



# Brenntag AG

## Analyst Round Table 2014



London

November 5, 2014

## AGENDA

### **| Update on Brenntag Europe and “ONE Brenntag” initiative**

**Karsten Beckmann, CEO Brenntag Europe**

### **| Update on Brenntag North America and Oil&Gas business**

**Markus Klähn, CEO Brenntag North America**

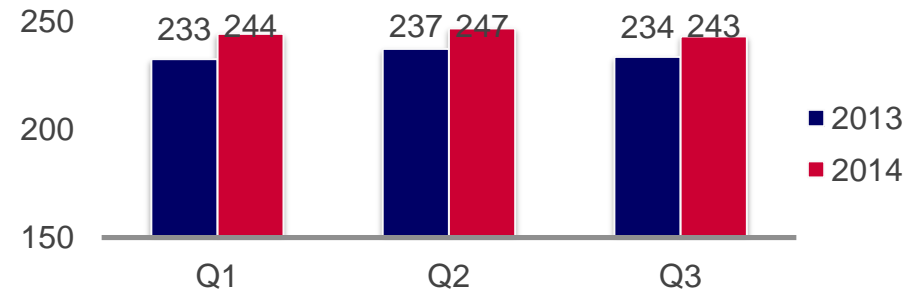
# EUROPE

## Update on Brenntag Europe

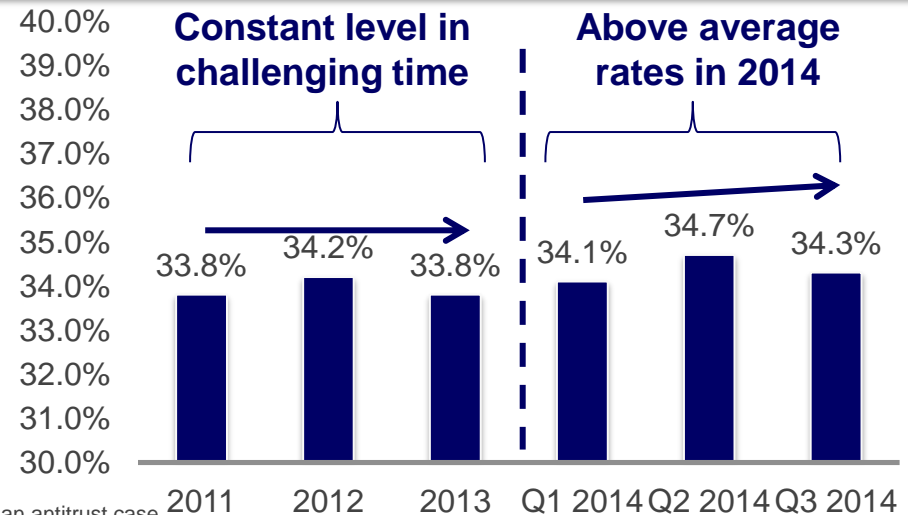
### 2014 Update

- Economic recovery in Europe has been observed YTD
- Brenntag Europe reports strongest GP growth for some years
- Focus of Brenntag Europe is on achieving organic growth
- Initiative “ONE Brenntag Europe” started and shows first positive impact
- Conversion rates improving
- Acquisition of Chimab in Italy

### Gross Profit (in EUR m)



### Conversion Ratio\* (EBITDA / GP)



\*) EBITDA for 2012 and 2013 has been adjusted for non-recurring cost items in Europe in relation to an antitrust case

## ONE BRENNTAG

**We started ONE Brenntag to create a unified platform for sustainable growth**

### CHALLENGE

- Organic growth
- More demanding markets, requiring
  - higher level of service excellence and
  - consistent performance levels
- Utilizing the combined commercial power
- Reducing lack of dedication for certain industries and countries
- Structures, market approaches and performance levels differed within Europe

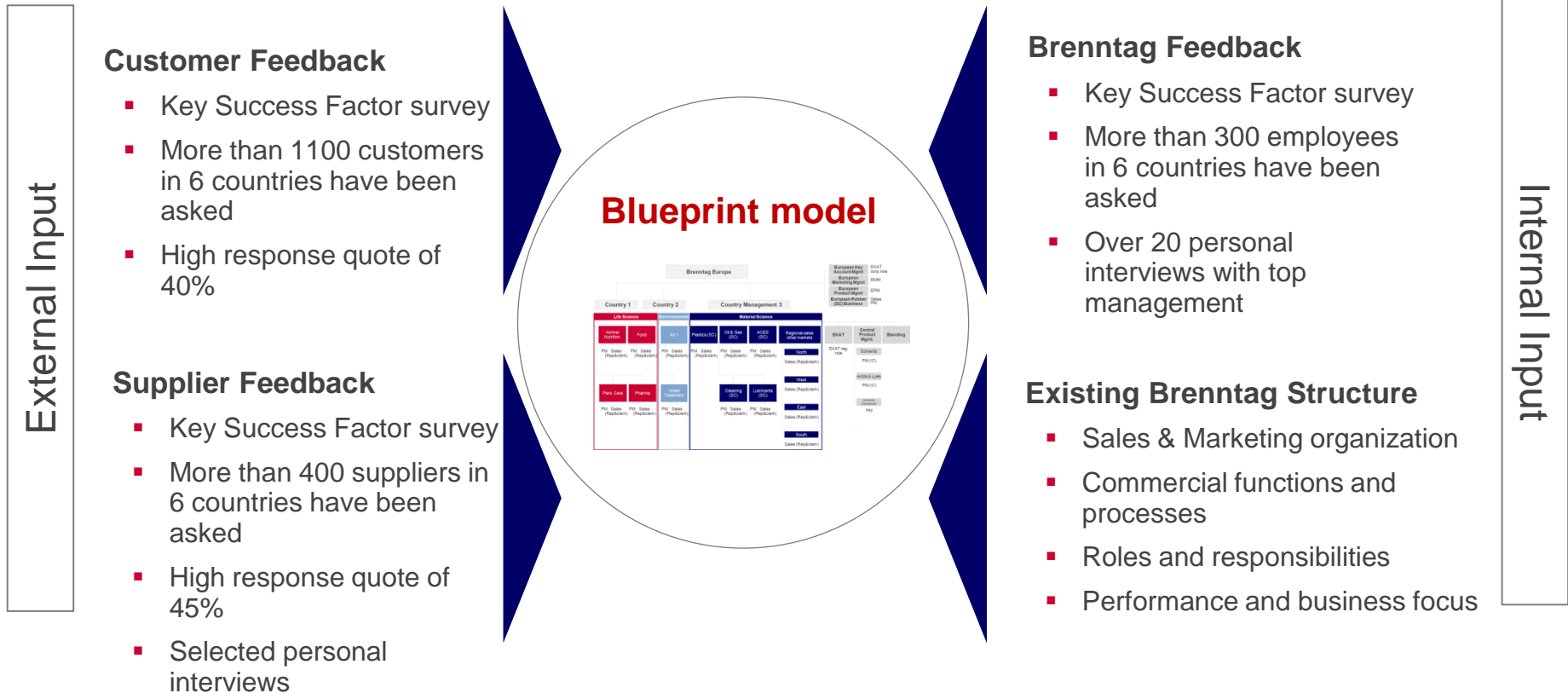
### ONE BRENNTAG

- Pan-regional USP
- Strong industry focus and dedication
- One channel to the customer
- One consistent business structure driving supplier development
- Leveraged commercial position
- Harmonised roles, responsibilities and processes

**Achieve sustainable gross profit growth**

## ONE BRENNTAG

# Comprehensive process started in 2013: external and internal input provided the basis for the new model



## OUR NEW ORGANIZATION

### Same transparent industry approach structure in all countries

- A clear counterpart with dedicated industry know-how. This expert understands: the company, business, and customer needs
- Easy access to the right Brenntag expert in Europe who is able to answer technical and market-specific questions
- Easy and fast access to our full product offering
- Access to a broad supplier base of several thousand suppliers
- Efficient processes at a consistently high-quality level across Europe
- Reinforcing European Product Management



## MARKET KNOWLEDGE

### Structured approach to Market knowledge – a valuable business resource

- Structured set up of CRM & Business Warehouse technology leveraging our >2300 sales force
- Provide unparalleled market access for Brenntag and our principals
- Disciplined project management to deliver value to customers and principals



- Visibility to market potential Tracking chemical demand
- >113k Visits / year in CRM, Imp/Exp databases
- Over 116k potentials, >700k single product potentials ... over >41B€ chemical demand



- 16,000 single customer development projects
- Tracking from identification , sampling, formulation, offer to closing
- Provides principals view on key market developments, win / ratio
- Running European wide supplier campaigns ... over 400 today

## CASE STUDY – SOLVENTS

### Exploiting market intelligence and infrastructure

#### Challenge

- Existing supplier wants to sell new shale-gas based solvents in Europe

#### Solution

- Brenntag used its market intelligence tools to identify potential demand
- Joint workshops to agree market entry strategy
- Brenntag provided import infrastructure and expertise in Rotterdam

#### Result

- New market entry achieved





## CASE STUDY – COATINGS

### Providing innovation and sustainability

#### Challenge

- A paint producer wanted solvent-free binder formulations
- But, without compromising product quality

#### Solution

- Brenntag coatings expert used in-house application centre for trials and worked in the customer's laboratory for 18 months to identify water-based binder alternatives

#### Result

- Customer now sells innovative, environmentally friendly, high-quality product



## OUTLOOK EUROPE

### Positive trends from 2014 should continue and will be supported by started initiatives



- Macro economy is difficult to predict given uncertainties around political crisis
- Brenntag Europe is well positioned in the marketplace
- Organic growth in 2014 underlines the positive development
- Initiatives are on track to capture growth opportunities in coming years
- The region is prepared to execute acquisitions

## AGENDA

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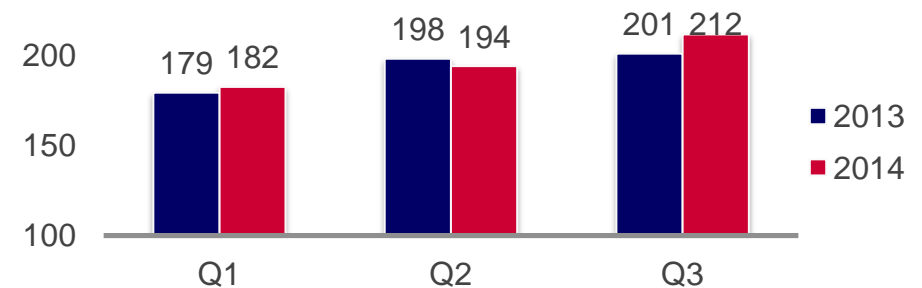
## NORTH AMERICA

# Update on Brenntag North America

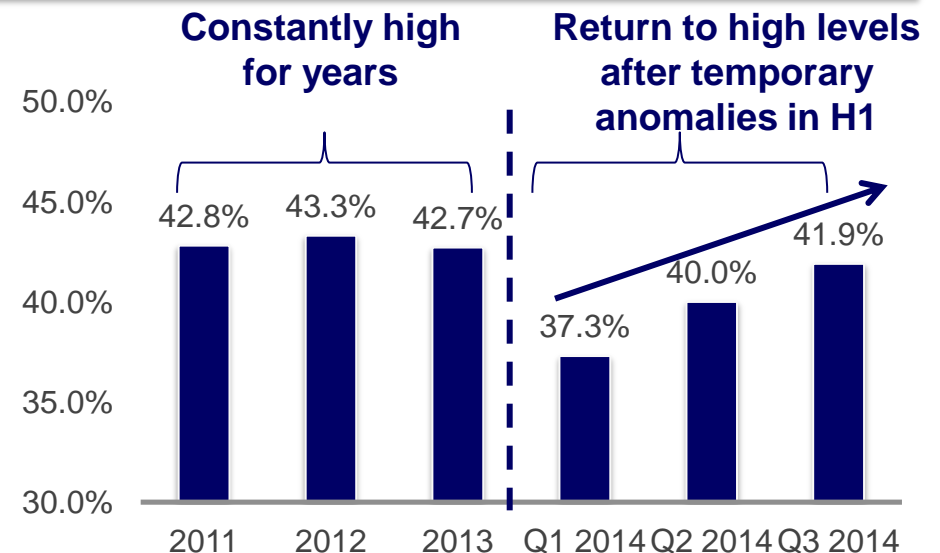
### 2014 Update

- Economy in North America is gaining strength
- Q1 and Q2 anomalies (primarily affecting the cost base) left behind
- Positive trend of gross profit growth (fx adj.)
- Caustic soda initiative started in 2013 is successful
- Oil & Gas ramp-up produces results
- Hot shale plays continue to expand
- Crude price volatility has no impact at this point
- Inflationary effects on transportation costs actively managed
- Conversion rate moving back to historic level
- Philchem acquisition successful

### Gross Profit (in EUR m)



### Conversion Ratio (EBITDA / GP)



# NORTH AMERICA

## Oil and Gas Value Chain

### Upstream

### Midstream

### Downstream

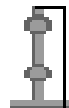
#### Natural Gas Value Chain

Using technology to find new **GAS** resources



Exploration

Bring **GAS** to the surface



Production



Production

Treating **GAS** to be sent to markets



Processing



Processing

Moving **GAS** with pipelines and tankers



Transportation



Transportation

Distributing and selling natural gas



Marketing



Refining



Ethanol



Petrochemical

#### Crude Oil Value Chain

Using technology to find new **CRUDE** resources

Bring **CRUDE** to the surface using natural and artificial methods

Treating **CRUDE** to be sent to refineries

Moving **CRUDE** to refineries with tankers, trucks and pipelines

Converting **CRUDE** into finished products

Manufacturing of **ETHANOL** to blend into gasoline

Chemical processing

# NORTH AMERICA

## Oil & Gas industry in North America

### Significant shale reserves across US



### Key Facts

- Latest shale discoveries and estimated reserves exceeding expectations
- Upstream investment saw a significant surge
- Starting in 2014, investments shifted to midstream and downstream assets
- Total production is expected to increase significantly in coming years
- Natural gas will provide a cost advantage vs other regions of the world with mid-term positive impact on manufacturing industry
- Recent legislation opening LNG exports will have a positive impact on natural gas production in the US

## NORTH AMERICA

### **Distributor requirements and characteristics**

**Strategic Oil and Gas suppliers and customers align with those that:**

1. Focus on safety as a core element of their offering
2. Provide experienced commercial geographic coverage
3. Invest in key geographic locations to provide local inventory, logistics and delivery capabilities
4. Provide field and plant technical support to help reduce down time and overall costs
5. Provide operating training and product application knowledge
6. Extensive product offering and value added services covering the upstream, midstream and downstream markets

## NORTH AMERICA

# Brenntag footprint in the Oil and Gas industry

### Key Facts

- A 50+ year service reputation in the Oil and Gas Industry
- Share of O&G business has increased to ca. 30% of Brenntag North America
- Over 70 strategic locations to service the Oil and Gas industry and provide optimum logistics
- New sites were built or added through acquisitions
- Largest client facing commercial and technical service personnel committed to the Oil and Gas industry
- Analytic and laboratory capabilities located in three strategic locations in North America.
- 6,000+ Oil and Gas clients

### Brenntag Approach

- A targeted value-added service and product approach across the upstream, midstream and downstream Oil and Gas markets
- Alignment and partnerships with global market leading customers and suppliers



## NORTH AMERICA

# Brenntag's unique service offerings to the Oil and Gas industry

### Broad Product Portfolio

- Glycols, coolants and heat transfer fluids
- Specialty amines
- Lubricants
- Caustic soda, HCL, KOH
- Methanol
- Production chemicals
- ...



### Value-Added Services

- Lab and sampling capabilities
- Design and simulation
- Operator training
- Custom blending and field delivery
- Strategic inventory & logistics capabilities

### N-Spec Service

- Pipeline cleaning service offering
- Turn key services
- Innovative and unique service from Brenntag



**Brenntag offers a unique value proposition. No competitor has a comparable broad offering covering the upstream, midstream and downstream Oil and Gas markets**

## NORTH AMERICA

# Brenntag is well positioned to benefit from the expanded growth

### Industry Opportunities and Potential

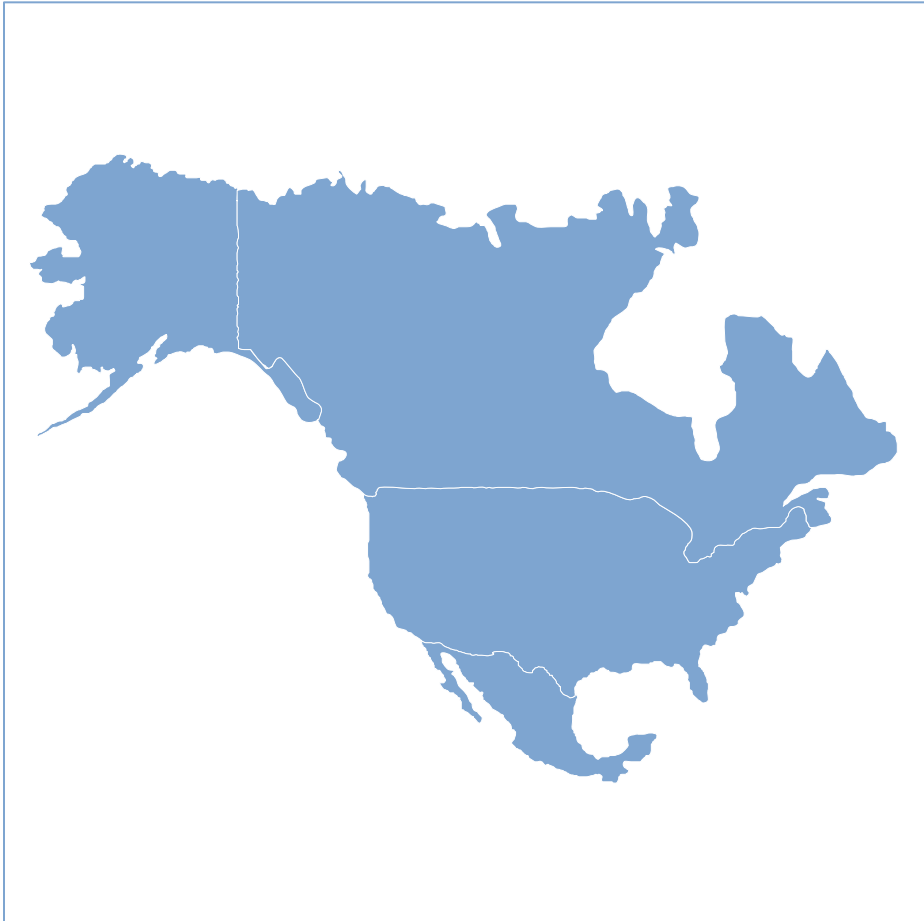
- Upstream: Ongoing capital investments in drilling and exploration
- Midstream: Significant investment in transmission pipeline capabilities, compressor and gas plant additions and expansions
- Downstream: Expanded investments in refineries and plant expansions and new petrochemical plants
- Resurgence of North American petrochemical industry as a result of lower natural gas costs
- Major capital investments in Ethylene Crackers announced with increased capacity over 50% (based on the announced 11 new greenfield projects and 10 expansions of current plants)

### Brenntag's Growth Strategy

- Facility investments in the Bakken, Niobrara, Cline and Eagle Ford shale plays
- Hiring of commercial and technical resources
- Investment in specialized equipment
- Expansion of value-added services
- Focus on key strategic Oil and Gas accounts with large growth potential
- Acquisition of Philchem to manage capacity "ramp up" or excess capacity situations
- Acquisition of Altivia providing us with strategic assets along the Gulf Coast to target the expanded growth in the chemical processing industry

## OUTLOOK NORTH AMERICA

### Favorable economic environment and initiatives to support organic growth



- Positive economic development is expected to remain
- Brenntag North America will benefit from positive macroeconomic environment
- Initiatives like “caustic soda” and “oil&gas” will support organic growth
- High conversion ratio to be maintained
- Further value enhancing acquisitions will be executed