



# Perstorp Holding AB (Publ.)

Interim report, January-June 2017

Conference call August 29, 2017

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- ➔ Unless otherwise stated, the financial information presented in this document represents the Group's continuing operations, i.e. excluding:
  - All shares, 100%, in Perstorp Oxo Belgium AB (site Gent), divested in March 2017
  - The stake in Vencorex (the former Coating Additives business unit)

# Agenda

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



# Business performance



**Jan Secher**  
*President & CEO*



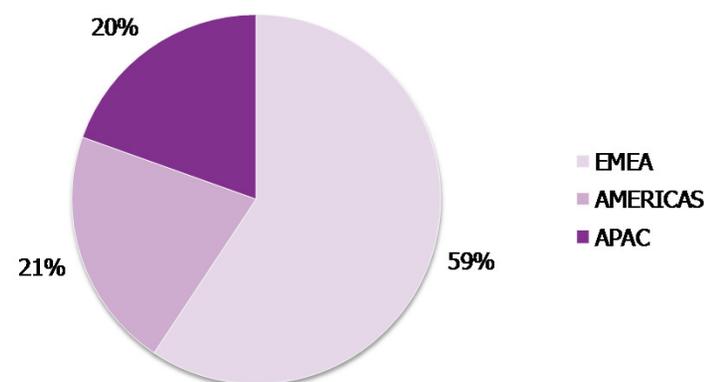
## Executive summary

- ➔ Organic volume-based sales growth was +7% vs. Q2 2016
- ➔ Q2 sales amounted to SEK 3,288 m, a 24% increase over last year, mainly due to higher sales unit prices and stronger volumes
- ➔ Quarter-on-quarter unit margins continued to improve despite higher key raw material prices
- ➔ EBITDA excluding non-recurring items reached SEK 502 m in Q2/17 compared to SEK 409 m Q2/16. Year-on-year, the second quarter was characterized by higher unit margins supported by improved volumes. The second quarter was negatively impacted by FX revaluation losses of net receivables
- ➔ Q2 EBITDA margin amounted to 15.3% (15.4%). Excluding BioProducts, EBITDA margin was 17,7% (17.3%)
- ➔ Free Cash flow amounted to SEK 351 m in Q2 which was SEK 126 m higher than Q2 last year following improved earnings and better working capital development
- ➔ Leverage ratio decreased in the quarter from 6.4 x to 6.0x

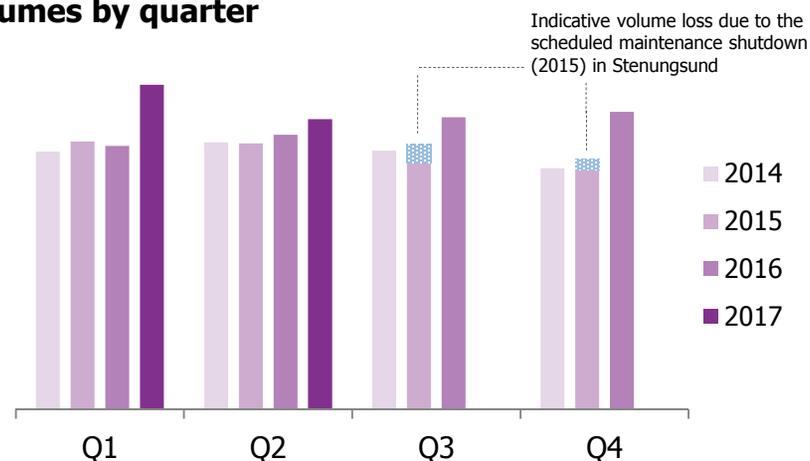
# Market overview

- ➔ Overall demand for Perstorp products was strong in all major markets and regions, Year-on-year organic volume-based sales growth was 7%
- ➔ Continued higher sales prices in local currencies vs. the corresponding quarter last year following strengthened pricing and higher raw material prices
- ➔ Volumes in EMEA were up 5% compared to Q2 last year with double digit growth in Capa, Specialty Polyols and Formates. Sales were 21% higher than Q2 last year
- ➔ Volumes in Americas were 8% higher than last year driven by Oxo, Formate, Feed & Food and Capa business. Sales were 22% above Q2 last year
- ➔ Volumes increased in APAC by 2% compared to last year, lower growth rate vs other regions due to several products on allocation. Double digit growth for Oxo and Feed & Food. Sales were 33% higher than Q2 last year

**Q2/2017, Net Sales by region, %**

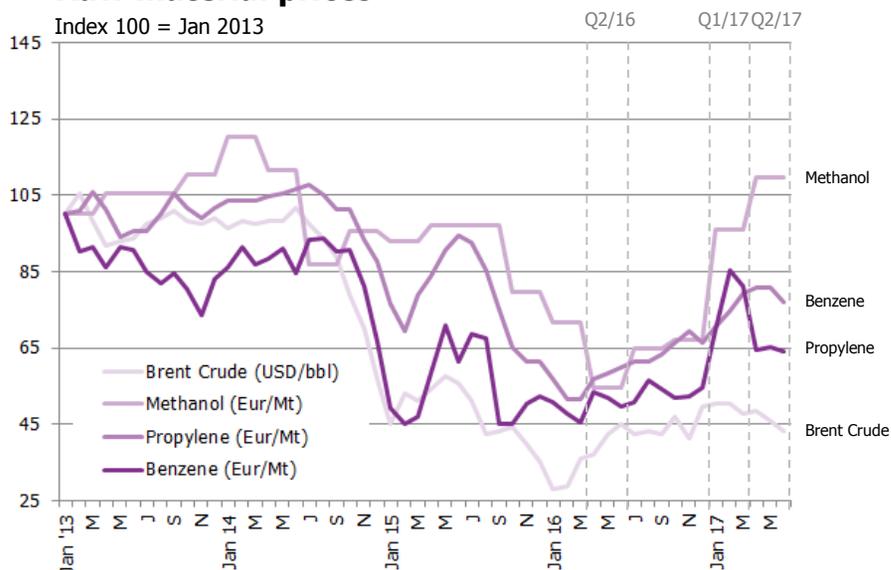


**Volumes by quarter**



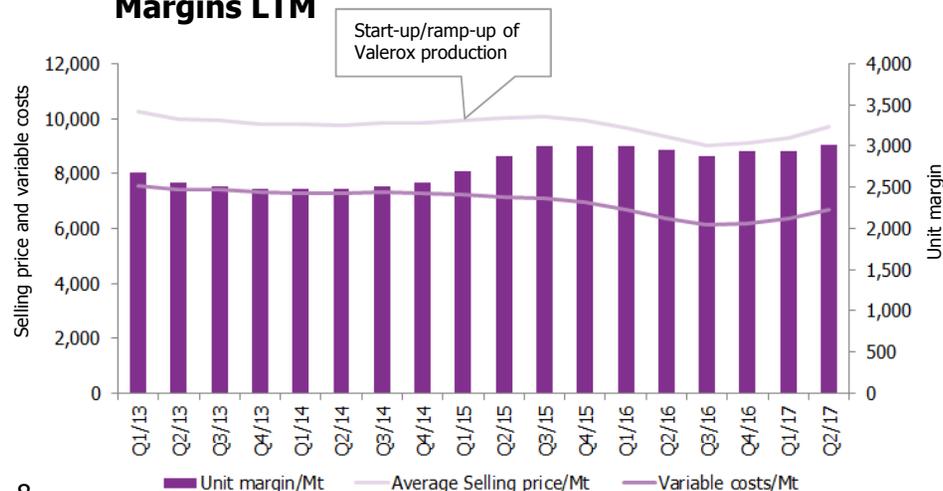
# Raw materials and unit margins

## Raw material prices



- ➔ During second quarter all key raw material prices increased compared to Q2 last year
  - Average price for Brent crude oil decreased by 7% in Q2/17 vs Q1/17 but was 11% higher than in Q2/16
  - Benzene decreased 18% in Q2/17 (+25% vs LY)
  - Methanol increased 14% in Q2/17 (+100% vs LY)
  - Propylene increased 6% in Q2/17 (+36% vs LY)
- ➔ Improved unit margins vs. Q1/17 and Q2/16
  - Advanced Chemicals & Derivatives unit margins stronger than Q1/17 and Q2/16 thanks to improved market dynamics, price increases and FX
  - Unit margins in Specialties & Solutions weakened vs. Q2/16 following negative product/customer mix and raw material cost increases. Unit margins strengthened vs. Q1/17

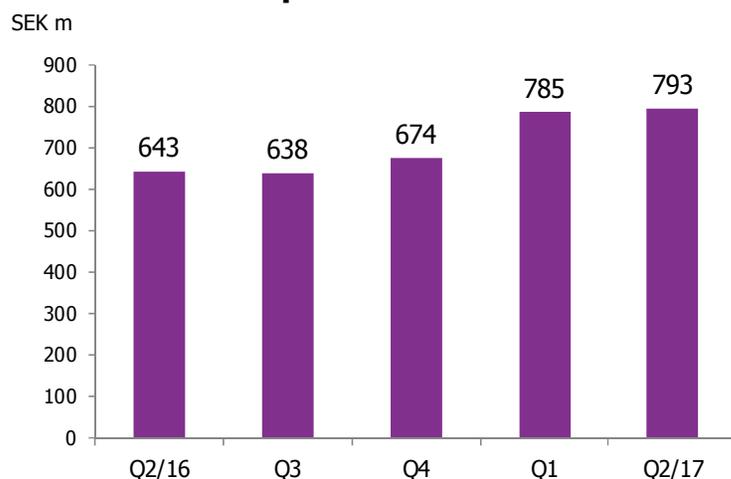
## Margins LTM



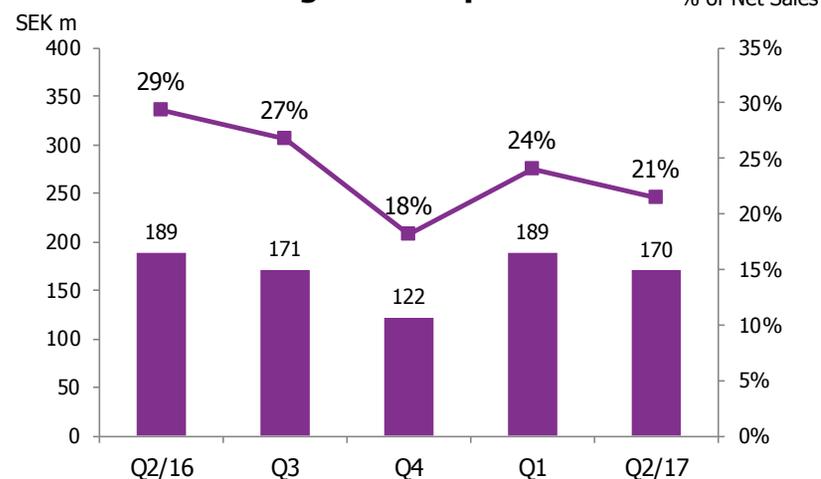
# Specialties & Solutions

- ➔ Customer and product mix impact partly offset by stronger volumes
  - Organic volume-based sales growth was +22% vs. Q2/16
  - Q2/17 net sales amounted to SEK 793 m, 23% higher than previous year, positively impacted by higher volumes (22%) and stronger SEK (6%), partly offset by a negative product and customer mix (-5%)
  - Q2/17 EBITDA amounted to SEK 170 m (189) corresponding to an EBITDA margin of 21% (29%)
  - Improved earnings from higher volumes was offset by weaker unit margins following negative product and customer mix and increased raw material costs

**Net sales development**



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

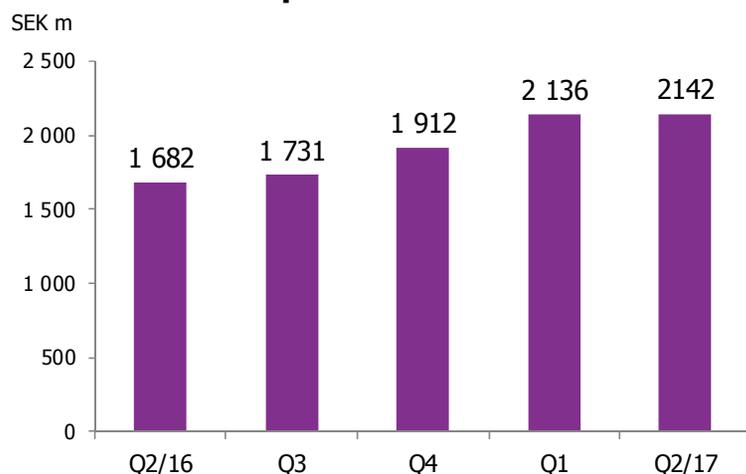


<sup>1</sup>= EBITDA excluding non recurring items

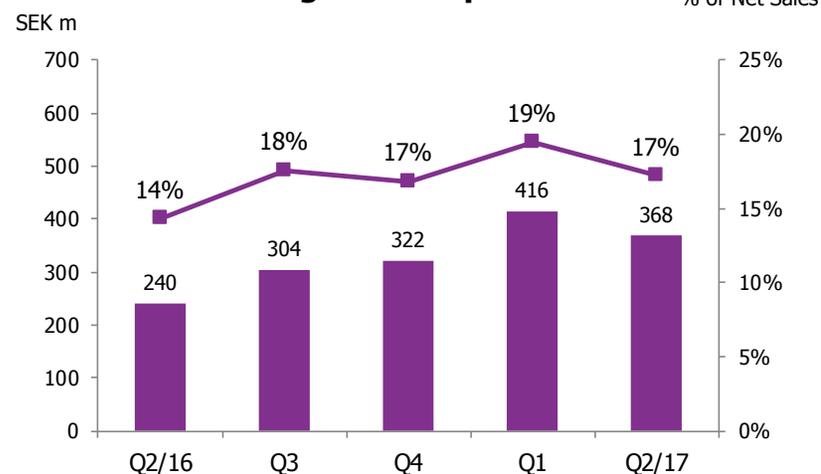
# Advanced Chemicals & Derivatives

- ➔ Continued strong EBITDA development driven by improved unit margins
  - Organic volume-based sales growth was +1% vs. Q2/16
  - Q2/17 net sales amounted to SEK 2,142 m, 27% higher than Q2/16 primarily assignable to higher sales prices (21%) and positive impact from FX (6%)
  - Q2/17 EBITDA amounted to SEK 368 m, corresponding to an EBITDA margin of 17% (14%). Earnings primarily increased vs. Q2/16 due to improved unit margins, positively impacted by market dynamics for some product lines, partly linked to competitor outages. Continued solid EBITDA improvement in in most product lines during the quarter, especially Oxo, Plasticizers and Neo

**Net sales development**



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

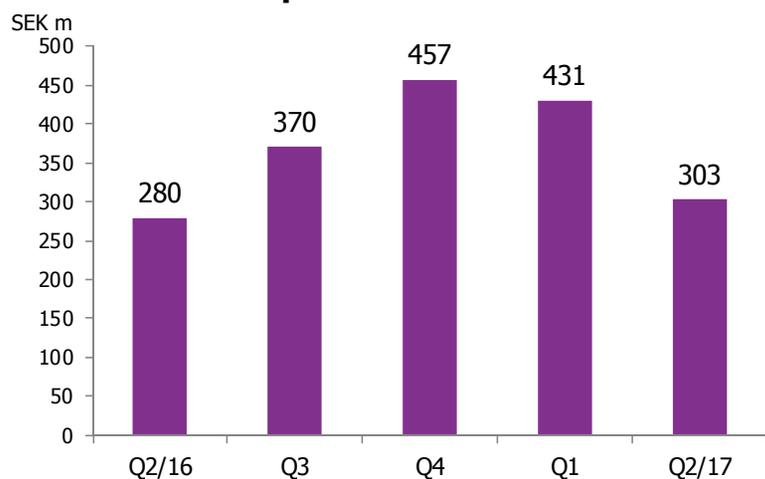


<sup>1</sup>= EBITDA excluding non recurring items

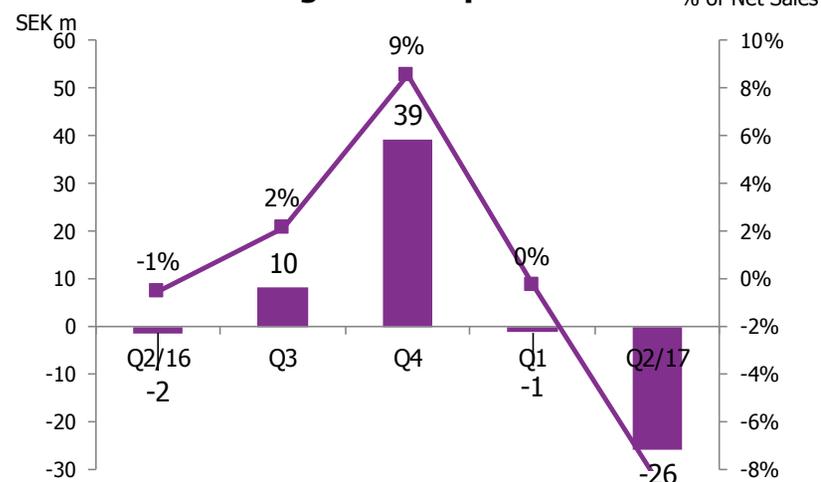
# BioProducts

- ➔ EBITDA negatively impacted by increased competition from Hydrogenated Vegetable Oil (HVO)
  - Organic volume-based sales growth was +5% compared to Q2/16
  - Q2/17 net sales amounted to SEK 303 m, an increase with 8% vs. Q2/16, impacted by higher sales volumes (5%) and positive FX effects (3%)
  - Q2/17 EBITDA amounted to SEK -26 m compared to SEK -2 m in Q2/16. Earnings were negatively affected by weaker unit margins due to raw material costs and lower capacity utilization

**Net sales development**



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



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

# Financial review



**Magnus Heimburg**

*CFO*



# Financial highlights

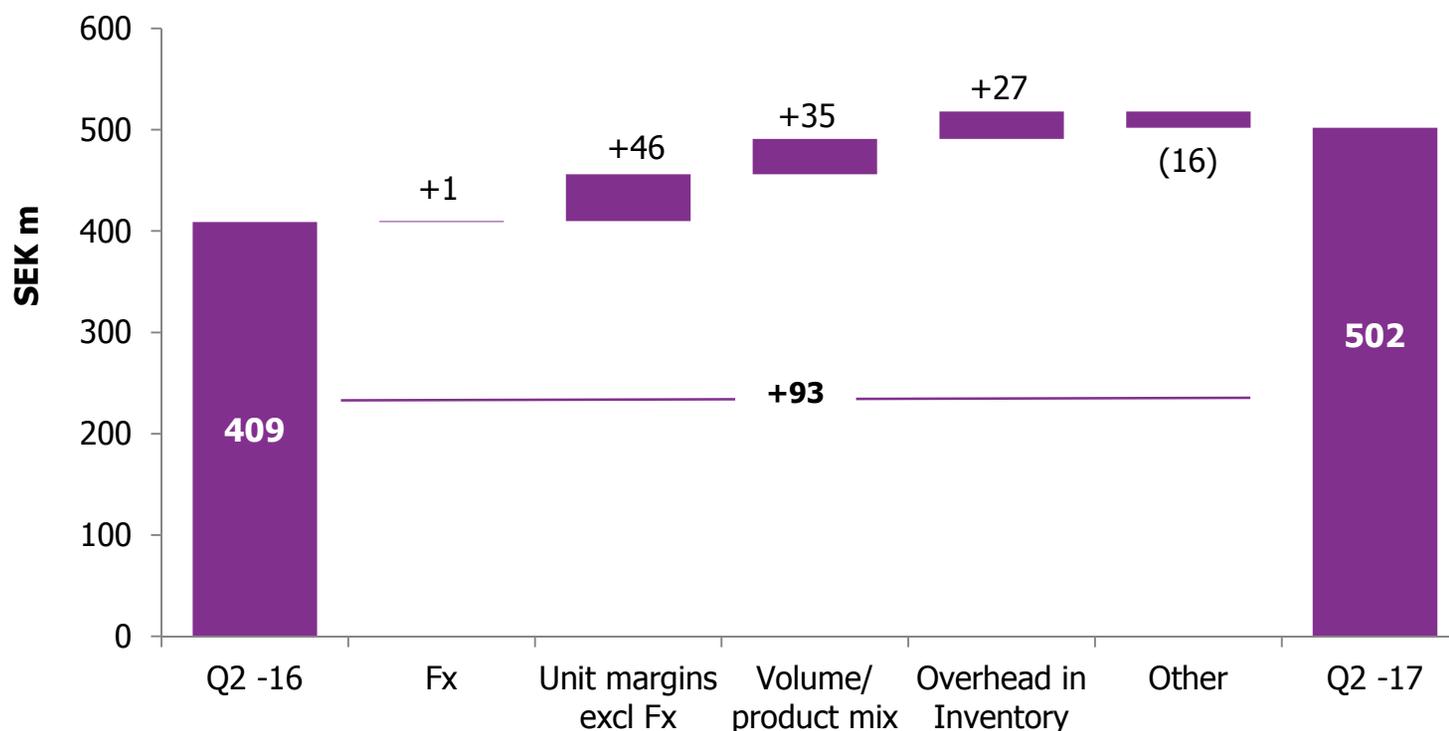
## Q2 2017

SEK m	Q2 -17	Q2 -16	YTD Q2 -17	YTD Q2 -16	LTM Q2-17	Q1 -17
Net Sales	<b>3,288</b>	2,654	6,701	5,203	12,573	3,413
% growth (y-o-y)	<b>+23.9%</b>	-9.4%	+28.8%	-10.7%	+22.0%	+33.9%
% organic volume based sales growth (y-o-y)	<b>+6,7%</b>	+5,6%	+14.6%	+2.4%		+22.9%
Marginal Contribution	<b>1,038</b>	892	2,099	1,765	3,913	1,061
% of sales	<b>31.6%</b>	33.6%	31.3%	33.9%	31.1%	31.1%
EBITDA, reported	<b>502</b>	397	1,063	819	1,960	561
% of sales	<b>15.3%</b>	15.0%	15.9%	15.7%	15.6%	16.4%
EBITDA, excl. non recurring items	<b>502</b>	409	1,073	844	2,010	571
% of sales	<b>15.3%</b>	15.4%	16.0%	16.2%	16.0%	16.7%

- ➔ Net sales increased 24% compared to Q2/16 driven by stronger volumes and higher raw material costs
- ➔ Marginal contribution improved SEK 146 m vs. Q2/16 mainly due to higher unit margins and volumes. Sales margin as % of sales decreased 2 p.p to 31,6 % due to negative product and customer mix and higher raw material costs
- ➔ EBITDA excluding non recurring items increased to SEK 502 m vs. 409 m Q2/16, mainly as a consequence of higher marginal contribution

# Bridge EBITDA excl. non recurring items

## Q2 2017 vs. Q2 2016

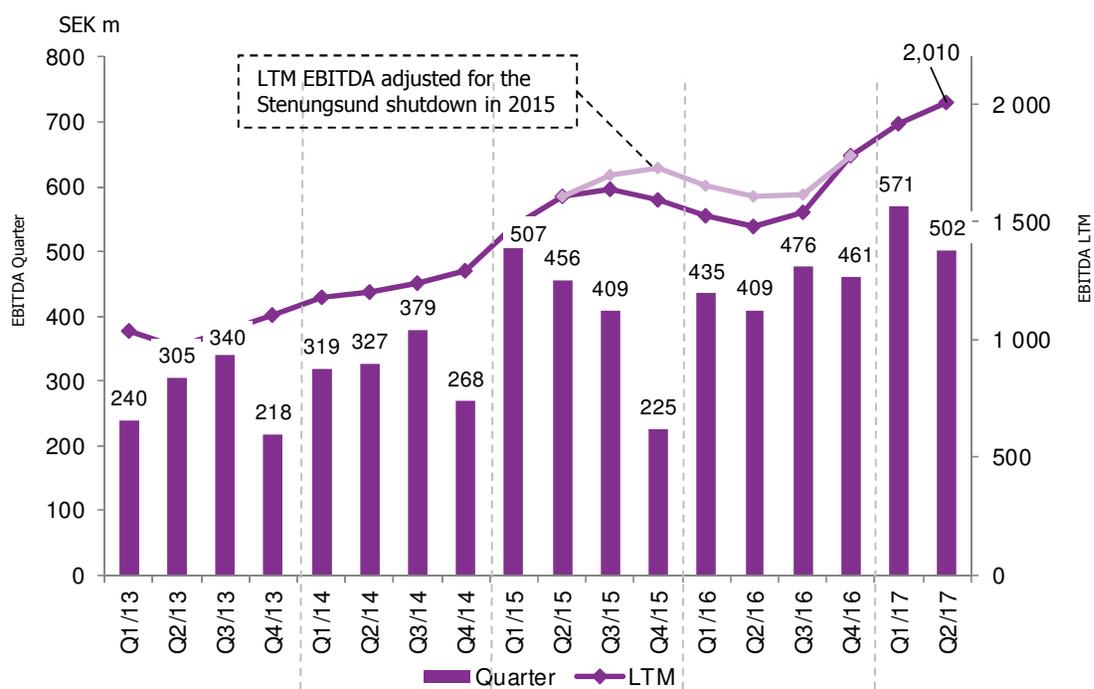


- ➔ Q2/17 EBITDA excluding non recurring items increased with SEK 93 m year-on-year, driven by increased unit margins and volumes. Negative impact from FX revaluation of net receivables balanced by FX impact on unit margins
- ➔ Improved marginal contribution following stronger unit margins (excl. FX) in Advanced Chemicals & Derivatives, higher volumes in Specialties & Solutions, partly offset by negative customer/product mix in Specialties & Solutions and weaker unit margins in BioProducts

# LTM development

## Q1 2013 to Q2 2017

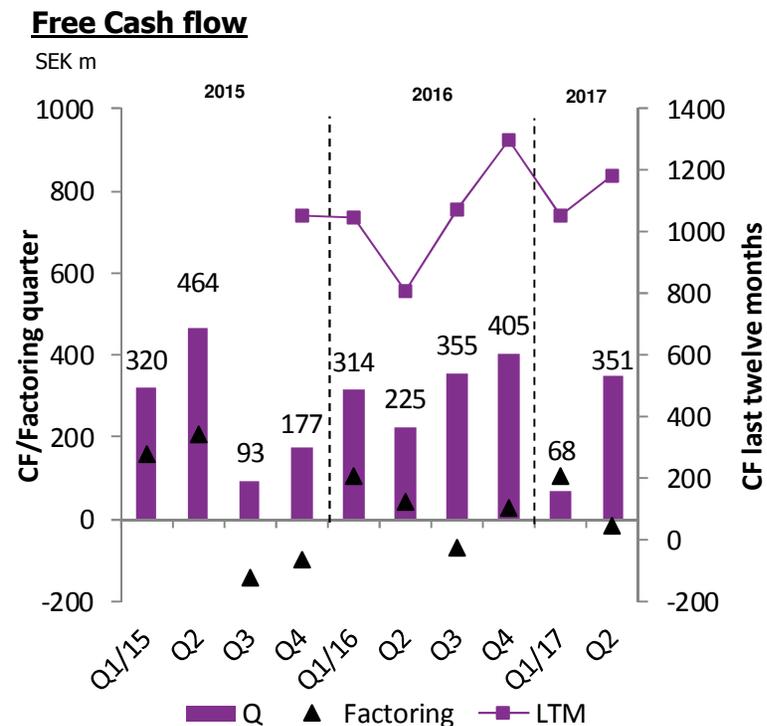
### EBITDA excluding non recurring items



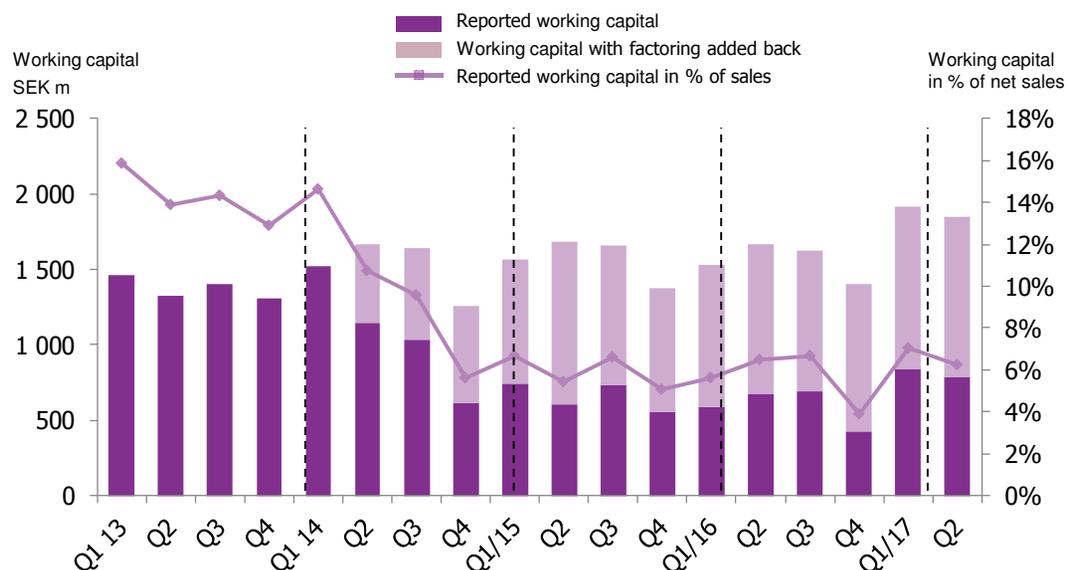
- ➔ LTM EBITDA amounts to SEK 2,010 m
- ➔ New all-time high LTM EBITDA
- ➔ Historical EBITDA figures are adjusted for the divestment of Gent operation

# Free cash flow

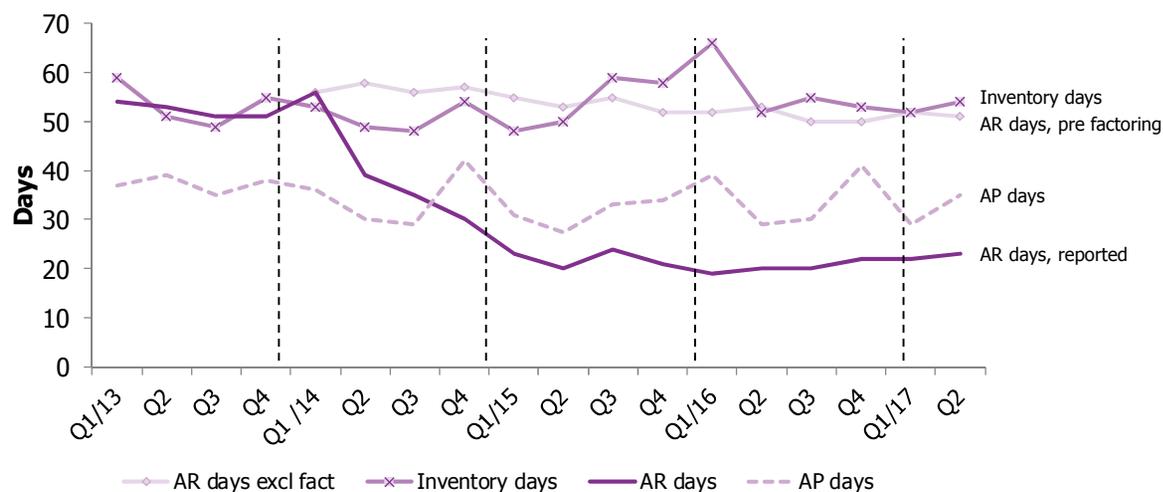
- ➔ Free cash flow in Q2/17 was SEK 351 m compared to SEK 225 m in Q2/16
- ➔ The improved cash flow was driven by improved earnings and decrease in working capital during Q2/17
- ➔ Utilization of the trade receivable program amounted to €109 (105) m per end of Q2/17, with credit approval amounting to €125 m
- ➔ Free cash flow in Q3/17 expected to be positive



# Working capital



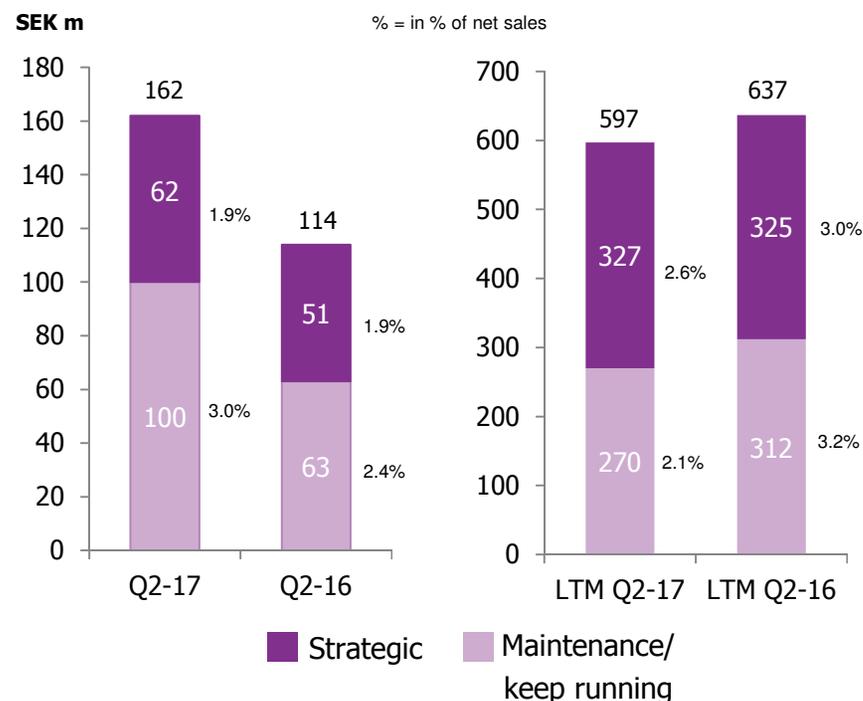
- ➔ Reported working capital decreased SEK 52 m during Q2/17 vs Q1/17
- ➔ Accounts receivables remained on a high level following high sales but decreased SEK 30 from Q1/17
- ➔ Accounts payable increased SEK 90 m vs. Q1/17
- ➔ Inventory value increased SEK 27 m vs Q1/17. Volumes were on the same level while raw material prices have increased for especially Propylene during Q2



AR days excl fact    Inventory days    AR days    AP days

# Investments

- ➔ Investments amounted to SEK 162 m in Q2/17 which was 48 MSEK higher than investments in Q2/16
- ➔ Maintenance investments amounted to SEK 100 m in Q2/17 compared to SEK 63 m in Q2/16
- ➔ Strategic investments includes selective capacity expansions and smaller debottlenecking investments in our key platforms
- ➔ The total investment amount for 2017 still estimated to be around SEK 600-650 m



# Indebtedness

## Current capital structure details

	USDm equiv.	SEKm	x EBITDA excl non-rec.
Cash on balance sheet	-172	-1,456	
Senior secured notes (€)	554	4,692	
Senior secured notes (\$)	275	2,329	
<b>Net senior secured debt</b>	<b>657</b>	<b>5,565</b>	<b>2.8 x</b>
Second lien notes (\$)	420	3,557	
<b>Net second lien debt</b>	<b>1,077</b>	<b>9,122</b>	<b>4.5 x</b>
Mezzanine loans (€)	293	2,478	
Other debt	56	478*	
<b>Net debt, excl. pensions and shareholder loan</b>	<b>1,426</b>	<b>12,078</b>	<b>6.0 x</b>

Fx rates; USD 8.47 and Euro 9.67

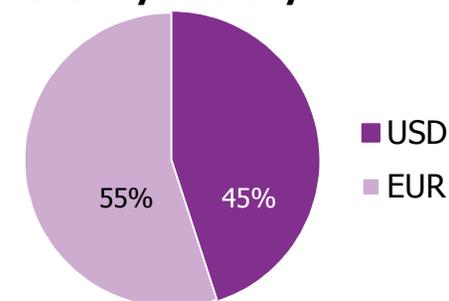
\*Including drawn SSRFC

\*\*During the quarter, Perstorp received an earn-out linked to the divestment of shares in Vencorex in 2014 where Perstorp divested part of its holdings

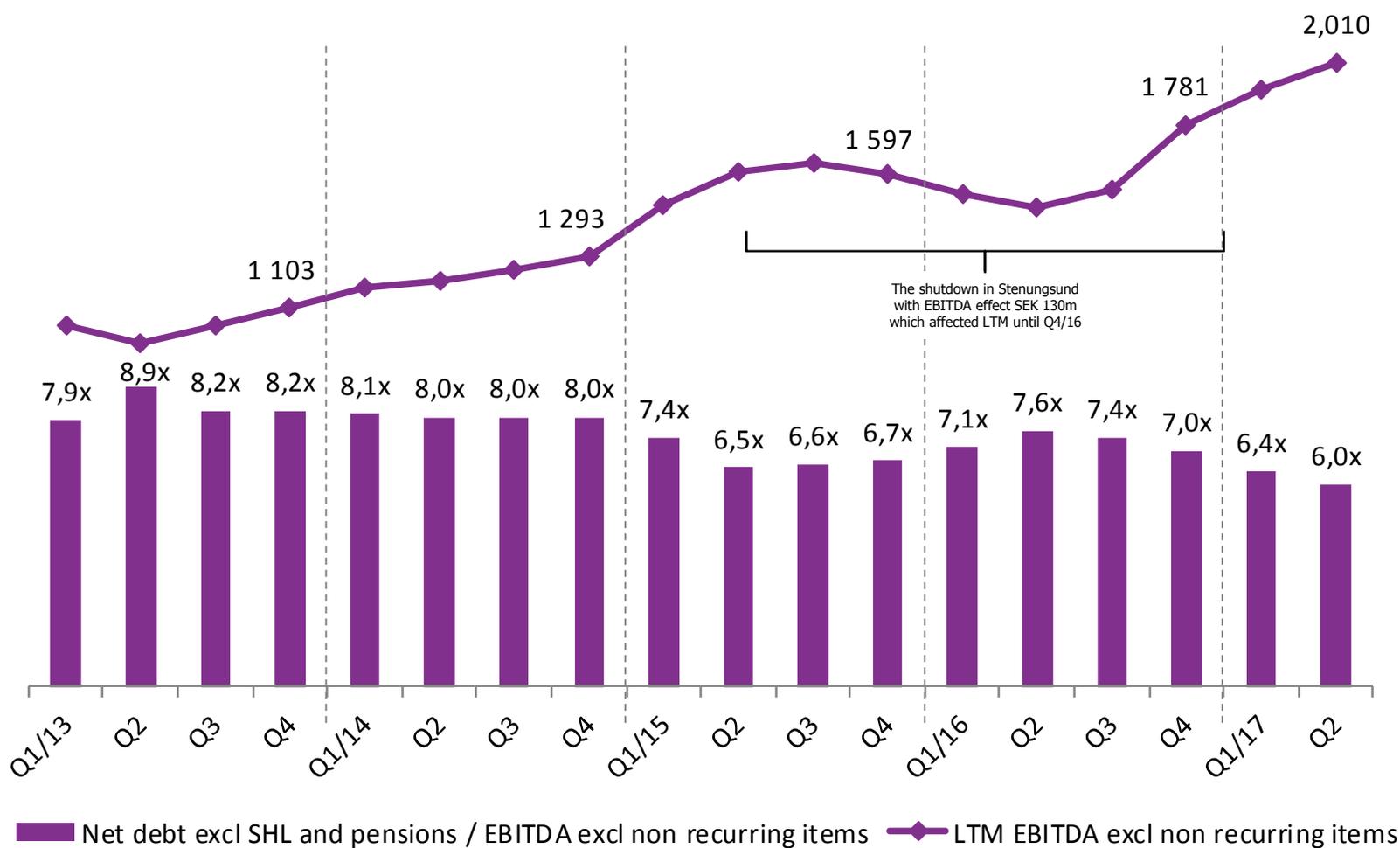
Based on EBITDA excluding non-recurring items of SEK 2,010 m

- ➔ Net debt, excluding pensions and shareholder loan decreased by SEK 164 m during Q2/17, mainly related to positive cash flow from operations, stronger SEK vs. USD and the Vencorex earn-out\*\*
- ➔ Reported leverage decreased to 6.0x
- ➔ Available funds per end of Q2/17 amounted to SEK 1,071 m

Debt by currency



# Financial performance and leverage



# Summary



**Jan Secher**  
*President & CEO*



## Q2 conclusion and current trading

- ➔ Organic volume-based sales growth was +7% vs. Q2 last year
- ➔ Continued strong marginal contribution development
- ➔ EBITDA excluding non-recurring items increased SEK 93 m to SEK 502 m in Q2 and LTM EBITDA all time high at SEK 2,010 m
- ➔ Strong deleveraging in the period to 6.0x
- ➔ General demand is uniquely high and coherent across all three regions – EMEA, North America and APAC and we expect the demand in the third quarter 2017 to remain strong

# Q&A



**Jan Secher**  
*President & CEO*



**Magnus Heimburg**  
*CFO*



# Appendix



# Free cash flow details

Continuing operations (i.e. excluding Gent)

SEK m	Q2-17	Q2-16	YTD Q2-17	YTD Q2-16	LTM Q2-17	FULL YEAR-16	Q1-17
EBITDA excl non-rec items	502	409	1,073	844	2,010	1,781	571
Change in working capital <sup>1</sup>	11	-70	-392	-93	-233	66	-403
Maintenance capex	-100	-63	-135	-102	-270	-237	-35
<b>FCF before strategic capex</b>	<b>413</b>	<b>276</b>	<b>546</b>	<b>649</b>	<b>1,507</b>	<b>1,610</b>	<b>133</b>
% of EBITDA excl non-rec.	82%	67%	51%	77%	75%	90%	23%
Strategic capex	-62	-51	-127	-110	-327	-310	-65
<b>Free cash flow</b>	<b>351</b>	<b>225</b>	<b>419</b>	<b>539</b>	<b>1,180</b>	<b>1,300</b>	<b>68</b>
% of EBITDA excl non-rec.	70%	55%	39%	64%	59%	73%	12%

<sup>1</sup> = excluding exchange rate effects and provisions

# Segment reporting

Continuing operations (i.e. excluding Gent)

SEK m	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15
<b>Net Sales</b>	<b>3,288</b>	<b>3,413</b>	<b>3,088</b>	<b>2,784</b>	<b>2,654</b>	<b>2,549</b>	<b>2,393</b>	<b>2,712</b>	<b>2,930</b>
Specialties & Solutions	793	785	674	638	643	662	528	602	620
Advanced Chemicals & Derivatives	2,142	2,136	1,912	1,731	1,682	1,565	1,447	1,775	1,925
BioProducts	303	431	457	370	280	270	365	286	315
Other/eliminations	50	61	45	45	49	52	53	49	70
<b>EBITDA, reported</b>	<b>502</b>	<b>561</b>	<b>423</b>	<b>474</b>	<b>397</b>	<b>422</b>	<b>214</b>	<b>407</b>	<b>462</b>
Specialties & Solutions	170	189	117	171	188	196	85	142	143
Advanced Chemicals & Derivatives	368	412	321	304	236	242	116	302	291
BioProducts	-26	-1	39	10	-3	4	-3	1	5
Other/eliminations	-10	-39	-54	-11	-24	-20	16	-38	23
<b>EBITDA excl. non recurring items</b>	<b>502</b>	<b>571</b>	<b>461</b>	<b>476</b>	<b>409</b>	<b>435</b>	<b>225</b>	<b>408</b>	<b>457</b>
Specialties & Solutions	170	189	122	171	189	196	85	142	143
Advanced Chemicals & Derivatives	368	416	322	304	240	242	116	302	291
BioProducts	-26	-1	39	10	-2	4	-3	1	5
Other/eliminations	-10	-33	-22	-9	-18	-7	27	-37	18

# Quarter on quarter development

Continuing operations (i.e. excluding Gent)

SEK m	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15
Net Sales	3,288	3,413	3,088	2,784	2,654	2,549	2,393	2,712	2,930
Marginal Contribution	1,038	1,061	929	885	892	873	673	824	910
% of sales	31.6%	31.1%	30.1%	31.8%	33.6%	34.2%	28.1%	30.4%	31.0%
EBITDA, reported	502	561	423	474	397	422	214	407	462
% of sales	15.3%	16.4%	13.7%	17.0%	15.0%	16.6%	8.9%	15.0%	15.8%
EBITDA, excl. non- recurring items	502	571	461	476	409	435	225	408	457
% of sales	15.3%	16.7%	14.9%	17.1%	15.4%	17.1%	9.4%	15.0%	15.6%

# Cash and Available funds

SEK m	Q2-17	SEK m	Q2-17
Unrestricted cash	699	Unrestricted cash	699
Restricted <sup>1</sup> and escrowed cash <sup>2</sup>	756	Unutilized committed credit facilities	371
<b>Cash on Balance Sheet</b>	<b>1,456</b>	<b>Reported Available Funds</b>	<b>1,071</b>

<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 -17	Q2 -16	FY 16	LTM Q2-17	Q1 -17
USD	8.80	8.21	8.56	8.82	8.92
Euro	9.69	9.27	9.47	9.61	9.51
GBP	11.26	11.79	11.57	11.18	11.05

## Period end exchange rates

SEK per LOC	Q2 -17	Q2 -16	Q1 -17
USD	8.47	8.48	8.93
Euro	9.67	9.42	9.55
GBP	11.01	11.39	11.13

Source: Swedish Central Bank, Riksbanken