

# Acquisition of Bostik

A key milestone in Arkema's strategy

September 19<sup>th</sup>, 2014





# A perfect opportunity

## **Acquisition of Bostik #3 worldwide in adhesives with €1.53bn sales**

- Attractive adhesives market
- Strong leadership positions, brands and technology know-how
- Proven earning resilience
- Opportunity followed since several years

## **Full alignment with Arkema's strategy**

- Accelerate expansion in High Performance Materials
- Reinforce earning stability
- Enhance market-driven approach through long-term partnerships, unique technologies and geographical footprint

## **Strong improvement potential**

- Current margin below peers (10.3%): 14 to 15% long-term EBITDA margin target
- Well-identified synergies

## **Strong confidence in execution**

- In-depth understanding of Bostik business
- Common DNA and historical roots within Total
- Successful track-record of Arkema in turning around businesses

**A major step in building a world leader in specialty chemicals**



# Transaction highlights

## Bostik key figures (2014e)

- €1.53bn sales
- €158m EBITDA and 10.3% EBITDA margin
- Capex: 3% of sales

## Value creation

- Cash accretion from first full year; EPS accretive from 2<sup>nd</sup> year
- Acceleration of Bostik growth with strong margin improvement planned
- Well-identified synergies
- +30% EBITDA in next 3 years not taking into account development synergies on Arkema current business

## Consideration

- €1.74 bn transaction enterprise value implying a multiple of 11x 2014e EBITDA
- 100% cash consideration

## Financing structure

- €1.5bn bridge financing fully underwritten to be refinanced via a mix of equity raising via a rights issue (~€350m), hybrid issuance (~€600m to €700m) and bond issuance (~€500m to €600m)
- In line with Arkema's objective to maintain current credit rating
- Target to go back to 40% gearing in next 3 years

## Conditions

- Closing subject to clearance by relevant antitrust authorities and information/consultation of work councils

## Dividend

- Pursue current dividend policy: "target 30% payout ratio\* and aim not to reduce the amount of dividend per share"



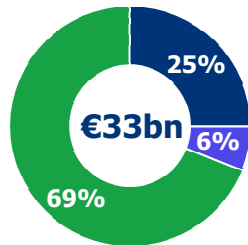
# Bostik at a glance

# Direct exposure to the attractive adhesives market

## Demand by end-market\*

### Industries

- Tapes & labels
- Transport
- Non-woven
- Electronics
- New energies
- Structural bonding



### Construction

- Floor
- Tiles
- Sealants

### Consumer



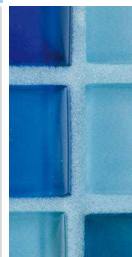
## Growth above GDP

- Replacement of traditional fastening solutions
- Superior growth of non-woven
- Construction outlook recovery
- Leaders benefit from accretive bolt-on acquisition opportunities in a still fragmented market



## High barriers to entry

- Highly innovative market where technology and experience are key
- Brand power and customer centric business

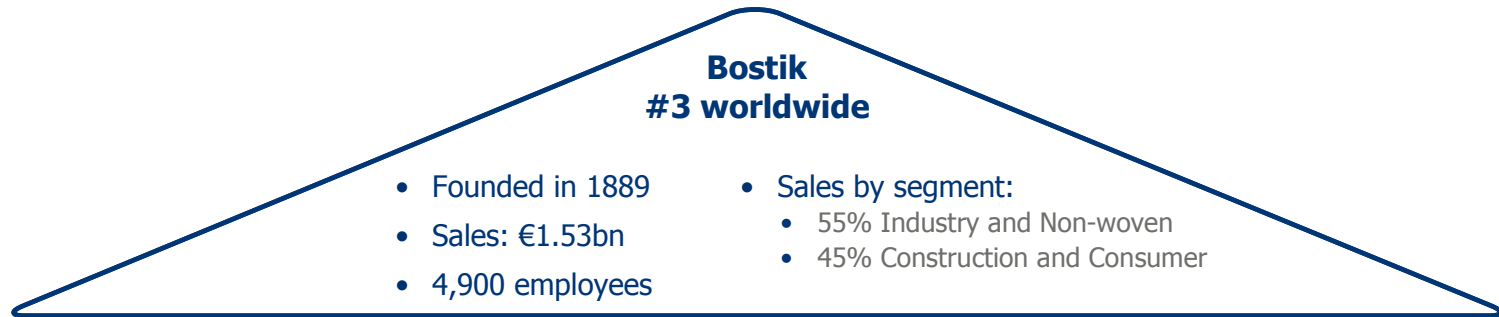


## Exposure to multiple mega-trends

- Demographics and increasing wealth
- Energy efficiency
- Lightweight materials
- New energies



# Leading positions in diverse end-markets



	Non-woven	Industry	Construction	Consumer
<b>Business model</b>	Global	Regional	Local	
<b>Bostik positioning</b>	<ul style="list-style-type: none"> <li>• <b>#2 worldwide</b></li> <li>• <b>#1 for specialties</b></li> <li>• Few players</li> <li>• Bostik, a technology leader</li> </ul>	<ul style="list-style-type: none"> <li>• <b>#3-4 worldwide</b></li> <li>• Strong and growing niche technology</li> </ul>	<ul style="list-style-type: none"> <li>• <b>#3 worldwide</b></li> <li>• Strong positions in growth regions including Brazil, China, South Eastern Asia</li> <li>• Leading brands</li> <li>• Potential for further consolidation</li> </ul>	
<b>Key competitors</b>	<div style="background-color: #a6a6a6; padding: 5px; margin-bottom: 5px;">Henkel</div> <div style="background-color: #90ee90; padding: 5px; margin-bottom: 5px; width: 50%; margin-left: 20%;">HB Fuller</div> <div style="background-color: #add8e6; padding: 5px; margin-bottom: 5px; width: 60%; margin-left: 30%;">Sika</div>			

# A global reach with strong exposure to emerging geographies

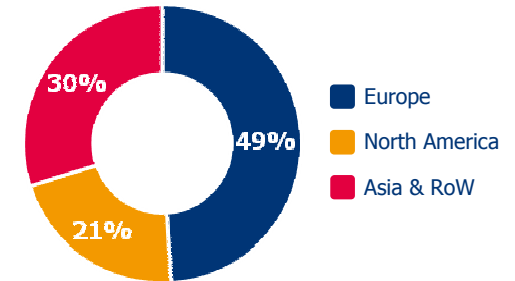


45 sites\*    40 countries    3 regional R&D centers

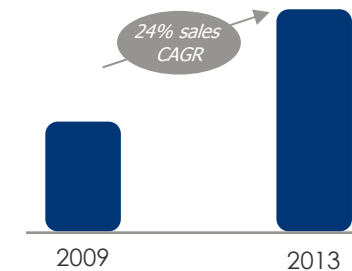
Global footprint (number of sites by country)



Sales by region



Increasing penetration in high growth regions\*\*



\* As at end of 2013, of which 6 are in France

\*\* High growth regions include Eastern Europe, Middle East, Latin America and Asia

Project subject to the authorization of the relevant antitrust authorities and information/consultation of work councils

# High technology content and powerful brands

## High technology content (B2B)

Focus on 3 leading technologies... ...with specialized applications



## Powerful brands with high client loyalty (B2C)

- Highly recognized brands
- Stepping-up of Bostik® as a global brand worldwide



- Complementary strengths of local brands in construction and consumer





# Innovation focused business

- R&D spending significantly raised since 2010
- Over 10% of sales from products less than 3 years old
- Implementing several leading R&D centers: Milwaukee, Shanghai, etc.
- Opening of a R&D global center in Compiègne in Q4 2014 (4,300 sqm and 150 employee capacity)

## High-potential projects

Thin core diapers



Reactive PSA



Fire retardant films



Aerospace components

## Strong innovation pipeline

Water-based contact adhesives



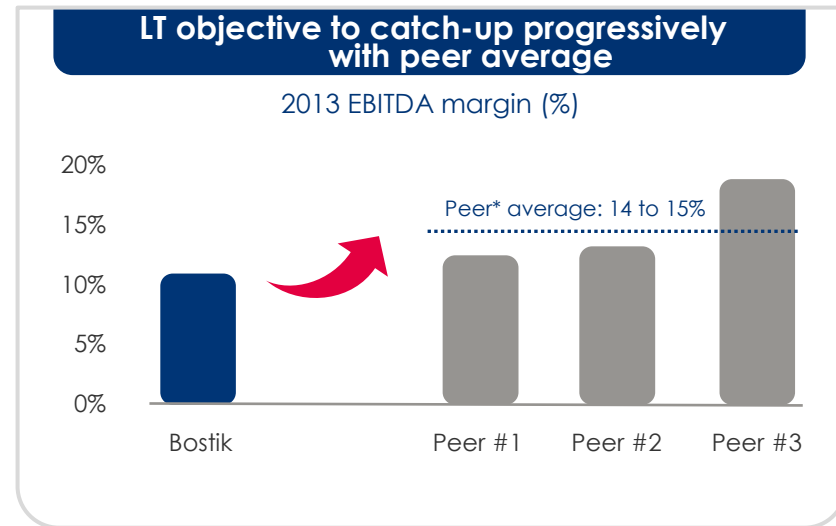
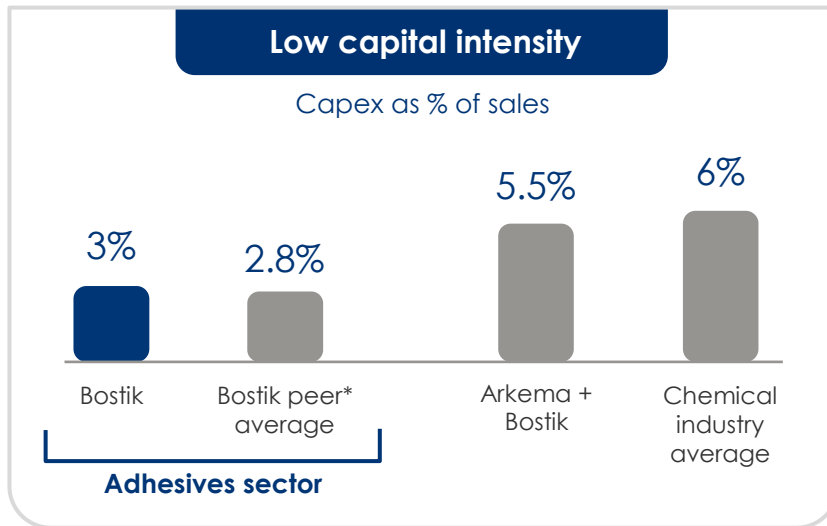
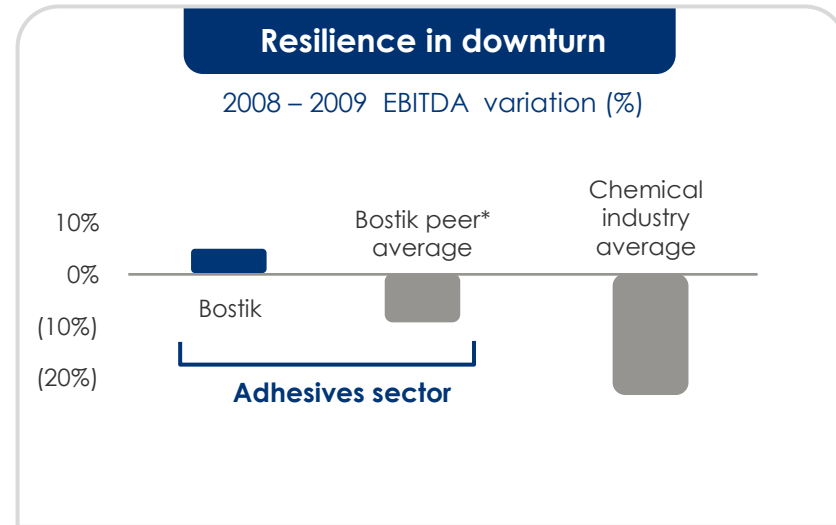
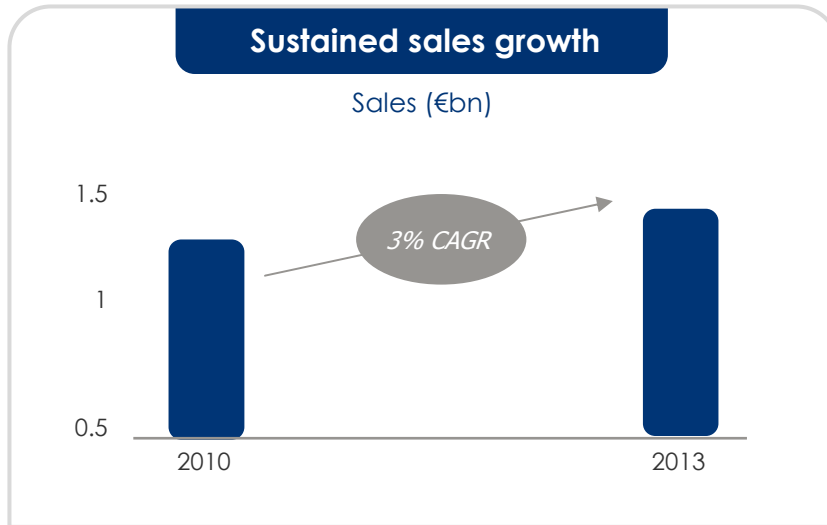
Elastic bonding for diapers



Adhesives for abrasive layers



# Proven financial resilience with significant upside potential

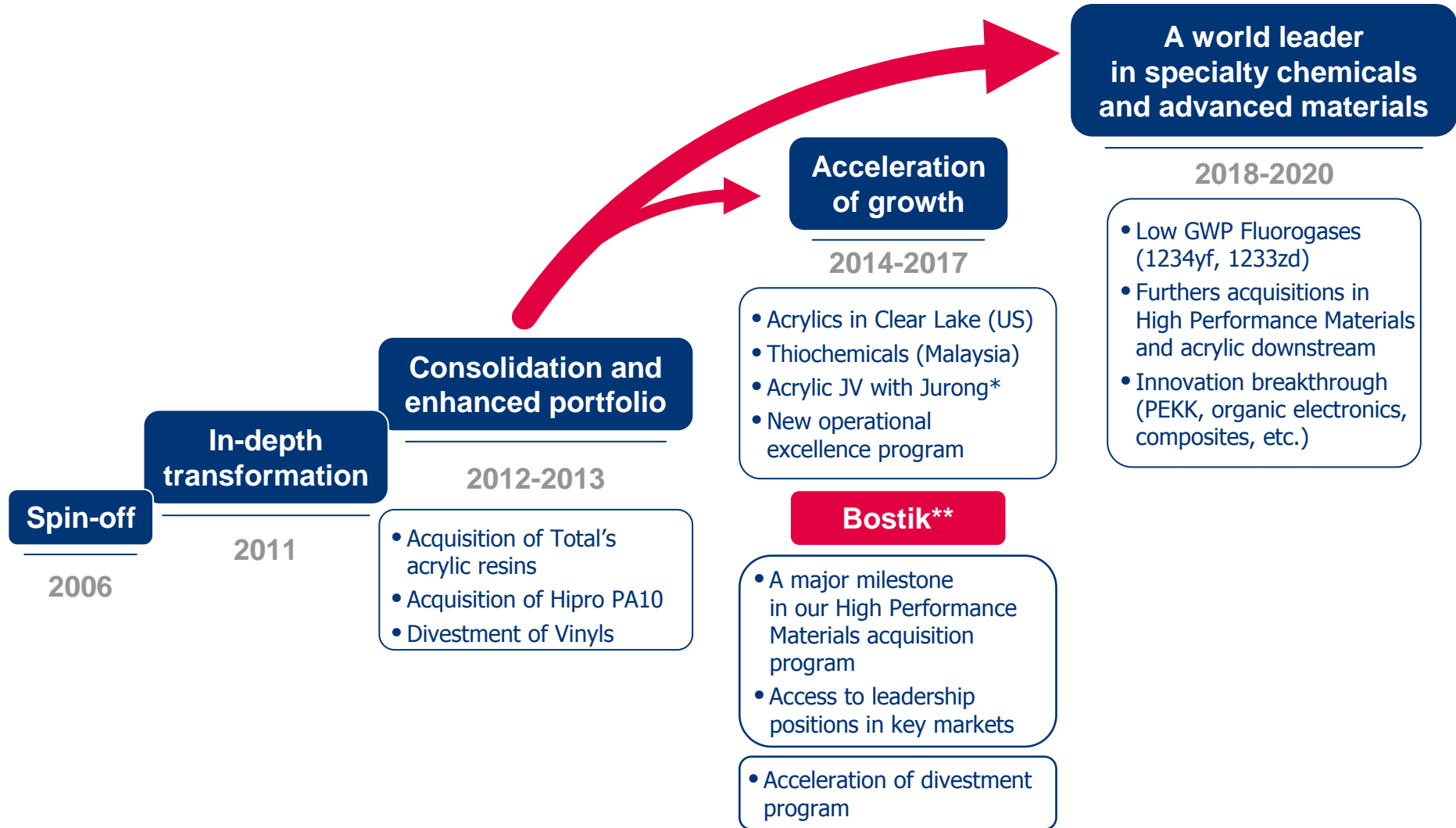




# Acquisition strategic rationale



# Bostik, a new major milestone in Arkema's transformation



# Excellent strategic fit with Arkema



## Leadership positions

- #3 worldwide in adhesives
- Strong leadership in several growing technologies



## Global reach with increasing exposure to high-growth markets

- Global and balanced manufacturing footprint
- 24% CAGR sales growth in Asia and Latin America vs. 2009



## Unique portfolio of technologies supporting growth in mega-trends

- 3 strong technology platforms
- Growing pipeline of new and innovative products



## Customer intimacy

- Strong partnership to both global and local customers
- High brand recognition and loyalty



## Operational excellence

- Low capital intensity
- Significant margin improvement potential



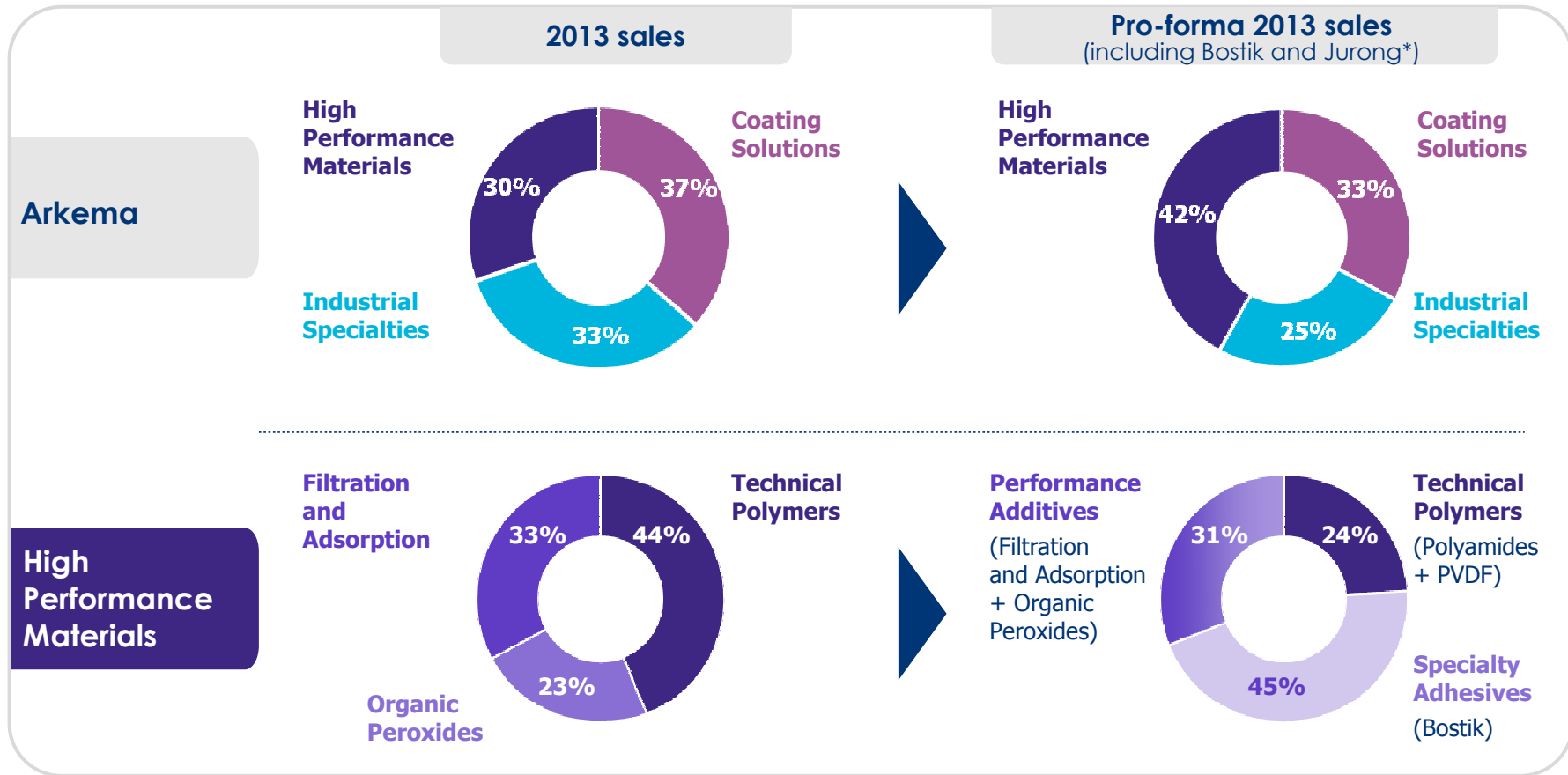
## Entrepreneurial culture

- Good combination of global and local organizations with recognized reactivity



**A unique combination of a specialty chemical player and an adhesive formulator**

# Enhance Arkema's development into a leader in specialty chemicals



**Enlarged High Performance Materials segment with innovative and high value solutions**

\* Base case: acquisition of 320 kt subject to the authorization of the relevant authorities in China and to several administrative formalities

Project subject to the authorization of the relevant antitrust authorities and information/consultation of work councils

# Reinforce scope of Arkema's leadership positions



POSITION		% SALES
#1	Specialty polyamides	13%
#1	PVDF	
#1	Thiochemicals	9%
#2	Organic peroxides	4%
#2	Fluorogases	9%
#2	PMMA	11%
#3	Hydrogen peroxide	4%
#3*	Acrylics	15%
#3	Coatings	22%

■ High Performance Materials    
 ■ Industrial Specialties    
 ■ Coating Solutions



~90% of consolidated sales from leadership positions

15 | Note: All figures based on 2013 sales  
 \* After acquisition of 1<sup>st</sup> line of 160 kt from Jurong in China  
 Project subject to the authorization of the relevant antitrust authorities and information/consultation of work councils



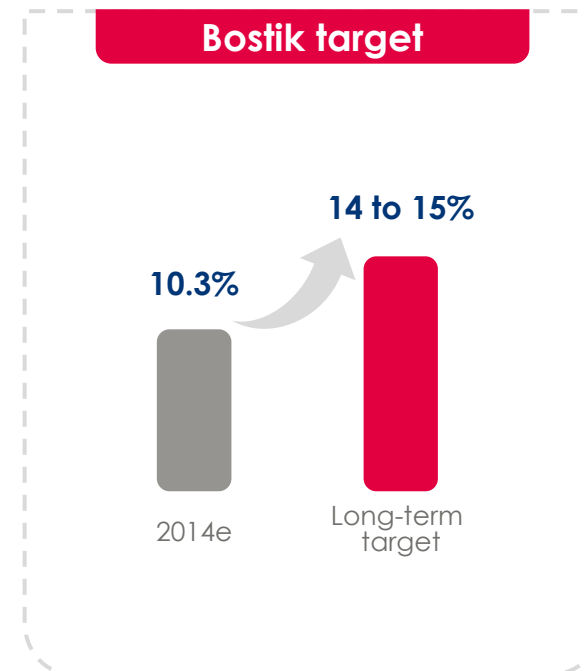
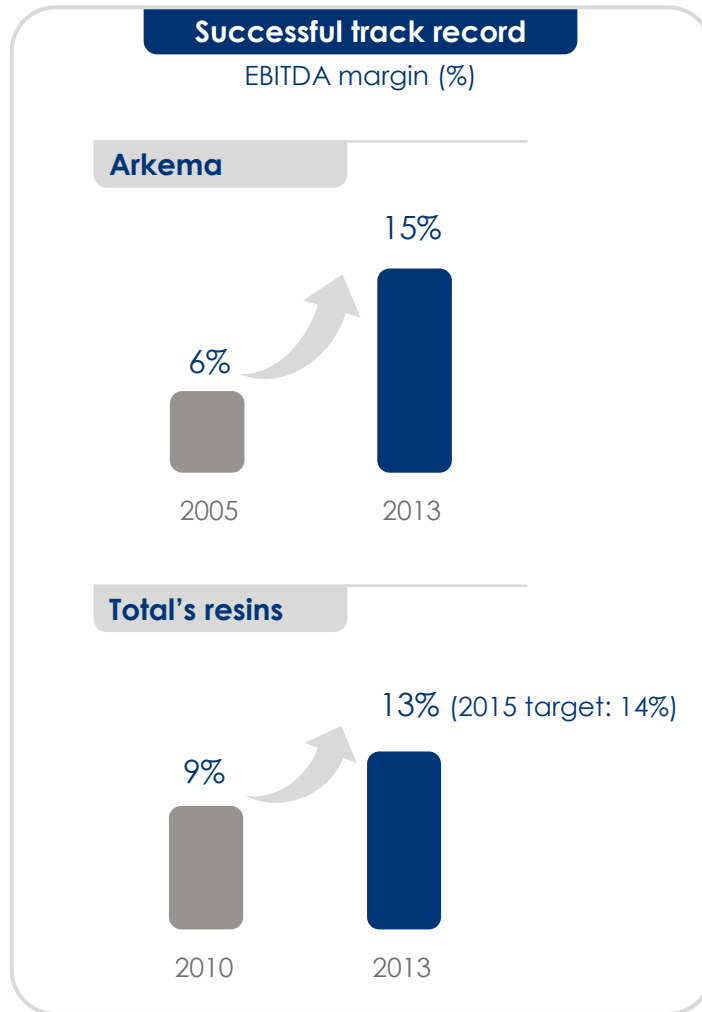


## Two businesses with strong ties facilitating execution

- **Similar DNA facilitating integration and increasing comfort on execution**
- **Shared values and high mutual respect**
- **Common historical roots**
  - Arkema and Bostik are former subsidiaries of Total chemicals
  - Arkema management is familiar with Bostik and has a strong understanding of Bostik business
  - Similar focus on specialty applications
- **Strong culture of innovation for Arkema and Bostik**
- **Shared willingness to implement operational excellence**
- **New Bostik management team has been implementing a new strategic vision fully endorsed and shared by Arkema**



# A successful track record of Arkema to turn around businesses





# A clear roadmap to deliver value

## +30% EBITDA at Bostik level over next 3 years

### Accelerate operational improvements recently implemented at Bostik

- **Increased presence in emerging markets with new plants started in China, Vietnam, India, Egypt**
- **Recent acquisitions in US and Brazil**
- **Launch of a new logo Bostik® smart adhesives**
- **Reinforce innovation investments to support future growth** (openings of R&D centers in Shanghai and Compiègne (France))

### Well-identified cost synergies

- **G&A, raw material purchasing, G&S procurement, logistics**
- **Operational excellence (energy savings, yield management, etc.)**

## Valuable commercial synergies for both companies\*

- **A unique combination of a formulator and a specialty chemical player**
- **Common fields of growth from exposure to mega-trends (composites, new energies, etc.)**
- **Diversification of geographical base**
- **Acceleration in emerging markets**



# A funding strategy designed to maintain a sound financial profile

- **Objective to maintain current rating level**
- **Gearing target of 40% by 2017**
- **€1.5bn bridge financing fully underwritten\* in place refinanced via:**
  - €350m rights issue
  - €600m to €700m hybrid issue
  - €500m to €600m senior bond issuance
  - Operations to be realized in coming months subject to necessary authorizations

# A more efficient group portfolio optimization

2017 targets	2012 Investor Day plan	Already achieved	Additional projects	Updated plan
Acquisitions	+ €160m EBITDA	Jurong's acrylic assets in China*	Acquisition of Bostik	+ €230m EBITDA
Divestments	€(20)m EBITDA	<p>€200m sales already divested</p> <ul style="list-style-type: none"> <li>• Tin stabilizers</li> <li>• Coating resins in South Africa</li> </ul> <p>€200m sales remaining</p>	<p>Acceleration of divestment program</p> <ul style="list-style-type: none"> <li>• €500m additional sales to be divested</li> <li>• Small "non-core" businesses</li> </ul>	€(60)m EBITDA
Net M&A	+ €140m EBITDA			+ €170m EBITDA
				+€30m

**Target €1,310m EBITDA in 2017 and confirm long-term targets**



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