

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): November 9, 2018

MPM HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

333-201338
(Commission File
Number)

47-1756080
(I.R.S. Employer
Identification No.)

MOMENTIVE PERFORMANCE MATERIALS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

333-146093
(Commission File
Number)

20-5748297
(I.R.S. Employer
Identification No.)

260 Hudson River Road
Waterford, NY 12188
(Address of principal executive offices including zip code)

(518) 233-3330
(Registrant's telephone number, including area code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

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 (see General Instruction A.2. below):

- 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))
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Item 2.02 Results of Operations and Financial Condition

On November 9, 2018, MPM Holdings Inc. ("Momentive") issued a news release announcing its results for the third quarter ended September 30, 2018. A copy of the News Release is being furnished as Exhibit 99.1 to this current report.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit 99.1 [News Release, dated November 9, 2018, announcing Momentive's financial results for the third quarter ended September 30, 2018.](#)

SIGNATURES

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

MPM HOLDINGS INC.

/s/ Erick R. Asmussen

Erick R. Asmussen

Chief Financial Officer

MOMENTIVE PERFORMANCE MATERIALS INC.

/s/ Erick R. Asmussen

Erick R. Asmussen

Chief Financial Officer

Date: November 9, 2018

EXHIBIT INDEX

Exhibit

99.1

Description

News Release dated November 9, 2018 titled "Momentive Announces Third Quarter 2018 Results."



260 Hudson River Road
Waterford, NY 12188
momentive.com

NEWS RELEASE

FOR IMMEDIATE RELEASE

Momentive Announces Third Quarter 2018 Results

Third Quarter Highlights:

- Net sales of \$687 million, a 16% increase year-over-year
- Segment EBITDA of \$102 million, a 52% increase year-over-year
- Segment EBITDA margin of 14.8%, a 350bp increase year-over-year
- Entered into a definitive merger agreement whereby Momentive will be acquired in a transaction valued at approximately \$3.1 billion, including the assumption of net debt, pension and OPEB liabilities.
- Reduced net leverage¹ to 2.8x as of September 30, 2018

WATERFORD, N.Y. (November 9, 2018) - MPM Holdings Inc. (“Momentive” or the “Company”) (OTCQX: MPMQ) today announced results for the third quarter ended September 30, 2018.

“Our strong third quarter results demonstrate incremental progress against our strategy to drive segment EBITDA growth, improve margins and generate free cash flow,” said Jack Boss, Chief Executive Officer and President. “We continue to benefit from the ongoing market uplift within our Formulated and Basic Silicones segment as well as growth in our specialty applications driven by end-market pull and our strategic capital investments.”

“In addition, as previously announced, following a thoughtful and comprehensive review of our strategic growth opportunities, we announced a definitive merger agreement that will deliver maximum value to our stockholders, while positioning the Company for long-term growth and future job creation that will benefit our talented global employees, customers, and suppliers. When completed, we believe the transaction will enhance our global leadership position by expanding our portfolio of products, broadening our geographic reach and strengthening our financial position.”

Mr. Boss concluded, “As we look out into the remainder of 2018, we continue to expect strong demand driven by solid industry fundamentals and continued margin improvement from increased specialty sales, cost optimization and favorable trends in basics products.”

Third Quarter 2018 Results

Net Sales. Net sales for the three months ended September 30, 2018 were \$687 million, an increase of 16% compared with \$594 million in the prior year. The increase was driven by improved market dynamics in our basics end markets and volume gains

¹ Defined as total principal value of debt less cash and cash equivalents divided by Segment EBITDA.

across nearly all of Momentive's segments, which reflected the benefits of our strategic growth investments and increased demand in the automotive, agriculture, personal care, electronic, and industrial end markets.

Net Income (Loss). Net income for the three months ended September 30, 2018 was \$18 million compared with net loss of \$8 million in the prior year period.

Segment EBITDA. Segment EBITDA for the three months ended September 30, 2018 was \$102 million, an increase of 52% compared with \$67 million in the prior year period. The increase in Segment EBITDA was driven by significantly improved market dynamics in our basics end markets and the benefits of prior strategic investments in our specialty capabilities.

Segment Results

The following tables reflect net sales and Segment EBITDA by reportable segment for the third quarter and nine months ended September 30, 2018 and 2017. See "Non-U.S. GAAP Measures" and Schedule 4 to this release for further information regarding Segment EBITDA and for a reconciliation of net income (loss) to Segment EBITDA.

Net Sales ⁽¹⁾:

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Performance Additives	\$ 239	\$ 223	\$ 737	\$ 670
Formulated and Basic Silicones	395	320	1,151	910
Quartz Technologies	53	51	160	152
Total	\$ 687	\$ 594	\$ 2,048	\$ 1,732

⁽¹⁾ Intersegment sales are not significant and, as such, are eliminated within the selling segment.

Segment EBITDA:

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Performance Additives	\$ 47	\$ 45	\$ 151	\$ 140
Formulated and Basic Silicones	51	20	155	71
Quartz Technologies	13	13	34	30
Corporate	(9)	(11)	(31)	(31)
Total	\$ 102	\$ 67	\$ 309	\$ 210

Momentive Enters into Agreement to be Acquired by Investor Group

On September 13, 2018, Momentive, SJL Partners LLC, KCC Corporation and Wonik QnC Corporation (collectively, the "Investor Group") announced that they have entered into a definitive merger agreement whereby the Investor Group will acquire Momentive in a transaction valued at approximately \$3.1 billion, including the assumption of net debt, pension and postretirement liabilities.

Liquidity and Balance Sheet

At September 30, 2018, Momentive had net debt, which is total debt less cash and cash equivalents, of approximately \$1.1 billion. In addition, at September 30, 2018, Momentive had \$498 million in liquidity, including \$251 million of unrestricted cash and cash equivalents, and \$247 million of availability under its senior secured asset-based revolving loan facility (the "ABL Facility") (undrawn, with \$53 million letters of credit outstanding). Momentive expects to have adequate liquidity to fund its operations for the foreseeable future from cash on its balance sheet, cash flows provided by operating activities and amounts available for borrowings under the ABL Facility.

Non-U.S. GAAP Measures

Segment EBITDA is defined as EBITDA (earnings before interest, income taxes, depreciation and amortization) adjusted for certain non-cash and certain other income and expenses. Segment EBITDA is an important measure used by the Company's senior management and board of directors to evaluate operating results and allocate capital resources among segments. Segment EBITDA should not be considered a substitute for net income (loss) or other results reported in accordance with accounting principles generally accepted in the United States ("GAAP"). Segment EBITDA may not be comparable to similarly titled measures reported by other companies. See Schedule 4 to this release for a reconciliation of net income (loss) to Segment EBITDA.

Adjusted EBITDA is defined as EBITDA adjusted for certain non-cash and certain non-recurring items and other adjustments calculated on a pro-forma basis, including the expected future cost savings from business optimization or other programs and the expected future impact of acquisitions, in each case as determined under the governing debt instrument. The Company believes that including the supplemental adjustments that are made to calculate Adjusted EBITDA provides additional information to investors about the Company's ability to comply with its financial covenants and to obtain additional debt in the future. Adjusted EBITDA is not a defined term under GAAP. Adjusted EBITDA is not a measure of financial condition, liquidity or profitability, and should not be considered as an alternative to net income (loss) determined in accordance with GAAP or operating cash flows determined in accordance with GAAP. Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not take into account certain items such as interest and principal payments on the Company's indebtedness, depreciation and amortization expense (because the Company uses capital assets, depreciation and amortization expense is a necessary element of the Company's costs and ability to generate revenue), working capital needs, tax payments (because the payment of taxes is part of the Company's operations, it is a necessary element of the Company's costs and ability to operate), non-recurring expenses and capital expenditures. Fixed Charges under the indentures should not be considered as an alternative to interest expense. See Schedule 5 to this release for a reconciliation of net income to Adjusted EBITDA and the calculation of the Adjusted EBITDA to Fixed Charges ratio.

Forward-Looking and Cautionary Statements

Certain statements in this press release are forward-looking statements within the meaning of and made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements related to the benefits and anticipated timing of the merger transaction and expectations or predictions of future financial or business performance. In addition, our management may from time to time make oral forward-looking statements. All statements, other than statements of historical facts, are forward-looking statements. Forward-looking statements may be identified by the words “believe,” “expect,” “anticipate,” “project,” “plan,” “estimate,” “may,” “will,” “could,” “should,” “seek” or “intend” and similar expressions. Forward-looking statements reflect our current expectations and assumptions regarding our business, the economy, the merger agreement, and other future events and conditions and are based on currently available financial, economic and competitive data and our current business plans. Actual results could vary materially depending on risks and uncertainties that may affect our operations, markets, services, prices and other factors as discussed in the Risk Factors section of our most recent Annual Report on Form 10-K and our other filings with the Securities and Exchange Commission (the “SEC”). While we believe our assumptions are reasonable, we caution you against relying on any forward-looking statements as it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to: a weakening of global economic and financial conditions, interruptions in the supply of or increased cost of raw materials, the impact of work stoppage and other incidents on our operations, changes in governmental regulations or interpretations thereof and related compliance and litigation costs, adverse rulings in litigation, difficulties with the realization of our cost savings in connection with transformation and strategic initiatives, including transactions with our affiliate, Hexion Inc., pricing actions by our competitors that could affect our operating margins, the impact of our growth and productivity investments, our ability to realize the benefits there from, and the timing thereof, our ability to obtain additional financing, and risks related to the merger agreement including the risk that the necessary regulatory approvals may not be obtained or may be obtained subject to conditions that are not anticipated, risks that any of the closing conditions to the proposed merger may not be satisfied or may not be satisfied in a timely manner, the risk that the businesses will not be integrated successfully, that such integration may be more difficult, time-consuming or costly than expected or that the expected benefits of the acquisition will not be realized, potential customer losses and business disruption following the announcement or consummation of the proposed transaction, potential litigation relating to the merger transaction, the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement, the effect of the announcement or pendency of the transaction on the Company’s business relationships, operating results, and business generally, and the other factors listed in the Risk Factors section of our SEC filings. All forward-looking statements are expressly qualified in their entirety by this cautionary notice. The forward-looking statements made by us speak only as of the date on which they are made. Factors or events that could cause our actual results to differ may emerge from time to time. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

About Momentive

Momentive is a global leader in silicones and advanced materials, with a 75 plus year heritage of being first to market with performance applications that support and improve everyday life. Momentive delivers science-based solutions for major industries, by linking its custom technology platforms to allow the creation of unique solutions for customers. Additional information is available at www.momentive.com.

Contact, Media and Investors:

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(See Attached Financial Statements)

MPM HOLDINGS INC.

SCHEDULE 1: CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In millions, except share and per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net sales	\$ 687	\$ 594	\$ 2,048	\$ 1,732
Cost of sales	528	473	1,562	1,378
Gross profit	159	121	486	354
Costs and expenses:				
Selling, general and administrative expense	83	84	255	251
Research and development expense	17	17	52	48
Restructuring and discrete costs	8	6	11	6
Other operating expense (income), net	1	(1)	(1)	3
Operating income	50	15	169	46
Interest expense, net	21	21	61	60
Non-operating (income) expense, net	(4)	(5)	(7)	(7)
Reorganization items, net	4	—	9	—
Income (loss) before income taxes and earnings from unconsolidated entities	29	(1)	106	(7)
Income tax expense	12	6	31	11
Income (loss) before earnings from unconsolidated entities	17	(7)	75	(18)
Earnings from unconsolidated entities, net of taxes	1	(1)	2	(1)
Net income (loss)	\$ 18	\$ (8)	\$ 77	\$ (19)

MPM HOLDINGS INC.

SCHEDULE 2: CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(In millions, except share data)	MPM HOLDINGS INC.	
	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents (including restricted cash of \$1 at both September 30, 2018 and December 31, 2017)	\$ 252	\$ 174
Accounts receivable (net of allowance for doubtful accounts of \$3 and \$4 at September 30, 2018 and December 31, 2017, respectively)	386	323
Inventories:		
Raw materials	172	153
Finished and in-process goods	292	292
Other current assets	52	51
Total current assets	1,154	993
Investment in unconsolidated entities	21	19
Deferred income taxes	10	11
Other long-term assets	14	11
Property, plant and equipment:		
Land	77	77
Buildings	376	338
Machinery and equipment	1,141	1,135
	1,594	1,550
Less accumulated depreciation	(459)	(383)
	1,135	1,167
Goodwill	212	216
Other intangible assets, net	268	300
Total assets	\$ 2,814	\$ 2,717
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 320	\$ 286
Debt payable within one year	36	36
Interest payable	25	12
Income taxes payable	11	7
Accrued payroll and incentive compensation	69	68
Other current liabilities	100	103
Total current liabilities	561	512
Long-term liabilities:		
Long-term debt	1,211	1,192
Pension and postretirement benefit liabilities	319	335
Deferred income taxes	62	60
Other long-term liabilities	72	74
Total liabilities	2,225	2,173
Equity		
Common stock - \$0.01 par value; 70,000,000 shares authorized; 48,163,690 and 48,121,634 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	—	—
Additional paid-in capital	871	868
Accumulated other comprehensive income (loss)	(53)	(18)
Accumulated deficit	(229)	(306)
Total equity	589	544
Total liabilities and equity	\$ 2,814	\$ 2,717

MPM HOLDINGS INC.

SCHEDULE 3: CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In millions)	Nine Months Ended September 30,	
	2018	2017
Cash flows provided by (used in) operating activities		
Net income (loss)	\$ 77	\$ (19)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	120	117
Gain on insurance proceeds received for capital	(3)	—
Unrealized actuarial (gains) losses from pensions and other post retirement liabilities	(2)	1
Deferred income tax expense (benefit)	4	(10)
Unrealized foreign currency gains	(6)	(4)
Amortization of debt discount and ABL deferred financing costs	19	18
Stock based compensation	3	3
Other non-cash adjustments	(2)	9
Net change in assets and liabilities:		
Accounts receivable	(71)	(40)
Inventories	(27)	(20)
Accounts payable	47	27
Income taxes payable	6	—
Other assets, current and non-current	(2)	(3)
Other liabilities, current and non-current	6	(33)
Net cash provided by operating activities	169	46
Cash flows used in investing activities		
Capital expenditures	(84)	(123)
Capital reimbursed from insurance proceeds	3	—
Purchases of intangible assets	(1)	(2)
Dividend from MPM	1	1
Purchase of a business	—	(9)
Net cash used in investing activities	(81)	(133)
Cash flows used in financing activities		
Borrowings of short-term debt	36	35
Repayments of short-term debt	(36)	(36)
ABL financing fees	(4)	—
Net cash used in financing activities	(4)	(1)
Increase (decrease) in cash, cash equivalents, and restricted cash	84	(88)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(6)	4
Cash, cash equivalents, and restricted cash at beginning of period	174	228
Cash, cash equivalents, and restricted cash at end of period	\$ 252	\$ 144
Supplemental disclosures of cash flow information		
Cash paid for:		
Interest	\$ 29	\$ 30
Income taxes, net of refunds	21	20
Non-cash investing activity:		
Capital expenditures included in accounts payable	\$ 15	\$ 25

MPM HOLDINGS INC.

SCHEDULE 4: RECONCILIATION OF NET INCOME (LOSS) TO SEGMENT EBITDA (Unaudited)

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss)	\$ 18	\$ (8)	\$ 77	\$ (19)
Interest expense, net	21	21	61	60
Income tax expense	12	6	31	11
Depreciation and amortization	40	42	120	117
Items not included in Segment EBITDA:				
Non-cash charges and other income and expense , net	\$ (1)	\$ —	\$ 2	\$ 4
Unrealized (gains) losses on pension and postretirement benefits	—	—	(2)	1
Restructuring and discrete costs	8	6	11	36
Reorganization items	4	—	9	—
Segment EBITDA	<u>\$ 102</u>	<u>\$ 67</u>	<u>\$ 309</u>	<u>\$ 210</u>

MOMENTIVE PERFORMANCE MATERIALS INC.

SCHEDULE 5: RECONCILIATION OF LAST TWELVE MONTHS NET INCOME TO ADJUSTED EBITDA (Unaudited)

(In millions)	September 30, 2018
	LTM Period
Net income	\$ 98
Interest expense, net	81
Income tax expense	35
Depreciation and amortization	157
EBITDA	371
Adjustments to EBITDA	
Restructuring and discrete costs ^(a)	11
Reorganization items, net ^(b)	10
Unrealized gains on pension and postretirement benefits ^(c)	(8)
Pro forma cost savings ^(d)	11
Non-cash charges ^(e)	9
Adjusted EBITDA	\$ 404
Adjusted EBITDA less Capital Expenditures and Cash Taxes	\$ 251
Pro forma fixed charges ^(f)	\$ 56
Ratio of Adjusted EBITDA to Fixed Charges ^(g)	7.21
Pro forma Fixed Charge Coverage Ratio ^(h)	4.48

- (a) Primarily includes expenses related to our global restructuring program, siloxane production transformation, and certain other non-operating income and expenses.
- (b) Represents professional fees related to our reorganization.
- (c) Represents non-cash actuarial gains resulting from pension and postretirement liability curtailment and re-measurements.
- (d) Represents estimated cost savings, on a pro forma basis, from initiatives implemented or being implemented by management.
- (e) Includes primarily the effects of foreign exchange gains and losses and impacts of asset impairments and disposals, and stock-based compensation expense.
- (f) Reflects pro forma interest expense based on outstanding indebtedness and interest rates at September 30, 2018 adjusted for applicable restricted payments.
- (g) MPM's ability to incur additional indebtedness, among other actions, is restricted under the indentures governing our notes, unless MPM has an Adjusted EBITDA to Fixed Charges ratio of at least 2.0 to 1.0. As of September 30, 2018, we were able to satisfy this test and incur additional indebtedness under these indentures.
- (h) Represents Pro forma Fixed Charge Coverage Ratio (the "FCCR") as defined in the credit agreement for the ABL Facility. If the availability under the ABL Facility is less than the greater of (a) 12.5% of the lesser of the borrowing base and the total ABL Facility commitments at such time and, (b) \$27, then the FCCR must be greater than 1.0 to 1.0.