

Connecting**Chemistry**



## Q2 2019 Results



7 August 2019

Conference call on the Q2 2019 results  
Corporate Finance & Investor Relations

## AGENDA

# Q2 2019 results presentation

**■ Review Q2 2019**

■ Financials Q2 2019

■ Outlook

■ Appendix

REVIEW Q2 2019

**Highlights Q2 2019**

**Operating Gross Profit**

**+4.1% (fx adj.)**

EUR 722.9m

**Operating EBITDA**

**+12.2% (fx adj.)**  
flattish on frozen GAAP

EUR 266.3m

**Free Cash Flow**

**+21.1%**

EUR 179.1m

**Successful completion of acquisitions**

Contribution from acquired businesses

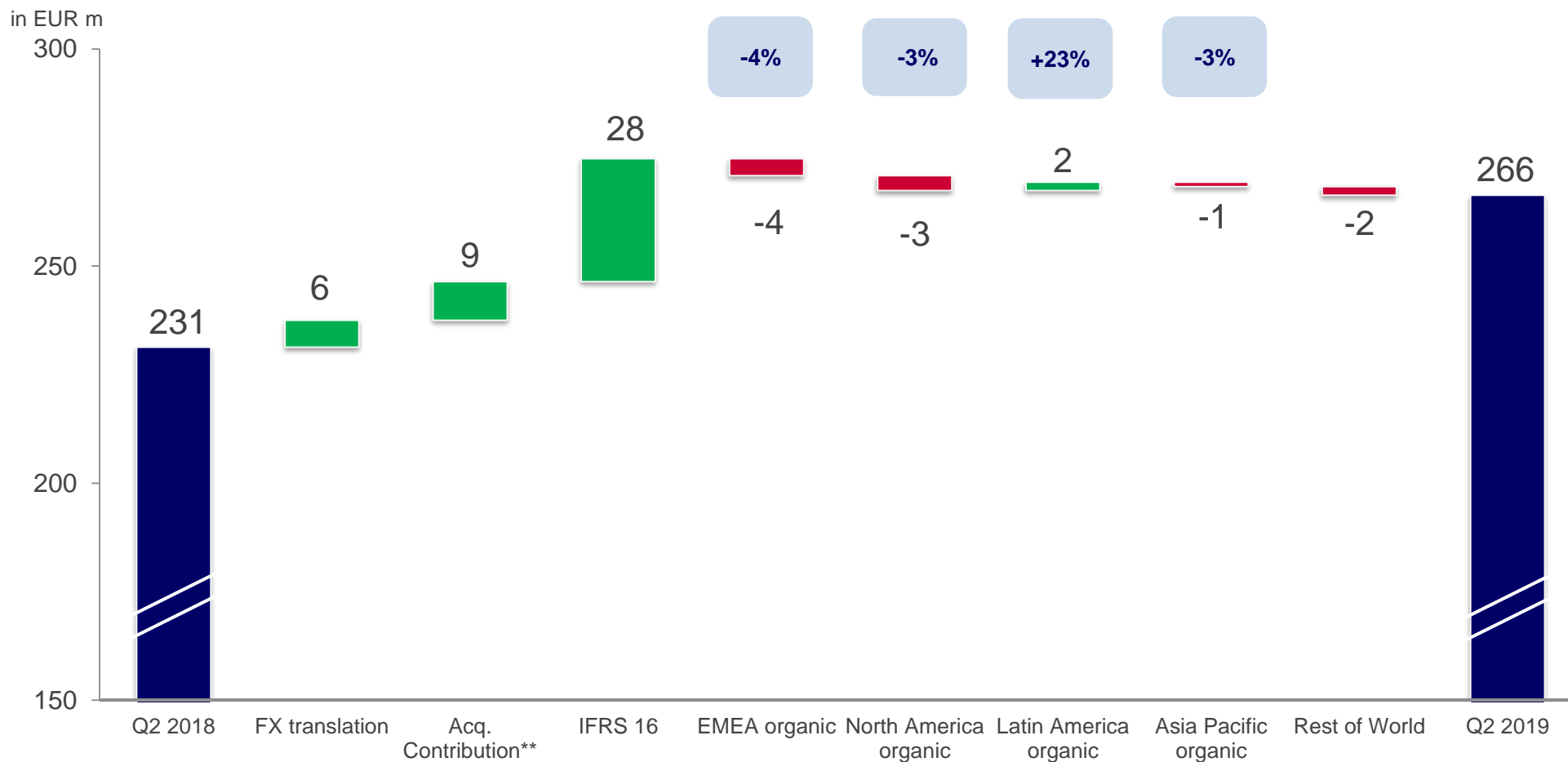
**Noticeable softening of economic conditions**

**Weaker outlook drove guidance adjustment:**

**Op. EBITDA growth: 0 - 4%**

REVIEW Q2 2019

Operating EBITDA bridge\*: Q2 2018 to Q2 2019



\* Calculations are partly based on assumptions made by management; effects based on rounded figures

\*\* 2018 adjusted for Biosector (sale 12/2018)

## REVIEW Q2 2019

## Segments – EMEA

in EUR m	Q2 2019	Q2 2018	Δ in %	in % (fx adj.)
Operating gross profit	292.8	293.5	-0.2	0.2
<b>Operating EBITDA</b>	<b>108.7</b>	<b>103.0</b>	5.5	6.5

## Update

- Continuing softness in the macroeconomic environment
- Weakness particularly visible in countries with higher exposure to automotive industry
- Stable operating gross profit achieved against weak demand
- Cost increases lower than in Q1
- Organic EBITDA: -4%
- Effect on op. EBITDA of EUR 10m from application of new IFRS 16 standard

## REVIEW Q2 2019

## Segments – North America

in EUR m	Q2 2019	Q2 2018	Δ in %	in % (fx adj.)
Operating gross profit	313.0	281.4	11.2	5.1
<b>Operating EBITDA</b>	<b>127.8</b>	<b>108.0</b>	18.3	11.6

## Update

- Softening of macroeconomic conditions
- Gross profit growth: combination of organic and acquisitive growth
- Weaker trends in organic business attributable to changing customer sentiment
- Operating EBITDA slightly down organically
- Effect on op. EBITDA of EUR 13m from application of new IFRS 16 standard

## REVIEW Q2 2019

## Segments – Latin America

in EUR m	Q2 2019	Q2 2018	Δ in %	in % (fx adj.)
Operating gross profit	44.8	40.7	10.1	7.9
<b>Operating EBITDA</b>	<b>13.4</b>	<b>8.7</b>	54.0	57.0

## Update

- Economic conditions remain volatile with different challenges in the countries
- Another very positive quarter for the region
- Organic growth of both operating gross profit and operating EBITDA
- Effect on op. EBITDA of EUR 3m from application of new IFRS 16 standard

## REVIEW Q2 2019

## Segments – Asia Pacific

in EUR m	Q2 2019	Q2 2018	Δ in %	in % (fx adj.)
Operating gross profit	67.6	57.2	18.2	15.0
<b>Operating EBITDA</b>	<b>25.5</b>	<b>19.8</b>	28.8	25.1

## Update

- Business conditions slowing down
- Some areas with weaker demand
- Organic gross profit growth and contribution from acquisitions
- Higher logistics costs in China remain a challenge
- Effect on op. EBITDA of EUR 2m from application of new IFRS 16 standard



## REVIEW Q2 2019

## Recent acquisitions

Target	Rationale	Status
Tee Hai Chem Pte Ltd., Singapore (51% stake)	Provider of supply chain solutions for the Life Sciences, Electronics manufacturing and R&D sectors	Closed
Marlin Company, Inc., USA	Provider of custom chemical blending and packaging services	Closed
B&M Oil Company, USA	Sales, marketing and distribution of lubricants	Closed
Neuto Chemical Corp., Taiwan	Well-established distributor of specialty and industrial chemical products	Signed
Chemgrit Cosmetics (Pty) Ltd., South Africa	Specialty chemical distributor	Signed
Crest Chemicals Ltd., South Africa (Acquisition of remaining 50%)	Longstanding 50% Joint Venture of Brenntag / Crest is a chemical distributor to a broad range of industries	Signed

**Total Enterprise Value of ~EUR 200m <sup>\*)</sup> (for M&A in 2019 YTD)**

\*) Enterprise Value for Tee Hai and Crest included on a pro rata basis for the share acquired

## AGENDA

### Q2 2019 results presentation

- Review Q2 2019
- **Financials Q2 2019**
- Outlook
- Appendix

## FINANCIALS Q2 2019

### Income statement

in EUR m	Q2 2019	Q2 2018	Δ	Δ FX adjusted	2018
Sales	3,254.3	3,215.0	1.2%	-1.2%	12,550.0
Cost of sales	-2,531.4	-2,538.0	-0.3%		-9,889.1
<b>Operating gross profit</b>	<b>722.9</b>	<b>677.0</b>	<b>6.8%</b>	<b>4.1%</b>	<b>2,660.9</b>
Operating expenses	-456.6	-445.7	2.4%		-1,785.4
<b>Operating EBITDA</b>	<b>266.3</b>	<b>231.3</b>	<b>15.1%</b>	<b>12.2%</b>	<b>875.5</b>
Op. EBITDA / op. gross profit	36.8%	34.2%			32.9%

## FINANCIALS Q2 2019

**Income statement (continued)**

in EUR m	Q2 2019	Q2 2018	Δ	2018
<b>Operating EBITDA</b>	<b>266.3</b>	<b>231.3</b>	<b>15.1%</b>	<b>875.5</b>
Net expenses from holding charges and special items	-0.2	-1.3		17.4
Depreciation	-59.8	-29.8	100.7%	-122.0
<b>EBITA</b>	<b>206.3</b>	<b>200.2</b>	<b>3.0%</b>	<b>770.9</b>
Amortization <sup>1)</sup>	-13.6	-12.1	12.4%	-49.9
<b>EBIT</b>	<b>192.7</b>	<b>188.1</b>	<b>2.5%</b>	<b>721.0</b>
Financial result	-24.4	-23.8	2.5%	-97.5
EBT	168.3	164.3	2.4%	623.5
<b>Profit after tax</b>	<b>125.4</b>	<b>118.3</b>	<b>6.0%</b>	<b>462.3</b>
EPS	0.81	0.76	6.6%	2.98

1) Includes scheduled amortization of customer relationships amounting to EUR 9.8m in Q2 2019 (EUR 9.9m in Q2 2018 and EUR 40.7 million in 2018).

## FINANCIALS Q2 2019

**Cash flow statement**

in EUR m	Q2 2019	Q2 2018	2018
Profit after tax	125.4	118.3	462.3
Depreciation & amortization	73,4	41.9	171.9
Income taxes	42,9	46.0	161.2
Income tax payments	-60,6	-50.9	-150.6
Interest result	22,7	22.5	82.3
Interest payments (net)	-20,6	-13.3	-80.0
Changes in current assets and liabilities	-40.0	-86.6	-230.7
Changes in provisions	-1.8	3.2	-25.7
Other	3.2	-8.4	-15.4
<b>Cash provided by operating activities</b>	<b>144.6</b>	<b>72.7</b>	<b>375.3</b>

## FINANCIALS Q2 2019

## Cash flow statement (continued)

in EUR m	Q2 2019	Q2 2018	2018
Purchases of intangible assets and property, plant & equipment (PPE)	-39.7	-38.0	-178.4
Purchases of consolidated subsidiaries and other business units	-55.3	-69.0	-199.0
Sale of consolidated subsidiaries	0.0	0.0	68.2
Other	0.5	1.2	19.1
<b>Cash used for investing activities</b>	<b>-94.5</b>	<b>-105.8</b>	<b>-290.1</b>
Purchases of companies already consolidated	-	-	-
Profits distributed to non-controlling interests	-1.0	-1.0	-1.6
Dividends paid to Brenntag shareholders	-185.4	-170.0	-170.0
Repayment of (-)/proceeds from (+) borrowings (net)	51.0	44.4	-39.9
<b>Cash used for / provided by financing activities</b>	<b>-135.4</b>	<b>-126.6</b>	<b>-211.5</b>
<b>Change in cash &amp; cash equivalents</b>	<b>-85.3</b>	<b>-159.7</b>	<b>-126.3</b>

## FINANCIALS Q2 2019

**Free cash flow**

in EUR m	Q2 2019	Q2 2018	Δ	Δ	2018
Operating EBITDA	266.3	231.3	35.0	15.1%	<b>875.5</b>
Capex	-39.6	-38.0	-1.6	4.2%	<b>-172.2</b>
Δ Working capital	-18.3	-45.4	27.1	-59.7%	<b>-178.1</b>
Principal and interest payments on lease liabilities <sup>1)</sup>	-29.3	-	-	-	-
<b>Free cash flow</b>	<b>179.1</b>	<b>147.9</b>	<b>31.2</b>	<b>21.1%</b>	<b>525.2</b>

1) On initial application of IFRS 16 at January 1, 2019, cash outflows for principal payments on lease liabilities and interest payments incurred in this context are deducted. In the prior-year figures, lease payments were still included in operating EBITDA through rental and lease expenses.

## FINANCIALS Q2 2019

## Balance Sheet and leverage

in EUR m	30 June 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018	30 June 2018
Financial liabilities	2,268.7	2,165.0	2,155.7	2,283.7	2,249.3
./. Cash and cash equivalents	352.2	441.6	393.8	347.1	332.8
Net Debt	1,916.5	1,723.4	1,761.9	1,936.6	1,916.5
<b>Net Debt/Operating EBITDA <sup>1)</sup></b>	<b>2.2x</b>	<b>2.0x</b>	<b>2.0x</b>	<b>2.3x</b>	<b>2.3x</b>
Equity	3,313.1	3,435.1	3,301.2	3,164.9	3,047.8

1) Operating EBITDA for the quarters on LTM basis; op. EBITDA, financial liabilities and net debt without application of IFRS 16



## FINANCIALS Q2 2019

### Working capital

in EUR m	30 June 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018	30 June 2018
Inventories	1,250.5	1,214.3	1,195.8	1,224.7	1,183.3
+ Trade receivables	1,975.0	2,003.9	1,843.0	1,958.5	1,989.7
./. Trade payables	1,328.2	1,360.0	1,231.8	1,336.7	1,382.3
<b>Working capital (end of period)</b>	<b>1,897.3</b>	<b>1,858.2</b>	<b>1,807.0</b>	<b>1,846.5</b>	<b>1,790.7</b>
Working capital turnover (year-to-date) <sup>1)</sup>	6.9x	6.9x	7.3x	7.4x	7.5x
Working capital turnover (last twelve months) <sup>2)</sup>	6.9x	7.1x	7.3x	7.4x	7.5x

1) Using sales on year-to-date basis and average working capital year-to-date.

2) Using sales on LTM basis and average LTM working capital.

## AGENDA

### Q2 2019 results presentation

- Review Q2 2019
- Financials Q2 2019
- **Outlook**
- Appendix

## Outlook

2019

### Macro environment

- Macro economic slowdown in all regions in H1
- Macro indicators suggest weak H2
- EMEA remains on very soft levels
- North America still growing but on lower levels than before
- Asia Pacific shows a mixed picture
- Latin America remains in contraction with high volatility

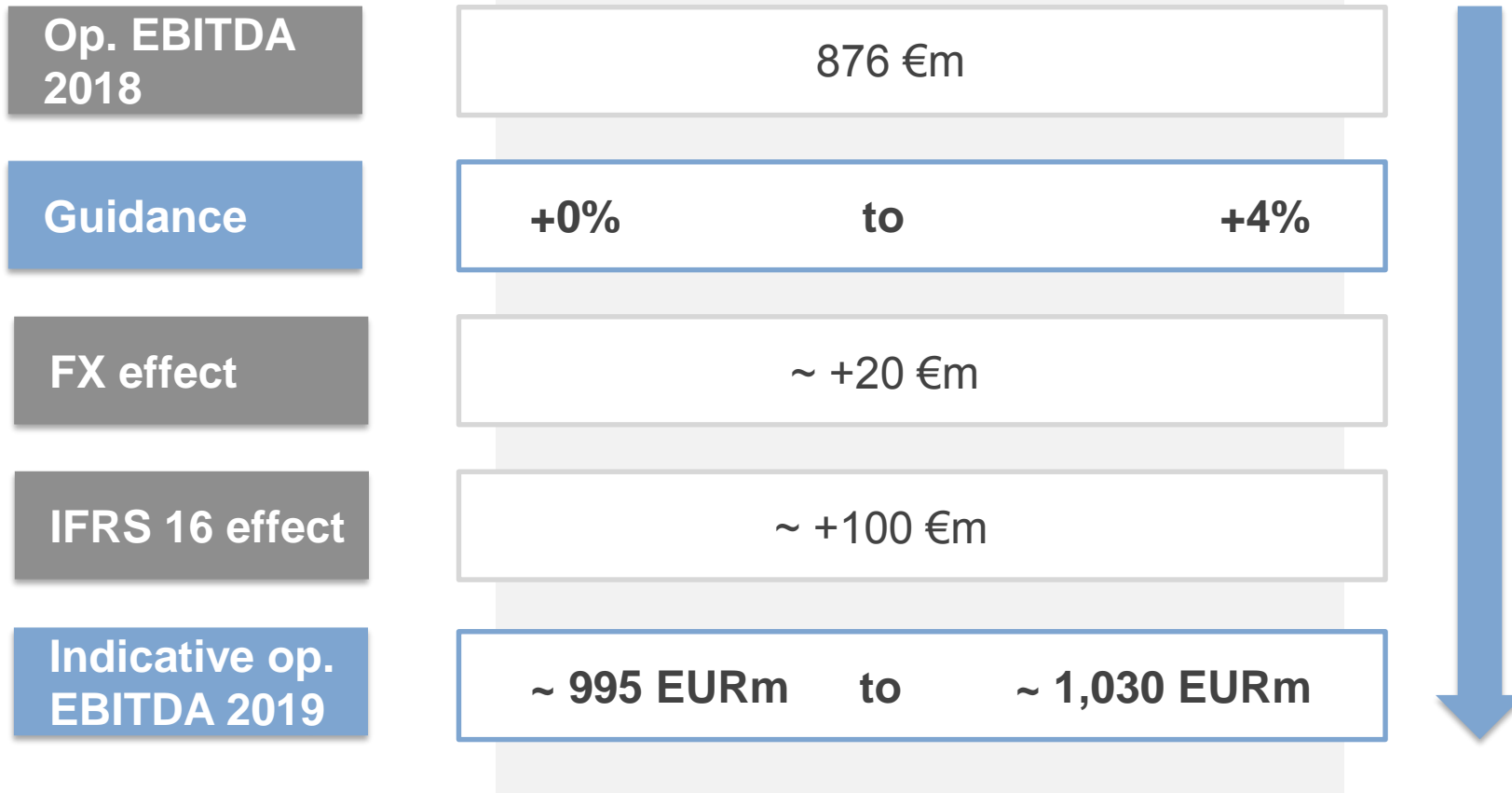
### Operating EBITDA Guidance

**New guidance since July 16, 2019:  
0-4% growth of operating EBITDA in FY 2019  
(fx adj., incl. M&A and frozen GAAP)**

### Comments

- Outlook reflects weakening trends in Q2 in our business and softer macro outlook for H2
- New guidance assumes positive growth for Brenntag in H2

## Outlook



## THANK YOU FOR YOUR ATTENTION



**Steven Holland**  
**CEO**

- With Brenntag since 2006
- +30 years of dedicated experience
- Region Latin America, Corp. Communications, Development, HR, HSE, Internal Audit + Compliance, M&A, Sustainability



**Georg Müller**  
**CFO**

- With Brenntag since 2003
- +10 years of experience in chemicals distribution
- Corp. Accounting, Controlling, Finance & IR, Legal, Tax, Risk Management, Brenntag International Chemicals

**We are ready to answer your questions!**

## AGENDA

# Q2 2019 results presentation

- Review Q2 2019
- Financials Q2 2019
- Outlook
- **Appendix**

## FINANCIALS Q2 2019

### Segments

in EUR m		EMEA	North America	Latin America	Asia Pacific	All other segments	Group
<b>Operating gross profit</b>	<b>Q2 2019</b>	<b>292.8</b>	<b>313.0</b>	<b>44.8</b>	<b>67.6</b>	<b>4.7</b>	<b>722.9</b>
	Q2 2018	293.5	281.4	40.7	57.2	4.2	677.0
	Δ	-0.2%	11.2%	10.1%	18.2%	11.9%	6.8%
	Δ FX adjusted	0.2%	5.1%	7.9%	15.0%	11.9%	4.1%
<b>Operating EBITDA</b>	<b>Q2 2019</b>	<b>108.7</b>	<b>127.8</b>	<b>13.4</b>	<b>25.5</b>	<b>-9.1</b>	<b>266.3</b>
	Q2 2018	103.0	108.0	8.7	19.8	-8.2	231.3
	Δ	5.5%	18.3%	54.0%	28.8%	11.0%	15.1%
	Δ FX adjusted	6.5%	11.6%	57.0%	25.1%	12.4%	12.2%

## FINANCIALS H1 2019










### Segments

in EUR m		EMEA	North America	Latin America	Asia Pacific	All other segments	Group
<b>Operating gross profit</b>	<b>H1 2019</b>	<b>580.5</b>	<b>605.8</b>	<b>87.4</b>	<b>128.0</b>	<b>9.4</b>	<b>1,411.0</b>
	H1 2018	583.0	539.0	78.6	106.1	7.9	1,314.6
	Δ	-0.4%	12.4%	11.2%	20.6%	19.0%	7.3%
	Δ FX adjusted	0.1%	5.3%	8.3%	16.5%	19.0%	4.2%
<b>Operating EBITDA</b>	<b>H1 2019</b>	<b>210.5</b>	<b>239.8</b>	<b>24.9</b>	<b>47.0</b>	<b>-17.1</b>	<b>505.1</b>
	H1 2018	204.4	196.1	16.8	37.2	-16.6	437.9
	Δ	3.0%	22.3%	48.2%	26.3%	3.0%	15.3%
	Δ FX adjusted	4.0%	14.4%	48.9%	21.7%	3.6%	12.0%



## IFRS 16

## Implementation of IFRS 16: implications on P&amp;L and balance sheet

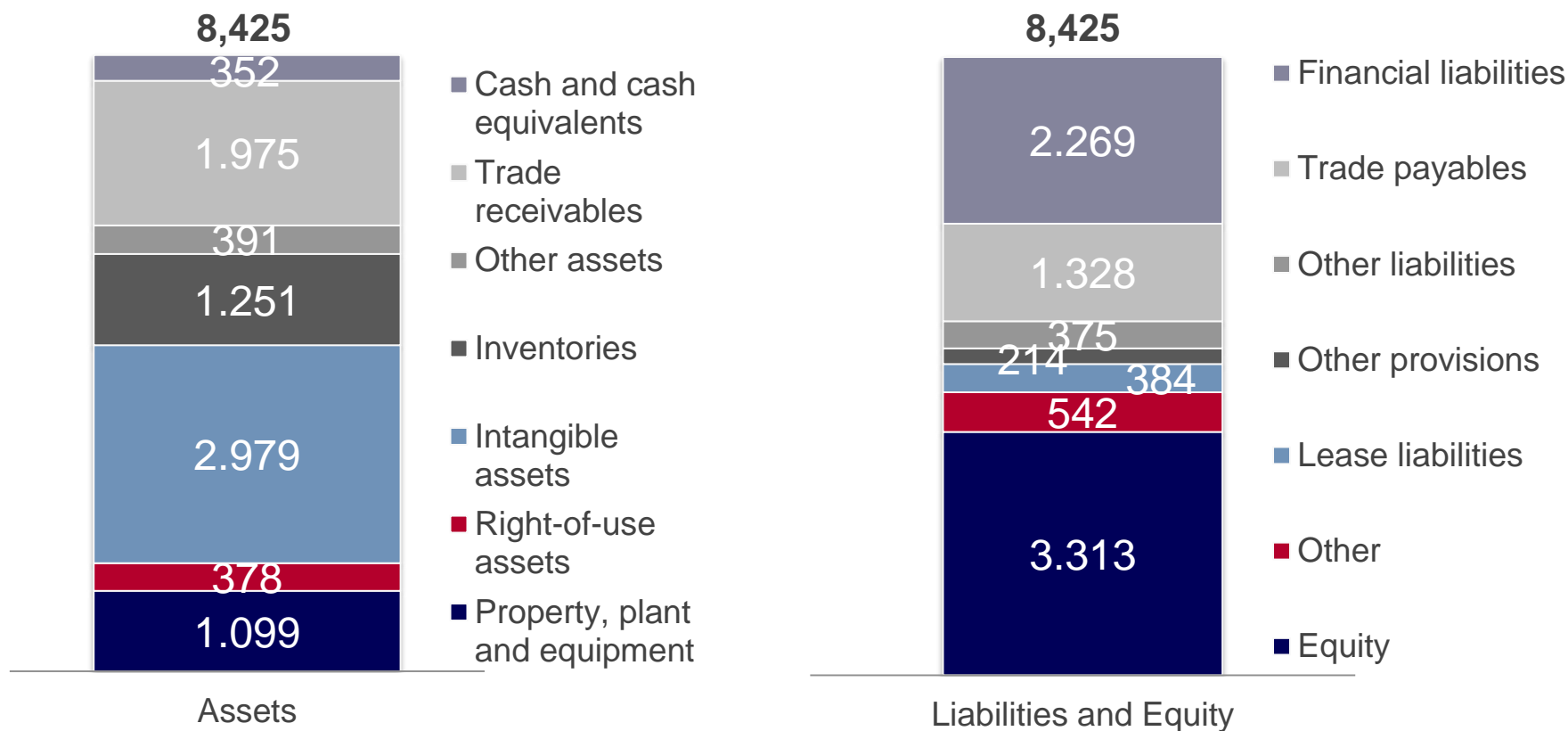
P&L				Balance Sheet			
in EUR m	IFRS 16 impact on Q2 2019			in EUR m	IFRS 16 impact on Q2 2019		
Sales		Unchanged		Lease liabilities		+384 <sup>1)</sup>	Increase
Op. Gross Profit		Unchanged		Right-of-use assets		+378 <sup>1)</sup>	Increase
Opex (Rent & Leases)		-28.3	Decrease				
<b>Op. EBITDA</b>		<b>+28.3</b>	<b>Increase</b>				
Depreciation		+26.4	Increase				
Interest		+3.0	Increase				
EPS		Remain about stable					

1) Includes finance leases unrelated to the application of IFRS 16: lease liabilities: EUR 7m; right-of-use-assets: EUR 8m

FINANCIALS Q2 2019

# Balance Sheet as of June 30, 2019

in EUR m



FINANCIALS Q2 2019

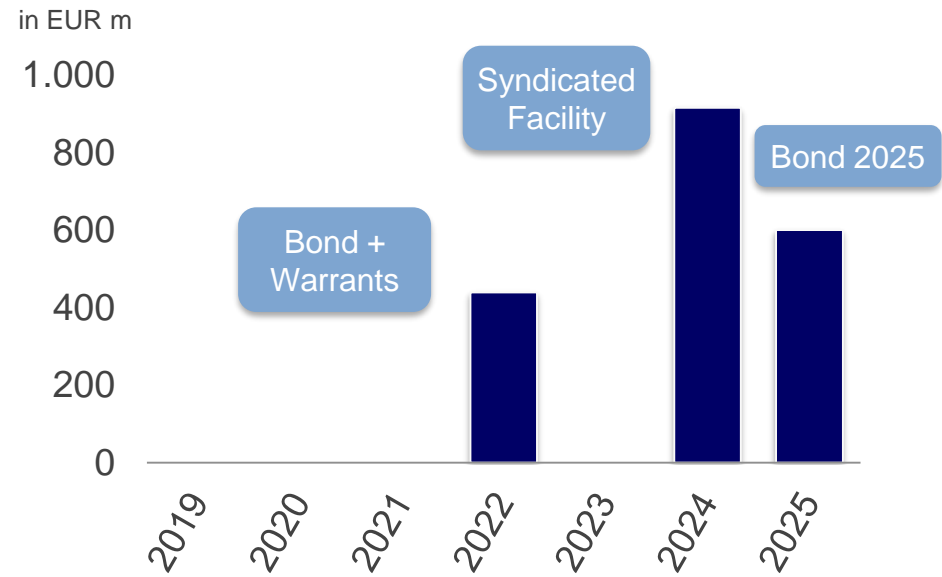
# Financial stability of Brenntag Group

**Leverage: Net debt/Operating EBITDA <sup>1)</sup>**



- Constant leverage levels over period with M&A activity
- Investment-grade ratings from Standard & Poor’s (“BBB”) and Moody’s (“Baa3”)

**Maturity profile as of June 30, 2019**










- Long term balanced maturity profile

1) Net debt defined as current financial liabilities plus non-current financial liabilities less (cash and cash equivalents)

IFRS 16

# Implementation of IFRS 16: Indicative implications on P&L and balance sheet

P&L		
in EUR m	Indicative IFRS 16 impact on FY 2019	
Sales		Unchanged
Op. Gross Profit		Unchanged
Opex (Rent & Leases)	 ~ -100	Decrease
<b>Op. EBITDA</b>	 ~ +100	<b>Increase</b>
EPS	 ~ +/-0	Remain about stable

Balance Sheet		
in EUR m	Indicative IFRS 16 impact on FY 2019	
Lease liabilities	 ~ +350	Increase
Right-of-use assets	 ~ +350	Increase

- In 2018: EUR 144m expenses for operating leases included in EBITDA
- IFRS 16: (most) rent & lease expenses will be reclassified to depreciation and interest expenses
- Positive impact on EBITDA
- Limited effect on EPS

- Leases have to be recognized as a right-of-use asset
- A corresponding liability will be recorded

## FINANCIALS H1 2019

### Income statement

in EUR m	H1 2019	H1 2018	Δ	Δ FX adjusted
Sales	6.436,6	6.190,2	4.0%	1.2%
Cost of materials	-5,025.5	-4,875.6	3.1%	
<b>Operating gross profit</b>	<b>1,411.1</b>	<b>1,314.6</b>	<b>7.3%</b>	<b>4.2%</b>
Operating expenses	-906.0	-876.7	3.3%	
<b>Operating EBITDA</b>	<b>505.1</b>	<b>437.9</b>	<b>15.3%</b>	<b>12.0%</b>
Operating EBITDA/Operating gross profit	35.8%	33.3%		
Net expenses from holding charges and special items	-0.6	-1.5		
Depreciation	-117.5	-58.0	102.6%	96.8%
<b>EBITA</b>	<b>387.0</b>	<b>378.4</b>	<b>2.3%</b>	<b>-0.3%</b>
Amortization <sup>1)</sup>	-25.5	-24.3	4.9%	2.0%
<b>EBIT</b>	<b>361.5</b>	<b>354.1</b>	<b>2.1%</b>	
Financial result	-49.8	-42.8	16.4%	
EBT	311.7	311.3	0.1%	
<b>Profit after tax</b>	<b>230.6</b>	<b>224.3</b>	<b>2.8%</b>	

1) Includes scheduled amortization of customer relationships amounting to EUR 19.1m in H1 2019 (EUR 19.7m in H1 2018 and EUR 40.7 million in 2018).

## FINANCIALS H1 2019

## Cash flow statement

in EUR m	H1 2019	H1 2018
Profit after tax	230.6	224.3
Depreciation & amortization	143.0	82.3
Income taxes	81.1	87.0
Income tax payments	-90.1	-83.8
Interest result	45.4	43.0
Interest payments (net)	-33.4	-21.6
Changes in current assets and liabilities	-63.0	-235.8
Changes in provisions	-3.1	-27.9
Other	-4.7	-7.0
<b>Cash provided by operating activities</b>	<b>305.8</b>	<b>60.5</b>

## FINANCIALS H1 2019

## Cash flow statement (continued)

in EUR m	H1 2019	H1 2018
Purchases of intangible assets and property, plant & equipment	-74.2	-72.5
Purchases of consolidated subsidiaries and other business units	-93.2	-69.2
Other	5.9	5.1
<b>Cash used for investing activities</b>	<b>-161.5</b>	<b>-136.6</b>
Profits distributed to non-controlling interests	-1.0	-1.0
Dividends paid to Brenntag shareholders	-185.4	-170.0
Repayment of (-)/proceeds from (+) borrowings (net)	-1.3	62.0
<b>Cash used for financing activities</b>	<b>-187.7</b>	<b>-109.0</b>
<b>Change in cash &amp; cash equivalents</b>	<b>-43.4</b>	<b>-185.1</b>

## FINANCIALS H1 2019

**Free cash flow**

in EUR m	H1 2019	H1 2018	Δ	Δ in %	2018
Operating EBITDA	<b>505.1</b>	437.9	67.2	15.3	875.5
Capex	<b>-70.6</b>	-65.1	-5.5	8.4	-172.2
Δ Working capital	<b>-31.7</b>	-197.2	165.5	-83.9	-178.1
Principal and interest payments on lease liabilities <sup>1)</sup>	<b>-57.4</b>	-	-	-	-
<b>Free cash flow</b>	<b>345.4</b>	<b>175.6</b>	<b>169.8</b>	<b>96.7</b>	<b>525.2</b>

1) On initial application of IFRS 16 at January 1, 2019, cash outflows for principal payments on lease liabilities and interest payments incurred in this context are deducted. In the prior-year figures, lease payments were still included in operating EBITDA through rental and lease expenses.