



Chemicals Industry Quarterly M&A Newsletter

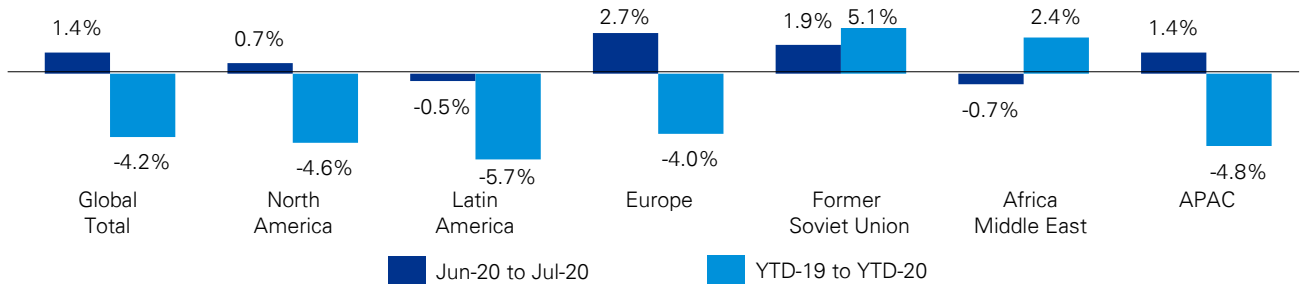
KPMG Corporate Finance LLC
Q3 2020

Chemicals Industry Update

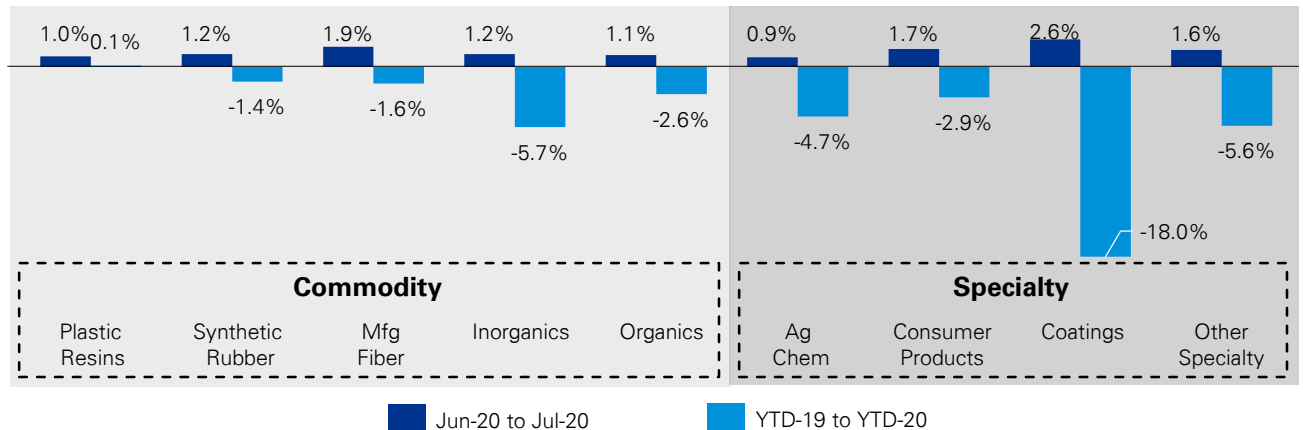
COVID-19 has negatively impacted chemicals production and recovery to pre-COVID-19 levels is expected to take multiple quarters depending on the region and segment

Globally, many chemical industry segments continue to see production declines...

Global Chemical Production Regional Index⁽¹⁾



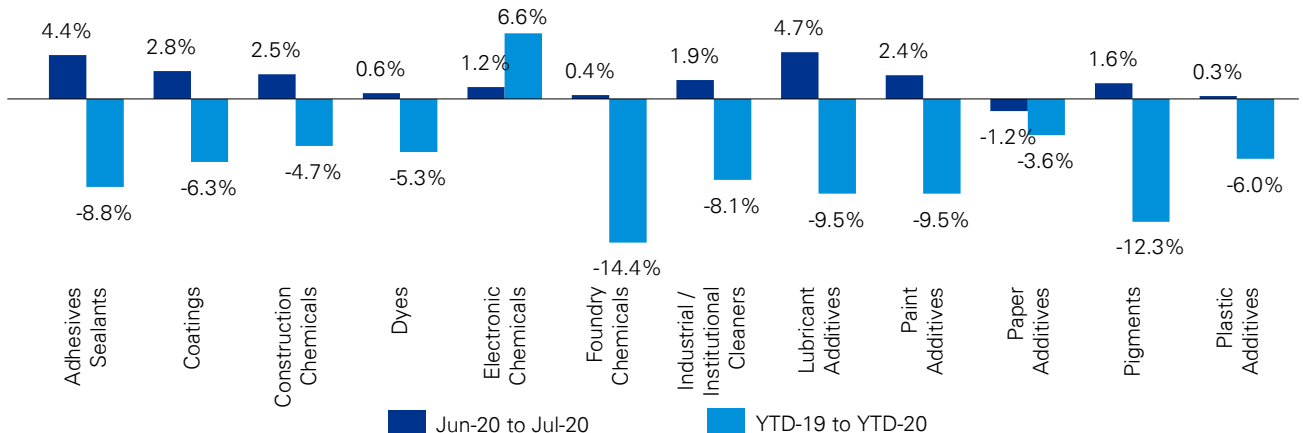
Global Chemical Production by Segment⁽¹⁾



Note: (1) ACC Global Chemical Production Regional Index (Global CPRI).

...however, within the US, some segments have outperformed others...

US Specialty Chemical Production Index⁽¹⁾⁽²⁾
















Note: (1) ACC Global Chemical Production Regional Index (Global CPRI). (2) Representative segments within US Specialty Chemicals.

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Overview of Key End Markets

End market and regional exposure will continue to drive chemical company performance during and after COVID-19

| End Market | KPMG Assessment | During | | Post COVID-19 | | |
|---|--|----------|-----|---------------|------|-------|
| | | COVID-19 | US | EMEA | APAC | LATAM |
|  Adhesives & Sealants | Diversified end market applications created resilience during COVID-19; demand has rebounded to slightly lower than pre-COVID-19 levels | — | ▲ ▼ | ▲ ▼ | ▲ ▼ | ▲ ▼ |
|  Automobile | The V-shape recovery in China is promising, while US auto sales to see a slow recovery; long term demand will shift from personal to commercial auto | ▼ ▼ | ▼ | ▼ | ▲ | ▼ |
|  Construction | Significant operation and supply chain disruption reduced construction activities; still no signs of recovery seen in current market with high uncertainty | ▼ | ▼ | ▼ | ▼ | ▼ |
|  Food & Beverage | Consumer habits of obtaining food and beverage products have shifted towards online channels; higher demand sustained when markets normalize | ▲ ▲ | ▲ | ▲ | ▲ | ▲ |
|  Household | Consumer spending on discretionary household products has had a faster than expected recovery, and the increase in demand for non-discretionary products is expected to sustain | ▲ ▼ | — | — | — | — |
|  Personal Care | Non-discretionary products experienced a temporary demand surge, while overall personal care product demand will normalize | ▲ ▼ | — | — | — | — |
|  Electronics | COVID-19 had a positive demand impact on electronics which was delayed by supply chain constraints with further resiliency driven by communication applications | — | ▲ | ▲ | ▲ | ▲ |
|  Healthcare | Demand for pharmaceutical products will continue to grow driven by expansion in US based manufacturing sites and the aging population | ▲ | ▲ | ▲ | ▲ | ▲ |
|  Oil & Gas | Global demand drove oil price to negative territory; slow recovery will likely continue to negatively impact chemical financial performance for rest of 2020 | ▼ ▼ | ▼ | ▼ | ▼ | ▼ |
|  HI&I Cleaning | The “new normal” for cleaning regimens will sustain when markets normalize | ▲ ▼ | ▲ | ▲ | ▲ | ▲ |
|  Paints & Coatings | Slow recovery mainly driven by weak auto demand and industrial production, while uncertain economic conditions and stay-at-home situation will continue to drive strong demand in DIY sector | ▲ ▼ | ▲ ▼ | ▲ ▼ | ▲ | ▲ ▼ |
|  Plastic Packaging | Consumer behavior change will result in sustained demand for packaging when markets normalize | ▲ | ▲ | ▲ | ▲ | ▲ |
|  Pulp & Paper | Demand increase in packaging will be offset by declining commercial and publication printing | ▲ | ▲ ▼ | ▲ ▼ | ▲ ▼ | ▲ ▼ |

COVID-19 Impact ▲ Positive ▲ ▲ More Positive ▼ Negative ▼ ▼ More Negative ▲ ▼ Mixed — Flat

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Valuation Information for Select Public Companies

As of September 30, 2020

| Company | HQ Country | Market Data ⁽¹⁾ | | | LTM Financials | | | | Valuation Multiples Enterprise Value To: | |
|--------------------------------------|------------|----------------------------|-------------------------|------------------|----------------|---------------------------------|----------------|-----------------|--|---------------------------|
| | | Market Cap (\$mm) | Enterprise Value (\$mm) | Share Price (\$) | Revenue (\$mm) | % Revenue Growth ⁽²⁾ | Gross Margin % | EBITDA Margin % | LTM Revenue | LTM EBITDA ⁽³⁾ |
| Agricultural Chemicals | | | | | | | | | | |
| American Vanguard Corp. | US | 397 | 558 | 13.1 | 456 | 0.0% | 37.9% | 10.5% | 1.2x | 10.4x |
| CF Industries Holdings | US | 6,568 | 12,950 | 30.7 | 4,262 | (8.8%) | 23.3% | 39.0% | 3.0x | 7.2x |
| Corteva, Inc. | US | 21,566 | 21,568 | 28.8 | 14,041 | 2.4% | 40.2% | 15.4% | 1.5x | 10.0x |
| FMC Corporation | US | 13,722 | 17,125 | 105.9 | 4,617 | 4.4% | 44.9% | 26.8% | 3.7x | 13.3x |
| Sociedad Química y Minera | CL | 8,533 | 9,470 | 32.4 | 1,796 | (14.8%) | 28.3% | 33.1% | 5.3x | 15.7x |
| The Mosaic Company | US | 6,926 | 11,414 | 18.3 | 8,673 | (9.0%) | 8.1% | 11.4% | 1.3x | 8.5x |
| Agricultural Chemicals Mean | | | | | | (4.3%) | 30.4% | 22.7% | 2.7x | 10.9x |
| Agricultural Chemicals Median | | | | | | (4.4%) | 33.1% | 21.1% | 2.3x | 10.2x |
| Chemical Distribution | | | | | | | | | | |
| Brenntag AG | DE | 9,887 | 12,278 | 64.0 | 14,624 | (3.0%) | 22.4% | 7.2% | 0.8x | 10.4x |
| IMCD N.V. | NL | 6,810 | 7,715 | 119.7 | 3,202 | 3.1% | 23.4% | 8.6% | 2.4x | 26.3x |
| ITOCHU Corporation | JP | 37,832 | 77,690 | 25.4 | 100,799 | (9.1%) | 16.6% | 9.3% | 0.8x | 8.3x |
| Mitsubishi Corporation | JP | 35,108 | 97,916 | 23.8 | 127,895 | (16.5%) | 12.5% | 4.5% | 0.8x | 12.1x |
| Sumitomo Corporation | JP | 14,892 | 44,964 | 11.9 | 47,560 | (7.4%) | 16.3% | 5.1% | 0.9x | 15.6x |
| Univar Solutions Inc. | US | 2,854 | 5,454 | 16.9 | 8,763 | (0.9%) | 24.0% | 6.6% | 0.6x | 8.2x |
| Chemical Distribution Mean | | | | | | (5.6%) | 19.2% | 6.9% | 1.1x | 13.5x |
| Chemical Distribution Median | | | | | | (5.2%) | 19.5% | 6.9% | 0.8x | 11.3x |
| Commodity Chemicals | | | | | | | | | | |
| Braskem S.A. | BR | 2,990 | 11,609 | 3.8 | 9,045 | (13.4%) | 12.0% | (4.9%) | 1.3x | NM |
| Dow Inc. | US | 34,870 | 51,528 | 47.1 | 39,092 | (16.0%) | 13.4% | 13.9% | 1.3x | 8.1x |
| LyondellBasell Industries | US | 23,532 | 36,716 | 70.5 | 29,941 | (18.8%) | 13.0% | 13.8% | 1.2x | 7.8x |
| Orbia Advance Corp. | MX | 3,643 | 8,512 | 1.8 | 6,421 | (9.3%) | 27.5% | 19.1% | 1.3x | 6.6x |
| Olin Corporation | US | 1,954 | 6,169 | 12.4 | 5,630 | (15.4%) | 6.9% | 10.2% | 1.1x | 8.9x |
| Westlake Chemical Corp. | US | 8,072 | 11,710 | 63.2 | 7,590 | (9.8%) | 14.1% | 16.1% | 1.5x | 9.1x |
| Commodity Chemicals Mean | | | | | | (13.8%) | 14.5% | 11.4% | 1.3x | 8.1x |
| Commodity Chemicals Median | | | | | | (14.4%) | 13.2% | 13.8% | 1.3x | 8.1x |
| Diversified Chemicals | | | | | | | | | | |
| Arkema S.A. | FR | 8,155 | 9,552 | 106.8 | 9,734 | (6.6%) | 20.2% | 14.1% | 1.0x | 6.6x |
| BASF SE | DE | 56,267 | 81,357 | 61.3 | 69,151 | (0.2%) | 25.5% | 9.5% | 1.2x | 11.7x |
| Eastman Chemical Co. | US | 10,570 | 16,246 | 78.1 | 8,695 | (10.0%) | 23.2% | 19.3% | 1.9x | 9.1x |
| Huntsman Corporation | US | 4,900 | 6,412 | 22.2 | 6,184 | (14.6%) | 17.9% | 8.1% | 1.0x | 11.8x |
| Solvay SA | BE | 8,953 | 12,433 | 86.6 | 12,391 | (7.8%) | 25.7% | 18.9% | 1.0x | 5.0x |
| The Chemours Company | US | 3,434 | 7,041 | 20.9 | 5,140 | (12.5%) | 18.3% | 5.9% | 1.4x | 16.5x |
| Diversified Chemicals Mean | | | | | | (8.6%) | 21.8% | 12.6% | 1.2x | 10.1x |
| Diversified Chemicals Median | | | | | | (8.9%) | 21.7% | 11.8% | 1.1x | 10.4x |
| Specialty Chemicals | | | | | | | | | | |
| Akzo Nobel N.V. | NL | 19,685 | 21,913 | 101.9 | 10,236 | (6.3%) | 43.5% | 12.8% | 2.1x | 15.3x |
| Clariant AG | CH | 6,540 | 8,216 | 19.9 | 4,499 | (6.7%) | 31.9% | 12.5% | 1.8x | 13.2x |
| DuPont de Nemours | US | 40,713 | 57,294 | 55.5 | 20,679 | (6.1%) | 35.7% | 25.0% | 2.8x | 10.7x |
| Ferro Corporation | US | 1,020 | 1,842 | 12.4 | 951 | 21.2% | 31.2% | 13.0% | 1.9x | 13.4x |
| H.B. Fuller Company | US | 2,361 | 4,155 | 45.8 | 2,752 | (6.0%) | 27.1% | 13.2% | 1.5x | 11.5x |
| RPM International | US | 10,767 | 13,353 | 82.8 | 5,507 | (1.0%) | 38.4% | 13.2% | 2.4x | 16.7x |
| Specialty Chemicals Mean | | | | | | (0.8%) | 34.6% | 14.9% | 2.1x | 13.5x |
| Specialty Chemicals Median | | | | | | (6.0%) | 33.8% | 13.1% | 2.0x | 13.3x |
| Mean | | | | | | (6.6%) | 24.1% | 13.7% | 1.7x | 11.3x |
| Median | | | | | | (7.6%) | 23.3% | 12.9% | 1.3x | 10.4x |

Source: Capital IQ

(1) Market data as of September 30, 2020. Market data may be based on foreign exchange listed securities and converted to \$USD

(2) LTM revenue growth calculated using year-over-year revenue for Q3'20 LTM vs Q3'19 LTM

(3) EBITDA equals Earnings before Interest Expense, Income Taxes, Depreciation and Amortization. LTM EBITDA multiple calculated using lease adjusted EBITDA value

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Recent Industry Transactions

| Date Closed | Target | Buyer | Enterprise Value (\$ mm) | EV / LTM Revenue | EV / LTM EBITDA |
|-------------|---|---|--------------------------|------------------|-----------------|
| Oct-20 | Agrinos | AMVAC Chemical Corporation | - | - | - |
| Oct-20* | Sasol Chemicals (Certain Assets in Louisiana) | LyondellBasell Industries | \$4,000 | - | - |
| Sep-20* | Koninklijke DSM N.V. (Resins & Functional Materials Businesses) | Covestro | \$1,820 | 1.5x | 11.7x |
| Sep-20* | Hexion (Resins Business) | InvestIndustrial and Black Diamond Capital Management | \$425 | - | - |
| Sep-20* | CHR Hansen (Natural Colors Business) | EQT Partners | \$929 | - | - |
| Sep-20 | Custom-Pak Products | PLZ Aerospace | - | - | - |
| Sep-20 | Irlplast | Cheyne Capital Management | \$107 | 1.0x | 11.6x |
| Sep-20 | Stahl (Performance Powder Coatings Business) | Akzo Nobel | - | - | - |
| Aug-20* | Venator Materials (40% Stake) | SK Capital Partners | \$1,083 | 0.5x | 7.3x |
| Aug-20* | Porocel Corporation | Evonik Industries | \$210 | 2.1x | 9.1x |
| Aug-20* | Lanxess (Organic Leather Chemicals Business) | TFL Ledertechnik | \$231 | - | - |
| Aug-20* | Momentive Performance Materials (Consumer Sealants Business) | Henkel | \$204 | 1.8x | - |
| Aug-20 | Schülke & Mayr | EQT Partners | \$1,098 | - | - |
| Jul-20 | Techmer PM | SK Capital Partners | - | - | - |
| Jul-20* | Rovensa | Partners Group | \$1,143 | 2.8x | - |
| Jul-20 | Optics Balzers | Materion Corporation | \$160 | 2.4x | 12.0x |
| Jun-20 | BP (Petrochemicals Business) | INEOS Styrolution Group | \$5,000 | - | - |
| Jun-20 | UAS Laboratories | CHR Hansen | \$530 | - | - |
| Jun-20 | Rheogistics | The International Group | - | - | - |
| Jun-20 | Modern Waterproofing Company | Sika | \$33 | 1.1x | 6.0x |
| Jun-20 | ChampionX Holding | Apergy Corporation | \$3,888 | 1.6x | 10.0x |
| Jun-20 | USALCO | H.I.G. Capital | - | - | - |
| Jun-20* | KMCO (Ethoxylation Manufacturing Business) | ALTIVIA Chemicals | - | - | - |
| May-20 | Arkema (Functional Polyolefins Business) | SK Global Chemical | \$369 | 1.3x | - |
| May-20 | Les Derives Resiniques Et Terpeniques | Firmenich Productions Participations | \$1,859 | 3.1x | 17.2x |
| May-20 | CVC Thermoset Specialties | Huntsman Corporation | \$306 | 2.7x | 10.0x |

* Indicates transaction pending.

Source: Press releases, public filings, Capital IQ, Merger Market.

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Recent Industry Transactions (cont.)


| Date Closed | Target | Buyer | Enterprise Value (\$ mm) | EV / LTM Revenue | EV / LTM EBITDA |
|-------------|---|---|--------------------------|------------------|-----------------|
| Apr-20 | Hitachi Chemical Company | Showa Denko K.K. | \$8,994 | 1.5x | 12.5x |
| Apr-20 | PBF Energy Inc. (Hydrogen Production Assets) | Air Products and Chemicals | \$530 | - | - |
| Apr-20 | Ellison Surface Technologies | Bodycote | \$200 | 3.4x | 16.7x |
| Apr-20 | OMNOVA Solutions | Synthomer | \$752 | 1.0x | 10.6x |
| Apr-20 | Guangdong Polysil Technology | Elkem | \$135 | - | - |
| Apr-20 | Meese | Tank Holding | - | - | - |
| Mar-20 | Milacron (Cimcool Business of Hillenbrand) | DuBois Chemicals | \$250 | - | - |
| Mar-20 | Kraton Polymers (Cariflex Business) | Daelim USA | \$530 | - | 13.6x |
| Mar-20 | Trient Technologies and Tekra Corporation | DelStar Technologies | \$155 | 1.6x | - |
| Mar-20 | Alpha Coating Technologies | PPG Industries | - | - | - |
| Feb-20 | Schmid Rhyner | Altana | - | - | - |
| Feb-20 | Icynene-Lapolla | Huntsman Corporation | \$346 | 1.5x | 10.0x |
| Feb-20 | Innophos Holdings, Inc. | Iris Parent (One Rock Capital Partners) | \$1,004 | 1.3x | 8.4x |
| Feb-20 | Industria Chimica Reggiana | PPG Industries | - | - | - |
| Jan-20 | Solvay (Performance Chemicals Business) | DOMO Chemicals | \$557 | - | - |
| Jan-20 | Borchers Americas Inc. | Milliken & Company | - | - | - |
| Jan-20 | Nye Lubricants, Inc. | Fuchs Petrolub SE | - | - | - |
| Jan-20 | Integrated Oxides and Derivatives Businesses/Assets | Indorama Ventures Holdings | \$2,006 | 1.0x | 5.7x |
| | | | Median | 1.5x | 10.3x |
| | | | Mean | 1.7x | 10.8x |

* Indicates transaction pending.

Source: Press releases, public filings, Capital IQ, Merger Market.




KPMG Corporate Finance Overview

KPMG Corporate Finance* is a leading global middle-market M&A advisor

| M&A Advisor Rankings ⁽¹⁾ | | Global Reach | Industry Recognition ⁽²⁾ | KPMG Global Chemicals Coverage |
|-------------------------------------|--------------|---|---|--|
| 2010-2019 Transactions | | › Global team of 2,500+ dedicated M&A professionals providing global reach and local presence Americas <ul style="list-style-type: none"> ✓ 10 countries ✓ 40 offices ✓ 433 professionals Europe <ul style="list-style-type: none"> ✓ 64 countries ✓ 113 offices ✓ 1,578 professionals Asia-Pacific <ul style="list-style-type: none"> ✓ 10 countries ✓ 21 offices ✓ 536 professionals |  THE M&A ADVISOR Industrials Deal of the Year (\$100M – \$1B) <i>Sale of Kauffman Engineering to Monomoy Capital Partners</i> 2019 | › More than 300 partners focused on sector › Investment bankers in 21 countries › Over 75% of largest chemical companies are KPMG clients › Regular thought leadership on industry trends |
| 1. KPMG* | 4,321 | |  has named KPMG Corporate Finance LLC Global M&A Transactions Advisor of the Year 2018 | |
| 2. PwC | 4,135 | |  FORTUNE 100 BEST COMPANIES TO WORK FOR 2018 | |
| 3. Deloitte | 2,827 | | | |
| 4. Ernst & Young | 2,654 | | | |
| 5. Rothschild | 2,552 | | | |
| 6. Houlihan Lokey | 2,347 | | | |
| 7. BDO | 1,883 | | | |
| 8. Lazard | 1,859 | | | |
| 9. Goldman Sachs | 1,813 | | | |
| 10. Morgan Stanley | 1,685 | | | |

| | | | | | |
|--|--|--|--|--|---|
|  LOCKMASTERS INCORPORATED has been acquired by  September 2020 |   has been acquired by  July 2020 |  WEI has been acquired by  March 2020 |   has been acquired by  February 2020 |   a portfolio company of  has been acquired by  January 2020 |   has divested  has been acquired by  December 2019 |
|--|--|--|--|--|---|

Case Study

| | |
|---|---|
|   has been acquired by  June 2020 | <p>The Company</p> <ul style="list-style-type: none"> Founded in 1980 and headquartered in Baltimore, Maryland, USALCO is a leading provider of high quality aluminum-based chemicals used primarily in water and wastewater treatment processes and for the manufacturing of catalysts used by refineries in the production of gasoline, diesel and other downstream products |
| | <p>The Situation</p> <ul style="list-style-type: none"> USALCO was seeking a sale or recapitalization of the business with a financial partner that could provide significant up-front liquidity and that could provide value-added resources to enable the company to take advantage of its market leading presence to drive further growth KPMG served as the exclusive financial advisor to the company and ran a highly competitive process amongst the most active financial sponsors within the chemicals sector |
| | <p>"...my brother David and I were clearly advantaged to rely on KPMG Corporate Finance with the most significant decision of our professional lives. Our relationship with the KPMG team dates back to 2015, and we could not be more appreciative of the entire team's patience to pursue the type of transaction we were targeting. KPMG provided valuable strategic guidance and insights that allowed the shareholders to navigate a number of unique complexities in a very challenging deal market. With KPMG's help, we are confident we have found the right partner to take our business to the next level." - USALCO CEO, Peter Askew</p> |

KPMG CF's Chemicals Investment Banking Team



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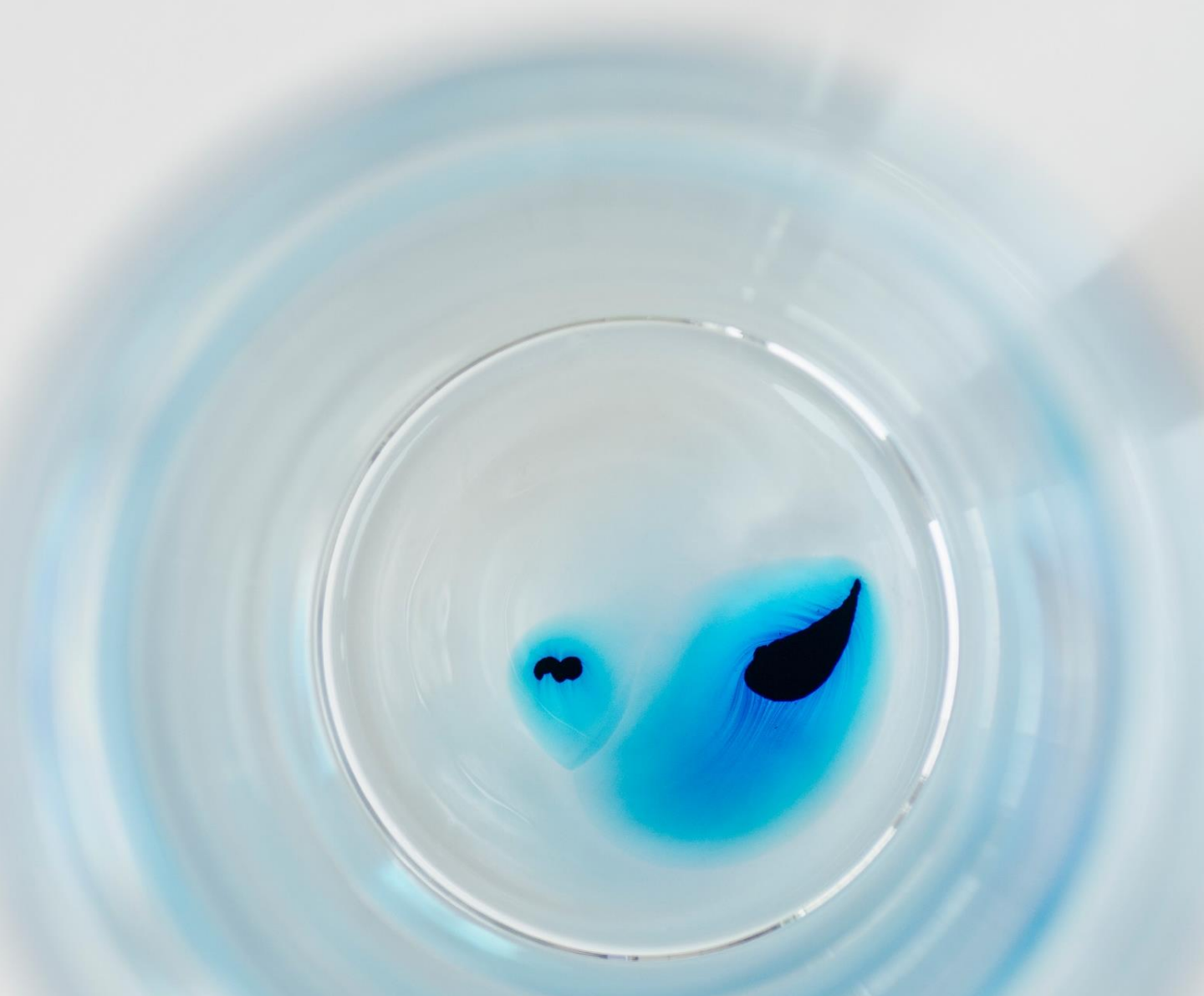
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Note: (1) Thomson Reuters SDC. Completed transactions of US\$500 million or less of enterprise value. December 31, 2019; (2) Represents KPMG LLP.
 *Represents the global Corporate Finance practices of KPMG International's network of independent member firms.

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Appendix: End Market Deep Dive

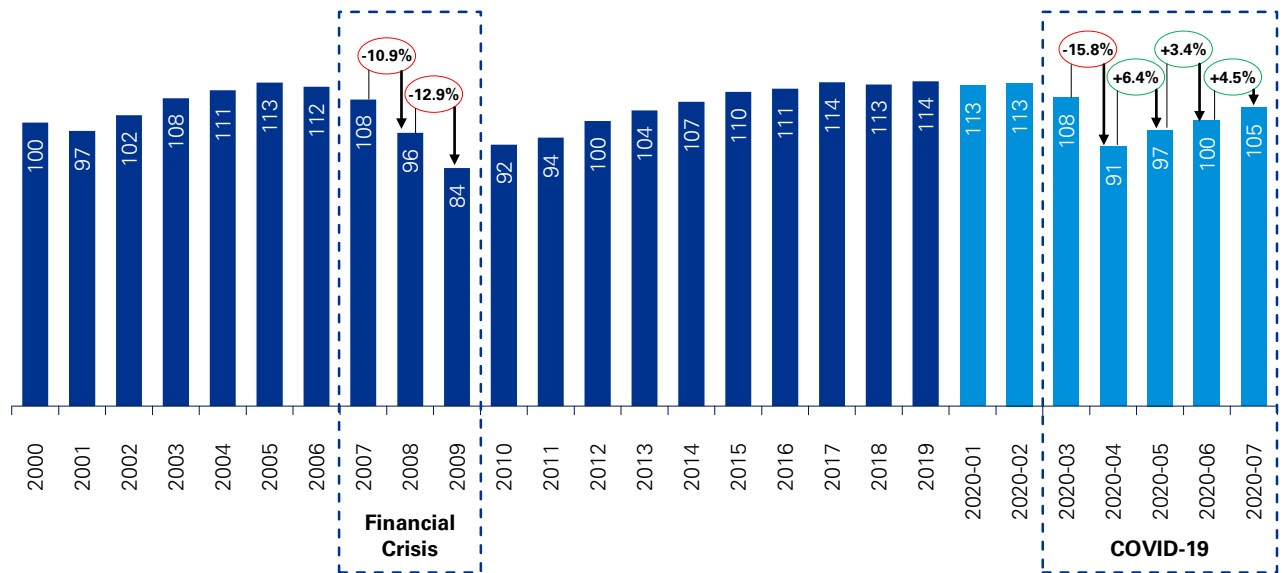


End Market View: Adhesives & Sealants

Diversified end-market application created some resilience during COVID-19; demand has rebounded to slightly lower than pre-COVID-19 levels

- Demand for adhesives and sealants is slowly recovering, while still below pre-COVID-19 levels
- The single month drop in April 2020 was about 15.8%, larger than the 2008-09 demand drop during the financial crisis
- The diversified end market exposure for adhesives and sealants has created some resiliency for companies during COVID-19. The outlook will be mixed and is heavily dependent on the actual end-market mix of specific firms

ACC Specialty Market Demand Index
(July 2020)



Adhesives and sealants end-market applications are extremely diversified

| Industry | During COVID | Post COVID |
|-------------------------------------|--------------|------------|
| Paper, Board, Packaging | ▲ | ▲▼ |
| Building & Construction | ▼ | ▼ |
| Auto, Industrial, Transportation | ▼ | ▼ |
| Healthcare & Medical | ▲ | ▲ |
| Electronics | ▲ | ▲ |
| Woodworking & Furniture | ▼ | — |
| Footwear & Leather | ▼ | — |
| Overall Diversified Adhesive Sector | ▲▼ | ▲▼ |

▲ Positive ▲▲ More Positive ▼ Negative ▼▼ More Negative ▲▼ Mixed — Flat

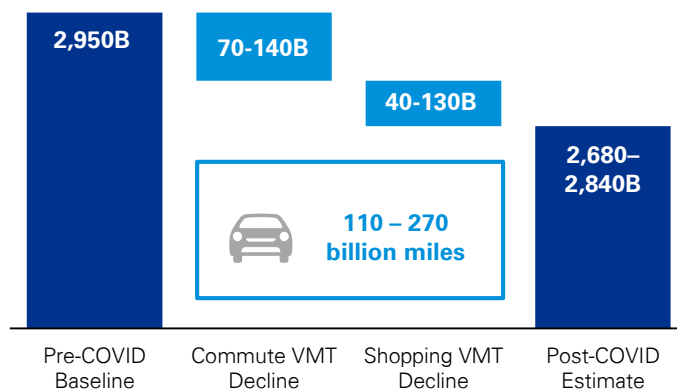
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End Market View: Automotive

V-shape recovery in China is promising, while US auto sales to see a slow recovery; long term demand will shift from personal to commercial auto

- 22% of publicly traded automotive and transportation companies (21 out of 94) are identified to have "solvency issue" as of week 29 in 2020, including Ford, GM, Nissan, Hyundai, and United Continental Holdings
- Average financial health for the sector has been hovering around 0 during 2020. While stock momentum scores have partially recovered from COVID-19, the current momentum score is still below pre-COVID-19 levels
- The automotive and transportation industry has not fully recovered. As the current exposure to solvency issues remains relatively high at 10%, the recovery period is likely to be lengthy

Estimated Potential Decline in VMT (Billion miles, light vehicles only)

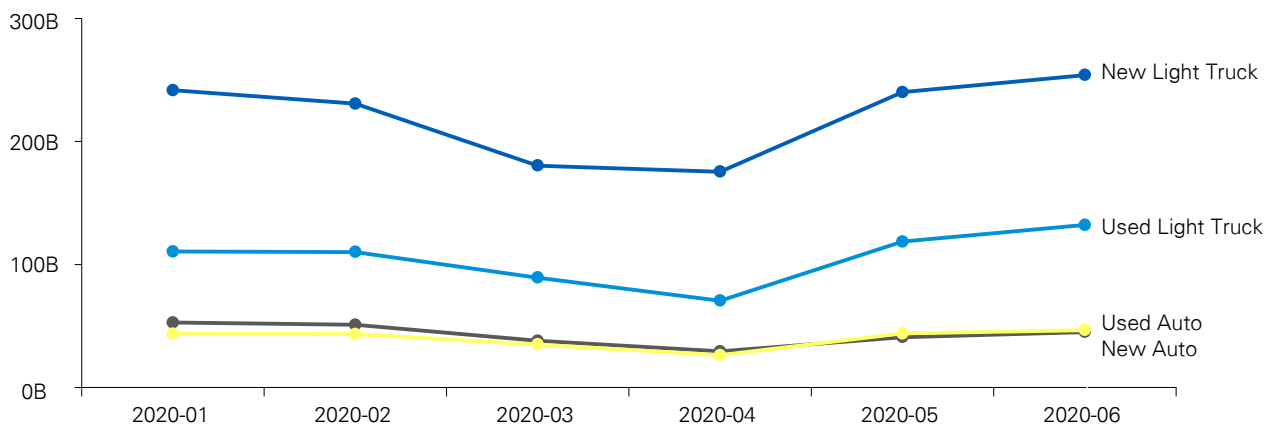


New Reality for Automotive

- VMT Decline
- Less commuting and shopping
- Less need for cars
- Huge second-order effects
- Higher commercial vehicle demand
- Complex consumer behavior

Source: U.S. Bureau of Transportation Statistics; U.S. National Household Travel Survey; KPMG analysis

Automotive - Personal Consumption Expenditure



Source: BEA (Bureau of Economic Analysis) Personal Consumption Expenditure Data, updated June 2020

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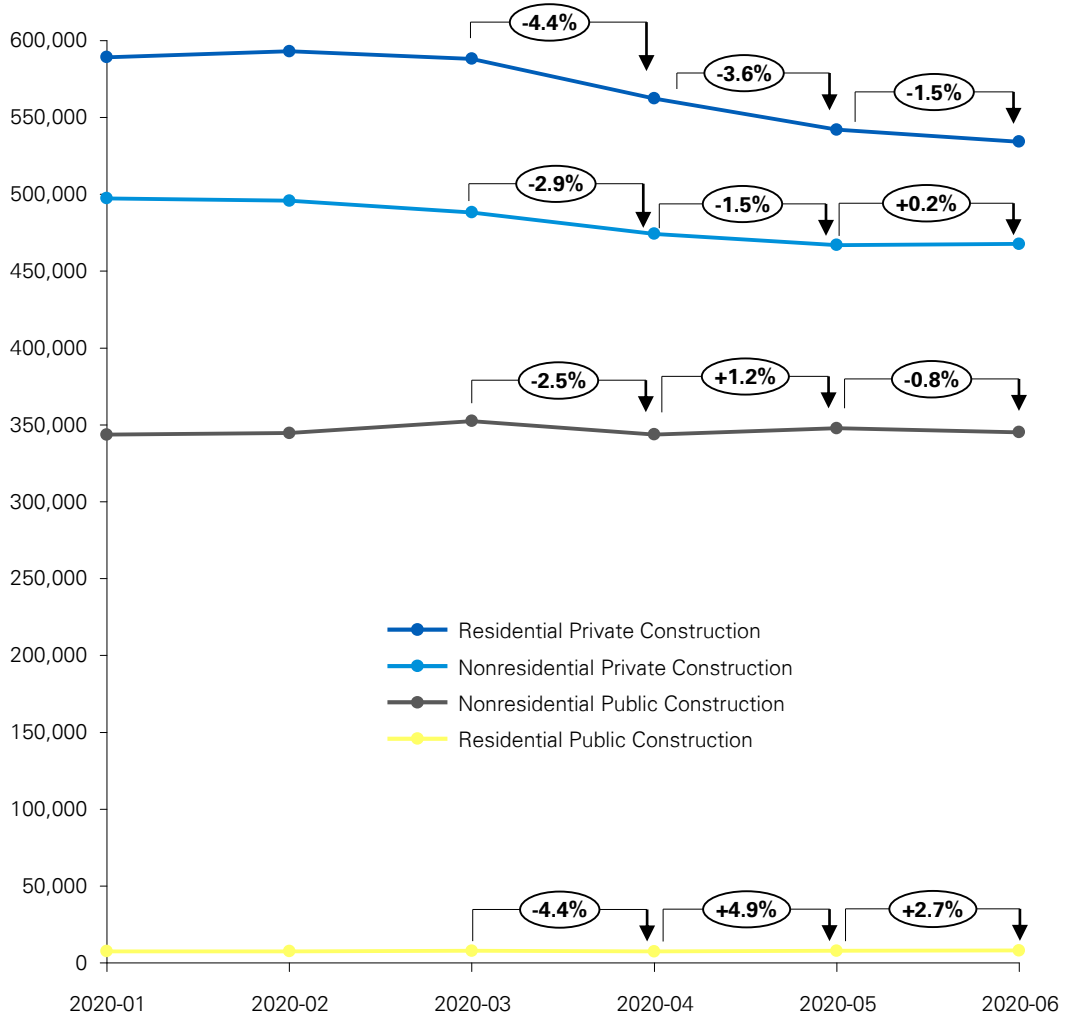
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End Market View: Construction

Significant operational limitations and supply-chain disruption reduced construction activities. Recovery will be slow over multiple quarters

- The construction industry has experienced significant disruption during COVID-19 due to construction site closures, operation limitations, and supply chain disruption
- Value of construction put in place continued to decrease in May and June for residential private construction, and overall, the construction market still has not started recovering
- Construction historically has been tracking closely with GDP, and the economic slowdown could further reduce construction activities
- Some believe that the government will provide up to a \$1 trillion infrastructure relief package to boost public investment as a means to revive the economy

Census Bureau Value of Construction Put in Place
(Seasonally Adjusted Annual Rate, millions of dollars)



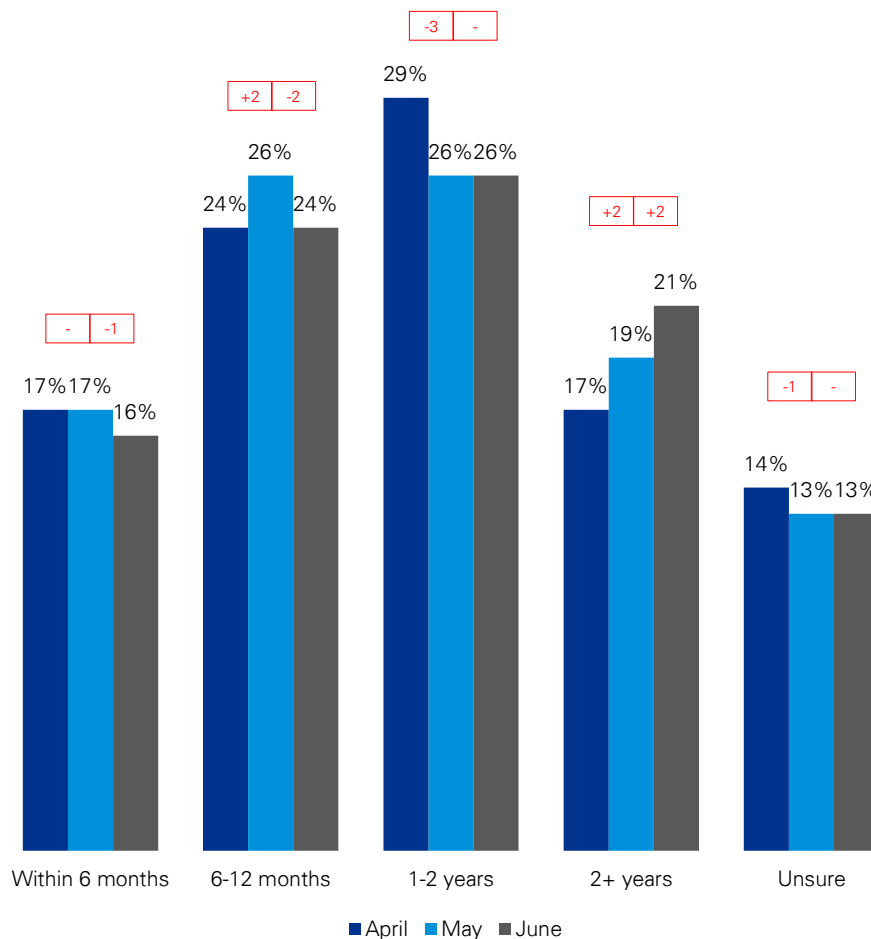
End Market View: Consumer Goods & Plastic Packaging

Gradual decline in consumer-level optimism demonstrates the toll COVID-19 has had on US consumers; recovery will be a longer path than initially expected

- COVID-19 has negatively impacted the household income of consumers and has resulted in a decrease of consumer spend by ~10% y-o-y in July'20
- The average US holiday spend is expected to decline for all categories except computer and hardware
- There has been an increase in “back-to-school” spend, led by a rise in school supplies and computer and hardware spend, primarily due to the virtual mode of classes adopted by schools
- There is a visible permanent shift in consumer mobility trends with more people working from home during COVID-19; however, a large share of people are willing to travel when things return to normal

KPMG conducted 3 surveys of 1,000 consumers across the United States

“When COVID-19 is under control, how long do you think it will take for the overall economy to rebound to pre-COVID-19 levels?”

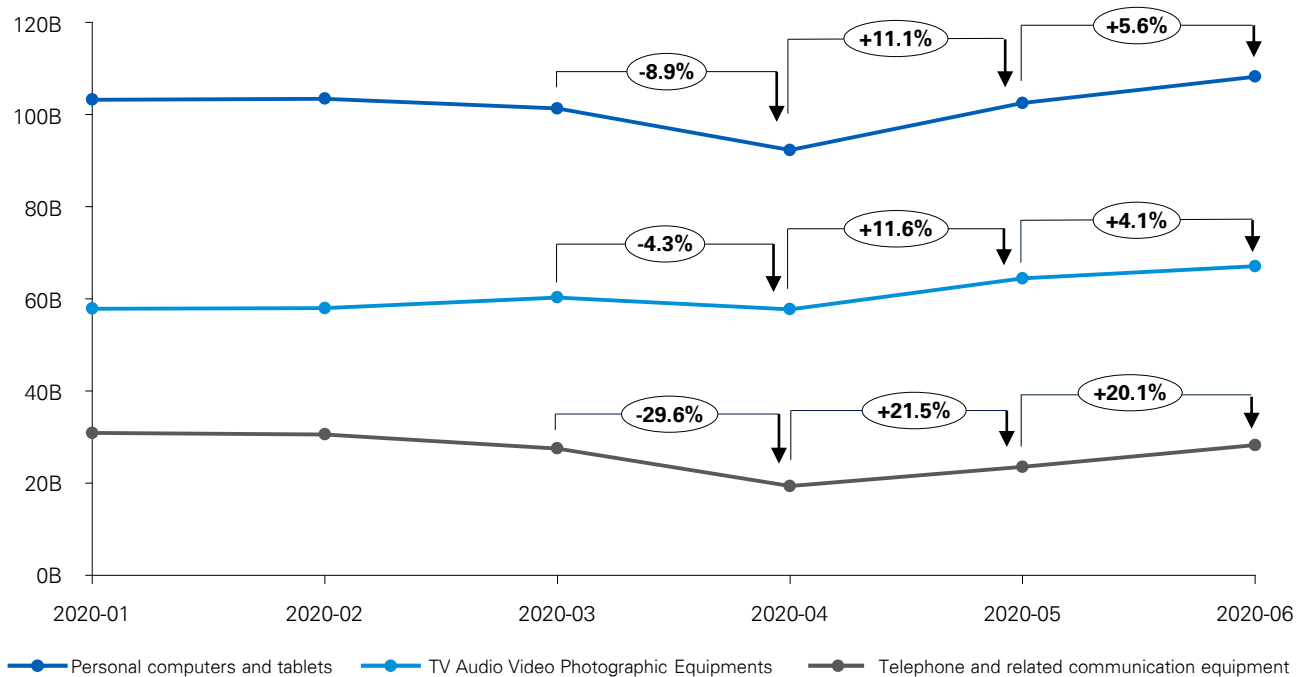


End Market View: Electronics

COVID-19 has had a minimal impact on overall demand for electronics chemicals; resiliency driven by communication applications

- Consumer electronics consumption has picked up since April. Demand is recovering and may exceed pre-COVID-19 level as the stay-at-home / work from home situation continues
- The growth in communication, enterprise sectors and 5G are likely to continue when markets normalize, while a longer recovery is expected for automotive and industrial manufacturing

Consumer Electronic Products - Personal Consumption Expenditure



Source: BEA (Bureau of Economic Analysis) Personal Consumption Expenditure Data, updated June 2020

| Industry | During COVID | Post COVID |
|--|--------------|------------|
| Consumer Electronics (TV, Cellphone, Computer, Home, etc.) | ▼ | — |
| Communication (Telecom, Broadcasting, 5G, Enterprise etc.) | ▲ | ▲ |
| Industrial (Automotive, Manufacturing, Medical, etc.) | ▲▼ | ▲▼ |
| Electronics | — | ▲▼ |

▲ Positive ▲▲ More Positive ▼ Negative ▼▼ More Negative ▲▼ Mixed — Flat

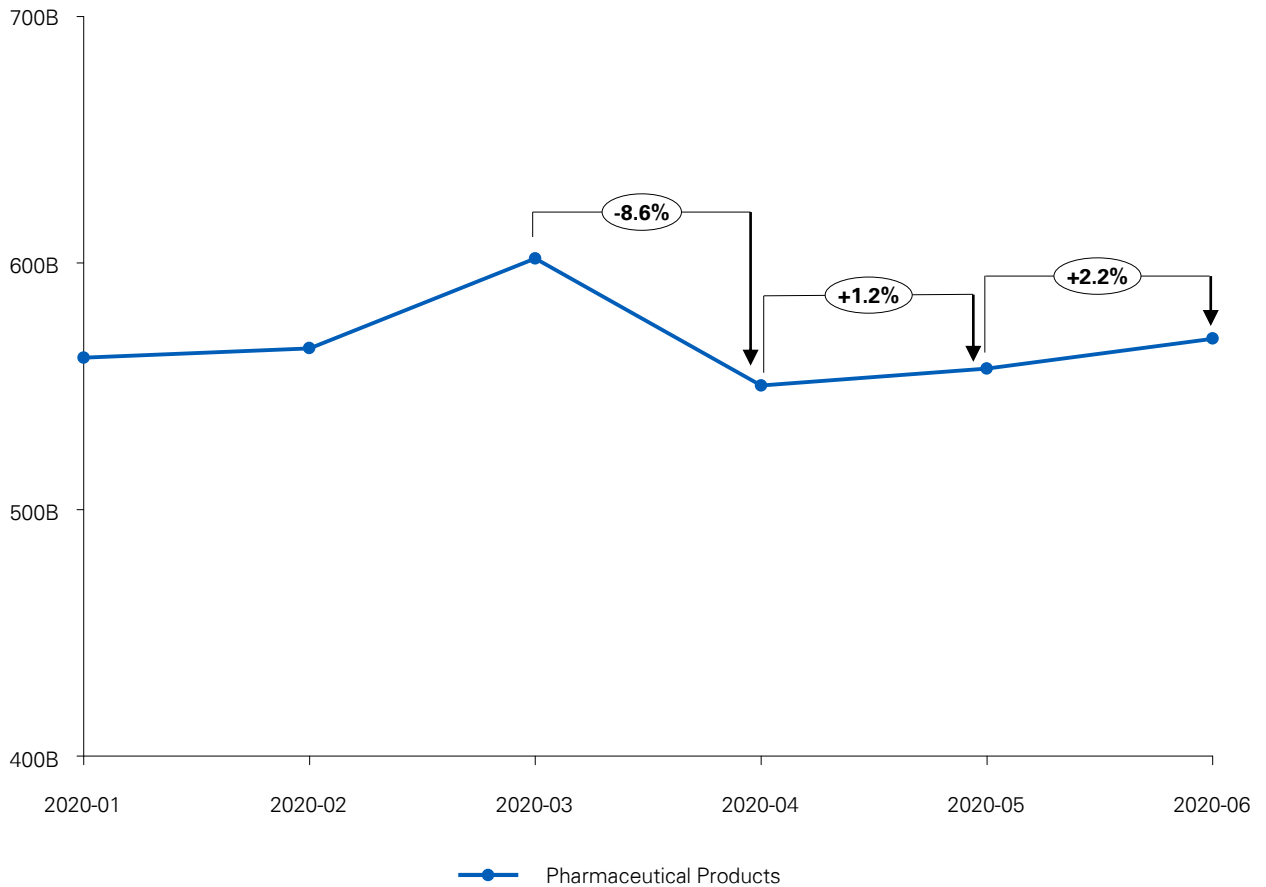
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End Market View: Healthcare

Demand for pharmaceutical products will continue to grow driven by expansion in US based manufacturing sites and the aging population

- Demand for pharmaceutical products increased during COVID-19. The growth is likely to be sustained due to a heightened focus on having US based manufacturing sites for key pharma intermediates and APIs to minimize chemical suppliers in the long run
- Moreover, the aging population will continue to drive the demand for pharmaceutical and healthcare sectors when markets normalize

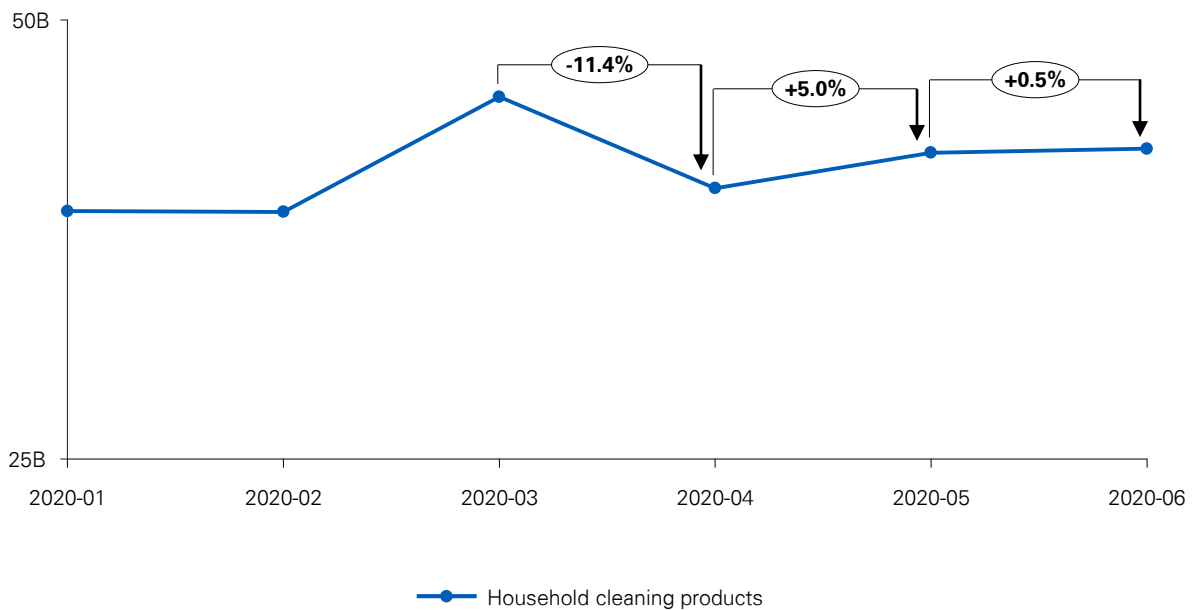


End Market View: HI&I Cleaning

The “new normal” for cleaning regimens will sustain

- While industrial and institutional cleaning have been negatively impacted during COVID-19, the “new normal” of consumer household cleaning habits developed during the stay-at-home period – surface disinfectants, laundry detergents, among others, will remain strong when markets normalize
- Mandates and guidance are put in place by US State governors to ensure public health and prevent a second wave

Household Cleaning Products - Personal Consumption Expenditure



Source: BEA (Bureau of Economic Analysis) Personal Consumption Expenditure Data, updated June 2020

| Industry | During COVID | Post COVID |
|-------------------------------------|--------------|------------|
| Household | ▲ | ▲▲ |
| Industrial | ▼ | ▲ |
| Institutional | ▼ | ▲ |
| Overall Diversified Cleaning Sector | ▲▼ | ▲ |

▲ Positive ▲▲ More Positive ▼ Negative ▼▼ More Negative ▲▼ Mixed — Flat

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End Market View: Industrial Paints & Coatings

Slow recovery mainly driven by weak auto demand and industrial production

- In addition to weak auto demand for the foreseeable future, industrial paints and coatings for business equipment and materials is expected to be reduced
- Once factories can reopen at full capacity, a fairly swift recovery in industrial production is anticipated
- However, it is unclear whether or not the production capacity will return to pre-COVID-19 levels

Industrial Production Index



Source: Federal Reserve Board, Industrial Production and Capacity Utilization, updated July 2020

| Industry | During COVID | Post COVID |
|-------------------------------|--------------|------------|
| Paint and Coatings Industrial | ▼ | ▼ |

▲ Positive ▲▲ More Positive ▼ Negative ▼▼ More Negative ▲▼ Mixed — Flat

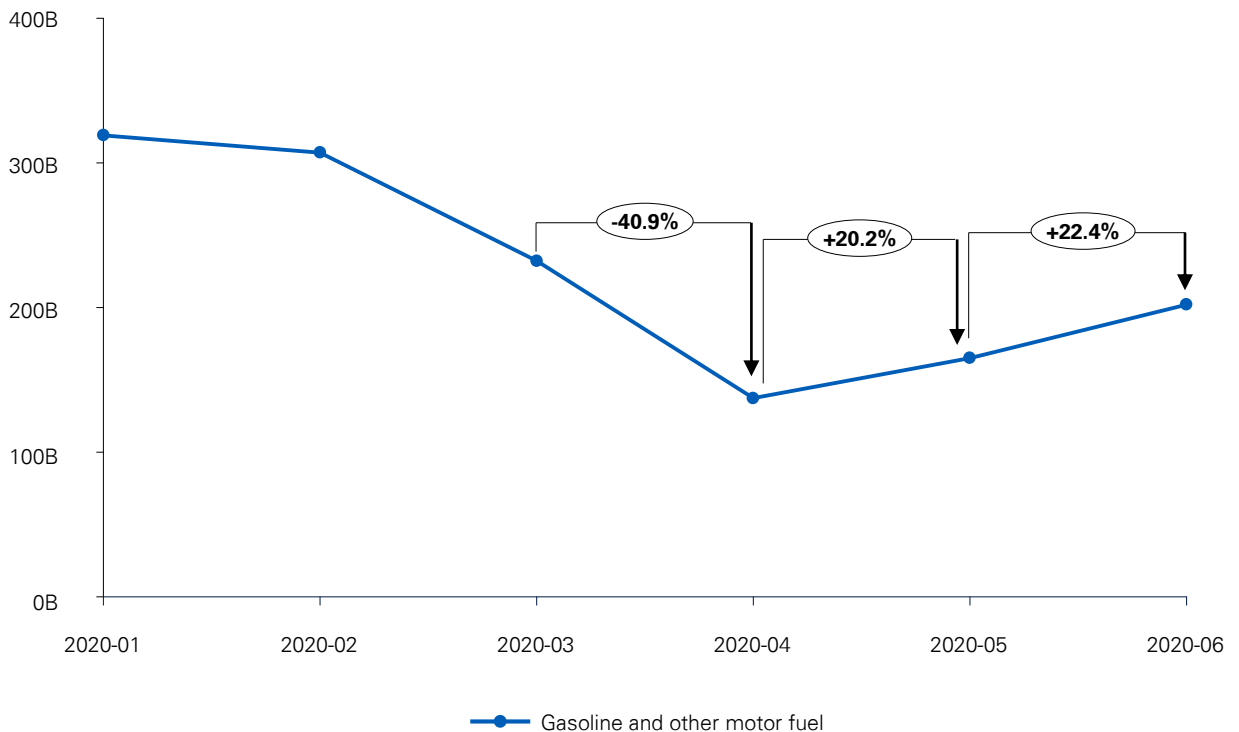
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End Market View: Oil & Gas

Global demand drives oil price to negative territory; slow recovery will likely continue to negatively impact chemical financial performance for rest of 2020

- On April 21st, West Texas Intermediate (WTI) experienced a collapse of price into negative territory with terminal shortages reflecting a significant collapse in demand
- While personal consumption in gasoline and motor fuel have picked up since April, the consumption level is still significantly lower than pre-COVID-19

Gasoline - Personal Consumption Expenditure



Source: BEA (Bureau of Economic Analysis) Personal Consumption Expenditure Data, updated June 2020

| Industry | During COVID | Post COVID |
|-------------|--------------|------------|
| Oil and Gas | ▼▼ | ▼ |
| Refinery | ▼▼ | ▼ |

▲ Positive ▲▲ More Positive ▼ Negative ▼▼ More Negative ▲▼ Mixed — Flat

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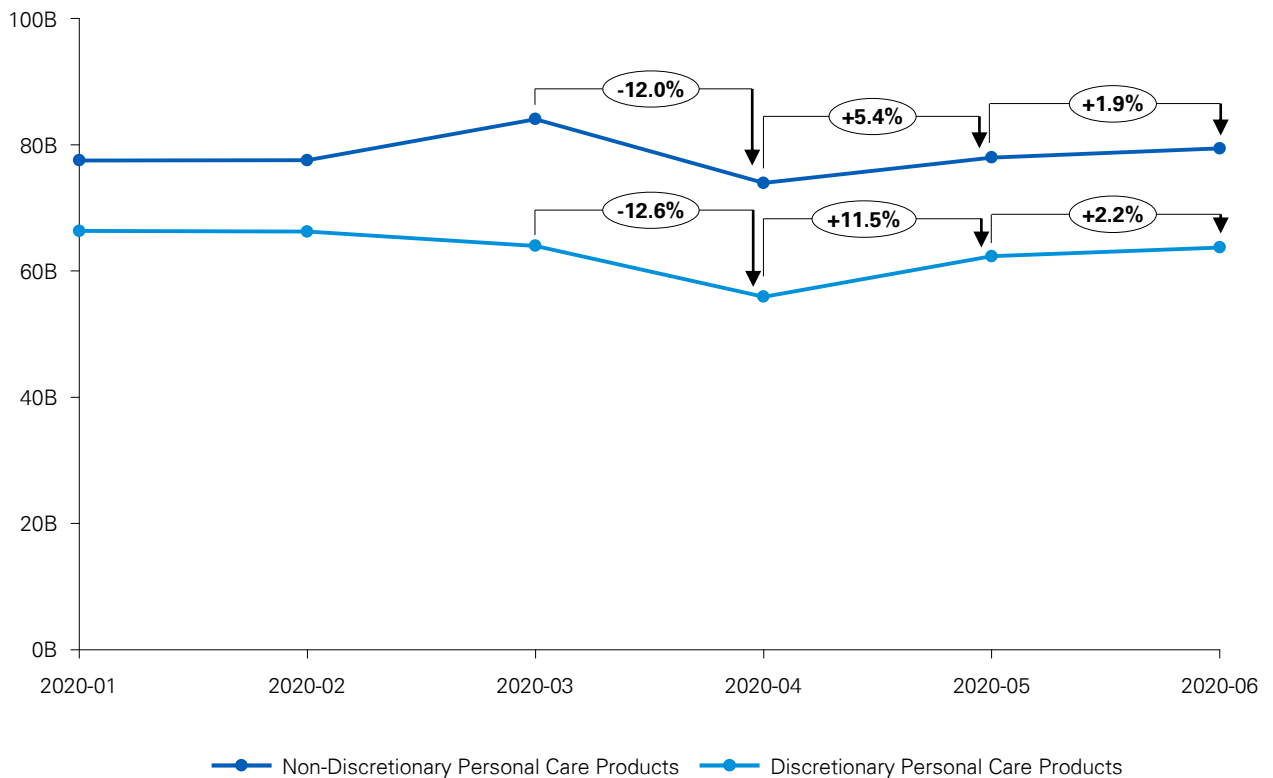
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End Market View: Personal Care Products

Non-discretionary products experienced a temporary demand surge, while overall personal care product demand will normalize

- Discretionary and non-discretionary products experienced different consumption patterns during COVID-19
- Spending in cosmetics, perfumes, bath, and nail products declined, while hair, dental shaving and non-electrical personal care appliances experienced a temporary surge during COVID-19
- Long-term consumption in personal care products will level up, which was observed in May and June personal consumption for both discretionary and non-discretionary products

Personal Care Products - Personal Consumption Expenditure



Source: BEA (Bureau of Economic Analysis) Personal Consumption Expenditure Data, updated June 2020

| Industry | During COVID | Post COVID |
|--|--------------|------------|
| Discretionary Personal Care (Cosmetic, Perfumes, Bath, Nail) | ▼ | — |
| Non-Discretionary Personal Care (Hair, Dental, Shaving, Appliance) | ▲ | — |

▲ Positive ▲▲ More Positive ▼ Negative ▼▼ More Negative ▲▼ Mixed — Flat

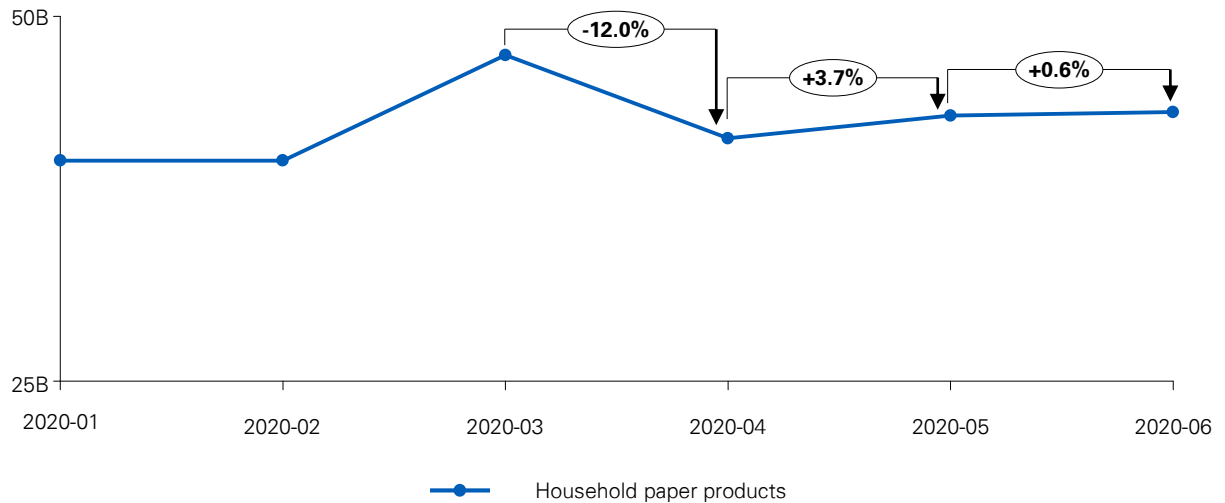
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End Market View: Plastic, Pulp & Paper Packaging

Consumer behavior change will result in sustained demand for packaging, offset by declining commercial and publication printing

- Higher demand for paper tissues and towels, along with consumer behavioral shift towards e-commerce will drive the use of packaging and household paper products when things return to normal
- Household paper products consumption in April through June was higher than pre-COVID-19 level
- A soft industrial sector and commercial and publication printing are offsetting the demand gain from the consumer sector

Household Paper Products - Personal Consumption Expenditure



Source: BEA (Bureau of Economic Analysis) Personal Consumption Expenditure Data, updated June 2020

| Industry | During COVID | Plastic Pkg. Post COVID | Paper Pkg. Post COVID |
|--|--------------|-------------------------|-----------------------|
| Food and Beverages (Consumer Nondiscretionary) | ▲ | ▲ | ▲ |
| Personal and Household (Unsustained Panic Shopping, e.g. Toilet Paper) | ▲ | — | — |
| Delivery Packaging (Sustained Behavior Shift) | ▲ | ▲▲ | ▲▲ |
| Apparel and Footwear (Consumer Discretionary) | ▼ | — | — |
| Pharmaceuticals | ▲ | ▲ | ▲ |
| Industrial Packaging | ▼ | ▼ | — |
| Commercial & Publication Printing | ▼ | — | ▼ |
| Overall Packaging Sector | ▲▼ | ▲▼ | ▲▼ |

▲ Positive ▲▲ More Positive ▼ Negative ▼▼ More Negative ▲▼ Mixed — Flat

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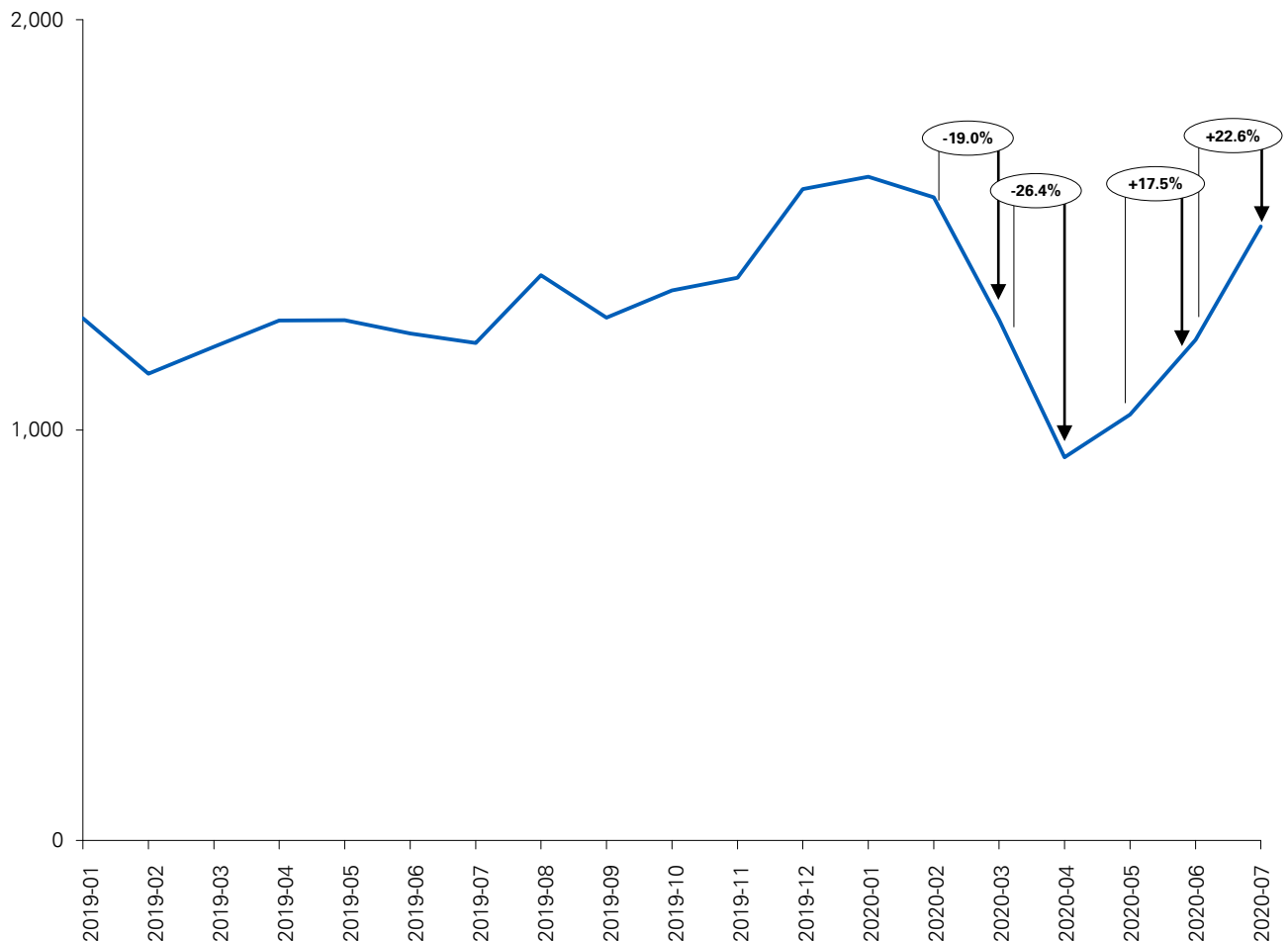
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End Market View: Residential Paints & Coatings

Uncertain economic conditions and stay-at-home dynamics will likely continue to drive strong demand in DIY

- Housing starts surged 22.6% in July, bringing the segment back to pre-COVID-19 levels. Housing normally leads an economy out of a recession as it is an interest-rate sensitive sector; housing will likely play that role in this recovery
- Consumer DIY painting increased during COVID-19, and will likely sustain as stay-at-home continues
- Given that there is a shortage of existing homes for sale to meet demand, it also creates more interest in newly-built homes and will promote the home building sector as well

US Housing Starts (thousands of units)



Source: U.S. Census Bureau, New Privately Owned Housing Units Started, SAAR, updated July 2020

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