Trinseo First Quarter 2015 Financial Results Transcript –

May 6, 2015

Operator introduction

Good day ladies and gentlemen, and welcome to the Trinseo First Quarter 2015 Financial Results Conference Call. Turning to Slide 2, we welcome the Trinseo Management team, Chris Pappas, President and CEO, John Feenan, Executive Vice President and CFO, and David Stasse, Vice President of Treasury and Investor Relations, who will be conducting the call. I will now hand the call over to David Stasse. Please go ahead.

Dave Stasse

Thank you Katherine and good morning everyone. 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 telephone.

The slide presentation for today's call has 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 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 May 6, 2016.

Our disclosure rules and cautionary note on forward-looking statements are noted on slide 2. During this presentation, we may make certain forward-looking statements, including issuing guidance and describing our future expectations. We must caution you that actual results could differ materially from what is described or implied in these statements. Factors that could cause actual results to differ include, but are not limited to, factors set forth in our annual report on Form 10-K under the Item 1A, "Risk Factors".

Turning to the agenda is on Slide 3, I will now hand the call over to Chris Pappas.

Pappas

Thank you, Dave. Good morning and thank you for joining us to discuss our First Quarter 2015 financial results.

Our agenda today, as shown on Slide 3, will be as follows. First, I will give a business overview, covering key highlights from the quarter. John will then review the details of our latest results from both a Consolidated and Segment perspective. After that, I will comment about the current business conditions and our focus for the remainder of 2015. We will then open the call for your questions.

Before reviewing the results of the quarter, I would like to highlight a few other items.

First, as mentioned during our previous 2014 financial results conference calls, we announced a new business alignment which became effective on January 1st of 2015. We created two new business divisions - Performance Materials and Basic Plastics & Feedstocks which we believe provides better visibility for investors to understand our businesses.

By grouping businesses with similar strategies and business drivers, we can manage and operate them more effectively – driving accelerated growth in Performance Materials, and improving profitability in Basic Plastics & Feedstocks for cash generation. Our first quarter financial results are reported with this new segmentation. We provided quarterly financial data back to 2012 on this new basis in the fourth quarter earnings slides.

Second, we recently completed refinancing the Company's balance sheet. The refinancing, which closed yesterday, is comprised of a $500 million Senior Secured Term loan due 2021, 375 million Euros of unsecured bonds, and 300 million dollars of unsecured bonds; both due in 2022. The proceeds will be used to repay all of our $1.2 billion of 8.750% Senior Secured Notes due 2019 on May 13th. At current interest rates, the transaction will reduce our cash interest by approximately $37 million per year, which equals earnings of approximately sixty-five cents per diluted share. As part of the transaction we also entered into a new five-year, $325 million revolving credit facility.

This new capital structure is more similar to our public chemical company peers, and provides us with increased liquidity, a natural hedge against our euro-denominated EBITDA, and a much lower cost of borrowing which is expected to significantly increase our annual free cash flow.

Now, let's turn to Slide 4. Trinseo had a great start to 2015 with a very strong first quarter. We had record Adjusted EBITDA excluding inventory revaluation at the consolidated level, and in the Basic Plastics & Feedstocks division. In addition, we had record Adjusted EBITDA in the Performance Plastics segment. We also had positive free cash flow of $16 million in the first quarter, despite a $52 million semi-annual interest payment and a working capital build due to seasonality and second quarter turnarounds. This was the first time in our history that we had positive free cash flow in a first quarter.

Our total company Adjusted EBITDA for the quarter was $151 million excluding inventory revaluation, a record for Trinseo. The first quarter inventory revaluation impact of $42 million, split almost evenly between the divisions, was in line with our expectations from the fourth quarter of 2014 call. Our adjusted earnings per diluted share were 80 cents.

Now let's look at the first quarter at the division and segment levels.

Our Performance Materials Division had a very strong quarter with $93 million of Adjusted EBITDA excluding inventory revaluation.

Latex, Synthetic Rubber, and Performance Plastics each performed in line with the expectations we outlined on the fourth quarter call.

Latex delivered Adjusted EBITDA of $21 million, but excluding inventory revaluation, the result was in line with recent performance. Sales volume of 305 million pounds was slightly above prior year as we had higher sales to the carpet and paper board markets

We continue to focus on our lower cost, starch emulsion technologies, particularly to the coated paper market. We sold a record-high volume of these products in the first quarter, which was more than double the volume sold in the first quarter of 2014. We continue to refine this technology, and have introduced second generation products that continue to provide similar performance, but at an even lower cost.

Moving to Synthetic Rubber, Adjusted EBITDA for the quarter was $26 million. Excluding inventory revaluation, EBITDA was in line with expectations, and similar to the average over the last two years, despite a $5 million year over year headwind from the weaker Euro.

First quarter sales volume of 162 million pounds was an all-time high with strong volumes in both ESBR and SSBR. In fact, we had record SSBR sales volume, and our most advanced grades, which we call enhanced SSBR, continue to lead this growth. These achievements are a result of delivering on our strategy, focusing on investing in high performance tires, and commercializing higher-value, differentiated products.

Moving to Performance Plastics, Adjusted EBITDA for the quarter was $25 million including an unfavorable inventory revaluation impact. This record result was driven by higher volumes sold into consumer essential end markets and by declining raw material costs during the quarter.

Our application engineering and design teams continue to work closely with customers on developing new lightweight applications for the automotive industry's current and future challenges to reach emission and fuel efficiency targets. We believe this will drive our growth as well as higher margins in the future.

To support these new Automotive applications, Trinseo recently launched the ENLITE line of glass reinforced semi-structural applications in cars. ENLITE's Long Glass Fiber Polypropylene and Glass Fiber Alloys can replace existing materials such as steel and aluminum, with lighter, globally available, cost-efficient solutions.

One recent success is our ENLITE application technology is being used in the Renault Espace for the lift-gate and front-end carrier, which supports the headlights, radiator, fan unit and bumpers. Several additional lift-gates are currently in development and are expected to be

commercialized within the next 2 to 3 years. Our strategy is to increase our market share in rapidly growing exterior and semi-structural applications, where value added products are appreciated.

This is an example of our team meeting our customers goal of reducing vehicle weight by developing an engineered polymer that provides similar structural characteristics as metal but at a fraction of the weight.

Moving to our Basic Plastics & Feedstocks Division, which had Adjusted EBITDA of $59 million for the quarter, or $81 million excluding inventory revaluation. These results include $37 million of equity affiliate income, of which $35 million was from Americas Styrenics.

We are encouraged by our performance in this segment as it is further evidence of the cyclical rebound that is underway in polycarbonate and in styrene monomer, as well as the structural, supply demand improvement in polystyrene.

Global styrenic polymers demand rebounded in the first quarter after a period of destocking in the third and fourth quarters. In Europe, polystyrene customers started replenishing their inventories in preparation for the high season in appliance and construction markets. ABS demand was very strong as well with the typical stronger first quarter in the sheet extrusion and edge-band markets. This higher demand, combined with a supply shortage from European producers and less imports from the weaker Euro, led to a very tight market.

In Asia, polystyrene demand was stronger than expected primarily driven by restocking activities, while appliance customers were still running moderately, ahead of the high season.

Americas Styrenics' strong performance was driven by higher polystyrene margin from lower raw material prices, and from higher volumes of styrene monomer sold, particularly into export markets. Americas Styrenics continues to show year by year growth in equity income with 2012 at $27 million; 2013 at $39 million; 2014 at $50 million; and 2015 is off to a record start as well.

Moving to Polycarbonate, we are pleased to report breakeven results in the first quarter driven by our restructuring efforts as well as improved market conditions due to better supply / demand dynamics. Global demand growth of about 5% annually combined with a lack of new supply has increased operating rates to nearly 80%.

In addition, the weak Euro constrained imports into Europe and opened export opportunities for us, creating a very tight market in Europe. Polycarbonate margins started to increase in the fourth quarter, and by the end of the first quarter of 2015 were about $300 per metric ton higher.

Turning to Slide 5, let's discuss some recent trends in styrene monomer.

These are the Europe and Asia styrene monomer charts that we normally show, including a proxy for styrene monomer margin, which is the styrene price less the costs of benzene and ethylene.

As expected, styrene margins increased in the latter part of the first quarter due to stronger demand, fueled by industry restocking, seasonality, and preparations for planned outages. Scheduled planned outages also had a significant positive influence on styrene production margins in Asia during the quarter, as rising feedstock costs were outgained by styrene.

Overall, the first quarter margins are in line with the $10 million sequential decline that we discussed on the fourth quarter call. However, we were able to largely make up for that decline via a combination of better raw material and utility yields as well as numerous, carefully selected spot styrene market moves throughout the quarter.

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

John Feenan

Thanks Chris and good morning. As you heard in Chris' opening comments we had very strong results in the first quarter.

Please turn to slide 7 where you can see the first quarter results for Trinseo along with two comparison periods – the first quarter of 2014 and the fourth quarter of 2014.

First quarter 2015 revenue of $1.0 billion was 25% below prior year and 9% below prior quarter. Overall you will notice lower revenue in the first quarter compared to other periods. While we had higher sales volume across all of our operating segments, this was more than offset by the pass through of lower raw material cost, with the significant decline in the overall energy complex, as well as currency. The impact of the lower raw material costs was particularly significant, with lower prices driving nearly all of the variance versus the comparison periods.

First quarter Adjusted EBITDA, excluding inventory revaluation, was $151 million which included $37 million of equity affiliate income, of which $35 million was from Americas Styrenics. This compares to $83 million in the first quarter of 2014 and $104 million in the fourth quarter of 2014 on the same basis. For the quarter we had Adjusted Net Income of $39 million which translated into an adjusted EPS on a diluted basis of 80 cents.

Now, turning to slide 8,

The Latex Segment revenue was $238 million for the quarter. Higher volume had a 2% favorable impact versus prior year driven by a 13% increase in volumes sold into the carpet market. Adjusted EBITDA of $21 million was below prior year due primarily to inventory

revaluation and above prior quarter due to seasonality. Excluding inventory revaluation, first quarter EBITDA was in-line with our two-year trend and consistent with our expectations from the fourth quarter of 2014 conference call.

Now, turning to Slide 9,

In Synthetic Rubber, revenue decreased 27% and 5% versus prior year and prior quarter, respectively, driven by the pass through of lower raw material cost as well as currency. Higher sales volume increased revenue by 3% versus prior year, driven by SSBR, and 19% versus prior quarter, driven by both ESBR and SSBR. In addition, enhanced SSBR represented 57% of total SSBR volume in Q1, up from 46% a year ago.

Adjusted EBITDA of $26 million was below both prior year and prior quarter due mostly to inventory revaluation and currency, with some offset from higher sales volume. Excluding inventory revaluation, Rubber was in line with our expectations from the fourth quarter call.

Turning to slide 10, Performance Plastics revenue was $197 million for the quarter. Higher volume had a favorable impact of 6% versus prior year driven by higher sales to the Asia consumer electronics market, and 3% versus prior quarter from higher sales to the automotive market.

Adjusted EBITDA of $25 million was a record for the segment and was $8 million above prior year and $9 million above prior quarter driven mostly by higher margins with decreasing raw material costs during the quarter. We estimate that these declining costs benefitted Performance Plastics by close to $10 million during the quarter.

Turning to Slide 11, Basic Plastics & Feedstocks revenue of $454 million was below prior year and prior quarter due to the pass through of lower raw material cost and currency. Sales volume was favorable versus the comparison periods and in particular versus prior quarter due to seasonality as well as industry restocking in the first quarter of 2015 in contrast to the destocking in the fourth quarter.

Adjusted EBITDA of $59 million included $37 million of equity affiliate income, almost entirely from Americas Styrenics. This included an unfavorable inventory revaluation impact of about $21 million. Excluding inventory revaluation, Adjusted EBITDA of $81 million was approximately $59 million above prior year and $41 million above prior quarter due to higher Styrenics margins, very strong performance at Americas Styrenics, as well as higher Polycarbonate margins due to the restructuring efforts and overall market improvement.

Now, let's turn to slide 12 for the discussion on cash and liquidity. Free cash flow for the quarter was $16 million, inclusive of a $15 million dividend from Americas Styrenics, capital spending of $28 million, and a cash interest payment of $52 million. This was the first time in the company's history of positive first quarter free cash flow. Quarter-end liquidity was $658 million, including $219 million of cash.

Looking to the second quarter, I want to highlight that we will use approximately $105 million of cash from our balance sheet in the second quarter to pay for call premiums, fees, and accrued interest related to our recent refinancing. Excluding this, we expect strong free cash flow in the second quarter due to both solid EBITDA and a release of inventory that we built in Q1 for Q2 turnarounds. All in, we expect liquidity at the end of the second quarter somewhat above the end of the first quarter level.

For 2015, we expect CapEx of around $125 million and cash taxes of $35 to $40 million, which is in line with our previous estimate.

With that, I will now turn the call back over to Chris.

Chris Pappas

Thanks John.

One of the key questions that you all have is where Trinseo EBITDA and earnings per share are heading thru the balance of 2015 following our record first quarter performance – both in Performance Plastics and Basic Plastics & Feedstocks.

Performance Materials should continue to be a steady performer with the back half of the year in line with recent trends. We believe Rubber will continue to do well as we drive our focus on high performance tires. Latex will have some new capacity in China in late third quarter and we have announced price increases in North America and Europe as well. Performance Plastics looks to be quite strong over the balance of 2015.

Now, I'd like to spend a few minutes on why we think the cyclical rebound occurring in Basic Plastics & Feedstocks is sustainable.

Slide 14 shows the data to support the cyclical rebound in styrene monomer and its impact on margins. In the upper left you can see the rising styrene monomer margins slope over the last couple of years. You can also see the quarterly fluctuations – again we have consistently commented on the quarter-over-quarter dynamic. But the rising slope is clear and is driven by rising styrene monomer operating rates.

On the bottom half of this slide you can see Trinseo's "grey bar" data, which gives more granularity on the styrene monomer margins in Western Europe. What you will observe is that the spikes in margins are occurring with higher frequency. With styrene monomer operating rates now at about 85%, any planned or unplanned outages can cause these spikes in styrene monomer margin. Note that our view of the second quarter's styrene monomer margin leads to a relatively stronger second quarter in styrene monomer.

Finally on the upper right of the slide is the projection for styrene monomer supply and demand. It tells a clear story – With no meaningful styrene monomer capacity announced for the next four years. We should see generally rising styrene margins and the potential for higher

spikes during planned or unplanned outages. Recall our styrene monomer margin to EBITDA sensitivity - a $50 per metric ton change in styrene monomer margin yields an approximate $45 million annual EBITDA change.

Now, let's turn to slide 15 and look at a couple of panels on polycarbonate.

First, you can see the rise in operating rates in polycarbonate over the last two years. Global industry operating rates are about 80%, which has led to margin expansion in polycarbonate. Also shown are historical polycarbonate margins and the IHS forecast for the next 2 years.

You can see the regional industry structure in polycarbonate. We are a small player in Europe, a minor player in Asia via our joint venture, Sumika Styron Polycarbonate Limited, and not a producer in North America.

You can also see the projections for polycarbonate supply and demand. It also tells a clear story – with limited additional polycarbonate supply coming and a compounded annual demand growth rate of about 5%, we would expect generally rising polycarbonate margins and the potential for improving polycarbonate performance.

Recall our polycarbonate margin sensitivity – a $100 per metric ton change in polycarbonate margin yields a $15 million annual EBITDA change across the company.

Now, let's go to slide 16 to look at the regional polystyrene industry structure. You can see that the North American and European industry structures are generally consolidated, while Asia is more fragmented.

What you would expect is that North America would have somewhat better results than Europe, with Asia lagging behind.

We do see that in our JV income from Americas Styrenics. We also see that in our own styrenic polymers, which is the sum of our Europe and Asia polymer footprint. But the key point is that we believe that all regions are generally improving going forward.

Finally, we have the dynamic of several major styrenic companies that now rely on styrene monomer and styrenic polymers as their means to EBITDA and cash flow – not benzene or ethylene. This creates increased focus on styrene and styrenic polymers profitability.

Now, to just reiterate our stated strategic intentions in Basic Plastics & Feedstocks. We are not expanding or building styrene monomer, polystyrene or polycarbonate capacity. Our joint ventures Americas Styrenics and Sumika Styron Polycarbonate Limited are not expanding or adding capacity in styrene monomer, polystyrene or polycarbonate. In other words, we are focused on EBITDA and cash generation in Basic Plastics & Feedstocks.

So with that backdrop for Performance Materials and Basic Plastics & Feedstocks, let's move to slide 17 and discuss our view of the second quarter and full year 2015.

I'd first like to discuss the impacts of inventory revaluation and currency. We are estimating a second quarter favorable inventory revaluation impact of approximately $30 million due to increasing raw material prices. We expect most of this impact to be in the Basic Plastics & Feedstocks division as the revaluation is largely driven by styrene-related materials. It is difficult to estimate the inventory revaluation impact for the remainder of the year given potential volatility of our key feedstocks, but through the first six months of 2015 it looks like inventory revaluation will be minimal.

Moving to currency and looking out to the remainder of the year, please recall our rule of thumb of a one percent change in the Euro compared to the Dollar is about a $2 million annual EBITDA impact. Assuming an exchange rate of 1.10 dollars per euro for full year 2015, the year-over-year currency impact will be approximately $35 million.

Excluding inventory revaluation, we expect continued strong performance in the second quarter, but sequentially lower than our record first quarter performance. The Basic Plastics & Feedstocks division should see similar performance, quarter over quarter, while there will be some headwinds in the Performance Materials division. Let's go through each segment.

We expect Latex Adjusted EBITDA in the second quarter to be similar to the first quarter. Much of our latex business uses one-month price lags, so increasing styrene costs through the quarter will impact margin by several million dollars. However, we expect more favorable inventory revaluation will offset this impact.

Assuming stable feedstock costs, the second half of the year in Latex should be back to the normal run rate of mid-$20 million EBITDA. Overall for 2015, we continue to focus on countering the secular challenges in coated paper with new technologies, our growth via our new capacity in China and a focus on the higher growth latex market segments. However, for the full year our expectations in Latex are for an approximate $6 million decline due mostly to currency.

Moving to Synthetic Rubber, on the fourth quarter call we mentioned a second quarter turnaround that will result in $10 million sequentially lower EBITDA. However, we expect this should be offset by more favorable inventory revaluation, with increasing raw material costs, resulting in Adjusted EBITDA that is roughly flat quarter over quarter. For the year we expect Adjusted EBITDA to be about $20 million lower than 2014 due to currency impacts as well as our continued investment in technology, which will be partially offset by SSBR volume growth.

In Performance Plastics we expect a second quarter decrease in Adjusted EBITDA as raw materials stabilize and prices and margins reset. However, this will be mostly offset by more favorable inventory revaluation in the second quarter. Quarterly performance for the rest of the year should still be several million dollars above the average of last year as we look to higher volume and margins on the strength of our differentiated product offerings. In total we expect this to result in about $20 million higher Adjusted EBITDA than in 2014 for Performance Plastics.

Overall for the Performance Materials division in the second quarter, we expect Adjusted EBITDA to be similar to the first quarter, but lower by $25 to $30 million excluding inventory revaluation. Overall for the year, Performance Materials should be slightly lower in 2015 versus 2014 due mainly to currency, with some offset from higher volume and margin in Performance Plastics and higher volume in SSBR.

In Basic Plastics and Feedstocks we expect the second quarter EBITDA excluding inventory revaluation to be right around the record first quarter, and significantly higher sequentially on an Adjusted EBITDA basis due to an expected more favorable inventory revaluation in the second quarter.

We expect higher styrene production margins of about $25 million versus the first quarter. However, a significant portion of this will be offset as our production will be lower due to a planned outage at one of our styrene units. In addition, we don't expect a repeat of the first quarter's opportunistic spot market activity.

We expect Polycarbonate margins to be slightly better in the second quarter as we see a full quarter of higher margin, driven by the overall stronger market.

For the full year, we expect Basic Plastics & Feedstocks to perform substantially better than it did in 2014. Restructuring and improvement in polycarbonate market conditions alone should result in an estimated $60 to $70 million of year over year improvement.

While we don't expect a repeat of the first half Styrenics planned outage driven tightness in the second half of 2015, the market overall for the year should be better than in 2014. Due to the strong start to the year, along with the styrene monomer dynamics that we previously discussed, we anticipate styrene monomer and styrenic polymer margins to be significantly better than in 2014. In addition, due to the same dynamics, we expect Americas Styrenics to have a record year, resulting in equity affiliate income that is much higher than in 2014. Finally, given the current feedstocks outlook, inventory revaluation should be much more favorable in 2015.

Adding all this up, we believe that the 2015 Basic Plastics & Feedstocks Adjusted EBITDA excluding inventory revaluation will be about $175 million better than 2014, with an even higher increase when including inventory revaluation. This is predicated on styrene margins in the second half of 2015 remaining at levels similar to Q1, before the second quarter outages.

Finally, we expect corporate costs to continue at a steady $20 million per quarter.

Before we move to Q&A, I just want to summarize a few items.

One, we had an excellent and record first quarter across Trinseo albeit with some tailwinds as described.

Two, we expect the second quarter to be quite good with significantly higher Adjusted EBITDA and EPS versus the first quarter.

Third, we expect significant improvement in full year 2015 versus 2014 in Adjusted EBITDA, EPS and cash flow.

Fourth, our recently completed refinancing sets Trinseo up with a public company capital structure that is more in line with our peers and which is expected to lower our cash interest expense by $37 million per year. This financing is accretive to earnings per diluted share by approximately sixty-five cents.

From a portfolio standpoint, we believe our Performance Materials division is positioned to consistently deliver $70 to $75 million of EBITDA per quarter. We also believe our Basic Plastics & Feedstocks division is positioned for and is delivering cyclical upside across styrene monomer, polycarbonate and styrenic polymers. We believe this combination is creating a performance step change versus previous years for Trinseo.

Recall for a moment that in 2012 our Adjusted EBITDA excluding inventory revaluation was $217 million, rising to $318 million in 2013 and to $326 million in 2014. In those years we were not experiencing the effects of our polycarbonate rebound, Americas Styrenics strength or styrene monomer cyclical lift. As you can tell from our comments, we believe Trinseo is now taking another big step in EBITDA, EPS and cash flow.

We are committed to driving value for our shareholders over time. Based on our positive results, and the improving dynamics we have shared, I believe that Trinseo represents a significant opportunity for investors. Within a representative peer group of comparable companies[1], we have one of the lowest multiples on either an EBITDA or an EPS basis and one of the lowest price to cash flow ratios.

Adding all that up, I am very proud of our first quarter performance and the momentum we have for the second quarter and the rest of the year.

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

[1] Based on May 1, 2015 data available on FactSet Research Systems, Inc., Trinseo representative peer group of comparable companies includes AXLL, BAS-DE, CE, DOW, EMN, HUN, KRA, LXS-DE, LYB, MEOH, OLN, OMN, SYNT-GB and WLK.

Questions and Answers

Operator: Ladies and gentleman, at this time if you have a question please press the * then the one key on your touch-tone telephone. If your question has been answered or you wish to move yourself from the queue please press the # key. One moment for questions.

Our first question comes from David Begleiter with Deutsche Bank. You line is open.

David Beigleiter, Deutsche Bank: Good Morning. Hey Chris, very good job on polycarbonate, very impressive. How should we think about the progression now of EBIDTA as it is moves into positive territory throughout the remainder of 2015 and even 2016?

Chris Pappas: Thanks David. Well obviously this is a very important change for the company, on the Basic Plastics & Feedstocks side, and driven by both the structural changes and the increasing margins from operating rates, as we stated, we're now breakeven in Q1. We did see positive momentum for price and margin improvement. There are price increases that have been announced into Q2 and they are going into the market. We'll have to see how effective they are but our sensitivity to that, as you know, is a 100 change in margin, yields about 15 million dollars per year of annual EBIDTA. And the price increases that were announced were substantial in the 300 Euro per ton type range. So we'll have to see how all that plays into the market, both in Q2 and forward, as the operating rates look like they're going to continue to rise in polycarbonate, Dave.

David Beigleiter: Very Good. And John, just on the use of cash going forward and paying off the term loan, what's the target there on the term loan and use of cash going forward?

John Feenan: Yeah I think, Dave, as we continue to generate cash, that obviously gives us some optionality we haven't had historically. We expect, as we said on the call, a very strong free cash flow in the quarter coming up and very good results for the full year. So we'll assess exactly how we want to do and what our options are in the back half of the year.

David Beigleiter: Thank you very much.

Operator: Thank you our next question comes from Kevin McCarthy from Bank of America Merrill Lynch. Your line is open.

Kevin McCarthy, Bank of America Merrill Lynch: Yes, good morning. Chris, impressive forecast on Basic Plastics & Feedstocks as it relates to the 175 million dollar increase. It sounds like you have three drivers there: the AmSty strength, styrenic margins and then the restructuring. Can you help us break that down in terms of the relative contributions that you foresee from those three bucket and any other drivers that I did not include on my list.

Chris Pappas: Hey Kevin, those are the there drivers: the polycarbonate restructuring and the market turnaround, the improvement in AmSty of course, and the improvement in our own styrenics business are the drivers. The one that we've articulated in terms of dollar terms is of

course polycarbonate, where we said we expect approximately about a 65 million dollar year over year change. And as you guys know that's really just above the losses we had last year. So it would suggest a marginally profitable polycarbonate business. We haven't really broken out the other two. But if you look at the trajectory of AmSty in either the EBIDTA that you have year over year, or more importantly the equity income, and you think about the first quarter that you have for the equity income of AmSty, last year the equity income from Amsty was about 50 million dollars for us and the first quarter it's 35 million. So you can understand that that's obviously moving quite strongly in a positive way. And in our own business of course is moving up in styrenics as well. Although as I mentioned, the America's in the strongest region, Europe is next, and Asia is still lagging, so hopefully that gives you a little bit of context for how we see the development of the total 175, Kevin.

Kevin McCarthy: Yes it does, thank you. A couple of financial questions, if I may as well. You mention the strong start to cash flow as adjusted for seasonability in 1Q, but then John I think I heard you call out some cash outflows one-time in nature in 2Q, when you boil that down and take into account your earnings guidance, would you expect to finish the year at a lower net debt level than you started?

John Feenan: Yes, Yes we do.

Kevin McCarthy: Okay and then the third clarification , if I may, in regards to your recent financing activities, has there been any change through that process with regard to your longer term ability to establish a common dividend?

Chris Pappas: Hey Kevin, it's Chris. So, look we said when we went public almost a year ago that the first we want wanted to do for the company was to get a capital structure in place that was both public company and peer-like, and we've now done that. I would add, I think, quite successfully. Obviously we have lower interest expense, the business conditions seem to be cooperating, the cash generation. We would expect to be relatively robust, we have no large plans in Basic Plastics & Feedstocks. I think I've been pretty adamant about our plans in that divisions. So over time, as appropriate, we'll take a look at a policy for dividends, but that's not something we're looking at in the immediate term.

Kevin McCarthy: Understood. Thank you very much.

Operator: Thank you. Our next question comes from PJ Juvekar with Citi. Your line is open.

Eric Petrie, Citi: Eric Petrie in for PJ. Hey, question on styrene margins. In Western Europe they've improved nicely from 200 to recently above 500 dollars per ton, partly due to lower raw material costs, benzene and ethylene, as well as industry outages, how do you see that normalizing into the second half?

Chris Pappas: Hi Eric, if you're looking at, I think the chart on page 14 in the upper left, and they will normalize, I think the thing we're trying to clearly communicate on styrene is the following:

The general operating rate in styrene monomers is moving up. It's now at 85-86 percent. That's the healthiest it's been in some time. There's no added capacity of substance coming in styrene over the next 4 years and at a +2% demand, global demand growth, there certainly appears to be the opportunity for rising operating rates. That's number 1.

Number 2: Those operating rates, at 85-86, as planned and unplanned outages occur, these spikes occur and they're getting more frequent and higher in value, and you would expect that with higher operating rates. Now they do moderate, they do come back down. To your question, after the capacity comes back online, and we would expect that sometime at the back of the second quarter or in the third quarter, but they're coming down to levels that are higher than they have been in the past because of the generally rising operating rate, and you can see that in the line that we draw through the relatively dynamic line that you see on the top of that slide. I think the takeaway is generally rising margins, opportunities for higher spikes during planned or unplanned outages, and a general healthier styrene monomer business, looking forward than looking back. And I think that's about as precise as we can be. Obviously there will be quarter to quarter dynamics that will take styrene margins up very high and perhaps back to the line, and there may be dynamics that create styrene squeezes in a given quarter, benzene unplanned outages for example. But the trend is what we're trying to communicate. A very good trend for us, and for our JV, Americas Styrenics.

Eric Petrie: Great. Thanks, and then secondly, we've seen competitors and that's new synthetic rubber capacity. First, is this product easily traded and you know second, what are your utilizations rates and how much capacity do you have left to fill?

Chris Pappas: We're having another great start to a year in our rubber business. We've talked about record volumes in the year, record SSBR volumes, the highest percentage of enhanced SSBR, 57% on a quarterly basis. Our rubber business continues to be operating at very high operating rates for us. We do have some capacity to still move into the market in SSBR, that capacity will be moved into the market as part of our new contracts have been put in place. Some of those run through 2019, and that capacity will be moved into the market probably by the end of this year. Certainty by the beginning of 2016. So we're effectively in a sold out condition. We do have the conversion to neodynium coming on stream in 2016, that was a nickel PBR plant that we converted. And I think the other thing to note is the tire companies have been very postitive recently about high performance tires.

Michelin is talking about 12% growth in the first quarter and what they call high value add tires.

Good year is building a new plant in Mexico, strictly generated to high value add, high performance tires and they're sold out. That new plant is going to make 18 million tires per years for the next 5 years. And they're about 3.5 lbs. of SSBR in a tire. If you do that math on that, that's about 28kt per year consumer of SBBR, so the demand side of the equation, looks as we said very very strong.

Your other question about supply, there are some new plants coming up, there are also some delays that have been announced. JSR recently announced that their new capacity in Thailand is going to be delayed. They haven't said how long, but they've had difficulties in completing the project. So we still feel net net, very comfortable about the rubber business, about our focus on high performance tires, our technology, our contracts, our position with the major tire companies, their high growth rates in the segment that we're focused on. All of that we think adds up to a pretty reasonable picture for us in synthetic rubber.

Eric Petrie: Thanks, Chris.

Operator: Thank you. Again, if you have a question, press the * and the one key on your touch-tone telephone. Our next question comes from Vincent Andrews from Morgan Stanley. Your line is open.

Matt Andrejkovics, Morgan Stanley: Yes, good morning. Actually this is Matt Andrejkovics calling for Vincent. Thanks for taking the call. Really appreciate all the detail that you guys have included in the slides on the different segments, it's very helpful, and I was just wondering if you could help elaborate on what's changed in polycarbonate that would cause the margins to change from 2011 to 2014 despite the operating rate being similar.

Chris Pappas: So, it's not precise math on Operating Rate A, Operating Rate B, Margin A, Margin B, and first of all the 2015 and 2016 margins, you're referring to page 15 upper left, those are IHS forecasts, we don't know what the margins are going to be in 2015 and 2016 for polycarbonate yet. So these are IHS forecasts. We don't know whether they will return to 2011 margins or not. If you were to go strictly by operating rate, if would suggest that they should go back to those kinds of margins. I think the main takeaway is, again like styrene: increasing operating rate, supply demand dynamics are driving margin in polycarbonate, there's been a major turnaround in our business driven by structural change and margin improvement and we see margin to the upside, and our sensitivity is very clear. A 100 dollar per ton change in margin equals 15 million dollar change in EBIDTA, so the recent closures that occurred in 2013 and 2014, the return of higher demand growth to 5%, all of that has fueled the response to 80% operating rate. We'll see whether we get back to 2011, we'll see whether IHS is right, or whether the market dynamics drive the numbers differently than IHS has in the forecast.

Matt Andrejkovics: Got it, thanks. And then in styrene, do you get a sense that the restocking is complete and we're now in the seasonal run-rate in demand or is there some restocking demand. I guess I'm just trying to gauge how quickly could pricing maybe come back lower if the outages were alleviated today, let's say.

Chris Pappas: The outages in styrene are running through in Q2 and even into Q3. Some of the outages have been delayed and spread out, number 1. Number 2, there were large increases in styrene monomer in April and in polystyrene, 300+ Euros a ton, and that has, at least for April, suppressed the restocking. There was a lot of restocking in Q1 but it's hard to tell whether we're done because April people pulled back because prices went up, styrene monomer went

up as I said and polymer went up. But my net on all that, Matt, is I think we're probably pretty close to the end of the restocking phase across styrene and polystyrene, which I think is your question. April again was the month where the consumers, the purchaser, pulled back because of these high increases, but I think net net we're probably through the restocking, although Q2 for appliances and other reasons is a high season for demand in polystyrene, so there will be a little bit of an effect for that in Q2.

Matt Andrejkovics: Great thanks very much.

Chris Pappas: Thank you, Katherine, I think that's it for the question.

Operator: Yes.

Chris Pappas: Ok. Thank you very much everybody. Talk to you next quarter.

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