ELEMENTIS

2024 full year results presentation

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Paul Waterman, Chief Executive Officer

Front cover

Good morning everyone, and welcome to the Elementis 2024 Full Year Results Webcast. Thank you for taking the time to join us today.

Agenda

In terms of the agenda, I will start with our highlights and a review of our business segment performance. Ralph will then review the Group financials, and finally, I will take you through the outlook for 2025. Following this, we will take your questions.

Introduction and highlights

Self-help actions driving performance

I am pleased to report a strong 2024 performance, with revenue and earnings growth across both Coatings and Personal Care businesses.

This performance was underpinned by self-help actions. We delivered above market revenue growth, in a flat demand environment. And we delivered $18 million dollars of annual cost savings, above our initial expectation of $12 million dollars. There is still more to come.

Our strong profit and cash generation led to a further reduction in net debt, with the year-end net debt to EBITDA ratio at 1.0x.

The final dividend is up 38% on the prior year, and considering our strong balance sheet and the positive outlook for the business, the Board will evaluate a range of options for additional shareholder returns.

The Talc strategic review, which we announced in August, is progressing. We recorded a Talc impairment, of $126 million dollars for the year.

Last, we made good progress against our 2026 financial targets. Adjusted operating margin improved to 17.4%. Average three-year operating cash conversion reached 88%, and return on capital employed, excluding goodwill, increased to 23%. Excluding the impact of the Talc impairment, it improved to 19%, from 15% in the prior year.

While there is more to do, we are confident that we will achieve all our targets by 2026 or sooner.

Strong safety focus

As always, I will start with safety because there is nothing more important than ensuring everyone who works for Elementis returns home exactly as they arrived. Our ambition is to become a zero-injury business.

In 2024, we achieved a 50% reduction in recordable injuries. While still two short of our zero-injury ambition, we are making good progress here. Furthermore, 90% of our sites remained injury free over the year.

We continue to progress important safety initiatives that will strengthen our safety culture and improve future performance. As an example, we upgraded our global health and safety management framework, aligned with international standards for health and safety at work, and published several life critical global standards. We also developed a process safety management network and a dashboard to track high risk equipment management practices.

2024 key financials

Turning to slide 7 for the headline financial performance. Revenue increased 3% to $738 million dollars, benefiting from higher volumes as well as improved price and mix benefits.

Adjusted operating profit of $129 million dollars, was up 24% on prior year and we achieved a 280-basis point improvement in adjusted operating margin to 17.4% compared with 14.6% in the prior year.

Adjusted earnings per share increased 23% to 13.3 cents.

Our balance sheet is strong, with net debt reduced to $157 million dollars at the end of 2024.

Last, the Board recommended a final dividend of 2.9 cents per share, which combined with the interim dividend payment of 1.1 cents per share, adds to a full-year dividend of 4.0 cents per share.

More on the financials later from Ralph.

Strategic progress

Moving on to our strategic progress, I am pleased to say that we are moving at pace towards our 2026 capital markets day objectives. Here are key highlights of our strategic progress.

On innovation, we launched 22 new products, including for example bio-based NiSATs for industrial coatings and antiperspirant active utilising waste aluminium with a lower carbon profile and the same high-efficacy benefits.

We have taken a multi-year approach to launching distinctive products, and as a result, our revenues from innovation sales have continued to grow. In 2024, new products accounted for 15% of sales, up from 14% in the prior year.

And now 69% of revenues come from natural, or naturally derived products, positioning Elementis very well for the future.

Our continued focus on innovation has helped us deliver above market revenue of $26 million dollars across our growth platforms. Due to the ongoing strategic review, we now exclude the Talc growth platform from the overall 2026 growth program. So, the original $90 million dollars target is now $75 million dollars.

Going forward, we will focus on six growth platforms across Personal Care and Coatings.

It’s worth noting, that despite this change, we remain confident in our ability to achieve our target operating profit margin of 19%+ by 2026.

In 2024 we delivered $60 million dollars of new business, well ahead of our target of $50 million dollars.

Our Personal Care business continued to grow in Asia, up 18%, benefiting from multi-year investment.

Last on Efficiency. At our November 2023 capital markets day, we announced our intention to deliver $30 million dollars of cost savings by the end of 2025.

$18 million dollars was achieved in 2024 as savings came through faster than originally anticipated.

A key enabler of this delivery is our Fit for the Future organisational restructuring, aimed at both simplifying and streamlining Elementis for the future.

This programme is ahead of plan, with most of the announced redundancies now completed. In addition, procurement and supply chain cost savings programmes are also progressing well.

As planned, our AP actives plant in Middletown, USA was closed as we successfully ramped up production at our Taloja, India plant. Ralph will provide more detail on both programs later.

Sustainability progress

Turning next to Sustainability. I am pleased to share that we have continued to make further progress across our three sustainability focus areas, which we believe both further improves the quality of our business and reduces executional risk. This is best highlighted by the external ESG ratings we have achieved for another year.

Starting with the environment, we are making good progress towards our ambition of achieving net zero by 2050. In 2024, we developed our science-based emission target and submitted it to the Science Based Target initiative for validation. We found out earlier this week, that our target was approved and will be published at the end of March. Further detail will be provided in due course.

To underpin our target delivery, we developed detailed 10-year decarbonisation plans for each of our plants. Those plans identified individual projects that could be executed to partially or fully decarbonise a specific process.

In 2024, 77% of our purchased electricity was certified as zero carbon, and we hope to increase this further in coming years.

On people, our Fit for the Future restructuring programme is on-track, and we have a new team of over 100 employees in Porto, Portugal. We have continued to engage proactively with our global workforce and have maintained strong employee engagement throughout what was a very large organisational restructuring.

In addition, I am pleased to share that our senior leadership gender diversity increased to 42%, up from 37% last year. Elementis is now ranked 28th in the 2024 FTSE Female Leaders survey, out of 163 participating companies.

Finally, we took further actions to improve our responsible business practices. In 2024, we implemented a comprehensive supplier due diligence system for all clients and suppliers, enhancing our compliance practices. We rolled out a new Human Rights Policy Statement reinforcing our commitment to ethical business conduct. We also strengthened our fraud prevention processes through enhanced risk evaluation and mitigation strategies.

And as I said already, our actions are recognised. We are pleased to achieve the EcoVadis Gold rating for a fourth consecutive year- putting Elementis in the top 5% of chemical companies. A fantastic result, given the threshold for achieving this rises every year.

Strategy is delivering

Moving on to slide 10, I want to take a step back…. Our Innovation, Growth and Efficiency strategy was introduced at our November 2019 Capital Markets Day, so we've been at this awhile.

The progress that we've made has been driven by continued innovation that has resulted in advantaged new products and new business, most of which has supported progress against our growth platforms.

We are seeing year-on-year progress in our innovation sales contribution, increasing to over 15% in 2024, with around 60% of the innovation sales coming from our growth platforms. We also delivered $60 million dollars of new business, of which over 70% came from growth platform products.

So, the strategy is working and, as you can see on the next slide, the progress we have made gives us confidence that we are on-track to deliver our 2026 financial targets.

2026 financial targets on track

First, our operating profit margin continues to improve. In 2024 it reached 17.4%, putting us materially closer to our 2026 target of 19% plus.

Second operating cash conversion of over 90%. The three-year average operating cash conversion at the end of 2024 was 88% and the annual performance was 104%.

Finally, we set out to improve return on capital employed, to over 20%. This year, we achieved a ROCE of over 23%. Excluding the Talc impairment, the ROCE was 19%.

So, overall, we made good progress, but there is more to do.

Segmental performance

Now let's look at the performance of our businesses by segment…

Personal Care performance
Record profit supported by self-help initiatives

… starting with Personal Care on slide 13, which now contributes around 30% of Group revenue and 42% of Group adjusted operating profit. Personal Care revenue increased 4% in 2024, benefiting from $18 million dollars of higher value business and higher volumes.

We achieved record adjusted operating profit of $62 million dollars, up 22%, driven by improved volume and self-help actions. These factors in combination with the innovative new products led to significant margin gains in the year. Operating Profit margin was 28.3%, up 420 basis points versus prior year.

Track record driven by innovation

Turning to slide 14, the graphs on the left show operating profit and margin progress since 2020. Over this period, we launched 33 new products, delivered $70 million dollars of new business and our operating margin increased from 21% to 28%. We are confident that there is more to come.

In relation to 2024 performance, 17% of Personal Care revenues were from innovative products. We launched nine new products, with two of those expanding our technology toolkit and seven highly customised products, based on individual customer specifications.

Our new business pipeline continues to increase year-on-year and stood at a record $89 million dollars at the end of 2024.

Finally, this year's record operating profit reflects our much-improved product portfolio, and the positive impact of our self-help initiatives. Those include route to market changes in Europe and Asia, cost efficiencies, including the fit for the future restructuring benefits and the closure of one AP actives US plant.

Good progress, on track for 2026 target

On the next slide you can see the progress we are making on our growth platforms. At our November 2023 capital markets day, we announced an ambition to deliver above market growth over the three years to 2026. The Personal Care growth platforms are expected to deliver around a third of the $75 million dollars target, with $6 million dollars delivered in the first year.

Let me remind you what the individual platforms' objectives are, before I cover the progress in 2024.

Starting with Colour Cosmetics, where our target is $10 million dollars of above market revenue growth by 2026. We are seeing good progress here. In this market segment, demand is driven

by trends such as skinification, where for example makeup is fortified with additional ingredients to enhance skin health, or individualization, where beauty brands are offering personalized or customized products tailored to specific consumer needs.
Given our expertise in both rheology and formulation solutions, we are well-positioned to address these trends.
In addition, we are entering the field of film formation that is complementary to our current hectorite offering.

Secondly, Skin Care, where we target growth at 2 to 3 times the market, supported by the substitution of synthetic rheology control ingredients, with our natural hectorite technology. We see significant growth potential in water-based skin and sun care products, as well as film formation, which works alongside the benefits of hectorite in sun-care applications and this is an $80-million-dollar opportunity. Additionally, we continue to invest in existing product development of our hectorite series beyond their functional properties, for example as a natural co-emulsifier.

Finally, AP Actives where we target mid-single digit revenue growth and margin expansion. We will achieve this through the development of high efficacy antiperspirant actives, further benefiting from the increased production at our new India plant. We are also entering an $80-million-dollar deodorant active segment, with the launch of a non-aluminum sweat reducing deodorant, next month.

Now I will cover the progress we have made in 2024.

Colour Cosmetics

First Colour Cosmetics on slide 16, where revenue increased 7% compared to 4% for the broader market. We saw growth across all regions, especially in Asia, benefiting from enhanced sales and marketing capabilities. Revenue in China was up 30%, driven by new and existing relationships with local customers. Furthermore, the improved capabilities in this region allowed us to optimise our route to market, and we now serve more of our Chinese customers on a direct basis.

In 2024, we launched two customised products targeting emerging markets. We continued to see good momentum across our global key accounts, leveraging our expertise in rheology and formulation solutions, combined with growing demand for hectorite as a key ingredient.

Growth over the coming years is underpinned by innovative products including a range of patent-pending Bentone® Ultimate products, with higher natural content and increased versatility for formulators, as well as further growth across key Asia regions.

Skin care

On skin care, we made strong progress in 2024, with revenue up 17% compared to 4% for the broader market. Our strong growth was driven by Europe, where revenues were up more than 50% as well as Asia, benefiting from growth in key global accounts, innovation products, and route to market changes.

We are seeing good momentum from recent new product launches, with a focus towards natural rheology products with additional functionalities. One of those is Bentone Hydroclay 2101, a product customised for a leading European suncare manufacturer. We saw their new sun care lotion hit the shelves this January. This product is using hectorite as a rheology modifier, and the customer also reported improved sensory benefit.

In 2024, we also launched Bentone Hydroluxe™ 360, an all-in-one hectorite based solution which provides outstanding sensory, and texture benefits enabling formulators to create products with a variety of textures, from light fluid serum and soft creams to rich velvet textured creams.

In 2025, we plan to launch a new water-resistant film former for sun care.

Antiperspirants

Moving on to Antiperspirants on slide 18, a segment where we have a leading global position. Revenue grew 2% compared to a flat market. The above market revenue growth was driven by increased demand for our high-efficacy products, which now make up 44% of antiperspirant sales. A big enabler of this growth has been our new Taloja plant, which is now scaled up and producing a high quantity of products of consistent quality.

As a result, we saw strong growth across global key accounts in Europe and Americas as well as success with fast growing Indie brands, which will increasingly become an important contributor to overall antiperspirant revenue.

We launched four new high-efficacy products including a lower carbon antiperspirant active. This product utilises upcycled aluminium waste to partially replace virgin aluminium feedstock, leading to lower product carbon footprint both for us and our customers.

In April 2025, at the in-cosmetics trade show in Amsterdam, we will launch a long-awaited non-aluminium based deodorant active that can provide significant sweat reduction benefits.

Performance Specialties: Coatings improvement offset challenging Talc performance

Turning to Performance Specialties, which is comprised of our Coatings and Talc businesses. Overall, the segment delivered a much-improved performance with revenue up 3% to $521 million dollars driven by Coatings.

We delivered $43 million dollars of new business, which supported the growth in operating profit, now at $86 million dollars. Adjusted operating margin improved to 16.6%.

Coatings performance: Strong performance, record operating profit

Taking a closer look at the Coatings business. Overall revenue increased 5% to $386 million dollars, with revenue growth supported by all three growth platforms.

Performance in the year reflected more normalised volumes and improved price and mix benefits, with some differences in performance between regions and end-market sectors.

Adjusted operating profit increased 41% to $78 million dollars, driven by higher volumes, improved price/mix and cost efficiencies.

The combination of a higher quality product portfolio and self-help actions led to a significant improvement in adjusted operating margin to 20.3% up from 15.3% last year. A record margin for Coatings was achieved in a flat demand environment, which demonstrates the quality and the resilience of this business.

Higher quality portfolio, new business and cost efficiencies

The chart on slide 21 highlights the multi-year progress we've made improving our Coatings business.

Adjusted operating profit increased from $41 million dollars in 2020, to a record $78 million dollars in 2024.

And what is more noteworthy is the improvement in our operating margin, from 13% to 20%, over that period. This reflects the higher quality of our product portfolio, earning higher margins, and a lower cost base.

Innovation has been a key contributor to this growth. Over the five years, we launched 31 new products and delivered $126 million dollars in new business.

In 2024 we launched 12 new higher margin products, of which six were across our three growth platforms, and I will cover some of those shortly. The other six are targeting new adjacencies.

These include for example new CHARGUARD fire retardant synergists designed to enhance anti-drip and char formation properties of non-halogenated fire-retardants, potentially replacing certain types of PFAS or other so called forever chemicals, traditionally used in this application.

In total we delivered $36 million dollars of new business, which is supporting the improvement in profit, alongside other self-help actions.

More normalised volumes post destocking, but demand remains weak

Slide 22 shows the improvement in sales across the decorative and industrial sectors, driven by more normalised volumes post destocking. We saw particularly good growth across industrial coatings, despite overall weak market demand.

Regional growth has been mixed. In the Americas and Europe, where our business is split relatively evenly between decorative and industrial activity, revenue increased 8% and 7% respectively.

Asia revenue was flat compared with the prior year, driven by China, where sales were weaker in the second half. China represents over 50% of our revenues in Asia. That said, we saw good growth across many other key countries including Japan, Indonesia, Malaysia as well as India.

And finally, revenue across our global key accounts reduced 2%, with some of our large customers facing challenging demand conditions.

Coatings growth platforms

Now let’s move onto the three Coatings growth platforms, which are expected to deliver around two thirds of the total $75 million dollar revenue target by 2026.

In the first year, we delivered $20 million dollars of above market revenue growth, with good progress across each platform.

Let’s again look at the individual platforms’ objectives, before I cover the progress in 2024.

First, in Architectural Coatings, where we expect to grow at twice the market through 2026. We see strong demand for sustainable, safer and high-performance paints and we are launching new products, for example our new biobased NiSATs that meet these requirements.

In addition, we have a big opportunity to tap into the growing demand for high-end paints in Asia, which is an attractive $300 million dollar ingredients market. To capture this opportunity, we expanded our manufacturing footprint in Asia, increasing our NiSAT production capacity. More on this shortly.

Our second growth platform is Industrial Coatings, where we see growth opportunities that will enable us to add $30 million dollars of incremental revenue by 2026.

We will leverage our rheology leadership to grow our market share for industrial dispersants and defoamers, which is currently a $1 billion dollar global market.

In addition, we are establishing a clear strategy for the powder coatings industry, leveraging our hectorite and thixotrope-based portfolio into this $200 million dollar market.

The third growth platform is Adhesives, sealants and construction additives, a relatively new market for Elementis. We are looking to double our market share by 2026.

To do this, we have been focusing on building our global distribution network and are now ready to drive momentum in this attractive market segment. One of the key areas where we see rapid growth is in tile mortars, where we are replacing bentonite with hectorite-based products, significantly improving end product efficiency.

Let me now cover the progress we made in 2024…

Architectural Coatings

Starting with Architectural Coatings, where our revenue increased 3%, while the global market was flat. We saw strong growth in Asia, driven by improved localised production capability as well as innovative customised formulation solutions and strong demand for our natural hectorite-based products.

I mentioned earlier the expanded capacity in China, which we completed in the first half. It has increased our NiSAT capacity by over 3000 metric tonnes. Thanks to the new localised production, we were able to target $30 million dollars of new local demand. Going forward, we expect the new facility to bring enhanced performance and environmentally friendly benefits to the Chinese architectural sector.

In 2024, we launched four new products, including two Rheolate biobased NiSATs, which are based on a waste stream of sugarcane molasses, and hence provide additional sustainability benefits, without compromising performance.

We are confident that our innovative products, alongside our manufacturing footprint across three key regions, will support our ambition to grow at twice the market by 2026.

Industrial Coatings

In 2024, our Industrial Coatings revenues increased 9% versus a flat global market. Our revenues were higher across all regions, driven by increasing demand for our hectorite-based solutions.

Our revenue from hectorite-based solutions continued to grow and has increased over 30% in 2024. This was driven by strong demand for marine and protective coatings, where the right rheology is required for those highly technical paints, and also as a PFAS replacement in powder coatings.

We also launched two new products in 2024, supporting the transition from solvent- to water-based trend. Those include for example Supread 3410, which is a low-foaming silicone substrate wetting agent, highly effective on wood applications.

Using water-based products on wood is more challenging, and our products can really help here.

Another example is Nuosperse FX 7600W, a new wetting and dispersing agent designed for water-borne auto OEMs, highly effective for darker pigments distribution.

We were pleased to have been awarded the 2024 Asia Coatings Technology Pioneer Award with our Hypomer MT-2550K matting agent.

This demonstrates our products are getting increasingly recognized across our target markets. Hypomer is used in Asian electric vehicles, providing the right visual effect, and we see it being adopted by major electric car manufacturers.

Over the next 12 months, we will launch a new rheology modifier for the automotive sector, delivering improved lower temperature stability, and will also complete our testing phase to refine our market expansion strategy for the fast-growing powder coating industry.

Adhesives, sealants and construction additives

Finally, adhesives, sealants, and construction additives, where in 2024, we saw revenue growing 15% versus global markets only marginally up.

Our recent growth has been supported by our established Thixatrol range, as well as the continued success of our hectorite-based additives.

Revenue from our Thixatrol AS 8053 increased over 40% in 2024. We worked hard to demonstrate the lower energy required when using our product and also replacing the undesired fumed silica across these applications. As you can see, our efforts are increasingly resonating with customers.

I already mentioned our hectorite-based tile mortars, which grew over 25% this year, with new products in the pipeline for 2025.

The adhesive, sealants and construction additives segment is relatively new for us, but we see exciting new opportunities for incremental growth.

We now have dedicated global sales and technical teams in place, ready to drive momentum and accelerate penetration.

Innovation is crucial here. We are looking to launch a new product for the clear sealant market, and also exploring hectorite pastes for adhesives.

Talc performance

Moving on to Talc on slide 27, which faced a challenging year. Revenue and profit were lower, reflecting a nationwide strike in Finland in the first half, which closed all ports and railways in the country for a month. In addition, we saw continued weak demand across our key markets.

Overall, revenue reduced 2% to $135 million compared to the prior year. The overall impact of the Finnish strike on Talc operating profit was around $3 million, due to lost sales and higher costs.

As a result, the adjusted operating profit reduced to $8.0 million and adjusted operating margin declined to 5.9%.

In August, we announced a strategic review of the Talc business, which is progressing, amid the ongoing regulatory uncertainty. We hope to have more to say soon.

You will be aware that in September 2024, the European Risk Assessment Committee recommended that talc be classified as carcinogenic.

We do not believe the scientific evidence supports this classification and are working with Eurotalc, the industry trade association, to communicate this view to lawmakers.

A final decision by the European Commission is expected, in the second half of 2026, with implementation currently expected in third quarter 2028, at the earliest.

European demand weakness across key markets

Turning to slide 28. We continue to believe that Talc is a business with strong fundamentals, however, we have seen continued weak demand across our European markets, which represent over 80% of our Talc business.

We focus on higher-margin applications, which requires talc of high and consistent quality. Those include, for example, long-life plastics, paint, coated paper, technical ceramics and barrier coatings applications.

The European automotive sector, which remains a key end market saw a 5% reduction in light vehicle production in 2024.

Despite this, we maintained stable volumes in the auto plastic segment, where we continue to focus on gaining market share. In 2024, we launched another product in our Finntalc K line series, popular for its highly lamellar ore.

In paints and coatings, we are seeing continued weak demand, but we remain focused on gaining profitable market share.

As I outlined earlier, the paper segment was negatively impacted by the strike; however, we did see double digit growth in barrier coatings, which is an area of focus.

Volumes in technical ceramics were broadly stable. We gained good traction with new customers this year and continue to expand our customer base through tailored product developments and high-quality service.

Now let me hand over to Ralph to cover the financials.

Group financials

Ralph Hewins, Chief Financial Officer

Thanks, Paul, and good morning, everyone.

Group revenue

Let me start with Group revenue, which increased by 3% on a reported and constant currency basis to $738 million dollars. As you can see, growth was driven by both improved volumes and price/mix benefits. Overall volumes added $9 million dollars in demand conditions that were broadly flat.

It was encouraging to see higher volumes in both Coatings and Personal Care, $9 million dollars and $5 million dollars, respectively. These were partly offset by a $5 million dollars volume reduction in Talc.

Price and mix benefit contributed $15 million dollars in the year, with the majority of this coming from improved mix. This is a reflection of innovation driven momentum focused on our growth platforms

Group operating profit

Moving on to Group adjusted operating profit, which increased by 24% on both a reported and constant currency basis to $129 million dollars.

The increase in the year was driven by a balance of both top line and efficiency – our strategy in action. The $25 million dollars revenue growth dropped through to the P and L, with our pricing absorbing the impact of inflation.

Our $18 million dollars cost savings are tracking ahead of expectations and were critical to the delivery and I will cover the composition shortly.

So, with this 3% revenue growth and 24% operating profit growth our operating margins expanded significantly from 14.6% to 17.4%, giving us confidence that the 19% plus target for 2026 will be hit.

Proactive margin management

I wanted to share this slide with you, to provide some colour on our variable costs, given the ongoing tariff developments.

Around two/thirds of our costs are variable, and the largest component is the raw material spend. As you can see, the largest components are hydrocarbon derivatives, metals including aluminium and salts and quaternary amines.

We expect overall raw material and logistics inflation to be low single digit in 2025.

Regarding tariffs. Whilst it's fast changing our current view is the direct impact will not be material. Of course, secondary demand and inflationary impacts remain to be seen.

We have two reasons to consider the direct impact modest…

First, we are well hedged with having a multi site footprint. So, for example the large majority of what we make in the USA is used by our customers in the USA. The majority of what we make in China is used by our customers in China.

As you would expect we will look to alternative sourcing arrangements to limit the impact.

Second, as in the past we would typically adjust prices to our customers, either as an increase or a surcharge, in the event of a tariff impact on our costs. We have a number of contingent contractual arrangements that specifically afford us protection in the event of tariff impacts.

Cash flow

Turning to cash flow on slide 33.

Elementis is a highly cash generative business. The increase in operating cash flow largely reflects higher EBITDA in 2024. We also delivered a working capital inflow of $4 million dollars, despite higher sales.

$38 million dollars of capital expenditure was in line with 2023. Going forward we expect the capex to be around $40 million dollars per year.

Our strong free cash flow of $56 million dollars is after the cash impact of $33 million of adjusting items, which we would not expect to be of the same extent in 2025.

The largest components of these cash adjusting items were $18 million dollars related to our Fit for the Future restructuring costs as people exited the organization, $4 million dollars principally related to Eaglescliffe spend and $3 million dollars related to the ongoing Talc strategic review.

Dividends were reinstated in 2023, and we paid out $19 million dollars for dividend payments in 2024.

The net debt was $45 million dollars lower at $157 million dollars, with a significantly improved net debt to EBITDA ratio of 1.0 times compared to 1.4 times in 2023.

Strong balance sheet

As you can see on slide 34, the debt has been steadily reducing since 2021, from $401 million to $157 million at the end of 2024. The net debt to EBITDA ratio, has reduced from 2.6 times to 1.0 times over that period.

We also completed the refinancing of our revolving credit facility in the first half of the year, reducing it by $125 million to $250 million and our total debt facility now stands at around $475 million.

Based on the strong cash generative business we have, and our capital allocation priorities, we expect further deleveraging in the coming years, driven by earnings growth and capex discipline.

Capital allocation

Now let me remind you of our capital allocation priorities. We will continue to spend around $40 million capex annually, broadly in line with depreciation.

Our capex priorities over the coming year are on safe and reliable operations and then on high payback growth and productivity projects. We do not need to increase our capex to deliver our capital markets day growth objectives.

In line with our dividend policy, which aims to pay a progressive ordinary dividend with a payout ratio of around 30% of adjusted earnings, the Board has recommended a final dividend of 2.9 cents per share, up 38% from last year. Including the interim dividend of 1.1 cents, this equates to a full-year dividend of 4.0 cents per share.

As Paul already mentioned, given our strong cash generation and the positive near-term prospects for the business, the Board will evaluate a range of options to deliver additional returns to shareholders. Further details will be provided in due course.

Efficiency savings: On-track to deliver $30m cost savings by 2025

Moving on to our efficiency programmes, you will recall that at our November 2023 capital markets day, we announced $30 million dollars of cost savings over two years, initially expecting to deliver $12 million dollars of cost savings in 2024 and $18 million dollars of cost savings in 2025.

I am pleased to share that following successful acceleration of our cost savings programmes, we have already delivered $18 million of cost savings in 2024.

This gives us the confidence that we will achieve the balance of $12 million dollars of cost savings in 2025 with most of the actions to deliver this already taken.

Around 60% of the overall cost savings relate to the fit for the future restructuring programme and the remainder coming from supply chain and procurement efficiencies.

Taking a look at each of these in turn.

Fit for the future restructuring

First, the Fit for the Future organisational restructuring. This programme, is firmly on track and is creating a simpler, streamlined Elementis with the right capabilities to successfully implement our strategy.

In 2024, we delivered $10 million dollars of annual savings. We simplified our organization with the removal of 190 roles and set up a new centre in Porto where we filled over 100 roles including a significant R&D presence. In 2024, the shift of transactional Finance roles to India was successfully completed. Our outsourcing partner EXL now has a team of just under 30 people dedicated to Elementis in Kochi.

In 2025, we expect to deliver the balance of the $8 million dollars annual savings as the full year effect of the changes pay off.

Global Supply Chain and Procurement

Moving on to the second part of the efficiency programme, where we are leveraging improved capabilities across our global supply chain and procurement and targeting $12 million dollars in annual savings by 2025. Of this amount, $8 million dollars was delivered in 2024 and a further $4 million dollars will be delivered in 2025.

In March, we announced a closure of one of our antiperspirant actives plants in the US, consolidating our global manufacturing footprint from three to two.

The Middletown plant closure in June, was enabled by the successful ramp up of production at our Taloja plant in India. It underpins a large part of the targeted cost savings and will help to enhance our Personal Care margins.

We also completed process debottlenecking Kaizens at several key manufacturing location and improved our supply and demand management processes.

Across procurement, we focused on improving our supply resilience by reducing the number of raw materials that are single sourced and added over 90 new vendors to diversify our supply coverage.

In 2025, we expect additional efficiencies in supply chain through further manufacturing optimisation, supply chain digitalisation and through new integrated planning and execution processes.

In relation to procurement, we are improving cost through our new Digital Vendor Management system. We expect a meaningful cost reduction in 2025, having renegotiated our top raw material contract and made further reductions in single sourcing.

Taken together these two efficiency programmes are a critical driver of our 19%+ operating margin target.

And of course, we continue to look for new sources of efficiency and we look forward to having more to say about this in the future.

Return on capital employed

Finally, let me cover progress on return on capital employed. As a reminder, in November 2023 capital markets day, we set out a target of over 20% by 2026 on a pre-goodwill basis.

In 2023 our ROCE excluding goodwill stood at just over 15%. Largely through profit improvements we have improved our ROCE to 19%.

The Talc impairment reduced our capital employed base, which increased the full-year ROCE to 23%.

Over the course of 2025 and 2026, we continue to expect the main driver of ROCE improvement to be earnings growth.

Divider

I will now hand back to Paul to cover the outlook.

Outlook

Thank you Ralph.

Turning to the 2025 outlook. We have seen a solid start to the year. That said, we see no evidence of any fundamental improvement in the demand environment, nor did we plan for it.

Our performance in 2025 will be underpinned by self-help initiatives, notably continued progress against our growth platforms, which are supported by a strong new business pipeline and at least 15 new product launches.

In addition, on the efficiency side, we expect to deliver the remaining $12 million dollars of cost savings as we complete the organizational restructuring and continue driving procurement and supply chain efficiency.

This gives me confidence that our 2026 capital markets targets will be achieved.

Finally, I want to say that it has been a privilege to lead Elementis for the past nine years. I am proud of the transformation of this business, which is the result of the hard work and dedication of the entire Elementis team.

I am pleased to be leaving a more focussed, higher quality and financially strengthened business. The future for Elementis is bright.

Thank you for your time. Ralph and I are happy now to take your questions.

Questions And Answers

Thank you. Our first question is from Andres Castanos from Berenberg.
Your line is now open. Please go ahead.

Andres Castanos

Hello, Andres Castanos here sitting in from -- on behalf of Sebastian Bray. You have discussed in detail how you did better than the flat market in 2024, but how is Personal Care faring in light of some companies like Estella that are flagging headwinds in early 2025? And also in Coatings, could you please talk about the trading outlook for Coatings in the corrective and industrial growth, and how China is driving that for 2025?

Paul Waterman

Sure. Thanks for the question. You know, on Personal Care, I think that the categories are a bit healthier, frankly, in terms of the demand, I think inventories are in a reasonable place. I think, though, for Elementis' performance, I mean, it's kind of, as I said on the presentation, you know, it's a function of higher value, new products, penetrating our growth platforms and, kind of, becoming more valuable to our customers while simultaneously, I think, making some investments that -- and frankly, we've been making over quite a long period in Asia that give us the opportunity to continue to ratably grow. So, a combination of self-help, new products, and I think more capability on the ground in some really important places has underpinned Personal Care, and I think it will continue to, actually. And I think there's good runway for further organic growth.

Coatings is, I think, a little more trickier. From a demand perspective, we've taken the view over the last four or five years that life will be hard, and, you know, we just have to adapt. So, if you take, for example, in United -- America's housing, you know, is in the worst state that it's been in 30 years, and you can kind of see that in architectural. I think industrial is a bit better benefiting from the Inflation Reduction Act, benefiting from a pretty healthy energy backdrop, but it's still, you know, obviously still, quite a fight, and we don't expect that it's going to be significantly different going forward.

Europe has been sick for a while, and, you know, I understand there's some talk about stimulus, but again, in the near term, we don't really see a big change on demand, and our results have really been about new business, you know, in self-help in that region. Asia's interesting in that, obviously, China is not terribly interested in stimulating. We do an awful lot of industrial business in China, and it's just kind of not happening there very well. But the other side, I think, is Southeast Asia, India. I think the emergence of architectural, where we're pretty well-positioned to gain market share, and we're kind of seeing that. So, that makes us, I think, kind of cautiously optimistic.

But again, I would just step back and say to you that, you know, demand is the big, you know, it's the 900-pound gorilla in Elementis' performance, but the reality is, it's all the self-help and the things that we're doing to make the business more valuable, more cost-efficient, more important to customers. That's what's underpinned our improved performance in '24, and it will underpin it in '25 and '26, such that we achieve the CMD objectives. Thank you.

Andres Castanos
That's great. Thank you. Can I follow up with one for Ralph? A quick one. What is the new level of depreciation and amortization following the talk about impairment? Thank you.

Ralph Hewins
Yeah, the level of depreciation is pretty similar to our CapEx, around sort of $40 million a year.

Andres Castanos
Operator
Thank you. Our next question is from Chetan Udeshi from J.P. Morgan. Your line is now open. Please go ahead.

Chetan Udeshi
Yeah. Hi. Thanks for taking my question. Maybe just first on tariff. If I'm not mistaken, when President Trump introduced tariff for the first time, you did get impacted directly from sourcing some of your raw materials in China. I think it was mainly for the AP Actives business. Is that something that has been now resolved with the new Indian plant, or do you still have that exposure to importing certain raw materials from China? And how will that, sort of, play out in terms of your numbers?

The other question I had was on Personal Care, I think the category as a whole, especially the color cosmetic, when we look at some of the sell-through data from Nielsen or some of the other updates from the large OEMs, it does suggests that especially in the US, things are pretty tough for the whole beauty and color cosmetic market. But it seems you are not seeing that in your numbers. Is that mainly because of the business wins that you're talking about?

And the last question I have for Ralph is just in terms of the key numbers to think about in terms of moving past for 2025 versus 2024, you've talked about $12 million of gross cost savings, remind me -- and remind us, sorry Ralph, of how much is your fixed cost inflation, and also how much incremental business wins do you expect, actually, in 2025, and how will that sort of drop through on your earnings? Thank you very much.

Paul Waterman

Thanks Chetan. I'll take the first two. In terms of the impact of tariffs, you're right, this isn't our first time managing this; this is Trump part two. And we do have some ingredients that are affected, that's for certain. And I think you were thinking about zirconium that gets pulled out of China. However, what I would tell you is that the aggregate impact of these tariffs is actually quite small. And our ability to change prices instantaneously, frankly, to deal with the tariffs is really, really high.

I'd also say that in the main, Elementis is actually quite regionally spread. And so, you know, 60%, 70% of our products made in China stay in China. 90%-plus of our products made in the United States stay in the United States. So, I think we're a lot less exposed. But the big thing is to be on top of it in great detail and react as fast as possible. And that's exactly what we will do.

In terms of the PC category in the USA, I mean, I think, and I can say even more broadly, our progress is driven by the new business wins, the delivery of our growth platforms. I mean, we did $18 million new business last year. Some of the new products that we've been launching over the last three or four years really taking hold. And therefore, our share of customers' requirements continues to go up. Also, I think skincare is a bright spot and it's been a nice, bright grower for the last four or five years. So, you know, that has helped us in a big way, even though, as you say, the performance in the United States for the category isn't as strong as we might like right now. Ralph, there's one for you.

Ralph Hewins

Yeah, I think you're asking around sort of bridging '24 into '25 and how we're thinking about it, Chetan. So, I mean, starting off the fixed cost savings, we've flagged -- Well, not fixed cost savings, the Fit for the Future savings, we've flagged $8 million and supply chain savings, $4 million under our cost saving program. So, that's $12 million of savings. In terms of revenue growth, look, we did $26 million above market revenue growth in '24. And, you know, we need to make that sort of similar level of progress or a little bit better in '25 to achieve the $75 million in total by 2026 with a normal level of drop through there. So, that's the second moving part.

I think then the couple of other things, our level of fixed cost inflation is sort of high single digit. So, sort of $8 million, $9 million a year. And then on top of that, we see low single-digit raw material/logistics inflation in the year. We put a chart in the pack there that those costs are roughly speaking about a-third of our turnover. And so that would be an impact as well. So, those are the main moving parts.

But overall, we're expecting to make important progress, our operating margins stood at 17.4% in 2024 up from 14.6%, and, you know, we're looking to get to 19%-plus by 2026. So, you know, those moving parts will take us, you know, a good way of the way there from 17.4% to 19.0%-plus in 2026.

Chetan Udeshi
That's clear. Can I check the drop-through that we should be using on those incremental sales? Should it be more like $45 million, $50 million? Because I guess the mix will also be better with the new products in terms of gross margin.

Ralph Hewins
Yeah, you're right. The mix is the drop through effect is a little bit better because the mix quality is better. But that's about the right sort of level you're talking about. Yeah.

Chetan Udeshi
Okay. That's very clear. Thank you.

Operator
Thank you. Our next question comes from Kevin Fogarty from Deutsche Numis. Your line is now open. Please go ahead.

Kevin Fogarty
Great. Thanks very much for the presentation, guys, and thanks for the opportunity to ask

questions. And if I could kick off with two. One, in terms of the capital allocation, you pointed to this morning, could you just sort of outline, you know, what range of options here are being considered, you know, is there anything, kind of, off the table, I guess, for investors? And what should people think about in terms of timing or what needs to happen, you know, for you to consider those range of sort of capital allocation options? I.e., you know, does leverage need to sort of come down lower for longer or just a bit of color on that would be quite useful.

And then just secondly, there's lots in the presentation on innovation and, in particular areas like a NiSATs facility in China, just is there any way of kind of framing how that innovation sees, you know, kind of standing against some of the competitors? What does it do for your competitive positioning there? And how does that change that?

Paul Waterman
Okay, I'll start on the capital allocation and get some of Ralph's thoughts. I mean, obviously, as the balance sheet strengthens, and our performance continues to improve, it creates headroom for shareholder returns. I do think it's just a question of timing, when that judgment gets made. And Kevin, I'd say it's the usual suspects. I mean, you know, buybacks have certainly become something that is much more alluring to UK shareholders than ten years ago. And there's also opportunity for specials. But the whole idea, obviously, is to continue to really drive, the real high capital returns, the free cash flow, as performance continues to improve. And that'll create headway for us. Ralph, anything you want to add in particular?

Ralph Hewins
Yeah, I mean, look, we're down at 1 times net debt to EBITDA, the net cash flow was $45 million in 2024, and that cash generation will enable, further deleveraging in 2025. We've set the ordinary dividend, we think, at a prudent level, at sort of 30% payout. Right now, we don't have a formal target on gearing. The focus has been very much on achieving deleveraging. And, of course, we'll see where the Talc strategic review takes us.

And the Board's obviously going to consider at the time when it takes decisions on additional returns, factors like the share price market conditions, interest costs, and, of course, the Talc strategic review progress. So, there's a number of sort of moving parts to consider. But I think the key point is, having got to a balance sheet where we're at one with further net cash flow coming through in 2025, we're in a really good shape to consider these options very proactively.

Paul Waterman

Yeah, Kevin, to your question on innovation, kind of the value of it, I think what I would say is, if you kind of step back, you know, the Elementis portfolio being much stronger, i.e., almost 70% of it is natural or naturally-derived products. You look at the new product strategy, and we've said for a number of years, we want to come out with things that are, superior performing, improve environmental profile, reduce our customers' operational costs.

And as the portfolio gets more and more valuable, because customers are willing to pay more for these products, it also strengthens our pricing power. You can't be a top-tier specialty chemicals company unless you're doing stuff that's special, right? So, that's kind of where we focus. And the trends, I mean, as we sort of look across the portfolio, what we're doing, I mean, this whole synthetics to natural in skincare and cosmetics, very powerful trend, transitioning from solvent to water-based and industrial, you know, we've been working on that with products for quite a long time. Interestingly, some of our newest opportunities are about eliminating PFAS or forever chemicals. And we see some really interesting opportunities in fire retardants, as I talked about.

And then just kind of getting rid of the hard-to-handle or unsafe stuff, so the adhesives and sealants products that we're coming out with that replace fumed silica or the upcycled aluminum in AP Active, so I just think this is a runway that has a lot of length, actually, and we're going to keep running at it. And I think it's going to be a big driver, frankly, of how these margins continue to move, you know, past 19%-plus, and remain there, actually.

So, I mean, I think that's kind of how we think about Elementis. And, you know, their organic growth is the most capital-efficient growth that there is. So, it's great that we're in a position to take advantage and leverage our assets to achieve that. So, I don't know, it's a little more colour, I hope it's helpful.

Kevin Fogarty

Yeah. No, that's useful. Thanks very much. Thanks a lot.

Operator

Thank you. We currently have no further questions, so I will hand back to Paul for closing remarks.

Paul Waterman

Okay. I think what I would say is thank you to all of you for your support over the last nine years, it went quick, and I'd like to take the opportunity to thank Ralph Hewins. I couldn't have had a better CFO and a better partner running Elementis than Ralph. So, I'm absolutely certain he's going to make sure the new CEO gets off to a fast start. So, thanks for your time today. Speak soon.