Trinseo 2013 Year-End and Q4 Earnings
March 11, 2014

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Speaker: John Feenan; Trinseo; EVP and CFO

Q&A Participant: Roger Spitz; Bank of America Merrill Lynch; Analyst
Q&A Participant: Bill Hoffman; RBC Capital Markets; Analyst
Q&A Participant: Jordan Hollander; Deutsche Bank; Analyst
Q&A Participant: John Mann; JPMorgan; Analyst
Q&A Participant: Brian Lalli; Barclays; Analyst
Q&A Participant: Keith Kitagawa; HSBC; Analyst

Operator: Good morning, ladies and gentlemen, and welcome to the Trinseo Fourth Quarter and Full Year 2013 Financial Results Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session, and instructions will follow at that time. If anyone should require operator assistance during the call, please press *, then zero, on your touch-tone telephone. As a reminder, today's conference call is being recorded.

The slides for the call have been posted on the Company's Investor Relations website in the webcast viewer and with the financial results press release by means of a form 8-K filing with the US Securities and Exchange Commission. A replay of the conference call and transcript will be archived on the Company's Investor Relations website shortly following the conference call. The replay will be available until April 11, 2014.

Turning to slide two, we welcome the Trinseo management team -- Chris Pappas, President and CEO; and John Feenan, Executive Vice President and CFO -- who will be conducting the call. Before beginning, I call your attention to the disclosure rules on slide two regarding forward-looking statements and use of non-GAAP measures. The agenda is on slide three. And I'll hand the call over to Chris Pappas.

Chris Pappas: Thank you, Karen. Hello, everyone. Good morning, and thank you for joining us to discuss our fourth quarter and full year 2013 financial results. Our agenda today, as shown on slide three, will be as follows -- first, I will give an overview of 2013, covering key highlights from the year, including accomplishments, results, and the primary drivers of our performance. John Feenan will then review the details of our latest results from both a consolidated and business segment perspective. After that, I will comment about the current business conditions and our focus for 2014.

Before the overview of 2013, I'd like to talk about two recent announcements that are part of our growth strategy for 2014 and beyond. First, on February 18, we announced the acquisition of additional Solution Styrene Butadiene Rubber, or SSBR, production capacity from JSR at our facility in Schkopau, Germany. This transaction, which increases our SSBR capacity by 25 kilotons per year, will enable us to continue growing at high value rubber business in a more economical and timely manner than building new capacity.

This added capacity will further assist us in effectively developing and producing our advanced generation grades of SSBR. We will have full capacity rights to the train starting April 1st, and we anticipate approximately $20 million of incremental EBITDA per year as we sell out this capacity over the balance of 2014 and 2015.

Second, on February, 25, we announced plans to increase our latex capacity at our existing production facility in Zhangjiagang, China. This expansion will mainly support the demand for latex in China's

paper and paperboard industry, which is forecast to grow annually at approximately 6% per year over the next five years. Trinseo has been involved in the startup of 80% of the new coated paper and paperboard machines in China, and this investment reaffirms our commitment to this growing market and our customers.

Both of these investments are excellent, low cost, and effective ways for us to grow in 2014 and 2015 and beyond. Total capital required for the two projects will be about $38 million, which is included within our 2014 capital plan of $110 million to $120 million.

In addition, I'd like to mention that our S-4 registration statement was deemed effective on January 29 by the Securities and Exchange Commission, and we now have completed the exchange offer of our Senior Secured Notes. This satisfies the requirements under our bond indenture and the related registration rights agreement, and Trinseo will now publicly file 10-Ks, 10-Qs, and 8-Ks.

Let's turn to slide four. This is a snapshot of Trinseo and our performance in 2013, both at the Company's total results level, division, and segment levels. Our total Company adjusted EBITDA was $303 million, including an unfavorable inventory revaluation impact of $40 million, which reflects price declines in our raw material costs during the year, mostly from benzene and butadiene. This performance includes $23.6 million of dividends from our joint venture partners, with $22.5 million from Americas Styrenics and $1.1 million from Sumika Styron.

Full year 2013 adjusted EBITDA, excluding inventory revaluation of $344 million, is the highest for any fiscal year in Trinseo's history, looking back to 2011. I think it is important to point out that 2013 was a year of two very different six-month periods. In the first half of the year, our EBITDA, excluding inventory revaluation, was $139 million, while in the second half of the year it was $205 million. Coupled with this record performance, we also had record free cash flow for the year of $170 million, and our year-end liquidity was at an all-time high of $633 million.

We are very proud of these results, and it reflects a lot of hard work from all of our employees. With the growth opportunities outlined earlier and other initiatives; we're looking forward to improve our performance in the future.

Before I review each segment, I'd like to discuss some key highlights from 2013. Outside of the financial performance, we had accomplishments related to financing, portfolio management, and infrastructure planning, to name a few.

First, in January last year, we completed the successful $1.325 billion 144-A senior secured notes debt refinancing, which retired all of our term loan debt and extended our maturities. In 2013, we also upsized our revolver by $60 million and increased availability under our accounts receivable securitization facility by $40 million, which gives us increased financial flexibility to focus on our strategic growth agenda of portfolio optimization and consistent and stable cash flow generation.

In July, we announced plans to close our latex manufacturing facility in Altona, Australia in order to increase margins and operating rates in our Asia-Pacific region. Production ended in the third quarter of 2013 and has been followed by decommissioning and we'll conclude with demolition in 2014. Customers in Australia and New Zealand are now serviced by our latex plant in Indonesia.

In August, Trinseo and Dow Business Services signed a collection of new service agreements, including those related to an enterprise resource planning platform, outsourcing services, and other infrastructure support and process control system services. This decision was a significant milestone, which allows us

to transition to Dow's SAP-based Next Enterprise Architecture, while reducing our overall costs, leveraging Dow's best practices, and minimizing risk while we focus on our strategic initiatives.

In September, we completed the sale of our expanded polystyrene business to RP Compounds, a subsidiary of Ravago SA. This enabled us to exit a business where we lacked the scale to be a significant global player and instead shift more focus to our businesses where we can grow and add more value.

Now let's look at the full year results at the division and segment levels.

First, our Emulsion Polymers division continued to be relatively stable, excluding inventory revaluation. Adjusted EBITDA of $220 million includes an unfavorable inventory revaluation impact of $22 million. Excluding inventory revaluation, we were slightly above the 2012 performance but below 2011 due to weaker tire markets in synthetic rubber and the weaker paper markets in latex.

Latex delivered $106 million of adjusted EBITDA for the year, with an unfavorable inventory revaluation impact of $5 million. Excluding inventory revaluation, this is $11 million lower than in 2012 and about even with 2011. The decrease from last year was driven by continued weakening and oversupply in the global paper market, particularly in Europe.

In response to this, in March of 2013, we announced significant capacity adjustments across our latex facilities in Europe, where we idled 70,000 dry metric tons of latex capacity. Despite these efforts, competition has remained tough. We are focused on improving margins in this environment by price increases as well as differentiated offerings. We did see an uptick in margin per pound in our fourth quarter of 2013.

In the Americas, the challenge we face in the paper industry escalated in the fourth quarter. Competition became more aggressive with pricing, and we expect this to continue into 2014. We were largely able to retain volume, but with reduced margins. We also saw two recent paper mill capacity reductions -- a closure at International Paper and an idling at NewPage, which negatively impacted volumes in paper coating.

There were also challenges in Asia in the first half of 2013 due to the slowing economy in China, but the second half of the year was much stronger, with coated paper volumes rebounding with a 17% increase over the first half. This gave us the confidence to go forward with our latex expansion at the Zhangjiagang production facility for 2015.

I mentioned in our previous calls that our quarterly latex volume has historically ranged from 300 to 330 million pounds. Volume in the fourth quarter, which is our seasonally lowest quarter, dropped slightly below that range. While the US and European paper markets have been challenging for us and our main competitors, we are increasing our business in other segments as well as expanding our capacity in China to serve the growing paper market there.

In 2013, we implemented our latex strategy of growing in alternative chemistries. This growth is driven by high solid, starch-containing emulsions and acrylic latex technologies in carpet, paper, and performance latex. Alternative chemistries have grown to greater than 10% of our product portfolios in the Americas and Europe, and in Asia we have started to supply customers in Korea with this hybrid technology.

Paperboard is another leg of our latex growth strategy. In the Americas, for example, paperboard volume was up about 20% in 2013 with wins of several customers increasing our market share. We do see paperboard as a bright spot for our latex business.

We had a successful year in carpet in 2013. In Europe, it was the strongest year ever in volume. And in the Americas, volume growth was 40% over 2012, driven by share gains, by utilizing our new wet strength technology, growth with acrylics, and growth in the Brazil automotive carpet market, and more VAE conversions back to SB latex. So, as you can see, we are staying very active in this challenging latex environment with actions around margin improvement and portfolio enhancement.

Moving to Synthetic Rubber, adjusted EBITDA for the year is $113 million, including $17 million of unfavorable inventory revaluation impact. Excluding inventory revaluation, EBITDA was $19 million higher than 2012, driven by the new SSBR capacity. However, this additional volume was partially offset by a weaker tire market, resulting in lower margins and less demand, particularly in the spot market for us. In addition, the weaker market resulted in lower sales to our capacity rights customer, JSR.

European tire demand during the first half of 2013 was particularly weak, both in replacement and OEM sales. We saw some slight improvement in the second half of the year, and we expect moderate improvement during 2014. In the second half of 2013, butadiene prices in Europe dropped to levels below Asia, which did re-open the export market from Europe, albeit at lower margins due to the weak market conditions in Asia.

Incremental EBITDA from SSBR in 2013 was about $30 million as a result of our capacity expansion. This is what we communicated we would deliver on our third quarter of 2013 conference call, but below our originally anticipated $40 million of incremental EBITDA in 2013. I believe our $30 million of incremental EBITDA in SSBR in 2013 is an excellent result given the weakness in the global tire market. I anticipate that we will achieve the full $40 million in 2014 as the tire markets improve.

During the year, we continued to work on developing more specialized rubber offerings to meet the increasing demand for higher performing tires. We met several milestones for these offerings on both small and large scale. Of particular note, our next-generation SSBR products, that will give us the opportunity to regain technology leadership position in the tire market.

Moving to our Plastics Division, 2013 adjusted EBITDA was $150 million, including $19 million of unfavorable inventory revaluation. This performance was a Trinseo record for the division, and was driven from performance in the styrenics segment, compared to 2012, on the back of improved styrene production margins as well as improved supply/demand dynamics and margin optimization efforts I styrenic polymers. This improvement was partially offset by the continuing challenges of the European polycarbonate market.

Within plastics, the Styrenics Segment adjusted EBITDA of $148 million was also a record. This compares to $76 million in 2012. Styrene prices hit their high point late in the year due to global outages, both planned and unplanned, as well as weak demand for propylene oxide.

At the same time, benzene prices declined due to demand weakness from styrene and other benzene-based products. This combination of effects resulted in strong styrene production margins in the second half of the year. In addition, we were successful in executing opportunistic transactions that allowed us to capture value beyond our production volume. While we do not expect these strong margin levels on an ongoing basis, we are noticing improved supply/demand dynamics in the styrene business.

In styrenic polymers, volume was 6% lower in 2013 compared to the prior year due to the higher price of styrene, new capacity in the Middle East and Asia, increased imports from Asia into Europe due to the exchange rate, and inventory management by our customers. However, profitability in styrenic polymers improved significantly due to an intense focus on customer and product profitability as well as more

favorable supply/demand balances in the industry. In addition, we are leveraging our differentiated products and customer relationships to increase volume and margins at our key customers, such as those in the appliance and consumer electronics markets. Global margin per pound increased 25% in 2013 as compared to 2012, and even more when you exclude the unfavorable inventory revaluation impact.

Engineered Polymers had a very disappointing year, with adjusted EBITDA of $2 million. This was $30 million lower than 2012, and was a result of the continued weakness in polycarbonate. In fact, in the fourth quarter we made the decision to write down the remaining value of the assets associated with our polycarbonate manufacturing facility in Stade, Germany. The Stade polycarbonate plant supplies resin to markets like automotive, medical devices, electronics, and consumer and lighting. This write-down had a $9 million impact, which is excluded from adjusted EBITDA.

We are focused on a number of initiatives already underway to improve our polycarbonate business. For example, we recently announced price increases, and several competitors have also independently made price increase announcements. We are hopeful that market conditions will be more favorable in the coming quarters, which will improve margins for polycarbonate. We do believe the polycarbonate market is rebounding based on increased customer demand, and this should support additional price increases in 2014.

In our Automotive Business, we had a very good year in mixed markets. China and US vehicle sales increased 14% and 8%, respectively, in 2013 versus 2012. However, Europe and Brazil were down slightly, the first sequential decrease for Brazil in a decade. Demand for our products was roughly flat year-over-year. We are seeing increased competition for our existing products, as well as for materials with recycled content. However, we are making significant continued progress in our product development pipeline, platform management, and preparing the foundation for future growth. Automotive remains a bright spot for[~~Styron~~] Trinseo in 2014 and beyond.

Compounds and Blends volume were about 12% lower in 2013 compared to 2012 as we saw lower demand in consumer electronics, which was partially offset by higher demand in electric and lighting and medical markets. We captured new business during the year, particularly in North America and Europe in the medical, lighting and smart meter markets, and we continue to focus on differentiated product offerings. For example, we recently introduced a new line of post-consumer recycled products for which we are seeing increased interest among consumer electronic customers.

In our earnings conference call from a year ago, I discussed our objectives for 2013, and I'd like to recap those for a moment. First was environmental health and safety. We finished 2013 with excellent results and had no severe process incidents or major spills, and our low injury rate puts us in the top decile in the chemical industry. In fact, more than half our plants achieved our “triple-zero award” for 2013, with no injuries, no spills, and no process safety incidents. We are very proud of this performance, and it's an important part of who we are as a Company.

Our next objective was focused on financial performance, and I already noted we had record adjusted EBITDA when you exclude inventory revaluation, as well as record free cash flow and liquidity. In addition, our fixed cost management continued to be excellent.

In order to drive financial performance, we have been focused on profitability of the asset, product, and customer levels. One example of this is our segmentation strategy, which is a robust implementation of a detailed profitability model. This tool has enabled us to improve margins, particularly in our styrenic polymer business, by understanding profitability at lower levels, such as with specific products or customers and geographies, and taking corrective actions as appropriate.

Finally, on organizational effectiveness, we successfully completed talent and capability assessments for higher level functions and developed succession plans for senior leadership and other critical roles. These activities are part of our maturing as an independent company.

Turning to slide five, I would like to take just a minute and show the dynamic we experienced in styrene monomer during the year. This is a feedstock chart we have continued to show during each of our calls. You can see in the circle the very strong styrene margins for the reasons I discussed earlier. You will also see that in the fourth quarter, while margins were still solid, they declined as styrene prices stabilized from their relatively high levels, and benzene prices increased due to lower supply in the US.

Moving to butadiene, Asian prices peaked in October and, as expected, declined from there, heading into Chinese New Year. Europe and North American prices followed Asia, higher and at faster rates, with European turnarounds and other supply issues, reducing the arbitrage between the regions.

Now I would like to turn the call over to John, for a more detailed review of our financial results at a consolidated and business segment level.

John Feenan: Thanks, Chris, and good morning. As you heard in Chris' opening comments, we had a very good year from a performance perspective and we are very proud of other achievements as we continued to steer Trinseo toward future success.

Now turning to the financials, first with slide seven. You can see the fourth quarter results for Trinseo, along with two comparison periods -- the fourth quarter of 2012 and the third quarter of 2013. I will focus my discussion on the fourth quarter results, comparing to both prior year and prior quarter, throughout this financial review.

Fourth quarter 2013 revenue of $1.25 billion was 6% below prior year, driven by a 2% reduction in volume and a 6% reduction in price, which was primarily driven by the pass-through of lower butadiene costs in the synthetic rubber and latex segments. These impacts were partially offset by favorable FX as the euro strengthened versus the US dollar.

Fourth quarter revenue was 5% below prior quarter. Volume had a 5% unfavorable impact due mostly to seasonality, particularly in the styrenics and latex segments. Price, net of FX, was roughly flat as a favorable currency impact was offset by passing through the lower cost of styrene to our customers.

Fourth quarter adjusted EBITDA was $104 million, including $15 million of dividends from Americas Styrenics. This compares to $49 million in the prior year and $87 million in the prior period. Inventory revaluation had a $12 million favorable impact in the fourth quarter, with $4 million from plastics, $3 million from latex, and $5 million from synthetic rubber. I will discuss additional EBITDA drivers by segment and then on a consolidated basis in the coming slides.

Turning to slide eight, the latex segment revenue of $308 million for the quarter was down 12% versus prior year. Lower prices had a 10% unfavorable impact, driven mostly by the pass-through of lower butadiene costs. The remaining impact was driven mostly by lower volume from weaker paper markets and increased competition in Europe and North America. Adjusted EBITDA of $24 million was $2 million below prior year, mostly due to lower volume.

Sequentially, revenue was down 7%, primarily due to lower volume on seasonality. Price lowered revenue by 2% due to the pass-through of lower styrene costs in North America and Europe, along with increased competition in North America, with some offset with the pass-through of higher butadiene costs

in Asia. Adjusted EBITDA decreased $2 million as higher margin due to the inventory revaluation impact was more than offset by lower volume.

Turning to slide nine, synthetic rubber revenue of $148 million decreased 18% from the prior year. Lower prices, driven by decreased butadiene cost, unfavorably impacted revenue by 18%. Higher SSBR volume, with the new train coming online, increased revenue by 7%. However, this was more than offset by lower revenue from our capacity rights customer as well as lower spot exports to Asia.

Adjusted EBITDA of $42 million for the quarter was $18 million higher than prior year. This increase was driven by higher volume of $5 million, mostly from the SSBR expansion, as well as higher margin of $9 million with more favorable inventory revaluation.

Sequentially, revenue increased 4%. Higher SSBR volume increased revenue by 5%, but this was partially offset by lower revenue from our capacity rights customer. Adjusted EBITDA increased $29 million from the prior quarter, due mostly to inventory revaluation as well as higher SSBR volume.

Turning to slide 10, the styrenics segment sales of $530 million for the quarter were 2% below prior year, including a 1% reduction due to the divestiture of the expandable polystyrene business net of the related styrene sales to Ravago and prior year styrene monomer-related sales. Adjusted EBITDA of $55 million was $39 million higher than the prior year. This increase was driven by $10 million of additional dividends from Americas Styrenics, better styrene monomer production margins, as well as higher styrenic polymer margins due to improved market conditions and margin optimization initiatives.

Sequentially, styrenics revenue decreased 8%, including a 2% reduction due to the divestiture of the expandable polystyrene business net of related styrene sales to Ravago. The remaining 6% reduction is driven by volume, due primarily to seasonality as well as higher styrene monomer sales in the prior quarter when the styrene margins were more favorable. Price was also lower due to the pass-through of lower styrene costs. Currency had a favorable impact. Adjusted EBITDA decreased $4 million, as significantly lower styrene production margins were partially offset by higher styrenic polymer margins due to pricing initiatives and an additional $7.5 million of dividends from Americas Styrenics.

Turning to slide 11, engineered polymers revenue of $260 million was 4% higher than prior year. Higher volume increased revenue by 4%, with more sales to the automotive and building and construction markets, particularly in Europe, which was partially offset by lower sales to the consumer electronics market in Asia. Lower price decreased revenue by 2% due to the pass-through of lower raw material costs as well as continued competition and excess supply in the polycarbonate markets. Adjusted EBITDA of $2 million for the quarter increased slightly from $1 million in the prior year.

Sequentially, revenue was roughly flat. Seasonally lower volume was partially offset by stronger Europe and North America automotive markets. Adjusted EBITDA was flat, as higher margin was offset by volume mix and higher fixed costs.

Slide 12 shows adjusted EBITDA bridges versus both prior year and prior quarter. In the fourth quarter of 2013, adjusted EBITDA of $104 million increased $55 million from the prior year, including $10 million of additional JV dividends from Americas Styrenics in 2013. Higher volume was driven by synthetic rubber, with the SSBR capacity expansion, as well as an overall stronger automotive market with the biggest offset by latex due to the weaker European paper market. Margin improvement was driven by higher styrene production margins as well as favorable inventory revaluation.

Sequentially, adjusted EBITDA increased $17 million, including an additional $7.5 million of JV dividends from Americas Styrenics. Volume declined mostly due to seasonality, with some offset from

increased demand in synthetic rubber. Margin improvement was driven by pricing initiatives in styrenic polymers as well as favorable inventory revaluation, which were partially offset by lower styrene production margins. Fixed cost spending was higher due mostly to the timing of pension funding, with some offset from the EPS divestiture and the Altona closure.

Turning to slide 13, for the discussion on the balance sheet and cash flow. Free cash flow was positive $109 million for the quarter, which included $9 million of capital spending net of a $12 million subsidy related to the SSBR expansion. Free cash flow was positively impacted by a $36 million decrease in receivables. We paid down $56 million of accounts receivable securitization during the quarter, and our free cash flow for the year was a record $170 million, which included $55 million of capital spending, net of $19 million in SSBR expansion-related subsidies. We ended the quarter with record high liquidity of $633 million.

Looking forward, we will continue to drive a number of key initiatives -- continuing to focus on managing a lean organization; maintaining a robust pipeline of efficiency and productivity improvements, and continued emphasis on our segmentation strategy at the business and segment level; focus on potential further portfolio optimization projects and; continuing our efforts on enhancing shareholder value through quarterly incremental improvements in our performance and generating consistent and stable free cash flow.

With that, I'll turn the call back to Chris.

Chris Pappas: Thanks, John. Let's turn to slide 15. And before I discuss our feedstock charts and our view for 2014, I would like to spend a few minutes looking at the longer-term supply/demand dynamics in some of our key areas -- styrene monomer, polycarbonate, and enhanced SSBR.

First, let's look at two key products in our Plastics Division. As you can see on the charts, both styrene monomer and polycarbonate volumes are forecasted to rebound and operating rates look to improve over 2013 to 2018. We believe this is a positive sign for these products, and we would expect higher margins as supply tightens.

Our upside potential in styrene monomer is big. For each $50.00 per metric ton increase in styrene monomer margin, we would have an added annual EBITDA increase of about $35 million. For polycarbonate, a $150.00 per metric ton margin increase yields about a $15 million increased EBITDA per year.

Next, for SSBR, we look specifically at enhanced SSBR because that is the market in which we compete and it is a key area of focus for us as it is a differentiated, higher value-added product offering. This chart shows our view of the enhanced SSBR market, which management estimates are based on industry knowledge, such as competitive asset information, and the demand curve, which is driven largely by the performance tire market.

As we have previously discussed, current and future tire labeling and regulations, as well as consumer preferences, among other things, are driving demand for higher performing synthetic rubber such as enhanced SSBR. As you can see from the chart, we expect higher enhanced SSBR operating rates over the next few years, which is a positive sign from both a volume and margin perspective. We will continue to strive to be a technology leader in this very important product line.

Turning to slide 16, let's look on a near-term basis on how developments in feedstocks impact our business, including projections through the first quarter of 2014.

As I mentioned earlier, we had a particularly strong styrene monomer environment in the third quarter. And while the fourth quarter weakened somewhat, margins were still fairly strong overall. Looking more closely at the first quarter, January and February benzene prices were at near record levels in the US and Europe, squeezing styrene margin compared to the levels seen in the second half of 2013. However, production margin over raw materials is still positive and better than a year ago, with improved trends expected late in the quarter and into the second quarter on softer benzene prices and improved styrene supply/demand balance as we enter a period of expected turnarounds and stronger seasonal demand.

Asia butadiene prices have held fairly steady at around $1,500 per metric ton since November. Natural rubber inventory is increasing, constraining increases in butadiene prices and limiting improvement in SBR demand. While these dynamics are similar to last spring, when the butadiene prices significantly decreased, the circumstances are not as extreme and we are not expecting a recurrence. Europe and North America prices continue to be linked and are edging closer to Asia price levels, but are still at a discount. The increases are driven mostly from the supply side, with North American pipeline issues, a small force majeure in Europe, as well as lower cracker rates, lighter feedstock slates, and the upcoming turnaround season. Based on these feedstock trends, we would expect a favorable inventory revaluation impact in the first quarter.

On slide 17, you can see our outlook for each segment for 2014. In Latex, we will continue to face significant headwinds from the paper market in Europe and the Americas, but we continue to work to offset these with growth from new technologies as well as growth in Asia, which I previously discussed with our capacity expansion, and in other market segments such as paperboard and carpet. We are aiming for a 2014 that is similar to 2013, excluding inventory revaluation.

In Synthetic Rubber, we expect higher volumes and margins in 2014, and we believe we won't have a repeat of the unfavorable inventory revaluation that we had in 2013. Therefore, EBITDA this year should be higher than in 2013.

In Styrenics, we expect performance to be about flat compared to 2013. While we may not have a repeat of the strong styrene monomer margins, we believe we will have continued success at driving margin and mix improvement in styrenic polymers.

Engineers Polymers is expected to perform better in 2014. We will continue to have challenges with the polycarbonate market, but we are seeing some signs of market improvement, including some recent price momentum. We are continuing to see progress in Automotive and Compounds and Blends on customer wins, and we expect this to add incremental EBITDA during the year.

In addition, we will continue to closely manage fixed costs and capital spending as we have successfully been doing. Like I said, for 2014, we expect capital spending of $110 million to $120 million. This compares to $74 million in 2013, when you exclude the cash received from the SSBR expansion subsidy.

Finally, on slide 18, you can see our objectives for 2014. This is the slide that we use to communicate our key priorities for the year across the entire organization. As you should expect, we continue to emphasize EH&S and we have tightened our performance targets for 2014. Financially, we have an aggressive EBITDA target, and we are focused on managing fixed costs and capital spending as we continue to optimize net working capital, all of which drive free cash flow. To help drive financial performance, we remain focused on productivity to at least offset inflation and to help keep us lean for the long term. In fact, every Trinseo employee has at least one personal goal this year that is based on finding and implementing productivity initiatives.

Finally, we will continue to work on organizational effectiveness, concentrating on implementing our new compensation system and organizational design, making further progress on succession planning, and creating programs to support growth and development in a cost-effective manner.

As I mentioned in my opening remarks, we had an excellent 2013, particularly the second half of the year. I am very excited about the prospects for 2014 and beyond. Our performance plastics, performance latex, and SSBR areas are all growth highlights for the Company. We are uniquely positioned to capitalize on opportunities to grow these businesses with cost-effective solutions to meet customer demands.

And now, Karen, we can open the phone line for questions.

Question and Answers
Operator: Thank you. (Operator Instructions). Our first question comes from the line of Roger Spitz from Bank of America Merrill Lynch.

Roger Spitz: Hi. Thank you and good morning. John, I think during the prepared remarks -- I'm just making sure I heard this correctly -- on the synthetic rubber bridge to $42 million in Q4 '13, were you bridging that from the $24 million year-over-year and saying that was driven by roughly $5 million from higher SSBR volumes and $9 million of inventory revaluation?

John Feenan: That's correct.

Roger Spitz: Okay. Is it [past the] bridge versus the $13 million from Q3 '13 in a similar way?

John Feenan: Yes, why don't you give me a call offline and I'll just walk you through that bridge. I'd be happy to do that, Roger.

Roger Spitz: Great. And regarding the 25,000 net ton SSBR from the JSR capacity rights you're taking over on April 1, you gave us the $20 million incremental. Has that volume been fully under contract as of April 1 and you'll start generating that as of April 1, or you need to still contract that material? And can you compare those margins to the margins on the third SSBR facility contracts?

Chris Pappas: Roger, this is Chris. Margins are going to be the same. And we're in the process of reworking and have been working with all of our major customers on their contracts, including volumes and margins. We started to do that in anticipation of the possibility of securing those capacity rights, but we have not finalized on all those contracts. And it will take us, as I said, over the course of '14 and '15 to fully implement the additional volume from the JSR capacity rights.

Roger Spitz: Clearly, this seems to be getting those rights very attractive based on the numbers you've provided. You, at least in the 8-K, looked like you paid JSR EUR19 million for that. I guess, what was the background that they said, "Sure, we'll take EUR19 million and give you back those rights"?

Chris Pappas: JSR has additional capacity, Roger, of their own that they are focused on in Asia, number one. Number two, in that particular arrangement we operated the plant and we made products for JSR according to their recipes. Their technology platform is different than ours in SSBR. And because of that, as we try for them to implement their products on that capacity with their recipes, with their technology, it was, in their view, not as effective as what they could do on their own.

We, on the other hand, especially for the numbers that you mentioned, found the rights to that capacity very attractive because we, of course, will operate that capacity with our own technology platform, our own recipes, and we can seamlessly move those pounds into that capacity and we believe move it into the

market over '14 and '15 with our key customers. So, I think for both parties it was an appropriate transaction.

Roger Spitz: Okay. And lastly, could you tell us the capacity of your Chinese SB latex facility now and where you're going -- the capacity you're taking it to once in '15 complete?

Chris Pappas: The additional capacity is for 25 KT of product. And it's an additional reactor, so it [~~basically doubles that capacity~~] increases capacity by one third for us in China.

Roger Spitz: Thank you very much.

Operator: Thank you. And our next question comes from the line of Bill Hoffman from RBC Capital Markets.

Bill Hoffman: Thanks, and good morning. Chris, can you talk a little bit further about the operating rates in Europe with the existing trains you guys finished last year, where you are in filling those out, just so I can get some context between that as well as the new capacity from JSR?

Chris Pappas: You're talking about SSBR, right?

Bill Hoffman: Yes.

Chris Pappas: Well, our operating rates in SSBR continue to be pretty strong. We're not really quite sold out yet on the capacity, including the expansion. But if you think about what we said, we generated $30 million of incremental EBITDA from the expansion and our target was $40 million, you can more or less get to a conclusion on how close we are to the new capacity.

So, we're getting there. We expect to have the new capacity sold out during the first part of '14. And depending on the markets, the tire markets, if they recover quickly, and if the trend for performance tires continues to grow robustly, I think we'll be able to fill up not only the balance of that expansion but the JSR capacity pretty handily over '14 and '15, and perhaps sooner if the tire markets do rebound faster than at least I mentioned. Our comments on filling the capacity reflect a view of a moderate recovery in tire markets over '14.

Bill Hoffman: Okay, thank you. That's helpful. And then, just with regards to the styrenics business, you're mentioning that you don't expect the margins in the monomers to be anywhere near where they were in the second half of the year -- we wouldn't, either -- but then, you expect to make it up on the polymer side of the equation. Just, I wonder if you could just help us -- how much -- what percentage you're selling in monomers versus in the polymer side, just so we can get some context, because you really generated about $100 million EBITDA in styrenics in the back half of '13, versus $38 million in the back half of 2012. I'm just wondering if you think it's going to be somewhere in-between as you get into 2014.

Chris Pappas: Well -- this is Chris again. First of all, we don't sell styrene. So remember, we're a net buyer of styrene. We make about half and we buy back half, roughly.

Bill Hoffman: Right.

Chris Pappas: So, when we talk about styrene margins in our income statement, we're describing internal economics. We transfer at market, so we're describing the value of the styrene in margin as we move it

from our own facilities to our polystyrene plants, or our rubber plants, for example. So that's what we talk about when we talk about the styrene margins.

Now, in 2013, the styrene margins around the world opened up, as you saw, and we were able to generate a relatively high internal margin. We also were able to -- because the polymer markets were relatively tight, we were able to pass that through and not have to decrease our polymer margins on the back of those higher monomer prices. And that combination created this effect that we talked about, where we had a very strong styrenics year.

The overall styrene market is improving. Look at the supply/demand chart that we showed earlier in the presentation. Will we get a styrene bubble like we saw in the third quarter of 2013? We're not expecting it. We believe we can hold overall styrenic EBITDA flat year-over-year without it because we think we're going to have decent styrene margins throughout the year and we're going to have continued success in styrenic polymers. If things get a lot better, we might see more robust styrene monomer, and that would obviously be an improvement, as long as we can move that styrene monomer through the chain without decreasing margin downstream.

So, I wouldn't concentrate so much on the bubble. There were periods last year when styrene monomer was pretty bad, don't forget. So, if you kind of level it out you can get to almost the same spot through the year.

Bill Hoffman: Great. Okay. Thank you. And then, just a last question. On the latex side, just given the challenging market conditions for paper specifically, it sounds like you're getting some more VAE conversions back in the latex. Do you expect more of that as you go into 2014 as a way to basically sort of level out the overall demand on the latex side?

Chris Pappas: Our strategy on latex for holding demand level, which we've been able to do for the last six quarters at a reasonably good result, is several-fold. One, we're concentrating on other segments other than paper -- paperboard, which is growing; paper in China, which is growing. Paper is shrinking in Europe and North America, but it's growing in China. We're concentrating on performance latex. We're concentrating on carpet. All of those factors, plus the conversion of VAE back to SB, which is a North America carpet market phenomenon only, those dynamics together, we think, can give us an EBITDA curve in '14 in latex and a volume curve that's similar to '13. So, it's all of those factors, not just the VAE carpet in North America.

Bill Hoffman: Perfect. Thank you very much.

Operator: Thank you. And our next question comes from the line of Jordan Hollander from Deutsche Bank.

Jordan Hollander: Hey, guys. Nice quarter. I just wanted to get some clarity on your 2014 outlook. When you guys talk about delivering higher adjusted EBITDA versus '13, is that versus the adjusted '13 number of $303 million or the number excluding the inventory revaluation?

Chris Pappas: Well, we went through it -- this is Chris -- segment-by-segment, Jordan, so I think if you take a listen to those segment results you'll get a good flavor for it. We said latex, we're expecting to be flat year-over-year, including any inventory revaluation effects. Rubber higher; we don't expect negative revaluation in rubber, we expect positive if the feedstock curves go the way they're going. And we expect higher volumes and pretty good margins in rubber with rebounding tire markets. Styrenics, I commented flat. In engineered polymers, we expect to be hopefully up if we can get polycarbonate to kind of move a little bit on price and margin.

So, we -- that's kind of it on a segment basis, so I think you just have to kind of add those up and do your own best calculation.

Jordan Hollander: Okay, great. And then, just on the -- with those comments on the rubber side of things, that includes the -- I'm assuming that includes the additions you made in February?

Chris Pappas: You mean the JSR capacity?

Jordan Hollander: Yes.

Chris Pappas: Well, yes. As I said, we are striving to move that product into the market starting April 1 when we own it. It will be moved into the market over '14 and '15, again, rate-dependent on tire market rebound, so on and so forth. So, yes, that's a contributor to our rubber increase in '14 versus '13.

Jordan Hollander: And then, just shifting to the latex side, it seems like obviously there's focus on the growth in Asia. Can you give us a rough sense what the split is between -- or how much of the business is going to -- what percentage of sales are in Asia at this point?

Chris Pappas: Yes. Our latex business in total for the year was about 24% in Asia, similar in North America, and about 50%, roughly, in Europe, Middle East, Africa.

Jordan Hollander: Okay, great. And then, just on the -- on styrenics, with the margin kind of coming in first quarter versus where you were back half of '13, is that -- would you say that's a more normalized, realistic number

Chris Pappas: Well, styrenic polymer margins are coming in similar. Styrene monomer is weaker in Q1.

Jordan Hollander: (inaudible - multiple speakers).

Chris Pappas: We have contracted, at least through the first part of the quarter. We'll see how March and -- and we've said all along, we expect the back of Q1, and the second quarter to be a stronger styrene monomer period, at least based on turnarounds and things like that. That's where we would expect the styrene monomer business to start to perform a little bit better than perhaps the first two to two-and-a-half months of the year.

Jordan Hollander: Okay, great. Thanks a lot, guys.

Chris Pappas: You're welcome, Jordan.

Operator: Thank you. And our next question comes from the line of Tarek Hamid from JPMorgan.

John Mann: Hi, this is [John Mann] in for Tarek. Thanks for taking my questions. First, I was wondering if you could comment on how you see SB demand in Europe trending currently.

Chris Pappas: Sorry, did you say -- what demand in Europe?

John Mann: SB demand.

Chris Pappas: You mean SB latex?

John Mann: Yes.

Chris Pappas: In paper, we see the demand for SB latex in paper declining by 2% or 3% per year. In North America, we see similar. In paperboard, we see demand rising slightly. In performance latex, rising. In carpet, rising. In China, paper and paperboard, rising. Paper and paperboard in China up 6% per year, as we commented.

John Mann: Got it, thank you. And then, just one more. I was wondering how you see the inventory revaluation benefit in the current quarter trending relative to the revaluation benefit realized in the fourth quarter.

John Feenan: John, this is John. We see similar potential impact in the initial quarter, pretty much in line with what we experienced in the fourth quarter.

John Mann :Got it, thank you.

Operator: Thank you. (Operator Instructions). Our next question comes from the line of Brian Lalli from Barclays.

Brian Lalli: Hey, guys, how are you? Good morning.

John Feenan: Good.

Chris Pappas: Hi, Brian. How are you doing?

Brian Lalli: Great. Just if I could maybe break it down quickly, you mentioned 2014 CapEx $110 million to $120 million. I think you said, Chris, that was inclusive of $38 million. Is that sort of all your growth CapEx, or just remind us again what sort of maintenance versus more growth-related or drawing into?

John Feenan: Brian, somewhere between $110 million and $120 million for the year. Maintenance will be call it $30 million to $40 million. We do have some CapEx earmarked for growth; a significant portion of that is related to the Zhangjiagang and JSR transactions that we discussed. And then, we have also a portion, starting with what Chris articulated in the opening comments, around our ERP -- initial ERP with that project in our shop floor, what we call our Mod 5 Rofan. Those two, in 2014, will be somewhere between $10 million and $15 million. So that's the bulk of the breakdown of the CapEx for 2014.

Brian Lalli: Great, thanks. Maybe that's a good segue to my second question. Just around that new contract with Dow, I guess I was sort of, I don't know, unaware of that. And as you kind of were moving away from them, I guess, how does this sort of change the transition from them and the costs? Is this more of them helping you out as a former parent company of the old Styron business? Just how do we think about the transition as we move from here?

Chris Pappas: This is Chris. I'll make a couple of comments and I'll turn it over to John more specifically on ERPs and MOSA. So, we are looking and have looked at appropriate ways to become independent and appropriate ways, we think, to continue our strong alliance to Dow, who offers, as a partner, some very significant positive benefits to us.

An example of where we felt becoming independent was important to us was raw material purchasing. And we quickly moved to develop our own raw material purchasing group and moved away from the

Dow-contracted raw material purchasing. And there are other examples like that, where we thought becoming independent was better for us, and we worked constructively with Dow to make that happen.

There are other areas, Brian, where it's clearly better for us, in our view, to stay connected and attached to Dow Chemical for scale and economic and lower risk reasons. The ERP MOSA contract extension that we talked about, I think, is a very good example of that. And so, John, why do we think going with Dow in ERP is better than going alone?

John Feenan: Yes, I think Chris hit on most of them, but, one, we get to leverage the latest technology that would be cost-prohibitive if we tried to do it on our own because of the infrastructure that we're tying closely with Dow. Two, it's very cost effective. And from a CapEx commitment over the next two to three years, for a Company of our size, scale and complexity, I would say that it's modest. It's -- in the next three years on the ERP system, it's somewhere in the range of $35 million to $45 million of CapEx, which, to convert that system to the latest ERP, there's going to be cost efficiencies that we'll sort out in the future, but much more effective than doing it stand-alone.

Chris Pappas: Brian, the last comment I'll make -- it's Chris again -- is we don't believe that moving in this direction in the ERP and MOSA, in other words, staying connected with Dow, is in any way fundamentally different than being independent.

And really, what I mean by that is we're going to have our own instance, we're going to be hosted by Dow, and I don't believe being independent in ERP versus being cost effective, having our own instance, and being able to work with a trusted partner in any way, shape or form reduces our independence as a Company, as a management team, or our ability to do whatever we need to do to run the Company. I think it allows us to get more focused on things that are strategically important -- growth initiatives, portfolio optimization -- and allows us to implement that program with less distraction in the Company. So, all in, we think it was the right thing to do for those reasons.

Brian Lalli: Got it. All right. That's very helpful. I appreciate all the color. And then maybe one just last one from me and I'll turn it over. John, maybe just around the stated goals around deleveraging. Obviously, a very good 2013 in terms of cash flow, record liquidity at this point, and similar sort of comments as you look forward into 2014. How do you think about, I guess, deleveraging with that 10% debt pay-down? Is that something that you can start to look at given your cash balance? And maybe similarly, what's sort of the minimum cash balance as you look forward with where you're at and then potentially positive -- hopefully positive free cash flow as you move forward here? That's all. Thanks a lot, guys.

John Feenan: Sure. Here's how we think about it. What we'd like to do in our comfort level is to keep somewhere between $100 million and $200 million of cash in the business. We've worked very hard to get that liquidity up, and we'd like to keep the liquidity somewhere between $500 million and $600 million. We feel that's an adequate cushion to weather the potential feedstocks movements that we see.

And then again, as we move forward, we'll take a hard look at potentially deleveraging, but right now we want to maintain our optionality and flexibility for the growth projects and initiatives that we articulated this morning.

Brian Lalli: Great. That's great. I appreciate it. Thanks.

Operator: Thank you. And our final question for today comes from the line of Keith Kitagawa from HSBC.

Keith Kitagawa: Actually, Brian got most of my questions on the deleveraging part, but I just had one housekeeping. If you could repeat what you said on -- in terms of engineered polymers, the margin related to the EBITDA increase?

Chris Pappas: Well, I think we quoted one -- it's Chris, Keith -- we quoted one specific potential margin improvement, and that is for each $150.00 increase in polycarbonate margin over an annual period, that would translate to about $15 million of EBITDA on an annual basis in our polycarbonate business. That's the one, I think, mathematical number we gave you. And there are price increases announced in the industry of that magnitude for April, across the board; in fact, higher than that in Asia.

But separately, we did say that we think our Automotive and our Compounds and Blends business would be doing incrementally better in '14 than '13 as we continue to penetrate segments and develop new technologies and things like that. But I think the real leveraging item for engineered polymers for us, year-over-year, '14 versus '13, the real leverage item is going to be the rate and pace of the rebound of the polycarbonate market, if that happens, at what rate and at what pace? And related to that, how much price increase and margin restoration can we get in the business? That's where we would see significant changes year-over-year in engineered polymers.

Keith Kitagawa: All right. Thanks a lot.

Chris Pappas: Okay. Thanks, everybody. Bye-bye.

Operator: Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program and you may now disconnect. Everyone, have a good day.