

# Perstorp Holding AB (Publ.)

Year-end report January-December 2020

Conference call February 17, 2021

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# Agenda

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

# Business performance



Jan Secher  
*President & CEO*

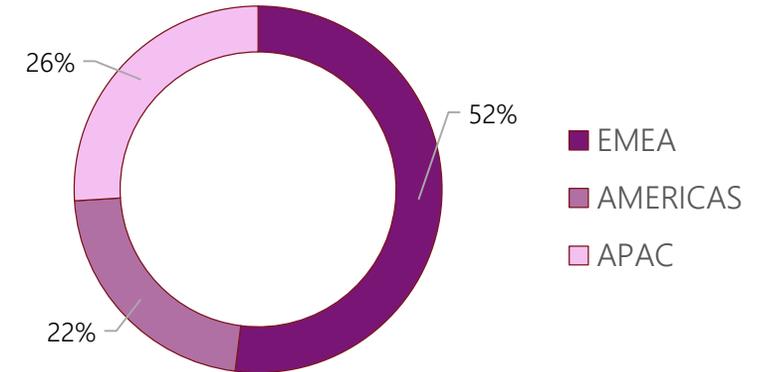
# Executive summary Q4/20

- Q4/20 sales amounted to SEK 2,284 m, -7% vs. last year driven by negative FX effects -5% and lower raw material prices
- Organic volume-based sales growth was +6% year-on-year and +4% compared to Q3/20
- EBITDA excluding non-recurring items amounted to SEK 257 m in the final quarter compared to SEK 275 m in the corresponding period last year. Adjusted for FX effects (SEK -42 m) vs. same period last year EBITDA came in above Q4/19 on the back of increased volumes and solid cost control. Q4 EBITDA margin amounted to 11.3% (11.2)
- EBITDA Q4 vs Q3/20 improved by SEK 54 m driven by higher volumes and margins
- Continued solid free cash flow generation in Q4/20 of SEK 364 m (549)
- Available funds amounted to SEK 2,037 m at the end of the period including the newly granted revolving facility of SEK 600 m

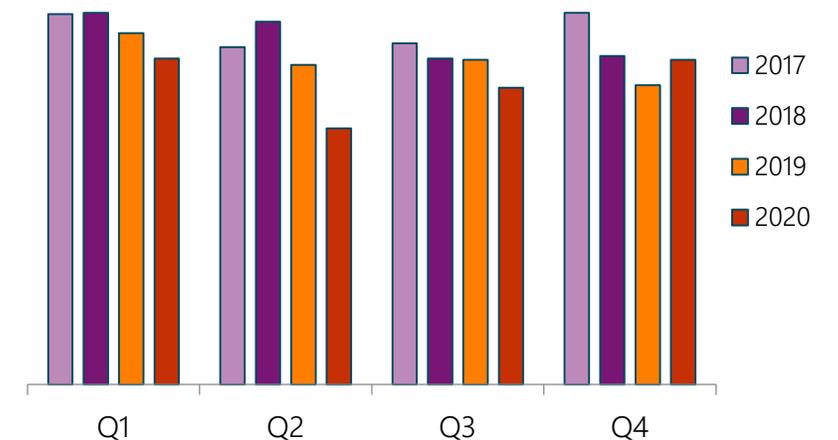
# Market overview Q4/20 vs Q4/19

- Lower average selling prices in all regions, APAC (-21%) Americas (-16%) and EMEA (-16%), mainly linked to FX effects, lower raw material costs and in some product areas increased competition
- Volumes were stronger than Q4/19 and increased in Q4 vs Q3/20
- Volumes in EMEA were 3% higher than Q4 last year, linked to BA Special Polyols and Solutions and BA Animal Nutrition
- Volumes in Americas increased 5% compared to Q4 last year driven by BA Animal Nutrition
- Volumes in APAC increased 18% compared to Q4 last year thanks to stronger performance in all three BA's

NET SALES BY REGION Q4/20



VOLUMES BY QUARTER

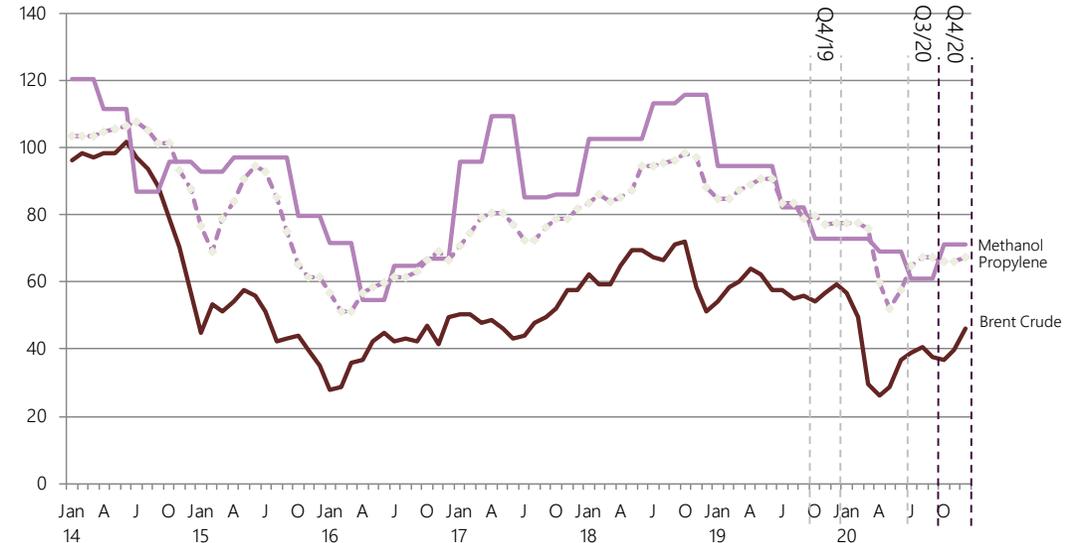


# Raw materials and unit margins

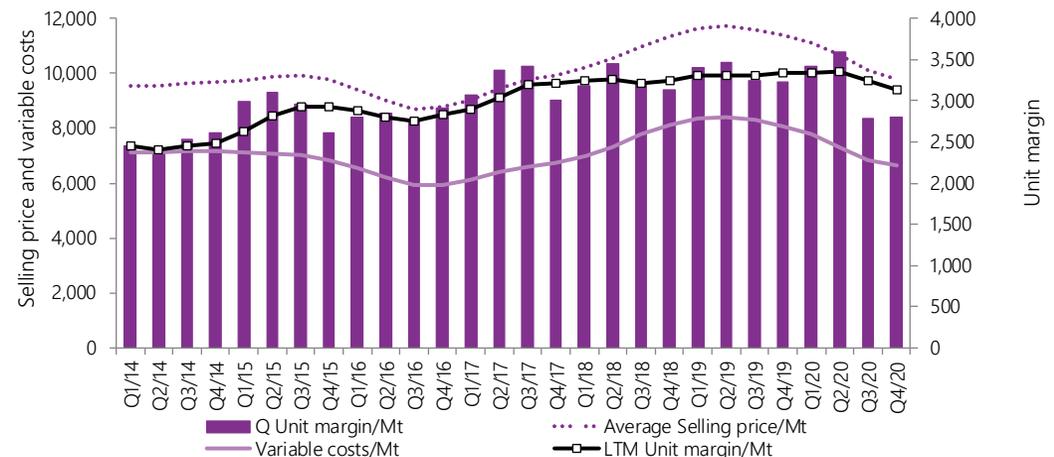
- Raw material prices decreased compared to Q4/19
  - Average price for Brent crude oil decreased by 28 % in Q4/20 vs Q4/19 but increased from last quarter and was up 5%
  - Methanol decreased 3% in Q4/20 vs. Q4/19 but increased with 17 % compared to Q3/20
  - Propylene decreased 15% in Q4/20 vs. Q4/19 but remained on the same level as last quarter
- Lower unit margins vs. Q4/19
  - Lower unit margins in Specialty Polyols and Solutions mainly linked to negative FX effect
  - Advanced Chemicals unit margins were lower than Q4/19 linked to negative FX effect and unfavorable product mix
  - Animal Nutrition unit margins declined due to price pressure, unfavorable product/customer mix and negative FX effect

Raw material prices

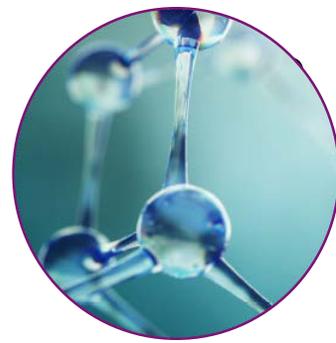
Index 100 = Jan 2013



Unit margins quarterly trend



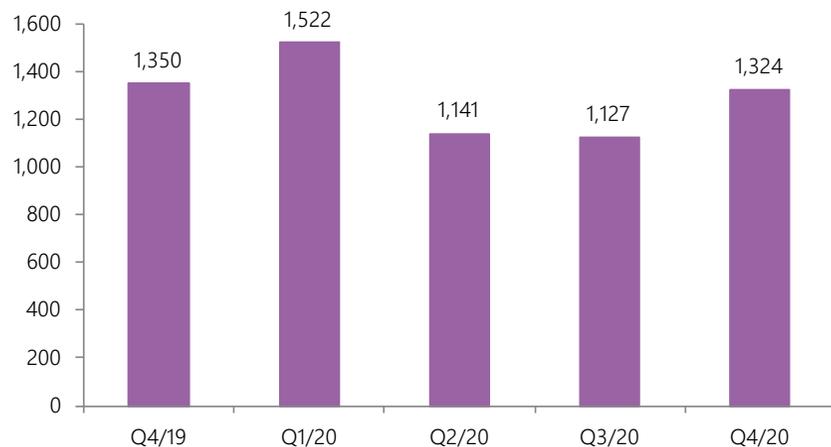
# BA Specialty Polyols and Solutions



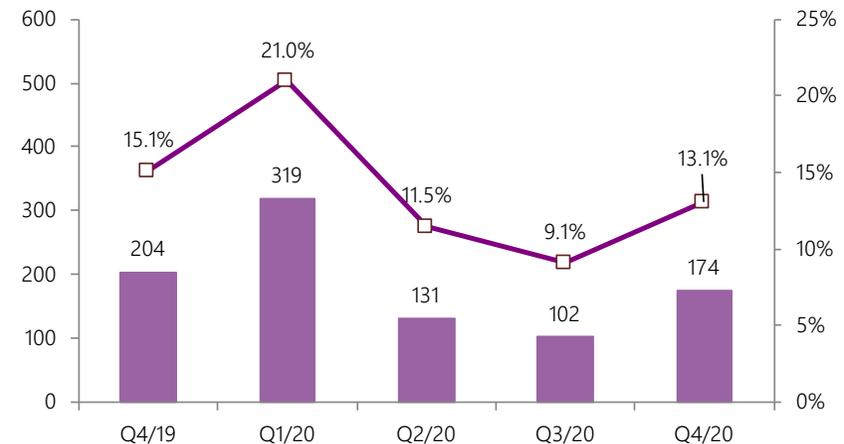
## Demand recovery and improving sales volumes and results

- During the fourth quarter 2020 net sales amounted to SEK 1,324 m (1,350) which was 2% lower than the corresponding quarter 2019. The decrease was attributable to negative impact from FX partly balanced by higher volumes and average sales prices. FX effects had a negative impact on sales of approximately -6%.
- Organic volume-based sales growth was 8% linked to the main products
- EBITDA excluding non-recurring items in the fourth quarter was SEK 174 (204) m corresponding to an EBITDA margin of 13.1% (15.1%). The decrease was attributable to negative FX effects partly balanced by lower fixed costs.

Net sales development



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



<sup>1</sup>= EBITDA excluding non recurring items

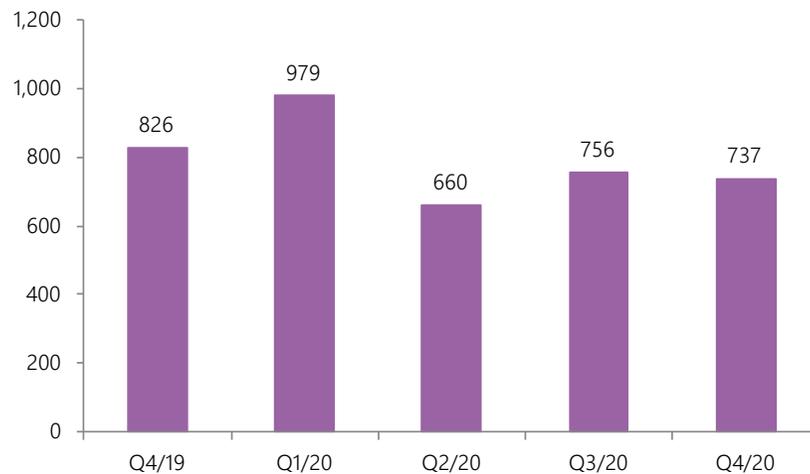
# BA Advanced Chemicals



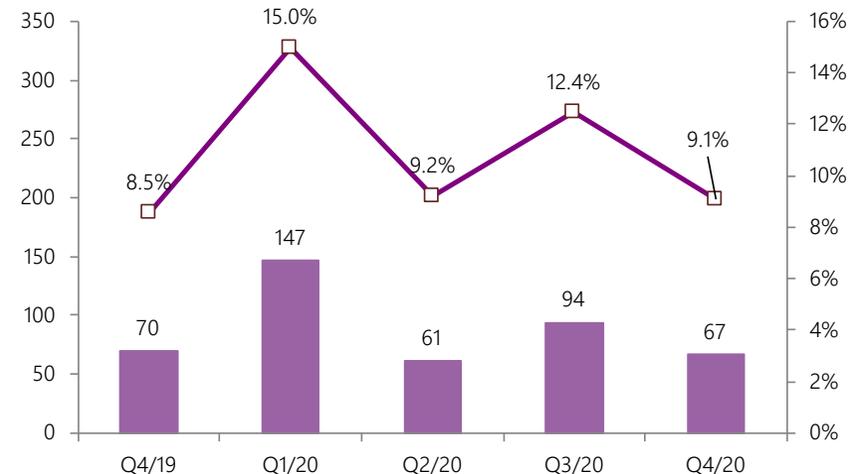
## Volumes back to pre-Covid levels despite negative impact from Borealis fire

- Net sales in the fourth quarter 2020 amounted to SEK 737 m (826), which was 11% lower than the corresponding period in 2019. The decrease was mainly attributable to lower sales prices due to lower raw material prices. FX rates had a negative impact on sales of approximately 4%. Organic volume-based sales growth was 1%, negatively impacted by supply constraint from Borealis in Stenungsund.
- EBITDA excluding non-recurring items was SEK 67 m (70), corresponding to an EBITDA margin of 9.1% (8.5). The decrease in EBITDA was attributable to negative FX effects partly balanced by lower fixed costs.

Net sales development



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



<sup>1</sup>= EBITDA excluding non recurring items

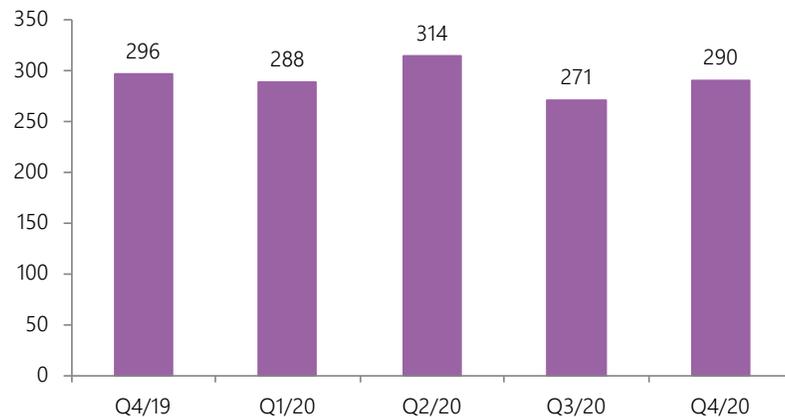
# BA Animal Nutrition



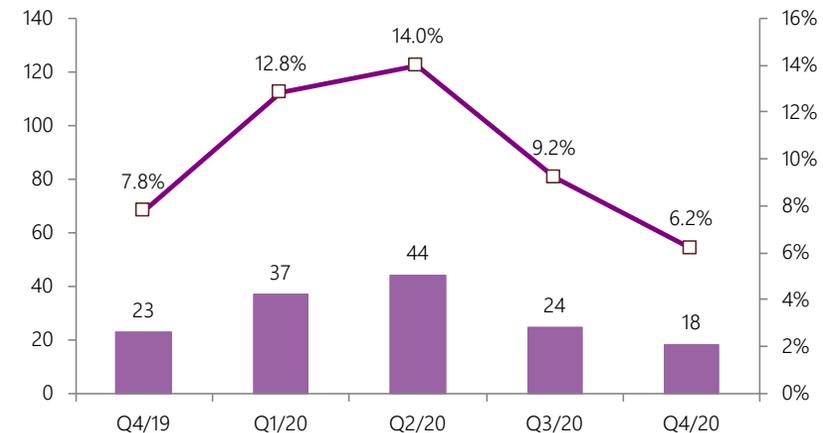
## Favorable product mix in Feed Additives offset by price pressure in some product lines

- Net sales in the fourth quarter 2020 amounted to SEK 290 m (296), a decrease of 2%. The lower sales were attributable to decreased prices for non-formulated product lines and negative FX effects. This was partly balanced by increasing sales volumes.
- Organic volume base sales growth was 12%
- EBITDA excluding non-recurring items in the fourth quarter was SEK 18 m (23) corresponding to an EBITDA margin of 6.2% (7.8%). The decrease was due to negative FX effects partly balanced by lower fixed costs and higher volumes.

Net sales development



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



<sup>1</sup>= EBITDA excluding non recurring items

# Financial review



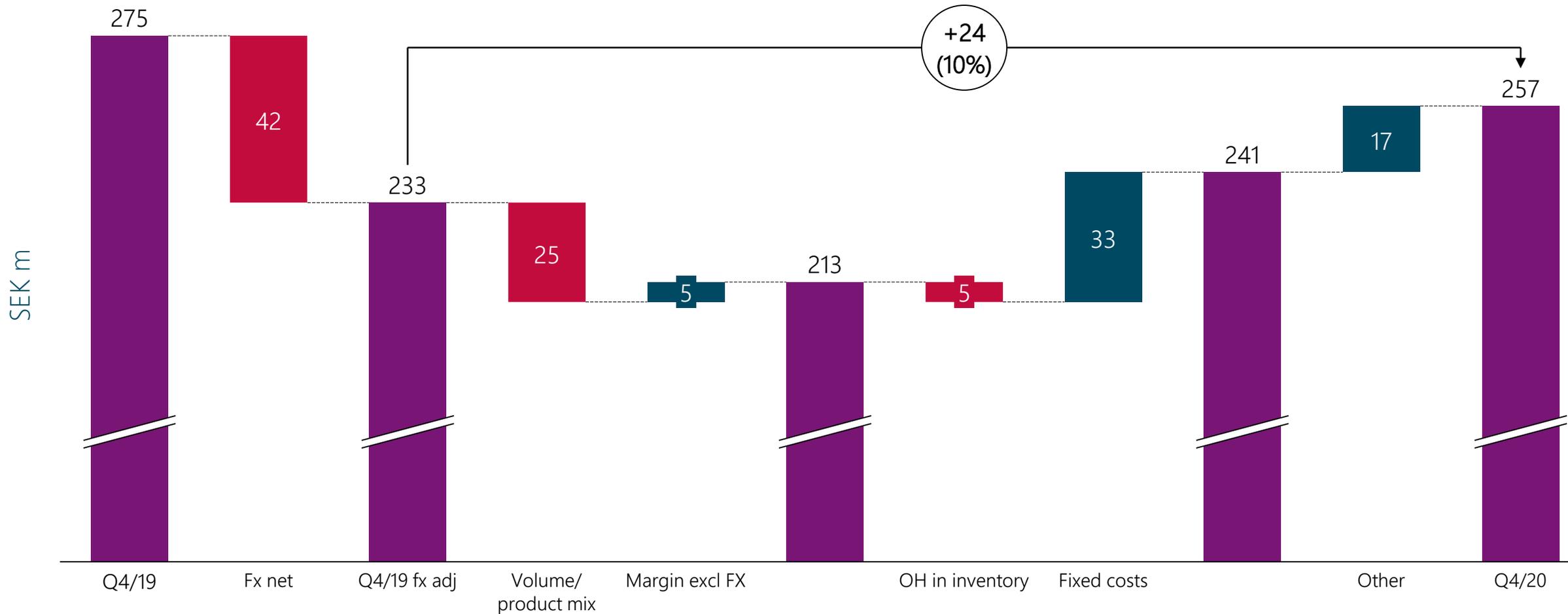
Ulf Berghult  
*CFO*

# Financial highlights

SEK m	Q4/20	Q4/19	YTD Q4/20	YTD Q4/19	Q3/20	Q2/20
Net Sales	2,284	2,463	9,194	11,641	2,111	2,079
% growth (y-o-y)	-7,3%	-16,2%	-21,0%	-6,4%	-27,1%	-32,2%
% organic volume-based sales growth (y-o-y)	+5,9%	-7,3%	-5,4%	-2,8%	-5,6%	-21,8%
Marginal Contribution	690	760	2,946	3,406	651	726
% of sales	30,2%	30,8%	32,0%	29,3%	30,8%	34,9%
EBITDA, reported	232	241	1,068	1,427	178	239
% of sales	10,2%	9,8%	11,6%	12,3%	8,4%	11,5%
EBITDA, excl. non-recurring items	257	275	1,128	1,554	185	265
% of sales	11,3%	11,2%	12,3%	13,3%	8,8%	12,7%

# EBITDA excl non-recurring items

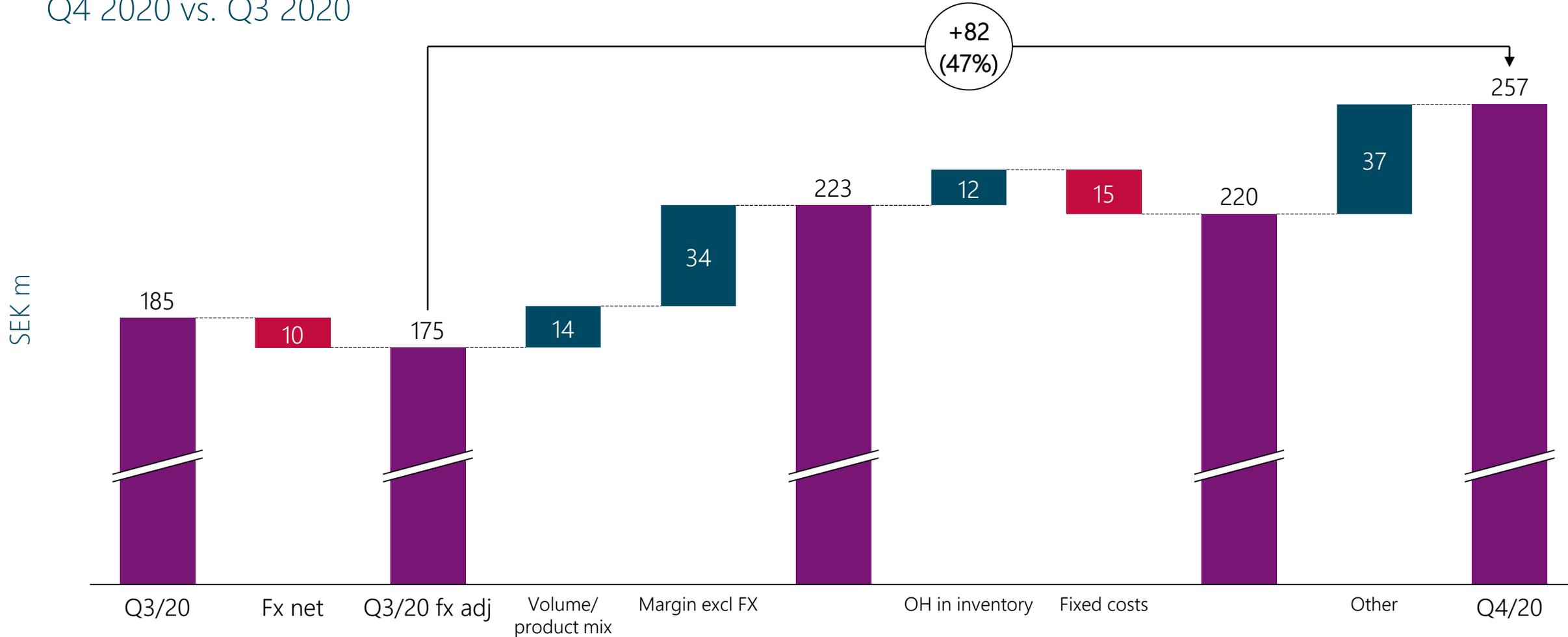
Q4 2020 vs. Q4 2019



- EBITDA decreased by SEK 18 m year-on-year due to negative FX effects. There was also negative effect from volumes/product mix (negative impact from Borealis supply constraint)
- Fixed costs were lower than the same quarter previous year mainly due to lower consultancies, travelling, personnel costs and maintenance, partly offset by lower capitalization
- Deviation in Other mainly related to insurance compensations (Borealis supply constraints)

# EBITDA excl non-recurring items

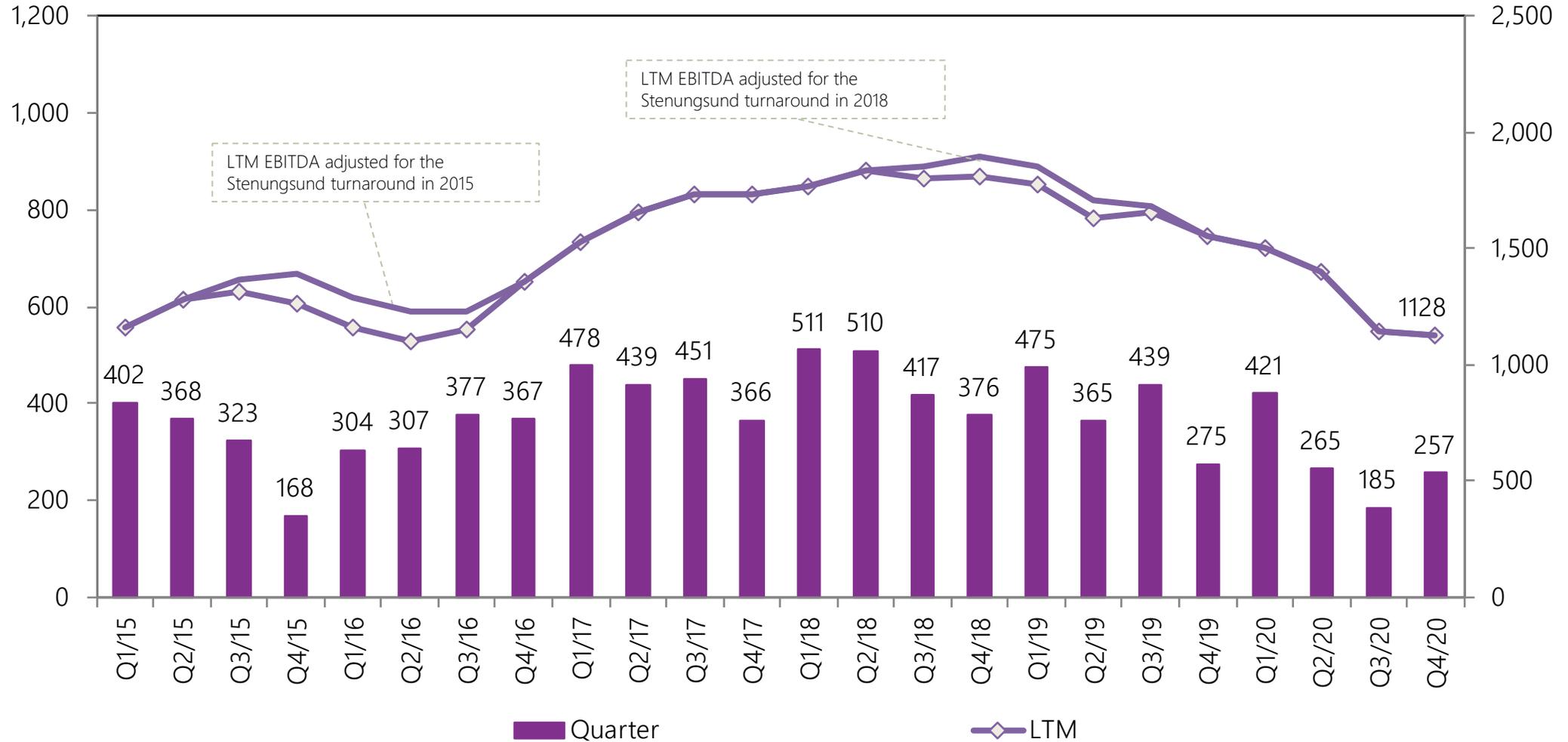
Q4 2020 vs. Q3 2020



- EBITDA increased SEK 72 m in Q4/20 vs Q3/20 driven by stronger margins and volumes for several products
- Fixed cost excl FX effects increased due to personnel costs (vacation effect in Q3) and consultant costs partly balanced by lower maintenance costs.
- Deviation in Other mainly related to higher insurance compensations (Borealis supply constraints)

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

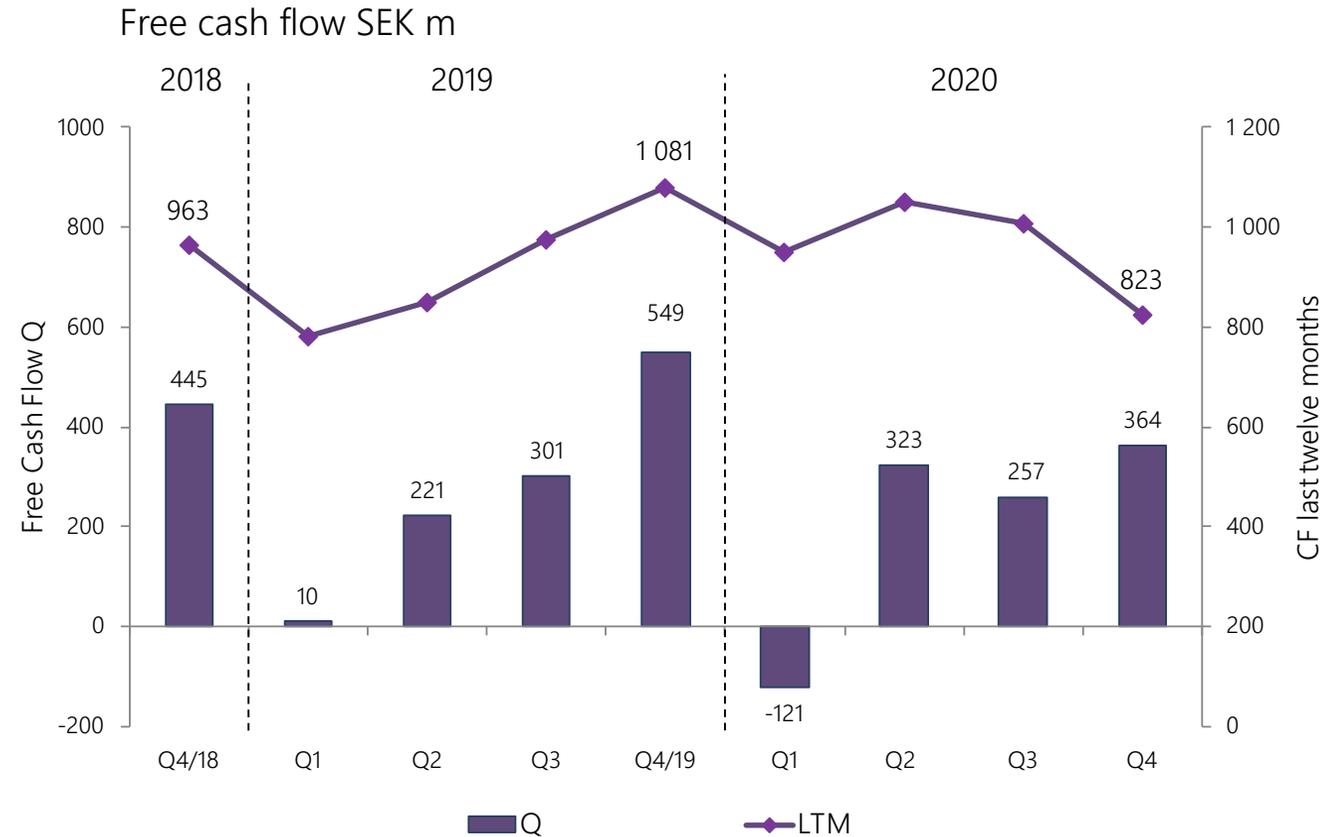
Q1 2015 to Q4 2020



<sup>1)</sup> Continuing operations excluding non-recurring items

# Free cash flow

- Free cash flow in Q4/20 was SEK 364 m compared to SEK 549 m in Q4/19
- Q4/19 cash flow 549 m driven by strong decrease of working capital
- Continued solid free cash flow generation in Q2, Q3 and Q4 2020

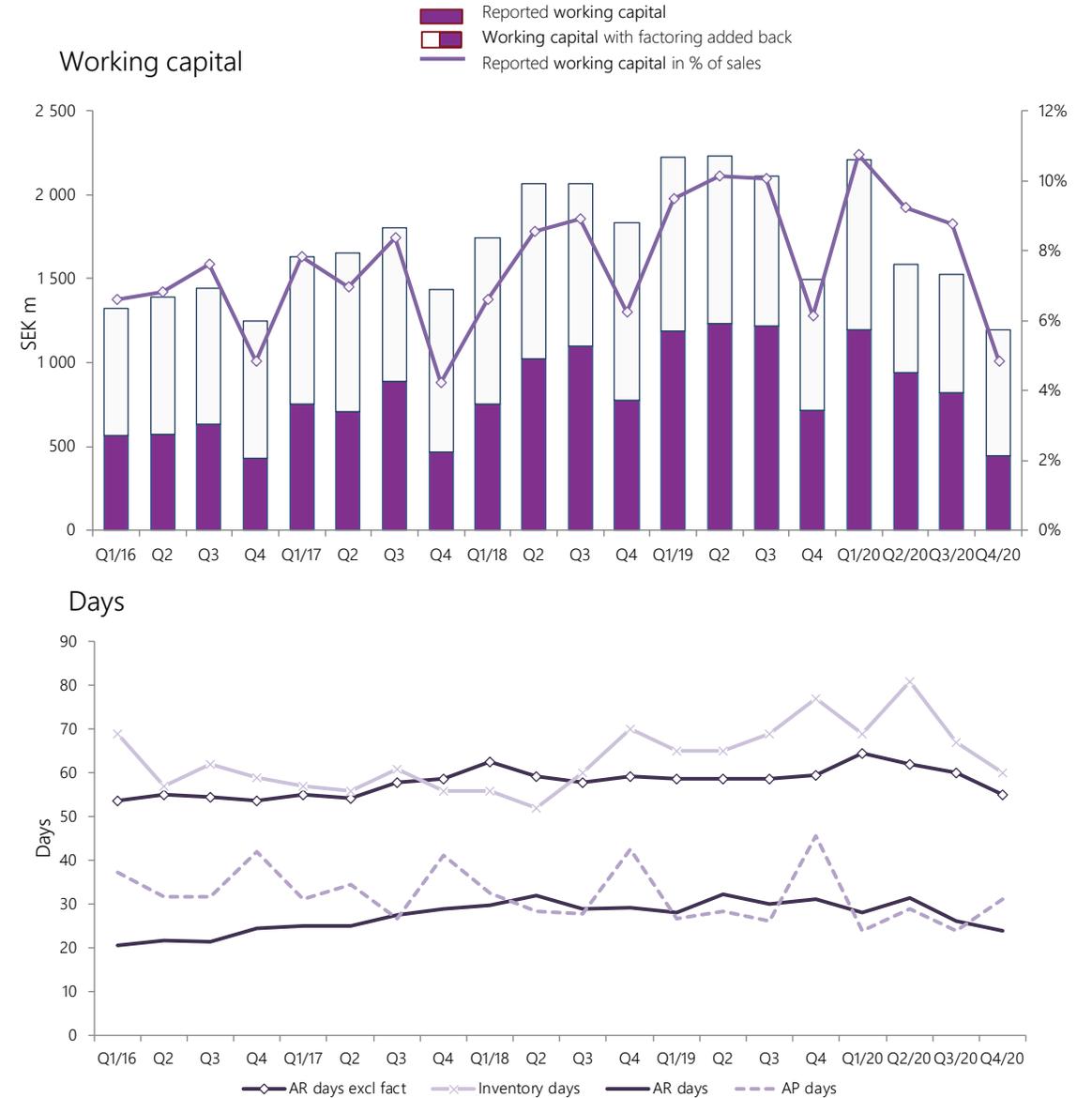


# Free cash flow details

SEK m	Q4/20	Q4/19	Full year 2020	Full year 2019	Q3/20
EBITDA excl non-rec items	257	275	1,128	1,554	185
Change in working capital	300	508	187	142	141
Maintenance capex	-105	-137	-244	-296	-35
Free cash flow before strategic capex	<b>452</b>	<b>646</b>	<b>1,071</b>	<b>1,400</b>	<b>291</b>
% of EBITDA excl non-rec.	176	235	95	90	157
Strategic capex	-88	-97	-248	-319	-34
Free cash flow	<b>364</b>	<b>549</b>	<b>823</b>	<b>1,081</b>	<b>257</b>
% of EBITDA excl non-rec.	142	200	73	70	139

# Working capital

- Working capital including factoring decreased by SEK 273 m during Q4/20 vs. Q4/19 and was SEK 378 m lower than Q3/20
- Inventory total value decreased by SEK 350 m in 2020, adapted to lower sales volumes and partly due to constraints as an effect of the Borealis fire. In Q4/20 inventories decreased further due to quicker demand recovery than expected. Lower raw material costs and strengthened SEK also contributed to a positive working capital effect
- Account receivables including factoring decreased by SEK 48 m from Q4/19 despite higher sales in November and December 2020. DSO including factoring improved with 7 days vs Q4/19
- Account payables decreased by SEK 192 m vs. Q4/19, linked to lower raw material prices and FX effects



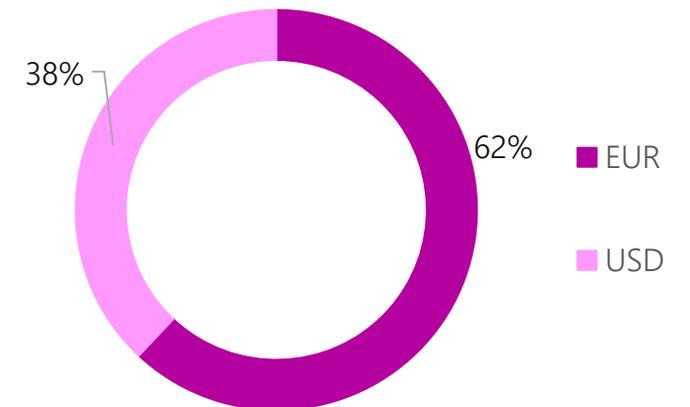
# Indebtness

## Total Group

	USD m Equiv.	SEK m <sup>1)</sup>	Reported leverage <sup>2)</sup>
Cash on balance sheet	-70	-575	
Senior secured Term loan B (€)	625	5,119	
Senior secured Term loan B (\$)	379	3,107	
Net senior secured Term loan B	934	7,651	6,8 x
Other debt <sup>3)</sup>	3	22	
Net debt, excl. pension liabilities	937	7,673	6,8 x

- Net debt, excluding pension liability, decreased by SEK 848 m during Q4/20 mainly related to a stronger SEK against both USD and EUR and by a positive cash-flow from operations
- Available funds per end of Q4/20 amounted to SEK 2,037 m including the newly granted revolving facility of SEK 600 m

DEBT BY CURRENCY (TLB)



<sup>1)</sup> Fx rates; USD 8,19 and Euro 10,04

<sup>2)</sup> Based on EBITDA excl. non-recurring items of SEK 1,128 m

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

# Summary



Jan Secher  
*President & CEO*

# Summary

- The fourth quarter was characterized by recovering demand in all regions
- The EBITDA decrease vs Q4/19 was due to negative FX effects, balanced by lower fixed costs
- Compared to the previous quarter, volumes, sales and EBITDA increased despite negative FX effects
- Organic volume-based sales growth was +6% vs Q4/19 and +4% compared to Q3/20
- EBITDA excluding non-recurring items at SEK 257 m (275) in Q4/20 and SEK 1,128 m for the full year 2020
- Strong focus on implementing and managing fixed cost and cash preservation resulted in continued solid free Cash Flow generation in the fourth quarter amounting to SEK 364 m
- The newly granted revolving facility established in Q4, increase funds available SEK 600 m
- Going forward we are conducting a structured review of our strategy to ensure optimized focus in a fast-changing business environment
- We see a strong start of Q1 2021 but also a continued volatile macro environment with uncertainty around the market impact from the coronavirus

# Project Eagle

## Background:

- Market uncertainties are higher than ever, uncertainty around what the pandemic will bring in terms of changed market opportunities
- Acceleration of market trends
- Financial performance impacted by Covid-19

## Project Objective:

- Based on solid understanding of Perstorp's current performance versus "full potential", to review & potentially update the Perstorp corporate strategy
- Respond to the two questions;  
*Who do we want to be as a company? (WHAT)*  
*What does it take to get there? (HOW)*

# Building blocks for Perstorp's Strategy

We are the **sustainable solutions provider**, focusing on the global **Resins & Coatings, Engineered Fluids and Animal Nutrition** markets

- ✓ We focus investments to **grow our specialty offerings**
- ✓ We allow for **step change investments in Asia** and we resume our Indian Penta expansion (Project Elephant) with full speed
- ✓ We maximize value generation from our core product platforms by **de-commoditization** primarily through non-capex investments with short payback focusing on **efficiency and availability**
- ✓ Strengthening of our **sustainability** profile and **digitalization** as important enablers and differentiators
- ✓ We remain committed to our **Finite Material Neutral objective**, supported by clear sustainability targets

# ELT Organization



# Q&A

# Appendix

# Segment reporting

SEK m	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19
Net Sales	2,284	2,111	2,079	2,720	2,463	2,895	3,065	3,218
Specialty Polyols and Solutions	1,324	1,127	1,141	1,522	1,350	1,564	1,667	1,854
Advanced Chemicals	737	756	660	979	826	937	1,053	1,021
Animal Nutrition	290	271	314	288	296	313	307	305
Other/eliminations	-67	-43	-36	-69	-9	81	38	38
EBITDA, reported	<b>232</b>	178	239	419	241	411	362	413
Specialty Polyols and Solutions	172	97	137	322	188	296	217	311
Advanced Chemicals	60	88	57	147	70	140	168	146
Animal Nutrition	18	24	44	37	23	49	69	45
Other/eliminations	-18	-31	1	-87	-40	-74	-92	-89
EBITDA excl. non-recurring items	<b>257</b>	185	265	421	275	439	365	475
Specialty Polyols and Solutions	174	102	131	319	204	296	218	311
Advanced Chemicals	67	94	61	147	70	138	165	151
Animal Nutrition	18	25	44	37	23	49	69	45
Other/eliminations	-2	-36	29	-82	-22	-44	-87	-32

# Quarter on quarter development

SEK m	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19
Net Sales	2,284	2,111	2,079	2,720	2,463	2,895	3,065	3,218
Marginal Contribution	690	651	726	879	760	829	874	943
% of sales	30.2%	30.8%	34.9%	32.3%	30.9%	28.6%	28.5%	29.3%
EBITDA, reported	232	178	239	419	241	411	362	413
% of sales	10.2%	8.4%	11.5%	15.4%	9.8%	14.2%	11.8%	12.8%
EBITDA, excl. non-recurring items	257	185	265	421	275	439	365	475
% of sales	11.3%	8.8%	12.7%	15.5%	11.2%	15.2%	11.9%	14.8%

# Cash and available funds

## Total group

SEK m	Q4/20
Unrestricted cash	448
Restricted <sup>1)</sup> and escrowed cash <sup>2)</sup>	127
Cash on Balance Sheet	575

SEK m	Q4/20
Unrestricted cash	448
Unutilized committed credit facilities	1,589
Reported Available Funds	2,037

<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	Q4/20	Q4/19	FY-20	FY-19	Q3/20
USD	8.63	9.63	9.20	9.46	8.87
Euro	10.28	10.66	10.49	10.59	10.36
GBP	11.38	12.38	11.80	12.07	11.45

Period end exchange rates

SEK per LOC	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19
USD	8.19	8.99	9.35	10.08	9.32
Euro	10.04	10.54	10.48	11.08	10.43
GBP	11.09	11.52	11.47	12.39	12.21