

Investing

for growth



Acquisition of HEXION Performance Adhesives & Coatings

Hexion PAC Overview

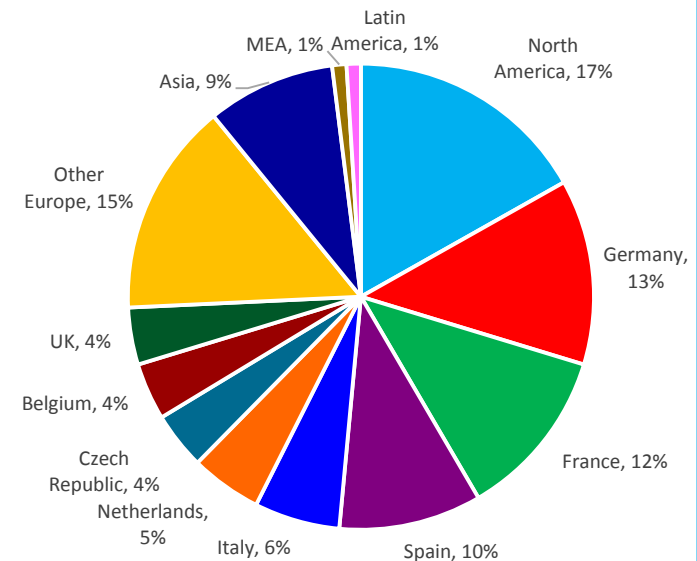
- HEXION PAC, a business of HEXION Inc. to be acquired for \$226 million cash consideration
- Portfolio made up of Dispersions & Additives, Powder Coatings, Speciality Monomers
- Supplies customers in a diverse range of applications and industries
- 7 sites – USA, Italy, Spain, Czech Republic, Germany, Thailand and France¹ employing circa 750 employees



¹ Subject to works council consultation

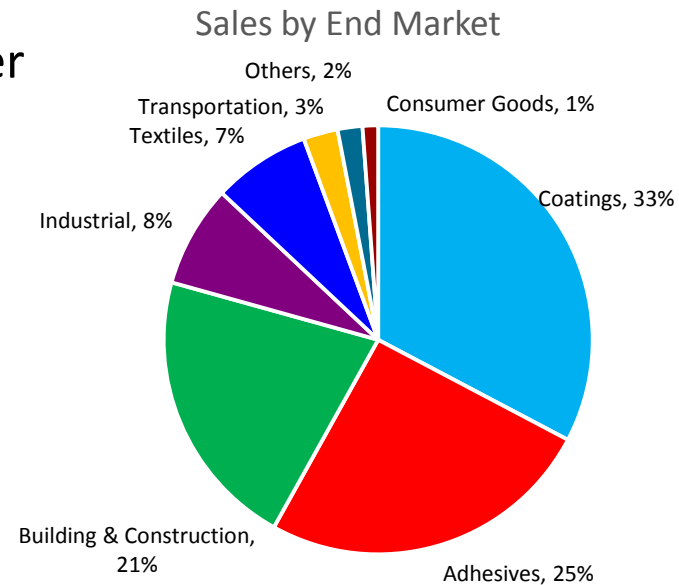
HEXION PAC 2015 Revenue: \$370m EBITDA \$30m

- Coatings, Construction & Adhesives Dispersions; Textiles and Non-Wovens and Re-Dispersable Powder (64% of sales).
- Powder Coatings (12% of sales).
- Monomers (24% of sales).



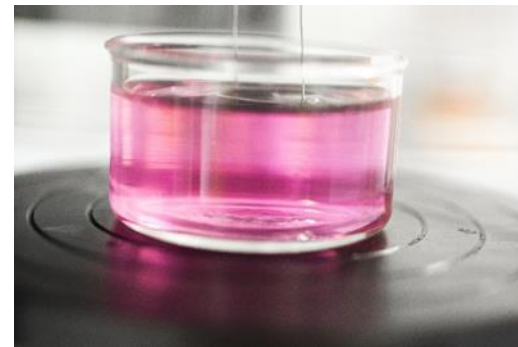
Strategic Rationale

- Good fit and highly complementary to Synthomer
 - Excellent SHE performance
- Strengthens position in Performance Adhesives and Coatings markets
- Extended geographic reach into USA and Asia
- Product and IP extensions into re-dispersable Powders and Powder Coatings
- Market extension into Oilfield and Cementing industries
- Integration to speciality monomers
- Synergies and consolidation opportunities



Synergies

- Target ~ \$12m of annualised synergy by end 2018
 - \$6m short-term service level agreements with Hexion group
 - Integration and consolidation of Hexion PAC with Synthomer Dispersion and Additives businesses
 - Optimisation and stream lining overheads and support functions
 - Product and footprint optimisation in Europe to be reviewed



Summary Financial Information

- EBITDA c. \$30m and synergies c. \$12m
- Transaction multiple
 - pre synergies – c. 7.5x
 - post synergies – c. 5.4x
- Cost of synergies – c. \$9m restructuring costs and c. \$12m capital costs

	Synthomer £m	Hexion PAC £m	Pro-forma £m
Revenue	894	250	1,144
EBITDA – pre synergy	125	20	145
EBITDA – post synergy	125	28	153

2015 average FX rate £1 : \$1.5

Deal Summary & Timetable

- Extensive due diligence carried out:
 - Assets well invested
 - Pension/post retirement liabilities fully funded at completion
 - Cash free/debt free and normal working capital
 - Strong warranties and indemnities
- All cash offer of \$226m (£156m):
 - Offer funded fully from extended bank facilities
 - Proceeds of £13m from South Africa disposal
 - Pro-forma net debt will increase to £222m
 - Pro-forma net debt/EBITDA ratio 1.5x
- Completion expected in summer 2016



Disposal of Operations in South Africa

- Agreed to sell dispersions business in South Africa to Ferro S.A. for £13m
- Ferro is a performance materials company which has been acquiring businesses since inception
 - Markets include powder coatings, glass systems, tile systems, masterbatch plastic additives, enamels, polyester resins and coatings resins
- A declining track record in a competitive market:
 - Challenging SHE performance
 - Assets need significant investment
 - Increasingly challenging economic environment
- 10x historical EBITDA and 13x historical cash flows, higher multiples based on outlook