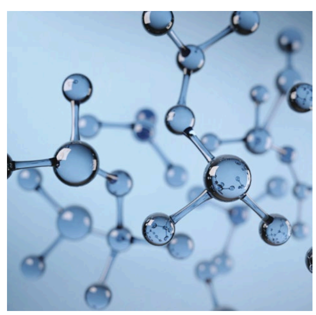
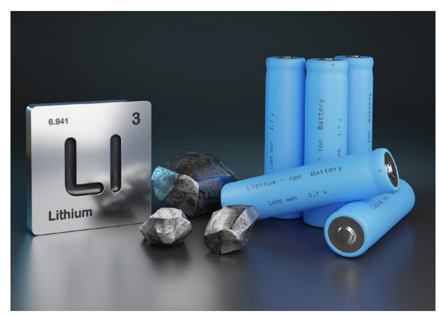
191 Mason Street
Greenwich, CT 06830
t 914.921.5100
GABELLI.COM

16th Annual

Specialty Chemicals Symposium Reflections

March 20, 2025



Source: Uber Chem & Paper, Indiamart, Mckinsey, iStock

Rosemarie J. Morbelli, CFA
(914) 921-7757

Wayne C. Pinsent, CFA
(914) 921-8352

2025 SPECIALTY CHEMICALS 16th 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 20, 2025, Gabelli Funds hosted its 16th Specialty Chemicals Symposium, with both in-person and virtual meetings. Participating companies included American Vanguard, Arq, Inc., BASF Corporation, The Chemours Company, Lithium America, Minerals Technologies, Orion S.A., Quaker Houghton, Rayonier Advanced Materials, Rogers Corporation, 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 as well as 2024 operations as the anticipated pick up in last year's second half did not materialize.

The lower manufacturing activity of the past two years affected the global economic environment; it was exacerbated by continued high interest rates aiming to combat inflation. At the time of last year's March 14, 2024 Symposium, most companies shared that the rate of destocking was either slowing or had ended for most categories, demand was slowly returning to a more normal pace, and inflation was moderating. These factors resulted in most managements anticipating that the second half of 2024 would see a pickup in demand, which did not materialize. As companies reported Q4 2024 results and entered 2025, we had a feeling of déjà vu, with companies again seeing the sluggishness continuing into the beginning of the year and expecting a rebound in the back half. We note that this sentiment was before some of the heightened volatility and uncertainty surrounding the Trump Administration's tariff plans on global imports and the anticipated retaliation. As we heard during this year's Symposium, expectations of a second half pickup in 2025 remain, but uncertainties have increased regarding the impact on the global economy from tariffs, retaliation by our trading partners, continuing inflation, and delays in lowering interest rates, which may postpone a previously anticipated housing recovery.

Key topics included the following:

- **Supply Chain/Raw Materials:** While supply chain disruptions were no longer an issue in 2024, overall demand did not pick up, as anticipated, in the second half of the year. Due to the availability of raw materials, slow demand, and high inventory levels, raw material costs have generally declined. As a result, pricing for indexed contracts has also decreased in line with lower prices in certain categories. However, one of the attributes to a specialty product or technology resides on sales based on value, and not volume, as there is a substantial amount of service attached to the specialty component. These factors allow most companies to retain some of the price increases instituted in 2023 to fight inflation, and margins improved despite the soft demand environment. In addition, working capital remained under control as companies, and customers, opted to order raw materials and products on a just on time basis due to the limited visibility into demand. As a result, cash flow generation increased resulting in strong balance sheets following debt reduction and, in many cases, year-over-year lower capital expenditures as managements remained cautious. We note that in the current environment inflation is again anticipated.

- **Tariffs:** As a rule, Specialty Chemicals companies, while global in nature, purchase most raw materials' needs in the country in which they operate. In addition, their operations are also close to their customers to facilitate supply of products and services. We heard confirmation from our Symposium's presenters that, because of the above, the direct impact of tariffs will be limited. However, it is too early to assess the indirect impact on their customers' operations which will be affected to different degrees based on their own end-markets and the demand for their end products.

- **Inflation:** Following the 2022 higher overall costs (raw materials, expensive alternatives, freight, energy and labor), by year-end 2023, the price/cost ratio was becoming positive. Inflation continued into 2024 driven by higher energy and raw material costs, monetary policy following the COVID pandemic, as well as by the higher cost of food and a tight labor market. However, while the level began to decline as demand slowed, it had not yet reached the favored level of ~2%. At the juncture, we anticipate that inflation will increase again as a direct consequence of the announced tariffs on most of our trading partners, especially China.

- **Interest Rates:** High interest rates have affected the housing market, which remained weak for the fourth year. As demand slowed and inflation started declining in 2024, the Federal Reserve implemented multiple interest rate cuts. However, as mentioned above, additional cuts have been postponed due to the anticipated return of higher inflation following the implementation of tariffs, which will be in part passed on to the consumer. Following actions to bring inventories back to a more normal level, working capital needs declined; the strong free cash flow generation prioritized debt reduction, thereby partially offsetting the higher interest costs for many, and companies are boasting strong balance sheets.

- **Margins:** Following internal actions targeting operating efficiencies and the benefit of selling price increases covering the overall higher inflationary costs, full year gross margins further improved in 2024. Managements are expecting that the improvement will continue into 2025 as raw material costs declined (at least at the time of the Symposium), they benefit from previous price increases, and they take additional internal actions to lower their overall costs.

- **Demand:** With the end of destocking for many companies and most of their customers, managements anticipated a pickup in demand in 2024's second half. This did not materialize, and the slow demand environment was expected to continue through the first half of 2025, with a recovery expected in the back half. This was before some of the more recent uncertainty surrounding US tariff policy. Expectations of a second half pickup in 2025 remain, but uncertainties have increased regarding the impact from tariffs, retaliation by our trading partners, continuing inflation, and delays in lowering interest rates, which may postpone the previously anticipated housing recovery. In addition, consumer sentiment is deteriorating as food prices remain high, affecting overall purchasing power.

- **Companies' Overall Focus:** Despite current headwinds from currencies, lower demand, continued higher interest rates, and overall higher costs, companies remain focused on the long term. They have addressed high inventories, increased operating efficiencies, reduced debt levels, and emphasized working capital management as well as cash flow generation. They will also take additional pricing action, when necessary, in response to the anticipated higher inflationary costs. Investments targeting organic growth emphasize innovation and speed to markets. In addition, with strong 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 remain part of the focus on returns to shareholders, followed by share repurchases in lieu of attractive acquisitions.

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.

Rosemarie J. Morbelli, CFA (914) 921-7757 ***Wayne C. Pinsent, CFA (914) 921-8352***

Important Disclosures

ONE CORPORATE CENTER RYE, NY 10580 Gabelli Funds TEL (914) 921-5000

This whitepaper was prepared by ***Rosemarie J. Morbelli, CFA and Wayne C. Pinsent, CFA.*** The examples cited herein are based on public information and we make no representations regarding their accuracy or usefulness as precedent. The Research Analysts' views are subject to change at any time based on market and other conditions. The information in this report represents the opinions of the individual Research Analyst's as of the date hereof and is not intended to be a forecast of future events, a guarantee of future results, or investments advice. The views expressed may differ from other Research Analysts or of the Firm as a whole.

As of December 31, 2024, affiliates of GAMCO Investors owned 1.19% of Minerals Technologies, 1.12% of Rogers Corp and less than 1% of all other companies mentioned.

This whitepaper is not an offer to sell any security nor is it a solicitation of an offer to buy any security. ***Investors should consider the investment objectives, risks, sales charges and expense of the fund carefully before investing.***

Gabelli Funds, LLC is a registered investment adviser with the Securities and Exchange Commission and is a wholly owned subsidiary of GAMCO Investors, Inc. (OTC: GAMI).

For more information, visit our website at: www.gabelli.com **or call: 800-GABELLI**

800-422-3554 • 914-921-5000 • Fax 914-921-5098 • info@gabelli.com

Gabelli Funds
191 Mason Street
Greenwich, CT 06830
Tel (914) 921-5100
www.gabelli.com

April 16, 2025

American Vanguard Corporation (AVD - $3.76 - NYSE) **2025 Symposium Reflections**

COMPANY OVERVIEW
Based in Newport Beach, CA, American Vanguard is a specialty and agricultural products company that develops, manufactures, and markets solutions for crop protection and nutrition, turf and ornamentals management, and commercial and consumer pest control. Its products are sold globally and include insecticides, fungicides, herbicides, as well as formulations for soil health and plant nutrition that come in liquid, powder, and granular forms. The company primarily synthesizes, formulates, and distributes its own proprietary products or custom manufactures, formulates or distributes for others.

Reason For Comment: American Vanguard's new CEO Dak Kaye presented at our 16th Annual Specialty Chemicals Symposium. Our discussion included comments regarding Dak's decision to join AVD, the company's transformation plan, goals for 2025, and steps to improve long-term margins.

- ***Background.*** Founded at a single factory site in Los Angeles in 1969, AVD has grown to a global crop protection company with 6 manufacturing sites and sales >$550 million, roughly split 60/40 domestic and international. The company provides a wide variety of solutions to the crop protection and nutrition, turf and ornamentals management, commercial and consumer pest control industries; it also offers a broad range of biological solutions growing low double digits and currently accounting for >10% of overall sales. Through its recent transformation plan, the company is seeking to significantly improve operations, right-size inventory, improve its balance sheet, and aims to double its EBITDA margin to ~15% over the cycle.
- ***New CEO.*** Dak Kaye was appointed CEO in December 2024 following long-term CEO Eric Wintemute stepping down, and the Boards' extensive search in conjunction with the transformation plan. Dak brings extensive industry knowledge with both commercial and operational experience. Prior to AVD, he was President of North America operations at Albaugh, LLC, a private top ten global crop protection company specializing in branded off-patent crop chemical products, similar to AVD's business model.
- ***Progress on Turnaround.*** Dak is intent in continuing and extending the implementation of the turnaround plan. He sees the Board's transformation plan as a good start but also sees additional actions that will improve the business further through management execution. This includes steps on procurement, inventory management, better visibility across the organization, and de-emphasis of prior non-core projects like the company's SIMPAS precision Ag equipment. Discontinuing investments in SIMPAS alone reduces cash outlays by $5-9 million annually; the company is focused on finding a home for the assets. As part of the turnaround, strengthening the balance sheet is a top priority which the company will manage by right sizing inventory and improved cash flow generation.
- ***Goals for 2025 and Beyond:*** Following many missteps by prior management, Dak is focused on delivering on the company's targets. American Vanguard's team expects operational improvements in 2025 versus 2024's depressed levels and targets revenues of $565-585M and adjusted EBITDA of $45-52M. Dak sees the 15% EBITDA margin goal as achievable, with the main levers being procurement and productivity improvements which should result in a 32-33% gross margins vs ~29% currently. Additional actions will focus on reducing operating expenses to below 20% from 22%. Achieving these goals would result in double-digit EBITDA growth over the next 3-4 years, even without a significant rebound in the crop protection market but a normalized low-single-digit expected industry growth.

Rosemarie J. Morbelli, CFA (914) 921-7757
RMorbelli@gabelli.com

Wayne C. Pinsent, CFA (914) 921-8352
WPinsent@gabelli.com

Gabelli Funds
191 Mason Street
Greenwich, CT 06830
Tel (914) 921-5100
www.gabelli.com

April 16, 2025

Arq, Inc. (ARQ - $3.79- NYSE)

2025 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: Arq, Inc.'s CEO Bob Rasmus presented virtually at our 16th Annual Specialty Chemicals Symposium. We discussed topics including the improvement of its PAC operations, the buildout of its first GAC operations at Red River, demand for remediation and biofuel filtration, and the company's near-term milestones.

- **Transformation Into Arq**: Legacy Advanced Emissions had 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, which are further boosted by coming PFAS regulations. Since joining in July 2023, CEO Bob Rasmus has taken steps to improve the profitability and cash flow generation of the legacy PAC business which will help fund growth of its new GAC business. Following a large capex plan for the Phase 1 expansion at its Red River facility, the company sees significant growth as its GAC operations come online with first commercial production expected imminently and 25 million pounds of nameplate capacity at higher margin than PAC. Phase 1 saw significant overruns in the capex budget increasing to total spend of $85 million in 2024 (vs initial guidance of $55-60 million), but management still expects favorable return characteristics and believes that future expansions will cost in the $75 million range. Capacity at Red River can be increased to 125 million pounds, and the facility is already fully permitted for Phase 2.

- **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.

- **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. 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. Demand for GAC is expected to significantly outstrip supply, and the company is already contracted for 16 million of its 25 million GAC nameplate capacity. While management could choose to contract the remaining capacity, it is strategically maintaining flexibility to diversify as there is significant demand for GAC by biofuel producers and other markets.

Rosemarie J. Morbelli, CFA (914) 921-7757
RMorbelli@gabelli.com

Wayne C. Pinsent, CFA (914) 921-8352
WPinsent@gabelli.com

Gabelli Funds
191 Mason Street
Greenwich, CT 06830
Tel (914) 921-5100
www.gabelli.com

April 16, 2025

BASF (BAS-XE - €42.00 – XETRA) **2025 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. With €65.3B in revenues and €7.9B of adjusted EBITDA in 2024, it is reporting results in six main groups, with four considered core and two standalone businesses. **Chemicals** (16.6% of 2024 total revenues) remains the cornerstone and supplies the other segments with basic chemicals and intermediates, contributing to the organic growth of key value chains. **Materials** (20.7%) comprises advanced materials and their precursors for new applications and systems. **Industrial Solutions** (12.5%) develops and markets ingredients and additives for industrial applications such as polymer dispersions, pigments, resins, electronic materials, antioxidants and admixtures. **Nutrition & Care** (10.3%) 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. **Surface Technologies** (19.8%) operates as a standalone business and includes coatings, rust protection products, catalysts, and battery materials for the automotive and chemical industries. **Agricultural Solutions** (15%) is the second standalone business. It 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.

Reason For Comment: BASF's Head of North America IR, Alex Koehler, presented at our 16th Annual Specialty Chemicals Symposium. We discussed the many changes BASF has undertaken since last year's conference, including topics such as the current global environment, tariffs and the potential benefit from the recently announced stimulus by the German government.

- **BASF Now and Future Growth:** Alex discussed some of the changes since the company appointed a new CEO and elected new Board members. Under the new management team, BASF has elected to pursue its green transformation and help customers reach their targets despite a roll back of ESG initiatives in the US. The first major transformation consisted of transforming its business portfolio and separating it into two major categories: standalone and core businesses
- **Standalone Businesses:** This portfolio, which generates approximately $21.6B in revenues and $3B of EBITDA, consists of surface technologies (coatings) and agricultural solutions, with little entanglement with other businesses. The company announced that part of coatings, its architectural paints business in Brazil will be sold to Sherwin Williams with closing expected by year-end. Management is exploring strategic options for the balance of coatings. Regarding the agricultural solution entity, which has been growing organically within BASF, management expects that the business will command a premium value and is considering a potential IPO by 2027.
- **Core Businesses:** With $40B in revenues and $5.4B of EBITDA, it includes Verbund, which provides raw materials with a low cost advantage to the rest of the company's operations. BASF is currently building a world class site in China, with the $10B investment financed by Chinese sources under attractive conditions. After peaking in 2024 due to the new plant construction, capex is expected to decline substantially back to the 2019 level.
- **Economic Environment:** While tariffs are expected to potentially result in a global economic slowdown and higher inflation, the company's green offerings are growing, and the German government has recently approved a stimulus. The potential benefit is not baked into 2025 assumptions, but it should help offset some of the negative impact from the uncertain political and economic uncertainties. In addition, the Chinese administration has increased its domestic stimulus.

Rosemarie J. Morbelli, CFA (914) 921-7757
RMorbelli@gabelli.com

Wayne C. Pinsent, CFA (914) 921-8352
WPinsent@gabelli.com

Gabelli Funds
191 Mason Street
Greenwich, CT 06830
Tel (914) 921-5100
www.gabelli.com

April 16, 2025

The Chemours Company (CC - $11.11 – NYSE) **2025 Symposium Reflections**

COMPANY OVERVIEW

The Chemours Company, based in Wilmington, DE, provides performance chemicals in North America, the Asia Pacific, Europe, the Middle East, Africa, and Latin America. The company sells its products through direct and indirect channels, as well as through a network of resellers, third-party sales agents, and distributors. With 2024 revenues of $5.8B, Chemours operates through three segments: Titanium Technologies (TT- 45% of 2024 sales) offers titanium dioxide (TIO2), a white pigment which delivers whiteness, brightness, opacity, durability, and protection, used in coatings, plastics, and laminates for furniture and building materials; Thermal & Specialized Solutions (TSS- 32%) provides refrigerants, thermal management solutions, propellants, foam blowing agents, and specialty solvents under the Freon and Opteon brand names; and Advanced Performance Materials (APM- 23%) sells various specialty product solutions, membranes, industrial resins, additives, films, and coatings for consumer electronics, semiconductors, digital communications, transportation, energy, oil and gas, and medical markets. They are sold as Teflon, fluoropolymers, Krytox performance lubricants, and Nafion brand names.

Reason For Comment: CFO Shane Hostetter and IR Brandon Ontjes presented at our 16th Annual Specialty Chemicals Symposium. We discussed topics such as the company's markets and future strategy, its progress on legacy PFAS liabilities, and new product innovations.

- **Chemours Today:** With 2024 sales of ~$5.8Bn and EBITDA of $786M (14% margin), Chemours is focused on accelerating top line growth and margins improvement; it is also managing its legacy PFAS liabilities which have been an overhang on the stock valuation. North America represents 45% of sales, Asia Pacific 24%, and Europe 20%. <u>TSS</u> still provides Freon refrigerants but is focused on the shift to new lower carbon refrigerants with its Opteon product line. TSS operates in a duopoly aided by regulations and is CC's highest EBITDA margin segment at 31%. Markets in both the US and Europe are moving away from Freon-based products, which harm the environment. Going forward, refrigeration manufacturers will be able to sell, but not produce, high-global warming refrigerants making 2025 a significant transition year. <u>TT</u> (12% margin) has been affected by an extended weak housing market, and the company has focused on reducing costs; these actions will benefit results when the housing market, and in turn demand for TiO2, recovers. Chemours' rationalized capacity in Taiwan was absorbed in Mexico, and management is comfortable with its current manufacturing footprint. Shane is cautiously optimistic regarding some market recovery in the second half of 2025; however, he does not expect any major restocking as customers maintain low inventory levels and purchases are on an "as needed" basis. <u>Performance Solutions</u> (also 12% margin) produces advanced material products with a focus on strategic growth areas such as clean energy (hydrogen, EV battery) and advanced electronics (semiconductors, electronics). Results have been subdued due to macro factors; however, management expects that investments will result in significant long-term growth.
- **Corporate Strategy:** CC's "Pathway to Thrive" consists of four pillars: 1) <u>Operational Excellence</u> targeting manufacturing processes and an improved operating model with >$250M of cost reduction from 2024-2027, half from TT and half from other businesses; 2) <u>Enabling Growth</u> by investing in selected growth projects, driving innovation, and improving commercial efforts to drive >5% sales CAGR from 2024-2027; 3) <u>Portfolio Management</u> with a focus on a holistic review including that of European assets and a shift of product mix targeting higher value applications in growing end markets, and optimizing the asset footprint; and 4) <u>Strengthening the Long-Term</u> as it progresses toward resolving legacy liabilities (PFAS) and removing the overhang.
- **Legacy PFAS Liabilities:** The company views legacy liabilities for banned PFAS in 4 buckets: 1) <u>Drinking Water Related</u>: Cleared majority of those last year with American Water settlement; 2. <u>Natural Resources at State Levels</u>: Have settled in OH and DE, but still dealing with NC, WV, NJ. There is a trial set for May for NJ; 3) <u>Personal Injury:</u> Daubert case this year may set the tone, but CC feels strongly that the company can get good resolutions/settlements; 4) <u>Property Damages</u>: Includes properties where PFAS was manufactured; it is estimated to be the smallest. CC believes that it should be meaningfully past liabilities in the next few years. It is responsible for $4B MOU of liabilities with DuPont and Corteva, of which $2B has been spent. While Chemours has liability potential beyond the MOU, the company believes there is the likelihood that DuPont would share in the costs if necessary.
- **Future of PFAS:** There are about 15,000 PFAS components in the world today. Chemours is focused on industrial uses and believes that the fluorinated-carbon bond is essential and that the manufacturing world needs PFAS-related materials. The company is dedicated to operating efficiently and safely under new standards.

Morbelli x7757
Pinsent x8352

- **Opteon Technology for Data Centers**: Chemours is introducing a new product for data centers with Opteon fluid for two-phased emersion cooling. Data center server racks would be immersed in the patented Opteon fluid, which will be circulated and reusable as it is heated and cooled. The company will manufacture the new molecule, which will not cause corrosion issues, will be fully self-contained, and will be able to reduce energy usage by 40%. Competitor MMM has said it will no longer manufacture a similar molecule as they are exiting all PFAS materials resulting in Chemours being the only company offering the technology. The company still needs to build its manufacturing footprint and supply chain, and expects to share updates on those actions in the near future; commercialization is expected by the end of 2026.

Rosemarie J. Morbelli, CFA (914) 921-7757
RMorbelli@gabelli.com

Wayne C. Pinsent, CFA (914) 921-8352
WPinsent@gabelli.com

Gabelli Funds
191 Mason Street
Greenwich, CT 06830
Tel (914) 921-5100
www.gabelli.com

April 16, 2025

Lithium Americas (LAC - $2.63 – NYSE) **2025 Symposium Reflections**

COMPANY OVERVIEW

Lithium Americas, headquartered in Vancouver, BC, was formed through the separation of prior Lithium Americas (ParentCo) into two public companies: Lithium Americas (LAC) and Lithium Argentina (LAAC). The company is committed to developing the Thacker Pass project (Humboldt County in northern Nevada), which hosts one of the largest known lithium resources (measured and indicated) and largest lithium reserve (proven and probable) in the world. Thacker Pass is owned by a JV between Lithium Americas, which holds a 62% interest and is the manager of the Project, and General Motors (GM) (38% interest). The JV was formed following GM's $625 million investment, which closed in December 2024; GM is also one of LAC's largest shareholders along with GFL Environmental with 15 million shares each.

Reason For Comment: Lithium Americas' CEO Jonathan Evans presented virtually at our 16th Annual Specialty Chemicals Symposium. We discussed topics such as the company's finance, progress on its Thacker Pass project, lithium market fundamentals, and the company's extraction process.

- **Thacker Pass:** The company is focused on advancing Phase 1 of its Thacker Pass mining project in northern Nevada toward production. Thacker Pass is one of the largest known lithium reserves in the world. LAC is targeting nominal design capacity of 40,000 t/y of battery-quality lithium carbonate in Phase 1. Thacker Pass is expected to reach a total of 160,000 t/y battery quality Li_2CO_3 production capacity over four phases: an additional 40,000 t/y in both Phase 2 and 3, and another 40,000 t/y combined in Phases 4 and 5.

- **Financing and Timeline:** Through a $2.26B US DOE loan, $945M total expected investment from GM, and more recently a $250M strategic investment from Orion Resource Partners, the construction budget for Thacker Pass is fully funded. The project received a Record of Decision in January 2021 from the U.S. Department of the Interior Bureau of Land Management (BLM) and commenced initial construction in early 2023 with a three-year estimate to completion. The first lithium production is expected in 2027. The Final Investment Decision on Thacker Pass, which was only a formality, was announced shortly after our conference on April 1st.

- **Demand Secured:** Through its relationship with GM, the company has an offtake agreement to supply GM with 100% of its production volumes from Phase 1 for 20 years, plus 38% of Phase 2 production volumes for 20 years, and the right of first offer on the remaining Phase 2 production. The project will have the advantage of being a fully US-based lithium supplier for domestic production. LAC is currently being qualified as a supplier to ~7 other potential customers.

- **Clay Lithium:** The Thacker Pass project is unique as lithium is derived from clay, versus the traditional sources which consist of extraction from brine pools or from spodumene hard rock. LAC estimates that its project will be in the first quartile of the lithium cost curve at ~$6,300/ton LCE. The project is closer to hard rock than brine, but the lithium is loosely bound, resembling a sandpit mine. As a result, it requires less energy and does not need heat or natural gas. Purification of the lithium to battery grade is the same as other existing methods.

- **Lithium Pricing and Market:** The lithium market has been dislocated for the past 2.5 years with prices dropping from an unrealistic level of ~$80/kg in Nov 2022 to around $10/kg today. When pricing was high, many new lithium projects were being announced or brought on including high cost lepidolite extraction in China. Despite continued forecasts of substantial long term demand growth for EVs, and therefore for the lithium to power them, near term dynamics have changed. The current consumer adoption of EVs in the US and Europe has slowed, and Automakers are pushing out EV production schedules; these factors have led to near term supply/demand imbalances and the collapse in lithium prices. Many projects have now been delayed or cancelled. Jon noted that prices will need to get back to the "high-teens to low-twenties" levels for the lithium market to normalize and incentivize investments in lithium projects to bring the supply necessary to meet the anticipated long-term demand for electrification.

Morbelli x7757
Pinsent x8352

Gabelli Funds
191 Mason Street
Greenwich, CT 06830
Tel (914) 921-5100
www.gabelli.com

April 16, 2025

Minerals Technologies, Inc. (MTX - $56.76 – NYSE) **2025 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 (54% of 2024 revenue) split between Household & Personal Care (25% of total) with mineral-to-market products serving pet care, personal care, fabric care, and edible oil and renewable fuel purification, and Specialty Additives (29%) serving paper, packaging, sealants & additives, ceramics, plastics, and food & pharmaceutical markets; and 2) Engineered Solutions (46%) with High Temperature Technologies (34%) providing specially formulated blends and technologies to foundry and steelmaking industries, and Environmental & Infrastructure (12%) offering waterproofing, water purification, remediation, and other fluid management technologies to industrial markets.

Reason For Comment: Minerals Technologies' Chief Financial Officer Erik Aldag presented at our 16th Annual Specialty Chemicals Symposium. We discussed the company's business focus, the benefits from the 2023 segments reorganization, growth targets, margin recovery, the M&A environment, and the potential impact from tariffs.

- **MTI Today:** With $2.1B of revenues, the company's portfolio consists of two similar sized segments: Consumer Specialties ($1.1B) includes Household & Personal Care and Specialty Additive; and Engineering Solutions ($978M) includes High-Temperature Technology and Environment & Infrastructure. The new segmentation has allowed management to focus more efficiently on growth and profitability as well as on positioning the company's offerings within more attractive end markets.

- **Growth and Margin Recovery:** The company has multiple levers for long-term revenue growth, which it estimates at a 4-7% CAGR. They consist of expanding into high growth consumer-oriented markets, strengthening its position in core markets and key geographies, product innovations, and continuing its penetration in Asia, especially in China and India. As a result of the intense focus, despite soft market demand, EBITDA margin has increased from a low of 16.3% in 2022 to 19.4% in 2024. Pet care, the largest Household category, has now reached $400M in revenues via organic and inorganic growth; the category is expected to growth at a 4-5% CAGR in North America and 7% in Asia and Europe, with margin expansion as efficiencies from recent acquisitions improve.

- **Tariffs:** Since the company produces and sells locally, and less than 5% of COGS is imported, the direct impact from tariffs should be relatively small. However, the impact on the overall global economy, especially on auto and construction in North America (Engineered Solutions) would affect the company's results. These two end-markets can be affected by lower demand for steel, foundries, and waterproofing below-grade space in large construction projects.

- **M&A:** With a strong balance sheet (net leverage at 1.6x EBITDA), the company is focused on bolt on acquisitions bringing new mineral technologies, entry into new end markets, and/or geographic expansion. Historically, management has been very disciplined in terms of valuation which includes estimating the potential growth and margin benefit expected from acquisitions; we expect that this discipline will continue in the future.

Rosemarie J. Morbelli, CFA (914) 921-7757
RMorbelli@gabelli.com

Wayne C. Pinsent, CFA (914) 921-8352
WPinsent@gabelli.com

Gabelli Funds
191 Mason Street
Greenwich, CT 06830
Tel (914) 921-5100
www.gabelli.com

April 16, 2025

Orion S.A. (OEC - $11.73 – NYSE) **2025 Symposium Reflections**

COMPANY OVERVIEW

Orion, headquartered in Luxembourg, but with its principal executive office in Spring, TX, is a leading global manufacturer and supplier of carbon black products. Carbon black is a solid form of carbon produced in powder or pellets, used to create a variety of desired physical, electrical and optical qualities of various materials. Carbon black products are primarily in the form of: Specialty Carbon Black used as additives in the production of polymers, batteries, printing inks and coatings; and Rubber Carbon Black used in the reinforcement of tires and other rubber applications. The company is one of the largest global producers of both types, with 2024 revenue of $1.9 billion and adj. EBITDA of $302 million. Orion's core competencies include the ability to engineer the physical properties of carbon black to meet the functional needs of customers. The company operates in two reporting segments: Rubber Carbon Black (66% of 2024 sales) and Specialty Carbon Black (34% of sales).

Reason For Comment: Orion S.A.'s CFO Jeff Glajch and IR Chris Kapsch presented at our 16th Annual Specialty Chemicals Symposium. We discussed topics including the current global demand environment, EBITDA growth potential, the company's positive cash flow inflection, and planned uses of cash.

- **Orion Today:** Orion is #1 in the specialty carbon black market and #3 in rubber carbon black globally. It serves over 80 countries through innovation centers on three continents and 15 plants worldwide, offering one of the most diverse production processes in the industry. The company's history goes back more than 160 years to Germany, where it continues to operate the world's longest-running carbon black plant. Its market advantage is derived from its ~1,150 kmt carbon black capacity skewed toward Western tire markets.
- **Supply/Demand and Import Overhang:** The cost of building a new carbon black plant is estimated at $2 million per ton of capacity, or $350-to-$400 million for a 180 kmt plant. This high cost is an impediment for new competitors entering the market; with the exception of a private company planning to build a 180 kmt plant in Nebraska (it has yet to break ground), there is no significant capacity being added to the market in either the Americas or Europe. With around 60% of company volume going into tires and 2/3 of that into replacement tires, demand is typically stable, and in addition, onshoring/reshoring trends are favoring local supply. China and Southeast Asia imports have been an overhang in the industry in the US and Europe. US imports have increased to approximately 60% of the market currently vs 52% historically. The US already has tariffs on China tire imports, but additional tariffs on Southeast Asia imports and actions in Europe could help Orion significantly fill up its current capacity.
- **Capital Expenditure Normalizing:** Orion is exiting a period of heightened spending since 2020 including maintenance Capex to revitalize and/or modernize its asset base in order to comply with EPA regulations, as well as additional investments for growth (including its Specialty Conductives Project to be completed this year). Management estimates that, following the end of these projects, Orion now has sufficient production capacity to serve the anticipated industry demand growth. As these projects are completed, capex spending should decline significantly over the next 2 years from $207 million in 2024 to an expected $160 million in 2025 and reach close to maintenance levels of $110 million in 2026.
- **FCF Inflection/Uses of Cash:** Following three years of stable EBITDA of >$300 million, a 2025 guidance of $290-330 million, and the lower anticipated capex level, should result in a free cash flow inflection in 2025 and 2026. FCF should go from a use of cash of -$43M in 2024 to positive FCF of $40-70M in 2025 and >$100M in 2026. Management also expects significantly higher EBITDA potential of $500M given its current asset base in a mid-cycle scenario. In the rubber market alone, the company has the capacity for an additional $80M of EBITDA; this potential could largely be the result of imports normalizing. As FCF improves, the focus of capital allocation will be first on continued leverage reduction to a target of 2-2.5x vs 2.8x at year end, followed by share buybacks.

Rosemarie J. Morbelli, CFA (914) 921-7757
RMorbelli@gabelli.com

Wayne C. Pinsent, CFA (914) 921-8352
WPinsent@gabelli.com

Gabelli Funds
191 Mason Street
Greenwich, CT 06830
Tel (914) 921-5100
www.gabelli.com

April 16, 2025

Quaker Houghton (KWR - $102.32 - NYSE) **2025 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 48% of its combined 2023 revenue from the Americas, 29% in EMEA, and 23% in Asia Pacific.

Reason For Comment: Quaker Houghton's Vice President Investor Relations Jeffrey Schnell presented at our 16th Annual Specialty Chemicals Symposium. We discussed topics including policies implemented by CEO Joe Berquist as well as the company's strategy, sustainability, industry dynamics, the potential impact from tariffs, and the M&A environment.

- **KWR Today:** Quaker Houghton is the only global pure play in the global industrial process fluids. With an asset-light model and high free cash flow generation, it only has a low-teens market share. The company competes with a handful of multi-national players, but approximately 50% of the market is served by smaller "mom and pops" shops. Industries served are Metalworking (67%) and Metals (33%) with Quaker offering processing solutions and products that increase tools' life and add further benefits to finished products. Annual R&D spending amounts to approximately 3% of revenues.

- **Growth and Margin Recovery:** Since becoming CEO Joe Berquist has been focused on three main priorities: a return to growth, reducing complexity, and a balanced approach to capital allocation. While growth for the underlying markets served is approximately 1-3%, management targets 2-4% based on new business wins and high customer retention. EMEA currently has the lowest EBITDA margin (18.6% vs 27.7% for the Americas, and 29.1% for Asia Pacific), but management is taking steps to improve the returns in the region. Given its highly fragmented and competitive markets, further work is under way regarding network optimization and procurement actions. Furthermore, the size of the company's EMEA exposure will be adjusted to reflect the anticipated long-term business potential in the region.

- **Tariffs and Industry Dynamics:** The direct impact from tariffs is limited given its manufacturing facilities in China, Mexico, and Canada, with the company able to serve customers in the regions they operate. The indirect impact, however, is more difficult to ascertain. Approximately 25% of the business is serving the automotive and transportation industries. Quaker can be nimble based on where customers' production is occurring; management believes that its value proposition will continue to work well, even in the current environment. Of course, the impact from tariffs on the company's customers' operations will affect results.

- **M&A:** Acquisitions remain part of Quaker Houghton's overall growth and shareholder value creation strategy. Over the past 18 months the company has acquired three small operations adding complementary technologies in Europe, South Africa and Japan; they are also in line with management's target of expanding its international presence. Following the Symposium, the company added Dipsol Chemicals, a privately-owned Japanese company generating around $82M in revenues; it supplies surface treatment and plating solutions for the automotive and other industrial applications.

Rosemarie J. Morbelli, CFA (914) 921-7757
RMorbelli@gabelli.com

Wayne C. Pinsent, CFA (914) 921-8352
WPinsent@gabelli.com

Gabelli Funds
191 Mason Street
Greenwich, CT 06830
Tel (914) 921-5100
www.gabelli.com

April 16, 2025

GABELLI FUNDS

Rayonier Advanced Materials (RYAM - $4.69 – NYSE) **2025 Symposium Reflections**

COMPANY OVERVIEW

Headquartered in Jacksonville, FL, Rayonier Advanced Materials has developed a platform focused on producing natural cellulose fibers. 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. With 2024 revenues of $1.6B, the company reported results in three segments: High Purity Cellulose (80% of 2024 revenue) produces a combination of cellulose specialties and commodities serving end-markets such as electronics, pharmaceutical, and cigarettes; Paperboard (14%) focuses on Kallima brand printing paper, packaging, and muti-ply coated board; and High-Yield Pulp (6%) focus is on mechanical hardwood pulp from maple and aspen.

Reason For Comment: CEO De Lyle Bloomquist presented at our 16th Annual Specialty Chemicals Symposium. We discussed topics such as improvement of the company's operations, 2025 initiatives, debt reduction, tariff implications, and investments for growth.

- **Overview:** RYAM is a leading supplier of high-purity cellulose specialty products with four operating facilities in the US, Canada, and France with ~2,350 employees. The company is the largest global supplier of high purity cellulose specialties products, sole producer of 3-ply paperboard in North America, and has 290,000 metric tons capacity of bulky high-yield maple syrup pulp. Its products go into many items for everyday use including: Ethers (food, pharma, industrial), Acetate (filters, plastics, LCD/Films), Viscose/Lyocell (textiles), Fluff (personal hygiene/diapers), Paperboard (packaging, lottery tickets, commercial printing paper), High-Yield Pulp (packaging, paperboard, printing/writing paper), and Biofuels.
- **2024 Recovery/2025 Outlook:** In 2024, RYAM generated $1.6 billion of revenues (flat yoy), and significantly improved EBITDA of $222 million (+60%) through operations improvements, optimization efforts, and a substantial uplift from demand vs prior year destocking. The company is guiding for 2025 sales and EBITDA roughly flat yoy at $1.6-1.7B and $215-235M, respectively, due to the uncertain economic environment. Adjusted FCF is expected at $25-45M. Operationally, RYAM is focused on demonstrating the stable and enhanced earnings power of the core business as it optimizes assets to reduce its commodity exposure and earnings volatility by concentrating commodity viscose production into its lowest variable cost HPC line.
- **2025 Initiatives:** Net leverage improved substantially to 2.9x vs 3.7x a year ago due to the combination of net debt reduction of $68M and substantially improved EBITDA in 2024. Initiatives for 2025: 1) Continue to maximize debt reduction as per its credit agreements; 2) Optimize the asset base, reducing earnings volatility, and minimizing exposure to commodity markets, along with reducing production costs through investments in plant efficiencies; 3) Grow via investments in Biomaterials; and 4) Implement a new segment reporting (as of Q1 2025) made possible by the new ERP system. The new segments will be: Cellulose Specialties, Cellulose Commodities, Biomaterials, Paperboard, and High-Yield Pulp. The new segmentation will offer clearer visibility into the Biomaterials strategy, earnings power and consistency of its cellulose specialties business, and progress in reducing exposure to non-fluff commodities markets. The company continues to explore the sale of its valuable non-core Paperboard and High-Yield Pulp business to accelerate debt paydown.
- **Tariff Impacts:** As an exporter, RYAM has high exposure to retaliatory tariffs, but the company has the ability to pass the higher costs to customers, as the industry is running at full capacity, and its products are specialty inputs that customers are unable to substitute. RYAM estimated its tariff exposure at $42M (prior to any tariff announcements subsequent to our Symposium). Management has launched efforts to mitigate these impacts and predicts that EBITDA should be higher in 2025 vs 2024, even under this scenario.
- **Investments for Growth:** The company is evaluating high-return, strategic, capital investments for growth including further investment in biofuels. RYAM has a strict hurdle rate of >30% ROE with a payback under 2 years. Main project opportunities are: 1) Biomaterials- BioNova initiatives (Bioethanol, CTO, Prebiotics) and the Altamaha Green Energy (AGE) project, where management projects potential EBITDA of $55M with full benefit in 2029; 2) Cellulose Specialties: Cost reduction, automation, and plant efficiency improvement projects expected to drive $10M in production efficiencies in 2025, and a full EBITDA benefit of $31M by 2026; and 3) Corporate ERP implementation in its final year of investment which will provide benefits across the company.

Rosemarie J. Morbelli, CFA (914) 921-7757
RMorbelli@gabelli.com

Wayne C. Pinsent, CFA (914) 921-8352
WPinsent@gabelli.com

Morbelli x7757
Pinsent x8352

Gabelli Funds
One Corporate Center
Rye, NY 10580-1422
Tel (914) 921-5100
www.gabelli.com

April 16, 2025

GABELLI FUNDS

Rogers Corporation (ROG - $54.20 - NYSE) 2025 Symposium Reflections

COMPANY OVERVIEW
Rogers Corporation, based in Chandler, AZ, is a designer and manufacturer of highly engineered specialized electronic materials and components for a wide range of applications used in electric vehicles, advanced driving systems, wireless connectivity, industrial, and consumer markets. With 2024 revenue of $830 million and adj. EBITDA of $119 million, Rogers operates through two main business units and a smaller other segment: Advanced Electronics Solutions (AES), Elastomeric Material Solutions (EMS), and Other Advance Materials (2% of sales), which manufactures a variety of materials for diverse markets, including defense and consumer products.

Reason For Comment: Rogers' CEO Colin Gouveia presented virtually at our 16th Annual Specialty Chemicals Symposium. We discussed topics including resetting the business after the DuPont deal was cancelled, timing for a return to volume growth and recovery in its Curamik business, potential M&A, and capital allocation plans.

- **Rogers Today:** With $830M of 2024 sales, Rogers is focused on being a leader in secular high growth markets with innovations in advanced material solutions. Its materials are usually designed into customers' products with applications for extended EV range, advanced safety and autonomous driving, critical defense communications, smartphone durability, high efficiency energy conversion in wind and solar, and improved reliability in Industrial technologies. Rogers operates through 15 manufacturing sites and 3 innovation centers globally and serves over 5,000 customers in 70 countries. Geographically, Rogers is balanced between the US (26% of 2024 sales), China (29%), and EMEA (27%) as its largest regions.

- **Resetting the Business:** Colin took over as CEO two years ago following DuPont's termination of its offer to acquire the company for $277 per share. Since then, he has taken steps to bolster the organization by adjusting the footprint to be even more aligned with customers' needs, adding talent to improve the management team, exiting underperforming businesses, and reducing cost by improving supply chain, operations, and procurement. Top line growth has been challenging during this period due to macro headwinds, industry wide destocking, and supply chain challenges.

- **Curamik:** Destocking has remained a major overhang for Rogers' Curamik product line. During the industry wide destocking issues of 2023, which impacted ROG's EMS business, Curamik reported its 5th record year in a row with top line sales growth and profitability. In 2024, when industry issues normalized, there was a separate large reset in industry inventory for EV power module producers, which are the key customers for Curamik. The "reset" has been ongoing for around a year now; management expects the weak trend to continue for several more months before demand begins to normalize in the back half of 2025. Rogers still sees strong growth for the business long-term and believes that electrification is still inevitable. China EV remains a key area, and investments in a new Curamik plant in the region are aligned with the company's local for local strategy. Rogers now has one manufacturing site in China to serve Asia, and one in Europe to serve western markets. The company believes that it should weather any tariff issues as its footprint is set up to produce locally across the business.

- **Return to Growth:** Colin feels that, barring a recession, Rogers is well positioned to return to volume growth this year: the portable electronics business (7-8% of sales) should pick up strongly seasonally in Q3 as OEMs build for holidays; power module customers see normalization in 2H of year; and general industrial customers are anticipating a modest recovery. However, these expectations could be put at risk by the recent trade policies.

- **M&A/Capital Allocation:** With $160M of cash on its balance sheet as of 12/31/24, Rogers is ending a period of elevated capital expenditure. Colin discussed the company's M&A strategy: synergistic bolt-ons or tuck ins with a focus on highly differentiated technologies (like Rogers' portfolio) designed into customers' products at the engineer level, with revenues in the $50-75M range. Rogers has a good pipeline of potential targets but noted it has not been a buyer's market. When asked about the scuttled DuPont transaction and potential for a similar deal, Colin noted that the company is not up for sale, but that the Board would evaluate any offer should it arise. The company weighs its decisions for acquisitions vs shareholder return through repurchases. The company repurchased $25M worth of stock in 2024, and has remaining authorization to repurchase up to $104M. At the current share price, Rogers could repurchase 10% of its shares outstanding and still have net cash on the balance sheet.

Rosemarie J. Morbelli, CFA (914) 921-7757
RMorbelli@gabelli.com

Wayne C. Pinsent, CFA (914) 921-8352
WPinsent@gabelli.com

Morbelli x7757
Pinsent x8352

Gabelli Funds
191 Mason Street
Greenwich, CT 06830
Tel (914) 921-5100
www.gabelli.com

April 16, 2025

The Sherwin-Williams Company (SHW - $336.88 - NYSE) **2025 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 4,700 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: Sherwin-Williams' Senior VP of Investor Relations & Corporate Communications Jim Jaye and VP Investor Relations Eric Swanson participated in a virtual fireside chat at our 16th Annual Specialty Chemicals Symposium. We discussed topics including the company's end markets, store strategy, competitive dynamics, M&A, and tariffs.

- **End Markets:** While in the near term, the architectural markets will remain choppy, management remains confident regarding the long-term potential. The repaint category currently generates the largest part of total revenues; however, given the economic uncertainties and high interest rates, the low consumer confidence is affecting spending, especially for Do-It-Yourselfers. As in 2024, commercial activity is expected to remain soft for the balance of 2025.
- **Paint Store Model:** Represents the largest and most profitable segment with more than 4,770 company-owned stores serving professional painters with offers of Sherwin-Williams brands and a strong service component. With 2024 revenues of $13.2B and an EBIT margin of 22%, management continues to plan to add 80-100 stores per year; new stores usually breakeven in 9-12 months.
- **Consumer Brands:** Non-Sherwin-Williams brands are sold via big box such as Lowe's, hardware stores, and other independent channels. Most of these sales are generated by DIY consumers; this market remains soft as consumers are under significant financial pressure. Actions taken to attract customers such as remodelers and small contractors are resulting in growth for this category. The company recently announced its agreement to acquire BASF's Brazilian architectural paint, Suvinil, which will become part of this group and increase its margin profile. Closing in anticipated by year-end.
- **Performance Coatings:** Industrial end markets were soft in 2024, and at this juncture, no improvement is expected in 2025. However, packaging (coatings for inside of food and beverage cans) will continue to benefit from legislation in Europe requiring non-BPA coatings. General industrial categories, which include heavy machinery, will remain soft for the balance of the year, as will refinish as consumers are delaying repairing their vehicles.
- **Competitive Dynamics:** Following Kelly Moore's bankruptcy in 2024, Sherwin Williams captured a significant portion of their sales, and has since made investments in people and stores. The sale of PPG architectural paint in the US and Canada to private equity, has not changed the dynamics in the residential repaint market. However, Sherwin Williams could win some commercial projects with revenues being generated in 12-18 months when these projects are ready to be painted.
- **Tariffs:** With approximately 80% revenues generated in North America, 9% in EMEA, 6% in Asia Pacific, and 5% in Latin America, management does not expect tariffs to directly affect its operations. However, it will not be immune to the negative impact of a recession on the demand for architectural paints and industrial coatings.

Rosemarie J. Morbelli, CFA (914) 921-7757
RMorbelli@gabelli.com

Wayne C. Pinsent, CFA (914) 921-8352
WPinsent@gabelli.com

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.

Rosemarie J. Morbelli, CFA (914) 921-7757 ***Wayne C. Pinsent, CFA (914) 921-8352***

Important Disclosures

ONE CORPORATE CENTER RYE, NY 10580 Gabelli Funds TEL (914) 921-5000

This whitepaper was prepared by ***Rosemarie J. Morbelli, CFA and Wayne C. Pinsent, CFA.*** The examples cited herein are based on public information and we make no representations regarding their accuracy or usefulness as precedent. The Research Analysts' views are subject to change at any time based on market and other conditions. The information in this report represents the opinions of the individual Research Analyst's as of the date hereof and is not intended to be a forecast of future events, a guarantee of future results, or investments advice. The views expressed may differ from other Research Analysts or of the Firm as a whole.

As of December 31, 2024, affiliates of GAMCO Investors owned 1.19% of Minerals Technologies, 1.12% of Rogers Corp and less than 1% of all other companies mentioned.

This whitepaper is not an offer to sell any security nor is it a solicitation of an offer to buy any security. ***Investors should consider the investment objectives, risks, sales charges and expense of the fund carefully before investing.***

Gabelli Funds, LLC is a registered investment adviser with the Securities and Exchange Commission and is a wholly owned subsidiary of GAMCO Investors, Inc. (OTC: GAMI).

For more information, visit our website at: www.gabelli.com **or call: 800-GABELLI**

800-422-3554 • 914-921-5000 • Fax 914-921-5098 • info@gabelli.com