

# Q2

Perstorp Holding AB (Publ.)

## Interim report April – June 2022

Conference call July 20<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 Q2 2022

- Sales amounted to SEK 4,165 m (3,272), a 27% increase consisting of:
  - +18% organic growth whereof +31% sales prices and -13% volumes
  - +1% acquisition
  - +8% FX effects
- Continued favourable market dynamics for Perstorp's products.
- Price increases implemented to cover higher raw material prices.
- EBITDA\* amounted to SEK 605 m (595) corresponding to a margin of 14.5% (18.2).
- Continued solid free cash flow generation of SEK 275 m (409), despite the increased capex program.
- Available funds amounted to SEK 2,937 m (2,406).



\* Excluding non-recurring items

# Business overview 1/2

- Favorable market dynamics for Intermediates and Specialties in most regions:
  - in the second quarter demand was continued strong in the US/Americas, eased a little in EMEA and was soft in China/APAC with Covid lock-downs in China
  - logistic constraints and cost increases continued in the second quarter
  - tight availability and increase of variable costs continued to constrain production at some customers
- Animal Nutrition imposed price increases in a challenging market to compensate for higher variable cost have led to lower volumes. Continued success with Gastrivix™ Avi where the focus segment received multiple orders.

SEK m	Organic Growth Q2/22 vs Q2/21
Polyols	24%
Oxo	11%
Formates	52%
Animal Nutrition	23%
Other & elim.	-
Perstorp Group	18%

*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 second quarter in EMEA and Americas to compensate for higher raw material costs.
- A major scheduled maintenance turnaround took place at site Stenungsund, which impacted volumes for our Oxo-products considerably. This as always have a significant effects on volumes and result.
- Perstorp's Pro-Environment portfolio continued to grow with new record high volumes in the second quarter.
- Perstorp started production of Iso-C9 acid in March 2022 and production and sales were ramped up during the second quarter, the market is tight – the entry welcome by many customers.
- The Ukraine conflict has so far only had limited impact on Perstorp sales.
- Perstorp has now fully integrated Geo's DMPA® business.





# ESG update – Q2 2022

- Site Perstorp will be the first production site to only be producing various grades of Pro-Environment Polyols by replacing virgin fossil feedstock. This is an important step towards becoming Finite Material Neutral and to be able to reach our own ambitious CO<sub>2</sub> reduction targets as well as our customers' increasing need to reduce their emissions.
- The Pro-Environment portfolio continued to perform strongly with a volume growth of 69% (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 latest addition to our Pro-Environment portfolio was launched in June. It is 2-EH Pro 25, which is based on 25% renewable raw material.
- On July 13, it was announced that The European Union Innovation Fund has selected Project Air's application for EUR 97 m funding to build a unique production facility for sustainable methanol in Stenungsund, Sweden. Project Air, which is a collaboration between Perstorp, Fortum and Uniper will at full capacity be able to reduce global CO<sub>2</sub> emissions with close to 500,000 tons, corresponding to 1 percent of current total emissions in Sweden.





# Regional overview Q2 2022 vs. Q2 2021

	Share	Growth* Q2/22	Growth* Q2/21
Americas	21%	28%	77%

	Share	Growth* Q2/22	Growth* Q2/21
EMEA	55%	21%	67%

	Share	Growth* Q2/22	Growth* Q2/21
APAC	24%	-8%	69%

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

# Focus Segment: Resins & Coatings – Q2 2022

## A strong performance in an increasingly challenging environment

### General Market\*

- Supply chain bottlenecks, high inflation and tightening monetary policy had a negative effect on global industry. Construction, durable goods & automotive sectors saw a negative trend during Q2.
- The lockdown in China continued to cause disruption of global supply chains and impacted consumer demand. That has, in combination with spiking energy prices and base raw materials due to the sanctions on Russia, significantly hampered growth in Resins & Coatings and Chemicals overall.

### Perstorp's performance and Market Activities

- Organic Growth 11% (Y/Y)
- Continued strong performance for the overall Resins & Coatings portfolio, where price increases in the quarter have compensated for increased variable cost. The Chinese market performed weak whilst the performance on the US market remained strong.
- Powder coating segment performance levelled out during the second quarter linked to the lockdown in China and the weaker development of the durable goods sector, especially in Europe.
- Alkyds have remained strong in Q2 with an uptick in May and June as issues relating to payment policies in Egypt have been resolved.
- Weak development in construction and automotive has led to lower demand for intumescent coating materials (Charmor™).

\*Source: Oxford Economics, June edition



# Focus Segment: Engineered Fluids – Q2 2022

The positive performance continued despite slightly lower volumes

## General Market

- China refrigeration lubricant market (biggest market), helped by continuously growing export business, was stable in Q2 despite of slowing down domestic demand due to lockdown. Challenging competitive landscape due to lower raw material cost and aggressive pricing for Asian producers compared to European-based producers.
- Air traveling continued to recover in Q2. Leisure flight booking was already above 2019 level in Q1, following by business flight booking recovering to pre-pandemic level in the end of March.
- The long-term Polyol Ester growth trend to meet high performance, safety and environmental-friendly requirements continued despite supply chain disturbance and concerns about inflation.

## Perstorp's performance and Market Activities

- Organic Growth 27% (Y/Y)
- Very successful Iso-C9 acid business development. Quality has been approved by several key customers, and produced volumes were sold out.
- Solid growth in Metal working fluids and Refrigeration lubricants segments.
- Americas (US) delivered stronger results than previous quarters despite negative effects on volumes due to lack of enough C7\* acid and a planned plant shutdown in June in Toledo.
- Lower sales volume from EMEA transformer oil customers due to lack of co-component C7\* acid in the market was more than offset by increased prices supported by a tight supply-demand balance.

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





# Focus Segment: Animal Nutrition – Q2 2022

Increasing organic acid and glycerol costs offset in price but leading to reduced volume

## General Market

- Organic acid prices in the broader feed additive industry lag behind compared to other industries due to the price-sensitive nature of the supply chain.
- Poultry market: supply was tight in most regions driven in part by Avian Flu in Europe. However full focus remains on cost reduction in light of increasing inflation and transport costs.
- Swine market: In Europe producers actively reduced the sow population by 10-15%, thus lowering piglet production as well. The first signs of rising pork prices has come, although profitability is still under pressure with rising costs and inflation. The U.S. is the only region where short supply drove pork prices up to a profitable level.
- Consolidation continues in the west European feed industry to battle shrinking feed volumes.

## Perstorp's performance and Market Activities

- Organic growth 23% (Y/Y) .
- Launch of Gastrivix™ Avi has been a success and has been very well received in the market with multiple orders already received in Europe. Next focus is on regulatory activities outside the EU to stimulate growth of the product in other regions.
- The most severe impact from the Ukraine war is the steep increase of glycerol. This increase coupled with the continued rising acid prices have required significant price increases to maintain margin, however, have led to lower sales volumes since customers can switch to next best alternative technologies.
- Sales Excellence training program started for all sales staff globally to enhance their account management capabilities and consultative sales techniques.



# Remaining Segments – Q2 2022

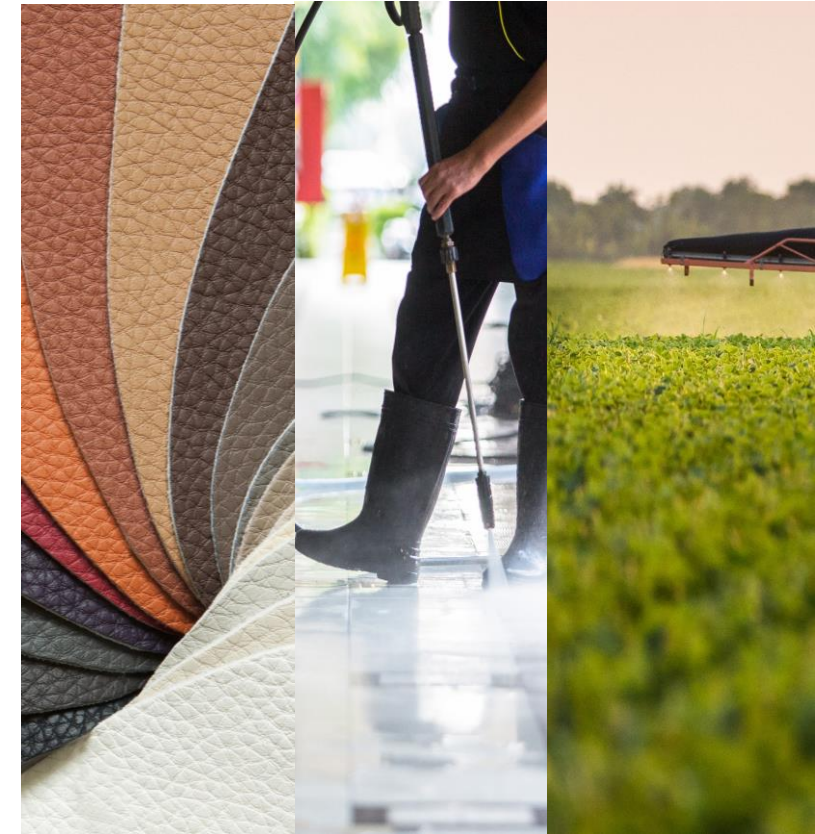
Signs of slowing demand in the EMEA, continued growth in Americas. The APAC region heavily impacted by the lock-downs in China resulting in with low GDP growth if any.

## General Market

- The PVC plasticizer market has been characterized by slowing demand in EMEA and APAC, but still solid demand in the Americas in particular North America. Despite high natural gas price in EMEA prices for plasticizers have decreased during the quarter driven by strong product availability from APAC produced at APAC C3 and gas prices.
- PVB film market segments have continued with to grow 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

- The huge difference in polyolefins prices across the regions have resulted in weaker sales of several of our C2 and C3 Oxo products. We have almost discontinued export business for timing being. This impacts our 2EH, PRAL, PRA to a wide range of industry segments and applications.
- 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 – Q2 2022

- Preparations are ongoing for closing the acquisition of Perstorp Group by PETRONAS Chemicals Group. Integration workstreams are working practically on what needs to be completed before closing of the transaction, which is preliminary set to September.
- Some exciting examples of projects launched in Q2 to help speed up the digital transformation are; A digital whiteboard replacing analog documentation in control rooms at site Perstorp, an RPA (Robotic Process Automation) process implemented for marking and booking of invoices and a test of computer vision and machine learning to reduce bottlenecks in production.
- 2-Ethylhexanoic Acid (2-EHA) is one of the flagship products within Perstorp Group which has the largest production capacity in the world. During the scheduled plant turnaround in Stenungsund a successful debottlenecking project has further increased the capacity to meet global demand from customers.
- In the end of the quarter Perstorp divested the remaining shares (9.2%) in Vencorex.





# Financial review

Ib Jensen, CFO

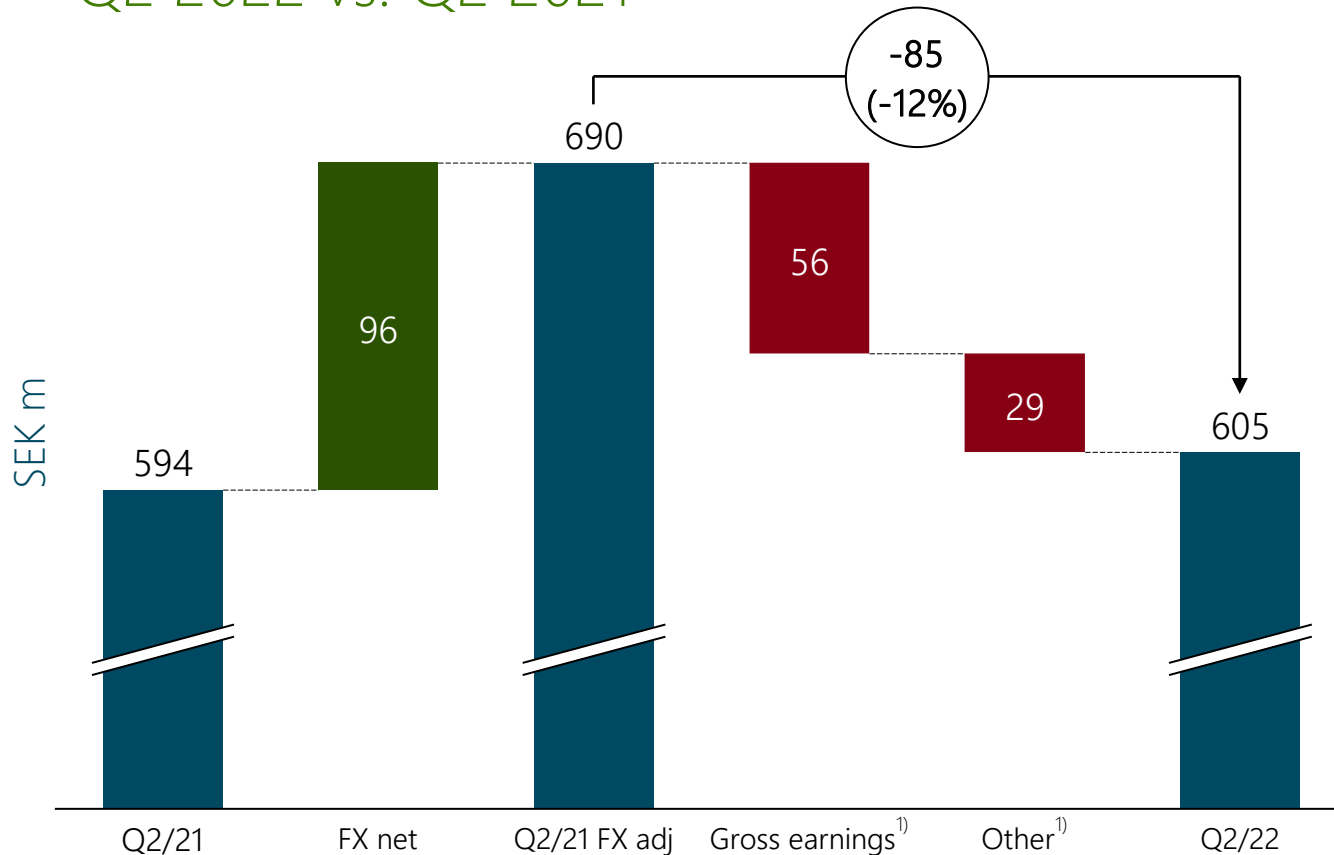


# Financial highlights

SEK m	Q2/22	Q2/21	Delta	YTD Q2/22	YTD Q2/21	LTM Q2/22	FY 2021
Net Sales	4,165	3,272	893	8,573	6,138	15,972	13,537
% Sales growth (y-o-y)	27%	57%	-	40%	28%	52%	47%
% Organic growth	18%	65%	-	32%	36%	48%	51%
% Acquisition	1%	-	-	1%	-	0%	
% FX effects	8%	-8%	-	7%	-8%	4%	-4%
EBITDA, excl. non-recurring items	605	595	10	1,450	1,100	2,863	2,513
% of sales	14.5%	18.2%	-3.7%	16.9%	17.9%	17.9%	18.6%
Non-recurring items	-20	-1	-19	-36	-20	-64	-48
EBITDA, reported	585	594	-9	1,414	1,080	2,799	2,465
% of sales	14.0%	18.2%	-4.2%	16.5%	17.6%	17.5%	18.2%

# EBITDA excl. non-recurring items

Q2 2022 vs. Q2 2021



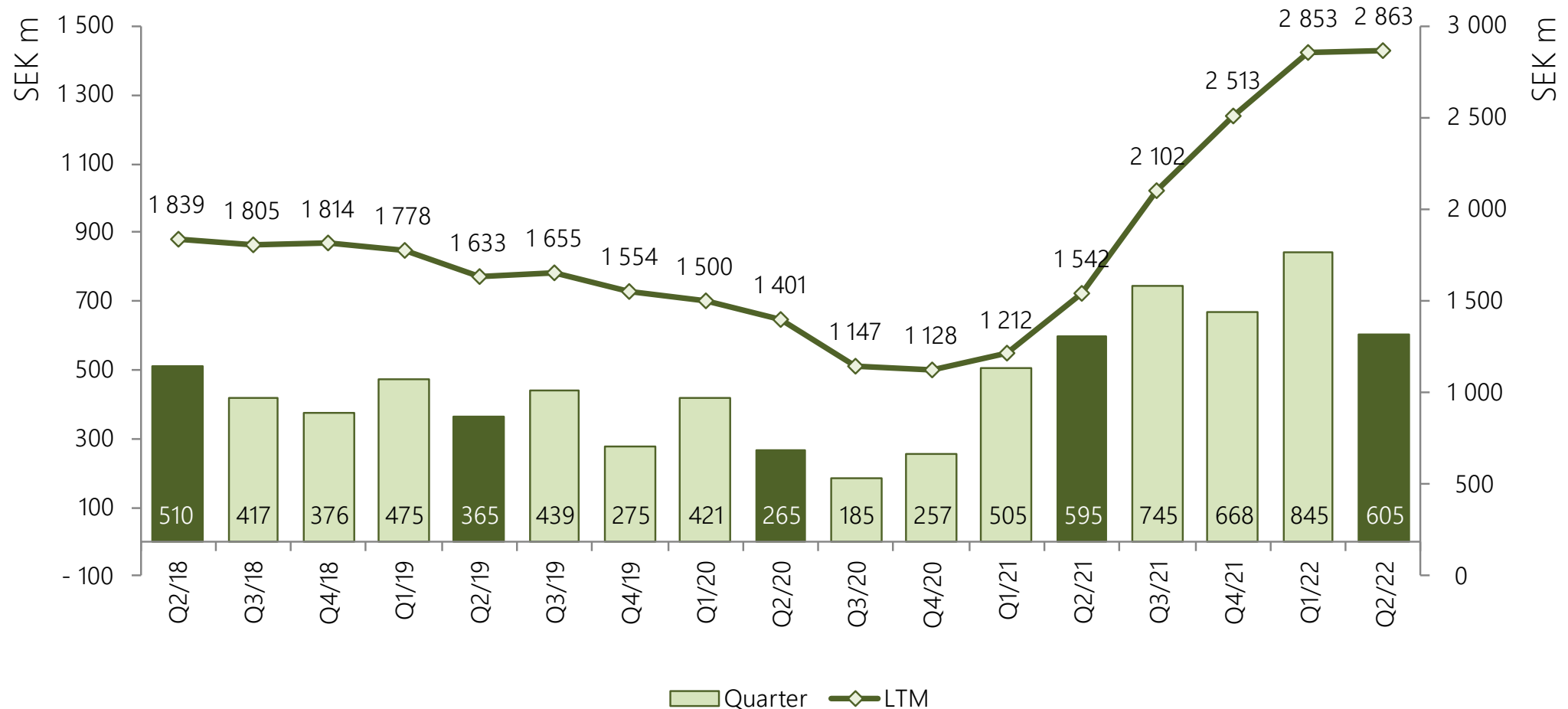
- EBITDA increased by SEK 10 m
- FX adjusted gross earnings decreased with SEK 56 m
- Favorable market dynamics for Intermediates and Specialties in most regions
- Price increases implemented by Perstorp in the second quarter in EMEA and Americas
- A major scheduled maintenance turnaround at site Stenungsund, impacted volumes for our Oxo-products considerably

<sup>1)</sup> Excluding depreciation



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

Q2 2018 to Q2 2022



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

# Consolidated income statement

SEK m	Q2/22	Q2/21	Delta	YTD Q2/22	YTD Q2/21	LTM Q2/22	FY 2021
Net Sales	4,165	3,272	893	8,573	6,138	15,972	13,537
Cost of goods sold	-3,467	-2,575	-892	-6,938	-4,858	-12,706	-10,626
Gross earnings	698	697	1	1,635	1,280	3,266	2,911
Selling, administration and R&D costs	-275	-238	-37	-513	-445	-1,009	-941
Other operating income and expenses	14	3	11	7	-18	-11	-36
Write-down of assets	0	0	0	0	0	-10	-10
Result from participations in associated companies	1	1	0	2	2	4	4
Operating earnings (EBIT)	438	463	-25	1,131	819	2,240	1,928
Exchange-rate effects on net debt	-314	60	-374	-392	-77	-476	-161
Other financial income and expenses	-152	-145	-7	-307	-295	-515	-503
Earnings before tax	-28	378	-406	432	447	1,249	1,264
Tax	-12	-76	64	-118	-102	-301	-285
Net earnings	-40	302	342	314	345	948	979

# Free cash flow

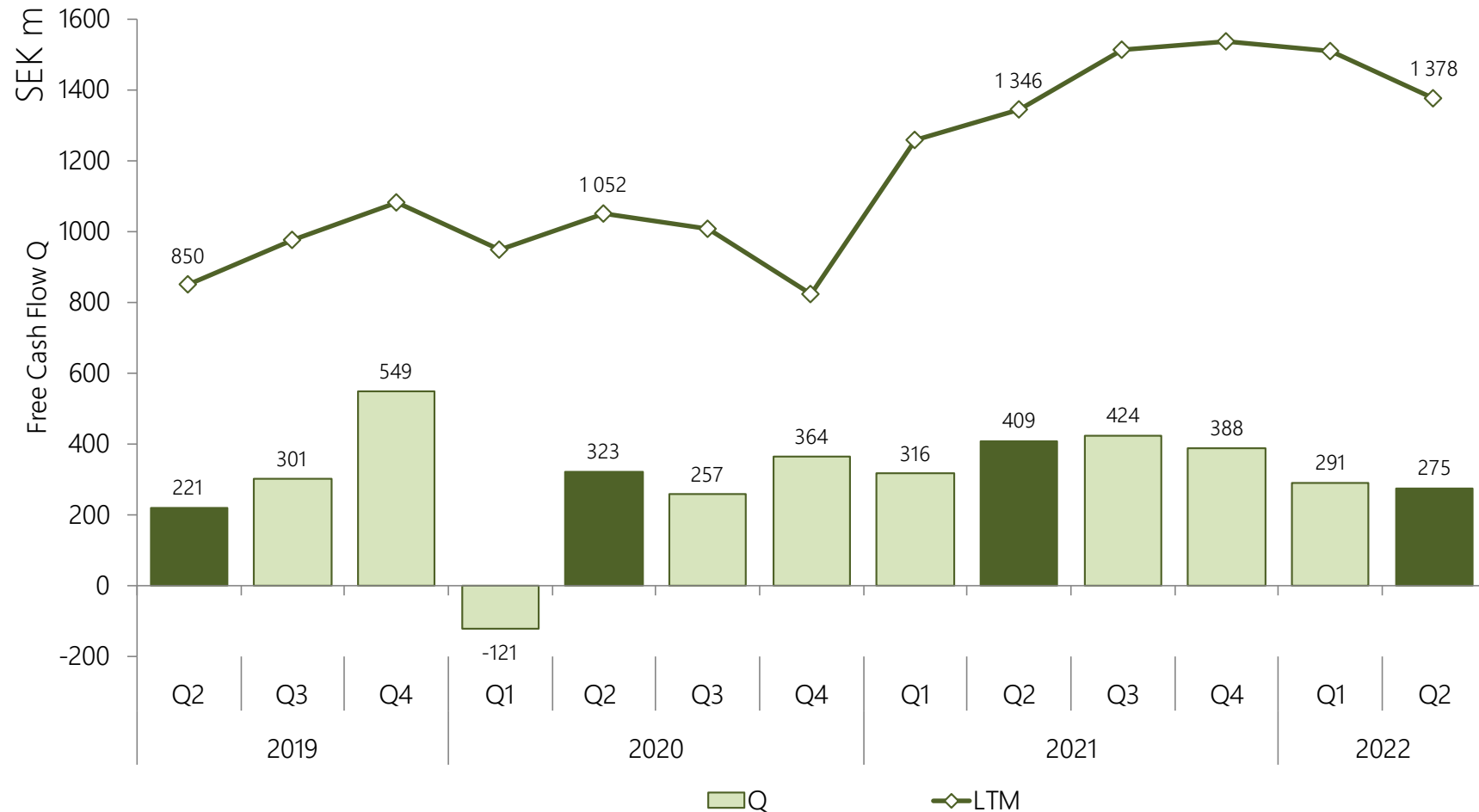
SEK m	Q2/22	Q2/21	Delta	YTD Q2/22	YTD Q2/21	LTM Q2/22	FY 2021
EBITDA excl. non-rec items	605	595	10	1,450	1,100	2,863	2,513
Change in working capital	104	-16	120	-197	-124	-289	-216
Maintenance capex	-220	-66	-154	-299	-101	-522	-324
Free cash flow before strategic capex	489	513	-24	954	875	2,053	1,974
Strategic capex <sup>1)</sup>	-214	-104	-110	-388	-150	-675	-437
Free Cash flow	275	409	-134	566	725	1,378	1,537

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

- Continued solid free cash flow generation in the second quarter 2022
- Free cash flow amounted to SEK 275 m (409)
- Mainly driven by higher capex due to increased business activities partly offset by favourable development of working capital



# Free cash flow development 2019-2022



# Indebtness

	SEK m <sup>1)</sup>
Senior secured Term loan B (€ + \$)	9,265
Other debt <sup>2)</sup>	94
Cash on balance sheet	-1,589
<b>Net debt, excl. pension liabilities</b>	<b>7,770</b>
Pensions	424
<b>Net debt, incl. pension liabilities</b>	<b>8,194</b>

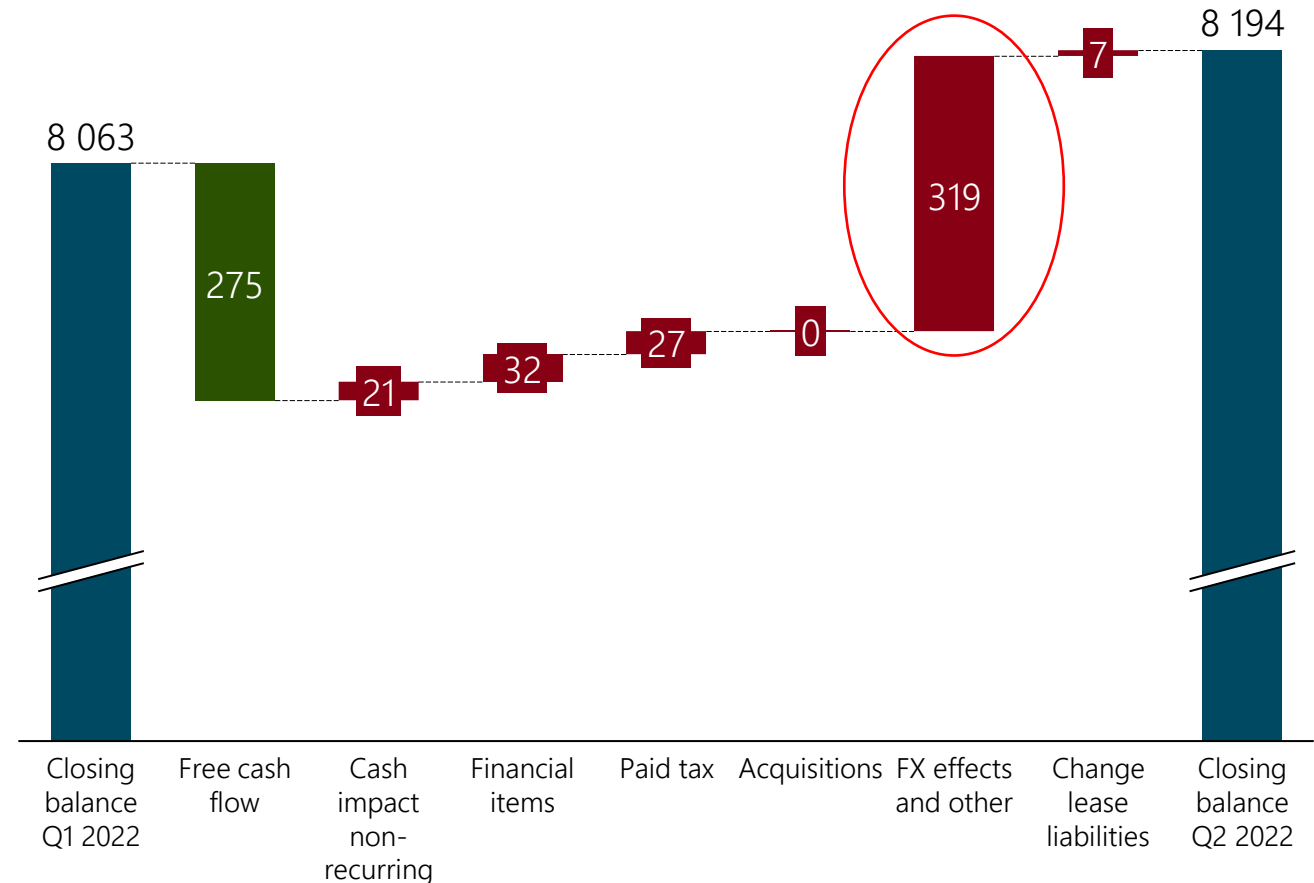
Leverage reported <sup>3)</sup>	2.7x
Available Funds	2,937
Factoring Utilization (m EUR)	139

<sup>1)</sup> Fx rates; USD 10,22 and Euro 10.68, 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 2,863 m

## Development of Net debt, incl. pension liabilities



# Summary

Jan Secher, President & CEO





# Summary

- EBTIDA\* amounted to SEK 605 m corresponding to a margin of 14.5%.
- Continued solid free cash flow generation of SEK 275 m despite high activity on Capex.
- Strong financial flexibility with available funds of SEK 2,937 m.
- Leverage of 2.7x despite weakening SEK against EUR and USD.
- Commercial activities continued successfully with Gastrivix™ Avi and Iso-C9.
- Launch of 2-EH Pro 25, which is based on 25% renewable raw material.
- The European Union Innovation Fund selected Project Air's application for EUR 97 m funding to build a unique production facility for sustainable methanol in Stenungsund, Sweden.
- Preparations for closing the acquisition of Perstorp Group by PETRONAS Chemicals Group.

\*Continuing operations, excluding non-recurring items

# Q&A

