

The new, stronger Clariant

**18 SEPTEMBER 2018**

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# The new, stronger Clariant

what is precious to you?

# The new, stronger Clariant

## Step change into higher value specialties

- Creation of Business Area High Performance Materials (HPM) through the combination of Clariant's Additives & high value Masterbatches with parts of SABIC's Specialties business
- HPM will be a uniquely positioned provider of highly customized high performance materials and solutions
- Divestment of Pigments, standard Masterbatches and Medical Specialties by 2020E
- Attractive prospects in Care Chemicals, Catalysis and Natural Resources
- Portfolio upgrade allows Clariant to be focused around customer-specific, technologically advanced applications with high growth and value generations

## Creation of High Performance Materials

- Signing of a Memorandum of Understanding to form newly created Business Area High Performance Materials
- Clariant to hold the majority stake in the combination
- Equalization consideration will be made by Clariant to SABIC, valuation dependent
- Realization of cost synergies and enhanced operational efficiencies of CHF 100m until end 2022E
- Net debt (incl. pensions) / EBITDA pro-forma 2019E leverage\* not to exceed 2.4 x based on the current portfolio
- Completion expected end 2019, effective as of 1 January 2020, subject to reciprocal due diligence and regulatory clearances
- Significantly EPS accretive in first year (2020E)

## Financial Highlights

- Sales to reach approx. CHF 9 bn in 2021E post creation of HPM and divestments
- Sales growth upgrade to 5 - 6 % p.a., driven by the Group's enhanced growth profile
- EBITDA margin after exceptional items to rise to approx. 20 % by 2021E
- Operating cash flow increase to above CHF 1.2 bn in 2021E

## Governance

- Expansion of Board of Directors to 12 members, of which 4 to be nominated by SABIC
- Proposed Chairman of the Board: Hariolf Kottmann
- New CEO: Ernesto Occhiello
- CFO: Patrick Jany

\* including SABIC's Specialties business and Clariant's current portfolio set-up (before divestments)



# Clariant makes step change into higher value specialties\*



Sales growth expectation p.a.	6 - 9 %
EBITDA margin ambition 2021E	24 - 25 %

## HIGH PERFORMANCE MATERIALS

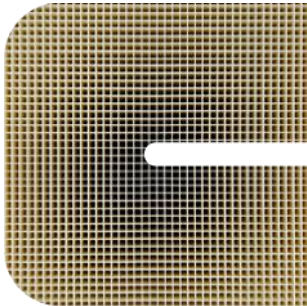
Business Area (BA) High Performance Materials comprises the businesses Additives, high value Masterbatches and high performance thermoplastics. Major applications include smart electronics, health care, aerospace, automotive, robotics, additive manufacturing, renewable energy, as well as e-mobility. These applications demand differentiated fulfillment of customer specifications which require exclusive technology and formulation know-how.



Sales growth expectation p.a.	5 - 7 %
EBITDA margin ambition 2021E	19 - 21 %

## CARE CHEMICALS

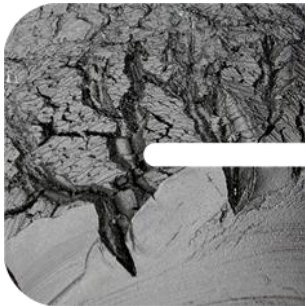
BA Care Chemicals comprises the BU Industrial & Consumer Specialties (ICS), Food additives as well as the future Industrial Biotechnology business. It demonstrates a clear focus on highly attractive, high-margin, and low-cyclicality segments. The BA follows a lifestyle-driven megatrend and strengthens Clariant's position as a supplier of green and sustainable products.



Sales growth expectation p.a.	6 - 9 %
EBITDA margin ambition 2021E	26 - 30 %

## CATALYSIS

BA Catalysis comprises the BU Catalysts and the Business Line Biofuels & Derivatives. It develops, manufactures, and sells a wide range of catalyst products for the chemical and fuel industries which contribute significantly to value creation in our customers' operations, ensuring that finite raw materials and energy are used efficiently. In addition, Catalysis is in the forefront of new market developments such as the commercialization and licensing of bio-ethanol.



Sales growth expectation p.a.	6 - 7 %
EBITDA margin ambition 2021E	16 - 17 %

## NATURAL RESOURCES

BA Natural Resources, comprises the BUs Oil & Mining Services and Functional Minerals. It is characterized by high growth and low cyclicality as well as a strong megatrend orientation. Main drivers are the rising demand for high value-added specialty chemicals used in the oil, mining, food and packaging industries and the increased consumption of oil, gas and base metals, driven by the fast-growing economies.



Sales growth expectation p.a.	GDP
Steered for absolute EBITDA and cash flow generation	

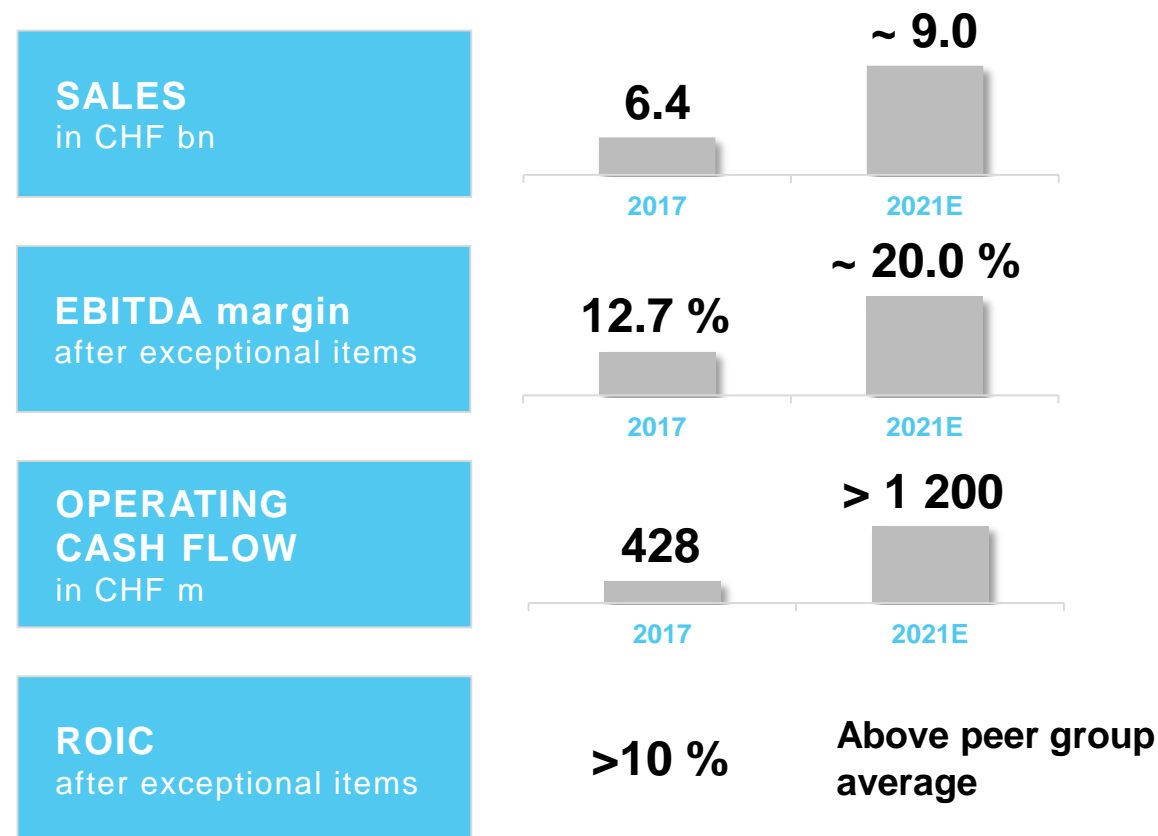
## PLASTICS & COATINGS

BA P&C comprises the Pigments business (pigments, preparations and dyes used primarily in coatings, plastics, printing and consumer goods), standard Masterbatches for the plastics industry and converters as well as Medical Specialties. The BA is typically subject to GDP growth and economic cycles due to its highly diversified end applications. Main drivers are the increasing use of plastic applications, as well as the steadily growing demand for more sustainable coating solutions.

\* reporting structure as of 01.01.2019

# New Clariant - financial outlook 2021E

## GROUP FINANCIAL OBJECTIVES



## TRANSACTION FINANCIALS

<b>SYNERGIES</b>	CHF 100m p.a.
<b>EPS</b>	Significant accretion from first year onwards
<b>NET DEBT / EBITDA</b> incl. pensions	Not to exceed 2.4x (pro-forma 2019E*)



# Combination Highlights **HIGH PERFORMANCE MATERIALS**

**CLARIANT** 

what is precious to you?

# Combination benefits

<b>Creation of a unique performance materials business</b>	<ul style="list-style-type: none"> <li>• Creation of a uniquely positioned provider of highly customized high performance materials and solutions</li> <li>• The newly created Business Area to be named High Performance Materials (HPM)</li> <li>• Complementary capabilities by combining Clariant's Additives and high value Masterbatches (color, high temperature resins and health care) with parts of SABIC's Specialties business (thermoplastics)</li> <li>• Combined unique customer-specific offering places HPM business in an advantageous position</li> <li>• Offering addresses global growth trends within rapidly expanding end-applications</li> </ul>
<b>Expanded global footprint offering additional growth opportunities</b>	<ul style="list-style-type: none"> <li>• Accelerated growth from complementary market and customer exposure</li> <li>• Further strengthening of Clariant's competitive position and presence in China / Asia and North America</li> </ul>
<b>Innovation + technology + sustainability = profitable growth</b>	<ul style="list-style-type: none"> <li>• Creation of a unique, proprietary R&amp;D and technology platform</li> <li>• Expanding innovation capabilities establishing basis for increasing win-rates</li> <li>• Leading innovative platform with a portfolio of unique proprietary technologies (e.g. polyetherimide (PEI) and non-halogenated flame retardants) and a strong track-record of technological breakthroughs</li> <li>• Above market sales growth of 6 – 9 % p.a. until 2021E</li> </ul>
<b>Significant synergy potential of CHF 100m p.a.</b>	<ul style="list-style-type: none"> <li>• Synergies of CHF 100m p.a. by 2022E</li> <li>• Areas of synergies include service costs, spend effectiveness, site efficiency and asset network optimization</li> <li>• Implementation costs of CHF 80m over 3 years</li> </ul>
<b>Attractive profitability with sig. progression potential</b>	<ul style="list-style-type: none"> <li>• HPM EBITDA margin expansion to 24 - 25 % in 2021E from 19.4 % in pro-forma 2017</li> <li>• Combination to lead to significant EPS accretion from first year onwards</li> </ul>

*Note: combined business foreign exchange rate assumption of 1.0 USD = 1.0 CHF; 2021E at stable 2018 FX rates*



# Transaction highlights

- Combination of Clariant's Additives and high value Masterbatches with parts of SABIC's Specialties business to create the new Business Area High Performance Materials within Clariant
- Clariant to hold the majority stake of the combined businesses
- Agreement in principle to transfer the businesses at similar valuation multiples in view of the businesses being of similar quality and profitability levels
- Equalization consideration to be made by Clariant to SABIC, depending on final relative valuation to be determined by both parties
- Realization of cost synergies and enhanced operational efficiencies of CHF 100m until end 2022E
- Clariant resulting net debt (incl. pensions) / EBITDA pro-forma 2019E leverage\* not to exceed 2.4x at closing

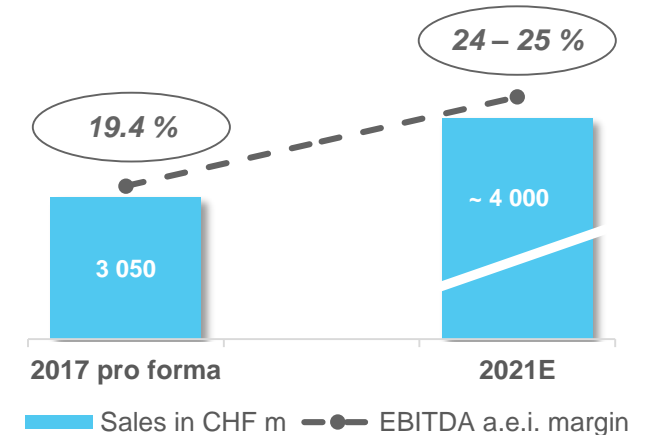
\* including SABIC's Specialties business and Clariant's current portfolio set-up (before divestments)

# High Performance Materials – customer-specific solutions creating the basis for accelerated profitable growth

- Customer-specific and application know-how driven offering for: thermoplastics for demanding thermo-electro-optical and mechanical environments, specialty additives and masterbatches in tandem with an outstanding global compounding platform
- Major applications: smart electronics, health care, aerospace, automotive, robotics, additive manufacturing, renewable energy as well as e-mobility
- Exclusive technology and formulation know-how allow for fulfillment of stringent customer specifications
- Enhanced market and customer reach, cost synergies and enhanced operating efficiencies to fuel substantial profitability progression and unlock greater value creation
- By 2021E, sales expected to grow to approx. CHF 4 bn from pro-forma 2017 sales of CHF 3 bn
- EBITDA margin (2021E), incl. synergies, at 24 - 25 % from 19.4 % in pro-forma 2017

## FINANCIAL PERFORMANCE

(EBITDA margin after exceptional items)



## OUTLOOK

Sales growth 2017 – 2021E	6 – 9 %*
EBITDA margin a.e.i. 2021E	24 - 25 %

\* per annum

# SABIC's Specialties business

<p><b>Highly differentiated products with proprietary technology</b></p>	<ul style="list-style-type: none"> <li>• ULTEM™, NORYL™ and Copolymer resins and LNP™ functional compounds are highly differentiated products that offer a distinct set of physical properties</li> <li>• Differentiation allows for sustainable value-based pricing</li> </ul>
<p><b>Strong positions in attractive end-applications</b></p>	<ul style="list-style-type: none"> <li>• The Specialties offerings serve highly attractive niche end-applications, e.g. battery pack materials for electric vehicles, surgical instruments in health care, and cabin interior in aerospace</li> <li>• Attractive, high growth end-applications such as consumer electronics and e-mobility</li> </ul>
<p><b>Unique selling proposition</b></p>	<ul style="list-style-type: none"> <li>• SABIC's Specialties business is the supplier of ULTEM™ and NORYL™ resins, and one of the major technical compounders, able to produce differentiated specialty grades</li> <li>• The high differentiation of the physical properties of these materials is a unique selling proposition</li> <li>• Specialties offerings have the ability to drive application development in specific high value applications</li> </ul>
<p><b>Attractive pipeline</b></p>	<ul style="list-style-type: none"> <li>• New businesses include additive manufacturing, advanced thermoplastic composites and resin conversion</li> <li>• Incubation businesses have successfully demonstrated customer and market pull, product or prototype capability, and value chain development</li> </ul>

## Application Examples



**Consumer Electronics**  
(EMI Shielding)



**Consumer and Industrial**  
(Fluid Engineering)



**Automotive**  
(Sensors and Connectors, Battery Pack Materials)



**Healthcare**  
(Patient Testing, Surgical Instruments)



**Aerospace**  
(Cabin Interior)

# High performance polymers and compounds

**ULTEM™ resin is a high performance thermoplastics resins (PEI)**, which provides high thermal, high strength, flame resistant properties

**NORYL™ resin is a specialty engineering polymer (PPE)**, which combines the benefits of PPE with excellent dimensional stability, good processability and low specific gravity

**LNP™ compounds and copolymers** consist of unique combinations of resin system, fillers, additives and flame retardants

**ULTEM™ resin**

**NORYL™<sup>(1)</sup> resin, TS&A<sup>(2)</sup>  
(PPE Oligomers for PCBs)<sup>(3)</sup>**

**High thermal stability**  
**Medium thermal stability**

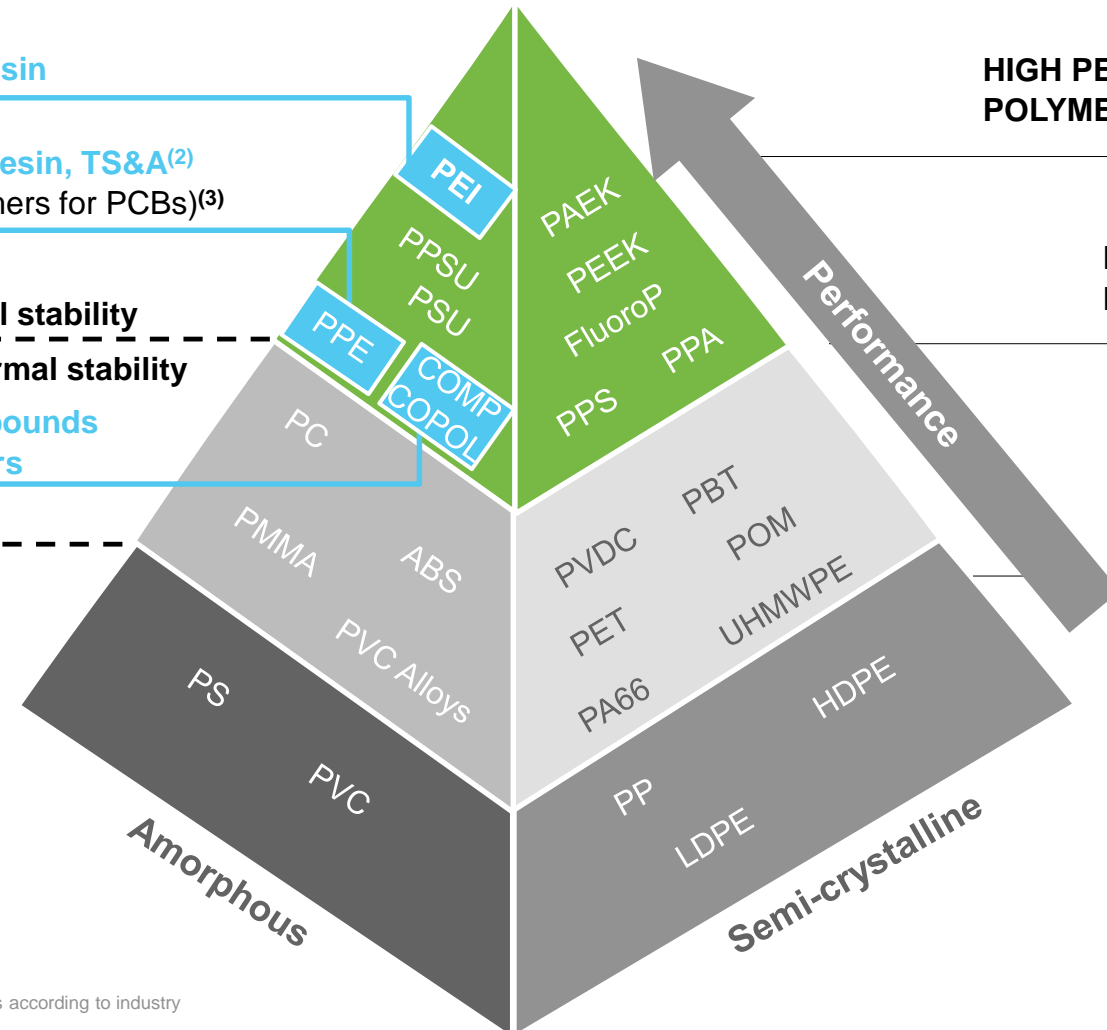
**LNP™ compounds  
& copolymers**

**Low thermal stability**

**HIGH PERFORMANCE  
POLYMERS (HPP)**

**ENGINEERING  
POLYMERS**

**COMMODITY  
POLYMERS**



Note:

(1) PPE is a specialty engineering polymer and can be categorized in-between engineering and high-performance polymers according to industry experts; PPE has a range of high value and high margin applications where it competes with high-performance polymers.

(2) TS&A: Thermosets & Additives business line

(3) PCB = Printed Circuit Boards

Source: IHS Chemicals, expert interviews, MarketsandMarkets

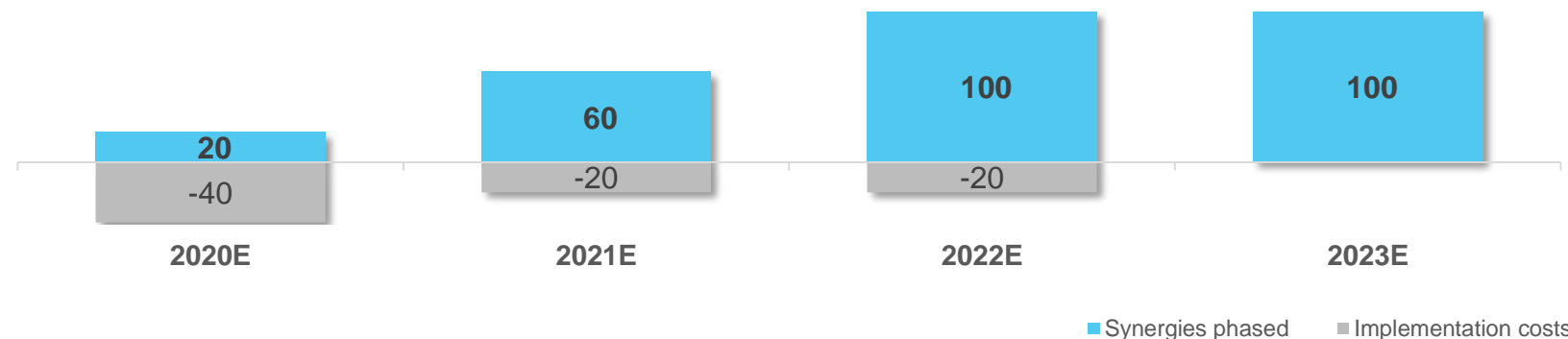
Information and images are courtesy of SABIC.



# Synergies arising from business combination

## Synergy distribution

Tentative, approximation in CHF m



## Synergies 2022E

### Service Cost Synergies

- Unify services over shared IT system
- Leverage existing Clariant processes

### Site Efficiency

- Workflow harmonization
- Operational efficiency

### Procurement

- Combine and optimize purchasing

### Distribution Optimization

- Adopt best-in-class sales approach

### Asset Network Optimization

- Consolidation of assets

### Other Sources of Synergies

- Stronger presence in joint applications by combining formulation technology, customer access, qualification process participation
- Broader offering including participation in OEM driven development process (e.g. via small lot compounding) including masterbatches as an alternative coloration delivery system
- Leveraging of Clariant's Masterbatches' color houses for parts of SABIC's Specialties business

# Next steps of portfolio upgrade

## **Next steps for creation of High Performance Materials Business Area**

- SABIC and Clariant to prepare carve-out of their respective businesses
- Strong commitment from both SABIC and Clariant to finalize terms of the combination by June 2019 following completion of reciprocal due diligence
- Valuation to be negotiated and equalization consideration to be mutually determined in order to achieve economic ownership levels
- Closing targeted for December 2019, subject to regulatory approvals and other customary closing conditions

## **Next steps for divestments**

- Carve-out of remaining Plastic & Coatings businesses during 2019
- Divestment of Pigments, standard Masterbatches and Medical Specialties by 2020E

# Group Strategy

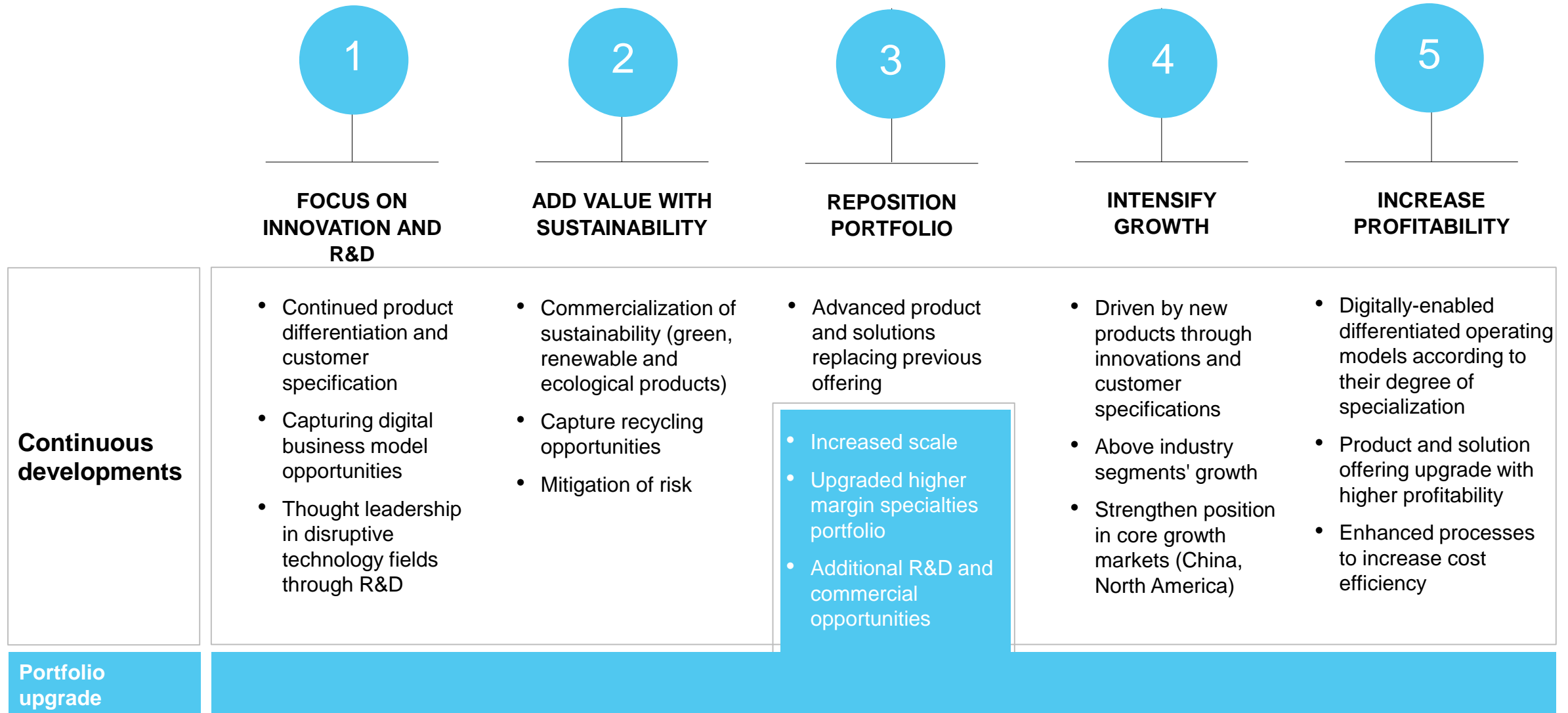
# Strategic direction

- Our strategy is to leverage our operational efficiency to effectively seize the profitable growth opportunities arising from global challenges
- Clariant is well positioned to deliver innovative, sustainable products and solutions which address the increasing demand for more convenience, stricter safety requirements and tighter environmental regulations as well as improved energy efficiency
- Our customer-specific product portfolio, technology and solution offerings will allow for an above-average top-line growth, profitability progression as well as a resilient and improving operating cash flow

**Clariant, your dedicated and strong partner who provides innovative, specialized solutions for profitable growth and a sustainable tomorrow.**

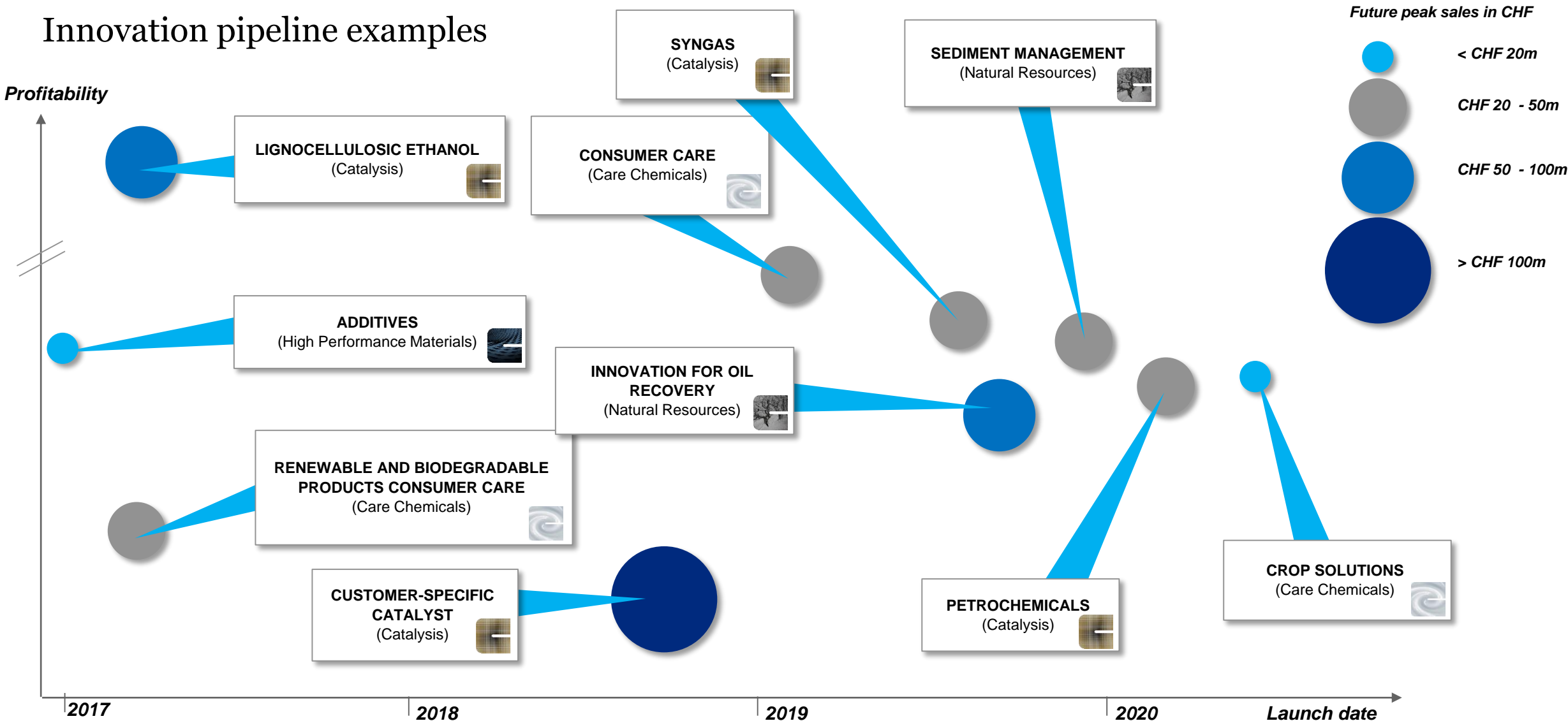


# Group strategy with enhanced product and solution offering



# Total pipeline of CHF 2.1 bn

## Innovation pipeline examples



# Care Chemicals – further accelerating into becoming a leading innovative and sustainable solution provider

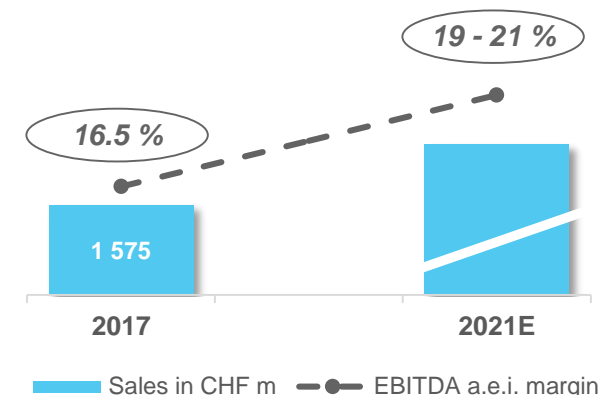


## STRATEGY OUTLOOK

- Continue to grow more quickly than the market by:
  - Increasing offering of sustainable products and solutions by supporting the expanding demand for sustainable and “ecological” products coupled with demand for convenience
  - Strengthening exposure in strategic regions: North America and China / Asia
- Focus on growing Consumer Care business:
  - Personal Care (natural ingredients and active ingredients anticipating the future beauty trends)
  - Home Care (sustainability and convenience)
  - Crop Solutions (precision application, delivery and crop yield increase)
- Improve profitability by moving towards more individualized, customer-specific products with scalability mainly in Consumer Care

## FINANCIAL PERFORMANCE

(EBITDA margin after exceptional items)



## UPDATED OUTLOOK

Sales growth 2017 – 2021E	5 – 7 %*
EBITDA margin a.e.i. 2021E	19 - 21 %

\* per annum

# Care Chemicals

## PRODUCT INNOVATIONS

- **Genadvance:** enables much improved hair conditioning performance via sustainable formulations using natural ingredients. Genadvance currently provides 3 new conditioning ingredients (i.e. hair shine, hair and scalp moisturization and hair repair)
- **Smart surface cleaning offering:** entry into new market segment of a hard surface cleaner which combines several consumer benefits in one product thus meeting customer's demand for convenience: i.e. reducing cleaning time and effort while having additional performance properties of shine and repair
- **Glucamide:** currently approx. 180 customers are reformulating their products to include Glucamide in their formulations for personal care, home care, crop and industrial applications

## INNOVATIVE CUSTOMER-SPECIFIC COOPERATIONS

- **Synergen OS:** optimizes spray droplet management of agricultural applications thereby reducing drift and improving crop yield; in a joint development between Clariant and one of our clients



### LINKS TO INNOVATIONS:

#### PERSONAL CARE



Advanced hair care  
**GENADVANCE™**

- ▶ **GENADVANCE™**
- ▶ **GENADVANCE™ LIFE**
- ▶ **GENADVANCE™ REPAIR**
- ▶ **GENADVANCE™ HYDRA**



#### CROP SOLUTIONS

- ▶ **SYNERGEN® OS**



# Catalysis – maintenance and capitalization of innovation leadership and strong licensing partnerships

## STRATEGY OUTLOOK

### Catalysts

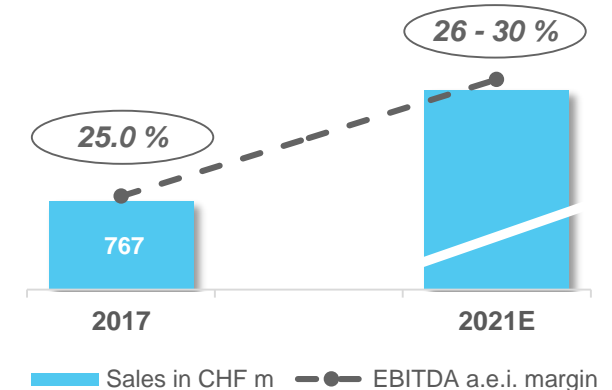
- Continue to grow more quickly than the market's ca. 3 % growth rate via:
  - Leveraging our innovation leadership and thus accelerate the introduction of innovative, customer-specific catalysts for defined areas with large scale potential
  - Adding more sustainable products using less hazardous materials thereby enhancing sustainability and cost position of customers
  - New customer entrants showing preference for proven technologies such as those of Clariant

### Biofuels & Derivatives

- Incremental sunliquid® sales of CHF 100m, of which license sales of CHF 50m and CHF 50m bioethanol sales (entire production of Romanian plant already contracted for several years) by 2021
- EBITDA margin exceeding 40 %

## FINANCIAL PERFORMANCE

(EBITDA margin after exceptional items)



## UPDATED OUTLOOK

Sales growth 2017 – 2021E	6 – 9 %*
EBITDA margin a.e.i. 2021E	26 – 30 %

\* per annum

# Catalysis

## PRODUCT INNOVATIONS

### Catalysts

- Customized catalysts offering significant longer-term activity and a better stability thus lowering total costs of ownership
- Catalysts with specialized properties, including recyclability, reduction of hazardous components while providing an improved catalyst specific performance (increase yield, reduce energy consumption and reduce by-products)
- Air purification: meeting the demand for “clean, healthy” air in cities with high pollution levels with catalysts such as ENVICAT®
- Hydrogenation: entering new regional markets

### Biofuels & Derivatives: sunliquid® technology

- Flexible process for various renewable feedstocks
- Integrated production of feedstock-specific enzyme to deliver max. efficiency, independent of suppliers
- Energy neutral / self-sustained: no additional fossil energy required
- Nearly carbon neutral and high process yield based on agricultural wastes: No additional land needed, no competition with food and feed in land requirement



#### LINKS TO INNOVATIONS:

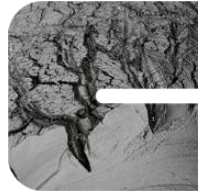
##### EMISSION CONTROL



##### BIOFUELS & DERIVATIVES



# Natural Resources – optimizing operations at OMS and expanding into new applications at Functional Minerals



## STRATEGY OUTLOOK

### Oil & Mining Services

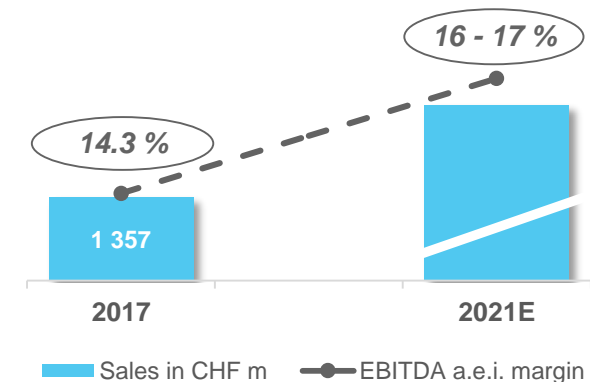
- Improved Oil / Oil services growth prospects:
  - Oil market rebound to result in momentum turnaround
  - Introduction of differentiated steering with focus on the growth oil basins in North and South America
- Mining: diversify and grow mainly in Latin America and accelerate growth in North America
- Main profitability improvement drivers include tight cost control and cost reduction according to respective business landscapes and differentiated steering

### Functional Minerals

- Continued above bentonite market growth
- Regional expansion in North America (market entry into purification segment), Latin America and the Middle East
- Expansion in new applications through innovations by means of smart and active packaging (e.g. feed and agro)
- Continued attractive margins due to new innovative technologies with superior growth opportunities

## FINANCIAL PERFORMANCE

(EBITDA margin after exceptional items)

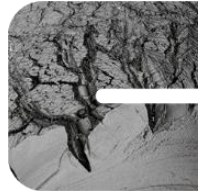


## UPDATED OUTLOOK

Sales growth 2017 – 2021E	6 – 7 %*
EBITDA margin a.e.i. 2021E	16 – 17 %

\* per annum

# Natural Resources



## PRODUCT INNOVATIONS

### Oil & Mining Services

- Intelligent chemical management in real-time, VERITRAX™, providing customers with additional valuable features such as improved operational efficiencies, increasing the efficiency of business processes, and boosting production up-time
- The VERITRAX™ dashboard quantifies the optimum chemical spend, helps to reduce unplanned downtime, while proactively maintaining operational efficiency
- Broad rollout of proven and digitally-enabled VERITRAX™ with enhanced scalability to stimulate further advancement

### Functional Minerals

- Low Emissions Technology (Geko LE / Ecosil LE) for the foundry industry lowers total cost of ownership by reducing the consumption of process aids and suppressing unwanted side-reactions
- INVOQUE® marks Clariant's entry into sediment management for the mining sector. This unique process technology reduces water consumption and improves the use of tailings reservoirs which results in lower overall operating costs and mitigates the environment impact
- Our Tonsil® range allows producers of renewable- and bio-resource based diesel to remove heavy metals at very low dosage rates thereby allowing faster filtration and low overall residency time, thus increasing production throughput

## LINKS TO INNOVATIONS:

### OIL SERVICES

► VERITRAX™

### OIL PURIFICATION

► TONSIL®

### SEDIMENT MANGEMENT

► INVOQUE®





# “Remaining” Plastic & Coatings

## STRATEGY OUTLOOK

### Pigments

- Marketing driven sales growth via selective innovation projects, growth in preparations and regional focus on opportunities in China, India and North America
- Profitability improvements anticipated via:
  - Development of functional excellence in pricing and increased capacity utilization
  - Supply chain optimization: improved reliability for customers, digitally enhanced offering and ensuring a sustainable product range

### Standard Masterbatches

- To grow sales in line with GDP by benefiting from strong market position, convincing product portfolio and focus on more rapidly growing regions and profitability improvements

### Medical Specialties

- Continue sales increase through innovations which meet increasingly stringent customer and regulatory requirements

## FINANCIAL PERFORMANCE

(EBITDA margin after exceptional items)

2017 Sales (CHF m)	1 560
EBITDA a.e.i. (CHF m)	182
EBITDA a.e.i. margin	11.7 %

## UPDATED OUTLOOK

Sales growth 2017 – 2021E	GDP*
Steered for absolute EBITDA and cash flow generation	

\* per annum

# Governance, Listing & Shareholder Structure

# New Shareholder & Governance

## Shareholder Structure & Listing

- With a 24.99 % stake, SABIC is Clariant's largest shareholder
  - No intention to make a public tender offer or to otherwise effect a full takeover of Clariant
- Group of former shareholders of Süd-Chemie AG to remain second largest shareholder
- Clariant to continue as an independent listed company on the Swiss Stock Exchange SIX

## Governance Agreement

- **Board of Directors:** 12 Board members, of which 4 to be nominated by SABIC
- **Proposed Chairman of the Board:** Hariolf Kottmann
- **Chief Executive Officer:** Ernesto Occhiello
- **Chief Financial Officer:** Patrick Jany
- New CEO not part of the Board of Directors
- **Headquarters:** Switzerland
- Election of Board members and Chairman subject to shareholder approval
  - Extraordinary shareholders' meeting scheduled for 16 October 2018

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# Our iPad App



Download it here:

iPad App: [www.clariant.com/IRapp](http://www.clariant.com/IRapp)

