

# Q3

Perstorp Holding AB (Publ.)

## Interim report July – September 2021

Conference call November 3<sup>rd</sup>, 2021

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# Today's agenda

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



# Business performance

Jan Secher, President & CEO





## Executive summary Q3 2021

- Sales amounted to SEK 3,528 m (2,111), a 67% increase consisting of:
  - +67% organic growth whereof +58% sales prices and +9% volumes
  - no FX effects
- EBITDA\* amounted to SEK 745 m (185) corresponding to a margin of 21.1% (8.8). Highest EBITDA in absolute amount and EBITDA margin ever in Perstorp's\*\* history.
- Continued solid free cash flow generation of SEK 424 m (257).
- Available funds amounted to SEK 2,527 m (1,151) at the end of the period.
- Continued to successfully defend and improve margins over and above increased variable cost.

\* Excluding non-recurring items

\*\* Continuing operations



# Business overview 1/2

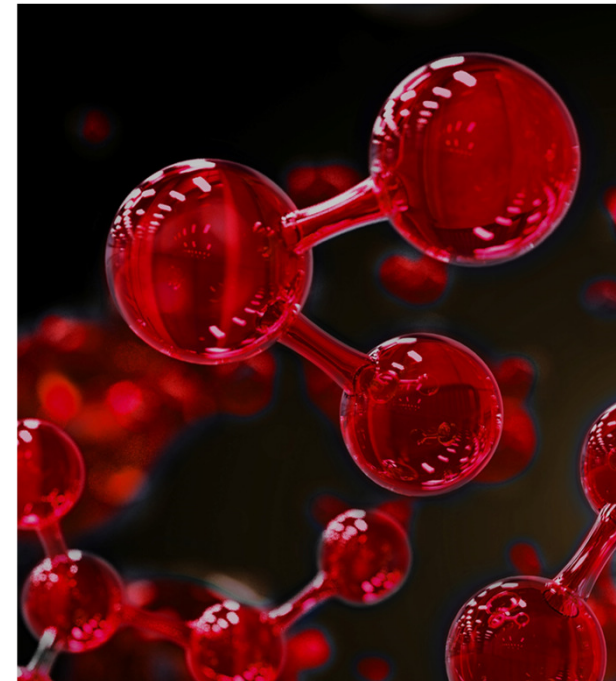
- Favorable market dynamics for both Intermediates and Specialties across regions:
  - strong demand in all regions from most end-user segments
  - the quarter was still characterized by some unplanned outages but with less significance than previous quarters
  - logistic constraints and cost increases continued in the third quarter
  - tight availability and increase of variable costs continued to constrain production at some customers
- Animal Nutrition showed positive development but impacted by continuing high feed prices negatively impacting meat production.

SEK m	Organic Growth Q3/21 vs Q3/20
Polyols	85%
Oxo	71%
Formates	47%
Animal Nutrition	8%
Other & elim.	-
Perstorp Group	67%

*Product dimension overview: consists of price and volume, excluding FX effects*

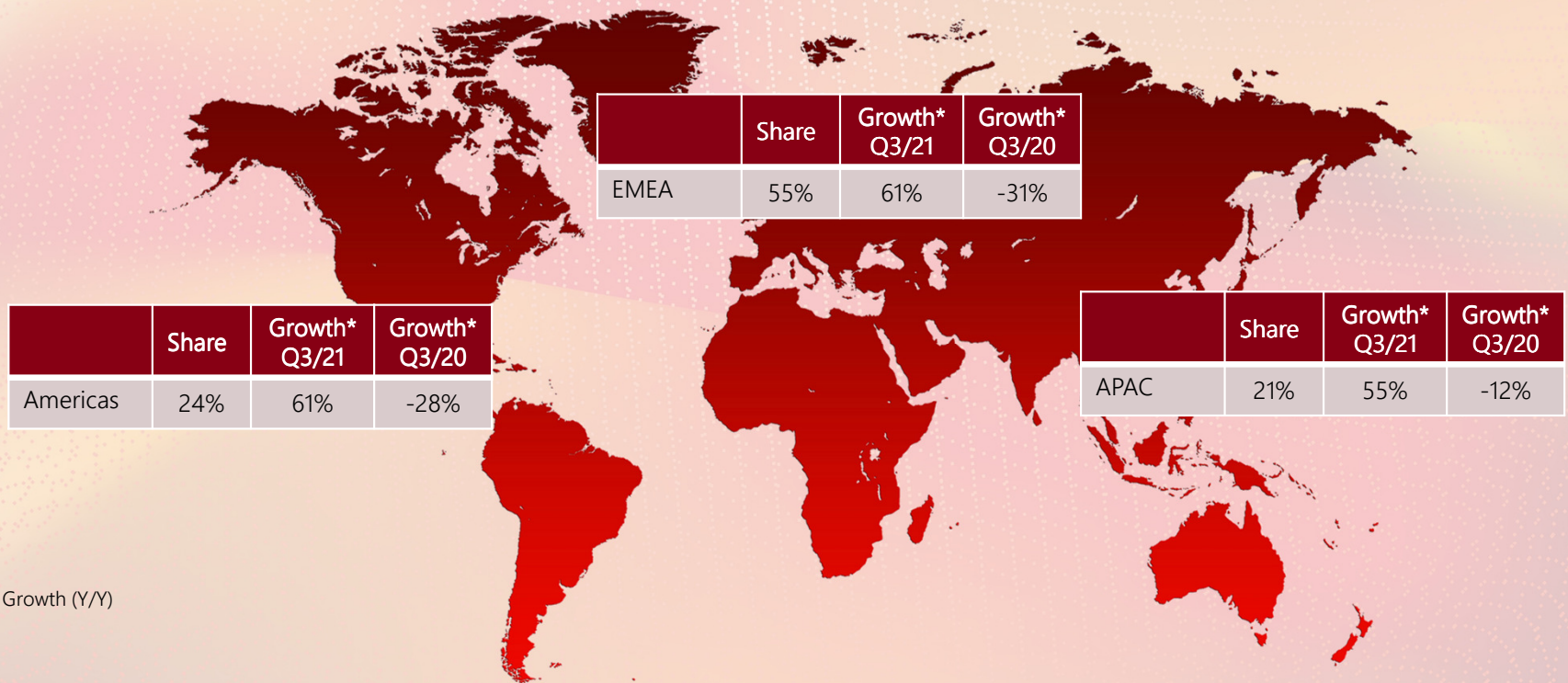
## Business overview 2/2

- Price increases, implemented by Perstorp in the third quarter in all regions, have more than compensated for increased variable cost.
- Allocation in place for most products from Perstorp, customers have asked for more products than Perstorp can deliver:
  - the quarter was impacted by scheduled maintenance turnarounds at Perstorp
- Perstorp's Pro-Environment portfolio continued to grow, new record high volumes in the third quarter (47% Y/Y).
- Patrice Pinsard hired, starting in October, as new EVP Strategic Markets & Innovation and member of the Perstorp Executive Leadership Team.
- Ulf Berghult, current CFO, has resigned as of October 25, but will remain in his role until April 2022.





# Regional overview Q3 2021 vs. Q3 2020



\*Organic Growth (Y/Y)

# Focus Segment: Resins & Coatings – Q3 2021

Continued strong performance but impacted by customer's supply-chain issues

## General Market\*

- Strong demand across all major Resins & Coatings segments with tight availability across raw material platforms.
- Energy shortage in China impacting both demand and short-term competitive landscape.
- The global light vehicle selling rate fell to 80 million units/year in August, 11.7% below its pre-pandemic Q4 2019 selling rate, as persistent chip shortages weigh upon the automotive industry.

## Perstorp's performance and Market Activities

- Organic Growth 94% (Y/Y).
- Continuous solid demand across all Resins & Coatings product lines. Price adjustment continued in the quarter to correct for increased variable cost.
- Record sales in passive fire protection segment (intumescent paints) continued also in third quarter. The seasonal slowdown of the Alkyd market in Europe is more than well compensated by continuous strong development in e.g., Northern Africa.



\*Source: Oxford Economics, September edition

## Focus Segment: Engineered Fluids – Q3 2021

Demand continued to be high across all sub-segments but impacted by supply chain disruptions.

### General Market

- Demand recovery in key segments such as aviation, refrigeration and di-electric continues while supply of goods going into these markets are quite short.
- Industry-wide global supply and worker availability challenges worsened, forcing manufacturers to take extreme measures (e.g. airfreight, dedicated truck drivers, hiring bonuses for blue-collar workers).
- Continued growth of global room air conditioner (RAC) market, supported by demand from normalization of working-from-home. Slower recovery of global packaged air conditioner (PAC) and variable refrigerant flow (VRF) system markets.

### Perstorp's performance and Market Activities

- Organic Growth 88% (Y/Y).
- Volume growth continued in third quarter in all regions led by Americas and APAC.
- Continued strong sales and volumes in all sub-segments: refrigeration fluids, metal working fluids, di-electric fluids and aviation.
- The segment enjoyed a tight supply/demand balance and significant price increases.
- Main Perstorp products continued to be sold out into our sub-segments.





# Focus Segment: Animal Nutrition – Q3 2021

Continuing high feed prices negatively impacting meat production

## General Market

- Increased chicken meat demand pushes prices up, but not enough to compensate for the high feed prices.
- Swine exporting countries need to find other markets now slaughter rates in China are up 35%, resulting in downward pork price pressure.
- Organic acids prices continue to rise due to high demand and high feedstock, energy and transport prices.
- Increasing face to face customer interaction in EMEA and USA.

## Perstorp's performance and Market Activities

- Organic Growth 8% (Y/Y).
- Despite the challenging market conditions, the Animal Nutrition business has delivered good volume and been able to pass through price increases.
- The volume recovery and price increases was most pronounced in APAC and LATAM, reflecting the still adverse industry conditions in Europe and the US.



# Remaining Segments – Q3 2021

Continued high demand in all three regions and across most of our secondary markets.

## General Market

- PVC plasticizer market remained robust in several market segments; wire and cable, pool liners and membranes for construction. Shortage of PVC resin has dampened an even stronger growth.
- PVB film market segments have continued strong growth in construction applications, but weaker in automotive applications due to the general down-turn caused by the semi-conductor shortage.
- Continued solid growth in the global pharmaceutical market. The fine chemicals markets continue a strong growth including agrochemicals applications.

## Perstorp's performance

- Strong performance across Oxo and Plasticizer portfolios with record prices across several products compensating for higher variable costs.
- The acid portfolio has across applications continued with strong demand. We have been impacted by capacity constraints, but the market remains solid with strong volumes and high prices.
- Robust growth in the product/service offering (Flu-gas treatment) for power plants at good prices. Strong sales of Formates at satisfactory margins.
- De-icer volumes in North America and Russia have delivered solid volumes at good margins.



## Selected Key Events – Q3 2021

- Perstorp's Potassium Formate (PoFO) was in Q3 registered within EU as a fertilizer, fulfilling the requirements outlined in EC 2002/2003. Potassium Formate has a positive impact on crop quality and yields, while minimizing clogging in the irrigation systems and being more sustainable than alternatives in the market.
- In the third quarter, Perstorp submitted CO2-reduction targets for Scope 1, 2 & 3 to Science Based Targets initiative (SBTi). A response is expected before end of the year, with the final targets agreed.
- For the first time since the outbreak of the pandemic, Perstorp will participate in a major trade exhibition in November, namely "The Greener Manufacturing Show". The show is Europe's leading event dedicated to environmental and sustainable progress for manufacturing industries.
- Perstorp has opened up many offices and workplaces again after having worked from home since March 2020 due to the Covid-19 pandemic. We will use the coming months to explore what working in the "New Normal" means for us and our employees.





# Financial review

Ulf Berghult, CFO

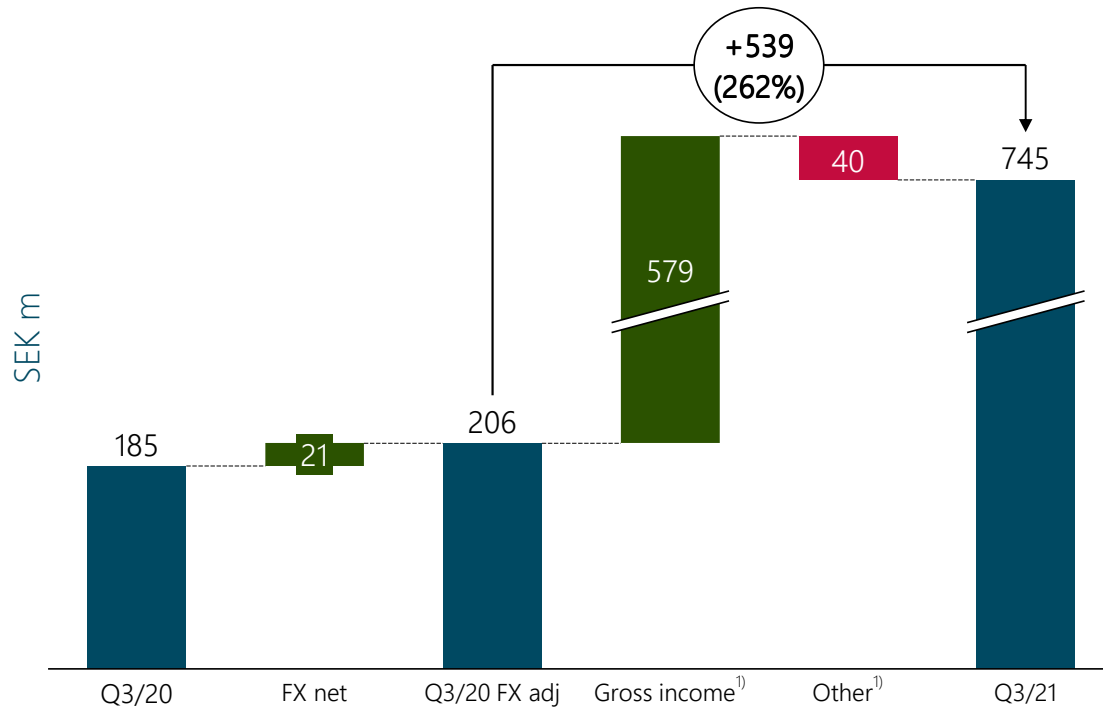


# Financial highlights

SEK m	Q3/21	Q3/20	Delta	YTD Q3/21	YTD Q3/20	LTM Q3/21	FY 2020
<b>Net Sales</b>	<b>3,528</b>	<b>2,111</b>	<b>1,417</b>	<b>9,666</b>	<b>6,910</b>	<b>11,950</b>	<b>9,194</b>
% Sales growth (y-o-y)	67%	-27%	-	40%	-25%	27%	-21%
% Organic growth	67%	-23%	-	46%	-25%	34%	-20%
% FX effects	0%	-4%	-	-6%	0%	-7%	-1%
<b>EBITDA, excl. non-recurring items</b>	<b>745</b>	<b>185</b>	<b>560</b>	<b>1,845</b>	<b>871</b>	<b>2,102</b>	<b>1,128</b>
% of sales	21.1%	8.8%	12.3%	19.1%	12.6%	17.6%	12.3%
Non-recurring items	-5	-7	2	-25	-35	-50	-60
<b>EBITDA, reported</b>	<b>740</b>	<b>178</b>	<b>562</b>	<b>1,820</b>	<b>836</b>	<b>2,052</b>	<b>1,068</b>
% of sales	21.0%	8.4%	12.6%	18.8%	12.1%	17.2%	11.6%

# EBITDA excl. non-recurring items

Q3 2021 vs. Q3 2020



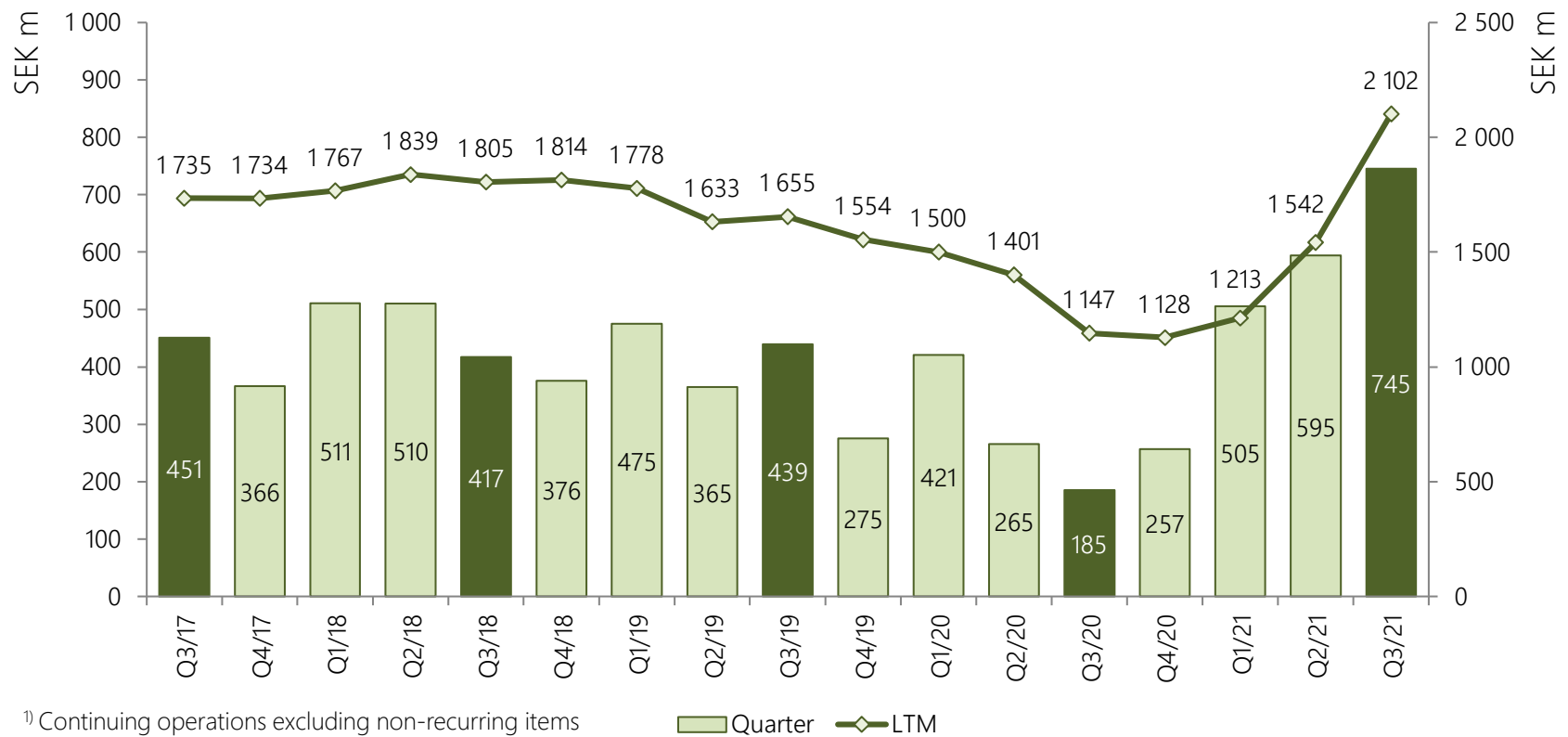
- EBITDA increased by SEK 560 m
- FX adjusted gross income increased by SEK 579 m
- Price increases implemented in all regions supported by favorable market dynamics
- Increase mainly driven by stronger unit margins

<sup>1)</sup> Excluding depreciation



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

Q3 2017 to Q3 2021



# Consolidated income statement

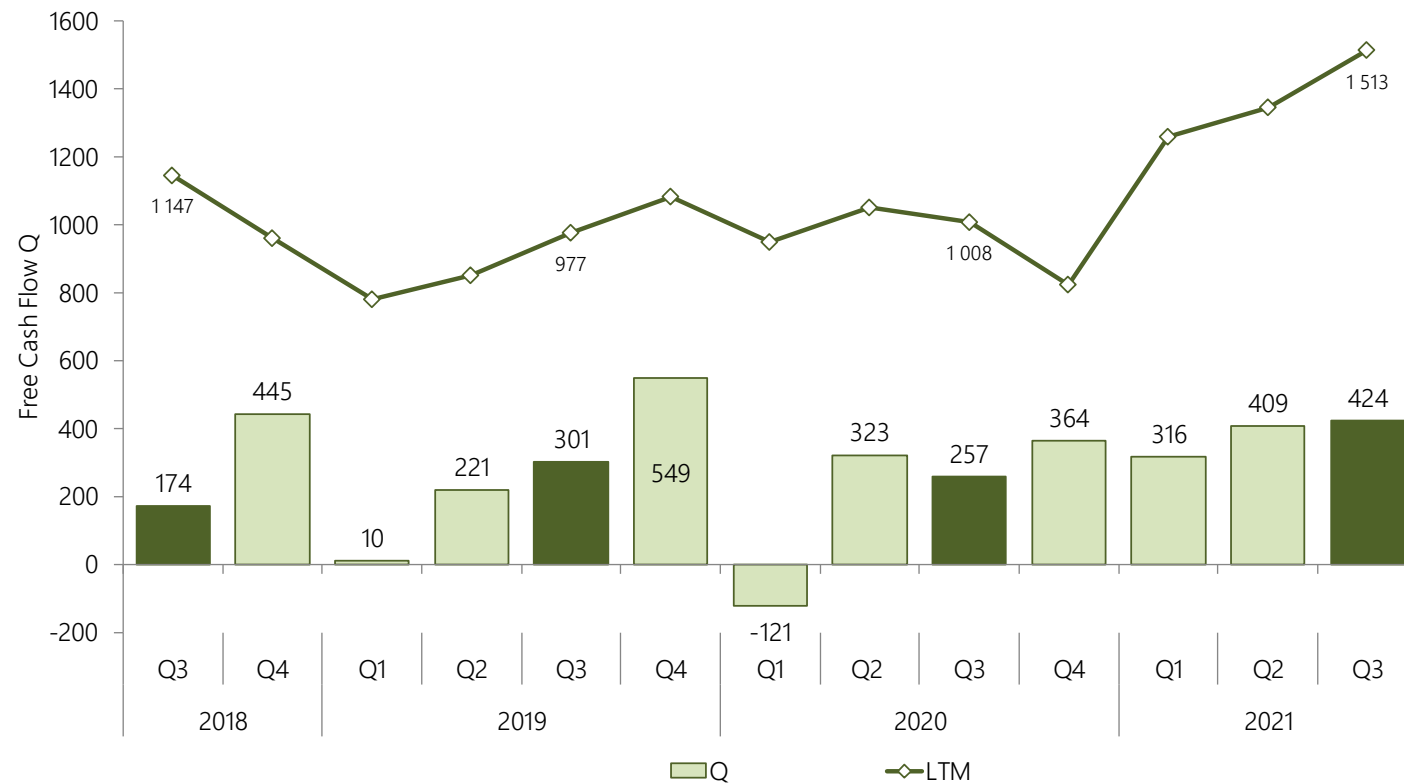
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Cost of goods sold	-2,704	-1,871	-833	-7,562	-5,865	-9,549	-7,852
<b>Gross earnings</b>	<b>824</b>	<b>240</b>	<b>584</b>	<b>2,104</b>	<b>1,045</b>	<b>2,401</b>	<b>1,342</b>
Selling, administration and R&D costs	-231	-181	-50	-676	-576	-877	-777
Other operating income and expenses	14	-23	37	-4	-55	-9	-60
Write-down of assets	-1	0	-1	-1	-4	-3	-6
Result from participations in associated companies	1	2	-1	3	3	4	4
<b>Operating earnings (EBIT)</b>	<b>607</b>	<b>38</b>	<b>569</b>	<b>1,426</b>	<b>413</b>	<b>1,516</b>	<b>503</b>
Exchange-rate effects on net debt	-56	27	-83	-133	0	164	297
Other financial income and expenses	-142	-149	7	-437	-446	-648	-657
<b>Earnings/loss before tax</b>	<b>409</b>	<b>-84</b>	<b>493</b>	<b>856</b>	<b>-33</b>	<b>1,032</b>	<b>143</b>
Tax	-106	-12	-94	-208	-48	-239	-79
<b>Net earnings/loss</b>	<b>303</b>	<b>-96</b>	<b>399</b>	<b>648</b>	<b>-81</b>	<b>793</b>	<b>64</b>

# Free cash flow

SEK m	Q3/21	Q3/20	Change	YTD Q3/21	YTD Q3/20	LTM Q3/21	FY 2020
EBITDA excl non-rec items	745	185	560	1,845	871	2,102	1,128
Change in working capital	-127	141	-268	-251	-113	49	187
Maintenance capex	-78	-35	-43	-179	-139	-284	-244
<b>Free cash flow before strategic capex</b>	<b>540</b>	<b>291</b>	<b>249</b>	<b>1,415</b>	<b>619</b>	<b>1,867</b>	<b>1,071</b>
Strategic capex	-116	-34	-82	-266	-160	-354	-248
<b>Free Cash flow</b>	<b>424</b>	<b>257</b>	<b>167</b>	<b>1,149</b>	<b>459</b>	<b>1,513</b>	<b>823</b>

- Continued solid free cash flow generation in the third quarter 2021
- Free cash flow amounted to SEK 424 m (257)
- Mainly driven by increased EBITDA but offset by higher capex and build up of working capital due to increased business activities

# Free cash flow development 2018-2021





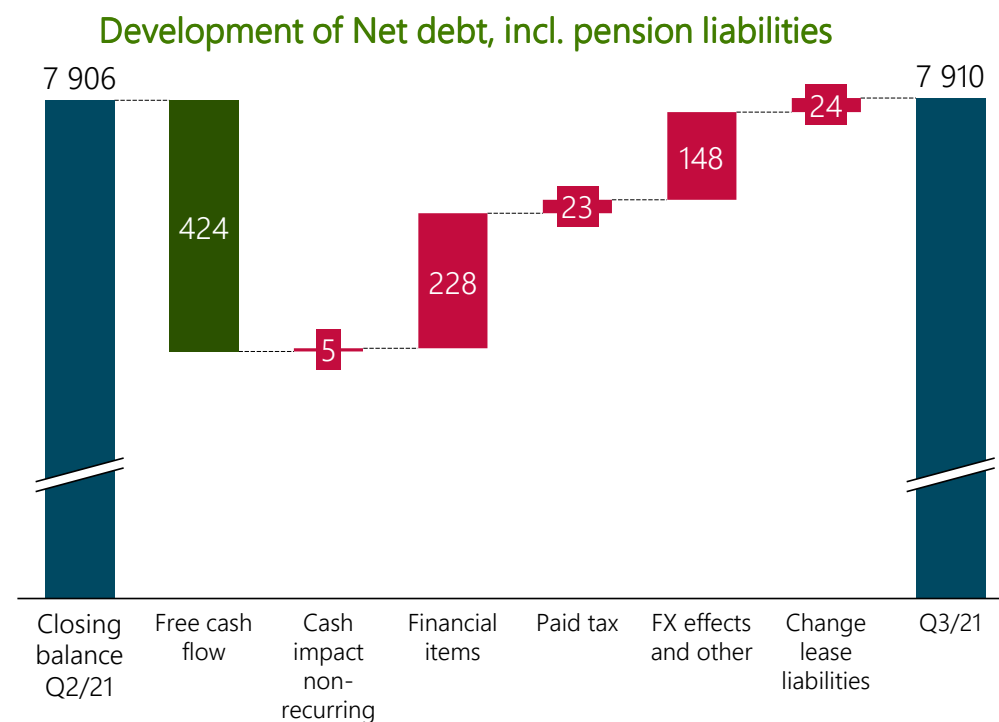
# Indebtness

	SEK m <sup>1)</sup>
Senior secured Term loan B (€ + \$)	8,513
Other debt <sup>2)</sup>	94
Cash on balance sheet	-1,137
Net debt, excl. pension liabilities	7,470
Pensions	439
Net debt, incl. pension liabilities	7,910
Leverage reported <sup>3)</sup>	3.6x
Available Funds	2,527
Factoring Utilization (m EUR)	117

<sup>1)</sup> Fx rates; USD 8.79 and Euro 10.20, except for Factoring utilisation

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

<sup>3)</sup> Based on Net Debt excl. pensions and EBITDA excl. non-recurring items of SEK 2,102 m



# Summary

Jan Secher, President & CEO



# Summary

- Highest EBITDA and EBITDA margin ever in Perstorp's\* history.
- EBITDA of SEK 745 m corresponding to a margin of 21.1%.
- Continued solid free cash flow of SEK 424 m.
- Continued strong financial flexibility with available funds of SEK 2,527 m.
- Further price increases in Q4/21 to mitigate cost increases.
- Supply situation continue to be constrained.
- Continue to focus on sustainability activities, e.g. Perstorp's Pro Environment portfolio and CO<sub>2</sub> reduction agenda.

\* Continuing operations



# Q&A

