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15th Annual

Specialty Chemicals Symposium Reflections

April 3, 2024

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2024 SPECIALTY CHEMICALS 15th ANNUAL SYMPOSIUM

REFLECTIONS

Rosemarie J. Morbelli, CFA is a Senior Vice President and research analyst at Gabelli Funds. She initially joined Gabelli & Company, Inc.'s institutional brokerage business in 2011, assuming research coverage of the specialty chemicals industry.

Ms. Morbelli spent nearly 30 years with Ingalls & Snyder, becoming a Limited Partner in 1994. While at I&S, she was named "Best on the Street" and the "Best of the Boutique and Regionals" by Institutional Investor. Following earlier nominations, she was recognized as the #1 Stock Picker in Thompson Reuter's 2019 StarMine Analyst Awards. Rosemarie has served as the President of the Chemical Specialists Group in New York. She is a graduate of the University of Grenoble, France with a Bachelor Degree in Natural Sciences and is a CFA Charterholder.

Wayne C. Pinsent, CFA, is Director of Research and analyst covering specialty chemicals and real estate, with a focus on lithium and agriculture. Since joining the firm in 2008 he has held various investment and management positions, including Director of Research of the firm's affiliated sell side brokerage. Previously he was a financial writer and has been published in Investopedia, Forbes, Yahoo Finance, among others.

Wayne holds a BA in economics from New York University and is a CFA Charterholder.

On March 14, 2024, Gabelli Funds hosted its 15th Specialty Chemicals Symposium, with both in-person and virtual meetings. Participating companies included 5E Advanced Materials, Arcadium Lithium, Arq, Inc., BASF Corporation, DuPont de Nemours, H.B. Fuller, Minerals Technologies, NOVONIX, Quaker Houghton, Rayonier Advanced Materials, and The Sherwin-Williams Company. The 2022 supply chain issues triggered an inventory build by companies wanting to ensure that they would be able to supply their customers. The result was destocking starting in the second half of 2022 which, combined with slowing demand and an inflationary environment, negatively affected 2023 operations.

As mentioned above, in 2022 companies adjusted to the supply disruptions and logistics issues by building inventories. In turn, the inventory builds triggered substantial destocking in 2023 affecting demand and substantially raising absorption costs. The resulting lower manufacturing activity, which affected the global economic environment, was exacerbated by higher interest rates aiming to combat inflation. At the time of the Symposium, the rate of destocking was either slowing, or had ended for some categories, demand was slowly returning to a more normal pace, and inflation had declined. The still weak housing and construction industries should benefit from lower interest rates when the Federal Reserve eventually cuts as anticipated. Companies expect that the combination of the end of destocking and easier year-over-year comparisons should benefit results in the second half of 2024. Key topics included:

- **Supply Chain:** As the supply chain improved toward the end of 2022, companies (and their customers) no longer needed to keep higher-than-normal levels of raw materials and finished goods in inventory to supply their customers in a timely fashion. Inventory destocking and a focus on working capital, which started in the fourth quarter of 2022, continuing through the end of 2023 and, in some cases, into early 2024, was substantially longer than anticipated. During Q4 2023, some destocking was still occurring albeit at a slower pace than earlier in the year, and yoy results should improve in the second half of 2024. However, most managements remain cautious and noted that, at this time, visibility is limited.

- **Raw Materials:** While some raw material costs have been declining, it is not the case across the board and some costs such as non-petroleum-based specialties continue to increase. Managements noted that the specialty product lines should be able to hold the price increases gained earlier to offset inflation as these products are sold based on value and not on volume; in addition, there is a substantial amount of service attached to the specialty component. This is not the case for the smaller number of longer-term index-based contracts. Overall, while yoy lower, raw material costs remain higher than in 2022, and substantially higher than pre-pandemic levels. Large inventory levels reflected both volume and a higher cost as they were built during the inflationary environment of the past two years; these factors will affect profitability until the inventories on hand reflect current costs.

- **Inflation:** In response to 2022 rising costs for raw materials, expensive alternatives, freight (truck or air instead of rail and sea), energy and labor, among others, companies aggressively raised prices. By year-end 2023, the price/cost ratio was becoming positive, especially on the raw materials side, but other costs, such as labor continued to rise, and additional pricing actions may be necessary.

- **Interest Rates:** In addition to the need to offset the underlying inflationary pressures, companies' results have been affected by the higher interest rates, which aimed to offset the inflation mentioned above. As companies focused on bringing their inventory to a more normal level, working capital needs declined. The resulting stronger free cash flow generation prioritized debt reduction, thereby partially offsetting the higher interest costs for many. As inflation is abating, interest rates have stabilized and, all things being equal, the Federal Reserve is expected to lower the current rate by year-end.

- **Margins:** Following internal actions targeting operating efficiencies and the benefit of selling price increases covering the overall higher inflationary costs, full year gross margins improved in 2023. Managements are expecting that the improvement will continue into 2024 as raw material costs decline and they benefit from a full year of higher prices.

- **Demand:** During a difficult 2023 plagued by inventory destocking, demand was substantially lower than in 2022 when the world exited pandemic shutdowns. The destocking was widespread and included both the companies under our coverage and their customers. Most see destocking ending in several categories, while others still have excess inventory, which will continue to impact demand, especially during the first half of 2024. However, overall, managements expect demand to improve in the second half of 2024, and a few have already seen a return to normal demand, albeit at a slow rate.

- **Companies' Overall Focus:** Despite short-term headwinds from currencies, lower demand, high interest rates, and overall higher costs, companies remain focused on the long term. They have addressed high inventories, operating efficiencies, reduced debt levels, and emphasized working capital management as well as cash flow generation. They have also taken pricing actions, a trend that will continue to offset the higher cost environment in certain categories. Investments targeting organic growth emphasize innovation and speed to markets. In addition, with stronger balance sheets, acquisitions aiming to add complementary technology, entry into new markets, and geographic expansion, remain at the forefront of the use of cash. Dividends will remain part of the focus on returns to shareholders, followed by share repurchases short of attractive acquisitions.

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5E Advanced Materials, Inc. (FEAM - $1.48 – NASDAQ) **2024 Symposium Reflections**

COMPANY OVERVIEW

Based in Hesperia, CA, 5E Advanced Materials is focused on becoming a vertically integrated global leader and supplier of boron specialty and advanced materials, complemented by lithium co-product production. Boron and lithium products will target applications in the fields of electric transportation, clean energy infrastructure such as solar and wind power, fertilizers, and domestic security.

The company's strategy is to develop capabilities ranging from upstream extraction and product sales of boric acid, lithium carbonate and potentially other co-products, to downstream boron advanced material processing and development.

Boron is a strong, stable, and lightweight material used in permanent magnets, electric vehicles, wind turbines, solar panels, glass, fertilizers, body/vehicle armor, weapons systems, aerospace ceramics, and pharmaceuticals.

Reason For Comment: Chief Marketing Officer J.T. Starzecki presented at our 15th Annual Specialty Chemicals Symposium. We discussed topics such as the need for boron and lithium for energy transition, production ramp at its California facilities, and path to financing through partnerships and government programs.

- **Low Cost Domestic Boron:** 5E Advanced Materials' business foundation is its low cost, environmentally friendly boron resource in Southern California, which has been designated Critical Infrastructure by the U.S. government. The mine, with a current life estimate of 31 years, could produce 7.9M tons of boric acid and 300,000 tons of lithium carbonate equivalent (LCE); it is the largest known new conventional boron deposit globally. Boron is a critical material used in a wide range of decarbonization technologies, including solar panels, wind turbines, EVs, and light weighting. These new industries are estimated to generate additional demand of 1.6M tons of new boron. The company plans to be a fully vertically integrated producer of boron, with lithium as a byproduct, using solution mining as opposed to more conventional hard rock mining. Solution mining has low land disturbance, is cheaper to operate, and has lower operating emissions vs. hard rock mining. FEAM built its initial facility in 2023 and has started to produce in nascent stages with 2,000 short tons per annum (stpa) of boric acid and 100 stpa spending $70M in capex.

- **Three-Phase Ramp to 2030:** FEAM has a 3-phase construction plan to manage capex as the business grows, using a low risk, modular model to increase capacity in line with demand and cash flow generation. Phase 1 will cost $389M of capex through 2026, with planned production of 90,000 stpa of boric acid and 1,100 stpa of LCE. Management projects EBITDA generation of $101M in 2026. Phase 2, which should come online by 2028 could generate $361M of EBITDA. It will cost an additional $620M and result in increased production of 180,000 stpa of boric acid and 2,200 stpa of LCE. Phase 3 should come online by 2030, generating $629M of EBITDA. It is expected to cost ~$950M and increase production by another 180,000 stpa of boric acid and 2,200 stpa of LCE. Under the full production scenario, by 2031 the company should produce a total of 450,000 tons of boric acid and 5,500 tons of LCE annually having spent approximately $2 billion. At that point, the company sees the potential for EBITDA of ~$680M at the full production level of both boric acid and LCE mentioned above.

Exhibit 1

Source: 5E Advanced Materials

- **Financing the Projected Growth:** The company is planning a balanced funding strategy for the phase 1 expansion with 25% ($93M) planned from additional traditional equity, 25% ($93M) of non-dilutive equity from selling mineral rights in a royalty structure, and 50% ($186M) through traditional project finance and government support. As mentioned, FEAM's resources have been deemed critical infrastructure, and there is strong desire to have localized sourcing of key materials for energy transition to reduce dependence on China. The company has a path to US government assistance through DOE's loan program office, DOD's Defense Production Act, and the USDA through the IRA.

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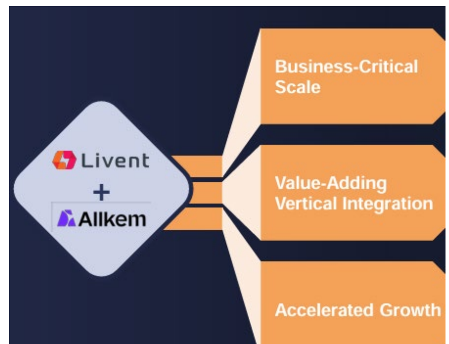
Arcadium Lithium (ALTM - $4.37 – NYSE) **2024 Symposium - Reflections**

COMPANY OVERVIEW
Arcadium Lithium, based in Philadelphia, PA, is the successor of Livent Corporation, following its merger-of-equals with Australia-based Allkem, which closed on January 4, 2024. Prior to its initial public offering in October 2018, Livent was a wholly owned subsidiary of FMC Corporation. It became an independent, pure-play lithium producer after FMC's spun off its remaining stake to shareholders in March 2019. Arcadium extracts lithium carbonate from brine in the Salar del Hombre Muerto in Argentina. Most of the lithium carbonate is then upgraded into lithium hydroxide and other higher-margin specialty products at its facilities in Bessemer City, NC and in China. Lithium hydroxide is primarily used for energy storage, specifically in electric vehicle (EV) batteries, and as an ingredient in high-performance industrial greases. In addition to lithium hydroxide, Arcadium produces butyllithium (used in polymer production and pharmaceutical products) and high-purity lithium metal (used in non-rechargeable batteries and in aluminum alloys for aerospace applications). Approximately half of current sales are to the EV market, with ~three-quarters of revenue generated in Asia (largely in China). The merger with Allkem brings spodumene mines in Australia, and lithium carbonate from brines at its Olaroz site in Argentina. In addition, it is developing a spodumene project in James Bay, Canada.

Reason For Comment: We hosted a fireside chat with CFO Gilberto Antoniazzi and IR Dan Rosen at our 15th Annual Specialty Chemicals Symposium. We discussed topics including the rationale for the merger with Allkem, lithium market fundamentals, the company's expansion plans, as well as the dynamics in the emerging lithium space.

Exhibit 1



Source: Arcadium Lithium

- **Livent + Allkem:** While lithium prices have plummeted since the merger was announced, the deal's rationale has not been affected. Structured as a stock for stock merger, the combined company will be a stronger lithium player with a healthy balance sheet including $297 million of pro-forma net cash at year end. Management sees substantial capex synergies through the combination of legacy Livent and Allkem's assets in complementary locations; we note that the capex synergy target has increased since closing. The company now expects $60-80 million of realized synergies and cost savings in 2024.
- **Capacity Expansion:** Despite the lower lithium prices and some reduction in capex vs initial plans, Arcadium's expansion target remains robust with capex of $550-750 million in 2024. ALTM maintains a strong balance sheet, and expansion plans will ramp up using anticipated free cash flow; however, if lithium prices remain at this low level for longer, the company may need to access its credit line. Gilberto mentioned how legacy Livent was able to obtain $198 million as a prepayment from GM, which is effectively an interest-free loan; management anticipates the potential for other similar opportunities. The combined entities expect to increase lithium carbonate and hydroxide volumes by 40% to 50,000-to-54,000 metric tons of LCE (Lithium Carbonate Equivalent) in 2024. Arcadium also has a 50/50 JV with the investment arm of the Quebec government for the restarted Nemaska project which targets production of lithium hydroxide from spodumene hard rock starting in the 2H of 2025. After the fireside chat, an Argentine court announced that it was halting new mining permits until further environmental studies are conducted. The ruling does not impact Arcadium's operations or already permitted expansion projects at the company's Fenix and Sal de Vida locations.
- **Lithium Prices and Demand:** Lithium prices collapsed at the end of 2023 to around $13/kg as some automakers announced the delay of EV production schedules, and there was some glut in the Chinese battery material supply chain, which led to destocking. Despite this, battery and lithium demand remains robust, and the industry expects nearly 30% demand growth for lithium in 2024. Despite the lower 2030 forecast for the industry, a large deficit of lithium supply is still anticipated; furthermore, given the currently low Li price, several higher-cost projects have become uneconomical and are either being delayed or canceled. Gilberto noted that the average long-term lithium price needs to be $20-30/kg for the industry to invest in new capacity. Lithium prices have recently increased to ~$16/kg, after stabilizing at ~$13/kg for several months. Gilberto also added that the company's lithium hydroxide is sold via long-term contracts with caps and floors; it never sold lithium at either the sky-high spot prices, or at bottom prices.

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Arq, Inc. (ARQ - $7.56– NASDAQ) **2024 Symposium Reflections**

COMPANY OVERVIEW

Arq, Inc. (formerly Advanced Emissions Solutions, Inc. - ADES), headquartered in Greenwood Village, CO, is principally engaged in the sale of consumable air and water treatment options, including activated carbon (AC) and chemical technologies. The company sells consumable products, which utilize activated carbon and chemical-based technologies, to coal-fired utilities, industrials, water treatment plants, and other facilities within multiple end-markets. Its primary products are comprised of AC, which is produced from a variety of carbonaceous raw materials; they include both powdered activated carbon (PAC) and granular activated carbon (GAC). The company rebranded as Arq, Inc., with the ticker ARQ on the Nasdaq on February 1, 2024. It is focused on transforming itself from an industrial manufacturing company serving declining industries to an environmental technology company serving growth markets including water remediation of materials such as PFAS.

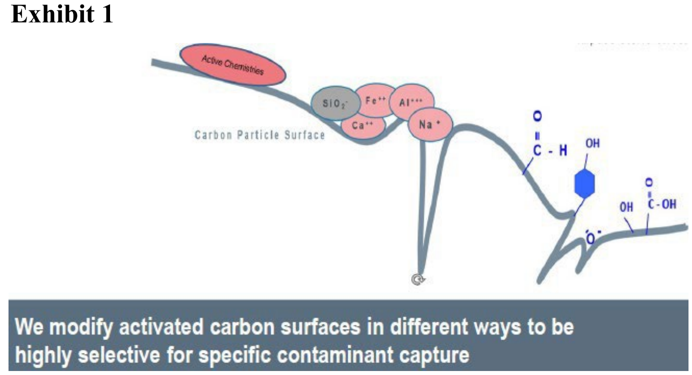
Reason For Comment: CEO Bob Rasmus presented virtually at our 15th Annual Specialty Chemicals Symposium. We discussed topics such as Arq's transformation, regulation for water remediation, and the company's expansion plans.

- **Transformation Into Arq**: Legacy Advanced Emissions has historically focused on powdered activated carbon (PAC) products serving markets in secular decline; primarily scrubbing mercury emissions from coal-fired power plants. The company shifted its strategy in early 2023 with the acquisition of Arq, which significantly increased its capabilities in GAC for water treatment and energy transition, thereby targeting the higher growth end-markets of water remediation and purification, further boosted by coming PFAS regulations. This is key to the company's ambition to rebrand itself as it evolves into an environmental technology company. Arq's technology will also facilitate a raw material shift from lignite coal as feedstock to bituminous coal waste, giving the company a more favorable environmental profile.

- **Vertically Integrated:** Contributing to its low-cost profile is the fact that Arq is entirely vertically integrated due to the combination of its ownership of Five Forks, a lignite mine which supplies the primary raw material for powder activated carbon, and its Corbin, KY facility which supplies the waste-derived bituminous feedstock for granular activated carbon. The company also owns and operates the Red River plant: it is the largest, most automated, and environmentally friendly activated carbon plant in North America. With $33M of net cash as of December 31st, and steps to improve its legacy PAC business, which turned cash flow positive in Q4, management has ambitious capex plans to grow and transform its asset base towards water treatment solutions. One day before the Symposium, the company reported results for 2023's fourth quarter. During the call management updated its capex forecast for the Red River facility: it now expects to spend $45-50M, 36% higher than previously forecast due to the higher costs of construction and equipment and to design changes to make it more efficient.

- **Advantaged Position:** The GAC market is growing and, despite the reduction in available manufacturing capacity due to decommissioning of plants, there is limited ability to add new capacity due to the significant capex requirements and constrained domestic feedstock. Arq is in an advantaged position as it benefits from the lower costs resulting from its vertical integration. In addition, the company's technology will allow it to develop key activated carbon features focused on maximizing contact, conversion, and capture of contaminants including PFAS. Through its technology, Arq can create balanced "transport" and "sequestration" pores and maximize the removal of contaminants in the process. The company should be able to price its GAC product 2-3x higher than its current PAC, leading to potentially significantly higher margins.

Exhibit 1



Source: Arq, Inc.

- **New CEO:** Bob Rasmus, who joined the company less than a year ago, participated in our PFAS Symposium in September as his first investor conference as CEO. Bob aligned himself with shareholders by personally purchasing 950,000 shares, and taking a de-minimis $50k annual salary, with most of his compensation tied to the company's equity. Mr. Rasmus believes in the opportunity and assets of the business to transform the company into a GAC producer with unique patented technology and higher-value product offerings.

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BASF (BAS-XE - €54.51 – XETRA) **2024 Symposium Reflections**

COMPANY OVERVIEW

Headquartered in Ludwigshafen, Germany, BASF is a global chemical company serving customers operating within many different sectors. The company's strategy is to add value, innovate to make customers more successful, and drive sustainable solutions for industries such as agriculture, health & nutrition, construction & housing, consumer goods, transportation, and electrical & electronics, among others. BASF has been upgrading its business portfolio with a focus on contributing to a sustainable future. In addition to a small "Other" category (5% of total), the company reports results in six main groups: Surface Technologies (23% of 2023 revenue) includes coatings, rust protection products, catalysts, and battery materials for the automotive and chemical industries. The Materials Group's portfolio (20%) comprises advanced materials and their precursors for new applications and systems. Chemicals (15%) remains the cornerstone and supplies the other segments with basic chemicals and intermediates, contributing to the organic growth of key value chains. Agricultural Solutions (15%) aims to further strengthen its market position as an integrated provider of crop protection and seed treatment products. The portfolio comprises fungicides, herbicides, insecticides and biological crop protection products, as well as seeds and seed treatment products. Industrial Solutions (12%) develops and markets ingredients and additives for industrial applications such as polymer dispersions, pigments, resins, electronic materials, antioxidants and admixtures. Nutrition & Care (10%) strives to expand its position as a leading provider of nutrition and care ingredients for consumer products in the areas of nutrition, cleaners and personal care.

Reason For Comment: Head of North America IR, Alex Koehler, presented at our 15th Annual Specialty Chemicals Symposium. We discussed topics including the current global environment and opportunities, cash priorities, R&D, and financial engineering.

- **BASF Now and Future Growth:** With a focus on trends for growth in the Chemical industry, BASF is targeting drivers such as the increasing global population driven by emerging markets, growing penetration in Asia with €17.5B of sales in 2023, circular economy (penetration of the 200 million metric tons of unrecycled plastics annually), digitization, sustainability, and electromobility. The company has been working through the destocking headwinds experienced by the industry and sees them as largely complete with some pockets remaining; this should lead to a more normalized earnings profile in the second half of the year. BASF has industry leading innovations, with >€10B of sales in 2023 from products launched within the past 5 years. The company also has ambitious emissions targets: it aims to reduce CO_2 scope 1 and 2 emissions by 15% by 2030 versus 2022 and achieve net zero emissions by 2050.

- **Cash Priorities:** 1) Organic growth will be driven by a €6.2B capex budget for 2024, and approximately €2B of annual R&D budget. Capex targeting growth investments will peak in 2024/25 before declining considerably in 2026; 2) Progressive dividend with annual increases based on strong free cash flow and a solid balance sheet should support these investments; 3) Portfolio Management aims to strengthen the mix through selective M&A opportunities, while maintaining price discipline, and upgrading it through continuous pruning; and 4) Share Buybacks are part of the toolbox, but not currently used given the current environment. BASF repurchased €1.4B of stock between Jan 2022 and Feb 2023.

- **Investments and R&D:** As noted above, the company is ramping up Capex investments over the next couple of years with a greenfield project for battery materials, a growth project at its Zhanjiang Verbund site, and a significant increase in MDI capacity for a variety of applications. While the company does not have a specific net leverage target, the intention is to maintain an investment grade rating, noting that rating agencies prefer around 2x. There is flexibility baked into the existing plans if the economy turns south; however, BASF sees both significant growth opportunities, and strong returns on investment through its capital expansion plans. Approximately 42% of R&D expenses in 2023 were in Agricultural Solutions; BASF is a leading crop protection company with partnership projects with competitor Corteva (NYSE:CTVA).

- **Financial Engineering:** We discussed potential financial engineering, including the announced divestiture of PPG's architectural business in North America: BASF's architectural business is Brazil-based, and PPG's business is unlikely to be a fit. BASF sees a gap in valuations of US-based and European chemicals companies and is very selective with respect to M&A. Size-wise BASF is an outlier in the industry, with a large global portfolio exposed to many different global cycles. The company could consider spin-offs, with its Agriculture Solutions business a potential candidate. The appointment of new CEO Markus Kamieth could trigger a strategic review as he familiarizes himself with the portfolio.

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DuPont de Nemours, Inc. (DD - $77.12 - NYSE) **2024 Symposium Reflections**

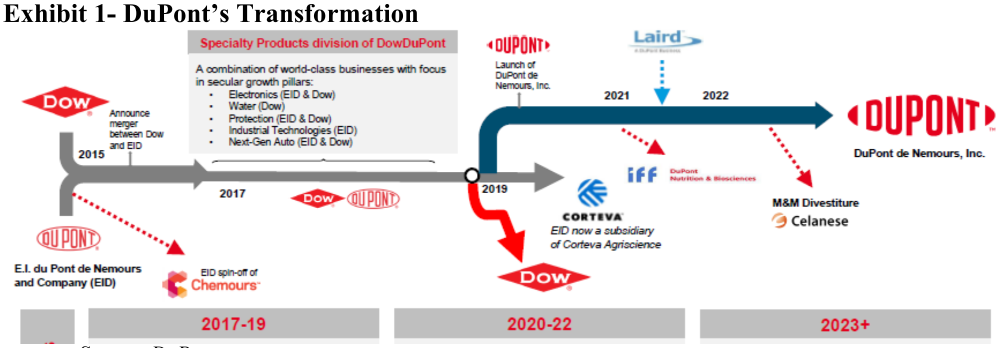
COMPANY OVERVIEW

DuPont de Nemours Inc., headquartered in Wilmington, DE, is a technology-based materials, ingredients, and solutions company serving a diverse set of end-markets including electronics, transportation, construction, water, and healthcare. Following significant financial engineering, DuPont is now a smaller, less-cyclical multi-industrial company focused on five growth pillars: Electronics, Water, Protection, Industrial Technologies, and NextGen Automotive. The company reports through two core segments: Electronics & Industrial (E&I) and Water & Protection (W&P), with the remainder of sales from retained assets reported in Corporate. E&I (49% of 2023 sales) consists of: 1) Semiconductor Technologies, which makes advanced materials for integrated chip fabrication, packaging and assembly, 2) Interconnect Solutions, which makes low-loss substrates, advanced processing materials, thermal & electromagnetic shielding solutions for signal or power transmissions, printed circuit board, component assemblies, and high-performance specialty industrials, and 3) Industrial Solutions produces specialty industrial materials for OLED display and printing applications, silicones for healthcare and industrial applications, and precision parts for semiconductor, industrial, and auto applications. W&P (47%) consists of: 1) Water Solutions producing critical components and systems that clean and purify water for specific uses, 2) Shelter Solutions with products for weather-resistance, thermal comfort, sealing, and decorative solutions for non-residential and residential construction, as well as repairs and remodeling, and 3) Safety Solutions, a global leader in protection with Kevlar and Nomex product lines serving a wide array of end markets with materials, garments, and accessories critical for protection.

Reason For Comment: Investor Relations Chris Mecray presented at our 15th Annual Specialty Chemicals Symposium. We discussed topics including the company's transformation, destocking, growth prospects, and levers to drive shareholder value.

- **DuPont Today:** Following seven years of significant financial engineering, including its merger with Dow Chemicals, split into 3 companies, separation of its Nutrition & Biosciences business which merged into IFF, and sale of most of its Mobility & Materials segment to Celanese, DD is now a less-cyclical multi-industrial company focused on five growth pillars: Electronics, Water, Protection, Industrial Technologies, and NextGen Automotive. Following the transformation, DuPont emerged into a multi-year down cycle due to the pandemic, supply chain issues in 2022 which resulted in substantial destocking in 2023, and inflationary headwinds. These market conditions masked the value of the company given its margin profile, growth prospects, and reduced cyclicality. CEO Ed Breen is pleased with the current portfolio and is focused on improving the existing business and overall operational excellence. 2023 revenues of $12.1 billion declined due to industry-wide destocking; the company is expecting flat 2024 revenues at the midpoint of its $11.9-12.3 billion guide as it sees destocking continuing in its industrial end-markets.

Exhibit 1- DuPont's Transformation



Source: DuPont

- **Destocking and 2024 Guide:** The 2024 revenue expectations mentioned above anticipate some economic improvement, which will vary by end-markets. It sees a recovery in the second half for Electronics as one of the main drivers. Sales and earnings growth are expected to return in 2H 2024 driven by the anticipated electronics' market recovery from an anticipated improvement in semiconductor fab utilization rates (now in the low 70s and expected to be low 80s by year end), and by further improvement in industrial-based end-markets as inventory levels normalize as the year unfolds. The company anticipates 2024 EBITDA of $2.8-3.0 billion, also roughly flat at the midpoint, with EPS of $3.25-3.65.
- **Levers to Drive Value:** The company's focus is on driving value through: 1) innovations in key, high growth, end-markets, 2) running with a best in class, lean operating model, 3) focus on a performance-driven culture with management incentives aligned with returns (ROIC), 4) a balanced financial policy with growth investments, and flexibility to take advantage of opportunistic M&A to supplement organic growth around its five pillars, and 5) an active portfolio management with return-driven decisions.

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H.B. Fuller Company (FUL - $79.34 - NYSE) **2024 Symposium Reflections**

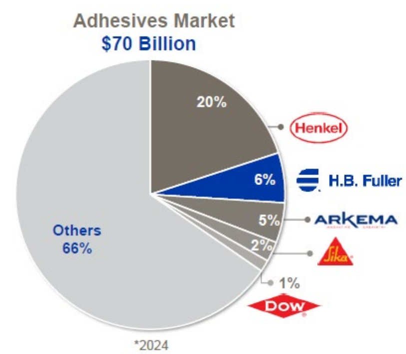
COMPANY OVERVIEW
Based in Minneapolis, MN, H.B. Fuller is a global manufacturer and marketer of adhesives, sealants, and other specialty chemical products. The product lines include hot melt, polyurethane, and epoxy adhesives (water-based, solvent-based, and solvent-less formulations). FUL's adhesives are used in the manufacture of packaging for food and beverages, disposable diapers, windows, doors, flooring, furniture, appliances, footwear (Hygiene/Health/Consumables Adhesives - HHC). Fuller added industrial applications (Engineered Adhesives - EA) with the acquisition of Tonsan (2015), followed with Cyberbond, and Royal Adhesives & Sealant (2017). Construction Adhesives (CA) are used for tile setting and insulation applications.

Reason For Comment: Vice President of Investor Relations Steven Brazones presented at our 15th Annual Specialty Chemicals Symposium. We discussed topics including the company's position today, market conditions, and continued path for growth through internal investments and M&A.

- **Fuller Today:** H.B. Fuller is the largest pure-play adhesives company globally with over 7,000 employees working from 85 manufacturing facilities and 35+ technology centers, providing customers with 10,000 adhesives solutions in 125 countries, and holding 560 patents. Previous CEO Jim Owens transformed the operations in 2019 by realigning the company into three Global Business Units (GBUs) from geographic units, which has helped improve operationally efficiency, gave a better line of sight on inflation and supply chain management, and enabled the company to become an industry price leader. The GBUs are Hygiene, Health & Consumables Adhesives (45% of 2023 sales), Engineering Adhesives (41%), and Construction Adhesives (14%). The company seeks to augment its portfolio with accretive, bolt-on acquisitions with the goal of better serving customer needs. It aims to spend ~$200M-to-$250M annually on acquisitions contributing new technology and/or geographic expansion.

- **Market Leader in Growing Industry:** The adhesives market is highly attractive with FUL continuing to take share through innovation and availability. Adhesives go into nearly everything we touch and use daily, and Fuller's solutions provide critical functionality for manufacturer's end-products while representing only a small percentage of the end-product cost (usually <5%) providing for customer "stickiness" and high price elasticity. The company also maintains and grows its organic market share through close customer relationships, helping them innovate and meet both their sustainability and performance targets. Fuller operates in a fragmented market where the top five players hold <35% of market share and lack Fuller's focus on only adhesives; the smaller competitors lack global reach, leaving ample room for consolidation with Fuller as a preferred partner. As a result, H.B. Fuller is an attractive, recession resistant, annuity-like business, with strong cash generation. Expected top line growth is 1-2% above market, with EBITDA growth +dd, and FCF conversion >100% (CapEx only 2-3% of sales). The company saw unprecedented destocking in 2023, which led to a decline in sales and volumes; it believes that it is largely over. Management took restructuring actions and estimates that the company will benefit from higher operational efficiencies as markets recover.

Exhibit 1- Adhesives Market



Source: H.B. Fuller

- **Portfolio Recast for Growth:** Earlier this year, new CEO Celeste Mastin announced the company had reorganized the portfolio into two categories: Growth and Leverage. The Growth Category includes 15 market segments across all GBUs where FUL is focused on quickly growing high-margin categories benefiting from global megatrends. The company will adapt to rapidly evolving product design requirements by driving innovation ahead of the competition and expects to see outsized revenue growth with EBITDA margins >25% for the growth category. The Leverage Category consists of 16 market segments across all GBUs where FUL is focused on maximizing operating efficiencies and cash flow. These markets require a highly selective approach giving Fuller the opportunity to price for value while benefiting from its large-scale advantage in buying raw materials. EBITDA margin for the leverage category should be >15% due to improved productivity and operating as a price leader.

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April 3, 2023

Minerals Technologies, Inc. (MTX - $74.89 – NYSE) **2024 Symposium Reflections**

COMPANY OVERVIEW

Based in New York City, Minerals Technologies (MTI) is a resource and technology company focusing on minerals-based products and related systems. MTI realigned the business in 2023 and now operates in two segments: 1) Consumer & Specialties (53% of total) split between Household & Personal Care with mineral-to-market products serving pet care, personal care, fabric care, and edible oil and renewable fuel purification, and Specialty Additives serving paper, packaging, sealants & additives, ceramics, plastics, and food & pharmaceutical markets; and 2) Engineered Solutions (47%) with High Temperature Technologies providing specially formulated blends and technologies to foundry and steelmaking industries, and Environmental & Infrastructure offering waterproofing, water purification, remediation, and other fluid management technologies to industrial markets.

Reason For Comment: Chief Executive Officer Doug Dietrich and Chief Financial Officer Erik Aldag participated in person at our 15th Annual Specialty Chemicals Symposium. We discussed the company's segments reorganization, growth, margin recovery, and M&A potential.

- **Segments Reorganization:** The company reorganized in 2023 aiming to reflect Minerals Technologies (MTI) as more than a mining company serving diverse end-markets outside of paper and steel, which were its main exposure prior to the AMCOL acquisition in 2014. Consumer & Specialties (53% of total revenues) includes products for 1) consumer-driven end markets (pet care, personal care, fabric care, and edible oil/renewable fuel purification), and 2) specialty additives which become functional components in consumer and industrial goods such as paper, packaging, paints, plastics, food and pharmaceutical markets, among others. Engineered Solutions (47%) focus is on advanced process technologies and solutions designed to improve customers' manufacturing processes and projects. They include 1) high-temperature technologies used in foundry and steelmaking, and 2) waterproofing, water purification, remediation and other fluid management technologies for environmental and infrastructure projects. Management believes that this new organization will help investors better understand the company's operations and its future potential.

- **Growth and Margin Recovery:** One of the continued strong growth areas is clumping cat litter. The category is benefiting from global secular trends and from MTI low-cost production as it is vertically integrated from mining bentonite to store shelves with offerings such as branded and private label; its global position has benefited from both internal investments and acquisitions. Growth is also driven by a focus on substitutions, which lower customers' overall costs and improve efficiencies. It is the case for PCC, which replaces a certain percentage of pulp and pigments in paper production; this area is growing in China, India, and Indonesia, where the company is building new satellites on paper mills sites. In addition, the introduction of new products targeting applications such as packaging, and technology reducing waste are opening new avenues for growth. Substitution is also a factor for foundries in China where MTI's formulated blends of greensands are replacing more expensive multi-steps processes. Company-wide, innovations are expected to contribute to future growth. Margin is recovering as pricing catches up with inflation, and costs such as energy, moderate; management is targeting a long-term operating margin of 15.0%+ versus 12.8% in 2023.

- **M&A:** MTI is very disciplined in its approach to acquisitions: they should have high returns, be reasonably priced, and increase the company's growth potential with complementary product lines, bring mineral resources, and/or geographic expansion. Targets are minerals base entities offering entry into new markets (AMCOL), new resources such as Sivomatic in Europe for pet litter, and/or market share and efficiencies (Normerica), which will benefit from MTI mining operations.

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April 3, 2024

NOVONIX Limited (NVX - $2.47 – NASDAQ) **2024 Symposium Reflections**

COMPANY OVERVIEW

NOVONIX, based in Brisbane, Australia, provides advanced materials, equipment, and services for the global lithium-ion battery industry. The company manufactures battery cell testing equipment in Canada and is growing its synthetic graphite anode material manufacturing operations in the United States, a key resource for the battery material supply chain. The company operates through two divisions: NOVONIX Anode Materials division (NAM), and NOVONIX Battery Technology Solutions division (BTS). The NAM division manufactures synthetic graphite anode materials used to make lithium-ion batteries that power electric vehicles, personal electronics, medical devices, and energy storage units. The BTS division focuses on battery research and development and provides advanced battery testing equipment and services on a global scale. BTS provides front-line access across the battery value chain and delivers materials and technologies to support battery development. In 2021, Phillips 66 (NYSE: PSX) made a $150 million strategic investment in NOVONIX, purchasing 78 million shares (or 16% of s/o), and has a seat on the Board of Directors.

Reason For Comment: CEO Dr. Chris Burns presented virtually at our 15th Annual Specialty Chemicals Symposium. We discussed topics such as the need for localized graphite supply in the US, scaling of its production facilities, and financing opportunities through strategic partners and government programs.

- **Battery Know-How for Growth:** NOVONIX was co-founded by CEO Dr. Chris Burns originally as its Battery Technology Solutions division, which provides leading lithium-ion battery testing equipment to battery manufacturers, as well as R&D services. This gives NVX significant insight into the EVs and battery makers' needs for next gen batteries and serves as the company's innovations engine. As a result, NVX developed its Anode Materials division with a novel production process for synthetic graphite to support higher-performance lithium-ion batteries. The result is a longer battery life with a lower total cost despite being priced above natural graphite. The Riverside manufacturing facility (more details below) has confirmed the efficacy of the process and is set to start production at YE. The company also developed IP for cathode materials for its nascent Cathode Materials division. The IP aims to develop and eventually commercialize all-dry, zero-waste cathode synthesis technology, which would minimize the environmental impact while producing high performance cathode materials that make up 30% of the overall cost of a battery.

- **Graphite Shortfall/Riverside Ramp:** Battery demand remains robust; however, the shortfall in North America supply of graphite is only expected to grow substantially as China, the leading supplier of graphite, started to curb exports. All planned natural and synthetic graphite expansions in NA will not be able to meet expected market demand, and there is a projected 800,000 tons supply deficit by 2030 (like lithium). NOVONIX has proven its technology in the lab and purchased its 400,000 sq ft Riverside facility in Chatanooga, TN. Having reported successful production using its Gen 3 furnaces meeting the designs' targets, it expects to begin commercial production later this year scaling to 12,000 tons per annum (tpa). The Phase 1 production capacity target was raised to 20,000 tpa; it is expected to grow to 50,000 tpa in Phase 2 at Riverside and could add another 150,000+ tpa in Phase 3 through additional greenfield expansions.

Exhibit 1

Riverside Facility in Tennessee

Source: NOVONIX.

- **Financing to Grow:** 2024 is a big year for NOVONIX as the company is positioned to start producing commercially and grow. With strategic relationships with many key industry players, NVX has also secured attractive financing from the US Government under IRA efforts to localize the battery material supply chain. As mentioned, Phillips 66 invested $150 million into NVX for a 16% stake and engaged the company in a technology development agreement. NVX also entered into supply agreements with KORE Power and Panasonic Energy for 12,000 tons and 10,000 tons per year respectively. LG Energy Solution also invested $30 million in convertible notes and signed a joint R&D agreement with NVX, which will give LGES the option to purchase 50,000 tons of synthetic graphite over a 10-year period. Additionally, NVX's production will qualify for IRA tax credits and consumer credits; it has received a commitment for $100 million of grant funding from the DOE and is applying for an attractive DOE LPO loan, which if obtained, would contribute to the company's current expansion plans.

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April 3, 2024

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Quaker Houghton (KWR - $199.08 - NYSE) **2024 Symposium Reflections**

COMPANY OVERVIEW

Based in Conshohocken, PA, Quaker Houghton is a global leader in industrial process fluids and lubrication of materials. Customers operate in a wide range of industries globally, which include steel, aluminum, automotive, mining, aerospace, tube & pipe, can, and metal working companies, among others. The company works intimately with customers, helping them with customized services to achieve efficiencies, improve product quality, and lower costs through innovative technology. Following the Houghton acquisition (July 2019), the combined operations target a $12.6 billion addressable market comprised of primary metals, metalworking (large/mid- size/small-size potential customers), and global specialty businesses. They offer products such as continuous casting fluids, hydraulic fluids and greases, hot rolling oils, picking oils, cold rolling oils, tempermill fluids, cleaners and coatings. The company reports segment results by geography with 50% of its combined 2023 revenue from the Americas, 29% in EMEA, and 21% in Asia Pacific.

Reason For Comment: CEO Andy Tometich and IR Jeffrey Schnell presented at our 15th Annual Specialty Chemicals Symposium. We discussed topics including the integration of Houghton, strategy, sustainability, industry dynamics, M&A, and capital allocation.

- **KWR Today:** The combination of Quaker and Houghton in 2019 formed a global leader in industrial processed fluids for automotive, mining, aerospace, and other industrial applications. The company produces critical oils and process fluids used in metalworking (50% of 2023 sales), primary metals (32%), and global specialties businesses (18%). KWR is customer centric: it has on-site support helping to solve problems and has been able to quickly respond to customers' needs, placing the company at the center of organizational decision making. Customer intimacy has been one of the changes to the model since Andy Tometich took over as CEO two years ago. The company is focused on globalization (expanding in markets with little share), digitalization, and sustainability. ESG-related initiatives are tailwinds which include EVs as KWR can help customers and their suppliers innovate and achieve their sustainability goals.

- **Quaker + Houghton Update:** The integration of Houghton with Quaker is on track with $80M of targeted synergies achieved. Focus has shifted to growth synergies, including cross selling, driving R&D capabilities across both businesses, investing in combined systems and processes, data collection, and codifying the information across the enterprise in order to drive efficiencies.

- **Industry Dynamics:** As Quaker's products help in the processing of base metals, results are not directly impacted by steel and aluminum prices, however, they are driven by production levels. Given its focus on being close to customers, the company can quickly and effectively adjust to demand changes. While destocking never had a significant impact on demand, there is only limited visibility regarding downstream demand, and customers have been prudent on working capital and inventory levels. Management expects that underlying markets will remain stable in 2024. Following substantial inflation over the past two years, raw material costs are declining; the company is focused on "value conversations" with customers on their total costs and expects the margin improvement to continue, albeit not in a linear fashion. While volumes for certain products remain below 2019 levels, trends have improved due to some catch up in demand from auto, aerospace, and industrial markets. However, overall volumes will be dependent on recoveries in China and Europe, and the impact of global macro headwinds.

- **EV Adoption:** The company has 20% exposure to transportation, especially to ICEs. However, not all fluids will be affected by the switch to EVs. Management noted that as the combustion engine goes away, there will be opportunities in different types of steel for light weighting and efficiency, as well as for different fluids used in battery production. Complexity is an important factor driving KWR business; the shift to EV will not occur overnight and hybrids will be a good intermediate step. The company sees exciting potential in the electrical vehicles' space as it develops, and the needs become clearer.

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April 3, 2024

Rayonier Advanced Materials (RYAM - $4.66 – NYSE) **2024 Symposium Reflections**

COMPANY OVERVIEW

Headquartered in Jacksonville, FL, Rayonier Advanced Materials' main focus is on cellulose-based technology to make natural polymers. The company's natural cellulose polymers are used in the production of a variety of specialty chemical products including liquid crystal displays, filters, textiles, and performance additives for pharmaceutical, food and other industrial applications. In addition, the company makes high-purity cellulose paper pulp products used by paperboard producers for specialty paper manufacturing, as well as for making lightweight, multi-ply paperboard used for production in commercial printing, lottery tickets, and high-end packaging. Rayonier is also focused on strategic investments for renewable products and fuels. These investments include renewable energy projects, biodegradable ingredients for cosmetics and various industrial materials. The company recently invested in its Tartas facility in order to produce 2G bio-ethanol to help meet the demand for Europe's fast-growing biofuels market. Production is expected to begin in Q1 2024, and Rayonier could be among the first in France to produce wood-based 2G bio-ethanol fuel.

Reason For Comment: CEO De Lyle Bloomquist presented virtually at our 15th Annual Specialty Chemicals Symposium. We discussed topics such as destocking and demand, the company's capital structure, and strategic review of its pulp and paperboard operations.

Exhibit 1- RYAM's Products

Source: RYAM

- **Overview and 2024 Recovery:** RYAM is a leading supplier of high-purity cellulose specialty products with four operating facilities in the US, Canada, and France, 2,500 employees, four manufacturing facilities, and two R&D facilities globally. The company makes specialized products from natural cellulose fibers with a platform developed over 95 years. In 2023 RYAM generated $1.6 billion of revenues (-4% yoy), and $139 million of EBITDA (-20%), driven largely by the industry wide destocking in its commodity and specialty products. The company is guiding for a significantly better 2024 with EBITDA guidance of $180-200 million, and $20-40 million of FCF due to a substantial uplift from the prior year destocking for many of its products (except acetate). Operationally, RYAM is focused on demonstrating stable and enhanced earnings power of the core business and optimizing its assets to reduce commodity exposure and earnings volatility by concentrating commodity viscose production into its lowest variable cost HPC line.
- **Capital Structure:** Leverage is substantial at 3.7x net debt to the midpoint of its 2024 EBITDA guide, with $797 million of gross debt; more importantly, it has $465 million of Sr Secured Notes coming due January 2026. The company received covenant relief from its lender, Oaktree, in January; the ceiling was increased to 5.25x from 4.5x prior, allowing more flexibility regarding the use of its cash balances as it manages through the current destocking environment. A key focus is on refinancing the Jan 2026 notes before they go current (Jan 2025). The company is seeking to do this on the best possible terms and plans to reduce debt by $70 million this year via the use of FCF and the sale of passive assets. Management believes that the company's FCF profile should improve as it prioritizes value over volume in its specialty products, sees volume recovery in its ethers business, benefits from a competitor's closure and aims to capture share, implements a cost reduction plan, and starts up its Tartas biofuel facility in late Q1.
- **Strategic Review:** In addition to the above actions, the company is reviewing a potential sale of its high-yield pulp and paperboard business to accelerate deleveraging. The company views the business as attractive and would want to keep it if the economic environment was more positive. Pulp and Paperboard represents around $900 million of 2023 revenue. Paperboard has an EBITDA margin in the mid-20%, low capex requirements of between $5-7 million, and high cash conversion; Management wants to ensure it gets an appropriate value for a business which it would otherwise like to keep. The company has retained Houlihan Lokey as advisor and has been going through the process for around six months, with several interested parties both financial and strategic. RYAM expects to get confirmatory offers in early Q2, and will then make a decision to move forward with a sale, or retain the business.
- **Renewables:** The company has an increasing focus on renewable energy projects, including biodegradable ingredients for cosmetics and various industrial materials. It recently invested in its Tartas facility in order to produce 2G bioethanol, which is intended to help meet the demand from Europe's fast-growing biofuels market. Production was expected to begin in late Q1, and Rayonier could be among the first companies in France to produce wood-based 2G bioethanol fuel. Sugars extracted from trees are going through a fermenting process, which produces ethanol; the latter is sold into the fuel supply. It also uses crude tall oil extracted from wood co-products.

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April 3, 2024

The Sherwin-Williams Company (SHW - $334.29 - NYSE) **2024 Symposium Reflections**

COMPANY OVERVIEW

Based in Cleveland, OH, Sherwin-Williams is a leading manufacturer and marketer of paints and coatings to professional, industrial, commercial, and retail customers. The Sherwin-Williams branded products are sold through more than 4,600 company-owned stores in the Paint Stores Group (PSG) segment. Other brands are sold by the Consumer Brands Group (CBG) through mass merchandizers, home centers, independent paint dealers, hardware stores, automotive retailers, industrial distributors, and owned Latin America stores. The Performance Coatings Group (PCG) sells a broad range of coatings and finishing solutions for general industrial, industrial wood, protective & marine, automotive refinish, packaging, and coil & extrusion applications globally. In 2017 the Valspar acquisition expanded Sherwin's technologies, product lines, and international footprint.

Reason For Comment: Senior VP of Investor Relations & Corporate Communications Jim Jaye and VP Investor Relations Eric Swanson held a virtual fireside chat at our 15th Annual Specialty Chemicals Symposium. We discussed topics including the company's end markets, store strategy, competitive dynamics, and capital allocation.

- **End Markets:** Despite recent weakness in NA Architectural markets, SHW has continued to invest for growth and is positioned for strength as markets recover. The company sees positive momentum for new residential construction, which typically has a 4-to-6-month lag from start to painting. When anticipated interest rate cuts materialize, they should benefit both overall existing home sales and new construction; Jim noted that home builders report optimism. In residential repaint, its largest business, existing home sales are still weak, but the company sees ample room for growth given the shortfall in housing versus new household formations; however, at this time the DIY market remains weak. For the Industrial markets, SHW expects continued choppy demand with overall flat volumes and low single digit pricing. The company sees strength in auto refinish and coil coatings. On the automotive side, it has more than 200 branches in the US offering color-match and other services to repair shops in North America.

- **Paint Store Model:** Sherwin-Williams operates over 4,600 company-owned stores across the US, Canada, and the Caribbean in its largest segment: the Paint Stores Group. These stores target Professional Paint Contractors who tend to have a strong relationship with the store managers, helping them become more efficient. The company sees a clear path to 6,000 stores and is growing its market share by adding 80-100 stores annually. Cash outlays are typically $100-350k per store which, on average, breakeven within 18-22 months. There are around 12,000 paint stores in North America, and SHW does not expect that number to substantially change; they are aiming to eventually own approximately half of this amount via their annual expansion. PPG recently announced its intention to sell in its NA Architectural business. This action will most likely temporarily disrupt the market and give Sherwin Williams the opportunity to increase its market share. Management is confident in its ability to compete against the future owner.

- **Consumer Brands:** Sherwin also targets the "Pros who Paint" general contractor and DIYers through this segment selling non-company brands at big-box retailers, including a key relationship with Lowe's, and hardware stores. The focus is on the unique needs of each customer to whom it offers specific products and brands. The company believes it is gaining share in this category. Following the COVID boom, the DIY market remains weak, a trend expected to continue until a pickup in sales of existing homes.

- **Capital Allocation:** Sherwin's balance sheet is strong with a net leverage of 2.3x, and a strong cash flow generation. The company "doesn't hold cash" and is capex light, at around 2% of sales, with all of it focused on growth investments. Following investments targeting organic growth, annual dividend growth comes in close second. These priorities are followed by M&A, which should bring new technologies and/or a higher level of service and coverage to customers in any of its markets.

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We *Rosemarie Morbelli, CFA, and Wayne Pinsent, CFA* the Research Analysts who prepared this report, hereby certify that the views expressed in this report accurately reflect the analysts' personal views about the subject companies and their securities. The Research Analysts have not been, are not and will not be receiving direct or indirect compensation for expressing the specific recommendation or view in this report.

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Important Disclosures

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As of December 31, 2023, affiliates of GAMCO Investors owned 1.39% of H.B. Fuller, 1.03% of Minerals Technologies and less than 1% of all other companies mentioned.

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