



Solve AI

SOHN INVESTMENT CONFERENCE

DAVID EINHORN

April 3, 2024



I want to thank the Sohn Investment Conference and Graham for inviting me to speak.

Last year I hoped this conference would be in person. It is much easier to present an idea and receive immediate audience feedback.

It's no fun telling corny jokes to a camera and wondering whether anyone laughs.

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Here are our disclosures.

I'd like to remind everyone that the ideas I'm about to present are existing positions in our portfolio. We may change our positions at any time.

Note: All references to EBITDA, EBIT, Net Income and EPS shown (both historic and forecasted) on this presentation are "underlying" measures, adjusted to exclude restructuring costs, remediation expenses, unrealized fair value changes and other non-operating items.

Value Investing



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The cartoon says, "You have to invest for value these days. And these days I find the best value in gin and tonic."

I've said the value investing industry is dead. However, *value investing* and *the value investing industry* are two different things.

Source: www.CartoonStock.com.



The value investing industry is the thousands of people that used to be employed to analyze and pick stocks by trying to figure out which ones were undervalued.

Trillions moving from active management to passive have caused these people to be fired and they are not coming back. This is what I mean by the value investing industry being dead.

Source: www.123RF.com.

Value Investing



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The cartoon says, "Good news – remember all those growth stocks I sold you? They're now value stocks."

With all these unemployed people and their AUM gone, it's actually a great time to be a value investor. There is much less competition.

There are cheap stocks that are just much cheaper than they would otherwise be if there were lots of professionals with capital to deploy trying to identify them.

I will talk about one of those in a couple minutes.

Source: www.CartoonStock.com.

Value Investment Industry



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When I started in the business, everyone said Warren Buffett benefitted by starting his investment business when few people even read annual reports and few were good at valuing stocks.

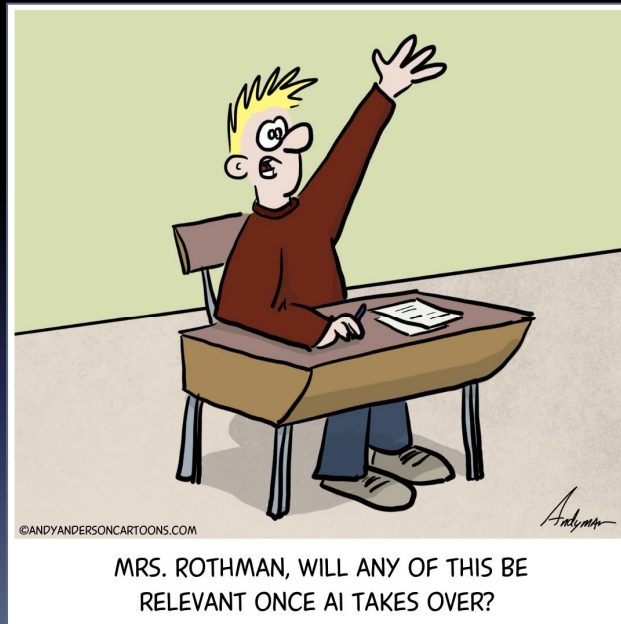
It was a shame that there was so much competition for me. There were thousands of experienced professionals trying to do the same thing. Well, guess what?

That's how it feels right now. For the few of us who are left, it's a great time to be a value investor.

There is so little competition that the opportunities to buy fine companies with double-digit cash-on-cash returns are more abundant than at any time in my career, other than at the bottom of a bear market.

This may be how Mr. Buffett felt in the 1950s.

So, here's an example...



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The cartoon says, “Mrs. Rothman, will any of this be relevant once AI takes over?”

We find ourselves asking the same thing.

I know everyone is talking about AI, and the title of my talk today is Solve-AI.

At Greenlight we have always thought of ourselves as flexible investors, willing to learn new things.

AI has been the rage for the last year and we have found a great idea.

Source: Cartoon by Andy Anderson Cartoons.



Our idea today is Solve-AI, a European company that most of you have never heard of. I am very excited to tell you about it.

It is most commonly known as Solv-ay, whose motto is "Mastering the elements essential to our world."

Solvay is an essential chemicals company that holds the #1 position across all of its markets.



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Everyone wants a lesson in computer science. Instead, today we will study chemistry. I'm sure that thought excites all of you.

Who besides my dad had chemistry as their favorite class?

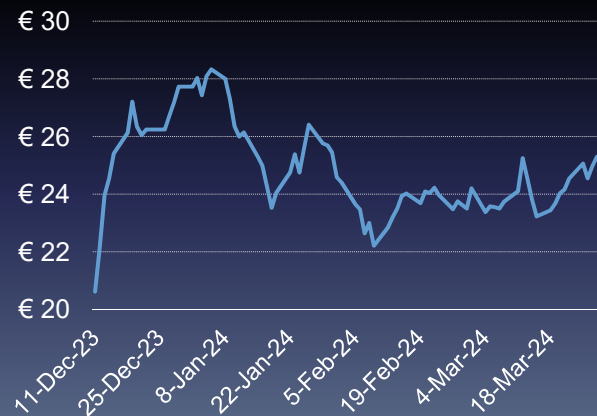
First chemistry joke: Do you know why you can never trust an atom? They make up literally everything.

Source: https://www.reddit.com/r/antimeme/comments/zzpy8g/its_me_i_am_walter_white_ama/.



We are mastering
the elements essential
to our world

Ticker: SOLB BB



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Solvay is a 160-year-old Belgian enterprise that trades under the ticker S-O-L-B in Belgium.

The company just went through a corporate restructuring.

Source: Bloomberg, LP, retrieved April 1, 2024.

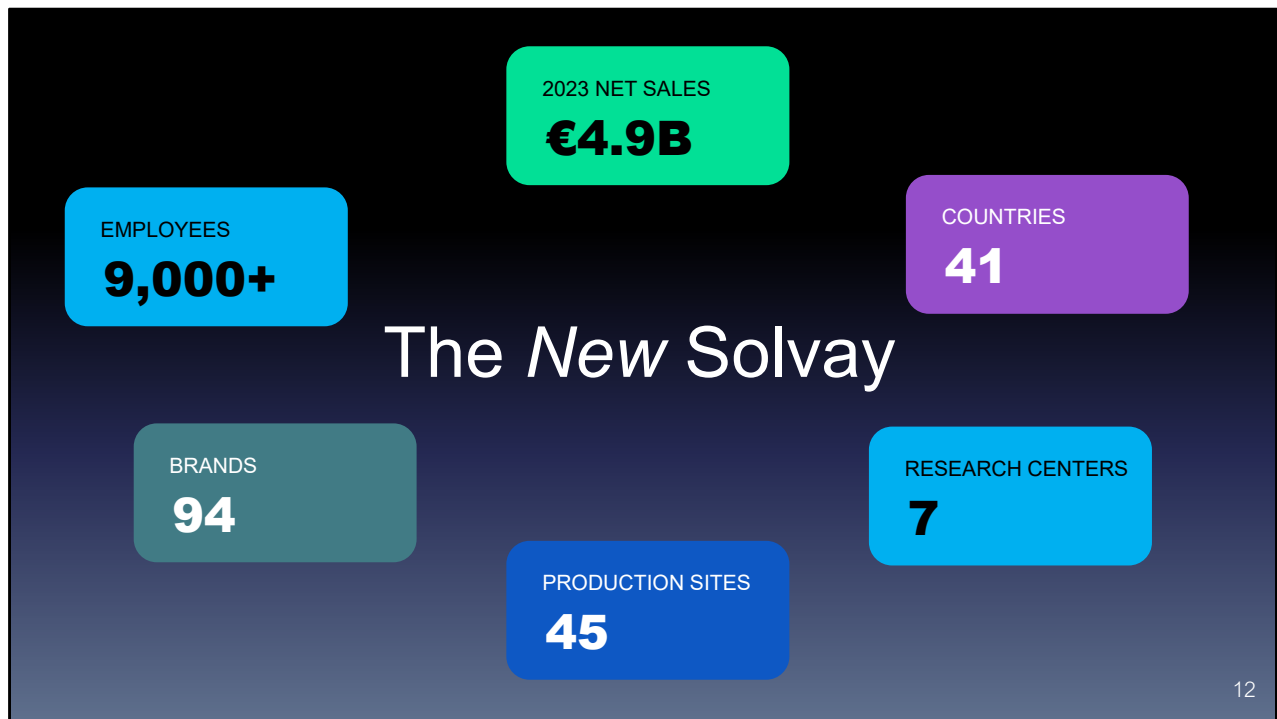
Spin-off



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The old Solvay was a chemical conglomerate that in December spun off its “specialty chemicals” business into a new entity called Syensqo.

The remaining essential chemicals businesses became the *new* Solvay.



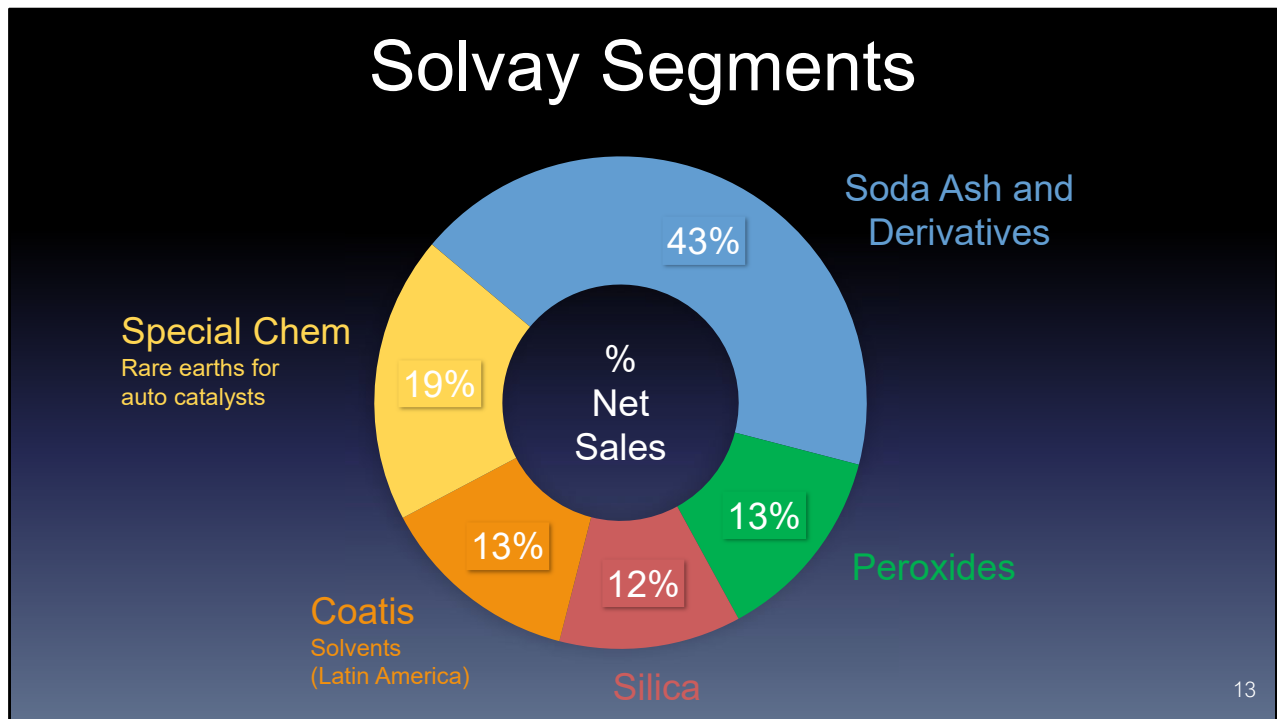
The new Solvay has 9,000 employees in over 40 countries globally.

It has 7 major research and innovation centers, and has over 90 different branded products across 5 business segments.

In 2023, Solvay had revenues of €4.9 billion and a 26% EBITDA margin.

Source: www.Solvay.com.

Solvay Segments

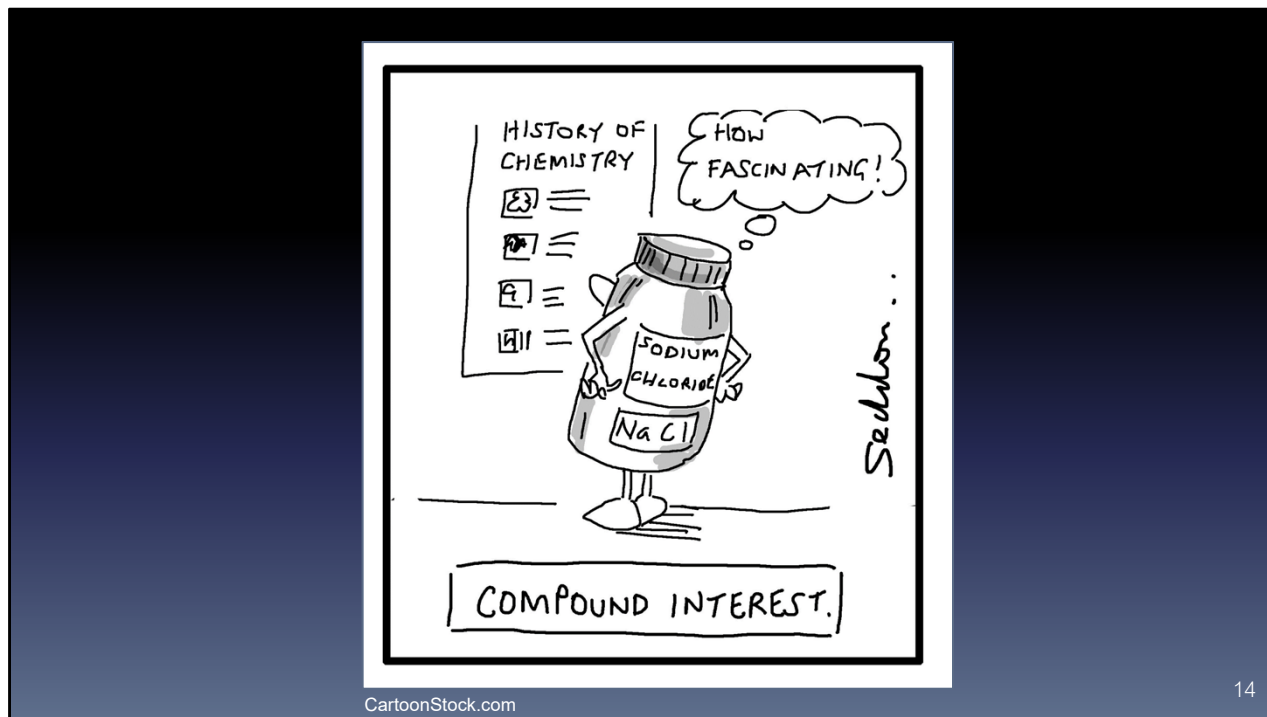


Solvay is best known for Soda Ash, which makes up around 40% of sales.

It also has four other business segments, all of which have #1 positions in their markets.

While these are all thought of as commodity businesses, they are higher margin and much more stable than most commodity chemical companies.

Source: Solvay Full-Year 2023 Results Earnings Presentation, March 13, 2024; Greenlight calculations.



Next chemistry joke:

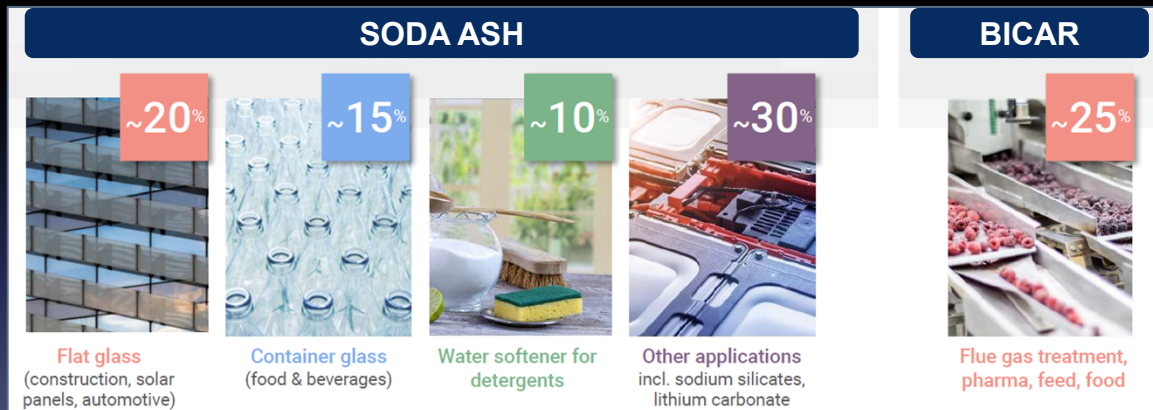
I know you all love compound interest...

Today, we are interested in compounds.

There are a few basic facts about soda ash, or sodium carbonate.

Source: www.CartoonStock.com.

Soda Ash and Derivatives



Over 50% of global soda ash production is used in glass manufacturing

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Solvay's Soda Ash and Derivatives business segment is diversified.

20% is used for flat glass applications; 15% is used in container glass; 10% is used in detergents and cleaning agents; and 30% is used in industrial applications to produce sodium silicates and lithium carbonate for EV batteries.

Finally, a quarter of this segment is not soda ash, but a derivative called BICAR, which is sodium bicarbonate. It's used in highly value-added pharmaceutical-grade and food applications.

BICAR can sell for much more than soda ash, particularly for pharmaceutical grade, and its market is growing twice as fast.

Source: Solvay Capital Markets Day, November 13, 2023.



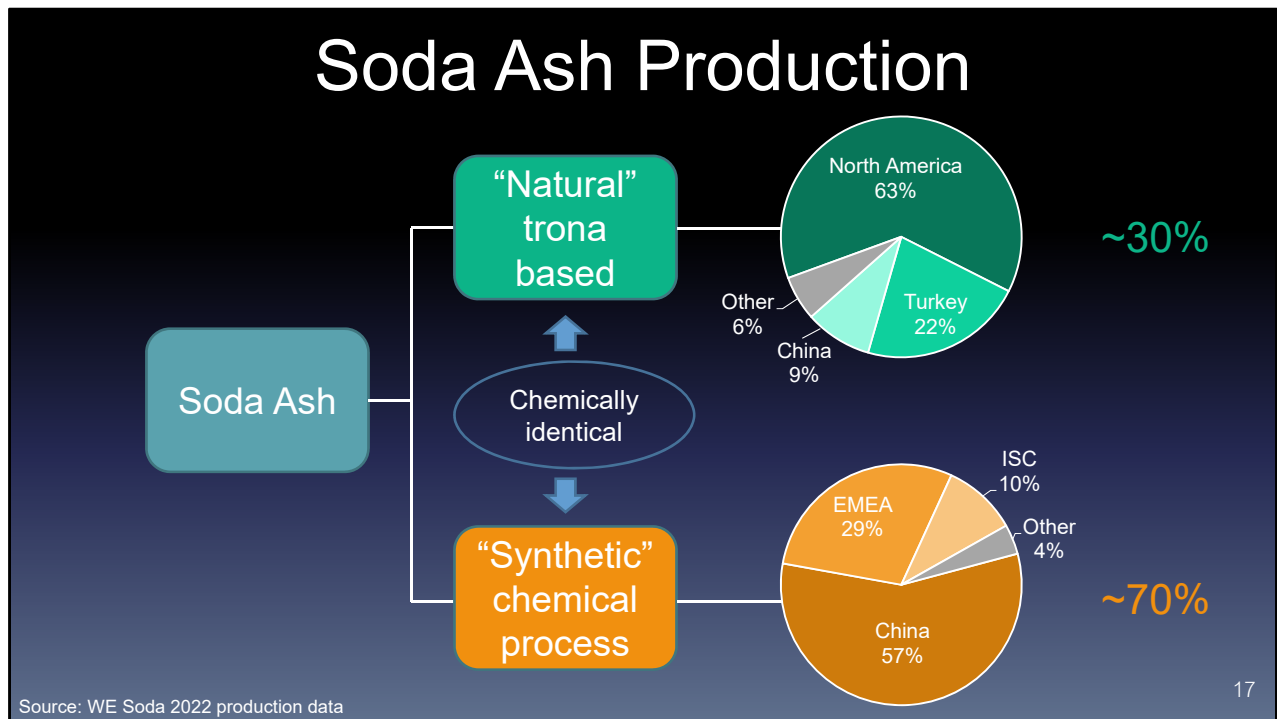
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Soda ash is quite an essential and versatile commodity chemical.

The cartoon says, "It's a great all purpose cleaner and it makes a nice flavoring for gum!"

That's actually true.

Source: www.CartoonStock.com.



Soda ash can be produced naturally or synthetically.

Natural production, which is around 30% of the market, comes from mining and purifying trona ore.

The problem is trona is found in remote locations like Mongolia, Turkey and Wyoming, which individually accounts for over 80% of global reserves.

Like most of us, before this I thought Wyoming was mostly for skiing and rodeos. Who knew?

Synthetic production, which is around 70% of the market, is more expensive, uses ammonia and consumes 2-3 times more energy.

Solvay today is 43% natural production and 57% synthetic production.

Source: WE Soda Presentation, December 2023 (using 2022 production data).



CartoonStock.com

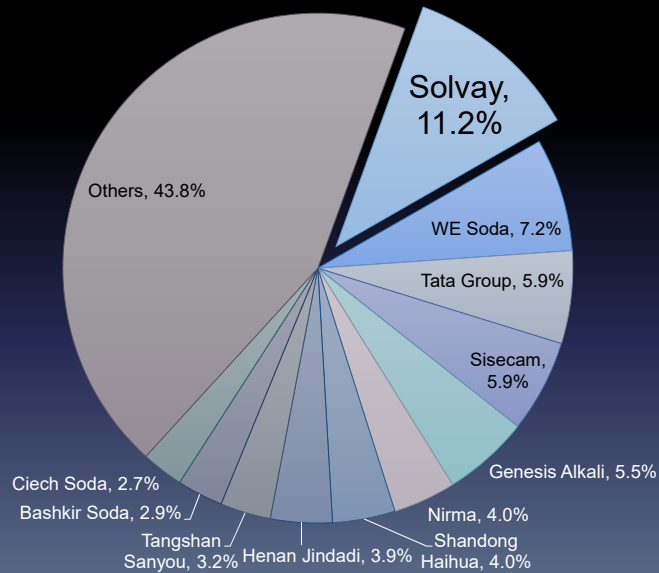
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Next chemistry cartoon to make sure you haven't fallen asleep – though no shame if you are fighting it.

The cartoon says, "Wait, wait, before you mix them, you have to say, '**Pow!**'."

Source: www.CartoonStock.com.

Solvay Soda Ash Share



Source: J.P. Morgan Europe Equity Research

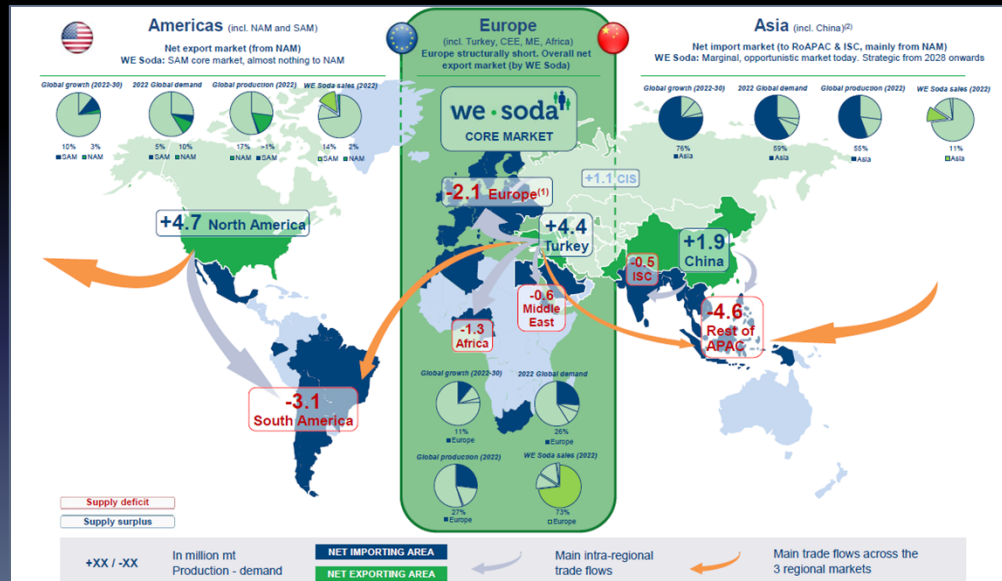
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Solvay is the largest producer of soda ash globally with about 11% global share.

Its largest competitor in this segment is WE Soda, a Turkish pure-play company that produces natural soda ash in Turkey and is developing projects in North America.

Source: J.P. Morgan Europe Equity Research, WE Soda June 7, 2023.

Soda Ash Logistics



Source: WE Soda (December 2023)

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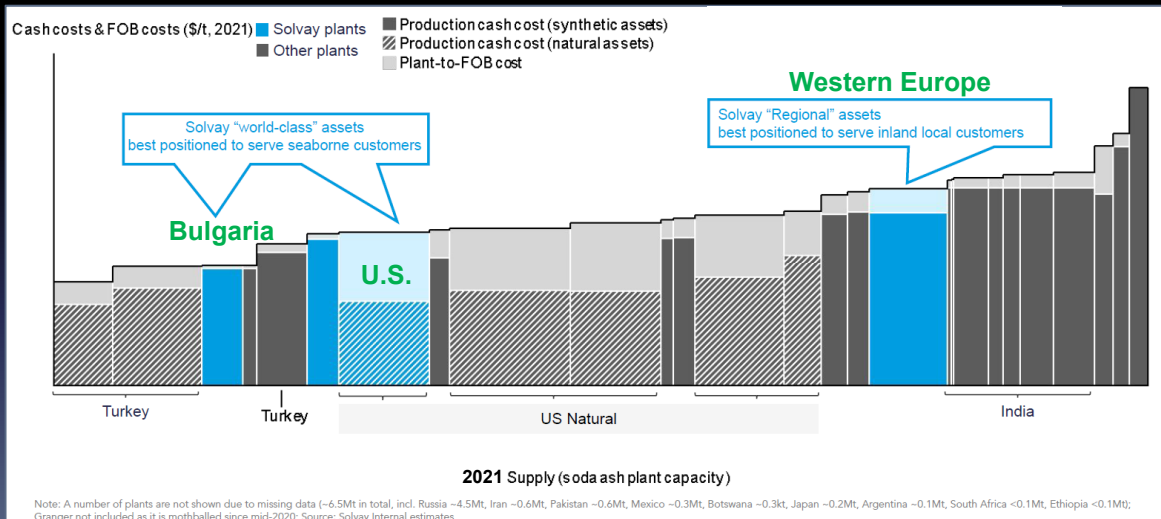
Because soda ash doesn't cost much, but weighs a lot, transportation adds significant cost. Transportation can add between 30% and 100% to the cost depending on distance and number of interchanges.

As a result, the markets are regional instead of global.

Solvay competes in North America and Europe and is mostly independent of China, which currently produces about 45% of global soda ash for domestic consumption and to export to Southeast Asia. Shipping it further is not competitive.

Source: WE Soda Presentation, December 2023; Greenlight estimates and calculations.

Soda Ash Cost Curve



Source: Solvay 4Q21 Earnings Presentation

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This somewhat dated chart from 2021 illustrates the soda ash market where Solvay competes.

What is most important is the delivered cost of soda ash to end customers, which includes production and transportation.

You can see the difference between natural soda ash processing with hash marks, vs. synthetic processing on the solid bars.

Synthetic is made closer to the end user so it has lower transportation costs, but higher production costs.

The blue bars represent Solvay's plants. It has a world-class synthetic production facility in Bulgaria next to the port, five regional plants in Western Europe next to end users, and natural production in Wyoming.

Source: Solvay Fourth Quarter 2021 Webcast, February 23, 2022.

Soda Ash Pricing



Source: J.P. Morgan Europe Equity Research

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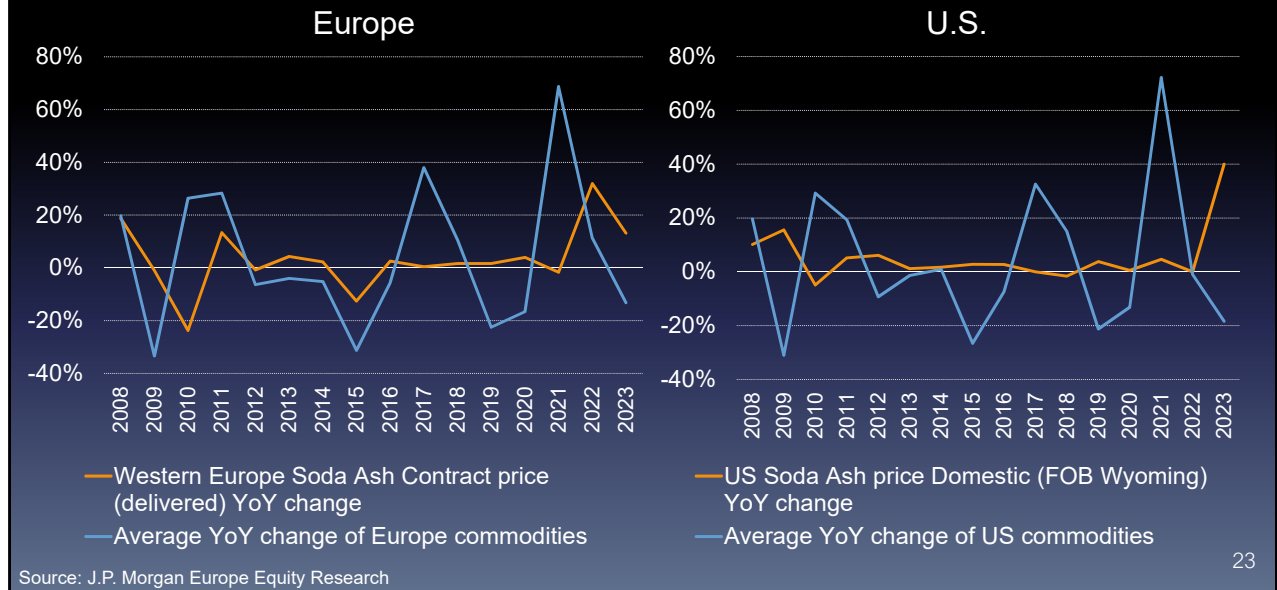
Soda ash pricing was pretty stable from 2010 to 2021.

During most of that period, Western European soda ash has been around \$250 per ton, while U.S. prices have been lower at around \$180 per ton.

You see a spike in 2022 and 2023 related to both COVID distortions that created pent-up demand, and also passed through higher energy costs in Europe related to the Russia-Ukraine war.

Source: J.P. Morgan Europe Equity Research, WE Soda June 7, 2023.

Soda Ash Stability













While soda ash is categorized as a commodity chemical, it is much less volatile than overall commodity prices.

Here we show the price changes of soda ash over time in orange for both European and U.S. markets, and how they compare with the prices of a commodity index in blue.

The last couple years, soda ash producers earned excess revenues and profits, which are normalizing this year.

Source: J.P. Morgan Europe Equity Research, WE Soda June 7, 2023.

Capacity Additions

Region	Operator	Capacity Δ	Production Type	Focus	Production Start
	Genesis Alkali	+1.0	Natural	Export	2023-24
	Kazan Soda (WE Soda)	+0.5 - 0.7	Natural	Export	2023-26
	Solvay	+0.6	Natural	Export	2025-26
	Berun	+6.0 - 7.8	Natural	Domestic	2023-28
	Jiangsu Debang	+1.4	Synthetic	Domestic	2023-25
	Henan Jindadi	+1.5	Synthetic	Domestic	2024-25
	Other	+2.0	Synthetic	Domestic	2024
	Potential Closures	-2.8	Synthetic	Domestic	2024-26
	Pacific Soda (Sisecam/WE Soda JV)	+2.5 - 5.0	Natural	Export	2027
	West Soda	+1.5 - 2.5	Natural	Export	2030
Total: +14.2 - 19.7 million mtpa					

Source: WE Soda (December 2023)

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Over the next 7 years, soda ash capacity will grow about 2.5%-3.5% per year.

Most of it will be new trona processing projects in Inner Mongolia and Wyoming. It takes about 3 years for a new processing plant to ramp up.

Solvay is adding about 7% to its capacity by expanding in Wyoming in 2025 and 2026.

WE Soda has a couple of greenfield projects in Wyoming called Pacific Soda and West Soda, coming online between 2027 and 2030.

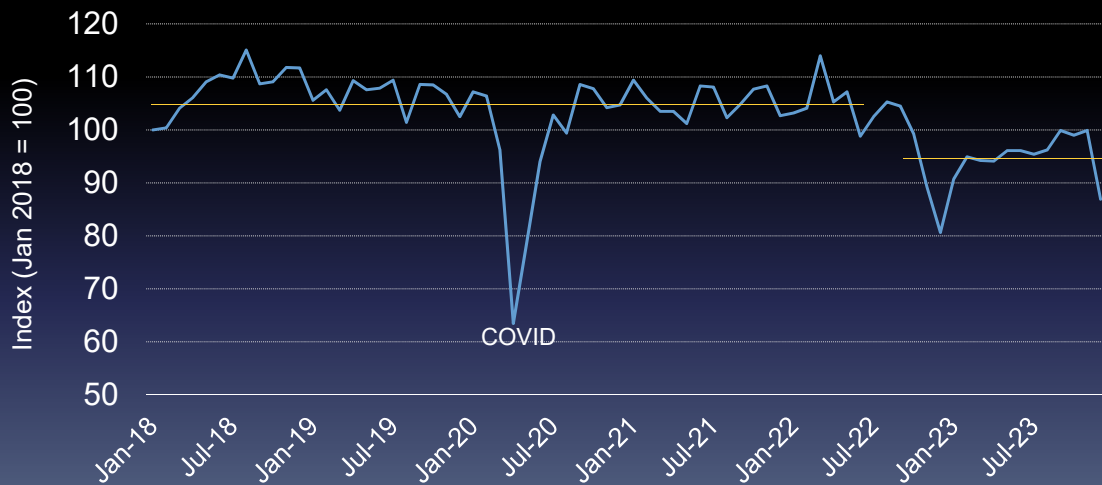
The largest expansion, which the bears are worried about, is from Chinese company Berun, which is developing a greenfield project in Inner Mongolia.

We don't think Mongolian supply is all that relevant because the transportation costs to Europe are prohibitive.

Excluding China, the capacity additions are between 6 and 10 million tons of annual production, which are only 1.7%-2.7% per year, and most of it is toward the end of the decade.

Source: WE Soda Presentation, December 2023; Greenlight estimates and calculations.

European Flat Glass Production



Source: BNP Paribas Exane Research / Eurostat

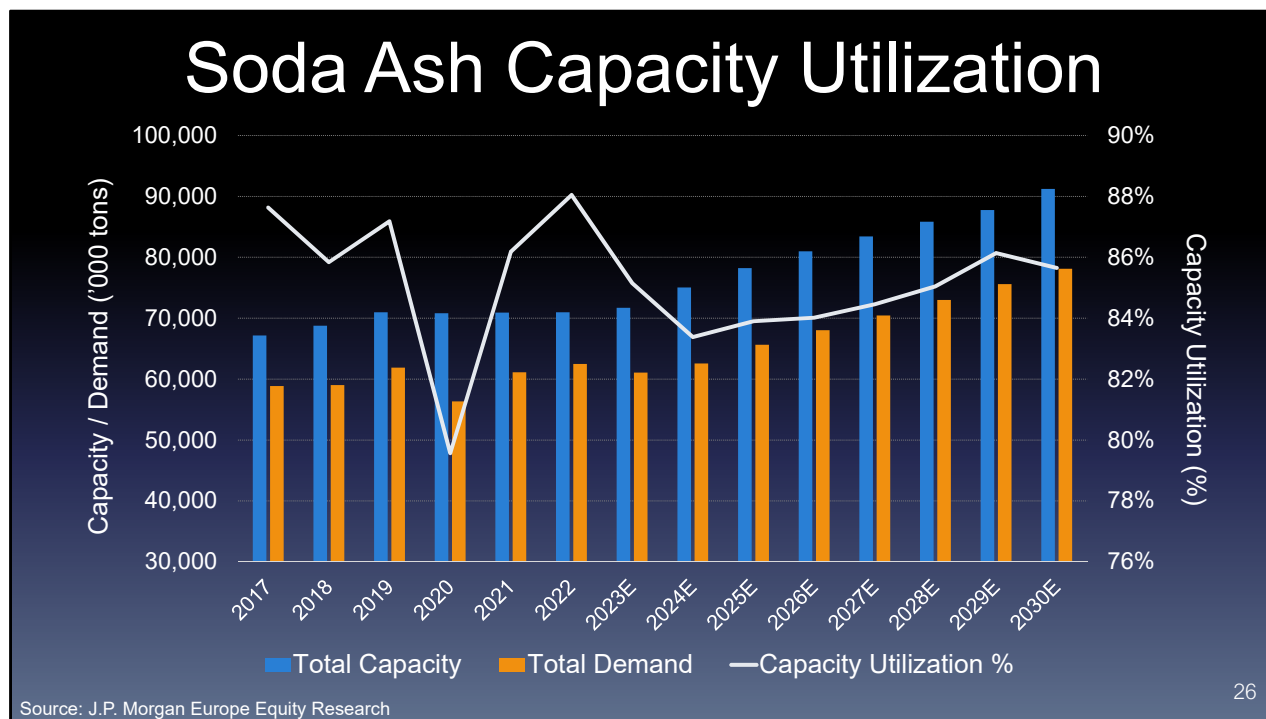
25

This is demand for flat glass used in building construction, which has been the most volatile key end market for soda ash.

You can see that there was a COVID-related plunge, followed by a recovery, followed by a weak 2023 due to the European recession.

As we will show in a bit, while 2024 is poised to be a down-profits year, there is certainly room for volumes to better recover in the next few years as construction rebounds to the levels seen between 2018 and 2022.

Source: BNP Paribas Exane Research (Eurostat data).



COVID had a significant impact. Demand slowed down a bit in 2020, which drove industry utilization from 87% to under 80%.

It takes years for new supply to come online, so COVID also derailed capacity additions for several years.

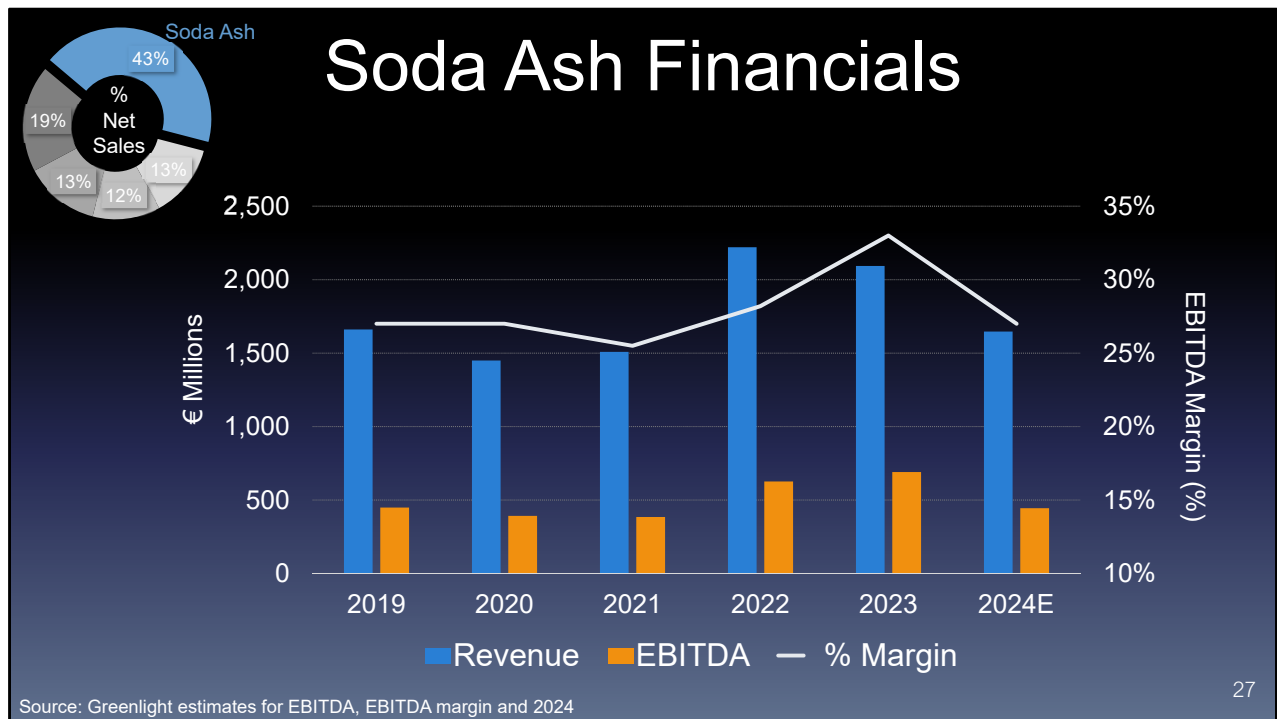
As the global economy reopened, demand returned to trend and utilization jumped to 88% to try to catch up. The European slowdown and inventory destocking have caused utilization to return to about 83%.

Over a longer time, soda ash demand has grown with GDP. It is likely to grow above trend going forward, given soda ash's importance to renewable energy and EV batteries.

Each ton of lithium produced requires approximately two tons of soda ash.

J.P. Morgan projects that global capacity utilization will rise gradually over the next seven years, as demand grows a little faster than supply.

Source: J.P. Morgan Europe Equity Research, WE Soda June 7, 2023.



In working through the disclosure, this is our best take on soda ash's historical financial performance for the last five years and guidance for 2024.

2019 was a below-normal year, and was followed by COVID, which caused an unusual decline.

This was followed by a strong recovery and higher prices. Pricing has fallen and 2024 is forecast to look a lot like 2019.

However, this time we believe that this is a trough result, rather than a midcycle result.

Back in 2019, Solvay was dealing with new competitive natural capacity coming from Turkey, and it took a while for the market to rebalance.

2024 features the back end of a European recession and destocking, which already impacted 2023.

Management agrees that 2024 should be a trough.

Source: Solvay annual reports 2019 – 2022; Solvay press release, March 13, 2024; Greenlight estimates and calculations. Please refer to note on Slide 2.

Peroxides



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Moving on to the Peroxides segment...

The cartoon says, "A tooth walks into a bar and says, "Baking soda and peroxide and keep 'em coming!"

The bartender retorts, "Someone must have called him 'Yellow' again."

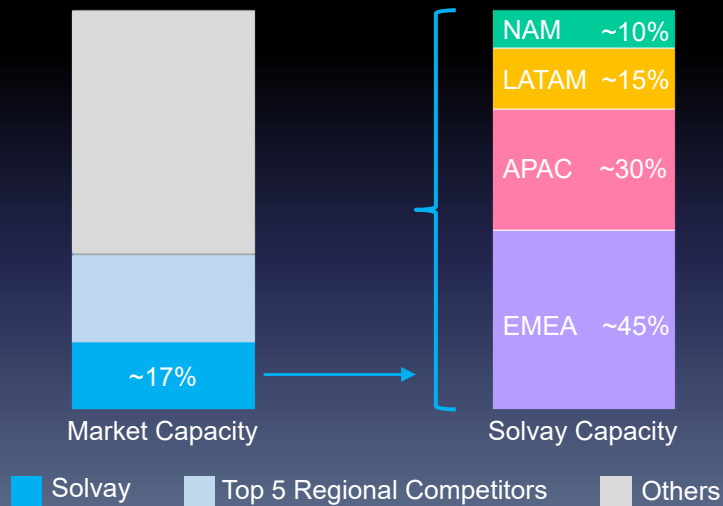
I think we struck oratorical gold finding a cartoon that covers Solvay's top two business segments!

Peroxide is H_2O_2 .

Source: www.CartoonStock.com.

Peroxides

Global #1 Position



Source: Solvay

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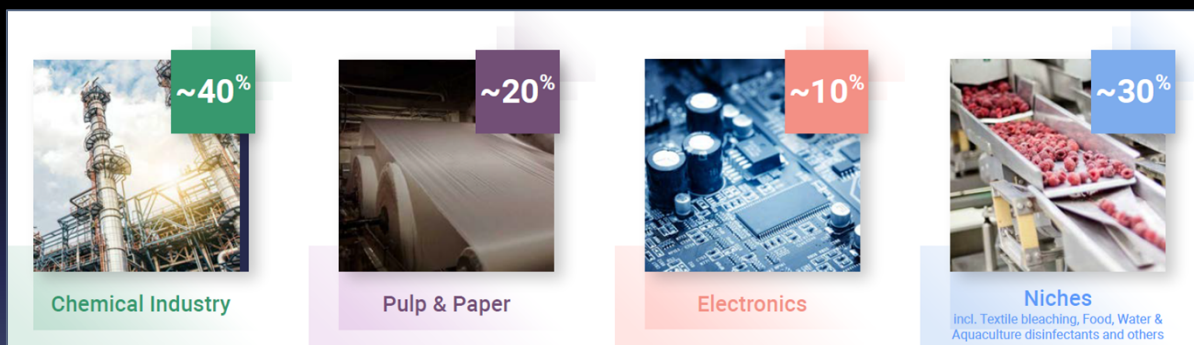
Solvay has a 17% market share in peroxides.

It is the lowest-cost producer in all regions and has the #1 position globally.

The business is well diversified across all geographies.

Source: Solvay Peroxides Webinar, October 4, 2022.

Peroxides



HPPO Mega plants for
Propylene Oxide
(polyurethane plastics)
65% of global capacity

Leading position in
 eH_2O_2 for
semiconductor
industry

Source: Solvay

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Peroxides is a high margin business and generates a lot of cash.

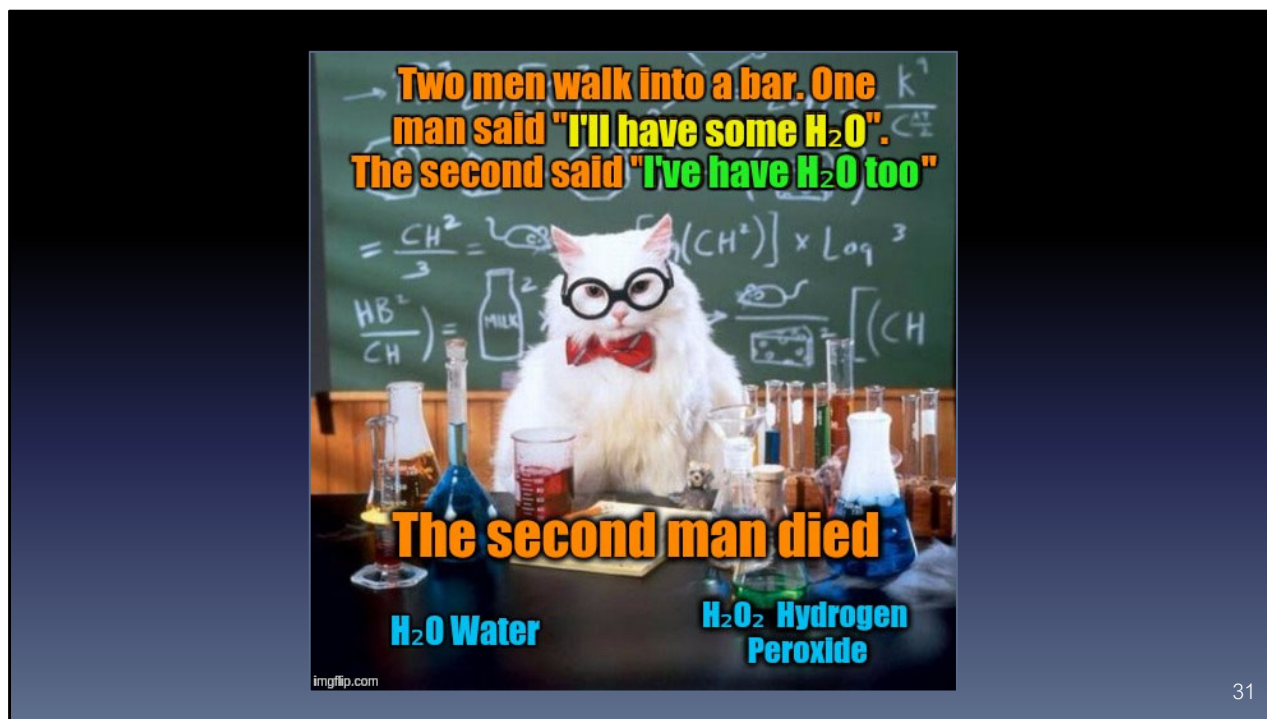
40% of revenues are very stable take-or-pay contracts to make propylene oxide, an essential ingredient in plastics and polyurethane foam.

10% of the segment produces ultra-pure hydrogen peroxide used for semiconductor wafer manufacturing.

The remaining peroxide business serves the pulp and paper industry, and other bleaching and disinfecting applications.

Solvay has a competitive moat in peroxides and it is growing above GDP due to its positioning with HPPO mega plants that provide 65% of global capacity, and its leadership in semiconductor uses.

Source: Solvay Capital Markets Day, November 13, 2023.



Next chemistry joke:

Two chemists walk into a bar.

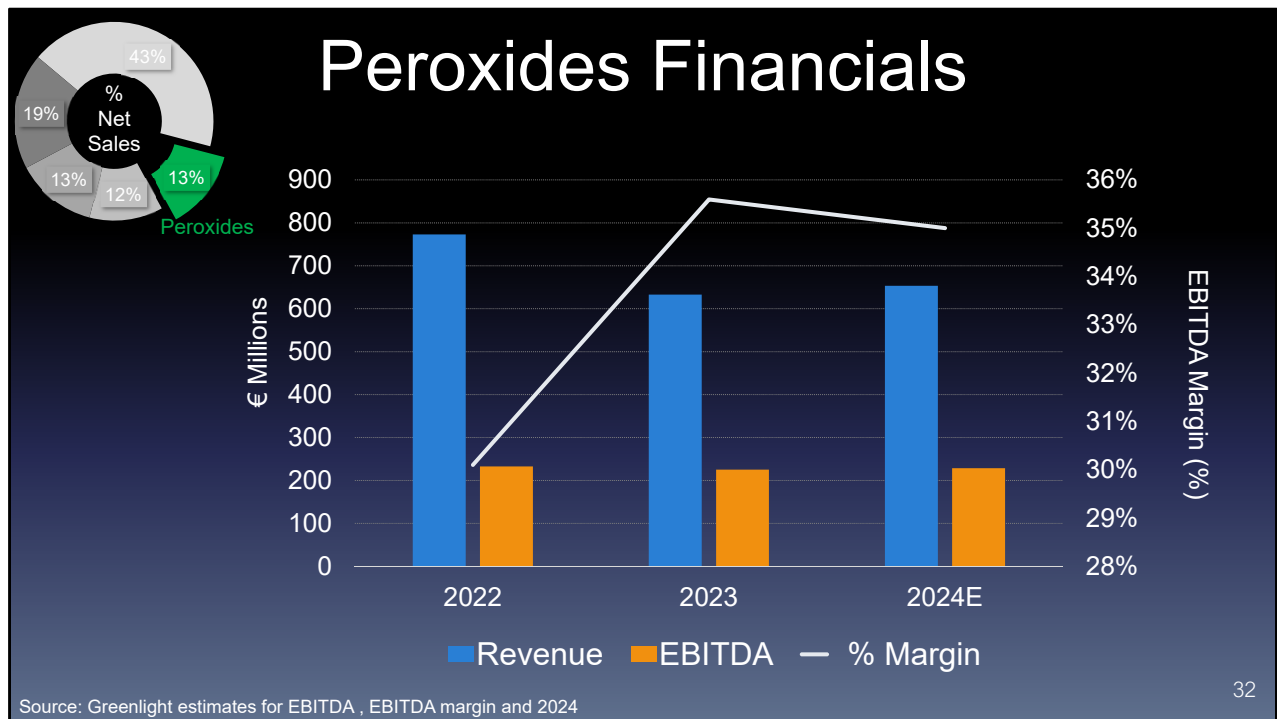
One tells the bartender, "I'll have some H₂O."

The second one says, "Sounds good. I'll have some H₂O, too."

<pause>

The second chemist dies.

Source: imgflip.com.



For Peroxides and the rest of the segments we can't go back five years because the disclosure does not allow us to estimate EBITDA.

Here are the last two years and the forecast for 2024.

While this segment is small at 13% of revenues, it is very profitable with mid-30's EBITDA margins.

Source: Solvay annual reports 2022; Solvay press release, March 13, 2024; Greenlight estimates and calculations. Please refer to note on Slide 2.

Silica



Low Rolling Resistance Tires
~80%



Toothpaste



Animal Feed

Highly Dispersible Silica (HDS)

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Next up is the Silica segment.

Solvay focuses exclusively on highly-dispersible precipitated silica.

Over 80% of the segment goes to low rolling resistance tires, which are more energy-efficient tires used for electric vehicles, and should drive above-GDP growth in this business.

The rest of the silica business has applications in toothpaste, food production and animal feed pellets.

Coatis (Solvents)



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The cartoon says, “This is him,” referring to a bottle of nail polish.

The acetone replies, “Just so we’re clear, once I clean him... he just disappears – got it?”

Coatis is a standalone Brazil business that makes green solvents and biosurfactants. It offers alternatives to petrochemical solvents.

We estimate this segment has the lowest EBITDA. Solvay might, and we think should, divest it at some point.

The segment has industrial uses for inks, paints, varnish and household cleaning products.

Source: THE ARGYLE SWEATER © Scott Hilburn. Dist. By ANDREWS MCMEEL SYNDICATION.
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Special Chem



CartoonStock.com

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Finally, we have the Special Chem segment.

It is a hodgepodge of specialty chemicals that did not go to Syensqo as part of the spin-off.

There is significant potential growth in rare earths used for auto catalysts and permanent magnets used in wind power and electric vehicles.

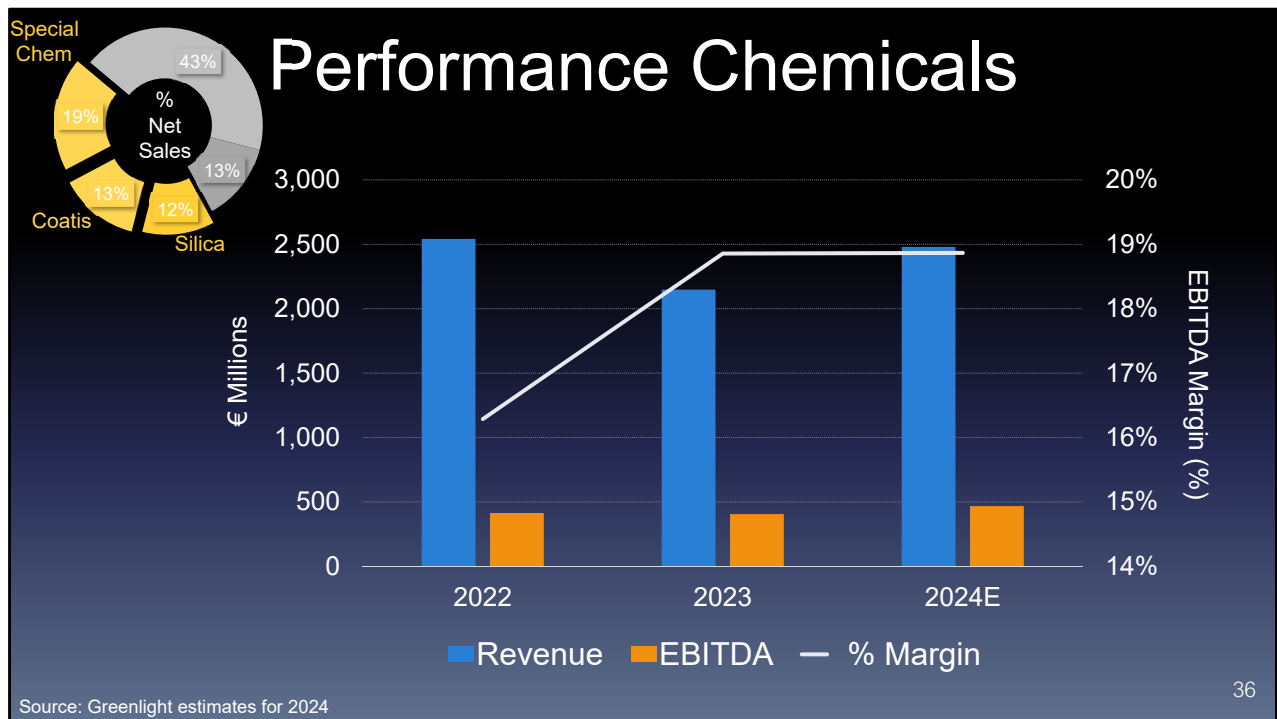
This segment also produces elemental fluorine used as a cleaning agent in flat panel and photovoltaic production that is environmentally friendly. There are barium and strontium businesses for various industrial uses, and aluminum brazing solutions.

The cartoon says, "Better than changing lead into gold, I've transmuted dihydric alcohol and terephthalic acid into polyester."

O.K. – I have no idea what those are either, but they certainly sound like *special chems*.

Everyone still awake?

Source: www.CartoonStock.com.



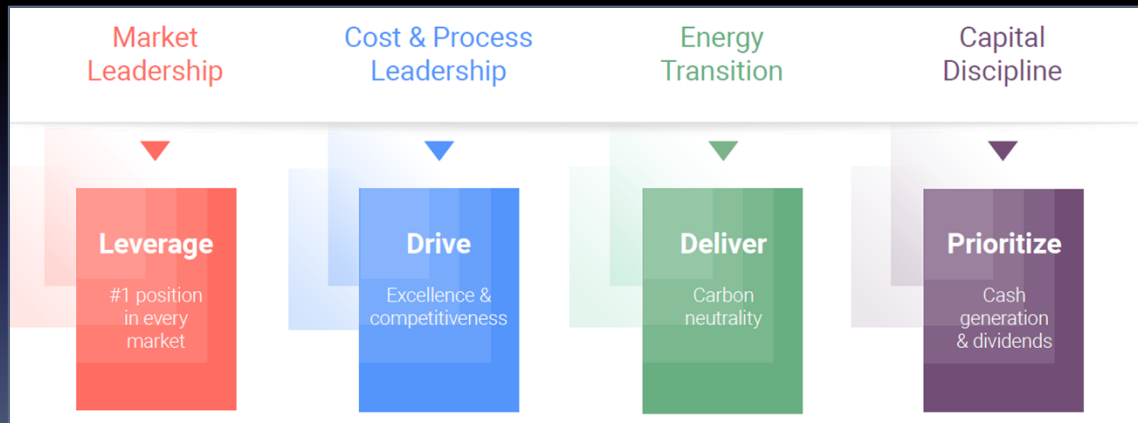
Silica, Coatis and Special Chem together form the new Performance Chemicals reporting segment.

Similar to Peroxides, here are the last two years and the forecast for 2024.

These businesses are not as profitable as either Soda Ash or Peroxides, but they provide stability and diversification.

Source: Solvay press release, March 13, 2024; Greenlight estimates and calculations. Please refer to note on Slide 2.

Strategic Priorities



Source: Solvay

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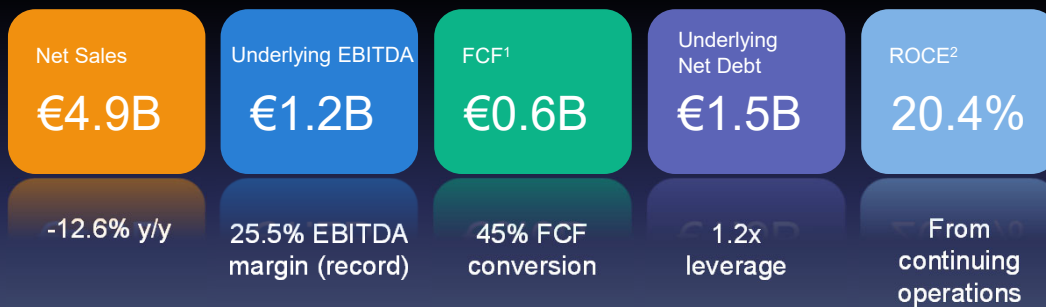
The new Solvay, a leaner and meaner company, provided qualitative strategic priorities and quantitative long-term targets.

In terms of its strategic priorities:

- Solvay wants to maintain a #1 position in every market in which it operates, as it gains scale and further integrates its value chain.
- It plans to continue to improve its processes to drive costs lower and reduce its environmental impact, manifested in its myH2O2 plants and e-Solvay process.
- It plans to reduce costs by €300 million by 2028.
- Solvay expects to become carbon neutral by 2050, and is quantifying and measuring its ESG targets. In the last 2 years, it already reduced greenhouse gas emissions by 19%. And it is fully hedged for carbon emission permits it will need through 2030.
- Finally, it expects to maintain its capital discipline and return significant capital to shareholders over time.

Source: Solvay Full-Year 2023 Results Earnings Presentation, March 13, 2024; Solvay Capital Markets Day, November 13, 2023.

Solvay 2023 Results



¹ To Solvay shareholders from continuing operations

² From continuing operations

Source: Solvay

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2023 suffered from a European slowdown and customer destocking. This affected most European chemical companies.

Even so, EBITDA was €1.25 billion and benefitted from positive net pricing and lower fixed costs in an inflationary environment, reflecting strong cost discipline.

The company has an investment grade rating, modest leverage and a high return on capital.

On a pro forma basis for the spin-out, we calculate Solvay earned €5.40 per share.

Source: Solvay Full-Year 2023 Results Earnings Presentation, March 13, 2024.

Sell-Side

Morgan Stanley | RESEARCH

February 8, 2024 05:15 PM GMT

Solvay | Europe

Cautious on Soda Ash

WHAT'S CHANGED

	From	To
Solvay (SOLB.BR)	Equal-weight	Underweight
Rating	€25.00	€21.50
Price Target		

We have carried out new work on soda ash prices and now forecast the 2024 European soda ash price to recede ~23% from 2023's all-time high. This, combined with softer supply/demand fundamentals, leaves earnings and risk/reward skewed to the downside. New price target €21.5, relative Underweight.

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Solvay (SOLB.BR, SOLB.BB)

Chemicals | Belgium

Stock Rating
Industry View
Price target
\$tr price, close (Feb 7, 2024)
52-Week Range
Mkt cap, cur (m\$)
Net debt (12/23e) (m\$)*
EV, cur (m\$)*

Underweight
Cautious
€21.50
€22.64
€29.28-17.90
€2,281
€2,650
€5,815

BofA GLOBAL RESEARCH

Solvay

Flatter cost curve flattens profits. Neutral

Resuming Coverage: NEUTRAL | PO: 30.00 EUR | Price: 26.14 EUR

Profits fall as Solvay was 'long' European gas prices

We resume coverage with a Neutral rating and a EUR30 price objective. Soda Ash represents approx half of group profits and we think the market balance is loosening due to a wave of supply additions. We estimate global utilisation rates will average 5ppts lower over the coming year versus recent history. Also, we see the global cost curve flattening with supply conditions concentrated in lower cost natural trona geology and a normalisation in European gas prices driving marginal producer economics and price setting. While this theoretically benefits the c.2/3 of Solvay capacity located in Europe, we think the compression of windfall profits that accrued to the 1/3 of capacity in the US is much greater – similar to the dynamic seen in nitrogen at Yara where profits grew despite European curtailments. Assuming a 20% decline in Soda Ash prices, we think profits decline in 2024 by c.EUR150mn. This calculation is made tougher by Solvay not disclosing its (favourable) energy hedges. To be fair, investors (and management) seem to be anticipating a tougher 2024 anyway as reflected in a valuation of just 5x 2024E EV/EBITDA and double-digit FCF yield.

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New Solvay started trading in December 2023 post-spinoff. There was lots of sell-side research coverage, which was mostly pretty negative. Most of the research focused on soda ash, despite that, as we just saw, around 70% of revenues come from other products.

Morgan Stanley started with an underweight rating and a 21.50 target. The report is titled, “Cautious on Soda Ash” and runs a full 21 pages. It gives great detail on the soda ash market, its relation to energy prices, supply growth and end-market demand. The report does not mention any of Solvay’s other product lines other than in a single pie chart.

Bank of America, which rates Solvay neutral, published a 20-page initiation report. The first 10 pages are all soda ash. Page 11 has a pie chart showing the other businesses, which are not otherwise discussed. The balance of the report discusses CO2 emissions and shows financial analysis.

The point I’m making is that while there is a reduction in soda ash prices and profits in 2024 which everyone knows about, the rest of the business is less cyclical and more resilient. The *bears* seem intent on completely ignoring that reality.

Source: Source: Morgan Stanley Research, Solvay | Europe, Cautious on Soda Ash, February 8, 2024; BofA Global Research, Solvay, Flatter Cost Curve Flattens, January 15, 2024.

Solvay Valuation

Share Price (4/1)	€ 25.30
Fully Diluted Shares (M)	105.9
Market Capitalization (€ M)	€ 2,679
Net Debt (€ M)	1,489
Retirement/Env/Other (€ M)	1,341
Enterprise Value (€ M)	€ 5,509

Pro Forma

€ millions	2022	2023	2024E	Multiples	2022	2023	2024E
Revenues	5,540	4,880	4,516	EV/Sales	1.0x	1.1x	1.2x
EBITDA	1,236	1,154	930	EV/EBITDA	4.5x	4.8x	5.9x
EBIT	915	833	602	EV/EBIT	6.0x	6.6x	9.2x
Net Income	626	569	384				
EPS	€ 6.01	€ 5.40	€ 3.62	P/E	4.3x	4.7x	7.0x

Source: Greenlight estimates for pro forma figures and consensus for 2024

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Solvay's market capitalization is €2.7 billion. Based on 2024 consensus, it has just 1.6 turns of debt.

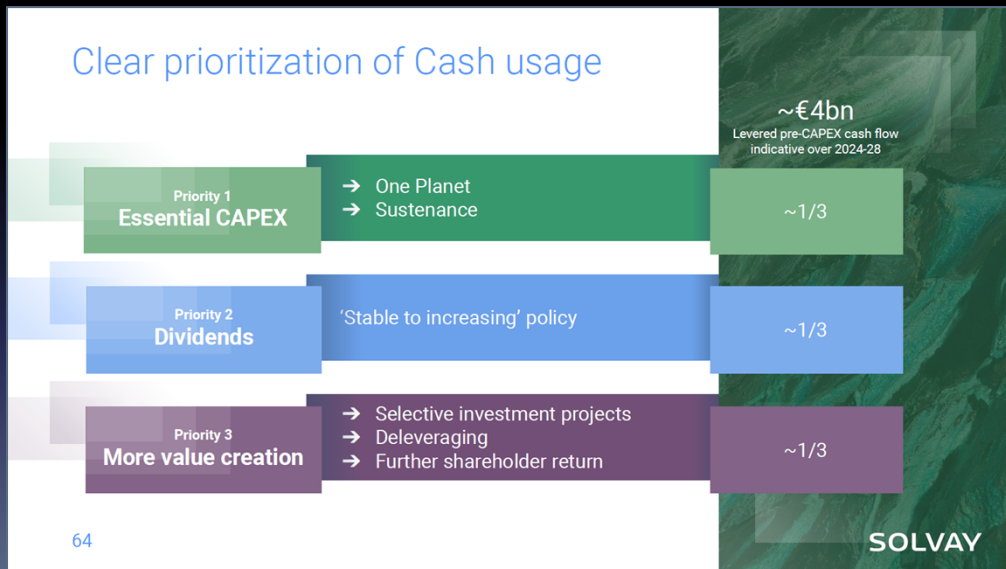
Consensus expects earnings of €3.62 per share this year, which is around the middle of guidance.

We actually think this doesn't take into account a moderate economic recovery in Europe, which we believe will keep earnings at about €4 per share, toward the high end of guidance.

Even so, the P/E is just 7x on what we and management believe to be cyclically depressed results.

Source: Bloomberg LP, retrieved April 1, 2024; Solvay press release, March 13, 2024; Greenlight estimates and calculations. Please refer to note on Slide 2.

Cash Flow Use



Source: Solvay

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Ahead of the spin-off, Solvay discussed its going forward use of cash flow.

It expects €4 billion over the next 5 years.

- 1/3 will go to essential CapEx including its environmental goals,
- 1/3 will go to the dividend, and
- 1/3 will go to discretionary investments, deleveraging, or additional shareholder return.

After essential CapEx, Solvay expects in the next five years to earn its entire market cap in free cash flow.

Just the dividend will return half the market cap or almost 10% per year... and that's before you get to the additional shareholder returns part.

Source: Solvay Capital Markets Day, November 13, 2023.

In Solvay's Own Words

“Capital discipline is key and it's an area in which Solvay excels. We have a demonstrated track record in the art of making prudent and strategic use of cash and implementing comprehensive cash allocation strategies. These considerations will remain at the forefront of our thinking, helping us safeguard dividends and create greater value for stakeholders.”

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We believe that Solvay has above-average management for a European chemicals company.

And we like how Solvay has described its capital discipline as you can see.

How many European industrial companies do you know put this type of mission statement on their website?

Source: www.Solvay.com/en/our-company.

Long-term Targets

2028 Targets

Underlying EBITDA Growth (in %)	Mid Single-Digit per year average
Underlying EBITDA Margin (in %)	Mid to High 20s
Total Gross Savings	€300 mn run-rate
Free cash flow Conversion (in %)	Exceed mid 30s
ROCE (in %)	Increasing to low 20s
Stable to increasing dividends	
Investment grade credit rating	

Baseline 2023, organic basis

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SOLVAY

Source: Solvay

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Solvay's quantitative long-term targets for the next five years are quite clear and achievable.

In 2023, Solvay paid a €2.43 dividend, almost a 10% dividend yield, which it forecasts to be "stable to increasing."

Source: Solvay Capital Markets Day, November 13, 2023.

2024 vs. 2028 Targets

Pro Forma				
€ millions	2022	2023	2024E	2028 Target
Revenues	5,540	4,880	4,516	
EBITDA	1,236	1,154	930	1,474
% Margin	22.3%	23.6%	20.6%	
EBIT	915	833	602	1,088
Net Income	626	569	384	725
EPS	€ 6.01	€ 5.40	€ 3.62	€ 6.79

Source: Greenlight estimates for pro forma figures and consensus for 2024

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This is the middle of the 2028 long-term target translated into earnings.

The prior peak earnings were over €6 per share. This year looks to be trough at just about €4 per share, using our numbers rather than consensus.

If management executes on its growth and cost-cutting targets, normal earnings power should be in the high €6s per share in 2028.

All told, Solvay is a commodity chemical company, with relatively high and stable margins, a high return on capital, and a good return of capital.

At 6-7x trough earnings and 3.7x targeted 2028 earnings, with almost a double-digit dividend yield, it seems too cheap.

At twice the price, it wouldn't seem expensive. So we think this boring essential chemicals business will generate an attractive risk-adjusted return.

Source: Bloomberg LP, retrieved April 1, 2024; Solvay press release, March 13, 2024; Solvay Capital Markets Day, November 13, 2023; Greenlight estimates and calculations. Please refer to note on Slide 2.



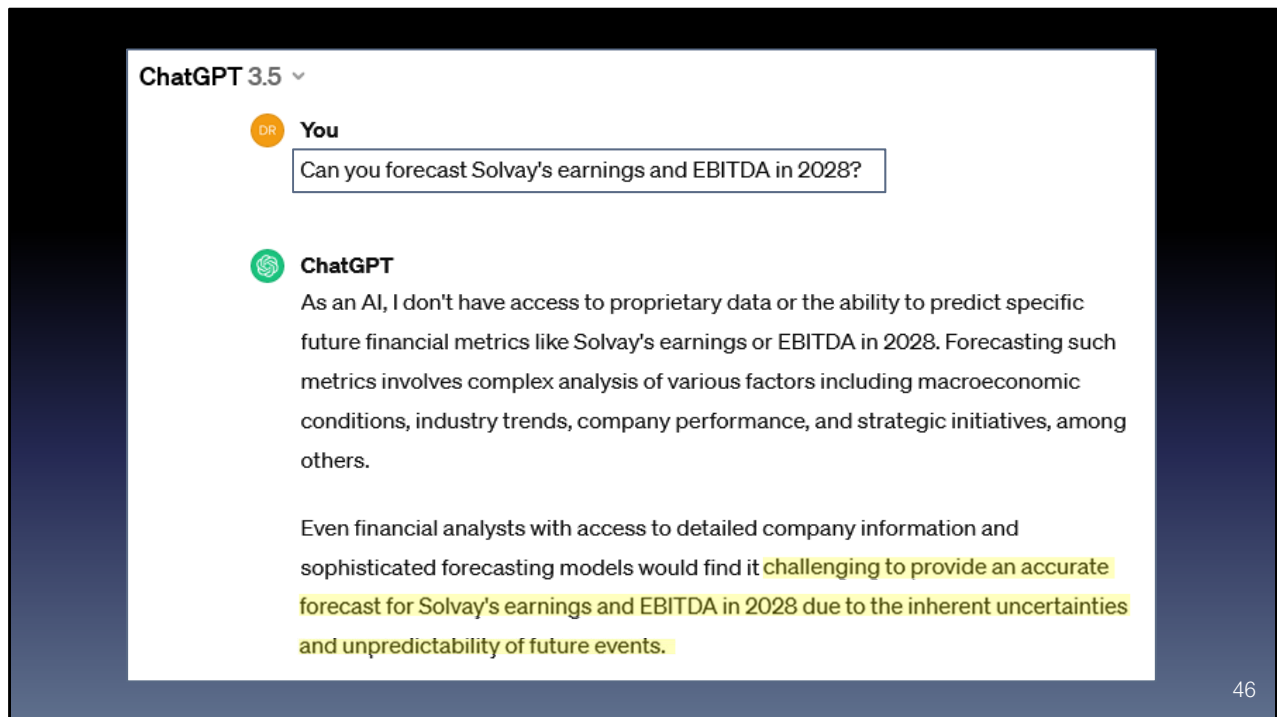
CartoonStock.com

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The cartoon says, “Well, well – this should create a nice little wave of panic and hysteria.”

We hope Solvay creates a nice little wave of dividends and capital appreciation.

Source: www.CartoonStock.com.

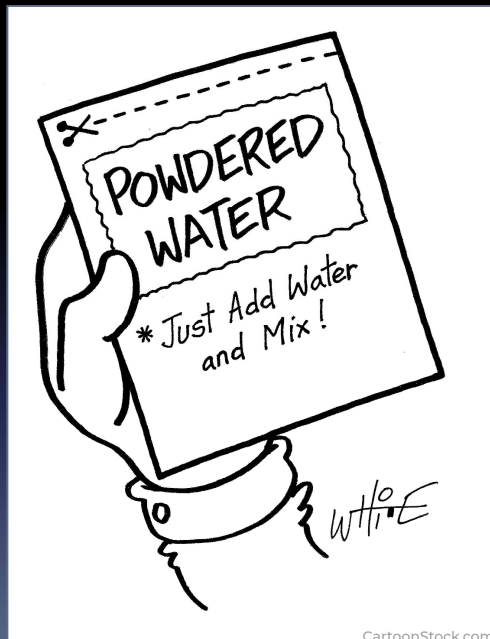


And if you don't buy the company's long-term targets, don't worry.

Artificial Intelligence could not do any better. I asked ChatGPT for help and it said that it would be "*challenging to provide an accurate forecast for Solvay's earnings and EBITDA in 2028.*"

Maybe after AI solves full self-driving, it can get back to solving financial forecasting.

Source: ChatGPT at chat.openai.com.



CartoonStock.com

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And a final chemistry joke...

<pause>

Thank you for listening to my pitch today.

Source: www.CartoonStock.com.