



Westlake  
Chemical



# Westlake Chemical Corporation

First Quarter 2019 Earnings Presentation

# Westlake Chemical Corporation

## Business Highlights

- Finalized purchase of NAKAN™, a global PVC compounding business – expanding Westlake’s international footprint and avenues for growth
- Opportunistically debottlenecking several VCM and PVC plants in the U.S. – with an expected fourth quarter 2019 start up of our expanded PVC facility in Geismar, Louisiana
- Westlake Chemical Partners acquired an additional 4.5% ownership interest in Westlake Chemical OpCo LP for \$201 million

## Outlook

- Continued solid global demand for product portfolio
- Caustic trade distributions appear to be normalizing
  - Bureau of Indian Standards resumed issuing licenses to import caustic soda into India
  - Expected resumption of full production at the Alunorte alumina refinery, one of the world’s largest consumers of caustic soda
- Expect start-up of our Ethylene joint venture with Lotte in the second quarter of 2019

# Westlake Chemical Corporation

## First Quarter 2019 Financial Highlights

(\$ in millions)	1Q 2019	1Q 2018	1Q 2019 vs. 1Q 2018	4Q 2018	1Q 2019 vs. 4Q 2018
<b>Sales</b>	<b>\$2,025</b>	<b>\$2,150</b>	<b>(6%)</b>	<b>\$1,995</b>	<b>2%</b>
<b>Operating Income</b>	<b>\$134</b>	<b>\$401</b>	<b>(67%)</b>	<b>\$207</b>	<b>(35%)</b>
<i>Vinyls EBITDA</i>	\$239	\$396	(40%)	\$257	(7%)
<i>Olefins EBITDA</i>	\$74	\$199	(63%)	\$126	(41%)
<i>Corporate EBITDA</i>	\$1	(\$16)	106%	(\$9)	(111%)
<b>EBITDA<sup>1</sup></b>	<b>\$314</b>	<b>\$579</b>	<b>(46%)</b>	<b>\$374</b>	<b>(16%)</b>

### First Quarter 2019 vs. First Quarter 2018

- Lower sales prices for our major products
- Higher feedstock costs
- Higher costs associated with restructuring, transaction and integration-related activity

### First Quarter 2019 vs. Fourth Quarter 2018

- Lower sales prices for our major products
- Higher costs associated with restructuring, acquisition and integration-related activities
- + Lower feedstock and fuel costs
- + Higher sales volumes for styrene and PVC resin

# Vinyls Segment Performance

(\$ in millions)	1Q 2019	1Q 2018	1Q 2019 vs. 1Q 2018	4Q 2018	1Q 2019 vs. 4Q 2018
Sales	\$1,566	\$1,647	(5%)	\$1,502	4%
Operating Income	\$101	\$266	(62%)	\$125	(19%)
EBITDA	\$239	\$396	(40%)	\$257	(7%)

## First Quarter 2019 vs. First Quarter 2018

- Lower sales prices
- Higher ethane feedstock costs
- Higher costs associated with restructuring, acquisition and integration-related activities
- + Lower purchased ethylene costs

## First Quarter 2019 vs. Fourth Quarter 2018

- Lower sales prices
- Higher costs associated with restructuring, acquisition and integration-related activities
- + Lower purchased ethylene costs
- + Higher sales volumes for PVC resin

Q1 2019 vs. Q1 2018	
Average Sales Price	Volume
- 3.9%	- 1.1%

Q1 2019 vs. Q4 2018	
Average Sales Price	Volume
- 2.4%	+ 6.7%

# Olefins Segment Performance

(\$ in millions)	1Q 2019	1Q 2018	1Q 2019 vs. 1Q 2018	4Q 2018	1Q 2019 vs. 4Q 2018
Sales	\$459	\$503	(9%)	\$493	(7%)
Operating Income	\$37	\$163	(77%)	\$90	(59%)
EBITDA	\$74	\$199	(63%)	\$126	(41%)

## First Quarter 2019 vs. First Quarter 2018

- Lower sales prices
- Higher ethane feedstock costs
- + Higher polyethylene and styrene sales volumes

## First Quarter 2019 vs. Fourth Quarter 2018

- Lower sales prices
- Higher costs associated with increased planned turnaround activity
- + Lower ethane feedstock

Q1 2019 vs. Q1 2018	
Average Sales Price	Volume
- 23.2%	+ 14.5%

Q1 2019 vs. Q4 2018	
Average Sales Price	Volume
- 10.6%	+ 3.6%



# Reconciliation of EBITDA to Net Income, Income from Operations and Net Cash Provided by Operating Activities

(in \$ millions)	Three months ended March 31,		Three Months Ended
	2019	2018	December 31, 2018
<b>Net cash provided by operating</b>	\$147	\$225	\$254
Changes in operating assets and liabilities and other	(50)	88	(135)
Deferred income taxes	(15)	(16)	12
<b>Net income</b>	<b>82</b>	<b>297</b>	<b>131</b>
Less:			
Other income (expense), net	9	22	(1)
Interest expense	(30)	(37)	(30)
Provision for income taxes	(31)	(89)	(45)
<b>Operating Income</b>	<b>134</b>	<b>401</b>	<b>207</b>
Add:			
Depreciation and amortization	171	156	168
Other income (expense), net	9	22	(1)
<b>EBITDA</b>	<b>\$314</b>	<b>\$579</b>	<b>\$374</b>

# Reconciliation of Vinyls, Olefins and Corporate EBITDA to Applicable Operating Income Loss

(in \$ millions)	Three months ended March 31,		Three Months Ended
	2019	2018	December 31, 2018
<b>Vinyls EBITDA</b>	<b>\$239</b>	<b>\$396</b>	<b>\$257</b>
Less:			
Depreciation and Amortization	134	118	129
Other Income (Expenses)	4	12	3
Vinyls Operating Income (Loss)	101	266	125
<b>Olefins EBITDA</b>	<b>74</b>	<b>199</b>	<b>126</b>
Less:			
Depreciation and Amortization	35	34	36
Other Income (Expenses)	2	2	0
Olefins Operating Income (Loss)	37	163	90
<b>Corporate EBITDA</b>	<b>1</b>	<b>(16)</b>	<b>(9)</b>
Less:			
Depreciation and Amortization	2	4	3
Other Income (Expenses)	3	8	(4)
Corporate Operating Income (Loss)	(4)	(28)	(8)
Vinyls Operating Income (Loss)	101	266	125
Olefins Operating Income (Loss)	37	163	90
Corporate Operating Income (Loss)	(4)	(28)	(8)
<b>Total Operating Income (Loss)</b>	<b>\$134</b>	<b>\$401</b>	<b>\$207</b>

# Safe Harbor Language

This presentation contains certain forward-looking statements including statements regarding the timing and results of capital projects and the caustic soda market. Actual results may differ materially depending on factors such as general economic and business conditions; the cyclical nature of the chemical industry; the availability, cost and volatility of raw materials and energy; uncertainties associated with the United States, Europe and worldwide economies, including those due to political tensions in the Middle East and elsewhere; current and potential governmental regulatory actions in the United States and Europe and regulatory actions and political unrest in other countries; industry production capacity and operating rates; the supply/ demand balance for our products; competitive products and pricing pressures; instability in the credit and financial markets; access to capital markets; terrorist acts; operating interruptions including leaks, explosions, fires, weather-related incidents, mechanical failure, unscheduled downtime, labor difficulties, transportation interruptions, spills and releases and other environmental risks; changes in laws or regulations; technological developments; our ability to implement our business strategies; creditworthiness of our customers; and other factors described in our reports filed with the Securities and Exchange Commission. Many of these factors are beyond our ability to control or predict. Any of these factors, or a combination of these factors, could materially affect our future results of operations and the ultimate accuracy of the forward-looking statements. These forward-looking statements are not guarantees of our future performance, and our actual results and future developments may differ materially from those projected in the forward-looking statements. Management cautions against putting undue reliance on forward-looking statements. Every forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements.

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