

Albemarle Corporation

First Quarter 2016 Earnings

Conference Call/Webcast
Wednesday, May 11, 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	
	March 31,	
	2016	2015
Net income attributable to Albemarle Corporation	\$ 228,186	\$ 43,115
Add back:		
Non-operating pension and OPEB items (net of tax)	77	(2,227)
Special items (net of tax)	(102,450)	86,316
Adjusted net income attributable to Albemarle Corporation	\$ 125,813	\$ 127,204
Net income attributable to Albemarle Corporation	\$ 228,186	\$ 43,115
Add back:		
Interest and financing expenses	25,251	35,746
Income tax expense	30,985	14,140
Depreciation and amortization	60,552	63,986
EBITDA	344,974	156,987
Non-operating pension and OPEB items	(184)	(3,509)
Special items (excluding special items associated with interest expense)	(99,814)	112,150
Adjusted EBITDA	\$ 244,976	\$ 265,628
Net sales	\$ 865,398	\$ 884,404
EBITDA margin	39.9%	17.8%
Adjusted EBITDA margin	28.3%	30.0%

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)

	Lithium and Advanced Materials	Bromine Specialties	Refining Solutions	Chemetail Surface Treatment	Reportable Segments Total	All Other	Corporate	Consolidated Total
Three months ended March 31, 2016:								
Net income (loss) attributable to Albemarle Corporation	\$ 63,327	\$ 51,853	\$ 46,314	\$ 35,426	\$ 196,920	\$ 130,709	\$ (99,443)	\$ 228,186
Depreciation and amortization	23,147	9,755	8,760	16,942	58,604	612	1,336	60,552
Special items	—	—	—	154	154	(122,857)	22,889	(99,814)
Interest and financing expenses	—	—	—	—	—	—	25,251	25,251
Income tax expense	—	—	—	—	—	—	30,985	30,985
Non-operating pension and OPEB items	—	—	—	—	—	—	(184)	(184)
Adjusted EBITDA	\$ 86,474	\$ 61,608	\$ 55,074	\$ 52,522	\$ 255,678	\$ 8,464	\$ (19,166)	\$ 244,976
Three months ended March 31, 2015:								
Net income (loss) attributable to Albemarle Corporation	\$ 27,191	\$ 44,472	\$ 34,083	\$ 10,855	\$ 116,601	\$ 5,415	\$ (78,901)	\$ 43,115
Depreciation and amortization	21,822	8,461	8,110	18,196	56,589	5,498	1,899	63,986
Special items (excluding special items associated with interest expense)	28,582	—	—	16,953	45,535	2,651	63,964	112,150
Interest and financing expenses	—	—	—	—	—	—	35,746	35,746
Income tax expense	—	—	—	—	—	—	14,140	14,140
Non-operating pension and OPEB items	—	—	—	—	—	—	(3,509)	(3,509)
Adjusted EBITDA	\$ 77,595	\$ 52,933	\$ 42,193	\$ 46,004	\$ 218,725	\$ 13,564	\$ 33,339	\$ 265,628

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	PCS	Total Lithium and Advanced Materials
Three months ended March 31, 2016:			
Net income attributable to Albemarle Corporation	\$ 44,346	\$ 18,981	\$ 63,327
Depreciation and amortization	19,488	3,659	23,147
Adjusted EBITDA	\$ 63,834	\$ 22,640	\$ 86,474
Three months ended March 31, 2015:			
Net income attributable to Albemarle Corporation	\$ 3,928	\$ 23,263	\$ 27,191
Depreciation and amortization	18,068	3,754	21,822
Special items	28,582	—	28,582
Adjusted EBITDA	\$ 50,578	\$ 27,017	\$ 77,595

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		
	Mar 31, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015
Adjusted EBITDA	\$ 938,670	\$ 244,976	\$ 228,617	\$ 234,996	\$ 230,081
Net income attributable to to noncontrolling interests	28,486	7,362	8,425	5,480	7,219
Adjusted equity in net income of unconsolidated investments (net of tax)	(58,400)	(16,566)	(10,908)	(15,132)	(15,794)
Dividends received from unconsolidated investments	57,064	200	2,763	11,623	42,478
Consolidated EBITDA	\$ 965,820	\$ 235,972	\$ 228,897	\$ 236,967	\$ 263,984
Total Long Term Debt	\$ 3,590,105				
Off balance sheet obligations and other	55,681				
Attributable principal amount of capital leases and synthetic leases	16,582				
Consolidated Funded Debt	3,662,369				
Less Cash	252,382				
Consolidated Funded Net Debt	\$ 3,409,987				
Consolidated Funded Net Debt to Consolidated EBITDA Ratio		3.5			

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

Diluted EPS

	Three Months Ended March 31,	
	2016	2015
Diluted earnings per share	\$ 2.02	\$ 0.40
Non-operating pension and OPEB items	—	(0.02)
Special items		
Utilization of inventory markup	—	0.34
Gain on sales of businesses, net	(1.02)	—
Acquisition and integration related costs	0.14	0.39
Interest and financing expenses related to Rockwood acquisition	—	0.01
Financing fees related to Rockwood acquisition	—	0.03
Discrete tax items	(0.02)	0.03
Adjusted diluted earnings per share¹	<u>\$ 1.12</u>	<u>\$ 1.17</u>

¹Totals may not add due to rounding

Equity Income and Noncontrolling Interest

	Three Months Ended Mar 31, 2016		Three Months Ended Mar 31, 2015	
	Equity Income	Noncontrolling Interest	Equity Income	Noncontrolling Interest
Bromine	\$ -	\$ (7,336)	\$ -	\$ (4,034)
Lithium and Advanced Materials*	9,418	-	1,765	-
Refining Solutions	5,614	-	5,012	-
Chemetall	575	-	1,291	-
All Other	958	-	2,324	-
Corporate		(25)	-	-
Total Company ¹	<u>\$ 16,566</u>	<u>\$ (7,362)</u>	<u>\$ 10,392</u>	<u>\$ (4,034)</u>

* Includes Inventory Step-Up

LAM - As Reported Equity Income	\$ 9,418	\$ 1,765
Inventory Step-Up	-	7,851
LAM - As Adjusted Equity Income	<u>\$ 9,418</u>	<u>\$ 9,616</u>
As Reported Equity Income	\$ 16,566	\$ 10,392
Inventory Step-Up	-	7,851
Adjusted Equity in Net Income of Unconsolidated Investments (net of tax)	<u>\$ 16,566</u>	<u>\$ 18,243</u>

¹Totals may not add due to rounding

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