

# MPM HOLDINGS INC. ("Momentive")

## Fourth Quarter and Fiscal Year 2016 Earnings Conference Call

### March 7, 2017



# Forward Looking Statements

## MPM Holdings Inc. ("Momentive")

Certain statements in this presentation are forward-looking statements within the meaning of and made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements related to our transformation and restructuring activities, growth and productivity initiatives, anticipated cost savings, growth, and market recovery, the impact of work stoppage and other incidents on our operations and competitiveness. In addition, our management may from time to time make oral forward-looking statements. All statements, other than statements of historical facts, are forward-looking statements. Forward-looking statements may be identified by the words "believe," "expect," "anticipate," "project," "plan," "estimate," "may," "will," "could," "should," "seek" or "intend" and similar expressions. Forward-looking statements reflect our current expectations and assumptions regarding our business, the economy and other future events and conditions and are based on currently available financial, economic and competitive data and our current business plans. Actual results could vary materially depending on risks and uncertainties that may affect our operations, markets, services, prices and other factors as discussed in the Risk Factors section of our most recent Annual Report on Form 10-K and our other filings with the Securities and Exchange Commission (the "SEC"). While we believe our assumptions are reasonable, we caution you against relying on any forward-looking statements as it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to: a weakening of global economic and financial conditions, interruptions in the supply of or increased cost of raw materials, the impact of work stoppage and other incidents on our operations, changes in governmental regulations or interpretations thereof and related compliance and litigation costs, difficulties with the realization of cost savings in connection with our global restructuring, transformation and strategic initiatives, including transactions with our affiliate, Hexion Inc., pricing actions by our competitors that could affect our operating margins, our ability to obtain additional financing, and the other factors listed in the Risk Factors section of our SEC filings. All forward-looking statements are expressly qualified in their entirety by this cautionary notice. The forward-looking statements made by us speak only as of the date on which they are made. Factors or events that could cause our actual results to differ may emerge from time to time. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

This presentation contains non-GAAP financial information. Reconciliation to GAAP is included at the end of the presentation.

# MOMENTIVE

## OVERVIEW OF FOURTH QUARTER AND FISCAL YEAR 2016 RESULTS



# Momentive: Fiscal Year 2016 In Review

## Invested in Growth

- Remain focused on accelerating the growth of Momentive's specialty product portfolio through strategic capital investments. Invested ~ \$55 million during FY 2016 in growth and productivity projects and recently completed the acquisition of Sea Lion Technology.

## Transformed Manufacturing Footprint

- At year end, ceased siloxane production at Leverkusen, Germany facility and entered into key long-term external supply agreements. Expect savings of \$10 million per year beginning in FY 2017.

## Improved Cost Structure

- Developed \$35 million program to reduce divisional and corporate SG&A. Fully implemented as of December 31, 2016 with \$29 million of savings realized in FY 2016.

## Delivered Strong Financial Results

- Segment EBITDA was up 59% in the fourth quarter versus prior year and 23% for the year. Continued solid demand and earnings momentum in 2017.

## Strengthened Balance Sheet

- Deleveraged balance sheet by ~1.25x to ~4.5x as of December 31, 2016. Maintained solid liquidity throughout the year.



## Delivered Against 2016 Strategic Priorities

(1)

Definition of leverage calculated as the face value of debt less cash and equivalents divided by LTM Segment EBITDA.

# Overview of FY 2016 Results

- Segment EBITDA<sup>(1)</sup> increased 23% year-over-year reflecting strong growth in specialty silicones and cost control initiatives, as well as the benefit of raw material deflation
  - Gains reflect intentional product mix shift as specialty volume increased 5% year-over-year
  - Strong growth in specialties and value-added silicones serving automotive, construction, personal care, and consumer end markets
- Net sales decreased 2% year-over-year primarily due to intentional mix shift towards higher-margin products versus less profitable commodity products

Summary Financials				
(\$ in millions)	FY'15	FY'16	Δ	
Net sales	\$2,289	\$2,233	(2)%	
Net (loss) income	(83)	(163)	(96)%	
Segment EBITDA				
Silicones	201	257	28%	
Quartz	27	20	(26)%	
Corporate	(34)	(39)		
Total Segment EBITDA	<u><u>\$194</u></u>	<u><u>\$238</u></u>	23%	
Segment EBITDA margin	8.5 %	10.7 %		

## Momentive Delivered Improved FY'16 Results Reflecting Strong Underlying Specialty Portfolio

(1) Segment EBITDA is a non-GAAP financial measure. Segment EBITDA should not be considered a substitute for net income (loss) or other results reported in accordance with GAAP. A table that reconciles Segment EBITDA is at the end of this presentation. Segment EBITDA is defined as EBITDA (earnings before interest, income taxes, depreciation and amortization) adjusted for certain non-cash and other income and expenses. Segment EBITDA is an important measure used by the Company's senior management and board of directors to evaluate operating results and allocate capital resources among businesses.

# Overview of Fourth Quarter 2016 Results

- Segment EBITDA increased 59% year-over-year reflecting leverage from strategic growth investments, such as liquid silicone rubber and urethane additive expansions, streamlined cost structure through the rationalization of corporate and divisional SG&A expenses, and the benefit of raw material deflation
- Overall Segment EBITDA margin was 11.9%, an increase of 440 bps year-over-year
- Net sales decreased 1% year-over-year as Momentive intentionally reduced siloxane derivative sales
- Continued strategic investments to further enhance cost structure and support the growth of leading technologies

Summary Financials			
(\$ in millions)	Q4'15	Q4'16	YoY △
Net sales	\$549	\$544	(1)%
Net (loss) income	(37)	(118)	nm
Segment EBITDA			
Silicones	47	68	45%
Quartz	1	7	nm
Corporate	(7)	(10)	(43)%
<b>Total Segment EBITDA</b>	<b><u>\$41</u></b>	<b><u>\$65</u></b>	<b>59%</b>
Segment EBITDA margin	7.5 %	11.9 %	

**Solid 4Q'16 Results Driven By Strategic Investments and Cost Reduction Initiatives**

# Fourth Quarter and Fiscal Year 2016 Silicones Results

- 4Q'16 Silicones segment EBITDA improved 45% year-over-year as a result of improved manufacturing efficiency, cost reduction initiatives, and the benefit of raw material deflation
  - 4Q'16 specialty volumes were up 6% year-over-year driven by broad based gains throughout the specialty portfolio
- 4Q'16 Silicones segment EBITDA and EBITDA margins improved by 440bps year-over-year
- 4Q'16 Silicones segment net sales declined 2% year-over-year

(\$ in millions)	Quarter and Fiscal Year Ended					
	Q4'15	Q4'16	YoY Δ	FY'15	FY'16	YoY Δ
Silicones Net Sales	\$ 507	\$ 498	(2)%	\$2,112	\$2,061	(2)%
Silicones EBITDA	47	68	45%	201	257	28%
Silicones EBITDA Margin	9.3%	13.7%		9.5%	12.5%	

Net Sales Comparison Year-on-Year				
	Volume	Price/ Mix	Foreign Exchange	Total
Q4'16	(4)%	1%	1%	(2)%
FY'16	(1)%	(1)%	--	(2)%

**Growth Investments and Specialty Portfolio Driving Ongoing Margin Improvement**

# Fourth Quarter and Fiscal Year 2016 Quartz Results

- 4Q'16 Quartz segment EBITDA improved significantly over prior-year reflecting higher, cost controls, and substantially improved manufacturing efficiencies as the Company experienced production disruption in the prior year period that did not reoccur
- 4Q'16 Quartz segment EBITDA margins improved 1,280bps year-over-year reflecting stable manufacturing in 2016
- 4Q'16 Quartz segment net sales increased 10% year-over-year reflecting improved demand in electronics

(\$ in millions)	Quarter and Fiscal Year Ended					
	Q4'15	Q4'16	YoY Δ	FY'15	FY'16	YoY Δ
Quartz Net Sales	\$ 42	\$ 46	10%	177	172	(3)%
Quartz EBITDA	1	7	nm	27	20	(26)%
Quartz EBITDA Margin	2.4%	15.2%		15.3%	11.6%	

Net Sales Comparison Year-on-Year				
	Volume	Price/ Mix	Foreign Exchange	Total
Q4'16	7%	--	3%	10%
FY'16	(4)%	--	1%	(3)%

**Quartz Results and Margins Improved in 4Q'16**

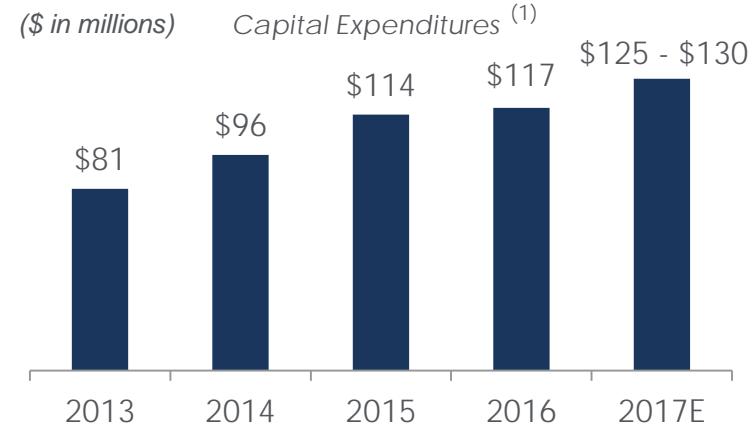
# Specialty Portfolio Investments Underpin Global Growth Strategy

## Strategic Acquisition

- In January 2017, Momentive acquired the operating assets of Sea Lion Technology, Inc. to support strategic Silane business
  - Further strengthens global footprint and provides additional capacity closer to key customers in the Americas
  - NXT\* silane has a unique design that enables reduced rolling resistance without loss of wet traction, while promoting increased overall production efficiency for tire manufacturers



## Capital Program



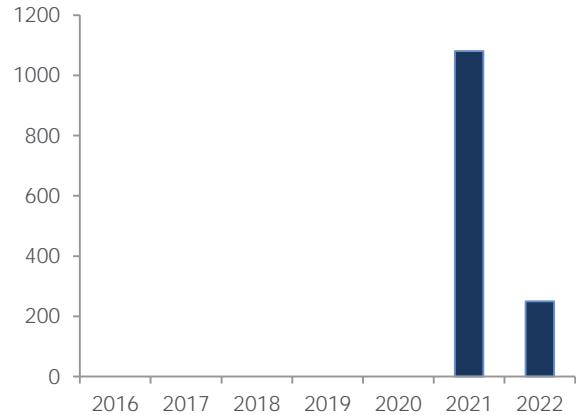
- Strong balance sheet and significant liquidity provides meaningful financial flexibility
- Focusing capital investments on growth of specialty portfolio and operational stability and reliability
- Expect to invest more than \$50 million in growth and productivity initiatives in 2017

(1) Includes capitalized interest.

# Balance Sheet Update & Financial Summary

- Liquidity: Cash plus borrowing availability of \$439 million at December 31, 2016
  - No significant debt maturities until 2021
  - Not currently subject to any financial maintenance covenants
- Operating cash flow of \$142 million in 2016 compared with \$128 million in 2015
- Growth and capital investment program remains on track
  - Invested \$117 million in capital expenditures in 2016, down from estimate of \$125 to \$130 million as a result of project timing
  - On pace to complete ~ \$30 million flagship NXT<sup>\*</sup> Silane expansion
- Momentive remains focused on driving free cash flow and optimizing net working capital; expect net working capital to be source of cash in 2017

**Long-Term Debt Maturity Schedule**



**Net Working Capital**

(*\$ in millions*)



# Fourth Quarter and Fiscal Year 2016 Closing Remarks

- Strong business and operational performance
  - Reported FY 2016 Segment EBITDA totaled \$238 million, 23% increase year-over-year
  - Reported Q4 2016 Segment EBITDA totaled \$65 million, 59% increase year-over-year
- Continued investments in cost structure and to support the growth of leading specialty technologies
- Solid balance sheet and liquidity of \$439 million as of December 31, 2016
- Solid momentum in business due to growth initiatives, investments in operational reliability, and global restructuring program

**2017 Priorities Consistent with 2016:  
Investing in Growth, Transforming Manufacturing Footprint, and Driving Cost Reductions**

# APPENDICES

# Reconciliation of Non-GAAP Financial Measures

	Quarter Ended December 31,		Year Ended December 31,	
	2016		2015	
	\$		\$	
Net loss	\$	(118)	\$	(37)
Interest expense, net		19		20
Income tax expense		14		2
Depreciation and amortization		53		35
Gain on extinguishment and exchange of debt		—		(7)
<b>EBITDA</b>	<b>\$</b>	<b>(32)</b>	<b>\$</b>	<b>13</b>
Items not included in Segment EBITDA:				
Non-cash charges and other income and expense	\$	11	\$	12
Unrealized gains (losses) on pension and postretirement benefits		28		(3)
Restructuring and other costs		57		19
Reorganization items, net		1		—
Total adjustments		<b>97</b>		<b>28</b>
Segment EBITDA	\$	65	\$	41
<b>Segment EBITDA:</b>				
Silicones		68		47
Quartz		7		1
Corporate		(10)		(7)
<b>Total</b>	<b>\$</b>	<b>65</b>	<b>\$</b>	<b>41</b>

# Debt at December 31, 2016

	2016		2015	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
<b>Senior Secured Credit Facilities:</b>				
ABL Facility	\$ —	\$ —	\$ —	\$ —
<b>Secured Notes:</b>				
3.88% First Lien Notes due 2021 (includes \$105 and \$123 of unamortized debt discount at December 31, 2016 and 2015, respectively)	995	—	977	—
4.69% Second Lien Notes due 2022 (includes \$30 and \$39 of unamortized debt discount at December 31, 2016 and 2015, respectively)	172	—	192	—
<b>Other Borrowings:</b>				
China bank loans at 4.1% and 4.2% at December 31, 2016 and 2015, respectively	—	36	—	33
Other at 2.99% at December 31, 2015	—	—	—	3
<b>Total debt <sup>(1)</sup></b>	<b>\$ 1,167</b>	<b>\$ 36</b>	<b>\$ 1,169</b>	<b>\$ 36</b>

(1)

Momentive Performance Materials Inc. ("MPM") is the issuer of all debt obligations and the secured notes are fully and unconditionally guaranteed by certain subsidiaries of MPM.



