



PolyOne Investor Presentation

Bank of America Merrill Lynch
2013 US Basic Materials Conference
December 11, 2013



Collaboration. Innovation. Excellence.™

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 final amount of charges resulting from the planned North American asset realignment and the Company’s ability to realize anticipated savings and operational benefits from the asset realignment;
 - ✓ Our ability to achieve the strategic and other objectives relating to the acquisition of Spartech Corporation, including any expected synergies;
 - ✓ Our ability to successfully integrate Spartech and achieve the expected results of the acquisition, including, without limitation, the acquisition 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 financial condition of our customers, including the ability of customers (especially those that may be highly leveraged and those with inadequate liquidity) to maintain their credit availability;
 - ✓ The speed and extent of an economic recovery, including the recovery of the housing market;
 - ✓ Our ability to achieve new business gains;
 - ✓ The effect on foreign operations of currency fluctuations, tariffs, and other political, economic and regulatory risks;
 - ✓ Changes in polymer consumption growth rates in the markets 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 achieve or delays in achieving or achievement of less than the anticipated financial benefit from initiatives related to working capital reductions, cost reductions, employee productivity goals, and an inability to raise or sustain prices for products or services;
 - ✓ An inability to raise or sustain prices for products or services;
 - ✓ An inability to maintain appropriate relations with unions and employees;
 - ✓ The inability to achieve expected results from our acquisition activities;
 - ✓ Our ability to continue to pay cash dividends;
 - ✓ The amount and timing of repurchases of our common shares, if any; 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.

- 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, earnings before interest, tax, depreciation and amortization (EBITDA), adjusted EBITDA, net debt, Specialty platform operating income, Specialty platform gross margin percentage, adjusted operating income, return on invested capital, net debt/ EBITDA, and the exclusion of corporate charges in certain calculations. In certain cases throughout this presentation, we have presented GAAP and non-GAAP financial measures adjusted to reflect full-year 2012 Pro forma results, including Spartech and Glasforms and excluding discontinued operations.
- PolyOne's chief operating decision makers use these financial measures to monitor and evaluate the ongoing performance of the Company and each business segment and to allocate resources. In addition, operating income before special items and adjusted EPS are components of various PolyOne annual and long-term employee incentive plans.
- A reconciliation of each 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.

Strategy and Execution Drive Results



- **16 consecutive quarters of double digit EPS growth**

- 42% CAGR adjusted EPS expansion 2006-2012

- YTD stock price has increased 63% versus 27% growth in the S&P

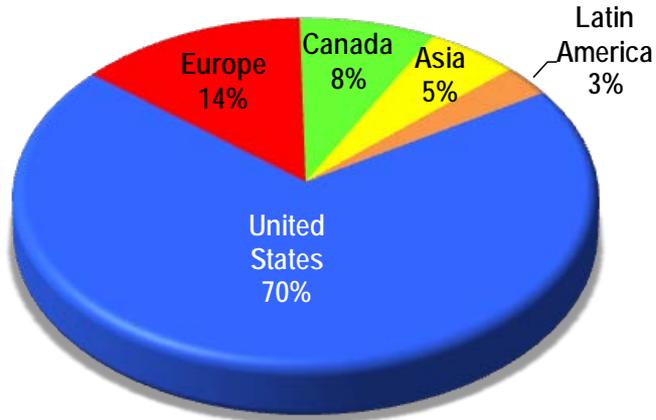
- **More than six fold increase in market cap: \$0.5b → \$3.3b**

Four Pillar Strategy

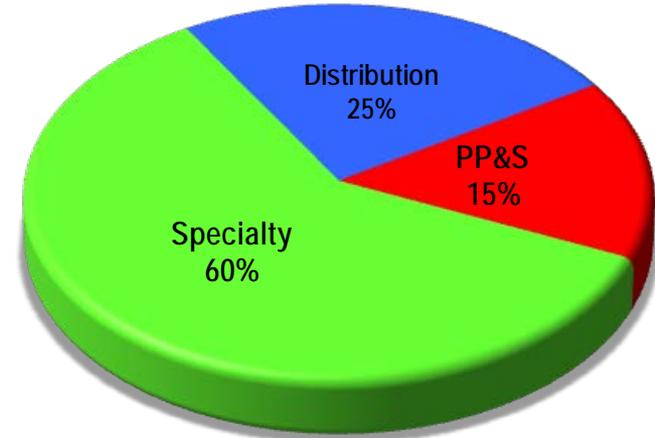


**The World's Premier Provider of Specialized
Polymer Materials, Services & Solutions**

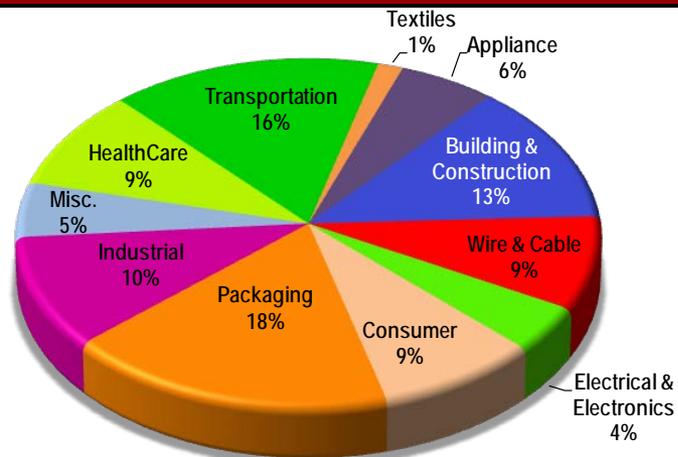
2012 Revenues: \$4.0 Billion*



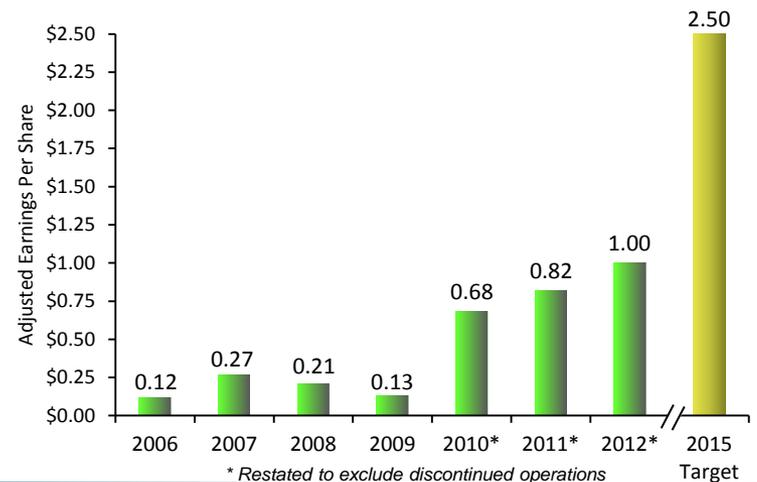
2012 Revenues: \$4.0 Billion*



End Markets*

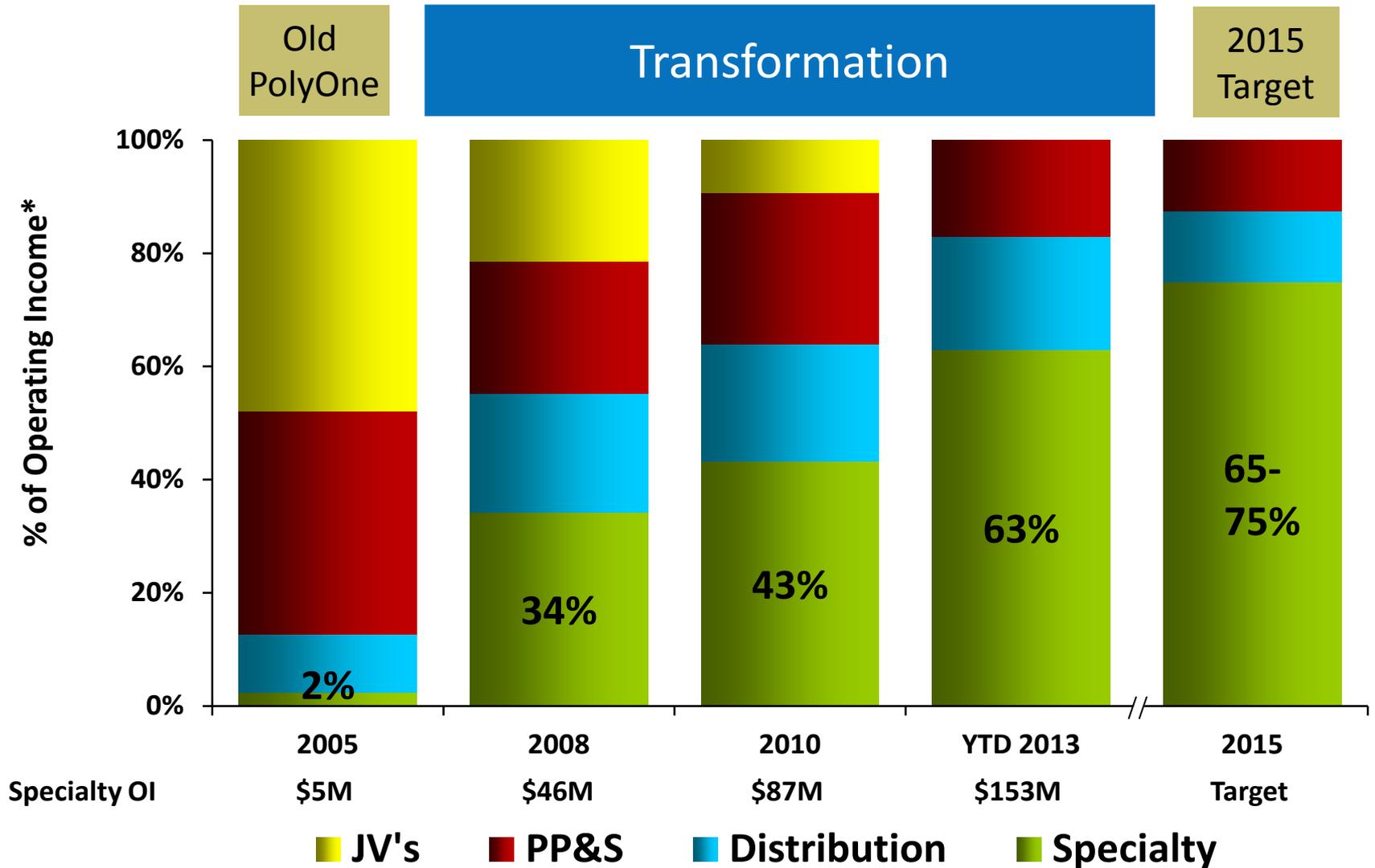


EPS



* Pro Forma includes FY2012 results for Spartech (11/03/12 YE) and Glasforms & excludes discontinued operations

Mix Shift Highlights Specialty Transformation



*Operating Income excludes corporate charges and special items

Proof of Performance & 2015 Goals



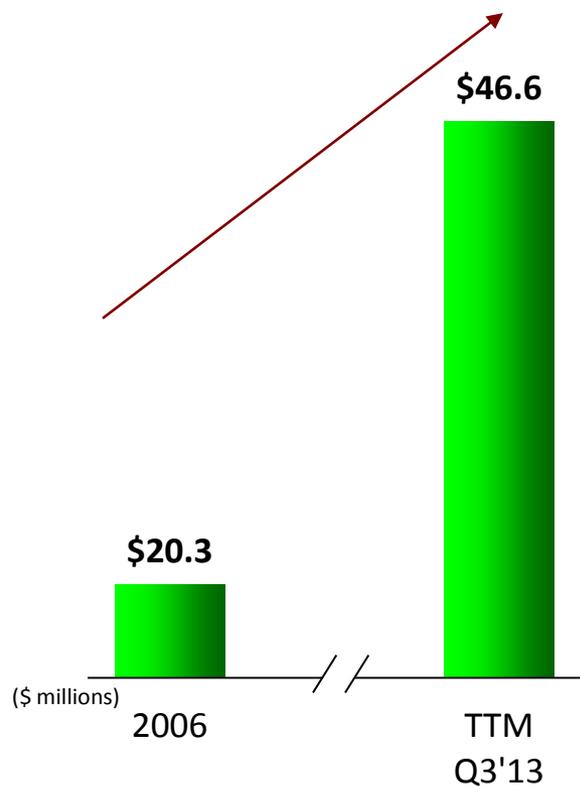
	2006 Where we were	YTD 2013 Where we are		2015 Target
		Organic	Consolidated	
1) Operating Income %				
Specialty:				
Global Color, Additives & Inks	1.7%	12.8%	12.8%	12 – 16%
Global Specialty Engineered Materials	1.1%	10.8%	8.9%	12 – 16%
Designed Structures & Solutions	—	—	5.0%	8 – 10%
Performance Products & Solutions	5.5%	8.0%	8.2%	9 – 12%
Distribution	2.6%	6.1%		6 – 7.5%
2) Specialty Platform % of Operating Income	6.0%	63%		65 – 75%
3) ROIC* (after-tax)	5.0%	9.4%		15%
4) Adjusted EPS Growth	N/A	28%		Double Digit Expansion

*ROIC is defined as TTM adjusted OI divided by the sum of average debt and equity over a 5 quarter period

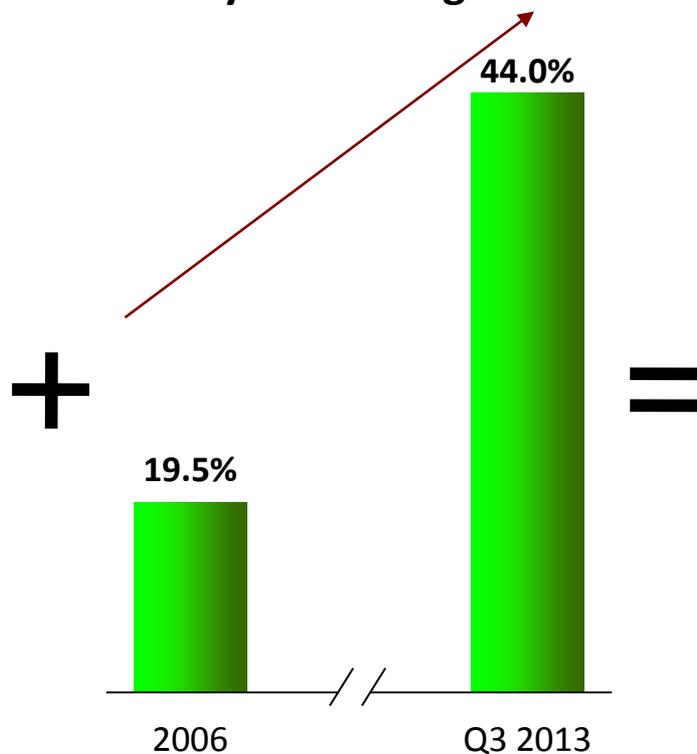
Innovation Drives Earnings Growth



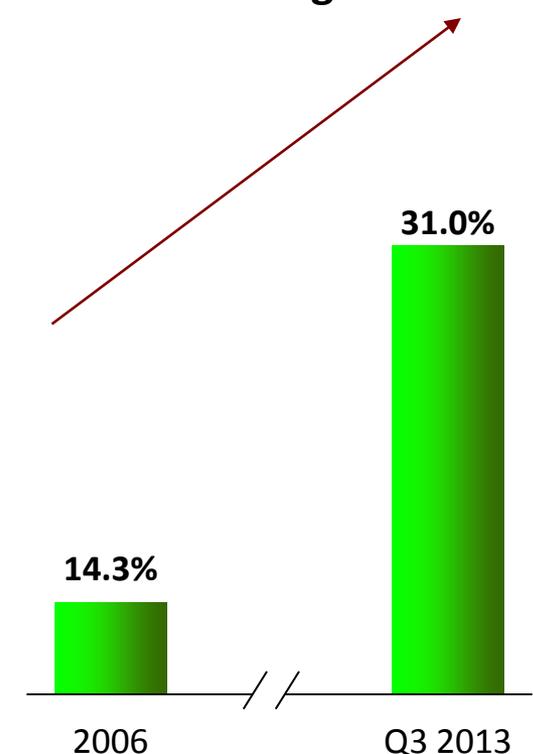
Research & Development Spending



Specialty Platform Vitality Index Progression*

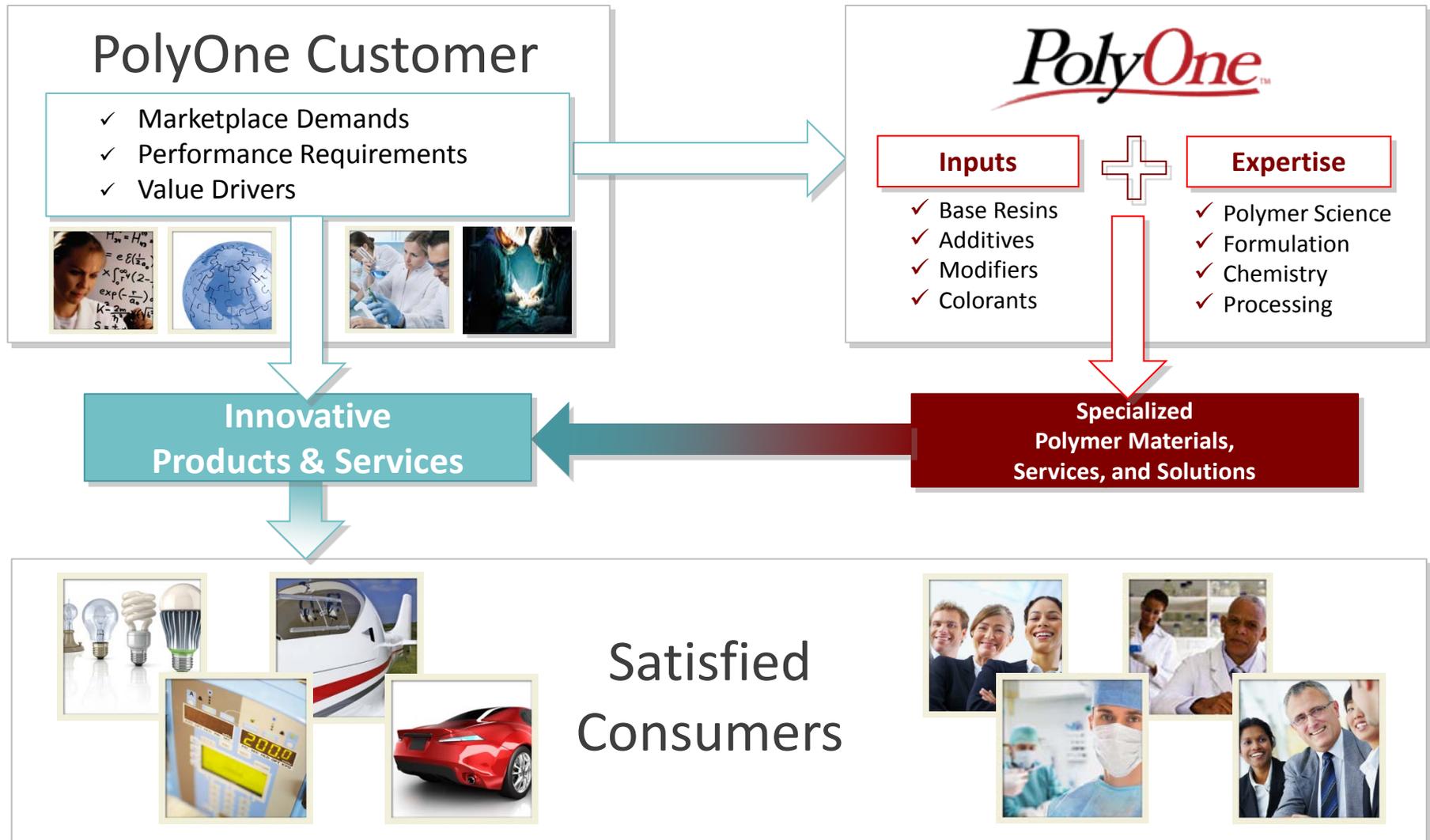


Specialty Platform Gross Margin %



*Percentage of Specialty Platform revenue from products introduced in last five years

We are Experts in Polymer Science and Formulation *PolyOne*[™]



Positioned for Strong Growth



2015 Target

Rev: \$5B

Adj. EPS: \$2.50

Assumptions

- Mid single digit revenue CAGR
- Operating margins in mid-range of 2015 targets
- No global recession
- No investment in incremental PP&S capacity
- Housing starts at 85% of 50 year norm by 2015
- Remain comfortably below 3X Net Debt / EBITDA



2012

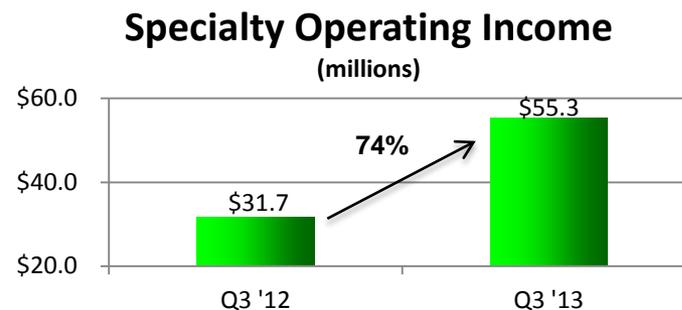
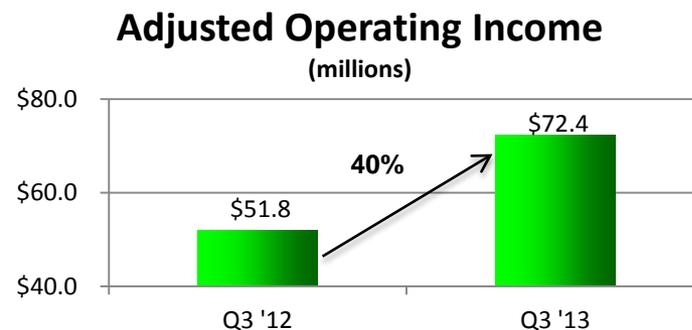
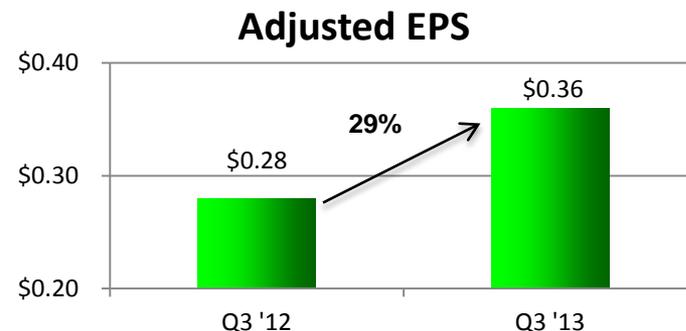
Rev: \$2.9B

Adj. EPS: \$1.00

Q3 2013 Financial Highlights



- Adjusted EPS increased 29% over prior year
- Adjusted Operating Income expanded 40% versus Q3 2012
- Specialty operating income up 74%
- Revenue increases 43% versus Q3 2012



Debt Maturities & Liquidity Summary – 9/30/13

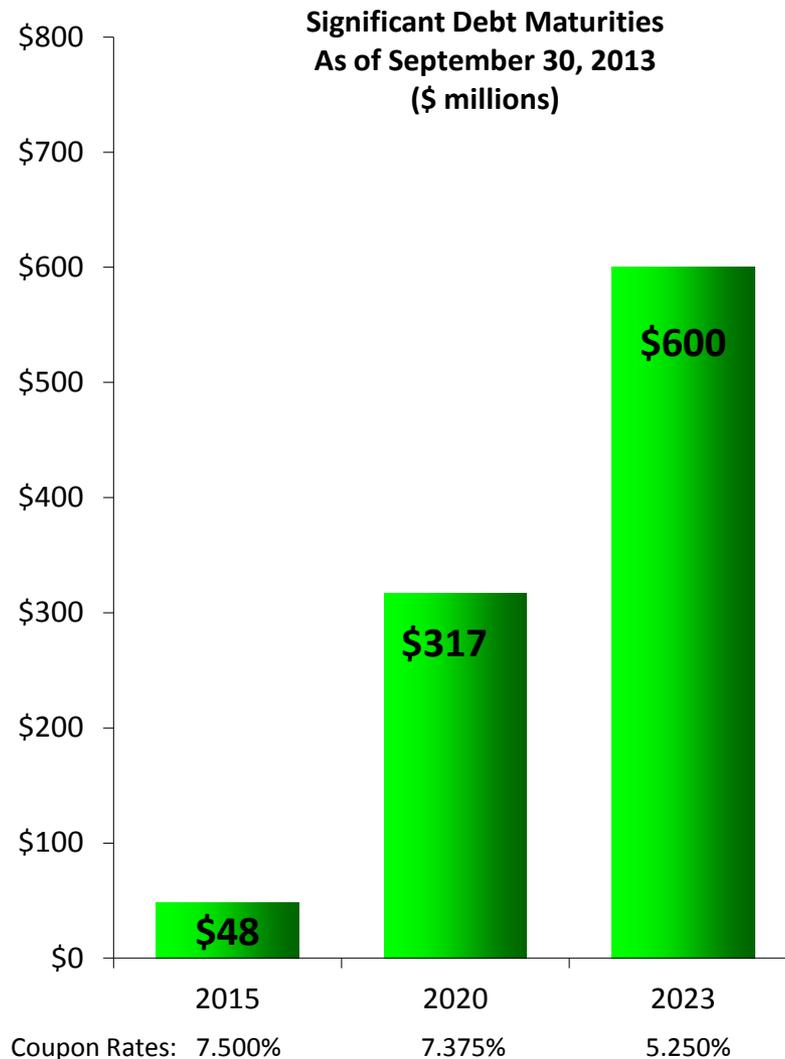


Significant Debt Maturities	\$ 965
<u>Other Debt</u>	<u>22</u>
Total Debt at 9/30/13	\$ 987
<u>Less: Cash</u>	<u>323</u>
Net Debt	<u>\$ 664</u>

Available Liquidity

Cash	\$ 323
<u>ABL Availability</u>	<u>308</u>
Total Liquidity	<u>\$631</u>

Net Debt / EBITDA* = 1.9x



*TTM 9/30/2013

Use of Cash



Organic Growth

- Expanding our sales, marketing, and technical capabilities is top priority
- Investing in operational and LSS initiatives (including synergy capture)
- North American manufacturing alignment
- CAPEX

Acquisitions

- Targets that expand our:
 - Specialty offering
 - End market presence
 - Geographic footprint
- Synergy opportunities
- Adjacent material solutions

Dividends

- Announced a 33% increase in quarterly dividend on Dec 2, 2013; our third dividend increase
- Objective of maintaining and growing

Share/Bond Repurchase

- Repurchased 3.8M shares YTD in 2013
- 16.2 million shares are available for repurchase under the current authorization
- Repurchased \$45 million, par value, of higher coupon bonds YTD

Cash Balance = \$323M

Net Debt / EBITDA* = 1.9x

Why Invest In PolyOne?



- Strong past performance demonstrates that our strategy and execution are working
- Megatrends align with our strengths
- Innovation and services provide differentiation and competitive advantage
- Strong and proven management team driving growth and performance
- Addressable market exceeds \$40 billion

The New PolyOne: A Specialty Growth Company
2015 Target: \$2.50 Adjusted EPS

Reconciliation of Non-GAAP Financial Measures (Unaudited)

(Dollars in millions, except per share data)

Below is a reconciliation of non-GAAP financial measures to the most directly comparable measures calculated and presented in accordance with U.S. GAAP. Senior management uses adjusted operating income, adjusted EPS, and working capital to assess performance and allocate resources because senior management believes that these measures are useful in understanding current profitability levels and that current levels may serve as a base for future performance.

Platform operating income mix percentage	2005Y*	2008Y*	2010Y*	YTD 2013
Global Specialty Engineered Materials	\$ 0.4	\$ 17.6	\$ 49.7	\$ 48.2
Global Color, Additives and Inks	4.3	28.1	37.7	83.4
Designed Structures and Solutions	-	-	-	21.4
Specialty Platform	\$ 4.7	\$ 45.7	\$ 87.4	\$ 153.0
Performance Products and Solutions	75.7	31.3	54.0	41.8
Distribution	19.5	28.1	42.0	49.7
SunBelt Joint venture	91.9	28.6	18.9	-
Corporate	(51.5)	(425.1)	(27.7)	(61.7)
Operating income (loss) GAAP	\$ 140.3	\$ (291.4)	\$ 174.6	\$ 182.8
Less: Corporate operating expense	51.5	425.1	27.7	61.7
Operating income excluding Corporate	\$ 191.8	\$ 133.7	\$ 202.3	\$ 244.5
Specialty platform operating mix percentage	2%	34%	43%	63%

* Historical results include the Resin and Specialty Coatings businesses within the Performance Products and Solutions segment.

Platform sales and operating income (OI)	2006Y*	YTD 2013		YTD 2013
		Organic	Acquisitions**	Consolidated
Global Specialty Engineered Materials Sales	\$ 345.3	\$ 427.2	\$ 113.6	\$ 540.8
Global Color, Additives and Inks Sales	531.8	608.0	45.7	653.7
Designed Structures and Solutions Sales	-	-	428.2	428.2
Specialty Platform Sales	\$ 877.1	\$ 1,035.2	\$ 587.5	1,622.7
Performance Products and Solutions Sales	1,166.2	473.6	39.2	512.8
PolyOne Distribution Sales	732.8	818.1	-	818.1
Corporate and eliminations	(153.7)	(106.0)	-	(106.0)
Total Sales	\$ 2,622.4	\$ 2,220.9	\$ 626.7	\$ 2,847.6
Global Specialty Engineered Materials OI	\$ 3.9	\$ 46.1	\$ 2.1	\$ 48.2
Global Color, Additives and Inks OI	8.9	78.0	5.4	83.4
Designed Structures & Solutions OI	-	-	21.4	21.4
Specialty Platform OI	\$ 12.8	\$ 124.1	\$ 28.9	\$ 153.0
Performance Products and Solutions OI	64.2	38.1	3.7	41.8
PolyOne Distribution OI	19.2	49.7	-	49.7
Sunbelt Joint Venture OI	102.9	-	-	-
Corporate and eliminations	(4.6)	(39.5)	-	(39.5)
Special items in OI	39.1	(22.2)	-	(22.2)
Operating income GAAP	\$ 233.6	\$ 150.2	\$ 32.6	\$ 182.8
Sunbelt equity income	(107.0)	-	-	-
Special items in OI	(39.1)	22.2	-	22.2
Operating income adjusted	\$ 87.5	\$ 172.4	\$ 32.6	\$ 205.0
Global Specialty Engineered Materials - OI % of sales	1.1%	10.8%	1.8%	8.9%
Global Color, Additives and Inks - OI % of sales	1.7%	12.8%	11.8%	12.8%
Designed Structures & Solutions - OI % of sales	-	-	5.0%	5.0%
Specialty platform OI - % of sales	1.5%	12.0%	5.0%	9.4%
PP&S operating OI - % of sales	5.5%	8.0%	9.4%	8.2%
Distribution OI - % of sales	2.6%	6.1%	-	6.1%
PolyOne OI adjusted - % of sales	3.3%	7.8%	5.2%	7.2%

* Historical results include the Resin and Specialty Coatings businesses within the Performance Products and Solutions segment.

** Spartech and Glasforms results for the nine months ended September 30, 2013. Spartech results reflect results since the date of acquisition.

	Three Months Ended September 30,	
	2013	2012 (a)
Platform operating income		
Global Specialty Engineered Materials	\$ 15.7	\$ 13.1
Global Color, Additives and Inks	28.7	18.6
Designed Structures and Solutions	10.9	-
Specialty Platform	55.3	31.7
Performance Products and Solutions	14.3	12.3
PolyOne Distribution	16.6	16.4
Corporate and eliminations	(24.6)	(16.9)
Operating income	\$ 61.6	\$ 43.5

(a) Adjusted to reflect the resins business as a discontinued operation.

	Three Months Ended September 30, 2013		Three Months Ended September 30, 2012 (a)	
	\$	EPS	\$	EPS
Reconciliation to Condensed Consolidated Statements of Income				
Net income from continuing operations attributable to PolyOne shareholders	\$ 23.2	\$ 0.24	\$ 19.4	\$ 0.22
Special items, after tax	10.5	0.11	5.3	0.06
Tax adjustments (b)	1.8	0.01	0.1	-
Adjusted net income / EPS	\$ 35.5	\$ 0.36	\$ 24.8	\$ 0.28

	Three Months Ended September 30,	
	2013	2012 (a)
Reconciliation to Condensed Consolidated Operating Income		
Operating income before special items	\$ 72.4	\$ 51.8
Special items in operating income	(10.8)	(8.3)
Operating income, GAAP	\$ 61.6	\$ 43.5

(a) Adjusted to reflect the resins business as a discontinued operation.

(b) Tax adjustments include the net tax expense from one-time income tax items and deferred income tax valuation allowance adjustments.

Adjusted EPS	2006Y*	2007Y*	2008Y*	2009Y*	2010Y	2011Y	2012Y
Net Income attributable to PolyOne common shareholders	\$ 130.9	\$ 40.9	\$ (417.0)	\$ 106.7	\$ 152.5	\$ 153.4	\$ 53.3
SunBelt equity earnings, after tax	(68.5)	(26.1)	(20.8)	(19.0)	(14.7)	(3.7)	-
Special items, after tax	(21.2)	41.4	310.0	(31.0)	15.8	(30.5)	35.7
Tax adjustments	(30.0)	(30.7)	147.2	(44.9)	(88.3)	(42.3)	0.5
Adjusted net income	\$ 11.2	\$ 25.5	\$ 19.4	\$ 11.8	\$ 65.3	\$ 76.9	\$ 89.5
Diluted shares	92.8	93.1	92.7	93.4	96.0	94.3	89.8
Adjusted EPS	\$ 0.12	\$ 0.27	\$ 0.21	\$ 0.13	\$ 0.68	\$ 0.82	\$ 1.00

* Historical results include the Resin and Specialty Coatings businesses within the Performance Products and Solutions segment.

Average Debt	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Average
PolyOne Debt	\$ 705.2	\$ 706.9	\$ 1,055.5	\$ 1,031.2	\$ 987.7	\$ 897.3
Average Equity	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Average
PolyOne shareholders' equity	\$ 629.3	\$ 629.1	\$ 871.8	\$ 993.9	\$ 996.6	\$ 824.1

Reconciliation to Condensed Consolidated Balance Sheets	YTD 2013
Short-term debt and current portion of long-term debt	\$ 9.9
Long-term debt	977.8
Less cash and cash equivalents	(322.8)
Net debt	\$ 664.9

Adjusted EBITDA	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Total
PolyOne Income before income taxes	\$ (1.1)	\$ 15.7	\$ 62.9	\$ 38.8	\$ 116.3
PolyOne Interest expense, net	13.7	15.6	16.6	16.0	61.9
PolyOne Depreciation and amortization	15.5	19.0	25.8	30.3	90.6
PolyOne Special items in EBITDA	26.5	27.7	(5.2)	11.2	60.2
PolyOne Adjusted EBITDA	54.6	78.0	100.1	96.3	329.0
Pro forma Spartech EBITDA	14.7	11.2	-	-	25.9
Pro forma EBITDA	\$ 69.3	\$ 89.2	\$ 100.1	\$ 96.3	\$ 354.9