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EDITED TRANSCRIPT

EMN.N - Eastman Chemical Co at Deutsche Bank Global Materials Conference

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PRESENTATION

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

So welcome. Next up is the team from Eastman Chemical, CFO, Willie McLain; and Greg Riddle from the Investor Relations team. So Willie, Greg, welcome.

QUESTIONS AND ANSWERS

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

Willie, first off, how's business? Maybe walk us through demand by region, by end market, by key geography.

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

Thanks, David, and happy to be here today, and we'll kick it off with that question. Things continue to be, from a demand perspective, very strong. We've seen that resiliency continue in April, May, and so underlying across all of our key business is a strong demand.

We are seeing some impacts, obviously, from COVID, from the supply chain --in China and impacts there. Also, we continue to see some of the impacts related to the Ukraine on the building and construction side in Europe. And as we also continue to have logistics constraints just from disconnections across the globe.

Our Chemical Intermediates business continues to be very, very strong. Obviously, we look at that and look at the strong demand. In our Advanced Materials, we're continuing to see our films businesses be strong across the globe. Also, on the interlayers front, it is being impacted by a little bit of the slowdown in Europe and the architectural side.

And our specialty plastics business, strong demand across the regions. We're recovering actually ahead of schedule on production from our steam line incident in Q1. There, we're facing some of the logistics constraints of how do we get the channel, I'll call it, refilled. So a little bit higher cost and it's taking a little bit more time to refill the channels to our customers.

So as we think about that, ultimately, the guidance that we gave back in Q1, delivering 8% to 12% growth on a year-over-year basis in Q2. We're confident we're on track for that here as we are starting to wrap up the quarter.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

Very good. And any signs of weakness amongst the consumer, given the persistent inflation in energy and food prices?

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William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

To your point, I think we've had a higher level of inflation than we had originally guided, at least as we're, I'll call it, exiting Q2. We're seeing higher crude, higher natural gas prices in the U.S., obviously, in Europe and abroad. We're continuing to raise prices. We've talked about delivering $100 million of growth in the back half of the year. We're still on track to do that.

And our businesses are continuing, I'll call it, to balance that margin management versus demand. And again, no signs to this point. We have a diverse portfolio of end markets, and we continue to have those robust discussions with our customers and no impacts that we're seeing anecdotal, but no major impacts that we're seeing on the demand front.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

Very good. And in China, how did China lockdowns impacted your business?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

Yes. Just to remind everyone, Eastman has about 10% of our revenue in China. Roughly half of that, I'll call it is for local consumption. The other half is reexported to markets like the U.S. and Europe. And there, I would say it's been more impacts on just logistics and supply chains.

Our films business, which has a very strong local business has performed extremely well here in the quarter, even given the lockdowns. So it's continuing to perform at levels. It's good to see a reopening. I think that ultimately will generate increased demand. I think consumption will occur. I think there will be stimulation. What I would like to see is for continued progression in the opening versus open and then lockdown. I think that's not healthy for the consumer or honestly, supply chains as we're looking into the second half.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

Any initial signs of business picking up as lockdowns end?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

Right now, I would say it's more of -- we're reading in the newspaper, we're seeing at our customers, just the pictures and the excitement. I wouldn't say that there is strong demand per se yet, that I would highlight here in the early days. I think, generally, it's a positive trend is what I would call it, and it could provide some positive momentum as we enter the second half.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

Very good. Switching to Europe, how is the Russia-Ukraine conflict impacted your business?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

So one thing I would highlight is our European footprint as we completed the divestitures of tires and adhesives is reduced quite a bit. We had production in the Netherlands. We also had production in Germany related to those 2 businesses. So our European production footprint has changed.

Our biggest concentration of assets is primarily in Belgium, and it's related to our interlayers business as well as our care solutions business. Our care business globally and in Europe has held up very well and continuing to have a strong quarter here in Q2.

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I think on a relative basis, it also helps us from an asset positioning as we think about our U.S. assets competing on a global basis. So we're definitely starting to see some early impacts, potentially on demand and architecture. But from a competitiveness standpoint, I think it helps us both versus European assets and Asia, China assets as we look to the inflationary impacts that we've seen in oil and natural gas.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

Has your view on Europe changed from either an investment standpoint or growth outlook given recent changes?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

I think everyone is -- prudent to pause and evaluate what happens, either regional barriers, cost structure barriers as you think about it and even as you evaluate your M&A pipeline. That's what we're doing right now is continuing to see what's structural versus what's just impacts here until we find resolution or conclusion with what's going on in the Ukraine.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

Very good. Switching to raws, do you expect your raw material costs to peak in Q2?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

I would say that's the one thing that we're going to be assessing as we go through our operations reviews, we continue to review it. Obviously, not only monthly but more frequent than that as you think about the landscape. China opening up, we'll have to assess what does that do to the crude market.

On a relative basis, I still think with our U.S. operations in Kingsport, Texas and more broadly across the U.S. Our U.S. assets will still be, I think, advantaged relative to European and Asian. And that should put us in a good position as we export a large portion of assets as well. We're one of the largest U.S. exporters.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

And do you expect your selling price increases to offset higher raw material, energy and freight costs in Q2 and for the full year?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

Yes. So we continue, I would say, start at the front of the chain, which is in our Chemical Intermediates. We've continued to make progress on pricing increases with the continued inflationary factors. Demand has not been impacted as a result that we've seen thus far, and it's holding up extremely well, as I talked about our confidence in delivering our Q2 guidance. So there, we're going to be at or favorable to Q1 margin levels is what I would expect.

In the specialties, I think what you're seeing there is -- we made the great progress as we entered the year, inflation has continued. We've got the strong price increases that occurred in April and May, and continuing to make progress against that. I think we will have to take more actions as we go into Q3 to ultimately be where we want to be with the continued inflation. We're above $120, our guidance was in that $100 to $110 level. So it's going to take more. And we'll be smart about how we balance the pricing versus volume equation.

In the near term, we've been guiding to focus on ensuring the spreads. We will trade off a little volume, and that has not had any significant consequences.

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David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

And where will we need to take additional pricing actions given this further increase in oil prices?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

Yes. I would expect, again, that would probably be in the specialties as we think about how the oil and the impacts to things like paraxylene, methanol, et cetera.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

Very good. Supply chain issues, are they getting any better at all for you guys?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

So what I would highlight is we were probably -- it's more of an impact on us here in Q2 because of our Q1 steam line incident and for Advanced Materials. So in some cases, it's increasing the expenses and the amount of time that is taking us to reposition. As I described, some of our products are going from the U.S. to Asia, and then they're being redistributed back to Western economies. That's taking a little longer in that business.

I would say there's not a lot of improvement overall in key channels. I think whether it's trucking within a region or trying freight around the world both of those are still factors. China opening back up could also be an impact that on the short term. I think longer term, it's positive that trade flows start to get back to normal.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

When thinking about higher oil prices and higher propylene prices, are those still good for Eastman Chemical long term?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

You've heard me reference through some of my comments of how our U.S. assets are positioned relative to China, Asia and Europe. It is long term, I'll call it, positive. What we like is, I call it, steady inflation versus volatility and extreme inflation that we're trying to work ourselves through right now because typically, those have demand impacts. What we're at least in this period of time, in the first half of '22, demand has been very resilient. But longer term, without volatility at a higher level will make us more competitive, and it actually improves our positioning for our specialties as we go into other regions of the world.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

And if we do go into a downturn or even a recession, how is the newer slim down portfolio positioned ex your recent asset sales to perform in a downturn?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

Yes. I think that you've seen the new focused AFP post our divestitures that we've published in our data book. You can see that it was very resilient from the '18 time frame to current. That was a trade war on top of that, a pandemic. And then now you've got a land more and that business is performing very well here in the first half of the year. I think our end market diversity is key.

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And on top of that, we're creating our own growth, our innovation-driven growth model within our Advanced Materials segment. That positions us well. I think we've demonstrated it both from a business standpoint and a cash flow standpoint that this new Eastman, new portfolio that was at least tested in the COVID environment performed well versus peers on a relative basis and performed well overall on a, I'll call it, delivering financial metrics.

The other thing that's unique about the current time is if that's coming in the near term, a downturn is we don't have a major destocking event. And I think that positions us well. We've got also OEM production that could be improving. We've got international travel as business gets back to normal. Those are other tailwinds that are at lows now as we think about scenarios for a downturn. We are focused and we'll continue to be focused on an effective cost structure.

Our integration gives us that, our skill enables that. And in this inflationary environment, that's got to be a key component. And we're making investments in digital to ensure that how we do things is more productive on a go-forward basis, and we're more agile.

The last 12 quarters, I think, have been tremendous from the Eastman team and the adaptability and the resilience that we've demonstrated. From a business, from a cash, but more importantly from a strategy, and we're excited about where our strategy is going to take us as we introduce sustainability on a world scale here in the next 9 to 12 months.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

Great segue, now to the exciting stuff. Molecular recycling. Give us an overview of what you're trying to accomplish with molecular recycling? And then we can walk through the various projects underway right now.

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

So as you think about Eastman and innovation-driven growth model, we've also been focused on major macro trends ultimately, Tritan and the BPA free growing world and feeding a growing world. And with sustainability, we've had technologies, we've had applications that we could have done that 10 years ago. What we do is as a society, the people in this room and that are listening on the call we've got a different level of conviction now that we need to make a change. And also as a society that we're willing to pay for it.

So as you think about a CFO, you can't ultimately build a plant that can't generate a return. But with this new conviction and with brands aligning, governments aligning around the world, you can make good returns and also have a material impact on the world. And that's what we're excited about. We're acquiring talent because people want to be a part of this vision and strategy.

And it's really 2 models is the way I think about it. One, we've had a decade of success in our Advanced Materials business. We've generated growth in our specialty plastics business even through the COVID environment. We're bringing that to market. On the specialty model with our first plant here in Kingsport that's scheduled to come online and be mechanically completed at the end of Q1. We expect to be at I'll call it, commercial levels of production by midyear, and that can starting to contribute to growth in the back half. That's exciting.

I drive by the plant every day. I see the progress, and it's going to be here. The great thing is this is already on the shelves today. The pricing for our brands for the customers. We're using a technology from a bridge standpoint, for glycolysis that's enabling us to test the pricing. So in many facets in key markets like durables, as you think about going into other markets like medical and downstream, we know how this is performing. And brands can charge 25% or more, and there's other examples outside of Eastman products that were sustainable products have even higher premiums that enable us to have confidence as this comes online, it's going to be successful, and it's that model.

The other model is, which is a larger, I'll call it, ultimately, the quantity is packaging, and that's what we call the Airgas model. We can be a sustainable solution for packaging, whether it's -- well, not like the glass on the table, but the plastic bottles. That's a feedstock. We view that as ultimately a valuable feedstock that's going to landfill and waste today. That's contributing to the carbon footprint, carbon intensity and ultimately impacting our waters, et cetera.

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We're really excited about being a solution, and we have brands and are making projects. So that would be the third project that we're working on with brands in the packaging space. And we're making progress towards the news flow and the announcement that we would expect later this year.

The project that we've announced in France is actually a combination of those 2 models. Early on, we're looking to drive through the packaging with the brand alignment, but also going to give us a strong European footprint for our specialty plastics and Advanced Materials segment. That's the business model aspect of it. There's lots of excitement as we're putting steel in the ground in Kingsport, and we're close to that market realization. And ultimately, what we're driving towards is making this a more costly option by delivering on the results that we've outlined for our specialties and that this is in the near term. This is not, I'll call it, some business that we're pitching. We're making it a reality today.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

So the questions I get back, I get -- well the pushback I get is will this work? So what are the challenges in procuring the polyester waste, sorting the polyester waste, run a plant at a high level using the mixed waste plastics efficiently?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

Okay. So there's a couple of facets that you touched there. One is the supply chain and the feedstock and then maybe 2 is the operations and the technology. So as we think about our first plant today, we believe that we have 75% of the feedstock contracted. And ultimately, we're not looking to go all the way to 100%. We think we have 100%, and the avenues to grow that because we're also thinking about a second U.S. facility.

As you think about feedstock and then the operations. So part of the operations is we've got a track record of success. We've got demonstrated experiences in the polyester stream. So a couple of those that I would highlight is through the '90s that we operated a methanolysis facility that was on a 40,000 met ton. Scaling from that versus lab versus pilot plan is very different. And we've done that on other technologies.

And one that I would highlight for you is Tritan, right? So we took Tritan from monomer creation to the market in a very short period of time because of our 70-year history of working in polyesters and polymer technology. We invented IntegRex. We took that from a technology to world-scale plants. We've got a demonstrated success, and I have confidence with the bridge technology. And that's also why we're doing this at our Kingsport facility. All of that expertise is right there locally. This will accelerate plant 2 in France and the potential for a project 3 here in the U.S. And we will leverage that to also ensure the capital efficiencies and the start-up economics.

So those are the 2 facets that I would bring up. The team that we have in place, the demonstrated history and the scale that we're operating at gives me the confidence that this is going to be successful and that the curves are not going to be like traditional technology curves.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

To ramp-up from mechanical completion through commercial and even full-scale commercial. And when will we know that this project works?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

I think you will know that this project works in 2023. Ultimately, we said mechanical completion, commercial startup and the brand alignment that we have today. Ultimately, we don't have enough capacity today to deliver the demand, and we expect a fast startup.

Now it will be a little longer in the specialties than some of the sustainable solution projects. But again, we expect to fill out rates to be faster with our third Tritan facility, then plant 1 and plant 2 even for Tritan. And it's because we now have a product that's fully sustainable that we can offer to our customers.

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David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

You touched on the premiums of these products, can you differentiate between maybe between the packaging side of the products and the more specialty side are the premium similar, higher or lower?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

So the premiums that I was talking about were more on the specialty side. As you think about on the packaging, the way I think about it is today, for mechanical recycling, there's a short supply of clear plastic clean bottles. So as you think about this project going forward, the intensity and the spread of the pricing for mechanically recycled product continues to go up.

So as there's more fighting for that to achieve commitments, either sustainability or as governments put either laws or taxes in place. Investing in our technology in a manner that provides a return for us at the levels we've talked about actually can create a natural hedge of having more than one feedstock channel. And ultimately, what we said there is greater than 12% returns for Eastman is what we're looking for. But we actually think that creates a valuable proposition for brands and partners that we look to grow with.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

You've discussed these 3 plans, $450 million EBITDA versus a $2 billion capital cost, which would be returns well above 12%. Are those still the right metrics to think about for these first 3 molecular recycling plants?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

Obviously, we continue to inform those every day. But yes, we're not updating, I'll call it, the guidance on the capital or the EBITDA that we believe is achievable through these. And as we make progress on each of these, I think you'll see the realization, and that's the great thing is you don't have to wait that long with project 1 to prove more proof points on the business model.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

Very exciting. Any questions from the audience? But now I'll keep on going. You also have an effort underway in bio-based polymers. So if you can touch on that and update us on the progress for that initiative.

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

So as you think about cellulosic and the original biopolymer is the way I would highlight it. Ultimately, that's been part of Eastman's portfolio for a long time. And we also have the opportunity to take the cellulosics, which come from sustainably managed forest, and combine that with our carbon renewal technology so that you can actually have a sustainable product for a large portion. And then you can combine that with a carbon renewal approach where you're recycling and have a fully renewable, sustainable product. That's exciting.

We also talked about the potential for $200 million of growth in some of these key end markets. We think that we're making progress on those. We're excited about some of the technologies and some of the partners that we're with, but we're in earlier stages there than we are with the circular platform. But we'll be looking to make milestones and demonstrate the success. And ultimately, there, the benefit is it's in our Additives & Functional Products portfolio as well as our Naia Renew as we think about the cellulosic platform.

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David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

You've mentioned EBITDA potentially of $200 million from bio-based polymers. What type of capital would be required to generate that -- those returns?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

So as we think about today, I think about our existing assets is the primary investment. And ultimately, it would be the shifting of those as we have the natural, I'll call it, reduction and needs for our acetate tow business. And ultimately, we can use the cellulosic capacities there to grow this business naturally over time. There will be some capacity that's required, but it's not going to be the same level of capital investment as we're talking about with circular.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

And the price premiums you would expect for these types of products?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

I think there's a spectrum. I think cellulosics is where some of our highest margin products are. So as you think about Eastman and our streams in our cellulosics and the biopolymers, we're bringing together 3 of our core streams. So ultimately, our acetyl stream, cellulosics and sometimes the olefin components.

So you're bringing 3 technology streams together to differentiate. And we have core knowledge in each of those, and we bring that together. And the more streams that you cross, typically the harder it is to replicate. So the barriers and competitive position is extremely strong when we do that. And that's what's exciting, is that we're looking to replicate that and meet some market unmet needs.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

And the next data point we should be or milestones we should be looking for in this bio-based initiative?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

I think that will be the brand successes, right? So as we're working with brands to bring some of those products to market and a specific applications, announcements as we make success in the market with those.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

And how quick, given the number of global brands, making large commitments to recycled and bio-based plastics. How large do you see this market being in 5 or even 10 years?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

I think the cellulosic market or as we think about shifting back to the circular. Because I do think there is where ultimately it takes partnership across the governments, the brands, and the market growing for alternatives. We are a believer that you need mechanical recycling. You will need other technologies to ultimately accomplish and take all of the polyester capacity today and make it sustainable.

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The size of this and the potential for different business models beyond project 3 and growing that sustainable solution portion that could open up a whole new different facet of business models that Eastman could look at, whether it's partnerships, whether it's licensing and ultimately growing that at a much faster pace with the know-how and the capabilities that we have. So that's the exciting part of -- we can demonstrate it in our specialties.

We can partner with the European and the European government to advance it on a continent that's more traditional and advanced probably in the recycling. And then we can also start here in the U.S. with a third product. That builds a momentum and an interest that -- it's sort of like our innovation, the what's possible. We've captured the imagination. If we deliver on those 3, it's exciting about how big it could be.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

Right now, your stock price reflects, imagining nothing, for these initiatives. Would it ever make sense if this discount persists to unlock the value somehow through a separation of molecular recycling and bio-based polymers?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

So to your point, internally, I've used the term free option, right? First and foremost, our objective is to deliver on the 8% to 12% of our core business. As you think about what we need to deliver on project 1, 2 and 3, I think I've described to you today the benefits of the integration, the technology, the co-location and the speed that we can work at of having this integrated into our platform, and naturally fits with our Advanced Materials for the specialty model.

The piece that we're open to thinking about more broadly in the future because we want to accelerate returns for our shareholders is that sustainable solution piece of how do we provide a solution to packaging and brands longer term. But to be successful between now and 2025, this being part of Eastman is, I think, the best position for success from a scale, from a technology and from the capital resources we have to do it ourselves.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

There are a number of companies out there trying to do similar things, sustainable plastics, molecular recycling, bio-based plastics. How should investors try to handicap? Who's going to be the winners ultimately in this arena?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

I think you need multiple avenues for success. As I think about us in the polyester, there's also pyrolysis and some others. So as you think about where we're focused it's Eastman and I'll call it, several startups as you think about either alternate technologies or different scales that they're trying to achieve.

I hope I've convinced you today that Eastman has -- whether it's a technology, an operations and engineering and bringing that to market, we've got the scale to drive this to success and make it an actual business model today and in 2023. We're making substantial progress. There will need to be other technologies in the polyolefins, et cetera.

I think we're unique in what we're trying to accomplish. We need mechanical, we need other technologies to emerge. But I think we could be as 5 to 10 years before others could catch up to the scale and the pace that we're operating today.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

Very good. I want to touch on share buybacks. You've been very aggressive in Q2, buying back your stock, any updates on where we are today and the outlook for the back half of the year for share buybacks.

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William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

Thank you. So as we committed, we delivered $1 billion of share buybacks in 2021, both with cash flow and the proceeds. We're going to deliver greater than $1 billion in share buybacks here in 2022 from both free cash flow and the proceeds from closing the adhesives business. During Q2, we have committed $750 million to share buybacks. So well on our way. And at this point, I think we've more than offset the dilution impacts from the lost EBIT and EBITDA from the divestitures.

That's another $250 million in the backside. We're continuing to monitor inflation and the pipeline of our bolt-ons. And we should have somewhere in that $300 million to $400 million of additional cash flow that we'll have options around to potentially go above the $1 billion mark here in the back half of the year.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

You mentioned bolt-ons, what role does M&A play for Eastman going forward in this growth strategy?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

I would say here in the near term, the bar is higher for bolt-ons because it's about delivering the circular milestones, and then also delivering the core earnings in a pretty volatile environment. So with that, doing integrations and the like is more complex and also with the uncertainty. So we're staying focused on the core. It will naturally as we demonstrate the successes, I think, open the portfolio back to more options as we're -- get the first plant here up and running.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

Your ESG credentials are obviously, we just discussed them for 15 minutes. What do you think needs to happen to you, you to become an ESG favored stock going forward?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

I think it's one completion of the project 1. It's delivering on milestones for Project 2 and making -- getting to an announcement on a third project. I think it's that, along with continuing to grow our specialties into the end markets and having that material impact from a sustainability lens that will and making the investments and milestones towards our overall carbon footprint as well. All of those are naturally got the interest. And what I'm trying to do is accelerate the fact that the longer you wait, the more costly it's getting to invest in the Eastman.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

My last question now is way out there. Your '23 earnings versus '22 because you have over earned a bit maybe in CI. Can you grow earnings next year, do you think without giving us guidance?

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

I do believe I have confidence as we're making progress on our margins in our specialties as well as we think about the impacts that we had from our steam line incident and the logistics issues that we're running into. I think there's capacity in our specialties as well as, I'll call it, the capital allocation to more than offset the chemical intermediates normalization when that occurs.

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David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

Early '23 guidance, I love it.

William Thomas McLain - *Eastman Chemical Company - CFO & Senior VP*

All right.

David L. Begleiter - *Deutsche Bank AG, Research Division - MD and Senior Research Analyst*

So with that, I will stop there. Willie, Greg, thank you very much.

Gregory A. Riddle - *Eastman Chemical Company - VP of IR & Communications*

Thanks, David. Thank you.

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