

# **A. Schulman Fiscal 2017 Third Quarter Earnings Call Supplemental Slides**

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JUNE 29, 2017

# Cautionary Note

A number of the matters discussed in this document that are not historical or current facts deal with potential future circumstances and developments may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they do not relate strictly to historic or current facts and relate to future events and expectations. Forward-looking statements contain such words as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. Forward-looking statements are based on management's current expectations and include known and unknown risks, uncertainties and other factors, many of which management is unable to predict or control, that may cause actual results, performance or achievements to differ materially from those expressed or implied in the forward-looking statements. Important factors that could cause actual results to differ materially from those suggested by these forward-looking statements, and that could adversely affect the Company's future financial performance, include, but are not limited to, the following:

- worldwide and regional economic, business and political conditions, including continuing economic uncertainties in some or all of the Company's major product markets or countries where the Company has operations;
- the effectiveness of the Company's efforts to improve operating margins through sales growth, price increases, productivity gains, and improved purchasing techniques;
- competitive factors, including intense price competition;
- fluctuations in the value of currencies in areas where the Company operates;
- volatility of prices and availability of the supply of energy and raw materials that are critical to the manufacture of the Company's products, particularly plastic resins derived from oil and natural gas;
- changes in customer demand and requirements;
- effectiveness of the Company to achieve the level of cost savings, productivity improvements, growth and other benefits anticipated from acquisitions, joint ventures and restructuring initiatives;
- escalation in the cost of providing employee health care;
- uncertainties and unanticipated developments regarding contingencies, such as pending and future litigation and other claims, including developments that would require increases in our costs and/or reserves for such contingencies;
- the performance of the global automotive market as well as other markets served;
- further adverse changes in economic or industry conditions, including global supply and demand conditions and prices for products;
- operating problems with our information systems as a result of system security failures such as viruses, cyber-attacks or other causes;
- our current debt position could adversely affect our financial health and prevent us from fulfilling our financial obligations; and
- failure of counterparties to perform under the terms and conditions of contractual arrangements, including suppliers, customers, buyers and sellers of a business and other third parties with which the Company contracts.

The risks and uncertainties identified above are not the only risks the Company faces. Additional risk factors that could affect the Company's performance are set forth in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2016. In addition, risks and uncertainties not presently known to the Company or that it believes to be immaterial also may adversely affect the Company. Should any known or unknown risks or uncertainties develop into actual events, or underlying assumptions prove inaccurate, these developments could have material adverse effects on the Company's business, financial condition and results of operations.

# Use of Non-GAAP Financial Measures

This presentation includes certain financial information determined by methods other than in accordance with accounting principles generally accepted in the United States (“GAAP”). The Company uses segment gross profit, SG&A expenses excluding certain items, segment operating income, operating income before certain items, net income excluding certain items, net income per diluted share excluding certain items and adjusted EBITDA to assess performance and allocate resources because the Company believes that these measures are useful to investors and management in understanding current profitability levels that may serve as a basis for evaluating future performance and facilitating comparability of results. In addition, segment operating income, operating income before certain items and net income excluding certain items are important to management as all are a component of the Company’s annual and long-term employee incentive plans. Non-GAAP measures are not in accordance with, nor are they a substitute for, GAAP measures, and tables included in this release reconcile each non-GAAP financial measure with the most directly comparable GAAP financial measure. The most directly comparable GAAP financial measures for these purposes are gross profit, SG&A expenses, operating income, net income and net income per diluted share. The Company’s non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures, and should be read only in conjunction with the Company’s consolidated financial statements prepared in accordance with GAAP.

While the Company believes that these non-GAAP financial measures provide useful supplemental information to investors, there are very significant limitations associated with their use. These non-GAAP financial measures are not prepared in accordance with GAAP, may not be reported by all of the Company’s competitors and may not be directly comparable to similarly titled measures of the Company’s competitors due to potential differences in the exact method of calculation. The Company compensates for these limitations by using these non-GAAP financial measures as supplements to GAAP financial measures and by reviewing the reconciliations of the non-GAAP financial measures to their most comparable GAAP financial measures.

# Financial Highlights – F17Q3 vs. FY16Q3

## 3Q FINANCIAL HIGHLIGHTS (\$MM, \$/SH)

	GAAP Comparison		Adjusted Comparison	
	FY17Q3	FY16Q3	FY17Q3	FY16Q3
REVENUE	645.8	650.4	645.8	650.4
OP INCOME	32.2	31.6	37.1*	45.8*
NET INCOME	13.9	15.5	18.5*	25.2*
EBITDA*			56.0	66.9
EPS - diluted	0.47	0.53	0.63*	0.79*

- Reported sales marginally down YOY; excluding FX sales rose 1.8 percent
- First organic sales gain in 2.5 years, excluding FX and acquisitions
- Strength in EC, APAC and LATAM offset by ongoing USCAN consolidation actions and a temporary hesitation in EMEA sales
- FY17Q3 adjusted EPS of \$0.63 includes a \$0.04 negative effect of foreign currency

**PRODUCT FAMILY REORGANIZATION INITIATING TOP-LINE GROWTH**

# Segment Financial Highlights – FY17Q3

## EMEA (\$MM)

	FY173Q	FY163Q
Revenue	318.0	322.4
Change (ex FX)	3%	
Operating Income <sup>1</sup>	19.7	23.4
Operating Margin <sup>1</sup>	6.2%	7.2%

### Revenue

- Month of April split. Pre-Easter saw strong demand; post-Easter polyolefin prices decreased which froze customer buying
- May saw recovery; revenue up 3% despite April

### Operating Income

- Spread lower due to timing lag from raw material increases and ability to obtain price increases
- Operating results improved in May

## USCAN (\$MM)

	FY173Q	FY163Q
Revenue	167.9	183.3
Change	(8%)	
Operating Income <sup>1</sup>	6.5	15.6
Operating Margin <sup>1</sup>	3.9%	8.5%

### Revenue

- PM continues to be negativity impacted by complex business consolidation
- CCS saw growth in oilfield business through improving demand & innovation pipeline
- Continuing to requalify CCS lines/products in Texas

### Operating Income

- Price/cost spread lower in PM but positive in CCS
- Operating income lower despite SG&A declines

# Segment Financial Highlights – FY17Q3

## LATAM (\$MM)

	FY17Q3	FY16Q3
Revenue	47.4	43.4
Change (ex FX)	6%	
Operating Income <sup>1</sup>	6.2	4.7
Operating Margin <sup>1</sup>	13.1%	10.9%

### Revenue

- CCS saw strong recovery in packaging market
- PM remain strong due to robust mobility market

### Operating Income

- Improved gross profit and lower SG&A drove margin gain

## APAC (\$MM)

	FY17Q3	FY16Q3
Revenue	53.2	46.9
Change (ex FX)	18%	
Operating Income <sup>1</sup>	5.3	4.5
Operating Margin <sup>1</sup>	9.9%	9.7%

### Revenue

- Strong demand in Indonesia (CCS) and Malaysia (PM) helped to offset slowing China
- CCS demand in China moderated, due to raw material price increases

### Operating Income

- Favorable pricing drove higher margin

## EC (\$MM)

	FY17Q3	FY16Q3
Revenue	59.3	54.5
Change (ex FX)	9%	
Operating Income <sup>1</sup>	6.8	5.0
Operating Margin <sup>1</sup>	11.4%	9.2%

### Revenue

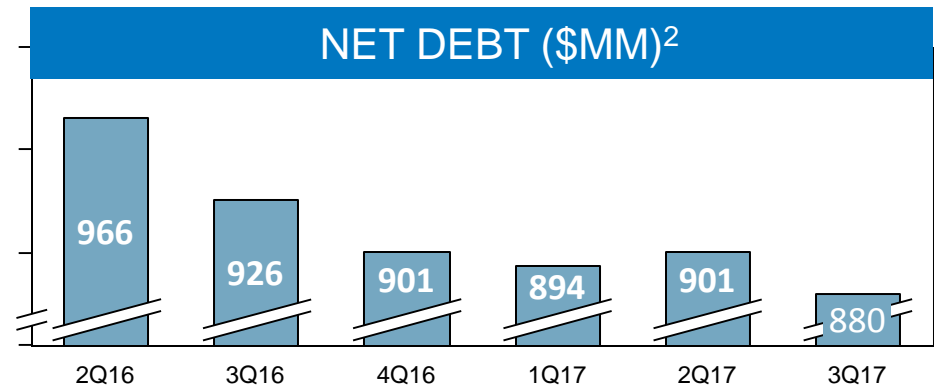
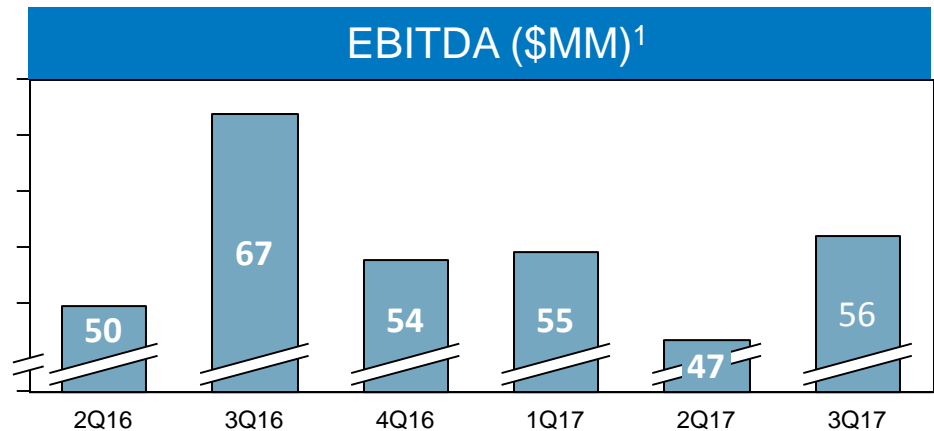
- Carbon Fiber based business with key customers seasonally strong
- Oilfield growth driven by new customer business
- Increasing market share in Electric & Electronics market

### Operating Income

- Price/mix favorable as business shifts portfolio to higher margin products





# Cash Flow/Cash Deployment

- Working capital days lower both for the quarter and 12-month rolling
- Capital spending down slightly
- Cash flow priority is debt reduction; approximately \$189MM debt reduction since 2015 Citadel purchase
- Company paid \$6MM dividends on common stock; current yield of approximately 2.8%
- Company paid \$1.9MM dividends on convertible special stock



**DEBT REDUCTION REMAINS A HIGH PRIORITY**

# Key Raw Material Price Trends

Raw Material	Current Trend/Outlook
 <b>Polyolefins</b>	<ul style="list-style-type: none"> <li>Expect continuing downward price pressure in PE and PP pricing in FY17Q4 as a result of decreasing oil pricing and new U.S. capacity coming on-stream during late calendar 2017</li> </ul>
 <b>Engineered Resins</b>	<ul style="list-style-type: none"> <li>Nylon, which increased rapidly in the FY17H1, stabilized in FY17Q3 and expected to decline in FY17Q4 as a result of oil pricing</li> <li>Styrenics has shown similar pattern to nylon</li> </ul>
 <b>TiO2</b>	<ul style="list-style-type: none"> <li>TiO2 pricing showing early signs of softening as smaller Chinese producers have shown willingness to decrease price; EMEA and USCAN price increases continue to be announced</li> </ul>
 <b>Other Materials</b>	<ul style="list-style-type: none"> <li>Other compounding materials (additives, pigments and fillers) expected to remain flat during FY17</li> </ul>

**IN FY17Q4 TiO2 PRICING MOMENTUM SLOWING, POLYOLEFINS & NYLON REDUCING, OTHER MATERIALS STABLE**



# 2017 Reset Year

## Realign

- Product family realignment on track to drive savings of ~\$6MM annually

## Refocus on Sales

- Intense focus on cross-selling and full product portfolio training
- Sales operations position created to enhance visibility & accountability of sales metrics (i.e. Sales forecasting accuracy)

## Refocus on Innovation

- LATAM innovative nanotechnology products for agriculture film market
- EMEA traction with new innovation for automotive and construction applications
- Spreading new innovation globally

## Restructure

- Two plant closures/transfers (EMEA and USCAN) completed with expected annual savings ~\$1.5MM
- Expected to receive \$6-8MM cash proceeds from sale of shuttered plants by end of FY17

**REINVIGORATED BUSINESS MODEL - ACCELERATING GROWTH**

# Complex Consolidation Update

## Operational Improvements Underway

- Plant reconfiguration to improve quality and efficiency
- Significant progress with UL certifications
- Process improvements identified and implemented
- Better screening of recycled materials
- Intense focus on rework, monthly scrap average reduced by 17%

## Engagement & Retention

- Manufacturing improvement team in place
- Internal subject matter experts deployed
- Direct hire program developed and executed
- Training and retention improved

## Revenue Generation

- Additional sources of recycled materials are becoming available to meet customer demand
- Improved plant efficiency, quality and customer service will generate increased revenue opportunities

**IMPROVEMENTS WILL DRIVE USCAN PROFITABILITY**

# SHLM 2017 Targets and Risk Factors

METRIC <sup>1</sup>	FY17
(excluding FX)	
REVENUE	\$2.5 – \$2.6B
EBITDA	\$225 – \$230MM
EPS	\$2.08 – \$2.18/sh
ROIC <sup>2</sup>	11% – 12.5%
NET LEVERAGE	3.5x – 3.8x

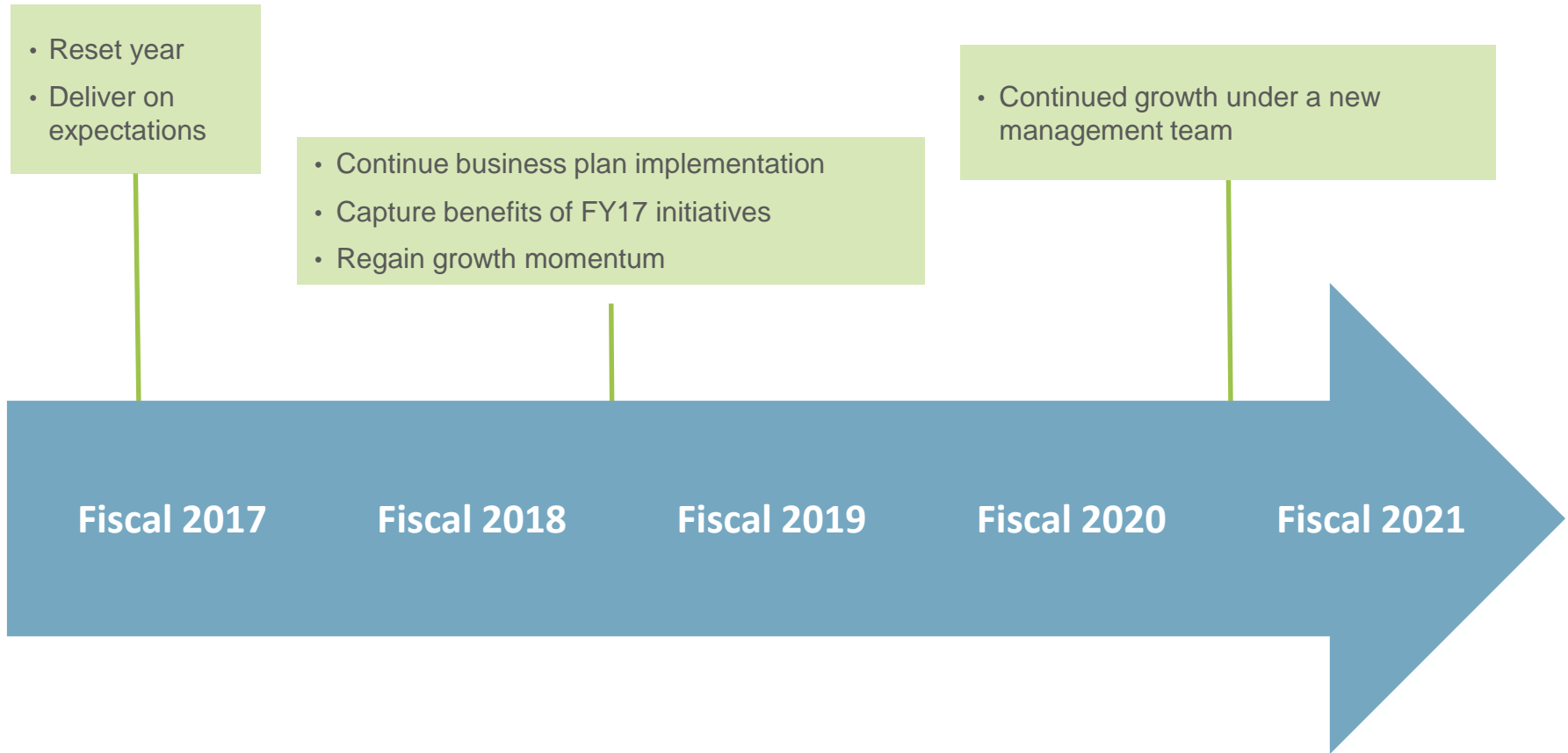
## Currency Translation – Risk Factor

- Initial FY17 guidance assumed Euro rate of \$1.13
- If Euro were at \$1.11 for the remainder of FY17 (with no changes in other world currencies) the negative impact on EPS could be an additional \$0.02 per share
- YTD currency impact \$0.10 per share
- Potential full-year adverse impact to sales approximately \$75MM
- Potential full-year adverse impact to EBITDA approximately \$6MM

1. Metrics are on a non-GAAP basis. Refer to the reconciliation of GAAP and Non-GAAP financial measures for types of items excluded from our business outlook.

2. Trailing Twelve Month (TTM) Non-GAAP Operating Income After Tax (30% Tax Rate Assumed) Divided by 12 Month Average Invested Capital Defined as Total Shareholders' Equity minus Cash and Goodwill, plus Total Debt.

# 2017 Reset Year: Momentum in FY17Q3



REINVIGORATED BUSINESS MODEL ACCELERATING GROWTH



# Appendix

**A. SCHULMAN, INC.**  
**Reconciliation of GAAP and Non-GAAP Financial Measures**  
Unaudited  
(In thousands, except per share data)

Three months ended May 31, 2017	Cost of Sales	Gross Margin	SG&A	Restructuring Expense	Operating Income	Operating Income per pound	Non Operating (Income) Expense	Income Tax Expense (Benefit)	Net Income Available to ASI Common Stockholders	Diluted EPS
<b>As Reported</b>	\$ 547,368	15.2%	63,266	939	32,222	\$ 0.051	\$ 12,429	3,695	13,903	\$ 0.47
<b>Certain Items:</b>										
Accelerated depreciation (1)	(236)		(1)	-	237		-	49	188	0.01
Restructuring and related costs (3)	-		(1,993)	(939)	2,932		-	604	2,328	0.07
Lucent costs (4)	(104)		(1,626)	-	1,730		-	356	1,374	0.05
Gain on asset sale (7)	-		-	-	-		169	(35)	(134)	-
Tax (benefits) charges (6)	-		-	-	-		-	(890)	890	0.03
<b>Total Certain Items</b>	<u>\$ (340)</u>	<u>0.1%</u>	<u>\$ (3,620)</u>	<u>\$ (939)</u>	<u>\$ 4,899</u>	<u>\$ 0.008</u>	<u>\$ 169</u>	<u>\$ 84</u>	<u>\$ 4,646</u>	<u>\$ 0.16</u>
<b>As Adjusted</b>	<u>\$ 547,028</u>	<u>15.3%</u>	<u>\$ 61,646</u>	<u>\$ -</u>	<u>\$ 37,121</u>	<u>\$ 0.059</u>	<u>\$ 12,598</u>	<u>\$ 3,779</u>	<u>\$ 18,549</u>	<u>\$ 0.63</u>
<b>Percentage of Revenue</b>			<u>9.5%</u>		<u>5.7%</u>			<u>15.4%</u>	<u>2.9%</u>	

Three months ended May 31, 2016	Cost of Sales	Gross Margin	SG&A	Restructuring Expense	Operating Income	Operating Income per pound	Non Operating (Income) Expense	Income Tax Expense (Benefit)	Net Income Available to ASI Common Stockholders	Diluted EPS
<b>As Reported</b>	\$ 540,965	16.8%	73,641	4,425	31,588	\$ 0.048	\$ 13,638	312	15,522	\$ 0.53
Convertible special stock dividends (8)									1,875	\$ 0.03
<b>Certain Items:</b>										
Accelerated depreciation (1)	(1,283)		(3)	-	1,286		-	243	1,043	0.03
Costs related to acquisitions and integrations (2)	(423)		(1,020)	-	1,443		-	235	1,208	0.04
Restructuring and related costs (3)	(1,647)		(3,628)	(4,245)	9,520		(127)	2,099	7,548	0.23
Lucent costs (4)	(466)		(1,485)	-	1,951		-	385	1,566	0.05
Accelerated amortization of debt issuance costs (5)	-		-	-	-		(163)	34	129	-
Tax (benefits) charges (6)	-		-	-	-		-	3,664	(3,664)	(0.12)
<b>Total Certain Items</b>	<u>\$ (3,819)</u>	<u>-7.6%</u>	<u>\$ (6,136)</u>	<u>\$ (4,245)</u>	<u>\$ 14,200</u>	<u>\$ 0.021</u>	<u>\$ (290)</u>	<u>\$ 6,660</u>	<u>\$ 9,705</u>	<u>\$ 0.26</u>
<b>As Adjusted</b>	<u>\$ 537,146</u>	<u>9.2%</u>	<u>\$ 67,505</u>	<u>\$ 180</u>	<u>\$ 45,788</u>	<u>\$ 0.048</u>	<u>\$ 13,348</u>	<u>\$ 6,973</u>	<u>\$ 25,227</u>	<u>\$ 0.79</u>
<b>Percentage of Revenue</b>			<u>10.4%</u>		<u>7.0%</u>			<u>21.5%</u>	<u>3.9%</u>	

# Explanation of Adjustments

1. Accelerated depreciation is related to restructuring plans in the Company's USCAN and EMEA segments.
2. Costs related to acquisitions and integrations primarily include third party professional, legal, IT and other expenses associated with successful and unsuccessful full or partial acquisition and divestiture/dissolution transactions, as well as certain employee-related expenses such as travel, one-time bonuses and post-acquisition severance separate from a formal restructuring plan.
3. Restructuring and related costs include items such as employee severance charges, lease termination charges, curtailment gains/losses, other employee termination costs and charges related to the reorganization of the legal entity structure. Refer to Note 12 in the Company's Quarterly Report on Form 10-Q for further discussion.
4. Lucent costs primarily represent legal and investigation costs related to resolving the Lucent matter, product manufacturing costs for reworking existing Lucent inventory, obsolete Lucent inventory reserve costs, and dedicated internal personnel costs that would have otherwise been focused on normal operations.
5. Write off of debt issuance costs are related to prepayments of \$56.0 million of Term Loan B. Refer to Note 3 in the Company's Quarterly Report on Form 10-Q for further discussion.
6. Tax (benefits) charges represent the Company's quarterly non-GAAP tax based on the overall estimated annual non-GAAP effective tax rates.
7. Gain related to sale of assets that had previously been classified as held for sale.
8. Convertible special stock dividends have been added back as the 2.4 million shares of convertible special stock were considered dilutive to the third quarter of fiscal 2016.

**A. SCHULMAN, INC.**  
**Reconciliation of GAAP and Non-GAAP Financial Measures**  
**Unaudited**

Three months ended

May 31, 2017    May 31, 2016

(In millions)

<b>Net income available to A. Schulman, Inc. common stockholders</b>	<b>\$</b>	<b>13.9</b>	<b>\$</b>	<b>15.5</b>
Interest expense		13.2		13.6
Provision for U.S. and foreign income taxes		3.7		0.3
Depreciation and Amortization		19.0		22.4
Noncontrolling interests		0.3		0.2
Convertible special stock dividends		1.9		1.9
Other (1)		(0.8)		0.2
<b>EBITDA, as calculated</b>		<b>51.2</b>		<b>54.1</b>
Non-GAAP adjustments (2)		4.8		12.8
<b>EBITDA, as adjusted</b>	<b>\$</b>	<b>56.0</b>	<b>\$</b>	<b>66.9</b>

**Explanation of Adjustments**

1. Other includes Foreign currency transaction (gains) losses and Other (income) expense, net.
2. For details on Non-GAAP adjustments, refer to "Reconciliation of GAAP and Non-GAAP Financial Measures", items (2) - (8). Amounts are included in Operating Income. Accelerated depreciation on the "Reconciliation of GAAP and Non-GAAP Financial Measures" has been excluded as it is already included in Depreciation and amortization above. The three months ended May 31, 2017 exclude additional depreciation expense which is in restructuring and related costs as it has already been included in Depreciation and amortization above.



**A. SCHULMAN, INC.**  
**SUPPLEMENTAL SEGMENT INFORMATION**

Three months ended  
**May 31, 2017**                      **May 31, 2016**

Unaudited

(In thousands, except for %)

**Net sales to unaffiliated customers**

EMEA	\$ 318,026	\$ 322,366
USCAN	167,880	183,338
LATAM	47,407	43,378
APAC	53,230	46,882
EC	59,252	54,476
<b>Total net sales to unaffiliated customers</b>	<b>\$ 645,795</b>	<b>\$ 650,440</b>

**Segment gross profit**

EMEA	\$ 42,509	\$ 49,852
USCAN	21,842	32,561
LATAM	9,929	9,056
APAC	9,154	8,080
EC	15,332	13,745
<b>Total segment gross profit</b>	<b>98,766</b>	<b>113,294</b>
Lucent Costs <sup>(1)</sup>	(104)	(466)
Accelerated depreciation and restructuring related	(236)	(2,930)
Cost Related to Acquisitions	-	(423)
<b>Total gross profit</b>	<b>\$ 98,426</b>	<b>\$ 109,475</b>

**A. SCHULMAN, INC.**  
**SUPPLEMENTAL SEGMENT INFORMATION**

**Three months ended**  
**May 31, 2017**                      **May 31, 2016**

Unaudited  
(In thousands, except for %)

<b>Segment operating income</b>		
EMEA	\$ 19,712	\$ 23,415
USCAN	6,474	15,575
LATAM	6,189	4,749
APAC	5,260	4,540
EC	6,759	4,998
<b>Total segment operating income</b>	<b>44,394</b>	<b>53,277</b>
Corporate and other	(7,273)	(7,489)
Costs related to acquisitions	-	(1,443)
Restructuring related <sup>(2)</sup>	(2,932)	(9,519)
CEO Transition Costs	-	-
Accelerated depreciation	(237)	(1,286)
Lucent Costs <sup>(1)</sup>	(1,730)	(1,951)
<b>Total operating income</b>	<b>32,222</b>	<b>31,589</b>
Interest expense	(13,179)	(13,557)
Foreign currency transaction gains (losses)	68	(392)
Other income (expense), net	682	312
<b>Income from continuing operations before taxes</b>	<b>\$ 19,793</b>	<b>\$ 17,952</b>

**Explanation of Adjustments**

1. Refer to Note 13, Commitments and Contingencies, for additional discussion on this matter. Lucent costs in cost of sales include additional product and manufacturing operational costs for reworking inventory. Lucent costs in selling, general and administrative expenses include legal and investigative costs. In addition, in the three months ended May 31, 2016, Lucent costs in SG&A also include dedicated internal personnel costs that would have otherwise been focused on normal operations.
2. Restructuring related costs for the three months ended May 31, 2017 of \$2.0 million and for the three months ended May 31, 2016 of \$5.3 million, primarily included in selling, general and administrative expenses in the Company's statements of operations, are costs associated with professional fees for outside strategic consultants regarding actions to improve the profitability of the organization and efficiency of its operations, and costs associated with reorganizations of the legal entity structure of the Company. Restructuring expenses included in restructuring expense in the Company's statement of operations include costs permitted under ASC 420, Exit or Disposal Obligations, such as severance costs, outplacement services and contract termination costs.