Welcome to Momentive's first quarter 2018 earnings conference call. Leading today's call will be Jack Boss, Chief Executive Officer and President, Erick Asmussen, Senior Vice President and Chief Financial Officer, and John Moran, Senior Vice President and General Counsel.

As a reminder, this call is also being webcast and the slides referenced in today's conference call are available through the momentive.com Web Site under the investor relations section. A replay of this call will be available by telephone for one week, and the replay dial-in information is contained in our latest earnings release. A replay of this call will also be posted on our Web Site.

Before I start, I'd like to review information about forward-looking statements and the use of non-GAAP information as part of this call, highlighted on page 2.

As you know, some of our comments today may include statements about our expectations for the future. Those expectations are subject to known and unknown risk, uncertainties and other factors that may cause the Company's actual results and performance to be materially different from any future results or performance suggested by these expectations.

The slide you now see gives you more information on the assumption and factors we consider in making those forward-looking statements. We can't guarantee the accuracy of
any forecast or estimates and we undertake no obligation to update any forward-looking statements during the quarter except as otherwise required by law.

For more information on our risk factors, please see our earnings press release in our SEC filings. In addition, some of our comments may reference non-GAAP financial measures, including EBITDA.

The most directly comparable GAAP measures are set forth in our presentation and reconciliation into such GAAP financial measures, and other associated disclosures are contained in our earnings release and on our Web Site. Please note, our results are unaudited and the final unaudited financials will be included in our quarterly report on Form 10-Q. Our earnings and our recent SEC filings are also available on the internet at momentive.com.

With that, I'll now turn the call over to Jack Boss to discuss our latest results.

Jack Boss I am pleased to report another quarter of strong financial performance as we delivered against our strategic priorities. In the first three months of 2018, we continued to invest in new products, in our global manufacturing network and in streamlining our cost structure. With a good start to the year, remain extremely well-positioned for long term growth and continued margin expansion.

In the first quarter, revenue grew 21%. This reflects volume gains and contributions from our past capital investments, as well as pricing actions across the portfolio announced in the fourth quarter of 2017.

Our multi-year efforts to accelerate profitable growth and transform our global operations drove a 36% increase in segment EBITDA for the quarter. Segment EBITDA gains were primarily driven by pricing, cost actions and volume leverage, partially offset by approximately $10 million of weather related disruptions in January. We expect half of the negative impact to reverse in the second half of 2018. Segment EBITDA margins 160 basis points to 14.3%.

As previously reported, we have recently started commissioning of our NXT Silane expansion in Leverkusen, Germany. We expect to ramp up production throughout 2018 as the qualification process for our global automotive customers is completed. We begin the second quarter of 2018 with a robust order book across all of our business units.

Now turning to slide 5, let's look at individual segment results. In our performance additive segment, we continued to focus on investments on the markets and the businesses where we have global leadership positions. We drove strong sales and volume growth across the portfolio as first quarter sales increased 13% reflected positive demand in automotive, agriculture and personal care end markets.
Performance additive segment EBITDA was $54 million, an increase of 15% over the prior year period. Again, reflecting volume growth and contributions from our strategic growth investments.

In the fourth quarter, we announced pricing actions throughout our performance additives portfolio. We are currently implementing these increases and expect that they will support continuing margin improvement in 2018. Our order book remains robust, further supporting segment EBITDA growth throughout the year.

On slide 6, I'll discuss our formulated and basic silicones segment. We continue to generate strong earnings momentum in our formulated and basic silicone segment. This segment contains both very high-end specialty products, such as our coatings and electronics, as well as our basic silicone products. We have strategically focused on driving specialty product sales to improve our product mix.

As a result of these actions, sales in the first quarter were up 30% reflecting strong growth within our specialty portfolio, driven by increased demand in electronic materials, coatings and industrial end markets. As well as an increase sales of basic silicone products. Improved first quarter 2018 revenues also benefited from stable production in the period.

Segment EBITDA for the first quarter was up 71%, or $17 million, year-over-year as a result of volume growth in both the specialty and the basics portions of our portfolio. This volume growth, along with price increases realized in our specialties and basics portfolio, were the key drivers of the quarterly segment EBITDA improvement. Segment EBITDA margins also increased 280 basis points in the quarter.

At this point, we have successfully implemented about 75% of the broad-based pricing actions across the entire portfolio supporting higher segment EBITDA margins and we continue to evaluate new increases and other related actions to further drive margin improvement.

Our order book remains very robust in this segment as well. Strong customer demand, along with positive industry operating rates, are expected to drive margin expansion throughout 2018.

Now turning to slide 7, I'll discuss our quartz technology segment. Quartz sales increased 6% in the quarter, driven by continued positive semi-conductor demand. Our quartz technologies segment EBITDA increased 29% driven by higher sales and increased operating leverage. Specifically, we benefited from our lean and continuance improvement initiatives with resulted in improved yields in our quartz production operations.

The outlook for quartz technologies heading into 2018 remains positive based on our leading technologies and continued strong market conditions.
Before turning it over to Erick to discuss the balance sheet, I wanted to update you on our progress on both cost reduction and our strategic growth programs. So turning to slide 8, we will discuss our growth and productivity investment programs.

Specifically, one of our largest strategic investments is our NXT* product line which is key to expanding our capabilities and already significant presence in the auto industry. Our NXT* Silanes help global tire producers improve product performance. For example, they enable improved rolling resistance without the loss of wet traction.

Additionally, continued improvements in fuel economy standards support global demand and play to our strengths in this segment. Ultimately, our innovation technology platforms, such as NXT*, such as elastomers, coatings and additives enable our auto customers to bring lighter, stronger and more cost effective products to their markets.

The plant commissioning process is proceeding as planned and production is expected to ramp steadily up through 2018. This expansion leverages our strong intellectual property position, doubles our current capacity and enables accelerated new product development.

On slide 9, we summarize our cost reduction initiatives. As previously announced, we have successfully completed $45 million in cost savings initiatives. These included restructuring actions in both silicones and quartz, as well as the transformation of our Leverkusen, Germany operations.

We've also announced a second phase of global cost reductions designed to achieve approximately $15 million of additional savings. The net cash cost is expected to be approximately $10 million. We expect $8 million of these savings to be realized in 2018. The targeted savings will be achieved primarily through SG&A reductions.

I'll now turn the call over to Erick to discuss our balance sheet.

Erick Asmussen^ We continue to maintain a strong balance sheet with significant liquidity. Our net debt to EBITDA ratio now stands at 3.7 times. We recently extended our ABL facility to March of 2023 and increased the facility size by $30 million for a total availability of $300 million.

At the end of the first quarter, we had cash plus borrowing availability of $417 million compared with $387 million at the end of 2017. We have no significant debt maturities until 2021. And finally, we are maintaining significant financial flexibility while we drive our growth investments and we expect to invest approximately $125 million in total capital expenditures in 2018.

I'll now turn the call back to Jack to close.

Jack Boss^ In summary, we are very pleased with our continued strong financial and operational performance which drove first quarter revenue gains of 21%, segment EBITDA increases of 36% and EBITDA margin improvement of 160 basis points. Our
positive momentum reflects our clearly defined competitive strategy focused on driving growth in our higher margin specialty applications, optimizing the basics business and improving our overall cost structure.

We remain committed to maintaining a lean cost structure and have announced additional restructuring initiatives to drive $15 million in structural cost savings. Net leverage is continuing to decline and we plan to steadily delever throughout 2018 through earnings growth and free cash flow generation.

In summary, we have a strong order book with strong demand and a favorable outlook for the balance of the year due to the improving industry fundamentals and the specific upside from out key growth investments.

John Kompa^ We'd now like to open the line for questions, if you could please remind the callers of those instructions.

+++ q-and-a
Operator^ (Operator Instructions)

Nathan Schubert with JPMorgan.

Nathan Schubert^ First question, you mentioned operating leverage is one factor in driving your EBITDA growth and margin expansion during the quarter. Can you help us think about that? Were your operating rates much higher? And if so, by how much? And is there sort of an inflection point? Where should we be thinking about that?

Jack Boss^ No, obviously you continue to drive productivity throughout the operations as you drive volume, you get leverage through all of our global assets. We have continued headspace to grow above where we are today, but our operating rates are such that we're operating at very high operating rates, 80% plus across our asset base. Pretty much in-line with where the industry is at right now.

Nathan Schubert^ And then just moving on to Leverkusen. When, I guess, should we expect to see any incremental contributions and how is that -- how do you expect operating rates there to evolve throughout 2018? And then just exiting 2018, where do you expect to be?

Jack Boss^ Yes, Leverkusen is a great story. Depending on if you look overall at Leverkusen, the fact that we took out some of our front-end Silane production and invested in a lot of the downstream assets not only in NXT*, we highlight that as the primary investment in Leverkusen, but also other specialty assets. It really has transformed that facility.

I think specifically you're asking around the NXT* ramp-up and that will occur as we speak. Obviously there's customer qualification period that has to happen. That usually takes three to four months. It will really be more of a back-half before we really start to
see some of the leverage and operating benefits of that facility. In the meantime, we're continuing to supply out of our Texas city plant.

Nathan Schubert^ Is there a substantial capacity ramp period from once you've qualified with customers to getting at full operating rates? Or can you flip the switch pretty quickly there?

Jack Boss^ Go ahead.

John Moran^ Think of it as once the qualification occurs, you have a ramp. It's going to steadily ramp throughout the year. So think of the ramp will be Q2, then ramping higher in Q3 and Q4 as qualification occurs and then you have more of a transition of load from Texas to Germany. It will progress at an accelerated rate through Q3 and Q4. And then you think of it as Q1 or early 2019 you see the benefits of a normalized operations at both sites at an elevated level.

Operator^ Alex Kayvanfar with Redwood Capital.

Alex Kayvanfar^ Just a quick one on slide 6, the comment that you successfully implemented 75% of the pricing actions. Does that mean that 75% of it hit in Q1 or if you could just clarify what exactly you meant by that comment?

Jack Boss^ Yes, what we meant by that is we've successfully either have in place or have commitments to have in place 75%. In the pocket, if you will. I wouldn't -- I wouldn't look at that as being fully impactful in Q1. There's still yet to come the impact of a lot of those increases. And frankly, we'll go back out where necessary for further pricing actions.

Operator^ (Operator Instructions)

At this time, I'm showing no further questions. I would like to turn the call back over to Mr. Jack Boss, CEO of Momentive, for closing remarks.

Jack Boss^ Thank to everyone for joining our call today. We had a great start to 2018. Our end market demand for our products is strong. The operating environment is tight. Our strategy and growth programs are on track and we remain enthusiastic about the full year. I look forward to updating you on our next earnings call.

Operator^ Ladies and gentlemen, thank you for your participation in today's conference. This concludes the program. You may now disconnect.