

Engine Capital Announces Its Intent to Support PrimeStone's Director Candidates at Brenntag's Upcoming Annual Meeting

Issues Open Letter to Shareholders Outlining Concerns with the Continued Underperformance of Brenntag Specialties and the Supervisory Board's Unwillingness to Meaningfully Engage with Investors Regarding Ideas to Unlock Value

NEW YORK, May 24, 2023--(BUSINESS WIRE)-- Engine Capital LP (together with its affiliates, "Engine" or "we"), is a meaningful shareholder of Brenntag SE (XETRA: BNR) ("Brenntag" or the "Company"), owning approximately 1% of the Company's outstanding shares. Today, Engine issued an open letter to Brenntag's shareholders announcing its intent to support the two director candidates proposed by shareholder PrimeStone Capital LLP ("PrimeStone") – Joanna Dziubak and Geoff Wild – at the Company's upcoming Annual General Meeting (the "Annual Meeting") scheduled to be held on June 15, 2023.

The full text of the letter follows:

May 24, 2023

Fellow Shareholders:

Engine is a value-oriented investment fund whose principals have significant experience investing in chemical distributors, including prior investments in Univar Solutions ("Univar") and Nexeo Solutions. On February 14, 2023, we sent [a letter](#) to members of the Supervisory Board of Directors (the "Supervisory Board") urging them to publicly commit to separating Brenntag Specialties from Brenntag Essentials and to provide a timeline for a separation that would help both businesses realize their full potential. Importantly, our letter encouraged the Supervisory Board to establish a meaningful share repurchase program and add shareholder representatives to the boardroom.

Since then, our efforts to engage with Brenntag over the composition of the Supervisory Board, the Company's current strategy or the merits of a possible separation of the businesses have been met with resistance, including responses that a separation would be too disruptive. This commentary is particularly ironic considering this is the same Supervisory Board that approved the unsolicited Univar acquisition proposal, which would have been significantly more disruptive to the organization if it had been completed. We also note our concern with the Supervisory Board's apparent entrenchment given its refusal to consider and interview the highly qualified director candidate we recommended. These actions, among others, indicate that shareholder-designated directors are urgently needed to ensure the Supervisory Board reviews Brenntag's current strategy with fresh eyes and an open-minded perspective.

We believe that the two director candidates nominated by PrimeStone – Joanna Dziubak and Geoff Wild – have the relevant industry knowledge and the right financial expertise to independently evaluate all steps necessary to optimize both businesses and maximize long-term value at Brenntag. Engine also intends to vote in favor of shortening the term of Supervisory Board members' board service to two years, as we believe it will improve accountability and bring Brenntag's governance closer to best practices.

It is worth noting that Brenntag's recently announced first quarter results further signal the Supervisory Board's current "conglomerate" strategy is flawed. Brenntag's Specialties gross profit and EBITA declined year-over-year by 9.2% and 26.2%, respectively, compared to positive organic growth at IMCD and Azelis Group, Brenntag Specialties' pure-play competitors. These results highlight the widening underperformance of the Company's Specialties business versus its pure-play peers, despite the Supervisory Board's claims of improving performance in this segment.

Recent initiatives pursued by management and the Supervisory Board (such as Horizon 2) do not address the fundamental issue facing Brenntag today: the core capabilities of a specialty distributor are different

from those of an essentials distributor. By keeping the division inside Brenntag, Brenntag Specialties is not perceived by customers, suppliers, employees or potential acquisition candidates as a pure-play specialties business. This is putting Brenntag Specialties at a significant competitive disadvantage and causing the business to lose market share to its pure-play competitors. A separation of the businesses would allow Brenntag Specialties to reach its full potential and obtain a similar valuation multiple to its pure-play peers over time – all while unlocking value for Brenntag stakeholders.

Others – including a recent Citigroup report – seemingly agree: *“Brenntag Specialties achieved Q1 EBITDA / GP conversion margin of 42.2%, weaker than IMCD (52%), despite scale advantages. Topline momentum was also less strong at Brenntag Specialties with est. Q1 organic GP growth of -10% vs +9% at IMCD. **The case for a full separation of Essentials and Specialties remains compelling, we think, as it appears that pure-play operators tend to perform better, grow faster and deliver higher returns.**”*

We continue to believe that the value creation opportunity at Brenntag is significant. As a first step, we look forward to supporting PrimeStone’s director candidates – Joanna Dziubak and Geoff Wild – at the upcoming Annual Meeting.

Sincerely,

Arnaud Ajdler
Managing Partner

Brad Favreau
Partner

About Engine Capital

Engine Capital is a value-oriented special situations fund that invests both actively and passively in companies undergoing change.

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