

# Perstorp Holding AB (Publ.)

Interim report, April-June 2016  
Conference call August 24<sup>th</sup>, 2016



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# Important notice

- ➔ Unless otherwise stated, the financial information presented in this document represents the Group's continuing operations, i.e. excluding:
  - 15% stake in Vencorex (the former Coating Additives business unit, 51% divested in May 2012 and 34% divested in August 2014)



# Agenda

- ➔ Business performance
- ➔ Financial review
- ➔ Summary
- ➔ Q&A

# Business performance



**Jan Secher**  
*President & CEO*

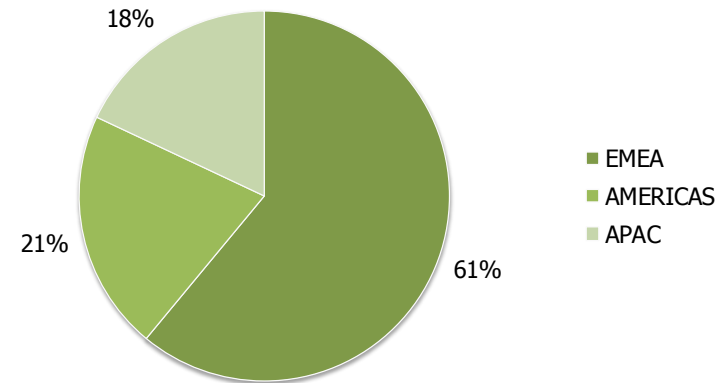
# Executive summary

- ➔ Organic volume-based sales growth was +5% vs. Q2 last year. Excluding BioProducts, organic volume-based sales growth was up 6%
- ➔ Q2 sales amounted to SEK 2,730 m, a 9% decrease over last year reflecting the decline in raw material prices. Sales increased 4% compared to Q1/16
- ➔ Unit margins have, quarter-on-quarter, remained at healthy levels despite an increase in key raw material prices during the quarter. Total marginal contribution amounted to SEK 938 m, very close to the strong Q2/15 and above Q1/16
- ➔ EBITDA excluding non-recurring items amounted to SEK 439 m in Q2/16 compared to SEK 476 m last year and SEK 457 m in Q1/16. Year-on-year, the second quarter was characterized by slightly lower margins and negative temporary timing effects linked to especially inventory, partly offset by stronger volumes and positive FX effects
- ➔ Q2 EBITDA margin amounted to 16,1% driven by solid underlying performance, to some extent negatively affected by timing effects. Solid performance from our specialty business with an EBITDA margin of 29%
- ➔ Free Cash flow amounted to SEK 254 m, slightly lower than last year

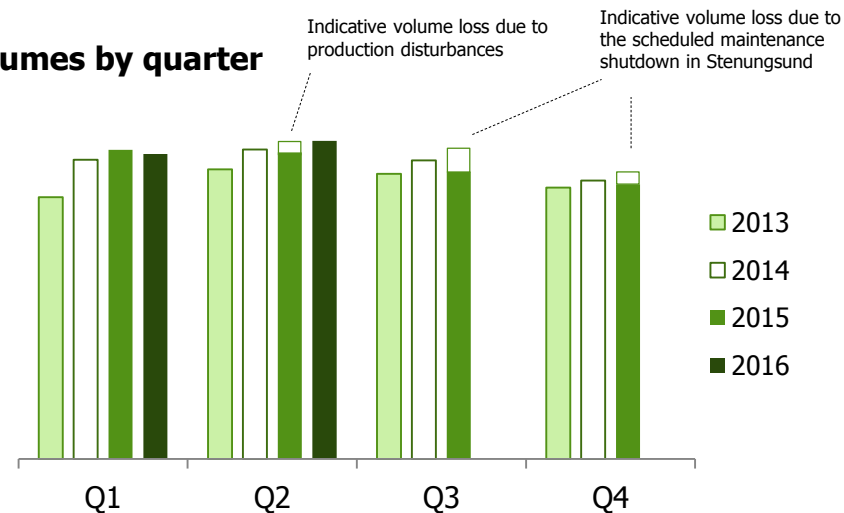
# Market overview

- ➔ Overall demand was stable in our major markets with an noticeable uptick in the APAC region. General sales prices have declined vs. same quarter last year primarily as a consequence of lower raw material prices, evident in all regions
- ➔ Year-on-year volume growth was +4% and organic volume-based sales growth was +5%
- ➔ Volumes in EMEA were flat compared to the same quarter last year. Sales were 12% lower than the corresponding period last year primarily following generally lower sales prices
- ➔ Volumes in Americas were 4% higher than last year – primarily linked to our Oxo and Polyols business. Sales were 12% below Q2 last year due to lower sales prices
- ➔ Volumes in APAC increased substantially vs. last year, +45%, linked to primarily new product introduction and good demand. The higher volumes were partly offset by lower sales prices resulting in a 6% increase in reported sales

**Q2/2016, Net Sales by region, %**



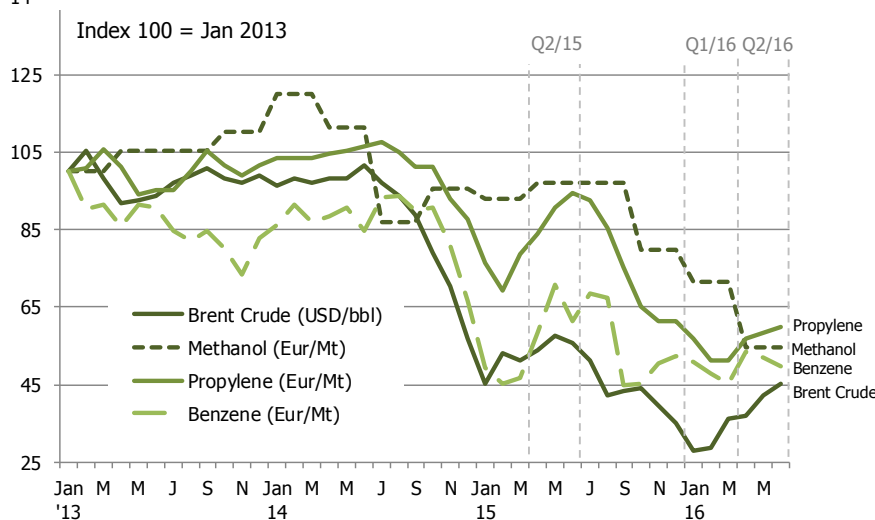
**Volumes by quarter**





# Raw materials and margins

## Raw material prices



➔ Most key raw material prices increased during the quarter, however still substantially lower than last year

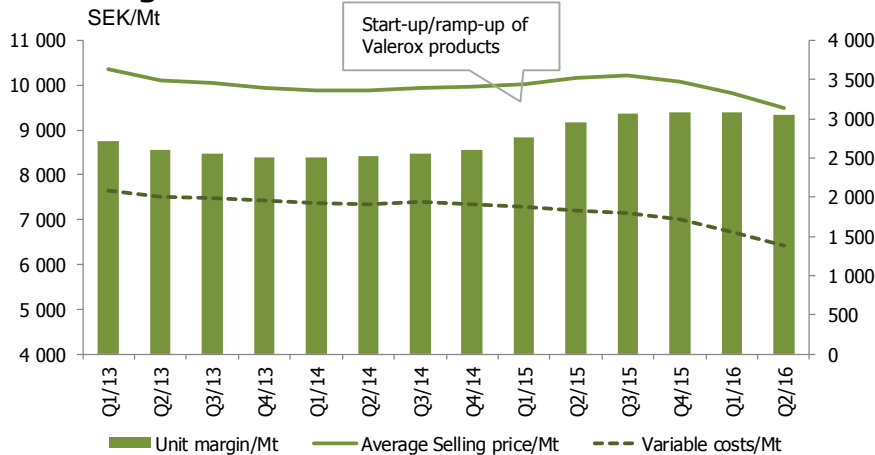
- Average price for Brent crude oil increased by 34% in Q2/16 vs Q1/16 but was around 25% lower than in Q2/15
- Propylene increased 10% in Q2/16
- Benzene increased 8% in Q2/16
- Methanol decreased 24% in Q2/16

➔ Unit margins achieved in Q2/16 were more or less flat vs. Q1/16, with margins staying at an overall healthy level

➔ Year-on-year unit margins slightly lower due to increased raw material prices during the quarter and continued strong competition in a limited number of product lines

➔ Continuous focus on pricing excellence in combination with lower raw material prices vs. last year have enabled enhanced margins for some products, especially in Specialty & Solutions

## Margins LTM



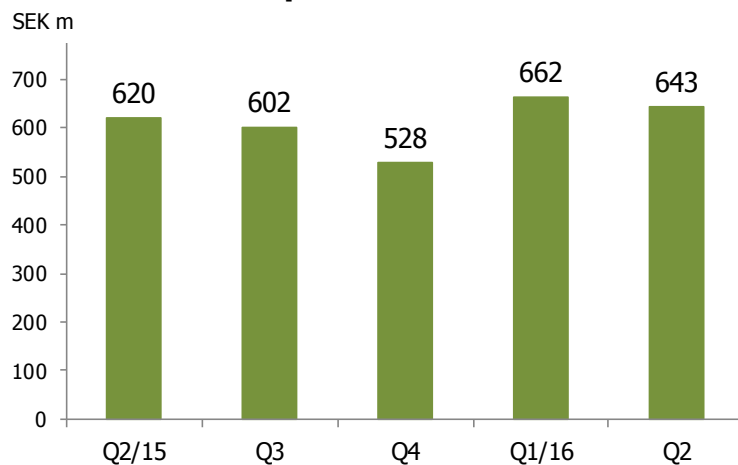


# Specialties & Solutions

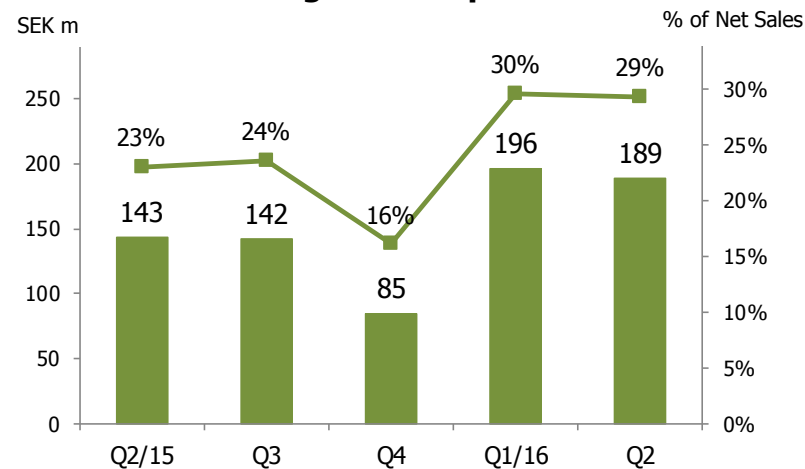
- ➔ Stronger performance driven by improved volumes and unit margins
  - Organic volume-based sales growth was 4%<sup>1</sup> vs. Q2/15
  - Q2/16 net sales amounted to SEK 643 m, 4% higher than Q2/15, primarily impacted by higher volumes. Sales prices were rather stable and FX-effects on net sales were limited
  - Q2/16 EBITDA amounted to SEK 189 m, corresponding to an EBITDA margin of 29%. Earnings show an increase of 32% compared to Q2/15, impacted by a combination of stronger unit margins due to successful margin management and stronger volumes

<sup>1</sup>= in Q1/16, one product line was transferred from Business Area Advanced Chemicals & Derivatives. Adjusted for this, the organic volume-based sales growth in Q2 was 3%.

## Net sales development



## EBITDA<sup>2</sup> and margin development



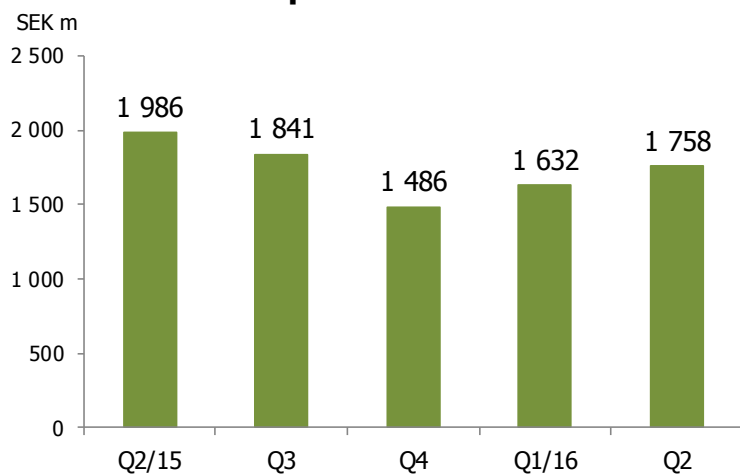
<sup>2</sup>= EBITDA excluding non recurring items

# Advanced Chemicals & Derivatives

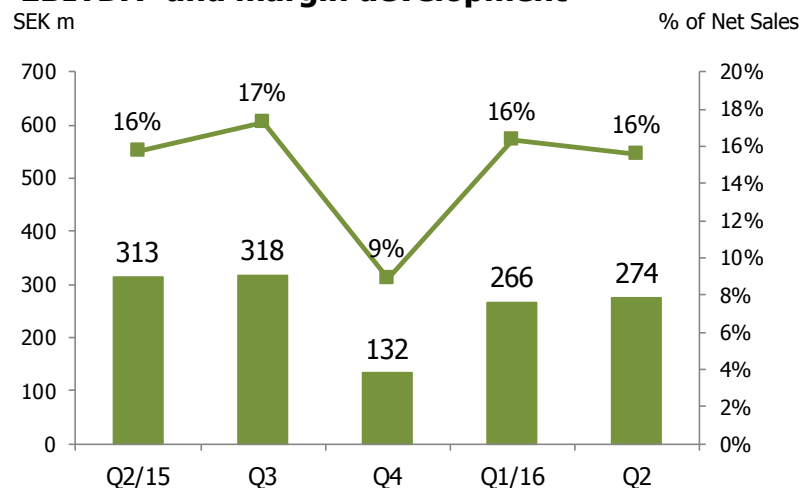
- ➔ Positive development in volumes, but earnings negatively affected primarily by less favorable market conditions on a few products and inventory destocking
  - Organic volume-based sales growth was +9%<sup>1</sup> vs. Q2/15
  - Q2/16 net sales amounted to SEK 1,758 m, 12% lower than Q2/15 assignable to lower sales prices, -19% and negative FX-effects of -1%, partly offset by higher volumes
  - Valerox related volumes showed increased volumes of 18% vs Q2/15; production efficiency measures continue to be implemented
  - Q2/16 EBITDA amounted to SEK 274 m, corresponding to a EBITDA margin of 16%. Earnings decreased vs. Q2/15 mainly due to less favorable market conditions on Formates and Oxo alcohols and plasticizers, like we experienced in the last quarters, whilst Polyols performed well

<sup>1</sup>= in Q1/16, one product line was transferred to Business Area Specialty & Solutions. Adjusted for this, the organic volume-based sales growth in Q2 was 9%

## Net sales development



## EBITDA<sup>2</sup> and margin development

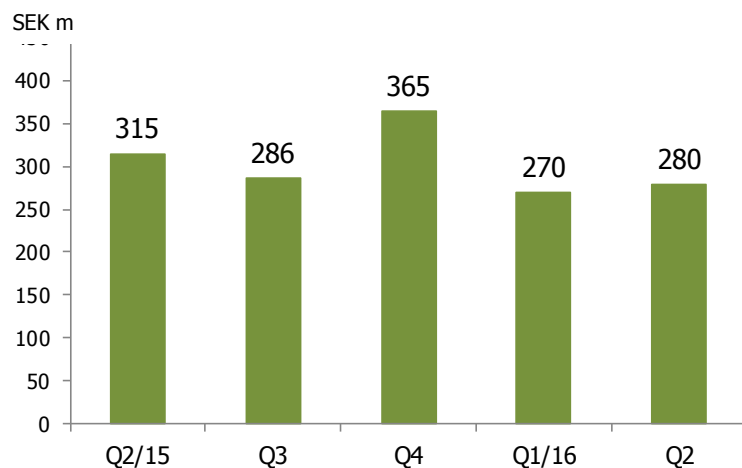


<sup>2</sup>= EBITDA excluding non recurring items

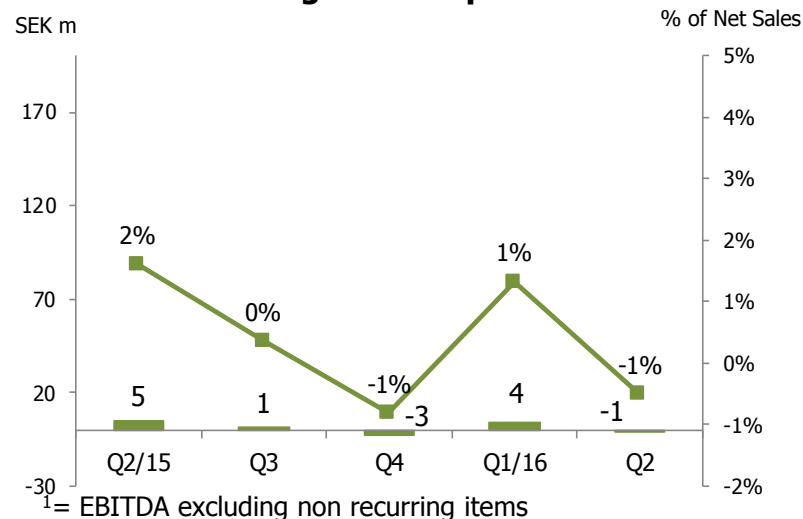
# BioProducts

- ➔ Continued challenging market conditions put pressure on margins
  - Organic volume-based sales growth was -7%
  - Q2/16 net sales amounted to SEK 280 m, 11% lower than Q2/15, impacted by lower sales volumes due to less favorable market conditions and slightly lower sales prices
  - Q2/16 EBITDA amounted to SEK -1 m compared to SEK 5 m in Q2/15. The decline in earnings can primarily be assignable to lower volumes in relation to installed capacity

## Net sales development



## EBITDA<sup>1</sup> and margin development



# Financial review



**Magnus Heimburg**

*CFO*

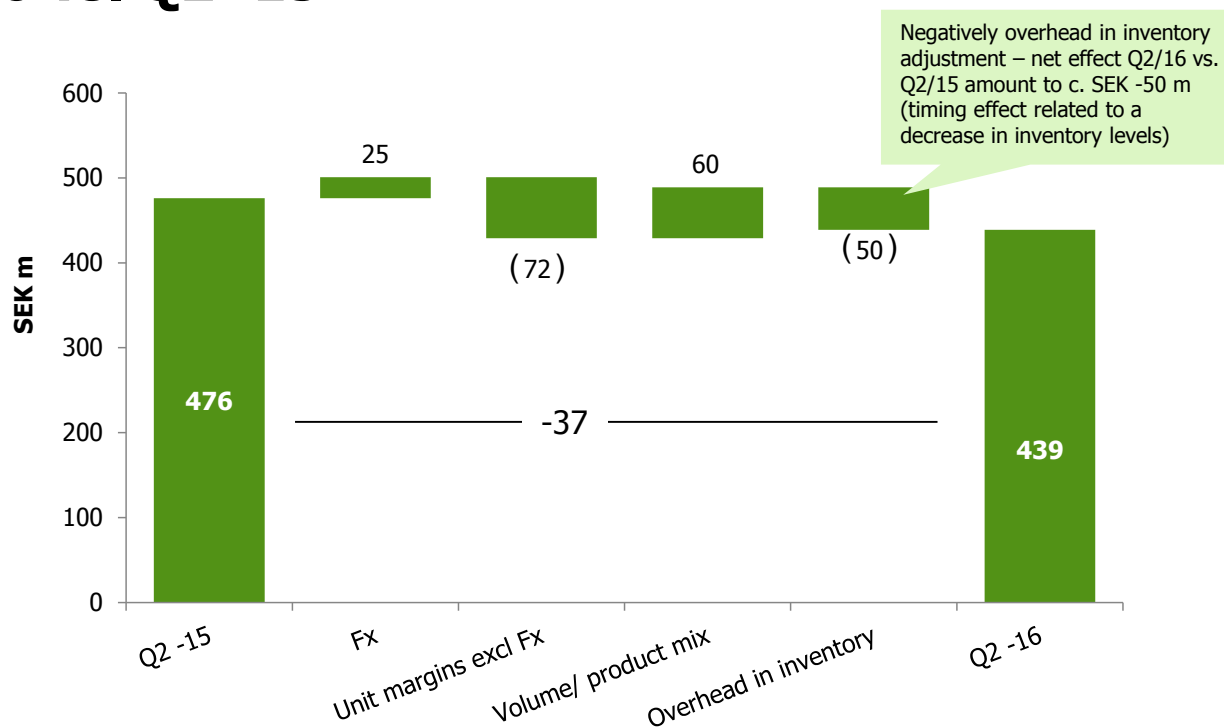
# Financial highlights

## Q2 2016

SEK m	Q2 -16	Q2 -15	YTD Q2 -16	YTD Q2 -15	LTM Q2-16	Q1 -16
Net Sales	2,730	2,991	5,346	5,940	10,555	2,616
% growth (y-o-y)	-9%		-10%			-11%
Marginal Contribution	938	946	1,848	1,866	3,397	910
% of sales	34,4%	31,6%	34,6%	31,4%	32,2%	34,8%
EBITDA, reported	426	481	870	1,006	1,517	443
% of sales	15,6%	16,1%	16,3%	16,9%	14,4%	16,9%
EBITDA, excl non recurring items	439	476	896	1,007	1,556	457
% of sales	16,1%	15,9%	16,8%	17,0%	14,7%	17,5%

- ➔ Volume-based sales growth was +5%, whereas Net sales decreased around 9% compared to Q2/15, mainly as a consequence of lower sales prices reflecting the lower raw material prices
- ➔ Marginal contribution was close to the same level as last year. Unit margins (SEK/kg) were slightly lower year-on-year whereas margins in % of sales improved to c. 34%
- ➔ EBITDA excluding non recurring items amounted to SEK 439 m vs. 476 m Q2/15, primarily due to slightly lower margins and negative timing effects linked to temporary inventory destocking, partly offset by stronger volumes and positive FX effects

# Bridge EBITDA excl. non recurring items Q2 -16 vs. Q2 -15

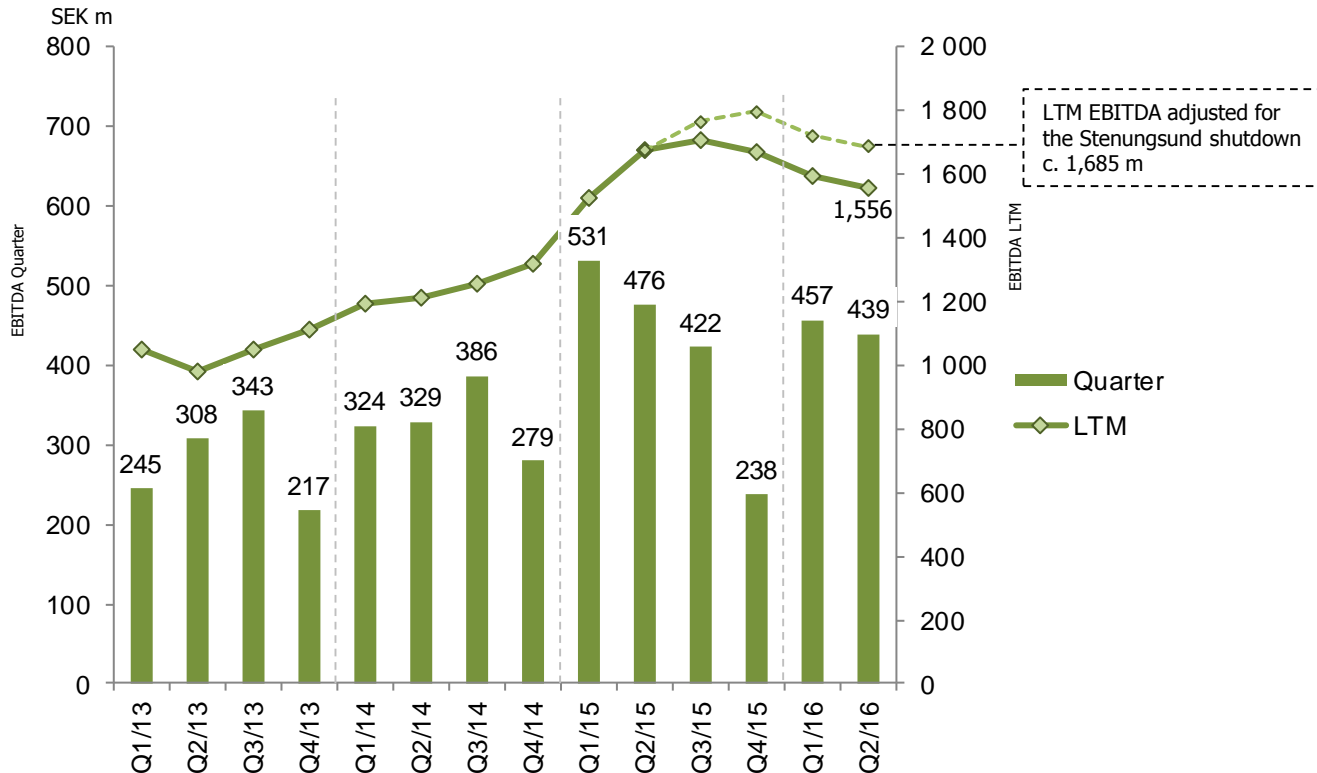


- ➔ Q2/16 EBITDA excluding non recurring items decreased SEK 37 m year-on-year, primarily explained slightly lower margins and negative timing effects linked to temporary inventory destocking, partly offset by stronger volumes and positive FX effects

# LTM development

## Q1/13 to Q2/16

### EBITDA excluding non recurring items



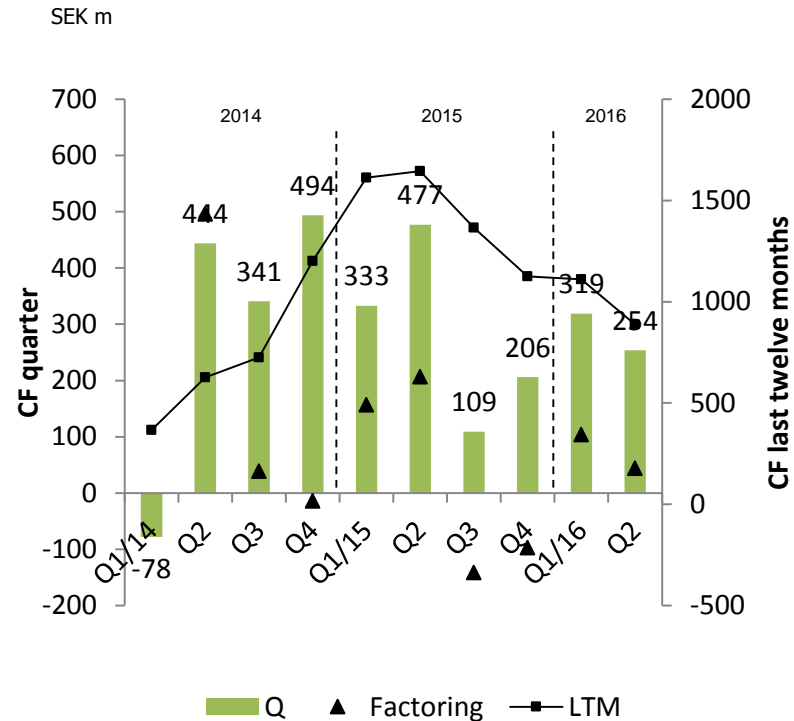
- ➔ Reported LTM EBITDA amount to SEK 1,556 m in Q2/16
- ➔ Adjusting for the negative effects from the shutdown in Q3/Q4 2015, which will impact the LTM result until Q4/16, the LTM EBITDA would have been around SEK 1,685 m



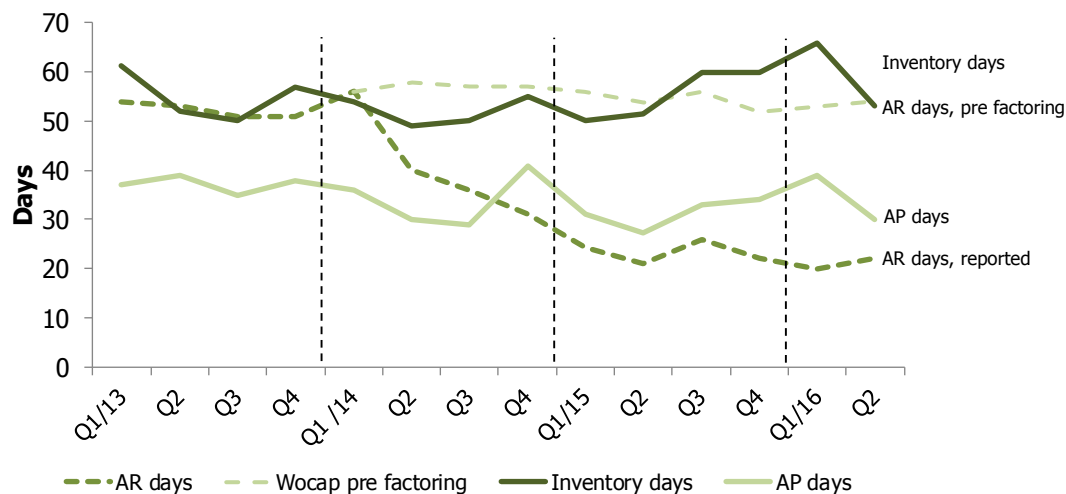
# Free cash flow

- ➔ Free cash flow in Q2/16 was SEK 254 m compared to 477 m in Q2/15
- ➔ The main driver for the negative deviation relates to a less favorable development of working capital. In Q2/15 we released working capital primarily driven by an increased utilization of the trade receivable program. In Q2/16, we increased our AR related to slightly higher sales than preceding quarter
- ➔ Utilization of the trade receivable program amounted to €105 m per end of Q2/16, with credit approval amounting to €125 m
- ➔ Free cash flow in Q3/16 is expected to be positive

## Free Cash flow



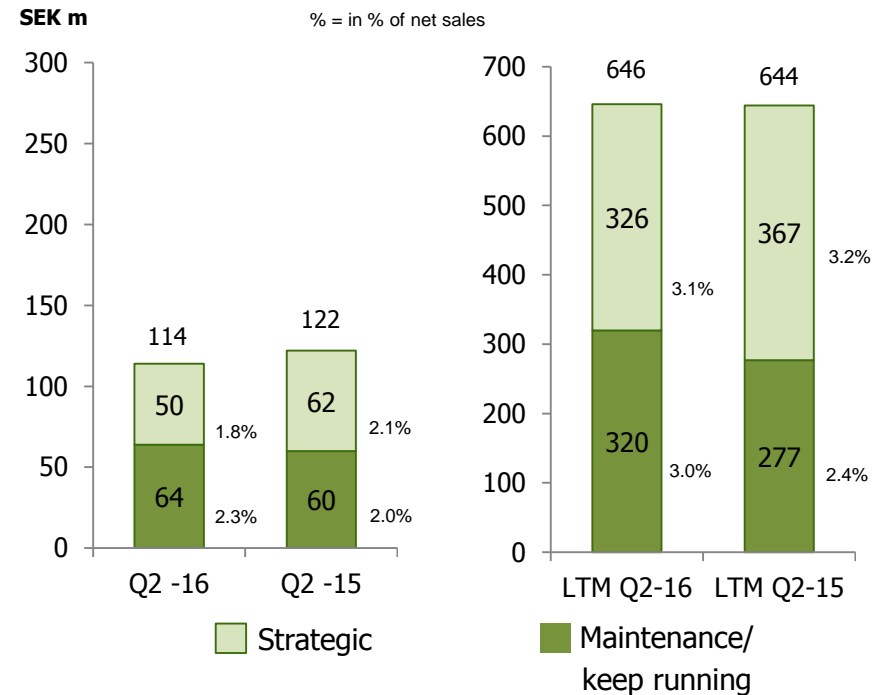
# Working capital



- ➔ Reported working capital increased SEK 80 m during Q2/16 mainly due to a less favorable AP situation vs Q1/16 including timing effects
- ➔ Reported accounts receivable increased by SEK c. 105 m affected by higher sales primarily due to seasonality and higher demand for Polyols. The increase has been partly offset by higher utilization of the trade receivable program
- ➔ Inventory value decreased SEK c. 150 m during Q2/16 primarily due to destocking after scheduled production shutdowns. The decrease in inventory volumes were partly offset by increased raw material prices and FX-effects
- ➔ The long term off-balance trade receivables financing program affect AR and working capital with around SEK 1,000 m (€ 105 m)

# Investments

- ➔ Investments amounted to SEK 114 m in Q2/16 and was slightly lower than in Q2/15
- ➔ Maintenance investments were in line with Q2/15 whereas strategic investments were slightly lower than corresponding period last year
- ➔ Strategic investments includes selective capacity expansions and smaller debottlenecking investments in our key platforms
- ➔ The total investment amount for 2016 estimated to be around SEK 575 m compared to SEK 660 m in 2015



# Indebtedness

## Current capital structure details

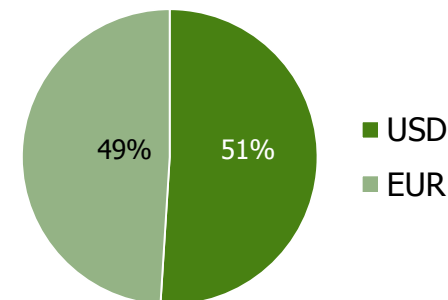
	USDm equiv.	SEKm	x EBITDA excl non-rec.
Cash on balance sheet	-82	-691	
Senior secured notes (€)	300	2,543	
Senior secured notes (\$)	380	3,222	
Net senior secured debt	598	5,074	3.3 x
Second lien notes (\$)	370	3,138	
Net second lien debt	968	8,212	5.3 x
Mezzanine loans (€)	414	3,512	
Other debt	5	42	
Net debt, excl. pensions and shareholder loan	1,387	11,766	7.6 x

- ➔ Net debt, excl. pensions and the shareholder loan increased by SEK 384 m during Q2/16, due to negative translation effects from FX rates and negative cash flow after financial net
- ➔ Available funds per end of Q2/16 amounted to SEK 897 m (undrawn RCF and cash, excl. restricted)

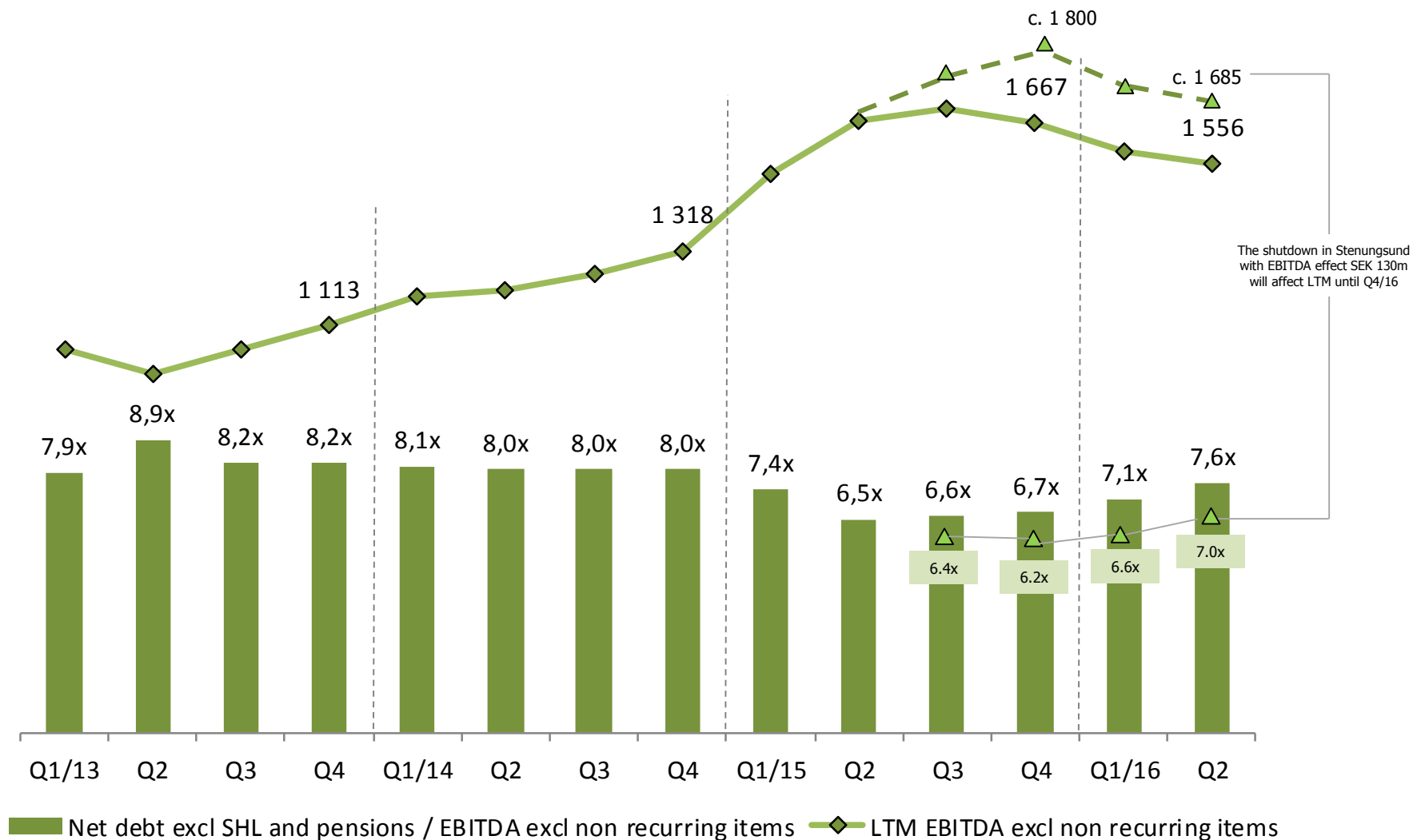
Fx rates; USD 8.48 and Euro 9.42

Based on EBITDA excluding non-recurring items of SEK 1,556 m

## Debt by currency



# Financial performance and leverage



# Summary



**Jan Secher**  
*President & CEO*

# Q2 conclusion and current trading

- ➔ Specialties & Solutions continued the steady improvement over last year, with healthy margins
- ➔ Within Advanced Chemicals & Derivatives, the picture is more fragmented. Our Polyols businesses developed well. The competitive business sentiment continued for especially our Formates and part of our Oxo portfolio
- ➔ Solid marginal contribution generation, partly offset by negative timing effects resulting in a EBITDA slightly below last year's level
- ➔ We don't expect any major changes in the demand for our main product lines in the third quarter of 2016 and free cash flow expected to remain positive
- ➔ Following the Company's continued robust performance, Perstorp, together with its shareholders, is assessing a range of strategic options, including a potential stock exchange listing or a refinancing of the capital structure



# Q&A



**Jan Secher**  
*President & CEO*



**Magnus Heimburg**  
*CFO*



# Appendix



# Free cash flow details

Continuing operations (i.e. excluding Vencorex)

SEK m	Q2-16	Q2 -15	YTD Q2-16	YTD Q2-15	LTM Q2-16	Q1-16
EBITDA excl non-rec items	439	476	896	1,007	1,556	457
Change in working capital <sup>1</sup>	-71	123	-110	32	-22	-39
Maintenance capex	-64	-60	-103	-101	-320	-39
<b>FCF before strategic capex</b>	<b>304</b>	<b>539</b>	<b>683</b>	<b>938</b>	<b>1,214</b>	<b>379</b>
% of EBITDA excl non-rec.	69%	113%	76%	93%	78%	83%
Strategic capex	-50	-62	-110	-126	-326	-60
<b>Free cash flow</b>	<b>254</b>	<b>477</b>	<b>573</b>	<b>812</b>	<b>888</b>	<b>319</b>
% of EBITDA excl non-rec.	58%	100%	64%	81%	57%	70%

<sup>1</sup>= excluding exchange rate effects and provisions

# Segment reporting

Continuing operations (i.e. excluding Vencorex)

SEK m	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14
<b>Net Sales</b>	<b>2,730</b>	<b>2,616</b>	<b>2,431</b>	<b>2,778</b>	<b>2,991</b>	<b>2,949</b>	<b>2,606</b>	<b>2,838</b>	<b>2,867</b>
Specialties & Solutions	643	662	528	602	620	626	539	627	611
Advanced Chemicals & Derivatives	1,758	1,632	1,486	1,840	1,986	1,964	1,738	1,886	1,890
BioProducts	280	270	365	286	315	313	295	282	305
Other/eliminations	49	52	64	61	70	46	34	43	61
<b>EBITDA, reported</b>	<b>427</b>	<b>443</b>	<b>227</b>	<b>420</b>	<b>481</b>	<b>525</b>	<b>291</b>	<b>385</b>	<b>317</b>
Specialties & Solutions	188	196	85	142	143	154	78	118	118
Advanced Chemicals & Derivatives	270	266	133	317	314	377	215	252	205
BioProducts	-2	4	-3	1	5	13	7	19	20
Other/eliminations	-29	-22	12	-40	19	-19	-9	-4	-26
<b>EBITDA excl non recurring items</b>	<b>439</b>	<b>457</b>	<b>238</b>	<b>422</b>	<b>476</b>	<b>531</b>	<b>279</b>	<b>386</b>	<b>329</b>
Specialties & Solutions	189	196	85	142	143	154	79	118	117
Advanced Chemicals & Derivatives	274	266	133	317	314	377	215	253	206
BioProducts	-1	4	-3	1	5	13	7	19	20
Other/eliminations	-23	-9	23	-38	14	-13	-22	-4	-14

# Quarter on quarter development

Continuing operations (i.e. excluding Vencorex)

SEK m	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14	Q1 -14
Net Sales	2,730	2,616	2,431	2,778	2,991	2,949	2,606	2,838	2,867	2,773
Marginal Contribution	938	910	698	851	946	920	692	755	727	723
% of sales	34,4%	34,8%	28,7%	30,6%	31,6%	31,2%	26,6%	26,6%	25,4%	26,1%
EBITDA, reported	427	443	227	420	481	525	291	385	317	276
% of sales	15,6%	16,9%	9,3%	15,1%	16,1%	17,8%	11,2%	13,6%	11,1%	10,0%
EBITDA, excl non-recurring items	439	457	238	422	476	531	279	386	329	324
% of sales	16,1%	17,5%	9,8%	15,2%	15,9%	18,0%	10,7%	13,6%	11,5%	11,7%

# Cash and Available funds

SEK m	Q2-16
Unrestricted cash	502
Restricted <sup>1</sup> and escrowed cash <sup>2</sup>	189
<b>Cash on Balance Sheet</b>	<b>691</b>

SEK m	Q2-16
Unrestricted cash	502
RCF not Drawn	395
<b>Reported Available Funds</b>	<b>897</b>

<sup>1</sup>) Cash in Perstorp accounts in countries where international movement of funds are restricted

<sup>2</sup>) Cash held in escrowed accounts as collateral for different business activities (including Vencorex)

# Currency

## Period average exchange rates

SEK per LOC	Q2 -16	Q2 -15	YTD Q2-16	YTD Q2-15	LTM Q2 -16	Q1 -16
USD	8.21	8.42	8.33	8.38	8.41	8.46
Euro	9.27	9.30	9.30	9.34	9.34	9.32
GBP	11.79	12.89	11.94	12.76	12.50	12.10

## Period end exchange rates

SEK per LOC	Q2 -16	Q2 -15	Q1 -16
USD	8.48	8.24	8.15
Euro	9.42	9.22	9.23
GBP	11.39	12.95	11.69

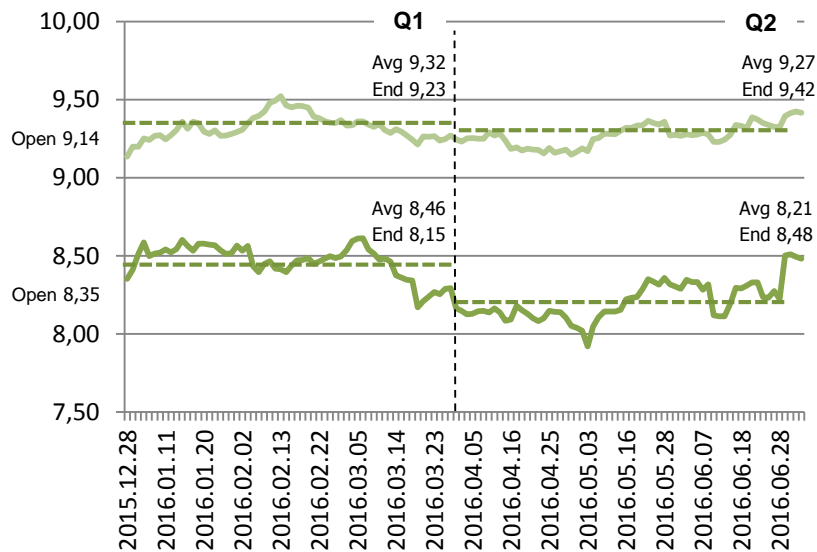
Source: Swedish Central Bank, Riksbanken



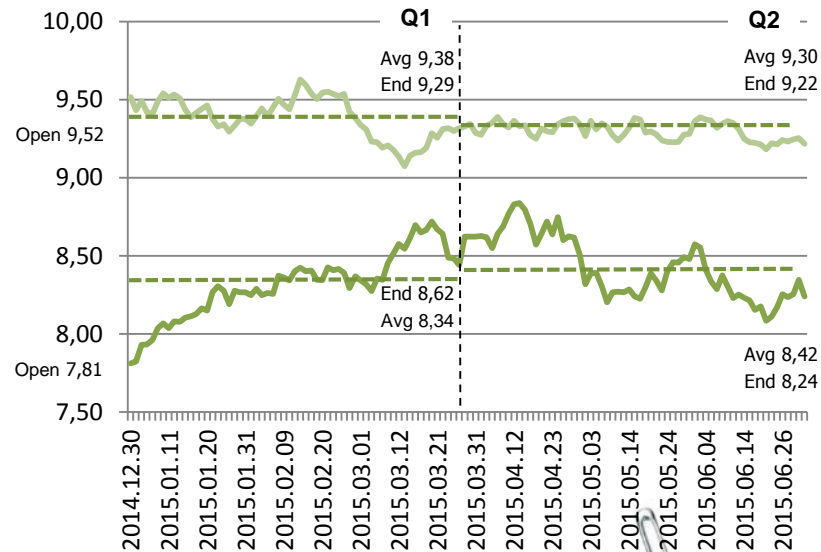


# Currency

## YTD 2016



## YTD 2015



Average rate SEK per LOC	Q2 -16	Q1 -16	Q2 -15	Q1 -15	Q4 -15
USD	8.21	8.46	8.42	8.34	8.50
Euro	9.27	9.32	9.30	9.38	9.31
GBP	11.79	12.10	12.89	12.62	12.91

End rate SEK per LOC	Q2 -16	Q1 -16	Q2 -15	Q1 -15	Q4 -15
USD	8.48	8.15	8.24	8.62	8.35
Euro	9.42	9.23	9.22	9.29	9.14
GBP	11.39	11.69	12.95	12.74	12.38

