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EDITED TRANSCRIPT

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None

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

PRESENTATION

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

David Begleiter, Deutsche Bank's U.S. chemicals team. Next up is a team from Eastman Chemical. We have CFO, William McLain; and Greg Riddle, Vice President of Investor Relations. We'll jump right into the Q&A portion of the presentation. Willie, welcome.

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

Thanks, David. Glad to be here.

QUESTIONS AND ANSWERS

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

Willie, first, just on business trends. Can you walk us around the globe, how is business that you're seeing, what are the trends you're seeing and how is demand?

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

So happy to do that. And I'm sure everyone in the room today and on the call have been reading the newspaper and the latest macro data. But as I think regionally, as we looked at China as an example, still waiting to see a recovery definitely in the manufacturing space, also in the auto space. Come this way to Europe, we're continuing to see stable but weak base is what we're seeing in the business at this point.

And in the Americas, I think we're seeing destocking, I'll call it, continuing but coming to more of an end here with the exception of the building and construction market. It's been interesting to see the transition as the services is continuing to hold up more broadly at the detriment to manufacturing. And I think that's also playing itself out similarly around the globe.

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

You mentioned back on the call in May about destocking ending end of May, at least in the U.S. Has that happened? Or you mentioned building construction maybe trending a little bit longer.

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

Even our first meeting this morning had that question around are you seeing the seasonal uptick, and I think what you're continuing to see is ultimately people resetting a base. And in some cases, the destocking has played out a little longer. But I think what you're seeing from Q4 to Q1 to Q2 is it's, I'll call it, much lower impact. But we're not building up seasonally. So we're seeing it basically impact the traditional Q1 to Q2 seasonalization on the volume mix side.

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

You mentioned in the past what was quite weak was consumer durables. That's still the weakest portion in building construction, the weakest portions of the portfolio?

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

I would say you've got the right 2. I think we've substantially seen the durables destocking playing out and finalizing here towards the end of Q2. I think we've seen, I'll call it, the sequence of small orders starting to return and the frequency of those orders. So from April to May to June, we're seeing improvement. But it's off of, I'll call it, a weak base. But we see the destocking getting behind us.

Building and construction, Europe and Asia, I think it's substantially behind us. It's still playing out here in the U.S., and we've seen more of an impact here in Q2. Building and construction, we expect that to continue to be a theme and a weakness into the second half of the year.

The bright spot though would be as we continue to see auto, we're seeing mix upgrade here in Q2 as we had expected, definitely with our advanced interlayers business. So you're starting to see at least, I'll call it, that trend of what we would expect into the second half of the year more broadly in the auto space.

I think we've hit the demand more broadly. And what I would say is we're on track as we think about the $200 million of cost savings. We've had to take a little bit more of inventory actions here in the quarter as we've seen the demand adjustment. So the benefits of that and the utilization impacts will be a little bit higher also here in the quarter as a result of the demand environment.

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

So you have some guidance out there for Q2. Is that still relatively on track for the quarter?

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

So what I would highlight is pricing continues to be very resilient, and we're seeing our pricing across the board. As I take the pricing benefits being on track with the cost actions, that weak demand, what I expect it to do is to shift us to the low end of the range that we gave. We gave a range on the call of $1.90 to $2.10.

June is still critical, right? It's always critical in the Q2 environment. And that will ultimately set when we finalize the quarter. I think it also -- at least as I see June in the order book right now, it gives me more confidence as we think about the second half of the year with the pricing points that we're going in, in the second half. The energy and raw material environment that we have, I think, is very conducive to the spread discussion that we had lined out on our Q1 call.

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

On that Q1 call, you referenced, or Mark did, being at the top -- upper half of the range of full year guidance. Is that still the place you feel most comfortable right now?

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

For the full year, I'll just say at this point, we're still confident in our range overall. And I think that's important as we're seeing the weaker demand here in Q2, weaker being the absence of a seasonal uptick. The key thing is the pricing discipline that we're delivering in our Advanced Materials

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and across our portfolio. The other thing is natural gas and energy continue to play out to our strength. So there's a balance of puts and takes as I look across it.

A key thing is we're going to be focused on delivering the cash flow, the $1.4 billion. To me, that's critical to our strategy. We're investing in a strategy that will enable us to be successful because demand will come back. I don't think the services economy is going to be as hot as -- or as long. And there will be a natural migration back to, I'll call it, to the material sector. And we're going to be well positioned to capitalize on that. To that, we've got to deliver the cash to fund the growing dividend and the organic investments that we're focused on.

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

Backing your guidance, Willie, what's embedded in second half assumptions for volumes? And is there a recession contemplated in your guidance?

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

The second half guidance and the base case that I think we gave you is we adjusted the demand outlook, right? So we said there were a couple of key things. One, we expect in the second half automotive transportation to improve. Two, the absence of destocking would be key, but we weren't dependent on a restocking event to occur to hit our full year guidance range. I think those are key to understand. And so we're not needing a recovery to occur to hit the guidance. We're needing the absence of destocking and a trend back to primary demand.

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

Price/cost tailwinds are probably at least as strong, if not stronger than you expected. How is that progressing as we sit here in the quarter and looking to the back half of the year?

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

As I think about for the quarter, the price/cost -- and I said pricing is on track. As you think about the demand levels being lower and we're being disciplined on cash, that means we're purchasing less of the lower-cost items. So that's, I'll call it, a little bit of a headwind here in the quarter, but we're going to be through that. And then the second half is still on track.

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

Very good. Now Fibers has been a real star of the year and even for the full year. What's happened to change that business [to give you] confidence that there is sustainability to this new higher earnings level?

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

Yes, I think there are several factors that came into play. One, as you think about -- I'll make it specific to Eastman first. We've been focused on how do we take this cellulosic asset portfolio and in the long term with a focus on declining demand for our Fibers business. How do we value that up? So we're focused on Naia as an example and Naia Renew. We also have development and trials right now with customers in our Aventa product line. So as you think about growing our cellulosic base and repurposing assets, we've been doing that over time.

Two, the applications that our customers are demanding are actually consuming more of the existing asset base. So the product that they need to be successful in the market are reducing the asset capacity available.

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And three, the industry is making other choices as well. Our business has been looking at those long-term partnerships. And my view is if we're going to be in this and be a reliable partner, we've got to have appropriate margins and investment returns to stay in this business and to be there in the long term.

The contract structure now is we're focused on '24 and '25. This business has a strong contact structure in place. And again, they've done that over multiple years, taking advantage of what's specific to Eastman and also what's happening in the macro. And I believe, again, we're negotiating '24 and '25 volume right now.

So that's the confidence that I have, is the cost of a filter to the end product is very low. The brands want to have a surety of supply. We can deliver that, and we will deliver it when we get the value that we deserve. And I think we're at that point, and that gives me confidence that this is a 1 year -- this will be a multiyear set of changes.

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

We get back to prior levels of earnings and profitability, do you think?

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

Again, I believe as we gave the guidance for this business, we assumed that there would be higher raw material and energy costs in the second half. That's a baseline assumption. It's going to have a very strong first half as we've already given you in the guidance. I think, again, there's still room for improvement.

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

Sounds good. So nice covering that business. You mentioned cost savings this year, $2 million. How much of that is sustainable? And where is it actually coming from?

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

I think Eastman has been disciplined, and we've shown that regardless of the economic environment. And COVID, as an example, we took fixed cost and made it variable. As we think about our cost structure overall, the core of our Eastman team is critical to that. We have partners, contractors that also come in and are a fixed portion that can become variable.

And we're attacking every lever, David. It's back to being efficient and effective across the enterprise. We're doing that in our functions, in our business and also in our operations. In many cases, we can bring that back as the demand comes back to serve it and to ensure we grow, but we all are also taking structural choices in that efficiency and effectiveness. That's on the maintenance floor with the time on the tools. It's also in the finance, IT and every functional organization.

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

If we do fall into a recession either late this year, early next year, are there additional levers you can pull?

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

I think as you think about different demand scenarios, we can continue to dial things back. As you think about operating lines, you make choices. You optimize those lines. You potentially bring some lines down. We can always do more. We can't stand still, and I think the team knows that's my mantra. If we're standing still, we're losing ground on a relative basis.

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

Very good. Maybe switching first quickly to Europe. What's your long-term outlook for that region? And is it a region that you still want to invest in longer term?

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

Yes. As I think about Europe broadly, so one, our asset footprint is significantly smaller post the tires and adhesives divestiture. The core assets that we have are the amines business, our Saflex business and our interlayers. And as you think about those businesses, they're more regionalized. So we're serving a means or typically don't transport well around the globe.

Two, we're right there with our OEM partners and where we innovate. And also the architecture within the European is also a key business for our interlayers business. Our customer base is not as asset or, I'll call it, energy intensive. So as we think about that model with our footprint right now, we think it's appropriate, and we can grow with that customer base.

Additionally, as we think about our circular economy and methanolysis, Europe's at the forefront and the leadership of that. And they're putting partnerships, incentives and money and legislation in place to make it a productive environment as a growth point for us, and that's where our France project is. Because I think holistically, yes, you're going to have to be smart. We're going to have to continue to see how the impact of energy plays out for the European economy. But there is definitely a role and a place in the Eastman portfolio.

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

Very good. You touched on earlier cash flow. What are some of the upside and downside risks to that $1.4 billion? And what's a more normalized level of cash flow going forward?

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

Obviously, the 2 or 3 key items are cash earnings, working capital and cash taxes is the way I typically focus on it with our team internally. To me, I think what we've highlighted normalized for Eastman is $1.6 billion in a normalized environment. If you think about the working capital, that's probably been the most interesting one to -- the global supply chain issues, to an inflationary environment, to a demand that's more recessionary like right now.

So there's opportunity, and we're focused on delivering that cash and also growing the cash earnings over time. And I think we've shown that we're disciplined on cash taxes, and we will take advantage of all the legislation, whether it's Inflation Reduction Act, et cetera, to ensure that we have that cash to maximize shareholder returns.

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

Very good. Pushing to molecular recycling, back in your Q1 call, you announced a couple of months delay in the Kingsport methanolysis facility. Is that project still on track now for late summer completion?

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

Yes. So ultimately, what we summarized on the call was we would have the project complete by fall and that we would have commercial sales by the end of the year. For those that don't know the background, obviously, we were impacted in 2022 by some of the supply chain and then here this year as we think about craft labor. We have the craft labor that we need to finish the project at our site, and now we're working through the efficiency of all that labor being there.

We're on track, and we're doing everything to deliver this so that we actually make the circular economy come to life. We're doing that today with our bridge technology. We're testing that on the commercial shelves with our brands. We have a level of excitement, and we're months away from seeing that reality. And we're looking forward to showing the world, and at some point, I know Greg is looking forward to bringing investors and supporters to Kingsport to see it in person.

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

Maybe taking a step back now, can you describe this project for people and the challenges of bringing in the waste, storing the waste, reducing the product and selling product?

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

Well, to me, I think all of us are consumers, right? The world's chosen the preferred -- polyesters as the preferred versus glass versus aluminum as the delivery mechanism. What we're doing is taking that plastic and polyester and turning it back into feedstock. It is a fuel. It's a better fuel because it's already a concentrated carbon.

So as we think about the efficiency that we can then take that and turn it into durable products, turn it into, of all things, power tools, as you think about the opportunity in the space at which we can take something that's going into landfill, I think everyone in New York is seeing what incineration looks like today with the fires and the environment, we can take that and actually in a recycled process improve the greenhouse gas emissions.

So that's the business case. And we're demanding that as a society. Eastman is the first to do this at a world scale, and we're many steps ahead. And we're optimizing. To your point, I think we're up to about 10 million pounds of already material that have gone through our mixed plastics process handling. We piloted the mix of recycled polyesters that will go into this plant when it starts up in the fall.

We know what the yields and the mix that are going to come out of that based on that testing. We're going to prove that it's operable and that the technology works. And then it comes around the partnerships with the governments and the requirements to ensure those market adoptions.

The first project is highly in line with our Advanced Materials business. It's about taking this and changing how polyesters compete in the specialty applications. Polyesters compete on clarity, chemical resistance. And as you think about that, we're going to be adding a new dimension, which is sustainability. And we're going to be doing that in our Specialty Plastics business. And that's the model for the first project.

As we think about France and our second U.S. project, I'll use the second U.S. project as the other example. This is where we're partnering with a key brand, PepsiCo. And ultimately, we'll be able to meet their needs of a solution. This isn't about us producing products. It's a solution, a technology that we can take this recycled feedstock and deliver a solution that can meet their application needs, their sustainability goals, and no one else can provide the solution today.

So as I think about that, that's the model with the margin that's consistent and a return that's in line with our expectations. And that's the overall model. France is a combination of the 2.

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

Very good. And if there are questions in the audience, please just raise your hand, and we can get a mic to you.

Unidentified Analyst

Mine is what your cash tax rate is and then roughly how you see working capital playing out [and really a source].

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

So I'll start with the working capital first. So as we talked about at the beginning of the year, we expected the fact that working capital would not be a headwind. As we think about the current environment, I would expect approaching $200 million of working capital reduction in this current environment.

As we think about tax rates, we've talked about our normalized tax rate being in that 15% to 16% from an ongoing basis. And what I would say right now is we expect cash taxes to be slightly higher in 2023 than 2022.

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

Going back to the Kingsport facility, the project, what are some of the challenges first on the front end in terms of acquiring the material? And actually, what you create is sorting and mixed-use recycling process?

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

Okay. As I think about, ultimately, the U.S. doesn't have an optimized supply chain like, I would say, compared to Europe, you would say, optimized. So in the U.S., That was one of our first objectives, was to make the fact that feedstock was not going to be a hurdle or a headwind. And I think we've updated you periodically on our progress. And we stopped updating you once we exceeded that 80-plus percent of the feedstock being secured.

We're always going to be exposed to some level to market base because we want to be a part of continuing to facilitate both the legislation policy and the optimization of these with brands, with consumers and the like. We've given examples of how we're taking polyester fiber on the West Coast or in other states that are more progressive and producer responsibility, et cetera. And we're bringing that to polyester pellets back to our facility in Kingsport.

It can go in both the carbon renewal technology or the polyester renewal technology. And that's the great advantage that we have with this first facility, is we can't use it in the polyester renewal in some cases, we're diverting it over to the carbon renewal at a certain level.

As we think about the start-up, we have our own know-how. Obviously, the waste sector also had machinery equipment, et cetera, that was conducive. This is not going to be labor intensive. This is about mechanical and sensors that we're getting this as well as some of our know-how with the different polymer sorting capabilities. And we're bringing that to bear. It's been up and running as we're getting prepared for the checkout of our methanolysis facility. So it is where we would want it at this point in time, and we're producing "finished" feedstock that's ready to be used today.

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

Is the quality of the waste you're getting in what you expect it to get in?

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

I would say there's different mixtures and those mixtures are as we expected substantially. And the advantage is we're -- again, we have the pilot facility right there as well, and we're taking those different mixtures and optimizing the slate for what will go into the front-end methanolysis.

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

Any risk you bear if pricing for those waste increases over time?

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

Ultimately, as we think about this, and we talked about the first project that's more linked to our Specialty Plastics business and Advanced Materials overall, that this is about how we differentiate the applications in the marketplace. This isn't about overall price/cost spread for that business.

So there's many applications that we are continuing to work on, whether it's medical, personal care, cosmetics. And in those cases, yes, there will be some movement just like there is today. But over time, I think we've shown that we can recapture and have strong sustainable margins that are above our corporate average and what are demand for that new application and new capability that no one else can deliver.

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

I know you're adding some Tritan capacity along with this project, what's happening in a weak environment overall. So how do you protect against bringing additional products into marketplace when market is perhaps weak right now?

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

Yes. So the way I think about it, it's the demand for the Renew product as we bring these products up. And I think you've heard us talk about we're going to maximize the return. So as you think about the operating rates, as you think about the investment curve and also the timing. So all of those are still in our option set to maximize the returns to shareholders. We're focused on delivering that.

As I see what I expect the curve and the ramp-up to be here, we expect the first methanolysis plant to reach those EBITDA run rates and be it the expected run rates by the end of 2025. We still believe that, that is capable given the demand that we have for those products and also a growing base of end market and customers.

We've talked about the 1,000-plus leads that we're working, and we're even working with customers who are signing to get the first product. They want to be the first in line. That hasn't waned here in this environment. Obviously, demand is currently weak. It's been, I'll call it, weak for 4 quarters of destocking. We talked about this back in September of last year. That is playing itself out. We're going to get back to -- in the near term to more normal demand. And it's at what pace does demand and consumer that comes out of that.

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

Very clear. Can you discuss the different contracting mechanisms or structures you're using on the French plant versus this first U.S. plant?

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

So maybe it's a little bit, and I'll refer back to my comments a little earlier around we've got the Specialty Plastics model, which is application driven. And you can think about rough order of magnitude is half of the capacity would be for Advanced Materials. Half of the plastic capacity would be for this new circular solutions model.

The circular solutions is about a return for the solution for a defined period of time, which is going to be longer than traditional contracts and that there's a stabilized margin around the energy and the inputs that are going into the product. So those 2 factors, and we talked about the expectation that both of those can deliver above 12% returns in the long term.

So one, we'll have the market exposure on those solutions? We will not. And we continue as we assess finalizing the second U.S. project, third project of building out that same solutions model. That's a requirement. I think I've said before, I divested the last PET plant that we've built in South Carolina with IntegRex. We're not going back to the business model that we had there of competing on the margins in a marketplace that you can't save yourself out of it. It's not well structured.

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

On the third U.S. plant where Pepsi is a baseload customer, can you discuss that contract structure relative to maybe the French plant, which is maybe more relevant?

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

I'm probably not going to go into any more detail than I have on, I'll call it -- what we outlined at Innovation Day in the circular solution contracting model, that is what the PepsiCo contract is aligned with. That base load is important and critical. We look forward to sharing the location as we approach our Q2 call.

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

I know you've targeted for these 3 plants EBITDA roughly $450 million in total. Is there potential to exceed that over time? And what type of price premium is embedded in that EBITDA assumption?

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

So to me, as we've talked about, we're going to a modular concept. So as we think about the France project and also the second U.S. project of being able to add ultimately an expansion in line with those. So do we believe that the momentum of what we're seeing in policy, what we're seeing with brands, which means consumers like us, the answer is yes, we can grow beyond the 3. But we're highly focused right now on project 1 and also being able to start the France and the second U.S. project here at the beginning of next year.

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

Have you seen inbound inquiries increase over the last 6 months as you get closer to fruition on the first U.S. project?

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

Yes. I think on -- definitely on the brands, we continue to see that in the engagement. So like I said, to me, the great thing is in this demand environment that people still want to be the first. They want to take that step forward in achieving their circular goals, their greenhouse gas goals, sustainability overall. They don't want their products or they want to take things out of landfills and from incineration. It's about having a purpose,

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right? We talked about our purpose being to enhance the quality of life in a material way, and this is a step forward. And our team members are highly excited about taking that step forward.

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

Very good. And if there are any questions for Willie, just again raise your hand. All right. Willie, just on -- you've switched from more of a free cash flow story. It's more of a growth story, organic growth story. You've not made material M&A the last number of years. How does M&A play a role in Eastman's future growth?

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

We had a great small bolt-on here in Q1. Our performance films business is a great business within our Advanced Materials. And this will give us an asset profile in North America and Europe and now in China and is one of our great growth businesses.

So to me, that's an asset-light, has enabled us to have the speed to market. And now we can take our material science that we've applied to our other 2 locations from the solution, Commonwealth acquisition, and apply that in the Asia market. And it also, I'll call it, sets us up well as we think about trade and trade dynamics. We know that those in the past have been unpredictable, and we think this business is set up to be stronger through those in the future.

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

Switching back, you mentioned earlier the carbon renewal technology. How should we think about that technology and that potential for EBITDA growth versus a very defined opportunity in -- with methanolysis?

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

Yes. So as I think about carbon renewal, I think about our cellulosic stream that we have at our Kingsport facility. So in many cases, it's an existing asset. So the capital level to accomplish and make that successful is very different than our circular methanolysis investment.

Cellulosics, we've been doing that for approaching 100 years. And this is taking, I'll call it, the original biopolymer. So this is wood pulp coming from certified forest and renewed. You combine that with the carbon renewal where we're taking this polyester, turning it into methanol and for us in the acetyls, acetic anhydride. We can deliver products, and this is where our trials with Aventa bring in a biopolymer that's truly biodegradable in landfill.

And so end of life is also critical. So if you -- if it has to go into a landfill, you want there to be a good end of life. And we're in trials. You can think about markets where protein is needed. There's lots of trades and things. So there's lots of opportunities as we see that give biodegradable products with carbon renewal and using our existing asset base.

It's creating tension, like we talked about earlier in the fiber space. And it gives us this growth opportunity, again, because we can provide a solution that's biodegradable that there's not a competitive product on the market that can do that at the scale we can, which is very exciting for the team.

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

Very good. And lastly, another growth heavy for you is electric vehicles. Can you describe the opportunity set in that area and how you're positioned to win there?

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

Yes. I think it's even evidenced here in second quarter and a weak auto market that we've had, I guess, since pre-COVID, it's been at more recessionary-like levels. We've been able to grow. And a lot of that is with the EVs. It's also, as we think about premium cars and our exposure to that, I'll call it, more premium is about 70%. It's maybe 20% of the market that's growing.

And now as EV comes on, there's lots of math quoted, multiples, 1, 2, 3. We believe we're 3.5. But I just ask you to look at the glass on the car and you compare that to an IC car. You can see that there's more glass being used. Also, there's more technology being used. You want the technology to work. You want the solar rejection. You want heads-up display. And in many cases, now people want color. We're one of and potentially the only one that can deliver all of that functionality, enable OEMs, brands to lightweight and also have this battery efficiency that they're looking for over time.

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

Excellent. With that, we'll stop there. Willie and Greg, thank you very much.

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

Thanks, David. Appreciate it.

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