

Albemarle Corporation

Fourth Quarter 2015 Earnings

Conference Call/Webcast
Thursday, February 18, 2016
9:00am ET



Forward-Looking Statements

Some of the information presented in this presentation and the conference call and discussions that follow, including, without limitation, statements with respect to the transaction with Rockwood and the anticipated consequences and benefits of the transaction, product development, changes in productivity, market trends, price, expected growth and earnings, input costs, surcharges, tax rates, stock repurchases, dividends, cash flow generation, costs and cost synergies, portfolio diversification, economic trends, outlook and all other information relating to matters that are not historical facts may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. There can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially include, without limitation: changes in economic and business conditions; changes in financial and operating performance of our major customers and industries and markets served by us; the timing of orders received from customers; the gain or loss of significant customers; competition from other manufacturers; changes in the demand for our products; limitations or prohibitions on the manufacture and sale of our products; availability of raw materials; changes in the cost of raw materials and energy; changes in our markets in general; fluctuations in foreign currencies; changes in laws and government regulation impacting our operations or our products; the occurrence of regulatory proceedings, claims or litigation; the occurrence of cyber security breaches, terrorist attacks, industrial accidents, natural disasters, or climate change; the inability to maintain current levels of product or premises liability insurance or the denial of such coverage; political unrest affecting the global economy; political instability affecting our manufacturing operations or joint ventures; changes in accounting standards; the inability to achieve results from our global manufacturing cost reduction initiatives as well as our ongoing continuous improvement and rationalization programs; changes in the jurisdictional mix of our earnings and changes in tax laws and rates; changes in monetary policies, inflation or interest rates; volatility and substantial uncertainties in the debt and equity markets; technology or intellectual property infringement; decisions we may make in the future; the ability to successfully execute, operate and integrate acquisitions and divestitures, including the integration of Rockwood's operations and realize estimated synergies; and the other factors detailed from time to time in the reports we file with the SEC, including those described under "Risk Factors" in the joint proxy statement / prospectus we filed in connection with the transaction with Rockwood, and in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q. These forward-looking statements speak only as of the date of this presentation. We assume no obligation to provide any revisions to any forward-looking statements should circumstances change, except as otherwise required by securities and other applicable laws.

Non-GAAP Financial Measures

It should be noted that adjusted net income attributable to Albemarle Corporation (“adjusted earnings”), adjusted diluted earnings per share, adjusted effective income tax rates, segment operating profit, segment income, EBITDA, adjusted EBITDA, adjusted EBITDA by operating segment, EBITDA margin and adjusted EBITDA margin are financial measures that are not required by, or presented in accordance with, accounting principles generally accepted in the United States, or GAAP. These measures are presented here to provide additional useful measurements to review our operations, provide transparency to investors and enable period-to-period comparability of financial performance.

A description of these and other non-GAAP financial measures that we use to evaluate our operations and financial performance, and reconciliation of these non-GAAP financial measures to the most directly comparable financial measures calculated and reported in accordance with GAAP, can be found herein.

APPENDIX

Non-GAAP Reconciliations

Net Income and EBITDA

(\$ in thousands)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Net income (loss) attributable to Albemarle Corporation	\$ 174,252	\$ (18,508)	\$ 334,906	\$ 133,316
Add back:				
Non-operating pension and OPEB items (net of tax)	(28,713)	70,978	(32,326)	79,994
Special items (net of tax)	(29,380)	23,906	136,807	49,307
Loss from discontinued operations (net of tax)	—	1,058	—	69,531
Adjusted net income attributable to Albemarle Corporation	\$ 116,159	\$ 77,434	\$ 439,387	\$ 332,148
Net income (loss) attributable to Albemarle Corporation	\$ 174,252	\$ (18,508)	\$ 334,906	\$ 133,316
Add back:				
Interest and financing expenses	31,736	15,103	132,722	41,358
Income tax (benefit) expense (from continuing and discontinued operations)	(19,049)	(27,158)	29,122	(2,424)
Depreciation and amortization	59,704	25,228	260,076	103,572
EBITDA	246,643	(5,335)	756,826	275,822
Non-operating pension and OPEB items	(40,344)	111,321	(46,244)	125,462
Special items (excluding special items associated with interest expense)	22,318	30,847	248,740	73,597
Loss from discontinued operations	—	—	—	90,439
Less depreciation and amortization from discontinued operations	—	—	—	(3,165)
Adjusted EBITDA	\$ 228,617	\$ 136,833	\$ 959,322	\$ 562,155
Net sales	\$ 930,353	\$ 598,566	\$ 3,651,335	\$ 2,445,548
EBITDA margin	26.5%	(0.9)%	20.7%	11.3%
Adjusted EBITDA margin	24.6%	22.9%	26.3%	23.0%

See above for a reconciliation of adjusted net income attributable to Albemarle Corporation (“adjusted earnings”), EBITDA and adjusted EBITDA, the non-GAAP financial measures, to Net income attributable to Albemarle Corporation, the most directly comparable financial measure calculated and reported in accordance with GAAP. Adjusted net income attributable to Albemarle Corporation is defined as Net income attributable to Albemarle Corporation before discontinued operations and the special and non-operating pension and OPEB items as listed above. EBITDA is defined as Net income attributable to Albemarle Corporation before interest and financing expenses, income taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before discontinued operations and the special and non-operating pension and OPEB items as listed below.

EBITDA supplemental

(\$ in thousands)

	Performance Chemicals	Refining Solutions	Chemetail Surface Treatment	Reportable Segments Total	All Other	Corporate	Consolidated Total
Three months ended December 31, 2015 (Actual):							
Net income (loss) attributable to Albemarle Corporation	\$ 92,723	\$ 42,072	\$ 32,348	\$ 167,143	\$ 23,137	\$ (16,028)	\$ 174,252
Depreciation and amortization	26,640	8,642	21,336	56,618	1,316	1,770	59,704
Special items (excluding special items associated with interest expense)	738	1,971	—	2,709	—	19,609	22,318
Interest and financing expenses	—	—	—	—	—	31,736	31,736
Income tax benefit	—	—	—	—	—	(19,049)	(19,049)
Non-operating pension and OPEB items	—	—	—	—	—	(40,344)	(40,344)
Adjusted EBITDA	\$ 120,101	\$ 52,685	\$ 53,684	\$ 226,470	\$ 24,453	\$ (22,306)	\$ 228,617
Three months ended December 31, 2014 (Actual):							
Net income (loss) attributable to Albemarle Corporation	\$ 59,939	\$ 59,907	\$ —	\$ 119,846	\$ 7,292	\$ (145,646)	\$ (18,508)
Depreciation and amortization	13,965	7,319	—	21,284	3,199	745	25,228
Special items	—	—	—	—	—	30,847	30,847
Interest and financing expenses	—	—	—	—	—	15,103	15,103
Income tax benefit	—	—	—	—	—	(28,216)	(28,216)
Loss from discontinued operations (net of tax)	—	—	—	—	—	1,058	1,058
Non-operating pension and OPEB items	—	—	—	—	—	111,321	111,321
Adjusted EBITDA	\$ 73,904	\$ 67,226	\$ —	\$ 141,130	\$ 10,491	\$ (14,788)	\$ 136,833
Three months ended December 31, 2014 (Pro forma):							
Net income (loss) attributable to Albemarle Corporation	\$ 97,666	\$ 59,907	\$ 39,247	\$ 196,820	\$ 10,724	\$ (174,324)	\$ 33,220
Depreciation and amortization	25,939	7,319	8,067	41,325	4,006	2,701	48,032
Special items	—	—	—	—	—	(13,812)	(13,812)
Interest and financing expenses	—	—	—	—	—	27,903	27,903
Income tax benefit	—	—	—	—	—	(116)	(116)
Loss from discontinued operations (net of tax)	—	—	—	—	—	19,100	19,100
Non-operating pension and OPEB items	—	—	—	—	—	111,192	111,192
Adjusted EBITDA	\$ 123,605	\$ 67,226	\$ 47,314	\$ 238,145	\$ 14,730	\$ (27,356)	\$ 225,519

See above for a reconciliation of adjusted EBITDA on a segment basis, the non-GAAP financial measure, to net income attributable to Albemarle Corporation (“earnings”), the most directly comparable financial measure calculated and reporting in accordance with GAAP. Adjusted earnings on a segment basis is defined as earnings before discontinued operations and the special and non-operating pension and OPEB items as listed above. EBITDA is defined as earnings before interest and financing expenses, income taxes, and depreciation and amortization. Adjusted EBITDA is defined as EBITDA before discontinued operations and the special and non-operating pension and OPEB items as listed above.

EBITDA supplemental

(\$ in thousands)

	Performance Chemicals	Refining Solutions	Chemetail Surface Treatment	Reportable Segments Total	All Other	Corporate	Consolidated Total
Year ended December 31, 2015 (Actual):							
Net income (loss) attributable to Albemarle Corporation	\$ 335,295	\$ 161,585	\$ 103,095	\$ 599,975	\$ 32,781	\$ (297,850)	\$ 334,906
Depreciation and amortization	120,248	34,039	78,903	233,190	18,183	8,703	260,076
Special items (excluding special items associated with interest expense)	79,977	1,971	20,030	101,978	3,029	143,733	248,740
Interest and financing expenses	—	—	—	—	—	132,722	132,722
Income tax expense	—	—	—	—	—	29,122	29,122
Non-operating pension and OPEB items	—	—	—	—	—	(46,244)	(46,244)
Adjusted EBITDA	\$ 535,520	\$ 197,595	\$ 202,028	\$ 935,143	\$ 53,993	\$ (29,814)	\$ 959,322
Year ended December 31, 2014 (Actual):							
Net income (loss) attributable to Albemarle Corporation	\$ 254,865	\$ 223,815	\$ —	\$ 478,680	\$ 60,495	\$ (405,859)	\$ 133,316
Depreciation and amortization	51,707	32,670	—	84,377	13,478	2,552	100,407
Special items	—	—	—	—	—	73,597	73,597
Interest and financing expenses	—	—	—	—	—	41,358	41,358
Income tax expense	—	—	—	—	—	18,484	18,484
Loss from discontinued operations (net of tax)	—	—	—	—	—	69,531	69,531
Non-operating pension and OPEB items	—	—	—	—	—	125,462	125,462
Adjusted EBITDA	\$ 306,572	\$ 256,485	\$ —	\$ 563,057	\$ 73,973	\$ (74,875)	\$ 562,155
Year ended December 31, 2014 (Pro forma):							
Net income (loss) attributable to Albemarle Corporation	\$ 388,126	\$ 223,815	\$ 162,721	\$ 774,662	\$ 81,388	\$ (559,307)	\$ 296,743
Depreciation and amortization	98,349	32,670	31,563	162,582	17,001	19,348	198,931
Special items	—	—	—	—	—	(5,185)	(5,185)
Interest and financing expenses	—	—	—	—	—	95,458	95,458
Income tax expense	—	—	—	—	—	111,084	111,084
Loss from discontinued operations (net of tax)	—	—	—	—	—	85,973	85,973
Non-operating pension and OPEB items	—	—	—	—	—	125,420	125,420
Adjusted EBITDA	\$ 486,475	\$ 256,485	\$ 194,284	\$ 937,244	\$ 98,389	\$ (127,209)	\$ 908,424

See above for a reconciliation of adjusted EBITDA on a segment basis, the non-GAAP financial measure, to net income attributable to Albemarle Corporation (“earnings”), the most directly comparable financial measure calculated and reporting in accordance with GAAP. Adjusted earnings on a segment basis is defined as earnings before discontinued operations and the special and non-operating pension and OPEB items as listed above. EBITDA is defined as earnings before interest and financing expenses, income taxes, and depreciation and amortization. Adjusted EBITDA is defined as EBITDA before discontinued operations and the special and non-operating pension and OPEB items as listed above.

EBITDA supplemental

(\$ in thousands)

	Bromine	Lithium	PCS	Total Performance Chemicals
Three months ended December 31, 2015 (Actual):				
Net income attributable to Albemarle Corporation	\$ 32,121	\$ 43,251	\$ 17,351	\$ 92,723
Depreciation and amortization	10,101	13,142	3,397	26,640
Special items	—	738	—	738
Adjusted EBITDA	\$ 42,222	\$ 57,131	\$ 20,748	\$ 120,101
Three months ended December 31, 2014 (Actual):				
Net income attributable to Albemarle Corporation	\$ 44,358	\$ —	\$ 15,581	\$ 59,939
Depreciation and amortization	9,105	—	4,860	13,965
Adjusted EBITDA	\$ 53,463	\$ —	\$ 20,441	\$ 73,904
Three months ended December 31, 2014 (Pro Forma):				
Net income attributable to Albemarle Corporation	\$ 44,358	\$ 37,727	\$ 15,581	\$ 97,666
Depreciation and amortization	9,105	11,974	4,860	25,939
Adjusted EBITDA	\$ 53,463	\$ 49,701	\$ 20,441	\$ 123,605

See above for a reconciliation of adjusted EBITDA on a segment basis, the non-GAAP financial measure, to net income attributable to Albemarle Corporation (“earnings”), the most directly comparable financial measure calculated and reporting in accordance with GAAP. Adjusted earnings on a segment basis is defined as earnings before discontinued operations and the special and non-operating pension and OPEB items as listed above. EBITDA is defined as earnings before interest and financing expenses, income taxes, and depreciation and amortization. Adjusted EBITDA is defined as EBITDA before discontinued operations and the special and non-operating pension and OPEB items as listed above.

EBITDA supplemental

(\$ in thousands)

	Bromine	Lithium	PCS	Total Performance Chemicals
Year ended December 31, 2015 (Actual):				
Net income attributable to Albemarle Corporation	\$ 186,474	\$ 63,473	\$ 85,348	\$ 335,295
Depreciation and amortization	36,179	70,014	14,055	120,248
Special items	—	79,977	—	79,977
Adjusted EBITDA	\$ 222,653	\$ 213,464	\$ 99,403	\$ 535,520
Year ended December 31, 2014 (Actual):				
Net income attributable to Albemarle Corporation	\$ 189,059	\$ —	\$ 65,806	\$ 254,865
Depreciation and amortization	35,917	—	15,790	51,707
Adjusted EBITDA	\$ 224,976	\$ —	\$ 81,596	\$ 306,572
Year ended December 31, 2014 (Pro Forma):				
Net income attributable to Albemarle Corporation	\$ 189,059	\$ 133,261	\$ 65,806	\$ 388,126
Depreciation and amortization	35,917	46,642	15,790	98,349
Adjusted EBITDA	\$ 224,976	\$ 179,903	\$ 81,596	\$ 486,475

See above for a reconciliation of adjusted EBITDA on a segment basis, the non-GAAP financial measure, to net income attributable to Albemarle Corporation (“earnings”), the most directly comparable financial measure calculated and reporting in accordance with GAAP. Adjusted earnings on a segment basis is defined as earnings before discontinued operations and the special and non-operating pension and OPEB items as listed above. EBITDA is defined as earnings before interest and financing expenses, income taxes, and depreciation and amortization. Adjusted EBITDA is defined as EBITDA before discontinued operations and the special and non-operating pension and OPEB items as listed above.

EBITDA supplemental¹

	Twelve Months Ended	Three Months Ended			
	Dec 31, 2015	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015
Adjusted EBITDA	\$ 959,322	\$ 228,617	\$ 234,996	\$ 230,081	\$ 265,628
Net income attributable to to noncontrolling interests	25,158	8,425	5,480	7,219	4,034
Adjusted Equity in Net Income of Unconsolidated Investments (net of tax)	(60,078)	(10,908)	(15,132)	(15,794)	(18,244)
Dividends received from unconsolidated investments	59,912	2,763	11,623	42,478	3,048
Runrate synergies adjustment	-	-	-	-	-
Consolidated EBITDA	\$ 984,314	\$ 228,897	\$ 236,967	\$ 263,984	\$ 254,466
Total Long Term Debt	\$ 3,852,019				
Off balance sheet obligations and other	64,660				
Attributable principal amount of capital leases	16,807				
Consolidated Funded Debt	3,933,486				
Less Cash	213,734				
Consolidated Funded Net Debt	\$ 3,719,752				
Consolidated Funded Net Debt to Consolidated EBITDA Ratio	3.8				

¹ This supplemental is for net-debt-to-adjusted EBITDA ratio based on the bank covenant definition.

Diluted EPS

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Diluted earnings per share	\$ 1.55	\$ (0.24)	\$ 3.00	\$ 1.69
Non-operating pension and OPEB items	(0.25)	0.90	(0.29)	1.01
Special items				
Utilization of inventory markup	0.03	—	0.73	—
Restructuring and other, net	(0.01)	0.04	(0.05)	0.21
Acquisition and integration related costs	0.07	0.12	0.84	0.24
Interest and financing expenses related to Rockwood acquisition	—	0.04	0.01	0.04
Financing fees related to Rockwood acquisition	—	0.08	0.03	0.14
Impairment of unconsolidated investment	0.02	—	0.02	—
Loss on extinguishment of debt	0.03	—	0.03	—
Discrete tax items	(0.40)	0.02	(0.38)	(0.01)
Discontinued operations	—	0.02	—	0.88
Adjusted diluted earnings per share ¹	\$ 1.03	\$ 0.99	\$ 3.94	\$ 4.20

¹Totals may not add due to rounding

Equity Income and Minority Interest

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2015		Dec 31, 2015	
	Equity	Minority	Equity	Minority
	Income	Interest	Income	Interest
Performance Chemicals*	\$ 6,876	\$ (8,425)	\$ 7,426	\$ (25,158)
Refining Solutions	(1,475)	-	11,248	-
Chemetall	699	-	2,921	-
All Other	2,663	-	9,404	-
Corporate	-	-	-	-
Total Company	<u>\$ 8,763</u>	<u>\$ (8,425)</u>	<u>\$ 30,999</u>	<u>\$ (25,158)</u>
* Includes Inventory Step-Up				
PC - As Reported Equity Income	\$ 6,876		\$ 7,426	
Inventory Step-Up	175		27,108	
PC - As Adjusted Equity Income	<u>\$ 7,051</u>		<u>\$ 34,534</u>	
RS - As Reported Equity Income	\$ (1,475)		\$ 11,248	
Impairment Charge	1,971		1,971	
RS - As Adjusted Equity Income	<u>\$ 496</u>		<u>\$ 13,219</u>	
As Reported Equity Income	\$ 8,763		\$ 30,999	
Inventory Step-Up	175		27,108	
Impairment Charge	1,971		1,971	
Adjusted Equity in Net Income of Unconsolidated Investments (net of tax)	<u>\$ 10,909</u>		<u>\$ 60,078</u>	

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