ELEMENTIS

29 October 2024

Elementis plc
Third Quarter Trading Update

Continued resilient performance, full year guidance unchanged.

Elementis plc ("Elementis" or the "Group"), a global specialty chemicals company, today issues its scheduled trading update for the three months ended 30 September 2024 ("the quarter").

Business performance

The Group delivered improved performance in the quarter, with revenue up 2% (up 3% on a constant currency basis) year-on-year. Revenue was higher across both business segments and adjusted operating margin was in line with the H1 2024 margin of 17%.

Personal Care sales in the quarter were up on the prior year period in both Cosmetics and AP actives, whilst reflecting normal seasonality.

Performance Specialties delivered a good third quarter performance as positive pricing and mix benefits offset continued overall market related volume weakness.

- Coatings sales were slightly up on the prior year period, with price and mix benefits supporting revenue growth in Americas and EMEA and offsetting lower volumes in Asia.

- Talc sales were broadly flat compared with the prior year period and we remain focused on higher value applications.

We continue to successfully deliver our Innovation, Growth and Efficiency strategy, launching seven new products, executing on self-help actions to include closing new business opportunities and are on track to deliver at least $15 million of annual cost savings in 2024. The Fit for the Future restructuring programme is progressing as expected, with role eliminations on track, the transfer of transactional services to an outsource provider complete and the set-up of our new Porto centre advancing at pace.

EU state aid case settlement

On 19th September, the Court of Justice of the European Union ("CJEU") annulled the General Court's decision that the exemption for certain financing income within chapter 9 of the UK's controlled foreign company rules, resulted in selective tax advantages contrary to EU state aid rules. The announcement by CJEU confirmed that the sums paid to HMRC will be returned to affected taxpayers, including Elementis. We are awaiting the confirmation of the repayment of c.£15 million[1].

Talc strategic review

The strategic review of Talc, announced on 1st August, is progressing, and a further update will be made in due course.

In September, the Risk Assessment Committee ("RAC") of the European Chemicals Agency recommended that that talc be reclassified as STOT RE 1 and Carc 1B[2]. A final decision by the European Commission is expected by Q1 2026, following consultation with stakeholders, and, if approved, would be effective no sooner than 18 months after the final decision is published. Elementis and EUROTALC (the European industry body for talc-related regulatory and scientific matters) disagree with the RAC's opinion and together will seek to demonstrate that the proposed classification for carcinogenicity is not appropriate.

Outlook

The Group is well positioned to deliver full-year financial performance in line with expectations[3]. Our leverage reduction remains on track, we are making progress on our growth platforms and are confident to deliver at least $15 million of annual cost savings in 2024.

Paul Waterman, CEO of Elementis, said:

"I am pleased to report a resilient third quarter performance for Elementis, despite the continued challenging demand environment. We remain focused on executing our Innovation, Growth and Efficiency strategy and are on track to deliver our Capital Markets Day commitments by 2026. Our strategy is based on self-help, not relying on an improvement in market conditions, which is why we are confident that we will deliver full-year financial performance in line with market expectations[3]."

Enquiries

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Notes:

1. Refer to Note 30 to the Elementis plc Annual Report and Accounts 2023 for further detail.
2. STOT RE 1 defined as "specific target organ toxicity – repeated exposure, category 1". Carcinogenicity category 1B defined as "presumed to have carcinogenic potential for humans".
3. Based on company compiled consensus dated 15 October 2024, adjusted operating profit of $123 million (range $121-125 million) and adjusted operating margin of 16.4% for the financial year 2024.