



# Hexion Inc.

## Third Quarter 2019 Results

November 12, 2019

# Forward-Looking Statements

## Hexion Inc.



Certain statements in this presentation are forward-looking statements within the meaning of and made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In addition, our management may from time to time make oral forward-looking statements. All statements, other than statements of historical facts, are forward-looking statements. Forward-looking statements may be identified by the words “believe,” “expect,” “anticipate,” “project,” “might,” “plan,” “estimate,” “may,” “will,” “could,” “should,” “seek” or “intend” and similar expressions. Forward-looking statements reflect our current expectations and assumptions regarding our business, the economy and other future events and conditions and are based on currently available financial, economic and competitive data and our current business plans. Actual results could vary materially depending on risks and uncertainties that may affect our operations, markets, services, prices and other factors as discussed in the Risk Factors section of our filings with the Securities and Exchange Commission (the “SEC”). While we believe our assumptions are reasonable, we caution you against relying on any forward-looking statements as it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, a weakening of global economic and financial conditions, interruptions in the supply of or increased cost of raw materials, the loss of, or difficulties with the further realization of, cost savings in connection with our strategic initiatives, the impact of our indebtedness, our failure to comply with financial covenants under our credit facilities or other debt, pricing actions by our competitors that could affect our operating margins, changes in governmental regulations and related compliance and litigation costs and the other factors listed in the Risk Factors section of our SEC filings. For a more detailed discussion of these and other risk factors, see the Risk Factors section of our most recent filings made with the SEC. All forward-looking statements are expressly qualified in their entirety by this cautionary notice. The forward-looking statements made by us speak only as of the date on which they are made. Factors or events that could cause our actual results to differ may emerge from time to time. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

**This presentation contains non-GAAP financial information. Reconciliation to GAAP is included at the end of the presentation.**



# Hexion Inc.

## Strategic Focus

**Craig Rogerson**  
Chairman, President and Chief Executive Officer

# Hexion Business Overview



Value-added global specialty chemical company with leading market positions across a broad range of diversified growing end markets

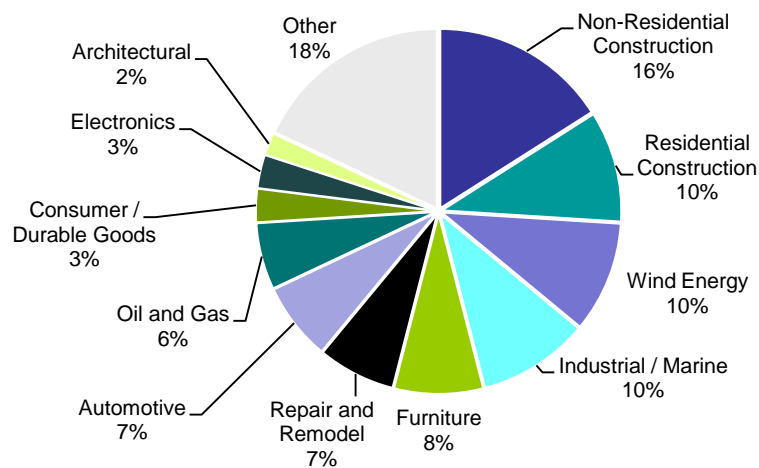
## Key Statistics

HQ	Columbus, OH
Production Sites <sup>1</sup>	47
Employees <sup>1</sup>	~4,000
Patents <sup>1</sup>	>750
Global customer base <sup>1</sup>	~85 countries
Q3 2019 LTM Sales	\$3, 517mm
9/30/19 LTM Pro Forma EBITDA (margin)	\$420mm (11.9%)

## Overview

- Based in Columbus, OH, Hexion is the global leader in thermoset resins with leading market positions representing ~80% of sales
- Serving the global adhesive, coatings and composites, and industrial markets, through two divisions:
  - Forest Products Division (FPD):** global leader in supplying resins, adhesives, wax emulsions, and ancillary products to the forest products industry
  - Epoxy, Phenolic, and Coating Resins Division (EPCD):** leading global producer of epoxy specialty resins, modifiers, and curing agents

## Diversified End Markets <sup>(1)</sup>



(1) 2018 Revenue of \$3.8 billion

# Financial Restructuring Overview: Financial Impacts

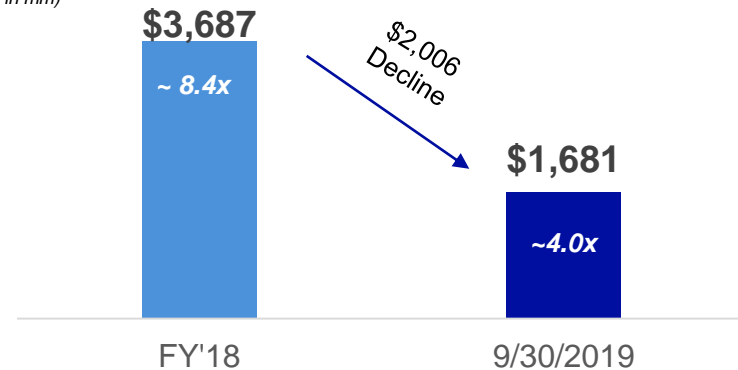


## Overview

- Hexion successfully completed its balance sheet de-leveraging and emerged from Chapter 11 on July 1, 2019
- As a result of this process, Hexion has reduced its debt by more than \$2.0 billion, received an infusion of \$300 million in equity capital through a rights offering and raised approximately \$2.0 billion in exit financing
- With a strengthened capital structure and substantial free cash flow after debt service, Hexion is now well-positioned to further de-lever, make substantial reinvestments into its businesses to fuel strategic growth and drive value for its stakeholders

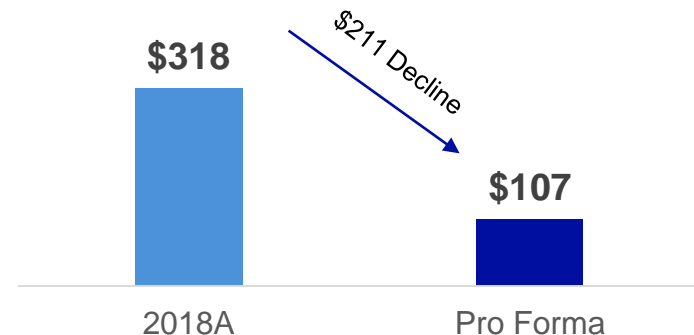
## Net Debt and Leverage <sup>(1)</sup>

(\$ in mm)



## Pro Forma Annual Cash Interest Expense <sup>(2)</sup>

(\$ in mm)



**Hexion is Well Positioned for Growth with a Lower Interest Burden  
and Substantial Free Cash Flow Generation Capabilities**

Source: Company Management

(1) Reflects net leverage as of 12/31/18 and LTM net leverage as of 9/30/19

(2) Pro Forma reflects 2020E cash interest

# Strategic Focus

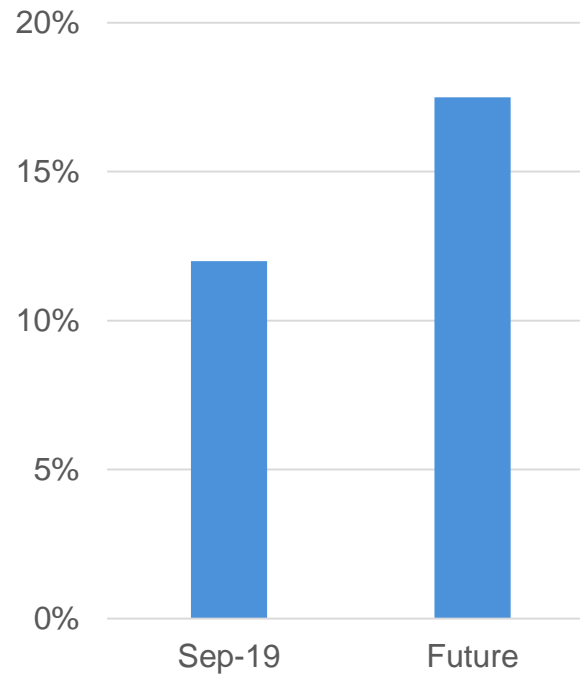


## Key Drivers

- Self Help Capex
- Organic Growth
- New Products
- Cost Reductions
- Portfolio Optimization
- Significant free cash flow

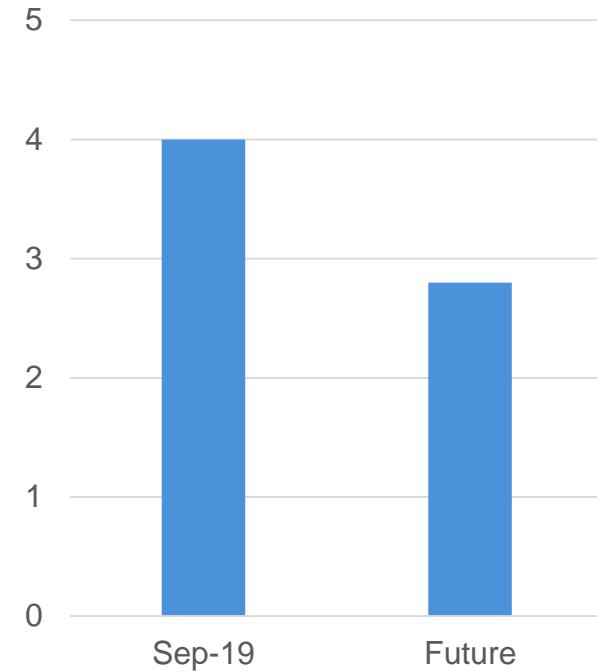
## Margin Improvement

### EBITDA Margin



## Reduce Leverage

### Net Debt / EBITDA



# Product Portfolio is Strategically Aligned with Sustainable Megatrends







## Anticipated New Segments

Adhesives

Coatings & Composites



Sector Megatrends		
Megatrends	Anticipated Growth Areas	New Products
 <b>Population Growth</b>	<b>Building &amp; Construction</b> <ul style="list-style-type: none"> <li>Long-term housing growth projected in western markets</li> <li>Population growth in international economies</li> </ul>	<ul style="list-style-type: none"> <li>Waterborne coatings</li> <li>Ecobind™ resins</li> </ul>
 <b>Urbanization</b>	<b>Transportation &amp; Automotive</b> <ul style="list-style-type: none"> <li>New and varied thermoset applications for global automotive producers</li> </ul>	<ul style="list-style-type: none"> <li>New light weight composite panels</li> <li>Coatings applications across multiple technologies</li> </ul>
 <b>Greener Environment &amp; Sustainability</b>	<b>Wind Energy</b> <ul style="list-style-type: none"> <li>Demand driven by appetite for renewable energy in mature and developing markets requiring stronger epoxy-based blade technology</li> </ul>	<ul style="list-style-type: none"> <li>Specialty epoxy composite resins for turbine blades</li> </ul>
 <b>Industrial / Marine</b>	<b>Waterborne Coatings</b> <ul style="list-style-type: none"> <li>System offers coating performance comparable to solvent-borne systems for containers and high speed rail</li> </ul>	<ul style="list-style-type: none"> <li>NextGen Epoxy™ Waterborne system</li> </ul>

Hexion Benefits from a Diversified Product Portfolio Dampening End Market Volatility

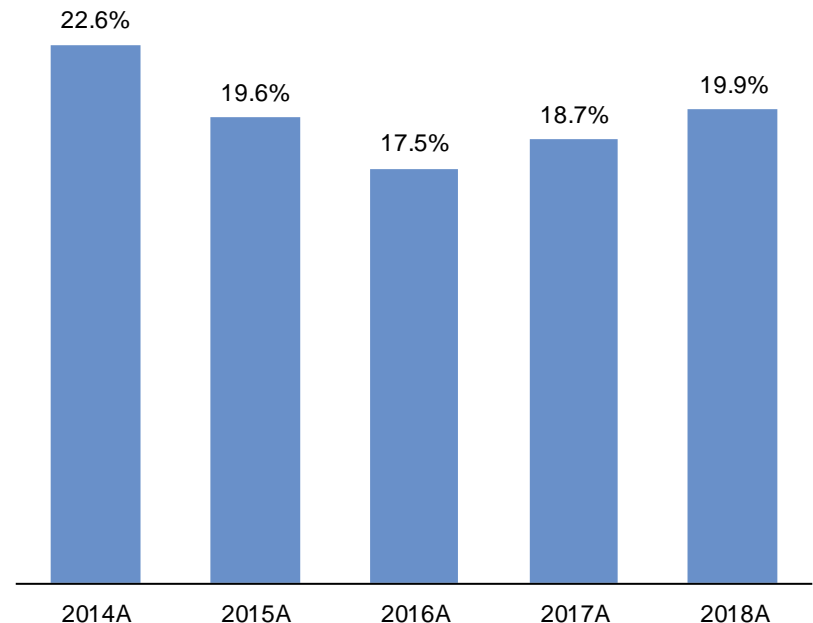
# R&D Investments Positions Hexion for Long Term Growth

## Focused on Driving New Product Development

- Strategic R&D investments designed to support new product development and customer collaboration to accelerate growth in waterborne coatings and composite applications
- Hexion has successfully completed construction of its new Application Development Center (ADC) in Shanghai as part of its global efforts to foster further innovation in its specialty portfolio
- The new ADC is one of 24 R&D sites with 300 professionals
  - Key R&D innovation centers located strategically near global customers and in proximity to large end markets
  - R&D team engages in joint research and co-development of next generation products with customers
  - More than 1,000 patented products and 1,100 trademarks



## Revenue from New Products as % of Total Revenue <sup>1</sup>



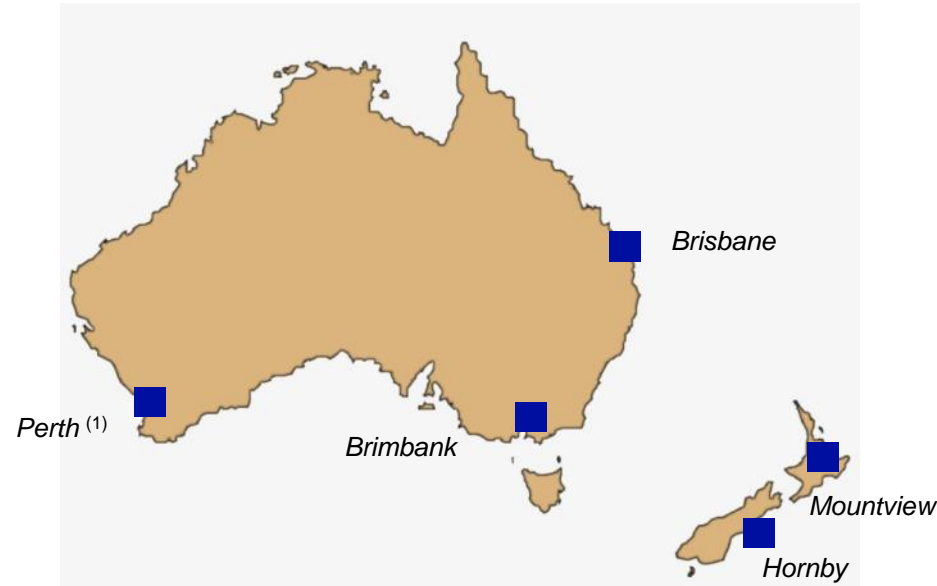
- Rolling five-year new product revenue has represented on average ~20% of total revenue between 2014 and 2018



## Brimbank Site Expansion

- Hexion announced plans to add phenolic resin capacity as the latest expansion of its adhesives and binders business at its Brimbank, Australia site
- The expansion is intended to meet the growing demand for phenolic resins in a variety of applications including as a component in fire-resistant cladding material for commercial, institutional and residential applications
- Construction of the new reactor and associated infrastructure is expected to begin in early 2020 and come online in Q1'21

## Strategic Regional Manufacturing Network



**Targeted Investment Intended to Deliver Fast Paybacks for Hexion and Drive Greater Earnings and Cash Generation Over Time**

(1) Hexion has a 50% ownership interest in Hexion Australia Pty Ltd, a joint venture which provides urea formaldehyde resins and other products to industrial customers in western Australia



# Hexion Inc.

## Financial Review

**George Knight**  
**Executive Vice President**  
**and Chief Financial Officer**

# Overview of Third Quarter 2019 Results



Three Months Ended September 30 <sup>(1)</sup>			
(\$ in millions)			
	2018	2019	YoY Δ
<b>Total Revenue</b>	<b>\$ 952</b>	<b>\$ 836</b>	<b>(12)%</b>
<b>Total Segment EBITDA <sup>(3)</sup></b>	<b>128</b>	<b>117</b>	<b>(9)%</b>

- Revenue totaled \$836 million, a decrease of 12% year over year
- Net income for the Predecessor Period of July 1, 2019 was \$3,054 million and net loss for the Successor Period of July 2, 2019 through September 30, 2019 was \$43 million.
- Third quarter 2019 Total Segment EBITDA <sup>(1)(3)</sup> of \$117 million, declining 9% year-over-year
  - While on a run rate basis Hexion was essentially on track relative to its 2019 target, third quarter results reflected increased headwinds in base epoxy resins businesses and North American forest product resins businesses, partially offset by the positive impact of our recent structural cost reduction initiatives
  - Sequential increase of \$5 million compared to Q2'19 Segment EBITDA
- As previously announced, Hexion identified ~ \$20 million of additional structural cost savings in Q3'19. Through the first nine months of 2019, Hexion realized \$13 million from productivity initiatives. As of September 30, 2019, Hexion had ~ \$18 million of annualized pro forma cost savings that it expects to realize over the next 12 months
- Cash flow from operations <sup>(2)</sup> totaled \$25 million
- The Company expects year-over-year gains in Q4'19 Segment EBITDA, although it does not anticipate achieving the fiscal year 2019 results previously forecasted in the Restructuring Support Agreement (RSA) due to challenging trends impacting certain end markets

(1) Upon emergence from bankruptcy on July 1, 2019, Hexion applied fresh start accounting to its financial statements which require the Company to allocate its reorganization value to the fair value of assets and liabilities. 2019 revenue and Segment EBITDA represents both Successor and Predecessor Periods. See Addendum for further description regarding the impact of Fresh Start Accounting.

(2) Represents cash flow from operations during successor period July 2, 2019 through September 30, 2019.

(3) Segment EBITDA is a non-GAAP financial measure. The closest GAAP financial measure is Net Income (Loss). A table that reconciles Segment EBITDA is at the end of this presentation. Segment EBITDA is defined as EBITDA (earnings before interest, income taxes, depreciation and amortization) adjusted for certain non-cash and other income and expenses. Segment EBITDA is the primary performance measure used by the Company's senior management, the chief operating decision-maker and the board of directors to evaluate operating results and allocate capital resources among segments. Segment EBITDA is defined and reconciled to Net Income (Loss) later in this presentation.

# Fresh Start Accounting Impact



- Third quarter 2019 10-Q includes the impacts of Hexion adopting Fresh Start Accounting upon emergence from bankruptcy on July 1, 2019
  - Hexion will present its financial statements as “predecessor company” through July 1, 2019 and as “successor company” starting July 2, 2019
  - Balance Sheet
    - Overall Assets increased by ~ \$2.2 billion as a result of Fresh Start Accounting
      - Intangible Assets (Customer Relationships, Trademarks & Technology) increased ~ \$1.2 billion
      - Property, Plant & Equipment increased ~\$780 million globally
      - Goodwill of \$178 million
  - Income Statement
    - Large gain of over \$3 billion recorded in the predecessor financial statements (“Reorganization items, net”) reflecting the impacts of the bankruptcy on debt and equity amounts and the impacts of Fresh Start Accounting
    - Depreciation & Amortization in the successor financial statements increased significantly due to the step up of Property Plant & Equipment and Intangible Assets
    - Deferred revenue was accelerated in the third quarter of 2019
-

# Forest Product Resins

## Third Quarter 2019 Segment Results



### Three Months Ended September 30 <sup>(1)</sup>

(\$ in millions)

	2018	2019	Δ
Total Revenue	\$ 431	\$ 367	(15)%
Total Segment EBITDA <sup>(2)</sup>	76	84	11%
Total Segment EBITDA Margin	17.6%	22.9%	530bps

### Summary

- Revenue decreased primarily due to softer volumes and the contractual pass through of lower raw material costs
- Segment EBITDA increased by 11% year-over-year reflecting slight gains in Latin America, cost actions, and accelerated deferred revenue, partially offset by lower volumes

### Q3'19 Revenue Comparison YoY

Volume	Price/Mix	Currency Translation	Total
(8)%	(6)%	(1)%	(15)%

(1) 2019 revenue and Segment EBITDA represents both Successor and Predecessor Periods. See Addendum for further description regarding the impact of Fresh Start Accounting.

(2) Segment EBITDA is a non-GAAP financial measure. The closest GAAP financial measure is Net Income (Loss). A table that reconciles Segment EBITDA is at the end of this presentation. Segment EBITDA is defined as EBITDA (earnings before interest, income taxes, depreciation and amortization) adjusted for certain non-cash and other income and expenses. Segment EBITDA is the primary performance measure used by the Company's senior management, the chief operating decision-maker and the board of directors to evaluate operating results and allocate capital resources among segments. Segment EBITDA is defined and reconciled to Net Income (Loss) later in this presentation.

# Epoxy, Phenolic and Coating Resins Third Quarter 2019 Segment Results



## Three Months Ended September 30 <sup>(1)</sup>

(\$ in millions)

	2018	2019	Δ
Total Revenue	\$ 521	\$ 469	(10)%
Total Segment EBITDA <sup>(2)</sup>	66	50	(24)%
Total Segment EBITDA Margin	12.7%	10.7%	(200)bps

## Summary

- Revenue declined reflecting softer demand in China, partially offset by price actions in certain businesses
- Segment EBITDA declined primarily due to volume weakness and pricing headwinds in base epoxy resins, partially offset by cost actions

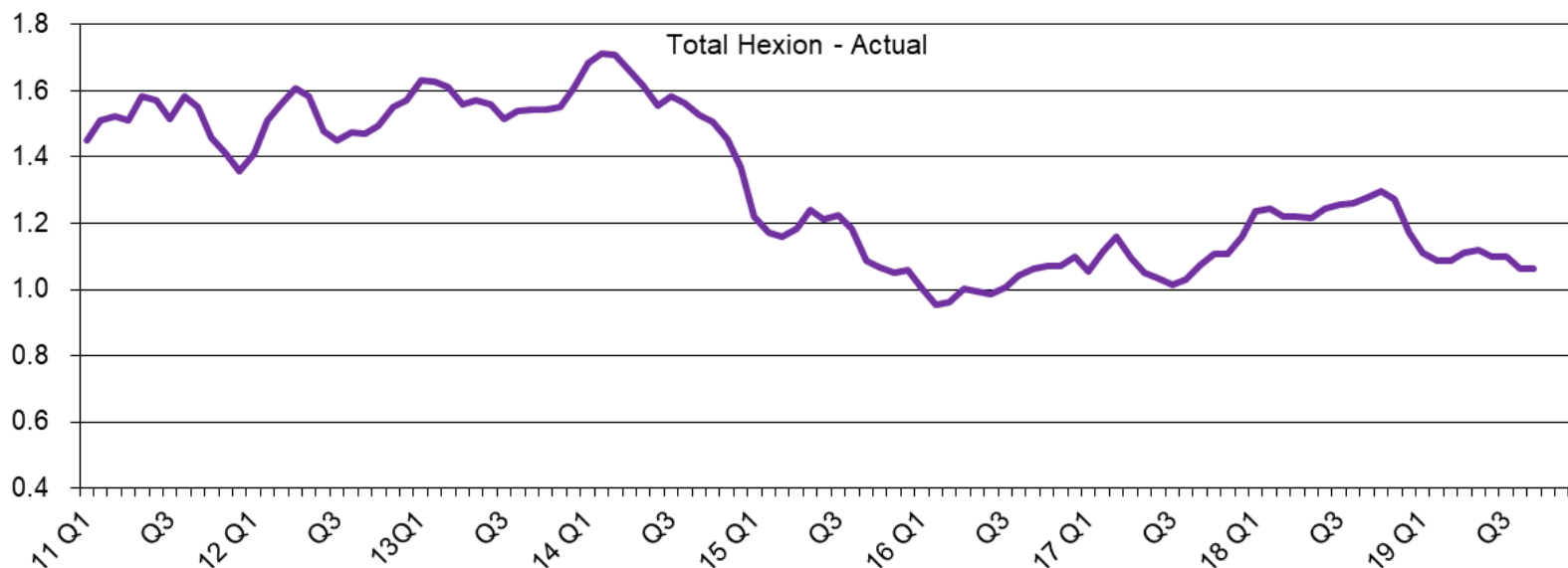
## Q3'19 Revenue Comparison YoY

Volume	Price/Mix	Currency Translation	Total
(4)%	(4)%	(2)%	(10)%

(1) 2019 revenue and Segment EBITDA represents both Successor and Predecessor Periods. See Addendum for further description regarding the impact of Fresh Start Accounting.

(2) Segment EBITDA is a non-GAAP financial measure. The closest GAAP financial measure is Net Income (Loss). A table that reconciles Segment EBITDA is at the end of this presentation. Segment EBITDA is defined as EBITDA (earnings before interest, income taxes, depreciation and amortization) adjusted for certain non-cash and other income and expenses. Segment EBITDA is the primary performance measure used by the Company's senior management, the chief operating decision-maker and the board of directors to evaluate operating results and allocate capital resources among segments. Segment EBITDA is defined and reconciled to Net Income (Loss) later in this presentation.

Global Raw Materials Cost Index <sup>(1)</sup>



## Summary

- Q3'18 global raw material pricing decreased ~3% on a sequential basis from Q2'19
- Total raw material pricing in the first nine months of 2019 versus first nine months of 2018:
  - Phenol ↑ 3%; Methanol ↓ 18%; Urea: ↑ 1%

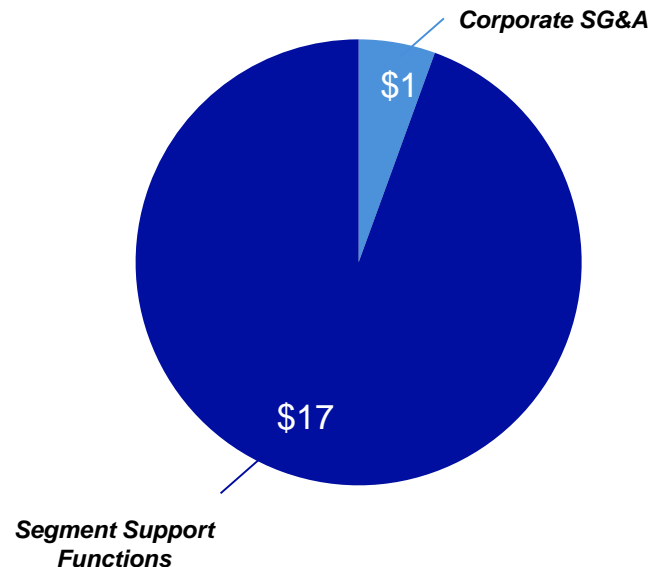
# Structural Cost Savings Support Long Term Earnings Growth

## Structural Cost Savings Program

- In the first nine months of 2019, the Company achieved \$13 million of cost savings, including reductions in selling, general and administrative expenses
- Since Q4'17, Hexion has realized \$56 million of cost savings related to headcount and manufacturing rationalizations
- As of 9/30/19, \$18 million of structural cost savings remain; 75% of headcount actions have occurred related to these savings
- The majority of the savings are expected to be realized over the next 12 months

### In-Process Cost Savings

(\$ in millions)



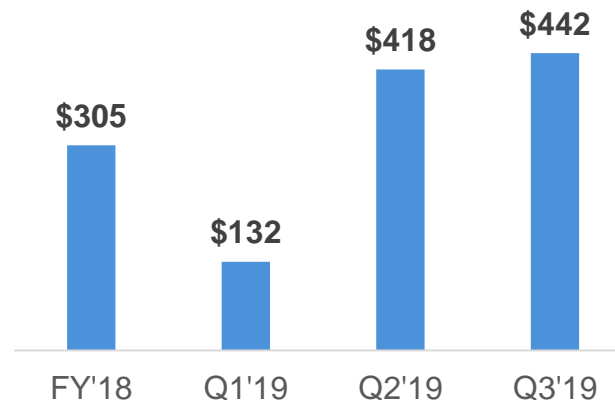


## Summary

- Cash plus borrowing availability of \$442 million at September 30, 2019
- Continue to expect FY'19 capital expenditures to be \$90 million to \$100 million
- Remain focus on managing net working capital; based on new capital structure, expect structural improvement in vendor terms going forward
  - Expect working capital to decrease in Q4'19, consistent with historical trends
- With no material debt maturities before 2026, Hexion benefits from a long-dated maturity schedule

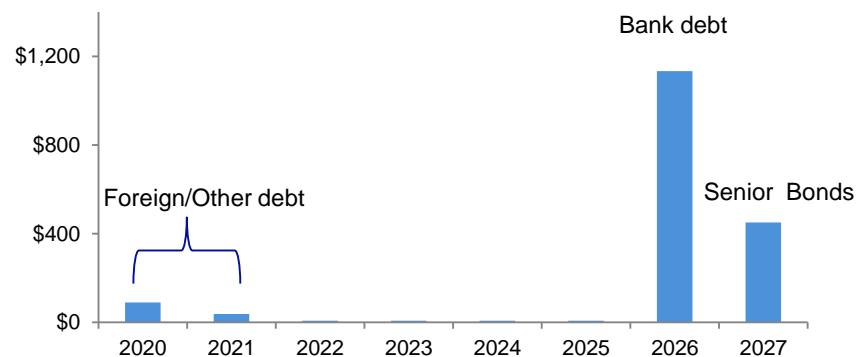
## Strong Liquidity Levels

(\$ in millions)



## Debt Maturities (9/30/19)

(\$ in millions)



**Continued Focus on Prudent Management of Balance Sheet**

# Appendices

# Fresh Start Accounting Impact



- As a result of emerging from Chapter 11 on July 1, 2019 ("Effective Date") and qualifying for the application of fresh-start accounting, at the Effective Date, Hexion's assets and liabilities were recorded at their estimated fair values which, in some cases, are significantly different than amounts included in the Company's financial statements prior to the Effective Date. Accordingly, Hexion's financial condition and results of operations on and after the Effective Date are not directly comparable to our financial condition and results of operations prior to the Effective Date. References to "Successor" or "Successor Company" relate to the financial position and results of operations of the reorganized Company subsequent to the Effective Date. References to "Predecessor" or "Predecessor Company" refer to the financial position and results of operations of the Company on or before the Effective Date.
- The combined results (referenced as "Non-GAAP Combined" or "Combined") for the third quarter ended September 30, 2019 and first nine months ended September 30, 2019, which Hexion refers to herein as results for the "Three Months Ended September 30, 2019" and "Nine Months Ended September 30, 2019" represent the sum of the reported amounts for the Predecessor period July 1 combined with the Successor period July 2, 2019 through September 30, 2019 and the Predecessor period from January 1, 2019 through July 1, 2019 combined with the Successor period from July 2, 2019 through September 30, 2019, respectively. These Combined results are not considered to be prepared in accordance with U.S. GAAP and have not been prepared as pro forma results under applicable regulations. The Non-GAAP Combined operating results may not reflect the actual results the Company would have achieved absent its emergence from bankruptcy and may not be indicative of future results.

# Reconciliation of Net (Loss) Income to Segment EBITDA (Unaudited)



	Successor	Predecessor	Non-GAAP Combined	Predecessor
	July 2, 2019 through September 30, 2019	July 1, 2019	Three Months Ended September 30,	
			2019	2018
<b>Reconciliation:</b>				
Net (loss) income	\$ (43)	\$ 3,054	\$ 3,011	\$ (18)
Income tax (benefit) expense	(4)	207	203	6
Interest expense, net	28	—	28	83
Depreciation and amortization	55	—	55	27
Accelerated depreciation	—	\$ —	\$ —	\$ 2
<b>EBITDA</b>	<b>\$ 36</b>	<b>\$ 3,261</b>	<b>\$ 3,297</b>	<b>\$ 100</b>
<b>Adjustments to arrive at Segment EBITDA:</b>				
Asset impairments and write-downs	\$ —	\$ —	\$ —	\$ 7
Business realignment costs	13	—	13	5
Transaction costs	5	—	5	4
Realized and unrealized foreign currency losses (gains)	9	—	9	4
Reorganization items, net <sup>(1)</sup>	—	(3,232)	(3,232)	—
Non-cash impact of inventory step-up <sup>(2)</sup>	29	(29)	—	—
Other <sup>(3)</sup>	7	18	25	8
<b>Total adjustments</b>	<b>63</b>	<b>(3,243)</b>	<b>(3,180)</b>	<b>28</b>
<b>Segment EBITDA</b>	<b>\$ 99</b>	<b>\$ 18</b>	<b>\$ 117</b>	<b>\$ 128</b>
<b>Segment EBITDA:</b>				
Forest Products Resins	\$ 66	\$ 18	\$ 84	\$ 76
Epoxy, Phenolic and Coating Resins	50	—	50	66
Corporate and Other	(17)	—	(17)	(14)
<b>Total</b>	<b>\$ 99</b>	<b>\$ 18</b>	<b>\$ 117</b>	<b>\$ 128</b>

(1) Excludes the "Non-cash impact of inventory step-up" discussed below.

(2) Represents \$29 of non-cash expense related to the step up of finished goods inventory on July 1 as part of fresh start accounting that was expensed in the successor period upon the sale of the inventory.

(3) Includes \$18 of Segment EBITDA impact related to deferred revenue that was accelerated on July 1 as part of Fresh Start accounting.

# Reconciliation of Net (Loss) Income to Segment EBITDA (Unaudited) (Continued)



	Successor	Predecessor	Non-GAAP Combined	Predecessor
	July 2, 2019 through September 30, 2019	January 1, 2019 through July 1, 2019	Nine Months Ended September 30,	
			2019	2018
<b>Reconciliation:</b>				
Net (loss) income attributable to Hexion Inc.	\$ (43)	\$ 2,894	\$ 2,851	\$ (53)
Net income attributable to noncontrolling interest	—	(1)	(1)	(1)
Net (loss) income	(43)	2,895	2,852	(52)
Income tax (benefit) expense	(4)	222	218	17
Interest expense, net	28	89	117	250
Depreciation and amortization	55	52	107	85
Accelerated depreciation	—	—	—	2
EBITDA	\$ 36	\$ 3,258	\$ 3,294	\$ 302
<b>Adjustments to arrive at Segment EBITDA:</b>				
Asset impairments and write-downs	\$ —	\$ —	\$ —	\$ 32
Business realignment costs	13	15	28	19
Gain on disposition	—	—	—	(44)
Transaction costs	5	26	31	10
Realized and unrealized foreign currency losses (gains)	9	(6)	3	26
Reorganization items, net <sup>(1)</sup>	—	(3,076)	(3,076)	—
Non-cash impact of inventory step-up <sup>(2)</sup>	29	(29)	—	—
Other <sup>(3)</sup>	7	45	52	29
Total adjustments	63	(3,025)	(2,962)	72
Segment EBITDA	\$ 99	\$ 233	\$ 332	\$ 374
<b>Segment EBITDA:</b>				
Forest Products Resins	\$ 66	\$ 152	\$ 218	\$ 219
Epoxy, Phenolic and Coating Resins	50	111	161	208
Corporate and Other	(17)	(30)	(47)	(53)
Total	\$ 99	\$ 233	\$ 332	\$ 374

(1) Excludes the "Non-cash impact of inventory step-up" discussed below.

(2) Represents \$29 of non-cash expense related to the step up of finished goods inventory on July 1 as part of fresh start accounting that was expensed in the successor period upon the sale of the inventory.

(3) Includes \$18 of Segment EBITDA impact related to deferred revenue that was accelerated on July 1 as part of Fresh Start accounting.

# Debt at September 30, 2019



(\$ in millions)

	Successor		Predecessor	
	September 30, 2019		December 31, 2018	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
<b>Senior Secured Credit Facilities:</b>				
ABL Facility (Predecessor)	\$ —	\$ —	\$ —	\$ 137
ABL Facility (Successor)	—	—	—	—
Senior Secured Term Loan - USD due 2026 (includes \$7 of unamortized debt discount)	709	7	—	—
Senior Secured Term Loan - EUR due 2026 (includes \$5 of unamortized debt discount)	459	—	—	—
<b>Senior Notes:</b>				
7.875% Senior Notes due 2027	450	—	—	—
<b>Senior Secured Notes:</b>				
6.625% First-Priority Senior Secured Notes due 2020	—	—	—	1,550
10.00% First-Priority Senior Secured Notes due 2020	—	—	—	315
10.375% First-Priority Senior Secured Notes due 2022	—	—	—	560
13.75% Senior Secured Notes due 2022	—	—	—	225
9.00% Second-Priority Senior Secured Notes due 2020	—	—	—	574
<b>Debentures:</b>				
9.2% debentures due 2021	—	—	—	74
7.875% debentures due 2023	—	—	—	189
<b>Other Borrowings:</b>				
Australia Facility due 2021	27	3	30	4
Brazilian bank loans	8	33	12	41
Lease obligations <sup>(1)</sup>	49	14	56	10
Other	—	30	1	37
<b>Total</b>	<b>\$ 1,702</b>	<b>\$ 87</b>	<b>\$ 99</b>	<b>\$ 3,716</b>

(1) Lease obligations include finance leases and sale leaseback financing arrangements. Amounts reflected for December 31, 2018 represent capital lease obligations and sale leaseback financing arrangements as recorded under ASC 840.

