

# Perstorp Holding AB (Publ.)

Interim report, January-September 2017  
Conference call November 8, 2017

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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:
  - All shares, 100%, in Perstorp Oxo Belgium AB (site Gent), divested in March 2017
  - The stake in Vencorex (the former Coating Additives business unit)



# Agenda

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



# Business performance



Jan Secher  
*President & CEO*

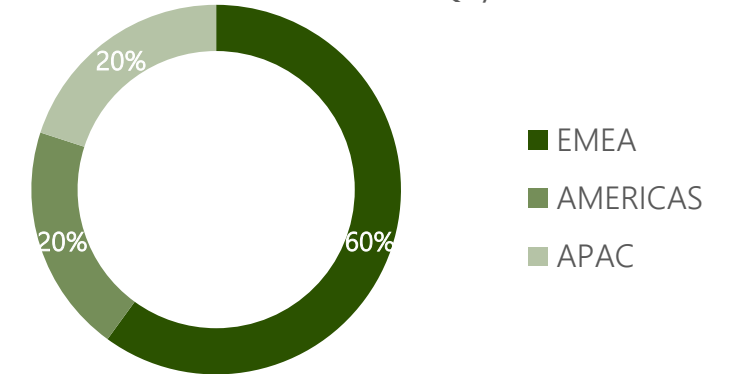
# Executive summary

- Organic volume-based sales growth was +7% vs. Q3 2016
- Q3 sales amounted to SEK 3,289 m, an 18% increase over last year, mainly due to higher sales prices and stronger volumes
- Improved quarter-on-quarter unit margins for most product lines linked to price increases and favorable supply & demand balance
- EBITDA excluding non-recurring items record high at SEK 575 m in Q3/17 compared to SEK 476 m Q3/16, driven by the third quarter was characterized by improved unit margins, higher volumes and positive development in all regions
- Q3 EBITDA margin amounted to 17.5% (17.1%). Excluding BioProducts, EBITDA margin was 20.0% (19.3%)
- Free Cash flow amounted to SEK 134 m in Q3 which was SEK 221 m lower than Q3 last year, improved earnings was offset by higher working capital and capital expenditure
- Net Debt/LTM EBITDA decreased to 5.6x in Q3/17 from 6.0x in Q2/17

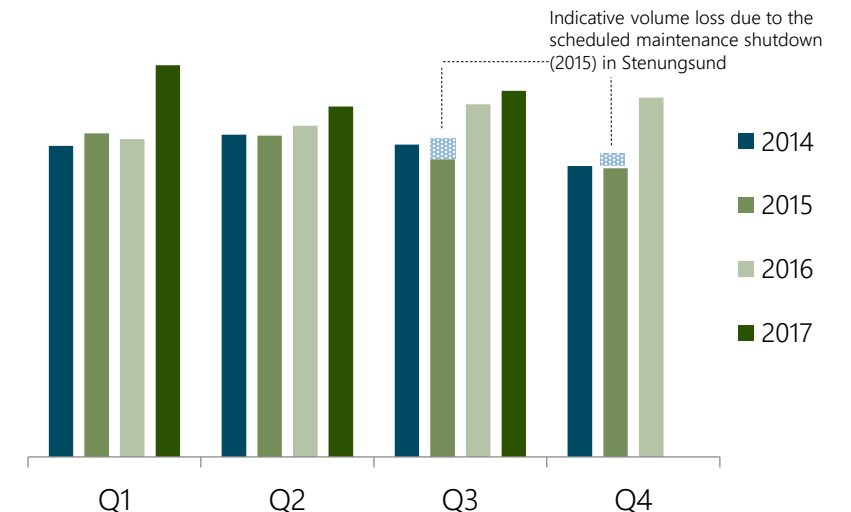
# Market overview

- The high demand in all three geographical regions remains, year-on-year organic volume-based sales growth was 7%
- Continued higher sales prices in local currencies vs. the same quarter last year following stronger pricing and higher raw material prices
- Volumes in EMEA were up 5% compared to Q3 last year with double digit growth in TMP & Neo, Capa and Specialty Polyols. Sales were 18% higher than Q3 last year
- Volumes in Americas were 2% higher than last year driven by Capa, Oxo and Formates. Sales were 6% above Q3 last year
- Volumes in APAC increased by 1% compared to last year, volume growth still negatively affected by several products being on allocation. Double digit growth for Penta, Capa and SPPO. Sales were 36% higher than Q2 last year

NET SALES BY REGION Q2/17



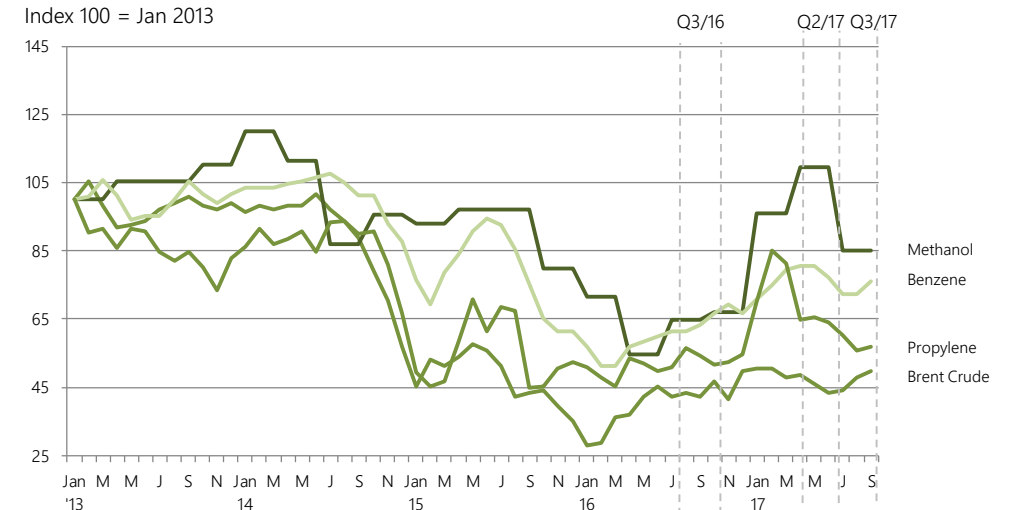
VOLUMES BY QUARTER



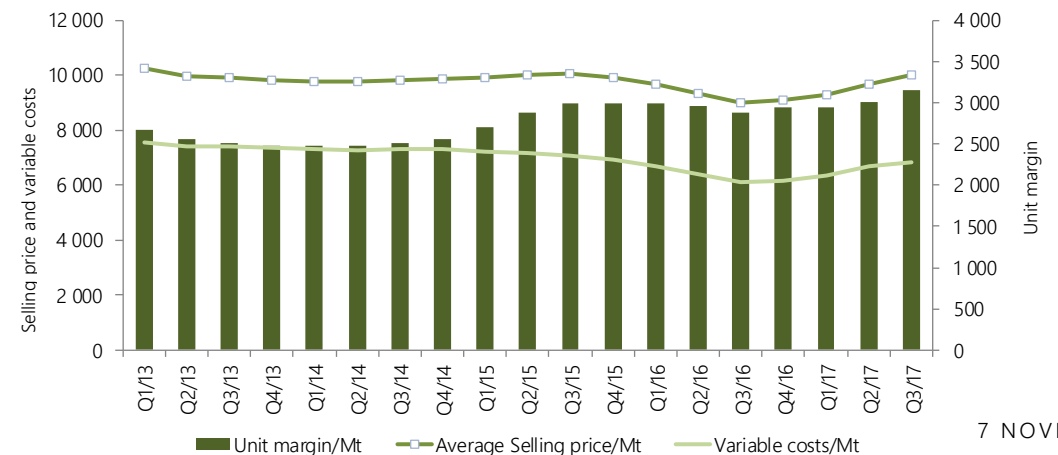
# Raw materials and unit margins

- During third quarter all key raw material prices except Brent crude oil decreased from Q2/17 (but all increased compared to Q3 last year)
- Average price for Brent crude oil increased by 3% in Q3/17 vs Q2/17 and was 11% higher than in Q3/16
- Benzene decreased 11% in Q3/17 vs. Q2-17 (+7% vs LY)
- Methanol decreased 22% in Q3/17 vs. Q2-17 (+31% vs LY)
- Propylene decreased 7% in Q3/17 vs. Q2-17 (+19% vs LY)
- Improved unit margins vs. Q2/17 and Q3/16
- Advanced Chemicals & Derivatives unit margins were stronger than Q2/17 and Q3/16 thanks to price increases and improved supply & demand balance
- Unit margins in Specialties & Solutions improved from last quarter but continued to be hampered by negative customer and product mix impact together with higher raw material prices when comparing to same period last year

Raw material prices



Margins LTM

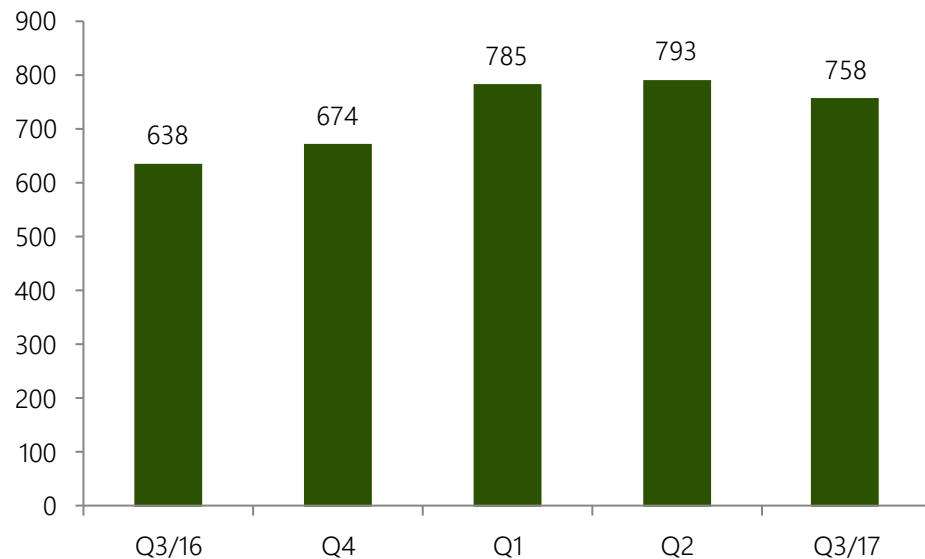




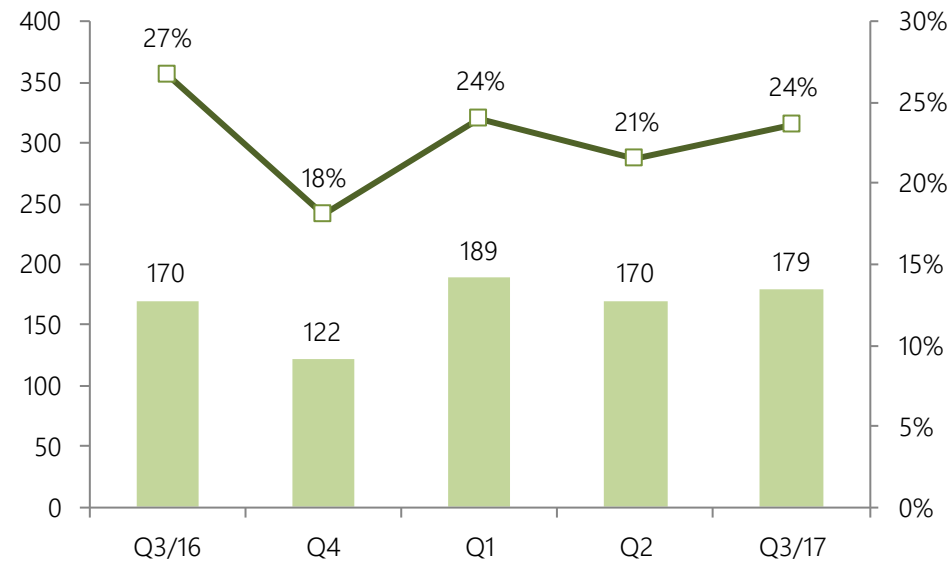
# Specialities & Solutions

- Strong organic volume based growth and improved margins from Q2/17
  - Organic volume-based sales growth was +18% vs. Q3/16, driven by strong growth in Capa™ (+47% vs. last year)
  - Q3/17 net sales amounted to SEK 758 m, 19% higher than Q3/16 linked to higher volumes and higher sales prices (3%) partly offset by impact from FX (-2%)
  - Q3/17 EBITDA amounted to SEK 179 m, corresponding to an EBITDA margin of 24% vs. 27% in Q3/16. Improved earnings from higher volumes was partly offset by lower unit margins linked to negative product and customer mix together with higher raw material prices. Compared to Q2/17 unit margins improved

Net sales development



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



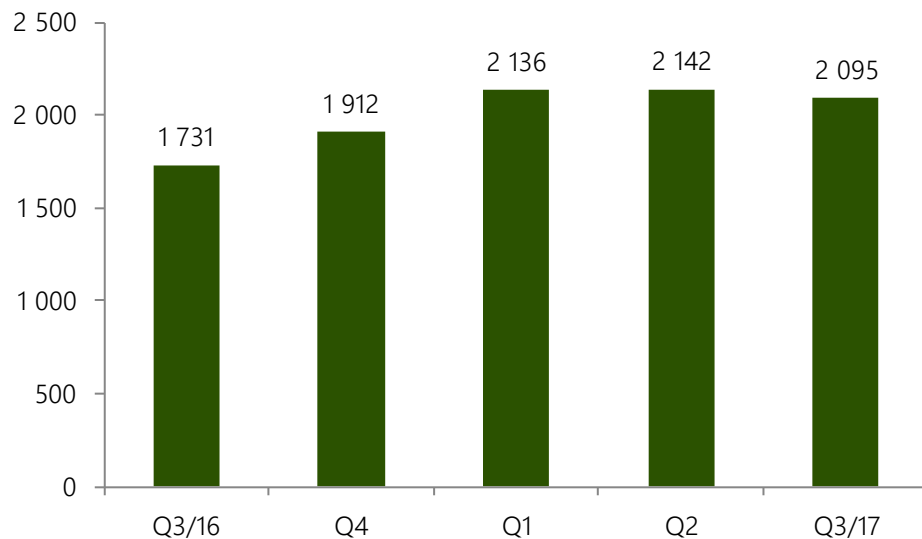
<sup>1</sup> EBITDA excluding non recurring items



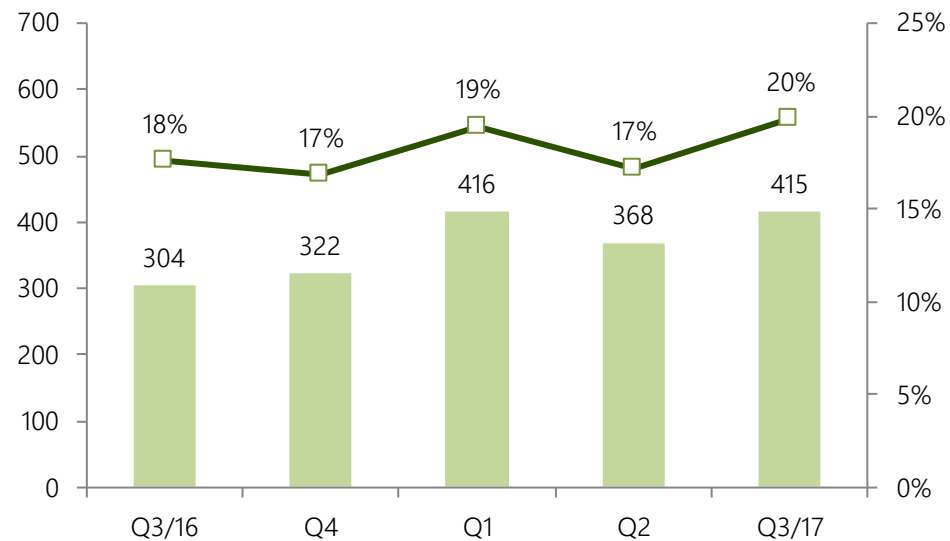
# Advanced Chemicals and Derivatives

- Strong increase in EBITDA linked to improved unit margins
  - Organic volume-based sales growth was +4% vs. Q3/16
  - Q3/17 net sales amounted to SEK 2,095 m, 21% higher than Q3/16 and primarily driven by higher prices (20%) and higher volumes partly offset by Fx (-3%)
  - Q3/17 EBITDA increased SEK 111 m to SEK 415 from Q3/16, corresponding to an EBITDA margin of 20% (18%). The strong increase was linked to strengthened pricing and improved supply & demand balance supporting a continued solid EBITDA growth

Net sales development



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



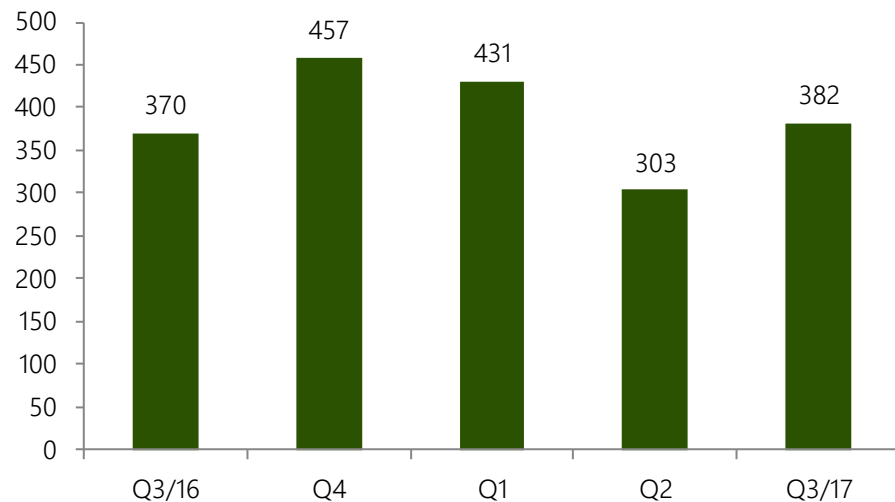
<sup>1</sup>= EBITDA excluding non recurring items



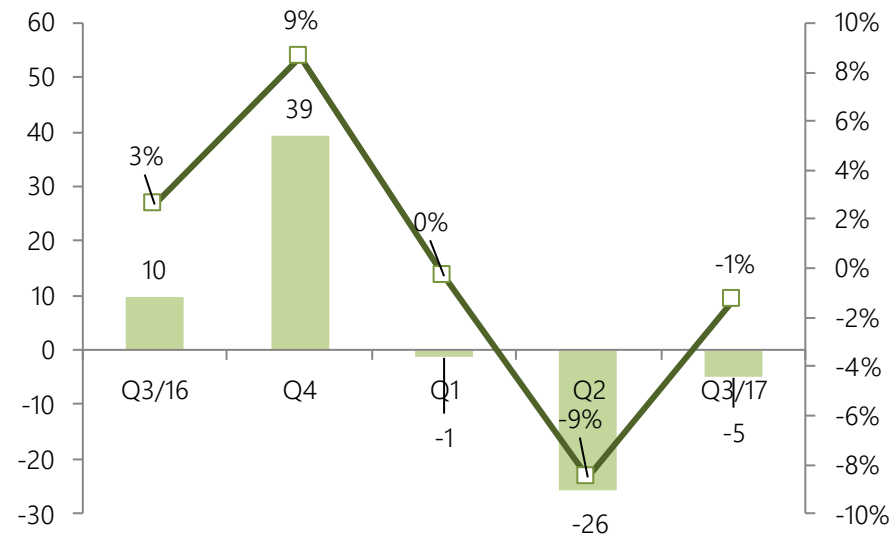
# BioProducts

- Q3 earnings hampered by continued tough market conditions
  - Organic volume-based sales growth was -2% compared to Q3/16
  - Q3/17 net sales amounted to SEK 382 m, an increase with 3% vs. Q3/16, primarily assigned to higher prices partly offset by volume and mix impact
  - Q3/17 EBITDA amounted to SEK -5 m compared to SEK +10 m in Q3/16. Earnings were negatively affected by weaker unit margins. Compared to Q2/17 unit margins improved

Net sales development



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



<sup>1</sup>= EBITDA excluding non recurring items



# Financial review



Magnus Heimburg  
*CFO*

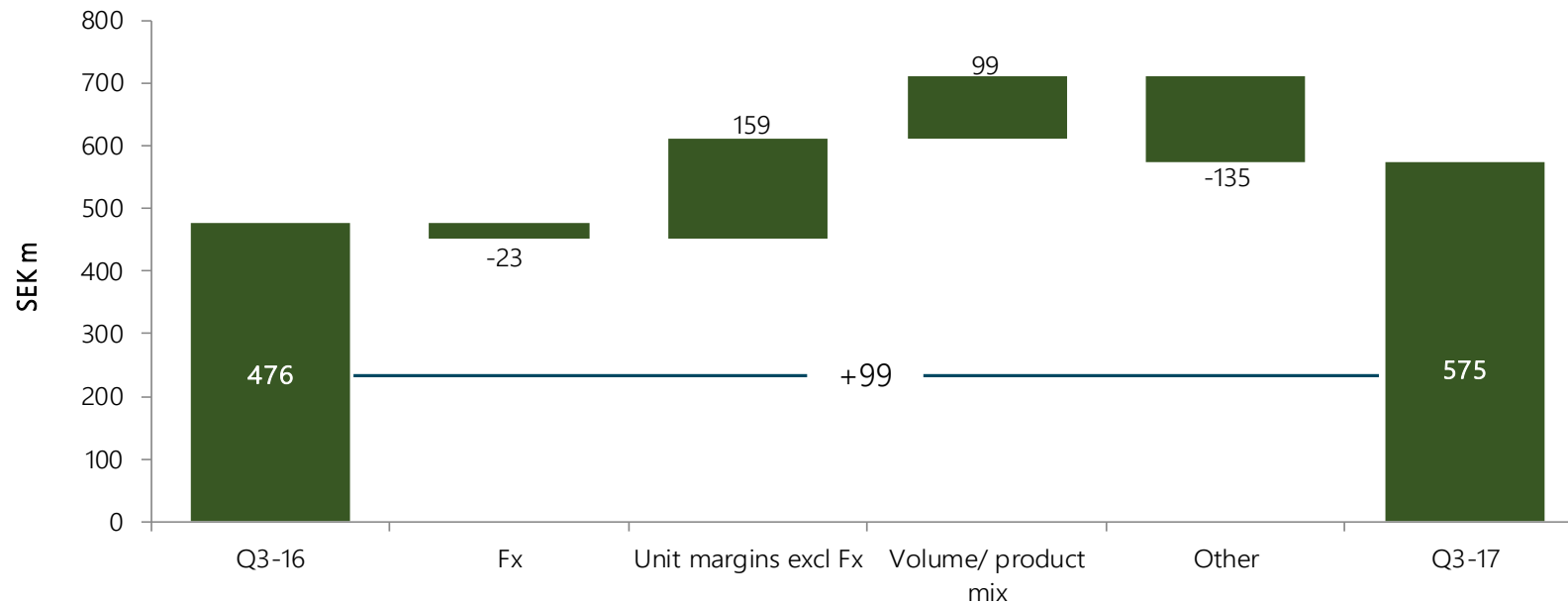
# Financial highlights Q3 2017

Continuing operations (i.e. excluding Gent)

SEK m	Q3-17	Q3-16	YTD Q3-17	YTD Q3-16	LTM Q3-17	Q2-17
Net Sales	3,289	2,784	9,990	7,987	13,078	3,288
% growth (y-o-y)	18,1%	21.3%	25.1%	17.0%	26.0%	23.9%
% organic volume based sales growth (y-o-y)	7.2%	13.3%	11.8%	5.9%	14.2%	6.7%
Marginal Contribution	1,100	885	3,199	2,650	4,128	1,038
% of sales	33.4%	31.8%	32.0%	33.2%	31.6%	31.6%
EBITDA, reported	571	474	1,634	1,293	2,057	502
% of sales	17.4%	17.0%	16.4%	16.2%	15.7%	15.3%
EBITDA, excl. non recurring items	575	476	1,648	1,320	2,109	502
% of sales	17.5%	17.1%	16.5%	16.5%	16.1%	15.3%

# Bridge EBITDA excl. non recurring items

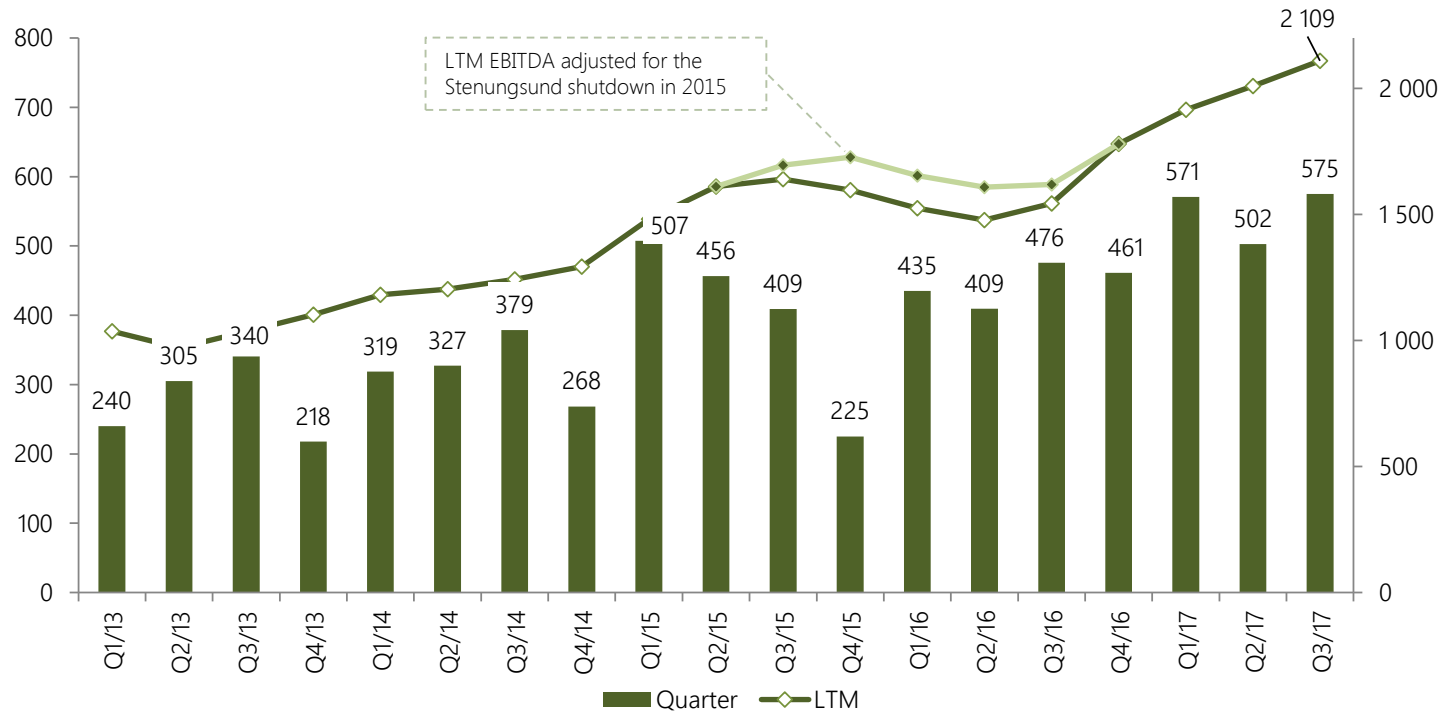
Q3 2017 vs. Q3 2016



- Improved marginal contribution following stronger unit margins (excl. FX) in Advanced Chemicals & Derivatives, higher volumes in Specialties & Solutions, partly offset by negative customer/product mix and higher raw material prices in Specialties & Solutions
- "Other" has been negatively impacted by provisions for the employee incentive programme given the very strong year-to-date profit development

# LTM Development EBITDA<sup>1)</sup>

Q1 2013 to Q3 2017



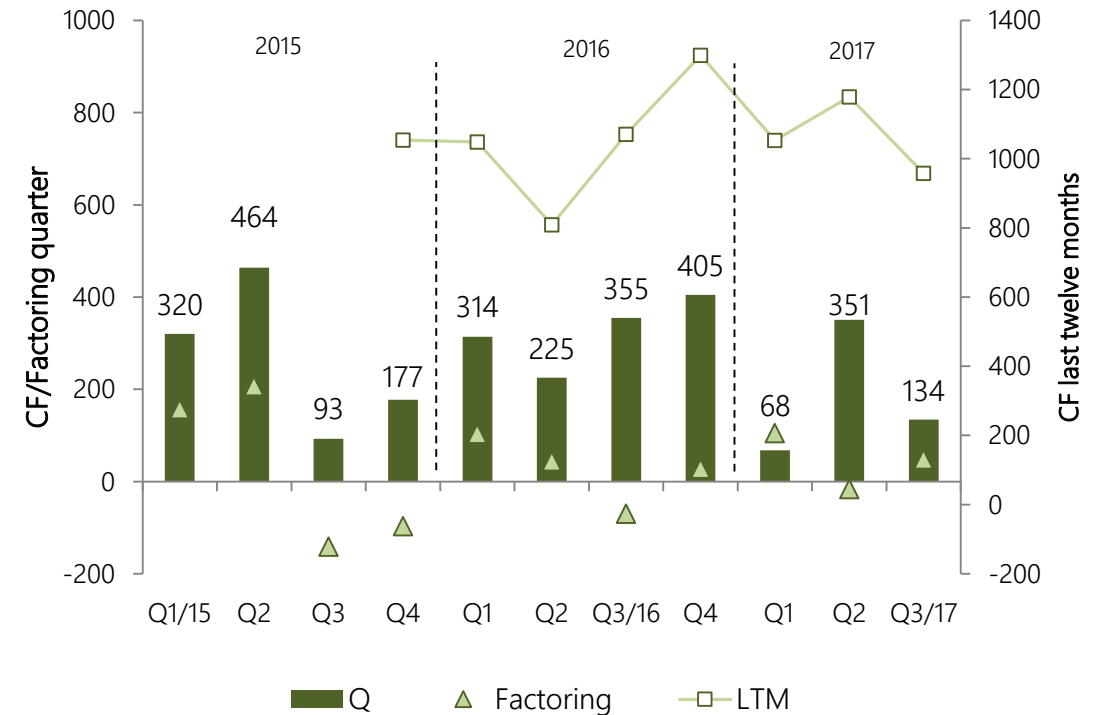
- New all-time high LTM EBITDA at SEK 2,109 m
- Historical EBITDA figures are adjusted for the divestment of Gent operation

1) Excluding non-recurring items

# Free cash flow

- Free cash flow in Q3/17 was SEK 134 m compared to SEK 355 m in Q3/16
- The lower cash flow was linked to higher capital expenditure and increased working capital, partly offset by improved earnings in Q3/17
- Utilization of the trade receivable program amounted to €115 m (€ 99 m Q3/16) per end of Q3/17
- Free cash flow in Q4/17 expected to be positive

Free cash flow SEK m

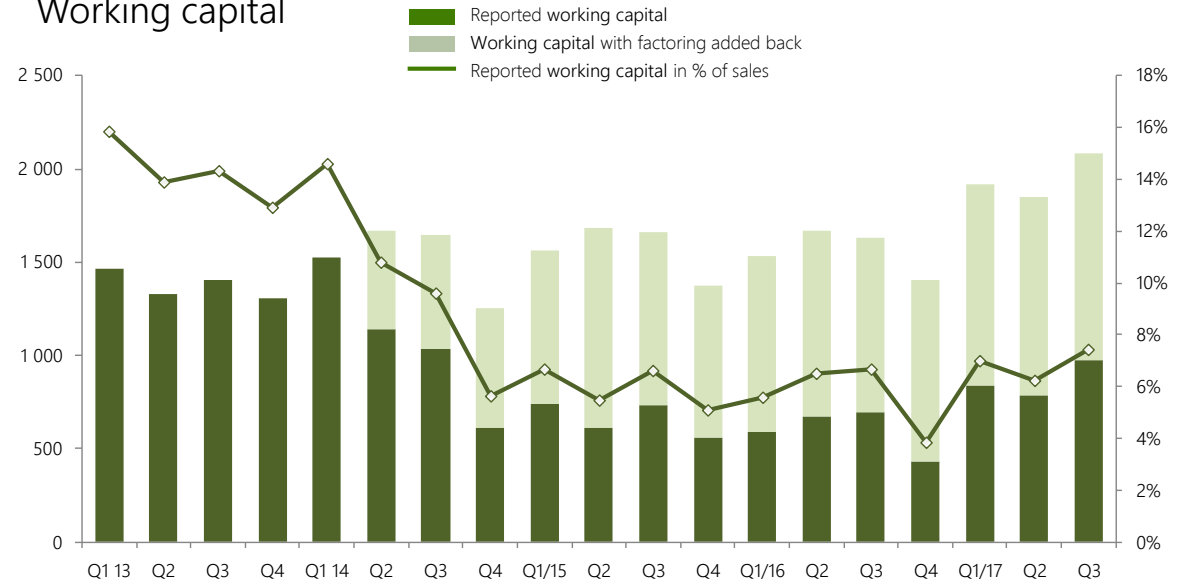




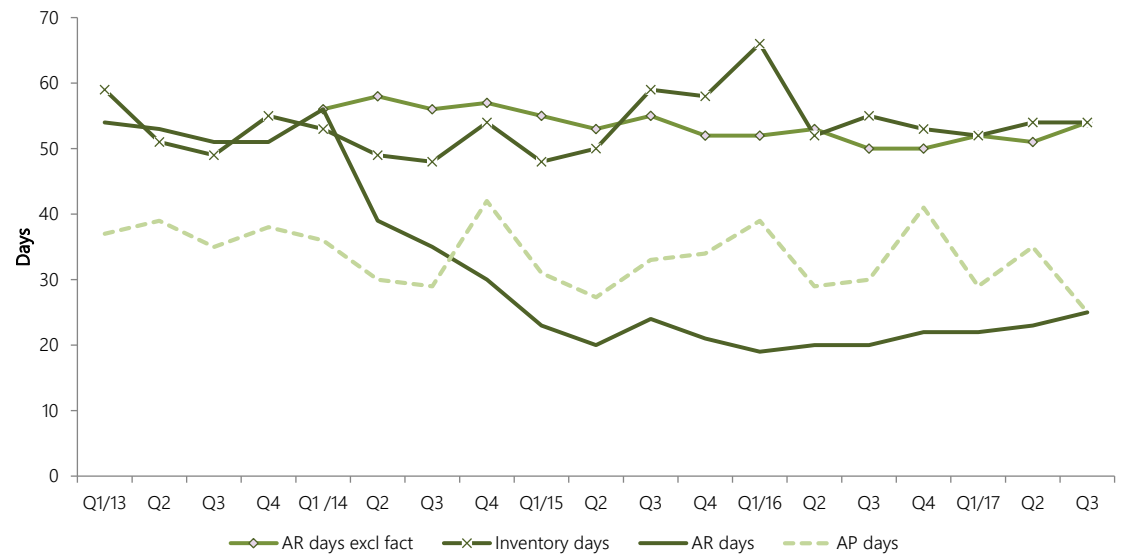
# Working capital

- Reported working capital increased SEK 189 m during Q3/17 vs Q2/17
- Accounts receivables increased SEK 41 m from Q2/17 following higher sales
- Accounts payable decreased SEK 278 m vs. Q2/17, mainly due to timing impact
- Inventory value decreased SEK 18 m vs Q2/17, mainly linked to lower volumes

Working capital

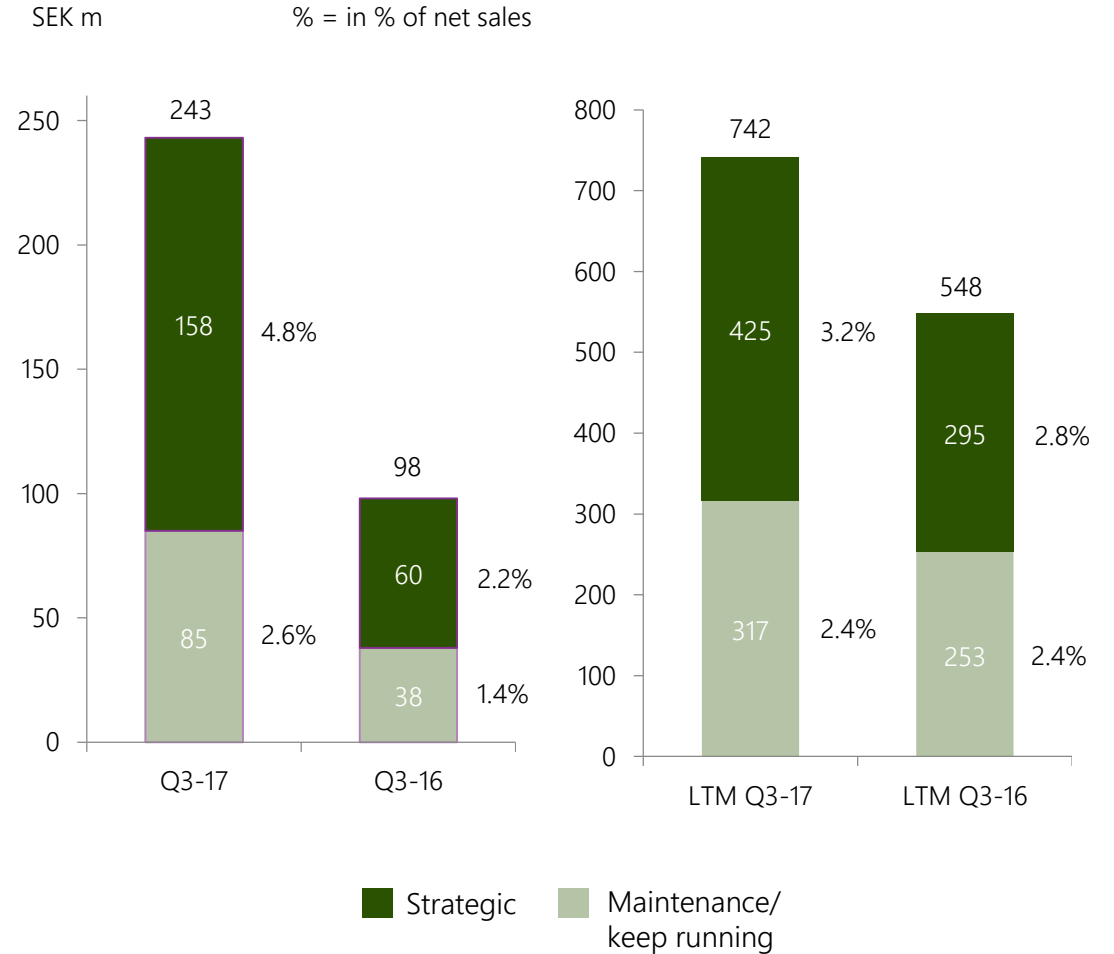


Days



# Investments

- Total investments amounted to SEK 243 m in Q3/17 which was 145 MSEK higher than investments in Q3/16
- Maintenance investments amounted to SEK 85 m in Q3/17 compared to SEK 38 m in Q3/16
- Strategic investments includes selective capacity expansions, smaller debottlenecking investments in our key platforms and acquisitions
- The total investment amount for 2017 estimated to be around SEK 650 m



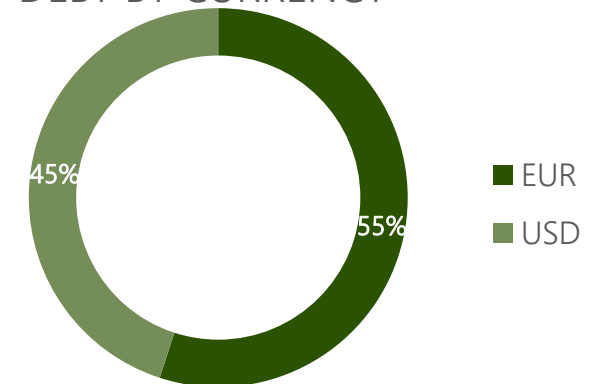
# Indebtness

## Current capital structure details

	USD m Equiv.	SEK m <sup>1)</sup>	x EBITDA excl non-rec. <sup>2)</sup>
Cash on balance sheet	-143	-1,157	
Senior secured notes (€)	572	4,640	
Senior secured notes (\$)	275	2,230	
<b>Net senior secured debt</b>	<b>704</b>	<b>5,714</b>	<b>2.7x</b>
Second lien notes (\$)	420	3,406	
<b>Net second lien debt</b>	<b>1,124</b>	<b>9,120</b>	<b>4.3x</b>
Mezzanine loans (€)	302	2,451	
Other debt	18	145 <sup>3)</sup>	
<b>Net debt, excl. pensions and shareholder loan</b>	<b>1,444</b>	<b>11,716</b>	<b>5.6x</b>

- Net debt, excluding pensions and shareholder loan decreased by SEK 362 m during Q3/17 mainly related to a stronger SEK, primarily against USD
- Reported leverage decreased to 5.6x compared to 6.0X at the end of Q2-17
- Available funds per end of Q3/17 amounted to SEK 1,022 m

DEBT BY CURRENCY



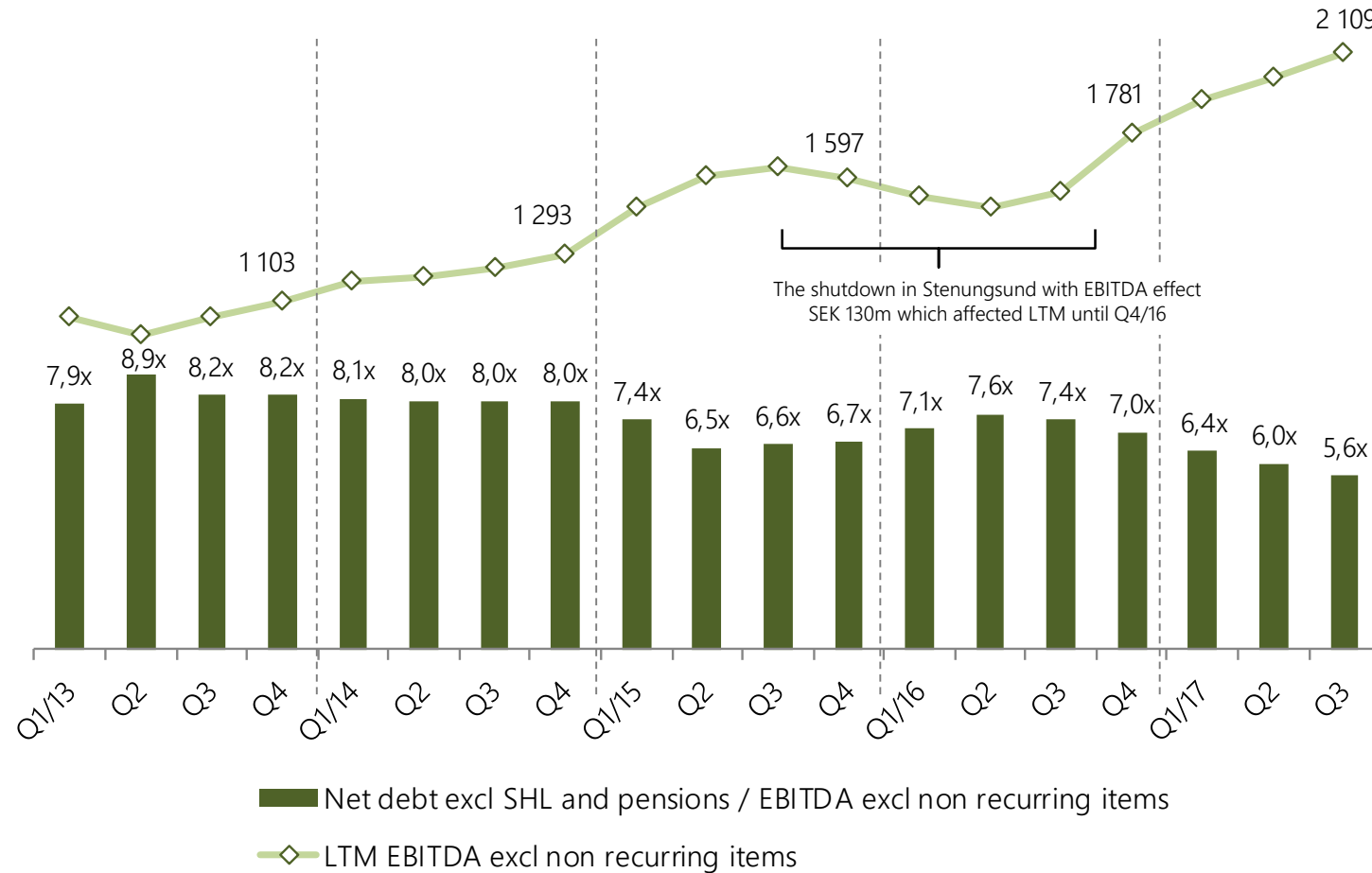
1) Fx rates; USD 8.11 and Euro 9.57

2) Based on EBITDA excl. non-recurring items of SEK 2,109 m

3) Including drawn SSRFC

# Financial performance and leverage

Q1 2013 to Q3 2017



# Summary



Jan Secher  
*President & CEO*

# Q3 conclusion and current trading

- High demand in all three regions and favorable supply & demand balance partly linked to constraints in global supply
- Organic volume-based sales growth was +7% vs. Q3/16
- Record high EBITDA excluding non-recurring items at SEK 575 m (476 m) and SEK 2,109 m for the LTM period
- Increased earnings linked to improved marginal contribution following stronger units margins and higher volumes
- Continued strong deleveraging in the quarter to 5,6x compared to 6.0x in Q2/17
- Demand in the fourth quarter expected to remain strong but the supply situation to be less tight
- After the balance sheet date, Perstorp has initiated a redemption in part of our senior Bonds to the level of the excess cash received from the divestment of Perstorp Oxo Belgium AB as well as the Vencorex earn out



# Appendix

# Free cash flow details

Continuing operations (i.e. excluding Gent)

SEK m	Q3-17	Q3-16	YTD Q3-17	YTD Q3-16	LTM Q3-17	FULL YEAR-16	Q2-17
EBITDA excl non-rec items	575	476	1,648	1,320	2,109	1,781	502
Change in working capital <sup>1</sup>	-198	-23	-590	-116	-408	66	11
Maintenance capex	-85	-38	-220	-140	-317	-237	-100
FCF before strategic capex	292	415	838	1,064	1,384	1,610	413
% of EBITDA excl non-rec.	51%	87%	51%	81%	66%	90%	82%
Strategic capex	-158	-60	-285	-170	-425	-310	-62
Free cash flow	134	355	553	894	959	1,300	351
% of EBITDA excl non-rec.	23%	75%	34%	68%	45%	73%	70%

1) excluding exchange rate effects and provisions



# Segment reporting

Continuing operations (i.e. excluding Gent)

SEK m	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15
<b>Net Sales</b>	<b>3,289</b>	<b>3,288</b>	<b>3,413</b>	<b>3,088</b>	<b>2,784</b>	<b>2,654</b>	<b>2,549</b>	<b>2,393</b>	<b>2,712</b>
Specialties & Solutions	758	793	785	674	638	643	662	528	602
Advanced Chemicals & Derivatives	2,095	2,142	2,136	1,912	1,731	1,682	1,565	1,447	1,775
BioProducts	382	303	431	457	370	280	270	365	286
Other/eliminations	54	50	61	45	45	49	52	53	49
<b>EBITDA, reported</b>	<b>571</b>	<b>502</b>	<b>561</b>	<b>423</b>	<b>474</b>	<b>397</b>	<b>422</b>	<b>213</b>	<b>408</b>
Specialties & Solutions	179	170	189	117	171	188	196	85	142
Advanced Chemicals & Derivatives	416	368	412	321	304	236	242	116	302
BioProducts	-5	-26	-1	39	10	-3	4	-3	1
Other/eliminations	-19	-10	-39	-54	-11	-24	-20	15	-37
<b>EBITDA excl. non recurring items</b>	<b>575</b>	<b>502</b>	<b>571</b>	<b>461</b>	<b>476</b>	<b>409</b>	<b>435</b>	<b>225</b>	<b>408</b>
Specialties & Solutions	179	170	189	122	170	189	196	85	142
Advanced Chemicals & Derivatives	415	368	416	322	304	240	242	116	302
BioProducts	-5	-26	-1	39	10	-2	4	-3	1
Other/eliminations	-14	-10	-33	-22	-8	-18	-7	27	-37

# Quarter on quarter development

Continuing operations (i.e. excluding Gent)

SEK m	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15
Net Sales	3,289	3,288	3,413	3,088	2,784	2,654	2,549	2,393	2,712
Marginal Contribution	1,100	1,038	1,061	929	885	892	873	673	824
% of sales	33.5%	31.6%	31.1%	30.1%	31.8%	33.6%	34.2%	28.1%	30.4%
EBITDA, reported	571	502	561	423	474	397	422	213	408
% of sales	17.4%	15.3%	16.4%	13.7%	17.0%	15.0%	16.6%	8.9%	15.0%
EBITDA, excl. non- recurring items	575	502	571	461	476	409	435	225	408
% of sales	17.5%	15.3%	16.7%	14.9%	17.1%	15.4%	17.1%	9.4%	15.0%

# Cash and available funds

SEK m	Q3-17
Unrestricted cash	351
Restricted <sup>1)</sup> and escrowed cash <sup>2)</sup>	805
<b>Cash on Balance Sheet</b>	<b>1,157</b>

SEK m	Q3-17
Unrestricted cash	351
Unutilized committed credit facilities	671
<b>Reported Available Funds</b>	<b>1,022</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 and financial activities

# Currency

## Period average exchange rates

SEK per LOC	Q3 -17	Q3 -16	FY 16	LTM Q3-17	Q2 -17
USD	8,14	8,52	8.56	8,72	8.80
Euro	9,56	9,51	9.47	9,62	9.69
GBP	10,64	11,19	11.57	11,04	11.26

## Period end exchange rates

SEK per LOC	Q3 -17	Q3 -16	Q2-17
USD	8,11	8,62	8.47
Euro	9,57	9,63	9.67
GBP	10,87	11,17	11.01

Source: Swedish Central Bank, Riksbanken