



# FULL-YEAR 2015 RESULTS

MARCH 9, 2016



# REVIEW OF 2015

- **EXPANDING MARKETS STILL GROWING:**
  - Renewable energies, Electronics, Aerospace
- **COMPLETION OF THE TRANSFORM PLAN**
- **LAUNCH OF THE NEW ORGANIZATION AT THE END OF THE YEAR**
- **BUT AN UNFAVORABLE ECONOMIC ENVIRONMENT FOR MERSEN:**
  - Slowdown in China,
  - Cyclical downturn in the oil industry (North America)
  - Overcapacity in the chemicals industry

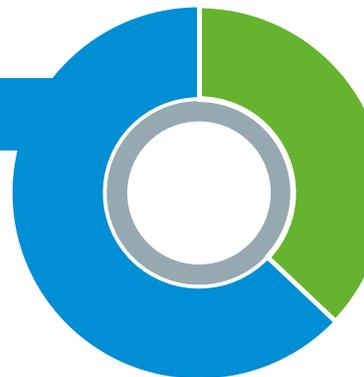
# 2015 SALES HURT BY CHEMICALS BUT BOOSTED BY CURRENCIES AND KEY MARKETS

<b>€772m</b>	
Total growth	<b>+6.4%</b>
Organic growth	<b>-2.2%</b>
Excluding chemicals	<b>~+1%</b>

## ELECTRICAL SEGMENT

Organic growth | **+0.4%**

- **STRONG GROWTH IN RENEWABLE ENERGIES (+17%)**
- **STABLE PERFORMANCE IN RAIL AND PROCESS INDUSTRIES**
- **SLIGHT DECLINE IN POWER ELECTRONICS**



## MATERIALS SEGMENT

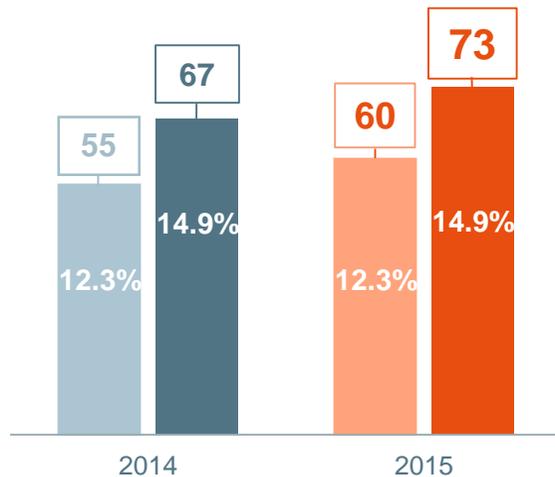
Organic growth | **-6.4%**  
Excluding chemicals | **> +1%**

- **STRONG GROWTH IN GROWING MARKETS (AEROSPACE, SOLAR, ELECTRONICS) +16%**
- **STEEP DECLINE IN CHEMICALS (>-20%)**
- **DECLINE IN THE PROCESS INDUSTRIES**

# STRONG PROFITABILITY IN ELECTRICAL. CHALLENGING IN MATERIALS

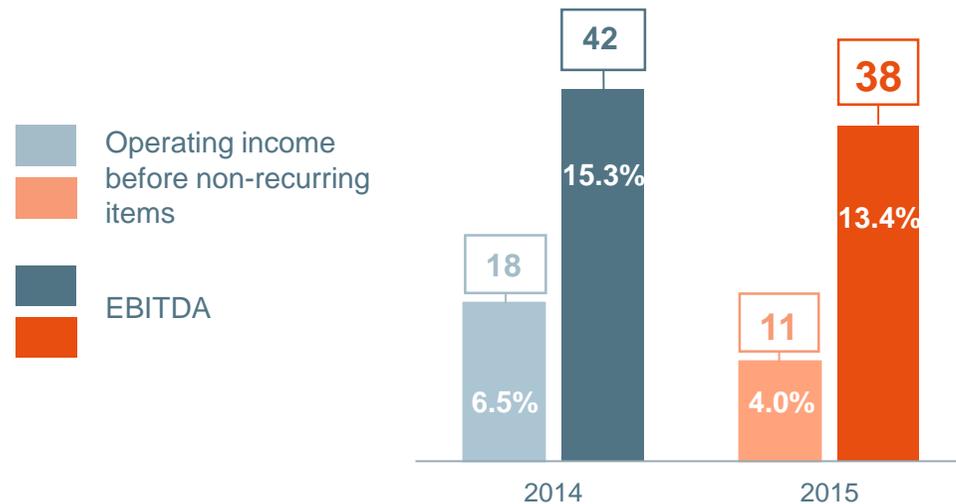
## ■ ELECTRICAL SEGMENT

€ M AND AS A % OF SALES



## ■ MATERIALS SEGMENT

€ M AND AS A % OF SALES



## > STABLE MARGIN

- POSITIVE VOLUME EFFECTS
- NEGATIVE PRODUCT MIX EFFECT
- BENEFITS OF TRANSFORM PLAN

## > PERSISTENTLY CHALLENGING CONDITIONS

- MIXED VOLUME EFFECTS
  - Higher graphite volumes
  - Hefty decline in anti-corrosion
- NEGATIVE PRICE EFFECTS IN GRAPHITE
- BENEFITS OF TRANSFORM PLAN

# SLIGHTLY HIGHER GAINS THAN EXPECTED ON TRANSFORM

As a %

<b>2014 operating margin before non-recurring items</b>	<b>8.2%</b>
Volume/mix effects	-1.2%
Price effects	-0.9%
<b>Impact of Transform plan</b>	<b>+1.0%</b>
Productivity and exchange rates	+0.4%
<b>2015 operating margin before non-recurring items</b>	<b>7.5%</b>

**ROLL-OUT OF TRANSFORM,  
AHEAD OF SCHEDULE**

# OVERVIEW OF THE TRANSFORM PLAN'S RESULTS

	2014	2015
Impact on the P&L before tax (€ m)	(28)	(3)
Impact on cash flow (€ m)	(10)	(19)
<b>Annual benefits</b>	<b>40bp</b>	<b>100bp</b>
Site closures	3	3
Downsizing of sites	1	1
Net employee headcount	-230	-190
<i>o/w China</i>	<i>-130</i>	<i>-90</i>

**FURTHER IMPROVEMENT ANTICIPATED IN 2016  
(BETWEEN 20BP AND 30BP)**

# NET INCOME DRAGGED DOWN BY IMPAIRMENT LOSSES

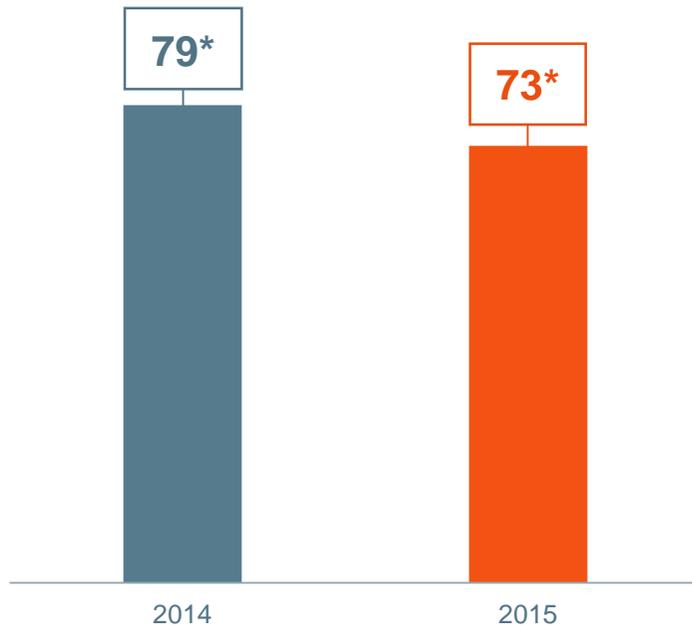
(€ m)	2015	2014 adjusted
<b>Operating income before non-recurring items</b>	<b>58.1</b>	<b>59.6</b>
% of sales	7.5%	8.2%
Non-recurring income and expense	(21.6)	(37.0)
Amortization of intangible assets	(1.1)	(1.0)
Net finance income/(costs)	(10.0)	(9.9)
Income tax	(19.1)	(9.1)
<b>Net income from continuing operations</b>	<b>6.3</b>	<b>2.6</b>
Net income/(loss) on assets held for sale and discontinued operations	(3.7)	0.2
<b>Net income</b>	<b>2.6</b>	<b>2.8</b>
<b>Net income attributable to equity holders of the parent</b>	<b>1.3</b>	<b>2.1</b>

o/w €17m in asset write-downs and €3m for the Transform plan

o/w €5m in impairment losses on deferred tax assets. Effective tax rate excluding non-recurring items: 33%

# STRONG CASH-FLOW FROM OPERATING ACTIVITIES \*

## ■ CASH FLOW BEFORE CAPITAL EXPENDITURE IN € M

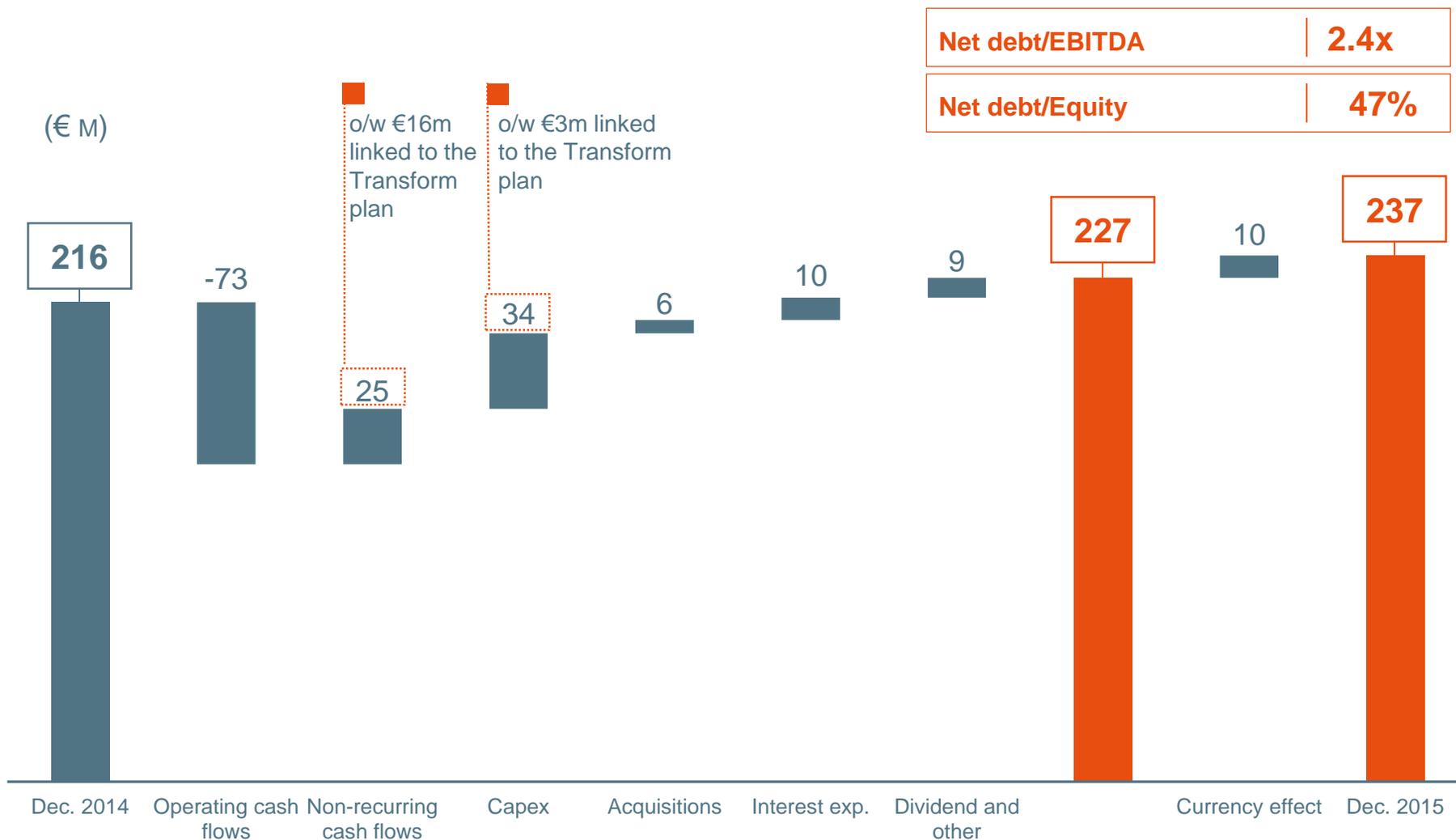


### ■ SMALL DECLINE IN CASH FLOW COMPARED WITH 2014:

- Tax prepayments in the United States
- Unfavorable seasonal variation for trade payables

\*Excluding non-recurring items (Transform plan and settlement of the UK civil suit in 2014 - Restructuring, including Transform plan in 2015)

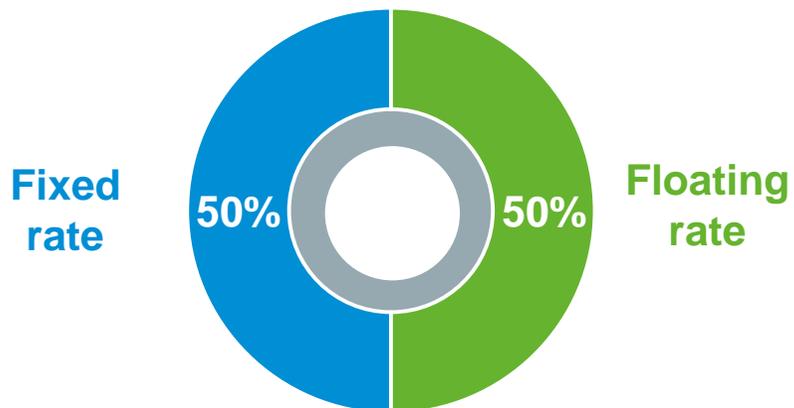
# DEBT UNDER CONTROL DESPITE ONE-OFF CHARGES



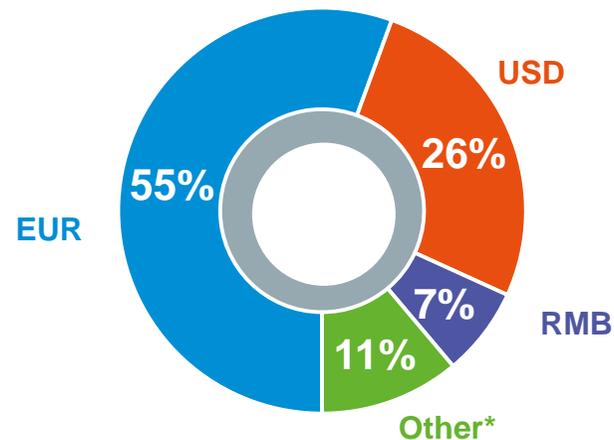
\*Non-recurring cash flows: Restructuring costs, including for Transform

# OPTIMIZED NET DEBT PROFILE

## ■ FIXED/FLOATING RATE



## ■ BREAKDOWN BY CURRENCY (%)

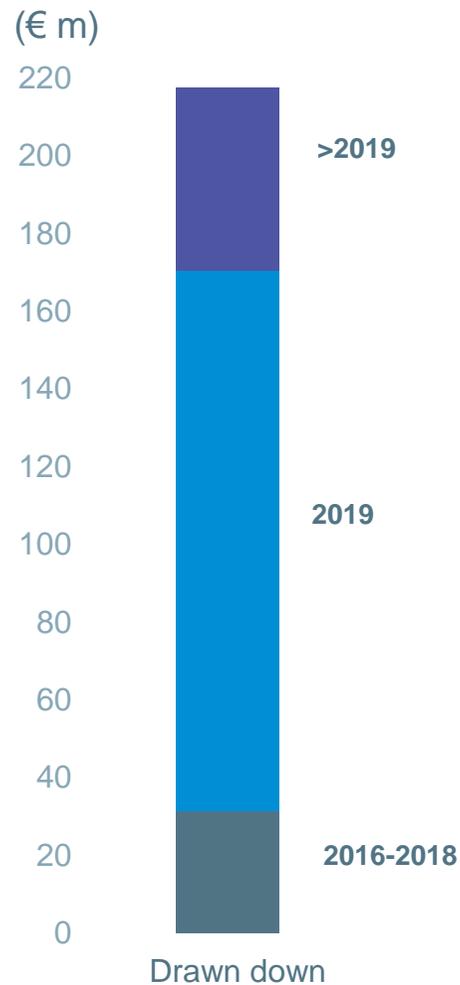


**EBITDA/NET INTEREST EXPENSE = 10.3X**  
(BANK COVENANT >3)

\*Mostly GBP

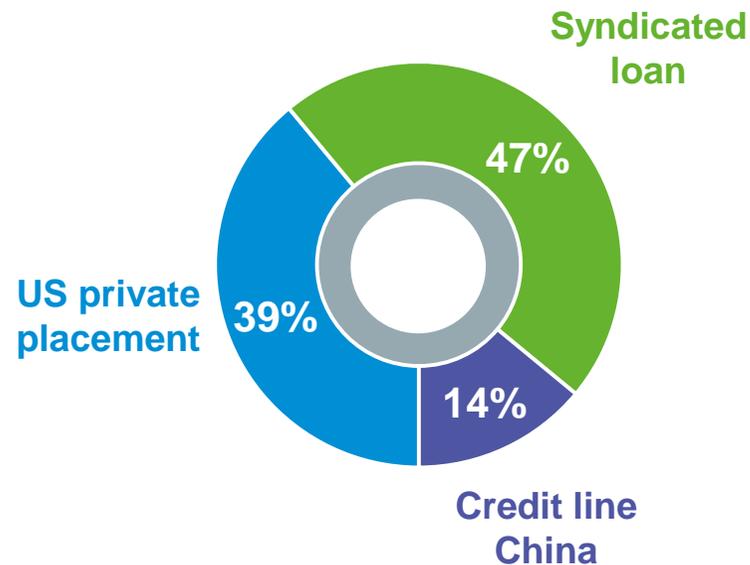
# ROBUST BALANCE SHEET

## MATURITY

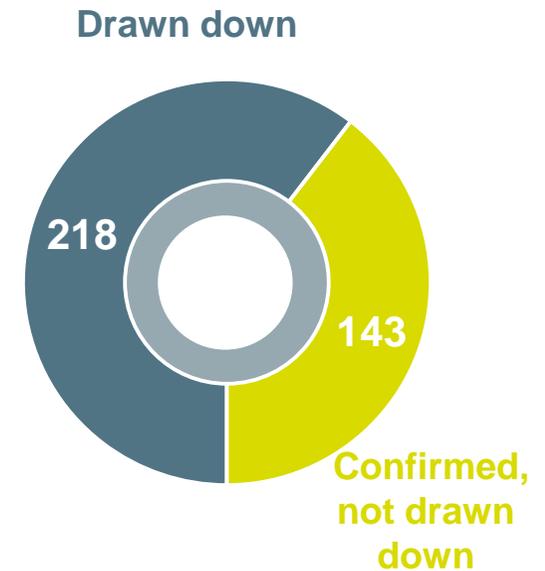


## SOURCES OF FINANCING

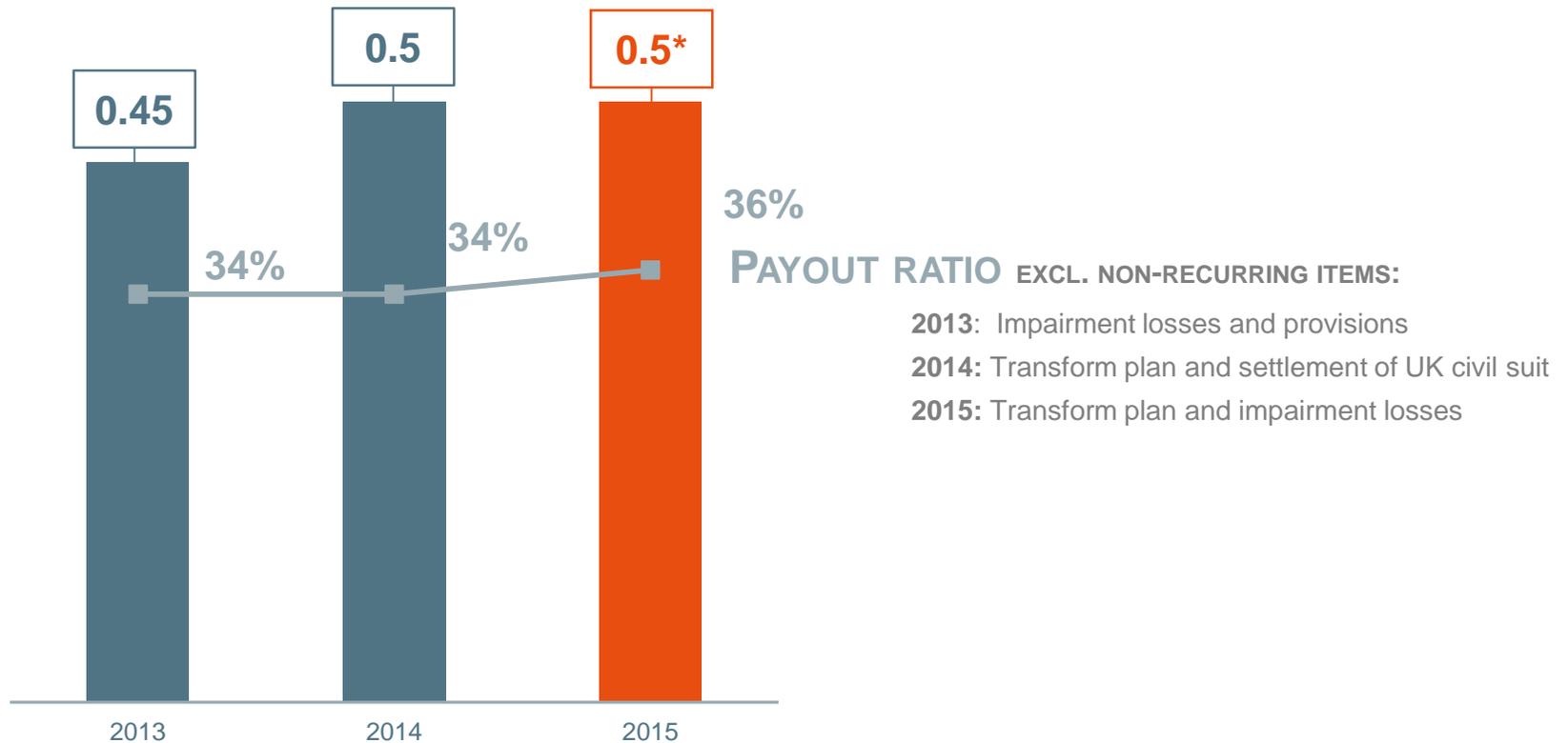
(CONFIRMED LINES)



## CONFIRMED CREDIT LINES (€ M)



# PROPOSAL TO MAINTAIN THE DIVIDEND AT €0.5 PER SHARE



\* Subject to shareholders' approval at the Annual General Meeting

# 2016

## > ASSUMPTIONS:



- Growth in renewable energies, electronics and aerospace
- No recovery in chemicals
- Contraction in process industries linked to the global economic environment
- Persistently unfavorable pricing environment in the Materials segment

## > FOR 2016



- First half in line with trends in late 2015 (downturn in industrial activity in China and the United States)
- Action plans to boost sales and margins will deliver benefits to a greater extent in the second half

**Like-for like sales of the same order of magnitude as in 2015**  
**Operating margin before non-recurring items around 7.5%**



# OVERVIEW

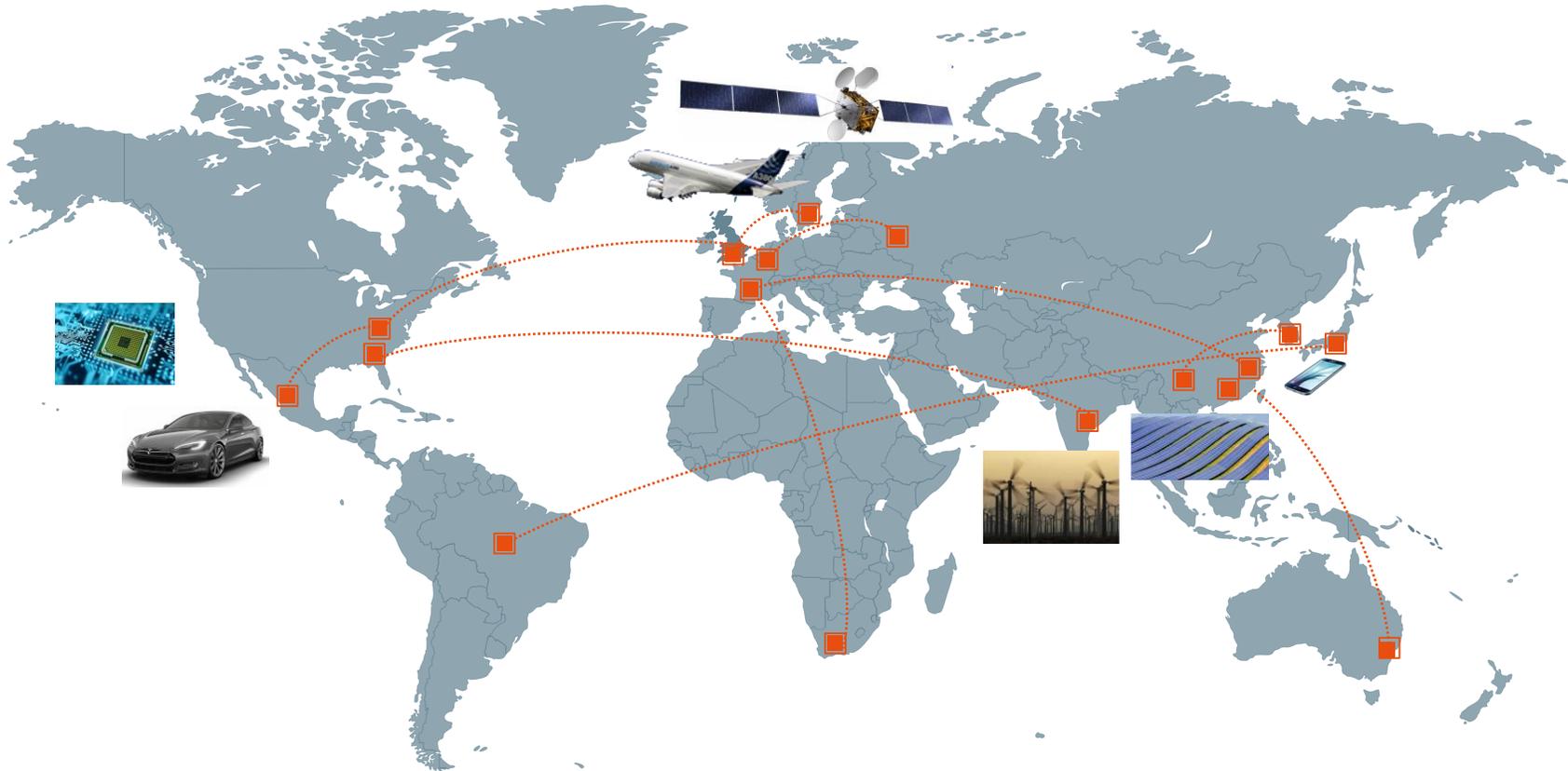
- MISSION/STRATEGY
- EXPANDING MARKETS, INNOVATION
- OPERATIONAL EXCELLENCE,  
ORGANIZATION

# MERSEN: OUR MISSION

**WE DEVELOP  
THE BEST TECHNOLOGIES FOR  
THE INDUSTRIES OF THE FUTURE**



**WE PROVIDE INDUSTRIAL COMPANIES AROUND THE  
WORLD WITH INNOVATIVE SOLUTIONS ENHANCING THE  
PERFORMANCE OF THEIR PRODUCTS AND SERVICES**



# OUR GOAL

1

## STRENGTHEN

OUR WORLD LEADERSHIP AND OUR COMPETITIVENESS

> Be no. 1 or no. 2 in our markets



2

## EXPAND

OUR GEOGRAPHICAL COVERAGE AND OUR PRODUCT RANGE

> Organic growth and selective acquisitions



3

## ENHANCE

OUR EXPERTISE IN OUR KEY MARKETS

> Expertise and innovation



4

## SHARE

THE BENEFITS OF OUR DEVELOPMENTS WITH OUR EMPLOYEES AND OUR SHAREHOLDERS

> Profit-sharing, bonuses and dividends



# OUR STRATEGY FOR REALIZING OUR GOALS

## INCREASE OUR SALES

- Expanding markets (solar, wind, electronics)
- Effective innovations
- Global presence
- Selective acquisitions



## PURSUE OPERATIONAL EXCELLENCE

- Productivity
- Technology processes
- Cash initiative

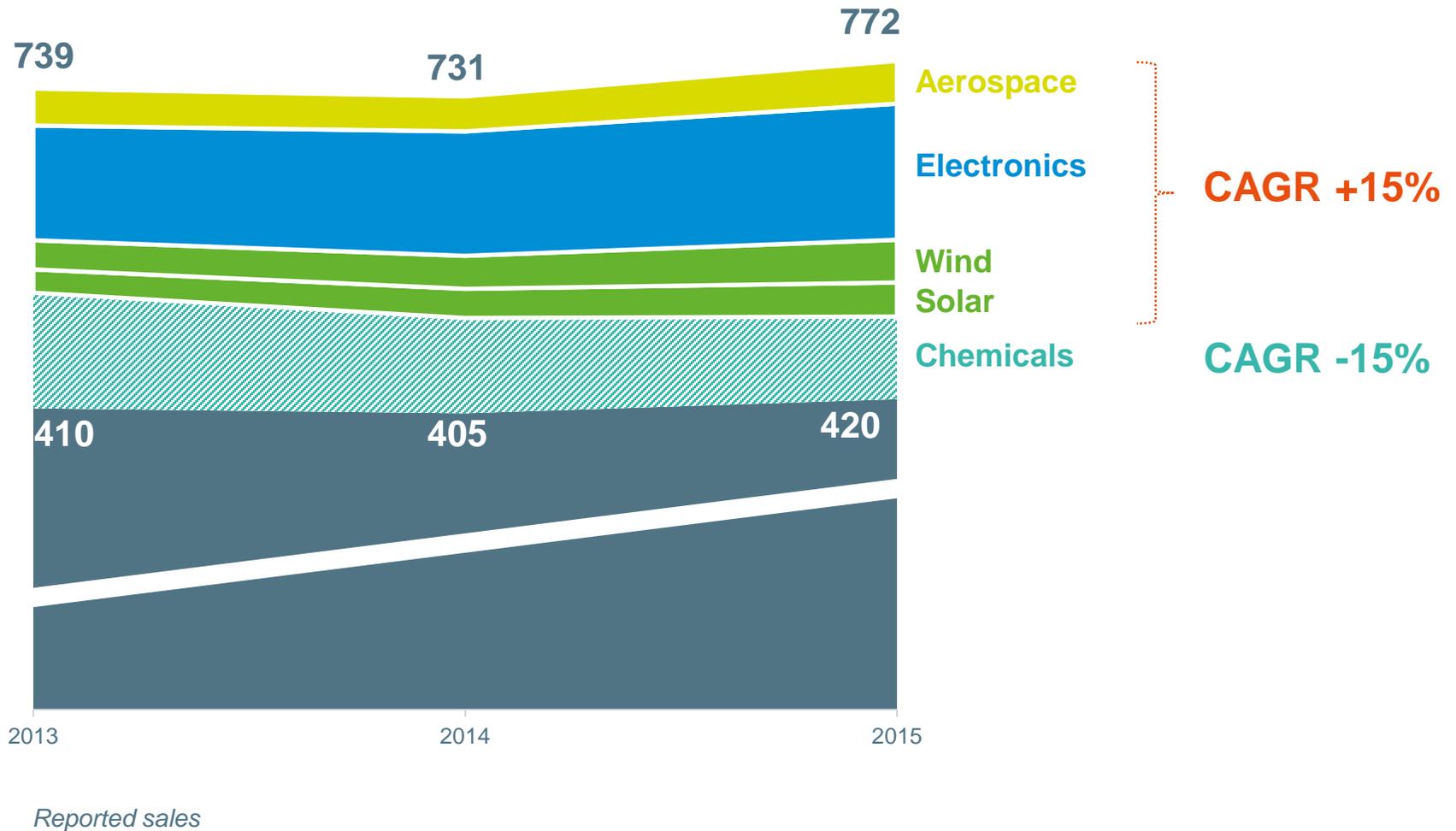


## ENHANCE PERFORMANCE THROUGH GOOD ORGANIZATION

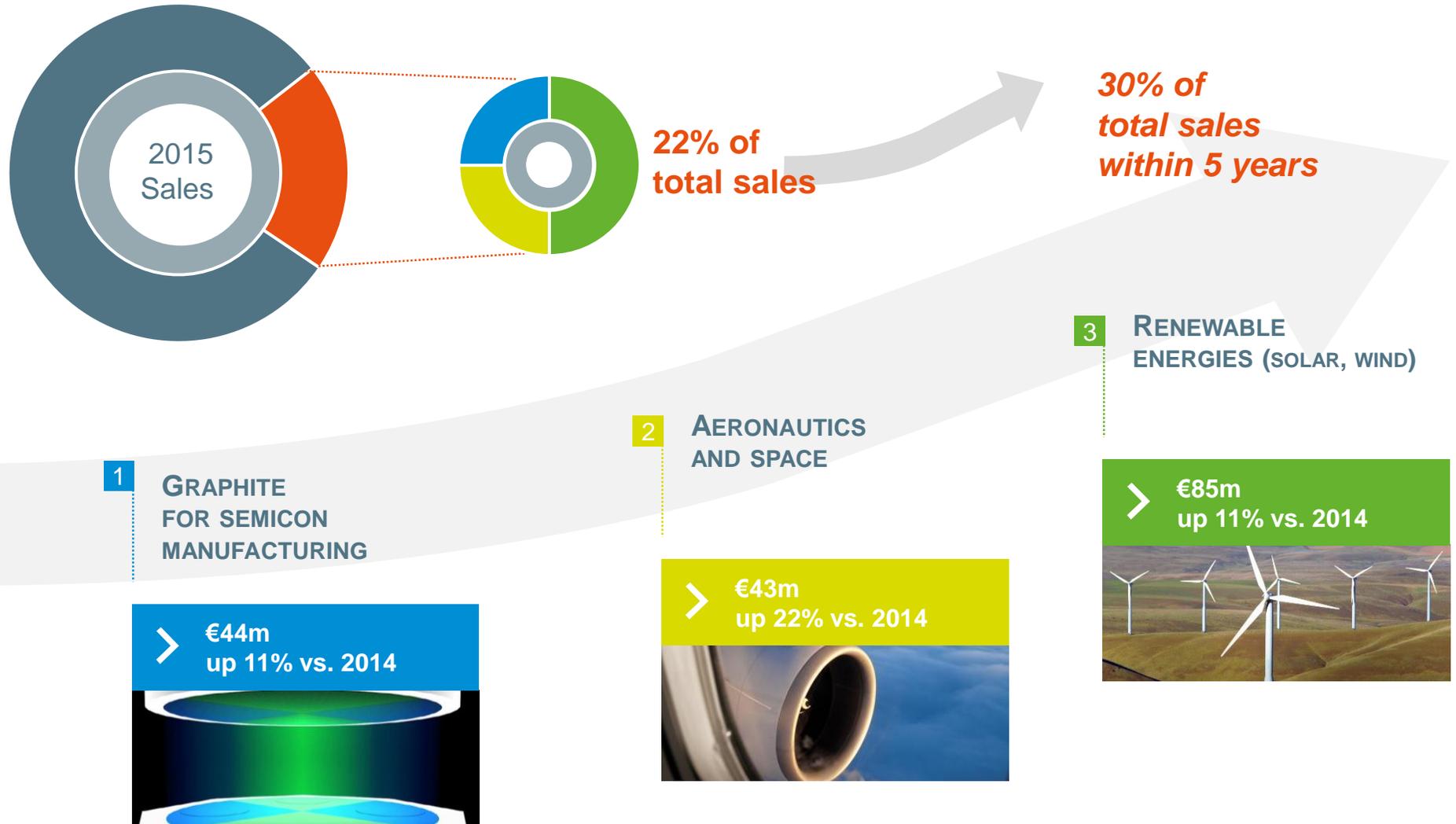
- Management of teams
- Development of talent
- Collaboration



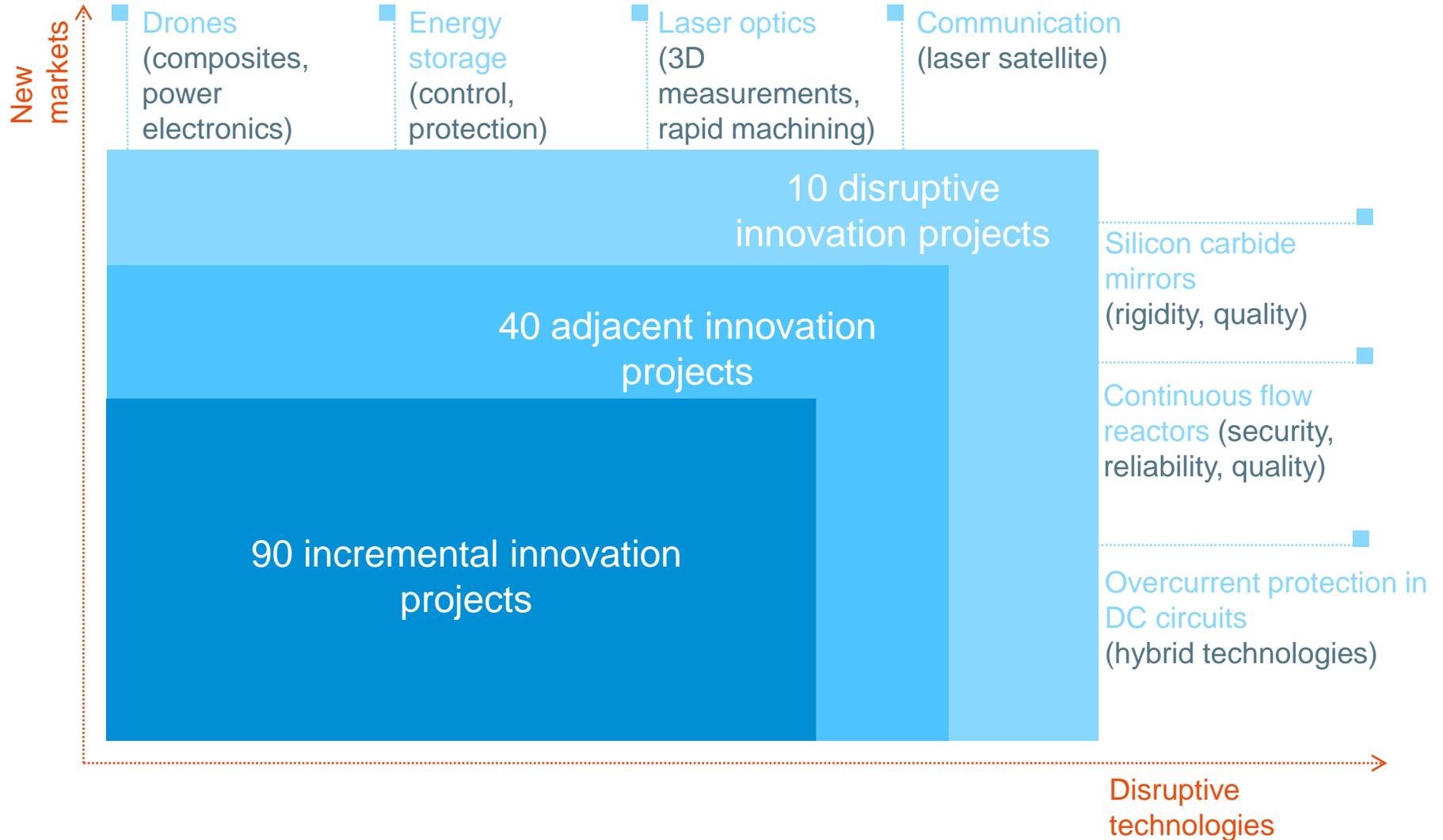
# EXPANDING MARKETS THAT HAVE HELPED TO MAKE UP FOR THE DECLINE IN CHEMICALS



# BOOST THE EXPANSION OF OUR EXPANDING MARKETS



# NUMEROUS INNOVATION PROJECTS



# DIFFERENTIATION SUCCESS STORIES

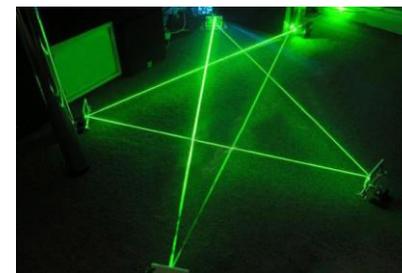
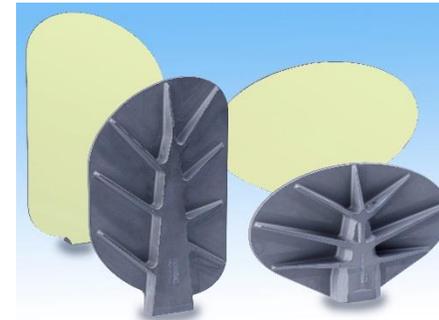


**Innovations:**  
**Potential sales estimated at €50m to €100m within 5 years**

- **CONTINUOUS FLOW REACTORS**  
*INTRODUCED IN 2011*



- **LASER MIRRORS**  
*INTRODUCED IN 2013*

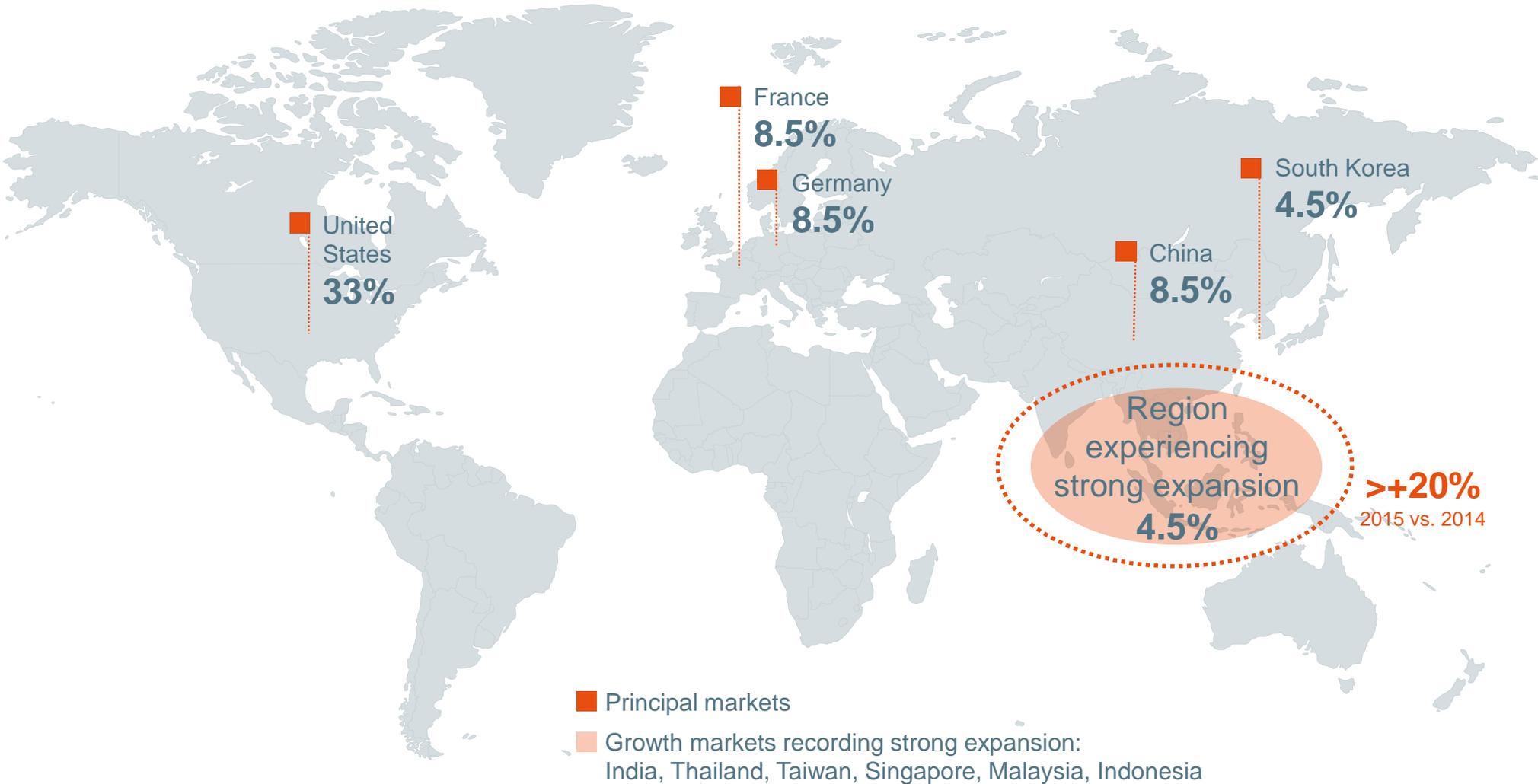


Examples

# GLOBAL PRESENCE PROVIDING ROBUSTNESS AND OPPORTUNITIES



As a % of total sales



# PURSUE PLANS FOR SELECTIVE ACQUISITIONS



## ■ OUR OBJECTIVES

- Consolidate our **core businesses** to strengthen our leadership
- Expand in **geographical regions** recording strong growth
- Acquire **growth platforms** in adjacent business segments
- Acquire **key expertise**



Joint ventures or acquisitions  
**extending our geographical coverage**



Key components for **power electronics**



Complementary **materials**



**Consolidation** in our sectors of activity

## ■ OUR RESOURCES

- A robust balance sheet that will enable us to finance bolt-on acquisitions using debt, while maintaining a solid net debt/EBITDA ratio

## ■ BACKGROUND

- Acquisition multiples watched more closely given Mersen's current share price

# PURSUE OPERATIONAL EXCELLENCE

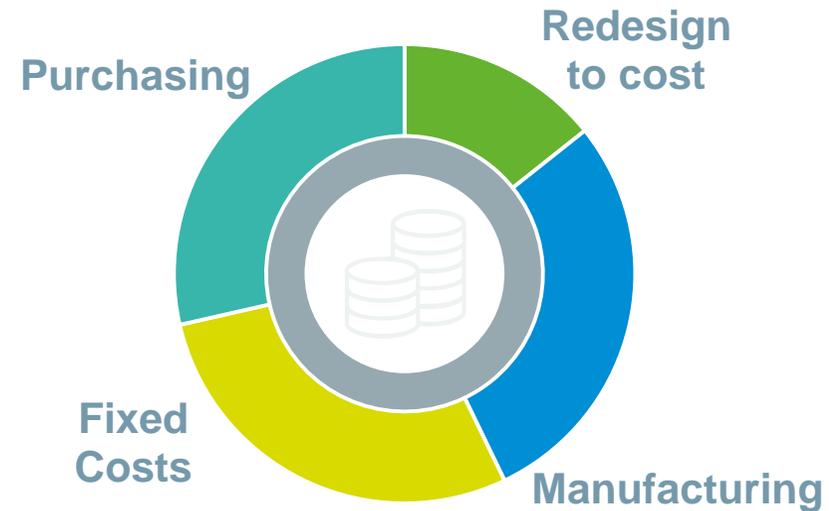
## A MEANS OF EXECUTING THE STRATEGY



### ■ INCREASE PRODUCTIVITY:

- Enhance **manufacturing processes**
- Deploy **lean** on sites of excellence
- Save on **purchasing**
- Increase the **redesign to cost** approach
- Reduce certain items of **fixed costs**

€30m in gross cost  
reductions **over 2-3 years**



### ■ REDUCE INVENTORIES TO WHAT IS STRICTLY NECESSARY TO IMPROVE THE CASH POSITION



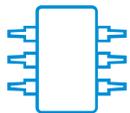
## *New organization in line with the strategy*

### ➤ **ADVANCED MATERIALS:** A consistent segment built around **carbon materials and their markets**



- Pool resources between activities
- Specialize our manufacturing facilities, where possible
- Draw on common skills

### ➤ **ELECTRICAL POWER:** A segment serving the needs of the **electrical industry**



- Align dedicated teams with their specific challenges
- Aim for excellence across each product line with a focused management team
- Harness joint teams

### ➤ **CREATION OF ASIA AND INNOVATION POSITIONS**

# OVER THE MEDIUM TERM, A POWERFUL AMBITION OF GROWTH BOTH IN SALES AND PROFITABILITY

## MERSEN'S STRENGTHS

- **MARKET AND GEOGRAPHIES DIVERSIFICATION** ENABLE MERSEN TO COMPENSATE AN UNFAVORABLE ECONOMIC ENVIRONMENT
- **VIBRANT EXPANDING MARKETS**
- **AMBITIOUS COMPETITIVENESS PLAN** TO CAPTURE EXPANDING MARKETS
- **ABILITY TO ADAPT QUICKLY**



## APPENDIX

- KEY FIGURES FOR THE NEW SEGMENT STRUCTURE
- SALES BY MARKET
- DETAILS OF NON-RECURRING ITEMS

# KEY FIGURES IN THE NEW ORGANIZATION

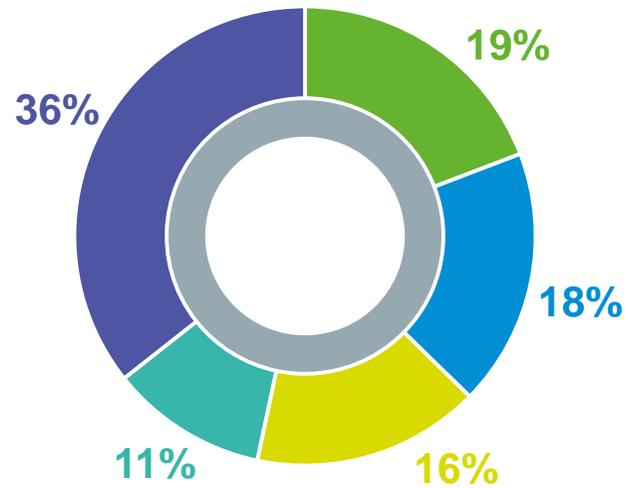
2015	Advanced Materials segment	Electrical Power segment	Group including corporate costs
Sales (€ m)	420	352	772
Operating income before non-recurring items (€ m)	33.0	38.2	58.1
Operating margin before non-recurring items	7.9%	10.8%	7.5%

# QUARTERLY SALES NEW ORGANIZATION

(€ m)	Electrical Power segment (EP)				Advanced Materials segment (AM)			
	2015	2014 restated	Total growth	Organic growth*	2015	2014 restated	Total growth	Organic growth*
Q1	86.9	79.1	9.8%	-0.2%	107.3	99.8	7.5%	-2.8%
Q2	89.5	81.6	9.7%	-1.5%	109.9	99.2	10.8%	-0.8%
Q3	87.9	81.7	7.5%	-0.7%	102.8	101.2	1.6%	-4.9%
Q4	88.4	84.6	4.5%	-2.4%	99.5	98.8	0.7%	-3.8%
<b>Total</b>	<b>352.7</b>	<b>327.0</b>	<b>7.8%</b>	<b>-1.2%</b>	<b>419.5</b>	<b>399.0</b>	<b>5.1%</b>	<b>-3.2%</b>

\*On a like-for-like basis (no changes in scope in this period)

# BREAKDOWN OF 2015 SALES BY MARKET



■ Energy ■ Electronics ■ Transportation ■ Chemicals ■ Process industries

*as a % of total sales for 2015*

# NON-RECURRING ITEMS

(€ m)	2015	2014 pro forma*
<b>Non-recurring items</b>	<b>(21.6)</b>	<b>(37.0)</b>
Restructuring costs	(2.6)	(2.7)
Transform plan	(3.0)	(27.6)
Asset impairment losses	(16.8)	(0.3)
Other	0.8	(6.4)
<b>Tax</b>	<b>(19.1)</b>	<b>(9.1)</b>
Tax	(14.5)	(5.6)
Impairment loss of deferred tax assets	(4.6)	(3.5)

## ■ EFFECTIVE TAX RATE: 33% (RESTATED FOR NON-RECURRING ITEMS)

\*2014 figures restated for IFRS 5