



**Westlake  
Chemical**



# Westlake Chemical Corporation

Second Quarter 2019 Earnings Presentation

# Westlake Chemical Corporation

## Business Highlights

- Net income of \$129 million for the second quarter of 2019; 57% improvement over the first quarter of 2019
- Started-up our 2.2 billion pound ethylene joint venture with Lotte in the second quarter of 2019
- Issued EUR 700,000,000 of senior unsecured notes due 2029 at a coupon of 1.625% per annum in July of 2019
- Increased chain integration and improved cost efficiencies by expanding select vinyls sites in the U.S. and Germany – expected fourth quarter 2019 start up of our expanded vinyls facility in Geismar, Louisiana

## Outlook

- Continued growing demand for our product portfolio
- Limited global capacity additions in the vinyls industry for the foreseeable future

# Westlake Chemical Corporation

## Second Quarter 2019 Financial Highlights

(\$ in millions)	2Q 2019	1Q 2019	2Q 2019 vs. 1Q 2019	2Q 2018	2Q 2019 vs. 2Q 2018	YTD 2019	YTD 2018	YTD 2019 vs. YTD 2018
<b>Sales</b>	<b>\$2,144</b>	<b>\$2,025</b>	<b>6%</b>	<b>\$2,235</b>	<b>(4%)</b>	<b>\$4,169</b>	<b>\$4,385</b>	<b>(5%)</b>
<b>Operating Income</b>	<b>\$194</b>	<b>\$134</b>	<b>45%</b>	<b>\$404</b>	<b>(52%)</b>	<b>\$328</b>	<b>\$805</b>	<b>(59%)</b>
<i>Vinyls EBITDA</i>	\$269	\$239	13%	\$395	(32%)	\$508	\$791	(36%)
<i>Olefins EBITDA</i>	\$119	\$74	61%	\$192	(38%)	\$193	\$391	(51%)
<i>Other EBITDA</i>	(\$16)	\$1	NM	(\$19)	NM	(\$15)	(\$35)	NM
<b>EBITDA<sup>1</sup></b>	<b>\$372</b>	<b>\$314</b>	<b>18%</b>	<b>\$568</b>	<b>(35%)</b>	<b>\$686</b>	<b>\$1,147</b>	<b>(40%)</b>

### Second Quarter 2019 vs. First Quarter 2019

- + Higher margins in our Olefins segment
- + Seasonally higher earnings in our vinyls downstream product businesses
- + Lower restructuring, transaction and integration-related costs

### Second Quarter 2019 vs. Second Quarter 2018

- Lower sales prices for our major products
- + Lower feedstock and purchased ethylene costs
- + Lower fuel costs
- + Higher polyethylene sales volumes

# Vinyls Segment Performance

(\$ in millions)	2Q 2019	1Q 2019	2Q 2019 vs. 1Q 2019	2Q 2018	2Q 2019 vs. 2Q 2018	YTD 2019	YTD 2018	YTD 2019 vs. YTD 2018
Sales	\$1,667	\$1,566	6%	\$1,753	(5%)	\$3,233	\$3,400	(5%)
Operating Income	\$129	\$101	28%	\$271	(52%)	\$230	\$537	(57%)
EBITDA	\$269	\$239	13%	\$395	(32%)	\$508	\$791	(36%)

## Second Quarter 2019 vs. First Quarter 2019

- + Seasonally higher earnings in our vinyls downstream product businesses
- + Lower purchased ethylene and fuel costs
- + Lower restructuring, transaction and integration-related costs
- Lower caustic soda sales prices

## Second Quarter 2019 vs. Second Quarter 2018

- Lower sales prices for caustic soda
- Lower sales price for PVC resin

2Q 2019 vs. 1Q 2019	
Average Sales Price	Volume
- 1.9%	+ 8.3%

2Q 2019 vs. 2Q 2018	
Average Sales Price	Volume
- 8.3%	+ 3.5%

# Olefins Segment Performance

(\$ in millions)	2Q 2019	1Q 2019	2Q 2019 vs. 1Q 2019	2Q 2018	2Q 2019 vs. 2Q 2018	YTD 2019	YTD 2018	YTD 2019 vs. YTD 2018
Sales	\$477	\$459	4%	\$482	(1%)	\$936	\$985	(5%)
Operating Income	\$82	\$37	122%	\$158	(48%)	\$119	\$321	(63%)
EBITDA	\$119	\$74	61%	\$192	(38%)	\$193	\$391	(51%)

## Second Quarter 2019 vs. First Quarter 2019

- + Higher margins for our major products
- + Lower feedstock and fuel costs

## Second Quarter 2019 vs. Second Quarter 2018

- Lower sales prices
- + Lower feedstock and fuel costs
- + Higher polyethylene sales volumes
- + Lower impacts from turnaround activity

2Q 2019 vs. 1Q 2019	
Average Sales Price	Volume
+ 0.5%	+ 3.4%

2Q 2019 vs. 2Q 2018	
Average Sales Price	Volume
- 21.2%	+ 20.1%



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# Financial Reconciliations

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

	<u>Three Months Ended March 31, 2019</u>	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	(In millions of dollars)				
<b>Net cash provided by operating activities</b>	\$ 147	\$ 320	\$ 324	\$ 467	\$ 549
Changes in operating assets and liabilities and other	(50)	(191)	(7)	(241)	81
Deferred income taxes	(15)	—	(29)	(15)	(45)
<b>Net income</b>	<u>82</u>	<u>129</u>	<u>288</u>	<u>211</u>	<u>585</u>
Less:					
Other income, net	9	2	8	11	30
Interest expense	(30)	(28)	(31)	(58)	(68)
Provision for income taxes	(31)	(39)	(93)	(70)	(182)
<b>Income from operations</b>	<u>134</u>	<u>194</u>	<u>404</u>	<u>328</u>	<u>805</u>
Add:					
Depreciation and amortization	171	176	156	347	312
Other income, net	9	2	8	11	30
<b>EBITDA</b>	<u>\$ 314</u>	<u>\$ 372</u>	<u>\$ 568</u>	<u>\$ 686</u>	<u>\$ 1,147</u>

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

(in \$ millions)	Three months ended March 31,	Three months ended June 30,		Six months ended June 30,	
	2019	2019	2018	2019	2018
<b>Vinyls EBITDA</b>	<b>\$239</b>	<b>\$269</b>	<b>\$395</b>	<b>\$508</b>	<b>\$791</b>
Less:					
Depreciation and Amortization	134	138	120	272	238
Other Income (Expenses)	4	2	4	6	16
Vinyls Operating Income (Loss)	101	129	271	230	537
<b>Olefins EBITDA</b>	<b>74</b>	<b>119</b>	<b>192</b>	<b>193</b>	<b>391</b>
Less:					
Depreciation and Amortization	35	36	33	71	67
Other Income (Expenses)	2	1	1	3	3
Olefins Operating Income (Loss)	37	82	158	119	321
<b>Other EBITDA</b>	<b>1</b>	<b>(16)</b>	<b>(19)</b>	<b>(15)</b>	<b>(35)</b>
Less:					
Depreciation and Amortization	2	2	3	4	7
Other Income (Expenses)	3	(1)	3	2	11
Other Operating Income (Loss)	(4)	(17)	(25)	(21)	(53)
Vinyls Operating Income (Loss)	101	129	271	230	537
Olefins Operating Income (Loss)	37	82	158	119	321
Other Operating Income (Loss)	(4)	(17)	(25)	(21)	(53)
<b>Total Operating Income (Loss)</b>	<b>\$134</b>	<b>\$194</b>	<b>\$404</b>	<b>\$328</b>	<b>\$805</b>



# Safe Harbor Language

This presentation contains certain forward-looking statements including statements regarding the timing and results of capital projects and demand for our products and capacity additions in the vinyls industry. 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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