ARKEMA

# Thierry Le Hénaff

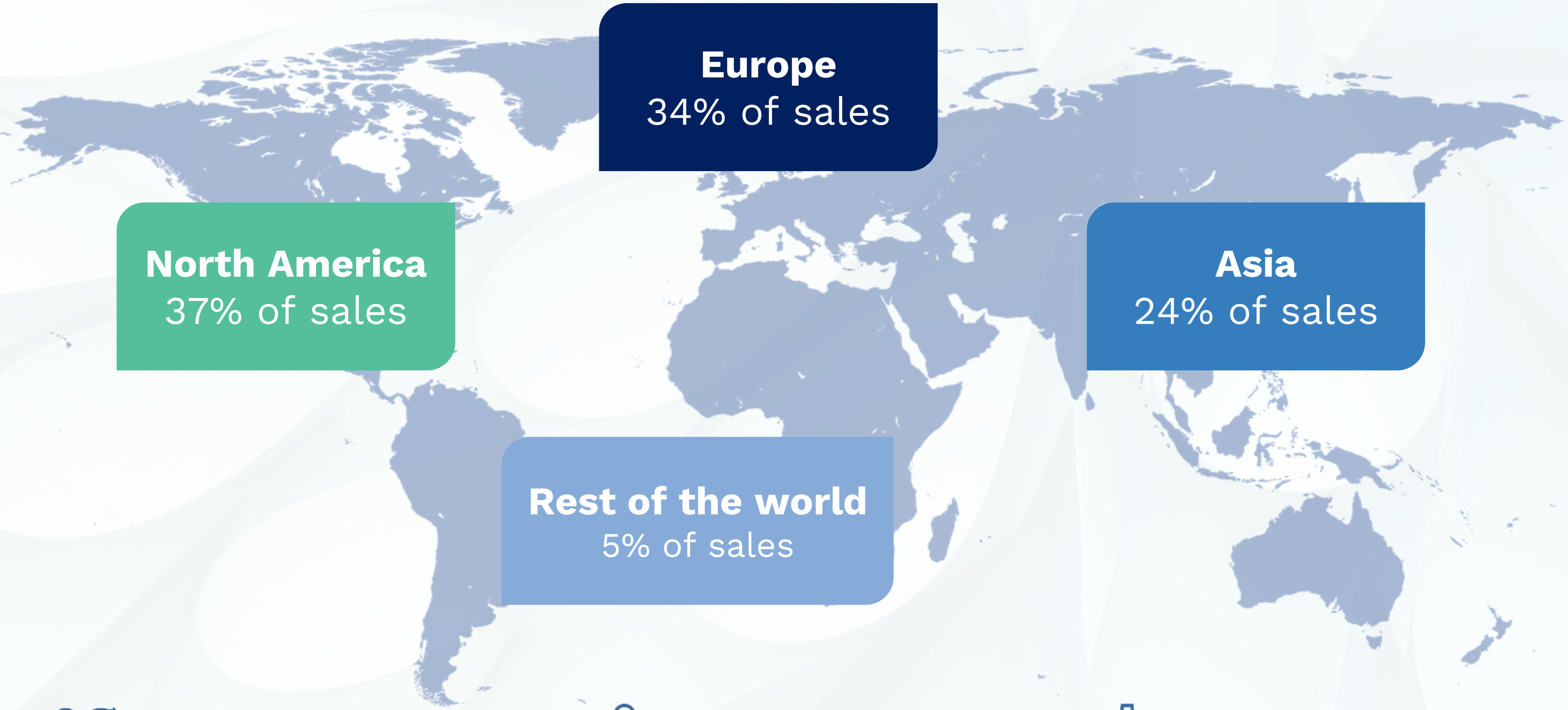
## Chairman and CEO

MORGAN STANLEY
CHEMICALS CANNONBALL RUN 2024

26 June 2024 – Paris, France

# Arkema in a snapshot

# Arkema in a snapshot (2023)




**21,100** employees

**55** countries

**151** production sites

**€9.5bn**
sales

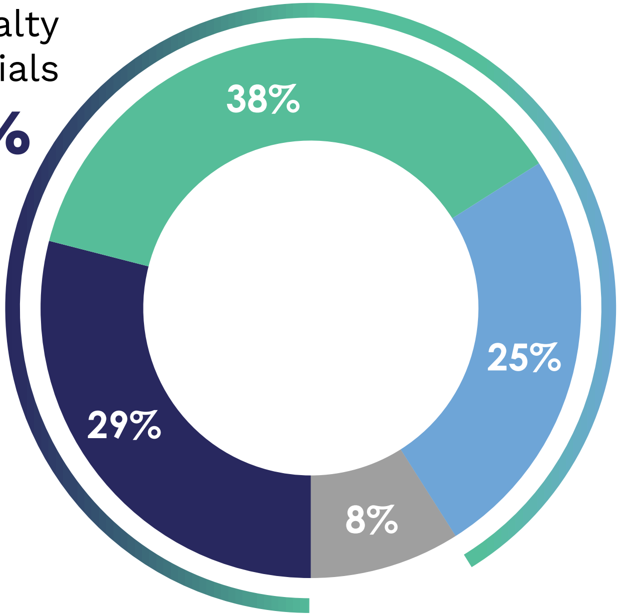
**€275m**
R&D expenditure

**€634m**
total capex

# 3 coherent Specialty Materials segments serving attractive markets

## Segments

Specialty Materials
**92%**




Adhesive Solutions
Coating Solutions
Advanced Materials
Intermediates

2023 sales

**31%**
Building & construction

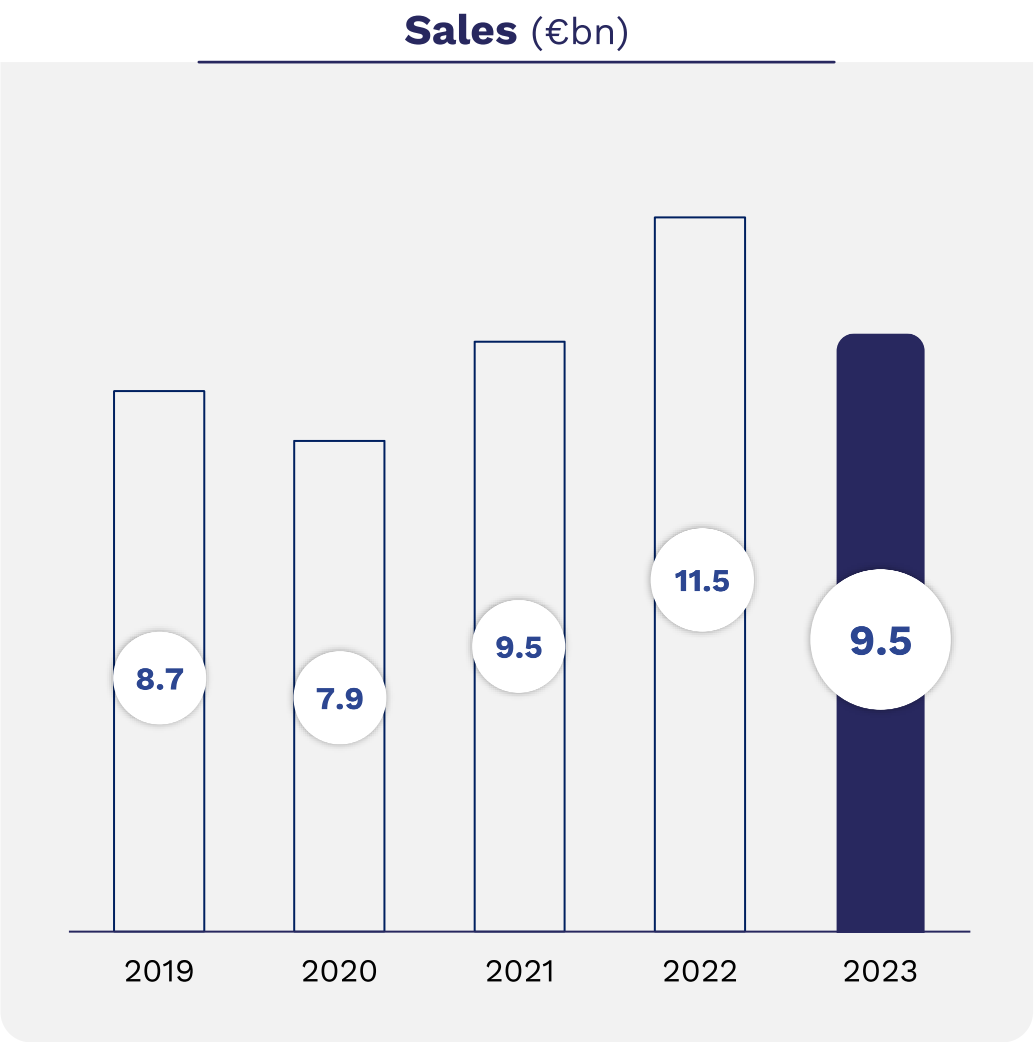
**27%**
General industry

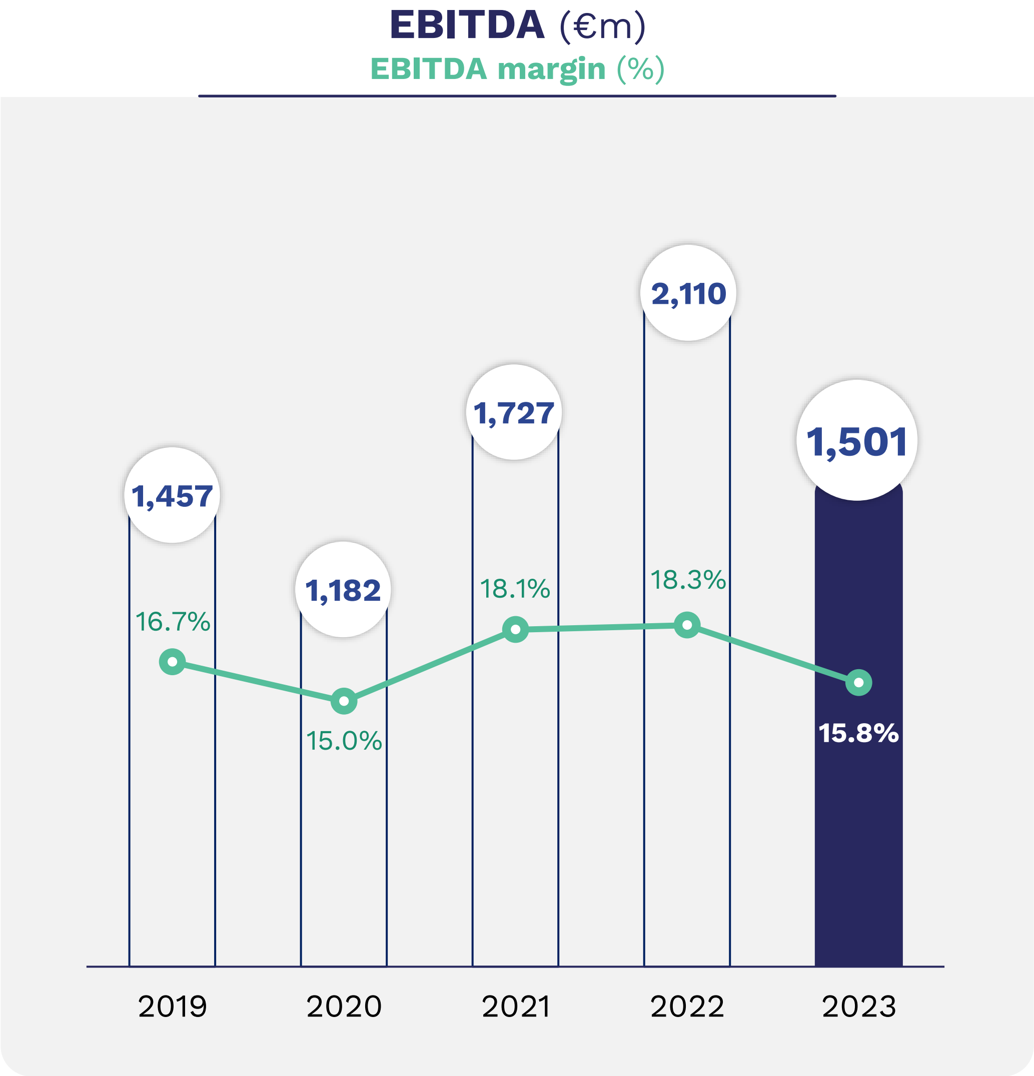
**19%**
Consumer goods & electronics

**12%**
Water, health & nutrition

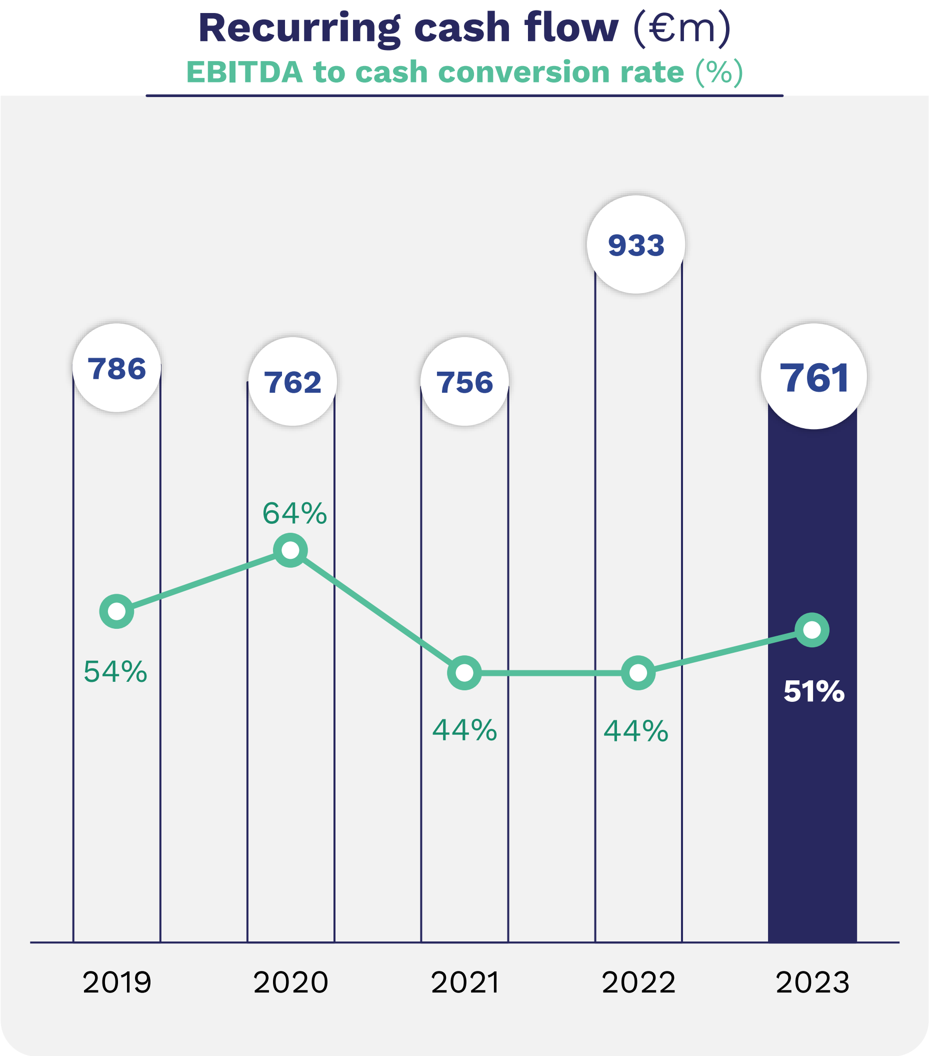
**11%**
Transportation & energy

# A solid financial performance in 2023 in a demanding context



# Excellent cash generation




## EBITDA to cash conversion rate

**50.7%** in 2023

above the target of 40%

## Strict working capital management

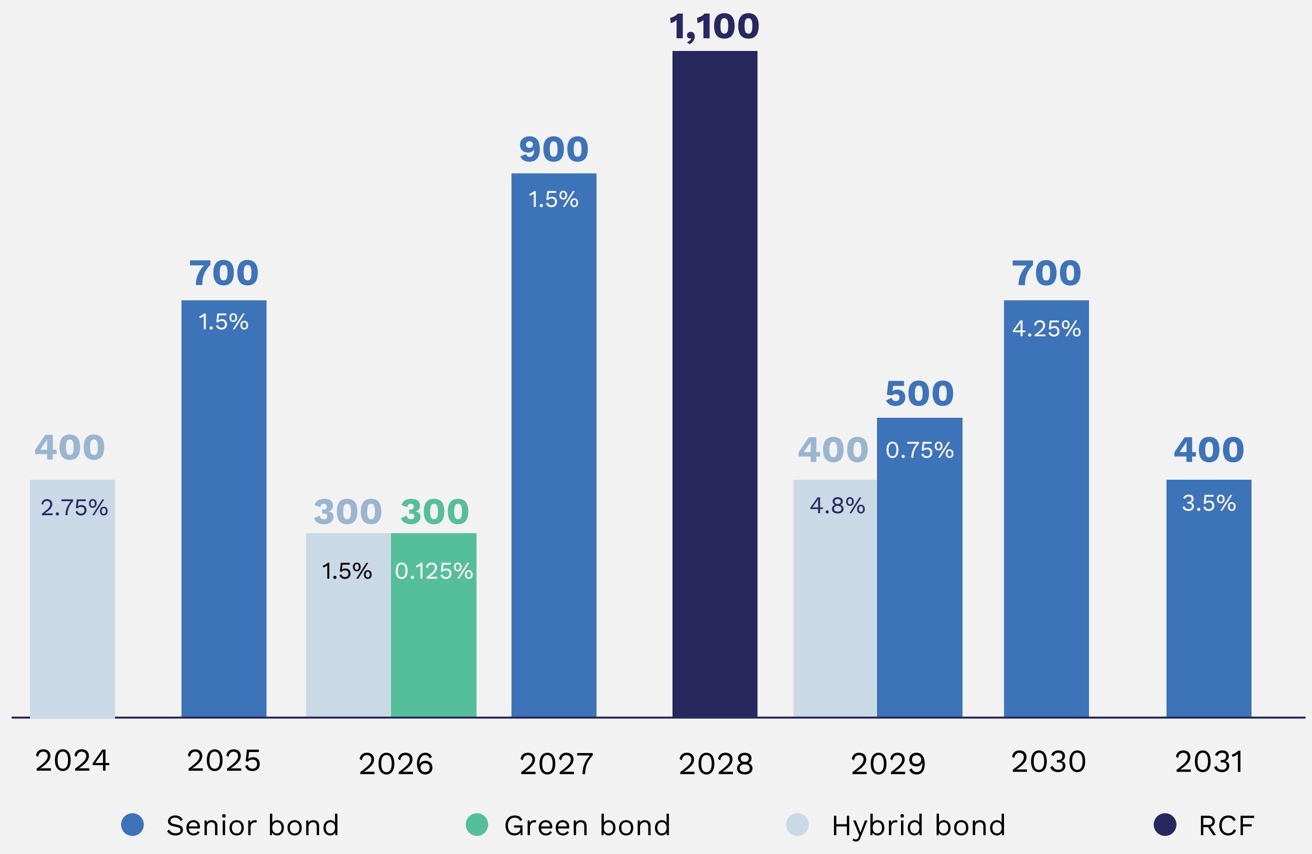
**13.1%** of sales at end December 2023 (excluding PIAM)

## Capital expenditure under control

**€634m** in 2023

# Debt successfully refinanced in 2023 and early 2024

**Debt maturity schedule** (€m)




- **Refinancing** of the **€1,100m** senior bond in 2023 and of the **€400m** hybrid bond in March 2024
- **Average maturity** (excluding hybrids) **4 years** (at end-Q1 2024)
- **RCF**
  **3 CSR criteria** taken into account in the Group's objectives
- **Solid financial rating**
  **Baa1** stable outlook (Moody's)
  **BBB+** positive outlook (S&P)

# Delivering 1.5°C trajectory by 2030, paving the way for Net-Zero in 2050

## GHG emissions

**2030 targets** (*vs* 2019)

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

**-48.5%** for Scopes 1 & 2

**-39%** in 2023 *vs* 2019

**-54%** for Scope 3

**-53%** in 2023 *vs* 2019

## Net energy purchases

**2030 targets** (*vs* 2012)

**- 25%**

**- 9%** in 2023 *vs* 2012

# CSR achievements recognized by non-financial rating agencies

CDP DISCLOSURE INSIGHT ACTION

**Improved to A-**
for Climate change

**B** for Water security

**IMPROVED RATING**

Rated
MORNINGSTAR | SUSTAINALYTICS

Inclusion in the
**CAC® SBT 1.5°**
Index created in 2023

Maintained in
**CAC 40® ESG**

ecovadis

Among **top 4%** of the sector

ISS ESG

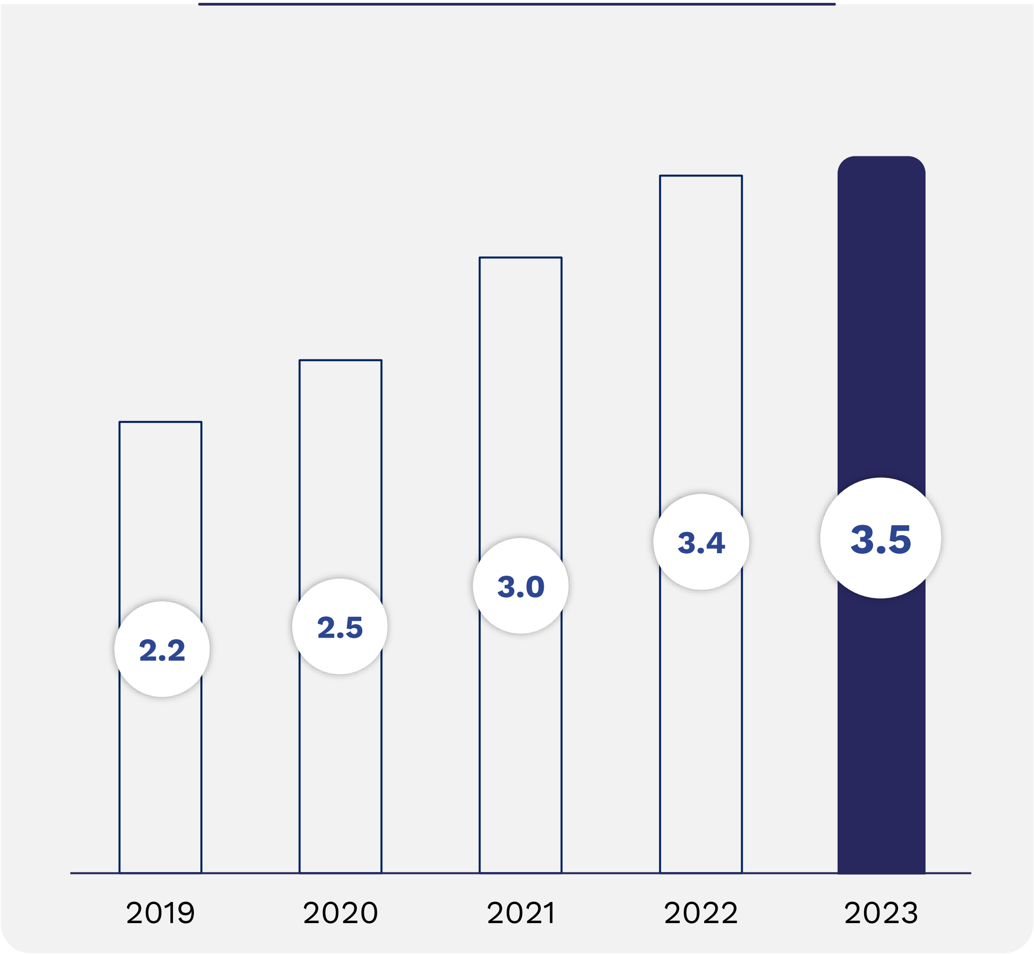
**1st decile** (global)

MSCI

Rating **A**

# A steadily growing dividend

**Dividend**[1] (in €/share)




1. Dividend per fiscal year

Payout ratio of **40%** for fiscal year 2023

—

**+ 12% on average per year** over 2019-23 period

—

In line with the Group's ambition to **progressively increase the dividend**

# Strategy and ambition

# Our vision is shaped by the accelerating demand for high-performance materials

A **SIGNATURE**

FOR A **VISION**

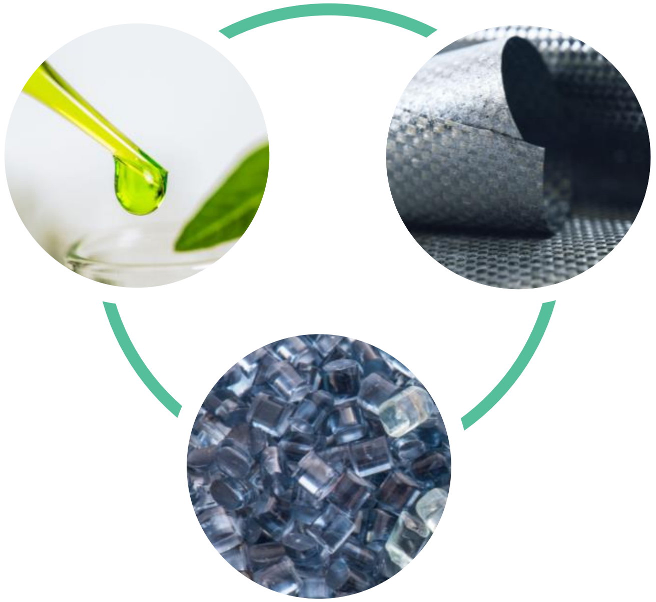
INNOVATIVE
**MATERIALS**
FOR A SUSTAINABLE
WORLD

"Be the Specialty Materials leader, **offering the most innovative and sustainable solutions** to address our customers' current and future challenges"

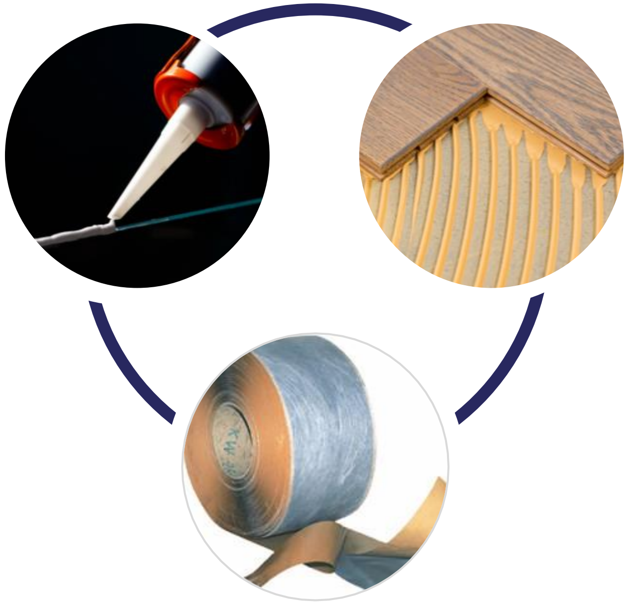
# Our know-how is centered on materials science

## **3 unique and complementary capabilities**
to seize opportunities from global megatrends

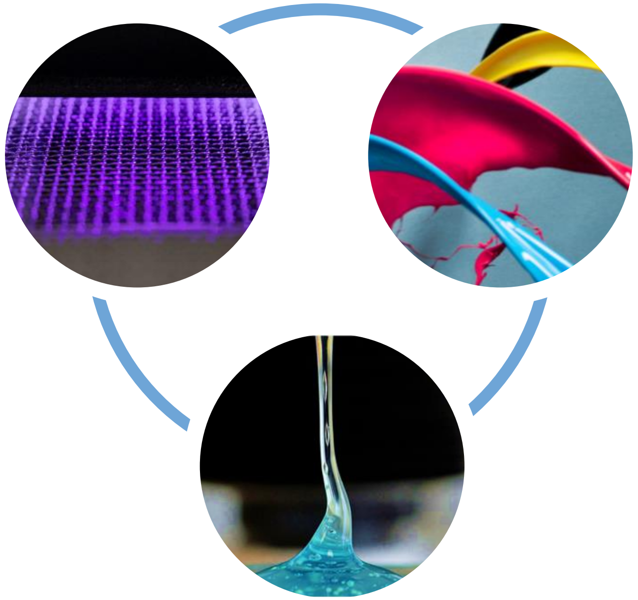
### Creating and strengthening materials



### Bonding and assembling materials



### Protecting and modifying materials



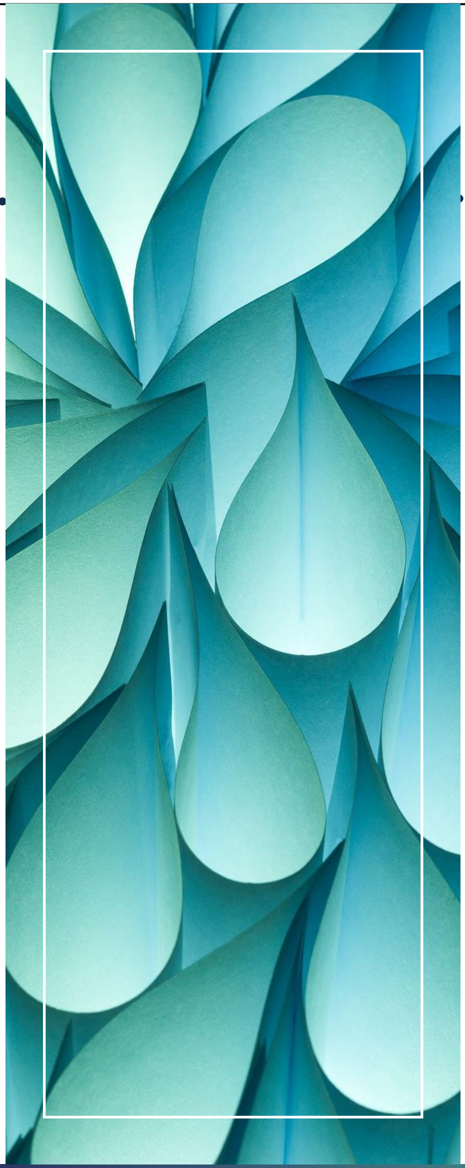
# Our strategy underpins ambitious financial objectives

## 2028

**c. €12bn** — **Sales**

**c. 18%** — **EBITDA margin**

**Sales +4%/y**
**EBITDA +7-8%/y** — **Organic CAGR** over 2024-28



## Strict financial discipline

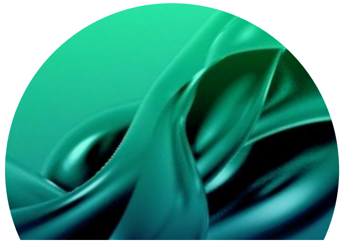
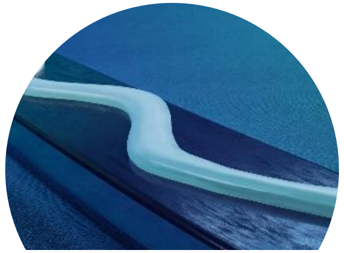
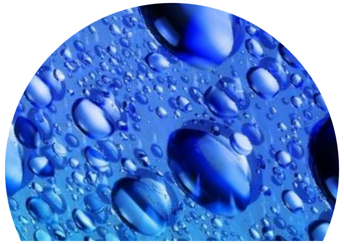
- Net debt to EBITDA **≤2**
  Solid investment grade rating
- Operating cash conversion rate[1] **~70%**
- ROCE **~10%**

Forecasts defined in normalized macroeconomic and market conditions

1. Free cash flow before capex (intangible assets and property, plant and equipment additions) divided by EBITDA

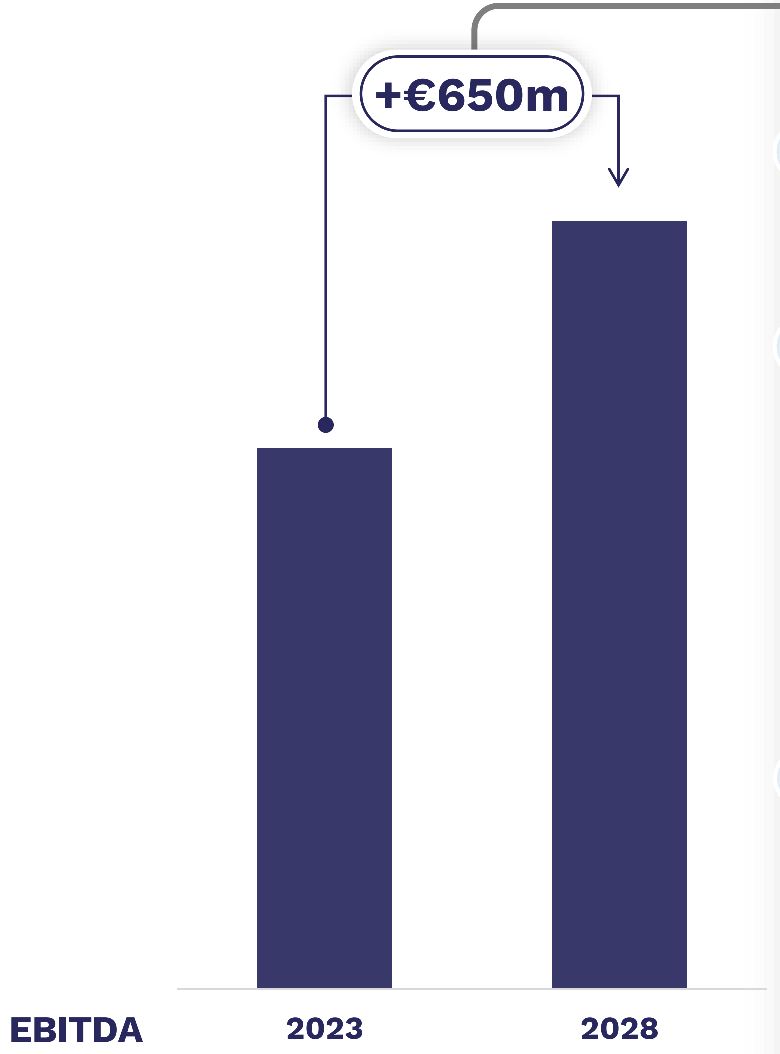
# Each segment has aligned its targets with the Group objectives

Forecasts defined in normalized macroeconomic and market conditions

| | Advanced Materials | Adhesive Solutions | Coating Solutions |
|---|---|---|---|
| **% of Group sales in 2028** | c. **45%** | c. **30%** | c. **25%** |
| **Organic sales CAGR over 2024-28** | **+6%**/y | **+3.5%**/y | **+3%**/y |
| **2028 EBITDA margin target** | **23%** | **17%** | **17%** |

# EBITDA growth is driven by well identified levers




Forecasts defined in normalized macroeconomic and market conditions

**+€350m** from **major capex** focused on superior growth markets

**+€300m** from ongoing **organic growth** combining:

- **c. €500m** from increased volumes, pricing and product mix, including recovery from 2023 destocking
- **c. -€200m** from inflation net of the €250m savings plan

Neutral scope effect with **PIAM** acquisition and further **bolt-ons** offset by **disposal of intermediates**

Cumulative EBITDA 2024-28

**~€10bn**

**-30%**

for tax, interest expense, working capital variation and others

**70%**

Operating cash flow[1]

**c. €7bn**

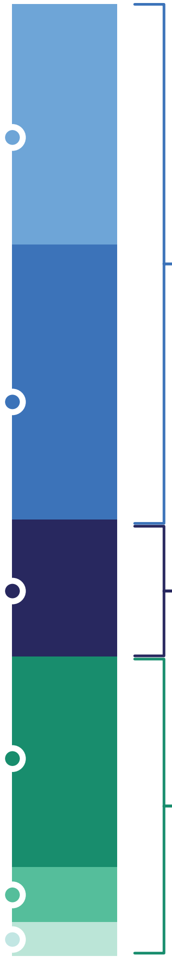
1. Free cash flow before capex (intangible assets and property, plant and equipment additions)

# Capital allocation will be value driven and attractive for our shareholders

## Operating cash flow over 2024-28 period

**c. €7bn**

Allocated to:



Maintenance and regulatory **capex**

Growth **capex**

**Net M&A** (divestment proceeds reinvested in M&A)

**Dividend** (**c. 40%** payout ratio over 2024-28)

Opportunistic **share buybacks**

**Employee** shareholder program

**~55%** **Capex**

**~15%** **Net M&A**

**~30%** **Return to shareholders**

Around **+15%** *vs* last 5y period (2019-23) to reflect inflation, decarbonization and increased focus on batteries

**Half** of 2019-23 period

**+30%** *vs* 2019-23 period

Forecasts defined in normalized macroeconomic and market conditions

# We place sustainability at the heart of our strategy

Leverage the strength of **One Arkema** to enhance employee **empowerment** and **customer intimacy**

Achieve superior growth from **sustainable innovation** in key technologies and focus markets

Ramp-up **recent major capex** and carry out **new** targeted **high-return projects**

Further strengthen the portfolio with **bolt-on M&A** and finalize the divestment of **Intermediates**

Drive our manufacturing excellence including a strong focus on **decarbonization** and **digitalization**

# We identified 5 key submarkets with superior growth driven by sustainable megatrends

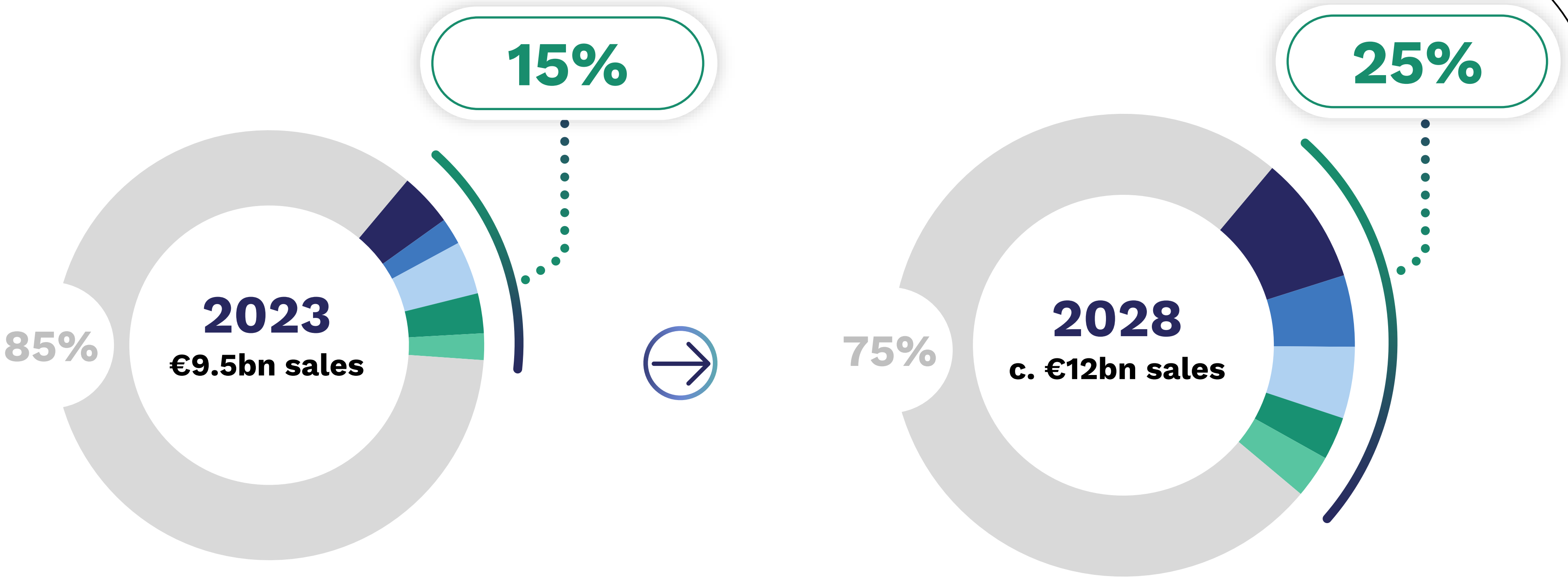
| Our end-markets | Selected submarkets with outstanding growth |
| --- | --- |
| Transportation and energy |  **Green energy and electric mobility** |
| Consumer goods and electronics |  **Advanced electronics**<br> **Sustainable lifestyle** |
| Building and construction |  **Efficient buildings and homes** |
| Water, health and nutrition |  **Water filtration, medical devices and crop nutrition** |

**+8%/y** — **+12%/y** — **+16%/y** — **Arkema planned CAGR over 2024-28**

# With these differentiated technologies, we are uniquely positioned to serve the key identified submarkets

| | Advanced Materials | | | Adhesive Solutions | | | | Coating Solutions | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | High-performance polymers | Fluorospecialties | Niche performance additives | Pressure sensitive | Engineering and thermal | Specialty hot melts | High-performance sealants | UV curing | Waterborne | Rheology additives | Powders |
|  **Green energy and electric mobility** | ● | ● | ● | ● | ● | | | ● | ● | ● | ● |
|  **Advanced electronics** | ● | ● | | | ● | | | ● | | | |
|  **Sustainable lifestyle** | ● | | | | ● | ● | | ● | | | |
|  **Efficient buildings and homes** | | ● | | ● | ● | | ● | | ● | ● | ● |
|  **Water filtration, medical devices and crop nutrition** | ● | | ● | ● | | | | ● | | | |

# This combination of technologies x submarkets will accelerate our growth




**3x** higher organic sales CAGR than Group's average
**Over 50%** of Arkema R&D spendings

- Green energy & electric mobility
- Advanced electronics
- Efficient buildings and homes
- Sustainable lifestyle
- Water filtration, medical devices & crop nutrition

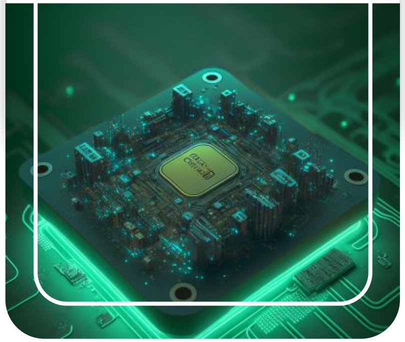
Forecasts defined in normalized macroeconomic and market conditions

# Recent capex supporting Arkema's ambition

## PVDF

**Expansions**
(China, France)

*Batteries, semicon*



## UV curing resins

**Doubling capacity**
(China)

*New energies, electronics, 3D printing*

## Bio-based PA11

**New units**
(Singapore, China)

*Consumer goods, sustainable lifestyle, mobility*

## Pebax®

**Expansion**
(France)

*Consumer goods, sustainable lifestyle*

## Fluorospecialties

**HF** with Nutrien (US)

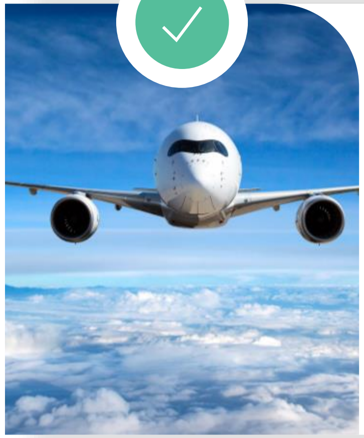
**HFO 1233zd** (US)

*Energy efficiency, batteries*

**Startup** — **2023** — **2024**

| EBITDA contribution | | | |
|---|---|---|---|
| | in 2028 | **c. €250m** | *vs* 2023 |
| | in 2024 | **c. +€60-70m** | *vs* 2023 |

# New attractive capex initiatives will be implemented

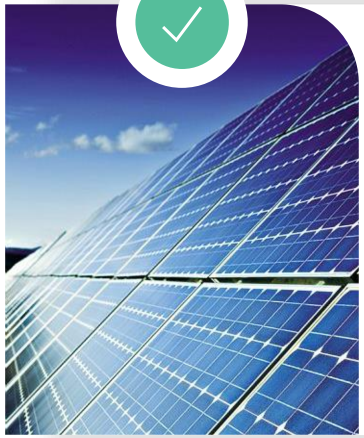


## Additive for biofuels

**DMDS** capacity in Beaumont, US. Essential additive in **biofuel** production


## Decarbonization of acrylics production

Manufacturing process modification at Carling, France. Patented purification technology **to decarbonize** and improve **competitiveness**



## Niche additive for renewable energy

Expansion in Changshu, China. **"Mission critical" additive** for multiple applications including solar panels

## Solutions for batteries

Significant **PVDF** investment and new **electrolyte salts** unit to support strong global growth of **EV batteries** with a focus on the US (Calvert City)

## Bio PA11 value chain

Continue to leverage the **Amino 11** backbone by investing in high-end **bio-based polymers** including transparent and recycled grades

Preliminary estimate of capex
(announced in CMD 2023 or under review)

**€900m - €1bn**

Annual EBITDA contribution at maturity

**c. +€250m**

(c. +€100m in 2028 *vs* 2023)

Announced in CMD 2023 — Review ongoing

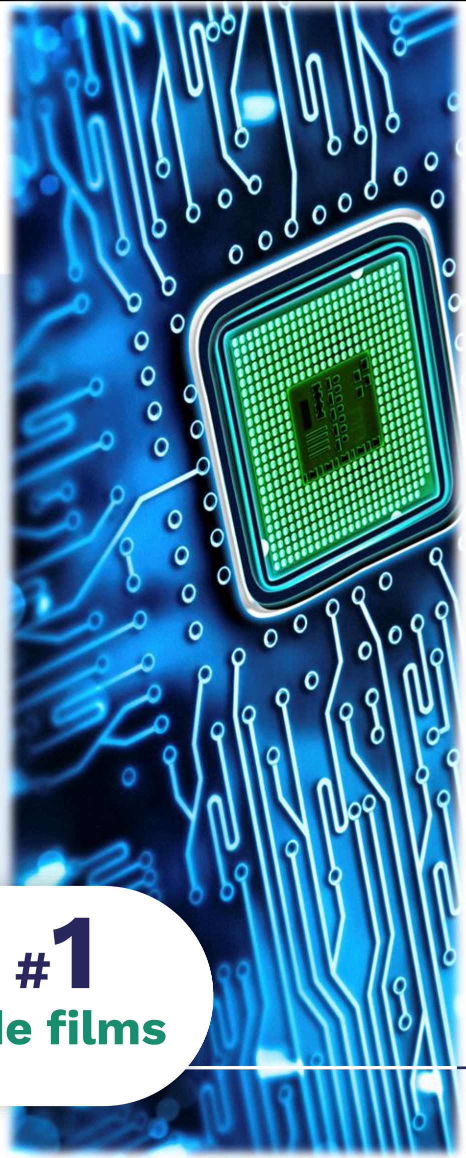
Forecasts defined in normalized macroeconomic and market conditions

# PIAM acquisition[1] closed in December offering superior growth potential in attractive markets

## PI Advanced Materials

- Superior sales growth expected at **13%**/y

- **PI films and varnishes** for increasingly demanding applications
  - FPCB and graphite sheets
  - EV Battery Management System
  - 5G antennas
  - OLED displays
  - Flexible screens



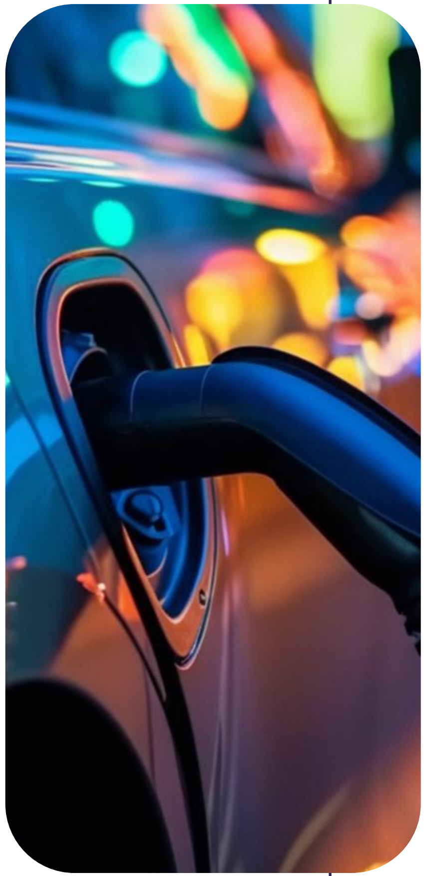
**GLOBAL #1**
**Polyimide films**

### Progressive rebound expected from Q2'24 after slow 2023

- Volume **ramp-up** from March
- In line with electronics market dynamic

### Ongoing confirmation of identified synergies

- Mapping targets for **expansion** of PIAM sales in NA and Europe
- Joint R&D reviews driving **new innovation potential**



1. Acquisition of a 54% majority stake

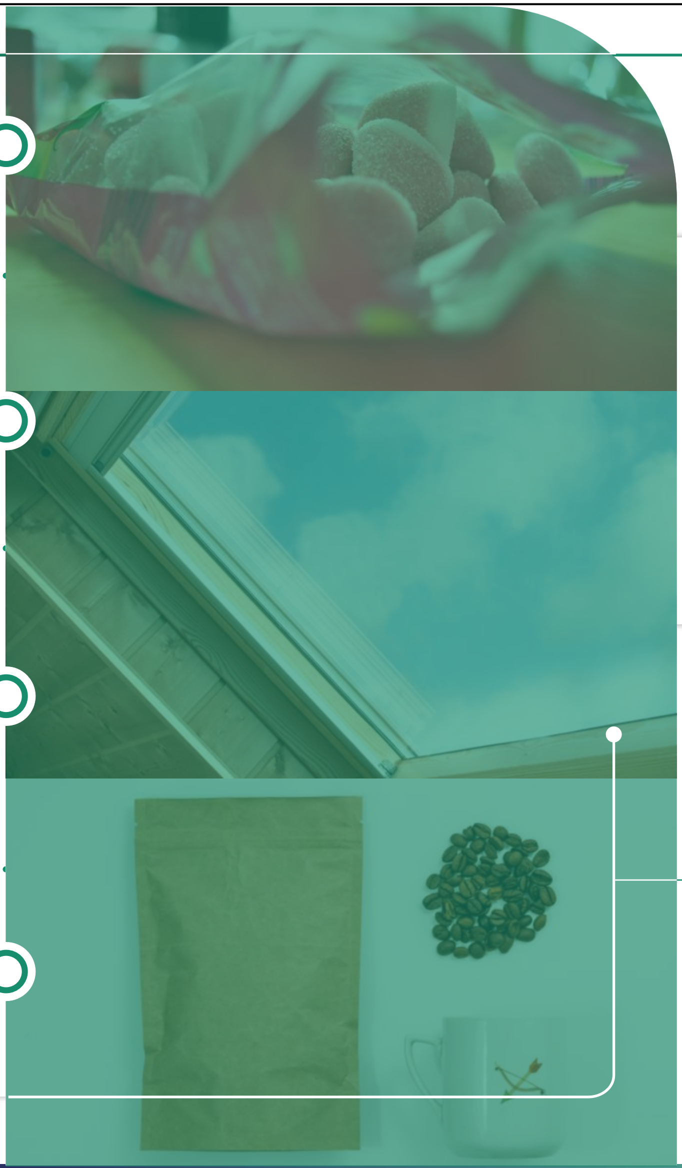
# Acquisition[1] of Dow’s flexible packaging laminating adhesives: a high-quality business strengthening our existing position

One of the **global leaders** for adhesives in flexible packaging

Annual sales around **US$ 250m**

**High-quality** solutions with **well recognized brands**

**5** state-of-the-art production sites



## A unique opportunity

- Become a **leader** in the flexible **packaging market**
- Become a technological and commercial **partner of choice**

In line with the Group’s strategy to expand in superior technologies and growing markets

1. Proposed acquisition announced on 2 May 2024, subject to the approval of certain antitrust authorities

# Acquisition of Dow's flexible packaging laminating adhesives business: a highly value creative operation

| | |
|---|---|
| **Transaction price** | • Based on a **US$150m Enterprise Value**<br>• Corresponding to book value of WC and assets<br>• Representing around 10x EBITDA 2024F |
| **Implementation costs and Capex** | Around **US$50m** over the next three years |
| **Significant synergies** | • Around **US$30m in EBITDA** within 5 years<br>• 50% costs and 50% development |
| **Mid-term objectives** | • Align profitability with Bostik's near-term targets<br>• ROCE well above Arkema's current level<br>• **EV/EBITDA < 4** after 5 years including synergies, recovery of the market and growth |
| **Closing** | Expected in **Q4 2024**, subject to the approval of certain antitrust authorities |

# A clear CSR roadmap is embedded in our strategy

**Climate**
**by 2030 *vs* 2019**

***Near-term SBTi targets***

Scopes 1 + 2
GHG emissions
**-48.5%**

Scope 3
GHG emissions
**-54%**

**Environment**
**by 2030 *vs* 2012**

Net energy purchases
**-25%**

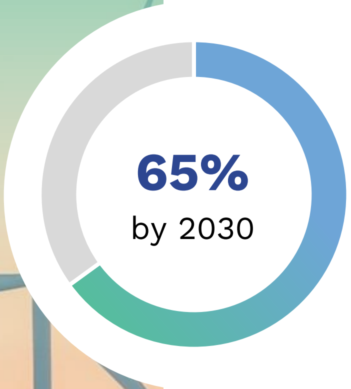
VOC emissions (air)
**-65%**

Chemical oxygen demand (water)
**-65%[1]**

1. New target *vs* previous target of -60% by 2030 *vs* 2012

**Sustainable solutions**

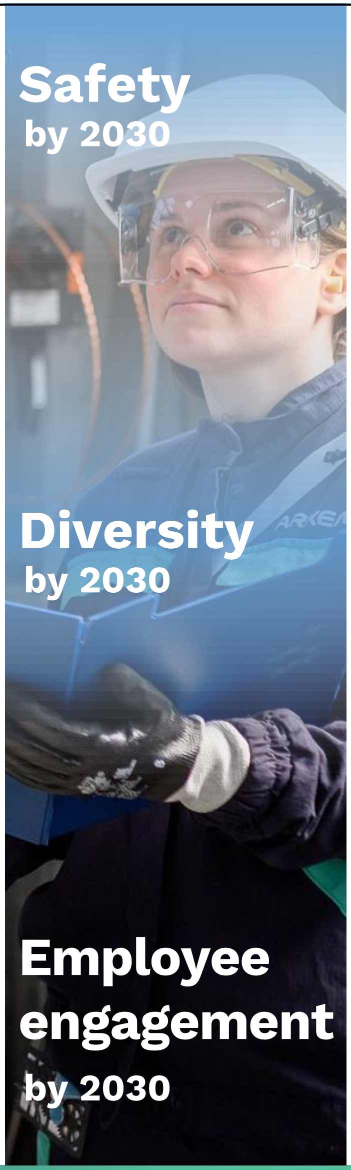
Sales contributing significantly to UN SDGs




Supported by >90% of filed patents related to sustainability

**Circular economy**
**by 2030**

Life Cycle Assessment
**90%**
of sales



**Safety**
**by 2030**

Total recordable injury rate TRIR
**0.8**

Process safety event rate PSER
**2.0**

**Diversity**
**by 2030**

***In leadership positions***

Women
**30%**

Non-French
**50%**

**Employee engagement**
**by 2030**

**>80%**

# First-quarter 2024 results

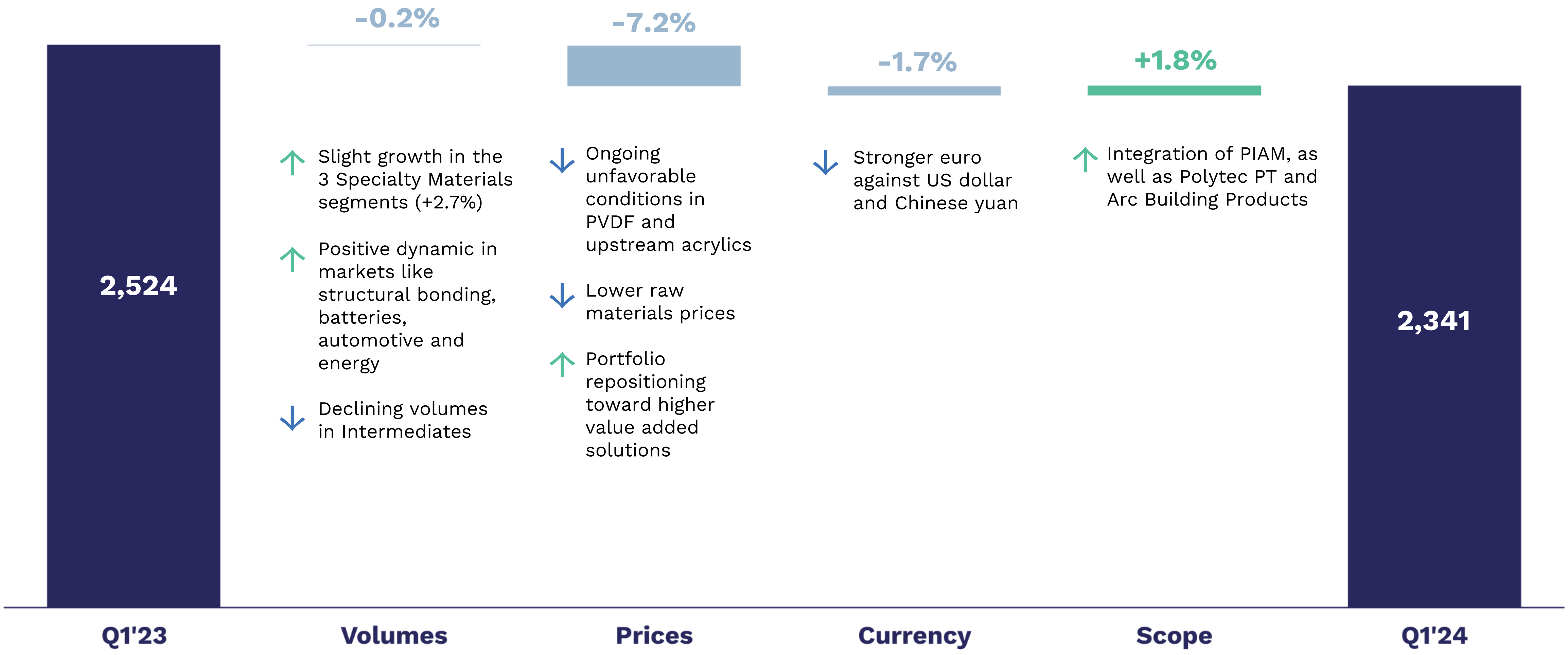
Extract from « First quarter 2024 results and outlook » presentation (7 May 2024)

# Q1'24 financial highlights

| | |
|---|---|
| **€2,341m** sales | → Down **7.3%** YoY<br>• Slight volume growth in the 3 Specialty Materials segments (+2.7%)<br>• Good momentum in structural bonding, sports, automotive and energy markets<br>• Negative 8.4% price effect in Specialty Materials mainly reflecting lower raw material prices and still unfavorable market conditions in upstream acrylics and PVDF |
| **€350m** EBITDA<br>**15.0%** EBITDA margin | → EBITDA slightly down YoY and up *vs* Q4'23<br>• Improving performance of industrial adhesives, high performance polymers and the downstream of Coating Solutions<br>• Impacted by lower PVDF and acrylics prices compared with Q1'23 high comparison base<br>→ EBITDA margin up slightly despite the decline in upstream acrylics<br>• Dynamic management of selling prices<br>• Benefit of the Group's innovation in higher value-added solutions |
| **€138m** adj. net income | → Representing **€1.84** per share |
| **€3,063m** net debt (incl. hybrid bonds) | → Recurring cash flow of negative €60m, reflecting the usual Q1 seasonality<br>→ Net debt broadly stable representing around 2x LTM EBITDA |

# Sales evolution reflecting mainly lower raw materials

## Sales in €million




**Volumes**

- ↑ Slight growth in the 3 Specialty Materials segments (+2.7%)
- ↑ Positive dynamic in markets like structural bonding, batteries, automotive and energy
- ↓ Declining volumes in Intermediates

**Prices**

- ↓ Ongoing unfavorable conditions in PVDF and upstream acrylics
- ↓ Lower raw materials prices
- ↑ Portfolio repositioning toward higher value added solutions

**Currency**

- ↓ Stronger euro against US dollar and Chinese yuan

**Scope**

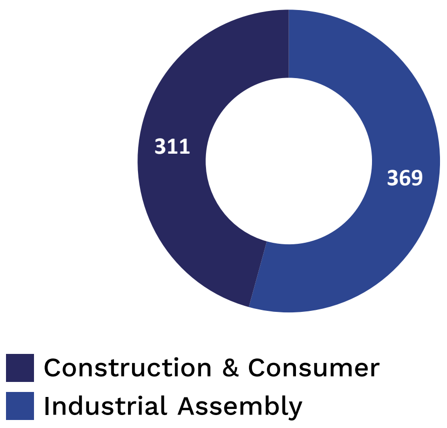
- ↑ Integration of PIAM, as well as Polytec PT and Arc Building Products

# Adhesive Solutions (29% of Group sales)

## Key figures

| in €m | **Q1'24** | Q1'23 | Change |
|---|---|---|---|
| Sales | **680** | 698 | -2.6% |
| EBITDA | **105** | 93 | +12.9% |
| EBITDA margin | **15.4%** | 13.3% | |
| REBIT | **82** | 72 | +13.9% |

## Sales by Business Line




## Sales development

| | |
|---|---|
| Volumes | +1.7% |
| Prices | -3.7% |
| Currency | -1.6% |
| Scope | +1.0% |

## Highlights

→ **Volumes up 1.7% YoY**

- Stronger demand in structural bonding and packaging in all 3 key regions
- Construction activity slightly down

→ **Prices down 3.7% YoY,** reflecting decreasing raw materials

→ **EBITDA sharply up by 12.9% YoY and significant EBITDA margin improvement to 15.4%**

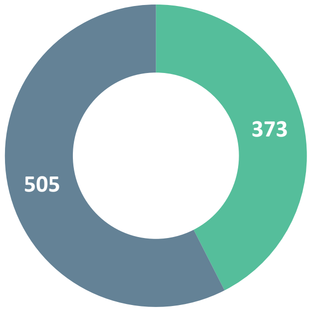
- Dynamic pricing management
- Contribution of operational excellence actions
- Successful integration of recent acquisitions
- Development of higher value-added solutions

# Advanced Materials (38% of Group sales)

## Key figures

| in €m | **Q1'24** | Q1'23 | Change |
|---|---|---|---|
| Sales | **878** | 937 | -6.3% |
| EBITDA | **162** | 160 | +1.3% |
| EBITDA margin | **18.5%** | 17.1% | |
| REBIT | **80** | 93 | -14.0% |

## Sales by Business Line




High Performance Polymers
Performance Additives

## Sales development

| | |
|---|---|
| Volumes | +1.6% |
| Prices | -9.9% |
| Currency | -2.1% |
| Scope | +4.1% |

## Highlights

→ **Volumes up 1.6% YoY**

- Positive momentum in High Performance Polymers in Asia, notably in the battery, automotive and sport markets
- Performance Additives volumes globally solid

→ **Prices down 9.9% YoY**

- Reflecting lower raw materials
- Still high comparison base for PVDF prices in Q1'23

→ **Stable EBITDA YoY and higher EBITDA margin at 18.5%**

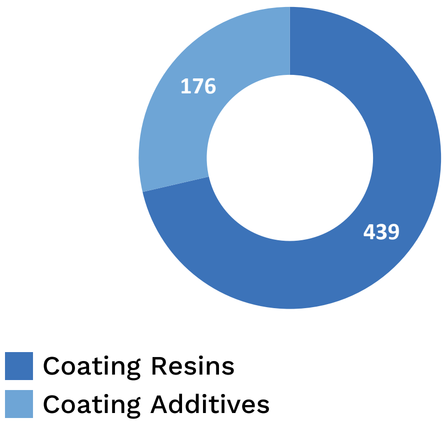
- Contribution of PIAM integration
- Solid performance of most of the segment's businesses

# Coating Solutions (26% of Group sales)

## Key figures

| in €m | **Q1'24** | Q1'23 | Change |
|---|---|---|---|
| Sales | **615** | 661 | -7.0% |
| EBITDA | **75** | 94 | -20.2% |
| EBITDA margin | **12.2%** | 14.2% | |
| REBIT | **44** | 63 | -30.2% |

## Sales by Business Line




## Sales development

| | |
|---|---|
| Volumes | +5.3% |
| Prices | -11.4% |
| Currency | -0.9% |
| Scope | - |

## Highlights

→ **Volumes up 5.3% YoY**

- Improving demand in Coating Additives, notably for industrial markets
- Higher volumes in upstream acrylics in Europe

→ **Prices down 11.4% YoY**

- Less favorable market conditions in upstream acrylics
- Decrease in raw materials prices

→ **€75m EBITDA and EBITDA margin at 12.2%**

- Upstream acrylics EBITDA down YoY compared with the high comparison base of Q1'23
- Growth of downstream activities' EBITDA, thanks to higher volumes

# Intermediates (7% of Group sales)

## Key figures

| in €m | Q1'24 | Q1'23 | Change |
|---|---|---|---|
| Sales | **158** | 218 | -27.5% |
| EBITDA | **39** | 49 | -20.4% |
| EBITDA margin | **24.7%** | 22.5% | |
| REBIT | **29** | 36 | -19.4% |

## Sales development

| | |
|---|---|
| Volumes | -30.7% |
| Prices | +5.5% |
| Currency | -2.3% |
| Scope | - |

## Highlights

→ **Volumes down 30.7% YoY**
- Mechanical impact on volumes from lower refrigerant gas quotas
- Lackluster business context for acrylics in China

→ **Prices up 5.5% YoY**
- Good momentum in refrigerant gases

→ **€39m EBITDA and very good level of EBITDA margin at 24.7%**

# Cash flow generation reflecting usual seasonality

in €million

| | **Q1'24** | Q1'23 |
|---|---|---|
| **EBITDA** | **350** | 367 |
| Current taxes | -39 | -55 |
| Cost of debt | -14 | -16 |
| Change in working capital and fixed assets payables (1) | -255 | -243 |
| Recurring capital expenditure | -99 | -82 |
| Others | -3 | 8 |
| **Recurring cash flow** | **-60** | -21 |
| Exceptional capital expenditure | 0 | -7 |
| Non-recurring items | -22 | -18 |
| **Free cash flow** | **-82** | -46 |
| Impact of portfolio management | -21 | 30 |
| **Net cash flow** | **-103** | -16 |

→ **Q1'24 tax rate**
**22%** of REBIT (excl. exceptional items)

→ **Working capital**
**16.1%** of annualized sales at end-March 2024 (16.3% at end-March 2023)

→ **Portfolio management**
- Acquisition of Arc Building Products in 2024
- Proceeds from the sale of Febex in 2023

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

# Outlook

→ The macroeconomic environment remains marked by a lack of visibility and ongoing geopolitical tensions, with no clear signs yet of a rebound in demand.

→ In this context, Arkema will focus primarily on internal momentum, and will benefit from the gradual ramp-up from Q2 onwards of several high-stake organic growth projects and of PIAM, with Q2'24 EBITDA expected to be slightly higher relative to Q2'23 and therefore significantly higher than Q1'24.

→ Benefiting from its cutting-edge innovation, the positive dynamic in adhesives, the EBITDA contribution of €60 to €70 million from the Group's major industrial projects, as well as the integration of PIAM, Arkema reaffirms its full-year guidance and aims to achieve in 2024 a higher EBITDA, estimated at €1.5 billion to €1.7 billion depending on the level of recovery in demand, and with seasonality more weighted to the second half of the year.

# Disclaimer

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 a context marked by strong geopolitical tensions, where the evolution of the world economy remain 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, rising geopolitical tensions, and changes in general economic and business conditions. These risk factors are further developed in the 2023 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 2023 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

**Operating cash flow:** corresponds to free cash flow before capex (intangible assets and property, plant and equipment additions)

**EBITDA to cash conversion rate**: corresponds to free cash flow excluding exceptional items (exceptional capex and non-recurring cash flow) divided by EBITDA

**Operating cash conversion rate:** corresponds to operating cash flow divided by EBITDA

**ROCE:** corresponds to the REBIT divided by the capital employed at the end of the year

**CAGR over 24-28**: corresponds to the compound annual growth rate over the 5-year period 2024-28

This document contains forward looking information, which describe expectations, strategies, future events or intentions. Forecasts and financial objectives are defined in normalized macroeconomic and market conditions, among other EUR/USD exchange rate of 1.1, GDP of 3% and oil price at US$80/bbl. The achievement of these forecasts and financial objectives is therefore subject to uncertainties regarding these economic factors, as well as regarding changing market conditions, competitive landscape, regulatory evolutions, and other unplanned events. As a consequence, results may differ from those expressed or implied in this document.