REFINITIV STREETEVENTS

EDITED TRANSCRIPT

EMN.N - Eastman Chemical Co at Barclays Industrials Select Conference

EVENT DATE/TIME: FEBRUARY 23, 2023 / 6:50PM GMT

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

CORPORATE PARTICIPANTS

Mark J. Costa *Eastman Chemical Company - Chairman & CEO*

CONFERENCE CALL PARTICIPANTS

Michael James Leithead *Barclays Bank PLC, Research Division - Research Analyst*

PRESENTATION

Michael James Leithead - *Barclays Bank PLC, Research Division - Research Analyst*

To everybody who's in the room, my name is Mike Leithead. I head up the U.S. chemicals and packaging efforts here at Barclays. I'm pleased to have Eastman, Mark Costa, Chairman, CEO with us today. Greg Riddle, who heads up the IR efforts is over there as well.

We'll quickly run through some of the audience response questions. There are 7 standard questions for everybody in attendance that we do for all companies. So we'll fire through those fairly quickly, so if everybody can man the monitors.

Question one, do you currently own the stock? Overweight, market weight, underweight or no?

Unfortunately, Mark, you can't get a clicker. So you can't be hammering on one button.

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

Yes, I know. I've only got one.

Michael James Leithead - *Barclays Bank PLC, Research Division - Research Analyst*

Okay. Some opportunity here. Next question. What's your general bias towards the stock right now? Positive, negative or neutral?

Okay. Mostly neutral.

Next question. In your opinion, through cycle EPS growth for Eastman will be above peers, in line with peers, below peers?

Okay. Pretty mix there.

Next question. In your opinion, what should Eastman do with the excess cash? Bolt-on M&A, larger M&A, repos, dividends, debt paydown, internal investment? These topics never come up for you.

Okay. Fairly mixed, although I think repurchases is probably the favorite.

Next question. In your opinion, what multiple of 2023 earnings EPS should Eastman trade?

There's no 7 option.

Okay. Next question. What do you see as the most significant share price headwind facing Eastman? Core growth, margins, capital deployment or execution strategy? Then I think we just have one more around ESG, and then we'll dive right in.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Okay. And then last question. Does ESG play an active role in your decision-making process for the company? Yes, it's a positive factor. No -- yes, ESG is a negative factor. No ESG does not play any role in our assessment right now or no, but we do plan to incorporate ESG going forward.

No, but it does not play a role as the leading answer, but you do have some people. Let say, it's a at the positive factor, and I think we'll definitely get into that in a second.

QUESTIONS AND ANSWERS

Michael James Leithead - *Barclays Bank PLC, Research Division - Research Analyst*

So with that, Mark, again, happy to have you here with us. Let's maybe start off big picture for everybody. You guys obviously touch a lot of end markets. You're in a lot of different regions. Can you just maybe do a quick tour around the world just kind of what you guys are seeing in terms of growth outlook coming out of the fourth quarter here?

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

Sure. So obviously, the fourth quarter was really tough on the macro, I think, probably for the whole industry, but each of us have different end market exposures. And as you said, Eastman is very diverse in its end market exposure.

What I'd say is the slowdown in the economy and the destocking that occurred really happened across all markets in the fourth quarter. And we're seeing it resolve in different ways into the first.

On the stable markets, which would be sort of ag, pharma, medical, consumable kind of applications, personal care, I'd say demand has been relatively stable. There were still destocking there, but most of it is playing its course. And we believe that will be over sort of as we speak going through this quarter. And then we get back to sort of where the underlying demand is in those markets.

When it comes to the more dramatically affected markets, which is consumer durables, B&C and automotive, starting with automotive, we've been at -- globally at sort of, what, 80% of sort of 2019 levels in production and sales due to supply chain. I think that we expect that to continue. It's a little bit of a headwind in 1Q sequentially from 4 in our view of the world. Mostly it's China, where we see the softness as opposed to anywhere else relative to 4Q and modest, to be clear. And we're not expecting much of a recovery, a little bit of modest recovery in automotive in the back half of the year.

When it comes to consumer durables, which is the most impacted market that we serve, this is small appliances, electronics, housewares, those kind of items that are going into that market. We saw primary demand probably being down around 10% at the retail level with consumers.

But with destocking, we were down about 40% in the fourth quarter. We see that destocking continuing through this quarter in a pretty dramatic fashion because the retail inventory got built out of control last year. And the destocking is occurring.

The good news from what we're being told at the retail level is the destocking seems to have been complete. And they're more aligned with where demand actually is, but they're still cleaning out of the channel going on. So that is occurring in this quarter. We think it will start resolving as we go into the second quarter and get a lot better than where we are now as we go through the second, right?

The building construction, I'd say, is the hardest one to sort of estimate. It's been down and challenged in China for a very long time. So I don't think there's any step down there. It's already been bad for a while.

It's like auto demand. Europe has also been down for a while. So it's really more about how North America trends from here. And I'd say that's more difficult to predict. It's in the sort of mid-single digits as far as revenue goes for us. So even though it's unpredictable, it's not a big part of our portfolio.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Michael James Leithead - *Barclays Bank PLC, Research Division - Research Analyst*

Great. And you did touch briefly on China, obviously, a hot button issue of sort in the year. I mean what's your current sense or maybe it's too soon just out of Lunar New Year, just kind of what you're seeing on the ground there in terms of business activity and how you think about that?

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

So in China, I think everyone's had this great hope of some big rebound post-Chinese New Year with consumers sitting on depending on what source you look at over $2 trillion in cash. We're not actually seeing that in any sort of specific way yet in China. So it's sort of like all the articles you read, our demand structure in the market would sort of confirm things are pretty slow to recover there. I would things connected to travel are doing well. So cosmetics is actually recovering really well, which is another end market served. But when it comes to automotive or housing, those kind of bigger durable markets, no sign of any significant improvement yet.

Michael James Leithead - *Barclays Bank PLC, Research Division - Research Analyst*

Yes. Okay. And then as we think about 2023 and with your 4Q results, you laid out a pathway to strong performance in 2023, about 10% EPS growth if we kind of put the pension to the side for a little bit. Can you maybe just talk about the factors that give you that confidence in that improved performance? I mean, part of it is obviously the destocking normalizing and factors like that, but then you're also doing a lot on the cost side as well.

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

Sure. So obviously, we're not seeing a huge improvement in our guide for first quarter so the real question becomes, okay, things are getting a bit better because we're finally starting to get some raw material tailwind into the first quarter from the fourth quarter. Starting to get some of the cost reduction impact but modest.

And then demand, I think we would say, has remained challenged at sort of 4Q levels as we go into the first quarter. And that's playing out to be sort of as we expected. I'd say spreads are probably a little bit better than we expected. Costs or management is happening a little faster than we expected, and consumer demand is a little softer than we expected.

Net, we feel really good about the 1Q range. But it's relatively low when you look at our full year guidance, and the big question is how do you get the step-up from 1Q into 2Q and beyond, right?

And there are 3 main components of that, but I'll start with most controllable in our side to what is more about uncertainty in demand. So the controllable side, $200 million of cost net of inflation, that's very controllable. About $125 million of that is manufacturing, and those actions have already been taken. We know those costs are coming out, but they're flowing into inventory, and then they have to fly out of inventory. So you don't see the benefit of that until you start getting into the second quarter.

The second part on the -- about $75 million of the $200 million, which is nonmanufacturing, about half of that's external spend, which we've taken action on. And so some of that will help this quarter. The rest of it, which is restructuring of headcount. We just executed that program last week. So some of that benefit will show up, but it's really about 2Q. So when you think about that, most of that $200 million starts to show up in 2Q. So that's part of your step-up from 1Q to 2Q.

The second is how we're managing price versus raw materials, the pricing in the specialties in particular. We've had about $2.4 billion of inflation over 2 years or $1.3 billion last year. 2/3 of that's in the specialties. We've got great pricing in place that kept up with all that inflation. But now we need to have the discipline to hold on to that pricing to expand our margins back to where they should be and are going to be sort of very disciplined in managing that pricing.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

We can already see meaningful raw material tailwinds starting to show up in 1Q sequentially from fourth quarter. That will continue and pick up pace as you go into the second quarter for the same logic, which is inventory turns have been low to sort of benefit from the lower natural gas that we have now and some of the lower raw material prices. And as that volume sort of moves through the system, the cost will flow with it. So that's your second step up. That's pretty controllable in what we see.

The third, of course, is what happens with demand. The part that's destocking on the stable markets, which is half our revenue, we can see resolving so that we feel pretty good about. Consumer durable and building construction are the 2 places that there's a lot of uncertainty, but the destocking so extreme in durables. There's only so many months you can do it at that level when you have the inventory.

And so we think a good portion of it will be over from the fourth and the first quarter as we move into the second. Where primary demand goes, we're not assuming much recovery from where it is right now, so weak and how we built our guidance. If there's some recovery of demand, obviously, that's going to be upside to our guidance. If there's a severe recession, then obviously that's a different scenario.

Michael James Leithead - *Barclays Bank PLC, Research Division - Research Analyst*

Got it. Okay. And then maybe to dig in a little bit on the specific businesses, let's start with Advanced Materials and then AFP. Those are probably 2 of your fastest-growing more specialty businesses.

Can you maybe speak to the 2- to 3-year outlook for those? As we kind of get past these, I'll call them 1 or 2 quarters of distortions, just what should investors really start to appreciate more about those businesses or those segment results?

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

So Advanced Materials, which has been our strongest growing business and very reliably growing business for over a decade, obviously, it took a hit this year. But it's a business based on innovation and growth in products like Tritan, that's BPA free that's had a tremendous track record of growth. A variety of copolyesters that are also winning share every day from its alternative materials.

Interlayer business, also on track for strong innovative growth with heads-up display and acoustic in the next generations we've just introduced that are going really well. And then EVs, which is about 12% of our revenue in this business, that grew 70% from '21 to '22 is a great story. And the value per EV is about 3.5x in ICE car, much bigger sun roof, more laminated glass, not just the windshield and a lot more functionality because they need acoustics because the car has no noise, so more sensitivity to sound.

They need the heads-up display. A lot of the buyers want that in these kind of cars. And then they need solar rejection as an additional functionality because it's basically a greenhouse with a huge sunroof. So solar rejection of keeping that heat out of the car, reduces air conditioning and that will gives you more range.

So there's just a lot more value opportunity. So that's all going really well. And the performance films business, literally held flat last year in a really tough economic environment. It is going to grow this year. They're paying protection films, et cetera.

So on the innovation side, very well positioned to create their own growth once you get past all this destocking. And it's important to note, a lot of these end markets I just mentioned are very high value. So when demand came off in the fourth quarter or in the first quarter, that value relative to the fixed cost has a pretty big negative impact, but it's -- but the reverse is equally true, right?

So when you get past the destocking, consumer demand stabilizes, all that earnings will snap right back. I think you got that innovation growth on top of it. And then you have the recycled content, which I'm sure we'll get to later, adding to the value proposition of the growth in the Advanced Materials. That's one big driver.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

The second big driver is the spread improvement. So this is a segment that has the opportunity to be disciplined in price. And if we just look at where raw material prices have come off now without getting any better from here, there's a substantial amount of spread improvement in this segment more than what we talked about last year, which was $100 million.

Now we have a lot more inflation, to spread improvement opportunity is even bigger. So we see that as a big driver and then, of course, part of the cost reduction. So AM, I think, is positioned for long-term steady growth once you get past through these short-term market dynamics and the circular economy, which is very levered in that, which I'll save for later is a bigger driver of growth for that segment, especially in '24 when the plant starts up.

AFP is a more modest growth opportunity. When you look at the challenges we faced last year in that segment, we did relatively well in improving earnings through discipline in both strong demand, managing spreads really well last year. We're going to have a bit of a headwind in spread -- in demand this year with building construction, in particular, and some onetime projects in fluids that won't repeat this year that helped last year.

And spreads won't be as much of a tailwind because we managed spreads so well last year, we don't have as much expansion this year, right, because a lot of the business in that segment is on cost passer contracts. So more stable business will be a bit down this year, but it will sort of come right back with demand as you go into '24 and '25 presuming we're in some sort of economic recovery from current conditions.

Michael James Leithead - *Barclays Bank PLC, Research Division - Research Analyst*

Great. Okay. And then one area that probably gets overlooked in your 2023 guidance with all the moving pieces is a really nice improvement in the Fibers business and the tow contracts there. And as Greg can attest to, I probably geek out on this stuff more than most analysts because my former boss maybe spend way too much time on that. So shout out to Duffy.

So can you maybe unpack that a little bit just where the industry currently stands today versus maybe the past few years and why we're seeing that nice improvement this year?

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

So the tow business was a phenomenally good business, a steady earnings growth and steady margins for 2 decades if you want to go back and look at the history and grew to a pretty substantial amount of earnings in 2014. And a few things changed then that created a competitive dynamic when the Chinese enacted a corruption crackdown on smoking, gifting of cigarettes and all these parties and everything that's going on. And there was an overstocking of retail inventory.

That's a long story, as you know. And they added some additional increments of their own capability for making it, right? So you had a step change of competitive dynamics that happened in '15 and '16 that led to a drop in demand as well as some erosion in the margin.

But over that decade from 2015 to now, a couple of things happened. One is demand didn't drop nearly as fast as what people thought. So only declined about 1% because the growth of heat-not-burn cigarettes that turned out needs more tow, not less tow, which was not our original assumption to actually deliver their performance.

So that's stabilized because that's growing at 15% from a small base, but enough to offset the overall market decline. So over a decade, about a 10% decline in demand, but we took out 15% of the capacity across the different companies in the industry, including us.

We didn't shut capacity down. We actually converted it to making textiles, but other companies shut capacity down. And then these specialized products like slim cigarettes require a higher-performing filter or TiO2 free -- filters, et cetera all had a hit to effective capacity in the 10% to 15% range.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

So when you put all that together, utilization is now above 90%. So the market is relatively tight, and we're a very small percent of the final price of the cigarette, and not selling cigarettes is a really bad outcome for those companies, no amount of margin that they make. So they're much more focused on security and companies who are committed to serving this space and treating the customers with respect and trying to have a stable relationship.

I think we've done that really well and able to get multiyear contracts in place at these much higher prices to get our spreads back to what we say is a normal specialty margin. But that's going to be over $275 million of EBIT, which is a big improvement from $140 million and really helpful when you think about this year from an earnings growth point of view because the Fibers recovery offsets the normalization in CI, right?

Cost cutting offsets the headwinds in pension, which is not a cash, but still offsets it and the return to sort of normal variable comp. So you're just down to will the specialties grow or not to get to that 5 to sort of 15% growth. And so when you look at the spread tailwind and any kind of just stability in demand, it's easy to get to those numbers.

Michael James Leithead - *Barclays Bank PLC, Research Division - Research Analyst*

Great. And then maybe one final one on the base business before we pivot over to ESG or circularity because I could spend another half an hour just on that. But one priority in your time, I think, as CEO has been the portfolio shift at Eastman, improving the product mix, improving variable margins.

When you take a step back, is the portfolio today mostly where you want it? Is there still -- I know it's never perfect, but I mean, is it mostly where you want it to be? Or how would you think about that?

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

No, the portfolio is where we want to be for today. I think that on the specialty side of the portfolio, we feel very good about the portfolio. The set of businesses we have in AM are great. The coatings business, the fluids business, the personal care business, all of that is great in AFP.

Fibers is returning to a more stable industry structure. It's unlikely anyone is going to add capacity to that industry, given its capital intensity and its sort of structurally declining business. And now we've got all these growth businesses on top of it in textiles, which is going exceptionally well with our sort of claims, both on beginning of life and end of life and this new Aventa product for food service that allows us to have a cellulosic drop-in replacement of polystyrene with that certified to biodegrade in landfill.

That's a compelling portfolio to turn the cellulosic stream, not just the polyester stream into sort of a growth story. And then you've got the CI business. Half of that is extremely stable, attractive business in functional amines for ag and personal care and pharma, which is 70% of that amines demand.

And then you've got a small but stable acetic anhydride business, and that's half of the EBIT last year. It's going to be even more than half this year when you look at what's in CI.

So yes, there's some volatility in olefins that make some important intermediates for our specialties, but it's now down to less than 10% of the story when you really get down to it. And so that portfolio together with the cash it produces is good for where we are today in allowing us to have the structure in place to make these investments in the circular economy on top of this core business that I think is pretty attractive.

Michael James Leithead - *Barclays Bank PLC, Research Division - Research Analyst*

Great. Okay. And then maybe now we can pivot. Eastman, I guess, in my view, has one of the more interesting ESG or circular stories in the space, frankly, molecular recycling technologies, 3 new methanolysis projects. For those either on the line or in the room that are maybe newer to the

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

story, can you just give a brief synopsis of what these 3 projects are, how you're executing and just the partnerships or customer arrangements that sort of help underpin this opportunity?

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

Sure. So on the polyester side, as I think we all know, plastic waste is a huge issue with the world and where that waste issue needs to be managed. Climate is a huge issue, where we have to reduce our carbon footprint and for a lot of the brands, both are big issues.

And regulators and policymakers also very focused on both topics. As a result, regulation is being put already in place in Europe that creates a requirement for 30% recycled content to be put on the shelf in 2025, pay a tax for anything that doesn't have recycle content.

So that's not a I'm being a good company. It's now a regulatory requirement, right? And in states here already passing versions of EPR bills that are like that in California and Washington, Colorado, I think we're headed to some version of this in New York. So the requirement isn't just brands having aggressive goals on sustainability for their consumers and their owners but also policymakers mandating it.

And when it comes to polyester as part of that overall climate plastic legislation, Eastman is just in a very good position. So we had a technology for a long time called methanolysis that we ran on behalf of Kodak to recover silver off of x-ray films for 30 years at 40 KMT, so at commercial scale.

So this is not a lab experiment. It's a technology that's run at scale for quite some time. And I want to do this actually in 2010 of my prior job, but I couldn't get customers to engage on this around being the premium necessary, but the straw up in turtles nose and Blue Planet 2, and we got a new world.

People really focusing on waste and climate. And these plants work really well because polyester is a polymer. It's easy to break the bond. So we can just go back one step to the monomers with this technology.

So we take waste that cannot be mechanically recycled. So this bottle we would not touch because mechanically, they can do that at a better carbon footprint.

But like in Europe, only 17% of what they capture in recycling gets brought back to food grade. The rest of it ends up going into carpet, textiles. That's about 43%, 40% ends up in landfill. So all that has very low value. And that's what we take, garbage. And we take it back to the methanolysis, unzip the polymer to the building blocks, purify it, which is the hard part. And then we make the polymer, and it's identical to that polymer made today what we call virgin PET.

And we can do it infinitely. There's no limit where mechanical recycling degrades after about 5 laps. So it truly is a partnership with mechanical to give plastic an infinite life. We can do this at a carbon footprint that's 50% to 80% lower. So great fossil fuel climate story being eliminated and about 94% less emissions in the local community.

So from an environmental justice point of view, it's also a great story. And it's financially very attractive. So the first plant we're building is in Tennessee. It will be completed this summer. And that will go into our specialties that we make today with recycled content.

And we're adding about 75,000 tons of more Tritan capacity to serve that demand we see for that plant. So very attractive, very profitable. And then we announced a second plant in France that will be also similar in size to start managing this waste issue in France. That will be sort of half specialty, half PET.

And then we recently in October announced a third plant with Pepsi as a baseload that will be in the U.S. that will be focused on PET. When you put all 3 together, it's about $2.25 billion in capital. That will produce about $450 million of EBITDA across 3 plants when you're at full running in 2027.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

But a large portion of that comes from the first plant going into specialty. So that earnings will start showing up as earnings accretion in '24 and '25.

Michael James Leithead - *Barclays Bank PLC, Research Division - Research Analyst*

Great. Okay. And I'll pause here if there's any questions in the room. Again, I can chat with Mark for another hour. I know he's got 3.5 minutes left. But if there's any questions in the room, happy to answer those.

Okay. Great. I got to chat with Mark for another 3 minutes. Maybe you can talk a little bit more just around the pros and cons versus mechanical recycling. I think again, sometimes people try to figure out the differences or people who aren't as in the weeds. Why is this so much more powerful or maybe it's in conjunction with mechanical recycling?

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

First, I'd say it's in conjunction. I don't want to try and pretend what -- either play a unique role. I think it's actually a necessary complementary role. Mechanical has been around for a long time. They basically collect bottles or other waste and then trying through mechanical technologies separate. And they can identify a lot of very clean bottles. They can chop them up, wash it with baking soda basically, melt it into flake and then they can make a new bottle.

And it's a very low energy footprint because it's a lot of asset intensity in what I just described. The problem is, is that there's a quality issue that gets worse over time. Each lap the bonds -- if you're just warming the plastic up sort of degrade and at some point, typically around 5 laps no longer valid.

There are some quality clarity issues they get with it, and there are huge yield issues, right? So there's only so much of this they can get back into food grade quality and safely from an impurity point of view.

The rest of it, as I said, gets down cycle or incinerator or landfill. But it's a great sort of core solution that needs to happen. And then all the material that they can't use, we can. And we can then take that and chemically unzip it and bring it back to first grade quality, including their degraded polymer on their side, we can lap back and bring it back to first grade. So we can create aluminum circularity within plastic at a very low carbon footprint and far lower than aluminum and glass in the bottle application.

Michael James Leithead - *Barclays Bank PLC, Research Division - Research Analyst*

Great. And then maybe lastly, you can talk a little bit more around the contracting side of things because, obviously, you guys are investing a lot of capital. You're expecting fairly good high-margin returns on that capital. But maybe it's not a newer technology for you guys as you've been doing it a while, but it's a little bit of a newer growth angle more broadly speaking. So maybe you can speak a little bit more to the contract in nature with your customers on that and how you add confidence to your returns there?

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

Absolutely. So one of the key things when we started this whole program, we're first focused on -- we'd run out of DMT, which is the key intermediate we need for making our specialty polyesters. And so we had a choice to say, we have to add DMT with traditional fossil fuels or recycling, it was easy choice where you go through recycling with where the world is headed. And we're breakeven at $70 oil on that choice. So this is a good choice.

But when you go beyond that and say, okay, how do I scale this up into its own business that has a big growth curve to it, they get investors really excited beyond our core model and how we could accelerate the growth of the company and really create a whole new vector of growth for us. Then you got to get into bigger volume applications like PET or polyester textiles.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Well, I've been in that business. In fact, we were one of the original people who created the industry and watch -- and then get economically destroyed by China competition. And there was no way I was ever going to get back into that.

So we said we're only going to get back into this if we could take the Airgas model, where we have brands who really want to solve their challenges on recycled content as I described earlier. And we can provide a conversion service of taking feedstock and energy and for an appropriate fee basically convert that to rPET on their behalf.

So it's an Airgas model and how we're sort of structuring this in long-term contracts to have very stable margins that we know before we start construction give us an acceptable return on capital, and it's a long-term contract. So that for us was an important milestone.

So the Pepsi contract was a critical milestone on that contracting question and the conversations with other brands is going well in the same kind of structure. And that gives us the certainty to make these kind of very large capital investments.

Michael James Leithead - *Barclays Bank PLC, Research Division - Research Analyst*

Great. Well, we'll leave it there. Hopefully, we'll be sitting here February 2024, and we'll have even more data points to point to about...

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

Well, we'll have a plant up and running. We'll have revenue from methanolysis. So...

Michael James Leithead - *Barclays Bank PLC, Research Division - Research Analyst*

Exactly. I might need to move it from 30 minutes to 45.

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

Absolutely. So we're going to have cellulosic trays going into landfill. That's going to be awesome.

Michael James Leithead - *Barclays Bank PLC, Research Division - Research Analyst*

Exactly. Well, Mark, Greg, appreciate you guys being here. Thank you.

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

Thank you.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2023, Refinitiv. All Rights Reserved.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

