



# Fourth Quarter 2018 Earnings Conference Call

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February 22, 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, 2017, in part II, “Item 1A. Risk Factors” in our Quarterly Report on Form 10-Q for the period ended September 30, 2018, and those described from time to time in our periodic and other reports filed with the Securities and Exchange Commission.

# 4Q & Full Year 2018 Financial Highlights



(\$ in Millions, Except Per Share Amounts)	4Q:18	4Q:17	FY 2018	FY 2017
<b>Sales</b>	<b>\$248.7</b>	<b>\$235.7</b>	<b>\$1,041.3</b>	<b>\$982.1</b>
<b>GAAP EPS <sup>(1)</sup></b>	<b>\$0.23</b>	<b>(\$0.89)</b>	<b>\$3.07</b>	<b>\$1.12</b>
<b>Adjusted EPS <sup>(1)</sup></b>	<b>\$0.90</b>	<b>\$0.64</b>	<b>\$3.48</b>	<b>\$3.18</b>
<b>Free Cash Flow <sup>(1)</sup></b>			<b>\$109.2</b>	<b>\$90.2</b>

## 4Q:18 Adjusted EPS of \$0.90 versus \$0.64 in 4Q:17

- Strong top-line in both segments, 9% organic sales growth in AMS
- Strong EPS finish to 2018
- Raw material costs persisted, offset by AMS growth, positive mix in EP, lower tax rate

## FY 2018 Adjusted EPS of \$3.48 versus \$3.18 in 2017

- Results exceeded expectations due to strong 4Q results, lower tax rate
- Good free cash flow and EPS delivery despite major cost headwinds
- Several strategic projects in AMS completed

(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.

## 4Q:18 Business Highlights

- 9% sales growth, all organic
  - Double digit growth in Transportation – paint protection films rapid growth
  - Strong growth in filtration – RO water up over 20%
- Adjusted OP up, site closure savings and price increases materializing
  - Austin site closure completed
  - Resin costs moderating
- Full year results key takeaway... solid 6% organic sales growth offset by higher costs and site closure project, set up for stronger 2019

## 2018 Priorities

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

## 4Q:18 Business Highlights

- Sales increased 3%
  - Strong price/mix of +8% more than offset volume decline of 4%
  - High LIP volumes, generally strong across all cigarette paper products
  - Planned reduction in lower-margin non-tobacco papers
- Adjusted OP down year-over-year due primarily to input costs
  - Significantly higher wood pulp and energy costs
- Full year results key takeaway... 4% sales growth from strong price/mix offsetting lower volume, margin pressure from wood pulp costs, contractual price increases effective in 2019

## 2018 Priorities

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

# Sales & Operating Profits

\$ in Millions	4Q:18	FY 2018	
<b>AMS Sales</b>	<b>\$107.8</b>	<b>\$467.9</b>	<b>4Q up 9%, FY up 8%</b>
<b>AMS Adj. OP <sup>(1)</sup></b>	<b>\$15.4</b>	<b>\$71.7</b>	
<i>Margin</i>	<i>14.3%</i>	<i>15.3%</i>	<i>FY2018 compression from site closure project and resin costs, 4Q margin up</i>
<b>EP Sales</b>	<b>\$140.9</b>	<b>\$573.4</b>	<b>4Q up 3%, FY up 4%</b>
<b>EP Adj. OP <sup>(1)</sup></b>	<b>\$27.1</b>	<b>\$122.0</b>	
<i>Margin</i>	<i>19.2%</i>	<i>21.3%</i>	<i>Compression in 4Q and FY from wood pulp and other input costs</i>
<b>Adj. Unallocated Expenses <sup>(1)</sup></b>	<b>\$10.3</b>	<b>\$36.3</b>	<b>Down 24% in 4Q, 9% in FY</b>
<b>Total Sales</b>	<b>\$248.7</b>	<b>\$1,041.3</b>	<b>4Q up 6%, FY up 6%, 5% organic</b>
<b>Total Adj. OP <sup>(1)</sup></b>	<b>\$32.2</b>	<b>\$157.4</b>	
<i>Margin</i>	<i>12.9%</i>	<i>15.1%</i>	<i>Flat in 4Q, pressure on FY from input costs</i>

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

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

## **4Q:18 GAAP EPS of \$0.23 versus loss of \$0.89 in 4Q:17**

- 4Q:18 China JV impairment of \$0.50, 4Q:17 large one-time tax expenses, both non-cash

## **FY 2018 GAAP EPS of \$3.07, versus \$1.12 in 2017**

- 2018 JV impairment, contingent liability revaluation, one-time tax items; 2017 restructuring and one-time tax items

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## **4Q:18 Adjusted EPS of \$0.90, up 41% versus \$0.64 in 4Q:17**

## **FY 2018 Adjusted EPS of \$3.48, up 9% versus \$3.18 in 2017**

### **2018 Trends, Puts, and Takes**

- Overall solid sales, good AMS organic sales growth, strong EPS finish in 4Q
  - Deferred comp and tax amortization benefit combined \$0.10 benefit to Adjusted EPS in 4Q, JVs also strong in 4Q
- Elevated pulp and resin costs a significant headwind
- Favorable tax rate versus expectation

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

# Cash Flow & Debt

**2018 Operating Cash Flow of \$139 million, up \$6%**

**2018 Free Cash Flow<sup>(1)</sup> of \$109 million, up 21%**

- Capital spending/software: \$30 million
- Dividends: \$53 million

**Without M&A, expect continued deleveraging**

\$ millions	4Q:18	4Q:17
<u>Balance Sheet</u>		
Total Debt	622.1	684.2
Less: Cash	<u>93.8</u>	<u>106.9</u>
<b>Net Debt</b>	<b>528.3</b>	<b>577.3</b>
<u>Leverage per Credit Agreement<sup>(2)</sup></u>		
<b>Net Debt / Adjusted EBITDA</b>	<b>2.5x</b>	<b>3.0x</b>

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

(2) Credit agreement makes certain adjustments to EBITDA.



# 2019 Outlook & Priorities

## Guidance & Factors

- **2019 Adjusted EPS guidance range of \$3.40 to \$3.60**
  - GAAP equivalent of \$2.83 to \$3.03, non-cash purchase accounting expenses are primary adjustments
- Organic growth in AMS, modest pressure in EP
- Higher pricing to offset raw material cost increases
- IT systems and other growth investments in AMS
- Free cash flow over \$100 million, capex \$35 million – \$40 million

## Strategic Priorities

- Organic sales growth
  - AMS: led by filtration and transportation end-markets
  - EP: share gains and mix improvements
- Global capacity expansion projects in fastest-growing end-markets
- Innovation to support long-term growth
- Operational Excellence to increase efficiencies and improve cost structure

# CLOSING REMARKS & 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 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
<b>Adjusted Operating Profit from Continuing Operations:</b>											
Operating Profit from Continuing Operations	\$ 110.0	\$ 27.6	\$ 40.3	\$ 39.3	\$ 21.1	\$ 128.3	\$ 35.0	\$ 42.1	\$ 31.1	\$ 26.8	\$ 135.0
Plus: Restructuring and Impairment Expense	25.6	1.1	1.6	1.5	3.9	8.1	0.4	0.6	0.4	0.3	1.7
Plus: Purchase accounting adjustments	12.3	7.9	5.9	5.4	5.4	24.6	5.2	5.2	5.2	5.1	20.7
<b>Adjusted Operating Profit from Continuing Operations</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>\$ 47.9</b>	<b>\$ 36.7</b>	<b>\$ 32.2</b>	<b>\$ 157.4</b>
<b>Adjusted Operating Margin from Continuing Operations</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>17.7%</b>	<b>14.1%</b>	<b>12.9%</b>	<b>15.1%</b>
<b>Adjusted Net Income (Loss) from Continuing Operations:</b>											
Net income from continuing operations	\$ 82.8	\$ 13.7	\$ 22.3	\$ 25.7	\$ (27.3)	\$ 34.4	\$ 20.9	\$ 25.8	\$ 40.9	\$ 7.2	\$ 94.8
Plus: Restructuring and impairment expense	25.6	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	(10.2)	(0.4)	(0.4)	(0.4)	(0.2)	(1.4)	(0.1)	(0.2)	(0.1)	-	(0.4)
Plus: Purchase accounting adjustments	12.3	7.9	5.9	5.4	5.4	24.6	5.4	5.5	5.4	5.1	21.4
Less: Tax impact of purchase accounting adjustments	(4.5)	(2.5)	(1.9)	(1.5)	(1.9)	(7.8)	(1.3)	(1.4)	(1.4)	0.1	(4.0)
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	(6.5)	-	-	-	(9.1)	(9.1)	-	-	-	(0.6)	(0.6)
<b>Adjusted Net Income from Continuing Operations</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>\$ 30.3</b>	<b>\$ 24.5</b>	<b>\$ 27.1</b>	<b>\$ 107.2</b>
<b>Adjusted EBITDA from Continuing Operations:</b>											
Net Income	\$ 82.8	\$ 13.7	\$ 22.3	\$ 25.8	\$ (27.3)	\$ 34.5	\$ 20.5	\$ 25.8	\$ 41.0	\$ 7.2	\$ 94.5
Plus: Loss (income) from discontinued operations	-	-	-	(0.1)	-	(0.1)	0.4	-	(0.1)	-	0.3
Income from continuing operations	82.8	13.7	22.3	25.7	(27.3)	34.4	20.9	25.8	40.9	7.2	94.8
Plus: Interest expense	16.6	5.8	6.8	7.4	6.9	26.9	6.2	6.6	7.3	8.1	28.2
Plus: Provision for income taxes	15.4	7.1	9.9	9.5	43.1	69.6	7.3	8.7	(5.6)	0.3	10.7
Plus: Depreciation & amortization	42.8	16.2	14.8	15.0	15.5	61.5	15.3	15.2	15.0	14.7	60.2
Plus: Restructuring and impairment expense	25.6	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	(4.8)	(0.1)	(0.3)	-	(2.1)	(2.5)	0.3	0.5	(0.3)	10.8	11.3
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)
<b>Adjusted EBITDA from continuing operations</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>	<b>\$ 57.9</b>	<b>\$ 46.5</b>	<b>\$ 41.8</b>	<b>\$ 196.9</b>
<b>Adjusted EBITDA from Continuing Operations:</b>											
AMS adjusted EBITDA	\$ 49.4	\$ 19.6	\$ 25.7	\$ 25.4	\$ 16.4	\$ 87.1	\$ 20.2	\$ 26.4	\$ 21.0	\$ 18.9	\$ 86.5
EP adjusted EBITDA	168.6	34.2	38.1	39.9	36.4	148.6	40.1	39.5	33.9	33.0	146.5
Unallocated adjusted EBITDA	(39.6)	(8.9)	(7.1)	(9.5)	(12.3)	(37.8)	(9.6)	(8.0)	(8.4)	(10.1)	(36.1)
<b>Adjusted EBITDA from continuing operations</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>	<b>\$ 57.9</b>	<b>\$ 46.5</b>	<b>\$ 41.8</b>	<b>\$ 196.9</b>

# Non-GAAP Reconciliations & Supplemental Data



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## Adjusted Earnings Per Share from Continuing Operations - Diluted

	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
Diluted net income per share from continuing operations	\$ 2.70	\$ 0.45	\$ 0.72	\$ 0.84	\$ (0.89)	\$ 1.12	\$ 0.68	\$ 0.83	\$ 1.33	\$ 0.23	\$ 3.07
Plus: Purchase accounting adjustments, per share	0.40	0.26	0.19	0.18	0.18	0.81	0.18	0.18	0.17	0.17	0.70
Less: Tax impact of purchase accounting adjustments, per share	(0.15)	(0.08)	(0.07)	(0.04)	(0.06)	(0.25)	(0.05)	(0.03)	(0.06)	0.01	(0.13)
Plus: Restructuring and impairment expense, per share	0.84	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	(0.33)	(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	(0.20)	-	-	-	(0.30)	(0.30)	-	-	-	(0.02)	(0.02)
<b>Adjusted Earnings Per Share from Continuing Operations - Diluted</b>	<b>\$ 3.26</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>\$ 0.99</b>	<b>\$ 0.77</b>	<b>\$ 0.90</b>	<b>\$ 3.48</b>

## Adjusted Diluted Earnings Per Share:

	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
Diluted net income, per share	\$ 2.70	\$ 0.45	\$ 0.72	\$ 0.84	\$ (0.89)	\$ 1.12	\$ 0.67	\$ 0.83	\$ 1.33	\$ 0.23	\$ 3.06
Plus: Purchase accounting adjustments, per share	0.40	0.26	0.19	0.18	0.18	0.81	0.18	0.18	0.17	0.17	0.70
Less: Tax impact of purchase accounting adjustments, per share	(0.15)	(0.08)	(0.07)	(0.04)	(0.06)	(0.25)	(0.05)	(0.03)	(0.06)	0.01	(0.13)
Plus: Restructuring and impairment expense, per share - Continuing Operations	0.84	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	(0.33)	(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	(0.20)	-	-	-	(0.30)	(0.30)	-	-	-	(0.02)	(0.02)
<b>Adjusted Earnings Per Share - Diluted</b>	<b>\$ 3.26</b>	<b>\$ 0.66</b>	<b>\$ 0.88</b>	<b>\$ 1.00</b>	<b>\$ 0.64</b>	<b>\$ 3.18</b>	<b>\$ 0.81</b>	<b>\$ 0.99</b>	<b>\$ 0.77</b>	<b>\$ 0.90</b>	<b>\$ 3.47</b>

## Free Cash Flow

	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
<b>Cash provided by Operating Activities by Continuing Operations</b>	<b>\$ 129.7</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>
Less: Capital spending	(27.8)	(11.1)	(8.2)	(8.2)	(9.7)	(37.2)	(6.0)	(7.7)	(6.1)	(7.2)	(27.0)
Less: Capitalized software expenditure	(2.8)	(0.8)	(0.8)	(1.0)	(0.9)	(3.5)	(0.4)	(0.2)	(0.5)	(1.6)	(2.7)
<b>Free Cash Flow</b>	<b>\$ 99.1</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>