

Albemarle Corporation First Quarter 2017 Earnings

Conference Call/Webcast

Thursday, May 4th, 2017

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 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, pro-forma net sales, net sales excluding the impact of foreign exchange translation (“ex FX”), EBITDA, adjusted EBITDA, adjusted EBITDA by operating segment, EBITDA margin, adjusted EBITDA margin, pro-forma adjusted EBITDA, pro-forma adjusted EBITDA margin, adjusted EBITDA excluding the impact of foreign exchange translation (“ex FX”), adjusted EBITDA margin excluding the impact of foreign exchange translation (“ex FX”), net debt to adjusted EBITDA, gross debt to adjusted EBITDA, 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 and enterprise 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 in the Appendix to this presentation, which is posted in the Investors section of our website at www.albemarle.com, under “Non-GAAP Reconciliations” under “Financials.” The Company does not provide a reconciliation of forward looking non-GAAP financial measures to the most directly comparable financial measures calculated and reported in accordance with GAAP, as the Company is unable to estimate significant non-recurring or unusual items without unreasonable effort. The amounts and timing of these items are uncertain and could be material to the Company’s results calculated in accordance with GAAP.

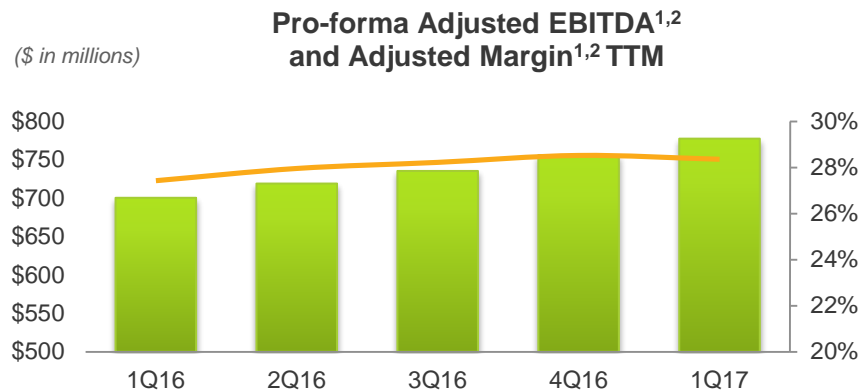
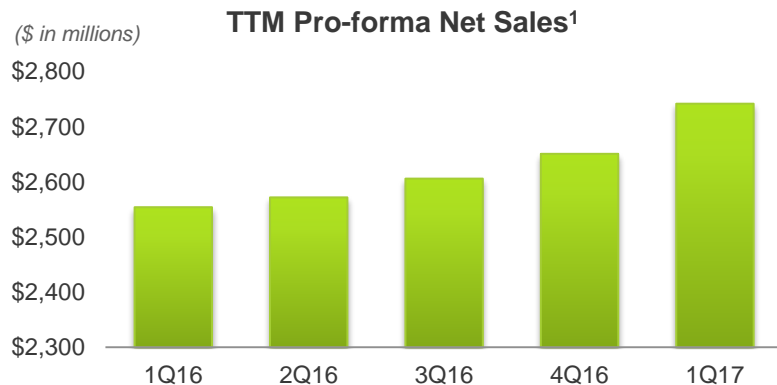
First Quarter 2017 Financial Highlights

	1Q 2017 Results Continuing Operations	vs Prior Year Pro-forma ¹
Net Sales	\$722 million	+14%
Adjusted EBITDA ²	\$211 million	+11%
Adjusted Diluted EPS ²	\$1.05	+12%

¹ Year-over-year calculated against pro-forma Q1 2016, excludes net impact of divested businesses (Minerals, Metal Sulfides).

² Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

Financial Highlights



Core Business Performance - First Quarter 2017

Lithium – \$100M adjusted EBITDA², up 56% YoY; 46% adjusted EBITDA² margin

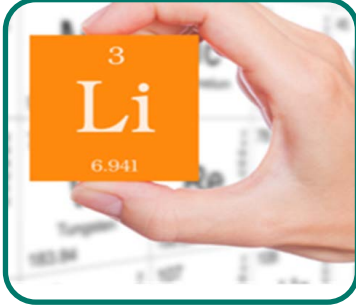
Bromine – \$68M adjusted EBITDA², up 11% YoY

Refining Solutions – \$50M adjusted EBITDA²

¹ Excludes net impact of divested businesses (Minerals, Metal Sulfides), discontinued operations (Chemetall®). See pro-forma reconciliations in Appendix.

² Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

Key Developments – First Quarter 2017



Lithium Wave One Expansions

- Albemarle's Talison joint venture approved the expansion at its Greenbushes, Australia spodumene mine to more than double the spodumene concentrate capacity to greater than 160,000 MT/year LCE in 2019
- La Negra II began commercial production; continued ramp expected during remainder of 2017
- Project to expand China spodumene conversion assets to 35,000 – 40,000 MT/year LCE of is progressing with completion expected in 2018



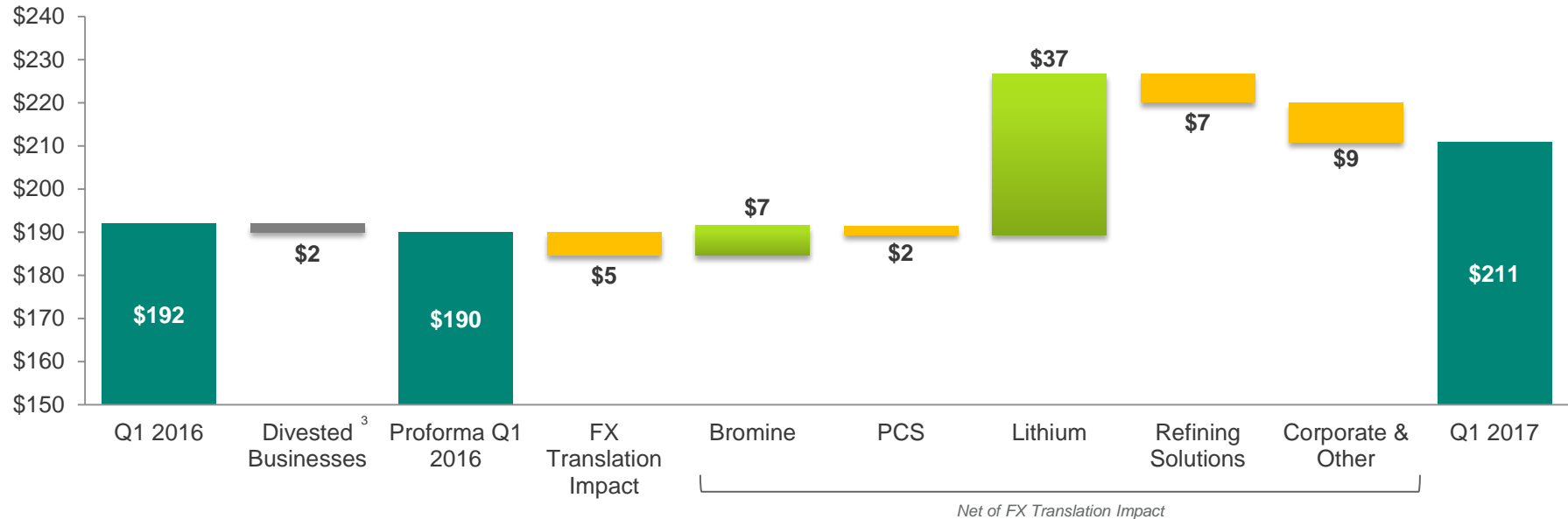
Returning Value to Shareholders

- Initiated \$250M share repurchase plan: on track to complete by end of June
- Increased dividend payout by 5% YoY
- Completed deleveraging strategy by paying down \$751M in senior notes

Adjusted EBITDA¹ Bridge - Continuing Operations

First Quarter 2017: Adjusted EBITDA¹ growth of \$21M, 11%²

(\$ in millions)



¹ Non-GAAP measure. See Non-GAAP reconciliations in Appendix. Bridge numbers may not reconcile due to rounding.

² Year-over-year growth calculated against pro-forma Q1 2016.

³ Net impact from Metal Sulfides and Minerals businesses divested in January 2016 and February 2016, respectively.

First Quarter 2017 Financial Results¹

	1Q 2017 (\$ in millions, except EPS)	1Q 2016 (\$ in millions, except EPS)	Pro-forma 1Q 2016 ² (\$ in millions, except EPS)	1Q 2017 YoY (vs Pro-forma 1Q 2016)
Net Sales	\$ 722	\$ 657	\$ 631	14%
Net Sales ex F/X	\$ 726			15%
Adjusted EBITDA ^{3,5}	\$ 211	\$ 192	\$ 190	11%
Adj. EBITDA ex F/X ⁵	\$ 217			14%
Adjusted EBITDA Margin ^{3,5}	29%	29%	30%	(83 bps)
Adjusted Net Income ^{3,4}	\$ 119	\$ 107	\$ 105	13%
Adjusted Diluted EPS ^{3,4}	\$ 1.05	\$ 0.95	\$ 0.93	13%

¹All measures reflect continuing operations only.

²Excludes net impact of divested businesses (Minerals, Metal Sulfides) and discontinued operations (Chemetall®).

³Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

⁴Reflects Net Income attributable to Albemarle Corporation, before discontinued operations and the special and non-operating pension and OPEB items.

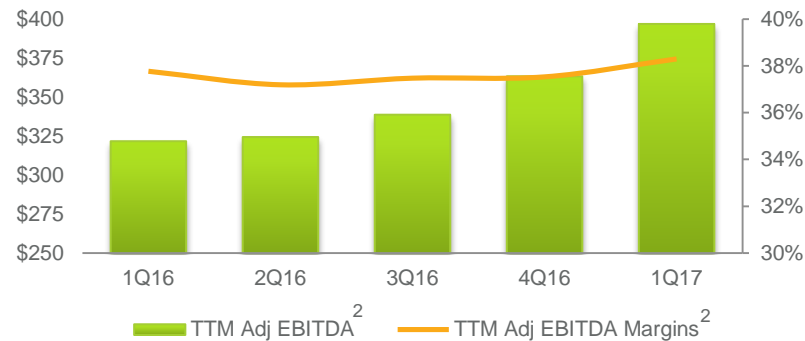
⁵Reflects EBITDA attributable to Albemarle Corporation, before discontinued operations and the special and non-operating pension and OPEB items.

Lithium and Advanced Materials

1st Qtr Performance

(\$ in millions)	1Q 2017	1Q 2016	△
Net Sales	\$284	\$216	32%
<i>Net Sales ex FX¹</i>	\$287		33%
Adj. EBITDA²	\$120	\$86	39%
<i>Adj. EBITDA ex FX¹</i>	\$122		41%
Adj. EBITDA Margin²	42%	40%	220 bps
<i>Adj. EBITDA Margin ex FX¹</i>	42%		244 bps

Historical Trend



Performance Drivers

- Lithium growth driven by volume (up 39%) and pricing (up 21%), primarily in battery grade salts
- Strong production in newly acquired China spodumene conversion assets
- PCS down due to SunEdison headwinds and continued competitive challenges in organometallics partially offset by cost reduction program and favorable YoY performance in curatives

¹ Non-GAAP measure. Unfavorable FX impact on 1Q17 Net Sales and Adj. EBITDA of (\$2M) and (\$2M), respectively.

² Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

Lithium and Adv. Materials – Lithium and PCS detail

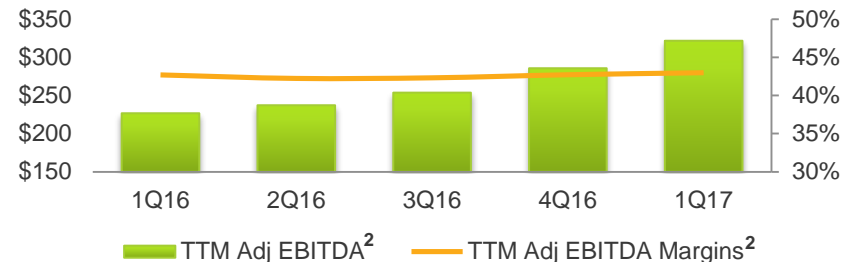
Lithium – 1st Qtr Performance

(\$ in millions)	1Q 2017	1Q 2016	△
Net Sales	\$216	\$137	58%
<i>Net Sales ex FX¹</i>	\$219		60%
Adj. EBITDA²	\$100	\$64	56%
<i>Adj. EBITDA ex FX¹</i>	\$102		59%
Adj. EBITDA Margin²	46%	47%	(57) bps
<i>Adj. EBITDA Margin ex FX¹</i>	46%		(29) bps

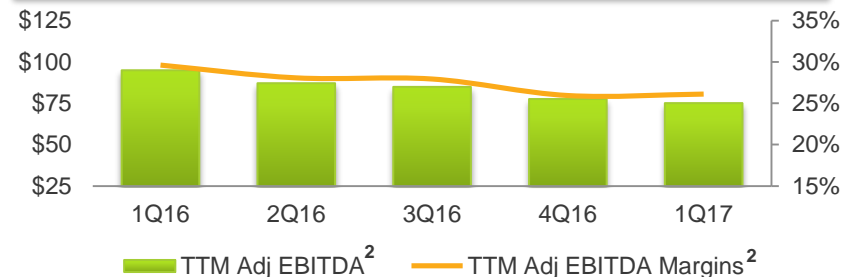
PCS – 1st Qtr Performance

(\$ in millions)	1Q 2017	1Q 2016	△
Net Sales	\$68	\$80	(14%)
<i>Net Sales ex FX³</i>	\$68		(15%)
Adj. EBITDA²	\$20	\$23	(11%)
<i>Adj. EBITDA ex FX³</i>	\$20		(11%)
Adj. EBITDA Margin²	30%	28%	116 bps
<i>Adj. EBITDA Margin ex FX³</i>	30%		110 bps

Lithium Historical Trends



PCS Historical Trends



¹Unfavorable FX impact on Net Sales and Adj. EBITDA of (\$2M) and (\$2M), respectively.

²Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

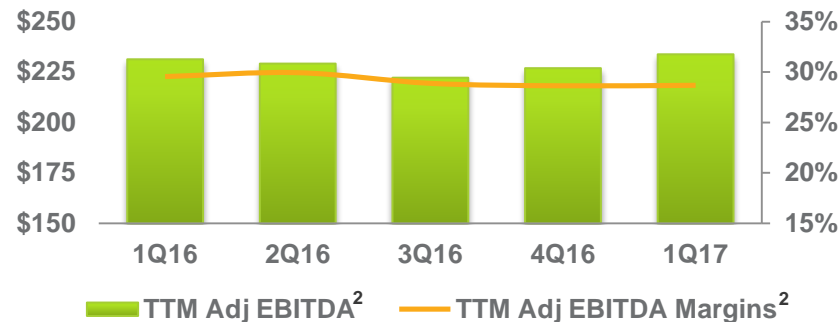
³Favorable FX impact on Net Sales and Adj. EBITDA of <\$1M and <\$1M, respectively.

Bromine Specialties

1st Qtr Performance

(\$ in millions)	1Q 2017	1Q 2016	△
Net Sales	\$219	\$197	12%
<i>Net Sales ex FX¹</i>	\$219		12%
Adj. EBITDA²	\$68	\$62	11%
<i>Adj. EBITDA ex FX¹</i>	\$69		11%
Adj. EBITDA Margin²	31%	31%	(10 bps)
<i>Adj. EBITDA Margin ex FX¹</i>	31%		(8 bps)

Historical Trend



Performance Drivers

- Increased sales volume driven by favorable demand in flame retardants in electronics applications, elemental bromine, specialty bromine derivatives, and reduced bromine production in China
- Margins benefited from high operating rates and continued productivity improvements

¹Favorable/(unfavorable) FX impact on Net Sales and Adj. EBITDA of <(\$1M) and <(\$1M), respectively.

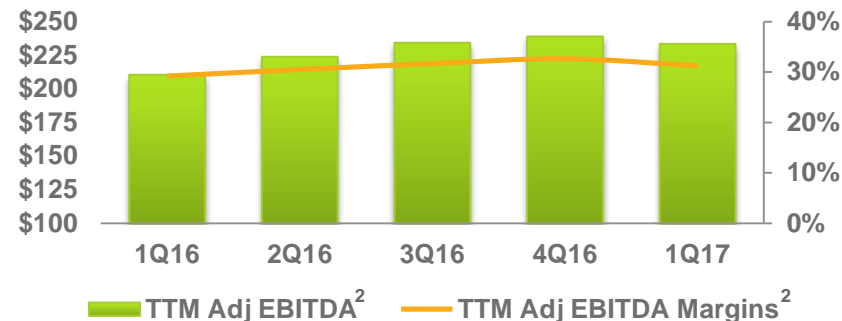
²Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

Refining Solutions

1st Qtr Performance

(\$ in millions)	1Q 2017	1Q 2016	△
Net Sales	\$185	\$171	9%
<i>Net Sales ex FX¹</i>	\$187		10%
Adj. EBITDA²	\$50	\$55	(10%)
<i>Adj. EBITDA ex FX¹</i>	\$49		(12%)
Adj. EBITDA Margin²	27%	32%	(555 bps)
<i>Adj. EBITDA Margin ex FX¹</i>	26%		(633 bps)

Historical Trend



Performance Drivers

- FCC and CFT (i.e. HPC) contributed approximately equally to sales growth
- As expected, adjusted EBITDA impacted by competitive trials and turnarounds in FCC, less favorable product mix in CFT, and higher input costs

¹Favorable / (unfavorable) FX impact on Net Sales and Adj. EBITDA of (\$2M) and \$1M, respectively.

²Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

Financial Performance

Three Months Ended March 31

(\$ in millions)

	<u>2017</u>	<u>2016</u>
Net Cash from Operations	\$83	\$173
Less: Capital Expenditures	(54)	(58)
Add Back: Pension Contributions	3	4
Free Cash Flow¹	\$31	\$119
Acquisition and integration related costs	45	21
Cash taxes on repatriation	0	20
Adjusted Free Cash Flow¹	\$76	\$160

¹ Non-GAAP measures. Free Cash Flow and Adjusted Free Cash Flow include discontinued operations (Chem Metall®) in the amount of approximately \$36 in Q1 2016. Free Cash Flow and Adjusted Free Cash Flow may not equal the sum of their components as shown due to rounding.

² Represents annual increase in dividend per share.

³ Excludes JV debt not guaranteed by Company.

⁴ Gross Debt to Adjusted EBITDA and Net Debt to Adjusted EBITDA ratios are based on the bank covenant definition. See appendix for reconciliations.

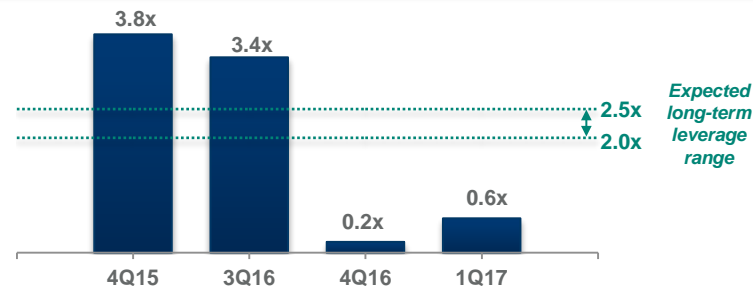
Selected Financial Metrics

(\$ in millions)

(as of 03/31/2017)

Dividends Paid:	\$34
Dividend Growth (Y/Y)²:	5%
Cash Balance:	\$1,255
Gross Debt³:	\$1,760
Net Debt to Adj. EBITDA⁴:	0.6x

Net Debt to Adj. EBITDA⁴



Full Year 2017 Business Guidance vs 2016

GBU	Division	Initial Outlook	Updated Outlook	Business Environment
Refining Solutions	Fluid Catalytic Catalysts			<ul style="list-style-type: none"> Sustained demand for FCC catalysts continues into 2017 offset by unfavorable product mix Negative impact in 1H17 from increased customer turnarounds and competitive trials
	Clean Fuel Technologies			<ul style="list-style-type: none"> Typical customer buying patterns continue Less favorable outlook driven by unfavorable product mix and increased input costs
Bromine Specialties	Bromine Specialties			<ul style="list-style-type: none"> Full-year adjusted EBITDA expected to increase by mid to high single digits on a percentage basis vs prior year Elevated demand in flame retardants, elemental bromine, and specialty bromine derivatives, and productivity improvements partially offset by uncertain demand for clear brine fluids and cost pressures in certain raw materials
Lithium and Advanced Materials	Lithium			<ul style="list-style-type: none"> Lithium adjusted EBITDA now expected to increase by greater than 35% compared to 2016. Improved outlook driven by strong volume and price improvements, primarily in battery grade product portfolio. Focused on executing 'Wave 1' expansion projects and actively working to evaluate and develop 'Wave 2' lithium resources (startups beyond FY2021) Lithium adjusted EBITDA margins expected to remain above 40% despite additional \$60-70M of costs from royalty and community payments in Chile and expenses related to 'Wave 2' resource evaluation
	PCS / Curatives			<ul style="list-style-type: none"> Adjusted EBITDA expected to be relatively flat vs 2016 Competitive pressure in organometallics continues to be greatest challenge partially offset by focused cost and productivity improvements

Better than 2016
 Similar to 2016

Full Year 2017 Guidance

	Initial FY 2017 Guidance		Updated FY 2017 Guidance
Net Sales	\$2.80 – 2.95B	▲	\$2.90 – 3.05B
Adjusted EBITDA ^{1,2}	\$800 – 840M	▲	\$835 – 875M
Adjusted EBITDA Margin ^{1,2}	28 - 29%	=	28 - 29%
Adjusted Diluted EPS ^{1,3}	\$4.00 – 4.25	▲	\$4.20 – 4.40
D&A	\$175 – 195M	=	\$175 – 195M
Net Cash from Operations ^{4,5}	\$225 – 325M	=	\$225 – 325M
Capital Expenditures	\$350 – 400M	=	\$350 – 400M
Adjusted Free Cash Flow ^{4,5}	\$200 – 300M	=	\$200 – 300M

¹ Non-GAAP measure. See Appendix for Non-GAAP reconciliations.

² Reflects EBITDA attributable to Albemarle Corporation, before discontinued operations and the special and non-operating pension and OPEB items.

³ Reflects Net Income attributable to Albemarle Corporation, before discontinued operations and the special and non-operating pension and OPEB items.

⁴ Net Cash from Operations and Adjusted Free Cash Flow include discontinued operations (Chemetal®). Free Cash Flow is a non-GAAP measure defined as Net Cash from Operations, add back pension and post-retirement contributions and subtract capital expenditures.

⁵ FY 2017 Net Cash from Operations guidance includes \$325-375M of expected one-time cash expenses and taxes, including premiums paid to extinguish debt, integration related cash expenses (*Jiangxi Jiangli*) and cash taxes on the sale of Chemetal® that are excluded from Adjusted Free Cash Flow guidance.

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