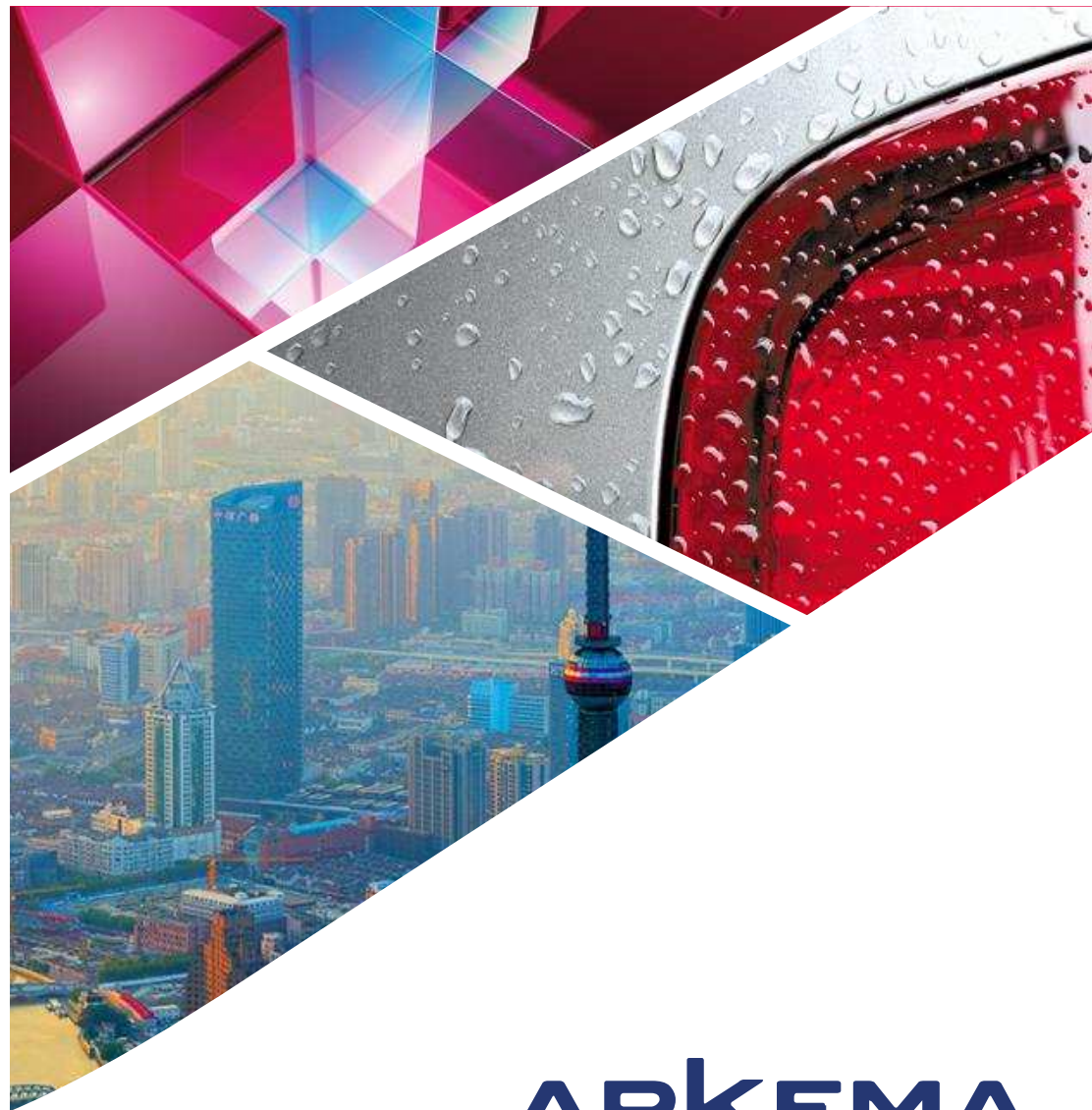


# PROPOSED ACQUISITION OF ARRMAZ

16<sup>TH</sup> MAY 2019



**ARKEMA**  
INNOVATIVE CHEMISTRY

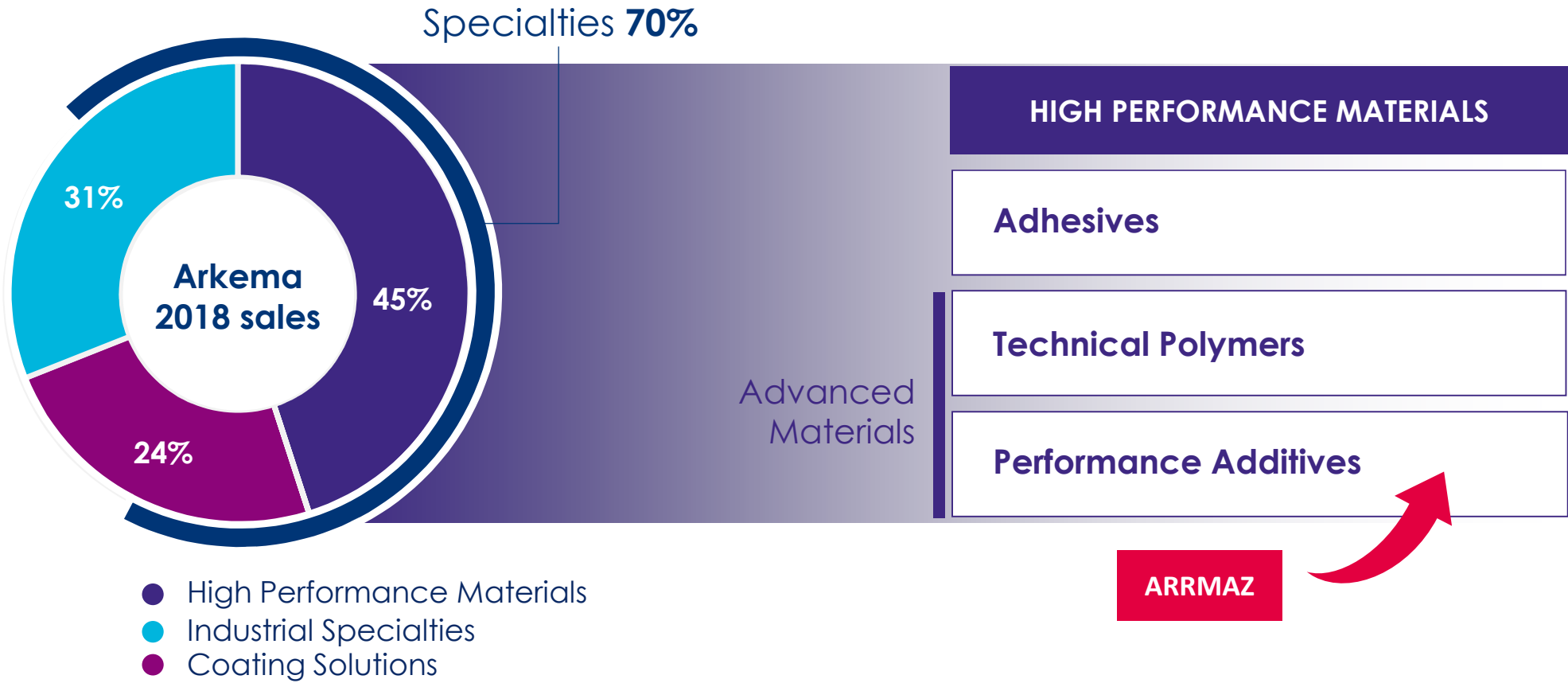
## EXECUTIVE SUMMARY

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- ❖ **Proposed acquisition of US-based ArrMaz, a global leader in specialty surfactants for crop nutrition, mining and infrastructure with US\$290m sales and 18% EBITDA margin**
- ❖ **Acquisition reinforces our Performance Additives business, one of the 3 strong pillars within the High Performance Materials division, along with Adhesives and Technical Polymers**
- ❖ **ArrMaz specializes in tailored and sustainable solutions for attractive markets driven by mega-trends and fast-growing countries**
- ❖ **The transaction will combine Arkema's and ArrMaz's complementary expertise in formulations, technologies and geographic reach for specialty surfactants**
- ❖ **Purchase price based on a US\$570m enterprise value, corresponding to a 10.8x EV/EBITDA multiple (~7x 2023e EBITDA including synergies)**
- ❖ **This acquisition of a profitable, resilient and low capital intensive business is another milestone in Arkema's growth journey towards specialties**

**A PERFECT STRATEGIC FIT**

# ANOTHER MILESTONE IN GROWING OUR SPECIALTY BUSINESSES



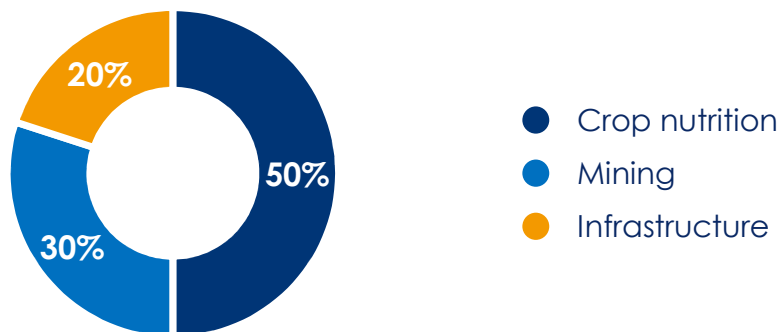
**ARRMAZ, A NEW STEP TOWARDS ARKEMA'S AMBITION TO ACHIEVE > 80% IN SPECIALTIES BY 2023**

# ARRMAZ AT A GLANCE

## KEY STRENGTHS

- Leading positions in specialty surfactants for crop nutrition, mining and infrastructure
- Strong expertise in designing tailor-made formulations with 6 laboratories dedicated to product development
- Solid partnerships with leading global customers
- Strong footprint in North America and fast-growing countries
- Well positioned in attractive markets growing above GDP

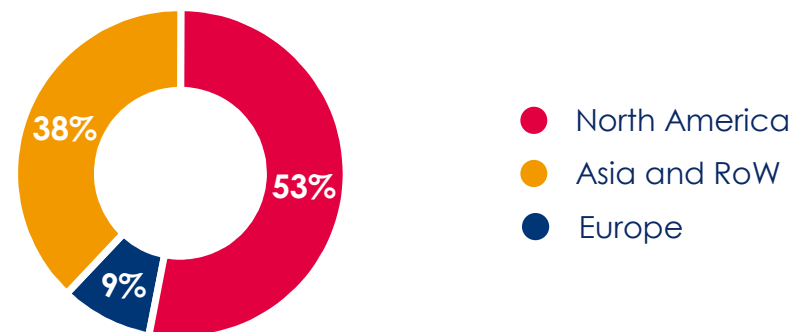
## SALES BY END MARKET



## KEY FIGURES (LTM)

Sales	<b>US\$ 290m</b>
EBITDA margin	<b>18%</b>
REBIT margin	<b>15%</b>
Capex to sales	<b>2.5%</b>
Employees	<b>400</b>

## SALES BY REGION



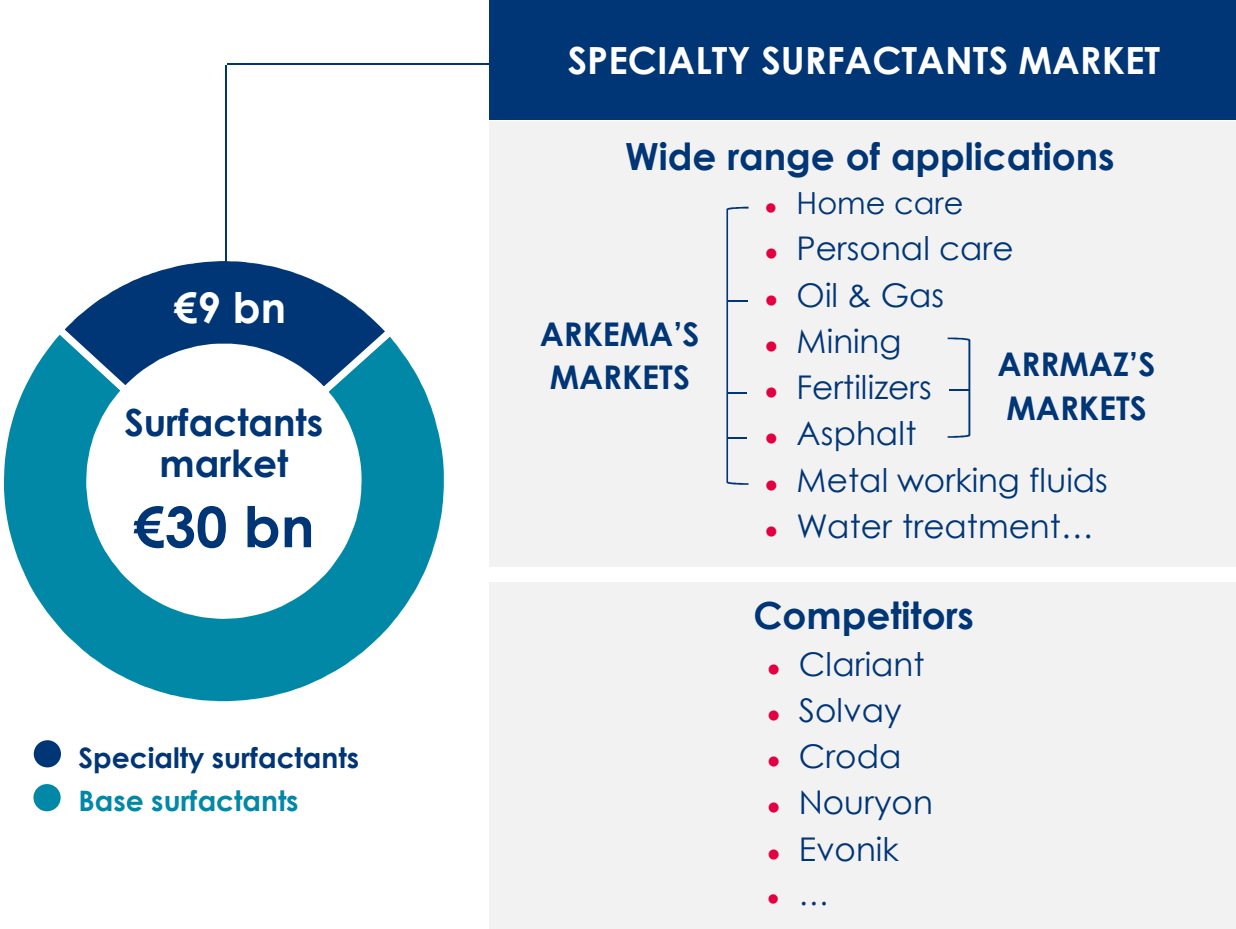
## TRANSACTION OVERVIEW

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<b>Transaction highlights</b>	<ul style="list-style-type: none"><li>✦ US\$570m enterprise value</li><li>✦ 10.8x EV/ LTM EBITDA</li><li>✦ ~7x EV/ 2023e EBITDA including synergies</li></ul>
<b>Financial impact</b>	<ul style="list-style-type: none"><li>✦ EPS and cash accretive from first year</li><li>✦ US\$15m synergies, fully achieved within 4 years</li></ul>
<b>Financing</b>	<ul style="list-style-type: none"><li>✦ 100 % cash</li><li>✦ Post acquisition, Arkema's net debt to pro forma EBITDA* around 1.1x</li></ul>
<b>Closing</b>	<ul style="list-style-type: none"><li>✦ Expected in summer 2019</li><li>✦ Subject to clearance by relevant antitrust authorities</li></ul>

\* Pro forma EBITDA = consensus for Arkema's 2019e EBITDA + ArrMaz's LTM EBITDA

# SPECIALTY SURFACTANTS, AN ATTRACTIVE MARKET



- ### MAIN CHARACTERISTICS OF SPECIALTY SURFACTANTS
- ✦ Customized solutions for an overall resilient market
  - ✦ Service intensive approach to sales
  - ✦ Above GDP growth niche markets
  - ✦ Low capital intensive businesses
  - ✦ Fragmented market offering further opportunities for consolidation

Arkema internal estimates

# ARRMAZ SOLUTIONS FOR ATTRACTIVE NICHE MARKETS

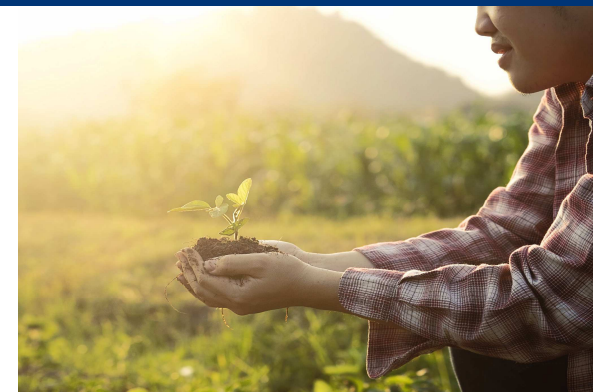
## CROP NUTRITION

### ARRMAZ SOLUTIONS

#### Process aids and functional additives used in fertilizer production, storage and transportation

- Specific solutions for each customer's location and product
- Critical solutions to improve efficiency and quality of fertilizer production and distribution
- Contribute to address environmental challenges

#1  
global



### MARKET DRIVERS

#### Growing world population and increasing living standards

- Limited arable land and growing food & feed demand
- Increasing usage of high performance fertilizers for optimal crop growth

**New development** for bio-stimulant and micro-nutrient markets to improve fertilizer performance

Fertilizer demand

x2

by 2050



# ARRMAZ SOLUTIONS FOR ATTRACTIVE NICHE MARKETS

## NATURAL RESOURCES AND MINING

### ARRMAZ SOLUTIONS

#### Mining flotation reagents and process aids for industrial minerals and specialty metals

- Customized product formulations for each mining operation
- Optimize grade, recovery and process performance

#1

global in phosphate

#1

in North America for industrial minerals



### MARKET DRIVERS

**Growing need for fertilizers (phosphate), building materials, consumer goods**

**Limited natural resources and increasing share of low quality ore reserves**

**New development** for specialty metals in high performance energy storage (lithium-ion batteries for EV, consumer electronics) and in oil & gas process aids

Lithium demand

**x3**

by 2030



# ARRMAZ SOLUTIONS FOR ATTRACTIVE NICHE MARKETS

## INFRASTRUCTURE

### ARRMAZ SOLUTIONS

#### Additives for the construction and performance of road infrastructure

- A technology leader for asphalt paving solutions
- Critical solutions to improve road longevity, quality and recyclability
- Contribute to workplace safety and better energy use

#2  
in North  
America



### MARKET DRIVERS

#### Investments in road infrastructure

- Steady maintenance spendings in the US and other developed countries
- Growing demand for better road durability
- Development of new infrastructures in emerging countries

US public investments  
in infrastructure

+3%/year

in the past 5 years

# BUILDING A NEW LEADER IN SPECIALTY SURFACTANTS

## ARRMAZ



US\$290m sales

- Leadership positions in crop nutrition, mining and infrastructure
- Strong expertise in formulation and extensive technical support
- Long-term partnerships with global leading customers
- Strong footprint in North America and state-of-the-art facilities in fast-growing regions



## ARKEMA'S SPECIALTY SURFACTANTS



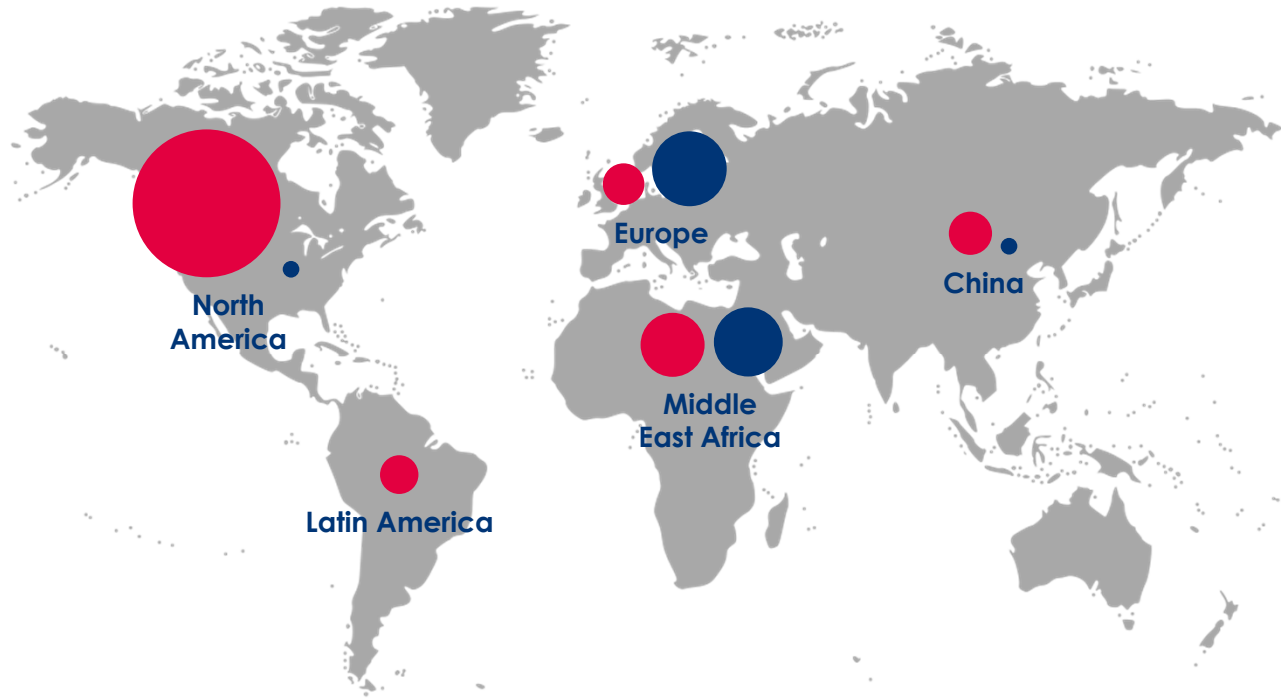
US\$205m sales

- Strong chemistry expertise in specialty surfactants
- Extensive formulation know-how (adhesives, specialty surfactants, Coatex rheology additives)
- Well established positions in Europe, the Middle East and Africa in crop nutrition, infrastructure and oil and gas markets

**LEVERAGE EXCELLENT COMPLEMENTARITIES**

# STRONG GEOGRAPHICAL COMBINATION

## SALES BY REGION



■ ArrMaz sales  
■ Arkema specialty surfactant sales

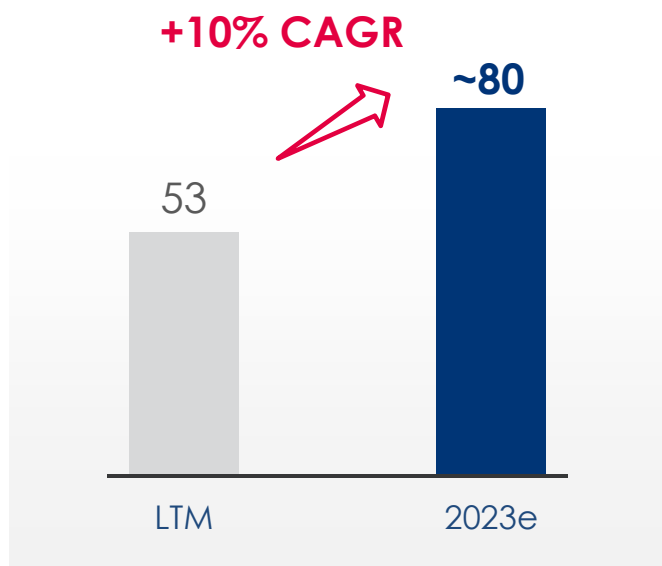
## PRODUCTION FOOTPRINT

- ✦ **ArrMaz: 9 production sites**
  - Historical site in Mulberry, Florida (US)
  - State-of-the-art facilities in Morocco, Saudi Arabia, Brazil and China
- ✦ **Arkema: 6 production sites in Europe, the Middle East and Africa**
  - Historical site in Feuchy (France)

# SUPERIOR VALUE CREATION

## EBITDA

In US\$m



## KEY DRIVERS TO DELIVER SUPERIOR VALUE

- ✦ **Above GDP growth driven by:**
  - Sustainable trends and fast-growing countries
  - New developments (for nutrients, lithium and oil & gas process aids)
- ✦ **Well-identified synergies estimated at US\$15m by 2023**
  - Cost synergies on raw materials purchasing
  - Development synergies through commercial, technological and geographical complementarities
- ✦ **Transaction multiple reduced to ~7x EBITDA after 4 years**
- ✦ **Superior EBITDA to cash conversion <sup>(1)</sup> at around 60%**

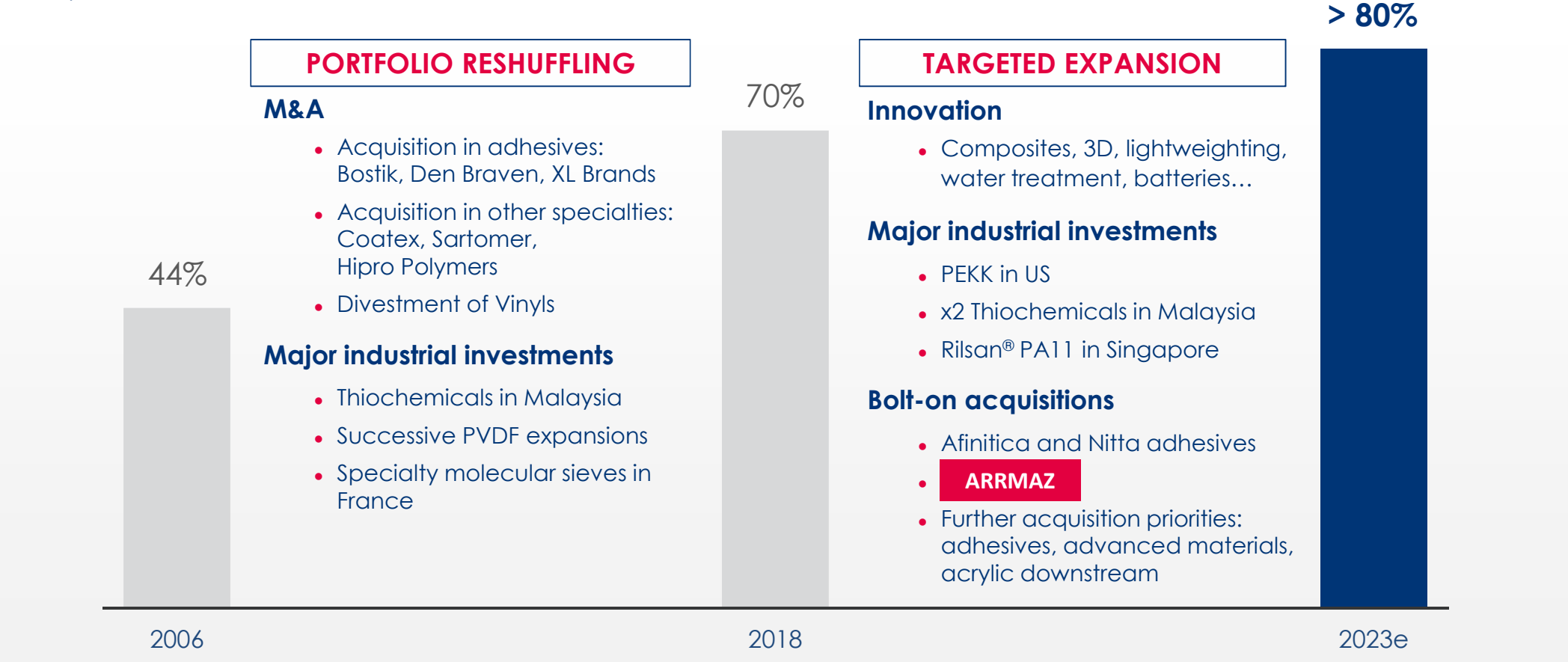
**ANOTHER STEP FORWARD TOWARDS ARKEMA'S 2020 AND 2023 TARGETS**

<sup>(1)</sup> Corresponds to free cash flow excluding exceptional capital expenditure divided by EBITDA

# GROWTH IN SPECIALTIES: AN ONGOING MOMENTUM

## SHARE OF SPECIALTIES

As a % of total sales



## DISCLAIMER

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The information disclosed in this document may contain forward-looking statements with respect to the financial condition, results of operations, business and strategy of Arkema. Such statements are based on management's current views and assumptions that could ultimately prove inaccurate and are subject to material risk factors such as among others, changes in raw material prices, currency fluctuations, implementation pace of cost-reduction projects and changes in general economic and business conditions. These risk factors are further developed in the reference document.

Arkema does not assume any liability to update such forward-looking statements whether as a result of any new information or any unexpected event or otherwise.

Further information on factors which could affect Arkema's financial results is provided in the documents filed with the French *Autorité des marchés financiers*.

Financial information since 2005 is extracted from the consolidated financial statements of Arkema. Quarterly financial information is not audited.

The business division information is presented in accordance with Arkema's internal reporting system used by the management.

The main performance indicators used by the Group are defined in the 2018 Reference Document. As part of the analysis of its results or to define its objectives, the Group uses in particular the following indicators:

**REBIT margin:** corresponds to the recurring operating income (REBIT) as a percentage of sales

**EBITDA to cash conversion rate:** corresponds to the free cash flow excluding exceptional capital expenditure divided by EBITDA