



# Perstorp Holding AB (Publ.)

Interim report January-June 2020  
Conference call July 20, 2020

# Disclaimer

- This document contains financial information regarding the businesses and assets of Perstorp Holding AB (publ) (the "Company") and its consolidated subsidiaries (the "Group"). Such financial information may not have been audited, reviewed or verified by any independent accounting firm. The inclusion of such financial information in this document or any related presentation should not be regarded as a representation or warranty by the Company, any of its respective affiliates, advisors or representatives or any other person as to the accuracy or completeness of such information's portrayal of the financial condition or results of operations by the Group.
- This document contains information, data and predictions about our markets and our competitive position. While we believe this data to be reliable, it has not been independently verified and, while we are not aware of any material misstatements therein, we make no representation or warranty as to the accuracy or completeness of such information. Additionally, industry publications and such reports generally state that the information contained therein has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and in some instances state that they do not assume liability for such information. In those cases where third-party data has not proved readily available, we have relied on internal analyses, as well as information obtained from sources such as our customers, suppliers, trade and business organizations connected with the markets in which we operate. We cannot assure you that any assumptions underlying these statements are accurate or correctly reflect the state and development of, or our position in, the industry. While we believe our internal company research is reliable and the market definitions are appropriate, neither such research nor these definitions have been verified by any independent source.
- Certain statements in this document are forward-looking. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. These factors include, among others: our level of indebtedness and capital structure and the terms of the notes and our other financing arrangements; our strategy, outlook and growth prospects, including our operational and financial targets; the competitive markets faced by both ourselves and our customers; the economic outlook in general and, in particular, economic conditions in the markets of the United States, Europe and Asia, and the expected growth of our markets; our ability to borrow or raise capital; costs and regulations related to contamination or exposure impacts from our operations or products; our expansion plans, including our ongoing geographic expansion and expansion of our production capacity; our ability to develop, market and launch commercially viable products; the cyclical nature of some of the industries in which we operate; our ability to manage and pass on raw material and other input costs; currency fluctuations; loss of key customers or suppliers for certain of our products; changes to or enforcement of governmental and environmental regulations and health and safety requirements across the multiple jurisdictions in which we operate; downtime at our facilities; inability to control our joint ventures or other similar business arrangements; loss of key personnel; ongoing and future tax audits and potential changes in applicable tax regulations; inadequate protection of our intellectual property rights; and expenses and reputational damage resulting from litigation.
- These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. Neither the Company nor the Group undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as of the date of this document.
- By attending this presentation, you are agreeing to be bound by the foregoing limitations.

# 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*

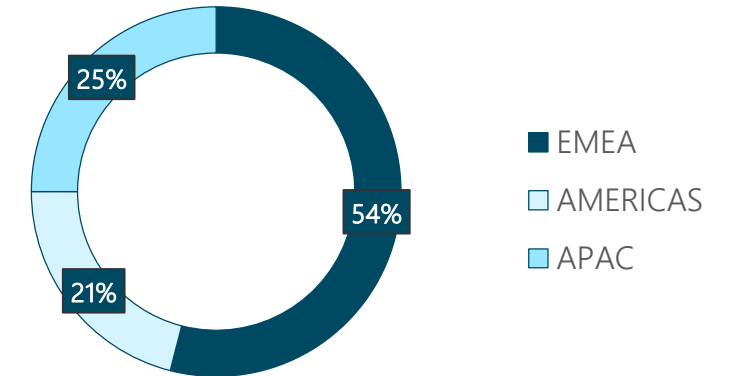
# Executive summary

- Q2/20 net sales amounted to SEK 2,079 m, a 32% decrease over last year. The decrease was due to lower sales volumes as a consequence of Covid-19 together with lower raw material prices
- Organic volume-based sales growth was -22% year-on-year
- Positive impact from cost saving activities partly mitigated the volume shortfall
- EBITDA excluding non-recurring items amounted to SEK 265 m in the second quarter compared to SEK 365 m in the corresponding period last year
- Q2 EBITDA margin improved year-on-year to 12.7% (11.9%)
- Strong free cash flow in Q2/20 amounting to SEK 323 m which was SEK 102 m higher than the corresponding period last year (+45%). Release of working capital was partly offset by lower EBITDA
- Net Debt/LTM EBITDA was 6.1x in Q2/20 versus 5.5x in Q4/19

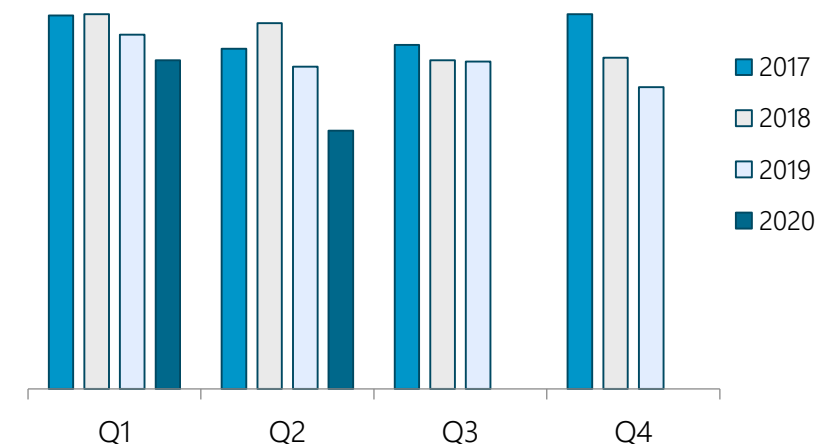
# Market overview Q2/20 vs Q2/19

- Lower average selling prices in all regions, APAC (-11%) Americas (-15%) and EMEA (-16%), mainly linked to lower raw material costs and in some product areas increased competition
- Volumes in EMEA were 21% lower than Q2 last year. Moderate growth (+2%) in Feed additives fully offset by lower volumes for all other product lines with main drivers being Penta, Oxo and TMP product lines
- Volumes in Americas decreased 30% compared to Q2 last year. Lower volumes of mainly Formates, Oxo, Penta and TMP/Neo was partly offset by higher volumes of Plasticizers and Feed Additives
- Volumes in APAC decreased 10% compared to Q2. Strong growth for Feed Additives, Acid&Salts and Oxo product lines together with somewhat higher Neo volumes was fully offset by shortfalls for Formates, Penta and TMP

NET SALES BY REGION Q2/20



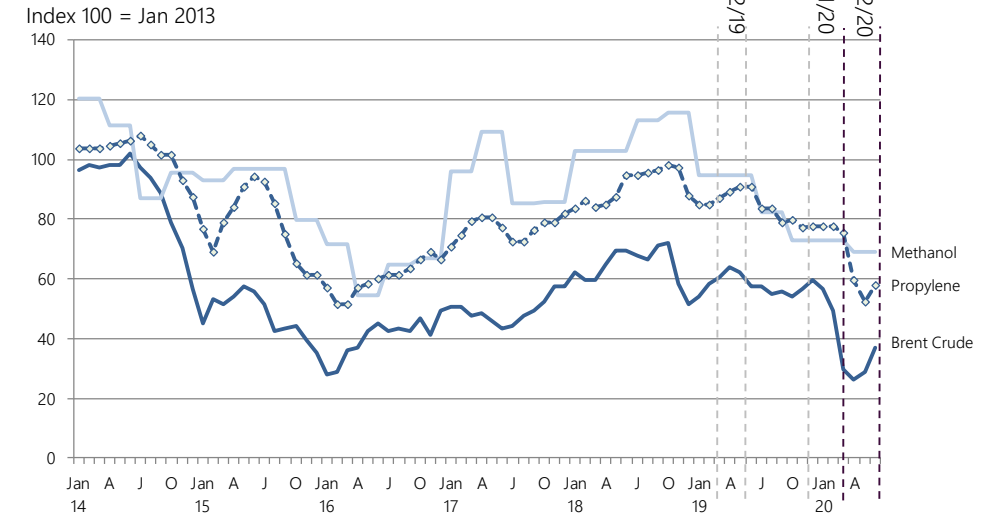
VOLUMES BY QUARTER



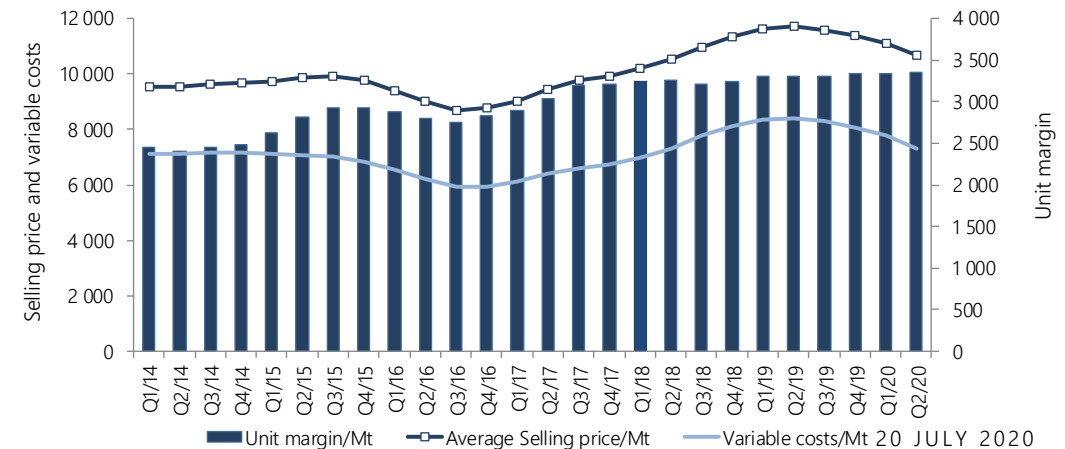
# Raw materials and unit margins

- Raw material prices dropped dramatically compared to both Q2/19 and last quarter
- Average price for Brent crude oil decreased by 50% in Q2/20 vs Q2/19 and was 32% lower than in Q1/20
- Methanol decreased 27% in Q2/20 vs. Q2/19 (-6% vs. Q1/20)
- Propylene decreased 37% in Q2/20 vs. Q2/19 (-26% vs. Q1/20)
- Improved unit margins vs. Q2/19
- Strengthened unit margins in Specialty Polyols and Solutions linked to improved pricing for some product lines, lower raw material prices and favorable product mix
- Advanced Chemicals unit margins hampered by price pressure on most product lines partly offset by lower raw material prices
- Animal Nutrition unit margins declined due to increased price pressure for some product lines

Raw material prices

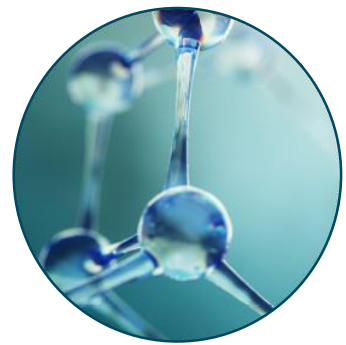


Margins LTM





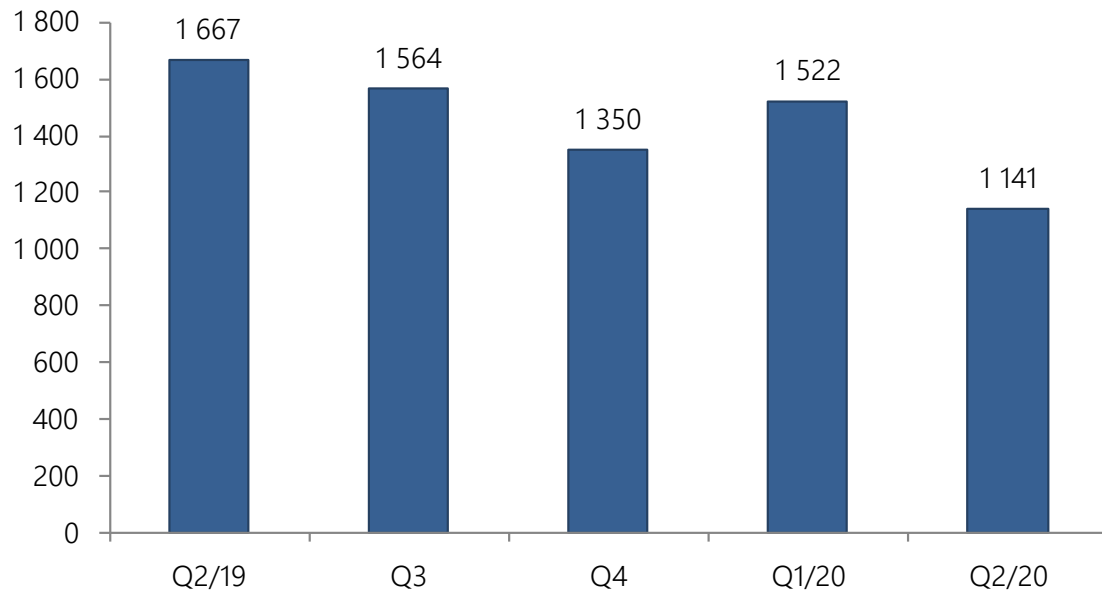
# Specialty Polyols and Solutions



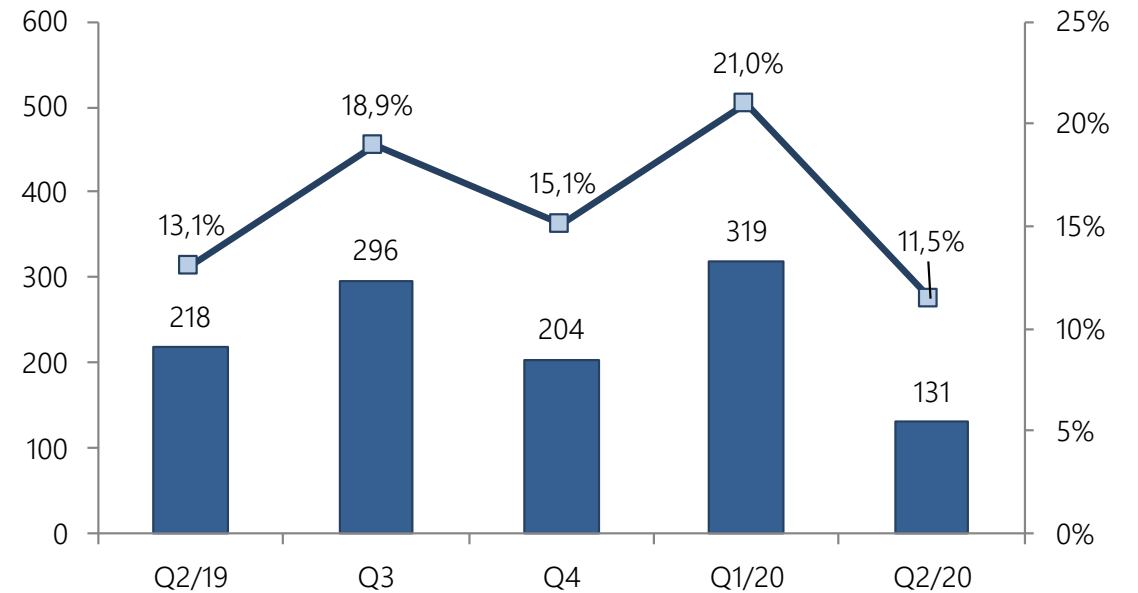
## Result hampered by lower volumes due to Covid-19

- Net sales amounted to SEK 1,141 m, 32% lower than Q2/19 following both lower volumes and lower sales prices driven by lower raw material prices. Exchange rates had limited impact on sales. Organic volume-based sales growth was -24%
- EBITDA excluding non-recurring items in the second quarter was SEK 131 m (218) corresponding to an EBITDA margin of 11.5% (13.1). The decrease was due lower volumes and negative currency effects from revaluation of net receivables which to some extent was offset by improved unit margins and lower fixed costs.

Net sales development



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



<sup>1</sup> = EBITDA excluding non recurring items 20 JULY 2020

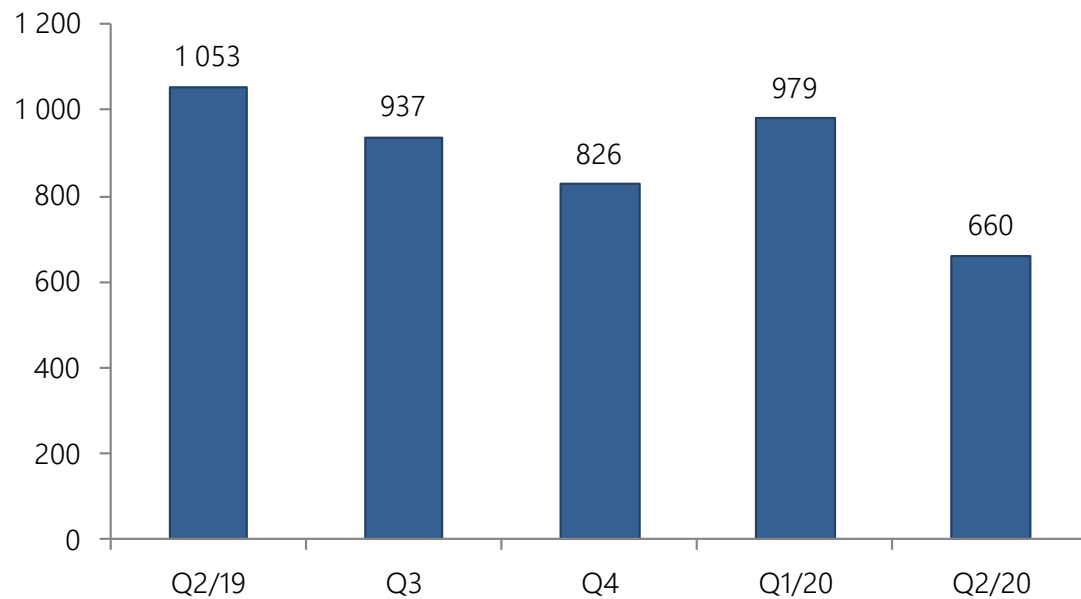
# Advanced Chemicals



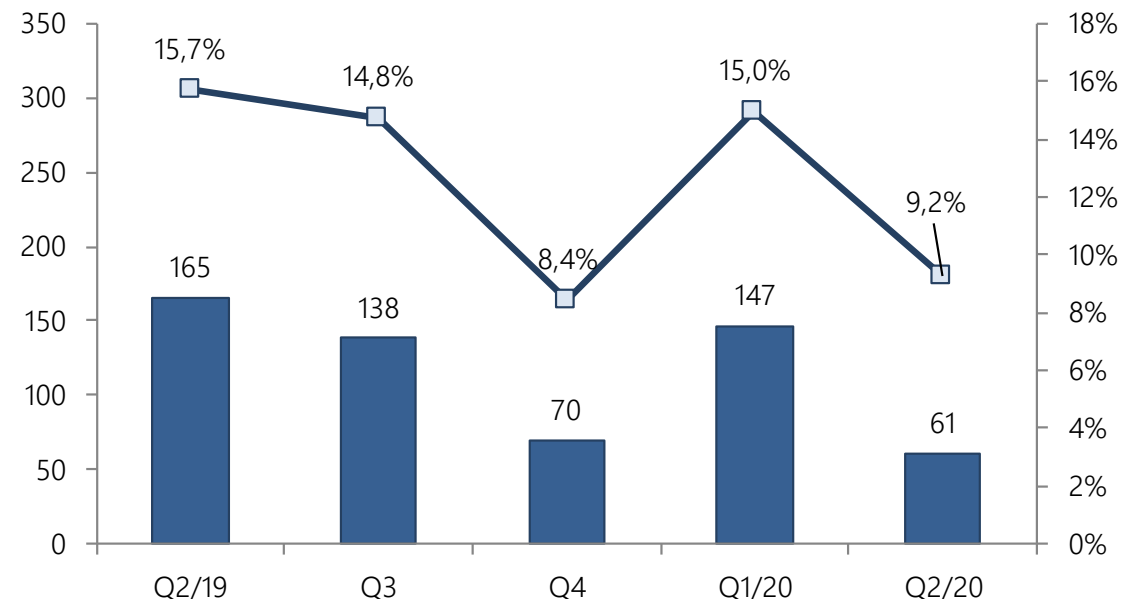
## Negative impact from mainly lower volumes due to Covid-19

- Net Sales amounted to SEK 660 m, 37% lower than the corresponding period in 2019. The decrease was attributable to lower volumes and lower sales prices linked to lower raw material prices and increased price pressure for some product lines. Organic volume-based sales growth was -31%
- EBITDA excluding non-recurring items amounted to SEK 61 m (165), corresponding to an EBITDA margin of 9.2% (15.7) explained by lower volumes and to some extent price pressure on certain product lines.

Net sales development



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



<sup>1</sup> = EBITDA excluding non recurring items 20 JULY 2020

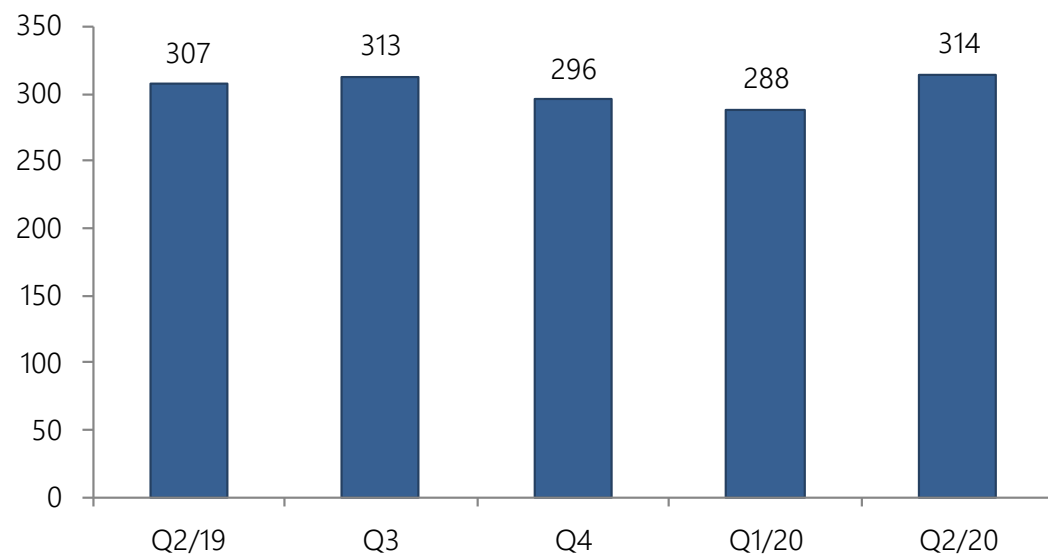
# Animal Nutrition



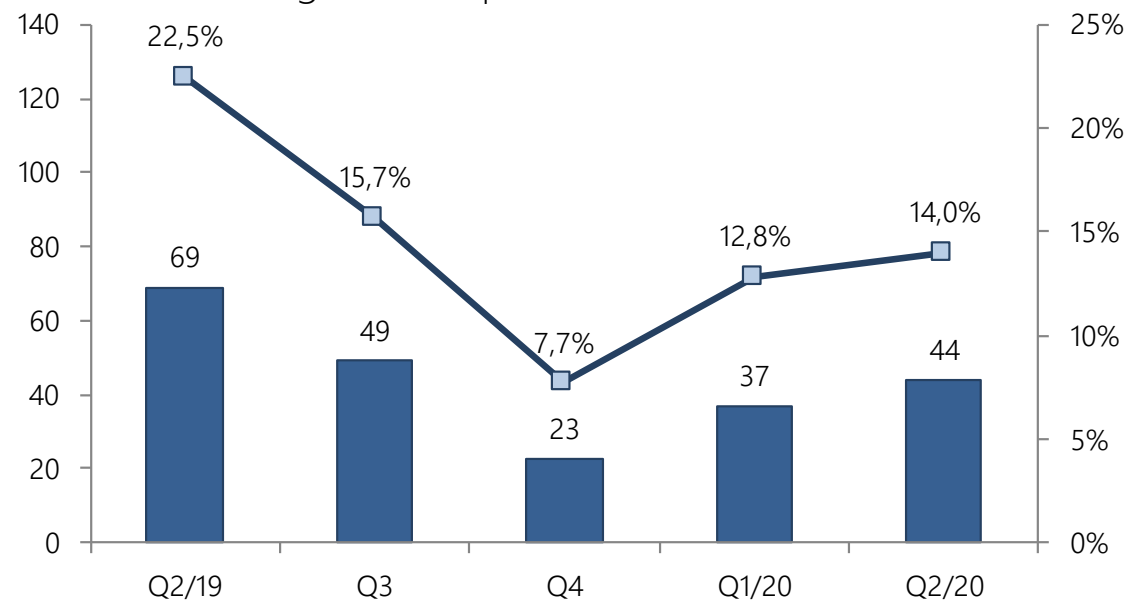
Positive volume development but result negatively impacted by lower unit margins for some product lines

- Net sales in the second quarter 2020 amounted to SEK 314 m, an increase of 2%. Higher volumes for most product lines was partly offset by lower raw materials and negative impact from price pressure. Exchange rates had a limited impact on sales. Organic volume base sales growth was 13%
- EBITDA excluding non-recurring items in the second quarter was SEK 44 m (69) corresponding to an EBITDA margin of 14.0 % (22.5). The decrease vs same period last year was to some extent due to lower unit margins for some product lines and higher fixed costs to support future growth

Net sales development



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



<sup>1</sup>= EBITDA excluding non recurring items 20 JULY 2020

# Financial review



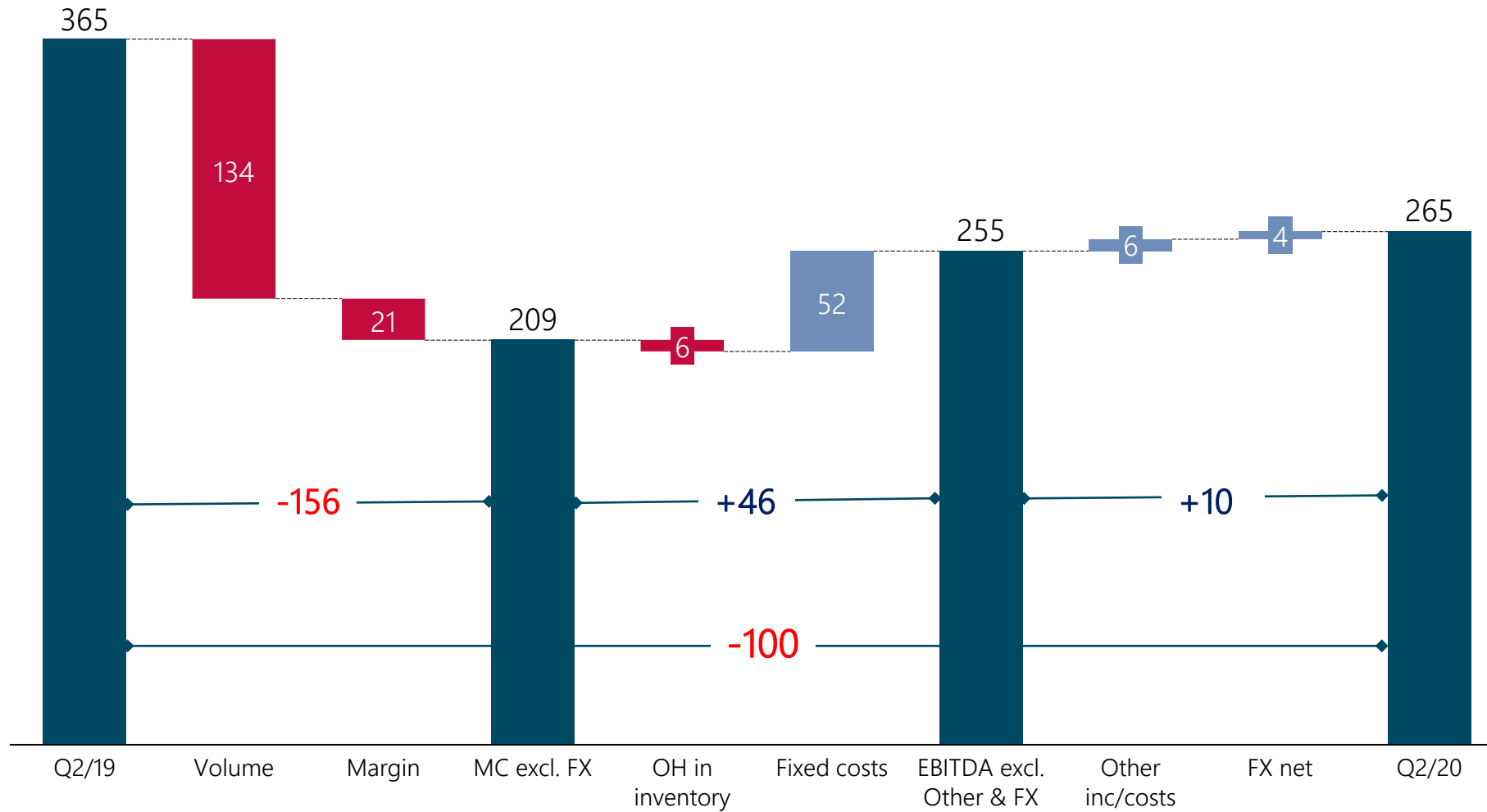
Magnus Heimburg  
*CFO*

# Financial highlights

SEK m	Q2-20	Q2-19	YTD Q2-20	YTD Q2-19	Q1-20
Net Sales	2,079	3,065	4,799	6,283	2,720
% growth (y-o-y)	-32.2%	-9.4%	-23.6%	-2.8%	-15.5%
% organic volume based sales growth (y-o-y)	-21.8%	-5.6%	-11.4%	-2.3%	-3.9%
Marginal Contribution	726	874	1,605	1,817	879
% of sales	34.9%	28.5%	33.4%	28.9%	32.3%
EBITDA, reported	239	362	658	775	419
% of sales	11.5%	11.8%	13.7%	12.3%	15.4%
EBITDA, excl. non recurring items	265	365	686	840	421
% of sales	12.7%	11.9%	14.3%	13.4%	15.5%

# EBITDA excl non-recurring items

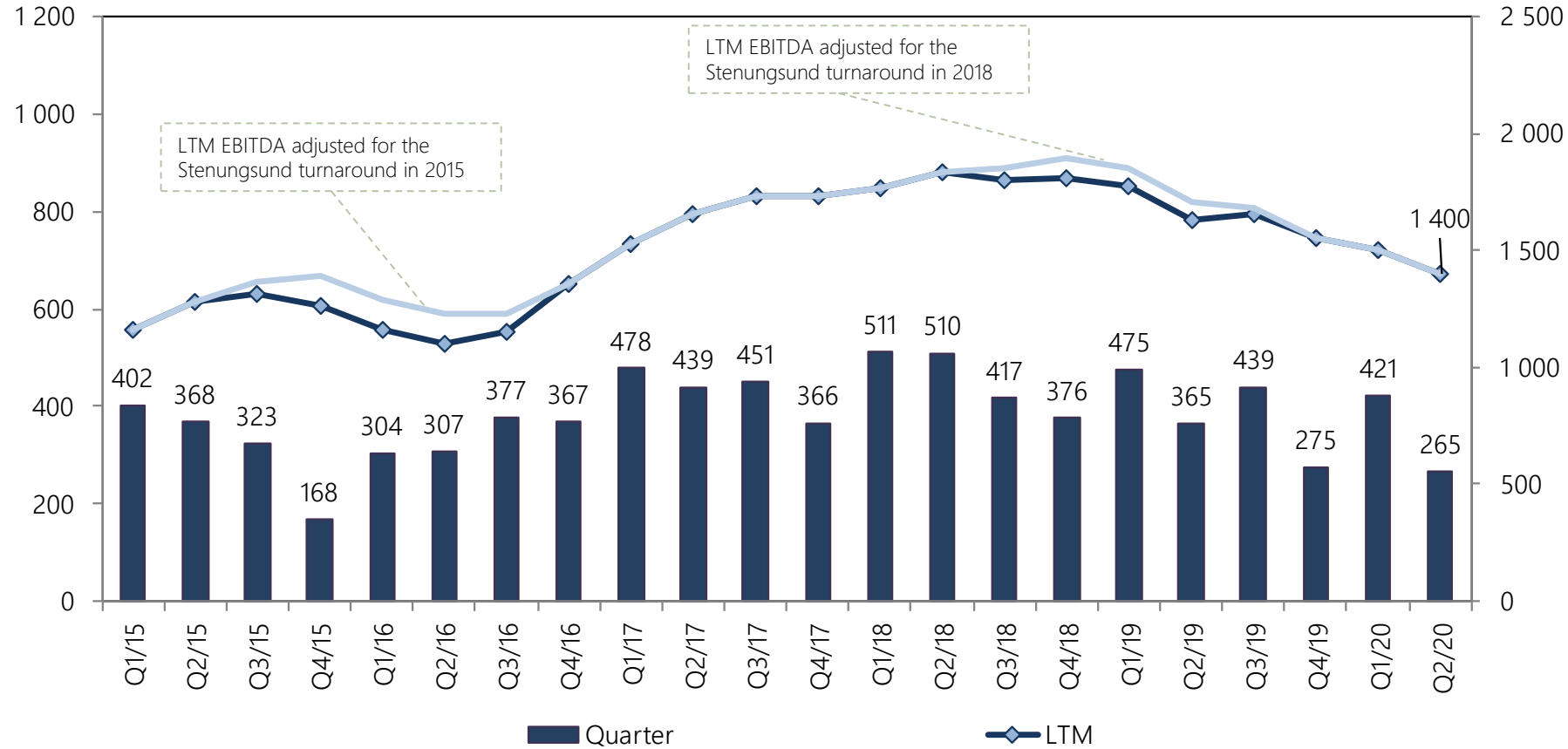
Q2 2020 vs. Q2 2019



- EBITDA decreased by SEK 100 m year-on-year, negative impact from lower volumes was partly offset by lower fixed costs and improved unit margins for some product lines

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

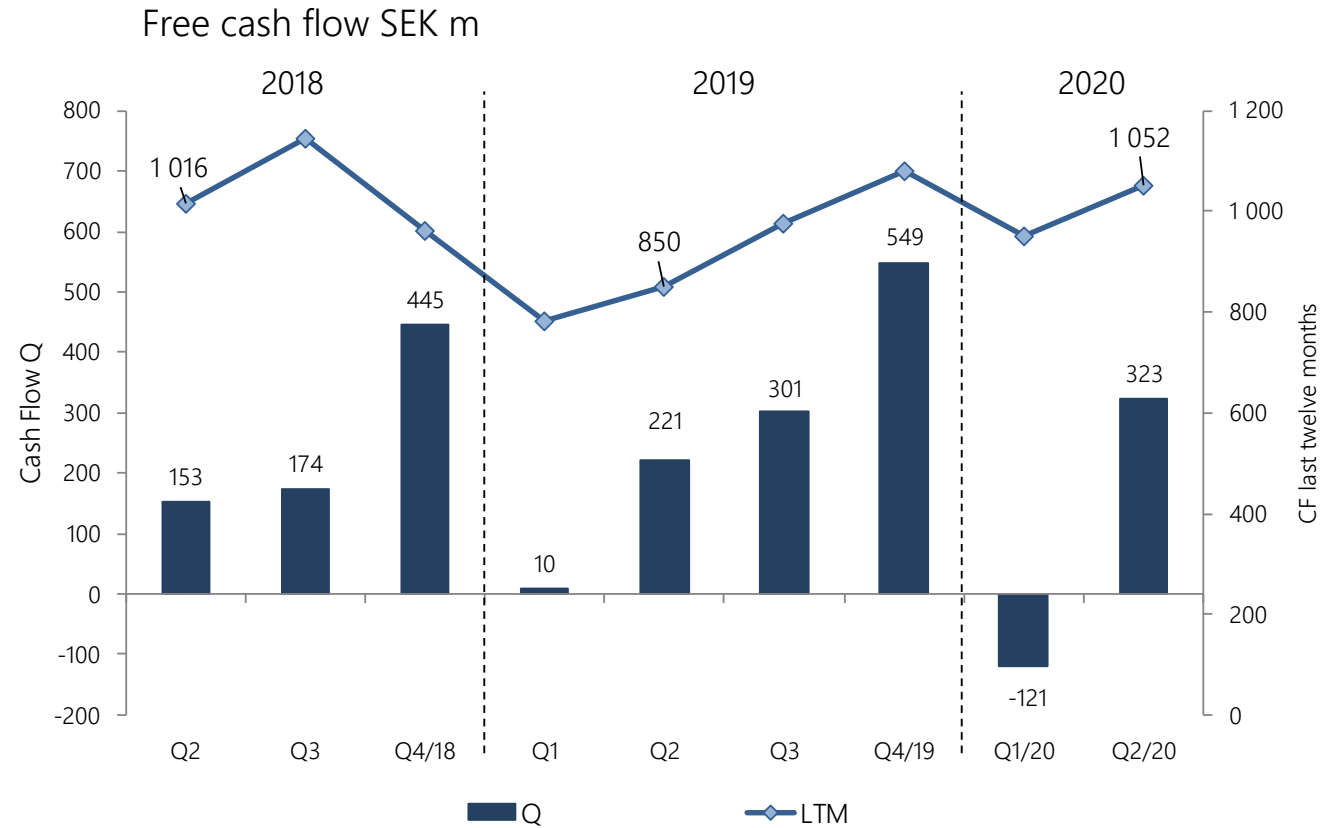
Q1 2015 to Q2 2020



<sup>1)</sup> Excluding non-recurring items

# Free cash flow

- Free cash flow in Q2/20 was SEK 323 m compared to SEK 221 m in Q2/19
- Positive change in working capital was partly offset by lower EBITDA and somewhat higher capital expenditures
- Utilization of the trade receivable program amounted to € 61,6 m at end of Q2/20 (€ 92,4 m Q2/19)
- Free cash flow in Q3/20 expected to be positive

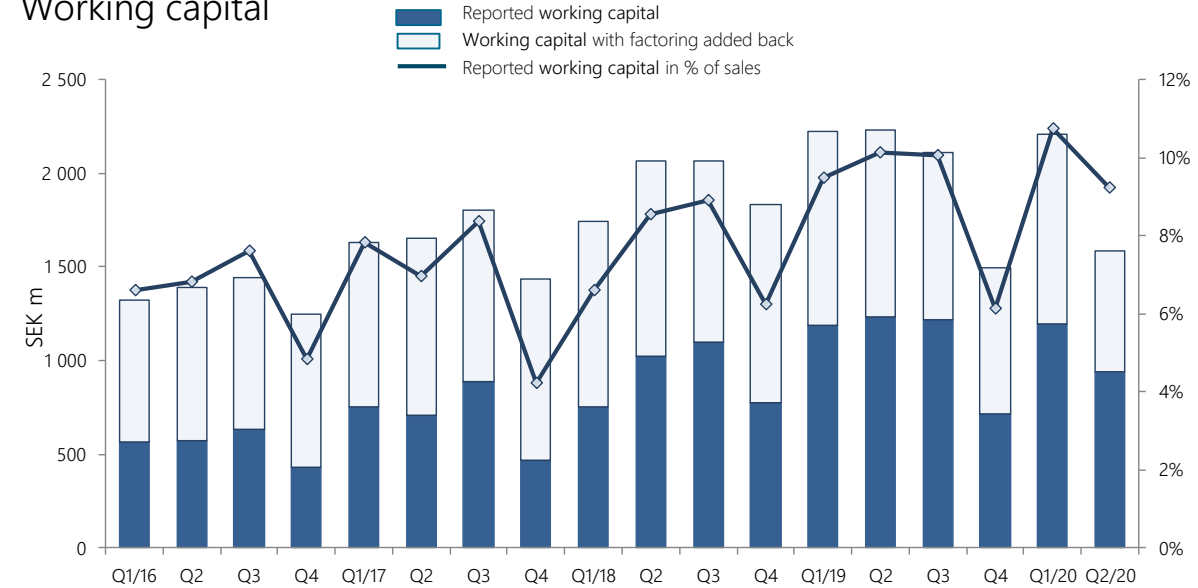




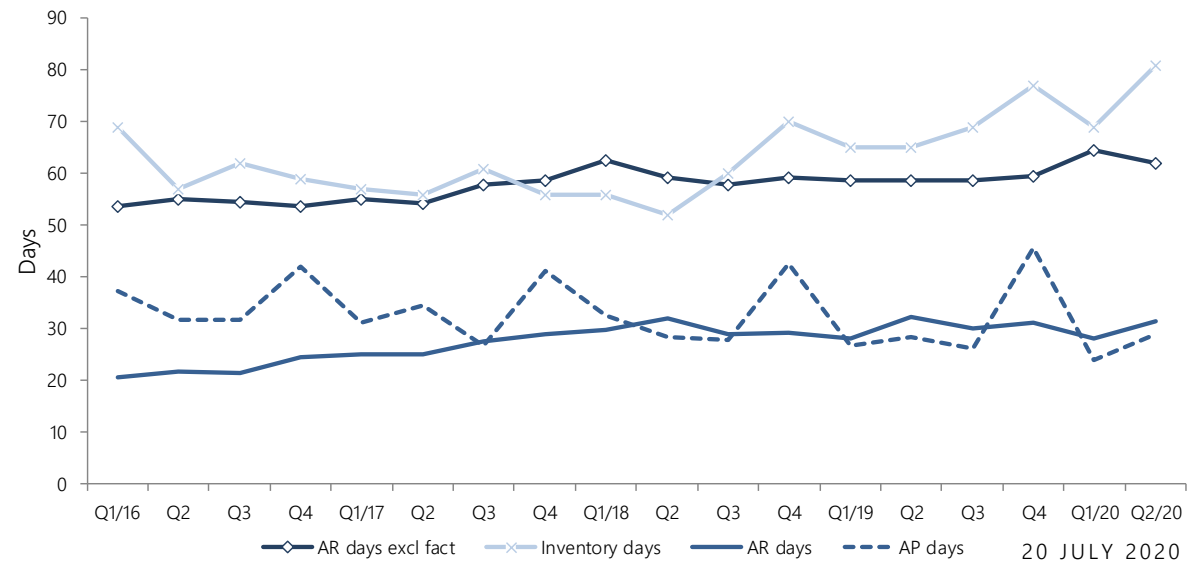
# Working capital

- Working capital decreased by SEK 285 during Q2/20 vs. Q2/19 and was SEK 258 m lower than Q1/20
- Accounts receivables including factoring decreased by SEK 318 m from Q2/19 following lower sales
- Accounts payable external decreased by SEK 214 m vs. Q2/19, linked to lower purchases in connection to lower sales and lower raw material prices
- Inventory total value decreased by SEK 318 m vs Q2/19, linked to lower raw material prices and lower volumes on stock

Working capital

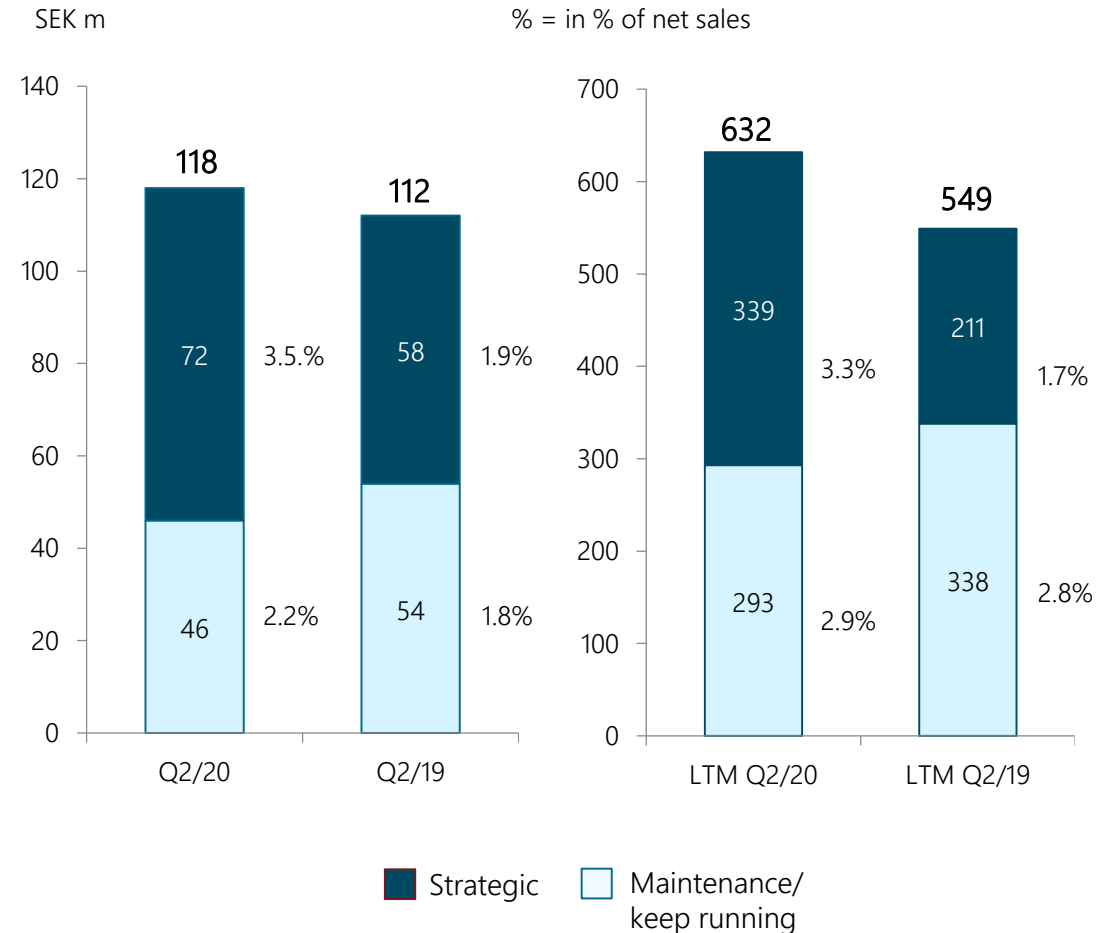


Days



# Investments

- Total investments amounted to SEK 118 m in Q2/20 which was SEK 6 m higher than in Q2/19
- Maintenance investments amounted to SEK 46 m in Q2/20 compared to SEK 54 m in Q2/19
- Strategic investments amounted to SEK 72 in Q2/20 compared to SEK 58 in the same period last year
- Strategic investments include selective capacity expansions, smaller debottlenecking investments in our key production platforms
- Total investment amount for 2020 is estimated to be around SEK 500-550 m



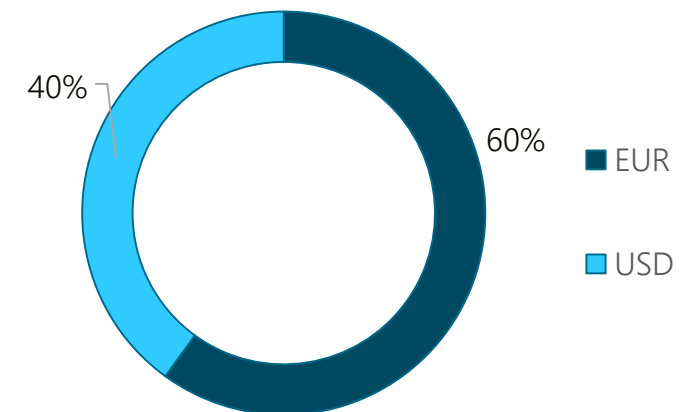
# Indebtness

## Total Group

	USD m Equiv.	SEK m <sup>1)</sup>	x EBITDA excl non-rec. <sup>2)</sup>
Cash on balance sheet	-123	-1,146	
Senior secured Term loan B (€)	572	5,345	
Senior secured Term loan B (\$)	381	3,565	
Net senior secured Term loan B	<b>830</b>	<b>7,764</b>	5,5 x
Other debt <sup>3)</sup>	89	834	
Net debt, excl. pension liabilities	<b>920</b>	<b>8,598</b>	6,1 x

- Net debt, excluding pension liability, decreased by SEK 907 m during Q2/20 mainly related to a stronger SEK primarily against USD and EUR and by a positive cash-flow from operations
- Reported leverage was 6.1x compared to 5.4x at Q2/19
- Available funds per end of Q2/20 amounted to SEK 1,234 m

DEBT BY CURRENCY (TLB)



<sup>1)</sup> Fx rates; USD 9,35 and Euro 10,48

<sup>2)</sup> Based on EBITDA excl. non-recurring items of SEK 1,400 m

<sup>3)</sup> Including drawn SRCF

# Presentation by the Interim CFO



Johan Ryrberg  
*Interim CFO*

# Summary



Jan Secher  
*President & CEO*

# Q2 Conclusion

- Demand across all three regions impacted by Covid-19 although with different magnitude
- We acted swiftly with agility, defending margins and immediately implementing programs for fixed cost and capex reductions to preserve cash. The full effect of which will show in the coming quarters
- Organic volume-based sales growth was negative 22% compared to Q2/19 and negative 11% for the LTM period
- EBITDA excluding non-recurring items at SEK 265 m (SEK 365 m) in Q2/20 and SEK 1,400 m for the LTM period
- The decrease in EBITDA was mainly attributable to the negative impact from lower volumes and lower unit margins for some product lines. The negative impact was partially offset by a positive product mix together with lower fixed costs following strict spend control
- Free cash-flow was very strong in the period, amounting to SEK 323 m (SEK 220 m)
- Management is closely following and monitoring the development of Covid-19, the health and safety of our employees as well as the development of our business and continuously provide guidance and direction to the organization



Appendix

# Free cash flow details<sup>1)</sup>

SEK m	Q2/20	Q2/19	YTD/20	YTD/19	LTM Q2/20	Full year 2019	Q1-20
EBITDA excl non-rec items	265	365	686	840	1,400	1,554	421
Change in working capital <sup>1</sup>	176	-32	-254	-396	284	142	-430
Maintenance capex	-46	-54	-104	-107	-293	-296	-58
<b>Free cash flow before strategic capex</b>	<b>395</b>	<b>279</b>	<b>328</b>	<b>337</b>	<b>1,391</b>	<b>1,400</b>	<b>-67</b>
% of EBITDA excl non-rec.	149	76	48	40	99	90	-16
Strategic capex	-72	-58	-126	-106	-339	-319	-54
<b>Free cash flow</b>	<b>323</b>	<b>221</b>	<b>202</b>	<b>231</b>	<b>1,052</b>	<b>1,081</b>	<b>-121</b>
% of EBITDA excl non-rec.	122	61	29	28	75	70	-29

<sup>1)</sup> Excluding exchange rate effects and provisions



# Segment reporting

SEK m	Q2/20	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18	Q3/18
Net Sales	2,079	2,720	2,463	2,895	3,065	3,218	2,938	3,037
Specialty Polyols and Solutions	1,141	1,522	1,350	1,564	1,667	1,854	1,603	1,732
Advanced Chemicals	660	979	826	937	1,053	1,021	986	961
Animal Nutrition	314	288	296	313	307	305	289	310
Other/eliminations	-36	-69	-9	81	38	38	60	34
EBITDA, reported	239	419	241	411	362	413	311	375
Specialty Polyols and Solutions	137	322	188	296	217	311	252	239
Advanced Chemicals	57	147	70	140	168	146	102	95
Animal Nutrition	44	37	23	49	69	45	47	58
Other/eliminations	1	-87	-40	-74	-92	-89	-90	-17
EBITDA excl. non recurring items	265	421	275	439	365	475	376	417
Specialty Polyols and Solutions	131	319	204	296	218	311	264	239
Advanced Chemicals	61	147	70	138	165	151	102	98
Animal Nutrition	44	37	23	49	69	45	47	58
Other/eliminations	29	-82	-22	-44	-87	-32	-37	22

# Quarter on quarter development

SEK m	Q2/20	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18	Q3/18
Net Sales	2,079	2,720	2,463	2,895	3,065	3,218	2,938	3,037
Marginal Contribution	726	879	760	829	874	943	811	828
% of sales	34.9%	32.3%	30.9%	28.6%	28.5%	29.3%	27.6%	27.3%
EBITDA, reported	239	419	241	411	362	413	311	375
% of sales	11.5%	15.4%	9.8%	14.2%	11.8%	12.8%	10.6%	12.3%
EBITDA, excl. non- recurring items	265	421	275	439	365	475	376	417
% of sales	12.7%	15.5%	11.2%	15.2%	11.9%	14.8%	12.8%	13.7%

# Cash and available funds

## Total group

SEK m	Q2/20
Unrestricted cash	1,032
Restricted <sup>1)</sup> and escrowed cash <sup>2)</sup>	114
Cash on Balance Sheet	1,146

SEK m	Q2/20
Unrestricted cash	1,032
Unutilized committed credit facilities	203
Reported Available Funds	1,234

<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	Q2/20	Q2/19	FY-19	LTM Q2/20	LTM Q2/19	Q1/20
USD	9.68	9.45	9.46	9.64	9.15	9.67
Euro	10.65	10.62	10.59	10.66	10.44	10.66
GBP	12.02	12.15	12.07	12.14	11.85	12.37

Period end exchange rates

SEK per LOC	Q2/20	Q1/20	Q4/19
USD	9.35	10.08	9.32
Euro	10.48	11.08	10.43
GBP	11.47	12.39	12.21