UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to __________

Commission file number: 001-36272

element solutions

Element Solutions Inc
(Exact name of Registrant as specified in its charter)

Delaware	**37-1744899**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
500 East Broward Boulevard, Suite 1860 **Fort Lauderdale, Florida** (Address of principal executive offices)	**33394** (Zip Code)

Registrant's telephone number, including area code: **(561) 207-9600**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	ESI	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of common stock outstanding at July 23, 2024: 242,142,408

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GLOSSARY OF DEFINED TERMS

Terms	Definitions
Element Solutions; We; Us; Our; the Company	Element Solutions Inc, a Delaware corporation, and where the context requires, its subsidiaries or operating businesses.
Credit Agreement	Credit Agreement, dated as of January 31, 2019, as amended from time to time, among, inter alia, Element Solutions and MacDermid, Incorporated, as borrowers, certain subsidiaries of Element Solutions and the lenders from time to time parties thereto.
EBITDA	Earnings before interest, taxes, depreciation and amortization.
Exchange Act	Securities Exchange Act of 1934, as amended.
GAAP	U.S. Generally Accepted Accounting Principles.
Kuprion Acquisition	Acquisition of Kuprion, Inc. on May 19, 2023.
Quarterly Report	This quarterly report on Form 10-Q for the three and six months ended June 30, 2024.
RSUs	Restricted stock units issued by Element Solutions from time to time under its Amended and Restated 2013 Incentive Compensation Plan or 2024 Incentive Compensation Plan, as applicable.
SEC	Securities and Exchange Commission.
ViaForm Distribution Rights	The rights to sell the Company's ViaForm® electrochemical deposition products directly to customers.
2023 Annual Report	Element Solutions' annual report on Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on February 21, 2024.
3.875% USD Notes due 2028	Element Solutions' $800 million aggregate principal amount of 3.875% senior notes due 2028, denominated in U.S. dollars, issued on August 18, 2020.

Forward-Looking Statements

This Quarterly Report contains forward-looking statements that can be identified by 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" or "confident" and variations of such words and similar expressions. Many of the forward-looking statements include, but are not limited to, statements, beliefs, projections and expectations regarding the expected benefits of the reacquired ViaForm Distribution Rights and the Kuprion Acquisition; deferred payments related to the Kuprion Acquisition; the war between Russia and Ukraine, the Israel-Hamas conflict and other hostilities in the Middle East as well as actions in response thereto and their impact on market conditions and the global economy; the continuing economic impact of the coronavirus (COVID-19) and its variants on the global economy and supply chains; capital requirements and need for and availability of financing; probability of achievement of the performance target related to certain performance-based RSUs; the impact of new accounting standards and accounting changes; potential share repurchases; our dividend policy and dividend declarations; expectations with respect to the Company's full year financial results; our hedging activities; timing and outcome of environmental and legal matters; tax planning strategies and assessments; the impact of changes to privacy, cybersecurity, environmental, global trade, tax and other governmental regulations; impairments, including those on goodwill and other intangible assets; price volatility and cost environment; inflation and fluctuations in foreign exchange rates; our liquidity, cash flows and capital allocation; funding sources; expected capital expenditures; debt and debt leverage ratio; pension plan contributions; contractual obligations; general views about future operating results; sustainability goals; expected returns to stockholders; risk management programs; future prospects; and other events or developments that we expect or anticipate will occur in the future.

Although we believe these forward-looking statements are based upon reasonable assumptions regarding our business and expectations about future events, financial performance and trends, there can be no assurance that our actual results will not differ materially from any results expressed or implied in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in Part I, Item 1A, *Risk Factors,* of our 2023 Annual Report. In addition, as we operate in a very competitive and rapidly changing environment, new risks may emerge from time to time. Any forward-looking statement included in this Quarterly Report is based solely on information currently available and speaks only as of the date on which it is made. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Please consult any further disclosures on related subjects in our SEC filings.

Non-GAAP Financial Measures

This Quarterly Report contains non-GAAP financial measures, such as Adjusted EBITDA and operating results on a constant currency and organic basis. Non-GAAP financial measures should not be considered in isolation from, a substitute for, or superior to, performance measures calculated in accordance with GAAP. For additional information on these non-GAAP financial measures, including definitions, limitations and reconciliations to their most comparable applicable GAAP measures, see "*Non-GAAP Financial Measures*" in Part I, Item 2 *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and Note 11, *Segment Information*, to the unaudited Condensed Consolidated Financial Statements, both included in this Quarterly Report.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

ELEMENT SOLUTIONS INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(dollars in millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net sales	$ 612.7	$ 586.1	$ 1,187.7	$ 1,160.5
Cost of sales	345.5	357.6	675.5	704.2
Gross profit	267.2	228.5	512.2	456.3
Operating expenses:				
Selling, technical, general and administrative	155.4	147.0	304.5	295.9
Research and development	15.6	28.9	33.7	41.4
Total operating expenses	171.0	175.9	338.2	337.3
Operating profit	96.2	52.6	174.0	119.0
Other (expense) income:				
Interest expense, net	(14.3)	(12.0)	(28.2)	(23.7)
Foreign exchange gains	5.0	9.0	12.9	13.9
Other expense, net	(12.7)	(1.6)	(15.0)	(1.3)
Total other expense	(22.0)	(4.6)	(30.3)	(11.1)
Income before income taxes and non-controlling interests	74.2	48.0	143.7	107.9
Income tax benefit (expense)	17.5	(21.2)	4.0	(38.1)
Net income from continuing operations	91.7	26.8	147.7	69.8
Income from discontinued operations, net of tax	1.6	2.9	1.6	2.9
Net income	93.3	29.7	149.3	72.7
Net (income) loss attributable to non-controlling interests	(0.1)	0.2	(0.1)	0.1
Net income attributable to common stockholders	$ 93.2	$ 29.9	$ 149.2	$ 72.8
Earnings per share				
Basic from continuing operations	$ 0.38	$ 0.11	$ 0.61	$ 0.29
Basic from discontinued operations	0.01	0.01	0.01	0.01
Basic attributable to common stockholders	$ 0.39	$ 0.12	$ 0.62	$ 0.30
Diluted from continuing operations	$ 0.38	$ 0.11	$ 0.61	$ 0.29
Diluted from discontinued operations	0.01	0.01	0.01	0.01
Diluted attributable to common stockholders	$ 0.39	$ 0.12	$ 0.62	$ 0.30
Weighted average common shares outstanding				
Basic	242.1	241.4	242.0	241.1
Diluted	242.5	241.7	242.5	241.6

See accompanying notes to the Condensed Consolidated Financial Statements

ELEMENT SOLUTIONS INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Net income	$ 93.3	$ 29.7	$ 149.3	$ 72.7
Other comprehensive (loss) income				
Foreign currency translation:				
Other comprehensive loss before reclassifications, net of tax expense of $2.6 and $3.0 for the three months ended June 30, 2024 and 2023 and $8.0 and $0.0 for the six months ended June 30, 2024 and 2023, respectively	(28.4)	(69.5)	(74.7)	(58.6)
Total foreign currency translation adjustments	(28.4)	(69.5)	(74.7)	(58.6)
Available-for-sale debt securities:				
Other comprehensive income (loss) before reclassifications, net of tax expense of $0.0 for the three and six months ended June 30, 2024 and 2023, respectively	0.2	(1.0)	0.2	(1.0)
Total unrealized income (loss) on available-for-sale debt securities	0.2	(1.0)	0.2	(1.0)
Derivative financial instruments:				
Other comprehensive income before reclassifications, net of tax expense (benefit) of $1.7 and $2.1 for the three months ended June 30, 2024 and 2023 and $6.4 and $(0.9) for the six months ended June 30, 2024 and 2023, respectively	5.5	14.7	20.7	13.2
Reclassifications, net of tax benefit of $1.8 and $0.0 for the three months ended June 30, 2024 and 2023 and $3.7 and $0.0 for the six months ended June 30, 2024 and 2023, respectively	(6.4)	(9.7)	(13.6)	(17.8)
Total unrealized (loss) income on qualified hedging derivatives	(0.9)	5.0	7.1	(4.6)
Other comprehensive loss	(29.1)	(65.5)	(67.4)	(64.2)
Comprehensive income (loss)	64.2	(35.8)	81.9	8.5
Comprehensive loss attributable to non-controlling interests		0.6		0.5
Comprehensive income (loss) attributable to common stockholders	$ 64.2	$ (35.2)	$ 81.9	$ 9.0

See accompanying notes to the Condensed Consolidated Financial Statements

ELEMENT SOLUTIONS INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(dollars in millions)

	June 30, 2024	December 31, 2023
Assets		
Cash and cash equivalents	$ 309.3	$ 289.3
Accounts receivable, net of allowance for doubtful accounts of $11.6 and $12.6 at June 30, 2024 and December 31, 2023, respectively	480.7	461.8
Inventories	335.4	298.9
Prepaid expenses	29.0	32.5
Other current assets	147.6	115.0
Total current assets	1,302.0	1,197.5
Property, plant and equipment, net	297.6	296.9
Goodwill	2,285.6	2,336.7
Intangible assets, net	806.6	879.3
Deferred income tax assets	149.2	120.5
Other assets	141.4	143.2
Total assets	$ 4,982.4	$ 4,974.1
Liabilities and stockholders' equity		
Accounts payable	$ 146.2	$ 140.6
Current installments of long-term debt	11.5	11.5
Accrued expenses and other current liabilities	214.5	217.3
Total current liabilities	372.2	369.4
Debt	1,916.8	1,921.0
Pension and post-retirement benefits	25.3	28.1
Deferred income tax liabilities	103.8	108.9
Other liabilities	175.6	202.4
Total liabilities	2,593.7	2,629.8
Commitments and contingencies (Note 8)		
Stockholders' equity		
Common stock: 400.0 shares authorized (2024: 267.1 shares issued; 2023: 266.2 shares issued)	2.7	2.7
Additional paid-in capital	4,206.2	4,196.9
Treasury stock (2024: 25.0 shares; 2023: 24.6 shares)	(349.4)	(341.9)
Accumulated deficit	(1,073.2)	(1,183.3)
Accumulated other comprehensive loss	(413.2)	(345.9)
Total stockholders' equity	2,373.1	2,328.5
Non-controlling interests	15.6	15.8
Total equity	2,388.7	2,344.3
Total liabilities and stockholders' equity	$ 4,982.4	$ 4,974.1

See accompanying notes to the Condensed Consolidated Financial Statements

ELEMENT SOLUTIONS INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(dollars in millions)

	Six Months Ended June 30,	
	2024	**2023**
Cash flows from operating activities:		
Net income	$ 149.3	$ 72.7
Net income from discontinued operations, net of tax	1.6	2.9
Net income from continuing operations	147.7	69.8
Reconciliations of net income to net cash flows provided by operating activities:		
Depreciation and amortization	80.4	80.2
Deferred income taxes	(42.8)	2.5
Foreign exchange gains	(12.5)	(16.1)
Incentive stock compensation	7.7	7.7
Other, net	5.0	23.5
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(32.2)	(0.4)
Inventories	(44.0)	(39.6)
Accounts payable	15.0	10.5
Accrued expenses	(1.0)	(11.9)
Prepaid expenses and other current assets	(2.6)	2.0
Other assets and liabilities	4.1	6.2
Net cash flows provided by operating activities	124.8	134.4
Cash flows from investing activities:		
Capital expenditures	(33.5)	(22.9)
Proceeds from disposal of property, plant and equipment	—	0.5
Acquisitions, net of cash acquired	(3.9)	(188.3)
Other, net	(6.4)	(3.0)
Net cash flows used in investing activities	(43.8)	(213.7)
Cash flows from financing activities:		
Debt proceeds	—	150.0
Repayments of borrowings	(5.8)	(5.8)
Dividends	(39.4)	(38.7)
Payment of financing fees	(2.1)	(0.7)
Other, net	(6.8)	(7.5)
Net cash flows (used in) provided by financing activities	(54.1)	97.3
Net cash flows provided by operating activities of discontinued operations	1.6	2.9
Effect of exchange rate changes on cash and cash equivalents	(8.5)	(4.1)
Net increase in cash and cash equivalents	20.0	16.8
Cash and cash equivalents at beginning of period	289.3	265.6
Cash and cash equivalents at end of period	$ 309.3	$ 282.4

See accompanying notes to the Condensed Consolidated Financial Statements

ELEMENT SOLUTIONS INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)
(dollars in millions, except share amounts)

Three Months Ended June 30, 2024	**Common Stock**		**Additional Paid-in Capital**	**Treasury Stock**		**Accumulated Deficit**	**Accumulated Other Comprehensive (Loss) Income**	**Total Stockholders' Equity**	**Non-controlling Interests**	**Total Equity**
	Shares	**Amount**		**Shares**	**Amount**					
Balance at March 31, 2024	267,033,078	$ 2.7	$ 4,201.4	24,969,257	$ (349.4)	$ (1,146.8)	$ (384.2)	$ 2,323.7	$ 15.6	$ 2,339.3
Net income	—	—	—	—	—	93.2	—	93.2	0.1	93.3
Other comprehensive loss, net of taxes	—	—	—	—	—	—	(29.0)	(29.0)	(0.1)	(29.1)
Exercise/ vesting of share based compensation	62,484	—	0.2	544	—	—	—	0.2	—	0.2
Issuance of common stock under Employee Stock Purchase Plan	16,647	—	0.3	—	—	—	—	0.3	—	0.3
Dividends ($0.08 per share)	—	—	—	—	—	(19.6)	—	(19.6)	—	(19.6)
Equity compensation expense	—	—	3.7	—	—	—	—	3.7	—	3.7
Changes in non-controlling interests	—	—	0.6	—	—	—	—	0.6	—	0.6
Balance at June 30, 2024	267,112,209	$ 2.7	$ 4,206.2	24,969,801	$ (349.4)	$ (1,073.2)	$ (413.2)	$ 2,373.1	$ 15.6	$ 2,388.7

Three Months Ended June 30, 2023	**Common Stock**		**Additional Paid-in Capital**	**Treasury Stock**		**Accumulated Deficit**	**Accumulated Other Comprehensive (Loss) Income**	**Total Stockholders' Equity**	**Non-controlling Interests**	**Total Equity**
	Shares	**Amount**		**Shares**	**Amount**					
Balance at March 31, 2023	266,029,479	$ 2.7	$ 4,190.7	24,625,334	$ (341.5)	$ (1,200.4)	$ (296.8)	$ 2,354.7	$ 16.6	$ 2,371.3
Net income (loss)	—	—	—	—	—	29.9	—	29.9	(0.2)	29.7
Other comprehensive loss, net of taxes	—	—	—	—	—	—	(65.1)	(65.1)	(0.4)	(65.5)
Exercise/ vesting of share based compensation	80,330	—	—	16,375	(0.3)	—	—	(0.3)	—	(0.3)
Issuance of common stock under Employee Stock Purchase Plan	20,973	—	0.3	—	—	—	—	0.3	—	0.3
Dividends ($0.08 per share)	—	—	—	—	—	(19.4)	—	(19.4)	—	(19.4)
Equity compensation expense	—	—	3.4	—	—	—	—	3.4	—	3.4
Changes in non-controlling interests	—	—	—	—	—	—	—	—	0.2	0.2
Balance at June 30, 2023	266,130,782	$ 2.7	$ 4,194.4	24,641,709	$ (341.8)	$ (1,189.9)	$ (361.9)	$ 2,303.5	$ 16.2	$ 2,319.7

See accompanying notes to the Condensed Consolidated Financial Statements

ELEMENT SOLUTIONS INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)
(dollars in millions, except share amounts)

Six Months Ended June 30, 2024	**Common Stock**		**Additional Paid-in Capital**	**Treasury Stock**		**Accumulated Deficit**	**Accumulated Other Comprehensive (Loss) Income**	**Total Stockholders' Equity**	**Non-controlling Interests**	**Total Equity**
	Shares	**Amount**		**Shares**	**Amount**					
Balance at December 31, 2023	266,179,100	$ 2.7	$ 4,196.9	24,644,755	$ (341.9)	$ (1,183.3)	$ (345.9)	$ 2,328.5	$ 15.8	$ 2,344.3
Net income	—	—	—	—	—	149.2	—	149.2	0.1	149.3
Other comprehensive loss, net of taxes	—	—	—	—	—	—	(67.3)	(67.3)	(0.1)	(67.4)
Exercise/ vesting of stock-based compensation	899,801	—	0.2	325,046	(7.5)	—	—	(7.3)	—	(7.3)
Issuance of common stock under Employee Stock Purchase Plan	33,308	—	0.6	—	—	—	—	0.6	—	0.6
Dividends ($0.16 per share)	—	—	—	—	—	(39.1)	—	(39.1)	—	(39.1)
Equity compensation expense	—	—	7.9	—	—	—	—	7.9	—	7.9
Changes in non-controlling interests	—	—	0.6	—	—	—	—	0.6	(0.2)	0.4
Balance at June 30, 2024	267,112,209	$ 2.7	$ 4,206.2	24,969,801	$ (349.4)	$ (1,073.2)	$ (413.2)	$ 2,373.1	$ 15.6	$ 2,388.7

Six Months Ended June 30, 2023	**Common Stock**		**Additional Paid-in Capital**	**Treasury Stock**		**Accumulated Deficit**	**Accumulated Other Comprehensive (Loss) Income**	**Total Stockholders' Equity**	**Non-controlling Interests**	**Total Equity**
	Shares	**Amount**		**Shares**	**Amount**					
Balance at December 31, 2022	265,062,533	$ 2.7	$ 4,185.9	24,272,748	$ (334.2)	$ (1,223.8)	$ (298.1)	$ 2,332.5	$ 16.6	$ 2,349.1
Net income (loss)	—	—	—	—	—	72.8	—	72.8	(0.1)	72.7
Other comprehensive loss, net of taxes	—	—	—	—	—	—	(63.8)	(63.8)	(0.4)	(64.2)
Exercise/ vesting of stock-based compensation	1,028,085	—	—	368,961	(7.6)	—	—	(7.6)	—	(7.6)
Issuance of common stock under Employee Stock Purchase Plan	40,164	—	0.7	—	—	—	—	0.7	—	0.7
Dividends ($0.16 per share)	—	—	—	—	—	(38.9)	—	(38.9)	—	(38.9)
Equity compensation expense	—	—	7.8	—	—	—	—	7.8	—	7.8
Changes in non-controlling interests	—	—	—	—	—	—	—	—	0.1	0.1
Balance at June 30, 2023	266,130,782	$ 2.7	$ 4,194.4	24,641,709	$ (341.8)	$ (1,189.9)	$ (361.9)	$ 2,303.5	$ 16.2	$ 2,319.7

See accompanying notes to the Condensed Consolidated Financial Statements

1. BACKGROUND AND BASIS OF PRESENTATION

Background

Element Solutions was incorporated in Delaware in January 2014 and its shares of common stock, par value $0.01 per share, trade on the New York Stock Exchange under the ticker symbol “ESI.”

Element Solutions is a leading global specialty chemicals company whose businesses supply a broad range of solutions that enhance the performance of products people use every day. Developed in multi-step technological processes, these innovative solutions enable customers' manufacturing processes in several key industries, including consumer electronics, power electronics, semiconductor fabrication, communications and data storage infrastructure, automotive systems, industrial surface finishing, consumer packaging and offshore energy. Element Solutions businesses provide products that, in substantially all cases, are consumed by customers as part of their production process, providing the Company with reliable and recurring revenue streams as the products are replenished in order to continue production. Element Solutions delivers its products to customers through its sales and service workforce, regional distributors and manufacturing representatives.

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with GAAP and include the accounts of Element Solutions and all of its controlled subsidiaries. The Company consolidates the income, expenses, assets, liabilities and cash flows of its subsidiaries from the date it acquires control or becomes the primary beneficiary. All intercompany accounts and transactions have been eliminated upon consolidation.

In preparing the unaudited Condensed Consolidated Financial Statements in conformity with GAAP, management uses estimates and assumptions that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. Management applies judgment based on its understanding and analysis of the relevant circumstances, including historical experience and future expectations. These judgments, by their nature, are subject to an inherent degree of uncertainty and, accordingly, actual results could differ significantly from these estimates and assumptions.

These unaudited Condensed Consolidated Financial Statements reflect all adjustments that are normal, recurring and necessary for a fair statement of the Company's financial position, results of operations and cash flows for interim periods, but are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2024. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Company's Consolidated Financial Statements and related notes included in its 2023 Annual Report.

Certain prior year amounts have been reclassified to conform to the current year’s presentation.

2. INVENTORIES

The major components of inventory, on a net basis, were as follows:

(dollars in millions)	June 30, 2024	December 31, 2023
Finished goods	$ 195.0	$ 176.2
Work in process	49.8	37.5
Raw materials and supplies	90.6	85.2
Total inventories	$ 335.4	$ 298.9

3. PROPERTY, PLANT AND EQUIPMENT, NET

The major components of property, plant and equipment, net were as follows:

(dollars in millions)	June 30, 2024	December 31, 2023
Land and leasehold improvements	$ 50.0	$ 51.7
Buildings and improvements	190.9	168.5
Machinery, equipment, fixtures and software	343.4	334.3
Construction in process	55.8	66.7
Total property, plant and equipment	640.1	621.2
Accumulated depreciation	(342.5)	(324.3)
Property, plant and equipment, net	$ 297.6	$ 296.9

For the three months ended June 30, 2024 and 2023, the Company recorded depreciation expense of $10.3 million and $10.1 million, respectively. For the six months ended June 30, 2024 and 2023, the Company recorded depreciation expense of $20.4 million and $19.6 million, respectively.

4. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

The changes in the carrying amount of goodwill by segment were as follows:

(dollars in millions)	Electronics	Industrial & Specialty	Total
Balance at December 31, 2023	$ 1,298.7	$ 1,038.0 (1)	$ 2,336.7
Foreign currency translation and other	(29.5)	(21.6)	(51.1)
Balance at June 30, 2024	$ 1,269.2	$ 1,016.4	$ 2,285.6

(1) Includes accumulated impairment losses of $127 million.

Intangible Assets, Net

The major components of intangible assets, net were as follows:

	June 30, 2024			December 31, 2023		
(dollars in millions)	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer relationships	$ 954.3	$ (525.2)	$ 429.1	$ 978.4	$ (505.9)	$ 472.5
Developed technology	295.5	(219.6)	75.9	410.0	(316.2)	93.8
Trade names	94.0	(33.9)	60.1	95.9	(30.9)	65.0
Reacquired distribution rights	187.0	(13.5)	173.5	187.0	(7.3)	179.7
Other	—	—	—	0.8	(0.5)	0.3
Indefinite-lived trade name	68.0	—	68.0	68.0	—	68.0
Total	$ 1,598.8	$ (792.2)	$ 806.6	$ 1,740.1	$ (860.8)	$ 879.3

For the three months ended June 30, 2024 and 2023, the Company recorded amortization expense on intangible assets of $29.8 million and $31.0 million, respectively. For the six months ended June 30, 2024 and 2023, the Company recorded amortization expense on intangible assets of $60.0 million and $60.6 million, respectively.

In the first quarter of 2024, one of the product qualification milestones agreed to as part of the Kuprion Acquisition was achieved. As a result, the Company made a payment of $3.9 million, which was recognized as research and development expense in the Condensed Consolidated Statement of Operations as the technology did not yet meet the accounting definition of an asset. The payment was included in "Acquisitions, net of cash acquired" in the Condensed Consolidated Statements of Cash Flows as a cash outflow from investing activities.

5. DEBT

The Company’s debt obligations consisted of the following:

(dollars in millions)	Maturity Date	Interest Rate	June 30, 2024	December 31, 2023
Term Loans [(1)]	2030	SOFR plus 2.00%	$ 1,135.1	$ 1,140.2
Senior Notes - $800 million [(2)]	2028	3.875%	793.2	792.3
Total debt			1,928.3	1,932.5
Less: current installments of long-term debt			11.5	11.5
Total long-term debt			$ 1,916.8	$ 1,921.0

[(1)] *Term loans, net of unamortized discounts and debt issuance costs of $9.2 million and $9.8 million at June 30, 2024 and December 31, 2023, respectively. The effective interest rate was 3.2% and 3.3% at June 30, 2024 and December 31, 2023, respectively, including the effects of interest rate swaps and net investment hedges. See Note 6, Financial Instruments, to the unaudited Condensed Consolidated Financial Statements for further information regarding the Company's interest rate swaps and net investment hedges.*
[(2)] *Senior notes, net of unamortized debt issuance costs of $6.8 million and $7.7 million at June 30, 2024 and December 31, 2023, respectively. The effective interest rate was 4.1% at June 30, 2024 and December 31, 2023, respectively.*

Credit Agreement

The Company is a party to the Credit Agreement, which provides for senior secured credit facilities in an initial aggregate principal amount of $1.53 billion, consisting of term loans B-2 of $1.15 billion, maturing in 2030, and a revolving credit facility of $375 million, maturing in 2027.

The Company's outstanding term loans bear interest at a per annum rate based on an adjusted one-month SOFR (as described in the Credit Agreement) plus a spread of 2.00%. The Company is required to pay a commitment fee on any undrawn portion of the revolving credit facility which is not material.

Guarantees, Covenants and Events of Default

The obligations of the borrowers (the Company and its subsidiary, MacDermid, Incorporated) under the Credit Agreement are guaranteed, jointly and severally, by certain of their domestic subsidiaries and secured by a first-priority security interest in substantially all of their assets and the assets of the guarantors, including mortgages on material real property, subject to certain exceptions.

The Credit Agreement contains customary representations and warranties and affirmative and negative covenants, including limitations on additional indebtedness, dividends, and other distributions, entry into new lines of business, use of loan proceeds, capital expenditures, restricted payments, restrictions on liens on the assets of the borrowers or any guarantor, transactions with affiliates, amendments to organizational documents, accounting changes, sale and leaseback transactions and dispositions. Subject to certain exceptions, to the extent the borrowers have total outstanding borrowings under the revolving credit facility greater than 30% of the commitment amount under the revolving credit facility, the Company's first lien net leverage ratio should not exceed 5.0 to 1.0, subject to a right to cure.

The borrowers are required to make mandatory prepayments of borrowings, subject to certain exceptions, as described in the Credit Agreement. In addition, the Credit Agreement contains customary events of default that include, among others, non-payment of principal, interest or fees, violation of covenants, inaccuracy of representations and warranties, failure to make payment on, or defaults with respect to, certain other material indebtedness, bankruptcy and insolvency events, material judgments and change of control provisions. Upon the occurrence of an event of default, and after the expiration of any applicable grace period, payment of any outstanding loans under the Credit Agreement may be accelerated and the lenders could foreclose on their security interests in the assets of the borrowers and the guarantors.

At June 30, 2024, the Company was in compliance with the debt covenants contained in the Credit Agreement and had full availability of its unused borrowing capacity of $369 million, net of letters of credit, under the revolving credit facility.

Senior Notes

3.875% USD Notes due 2028

The indenture governing the 3.875% USD Notes due 2028 provides for, among other things, customary affirmative and negative covenants, events of default and other customary provisions. The notes accrue interest at a rate of 3.875% per annum, payable semi-annually in arrears, on March 1 and September 1 of each year, and will mature on September 1, 2028, unless earlier repurchased or redeemed. Pursuant to the indenture, the Company has the option to redeem the 3.875% USD Notes due 2028 prior to their maturity, subject to, in certain cases, the payment of an applicable make-whole premium, or to repurchase them by any means other than a redemption, including by tender offer, open market purchases or negotiated transactions. The 3.875% USD Notes due 2028 are fully and unconditionally guaranteed on a senior unsecured basis by generally all of the Company's domestic subsidiaries that guarantee the obligations of the borrowers under the Credit Agreement.

Lines of Credit and Other Debt Facilities

The Company has access to various revolving lines of credit, short-term debt facilities and overdraft facilities worldwide which are used to fund short-term cash needs. There were no material amounts outstanding under such facilities at June 30, 2024 and December 31, 2023, respectively. The Company had letters of credit outstanding of $6.2 million at June 30, 2024 and December 31, 2023, respectively, of which $6.2 million at June 30, 2024 and December 31, 2023, respectively, reduced the borrowings available under the various facilities. At June 30, 2024 and December 31, 2023, the availability under these facilities totaled approximately $391 million and $392 million, respectively, net of outstanding letters of credit.

6. FINANCIAL INSTRUMENTS

Derivatives and Hedging

In the normal course of business, the Company is exposed to risks relating to changes in interest rates, foreign currency exchange rates and commodity prices. Derivative financial instruments, such as interest rate swaps, net investment hedges, foreign currency exchange forward contracts and commodities derivative contracts are used to manage the risks associated with changes in the conditions of those markets. The counterparties to the Company's derivative agreements are primarily major international financial institutions. The Company regularly monitors its derivative positions and the credit ratings of its counterparties and does not anticipate nonperformance on their part.

All derivatives are recognized in the Consolidated Balance Sheets at fair value. Realized gains and losses on foreign currency forward contracts, commodity derivative contracts and the net periodic payments from interest rate swaps and cross-currency swaps are reflected as "Cash flows from operating activities" in the Condensed Consolidated Statement of Cash Flows.

Interest Rate and Cross-Currency Swaps

The Company uses interest rate swaps and cross-currency swaps to reduce its exposure to interest rate risk and foreign currency risk. The Company has designated its interest rate swaps as cash flow hedges and its cross-currency swaps as net investment hedges of the foreign currency exposure of a portion of its net investment in euro functional subsidiaries. These swaps effectively convert the Company's outstanding term loans, which are U.S. dollar denominated debt obligations, into fixed-rate euro-denominated debt through their respective expiration dates.

The total notional value of the interest rate swaps and cross-currency swaps was $1.14 billion and $1.15 billion at June 30, 2024 and December 31, 2023, respectively. As of June 30, 2024, approximately $388 million in notional value matures in January 2025 and the remaining balance in December 2028. The net result of these hedges is an interest rate of approximately 3.2% at June 30, 2024 on the term loans B-2, which could vary in the future due to changes in the euro and the U.S. dollar exchange rate.

Changes in the estimated fair value of interest rate swaps are recorded in "Accumulated other comprehensive loss" and reclassified to "Interest expense, net" in the Condensed Consolidated Statements of Operations as the underlying hedged item affects earnings. The fair value of the interest rate swaps was a net asset of $23.2 million and $11.9 million at June 30, 2024 and December 31, 2023, respectively.

Changes in the estimated fair value of cross-currency swaps are recorded in "Foreign currency translation" in "Accumulated other comprehensive loss." The fair value of the cross-currency swaps was a net asset of $38.6 million and $4.8 million at June 30, 2024 and December 31, 2023, respectively.

For the three and six months ended June 30, 2024, these interest rate swaps and cross-currency swaps were deemed highly effective. The Company expects to reclassify a $20.1 million benefit from "Accumulated other comprehensive loss" to "Interest expense, net" in the Condensed Consolidated Statements of Operations within the next twelve months.

Foreign Currency

The Company conducts a significant portion of its business in currencies other than the U.S. dollar and certain subsidiaries conduct business in currencies other than their functional currency, which is typically their local currency. As a result, the Company's operating results are impacted by foreign currency exchange rate volatility.

At June 30, 2024, the Company held foreign currency forward contracts to purchase and sell various currencies to mitigate foreign currency exposure primarily with the U.S. dollar, euro and British pound. The Company has not designated any foreign currency exchange forward contracts as eligible for hedge accounting and, as a result, changes in the fair value of foreign currency forward contracts are recorded in the Condensed Consolidated Statements of Operations as "Other expense, net." The total notional value of foreign currency exchange forward contracts held at June 30, 2024 and December 31, 2023 was approximately $127 million and $93.9 million, respectively, with settlement dates generally within one year. The fair value of the foreign currency forward contracts was a $0.4 million net current asset and a $0.7 million net current liability at June 30, 2024 and December 31, 2023, respectively.

Commodities

The Company enters into commodity derivative contracts for the purpose of mitigating its exposure to fluctuations in prices of certain metals used in the production of its finished goods. The Company held derivative contracts to purchase and sell various metals, primarily tin and silver, for a notional amount of $81.7 million and $63.8 million at June 30, 2024 and December 31, 2023, respectively. The fair value of the metals derivative contracts was a net current liability of $2.8 million and $1.2 million at June 30, 2024 and December 31, 2023, respectively. Substantially all contracts outstanding at June 30, 2024 have delivery dates within one year. The Company has not designated these derivatives as hedging instruments and, accordingly, records changes in their fair values in the Condensed Consolidated Statements of Operations as "Other expense, net."

Fair Value Measurements

The following table presents the Company’s financial assets and liabilities measured at fair value on a recurring basis:

(dollars in millions)	Balance sheet location	Classification	June 30, 2024	December 31, 2023
Asset Category				
Foreign exchange contracts	Other current assets	Level 2	$ 0.5	$ 0.2
Metals contracts	Other current assets	Level 2	0.4	0.5
Interest rate swaps	Other current assets	Level 2	20.1	19.9
Cross-currency swaps	Other current assets	Level 2	36.0	5.9
Interest rate swaps	Other assets	Level 2	3.1	4.3
Cross-currency swaps	Other assets	Level 2	2.6	9.6
Available-for-sale debt securities	Other assets	Level 3	11.5	14.2
Total			$ 74.2	$ 54.6
Liability Category				
Foreign exchange contracts	Accrued expenses and other current liabilities	Level 2	$ 0.1	$ 0.9
Metals contracts	Accrued expenses and other current liabilities	Level 2	3.2	1.7
Cross-currency swaps	Accrued expenses and other current liabilities	Level 2	—	0.9
Interest rate swaps	Other liabilities	Level 2	—	12.3
Cross-currency swaps	Other liabilities	Level 2	—	9.8
Total			$ 3.3	$ 25.6

The fair values of Level 1 and Level 2 derivative assets and liabilities are determined using pricing models based upon observable market inputs, such as market spot and futures prices on over-the-counter derivative instruments, market interest rates and consideration of counterparty credit risk. Level 3 investments are valued using a probability weighted methodology based on possible outcomes of potential liquidity events. Significant assumptions include the enterprise valuation, the timing and type of liquidation events and the risk-free interest rate.

There were no significant transfers of financial instruments between the fair value hierarchy levels for the three and six months ended June 30, 2024.

The carrying value and estimated fair value of the Company’s long-term debt totaled $1.93 billion and $1.88 billion, respectively, at June 30, 2024. At December 31, 2023, the carrying value and estimated fair value totaled $1.93 billion and $1.89 billion, respectively. The carrying values noted above include unamortized discounts and debt issuance costs. The estimated fair value of long-term debt is measured using quoted market prices for similar instruments at the reporting date multiplied by the gross carrying amount of the related debt, which excludes unamortized discounts and debt issuance costs. Such instruments are valued using Level 2 inputs.

7. EARNINGS PER SHARE

A computation of weighted average shares of the Company's common stock outstanding and earnings per share for the three and six months ended June 30, 2024 and 2023 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in millions, except per share amounts)	**2024**	**2023**	**2024**	**2023**
Net income	$ 91.7	$ 26.8	$ 147.7	$ 69.8
Net (income) loss attributable to non-controlling interests	(0.1)	0.2	(0.1)	0.1
Net income attributable to common stockholders	$ 91.6	$ 27.0	$ 147.6	$ 69.9
Basic weighted average common shares outstanding	242.1	241.4	242.0	241.1
Denominator adjustments for diluted EPS:				
Number of stock options and RSUs	0.4	0.3	0.5	0.5
Denominator adjustments for diluted EPS	0.4	0.3	0.5	0.5
Diluted weighted average common shares outstanding	242.5	241.7	242.5	241.6
Earnings per share attributable to common stockholders:				
Basic	$ 0.38	$ 0.11	$ 0.61	$ 0.29
Diluted	$ 0.38	$ 0.11	$ 0.61	$ 0.29

For the three and six months ended June 30, 2024 and 2023, the following securities were not included in the computation of diluted shares outstanding because either the effect would be anti-dilutive or the applicable performance targets were not yet met:

	Three Months Ended June 30,		Six Months Ended June 30,	
(shares in millions)	**2024**	**2023**	**2024**	**2023**
Shares issuable upon vesting of RSUs and exercise of stock options	3.4	3.5	3.4	3.7

8. CONTINGENCIES, ENVIRONMENTAL AND LEGAL MATTERS

Environmental Matters

The Company is involved in various claims relating to environmental matters at current and former plants and waste management sites. At certain of these sites, the Company engages or participates in remedial and other environmental compliance activities. At other sites, the Company has been named as a potential responsible party pursuant to the federal Superfund Act and/or state Superfund laws comparable to the federal law for site remediation. After analyzing each individual site, considering the number of parties involved, the level of its potential liability or contribution relating to the other parties, the nature and magnitude of the hazardous waste involved, the method and extent of remediation, the potential insurance coverage, the estimated legal and consulting expense with respect to each site and the time period over which any costs would likely be incurred, the Company estimates the clean-up costs and related claims for each site. The estimates are based in part on discussions with other potential responsible parties, governmental agencies and engineering firms.

The Company accrues for environmental matters when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current laws and existing technologies. The accruals are adjusted periodically as assessment and remediation efforts progress or as additional technical or legal information becomes available. The Company's environmental liabilities, which are included in the Condensed Consolidated Balance Sheets as "Accrued expenses and other current liabilities" and "Other liabilities," totaled $11.9 million and $11.3 million at June 30, 2024 and December 31, 2023, respectively, primarily driven by environmental remediation, clean-up costs and monitoring of sites that were either closed or disposed of in prior years. While uncertainty exists with respect to the amount and timing of its ultimate environmental liabilities, the Company does not currently anticipate any material losses in excess of the amount recorded. However, new information about the sites, such as results of investigations, could make it necessary for the Company to reassess its potential exposure related to these environmental matters.

As of the date hereof, the Company believes it is not practicable to provide an estimated range of reasonably possible environmental losses in excess of its recorded liabilities. As a result, the Company is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact that may be associated with these matters.

Legal Matters

From time to time, the Company is involved in various legal proceedings, investigations and/or claims in the normal course of its business. Although it cannot predict with certainty the ultimate resolution of these matters, which involve judgments that are inherently subjective, the Company believes that their resolutions, to the extent not covered by insurance, will not, individually or in the aggregate, have a material adverse effect on its consolidated financial position, results of operations or cash flows.

9. INCOME TAXES

The Company's quarterly income tax provision is measured using an estimate of its consolidated annual effective tax rate, which includes the impact of foreign withholding tax accruals and uncertain tax positions, adjusted for discrete items, within the periods presented. The comparison of the Company's income tax provision between periods can be significantly impacted by the level and mix of earnings and losses by tax jurisdiction and discrete items.

For the three months ended June 30, 2024, the Company recognized a net income tax benefit of $17.5 million, as compared to income tax expense of $21.2 million in the same period for 2023. For the six months ended June 30, 2024, the Company recognized a net income tax benefit of $4.0 million, as compared to income tax expense of $38.1 million in the same period for 2023. Income tax benefit for the three and six months ended June 30, 2024 includes a continued U.S. benefit related to claiming foreign tax credits consistent with our election in the fourth quarter of 2023, a benefit from a U.S. tax deduction related to Foreign Derived Intangible Income ("FDII"), the negative impact of U.S. global intangible low-taxed income ("GILTI"), and the impact of changes to the level and mix of earnings.

The income tax benefit for the three and six months ended June 30, 2024 also includes a benefit associated with the release of valuation allowances of $35.9 million and $37.1 million, respectively. The benefit was associated with the release of valuation allowances previously recorded against certain U.K. tax attribute carryforwards, primarily consisting of net operating loss carryforwards and interest carryforwards. The valuation allowances are being released as the Company expects improved profitability in its UK business and a shift to a three-year cumulative income position. These expectations are based on actual and forecasted results.

10. RELATED PARTY TRANSACTIONS

The Company is party to an Advisory Services Agreement with Mariposa Capital, LLC, an affiliate of one of its founder directors, whereby Mariposa Capital, LLC is entitled to receive an annual fee and reimbursement for expenses. This agreement is automatically renewed for successive one-year terms unless either party notifies the other in writing of its intention not to renew no later than 90 days prior to the expiration of the applicable term. Effective April 11, 2024, the advisory fee was decreased from an annualized amount of $3.0 million to $2.0 million. Amounts paid under this agreement are recorded in the Condensed Consolidated Statements of Operations as "Selling, technical, general and administrative" expense.

11. SEGMENT INFORMATION

The Company's operations are organized into two reportable segments: Electronics and Industrial & Specialty. These segments represent businesses for which separate financial information is utilized by the chief operating decision maker for purposes of allocating resources and evaluating performance.

The Company allocates resources and evaluates the performance of its operating segments based primarily on net sales and Adjusted EBITDA. Adjusted EBITDA for each segment is defined as EBITDA, as further adjusted for additional items included in earnings which the Company believes are not representative or indicative of each of its segments' ongoing business or are considered to be associated with the Company's capital structure. Adjusted EBITDA for each segment also includes an allocation of corporate costs, such as compensation expense and professional fees.

Results of Operations

The following table summarizes financial information regarding each reportable segment's results of operations, including disaggregated external net sales by product category:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in millions)	2024	2023	2024	2023
Net sales:				
Electronics				
Assembly Solutions	$ 198.1	$ 184.0	$ 365.6	$ 357.5
Circuitry Solutions	121.7	103.0	233.5	209.7
Semiconductor Solutions	71.9	68.8	141.8	128.2
Total Electronics	391.7	355.8	740.9	695.4
Industrial & Specialty				
Industrial Solutions	165.0	175.8	331.5	356.5
Graphics Solutions	36.8	36.7	73.8	71.6
Energy Solutions	19.2	17.8	41.5	37.0
Total Industrial & Specialty	221.0	230.3	446.8	465.1
Total net sales	$ 612.7	$ 586.1	$ 1,187.7	$ 1,160.5
Adjusted EBITDA:				
Electronics	$ 92.2	$ 76.3	$ 176.1	$ 149.0
Industrial & Specialty	42.9	39.8	86.0	79.4
Total Adjusted EBITDA	$ 135.1	$ 116.1	$ 262.1	$ 228.4

The following table reconciles "Net income" to Adjusted EBITDA:

(dollars in millions)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Net income	$ 93.3	$ 29.7	$ 149.3	$ 72.7
Add (subtract):				
Income from discontinued operations, net of tax	(1.6)	(2.9)	(1.6)	(2.9)
Income tax (benefit) expense	(17.5)	21.2	(4.0)	38.1
Interest expense, net	14.3	12.0	28.2	23.7
Depreciation expense	10.3	10.1	20.4	19.6
Amortization expense	29.8	31.0	60.0	60.6
EBITDA	128.6	101.1	252.3	211.8
Adjustments to reconcile to Adjusted EBITDA:				
Restructuring expense	3.5	1.9	5.8	4.2
Acquisition and integration expense	3.3	4.4	5.0	8.3
Foreign exchange gains on intercompany loans	(3.9)	(8.5)	(10.7)	(14.1)
Kuprion Acquisition research and development charge	—	15.7	3.9	15.7
Other, net	3.6	1.5	5.8	2.5
Adjusted EBITDA	$ 135.1	$ 116.1	$ 262.1	$ 228.4

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations section should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and related notes included in this Quarterly Report, and the Consolidated Financial Statements, related notes and Management’s Discussion and Analysis of Financial Condition and Results of Operations section and other disclosures contained in our 2023 Annual Report. This discussion contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those discussed in these forward-looking statements as a result of several factors, including, but not limited to, those discussed in "Forward-Looking Statements” of this Quarterly Report, and in Part I, Item 1A, "Risk Factors" of our 2023 Annual Report.

Overview

Our Business

Element Solutions, incorporated in Delaware in January 2014, is a leading global specialty chemicals company whose businesses supply a broad range of solutions that enhance the performance of products people use every day. Developed in multi-step technological processes, these innovative solutions enable customers' manufacturing processes in several key industries, including consumer electronics, power electronics, semiconductor fabrication, communications and data storage infrastructure, automotive systems, industrial surface finishing, consumer packaging and offshore energy. Our product innovation and product extensions are expected to continue to drive sales growth in both new and existing markets while expanding margins through a consistent focus on increasing customer value propositions.

We believe the majority of our businesses hold strong positions in the high-growth markets we serve. Our extensive global teams of specially trained scientists and engineers develop our products, and our expert sales and service organizations ensure our customers' needs are met every day. Our continuous focus on customer-centric innovation serves as a catalyst to drive changes to existing formulations and opportunities in adjacent markets within our industry. We believe that our customers place significant value on the consistency and quality of our brands, on which we capitalize through significant market share, customer loyalty and supply chain access. In addition, operational risks and switching costs make it difficult for our customers to change suppliers which allows us to retain customers and maintain our market positions.

Our customers use our innovation as a competitive advantage, relying on us to help them navigate through fast-paced, high-growth markets. To that end, we draw upon our broad and longstanding intellectual property portfolio and technical expertise, while working closely with both customers and original equipment manufacturers on an ongoing basis to develop proprietary solutions tailored to their manufacturing needs. We leverage these close relationships to win qualifications and specifications into their supply chains as well as to identify opportunities for new products; all of which provide potential additional revenue streams.

Our strategy is based on a balance of operational excellence and prudent capital allocation. Our operating teams focus on the strong execution of customer-led product development, superior technical sales support and continuous supply chain optimization. Our senior leadership aims to foster an environment of accountability and success for our operating teams while also evaluating and executing on high-return capital allocation opportunities that can drive improvements in long-term shareholder value.

Our Operations

Our operations are organized into two segments: Electronics and Industrial & Specialty, which are each described below:

Electronics – Our Electronics segment researches, formulates and sells specialty chemicals and process technologies for all types of electronics hardware, from complex printed circuit board designs to advanced semiconductor packaging. In mobile communications, computers, automobiles and aerospace equipment, its products are an integral part of the electronics manufacturing process and the functionality of end-products. The segment's "wet chemistries" for metallization, surface treatments and solderable finishes form the physical circuitry pathways and its "assembly materials," such as solder, pastes, fluxes and adhesives, join those pathways together.

Electronics provides solutions through the following businesses:

Assembly Solutions	As a global supplier of surface mount technologies (SMT), fluxes, thermal management materials, coatings and other attachment materials, we develop high-performing innovative materials that are used to assemble consumer electronics from circuit boards, discrete electronic components, connectors and integrated circuit substrates. We believe our growth in this business will be driven by the increasing use of electronics in consumer, automotive, telecommunications, memory, medical, aerospace and other markets.
Circuitry Solutions	As a global supplier of chemical formulations to the electronics industry, we design and manufacture proprietary "wet" chemical processes and materials used by our customers to manufacture printed circuit boards and memory storage devices. Our product portfolio is focused on specialized consumable chemical processes and materials, such as circuit formation, primary metallization, electroplate, surface finishes and flexible/formable films. We believe our growth in this business will be driven by demand in wireless mobile devices, internet infrastructure, high performance computing, and the increasing use of electronics in automobiles.
Semiconductor Solutions	As a global supplier to the semiconductor industry, we provide advanced copper interconnects, die attachment, sintered silver material, adhesives, wafer bump processes and photomask technologies to our customers for integrated circuit fabrication and semiconductor packaging. We believe our growth in this business will be driven by advanced electronics packaging, necessary to meet the growing needs of high performance computing, artificial intelligence, the internet of things, next-generation wireless communications and the increasing content and complexity of electronics in automotive applications.

Industrial & Specialty – Our Industrial & Specialty segment researches, formulates and sells specialty chemicals and process technologies that enhance surfaces or improve industrial processes in diverse industrial sectors from automotive trim to transcontinental infrastructure and from high-speed printing to high-design faucets. Its products include chemical systems that protect and decorate metal and plastic surfaces; consumable chemicals that enable printing image transfer on flexible packaging materials; and chemistries used in water-based hydraulic control fluids in offshore energy production. The segment's products are used in the aerospace, automotive, construction, consumer electronics, consumer packaged goods and oil and gas production end markets.

Industrial & Specialty provides solutions through the following businesses:

Industrial Solutions	As a global supplier of industrial metal and plastic finishing chemistries, we primarily design and manufacture chemical systems that protect and decorate surfaces. Our high-performance functional coatings improve resistance to wear and tear, such as chrome plating of shock absorbers for cars, or provide corrosion resistance for appliance parts. Our decorative performance coatings apply finishes for parts in various end-markets, such as automotive interiors or jewelry surfaces. As part of our broader sustainable solutions platform, we also provide both chemistry and equipment for turnkey wastewater treatment,recycling and reuse solutions. Our industrial customer base is highly diverse and includes customers in the following end-markets: appliances and electronics equipment; automotive parts; industrial parts; plumbing goods; construction equipment and transportation equipment. We believe our growth in this industry will be primarily driven by increased worldwide automobile production with elevated fashion elements and higher content per vehicle as well as general economic growth.
Graphics Solutions	As a supplier of consumable materials used to transfer images onto consumer packaging materials, our products are used to improve print quality and printing productivity. We produce and market photopolymers through an extensive line of flexographic plates that are used in the consumer packaging and printing industries. Photopolymers are molecules that change properties upon exposure to light. Flexography is a printing process that utilizes flexible printing plates made of rubber or other flexible plastics. We believe growth in this business will be driven by consumer demand and market shifts favoring the use of package imaging technologies that, like ours, offer a lower total cost of ownership to customers.
Energy Solutions	As a global supplier of specialized fluids to the offshore energy industry, we produce water-based hydraulic control fluids for major oil and gas companies and drilling contractors to be used in offshore deep-water production and drilling applications. We believe our growth in this business will be driven by continued capital expenditures in energy exploration and production.

Recent Accounting Pronouncements

Our recent accounting pronouncements have not changed materially from the summary disclosed in Note 3, *Recent Accounting Pronouncements*, to the Consolidated Financial Statements included in our 2023 Annual Report.

Non-GAAP Financial Measures

To supplement our financial results presented in accordance with GAAP in this Management's Discussion and Analysis of Financial Condition and Results of Operations section, we present certain non-GAAP financial measures, such as operating results on a constant currency and organic basis and Adjusted EBITDA. Management internally reviews 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 our business. We believe these non-GAAP financial measures, which are each further described below, provide investors with an additional perspective on trends and underlying operating results on a period-to-period comparable basis. We also believe that investors find this information helpful in understanding the ongoing performance of our operations separate from items that may have a disproportionate positive or negative impact on our financial results in any particular period or are considered to be associated with our capital structure.

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 we report in accordance with GAAP. The principal limitation of these non-GAAP financial measures is that they exclude significant expenses and income that are required by GAAP to be recorded in our financial statements and may not be completely comparable to similarly titled measures of other companies due to potential differences in calculation methods. In addition, these measures are subject to inherent limitations as they reflect the exercise of judgment by management about which items are excluded or included in determining these non-GAAP financial measures. Investors are encouraged to review the definitions and reconciliations of these non-GAAP financial measures to their most comparable GAAP financial measures included in this Quarterly Report and not to rely on any single financial measure to evaluate our business.

Constant Currency

We disclose operating results, from net sales through operating profit 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 our international locations into U.S. dollars. 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 our results of operations, consistent with how we internally evaluate our financial results.

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

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 a reconciliation of GAAP net sales growth to organic net sales growth, see "*Net Sales*" within the "Results of Operations" section below.

Adjusted EBITDA

We define Adjusted EBITDA as EBITDA, excluding the impact of additional items included in GAAP earnings which we believe are not representative or indicative of our ongoing business or are considered to be associated with our capital structure. Management believes Adjusted EBITDA provides investors with a more complete understanding of the long-term profitability trends of our business and facilitates comparisons of our profitability to prior and future periods.

For a reconciliation of "Net income" to Adjusted EBITDA and more information about the adjustments made, see Note 11, *Segment Information*, to the unaudited Condensed Consolidated Financial Statements included in this Quarterly Report.

Results of Operations

Three and six months ended June 30, 2024 compared to three and six months ended June 30, 2023

	Three Months Ended June 30,		% Change			Six Months Ended June 30,		% Change		
(dollars in millions)	**2024**	**2023**	**Reported**	**Constant Currency**	**Organic**	**2024**	**2023**	**Reported**	**Constant Currency**	**Organic**
Net sales	$ 612.7	$ 586.1	5%	7%	4%	$ 1,187.7	$ 1,160.5	2%	5%	2%
Cost of sales	345.5	357.6	(3)%	(1)%		675.5	704.2	(4)%	(2)%	
Gross profit	267.2	228.5	17%	19%		512.2	456.3	12%	14%	
Gross margin	*43.6 %*	*39.0 %*	*460 bps*	*440 bps*		*43.1 %*	*39.3 %*	*380 bps*	*370 bps*	
Operating expenses	171.0	175.9	(3)%	(1)%		338.2	337.3	0%	1%	
Operating profit	96.2	52.6	83%	89%		174.0	119.0	46%	51%	
Operating margin	*15.7 %*	*9.0 %*	*670bps*	*680bps*		*14.6 %*	*10.3 %*	*430bps*	*460bps*	
Other expense, net	(22.0)	(4.6)	(nm)			(30.3)	(11.1)	(nm)		
Income tax benefit (expense)	17.5	(21.2)	(nm)			4.0	(38.1)	(nm)		
Net income from continuing operations	91.7	26.8	241%			147.7	69.8	112%		
Income from discontinued operations, net of tax	1.6	2.9	(46)%			1.6	2.9	(46)%		
Net income	$ 93.3	$ 29.7	213%			$ 149.3	$ 72.7	105%		
Net income margin	*15.2 %*	*5.1 %*	*1,010bps*			*12.6 %*	*6.3 %*	*630bps*		
Adjusted EBITDA	$ 135.1	$ 116.1	16%	21%		$ 262.1	$ 228.4	15%	19%	
Adjusted EBITDA margin	*22.1 %*	*19.8 %*	*230bps*	*250bps*		*22.1 %*	*19.7 %*	*240bps*	*270bps*	

(nm) Calculation not meaningful.

Net Sales

Net sales in the second quarter of 2024 increased 5% on a reported basis, 7% on a constant currency basis and 4% on an organic basis. Electronics' consolidated results were positively impacted by $16.3 million of pass-through metals pricing and $3.3 million of acquisitions.

The following table reconciles GAAP net sales growth to constant currency and organic net sales growth:

(dollars in millions)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Reported Net Sales Growth	Impact of Currency	Constant Currency	Pass-Through Metals Pricing	Acquisitions	Organic Net Sales Growth
Electronics:								
Assembly Solutions	$ 198.1	$ 184.0	8%	3%	10%	(9)%	—%	2%
Circuitry Solutions	121.7	103.0	18%	3%	22%	—%	—%	22%
Semiconductor Solutions	71.9	68.8	5%	2%	6%	—%	(5)%	2%
Total	391.7	355.8	10%	3%	13%	(5)%	(1)%	7%
Industrial & Specialty:								
Industrial Solutions	165.0	175.8	(6)%	3%	(3)%	—%	—%	(3)%
Graphics Solutions	36.8	36.7	0%	0%	1%	—%	—%	1%
Energy Solutions	19.2	17.8	8%	1%	9%	—%	—%	9%
Total	221.0	230.3	(4)%	3%	(1)%	—%	—%	(1)%
Total	$ 612.7	$ 586.1	5%	3%	7%	(3)%	(1)%	4%

NOTE: Totals may not sum due to rounding.

Electronics' net sales in the second quarter of 2024 increased 10% on a reported basis, 13% on a constant currency basis and 7% on an organic basis.

- Assembly Solutions: net sales increased 8% on a reported basis and 2% on an organic basis. Pass-through metals pricing had a positive impact of 9% on reported net sales. Foreign exchange had a negative impact of 3% on reported net sales. The increase in organic net sales was primarily due to demand improvement in consumer, mobile and computer end markets, partially offset by continued weakness in broader industrial and automotive end markets.
- Circuitry Solutions: net sales increased 18% on a reported basis and 22% on an organic basis. Foreign exchange had a negative impact of 3% on reported net sales. The increase in organic net sales was primarily due to increased demand in the mobile phone end market, electric vehicles in China, and the artificial intelligence ("AI") end market and the continued recovery in the memory disk end market globally.
- Semiconductor Solutions: net sales increased 5% on a reported basis and 2% on an organic basis. The reacquired ViaForm Distribution Rights and the Kuprion Acquisition had a positive impact of 5% on reported net sales. Foreign exchange had a negative impact of 2% on reported net sales. The increase in organic net sales was primarily due to increased demand for wafer level packaging products in Asia, partially offset by lower sales in the power electronics end market.

Industrial & Specialty's net sales in the second quarter of 2024 decreased 4% on a reported basis, 1% on a constant currency basis and 1% on an organic basis.

- Industrial Solutions: net sales decreased 6% on a reported basis and 3% on an organic basis. Foreign exchange had a negative impact of 3% on reported net sales. The decrease in organic net sales was primarily due to lower raw material surcharges in 2024 when compared to the same period in 2023 as well as demand softness in European automotive and construction and industrial end markets.

- Graphics Solutions: net sales remained relatively flat on a reported basis and increased 1% on an organic basis. Foreign exchange had an immaterial impact on reported net sales. The increase in organic net sales was primarily due to modest growth in flexible packaging markets, partially offset by lower newspaper net sales.
- Energy Solutions: net sales increased 8% on a reported basis and 9% on an organic basis. Foreign exchange had a negative impact of 1% on reported net sales. The increase in organic net sales was primarily due to a continued increase in drilling and energy production activity driving higher utilization rates.

Year to date, net sales increased 2% on a reported basis, 5% on a constant currency basis and 2% on an organic basis. Electronics' consolidated results were positively impacted by $16.8 million of pass-through metals pricing and $8.1 million of acquisitions and Industrial & Specialty's consolidated results were positively impacted by $0.5 million of acquisitions.

The following table reconciles GAAP net sales growth to constant currency and organic net sales growth:

	Six Months Ended June 30,		**% Change**					
(dollars in millions)	**2024**	**2023**	**Reported Net Sales Growth**	**Impact of Currency**	**Constant Currency**	**Pass-Through Metals Pricing**	**Acquisitions**	**Organic Net Sales Growth**
Electronics:								
Assembly Solutions	$ 365.6	$ 357.5	2%	3%	5%	(5)%	—%	0%
Circuitry Solutions	233.5	209.7	11%	3%	15%	—%	—%	15%
Semiconductor Solutions	141.8	128.2	11%	2%	12%	—%	(6)%	6%
Total	740.9	695.4	7%	3%	9%	(2)%	(1)%	6%
Industrial & Specialty:								
Industrial Solutions	331.5	356.5	(7)%	2%	(5)%	—%	0%	(5)%
Graphics Solutions	73.8	71.6	3%	0%	3%	—%	—%	3%
Energy Solutions	41.5	37.0	12%	(1)%	11%	—%	—%	11%
Total	446.8	465.1	(4)%	2%	(2)%	—%	0%	(2)%
Total	$ 1,187.7	$ 1,160.5	2%	2%	5%	(1)%	(1)%	2%

NOTE: Totals may not sum due to rounding.

Year to date, Electronics' net sales increased 7% on a reported basis, 9% on a constant currency basis and 6% on an organic basis.

- Assembly Solutions: net sales increased 2% on a reported basis and remained relatively flat on an organic basis. Pass-through metals pricing had a positive impact of 5% on reported net sales. Foreign exchange had a negative impact of 3% on reported net sales. Flat organic net sales were primarily due to demand improvement in consumer, mobile and computer end markets, offset by weakness in broader industrial and automotive end markets.
- Circuitry Solutions: net sales increased 11% on a reported basis and 15% on an organic basis. Foreign exchange had a negative impact of 3% on reported net sales. The increase in organic net sales was primarily due to increased demand in the mobile phone end market, electric vehicles in China, and the AI end market and the continued recovery in the memory disk end market globally.
- Semiconductor Solutions: net sales increased 11% on a reported basis and 6% on an organic basis. The reacquired ViaForm Distribution Rights and the Kuprion Acquisition had a positive impact of 6% on reported net sales. Foreign exchange had a negative impact of 2% on reported net sales. The increase in organic net sales was primarily due to increased demand for wafer level packaging products in Asia.

Year to date, Industrial & Specialty's net sales decreased 4% on a reported basis, 2% on a constant currency basis and 2% on an organic basis.

- Industrial Solutions: net sales decreased 7% on a reported basis and 5% on an organic basis. Acquisitions had an immaterial impact on reported net sales. Foreign exchange had a negative impact of 2% on reported net sales. The decrease in organic net sales was primarily due to lower raw material surcharges in 2024 when compared to the same period in 2023 as well as demand softness in European automotive and construction and industrial markets.
- Graphics Solutions: net sales increased 3% on a reported basis and 3% on an organic basis. Foreign exchange had an immaterial impact on reported net sales. The increase in organic net sales was primarily due to increased demand for flexographic plates and new customer wins, partially offset by lower newspaper net sales.
- Energy Solutions: net sales increased 12% on a reported basis and 11% on an organic basis. Foreign exchange had a positive impact of 1% on reported net sales. The increase in organic net sales was primarily due to a continued increase in drilling and energy production activity driving higher utilization rates.

Gross Profit

	Three Months Ended June 30,		% Change		Six Months Ended June 30,		% Change	
(dollars in millions)	**2024**	**2023**	**Reported**	**Constant Currency**	**2024**	**2023**	**Reported**	**Constant Currency**
Gross profit								
Electronics	$ 172.5	$ 140.1	23%	25%	$ 320.2	$ 276.0	16%	18%
Industrial & Specialty	94.7	88.4	7%	10%	192.0	180.3	6%	8%
Total	$ 267.2	$ 228.5	17%	19%	$ 512.2	$ 456.3	12%	14%
Gross margin								
Electronics	44.0 %	39.4 %	460 bps	440 bps	43.2 %	39.7 %	350 bps	340 bps
Industrial & Specialty	42.9 %	38.4 %	450 bps	440 bps	43.0 %	38.8 %	420 bps	410 bps
Total	43.6 %	39.0 %	460 bps	440 bps	43.1 %	39.3 %	380 bps	370 bps

Electronics' gross profit in the second quarter of 2024 increased by 23% on a reported basis and 25% on a constant currency basis. The constant currency increase in gross profit and gross margin was primarily driven by volume improvement in our higher margin Circuitry Solutions business.

Industrial & Specialty's gross profit in the second quarter of 2024 increased by 7% on a reported basis and 10% on a constant currency basis. The constant currency increase in gross profit was primarily driven by lower raw materials costs in our Industrial Solutions business combined with higher net sales in the Energy Solutions business. The increase in gross margin was primarily due to favorable product mix and lower commodity surcharge-based sales in our Industrial Solutions business and growth in our higher margin Energy Solutions business.

Year to date, Electronics' gross profit increased by 16% on a reported basis and 18% on a constant currency basis. The constant currency increase in gross profit was primarily driven by lower raw material costs and increased demand for higher margin product groups, particularly in Asia. The increase in gross margin was primarily due to the recaptured margin on ViaForm Distributions Rights, easing raw material cost pressures and favorable product mix from growth in higher margin products.

Year to date, Industrial & Specialty's gross profit increased by 6% on a reported basis and 8% on a constant currency basis. The constant currency increase in gross profit was primarily driven by lower raw material costs in the Industrial Solutions business combined with higher net sales in the Graphics Solutions and Energy Solutions businesses. The increase in gross margin was primarily due to growth in our higher margin Energy Solutions business, favorable product mix and lower commodity surcharge-based revenue in our Industrial Solutions business.

Operating Expenses

(dollars in millions)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	% Change Reported	% Change Constant Currency	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	% Change Reported	% Change Constant Currency
Selling, technical, general and administrative	$ 155.4	$ 147.0	6%	7%	$ 304.5	$ 295.9	3%	4%
Research and development	15.6	28.9	(46)%	(45)%	33.7	41.4	(18)%	(18)%
Total	$ 171.0	$ 175.9	(3)%	(1)%	$ 338.2	$ 337.3	0%	1%
Operating expenses as % of net sales								
Selling, technical, general and administrative	25.4 %	25.1 %	30 bps	0 bps	25.6 %	25.5 %	10 bps	(10) bps
Research and development	2.6 %	4.9 %	(230) bps	(240) bps	2.8 %	3.6 %	(80) bps	(80) bps
Total	27.9 %	30.0 %	(210) bps	(240) bps	28.5 %	29.1 %	(60) bps	(100) bps

Operating expenses in the second quarter of 2024 decreased 3% on a reported basis and 1% on a constant currency basis. The constant currency decrease was primarily driven by $15.7 million of research and development costs associated with the purchase accounting related to the Kuprion Acquisition in the second quarter of 2023, partially offset by $7.9 million of higher incentive compensation costs, primarily due to higher accruals associated with increased expectations for strong full year financial results.

Year to date, operating expenses remained relatively flat on a reported basis and increased 1% on a constant currency basis. The constant currency increase was primarily driven by $8.8 million of higher incentive compensation costs, primarily due to higher accruals associated with increased expectations for strong full year financial results, $3.9 million of research and development costs associated with contingent consideration for the Kuprion Acquisition in the first quarter of 2024 and higher personnel costs. Partially offset by $15.7 million of research and development costs associated with the purchase accounting related to the Kuprion Acquisition in the second quarter of 2023. See Note 4, *Goodwill and Intangible Assets, Net*, to the unaudited Condensed Consolidated Financial Statements for further information regarding the Kuprion contingent consideration.

Other (Expense) Income

(dollars in millions)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Other (expense) income				
Interest expense, net	$ (14.3)	$ (12.0)	$ (28.2)	$ (23.7)
Foreign exchange gains	5.0	9.0	12.9	13.9
Other expense, net	(12.7)	(1.6)	(15.0)	(1.3)
Total	$ (22.0)	$ (4.6)	$ (30.3)	$ (11.1)

Interest expense, net

For the three and six months ended June 30, 2024, interest expense, net increased $2.3 million and $4.5 million, respectively, primarily due to a higher effective interest rate on our outstanding term loan balances due to the syndication of the new term loans B-2 in the fourth quarter of 2023, partially offset by higher interest income.

Foreign exchange gains

For the three and six months ended June 30, 2024, the fluctuations in foreign exchange gains were primarily driven by the remeasurement of intercompany loans.

Other expense, net

For the three months ended June 30, 2024, other expense, net included $12.0 million of net losses associated with metals derivative contracts ($11.2 million of realized and $0.8 million of unrealized losses). For the three months ended June 30, 2023, other expense, net included $5.0 million of charges due to highly inflationary accounting for our operations in Turkey and $0.7 million of net losses associated with metals derivative contracts ($2.6 million of realized losses and $1.9 million of unrealized gains).

For the six months ended June 30, 2024, other expense, net included $15.4 million of net losses associated with metals derivative contracts ($14.0 million of realized and $1.4 million of unrealized losses) and $1.4 million of charges due to highly inflationary accounting for our operations in Turkey. For the six months ended June 30, 2023, other expense, net included $5.4 million of charges due to highly inflationary accounting for our operations in Turkey and $1.4 million of net losses associated with metals derivative contracts ($3.6 million of realized losses and $2.2 million of unrealized gains).

The metal derivative contracts primarily relate to inventory associated with pass-through metals pricing in our Assembly Solutions business. See Note 6, *Financial Instruments,* to the unaudited Condensed Consolidated Financial Statements for further discussion of these derivative instruments.

Income Tax

Income tax benefit for the three and six months ended June 30, 2024 totaled $17.5 million and $4.0 million, respectively as compared to income tax expense of $21.2 million and $38.1 million, respectively for the three and six months ended June 30, 2023. The Company recorded an income tax benefit for the three and six months ended June 30, 2024 of $35.9 million and $37.1 million, respectively, from releasing valuation allowances in the U.K. related to net operating loss and interest carryforwards, as well as a continued U.S. benefit related to claiming foreign tax credits consistent with our election in the fourth quarter of 2023, and the impact of changes to the level and mix of earnings.

Income tax expense for the three and six months ended June 30, 2023, included current and deferred taxes based on jurisdictional earnings, withholding taxes, a U.S. tax deduction related to FDII and the impact of U.S. GILTI and subpart F income regimes.

See Note 9, *Income Taxes*, to the unaudited Condensed Consolidated Financial Statements for further information.

Segment Adjusted EBITDA Performance

(dollars in millions)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	% Change Reported	% Change Constant Currency	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	% Change Reported	% Change Constant Currency
Net income:								
Total	$ 93.3	$ 29.7	213%		$ 149.3	$ 72.7	105%	
Adjusted EBITDA:								
Electronics	$ 92.2	$ 76.3	21%	26%	$ 176.1	$ 149.0	18%	23%
Industrial & Specialty	42.9	39.8	7%	12%	86.0	79.4	8%	12%
Total	$ 135.1	$ 116.1	16%	21%	$ 262.1	$ 228.4	15%	19%
Net income margin:								
Total	15.2 %	5.1 %	1,010 bps		12.6 %	6.3 %	630 bps	
Adjusted EBITDA margin:								
Electronics	23.6 %	21.5 %	210 bps	250 bps	23.8 %	21.4 %	240 bps	270 bps
Industrial & Specialty	19.4 %	17.3 %	210 bps	240 bps	19.2 %	17.1 %	210 bps	240 bps
Total	22.1 %	19.8 %	230 bps	250 bps	22.1 %	19.7 %	240 bps	270 bps

For the three months ended June 30, 2024, Electronics' Adjusted EBITDA increased 21% on a reported basis and 26% on a constant currency basis. The constant currency increase was primarily driven by higher gross profits related to favorable product mix and growth in the Circuitry Solutions business. Industrial & Specialty's Adjusted EBITDA increased 7% on a reported basis and 12% on a constant currency basis. The constant currency increase was primarily driven by higher gross profits related to lower raw material costs and growth in our higher margin Energy Solutions business.

For the six months ended June 30, 2024, Electronics' Adjusted EBITDA increased 18% on a reported basis and 23% on a constant currency basis. The constant currency increase was primarily driven by higher gross profits related to favorable product mix and growth in the Circuitry Solutions business. Industrial & Specialty's Adjusted EBITDA increased 8% on a reported basis and 12% on a constant currency basis. The constant currency increase was primarily driven by higher gross profits related to lower raw material costs and growth in our higher margin Energy Solutions business.

Liquidity and Capital Resources

Our primary source of liquidity during the six months ended June 30, 2024 was available cash generated from operations. Our primary uses of cash and cash equivalents were to pay cash dividends and fund operations including working capital and capital expenditures. A portion of our interest rate swaps and cross-currency swaps associated with our term loans mature in January 2025. Expiration of these hedges could result in a material increase to interest expense. Our first significant debt principal payment of approximately $800 million is related to the maturity of our 3.875% USD Notes due 2028. In the second quarter of 2024, we paid a cash dividend of 8 cents per share. We currently expect to continue to pay a cash dividend on a quarterly basis; however, the actual declaration of any cash dividends as well as their amounts and timing, will be subject to the final determination of our Board of Directors based on factors including our future earnings and cash flow generation.

For the full year 2024, we expect our capital expenditures to be between $50.0 million and $60.0 million. We believe that our cash and cash equivalents and cash generated from operations, supplemented by our availability under our lines of credit, including our revolving credit facility under the Credit Agreement, will be sufficient to meet our working capital needs, interest payments, capital expenditures, potential dividend payments and other business requirements for at least the next twelve months. However, working capital cycles and/or future repurchases of our common stock and/or acquisitions may require additional funding, which may include future debt and/or equity offerings. Our long-term liquidity may be influenced by our ability to borrow additional funds, manage interest rates, renegotiate existing debt and/or raise new equity or debt under terms that are favorable to us.

We may from time to time seek to repurchase our equity and/or to retire or repurchase our outstanding debt through cash purchases and/or exchanges for equity, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions, applicable restrictions under our various financing arrangements and other factors.

During the six months ended June 30, 2024, approximately 77% of our net sales were generated from non-U.S. operations, and we expect a large portion of our net sales to continue to be generated outside of the U.S. As a result, our foreign subsidiaries will likely continue to generate a substantial portion of our cash. We expect to manage our worldwide cash requirements with available funds generated by the many subsidiaries through which we conduct business and cost efficient access to those funds. We may transfer cash from certain international subsidiaries to the U.S. and/or other international subsidiaries when we believe it is cost effective to do so. Of our $309 million of cash and cash equivalents at June 30, 2024, $219 million was held by our foreign subsidiaries.

The following is a summary of our cash flows provided by (used in) operating, investing, and financing activities during the periods indicated:

	Six Months Ended June 30,	
(dollars in millions)	**2024**	**2023**
Cash provided by operating activities	$ 124.8	$ 134.4
Cash used in investing activities	$ (43.8)	$ (213.7)
Cash (used in) provided by financing activities	$ (54.1)	$ 97.3

Operating Activities

The decrease in net cash flows provided by operating activities of $9.6 million was primarily driven by higher levels of working capital partially offset by higher cash operating profits (net income adjusted for non-cash items).

Investing Activities

During the six months ended June 30, 2024, we paid approximately $10.6 million of higher capital expenditures compared to the same period in 2023. During the six months ended June 30, 2023, we paid approximately $170 million in connection with the reacquired ViaForm Distribution Rights and $15.9 million in connection with the Kuprion Acquisition.

Financing Activities

During the six months ended June 30, 2024, we paid $39.4 million of cash dividends on shares of our common stock and $7.5 million for shares of our common stock withheld by the Company to satisfy the tax withholding requirements related to the vesting of RSUs included in "Other, net." During the six months ended June 30, 2023, we borrowed $150 million of incremental term loans A under the Credit Agreement to finance the reacquired ViaForm Distribution Rights. We paid $38.7 million of cash dividends on shares of our common stock and $7.6 million for shares of our common stock withheld by the Company to satisfy the tax withholding requirements related to the vesting of RSUs included in "Other, net."

Financial Borrowings

Credit Facilities and Senior Notes

At June 30, 2024, we had $1.93 billion of indebtedness, net of unamortized discounts and debt issuance costs of $16.0 million, which was comprised of:

- $1.14 billion of term debt arrangements outstanding under our term loans; and
- $800 million of 3.875% USD Notes due 2028.

Availability under our revolving credit facility and various lines of credit and overdraft facilities totaled $391 million at June 30, 2024 (net of $6.2 million of stand-by letters of credit which reduce our borrowing capacity).

Covenants

At June 30, 2024, we were in compliance with the debt covenants contained in the Credit Agreement and the indenture governing our 3.875% USD Notes due 2028.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The quantitative and qualitative disclosures about market risk required by this item have not changed materially from those disclosed in our 2023 Annual Report. For a discussion of our exposure to market risk, refer to Part II, Item 7A, *Quantitative and Qualitative Disclosures about Market Risk*, contained in our 2023 Annual Report.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Based on management's evaluation (with the participation of our CEO and CFO), as of the end of the period covered by this Quarterly Report, our CEO and CFO have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and is accumulated and communicated to management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes to Internal Control Over Financial Reporting

Based on management's evaluation (with the participation of our CEO and CFO), there have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in legal proceedings, investigations and/or claims that are incidental to the operation of our businesses. In particular, we are involved in various claims relating to environmental matters at a number of current and former plant sites and waste management sites. See Note 8, *Contingencies, Environmental and Legal Matters*, to the unaudited Condensed Consolidated Financial Statements included in this Quarterly Report for more information and updates.

Item 1A. Risk Factors

There have been no material changes in the risk factors from those set forth in Part I, Item 1A, *Risk Factors* of our 2023 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

Director and Officer 10b5-1 Trading Arrangements

None

Item 6. Exhibits

The following exhibits are filed or furnished as part of this Quarterly Report:

Exhibit Number	Description
3.1(a)	Certificate of Incorporation dated January 22, 2014 (filed as Exhibit 3.1 of Post-Effective Amendment No. 1 to the Registration Statement on Form S-4 (File No. 333-192778) filed on January 24, 2014, and incorporated herein by reference)
3.1(b)	Certificate of Amendment of Certificate of Incorporation dated June 12, 2014 (filed as Exhibit 3.1 of the Current Report on Form 8-K filed on June 13, 2014, and incorporated herein by reference)
3.1(c)	Certificate of Amendment of Certificate of Incorporation dated January 31, 2019 (filed as Exhibit 3.1 of the Current Report on Form 8-K filed on February 5, 2019, and incorporated herein by reference)
3.2	Amended and Restated By-laws dated April 25, 2023 (filed as Exhibit 3.2 of the Quarterly Report on Form 10-Q filed on April 27, 2023, and incorporated herein by reference)
31.1*	Principal Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Principal Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Principal Executive Officer and Principal Financial Officer Certifications pursuant to 18 U.S.C. Section 1350 as adopted pursuant to the Sarbanes-Oxley Act of 2002
101.SCH**	Inline XBRL Taxonomy Extension Schema Document
101.CAL**	Inline XBRL Extension Calculation Linkbase Document
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101. INS**	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL documents
104**	Cover Page Interactive Data File (formatted as Inline XBRL and included in Exhibits 101)

* Filed herewith.
** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized this July 30, 2024.

ELEMENT SOLUTIONS INC

By: /s/ Michael Russnok

Michael Russnok
Chief Accounting Officer
(Principal Accounting Officer)

Exhibit 31.1

Certification of Principal Executive Officer
Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Benjamin Gliklich, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Element Solutions Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2024

/s/ Benjamin Gliklich

Benjamin Gliklich
President and Chief Executive Officer

Exhibit 31.2

Certification of Principal Financial Officer
Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Carey J. Dorman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Element Solutions Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2024

/s/ Carey J. Dorman

Carey J. Dorman
Executive Vice President, Chief Financial Officer

Exhibit 32.1

CERTIFICATION
OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Benjamin Gliklich, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Element Solutions Inc on Form 10-Q for the fiscal quarter ended June 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Element Solutions Inc.

Date:	July 30, 2024
By:	/s/ Benjamin Gliklich
Name:	Benjamin Gliklich
Title:	President and Chief Executive Officer

I, Carey J. Dorman, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Element Solutions Inc on Form 10-Q for the fiscal quarter ended June 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Element Solutions Inc.

Date:	July 30, 2024
By:	/s/ Carey J. Dorman
Name:	Carey J. Dorman
Title:	Executive Vice President, Chief Financial Officer