



Perstorp Holding AB (Publ.)

Interim report January-September 2020

Conference call October 26, 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

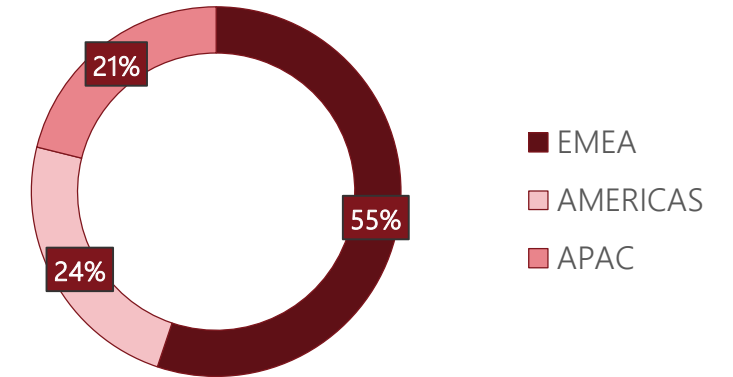
Executive summary

- Q3/20 sales amounted to SEK 2,111 m, a 27% decrease over last year. The decrease was due to lower sales volumes linked to demand following COVID-19, together with lower raw material prices and increased price pressure for several product lines. FX effects was SEK -112 m vs. same period last year
- Organic volume-based sales growth was -6% year-on-year, but positively 12% compared to Q2/20
- EBITDA excluding non-recurring items amounted to SEK 185 m in the third quarter compared to SEK 439 m in the corresponding period last year. FX effects was SEK -58 m vs. same period last year. Q3 EBITDA margin amounted to 8.8% (15.2)
 - EBITDA Q3 vs Q2/20 was positively impacted by a stabilization of volumes, although margins was impacted by price pressure and negative product mix
 - Tight spend control following COVID-19 continued to reduce fixed cost YTD
- Continued solid free cash flow generation of SEK 257 (301). Release of working capital and lower CAPEX mitigated lower EBITDA
- Available funds amounted to SEK 1,151 m at the end of the period
- Net Debt/LTM EBITDA was 7.4x in Q3/20 versus 5.5x in Q3/19 (5.5x Q4/19)

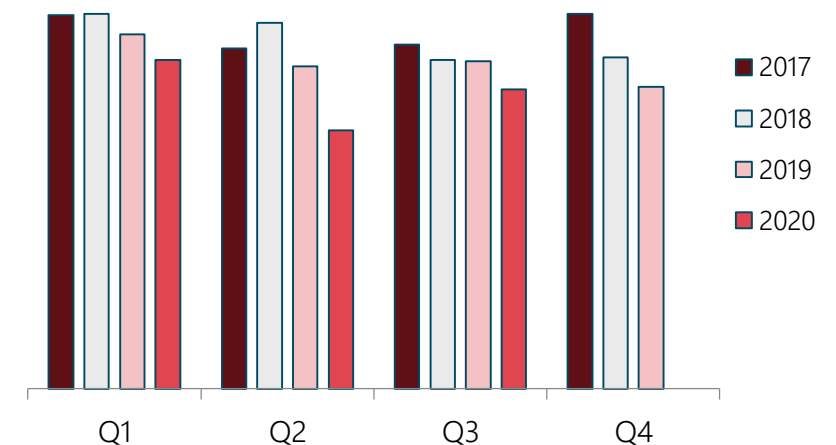
Market overview Q3/20 vs Q3/19

- Lower average selling prices in all regions, APAC (-15%) Americas (-9%) and EMEA (-14%), mainly linked to lower raw material costs and increased price competition in several product lines
- Volumes in EMEA were 4% lower than Q3 last year. Decrease of Formates, TMP/Neo and Plasticizers was partially offset by higher Oxo volumes
- Volumes in Americas decreased 14% compared to Q3 last year. Lower volumes of mainly Formates, Penta and TMP/Neo was partly offset by higher volumes of Acid&Salts and Oxo products
- Volumes in APAC decreased 9% compared to Q3 last year. Strong growth for Acid&Salts was fully offset by lower volumes of mainly Formates, Penta and TMP
- Volumes have started to stabilize following COVID-19 and increased in Q3 vs Q2 2020 by approximately 15%

NET SALES BY REGION Q3/20



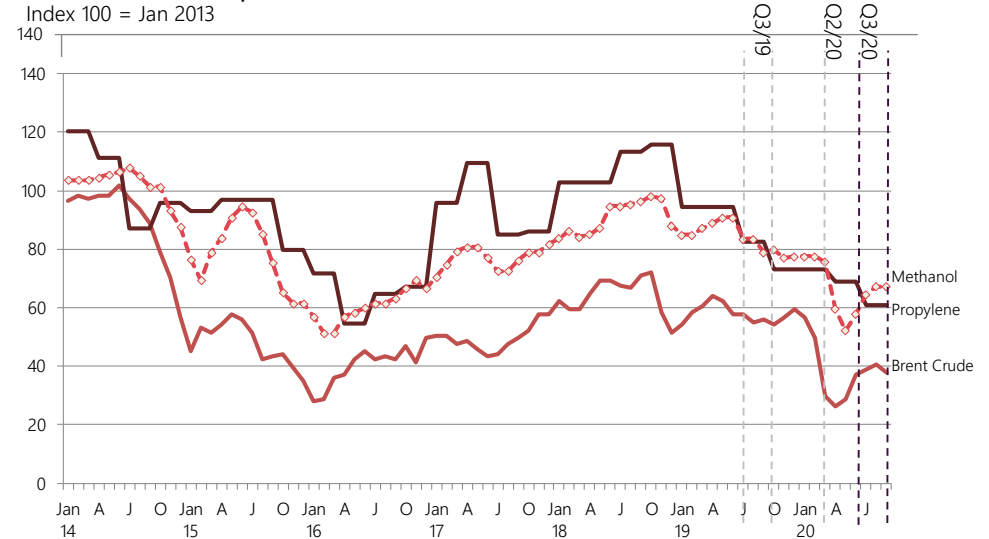
VOLUMES BY QUARTER



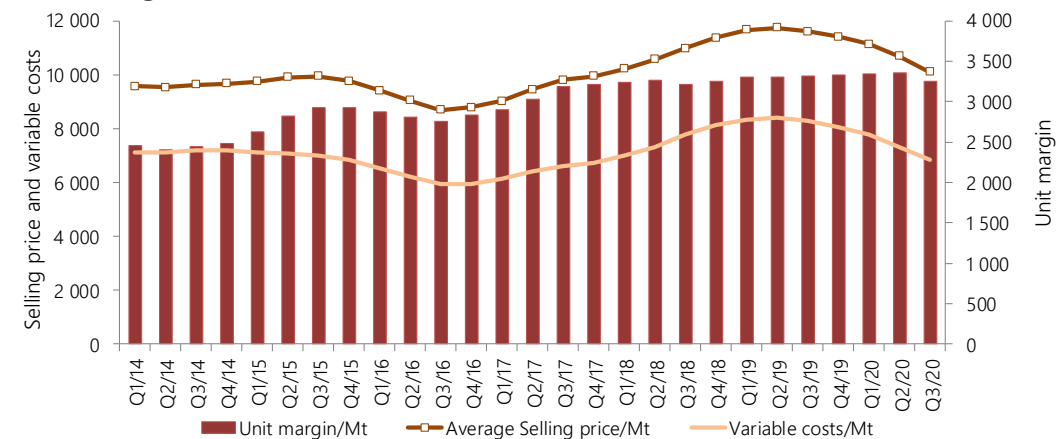
Raw materials and unit margins

- Raw material prices decreased compared to Q3/19
 - Average price for Brent crude oil decreased by 30 % in Q3/20 vs Q3/19 but increased from the very low levels last quarter and was up 27%
 - Methanol decreased 26% in Q3/20 vs. Q3/19 and was 12 % lower than in Q2/20
 - Propylene decreased 19% in Q3/20 vs. Q3/19 but increased 17% from last quarter
- Lower unit margins vs. Q3/19
 - Lower unit margins in Specialty Polyols and Solutions mainly linked to price and negative exchange rate impact
 - Advanced Chemicals unit margins hampered by price pressure on Oxo product lines and negative exchange rate impact. Plasticizers unit margin has shown a positive trend during Q2 and Q3
 - Animal Nutrition unit margins declined due to price pressure, unfavorable product/customer mix and negative exchange rate impact

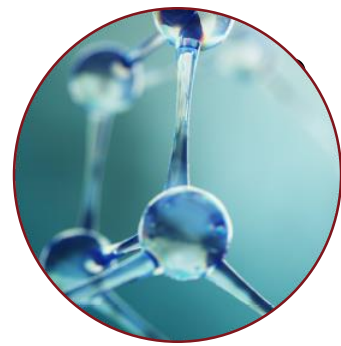
Raw material prices



Margins LTM



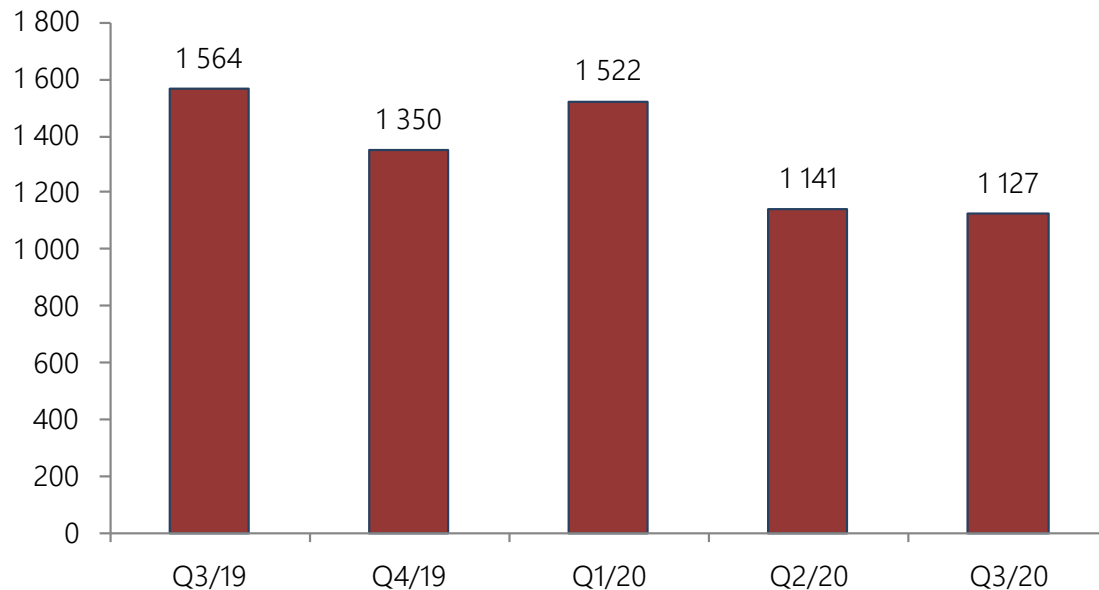
Specialty Polyols and Solutions



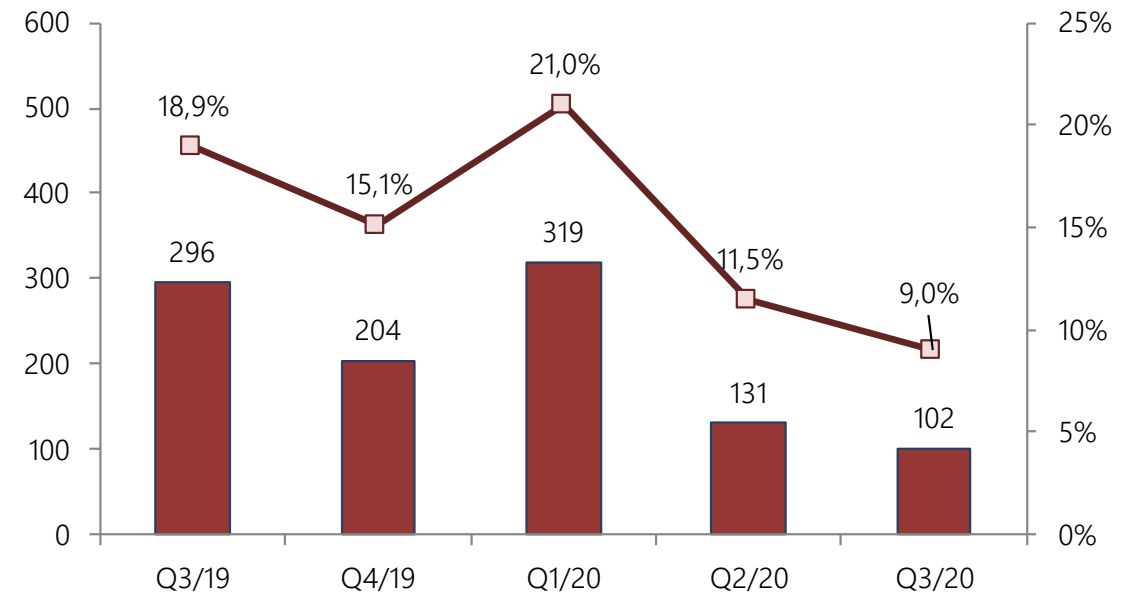
Slow recovery in some market segments, overcapacity put pressure on prices

- Net sales amounted to SEK 1,127 m, 28% lower than Q3/19 following both lower volumes and prices together with increased price pressure in some geographical areas. The effect of exchange rates in sales was SEK -73 m. Organic volume-based sales growth was -12.8% (YTD -15.0%). Volumes increased by 15 % from Q2
- EBITDA excluding non-recurring items in the third quarter was SEK 102 m (296) corresponding to an EBITDA margin of 9.1% (18.9). The decrease was due to a combination of lower volumes, lower unit margins for several product lines together with negative OH in inventory, higher fixed costs and negative exchange rate impact

Net sales development



EBITDA¹ and margin development



¹= EBITDA excluding non recurring items

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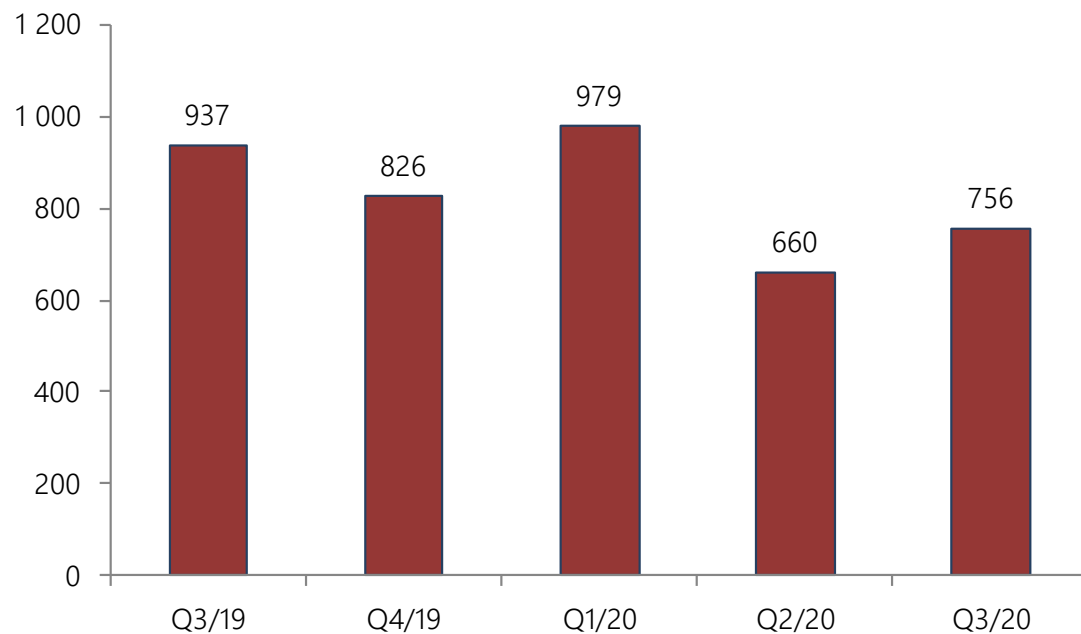
Advanced Chemicals



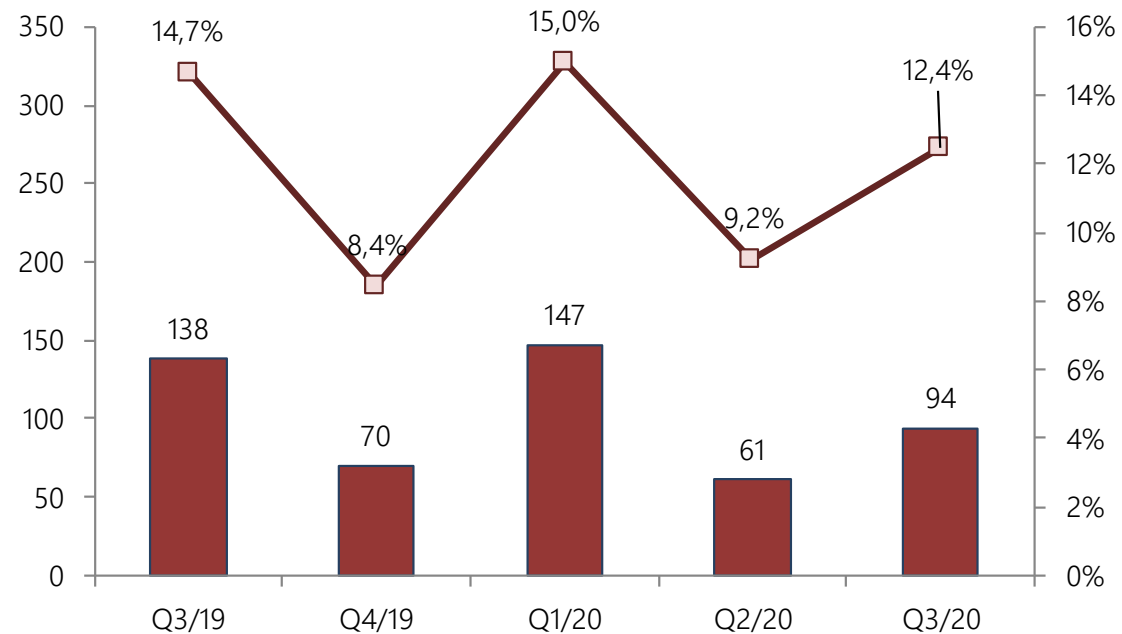
Volumes back to pre-Covid levels for several products despite negative impact from Borealis fire

- Net Sales amounted to SEK 756 m, 19% lower than the corresponding period in 2019. The decrease was attributable to lower sales prices linked to lower raw material prices and product mix. Exchange rates negatively affected net sales with SEK -28 m. Organic volume-based sales growth was +5.3% (YTD -3.4%). Volumes increased by 22 % from Q2
- EBITDA excluding non-recurring items was SEK 94 m (138), corresponding to an EBITDA margin of 12.4% (14.7). The decrease was resulting from lower unit margins of most Oxo product lines due to price pressure together with negative exchange rate impact

Net sales development



EBITDA¹ and margin development



¹= EBITDA excluding non-recurring items

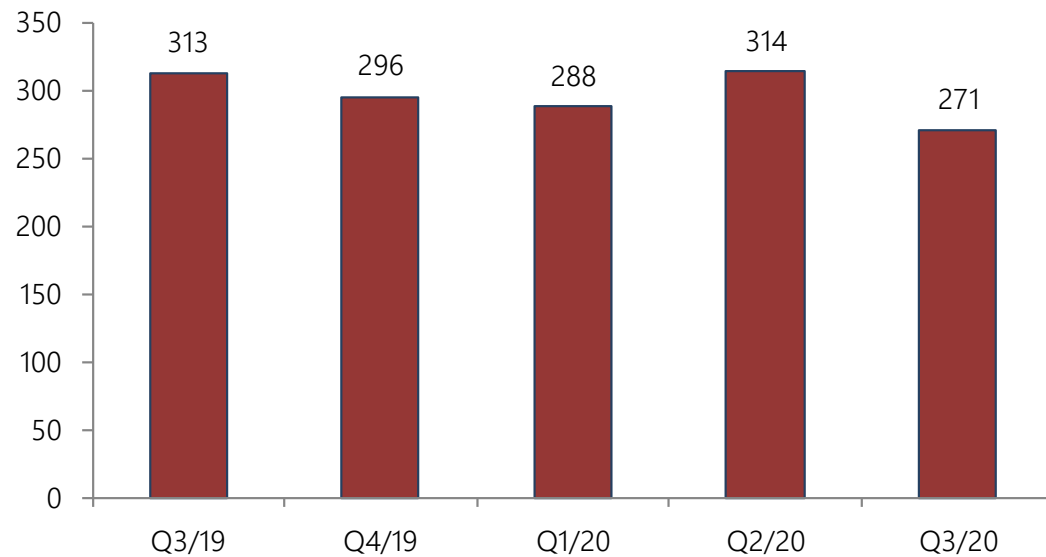
Animal Nutrition



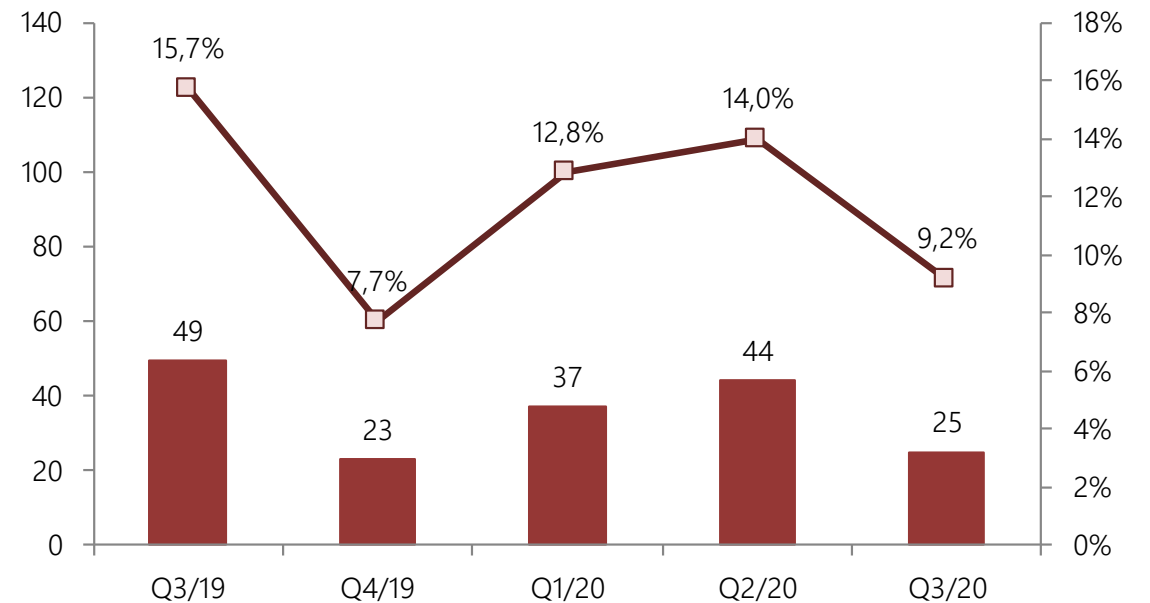
Less favorable product mix and lower unit margins for some of the product lines

- Net sales in the third quarter 2020 amounted to SEK 271 m, a decrease of 13%. The decrease in sales was attributable to a combination of lower demand for some products linked to COVID-19, product mix effects and increased price pressure. Total volumes were at par with Q3/19. Exchange rates had a negative impact on sales c.a 3%. Organic volume base sales growth was 1,3% (YTD 5,9%)
- EBITDA excluding non-recurring items in the third quarter was SEK 25 m (49) corresponding to an EBITDA margin of 9.2 % (15.7). The decrease was a result of a combination of lower volumes for some product lines and increased price competition together with unfavorable product and customer mix for some product lines

Net sales development



EBITDA¹ and margin development



¹= EBITDA excluding non recurring items

Financial review



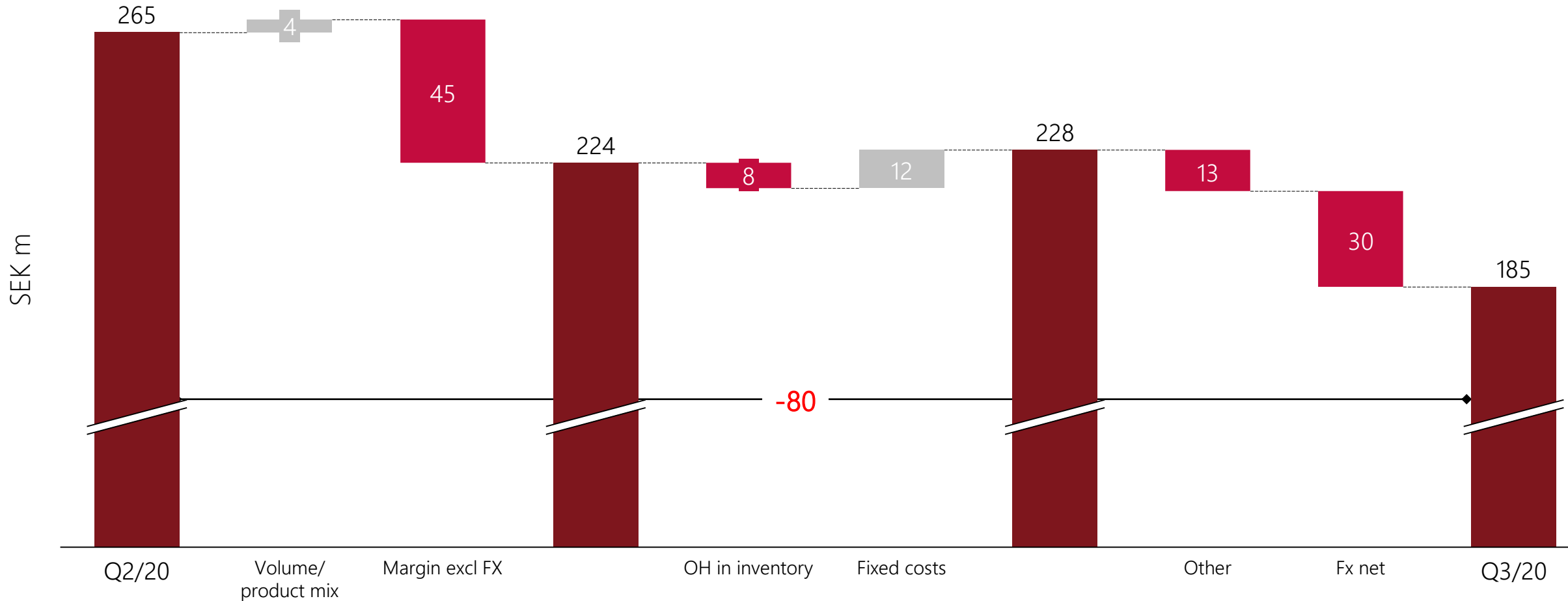
Johan Ryrberg
Interim CFO

Financial highlights

| SEK m | Q3/20 | Q3/19 | YTD Q3/20 | YTD Q3/19 | Q2-20 |
|---|--------|-------|-----------|-----------|--------|
| Net Sales | 2,111 | 2,895 | 6,910 | 9,178 | 2,079 |
| % growth (y-o-y) | -27.1% | -4.7% | -24.7% | -3.3% | -32.2% |
| % organic volume-based sales growth (y-o-y) | -5.6% | +1.7% | -9.0% | -1.7% | -21.8% |
| Marginal Contribution | 651 | 829 | 2,256 | 2,646 | 726 |
| % of sales | 30.8% | 28.2% | 32.6% | 28.8% | 34.9% |
| EBITDA, reported | 178 | 411 | 836 | 1,186 | 239 |
| % of sales | 8.4% | 14.2% | 12.1% | 12.9% | 11.5% |
| EBITDA, excl. non-recurring items | 185 | 439 | 871 | 1,279 | 265 |
| % of sales | 8.8% | 15.2% | 12.6% | 13.9% | 12.7% |

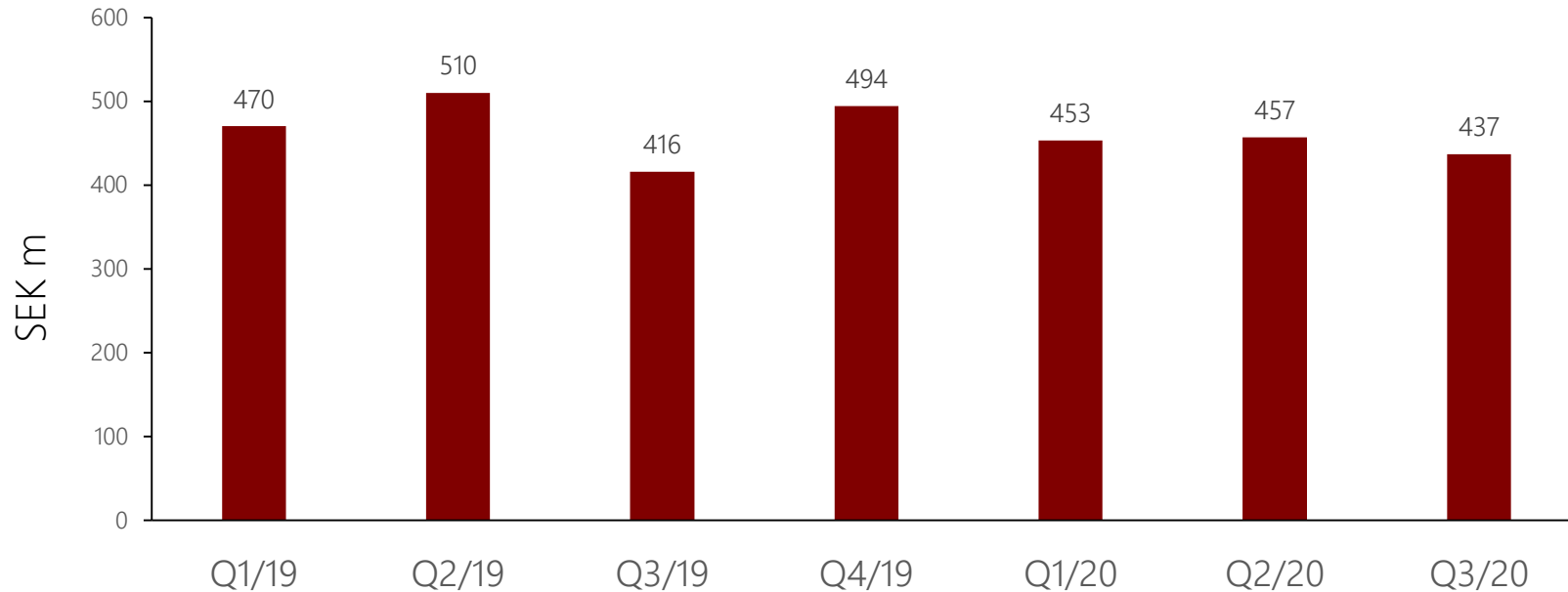
EBITDA excl non-recurring items

Q3 2020 vs. Q2 2020



- EBITDA Q3 vs previous quarter was positively impacted by a stabilization of volumes and for some products lines a volume increase. Margins were negatively effected by price pressure and product mix effect. Exchange rate effects impacted EBITDA negatively by SEK 30m compared to Q2
- Fixed costs was continuously reduced by tight spend control following COVID-19, mainly impacting personnel and consultancy costs
- Deviation in "Other" mainly related to adjustment of provision for cut-over adjustment in Q2/20

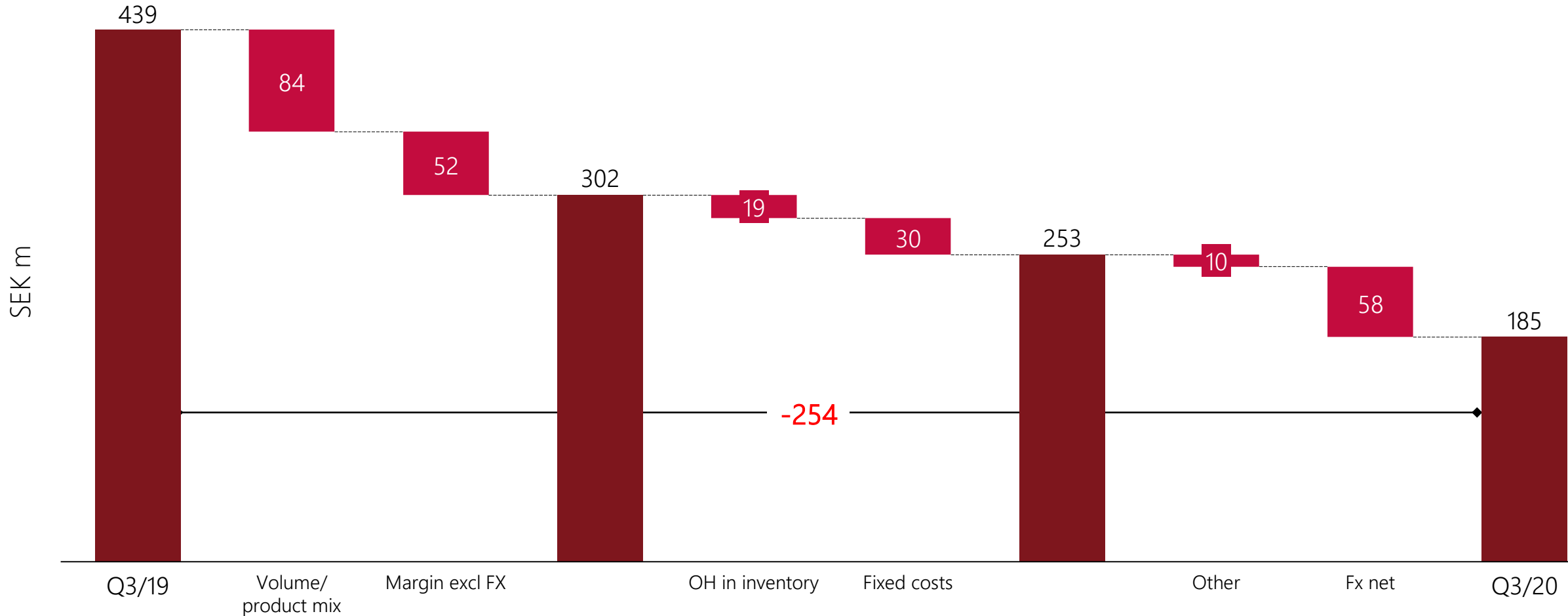
Fixed cost development



- Tight spend control and hiring freeze were introduced early 2020 following the COVID-19 as part of cash preservation, mainly reducing personnel, consultancy and travel cost
- Fixed cost YTD SEK 49 m lower than last year
- Fixed cost in Q3 were higher than same quarter last year mainly due to provision adjustments in Q3 2019

EBITDA excl non-recurring items

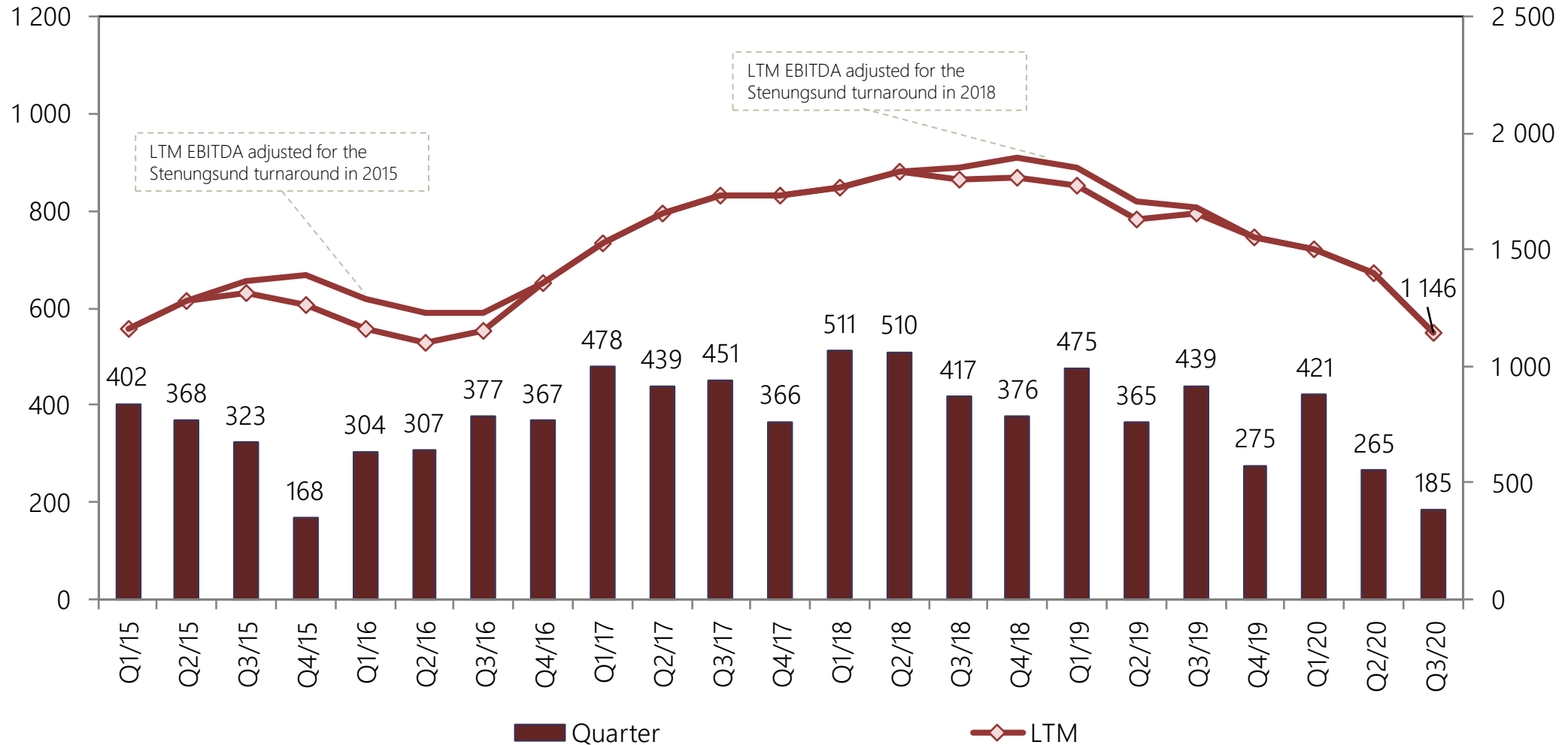
Q3 2020 vs. Q3 2019



- EBITDA decreased by SEK 254 m year-on-year, negative impact driven by lower volumes, negative exchange rate effect and lower unit margins for some product lines
- Fixed cost were higher than same quarter last year mainly due to provision adjustments in 2019, lower capitalization and higher maintenance costs partly offset by lower travel and consultancy costs
- Deviation in "Other" mainly related to TSA revenue in 2019

LTM Development EBITDA¹⁾

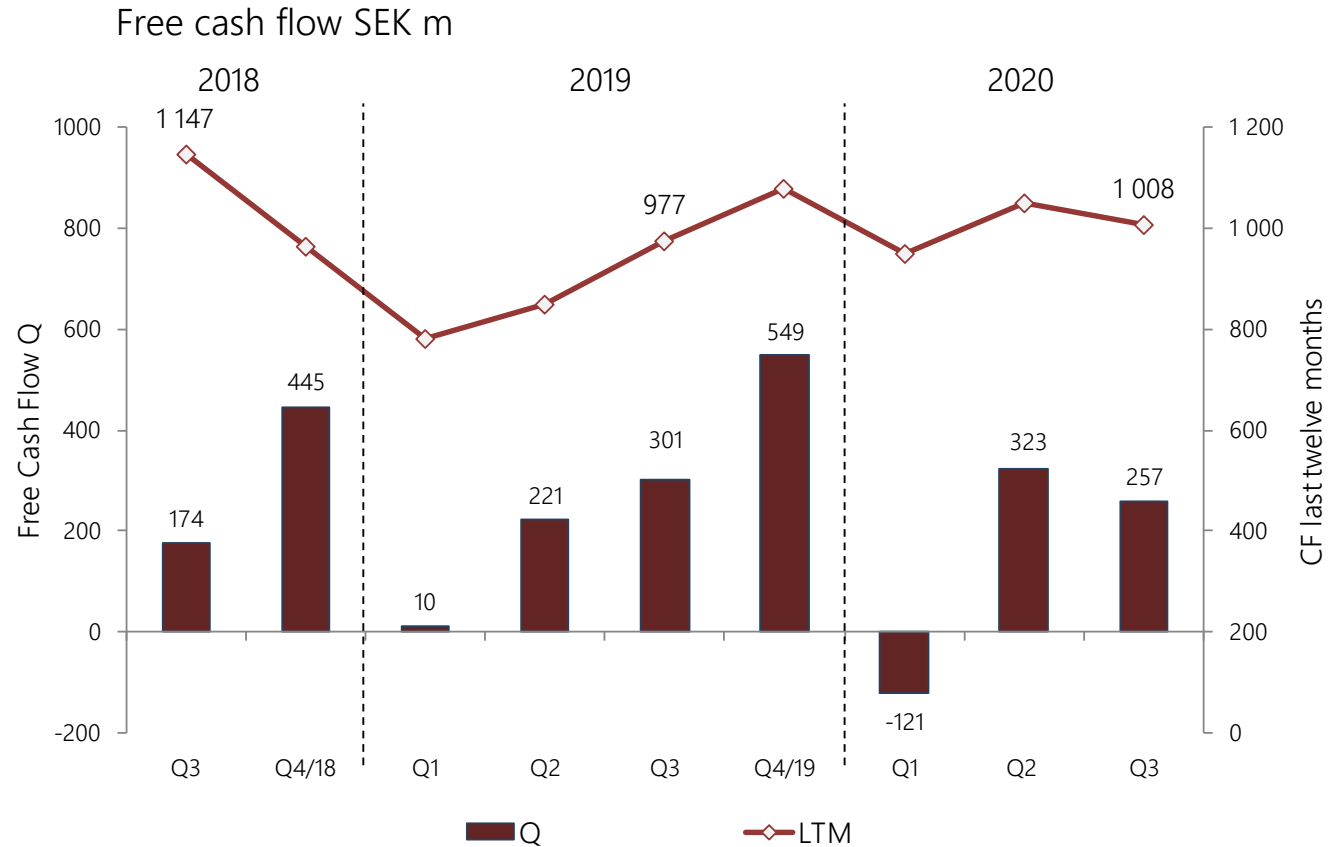
Q1 2015 to Q3 2020



¹⁾ Excluding non-recurring items

Free cash flow

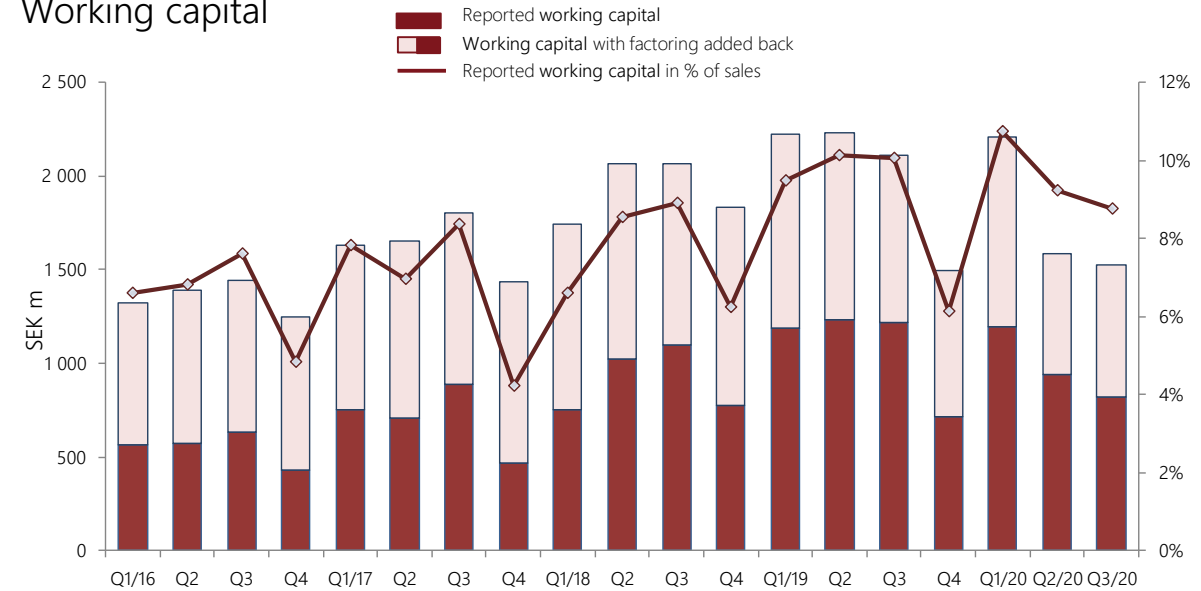
- Free cash flow in Q3/20 was SEK 257 m compared to SEK 301 m in Q3/19
- Release of working capital and lower CAPEX partially mitigated lower EBITDA
- Utilization of the trade receivable program amounted to € 72 m at end of Q3/20 (€ 82 m Q3/19)
- Continued solid free cash flow generation in both Q2 and Q3 2020
- Free cash flow in Q4/20 expected to be positive



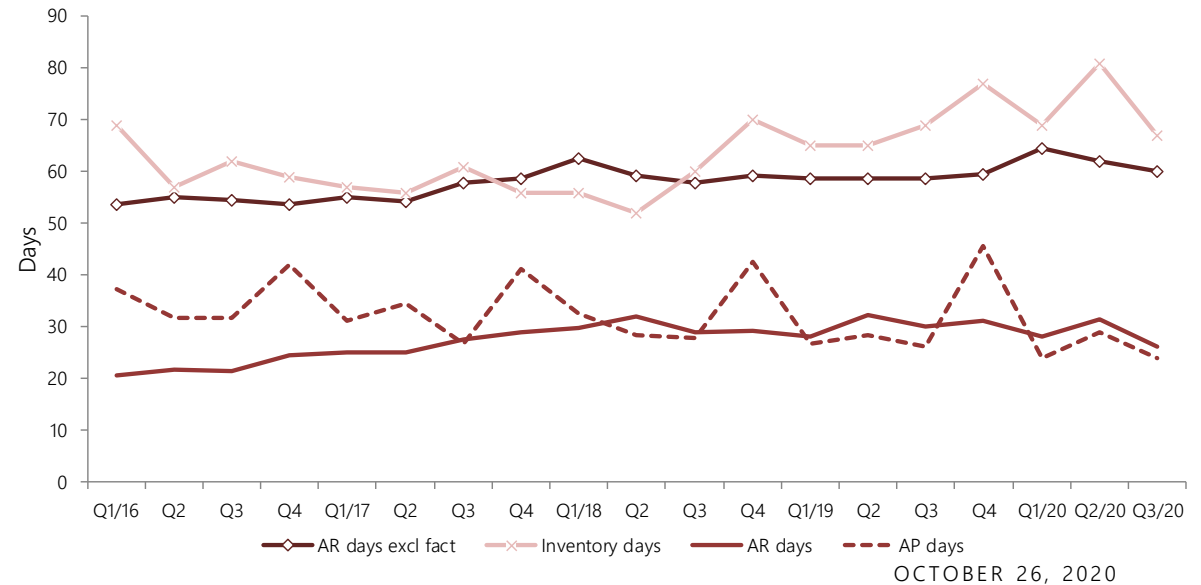
Working capital

- Working capital decreased by SEK 393 m during Q3/20 vs. Q3/19 and was SEK 118 m lower than Q2/20
- Inventory total value decreased by SEK 398 m vs. Q3/19, linked to lower raw material prices and lower volumes on stock
- Accounts receivables including factoring decreased by SEK 331 m from Q3/19 following lower sales
- Accounts payables decreased by SEK 180 m vs. Q3/19, linked to lower purchases in connection to lower sales and lower raw material prices

Working capital



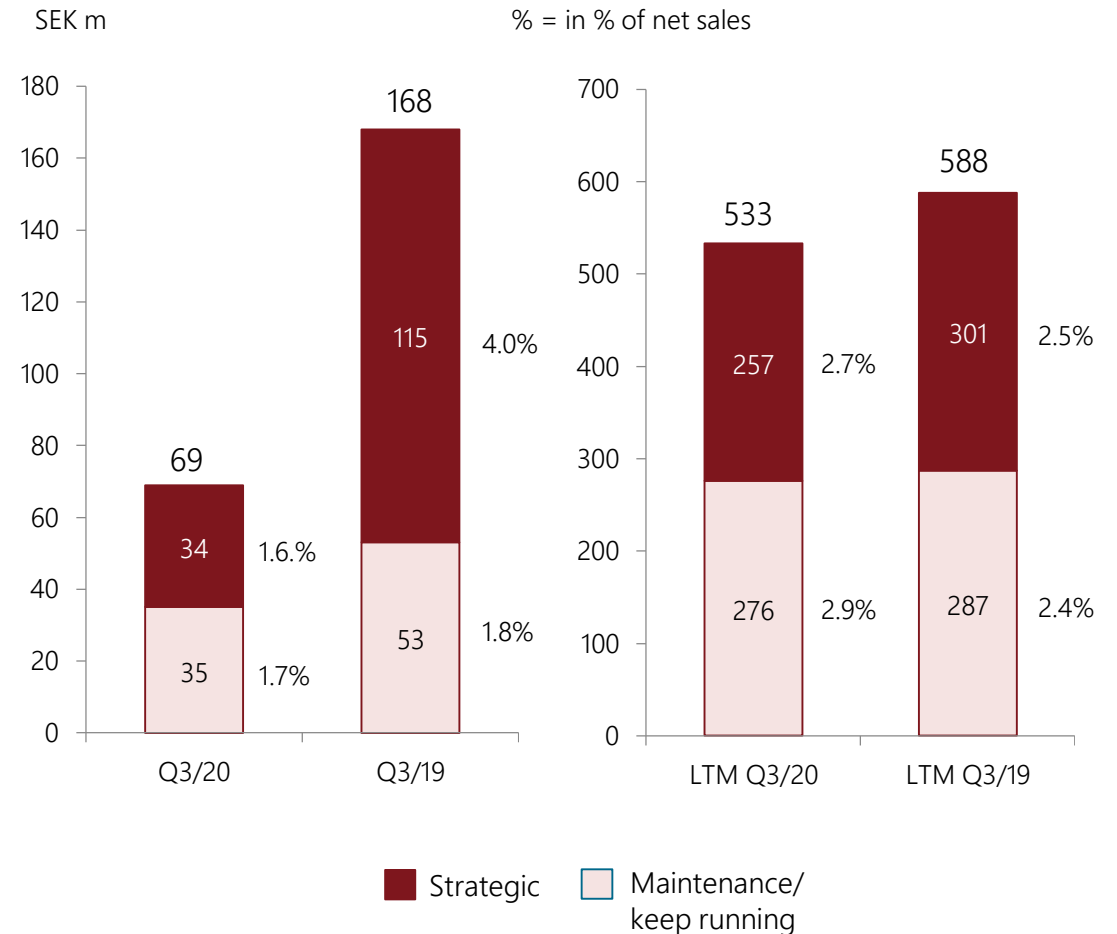
Days



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Investments

- Total investments amounted to SEK 69 m in Q3/20 which was SEK 99 m lower than in Q3/19
- Maintenance investments amounted to SEK 35 m in Q3/20 compared to SEK 53 m in Q3/19
- Strategic investments amounted to SEK 34 in Q3/20 compared to SEK 115 m 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 475-500 m



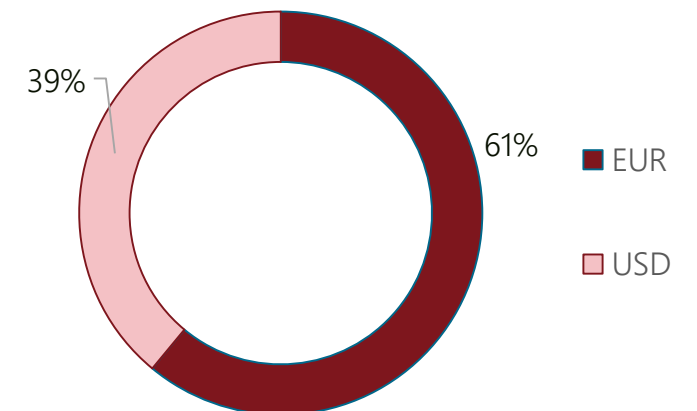
Indebtness

Total Group

| | USD m Equiv. | SEK m ¹⁾ | x EBITDA excl non-rec. ²⁾ |
|-------------------------------------|-----------------|---------------------|---|
| Cash on balance sheet | -51 | -461 | |
| Senior secured Term loan B (€) | 598 | 5,376 | |
| Senior secured Term loan B (\$) | 380 | 3,419 | |
| Net senior secured Term loan B | 927 | 8,334 | 7,3 x |
| Other debt ³⁾ | 21 | 187 | |
| Net debt, excl. pension liabilities | 948 | 8,521 | 7,4 x |

- Net debt, excluding pension liability, decreased by SEK 77 m during Q3/20 mainly related to a stronger SEK primarily against USD and by a positive cash-flow from operations, off-set by interest payments
- Reported leverage was 7.4x compared to 5.5x at Q3/19
- Available funds per end of Q3/20 amounted to SEK 1,151 m

DEBT BY CURRENCY (TLB)



¹⁾ Fx rates; USD 8,99 and Euro 10,54

²⁾ Based on EBITDA excl. non-recurring items of SEK 1,146 m

³⁾ Including drawn SRCF

Summary



Jan Secher
President & CEO

Q3 Conclusion

- The third quarter was characterized by signs of recovering demand, however still with a great deal of variation between sectors/industry segments and geographies
- Compared to the previous quarter, sales improved taking a negative exchange effect into account, volumes were coming back, but EBITDA was weaker based on price pressure and currency effects
- Organic volume-based sales growth was negative 6% compared but positively 12% compared to Q2/20 (year to date was -9%)
- EBITDA excluding non-recurring items at SEK 185 m (439) in Q3/20 and SEK 1,146 m for the LTM period
- The decrease in EBITDA was mainly attributable to negative impact from lower volumes, negative exchange rate effect and lower unit margins for some product lines due to increased price competition
- Continued strong focus on implementing and managing programs for fixed cost reductions and cash preservation resulted in a solid free Cash Flow generation in the third quarter amounting to SEK 257 m (301)
- Going forward we are conducting a structured review of our strategy to make sure that we optimize our focus and right size our structure in relation to a fast changing business environment

Q&A



Appendix

Free cash flow details¹⁾

| SEK m | Q3/20 | Q3/19 | YTD/20 | YTD/19 | LTM Q3/20 | Full year 2019 | Q2/20 |
|--|------------|------------|------------|------------|--------------|----------------|------------|
| EBITDA excl non-rec items | 185 | 439 | 871 | 1,279 | 1,146 | 1,554 | 265 |
| Change in working capital ¹ | 141 | 30 | -113 | -366 | 395 | 142 | 176 |
| Maintenance capex | -35 | -53 | -139 | -159 | -276 | -296 | -46 |
| Free cash flow before strategic capex | 291 | 416 | 619 | 754 | 1,265 | 1,400 | 395 |
| % of EBITDA excl non-rec. | 157 | 95 | 71 | 59 | 110 | 90 | 149 |
| Strategic capex | -34 | -115 | -160 | -222 | -257 | -319 | -72 |
| Free cash flow | 257 | 301 | 459 | 532 | 1,008 | 1,081 | 323 |
| % of EBITDA excl non-rec. | 139 | 69 | 53 | 42 | 88 | 70 | 122 |

¹⁾ Excluding exchange rate effects and provisions

Segment reporting

| SEK m | Q3/20 | Q2/20 | Q1/20 | Q4/19 | Q3/19 | Q2/19 | Q1/19 | Q4/18 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net Sales | 2,111 | 2,079 | 2,720 | 2,463 | 2,895 | 3,065 | 3,218 | 2,938 |
| Specialty Polyols and Solutions | 1,127 | 1,141 | 1,522 | 1,350 | 1,564 | 1,667 | 1,854 | 1,603 |
| Advanced Chemicals | 756 | 660 | 979 | 826 | 937 | 1,053 | 1,021 | 986 |
| Animal Nutrition | 271 | 314 | 288 | 296 | 313 | 307 | 305 | 289 |
| Other/eliminations | -43 | -36 | -69 | -9 | 81 | 38 | 38 | 60 |
| EBITDA, reported | 178 | 239 | 419 | 241 | 411 | 362 | 413 | 311 |
| Specialty Polyols and Solutions | 97 | 137 | 322 | 188 | 296 | 217 | 311 | 252 |
| Advanced Chemicals | 88 | 57 | 147 | 70 | 140 | 168 | 146 | 102 |
| Animal Nutrition | 24 | 44 | 37 | 23 | 49 | 69 | 45 | 47 |
| Other/eliminations | -31 | 1 | -87 | -40 | -74 | -92 | -89 | -90 |
| EBITDA excl. non-recurring items | 185 | 265 | 421 | 275 | 439 | 365 | 475 | 376 |
| Specialty Polyols and Solutions | 102 | 131 | 319 | 204 | 296 | 218 | 311 | 264 |
| Advanced Chemicals | 94 | 61 | 147 | 70 | 138 | 165 | 151 | 102 |
| Animal Nutrition | 25 | 44 | 37 | 23 | 49 | 69 | 45 | 47 |
| Other/eliminations | -36 | 29 | -82 | -22 | -44 | -87 | -32 | -37 |

Quarter on quarter development

| SEK m | Q3/20 | Q2/20 | Q1/20 | Q4/19 | Q3/19 | Q2/19 | Q1/19 | Q4/18 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Net Sales | 2,111 | 2,079 | 2,720 | 2,463 | 2,895 | 3,065 | 3,218 | 2,938 |
| Marginal Contribution | 651 | 726 | 879 | 760 | 829 | 874 | 943 | 811 |
| % of sales | 30.8% | 34.9% | 32.3% | 30.9% | 28.6% | 28.5% | 29.3% | 27.6% |
| EBITDA, reported | 178 | 239 | 419 | 241 | 411 | 362 | 413 | 311 |
| % of sales | 8.4% | 11.5% | 15.4% | 9.8% | 14.2% | 11.8% | 12.8% | 10.6% |
| EBITDA, excl. non-recurring items | 185 | 265 | 421 | 275 | 439 | 365 | 475 | 376 |
| % of sales | 8.8% | 12.7% | 15.5% | 11.2% | 15.2% | 11.9% | 14.8% | 12.8% |

Cash and available funds

Total group

| SEK m | Q3/20 |
|--|------------|
| Unrestricted cash | 310 |
| Restricted ¹⁾ and escrowed cash ²⁾ | 151 |
| Cash on Balance Sheet | 461 |

| SEK m | Q3/20 |
|--|--------------|
| Unrestricted cash | 310 |
| Unutilized committed credit facilities | 841 |
| Reported Available Funds | 1,151 |

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 | Q3/20 | Q3/19 | LTM Q3/20 | LTM Q3/19 | Q2/20 | FY-19 |
|-------------|-------|-------|-----------|-----------|-------|-------|
| USD | 8.87 | 9.59 | 9.45 | 9.31 | 9.68 | 9.46 |
| Euro | 10.36 | 10.66 | 10.58 | 10.51 | 10.65 | 10.59 |
| GBP | 11.45 | 11.81 | 12.05 | 11.88 | 12.02 | 12.07 |

Period end exchange rates

| SEK per LOC | Q3/20 | Q2/20 | Q1/20 | Q4/19 |
|-------------|-------|-------|-------|-------|
| USD | 8.99 | 9.35 | 10.08 | 9.32 |
| Euro | 10.54 | 10.48 | 11.08 | 10.43 |
| GBP | 11.52 | 11.47 | 12.39 | 12.21 |