

# PolyOne Investor Presentation

Jefferies 2014 Global Industrials Conference

New York, NY

August 12, 2014

The logo for PolyOne, featuring the word "PolyOne" in a serif font. "Poly" is in black and "One" is in red. A red swoosh underline is positioned beneath the "One".

*PolyOne*<sup>TM</sup>

*Collaboration. Innovation. Excellence.*

# Forward-Looking Statements

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- In this presentation, statements that are not reported financial results or other historical information are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give current expectations or forecasts of future events and are not guarantees of future performance. They are based on management’s expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. They use words such as “will,” “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 and/or sales.
- Factors that could cause actual results to differ materially from those implied by these forward-looking statements include, but are not limited to:
  - ✓ The final amount of charges resulting from the planned North American asset realignment and the Company’s ability to realize anticipated savings and operational benefits from the asset realignment;
  - ✓ Our ability to achieve the strategic and other objectives relating to the acquisition of Spartech Corporation, including any expected synergies;
  - ✓ Our ability to successfully integrate Spartech and achieve the expected results of the acquisition, including, without limitation, the acquisition being accretive;
  - ✓ Disruptions, uncertainty or volatility in the credit markets that could adversely impact the availability of credit already arranged and the availability and cost of credit in the future;
  - ✓ The financial condition of our customers, including the ability of customers (especially those that may be highly leveraged and those with inadequate liquidity) to maintain their credit availability;
  - ✓ The speed and extent of an economic recovery, including the recovery of the housing market;
  - ✓ Our ability to achieve new business gains;
  - ✓ The effect on foreign operations of currency fluctuations, tariffs, and other political, economic and regulatory risks;
  - ✓ Changes in polymer consumption growth rates in the markets where we conduct business;
  - ✓ Changes in global industry capacity or in the rate at which anticipated changes in industry capacity come online;
  - ✓ Fluctuations in raw material prices, quality and supply and in energy prices and supply;
  - ✓ Production outages or material costs associated with scheduled or unscheduled maintenance programs;
  - ✓ Unanticipated developments that could occur with respect to contingencies such as litigation and environmental matters;
  - ✓ An inability to achieve or delays in achieving or achievement of less than the anticipated financial benefit from initiatives related to working capital reductions, cost reductions, employee productivity goals, and an inability to raise or sustain prices for products or services;
  - ✓ An inability to raise or sustain prices for products or services;
  - ✓ An inability to maintain appropriate relations with unions and employees;
  - ✓ The inability to achieve expected results from our acquisition activities;
  - ✓ Our ability to continue to pay cash dividends;
  - ✓ The amount and timing of repurchases of our common shares, if any; and
  - ✓ Other factors affecting our business beyond our control, including, without limitation, changes in the general economy, changes in interest rates and changes in the rate of inflation.
- The above list of factors is not exhaustive.
- We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised to consult any further disclosures we make on related subjects in our reports on Form 10-Q, 8-K and 10-K that we provide to the Securities and Exchange Commission.

# Use of Non-GAAP Measures

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- This presentation includes the use of both GAAP (generally accepted accounting principles) and non-GAAP financial measures. The non-GAAP financial measures include: adjusted EPS, earnings before interest, tax, depreciation and amortization (EBITDA), adjusted EBITDA, net debt, Specialty platform operating income, Specialty platform gross margin percentage, adjusted operating income, return on invested capital, net debt/ EBITDA, and the exclusion of corporate charges in certain calculations. In certain cases throughout this presentation.
- PolyOne's chief operating decision maker uses these financial measures to monitor and evaluate the ongoing performance of the Company and each business segment and to allocate resources. In addition, operating income before special items and adjusted EPS are components of various PolyOne annual and long-term employee incentive plans.
- A reconciliation of each non-GAAP financial measure with the most directly comparable GAAP financial measure is attached to this presentation which is posted on our website at [www.polyone.com](http://www.polyone.com).

# PolyOne Commodity to Specialty Transformation

**2000-2005**

**2006 - 2009**

**2010 – 2014**

**2015 and beyond**

- Volume driven, commodity producer
- Heavily tied to cyclical end markets
- Performance largely dependent on non-controlling joint ventures

- Steve Newlin appointed, Chairman, President and CEO
- New leadership team appointed
- Implementation of four pillar strategy
- Focus on value based selling, investment in commercial resources and innovation to drive transformation

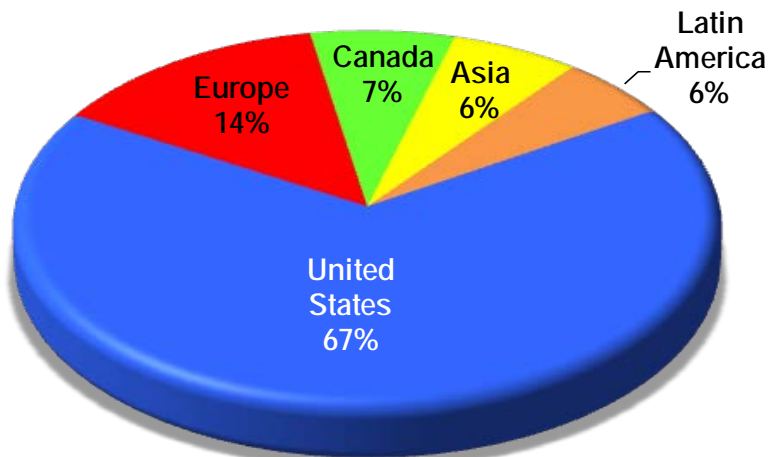
- 19 consecutive quarters of double-digit adjusted EPS growth
- Shift to faster growing, high margin, less cyclical end markets
- Key acquisitions propel current and future growth, as well as margin expansion
- Established aggressive 2015 targets

- Continue specialty transformation
- Goal of \$2.50 Adjusted EPS by 2015, nearly double 2013 EPS
- Drive double digit operating income and adjusted EPS growth

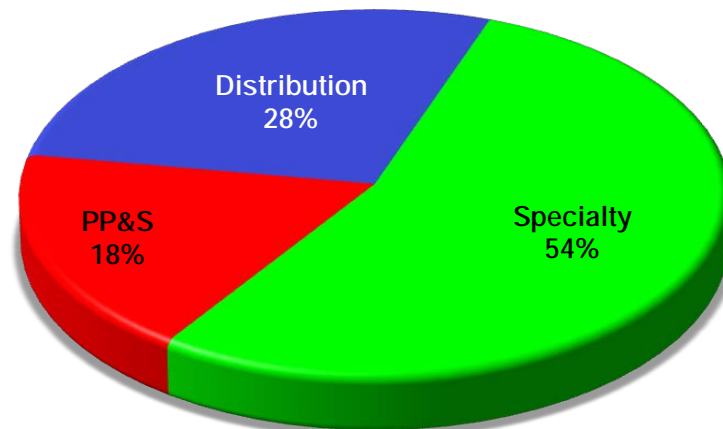
# PolyOne

## At A Glance

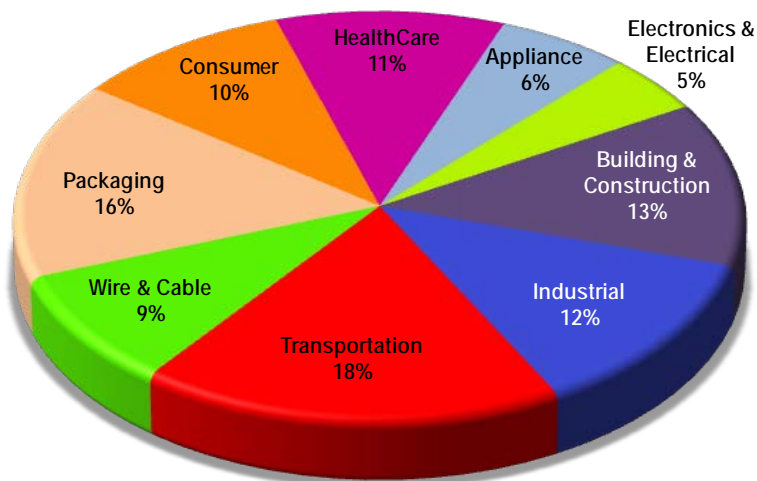
**2013 Revenues: \$3.8 Billion**



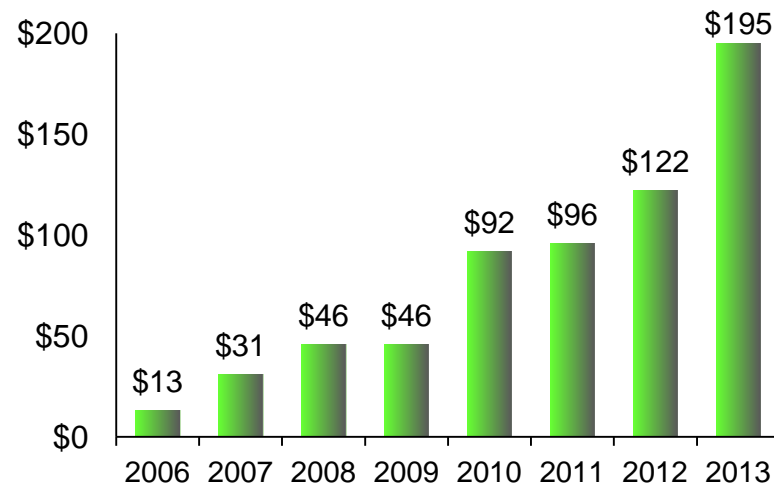
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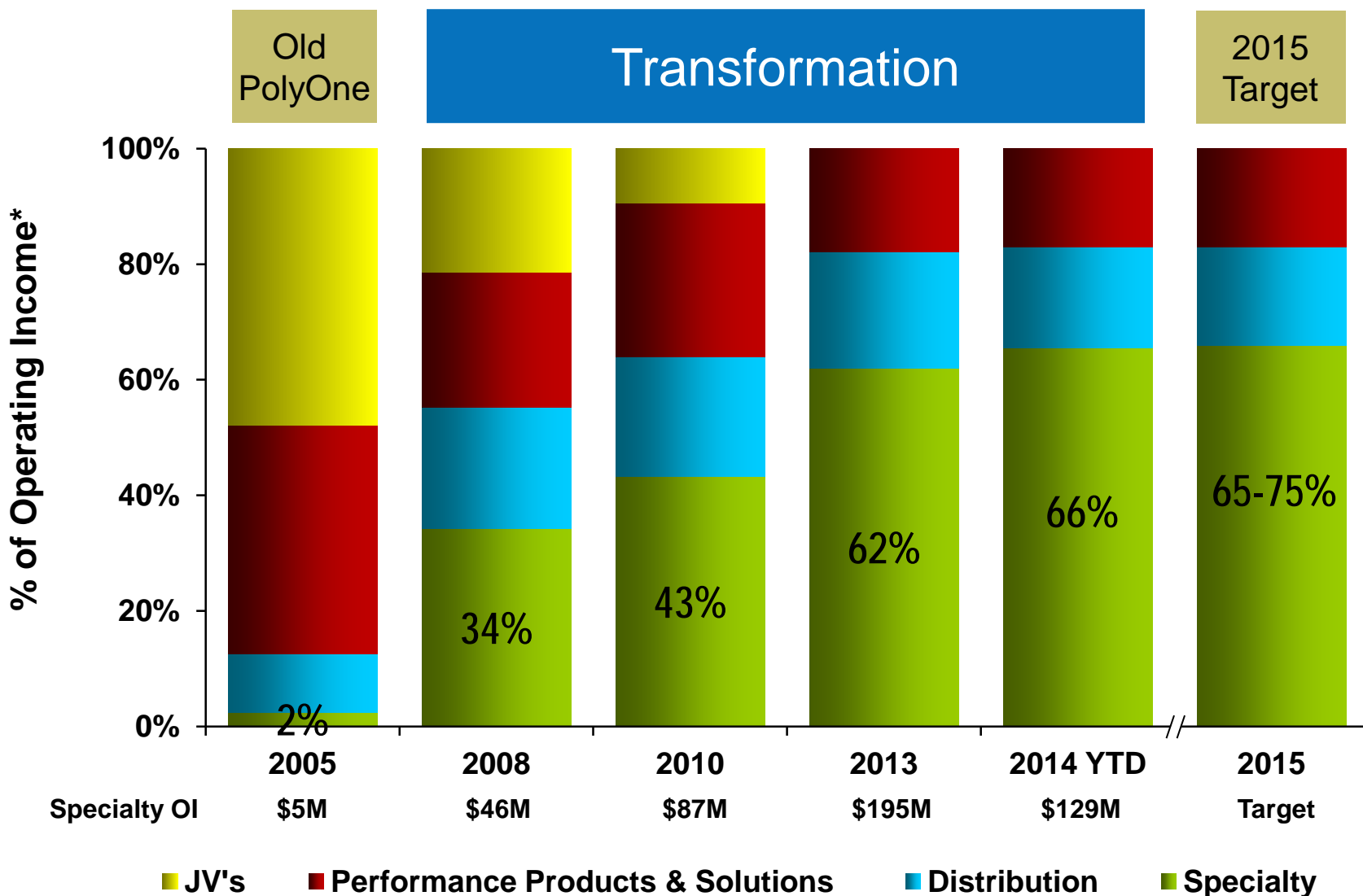
**End Markets**



**Specialty Operating Income**



# Mix Shift Highlights Specialty Transformation



\*Operating Income excludes corporate charges and special items

# Confirmation of Our Strategy

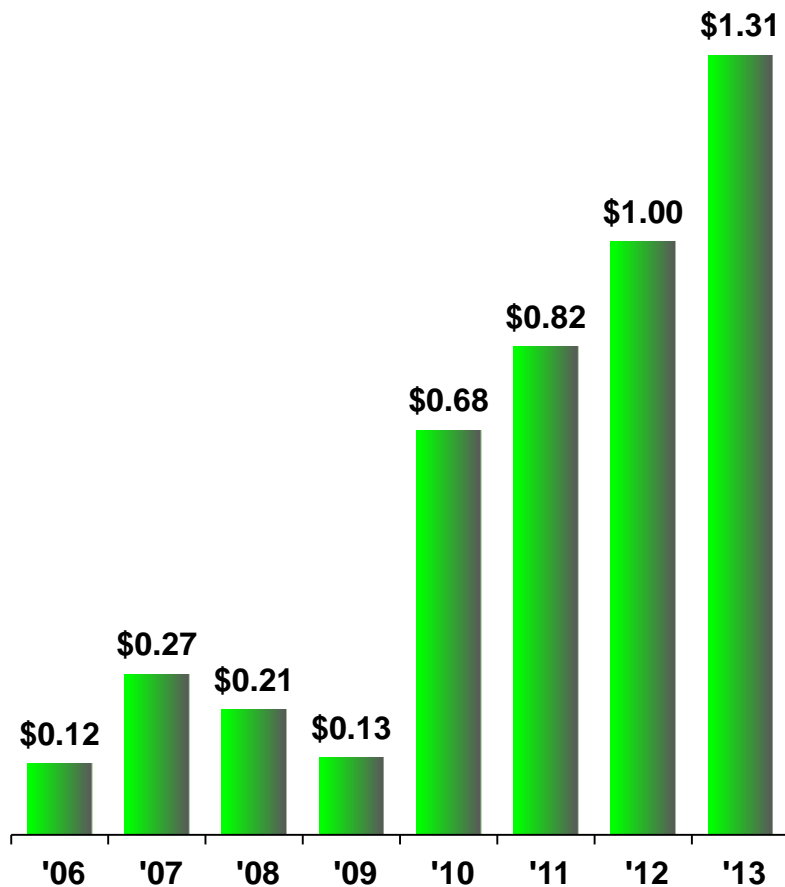
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**The World's Premier Provider of Specialized  
Polymer Materials, Services and Solutions**

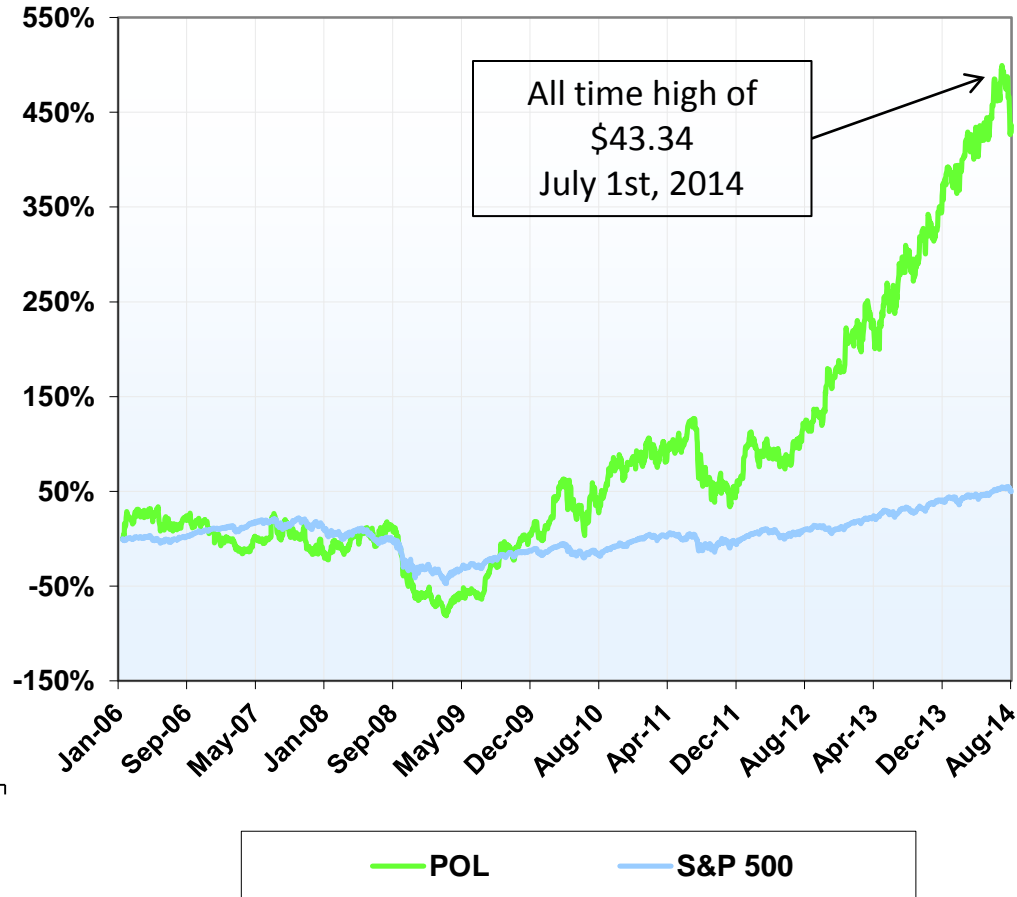
# Strategy and Execution Drive Results

## EPS



**'06-'13 EPS CAGR = 41%**

## Share Price vs. S&P 500



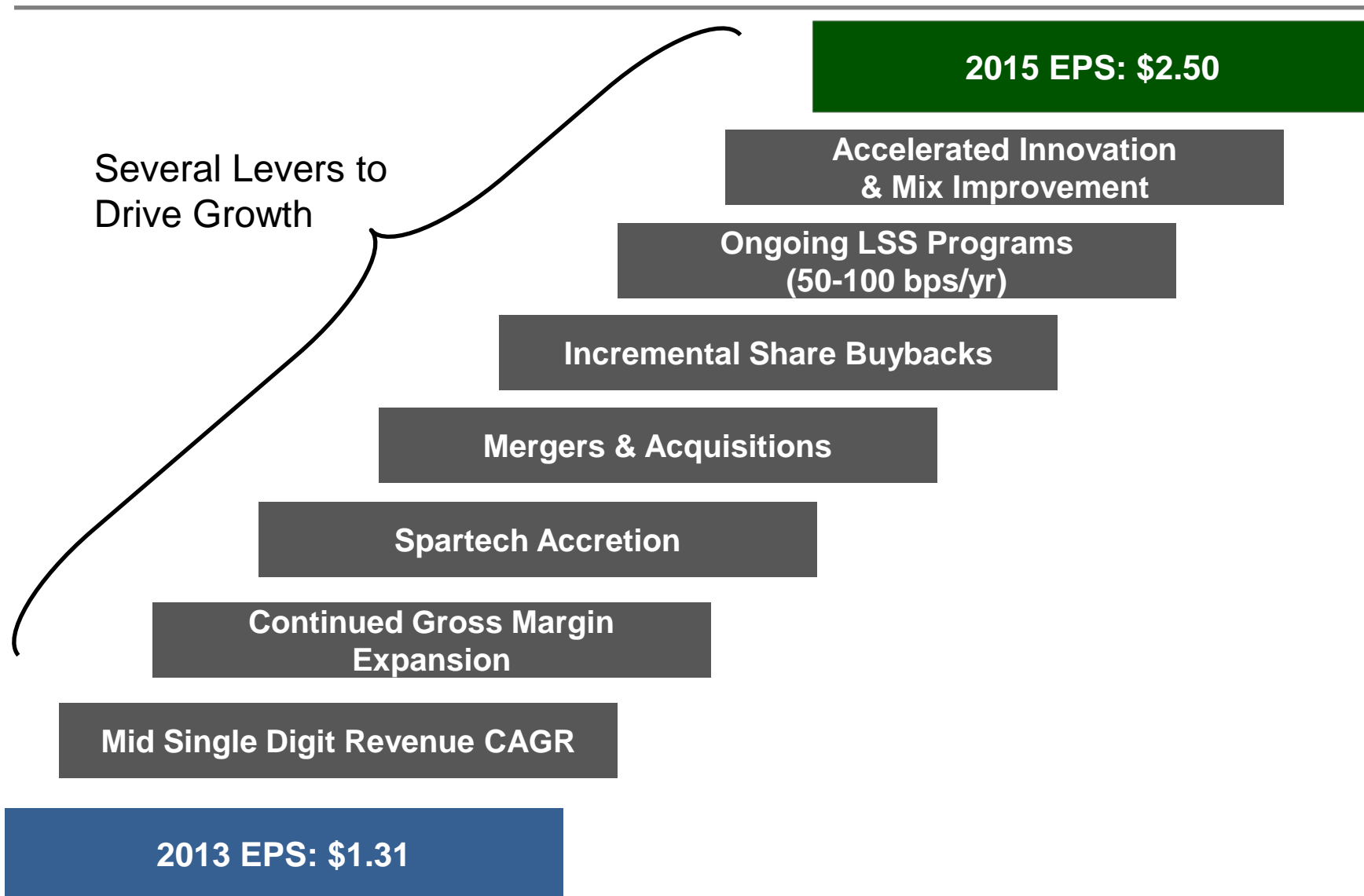


# Proof of Performance & 2015 Goals

	2006 “Where we were”	2014 YTD “Where we are”	2015 Target (Est. in 2012)
<b>1) Operating Income %</b>			
<b>Specialty:</b>			
Global Color, Additives & Inks	1.7%	15.2%	12 – 16%
Global Specialty Engineered Materials	1.1%	11.8%	12 – 16%
Designed Structures & Solutions	--	7.1%	8 – 10%
<b>Performance Products &amp; Solutions</b>	5.5%	8.0%	9 – 12%
<b>Distribution</b>	2.6%	6.0%	6 – 7.5%
<b>2) Specialty Platform % of Operating Income</b>	6.0%	66%	65 – 75%
<b>3) ROIC*</b>	5.0%	9.9%	15%
<b>4) Adjusted EPS Growth</b>	N/A	40%	Double Digit Expansion

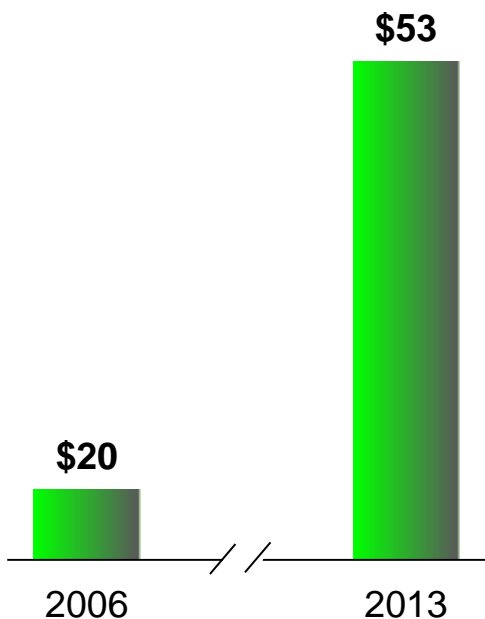
\*ROIC is defined as TTM adjusted OI divided by the sum of average debt and equity over a 5 quarter period

# Bridge to \$2.50 Adjusted EPS by 2015



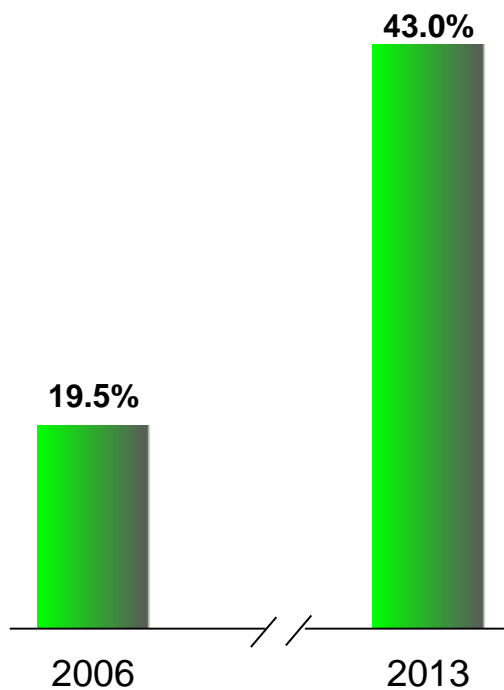
# Innovation Drives Earnings Growth

**Research & Development Spending**  
(\$ millions)



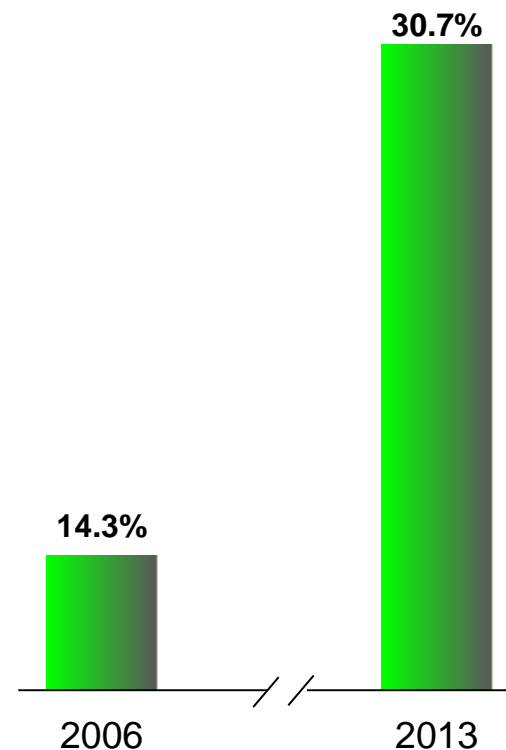
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**Specialty Platform Vitality Index Progression\***



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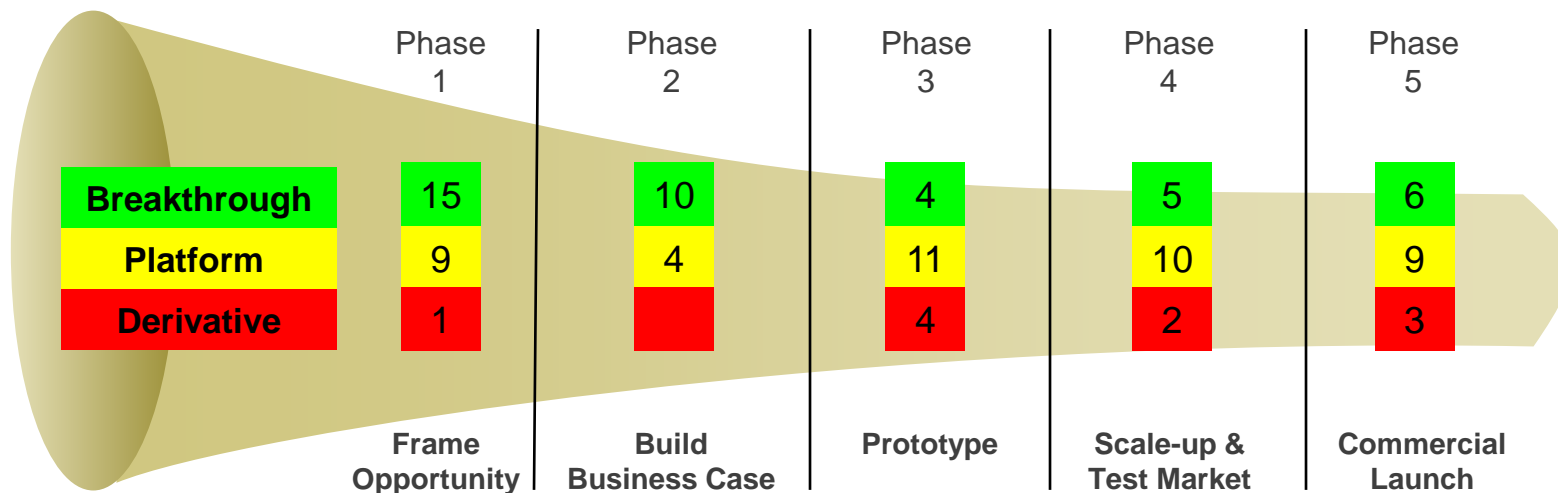
**Specialty Platform Gross Margin %**



**Specialty Vitality Index Target  $\geq$  35%**

\*Percentage of Specialty Platform revenue from products introduced in last five years

# A Rich Pipeline of Opportunity\*



<b>Number of Projects</b>	25	14	19	17	18	<b>93</b>
<b>Addressable Market (\$ millions)</b>	TBD	TBD	\$800	\$450	\$450	<b>\$1,700</b>

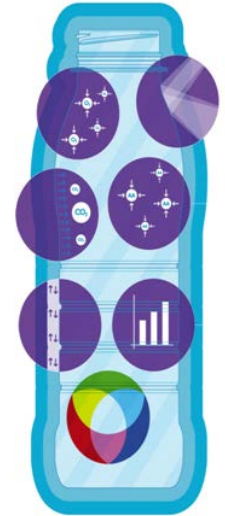
\*Pipeline as of May 29, 2014 as presented during our Innovation Day

# Unique and Innovative Solutions

## Healthcare



## Packaging and Additive Technology



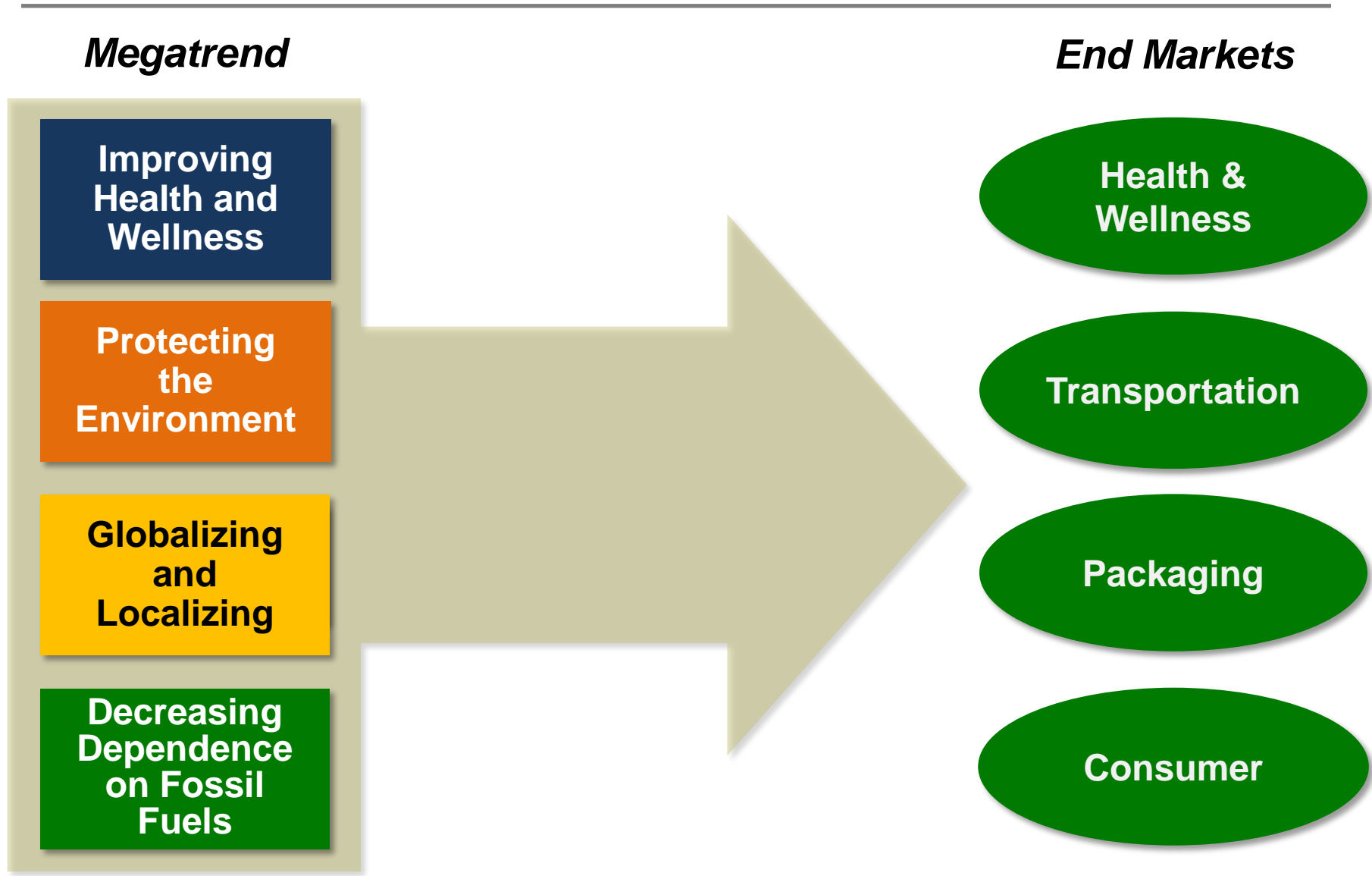
## Consumer



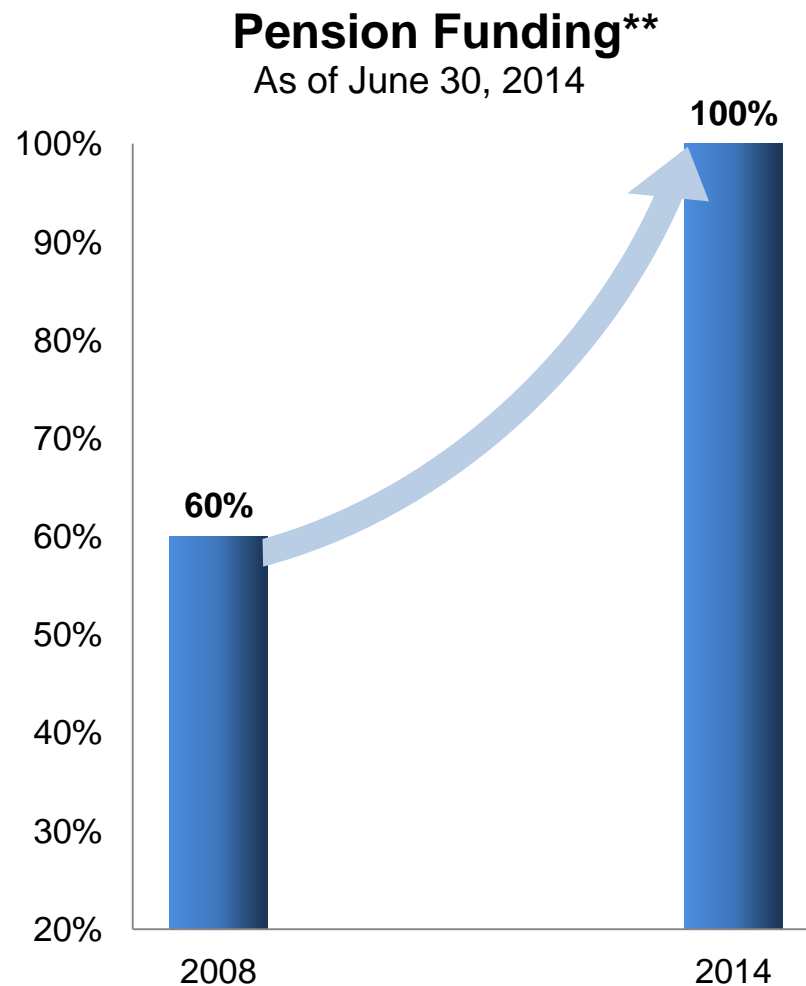
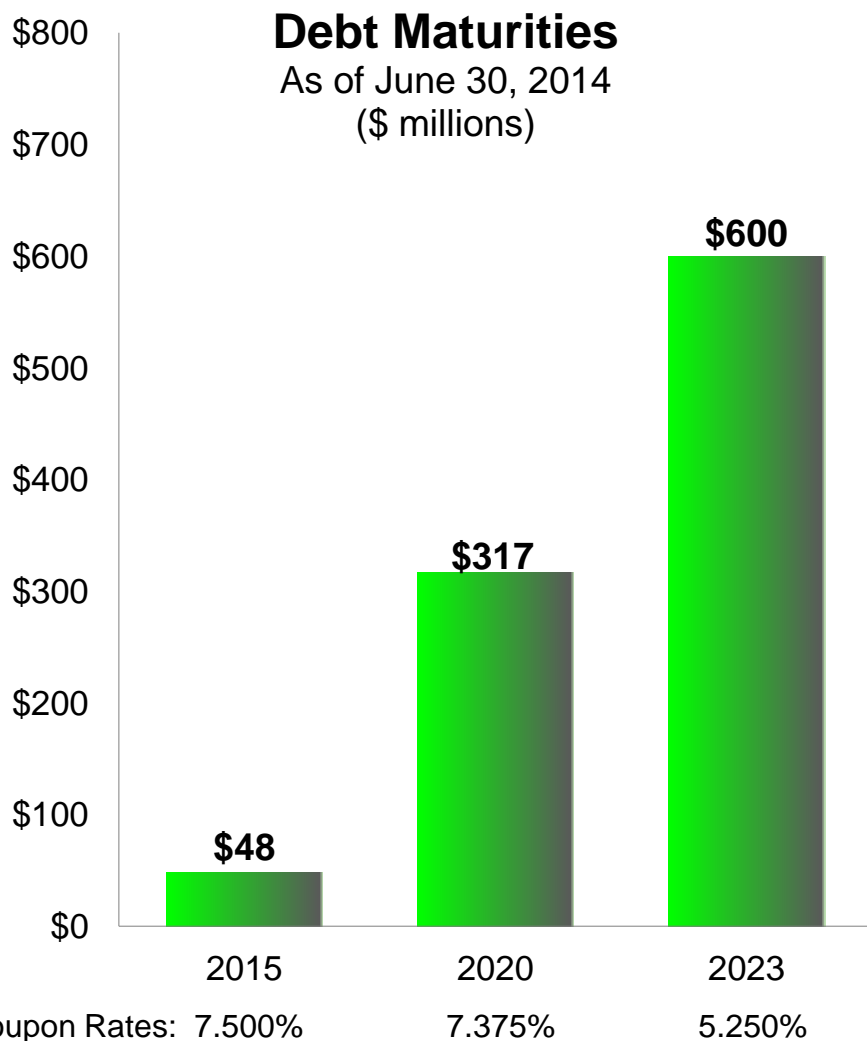
## Transportation



# Megatrends Aligned with Key End Markets



# Debt Maturities & Pension Funding - 6/30/14

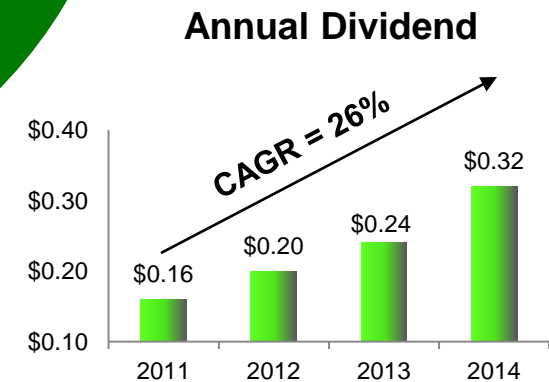
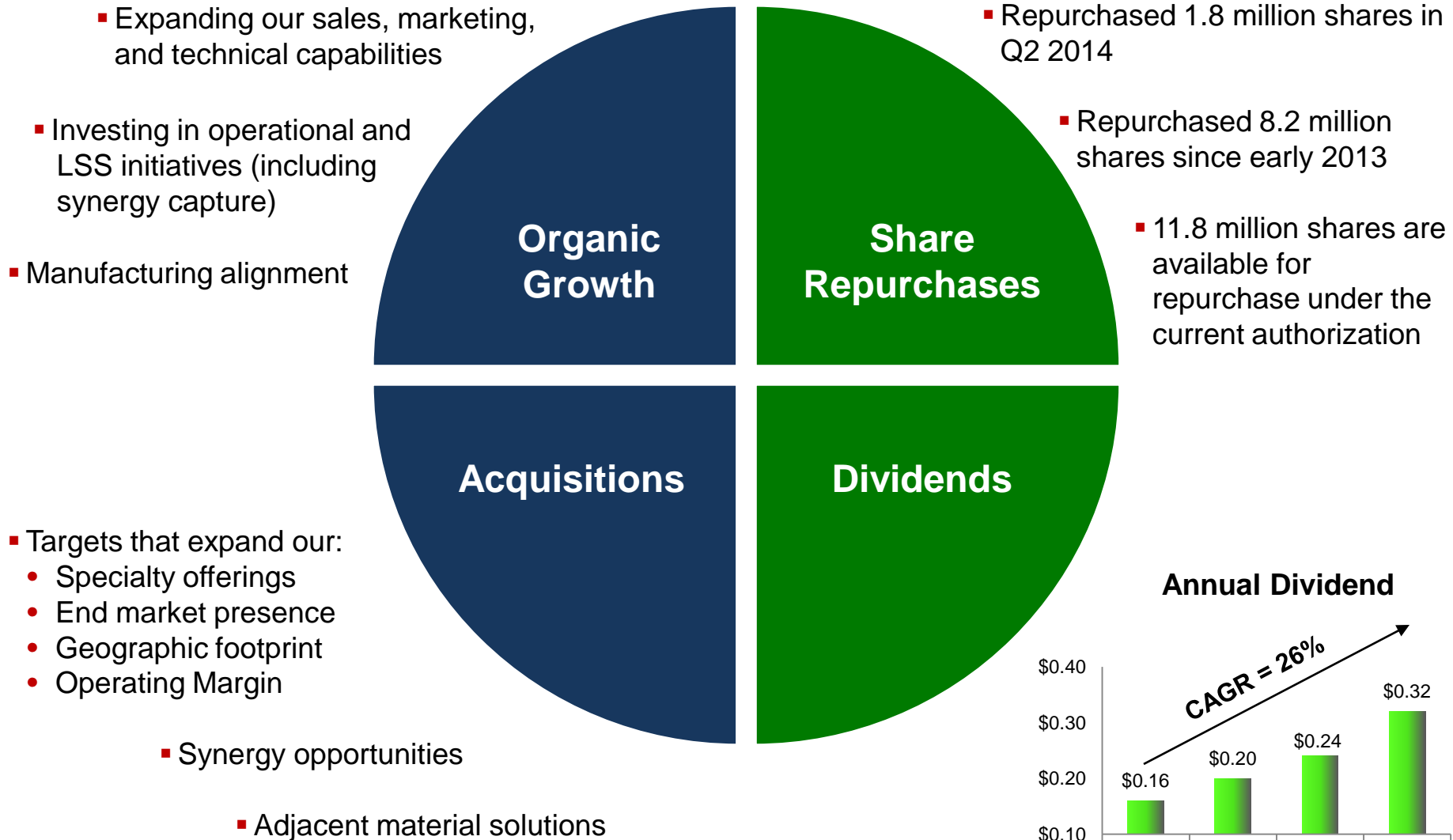


**Net Debt / EBITDA\* = 1.8x**

\*TTM 6/30/2014

\*\* includes US-qualified pension plans only

# Free Cash Flow and Strong Balance Sheet Fund Investment / Shareholder Return





# PolyOne Core Values

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The diagram consists of three overlapping circles arranged in a descending staircase pattern from left to right. The first circle on the left is dark blue and contains the word 'Collaboration'. The second circle in the middle is green and contains the word 'Innovation'. The third circle on the right is yellow and contains the word 'Excellence'. Each circle overlaps the one to its right.

**Collaboration**

**Innovation**

**Excellence**

## Why Invest In PolyOne?

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- Strong past performance demonstrates that our strategy and execution are working
- Megatrends and emerging opportunities align with our strengths
- Innovation and services provide differentiation, incremental pricing power, and competitive advantage
- Strong and proven management team driving growth and performance
- Addressable market exceeds \$40 billion

**The New PolyOne: A Specialty Growth Company**

**Reconciliation of Non-GAAP Financial Measures (Unaudited)**

(Dollars in millions, except per share data)

Below is a reconciliation of non-GAAP financial measures to the most directly comparable measures calculated and presented in accordance with U.S. GAAP. Senior management uses adjusted operating income, adjusted EPS, and working capital to assess performance and allocate resources because senior management believes that these measures are useful in understanding current profitability levels and that current levels may serve as a base for future performance.

<b>Platform operating income mix percentage</b>	<b>2005Y*</b>	<b>2008Y*</b>	<b>2010Y*</b>	<b>2013Y</b>	<b>2014 Q2</b>
Global Color, Additives and Inks	\$ 4.3	\$ 28.1	\$ 37.7	\$ 104.0	\$ 68.1
Global Specialty Engineered Materials	0.4	17.6	49.7	57.2	37.2
Designed Structures and Solutions	-	-	-	33.4	24.1
Specialty Platform	\$ 4.7	\$ 45.7	\$ 87.4	\$ 194.6	\$ 129.4
Performance Products and Solutions	75.7	31.3	54.0	56.0	33.6
Distribution	19.5	28.1	42.0	63.3	34.5
Joint ventures	91.9	28.6	18.9	-	-
Corporate and eliminations	(51.5)	(425.1)	(27.7)	(82.4)	(91.7)
Operating income (loss) GAAP	\$ 140.3	\$ (291.4)	\$ 174.6	\$ 231.5	\$ 105.8
Less: Corporate operating expense	51.5	425.1	27.7	82.4	91.7
<b>Operating income excluding Corporate</b>	<b>\$ 191.8</b>	<b>\$ 133.7</b>	<b>\$ 202.3</b>	<b>\$ 313.9</b>	<b>\$ 197.5</b>
Specialty platform operating mix percentage	2%	34%	43%	62%	66%

\* Historical results include the Resin and Specialty Coatings businesses within the Performance Products and Solutions segment.

<b>Adjusted EPS</b>	<b>2006Y*</b>	<b>2007Y*</b>	<b>2008Y*</b>	<b>2009Y*</b>	<b>2010Y</b>	<b>2011Y</b>	<b>2012Y</b>	<b>2013Y</b>	<b>2014 Q2</b>
Net income attributable to PolyOne common shareholders	\$ 130.9	\$ 40.9	\$ (417.0)	\$ 106.7	\$ 152.5	\$ 153.4	\$ 53.3	\$ 94.0	\$ 60.3
Joint venture equity earnings, after tax	(68.5)	(26.1)	(20.8)	(19.0)	(14.7)	(3.7)	-	-	-
Special items, after tax	(21.2)	41.4	310.0	(31.0)	15.8	(30.5)	35.7	30.4	36.7
Tax adjustments	(30.0)	(30.7)	147.2	(44.9)	(88.3)	(42.3)	0.5	2.2	(6.8)
<b>Adjusted net income</b>	<b>\$ 11.2</b>	<b>\$ 25.5</b>	<b>\$ 19.4</b>	<b>\$ 11.8</b>	<b>\$ 65.3</b>	<b>\$ 76.9</b>	<b>\$ 89.5</b>	<b>\$ 126.6</b>	<b>\$ 90.2</b>
Diluted shares	92.8	93.1	92.7	93.4	96.0	94.3	89.8	96.5	94.9
Adjusted EPS	\$ 0.12	\$ 0.27	\$ 0.21	\$ 0.13	\$ 0.68	\$ 0.82	\$ 1.00	\$ 1.31	\$ 0.95

\* Historical results are shown as presented in prior filings and have not been updated to reflect subsequent changes in accounting principal or discontinued operations.