

Perstorp Holding AB (Publ.)

Year-end report January-December 2019

Conference call March 3, 2020

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Important notice

- Unless otherwise stated, the financial information presented in this document represents continuing operations i.e.
 - excluding business area Bioproducts, divested in November 2018
 - excluding business unit Caprolactone (Capa), divested in February 2019

Agenda

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

Business performance



Jan Secher
President & CEO

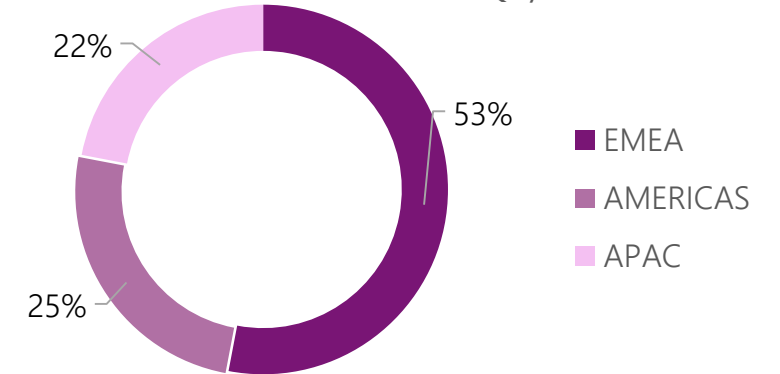
Executive summary

- Q4/19 sales amounted to SEK 2,463 m, a 16% decrease over last year. This was mainly due to lower sales volumes including year-end de-stocking, lower raw material prices, some production issues and to some extent price pressure. This was partly offset by positive FX effects
- Organic volume-based sales growth was -7% year-on-year
- Cost mitigation actions initiated during Q2 2019 was maintained during the quarter
- EBITDA excluding non-recurring items amounted to SEK 275 m in the fourth quarter compared to SEK 376 m in the corresponding period last year, impacted by overheads in inventory
- Q4 EBITDA margin amounted to 11.2% (12.8)
- Free cash flow in Q4/19 amounted to SEK 549 m which was SEK 104 m higher than the corresponding period last year. Positive change in working capital was partly offset by lower EBITDA and higher capital expenditures
- Net Debt/LTM EBITDA amounted to 5.5x in Q4/19 versus 5.6x in Q4/18

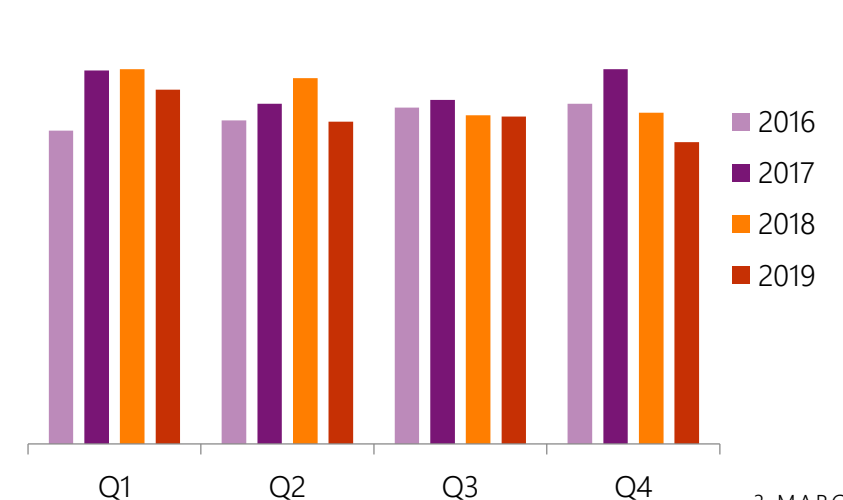
Market overview Q4/19 vs Q4/18

- Lower average selling prices in all regions, APAC (-18%) Americas (-10%) and EMEA (-9%), linked to both lower raw material costs and increased competition
- Volumes in EMEA were 15% lower than Q4 last year. Solid growth in Acid&Salts and moderate growth (+2%) in Penta and Feed Additives partly offset the lower volumes for other product lines
- Volumes in Americas increased 2% compared to Q4 last year. Lower volumes of Penta and TMP/Neo was offset by higher volumes of Formates, Oxo and Acid&Salts
- Volumes in APAC increased 7% compared to Q4 last year with strong growth for all products except Penta and Formates

NET SALES BY REGION Q4/19



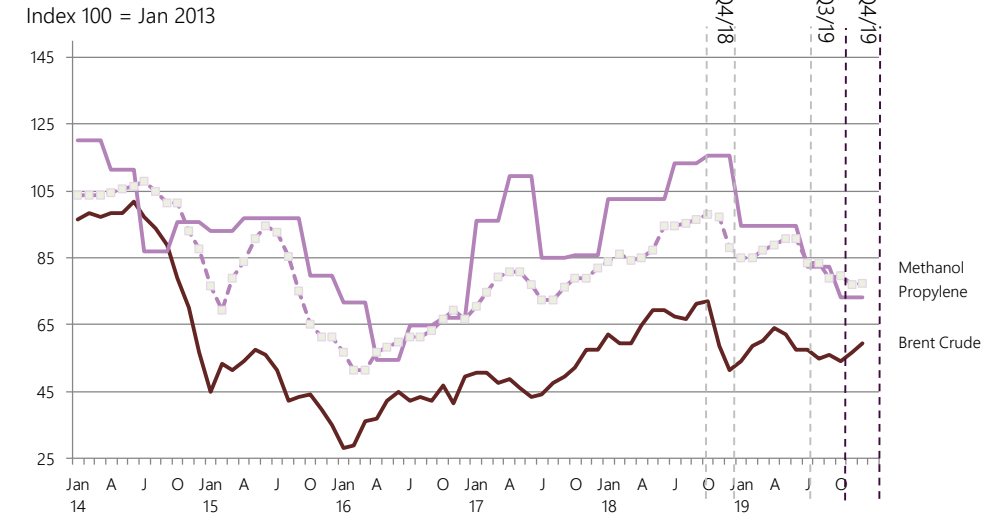
VOLUMES BY QUARTER



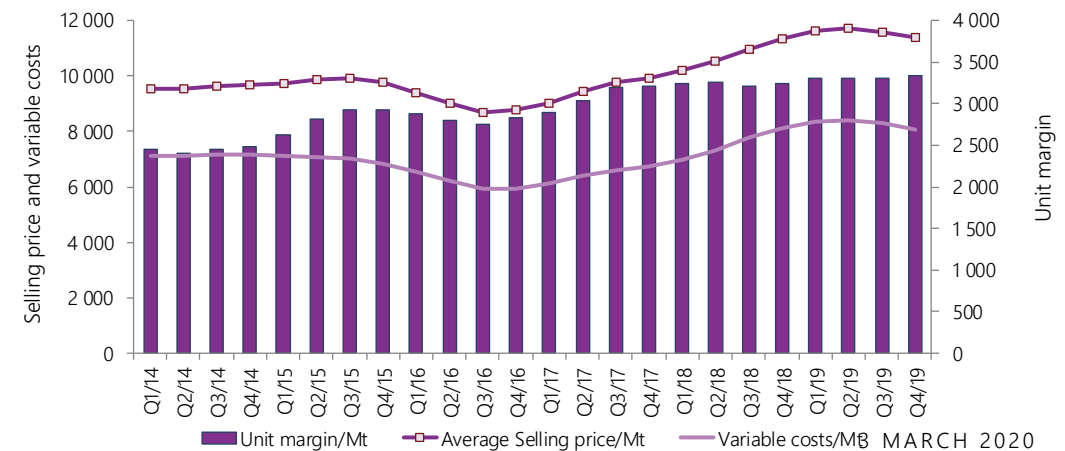
Raw materials and unit margins

- Raw material prices were substantially down compared to both Q4/18 and last quarter, except for Brent crude Q4/19 vs Q3/19
- Average price for Brent crude oil decreased by 6 % in Q4/19 vs Q4/18 but was 1 % higher than in Q3/19
- Methanol decreased 37% in Q4/19 vs. Q4/18 (-11% vs. Q3/19)
- Propylene decreased 17% in Q4/19 vs. Q4/18 (-5% vs. Q3/19)
- Strengthened unit margins vs. Q4/18
- Total unit margins in Specialty Polyols and Solutions improved related to strengthened pricing for some product lines and positive exchange rate effects
- Advanced Chemicals unit margins remained stable mainly related to positive exchange rate effects
- Animal Nutrition unit margins declined somewhat due to increased price pressure

Raw material prices



Margins LTM

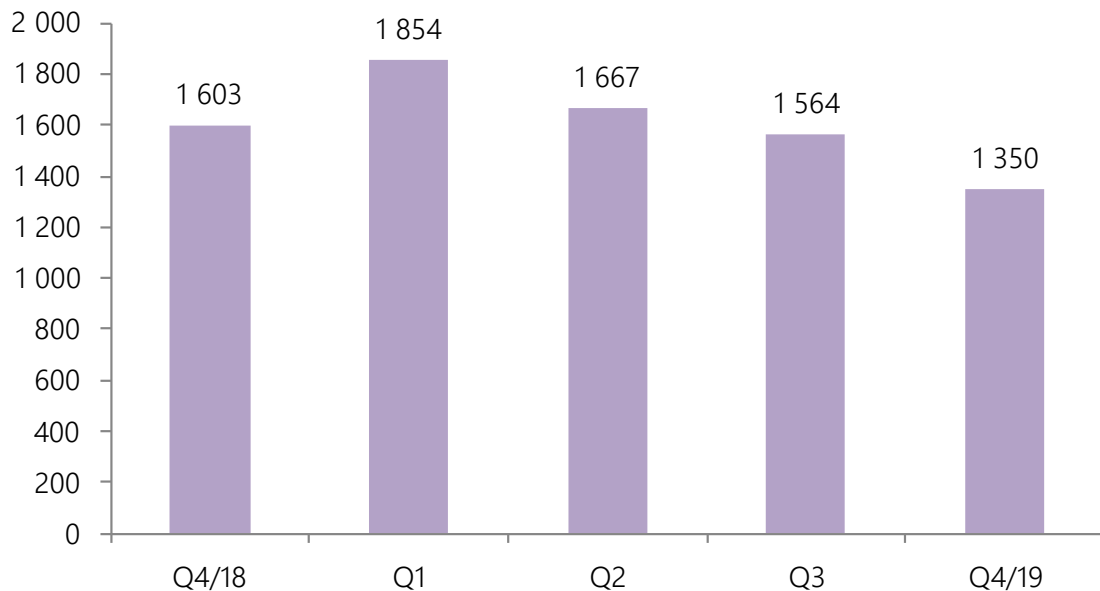


Specialty Polyols and Solutions

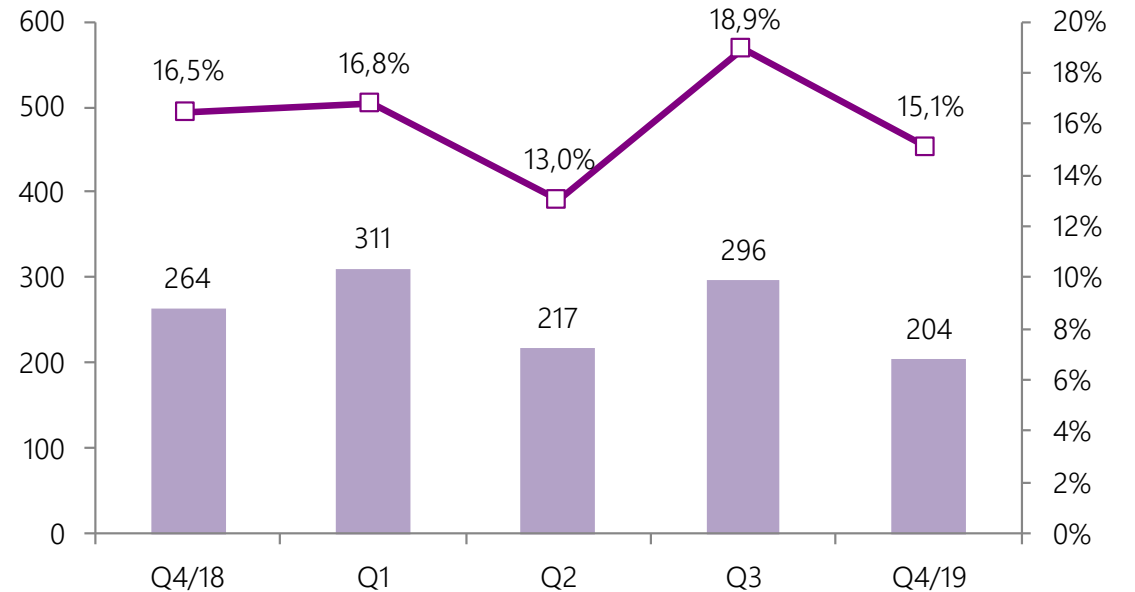


- Result hampered by lower volumes and lower unit margins of Neo and, to a lesser extent, TMP
 - Net sales amounted to SEK 1,350 m, 16% lower than Q4/18 driven by lower volumes and lower sales prices of TMP and especially Neo. The price decrease was mainly driven by raw material prices. Exchange rates had a positive impact on sales of approximately 4%. Organic volume-based sales growth was -8%
 - EBITDA excluding non-recurring items in the fourth quarter was SEK 204 m corresponding to an EBITDA margin of 15.1%. The decrease was due to a combination of lower volumes mainly in our Formates business as well as lower unit margins of TMP and Neo. To some extent this was offset by a solid performance our Penta business and improved unit margins for Formates

Net sales development



EBITDA¹ and margin development



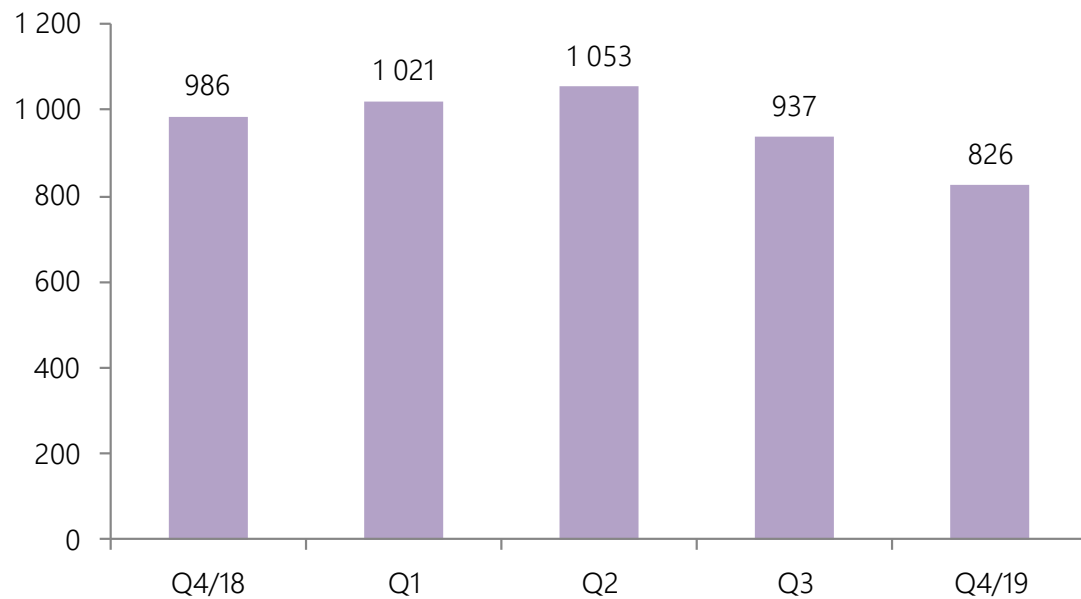
¹= EBITDA excluding non recurring items

Advanced Chemicals

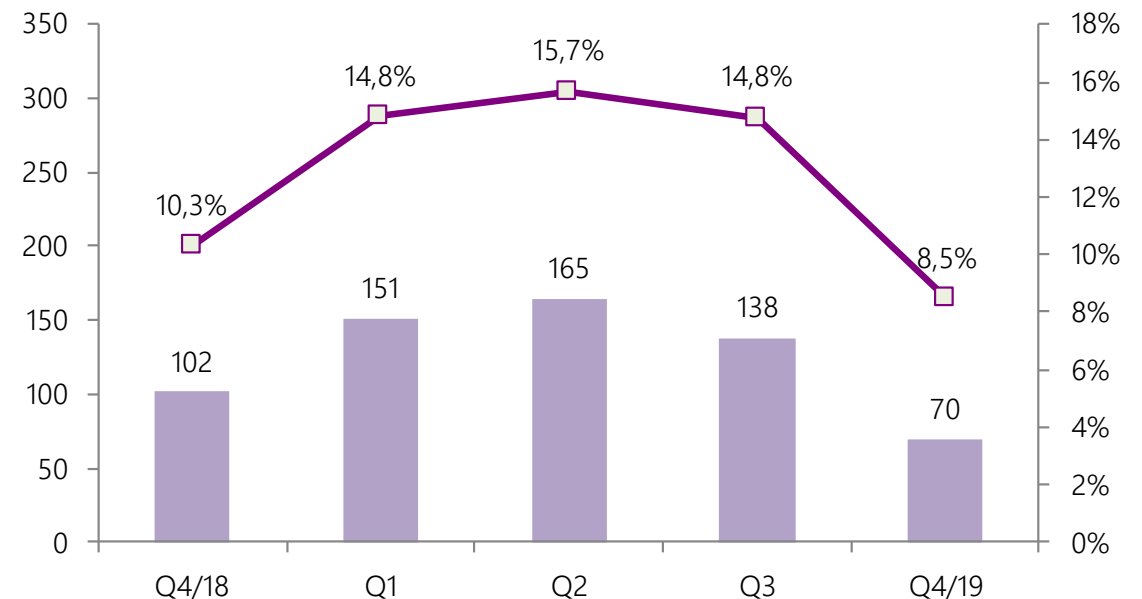


- Negative impact from lower volumes and unit margins of Plasticizers
 - Net Sales amounted to SEK 826 m, 16% lower than the corresponding period in 2018. The decrease was attributable to lower volumes and sales prices linked to lower raw material prices
 - Exchange rates had a positive impact on sales of approximately 3%. Organic volume-based sales growth was -7%
 - EBITDA excluding non-recurring items was SEK 70 m, corresponding to an EBITDA margin of 8.5%. The decrease was due to both lower volumes and margins of Plasticizers and somewhat higher fixed costs. This was partly offset by positive exchange rate effects

Net sales development



EBITDA¹ and margin development



¹ = EBITDA excluding non-recurring items

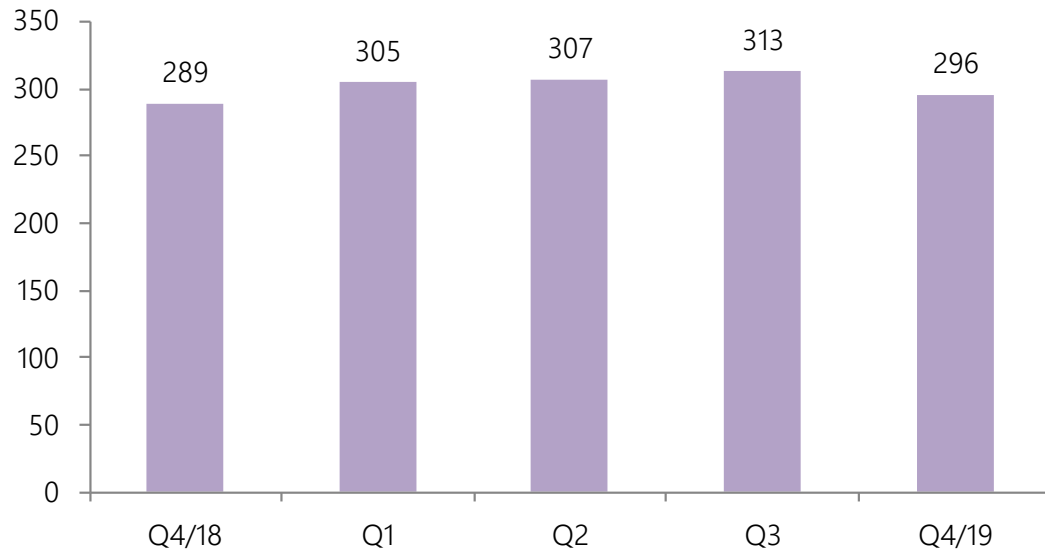
Animal Nutrition



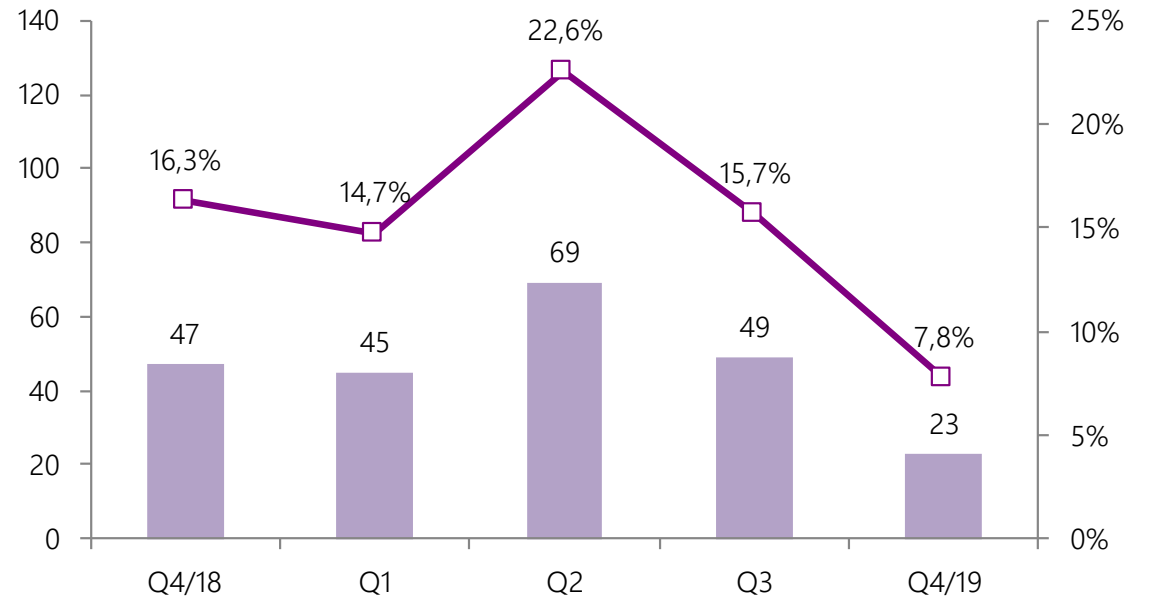
Positive volume development but the result was negatively impacted by decreased margins

- Net sales in the fourth quarter 2019 amounted to SEK 296 m, an increase of 2%. The higher sales were due to increased volumes for some product lines which together with positive exchange rate effects offset the negative impact from increased price pressure. Exchange rates had a positive impact on sales of approximately 4%
- Organic volume base sales growth was 14%
- EBITDA excluding non-recurring items in the fourth quarter was SEK 23 m corresponding to an EBITDA margin of 7.8%. The decrease was to some extent due to lower unit margins for some product lines and higher fixed costs due to the new sales and marketing organization

Net sales development



EBITDA¹ and margin development



¹ = EBITDA excluding non recurring items 3 MARCH 2020

Financial review



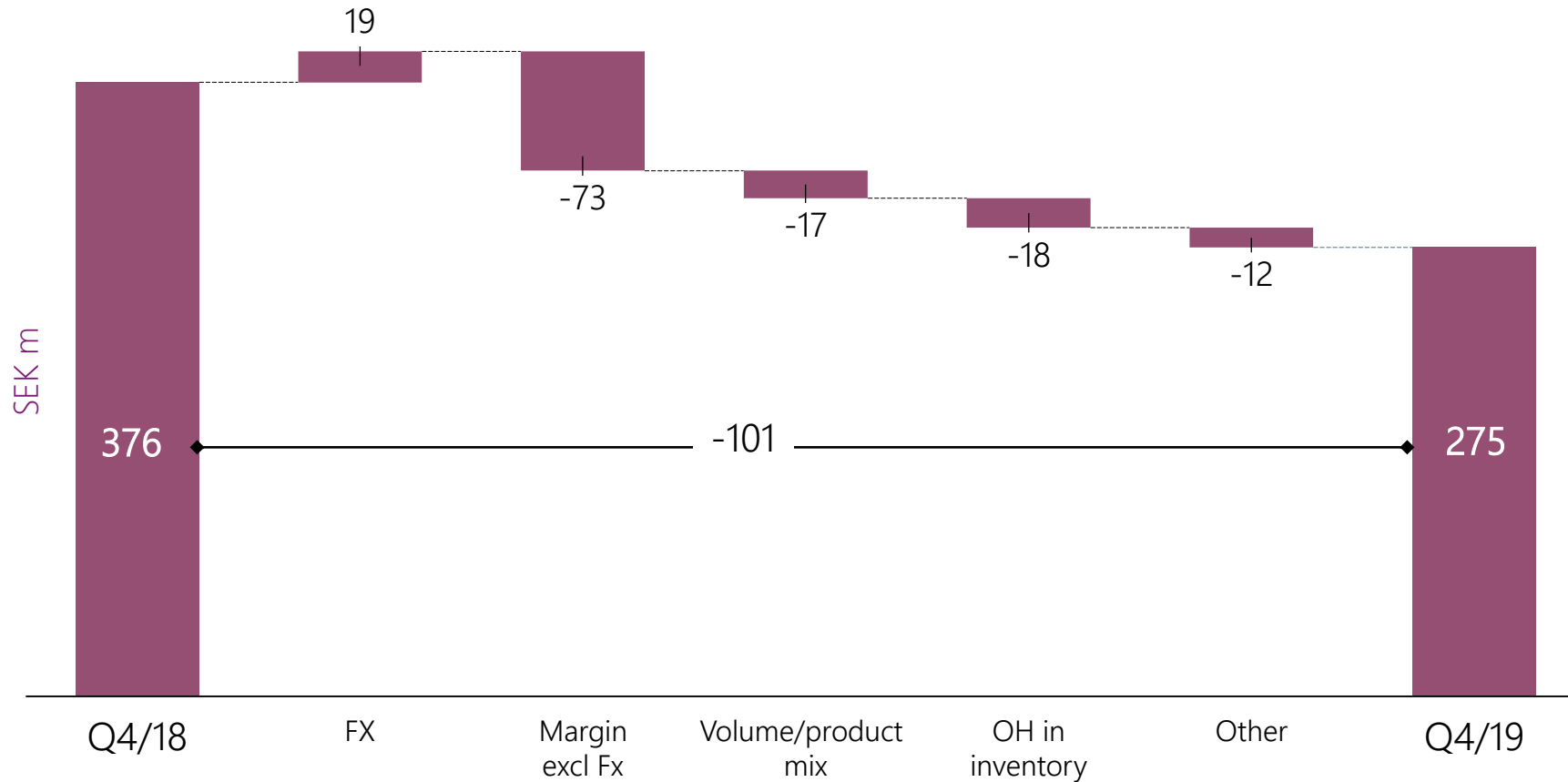
Magnus Heimburg
CFO

Financial highlights Q4 2019

SEK m	Q4-19	Q4-18	YTD Q4-19	YTD Q4-18	Q3-19
Net Sales	2,463	2,938	11,641	12,436	2,895
% growth (y-o-y)	-16.2%	1.4%	-6.4%	11.8%	-4.7%
% organic volume based sales growth (y-o-y)	-7.3%	-7.6%	-2.8%	-2.3%	1.7%
Marginal Contribution	760	811	3,406	3,555	829
% of sales	30.9%	27.6%	29.3%	28.6%	28.6%
EBITDA, reported	241	311	1,427	1,696	411
% of sales	9.8%	10.6%	12.3%	13.6%	14.2%
EBITDA, excl. non recurring items	275	376	1,554	1,814	439
% of sales	11.2%	12.8%	13.3%	14.6%	15.2%

EBITDA excl non-recurring items

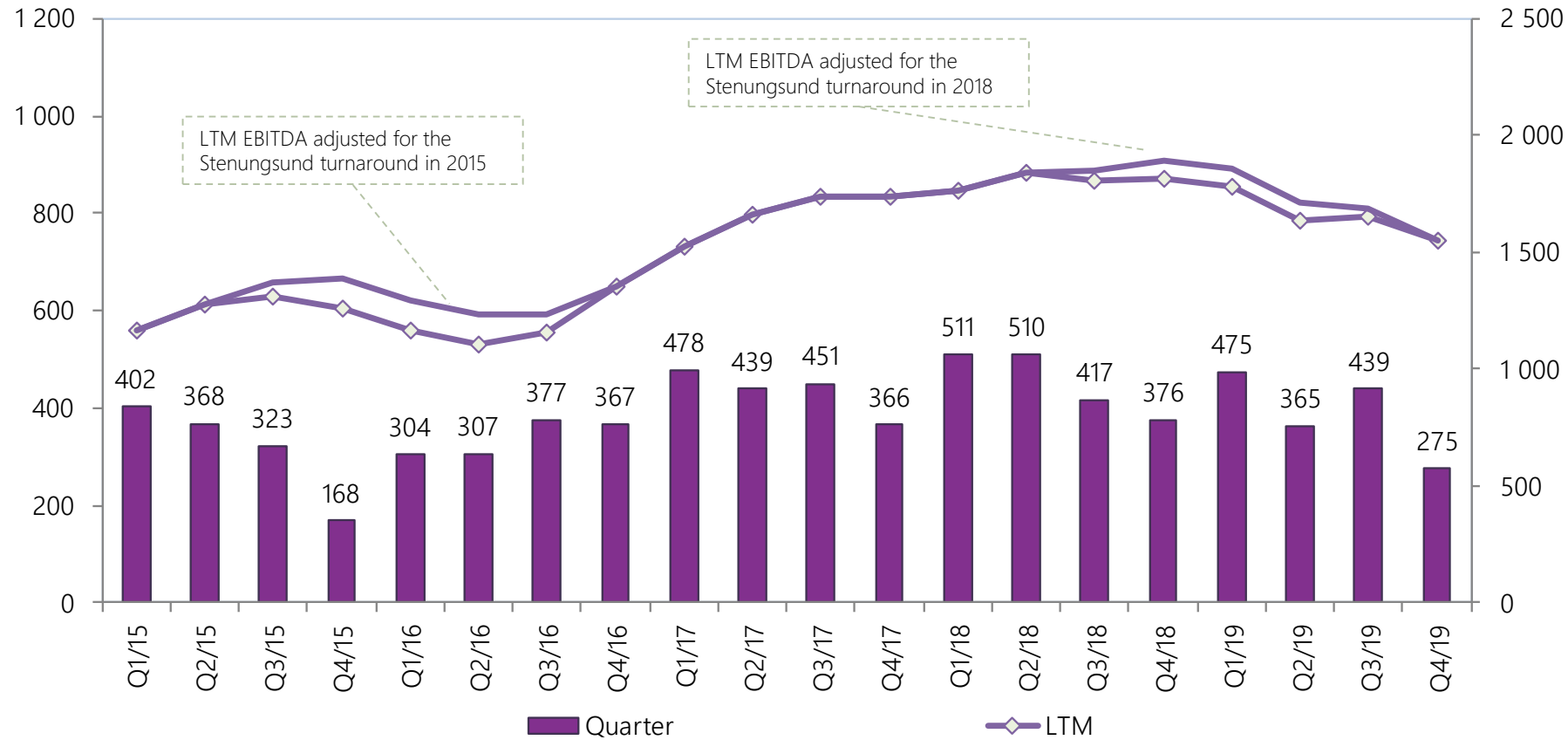
Q4 2019 vs. Q4 2018



- EBITDA decreased by SEK 101 m year-on-year, negative impact from lower volumes and lower unit margins was partly offset by positive impact from exchange rate effects

LTM Development EBITDA¹⁾

Q1 2015 to Q4 2019

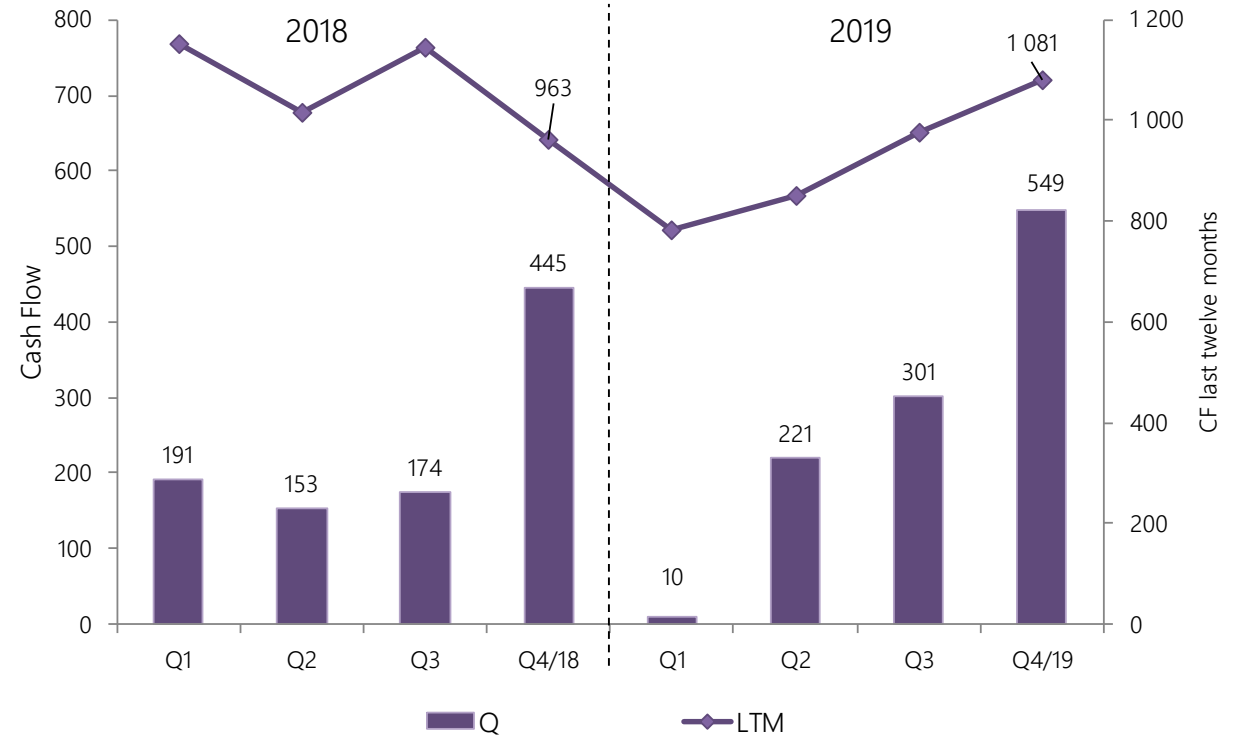


¹⁾ Excluding non-recurring items

Free cash flow

- Free cash flow in Q4/19 was SEK 549 m compared to SEK 445 m in Q4/18
- Positive change in working capital was partly offset by lower EBITDA and higher capital expenditures
- Utilization of the trade receivable program amounted to € 77,2 m (€ 114,1 m Q4/18) at end of Q4/19

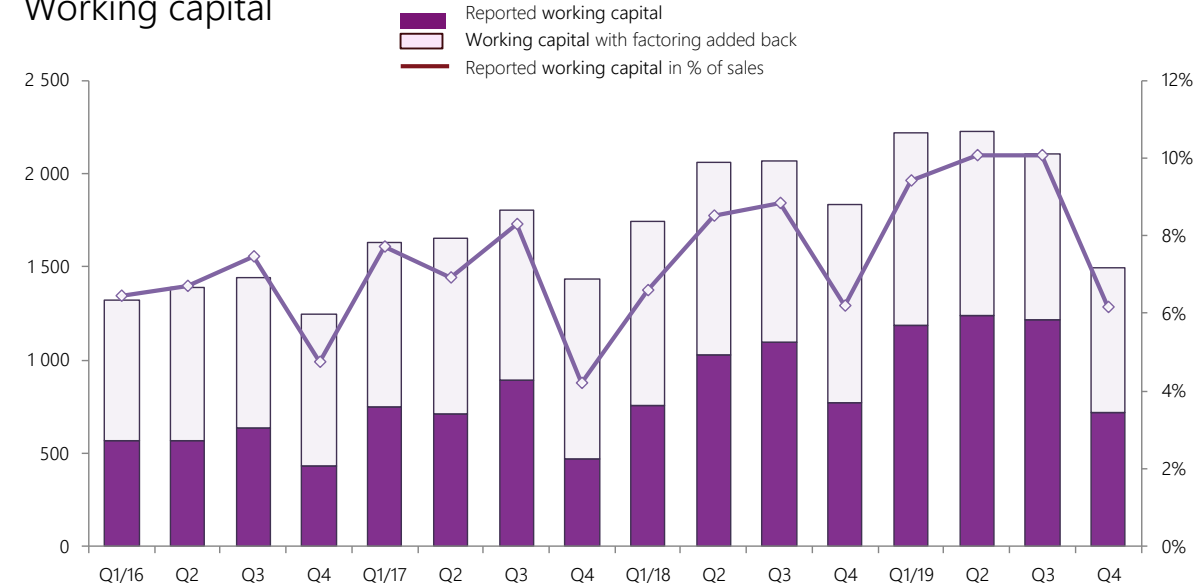
Free cash flow SEK m



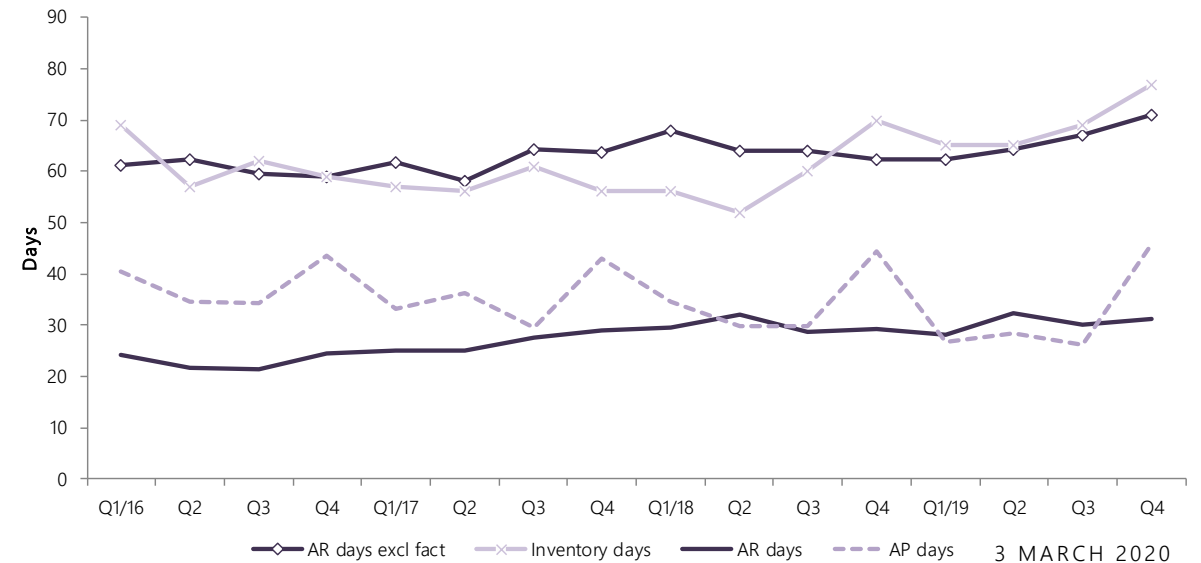
Working capital

- Reported working capital decreased by SEK 498 m during Q4/19 vs. Q3/19 and was SEK 92 m lower than Q4/18.
- Accounts receivables including factoring decreased by SEK 182 m from Q4/18 following lower sales
- Accounts payable decreased by SEK 200 m vs. Q4/18, mainly linked to timing effects
- Inventory value decreased by SEK 221 m vs Q4/18, mainly linked lower raw material prices

Working capital

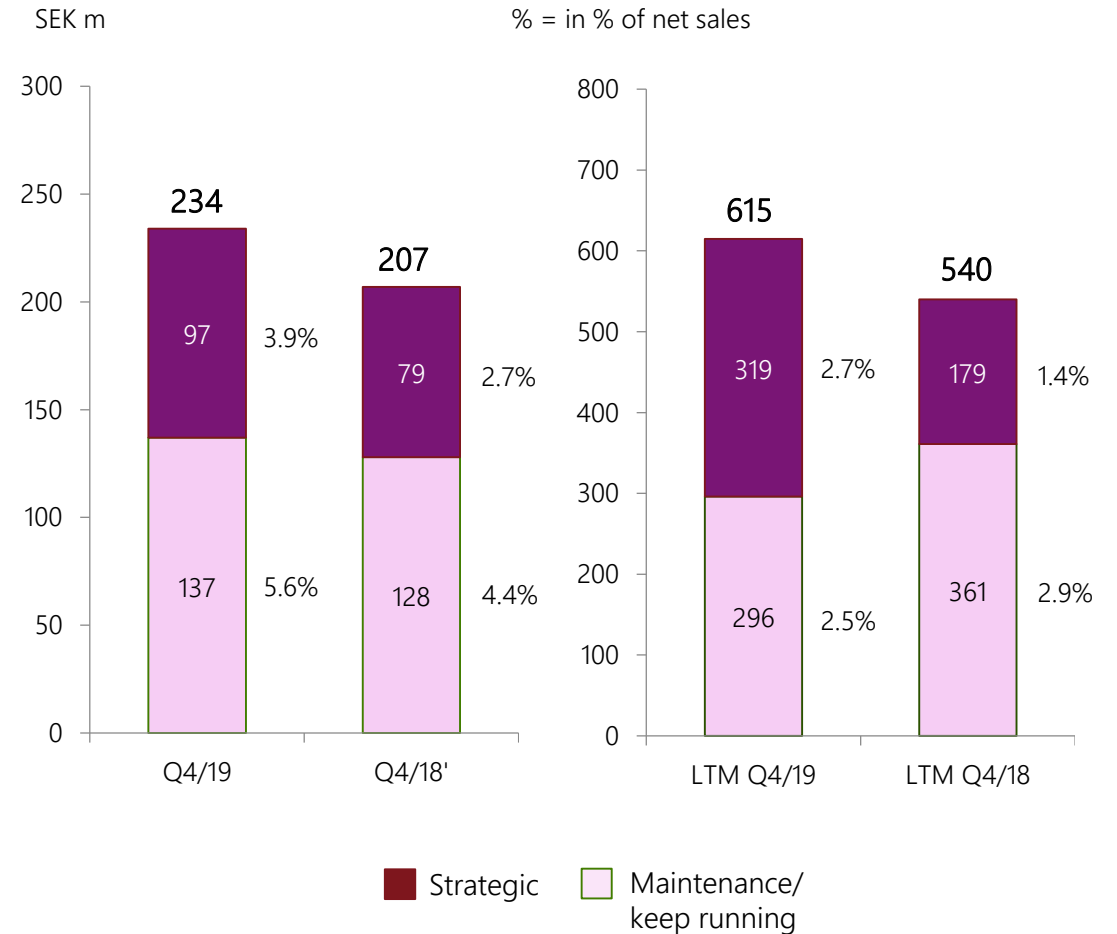


Days



Investments

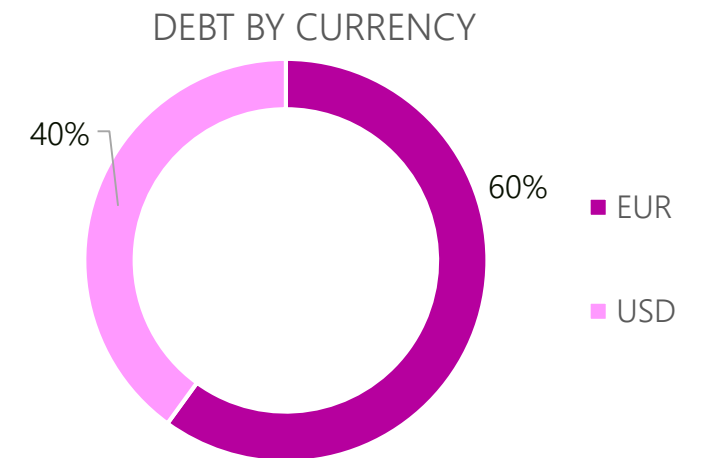
- Total investments amounted to SEK 234 m in Q4/19 which was SEK 27 m higher than in Q4/18
- Maintenance investments amounted to SEK 137 m in Q4/19 compared to SEK 128 m in Q4/18
- Strategic investments include selective capacity expansions, smaller debottlenecking investments in our key platforms and acquisitions



Indebtness

	USD m Equiv.	SEK m ¹⁾	x EBITDA excl non-rec. ²⁾
Cash on balance sheet	-49	-453	
Senior secured Term loan B (€)	571	5,321	
Senior secured Term loan B (\$)	383	3,571	
Net senior secured Term loan B	905	8,439	5,4 x
Other debt ³⁾	9	87	
Net debt, excl. pension liabilities	914	8,526	5,5 x

- Net debt, excluding shareholder loan and pension liability, decreased by SEK 607 m during Q4/19 mainly related to a stronger SEK primarily against USD and EUR and by a positive cash-flow from operations
- Reported leverage was 5.5x compared to 5.6x at Q4/18
- Available funds per end of Q4/19 amounted to SEK 1,248 m



¹⁾ Fx rates; USD 9.32 and Euro 10.43

²⁾ Based on EBITDA excl. non-recurring items of SEK 1,554 m

³⁾ Including drawn SRCF

Summary



Jan Secher
President & CEO

Q4 Conclusion and current trading

- Negative impact in Q4 2019 from challenging macro environment as well as volatile raw material prices
- Despite disappointing EBITDA, Perstorp managed to generate strong free cash flows in Q4 2019 and full year 2019 overall
- The decline in marginal contribution in Q4 2019 was driven by a few products – essentially due to Neo (prices and volumes) and Plasticizers (prices and volumes) together with production issues for Penta while the rest of the portfolio had a respectable performance given the macro environment
- Given the current performance further activities to improve profitability and cost competitiveness through commercial and operational excellence programs are being initiated
- Our long term strategic direction stands firm, focusing on growth investments in businesses where Perstorp has leading competitive positions
- We expect continued challenging macro environment with uncertainty around the market impact from the coronavirus



Appendix

Free cash flow details¹⁾

SEK m	Q4-19	Q4-18	YTD Q4-19	YTD Q4-18	Q3-19
EBITDA excl non-rec items	275	376	1,554	1,814	439
Change in working capital ¹	508	276	142	-311	30
Maintenance capex	-137	-128	-296	-361	-53
Free cash flow before strategic capex	646	524	1,400	1,142	416
% of EBITDA excl non-rec.	235	139	90	63	95
Strategic capex	-97	-79	-319	-179	-115
Free cash flow	549	445	1,081	963	301
% of EBITDA excl non-rec.	200	118	70	53	69

¹⁾ Excluding exchange rate effects and provisions

Segment reporting

SEK m	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18
Net Sales	2,463	2,895	3,065	3,218	2,938	3,037	3,382	3,079
Specialty Polyols and Solutions	1,350	1,564	1,667	1,854	1,603	1,732	1,912	1,761
Advanced Chemicals	826	937	1,053	1,021	986	961	1,117	1,008
Animal Nutrition	296	313	307	305	289	310	356	281
Other/eliminations	-9	81	38	38	60	34	-3	29
EBITDA, reported	241	411	362	413	311	375	503	507
Specialty Polyols and Solutions	188	296	217	311	252	239	340	320
Advanced Chemicals	70	140	168	146	102	95	143	141
Animal Nutrition	23	49	69	45	47	58	82	53
Other/eliminations	-40	-74	-92	-89	-90	-17	-62	-7
EBITDA excl. non recurring items	275	439	365	475	376	417	510	511
Specialty Polyols and Solutions	204	296	218	311	264	239	341	321
Advanced Chemicals	70	138	165	151	102	98	143	141
Animal Nutrition	23	49	69	45	47	58	83	53
Other/eliminations	-22	-44	-87	-32	-37	22	-57	-4

Quarter on quarter development

SEK m	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18
Net Sales	2,463	2,895	3,065	3,218	2,938	3,037	3,382	3,079
Marginal Contribution	760	829	874	943	811	828	987	929
% of sales	30.9%	28.6%	28.5%	29.3%	27.6%	27.3%	29.2%	30.2%
EBITDA, reported	241	411	362	413	311	375	503	507
% of sales	9.8%	14.2%	11.8%	12.8%	10.6%	12.3%	14.9%	16.5%
EBITDA, excl. non- recurring items	275	439	365	475	376	417	510	511
% of sales	11.2%	15.2%	11.9%	14.8%	12.8%	13.7%	15.1%	16.6%

Cash and available funds

Total group

SEK m	Q4-19
Unrestricted cash	317
Restricted ¹⁾ and escrowed cash ²⁾	136
Cash on Balance Sheet	453

SEK m	Q4-19
Unrestricted cash	317
Unutilized committed credit facilities	931
Reported Available Funds	1,248

¹⁾ Cash in Perstorp accounts in countries where international movement of funds are restricted

²⁾ Cash held in escrowed accounts as collateral for different business and financial activities

Currency

Period average exchange rates

SEK per LOC	Q4-19	Q4-18	FY-19	FY-18	Q3-19
USD	9.63	9.04	9.46	8.69	9.59
Euro	10.66	10.32	10.59	10.26	10.66
GBP	12.38	11.65	12.07	11.59	11.81

Period end exchange rates

SEK per LOC	Q4-19	Q4-18	Q3-19
USD	9.32	8.97	9.80
Euro	10.43	10.28	10.73
GBP	12.21	11.35	12.07