



# Perstorp Holding AB (Publ.)

Interim report, January-September 2018  
Conference call October 22, 2018

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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*

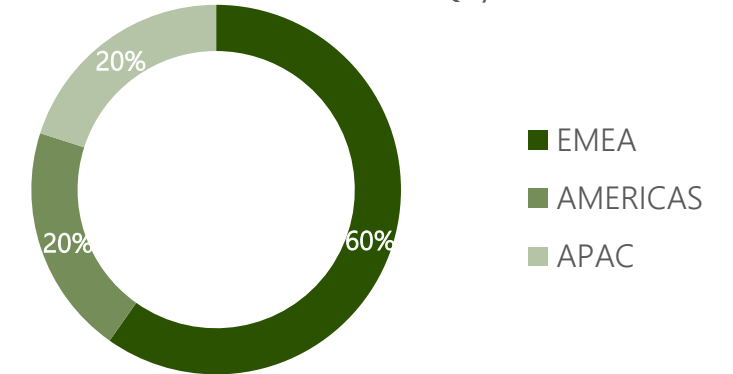
# Executive summary

- Q3/18 sales amounted to SEK 3,729 m, a 13% increase over last year, resulting from higher selling prices mainly linked to raw material increases together with positive exchange rate impact
- Organic volume based sales growth for the period was -4% vs. Q3/17. Adjusted for the scheduled maintenance shutdown in Stenungsund, the organic volume-based sales growth was about 1%, also affected by some production issues
- EBITDA excluding non-recurring items amounted to SEK 566 m in Q3/18 compared to SEK 575 m in Q3/17. Adjusted for the scheduled maintenance shutdown in Stenungsund, EBITDA excluding non-recurring items amounted to SEK 616 m. Excluding the shutdown effect the third quarter marked a record high LTM EBITDA of SEK 2,331 m
- Q3/18 EBITDA margin amounted to 15,2% (17.5%). Excluding BioProducts, EBITDA margin amounted to 17.1% (20.0%)
- Free cash flow in Q3/18 was SEK 222 m which was SEK 88 m higher than corresponding period last year thanks to lower working capital as well as lower capital expenditure
- Net Debt/LTM EBITDA amounted to 5.7x in Q3/18 versus 5.6x in Q3/17 as net debt continued to be affected by the SEK weakening

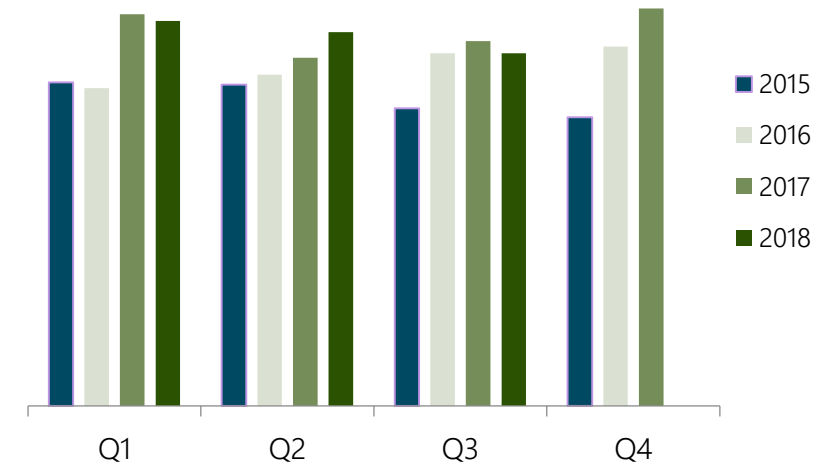
# Market overview

- Somewhat softened demand in EMEA and APAC for certain product lines, continued solid demand in Americas
- Higher selling prices in local currencies vs. the same quarter last year linked to higher raw material prices, improved pricing and exchange rate
- Volumes in EMEA were down 6% compared to Q3 last year linked to both the Stenungsund maintenance shutdown and positive impact from competitor outages last year. Sales were 11% higher than Q3 last year
- Volumes in Americas were down 5% compared to Q3 last year mainly driven by Penta, Oxo and Feed & Food product lines linked to Stenungsund shutdown and availability. Sales were 14% above Q3 last year
- Volumes in APAC increased 3% compared to Q3 last year with good growth for the majority of the product lines despite positive impact in last year from competitor outages. Sales were 15% higher than Q3 last year

NET SALES BY REGION Q3/18



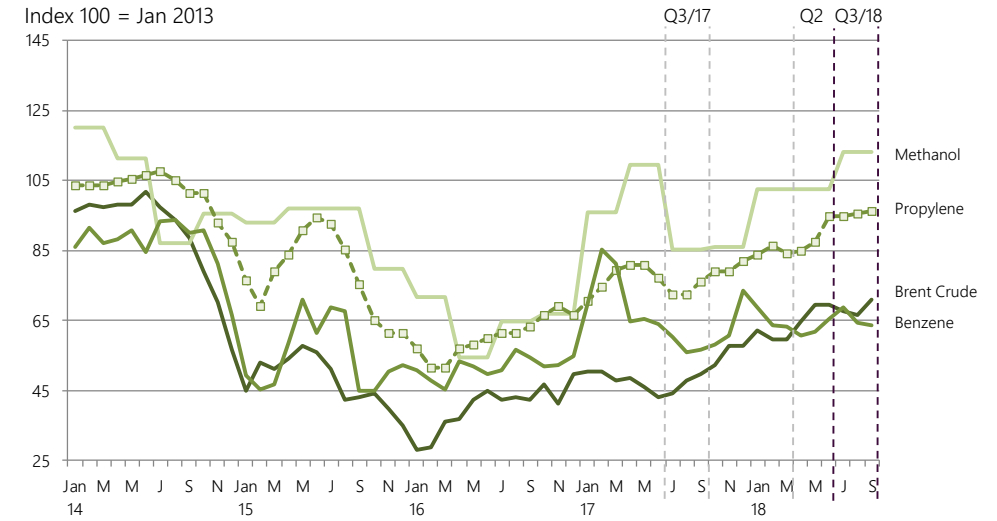
VOLUMES BY QUARTER



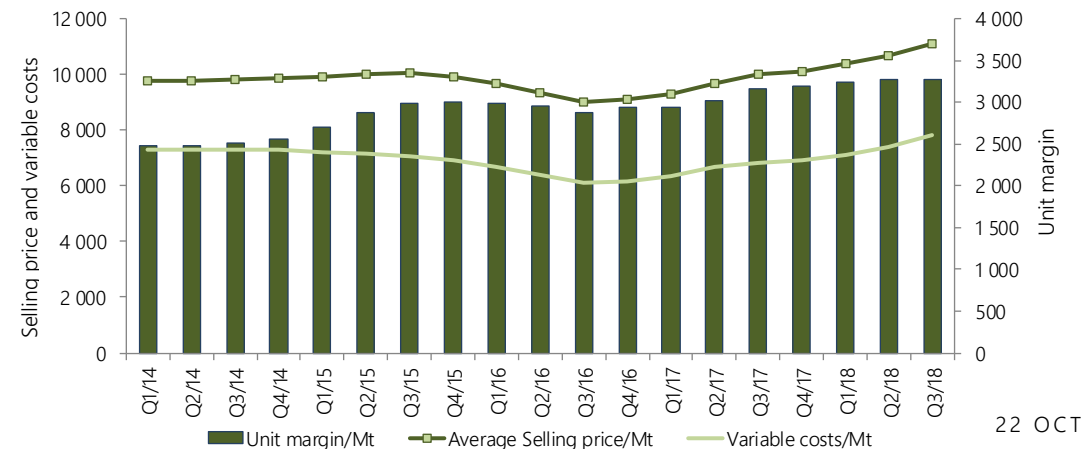
# Raw materials and unit margins

- Compared to both Q3/17 and Q2/18 all key raw material prices increased
  - Average price for Brent crude oil increased by 45% in Q3/18 vs Q3/17 and was 1% higher than in Q2/18
  - Benzene increased 14% in Q3/18 vs. Q3/17 (+5% vs Q2/18)
  - Methanol increased 33% in Q3/18 vs. Q3/17 (+10% vs Q2/18)
  - Propylene increased 30% in Q3/18 vs. Q3/17 (+7% vs Q2/18)
- Somewhat lower unit margins vs. Q3/17 driven by higher raw material prices
  - Unit margins in Specialties & Solutions continued to improve linked to strengthened pricing and positive exchange rate impact
  - Advanced Chemicals & Derivatives unit margins were negatively affected by higher raw material prices partly offset by positive exchange rates impact

Raw material prices



Margins LTM

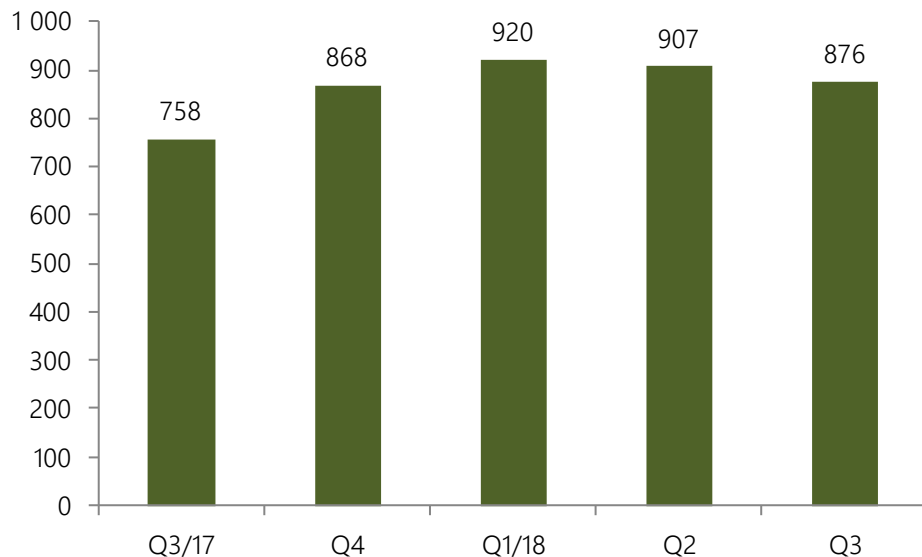




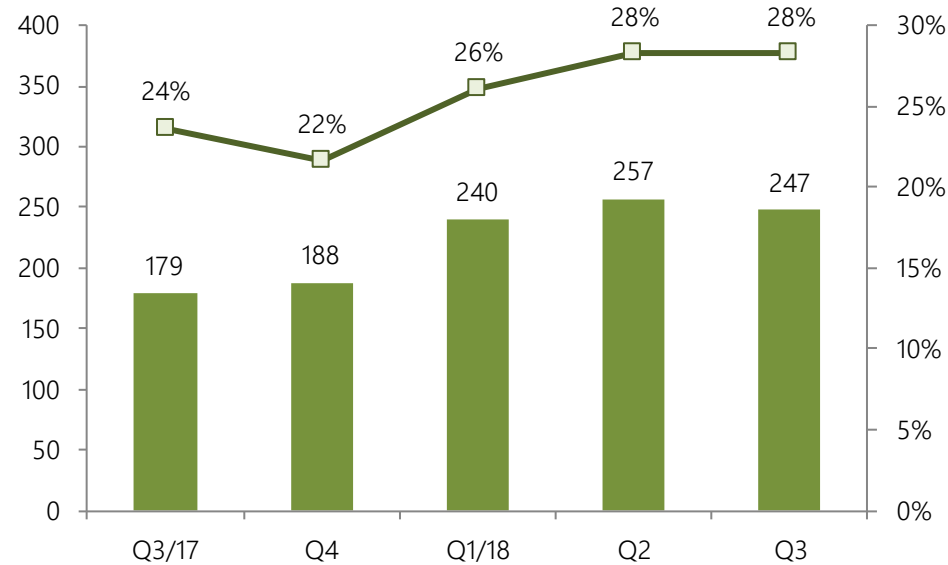
# Specialities & Solutions

- Strong improvement in unit margins but negative organic volume based growth
  - Organic volume-based sales growth declined by -5% vs. Q3/17 due to lower availability as a result of maintenance shutdowns and low inventories. Market has been tight for most key products which has driven up both sales prices and margins
  - Q3/18 net sales amounted to SEK 876 m, 16% higher than Q3/17 linked both to higher sales prices and positive currency effects
  - EBITDA amounted to SEK 247 m, corresponding to an EBITDA margin of 28% vs. 24% in Q3/17 mainly as a result of improved unit margins and positive currency effects

Net sales development



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



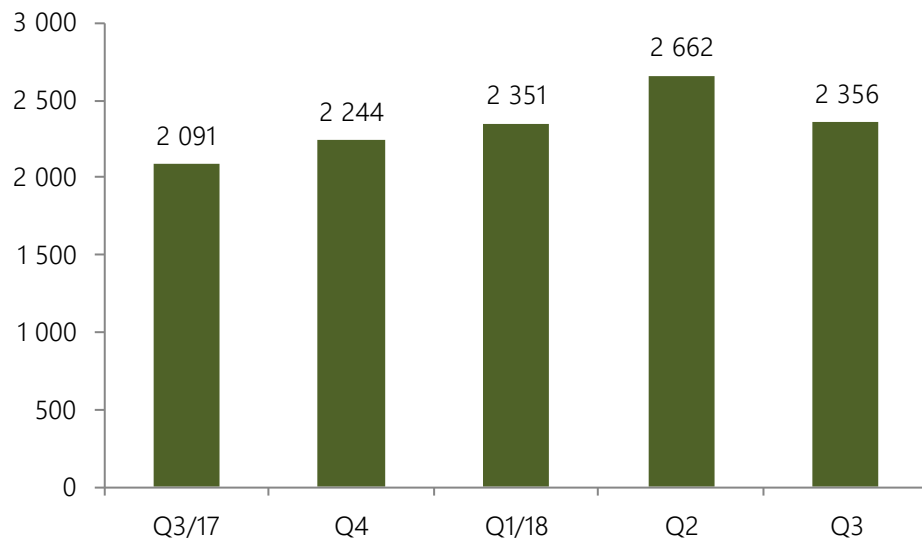
<sup>1</sup> EBITDA excluding non recurring items



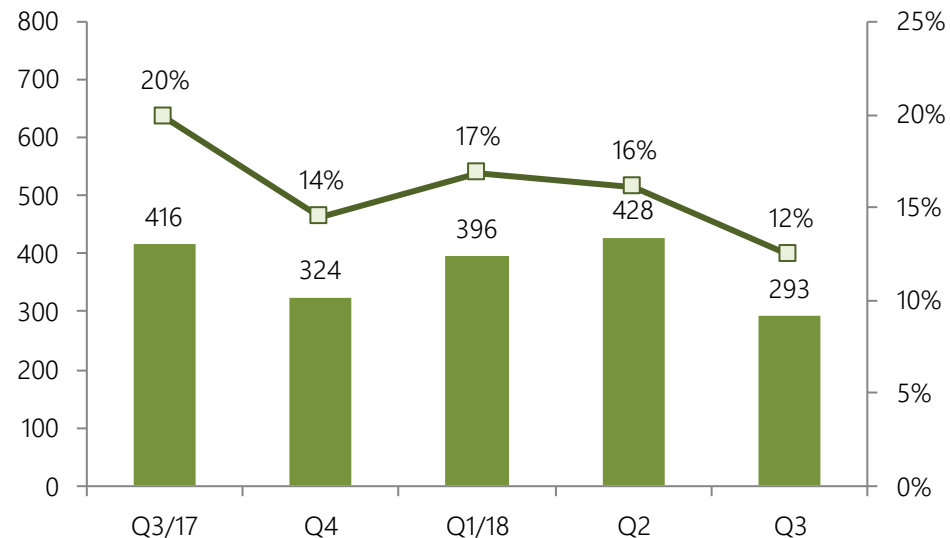
# Advanced Chemicals and Derivatives

- Earnings negatively marked by less favorable market situation as well as shutdown effects and some production issues
  - Organic volume-based sales growth declined by -7% vs. Q3/17, due to the scheduled maintenance shut down in Stenungsund. Adjusted for the shut down, volumes of most product lines were in line with previous year
  - Q3/18 net sales amounted to SEK 2,356 m, an increase of 13% compared to Q3/17 linked to positive currency rate impact (10% positive impact vs. Q3/17) and higher sales prices (8% positive impact vs. Q3/17) partly offset by lower volumes
  - Q3/18 EBITDA decreased SEK 123 m to SEK 293 from Q3/17, corresponding to an EBITDA margin of 12% (20%) negatively impacted by the scheduled shut down, production disturbances and softer demand for some products lines

Net sales development



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



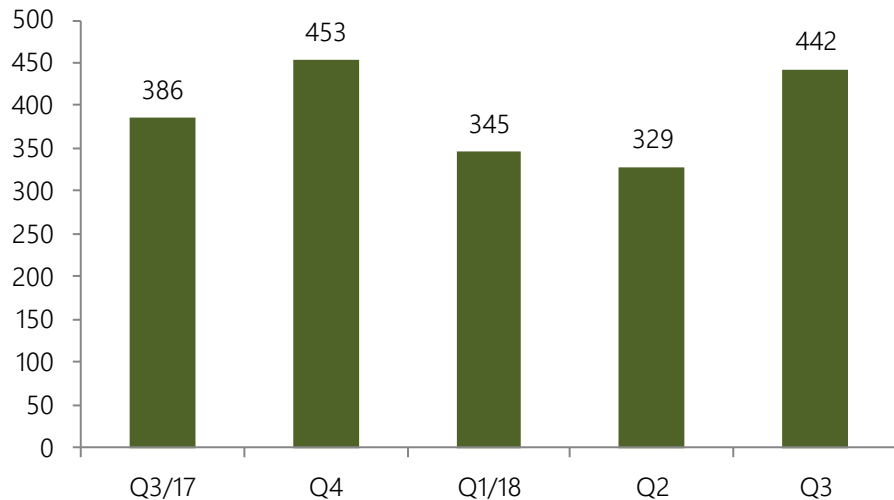
<sup>1</sup>= EBITDA excluding non recurring items



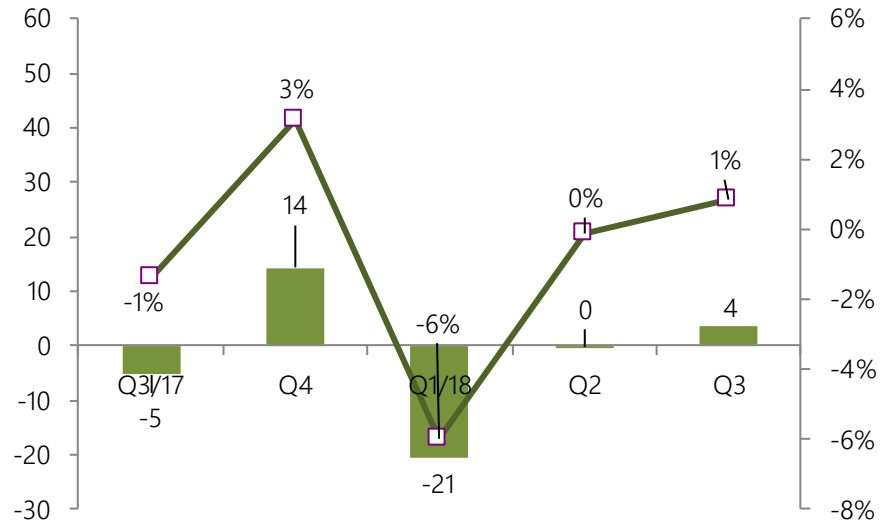
# BioProducts

- Favorable market conditions and volume growth
  - Organic volume-based sales growth was 8% compared to Q3/17
  - Q3/18 net sales amounted to SEK 442 m, an increase of 15% vs. Q3/17. The increase in sales was linked to higher volumes and positive currency rate impact
  - Q3/18 EBITDA amounted to SEK 4 m compared to SEK -5 m in Q3/17, earnings were positively affected by stronger unit margins, improved volumes and positive currency rate impact

Net sales development



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



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

# Financial review



Magnus Heimborg  
*CFO*

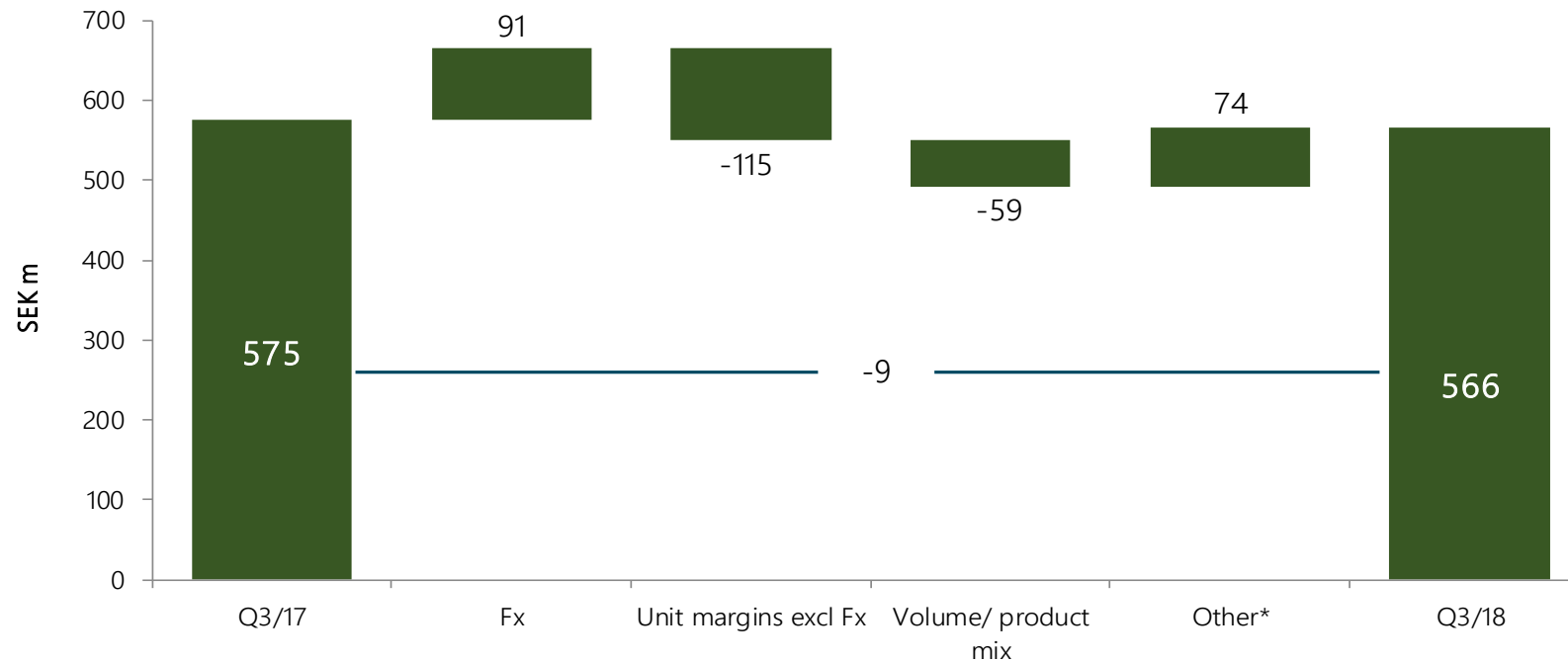
# Financial highlights Q3 2018

Continuing operations (i.e. excluding Gent)

SEK m	Q3-18	Q3-17	YTD Q3-18	YTD Q3-17	LTM Q3-18	LTM Q3-17	Q2-18
Net Sales	3,729	3,289	11,358	9,990	14,960	13,078	3,949
% growth (y-o-y)	13,4%	18,1%	13,7%	25,1%	14,4%	26,0%	+20,1%
% organic volume based sales growth (y-o-y)	-4,4%	7,2%	0,4%	11,8%	1,8%	14,2%	+5,3%
Marginal Contribution	1,056	1,100	3,313	3,199	4,399	4,128	1,166
% of sales	28,3%	33,4%	29,2%	32,0%	29,4%	31,6%	29,5%
EBITDA, reported	524	571	1,743	1,634	2,205	2,057	615
% of sales	14,1%	17,4%	15,3%	16,4%	14,7%	15,7%	15,6%
EBITDA, excl. non recurring items	566	575	1,796	1,648	2,281	2,109	623
% of sales	15,2%	17,5%	15,8%	16,5%	15,2%	16,1%	15,8%

# Bridge EBITDA excl. non recurring items

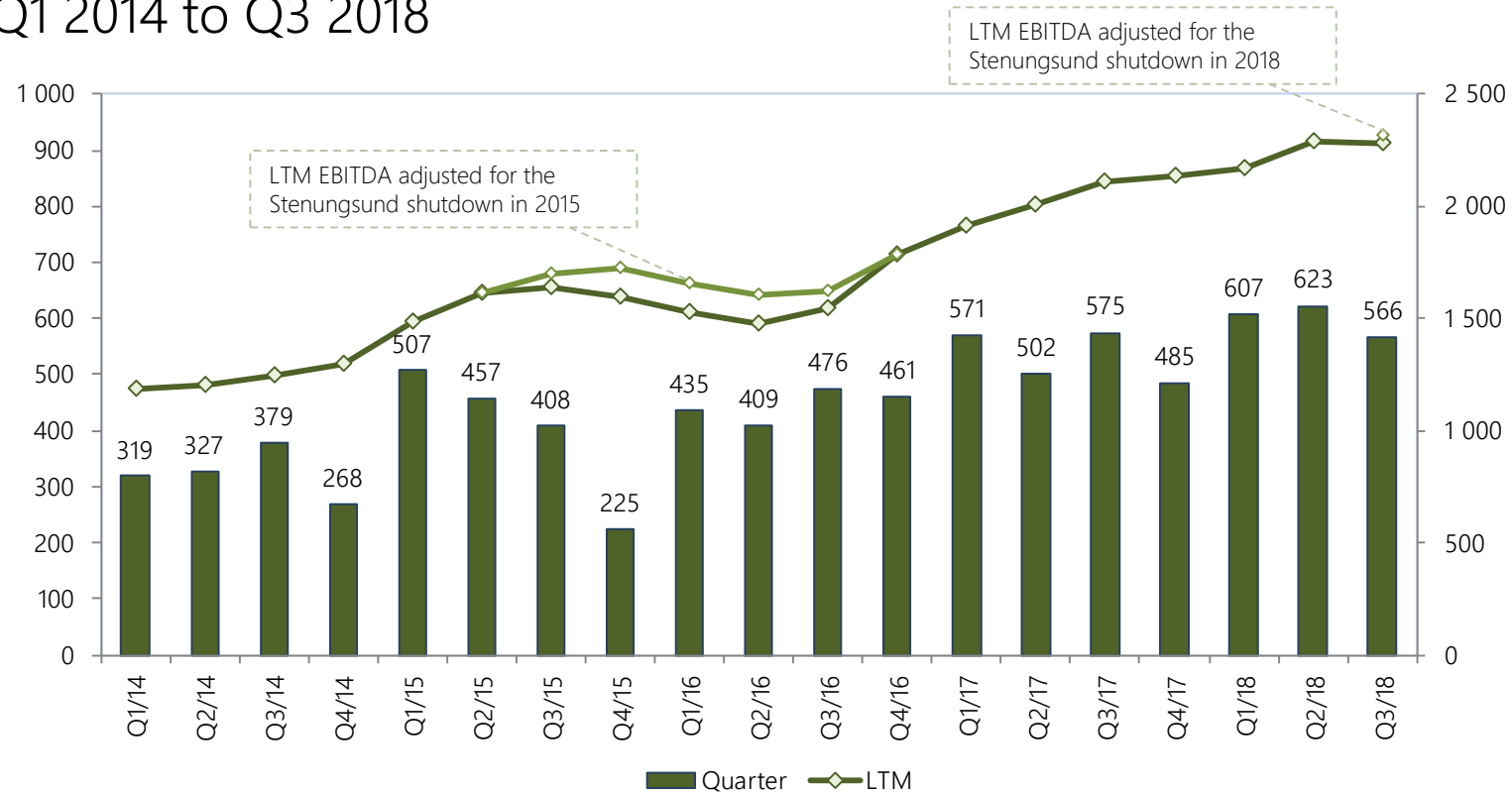
Q3 2018 vs. Q3 2017



- EBITDA decreased by SEK 9 m year-on-year, linked to impact from scheduled maintenance shutdown in Stenungsund and negative impact from higher raw material costs
- Positive exchange rate impact on unit margins

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

Q1 2014 to Q3 2018

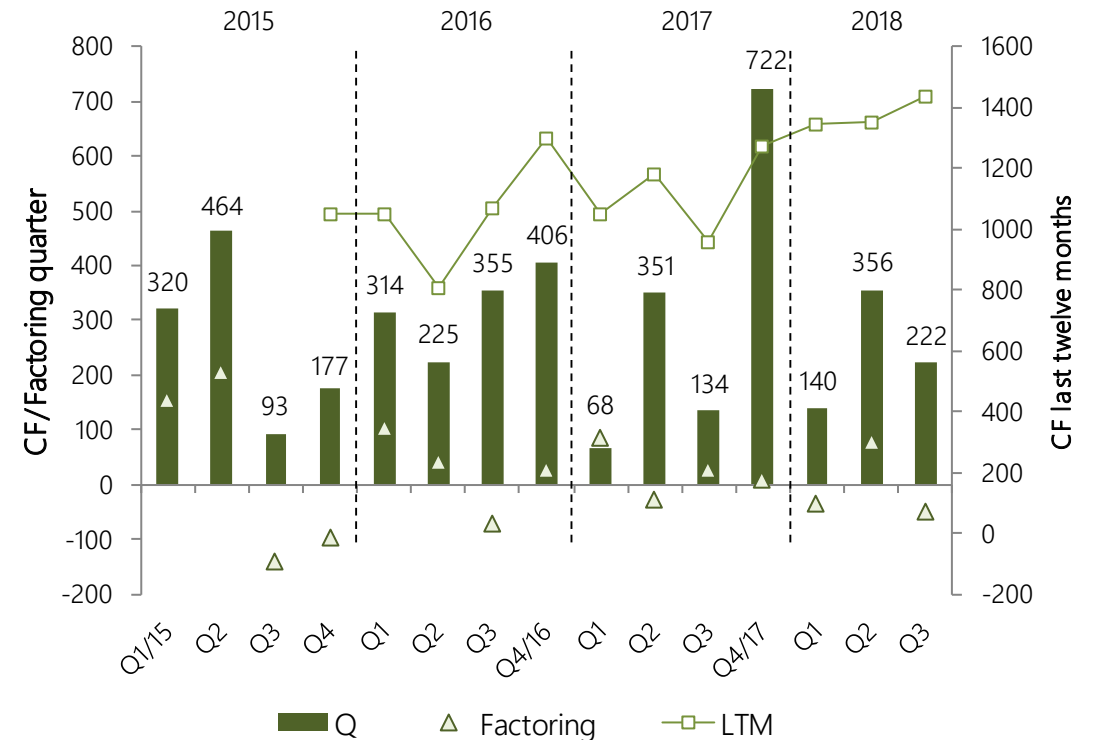


- Q3/18 EBITDA (SEK 566 m) and LTM EBITDA (SEK 2,281 m) negatively impacted by ca SEK 50 m linked to the scheduled maintenance shutdown in Stenungsund
- Historical EBITDA figures are adjusted for the divestment of Gent operation

# Free cash flow

- Free cash flow in Q3/18 was SEK 222 m compared to SEK 134 m in Q3/17
- Lower earnings offset by lower capital expenditures and somewhat lower working capital
- Utilization of the trade receivable program amounted to € 115 m (€ 115 m Q3/17) at end of Q3/18
- Free cash flow in Q4/18 expected to be positive

Free cash flow SEK m

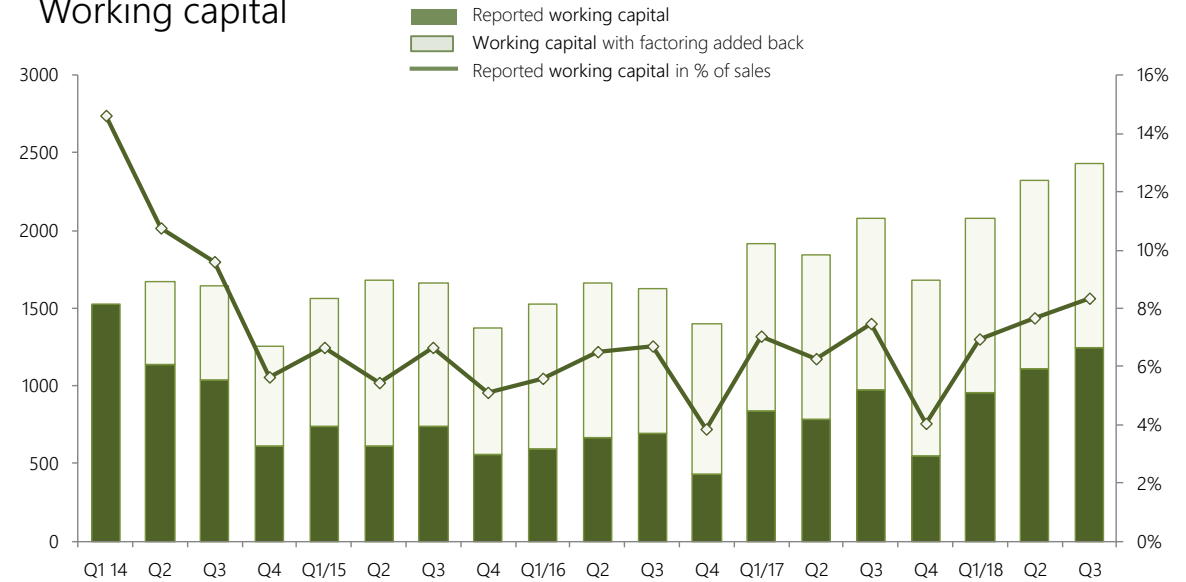




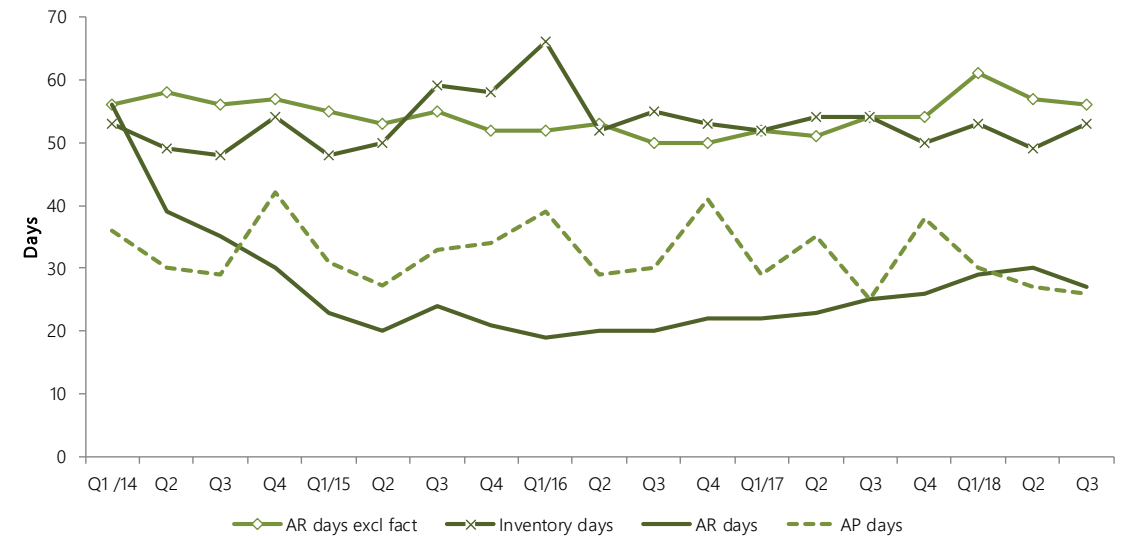
# Working capital

- Reported working capital increased by SEK 138 m during Q3/18 vs. Q2/18
- Accounts receivables decreased by SEK 302 m from Q2/18 following lower sales
- Accounts payable decreased by SEK 146 m vs. Q2/18, mainly linked to lower purchases due to the shutdown in Stenungsund
- Inventory value decreased by SEK 17 m vs Q2/18, mainly due to the maintenance shutdown in Stenungsund

Working capital

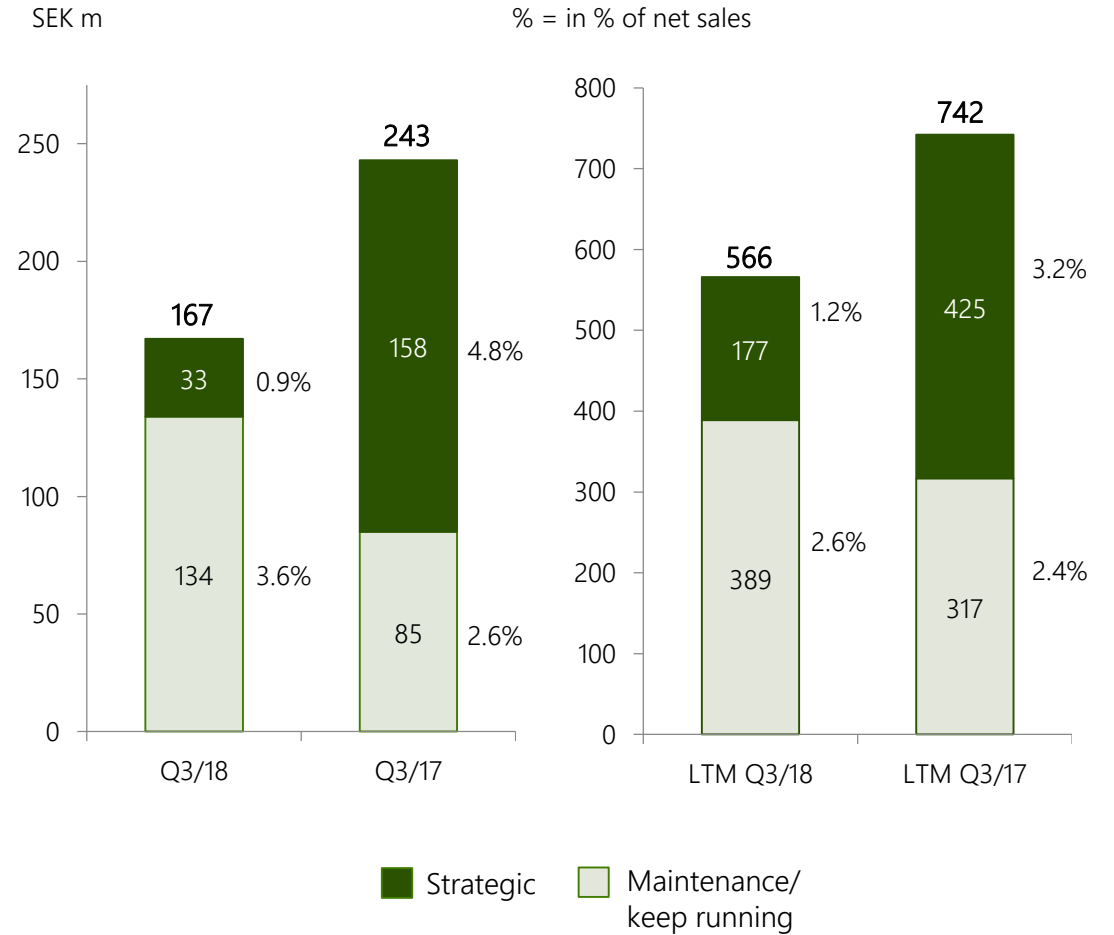


Days



# Investments

- Total investments amounted to SEK 167 m in Q3/18 which was SEK 76 m lower than in Q3/17
- Maintenance investments amounted to SEK 134 m in Q3/18 compared to SEK 85 m in Q3/17
- Strategic investments include selective capacity expansions, smaller debottlenecking investments in our key platforms and acquisitions
- Total investment amount for 2018 is estimated to be around SEK 700-750 m

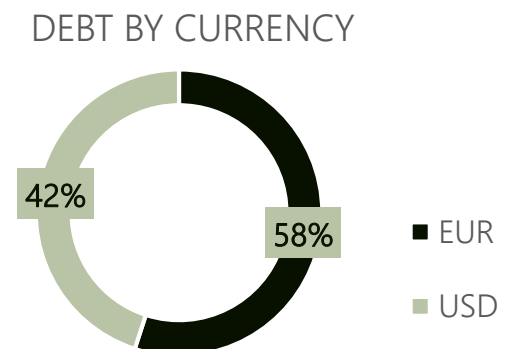


# Indebtness

## Current capital structure details

	USD m Equiv.	SEK m <sup>1)</sup>	x EBITDA excl non-rec. <sup>2)</sup>
Cash on balance sheet	-43	-385	
Senior secured notes (€)	556	4,921	
Senior secured notes (\$)	220	1,949	
Net senior secured debt	<b>733</b>	<b>6,485</b>	<b>2,8x</b>
Second lien notes (\$)	420	3,720	
Net second lien debt	<b>1,153</b>	<b>10,205</b>	<b>4,5x</b>
Mezzanine loans (€)	322	2,851	
Other debt	-4	-38	
Net debt, excl. pensions and shareholder loan	<b>1,471</b>	<b>13,018</b>	<b>5,7x</b>

- Net debt, excluding shareholder loan and pension liability decreased by SEK 210 m during Q3/18 mainly related to a stronger SEK primarily against USD and EUR.
- Reported leverage was 5.7x compared to 5.6x at Q3/17
- Available funds per end of Q3/18 amounted to SEK 1,119 m



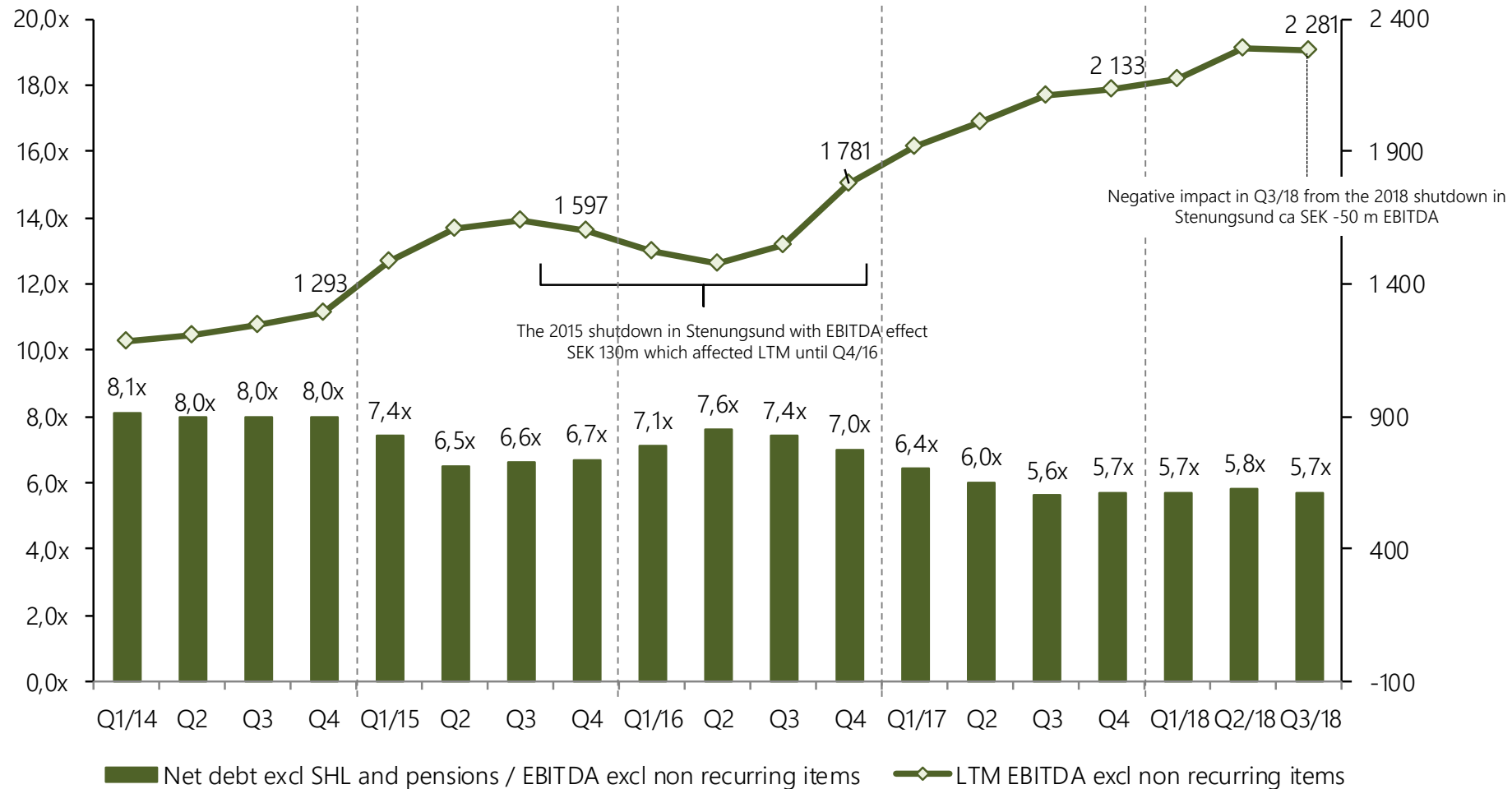
1) Fx rates; USD 8.86 and Euro 10.29

2) Based on EBITDA excl. non-recurring items of SEK 2,281m

3) Including drawn SSRFCF

# Financial performance and leverage

Q1 2014 to Q3 2018



# Summary



Jan Secher  
*President & CEO*

# Q3 conclusion and current trading

- Q3/18 sales amounted to SEK 3.729 m, a 13% increase over last year, resulting from higher selling prices mainly linked to raw material increases together with positive exchange rates impact
- Organic volume based sales growth for the period was -4% vs. Q3/17. Adjusted for the scheduled maintenance shutdown in Stenungsund, the organic volume-based sales growth was about 1%, also affected by some production issues
- EBITDA excluding non-recurring items amounted to SEK 566 m in Q3/18 compared to SEK 575 m in Q3/17. Adjusted for the scheduled maintenance shutdown in Stenungsund, EBITDA excluding non-recurring items amounted to SEK 616 m. Excluding the shutdown effect the third quarter marked a record high LTM EBITDA of SEK 2,332 m
- Free cash-flow amounted to SEK 222 m (SEK 134 m)
- Net Debt/LTM EBITDA amounted to 5.7x compared to 5.6x during the same period last year but down from 5.8x during Q2/18

# Appendix



# Free cash flow details

Continuing operations (i.e. excluding Gent)

SEK m	Q3-18	Q3-17	YTD Q3-18	YTD Q3-17	LTM Q3-18	FULL YEAR-17	Q2-18
EBITDA excl non-rec items	566	575	1,796	1,648	2,281	2,133	623
Change in working capital <sup>1</sup>	-178	-198	-659	-590	-276	-207	-108
Maintenance capex	-134	-85	-303	-220	-389	-306	-94
<b>FCF before strategic capex</b>	<b>254</b>	<b>292</b>	<b>834</b>	<b>838</b>	<b>1616</b>	<b>1,620</b>	<b>422</b>
% of EBITDA excl non-rec.	45	51	46	51	71	76%	68%
Strategic capex	-33	-158	-117	-285	-177	-345	-66
<b>Free cash flow</b>	<b>222</b>	<b>134</b>	<b>717</b>	<b>553</b>	<b>1439</b>	<b>1,275</b>	<b>356</b>
% of EBITDA excl non-rec.	39	23	40	34	63	60%	57%

1) excluding exchange rate effects and provisions



# Segment reporting

Continuing operations (i.e. excluding Gent)

SEK m	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16
Net Sales	3,729	3,949	3,680	3,602	3,289	3,288	3,413	3,088	2,784
Specialties & Solutions	876	907	920	868	758	793	785	674	638
Advanced Chemicals & Derivatives	2,356	2,662	2,351	2,244	2,091	2,138	2,129	1,905	1,723
BioProducts	442	329	345	453	386	308	437	464	379
Other/eliminations	69	51	64	37	54	49	62	45	44
EBITDA, reported	524	615	604	462	571	502	561	423	474
Specialties & Solutions	247	256	240	187	179	170	189	117	171
Advanced Chemicals & Derivatives	290	428	394	323	415	369	411	321	302
BioProducts	4	0	-21	14	-5	-26	0	39	12
Other/eliminations	-17	-69	-9	-62	-18	-11	-39	-54	-11
EBITDA excl. non recurring items	566	623	607	485	575	502	571	461	476
Specialties & Solutions	247	257	240	188	179	170	189	122	170
Advanced Chemicals & Derivatives	293	428	396	324	416	369	414	322	302
BioProducts	4	0	-21	14	-5	-26	0	39	12
Other/eliminations	22	-62	-8	-41	-15	-11	-32	-22	-8

# Quarter on quarter development

Continuing operations (i.e. excluding Gent)

SEK m	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16
Net Sales	3,729	3,949	3,680	3,602	3,289	3,288	3,413	3,088	2,784
Marginal Contribution	1,046	1,166	1,101	1,086	1,100	1,038	1,061	929	885
% of sales	28.1%	29.5%	29.9%	30.1%	33.5%	31.6%	31.1%	30.1%	31.8%
EBITDA, reported	524	615	604	462	571	502	561	423	474
% of sales	14.1%	15.6%	16.4%	12.8%	17.4%	15.3%	16.4%	13.7%	17.0%
EBITDA, excl. non- recurring items	566	623	607	485	575	502	571	461	476
% of sales	15.2%	15.8%	16.5%	13.5%	17.5%	15.3%	16.7%	14.9%	17.1%

# Cash and available funds

SEK m	Q3-18
Unrestricted cash	248
Restricted <sup>1)</sup> and escrowed cash <sup>2)</sup>	137
<b>Cash on Balance Sheet</b>	<b>385</b>

SEK m	Q3-18
Unrestricted cash	248
Unutilized committed credit facilities	871
<b>Reported Available Funds</b>	<b>1,119</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	Q3-18	Q3-17	FY-17	LTM Q3-18	LTM Q3-17	Q2-18
USD	8.95	8.14	8.54	8.51	8.72	8.67
Euro	10.41	9.56	9.63	10.12	9.62	10.33
GBP	11.66	10.64	10.99	11.44	11.04	11.79

## Period end exchange rates

SEK per LOC	Q3-18	Q3-17	Q2-18
USD	8.86	8.11	8.96
Euro	10.29	9.57	10.42
GBP	11.57	10.87	11.75

Source: Swedish Central Bank, Riksbanken