EASTMAN

Eastman Q2 2025 Financial Results Prepared Remarks
July 31, 2025

Slides 1 and 2:

This document is the CEO's and CFO's prepared remarks for Eastman Chemical Company's second-quarter 2025 financial results. This is to be read with the second-quarter 2025 financial results news release along with the provided slides, which detail our second-quarter 2025 financial results. The aforementioned items were publicly issued and posted on our website (investors.eastman.com) after the close of NYSE trading on July 31, 2025. On August 1, 2025, at 8:00 a.m. ET, Mark Costa, Board Chair and CEO, and Willie McLain, Executive Vice President and CFO, will host a public question-and-answer session with industry analysts that is accessible on our website or by telephone as detailed in our financial results news release. This document, the accompanying slides, and the call/webcast that follows include certain forward-looking statements concerning our plans and expectations. Certain risks and uncertainties that may cause actual results to be different than our plans and expectations are or will be detailed in the company's second-quarter 2025 financial results news release, in the remarks in this document and in the accompanying slides, during the call, and in our filings with the Securities and Exchange Commission, including the Form 10-K filed for full-year 2024 and the Form 10-Q to be filed for second quarter 2025. All earnings referenced in this presentation, the accompanying slides, and the call/webcast exclude certain non-core items. Reconciliations to the most directly comparable GAAP financial measures and other associated disclosures, including a description of the excluded and adjusted items, are available in the second-quarter 2025 financial results news release.

Slide 3 – 2Q 2025 highlights

We delivered solid results in our specialties despite significant challenges as higher tariff levels and related uncertainty compounded the impacts of persistent macroeconomic uncertainty. Our teams continued their track record of commercial excellence in keeping price-cost in the specialties stable and defending market share while demonstrating the value of our products. Additives & Functional Products delivered strong results underpinned by mix improvement and benefited from its leverage to stable end markets, including personal care, water treatment, and agriculture. Despite lingering weakness in its key consumer discretionary markets, Advanced Materials also delivered solid results demonstrating the value of our innovation-driven growth model. The circular platform continues to make progress, with the Kingsport methanolysis plant setting new production records and strong customer engagement with the new business pipeline building. We are also making good progress developing capital-efficient options for a second facility. As the challenges presented by higher tariffs and related uncertainty continue, we remain focused on adjusting our global supply chain to mitigate the impact where possible. These actions include an increased focus on cost reduction and cash generation, with the goal of driving results for our stakeholders.

Slide 4 – Corporate

In second quarter 2025 compared to first quarter 2025, sales revenue was flat, as a favorable foreign currency exchange impact offset a slight decline in sales volume/mix. The lower sales volume/mix was driven by the negative impact of approximately $20 million from an unplanned outage in Chemical Intermediates as well as lower textiles sales in Fibers. These decreases were entirely offset by growth in the specialties. In Advanced Materials, volume improved seasonally, although less than normal. In Additives & Functional Products, volume grew across most end markets and benefited from favorable timing of heat transfer fluid project fulfillments.

Adjusted EBIT decreased sequentially primarily due to higher planned maintenance, an unplanned outage and unfavorable spreads in Chemical Intermediates. This was partially offset by higher sales volume/mix in the specialties.

Slide 5 – Circular Economy platform remains a key differentiator for Eastman despite near-term tariff and macro challenges

As higher tariffs and related uncertainty continue to negatively impact the economy, we remain committed to differentiating ourselves through our unique capabilities in the circular economy and innovation across the company. We believe the circular platform is central to how we will deliver superior outcomes and growth for our stakeholders. While we are committed to the circular economy platform, we also recognize the need to reduce the capital intensity, and we have developed some new insights on how to proceed.

In Kingsport, our methanolysis facility continues to demonstrate excellent operations, and we remain on track to produce greater than 2.5 times more recycled content in 2025 compared to 2024. We are proud to share that the facility has demonstrated operating rates that are 105% of design rates in the second quarter. We have come a long way since our startup just under 18 months ago, and this achievement is a testament to our rich manufacturing history and world-class technical expertise. We have learned a lot getting this facility up and running. Given these insights from our great operational performance, we now have line of sight to increase capacity of this facility by approximately 30% over nameplate in in the next couple of years, with a goal to push capacity even higher as we move into the future. With this potential expansion, we can reduce our capital intensity and enable more consistent growth compared to our original plans.

Revenue progression for the facility continues to develop slowly, reflecting the weak end markets in which we serve, particularly consumer durables. However, we are encouraged by the strong engagement we have with customers on the value proposition of our Renew offerings, and our new business pipeline is building. We are also making progress with our rPET food-grade packaging applications, which we expect to ramp up through the second half of the year. We have commitments from a number of leading fast-moving consumer goods companies for significant ramp-up in volumes in 2026. Furthermore, we are seeing evidence that some brands are struggling to meet their performance requirements with mechanical recycling as they move to higher recycled content. With these factors in mind, we expect to deliver revenue growth around the low end of our $50 million to $75 million range, which will be mostly in the back half of the year. We are not operating in a robust demand environment, but we are laying the groundwork for a strong and steady growth engine, now and in the future. With this softer revenue growth combined with strong operations and cost savings, we continue to expect EBITDA growth to be around $75 million in 2025 compared to 2024. We would note that $50 million of this EBITDA improvement is driven by cost improvement, with $25 million from lack of preproduction expense in first quarter in Other, and the remaining $25 million from operating cost reduction spread evenly throughout the year in Advanced Materials.

Looking at the circular platform overall, we are focused on a few key areas. First, we continue to pursue a reinstatement of our grant award from the Department of Energy. We believe we have a strong project aligned with the Department's objectives and are making that case. Second, we have identified a range of options to significantly reduce the capital requirements both in scope and with several alternative location options. We expect to share more about these options on a future call. Our ability to expand the Kingsport facility and potentially add new capacity in creative ways affords us time and optionality to serve our specialty and packaging business models over the next couple of years as we explore these other capital-efficient models. We expect this new path of scale-up will enable us to push out significant capital expenditures for the second plant by roughly two years.

And finally, we now expect our new Tritan™ line to be completed in first quarter 2026 instead of the originally planned timeline of fourth quarter 2025. Given the continued slow demand in consumer durables and our focus on controlling capital, we slowed the pace of construction to manage the platform responsibly.

Slide 6 – Advanced Materials

In second quarter 2025 compared to first quarter 2025, sales revenue increased 8 percent primarily due to higher sales volume/mix. As expected, seasonal improvement in the automotive, consumer durables, and packaging end markets was lower than usual. Price-cost remained stable amid macroeconomic uncertainty. Compared to our expectations, specialty plastics benefited from a modest pull-forward in orders during the tariff pause as customers worked to preposition inventory ahead of potential new tariffs. Continued commercial excellence has defended our market share and the value of our products while keeping price-cost stable in the first half of the year. We will maintain this focus on commercial excellence for the remainder of the year. EBIT increased due to higher sales volume/mix that was partially offset by higher planned maintenance expense.

Looking forward to third quarter 2025 versus second quarter 2025, we expect mid-single digit lower volumes across the segment. Primary demand is expected to decline in key end markets, including consumer durables and automotive. Compounding this market weakness from the past several years are higher tariff levels and continued uncertainty surrounding global trade policy. As we moved through July, some customers have paused orders awaiting greater clarity, especially in consumer durables and to a lesser extent in the automotive market. This expected decline also includes modest pull-forward impacts from the second quarter. The ramp-up of Renew sales will help offset some of this decline. In addition to this lower volume/mix, we expect substantial sequential headwinds from lower asset utilization of approximately $30 million as we work to optimize inventory with our focus on generating cash. We have adjusted the timing of our large fall turnaround from fourth quarter to third quarter, reflecting our inventory reduction strategy. We expect the headwind from both the volume decline and asset utilization to be between $50 million and $60 million. Partially offsetting these headwinds will be benefits from cost-reduction initiatives and continued commercial excellence. Taking all of these factors together, we expect Advanced Materials third-quarter 2025 EBIT to be significantly lower than second-quarter 2025 EBIT.

Slide 7 – Additives & Functional Products

In second quarter 2025 compared to first quarter 2025, sales revenue increased 5 percent due to 3 percent sales volume/mix and 1 percent higher selling prices, and a favorable foreign currency exchange impact. As expected, we saw lower-than-expected seasonal volume increases, but aviation and agriculture were better than expected. We also saw some heat transfer fluid projects conclude ahead of schedule. Continued commercial excellence has defended our market share and the value of our products while keeping price-cost stable in the first half of the year. We will maintain this focus on commercial excellence for the remainder of the year. EBIT increased due to higher sales volume/mix and a favorable foreign currency exchange impact, partially offset by higher planned maintenance.

Looking forward to third quarter 2025 versus second quarter 2025, we expect to see a seasonal decline in agriculture and a decline in heat transfer fluids due to the earlier-than-expected completion of projects. We also expect continued weakness in the building and construction and automotive end markets. Overall, we expect a mid-single digit decline in sales volume/mix. In addition, we expect both higher planned maintenance expense and lower asset utilization as we work to optimize our inventory levels. Partially offsetting these factors is the impact of cost-reduction initiatives and continued commercial excellence. When putting these factors together, we project third-quarter 2025 Additives & Functional Products EBIT to be lower than second-quarter 2025 EBIT, resulting in a first-half/second-half EBIT split that is more pronounced than our normal 55 percent first half versus 45 percent second half for this segment.

Slide 8 – Fibers

In second quarter 2025 compared to first quarter 2025, revenue decreased 5 percent due to 4 percent lower sales volume/mix and 1 percent lower selling prices. The sequential decline in sales volume/mix was primarily driven by lower textile sales to China due to higher tariffs. Our acetate tow volumes were flat, as we experienced a modest pull-forward of volume by customers to preposition inventory in anticipation of potential European tariffs, offsetting inventory destocking driven by some customers losing market share. We were also able to resume flake sales to our acetate tow joint venture with China National Tobacco Corporation during the tariff pause. EBIT decreased due to lower sales volume/mix.

Looking forward to third quarter 2025, we expect a sequential volume headwind from the tariff-related inventory prepositioning we experienced in the second quarter in acetate tow. We also expect the current rate of acetate tow destocking to remain for the second half of the year. We do not expect a substantial recovery in the textile market due to the impact of higher tariff levels and the related uncertainty on demand. As a result, textiles is expected to be around a $20 million earnings headwind across the second through fourth quarters. In addition, we expect lower asset utilization as we work to optimize our inventory levels, adding up to around $20 million for the full year. We expect some utilization headwinds to be offset by the impact of cost-reduction initiatives. Taking these factors together, we project Fibers third-quarter 2025 EBIT will be lower than second-quarter 2025 EBIT.

Slide 9 – Chemical Intermediates

In second quarter 2025 compared to first quarter 2025, sales revenue decreased 15 percent due to 14 percent lower sales volume/mix and 2 percent lower selling prices partially offset by a favorable currency exchange impact. Compared to our expectations, we had an approximately $20 million impact from an unplanned outage, which increased maintenance expense and caused lost sales due to a lack of available volumes to sell. Additionally, we saw spread compression resulting from elevated competitive activity and higher-than-expected raw material and energy costs.

Looking forward to the third quarter, we expect our planned maintenance expense to be flat versus the second quarter. We also expect to recover most of last quarter's unplanned maintenance expense, and we expect to have additional volume available to sell. In addition, we expect to see an improvement in spreads resulting from lower raw material and energy costs. Finally, we expect to benefit from cost-reduction initiatives. We also expect commodity market fundamentals to remain challenged for the year. Taking these factors together, we project Chemical Intermediates third-quarter 2025 EBIT to be modestly above breakeven levels.

Slide 10 – Eastman is in a strong financial position to effectively navigate an uncertain environment

We expect the macroeconomic uncertainty of higher tariffs and other factors will continue to impact our markets. As we've shown on this slide, we have a demonstrated track record of strong cash generation across several different economic environments. We expect this year will be no different. We have the team, tools, and flexibility to make quick choices to maximize cash flow. Our Treasury team has done an outstanding job managing our debt maturity schedule, and we have prudently reduced net debt by approximately $1 billion since first quarter of 2020. We remain committed to defending our solid, investment-grade balance sheet and are well positioned for the current economic environment with sufficient liquidity. We remain confident that we can continue to deliver strong operating cash flow in varied economic environments.

Operating cash flow is our top financial priority in 2025, and we are adjusting plant operating rates accordingly. As discussed in the segment slides, we expect demand to decelerate in the second half of the year across several of our key end markets, including consumer durables and automotive. To prioritize cash generation, we are targeting a reduction in working capital of approximately $400 million from mid-year levels, split between a reduction in inventories and a reduction in accounts receivable.

Looking at this $200 million reduction in inventory, it is important to share more detail regarding the drivers of our inventory progression of the last few quarters. Starting in fourth quarter 2024, we began a strategic inventory build of approximately $100 million to support our circular platform. Primarily, we built Tritan™ inventory to bridge our ability to serve demand as we convert a Tritan line over to rPET capabilities in advance of our new Tritan line coming online. The second factor to consider is that our expectations for volume in the second half of 2025 are reduced across the company compared to our view in April. Despite this change in expectations, we have not been able to address our elevated inventory levels until third quarter for three reasons. First, we appropriately took advantage of the "liberation day" tariff pause in May to move inventory around the world and mitigate tariff risk. Second, we have had limited visibility into second half demand until customers recently communicated their significantly reduced demand expectations. And third, we built inventory ahead of several planned shutdowns. The net result of these factors is higher-than-expected inventory at the mid-year mark in the face of second-half demand moving lower. In this context, we are taking decisive action.

The impact on earnings from the reduced asset utilization necessary to achieve the inventory target is estimated to be between $75 million and $100 million in the second half of the year compared to the first half. The impact in the third quarter is estimated to be approximately $50 million sequentially.

We now expect to deliver ~$1 billion of operating cash flow this year versus our prior guidance of $1.2 billion. Working capital is expected to be a significant source of cash in second half 2025, but this is being more than offset by end market weakness and reduced cash earnings in Chemical Intermediates. We are maintaining our capital expenditure target at approximately $550 million, which we reduced earlier in the year from a range of $700 million to $800 million. This reduced level of spend reflects our commitment to deliver cash amid a variety of macroeconomic environments. We also remain confident in our attractive dividend and have an expectation to repurchase $100 million of shares in 2025.

Slide 11 – With heightened uncertainty, we are focused on what we can control

After delivering a solid first half of the year in the face of heightened uncertainty, unpredictable tariffs, and weak end markets, we enter the second half of 2025 faced with the reality that these factors are likely to persist. Due to this continued uncertainty, we are maintaining our approach of providing quarter-ahead adjusted EPS guidance and full-year operating cash flow guidance.

While it is encouraging to see U.S. trade deals announced with Japan, the E.U., and other countries, there is still a significant increase in tariff levels and continued uncertainty on many dimensions about how demand will progress in the second half of 2025. Our customers and the retailers are very cautious as they wait for more clarity regarding how much consumers have pre-bought in anticipation of higher inflation due to tariffs and how potential price increases will impact the market after pre-tariff inventory has been depleted. As a result, we expect to see demand declines in our consumer discretionary end markets including consumer durables and automotive. And we also continue to expect building and construction to remain at low levels of demand in the back half of the year.

In our stable end markets, including personal care, pharmaceuticals, and water treatment, we still premise some stable-to-modest growth for the year. For the third quarter specifically, we expect a normal seasonal demand decrease in agriculture. Taken together, stable markets represent about half of our total end-market exposure.

In this environment, we remain focused on controllable actions with an emphasis on cash generation with every lever of the company. We are reducing inventory by greater than $200 million from current levels, keeping capital expenditures for full-year 2025 at approximately $550 million, and reducing costs by approximately $75 million net of inflation. We also expect to maintain our commercial excellence, improve operations in Chemical Intermediates, and continue to work to mitigate the impact of tariffs.

Looking sequentially at the third quarter, our largest headwind includes the previously discussed approximately $50 million impact on earnings from lower asset utilization resulting from significant inventory reduction from current levels. We also expect to see in our specialty businesses a mid-single digit decline in volumes due to uncertainty driving customer and consumer caution and some pull-forward in the second quarter to mitigate tariff risk.

Tailwinds in the third quarter include a sequential benefit in our cost-reduction initiatives, increased revenue from the Kingsport methanolysis facility, and improved results in Chemical Intermediates due to improved spreads and reduced maintenance costs.

When putting these factors together, we project adjusted earnings per share in the third quarter to be around $1.25. As we reflect on the fourth quarter, we do not expect a normal sequential drop, as modest seasonal declines are expected to be offset by improved asset utilization relative to third quarter. And as previously mentioned, we project operating cash flow of ~$1 billion. We would highlight that what happens in the next month with the global trade dispute will have a significant impact in either direction on demand trends in the second half of the year.

Slide 12 - With macroeconomic weakness and uncertainty persisting, we are increasing our focus on improving results

Over the past several years, the Eastman team has done an outstanding job navigating a challenging and volatile global economic environment. We are currently in the fourth year of an industrial recession. Consumer durables are very challenged, global housing indicators are at multi-decade lows, and the global auto market remains soft. Unfortunately, these challenges are persisting longer than anyone anticipated, and they are being exacerbated by the direct impact of increasing levels of tariffs and continued uncertainty. With these challenges not only persisting but in some cases accelerating, we are taking additional actions to improve our results.

This starts with our continued focus on managing our costs. While we have successfully balanced our investments in growth and are constantly improving our cost structure through the recent challenges, the current environment requires us to do more. Here in 2025, we are on track to achieve approximately $75 million of cost savings, net of inflation. As we build our plan for 2026, we are adding between $75 million and $100 million of additional cost savings, net of inflation. We have a comprehensive plan to improve operating costs and go beyond our usual focus on productivity improvement, which we will implement during the second half of the year to realize the full benefit in 2026.

Given the current environment, we are also taking the aggressive actions necessary to right-size our working capital. On inventory, this will require us to reduce asset utilization, which will result in a negative impact on earnings of between $75 million and $100 million in the back half of 2025. As we move into 2026, the utilization headwind to reduce inventories will become a significant tailwind if the economy is stable-to-modestly improving. We realized similar benefits in 2021 and 2024.

In addition, while we have already reduced our capital expenditures for 2025 you can expect that capex spend in 2026 will be below 2025 levels. This includes pausing our capital spending for our second methanolysis plant. On capital allocation, you can expect that we remain confident in our dividend in the current environment. And we expect to significantly increase share repurchases next year with the reduction in capital spending and an expected increase in operating cash flow, assuming the economy is stable.

We are committed to our efforts in reducing the capital intensity of the next methanolysis plant, and we remain committed to addressing underperforming parts of our portfolio. In past years, we have divested non-core businesses in which we were not the highest and best owner, shut down underperforming assets, and invested in assets to improve performance. We will look at all of these options as part of our normal strategic review to determine which will have the most meaningful positive impact on our performance going forward. This includes a no-regrets ethylene-to-propylene investment that enables asset optimization and a repurposing of existing assets at our Texas operations with a modest amount of capital. We expect this investment will improve earnings by $50 million to $100 million through the cycle and reduce volatility with a short payback period resulting in a structural improvement in earnings for Chemical Intermediates.

We expect the global macro environment to remain dynamic for the foreseeable future with a wide range of potential outcomes. With these aggressive actions we are taking to improve our performance, we are controlling what we can control to position Eastman for success.

Forward-looking statements

Forward-looking statements and the assumptions underlying them are subject to a number of risks and uncertainties, and actual performance or results could differ materially from expectations expressed in any forward-looking statements if one or more of the underlying assumptions and/or expectations prove to be inaccurate or is unrealized. Forward-looking statements speak only as of the date they are made, and the company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by the federal securities laws.

Other important assumptions and factors that could cause actual results to differ materially from those in the forward-looking statements are detailed in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2024, and as updated in the company's filings with the Securities and Exchange Commission (the "SEC"), which are accessible on the SEC's website at www.sec.gov and the company's website at www.eastman.com.