



Westlake  
Chemical



# Westlake Chemical Corporation

Fourth Quarter 2018 Earnings Presentation

# Westlake Chemical Corporation

## 2018 Business Highlights

- 2018 annual net income of \$1.0 billion, or \$7.62 per diluted share
- Record annual performance
  - Record annual sales of \$8.6 billion
  - Record annual income from operations of \$1.4 billion
  - Record annual EBITDA of \$2.1 billion
- Achieved Axiall synergies of \$275 million
- Retired \$1.2 billion of debt in 2018
- Increased quarterly dividend ~20% in August 2018
- Expanded Westlake stock repurchase program
- Finalized purchase of NAKAN™, a global PVC compounding business

# Westlake Chemical Corporation

## Fourth Quarter and Full Year 2018 Financial Highlights

(\$ in millions)	Q4 2018	Q4 2017	Q4 2018 vs. Q4 2017	Q3 2018	Q4 2018 vs. Q3 2018	2018	2017	2018 vs. 2017
<b>Sales</b>	<b>\$1,995</b>	<b>\$2,010</b>	<b>(1%)</b>	<b>\$2,255</b>	<b>(12%)</b>	<b>\$8,635</b>	<b>\$8,041</b>	<b>7%</b>
<b>Operating Income</b>	<b>\$207</b>	<b>\$363</b>	<b>(43%)</b>	<b>\$396</b>	<b>(48%)</b>	<b>\$1,408</b>	<b>\$1,225</b>	<b>15%</b>
<i>Vinyls EBITDA</i>	\$257	\$331	(22%)	\$391	(34%)	\$1,439	\$1,095	31%
<i>Olefins EBITDA</i>	\$126	\$201	(37%)	\$198	(36%)	\$715	\$803	(11%)
<i>Corporate EBITDA</i>	(\$9)	(\$15)	40%	(\$9)	-	(\$53)	(\$57)	7%
<b>EBITDA<sup>1</sup></b>	<b>\$374</b>	<b>\$517</b>	<b>(28%)</b>	<b>\$580</b>	<b>(36%)</b>	<b>\$2,101</b>	<b>\$1,841</b>	<b>14%</b>

### Fourth Quarter 2018 vs. Fourth Quarter 2017

- + Higher polyethylene sales volumes
- + Higher caustic soda sales prices and volumes
- Higher ethane feedstock costs
- Lower sales prices for polyethylene and PVC resin
- Higher fuel costs

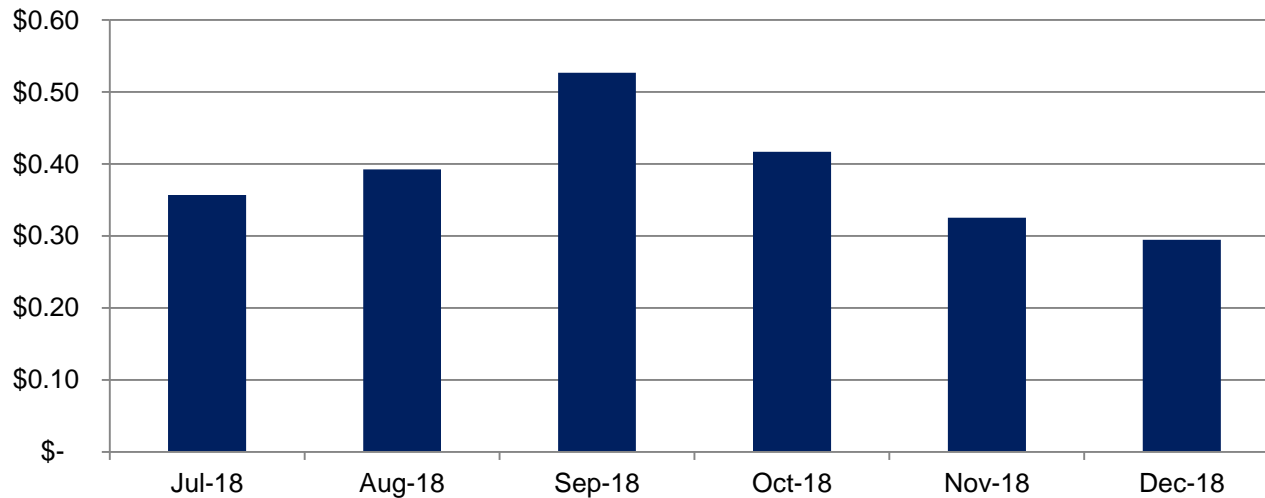
### Full Year 2018 vs. Full Year 2017

- + Higher caustic soda sales prices and volumes
- + Higher polyethylene sales volumes
- + Higher PVC sales volumes
- + Lower purchased ethylene costs
- Higher ethane feedstock costs

# Westlake Chemical Corporation

## Earnings Impact – Ethane Feedstock Costs

**Ethane** \$ per Gallon



Source: IHS Markit

- Higher ethane feedstock costs – the increases in ethane costs experienced in August and September 2018 impacted our earnings in the fourth quarter of 2018
  - Our FIFO method of accounting provides a benefit in periods of rising costs and a headwind in periods of declining costs
  - It takes four to six weeks for purchased ethane costs to be reflected in our cost of sales

# Vinyls Segment Performance

(\$ in millions)	Q4 2018	Q4 2017	Q4 2018 vs. Q4 2017	Q3 2018	Q4 2018 vs. Q3 2018	2018	2017	2018 vs. 2017
Sales	\$1,502	\$1,493	1%	\$1,714	(12%)	\$6,616	\$5,990	10%
Operating Income	\$125	\$214	(42%)	\$251	(50%)	\$913	\$639	43%
EBITDA	\$257	\$331	(22%)	\$391	(34%)	\$1,439	\$1,095	31%

## Fourth Quarter 2018 vs. Fourth Quarter 2017

- + Higher caustic soda sales volumes and prices
- Lower PVC prices
- Higher ethane feedstock costs
- Higher fuel costs

## Fourth Quarter 2018 vs. Third Quarter 2018

- Lower sales prices for caustic soda and PVC
- Higher ethane feedstock and purchased ethylene
- Higher fuel costs
- Seasonally lower sales volumes for downstream vinyls business

Q4 2018 vs. Q4 2017	
Average Sales Price	Volume
+ 0.2%	+ 0.4%

Q4 2018 vs. Q3 2018	
Average Sales Price	Volume
- 3.0%	- 9.3%

# Olefins Segment Performance

(\$ in millions)	Q4 2018	Q4 2017	Q4 2018 vs. Q4 2017	Q3 2018	Q4 2018 vs. Q3 2018	2018	2017	2018 vs. 2017
Sales	\$493	\$517	(5%)	\$541	(9%)	\$2,019	\$2,051	(2%)
Operating Income	\$90	\$166	(46%)	\$162	(44%)	\$573	\$655	(13%)
EBITDA	\$126	\$201	(37%)	\$198	(36%)	\$715	\$803	(11%)

## Fourth Quarter 2018 vs. Fourth Quarter 2017

- + Higher polyethylene sales volumes
- Lower polyethylene sales prices
- Higher ethane feedstock costs
- Higher fuel costs

## Fourth Quarter 2018 vs. Third Quarter 2018

- Lower polyethylene sales prices
- Lower sales volumes for our major products
- Higher ethane feedstock costs
- Higher fuel costs

Q4 2018 vs. Q4 2017	
Average Sales Price	Volume
- 13.1%	+ 8.4%

Q4 2018 vs. Q3 2018	
Average Sales Price	Volume
- 5.6%	- 3.3%



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

(in \$ millions)	Three Months Ended December 31,		Three Months Ended	Twelve Months Ended December 31,	
	2018	2017 <sup>(1)</sup>	September 30,	2018	2017 <sup>(1)</sup>
<b>Net cash provided by operating</b>	\$ 254	\$ 566	\$ 606	\$ 1,409	\$ 1,528
Changes in operating assets and liabilities and other	(135)	(307)	(259)	(313)	(723)
Deferred income taxes	12	557	(29)	(62)	534
<b>Net income</b>	131	816	318	1,034	1,339
Less:					
Other income (expense), net	(1)	2	23	52	15
Interest expense	(30)	(40)	(28)	(126)	(159)
(Provision for) benefit from income taxes	(45)	491	(73)	(300)	258
<b>Operating Income</b>	207	363	396	1,408	1,225
Add:					
Depreciation and amortization	168	152	161	641	601
Other income (expense), net	(1)	2	23	52	15
<b>EBITDA</b>	\$ 374	\$ 517	\$ 580	\$ 2,101	\$ 1,841



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

(in \$ millions)	Three Months Ended December 31,		Three Months Ended	Twelve Months Ended December 31,	
	2018	2017	September 30,	2018	2017
<b>Vinyls EBITDA</b>	\$ 257	\$ 331	\$ 391	\$ 1,439	\$ 1,095
Less:					
Depreciation and Amortization	129	117	124	491	449
Other Income (Expenses), net	3	0	16	35	7
<b>Vinyls Operating Income (Loss)</b>	<b>125</b>	<b>214</b>	<b>251</b>	<b>913</b>	<b>639</b>
<b>Olefins EBITDA</b>	<b>126</b>	<b>201</b>	<b>198</b>	<b>715</b>	<b>803</b>
Less:					
Depreciation and Amortization	36	34	35	138	145
Other Income (Expenses), net	0	1	1	4	3
<b>Olefins Operating Income (Loss)</b>	<b>90</b>	<b>166</b>	<b>162</b>	<b>573</b>	<b>655</b>
<b>Corporate EBITDA</b>	<b>(9)</b>	<b>(15)</b>	<b>(9)</b>	<b>(53)</b>	<b>(57)</b>
Less:					
Depreciation and Amortization	3	1	2	12	7
Other Income (Expenses), net	(4)	1	6	13	5
<b>Corporate Operating Income (Loss)</b>	<b>(8)</b>	<b>(17)</b>	<b>(17)</b>	<b>(78)</b>	<b>(69)</b>
<b>Vinyls Operating Income (Loss)</b>	<b>125</b>	<b>214</b>	<b>251</b>	<b>913</b>	<b>639</b>
<b>Olefins Operating Income (Loss)</b>	<b>90</b>	<b>166</b>	<b>162</b>	<b>573</b>	<b>655</b>
<b>Corporate Operating Income (Loss)</b>	<b>(8)</b>	<b>(17)</b>	<b>(17)</b>	<b>(78)</b>	<b>(69)</b>
<b>Total Operating Income (Loss)</b>	<b>\$ 207</b>	<b>\$ 363</b>	<b>\$ 396</b>	<b>\$ 1,408</b>	<b>\$ 1,225</b>

# Safe Harbor Language

This presentation contains certain forward-looking statements. 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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