

Albemarle Corporation Second Quarter 2016 Earnings

Conference Call/Webcast

Thursday, Aug 4, 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 planned sale of the Chemetall® business 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, 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 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

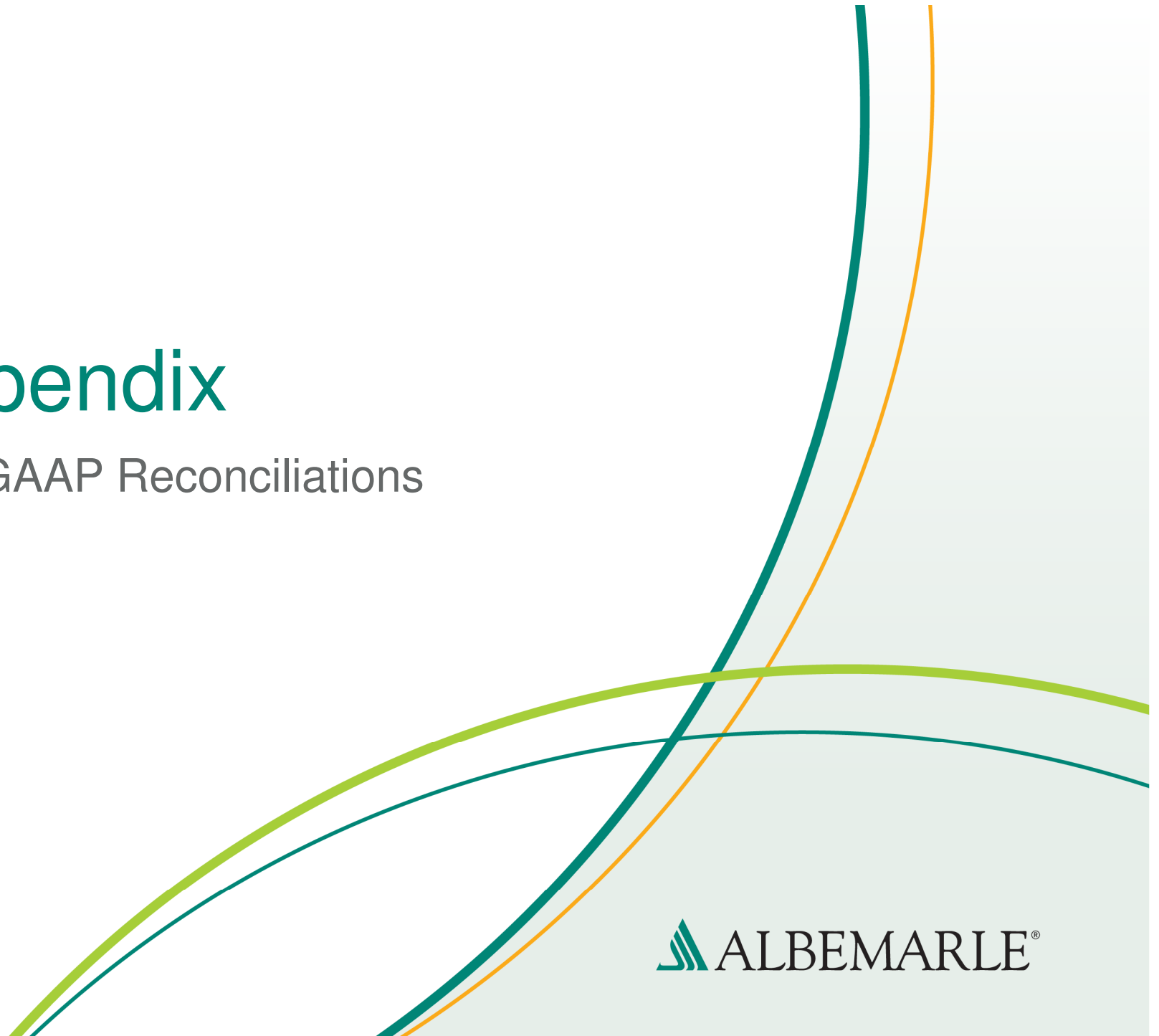
It should be noted that adjusted net income attributable to Albemarle Corporation (“adjusted earnings”), adjusted net income from continuing operations, adjusted diluted earnings per share attributable to Albemarle Corporation, adjusted diluted earnings per share from continuing operations, adjusted effective income tax rates, segment operating profit, segment income, EBITDA, adjusted EBITDA, adjusted EBITDA by operating segment, EBITDA margin, adjusted EBITDA margin, free cash flow, and adjusted free cash flow 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. The Company’s chief operating decision maker uses these measures to assess the ongoing performance of the Company and its segments, as well as for business planning purposes.

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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net (loss) income attributable to Albemarle Corporation	\$ (314,821)	\$ 52,147	\$ (86,635)	\$ 95,262
Add back:				
Non-operating pension and OPEB items from continuing operations (net of tax)	(225)	(998)	(106)	(1,704)
Non-recurring and other unusual items from continuing operations (net of tax)	21,780	41,171	(82,048)	113,105
Loss (income) from discontinued operations (net of tax)	398,340	(10,122)	381,028	(8,024)
Adjusted net income from continuing operations	105,074	82,198	212,239	198,639
(Loss) income from discontinued operations (net of tax)	(398,340)	10,122	(381,028)	8,024
Add back:				
Non-operating pension and OPEB items from discontinued operations (net of tax)	67	136	156	(1,385)
Non-recurring and other unusual items from discontinued operations (net of tax)	416,279	2,636	417,514	17,018
Adjusted net income attributable to Albemarle Corporation	\$ 123,080	\$ 95,092	\$ 248,881	\$ 222,296
Adjusted diluted earnings per share attributable to Albemarle Corporation	\$ 1.09	\$ 0.84	\$ 2.20	\$ 2.01
Weighted-average common shares outstanding – diluted	113,123	112,607	112,947	110,536

See above for a reconciliation of adjusted net income attributable to Albemarle Corporation ("adjusted earnings"), adjusted net income from continuing operations, 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.

Net Income and EBITDA

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<i>(\$ in thousands)</i>				
Net (loss) income attributable to Albemarle Corporation	\$ (314,821)	\$ 52,147	\$ (86,635)	\$ 95,262
Add back:				
Loss (income) from discontinued operations (net of tax)	398,340	(10,122)	381,028	(8,024)
Interest and financing expenses	15,800	20,599	30,914	42,899
Income tax expense	23,656	14,851	49,141	28,636
Depreciation and amortization	49,705	48,372	93,314	94,162
EBITDA	172,680	125,847	467,762	252,935
Non-operating pension and OPEB items	(265)	(1,522)	(548)	(2,609)
Non-recurring and other unusual items (excluding items associated with interest expense)	18,056	57,033	(84,710)	150,532
Adjusted EBITDA	\$ 190,471	\$ 181,358	\$ 382,504	\$ 400,858
Net sales	\$ 669,327	\$ 718,290	\$ 1,326,538	\$ 1,410,603
EBITDA margin	25.8%	17.5%	35.3%	17.9%
Adjusted EBITDA margin	28.5%	25.2%	28.8%	28.4%

See above for a reconciliation of 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. 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)

	Lithium and Advanced Materials	Bromine Specialties	Refining Solutions	Reportable Segments Total	All Other	Corporate	Consolidated Total
Three months ended June 30, 2016:							
Net income (loss) attributable to Albemarle Corporation	\$ 56,880	\$ 56,747	\$ 52,472	\$ 166,099	\$ (1,503)	\$ (479,417)	\$ (314,821)
Depreciation and amortization	25,788	9,815	9,114	44,717	3,353	1,635	49,705
Non-recurring and other unusual items	—	—	—	—	(974)	19,030	18,056
Interest and financing expenses	—	—	—	—	—	15,800	15,800
Income tax expense	—	—	—	—	—	23,656	23,656
Loss from discontinued operations (net of tax)	—	—	—	—	—	398,340	398,340
Non-operating pension and OPEB items	—	—	—	—	—	(265)	(265)
Adjusted EBITDA	\$ 82,668	\$ 66,562	\$ 61,586	\$ 210,816	\$ 876	\$ (21,221)	\$ 190,471
Three months ended June 30, 2015:							
Net income (loss) attributable to Albemarle Corporation	\$ 22,530	\$ 60,486	\$ 39,717	\$ 122,733	\$ 3,612	\$ (74,198)	\$ 52,147
Depreciation and amortization	23,632	8,211	8,483	40,326	5,724	2,322	48,372
Non-recurring and other unusual items	33,823	—	—	33,823	378	22,832	57,033
Interest and financing expenses	—	—	—	—	—	20,599	20,599
Income tax expense	—	—	—	—	—	14,851	14,851
Income from discontinued operations (net of tax)	—	—	—	—	—	(10,122)	(10,122)
Non-operating pension and OPEB items	—	—	—	—	—	(1,522)	(1,522)
Adjusted EBITDA	\$ 79,985	\$ 68,697	\$ 48,200	\$ 196,882	\$ 9,714	\$ (25,238)	\$ 181,358

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)

	Lithium and Advanced Materials	Bromine Specialties	Refining Solutions	Reportable Segments Total	All Other	Corporate	Consolidated Total
Six months ended June 30, 2016:							
Net income (loss) attributable to Albemarle Corporation	\$ 120,207	\$ 108,600	\$ 98,786	\$ 327,593	\$ 129,206	\$ (543,434)	\$ (86,635)
Depreciation and amortization	48,935	19,570	17,874	86,379	3,965	2,970	93,314
Non-recurring and other unusual items	—	—	—	—	(123,831)	39,121	(84,710)
Interest and financing expenses	—	—	—	—	—	30,914	30,914
Income tax expense	—	—	—	—	—	49,141	49,141
Loss from discontinued operations (net of tax)	—	—	—	—	—	381,028	381,028
Non-operating pension and OPEB items	—	—	—	—	—	(548)	(548)
Adjusted EBITDA	\$ 169,142	\$ 128,170	\$ 116,660	\$ 413,972	\$ 9,340	\$ (40,808)	\$ 382,504
Six months ended June 30, 2015:							
Net income (loss) attributable to Albemarle Corporation	\$ 49,721	\$ 104,958	\$ 73,800	\$ 228,479	\$ 9,027	\$ (142,244)	\$ 95,262
Depreciation and amortization	45,454	16,672	16,593	78,719	11,222	4,221	94,162
Non-recurring and other unusual items (excluding items associated with interest expense)	62,405	—	—	62,405	3,029	85,098	150,532
Interest and financing expenses	—	—	—	—	—	42,899	42,899
Income tax expense	—	—	—	—	—	28,636	28,636
Income from discontinued operations (net of tax)	—	—	—	—	—	(8,024)	(8,024)
Non-operating pension and OPEB items	—	—	—	—	—	(2,609)	(2,609)
Adjusted EBITDA	\$ 157,580	\$ 121,630	\$ 90,393	\$ 369,603	\$ 23,278	\$ 7,977	\$ 400,858

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

<i>(\$ in thousands)</i>	Lithium	PCS	Total Lithium and Advanced Materials
Three months ended June 30, 2016:			
Net income attributable to Albemarle Corporation	\$ 42,129	\$ 14,751	\$ 56,880
Depreciation and amortization	22,017	3,771	25,788
Adjusted EBITDA	\$ 64,146	\$ 18,522	\$ 82,668
Three months ended June 30, 2015:			
Net (loss) income attributable to Albemarle Corporation	\$ (213)	\$ 22,743	\$ 22,530
Depreciation and amortization	20,035	3,597	23,632
Non-recurring and other unusual items	33,823	—	33,823
Adjusted EBITDA	\$ 53,645	\$ 26,340	\$ 79,985
Six months ended June 30, 2016:			
Net income attributable to Albemarle Corporation	\$ 86,475	\$ 33,732	\$ 120,207
Depreciation and amortization	41,505	7,430	48,935
Adjusted EBITDA	\$ 127,980	\$ 41,162	\$ 169,142
Six months ended June 30, 2015:			
Net income attributable to Albemarle Corporation	\$ 3,715	\$ 46,006	\$ 49,721
Depreciation and amortization	38,103	7,351	45,454
Non-recurring and other unusual items	62,405	—	62,405
Adjusted EBITDA	\$ 104,223	\$ 53,357	\$ 157,580

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			
	Jun 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015
Adjusted EBITDA	\$ 738,535	\$ 190,471	\$ 192,033	\$ 174,933	\$ 181,098
Adjusted EBITDA from discontinued operations (a)	213,576	53,052	52,943	53,684	53,898
Net income attributable to noncontrolling interests	33,334	12,067	7,362	8,425	5,480
Adjusted equity in net income of unconsolidated investments (net of tax)	(56,901)	(14,295)	(16,566)	(10,908)	(15,132)
Dividends received from unconsolidated investments	45,908	31,322	200	2,763	11,623
Consolidated EBITDA	\$ 974,452	\$ 272,617	\$ 235,972	\$ 228,897	\$ 236,967
Total Long Term Debt (as reported)	\$ 3,513,183				
Long-term debt recorded in Liabilities held for sale	996				
Capital leases recorded in Liabilities held for sale	15,800				
Off balance sheet obligations and other	54,965				
Consolidated Funded Debt	3,584,944				
Less Cash	193,661				
Consolidated Funded Net Debt	\$ 3,391,283				
Consolidated Funded Net Debt to Consolidated EBITDA Ratio	3.5				

(a) Adjusted EBITDA from discontinued operations:

Income from discontinued operations before tax	\$ 19,235	\$ 22,810	\$ 24,133	\$ 14,219
Depreciation and amortization from discontinued operations	18,252	16,944	21,336	20,260
Interest and financing expense from discontinued operations	9,911	10,137	12,694	12,907
Non-recurring, other unusual and non-operating pension and OPEB items from discontinued operations	5,654	3,052	(4,479)	6,512
Adjusted EBITDA from discontinued operations	\$ 53,052	\$ 52,943	\$ 53,684	\$ 53,898

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

Diluted EPS

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Diluted (loss) earnings per share attributable to Albemarle Corporation	\$ (2.78)	\$ 0.46	\$ (0.77)	\$ 0.86
Add back:				
Non-operating pension and OPEB items from continuing operations (net of tax)	(0.00)	(0.01)	(0.00)	(0.02)
Non-recurring and other unusual items from continuing operations (net of tax)				
Utilization of inventory markup	—	0.23	—	0.46
Gain on sales of businesses, net	—	—	(1.02)	—
Acquisition and integration related costs	0.11	0.14	0.23	0.51
Interest and financing expenses related to Rockwood acquisition	—	—	—	0.01
Financing fees related to Rockwood acquisition	—	—	—	0.03
Discrete tax items	0.08	(0.01)	0.06	0.02
Loss (income) from discontinued operations (net of tax)	3.52	(0.09)	3.38	(0.07)
Adjusted diluted earnings per share from continuing operations¹	\$ 0.93	\$ 0.73	\$ 1.88	\$ 1.80
(Loss) income from discontinued operations (net of tax)	(3.52)	0.09	(3.38)	0.07
Add back:				
Non-operating pension and OPEB items from discontinued operations (net of tax)	0.00	0.00	0.00	(0.01)
Non-recurring and other unusual items from discontinued operations (net of tax)	3.68	0.03	3.70	0.15
Adjusted diluted earnings per share attributable to Albemarle Corporation¹	\$ 1.09	\$ 0.84	\$ 2.20	\$ 2.01

¹Totals may not add due to rounding

Effective Tax Rate

(\$ in thousands)

	Income from continuing operations before income taxes and equity in net income of unconsolidated investments	Income tax expense (benefit)	Effective income tax rate
Three months ended June 30, 2016:			
As reported	\$ 105,396	\$ 23,656	22.4%
Non-recurring, other unusual and non-operating pension and OPEB items from continuing operations	17,791	(3,764)	
As adjusted	\$ 123,187	\$ 19,892	16.2%
Three months ended June 30, 2015:			
As reported	\$ 58,951	\$ 14,851	25.2%
Non-recurring, other unusual and non-operating pension and OPEB items from continuing operations	45,511	15,338	
As adjusted	\$ 104,462	\$ 30,189	28.9%

See above for a reconciliation of the adjusted effective income tax rate, the non-GAAP financial measure, to the effective income tax rate, the most directly comparable financial measure calculated and reporting in accordance with GAAP.

Equity Income and Non-controlling Interest

(\$ in thousands)	Three Months Ended June 30,				Six Months Ended June 30,			
	2016		2015		2016		2015	
	Equity Income	Non-controlling Interest	Equity Income	Non-controlling Interest	Equity Income	Non-controlling Interest	Equity Income	Non-controlling Interest
Bromine	\$ -	\$ (12,053)	\$ -	\$ (7,193)	\$ -	\$ (19,389)	\$ -	\$ (11,233)
Lithium and Advanced Materials*	7,727	-	(652)	-	17,145	-	1,113	-
Refining Solutions	6,119	-	3,659	-	11,733	-	8,671	-
All Other	-	-	2,111	-	959	-	4,435	-
Corporate	-	(14)	-	-	-	(40)	-	-
Total Company¹	\$ 13,846	\$ (12,067)	\$ 5,118	\$ (7,193)	\$ 29,837	\$ (19,429)	\$ 14,219	\$ (11,233)
* Includes Inventory Step-Up								
LAM - As Reported Equity Income	\$ 7,727		\$ (652)		\$ 17,145		\$ 1,113	
Inventory Step-Up	-		10,000		-		17,851	
LAM - As Adjusted Equity Income	\$ 7,727		\$ 9,348		\$ 17,145		\$ 18,964	
As Reported Equity Income	\$ 13,846		\$ 5,118		\$ 29,837		\$ 14,219	
Inventory Step-Up	-		10,000		-		17,851	
Adjusted Equity in Net Income of Unconsolidated Investments (net of tax)	\$ 13,846		\$ 15,118		\$ 29,837		\$ 32,070	

¹Totals may not add due to rounding

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