UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 26, 2021

PQ Group Holdings Inc.

Commission File Number: 001-38221

Delaware **(State or other jurisdiction of incorporation or organization)**	**81-3406833** **(I.R.S. Employer Identification No.)**
300 Lindenwood Drive **Malvern, Pennsylvania** **(Address of principal executive offices)**	**19355** **(Zip Code)**

(610) 651-4400
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	**PQG**	**New York Stock Exchange**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition.

On April 26, 2021, PQ Group Holdings Inc. (the "Company") issued a press release announcing unaudited preliminary financial results for the three months ended March 31, 2021. A copy of the press release is attached hereto as Exhibit 99.1.

The preliminary financial estimated results referred to in the press release are unaudited and preliminary estimates that have been prepared by management in good faith on a consistent basis with prior periods. However, the Company has not completed its financial closing procedures for the three months ended March 31, 2021 and actual results may differ from these preliminary estimates, and such differences could be material. The preliminary financial estimated results do not present all information necessary for an understanding of the Company's financial condition as of, and its results and operations for, the fiscal quarter ended March 31, 2021. Accordingly, undue reliance should not be placed on these preliminary estimates. In addition, PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, has not audited, reviewed, compiled, or performed any procedures with respect to these preliminary financial estimated results and does not express an opinion or any other form of assurance with respect to these preliminary financial estimated results or their achievability. The Company undertakes no obligation to update or supplement the information provided in the press release until it releases its financial statements for the quarter ended March 31, 2021. The Company cautions investors that such preliminary estimates are not guarantees of the Company's full financial results for the quarterly period or of future performance or outcomes and that actual results may differ materially from the estimates described in the press release.

The information furnished in this Item 2.02 and Exhibit 99.1, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 8.01 Other Events.

As previously announced, on February 28, 2021, the Company entered into a Stock Purchase Agreement (the "Purchase Agreement") with Sparta Aggregator L.P., a partnership established by Koch Minerals & Trading, LLC and Cerberus Capital Management, L.P. (the "Purchaser"), pursuant to which the Company plans to divest its Performance Chemicals business to the Purchaser (the "Transaction"). The Company and the Purchaser will provide each other with certain transition services for a period of six months from the date of the closing of the transaction. The Transaction is expected to be completed in 2021.

The foregoing description of the Transaction does not purport to be complete and is qualified in its entirety by reference to the full text of the Purchase Agreement, a copy of which was filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2021, and the full text of which is incorporated herein by reference.

The information filed in Exhibit 99.2 sets forth a summary of pro forma Segment Adjusted EBITDA together with a reconciliation of net (loss) income attributable to the Company's pro forma Segment Adjusted EBITDA for the years ended December 31, 2018, 2019 and 2020 giving effect to the Transaction.

Note on Forward-Looking Statements

Any statements contained in this Current Report on Form 8-K, Exhibit 99.1, Exhibit 99.2 and Exhibit 99.3 attached hereto that do not describe historical facts may constitute "forward-looking statements." Forward-looking statements can be identified by words such as "anticipates," "intends," "plans," "seeks," "believes," "estimates," "expects," "projects" and similar references to future periods. Forward-looking statements are based on the Company's current expectations and assumptions regarding its business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Examples of forward-looking statements include, but are not limited to, statements regarding the Company's estimated financial results, portfolio transformation and strategic objectives, the previously announced Transaction and anticipated impacts related thereto. Our actual results may differ materially from those contemplated by the forward-looking statements. The Company cautions you, therefore, against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, the Company's ability to close on the sale of the Transaction on our anticipated timeline, or at all, regional, national or global political, economic, business, competitive, market and regulatory conditions, including the ongoing COVID-19 pandemic, tariffs and trade disputes, currency exchange rates and other factors, including those described in the sections titled "Risk Factors" and "Management Discussion & Analysis of Financial Condition and Results of Operations" in the Company's filings with the SEC, which are available on the SEC's website at www.sec.gov. These forward-looking statements speak only as of the date of this Current Report on Form 8-K. Factors or events that could cause the Company's actual results to differ may emerge from time to time, and it is not possible for the Company to predict all of them. The Company undertakes no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by applicable law.

Item 9.01 Financial Statements and Exhibits.

(b) Pro forma financial information.

The unaudited pro forma condensed consolidated financial statements of the Company giving effect to the Transaction are filed as Exhibit 99.3 hereto and incorporated herein by reference.

(d) Exhibits.

Exhibit No.	Description
99.1	Press release issued by PQ Group Holdings Inc., dated April 26, 2021
99.2	Unaudited Pro Forma Segment Adjusted EBITDA of PQ Group Holdings Inc.
99.3	Unaudited Pro Forma Condensed Consolidated Financial Statements of PQ Group Holdings Inc.
104	The cover page from this Current Report on Form 8-K of PQ Group Holdings Inc., formatted in Inline XBRL and included as Exhibit 101

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: April 26, 2021

PQ Group Holdings Inc.

By:	/s/ Michael Crews
Name:	Michael Crews
Title:	Executive Vice President and Chief Financial Officer

PQ Group Holdings Announces Preliminary First Quarter 2021 Results from Continuing Operations; Solid Performance despite Texas Storm Impacts

- Sales in range of $123 million to $127 million, including estimated $6 million impact of Texas storm;
- Operating income in range of $1 million to $3 million; and
- Adjusted EBITDA in range of $40 million to $42 million, including estimated $9 million storm impact.

Financial results are on a continuing operations basis, which excludes the Performance Materials and Performance Chemicals business from all quarterly results presented, unless otherwise indicated.

Financial results include non-GAAP financial measures. These non-GAAP measures are more fully described and are reconciled from the respective measures determined under GAAP in "Presentation of Non-GAAP Financial Measures" and the attached appendix.

MALVERN, PA, April 26, 2021 — PQ Group Holdings Inc. (NYSE:PQG) ("PQ" or the "Company") today announced certain preliminary results from continuing operations[1] for the first quarter ended March 31, 2021.

Sales[2] are estimated to be in the range of $123 million to $127 million versus $126 million and Zeolyst Joint Venture sales of $28 million to $30 million versus $32 million in the same period in 2020. Higher Silica Catalysts sales were more than offset by an estimated $6 million impact to the Refining Services business from the severe Texas storm. Operating income is estimated in the range of $1 million to $3 million versus $12 million[3] in the same period a year ago. Adjusted EBITDA is estimated to be in the range of $40 million to $42 million versus $49 million[3] from the same period a year ago, largely due to an estimated $9 million impact from the Texas storm, which reduced sales volumes and increased maintenance costs for repairs. From the mid-point of the range, the Company estimates that the storm negatively impacted PQ's sales and Adjusted EBITDA by approximately 5% and 18%, respectively, as compared to the first quarter of last year.

"We delivered strong operational and financial performance in the first quarter, underscoring the resilience and criticality of our products and services to meet recovery trends we are seeing across our customer base. Absent the storm, our results would have exceeded the first quarter of last year, which was prior to the effects of the pandemic," said Belgacem Chariag, PQ Chairman, President and Chief Executive Officer. "Our portfolio transformation is nearly complete and we have advanced our strategic objective to become a pure-play catalysts and services company with leading growth and margins."

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1 Continuing operations for 2020 and 2021 include the Company's Refining Services and Catalysts businesses
2 GAAP sales only; Excludes proportionate 50 percent share of Zeolyst Joint Venture sales
3 Subject to finalization of discontinued operations for the Performance Chemicals segment

About PQ Group Holdings Inc.

PQ Group Holdings Inc. and subsidiaries is a leading integrated and innovative global provider of specialty catalysts, chemicals and services. We support customers globally through our strategically located network of manufacturing facilities. We believe that our products, which are predominantly inorganic, and services contribute to improving the sustainability of the environment.

We have three uniquely positioned specialty businesses: ***Refining Services*** provides sulfuric acid recycling to the North American refining industry; ***Catalysts*** serves the packaging and engineering plastics and the global refining, petrochemical and emissions control industries; and ***Performance Chemicals*** supplies diverse product end uses, including personal and industrial cleaning products, fuel-efficient tires, surface coatings, and food and beverage products.

For more information, see our website at https://www.pqcorp.com.

Presentation of Preliminary First Quarter 2021 Results from Continuing Operations

The preliminary financial estimated results presented above are unaudited and preliminary estimates that have been prepared by management in good faith on a consistent basis with prior periods. However, the Company has not completed its financial closing procedures for the three months ended March 31, 2021 and actual results may differ from these preliminary estimates, and such differences could be material. The preliminary financial estimated results do not present all information necessary for an understanding of the Company’s financial condition as of, and its results and operations for, the fiscal quarter ended March 31, 2021. Accordingly, undue reliance should not be placed on these preliminary estimates. In addition, PricewaterhouseCoopers LLP, the Company’s independent registered public accounting firm, has not audited, reviewed, compiled, or performed any procedures with respect to these preliminary financial estimated results and does not express an opinion or any other form of assurance with respect to these preliminary financial estimated results or their achievability. The Company undertakes no obligation to update or supplement the information provided above until it releases its financial statements for the quarter ended March 31, 2021. The Company cautions you that such preliminary estimates are not guarantees of the Company’s full financial results for the quarterly period or of future performance or outcomes and that actual results may differ materially from the estimates described above.

Presentation of Non-GAAP Financial Measures

In addition to the preliminary estimated results presented in accordance with U.S. generally accepted accounting principles (“GAAP”), the Company has also presented a non-GAAP financial measure — Adjusted EBITDA — which presents results on a basis adjusted for certain items. The Company uses Adjusted EBITDA for business planning purposes and in measuring its performance relative to that of its competitors. The Company believes that Adjusted EBITDA is an important metric to assess its operating performance from period-to-period by excluding certain items that the Company believes are not representative of its core business. Adjusted EBITDA is not intended to replace, and should not be considered superior to, the presentation of the Company’s financial results in accordance with GAAP. The Company’s presentation of Adjusted EBITDA likely differs from similar measures reported by other companies and, as a result, may not be comparable to other similarly titled measures. Adjusted EBITDA is reconciled from operating income from continuing operations under GAAP in the appendix below.

The Company is not able to provide a reconciliation of Adjusted EBITDA to net income (the closest comparable financial measure presented in accordance with GAAP) without unreasonable effort or expense due to timing for completing our quarterly financial closing procedures, particularly related to discontinued operations. Items include certain non-cash, nonrecurring or other items that are included in net income as well as the related tax impacts of these items and changes in foreign currency exchange rates, due to the uncertainty and variability of the nature and amount of these charges and costs that will be determined as part of the Company’s financial closing procedures.

Zeolyst Joint Venture

The Company's zeolite catalysts product group operates through its Zeolyst Joint Venture, which is accounted for as an equity method investment in accordance with GAAP. The presentation of the Zeolyst Joint Venture's sales represents 50% of the sales of the Zeolyst Joint Venture. The Company does not record sales by the Zeolyst Joint Venture as revenue and such sales are not consolidated within the company's results of operations. However, the Company's Adjusted EBITDA reflects the share of earnings of the Zeolyst Joint Venture that have been recorded as equity in net income from affiliated companies in the Company's consolidated statements of income for such periods and includes Zeolyst Joint Venture adjustments on a proportionate basis based on the Company's 50% ownership interest. Accordingly, the Company's Adjusted EBITDA margins are calculated including 50% of the sales of the Zeolyst Joint Venture for the relevant periods in the denominator.

Note on Forward-Looking Statements

Some of the information contained in this press release constitutes "forward-looking statements." Forward-looking statements can be identified by words such as "anticipates," "intends," "plans," "seeks," "believes," "estimates," "expects," "projects" and similar references to future periods. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Examples of forward-looking statements include, but are not limited to, statements regarding the portfolio transformation and strategic objectives. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you, therefore, against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, our ability to close on the sale of the Performance Chemicals business segment on our anticipated timeline, or at all, regional, national or global political, economic, business, competitive, market and regulatory conditions, including the ongoing COVID-19 pandemic, tariffs and trade disputes, currency exchange rates and other factors, including those described in the sections titled "Risk Factors" and "Management Discussion & Analysis of Financial Condition and Results of Operations" in our filings with the SEC, which are available on the SEC's website at www.sec.gov. These forward-looking statements speak only as of the date of this release. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by applicable law.

PQ Corporation

Appendix Table A-1: Reconciliation of Operating Income to Adjusted EBITDA

	Three months ended March 31, 2021	Three months ended March 31, 2020
	(in millions)	
Reconciliation of operating income attributable to PQ Group Holdings Inc. to Adjusted EBITDA		
Operating income[4]	$ 2	$ 12
Depreciation and amortization	20	19
EBITDA	22	31
Equity in net income from affiliated companies	5	8
Joint venture depreciation, amortization and interest[(a)]	4	4
Amortization of investment in affiliate step-up[(b)]	2	2
Net loss on asset disposals[(c)]	1	—
LIFO (benefit) expense[(d)]	—	(2)
Transaction and other related costs[(e)]	—	1
Equity-based compensation	6	4
Restructuring, integration and business optimization expenses[(f)]	2	—
Defined benefit pension plan cost[(g)]	—	—
Other[(h)]	(1)	1
Adjusted EBITDA[4]	41	$ 49

4 Represents the midpoint of the range of operating income of $1 to $3 million and Adjusted EBITDA of $40 to $42 million for the three months ended March 31, 2021

Descriptions to PQ Non-GAAP Reconciliations

(a) We use Adjusted EBITDA as a performance measure to evaluate our financial results. Because our Catalysts segment includes our 50% interest in the Zeolyst Joint Venture, we include an adjustment for our 50% proportionate share of depreciation, amortization and interest expense of the Zeolyst Joint Venture.

(b) Represents the amortization of the fair value adjustments associated with the equity affiliate investment in the Zeolyst Joint Venture as a result of the combination of the businesses of PQ Holdings Inc. and Eco Services Operations LLC in May 2016 (the "Business Combination"). We determined the fair value of the equity affiliate investment and the fair value step-up was then attributed to the underlying assets of the Zeolyst Joint Venture. Amortization is primarily related to the fair value adjustments associated with fixed assets and intangible assets, including customer relationships and technical know-how.

(c) When asset disposals occur, we remove the impact of net gain/loss of the disposed asset because such impact primarily reflects the non-cash write-off of long-lived assets no longer in use.

(d) Represents non-cash adjustments to the company's LIFO reserves for certain inventories in the U.S. that are valued using the LIFO method, which we believe provides a means of comparison to other companies that may not use the same basis of accounting for inventories.

(e) Relates to certain transaction costs, including debt financing, due diligence and other costs related to transactions that are completed, pending or abandoned, that we believe are not representative of our ongoing business operations.

(f) Includes the impact of restructuring, integration and business optimization expenses which are incremental costs that are not representative of our ongoing business operations.

(g) Represents adjustments for defined benefit pension plan (benefit) costs in our statements of income. All of our defined benefit pension plan obligations are under defined benefit pension plans that are frozen. As such, we do not view such income or expenses as core to our ongoing business operations.

(h) Included in this line-item are rounding discrepancies that may arise from rounding from dollars (in thousands) to dollars (in millions).

Presentation of Pro Forma Non-GAAP Financial Measures

In addition to the pro forma results with respect to the Transaction described in Item 8.01 to this Current Report on Form8-K and provided in accordance with U.S. generally accepted accounting principles ("GAAP"), the Company has provided pro forma non-GAAP financial measures — Pro Forma EDBITDA, Pro Forma Adjusted EBITDA and Pro Forma Segment Adjusted EBITDA (collectively, "Pro Forma Non-GAAP Financial Measures") — which present results on a basis adjusted for certain items. Defined terms used in this Presentation of Pro Forma Non-GAAP Financial Measures but not defined herein have the meaning set forth in the Current Report on Form 8-K.

Pro Forma Adjusted EBITDA

Pro Forma Adjusted EBITDA is a financial measure that is not prepared in accordance with GAAP and that we use to evaluate our operating performance, for business planning purposes and to measure our performance relative to that of our competitors. Pro Forma Adjusted EBITDA is presented as a key performance indicator as we believe this financial measure will enhance an investor's understanding of our results of operations and financial condition. Pro Forma EBITDA consists of pro forma net income (loss) attributable to continuing operations before interest, taxes, depreciation and amortization. Pro Forma Adjusted EBITDA consists of Pro Forma EBITDA adjusted for (i) non-operating income or expense, (ii) the impact of certainnon-cash, nonrecurring or other items included in net income (loss) and Pro Forma EBITDA that we do not consider indicative of our ongoing operating performance, and (iii) depreciation, amortization and interest of our 50% share of the Zeolyst Joint Venture. We believe that these Pro Forma Non-GAAP Financial Measures provide investors with useful financial metrics to assess our operating performance from period-to-period by excluding certain items that we believe are not representative of our core business.

You should not consider Pro Forma EBITDA, Pro Forma Segment Adjusted EBITDA or Pro Forma Adjusted EBITDA in isolation or as an alternative to the presentation of our financial results in accordance with GAAP. The presentations of Pro Forma EBITDA, Pro Forma Segment Adjusted EBITDA and Pro Forma Adjusted EBITDA may differ from similar measures reported by other companies and may not be comparable to other similarly titled measures. In evaluating Pro Forma EBITDA, Pro Forma Segment Adjusted EBITDA and Pro Forma Adjusted EBITDA, you should be aware that we are likely to incur expenses similar to those eliminated in this presentation in the future and that certain of these items could be considered recurring in nature. Our presentation of Pro Forma EBITDA, Pro Forma Segment Adjusted EBITDA and Pro Forma Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items.

Summarized Pro Forma Segment Adjusted EBITDA information is shown below in the following table:

	Years ended December 31,		
	2020	2019	2018
	(in thousands)		
Pro Forma Segment Adjusted EBITDA(1):			
Refining Services	$157,198	$175,640	$176,499
Catalysts(2)	74,504	107,808	81,067
Total Pro Forma Segment Adjusted EBITDA(3)	231,702	283,448	257,566
Unallocated corporate expenses(4)	(39,087)	(43,192)	(39,284)
Pro Forma Adjusted EBITDA	$192,615	$240,256	$218,282

(1) We define Pro Forma Segment Adjusted EBITDA as Pro Forma EBITDA adjusted for certain items as noted in the reconciliation below. Our management evaluates the performance of our segments and allocates resources based primarily on Pro Forma Segment Adjusted EBITDA. Pro Forma Segment Adjusted EBITDA does not represent cash flow for periods presented and should not be considered as an alternative to net income as an indicator of our operating performance or as an alternative to cash flows as a source of liquidity. Pro Forma Segment Adjusted EBITDA may not be comparable with Pro Forma EBITDA or Pro Forma Adjusted EBITDA as defined by other companies.

(2) The Pro Forma Adjusted EBITDA from the Zeolyst Joint Venture included in the Catalysts segment is $42,515 for the year ended December 31, 2020, which includes $21,157 of equity in net income, plus $6,634 of amortization of investment in affiliate step-up, plus $14,724 of joint venture depreciation, amortization and interest.

The Pro Forma Adjusted EBITDA from the Zeolyst Joint Venture included in the Catalysts segment is $68,138 for the year ended December 31, 2019, which includes $45,899 of equity in net income, plus $7,534 of amortization of investment in affiliate step-up, plus $14,705 of joint venture depreciation, amortization and interest.

The Pro Forma Adjusted EBITDA from the Zeolyst Joint Venture included in the Catalysts segment is $56,663 for the year ended December 31, 2018, which includes $37,437 of equity in net income, plus $6,634 of amortization of investment in affiliate step-up, plus $12,592 of joint venture depreciation, amortization and interest.

(3) Our Total Pro Forma Segment Adjusted EBITDA differs from our total consolidated Pro Forma Adjusted EBITDA due to unallocated corporate expenses.

(4) As a result of the Transaction, the Company expects to reduce its unallocated corporate expenses to an estimated $30 to $35 million per year, which is not reflected in the table above, following the expiration of the transition services to be provided to the Purchaser for six months following the closing of the Transaction. However, the amount and composition of the unallocated corporate expenses may not be reduced by the amounts the Company anticipates and is subject to the final corporate organizational structure.

A reconciliation of pro forma net income (loss) attributable to PQ Group Holdings to Pro Forma Segment Adjusted EBITDA is as follows:

	Years ended December 31, 2020	2019	2018
	(in thousands)		
Reconciliation of pro forma net income (loss) attributable to PQ Group Holdings to Pro Forma Segment Adjusted EBITDA is as follows:			
Pro forma net income (loss) from continuing operations	$ 55,396	$ 32,948	$ 3,666
(Benefit) provision for income taxes	(63,995)	9,269	8,583
Interest expense, net	52,707	68,496	73,248
Depreciation and amortization	76,927	74,781	72,187
Pro Forma EBITDA	121,035	185,494	157,684
Joint venture depreciation, amortization and interest (a)	14,724	14,705	12,592
Amortization of investment in affiliate step-up (b)	6,634	7,534	6,634
Debt extinguishment costs	32,860	3,400	7,751
Net loss on asset disposals (c)	4,722	4,559	10,349
Foreign currency exchange (gain) loss (d)	(5,256)	1,263	14,013
LIFO expense (e)	(4,008)	7,276	768
Transaction and other related costs (f)	1,118	187	491
Equity-based compensation	17,194	13,280	16,899
Restructuring, integration and business optimization expenses (g)	1,994	2,571	6,822
Defined benefit plan pension cost (h)	(598)	552	(223)
Gain on contract termination (i)	—	—	(20,612)
Other (j)	2,196	(565)	5,114
Pro Forma Adjusted EBITDA	192,615	240,256	218,282
Unallocated corporate expenses	39,087	43,192	39,285
Pro Forma Segment Adjusted EBITDA	$231,702	$283,448	$257,567

(a) We use Pro Forma Adjusted EBITDA as a performance measure to evaluate our financial results. Because our Catalysts segment includes our 50% interest in the Zeolyst Joint Venture, we include an adjustment for our 50% proportionate share of depreciation, amortization and interest expense of the Zeolyst Joint Venture.

(b) Represents the amortization of the fair value adjustments associated with the equity affiliate investment in the Zeolyst Joint Venture as a result of the Business Combination. We determined the fair value of the equity affiliate investment and the fair value step-up was then attributed to the underlying assets of the Zeolyst Joint Venture. Amortization is primarily related to the fair value adjustments associated with fixed assets and intangible assets, including customer relationships and technical know-how.

(c) When asset disposals occur, we remove the impact of net gain/loss of the disposed asset because such impact primarily reflects the non-cash write-off of long-lived assets no longer in use.

(d) Reflects the exclusion of the foreign currency transaction gains and losses in the statements of income primarily related to the non-permanent intercompany debt denominated in local currency translated to U.S. dollars.

(e) Represents non-cash adjustments to the Company's LIFO reserves for certain inventories in the U.S. that are valued using the LIFO method, which we believe provides a means of comparison to other companies that may not use the same basis of accounting for inventories.

(f) Represents the costs related to several transactions that are completed, pending or abandoned and that we believe are not representative of our ongoing business operations.

(g) Includes the impact of restructuring, integration and business optimization expenses which are incremental costs that are not representative of our ongoing business operations.

(h) Represents adjustments for defined benefit pension plan costs in our statement of income. As of December 31, 2020, all of our defined benefit pension plan obligations are under defined benefit pension plans that are frozen. As such, we do not view such expenses as core to our ongoing business operations.

(i) Represents a non-cash gain on the write-off of the remaining liability under a contractual supply arrangement. As part of the acquisition by Eco Services Operations LLC of substantially all of the assets of Solvay USA Inc.'s sulfuric acid refining business unit on December 1, 2014 (the "2014 Acquisition"), we recognized a liability as part of business combination accounting related to our obligation to serve a customer under a pre-existing unfavorable supply agreement. In December 2018, the customer who was party to the agreement closed its facility, and as a result, we were relieved from our obligation to continue to supply the customer on the below market contract. Because the fair value of the unfavorable contract liability was recognized as part of the application of business combination accounting, and since the write-off of the remaining liability was non-cash in nature, we believe this gain is a special item that is not representative of our ongoing business operations.

(j) Other costs consist of certain expenses that are not core to our ongoing business operations, such as environmental remediation-related costs and capital and franchise taxes. Included in this line-item are rounding discrepancies that may arise from rounding.

PQ GROUP HOLDINGS INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Overview

On March 1, 2021, PQ Group Holdings Inc. (the “Company”), announced that it has entered into a definitive agreement to sell its Performance Chemicals business to a partnership established by Cerberus Capital Management, L.P. and Koch Minerals & Trading LLC (the “Purchaser”). Pursuant to the Purchase Agreement, and upon anticipated closing, the Company will divest its Performance Chemicals business to the Purchaser through the sale of the Company’s direct and indirect equity interests in each of the Company’s subsidiaries comprising the Performance Chemicals business (the “Transaction”) in exchange for a purchase price of $1.1 billion in cash, subject to certain adjustments specified therein, including for indebtedness, cash, working capital and transaction expenses of the Performance Chemicais business at the closing of the Transaction. Upon the anticipated close in 2021 and finalization of net cash proceeds, the Company is required to use portions of the proceeds to repay the outstanding debt and expects to restructure its debt, which is estimated to result in a debt reduction of $450 million to $550 million (the “Estimated Required Debt Repayment”). In addition, subject to the debt restructuring, the Company plans to return capital to shareholders through a special dividend of $2.50 to $3.25 per share (subject to Board approval and declaration).

In conjunction with entering into the definitive agreement, Performance Chemicals met the criteria set forth in Accounting Standards Codification 205-20, Presentation of Financial Statements – Discontinued Operations (“ASC205-20”). As a result, the results of operations of Performance Chemicals will be presented as discontinued operations in the consolidated statements of operations for all periods presented beginning with the quarterly financial statements to be filed on Form 10-Q for the quarter ended March 31, 2021.

The unaudited pro forma condensed consolidated financial statements were prepared in accordance with Article 11 of Regulation S-X and have been derived from the historical financial statements prepared in accordance with accounting principles generally accepted in the United States of America and are presented based on available information and certain assumptions that management believes are reasonable.

The unaudited pro forma financial statements present the Company’s unaudited pro forma condensed consolidated financial statements reflecting the effect of the Transaction as well as the Estimated Required Debt Repayment. The unaudited pro forma condensed consolidated balance sheet reflects the Company’s financial position as if the Transaction and the Estimated Required Debt Repayment had occurred on December 31, 2020. The unaudited pro forma condensed consolidated statement of income for the year ended December 31, 2020 is presented as if the Transaction and Estimated Required Debt Repayment had occurred on January 1, 2020. The unaudited pro forma condensed consolidated statements of income for the years ended December 31, 2019 and 2018 are presented with the elimination of the historical Performance Chemicals financial results as discontinued operations.

The unaudited pro forma condensed consolidated financial statements and the accompanying notes should be read in conjunction with our historical financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2020.

The unaudited pro forma condensed consolidated financial statements are provided for informational purposes only and are not necessarily indicative of the operating results that would have occurred if the Transaction had been completed as of the dates set forth above, nor are they indicative of the future results of the Company. The unaudited condensed pro forma financial statements do not purport to project the future operating results or financial position of the Company following the Transaction.

PQ GROUP HOLDINGS INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
As of December 31, 2020
(In thousands)

	Historical As Reported	(A) Divestiture of Performance Chemicals	(B) Pro Forma Adjustments	Pro Forma
ASSETS				
Cash and cash equivalents	$ 135,531	$ 973,580	$ (500,000)	$ 609,111
Accounts receivables, net	132,619	(86,695)	—	45,924
Inventories, net	127,436	(75,625)	—	51,811
Prepaid and other current assets	32,554	(18,641)	—	13,913
Total current assets	428,140	792,619	(500,000)	720,759
Investments in affiliated companies	458,452	(324)	—	458,128
Property, plant and equipment, net	983,235	(390,541)	—	592,694
Goodwill	717,738	(326,173)	—	391,565
Other intangible assets, net	526,303	(388,857)	—	137,446
Right-of-use lease assets	48,239	(19,296)	—	28,943
Other long-term assets	35,714	(23,124)	—	12,590
Total assets	**$3,197,821**	**$ (355,696)**	**$ (500,000)**	**$2,342,125**
LIABILITIES				
Accounts payable	112,333	(74,228)	—	38,105
Operating lease liabilities—current	15,194	(8,479)	—	6,715
Accrued liabilities	73,811	(25,144)	—	48,667
Total current liabilities	201,338	(107,851)	—	93,487
Long-term debt, excluding current portion	1,400,369	—	(489,645)	910,724
Deferred income taxes	175,901	(49,900)	—	126,001
Operating lease liabilities—noncurrent	32,019	(10,047)	—	21,972
Other long-term liabilities	111,015	(97,021)	—	13,994
Total liabilities	**$1,920,642**	**$ (264,819)**	**$ (489,645)**	**$1,166,178**
EQUITY				
Common stock	1,371	—	—	1,371
Preferred stock	—	—	—	—
Additional paid-in capital	1,477,859	—	—	1,477,859
(Accumulated deficit) retained earnings	(175,758)	(206,309)	(10,355)	(392,422)
Treasury stock	(11,081)	—	—	(11,081)
Accumulated other comprehensive loss	(15,265)	115,485	—	100,220
Total PQ Group Holdings Inc. equity	1,277,126	(90,824)	(10,355)	1,175,947
Noncontrolling interest	53	(53)	—	—
Total equity	1,277,179	(90,877)	(10,355)	1,175,947
Total liabilities and equity	**$3,197,821**	**$ (355,696)**	**$ (500,000)**	**$2,342,125**

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

PQ GROUP HOLDINGS INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
Year Ended December 31, 2020
(In thousands, except per share amounts)

	Historical As Reported	(C) Divestiture of Performance Chemicals	(D) Pro Forma Adjustments	Pro Forma
Sales	$ 1,107,363	$ (611,443)	—	$ 495,920
Cost of goods sold	834,007	(487,787)	—	346,220
Gross profit	273,356	(123,656)	—	149,700
Selling, general and administrative expenses	125,294	(43,778)	—	81,516
Goodwill impairment charge	260,000	(260,000)	—	—
Other operating expense, net	50,986	(33,144)	—	17,842
Operating (loss) income	(162,924)	213,266	—	50,342
Equity in net income from affiliated companies	(21,237)	172	—	(21,065)
Interest expense, net	66,979	(14,272)	—	52,707
Debt extinguishment costs	25,028	—	7,832	32,860
Other (income) expense, net	(6,109)	548	—	(5,561)
(Loss) income from continuing operations before income taxes and noncontrolling interest	(227,585)	226,818	(7,832)	(8,599)
(Benefit) provision for income taxes	(48,122)	(13,909)	(1,964)	(63,995)
Net (loss) income from continuing operations	(179,463)	240,727	(5,868)	55,396
Less: Net (loss) income attributable to the noncontrolling interest—continuing operations	(3,198)	3,198	—	—
Net (loss) income attributable to PQ Group Holdings Inc.	(176,265)	237,529	(5,868)	55,396
Net (loss) income per share				
Basic (loss) income per share – continuing operations	$ (1.30)			$ 0.41
Diluted (loss) income per share – continuing operations	$ (1.30)			$ 0.41
Weighted average shares outstanding				
Basic	135,528,977			135,528,977
Diluted	135,528,977			135,528,977

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

PQ GROUP HOLDINGS INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
Year Ended December 31, 2019
(In thousands, except per share amounts)

	Historical As Reported	(C) Divestiture of Performance Chemicals	Pro Forma
Sales	$ 1,199,914	$ (667,166)	$ 532,748
Cost of goods sold	901,512	(535,157)	366,355
Gross profit	298,402	(132,009)	166,393
Selling, general and administrative expenses	129,516	(46,133)	83,383
Other operating expense, net	21,378	(3,858)	17,520
Operating income	147,508	(82,018)	65,490
Equity in net income from affiliated companies	(46,022)	120	(45,902)
Interest expense, net	87,072	(18,576)	68,496
Debt extinguishment costs	3,400	—	3,400
Other (income) expense, net	(2,372)	(349)	(2,721)
Income from continuing operations before income taxes and noncontrolling interest	105,430	(63,213)	42,217
Provision (benefit) for income taxes	39,677	(30,408)	9,269
Net income from continuing operations	65,753	(32,805)	32,948
Less: Net income attributable to the noncontrolling interest – continuing operations	617	(617)	—
Net income attributable to PQ Group Holdings Inc.	$ 65,136	$ (32,188)	$ 32,948
Net income per share			
Basic income per share – continuing operations	$ 0.48		$ 0.25
Diluted income per share – continuing operations	$ 0.48		$ 0.24
Weighted average shares outstanding			
Basic	134,389,667		134,389,667
Diluted	135,548,694		135,548,694

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

PQ GROUP HOLDINGS INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
Year Ended December 31, 2018
(In thousands, except per share amounts)

	Historical As Reported	(C) Divestiture of Performance Chemicals	Pro Forma
Sales	$ 1,228,926	$ (701,266)	$ 527,660
Cost of goods sold	925,534	(555,918)	369,616
Gross profit	303,392	(145,348)	158,044
Selling, general and administrative expenses	131,402	(46,585)	84,817
Other operating expense, net	16,427	(13,396)	3,031
Operating income	155,563	(85,367)	70,196
Equity in net income from affiliated companies	(37,569)	177	(37,392)
Interest expense, net	90,758	(17,510)	73,248
Debt extinguishment costs	7,751	—	7,751
Other (income) expense, net	10,603	3,737	14,340
Income before income taxes and noncontrolling interest	84,020	(71,771)	12,249
Provision (benefit) for income taxes	33,641	(25,058)	8,583
Net income from continuing operations	50,379	(46,713)	3,666
Less: Net income attributable to the noncontrolling interest – continuing operations	1,108	(1,108)	—
Net income attributable to PQ Group Holdings Inc.	49,271	(45,605)	3,666
Net income per share			
Basic income per share – continuing operations	$ 0.37		$ 0.03
Diluted income per share – continuing operations	$ 0.37		$ 0.03
Weighted average shares outstanding			
Basic	133,380,567		133,380,567
Diluted	134,684,931		134,684,931

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

The unaudited pro forma condensed consolidated financial statements (i) are presented based upon available information and assumptions that the Company believes are reasonable, (ii) are intended for informational purposes only, (iii) are not necessarily indicative of and do not purport to represent what the Company's operating results would have been had the Transaction and related events (including the Estimated Required Debt Repayment) occurred as described or what the Company's future operating results will be after giving effect to these events, and (iv) do not reflect all actions that may be undertaken by the Company after the divestiture of the Performance Chemicals business. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors. The special dividend is not reflected in the unaudited pro forma condensed consolidated financial statements as it has not been declared and is not a required use of proceeds from the Transaction.

(A) The unaudited pro forma condensed consolidated balance sheet as of December 31, 2020 reflects the following divestiture-related adjustments as if the Transaction occurred on December 31, 2020:

- The purchase price of $1.1 billion less adjustments for indebtedness, cash and working capital per the Purchase Agreement, plus estimated transaction expenses of $20.0 million
- The elimination of the net assets subject to the Performance Chemicals divestiture
- Estimated taxes of $25.6 million resulting from the Transaction. This adjustment reflects management's best estimate at the time of this current report filed on Form 8-K. The Company will reflect the after-tax gain (loss) from the sale in its financial statements in the period the sale is completed, which is anticipated to close in 2021.
- Recognition of a preliminary $206.3 million loss on the sale, net of estimated taxes. The actual after-tax loss to be recorded on the sale of Performance Chemicals will change based on items including the exact closing date, adjustments to the estimated transactions costs as well as final calculations related to the tax basis of the assets. The preliminary estimated loss was calculated as follows (in millions):

Estimated proceeds, net of transaction costs and closing adjustments[1]	$ 1,016.6
Performance Chemicals net assets held for sale	(1,081.8)
Recognition of accumulated translation adjustments resulting from the sale of Performance Chemicals' foreign subsidiaries	(115.5)
Pre-tax loss on the sale of Performance Chemicals	(180.7)
Estimated taxes on the sale of Performance Chemicals	(25.6)
After-tax loss on the sale of Performance Chemicals	$ (206.3)

(1) Expected after-tax proceeds of $995 million, net of transaction costs and closing adjustments.

(B) The unaudited pro forma condensed consolidated balance sheet as of December 31, 2020 reflects an Estimated Required Debt Repayment of approximately $297 million of the Senior Secured Term Loan Facility due February 2027 and $203 million of the New Senior Secured Term Loan Facility due February 2027. The Estimated Required Debt Repayment results in the recognition of an estimated $10.4 million loss on extinguishment of debt, which includes the write-off of $3.2 million of unamortized deferred financing costs and $7.2 million of original issue discount.

(C) The divestiture of the Performance Chemicals business columns on the unaudited pro forma condensed consolidated financial statements represents the historical financial results directly attributable to the Performance Chemicals business including the interest expense associated with the Estimated Required Debt Repayment noted in (B), in accordance with ASC 205-20.

(D) The unaudited pro forma condensed consolidated income statement for the year ended December 31, 2020 reflects an estimated loss on extinguishment of debt of $7.8 million, and the associated tax impact of $2.0 million, related to the Estimated Required Debt Repayment of $500 million, assuming the Estimated Required Debt Repayment was made on January 1, 2020.