



Buy Presentation

Industrials

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WESTERN INVESTMENT CLUB

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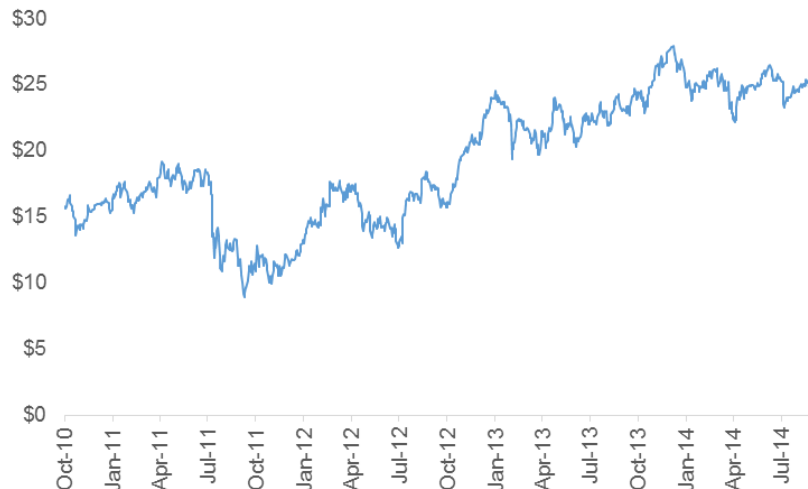


Company Overview

Chemtura is a diversified global manufacturer of specialty chemicals

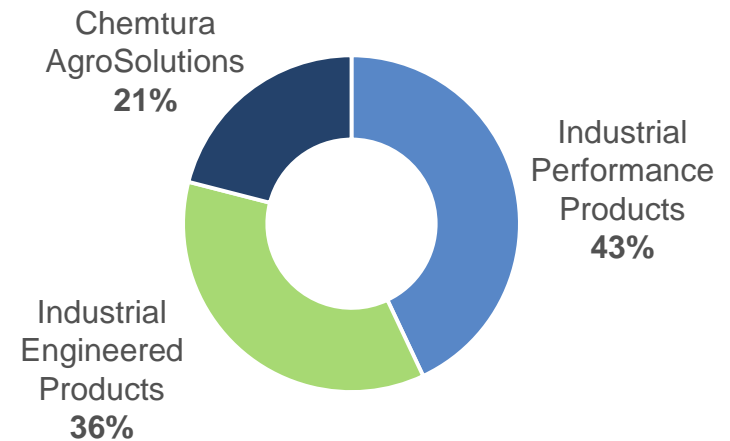
Chemtura Corporation

Ticker	NYSE : CHMT
Stock Price	\$25.17
Market Capitalization	2.28b
52-Week Trading Range	21.96 – 28.17
LTM Revenue	2,278m
LTM EBITDA	235m



Business Overview

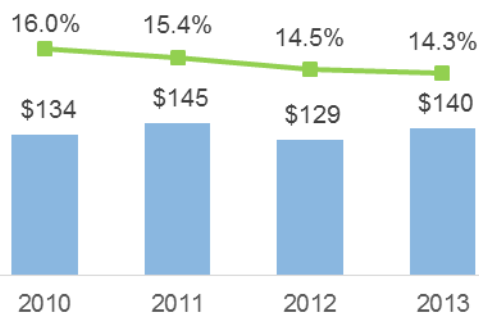
- A diversified global manufacturer of specialty chemicals
- Products are sold to industrial customers as value-adding additives, ingredients, or intermediates
- A late-stage turnaround lead by management



Business Overview

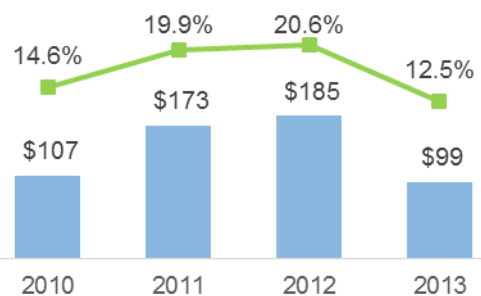
Scale and global reach build competitive advantage

Industrial Performance Products



- A global supplier of **Petroleum Additives** and **Urethane Chemicals**; a leader in various specialty greases and base-fluids
- Key end markets: Energy and Transportation

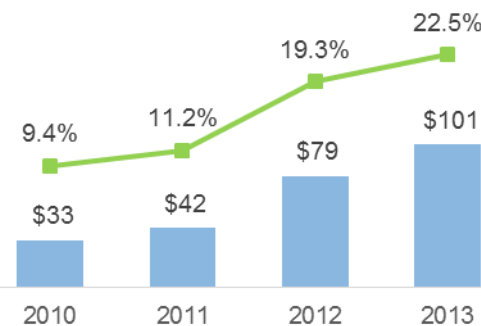
Industrial Engineered Products



- One of the three largest manufacturers of **Bromine** related products and **Organometallic Compounds**
- Key end markets: Electronics, Oil & Gas, and Pharmaceuticals

\$ in millions and EBITDA % of Net Sales

Chemtura AgroSolutions



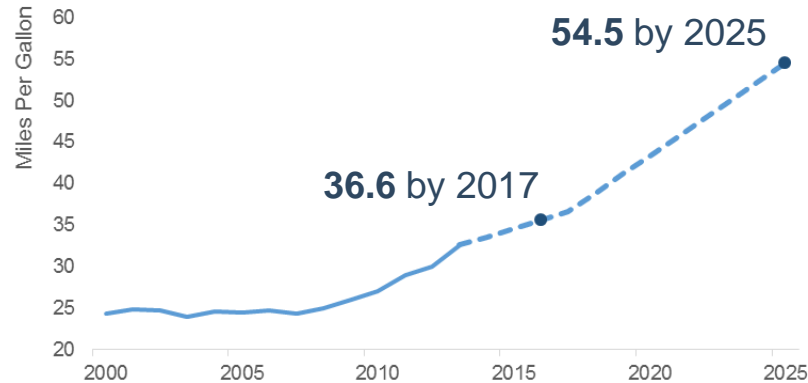
- A robust portfolio of over 2000 **Crop Protection** and **Seed Treatment** products
- A niche developer that focuses on specific target applications
- Key end market: Agriculture



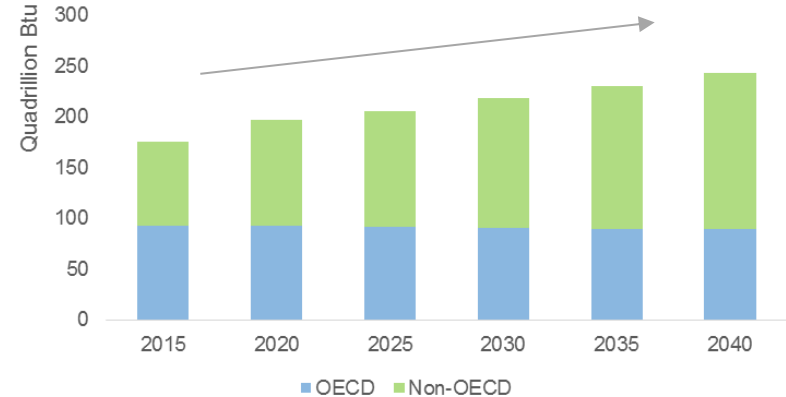
Segmental Analysis: IPP

Favorable secular trends support steady demand growth

Gas Mileage Standards



Petroleum Consumption



- Steady pricing growth at a minimum annual rate of 1.1% for the past several years
- CHMT is a leading producer and in some cases the only supplier of high-end synthetic lubricants
 - Rising fuel economy and emission standards in Europe and the U.S. are driving demand for synthetic oils
 - Alternative energy sources will all require specialized lubricants to achieve cost feasibility
- Energy and transportation markets are growing via higher vehicle ownership rates and industrial growth in emerging markets
- New facilities in China and the Netherlands to shift product mix toward high-end synthetic lubricants



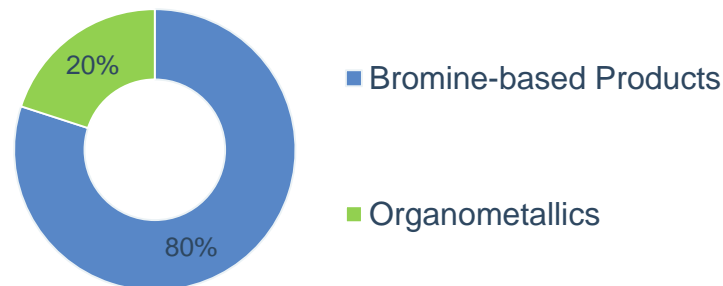
Segmental Analysis: IEP

IEP Offers Exposure to Diverse End Markets, Driven by Development of New Products and Applications

IEP offerings are used in the following industries:

- | | |
|---------------------------|-----------------------------------|
| ▪ Agriculture | ▪ Pharmaceuticals |
| ▪ Biocides | ▪ Polymerization Catalysts |
| ▪ Building & Construction | ▪ Energy |
| ▪ Coatings | ▪ Mercury Control |
| ▪ Consumer Durables | ▪ Oilfield |
| ▪ Electronics | ▪ Photovoltaic |
| ▪ Furniture | ▪ Solar Insulation |
| ▪ Fine Chemicals | ▪ Paint & Coatings Polymerization |
| ▪ Oil & Gas Exploration | ▪ Transportation |

IEP Revenue by Sub-segment



Bromine-based Products

- Business operates as Great Lakes Solutions
- Manufactures bromine and bromine-related intermediaries used in industrial and consumer products, in addition to energy producing industries in the form of clear-brine solutions
- Fire retardants make up the largest part of bromine-based revenue, with applications in electronic components and enclosures, furniture and building products, and automotive products

Organometallics

- Organometallics are metals containing organic compounds, often used as catalysts and reagents
- Used in polymerization, glass coatings, production of semiconductors, LEDs, photovoltaic panels, and pharmaceutical manufacturing
- Products are often tailored to specific client needs and offer a considerable amount of innovation

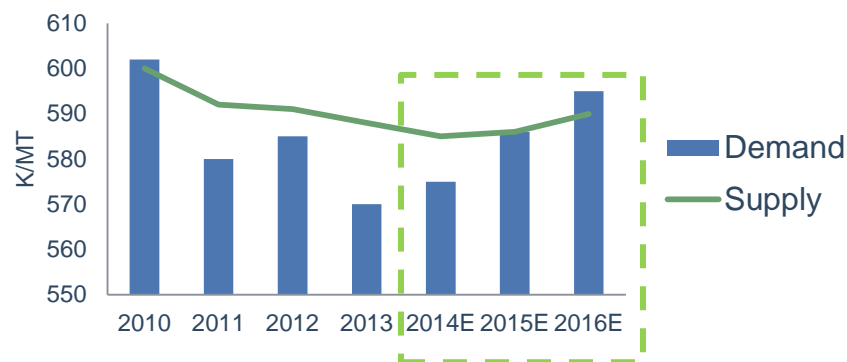
Investment Thesis

Bromine Cyclicity Offers IPP at a Bargain

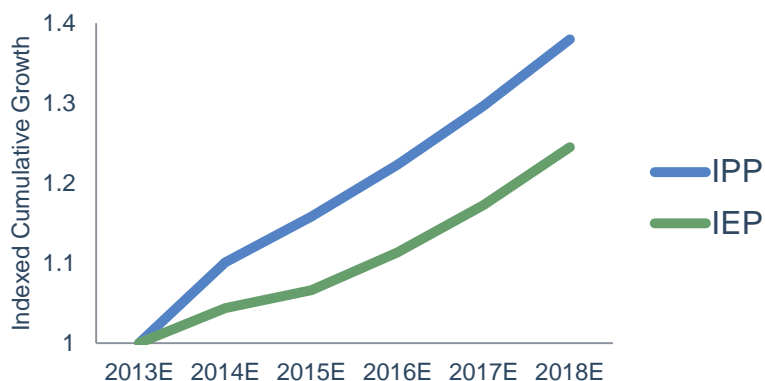
Bromine-driven Multiples Depression is Undervaluing the High Growth IPP Segment

- The bromine market is currently experiencing oversupply as a result of a cyclically low demand, driven by declining technology-related orders
- Volumes have steadily improved from a low in 2013, so lower revenues are strictly a function of price
- While pricing is expected to improve in the near term, specialty chemical producers with bromine exposure have been discounted by the market

Bromine Supply-Demand Dynamic



Projected Revenue Growth



- The IPP business segment is projected to grow at a higher rate than the IEP segment, which should warrant higher trading multiples for this business
- However, because of CHMT's IEP headwinds, the entire company has been discounted and therefore IPP is trading cheaply given its growth profile



Investment Thesis

Strategic Portfolio Actions Create Shareholder Value

- Completed the sale of two underperforming businesses and is actively returning proceeds to shareholders
- The impending sale of AgroSolutions will lead to debt repayment and accretive share repurchases; \$600 million NOLs can be used against capital gains
- Divesting non-core segments to become a pure-play on industrial specialty chemicals
 - Better focused on growth opportunities and margin improvement within key end markets
 - A similar strategy has been successfully pursued by other chemicals company (i.e. DuPont, Cytec, Rockwood, etc.)
 - Unlocked value hidden inside a overly diverse business structure

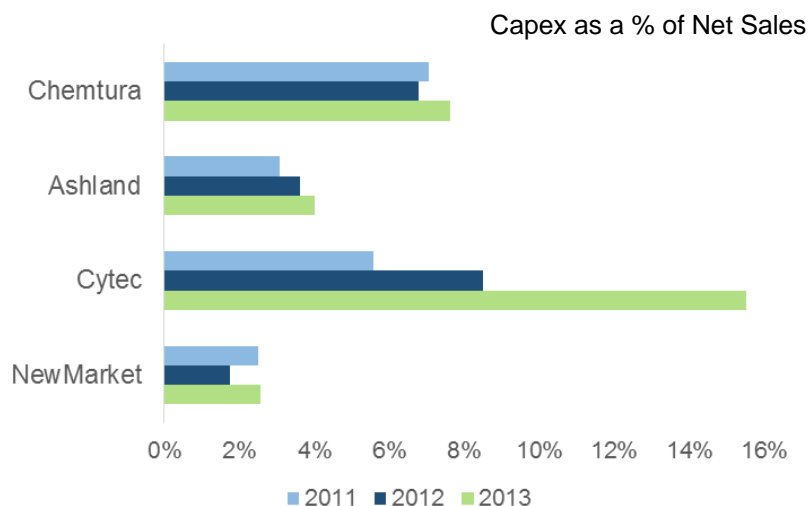
Date	Acquirer	Target	Price	EBITDA Multiple
Apr-17-2014	Platform Specialty Products	AgroSolutions	\$989.3M	9.9x
Oct-10-2013	KIK Custom Products	Consumer Products	\$300.0M	7.9x
Nov-12-2012	Addivant USA	Antioxidants	\$199.8M	20.0x



Investment Thesis

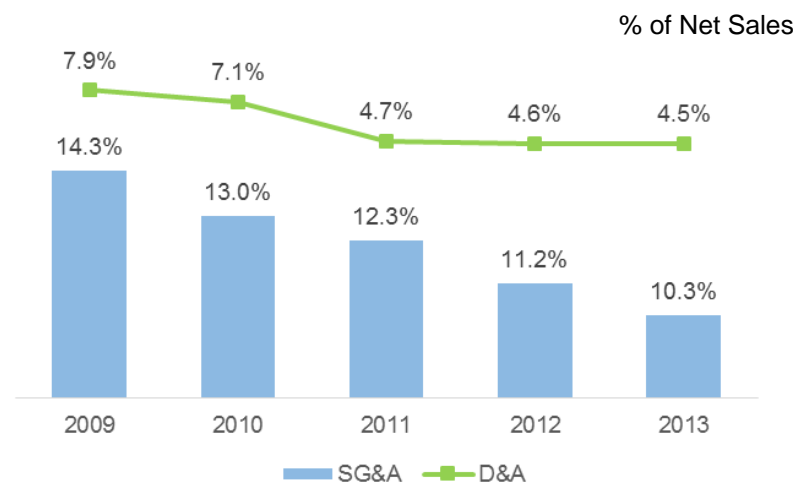
Capex and restructuring initiatives will deliver long-term benefits

Capex Fuels Faster Growth



- New manufacturing facilities in Nantong, China and Ankerweg, the Netherlands; transitioning toward higher margin products
- Large up-front spending; capex expected to scale back in 2014-2015

Restructuring Hits Inflection Point



- Restructuring costs related to divestiture and consolidation clouded historical profitability
- Margin expansion will occur as management phases out restructuring initiatives but SG&A remains low



Valuation

CHMT is undervalued on forward EV/EBITDA

Comparable Companies Analysis

Company Name	Share Price	Market Cap	TEV	EV/EBITDA		EV/Sales		P/E	
				2014E	2015E	2014E	2015E	2014E	2015E
Industrial Performance Products									
Cytec Industries Inc.	\$ 50.44	\$ 3,621.6	\$ 4,198.0	10.4x	9.4x	2.1x	2.0x	17.2x	15.7x
NewMarket Corporation	400.65	5,066.2	5,306.1	13.2x	12.5x	2.3x	2.2x	21.5x	19.9x
Industrial Engineered Products									
A. Schulman, Inc.	\$ 37.63	\$ 1,099.2	\$ 1,310.9	9.0x	7.9x	0.6x	0.5x	16.9x	14.5x
Albemarle Corporation	64.94	5,081.0	5,767.7	9.7x	8.5x	2.2x	2.0x	14.9x	13.3x
Chemtura AgroSolutions									
American Vanguard Corp.	\$ 12.70	\$ 369.3	\$ 451.1	10.0x	7.7x	1.4x	1.3x	35.5x	15.1x
Balchem Corp.	58.48	1,788.4	2,128.7	15.7x	12.0x	4.0x	3.1x	29.6x	21.5x
Mean				11.3x	9.7x	2.1x	1.8x	22.6x	16.7x
Median				10.2x	9.0x	2.2x	2.0x	19.3x	15.4x
Chemtura	\$ 24.90	\$ 2,255.3	\$ 2,821.3	9.2x	8.4x	1.2x	1.3x	22.5x	16.8x
SOTP Blended Multiple				10.9x	9.8x				

- CHMT is trading in line with its IEP peers even with a strong IPP segment
- An SOTP analysis shows undervaluation due to a highly diversified portfolio and bromine underperformance



Valuation

Volume and pricing growth for each product group is derived from the weighted average growth rate of its end markets

Revenue Model

	2015E	2016E	2017E	2018E
Industrial Performance Products				
Petroleum Additives Volume Growth	5.0%	5.1%	5.1%	5.2%
Petroleum Additives Pricing Growth	1.4%	1.7%	1.9%	2.2%
Urethanes Volume Growth	2.0%	2.4%	2.9%	3.3%
Urethanes Pricing Growth	0.0%	0.0%	0.0%	0.0%
Industrial Engineered Products				
Bromine Volume Growth	4.6%	6.3%	6.0%	5.9%
Bromine Pricing Growth	-2.0%	-1.0%	0.0%	1.0%
Organometallics Volume Growth	3.7%	3.7%	3.7%	3.7%
Organometallics Pricing Growth	-3.0%	-2.3%	-1.5%	-0.8%

Key End Markets:

- Transportation (Automotive)
- Industrial lubricants

- Thermoplastic Polyurethane

- Electrical & Electronics
- Energy
- Other

- Polymerization Catalysts
- Tin-based Intermediates
- MOCVD



Discounted Cash Flow Analysis

	2014E	2015E	2016E	2017E	2018E
IPP Sales	1,077.6	1,133.6	1,197.2	1,269.2	1,350.6
IEP Sales	838.1	856.0	894.1	941.4	999.6
Total Sales	\$ 1,915.8	\$ 1,989.7	\$ 2,091.2	\$ 2,210.5	\$ 2,350.2
<i>% growth</i>		3.9%	5.1%	5.7%	6.3%
IPP EBITDA	159.5	173.4	189.2	206.9	226.9
<i>% sales</i>	14.8%	15.3%	15.8%	16.3%	16.8%
IEP EBITDA	100.6	119.8	143.1	169.4	199.9
<i>% sales</i>	12.0%	14.0%	16.0%	18.0%	20.0%
EBIT	\$ 97.9	\$ 129.2	\$ 164.1	\$ 203.1	\$ 247.4
Tax Rate	30.0%	20.0%	20.0%	20.0%	30.0%
Plus: Depreciation & Amortization	85.5	88.5	92.9	98.1	104.2
Less: Capital Expenditures	(100.0)	(110.0)	(104.6)	(110.5)	(117.5)
Less: Increase in Net Working Capital	(16.0)	(16.7)	(17.5)	(18.5)	(19.7)
Proceeds from AgroSolutions Sale	680.3	-	-	-	-
Unlevered Free Cash Flow	\$ 718.3	\$ 65.2	\$ 102.0	\$ 131.5	\$ 140.2

- Assuming the divestiture of AgroSolutions will close in 4Q2014
- Revenue growth rates and EBITDA margins are made under conservative assumptions and are well below management guidance and consensus estimate
- Steady sales growth coupled with margin expansion will drive value



Valuation

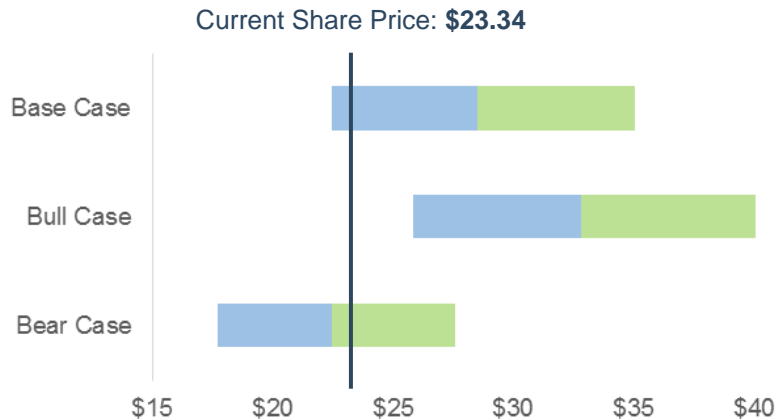
Discounted Cash Flow Analysis Cont.

Sensitivity Analysis

		EBITDA Exit Multiple				
		6.0x	7.0x	8.0x	9.0x	10.0x
WACC	10.6%	\$ 23.83	\$ 26.64	\$ 29.45	\$ 32.27	\$ 35.08
	11.1%	\$ 23.47	\$ 26.22	\$ 28.98	\$ 31.73	\$ 34.49
	11.6%	\$ 23.12	\$ 25.82	\$ 28.51	\$ 31.21	\$ 33.90
	12.1%	\$ 22.78	\$ 25.42	\$ 28.06	\$ 30.70	\$ 33.34
	12.6%	\$ 22.45	\$ 25.03	\$ 27.62	\$ 30.20	\$ 32.79

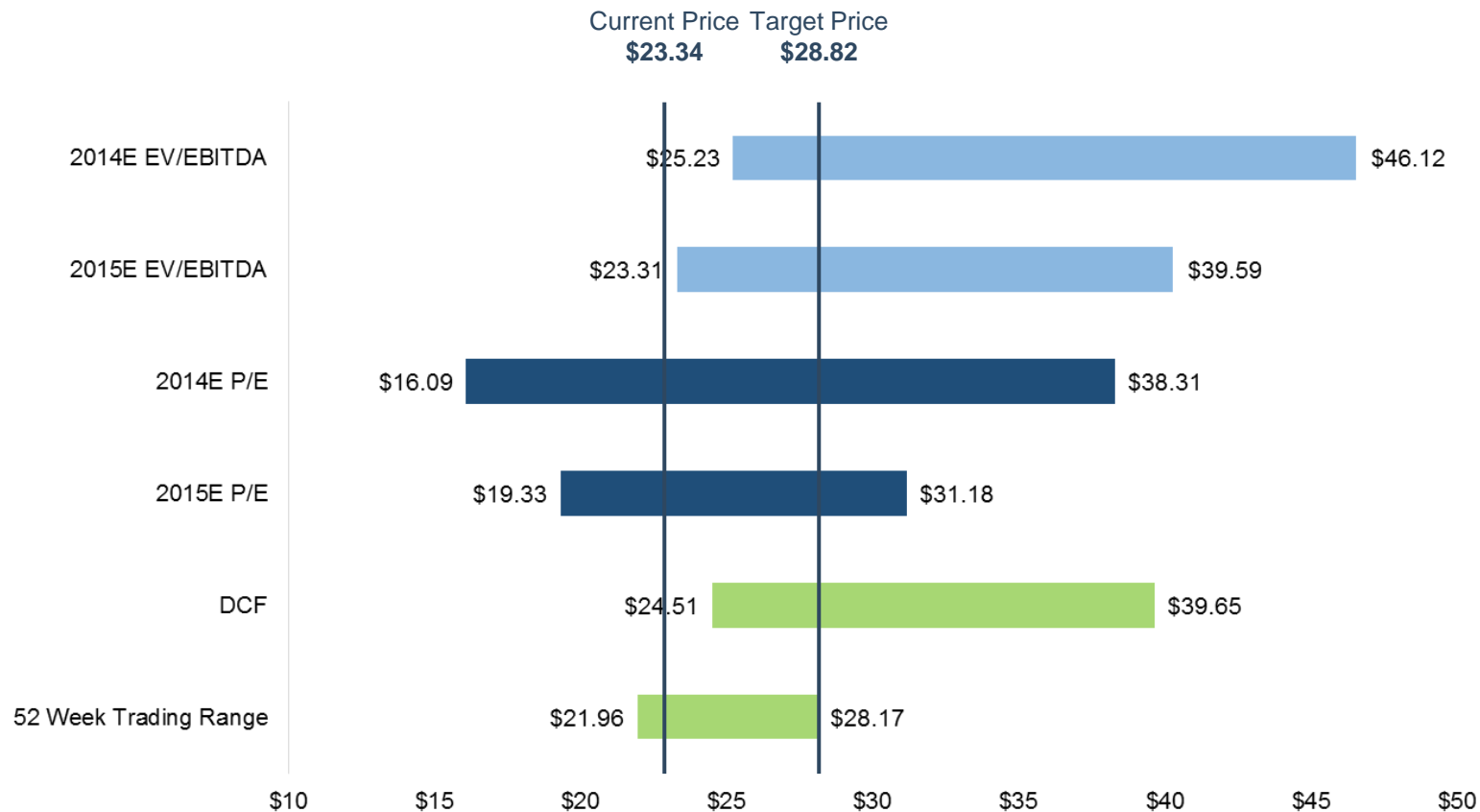
		EBITDA Exit Multiple				
		6.0x	7.0x	8.0x	9.0x	10.0x
Br Pricing Growth	3.0%	\$ 24.22	\$ 27.08	\$ 29.95	\$ 32.81	\$ 35.68
	2.0%	\$ 23.78	\$ 26.58	\$ 29.38	\$ 32.17	\$ 34.97
	1.0%	\$ 23.35	\$ 26.09	\$ 28.82	\$ 31.56	\$ 34.29
	0.0%	\$ 22.94	\$ 25.62	\$ 28.29	\$ 30.96	\$ 33.64
	-1.0%	\$ 22.55	\$ 25.16	\$ 27.77	\$ 30.39	\$ 33.00

Scenario Analysis



- Sensitivity range shows limited downside risk
- Analysis performed under conservative assumptions; faster-than-expected end-market recovery will further drive valuation

Valuation Summary



Risks & Catalysts

Key Risks

- ArgoSolutions divestiture fails to close
- High exposure to bromine cyclicalities caused by the historically volatile electronics and building & construction end markets
- Rising raw material costs may not be fully offset by price increases
- Regulatory headwinds including lower fire safety standards could have a negative impact on the demand for flame retardants

Catalysts

- Post-divestiture re-assessment of a more focused residual portfolio
- Accretive share repurchases using proceeds from the sale of AgroSolutions
- Faster-than-expected recovery in bromine demand and pricing
- Increased adoption of Chemtura's greener bromine technology, Emerald Innovation 3000





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