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FOR IMMEDIATE RELEASE

**ELEMENTIS PLC**

# PROPOSED $600M ACQUISITION OF MONDO AND $280M RIGHTS ISSUE

## CREATING A HIGHER QUALITY, HIGHER MARGIN GROUP WITH ATTRACTIVE GROWTH POTENTIAL

**Summary**

- Elementis plc (“Elementis”, or the “Company” and, together with its subsidiaries, the "Group"), a global specialty chemicals company, is pleased to announce that it has reached an agreement in principle in relation to the proposed acquisition of Mondo Minerals B.V. known as “Mondo” a leading integrated producer of industrial talc additives (the “Acquisition”). The Acquisition and the entry into the transaction documentation is subject to Mondo having completed the customary consultation procedures with its works council.

- The offer price values Mondo at an enterprise value of $600 million on a cash free, debt free basis and represents a multiple of 13.1 times 2018 year to date EBITDA[1].

- Mondo is a leading integrated producer of industrial talc additives currently owned by Advent International. Through the transformation of its high quality, long duration talc resources via proprietary flotation process know how and formulation expertise, Mondo creates reliably uniform and high purity additives, and has a strong track record of growth. In 2017 Mondo generated revenues of EUR 122 million and EBITDA of EUR 31 million with an EBITDA margin of 25%. The Company believes Mondo’s business has attractive growth prospects and is showing good momentum in the current year.

- The Company believes that the Acquisition represents an exceptional opportunity for Elementis to strengthen its position as a leading additives company underpinned by sustainable competitive advantages and significant growth opportunities. The key rationale for, and the benefits of, the Acquisition include:

    - **Structurally advantaged business model:** Mondo enjoys a differentiated and sustainable market position based on its integrated operations, combining high quality, long duration talc resources, and a leading cost position based on optimised production and logistical capabilities.
    - **Consistent premium quality:** State of the art proprietary flotation process know-how and formulation expertise enable Mondo to deliver superior product quality and consistency of talc additives at scale for high value applications.
    - **Resilient high growth end markets:** Mondo supplies talc additives to a wide range of industrial sectors, including coatings and long life plastics. Revenue from industrial applications has grown at a 9% CAGR since 2009, and Mondo is well positioned for future growth.

- **Attractive financial returns:** Mondo's strength of competitive position and product quality have delivered highly attractive financial returns (25% EBITDA margin in 2017) and the Acquisition is expected to be immediately margin accretive for Elementis
- **A complementary combination:** With a business model that mirrors Elementis' hectorite operations, the Company believes there are opportunities to leverage Elementis' expertise across the value chain and enhance Mondo's ability to serve high end talc markets.

- The financial effects of the Acquisition are anticipated to be:

  - Immediately accretive to Elementis' EBITDA margins;
  - Accretive to adjusted earnings per share in the first full year of ownership;
  - Post tax return on invested capital associated with the Acquisition is expected to exceed Elementis' weighted average cost of capital in the fourth full year of ownership;
  - The Board expects to be able to maintain Elementis' existing dividend policy following completion of the Acquisition, underpinned by the strong cash generation and attractive future prospects of the enlarged Group; and
  - The enlarged Group is expected to be levered at approximately 2.75x net debt/EBITDA upon completion of the Acquisition, assuming the Rights Issue (as defined below) completes and bank facilities are drawn, with a strong combined cash flow generation expected to drive a material deleveraging profile thereafter.

**Financing and expected timetable**

- The Acquisition (together with transaction expenses), existing debt of the Group and Mondo (which are to be refinanced), and the funding of the enlarged Group going forwards, are all expected to be financed by a rights issue (the "Rights Issue") to raise approximately $280 million (which has been fully underwritten on a standby basis) and new committed debt facilities of $775 million (the "New Debt Facilities").

- Due to its size, the Acquisition is categorised as a Class 1 transaction under the Listing Rules of the Financial Conduct Authority (the "Listing Rules") and is therefore subject to the requirements of a Class 1 transaction, including being conditional upon the approval of Elementis' shareholders.

- Elementis expects to publish a shareholder circular (the "Circular"), including a notice of general meeting, in connection with the Acquisition and the Rights Issue, and a prospectus (the "Prospectus") in connection with the Rights Issue in August 2018. Completion of the Acquisition and the Rights Issue are expected by the end of the third quarter of 2018.

**Commenting on the acquisition, Elementis CEO, Paul Waterman, said:**

*"This is a very compelling opportunity for Elementis and an exciting step in the development of the business. Since we launched the Reignite Growth strategy at the end of 2016, Elementis has been on a journey to transform its portfolio and focus on high value growth businesses with structural competitive advantages and attractive financial characteristics. Mondo is an excellent fit and we see significant opportunities to apply Elementis' global knowledge, scale and relationships to unlock additional value and further growth."*

**Notes**

[1] Based on actual January to May 18 EBITDA (annualised) including the full run rate of modest pre-tax cost synergies.

This summary should be read in conjunction with the full text of this announcement

**Webcast and Conference Call**

A call for analysts and investors will be held today, 29 June 2018, at 8.30a.m. (GMT).

A copy of the presentation will be available to download from 7.00a.m. this morning at:
www.elementisplc.com/investors/transaction/documents

Participants may also join the conference call using the following dial-in details:

United Kingdom Toll-Free: 08003589473
United Kingdom Toll: +44 3333000804

PIN: 84731744#

An audio webcast facility will also be available, both live and after the event, at:
www.elementisplc.com/investors/transaction/documents

Please note, those that wish to participate in the Q&A session should dial into the conference call facility.

The person responsible for arranging for the release of this announcement on behalf of Elementis is Laura Higgins, Company Secretary.

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**ELEMENTIS PLC**

**PROPOSED $600M ACQUISITION OF MONDO AND $280M RIGHTS ISSUE**

**CREATING A HIGHER QUALITY, HIGHER MARGIN GROUP WITH ATTRACTIVE GROWTH POTENTIAL**

## 1. Introduction

Elementis, a global specialty chemicals company, is pleased to announce that it has reached an agreement in principle in relation to the proposed acquisition of Mondo, a leading integrated producer of industrial talc additives. The offer price values Mondo at an enterprise value of $600 million on a cash free, debt free basis and represents a multiple of 13.1 times 2018 year to date EBITDA[1]. The Company believes Mondo's business has attractive growth prospects and is showing good momentum in the current year.

Mondo employs approximately 230 full time employees at four manufacturing locations, with activity centred around four high grade talc mines and plants in Finland, and production facilities in the Netherlands. For the year end 31 December 2017, Mondo generated revenue of EUR 122 million, EBITDA of EUR 31 million and an EBITDA margin of 25%. Gross assets of the business as at 31 December 2017 were EUR 341 million.

Mondo is an integrated operation and controls one of only two talc deposits of scale in Europe. Mondo supplies talc additives to customers in a wide range of geographies, markets and sectors. Revenue from targeted industrial applications, namely coatings, long life plastics and other diversified end markets, has grown at a 9% CAGR since 2009 and represented approximately 80% of Mondo's revenue in 2017. Customers in Western Europe represented 73% of Mondo's revenue by geography in 2017.

Elementis is a global specialty chemicals company with operations worldwide that provide high value additives to customers in a wide range of geographies, markets and sectors. Elementis is a growing business with unique value chains, and the Company expects the Acquisition of Mondo to strengthen Elementis' position as a leading additives company underpinned by strong competitive advantages and significant growth opportunities.

The Company believes that Mondo is an attractive, high quality business with differentiated market positioning and strong competitive advantages. Underpinned by its high quality, long duration talc resources, Mondo utilises proprietary flotation process know how and formulation expertise to deliver superior product quality and consistency. Talc additives provide mission critical properties at a relatively low cost to a diverse range of industrial end markets that have a strong track record of, and prospects for, growth.

The Board believes that Mondo provides a strong strategic fit for the Group, with a business model that mirrors Elementis' existing hectorite based value chain. The Board also believes that the Acquisition will provide the opportunity to leverage Elementis' expertise in products (performance minerals), functions (rheology) and end markets (coatings), in addition to its global footprint, to enhance Mondo's ability to serve high end talc markets.

## 2. Background to the Acquisition

In November 2016 Elementis launched its Reignite Growth strategy, which outlined the Group's focus on pursuing high quality, high margin growth opportunities. In line with this strategy, in 2017 Elementis acquired and has since completed the successful integration of SummitReheis to build a substantial, high return personal care business of scale. The Group also completed the divestment of its lower growth, non-core US Colourants and Surfactants businesses, further improving the Group's focus on key high margin growth areas.

Elementis remained prudently financed following the acquisition of SummitReheis. The subsequent portfolio divestments, combined with the strong underlying cash generation of the Group, enabled Elementis to reduce its debt position over the course of 2017, closing the year with a leverage ratio of below 2x net debt/EBITDA. As announced in the trading update of 26 April 2018, Elementis' strong free cash generation continued in Q1 and net debt reduced from the year end. At the same time, Elementis also noted that it remains confident of making further financial and strategic progress in 2018, underpinned by a robust financial platform that is supportive of future growth and continued shareholder value creation.

## 3. Reasons for the Acquisition

The Board believes that the Acquisition represents an exceptional opportunity to add a leading additives business underpinned by sustainable competitive advantages and significant growth opportunities. The Board believes that the strategic rationale for the Acquisition is compelling:

***Mondo is a structurally advantaged business with premium quality attributes***

Mondo is a high quality business with a leading competitive position centred on multiple structural advantages.

Through high quality, long duration talc resources located in Finland, Mondo is a fully integrated operation addressing high end industrial applications. These high grade talc deposits, which have over 90 years of total resource life, are one of only two known deposits of scale in Europe.

As a result of optimised upstream and downstream logistics from plants in Finland and the Netherlands, Mondo has an industry leading cost structure from which to serve dynamic end markets around the world.

Well invested, proprietary flotation process know how, precise control over performance properties and formulation expertise enable Mondo to deliver superior product quality and consistency. This quality of output allows Mondo to focus on high value talc applications, an area which commands premium margins and notable demand growth.

***Mondo serves resilient and high growth end markets***

Talc is the softest known mineral and its unique attributes provide mission critical properties at a relatively low cost to a diverse range of industrial applications including coatings and long life plastics. The Company believes that the market for targeted industrial talc applications has grown at approximately 5% CAGR over the last five years, and expects this to accelerate to approximately 7% per annum through to 2023, driven by the continued increase in talc penetration and trends towards higher value talc additives. Structural tailwinds are expected to support this market growth and include the light weighting of vehicles and the increased use of talc in life sciences.

Mondo's revenue from targeted industrial applications has grown at a 9% CAGR since 2009 and in 2017 represented approximately 80% of revenue. Growth at or above the market is expected to be supported by an encouraging innovation pipeline and expansion into new high growth verticals such as life sciences.

***A complementary combination with strong value creation opportunity***

Aligned with Elementis' hectorite based value chain, Mondo leverages access to a scarce, high quality natural resource to create additives that serve diverse end markets. The Company believes that clear areas of complementarity exist, from mineral extraction to formulation expertise, application driven R&D, through to end markets and customers, notably coatings, which both Elementis and Mondo serve. The combination with Mondo is expected to improve Elementis' position as a higher quality, higher margin company with attractive growth potential, consistent with Elementis' Reignite Growth strategy.

The Board believes Mondo is well positioned to grow at or above the positive trend in industrial talc applications by developing its position in high end talc markets. Opportunities are available based on Elementis' global knowledge, scale and relationships to unlock additional value and further growth.

Mondo has an attractive financial profile with significant growth potential, EBITDA margins of 25% and strong free cash flow generation. The Board believes the Acquisition will be financially attractive for Elementis' shareholders taking into account the terms of the Acquisition and the outlook for the business.

## 4. Financial effects of the Acquisition on Elementis

The highly attractive EBITDA margins that Mondo has delivered means that the Acquisition is expected to be immediately accretive to Elementis' EBITDA margin.

The Acquisition is expected to be accretive to earnings in the first full year following completion of the Acquisition, excluding any benefit other than modest pre-tax cost synergies. The Acquisition is also expected to generate a post-tax return on invested capital above Elementis' weighted average cost of capital in the fourth full year following completion of the Acquisition.

On completion of the Acquisition, and assuming the Rights Issue completes and bank facilities are drawn, it is estimated that the leverage for the enlarged Group would be approximately 2.75 times EBITDA. The Board anticipates the strong cash generation of the enlarged Group to drive a material deleveraging profile thereafter.

The Board remains committed to the dividend policy outlined at the 2017 annual results, namely a progressive ordinary dividend with a payout ratio of up to 50% and to seek to make additional returns when leverage falls below 1 times EBITDA.

Since the SummitReheis acquisition, Elementis has reduced its leverage ratio while also continuing to invest and grow its annual ordinary dividend. Consequently, the Board is confident in its ability to grow ordinary dividends and reduce leverage.

## 5. Management and employees

The Company believes Mondo has high quality employees and an experienced management team with a proven track record of growth. The Mondo management team is expected to contribute further to the success of Mondo following completion of the Acquisition.

## 6. Current trading

*Elementis*

On 31 July 2018 Elementis will publish its interim results for the six months ended 30 June 2018. Ahead of this, the Board can confirm that Elementis' performance year to date has been solid and is confident of delivering continued progress in 2018, in line with our previous expectations.

*Mondo*

Mondo has had a good start to the year and is showing good momentum. In the five months to 31 May 2018, sales rose over 15% compared to the equivalent period in the prior year to EUR 60 million and EBITDA rose over 20% as Mondo benefited from continued strong underlying business performance and contribution from other minerals sales.

## 7. Dividends

The Board understands the importance of dividend payments to shareholders and, reflecting the confidence that the Board has in the benefits of the Acquisition, it is intended that, following Completion, Elementis will maintain its existing dividend policy, underpinned by the strong cash generation and future prospects of the enlarged Group.

## 8. Summary information on Mondo

Founded in 1967, Mondo is a leading integrated producer of industrial talc additives headquartered in Amsterdam, The Netherlands. Mondo operates four high quality talc mines in Finland with total resources of over 90 years and engages in open cast mining to extract talc ore. This ore is subsequently processed and formulated at sites in Finland and the Netherlands utilising proprietary flotation process know how and formulation expertise to enable superior product quality and consistency. Mondo employs approximately 230 full time employees at four manufacturing locations with sales presence in several countries including Sweden, Finland, Germany and China.

Mondo’s business model is based on its integrated operations that serve customers across applications and geographies. In recent years Mondo has focused on higher value industrial verticals and international markets.

Approximately 80% of Mondo’s revenue is derived from targeted industrial verticals that include markets such as long life plastics and coatings. In the year ended 31 December 2017, revenue from targeted industrials was EUR 95 million.

The sale of talc additives to the paper industry today represents approximately 20% of Mondo’s revenues. This contrasts to approximately 50% of revenue in 2009 and has declined in relative importance due to consolidation in the European paper market and strong growth in targeted industrials.

## 9. Summary information on Elementis

Elementis is a global specialty chemicals company headquartered in London. As at 31 December 2017, Elementis employed approximately 1,600 individuals at more than 30 locations worldwide. In 2017 Elementis generated revenue of $783 million and an adjusted operating profit of $128 million.

In 2017 Elementis operated in two core divisions: Specialty Products and Chromium. The Specialty Products division provides high value functional additives to the Personal Care, Coatings and Energy end markets that improve the flow characteristics and performance of customers’ products and production processes. As part of the Specialty Products value chain, Elementis owns and operates in California a mine that is the world’s largest known source of high quality rheology grade hectorite clay. This raw material, combined with a global manufacturing footprint allows Elementis to add value to customers across the Personal Care, Coatings and Energy markets.

In the Chromium division, Elementis leverages a production base in the US, the only one of its kind, to produce a range of chromium chemicals including dichromate, chrome oxide, chromic acid and chrome sulphate. These products are used by customers across a wide range of industrial applications.

In 2016, Elementis launched the Reignite Growth strategy. Consistent with the goals of this strategy Elementis in 2017 acquired SummitReheis (approximately $360 million cost) and disposed of its Surfactants (EUR 39 million proceeds) and US Colourants (undisclosed proceeds) businesses.

Elementis is listed on the Main Market of the London Stock Exchange and is a member of the FTSE 250 index and the FTSE4Good index. At 29 June 2018 Elementis has a market capitalisation of approximately £1.3 billion.

## 10. Principal terms and conditions of the Acquisition

*Sale and Purchase Agreement*

The Sale and Purchase Agreement (the "SPA") between, *inter alia*, Elementis and Advent Mondo (Luxembourg) S.à r.l. (the "Seller") provides for the acquisition by Elementis of the entire issued share capital of Mondo. The Seller will give title and capacity warranties under the SPA. The Seller's liability in relation to such warranties is limited to the purchase price. In addition, the CEO, the CFO and the COO of Mondo (the "**Warrantors**") will enter into a warranty agreement (the "**Warranty Agreement**" and, together with the SPA, the "**Transaction Documents**") in favour of the Company pursuant to which the Warrantors will give customary warranties subject to specific limitations of liability. Save in the event of fraud, the Warrantors' liability for all warranties is limited to US$1. The Group intends to obtain warranty and indemnity insurance in respect of the warranties contained in the Warranty Agreement and a tax indemnity, subject to certain specified limitations to be agreed with the insurers.

The Acquisition and the entry into the Transaction Documents is subject to Mondo having completed the customary consultation procedures with its works council. The parties have therefore signed a signing protocol setting out the procedures for the works council process. The parties have informed the works council of the Acquisition and the Company will update the market following completion of the consultation procedures.

The cash consideration of $404 million is subject to locked box adjustments. In addition, Elementis will procure repayment of 100 per cent. of Mondo's financial indebtedness at Completion. Elementis intends to satisfy the cash consideration out of the proceeds of the Rights Issue, utilisation of the New Debt Facilities and existing cash resources.

*Shareholder approvals*

Due to its size, the Acquisition is a Class 1 transaction under the Listing Rules. As such, Elementis will need to seek the approval of its shareholders for the Acquisition at a general meeting at which Elementis shareholders will be asked to vote in favour of the resolutions.

The Elementis Directors intend to recommend that Elementis shareholders vote in favour of the resolutions in the Circular (in relation to both the Acquisition and the Rights Issue), as the Elementis Directors intend to do in relation to their beneficial holdings, which amount to approximately 0.06 per cent. of Elementis' existing issued ordinary share capital as at the date of this announcement.

*Conditions*

Completion of the Acquisition is conditional upon:

(a) the approval of the Acquisition (as a Class 1 transaction under the Listing Rules) by Elementis shareholders passing an ordinary resolution at a general meeting; and

(b) the approval of the relevant anti-trust authorities in Brazil and Germany having been obtained;

*Termination fee*

The SPA contains certain termination rights for each of Elementis and the Seller in the event that the conditions are not satisfied. In the event that the general meeting to approve the Acquisition is not convened by the later of 20 September 2018; and (ii) 25 days from the execution of the SPA in accordance with the signing protocol, or the shareholder resolution to approve the Acquisition is not passed at the general meeting, then if the SPA is terminated a break fee of $18 million would be payable by Elementis to the Seller.

## 11. Financing of the Acquisition

The Acquisition (and associated expenses) is proposed to be financed through:

- the Rights Issue of approximately $280 million, which has been fully underwritten on a standby basis; and
- the utilisation of up to $775 million from the New Debt Facilities.

Given the scale and size of the proposed Acquisition, the Board believes it has taken a prudent approach to structuring and financing of the Acquisition and associated expenses through a mixture of equity and debt. This structure allows Elementis to retain financial strength and flexibility in respect of potential future business developments.

The Company proposes to enter into hedging arrangements to give it certainty as to the amount of pounds sterling it needs to raise in the Rights Issue which is equivalent to $280 million.

*Rights Issue and standby underwriting*

The Rights Issue is expected to raise proceeds of approximately $280 million. The Rights Issue has been fully underwritten on a standby basis by UBS Limited ("UBS") and HSBC Bank plc ("HSBC", and together with UBS, the "Underwriters"). The standby underwriting agreement envisages that the number of new ordinary shares in the capital of Elementis will be set by reference to an issue price to be agreed by Elementis, HSBC and UBS and that the standby underwriting agreement will be replaced by a definitive underwriting agreement prior to publication of the Prospectus.

*New Debt Facilities*

Elementis has entered into a mandate letter attaching term sheets for the New Debt Facilities with HSBC as underwriter, bookrunner and mandated arranger. The New Debt Facilities will be split between a multicurrency term loan facility ($400 million) and a multicurrency revolving credit facility ($375 million), and will be used, in part, to finance the remaining transaction balance of approximately $320 million. The New Debt Facilities are subject to certain customary conditions and entry into legally binding documentation based on the Group's existing debt documents.

## 12. Expected timetable of principal events

On 31 July 2018 Elementis will publish its interim results for the six months ended 30 June 2018.

Elementis expects to publish the Circular, including a notice of general meeting, in connection with the Acquisition and the Rights Issue in August 2018. The Prospectus in connection with the Rights Issue is expected to be published on the same date as the Circular. Completion of the Acquisition and the Rights Issue are expected by the end of third quarter 2018.

**Notes**

[1] Based on actual January to May 2018 EBITDA (annualised) including the full run rate of modest pre-tax cost synergies.

**Important Notices**

This announcement has been issued by and is the sole responsibility of the Company. This announcement is not a circular or a prospectus but an advertisement and investors should not acquire any nil paid rights, fully paid rights or new shares referred to in this announcement except on the basis of the information contained in the Circular and Prospectus to be published by the Company in connection with the Acquisition and the Rights Issue in due course. The information contained in this announcement is for background purposes only and does not purport to be full or complete. The information in this announcement is subject to change. Copies of the Circular and Prospectus when published will be available from the registered office of the Company and on the Company's website, provided that such Circular and Prospectus will not, subject to certain exceptions, be available to certain shareholders in certain restricted or excluded territories. The Circular and Prospectus will give further details of the Acquisition and the Rights Issue.

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UBS Limited and HSBC Bank plc (together, the "Underwriters"), each of which is authorised by the Prudential Regulation Authority (the "PRA") and regulated in the United Kingdom by the PRA and the Financial Conduct Authority (the "FCA"), are each acting for the Company and for no one else in connection with the Acquisition and the Rights Issue, and will not regard any other person as a client in relation to the Acquisition and the Rights Issue and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, nor for providing advice in connection with the Acquisition, the Rights Issue or any other matter, transaction or arrangement referred to in this announcement.

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This announcement contains certain forecasts, projections and other forward-looking statements (i.e., all statements other than statements of historical fact) in relation to, or in respect of the financial condition, operations or businesses of the Group and/or Mondo. Statements containing the words "expect", "anticipate", "intends", "plan", "estimate", "aim", "forecast", "project" and similar expressions (or their negative) identify certain of these forward-looking statements. Any such statements involve risk and uncertainty because they relate to future events and circumstances and are based on current assumptions and depend on circumstances that may or may not occur in the future and may cause the actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. There are many factors that could cause actual results or developments to differ materially from those expressed or implied by any such forward looking statements, including, but not limited to, matters of a political, economic, business, competitive or reputational nature. Past performance should not be taken as an indication or guarantee of future results, and no representation or warranty, express or implied, is made regarding future performance. No statement in this announcement should be construed as a profit estimate or profit forecast. Neither the Company nor any other person undertakes any obligation to update or revise any forward looking statement to reflect any change in circumstances or expectations.