

# ACQUISITION OF ASHLAND PERFORMANCE ADHESIVES

PRESENTATION OF THE BUSINESS

31 AUGUST 2021



**ARKEMA**  
INNOVATIVE CHEMISTRY

# TRANSACTION SUMMARY

## Transaction Description

- ▶ **Acquisition of Ashland's Performance Adhesives business**
  - Leading manufacturer of high performance adhesive solutions and coatings for high growth applications and attractive segments
  - 2021e sales<sup>(1)</sup>: ~US\$360 million; 2021e EBITDA Margin<sup>(1)</sup>: >25%
- ▶ **Expands Arkema's Adhesive Solutions business**

## Transaction Consideration

- ▶ **US\$1.65 billion cash purchase price**
  - Taking into account the tax benefits:
    - 15x EV / 2021e EBITDA<sup>(1)</sup>
    - 8.7x EV / 2026e EBITDA (including pre-tax synergies)

## Expected Financial Impacts

- ▶ **Increases EBITDA margin and organic sales growth**
- ▶ **EPS accretive within the first year; expected to add €1 in EPS by 2026**
- ▶ **Significant expected pre-tax synergies of over US\$45 million**

## Financing and Leverage

- ▶ **Financed through Arkema's excess cash and existing debt facilities**
- ▶ **Net debt of ~1.9x 2021 *pro forma* EBITDA <sup>(2)</sup>, in line with Group objective of maintaining this ratio below 2**

1 Including *pro forma* adjustments

2 Estimated 2021 Group EBITDA integrating the full year impact of M&A operations already announced in 2021

# ASHLAND PERFORMANCE ADHESIVES AT A GLANCE

## 2021e KEY FIGURES\*

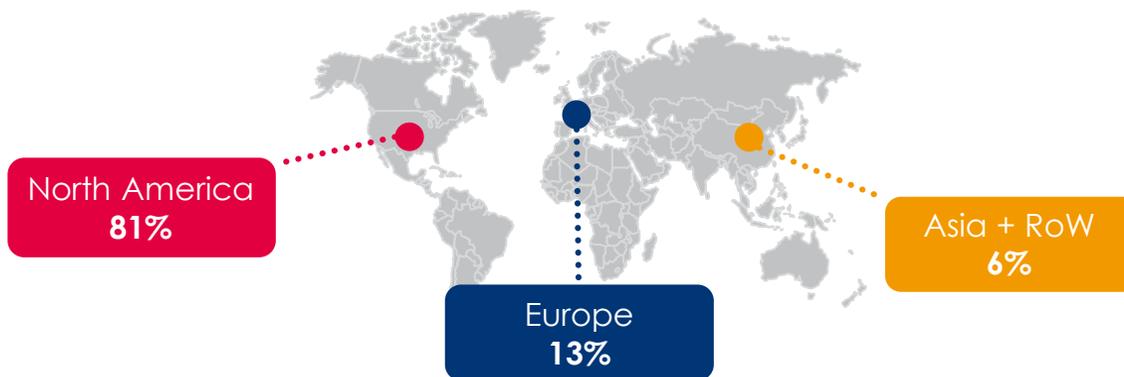
Sales



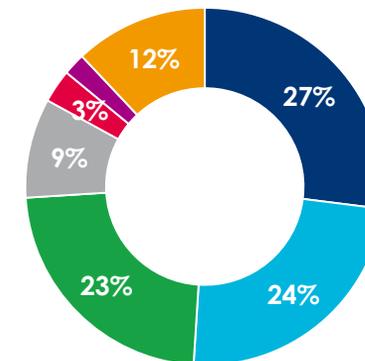
EBITDA



### Sales by region



- ▶ **A first class leader** in high performance adhesives for industrial applications in North America
- ▶ **~330 employees** across **6 manufacturing sites**
- ▶ **Solid expertise** in 4 leading adhesive technologies complementary to Bostik's and Arkema's Coating Solutions segment
- ▶ **Very strong financial performance**
- ▶ **Leadership positions** in high value added and attractive segments offering strong growth



- Labels
- Building and Construction
- Transportation
- Flexible packaging
- Healthcare
- Electronics
- Others

\* Including *pro forma* adjustments

# A BUSINESS ACTIVE IN 3 SEGMENTS WITH 4 LEADING TECHNOLOGIES

## Pressure Sensitive Adhesives



% of sales



Graphic films in **automotive** and **construction**

**Labels**

**Electronics** and **health care**

## Structural Assembly Adhesives



% of sales



**Building & construction**  
(wood engineering)

**Automotive & transportation**

## Laminating Adhesives & Coatings



% of sales



**Flexible packaging**  
(food and non-food)

Overprint coatings for **labels**

## 4 common leading technologies



Waterborne acrylics



Solvent-borne acrylics



UV curing



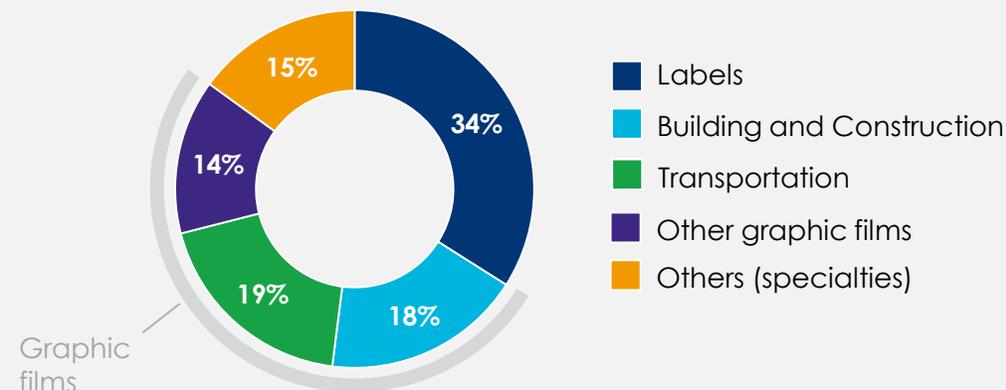
Reactive

# PRESSURE SENSITIVE ADHESIVES OVERVIEW

## A key player in North America and Europe in solvent-borne PSA

- ▶ Well positioned in **high growth applications**, such as car wrapping or window films
- ▶ Full range of **technologies** (solvent-borne, waterborne, UV)
- ▶ **New developments** in medical, electronics and aeronautics

### SALES BY SEGMENT



### MAIN APPLICATIONS



#### GRAPHIC FILMS

Car wrapping  
 ———  
 Windows films  
 ———  
 Signage



#### LABELS

Paper labels  
 ———  
 Filmic labels  
 (pharma, food)



#### SPECIALTIES

Electronics  
 ———  
 Healthcare  
 ———  
 Aeronautics

### DRIVERS

- ▶ Growing demand for **protective, decorative wrapping** in cars and advertising
- ▶ **Labelling** in e-commerce
- ▶ Further development of **more sustainable technologies like UV curing**

### EST. MARKET GROWTH

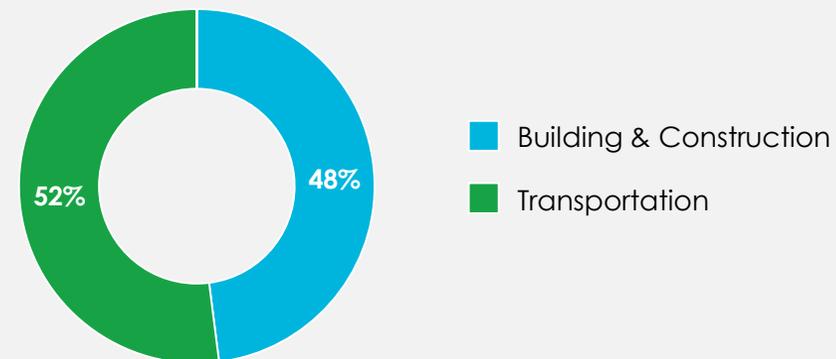


# STRUCTURAL ASSEMBLY ADHESIVES OVERVIEW

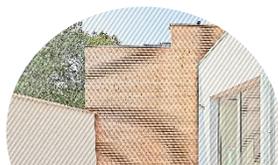
Significant positions in North America in the fast-growing engineered wood and transportation composite bonding sectors

- ▶ **Recognized technologies** and customized solutions
- ▶ **Very close and long-term relationships** with US customers

## SALES BY SEGMENT



## MAIN APPLICATIONS



### BUILDING & CONSTRUCTION

Engineered wood  
Building components



### TRANSPORTATION

Sport cars  
Truck hoods

## DRIVERS

- ▶ **Lightweighting and replacement** of mechanical fasteners in composite bonding
- ▶ **Wood construction** taking share from steel and concrete, **on better environmental impact**

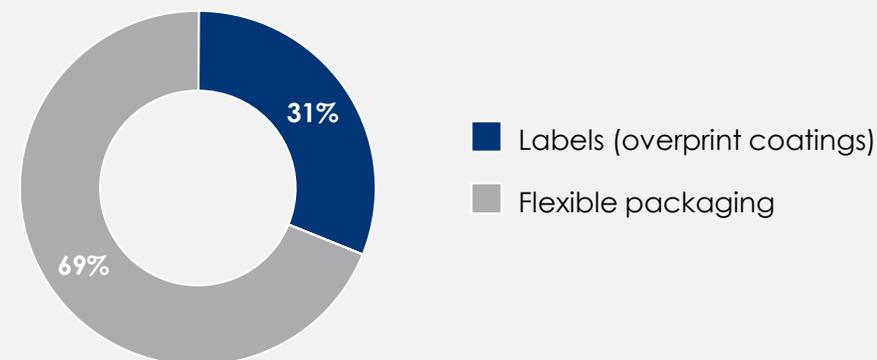
## EST. MARKET GROWTH



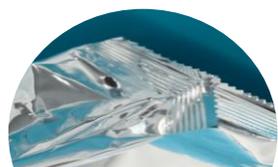
# LAMINATING ADHESIVES & COATINGS OVERVIEW

- ▶ A **comprehensive product offer** in flexible packaging and a complementary portfolio of overcoating solutions for labels
- ▶ Full range of technologies and **recognized brands**

## SALES BY SEGMENT



## MAIN APPLICATIONS



### FLEXIBLE PACKAGING

Food & Beverage  
Pharmaceuticals, medical,  
cosmetics



### OVERPRINT COATINGS

Flexography  
Lithography  
Engraving

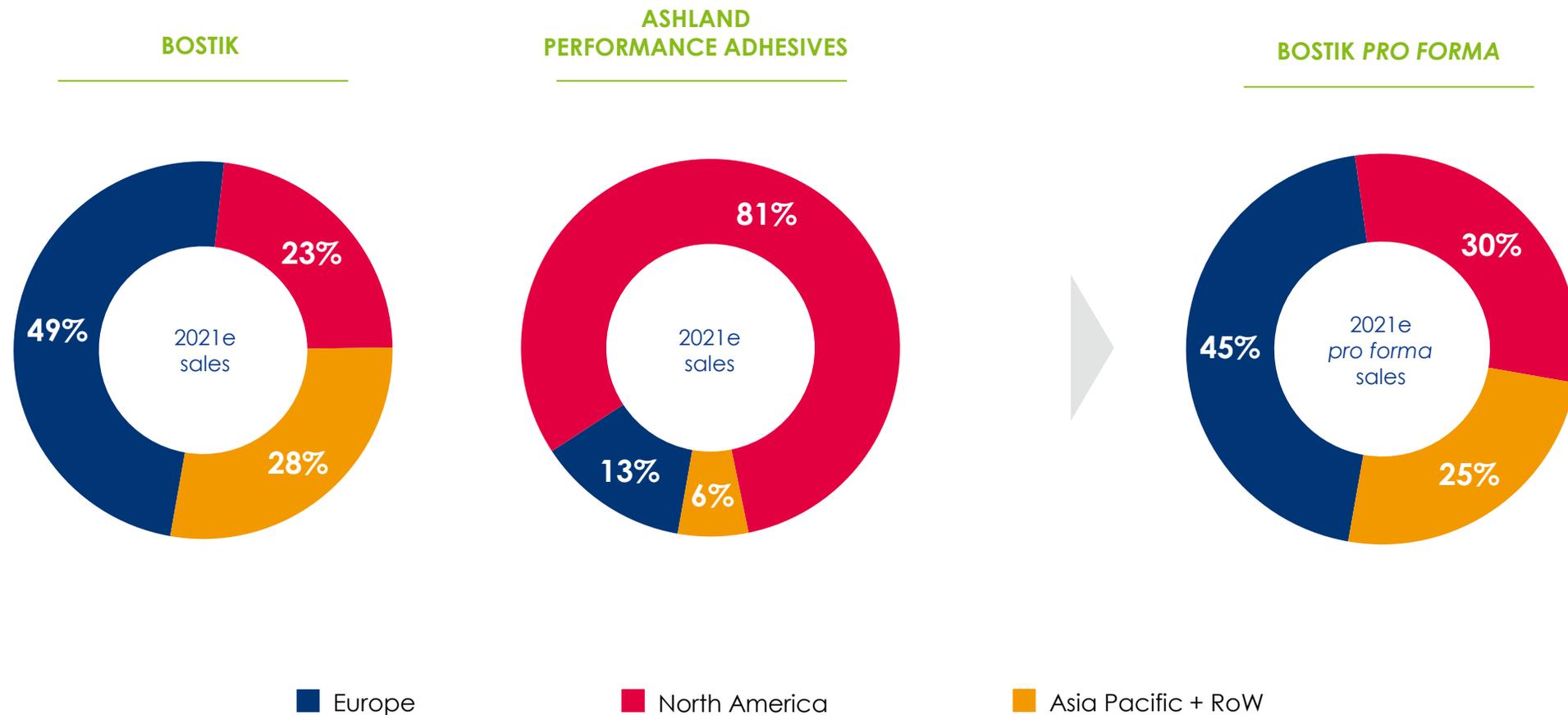
## DRIVERS

- ▶ Increasing needs **for sustainable solutions**
- ▶ **Growing regulations**

## EST. MARKET GROWTH



# CAPITALIZE ON STRONG GEOGRAPHIC COMPLEMENTARITIES



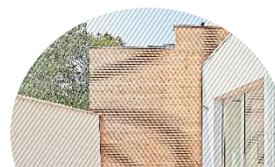
# LEVERAGE THE EXCELLENT TECHNOLOGICAL AND COMMERCIAL FIT

## Create a strong global position in Pressure Sensitive Adhesives



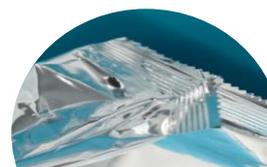
- ▶ Expand **Ashland Performance Adhesives'** range in **Europe** and **Bostik's HMPSA** in **North America**
- ▶ Capitalize on a unique position as an **acrylic player**

## Develop complementary strengths in Structural Assembly and Laminating Adhesives & Coatings



**STRUCTURAL ASSEMBLY**

- ▶ Reinforce the breadth of technologies for structural bonding in US and Europe
- ▶ Accelerate high-growth engineered wood sector penetration



**LAMINATING ADHESIVES AND COATINGS**

- ▶ Extend Bostik's solutions in North America, the world's largest flexible packaging market
- ▶ Leverage UV curing technologies

# ALIGNMENT WITH OUR SUSTAINABLE DEVELOPMENT PRIORITIES

## Sustainable solutions well-aligned with megatrends



Limited impact on Arkema's GHG emissions, as well as water and energy consumption



6 Flexcryl™ PSA emulsion **recyclable** products



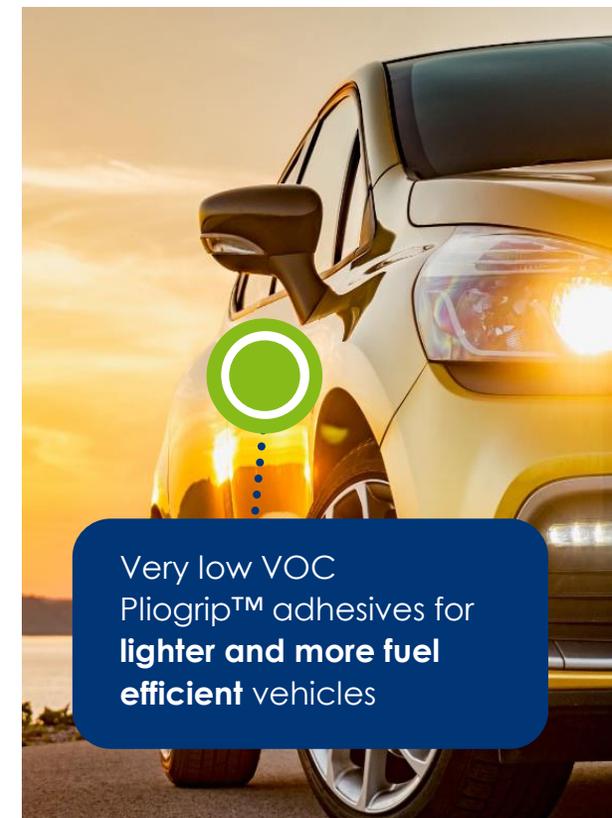
**RECYCLING**



Engineered wood adhesives with **lower energy consumption & GHG emissions**



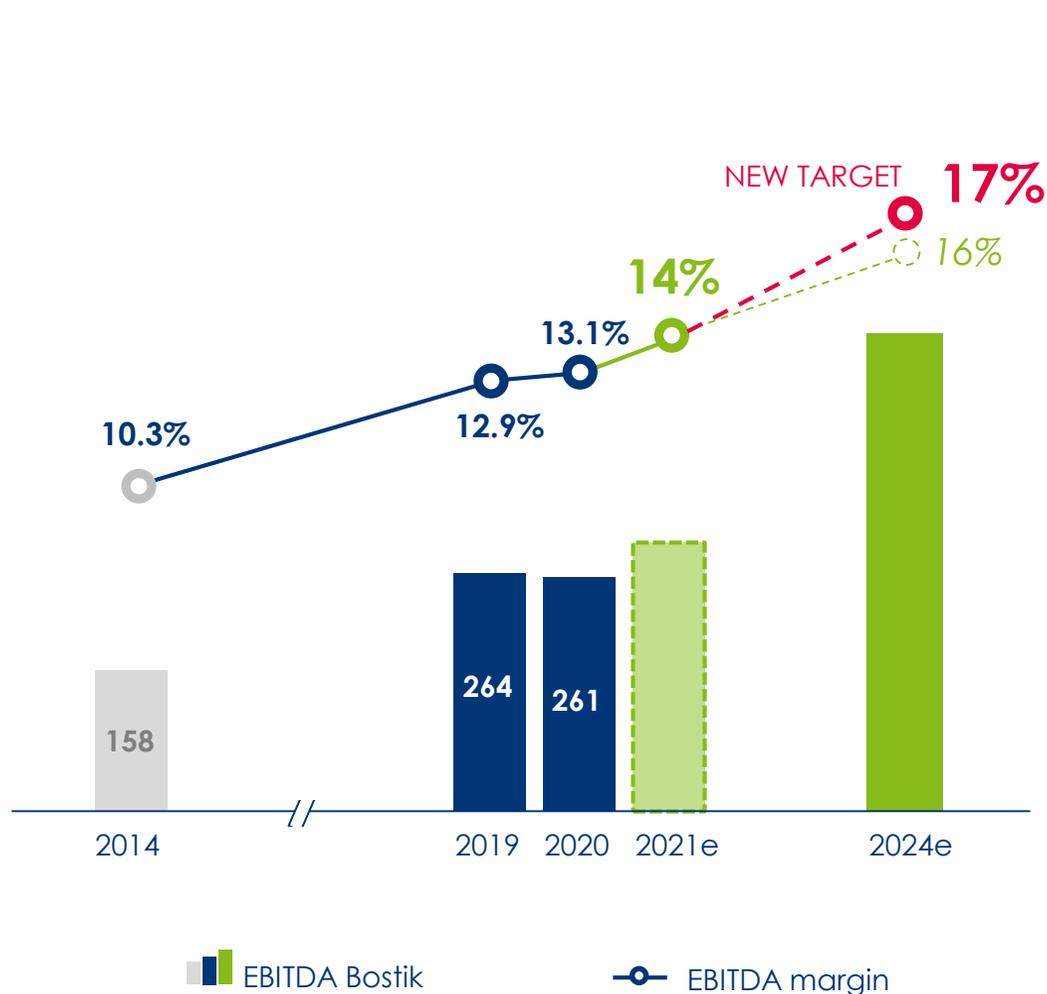
**ENERGY EFFICIENCY & CLIMATE**



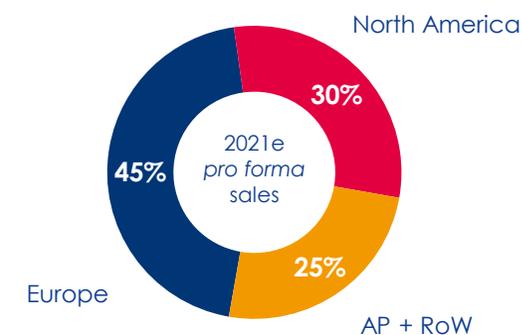
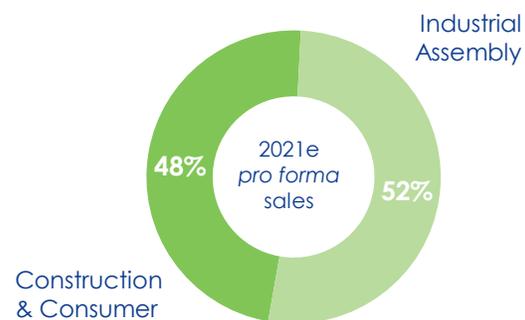
Very low VOC Pliogrip™ adhesives for **lighter and more fuel efficient** vehicles

**LIGHTWEIGHTING**

# CONSOLIDATING BOSTIK'S LONG TERM GROWTH AMBITION



- ▶ Becoming strong global **player** in Pressure Sensitive Adhesives, with the one of the **most complete offerings**
- ▶ Strengthening Bostik's presence **in the US**
- ▶ Reinforcing **high value added** industrial adhesives portfolio
- ▶ Improving **profitability** with **new 2024e EBITDA margin target** at **17%**, among the very best in the industry



# ENHANCES VALUE FOR ARKEMA SHAREHOLDERS

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## Strategic Rationale

- ▶ Offers a **unique and innovative product portfolio** with complementary technologies and geographic presence
- ▶ Fully in line with Arkema's strategy to become a **pure player in Specialty Materials**

## Expands EBITDA Margin

- ▶ Revised Arkema's Adhesive Solutions targets by 2024 to more than €3 billion in sales and **EBITDA margin greater than 17%**, among the very best in the industry

## Significant Synergies

- ▶ Expected pre-tax synergies of **over US\$45 million** (~12.5% of Performance Adhesives sales)

## EPS Accretive

- ▶ Expected to be **EPS accretive within first year**, before including synergies
- ▶ Expected to add **€1 in EPS by 2026**

# 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