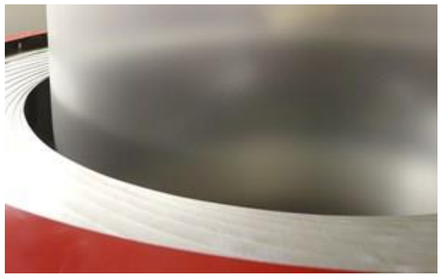
Second Quarter 2021 Earnings Conference Call






August 5, 2021

© 2021 Schweitzer-Mauduit International, Inc.

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. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as, without limitation, "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "aim", "will", "may", "hope", "continue", "would", "could" or "should" or other words of similar meaning or the negative thereof. 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. They are prospective in nature and note based on historical facts, but rather on current expectations and on numerous assumptions regarding the business strategies and the environment in which our business shall operate in the future and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. No assurance can be given that such expectations will prove to have been correct and persons reading this presentation are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this presentation. We undertake no obligation, nor have any intention, 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 year ended December 31, 2020 and those described from time to time in our periodic and other reports filed with the Securities and Exchange Commission. Among such factors are changes in global, political, economic, business, competitive, market and regulatory forces, risks associated with the COVID-19 pandemic, future exchange and interest rates, changes in tax rates and future business combinations or disposals. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations.

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, certain purchase accounting adjustments related to AMS segment acquisitions, acquisition and integration related costs, interest expense, the effect of income tax provisions and other tax impacts, capital spending, capitalized software costs, and depreciation and amortization. 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. Adjusted measures are reconciled to GAAP at the end of this presentation.

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

AMS - Advanced Materials & Structures segment, EP – Engineered Papers segment, LIP – low ignition propensity cigarette paper, EBITDA - earnings before interest taxes depreciation and amortization

2Q 2021 Financial Highlights

($ in Millions, Except Per Share Amounts)	2Q:21	2Q:20	% Growth
Sales	**$377.8**	**$254.2**	**49%**
GAAP EPS	**$0.06**	**$0.68**	**NM**
Adjusted EPS (1)	**$0.90**	**$0.90**	**Unch**

- **Robust demand across many key growth markets, 11% organic growth, momentum expected to continue**
- **Global supply chain challenges**
- **Scapa performing well**

(1) Throughout this presentation, the term GAAP EPS will be used to represent GAAP Diluted EPS, and Adjusted EPS will be used to represent Adjusted Diluted EPS. Adjusted Diluted EPS and Free Cash Flow, adjusted EBITDA and adjusted operating profit are non-GAAP financial measures. See non-GAAP reconciliations and supplemental data in appendix. All financial measures presented relate to continuing operations.

© 2021 Schweitzer-Mauduit International, Inc.

Advanced Materials & Structures (AMS)

Surging Covid-recovery demand; 18% organic sales growth driven by rapid growth in transportation, filtration, and construction products

2Q:21 Business Highlights

- Sales up 90%, 18% organic growth, strong gains in many key markets
  - Transportation: up nearly 60%, with strong recovery in paint protection films; sales could have significantly stronger if not for resin supply limitations
  - Filtration: up over 25%, fastest growth in water and process, but all categories up strong
  - Construction: up over 25% with double digit gains in every core product line
  - Legacy Healthcare: challenging comparisons vs 2Q:20 when facemask materials were seeing early Covid surges
- Adjusted OP(1) up 60% on organic growth and Scapa contribution; raw materials cost increases and supply chain were headwinds, constraining sales and OP growth
- 2Q:21 results key takeaways:
  - Outstanding demand with momentum expected to continue
  - Aggressive price increases expected to mitigate inflationary pressures in 2H:21
  - Scapa performing well

(1) Adjusted Operating Profit (OP) is a non-GAAP financial measure. See non-GAAP reconciliations and supplemental data in appendix. All financial measures presented relate to continuing operations.

© 2021 Schweitzer-Mauduit International, Inc.

Engineered Papers (EP)

Solid volume performance with higher pulp costs, difficult comparisons from prior-year inventory builds, and Spotswood transition pressured margins

2Q:21 Business Highlights

- Sales up 4%
  - Volume up 3%, price/mix 4% unfavorable, currency up 6% (does not sum to sales total due to rounding)
  - Strong HnB growth continued
  - Difficult comparison to 2Q:20 when certain customers built LIP inventories, impacted mix

- Adjusted OP(1) down 19%, several temporary factors at play
  - Pulp costs up significantly
  - LIP comparisons difficult mid-year, as expected, signaled when 2021 guidance issued
  - New product scale-up with Spotswood transition inefficiencies, now operating at normalized levels

- 2Q:21 results key takeaways: Improving efficiency and recent price increases expected to be realized in 2H:21, innovation remains key focus

(1) Adjusted Operating Profit (OP) is a non-GAAP financial measure. See non-GAAP reconciliations and supplemental data in appendix. All financial measures presented relate to continuing operations.

© 2021 Schweitzer-Mauduit International, Inc.

Sales & Operating Profits

AMS organic growth plus Scapa drove consolidated sales and Adjusted OP gains despite headwinds from raw materials costs and supply chain constraints

$ in Millions	2Q:21	2Q:20	Key Trends/Comments
AMS Sales	**$252.0**	**$132.8**	**Up 90%, up 18% organic, transportation, filtration, construction led growth**
AMS Adj. OP (1)	**$33.2**	**$20.8**	**Benefit from organic sales growth and Scapa contribution; resin input costs impacted margins but price increases to customers expected to recoup good portion as 2021 progresses**
Margin	***13.2%***	***15.7%***	
EP Sales	**$125.8**	**$121.4**	**Up 4% with volume (+3%) and currency (+6%) both positive, partial offset from price/mix (negative 4%)**
EP Adj. OP (1)	**$26.5**	**$32.8**	**Negative mix from lower LIP volumes, higher wood pulp costs, and Spotswood transition inefficiencies, controllable factors (price increase and efficiencies) expected to benefit results in upcoming quarters**
Margin	***21.1%***	***27.0%***	
Adj. Unallocated Expenses	**$15.1**	**$10.4**	**Includes $1.5 million of Scapa unallocated, remainder of increase timing and investments to support growth**
Total Sales	**$377.8**	**$254.2**	**Up 49%, up 11% organic**
Total Adj. OP (1)	**$44.6**	**$43.2**	**Up 3%, strong sales offset by global supply chain headwinds**
Margin	***11.8%***	***17.0%***	

(1) Adjusted Operating Profit (OP), EBITDA and EPS are non-GAAP financial measure. See non-GAAP reconciliations and supplemental data in appendix. All financial measures presented relate to continuing operations.

© 2021 Schweitzer-Mauduit International, Inc.

2Q:21 GAAP & Adjusted EPS, Cash Flow

Achieved $0.90 of Adjusted EPS(1), flat versus prior year despite significant challenges from external factors

2Q:21 GAAP EPS of $0.06 versus $0.68 in 2Q:20

- Included $0.39 per share of expenses related to Scapa acquisition (advisory/integration/closing costs, currency hedge)
- Also included $0.18 of increased purchase accounting expenses ($0.36 in 2Q:21 vs $0.18 in 2Q:20) related to Scapa acquisition

2Q:21 Adjusted EPS (1) of $0.90, flat vs prior year

- Higher adjusted operating profits
- Higher interest due to Scapa acquisition offset incremental operating profits; Scapa was neutral to Adjusted EPS
- Slightly lower tax rate
- Higher JV income

Cash Flows

- YTD operating cash flow: $19.8 million in 2021 versus $49.3 million in 2020
- YTD free cash flow(1): $2.2 million in 2021 versus $32.7 million in 2020
  - Cash costs of Scapa acquisition and working capital outflows due to strong sales
  - Expect significantly higher free cash flow through remainder of 2021, consistent with historical seasonal cash flow patterns

(1) Adjusted EPS and free cash flow are a non-GAAP financial measure. See non-GAAP reconciliations and supplemental data in appendix. All financial measures presented relate to continuing operations.

© 2021 Schweitzer-Mauduit International, Inc.

Closing Comments

Q&A Session

© 2021 Schweitzer-Mauduit International, Inc.

Non-GAAP Reconciliations

© 2021 Schweitzer-Mauduit International, Inc.

Non-GAAP Reconciliations

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, acquisition related costs, plant closure expenses, depreciation and amortization, interest expense, tax provision (benefit), capital spending, capitalized software expenditures, purchase accounting adjustments, and tax adjustments, and Brazil tax assessments. 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.

Adjusted Operating Profit from Continuing Operations:	**YTD 2019**	**Q1 2020**	**Q2 2020**	**Q3 2020**	**Q4 2020**	**YTD 2020**	**Q1 2021**	**Q2 2021**	**YTD 2021**
Operating Profit from Continuing Operations	$ 134.0	$ 34.1	$ 34.4	$ 37.0	$ 23.3	$ 128.8	$ 33.5	$ 15.9	$ 49.4
Plus: Restructuring and impairment, and plant closure expenses	3.7	0.1	1.6	9.2	6.0	16.9	1.7	2.3	4.0
Plus: Purchase accounting adjustments	20.3	5.6	7.2	6.5	6.5	25.8	6.5	14.3	20.8
Plus: Acquisition related costs	-	-	-	-	-	-	3.6	12.1	15.7
Plus: Brazil tax assessment	1.5	-	-	-	0.1	0.1	-	-	-
Adjusted Operating Profit from Continuing Operations	$ 159.5	$ 39.8	$ 43.2	$ 52.7	$ 35.9	$ 171.6	$ 45.3	$ 44.6	$ 89.9
Adjusted Operating Margin from Continuing Operations	8.8%	15.2%	17.0%	18.9%	12.8%	16.0%	15.7%	11.8%	13.5%

Adjusted Net Income from Continuing Operations:	**YTD 2019**	**Q1 2020**	**Q2 2020**	**Q3 2020**	**Q4 2020**	**YTD 2020**	**Q1 2021**	**Q2 2021**	**YTD 2021**
Net income from continuing operations	$ 85.8	$ 22.5	$ 21.5	$ 24.5	$ 15.3	$ 83.8	$ 21.6	$ 1.8	$ 23.4
Plus: Restructuring and impairment expense	3.7	0.1	1.6	6.0	4.2	11.9	1.7	2.3	4.0
Less: Tax impact of restructuring and impairment expense	(0.7)	-	(0.5)	(1.5)	(1.1)	(3.1)	(0.4)	(0.6)	(1.0)
Plus: Plant closure	-	-	-	3.2	1.7	4.9	-	-	-
Less: Tax impact of plant closure	-	-	-	(0.7)	(0.4)	(1.1)	-	-	-
Plus: Purchase accounting adjustments	20.3	5.6	7.2	6.5	6.5	25.8	6.5	14.3	20.8
Less: Tax impact of purchase accounting adjustments	(3.7)	(1.4)	(1.7)	(1.6)	(1.6)	(6.3)	(1.6)	(2.6)	(4.2)
Plus: Brazil tax assessments	10.8	-	-	-	0.1	0.1	(6.1)	-	(6.1)
Less: Tax impact of Brazil tax assessments	(4.2)	-	-	-	-	-	2.7	(0.2)	2.5
Plus: Acquisition and integration related costs	-	-	-	-	-	-	3.6	12.1	15.7
Less: Tax impact on acquisition and integration related costs	-	-	-	-	-	-	(0.8)	(2.6)	(3.4)
Plus: Acquisition related foreign currency exchange impacts	-	-	-	-	-	-	5.6	1.3	6.9
Less: Tax impact on Acquisition related foreign currency exchange impacts	-	-	-	-	-	-	(1.3)	1.3	-
Less: Transitional tax adjustment	(0.6)	-	-	-	-	-	-	-	-
Less: Tax legislative changes, net of other discrete items	(0.8)	(0.3)	(0.1)	-	-	(0.4)	0.7	1.5	2.2
Less: RTL-Philippine sale gain	(0.3)	-	-	-	-	-	-	-	-
Adjusted Net Income from Continuing Operations	$ 110.3	$ 26.5	$ 28.0	$ 36.4	$ 24.7	$ 115.6	$ 32.2	$ 28.6	$ 60.8

Adjusted EBITDA from Continuing Operations:	**YTD 2019**	**Q1 2020**	**Q2 2020**	**Q3 2020**	**Q4 2020**	**YTD 2020**	**Q1 2021**	**Q2 2021**	**YTD 2021**
Net Income	$ 85.8	$ 22.5	$ 21.5	$ 24.5	$ 15.3	$ 83.8	$ 21.6	$ 1.8	$ 23.4
Plus: Loss (income) from discontinued operations	-	-	-	-	-	-	-	-	-
Income from continuing operations	85.8	22.5	21.5	24.5	15.3	83.8	21.6	1.8	23.4
Plus: Interest expense	29.0	6.9	8.1	7.8	7.7	30.5	7.4	13.1	20.5
Plus: Interest on Brazil tax assessments	7.1	-	-	-	0.1	0.1	(4.5)	-	(4.5)
Plus: Provision for income taxes	15.2	5.3	5.4	4.8	2.9	18.4	7.4	3.5	10.9
Plus: Depreciation & amortization	58.0	14.8	16.8	19.2	19.3	70.1	16.4	27.0	43.4
Plus: Restructuring and impairment expense	3.7	0.1	1.6	6.0	4.2	11.9	1.7	2.3	4.0
Plus: Inventory write-down expense related to plant closure	-	-	-	2.0	-	2.0	-	-	-
Plus: Acquisition related costs	-	-	-	-	-	-	3.6	12.1	15.7
Plus: loss (Income) from equity affiliates	(4.1)	-	(0.9)	(1.1)	(2.9)	(4.9)	(1.0)	(2.8)	(3.8)
Plus: Other (income) expense, net	1.0	(0.6)	0.3	1.0	0.3	1.0	(1.4)	(1.0)	(2.4)
Plus: Acquisition related foreign currency exchange impacts	-	-	-	-	-	-	5.6	1.3	6.9
Plus: Brazil tax assessments	1.5	-	-	-	-	-	(1.6)	-	(1.6)
Adjusted EBITDA from continuing operations	$ 197.2	$ 49.0	$ 52.8	$ 64.2	$ 46.9	$ 212.9	$ 55.2	$ 57.3	$ 112.5

Adjusted EBITDA from Continuing Operations:	**YTD 2019**	**Q1 2020**	**Q2 2020**	**Q3 2020**	**Q4 2020**	**YTD 2020**	**Q1 2021**	**Q2 2021**	**YTD 2021**
AMS adjusted EBITDA	$ 99.2	$ 22.7	$ 24.8	$ 29.1	$ 30.1	$ 106.7	$ 32.1	$ 40.2	$ 72.3
EP adjusted EBITDA	146.6	39.0	38.3	44.4	36.3	158.0	37.0	31.9	68.9
Unallocated adjusted EBITDA	(48.6)	(12.7)	(10.3)	(9.3)	(19.5)	(51.8)	(13.9)	(14.8)	(28.7)
Adjusted EBITDA from continuing operations	$ 197.2	$ 49.0	$ 52.8	$ 64.2	$ 46.9	$ 212.9	$ 55.2	$ 57.3	$ 112.5

© 2021 Schweitzer-Mauduit International, Inc.

Non-GAAP Reconciliations

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, acquisition related costs, plant closure expenses, depreciation and amortization, interest expense, tax provision (benefit), capital spending, capitalized software expenditures, purchase accounting adjustments, and tax adjustments, and Brazil tax assessments. 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.

Adjusted Earnings Per Share from Continuing Operations - Diluted	**YTD 2019**	**Q1 2020**	**Q2 2020**	**Q3 2020**	**Q4 2020**	**YTD 2020**	**Q1 2021**	**Q2 2021**	**YTD 2021**
Diluted net income per share from continuing operations	$ 2.76	$ 0.72	$ 0.68	$ 0.78	$ 0.48	$ 2.66	$ 0.68	$ 0.06	$ 0.74
Plus: Restructuring and impairment expense, per share	0.12	-	0.06	0.19	0.13	0.38	0.06	0.07	0.13
Less: Tax impact of restructuring and impairment expense, per share	(0.02)	-	(0.02)	(0.04)	(0.04)	(0.10)	(0.01)	(0.02)	(0.03)
Plus: Plant closure	-	-	-	0.10	0.06	0.16	-	-	-
Less: Tax impact of plant closure	-	-	-	(0.02)	(0.02)	(0.04)	-	-	-
Plus: Purchase accounting adjustments, per share	0.66	0.18	0.24	0.20	0.21	0.83	0.21	0.45	0.66
Less: Tax impact of purchase accounting adjustments, per share	(0.12)	(0.04)	(0.06)	(0.05)	(0.05)	(0.20)	(0.05)	(0.09)	(0.14)
Plus: Brazil tax assessments	0.35	-	-	-	-	-	(0.20)	-	(0.20)
Less: Tax impact of Brazil tax assessments	(0.14)	-	-	-	-	-	0.09	(0.01)	0.08
Plus: Acquisition and integration related costs	-	-	-	-	-	-	0.11	0.39	0.50
Less: Tax impact on acquistion and integration related costs	-	-	-	-	-	-	(0.02)	(0.09)	(0.11)
Plus: Acquisition related foreign currency exchange impacts	-	-	-	-	-	-	0.18	0.04	0.22
Less: Tax impact on acquisition related foreign currency exchange impacts	-	-	-	-	-	-	(0.05)	0.05	-
Less: Transitional tax adjustment	(0.02)	-	-	-	-	-	-	-	-
Less: Tax legistlative changes, Net deferred tax movements, one-time tax expense & income tax valuation allow ance	(0.03)	(0.01)	-	-	-	(0.01)	0.02	0.05	0.07
Less: RTL-Philippine sale gain	(0.01)	-	-	-	-	-	-	-	-
Adjusted Earnings Per Share from Continuing Operations - Diluted	$ 3.55	$ 0.85	$ 0.90	$ 1.16	$ 0.77	$ 3.68	$ 1.02	$ 0.90	$ 1.92

Adjusted Diluted Earnings Per Share:	**YTD 2019**	**Q1 2020**	**Q2 2020**	**Q3 2020**	**Q4 2020**	**YTD 2020**	**Q1 2021**	**Q2 2021**	**YTD 2021**
Diluted net income, per share	$ 2.76	$ 0.72	$ 0.68	$ 0.78	$ 0.48	$ 2.66	$ 0.68	$ 0.06	$ 0.74
Plus: Restructuring and impairment expense, per share - Continuing Operations	0.12	-	0.06	0.19	0.13	0.38	0.06	0.07	0.13
Less: Tax impact of restructuring and impairment expense, per share - Continuing Operations	(0.02)	-	(0.02)	(0.04)	(0.04)	(0.10)	(0.01)	(0.02)	(0.03)
Plus: Plant closure	-	-	-	0.10	0.06	0.16	-	-	-
Less: Tax impact of plant closure	-	-	-	(0.02)	(0.02)	(0.04)	-	-	-
Plus: Purchase accounting adjustments, per share	0.66	0.18	0.24	0.20	0.21	0.83	0.21	0.45	0.66
Less: Tax impact of purchase accounting adjustments, per share	(0.12)	(0.04)	(0.06)	(0.05)	(0.05)	(0.20)	(0.05)	(0.09)	(0.14)
Plus: Brazil tax assessments	0.35	-	-	-	-	-	(0.20)	-	(0.20)
Less: Tax impact of Brazil tax assessments	(0.14)	-	-	-	-	-	0.09	(0.01)	0.08
Plus: Acquisition and integration related costs	-	-	-	-	-	-	0.11	0.39	0.50
Less: Tax impact on acquistion and integration related costs	-	-	-	-	-	-	(0.02)	(0.09)	(0.11)
Plus: Acquisition related foreign currency exchange impacts	-	-	-	-	-	-	0.18	0.04	0.22
Less: Tax impact on acquisition related foreign currency exchange impacts	-	-	-	-	-	-	(0.05)	0.05	-
Less: Transitional tax adjustment	(0.02)	-	-	-	-	-	-	-	-
Less: Tax legistlative changes, Net deferred tax movements, one-time tax expense & income tax valuation allow ance	(0.03)	(0.01)	-	-	-	(0.01)	0.02	0.05	0.07
Less: RTL-Philippine sale gain	(0.01)	-	-	-	-	-	-	-	-
Adjusted Earnings Per Share - Diluted	$ 3.55	$ 0.85	$ 0.90	$ 1.16	$ 0.77	$ 3.68	$ 1.02	$ 0.90	$ 1.92

Free Cash Flow	**YTD 2019**	**Q1 2020**	**Q2 2020**	**Q3 2020**	**Q4 2020**	**YTD 2020**	**Q1 2021**	**Q2 2021**	**YTD 2021**
Cash provided by Operating Activities by Continuing Operations	$ 160.3	$ 5.1	$ 44.2	$ 58.2	$ 54.1	$ 161.6	$ 12.7	$ 7.1	$ 19.8
Less: Capital spending	(28.6)	(7.4)	(7.5)	(5.8)	(9.4)	(30.1)	(7.1)	(9.2)	(16.3)
Less: Capitalized softw are expenditure	(5.5)	(0.7)	(1.0)	(1.1)	(0.4)	(3.2)	(0.5)	(0.8)	(1.3)
Free Cash Flow	$ 126.2	$ (3.0)	$ 35.7	$ 51.3	$ 44.3	$ 128.3	$ 5.1	$ (2.9)	$ 2.2

© 2021 Schweitzer-Mauduit International, Inc.