

# Q1

Perstorp Holding AB (Publ.)

## Interim report January – March 2022

Conference call May 11<sup>th</sup>, 2022

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# Today's agenda

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

# Business performance

Jan Secher, President & CEO





# Executive summary Q1 2022

- Sales amounted to SEK 4,408 m (2,865), a 54% increase consisting of:
  - +47% organic growth whereof +48% sales prices and -1% volumes
  - FX effects +7%
- Continued favourable market dynamics for Perstorp's products.
- Price increases implemented to cover higher raw material prices.
- EBITDA\* amounted to SEK 845 m (505) corresponding to a margin of 19.2% (17.6). Highest quarterly EBITDA in Perstorp's\*\* history.
- Continued solid free cash flow generation of SEK 291 m (316).
- Available funds amounted to SEK 2,319 m (2,055).



\* Excluding non-recurring items

\*\* Continuing operations

# Business overview 1/2

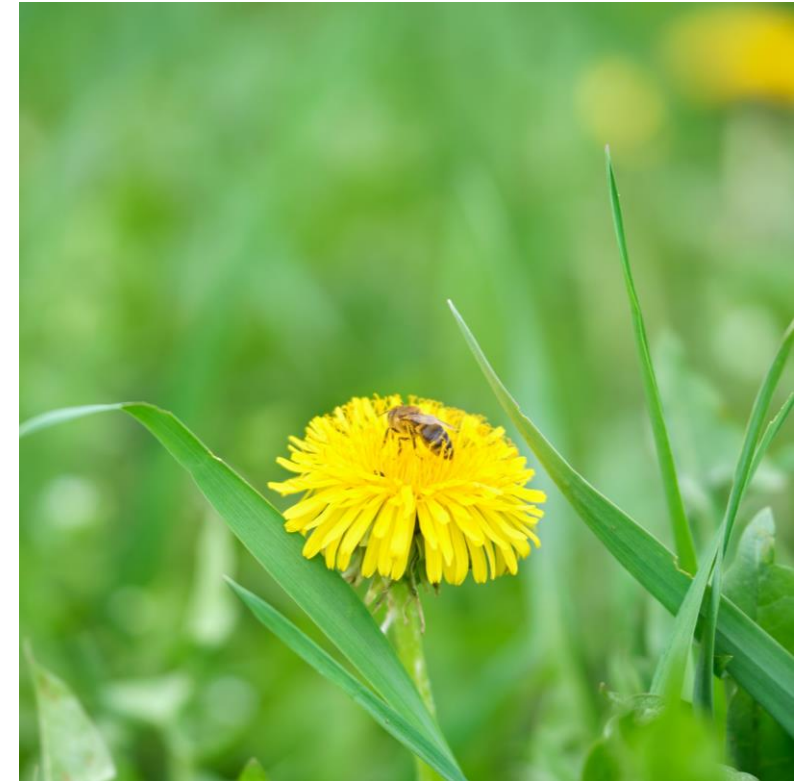
- Favorable market dynamics for both Intermediates and Specialties:
  - strong demand in EMEA and Americas from most end-user segments, whereas demand eased in APAC during the first quarter with Covid lock-downs in China
  - logistic constraints and cost increases continued in the first quarter
  - tight availability in many markets and increase of variable costs continued to constrain production at some customers
- Animal Nutrition saw good organic growth but negatively impacted partially by Covid-19 lockdowns in China and margin pressure due to hampered customer profitability in the feed industry

SEK m	Organic Growth Q1/22 vs Q1/21
Polyols	43%
Oxo	69%
Formates	47%
Animal Nutrition	19%
Other & elim.	-
Perstorp Group	47%

*Product dimension overview: Change in Net sales between periods excluding FX effects and impact of acquisitions*

## Business overview 2/2

- Price increases implemented by Perstorp in the first quarter in EMEA and Americas.
- Perstorp's natural gas cost exposure has been reduced.
- Perstorp's Pro-Environment portfolio continued to grow with new record high volumes in the first quarter.
- The Ukraine conflict has so far only had minimal impact on Perstorp sales.
- Integration of Geo's DMPA® business post-acquisition proceeded according to plan.



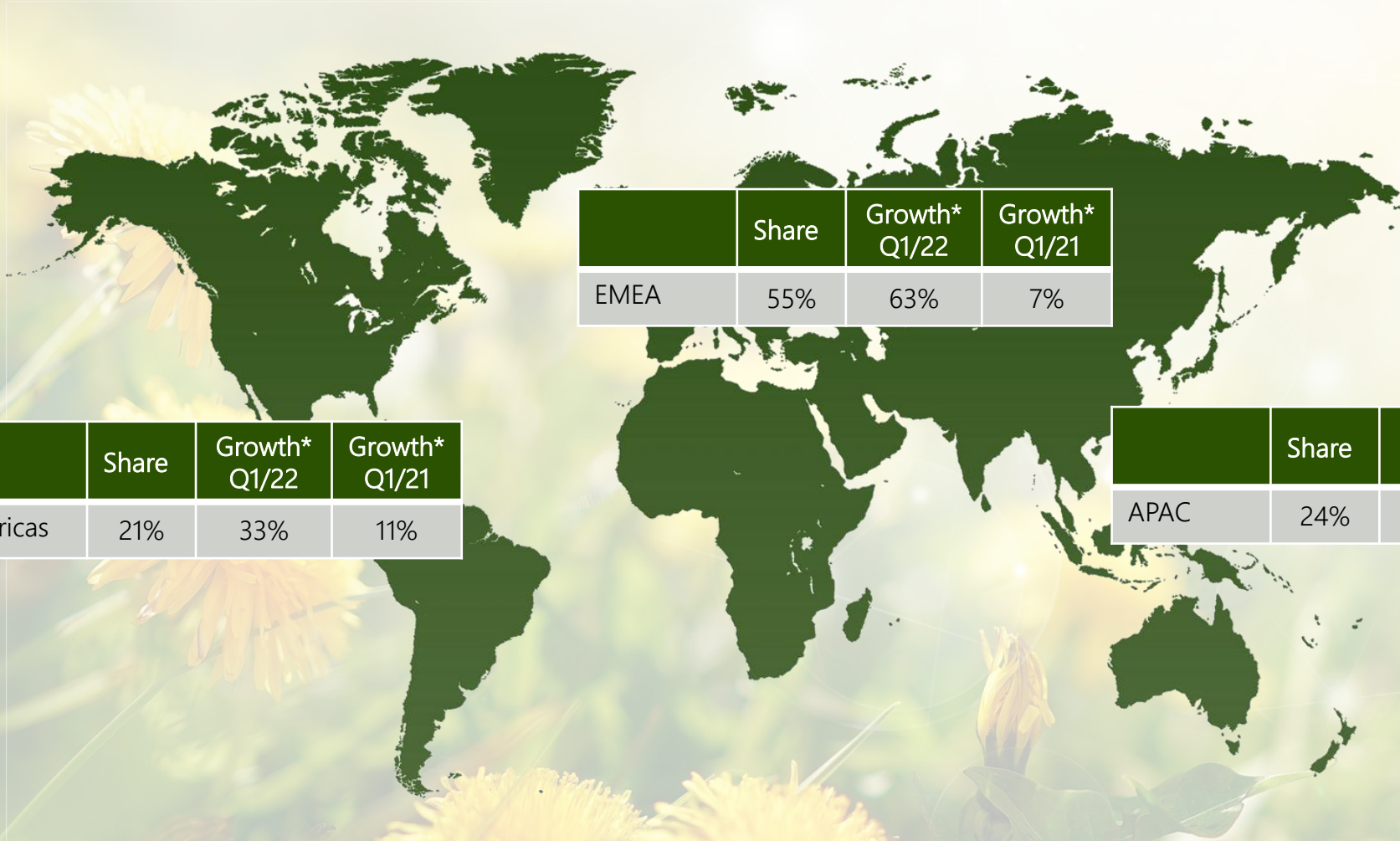
# ESG update – Q1 2022

- A renewed application was submitted to the EU Innovation Fund for Project Air beginning of March 2022, information on selected projects is expected in third quarter. The internal part of the project proceeds according to plan and Perstorp remains strongly committed to this game changing project.
- The Pro-Environment portfolio continue to perform strongly with a volume growth of 34% (Y/Y) during the quarter. There will be a further considerable step up in volumes during 2022, primarily coming from the production site in Perstorp.
- The Board of Directors approved a re-worked Sustainability Policy and a new Environmental Policy.
- Development of global processes for sustainability governance and targets incl roadmaps, execution and reporting or actual performance.
- Update of Perstorp web ([www. perstorp.com](http://www.perstorp.com)) with further ESG information and alignment of the web with the new sustainability framework of Care, Transform & Enable.





# Regional overview Q1 2022 vs. Q1 2021



\*Organic Growth (Y/Y) Change in Net sales between periods excluding FX effects and impact of acquisitions

# Focus Segment: Resins & Coatings – Q1 2022

## Continued strong performance

### General Market\*

- Global industry and construction continues to show strong demand for the major Resins & Coatings segments.
- New Covid lockdowns in China adds additional challenges to the recovery in automotive where e.g., leading automotive manufacturers have had to temporarily suspend production in China due to the zero-covid policy.
- Raw material availability issues, lockdowns in China, logistic congestions and the Ukraine conflict's impact on the price of energy and base raw materials hampers growth in Chemicals overall.

### Perstorp's performance and Market Activities

- Organic Growth 42% (Y/Y)
- Overall continued solid performance across the Resins & Coatings product lines. Price increases in the quarter compensate for increased variable cost.
- Powder coating segment, has shown significant strength during first quarter and is ahead of plan.
- In Alkyds some specific new opportunities has materialized as a consequence of the sanctions on Russian industry.
- The integration of Geo's DMPA business was concluded during the quarter in-line with plan. Customer relationships were gradually transitioned as systems-integration and supply agreement setup was finalized. Contracts, distribution setups etc. have been reviewed and harmonized.

\*Source: Oxford Economics, March edition



# Focus Segment: Engineered Fluids – Q1 2022

Strong results across all regions driven by pricing.

## General Market

- The lack of heptanoic acid\* impacted aviation customers' production, which also reduced their demand of other building blocks like Penta mono, Penta Exeteq™ and valeric acid. Heptanoic acid supply constrain is expected to continue at least until third quarter.
- China lockdown has impacted the market demand and supply chain. Challenging competitive landscape due to lower raw material cost for Asian producers.
- The long-term Polyol Ester growth trend to meet high performance, safety and environmental-friendly requirements did not change despite supply chain disturbance and concerns about inflation.

## Perstorp's performance and Market Activities

- Organic Growth 33% (Y/Y).
- Lower demand from US aviation industry.
- Americas and EMEA continued to deliver strong results driven by pricing.
- Continued tight supply/demand balance.
- Successfully launched Iso-C9 acid and produced first campaign, on specification, in March.



\*C7 carboxylic acid used in aviation turbine oil and transformer oil formulations (together with our polyols and acids)



# Focus Segment: Animal Nutrition – Q1 2022

Continue to execute on strategy in a market where our customers face unprecedented feed cost increases.

## General Market

- The Ukraine conflict had an impact on global grain prices by 20-40%, feed producers primary concern today is raw material availability and cost.
- Poultry market: strong in the USA and EMEA with high meat prices, Avian Influenza a short-term factor in select markets. In China growers are operating on break even. In Brazil, the growth is driven by exports since local consumption is sluggish. Global outlook for chicken product strong with continued growth.
- Swine market: market conditions for pork producers remain challenging due to low pork prices and high feed costs. Chinese government increased pork meat reserves in attempt to get market prices up, however prices are still below break even. In the USA pork output was low due to disease pressure (PRRS) and reduced breeder activities pushing meat price up, however not yet at desired levels.

## Perstorp's performance and Market Activities

- New product Gastrivix™ Avi successfully launched March 31 during an online customer event with more than 200 participants. First samples for customer trials shipped and first orders have been received. This is the first product in a series of innovative specialty products for animal gut health.
- Organic growth 18.5% (Y/Y).
- Steep cost increases causing a challenge to maintain margins on specialty products as customers struggle with profitability due to high feed input cost.
- Expansion project at Waspik site completed, staff training and process finetuning started.



# Remaining Segments – Q1 2022

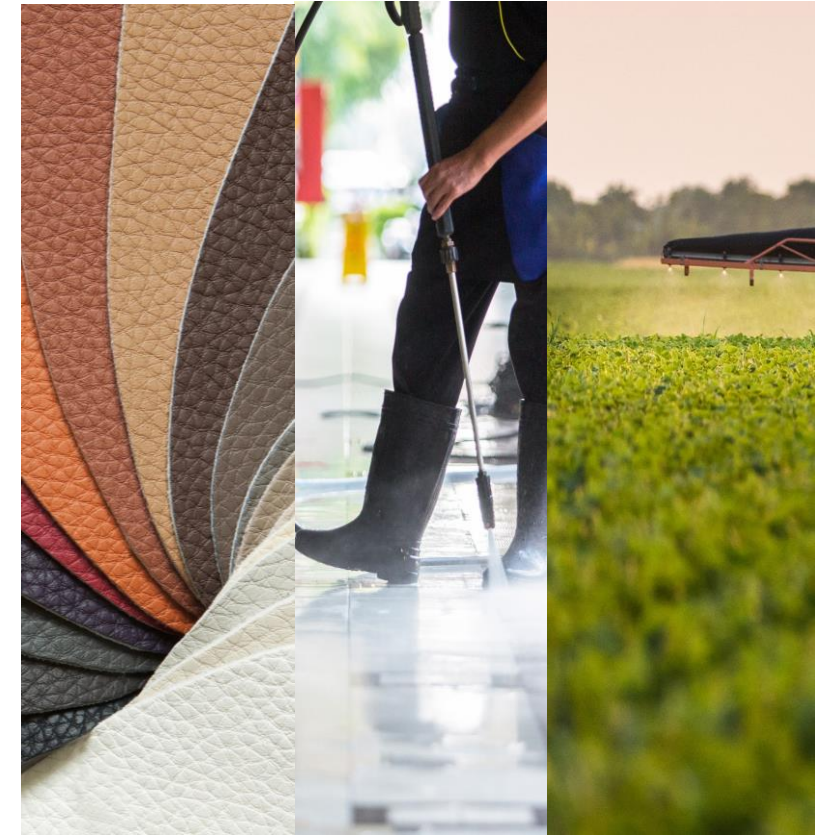
Continued strong demand in the EMEA and Americas regions with signals of easing demand in APAC during the first quarter

## General Market

- PVC plasticizer market has remained healthy in several market segments. PVC resins have been available covering the demand in first quarter. However, second quarter will again be constrained by shortage of PVC resins due to a number of FMs.
- The PVC plasticizer market has been impacted by the Ukraine conflict as it has impacted Sibur, Russian Chemical company, and their ability to service the DOTP market in Europe. The Market for DINP has been rather long and players are making efforts to replace DOTP volumes with DINP volumes. The market for C-10, i.e. DPHP, Plasticizers has remained stable and robust.
- PVB film market segments have continued strong growth in construction applications but remained weaker in automotive applications due to the general slow-down caused by the semi-conductor shortage.
- Oil drilling market has continued to be strong due to the increasing crude oil price.
- Formic Acids, Propionic acids, Calcium formats remains tight for the Feed and the Construction markets.

## Perstorp's performance

- Strong performance across our Oxo alcohols, acids and plasticizer portfolios with high prices across several products offsetting and compensating for higher raw material prices.
- The acid portfolio has across applications continued with strong demand and increased prices. We have successfully launched our new acid, Iso-C9, a critical acid for refrigeration lubricant formulation, to complement our comprehensive portfolio of acids for Engineered Fluids and other markets.
- Continued strong performance across our Formates and Propionates portfolio. We have experienced record high profitability for our Formic Acid and Calcium Formates during the quarter.





# Selected Key Events – Q1 2022

- Our production site in Perstorp reached an impressive milestone in the first quarter: a full year without OSHA recordable accidents. A result requiring a strong commitment and exceptional teamwork from the entire site team.
- Project Elephant, building a greenfield Penta plant in India, continues according to plan and could also announce an impressive safety milestone: 2 500 000 safe man-hours (working hours without any LTI – Lost Time Injury).
- Perstorp's office in Mumbai has gone live with SAP and thereby pass another important step in the company's "One Digital Core" strategy, with the goal of having one Enterprise Resource Planning (ERP) for all Perstorp.
- To help speed up the digital transformation to an even more digital company, a new kind of trainee program for junior engineers was announced. The purpose of the program is to attract and find young digital competence in order to accelerate the digital transformation.
- Factoring limit increased in March from EUR 125 m to EUR 150 m.



*Image from celebration of 2 500 000 safe man-hours in India*



# Perstorp's approach to the Ukraine conflict

Perstorp supports and adheres firmly to all sanctions put in place by the EU, other countries and international organizations in the wake of the military invasion of Ukraine in early 2022 and is using them as principles for actions and decision making. Consequently, Perstorp has decided to cancel all orders and deliveries to customers in Russia. Perstorp continuously monitors the situation and collaborates with banks and other relevant parties, to secure that all aspects of our business – financially, legally and ethically – are conducted in line with what the situation requires.

- A Focus Team is in place and meets twice a week to monitor and assess the situation and consequently propose recommendations and decision to the Executive Leadership Team
- Perstorp has neither any production plants nor any employees in Russia and Ukraine
- The crisis is deemed to have limited impact on Perstorp sales since net sales to Ukraine and Russia is less than 1 % of total sales.
- As overall market demand is high, the lost sales in Ukraine and Russia can be compensated for in other markets
- An updated financial outlook is created first month every quarter, which will take into consideration all known volume and price impacts on supply and demand coming from Russia/Ukraine crisis (although expected to have limited impact considering above)
- Perstorp has since the outbreak of the conflict supported humanitarian work by UNHCR in Ukraine as well as several local activities



# Financial review

Ib Jensen, CFO



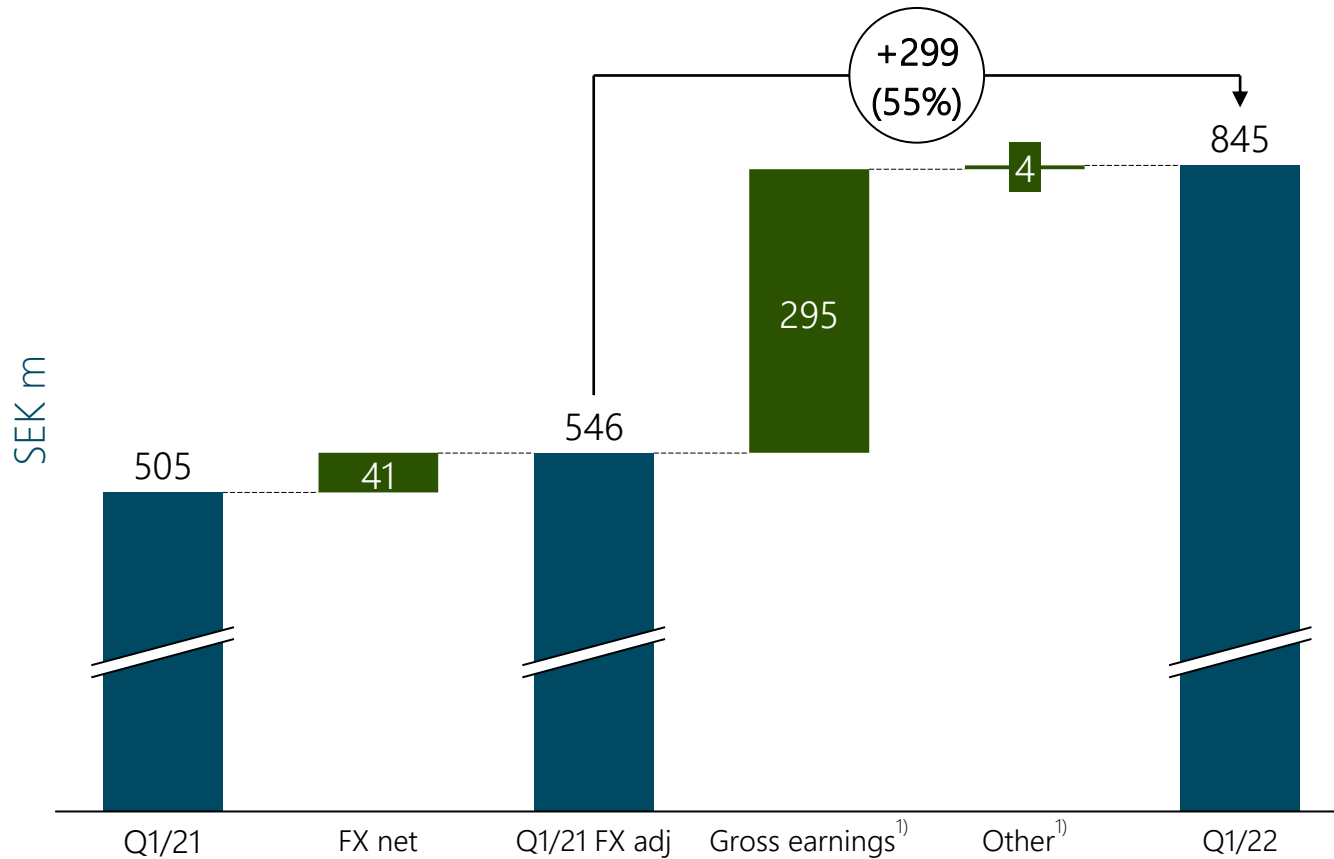
# Financial highlights

SEK m	Q1/22	Q1/21	Delta	LTM Q1/22	FY 2021
Net Sales	4,408	2,865	1,543	15,080	13,537
% Sales growth (y-o-y)	54%	5%	-	61%	47%
% Organic growth	47%	14%	-	62%	51%
% FX effects	7%	-9%	-	-1%	-4%
EBITDA, excl. non-recurring items	845	505	340	2,853	2,513
% of sales	19.2%	17.6%	1.6%	18.9%	18.6%
Non-recurring items	-16	-19	3	-45	-48
EBITDA, reported	829	486	343	2,808	2,465
% of sales	18.8%	17.0%	1.8%	18.6%	18.2%



# EBITDA excl. non-recurring items

Q1 2022 vs. Q1 2021

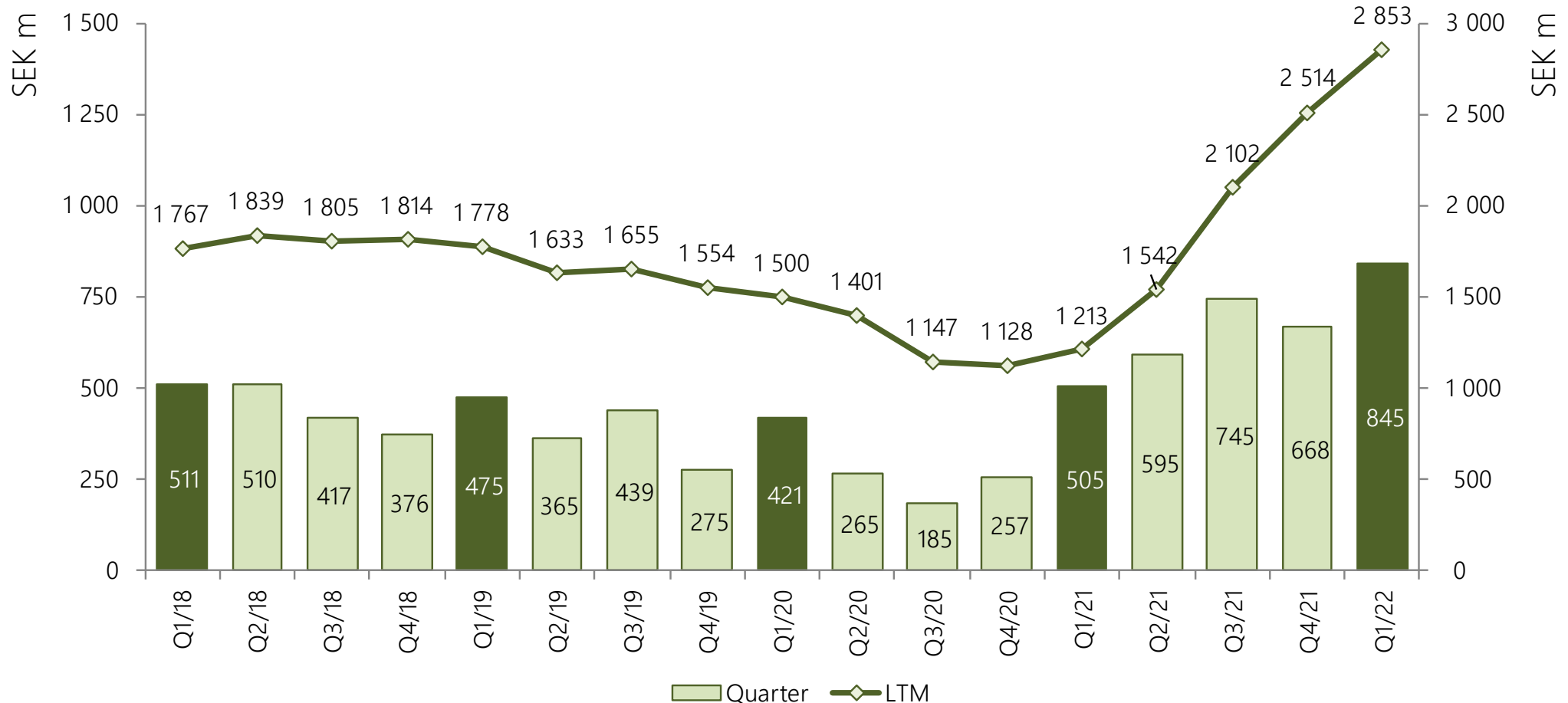


- EBITDA increased by SEK 340 m
- FX adjusted gross earnings increased by SEK 295 m
- Price increases implemented to compensate higher variable costs
- Favorable market dynamics
- Increase mainly driven by stronger unit margins

<sup>1)</sup> Excluding depreciation

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

Q1 2018 to Q1 2022



<sup>1)</sup> Continuing operations excluding non-recurring items and with actual average FX rates

# Consolidated income statement

SEK m	Q1/22	Q1/21	Delta	LTM Q1/22	FY 2021
Net Sales	4,408	2,865	1,543	15,080	13,537
Cost of goods sold	-3,471	-2,282	-1,189	-11,815	-10,626
Gross earnings	937	583	354	3,265	2,911
Selling, administration and R&D costs	-238	-207	-31	-972	-941
Other operating income and expenses	-7	-21	14	-22	-36
Write-down of assets	0	0	0	-10	-10
Result from participations in associated companies	1	1	0	4	4
Operating earnings (EBIT)	693	356	337	2,265	1,928
Exchange-rate effects on net debt	-78	-137	59	-102	-161
Other financial income and expenses	-155	-150	-5	-508	-503
Earnings before tax	460	69	391	1,655	1,264
Tax	-106	-26	-80	-365	-285
Net earnings	354	43	311	1,290	979



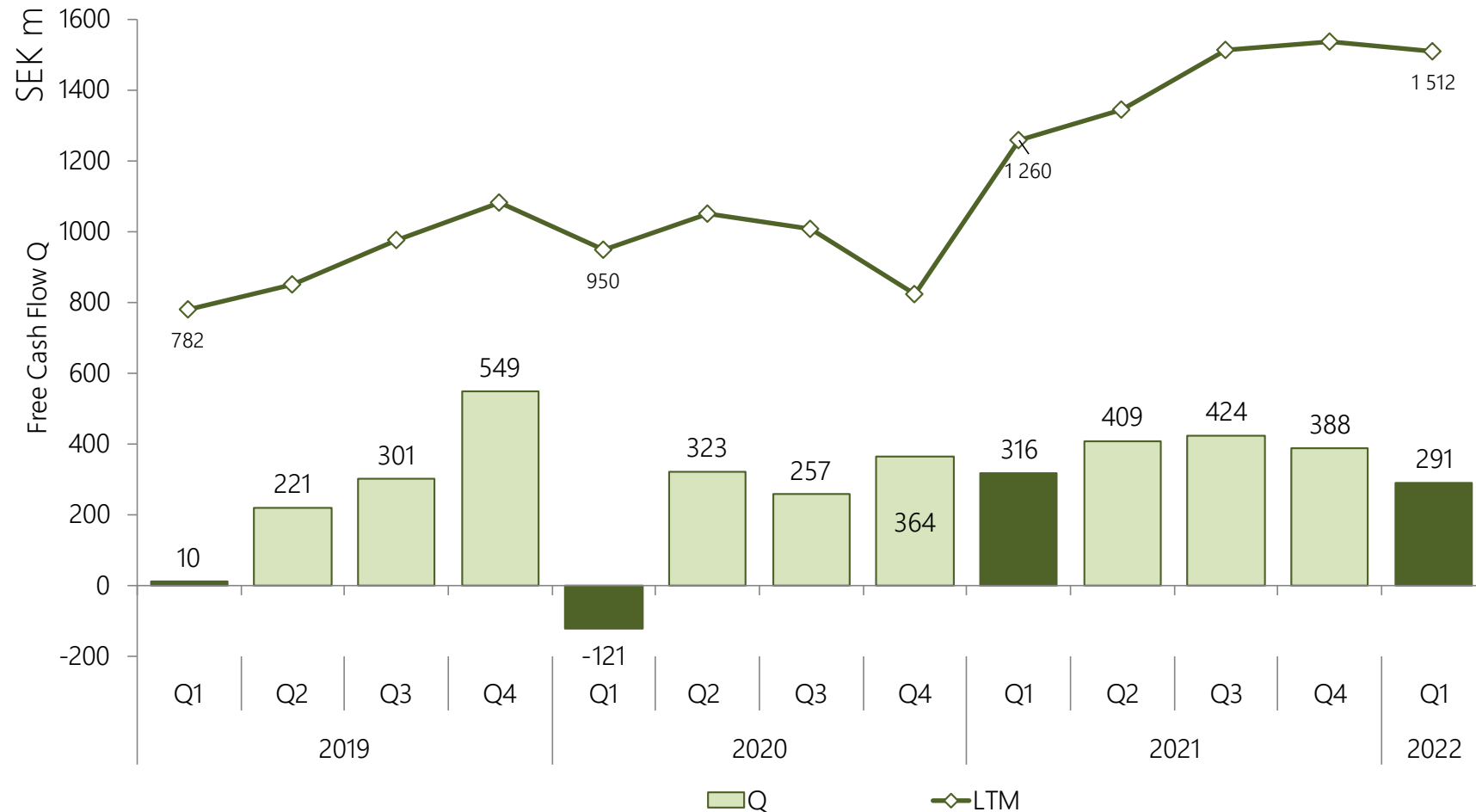
# Free cash flow

SEK m	Q1/22	Q1/21	Delta	LTM Q1/22	FY 2021
EBITDA excl. non-rec items	845	505	340	2,853	2,513
Change in working capital	-301	-108	-193	-409	-216
Maintenance capex	-79	-35	-44	-368	-324
<b>Free cash flow before strategic capex</b>	<b>465</b>	<b>362</b>	<b>103</b>	<b>2,077</b>	<b>1,974</b>
Strategic capex <sup>1)</sup>	-174	-46	-129	-565	-437
<b>Free Cash flow</b>	<b>291</b>	<b>316</b>	<b>-25</b>	<b>1,512</b>	<b>1,537</b>

<sup>1)</sup> Excluding M&A activities

- Continued solid free cash flow generation in the first quarter 2022
- Free cash flow amounted to SEK 291 m (316)
- Mainly driven by increased EBITDA but partly offset by higher capex and build up of inventory due to increased business activities and planned maintenance shutdown at our site in Stenungsund
- Limit for the factoring program was increased at the end of the quarter

# Free cash flow development 2019-2022



# Indebtness

	SEK m <sup>1)</sup>
Senior secured Term loan B (€ + \$)	8,743
Other debt <sup>2)</sup>	93
Cash on balance sheet	-1,195
<b>Net debt, excl. pension liabilities</b>	<b>7,641</b>
Pensions	422
<b>Net debt, incl. pension liabilities</b>	<b>8,063</b>

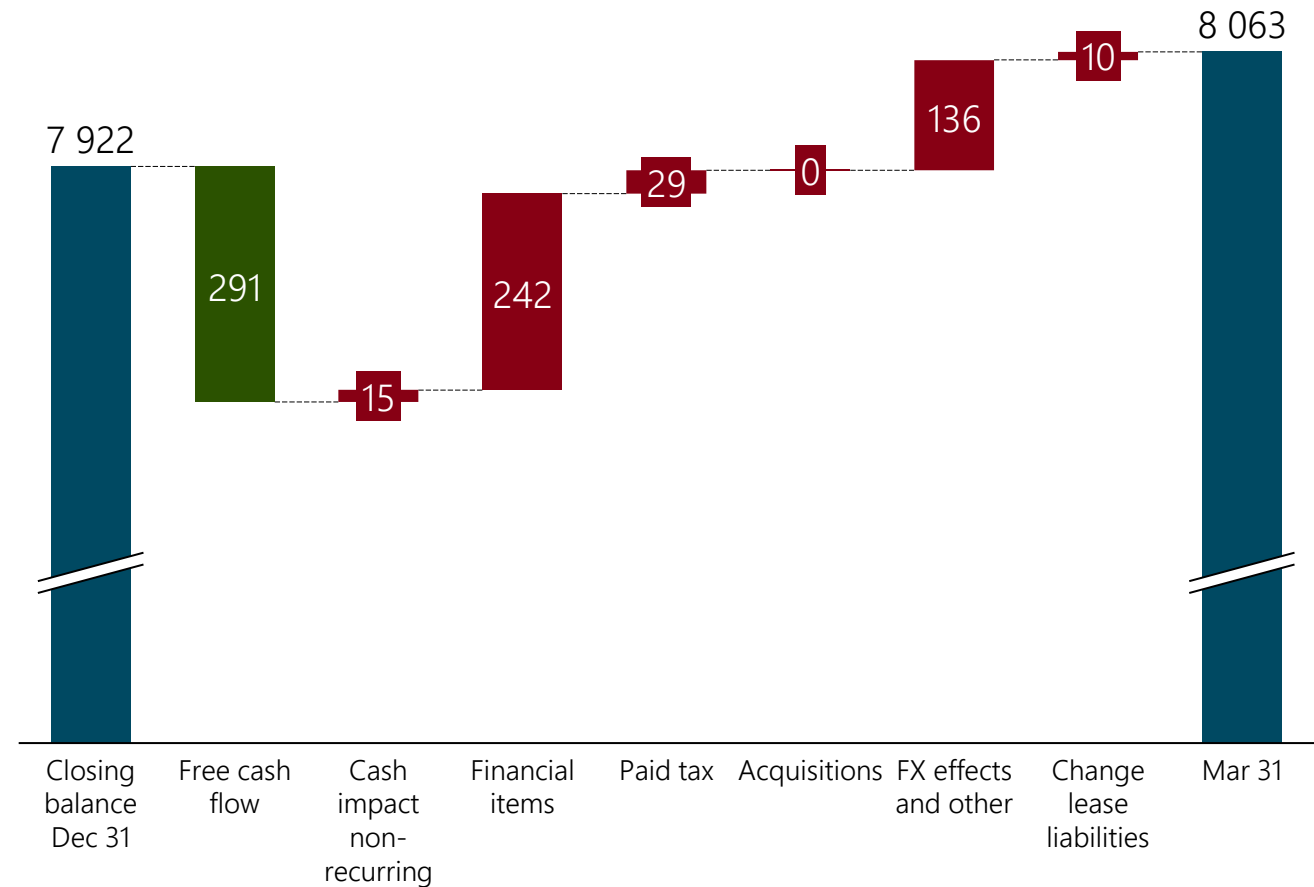
Leverage reported <sup>3)</sup>	2.7x
Available Funds	2,319
Factoring Utilization (m EUR)	139

<sup>1)</sup> Fx rates; USD 9.26 and Euro 10.34, except for Factoring utilisation

<sup>2)</sup> Including drawn RCFs

<sup>3)</sup> Based on Net Debt excl. pensions and EBITDA excl. non-recurring items of SEK 2,853 m

## Development of Net debt, incl. pension liabilities





# Summary

Jan Secher, President & CEO



# Summary

- Highest quarterly EBITDA ever in Perstorp's history.\*
  - EBITDA\*\* of SEK 845 m corresponding to a margin of 19.2%
- Continued solid free cash flow generation of SEK 291 m.
- Strong financial flexibility with available funds of SEK 2,319 m.
- All time low leverage of 2.7x.
- Renewed application submitted to the EU Innovation Fund for Project Air.
- Expansion project at Waspik site completed.
- Perstorp's health and safety performance has remained stable during the quarter with OSHAR on historically low levels for both employees and contractors.
- Implemented price increases have compensated for higher variable costs.
- Still supportive fundamental economics but conflict in Ukraine and Covid-19 lockdowns in China to be carefully monitored.

\*Continuing operations, excluding non-recurring items

# Q&A





