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PRESENTATION

Jeffrey John Zekauskas - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Hi, good morning. My name is Jeff Zekauskas, and I cover chemicals for JPMorgan. It's my pleasure to invite -- to welcome you to the 2023 Industrials Conference and kicking off the conference is Eastman Chemical. Willie McLain is representing Eastman Chemical, who is the Chief Financial Officer. And Willie has been CFO at Eastman. And previous to that, he managed the finances of Eastman's Asian operations. Also in the audience is Greg Riddle, who's the Head of Eastman's Investor Relations. This morning, the format will follow -- is a fireside chat format. Welcome.

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

Thanks, Jeff. Glad to be back at the Industrials Conference this year.

QUESTIONS AND ANSWERS

Jeffrey John Zekauskas - *JPMorgan Chase & Co, Research Division - Senior Analyst*

So it's always nice to see you. Maybe the place to start is in the fourth quarter of 2022, so many areas were characterized by destocking. And Eastman was also touched by that phenomenon. Is the first quarter very different in your opinion? Or how do you see destocking trends going into the new year?

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

Yes. As we look back at Q4, I would say it was broad-based destocking. So there wasn't an end market or segments that were immune. So in that case, not only the stable but building and construction durables, I would highlight that Eastman's portfolio is approximately 50% stable end markets. So you think about things like personal care, food, feed and ag. So those markets, I would say, as we progress into Q1, destocking has substantially played out, and we would expect to be back to normal end demand.

As you think about building and construction. It really depends on the regions of the world. And that's a market, especially here in North America that we're still waiting to see how long that takes for destocking to play out.

Automotive has been, I would call it, at low levels. If you think about being to 80% of 2019 levels. And we had expected the year to start slow, primarily because of China. I would actually say that's started out a little bit slower.

And then the durables market, that's probably -- as we think about Q1, that market has played out probably a little worse than we had expected. So as a wrap-up in markets broadly, there are some puts and takes, is probably a little more negative than we had expected, but that's probably what's least in our control. So as I think about end market demand, we're still waiting to see what is the Q1 to Q2 recovery. We think most of destocking is behind us in Q1. And then now the question is what's the pace of recovery into Q2 and the back half of the year.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

So China has changed its COVID policies. And I think many people thought that what there would be a very, very slow period and then maybe a more rapid acceleration in demand. How does Eastman view that, or when you look at your Asia Pacific business, we've obviously gone through a slower period. Is there a quicker ramp or there's a slower ramp? Or how do you view that?

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

Yes, I would just highlight for those in the room and listening online roughly 10% of Eastman's revenue is in China. And about half of that is consumed within China, and half of it is reexported. A big segment that we're looking to -- from consumption in China is the auto OEM space for our Advanced Materials segment. What we're seeing there early on is Q1 is playing out to be a little more tighter, I'll call it, the production levels have not returned yet. We do expect those to improve in Q2. I think there's been a hope since October of last year that the reopening was going to occur. Honestly, I believe that China has seen the impacts of over acceleration, and they will probably, I'll call it, moderate, but they will still achieve the growth rates, as my belief for the full year.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

So the Europeans have been struggling with very, very high natural gas prices, maybe in the third quarter of last year, they were \$60 an MMBtu. And then maybe they were \$30 in the fourth quarter of 2022. Now they've come down. Have you seen any -- but Europe has been weak. Have you seen any or noticed any change in the tone of European demand generally?

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

On the European front, I think we were all maybe expecting a dark winter and the dark winter didn't occur. They were able to build enough inventory. I think maybe confidence comes out a little better. We're starting at a very low base in Europe. So I think there's maybe consumer optimism, but we're at a low base. And again, I think things are going to play out better than we had expected exiting 2022. The pace of recovery and the level of, I'll call it, consumption is still an open question. But I think Europe has bottomed at least if there's not another shock as we talked about over dinner last night.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

It's not getting any worse?

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

It's not getting any worse right now.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

So when we think about Eastman's overall demand profile beginning the year, the general environment that we're contending with is one of relatively slow growth or maybe even some contraction. Is that fair?

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

Jeff, what I would highlight is we said there were 3 key factors for Eastman for both the transition from Q4 to Q1, but also broadly for the year. First was achieving the cost actions that we've set out, and we've implemented those here in Q1. And that was going to be \$200 million of cost savings, and that was going to offset our pension headwinds as well as the variable comp, and that's in our control. And I think we've affected that well.

Two, it was around the price cost, price over raws and energy. What I would say is we're off to a more favorable start on managing that. I would say, our commercial teams have been disciplined, and that's across all of our segments.

And the fact that energy has been seasonally low in the U.S. and has played out more favorably in Europe. Those tailwinds more than offset the headwinds that we've seen or the balance of different segments on the end market demand. And as I look at that holistically here in Q1, and I'll keep it specific to Q1, we expect to be above the high end of the range that we gave in our Q1 guidance of \$1.05 to \$1.25. Still lots of uncertainty out there, but effective management of the things that are in our control and taking advantage of a lower raw material energy environment. And I would note on that price cost, that's going to play out more substantially in CI and fibers. But also, we will see some of that in our specialty business as well. It just takes a little longer to flow through.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

So your original guidance was \$1.05 to \$1.25. And in general, demand seems to be maybe a little weaker than you expected, but raw material spreads where raw material gross costs seem to be a little bit lower. Is that fair?

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

I would say, and the discipline on prices and pricing overall. So I think our commercial teams have effectively managed that plus the benefits of raws and energy.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

I think your cost reduction effort this year is \$200 million. Can you break that into its different parts? Is this a new initiative for Eastman? Or are you lapping difficult comparisons last year. In other words, is this very difficult to achieve? Or is this relatively easy to achieve because of the different challenges you faced last year and fewer challenges this year.

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

I would highlight, ultimately, productivity and efficiency as part of Eastman's culture, but I would also highlight too that 2022 was an unprecedented period. As we think about the level of supply chain complexity, the tightness of resources both trying to hire resources as well as working with our contractors. So as you take a step back, you have to look at the economic environment that we expected for 2023 and reassess what do we need to run Eastman most efficiently.

I'll highlight 2 lenses. The first being, I'll call it our nonoperations. So you can think about that as primarily our SG&A and supply chain. On that front, we have taken a reduction as well as we've reduced our discretionary levels. It's about half and half. and that's going to be about a \$75 million benefit in 2023.

On the operations front, as we planned this year, we expected volume to be down year-over-year because of, I'll call it, the Q1 levels of performance. And also, we don't expect as constrained supply chains. So reducing overtime, reducing our contractor variable workforce as well as reduced planned maintenance because we had deferred some maintenance as a result of COVID. We have now ran that cycle and have caught up. And on that front, we expect an additional \$125 million to bring that total to \$200 million. But it's a combination of productivity and the environment at which we were operating in 2022.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

So is it fair to say that when we think of the \$200 million, maybe there's \$35 million or \$40 million, which probably has to do with severance and lower headcount. And maybe the other ones, call it, \$60 million, maybe half of that has to do with not having to pay extra air freight or not having

to pay unusual costs in last year's environment. And then maybe the other \$80 million is more efficiencies of one conjuring another. Is that fair or not really?

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

Well, I think as you think about, we reduced our positions around the world about 3% of our over 14,000 employees. Ultimately, I think the full year run rate as you've described, so call it in that \$40 million to \$50 million. As we think about supply chain logistics, I would say that's another \$40 million to \$50 million. The other pieces are coming from that variable set of choices, the variable contractors, the overtime, the discretionary spend as well as the maintenance.

Jeffrey John Zekauskas - *JPMorgan Chase & Co, Research Division - Senior Analyst*

So really Eastman under-earned in 2022 because there were so many bottlenecks or difficulties in getting reasonable shipping terms or getting the kinds of materials that you want to. Is that fair?

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

What I would highlight is ultimately Eastman as well as our peers and customers and suppliers were facing unprecedented inflation, unprecedented levels of demand. And with that, we had headwinds on the supply chain, as you've highlighted, contractors on all those fronts.

Jeffrey John Zekauskas - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Do any of your segments particularly benefit from your cost reduction efforts. So if you had to distribute the \$200 million across your segments, how might you do that?

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

I would highlight Eastman has 3 large segments, and that would be our Advanced Materials, Additives & Functional Products and Chemical Intermediates. And each of those segments have key asset streams that we utilize the integration to then take that to produce the specialty products. I think you can think about the majority being spread fairly ratably across those 3 segments. And then also our fibers business as it's connected to our cellulosic and acetyl stream will benefit a portion of that as well.

Jeffrey John Zekauskas - *JPMorgan Chase & Co, Research Division - Senior Analyst*

In my opinion, the -- a good piece of the growth in Eastman for 2023 comes from the Advanced Materials segment. Do you think that's fair? And what are the factors that are really lifting Advanced Materials profits and profitability.

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

So there's a couple of factors. So in 2022, we had, I'll call it, major destocking within Q4 with the durables end market business. Additionally, in the first quarter of 2022, we had a steam line incident that primarily impacted our Advanced Materials Specialty Plastics business. Also -- so we see opportunity on the volume and mix front as we recover and exit the destocking here in Q1.

Two, that business has done a tremendous job keeping up with the level of inflation over the last 2 years, but there's still opportunity as we faced unprecedented ban, PVOH, due to just supplier outages in 2022. I think for much of the year that set of supply chains couldn't produce from multiple suppliers. We see that as being a tailwind in 2023.

Also, as we think about -- we kept up with inflation in '22, but we still haven't fully captured what had occurred in 2021. So in Advanced Materials, we see roughly \$100 million of price cost expansion to where we're back at the margins and earnings at that business and the profile that we provide to our customers' deserves. So I would say price cost followed by, I'll call it, normalization and recovery of our volume mix.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

Is that \$100 million in price cost a subset of the \$200 million in cost reduction or that's additive on to it?

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

That's additive to that. So maybe the way I would frame that, Jeff, so to take a step back, so as we think about the \$200 million of cost actions like I said earlier, that offsets the pension as well as the variable comp. As you think about the normalization of our CI margins, that's being offset by the return to appropriate margins in our Fibers business. So as you look at the portfolio to that extent, we're net neutral. The growth in 2023 over 2022 comes from our Advanced Materials business and the specialty recovery there.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

So in Advanced Materials, there's a very large auto component, when you think about your overall auto demand in 2023 or those particular product lines, do you think it will be flat or up or down? If you can assess that so early in the year?

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

So what I would say is on a full year basis, we expect growth on a global basis. Part of that will be driven by what we view as recovery in Asia, driven by China in the second half of the year.

Two, as we see our innovation continuing to pay off as we have premium products such as acoustic interlayers, heads-up display, with the EV market solar rejection. I think the one thing that we can all agree on, when you look at a typical EV, you see more glass. To Eastman, that's an opportunity for growth and mix upgrade.

And cars now, you expect the acoustics to put out the road noise. You also expect all those electronics to perform extremely well. You want them to recognize your voice. So that when you use your voice commands, the car responds. And also, you want the climate to be controlled with all the glass that's been used to give the elevation and headroom and space. That's where we're bringing both colors and the solar rejection.

So as we continue to see growth we see opportunity. We've been able, and we continue to invest also in our performance films business. That's a great business. As you think about the cost of an automobile, we want to protect that investment. So paint protection is another area that we continue to show earnings growth, mix upgrade even in a, I'll call it, a fairly depressed auto market since 2019.

If we get some growth, and I'm not saying that we're as optimistic as some of the consultant reports, we have always been a little more conservative on that recovery like we expected China to be down in Q1. But I'm excited about as autos recover that, that will be a great tailwind, and it's because our innovation will get magnified. It won't only be a mix upgrade. It will have the volume behind it.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

Do you earn much more on an electric vehicle than you do on an internal combustion engine vehicle? Or is there any way to easily conceptualize that?

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

I think the conceptualization is the visual that I gave you. So one, we've got more area to cover. Part of that is you can also see it. It's not like you have to go break down a car to understand what is the opportunity. So I would say it's probably a little over 3x the opportunity as we think about both the premium mix as we also think about the square meters or the square feet of coverage.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

3x the opportunity per car.

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

Yes.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

In the Advanced Materials business, there's also the Tritan polymers. And can you talk about how -- can you talk about Tritan's sort of longer-term trajectory and then maybe some of the challenges that it faced in 2022 and early 2023?

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

Well, I think Tritan is also one of the reasons I'm confident that we're going to be successful with the circular economy investments. But as we think about the track record and trajectory, we developed a new monomer for polyesters. And for those that don't know, polyesters compete on 3 attributes today. That's clarity, temperature and also chemical resistance.

Eastman is going to be adding a fourth dimension, and that's called the circular aspects of sustainability. But competing on those 3 dimensions, we've been able to grow a business from basically concept to over \$0.5 billion. As we think about the growth that we've seen in our Advanced Materials business from 2011 to 2021, it had grown from roughly a \$300 million EBITDA business to over \$700 million, and we expect to get that back on track this year in a more conducive environment.

Our second plant sold out first -- faster than the first. And we're investing in the third plant that we expect to bring on later this year. And with that, we'll also be connecting it to our methanolysis facility. And we're growing into new markets that enables us to go into spaces like medical, cosmetics. These are brands and packaging that want to be associated with sustainability. So it's not only polyesters of the future as you think about wanting to be sustainable and the sustainable options. It's another vector of growth that will accelerate, I believe, Tritan into the future.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

So your first molecular recycling plant or your methanolysis plant for sort of late 2023, '24 is really a Tritan facility. Is that fair?

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

What I would say is we need intermediates to supply our Tritan facility, and we had a choice of building a fossil fuel or a sustainable solution. We can improve the greenhouse gas footprint plus compete economically long term by using methanolysis. And that was the key decision. Part of this is consumers, each of us in the room and online today are demanding different solutions. We don't want to see the waste. We don't want to have the landfill.

And we also want to improve the air we breathe. We can do both of those economically. As CFO, we could have done this 10 years ago. But now with consumer demand, with brand demand, with governments all pushing in that direction, this is the right way to compete long term. And it's in a specialty set of product lines. So the first plant is about our specialty business that has a decade track record of taking our technology, knowing what customers' needs and then developing solutions through applications that our customers are successful.

So there's space for a win-win here. And that's the conviction that I have is we're not years away or quarters away. We're months away from starting to commission this plant and bring it up in summer of 2023. And that's exciting.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

So the first -- the economics of the first methanolysis plant or, in some way, similar, maybe more attractive to the economics of your traditional Tritan plants. That is what you're doing is you're selling a polymer that has a better environmental footprint that's functionally identical to the polymers you've been selling in the past. Is that correct?

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

That's correct. Depending on the solution, we can have 50% to 80% on the high end, better carbon footprint because we're taking steps out of the process. Additionally, as we look for different sources of energy.

Two, to your point, we're -- this is opening up other areas for polyesters to be successful because now we have a solution that has a purpose and brands want to be associated with that purpose because that's where they're taking their companies as well. We've talked about our -- we use stage gates and funneled processes as we drive our specialty businesses. We have over 1,000 leads with brands, existing customers, but many new customers. We shared an example last night around Black & Decker hand tools, electric tools and they're wanting a sustainable solution for how that tool is put together. Those are markets as you think about other places that you're using lightweight material that has all the attributes that I highlighted. We're going to bring a polyester solution that's sustainable, and no one else has that today.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

So when I think about the new Tritan capacity that will come from the methanolysis process, I could see how you would price it at a premium because it has a different carbon footprint, and there's -- there are customers that want that. But at the same time, the Tritan volumes in 2022, maybe they were down 4% or 5%, something like that. And this year, maybe Tritan volumes are challenged because of the weak overall economy.

So the retention in late '23 and '24 is that in general, there's a weaker environment for different functional polymers. Now maybe that market will rebound because we go up against a destocking phenomenon. But at the same time, you'll have better characteristics. So is that a fair way to characterize it? And when that capacity starts up, does it replace polymer that you're selling that customers have right now, and they want a better environmental footprint? Or is it much more new customers? Or it's difficult to tell so early in the process.

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

So one, I would highlight, what we're seeing on the durable spot. Eastman's exposure to durables and Advanced Materials is not in large appliances. It's more in kitchenwares. It's also going downstream into medical devices. As we think about 1,000 leads, many of those are into new spaces, like I mentioned, cosmetics.

As I think about the opportunity, the potential Tritan is a small component of the overall polyester opportunity. What excites me is how we're going to be able to win more than our share and as we go into the future and have the sustainable option.

As we were approaching a trade war and COVID, we had just finished our second Tritan plant. There was uncertainty. We drove it to success through that end market application growth and the innovation-driven growth model. So when you have that capability, you can offer something new where you can offer attributes that your competition can't. And on top of that, you can make your customers successful. That's a brand that people are attracted to.

So while I do agree with the exit of Q4 and what we're seeing in Q1, we believe early Q2 that destocking is substantially behind us in that Specialty Plastics business overall. And then from that point, it's about creating our own growth because that's what's created the success over the last 10 years plus. And that's what I have confidence in that commercial team and business team are doing.

Jeffrey John Zekauskas - *JPMorgan Chase & Co, Research Division - Senior Analyst*

So when you bring up your first methanolysis unit, my memory is that it's 80,000 tons. How long does it take to utilize that capacity? Can you do it in a year? Does it take 2 years or 3 years? How quickly can you ramp up to high levels of utilization? I get the environment is uncertain.

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

I would highlight we're going to be able to process, I think it's roughly 110,000 of recycled polymer that's going to be recycled through the process. And then based on the customers' needs and demands, that can turn into to 150,000 [k met] tons of polymer as we think about the different blends that can be there.

Ultimately, as you think about the first facility. It is that, it is the true integrated into our specialty polymer business. The other business model that we have, and we're looking towards is providing sustainable solutions to large packaging companies. I would highlight the announcement of our PepsiCo contract as a baseload customer to our third facility overall, the second in the U.S. And that's a business model that's based on providing a solution.

It's not about a product. To me, it's about a solution that we have the know-how and the technical capability to help them meet their sustainability goals to be able to meet the attributes that they need because mechanical recycling has a finite life.

Ultimately with methanolysis and breaking it back into the molecular -- at the molecular level and then rebuilding it, it has an infinite life. And we can also take advantage of those hard to recycled polyesters that enables us to provide a solution to the brands that need those capabilities as they have to hit milestones.

In different parts of the world, they are already -- with waste there's going to be taxes. If your product doesn't have a certain content, then ultimately, you will have a tax to pay with that if you can't meet that content level from recycled.

So as we think about, I'll call it, the keys or the drivers or influencers to push in that direction, plus we have the solution. That's where we're looking to create those partnerships to make this long term. It takes the supply chain. It takes producers and innovators like Eastman, and it takes the brands, and it will take governments. Things are much more advanced in Europe because of the supply chain there. But we have confidence that we can both grow a project in France as well as a second U.S. project.

And we're making steps through this year to ensure that we have the conviction to move forward there on all fronts. So we're checking the commercial lens. The operational lens, we will have that insight later this year. We're proving technically that we can produce the product today, and we're building out a supply chain where we have over 75% of the feedstock that we need for our first U.S. project, and we're making strong progress in Europe like with brands like Interzero. And this is a mechanical recycler, where we can create synergies, and we're excited about ultimately achieving those milestones and then accelerating that success from there.

Jeffrey John Zekauskas - *JPMorgan Chase & Co, Research Division - Senior Analyst*

So the economic models for the second and third methanolysis plants. Is it fair to say that those models are pretty different than the economic model for the first plant. And that the first plant is much more the selling of a premium version of your core interesting polymers, whereas the second and third plants they seem to have more of a return on asset component or more of a return on investment component? Or is it not yet clear?

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

I think you've described it, which is the first business model is our Specialty Plastics business model. The second is providing a solution that ensures that, one, we have a return on the assets. Two, that we have consistent earnings over the long term. So it's about good returns and at consistent levels.

Ultimately, that's what we think our investors are looking for, which is that consistent long-term growth in business models that give you confidence in the level of earnings and cash flow. And cash flow is something that Eastman has been known for. And we believe that we can build all 3 of these plants with our operating cash flow as well as have opportunities for bolt-ons and then return value to shareholders.

Jeffrey John Zekauskas - *JPMorgan Chase & Co, Research Division - Senior Analyst*

And when you look at Eastman over a longer period of time, do you expect the methanolysis investments to accelerate Eastman's longer-term growth rate of EBITDA, or it's really hard to tell because what you're doing is you're taking -- you're focusing on this set of growth opportunities rather than a different set.

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

And what I would highlight is, as we think about growing our Advanced Materials, I think we've been clear about we are differentiated in where we're investing. It's in our Advanced Materials business as well as we're looking at bolt-ons and organic growth in our Additives & Functional Products business, and we're disproportionately investing there.

As we think about, I'll call it, the circular solutions business model, I think both Mark and I have been clear, will look at and assess what's the best way to maximize shareholder value. And if that needs accelerated capital, there are different pathways to achieve that. But this is about transforming Eastman, the value for our shareholders and how we're viewed as a specialty company in the long term.

I think we've been disciplined with our portfolio, and we will not stand still with the portfolio as we go forward. We will continue to look to transition it to more and more specialty through both organic growth as well as through leveraging our operating cash flow for bolt-ons.

Jeffrey John Zekauskas - *JPMorgan Chase & Co, Research Division - Senior Analyst*

When you think about the spending that you will allocate to the methanolysis plants, has that changed? That is have you run into inflationary factors? Or it -- has your original assessment of how much it will, how much capital you have to lay out, has that changed, or you've made modifications in terms of the scale at which you're building?

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

I think as we highlighted in some of our recent calls, obviously, we're looking at how we make these in modular so that we can get the economies for a Phase 1 and a Phase 2. Overall, as we updated how much capital that we think it will take to build these, it's increased to modest roughly 10% as we went roughly \$2 billion in the quarter.

As I think about -- we're getting ready to finish the methanolysis facility as well as a Tritan facility. As I look at that, that gives me confidence as we build plants 2 and plants 3, the only new thing that we'll be building is the infrastructure. And ultimately, we can build infrastructure and have built infrastructure all around the world.

So as you think about that, we're derisking the scope and the capital with the first project at our largest facility in Kingsport. We get that scale benefit because we could take advantage of the infrastructure. That's why the returns are also greater than 15%. And while the returns will be a little more modest at greater than 12% as we think about France and a second U.S. facility.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

So when you talk about sort of Phase 1 and Phase 2 of the different capacity expansions, does that mean that the amount of Phase 1 is smaller than you originally expected, but the total capacity is the same because it will come on in 2 increments. Is that fair or no?

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

I would highlight that the first phases are still at the original intention levels. Part of this is also how do we -- as we constructed the first facility, how do we think about the efficiency of the economics for expansions and integrating that as we build the first phase.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

Okay. We very much appreciate your thorough explanation of both near-term prospects and future opportunities, and we look forward to seeing you next year.

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

I appreciate the opportunity, Jeff. Always great to see you.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

Okay. Thank you very much for your attendance.

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