

# Methanex Investor Presentation

June 2019



.....  
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 2018 Annual MD&A and our first quarter 2019 MD&A, as well as slide 33 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 2018 Annual MD&A and our first quarter 2019 MD&A.

# Investment opportunity

Global methanol leader

Positive long-term industry outlook

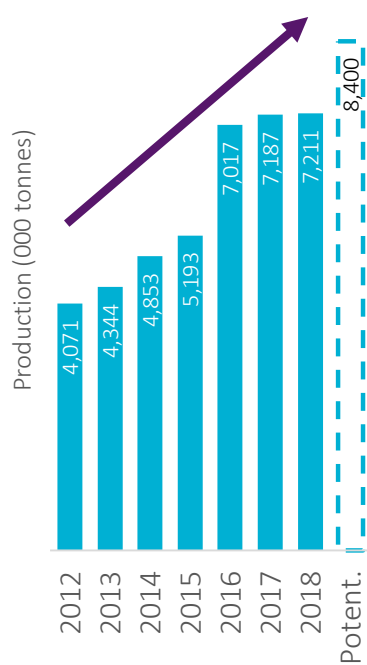
Strong cash flow generation and shareholder returns

Growth potential

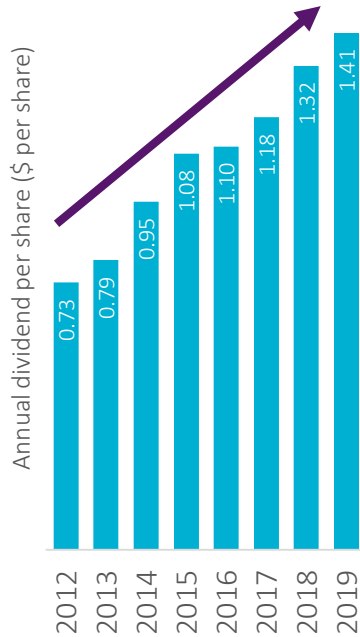
- Global methanol leader with plants well positioned on cost curve to be competitive through all points in the methanol price cycle
- Strong demand growth outlook with industry capacity additions required to meet growing demand
- Solid cash generation capability at a broad range of methanol prices
- Returned \$1.7 billion to shareholders through dividends and buybacks since January 1, 2013
- Unique low capital cost growth opportunities in Chile and Louisiana

# Growing production with a clear focus on shareholders

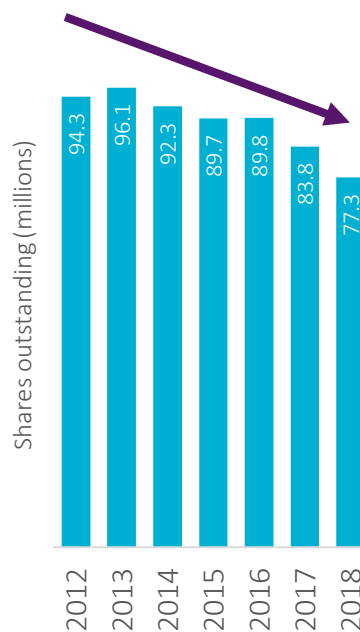
Production up by 77%



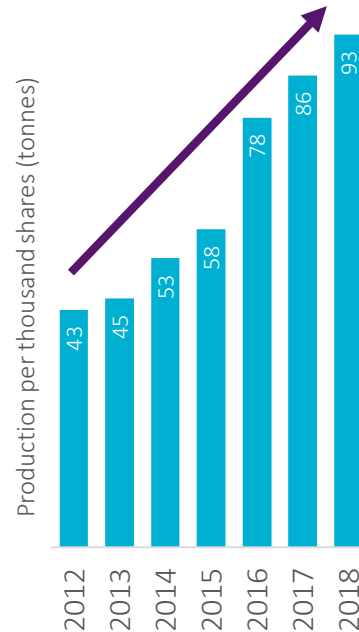
Dividends up by 93%



Share count down by 18%

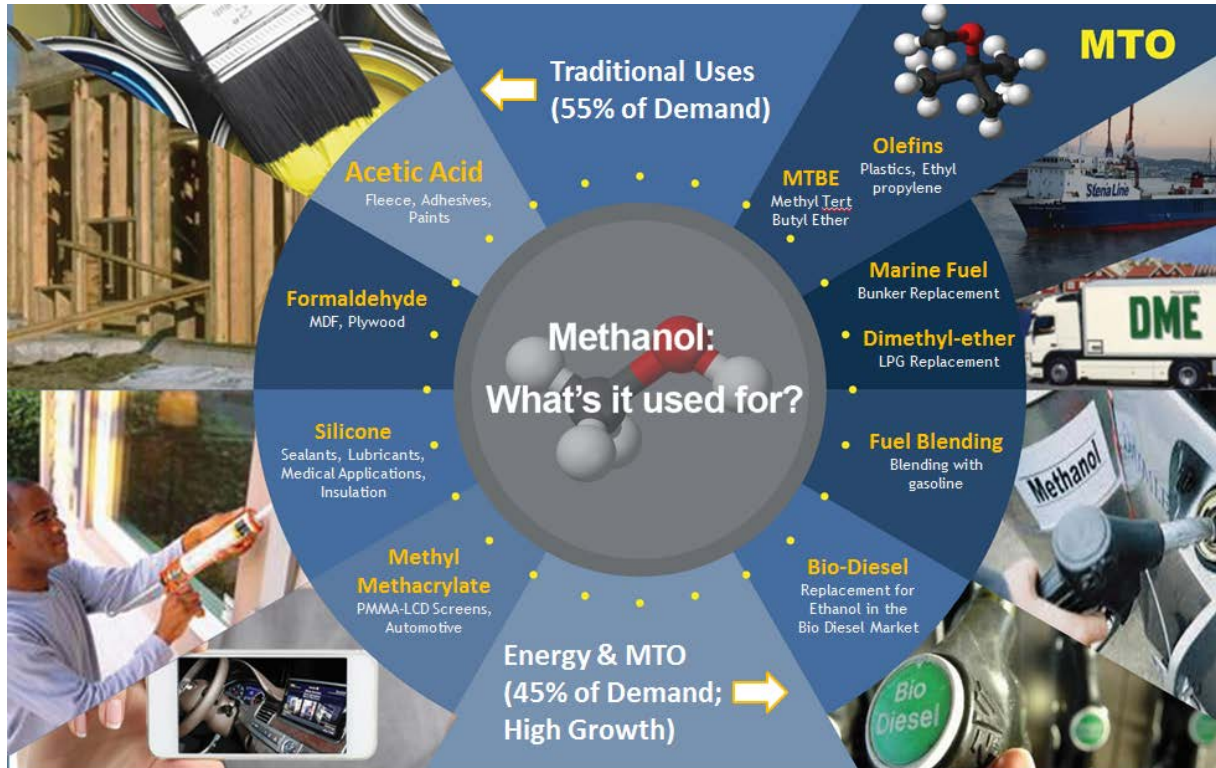


Production per share up by 116%



Competitive advantage,  
positive long-term industry outlook

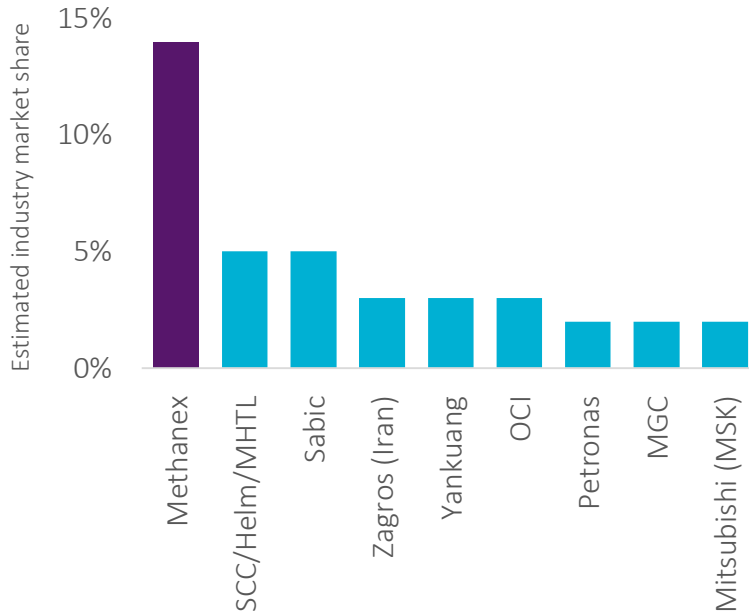
# Methanol end uses



- Methanol is an essential ingredient used to produce hundreds of everyday industrial and consumer items
- It is also a clean-burning, cost-competitive alternative fuel

# Industry leadership is core to strategy and track record

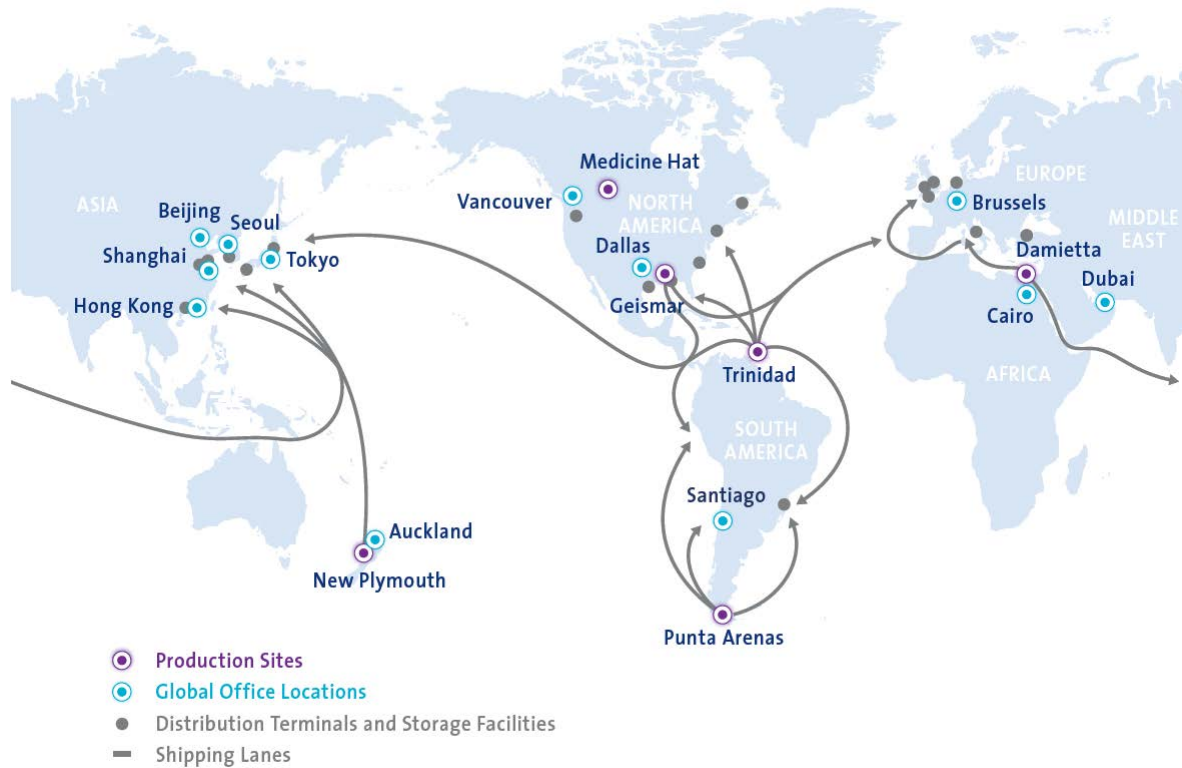
## Methanex is the market leader



Source: Methanex

- Scale and flexibility to meet customer needs creates shareholder value
  - ✓ Strong customers that are leaders in their industry
  - ✓ Ability to reduce costs for customers and Methanex
  - ✓ Improved industry structure: new market development, product stewardship and advocacy
- We continually enhance this key value driver by growing our production as the market grows
  - ✓ ~14% global market share – double that of our next competitor
  - ✓ Unique global position as the only supplier with well-established production and sales in all major regions

# Clear competitive advantage from integrated global capabilities



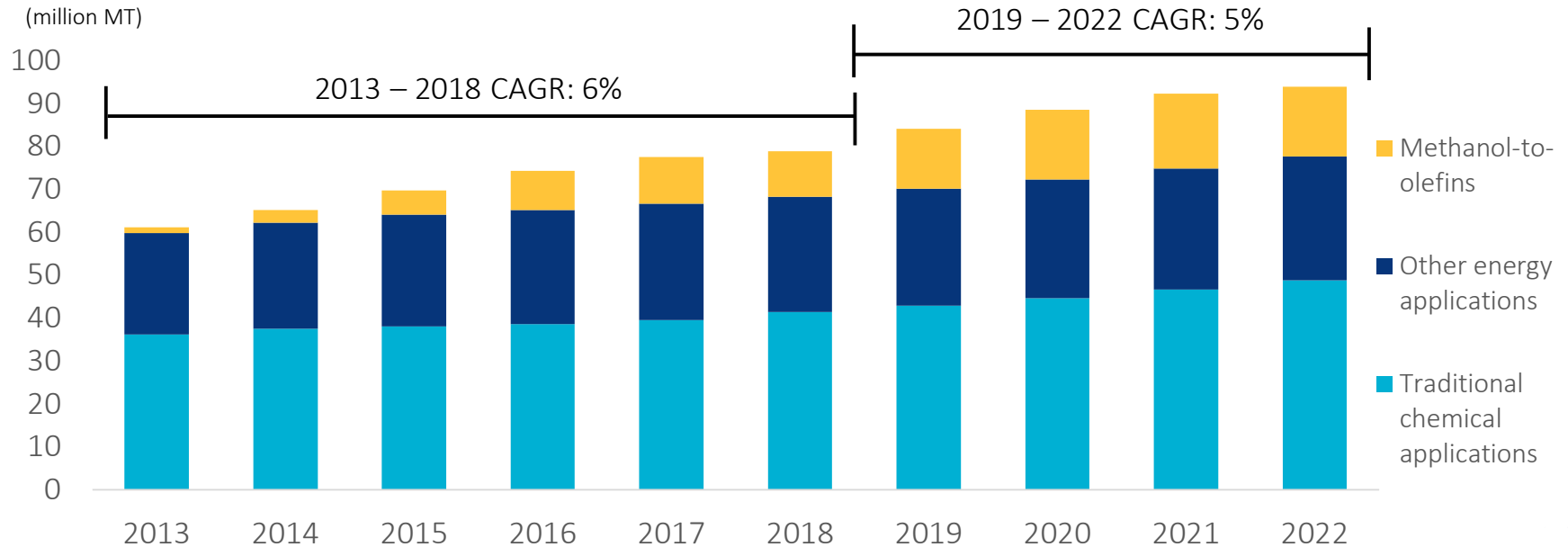
- Investing in industry-leading, secure, reliable supply from a global network of plants is a fundamental driver of long-term results

- ✓ Network of production sites to supply every major global market
- ✓ Fleet of dedicated ocean vessels
- ✓ Extensive integrated global supply chain and distribution network
- ✓ “Local” customer service



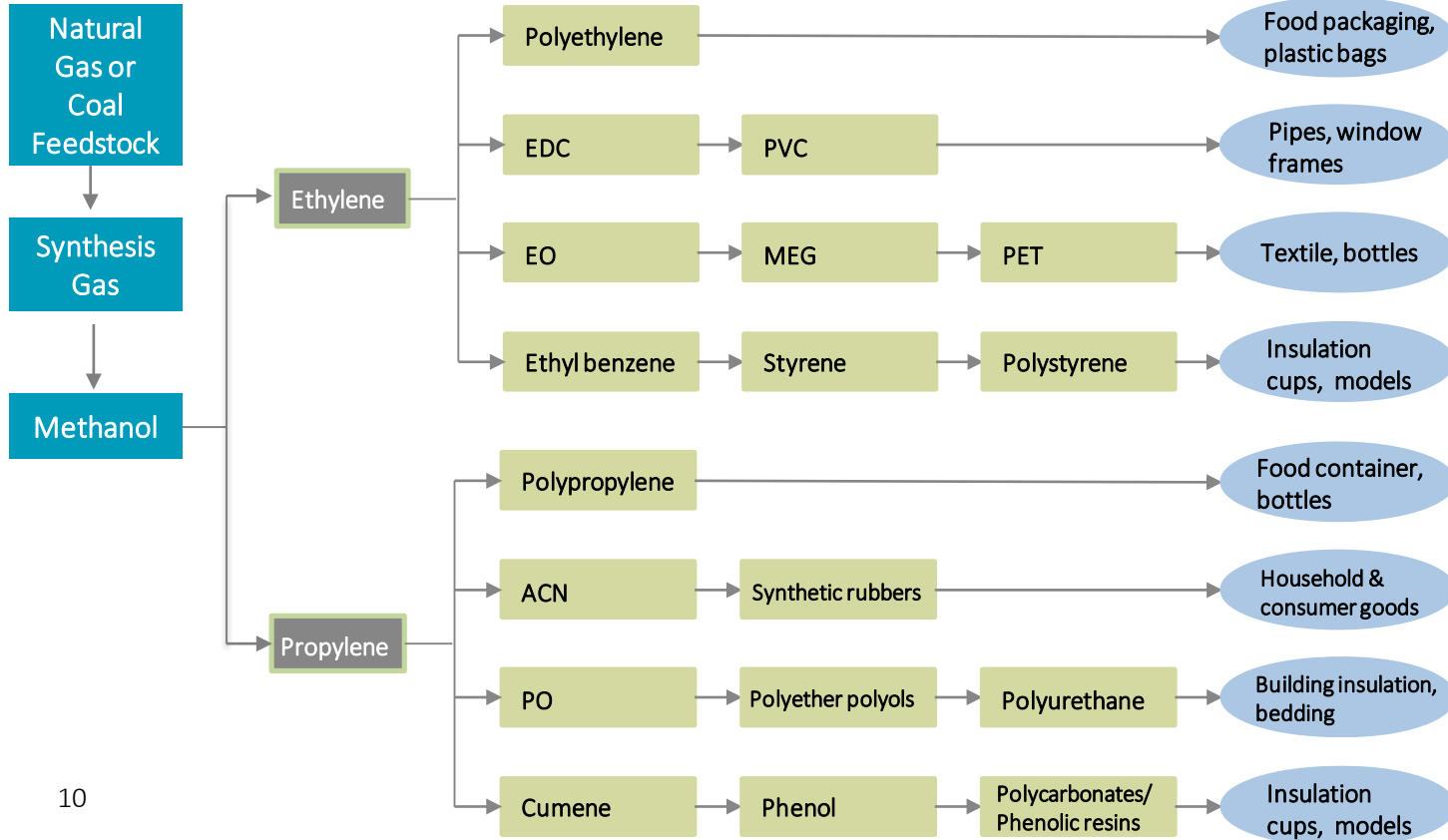
# Continued, strong demand growth expected

## Projected 5% CAGR led by methanol-to-olefins (“MTO”)



Source: IHS Chemical Supply and Demand Spring 2019 Update. Excludes demand from integrated coal-to-olefins (CTO) facilities

# Methanol-to-olefins (MTO)



- A number of new plants under construction to be completed over the coming years (8MMT methanol demand potential)
- 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

# Methanol is a clean-burning alternative fuel

Represents significant upside potential for long-term demand



## Methanol as a marine fuel

- Regulations (IMO 2020) lead towards cleaner-burning fuels
- Methanol is a clean-burning fuel that meets regulations and is cost competitive over the cycle
- 40% of Waterfront Shipping's fleet will be able to run on methanol in 2019



## Methanol as a vehicle fuel

- Methanol is an affordable gasoline substitute in China
- Reduces emissions when blended with or substituted for gasoline
- Several other countries are at the assessment or near-commercial stage for low-level methanol fuel blending



## Methanol as a power source

- Methanol used as alternative to coal boilers to reduce emissions
- Currently represents ~2 million tonnes of demand

# Healthy supply/demand fundamentals

## Outlook for 2019-2022

(million MT)



Source: IHS Chemical Supply and Demand Spring 2019 Update.

Supply based on the following capacity additions (net of estimated production that started up in 2018) and estimated operating rates (all from IHS): North America (Natgasoline 1.8, Yuhuang 1.7, other 0.2), Trinidad (CCGL 1.0), Chile (Methanex 1.3), Middle East (Iran 4.0), Other Atlantic (Russia 0.5, Netherlands 0.4, other 0.3) and China 7.6 (net of expected supply rationalization)

### Demand: growing market that requires 4 million MT of new capacity per year

- Healthy demand growth of 5% CAGR
- Led by methanol-to-olefin (“MTO”) and energy applications

### Supply: challenged to keep pace based on known additions

- New industry capacity additions needed to meet demand growth
- Project delays and planned/unplanned outages can impact supply/demand balance

# Challenges to growth in the methanol industry

## Estimated internal rate of return

Natural Gas \$/mmbtu	Realized methanol price \$/MT		
	\$300	\$350	\$400
\$5.00	---	2%	8%
\$4.00	0%	6%	11%
\$3.00	5%	9%	13%
\$2.00	8%	12%	16%

Key assumptions: replacement cost of \$1,100/MT based on other announced projects. Maintenance capital \$10M/year, freight \$80/MT (US to Asia), 25% tax rate, 2% inflation.

## Significant capital costs

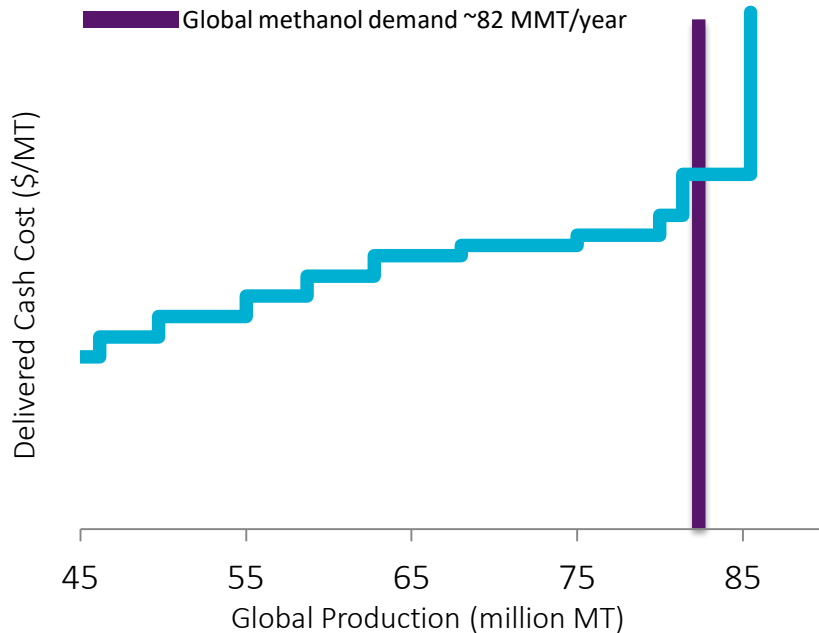
- US Gulf Coast stand-alone greenfield project (~\$1,100/MT) requires a long-term methanol price of \$400/MT to meet Methanex's return target

## Other challenges to mitigate

- Ability to secure necessary financing
- Access to customers across global markets
- Logistics and marketing capabilities to get product to market
- Market knowledge and expertise in industry

# Well positioned on the global methanol cost curve

## Illustrative methanol industry cost curve



- Methanex plants are competitive across a wide range of methanol prices – 30 million MT of current operating capacity has a higher cost structure than Methanex
- Industry has high cost operators and responds quickly to periods of excess supply or demand
- Flat portion of cost curve provides price support in a low energy price environment
- Steep high end of cost curve reflects high cost coal and natural gas based production in China
- Other higher cost regions are Russia, Europe, India, and South America

# Methanex annual production capacity

Plant	Production capacity (000 tonnes)		# of plants	Gas supply	Supply chain
	Current potential <sup>1</sup>	Full potential <sup>2</sup>			
New Zealand	2,200	2,430	3	Multiple medium-to long-term physical contracts	Asia Pacific
Geismar (G1, G2)	2,000	2,000	2	Physical contract, financial hedges and open position	North America, Europe and Asia Pacific
Trinidad (Mx share)	1,700	2,000	2	Physical contracts	Americas, Europe and Asia Pacific
Chile	1,300	1,720	2	Multiple short-term contracts	Latin America and well positioned for all markets
Egypt (Mx share)	630	630	1	Long-term contract	Egypt, Europe
Medicine Hat	600	600	1	Physical contract, physical hedges	Western Canada, US
<b>Total</b>	<b>8,430</b>	<b>9,380</b>	<b>11</b>		

1 Current potential = reflects Trinidad operating rate of 85% (1.7MMT), Chile operating rate of 75% (1.3MMT) and New Zealand operating rate of 92% (2.2MMT).

15 We cannot predict actual gas restrictions at these plants.

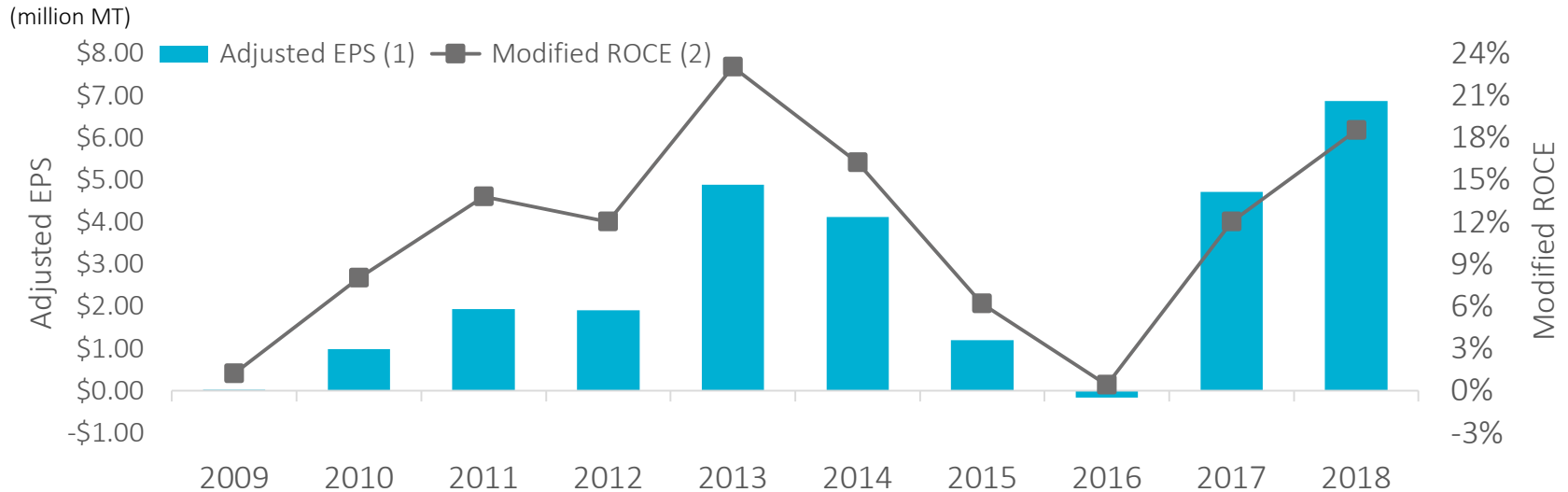
2 Includes full nameplate capacity for all 11 plants.

Strong cash flow generation at a wide range of methanol prices



# Financial results

Average Modified ROCE of 11% over last 10 years. Robust 2018 EPS results.



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 2018 annual MD&A

# Valuation considerations

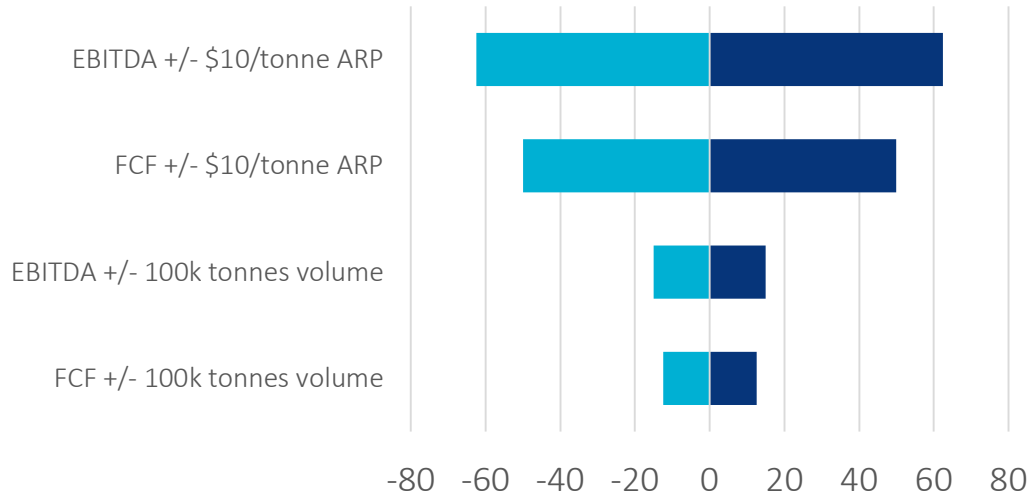
	Current Potential <sup>2</sup>	Full Potential <sup>3</sup>
<b>Annual operating capacity<sup>1</sup></b> (millions of tonnes)	8.4	9.4
<b>Average realized price (\$/MT)</b>	<b>Adjusted EBITDA Capability (\$ millions)<sup>4</sup></b>	
\$300	825	925
\$350	1,125	1,275
\$400	1,450	1,625
	<b>Free Cash Flow Capability (\$ millions)<sup>5</sup></b>	
\$300	400	475
\$350	625	750
\$400	900	1,050
	<b>Free Cash Flow Yield Capability %<sup>6</sup></b>	
\$300	10%	12%
\$350	16%	19%
\$400	23%	27%

- 1 Methanex interest (63.1% Atlas, 50% Egypt)
- 2 Current potential = reflects Trinidad operating rate of 85% (1.7MMT), Chile operating rate of 75% (1.3MMT) and New Zealand operating rate of 92% (2.2MMT). We cannot predict actual gas restrictions at these plants.
- 3 Includes full nameplate capacity for all 11 plants.
- 4 Adjusted EBITDA reflects Methanex's proportionate ownership interest and assumes plants operate at full production rates except where indicated. Includes impact of IFRS 16 lease accounting (increase of \$100M).
- 5 After cash interest, maintenance capital of approximately \$120 million, cash taxes, debt service and other cash payments.
- 6 Based on 77 million shares outstanding as of 3/31/2019 and share price of US\$50/share.

# Valuation considerations - sensitivities

## Estimated sensitivities

(USD\$ millions)



## Sensitivities versus run-rate of:

- Average realized price: \$350/MT
- Volume: 8.4MMT
- EBITDA capability: \$1.1 billion
- FCF capability: \$625 million

Highly disciplined  
approach to capital allocation

# Balanced approach to capital allocation

Essential	Debt service	<ul style="list-style-type: none"><li>• \$110 million annual interest expense</li><li>• \$25 million debt payments (MX share)</li><li>• Next maturity - \$350 million, end of 2019</li><li>• \$120 million avg. annual maintenance capex</li></ul>
	Maintenance	
Priority	Meaningful, sustainable, growing dividend	<ul style="list-style-type: none"><li>• Dividend \$1.44/share annually and approximately \$110 million (in 2019)</li><li>• Yield ~2.9% at US\$50 share price</li><li>• “Meaningful” range of 1.5%-2.5%</li></ul>
Discretionary	Growth capital	<ul style="list-style-type: none"><li>• Disciplined investment decisions based on strict project return criteria</li><li>• Committed to return excess cash via share buybacks</li></ul>
	Share buybacks	

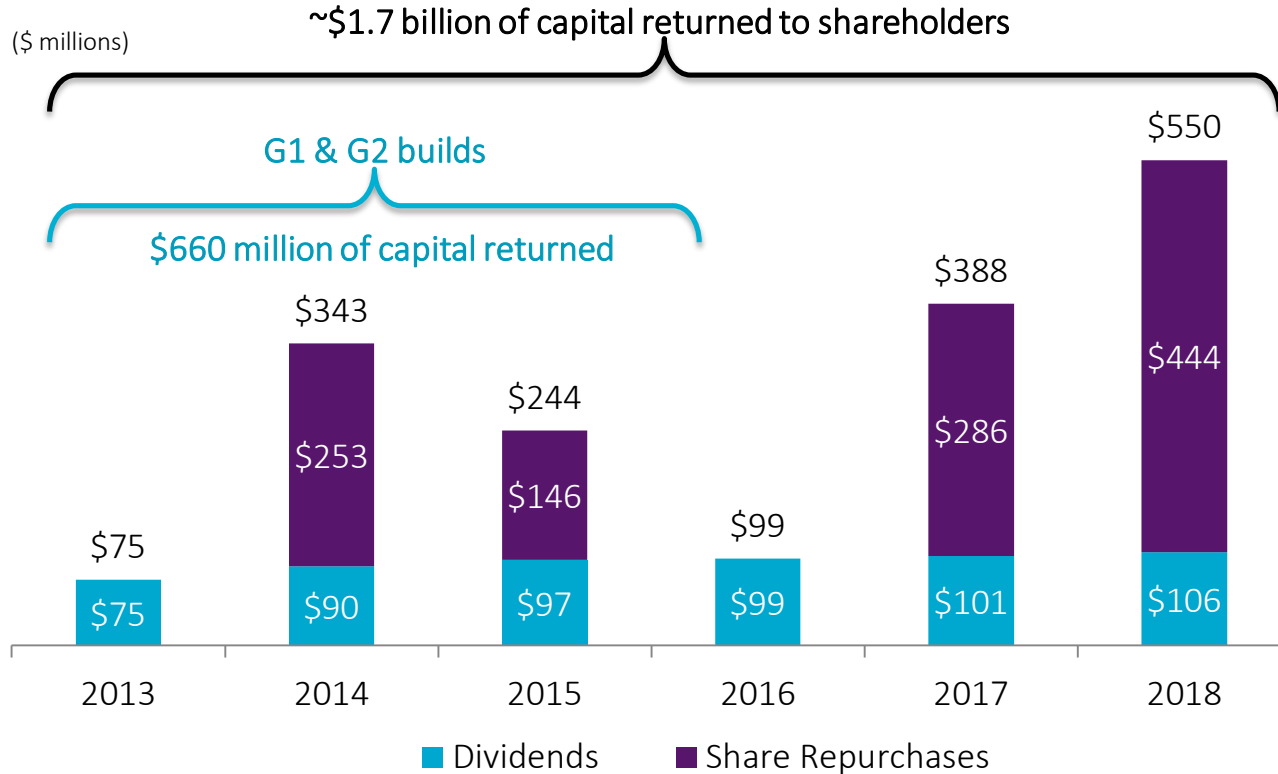
# Meaningful capital returned to shareholders while significantly growing production

Metric	January 1, 2013	March 31, 2019	% change
Number of plants in operation	7	11	57%
Production	4.1 million MT	8.4 million MT <sup>1</sup>	105%
Shares outstanding	94.3 million	77.2 million	(18%)
Production per thousand shares	43 MT/thousand shares	109 MT/thousand shares	153%
Annual dividend per share	\$0.73/share	\$1.41/share	93%
EBITDA generation capability <sup>2</sup>			
@ \$300 / MT	\$400 million	\$825 million	106%
@ \$350 / MT	\$600 million	\$1,125 million	88%
@ \$400 / MT	\$800 million	\$1,450 million	81%
Total capital (growth, restarts, and maintenance) spent – since January 1, 2013		\$2.3 billion	
Return of capital – since January 1, 2013		<u>\$1.7 billion</u>	
Dividends		\$0.6 billion	
Share buybacks		\$1.1 billion	

22 <sup>1</sup> Represents current potential capacity (full potential capacity is 9.4 million MT)

<sup>2</sup> EBITDA is adjusted for operating leases

# Consistent track record of returning excess cash to shareholders



- During the development of G1 and G2, we continued to return significant capital to shareholders
- Since January 1, 2013, we have invested over \$2 billion in capital expenditures and grew from 7 to 11 plants in operation, with production increasing from 4.1 to 7.2 million MT
- Announced a 5% share buyback program in March 2019 and increased dividend by 9% in 2019

# Unique near-term very low capital cost growth opportunities

## Chile growth opportunity

Increase production by 420,000 MT with additional gas supply

- Restarted idle Chile IV facility in late 2018
- Sufficient gas for up to 75% of two-plant operation up to mid-2020
- Refurbish Chile I facility in two stages starting 2019
- Working with gas suppliers to secure sufficient gas to support a full two-plant operation

## Geismar 1 and 2 optimization

Increase production capacity by 10% (200,000 MT)

- Debottlenecking opportunities at our Geismar 1 & 2 facilities with very low capital cost
- Timing will align with planned turnaround activities



# Geismar 3 – an unparalleled low cost growth opportunity

- Potential Geismar 3 facility (~1.8 million MT) would be constructed adjacent to existing Geismar 1 & 2 facilities
- Potentially \$6-10/share of advantages relative to other US projects
- Our knowledge and recent experience from the successful construction and operation of G1 & G2 on the same site and in the same market reduces execution risk

Non-replicable  
brownfield  
capital cost  
advantage

20% operating  
cost  
advantage

- No reformer required
- Less equipment required due to shared infrastructure with existing G1/G2 site
- Shared buildings, security, power
- Reduced IT and overhead
- Reduced headcount
- Shared utilities
- Optimized storage and terminal
- Advantaged oxygen supply
- Competitive gas supply options

# Strong financial position and liquidity

## Liquidity as at Q1-19

(US\$ millions)

Cash (MX Share)	262
Revolving Credit Facility	300
	<hr/>
	562

## Capital structure as at Q1-19

(US\$ millions)

Total Shareholders' Equity	1,487
Total Debt	1,317
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

# Investment grade rating metrics – a key priority

## Pro forma rating agency credit ratios

(\$ billions unless indicated)

### Total debt<sup>1</sup>

Debt (Q1-19)	1.3
Capital and operating leases <sup>2</sup>	<u>0.7</u>
Adjusted debt (including leases)	2.0

### Adjusted debt/EBITDA

<u>Avg. realized price</u> <u>(\$ per MT)</u>	<u>EBITDA</u> <u>(\$ millions)<sup>3</sup></u>	<u>Debt/EBITDA</u>
300	825	Approx. 3.0x
350	1,125	Approx. 2.0x
400	1,450	Below 2.0x

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

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

<sup>3</sup> Based on "current potential" EBITDA scenario

- 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

# Best-in-class governance

# Best-in-class corporate governance

## Corporate Governance

- ✓ 10 of 11 Independent Directors
- ✓ Separate chair and CEO
- ✓ All Committee members are independent
- ✓ Strong risk and strategy oversight
- ✓ Diversity policy; ~36% women on Board
- ✓ 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 3x 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®



# 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 (~55 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 linked to relative total shareholder return and 3-year average ROCE
- “.....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
- Strong cash generation at a wide range of methanol prices
- Low capital cost growth potential in Chile and Louisiana
- Dividends / share buybacks

Committed to return excess cash to shareholders



# Forward-looking information

This Presentation, our First Quarter 2019 Management's Discussion and Analysis ("MD&A") as well as comments made during the First Quarter 2019 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 Egyptian governmental entities; 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, governmental 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.

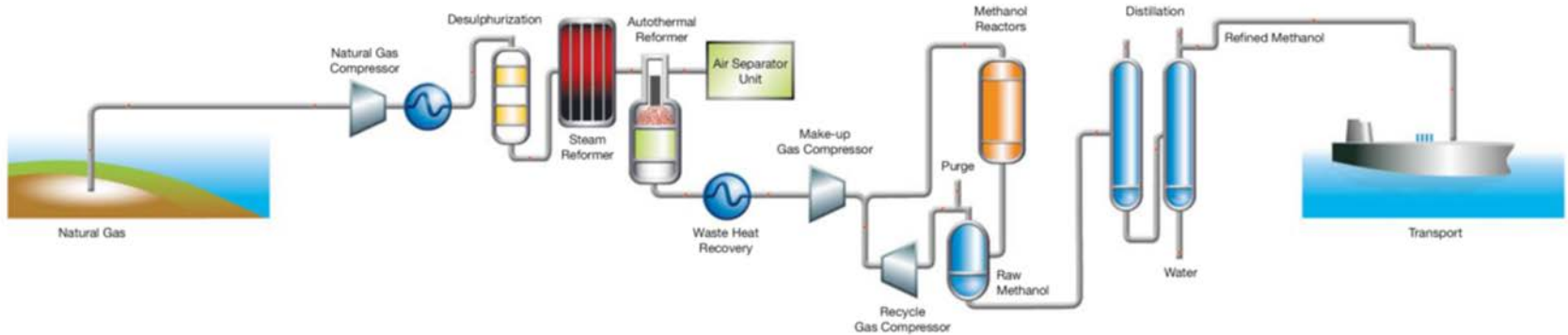
However, forward-looking statements, by their nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. The risks and uncertainties primarily include those attendant with producing and marketing methanol and 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, 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 2018 Annual Management's Discussion and Analysis and our First Quarter 2019 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.

# Appendix

# Methanol production process

- Primarily produced from natural gas

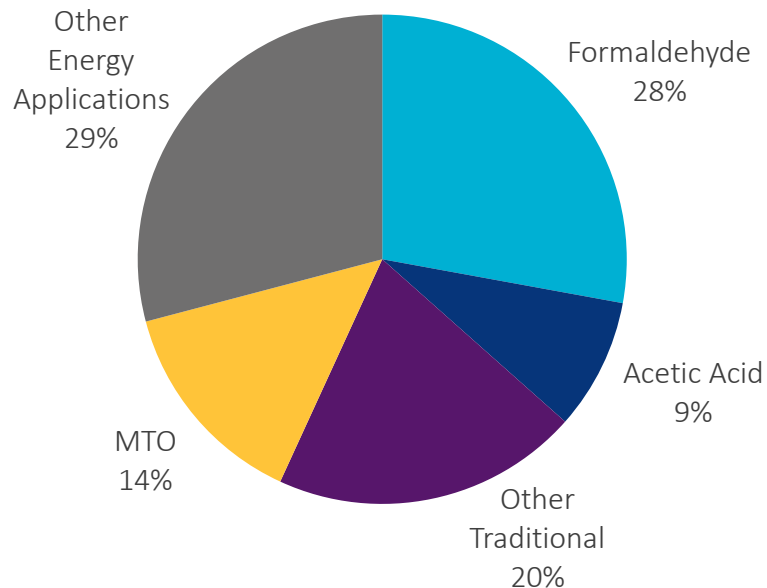


The methanol production process consists of four stages:

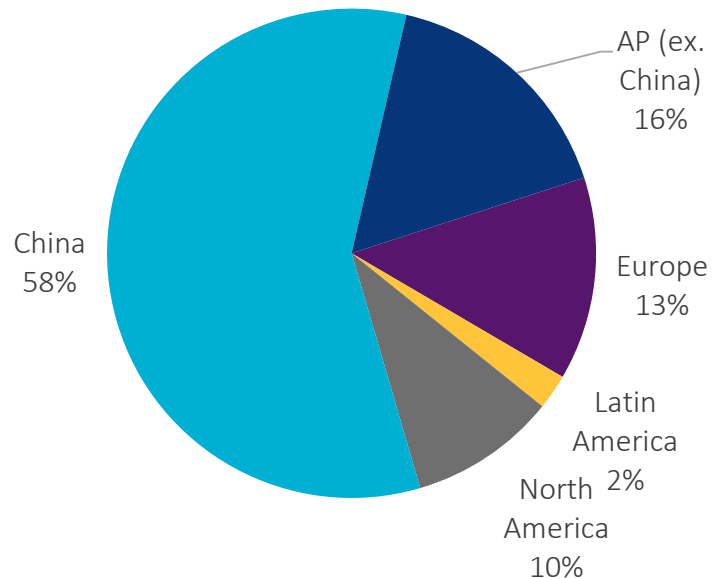


# Global methanol industry demand

By application



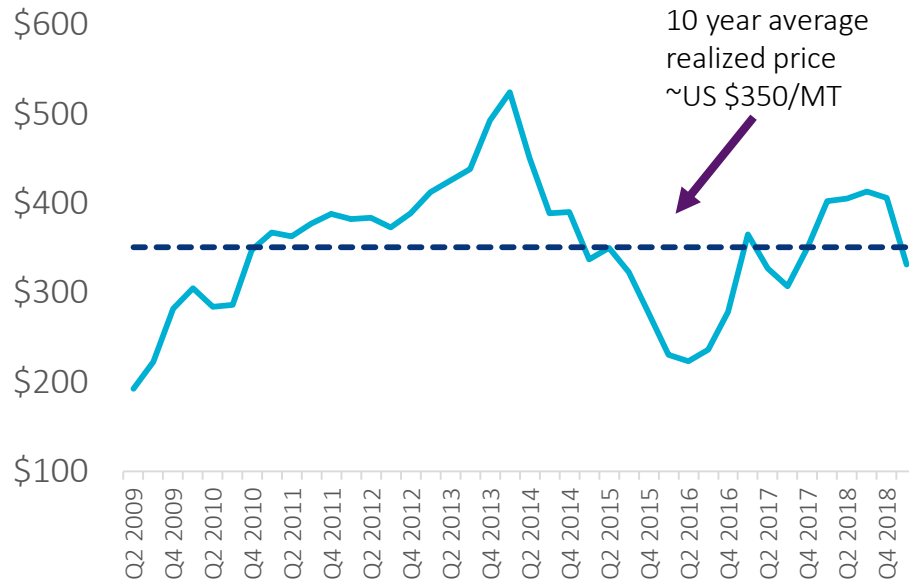
By region



Source: IHS Chemical Supply and Demand Spring 2019 Update.

# Methanex price history

## Quarterly average realized price



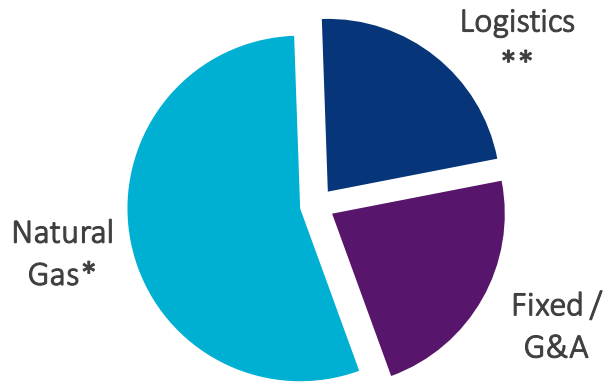
- Methanex posts reference prices:
  - ✓ Monthly in North America and Asia
  - ✓ Quarterly in Europe
- Realized pricing is lower than posted reference prices due to customer discounts

# 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

# Methanex cost structure

## Representative operating cost distribution



\*Based on \$400/MT average realized methanol price. Natural gas prices vary with methanol pricing.

\*\*Logistics costs vary based on oil/bunker fuel prices.

### Natural Gas

- Flexible price structure:
  - ✓ North America: ~75% of natural gas requirements under long-term fixed price contract or financial hedge
  - ✓ Rest of World: natural gas price varies based on methanol prices to allow assets to be competitive across price cycle

### Logistics

- Fleet of 28 leased and owned vessels supplemented with short-term COA vessels and spot vessel shipments
- Integrated supply chain allows benefit of back-haul shipments
- Network of owned and leased terminals worldwide
- Various in-region logistics capabilities including tanker, barge, rail, truck and pipeline

### Fixed Manufacturing and G&A Costs

- Primarily people costs (approx. 1,425 employees)

# Thank you

 [www.methanex.com](http://www.methanex.com)

 [linkedin.com/company/  
methanex-corporation](https://www.linkedin.com/company/methanex-corporation)

 @Methanex

## Investor Relations

T: 604 661 2600

[invest@methanex.com](mailto:invest@methanex.com)

