

# ARKEMA

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EXANE BNP PARIBAS  
23<sup>RD</sup> EUROPEAN CEO CONFERENCE

09 JUNE 2021



**ARKEMA**  
INNOVATIVE CHEMISTRY

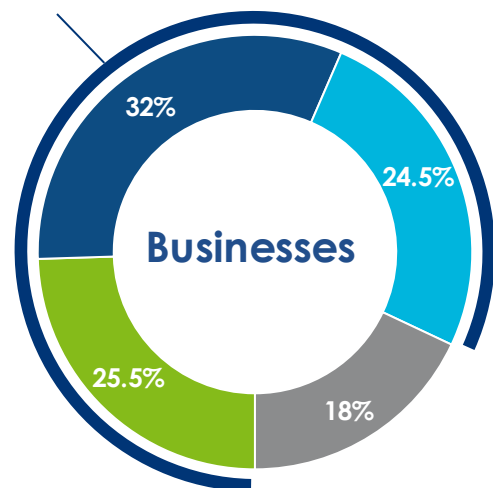
# ARKEMA IN A SNAPSHOT

**ARKEMA**  
INNOVATIVE CHEMISTRY

# ARKEMA AT A GLANCE

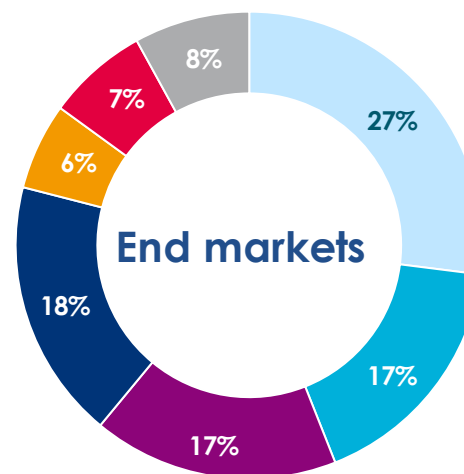
## Specialty Materials

82% / 89% pro forma 2020\*

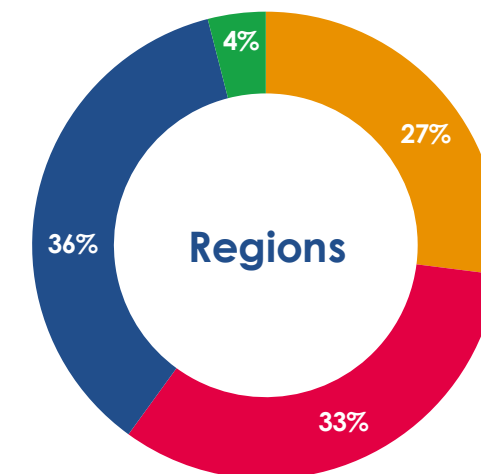


- Adhesive Solutions
- Coating Solutions
- Advanced Materials
- Intermediates

## 2020 SALES SPLIT



- General industry
- Building & Construction
- Consumer goods
- Automotive & Transportation
- Electrics, electronics & energy
- Nutrition & water
- Paints & Coatings



- Europe
- Asia
- North-America
- ROW

\* On a pro forma basis, including full year contribution of all M&A operations announced in 2020



€7.9bn sales



20,600 employees



Present in 55 countries

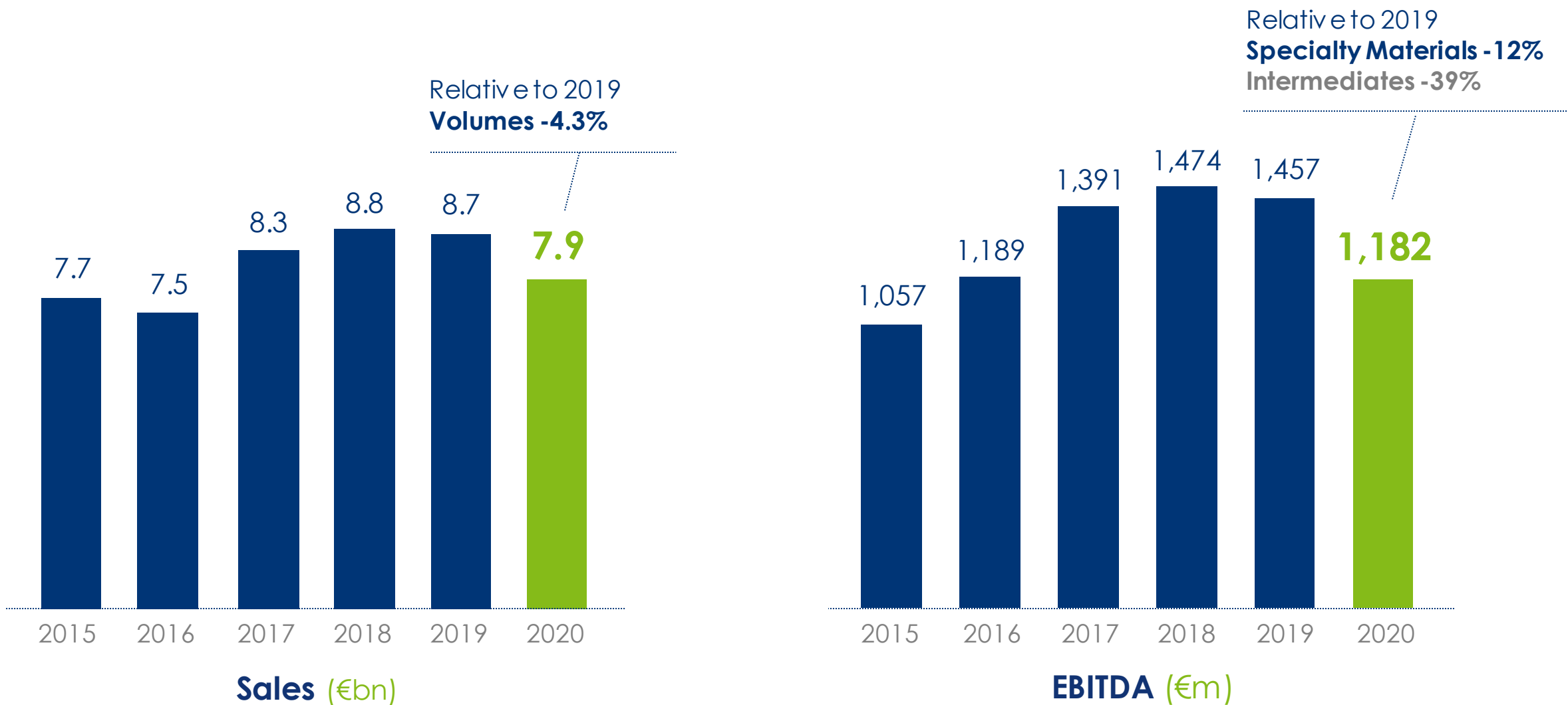


147 plants operated



3.1% of revenues invested in R&D

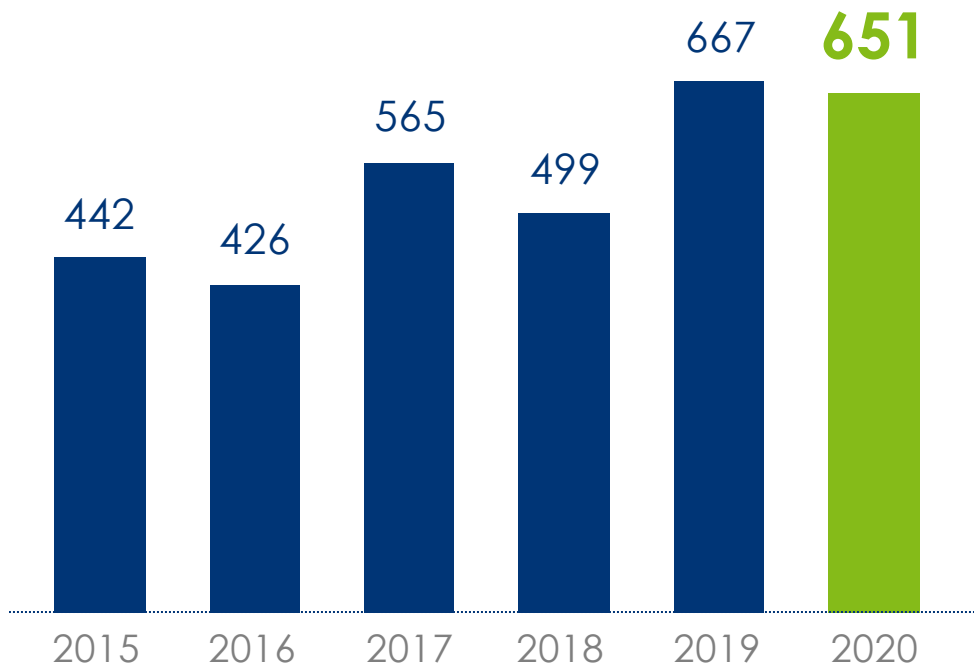
# ROBUST 2020 FINANCIAL PERFORMANCE IN THE COVID-19 CONTEXT





# EXCELLENT CASH FLOW GENERATION

in €m

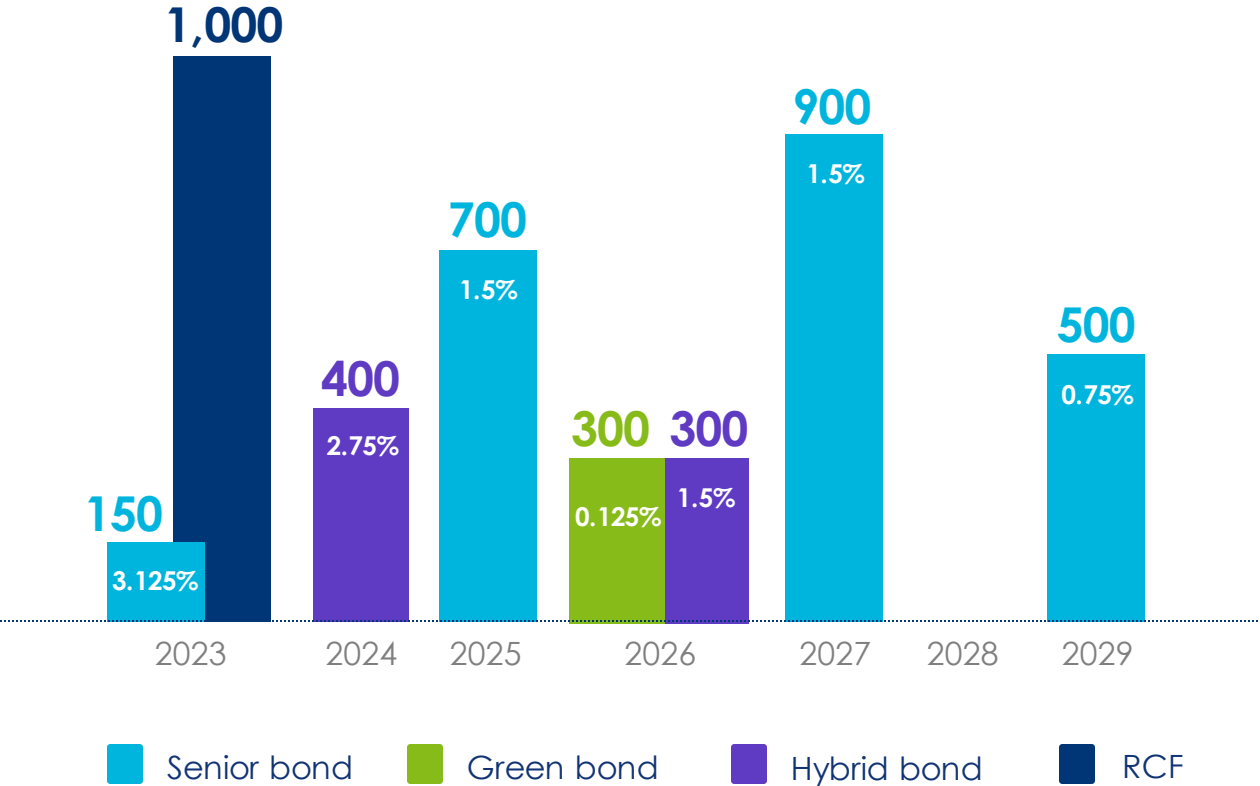


**Free cash flow**

- **EBITDA to cash conversion rate**  
Record level of **67%** in 2020
- **Strict working capital management**  
**11.8%** of sales at end-December 2020
- **Recurring and exceptional capital expenditure**  
**€600 m** in 2020 (-€100 m vs initial budget)
- **Net debt well controlled**  
**€1.9 bn** at end-December 2020 (incl. hybrid bonds), 1.6x LTM EBITDA

# WELL ESTABLISHED FINANCIAL RESOURCES

in €m



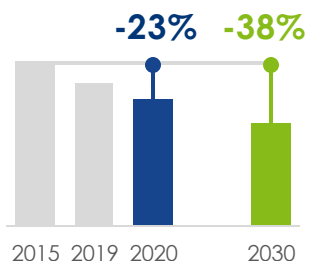
- **Refinancing under favorable conditions**  
average maturity of **5.6 years**
- **First-ever issuance of a green bond**  
with a 6-year maturity for **€300 m**  
(PA11 Singapore plant)
- **Solid financial rating maintained**  
**BBB+** stable outlook (S&P)  
**Baa1** stable outlook (Moody's)

# COMMITMENT TO SUSTAINABILITY REINFORCED

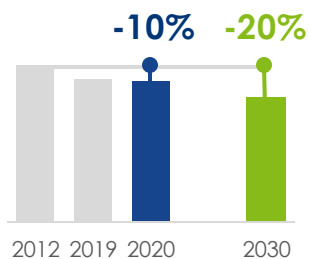


## CLIMATE AND ENVIRONMENT <sup>1</sup>

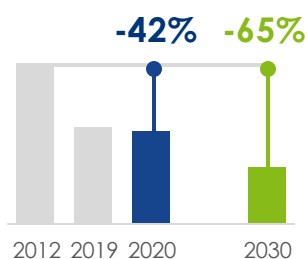
### GHG



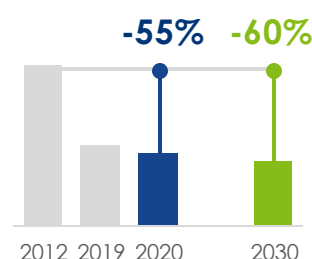
### Energy



### VOC

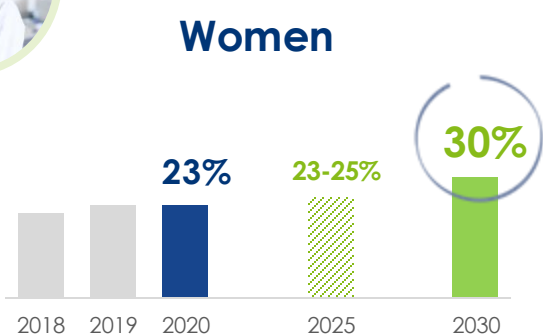


### COD



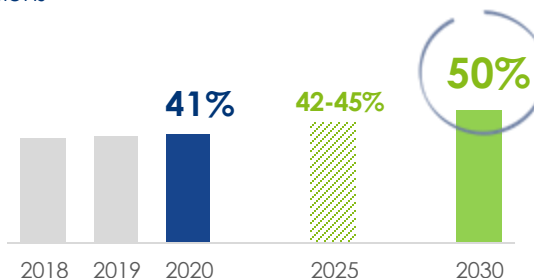
## NEW 2030 OBJECTIVES FOR DIVERSITY

### Women



in senior management and executive positions

### Non-French



## CIRCULAR ECONOMY



### AGIPLAST

Acquisition of a leader in **high performance polymers regeneration**



### 1<sup>ST</sup> EVER GREEN BOND

€300m dedicated to **new plant** in Singapore for **100% bio-based PA 11**









### ZEBRA PROJECT

**First 100% recyclable** wind turbine blades

1. Absolute target vs 2015 for GHG (greenhouse gases), EFPI vs 2012 for Energy, VOC (volatile organic compounds) and COD (chemical oxygen demand)

# STRONG IMPROVEMENT IN CSR RECOGNITION

	2015	2019	2020	
 Now a Part of <b>S&amp;P Global</b>	42	65	79	The Sustainability Yearbook 2021 <b>BRONZE AWARD</b>
Member of <b>Dow Jones Sustainability Indices</b> Powered by the S&P Global CSA			Based on SAM	6 <sup>th</sup> in DJSI World First integration in 2020
	BB	A	A	
	C	B	A-	
			Top 1%	

## Other ratings



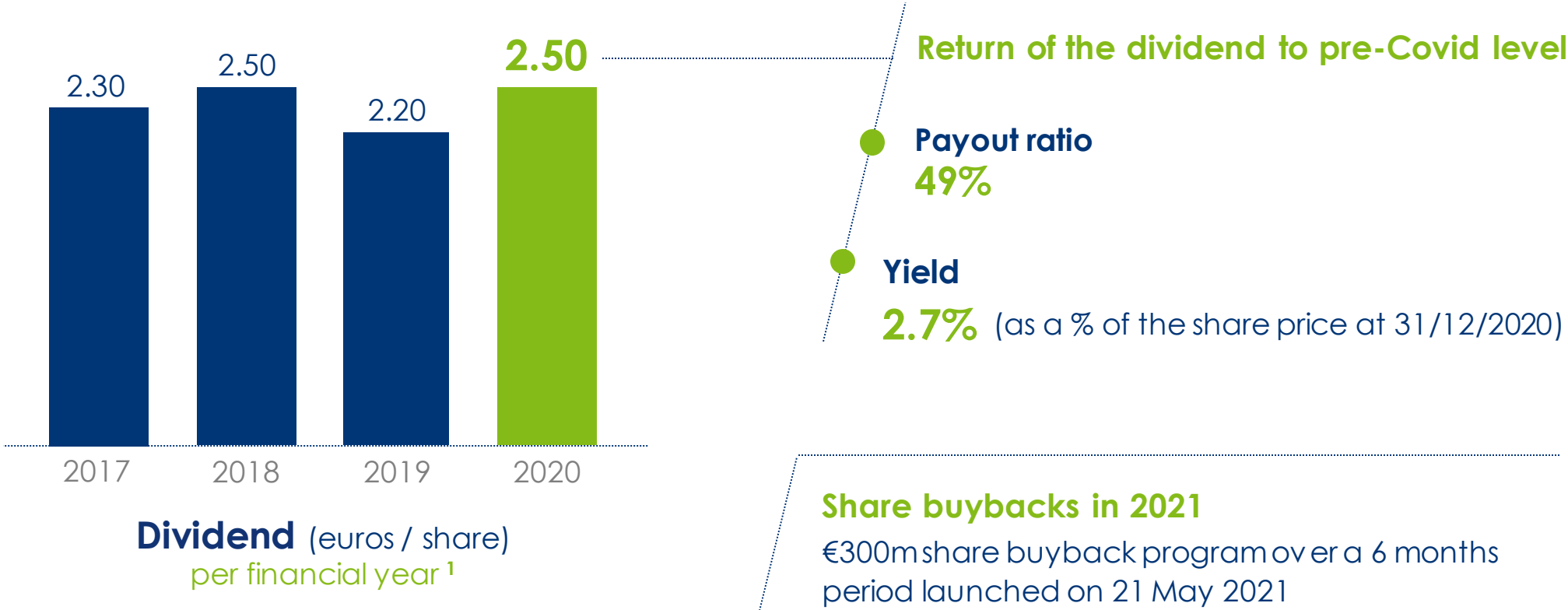
1<sup>st</sup> decile (global)  
June 2020



Europe 120 &  
Eurozone 120 indices

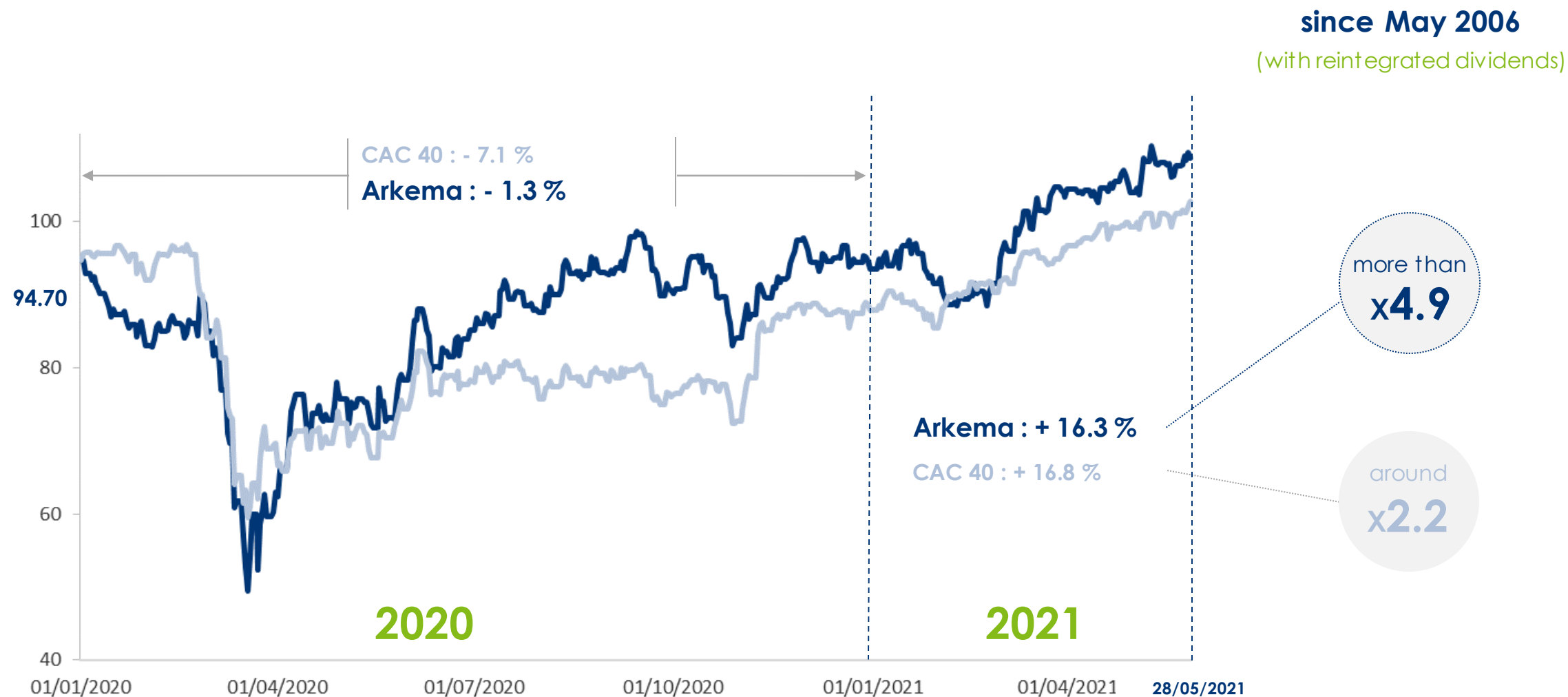


# HIGH SHAREHOLDER RETURN



1. The dividend of each financial year is paid the following year

# EVOLUTION OF THE SHARE SINCE 1ST JANUARY 2020



# OUR LONG TERM AMBITION

**ARKEMA**  
INNOVATIVE CHEMISTRY

# A UNIQUE COMBINATION OF EXPERTISE IN SUSTAINABLE MATERIALS

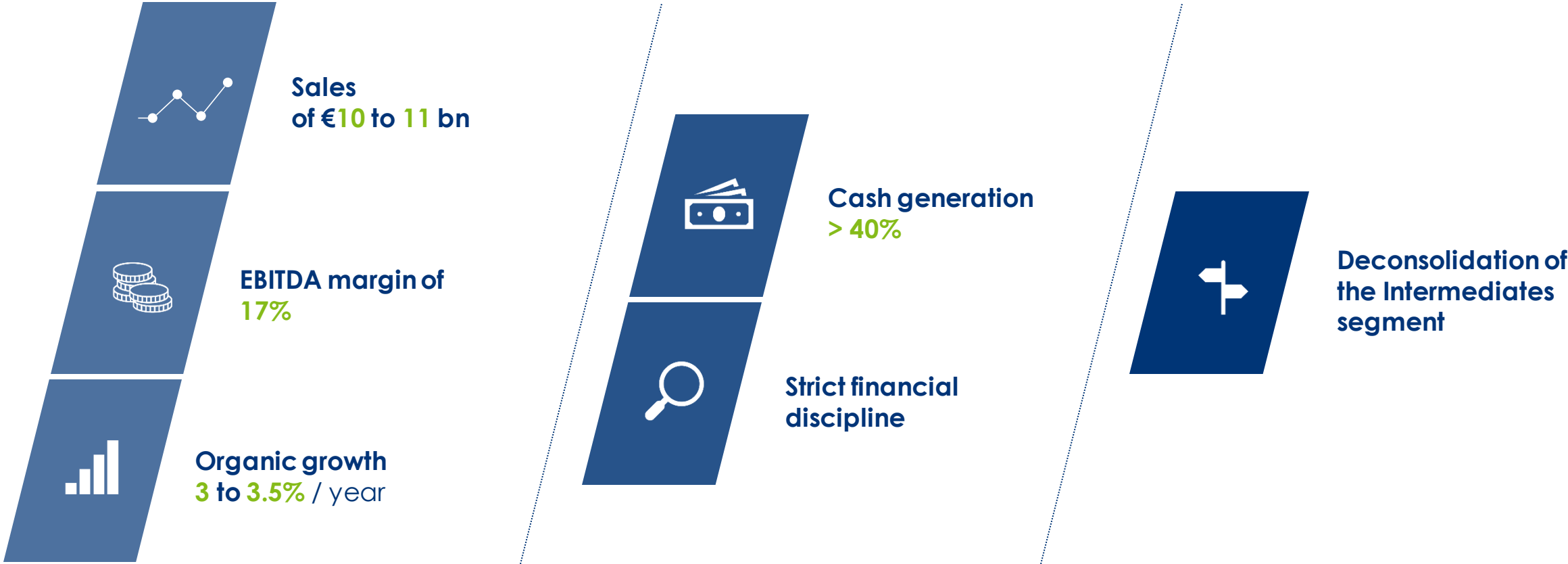
## A SPECIALTY MATERIALS LEADER

offering the most **innovative**  
and **sustainable solutions**  
to address our customers'  
current and future challenges



# OUR AMBITION BY 2024

## BE A LEADER IN SUSTAINABLE AND HIGH-PERFORMANCE SPECIALTY MATERIALS





# EACH PLATFORM HAS SET GROWTH AND PROFITABILITY AMBITIONS



## Adhesive Solutions

Be a consolidator of the market, focused on high performance bonding and construction solutions



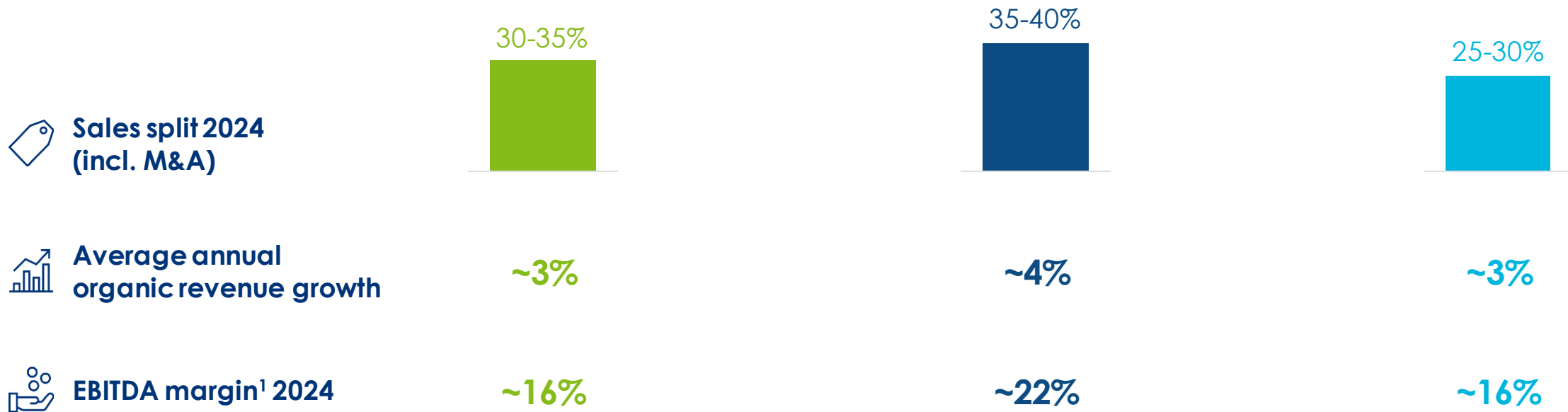
## Advanced Materials

Invest and innovate to support exponential needs for materials based on megatrends



## Coating Solutions

Continue to enhance the value proposition and sustainable offering



1. Excluding corporate, corresponding to ~1% of sales

# SUSTAINABLE INNOVATION DRIVING ORGANIC GROWTH



## 5 R&D PLATFORMS

**NEW**



**Natural resources management**

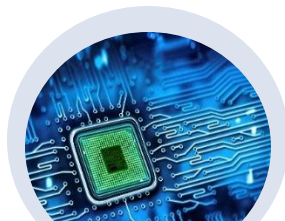
BIO-SOURCED OR RECYCLABLE SOLUTIONS  
CIRCULAR ECONOMY  
WATER MANAGEMENT



**Lightweight materials**



**New energies**



**Electronic solutions**



**Home efficiency & insulation**

## SALES CONTRIBUTION

Thanks to our sustainable innovations, we expect to generate

**€400m new sales by 2024** and **€1bn by 2030**

## PORTFOLIO SUSTAINABILITY ASSESSMENT

### NEW Target

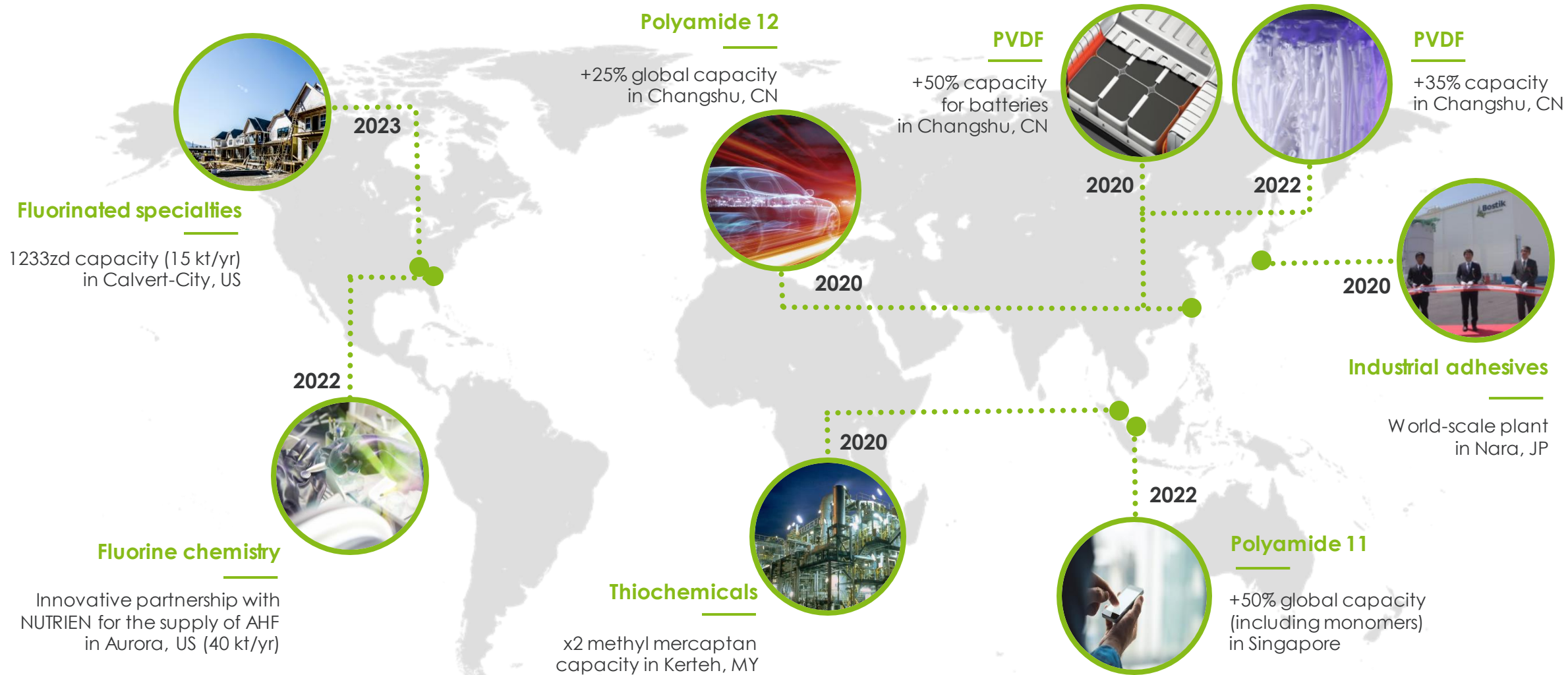
**65%** of our sales **contributing significantly** to the UN Sustainability Development Goals **by 2030**

*Currently at 50% on 72% of sales assessed*

## NEW COMMITTEE AT BOARD LEVEL

Creation of a new **Innovation & Sustainable Growth committee**

# INVESTMENTS TO CAPTURE SUSTAINABLE GROWTH



# VERY SIGNIFICANT POTENTIAL IN BATTERIES

## Lithium-ion batteries market



**Electric vehicles**  
**30+% CAGR**  
 2019-2024 <sup>1</sup>

## Other applications



**Consumer electronics**



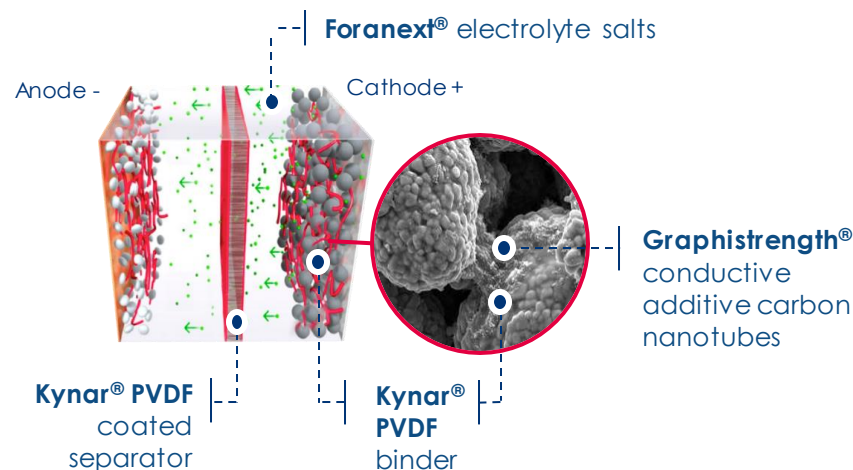
**eBikes**



**Energy Storage Systems**

## Innovative solutions to optimize performance of Li-ion batteries

▶ A leader in PVDF for Li-ion **battery cells**



▶ **Battery pack** weight reduction and heat transfer



- ✓ **Rilsan® PA11** for bus bar protection and cooling lines
- ✓ **Elium®** recyclable composite and **Rilsan® PA11** for casing
- ✓ **Bostik** thermal conductive adhesives

## Well positioned to capture growth

▶ **New capacities** in China

▶ **Strong partnerships** with major players CATL, ATL, Saft...

▶ **Continued Innovation**

New Battery Lab in Pierre-Bénite, France for **next generations**

New electrolyte salts (EU Commission battery project)

<sup>1</sup>. Market growth for battery electric vehicles - McKinsey center for Future of Mobility



# HIGH RETURN PA11 PLANT IN SINGAPORE TO SUPPORT GROWTH FROM 2022

## Polyamide 11, a unique material

- ▶ 100% bio-based, from castor oil
- ▶ High performance (mechanical and heat resistance)



LIGHTWEIGHT



RENEWABLE



RECYCLABLE



HIGHLY DURABLE

## +50% capacity in Asia

- ▶ World scale PA11 plant in **Singapore** (including monomer) and downstream capacities in China
- ▶ Start-up expected in **2022**
- ▶ **€450m CAPEX** and **€100m EBITDA** at maturity
- ▶ Successful issuance of our first **green bond** for **€300m**

## Diversified end-markets with high growth potential

Sports



3D Printing



Clean Mobility



Consumer Products



Consumer Electronics

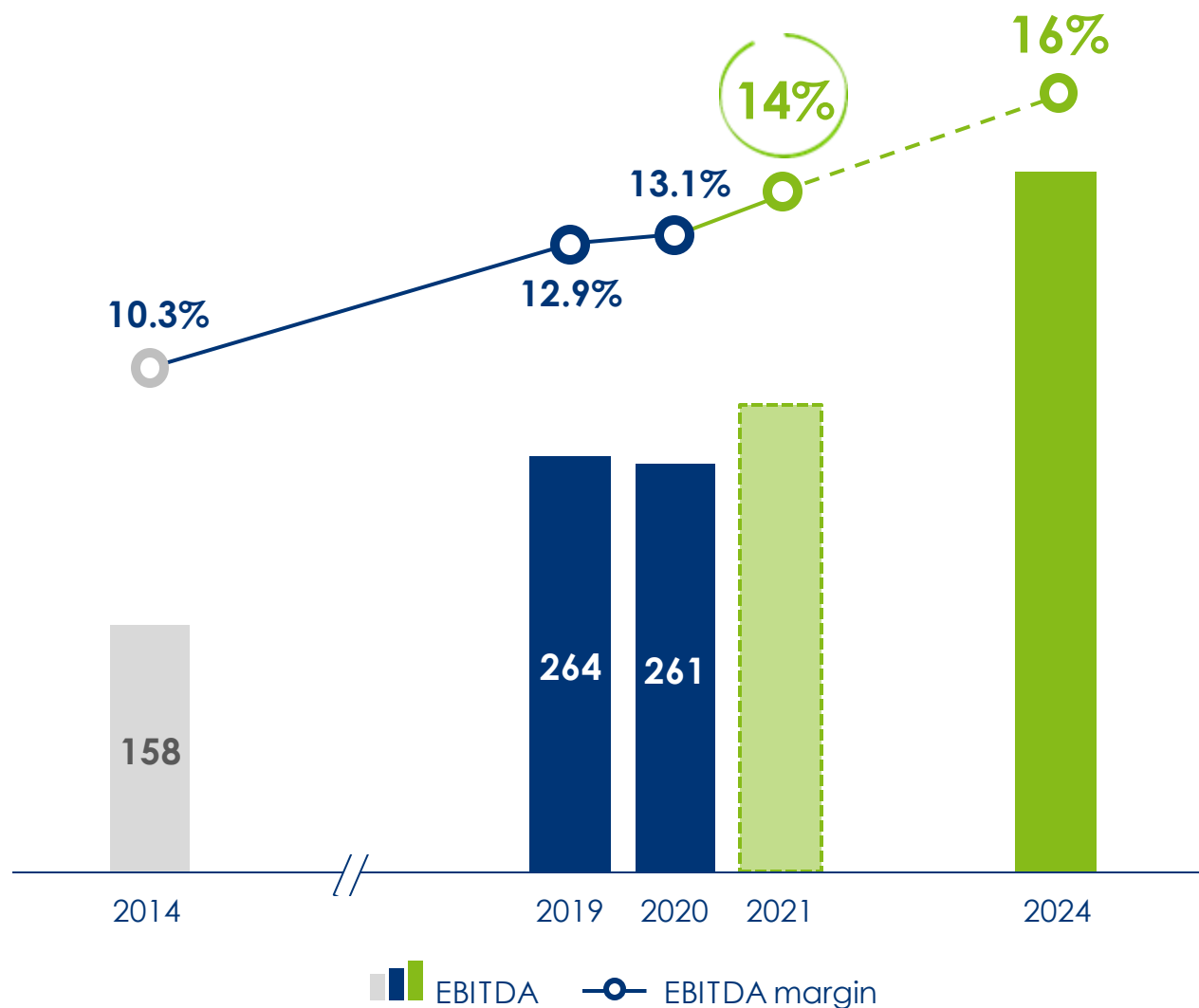


Bio-based textile





# BOSTIK ON TRACK TO DELIVER ITS MID-TERM TARGET



Reach **14%** EBITDA margin in 2021

## Three balanced drivers

- Grow high margin solutions
- Strengthen operational excellence
- Roll out acquisition strategy and implement synergies

# COATING SOLUTIONS SEGMENT WELL POSITIONED TO ACHIEVE ITS TARGETS

## OUR STRENGTHS

- A **unique value proposition** with a resilient, integrated global supply chain as a solid foundation
- An **optimal positioning**:
  - On higher growth market segments (e.g. construction coating, functional coating)
  - On high-growth technologies (e.g. rheology additives)
- A **wide portfolio** of **sustainable technologies**
- **Deep understanding** of **customers' needs**

## OUR GROWTH INITIATIVES



Increase capacity in our existing platforms in **fast-growing geographies** (e.g. photocurable resins in China, powder coatings India,...)



Optimize **operating model** incl. closer integration with other platforms and downstream acrylics



Further strengthen our **sustainable technology** offering (low-VOC formulations, bio-sourced, energy efficient products)



**+3% p.a.**  
Sales growth 2019-2024

**+150 bps**  
EBITDA margin increases between 2019 and 2024

# STRATEGIC REVIEW OF INTERMEDIATES UNDERWAY

## Closing of PMMA disposal

**Disposal** of PMMA business to **Trinseo** for €1,137m



Closed at 3 May 2021

- ▶ Executed **in a timely manner**  
Valuing the activity at **9.3x 2020e EBITDA**

## Review in progress in Fluorogases

**Focus** on specialty businesses



- ▶ **High-value** intermediates for fluoropolymers
- ▶ **Fluorospecialties** for electronics, insulation, batteries..
- ▶ **Electrolyte salts** for batteries (as part of EU commission battery project)

**Investigate strategic alternatives** for emissive applications

- ▶ Next step of our strategic review in Intermediates after PMMA disposal
- ▶ Regulatory landscape recently clarified in the US on HFCs
- ▶ In 2021, define scope, business plan, carve-out and exploration of deconsolidation options

# AMBITIOUS CSR TARGETS



## Sustainable Innovation

Impact+ (2030)

**65%** of our sales significantly contributing to UN SDGs



## Responsible Manufacturer

Safety (2025)

TRIR < **1.0**      PSE < **3.0**

Climate & Environment <sup>1</sup> (2030)

GHG **-38%**      Energy **-20%**

VOC **-65%**      COD **-60%**



## Open Dialogue

Diversity <sup>2</sup> (2030)

Women **30%**  
Non-French **50%**

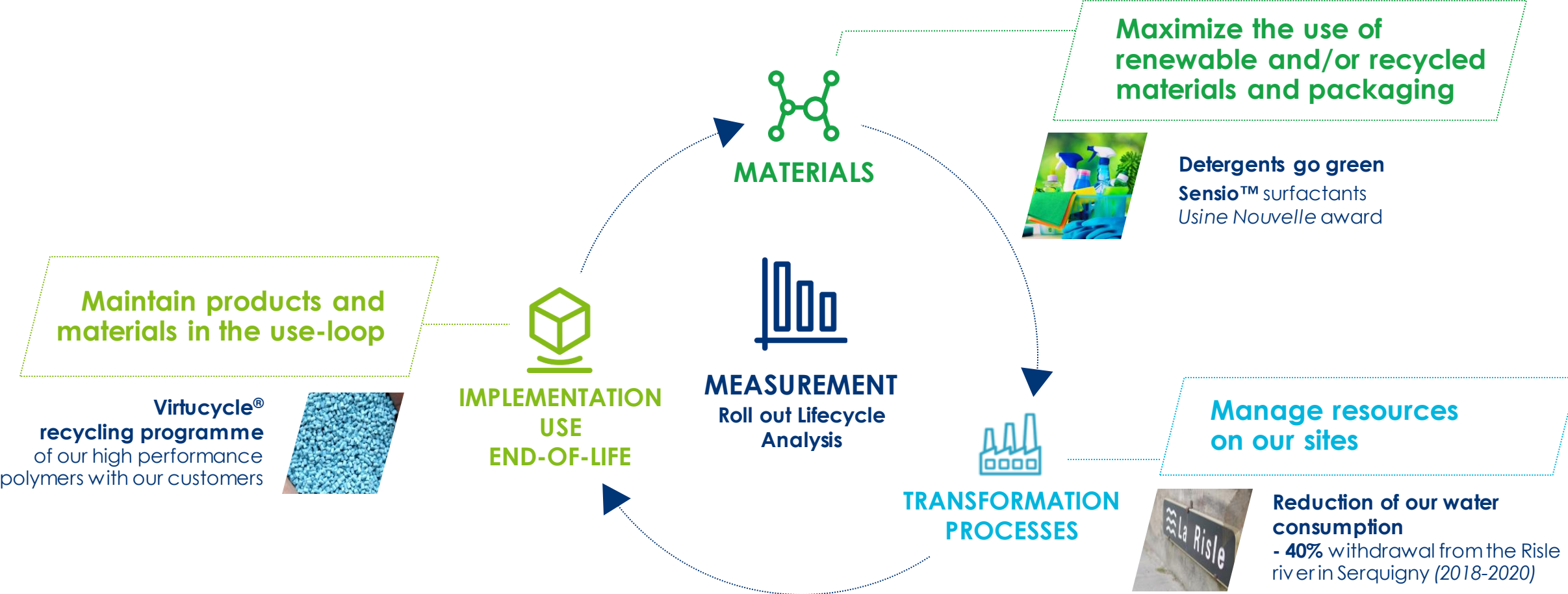
Sustainable Purchasing (2025)

**80%** of our purchases from relevant suppliers  
(Together for Sustainability assessed)

1. Absolute emission target compared to 2015 for GHG (greenhouse gases), EFPI compared to 2012 for Energy, VOC (Volatile organic compounds) and COD (chemical oxygen demand)

2. In senior positions and management

# TRANSITION TO CIRCULAR ECONOMY IS A TOP PRIORITY

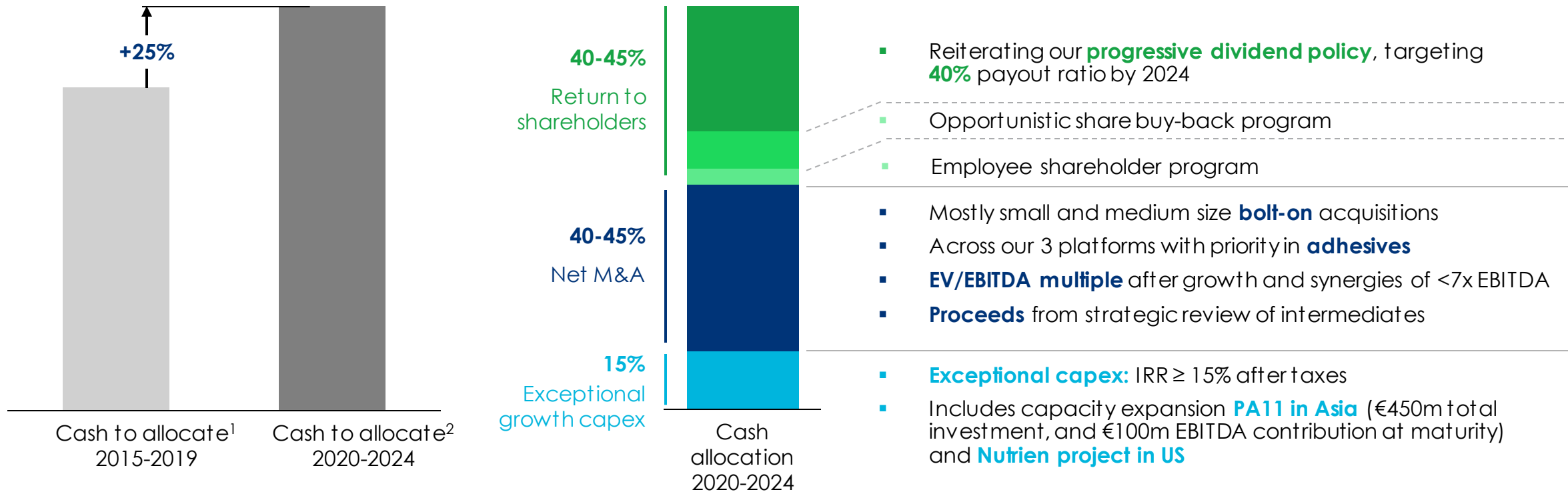




# CASH ALLOCATION PRIORITIES

Estimated cash to allocate over the 5 year plan  
 ~€3.5bn at constant leverage<sup>3</sup> (~1.6x)

SUBJECT TO MARKET CONDITIONS



1. Cash from operations minus recurring CAPEX 2. Cash from operations minus recurring CAPEX plus additional net debt available at constant leverage 3. 1.6x net debt to EBITDA ratio incl. €700m hybrid bonds

# STRICT FINANCIAL DISCIPLINE



ROCE  
**>10%**



Net debt to EBITDA ratio  
**<2x**  
Incl. hybrid bonds



Solid investment grade  
rating



Recurring Capex  
**~5.5%**  
of sales



Controlled working capital  
**~14%**  
of sales

# FIRST QUARTER 2021 RESULTS

EXTRACT FROM FIRST QUARTER 2021 RESULTS PRESENTATION (6 MAY 2021)

**ARKEMA**  
INNOVATIVE CHEMISTRY

# Q1'21 FINANCIAL HIGHLIGHTS

**€2,226m** sales

- up 12.7% compared to Q1'20, at constant scope and currency
  - significant increase in volumes (+7.7%), in the continuity of the rebound already observed in Q4'20 (+5.2%)
  - strong momentum in most of the Group's end markets, and contribution of new developments driven by sustainable innovation

**€358m** EBITDA

**16.1%** EBITDA margin

- up sharply by almost 20% (€300m in Q1'20) and EBITDA margin of 16.1%
  - Specialty Materials' <sup>1</sup> EBITDA of €306m, up 19.5%, supported by strong increases in the three segments Adhesive Solutions, Advanced Materials and Coating Solutions
  - Intermediates' EBITDA of €75m, up 10.3% (up 18.5% at constant scope)

**€159m** adj. net income

- up 59%, representing €2.08 per share

**€(16)m** free cash flow

- seasonal increase in working capital in a context of rising volumes and raw materials inflation

**€2,002m** net debt  
(incl. hybrid bonds)

- well controlled (€1,910m at 31 December 2020)
- 1.6x LTM EBITDA

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

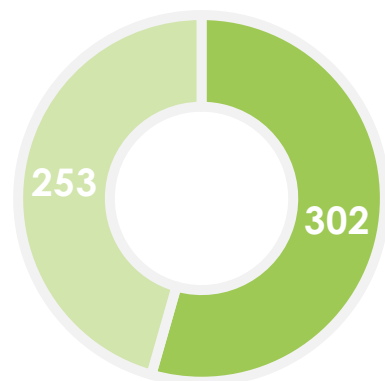
# ADHESIVE SOLUTIONS (25% OF GROUP SALES)



## Q1'21 KEY FIGURES

In €m	Q1'20	Q1'21	Change
Sales	515	555	+7.8%
EBITDA	69	86	+24.6%
EBITDA margin	13.4%	15.5%	
REBIT	54	71	+31.5%

## Q1'21 SALES BY BUSINESS LINE



Construction & Consumer

Industrial Assembly

## Q1'21 SALES DEVELOPMENT

Volumes +8.6%

Prices (0.4)%

Currency (3.9)%

Scope +3.5%

## HIGHLIGHTS

- **€555m sales, up 7.8% YoY**, driven by a +8.6% volume increase
  - strong momentum in construction and DIY, notably in Europe and Asia in continuity of H2'20
  - recovery of industrial markets in high-performance adhesives
  - more subdued growth in packaging and hygiene (high prior-year comparison base)
- **€86m EBITDA, up sharply 24.6% YoY**, reflecting momentum in volumes, operational excellence, repositioning and integration of acquisitions
- **15.5% EBITDA margin** (up 210 bps YoY), highest ever EBITDA margin level in a quarter



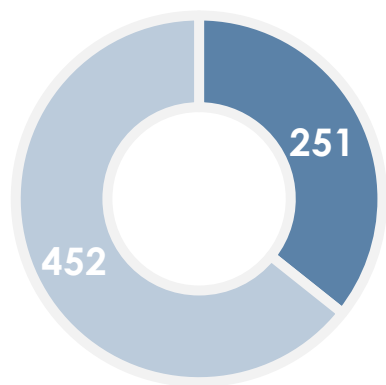


# ADVANCED MATERIALS (31.5% OF GROUP SALES)

## Q1'21 KEY FIGURES

In €m	Q1'20	Q1'21	Change
Sales	652	703	+7.8%
EBITDA	122	142	+16.4%
EBITDA margin	18.7%	20.2%	
REBIT	61	81	+32.8%

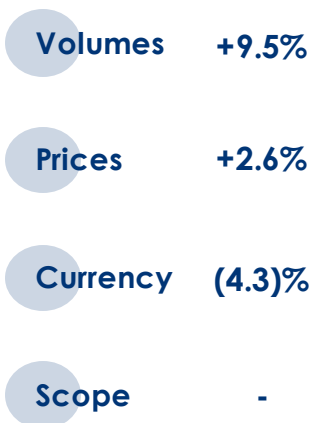
## Q1'21 SALES BY BUSINESS LINE



■ High Performance Polymers

■ Performance Additives

## Q1'21 SALES DEVELOPMENT



## HIGHLIGHTS

- **Volumes up 9.5%**
  - strong growth in High Performance Polymers
  - benefits of innovation and new developments in batteries, automotive, sports equipment and water filtration
  - rebound in most industrial sectors amplified by some customer restocking
- **Price effect up 2.6%**, reflecting price increase initiatives in a context of raw materials inflation
- **€142m EBITDA, up 16,4% YoY, and high EBITDA margin at 20.2%**, in a context of increasing demand for sustainable, high-performance materials

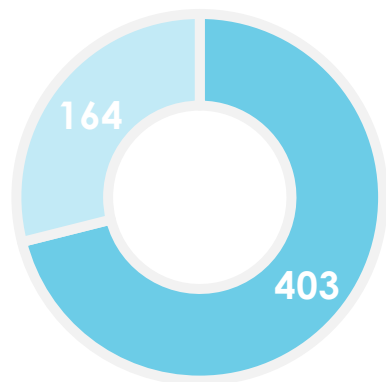


# COATING SOLUTIONS (25.5% OF GROUP SALES)

## Q1'21 KEY FIGURES

In €m	Q1'20	Q1'21	Change
Sales	517	567	+9.7%
EBITDA	65	78	+20.0%
EBITDA margin	12.6%	13.8%	
REBIT	36	49	+36.1%

## Q1'21 SALES BY BUSINESS LINE



■ Coating Resins

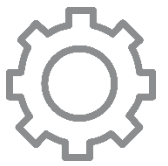
■ Coating Additives

## Q1'21 SALES DEVELOPMENT

- Volumes +5.8%
- Prices +9.1%
- Currency (5.2)%
- Scope -

## HIGHLIGHTS

- **+9.1% price effect**, offsetting higher propylene prices
- **Volumes up 5.8%**
  - strong dynamic in decorative paints, 3D printing, industrial coatings, graphic arts and electronics
  - product availability temporarily affected by winter storm Uri in the United States
- **EBITDA up sharply by 20%** and **13.8% EBITDA margin** supported by good volumes, pricing initiatives and benefit from the acrylic chain integration



# INTERMEDIATES (18% OF GROUP SALES)

## Q1'21 KEY FIGURES

In €m	Q1'20	Q1'21	Change
<b>Sales</b>	397	<b>395</b>	(0.5)%
<b>EBITDA</b>	68	<b>75</b>	+10.3%
<b>EBITDA margin</b>	17.1%	<b>19.0%</b>	
<b>REBIT</b>	35	<b>47</b>	+34.3%

## Q1'21 SALES DEVELOPMENT

- Volumes** +6.3%
- Prices** +10.8%
- Currency** (4.0)%
- Scope** (13.6)%

## HIGHLIGHTS

- **High organic growth at 17.1%**, with **+10.8% price effect** and **volumes effect of 6.3%**
  - more favorable market conditions in acrylics in Asia,
  - still challenging conditions in Europe and in Asia in Fluorogases
  - more limited growth in PMMA given the high prior-year comparison base in the context of the pandemic
- **-13.6% scope effect** related to Functional Polyolefins divestment at 1 June 2020
- **€75m EBITDA, up 10.3% YoY**, and +18.5% at constant scope
- **EBITDA margin at 19.0%**

# Q1'21 CASH FLOW

## RECONCILIATION OF EBITDA TO NET CASH FLOW

In €m	Q1'20	Q1'21
<b>EBITDA</b>	300	<b>358</b>
Current taxes	(26)	<b>(49)</b>
Cost of debt	(25)	<b>(13)</b>
Change in working capital and fixed assets payables <sup>1</sup>	(181)	<b>(187)</b>
Recurring capital expenditure	(79)	<b>(72)</b>
Exceptional capital expenditure	(13)	<b>(53)</b>
Others (including non-recurring items)	(14)	-
<b>FREE CASH FLOW</b>	(38)	<b>(16)</b>
Impact of portfolio management	(95)	<b>(16)</b>
<b>NET CASH FLOW</b>	(133)	<b>(32)</b>

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

### Tax rate

~ **22%** of REBIT (excl. exceptional items)

### Working capital

**12.7%** of annualized sales at end-March 2021, remaining at a very good level

### Exceptional capex

Ramp-up in the construction of the bio-based PA11 plant in Singapore and of the hydrofluoric acid unit in the US

# OUTLOOK

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- ▶ The positive market dynamics observed in the first quarter is continuing, supported by strong demand in the construction and DIY markets, and several industrial markets that are important for the Group
- ▶ Thanks to its innovation for sustainable development and recent industrial capacity expansions, while being attentive to the market environment, which remains volatile, Arkema considers it is very well positioned to benefit from the strongly rising demand for high-performance materials
- ▶ In this environment of robust demand, raw materials inflation should accelerate in the second quarter. The Group will continue its initiatives to increase prices to offset this impact
- ▶ In this context, and also in light of its first-quarter financial performance, the Group has raised significantly the Specialty Materials' guidance for 2021. Excluding a systemic resumption of the health crisis,
  - ▶ **Specialty Materials'** EBITDA is now expected to **grow by around 20% in 2021** compared to 2020 at constant scope and currency <sup>1</sup>
  - ▶ **Bostik**, in line with its 2024 trajectory, confirms its EBITDA margin **target of 14%** in the year, and **Intermediates'** EBITDA should **at least reach last year's level** at constant scope <sup>2</sup> and currency <sup>1</sup>

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

2. The combined EBITDA contribution of Functional Polyolefins, divested on 1 June 2020, and of PMMA, divested on 3 May 2021, was close to €135m in 2020 and €45m in 2021 (January – April, PMMA only)



# 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