

**EASTMAN**  
CELEBRATING  
**100 YEARS**  
1920 - 2020



# First-Quarter 2020 Financial Results

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Willie McLain, SVP & CFO

May 1, 2020

# Forward-looking statements

During this presentation, we make certain forward-looking statements concerning plans and expectations for Eastman Chemical Company. We caution you that actual events or results may differ materially from our plans and expectations. See these slides, the accompanying prepared remarks that we posted on our website, the remarks during the conference call and webcast, the first quarter 2020 financial results 8-K and news release, and our Form 10-K filed for 2019 and Form 10-Q to be filed for first quarter 2020 for risks and uncertainties which could cause actual results to differ materially from current expectations.

## GAAP and Non-GAAP financial measures

Earnings referenced in this presentation exclude certain non-core and unusual items. In addition, first quarter 2020 and 2019 earnings use an adjusted effective tax rate using the Company's forecasted tax rate for the full year as of the end of the interim period and earnings per share are calculated with an adjusted tax rate that excludes the provision for income taxes for non-core and unusual items. "Free Cash Flow" is cash provided by operating activities minus net capital expenditures (typically cash used for additions to properties and equipment). "EBIT Margin" is Earnings Before Interest and Taxes ("EBIT") adjusted for non-core and unusual items divided by GAAP sales revenue. 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 our first quarter 2020 financial results news release available in the "Investors" section of our website and in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of the Forms 10-K and 10-Q filed with the SEC for the periods for which non-GAAP financial measures are presented.



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**Thanks  
for being  
here.**

*Our heartfelt thanks go to:*

- Healthcare workers and first responders
- Our customers
- Our suppliers
- Everyone who is working to keep us safe and healthy

...and to the **global Eastman team** for continuing to enhance the quality of life in a material way



# Update on current state of Eastman response to COVID-19

## Ensure employee wellness



Moved quickly to implement processes and procedures to protect employees

## Immediate actions to further strengthen balance sheet



Current cash balance \$850 million with further access to our revolver; manageable debt maturities in 2021

## Ensure operational integrity



Health and safety of employees primary focus; all sites deemed essential globally

## Adjust plans to meet demand and maximize cash



Significant reduction in working capital expected to generate >\$250 million in cash beyond previous expectations; ~\$150 million in cost reduction actions

# Eastman products are essential for our everyday lives and the fight against COVID-19

## Personal care, home care & water treatment

DMAPA  
soaps and  
sanitizers



DIMLA  
liquid dish &  
laundry care

DMAE  
waste water  
treatment



## Medical

PETG  
face shields  
and protective  
barriers



Eastman  
Tritan™  
copolyesters  
medical devices



Eastman cellulose ester CA-398  
Eastman BioSustane™ SAIB  
excipients for medicines

## Consumables

Adhesives  
resins  
diapers



Copolyesters  
food packaging

Adhesives  
resins  
packaging



## Food, Feed & Ag

Metam  
soil fumigant  
Thiram  
fungicide  
CCC  
growth regulator



Propionic acid  
animal feed



Organic acid blends  
chicken feed preservation

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Innovation. Then. Now. Next.

# Proven innovation-driven growth model: The heart of how we win

**During pandemic, Eastman's strengths have never been clearer:**

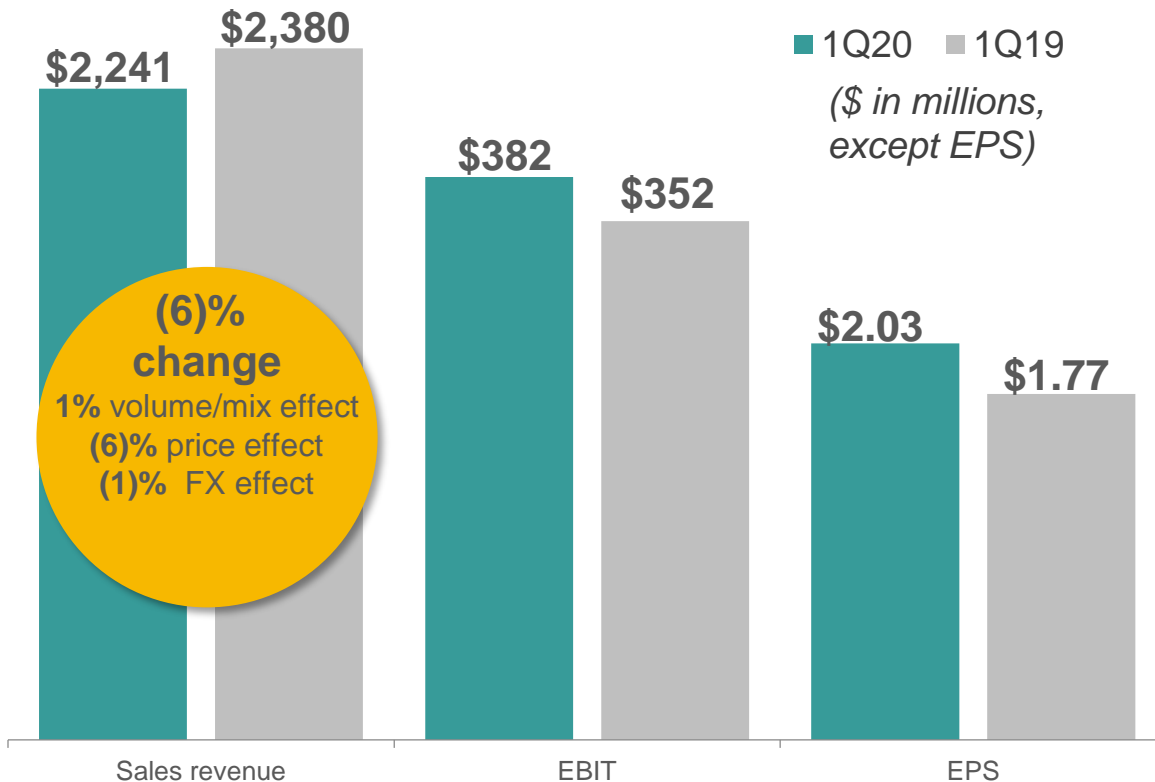
- Long track record of managing our portfolio resulting in stronger enterprise to face current challenges
- Strong cash flow, solid balance sheet, significant sources of liquidity
- Proven track record of driving growth above end markets through innovation and market development
- Diverse set of end markets enables resilience
- Disciplined cost management in all environments
- Investment in business operating model
- Leverage scale and integration, which allow us to accelerate innovation and provide security of supply



**Innovation. Then. Now. Next.**



# 1Q 2020 financial results *Corporate*



- Outstanding results in challenging environment
- Sales volume modestly increased
  - Growth in personal care & wellness, water treatment, architectural coatings, agriculture, and consumables end markets
  - Mostly offset by lower revenue in transportation and textiles end markets attributed to impact of COVID-19 pandemic
- EBIT increased due to higher sales volume, improved spreads, and lower variable compensation costs
- COVID-19 related volume and product mix EBIT impact \$20-\$30 million
- EBIT margin increased 220 basis points

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# Strong balance sheet and a focus on maximizing cash

## Took actions to further strengthen balance sheet out of an abundance of caution

Current cash balance \$850 million

Accessed \$400 million of revolving credit facility with  
>\$1 billion still available

\$250 million term loan in April

No public debt maturities in 2020, and manageable  
debt maturities in 2021

## Maximizing cash generation is top financial priority in 2020

Free cash flow positive in first quarter,  
an excellent start to the year

Expect working capital reduction to be a source of  
>\$250 million cash flow beyond previous expectations

Capital expenditures reduced by ~\$100 million to \$325 to  
\$375 million with targeted growth programs continued

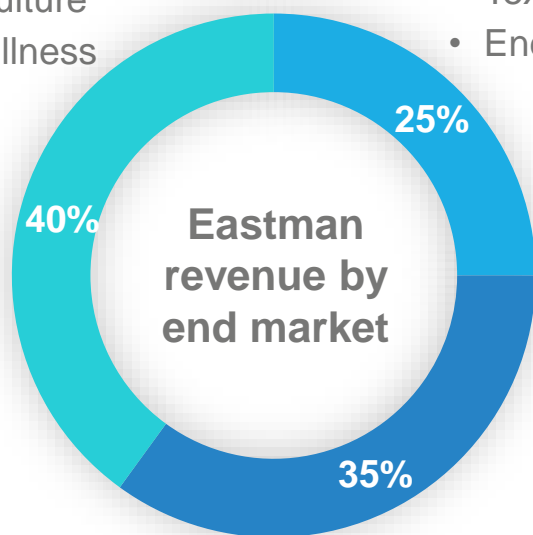
Increased cash-focused cost reduction actions to  
~\$150 million



# Diverse end markets mitigate impact of COVID-19

## Resilient

- Consumables
- Medical and pharma
- Food, feed, & agriculture
- Personal care & wellness
- Water treatment
- Tobacco



## Most impacted

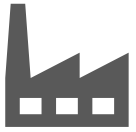
- Transportation (autos, tires, aviation)
- Textiles
- Energy

## Mixed impact over time

- Building & construction
- Durables
- Electronics
- Industrial chemicals & processing

- Currently expecting 2Q to be weakest quarter in 2020 for the global economy
- Through late April vs. March, volume down ~(15%)
  - 'Most impacted' down ~(40%)
  - 'Mixed impact over time' down ~(15%)
  - 'Resilient' ~0%

# Reducing 2020 costs by ~\$150 million in response to financial impact of COVID-19



Adjusted operations to end-market demand for Eastman products



Significantly reduced discretionary spending

- Travel & entertainment, professional fees, and other external services



Deferring some turnarounds to protect employees, contractors during COVID-19 pandemic

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# Well-positioned to manage in an uncertain environment

- Benefit from diverse end markets and innovation that leverages strong customer engagement
- Cost actions accelerated to ~\$150 million, net of inflation
- Working capital expected to be source of >\$250 million of cash flow beyond previous expectations
- Capital expenditures reduced by ~\$100 million to \$325-\$375 million
- Further strengthened balance sheet in abundance of caution
- Maintaining disciplined approach to capital allocation with focus on dividend and substantially >\$400 million debt repayment

Withdrawing previous FY 2020 guidance due to COVID-19

Expect to provide mid-quarter update as we gain more insight