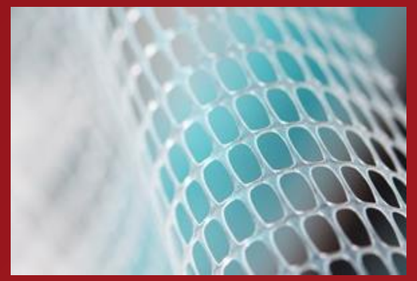
SWM International

2021 J.P. Morgan Global High Yield & Leveraged Finance Conference

March 2021






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Forward Looking Statements, Non-GAAP Disclosure, & Definitions

This presentation may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and other federal securities laws that are subject to the safe harbor created by such laws and other legal protections. Caution should be taken not to place undue reliance on any such forward-looking statements because actual results may differ materially from the results suggested by these statements. These forward-looking statements are made only as of the date of this presentation. We undertake no obligation, except as may be required by law, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Part I, "Item 1A. Risk Factors" and elsewhere in our Annual Report on Form 10-K for the period ended December 31, 2020 and those described from time to time in our periodic and other reports filed with the Securities and Exchange Commission

Certain financial measures and comments contained in this presentation are "non-GAAP" financial measures, specifically measures which exclude one or more of the following: restructuring and impairment expenses, depreciation and amortization, interest expense, tax provision (benefit), capital spending, capitalized software expenditures, purchase accounting adjustments, and tax valuation adjustments. We believe that investors' understanding is enhanced by disclosing these non-GAAP financial measures as a reasonable basis for comparison of our ongoing results of operations. All non-GAAP (Adjusted) figures are reconciled to closest GAAP measure in the appendix. All financial metrics are presented on a continuing operations basis unless noted otherwise; all per share metrics are on a diluted basis

The following terms/abbreviations are used throughout the presentation and are defined as follows:

EP - Engineered Papers segment, AMS - Advanced Materials & Structures segment, OCF – operating cash flow, FCF - free cash flow, OP - operating profit, EBITDA - earnings before interest taxes depreciation and amortization, LIP - low ignition propensity, RTL - reconstituted tobacco leaf, W&B - wrapper and binder, RO - reverse osmosis, TPU - thermoplastic polyurethane, Tekra – the acquired Tekra and Trient businesses

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Performance Materials Growth Company

SWM provides precision engineered components critical to the performance of our customers' end products

Advanced Materials & Structures (AMS)

- Diversified GDP+ growth markets
- Leadership positions in attractive sub-segments
- Customer intimacy & innovation
- Deep resin expertise

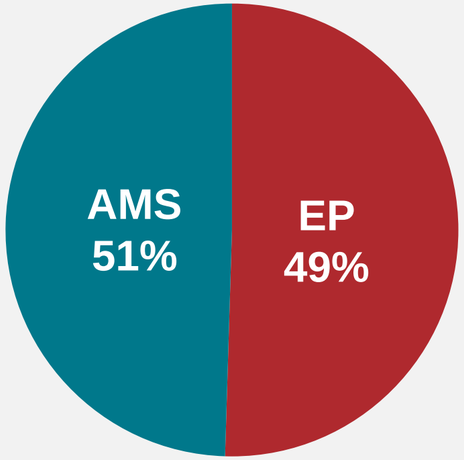
Engineered Papers (EP)

- High margin
- Recession resistant
- Innovative products for the tobacco industry
- Advanced fiber processing capabilities

Resilient portfolio positioned for sustainable organic earnings growth

2020 Financial Highlights

Sales: $1.07 billion



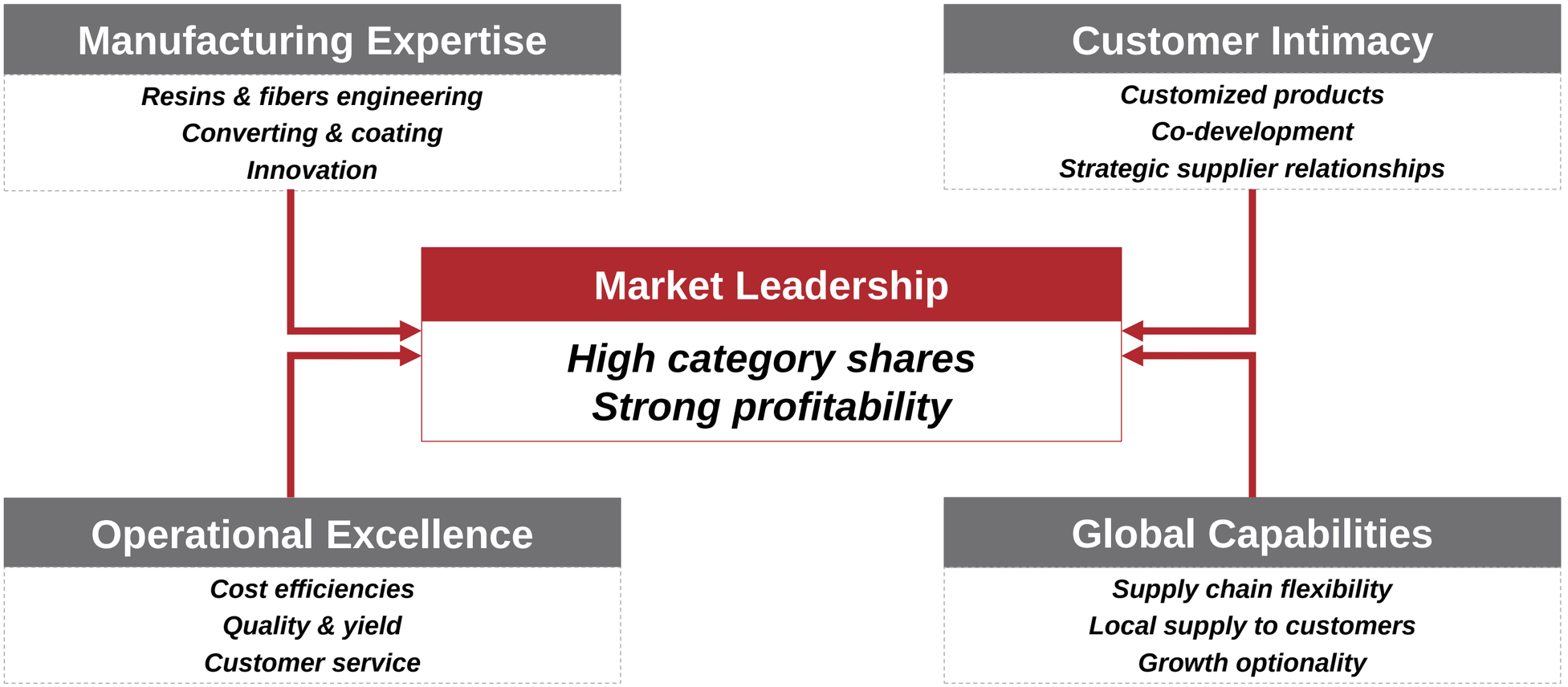
Adj. EBITDA (1)	Free Cash Flow (1)
$213 million	$128 million

(1) Adjusted measures are non-GAAP and are reconciled to GAAP measures in the appendix of this presentation

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Competitive Advantages

SWM differentiates itself with a focus on high-value specialty applications where customers value technology, quality, and service

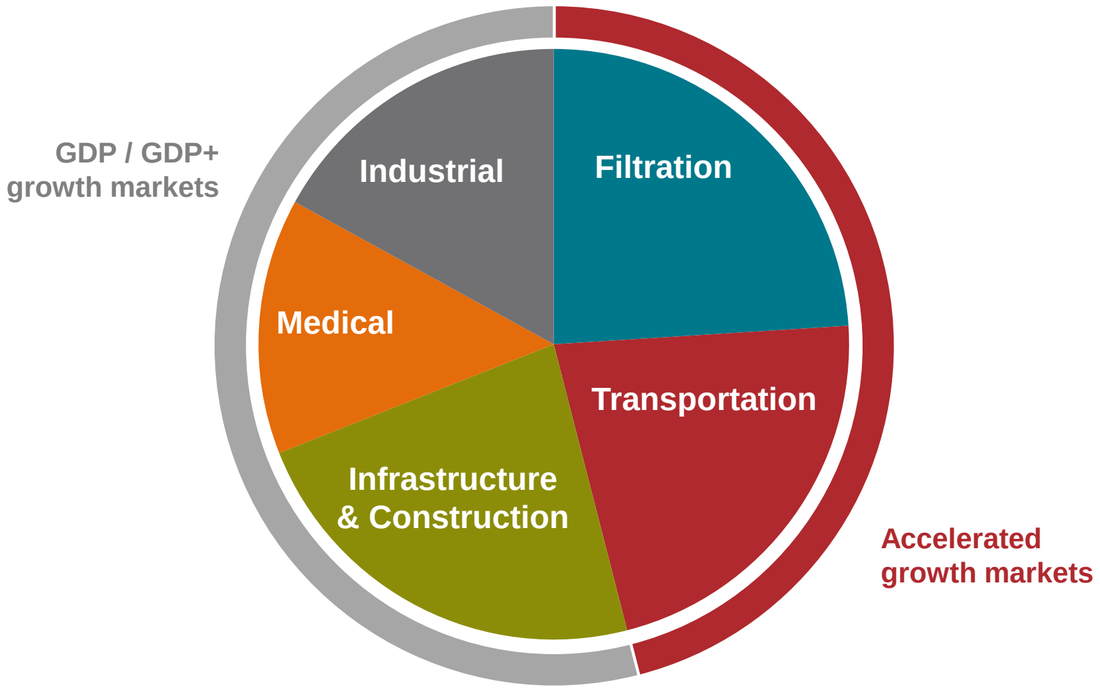


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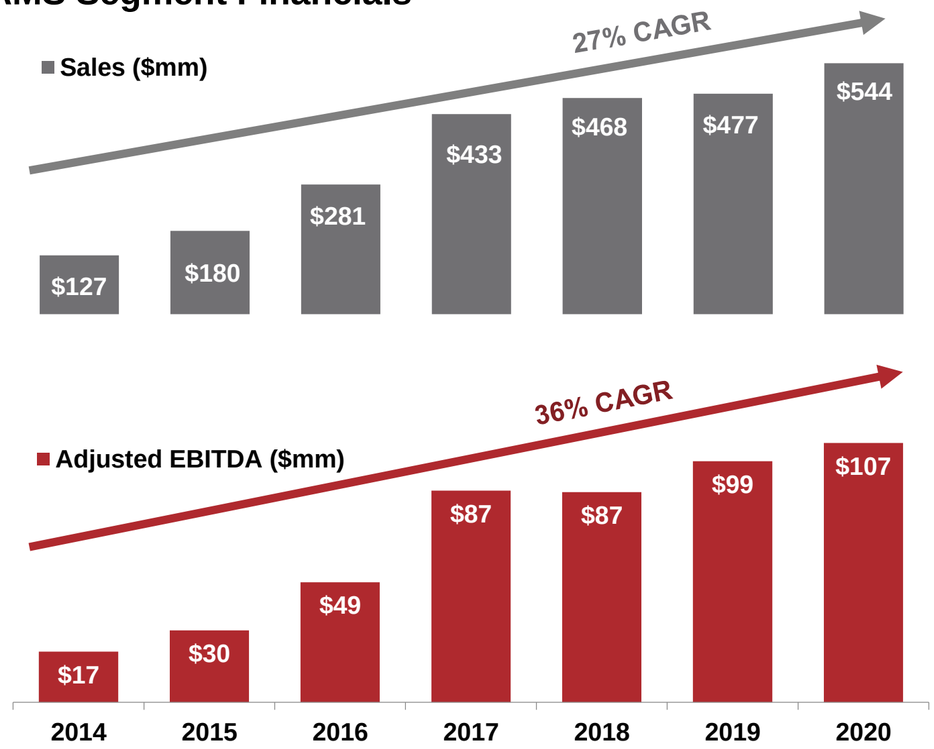
AMS Overview

AMS is a scaled and diversified growth platform

2020 Sales by End-Market



AMS Segment Financials(1)



Outlook: organic sales growth, margin expansion, and acquisitions

(1) Adjusted measures are non-GAAP and are reconciled to GAAP measures in the appendix of this presentation

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Filtration

Increasing Demand For Cleaner, Purer…

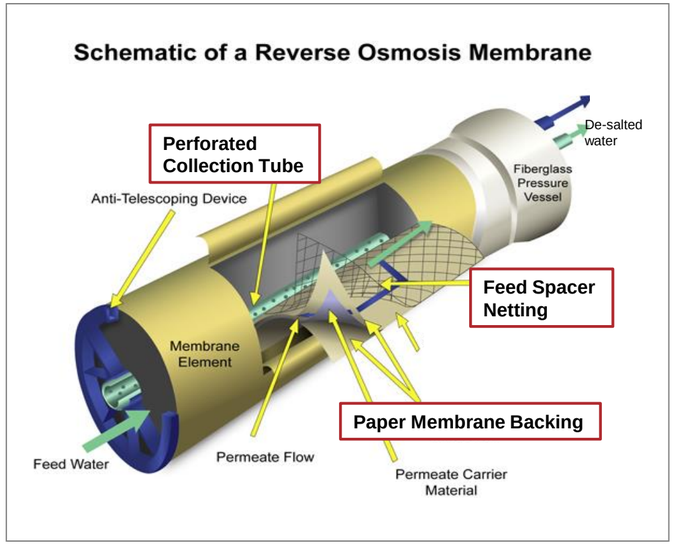
5% – 7% expected long-term filtration growth; recurring revenue model

Water

Strong share in water filtration products used in reverse osmosis and other applications

- Global water shortages
- Asia Pacific and Middle East industrialization
- Replacement cycle
- High technical requirements

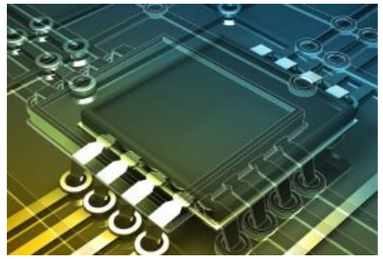




Process & Air

High performance filtration across various markets; produce media and support materials

- Air filtration demand escalating
- Oil & gas heavy equipment, Semiconductors, auto/aerospace OEMs
- Environmental concerns, higher-quality, efficiency











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Transportation

Global Expansion Of Surface Protection Films

5%-7% expected long-term growth in specialty applications; strength in Asia

Auto Paint Protection

Increasing paint protection adoption in Asia driving strong growth

- Aftermarket automotive; low penetration → opportunity
- New Asian distribution channels
- Technical leadership…ultra-clear, defect free, installer-friendly







Lamination & Graphics

Stable growth in security glass; emerging demand for auto/rail glass applications

- Ballistic resistant glass
- Cabin safety and value-add options
- Vehicle graphics/marketing









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Infrastructure & Construction / Medical

Additional diversified end-markets with GDP+ growth potential

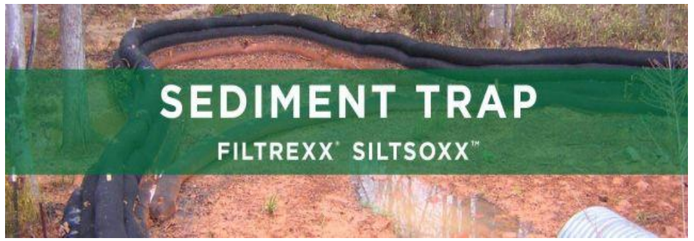
Infrastructure & Construction

Leader in erosion/sediment control applications for highway development and oil & gas industry

- Erosion control “blankets” for highway development
- Engineering leadership… strength, ultra-lightweight
- High performance barriers for oil & gas sites, water safety









Medical

Niche woundcare and hospital products performing well in COVID-19 environment

- Finger bandages and advanced woundcare
- Facemasks: both N-95 and traditional disposables
- Medical packaging
- Diagnostic test strips













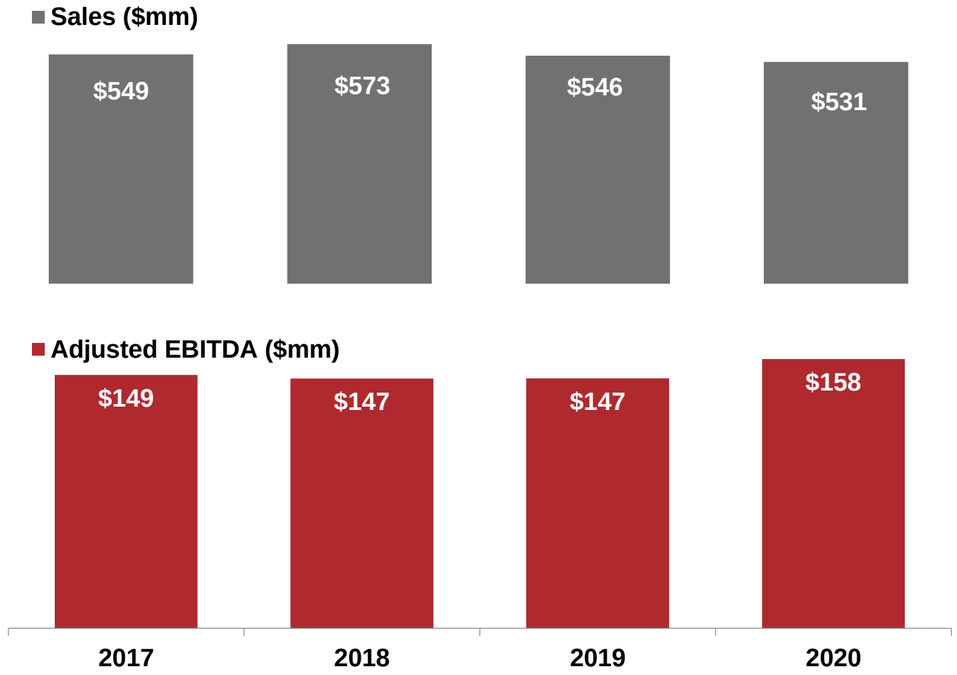
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EP Overview

Focus on high-value products/share, cost reductions, and innovation – a multi-pronged approach to offset tobacco attrition

STRATEGY	HIGHLIGHTS
Focus on high-value products	• Incremental share gains in key products • Unique wrapper and binder products performing well • Positive price/mix offsets lower volumes
Cost reductions / efficiencies	• Fixed cost reductions, capacity when appropriate • Lean Six Sigma improving asset yields
Innovation / collaboration	• Partnerships for next generation Heat-not-Burn and other new fiber technologies • Opportunities with proprietary hemp and botanical fibers for new applications

EP Segment Financials(1)



EP strategy has delivered profit stability and high cash flows

(1) Adjusted measures are non-GAAP and are reconciled to GAAP measures in the appendix of this presentation

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Key Paper Products

Precision Engineered To Meet Customer Demands

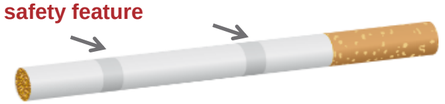
Custom engineered papers tailored to meet critical performance needs of tobacco industry – taste, burn rate, air flow

Papers

Variety of cigarette papers, including high-value LIP technology

- LIP technology 100% mandated in US and EU
  - SWM has vast majority share in North America
  - 40%+ share in EU, competitor w/another 40%+ pays royalties
  - US and EU historical attrition ≈ 3%
- Leadership in high-value battery separator papers, potential in new energy storage solutions

LIP "bands" restrict air flow, causing self-extinguishment if not actively smoked…fire safety feature









Reconstituted Fibers

"Reprocessed" fiber materials for innovation in tobacco and adjacent markets, botanicals

- Small cigars growing in popularity, positive for wrapper and binder products
- Innovative Heat-not-Burn category uses recon as primary material
- Potential applications in other fibers (hemp, cocoa)





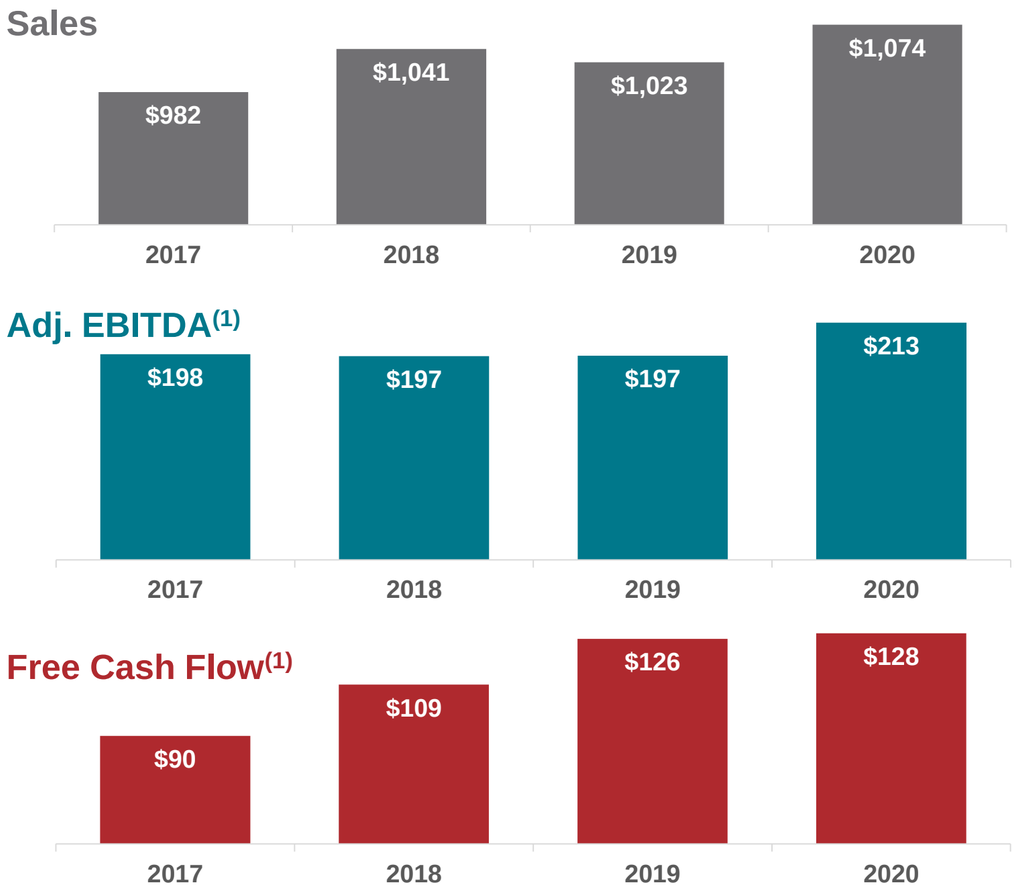




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Consolidated Financials

Stability in EP and growth in AMS driving strong free cash flow performance; portfolio resilient in COVID-19 environment



(1) Adjusted EBITDA and Free Cash Flow are reconciled to GAAP measures in the appendix of this presentation

2020 Commentary

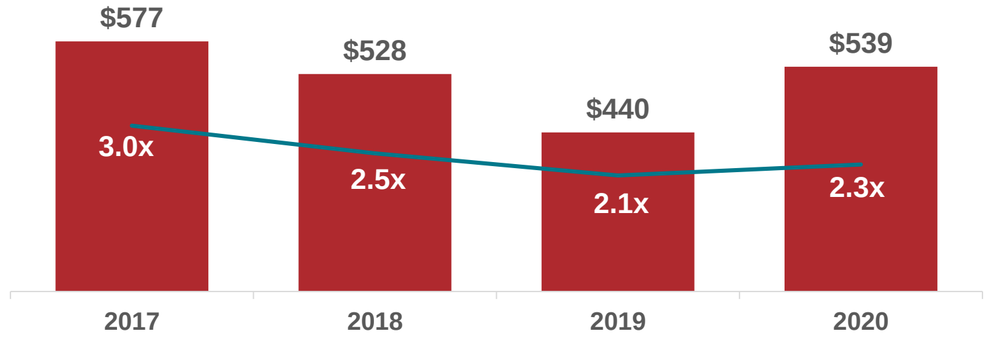
- Portfolio resilience
  - EP: tobacco stable
  - AMS: medical, industrial, and filtration growth
  - AMS: transportation and infrastructure/construction were most affected end-markets from COVID-19, strong late 2020 rebound
    - 21% organic sales growth in AMS during 4Q:20
- 2020 sales, Adjusted EBITDA, and Free Cash Flow growth
- **Diversified end-markets capable of delivering strong results throughout economic cycle**

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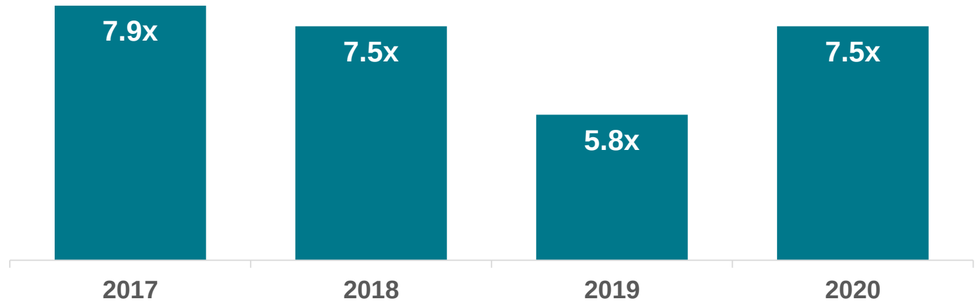
Credit Metrics

Stability in EP and growth in AMS driving strong free cash flow performance; portfolio resilient in COVID-19 environment

Net debt(1) ($mm) and net leverage(2)



Interest Coverage(3)



Net Leverage(2) Commentary

- Track record for de-levering post acquisitions
  - Conwed acquisition in 1Q:17, net leverage of 3.2x at close and de-levered to 2.1x by year-end 2019
  - Tekra acquisition in 1Q:20, net leverage of 2.7x at close and de-levered to 2.3x by year-end 2020
- Expect net leverage of 4.0x to 4.5x following close of pending acquisition of Scapa Group (see Company's January 27, 2021 announcement and subsequent disclosures)
  - Credit Agreement covenant amended to allow 5.5x net leverage for one year post close, falling back to a normalized 4.5x over the course of the second year

(1) Net debt defined as total debt less cash and cash equivalents: Year-end 2017 total debt of $684.1 million and cash of $106.9 million; year-end 2018 total debt $622.1 million and cash of $93.2 million; year-end 2019 total debt $542.7 million and cash of $103.0 million; year-end 2020 total debt $593.3 million and cash of $54.7 million
(2) Net leverage per the terms of credit agreement
(3) Interest includes $7.1 million of interest accruals recorded during 2019 related to pre-2000 tax assessments in Brazil (unrelated to the Company's long-term debt). Please see additional disclosures available in the Company's SEC filings

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Current Capital Structure

Balanced capital structure consisting of secured and unsecured debt

$mm	As of 12/31/2020	x LTM EBITDA
Unrestricted cash and cash equivalents	$54	
$500mm secured RC due 2023	50	0.2x
$200mm TLA due 2025	196	0.9x
Total secured debt	**$246**	**1.1x**
Net secured debt	**$192**	**0.8x**
Senior unsecured notes due 2026	350	1.5x
French employee profit sharing	5	0.0x
Other [1]	(8)	0.0x
Total debt	**$593**	**2.6x**
Net debt	**$539**	**2.3x**
Market equity (as of 2/22/21)	1,463	
Enterprise value	**$2,002**	**8.7x**
LTM 12/31/20 Compliance EBITDA	**$230**	

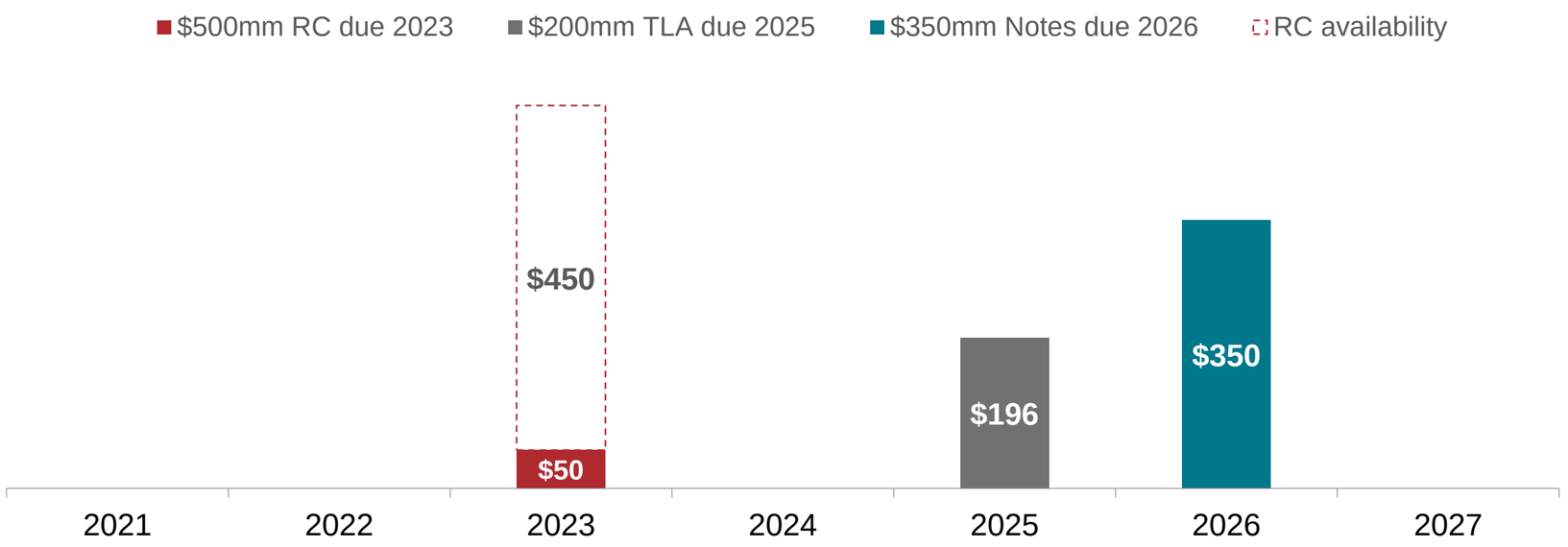
- 2018 issued $350 million unsecured notes, Ba3/BB- corporate rating, 6.875% coupon; increased financial flexibility, introduced unsecured debt into capital structure
- In February 2021, allocated new $350 million Term Loan B financing, pending offer to acquire Scapa (See Company's January 27, 2021 announcement and subsequent disclosures)

[1] Includes capital lease, debt issuance cost, and unamortized discount

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Debt Maturity Profile as of 12/31/20

No material debt repayments required until 2023



NOTE: Company recently allocated $350 million Term Loan B financing in connection with pending offer to acquire Scapa Group (See Company's January 27, 2021 announcement and subsequent disclosures)

Note: Excludes capital leases, French Profit Sharing, and other debt

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Investment Highlights

An under-followed transformation to a diversified performance materials growth business with strong free cash flow and resilient portfolio

Under-Followed Strategic Transformation	• Tobacco papers → diversified materials and applications • Repositioned for long-term growth • AMS in expanding end-markets
Strong Competitive Positions	• Significant shares in key product in lines • Unique customer relationships • Global manufacturing capabilities
Financial Strength & Stability	• $125+ million free cash flow(1) in 2019 and 2020 • Resilient product portfolio, low cyclicality • Organic growth, disciplined M&A

(1) Free Cash Flow is reconciled to GAAP measures in the appendix of this presentation

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Appendix

M&A Overview

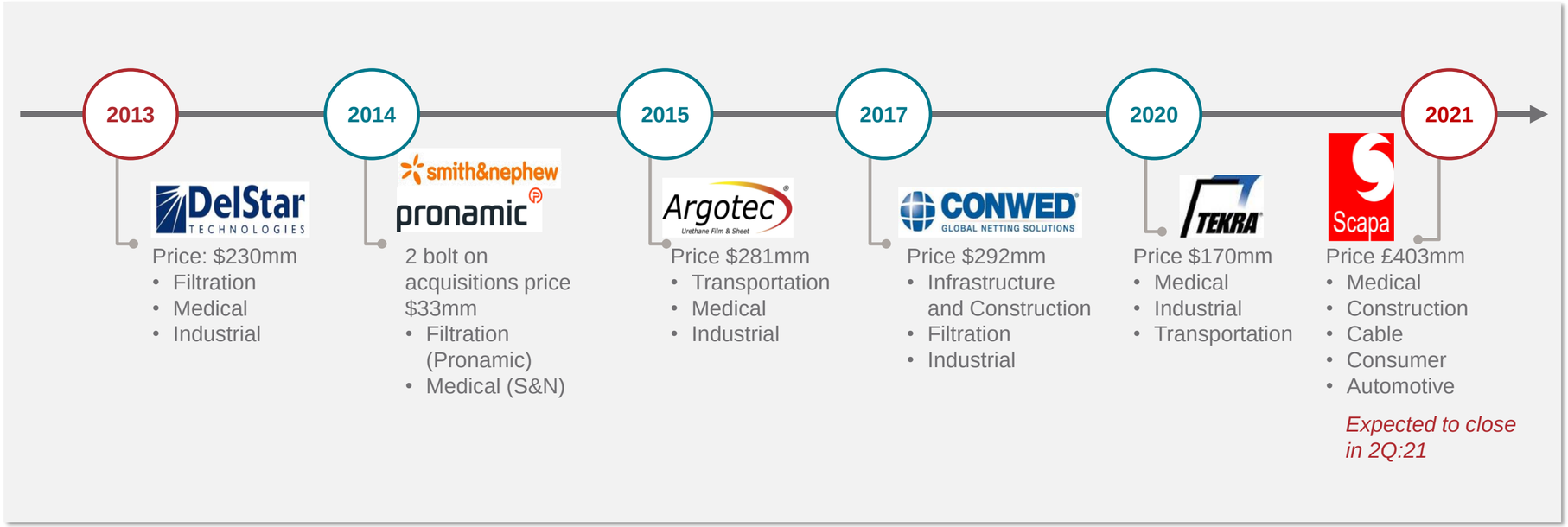
Non-GAAP Reconciliations & Supplemental Data

Senior Notes & Term Loan B Overviews

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M&A Track Record

Track record of M&A to diversify the business and grow AMS; pending offer to acquire Scapa would push SWM towards $1.5 billion of annualized sales



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Scapa Strategic Fit – Strengthening the Portfolio

SWM provides customers essential performance materials for specialty applications, offering a broad range of products and capabilities…

…Scapa IS AN IDEAL STRATEGIC FIT WITHIN OUR ‘SANDBOX’

Current Markets / Technologies	Filtration	Construction	Transportation	Industrial	Medical	Tobacco	*New End-Markets*
Nets	✓	✓		✓	✓		→ Similar assets & technologies (cost synergies)
Films		✓	✓	✓	✓		
Fibers/Paper	✓			✓		✓	
Non-Wovens	✓			✓	✓		
Coatings & Converting		Scapa ✓	✓	✓	✓		
New Technologies	↓ Expand capabilities and offerings in existing end-markets (commercial synergies)						

Scapa expands our value-added coatings and converting capabilities, triples our Medical business and complements our other markets, and propels AMS towards $1 billion in sales

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Adjusted EBITDA & FCF Reconciliations

Adjusted EBITDA from Continuing Operations:	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
Net Income	$ 34.5	$ 94.5	$ 85.8	$ 83.8
Plus: Loss (income) from discontinued operations	(0.1)	0.3	-	-
Income from continuing operations	34.4	94.8	85.8	83.8
Plus: Interest expense	26.9	28.2	29.0	30.5
Plus: Interest on Brazil tax assessments	-	-	7.1	0.1
Plus: Provision for income taxes	69.6	10.7	15.2	18.4
Plus: Depreciation & amortization	61.5	60.2	58.0	70.1
Plus: Restructuring and impairment expense	8.1	1.7	3.7	11.9
Plus: Inventory write-down expense related to plant closure		-	-	2.0
Plus: loss (Income) from equity affiliates	(2.5)	11.3	(4.1)	(4.9)
Plus: Other (income) expense, net	(0.1)	(10.0)	1.0	1.0
Plus: Brazil tax assessments	-	-	1.5	-
Adjusted EBITDA from continuing operations	$ 197.9	$ 196.9	$ 197.2	$ 212.9

Adjusted EBITDA from Continuing Operations:	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
AMS adjusted EBITDA	$ 87.1	$ 86.5	$ 99.2	$ 106.7
EP adjusted EBITDA	148.6	146.5	146.6	158.0
Unallocated adjusted EBITDA	(37.8)	(36.1)	(48.6)	(51.8)
Adjusted EBITDA from continuing operations	$ 197.9	$ 196.9	$ 197.2	$ 212.9

Free Cash Flow	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
Cash provided by Operating Activities by Continuing Operations	$ 130.9	$ 138.9	$ 160.3	$ 161.6
Less: Capital spending	(37.2)	(27.0)	(28.6)	(30.1)
Less: Capitalized software expenditure	(3.5)	(2.7)	(5.5)	(3.2)
Free Cash Flow	$ 90.2	$ 109.2	$ 126.2	$ 128.3

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Senior Notes Overview

Summary terms and conditions	
Issuer:	Schweitzer-Mauduit International, Inc. (the “Issuer”)
Principal Amount:	$350 million
Issue:	Senior unsecured notes (the “Notes”)
Distribution:	144A for life
Lead Left Bookrunner:	J.P. Morgan Securities LLC
Tenor:	8 years
Ranking:	The Notes will be senior unsecured obligations of the Issuer and rank pari passu with all present and future senior indebtedness of the Issuer and the guarantors, senior to all future subordinated indebtedness of the Issuer and the guarantors and effectively junior to secured debt to the extent of the value of the collateral securing the debt
Guarantors:	Restricted subsidiaries of the Issuer that borrow under or guarantee the credit facilities and certain other indebtedness
Use of Proceeds:	Refinance certain indebtedness of the Issuer and for general corporate purposes including supporting growth initiatives and acquisitions
Coupon Frequency:	Semi-annual
Optional Redemption:	■ NC3. In first year post non-call period, callable at par plus 75% of coupon, which premium will step down ratably annually to par 2 years prior to the maturity date ■ Equity clawback allowing redemption of up to 35% of the Notes at par plus coupon for the first 3 years
Mandatory Redemption:	■ “Change of Control” put at 101% plus accrued interest ■ Certain asset sales require an offer to purchase the Notes at par plus accrued interest if proceeds not reinvested or used to repay other indebtedness
Covenants:	Usual and customary for transactions of this type, including limits on the ability to: ■ incur additional indebtedness and guarantee indebtedness; ■ make restricted payments, including certain loans and investments; ■ sell assets; ■ incur liens; ■ enter into transactions with affiliates; ■ alter the businesses the Issuer conducts; ■ enter into agreements restricting the Issuer’s subsidiaries’ ability to pay dividends; and ■ consolidate, merge or sell all or substantially all of the Issuer’s assets.

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Term Loan B Overview

Summary terms and conditions	
Borrowers	Schweitzer-Mauduit International, Inc. (“SWM International”)
Guarantors	SWM Luxembourg and each wholly-owned material domestic subsidiary of SWM International, subject to certain exceptions
Security	First priority lien on, and security interest in, substantially all assets of SWM International and the Guarantors and capital stock of domestic subsidiaries (plus 65% of the issued and outstanding capital stock of each first-tier foreign subsidiary)
Facility	$350mm 7-year Term Loan B Facility (“Term Loan B’)
Incremental	The greater of (i) $250mm and (ii) an unlimited amount up to 3.50x senior net leverage ■ 50 bps MFN (12-month sunset)
Amortization	1.00% per annum
Tenor / maturity	The earlier of (x) 7-years from the closing date and (y) 180 days prior the maturity date of SWM International’s senior notes due 2026
Call protection	101 “soft call” protection for 6 months from the closing date
Use of proceeds	To fund the acquisition of Scapa Group plc and to pay related transaction fees and expenses
Mandatory Prepayments	■ 100% of the net cash proceeds of certain non-ordinary course sales or other dispositions of assets stepping down to 50% when Net Leverage is ≤ 3.50x, subject to certain exceptions and reinvestment rights ■ 50% ECF sweep with step-downs to 25% and 0% when Net Leverage is ≤ 3.50x and 3.00x, respectively ■ 100% of the net cash proceeds of any indebtedness not permitted under the Facilities
Financial covenants	None (covenant-lite)

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