

Q4 Roadshow

Nov 2023

element solutions

Enabling Technology. Growing Sustainably.

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 limitations, the Company’s position for profitable growth in new technology markets with technological leadership and incumbency in key enabling technologies for the future; enabler of sustainability for next generation technology and within customer supply chains; consistent steady margins; consistent cash flows; robust secular growth drivers and related market forecasts; position for growth in advanced packaging solutions; product positioning designed to enable next wave of computing performance; chemical enablement for emerging electronics applications; markets megatrends; growth markets; profit resilience against industry cyclicality; asset-light business model driving free cash flow generation; capital allocation and returns on tangible assets; sustainability as a value driver; and creating value for customers, employees and shareholders by striving to be the leading chemical technology solutions provider.

These projections and statements are based on management's estimates, assumptions or 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 as of the current date, and the Company does not undertake any obligations to provide any further updates. Actual results could differ materially from those expressed or implied in these 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 the forward-looking statements include, but are not limited to, the continuing economic impact of the coronavirus (COVID-19) and its variants on the global economy, the Company's business, financial results, customers, suppliers, vendors and/or stock price, including the impact of related governmental responses, the efficacy of vaccines and treatments targeting COVID-19 and/or its variants; the general impact of the ongoing conflict between Russia and Ukraine and the evolving nature of the conflicts in the Middle East on economic activity, including financial market instability and disruption of global supply chains, and on the Company's customers, employees, suppliers, vendors and other stakeholders; inflation and fluctuations in foreign exchange rates; 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 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 Company's periodic and other reports filed with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Certain product information, competitive position data and market trends contained in this presentation have been prepared internally. Use of different methods for preparing, calculating or presenting such information may lead to different results and such differences may be material. While the Company believes this information is reliable and appropriate, such information has not been verified by any independent source. In addition, certain industry and market data described in this presentation was obtained from industry and general publications and research, surveys and studies conducted by third parties. While the Company believes this information is reliable and appropriate, such information has not been verified by any independent source. You are cautioned not to place undue reliance on this product, competitive and market information or on this industry and market data.

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, peer data was derived from information publicly available that may or may not be consistent with, and therefore comparable to, similar measures provided or used by the Company.

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 growth, adjusted EBITDA margin, adjusted EPS, adjusted common shares outstanding; free cash flow; 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.

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

Element Solutions at a glance

Chemical technology enabling performance & innovation

$ 2.55B 2022 Net Sales

$ 253M 2022 Free Cash Flow* Generated

5,300+ Employees

$527M 2022 Adj. EBITDA*

21% 2022 Adj. EBITDA* Margin

50+ Countries We Service



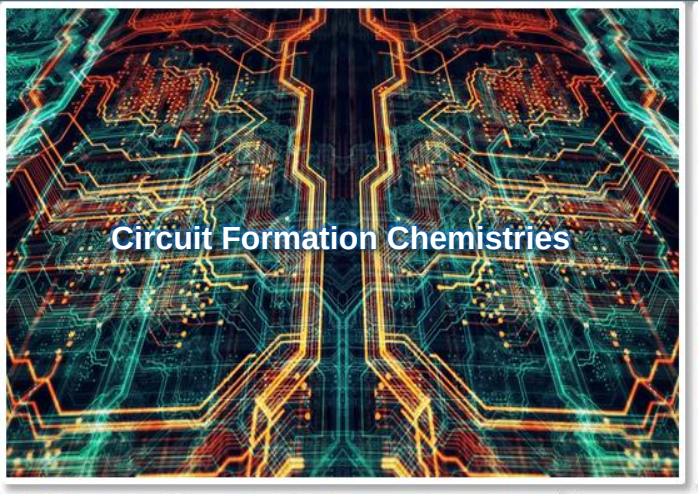
2022 Segment Net Sales

Electronics	63%
Industrial & Specialty	37%

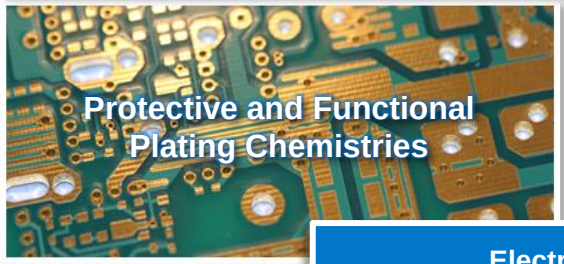


2022 Regional Net Sales

Americas	30%
EMEA	28%
Asia	42%



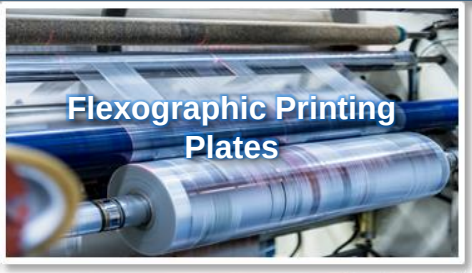






Electronics









Industrial & Specialty

* 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 footnotes or appendix of this presentation.

element solutions

Element Solutions' key attributes

1. **Growth:** Well-positioned for profitable growth in new technology markets with technological leadership and incumbency in key enabling technologies for the future
2. **Defensibility:** Sticky consumable products deeply embedded in high-value customer manufacturing processes
3. **Diversification:** Leadership positions in multiple niche markets with more than 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
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



9% CAGR 5G handset growth forecast ’23-’28

- 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



6% CAGR MSI[1] growth forecast ’23-’28

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



21% CAGR EV production growth forecast ’22-’27

- 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



>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, Bank of America Global Research Estimates, Credit Suisse Equity Research, Prismark Partners LLC, Market Survey of Top 100 Global Industrial customers

Differentiated electronics materials portfolio

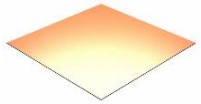
Broad product range well positioned for growth in advanced packaging solutions



Blank Wafer

Semiconductor Fabrication

	Process Chemistry Steps	ESI Products
"Front End of Line"	Metal Deposition	*ViaForm*
"Back End of Line"	Wafer level (advanced) packaging	*Alpha, Microfab, Novafab*
	Die-Attach	*ATROX, Argomax, ActiveCopper*

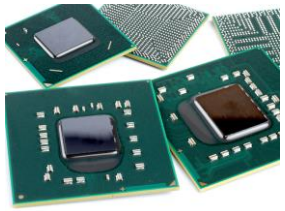


Copper Clad Laminate

Circuit Board Fabrication

Process Chemistry Steps	ESI Products
Inner laying bonding	*MultiPrep, OmniBond*
Primary metallization	*Shadow, Blackhole, Eclipse, ENVISION, ActiveCopper*
Copper electroplating	*MacuSpec, Systek*
Copper etch	*CircuEtch*
Final Finish	*Affinity, ENTEK*

Packaged Chips





Finished PCB

Board & Device Assembly

Material Types	ESI Products	
Solder bar, wire, paste, preforms and fluxes	*Innolot, Powerbond, AccuFlux, TrueHeight, Argomax*	***Component Attach***
Adhesives and underfills	*HiTech, Staychip, Polysolder, Staystik*	
TIMs, Getters, Encapsulation resins, conformal coatings	*Kester Indium, STAYDRY, Electrolube*	***Thermal / Moisture Regulation***

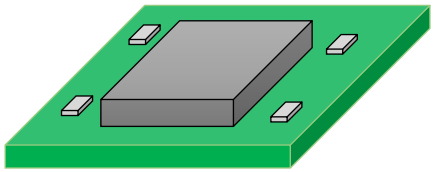


Final Product

Solutions for the “More than Moore” Era

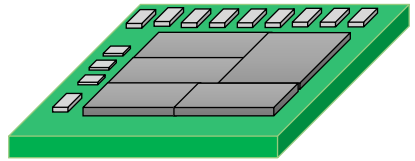
Advantageous product positioning designed to enable next wave of computing performance

NON-INTEGRATED CHIP PACKAGE



Monolithic Design:
Single Die / Passives / Memory

HETEROGENEOUS INTEGRATION



Disaggregated SoC:
Multiple Die of Varying Silicon Nodes

Enabling solutions

MacDermid Alpha ELECTRONICS SOLUTIONS

Semiconductor

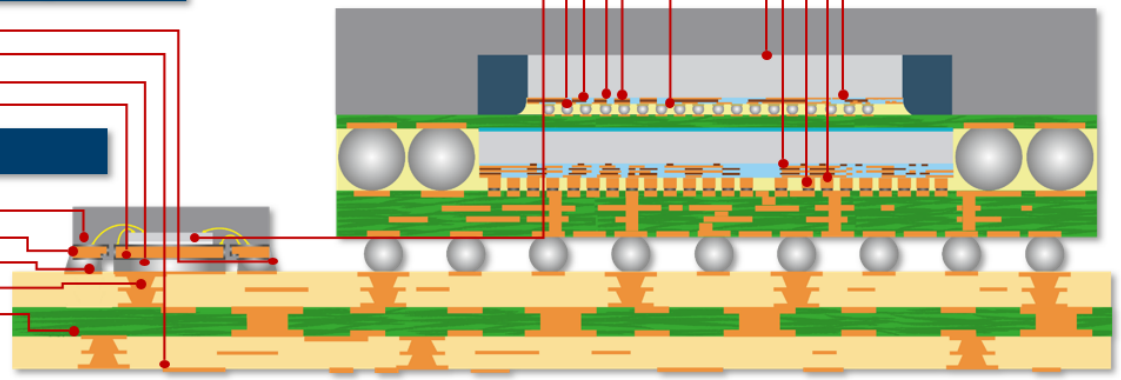
- Underfill / Encapsulant
- Redistribution Poly
- Flip Chip Attach Flux
- Reform Flux
- Solder Ball / Attach Flux
- Die Attach Paste / Film
- Damascene Copper
- Redistribution Layers
- Tin/Tinx Bump Plating
- Copper Bumps / Pillars
- Nickel Barrier

Assembly

- Solder Pastes
- Fluxes
- Solder Preforms
- Adhesives and Underfills

Circuitry

- QFN Adhesion
- QFN Tin Plating
- Solderable Finishes
- Copper Plating
- Image / Innerlayer Formation



Customer-led innovation for developing applications

Chemical enablement for emerging electronics applications

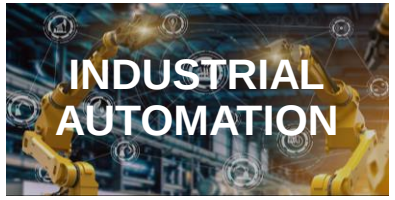
The technology for tomorrow's megatrends is developing today

Customer-Led Product Innovation



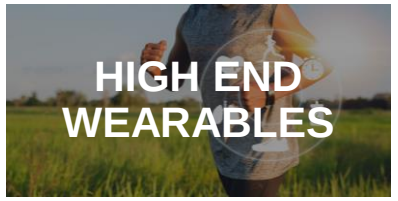












Materials requirements at the leading edge of innovation drive the convergence of printed circuit board, assembly and semiconductor industries

ESI Electronics sits at the nexus

Products developed to meet identified customer needs – low risk & high return

element solutions

Diversified revenue base, concentrated in growth markets

Our segments

ELECTRONICS







+$1,600M
SALES

+6,300
CUSTOMERS

END-MARKET DIVERSITY



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

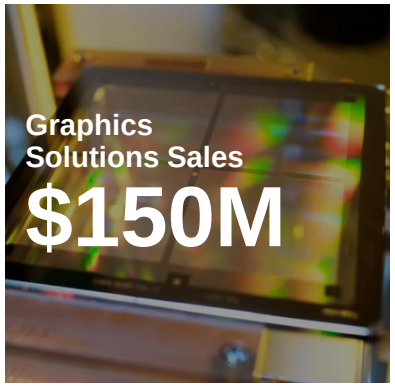
2022 NET SALES BY REGION



- **~56%** Asia
- **~26%** Americas
- **~18%** EMEA

INDUSTRIAL & SPECIALTY







+$945M
SALES

+7,400
CUSTOMERS

END-MARKET DIVERSITY



- **~41%** Medical, Aerospace, and Engineering
- **~30%** Automotive
- **~16%** Graphics
- **~7%** Offshore Energy
- **~6%** Consumer and Other

2022 NET SALES BY REGION

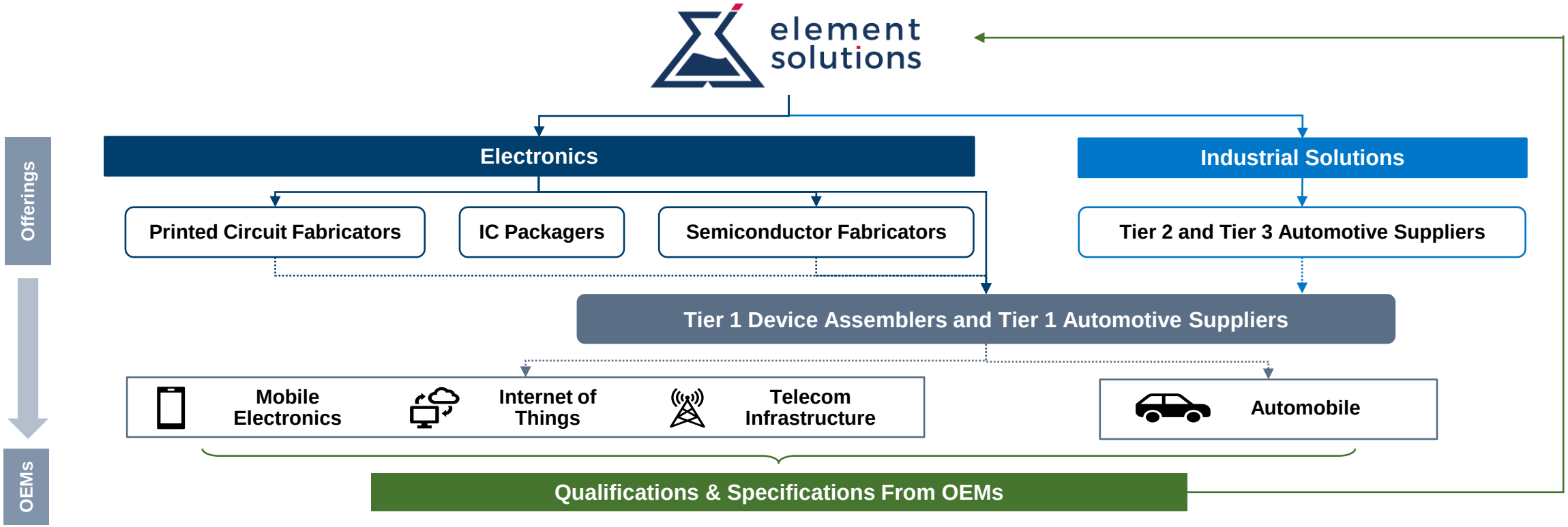


- **~47%** EMEA
- **~36%** Americas
- **~17%** Asia

Source: Management estimates of end-market diversity based on 2022 net sales

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

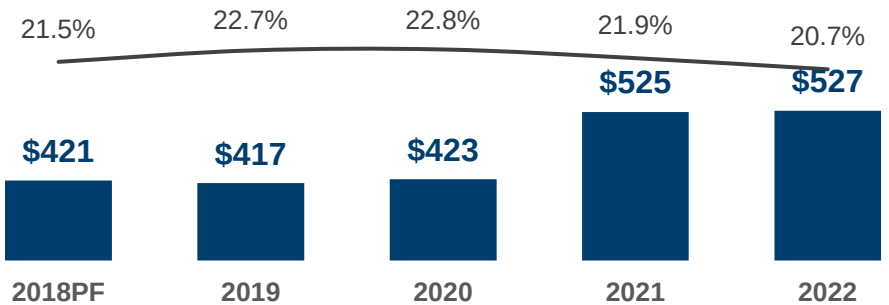
Track record of financial outperformance

GROWTH IN EXCESS OF END-MARKETS…

(YoY Growth %)	2019	2020	2021	2022
ESI Organic Sales*	**(4%)**	**(3%)**	**13%**	**5%**
Auto Units	(6%)	(16%)	4%	7%
Smartphone Units	(2%)	(6%)	6%	(11%)
PCB (sq meters)	(3%)	(4%)	13%	(9%)

STRONG PROFIT IMPROVEMENT

Adj. EBITDA $ in millions*

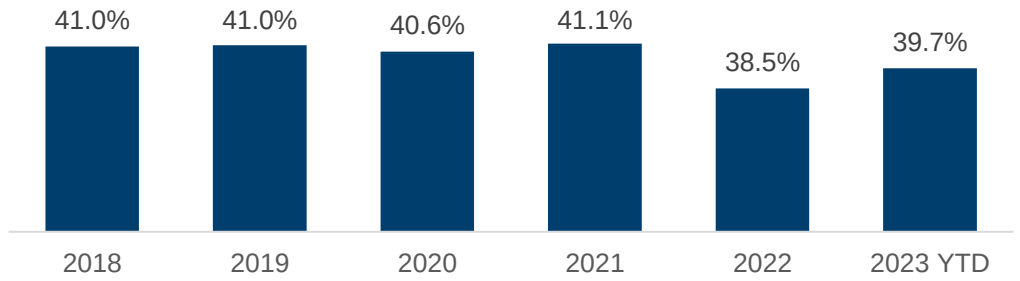


	2018PF	2019	2020	2021	2022
FX impact[2]:		($30)	($30)	($56)	($26)
Adj. EBITDA* at current rates:	$387	$393	$469	$501	
Constant FX growth:			2%	19%	7%

Adj. EBITDA* Margin %

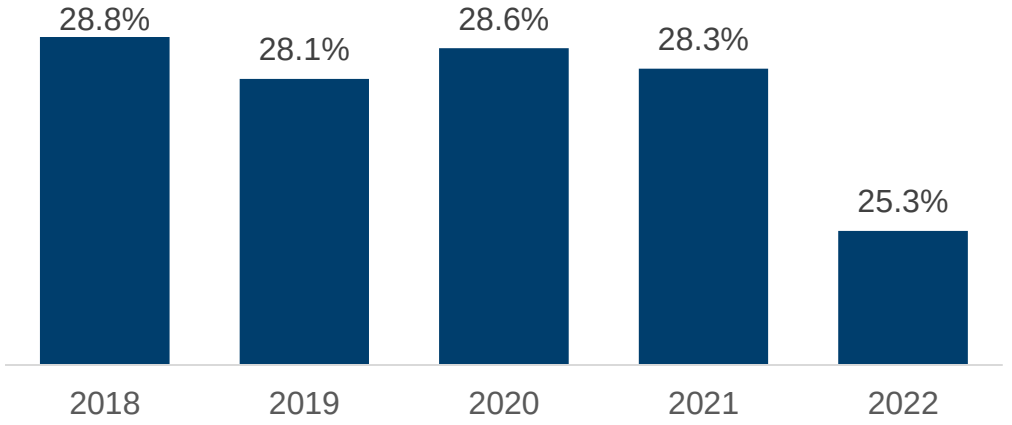
GROSS MARGIN STABILITY

Gross profit as % sales[1]



OPEX FLEXIBILITY TO PRESERVE PROFIT

SG&A and R&D expense as a % of sales[1]

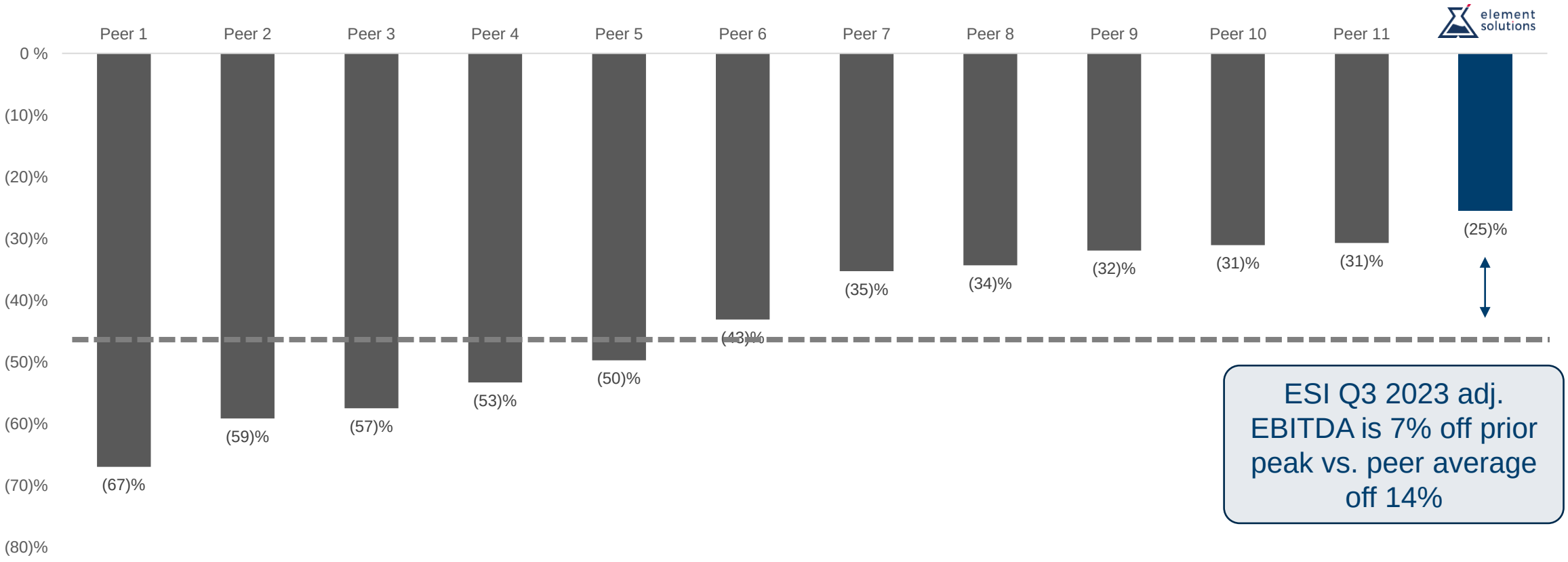


Source: Prismark, UBS Investment Bank, IDC, Company reports
* Please refer to the footnotes and the appendix for a definition of non-GAAP measures, discussions of adjustments, and reconciliations
1. Historical sales adjusted to account for price impact of metals pass-through. See the Appendix
2. FX impact is the estimated reduction to reported in-period adjusted EBITDA if using FX conversion rates at Sept 30, 2023

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Profit resilience against industry cyclicality

Quarterly adjusted EBITDA* trough relative to peak (2021 – Q3 2023)



ESI Q3 2023 adj. EBITDA is 7% off prior peak vs. peer average off 14%

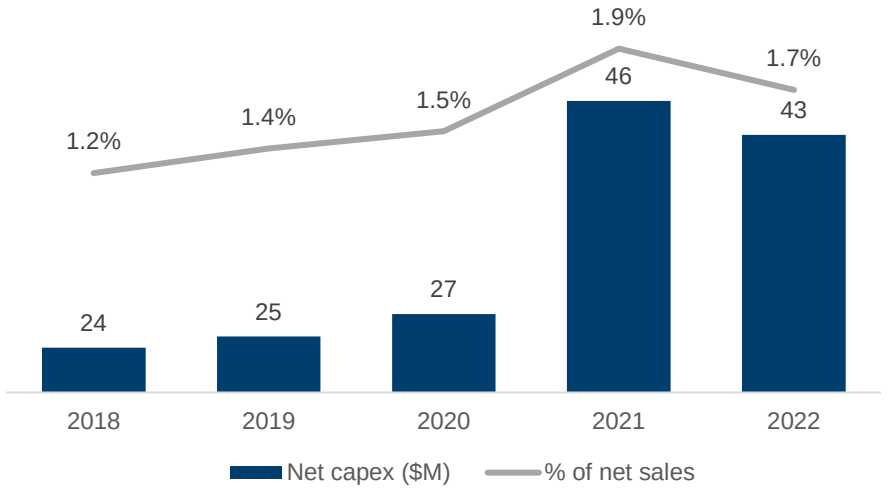
Element Solutions has demonstrated lower profit sensitivity to end-market cyclicality

* Please refer to the footnotes and the appendix for a definition of non-GAAP measures, discussions of adjustments, and reconciliations
Peers include the following companies (in alphabetical order): Ashland, Avery Dennison Corporation, Axalta, DuPont, Entegris, H.B. Fuller Company, MKS Instruments Inc, PPG Industries, Quaker Chemical Corporation, RPM International, Sherwin Williams
Calculation looks at minimum vs. maximum quarterly Adj. EBITDA from period Q1 2021 through Q3 2023. ESI calculation is maximum of $145M in Q1 2022 divided by minimum of $108M in Q4 2022 less 1 to derive -25%.

element solutions

Asset-light business model drives meaningful cash generation…

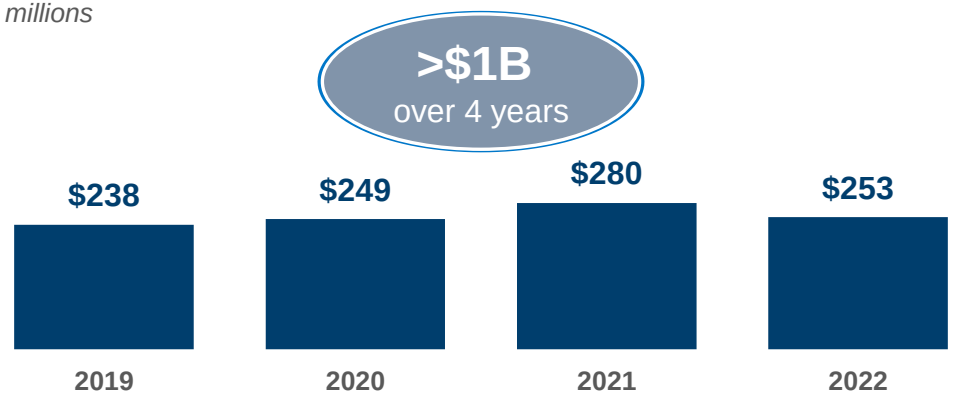
MODEST CAPITAL EXPENDITURE REQUIREMENTS



- Formulation-based manufacturing that requires modest maintenance capex
- Capex investments generally relate to regulatory improvements or technical equipment for customer facing applications
- Recent investment in new capacity additions for emerging applications has not required capex above 2% of sales

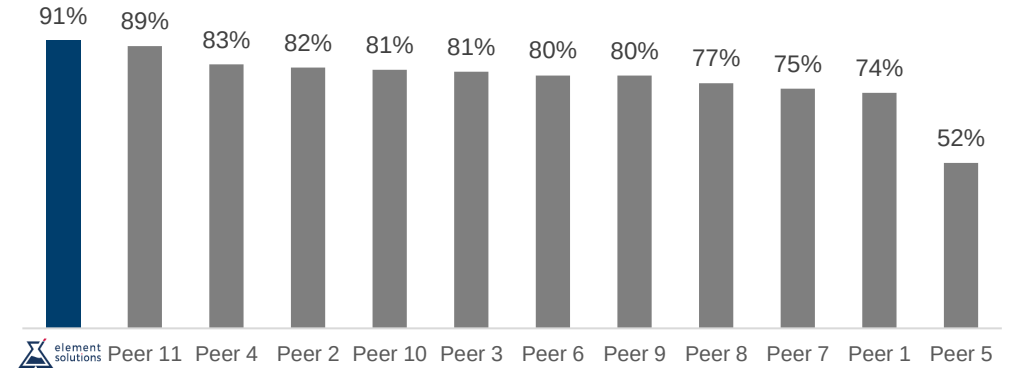
CONSISTENT FCF* GENERATION…

$ in millions



BEST IN CLASS FCF* CONVERSION

2022 FCF Conversion[1] vs. Peers[2]*



* Please refer to the footnotes and the appendix for a definition of non-GAAP measures, discussions of adjustments, and reconciliations
1. Free Cash Flow Conversion defined as (adjusted EBITDA – Gross Capex) / adjusted EBITDA. ESI calculation is ($527 - $48)/ $527
2. Peers include the following companies (in alphabetical order): Ashland, Avery Dennison Corporation, Axalta, DuPont, Entegris, H.B. Fuller Company, MKS Instruments Inc, PPG Industries, Quaker Chemical Corporation, RPM International, Sherwin Williams

…which is prudently deployed to compound adjusted EPS*

Disciplined and balanced approach to capital allocation

Capital Return[1]

$733M
Share Buybacks

+

$230M
Cash dividends

=

~$1bn in capital returned to shareholders since inception of ESI

1/3 of initial market cap[2]

Consolidation

Driving Economies of Scale

Industrial Surface Treatment

COVENTYA

$500M

HSO

$20M

Semiconductor & Assembly

kester®

$60M

New Adjacencies

Thermal management & electronics adhesives

ELECTROLUBE
THE SOLUTIONS PEOPLE

$50M

Industrial water treatment

DMP CORPORATION

aqua plus

$10M

Growth

Emerging Materials Technology

Kuprion

$20M+
Next gen copper for advanced packaging

actnano

$3M
Minority investment in conformal coatings

ViaForm®

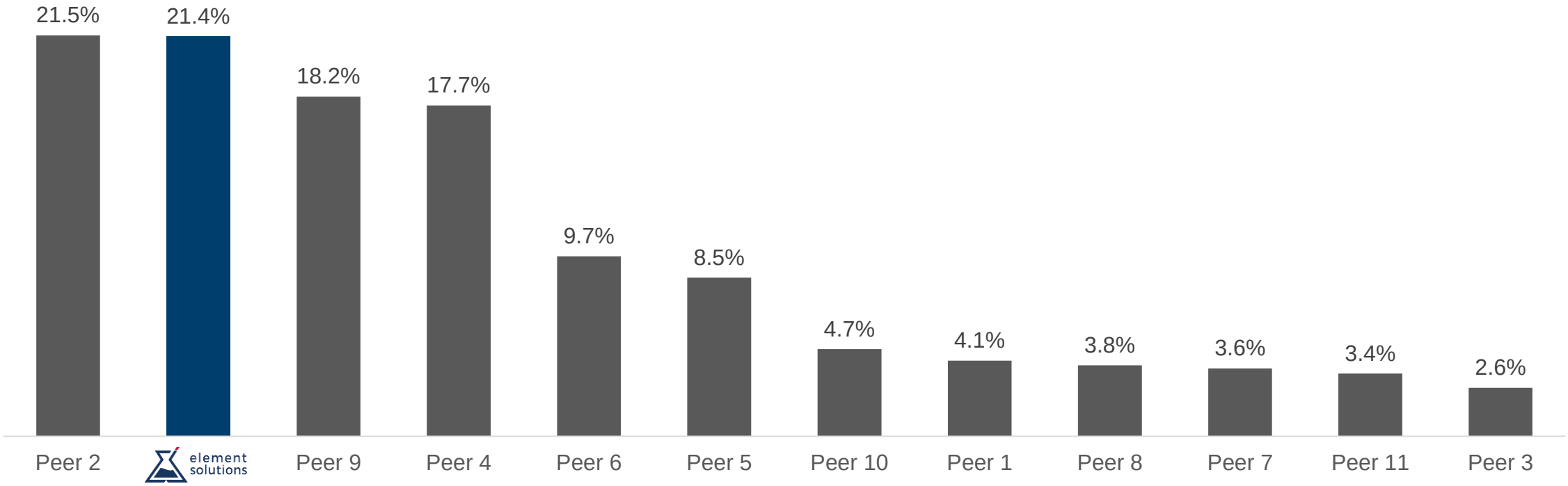
$200M

Drive customer intimacy with front-end-of-line semi

* Please refer to the footnotes and the appendix for a definition of non-GAAP measures, discussions of adjustments, and reconciliations
1. Capital return through share buybacks and cash dividends since launch of Element Solutions on January 31, 2019
2. Market cap as of Feb 28, 2019

Industry leading returns on tangible assets[1]

Benchmarking business quality



Efficiently managed asset base, minimal capital intensity, drives industry leading returns among Chemical and Industrial peers

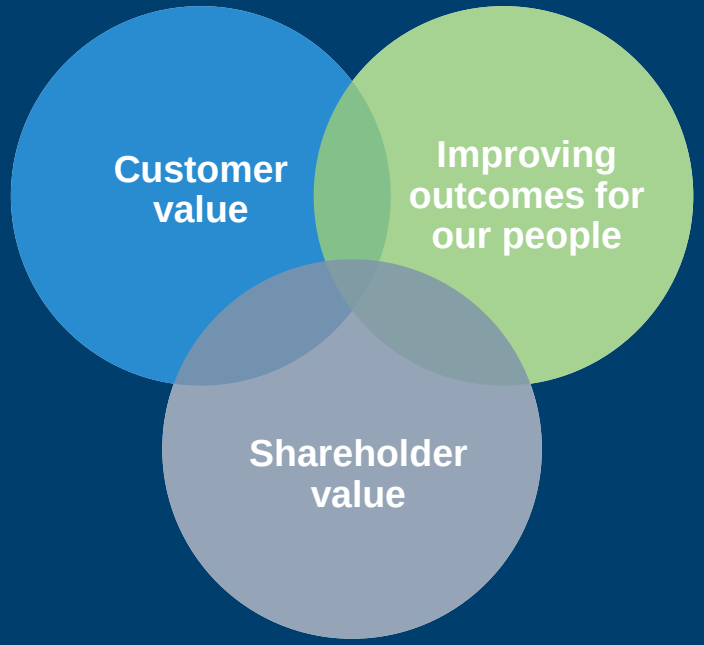
Source: S&P Capital IQ, Accessed 11.3.23
1. Return on Tangible Assets defined as (2022 Free Cash Flow / (Q2 2023 Net Working Capital – Gross PP&E), where Net Working Capital equals current assets – current liabilities – cash. ESI calculation = $253 / ($596 + $585)
Peers include the following companies (in alphabetical order): Ashland, Avery Dennison Corporation, Axalta, DuPont, Entegris, H.B. Fuller Company, MKS Instruments Inc, PPG Industries, Quaker Chemical Corporation, RPM International, Sherwin Williams.

element solutions

Enabling sustainability

Sustainability as a value-driver

SUSTAINABILITY
aligns with ESI's vision



+$700M
(+28% of sales)
net sales from sustainable products[1] in 2022

Increasing recycled content	Elimination of hazardous materials	Waste / water reduction
~50% of all tin and tin alloys sold from sustainable, recycled sources	evolve	MacDermid ENVIO SOLUTIONS
Enabling next generation sustainable technologies	**Decreased energy consumption**	**Investing in our communities**
Argomax®	**SHADOW®** Utilizing over 99% less water and up to 57% less power consumption	ELEMENT SOLUTIONS FOUNDATION

1. Includes net sales from products highlighted on this slide, as well as PET recycling products and lead-free solder products

esi sustainability

Creating value for customers, employees and shareholders

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



Gross Margins

Net Promoter Scores

450 bps
Q3 ’23 YoY improvement



Internal Fill Rate

Employee Satisfaction

92%
positive response rate from last employee survey



Growing Adj. EPS*

Total Shareholder Return*

+2x
from 2018-2022

* Please refer to the footnotes and the appendix for a definition of non-GAAP measures, discussions of adjustments, and reconciliations

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Appendix

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Enabling Technology. Growing Sustainably.

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

($ millions)	2018[1]	2019	2020	2021	2022	Q1 2022	Q4 2022
Net income (loss) attributable to common stockholders	**$(324)**	**$92**	**$76**	**$203**	**$187**	**$56**	**$13**
Add (subtract):							
Net income (loss) attributable to the non-controlling interests	5	1	0	0	1	0	0
Loss (income) from discontinued operations, net of tax	243	(13)	1	0	(2)	-	-
Income tax expense	24	61	4	48	86	20	25
Interest expense, net	311	91	63	54	51	14	12
Depreciation expense	45	42	42	40	42	11	10
Amortization expense	112	113	119	124	120	31	29
EBITDA	**415**	**386**	**306**	**470**	**485**	**132**	**89**
Adjustments to reconcile to adjusted EBITDA:							
Inventory-step-up	-	1	2	13	1	1	-
Restructuring expense	6	14	6	12	10	2	3
Acquisition and integration expense	12	2	12	14	11	3	4
Foreign exchange loss (gain) on internal debt	6	(32)	35	(17)	8	2	5
Debt refinancing costs	1	62	46	-	-	-	-
Chang in fair value of contingent consideration	(22)	(17)	-	-	-	-	-
Gain on sale of equity investment	(11)	-	-	-	-	-	-
Foundation contributions	-	-	5	-	-	-	-
Adjustment of stock compensation previously not probable	-	-	-	24	1	1	-
Unrealized loss (gain) on metals derivatives contracts[2]	-	-	1	(0)	1	2	3
Other, net	14	1	10	9	11	3	3
Adjusted EBITDA	**$421**	**$417**	**$423**	**$525**	**$527**	**$145**	**$108**

Note: Totals may not sum due to rounding
1. Adjustments for 2018 assume the Arysta divestiture had occurred and ESI's current capital structure had been in place as of January 1, 2018
2. Data not publicly available for 2018 and 2019

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Free cash flow & net sales growth reconciliations

($ millions)	FY 2019	FY 2020	FY 2021	FY 2022
Cash flows from operating activities	$ 171	$ 276	$ 326	$ 296
Capital expenditures	(30)	(29)	(46)	(48)
Disposal of property, plant and equipment	5	2	-	5
Free cash flows	**$ 146**	**$ 249**	**$ 280**	**$ 253**
Adjustments to arrive at free cash flows on an adjusted basis:				
Interest payments - prior capital structure [1]	57			
Interest payments - current capital structure [1]	(3)			
Other [2]	38			
Free cash flows on an adjusted basis	**$ 238**			

	FY 2019	FY 2020	FY 2021	FY 2022
Net Sales Growth	**(6%)**	**1%**	**29%**	**6%**
Impact of Currency	3%	0%	(3%)	7%
Constant Currency	**(4%)**	**1%**	**26%**	**13%**
Change in Pass-Through Metals Pricing	0%	0%	(8%)	0%
Acquisitions	0%	(4%)	(6%)	(8%)
Organic Net Sales Growth	**(4%)**	**(3%)**	**13%**	**5%**

($ millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Net sales	$ 1,961	$ 1,836	$ 1,854	$ 2,400	$ 2,549
Historical adjustment for Assembly metals pass-through price impact	84	85	80	(64)	(73)
Adjusted net sales	**$ 2,045**	**$ 1,921**	**$ 1,934**	**$ 2,336**	**$ 2,476**

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

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GAAP net income (loss) reconciliation to adjusted diluted EPS

($ millions, except per share amounts)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Net (loss) income attributable to common stockholders	**$(324)**	**$92**	**$76**	**$203**	**$187**
Net (loss) income from discontinued operations attributable to common stockholders	(246)	13	(1)	0	2
Net (loss) income from continuing operations attributable to common stockholders	**(79)**	**79**	**77**	**203**	**185**
Reversal of amortization expense	112	113	119	124	120
Adjustment to reverse incremental depreciation expense from acquisitions	10	9	8	3	2
Inventory-step-up	-	1	2	13	1
Adjustment to interest expense	-	20	-	-	-
Restructuring expense	6	14	6	12	10
Acquisition and integration expense	12	2	12	14	11
Foreign exchange loss (gain) on internal debt	6	(32)	35	(17)	8
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	1
Other, net	14	1	10	9	12
Tax effect of pre-tax non-GAAP adjustments	(44)	(47)	(64)	(37)	(33)
Adjustment to estimated effective tax rate	42	23	(17)	(2)	31
Adjustment to reverse loss attributable to certain non-controlling interests	1	1	-	-	-
Adjusted net income from continuing operations attributable to common stockholders	**$49**	**$228**	**$241**	**$347**	**$348**
Adjusted earnings per share from continuing operations	**$0.17**	**$0.88**	**$0.96**	**$1.38**	**$1.41**
Adjustments to arrive at normalized earnings per share:					
Interest expense savings based on illustrative capital structure[1,2]	237				
Tax effect of interest expense adjustment[3]	(81)				
Normalized adjusted net income from continuing operations attributable to common stockholders	**$205**				
Normalized adjusted earnings per share from continuing operations	**$0.68**				
Average basic common shares outstanding (millions)	***288***	***254***	***248***	***247***	***244***
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	2
Adjusted common shares outstanding (millions)	***302***	***258***	***251***	***251***	***247***

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%

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 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. 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).

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. Management believes adjusted EBITDA and adjusted EBITDA margin provide investors with a more complete understanding of the long-term profitability trends of the Company's business and facilitate comparisons of its profitability to prior and future periods. However, these measures, which do not consider certain cash requirements, should not be construed as an alternative to net income or cash flow from operations as a measure of profitability or liquidity.

Free Cash Flow: Free cash flow is defined as net cash flows from operating activities less net capital expenditures. Net capital expenditures include capital expenditures less proceeds from the disposal of property, plant and equipment. Management believes that free cash flow, which measures the Company's ability to generate cash from its business operations, is an important financial measure 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, 2022, Electronics' consolidated results were negatively impacted by $9.7 million of pass-through metals pricing and $13.5 million of acquisitions and Industrial & Specialty's consolidated results were positively impacted by $175.9 million of acquisitions.

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 $53.6 million of acquisitions and $5.2 million of pass-through metals pricing and Industrial & Specialty's consolidated results were positively impacted by $11.3 million of acquisitions.

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.

Total Shareholder Return: Total Shareholder Return (TSR) means the Company's TSR relative to the TSR of companies composing the S&P 500 Specialty Chemicals Index (CAP) or S&P 400 Index (stretch PRUSs) for the applicable period in which CAP is evaluated or the performance target is achieved, as applicable. Management believes that TSR, which indicates the total amount an investor reaps from a $100 investment over a certain period of time, is an important financial measure for evaluating the Company's financial performance.