



# Fourth Quarter and Full Year 2018 Earnings Results

Conference Call

**Mexichem.**

# Forward-Looking Statements

In addition to historical information, this presentation contains "forward-looking" statements that reflect management's expectations for the future. The words "anticipate," "believe," "expect," "hope," "have the intention of," "might," "plan," "should" and similar expressions generally indicate comments on expectations. The final results may be materially different from current expectations due to several factors, which include, but are not limited to, global and local changes in politics, the economy, business, competition, market and regulatory factors, cyclical trends in relevant sectors; as well as other factors that are highlighted under the title "Risk Factors" on the annual report submitted by Mexichem to the Mexican National Banking and Securities Commission (CNBV).

The forward-looking statements included herein represent Mexichem's views as of the date of this press release. Mexichem undertakes no obligation to revise or update publicly any forward-looking statement for any reason unless required by law."

Mexichem has implemented a Code of Ethics that rules its relationships with its employees, clients, suppliers and general groups. Mexichem's Code of Ethics is available for consulting in the following link:

[http://www.mexichem.com/Codigo\\_de\\_etica.html](http://www.mexichem.com/Codigo_de_etica.html).

Additionally, according to the terms contained in the Securities Exchange Act No 42, Mexichem Audit Committee established a mechanism of contact, which allows that any person that knows the un-fulfilment of operational and accounting records guidelines and lack of internal controls of the Code of Ethics, from the Company itself or from the subsidiaries that this controls, file a complaint which is anonymously guaranteed. The whistleblower program is facilitated by a third party. The telephone number in Mexico is 01-800-062-12-03.

The website is: <http://www.ethic-line.com/mexichem> and contact e-mail is: [mexichem@ethic-line.com](mailto:mexichem@ethic-line.com).

Mexichem's Audit Committee will be notified of all complaints for immediate investigation.



- Opening Remarks
- Business Highlights
- Financial Highlights
- Closing Remarks

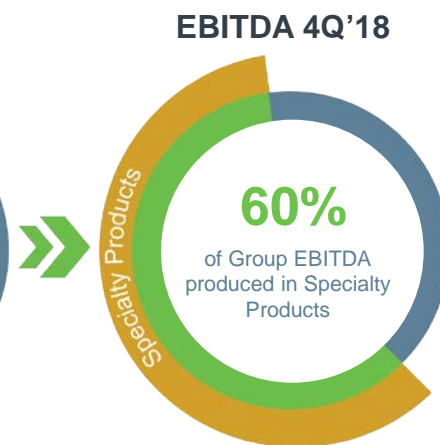
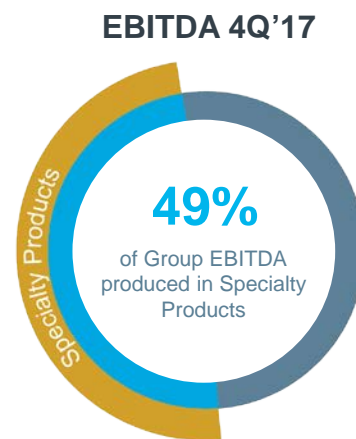
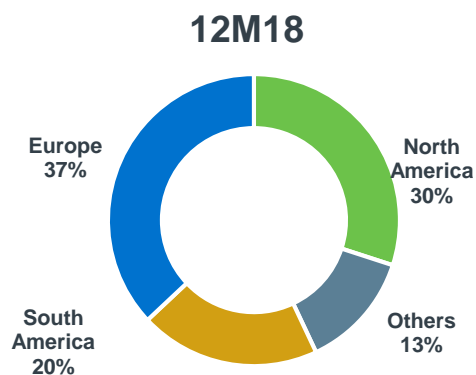
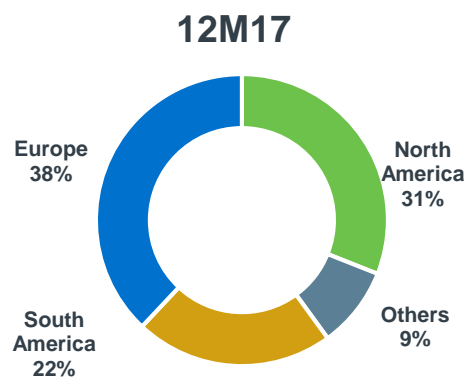
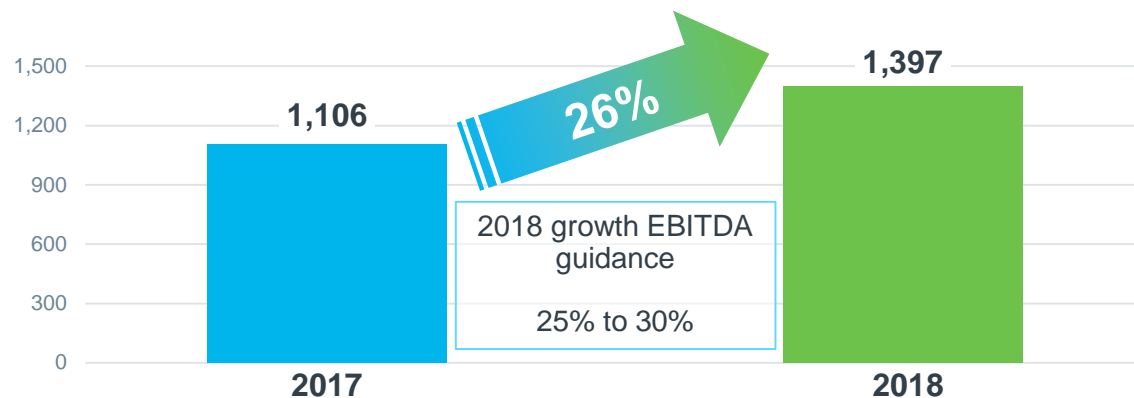








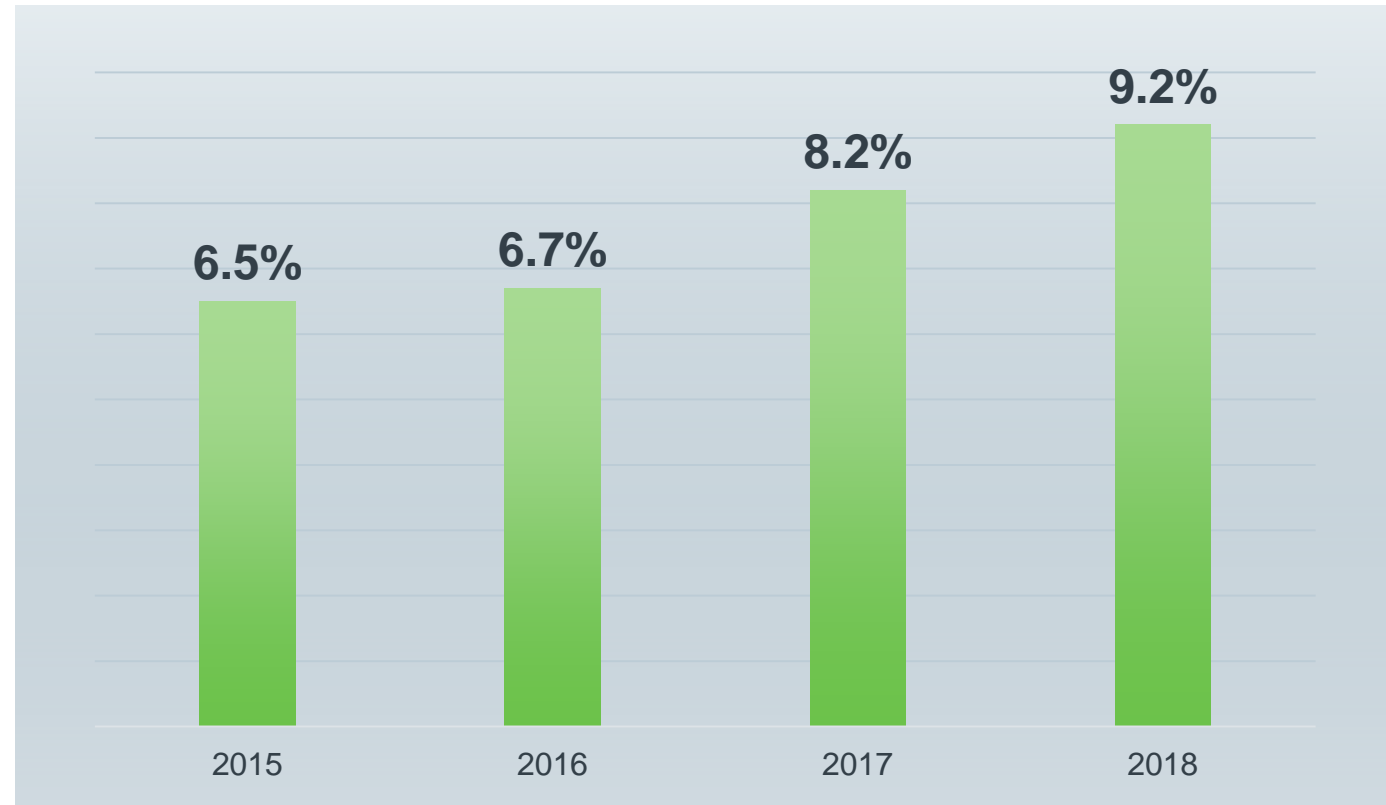
# EBITDA Evolution in 2018, well diversified and every day more downstream to Specialty products



## Continued positive trends in ROIC, consistent with our long-term strategy

### ROIC (%)

Mexichem Group



**ROIC:** Adjusted NOPAT for continuing operations/Adjusted Equity from continuing operations + Liabilities with cost – Cash. Income from continuing operations and NOPAT (EBIT-taxes) consider trailing twelve months.

Mexichem's WACC = 8.5%



# NetBeat™

Irrigation With a Brain



MONITOR  
ANALYZE  
AUTOMATE











# RIGHT HOUSE



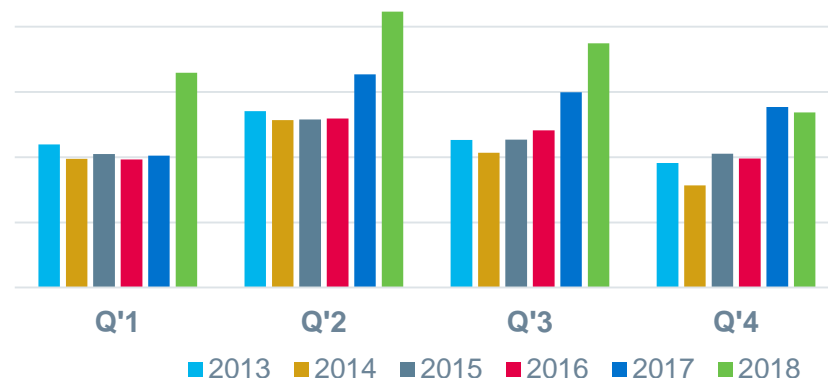
# Brief Summary of Results

1

mm US\$	Fourth Quarter		
Financial Highlights	2018	2017	%Var.
Net sales	1,689	1,468	15%
Operating income	122	162	-25%
EBITDA	269	277	-3%
EBITDA margin	15.9%	18.9%	-298 bps
Net majority income	32	14	129%
Cash Flow before CAPEX, debt repayment & dividends	397	339	17%
Cash Conversion	148%	122%	2,600 bps

2

EBITDA by quarter (US mm)



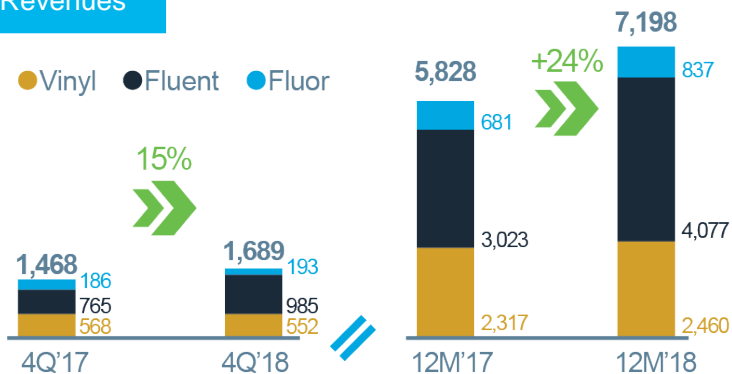
Quarter	Sales			EBITDA		
mm US\$	4Q18	4Q17	%Var.	4Q18	4Q17	%Var.
Vinyl	552	568	-3%	93	150	-38%
Fluent	985	765	29%	104	76	37%
Fluor	193	186	4%	79	68	16%
Energy	-	-	-	-	-	-
Eliminations/ Holding	(41)	(51)	-20%	(7)	(17)	-59%
<b>Mexichem Consolidated</b>	<b>1,689</b>	<b>1,468</b>	<b>15%</b>	<b>269</b>	<b>277</b>	<b>-3%</b>



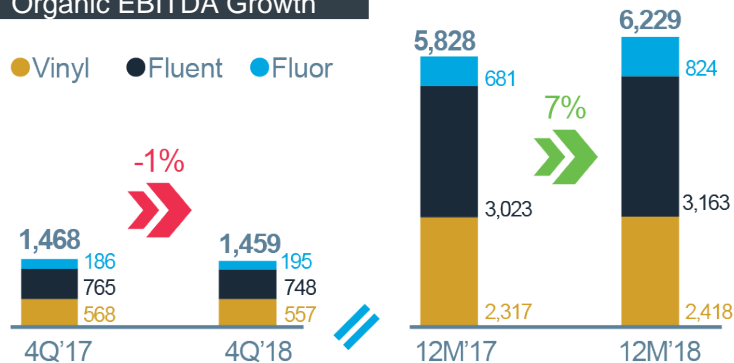
# Strong Performance by Business Group

X% EBITDA margin

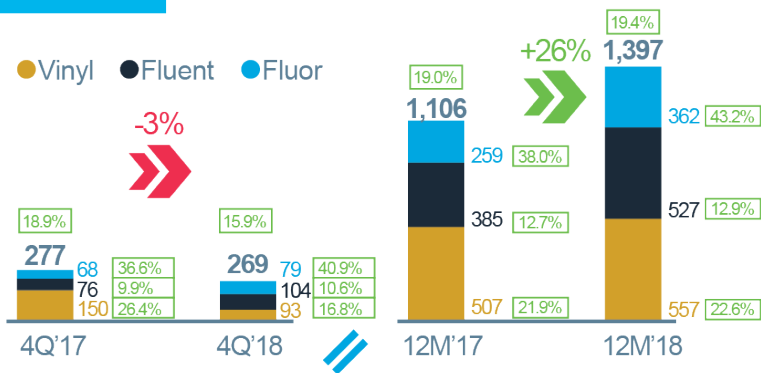
## Revenues



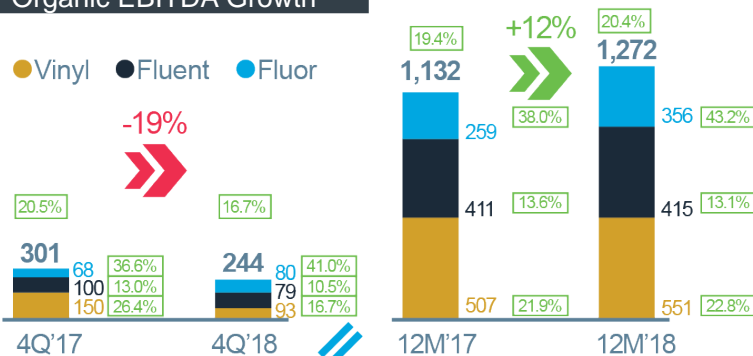
## \*Constant currency & Organic EBITDA Growth



## EBITDA



## \*Constant currency & Organic EBITDA Growth



\* **Organic** = means that it will exclude: i) ; ii) CADE and Netafim Ltd. Acquisition related expenses; iii) Brazil Tax legal settlement benefit, and iv) FX translation effects without consider any positive or negative effect from Venezuela.

# Strong Cash Generation Despite Seasonality

	mm US\$	Fourth Quarter			January - December		
		2018	2017	%Var.	2018	2017	% Var.
<b>EBITDA</b>		269	277	-3%	1,397	1,106	26%
<b>Taxes paid</b>		(36)	(18)	100%	(226)	(122)	85%
<b>Net interest paid</b>		(21)	(3)	600%	(183)	(137)	34%
<b>Bank commissions</b>		(9)	(6)	50%	(39)	(27)	44%
<b>Exchange rate gains (losses)</b>		(7)	(16)	-56%	(47)	(33)	42%
<b>Change in trade working capital <sup>(1) (2)</sup></b>		201	104	93%	(92)	(103)	-11%
<b>Operating cash flow before capex, debt repayment &amp; dividends</b>		397	339	17%	809	683	18%
<b>CAPEX (Organic)</b>		(81)	(66)	23%	(267)	(215)	24%
<b>CAPEX (Total JV)</b>		(3)	(14)	-79%	(15)	(119)	-87%
<b>CAPEX JV (OXY share)</b>		-	-		-	45	-100%
<b>NET CAPEX JV</b>		(3)	(14)	-79%	(15)	(74)	-80%
<b>Total CAPEX (organic &amp; JV)</b>		(83)	(81)	2%	(283)	(289)	-2%
<b>Operating cash flow before debt repayment &amp; dividends</b>		313	258	21%	527	394	34%
<b>Buy-back shares program</b>		(15)	-		(67)	(5)	1240%
<b>New debt (paid)</b>		(52)	997	N/A	168	961	-83%
<b>Operating cash flow before dividends</b>		246	1,255	-80%	628	1,350	-53%
<b>Shareholders' dividend</b>		(132)	(61)	116%	(342)	(193)	77%
<b>Free cash flow</b>		114	1,194	-90%	286	1,156	-75%
<b>PMV's insurance A/R</b>		-	-		268	-	
<b>Free cash flow after Insurance</b>		114	1,194	-90%	553	1,156	-52%

1) PMV's insurance A/R is not included in trade working capital calculation.

2) Trade working capital variation (Dec 18 vs Dec 17) includes Netafim's proforma results for comparative purposes.



# Investment Grade Rating and Reduced Leverage

	Last Twelve Months	
	Dec 2018	Dec 2017
<b>Net Debt USD million</b>	2,871	1,356
<b>Net Debt/EBITDA 12 M</b>	2.05x	1.23x
<b>Interest coverage</b>	5.59x	5.67x

Net debt USD includes \$0.3 million of letters of credit with maturities of more than 180 days that for covenant purposes are considered gross debt, although they are not booked in the accounting debt.

# Strong balance sheet and healthy debt profile

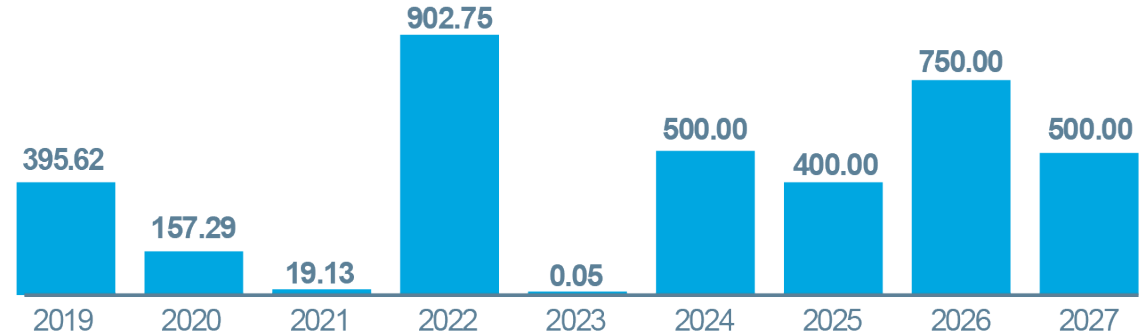
## Investment Grade

Fitch Ratings	BBB
S&P	BBB-
Moody's	Baa3

## Long-Term Debt Schedule

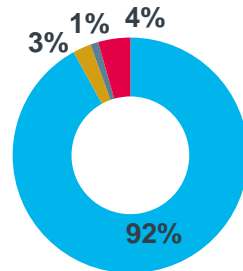
US\$MM, as of December 31<sup>st</sup>, 2018

- Debt Average Life  
14.3 years
- Weighted Average Cost of  
Debt 5.12%



## Most Debt at Holdco Level

Debt by Division

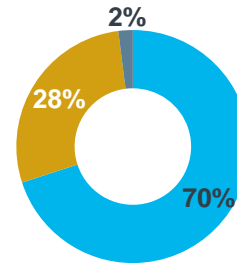


■ Holding ■ Vinyl ■ Fluor ■ Fluent

Source: Company filings

## Alignment of Debt to Revenue Currency

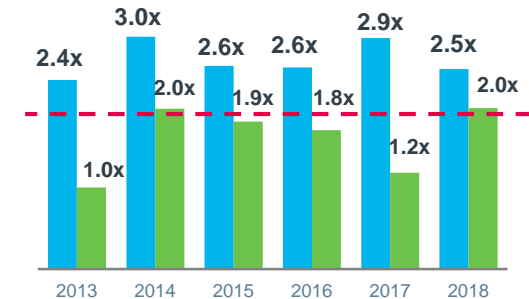
Debt by Currency (Swapped)



■ US\$ ■ Euro ■ Others

US\$1.5B revolving credit facility (100% available)

## Conservative Leverage Ratios



mexichem®