

# CLARIANT MASTERBATCH ACQUISITION DRIVES NEXT LEVEL SPECIALTY TRANSFORMATION

***ACCELERATING GROWTH WITH  
SUSTAINABLE SOLUTIONS***

December 2019

*PolyOne*<sup>TM</sup>

# FORWARD-LOOKING STATEMENTS

In this presentation, statements that are not reported financial results or other historical information are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give current expectations or forecasts of future events and are not guarantees of future performance. They are based on management’s expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. They use words such as “will,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” and other words and terms of similar meaning in connection with any discussion of future operating or financial performance and/or sales.

Factors that could cause actual results to differ materially from those implied by these forward-looking statements include, but are not limited to:

- The time required to consummate the proposed acquisitions described in this presentation;
- The satisfaction or waiver of conditions in the purchase agreements for the proposed acquisitions;
- Any material adverse changes in the business of Clariant’s Color and Additive Masterbatch business;
- The ability to obtain required regulatory or other third-party approvals and consents and otherwise consummate the proposed acquisitions;
- Our ability to achieve the strategic and other objectives relating to the proposed acquisitions, including any expected synergies;
- Our ability to successfully integrate Clariant’s Color and Additive Masterbatch business and achieve the expected results of the acquisitions, including, without limitation, the acquisitions being accretive;
- Disruptions, uncertainty or volatility in the credit markets that could adversely impact the availability of credit already arranged and the availability and cost of credit in the future;
- The effect on foreign operations of currency fluctuations, tariffs and other political, economic and regulatory risks;
- Changes in polymer consumption growth rates and laws and regulations regarding plastics in jurisdictions where we conduct business;
- Changes in global industry capacity or in the rate at which anticipated changes in industry capacity come online;
- Fluctuations in raw material prices, quality and supply, and in energy prices and supply;
- Production outages or material costs associated with scheduled or unscheduled maintenance programs;
- Unanticipated developments that could occur with respect to contingencies such as litigation and environmental matters;
- An inability to raise or sustain prices for products or services;
- An ability to achieve or delays in achieving or achievement of less than the anticipated financial benefit from initiatives related to acquisition and integration, working capital reductions, costs reductions and employee productivity goals;
- Information systems failures and cyberattacks; and
- Other factors affecting our business beyond our control, including, without limitation, changes in the general economy, changes in interest rates and changes in the rate of inflation.

The above list of factors is not exhaustive.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised to consult any further disclosures we make on related subjects in our reports on Form 10-Q, 8-K and 10-K that we provide to the Securities and Exchange Commission.

# USE OF NON-GAAP MEASURES

This presentation includes the use of both GAAP (generally accepted accounting principles) and non-GAAP financial measures. The non-GAAP financial measures include: adjusted EPS, pro forma adjusted EPS, adjusted operating income, adjusted EBITDA, return on invested capital (ROIC) and free cash flow.

PolyOne's chief executive officer uses these financial measures to monitor and evaluate the ongoing performance of the Company and each business segment and to allocate resources. In addition, adjusted operating income and adjusted EPS, which exclude the impact of special items, are components of various PolyOne annual and long-term employee incentive plans.

Free cash flow is defined as cash flow from operating activities less capital expenditures. ROIC is defined as trailing twelve month adjusted operating income from continuing operations after tax divided by the sum of average debt and equity less cash over a five quarter period. Pro forma adjusted EPS is defined as adjusted EPS pro forma for the proposed acquisitions excluding the impact of the step-up of depreciation and amortization related to purchase accounting.

The Company does not provide reconciliations of forward-looking non-GAAP financial measures, such as outlook for adjusted earnings per share, to the most comparable GAAP financial measures on a forward-looking basis because the Company is unable to provide a meaningful or accurate calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing and amount of certain items, such as, but not limited to, restructuring costs, environmental remediation costs, acquisition-related costs, and other non-routine costs. Each of such adjustments has not yet occurred, are out of the Company's control and/or cannot be reasonably predicted. For the same reasons, the Company is unable to address the probable significance of the unavailable information.

A reconciliation of each historical non-GAAP financial measure with the most directly comparable GAAP financial measure is attached to this presentation, which is posted on our website at [www.polyone.com](http://www.polyone.com).

# TODAY'S PRESENTERS



**Robert M. Patterson**  
Chairman, President, and  
Chief Executive Officer



**Bradley C. Richardson**  
Executive Vice President and  
Chief Financial Officer

# THE NEW POLYONE: A SPECIALTY GROWTH COMPANY

- Landmark portfolio transformation: > 85% of Adjusted EBITDA from specialty solutions
- World-class innovation, technology and service are differentiators
- Sustainability initiatives and alignment with megatrends drive above market growth in key end markets and applications:
- Capital management is a strength - proven track record of expanding ROIC while increasing invested capital

**Transaction expected to add \$0.85 to pro forma adjusted EPS**

# CORE VALUES

**Collaboration    Innovation    Excellence**

# VISION

To be the world's premier provider of sustainable, specialty polymer materials and solutions.

**STRATEGY**

**Commercial  
Excellence**

**Operational  
Excellence**

**Globalization**

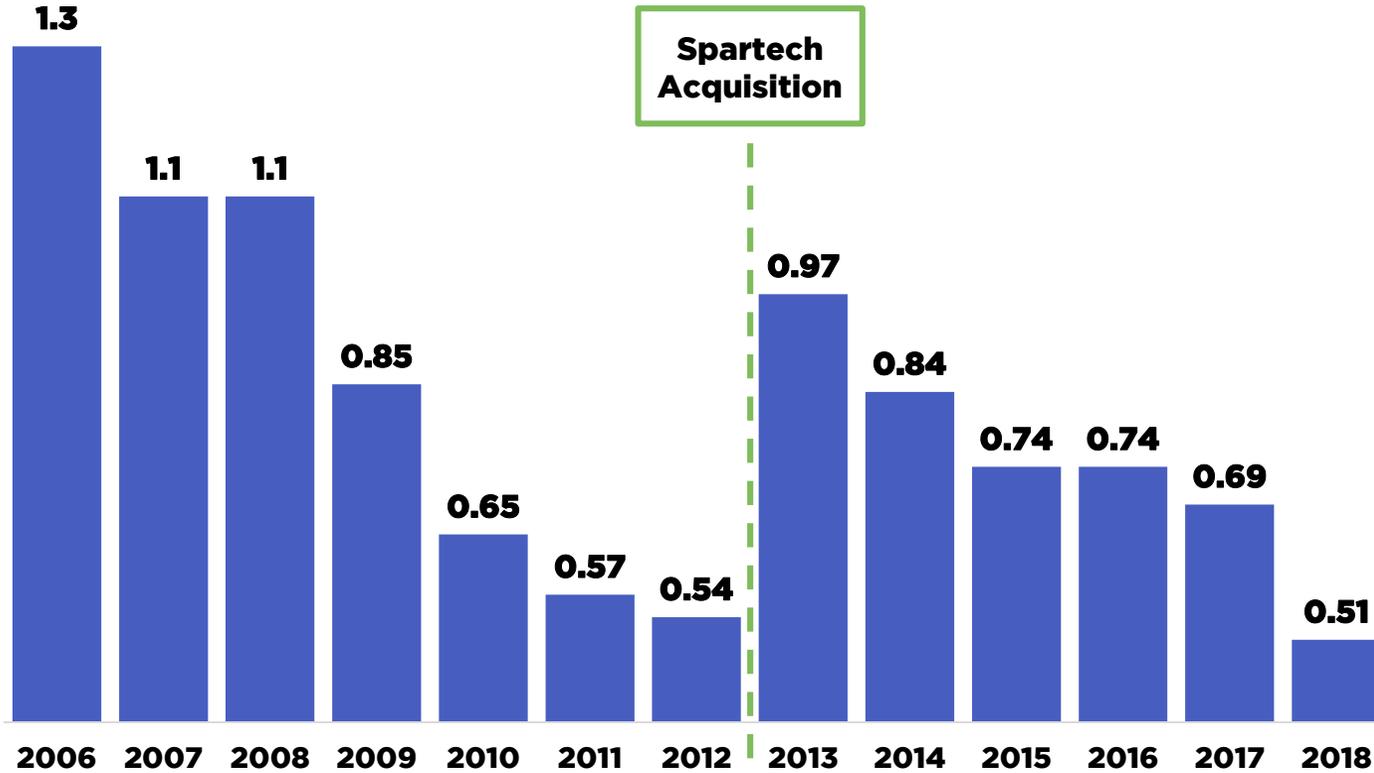
**Specialization**

# PERSONAL VALUES

**Integrity    Honesty    Respect**

# SAFETY FIRST

## Injuries per 100 Workers

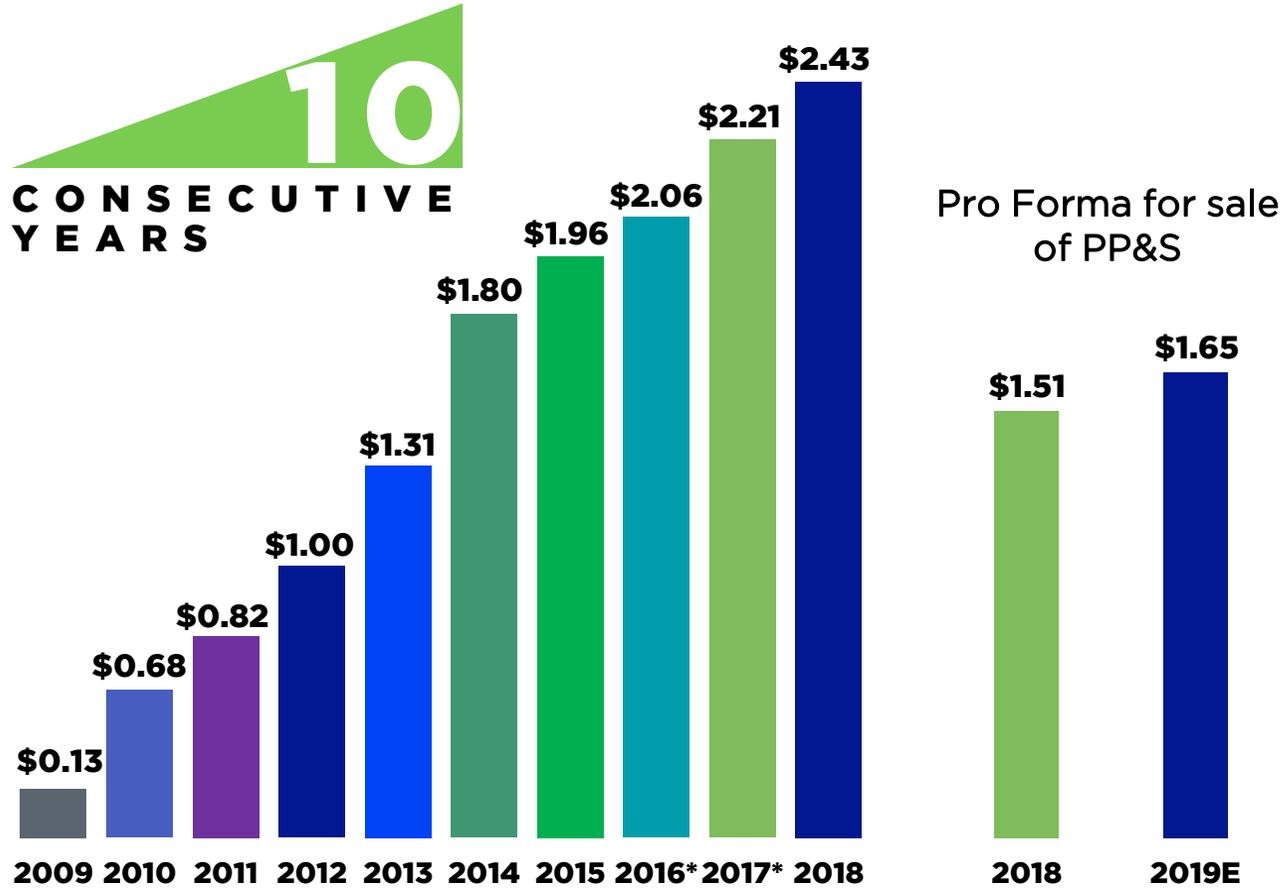


# GREAT PLACE TO WORK



# PROOF OF PERFORMANCE

## ADJUSTED EPS EXPANSION



### Operating Income % of Sales

Color, Additives & Inks

Specialty Engineered Materials

Distribution

**2006**

**1.7%**

**1.1%**

**2.6%**

**Q3 YTD 2019**

**15.5%**

**11.8%**

**6.3%**

\* Pro Forma for sale of DSS

# TRANSFORMATION HEADLINES

## PolyOne Announces Divestiture of Performance Products & Solutions

- Provides near-term deleveraging benefits
- Reduces exposure to cyclical end markets
- Raises \$600 million of after-tax proceeds to fund ongoing specialty transformation

## PolyOne Announces Agreement to Acquire Clariant Color & Additive Masterbatch Business

- Landmark portfolio transformation creates \$4 billion specialty growth company
- More than 85% of Adjusted EBITDA from specialty solutions
- Expects \$60 million of synergies
- Sustainable solutions drive above market growth

# COMMODITY TO SPECIALTY TRANSFORMATION

## Volume

- Volume driven, commodity production
- Heavily tied to cyclical end markets
- Performance largely dependent on non-controlling joint ventures

**2000-2005**

## Value

- Shift to value-based selling & an innovative culture
- New leadership team appointed
- Implementation of four pillar strategy
- Investment in commercial training and innovation
- Faster growing, high margin focus

**2006 - 2013**

## Transformation

- Accelerated growth with world class vitality index
- Significant commercial resource additions
- Expanded margins with specialty focus
- Acquired strategic, bolt-on companies to expand technology offerings and improve geographic breadth

**2013 - 2019**

## The Future

- Landmark portfolio transformation creates specialty growth company
- Sustainability / mega-trends drive above market growth



**2020 and Beyond**

# FIT WITH FOUR PILLAR STRATEGY

## Specialization

- Innovation-led organization with heavy emphasis on R&D
- World-class expertise in color formulation
- Strong presence in specialty end markets including Consumer, Packaging and Healthcare

## Globalization

- Diverse geographic portfolio with an established presence in every major region
- Expands PolyOne's ability to serve customers in key growth areas including India, China and Southeast Asia

## People

Experienced and talented associates with a winning mentality

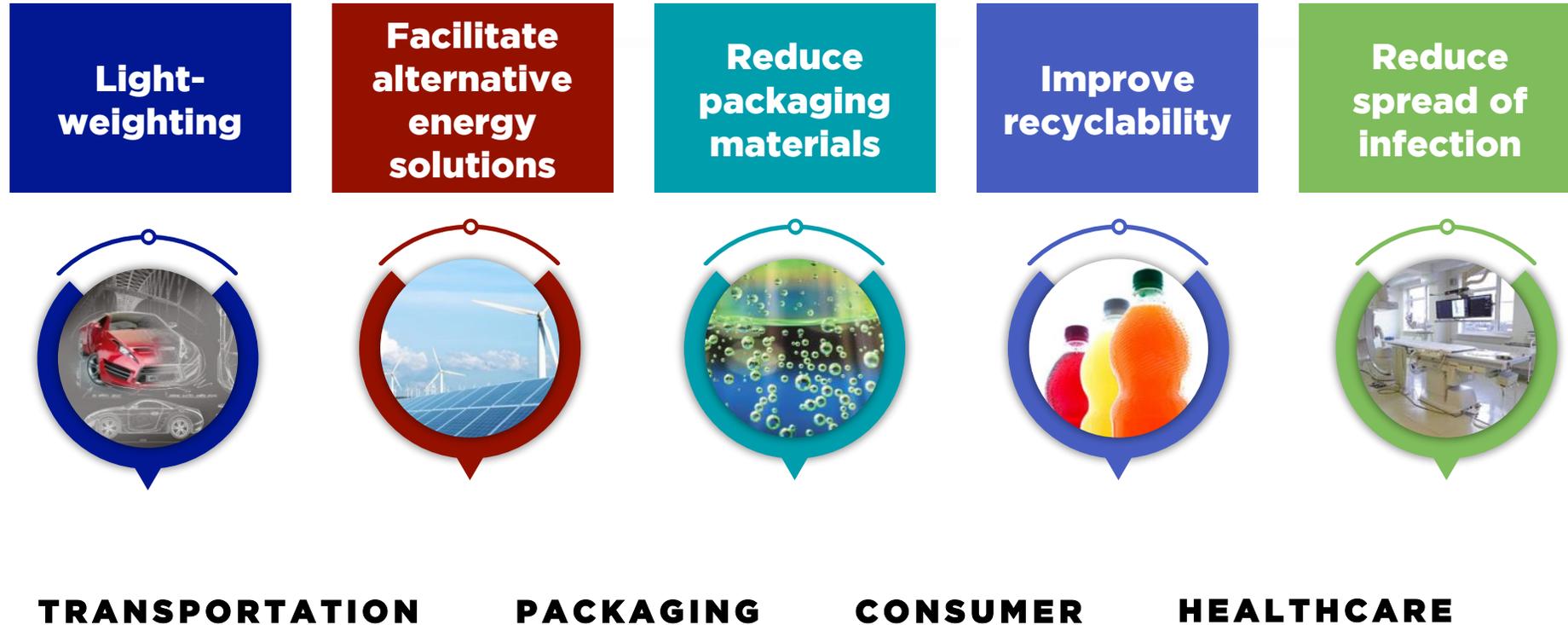
## Operational Excellence

- Extensive manufacturing footprint with 46 facilities
- Organizational focus on optimizing supply chain to better serve customers
- Color design expertise

## Commercial Excellence

- Value-focused salesforce with vast experience marketing and commercializing specialty technologies
- Diverse customer portfolio with established OEM's

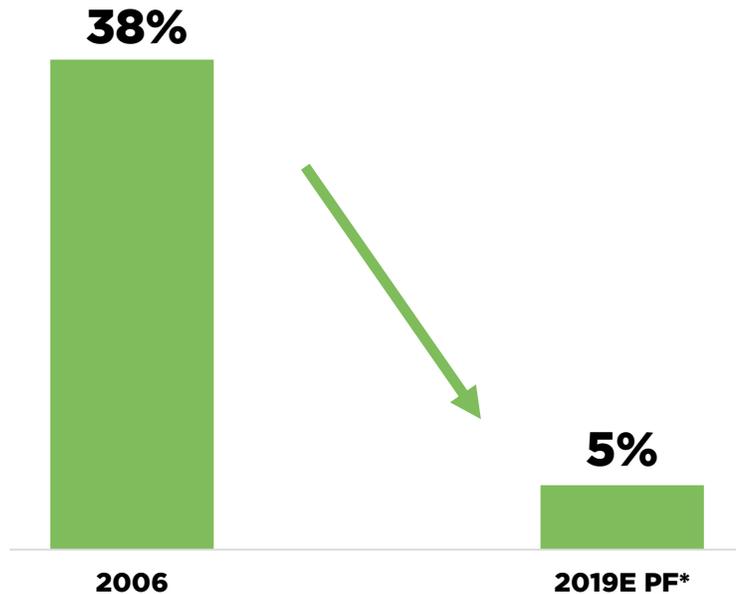
# LEVERAGING GLOBAL MEGA TRENDS



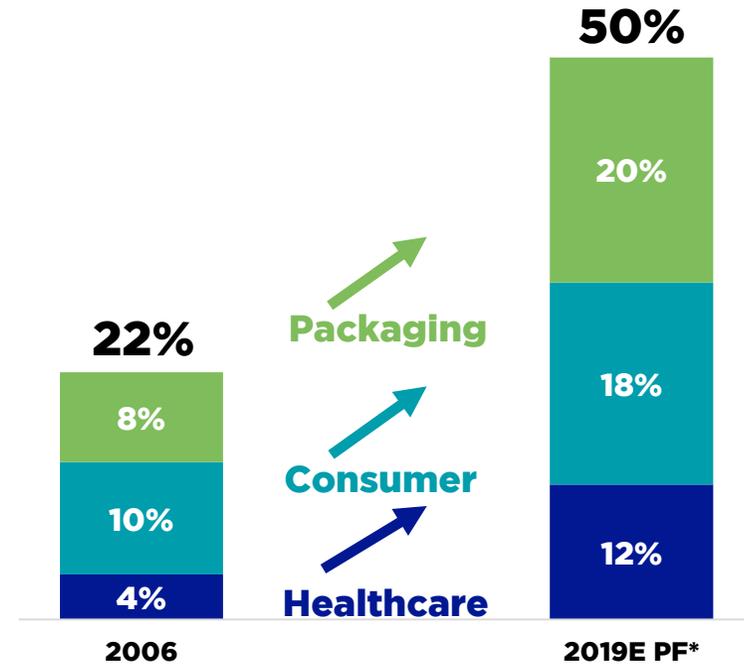
# END MARKET TRANSFORMATION

## Percentage of Total Revenue

### Building & Construction



### High Growth End Markets

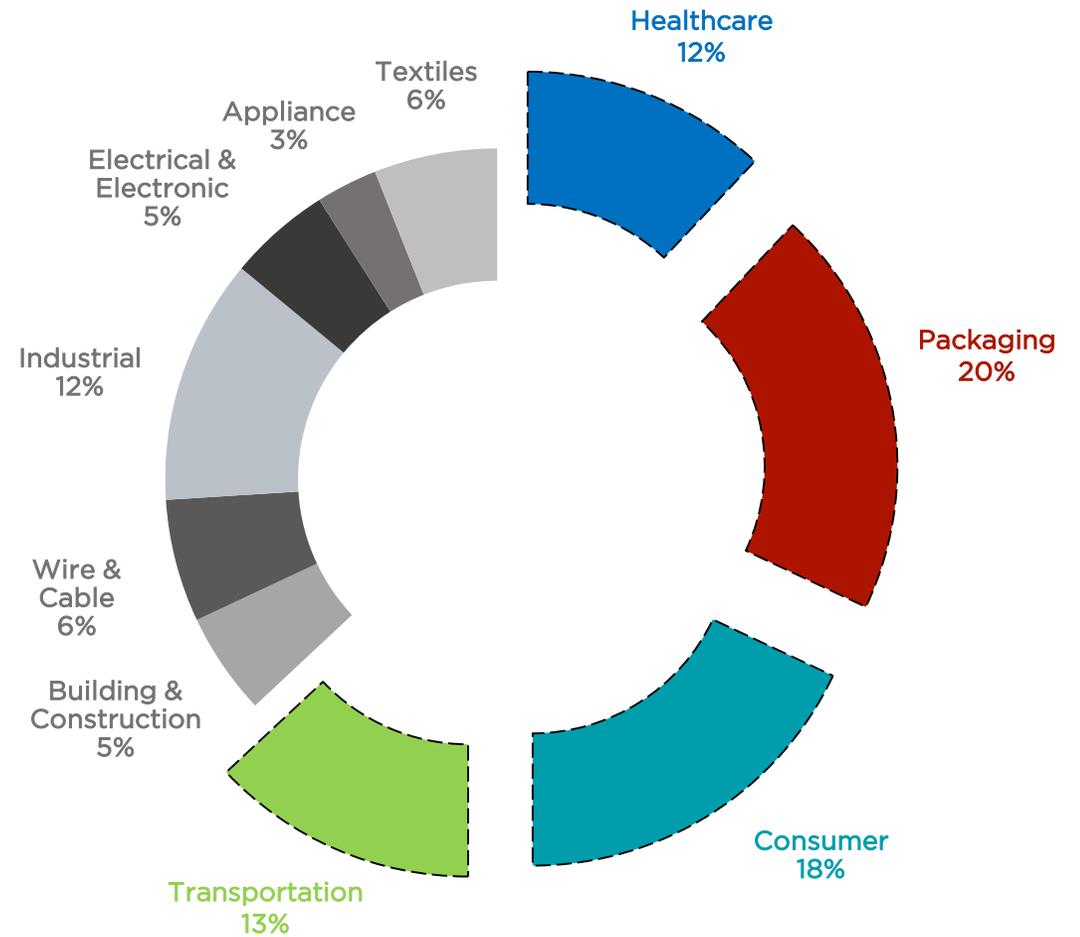
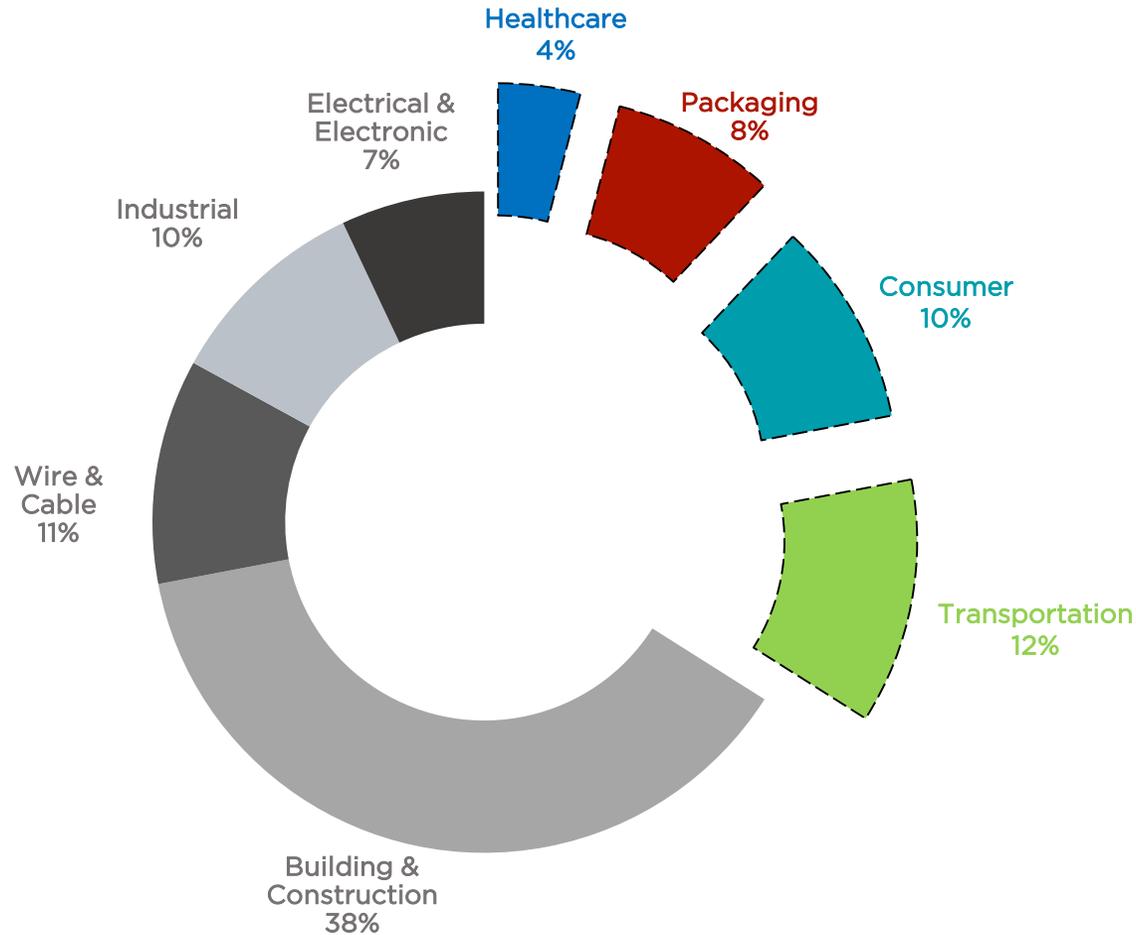


\* 2019E Pro Forma for PP&S Divestiture and Clariant Color & Additive Masterbatch business

# END MARKET TRANSFORMATION

## 2006

## 2019E PF\*

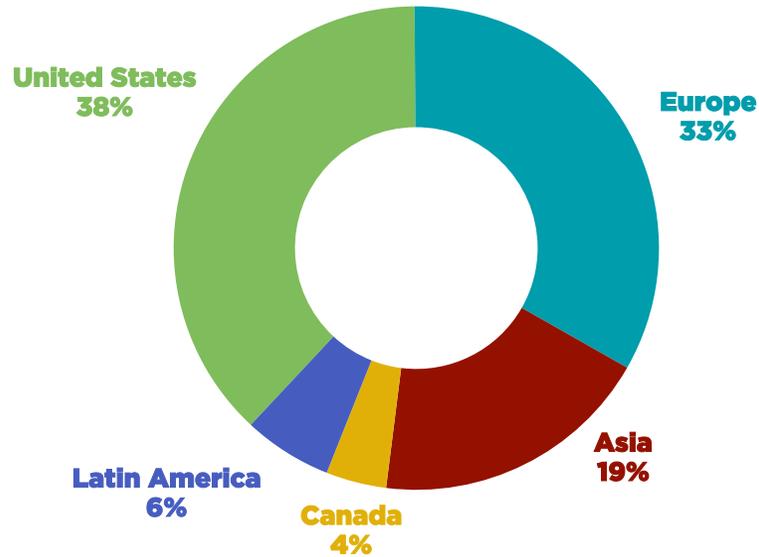


\* 2019E Pro Forma for PP&S Divestiture and Clariant Color & Additive Masterbatch business

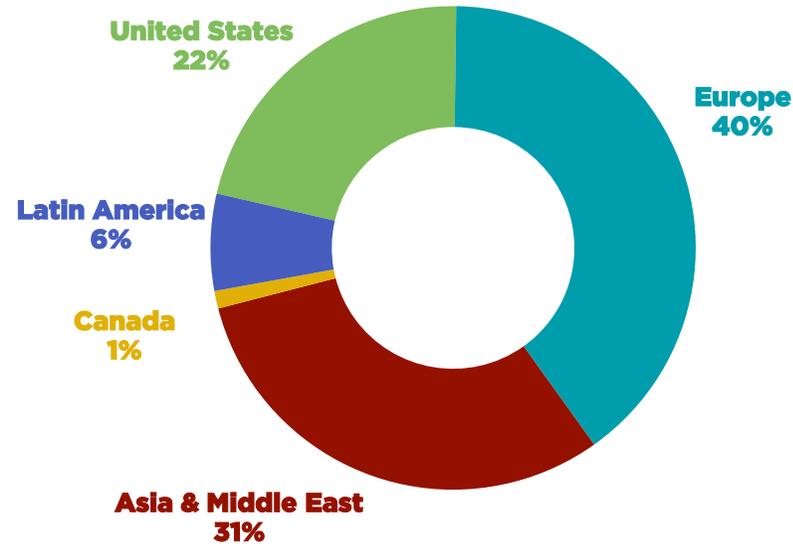
# COMPLEMENTARY GEOGRAPHIC PRESENCE

## Net Sales by Geographic Region

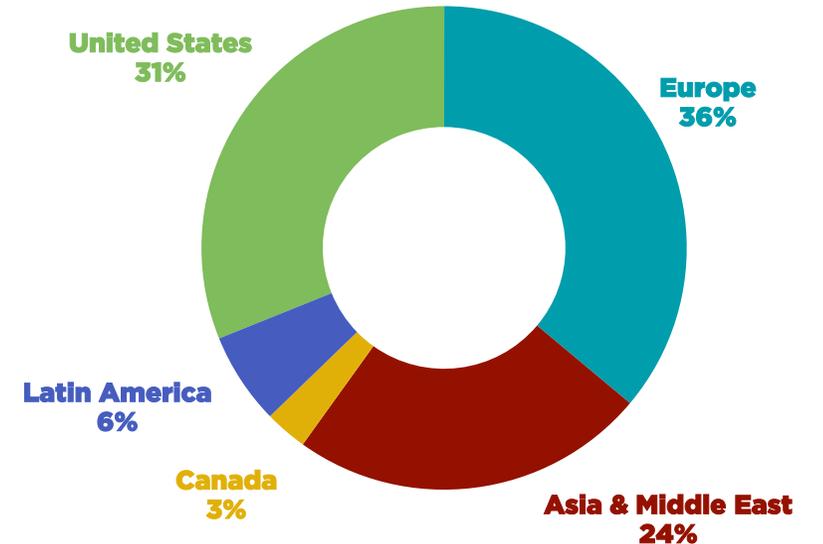
### Color & Engineered Materials



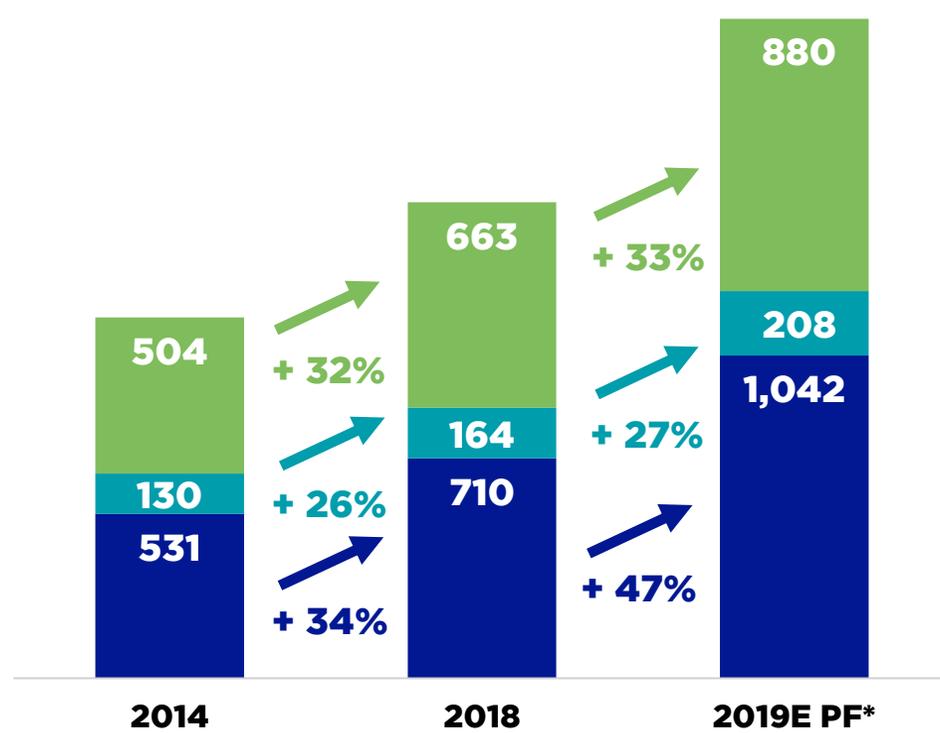
### Clariant Color & Additive Masterbatch Business



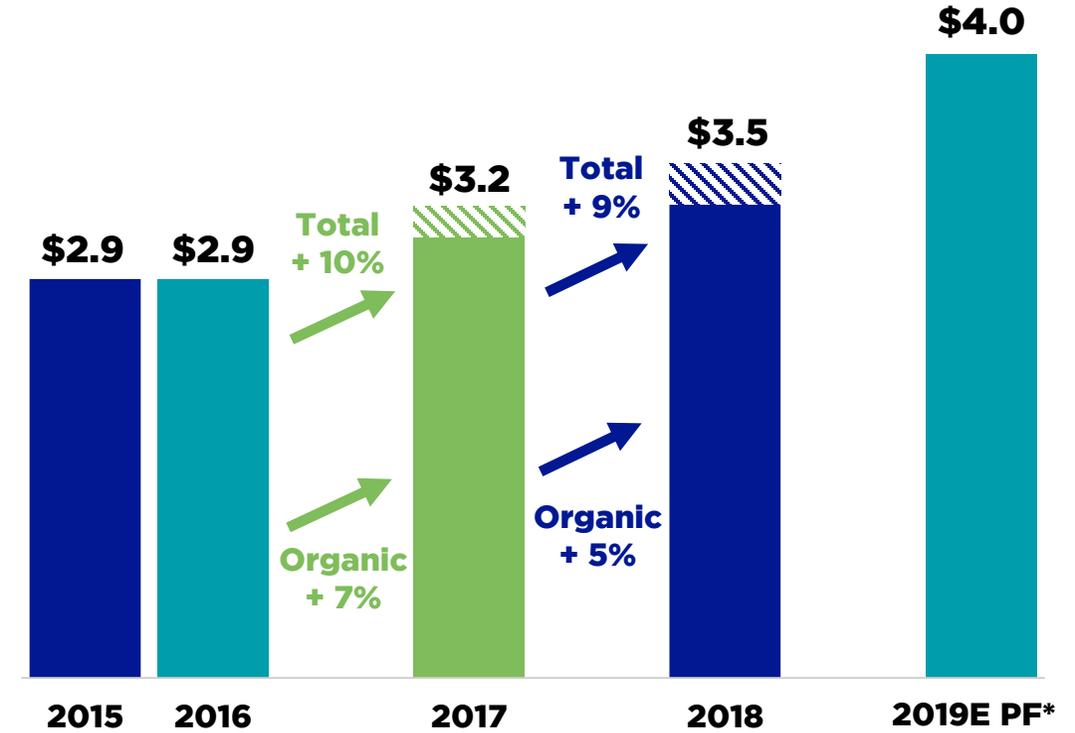
### Pro Forma Color & Engineered Materials



# EXPANSION OF COMMERCIAL RESOURCES DRIVING GROWTH



■ R&D / Technical ■ Marketing ■ Sales

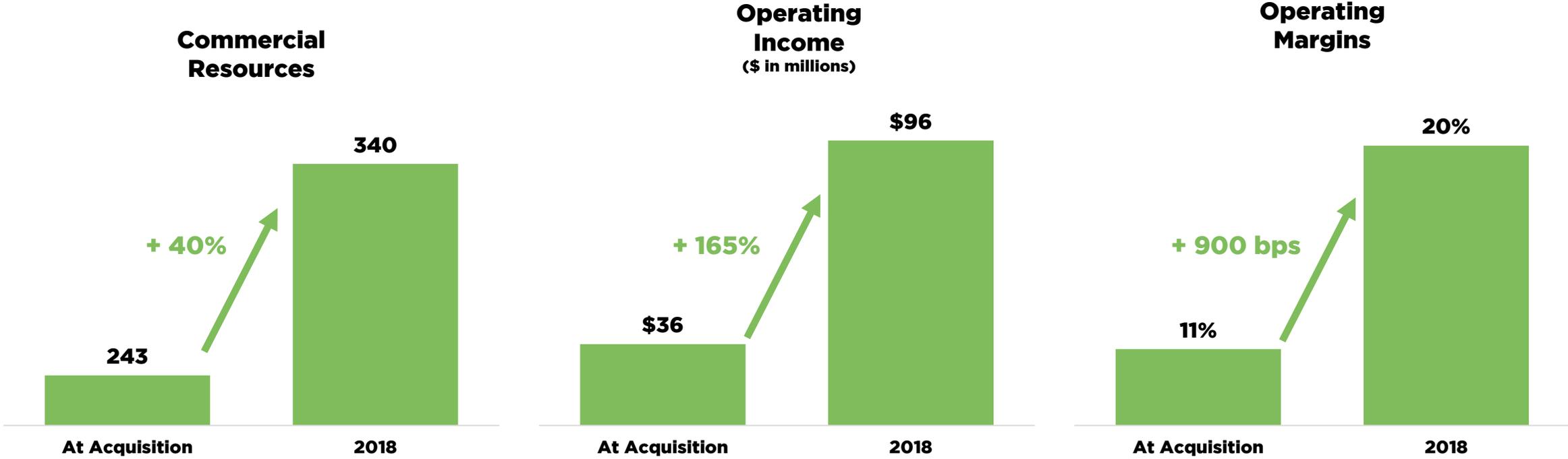


Revenue in Billions

\* 2019E Pro Forma for PP&S Divestiture and Clariant Color & Additive Masterbatch business

# PRIOR ACQUISITIONS: PROOF OF PERFORMANCE

## Established Acquisitions (> 7 years)



# UNIFIED FOCUS ON SUSTAINABILITY

## PolyOne

- Uses packaging additives & colorants to improve recyclability and enhance automated sorting



Improved  
Recyclability

- Combines UV-blocking additive colorants & other barriers to prevent spoilage and waste



Reduced  
Material  
Requirements

- Produces infrared absorbing additives that reduce energy requirements for bottle manufacturing



Reduced  
Energy Use

## Clariant Color & Additive Masterbatch Business

- Building mini-recycling plants to facilitate customer projects on design for recycling - CycleWorks

- Manufactures oxygen scavengers to extend shelf-life of perishable items and reduce material requirements

- Offers spin-dyeing solutions that use significantly less water than traditional methods, allowing for sustainable coloration of textiles



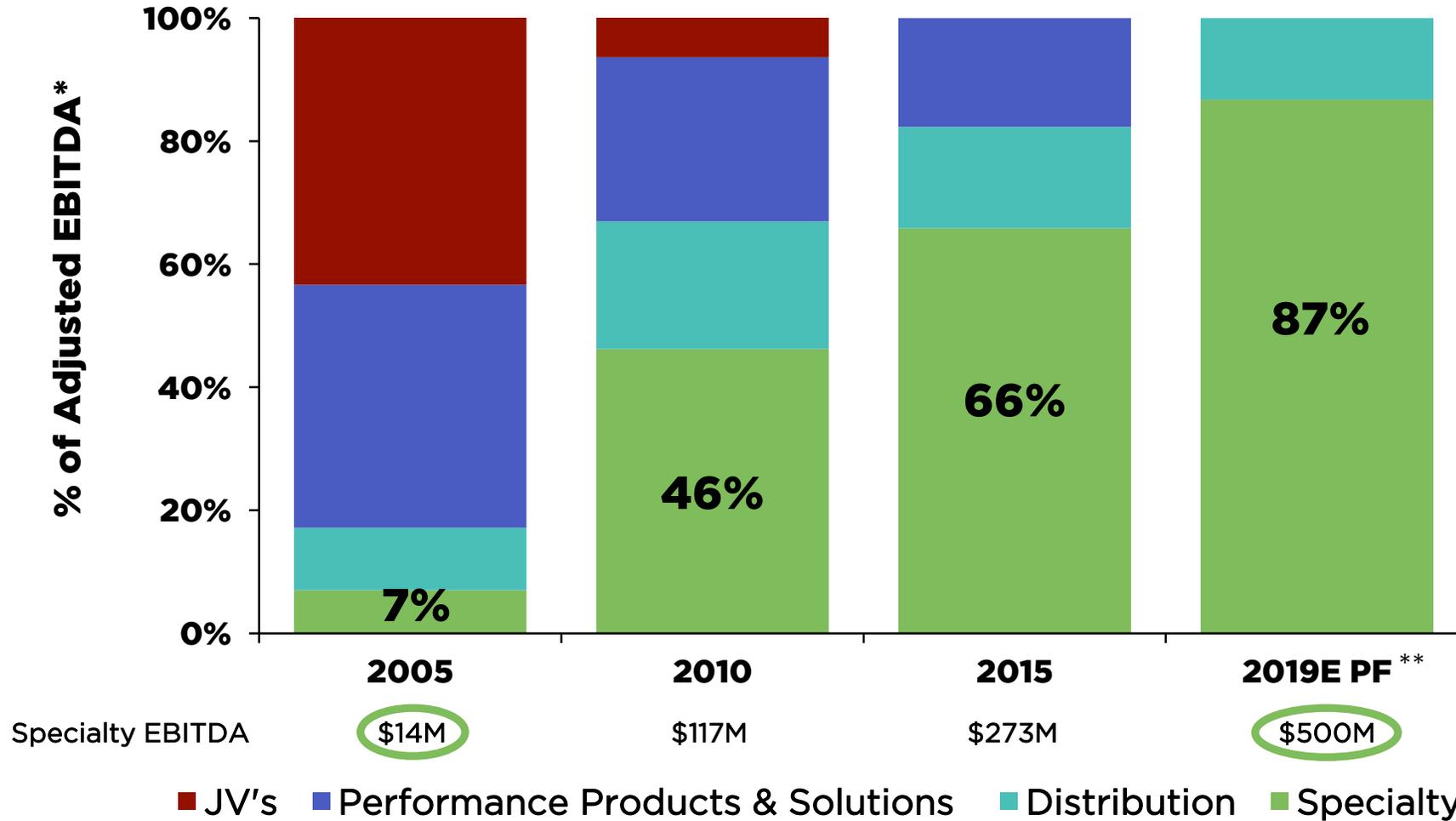
# POLYONE + CLARIANT COLOR & ADDITIVE MASTERBATCH BUSINESS

(\$ in millions)	PolyOne (Continuing Operations)	+	Clariant Color & Additive Masterbatch Business	+	Synergies	=	New PolyOne
2019E Total Sales	\$2,860		\$1,150				\$4,010
2019E Adjusted EBITDA % Margin	\$310 10.8%		\$130 11.3%		\$60		\$500 12.5%
2019E CapEx % Sales	\$60 2.1%						\$85 2.1%
2019E Free Cash Flow	\$170						\$250
2019E Adjusted EPS	\$1.65						\$2.22
2019E PF Adjusted EPS	\$1.65						\$2.50 <sup>(1)</sup>

\$0.85/share

(1) Excludes step-up of depreciation & amortization related to purchase accounting of transaction

# OVER 85% OF ADJUSTED EBITDA FROM SPECIALTY



\* Adjusted EBITDA is EBITDA excluding corporate costs and special items

\*\* 2019E Pro Forma for PP&S Divestiture and Clariant Color & Additive Masterbatch business acquisition with synergies

*PolyOne*<sup>TM</sup>

# TRANSACTION OVERVIEW

## Transaction Value

- \$1.45 B net purchase price
- Represents 11.1x adjusted EBITDA (excluding synergies), 7.6x adjusted EBITDA (including synergies)

## Synergies

- Pre-tax synergies of \$60MM expected to be fully realized by the end of 2023
- Synergies realized from sourcing, operational, technology / commercial, and general administrative

## Financing

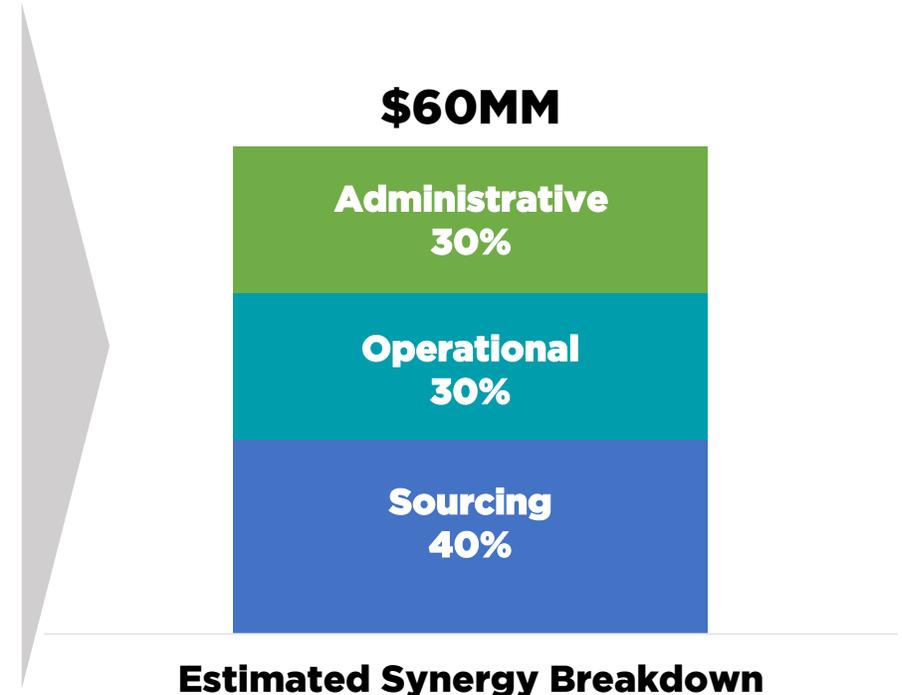
- Committed financing in place
- Permanent financing to be combination of available cash on-hand, new debt and equity component to limit leverage
- Equity issuance of \$400 to \$500MM
- Target net leverage below 3.5x, 3.1x synergized, with intention to de-lever below 3.0x within 2 years

## Closing Conditions / Timing

- Expected mid-2020, subject to regulatory approvals and customary closing conditions

# SIGNIFICANT SYNERGY OPPORTUNITIES

- Expect EBITDA synergies of \$60MM
  - Proven integration expertise with a decade of acquisition experience
  - Administrative synergies reflect reduction of duplicative internal and third-party costs
- Run rate synergies of \$20MM by the end of Year 1 with \$60MM achieved by the end of Year 3
- Significant additional opportunity for geographical expansion
  - Clariant Color & Additive Masterbatch business has complementary regional presence in key growth areas including India & Southeast Asia
- Opportunity to accelerate growth with a combined portfolio of innovative solutions aligned with sustainability megatrends



# CAPITAL STRUCTURE / LEVERAGE

## Sources

Cash from Balance Sheet	\$465
New Senior Unsecured Notes	650
New Equity	450
<b>Total Sources</b>	<b>\$1,565</b>

## Uses

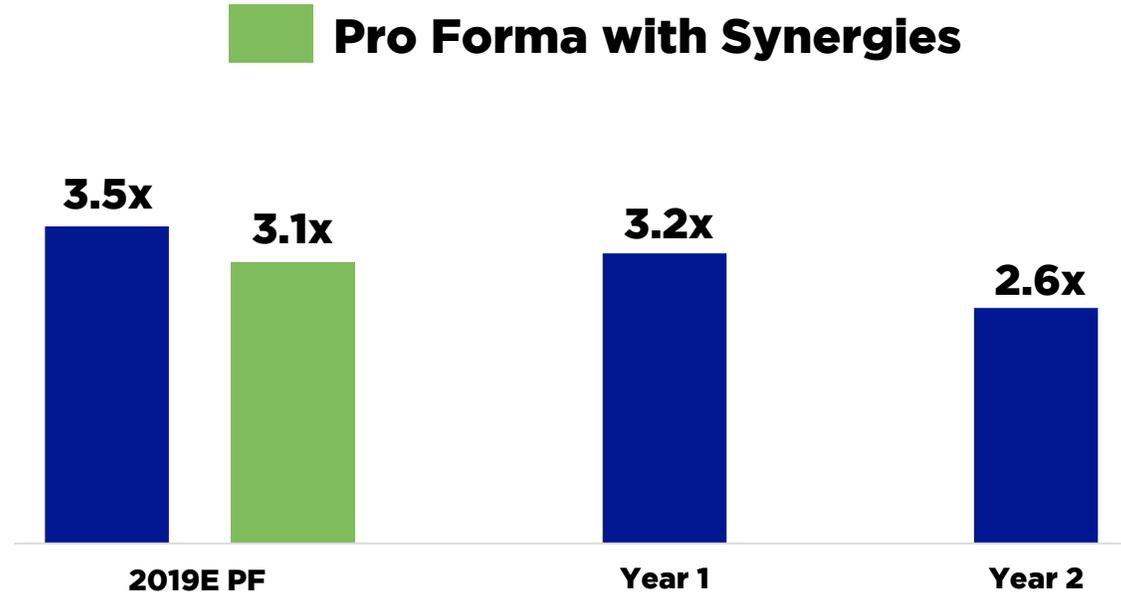
Clariant Masterbatch	\$1,500
Clariant India Masterbatch	60
Less: Lease Adjustment	(113)
Net Purchase Price	\$1,447
Net Cash Acquired	57
Fees, Expenses & OID	61
<b>Total Uses</b>	<b>\$1,565</b>

## Pro Forma Capitalization <sup>(1)</sup>

(\$ Millions)	PF 12/31/2019
Cash and Cash Equivalents	\$370
\$450M Senior Secured ABL Revolver	-
Senior Secured Term Loan B due 2026	624
Other Debt	25
<b>Total Senior Secured Debt</b>	<b>\$649</b>
5.25% Senior Unsecured Notes due 2023	\$600
New Senior Unsecured Notes	650
<b>Total Senior Debt</b>	<b>\$1,899</b>
<b>Net Debt</b>	<b>\$1,529</b>
<b>New Equity</b>	<b>\$450</b>

(1) Pro Forma Capitalization is for illustrative purposes only; amounts may vary depending on various market and other factors.

## Pro Forma with Synergies



Two year leverage goal

# ATTRACTIVE FINANCING STRUCTURE

## Financing Summary

- \$465 million of cash from the balance sheet expected to fund a portion of the purchase price
- Bridge financing for remainder fully committed from Citi, Morgan Stanley and Wells Fargo
- Permanent financing expected to include a combination of long-term debt and new equity
- The timing of the permanent financing is subject to a number of factors, including, but not limited to, market conditions
- PolyOne is committed to preserving a strong balance sheet
  - Target net leverage at close below 3.5x, excluding synergies
- Pro forma capital structure positions PolyOne with flexibility to pursue continued growth strategy

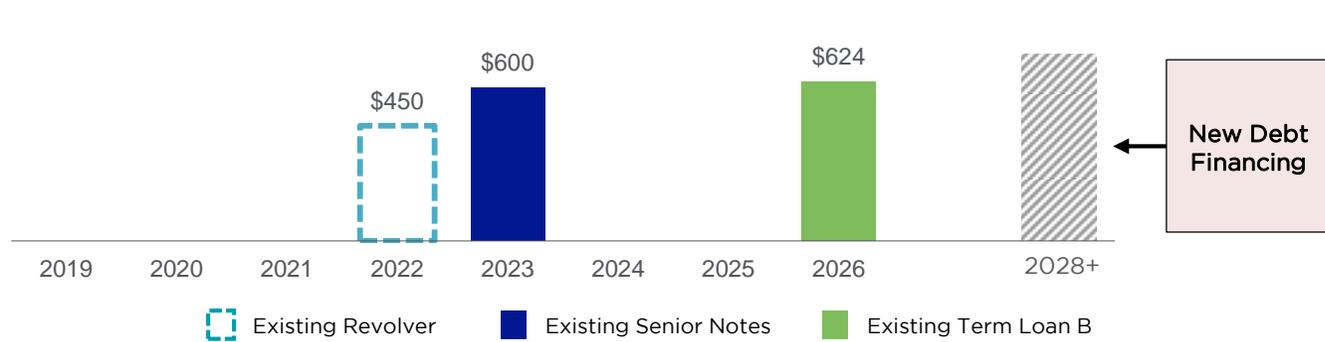
## Terms on New Debt

- New financing expected to have same or better covenant package than existing capital structure
- Capital structure would be “covenant lite”

## Capital Policy

- Transaction in line with PolyOne’s disciplined capital allocation policy
- Existing PolyOne dividend policy to be maintained
- Focus on deleveraging in the near term

## Attractive Debt Maturity Profile



# THE NEW POLYONE: A SPECIALTY GROWTH COMPANY

- Landmark portfolio transformation: > 85% of Adjusted EBITDA from specialty solutions
- World-class innovation, technology and service are differentiators
- Sustainability initiatives and alignment with megatrends drive above market growth in key end markets and applications:
- Capital management is a strength - proven track record of expanding ROIC while increasing invested capital

**Transaction expected to add \$0.85 to pro forma adjusted EPS**

*PolyOne*<sup>TM</sup>

## Reconciliation of Non-GAAP Financial Measures (Unaudited)

(Dollars in millions, except per share data)

Senior management uses comparisons of adjusted net income from continuing operations attributable to PolyOne shareholders and diluted adjusted earnings per share (EPS) from continuing operations attributable to PolyOne shareholders, excluding special items, to assess performance and facilitate comparability of results. Senior management believes these measures are useful to investors because they allow for comparison to PolyOne's performance in prior periods without the effect of items that, by their nature, tend to obscure PolyOne's operating results due to the potential variability across periods based on timing, frequency and magnitude. Non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation from, or solely as alternatives to, financial measures prepared in accordance with GAAP. Therefore, below is a reconciliation of these non-GAAP financial measures to their most directly comparable financial measures calculated and presented in accordance with GAAP.

Adjusted EPS attributable to PolyOne common shareholders is calculated as follows:

	2009*	2010*	2011*	2012*	2013*	2014*	2015*	2016	2017	2018	2018**
Net income from continuing operations attributable to PolyOne common shareholders	\$ 106.7	\$ 152.5	\$ 153.4	\$ 53.3	\$ 94.0	\$ 78.0	\$ 144.6	\$ 166.4	\$ 173.5	\$ 161.1	\$ 87.7
Joint venture equity earnings, after tax	(19.0)	(14.7)	(3.7)	—	—	—	—	—	—	—	—
Special items, before tax <sup>(1)</sup>	(48.7)	24.2	(48.1)	55.1	46.3	164.2	87.6	23.8	32.9	59.5	58.7
Special items, tax adjustments <sup>(1)</sup>	(27.2)	(96.7)	(24.7)	(18.9)	(13.7)	(73.7)	(58.7)	(15.9)	(24.8)	(25.3)	(25.1)
Adjusted net income from continuing operations attributable to PolyOne common shareholders	<u>\$ 11.8</u>	<u>\$ 65.3</u>	<u>\$ 76.9</u>	<u>\$ 89.5</u>	<u>\$ 126.6</u>	<u>\$ 168.5</u>	<u>\$ 173.5</u>	<u>\$ 174.3</u>	<u>\$ 181.6</u>	<u>\$ 195.3</u>	<u>\$ 121.3</u>
Diluted shares	93.4	96.0	94.3	89.8	96.5	93.5	88.7	84.6	82.1	80.4	80.4
Adjusted EPS attributable to PolyOne common shareholders	\$ 0.13	\$ 0.68	\$ 0.82	\$ 1.00	\$ 1.31	\$ 1.80	\$ 1.96	\$ 2.06	\$ 2.21	\$ 2.43	\$ 1.51

\* Historical results are shown as presented in prior filings and have not been updated to reflect subsequent changes in accounting principle, discontinued operations or the related resegmentation.

\*\* Pro Forma for sale of PP&S.

(1) Special items include charges related to specific strategic initiatives or financial restructuring such as: consolidation of operations; debt extinguishment costs; costs incurred directly in relation to acquisitions or divestitures, including adjustments related to contingent consideration; employee separation costs resulting from personnel reduction programs, plant realignment costs, executive separation agreements; asset impairments; mark-to-market adjustments associated with actuarial gains and losses on pension and other post-retirement benefit plans; environmental remediation costs, fines, penalties and related insurance recoveries related to facilities no longer owned or closed in prior years; gains and losses on the divestiture of operating businesses, joint ventures and equity investments; gains and losses on facility or property sales or disposals; results of litigation, fines or penalties, where such litigation (or action relating to the fines or penalties) arose prior to the commencement of the performance period; one-time, non-recurring items; and the effect of changes in accounting principles or other such laws or provisions affecting reported results. Tax adjustments include the net tax benefit/(expense) from one-time income tax items, the set-up or reversal of uncertain tax position reserves and deferred income tax valuation allowance adjustments.