

# ***Quaker Chemical Corporation***

## ***Investor Presentation***

***May 2014***



# Risk and Uncertainties Statement



## **Regulation G**

The attached charts include Company information that does not conform to generally accepted accounting principles (GAAP). Management believes that an analysis of this data is meaningful to investors because it provides insight with respect to ongoing operating results of the Company and allows investors to better evaluate the financial results of the Company. These measures should not be viewed as an alternative to GAAP measures of performance. Furthermore, these measures may not be consistent with similar measures provided by other Companies.

This data should be read in conjunction with the Company's most recent annual report filed on Form 10-K and most recent quarterly report filed on Form 10-Q, as filed with the SEC.

## **Forward-Looking Statements**

This presentation may contain forward-looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in such statements. A major risk is that the Company's demand is largely derived from the demand for its customers' products, which subjects the Company to downturns in a customer's business and unanticipated customer production shutdowns. Other major risks and uncertainties include, but are not limited to, significant increases in raw material costs, customer financial stability, worldwide economic and political conditions, foreign currency fluctuations, future terrorist attacks and other acts of violence. Other factors could also adversely affect us. Therefore, we caution you not to place undue reliance on our forward-looking statements. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.



# □ Our Company

□ Financial Review

# Approaching 100 Years As A Leading Specialty Chemical Company



- **Founded in 1918**
- **Corporate HQ in Conshohocken, PA**
- **Leading positions in specialty lubricants to the metals, coatings and fluids markets**
- **Over 1,800 associates**
- **29 locations in 19 countries**
- **R&D Centers Globally: 2013 Spend \$22M**
- **Serving over 2,200 customers globally**



*Quaker is the leading provider of customized solutions and technology driven specialty chemical products for metals processing*



# Recognized for Excellence



For 4 years in a row (2010 – 2013), Quaker has been named to the “Top Workplaces” list on Philly.com – based on opinions of our associates.

In 2013, 2012 and 2010, Quaker was named by *Forbes* as one of the “Best Small Companies” in America.

In 2010, Quaker was also named one of the “Most Trustworthy Companies.”



In 2012, Quaker was named to the *Philadelphia Business Journal*’s list of the Fastest-Growing Companies and also Top 100 Public Companies.

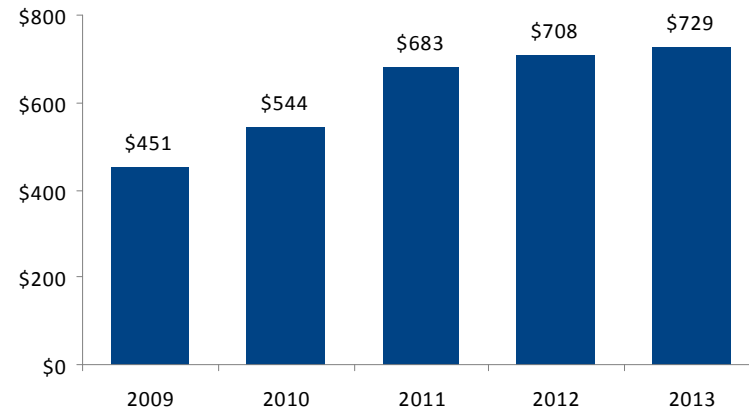
# Proud of Our Accomplishments



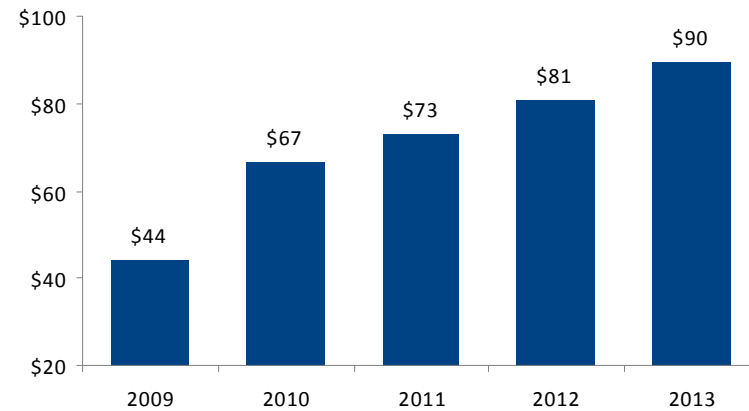
## Financials at a Glance

- **2013 Record Sales: \$729M**
- **2013 Reported Diluted EPS: \$4.27**
- **2013 Record Adjusted EBITDA: \$89.6M**
- **2009-2013 Adjusted EBITDA CAGR: 19.6%**
- **Current Market Cap: Approx. \$1.0B**
- **Dividend Consistency: 42 Years**

## Net Sales



## Adjusted EBITDA

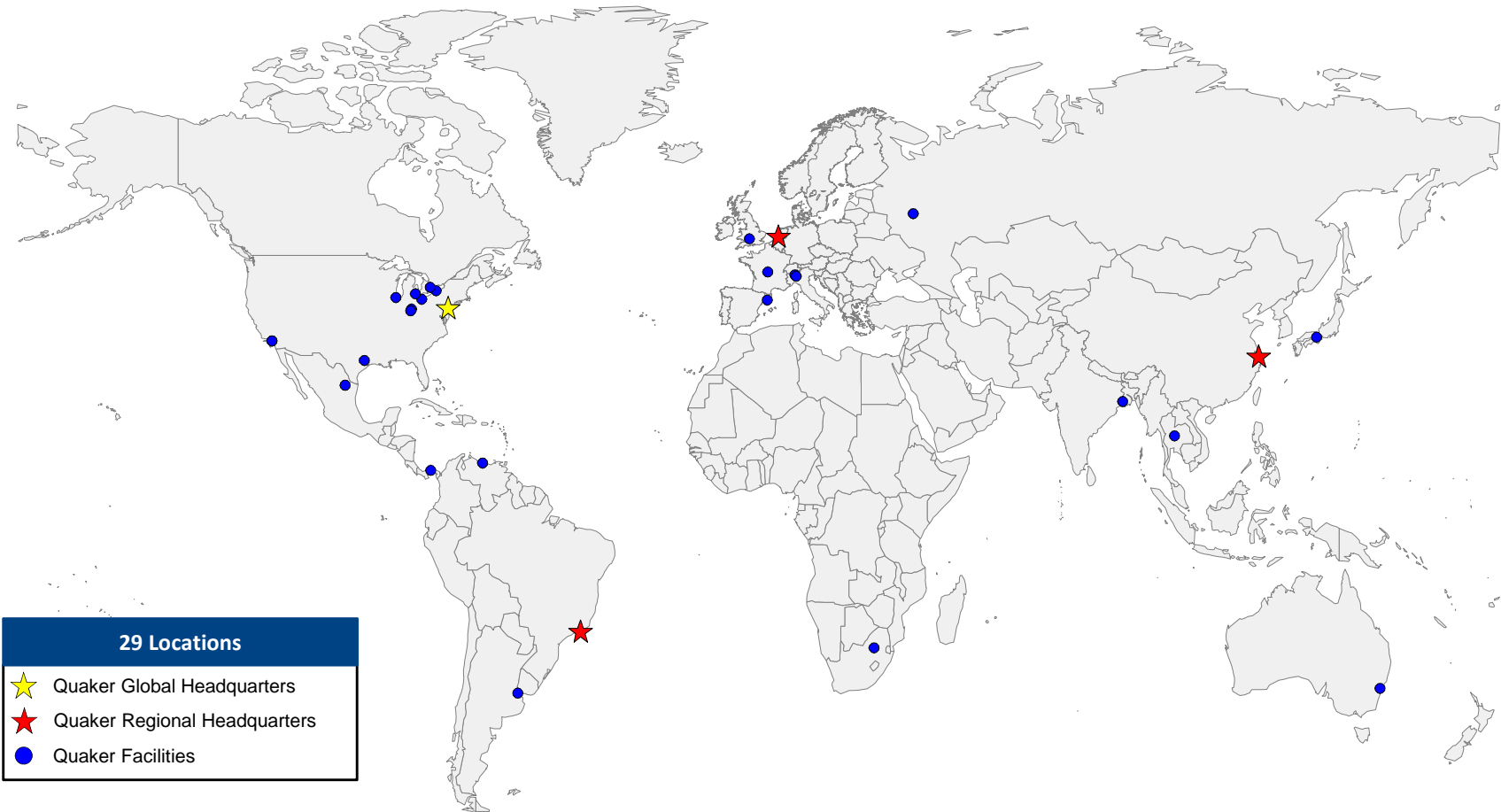


# Leadership with Deep Industry Experience



	<b>Title</b>	<b>Age</b>	<b>Year Joined Quaker</b>	<b>Previous Employers / Roles</b>
<b>Michael Barry</b>	Chairman, President & Chief Executive Officer	56	1998 (16 years)	Senior Vice President and Managing Director – North America Vice President and Chief Financial Officer
<b>Margaret Loebel</b>	Vice President, Chief Financial Officer & Treasurer	54	2012 (2 years)	Corporate VP, CFO & Treasurer – Tech Team Global Various financial roles at Archer Daniels Midland, Nike and General Motors
<b>Joseph Berquist</b>	Vice President & Managing Director – North America	42	1997 (17 years)	Senior Director, North America Commercial Industry Business Director – Metalworking/Fluid Power
<b>Dieter Laininger</b>	Vice President & Managing Director – South America & Global Leader - Primary Metals	51	1991 (23 years)	Industry Business Manager for Steel and Metalworking – EMEA
<b>Adrian Steeples</b>	Vice President & Managing Director – Asia Pacific	53	2010 (4 years)	20 Years experience with various managing roles at BP / Castrol
<b>Wilbert Platzer</b>	Vice President & Managing Director – Europe	52	1995 (19 years)	Vice President – Global Industrial Metalworking Vice President – Worldwide Operations

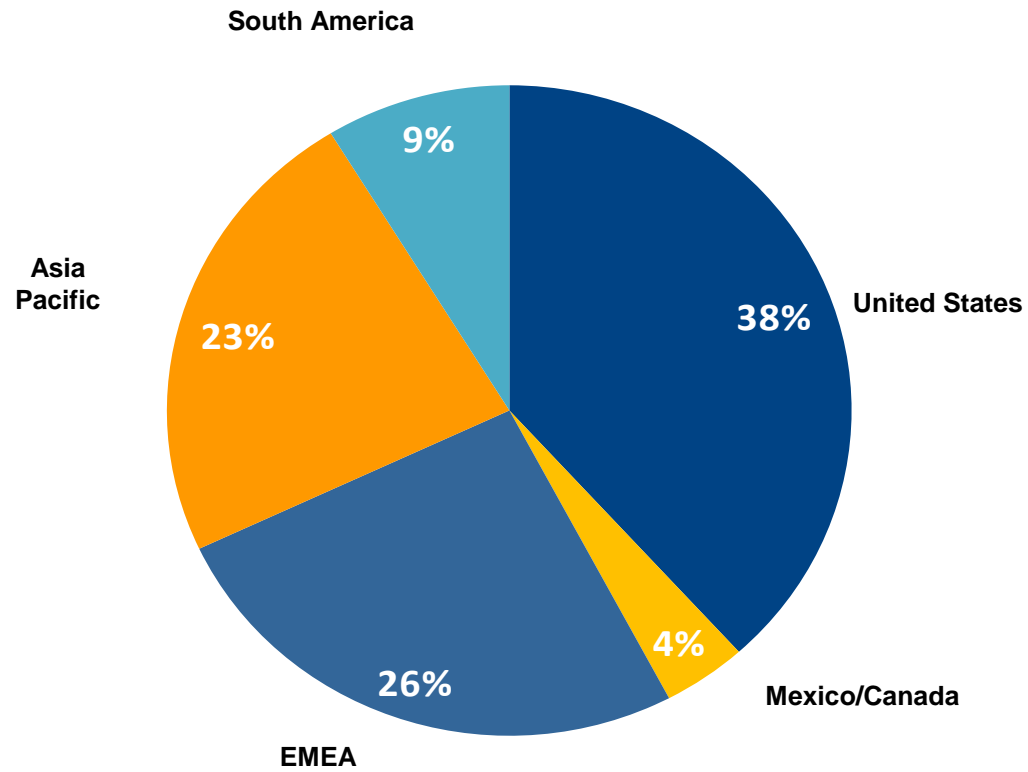
# Operations and Employees Delivering in a Diverse Set of Global Geographies



**Global Footprint Positions Quaker for Strong Growth Alongside its Global Customer Base**



# 2013 Net Sales Breakdown



**62% of Sales Are Outside of the U.S.**

# Strong Market Positions and Focused Business Portfolio



**Primary Metals**



**Metalworking**



**Coatings**

Leveraging Industry Leadership and Acquisitions Across Several Business Lines

% 2013 Revenue

**56%**

**35%**

**9%**

# Positioned As a Market Leader



**Primary Metals**

- ✓ **No. 1 supplier to sheet mills worldwide**
- ✓ **Rolling oils, cleaners, corrosion preventives, fire resistant hydraulic fluids**
- ✓ **Market leader in cold rolled steel technology**

**Key Competitors:**



**HOUGHTON™**



# Large Market Opportunity



**Metalworking**

- ✓ **Metal forming, grinding, machining, can lubricants**
- ✓ **One of several leaders in \$5 billion+ market**
- ✓ **Auto and Tube & Pipe focus**
- ✓ **Opportunity for market consolidation**

## Key Competitors:



# Diverse Sets of Market Opportunities



**Coatings**

- ✓ **Leader in chemical milling maskants to aerospace industry**
- ✓ **Strong niche positions in marine, concrete and other metal coatings**

# Technically Advanced, Customized Solutions



Products and related technical services are highly effective at lowering customers' "total cost of ownership" and improving their overall end product quality at a low incremental cost

Rolling Lubricants



Corrosion Protection and Metal Finishing



Machining and Grinding Compounds



Tube and Pipe Coatings



Mining Products

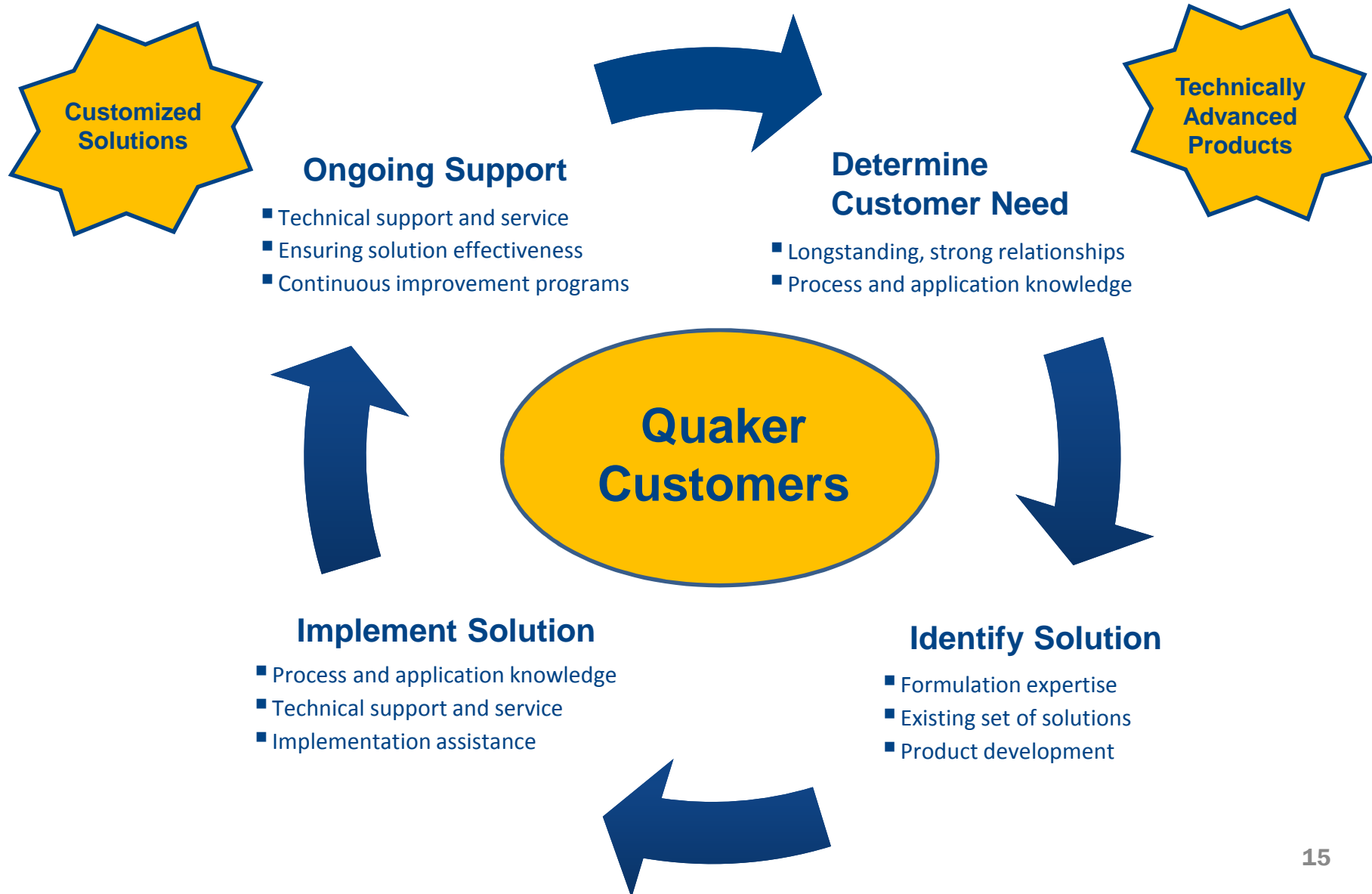


Specialty Hydraulic Fluids and Greases





# “Customer Intimacy” Key Tenant of Quaker Business Model



# Blue Chip Customer Base with Long-Term Relationships



## Representative Customers

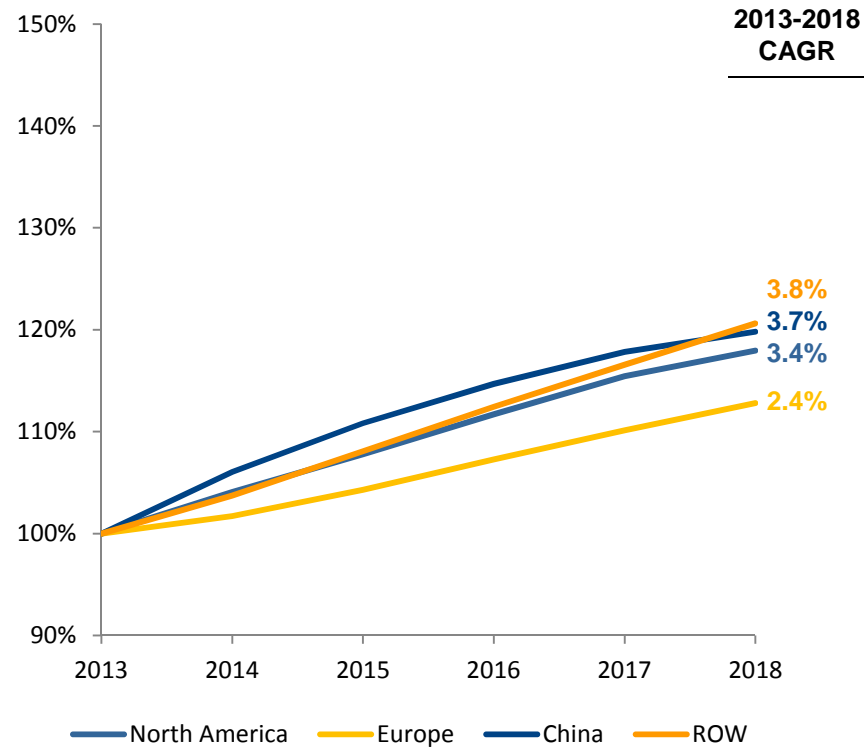
- Diverse customer base with sales in over 75 countries
- Long-term relationships with key customers
  - Top 10 customers have relied on Quaker for over a decade
  - Many key customers serviced on a global basis
- Superior customer service and strong understanding of customers' needs
- Solutions are critical, but account for only a small percentage of overall costs



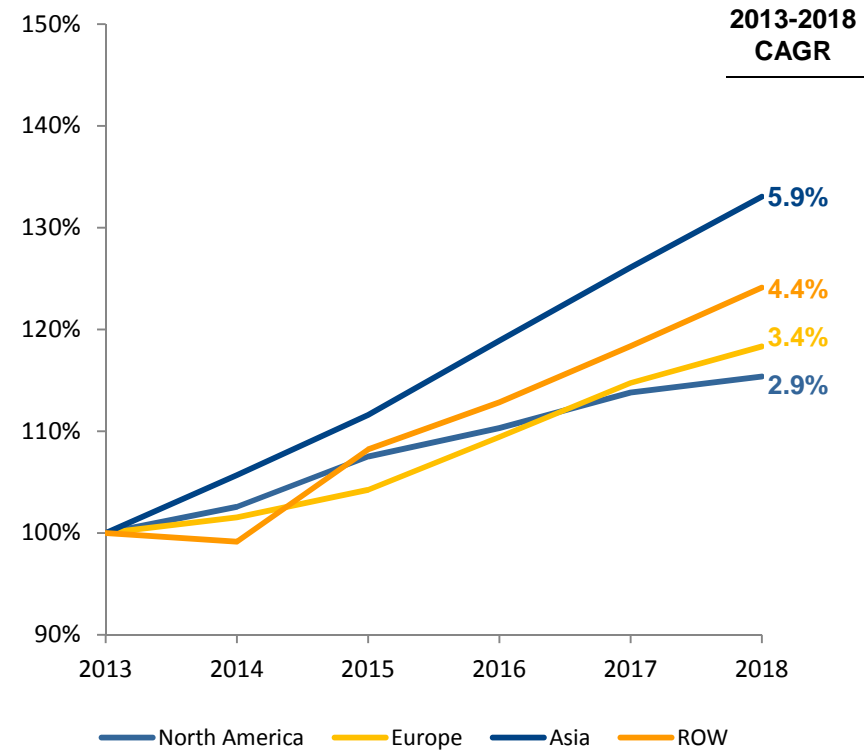
# Industry Leader Selling Into Growing Markets: Steel and Automotive, Among Others



## Global Steel Industry Indexed Growth (1)



## Global Automotive Industry Indexed Growth (2)



Source: CRU International Crude Steel Market Outlook and LMC Automotive.

(1) Represents apparent consumption of hot-rolled sheet and coil plate. (2) Represents car / light vehicle production by region.

# Growth Strategy



## Growing Base Markets

Selling into growing markets – steel, automotive and others

## Gaining Market Share

Quaker continues to take additional share in markets it competes, e.g., building relationships with key customers on all continents

## Leveraging Past Acquisitions

Increase share of wallet leveraging newly acquired technologies across existing customer base

## Future Acquisitions

Quaker has a strong balance sheet and continues to review acquisition candidates



Our Company

**Financial Review**

# Financial Drivers



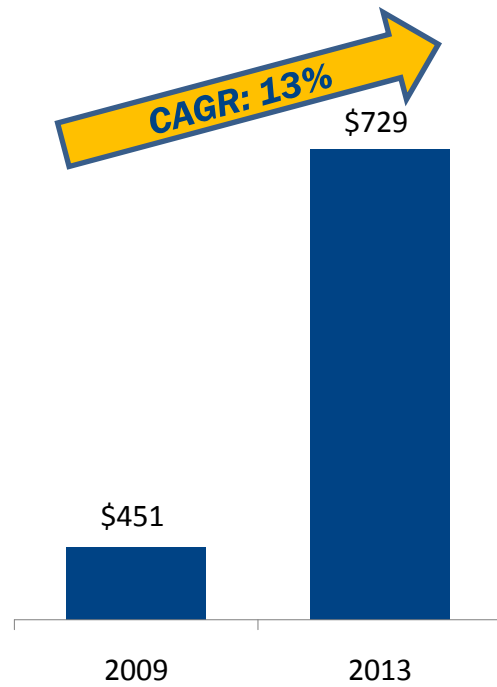
- **Strong long-term growth platform – well-positioned in all regions to benefit from global recovery in steel / auto production and market share gains**
- **Manage margins to acceptable levels, compensating for increasing raw material prices**
  - ✓ **Gross margins expected to average 35%**
- **Consistently profitable with solid cash flow generation through varying economic cycles**
- **Value-based approach to managing the business**
  - ✓ **Require financial returns over 12% hurdle rate for new capital investments**
  - ✓ **Customer and product line profitability using EVA approach**
- **Strong balance sheet and cash position provides flexibility to pursue growth opportunities**



# Discipline and Clear Strategy Has Translated Into Strong Financial Results and Achievable Targets

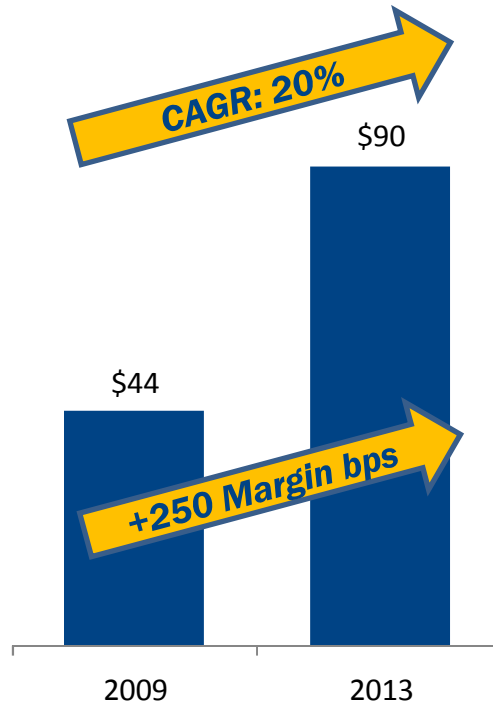


## Net Sales



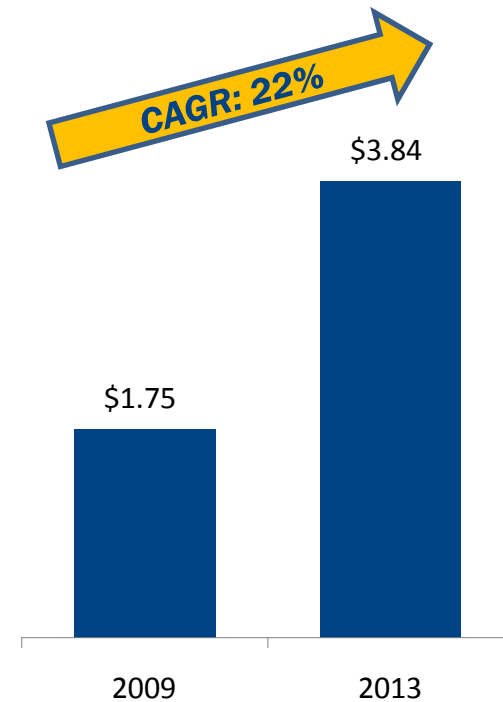
- Winning new business and leveraging acquisitions

## Adjusted EBITDA



- Continuous focus on managing costs and margins

## Adjusted Diluted EPS



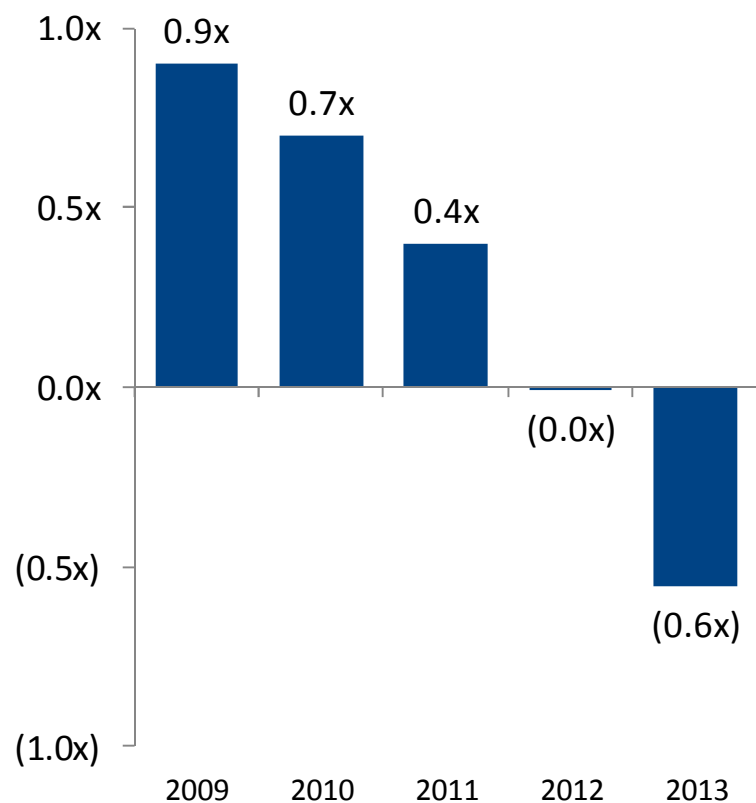
- Delivering growth to shareholders

Note: Dollars in millions, except per share data.

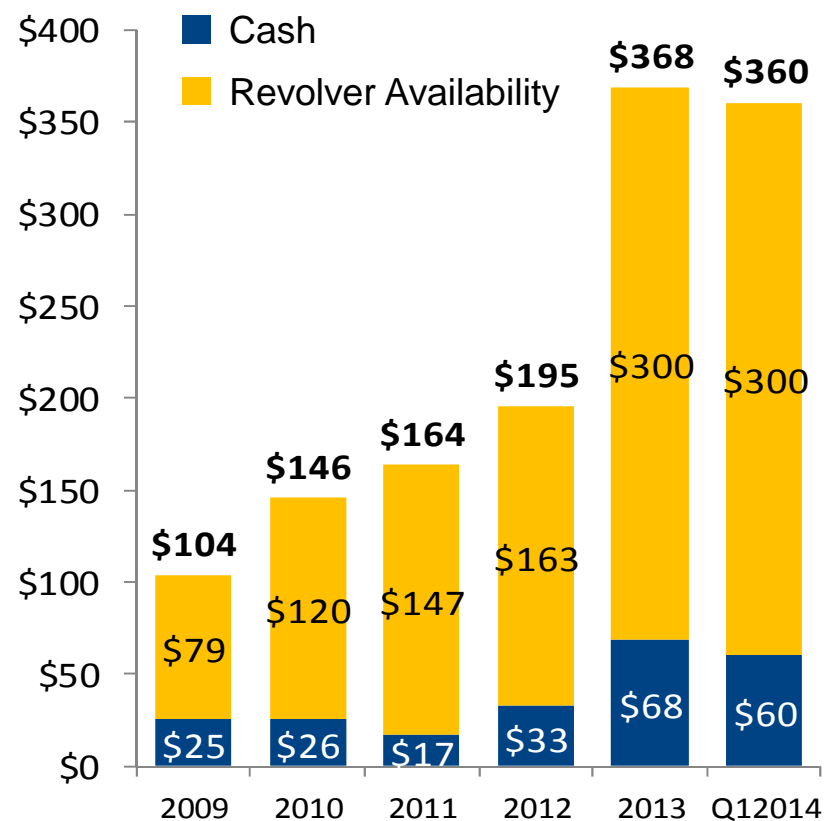
# Strong Balance Sheet From Which to Grow



## Net Debt / LTM Adjusted EBITDA



## Liquidity: Cash + Revolver Availability



Note: Dollars in millions.

# Investment Highlights



1

## Focus & Leadership in Identified Markets

- #1 supplier to sheet mills worldwide; A leading supplier to metalworking market
- Most focused pure play among the competition with discipline and financial flexibility

2

## Strong Customer Relationships

- Long-standing relationships and high retention rates with blue-chip customer base globally
- Over 10 years experience with each of Quaker's 10 largest customers
- Small spend for Quaker products delivers significant impact to customer's bottom line

3

## Diverse Geographic Footprint

- 29 locations in 19 countries with over 60% of 2013 net sales outside the U.S.
- Leadership positions in strategic emerging markets such as China, India, Mexico and Brazil

4

## High Impact Employees

- Support customer relationships at all levels, develop technically advanced customized solutions and deliver on customer plant floors globally
- Significant industry experience at all levels of Quaker
- Managed pricing and cost prudently during economic crisis, driving post-crisis transformation

5

## Stable Financial Profile & Return

- Consistently performs well through economic cycles
- Low capital intensity and financial flexibility to support future acquisitions
- 42 consecutive years of increasing or maintaining dividend

6

## Good Growth Story

- Industry leader selling into growing markets – steel and automotive, among others
- Positioned in growing emerging markets and growth through increased share in existing markets
- Access to new adjacent markets estimated at over \$1 billion via recent acquisitions

# People Drive Excellence at Quaker



**It's what's inside that counts<sup>®</sup>**



# □ Appendix

# Adjusted EBITDA Reconciliation



	2009	2010	2011	2012	2013
Net income attributable to Quaker Chemical Corp.	\$16,058	\$32,120	\$45,892	\$47,405	\$56,339
Depreciation	9,525	9,867	11,455	12,252	12,339
Amortization	1,078	988	2,338	3,106	3,445
Interest expense	5,533	5,225	4,666	4,283	2,922
Taxes	7,065	12,616	14,256	15,575	20,489
Cost Streamlining Initiatives	2,289	-	-	-	1,419
Non-income Tax Contingency Charge	-	4,132	-	-	796
Equity Affiliate Out of Period Charge	-	564	-	-	-
CEO Transition Costs	2,443	1,317	-	-	-
Revaluation of a Previously Held Ownership Interest in an Equity Affiliate	-	-	-2,718	-	-
Change in an Acquisition Earnout Liability	-	-	-595	-1,737	-497
Equity Loss (Income) in a Captive Insurance Company	162	-313	-2,323	-1,812	-5,451
Mineral Oil Excise Tax Refund	-	-	-	-	-2,540
Devaluation of Venezuelan Bolivar Fuerte	-	322	-	-	357
Customer Bankruptcy Costs	-	-	-	1,254	-
CFO Transition Costs	-	-	-	609	-
<b>Adjusted EBITDA</b>	<b>\$44,153</b>	<b>\$66,838</b>	<b>\$72,971</b>	<b>\$80,935</b>	<b>\$89,618</b>
<i>Adjusted EBITDA Margin</i>	<i>9.80%</i>	<i>12.30%</i>	<i>10.70%</i>	<i>11.40%</i>	<i>12.30%</i>

Note: Dollars in thousands.



# Non-GAAP Earnings Per Diluted Share Reconciliation



	2009	2010	2011	2012	2013
GAAP Earnings Per Diluted Share	\$1.45	\$2.80	\$3.66	\$3.63	\$4.27
Plus: Cost Streamlining Initiatives Per Diluted Share	0.14	-	-	-	0.08
Plus: Non-income Tax Contingency Charge Per Diluted Share	-	0.26	-	-	0.04
Plus: Devaluation of Venezuelan Bolivar Fuerte Per Diluted Share	-	0.03	-	-	0.03
Plus: Equity Affiliate Out of Period Charge Per Diluted Share	-	0.05	-	-	-
Plus: CEO Transition Costs Per Diluted Share	0.14	0.08	-	-	-
Plus: Customer Bankruptcy Costs Per Diluted Share	-	-	-	0.06	-
Plus: CFO Transition Costs Per Diluted Share	-	-	-	0.03	-
Less: Revaluation of a Previously Held Ownership Interest in an Equity Affiliate Per Diluted Share	-	-	-0.22	-	-
Less: Change in an Acquisition Earnout Liability Per Diluted Share	-	-	-0.03	-0.09	-0.03
Less: Mineral Oil Excise Tax Refund Per Diluted Share	-	-	-	-	-0.14
Plus/Less: Equity Income in a Captive Insurance Company Per Diluted Share	0.02	-0.03	-0.19	-0.14	-0.41
<b>Non-GAAP Earnings Per Diluted Share</b>	<b>\$1.75</b>	<b>\$3.19</b>	<b>\$3.22</b>	<b>\$3.49</b>	<b>\$3.84</b>