



Westlake  
Chemical



# Westlake Chemical Corporation

Fourth Quarter 2020

# Westlake Chemical Corporation

A Leading Integrated Materials Company



	(2020)
<b>Net Sales</b>	<b>\$7,504 Million</b>
<b>EBITDA <sup>(1,2)</sup></b>	<b>\$1,246 Million</b>
<b>Net Income <sup>(3)</sup></b>	<b>\$330 Million</b>



**Our mission is to create long term value with a risk adjusted return approach.**

## Vinyls (2020)

**\$957 million EBITDA<sup>(1)</sup>**

76% of total EBITDA<sup>(4)</sup>

## Olefins (2020)

**\$303 million EBITDA<sup>(1)</sup>**

24% of total EBITDA<sup>(4)</sup>

## Our Mission:

- Profitable bottom line growth.
- In businesses we understand.
- Globally in areas we can gain an edge.
- In a disciplined and opportunistic manner.

## Strategic Action Update:

- Disciplined, financially conservative strategy with integrated operations:
  - Increased Ethylene JV ownership to expand integrated vinyls margins.
  - Recent global PVC, VCM & Chlor Alkali expansions increase integration.
- Strong balance sheet and liquidity with focus on costs and cash generation.



Notes: (1) See page 20, (2) Includes WLK Corporate EBITDA, (3) Net Income attributable to WLK, (4) Excludes WLK corporate EBITDA

# Commitment to Social Responsibility and Advancing Sustainability

**Westlake's commitment to social responsibility and advancing sustainability is formed by the company's longstanding core values:**

- Health, Safety & Environmental - The vigilant stewardship of the environment and sustainability are of utmost importance and at the forefront of everything we do.
- Our People - Support, develop and inspire our people to achieve their personal best and treat them with dignity and respect.
- Quality & Continuous Improvement – An intensive practice of “never-ending process of improvement.”
- Competitiveness - Providing innovative and useful products, maintaining high standards of customer service and operational excellence with a constant focus on managing costs.
- Citizenship - Recognizing the importance of supporting the communities in which we work and live and make it a priority to take an active role in making these communities better.
- Westlake's sustainability report can be found at <https://www.westlake.com/sustainability>.

## Protecting the Environment

Westlake has numerous programs designed to promote safe, ethical, environmentally and socially responsible practices including: a worldwide recycling program, operating in an energy efficient manner that stabilizes the power grids and reducing water usage and emissions. Over the past five years, Westlake has reduced Sulphur Dioxide emissions to almost zero, reduced energy usage per ton of global production and achieved a nearly 30% reduction on CO<sub>2</sub> emissions.

## Participating in Multi-Industry Associations for Environmental Protection

Westlake is a proud partner with the following organizations to drive sustainable action to eliminate plastic waste, capture more flexible food packaging waste for recycling and support vinyls' sustainable impact in the world, along with many other initiatives.



# Westlake Makes Essential Products To Protect and Enhance Our Daily Lives

Westlake's products support over half of the 17 Sustainable Development Goals adopted by the United Nations:



Westlake's products are used for many essential goods that are particularly important in today's environment:

## Chlor Alkali

Used in water treatment, disinfectants, paper, tissues and cardboard packaging.

## PVC

Used in medical equipment and supplies as well as a variety of construction and infrastructure uses, such as fresh and waste water piping.

## Low Density Polyethylene

Used for medical applications and food packaging.

# Westlake, A Global Diversified Product Mix

## A Global Leading Producer:

### Chlor Alkali

2nd largest Chlor Alkali producer in the world, capitalizes on globally low cost natural gas for power in North America.

### PVC

2nd largest producer of PVC in the world leveraging the high level of product integration and long-term low cost feedstocks.

### Low Density Polyethylene

- Largest specialty autoclave LDPE producer globally.
- 2nd largest producer of Low Density Polyethylene in the Americas.

## World Wide Presence:

### North America

Highly integrated, low cost production of PE, PVC & Caustic Soda:

- 11 Chemical sites.
- 20+ Polymer product sites.

### Europe

Global leader in Specialty PVC, Leading global PVC compounder:

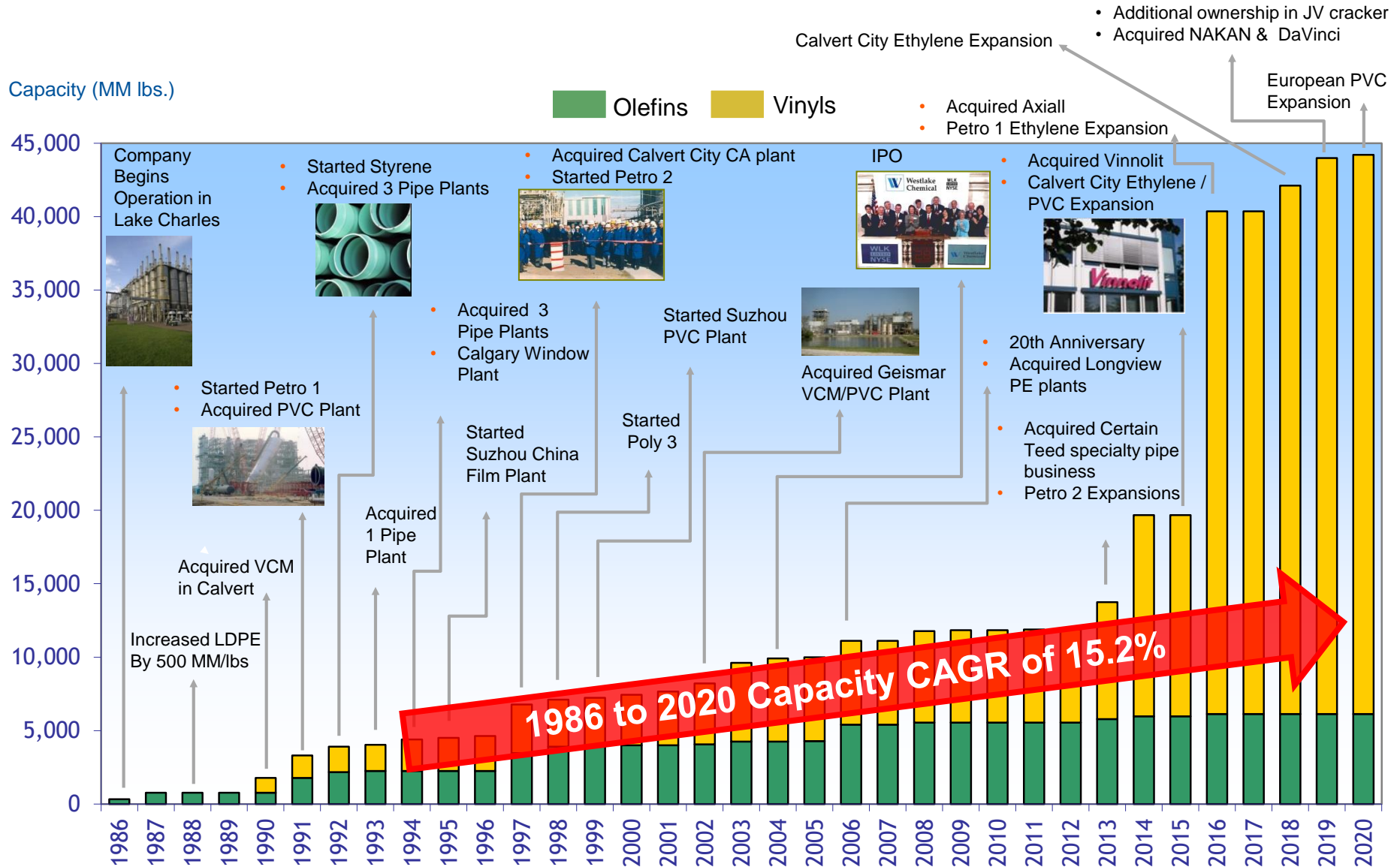
- 5 Chemical sites.
- Downstream value added polymer compound products.

### Asia

High quality PVC resin and film products in a growth region:

- 2 Chemical sites.
- 3 Polymer product sites.

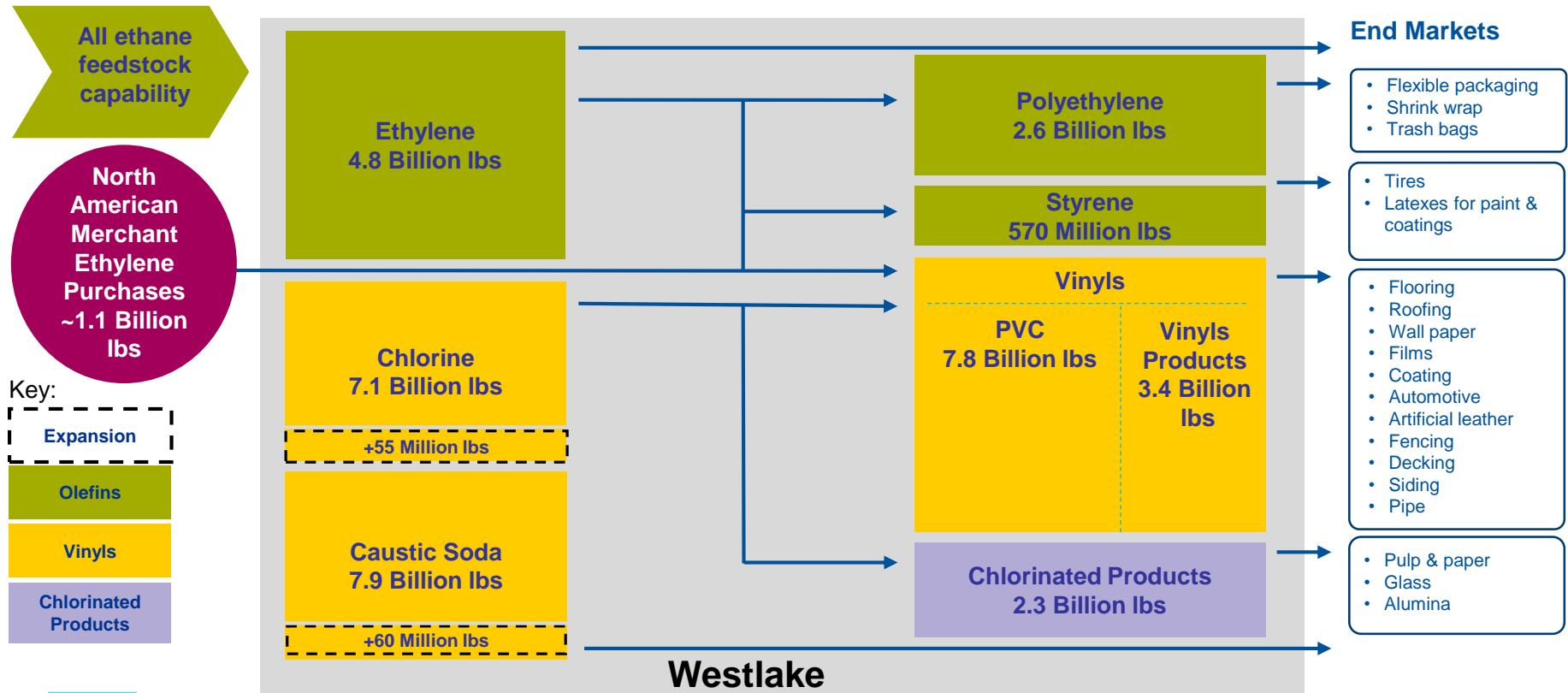
# Strategic Growth Diversifies Product Lines and Further Strengthens Integration Advantage



# Globally Advantaged Cost Position With A Very High Degree of Product Integration

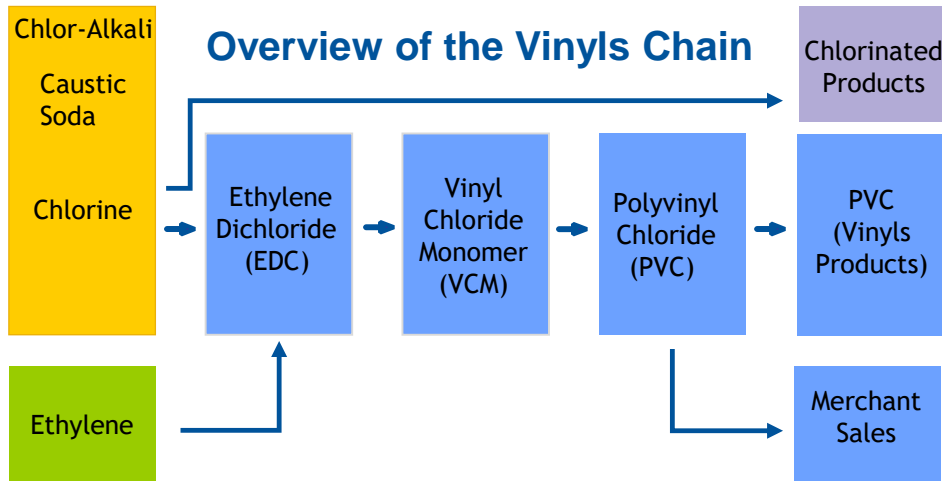
## Westlake Chemical has a long-term strategic cost advantage:

- North America has a long-term cost advantaged position through abundant supply of Ethane from shale, electricity from natural gas and ample salt compared to global markets.
- Integration from feedstock to final product captures margin across the production chain and throughout the economic cycle.



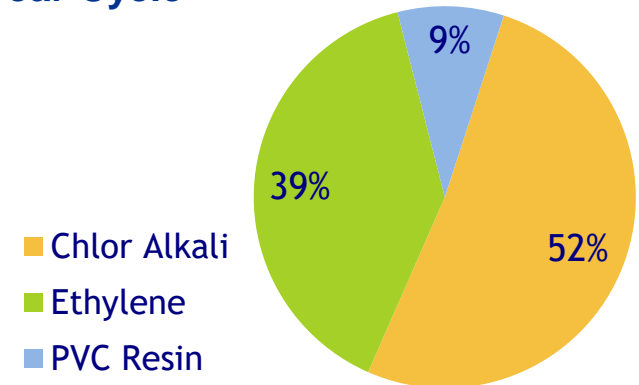
# Low Cost Producer of PVC

## Combined with High Integration Captures Margin



**Majority of Margin Captured in Chlor-Alkali and Ethylene.**

**Average Vinyls Industry Margin Distribution Over the Last 10 Year Cycle**

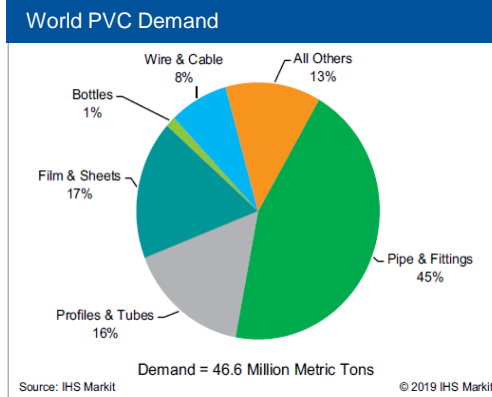
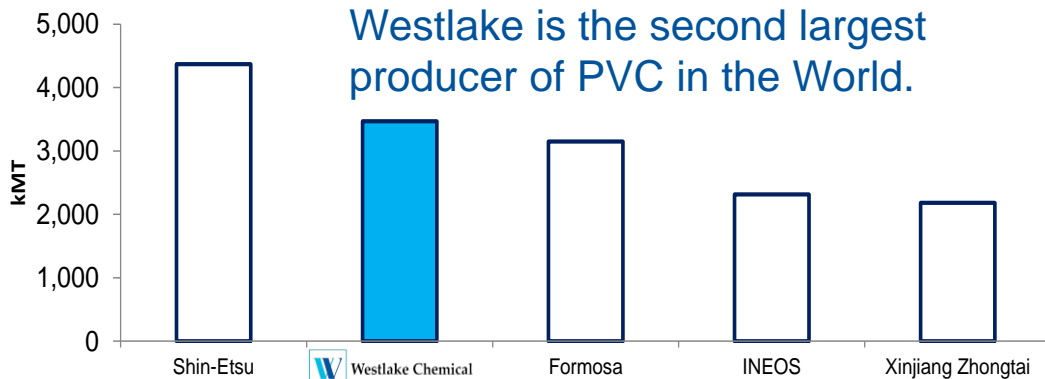


- **Westlake has made numerous PVC debottlenecks that inexpensively capture more integrated margin**
- Integration has allowed Westlake to operate its chlorovinyls plants at higher operating rates than US industry average.
- Increased ownership in the Westlake – Lotte JV Ethylene cracker expands Ethylene integration advantage.
- Through backward integration into Chlor Alkali (shale gas based power) and ethylene (shale gas based ethane), Westlake is consistently one of the lowest cost PVC producers globally.
- Cost competitive PVC exports as Westlake sits long-term at the low end of the cost curve.
- Complexity of vinyls chain drives value and raises barriers to entry.

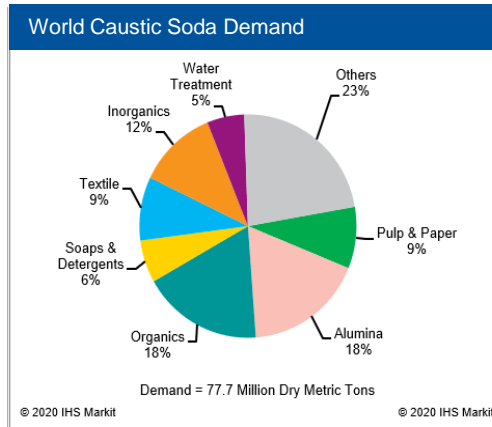
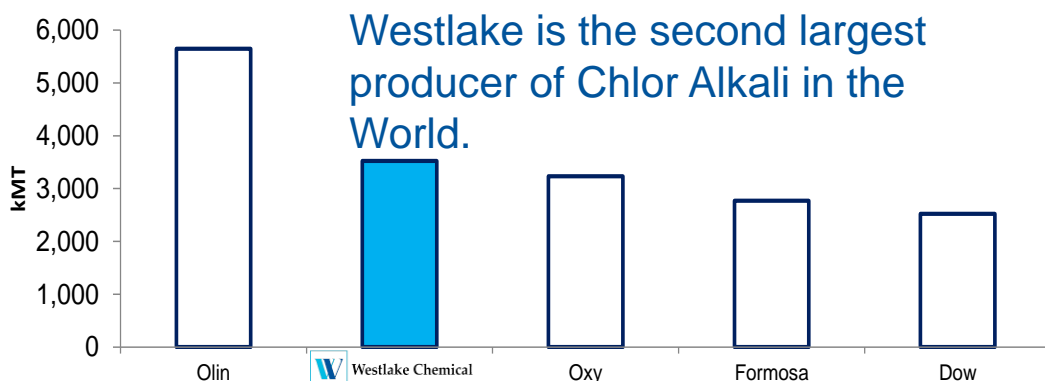


# Global Chlorovinyls Leader with Enhanced Scale

2021  
Global  
PVC  
capacity  
(KMT)



2021  
Global  
Chlor-  
Alkali  
capacity  
(KMT)



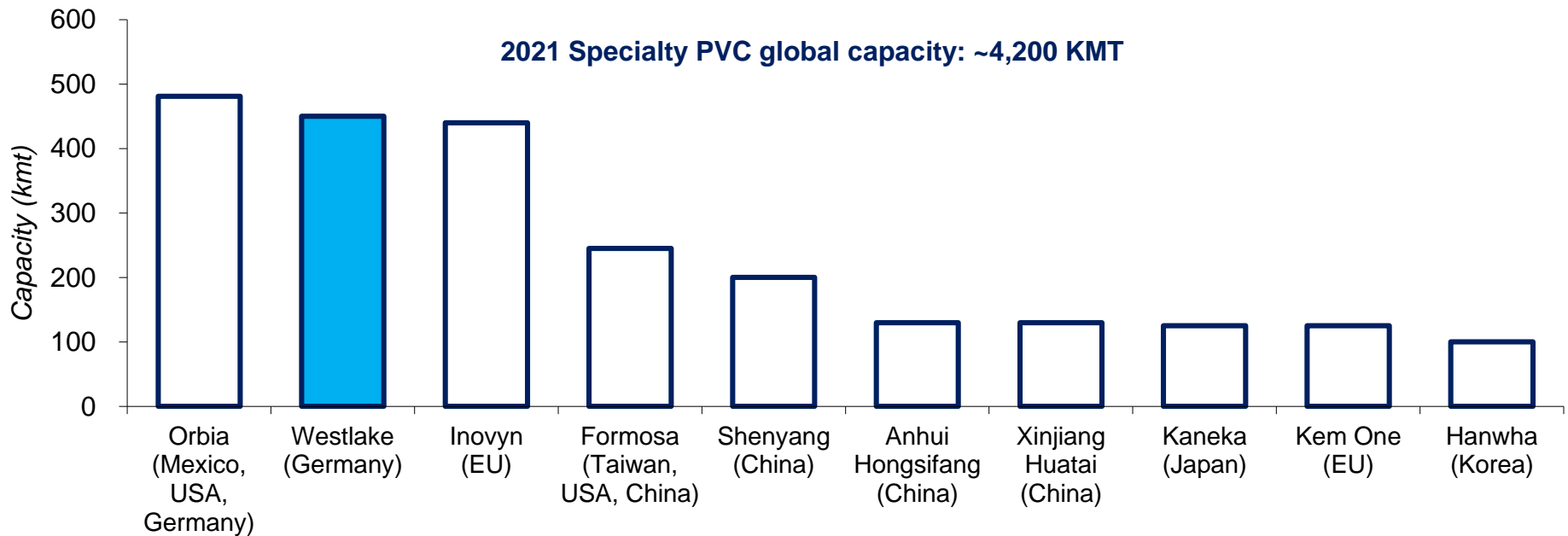
## Solid Fundamentals for PVC and Chlor Alkali:

- Supply / demand balance with minimal announced capacity additions in both PVC and Chlor Alkali expected to provide healthy forward fundamentals.
- Westlake is a globally low cost producer of PVC and Chlor Alkali.



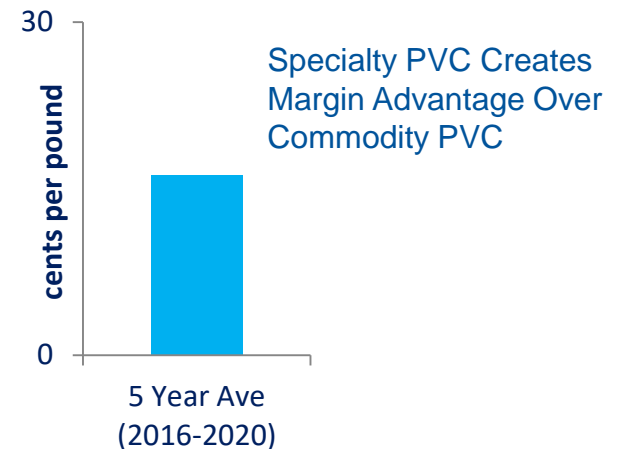
# Westlake is the Global Leader in Specialty PVC

Westlake / Vinnolit is a leading producer of specialty PVC



Westlake's Vinnolit operations provide specialty PVC which:

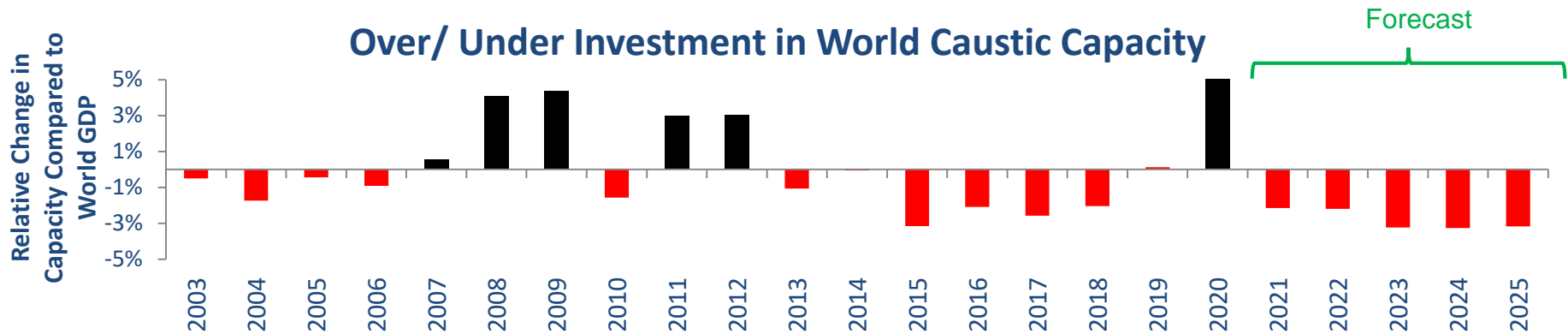
- Delivers higher margins and diversifies end market demand vs. commodity PVC.
- Broadens Westlake's market channels.



Source: IHS Markit

# Fundamentals in Chlor Alkali Constructive

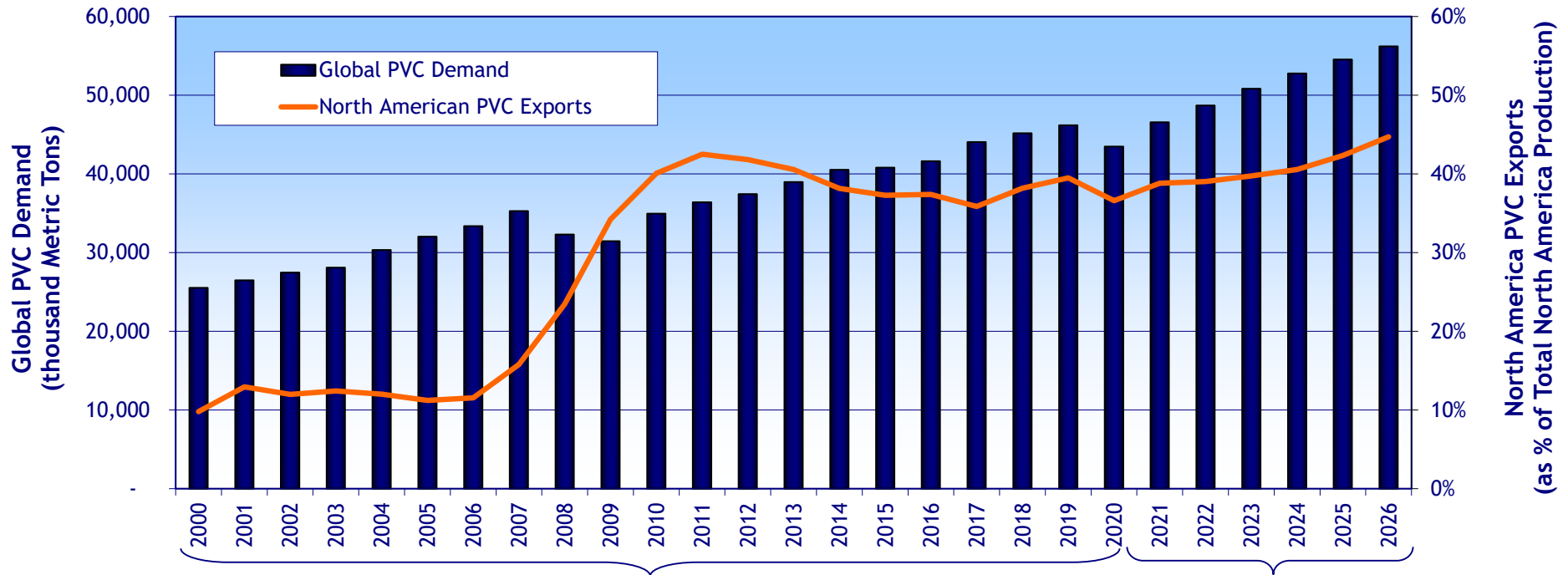
Significant under investment positions the industry to benefit as demand grows



- Integrated facilities in North America benefit from consistently low cost feedstocks and natural gas.
- Outlook for demand growth outpaces industry capacity additions.



# Growing Global PVC Demand Supports North American Exports



Source: IHS Markit

2000 – 2020 Global Demand CAGR = 2.7%

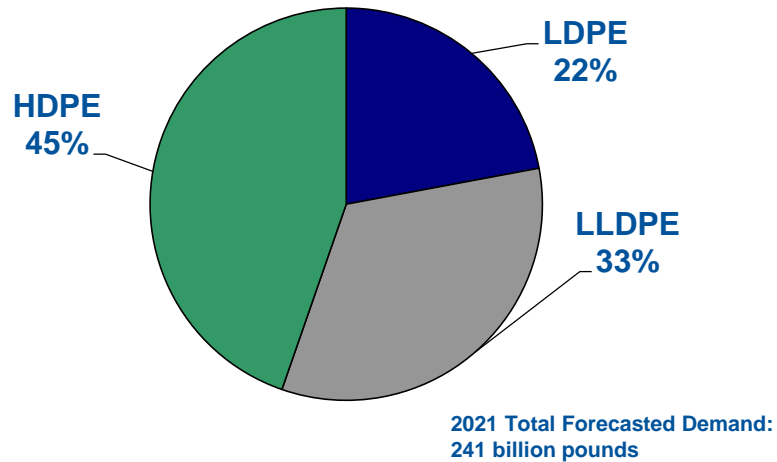
2021 – 2026  
Global Demand  
CAGR = 3.8%

- Global growth in PVC demand is forecasted to continue growing well into the future.
- Producers with a high level of integration benefit with higher margins over the cycle.
- Global growth in PVC demand and long-term advantaged feedstocks in PVC production supports North American production.

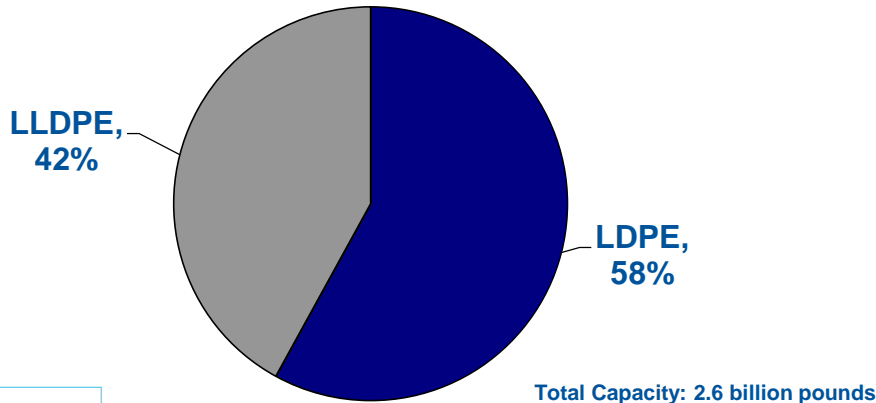


# Advantaged Polyethylene Product Mix

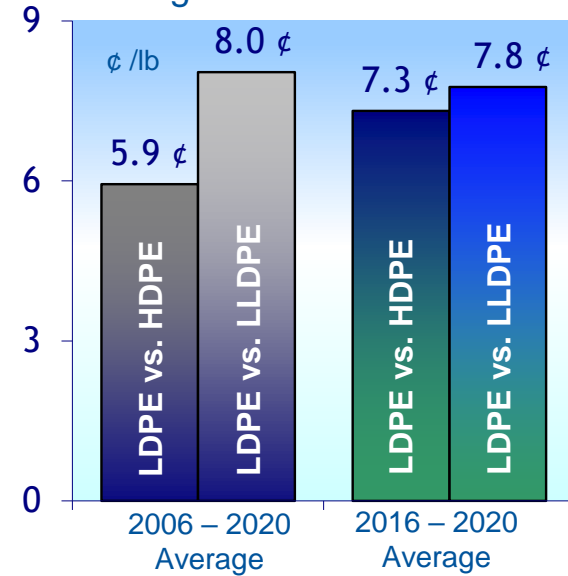
2021 Global Industry Demand  
(% share)



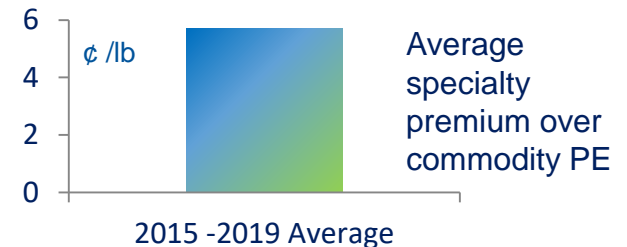
Westlake Capacity (% share)



LDPE is More Profitable than LLDPE and HDPE  
Average Margin Advantage of LDPE vs. Other PE Grades



Specialty PE<sup>(1)</sup> Is Even More Profitable



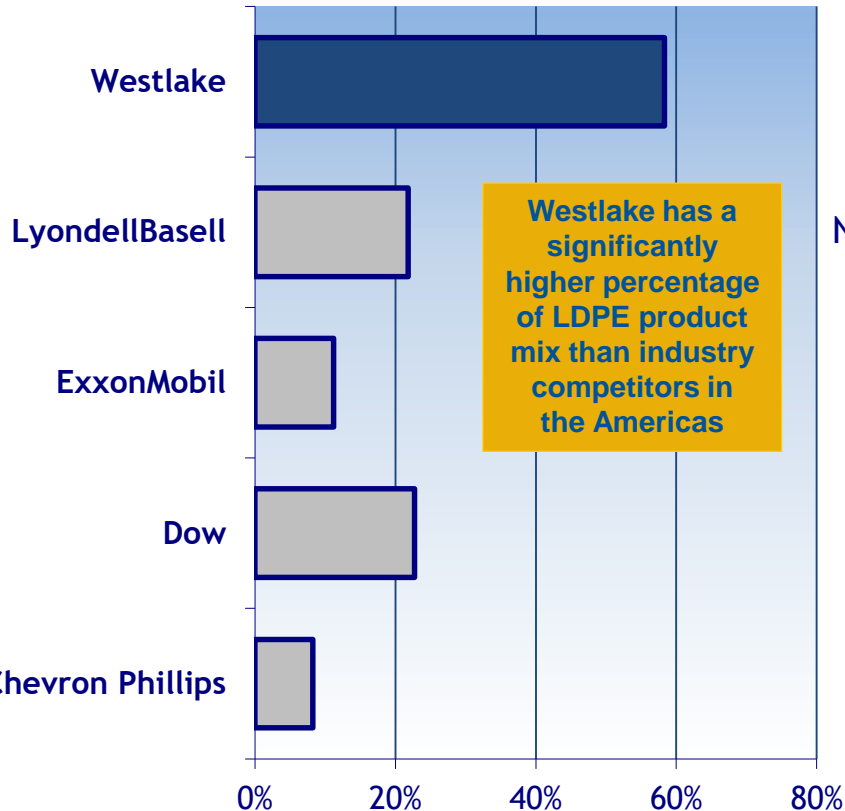
Note (1): Chart above reflects a mix of both specialized and differentiated products for LDPE and LLDPE.



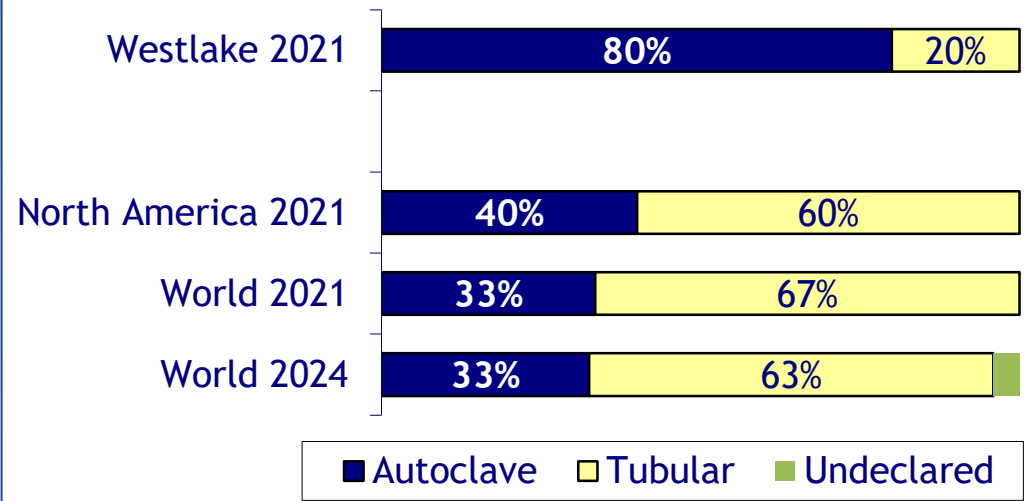
# Advantaged Product Mix

## Westlake's Unique LDPE Focus

### LDPE Capacity as a Percentage of Total Company PE Capacity



### The Specialty Advantage



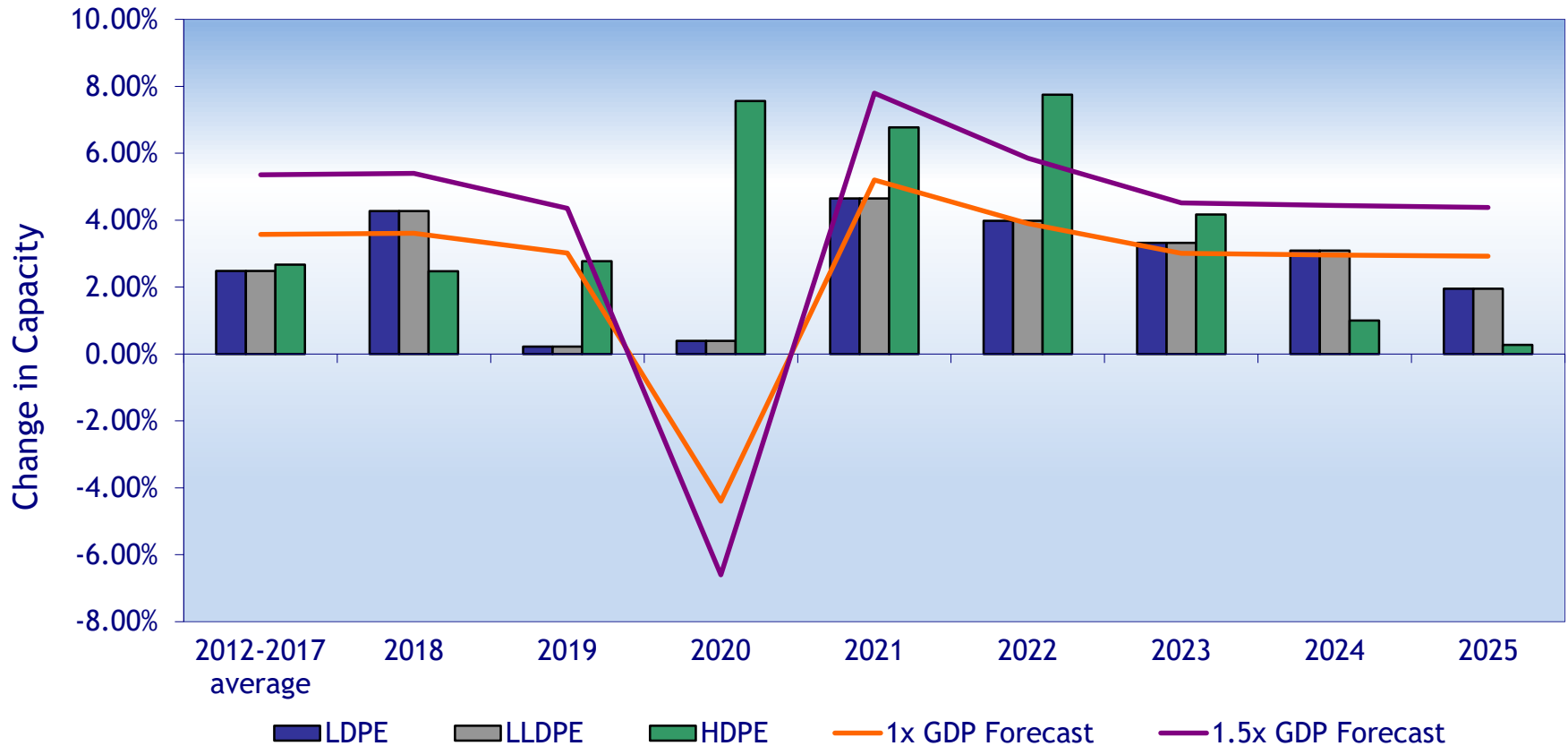
### Autoclave vs Tubular LDPE:

- Autoclave LDPE is a more specialty product with broader applications and better margins; Westlake's focus into food packaging applications provides demand stability.
- Supply/demand balance for autoclave grows tighter.



# Global Polyethylene Capacity Additions are Focused on LLDPE and HDPE, not on LDPE

## World Polyethylene Capacity Growth by Product



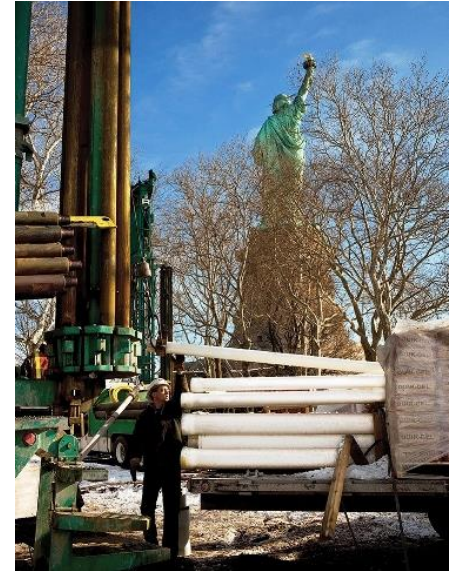
Westlake is focused on LDPE:

- Global polyethylene demand grows between 1.0x to 1.5x GDP.
- LDPE capacity additions are limited and almost all commodity grade.
- Westlake focus on food packaging provides stable demand support in 2020.



# Financially Disciplined

- A leading materials company founded and operated on value creation.
- A global, diversified products producer fueled by long-term low cost feedstock.
- High level of product integration drives higher operating rates with higher margin specialty production in Polyethylene and PVC.
- Disciplined investment culture and a strong balance sheet provide for ability to weather economic cycles and generate strategic growth over time.



# Higher Cycle Average Margins

## Focus on “Bottom Line”



Source: Bloomberg

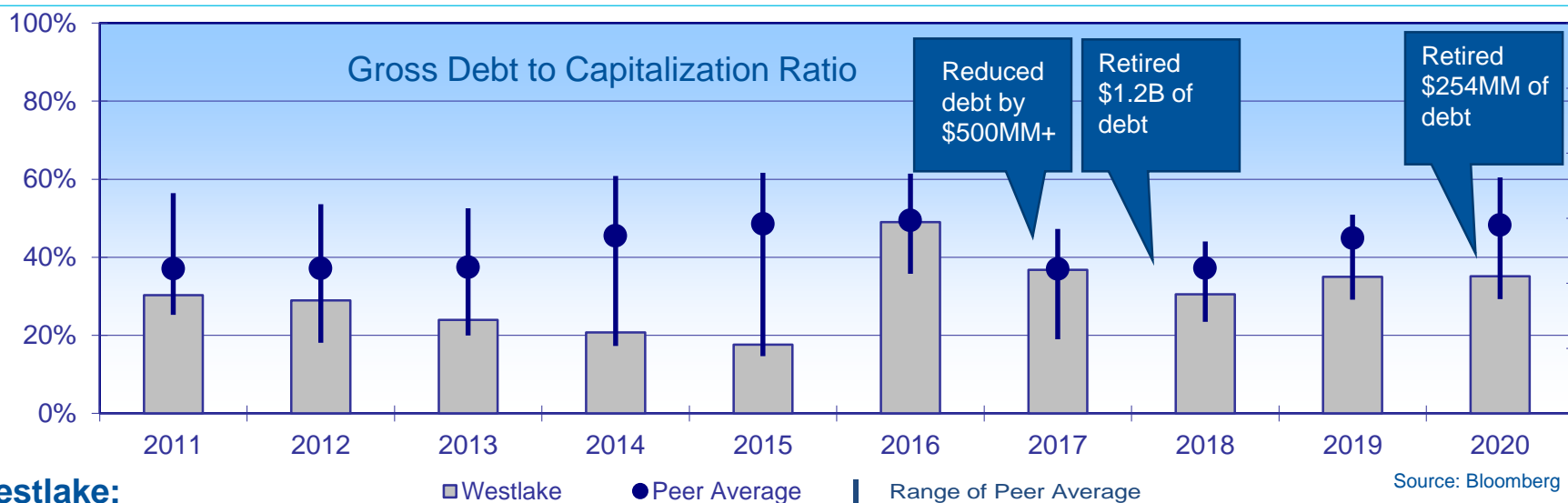
\*Peer averages as of latest available data  
includes: EMN, HUN, OLN, LYB, DOW

### Higher margins and returns attributable to:

- Focused Growth
- Asset Quality
- Operating Rate Advantage
- Chain Integration
- Product Mix
- Feedstock



# Conservative Financial Profile



## Westlake:

- Is committed to maintaining solid investment grade credit metrics, ratings agencies affirm solid investment grade ratings.
- Leverage remained below peers even after acquiring Axiall in 2016 and quickly de-levered in the following year.
- Retired \$254MM of higher cost debt in 2020 driving \$6 million of annualized interest savings per year while maintaining long-dated debt maturity profile.
- Has shown a significant growth in business while maintaining a conservative balance sheet.

## Westlake Chemical Partners (WLKP) provides Westlake Chemical Corporation (WLK) with:

- Allows Westlake Chemical Corporation to capture a premium EBITDA multiple and reinvest it back into its chemical business.
- Over \$500MM of equity proceeds raised by Westlake Partners has been reinvested by Westlake Chemical to generate incremental EBITDA at WLK.
- WLKP provides cost effective capital for future needs.

Agency	Rating
S&P	BBB-
Fitch	BBB
Moody's	Baa2

# Strategic Investment Drives EBITDA Growth

Vinyls

Olefins

**Westlake Chemical continues its proven record of strategically deploying capital to fund future bottom line growth**

Strategic Growth Delivers Strong Results

**Proven Results**

Added Ethylene Capacity

Added PVC Capacity

Added Chlor Alkali Capacity

Acquired Vinnolit and Specialty PVC Products



Added Ethylene Capacity

Acquired Axiall

Acquired NAKAN

Acquired DaVinci



Added Ethylene Capacity

Adding PVC Capacity



**Future EBITDA**

- Timely investments to integrate the full value chain drive EBITDA.
- Conservative balance sheet provides strength to weather economic cycles and fund future opportunistic growth.



# Reconciliation of Westlake EBITDA to Net Income and to Cash Flow from Operating Activities (in \$ millions)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Adjusted EBITDA	\$ 512	\$ 584	\$ 780	\$ 1,118	\$ 1,330	\$ 1,244	\$ 1,015	\$ 1,841	\$ 2,101	\$ 1,407	\$ 1,246
Debt Retirement Cost	-	-	(7)	-	-	-	-	-	-	-	-
EBITDA	512	584	773	1,118	1,330	1,244	1,015	1,841	2,101	1,407	1,246
Less:											
Income Tax (Provision) Benefit	(122)	(142)	(200)	(332)	(399)	(298)	(138)	258	(300)	(108)	42
Interest Expense	(40)	(51)	(43)	(18)	(38)	(35)	(79)	(159)	(126)	(124)	(142)
Depreciation & Amortization	(129)	(132)	(144)	(158)	(208)	(246)	(378)	(601)	(641)	(713)	(773)
Non Controlling Interest	-	-	-	-	(6)	(19)	(21)	(35)	(38)	(41)	(43)
Net Income	221	259	386	610	679	646	399	1,304	996	421	330
Non Controlling Interest	-	-	-	-	6	19	21	35	38	41	43
Changes in operating assets & liabilities and others	48	86	233	49	288	374	346	723	313	785	778
Deferred income taxes	14	14	6	94	59	40	101	(534)	62	54	146
Cash flow from operating activities	\$ 283	\$ 359	\$ 624	\$ 753	\$ 1,032	\$ 1,079	\$ 867	\$ 1,528	\$ 1,409	\$ 1,301	\$ 1,297
Vinyls EBITDA	(20)	48	131	207	247	398	415	1,095	1,439	1,032	957
Olefins EBITDA	547	549	655	944	1,126	863	699	803	715	407	303
Corporate EBITDA	(15)	(13)	(13)	(33)	(43)	(17)	(99)	(57)	(53)	(32)	(14)
Westlake Adjusted EBITDA	\$ 512	\$ 584	\$ 773	\$ 1,118	\$ 1,330	\$ 1,244	\$ 1,015	\$ 1,841	\$ 2,101	\$ 1,407	\$ 1,246

## Note 1 from page 2: Non-GAAP Financial Measures

This presentation includes the non-GAAP measure EBITDA. A reconciliation to net income and to cash flow from operating activities is included above.



# Safe Harbor Language

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This presentation contains certain forward-looking statements including statements regarding managing working capital, lowering operating costs and reducing capital expenditures and the timing of the Petro 2 turnaround. Actual results may differ materially depending on factors such as general economic and business conditions; the cyclical nature of the chemical industry; the availability, cost and volatility of raw materials and energy; uncertainties associated with the United States, Europe and worldwide economies, including those due to political tensions in the Middle East and elsewhere; current and potential governmental regulatory actions in the United States and Europe and regulatory actions and political unrest in other countries; industry production capacity and operating rates; the supply/ demand balance for our products; competitive products and pricing pressures; instability in the credit and financial markets; access to capital markets; the COVID-19 pandemic and the response thereto; terrorist acts; operating interruptions including leaks, explosions, fires, weather-related incidents, mechanical failure, unscheduled downtime, labor difficulties, transportation interruptions, spills and releases and other environmental risks; changes in laws or regulations; technological developments; our ability to implement our business strategies; creditworthiness of our customers; and other factors described in our reports filed with the Securities and Exchange Commission. Many of these factors are beyond our ability to control or predict. Any of these factors, or a combination of these factors, could materially affect our future results of operations and the ultimate accuracy of the forward-looking statements. These forward-looking statements are not guarantees of our future performance, and our actual results and future developments may differ materially from those projected in the forward-looking statements. Management cautions against putting undue reliance on forward-looking statements. Every forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements.

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