

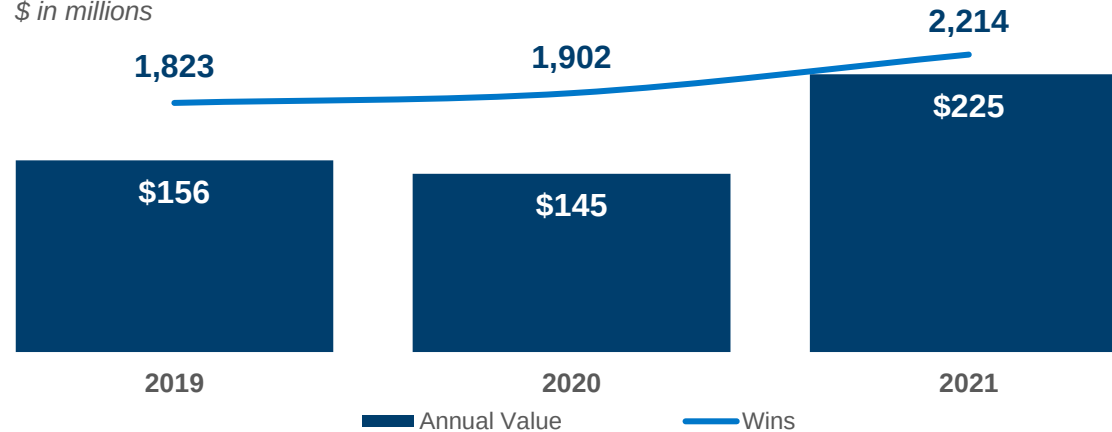
Secured new  
**multi-million dollar, multi-year**  
supply agreement

# Increased focus on larger, strategic commercial opportunities

Commercial & technical excellence

## ACCELERATION IN NEW BUSINESS WINS...

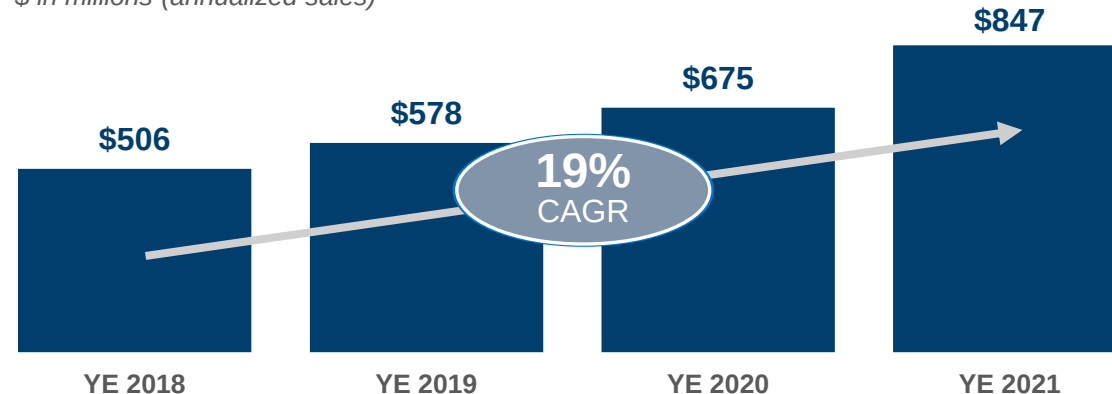
\$ in millions



40% higher win value  
20% more wins (#)  
20% higher average win size

## ...RECORD NEW BUSINESS OPPORTUNITY PIPELINE

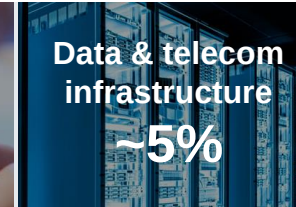
\$ in millions (annualized sales)



New opportunity pipeline  
growth supports strong  
future sales conversion

# ESI sales growth algorithm

## Market outperformance

| END-MARKET BREAKDOWN <sup>1</sup>        |  <b>Automotive</b><br>~30% |  <b>Mobile devices &amp; tablets</b><br>~20% |  <b>Medical, aerospace &amp; engineering</b><br>~20% |  <b>Other electronics</b><br>~15% |  <b>Data &amp; telecom infrastructure</b><br>~5% |  <b>Consumer packaging</b><br>~5% |  <b>Energy</b><br>~5% |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| THROUGH-THE-CYCLE MARKET GROWTH FORECAST | 5%                                                                                                          | 6%                                                                                                                             | 4%                                                                                                                                      | 3%                                                                                                                   | 6%                                                                                                                                  | 5%                                                                                                                   | 3%                                                                                                       |

Blended growth forecast:  
4 - 5%

**ESI MEDIUM-TERM GROWTH RATE: 5 - 6%**

Target market  
outperformance: 1 - 2%

**1.5 - 2.0X**

Content lift  
EV vs. ICE

+

**+15%**

Content lift  
5G vs. 4G

+

Strategic  
execution

1. Calculated as percent of 2021 net sales, management estimates  
Sources: Management estimates, Statista, Prismark Partners LLC, IHS, Wood MacKenzie, Goldman Sachs Economic Research, UBS Investment Research

# Demonstrated incremental margin expansion

## Accretive incremental margins

### '18-'21 GROWTH

|                              |        |     |
|------------------------------|--------|-----|
| Adj. net sales* <sup>1</sup> | \$291M | 14% |
| Adj. EBITDA*                 | \$104M | 25% |

**36%**  
incremental  
margin\*<sup>2</sup>

- Product mix shift to margin enhancing electronics categories
- Operating leverage on higher organic growth outlook
- Targeted cost reduction and synergy programs

**30-40%**  
incremental  
margin\* target

\* Please refer to the appendix for definitions of non-GAAP measures, discussions of adjustments and reconciliations

1. Net sales adjusted for pass-through Assembly metals year-on-year price impact of (\$143M) in FY21, (\$5M) in FY20, \$1M in FY19

2. Defined as change in Adj. EBITDA\* divided by change in net sales adjusted for pass-through Assembly metals

# Operational excellence

## Accretive incremental margins

- High-growth markets such as automotive electronics and semiconductor packaging contributing above average margins
- ESDI focus initiatives are more than 10% higher margin than portfolio average gross margins

- Available capacity in existing facilities
- Continuous improvement supply chain initiatives
- Target flat G&A costs

- Proven track record of streamlining corporate overhead
- Ongoing technology-driven functional process improvement
- Coventya annualized synergies of \$15M expected to be achieved by YE 2023

Targeting Adj. EBITDA\* growth of 1.5X net sales growth

Product Mix

Operating leverage

Cost reduction initiatives

# Organic investment to fuel growth

Investing behind our market leaders

## ORGANIC INVESTMENT TO SUPPORT BUSINESSES' BREAKTHROUGH STRATEGIC OBJECTIVES

### POWER ELECTRONICS

**China applications lab:** \$5M investment to capture significant opportunity in key EV market (~\$300M global market)

**New US production facility:** ~\$10M to 2X capacity and provide second manufacturing source

### SEMICONDUCTOR APPLICATIONS LAB (TAIWAN)

~\$2M investment to expand advanced die-attach capabilities for regionally concentrated target customer base in high-growth 5G, RF & automotive markets

### ELECTRONICS CUSTOMER EQUIPMENT

Increasing investment in customer equipment financing to drive strategic account conversion, particularly in highest technology markets

### GRAPHICS

**New production line:** ~\$15M to double capacity and provide second source supporting recent large customer conversion (~40% ROI)

**Flexo customer experience center:** First of its kind trial and training facility

# Balance sheet strength and flexibility

Capacity for accretive investment and returns

## HEALTHY BALANCE SHEET

| Instrument (12/31/21)        | (\$ millions)  |
|------------------------------|----------------|
| Corporate Revolver           | \$0            |
| Term Loans                   | 1,126          |
| <b>Total First Lien Debt</b> | <b>1,126</b>   |
| Senior Notes due 2028        | 800            |
| Other                        | 5              |
| <b>Total Debt</b>            | <b>\$1,930</b> |
| Cash Balance                 | 330            |
| <b>Net Debt</b>              | <b>\$1,600</b> |

**3%**  
average cost of debt  
fixed through 2024/25

## SHAREHOLDER RETURNS AS A % OF FCF\*

| (\$ millions) | 2019 | 2020 | 2021 |
|---------------|------|------|------|
| Buybacks      | 507  | 56   | 20   |
| Dividends     | -    | 12   | 62   |
| Total         | 213% | 27%  | 29%  |

## DEPLOYING CAPITAL AND MAINTAINING THE BALANCE SHEET

| (\$ millions)                       | 2019 | 2020 | 2021                    |
|-------------------------------------|------|------|-------------------------|
| Capital Deployed <sup>1</sup>       | 571  | 123  | 619                     |
| Net Debt / Adj. EBITDA <sup>*</sup> | 3.2x | 2.9x | <b>2.9x<sup>2</sup></b> |

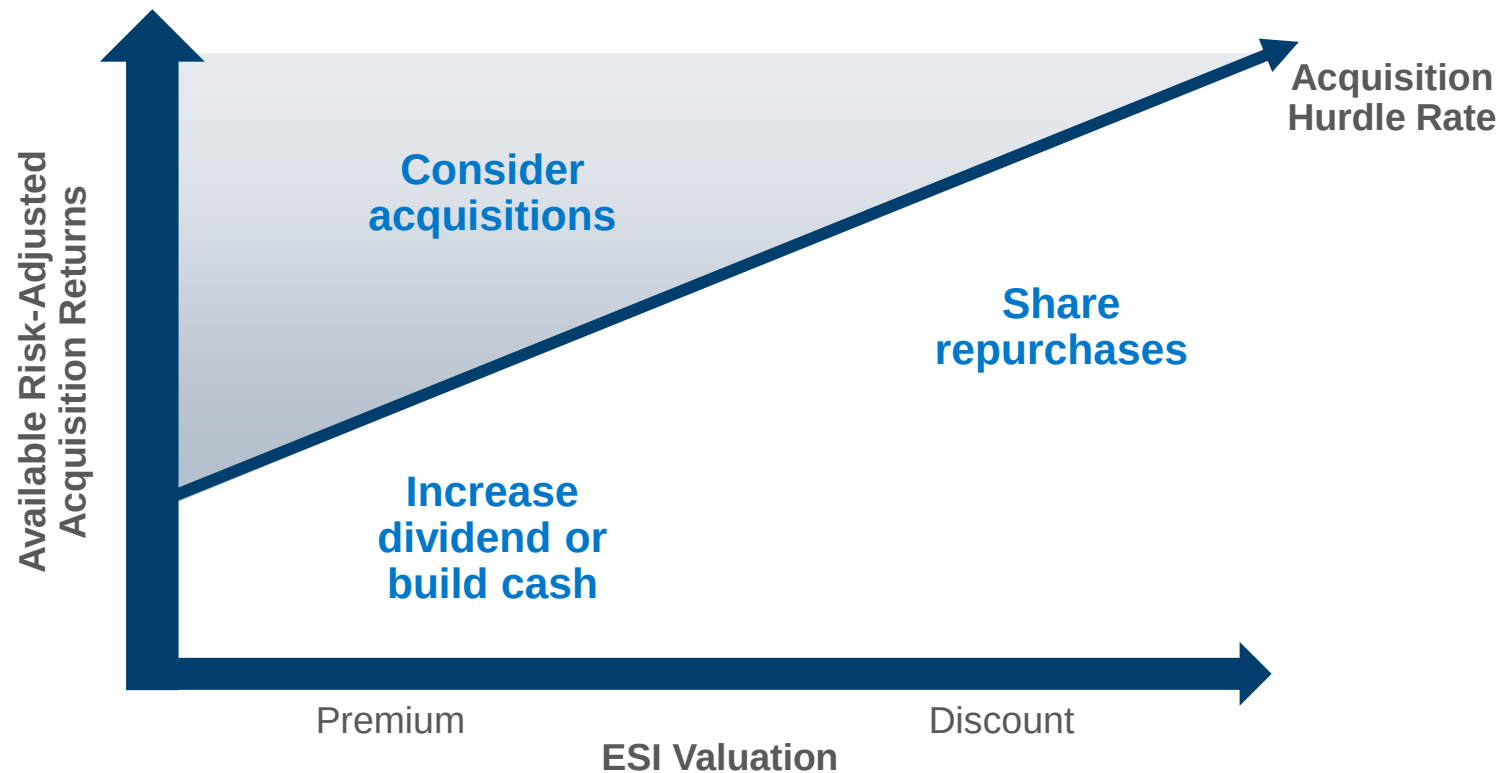
**BETWEEN EARNINGS GROWTH AND FCF, BALANCE SHEET SHOULD DELEVERAGE BY ~0.75x ANNUALLY**

• Please refer to the appendix for definitions of non-GAAP measures, discussions of adjustments and reconciliations  
 1. Capital deployed defined as cash used for dividends, share repurchases, acquisitions and costs of debt refinancing  
 2. 2.9X net debt / Adj. EBITDA includes \$26M of Coventya Adj. EBITDA that is not included in reported 2021 financial results

# Framework for deploying excess capital

Capacity for accretive investments and returns

## DYNAMIC VALUE-BASED APPROACH TO CAPITAL ALLOCATION



# Opportunistic, accretive capital allocation since launch

## Capacity for accretive investments and returns

| Capital use             | Approx. Investment | Expected ROI <sup>1</sup>          | Business we understand | Value-added to existing customers | Entry into adjacent market |
|-------------------------|--------------------|------------------------------------|------------------------|-----------------------------------|----------------------------|
| Coventya                | \$500M             | 11%                                | ✓                      | ✓                                 | ✓                          |
| Kester                  | \$65M              | 40%                                | ✓                      | ✓                                 | ✓                          |
| HKW                     | \$50M              | 15%                                | ✓                      | ✓                                 | ✓                          |
| HSO                     | \$20M              | 37%                                | ✓                      | ✓                                 |                            |
| DMP                     | \$10M              | 34%                                | ✓                      | ✓                                 | ✓                          |
| Bond refinancing (2020) | \$45M              | 35%                                | ✓                      |                                   |                            |
| ESI Shares              | \$580M             | Avg. Price<br>\$11.34 <sup>2</sup> | ✓                      |                                   |                            |
| <b>Total</b>            | <b>\$1,270M</b>    |                                    |                        |                                   |                            |

**SUBSTANTIAL ACCRETIVE CAPITAL ALLOCATION WHILE REDUCING LEVERAGE MORE THAN 0.5X SINCE LAUNCH**

1. ROI for acquisitions defined as expected year 1 free cash flow contribution including fully-annualized synergy realization divided by implied equity value assuming financed at 3.5x leverage; ROI for bond refinancing defined as annualized cash interest savings of \$16M divided by cost of refinancing

2. Average price per share of all share repurchases from 2/1/2019 through 12/31/2021

# Case study: entering attractive adjacencies with existing customers

Capacity for accretive investments and returns

|                                 | Thermal Assembly<br>Materials | Water<br>Treatment | Light Metal<br>Surface Treatment |
|---------------------------------|-------------------------------|--------------------|----------------------------------|
| <b>Total Addressable Market</b> | + \$1bn                       | + \$1bn            | + \$600m                         |
| <b>Acquisition</b>              | HK Wentworth                  | DMP                | Coventya                         |
| <b>2021 Revenue<sup>1</sup></b> | ~\$50m                        | ~\$20m             | ~\$20m                           |

**ELECTROLUBE**

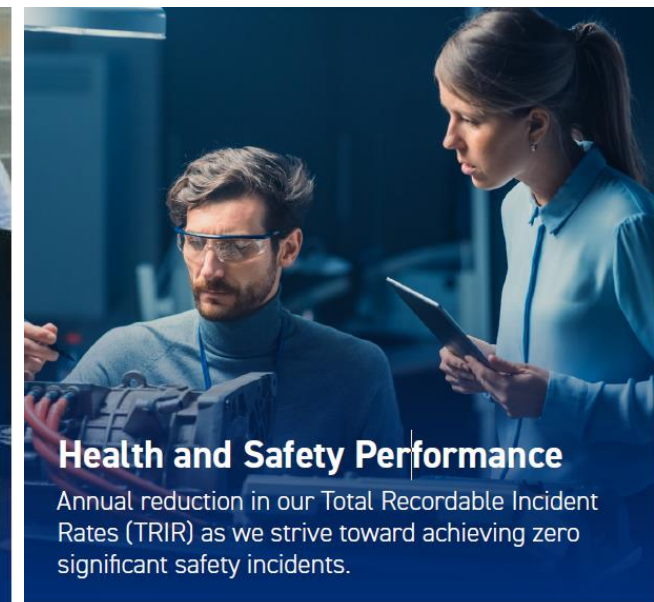


**COVENTYA**

1. 2021 pro-forma revenue for HK Wentworth and Coventya light metal surface treatment business only  
Source: Management estimates

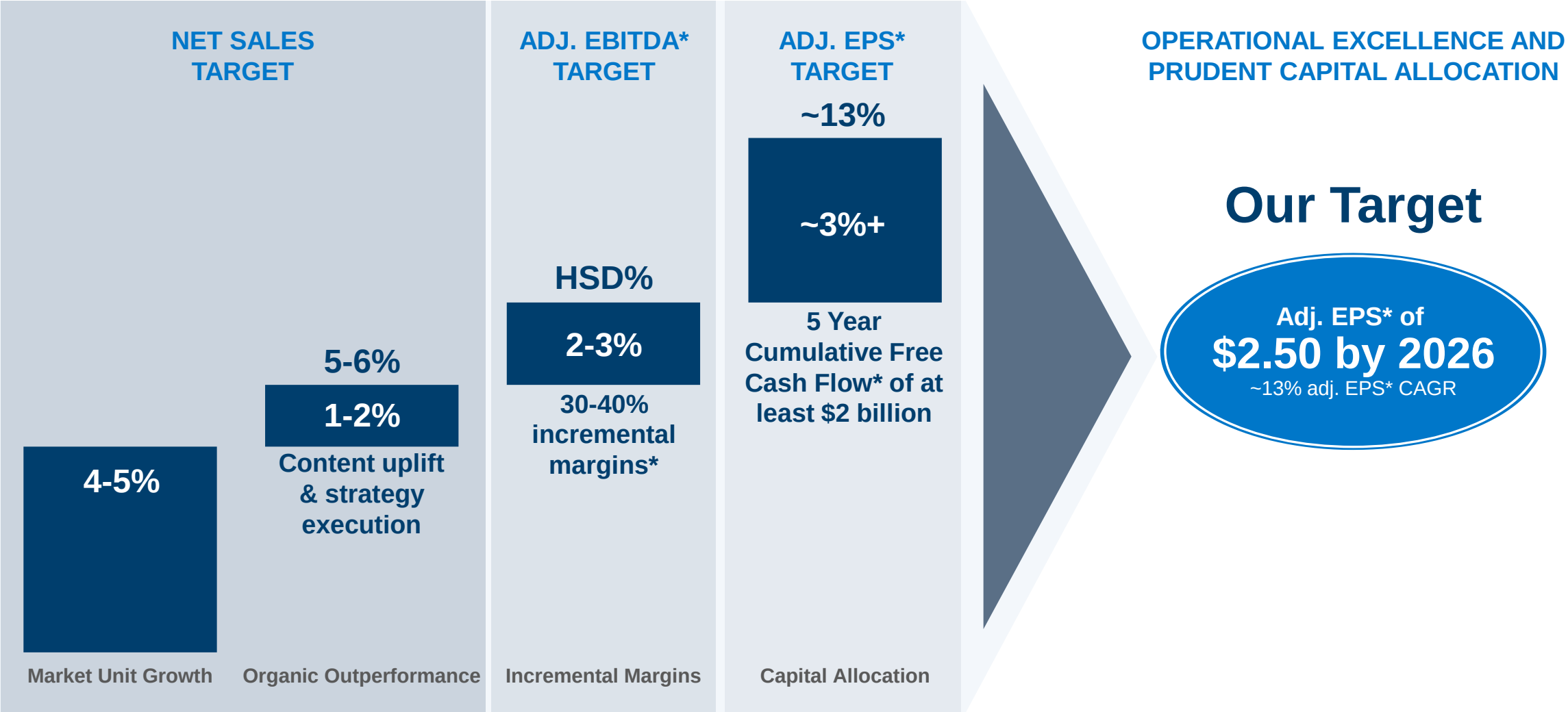
# ESG targets

## Driving sustainability



# 5-year growth algorithm & targets

Compelling path forward



\* Please refer to the appendix for definitions of non-GAAP measures, discussions of adjustments and reconciliations

# Takeaways

Ben Gliklich | *President & CEO*

# Value creation at Element Solutions

The path to compounding per share value

## OUR VISION

Value  
for  
customers

Opportunities  
for  
our people

Value  
for  
shareholders

## OUR COMPELLING PATH FORWARD

Secular  
growth drivers

Strong  
execution

Prudent  
capital  
allocation

# Value creation at Element Solutions

Our target

Adj. EPS\* of  
**\$2.50**  
by 2026

~13%  
Adj. EPS\* CAGR

\* Please refer to the appendix for definitions of non-GAAP measures, discussions of adjustments and reconciliations

# Appendix

# Net income (loss) attributable to common stockholders reconciliation to adjusted EBITDA

| (\$ millions)                                                   | Q2 2019      | Q2 2020     | 2018           | 2019           | 2020           | 2021           |
|-----------------------------------------------------------------|--------------|-------------|----------------|----------------|----------------|----------------|
| <b>Net income (loss) attributable to common stockholders</b>    | <b>\$2</b>   | <b>\$1</b>  | <b>\$(324)</b> | <b>\$92</b>    | <b>\$76</b>    | <b>\$203</b>   |
| <b>Add (subtract):</b>                                          |              |             |                |                |                |                |
| Net income (loss) attributable to the non-controlling interests | (0)          | -           | 5              | 1              | 0              | 0              |
| Loss (income) from discontinued operations, net of tax          | 13           | 1           | 243            | (13)           | 1              | 0              |
| Income tax expense (benefit)                                    | (7)          | 6           | 24             | 61             | 4              | 48             |
| Interest expense, net                                           | 18           | 17          | 311            | 91             | 63             | 54             |
| Depreciation expense                                            | 10           | 11          | 45             | 42             | 42             | 40             |
| Amortization expense                                            | 28           | 29          | 112            | 113            | 119            | 124            |
| <b>EBITDA</b>                                                   | <b>65</b>    | <b>64</b>   | <b>415</b>     | <b>386</b>     | <b>306</b>     | <b>470</b>     |
| <b>Adjustments to reconcile to adjusted EBITDA:</b>             |              |             |                |                |                |                |
| Inventory-step-up                                               | -            | -           | -              | 1              | 2              | 13             |
| Restructuring expense                                           | 3            | 3           | 6              | 14             | 6              | 12             |
| Acquisition and integration expense                             | 0            | 1           | 12             | 2              | 12             | 14             |
| Foreign exchange loss (gain) on internal debt                   | 29           | 12          | 6              | (32)           | 35             | (17)           |
| Debt refinancing costs                                          | 0            | -           | 1              | 62             | 46             | -              |
| Change in fair value of contingent consideration                | 1            | -           | (22)           | (17)           | -              | -              |
| Gain on sale of equity investment                               | -            | -           | (11)           | -              | -              | -              |
| Foundation contributions                                        | -            | -           | -              | -              | 5              | -              |
| Adjustment of stock compensation previously not probable        | -            | -           | -              | -              | -              | 24             |
| Other, net                                                      | 3            | 4           | 14             | 1              | 10             | 9              |
| <b>Adjusted EBITDA</b>                                          | <b>\$101</b> | <b>\$85</b> | <b>\$421</b>   | <b>\$417</b>   | <b>\$423</b>   | <b>\$525</b>   |
| <b>Net Debt</b>                                                 |              |             |                | <b>\$1,353</b> | <b>\$1,243</b> | <b>\$1,600</b> |
| <b>Net Debt to Adjusted EBITDA Ratio</b>                        |              |             |                | <b>3.2x</b>    | <b>2.9x</b>    | <b>3.0x</b>    |
| Coventya Adjusted EBITDA (8 months)                             |              |             |                |                |                | \$26           |
| Adjusted EBITDA including full year of Coventya                 |              |             |                |                |                | \$551          |
| <b>Net Debt to Adjusted EBITDA Ratio including Coventya</b>     |              |             |                |                |                | <b>2.9x</b>    |

Note: Totals may not sum due to rounding

# GAAP net income (loss) reconciliation to adjusted diluted EPS

| (\$ millions, except per share amounts)                                                              | FY 2018        | FY 2019       | FY 2020       | FY 2021       |
|------------------------------------------------------------------------------------------------------|----------------|---------------|---------------|---------------|
| <b>Net (loss) income attributable to common stockholders</b>                                         | <b>\$(324)</b> | <b>\$92</b>   | <b>\$76</b>   | <b>\$203</b>  |
| Net (loss) income from discontinued operations attributable to common stockholders                   | (246)          | 13            | (1)           | 0             |
| <b>Net (loss) income from continuing operations attributable to common stockholders</b>              | <b>(79)</b>    | <b>79</b>     | <b>77</b>     | <b>203</b>    |
| Reversal of amortization expense                                                                     | 112            | 113           | 119           | 124           |
| Adjustment to reverse incremental depreciation expense from acquisitions                             | 10             | 9             | 8             | 3             |
| Inventory-step-up                                                                                    | -              | 1             | 2             | 13            |
| Adjustment to interest expense                                                                       | -              | 20            | -             | -             |
| Restructuring expense                                                                                | 6              | 14            | 6             | 12            |
| Acquisition and integration expense                                                                  | 12             | 2             | 12            | 14            |
| Foreign exchange loss (gain) on internal debt                                                        | 6              | (32)          | 35            | (17)          |
| Debt refinancing costs                                                                               | 1              | 62            | 46            | -             |
| Gain on sale of equity investment                                                                    | (11)           | -             | -             | -             |
| Foundation contributions                                                                             | -              | -             | 5             | -             |
| Change in fair value of contingent consideration                                                     | (22)           | (17)          | -             | -             |
| Adjustment of stock compensation previously not probable                                             | -              | -             | -             | 24            |
| Other, net                                                                                           | 14             | 1             | 10            | 9             |
| Tax effect of pre-tax non-GAAP adjustments                                                           | (44)           | (47)          | (64)          | (37)          |
| Adjustment to estimated effective tax rate                                                           | 42             | 23            | (17)          | (2)           |
| Adjustment to reverse loss attributable to certain non-controlling interests                         | 1              | 1             | -             | -             |
| <b>Adjusted net income from continuing operations attributable to common stockholders</b>            | <b>\$49</b>    | <b>\$228</b>  | <b>\$241</b>  | <b>\$347</b>  |
| <b>Adjusted earnings per share from continuing operations</b>                                        | <b>\$0.17</b>  | <b>\$0.88</b> | <b>\$0.96</b> | <b>\$1.38</b> |
| <b>Adjustments to arrive at normalized earnings per share:</b>                                       |                |               |               |               |
| Interest expense savings based on illustrative capital structure <sup>1,2</sup>                      | 237            |               |               |               |
| Tax effect of interest expense adjustment <sup>3</sup>                                               | (81)           |               |               |               |
| <b>Normalized adjusted net income from continuing operations attributable to common stockholders</b> | <b>\$205</b>   |               |               |               |
| <b>Normalized adjusted earnings per share from continuing operations</b>                             | <b>\$0.68</b>  |               |               |               |
| <b>Average basic common shares outstanding</b>                                                       |                |               |               |               |
| <b>Average basic common shares outstanding</b>                                                       | <b>288</b>     | <b>254</b>    | <b>248</b>    | <b>247</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              | -             | -             | -             |
| Number of shares issuable upon vesting of granted Equity Awards                                      | 7              | 3             | 3             | 4             |
| <b>Adjusted common shares outstanding</b>                                                            | <b>302</b>     | <b>258</b>    | <b>251</b>    | <b>251</b>    |

Note: Totals may not sum due to rounding

1. Assumes the Company's new capital structure post-Arysta transaction, which closed on January 31, 2019: \$800M of 5.875% senior notes, \$750M term loan (including the effect of an interest rate swap and a net investment hedge) and no draw on the corporate revolver

2. Does not reflect the repurchase of 37 million shares announced on February 4, 2019

3. Assumes tax rate of 34%

# Free cash flow & organic net sales growth reconciliation

| (\$ millions)                                                  | FY 2019       | FY 2020       | FY 2021       |
|----------------------------------------------------------------|---------------|---------------|---------------|
| <b>Cash flows from operating activities</b>                    | \$ 171        | \$ 276        | \$ 326        |
| Capital expenditures                                           | (30)          | (29)          | (46)          |
| Disposal of property, plant and equipment                      | 5             | 2             | -             |
| <b>Free cash flows</b>                                         | <b>\$ 146</b> | <b>\$ 249</b> | <b>\$ 280</b> |
| Adjustments to arrive at free cash flows on an adjusted basis: |               |               |               |
| Interest payments - prior capital structure <sup>(1)</sup>     | 57            |               |               |
| Interest payments - current capital structure <sup>(1)</sup>   | (3)           |               |               |
| Other <sup>(2)</sup>                                           | 38            |               |               |
| <b>Free cash flows on an adjusted basis</b>                    | <b>\$ 238</b> |               |               |

|                                       | 2019        | 2020        | 2021       | Q2 2020      |
|---------------------------------------|-------------|-------------|------------|--------------|
| <b>Net Sales Growth</b>               | <b>(6%)</b> | <b>1%</b>   | <b>29%</b> | <b>(15%)</b> |
| Impact of Currency                    | 3%          | 0%          | (3%)       | 2%           |
| <b>Constant Currency</b>              | <b>(4%)</b> | <b>1%</b>   | <b>26%</b> | <b>(13%)</b> |
| Change in Pass-Through Metals Pricing | 0%          | 0%          | (8%)       | 1%           |
| Acquisitions                          | 0%          | (4%)        | (6%)       | (3%)         |
| <b>Organic Net Sales Growth</b>       | <b>(4%)</b> | <b>(3%)</b> | <b>13%</b> | <b>(15%)</b> |

Note: Totals may not sum due to rounding

1. The adjustments for 2019 assume the Arysta divestiture had occurred and ESI's current capital structure had been in place as of 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 divestiture that did not qualify for discontinued operations

# Cash return on investment (cri) reconciliation

| <i>(dollars in millions)</i>                        | FY 2021      |                             |
|-----------------------------------------------------|--------------|-----------------------------|
| <b>Adjusted EBITDA*</b>                             | <b>\$525</b> |                             |
| Less: Adjusted EBITDA from acquisitions             | (13)         |                             |
| Adjusted EBITDA used for CRI calculation            | \$512        | (a)                         |
| <br>                                                |              |                             |
| Total capex                                         | \$46         |                             |
| Less: 50% growth capex                              | (23)         |                             |
| Maintenance capex                                   | \$23         | (b)                         |
| <br>                                                |              |                             |
| Total property, plant & equipment                   | \$545        |                             |
| Less: property, plant & equipment from acquisitions | (36)         |                             |
| Fixed assets used for CRI calculation               | \$509        | (c)                         |
| <br>                                                |              |                             |
| Accounts receivable                                 | \$492        |                             |
| Inventories                                         | 274          |                             |
| Accounts payable                                    | 138          |                             |
| Less: working capital from acquisitions             | (61)         |                             |
| Working capital for CRI calculation                 | \$567        | (d)                         |
| <br>                                                |              |                             |
| <b>Cash Return on Investment</b>                    | <b>45%</b>   | $[(a) - (b)] / [(c) + (d)]$ |

Note: Totals may not sum due to rounding

# Adjusted net sales, gross profit and gross profit margins

| (\$ millions) |                                                                         | 2018           | 2019           | 2020           | 2021           |
|---------------|-------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
| (a)           | <b>Net sales</b>                                                        | <b>\$1,961</b> | <b>\$1,836</b> | <b>\$1,854</b> | <b>\$2,400</b> |
|               | Historical adjustment for Assembly metals pass-through price impact     | 147            | 149            | 143            | 0              |
|               | Metal price adjusted net sales                                          | 2,108          | 1,984          | 1,996          | 2,400          |
|               | Less: Impact of using constant FX rates across all periods <sup>1</sup> | (3)            | 54             | 56             | 15             |
|               | Less: Partial year revenue impact from acquisitions                     |                |                |                | (119)          |
|               | <b>Adjusted net sales</b>                                               | <b>\$2,106</b> | <b>\$2,038</b> | <b>\$2,052</b> | <b>\$2,295</b> |
|               | <b>Gross profit</b>                                                     | <b>\$838</b>   | <b>\$788</b>   | <b>\$786</b>   | <b>\$961</b>   |
|               | Less: Impact of using constant FX rates across all periods <sup>1</sup> | (2)            | 23             | 25             | 17             |
|               | Less: Partial year gross profit impact from acquisitions                |                |                |                | (42)           |
|               | <b>Adjusted gross profit</b>                                            | <b>\$836</b>   | <b>\$811</b>   | <b>\$811</b>   | <b>\$936</b>   |
| (b) / (a)     | <b>Adjusted gross profit margin %</b>                                   | <b>39.7%</b>   | <b>39.8%</b>   | <b>39.5%</b>   | <b>40.8%</b>   |
|               | Basis point change over 4 years                                         |                |                |                | 108            |

Note: Totals may not sum due to rounding  
1. Applies a constant FX rate consistently to all periods

# 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%, 26%, 27%, 34% for the twelve months ended December 31, 2021, 2020, 2019, and 2018 respectively to better approximate cash taxes paid. 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).

## Cash Return on Investment (CRI)

Cash Return on Investment is defined as adjusted EBITDA *less* maintenance capex *divided by* gross property plant and equipment *plus* working capital, excluding the impact of the Coventya and HKW acquisitions completed in 2021. Maintenance capex is defined as 50% of net capex as reported in the Company's Statement of Cash Flows. Working Capital is defined as Net Accounts Receivable *plus* Inventories *minus* Accounts Payable. Management believes cash return on investment is a relevant metric for measuring capital efficiency.

## 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. Adjusted EBITDA for each segment also includes an allocation of corporate costs, such as compensation expense and professional fees. Incremental margin is defined as the change in Adj. EBITDA divided by the change in pass-through metal adjusted net sales. Management believes adjusted EBITDA and adjusted EBITDA incremental 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.

# Non-GAAP definitions continued

## **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 \$52.3 million, \$22.4 million, \$19.6 million, and \$23.2 million at December 31, 2018, 2019, 2020 and 2021, respectively, 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. Free cash flow on an adjusted basis assumes the Arysta divestiture, which closed on January 31, 2019, had occurred and ESI's current capital structure had been in place as of 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.

## **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 twelve months ended December 31, 2021, Electronics' consolidated results were positively impacted by \$143.4 million of pass-through metals pricing and \$25.8 million of acquisitions and Industrial & Specialty's consolidated results were positively impacted by \$78.2 million of acquisitions.

For the twelve 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 \$11.3 million of acquisitions.

For the twelve months ended December 31, 2019, Electronics' and the Company's consolidated results were positively impacted by \$7.8 million of acquisitions and negatively impacted by \$1.2 million of pass-through metals pricing.