



Westlake  
Chemical Partners



# Westlake Chemical Partners LP

2nd Quarter 2018

# Westlake Chemical Partners LP

- Provides predictable and stable cash flows
- Has four methods of fuelling a long runway of potential growth
- Is fully aligned with the partnership's general partner, Westlake Chemical Corp

## Stable and Predictable Cash Flows

- Westlake Partners has a long term fixed price contract designed to insulate against commodity risk and a conservative capital structure reduces financial risk

## Long History of Reliable Operations from Strategically Located Assets

- Reliable, efficient assets located near large feedstock supply with high historical utilization and operating rates exceeding North American industry average

## Strategic Relationship with Westlake Fosters Operational Alignment

- Westlake Chemical relies on Westlake Partners to supply them with the ethylene needed to produce nearly all of Westlake Chemical's products
- Westlake Chemical recently reset the IDR thresholds to lengthen Westlake Partners runway of drop downs

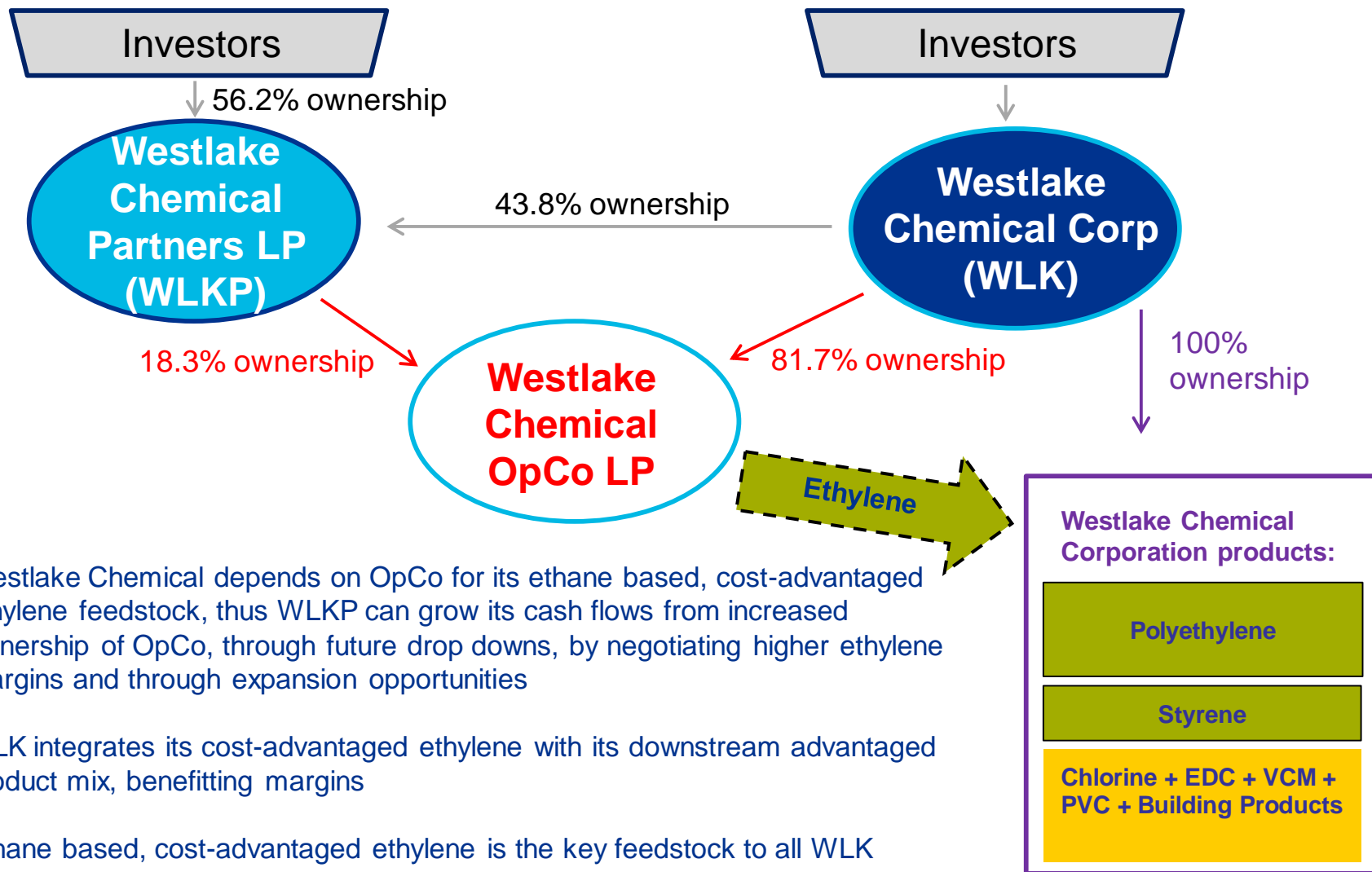
## Four Levers of Growth

- Periodic drop downs from OpCo
- Negotiate higher ethylene margin
- Acquisition opportunities, either as WLKP or jointly with WLK
- Expansion opportunities

# Report Card Since 2014 IPO

- ✓ Distribution growth consistently at 12% rate per annum
- ✓ Generated stable cash flow insulated from commodity price risk due to long-term contract with our sponsor
- ✓ Increased earnings and distribution growth runway of partnership through added capacity, IDR reset, and potential opportunity to acquire LACC JV cracker
- ✓ Maintained conservative balance sheet and a current DCF coverage ratio of 1.2x providing significant flexibility to fund future growth
- ✓ Strategic alignment with sponsor highlighted by capacity additions, drop down of assets, and LACC JV cracker
- ✓ Good governance highlighted by IDR reset accretive to Partners with no consideration in exchange

# Westlake Chemical Partners LP & Westlake Chemical Corporation Organizationally Aligned for Profitable Growth



- Westlake Chemical depends on OpCo for its ethane based, cost-advantaged ethylene feedstock, thus WLKP can grow its cash flows from increased ownership of OpCo, through future drop downs, by negotiating higher ethylene margins and through expansion opportunities
- WLK integrates its cost-advantaged ethylene with its downstream advantaged product mix, benefitting margins
- Ethane based, cost-advantaged ethylene is the key feedstock to all WLK products

Key: Long term take or pay contract Olefins Vinyls

# Benefits of the Incentive Distribution Rights (IDR) Tier Reset

**In July 2018, Westlake Chemical agreed to re-set Westlake Partners IDR schedule relieving Westlake Partners of the IDR cash flow burden for over 10 years\*:**

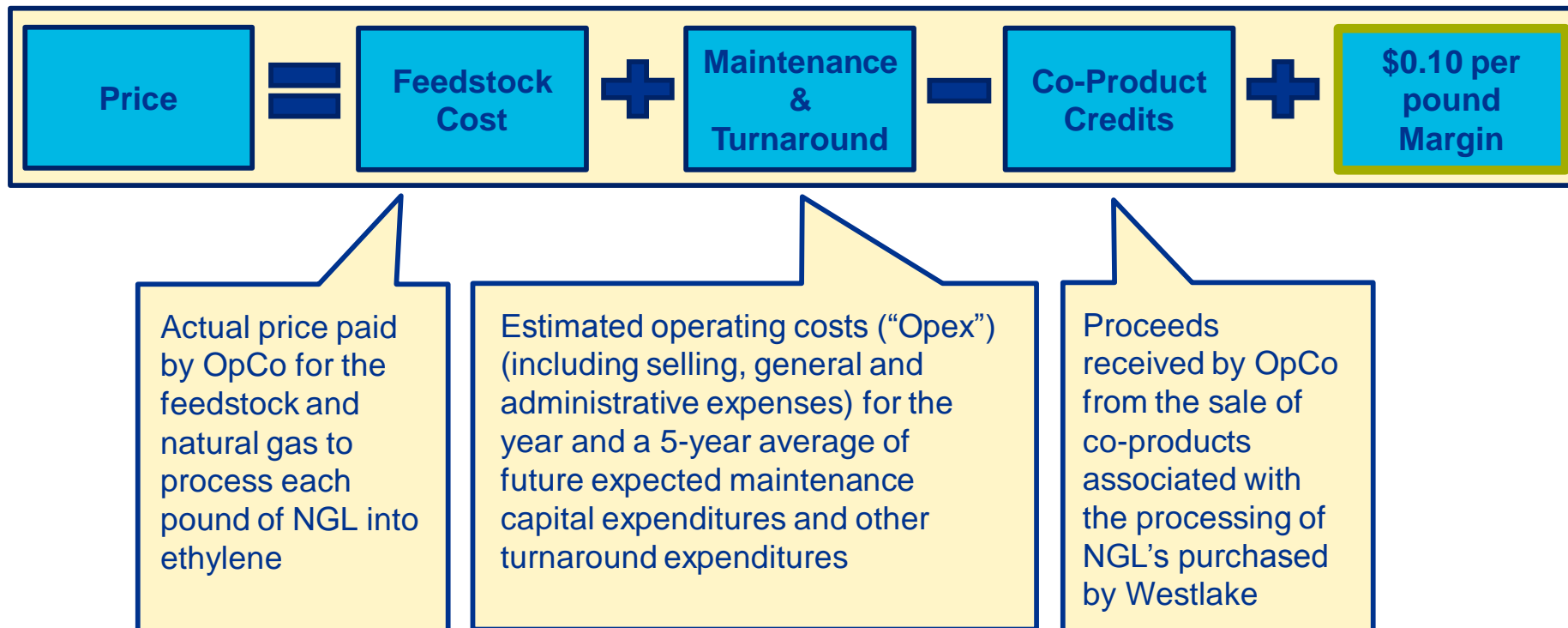
- Immediately accretive to cash flow per unit and coverage
  - Effective immediately
  - No compensation paid to Westlake Chemical Corp
- Highlights the clear path to grow earnings and distributions through 2027
- Improves Partners' cost of capital, increasing its ability to pursue accretive investments and positions WLKP for future growth
- Reduces frequency and size of capital market needs
- Highlights alignment between Westlake and Partners with “win-win” reset

\* Note: Based on historical growth rates for quarterly Limited Partner distributions

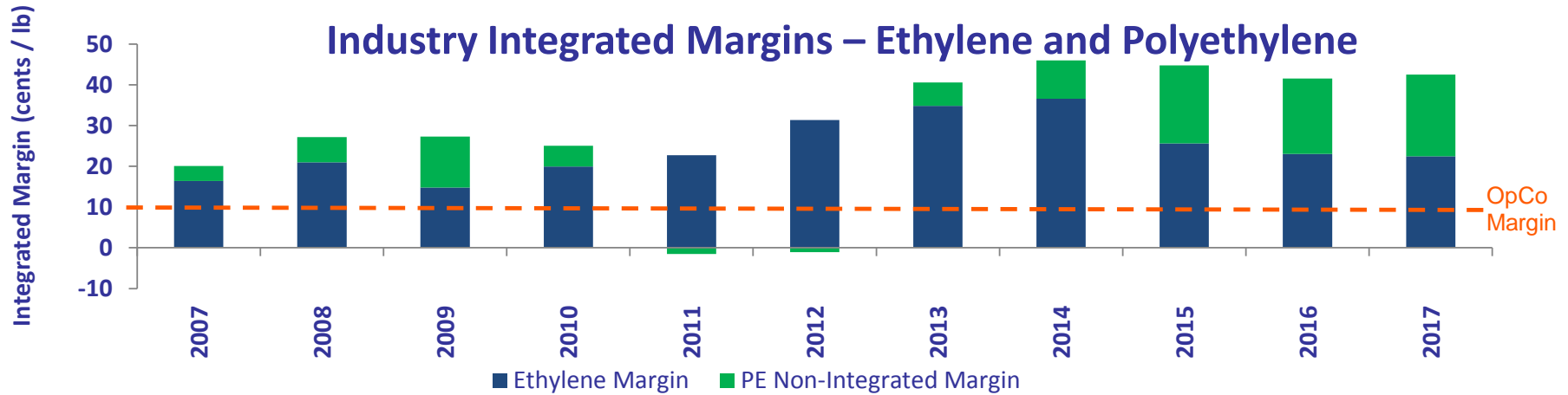
# Key Investment Drivers: Ethylene Sales Agreement

## Pricing Formula Promotes Stable & Predictable Cash Flows

- Westlake Partners is a critical supplier of the ethylene Westlake Chemical needs to produce it's products
- Ethylene Sales Agreement designed to provide stable 10 cents per pound margin on 95% of processed NGL's, with 5% sold to third parties



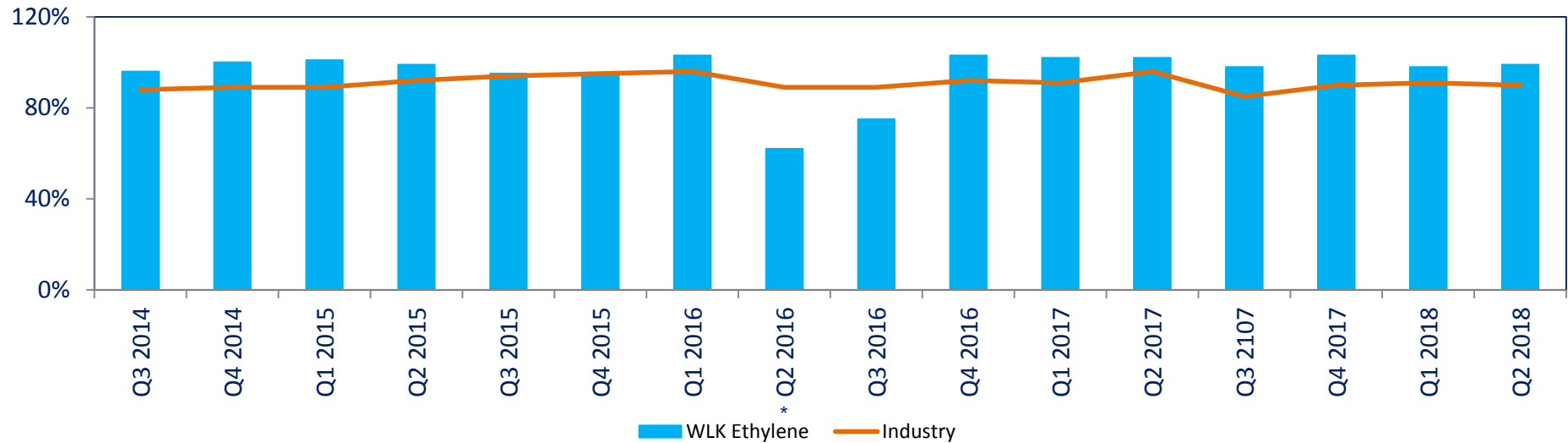
# WLKP's Sales Agreement has Insulated It From the Commodity Risk Faced by Other Ethylene Producers



Source: IHS/ Markit

- Initial term through December 31, 2026 with an automatic annual renewal mechanism thereafter unless terminated by either party
- Requires WLK to purchase 95% of OpCo's planned ethylene volume each year, with a maximum commitment of 3.8 billion pounds per year
  - If OpCo's actual volume is in excess of planned ethylene volume, WLK will have the option to purchase up to 95% of the excess
  - Remaining 5% of ethylene will be sold to third parties at currently higher market prices and margin

# WLKP's High Utilization Rate Drives Financial Stability

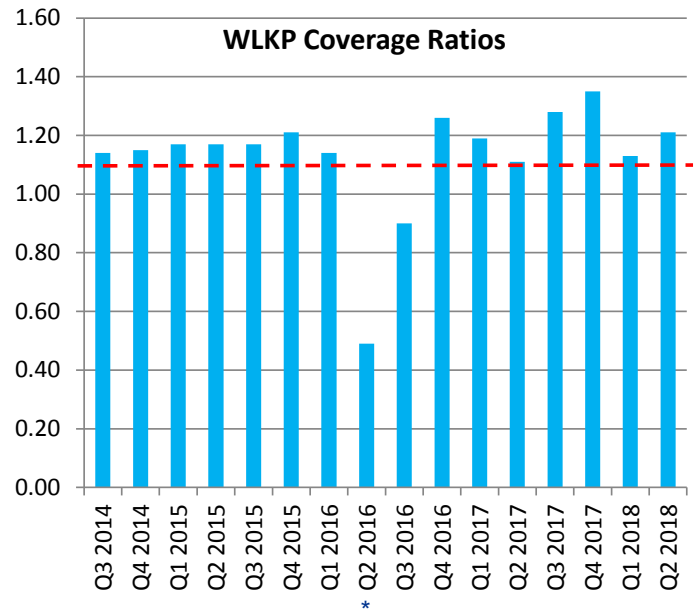


Source: IHS/ Markit

\*Note: Lake Charles cracker expansion outage

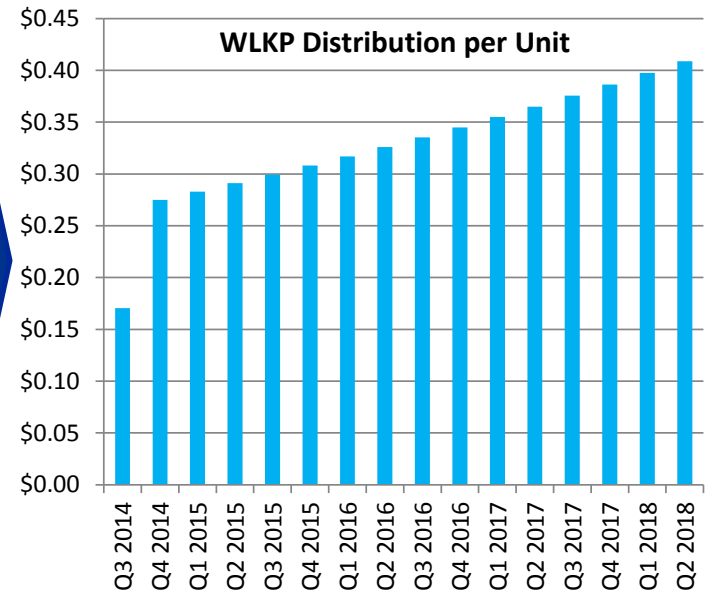
- Westlake Partners ethylene crackers have run at a higher than industry average utilization rate; this provides added stability to cash flows
- The dips in utilization rate in 2016 occurred during the capacity expansion outage at our Lake Charles plant
- Higher, steady utilization rates lead to dependable, stable financials and ultimately to stable growing distributable cash flows to unitholders.

# Strong Distribution Growth From Conservative Financial Structure



Westlake Chemical Partners maintains a conservative, disciplined financial strategy to fund a stable and growing distribution to unitholders.

\*Note: Lake Charles cracker expansion outage



## Conservative Leverage and Financial Flexibility

- Maintain conservative target leverage ratios at WLKP and OpCo
- Substantial liquidity via a \$600 million credit facility between Westlake and OpCo
- WLKP's line of credit increased to \$600MM in December 2017 to fund additional growth
- Minimal working capital requirements both at OpCo and WLKP
- Established an equity and debt shelf to fund future growth

# Four Levers of Growth for Stable, Growing Cash Flows

## Increase our Ownership of OpCo

Increase our ownership interest in OpCo over time either by purchasing new OpCo interests or by purchasing outstanding interests in OpCo from WLK

- Purchased 2.7% of OpCo for \$135 million in May 2015
- Purchased 5% of additional OpCo interests for \$229MM in Sept 2017
- Substantial drop down capacity + Recently reset IDR tiers extend runway of future drop downs:
  - +81% of drop down inventory remains
  - Remaining drop down inventory supports 10 years of future distribution growth (based on historical growth target)

## Pursue Growth Opportunities Through Acquisitions

Pursue acquisitions of complementary assets from WLK and third parties:

- Westlake Chemical is participating in a joint venture with Lotte Chemical to build a new 2.2 billion pound ethylene cracker with expected start up in 2019, would be a target for inclusion in WLKP

## Pursue Organic Growth Opportunities

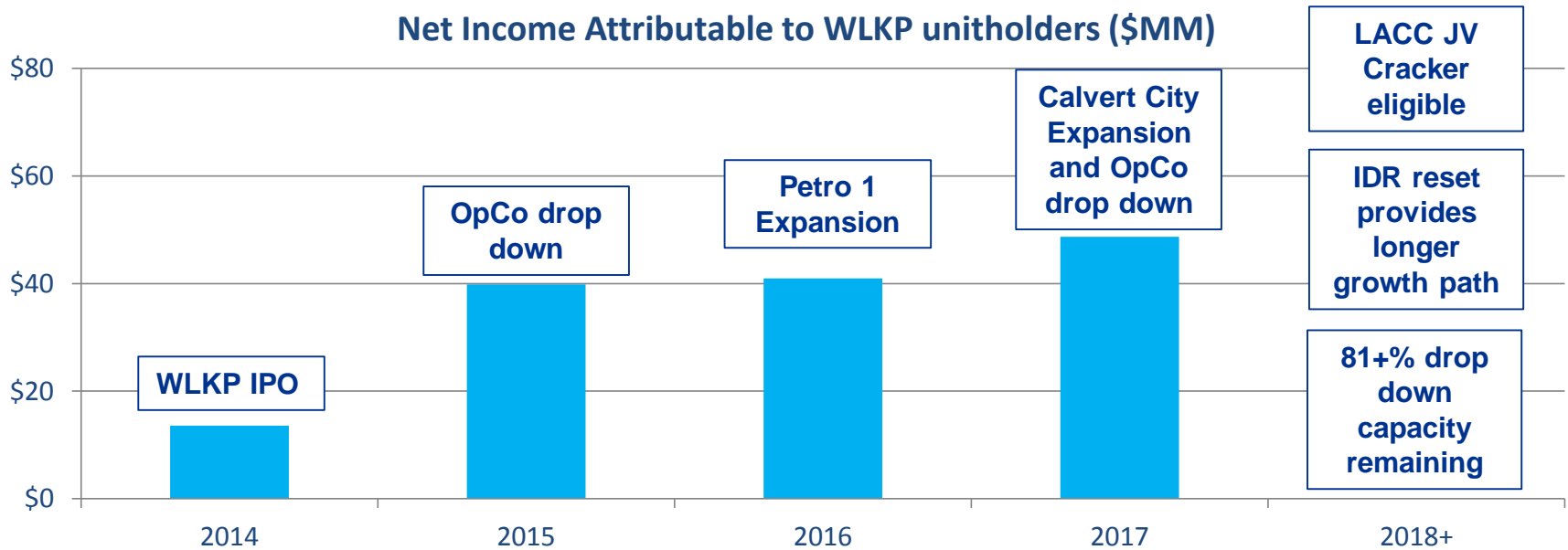
Enhance the profitability of OpCo's existing assets by pursuing growth opportunities including capacity expansion projects

- Expanded Petro1 by approximately 250MM pounds of ethylene in 2016
- Expanded Calvert City by approximately 100MM pounds of ethylene in 2017

## Expand Margin

Negotiate higher ethylene margin

# Completed Capacity Expansions + IDR Resets + Upcoming JV Opportunity Means Extended Growth for Westlake Partners

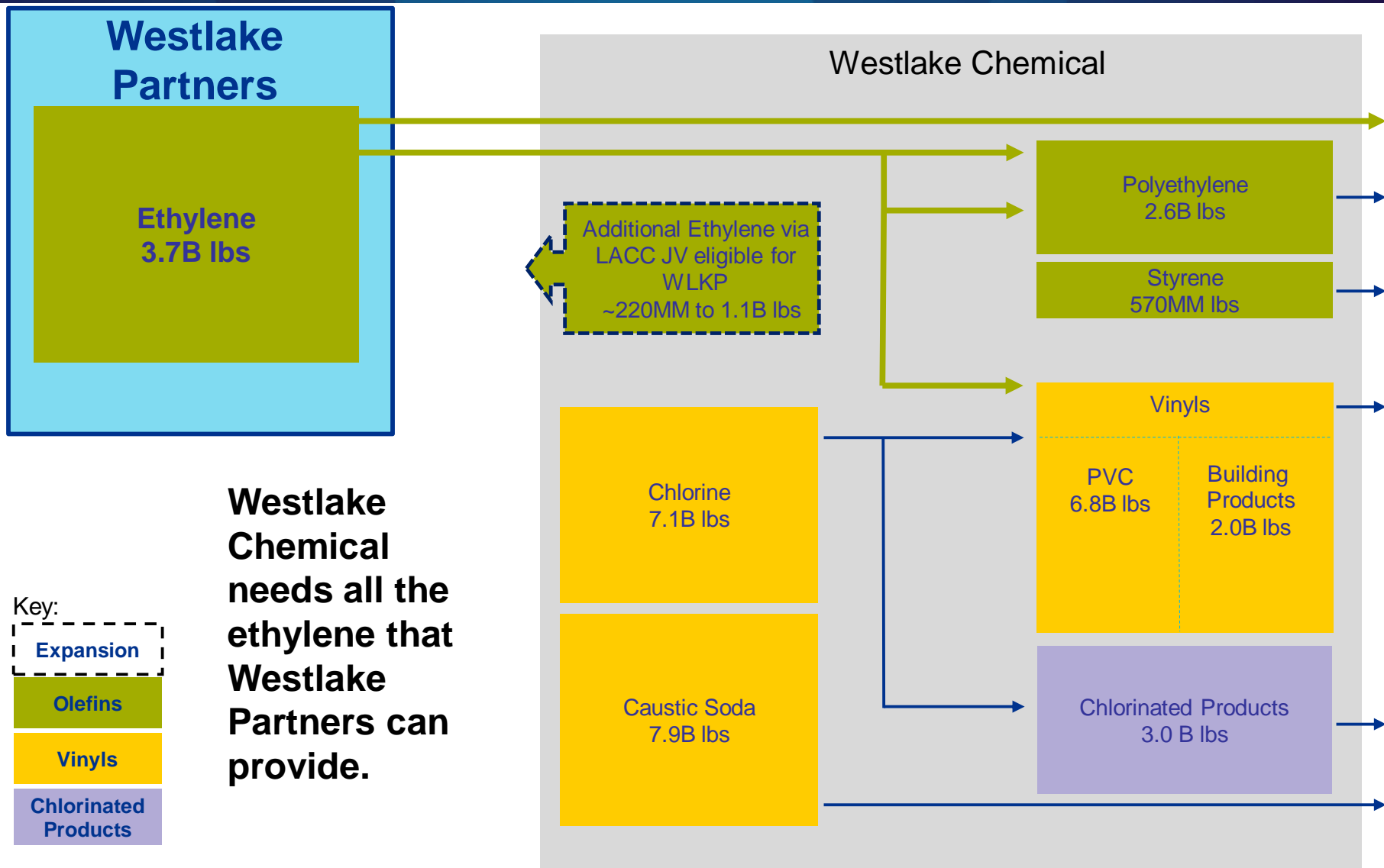


Westlake Partners continues to add capacity, each addition extends the potential runway for additional drop downs, and grows distributable income:

- Completed two ethylene expansions since the July, 2014 IPO
- The Westlake – Lotte JV can add 220 MM lbs of capacity in 2019 with the option to add an additional 880 MM lbs within three years

IDR reset extends runway for growth at no cost to WLKP

# Westlake Chemical's Short Position in Ethylene Provides Demand for Westlake Partners



# Comparable Leverage Metrics

## Well Capitalized for Financial Stability

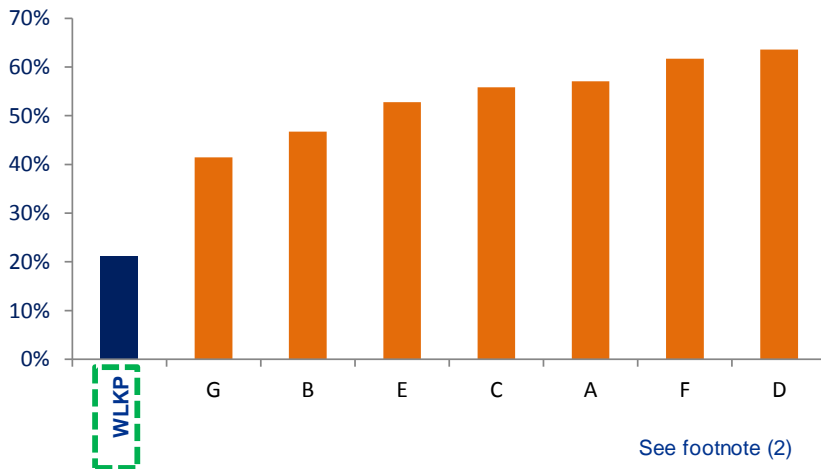
WLKP is well capitalized and has significant financial flexibility to fund future growth with its strong and supportive parent; WLK

### Westlake Partners Liquidity

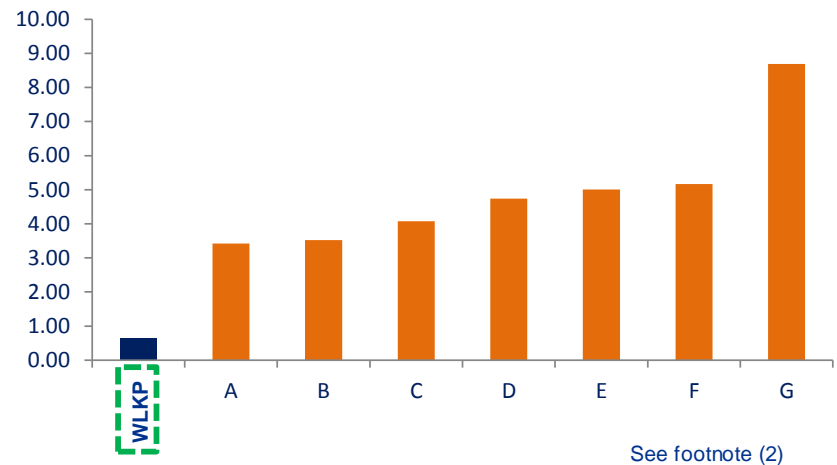
Liquidity (in millions)	June 30, 2018
Cash and Equivalents <sup>(1)</sup>	\$172.1
Plus: Available Credit Facilities	\$722.4
<b>Total Available Liquidity</b>	<b>\$894.5</b>

### A Strong Balance Sheet to Provide Financial Stability

#### Net Debt / Capitalization (%)



#### Net Debt / EBITDA <sup>(1)</sup> Ratio



(1) Includes cash invested with WLK under investment management agreement

(2) Peers: ANDX, DPM, EQM, MPLX, PSXP, SXCP, WES, as of latest date information is available in Bloomberg

# Key Investment Drivers

**Westlake Chemical's Increasing Demand for Ethylene**

**Strategic Relationship with Westlake Chemical**

**Stable and Predictable Cash Flows Unencumbered with IDR's**

**Strategically Located Assets**

**Experienced & Incentivized Management Team**

**Global Cost Advantage for Ethylene Production**

**Expanded Capacity & Significant Dropdown Inventory**

**Ethylene Sales Agreement plus IDR Reset**

**Competitive Market Position and Asset Integrity**

**Access to Operational and Industry Expertise**

**WLKP is well positioned for continued growth.**



Westlake  
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*Enhancing Your Life Every Day*



# Appendix

# WLKP Growth Strategy

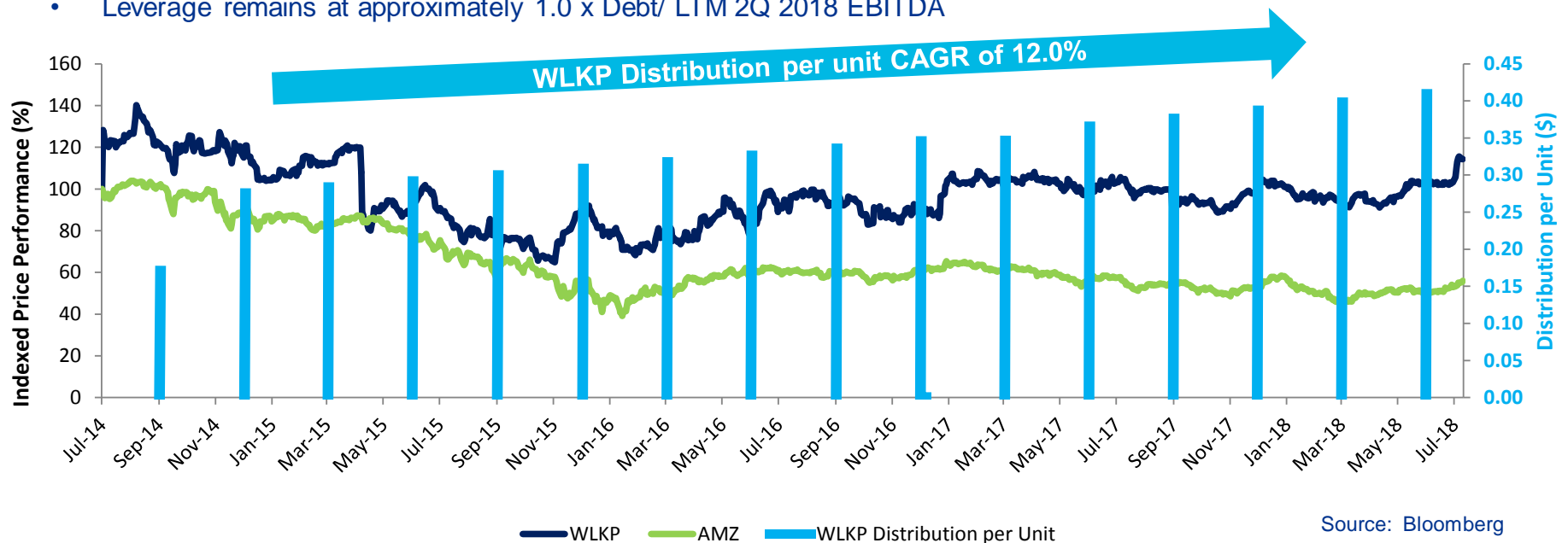
## Acquisition and Expansion Provides Growth

### Protect and Grow Distributions

- Maintain financial flexibility to protect and grow distributions
  - Since IPO WLKP has demonstrated a history of double-digit per year growth in distributions with a commitment to maintaining a strong target DCF coverage ratio
- Expand production capacity of ethylene through cost effective debottlenecks
  - Approximately 250MM pounds completed in Lake Charles in 2016
  - Approximately 100MM pounds added in Calvert City in 2017
- Increase stake in OpCo and pursue acquisition opportunities
  - Acquired additional 2.7% of OpCo for \$135MM in May 2015 to grow distributions
  - Acquired additional 5.0% of OpCo for \$229MM in Sept 2017 to grow distributions
  - Substantial drop down capacity remaining with 81.7% of OpCo available to be dropped
  - JV with Lotte to build new ethylene cracker in Lake Charles is expected to add future drop down capacity

# Westlake Chemical Partners Has Performed Strongly Since IPO

- Westlake Chemical Partners LP has executed on its growth strategy since IPO, even with the uncertainty caused by the IRS ruling and amidst the backdrop of challenging MLP markets (12.0% distribution per unit CAGR since IPO)
- With the final IRS regulations published in January 2017, uncertainty around WLKP's activities constituting qualifying income has been lifted
- WLKP has grown earnings and cash flows through expansions and drop downs since IPO and has significant drop down capacity remaining
- Demonstrated stable, fee-based cash flow model has resulted in strong performance despite the backdrop of volatile commodity pricing and price outperformance relative to AMZ from IPO through 6/30/2018
- Leverage remains at approximately 1.0 x Debt/ LTM 2Q 2018 EBITDA



Source: Bloomberg

# Westlake Partners' Strategy is Highly Aligned with its Investment Grade Parent

## Westlake Chemical Corporation

(LTM 2Q 2018)

<b>Net Sales</b>	<b>\$8,505 Million</b>
<b>EBITDA <sup>(1,2)</sup></b>	<b>\$2,185 Million</b>
<b>Net Income <sup>(3,4)</sup></b>	<b>\$1,578 Million</b>

### Olefins

**\$796 million**

**35%**

EBITDA <sup>(1)</sup>

% of Total

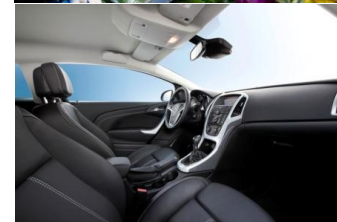
### Vinyls

**\$1,458 million**

**65%**

### OUR MISSION

- profitable growth ...
- in businesses we understand...
- globally in areas we can gain an edge...
- in a disciplined and opportunistic manner



Pictures: Benecke



# Key Investment Drivers

## Strategically Located Assets

### Lake Charles Olefins

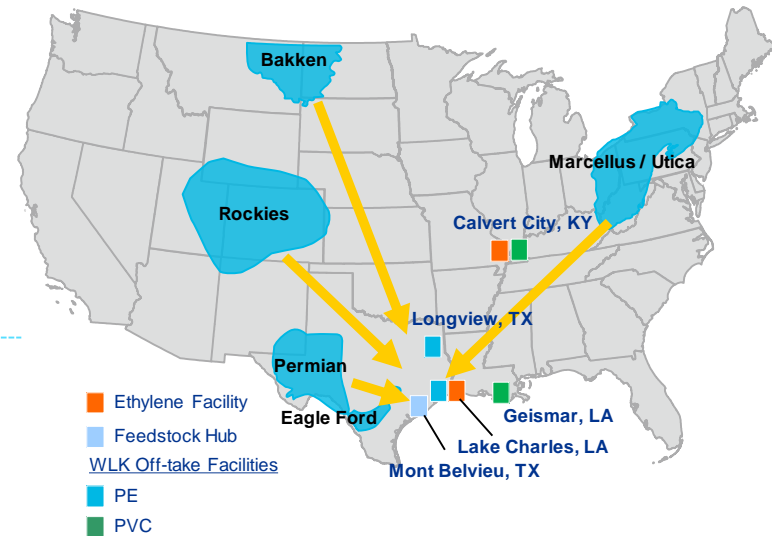
- Two ethane-based processing facilities at Westlake's Lake Charles, Louisiana complex
- Combined capacity of 3 billion pounds of ethylene
  - Primarily consumed by Westlake in the production of chemicals including PE and PVC

### Calvert City Olefins

- One ethane-based processing facility located in Calvert City, Kentucky, with a capacity of 730 million pounds of ethylene per year
  - Primarily consumed by Westlake in the production of higher value-added chemicals including PVC

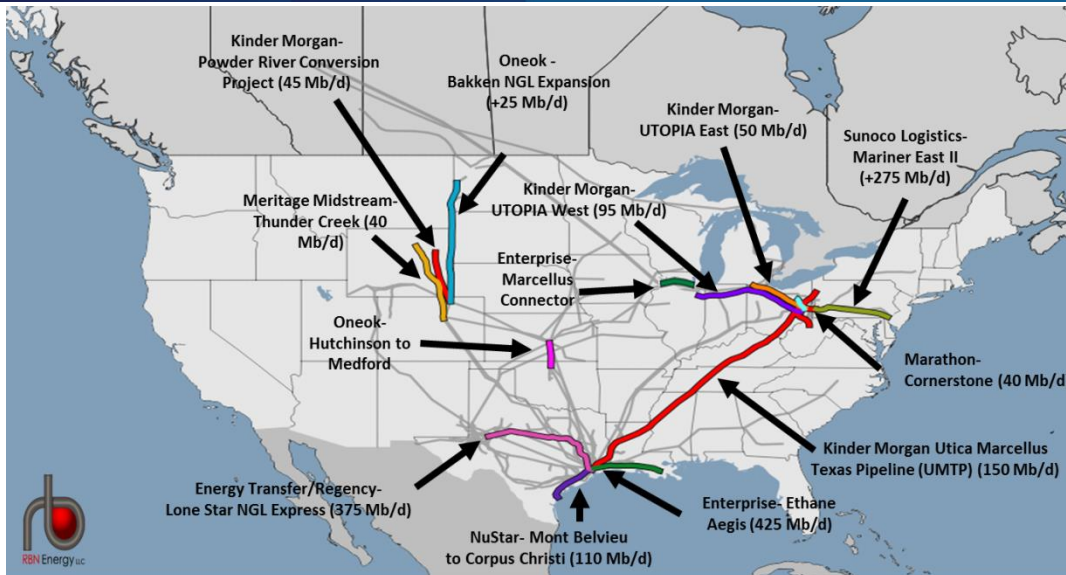
### Longview Pipeline

- A 200-mile common carrier ethylene pipeline that runs from Mont Belvieu, Texas to the Longview, Texas chemical complex, which includes Westlake's Longview PE production facility



Plant Location	Annual Capacity (MMlbs)	Feedstock	Primary Use of Ethylene
Lake Charles, LA	1,500	ethane	PE and PVC
Lake Charles, LA (Petro 2)	1,490	ethane, ethane/propane mix, propane, butane or naphtha	PE and PVC
Calvert City, KY	730	ethane or propane	PVC

# NGL Feedstock Flexibility & Infrastructure

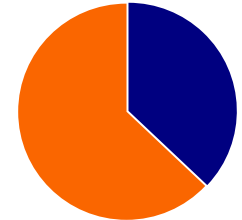


## Westlake



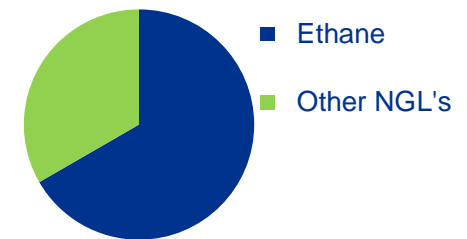
Ethane

## World Ethylene



Non-Ethane Feed

## Westlake's North American Ethylene Feedstock Capability

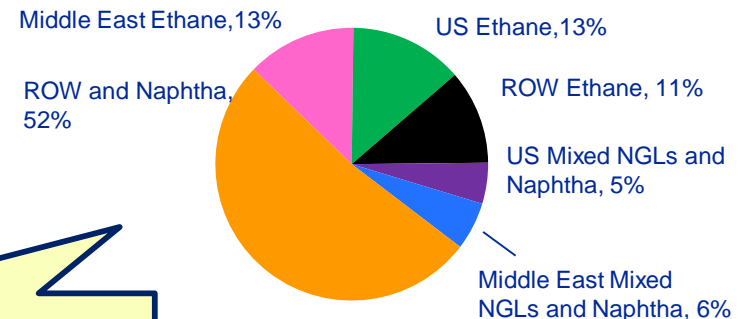


## Well positioned to take advantage of ethane and other NGL's:

- The shale oil & gas revolution has triggered an increase in infrastructure build over the last several years
- The continuing NGL's flowing from these basins will drive further pipeline and infrastructure expansion through 2018 and beyond.
- Westlake ethylene plants are fully capable to use ethane and have some NGL flexibility
  - Lake Charles ethylene plants are able to access ethane in basins and shale plays from Eagle Ford, Permian, Rockies, Marcellus and Utica
  - Calvert City ethylene plant is now receiving ethane from the Marcellus and Utica basins

62.4% of the world's ethylene is derived from higher priced naphtha-based feedstocks

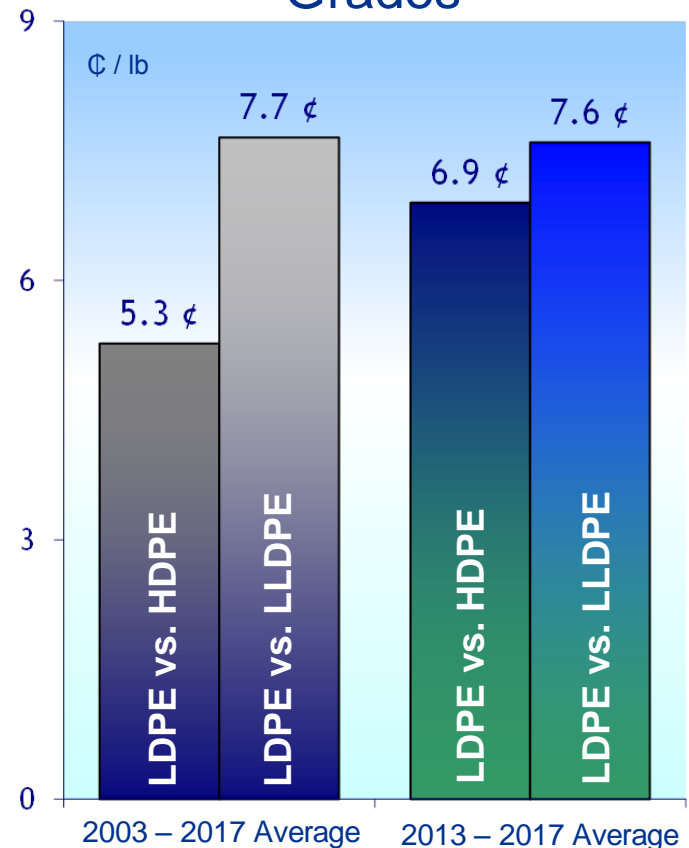
## 2017 Global Ethylene Volume by Feedstock



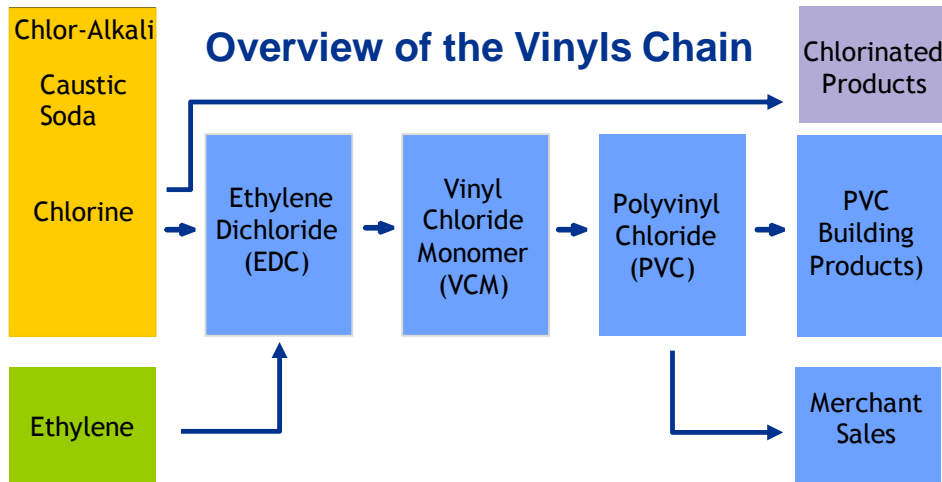
# Westlake Partners Provides Low-Cost Feedstock to Westlake Chemical to Produce Cost Advantaged Polyethylene

- Integration is critical as the vast majority of PE profitability is captured in ethylene, not the downstream polymer
- WLK's PE production is focused on LDPE, not HDPE and LLDPE
  - 58% of WLK's PE capacity is LDPE, and the remainder is LLDPE
  - Global capacity increases in PE are more heavily weighted toward more commoditized HDPE and LLDPE
  - LDPE tends to command higher margins in the US

## Average Margin Advantage of LDPE vs. Other PE Grades

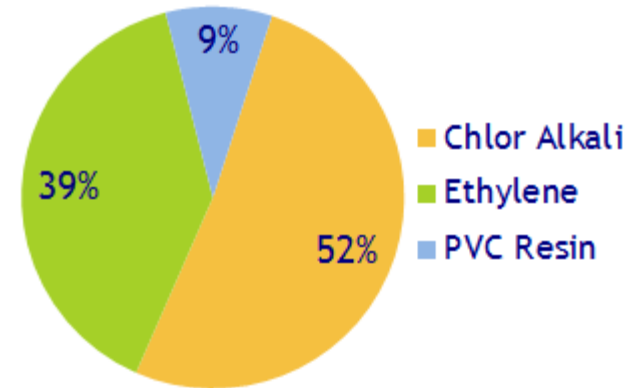


# Westlake Partners Provides Low-Cost Feedstock to Westlake Chemical to Produce Cost Advantaged PVC



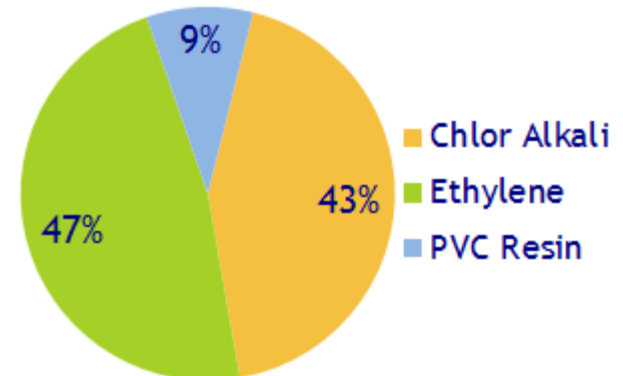
- Majority of margin captured in chlor-alkali and ethylene
- Most producers are integrated into chlor-alkali, not ethylene
  - In North America, only Westlake in the USA and Formosa are integrated into both
  - Integration has historically allowed Westlake to operate its chlorovinyls plants at higher operating rates than US industry average and enjoy strong margins
- Through backward integration into chlor-alkali (shale gas based power) and ethylene (shale gas based ethane), Westlake is one of the lowest cost producers globally
  - Able to export cost competitive PVC, minimizing exposure to domestic housing cycle

## Typical Vinyls Industry Margin Distribution Over the Last Cycle



Source: IHS Markit

## Vinyls Industry Margin Distribution Over Recent Cycle



Source: IHS Markit

# Reconciliation of Westlake EBITDA to Net Income and to Cash Flow from Operating Activities (in \$ millions)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	LTM 2Q 2018
Adjusted EBITDA	\$ 237	\$ 512	\$ 584	\$ 780	\$ 1,118	\$ 1,330	\$ 1,244	\$ 1,016	\$ 1,841	\$ 2,185
Debt Retirement Cost	-	-	-	(7)	-	-	-	-	-	-
EBITDA	237	512	584	773	1,118	1,330	1,244	1,016	1,841	2,185
Less:										
Income Tax (Provision) Benefit	(26)	(122)	(142)	(200)	(332)	(399)	(298)	(139)	258	200
Interest Expense	(35)	(40)	(51)	(43)	(18)	(38)	(35)	(79)	(159)	(148)
Depreciation & Amortization	(123)	(129)	(132)	(144)	(158)	(208)	(246)	(378)	(601)	(618)
Non Controlling Interest	-	-	-	-	-	(6)	(19)	(21)	(35)	(41)
Net Income	53	221	259	386	610	679	646	399	1,304	1,578
Non Controlling Interest	-	-	-	-	-	6	19	21	35	41
Changes in operating assets & liabilities	152	48	86	233	49	288	374	313	733	727
Deferred income taxes	31	14	14	6	94	59	40	101	(534)	(563)
Cash flow from operating activities	\$ 236	\$ 283	\$ 359	\$ 624	\$ 753	\$ 1,032	\$ 1,079	\$ 834	\$ 1,538	\$ 1,783
Olefins EBITDA	\$ 260	\$ 547	\$ 549	\$ 655	\$ 944	\$ 1,126	\$ 863	\$ 699	\$ 805	\$ 796
Vinyls EBITDA	(17)	(20)	48	131	207	247	398	415	1,096	1,458
Corporate EBITDA	(6)	(15)	(13)	(13)	(33)	(43)	(17)	(98)	(60)	(69)
Westlake Adjusted EBITDA	\$ 237	\$ 512	\$ 584	\$ 773	\$ 1,118	\$ 1,330	\$ 1,244	\$ 1,016	\$ 1,841	\$ 2,185

**Note 1 from page 18: Non-GAAP Financial Measures**

This presentation includes the non-GAAP measures EBITDA and debt. A reconciliation to net income and to cash flow from operating activities is included above.

# Disclaimer

This presentation contains certain forward-looking statements, including statements with respect to future growth, potential levers for cash flow, growth, remaining drop down capacity and the Lotte JV as a source of future drop down capacity for Westlake Chemical Partners and the timing and results of a scheduled debottleneck of ethylene cracking unit. Actual results may differ materially depending on factors such as general economic and business conditions; the cyclical nature of the chemical industry; the availability, cost and volatility of raw materials and energy; uncertainties associated with the United States, Europe and worldwide economies, including those due to political tensions in the Middle East, Ukraine and elsewhere; current and potential governmental regulatory actions in the United States and Europe and regulatory actions and political unrest in other countries; industry production capacity and operating rates; the supply/ demand balance for our products; competitive products and pricing pressures; instability in the credit and financial markets; access to capital markets; terrorist acts; operating interruptions (including leaks, explosions, fires, weather-related incidents, mechanical failure, unscheduled downtime, labor difficulties, transportation interruptions, spills and releases and other environmental risks); changes in laws or regulations; technological developments; our ability to implement our business strategies; creditworthiness of our customers; the results of potential negotiations between Westlake Chemical Corporation and Westlake Chemical Partners and other factors described in our reports filed with the Securities and Exchange Commission. Many of these factors are beyond our ability to control or predict. Any of these factors, or a combination of these factors, could materially affect our future results of operations and the ultimate accuracy of the forward-looking statements. These forward-looking statements are not guarantees of our future performance, and our actual results and future developments may differ materially from those projected in the forward-looking statements. Management cautions against putting undue reliance on forward-looking statements. Every forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements.

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