

# SECOND QUARTER 2021 RESULTS AND OUTLOOK

29 JULY 2021



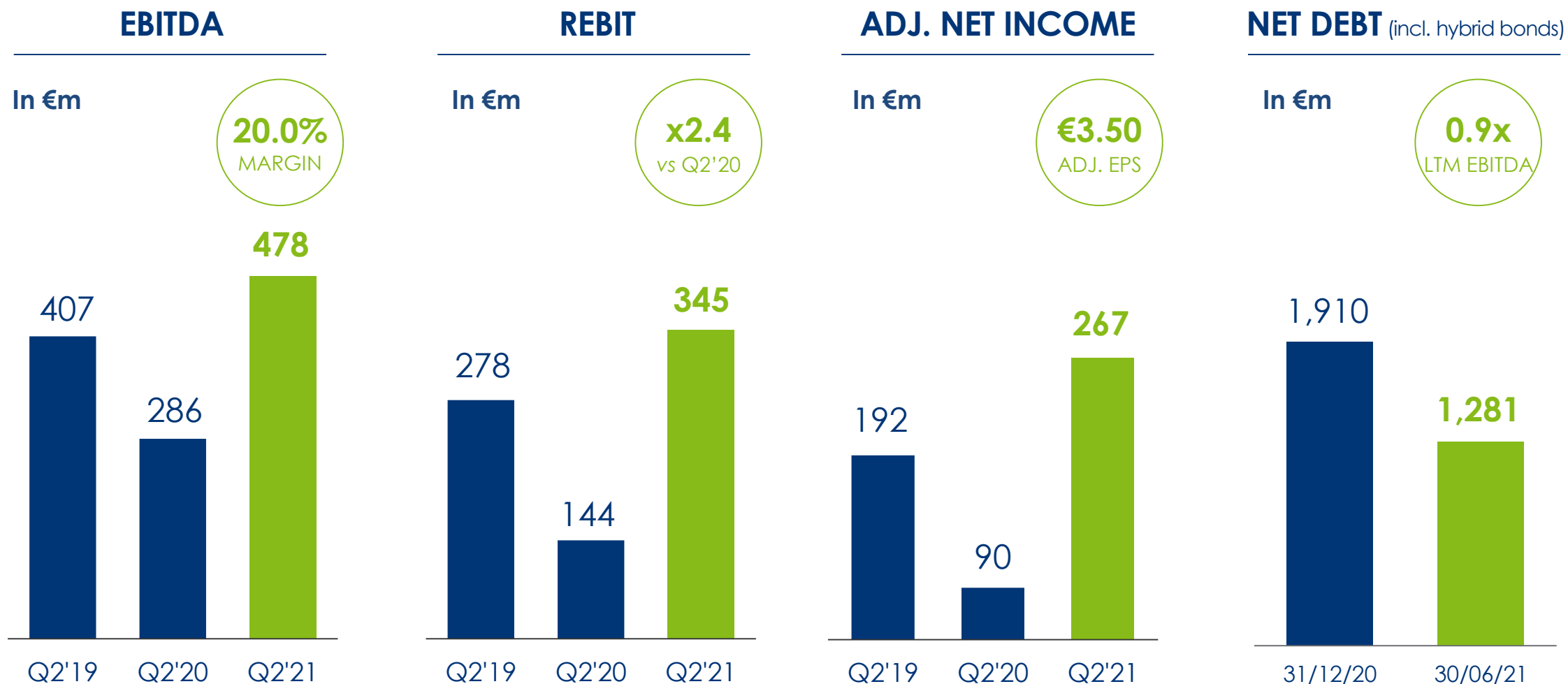
**ARKEMA**  
INNOVATIVE CHEMISTRY



# **STRONG PERFORMANCE AND ACCELERATION OF SUSTAINABLE INNOVATION**

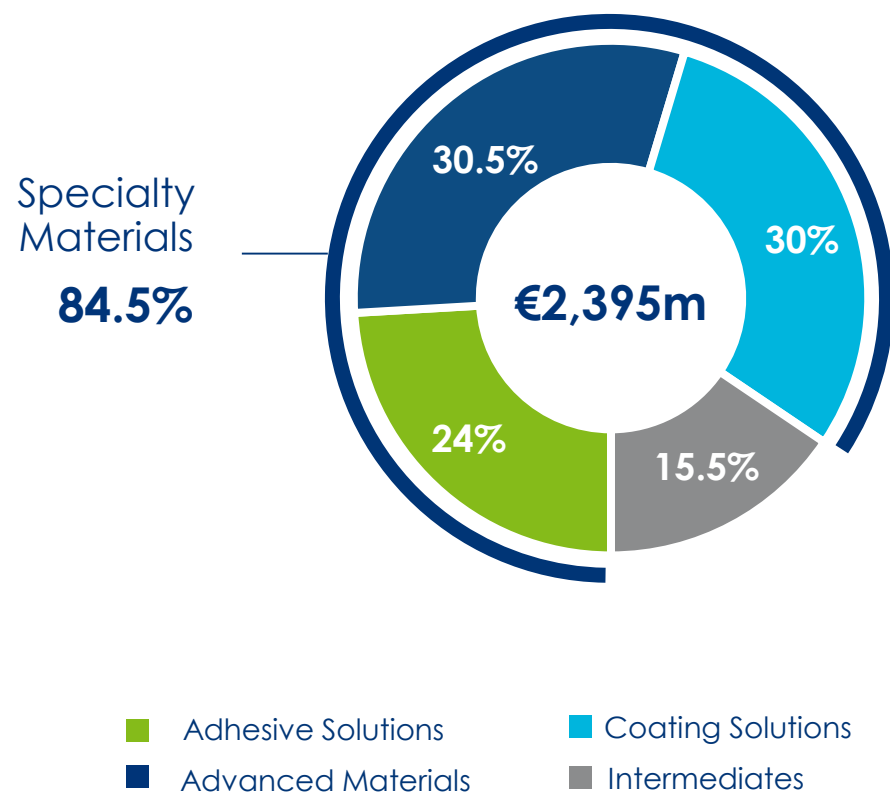
**ARKEMA**  
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# EXCELLENT RESULTS REFLECTING THE STRENGTH OF ARKEMA'S POSITIONING

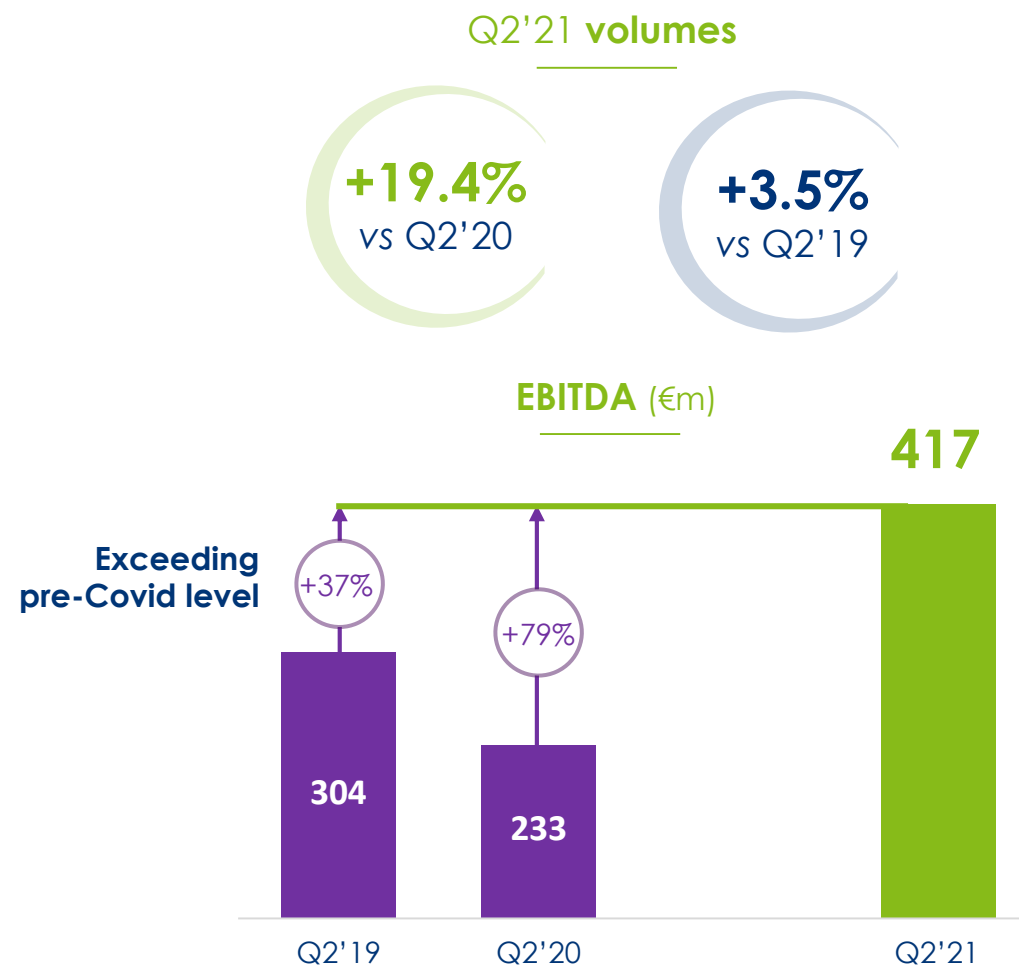


# PERFORMANCE DRIVEN BY ALL SEGMENTS

## Q2'21 sales split

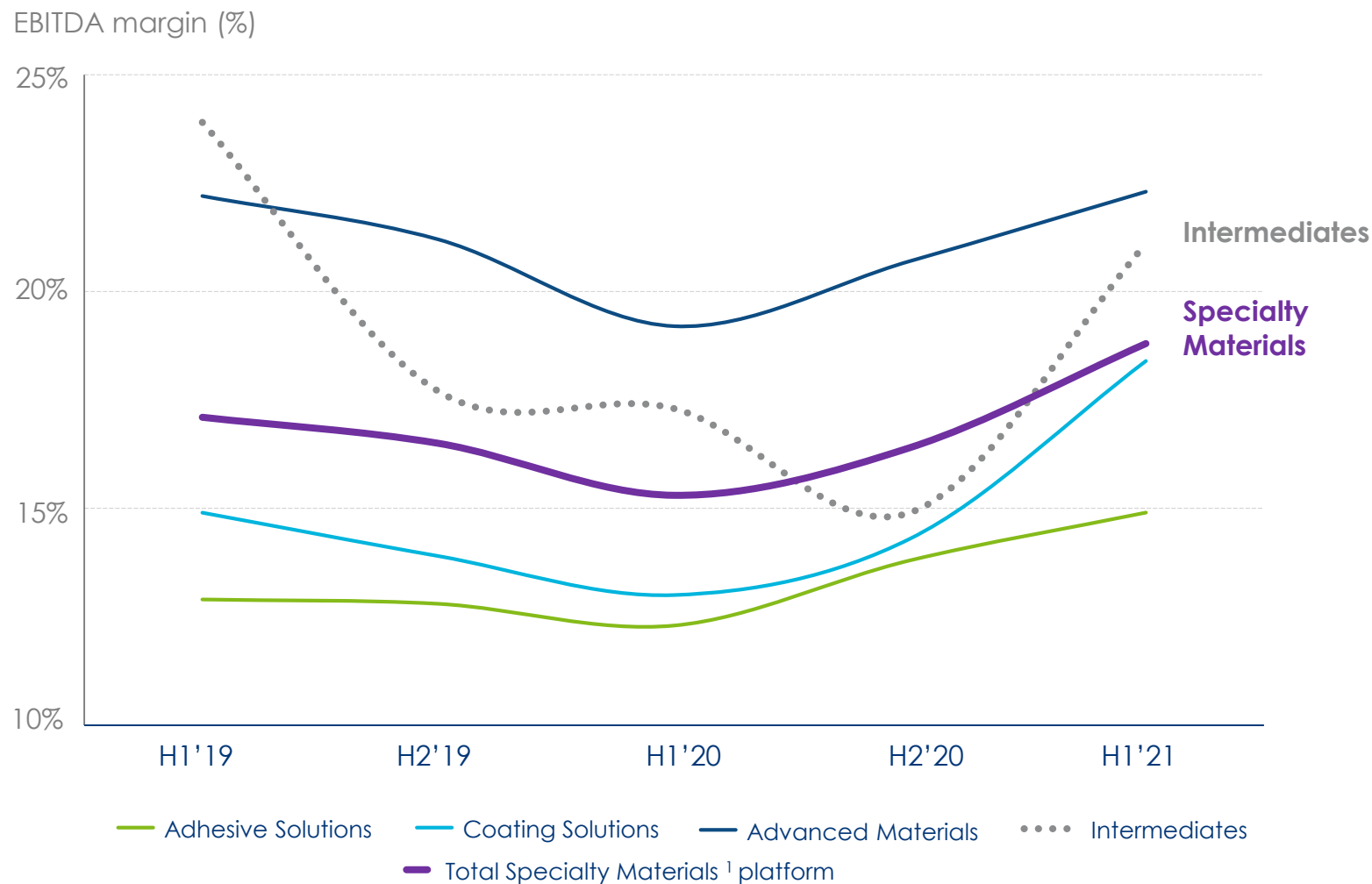


## Specialty Materials far above 2019





# DECISIVE MEASURES TO ADAPT TO RISING RAW MATERIALS



**Strong volumes**

**Pricing actions**

**+17.5%** price effect on sales in Q2'21 vs Q2'20

**Neutral to positive net impact versus raw materials in all segments**

Tight market conditions in **acrylics**

**Strict control of costs**

1. Specialty Materials include the three following segments: Adhesive Solutions, Advanced Materials and Coating Solutions

# ECO FRIENDLY SOLUTIONS DRIVING OUR ORGANIC GROWTH <sup>1/2</sup>



A leader in PVDF (Kynar®) for Li-ion **battery cells**, used as binder or for coated separator

Partnerships with **major players**

## BATTERIES



Sustainable and high performance Rilsan® polyamide 11 powders for **freedom of design**, customized **eyewear** with **Materialise** and **JAM'Vision**

*Courtesy of Materialise/JAM'Vision*

## 3D PRINTING



**Saucony Endorphin Pro 2** with an ultralight Pebax® polymer foam used for **high energy return** outsoles

*Courtesy of Saucony*

## SPORTS

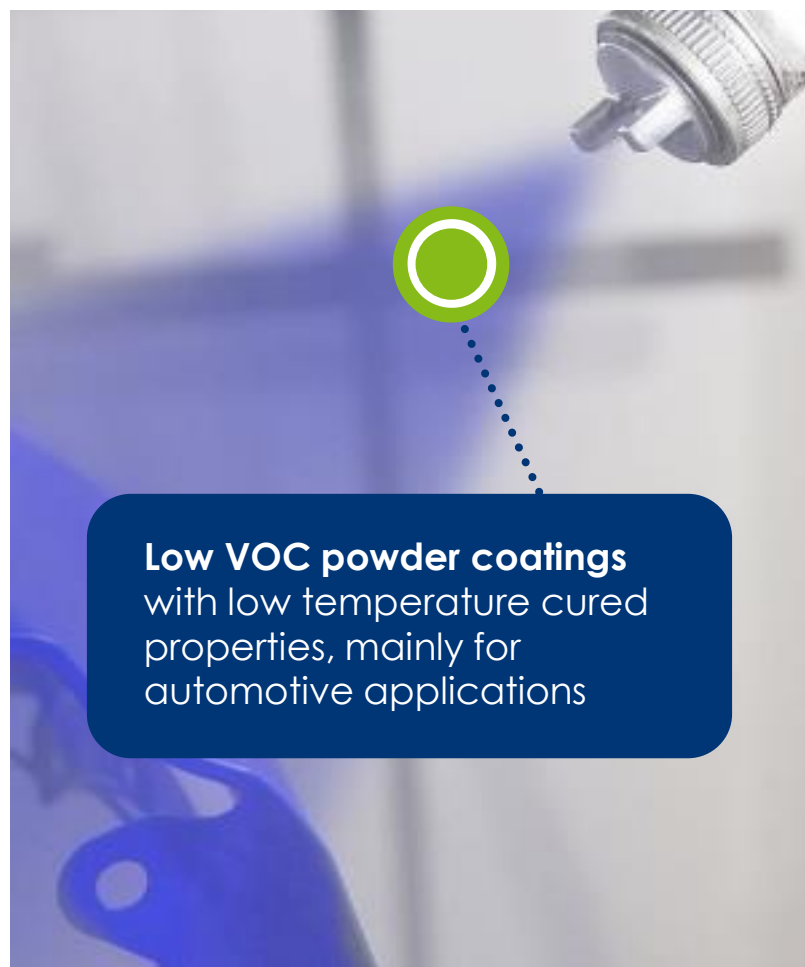
# ECO FRIENDLY SOLUTIONS DRIVING OUR ORGANIC GROWTH <sup>2/2</sup>

## ADHESIVES



**New Butyl grade** to replace Asphalt for Flashing Tapes (windows & doors, roofing) and Insulated Glass Sealants

## COATINGS



**Low VOC powder coatings** with low temperature cured properties, mainly for automotive applications

## CROP NUTRITION



Coatings and process aids delivering **key nutrients** to help **crops grow efficiently**



# CUTTING EDGE INNOVATION SERVING SUSTAINABILITY

## Supply of fluorinated specialty solution 1233zd

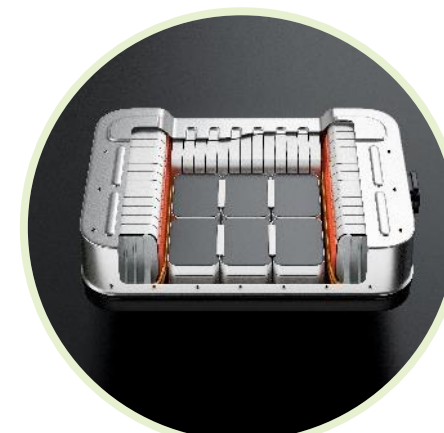
**New generation  
with no or minimal emissive impact**



- ▶ **Sustainable solutions** in high efficiency insulation materials and in emerging applications such as batteries for electric vehicles
- ▶ Agreement with Aofan to produce **5kt/year in China** starting **mid-2022**
- ▶ Plan for **15 kt/year capacity in Calvert City, US** starting **late 2023** for an estimated investment of US\$ 60m

## New renewable PVDF grades for batteries

**100% renewable attributed carbon  
derived from crude tall oil bio-feedstock**



- ▶ Almost **20% climate change impact reduction** compared to traditional Kynar® PVDF for binders
- ▶ Crude tall oil made from a residue of wood pulp manufacture enabling **Kynar® CTO grades** to be compliant with leading responsible forestry standard



# PROGRESS OF OUR 2 MAJOR CAPEX

## Final phase of our new integrated bio-factory in Singapore



- ▶ **+50% PA11 capacity** in Asia (100% bio-based)
- ▶ Start-up expected in **2022**
- ▶ **€450m** CAPEX and **€100m** EBITDA at maturity
- ▶ Diversified end-markets with **high growth potential**

## Innovative partnership to supply AHF on track to start mid-2022



- ▶ **Use of co-product** from Nutrien to produce AHF
- ▶ **CO<sub>2</sub> emissions reduction by 20 times** vs traditional process
- ▶ **US\$150m investment** into a **40 kt/year** AHF production
- ▶ **Secured and competitive access** to AHF in the US

# BOLT-ON ACQUISITIONS OR EQUITY INVESTMENTS IN SPECIALTY MATERIALS

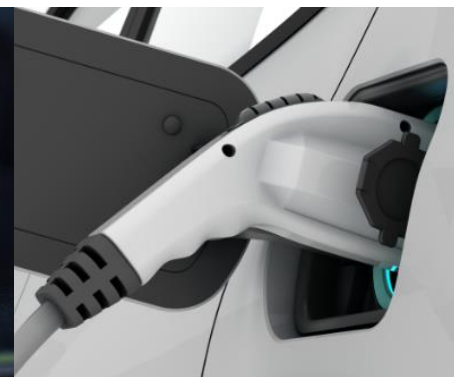
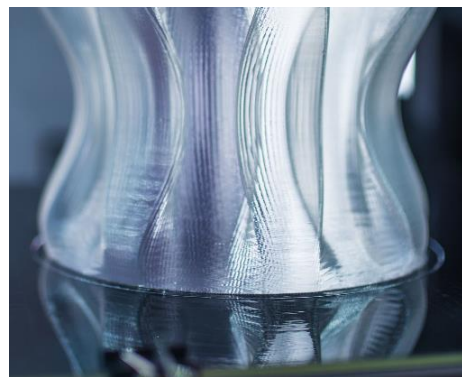
## Bolt-on acquisitions in Adhesives



Brazilian leader in hybrid-technology sealants and adhesives for construction

Offering expansion in high performance adhesives for residential construction

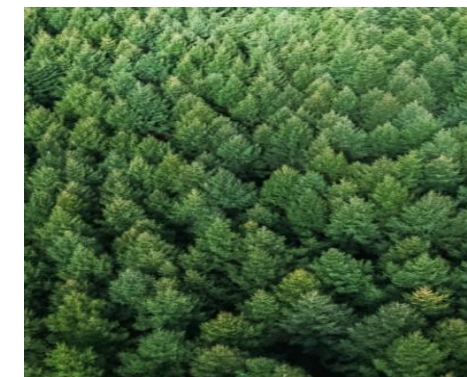
## Equity investments in innovative companies



Specialist in large-series additive manufacturing, notably using 100% bio-based PA11 powder

French start-up specialized in the production of high performance batteries

## Acquisition in polymers' **recycling**



A leader in the regeneration of high performance polymers and materials circularity

# Q2 RESULTS AND OUTLOOK

**ARKEMA**  
INNOVATIVE CHEMISTRY



# Q2'21 FINANCIAL HIGHLIGHTS

€2,395m sales

- Up **34.6%** compared to Q2'20 at constant scope & currency, +12.1% vs Q2'19
  - significant growth in volumes, **+17.1%** YoY, +3.0% vs Q2'19 pre-Covid level
    - high demand in most of the Group's end markets
    - sharp acceleration in the benefits of sustainable innovation
  - prices up **17.5%**, reflecting the Group's ability to offset the steep rise in raw materials, energy and logistics costs

€478m EBITDA

20.0% EBITDA margin

- EBITDA up sharply by **67.1%**
  - All 3 Specialty Materials segments<sup>1</sup> growing strongly, with combined EBITDA at €417m, up nearly 80% above Q2'20 and +37% vs Q2'19 pre-Covid level
  - Intermediates EBITDA at €87m, up 31.8% despite a negative scope effect related to the PMMA disposal
  - EBITDA margin reaching a historic high of 20.0%, up 500 bps from Q2'20

€267m adj. net income

- Representing €3.50 per share

€245m recurring cash flow  
(FCF excl. non-recurring items)

- Working capital remaining well controlled and below normative level (11.9% of annualized sales, excluding the PMMA business)

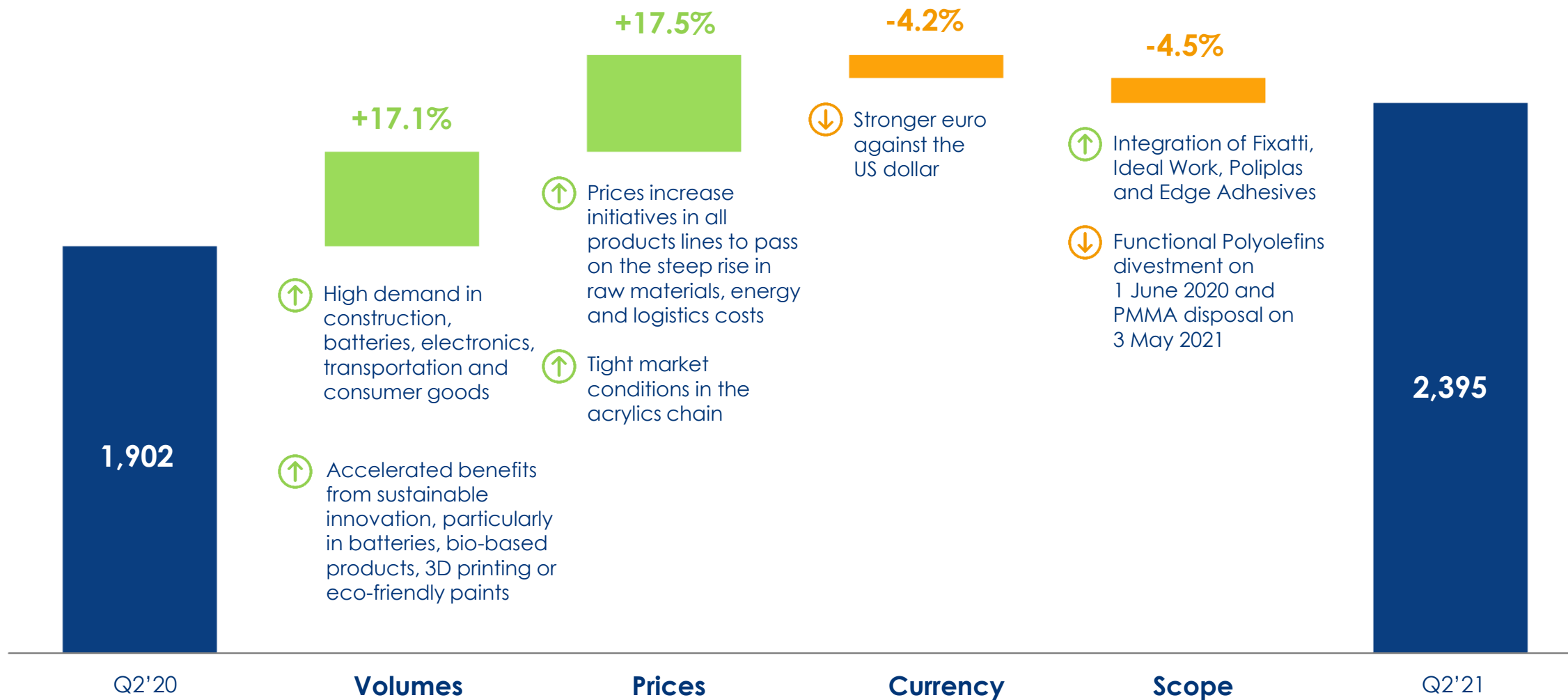
€1,281m net debt  
(incl. hybrid bonds)

- Including gross proceeds from PMMA disposal for €1.1bn, dividends payment for €191m and €300m commitment linked to share buyback program launched in May
- 0.9x LTM EBITDA

1. Specialty Materials include the three following segments: Adhesive Solutions, Advanced Materials and Coating Solutions

# STRONG SALES INCREASE DRIVEN EQUALLY BY VOLUMES AND PRICES

Sales in €m



# ADHESIVE SOLUTIONS (24% OF GROUP SALES IN Q2'21)



## Q2'21 KEY FIGURES

In €m	Q2'20	Q2'21	Change
Sales	453	575	+26.9%
EBITDA	50	82	+64.0%
EBITDA margin	11.0%	14.3%	
REBIT	35	65	+85.7%

## H1'21 KEY FIGURES

In €m	H1'20	H1'21	Change
Sales	968	1,130	+16.7%
EBITDA	119	168	+41.2%
EBITDA margin	12.3%	14.9%	
REBIT	89	136	+52.8%

## Q2'21 SALES DEVELOPMENT

Volumes	+20.5%
Prices	+3.8%
Currency	(2.9)%
Scope	+5.5%

## H1'21 SALES DEVELOPMENT

Volumes	+14.2%
Prices	+1.5%
Currency	(3.4)%
Scope	+4.4%

## HIGHLIGHTS Q2'21

- **20.5% volume increase**
  - Positive trends in construction and DIY
  - Significant rebound in industrial applications
  - Packaging and hygiene facing high prior-year comparison base
- **3.8% price effect**
  - Pricing actions offsetting raw materials inflation
  - Further pricing initiatives in Q3'21, as the impact of rising raw materials will intensify
- **€82m EBITDA**, up sharply 64.0% YoY, 15.5% vs Q2'19
- **14.3% EBITDA margin**
  - More than 300bps higher than in Q2'20
  - Consolidating the target of 14% set for 2021 despite the raw materials context



# ADVANCED MATERIALS (30.5% OF GROUP SALES IN Q2'21)



## Q2'21 KEY FIGURES

In €m	Q2'20	Q2'21	Change
<b>Sales</b>	628	<b>729</b>	+16.1%
<b>EBITDA</b>	124	<b>178</b>	+43.5%
<b>EBITDA margin</b>	19.7%	<b>24.4%</b>	
<b>REBIT</b>	61	<b>116</b>	+90.2%

## H1'21 KEY FIGURES

In €m	H1'20	H1'21	Change
<b>Sales</b>	1,280	<b>1,432</b>	+11.9%
<b>EBITDA</b>	246	<b>320</b>	+30.1%
<b>EBITDA margin</b>	19.2%	<b>22.3%</b>	
<b>REBIT</b>	122	<b>197</b>	+61.5%

## Q2'21 SALES DEVELOPMENT

<b>Volumes</b>	<b>+14.5%</b>
<b>Prices</b>	<b>+5.9%</b>
<b>Currency</b>	<b>(4.3)%</b>
<b>Scope</b>	<b>-</b>

## H1'21 SALES DEVELOPMENT

<b>Volumes</b>	<b>+12.0%</b>
<b>Prices</b>	<b>+4.2%</b>
<b>Currency</b>	<b>(4.3)%</b>
<b>Scope</b>	<b>-</b>

## HIGHLIGHTS Q2'21

- **Volumes up 14.5%**
  - Excellent dynamic in High Performance Polymers
  - Acceleration of new developments in lightweight materials, clean mobility and bio-based products
  - Favorable trend in most of the segment's end markets, while oil & gas remained down YoY and animal nutrition faced a high comparison base
- **Prices up 5.9%**, reflecting price increase initiatives in a context of rising raw materials
  - **€178m EBITDA**, up by more than 25% vs pre-Covid level of Q2'19 (up 43.5% YoY)
  - Record high **EBITDA margin** at **24.4%**

# COATING SOLUTIONS (30% OF GROUP SALES IN Q2'21)



## Q2'21 KEY FIGURES

In €m	Q2'20	Q2'21	Change
Sales	436	<b>712</b>	+63.3%
EBITDA	59	<b>157</b>	+166.1%
EBITDA margin	13.5%	<b>22.1%</b>	
REBIT	28	<b>128</b>	+357.1%

## H1'21 KEY FIGURES

In €m	H1'20	H1'21	Change
Sales	953	<b>1,279</b>	+34.2%
EBITDA	124	<b>235</b>	+89.5%
EBITDA margin	13.0%	<b>18.4%</b>	
REBIT	64	<b>177</b>	+176.6%

## Q2'21 SALES DEVELOPMENT

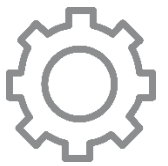
Volumes	<b>+25.4%</b>
Prices	<b>+44.3%</b>
Currency	<b>(6.4)%</b>
Scope	-

## H1'21 SALES DEVELOPMENT

Volumes	<b>+14.8%</b>
Prices	<b>+25.2%</b>
Currency	<b>(5.8)%</b>
Scope	-

## HIGHLIGHTS Q2'21

- **Prices up 44.3%**
  - Price initiatives to offset the increased cost of propylene, acrylics and VAM
  - Tight acrylics market for activities not integrated downstream
- **Volumes up 25.4%**
  - Strong dynamic in decorative paints, electronics, 3D printing, graphic arts and industrial coatings
  - Benefits from the broader sustainable offering with waterborne paints or powder coatings
- **EBITDA up very significantly at €157m** (€59m in Q2'20)
  - **Record EBITDA margin of 22.1%**, around 800 bps above last year, confirming the segment's profitability potential



# INTERMEDIATES (15.5% OF GROUP SALES IN Q2'21)

## Q2'21 KEY FIGURES

In €m	Q2'20	Q2'21	Change
<b>Sales</b>	379	371	(2.1)%
<b>EBITDA</b>	66	87	+31.8%
<b>EBITDA margin</b>	17.4%	23.5%	
<b>REBIT</b>	35	64	+82.9%

## H1'21 KEY FIGURES

In €m	H1'20	H1'21	Change
<b>Sales</b>	776	766	(1.3)%
<b>EBITDA</b>	134	162	+20.9%
<b>EBITDA margin</b>	17.3%	21.1%	
<b>REBIT</b>	70	111	+58.6%

## Q2'21 SALES DEVELOPMENT

<b>Volumes</b>	<b>+7.7%</b>
<b>Prices</b>	<b>+22.4%</b>
<b>Currency</b>	<b>(3.2)%</b>
<b>Scope</b>	<b>(29.0)%</b>

## H1'21 SALES DEVELOPMENT

<b>Volumes</b>	<b>+6.9%</b>
<b>Prices</b>	<b>+16.5%</b>
<b>Currency</b>	<b>(3.6)%</b>
<b>Scope</b>	<b>(21.1)%</b>

## HIGHLIGHTS Q2'21

- **-29.0% scope effect** related to Functional Polyolefins and PMMA divestments
- **22.4% price effect**
  - More favorable market conditions in acrylics in Asia
  - Gradual improvement in Fluorogases, particularly in the US
- **€87m EBITDA, up 31.8% YoY** despite negative scope effect
- **EBITDA margin at 23.5%**, driven notably by the acrylics chain tightness observed since the beginning of the year



# KEY FIGURES

In €m	Q2'20	<b>Q2'21</b>	Change	H1'20	<b>H1'21</b>	Change
<b>Sales</b>	1,902	<b>2,395</b>	+25.9%	3,990	<b>4,621</b>	+15.8%
<b>EBITDA</b>	286	<b>478</b>	+67.1%	586	<b>836</b>	+42.7%
Specialty Materials	233	417	+79.0%	489	723	+47.9%
Intermediates	66	87	+31.8%	134	162	+20.9%
Corporate	(13)	(26)		(37)	(49)	
<b>EBITDA margin</b>	15.0%	<b>20.0%</b>		14.7%	<b>18.1%</b>	
Specialty Materials	15.4%	20.7%		15.3%	18.8%	
Intermediates	17.4%	23.5%		17.3%	21.1%	
<b>Recurring operating income (REBIT)</b>	144	<b>345</b>	+139.6%	304	<b>568</b>	+86.8%
<b>REBIT margin</b>	7.6%	<b>14.4%</b>		7.6%	<b>12.3%</b>	
<b>Adjusted net income</b>	90	<b>267</b>	+196.7%	190	<b>426</b>	+124.2%
<b>Net debt</b> (incl. hybrid bonds)				2,134	<b>1,281</b>	

# Q2'21 AND H1'21 CASH FLOW

## Reconciliation of EBITDA to net cash flow

In €m	Q2'20	Q2'21	H1'20	H1'21
<b>EBITDA</b>	286	<b>478</b>	586	<b>836</b>
Current taxes	(29)	(68)	(55)	(117)
Cost of debt	(17)	(14)	(42)	(27)
Change in working capital and fixed assets payables <sup>1</sup>	103	(53)	(78)	(240)
Recurring capital expenditure	(78)	(93)	(157)	(165)
Others	19	(5)	17	11
<b>Recurring cash flow</b>	284	<b>245</b>	271	<b>298</b>
Exceptional capital expenditure	(44)	(64)	(57)	(117)
Non-recurring items	48	132	36	116
<b>Free cash flow</b>	288	<b>313</b>	250	<b>297</b>
Impact of portfolio management	242	912	147	896
<b>Net cash flow</b>	530	<b>1,225</b>	397	<b>1,193</b>

### H1'21 tax rate

20% of REBIT (excl. exceptional items)

### Working capital below normative level

11.9% of annualized sales at end-June 2021 (excl. PMMA)

### Non-recurring items

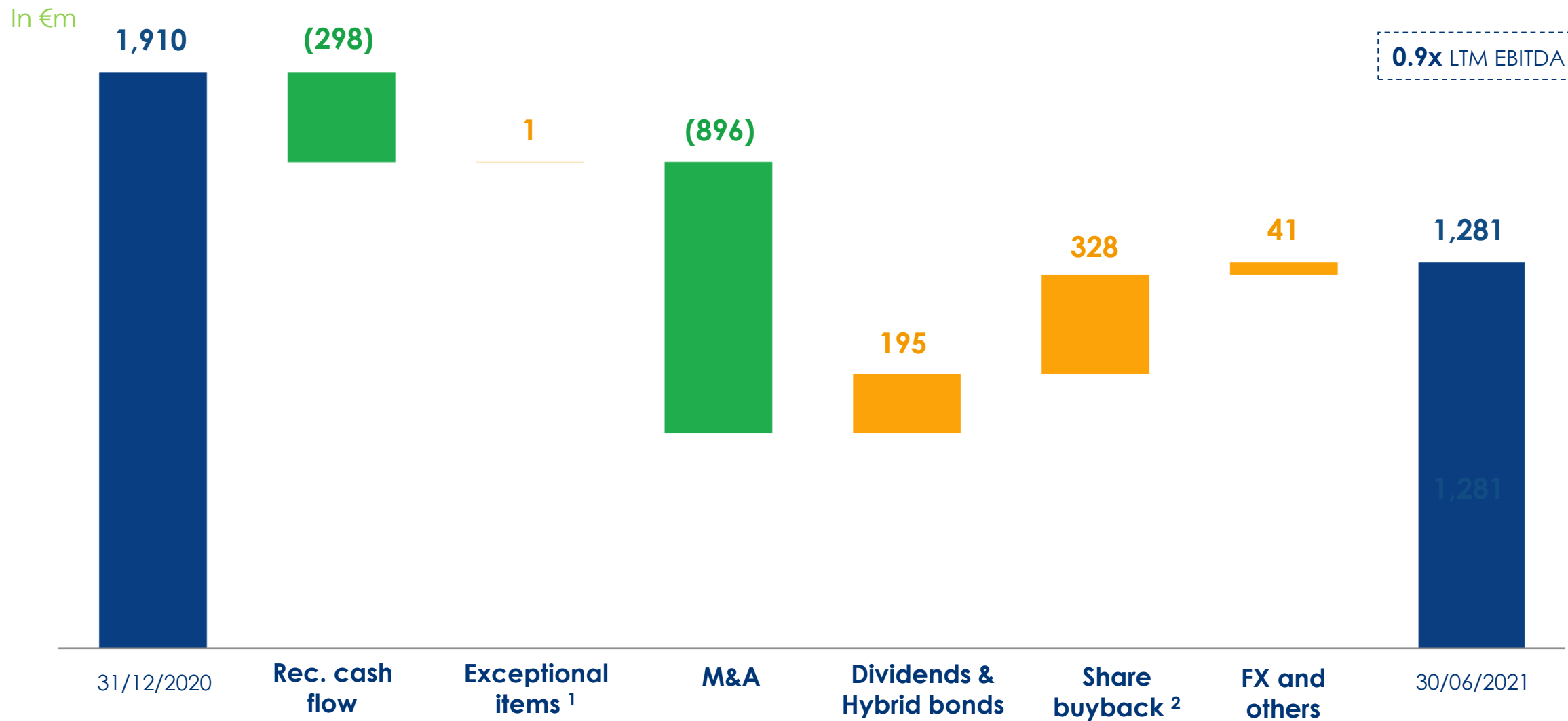
mainly corresponding to tax payables linked to PMMA disposal in 2021

### Portfolio management

includes mainly net proceeds from PMMA disposal in 2021, and from Functional Polyolefins in 2020

1. Excluding non-recurring items and impact of portfolio management

# NET DEBT EVOLUTION (INCLUDING HYBRID BONDS)



1. Includes exceptional capex and non-recurring items

2. Includes the €300m commitment relating to the share buyback program launched at the end of May 2021

# OUTLOOK

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- ▶ The positive dynamic observed in the first half is continuing, benefiting from **solid demand in most of the Group's end markets**.
- ▶ Arkema will nevertheless remain vigilant and ready to respond rapidly to the current evolution of the health crisis and the rising raw materials context, and will pursue its price increase initiatives.
- ▶ Moreover, Arkema will continue to **leverage its strong sustainable innovation dynamic** and its recent capacity expansions in order to capitalize on accelerating demand for sustainable, high-performance solutions, driven by global megatrends.
- ▶ In light of its first-half financial performance, and while remaining attentive to the macroeconomic context which remains volatile, the Group has **significantly raised its full-year guidance once again**. Excluding a systemic resumption of the health crisis, Arkema is now targeting for 2021, **around 30% growth in Specialty Materials' EBITDA relative to 2020 at constant scope and currency** <sup>(1)</sup>, versus the 20% previously announced. Group EBITDA should therefore reach **around €1.4 billion for the full year**.
- ▶ Finally, Arkema will continue to deploy its strategic roadmap, in line with its ambition to become a **pure Specialty Materials player by 2024**.

1. With the assumption of a €/€ exchange rate of 1.2 for 2021, the impact on 2020 EBITDA is estimated at a negative €30m for Specialty Materials and a negative €10m for Intermediates



# 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.

In the current context, where the Covid-19 epidemic persists across the world, and the evolution of the situation as well as the magnitude of its impacts on the global economy are highly uncertain, the retained assumptions and forward looking statements could ultimately prove inaccurate.

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, developments in the Covid-19 situation, and changes in general economic and business conditions. These risk factors are further developed in the 2020 Universal Registration 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 segment 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 2020 Universal Registration Document. As part of the analysis of its results or to define its objectives, the Group uses in particular the following indicators:

**EBITDA margin:** corresponds to EBITDA as a percentage of sales, EBITDA equaling recurring operating income (REBIT) plus recurring depreciation and amortization of tangible and intangible assets

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

**Free cash flow:** corresponds to cash flow from operations and investments excluding the impact of portfolio management

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