

10 February 2017

## **Elementis significantly increases the scale of its personal care business with US\$360 million acquisition of SummitReheis**

### ***Acquisition adds a high quality business with significant potential for further growth in the attractive personal care segment***

Elementis plc (“Elementis” or the “Group”) today announces that it has entered into an agreement to acquire SRLH Holdings, Inc. (“SummitReheis”) from an affiliate of One Rock Capital Partners, LLC (“One Rock”) for an enterprise value of US\$360 million, (the “Acquisition”). SummitReheis will become part of an enlarged personal care business within Elementis. For the year ended 31 December 2016, SummitReheis is expected to report revenue of US\$134 million and underlying EBITDA of approximately US\$28 million. The acquisition enterprise value is equivalent to approximately 11.8x SummitReheis expected underlying EBITDA for 2016 (including run rate cost synergies).

SummitReheis is a high quality, high margin specialty chemicals platform that produces a range of critical active ingredients and materials tailored for use in personal care, pharmaceutical and dental products. SummitReheis' anti-perspirant actives business (more than 60 per cent. of its sales) is the global leader in the manufacture and sale of active ingredients for anti-perspirants and has long standing relationships with key consumer product companies across the Americas, Europe and Asia.

### **Transaction highlights:**

- Acquisition creates an enlarged personal care business with annual sales of approximately US\$200 million, significantly increasing the Group's presence in this important end market
- Enhanced growth potential driven by the combination of complementary products, customers and a broader geographic presence which together offer cross-selling opportunities
- Critical components for the US\$13 billion anti-perspirant market with growth driven by increasing penetration in emerging markets and demand for premium and higher efficacy products in established geographies
- Acquisition will be funded from cash resources and new debt facilities of US\$475 million which will be supported by the cash generation characteristics of the enlarged Group
- Expected to deliver material earnings accretion and substantial free cash flow accretion in the current financial year
- Return on invested capital (“ROIC”) expected to be in line with Elementis' cost of capital in the first full year of ownership

### **Notification of Results and Special Dividend:**

- Elementis will report its Full Year Results for the year ended 31 December 2016 on 1 March 2017
- The Board of Elementis can confirm that it expects earnings per share for the year to 31 December 2016 to be in line with current market expectations
- The Board confirms that its consideration of special dividends in respect of 2016 will not be impacted by the Acquisition

Paul Waterman, CEO of Elementis plc, said:

*“At our recent Capital Markets Day presentation, we highlighted the growth prospects in personal care as a key opportunity for Elementis, driven by long term positive demographic trends and an increasingly sophisticated consumer. Our leading position with proprietary hectorite and Rheoluxe® rheology modifiers will be augmented by SummitReheis' complementary position in specialty additives for anti-perspirants, pharmaceuticals and dental products.*”

*“The Group is well positioned to capitalise on this acquisition through the enhanced geographic footprint and strong customer relationships that it brings. Together with our existing business, the acquisition of SummitReheis is transformative for our personal care business, creating a substantial, high return platform that will help accelerate our Reignite Growth strategy.”*

### **Strategic rationale**

- Personal care market is a significant growth opportunity for Elementis
- Anti-perspirants is a highly attractive, growing segment of the personal care market
- Acquisition creates a ~US\$200 million personal care business of Elementis with critical mass and significant growth prospects
  - Combines SummitReheis’ key active ingredients for anti-perspirants with Elementis’ enabling technology of hectorites and synthetic polymers
- Accelerates growth for both SummitReheis and Elementis as a result of the expanded footprint with key customers and broader geographical reach
- Combined business has strong relationships with key consumer products companies
- SummitReheis products differentiated by their superior quality and certifications (for example, FDA requirements in the US and ECHA requirements in Europe)
- Benefits expected from the realisation of additional growth opportunities

### **Financial highlights**

- Enterprise value of US\$360 million on a cash free, debt free basis
- Immediate adjusted earnings per share accretion expected in the current financial year and double digit adjusted earnings per share accretion in 2018
- Expected to enhance Elementis’ group margin in the current financial year
- Run rate cost synergies of up to US\$3 million per annum identified
- ROIC expected to be in line with Elementis’ cost of capital in the first full year of ownership
- Funded through Elementis’ existing cash resources and US\$475 million of new debt facilities
- Elementis to remain prudently financed post acquisition

### **SummitReheis and Elementis**

SummitReheis operates in a highly attractive, growing segment of the personal care market. Anti-perspirant products are experiencing growing demand in developed markets, particularly the US, driven by demand for premium and higher efficacy products. In emerging markets, particularly Latin America, India and South East Asia, anti-perspirant products are benefitting from increasing market penetration driven by changing lifestyle trends and increased discretionary income. SummitReheis’ primary manufacturing operations are in North America and Europe with approximately 70% of revenue from these markets. The combination of SummitReheis with Elementis’ global distribution networks creates the opportunity to drive growth in emerging markets.

As the leading global producer of active ingredients for anti-perspirants, SummitReheis has built long-term relationships with key consumer product companies. Elementis’ existing personal care business is part of its Specialty Products division and supplies hectorite and Rheoluxe® rheology modifiers that enhance the effectiveness of SummitReheis’ products. SummitReheis will be merged with Elementis’ existing personal care activities, creating a business with approximately US\$200 million of annual sales, representing approximately 25 per cent. of Elementis’ pro forma combined sales and in excess of 30 per cent. of Elementis’ pro forma combined operating profit before amortisation.

## **Information regarding SummitReheis**

SummitReheis' primary focus is the manufacture and sale of aluminium and zirconium based active ingredients for anti-perspirant products to global consumer products companies. It is the global leader in the fast growing anti-perspirant actives ("AP actives") market with locations in the US, Europe and Asia. Its technologies provide the base ingredients providing sweat-blocking characteristics in all types of anti-perspirant products such as aerosols, sticks and roll-ons. Over 60 per cent. of SummitReheis' sales are from its AP actives business.

SummitReheis' Pharma Actives business is a leading European producer of the active ingredients for indigestion and heartburn remedies. These products have similar chemistry and manufacturing processes to the core business and long-term customer relationships in the pharmaceutical industry. SummitReheis' Specialty Dental business manufactures dental plasters, alloys, discs and moulding materials that are used to make dental crowns, bridges, replacement teeth and in other applications and has a leading position in Germany.

SummitReheis is headquartered in Huguenot, New York. In June 2015, SummitReheis acquired the European AP actives, pharma and dental businesses of B.K. Giuliani.

## **SummitReheis' financial profile**

For the year ended 31 December 2015, SummitReheis reported revenue of US\$103 million, EBITDA of US\$15 million and operating income of US\$8 million. Pro forma for a full year contribution from the acquired B.K. Giuliani businesses, SummitReheis would have reported underlying EBITDA of approximately US\$25 million in the year ended 31 December 2015. As at 31 December 2015, SummitReheis had total assets of US\$208 million and net assets of US\$12 million.

For the year ended 31 December 2016, SummitReheis is expected to report revenue of US\$134 million and underlying EBITDA of approximately US\$28 million.

## **Transaction details and timing**

Completion of the acquisition is expected to take place in the second quarter of 2017 following receipt of anti-trust clearances in the US and Germany.

Elementis intends to fund the acquisition through existing cash resources and US\$475 million of new debt facilities which will also be used to refinance Elementis' existing debt facilities. The new debt will be provided through a new fully underwritten US\$275 million revolving credit facility and US\$200 million term loan facility. The new debt facilities have a 5 year term and are on terms in line with the Group's existing facilities. Elementis will remain prudently financed post acquisition.

## **Conference call**

Paul Waterman, Chief Executive Officer, and Ralph Hewins, Chief Financial Officer, will hold an analyst and investor call today at 08:30a.m. UK time to discuss this announcement. To participate in the conference call, please dial: UK +44 (0)20 3139 4830; UK toll free 0808 237 0030 or click here for international numbers: [http://events.arkadin.com/ev/docs/NE\\_FEL\\_Events\\_International\\_Access\\_List.pdf](http://events.arkadin.com/ev/docs/NE_FEL_Events_International_Access_List.pdf).

The participant PIN code is 33260441#.

A copy of the presentation slides will be available at:

<https://arkadin-event.webex.com/arkadin-event/onstage/g.php?MTID=e4da989b68546419fb2a9e73a4634bb83>

The event password is: 682839.

Press releases can also be found on the website [www.elementisplc.com](http://www.elementisplc.com)

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## Editor's notes

SummitReheis is a leading global specialty chemicals platform that produces a range of critical active ingredients and materials tailored for use in personal care, pharmaceutical and dental products. The company was founded in 1940 and is headquartered in Huguenot, New York, US.

- SummitReheis' **AP actives** business is the global leader in the production of active ingredients in anti-perspirant products and accounted for 62% of SummitReheis' pro forma revenue for the year ended 31 December 2015
- SummitReheis' **Pharma actives** business produces sucralfate, antacid pastes and powders which are critical components of regulated pharmaceutical products sold both over-the-counter and with prescription. The Pharma actives business provides ingredients used in antacids and gastrointestinal remedies utilising similar chemistry and manufacturing plant as the AP actives business in Germany. It generated 18% of SummitReheis' pro forma revenue for the year ended 31 December 2015
- SummitReheis' **Specialty Dental** business manufactures dental plasters alloys/discs and moulding materials that are used to make dental crowns, bridges and replacement teeth and in other applications. It generated 20% of SummitReheis' pro forma revenue for the year ended 31 December 2015

Anti-perspirants reduce sweat by a significant amount and deodorants use biocides and scent to mask the effects of sweating. SummitReheis' AP active ingredients are based on either ACH (Aluminium Chlorohydrate) or ZAG (Zirconium Aluminium Glycine). They are used in all of the key types of anti-perspirant products: sticks, roll-ons and aerosols. In the US the preferred anti-perspirants are sticks whilst in Europe they are aerosols. ACH and ZAG are used in most products however ZAG is not used in aerosols.

Elementis' hectorite clays or gels are used in anti-perspirants in conjunction with SummitReheis' products. Specifically, the hectorite clays enable the effective use of ACH in aerosols, the highest growth application. Hectorite acts as a rheology modifier, providing uniformity in application and aiding in the suspension of aluminium salts within aerosol anti-perspirants. As well as acting as an in-process suspension aid, the use of hectorite also reduces the undesirable appearance of armpit staining on shirts.

SummitReheis has strong and long-standing relationships with the top global manufacturers of anti-perspirants and deodorants. The AP actives business serves a broad customer base from small, regional suppliers to some of the leading global personal care manufacturers. The Pharma actives business supplies both multinational pharmaceutical companies and regional pharmaceutical suppliers selling OTC and prescription antacids. For Specialty Dental the business supplies a range of direct customers, distributors and agents across varied markets, including dental laboratory equipment, medical bandages and 3D printing.

SummitReheis supplies its customers globally. Its revenue is well diversified, with 41% in Europe, 33% in North America and 26% in the rest of the world (for the year ended 31 December 2015). Its manufacturing operations are in the US, Germany, UK and China. It also has plans to build a manufacturing capability in Brazil and Thailand. SummitReheis' geographical spread of operations is complementary to that of Elementis. SummitReheis employs approximately 270 people.