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# Third-Quarter 2020 Financial Results

Mark Costa, Board Chair & CEO  
Willie McLain, SVP & CFO

October 29, 2020

# Prepared Remarks

These slides should be reviewed with the accompanying prepared remarks posted on our website.

## 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 posted on our website, the remarks during the conference call and webcast, the third quarter 2020 financial results 8-K and news release, and our Form 10-Q filed for second quarter 2020 and Form 10-Q to be filed for third 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 and the accompanying prepared remarks exclude certain non-core and unusual items. In addition, third quarter 2020 and 2019 earnings use an adjusted effective tax rate that is the 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. “EBITDA” is Earnings Before Interest, Taxes, Depreciation, and Amortization adjusted for non-core and unusual items. “Net Debt” is total borrowings less cash and cash equivalents. 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 third quarter 2020 financial results news release which is posted 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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# Third-quarter 2020 highlights



First nine months free cash flow at record levels



Strong sequential earnings increase driven by innovation and end-market diversification



Focused execution on controllable items including cost reductions and technology licensing



Innovation driving several wins across our sustainable product offerings leveraging molecular recycling



Named by *The Wall Street Journal* as one of the “100 Most Sustainably Managed Companies”

WSJ  
100  
MOST  
SUSTAINABLY  
MANAGED  
COMPANIES 2020

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**SunTek**

**V-KOOL™**

**LLumar**

## Architectural coatings

- Low odor, low-emissive specialty products well-positioned to meet do-it-yourself demand growth in 2020
- Significant investment in application development capabilities focused on long-term macro trends
- Consumer sensitivity about indoor air quality serving as ongoing growth catalyst for our innovation investments

## Innovation and market development driving resilience during pandemic

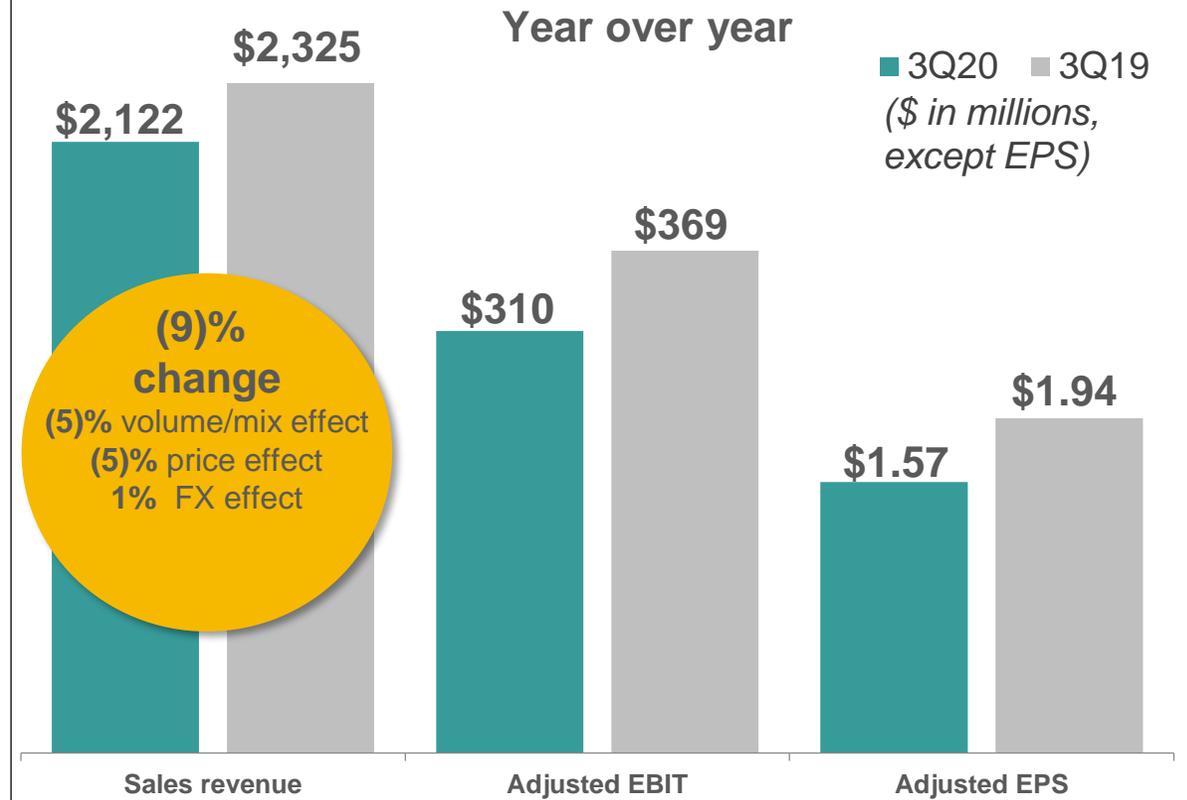
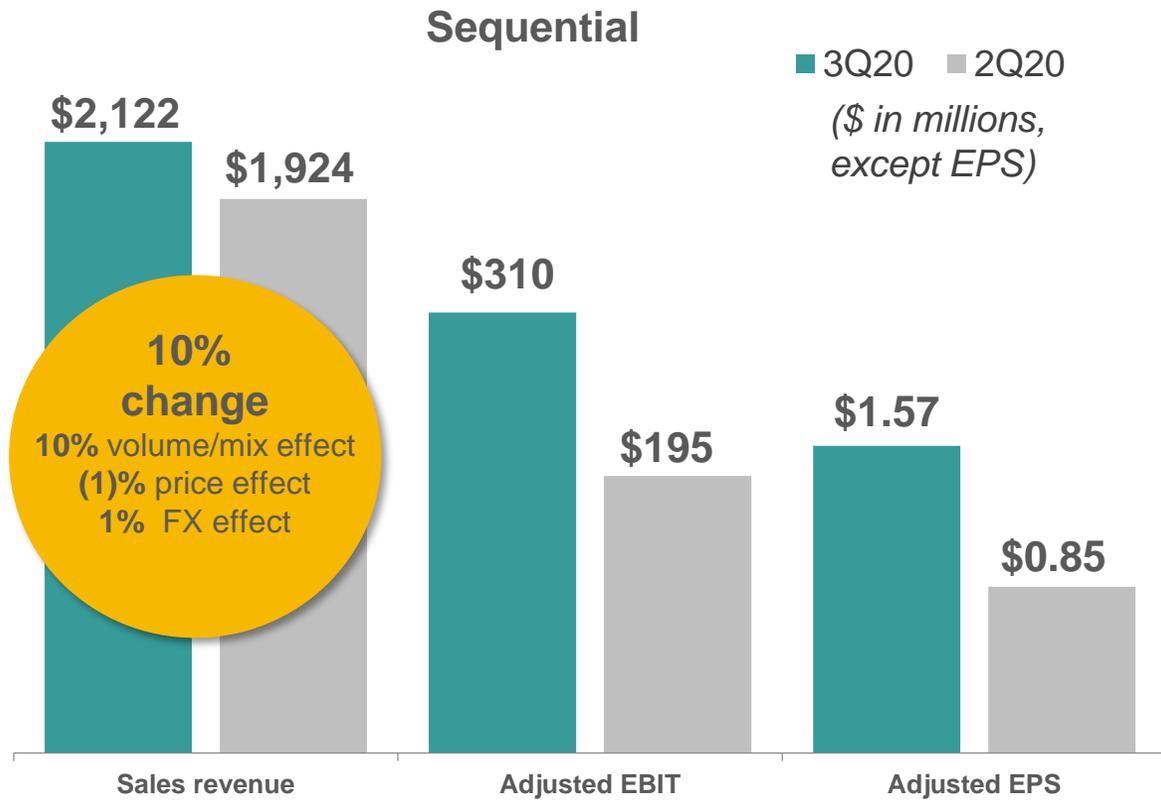
### Performance films

- Significant 3Q20 performance ahead of underlying end-markets across all major regions
- Eastman team enabled our dealers to reopen for business with best-in-class industry practices and new digital campaigns
- New product and digital offerings in 2021 to support continued strength in this business



Eastman **OPTIFILM™**  
enhancers

# 3Q 2020 financial results – Corporate



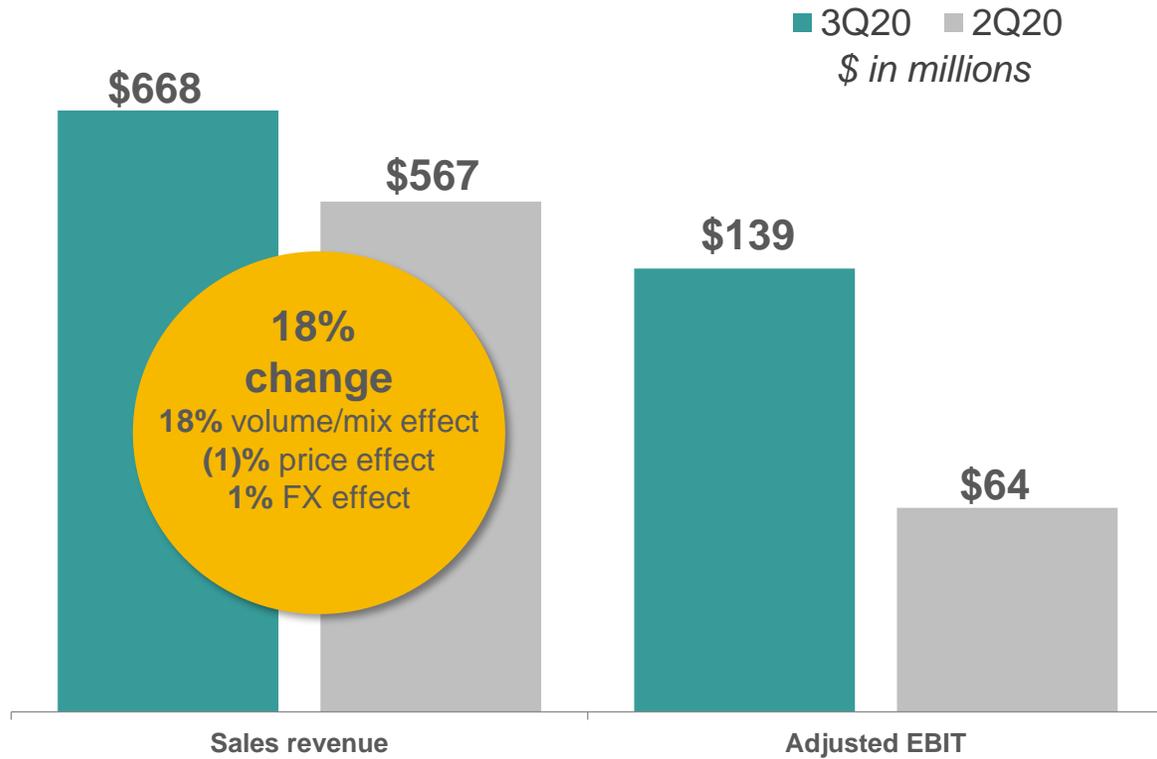
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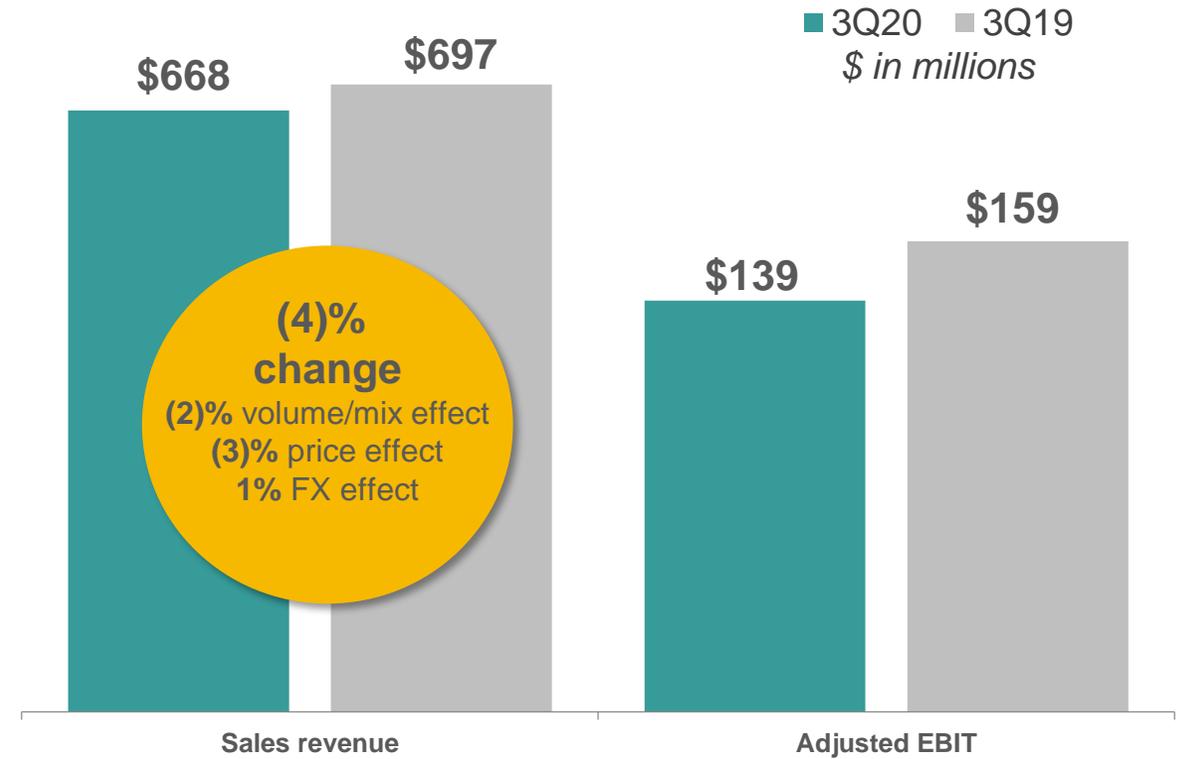
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# 3Q 2020 financial results — *Advanced Materials*

## Sequential



## Year over year

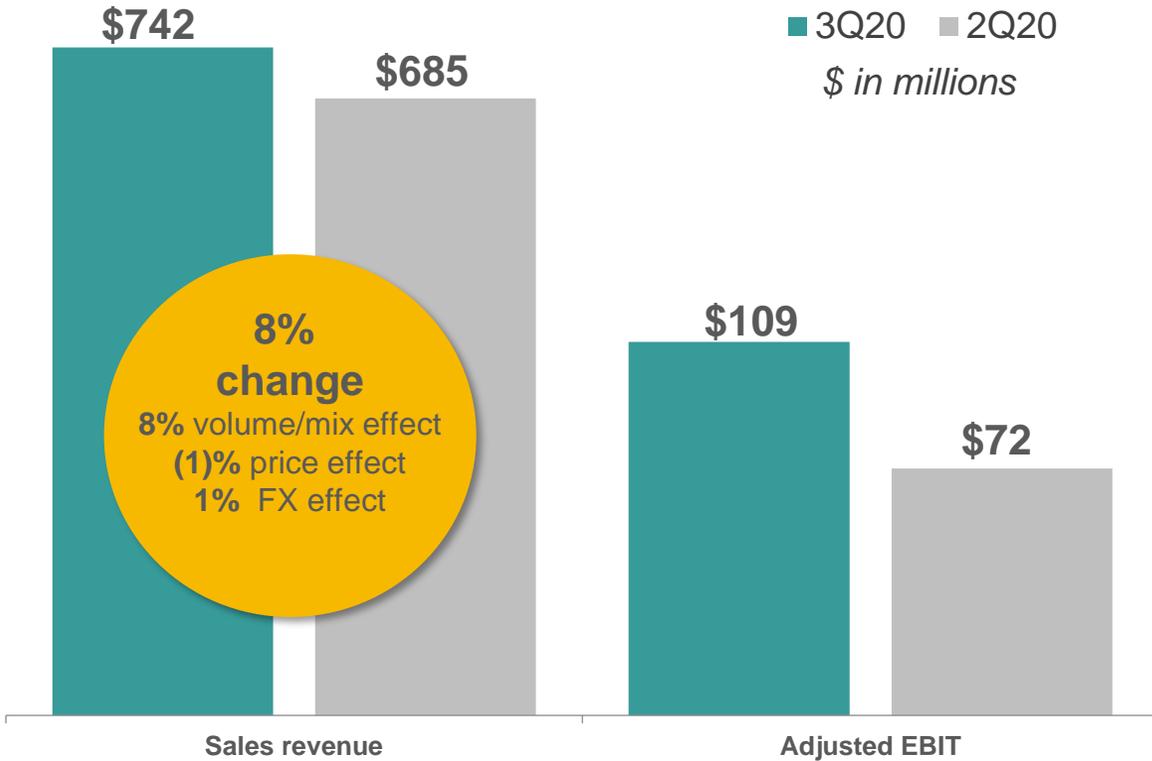


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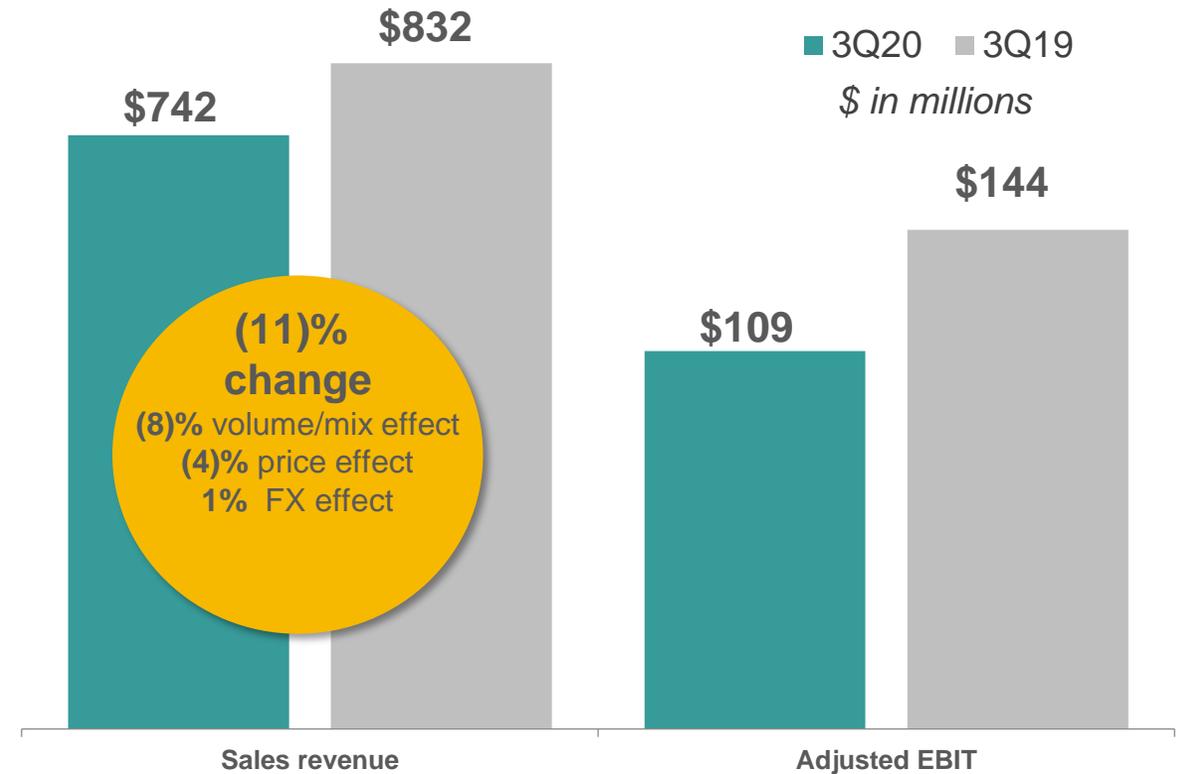
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# 3Q 2020 financial results — Additives & Functional Products

Sequential



Year over year



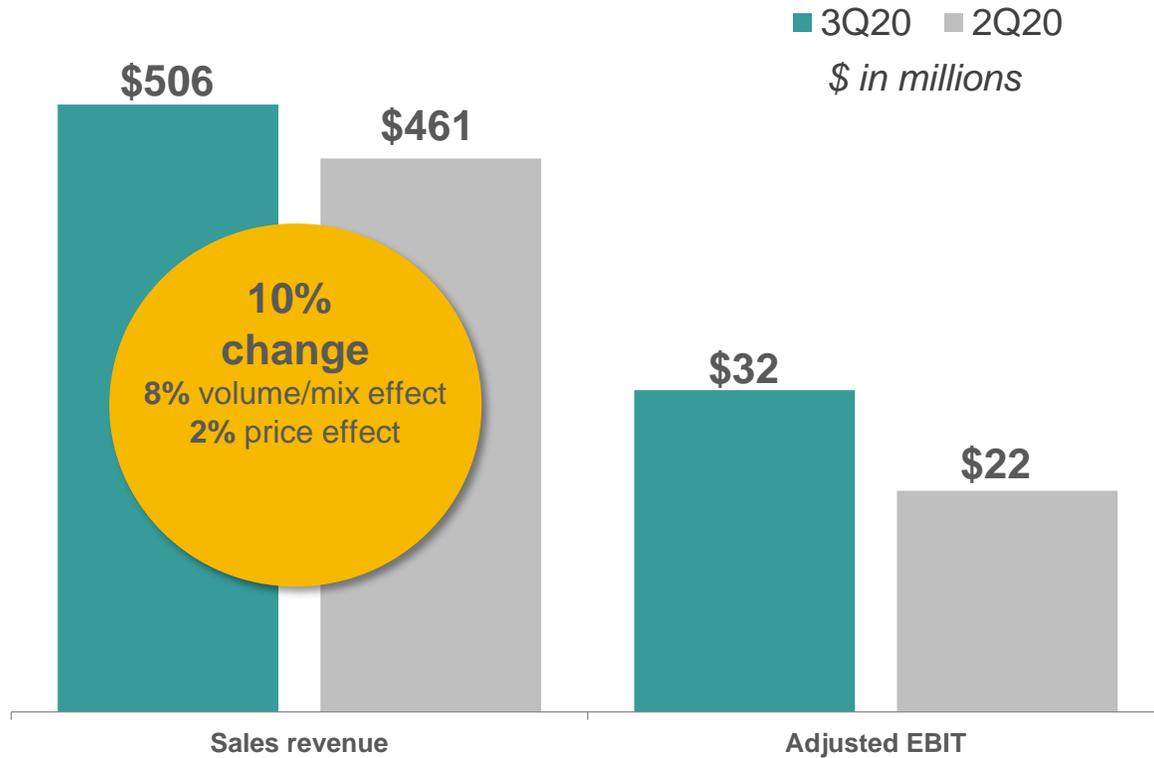
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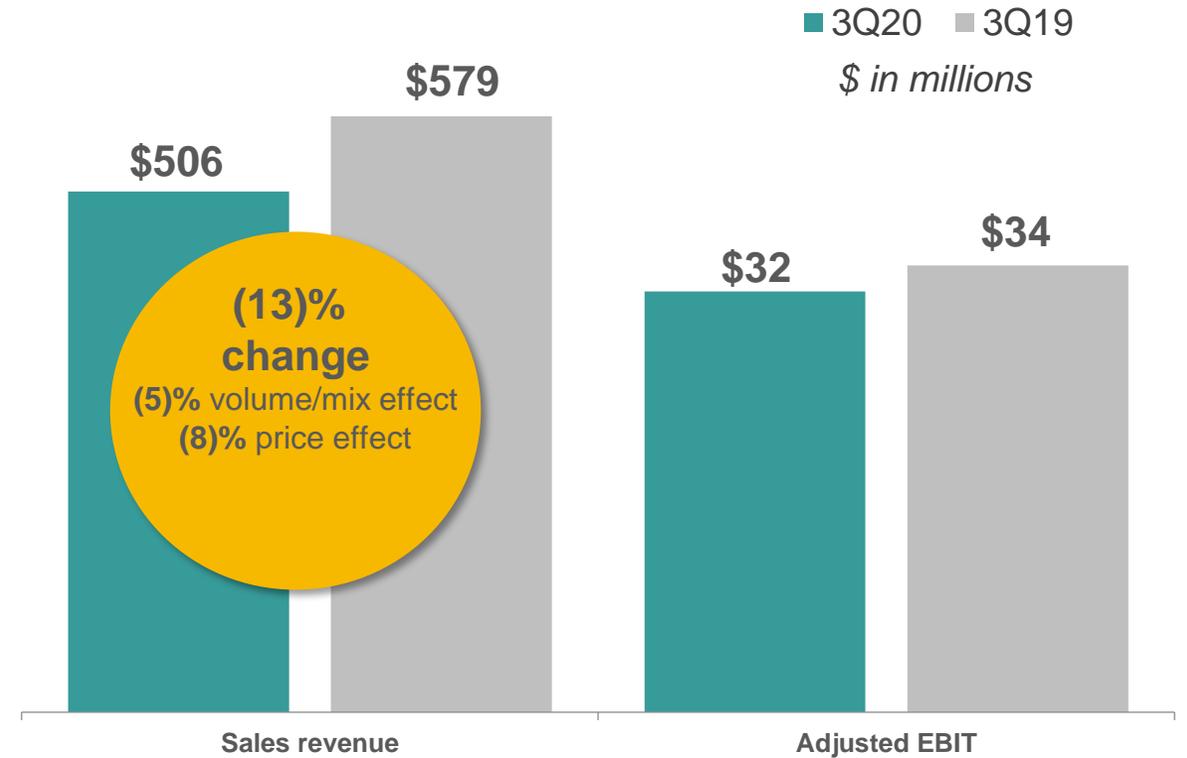
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# 3Q 2020 financial results – *Chemical Intermediates*

Sequential



Year over year



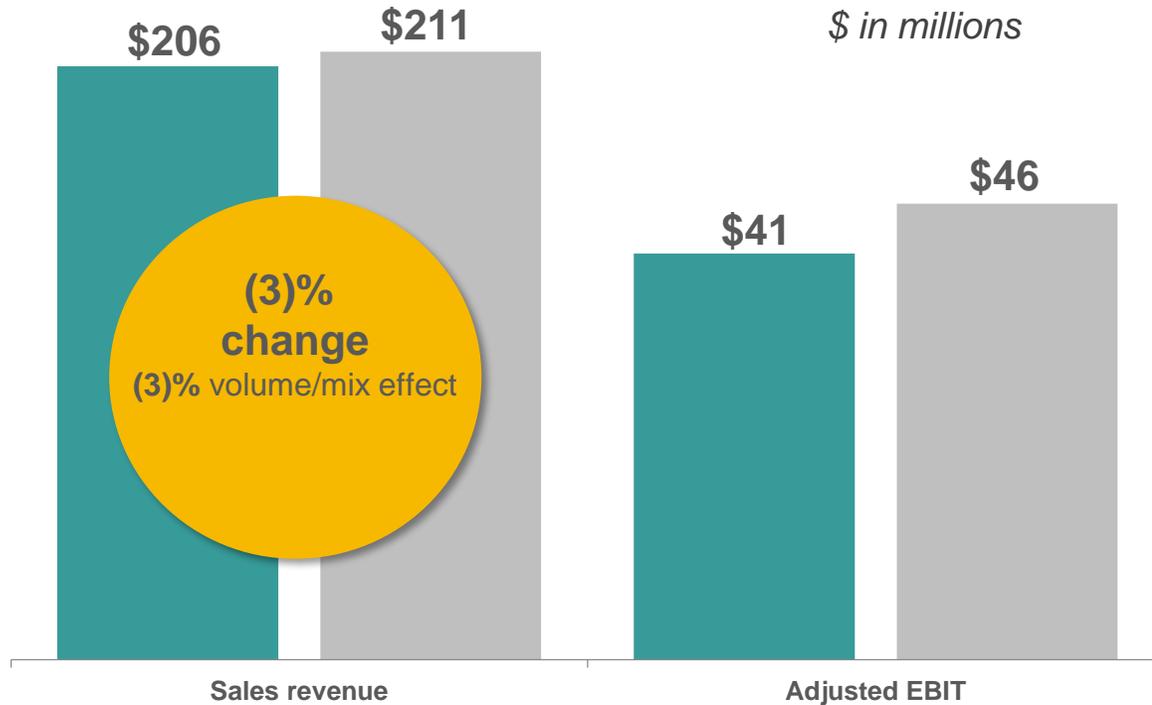
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# 3Q 2020 financial results – *Fibers*

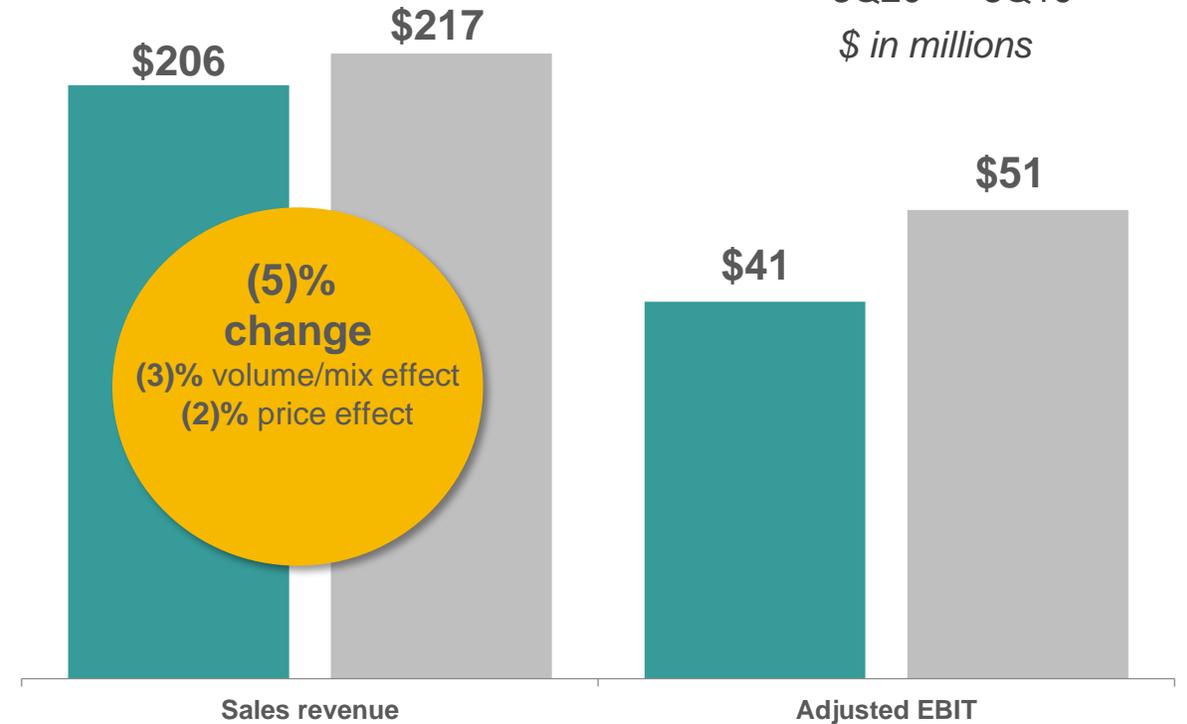
Sequential

■ 3Q20 ■ 2Q20  
\$ in millions



Year over year

■ 3Q20 ■ 3Q19  
\$ in millions



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# First nine months 2020 cash flow and other financial highlights

**\$1.05  
billion**

cash from operations

**\$771  
million**

Free cash flow

Returned  
**\$269  
million**  
to stockholders  
by dividends

On track to use  
greater than  
**\$600  
million**  
of free cash  
flow for net  
debt reduction

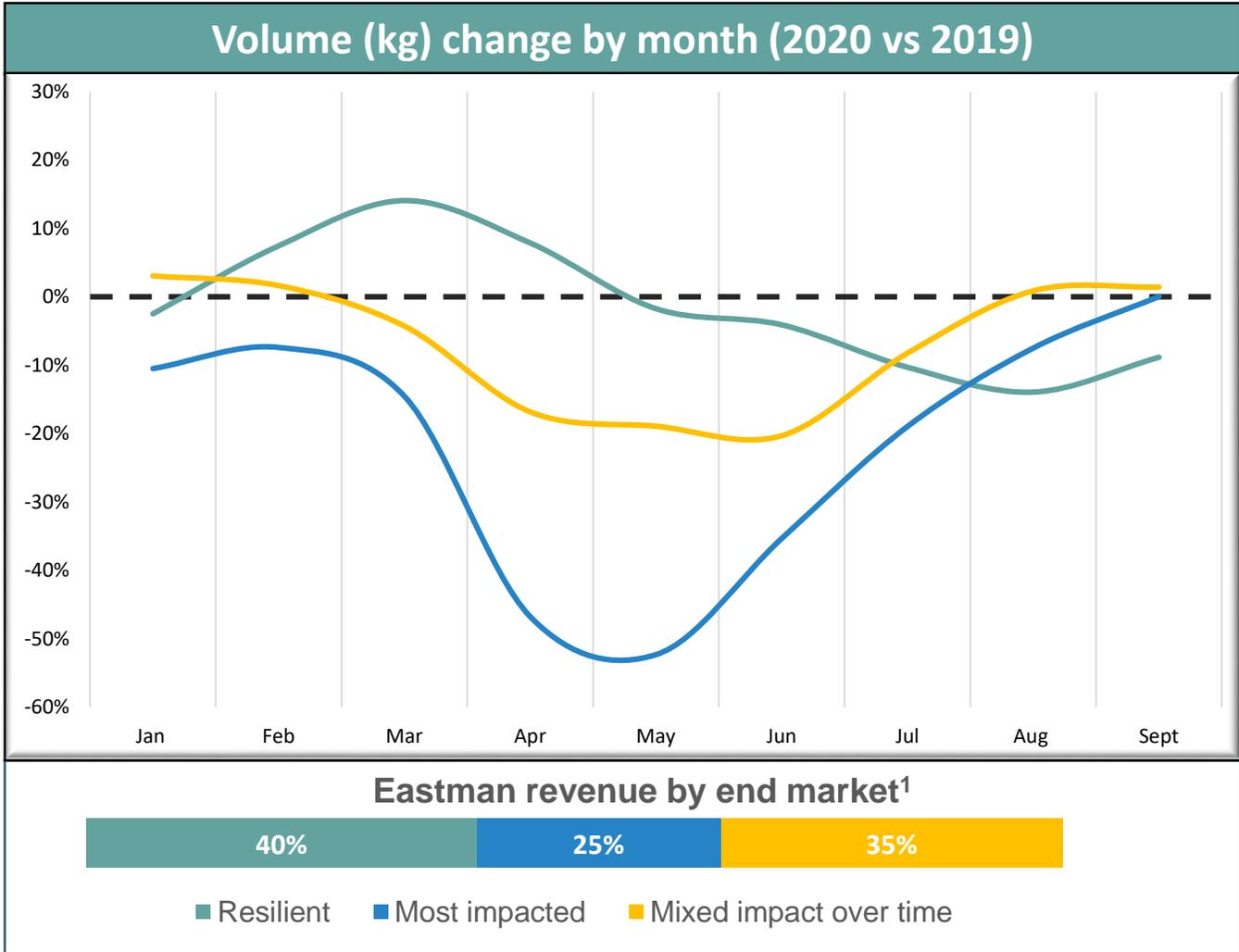
**\$363  
million**  
net debt  
decreased  
through 9M  
2020

9M 2020  
effective tax rate  
**~15.5%**

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# End markets are recovering



- Volume increased 9% in 3Q20 vs. 2Q20
  - Strong 75% recovery in ‘most impacted’ end markets led by auto
  - 35% increase in ‘mixed impact over time’ end markets with strong building and construction growth
  - ‘Resilient’ markets moderated as expected, but are about flat YTD versus 2019
  
- Fourth-quarter volume / mix expected to approach year-ago levels

1. See slide 9 of Eastman’s first-quarter financial results presentation for a list of end markets in each category



# 2020 outlook

- Eastman team doing an outstanding job navigating a challenging global business environment
- Volume / mix improvement approaching 2019 levels in fourth quarter
- Solid recovery in certain end markets: auto, tires, building & construction, consumer durables
- Overall visibility remains limited due to increased uncertainty related to COVID-19
- On track to reduce short-term costs by ~\$40 million in 4Q20 and ~\$150 million for FY2020

**Project > \$1 billion free cash flow in 2020**

**Project 4Q20 adjusted EPS to be similar to 4Q19 adjusted EPS of \$1.42;  
expect to provide mid-quarter update as we gain more insight**

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# Innovation-driven growth model enabling superior performance



Significant integration and scale enable innovation, reliability and cost advantage

Advantaged growth and execution capability and culture

Aggressive and disciplined portfolio management

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