



# **First Quarter 2018 Earnings Conference Call**

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May 3, 2018

# Safe Harbor Statement

This presentation may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and other federal securities laws that are subject to the safe harbor created by such laws and other legal protections. Caution should be taken not to place undue reliance on any such forward-looking statements because actual results may differ materially from the results suggested by these statements. These forward-looking statements are made only as of the date of this presentation. We undertake no obligation, except as may be required by law, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Part I, “Item 1A. Risk Factors” and elsewhere in our Annual Report on Form 10-K for the period ended December 31, 2017 and those described from time to time in our periodic and other reports filed with the Securities and Exchange Commission.

# **FIRST QUARTER 2018 FINANCIAL OVERVIEW & BUSINESS HIGHLIGHTS**

**DR. JEFF KRAMER  
CHIEF EXECUTIVE OFFICER**

# 1Q:18 Financial Highlights

<i>(\$ in millions, except per share amounts)</i>	<b>1Q:18</b>	<b>1Q:17</b>
<b>Net Sales</b>	<b>\$261.9</b>	<b>\$233.3</b>
<b>GAAP EPS<sup>(1)</sup></b>	<b>\$0.68</b>	<b>\$0.45</b>
<b>Adjusted EPS<sup>(1)</sup></b>	<b>\$0.82</b>	<b>\$0.66</b>
<b>Free Cash Flow<sup>(1)</sup> YTD / LTM</b>	<b>\$15.6 / \$104.8</b>	<b>\$1.0 / \$87.1</b>

## **1Q:18 Adjusted EPS of \$0.82 versus \$0.66 in 1Q:17**

- Good start to 2017, growth across sales, operating profit, EBITDA, EPS, and cash flow
- 7% organic sales growth in Advanced Materials & Structures (AMS) but some short-term margin pressure
- Solid performance in Engineered Papers (EP), strong currency benefits

## **1Q:18 Free Cash Flow \$16 million**

- Seasonally low quarter, up significantly versus 1Q:2017

(1) Throughout this presentation, the term GAAP EPS will be used to represent GAAP Diluted EPS, and Adjusted EPS will be used to represent Adjusted Diluted EPS. Adjusted Diluted EPS is a non-GAAP financial measure. See non-GAAP reconciliations and supplemental data in appendix. All financial measures presented relate to continuing operations.

## 1Q:18 Business Highlights

- Organic (pro forma) 7% sales growth, balanced across end-markets
  - Strong growth in surface protection films for transportation
  - Strong growth in filtration, gains in both water and process
  - Infrastructure and construction end-market weak as severe weather conditions delayed installations
- Short-term margin pressures, visible offsets for remainder of 2018
  - 1Q Adjusted OP margin % down 310 basis points
  - Majority due to anticipated inefficiencies from planned plant closure; significant cost reduction synergies expected in second half
  - Higher resin material costs; price increases to customers expected to help offset beginning in 2Q:18

## 2018 Priorities / Updates

- Accelerated organic sales growth
- Conwed synergy execution, continued segment-wide optimization
- Strategic projects: new Chinese facility, new international film line

## 1Q:18 Business Highlights

- Sales increased 10%, volume up 2%, currency up 8%
  - Total tobacco-related volumes flat, volume growth driven by non-tobacco
  - Cigarette paper portfolio stable total volume
  - Heat-not-Burn up significantly, solid offset to traditional RTL decline
  - Currency (mainly Euro) strong tailwind
- Margin improved versus weak 1Q:18
  - Adjusted OP margin % up 180 basis points
  - Improved manufacturing versus year-ago inefficiencies, easier comparison
  - Higher wood pulp costs

## 2018 Priorities / Updates

- Maintain/gain share in LIP
- Focus on efficiencies
- Support customers in HnB innovation and commercialization

# **FIRST QUARTER 2018 FINANCIAL RESULTS REVIEW**

**ANDREW WAMSER  
CHIEF FINANCIAL OFFICER**

# Sales & Operating Profits

## 1Q:18

### AMS Segment

- Sales: up 15%, organic up 7%
- Adjusted OP Margin<sup>(1)</sup> down 310 bps to 14.1%
  - Margins down from resin costs and inefficiencies from to-be-closed plant
  - Price increases and second half synergies expected to provide offsets through remainder of 2018

### EP Segment

- Sales: up 10%, up 2% ex-currency
- Adjusted OP Margin<sup>(1)</sup> up 180bps to 23.1%
  - Favorable comparison to 1Q:17
  - Strong operations offset higher pulp input costs
  - Currency boosted OP growth but no margin % benefit

### Unallocated Expenses

- Adjusted up 6%
  - Adjusted expenses declined 30 bps as % of total sales

## Consolidated

- Sales: reported up 12%, organic up 9%, organic and excl. currency benefit up 4%
- Adjusted OP<sup>(1)</sup> up 11% to \$40.6 million; Adjusted OP Margin down 20 bps to 15.5%
- Adjusted EBITDA<sup>(1)</sup> up 13% to \$50.7 million; Adjusted EBITDA Margin up 10 bps to 19.4%

(1) Adjusted Operating Profit is a non-GAAP measure. See non-GAAP reconciliations and supplemental data in appendix.



# GAAP & Adjusted EPS<sup>(1)</sup>

**1Q:18 GAAP EPS of \$0.68, up versus \$0.45 in 1Q:17**

**1Q:18 Adjusted EPS of \$0.82, up versus \$0.66 in 1Q:17**

- Tax rate lower versus last year
- Currency translation benefit was \$0.03

## **Other Disclosure & Accounting Topics**

- Pension accounting change moving certain EP segment expenses below operating line; no impact to EPS
- Modified Adjusted EBITDA calculation

(1) Adjusted EPS is a non-GAAP financial measure. See non-GAAP reconciliations and supplemental data in appendix.

# Cash Flow & Debt

## 1Q:18 Operating Cash Flow of \$22 million, Free Cash Flow<sup>(1)</sup> of \$16 million

- Capital spending/software: \$6 million
- Dividends: \$13 million

## LTM Operating Cash Flow of \$140 million, Free Cash Flow<sup>(1)</sup> of \$105 million

- Capital spending/software: \$35 million
- Dividends<sup>(2)</sup>: \$52 million

\$ millions	1Q:18	4Q:17
<u>Balance Sheet</u>		
Total Debt	674.6	684.2
Less: Cash	<u>96.1</u>	<u>106.9</u>
<b>Net Debt</b>	<b>578.5</b>	<b>577.3</b>
<u>Leverage per Credit Agreement</u> <sup>(3)</sup>		
<b>Net Debt / Adjusted EBITDA</b>	<b>2.9x</b>	<b>3.0x</b>

(1) See non-GAAP reconciliations and supplemental data in appendix.

(2) Normalized for timing of dividend payments; the 1Q:17 dividend was paid in early 2Q:17 resulting in 2 quarterly dividend payments in 2Q:17.

(3) Credit agreement makes certain adjustments to EBITDA and net debt, including an adjustment to overseas cash balances.

# QUESTIONS?

# Non-GAAP Reconciliations & Supplemental Data

# Non-GAAP Reconciliations & Supplemental Data



Certain financial measures and comments contained in this presentation are “non-GAAP” financial measures, specifically measures which exclude one or more of the following: restructuring and impairment expenses, depreciation and amortization, interest expense, tax provision (benefit), capital spending, capitalized software expenditures, purchase accounting adjustments, and tax adjustments. We believe that investors’ understanding is enhanced by disclosing these non-GAAP financial measures as a reasonable basis for comparison of our ongoing results of operations.

	FY 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018
<b>Adjusted Operating Profit from Continuing Operations:</b>												
Operating Profit from Continuing Operations	\$ 106.4	\$ 32.5	\$ 38.5	\$ 31.8	\$ 7.2	\$ 110.0	\$ 27.6	\$ 40.3	\$ 39.3	\$ 21.1	\$ 128.3	\$ 35.0
Plus: Restructuring and Impairment Expense	14.6	1.8	0.9	1.3	21.6	25.6	1.1	1.6	1.5	3.9	8.1	0.4
Plus: Purchase accounting adjustments	7.5	3.1	3.1	3.0	3.1	12.3	7.9	5.9	5.4	5.4	24.6	5.2
<b>Adjusted Operating Profit from Continuing Operations</b>	<b>\$ 128.5</b>	<b>\$ 37.4</b>	<b>\$ 42.5</b>	<b>\$ 36.1</b>	<b>\$ 31.9</b>	<b>\$ 147.9</b>	<b>\$ 36.6</b>	<b>\$ 47.8</b>	<b>\$ 46.2</b>	<b>\$ 30.4</b>	<b>\$ 161.0</b>	<b>\$ 40.6</b>
<b>Adjusted Operating Margin from Continuing Operations</b>	<b>16.8%</b>	<b>17.4%</b>	<b>19.6%</b>	<b>17.2%</b>	<b>16.1%</b>	<b>17.6%</b>	<b>15.7%</b>	<b>18.7%</b>	<b>17.9%</b>	<b>12.9%</b>	<b>16.4%</b>	<b>15.5%</b>
<b>Adjusted Net Income (Loss) from Continuing Operations:</b>												
Net income from continuing operations	\$ 90.5	\$ 21.1	\$ 26.0	\$ 18.7	\$ 17.0	\$ 82.8	\$ 13.7	\$ 22.3	\$ 25.7	\$ (27.3)	\$ 34.4	\$ 20.9
Plus: Restructuring and impairment expense	14.6	1.8	0.9	1.3	21.6	25.6	1.1	1.6	1.5	3.9	8.1	0.4
Less: Tax impact of restructuring and impairment expense	(2.7)	(0.4)	(0.3)	(0.5)	(9.0)	(10.2)	(0.4)	(0.4)	(0.4)	(0.2)	(1.4)	(0.1)
Plus: Purchase accounting adjustments	7.5	3.1	3.1	3.0	3.1	12.3	7.9	5.9	5.4	5.4	24.6	5.4
Less: Tax impact of purchase accounting adjustments	(2.8)	(1.2)	(1.2)	(1.0)	(1.1)	(4.5)	(2.5)	(1.9)	(1.5)	(1.9)	(7.8)	(1.3)
Plus: Transitional tax adjustment	-	-	-	-	-	-	-	-	-	48.7	48.7	-
Less: Net deferred tax movements, one-time tax expense & income tax valuation allowance	-	-	(0.4)	1.3	(7.4)	(6.5)	-	-	-	(9.1)	(9.1)	-
<b>Adjusted Net Income from Continuing Operations</b>	<b>\$ 107.1</b>	<b>\$ 24.4</b>	<b>\$ 28.1</b>	<b>\$ 22.8</b>	<b>\$ 24.2</b>	<b>\$ 99.5</b>	<b>\$ 19.8</b>	<b>\$ 27.5</b>	<b>\$ 30.7</b>	<b>\$ 19.5</b>	<b>\$ 97.5</b>	<b>\$ 25.3</b>
<b>Adjusted EBITDA from Continuing Operations:</b>												
Net Income	\$ 89.7	\$ 21.1	\$ 26.0	\$ 18.7	\$ 17.0	\$ 82.8	\$ 13.7	\$ 22.3	\$ 25.8	\$ (27.3)	\$ 34.5	\$ 20.5
Plus: Loss (income) from discontinued operations	0.8	-	-	-	-	-	-	-	(0.1)	-	(0.1)	0.4
Income from continuing operations	90.5	21.1	26.0	18.7	17.0	82.8	13.7	22.3	25.7	(27.3)	34.4	20.9
Plus: Interest expense	9.7	4.6	4.1	3.9	4.0	16.6	5.8	6.8	7.4	6.9	26.9	6.2
Plus: Provision for income taxes	21.6	8.1	9.1	10.7	(12.5)	15.4	7.1	9.9	9.5	43.1	69.6	7.3
Plus: Depreciation & amortization	41.0	10.8	11.3	11.2	9.5	42.8	16.2	14.8	15.0	15.5	61.5	15.3
Plus: Restructuring and impairment expense	14.6	1.8	0.9	1.3	21.6	25.6	1.1	1.6	1.5	3.9	8.1	0.4
Plus: (Income) loss from equity affiliates	(6.6)	0.1	(0.7)	(1.8)	(2.4)	(4.8)	(0.1)	(0.3)	-	(2.1)	(2.5)	0.3
Plus: Other (income) expense, net	(8.8)	(1.4)	-	0.3	1.1	-	1.1	1.6	(3.3)	0.5	(0.1)	0.3
<b>Adjusted EBITDA from continuing operations</b>	<b>\$ 162.0</b>	<b>\$ 45.1</b>	<b>\$ 50.7</b>	<b>\$ 44.3</b>	<b>\$ 38.3</b>	<b>\$ 178.4</b>	<b>\$ 44.9</b>	<b>\$ 56.7</b>	<b>\$ 55.8</b>	<b>\$ 40.5</b>	<b>\$ 197.9</b>	<b>\$ 50.7</b>

# Non-GAAP Reconciliations & Supplemental Data



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## Adjusted Earnings Per Share from Continuing Operations -

Diluted	FY 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018
Diluted net income per share from continuing operations	\$ 2.96	\$ 0.69	\$ 0.85	\$ 0.61	\$ 0.55	\$ 2.70	\$ 0.45	\$ 0.72	\$ 0.84	\$ (0.89)	\$ 1.12	\$ 0.68
Plus: Purchase accounting adjustments, per share	0.25	0.10	0.10	0.10	0.10	0.40	0.26	0.19	0.18	0.18	0.81	0.18
Less: Tax impact of purchase accounting adjustments, per share	(0.09)	(0.04)	(0.03)	(0.04)	(0.04)	(0.15)	(0.08)	(0.07)	(0.04)	(0.06)	(0.25)	(0.05)
Plus: Restructuring and impairment expense, per share	0.48	0.06	0.03	0.04	0.71	0.84	0.04	0.05	0.04	0.13	0.26	0.01
Less: Tax impact of restructuring and impairment expense, per share	(0.09)	(0.01)	(0.02)	(0.01)	(0.29)	(0.33)	(0.01)	(0.01)	(0.02)	(0.01)	(0.05)	-
Plus: Transitional tax adjustment	-	-	-	-	-	-	-	-	-	1.59	1.59	-
Less: Net deferred tax movements, one-time tax expense & income tax valuation allowance	-	-	(0.01)	0.04	(0.23)	(0.20)	-	-	-	(0.30)	(0.30)	-

## Adjusted Earnings Per Share from Continuing Operations - Diluted

	<u>\$ 3.51</u>	<u>\$ 0.80</u>	<u>\$ 0.92</u>	<u>\$ 0.74</u>	<u>\$ 0.80</u>	<u>\$ 3.26</u>	<u>\$ 0.66</u>	<u>\$ 0.88</u>	<u>\$ 1.00</u>	<u>\$ 0.64</u>	<u>\$ 3.18</u>	<u>\$ 0.82</u>
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## Adjusted Diluted Earnings Per Share:

	FY 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018
Diluted net income, per share	\$ 2.94	\$ 0.69	\$ 0.85	\$ 0.61	\$ 0.55	\$ 2.70	\$ 0.45	\$ 0.72	\$ 0.84	\$ (0.89)	\$ 1.12	\$ 0.68
Plus: Purchase accounting adjustments, per share	0.25	0.10	0.10	0.10	0.10	0.40	0.26	0.19	0.18	0.18	0.81	0.18
Less: Tax impact of purchase accounting adjustments, per share	(0.09)	(0.04)	(0.03)	(0.04)	(0.04)	(0.15)	(0.08)	(0.07)	(0.04)	(0.06)	(0.25)	(0.05)
Plus: Restructuring and impairment expense, per share - Continuing Operations	0.48	0.06	0.03	0.04	0.71	0.84	0.04	0.05	0.04	0.13	0.26	0.01
Less: Tax impact of restructuring and impairment expense, per share - Continuing Operations	(0.09)	(0.01)	(0.02)	(0.01)	(0.29)	(0.33)	(0.01)	(0.01)	(0.02)	(0.01)	(0.05)	-
Plus: Transitional tax adjustment	-	-	-	-	-	-	-	-	-	1.59	1.59	-
Less: Net deferred tax movements, one-time tax expense & income tax valuation allowance	-	-	(0.01)	0.04	(0.23)	(0.20)	-	-	-	(0.30)	(0.30)	-
<b>Adjusted Earnings Per Share - Diluted</b>	<u>\$ 3.49</u>	<u>\$ 0.80</u>	<u>\$ 0.92</u>	<u>\$ 0.74</u>	<u>\$ 0.80</u>	<u>\$ 3.26</u>	<u>\$ 0.66</u>	<u>\$ 0.88</u>	<u>\$ 1.00</u>	<u>\$ 0.64</u>	<u>\$ 3.18</u>	<u>\$ 0.82</u>

## Free Cash Flow

	FY 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018
Cash provided by Operating Activities by Continuing Operations	\$ 144.6	\$ 17.7	\$ 34.6	\$ 30.8	\$ 46.6	\$ 129.7	\$ 12.9	\$ 31.9	\$ 48.4	\$ 37.7	\$ 130.9	\$ 22.0
Less: Capital spending	(24.2)	(4.5)	(5.2)	(7.8)	(10.3)	(27.8)	(11.1)	(8.2)	(8.2)	(9.7)	(37.2)	(6.0)
Less: Capitalized software expenditure	(0.9)	(0.2)	(0.7)	(0.8)	(1.1)	(2.8)	(0.8)	(0.8)	(1.0)	(0.9)	(3.5)	(0.4)
<b>Free Cash Flow</b>	<u>\$ 119.5</u>	<u>\$ 13.0</u>	<u>\$ 28.7</u>	<u>\$ 22.2</u>	<u>\$ 35.2</u>	<u>\$ 99.1</u>	<u>\$ 1.0</u>	<u>\$ 22.9</u>	<u>\$ 39.2</u>	<u>\$ 27.1</u>	<u>\$ 90.2</u>	<u>\$ 15.6</u>