



# **First Quarter 2019 Earnings Conference Call**

---

May 2, 2019

# 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, 2018 and those described from time to time in our periodic and other reports filed with the Securities and Exchange Commission.

# **FIRST QUARTER 2019 FINANCIAL OVERVIEW & BUSINESS HIGHLIGHTS**

**DR. JEFF KRAMER  
CHIEF EXECUTIVE OFFICER**

# 1Q:19 Financial Highlights

<i>(\$ in millions, except per share amounts)</i>	<b>1Q:19</b>	<b>1Q:18</b>
<b>Net Sales</b>	<b>\$258.0</b>	<b>\$261.9</b>
<b>GAAP EPS<sup>(1)</sup></b>	<b>\$0.56</b>	<b>\$0.68</b>
<b>Adjusted EPS<sup>(1)</sup></b>	<b>\$0.68</b>	<b>\$0.83</b>
<b>Free Cash Flow<sup>(1)</sup> YTD / LTM</b>	<b>\$4.3 / \$97.9</b>	<b>\$15.6 / \$104.8</b>

## 1Q:19 Adjusted EPS of \$0.68 versus \$0.83 in 1Q:18

- Strong AMS performance, 5% sales growth and margin expansion
- EP quarter lower, partly due to high HnB sales in 1Q:18
- 1Q:19 has \$0.12 impact from deferred comp, interest expense, and currency
- Maintaining 2019 Adjusted EPS guidance

(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 and Free Cash Flow are non-GAAP financial measures. See non-GAAP reconciliations and supplemental data in appendix. All financial measures presented relate to continuing operations.

## 1Q:19 Business Highlights

- 5% organic sales growth
  - Transportation up double-digits, continued momentum in surface protection films
  - Filtration remained strong – water up double digits
  - Medical up
- Adjusted OP up 23%
  - 1Q Adjusted OP margin % up 250 basis points
  - Combination of sales growth and synergy realization

## 2019 Priorities / Updates

- Organic sales growth, led by filtration and transportation end-markets
- Global capacity expansions in fastest-growing end-markets
- Innovation to support long-term growth
- Operational Excellence to increase efficiencies and improve cost structure

## 1Q:19 Business Highlights

- Sales decreased 6%
  - Excluding currency, sales down 2%
  - Strong price/mix of +7% nearly offset volume decline of 9% from lower HnB versus strong 1Q:18 and non-tobacco volume
  - Wood pulp price escalators effective
- Adjusted OP impacted by lower volumes and higher input costs
  - Adjusted OP margin % down 220 basis points
  - Higher wood pulp costs mostly recovered, other inflationary pressures persisted, offsetting price/mix benefits

## 2019 Priorities / Updates

- Share gains and mix improvements
- Innovation to support long-term growth
- Operational Excellence to increase efficiencies and improve cost structure

# **FIRST QUARTER 2019 FINANCIAL RESULTS REVIEW**

**ANDREW WAMSER  
CHIEF FINANCIAL OFFICER**

# Sales & Operating Profits

## 1Q:19

AMS Segment	EP Segment	Unallocated Expenses
<ul style="list-style-type: none"> <li>• Sales: up 5%</li> <li>• Adjusted OP Margin<sup>(1)</sup> up 250 bps to 16.6%                             <ul style="list-style-type: none"> <li>- Good organic growth</li> <li>- Synergy realization from 4Q:18 closing of Austin site</li> <li>- Polypropylene resin costs easing</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Sales: down 6%                             <ul style="list-style-type: none"> <li>- Currency down 4%, price/mix up 7%, volume down 9%</li> </ul> </li> <li>• Adjusted OP Margin<sup>(1)</sup> down 220 bps to 20.9%                             <ul style="list-style-type: none"> <li>- Near full recovery of higher pulp costs through pricing</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Corporate up \$4 million                             <ul style="list-style-type: none"> <li>- rapid rise in stock price driving higher deferred comp was primary driver</li> <li>- IT investments</li> </ul> </li> </ul>

## Consolidated

- Sales down 1%, increased 1% excluding currency
- Adjusted OP<sup>(1)</sup> down 13% to \$35.5 million; adjusted OP margin down 170 bps to 13.8%
- Adjusted EBITDA<sup>(1)</sup> down 12% to \$44.7 million; Adjusted EBITDA margin down 210 bps to 17.3%

(1) Adjusted Operating Profit and Adjusted EBITDA, are non-GAAP measures. See non-GAAP reconciliations and supplemental data in appendix.



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

**1Q:19 GAAP EPS of \$0.56, versus \$0.68 in 1Q:18**

**1Q:19 Adjusted EPS of \$0.68, versus \$0.83 in 1Q:18**

- \$0.06 higher deferred compensation
- \$0.04 higher interest
- \$0.02 negative currency impact
- \$0.02 IT investments

**Maintaining 2019 Adjusted EPS guidance**

(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 \$13 million, Free Cash Flow<sup>(1)</sup> of \$4 million

- Capital spending/software: \$9 million
- Dividends: \$14 million

## LTM Operating Cash Flow of \$130 million, Free Cash Flow<sup>(1)</sup> of \$98 million

- Capital spending/software: \$32 million
- Dividends: \$54 million

\$ millions	1Q:19	4Q:18
<u>Balance Sheet</u>		
Total Debt	620.3	622.1
Less: Cash	<u>83.4</u>	<u>93.8</u>
<b>Net Debt</b>	<b>536.9</b>	<b>528.3</b>
<u>Leverage per Credit Agreement<sup>(2)</sup></u>		
<b>Net Debt / Adjusted EBITDA</b>	<b>2.6x</b>	<b>2.5x</b>

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

(2) Credit agreement makes certain adjustments to Net Debt and EBITDA.

# 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 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019
<b>Adjusted Operating Profit from Continuing Operations:</b>											
Operating Profit from Continuing Operations	\$ 27.6	\$ 40.3	\$ 39.3	\$ 21.1	\$ 128.3	\$ 35.0	\$ 42.1	\$ 31.1	\$ 26.8	\$ 135.0	\$ 30.4
Plus: Restructuring and Impairment Expense	1.1	1.6	1.5	3.9	8.1	0.4	0.6	0.4	0.3	1.7	-
Plus: Purchase accounting adjustments	7.9	5.9	5.4	5.4	24.6	5.2	5.2	5.2	5.1	20.7	5.1
<b>Adjusted Operating Profit from Continuing Operations</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>\$ 47.9</b>	<b>\$ 36.7</b>	<b>\$ 32.2</b>	<b>\$ 157.4</b>	<b>\$ 35.5</b>
<b>Adjusted Operating Margin from Continuing Operations</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>17.7%</b>	<b>14.1%</b>	<b>12.9%</b>	<b>15.1%</b>	<b>13.8%</b>
<b>Adjusted Net Income (Loss) from Continuing Operations:</b>											
Net income from continuing operations	\$ 13.7	\$ 22.3	\$ 25.7	\$ (27.3)	\$ 34.4	\$ 20.9	\$ 25.8	\$ 40.9	\$ 7.2	\$ 94.8	\$ 17.4
Plus: Restructuring and impairment expense	1.1	1.6	1.5	3.9	8.1	0.4	0.6	0.4	0.3	1.7	-
Less: Tax impact of restructuring and impairment expense	(0.4)	(0.4)	(0.4)	(0.2)	(1.4)	(0.1)	(0.2)	(0.1)	-	(0.4)	-
Plus: Purchase accounting adjustments	7.9	5.9	5.4	5.4	24.6	5.4	5.5	5.4	5.1	21.4	5.1
Less: Tax impact of purchase accounting adjustments	(2.5)	(1.9)	(1.5)	(1.9)	(7.8)	(1.0)	(1.0)	(1.0)	(1.0)	(4.0)	(0.9)
Plus: Transitional tax adjustment	-	-	-	48.7	48.7	-	-	(13.0)	-	(13.0)	-
Plus: Write off of contingent consideration	-	-	-	-	-	-	-	(10.2)	-	(10.2)	-
Less: Tax impact of write off of contingent consideration	-	-	-	-	-	-	-	2.5	-	2.5	-
Plus: CTS impairment expense	-	-	-	-	-	-	-	-	15.0	15.0	-
Less: Net deferred tax movements, one-time tax expense & income tax valuation allowance	-	-	-	(9.1)	(9.1)	-	-	-	(0.6)	(0.6)	(0.6)
<b>Adjusted Net Income from Continuing Operations</b>	<b>\$ 19.8</b>	<b>\$ 27.5</b>	<b>\$ 30.7</b>	<b>\$ 19.5</b>	<b>\$ 97.5</b>	<b>\$ 25.6</b>	<b>\$ 30.7</b>	<b>\$ 24.9</b>	<b>\$ 26.0</b>	<b>\$ 107.2</b>	<b>\$ 21.0</b>
<b>Adjusted EBITDA from Continuing Operations:</b>											
Net Income	\$ 13.7	\$ 22.3	\$ 25.8	\$ (27.3)	\$ 34.5	\$ 20.5	\$ 25.8	\$ 41.0	\$ 7.2	\$ 94.5	\$ 17.4
Plus: Loss (income) from discontinued operations	-	-	(0.1)	-	(0.1)	0.4	-	(0.1)	-	0.3	-
Income from continuing operations	13.7	22.3	25.7	(27.3)	34.4	20.9	25.8	40.9	7.2	94.8	17.4
Plus: Interest expense	5.8	6.8	7.4	6.9	26.9	6.2	6.6	7.3	8.1	28.2	7.8
Plus: Provision for income taxes	7.1	9.9	9.5	43.1	69.6	7.3	8.7	(5.6)	0.3	10.7	4.4
Plus: Depreciation & amortization	16.2	14.8	15.0	15.5	61.5	15.3	15.2	15.0	14.7	60.2	14.3
Plus: Restructuring and impairment expense	1.1	1.6	1.5	3.9	8.1	0.4	0.6	0.4	0.3	1.7	-
Plus: (Income) loss from equity affiliates	(0.1)	(0.3)	-	(2.1)	(2.5)	0.3	0.5	(0.3)	10.8	11.3	0.2
Plus: Other (income) expense, net	1.1	1.6	(3.3)	0.5	(0.1)	0.3	0.5	(11.2)	0.4	(10.0)	0.6
<b>Adjusted EBITDA from continuing operations</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>	<b>\$ 57.9</b>	<b>\$ 46.5</b>	<b>\$ 41.8</b>	<b>\$ 196.9</b>	<b>\$ 44.7</b>
<b>Adjusted EBITDA from Continuing Operations:</b>											
AMS adjusted EBITDA	\$ 19.6	\$ 25.7	\$ 25.4	\$ 16.4	\$ 87.1	\$ 20.2	\$ 26.4	\$ 21.0	\$ 18.9	\$ 86.5	\$ 23.3
EP adjusted EBITDA	34.2	38.1	39.9	36.4	148.6	40.1	39.5	33.9	33.0	146.5	34.5
Unallocated adjusted EBITDA	(8.9)	(7.1)	(9.5)	(12.3)	(37.8)	(9.6)	(8.0)	(8.4)	(10.1)	(36.1)	(13.1)
<b>Adjusted EBITDA from continuing operations</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>	<b>\$ 57.9</b>	<b>\$ 46.5</b>	<b>\$ 41.8</b>	<b>\$ 196.9</b>	<b>\$ 44.7</b>

# 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.

## Adjusted Earnings Per Share from Continuing Operations - Diluted

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019
Diluted net income per share from continuing operations	\$ 0.45	\$ 0.72	\$ 0.84	\$ (0.89)	\$ 1.12	\$ 0.68	\$ 0.83	\$ 1.33	\$ 0.23	\$ 3.07	\$ 0.56
Plus: Purchase accounting adjustments, per share	0.26	0.19	0.18	0.18	0.81	0.18	0.18	0.17	0.17	0.70	0.17
Less: Tax impact of purchase accounting adjustments, per share	(0.08)	(0.07)	(0.04)	(0.06)	(0.25)	(0.04)	(0.02)	(0.05)	(0.02)	(0.13)	(0.03)
Plus: Restructuring and impairment expense, per share	0.04	0.05	0.04	0.13	0.26	0.01	0.02	0.01	0.01	0.05	-
Less: Tax impact of restructuring and impairment expense, per share	(0.01)	(0.01)	(0.02)	(0.01)	(0.05)	-	(0.01)	-	-	(0.01)	-
Plus: Transitional tax adjustment	-	-	-	1.59	1.59	-	-	(0.43)	-	(0.43)	-
Plus: Write off of contingent consideration	-	-	-	-	-	-	-	(0.33)	-	(0.33)	-
Less: Tax impact of write off of contingent consideration	-	-	-	-	-	-	-	0.08	-	0.08	-
Plus: CTS impairment expense	-	-	-	-	-	-	-	-	0.50	0.50	-
Less: Net deferred tax movements, one-time tax expense & income tax valuation allowance	-	-	-	(0.30)	(0.30)	-	-	-	(0.02)	(0.02)	(0.02)
<b>Adjusted Earnings Per Share from Continuing Operations - Diluted</b>	<b>\$ 0.66</b>	<b>\$ 0.88</b>	<b>\$ 1.00</b>	<b>\$ 0.64</b>	<b>\$ 3.18</b>	<b>\$ 0.83</b>	<b>\$ 1.00</b>	<b>\$ 0.78</b>	<b>\$ 0.87</b>	<b>\$ 3.48</b>	<b>\$ 0.68</b>

## Adjusted Diluted Earnings Per Share:

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019
Diluted net income, per share	\$ 0.45	\$ 0.72	\$ 0.84	\$ (0.89)	\$ 1.12	\$ 0.67	\$ 0.83	\$ 1.33	\$ 0.23	\$ 3.06	\$ 0.56
Plus: Income tax valuation allowance adjustments, per share	-	-	-	-	-	-	-	-	-	-	-
Plus: Purchase accounting adjustments, per share	0.26	0.19	0.18	0.18	0.81	0.18	0.18	0.17	0.17	0.70	0.17
Less: Tax impact of purchase accounting adjustments, per share	(0.08)	(0.07)	(0.04)	(0.06)	(0.25)	(0.04)	(0.02)	(0.05)	(0.02)	(0.13)	(0.03)
Plus: Restructuring and impairment expense, per share - Continuing Operations	0.04	0.05	0.04	0.13	0.26	0.01	0.02	0.01	0.01	0.05	-
Less: Tax impact of restructuring and impairment expense, per share - Continuing Operations	(0.01)	(0.01)	(0.02)	(0.01)	(0.05)	-	(0.01)	-	-	(0.01)	-
Plus: Transitional tax adjustment	-	-	-	1.59	1.59	-	-	(0.43)	-	(0.43)	-
Plus: Write off of contingent consideration	-	-	-	-	-	-	-	(0.33)	-	(0.33)	-
Less: Tax impact of write off of contingent consideration	-	-	-	-	-	-	-	0.08	-	0.08	-
Plus: CTS impairment expense	-	-	-	-	-	-	-	-	0.50	0.50	-
Less: Net deferred tax movements, one-time tax expense & income tax valuation allowance	-	-	-	(0.30)	(0.30)	-	-	-	(0.02)	(0.02)	(0.02)
<b>Adjusted Earnings Per Share - Diluted</b>	<b>\$ 0.66</b>	<b>\$ 0.88</b>	<b>\$ 1.00</b>	<b>\$ 0.64</b>	<b>\$ 3.18</b>	<b>\$ 0.82</b>	<b>\$ 1.00</b>	<b>\$ 0.78</b>	<b>\$ 0.87</b>	<b>\$ 3.47</b>	<b>\$ 0.68</b>

## Free Cash Flow

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019
<b>Cash provided by Operating Activities by Continuing Operations</b>	<b>\$ 12.9</b>	<b>\$ 31.9</b>	<b>\$ 48.4</b>	<b>\$ 37.7</b>	<b>\$ 130.9</b>	<b>\$ 22.0</b>	<b>\$ 33.9</b>	<b>\$ 37.1</b>	<b>\$ 45.9</b>	<b>\$ 138.9</b>	<b>\$ 13.0</b>
Less: Capital spending	(11.1)	(8.2)	(8.2)	(9.7)	(37.2)	(6.0)	(7.7)	(6.1)	(7.2)	(27.0)	(7.3)
Less: Capitalized software expenditure	(0.8)	(0.8)	(1.0)	(0.9)	(3.5)	(0.4)	(0.2)	(0.5)	(1.6)	(2.7)	(1.4)
<b>Free Cash Flow</b>	<b>\$ 1.0</b>	<b>\$ 22.9</b>	<b>\$ 39.2</b>	<b>\$ 27.1</b>	<b>\$ 90.2</b>	<b>\$ 15.6</b>	<b>\$ 26.0</b>	<b>\$ 30.5</b>	<b>\$ 37.1</b>	<b>\$ 109.2</b>	<b>\$ 4.3</b>