



Hexion Inc.

First Quarter 2020 Results

May 14, 2020

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, uncertainties related to COVID-19 and the impact of our responses to it 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.

Q1'20 Financial Results, COVID-19 Update & Strategic Response

George Knight
Acting Chief Executive Officer
and Chief Financial Officer

Overview of First Quarter 2020 Results



| Three Months Ended March 31 | | | |
|--|---------------|---------------|--------------|
| (\$ in millions) | | | |
| | 2019 | 2020 | YoY Δ |
| Total Revenue | \$ 886 | \$ 826 | (7)% |
| Total Segment EBITDA ⁽¹⁾ | 103 | 89 | (14)% |

- Revenue totaled \$826 million, a decrease of 7% year over year
- Net loss for the successor three months ended March 31, 2020 totaled \$59 million compared to \$52 million in the predecessor three months ended March 31, 2019
- First quarter 2020 Total Segment EBITDA ⁽¹⁾ of \$89 million, decreasing 14% year-over-year
 - First quarter results reflected improved volumes in Coatings and Composites segment and the positive impact of our recent structural cost reduction initiatives, while our overall results were offset by competitive pressures in our base epoxy resins business and the impact of the coronavirus pandemic that began in mid-March
 - We estimate that COVID-19 and the strengthening of the U.S. dollar compared to other foreign currencies negatively impacted our first quarter 2020 results by approximately \$4 million and \$2 million, respectively
- The Company ended Q1'20 with \$440 million of liquidity, including \$246 million of unrestricted cash and cash equivalents, and is taking a variety of actions to prudently manage its solid balance sheet

(1) Segment EBITDA is a non-GAAP financial measure. The closest GAAP financial measure is Net 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 Loss later in this presentation.

Taking Actions to Mitigate COVID-19 Headwinds

Actions intended to improve cost structure and strengthen cash position

- Reducing its 2020 capital expenditures to range between \$100 million to \$110 million and reviewing the timing of manufacturing turnarounds at certain sites
- Continuing to focus on reducing working capital ⁽¹⁾ in 2020. Hexion expects to see a positive impact on its net working capital levels from lower oil prices in the second quarter of 2020 from the pass through of significantly lower-priced raw materials
- Reducing general sales, general and administrative spending wherever possible, such as travel restrictions, instituting a hiring freeze and reviewing other discretionary spending items, as well as moving to a managed service model
- Delaying approximately \$15 million of certain tax payments to later in 2020 and deferring \$5 million of certain tax payments to future years in conjunction with the Coronavirus Aid, Relief, and Economic Security (CARES) Act and tax relief measures in other jurisdictions where the Company operates
- The Company drew down \$164 million of revolving credit loans under its credit facilities as a precautionary measure to increase cash balances and preserve financial flexibility.



(1) Net working capital defined as accounts receivable and inventories less accounts and drafts payable.

Hexion's Current Operations and Cost Structure Benefits from Actions Taken Over Last Several Years



Summary

- **Demonstrated Ability to Maintain Operations During Pandemic**
 - Maintaining focus on safe operations and considered an “essential industry” in most countries
- **Global manufacturing footprint: only Hexion's more efficient sites remain in operation today**
 - 45 manufacturing sites as of FY'19 versus 94 sites in FY'08
 - Manufacturing facilities are strategically located near global customers to ensure quick delivery, reduce freight costs and help ensure continuity as a key regional supplier
 - Continue to strategically leverage existing tolling relationships in China
- **Lean cost position**
 - Successfully implemented two significant cost reduction initiatives since Q4'17
 - SG&A as percentage of sales totaled ~ 9% as of Q1'20
- **Customer, Geographic and End Market Diversification**
 - Not overly dependent on any particular end market or geographic region
 - Largest customer represented only 3% of sales in FY'19
- **Leveraging Strategic Procurement and Supply Chain Partnerships**
 - Long-standing supplier relationships
 - Hexion benefits from multiple sources for all key raw materials



Multiple Levers to Drive Shareholder Value Growth

Long-Term Initiatives to Address Growth and Capital Deployment to Grow Share Price



Introduce New Products through R&D Innovations

- Focus on developing and introducing new products together with the global commercial, technical support, and research and development base of people and capabilities
- New products across the portfolio averaged 20% of sales from 2015 to 2019



Focus on Driving Growth Through Productivity and Operating Leverage

- Continue improving profitability through operating leverage and self-help capital investments
- Sufficient capacity available in formaldehyde and epoxy resin business to benefit from increasing growth without need for increased capital investment or fixed costs
- Currently investing in phenolic resin capacity in Australia to meet increasing need for fire retardant construction materials



Optimize Portfolio Through Targeted Strategic Mergers and Acquisitions

- Enhance the business portfolio to focus on the most advantaged business through accretive and strategic bolt-on acquisitions



Deleveraging

- Drive towards a sustainable debt-to-EBITDA leverage ratio of less than 3.0x
 - ☐ Debt repayment with organic cash flow



Hexion Inc.

Financial Review

Mark Bidstrup
Senior Vice President
and Treasurer

Adhesives

First Quarter 2020 Segment Results



| | Three Months Ended March 31 | | |
|-------------------------------------|-----------------------------|--------|--------|
| (\$ in millions) | 2019 | 2020 | Δ |
| Total Revenue | \$ 543 | \$ 468 | (14)% |
| Total Segment EBITDA ⁽¹⁾ | 76 | 71 | (7)% |
| Total Segment EBITDA Margin | 14.0% | 15.2% | 120bps |

| Q1'20 Revenue Comparison YoY | | | |
|------------------------------|-----------|----------------------|-------|
| Volume | Price/Mix | Currency Translation | Total |
| (5)% | (7)% | (2)% | (14)% |

Summary

- Revenue declined primarily due to raw material price decreases contractually passed through to our customers and softer volumes to COVID-19 impact in late March
- Segment EBITDA declined by \$5 million year-over-year due to lower volumes as described above as well as competitive pricing pressures in our N. American forest products resins business, partially offset by cost actions resulting in the improved margins

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Coatings & Composites

First Quarter 2020 Segment Results



| | Three Months Ended March 31 | | |
|-------------------------------------|-----------------------------|--------|----------|
| (\$ in millions) | 2019 | 2020 | Δ |
| Total Revenue | \$ 343 | \$ 358 | 4% |
| Total Segment EBITDA ⁽¹⁾ | 44 | 39 | (11)% |
| Total Segment EBITDA Margin | 12.8% | 10.9% | (190)bps |

| Q1'20 Revenue Comparison YoY | | | |
|------------------------------|-----------|----------------------|-------|
| Volume | Price/Mix | Currency Translation | Total |
| 12% | (6)% | (2)% | 4% |

Summary

- Revenue gains across-the-board partially offset by raw material price decreases contractually passed through to our customers
- Segment EBITDA and margins declined primarily due to margin reductions in our base epoxy resins, partially offset by improved volumes and margins in our Versatic Acids™ and Derivatives business

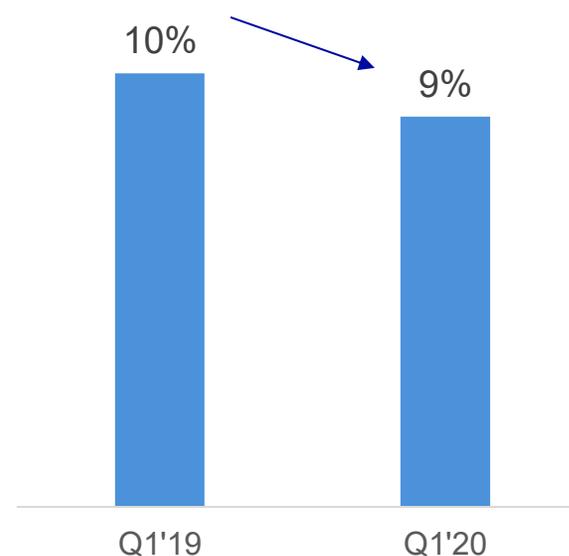
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Driving Structural Cost Savings

Summary

- In the first quarter of 2020, the Company achieved \$8 million of cost savings, including reductions in selling, general and administrative expenses
- As of 3/31/20, the Company had \$15 million of in process structural cost savings remaining that it expects to realize over the next 12 months
- Hexion also recently announced a partnership with Capgemini to provide certain administrative functions to further improve Hexion's organizational efficiency and reduce costs

SG&A as Percentage of Sales



Balance Sheet Update & Financial Summary



Summary

- Liquidity of \$440 million, which includes \$246 million of unrestricted cash and cash equivalents, at March 31, 2020
- Reducing 2020 capital expenditures to range between \$100 million to \$110 million and reviewing the timing of manufacturing turnarounds at certain sites
 - Modest annual maintenance and EH&S-oriented capital expenditures of ~ \$70 million to \$80 million
- Remain focused on managing net working capital (NWC)
 - Q1'20 NWC reflected higher accounts receivables due to seasonal volume increases, while inventory and accounts payables declined due to lower raw material prices
 - Top-quartile NWC metrics
 - Expect additional structural improvement in vendor terms going forward based on new capital structure
- Expect annual interest costs of ~ \$105 million
- With no material debt maturities before 2026, Hexion benefits from a long-dated maturity schedule

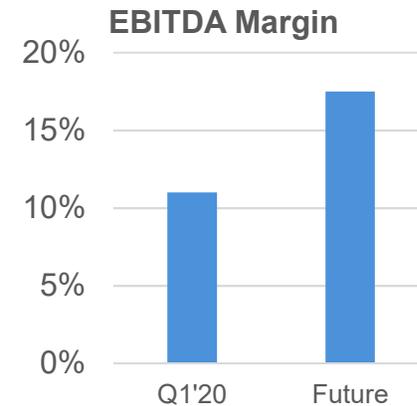
Free Cash Flow Profile Supports Strong Liquidity

Summary

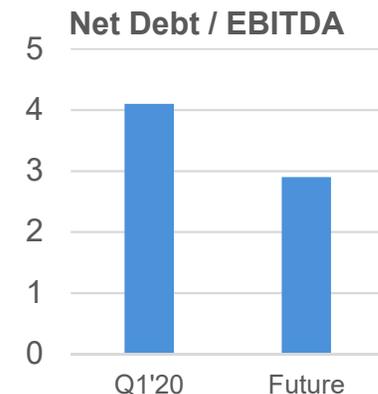
- Hexion remains focused on:
 - Associate safety, operating our plants safely and supporting the communities in which we operate, particularly in-light of the ongoing Covid-19 crisis;
 - Aggressively manage our costs;
 - Maintain a disciplined approach to capital allocation to reduce net debt;
 - Constant assessment of the Company's operating portfolio for acquisitions or divestitures; and
 - Drive to maximize long term shareholder value



Margin Improvement



Reduce Leverage



Hexion is Well-Positioned for the Eventual Economic Recovery

Appendices

Fresh Start Accounting Impact



Fresh Start Accounting

Upon emerging from Chapter 11 on July 1, 2019 ("Effective Date") and qualifying for the application of fresh-start accounting, Hexion's assets and liabilities were recorded at their estimated fair values which, in some cases, were 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.

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



| | Successor | Predecessor |
|---|--------------------------------------|--------------------------------------|
| | Three Months Ended March 31, 2020 | Three Months Ended March 31, 2019 |
| Reconciliation: | | |
| Net loss | \$ (59) | \$ (52) |
| Income tax expense | 3 | 7 |
| Interest expense, net | 26 | 80 |
| Depreciation and amortization ⁽¹⁾ | 58 | 26 |
| EBITDA | <u>28</u> | <u>61</u> |
| Adjustments to arrive at Segment EBITDA: | | |
| Asset impairments | \$ 16 | \$ — |
| Business realignment costs | 21 | 4 |
| Transaction costs | 3 | 23 |
| Realized and unrealized foreign currency losses | 6 | 1 |
| Other non-cash items ⁽²⁾ | 12 | 2 |
| Other | 3 | 12 |
| Total adjustments | <u>61</u> | <u>42</u> |
| Segment EBITDA | <u>\$ 89</u> | <u>\$ 103</u> |
| Segment EBITDA: | | |
| Adhesives | \$ 71 | \$ 76 |
| Coatings and Composites | 39 | 44 |
| Corporate and Other | (21) | (17) |
| Total | <u>\$ 89</u> | <u>\$ 103</u> |

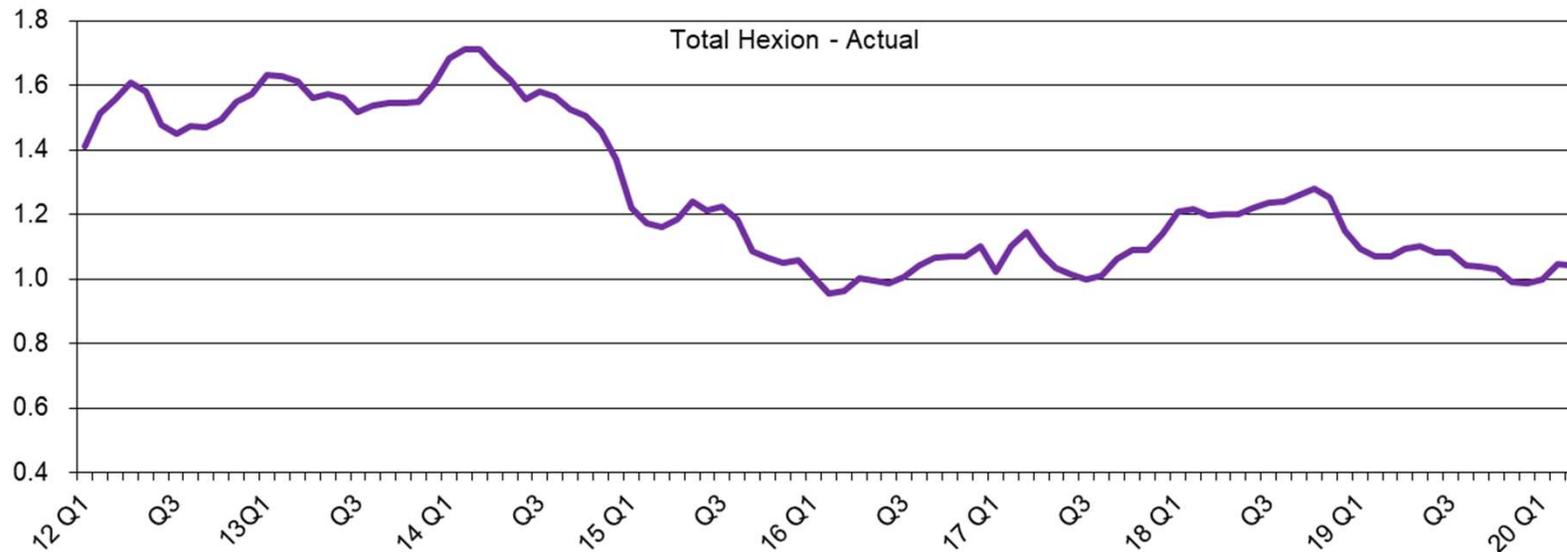
(1) For the three months ended March 31, 2020 accelerated depreciation of \$2 has been included in "Depreciation and amortization."

(2) For the three months ended March 31, 2020, primarily included expenses for stock-based compensation costs of \$5, long-term retention programs of \$3 and non-cash fixed asset write-offs of \$2.

Overview of Raw Materials Environment



Global Raw Materials Cost Index ⁽¹⁾



Summary

- Q1'20 global raw material pricing decreased ~3% on a sequential basis from Q4'19
- Total raw material pricing in Q1'20 versus Q1'19:
 - Phenol ↑ 16%; Methanol ↓ 15%; Urea: ↑ 4%

(1) Source: Includes content supplied by IHS Chemical, Copyright © IHS Chemical 2013; ICIS, Copyright © ICIS 2013. All rights reserved

Debt at March 31, 2020



(\$ in millions)

| | March 31, 2020 | | December 31, 2019 | |
|---|-----------------|---------------------|-------------------|---------------------|
| | Long-Term | Due Within One Year | Long-Term | Due Within One Year |
| Senior Secured Credit Facilities: | | | | |
| ABL Facility | \$ 164 | \$ — | \$ — | \$ — |
| Senior Secured Term Loan - USD due 2026 (includes \$7 of unamortized debt discount) | 706 | 7 | 708 | 7 |
| Senior Secured Term Loan - EUR due 2026 (includes \$4 of unamortized debt discount) | 464 | — | 473 | — |
| Senior Notes: | | | | |
| 7.875% Senior Notes due 2027 | 450 | — | 450 | — |
| Other Borrowings: | | | | |
| Australia Facility due 2021 | — | 26 | 27 | 4 |
| Brazilian bank loans | 5 | 21 | 7 | 34 |
| Lease obligations ⁽¹⁾ | 46 | 14 | 50 | 14 |
| Other | — | 11 | — | 11 |
| Total | \$ 1,835 | \$ 79 | \$ 1,715 | \$ 70 |

(1) Lease obligations include finance leases and sale leaseback financing arrangements.

