

# Methanex Investor Presentation

November 2017



A RESPONSIBLE CARE® COMPANY



# Forward-looking Statements & Non-GAAP Measures

Information contained in these materials or presented orally on the earnings conference call, either in prepared remarks or in response to questions, contains forward-looking statements. Actual results could differ materially from those contemplated by the forward-looking statements. For more information, we direct you to our 2016 Annual MD&A and our third quarter 2017 MD&A, as well as slide 36 of this presentation.

This presentation also contains certain non-GAAP financial measures that do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other companies. For more information regarding these non-GAAP measures, please see our 2016 Annual MD&A and our third quarter 2017 MD&A.

# Investment opportunity

## Global Methanol Leader

- Leading market share, global supply chain and competitive assets

## Strong Cash Flow Generation & Distributions

- Solid cash generation capability
- Since 2014, we have repurchased 13% of shares for ~\$685 million
- Dividend raised 12 times since implemented 2002; \$1.20/share

## Positive Long-term Industry Outlook

- Healthy demand growth outlook compared with supply expectations

## Growth Potential

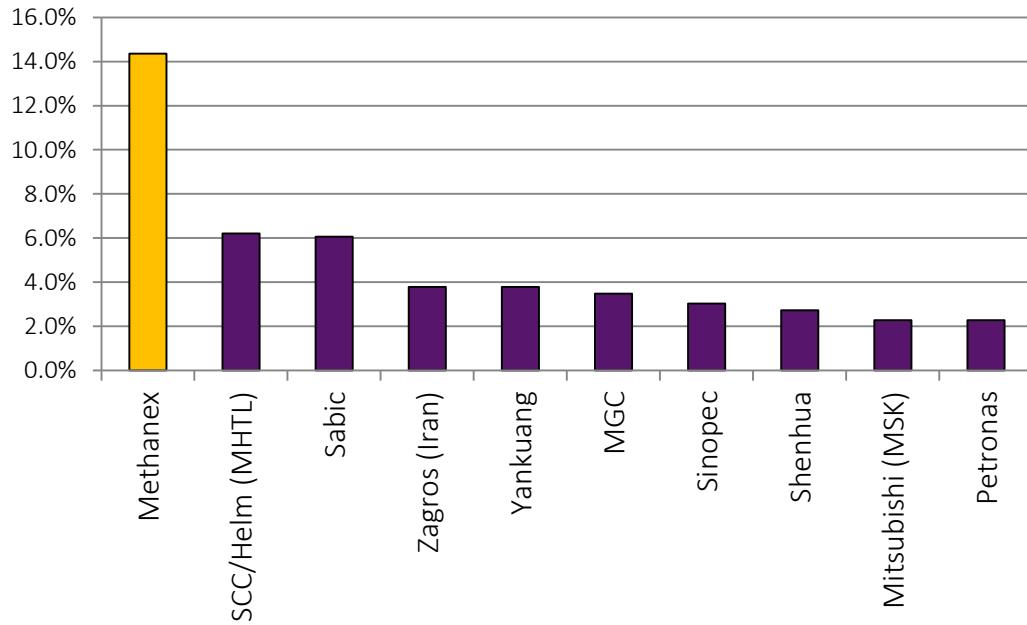
- Production: Very low capital cost growth opportunity in Chile
- Market: Demand growth into energy applications & MTO

## Value

- Trading at a discount to replacement cost

# Market Share

2016 Estimated Market Share (%)



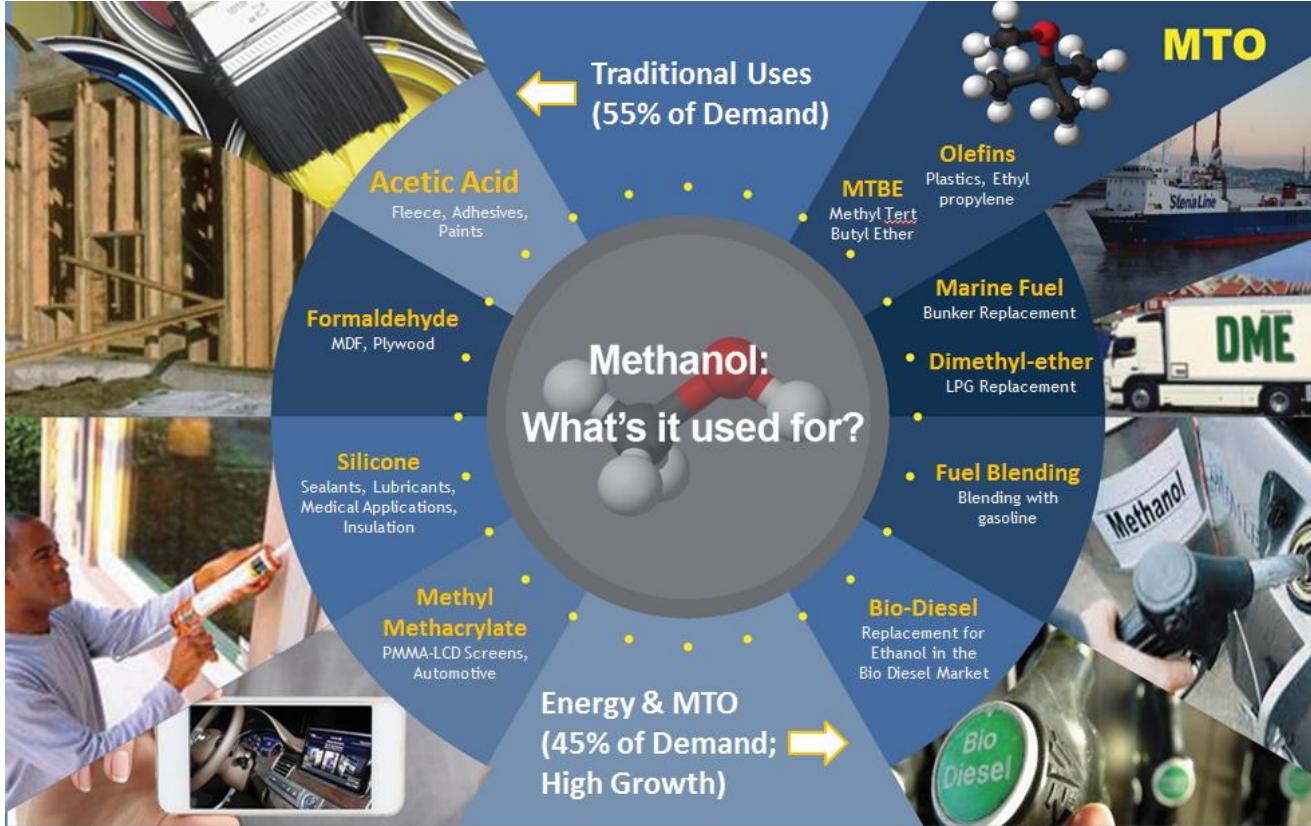
Source: Methanex.

- ~73 million tonnes global demand<sup>1</sup>
- Top producers ~ half of global sales
- Methanex is the global leader
  - ~14% share of global market<sup>2</sup>
  - Unique global position with sales in all major regions

<sup>1</sup> Last 12 months ended June 30, 2017. Excludes integrated coal-to-olefins (CTO) demand.

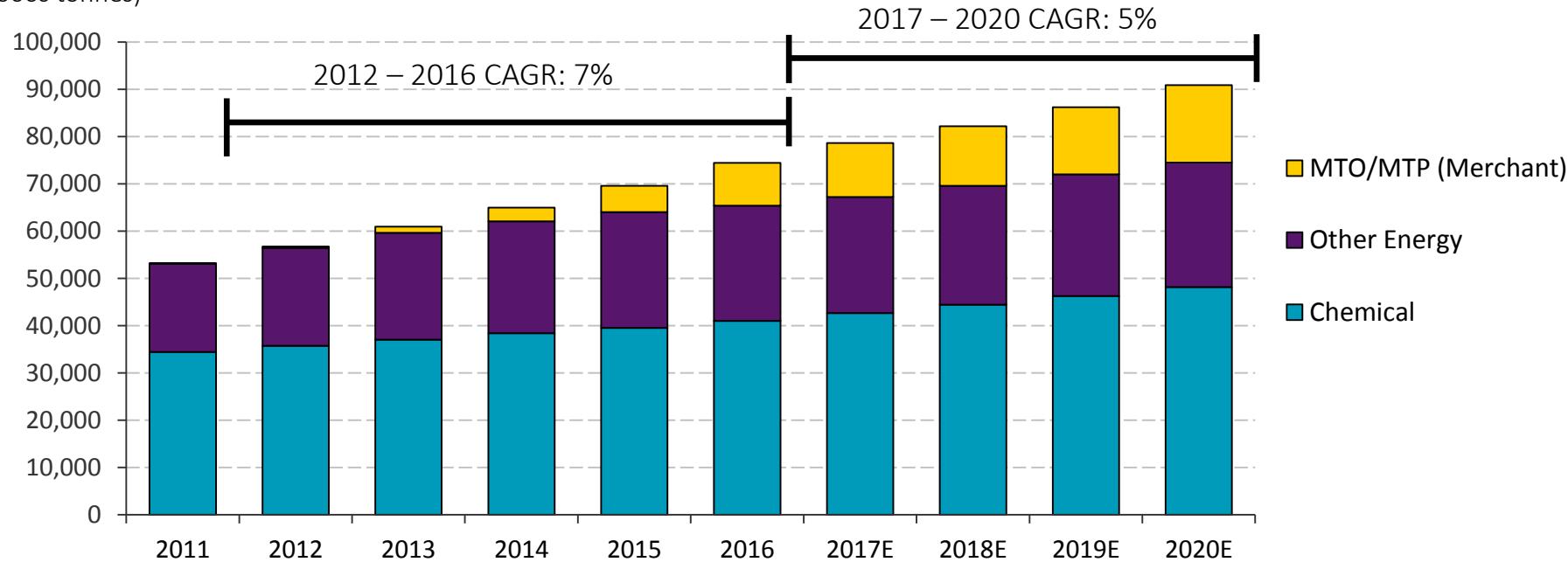
<sup>2</sup> Based on Methanex total sales volume.

# Methanol end uses



# Strong demand growth

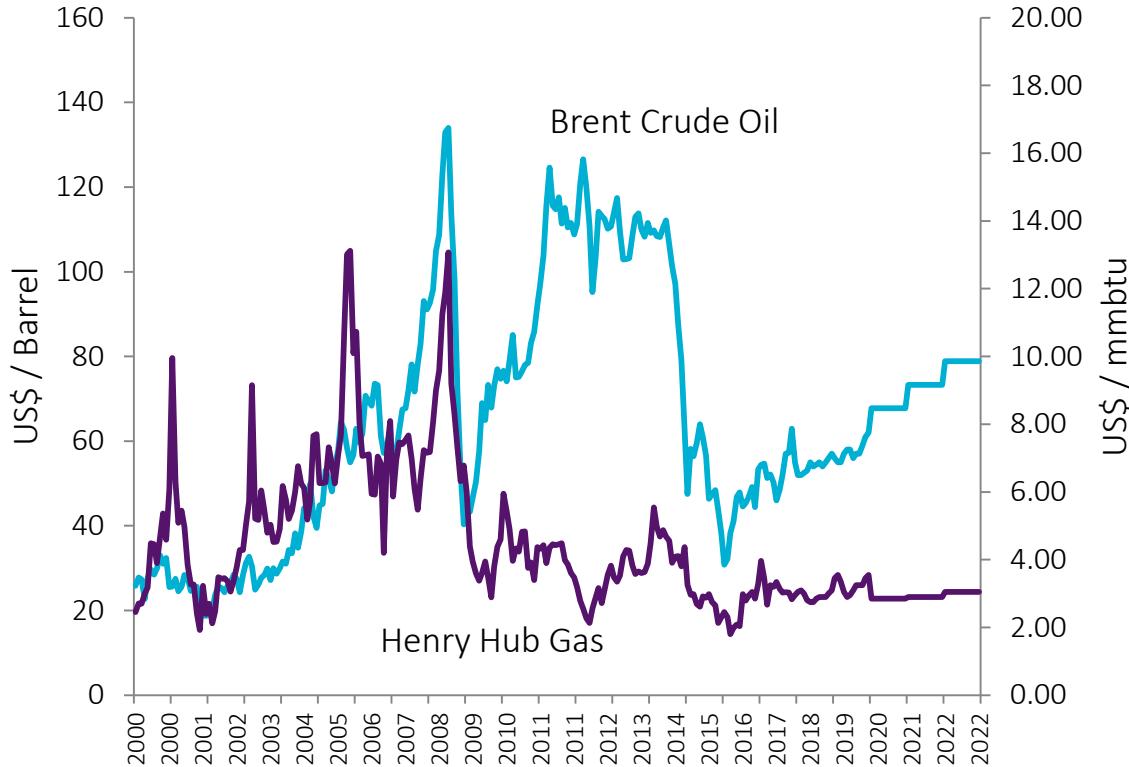
(000s tonnes)



- Projected 5% CAGR for four years to 2020, led by MTO

Source: IHS Chemical, Chemical Supply and Demand Balance Update Spring 2017.

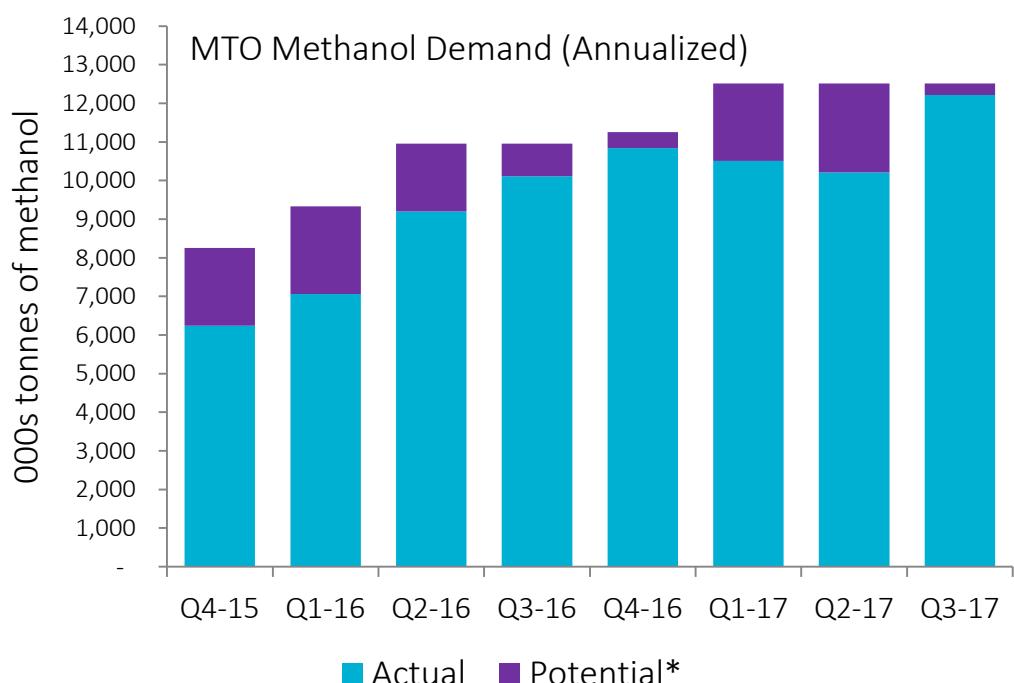
# Methanol as Energy



- Methanol is primarily made from natural gas, and is a liquid fuel and oil product alternative
- High priced oil versus natural gas creates substitution incentive
- Energy applications emerged post 2008 when the ratio of oil \$/bbl and natural gas \$/mmbtu prices exceeded 15:1

Source: Historical annual data and forecast from IHS Chemical, November 2017

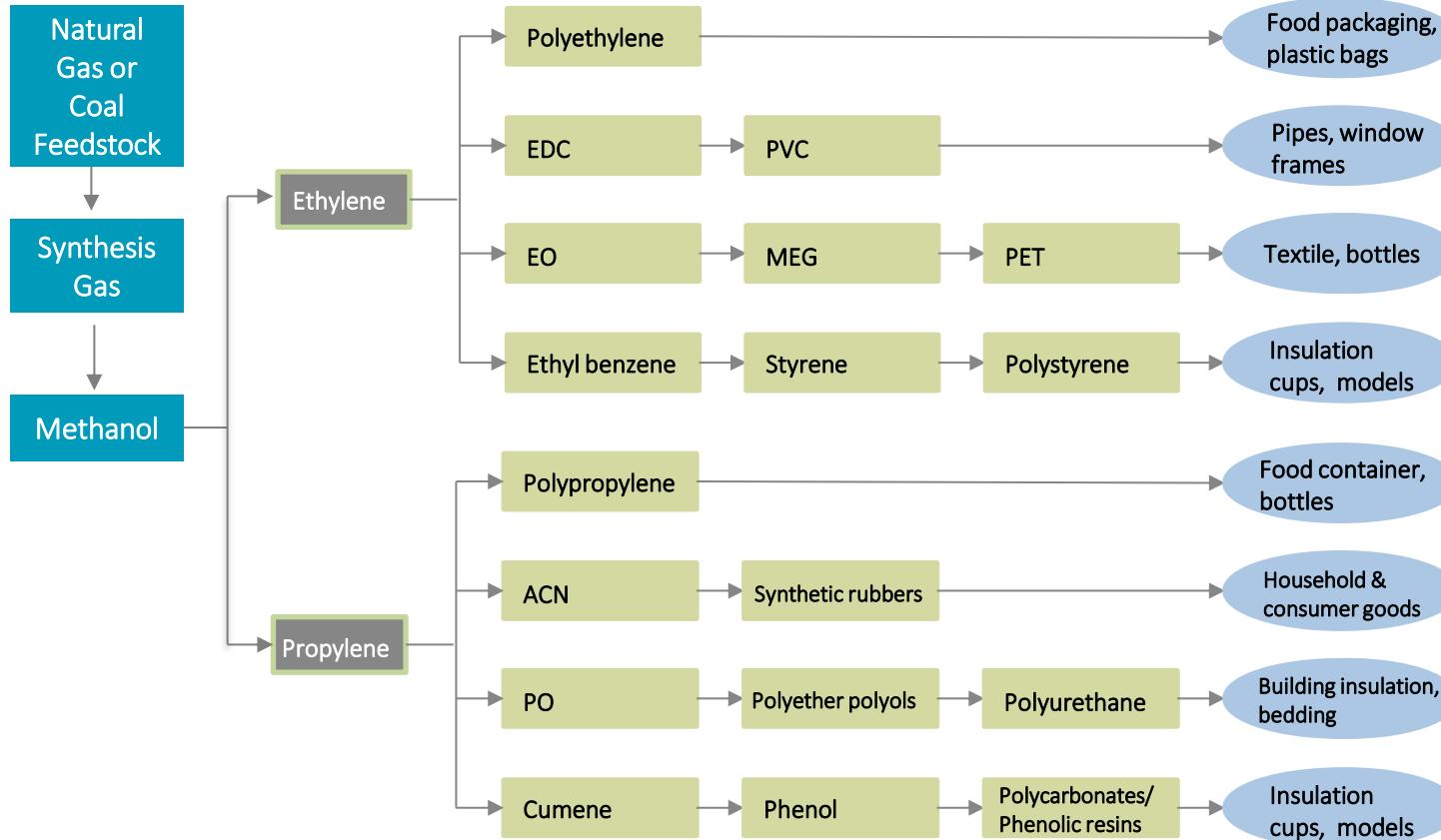
# MTO Leading Demand Growth



- MTO demand strengthened in Q3 as several plants came back online following technical issues
- Three more plants under construction with expected completion in 2018 (combined demand potential > three million tonnes at full rates)

\* Potential demand based on 90% operating rate. Excludes demand and capacity for methanol-to-propylene plants ("MTP")

# Methanol-to-Olefins (MTO)

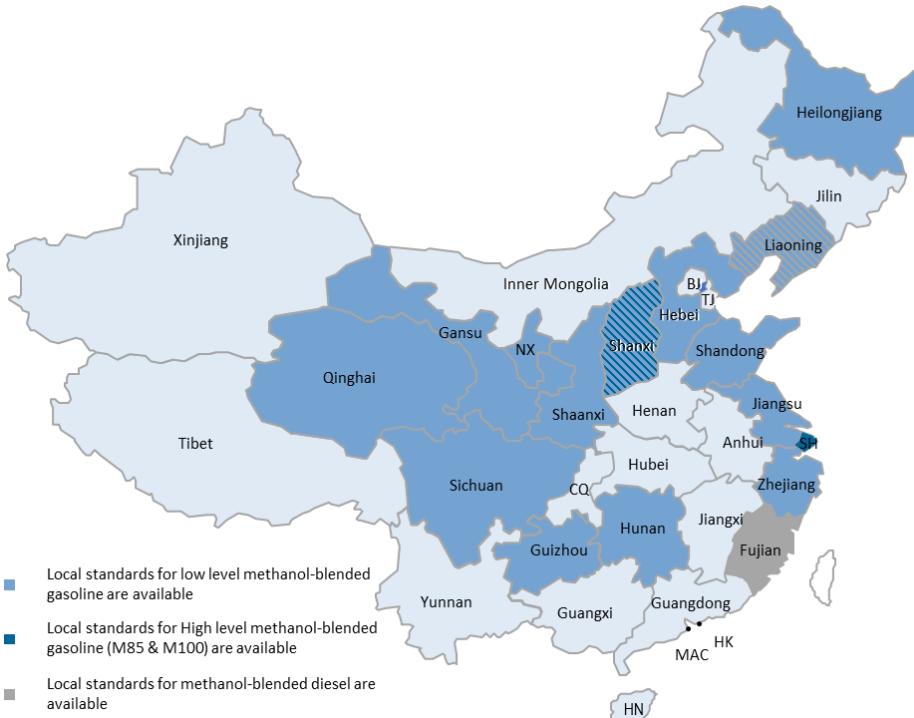


- MTO production mostly highly integrated with downstream products
- Very difficult to source ethylene feedstock from alternative source
- Degree of integration means plants tend to keep running

# Fuel blending

*China fuel demand growth expected to continue*

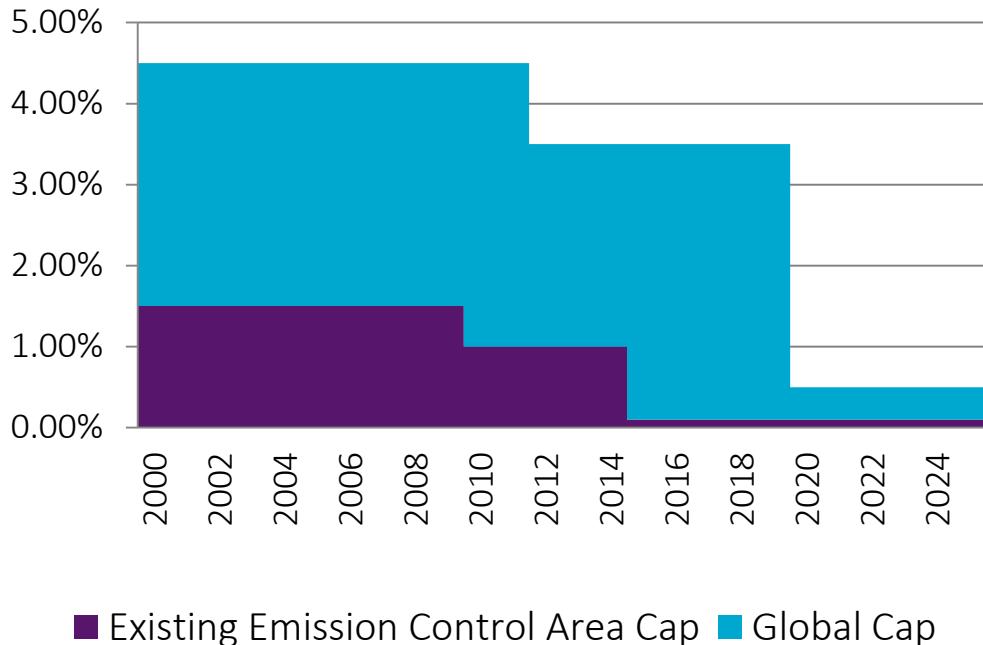
Province	Local Methanol Fuel Blending Standards*	Implemented Since
Shaanxi	M15 & M25	2004
Sichuan	M10	2004
Heilongjiang	M15	2005
Liaoning	M15, M20 (methanol-blended diesel)	2006
Qinghai	M5, M10 & M15	2006
Shanxi	M5, M15, M85 & M100	2008
Fujian	M15 (methanol-blended diesel)	2009
Gansu	M15 & M30	2009
Jiangsu	M45	2009
Zhejiang	M15, M30 & M50	2009
Guizhou	M15	2010
Hebei	M15	2010
Hunan	M15, M25 & M30	2012
Shanghai	M100	2012
Shandong	M15	2013
Ningxia	M15 & M30	2014



- Since 2004, sixteen provinces have issued local standards on methanol-blended fuel, most of which are for low level methanol-blended gasoline.
- China's high blend (M85-M100) methanol vehicle pilot program has grown from three provinces/regions in 2012 to five currently with further expansion planned for 2017/18.

# Emerging Market – Marine Fuel

## IMO Current and Future Sulphur Limits



Source: IMO

- International Maritime Organization (IMO) reduced sulphur limits to:
  - 0.1% in 2015 in Existing Emission Control Areas (ECAs) in North America and Europe
  - 0.5% in 2020 globally
- Predominant shipping fuel is heavy fuel oil which does not meet limits. Methanol is sulphur free and reduces NOx
- China phasing in regulations to reduce sulfur, NOx and particulate matter from marine fuels over next few years
- Marine fuels global market size: ~650 million tonnes per annum methanol equivalent

# Positive Marine Fuel Developments

- Waterfront Shipping launched seven new 50,000 dwt vessels in 2016 with methanol dual-fuel MAN 2-stroke engines
  - Waterfront's "Lindanger" recognized by Maritime Reporter and Engineering News as one of 2016's ten great ships
- Stena Line Germanica running on methanol since 2015 using Wartsila 4-stroke engines
- Projects under development in Europe and Asia to commercialize the smaller engine/tug market



*One of Waterfront's first methanol powered vessels*



*Stena Line's first methanol powered ferry*

**MOL** Mitsui O.S.K. Lines

 **MARINVEST**



# Emerging Market - Industrial Boilers

*Significant Potential Opportunity in China  
due to environmental reforms*



## Environmentally Friendly

- reduction of PM, SOX, and NOX



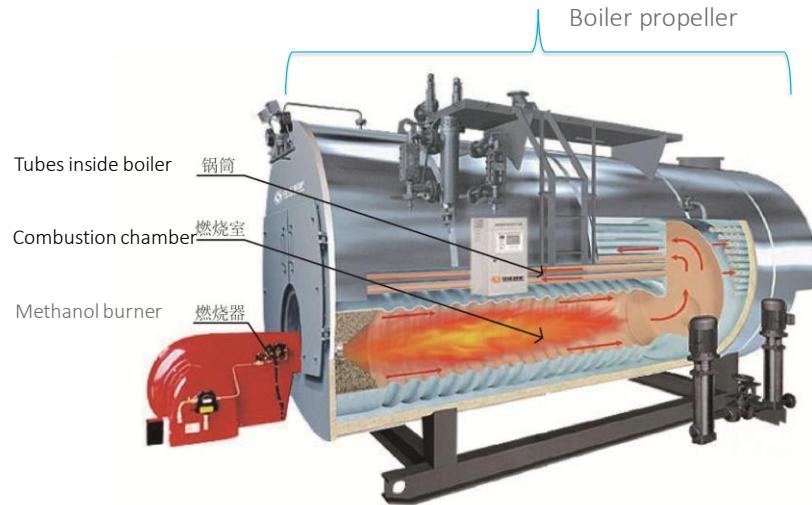
## Technology-Ready

- burner developed
- propeller compatible



## Economically Competitive

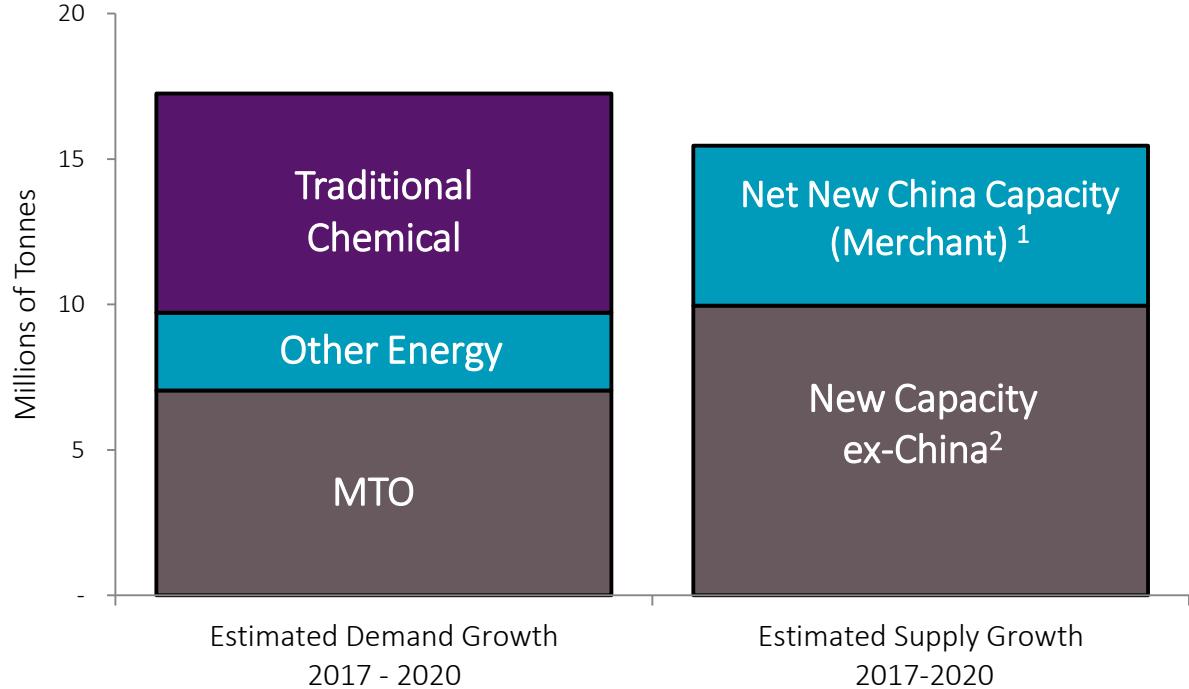
- moderate infrastructure investment
- low fuel cost



- 1/2 million coal-fueled boilers in China = (~500+ MM tpa annual methanol demand equivalent)

# Demand and Capacity

- Demand growth expected to outpace new industry capacity additions



## Sources:

- Demand from IHS Chemical, "Chemical Supply and Demand Balance Update 2017." Excludes demand from upstream-integrated coal-to-olefins plants. Supply Estimates: Methanex

1 Expected new China capacity net of expected supply rationalization

2 New capacity ex-China includes: North America (OCI 1.8, Yuhuang 1.8); Trinidad (MGC 1.0), Middle East (Iran 4.2, other 0.2) and Other Atlantic (Russia 0.5, Other 0.4).

# Reinvestment economics

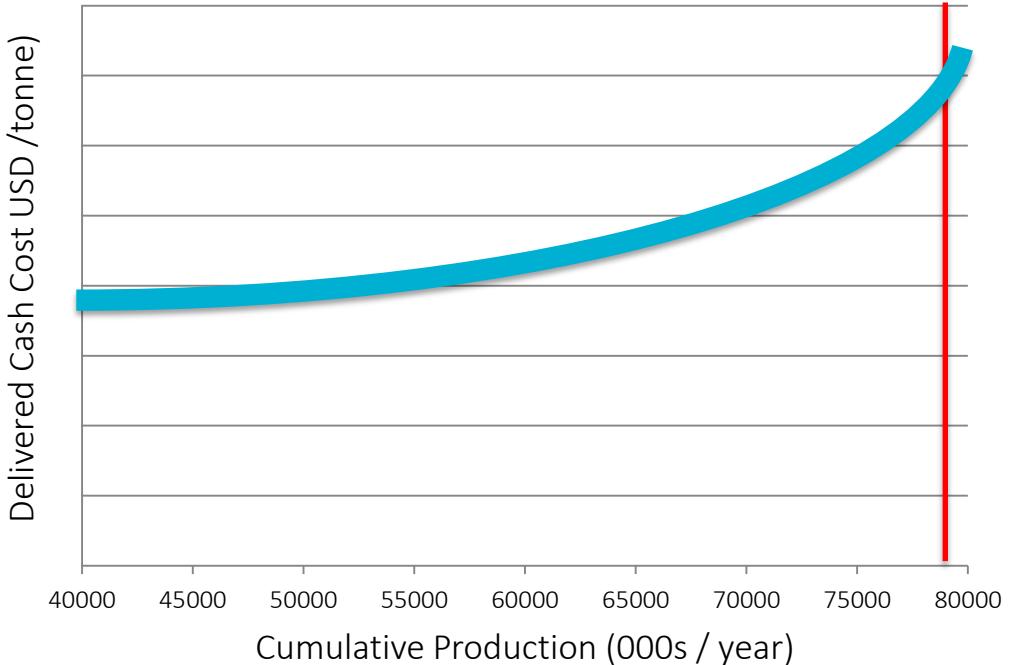
## Estimated Nominal IRR at Alternative Methanol and Gas Prices

Natural gas \$/mmbtu	Realized Methanol Price - \$/tonne			
	300	350	400	450
5.0		2%	8%	12%
4.0	0%	6%	11%	14%
3.0	5%	9%	13%	15%
2.0	8%	12%	14%	17%

Key Assumptions: Replacement cost of \$1,100/tonne based on published estimates for the OCI 1.75 million MT Natgasoline project and G2X Lake Charles 1.4 million MT plant. Maintenance capital \$10 million/yr, freight \$80/tonne (US to Asia), 30% tax rate, 2% inflation

- Long-term price required for a greenfield project to reach Methanex return target exceeds \$400/tonne
- Any investment decision for Methanex would also require mitigation of the following risks:
  - Capital cost escalation
  - Gas supply and price
  - Logistics solution for delivery to Asia
  - Visibility on carbon price and other regulations

# Illustrative methanol industry cost curve



- Flat portion of cost curve provides floor price support in lower energy price environment
- Steep high end includes Coastal China high cost coal and natural gas based production
- Other higher cost regions are Russia, East Europe, Netherlands, India, and South America
- Methanex plants are well positioned on cost curve to be competitive through all points in the methanol price cycle

Source: Methanex

# Methanex global supply chain



- Production Sites
- Global Office Locations
- Distribution Terminals and Storage Facilities
- Shipping Lanes

# Methanex annual production capacity

	Year Built	000 tonnes
Louisiana, USA		
Geismar 1	2015	1,000
Geismar 2	2015	1,000
Medicine Hat, Alberta	1981	600
New Zealand		
Motunui 1 <sup>1</sup>	1985	950
Motunui 2 <sup>1</sup>	1985	950
Waitara Valley	1983	530
Trinidad		
Titan	2000	875
Atlas (63%)	2004	1,125
Egypt (50%)	2011	630
Chile I, IV	1988 / 2005	1,720
<b>Total</b>		<b>9,380</b>



USA



Canada



New Zealand



Trinidad



Egypt



Chile

<sup>1</sup> Potential total capacity for Motunui plants is 1.7 to 1.9 million tonnes depending on natural gas composition

# Capital Projects 2011-16



**\$100 million**  
Medicine Hat  

- Restart
- Refurbishment
- Expansion



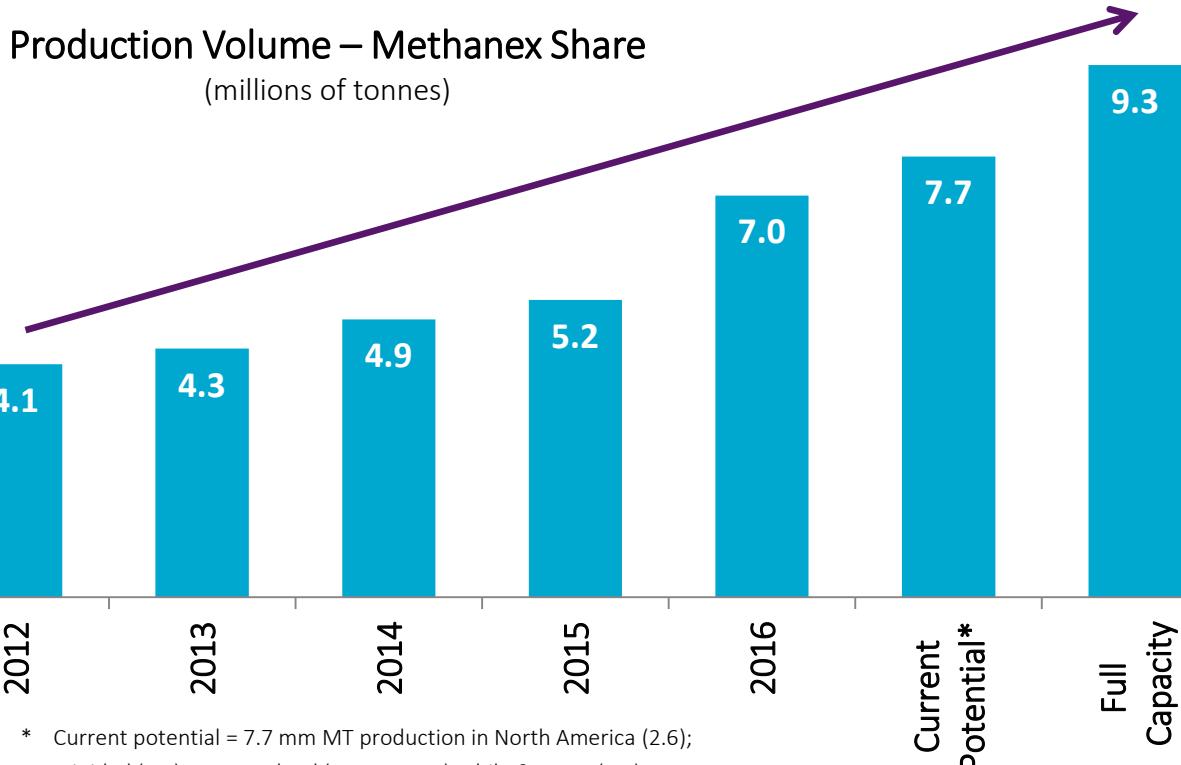
**\$1.4 billion**  
Geismar  
Relocation



**\$200 million**  
New Zealand  

- Restart (2 plants)
- Refurbishment
- Expansion

# Significant Increase in Production per Share



- Capital investments combined with share repurchase programs to increase cash flow capability per share

\* Current potential = 7.7 mm MT production in North America (2.6);  
Trinidad (1.7); New Zealand (2.2 MM MT); Chile & Egypt (1.2).

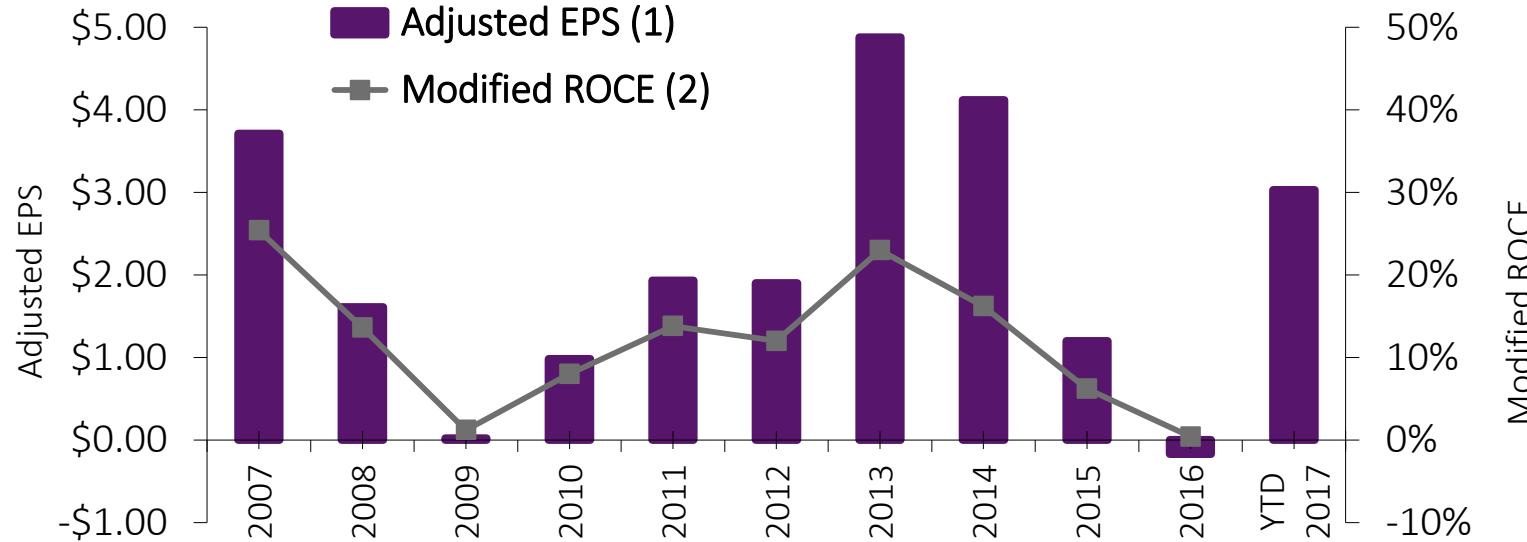
# Chile Growth Opportunity

- Highly value accretive opportunity to restore Chile to a 1.7 million tonne two-plant operation at a very low capital cost
- Chile IV restart
  - Decision made in Q2-17 to restart idle Chile IV facility, contingent on gas agreement
  - Expect sufficient gas available to run a minimum of one plant for medium term
  - Cost estimate of \$55 million over 12 months starting Q3-17
- Chile I refurbishment
  - Additional approximately \$50 million to refurbish Chile I once Chile IV restart complete
  - Subject to securing additional economic gas sufficient for a two-plant operation



# Financial results

- Average Modified ROCE of 12% from 2007-2016



1) Adjusted EPS = Adjusted net income per common share attributable to Methanex shareholders (excludes the after-tax mark-to-market impact of share-based compensation and the impact of certain items associated with specific identified events)

2) Modified ROCE = Adjusted net income before finance costs (after-tax) divided by average productive capital employed. Average productive capital employed is the sum of average total assets (excluding plants under construction) less the average of current non-interest-bearing liabilities.

3) Adjusted net income and Adjusted net income per common share are non-GAAP measures - for more information regarding non-GAAP measures, please see our 2016 annual MD&A

# Valuation considerations

- Methanex is trading at a discount to replacement cost

	Operating Capacity millions of tonnes <sup>1</sup>
USA (Geismar)	2.0
Canada (Medicine Hat)	0.6
New Zealand	2.4
Trinidad	2.0
Chile I	0.9
Egypt	0.6
Total Capacity	<u>8.5</u>
Enterprise Value (billions) <sup>2</sup>	5.3
Enterprise Value/Tonne <sup>3</sup>	620

	Capacity millions of tonnes	Enterprise Value \$billions	\$/tonne
N. America Assets	2.6	\$2.9	\$1,100
Other Jurisdictions	5.9	\$2.4	\$410
Enterprise Value	8.5	\$5.3	\$620
<i>“Implies market is paying no more than \$410 per tonne for the remaining 5.9 million tonnes of operating capacity”</i>			

<sup>1</sup> Methanex ownership interest

<sup>2</sup> Based on share price of US\$50 and net debt adjusted for 50% interest in Egypt Project and 63.1% interest in Atlas project

<sup>3</sup> Figures do not give any value for: idle Chile IV capacity, Waterfront Shipping and Marketing/Franchise

<sup>4</sup> Replacement cost of \$1,100 based on published estimates from the OCI Natgasoline project (1.8 million MT plant) and G2X Lake Charles (1.4 million MT plant)

# Valuation considerations

- Strong cash generation capability at a range of methanol prices

	Current Potential <sup>2</sup>	Full Operating Capacity <sup>3</sup>	Full Potential (Chile 100%)
Annual Operating Capacity <sup>1</sup> (millions of tonnes)	7.7	8.5	9.4
Average Realized Price (\$/MT)	<u>Adjusted EBITDA Capability (\$ millions)<sup>4</sup></u>		
\$300	650	775	825
\$350	925	1,075	1,175
\$400	1,200	1,400	1,500
	<u>Free Cash Flow Capability (\$ millions)<sup>5</sup></u>		
\$300	375	475	500
\$350	575	700	750
\$400	800	925	1,000
	<u>Free Cash Flow Yield Capability %<sup>6</sup></u>		
\$300	9%	11%	12%
\$350	14%	17%	18%
\$400	19%	22%	24%

1 Methanex interest (63.1% Atlas, 50% Egypt)

2 Current potential = 7.7 mm MT production in North America (2.6); Trinidad (1.7); New Zealand (2.2 MM MT); Chile & Egypt (1.2). We cannot predict actual gas restrictions at these plants.

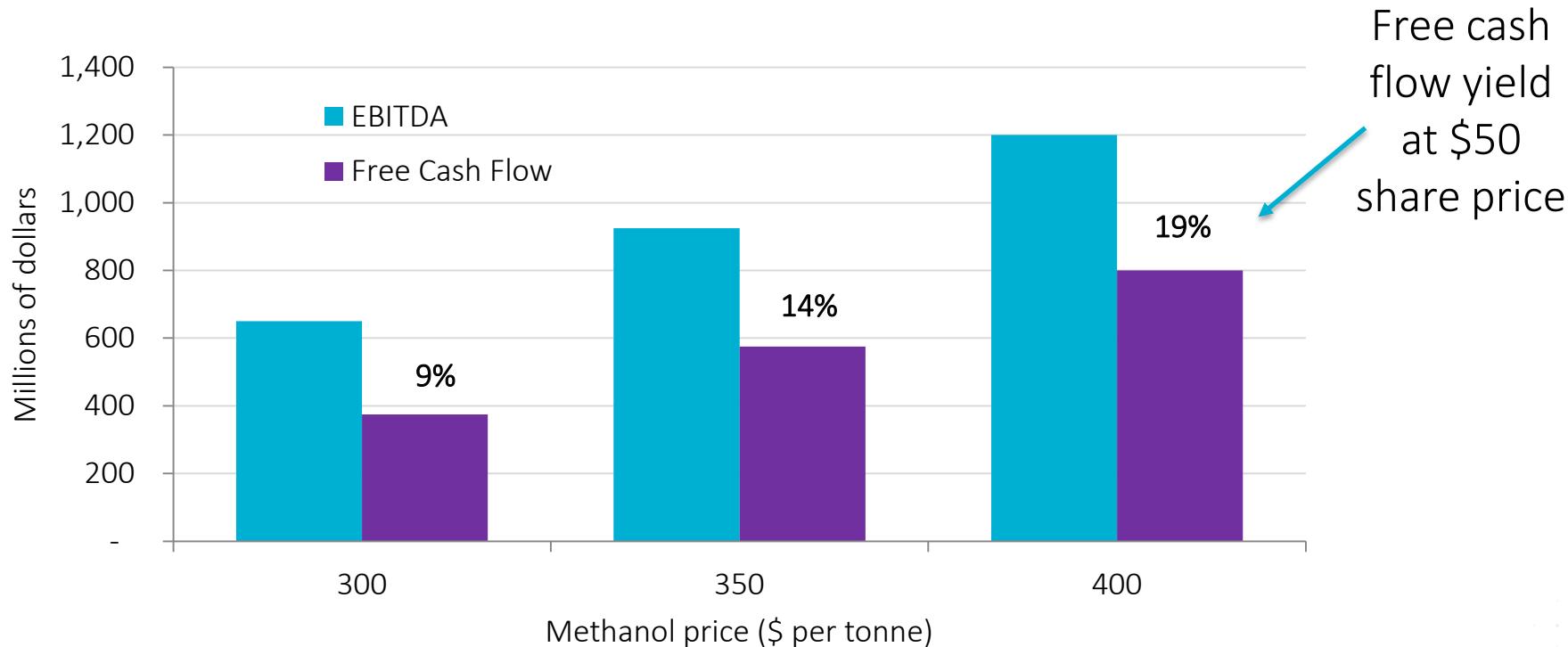
3 Includes full nameplate capacity except Chile IV (0.8 million MT plant).

4 Adjusted EBITDA reflects Methanex's proportionate ownership interest and assumes plants operate at full production rates except where indicated

5 After cash interest, maintenance capital of approximately \$80 million, cash taxes, debt service and other cash payments

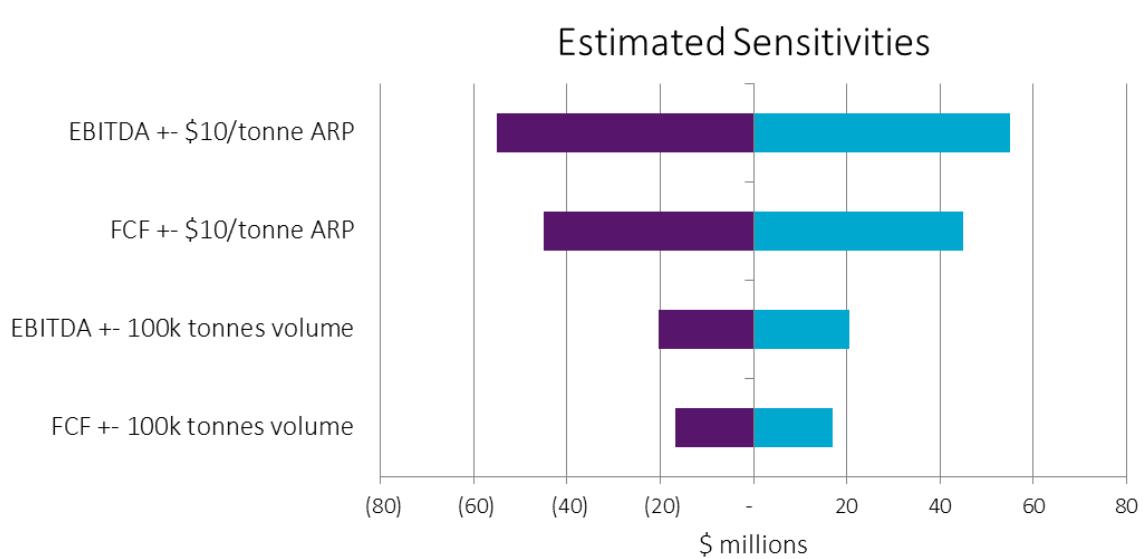
6 Based on 84 million shares outstanding as of 10/31/17 and share price of US\$50/share

# EBITDA and Free Cash Flow Capability<sup>1</sup>



<sup>1</sup> Cash Flow before payment of dividend. See 7.7 million tonne production capability scenario on previous slide for detailed assumptions.

# EBITDA and Free Cash Flow (“FCF”) capability sensitivities



Sensitivities versus Run-rate Case of:

- Price (ARP): \$350/tonne
- Volume: 7.7 MM MT
- EBITDA Capability: \$925 million
- FCF Capability: \$575 million

# Balanced approach to capital allocation

## Essential

Debt Service

Maintenance

- \$95 MM annual interest expense
- \$25 MM debt payments (MX share)
- Next maturity - \$350MM, end of 2019
- \$80 MM avg. annual maintenance capex

## Priority

Meaningful,  
Sustainable,  
Growing Dividend

- Dividend \$1.20/share annually and approximately \$100 million per annum
- Yield ~2.4% at US\$50 share price
- “Meaningful” range of 1.5%-2.5%

## Discretionary

Growth Capital

Share Buybacks

- Strict project return criteria, no major growth capital committed beyond Chile
- Committed to return excess cash via share buybacks

# Liquidity & capex outlook

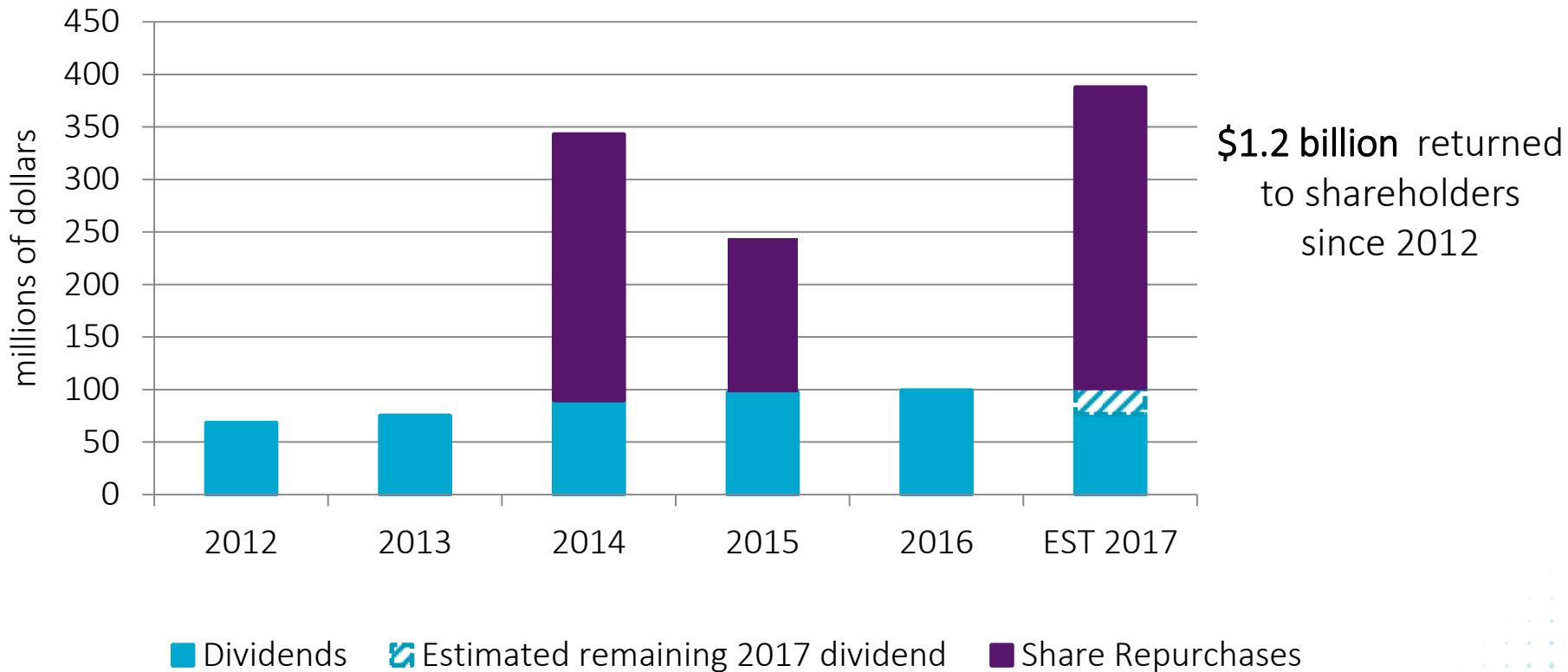
- Strong financial and liquidity position

Liquidity as at Q3-17		Capital Structure as at Q3-17 <sup>1</sup>	
<i>(US\$ millions)</i>		<i>(US\$ millions)</i>	
Cash (MX Share)	272	Total Shareholders' Equity	1,523
Revolving Credit Facility	<u>300</u>	Total Debt	1,347
	572	Total Debt/Capitalization	47%
		Net Debt/Capitalization	41%
		Net Debt/Enterprise Value <sup>2</sup>	20%

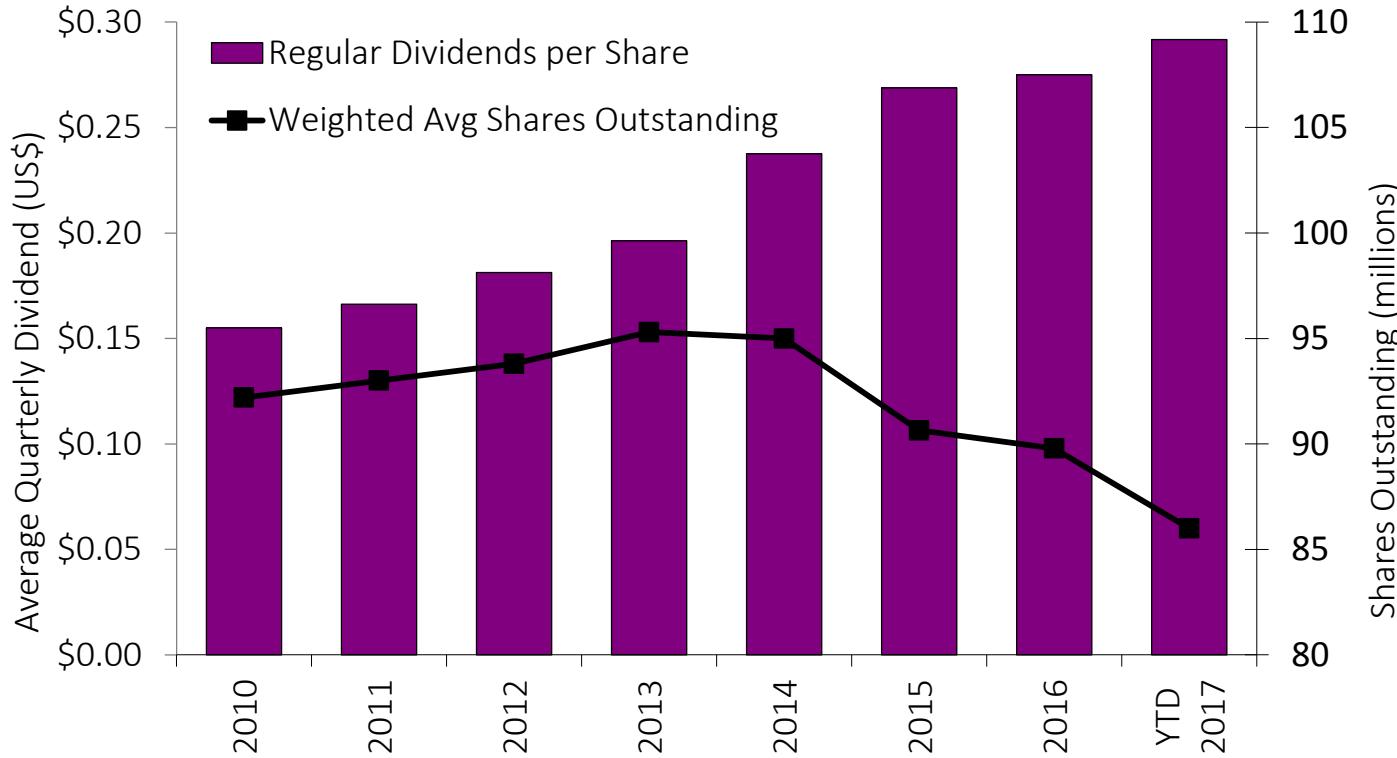
<sup>1</sup> Includes Methanex share of debt and cash for joint ventures

<sup>2</sup> Based on stock price of US\$50 /share

# Returning Excess Cash to Shareholders



# Returning cash to shareholders



# Key Corporate Governance Highlights

## Corporate Governance

- ✓ 11 of 12 Independent Directors
- ✓ Separate chair and CEO
- ✓ All Committee members are independent
- ✓ Strong risk and strategy oversight
- ✓ Board diversity policy; 25% women
- ✓ Active Board renewal process
- ✓ Annual Board, Committee and director evaluations
- ✓ Board orientation and education
- ✓ Code of business conduct
- ✓ In camera sessions at every Board and Committee meeting
- ✓ Diverse skills matrix including oil and gas and chemical industry experience, former CEOs, finance, capital projects, health and safety, government and public affairs

## Director Compensation

- ✓ Required director equity ownership of 2x total annual retainer
- ✓ Prohibition on hedging
- ✓ Not eligible for stock options

## Shareholder Rights

- ✓ Annual election of directors
- ✓ Individual director elections
- ✓ Director majority voting policy
- ✓ Annual “Say-on-Pay”

# Methanex is Committed to Responsible Care®

- At Methanex, Responsible Care® is the foundation of everything we do and a key element of our global culture:
  - » community safety
  - » employee health and safety
  - » environmental protection
  - » product stewardship
  - » social responsibility
- As an industry, we must continue to embrace and promote Responsible Care®



2016 Responsible Care & Sustainability Report  
Highlights



<https://www.methanex.com/responsible-care/responsible-care-social-responsibility-reports>

# Management Alignment

- Executive shareholding requirements:
  - CEO - 5 times salary in Methanex shares or share units
  - Senior executives (5 members) – 3 times salary
  - Other senior management (~50 employees) – 1 times salary
- Short-term incentive linked to ROCE (return on capital employed)
- Long-term incentive targets:
  - Stock options and share appreciation rights
  - Performance share units
    - Payout ratio linked to total shareholder return

“.....Management does well when shareholders do well!”

# Summary

- Global leader with competitive assets
- Solid franchise value that is difficult to replicate
- Global marketing, supply chain and shipping network
- Strong financial position

- Expect strong cash generation
- Low capital cost growth potential in Chile
- Dividends / share buybacks



Committed to Return to Excess Cash to Shareholders

# Forward-looking information warning

This Presentation, our Third Quarter 2017 Management's Discussion and Analysis ("MD&A") and comments made during the Third Quarter 2017 investor conference call contain forward-looking statements with respect to us and our industry. These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. Statements that include the words "believes," "expects," "may," "will," "should," "potential," "estimates," "anticipates," "aim," "goal" or other comparable terminology and similar statements of a future or forward-looking nature identify forward-looking statements. More particularly and without limitation, any statements regarding the following are forward-looking statements: expected demand for methanol and its derivatives; expected new methanol supply or restart of idled capacity and timing for start-up of the same; expected shutdowns (either temporary or permanent) or restarts of existing methanol supply (including our own facilities), including, without limitation, the timing and length of planned maintenance outages; expected methanol and energy prices; expected levels of methanol purchases from traders or other third parties; expected levels, timing and availability of economically priced natural gas supply to each of our plants; capital committed by third parties towards future natural gas exploration and development in the vicinity of our plants; our expected capital expenditures, anticipated operating rates of our plants, expected operating costs, including natural gas feedstock costs and logistics costs; expected tax rates or resolutions to tax disputes; expected cash flows, earnings capability and share price; availability of committed credit facilities and other financing; our ability to meet covenants or obtain or continue to obtain waivers associated with our long-term debt obligations, including, without limitation, the Egypt limited recourse debt facilities that have conditions associated with the payment of cash or other distributions and the finalization of certain land title registrations and related mortgages which require actions by Egyptian governmental entities; expected impact on our results of operations in Egypt or our financial condition as a consequence of civil unrest or actions taken or inaction by the Government of Egypt and its agencies; our shareholder distribution strategy and anticipated distributions to shareholders; commercial viability and timing of, or our ability to execute, future projects, plant restarts, capacity expansions, plant relocations, or other business initiatives or opportunities; our financial strength and ability to meet future financial commitments; expected global or regional economic activity (including industrial production levels); expected outcomes of litigation or other disputes, claims and assessments; and expected actions of governments, government agencies, gas suppliers, courts, tribunals or other third parties.

We believe that we have a reasonable basis for making such forward-looking statements. The forward-looking statements in this document are based on our experience, our perception of trends, current conditions and expected future developments as well as other factors. Certain material factors or assumptions were applied in drawing the conclusions or making the forecasts or projections that are included in these forward-looking statements, including, without limitation, future expectations and assumptions concerning the following: the supply of, demand for and price of methanol, methanol derivatives, natural gas, coal, oil and oil derivatives; our ability to procure natural gas feedstock on commercially acceptable terms; operating rates of our facilities; receipt or issuance of third-party consents or approvals, including, without limitation, governmental registrations of land title and related mortgages in Egypt and governmental approvals related to rights to purchase natural gas; the establishment of new fuel standards; operating costs, including natural gas feedstock and logistics costs, capital costs, tax rates, cash flows, foreign exchange rates and interest rates; the availability of committed credit facilities and other financing; global and regional economic activity (including industrial production levels); absence of a material negative impact from major natural disasters; absence of a material negative impact from changes in laws or regulations; absence of a material negative impact from political instability in the countries in which we operate; and enforcement of contractual arrangements and ability to perform contractual obligations by customers, natural gas and other suppliers and other third parties.

However, forward-looking statements, by their nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. The risks and uncertainties primarily include those attendant with producing and marketing methanol and successfully carrying out major capital expenditure projects in various jurisdictions, including, without limitation: conditions in the methanol and other industries including fluctuations in the supply, demand and price for methanol and its derivatives, including demand for methanol for energy uses, the price of natural gas, coal, oil and oil derivatives; our ability to obtain natural gas feedstock on commercially acceptable terms to underpin current operations and future production growth opportunities; the ability to carry out corporate initiatives and strategies; actions of competitors, suppliers and financial institutions; conditions within the natural gas delivery systems that may prevent delivery of our natural gas supply requirements; competing demand for natural gas, especially with respect to domestic needs for gas and electricity in Chile and Egypt; actions of governments and governmental authorities, including, without limitation, the implementation of policies or other measures that could impact the supply of or demand for methanol or its derivatives; changes in laws or regulations, import or export restrictions, anti-dumping measures, increases in duties, taxes and government royalties, and other actions by governments that may adversely affect our operations or existing contractual arrangements; world-wide economic conditions; and other risks described in our annual 2016 Management's Discussion and Analysis and our Third Quarter 2017 Management's Discussion and Analysis.

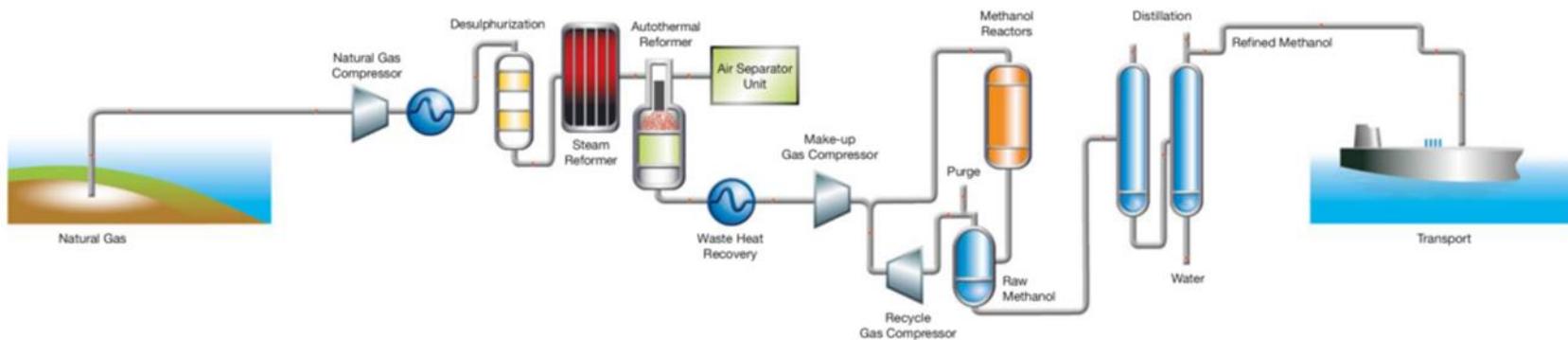
Having in mind these and other factors, investors and other readers are cautioned not to place undue reliance on forward-looking statements. They are not a substitute for the exercise of one's own due diligence and judgment. The outcomes implied by forward-looking statements may not occur and we do not undertake to update forward-looking statements except as required by applicable securities laws.

# Q & A

# *Appendix*

# Methanol is...

- Primarily produced from natural gas



The methanol production process consists of four stages:

1  
Desulphurization of natural gas

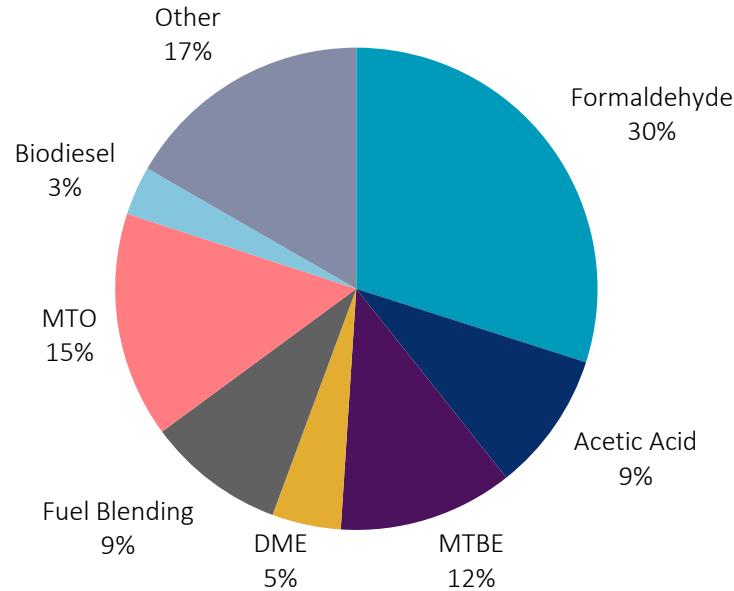
2  
Reforming

3  
Methanol Synthesis

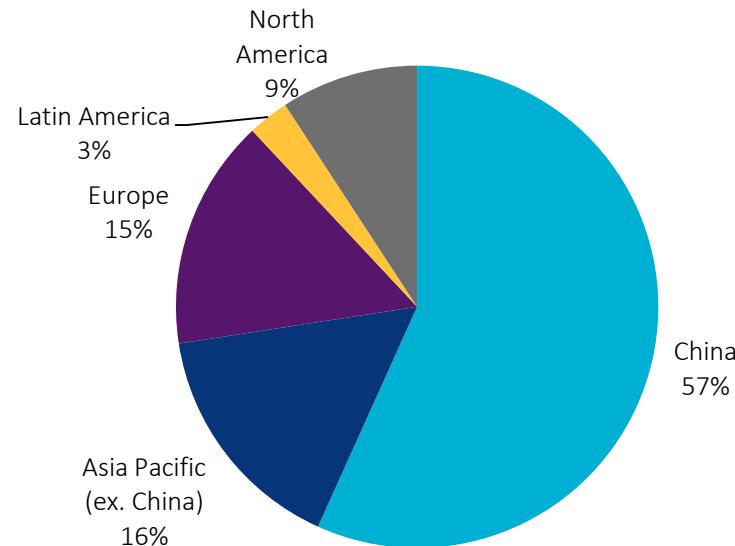
4  
Distillation

# Methanol usage...

...by derivative

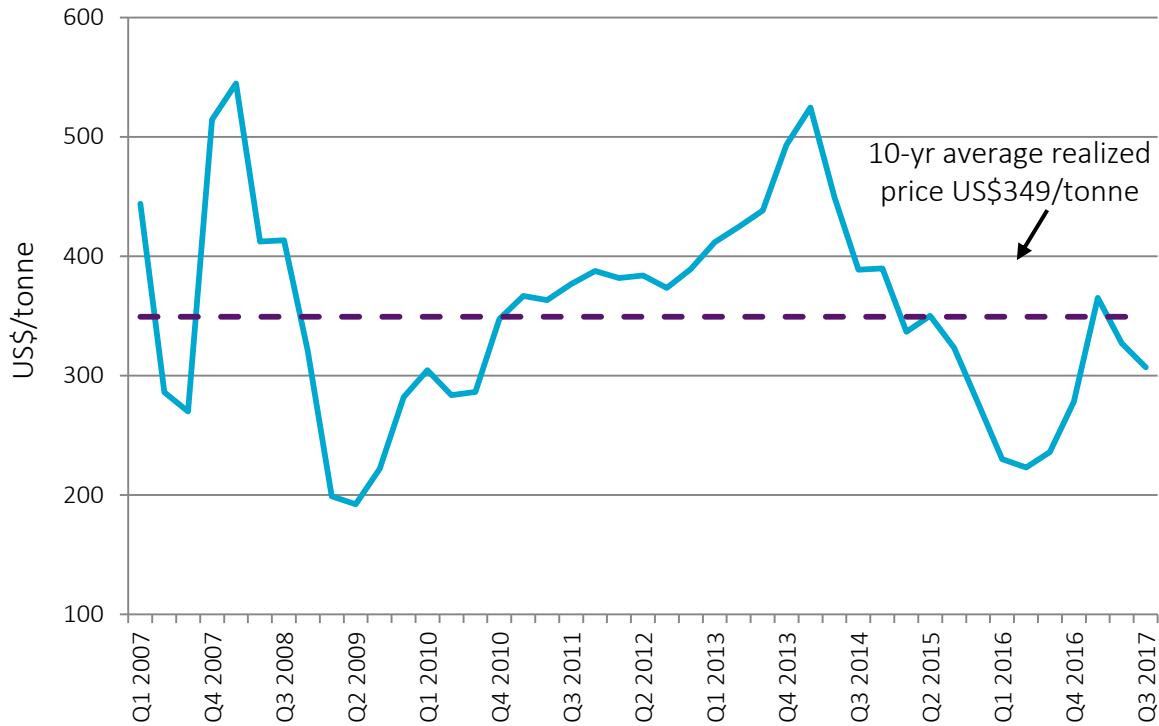


...by region



# Methanex realized pricing history

- Methanex posts reference prices monthly in Asia and North America and quarterly in Europe
- Realized pricing is lower than reference prices due to discounts specified in contracts



Source: Methanex, September 30, 2017

# Methanol consumers

- Concentrated consumer base
  - 30% of global demand from top 20 consumers
- Main consumers are large, global chemical and China MTO companies:
  - Celanese, BP, Momentive, Sanjiang, Sailboat, Sabic, BASF, etc.
- Methanex supplies primarily traditional chemical derivative customers who value:
  - Security of supply
  - Global presence
  - Quality product

# Benefits of methanol as a vehicle fuel

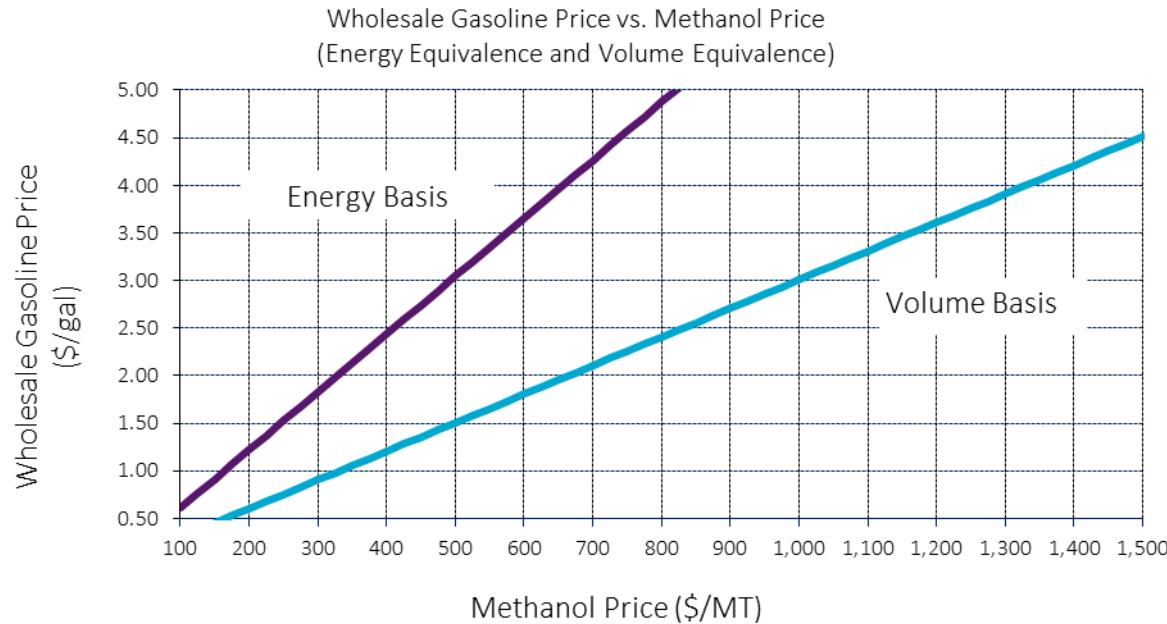
- Liquid fuel – can be blended with gasoline and ethanol in today's vehicles at minimal incremental costs
- Clean burning fuel that produces fewer smog causing emissions when blended with (or substituted for) gasoline
- High octane fuel which improves vehicle power and efficiency
- A safe fuel which biodegrades quickly (compared to petroleum fuels) in case of a spill. The toxicity is similar to gasoline
- No material technical hurdles either in terms of vehicle application or of distribution infrastructure to introduce methanol significantly into a marketplace
- Can be produced from renewable feedstock

For further information, see June 6, 2011 MIT study "The Future of Natural Gas" (section on Conversion to Liquid Fuels beginning page 125 of the report) at <http://mitei.mit.edu/publications/reports-studies>



# Methanol value proposition as a vehicle fuel

- Methanol is an affordable gasoline substitute in China, and can reduce overall emissions versus gasoline
- In dedicated methanol vehicles and at high blends (M85 and M100), methanol burns more efficiently than gasoline
- Most fuel blending in China is at low percentages and sold based on volume.



China (Nanjing) Wholesale Gasoline Price: \$2.88/gallon October 31, 2017  
USGC Conventional Regular Gasoline Price: \$1.75/gallon October 31, 2017

\* Net of 17% VAT. Sources: Oil and Gas China, US Department of Energy, Methanex

# Methanol as a marine fuel

- Methanol (MEOH) achieves low emissions & bridge to lower CO<sub>2</sub> in the future (renewable/bio methanol)



Source: Stena lines

Emission reductions when compared to heavy fuel oil

# Cost Competitiveness: Fuel

*Methanol is an economically viable alternative marine fuel over the cycle*

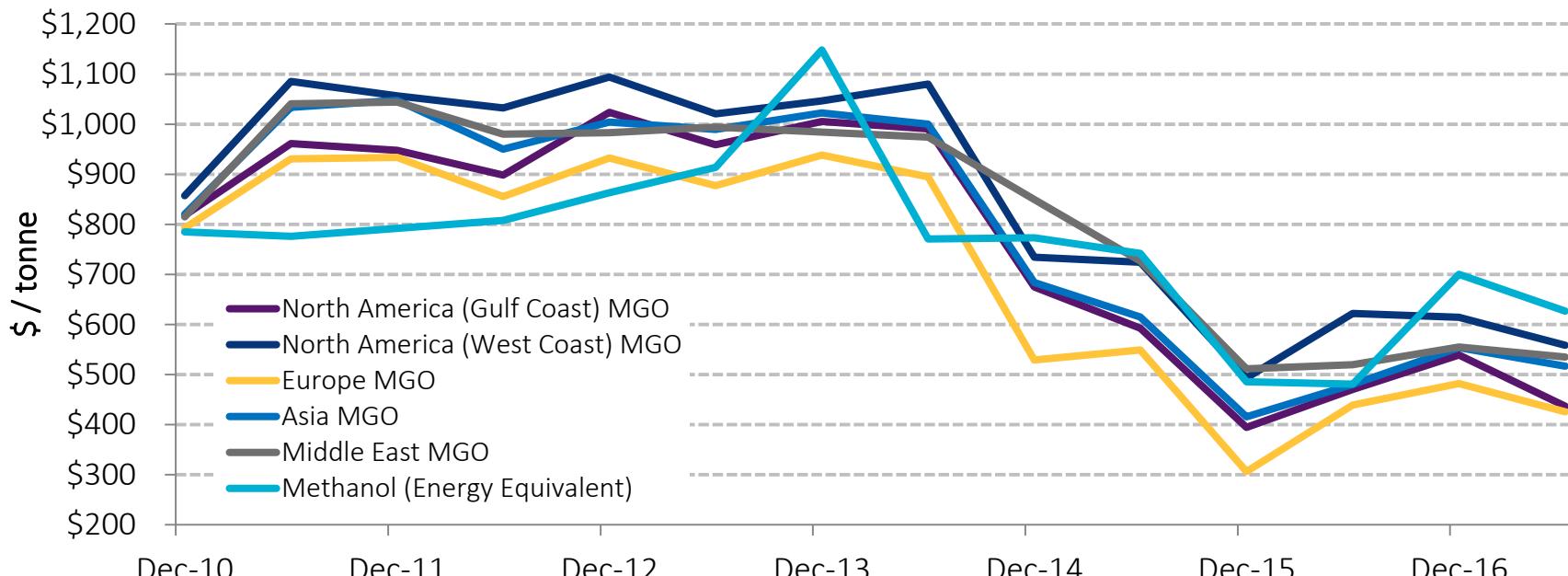


Chart source: Platts and IHS Chemical

- MGO NA GC: Avg New Orleans, Houston; MGO NA WC: Avg LA, San Francisco, Seattle, Vancouver; MGO Europe: Avg Rotterdam, Antwerp, Hamburg; MGO Asia: Avg Shanghai, Korea; MGO Middle East: Avg Fujairah, Kuwait, Khor Faakan
- Methanol: Avg USGC, China and Europe spot prices; adjusted to energy equivalent of MGO (2.16 factor)

# Di-Methyl Ether (DME) market

- DME can be blended directly with LPG (propane) up to approximately 20% for cooking and heating applications
- Future promising application for DME is as a diesel replacement:
  - Oberon Fuels Produces DME in the U.S.
  - ASTM Standard issued, California approval, qualified under U.S. Renewable Fuel Standard
  - Volvo developing DME trucks
    - New York Sanitation Dept. announced DME Truck Trial in Jan 2017
    - Alberta long-haul truck project announced in Nov. 2017 supported by Alberta Ministry of Economic Development and Trade
  - Ford (Europe and Canada) executing separate projects to test DME in trucks and passenger vehicles
- DME being studied for use as a solvent for bitumen recovery in Western Canada



*DME as propane substitute*

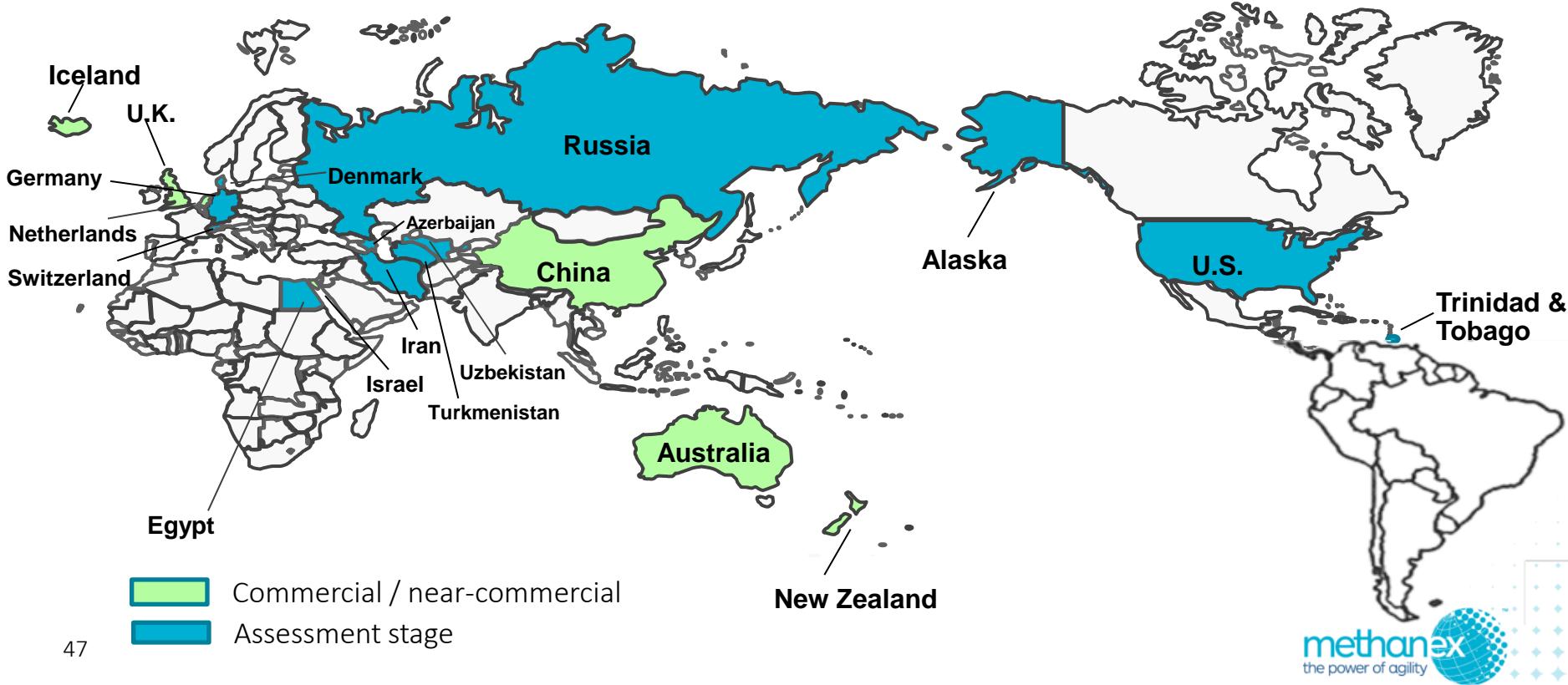


*Volvo DME Truck*

# Methanol fuel blending growing outside China

## APPENDIX

- Several countries outside China in the assessment or near-commercial stage for fuel blending, however minimal demand is included in current forecasts from these regions



# Methanol as a fuel outside China

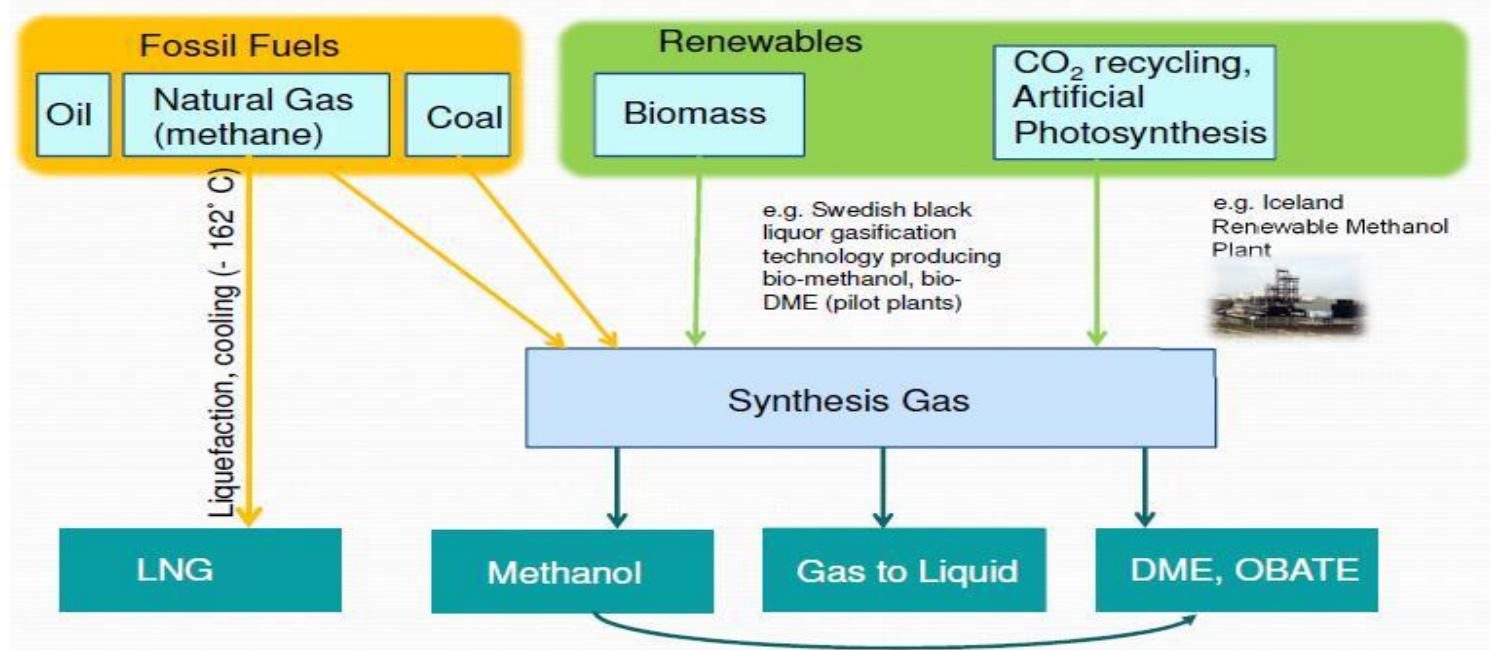
- Europe is blending methanol into fuel today (up to 3% blending permitted), and in 2016, United Kingdom announced significant fuel tax incentive to support high blend methanol fuels
- Australia - Coogee demonstration project completed and regulations in place for methanol fuels
- New Zealand – Allows 3% methanol in new 2017 fuel specifications
- Israel – national standard approved for M15 in late 2016 (market potential ~450kta); testing higher blends. Vehicle partner - Fiat Chrysler
- North America - Open Fuel Standard Bill recently re-introduced in Congress
- Other countries studying or demonstrating fuel blending: Azerbaijan, Denmark, Russia, Uzbekistan, Iran, Netherlands, Switzerland, Egypt, Turkmenistan, Trinidad & Tobago, and Germany



*Methanol / gasoline pump at Coogee plant site*

# Methanol as renewable energy

- Methanol and DME is produced from fossil fuels and renewables



LNG = Liquefied Natural Gas; DME = Di-Methyl Ether;

OBATE = On Board Alcohol to Ether (i.e. methanol converted to DME on board ships)

# Carbon recycling international (CRI)

- Methanex became a CRI shareholder in 2013
- World's greenest methanol – technology captures CO<sub>2</sub> from industrial emissions and converts it into Renewable Methanol
- Sales into Europe gasoline blending market (M3)
- George Olah semi-commercial plant commissioned in 2011
- Completed a project to triple the capacity of the current plant to 4,000 MT, with future plans to add commercial scale plants
- In July '15 Chinese automaker Geely announced plans to invest \$46 million over 3 years in CRI



*CRI's GO Plant in Svartsengi, Iceland*



# Methanex cost structure

- Natural gas
  - Long-term gas contracts for approximately 60% of capacity have fixed base price and variable component linked to the price of methanol. This reduces methanol price exposure
  - Medicine Hat gas sourced from Alberta market. Gas price secured through a combination of gas hedges and a long-term fixed price agreement.
  - Geismar 2 exposed to US spot market; gas price for 40% of gas requirements hedged to 2025
- Freight
  - Fleet of 28 leased and owned time charter vessels supplemented with shorter term COA vessels and spot vessel shipments
  - Integrated supply chain allows benefit of back-haul shipments
  - Network of leased and owned terminals worldwide

- Fixed Manufacturing and G&A costs
  - Primarily people costs (approx. 1300 employees)

Representative Operating Cost Distribution



\* Assumes average realized methanol price of approx. US\$400/tonne (gas costs vary with methanol pricing).

# Leverage – rating agency perspective

Pro Forma Rating Agency Credit Ratios		
(US\$ billions unless indicated)		
Total Debt <sup>1</sup>		
Debt (Q3-17)		1.3
Capital and Operating Leases <sup>2</sup>		<u>0.7</u>
Adjusted Debt (including leases)		2.0
Adjusted Debt/EBITDA		
ARP (\$/tonne)	EBITDA (\$millions)	Debt/EBITDA <sup>3</sup>
300	650	2.8
350	925	2.0
400	1,200	1.6

- Leverage target = Investment Grade
  - Preserves financial flexibility
  - Lowers cost of debt
  - Access to longer-term bond market, shipping market, etc.
  - Higher credit capacity to hedge gas exposures, etc.
- Moody's Baa3, S&P BB+, Fitch BBB-
  - ~3.0x Debt/EBITDA is long-term measure
  - Ratio typically calculated over a cycle
- \$300 million revolving credit facility
  - Backstop liquidity

<sup>1</sup> Includes Methanex proportionate share of debt

<sup>2</sup> Approx. adjustment for capital and operating leases

52 <sup>3</sup> Based on "Current Potential" EBITDA scenario from earlier slide plus \$75 million adjustment reflecting approximate lease portion of COGS

# Foreign exchange sensitivity

- US dollar based business
- Majority of revenues in US dollars (EU net exposure hedged)
- Natural gas and freight costs in US dollars
- Approximately \$150 million in local currency costs (not actively hedged)
- Approximately \$100 million in non-US dollar working capital assets

“A strong US dollar benefits Methanex”

# Thank you

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