



9/23 Hexion: Sharpening Innovation for Growth

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CME: Accelerating STEM Leadership

For Sustainable Innovation



9/23 Hexion: Sharpening Innovation for Growth



Craig Rogerson

Hexion

Chairman, President & CEO



Agenda

01. Introduction

02. Speaker Presentation

03. Open Q&A session

Sharpening Innovation for Growth

Presented to CME-STEM

Presented by

Craig Rogerson
Chairman, President and Chief Executive Officer

September 23, 2021

Today's Presenter

Craig Rogerson

Chairman, President & Chief Executive Officer

- Has 40 years of experience in the chemicals industry
- Joined Hexion in July 2017
- Prior to joining Hexion, Craig served as Chairman, President and Chief Executive Officer of Chemtura Corporation from 2008 – 2017
- Has also served as President, Chief Executive Officer and Director of Hercules Incorporated from 2003 – 2008
- Joined Hercules in 1979, serving in a variety of leadership positions until 1997 when he left to become President and CEO of Wacker Silicones Corporate, but re-joined in 2003
- Received a chemical engineering degree from Michigan State University

Table of Contents

- Section 1: Hexion-At-A-Glance
- Section 2: Right Products for the Right Time: Going Green – and Going Where our Customers Are Heading
- Section 3: Strategic M&A to Accelerate Profitable Growth
- Section 4: Right People for the Right Time: Culture and Team Agility
- Section 5: Lessons Learned While Focusing on Creating Shareholder Value

Section 1

Hexion Overview

Global Producer of Adhesives, Coatings, and Composites Materials

Over 80% of Sales Being Products Having the #1 or #2 Global Positions

Business Highlights

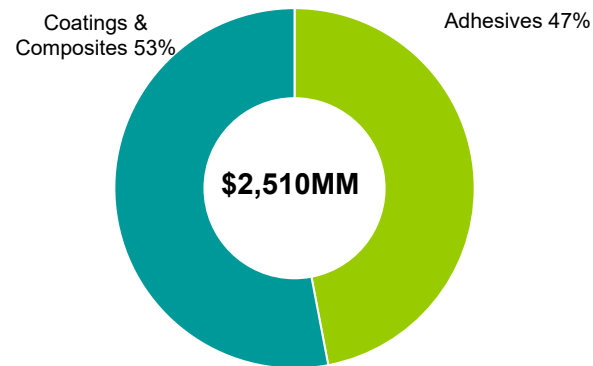
- 1 Leading positions in attractive end-markets
- 2 Strategically aligned with end-market growth and mega-trends
- 3 Strong and stable free cash flow
- 4 Specialty portfolio aligned with customers and sustainability trends
- 5 Integrated value chain provides competitive advantage
- 6 Experienced management team with impressive track record

Scale and Financial Metrics (LTM 6/30/21)

Sales from Continuing Operations (\$MM)	2,893
Segment EBITDA ⁽¹⁾ from Continuing Operations (\$MM)	439
% Margin	15.2%
Free Cash Flow ⁽²⁾ from Continuing Operations (\$MM)	331
% of Sales	11.4%
Employees (FY'20)	~2,600
Production / Manufacturing Facilities (FY'20)	34
Countries Where Products are Marketed (FY'20)	~85
Number of Customers (FY'20)	2,900+

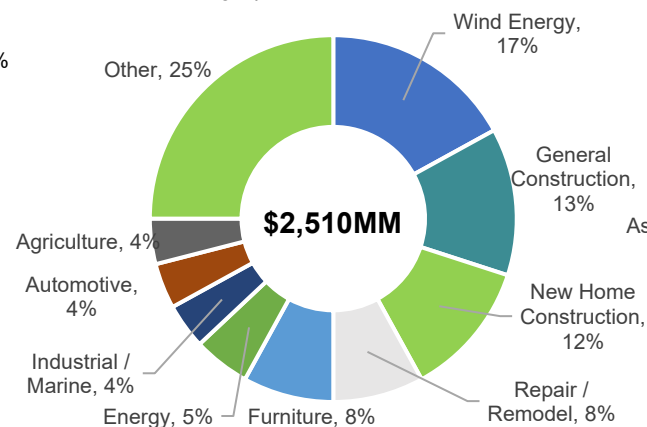
Sales by Segment

FY'20; Continuing Operations



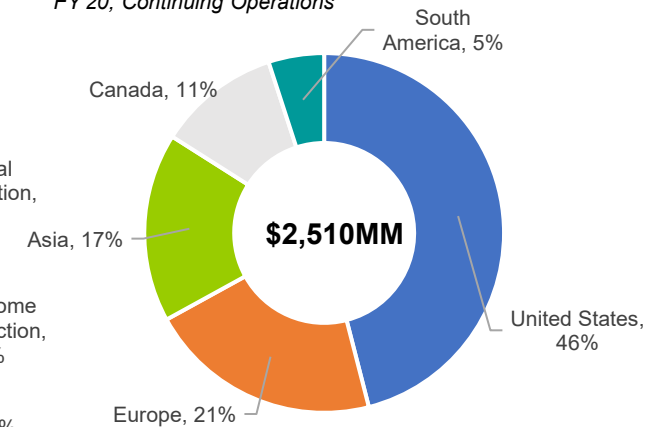
Sales by End-Market

FY'20; Continuing Operations



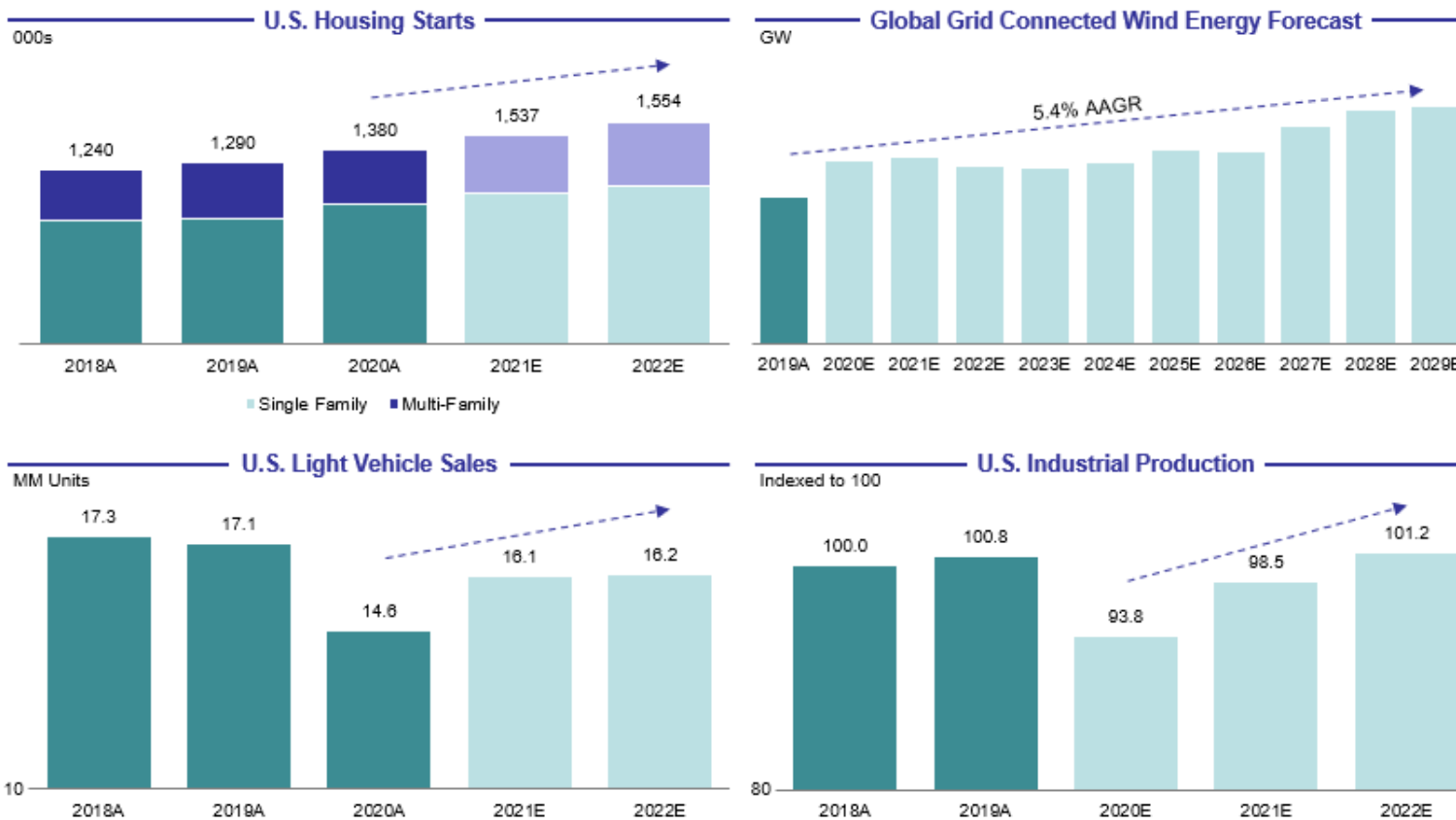
Sales by Geography

FY'20; Continuing Operations



Poised to Benefit from COVID Related Recovery

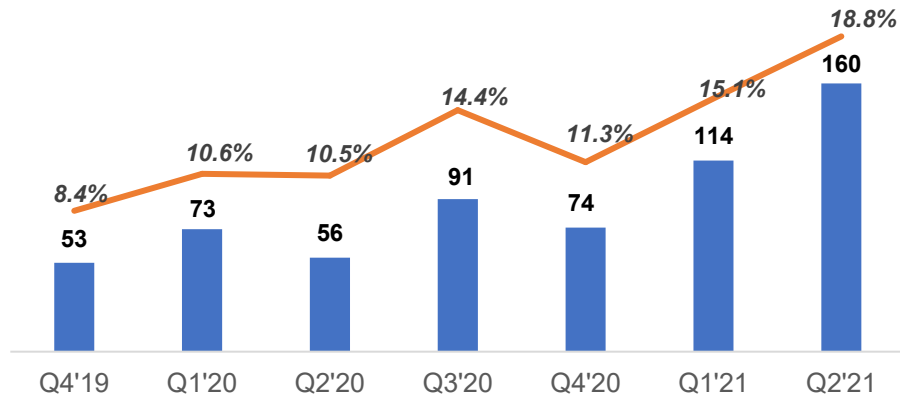
Room for Growth in Key End-Markets



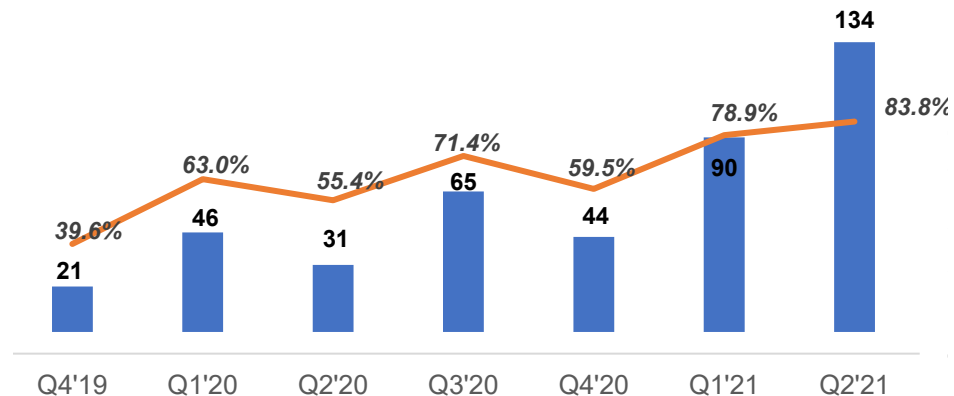
Strong Earnings Performance

Structurally Resilient Portfolio and Positive Earnings Momentum in FY'21

Segment EBITDA from Continuing Operations and Margin ⁽¹⁾



Free Cash Flow from Continuing Operations and Conversion ⁽²⁾



Portfolio With Structural Resilience



Benefits of geographic, customer, and product diversity in the portfolio at play:

- Not overly dependent on any particular end market or geographic region
- Largest customer represented ~ 3% of sales in FY'20



Lean Cost Structure

- Successfully implemented two significant cost reduction initiatives since Q4 '17 and lean cost operations supports increased margins



Strong Cash Flow Generation

- FY'20 Free Cash Flow from Continuing Operations of \$186 million
- Expecting to generate significant Free Cash Flow in FY'21



Recovery in Action

- Strong Q2'21 results: Segment EBITDA from Cont. Ops. increased 186% compared to Q2'20 and sequentially by 40% versus Q1'21

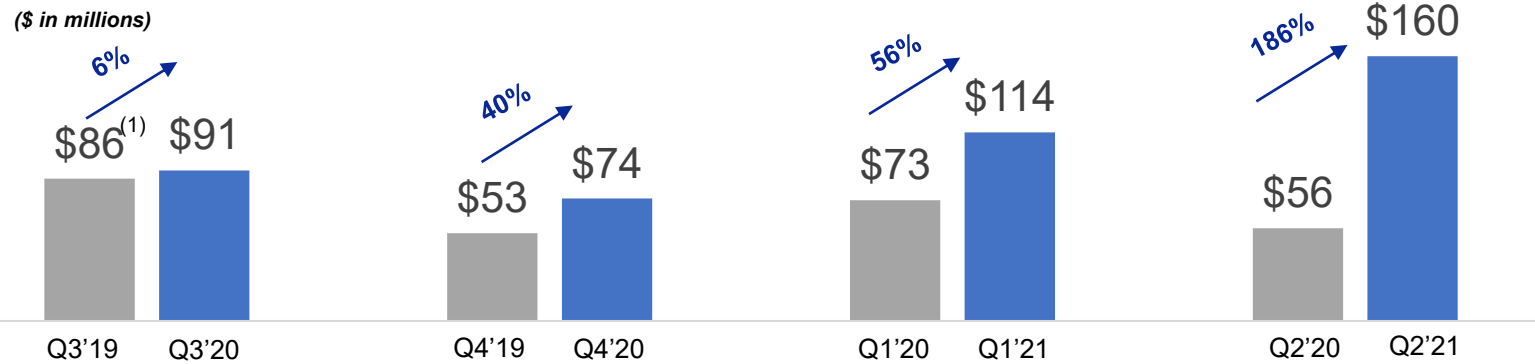


Strong Liquidity Position of \$646MM:

- \$286MM of unrestricted cash and cash equivalents

Focused on Achieving FY'21 Priorities

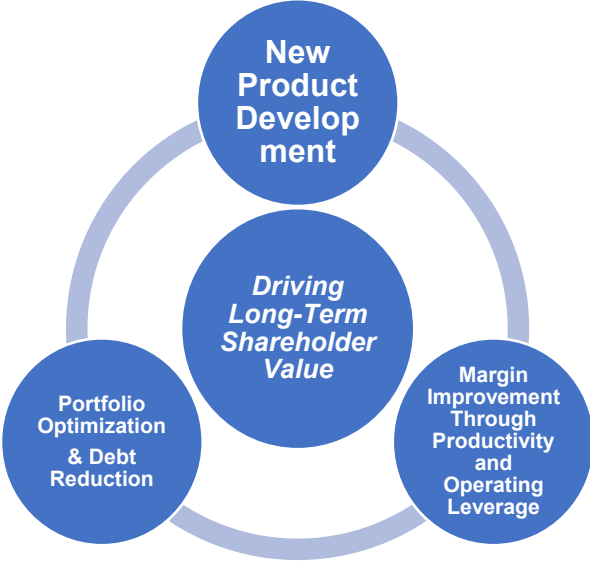
Diversified Portfolio Supports Fourth Consecutive Quarter of Solid YoY Segment EBITDA Increases



Strategic Q2'21 Actions

- **Strategic CapEx:** ArmorBuilt™ and Brimbank, Australia expansions, as well as various “self-help” investments with minimal market risk
- **Portfolio Optimization:** Executed divestiture on 4/30/21
- **Margin improvement:** Q2'21 Segment EBITDA margins approaching 19%
- **Debt Reduction:** Term loan paydown drove LTM Pro forma EBITDA to Net Debt ratio of 3.0x
- **Maximize long term shareholder value:** Hexion Holdings submitted a draft Form S-1 registration statement on a confidential basis for a proposed public offering of its common stock later this year; the planned registered public offering is part of Hexion’s and its Board of Directors’ ongoing and continuous strategic review and evaluation of opportunities to enhance shareholder value

Driving Shareholder Value: Strategic Approach



(1) Third Quarter 2019 excludes \$18 million of Segment EBITDA related to deferred revenue that was accelerated on July 1, 2019 as part of Fresh Start accounting. Segment EBITDA is a non-GAAP financial measure. The closest GAAP financial measure is Net Loss. A table that reconciles Segment EBITDA is included in Hexion’s Form 10-Q for the quarterly period ended September 30, 2019.

Section 2

Right Products for the Right Time: “Going Green” – and Going Where our Customers Are Heading

Hexion's Leading Market Positions are Strategically Aligned with Sector Megatrends

Leading Market Positions in Growing Markets ...



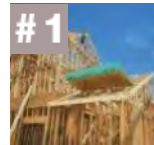
#1
Specialty Epoxy Resins – Wind Energy (Bonding Paste)



#1
Base Epoxy Resins
N. Amer. & EU



#1
Versatic Acids™ & Derivatives
Global



#1
Forest Product Resins
Global

Long-Term Blue-Chip Customer Base



...Aligned with Sector Megatrends

Megatrends	Anticipated Growth Areas	New Products
 Population Growth	Building & Construction <ul style="list-style-type: none"> Housing growth projected as western markets continue to recover from the recession Population growth in international economies 	<ul style="list-style-type: none"> Waterborne coatings Ecobind™ resins
 Urbanization	Transportation & Automotive <ul style="list-style-type: none"> New and varied thermoset applications as global auto sales continue to grow 	<ul style="list-style-type: none"> New light weight composite panels Coatings applications across multiple technologies
 Climate Change	Wind Energy <ul style="list-style-type: none"> Demand driven by appetite for renewable energy in mature and developing markets requiring stronger epoxy-based blade technology 	<ul style="list-style-type: none"> Specialty epoxy composite resins for turbine blades
 Industrial / Marine	Waterborne Coatings <ul style="list-style-type: none"> System offers coating performance comparable to solvent-borne systems for containers and high speed rail 	<ul style="list-style-type: none"> NextGen Epoxy™ Waterborne system

Hexion Announces New Greenhouse Gas (GHG) Emission Goal as part of Sustainability Growth Platform

Strategic GHG Reduction Commitment Announced

- Hexion announced it has committed to reduce absolute carbon emissions by 20 percent by 2030
- Commitment encompasses “Scope 1” and “Scope 2” emissions, which are direct and indirect greenhouse emissions from operations and consumed energy



Minimizing Climate Change Impact

Hexion will strive to protect against climate change throughout its business lifecycle by efficiently using natural resources, optimizing existing processes and enhancing products and technologies through continuous innovation.



Enhancing Worker Safety/Well-being

By 2022, Hexion will offer a voluntary well-being program that addresses associate physical, mental, and financial well-being with the goal of 50% associate participation in the program by 2025. Hexion’s Well-being index in the Gallup engagement survey will be in the 50th percentile. Hexion remains committed to “Get Zero, Get Home” and driving to zero associate and contractor recordable injuries.



Reducing Spills & Releases

Hexion has committed to reduce spill mass and releases by 80 percent by 2025.



Maintaining Product Stewardship

Hexion remains committed to implementing the Responsible Care Product Safety Code and will continue to be transparent and communicate to key stakeholders regarding its stewardship programs such as risk reviews and reduction of substances of concern.



Developing Innovative Sustainable Products

Hexion is committed that by 2030, all new products will incorporate sustainable attributes. A sustainable product is one that has one or more of the following attributes within the full value chain: improving energy efficiency, reducing material consumption, increasing use of sustainable raw materials, contributing to the circular economy and/or mitigating climate change, among others.

Coatings & Composites Segment: Latest Automotive Customer Application Highlights Alignment with Megatrends



Increasing **sustainability requirements** and **shifting customer preferences towards greener solutions** are driving a growing need for lighter, stronger, and higher performance materials



Sustainability trends drive continued adoption of Hexion's epoxy solutions in auto applications

- ✔ Hexion's composite materials most recently used in McLaren Carbon Fiber application
- ✔ Electric vehicle adoption reinforces long-term demand for innovative composite solutions, such as Hexion's EPIKOTE resin systems
- ✔ Lighter automotive components to increase fuel efficiency



Hexion's broad product portfolio is focused on addressing our customers' demands for more environmentally preferred solutions

- ✔ **EPIKOTE™ resin systems and EPIKURE™ curing agents for wind energy applications**
Provides strength and fatigue performance for larger and heavier rotor blades
- ✔ **EPI-REZ™ Epoxy Waterborne Resins**
Low-VOC emitting resins as substitutes for solvent-borne products
- ✔ **Veova™ Vinyl Esters**
Enhances decorative paints' aesthetics and durability

Adhesives Segment: Multiple Avenues of Growth

Positive Demand in Americas



- Strong new residential construction and remodeling demand in N. America continues to drive positive results for forest products resins
- Long-term growth from increasing uses of cross laminated timber (CLT) in commercial building applications
- Improving demand in Brazil in 1H'21
 - Restarted full operations at Montenegro, Brazil site in Q1'21

Strategic Capacity Expansions



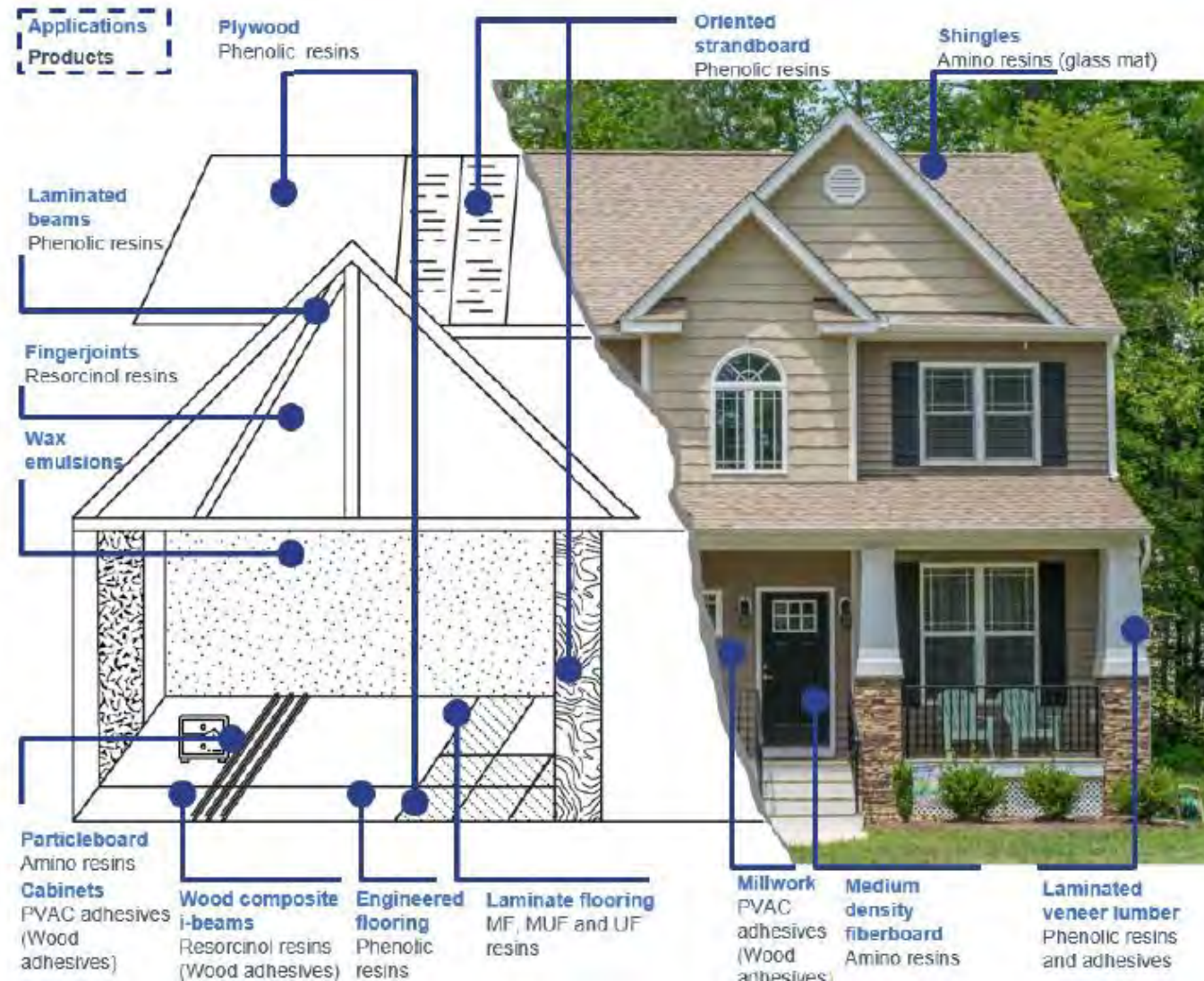
- Hexion announced additional expansion of its Portland site to support the growing demand for ArmorBuilt™ fire resistant wrap, a new product which greatly improves fire protection when applied to a substrate
- Progress continues on the Company's expansion of its Brimbank, Australia site to develop fire-resistant cladding materials leveraging proprietary phenolic resin technology

Innovative New Product Trials



- Extensive conversions underway at several major customers in 2020 for next generation OSB PF technology for board surface applications
- Additional "core" applications slated for 2021 as productivity gains (speed) and further reduction in resin usage positions product favorably compared to pMDI

Hexion's Residential Construction Applications



Building with Wood for a More Sustainable Future



- **Wood is one of the planet's most renewable resources**
 - US forests generate 72 percent more wood annually than is harvested
- **Composite wood panels make use of wood fiber left over from other manufacturing processes**
- **Structurally more stable than solid wood and engineered for specific applications and performance characteristics**
 - Engineering for fire, pest or moisture resistance ensures a longer useful life, requiring less frequent replacement



Building with Wood: The ultimate “GREEN” Story

- **Wood is one of the planet’s most renewable resources**
 - US forests generate 72 percent more wood annually than is harvested
- **Composite wood panels make use of wood fiber left over from other manufacturing processes**
- **Structurally more stable than solid wood and engineered for specific applications and performance characteristics**
 - Engineering for fire, pest or moisture resistance ensures a longer useful life, requiring less frequent replacement



Building with Wood for a More Sustainable Future

- Can be “better than climate neutral” in a lifecycle assessment
 - The wood in engineered wood products acts as a carbon sink, sequestering more carbon than expended in their production, transport and installation
- Rare and endangered wood species are spared by using decorative composite wood panels
 - High definition printed and textured decorative surfaces offer the beauty of any wood species, with better design consistency and greater durability in some cases

Wood construction materials help sequester carbon by keeping it out of the atmosphere for the lifetime of the structure—or longer if the wood is reclaimed or reused



1 Ton
of timber used
=
1 Ton
of CO₂ saved



Building with Wood for a More Sustainable Future

- **Circular Economy**

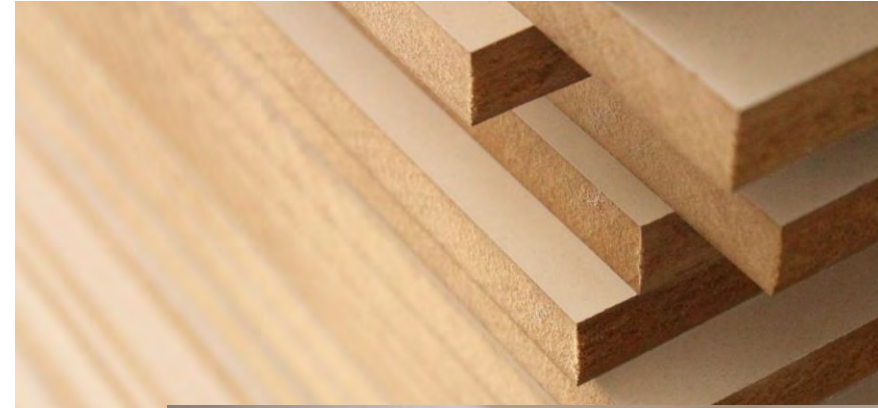
- Formaldehyde-based resins allow for the recycling of millions of tons of waste wood fiber into sustainable furniture and construction materials

- **Resilience**

- Reduction of GHG emissions and fossil fuel reliance will facilitate creation of more resilient community

- **Embodied Carbon**

- Composite wood panels sequester carbon throughout their life and require less energy to manufacture than other building products



Hexion Launching New Fire-Resistant Product

- Hexion has launched ArmorBuilt™ fire resistant wrap, a new product which greatly improves fire protection when applied to a substrate
- ArmorBuilt wrap is a proprietary intumescent fiberglass backed wrap from Hexion that is affixed to wooden utility poles and can be applied to either new or existing poles
 - Designed to protect the critical utility infrastructure, ArmorBuilt also helps to improve emergency access during evacuation scenarios, where downed utility poles can impede first responders and/or trap evacuees
- ArmorBuilt wrap is currently being produced, while additional automation came online in the first quarter of 2021
 - Announced expansion for a second automated line
 - Currently being installed in California and applicable for regions with high incidence of wildfires, such as Western United States



Hexion Remains Focused on New Product Development

Growth Investments Positions Hexion for Long Term Growth

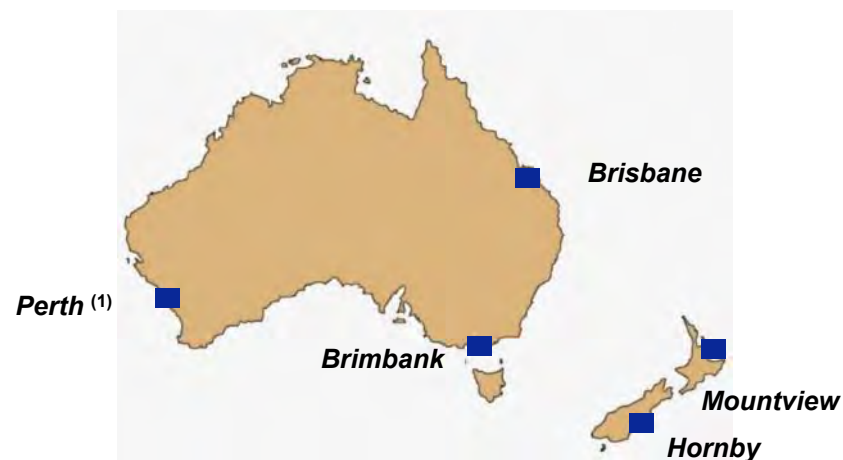
Focused on Driving New Product Development

- Hexion has successfully completed construction of its new Application Development Center (ADC) in Shanghai as part of its global efforts to foster further innovation in its specialty portfolio
- Strategic R&D investment will support new product development and customer collaboration to accelerate growth in waterborne coatings and composite applications



Brimbank Site Expansion

- Hexion announced plans to add phenolic resin capacity as the latest expansion of its adhesives and binders business at its Brimbank, Australia site
- The expansion is intended to meet the growing demand for phenolic resins in a variety of applications including as a component in fire-resistant cladding material for commercial, institutional and residential applications
- Construction of a new reactor and associated infrastructure; expected to come online in mid 2022



Section 3

Strategic M&A to Accelerate Profitable Growth

Ascending the Valuation Summit



Commodity Provider
Current: ~ 5-7x

- Limited / no product differentiation
- Driven by underlying commodity price trends
- Very high volatility




Diversified
Current: ~ 7-8x

- Combination of commoditized and differentiated products
- Relatively high volatility
- Diversified end-market exposure (construction, industrials, auto)



Specialty
Current: ~ 11-14x

- Diversified end-market exposure (construction, industrials, auto)
- High margin businesses (high teens to low-twenties EBIDTA margin) with limited impact of raw materials (pass-through over time)
- Limited volatility



Hexion Strategic Vision

Portfolio

Coatings &
Composites

Adhesives

- Leadership in key markets
- Leverage backward RM integration and competence in core chemistries
- Evaluate and divest non-core businesses and products
- Active M&A management to further strategic vision

Financial

- 15%+ EBITDA Margins
- < 3x Leverage
- NPD as % of Sales: +25%

Operating Model

- Streamlined and efficient global manufacturing and supply chain organization
- Low cost, state of the art functional model leveraging global business services group
 - Internal / external managed services allows flexible & variable cost base

Portfolio Strategy Seeks to Align Hexion with Specialty Chemical Peers

Long-Term Acquisition Process – Screening Criteria

- **Quantitative and Qualitative Initial Screening**
 - Rationale, Size and Type of Acquisition
 - Financial Fit : (*EBITDA %*, *Sales Growth*, *Synergies*)
 - Cultural Fit: (*Geographic*, *Business Model*, *Safety*, *Compliance Alignments*)
 - Hexion Segment Overlap
 - Chemistry Alignment with Current Portfolio: (*Raw material and End market overlaps*, *Stream location*, *NPD*, *Technology*)

Screening Allows Hexion to Focus M&A Resources on Targets that have Highest Potential to Maximize Value

Portfolio Optimization & Value Creation Process

Examples	Strategic Objective
Hercules <ul style="list-style-type: none"> ▪ Betz Dearborn 	<ul style="list-style-type: none"> ▪ Cash Generation (<i>Deleveraging</i>)
Chemtura <ul style="list-style-type: none"> ▪ AO/UV ▪ PVC Additives ▪ Crop Protection 	<ul style="list-style-type: none"> ▪ Liability Reduction (<i>Pension</i>) ▪ Portfolio Upgrade (<i>Margin Improvement</i>) ▪ Cash Generation (<i>Opportunistic Value Creation & Stock Buy Back</i>)
<ul style="list-style-type: none"> ▪ Hexion <ul style="list-style-type: none"> ▪ Divested Phenolic Specialty Resins and European Forest Products Business (April '21) ▪ Hexion Holdings submitted a draft Form S-1 registration statement on a confidential basis for a proposed public offering of its common stock later this year <ul style="list-style-type: none"> – The planned registered public offering is part of Hexion's and its Board of Directors' ongoing and continuous strategic review and evaluation of opportunities to enhance shareholder value 	<ul style="list-style-type: none"> ▪ Cash Generation (<i>Deleveraging</i>) ▪ Portfolio Upgrade (<i>Margin Improvement</i>) ▪ Predictable Growth Trajectory (<i>Minimize Earnings Cyclicity</i>) ▪ Maximize long-term Shareholder Value

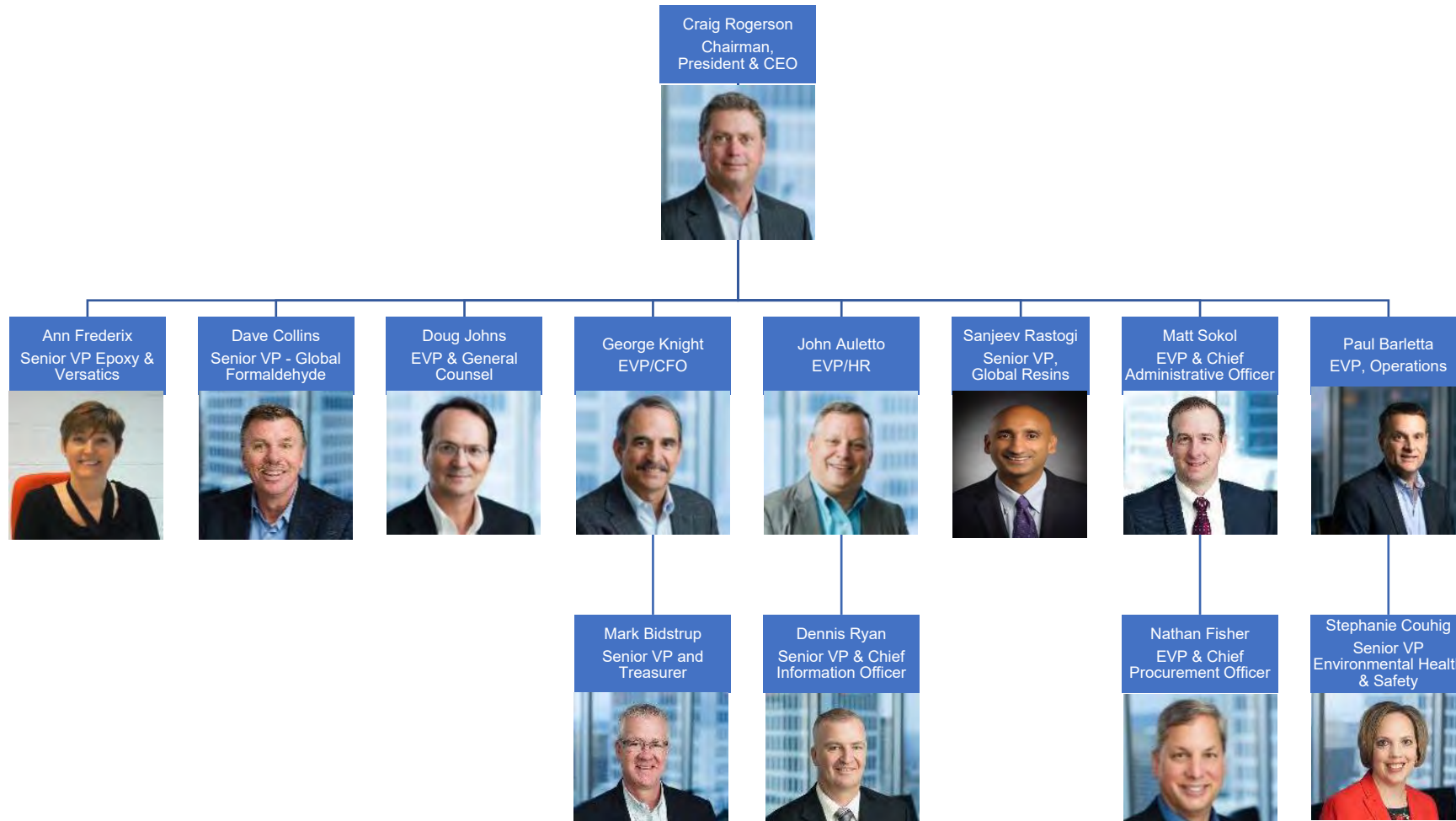
M&A: Lessons Learned

- Get strategic buy-in
- Assess value vs. certainty trade-off
- Keep emotions in check
- Move quickly but not eagerly
- Don't overestimate synergies
- Win/Win deals a plus

Section 4

Right People for the Right Time: Culture and Team Agility

Hexion Senior Leadership Team



Seasoned Senior Leadership Team with Proven Track Record of Successfully Operating Through Industry Cycles and Executing Broad Range of Strategic Initiatives (Acquisitions/Divestitures/Refinancings/etc.)

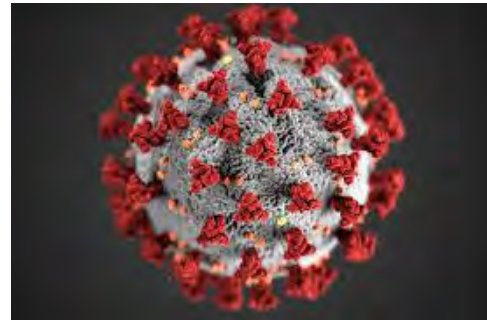
Recent Recognitions Reflect Strong Corporate Culture

Hexion's Commitment to Sustainability and Responsible Chemistry

2021 U.S. EPA Energy Star® Partner of the Year



ACC Responsible Care® Outstanding COVID-19 Response Efforts



ACC Responsible Care® Waste Minimization, Reuse and Recycling

Argo, IL: Re-engineered vessel cleaning processes to reduce the amount of cleaning solvent used

ACC Responsible Care® Energy Efficiency Award

Geismar, LA: boiler feedwater recovery project

Louisville, KY: improved recovery of waste heat from boilers & catalytic oxidizer; and improvement of cooling water tower efficiency

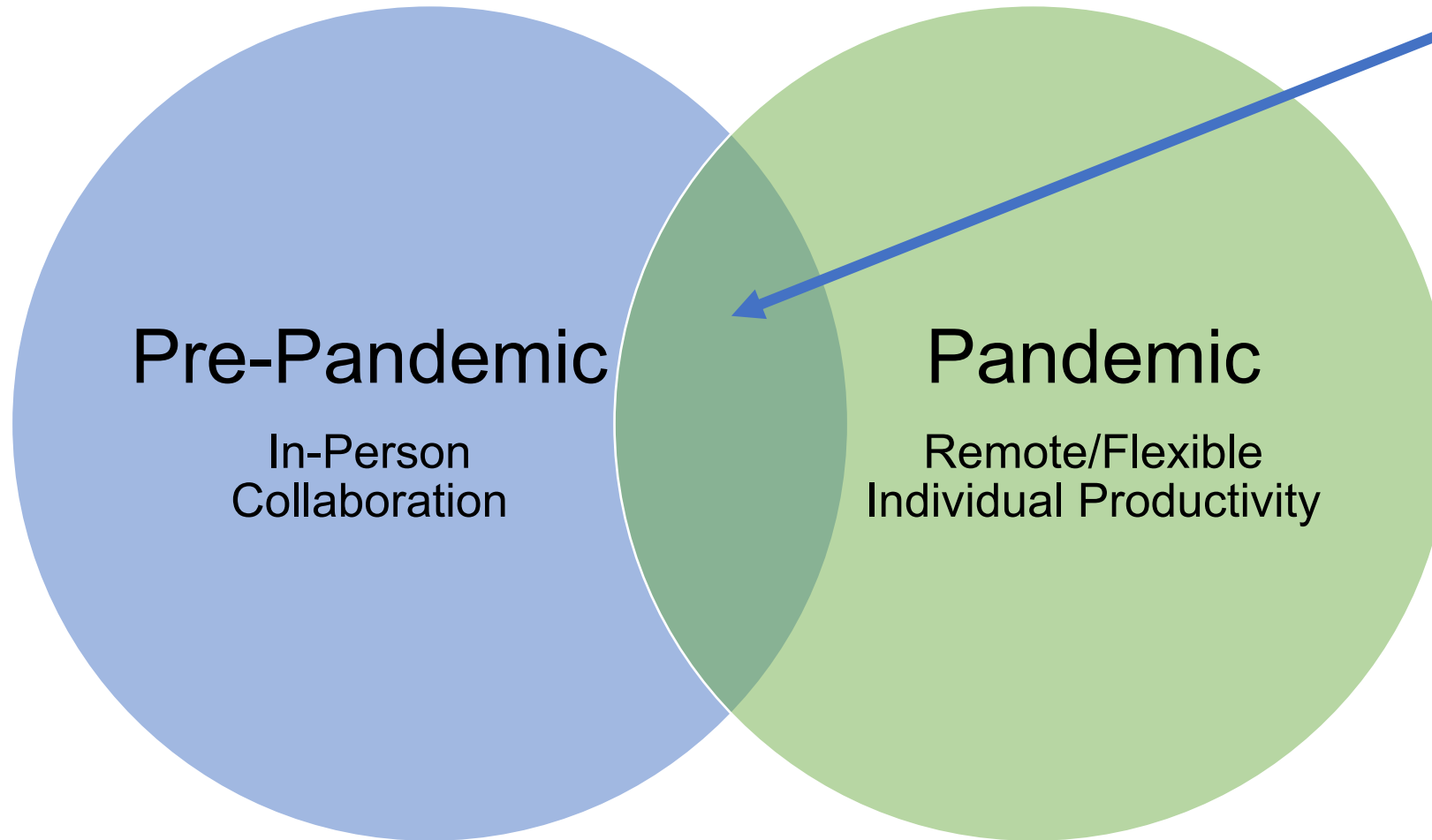


Responsible Care® 2020 Facility Safety Awards:

Acme, NC; Alexandria, LA; Argo, IL; Baytown, TX; Deer Park, TX; Diboll, TX; Geismar, LA; Hope, AR; Lakeland, FL; Missoula, MT; Moreau, NY; Portland, OR; and Sheboygan, WI

COVID-19 Allowed Us to Learn About How We Work

Hybrid Work Model: In-person Collaboration + Remote/Flexible Productivity

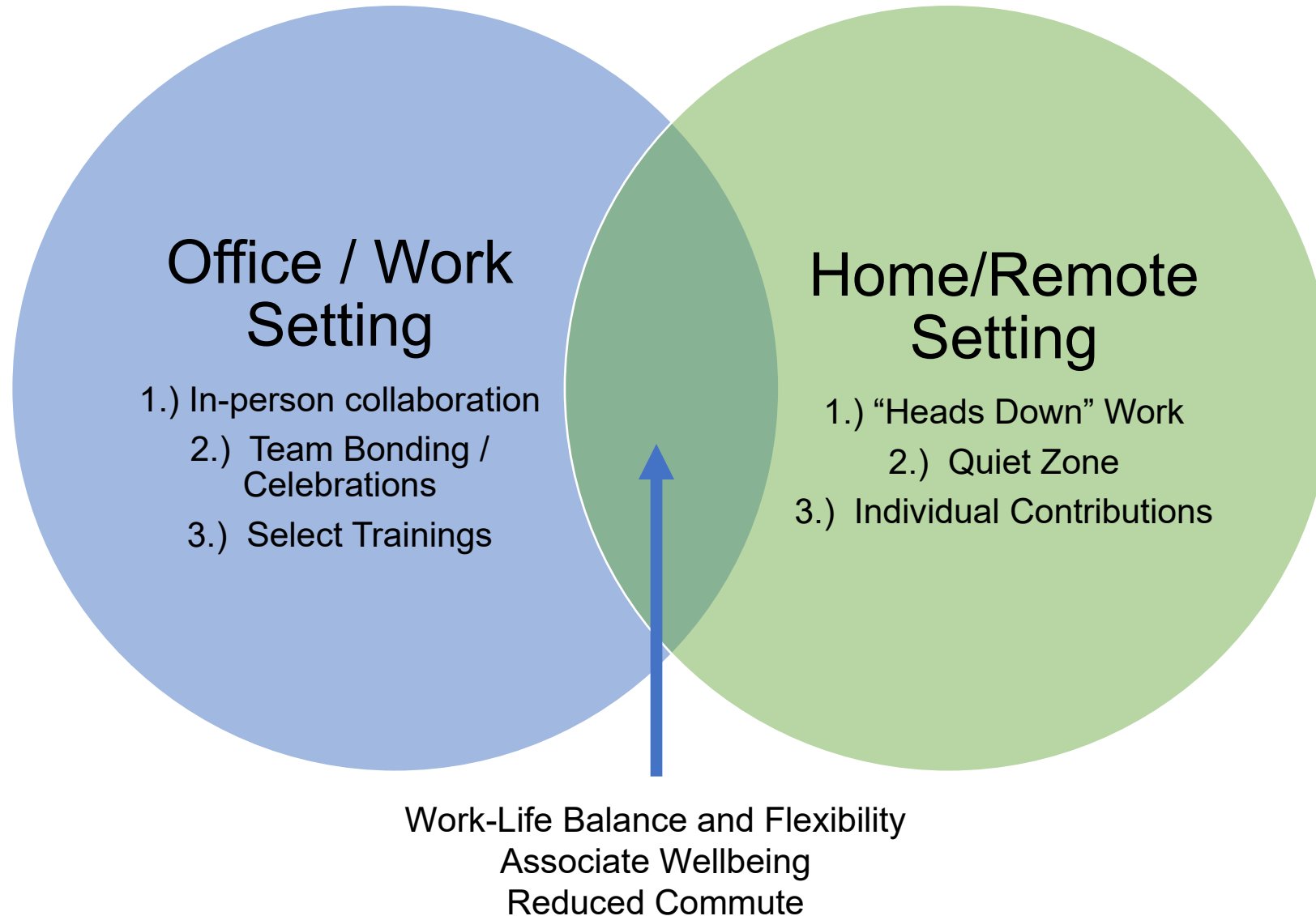


Once we move to Level 4:

We will leverage pre-pandemic and pandemic learnings to develop a hybrid work model:

- 1) In general, associates will work both in the office and remotely.
- 2) This will vary by geography, site, nature of work, and even within teams. Leaders will work with teams to determine best solution.
- 3) We will continue to gather and commit to re-evaluating after 12 months.
- 4) Once in Level 4 – all associates are welcome to be in office frequently.

Hybrid Work Model: Locations Offer Different Value



Section 5

Lessons Learned While Focusing on Creating Shareholder Value

Creating Shareholder Value: Lessons Learned

- Culture wins
- Communicate as transparently as possible with various stakeholders, particularly associates
- Leverage portfolio optimization to accelerate value creation opportunities – No Sacred Cows
- Optionality – multiple paths and multiple outcomes
- Leverage strategic advisors that have delivered in the past
- Focused R&D Investment to create a pipeline of innovation
- Align product portfolio with products with sustainable attributes



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Open Q&A

Use the Chat feature



9/23 Hexion: Sharpening Innovation for Growth



Craig Rogerson

Hexion

Chairman, President & CEO



10/21 McKinsey: Reopening the World Under Deep Uncertainty



MODERATOR

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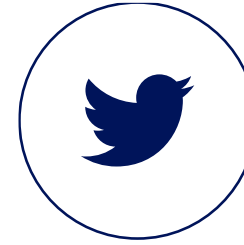
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