

# Third-Quarter 2021 Financial Results

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Willie McLain, SVP & CFO

October 28, 2021

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# 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 2021 financial results SEC 8-K filing and news release, and our Form 10-Q filed with the SEC for second quarter 2021 and Form 10-Q to be filed for third quarter 2021 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. “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 items divided by GAAP sales revenue. “EBITDA” is Earnings Before Interest, Taxes, Depreciation, and Amortization adjusted for non-core items. “Net Debt” is total borrowings less cash and cash equivalents. “Net Debt to EBITDA” is Net Debt divided by EBITDA adjusted for 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 our third-quarter 2021 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.

# Recent highlights



Strong execution to maintain third-quarter EPS at second-quarter levels despite headwinds from logistics & raw material cost inflation and auto OEM component shortages



Eastman ranked No. 21 in Fortune Magazine's 2021 *Change the World* list for its leadership in the circular economy



Continued strong progress with key brand adoption of Tritan™ RENEW copolyester, including Stanley Black & Decker for sustainable power tools



Recently acquired PremiumShield, expanding Eastman's performance film pattern development capabilities, pattern database, and installation training expertise

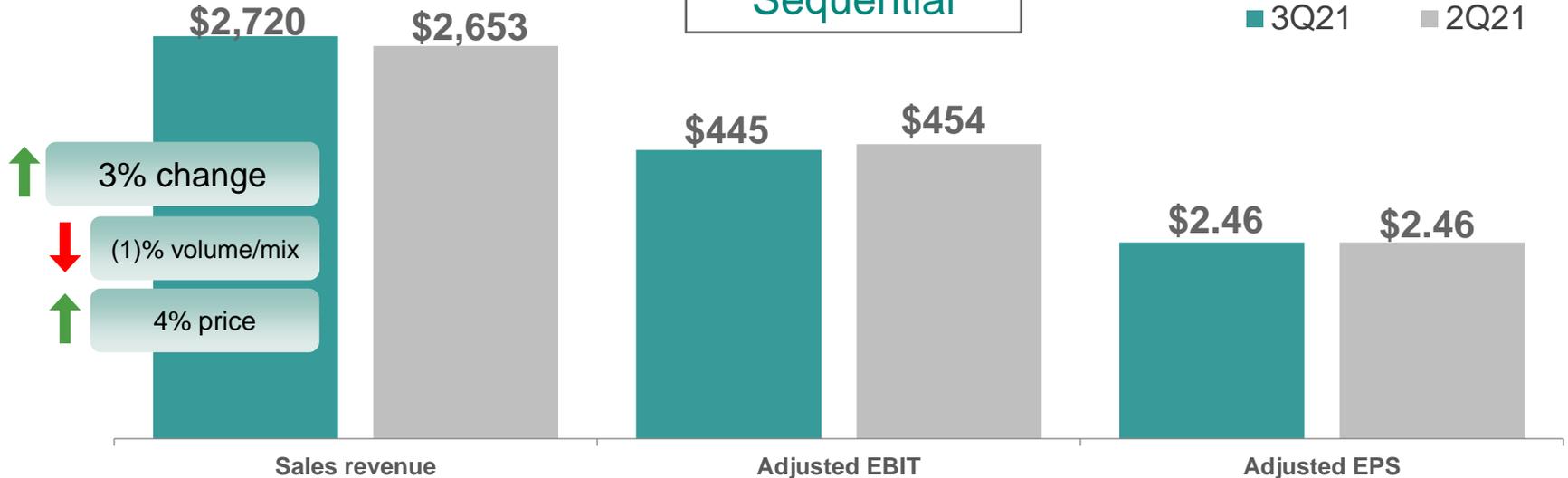


Announced agreement to sell adhesives resins business, completing strategic actions for the underperforming 1/3<sup>rd</sup> of Additives & Functional Products segment

# 3Q 2021 financial results – Corporate

Sequential

■ 3Q21 ■ 2Q21

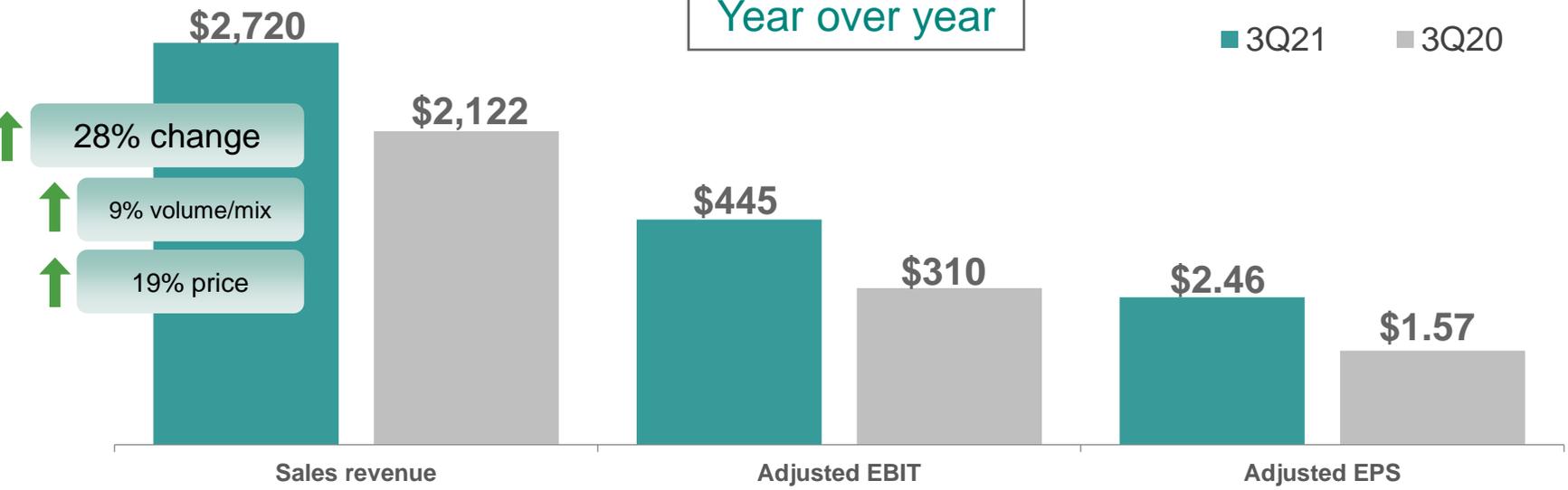


## Highlights

- Stable sequential earnings despite significant cost inflation
- Record quarterly revenue
- Robust end-market demand continued in building & construction, consumer durables, and medical

Year over year

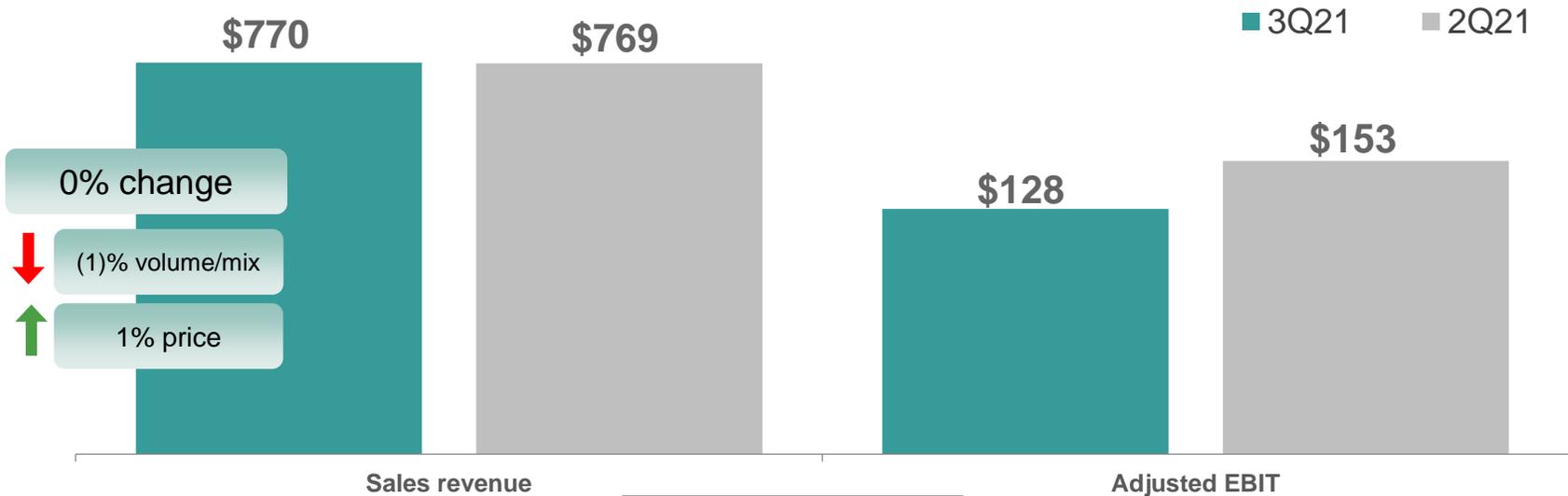
■ 3Q21 ■ 3Q20



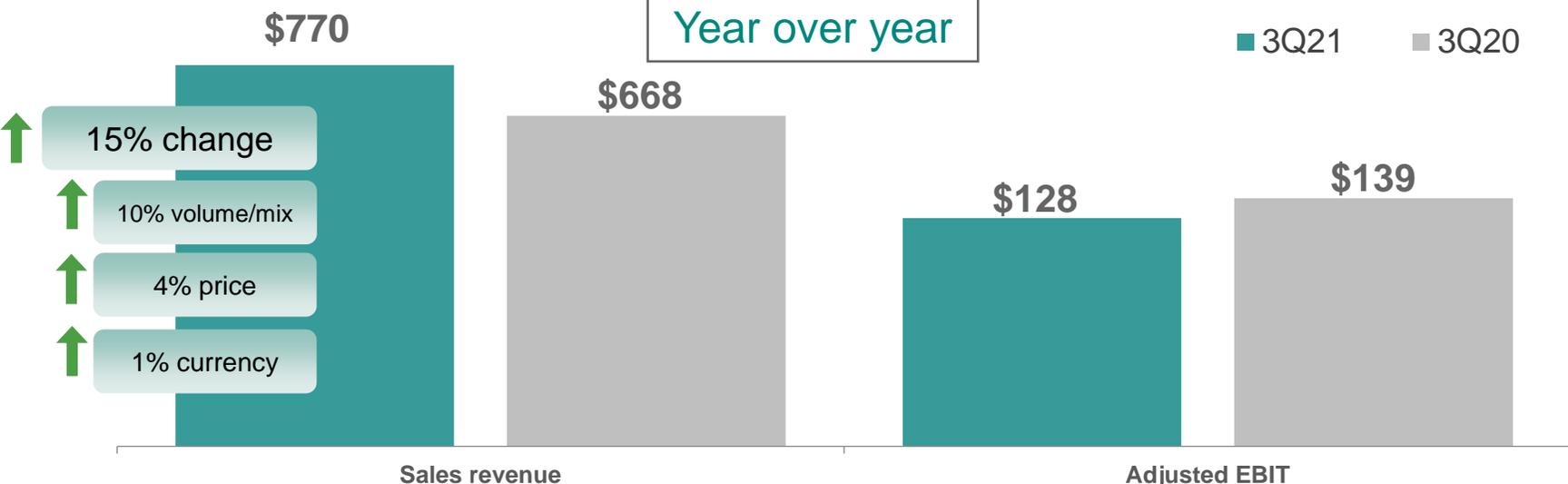
(\$ in millions, except EPS)

# 3Q 2021 financial results – *Advanced Materials*

Sequential



Year over year



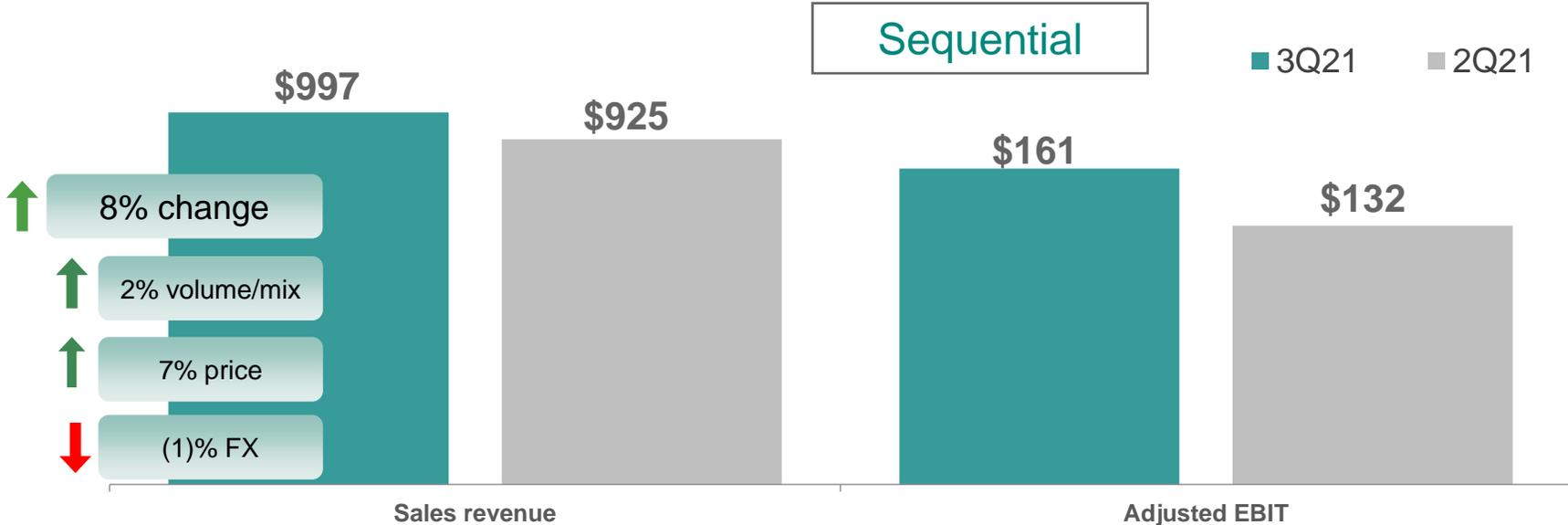
## Highlights

- Strong demand in medical, consumer durables, and electronics end markets
- Automotive OEM component shortage negatively impacted demand in the third quarter
- Variable cost increase accelerated throughout the third quarter



(\$ in millions)

# 3Q 2021 financial results – Additives & Functional Products



## Highlights

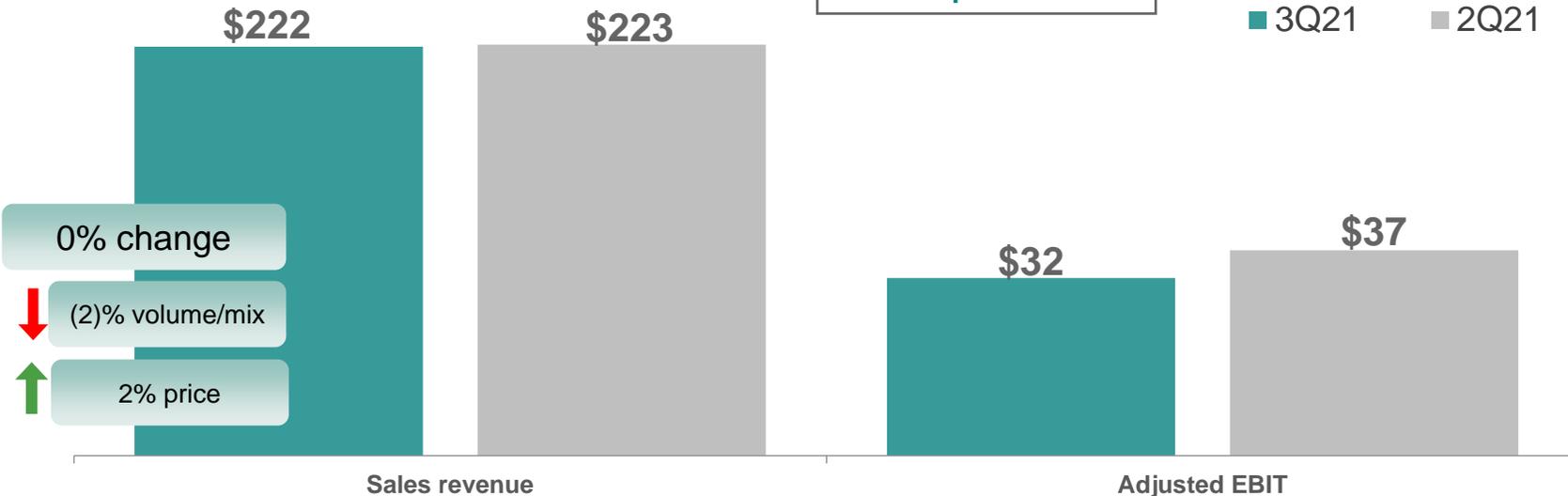
- Strong sequential selling price increase led by coatings and care additives
- Sequential volume increase led by care additives and the building & construction end market
- Adjusted EBIT margins increased 180 basis points sequentially



(\$ in millions)

# 3Q 2021 financial results – *Fibers*

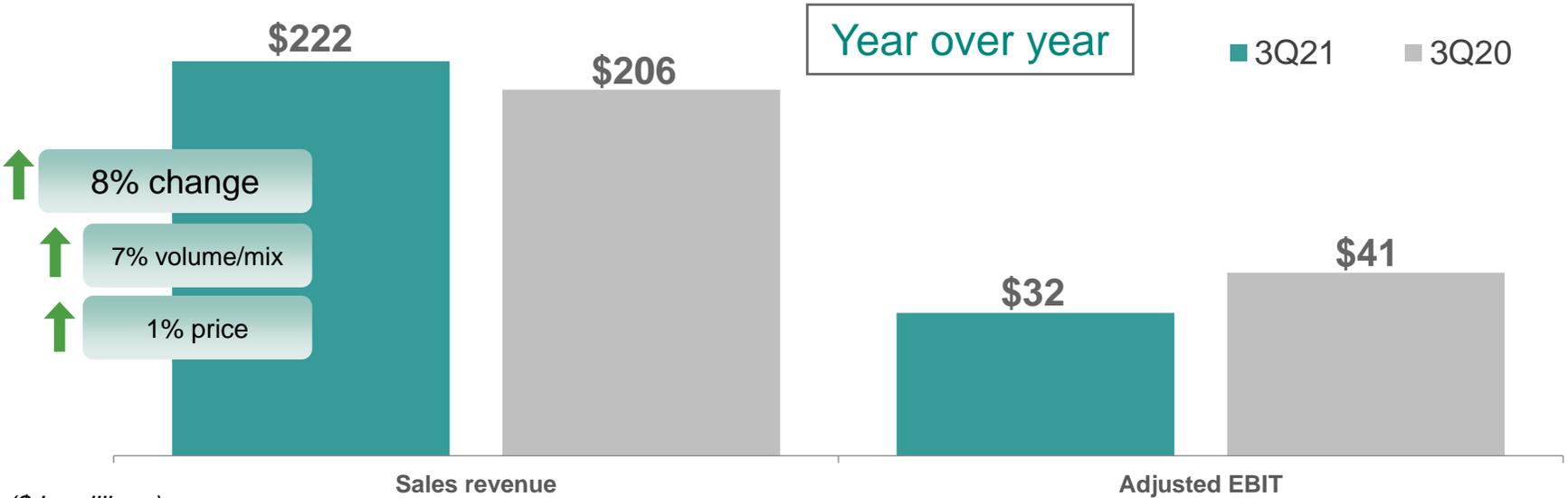
## Sequential



## Highlights

- Sequential increase of variable costs impacted results
- Revenue stable sequentially as textiles delivered mid single-digit revenue growth

## Year over year



- More than half the revenue across the segment is being renegotiated in 2022 to recover spreads

(\$ in millions)

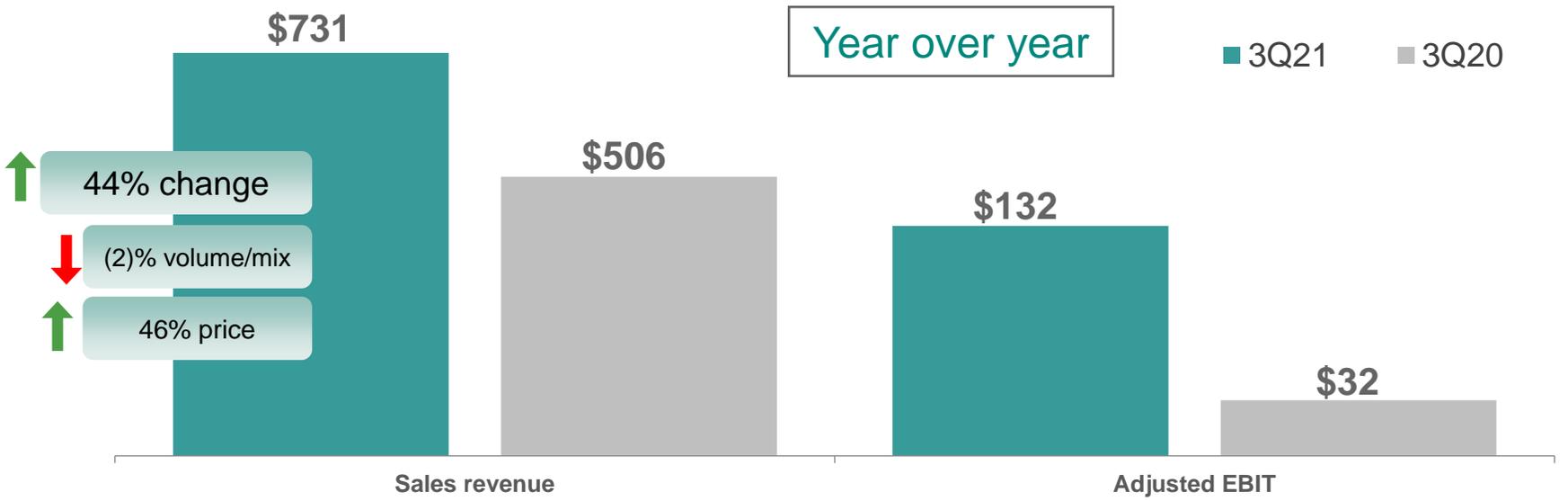


# 3Q 2021 financial results – Chemical Intermediates



## Highlights

- Continued strong end market demand and tight commodity markets
- Higher raw material and energy costs sequentially



- Lower volumes sequentially due to seasonality in the agriculture end market



(\$ in millions)

# 2021 cash flow and balance sheet highlights

First nine months free cash flow **\$874 million**

Taking actions to partially offset recent increase in working capital

On track to **repurchase ~\$400 million**

of shares in FY21 from free cash flow

And expect to repurchase shares with tire additives divestiture proceeds in 4Q21

Cash and strong balance sheet providing **significant strategic flexibility**

Net debt to adjusted EBITDA **<2.2x**

Forecasted FY21 adjusted effective tax rate **~15%**

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# 2021 outlook

## Growth drivers

- Sales revenue growth driven by:
  - Benefit of innovation-driven growth model enabling growth above end markets
  - Expect continued recovery in key high-value end markets
  - Continued strong product mix improvement
- Significant asset utilization tailwind
- Aggressive cost actions to keep operational cost structure ~flat vs 2020
- Disciplined capital allocation

## Near-term uncertainties and headwinds

- Automotive OEM component shortages
- Supply chain disruptions, logistics constraints and costs
- Raw material and energy costs continue to increase in second half
- Growth and capability investments

**Project full-year 2021 adjusted EPS between \$8.80 and \$9.00**

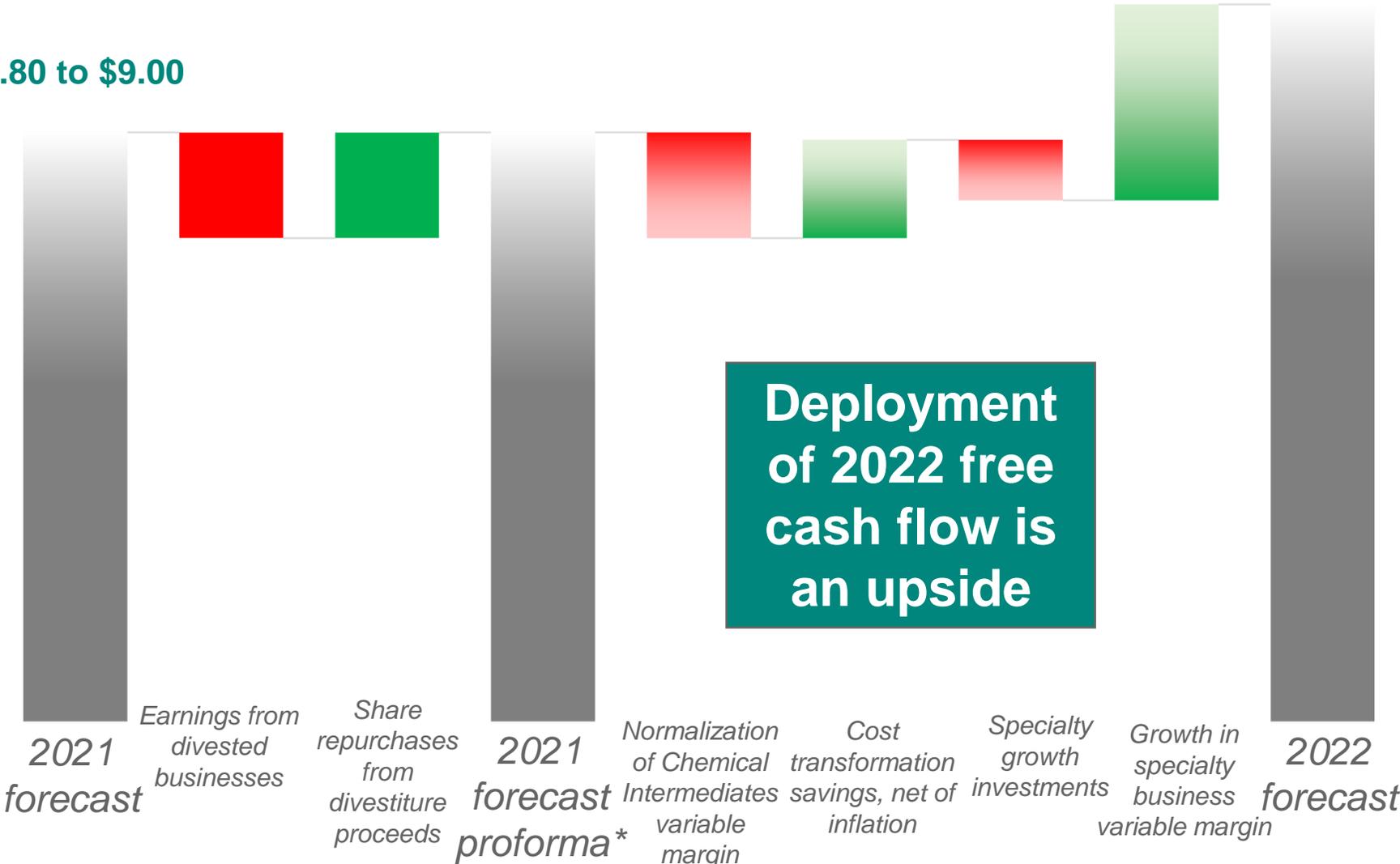
**Project 2021 free cash flow to approach \$1.1 billion**

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# Well-positioned for strong adjusted 2022 EPS growth vs 2021

\$8.80 to \$9.00

\$9.50 - \$10.00



**Deployment of 2022 free cash flow is an upside**

### Key assumptions

- 4% global GDP growth
- Innovation enabling growth above underlying end markets
- Raw material, energy, and distribution costs modestly lower from current levels
- Automotive OEM production modestly improving in 2H22
- Supply chain to remain challenged in 1H22



\* Forecasted earnings adjusted for expected impact of identified items

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# ID21

INNOVATION DAY 2021

Hybrid event to be held in-person and virtually - December 7, 2021

Details to follow on [investors.eastman.com](https://investors.eastman.com)