element solutions

Bank of America 2021 Global Agricultural and Materials Conference

Element Solutions Overview

March
2021

Legal Notices

SAFE HARBOR

Please note that in this presentation, we may discuss events or results that have not yet occurred or been realized, commonly referred to as forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the Company. Such discussion and statements will often contain words such as “expect,” “anticipate,” “project,” “will,” “should,” “believe,” “intend,” “plan,” “assume,” “estimate,” “predict,” “seek,” “continue,” “outlook,” “may,” “might,” “aim,” “can have,” “likely,” “potential,” “target,” “hope,” “goal,” “priority,” “guidance” or “confident” and variations of such words and similar expressions, and relate in this presentation, without limitation, to “New Economy” growth drivers, including 5G mobile technologies, vehicle electrification, semiconductor applications, circular economy and green chemistry; defensible margins and high returns on capital; cost management and long-term organic growth management; cash flow generation and allocation; full year 2021 financial guidance related to adjusted EBITDA, adjusted EPS and free cash flow; profitable growth from 5G adoption; electronic content growth in Automotive; meeting sustainability challenges and environmental compliance standards; steady margins and growing free cash flow; outperformance relative to end-markets; capital allocation; return of capital to shareholders; and long-term financial objectives, including doubling adjusted EPS to $1.36 from 2018 to 2023.

These projections and statements reflect management's estimates, assumptions and expectations with respect to future events and financial performance and are believed to be reasonable, though are inherently uncertain and difficult to predict. Such projections and statements are based on the assessment of information available to management as of the current date, and management does not undertake any obligations to provide any further updates. Actual results could differ materially from those expressed or implied in the forward-looking statements if one or more of the underlying estimates, assumptions or expectations prove to be inaccurate or are unrealized. Important factors that could cause actual results to differ materially from those suggested by these forward-looking statements include, but are not limited to, the duration of the pandemic; the efficacity, availability and/or public acceptance of vaccines targeting COVID-19; the impact of variants of COVID-19 that may affect its spread or virulence or the effectiveness of vaccines on the virus; the impact of actions taken or that might be taken by governments, businesses or individuals to contain or reduce its repercussions and mitigate its economic implications; evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures; decreased consumer spending levels; reduction or changes in customer demand for the Company's products and services; the Company's ability to manufacture, sell and provide its products and services, including as a result of travel restrictions, closed borders, operating restrictions imposed on its facilities or reduced ability of its employees to continue to work efficiently; increased operating costs (whether as a results of changes to the Company's supply chain or increases in employee costs or otherwise); collectability of customer accounts; additional and prolonged devaluation of other countries' currencies relative to the U.S. dollar; the general impact of the pandemic on the Company's customers, employees, suppliers, vendors and other stakeholders; the Company's ability to realize the expected benefits of its cost containment and cost savings measures; business and management strategies; outstanding debt and debt leverage ratio; shares repurchases; expected returns to stockholders; and the impact of acquisitions, divestitures, restructurings, refinancings, impairments and other unusual items, including the Company's ability to raise and/or retire new debt and/or equity and to integrate and obtain the anticipated benefits, results and synergies from these items or other related strategic initiatives. Additional information concerning these and other factors that could cause actual results to vary is, or will be, included in the periodic and other reports of Element Solutions filed with the Securities and Exchange Commission. Element Solutions undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Certain product information, competitive position data, peers’ data and market trends contained in this presentation have been prepared internally and have not been verified by any third party. Use of different methods for preparing, calculating or presenting such information may lead to different results and such differences may be material. In addition, certain industry and market data described in this presentation was obtained from industry and general publications and research, surveys and studies conducted by third parties. While the Company believes this information is reliable and appropriate, such information has not been verified by any independent source. You are cautioned not to place undue reliance on this information or data.

NON-GAAP FINANCIAL MEASURES

To supplement the financial measures prepared in accordance with generally accepted accounting principles in the United States (“GAAP”), the Company uses the following non-GAAP financial measures: EBITDA, adjusted EBITDA, adjusted EBITDA margin, adjusted earnings per share (EPS), adjusted common shares outstanding, free cash flow, free cash flow on an adjusted basis, free cash flow conversion, full year 2021 financial guidance related to adjusted EBITDA, adjusted EPS and free cash flow, net debt to adjusted EBITDA ratio and organic net sales growth. The Company also evaluates and presents its results of operations on a constant currency basis. The definitions and reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with GAAP can be found in the footnotes and appendix of this presentation.

Management internally reviews each of these non-GAAP measures to evaluate performance on a comparative period-to-period basis in terms of absolute performance, trends and expected future performance with respect to the Company’s businesses and believes that these non-GAAP measures provide investors with an additional perspective on trends and underlying operating results on a period-to-period comparable basis. The Company also believes that investors find this information helpful in understanding the ongoing performance of its operations separate from items that may have a disproportionate positive or negative impact on its financial results in any particular period. These non-GAAP financial measures, however, have limitations as analytical tools, and should not be considered in isolation from, a substitute for, or superior to, the related financial information that the Company reports in accordance with GAAP. Investors are encouraged to review the reconciliations of these non-GAAP financial measures to their most comparable GAAP financial measures included herein, and not to rely on any single financial measure to evaluate the Company’s businesses.

Element Solutions Overview

Chemical Technology Enabling Performance & Innovation

$ 1,854M 2020 Net Sales

$ 423M 2020 Adj. EBITDA*

~ 4,400 Employees

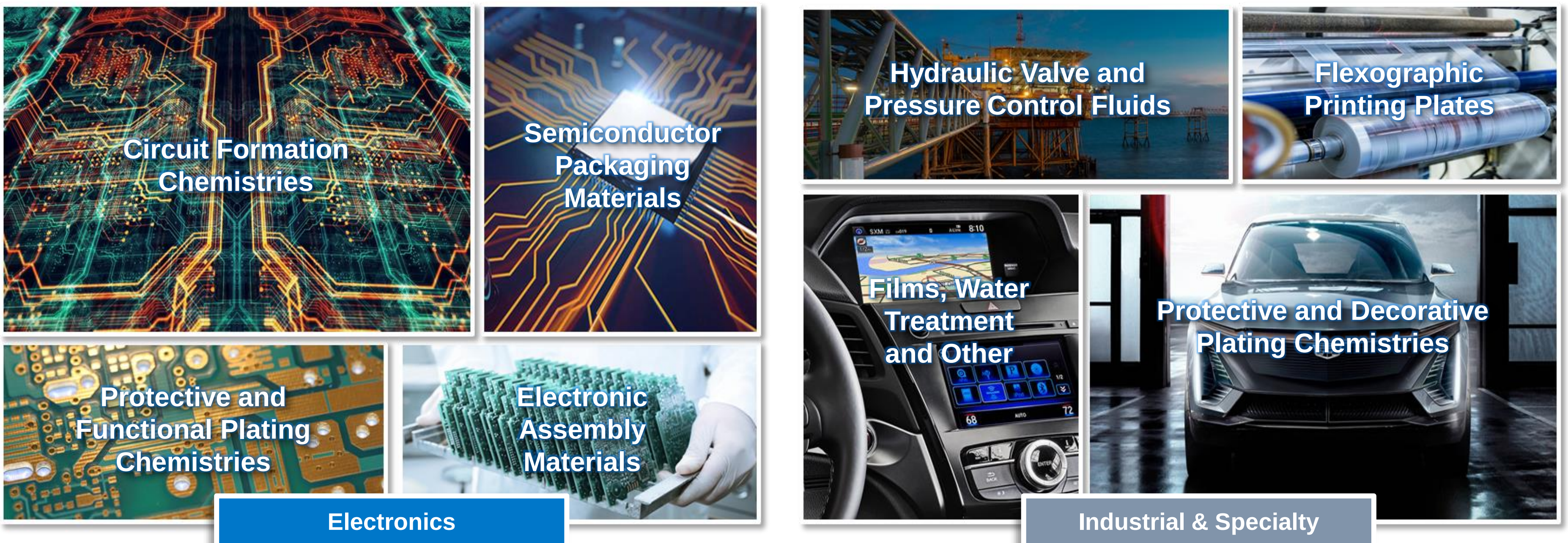
> 50 Countries

2020 Segment Net Sales

Electronics	63%
Industrial & Specialty	37%

2020 Regional Net Sales

Americas	30%
EMEA	27%
Asia	43%



* Indicates financial measures which are not prepared in accordance with GAAP. For definitions, discussions of adjustments and reconciliations, please refer to the appendix of this presentation

Full Year 2020 Highlights

Operational Excellence

&

Prudent Capital Allocation

In the context of a significant COVID-19 impact…

9%
Growth in Adj. EPS*

2%
Constant currency adj. EBITDA* growth

$249M
Free cash flow*

5%
Free cash flow* growth year-on-year[1]

Expanded adjusted EBITDA margin*

Committed to preserve employment

Maintained R&D and Capex investment levels

MacDermid ENVIO SOLUTIONS

Strategic acquisition of DMP launching new sustainability platform for wastewater treatment and recycling systems

Five Cent
per share quarterly dividend initiated in Q4 2020

$56M
*Of share repurchases at an average price of **$9.74** per share*

2.9x
Net debt to Adj. EBITDA at year-end*

* See non-GAAP definitions and reconciliations in the appendix

1. Assumes growth over 2019 free cash flow on an adjusted basis of $238 million, which excludes the impact of the Arysta divestiture and assumes the Company's current capital structure had been in place as of January 1, 2019.

‘New Economy’ Growth Drivers Propelling Stable, High-Returning Business Model

Growth From New Economy

- 5G Mobile Technologies
- Vehicle Electrification
- Semiconductor Applications
- Circular Economy
- Green Chemistry

Attractive Businesses Managed Efficiently

- *Defensible margins and high returns on capital*
- *Balancing cost management and long-term organic growth investments*
- *Deploying strong, stable cash-flows effectively*

2021 Financial Guidance[1]

7% Adjusted EBITDA* growth

Adj. EPS* of $1.10 - $1.15
(15-20% growth YoY)

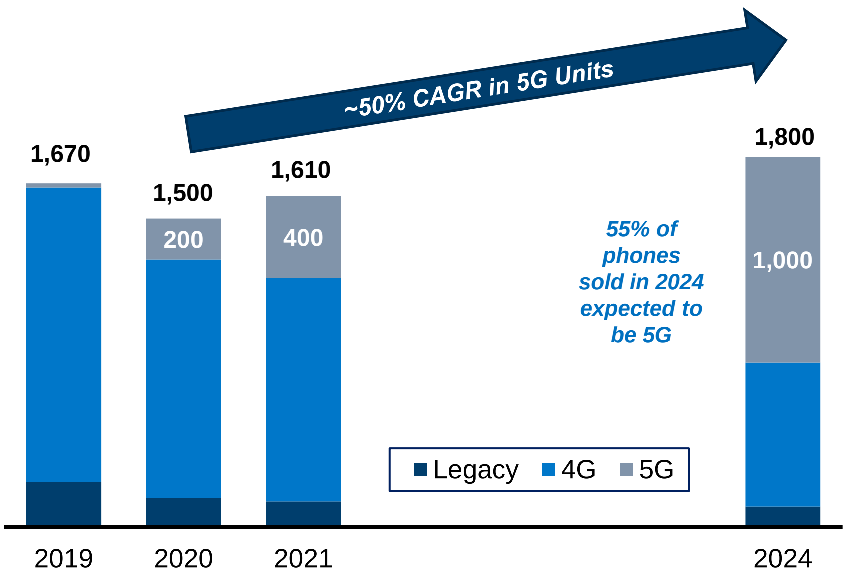
~$275M of Free Cash Flow*

* See non-GAAP definitions and reconciliations in the appendix
1 – FY 2021 financial guidance as of January, 2021 as announced in Fourth Quarter and Full Year 2020 Earnings Release

Profitable Growth from 5G Adoption

Higher performance and reliability requirements for 5G technologies drives opportunities in circuitry and advanced semiconductor applications

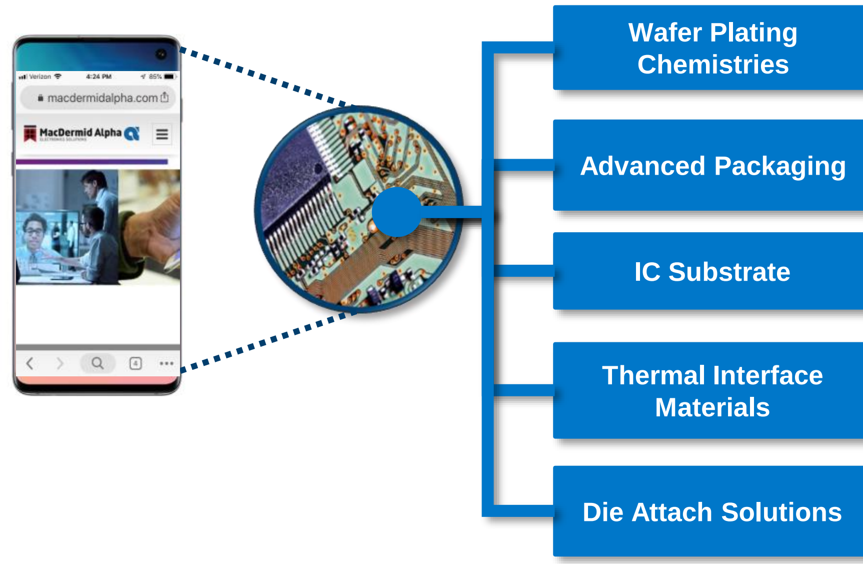
5G Mobile Devices – Annual Shipments (M Units)



Source: Prismark Sept 2020

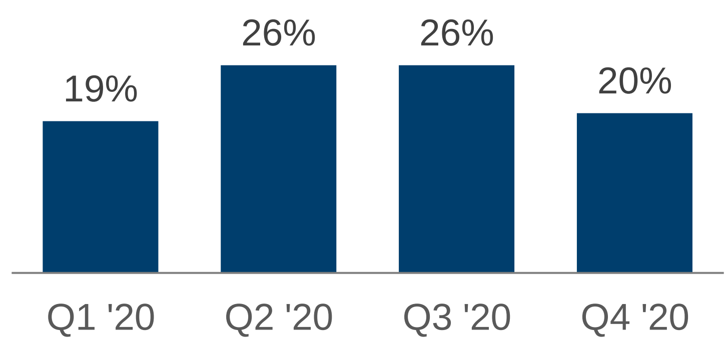
ESI Content Per Phone	
Mid-Level Phone	**~ $0.70-$0.80**
Premium Phone	**~ $1.10-$1.20**
5G Phone	**~ 15%+ vs. Premium**

Source: Management estimates



Rapid Growth in Semi

Semiconductor Segment Net Sales Growth YoY %



Electronic Content Growth in Automotive

A leading provider of advanced circuitry, joining materials and surface finishing technology critical to the development of next-generation vehicles

Enhancing safety systems to reach next level autonomy (cameras, radar and connectivity)

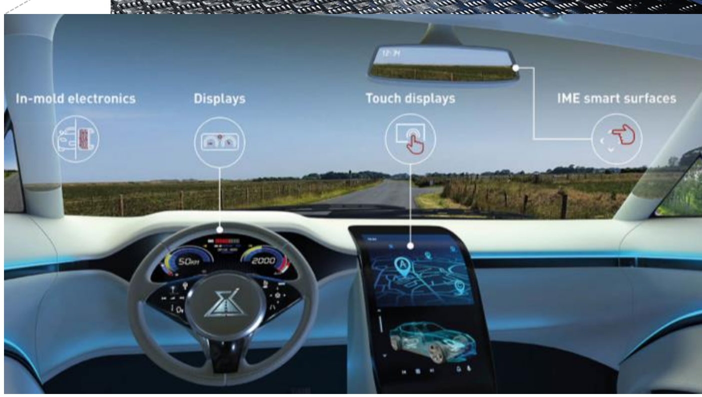
Lightweighting — *High-strength lightweight materials and surface coatings to drive efficiency in the connected vehicle*

ADAS

Interior

Electric Vehicles/ Powertrain — *Inverter and Battery Management System technologies to enhance range, power and reliability*

Exterior — *OEM-approved sustainable exterior decorative coatings that offer durability and long-lasting beauty*



1.5 – 2.0x
more value in electric vehicles

Source: Management estimates of potential ESI $ content per vehicle

Sustainable Chemistry

Enabling Green Chemistry and the Circular Economy

Innovative solutions to meet sustainability challenges and rising environmental compliance standards globally

Sustainable Technology Offerings

MacDermid ENVIO SOLUTIONS

- *Reducing our customers' environmental footprint with a differentiated portfolio of metals reclaim, recycling capability, wastewater treatment equipment and chemistry solutions*

Direct Metallization

- *Carbon-based metallization chemistries reduce power consumption by 57% and rinse water usage by 76%*

REACH Compliant Solutions

evolve

- *New processes enabling automotive and OEM supply chains to make REACH compliant parts free of hexavalent chromium and PFOS*

Offshore Environmental Products

- *Recently acquired offshore production fluid product technology has industry-leading environmental performance as certified by leading industry regulatory bodies*

Low Temperature Solders

- *Reliable attachment materials that reduce reflow oven temps in soldering process by 30%, enabling contract manufacturers to lower energy costs and greenhouse gas emissions*

Reducing Environmental Footprints ✓

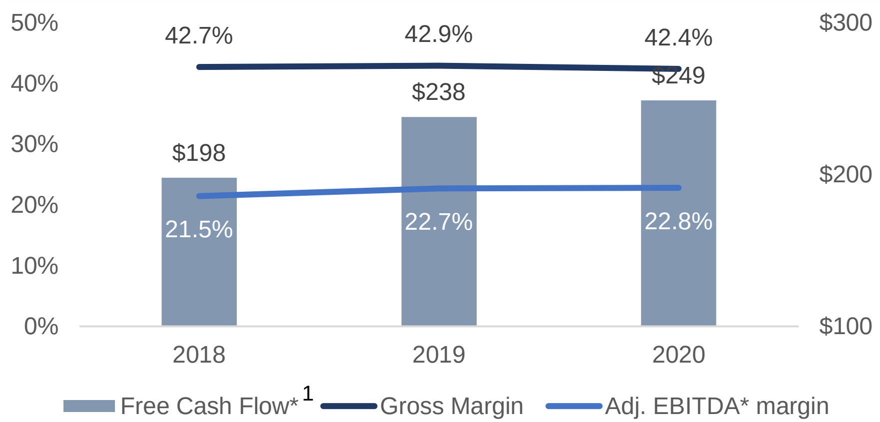
Eliminating Hazardous Chemicals ✓

Sourcing Responsibly ✓

Source: Management estimates

Resilient, High Cash Flow Businesses Outperforming their Markets

Steady Margins and Growing FCF*



Efficiently Managed Asset Base

1.6%

Capital Expenditures as a % of 2020 Net Sales

>80%

COGS as a variable cost that flex with demand

$35 million

Permanent net operating cost reduction since launching ESI

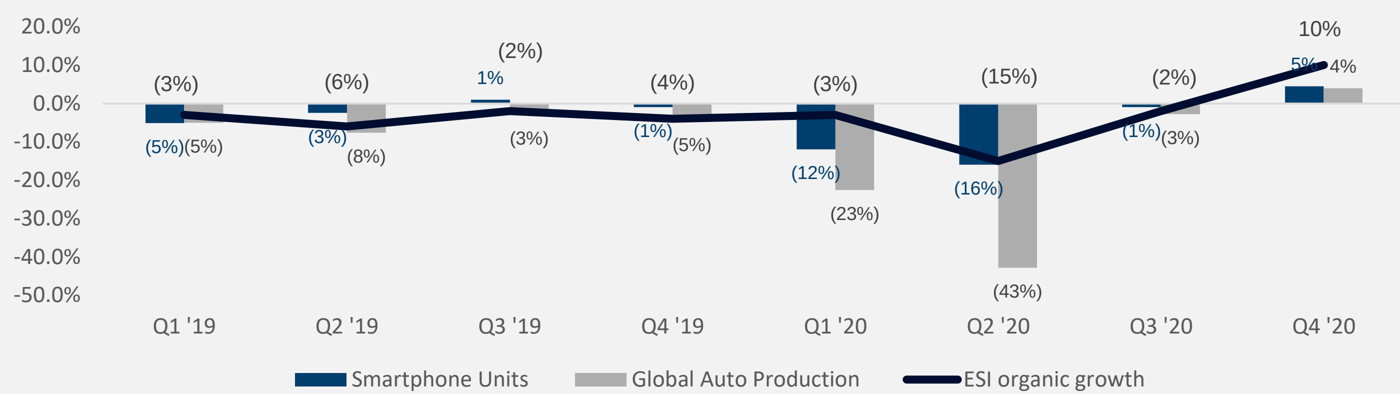
93%

FCF Conversion [2] 2020

Commercial execution driving outperformance relative to end-markets

Organic net sales growth* outpaced key automotive and high-end smartphone unit growth

Growth inflected positively exiting 2020



Source: Prismark, LMC Automotive – Jan 2021

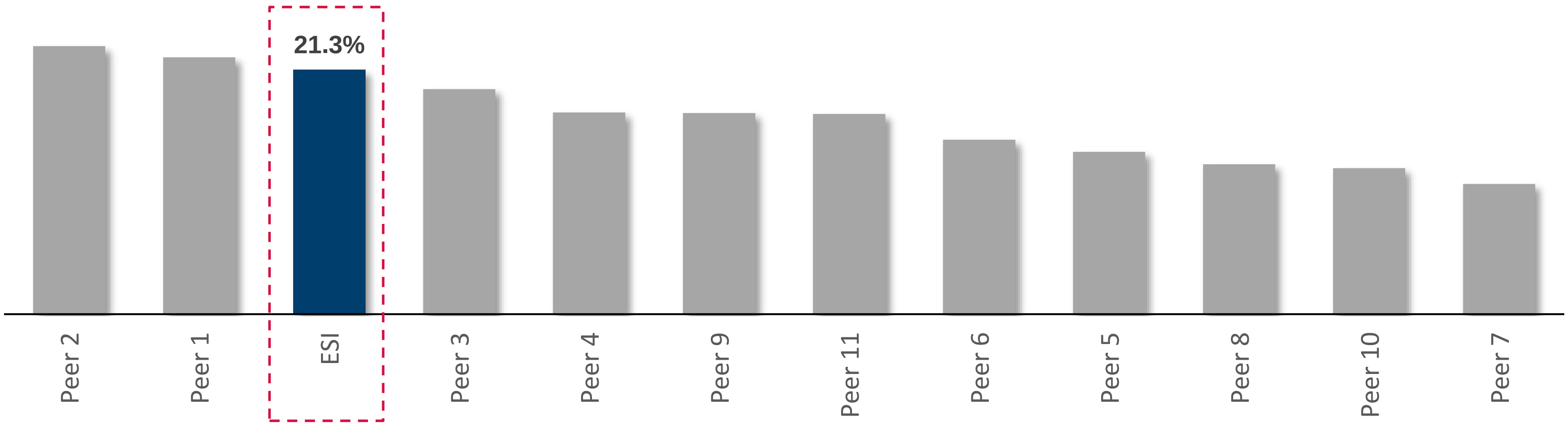
- *See non-GAAP definitions and reconciliations in the appendix*

1 – Excludes the impact of prior capital structure for 2018 and 2019; 2 - FCF Conversion defined as 2020 Adjusted EBITDA ($423m) – Capex ($29m) / 2020 Adjusted EBITDA* ($423m)*

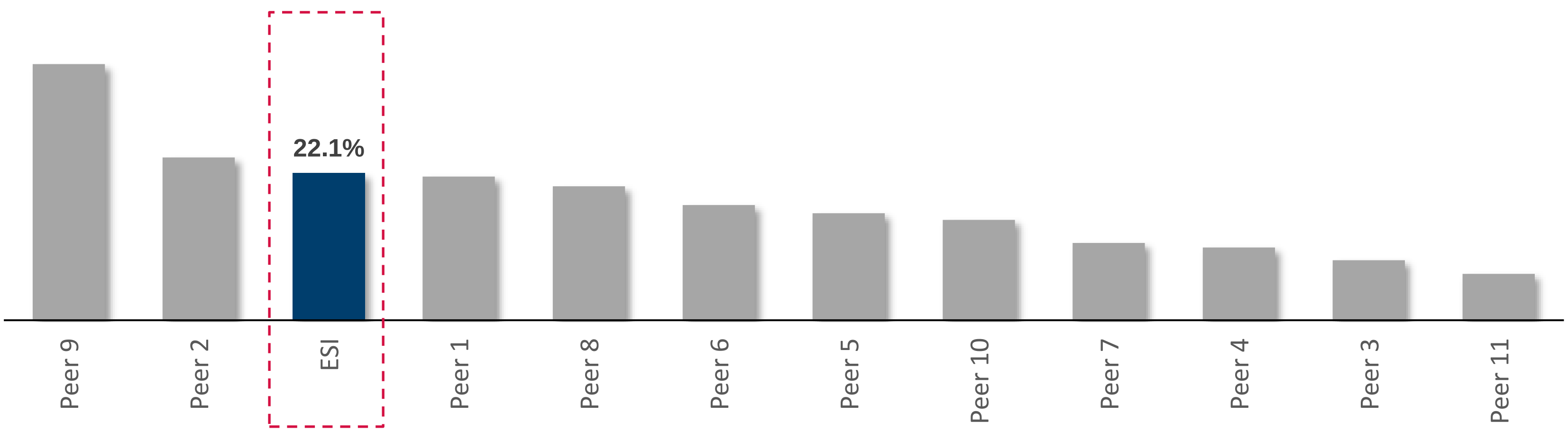
Benchmarking Element Solutions in Specialty Chemicals

Cash Flow and Returns

(Adj. EBITDA* – Capital Expenditures) / Net Sales (2020)[1]



Adj. EBIT[2] / Tangible Assets[3] (%)



- *See non-GAAP definitions and reconciliations in the appendix*

Source: S&P CapIQ, peers' company filings

Note: Peers include the following companies (in alphabetical order): Ashland, Avery Dennison, Axalta, Cabot Microelectronics, DuPont, Entegris, HB Fuller, PPG, Quaker Houghton, RPM, Sherwin Williams

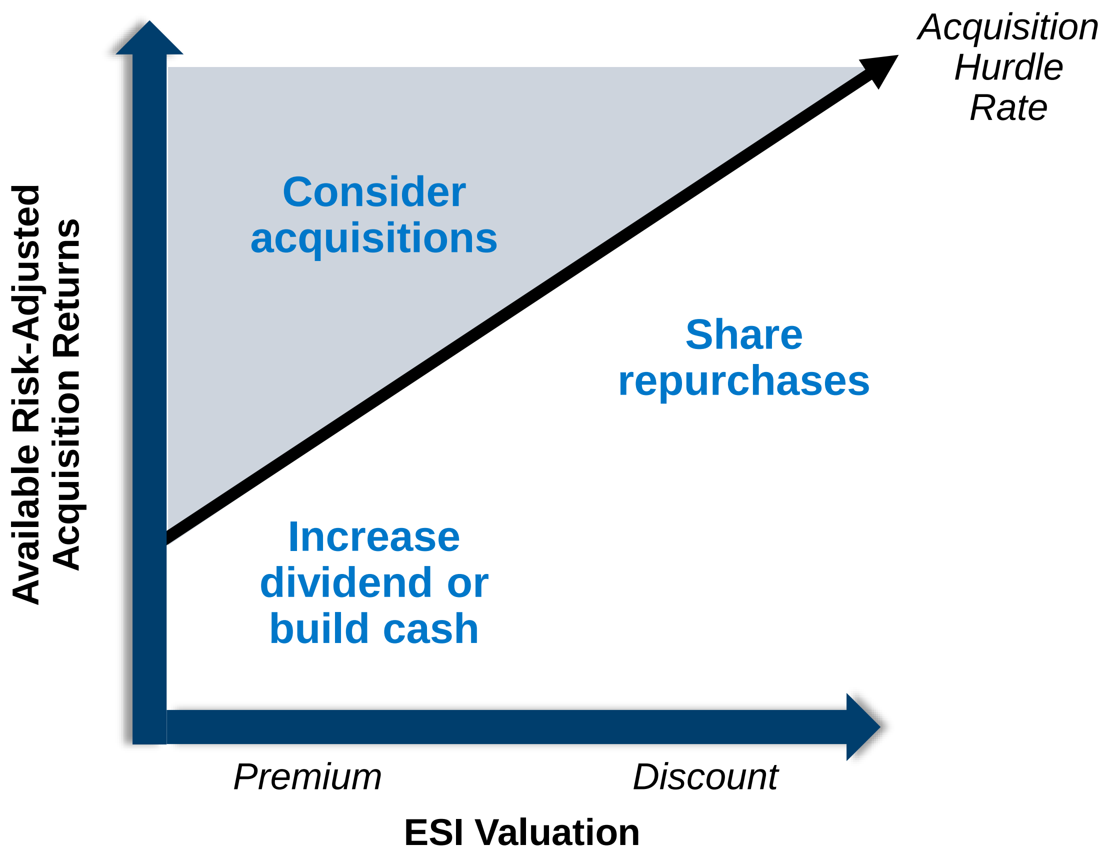
1. Calculated as 2020 adj. EBITDA* less capex / annual sales. ESI calculation: ($423M) – ($29M) / ($1,854M)
2. Calculated as 2020 adj. EBITDA* less depreciation and amortization expense. ESI calculation: ($423M) - ($161M)
3. Calculated as net working Capital plus Gross Property, Plant & Equipment plus Other Assets (excludes Prepaid Expenses) as of quarter ending Dec 31, 2020. ESI calculation $578M + $461M + $141M

Capital Allocation

Progress & Priorities

ESI maintains a measured approach to capital allocation

- Repurchased 5.7 million shares in 2020 at average price of $9.74 per share
- Deployed ~$75 million on complementary acquisitions in last 2 years at average ~6x EBITDA multiple pre-synergies
- Refinanced high-yield notes to generate $16 million of annual interest savings in 2021
- A $0.05 per share quarterly dividend initiated in December 2020
- Reduced net leverage ratio to 2.9x as of Dec 2020



Remain committed to thoughtfully returning excess capital to shareholders

What to Expect from Element Solutions

Compound intrinsic value through strong execution across a portfolio of high-quality assets and prudent, long-term oriented capital allocation

Long Term Financial Objectives

- Outperformance relative to end-markets
- Solid, stable profit margins and strong cash flow generation
- Prudent capital allocation focused on core, existing business
- Net leverage ratio* below 3.5x adjusted EBITDA*
- Consistent return of capital to shareholders through share buybacks and/or dividends

Double adjusted EPS* to $1.36 from 2018 to 2023

* See non-GAAP definitions and reconciliations in the appendix

Appendix

Non-GAAP Definitions

Adjusted Earnings Per Share (EPS): Adjusted EPS is a key metric used by management to measure operating performance and trends. In particular, the exclusion of certain expenses in calculating adjusted EPS facilitates operating performance comparisons on a period-to-period basis. Adjusted EPS is defined as net income from continuing operations attributable to common stockholders adjusted to reflect adjustments consistent with the Company’s definition of adjusted EBITDA. Additionally, the Company eliminates the amortization associated with intangible assets, incremental depreciation associated with the step up of fixed assets, and incremental cost of sales associated with the step up of inventories recognized in purchase accounting for acquisitions. Further, the Company adjusts its effective tax rate to 26% and 27% for the three and twelve months ended December 31, 2020 and 2019, respectively. Lastly, the 2019 adjusted EPS total is based on the Company’s new capital structure by assuming that the sale of Agricultural Solutions had closed and the new credit agreement had been in place on January 1, 2019. The resulting adjusted net income is then divided by the Company's adjusted common shares outstanding. Adjusted common shares outstanding represent the shares outstanding as of the balance sheet date for the quarter-to-date period and an average of each quarter for the year-to-date period. Adjusted common shares outstanding consists of common shares outstanding, plus the shares that would be issued if all convertible stock was converted to common stock, stock options were vested and exercised, and equity grants with targets that are considered probable of achievement were vested at target level and issued.

Constant Currency: Management discloses net sales and adjusted EBITDA on a constant currency basis, by adjusting results to exclude the impact of changes due to the translation of foreign currencies of its international locations into U.S. dollar. Management believes this non-GAAP financial information facilitates period-to-period comparison in the analysis of trends in business performance, thereby providing valuable supplemental information regarding its results of operations, consistent with how the Company evaluates its financial results.

The impact of foreign currency is calculated by converting the Company's current-period local currency financial results into U.S. dollar using the prior period's exchange rates and comparing these adjusted amounts to its prior period reported results. The difference between actual growth rates and constant currency growth rates represents the impact of foreign currency translation.

EBITDA and Adjusted EBITDA: EBITDA represents earnings before interest, provision for income taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA, excluding the impact of additional items included in GAAP earnings which the Company believes are not representative or indicative of its ongoing business or are considered to be associated with its capital structure, as described in the Release. Adjusted EBITDA for each segment also includes an allocation of corporate costs, such as compensation expense and professional fees. Management believes adjusted EBITDA and adjusted EBITDA margin provide investors with a more complete understanding of the long-term profitability trends of the Company’s business, and facilitate comparisons of its profitability to prior and future periods. However, these measures, which do not consider certain cash requirements, should not be construed as an alternative to net income or cash flow from operations as a measure of profitability or liquidity.

Net Debt to Adjusted EBITDA ratio: Net debt to adjusted EBITDA ratio is defined as total debt (current installments of long-term debt, revolving credit facilities and long-term debt), excluding unamortized discounts and debt issuance costs, which totaled $19.6 million at December 31, 2020, less cash divided by adjusted EBITDA.

Free Cash Flow: Free cash flow is defined as net cash flows from operating activities less net capital expenditures. Net capital expenditures include capital expenditures less proceeds from the disposal of property, plant and equipment. Free cash flow on an adjusted basis adjusts one-time cash operating expenses. Management believes that free cash flow, which measures the Company’s ability to generate cash from its business operations, is an important financial measure for use in evaluating the Company's financial performance. However, free cash flow should be considered in addition to, rather than as a substitute for net cash provided by operating activities as a measure of the Company’s liquidity.

Organic Net Sales Growth: Organic net sales growth is defined as net sales excluding the impact of foreign currency translation, changes due to the pass-through pricing of certain metals, and acquisitions and/or divestitures, as applicable. Management believes this non-GAAP financial measure provides investors with a more complete understanding of the underlying net sales trends by providing comparable net sales over differing periods on a consistent basis.

For the three months ended December 31, 2020, Electronics' consolidated results were positively impacted by $11.1 million of acquisitions and $9.0 million of pass-through metals pricing and Industrial & Specialty's consolidated results were positively impacted by $7.4 million of acquisitions.

For the twelve months ended December 31, 2020, Electronics' consolidated results were positively impacted by $53.6 million of acquisitions and $5.2 million of pass-through metals pricing and Industrial & Specialty's consolidated results were positively impacted by $11.3 million of acquisitions.

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The Company only provides full year 2021 guidance related to adjusted EBITDA, adjusted EPS and free cash flow, on a non-GAAP basis and does not provide reconciliations of these forward-looking non-GAAP measures to GAAP due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliations, including adjustments that could be made for restructurings, refinancings, impairments, divestitures, integration-related expenses, share-based compensation amounts, non-recurring, unusual or unanticipated charges, expenses or gains, adjustments to inventory and other charges reflected in the reconciliation of historic numbers, the amount of which, based on historical experience, could be significant.

Reconciliation to Adjusted Share Counts

(amounts in millions)	Q4 2020	Q4 2019	FY 2020 (Average)	FY 2019 (Average)
Basic outstanding common shares	**247**	**250**	**248**	**254**
Number of shares issuable upon conversion of Series A Preferred Stock	-	2	-	2
Number of shares issuable upon vesting of granted Equity Awards[1]	3	2	3	3
Adjusted common shares outstanding	**250**	**255**	**251**	**258**

Note: Totals may not sum due to rounding

1. Equity awards with targets that are considered probable of achievement vested at target level

GAAP Net Income Reconciliation to Adjusted Diluted EPS

($ millions, except per share amounts)	Q4 2020	Q4 2019	FY 2020	FY 2019
Net income attributable to common stockholders	**$30**	**$74**	**$76**	**$92**
Net income (loss) from discontinued operations attributable to common stockholders	—	0	(1)	13
Net income from continuing operations attributable to common stockholders	**30**	**74**	**77**	**79**
Reversal of amortization expense	30	28	119	113
Adjustment to reverse incremental depreciation expense from acquisitions	2	2	8	9
Amortization of inventory step-up	—	1	2	1
Adjustment to interest expense	—	—	—	20
Restructuring expense	1	2	6	14
Acquisition and integration costs	4	(1)	12	2
Foreign exchange (gain) loss on foreign denominated external and internal long-term debt	(8)	(33)	35	(32)
Debt refinancing costs	—	1	46	62
Foundation contributions	5	—	5	—
Change in fair value of contingent consideration	—	(21)	—	(17)
Other, net	(1)	2	10	1
Tax effect of pre-tax non-GAAP adjustments	(9)	5	(64)	(47)
Adjustment to estimated effective tax rate	23	(5)	(17)	23
Adjustment to reverse loss attributable to certain non-controlling interests	—	—	—	1
Adjusted net income from continuing operations attributable to common stockholders	**$77**	**$56**	**$241**	**$228**
Adjusted earnings per share from continuing operations	**$0.31**	**$0.22**	**$0.96**	**$0.88**
Adjusted common shares outstanding[1]	***250***	***255***	***251***	***258***

Note: Totals may not sum due to rounding

1. See p.15 for a reconciliation to Adjusted Share Counts

Net Income Attributable to Common Stockholders Reconciliation to Adj. EBITDA

($ millions)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
Net income attributable to common stockholders	**$9**	**$1**	**$36**	**$30**	**$76**
Add (subtract):					
(Income) loss from discontinued operations, net of tax	(0)	1	0	—	1
Income tax expense (benefit)	4	6	(47)	42	4
Interest expense, net	17	17	17	13	63
Depreciation expense	11	11	11	11	42
Amortization expense	29	29	31	30	119
EBITDA	**69**	**64**	**47**	**125**	**306**
Adjustments to reconcile to Adjusted EBITDA:					
Amortization of inventory step-up	1	—	1	—	2
Restructuring expense	1	3	1	1	6
Acquisition and integration costs	7	1	0	4	12
Foreign exchange loss (gain) on foreign denominated external and internal long-term debt	29	12	2	(8)	35
Debt refinancing costs	—	—	46	—	46
Foundation contributions	—	—	—	5	5
Other, net	3	4	4	(1)	10
Adjusted EBITDA	**$110**	**$85**	**$102**	**$126**	**$423**

Note: Totals may not sum due to rounding

Net Income (Loss) Attributable to Common Stockholders Reconciliation to Adj. EBITDA

($ millions)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
Net income (loss) attributable to common stockholders	**$23**	**$2**	**$(7)**	**$74**	**$92**
Add (subtract):					
Net income (loss) attributable to the non-controlling interests	1	(0)	—	0	1
(Income) loss from discontinued operations, net of tax	(27)	13	1	(0)	(13)
Income tax (benefit) expense	(10)	(7)	57	21	61
Interest expense, net	38	18	17	17	91
Depreciation expense	10	10	10	11	42
Amortization expense	28	28	28	28	113
EBITDA	**63**	**65**	**107**	**152**	**386**
Adjustments to reconcile to Adjusted EBITDA:					
Amortization of inventory step-up	—	—	—	1	1
Restructuring expense	3	3	7	2	14
Acquisition and integration costs	1	0	1	(1)	2
Foreign exchange (gain) loss on foreign denominated external and internal long-term debt	(28)	29	1	(33)	(32)
Debt refinancing costs	61	0	—	1	62
Change in fair value of contingent consideration	2	1	1	(21)	(17)
Other, net	(3)	3	(1)	2	1
Adjusted EBITDA	**$99**	**$101**	**$115**	**$102**	**$417**

Note: Totals may not sum due to rounding

Free Cash Flow to Free Cash Flow on an Adjusted Basis Reconciliation

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(dollars in millions)	FY 2018	FY 2019	FY 2020
Cash flows from operating activities	$ (1)	$ 171	$ 276
Capital expenditures	(28)	(30)	(29)
Disposal of property, plant and equipment	4	5	2
Free cash flows	**$ (25)**	**$ 146**	**$ 249**
Adjustments to arrive at free cash flows on an adjusted basis:			
Interest payments - prior capital structure [1]	293	57	
Interest payments - current capital structure [1]	(70)	(3)	
Other [2]	-	38	
Free cash flows on an adjusted basis	**$ 198**	**$ 238**	

Note: Totals may not sum due to rounding

1 Adjustments for 2018 and 2019 interest payments to reflect the Company's new capital structure by assuming that the Arysta Sale had closed and its new credit agreement had been in place on January 1, 2018

2 Adjustment for the payment of the contingent consideration related to the MacDermid Acquisition and payment for employee expenses associated with the Arysta Sale that did not qualify for discontinued operations

Organic Net Sales Growth Reconciliation

	Q1		Q2		Q3		Q4	
	2019	2020	2019	2020	2019	2020	2019	2020
Net Sales Growth	**(7%)**	**(2%)**	**(9%)**	**(15%)**	**(5%)**	**3%**	**(5%)**	**18%**
Impact of Currency	5%	2%	4%	2%	2%	0%	1%	(2%)
Constant Currency	**(2%)**	**0%**	**(5%)**	**(13%)**	**(3%)**	**2%**	**(4%)**	**16%**
Change in Pass-Through Metals Pricing	0%	0%	0%	1%	1%	(1%)	0%	(2%)
Acquisitions	(1%)	(3%)	0%	(3%)	0%	(4%)	(1%)	(4%)
Organic Net Sales Growth	**(3%)**	**(3%)**	**(6%)**	**(15%)**	**(2%)**	**(2%)**	**(4%)**	**10%**