



# PolyOne Investor Presentation

Sidoti and Company 17<sup>th</sup> Annual Emerging Growth  
Institutional Investor Forum

March 19, 2013



*Collaboration. Innovation. Excellence.*

# Forward – Looking Statements



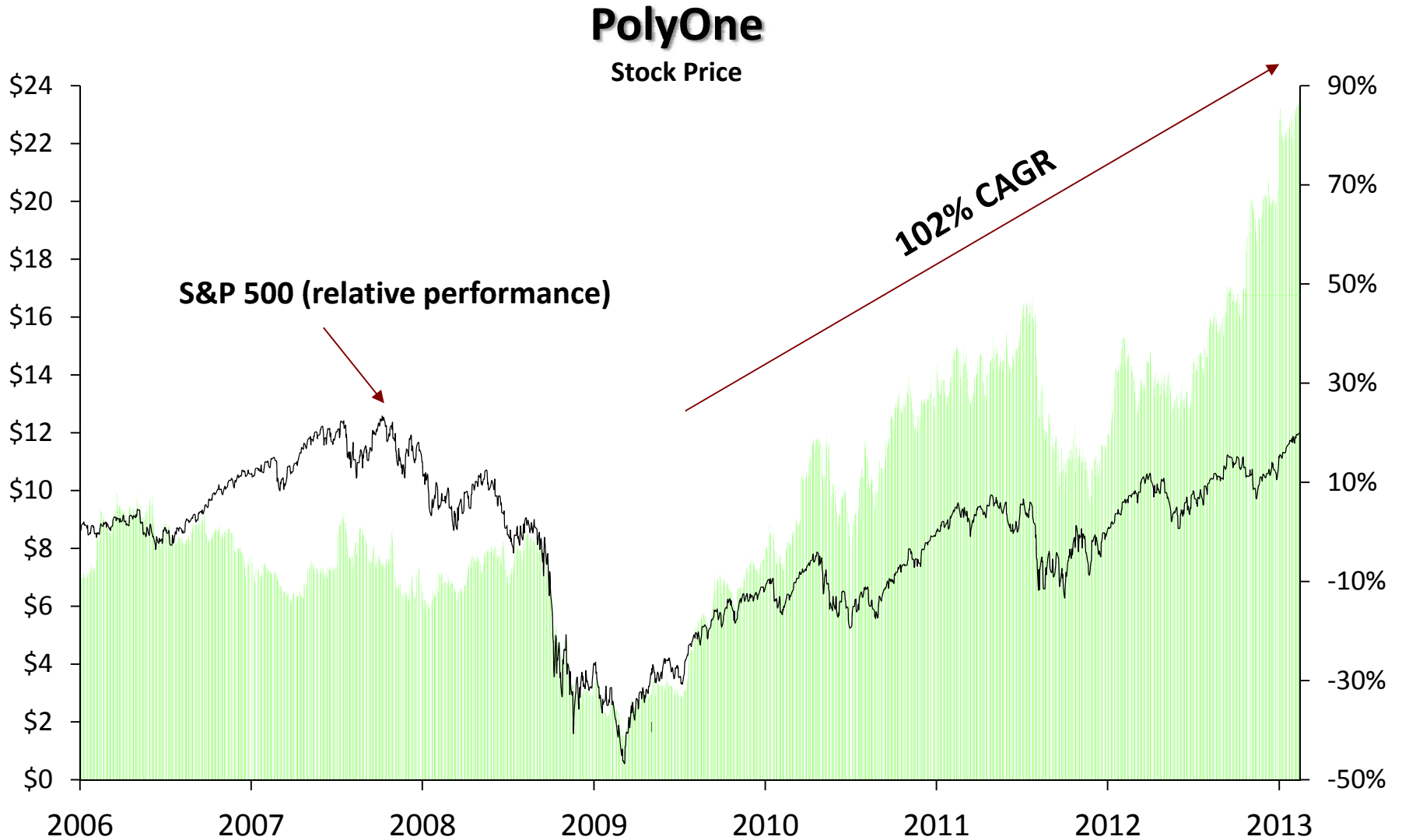
- In this presentation, statements that are not reported financial results or other historical information are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, statements in this press release regarding the proposed acquisition of Spartech are forward-looking statements. 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:
  - ✓ Our ability to achieve the strategic and other objectives relating to the Spartech acquisition, 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 amount and timing of repurchases, if any, of PolyOne common shares and our ability to pay regular quarterly cash dividends and the amounts and timing of any future dividends;
  - ✓ 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 maintain appropriate relations with unions and employees; 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



- 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, we have presented GAAP and non-GAAP financial measures adjusted to reflect full-year 2012 Pro forma results, including Spartech and Glasforms.
- PolyOne's chief operating decision makers use 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).

# Strategy and Execution Drive Results



# Four Pillar Strategy



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

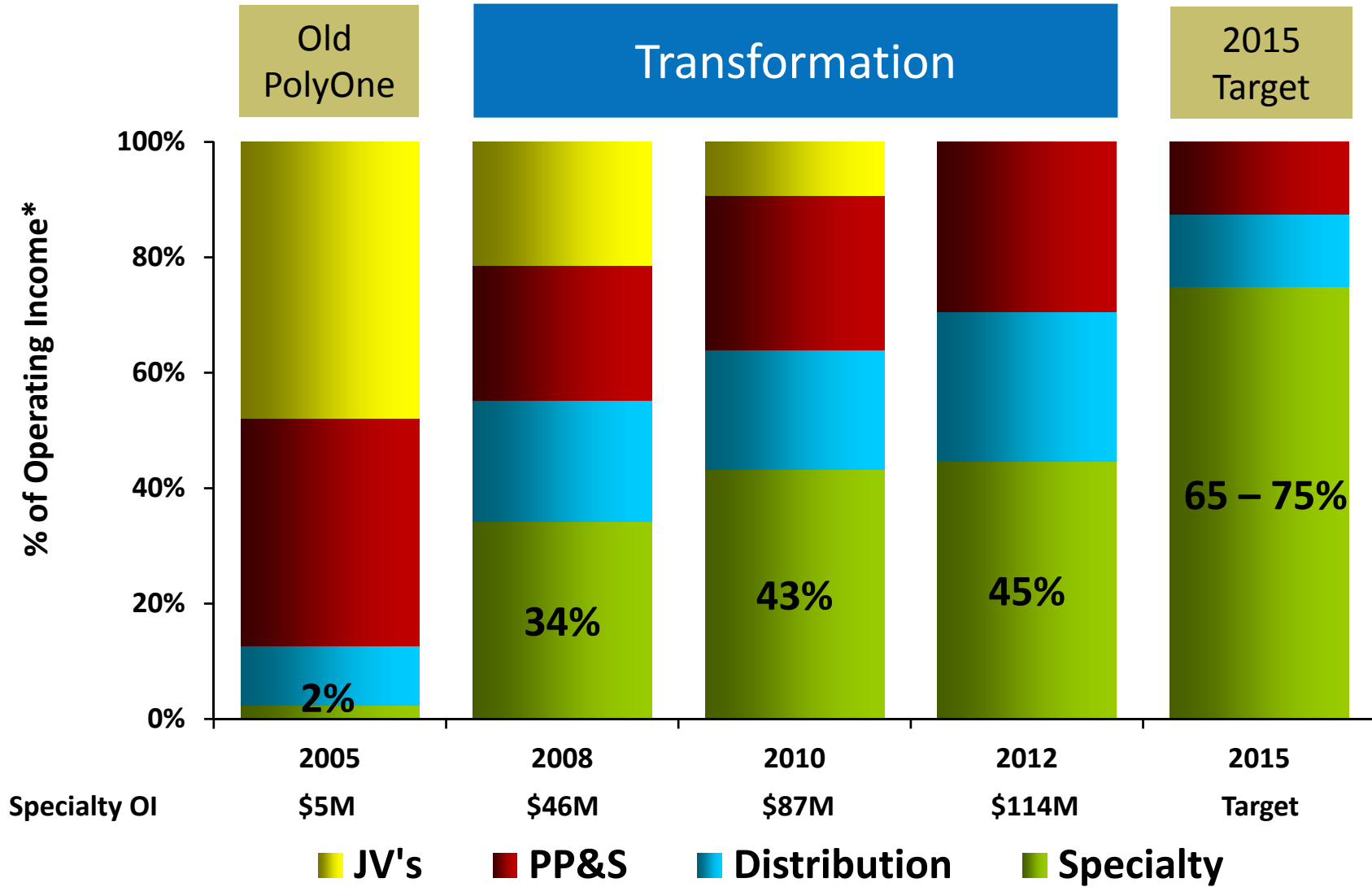
# Spartech – Compelling Strategic Rationale

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- Spartech expands PolyOne’s specialty portfolio with adjacent technologies in attractive end markets
  - ✓ Bolt-on acquisition with opportunity for global expansion, as only 6% of Spartech’s revenues are outside of North America
- PolyOne has a proven management team with a track record of transformational success
- Preliminary synergy estimated at \$65 million run rate by end of year 3
  - ✓ Significant opportunity to expand profitability by leveraging PolyOne’s four pillar strategy
- Substantial potential share price appreciation for all shareholders
  - ✓ Accretive to EPS in first full year post-acquisition / \$0.50 once synergies realized

# Mix Shift Highlights Specialty Transformation



\*Operating Income excludes corporate charges and special items

# Proof of Performance



	2007 “Where we were”	2012 “Where we are”	2015 “Where we expect to be”
1) Operating Income %			
Specialty	3.2%	9.1%	12 – 16%
PP&S	6.1%	9.0%	9 – 12%
Distribution	3.0%	6.4%	6 – 7.5%
2) Specialty Platform % of Operating Income	20%	45%	65 – 75%
3) ROIC* (after-tax)	7%	11%	15%
4) Adjusted EPS Growth**	N/A	4 yr CAGR = 55%	Double Digit Expansion

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

\*\*4 yr EPS CAGR calculated using 2012 adjusted EPS vs 2008 adjusted EPS



# Proof of Performance

## Spartech Opportunity



	PolyOne		Spartech Opportunity	
	<b>2006</b> “Where we were”	<b>2012</b> “Where we are”	<b>Today</b> “Where Spartech is”*	<b>Intermediate Goal</b> “Where we can go”
Specialty Operating Margin	1.5%	9.1%	2.2%	8.0% – 10.0%

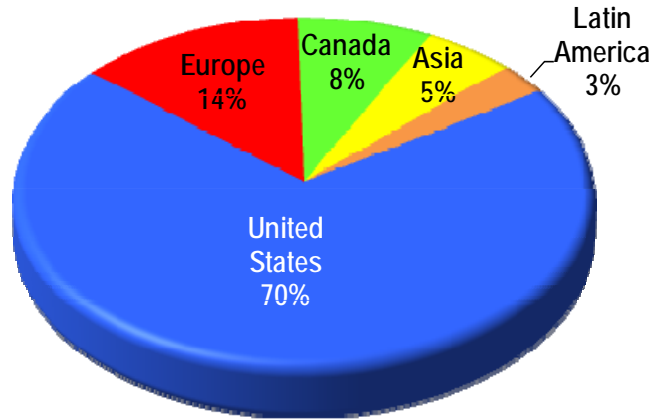
\*Pro Forma results include Spartech corporate allocations for FY12 ended November 3, 2012

# At a Glance

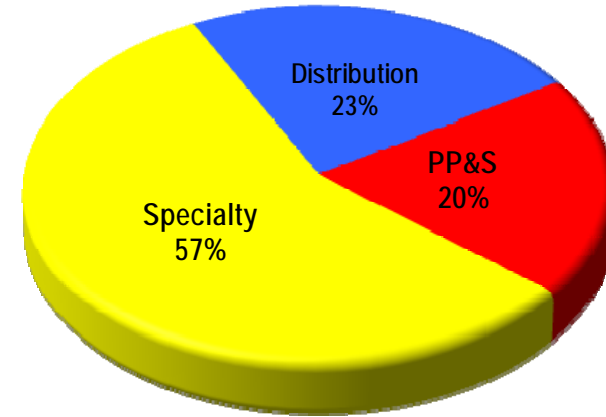
PolyOne



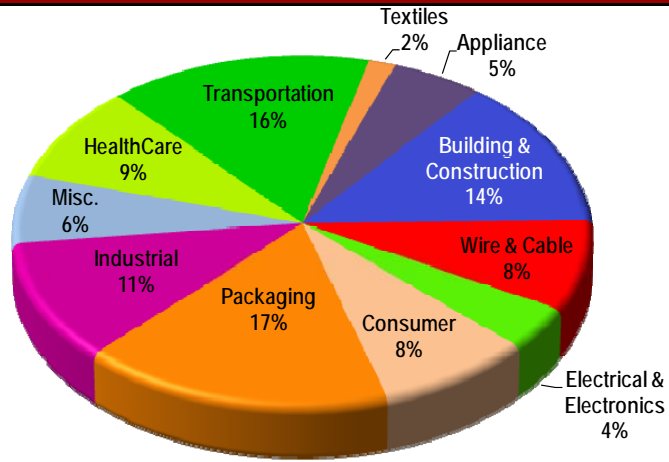
## 2012 Revenues: \$4.2 Billion\*



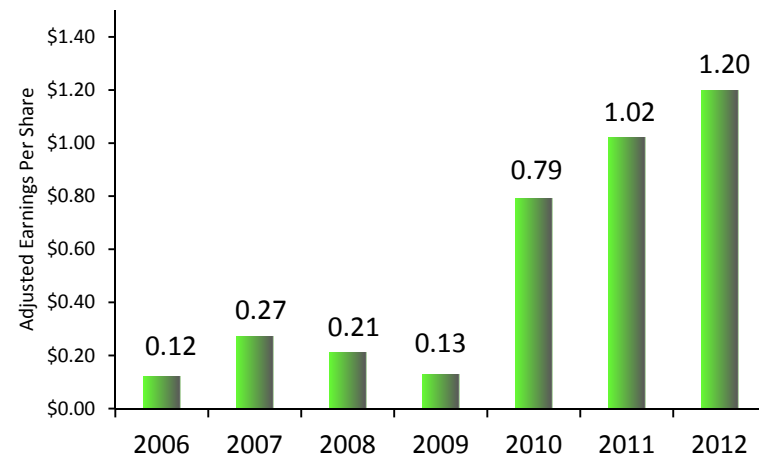
## 2012 Revenues: \$4.2 Billion\*



## End Markets\*



## EPS Growth



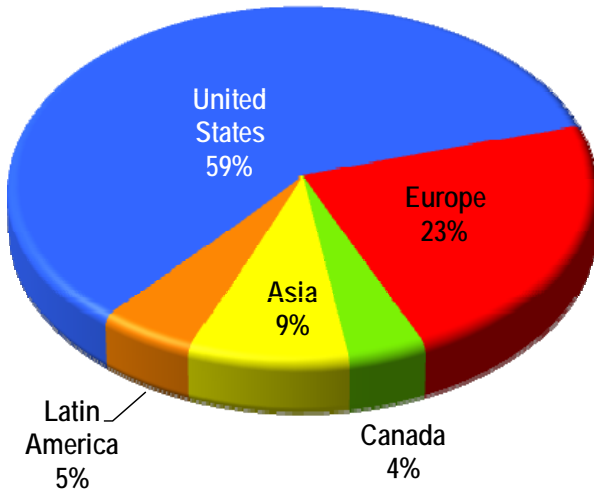
\* Pro Forma includes FY2012 results for Spartech (11/03/12 YE) and Glasforms

# At a Glance

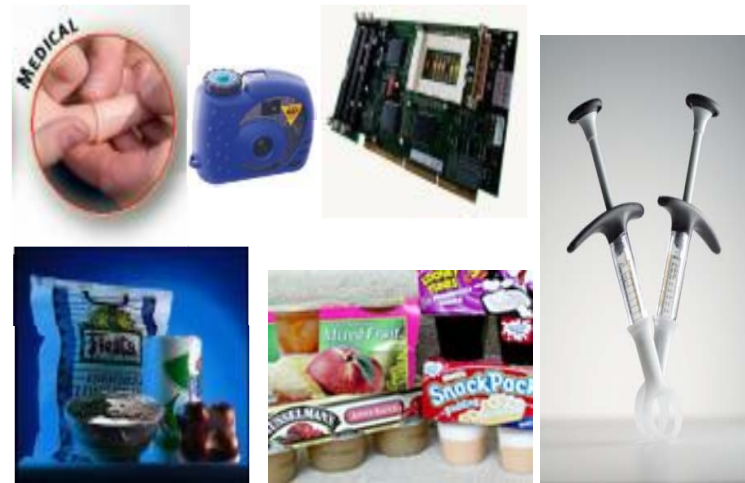
## Specialty



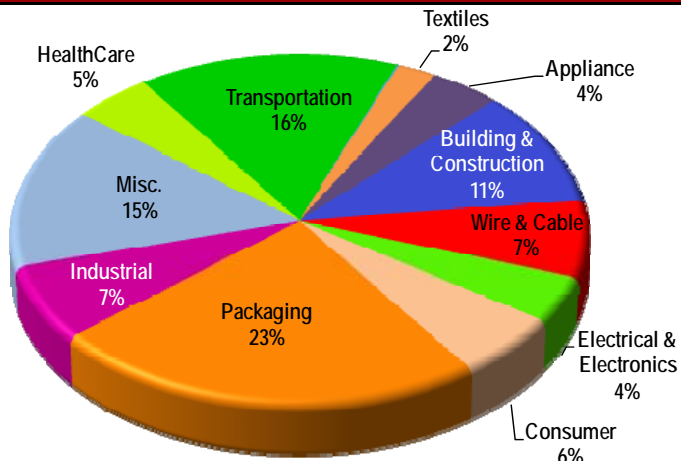
### 2012 Revenues: \$2.4 Billion\*



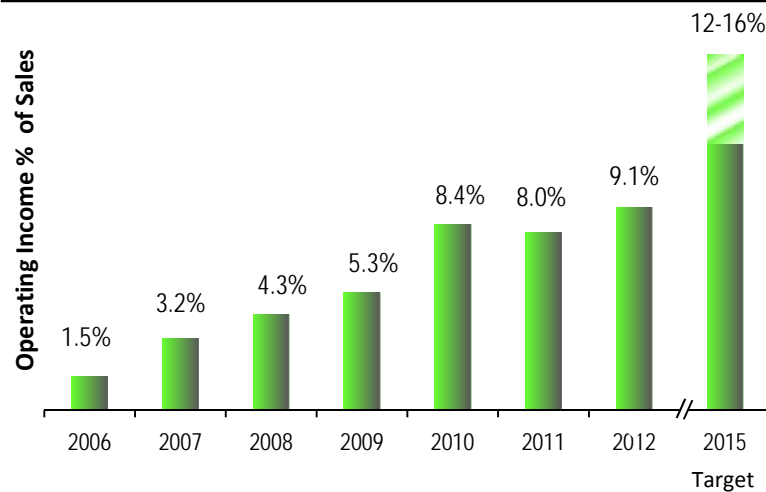
### Solutions



### End Markets\*



### Expanding Profits



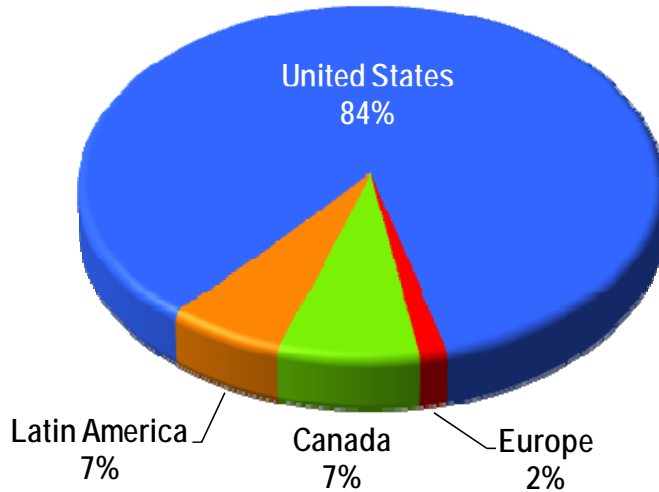
\* Pro Forma includes FY2012 results for Spartech (11/03/12 YE) and Glasforms

# At a Glance

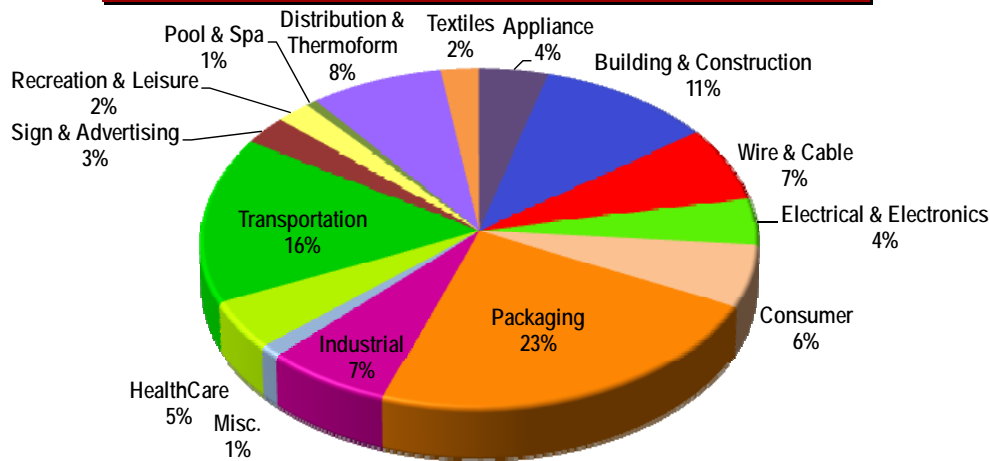
Designed Structures and Solutions



**2012 Revenues: \$0.85 Billion\***



**2012 Revenue by Industry Segment\***



\*Pro Forma includes FY2012 results for Spartech (11/03/12 YE)

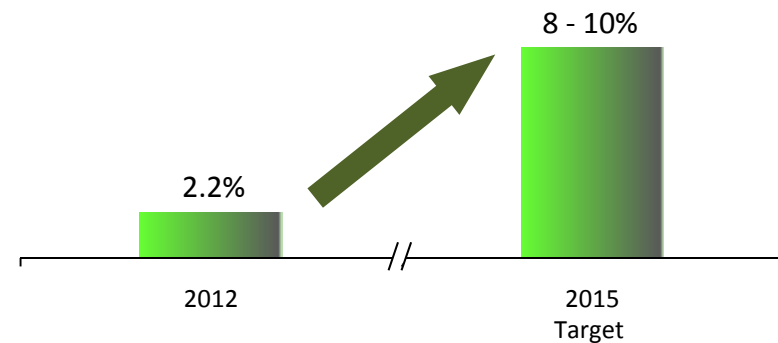
\*\*Pro Forma results include Spartech corporate allocations for FY12

**Solutions**



**Expanding Profits\*\***

**Operating Income % of Sales**



# Positioned for Earnings Growth



## 2015 Target

Rev: \$5B  
Adj. EPS: \$2.50

## Assumptions

- High single digit organic revenue CAGR
- Operating margins in mid range of 2015 targets
- No global recession
- No investment in incremental PP&S capacity
- Completion of 2-3 midsize accretive acquisitions
- No divestitures
- Housing starts at 85% of 50 year norm by 2015
- Remain comfortably below 3X Net Debt / EBITDA

## 2012

Rev: \$3.0B  
Adj. EPS: \$1.20



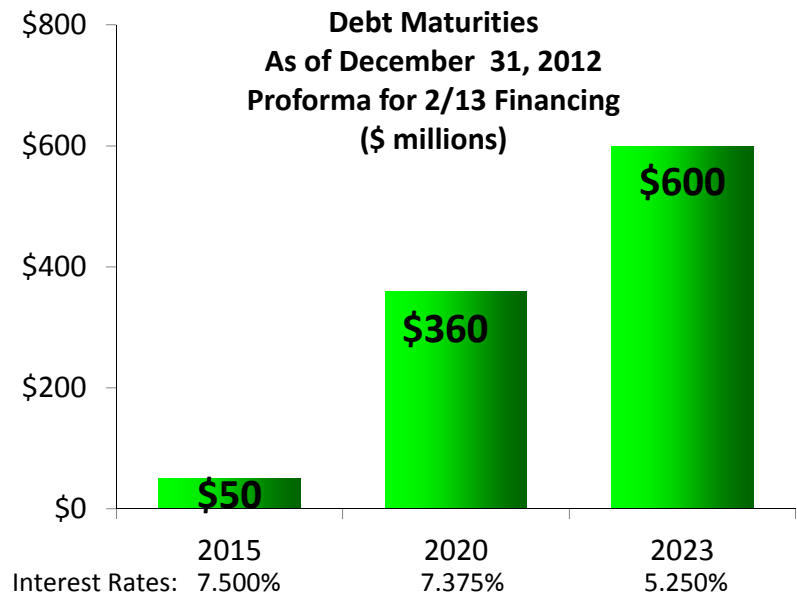
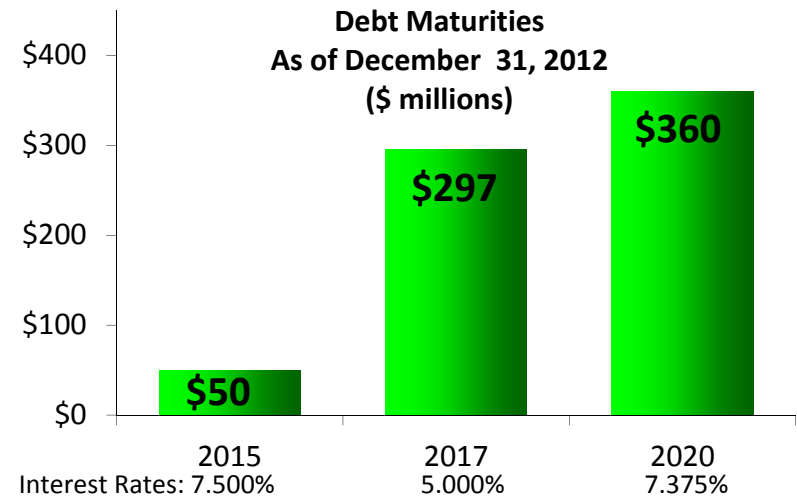
# Proforma Debt Maturities & Liquidity Summary – 12/31/12 (Reflecting Financing & Spartech Acquisition)



- Total Debt at 12/31/12    \$1,010
- Less: Cash                                    213
- Net Debt                                        \$797

- Available Liquidity
- Cash    \$213
- ABL Availability                            271
- Total Liquidity                            \$484

- Net Debt / EBITDA = 2.0x\*
- Net Debt / EBITDA = 2.35x\*\*



\*Assumes \$65 million of synergies related to Spartech acquisition

\*\*Assumes no synergies related to Spartech acquisition

# Use of Cash



**Proforma Cash Balance = \$213M**

**Net Debt / EBITDA\* = 2.0X**

*\*Adjusted EBITDA assumes synergies related to the Spartech acquisition are realized at close; preliminary synergies estimated at \$65M and are expected to be achieved over a 3-year period*

# Why Invest In PolyOne?



- Strong past performance demonstrates that our strategy and execution are working
- Megatrends align with our strengths
- Innovation and services provide differentiation and competitive advantage
- Strong and proven management team driving growth and performance

**The New PolyOne: A Specialty Growth Company**  
**2015 Target: \$2.50 Adjusted EPS**



**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>2006Y</b>	<b>2007Y</b>	<b>2008Y</b>	<b>2009Y</b>	<b>2010Y</b>	<b>2011Y</b>
Global Specialty Engineered Materials	\$ 0.4	\$ 3.9	\$ 4.9	\$ 17.6	\$ 20.6	\$ 49.7	\$ 45.9
Global Color, Additives and Inks	4.3	8.9	25.7	28.1	25.2	37.7	43.4
Specialty Platform	\$ 4.7	\$ 12.8	\$ 30.6	\$ 45.7	\$ 45.8	\$ 87.4	\$ 89.3
Performance Products and Solutions	75.7	64.2	65.8	31.3	33.1	54.0	62.4
Distribution	19.5	19.2	22.1	28.1	24.8	42.0	56.0
SunBelt Joint Venture	91.9	102.9	34.8	28.6	25.5	18.9	5.0
Corporate	(51.5)	34.5	(73.3)	(425.1)	7.9	(27.7)	20.3
Operating income (loss) GAAP	\$ 140.3	\$ 233.6	\$ 80.0	\$ (291.4)	\$ 137.1	\$ 174.6	\$ 233.0
Less: Corporate operating expense (income)	51.5	(34.5)	73.3	425.1	(7.9)	27.7	(20.3)
Operating income excluding Corporate	\$ 191.8	\$ 199.1	\$ 153.3	\$ 133.7	\$ 129.2	\$ 202.3	\$ 212.7

Specialty platform operating mix percentage	2%	6%	20%	34%	35%	43%	42%
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<b>Platform operating income mix percentage</b>	<b>2012Y</b>
Global Specialty Engineered Materials	\$ 47.0
Global Color, Additives and Inks	66.8
Specialty Platform	\$ 113.8
Performance Products and Solutions	74.9
Distribution	66.0
Corporate	(87.6)
Operating income GAAP	\$ 167.1
Less: Corporate operating expense	87.6
Operating income excluding Corporate	\$ 254.7

Specialty platform operating mix percentage	45%
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<b>Platform sales and operating income (OI)</b>	<b>2006Y</b>	<b>2007Y</b>	<b>2008Y</b>	<b>2009Y</b>	<b>2010Y</b>	<b>2011Y</b>
Global Specialty Engineered Materials Sales	\$ 345.3	\$ 384.4	\$ 514.0	\$ 402.9	\$ 517.4	\$ 575.1
Global Color, Additives and Inks Sales	531.8	560.5	554.3	459.8	527.4	544.6
Specialty Platform Sales	\$ 877.1	\$ 944.9	\$ 1,068.3	\$ 862.7	\$ 1,044.8	\$ 1,119.7
Performance Products and Solutions Sales	1,166.2	1,086.8	1,001.4	667.7	776.3	865.4
PolyOne Distribution Sales	732.8	744.3	796.7	625.1	911.9	996.5
Corporate and Eliminations	(153.7)	(133.3)	(127.7)	(94.8)	(111.1)	(118.1)
Total Sales	\$ 2,622.4	\$ 2,642.7	\$ 2,738.7	\$ 2,060.7	\$ 2,621.9	\$ 2,863.5

Global Specialty Engineered Materials OI	\$ 3.9	\$ 4.9	\$ 17.6	\$ 20.6	\$ 49.7	\$ 45.9
Global Color, Additives and Inks OI	8.9	25.7	28.1	25.2	37.7	43.4
Specialty Platform OI	\$ 12.8	\$ 30.6	\$ 45.7	\$ 45.8	\$ 87.4	\$ 89.3
Performance Products and Solutions OI	64.2	65.8	31.3	33.1	54.0	62.4
PolyOne Distribution OI	19.2	22.1	28.1	24.8	42.0	56.0
Sunbelt Joint Venture OI	102.9	34.8	28.6	25.5	18.9	5.0
Corporate and eliminations	(4.6)	(25.5)	(28.9)	(40.8)	(32.5)	(26.4)
Special items in OI	39.1	(47.8)	(396.2)	48.7	4.8	46.7
Operating income (loss) GAAP	\$ 233.6	\$ 80.0	\$ (291.4)	\$ 137.1	\$ 174.6	\$ 233.0
Sunbelt equity income	(107.0)	(40.8)	(32.5)	(29.7)	(23.1)	(5.7)
Special items in OI	(39.1)	47.8	396.2	(48.7)	(4.8)	(46.7)
Operating income adjusted	\$ 87.5	\$ 87.0	\$ 72.3	\$ 58.7	\$ 146.7	\$ 180.6

Global Specialty Engineered Materials - OI % of sales	1.1%	1.3%	3.4%	5.1%	9.6%	8.0%
Global Color, Additives and Inks - OI % of sales	1.7%	4.6%	5.1%	5.5%	7.1%	8.0%
Specialty platform OI - % of sales	1.5%	3.2%	4.3%	5.3%	8.4%	8.0%
PP&S operating OI - % of sales	5.5%	6.1%	3.1%	5.0%	7.0%	7.2%
Distribution OI - % of sales	2.6%	3.0%	3.5%	4.0%	4.6%	5.6%
PolyOne OI adjusted - % of sales	3.3%	3.3%	2.6%	2.8%	5.6%	6.3%

<b>Platform sales and operating income (OI)</b>	<b>2012Y</b>	<b>2012PF</b>
Global Specialty Engineered Materials Sales	\$ 543.6	\$ 779.5
Global Color, Additives and Inks Sales	703.5	753.8
Designed Structures & Solutions		847.4
Specialty Platform Sales	\$ 1,247.1	\$ 2,380.7
Performance Products and Solutions Sales	837.0	902.8
PolyOne Distribution Sales	1,030.3	1,030.3
Corporate and Eliminations	(121.8)	(121.8)
<b>Total Sales</b>	<b>\$ 2,992.6</b>	<b>\$ 4,192.0</b>

Global Specialty Engineered Materials OI	\$ 47.0
Global Color, Additives and Inks OI	66.8
Specialty Platform OI	\$ 113.8
Performance Products and Solutions OI	74.9
PolyOne Distribution OI	66.0
Corporate and eliminations	(33.7)
Special items in OI	(53.9)
Operating income - GAAP	\$ 167.1
Special items in OI	53.9
<b>Operating income adjusted</b>	<b>\$ 221.0</b>

Global Specialty Engineered Materials - OI % of sales	8.6%
Global Color, Additives and Inks - OI % of sales	9.5%
Specialty platform OI % of sales	9.1%
PP&S operating OI % of sales	9.0%
Distribution OI % of sales	6.4%
PolyOne OI adjusted, % of sales	7.4%

<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>
Net Income attributable to PolyOne common shareholders	\$ 130.9	\$ 40.9	\$ (417.0)	\$ 106.7	\$ 162.6	\$ 172.6	\$ 71.9
SunBelt 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
Tax adjustments	(30.0)	(30.7)	147.2	(44.9)	(88.3)	(42.3)	0.5
<b>Adjusted net income</b>	<b>\$ 11.2</b>	<b>\$ 25.5</b>	<b>\$ 19.4</b>	<b>\$ 11.8</b>	<b>\$ 75.4</b>	<b>\$ 96.1</b>	<b>\$ 108.1</b>
Diluted shares	92.8	93.1	92.7	93.4	96.0	94.3	89.8
<b>Adjusted EPS</b>	<b>\$ 0.12</b>	<b>\$ 0.27</b>	<b>\$ 0.21</b>	<b>\$ 0.13</b>	<b>\$ 0.79</b>	<b>\$ 1.02</b>	<b>\$ 1.20</b>

<b>Average Debt</b>	<b>Q4 2011</b>	<b>Q1 2012</b>	<b>Q2 2012</b>	<b>Q3 2012</b>	<b>Q4 2012</b>	<b>Average</b>
PolyOne Debt	\$ 707.0	\$ 706.4	\$ 705.8	\$ 705.2	\$ 706.9	\$ 706.3

<b>Average Equity</b>	<b>Q4 2011</b>	<b>Q1 2012</b>	<b>Q2 2012</b>	<b>Q3 2012</b>	<b>Q4 2012</b>	<b>Average</b>
PolyOne shareholders' equity	\$ 588.3	\$ 611.3	\$ 604.3	\$ 629.3	\$ 629.1	\$ 612.5

<b>Adjusted EBITDA</b>	<b>2012</b>
PolyOne Income before income taxes	\$ 113.0
PolyOne Interest expense, net	50.8
PolyOne Depreciation and amortization	69.8
PolyOne Special items in EBITDA	55.1
<b>PolyOne Adjusted EBITDA</b>	<b>\$ 288.7</b>
Pro forma Spartech EBITDA *	56.3
<b>Pro forma EBITDA *</b>	<b>\$ 345.0</b>

\* Amount excludes expected synergies.

<b>Pro Forma Debt</b>	<b>2012</b>
7.500% debentures due 2015	\$ 50.0
7.375% senior notes due 2020	360.0
5.250% senior notes due 2023	600.0
Other debt	14.0
<b>Pro Forma Debt</b>	<b>\$ 1,024</b>

<b>Specialty Platform Gross Margin Percentage</b>	<b>2006</b>	<b>2012</b>
Global Specialty Engineered Materials Sales	\$ 345.3	\$ 543.6
Global Color, Additives and Inks Sales	531.8	703.5
Specialty Platform Sales	\$ 877.1	\$ 1,247.1
Global Specialty Engineered Materials Gross Margin	\$ 41.6	\$ 129.8
Global Color, Additives and Inks Gross Margin	83.6	220.6
Specialty Platform Gross Margin	\$ 125.2	\$ 350.4
Specialty Platform Gross Margin Percentage	14.3%	28.1%