



Second Quarter 2018 Earnings Conference Call

August 2, 2018

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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.

SECOND QUARTER 2018 FINANCIAL OVERVIEW & BUSINESS HIGHLIGHTS

**DR. JEFF KRAMER
CHIEF EXECUTIVE OFFICER**

2Q:18 Financial Highlights

<i>(\$ in millions, except per share amounts)</i>	2Q:18	2Q:17
Net Sales	\$270.4	\$255.3
GAAP EPS⁽¹⁾	\$0.83	\$0.72
Adjusted EPS⁽¹⁾	\$0.99	\$0.88
Free Cash Flow⁽¹⁾ YTD / LTM	\$41.6 / \$107.9	\$23.9 / \$81.3

2Q:18 Adjusted EPS of \$0.99 versus \$0.88 in 2Q:17

- Solid sales growth in both segments, adjusted operating profit flat due to rising costs
- 5% organic sales growth in Advanced Materials & Structures (AMS), ongoing site rationalization
- Solid performance in Engineered Papers (EP)
- Escalating pulp and resin costs

YTD Free Cash Flow \$42 million

- Tracking toward \$100+ expectation

(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.

2Q:18 Business Highlights

- 5% sales growth (no acquisition benefit)
 - Strong growth in filtration - gains in both water and process
 - Strong growth in medical - advanced woundcare, packaging, hospital
 - Transportation down slightly vs. strong 2Q:17, YTD up and good outlook
 - Infrastructure and construction and industrial markets generally flat
- Adjusted OP down from margin pressures, offsets for remainder of 2018
 - 2Q Adjusted OP margin % down 160 basis points
 - Majority due to anticipated expenses from planned plant rationalization; significant cost reduction synergies expected in late 2018
 - Higher resin material costs; price increases enacted and further actions possible

2018 Priorities / Updates

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

2Q:18 Business Highlights

- Sales increased 6%
 - Volume down 4%, price/mix and currency combined to drive sales growth
 - Cigarette paper portfolio volume up
 - Heat-not-Burn up significantly, partial offset to traditional RTL decline
 - Low-margin non-tobacco volume down
- Adjusted OP up, but some margin contraction
 - Adjusted OP margin % down 70 basis points
 - Improved productivity, currency, and favorable product mix
 - Significantly higher wood pulp costs

2018 Priorities / Updates

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

SECOND QUARTER 2018 FINANCIAL RESULTS REVIEW

**ANDREW WAMSER
CHIEF FINANCIAL OFFICER**

Sales & Operating Profits

2Q:18

AMS Segment

- Sales: up 5%
- Adjusted OP Margin⁽¹⁾ down 160 bps to 18.2%
 - Comparison to record margin in 2Q:17
 - Margins down from expenses related to site closure, higher resin costs partially offset by pricing actions
 - Site closure in late 2018 expected to deliver strong savings

EP Segment

- Sales: up 6%
 - Volume down 4%, price/mix up 6%, currency up 5% (do not sum due to rounding)
- Adjusted OP Margin⁽¹⁾ down 70 bps to 22.9%
 - Strong operations, good mix, and favorable currency partially offset higher pulp input costs

Unallocated Expenses

- Adjusted up 4%
 - Adjusted expenses declined 10 bps as % of total sales to 3.0%

Consolidated

- Sales: reported up 6%, and excl. currency benefit up 3%
- Adjusted OP⁽¹⁾ flat at \$47.9 million; adjusted OP margin down 100 bps to 17.7%
- Adjusted EBITDA⁽¹⁾ up 2% to \$57.9 million; Adjusted EBITDA margin down 80 bps to 21.4%

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

GAAP & Adjusted EPS⁽¹⁾

2Q:18 GAAP EPS of \$0.83, up versus \$0.72 in 2Q:17

2Q:18 Adjusted EPS of \$0.99, up versus \$0.88 in 2Q:17

- Tax rate lower versus last year
- Currency translation benefit was \$0.04

2018 Trends, Puts, and Takes

- Overall strong sales and end-market trends in AMS
- Escalating pulp and resin costs a significant headwind in 2H:18
- Favorable tax rate, potential to continue
- Favorable Euro YTD, likely less tailwind in second half of year

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

Cash Flow & Debt

Year-to-Date Operating Cash Flow of \$56 million, Free Cash Flow⁽¹⁾ of \$42 million

- Capital spending/software: \$14 million
- Dividends: \$26 million

LTM Operating Cash Flow of \$142 million, Free Cash Flow⁽¹⁾ of \$108 million

- Capital spending/software: \$34 million
- Dividends⁽²⁾: \$52 million

\$ millions	2Q:18	4Q:17
<u>Balance Sheet</u>		
Total Debt	642.8	684.2
Less: Cash	<u>73.9</u>	<u>106.9</u>
Net Debt	568.9	577.3
<u>Leverage per Credit Agreement⁽³⁾</u>		
Net Debt / Adjusted EBITDA	2.8x	3.0x

(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.

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	FY 2018
Adjusted Operating Profit from Continuing Operations:													
Operating Profit from Continuing Operations	\$ 32.5	\$ 38.5	\$ 31.8	\$ 7.2	\$ 110.0	\$ 27.6	\$ 40.3	\$ 39.3	\$ 21.1	\$ 128.3	\$ 35.0	\$ 42.1	\$ 77.1
Plus: Restructuring and Impairment Expense	1.8	0.9	1.3	21.6	25.6	1.1	1.6	1.5	3.9	8.1	0.4	0.6	1.0
Plus: Purchase accounting adjustments	3.1	3.1	3.0	3.1	12.3	7.9	5.9	5.4	5.4	24.6	5.2	5.2	10.4
Adjusted Operating Profit from Continuing Operations	\$ 37.4	\$ 42.5	\$ 36.1	\$ 31.9	\$ 147.9	\$ 36.6	\$ 47.8	\$ 46.2	\$ 30.4	\$ 161.0	\$ 40.6	\$ 47.9	\$ 88.5
Adjusted Operating Margin from Continuing Operations	17.4%	19.6%	17.2%	16.1%	17.6%	15.7%	18.7%	17.9%	12.9%	16.4%	15.5%	17.7%	16.6%
Adjusted Net Income (Loss) from Continuing Operations:													
Net income from continuing operations	\$ 21.1	\$ 26.0	\$ 18.7	\$ 17.0	\$ 82.8	\$ 13.7	\$ 22.3	\$ 25.7	\$ (27.3)	\$ 34.4	\$ 20.9	\$ 25.8	\$ 46.7
Plus: Restructuring and impairment expense	1.8	0.9	1.3	21.6	25.6	1.1	1.6	1.5	3.9	8.1	0.4	0.6	1.0
Less: Tax impact of restructuring and impairment expense	(0.4)	(0.3)	(0.5)	(9.0)	(10.2)	(0.4)	(0.4)	(0.4)	(0.2)	(1.4)	(0.1)	(0.2)	(0.3)
Plus: Purchase accounting adjustments	3.1	3.1	3.0	3.1	12.3	7.9	5.9	5.4	5.4	24.6	5.4	5.5	10.9
Less: Tax impact of purchase accounting adjustments	(1.2)	(1.2)	(1.0)	(1.1)	(4.5)	(2.5)	(1.9)	(1.5)	(1.9)	(7.8)	(1.3)	(1.4)	(2.7)
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)	-	-	-
Adjusted Net Income from Continuing Operations	\$ 24.4	\$ 28.1	\$ 22.8	\$ 24.2	\$ 99.5	\$ 19.8	\$ 27.5	\$ 30.7	\$ 19.5	\$ 97.5	\$ 25.3	\$ 30.3	\$ 55.6
Adjusted EBITDA from Continuing Operations:													
Net Income	\$ 21.1	\$ 26.0	\$ 18.7	\$ 17.0	\$ 82.8	\$ 13.7	\$ 22.3	\$ 25.8	\$ (27.3)	\$ 34.5	\$ 20.5	\$ 25.8	\$ 46.3
Plus: Loss (income) from discontinued operations	-	-	-	-	-	-	-	(0.1)	-	(0.1)	0.4	-	0.4
Income from continuing operations	21.1	26.0	18.7	17.0	82.8	13.7	22.3	25.7	(27.3)	34.4	20.9	25.8	46.7
Plus: Interest expense	4.6	4.1	3.9	4.0	16.6	5.8	6.8	7.4	6.9	26.9	6.2	6.6	12.8
Plus: Provision for income taxes	8.1	9.1	10.7	(12.5)	15.4	7.1	9.9	9.5	43.1	69.6	7.3	8.7	16.0
Plus: Depreciation & amortization	10.8	11.3	11.2	9.5	42.8	16.2	14.8	15.0	15.5	61.5	15.3	15.2	30.5
Plus: Restructuring and impairment expense	1.8	0.9	1.3	21.6	25.6	1.1	1.6	1.5	3.9	8.1	0.4	0.6	1.0
Plus: (Income) loss from equity affiliates	0.1	(0.7)	(1.8)	(2.4)	(4.8)	(0.1)	(0.3)	-	(2.1)	(2.5)	0.3	0.5	0.8
Plus: Other (income) expense, net	(1.4)	-	0.3	1.1	-	1.1	1.6	(3.3)	0.5	(0.1)	0.3	0.5	0.8
Adjusted EBITDA from continuing operations	\$ 45.1	\$ 50.7	\$ 44.3	\$ 38.3	\$ 178.4	\$ 44.9	\$ 56.7	\$ 55.8	\$ 40.5	\$ 197.9	\$ 50.7	\$ 57.9	\$ 108.6

Non-GAAP Reconciliations & Supplemental Data



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	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	FY 2018
Adjusted Earnings Per Share from Continuing Ops - Diluted													
Diluted net income per share from continuing ops	\$ 0.69	\$ 0.85	\$ 0.61	\$ 0.55	\$ 2.70	\$ 0.45	\$ 0.72	\$ 0.84	\$ (0.89)	\$ 1.12	\$ 0.68	\$ 0.83	\$ 1.51
Plus: Purchase accounting adjustments, per share	0.10	0.10	0.10	0.10	0.40	0.26	0.19	0.18	0.18	0.81	0.18	0.18	0.36
Less: Tax impact of purchase accounting adjustments, per share	(0.04)	(0.03)	(0.04)	(0.04)	(0.15)	(0.08)	(0.07)	(0.04)	(0.06)	(0.25)	(0.05)	(0.03)	(0.08)
Plus: Restructuring and impairment expense, per share	0.06	0.03	0.04	0.71	0.84	0.04	0.05	0.04	0.13	0.26	0.01	0.02	0.03
Less: Tax impact of restructuring and impairment expense, per share	(0.01)	(0.02)	(0.01)	(0.29)	(0.33)	(0.01)	(0.01)	(0.02)	(0.01)	(0.05)	-	(0.01)	(0.01)
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 Ops - Diluted	\$ 0.80	\$ 0.92	\$ 0.74	\$ 0.80	\$ 3.26	\$ 0.66	\$ 0.88	\$ 1.00	\$ 0.64	\$ 3.18	\$ 0.82	\$ 0.99	\$ 1.81
Adjusted Diluted Earnings Per Share:													
Diluted net income, per share	\$ 0.69	\$ 0.85	\$ 0.61	\$ 0.55	\$ 2.70	\$ 0.45	\$ 0.72	\$ 0.84	\$ (0.89)	\$ 1.12	\$ 0.68	\$ 0.83	\$ 1.51
Plus: Purchase accounting adjustments, per share	0.10	0.10	0.10	0.10	0.40	0.26	0.19	0.18	0.18	0.81	0.18	0.18	0.36
Less: Tax impact of purchase accounting adjustments, per share	(0.04)	(0.03)	(0.04)	(0.04)	(0.15)	(0.08)	(0.07)	(0.04)	(0.06)	(0.25)	(0.05)	(0.03)	(0.08)
Plus: Restructuring and impairment expense, per share - Continuing ops	0.06	0.03	0.04	0.71	0.84	0.04	0.05	0.04	0.13	0.26	0.01	0.02	0.03
Less: Tax impact of restructuring and impairment expense, per share - Continuing ops	(0.01)	(0.02)	(0.01)	(0.29)	(0.33)	(0.01)	(0.01)	(0.02)	(0.01)	(0.05)	-	(0.01)	(0.01)
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 - Diluted	\$ 0.80	\$ 0.92	\$ 0.74	\$ 0.80	\$ 3.26	\$ 0.66	\$ 0.88	\$ 1.00	\$ 0.64	\$ 3.18	\$ 0.82	\$ 0.99	\$ 1.81
Free Cash Flow													
Cash provided by Operating Activities by Continuing Ops	\$ 17.7	\$ 34.6	\$ 30.8	\$ 46.6	\$ 129.7	\$ 12.9	\$ 31.9	\$ 48.4	\$ 37.7	\$ 130.9	\$ 22.0	\$ 33.9	\$ 55.9
Less: Capital spending	(4.5)	(5.2)	(7.8)	(10.3)	(27.8)	(11.1)	(8.2)	(8.2)	(9.7)	(37.2)	(6.0)	(7.7)	(13.7)
Less: Capitalized software expenditure	(0.2)	(0.7)	(0.8)	(1.1)	(2.8)	(0.8)	(0.8)	(1.0)	(0.9)	(3.5)	(0.4)	(0.2)	(0.6)
Free Cash Flow	\$ 13.0	\$ 28.7	\$ 22.2	\$ 35.2	\$ 99.1	\$ 1.0	\$ 22.9	\$ 39.2	\$ 27.1	\$ 90.2	\$ 15.6	\$ 26.0	\$ 41.6