Trinseo Fourth Quarter and Full Year 2018 Financial Results Conference Call Transcript – February 14, 2019

Operator

Good morning ladies and gentlemen, and welcome to the Trinseo fourth quarter and full year 2018 Financial Results Conference Call. We welcome the Trinseo management team, Chris Pappas, President & CEO; Barry Niziolek, Executive Vice President & CFO; and David Stasse, Vice President of Treasury and Investor Relations.

Today's conference call will include brief remarks by the management team followed by a question and answer session. The company distributed more detailed remarks on its financial results, along with a press release and presentation slides, at close of market yesterday. These documents are posted on the Company's Investor Relations website and by means of a Form 8-K filing with the Securities and Exchange Commission.

If anyone should require operator assistance during the call, please press *, then zero, on your telephone. I will now hand the call over to David Stasse.

Dave Stasse

Thank you Tasha and Good Morning everyone. At this time, all participants are in a listen-only mode. After our brief remarks, instructions will follow to participate in the question and answer session.

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 discussed, 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".

Today's presentation includes certain non-GAAP measurements. Reconciliation of these measurements is provided in our earnings release and in the appendix of our investor presentation. 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 February 14, 2020. Now, I would like to turn the call over to Chris Pappas.

Chris Pappas

Thanks David, and welcome to Trinseo's fourth quarter and full year 2018 financial results conference call. Before I explain some of the market dynamics that had a significant impact on our financial results this quarter, I would like to take a moment to mention our recent executive management announcement.

Effective March 4th, Frank Bozich will join Trinseo as President and CEO. Frank is a very experienced executive who has worked across a variety of technologies, markets, and businesses in the chemical sector including tires, plastics, consumer goods, construction materials, adhesives, and additives. He joins us after serving as CEO of SI Group, where he grew its global specialty chemical company's intermediates and resins businesses via a mix of organic growth and acquisitions. Previously, Frank held executive management positions at BASF, where he worked for more than seven years. He also has experience at Rohm and Haas, Croda Adhesives, and Apex Adhesives, which he founded in 1986.

I have had the opportunity to get to know Frank and his engaging leadership style over the last couple of months. The Board and I believe he is perfectly suited to lead Trinseo into the next chapter of its growth. Frank's beliefs and values align with Trinseo's corporate culture. He has been recognized for his accomplishments in corporate social responsibility, Responsible Care®, and employee engagement. Frank knows the chemical industry and will think strategically about the future of Trinseo.

I know Frank is looking forward to meeting Trinseo's customers, employees and members of the investment community in the coming months as we work and travel together to ensure a smooth transition.

Now, I'd like to briefly discuss the fourth quarter, and describe for you the market dynamics we are currently in, and how we see them impacting our full year 2019 results.

Our fourth quarter results were affected by a challenging set of business conditions such as weak demand in China across a number of end markets, customer destocking due to rapidly falling feedstock prices, and weak automotive and tire markets. These dynamics intensified in late November and through December. Our fourth quarter results were reflective of this environment: relatively low profitability, unfavorable net timing from falling feedstock prices, but strong cash generation from a release of working capital.

We're cautiously optimistic that December was the bottom in a number of our markets. Our January volumes looked more like October's volumes than November's or December's, led by Polystyrene, Synthetic Rubber, and ABS. In addition, Styrene prices in all three regions have risen over $50 per ton from their low levels in December.

Moving to Trinseo's full year 2019 outlook, we've given a relatively wide guidance range to reflect the ongoing global macroeconomic issues, China uncertainty, and current automotive and tire market uncertainty.

We expect full year net income of between $248 and $318 million, Adjusted EBITDA of between $500 and $580 million, and earnings per diluted share and Adjusted EPS of $5.80 to $7.43.

The low end of our guidance assumes limited economic recovery in China and generally weak automotive and tire markets over the balance of the year. In this environment, we would expect to see a continuation of low polycarbonate and ABS demand in China, resulting in low margins in both Europe and Asia from distorted trade flows. We would expect also a prolonged period of lower volumes shipped into automotive and tire markets in Europe and Asia.

While the low end of our guidance range would still provide strong cash flow for the year, if we see our results moving in this direction we will take a more aggressive approach to cost management, CapEx control and working capital management to help mitigate the drop in EBITDA from the mid-point of our guidance range and to drive cash generation.

Conversely, the high end of our guidance assumes a progressive recovery in the first half of the year followed by healthier second half conditions. In this scenario, improving economic conditions in China should lead to increased demand of polycarbonate and ABS, which would provide margin lift in Europe and Asia. We would also expect improved tire and auto market demand beginning in the first quarter.

We've included on slide 14 of our presentation some key indicators that we think are instructive to assess the pace of recovery in some of our markets. We believe these indicators, while not all inclusive, are useful in understanding demand and margins in some of our segments, and are therefore useful in gauging how we're doing relative to our annual guidance range.

To wrap it up, 2018 had eight months of strong market fundamentals and Trinseo business performance, followed by four months of a challenging business environment that led to lower than expected full year financial results. These challenges were particularly acute in late November and December, and while we have entered 2019 with continued macroeconomic and market uncertainty, our early Q1 results have shown some signs of improvement. This leaves us cautiously optimistic about improving business conditions as we progress through the year. Regardless of the timing of a market recovery, Trinseo remains committed to optimizing business performance, generating strong cash flow, and returning cash to shareholders.

Before we turn to Q&A, I'd like to take a couple of minutes to mention a few things in reflection of my nine years leading Trinseo.

We started as a carve-out called Styron in mid-2010. From day one, a talented team of executives and over 2,000 supportive and dedicated employees were all committed to creating what is now a fully independent public company with a bright future.

Trinseo has been a successful public company through the early support of Bain Capital and then with the support of a talented group of Board of Directors – of course driven by an entire team of employees all striving to improve the Company every day.

I am proud of my role in this journey and the results that Trinseo has delivered. Importantly, I am proud to have helped establish Trinseo with a set of principles, values, integrity and culture that will serve as the foundation for the next phase of Trinseo's journey.

As I transition to my new role as Special Adviser to the CEO, effective March 4th, I am committed to ensuring a smooth and seamless transition. I am confident that Frank Bozich, Trinseo's executive management team, and our excellent people will capitalize on the strength of our balance sheet and the flexibility to adapt to the changing economic dynamics, while leveraging our collaboration with customers allowing us continue to drive the strategic direction of the Company in order to take it to the next level of success.

Finally, I want to thank our analysts and investors for your interest in Trinseo and support during the last nine years.

And now, Tasha you may open the phone line for questions.

LIVE QUESTION AND ANSWER SECTION

Operator
Thank you. As a reminder if you would like to ask a question please press star followed by the number one on your telephone keypad.

Operator
And our first question comes from the line of David Begleiter from Deutsche Bank. Your line is open.

David I. Begleiter, Analyst, Deutsche Bank Securities, Inc.
Thank you. And Chris, congratulations on your retirement and great job. First on the performance businesses in 2019, Chris, maybe just walk through rubber and performance plastics, and your expectations for any growth you may achieve this year?

Chris Pappas
Okay. Let's take a look at 2018, Dave, as we do that. In 2018 we posted EBITDA of $603 million excluding timing. We also had, as you know, a series of unplanned styrene outages during the year. Our best estimate is that we had maybe $35 million to $40 million of benefit from those unplanned outages. So excluding those outages, 2018 for us was about $565 million of EBITDA, excluding timing and excluding those outages.

Now you know that 2018 was a year where we had a very strong seven or eight months, then we had a rapid decline towards the end of the year. At our midpoint of our guidance for this year, we've made the assumption of a gradual recovery, and at that midpoint of $540 million,

with the recovery of China markets, automotive and tire markets in a gradual recovery, we would see polystyrene and latex and rubber, generally flat in performance compared to 2018.

In that same midpoint scenario, Dave, with a recovery of that kind of slope out of China and the rest of the world, Performance Plastics will be slightly down year-over-year, 2019 versus 2018, primarily because polycarbonate and ABS volumes and margins in that recovery scenario. That's the recovery scenario that gives us to midpoint - that is not a strong enough recovery to drive those margins and volumes in recovery fast enough for that business to return to its levels of 2018. And we think that feedstocks and American Styrenics in that scenario would be marginally up year-over-year on tighter styrene monomer supply demand. So, I think that hopefully gives you Dave, kind of the whole picture of how we see that midpoint, again driven by some recovery in China, some recovery in automotive and tire that would yield Polystyrene, Latex, Rubber generally flat, Performance Plastics slightly down because of continued polycarbonate ABS weakness, and feedstocks and AmSty perhaps marginally up. That should give you a good composition of the whole thing.

David Begleiter
Very helpful. And Chris, just looking longer term into the Styrene cycle, there is a lot of CapEx coming on stream, late this year really 2020 and 2021. How do you see that cycle playing out for Trinseo over the next maybe two years to three years?

Chris Pappas
Yeah. We've take another look at that, David, and you know that landscape of course keeps changing. I would maybe suggest one macro comment with the China general economic scenario, the macroeconomic scenario that we're in. My personal view is that we may see continued slowdowns of all chemical capacity builds in China. The styrene situation from our point of view at the moment suggests that through the next three years the operating rates should remain in the mid to higher 80s in styrene – in styrene monomer globally the operating rates. So without any further delays I should say in any expected capacity. So we have to see how that develops, but that scenario is a relatively healthy world for us and as you know for Americas Styrenics and should suggest that over the next two years to three years we should have continued good results in those businesses.

David Begleiter
Very good. Thank you very much.

Operator
And our next question comes from the line of Duffy Fischer from Barclays. Your line is open.

Duffy Fischer, Barclays
Yes, good morning. first question is just around working capital. If we kind of assume that the forward curves hold, because you gave us a nice cash flow walk on slide 12, the only thing that wasn't there was working capital, how would you see working capital playing out this year?

Chris Pappas
Well, I'll take a shot at it Duffy, then I'll turn it over to Barry and Dave. But obviously feedstocks are pretty low right now and in our recovery scenario we would expect feedstocks, I'm talking about butadiene and styrene to move up through the year. Those would tend to create a situation where working capital would rise just from value. We are focused diligently on controlling working capital. In this environment we've got very strong programs in place to drive our working capital down, and we would be hopeful that we could have, even with some rise in feedstocks, a relatively controlled working capital environment in 2019. Our assumption in the guidance we gave, of course, does not include either a rise or a decline in networking capital. We don't guide to a change in working capital for the year. Anything to add, you guys?

Barry Niziolek
Only thing is to underline the comment Chris already made is that focus on working capital, keeping tight control over working capital given the environment we're in.

Duffy Fischer
Great thanks. And then secondly, maybe I'm reading a little bit too much into it, but some of the comments you talked about strong balance sheet that Frank may look at a strategic review. Is there a chance that we may end up with a different strategy, a meaningfully different strategy at Trinseo a year, two years from now?

Chris Pappas
I think that's a great question for Frank on the May call and beyond. I was merely commenting that the Company, and I'm quite proud of this, is in excellent shape from a balance sheet standpoint. And Frank has experience in the strategic agenda of building a company through organic and acquisitive techniques, if you will. What Frank views and the board views, and as time goes on, Duffy, I think will play out. But the Company is in excellent shape to pursue a variety of options for our shareholder value.

Duffy Fischer
Great. Thank you guys.

Operator
And our next question comes from the line of Frank Mitsch from Fermium Research. Your line is open.

Frank Mitsch, Fermium Research
Hey good morning. And yes, Chris, congratulations on your pending retirement. Obviously, it's been a pleasure to work with you over the past nine years at Trinseo and probably a decade plus before that. I'm sure, we'll stay in touch.

Interesting comment that January was equivalent to October. I'm curious, how usual is that? Is that something that typically happens, or is that something that really jumped out at you?

Chris Pappas
Well, we're in unusual times, Frank, as you know. So I think the real purpose of the comment was that November-December were very, very weak as you know, particularly the back of November and all of December. And we were really just trying to reference that January has come off of that bottom and it does structurally look more like in October in terms of volumes. I don't think there's any historic linkage that I would draw from January and October.

The main point in the comment is really to suggest that early, early days, we're in the early part of the year, we're at least encouraged that January has come back from the November-December which were very low. Now, Chinese New Year is just behind us. That's a big component of what's going to happen next. We'll have to see how the rest of February and March play out. That will give us of course an indicator on this slope, Frank, that we might see through the year.

Frank Mitsch
Very helpful. Thanks. And as I look at your share price, as it stands right now, it's actually below the average share price that you bought back stock during the fourth quarter. Can you comment on using that excellent balance sheet and where you are from a cash flow perspective, because if I look at some of the numbers you provided for 2019 it does look like you still have ample amount of free cash flow?

Barry Niziolek
Hey, Frank. It's Barry. And I think that's right. We have ample amount of cash flow and I think as you look at that since 2016 we've used about 78% of our free cash flow to return to shareholders, the dividends and repurchases. So, as we go into 2019 recall in November we received a 2 million share authorization from our Board. We have sufficient authorization as we go into 2019 about a 1,250,000 shares. And I'm starting to sound a little bit like a broken record as you might expect, but we'll continue to take a balanced approach and as you know take an opportunistically look where it makes more sense to continue to buy back shares.

Frank Mitsch
Thank you so much.

Operator
Our next question comes from the line of Robert Koort from Goldman Sachs. Your line is open.

Dylan Campbell, Goldman Sachs
Good morning. This is Dylan Campbell on for Bob. I appreciate the helpful color and kind of the 4Q to 1Q dynamics, particularly for ABS and polycarbonate. But I guess I mean looking more longer term for those two products kind of what are your views with supply and demand and operating rate dynamics going over to I guess next two or three years?

Chris Pappas
Hi, Dylan, how are you doing? So, ABS we believe is still a structurally good place to be, notwithstanding the November-December dynamic - it's actually carrying over a little bit into the first quarter. We see the ABS operating rates in the mid-80s with opportunity to rise above that as we don't see a lot of new capacity and relatively decent growth, GDP type growth. So ABS we think is a fundamentally strong looking dynamic for us going forward. The ability for us as a company to see a return to ABS profitability that we saw in 2018 is really dependent on the rate of recovery in China. And that's because China, I should say China and Asia consume about 65% of the global ABS. So in an environment where they slow down as they did in the latter part last year, the margins for ABS have moved down fairly steeply, particularly in China and in Europe, and particularly in non-automotive applications. So as China recovers, we should expect to see that dynamic come back. And we think fundamentally that market dynamic for ABS should be quite good going forward.

Now polycarbonate while affected by the same China market dynamics, China consumes about 55% of polycarbonate globally. Polycarbonate was operating in the high 80s operating rate in the first half of 2018, and that was because of good demand, global demand, and there were some outages in the industry. In the second half we saw that operating rate drop substantially, particularly by the end of the year, lower demand, significant destocking and some new capacity.

So for 2019, Dylan, we think polycarbonate will be in the low 80s operating rate, which is okay, not great, but certainly better than what it was in the fourth quarter. And so that should give us a chance with China recovering to see some recovery in Polycarbonate. Longer term in Polycarbonate, there is substantial new capacity coming particularly in the later part of 2020 and into 2021. And depending on the rate of that capacity it's almost all in China, the quality, the capability of those producers that will determine the operating rate of polycarbonate in that forward period. But certainly in that timeframe there's a fair amount of new capacity slated to come on we'll have to see how fast it comes on what the quality is, however they run the plants, do they slow down their building plans given today's situation in China - all those dynamics will affect that equation. But they're separate, they're different, I'm trying to draw a contrast between the two. I think it's pretty clear hopefully.

Dylan Campbell
Got it. Thanks, that's helpful. And I guess a quick follow up on polycarbonate. Understood the headwinds from an operating rate perspective in the industry, but should we see at least a modest benefit from cheaper pricing or prices in 2019 versus 2018?

Chris Pappas
They have been a slight help so far in the year, by so far I mean one month. And our forecast actually suggest that there may be a little bit of help in the front part of the year, but our forecast would suggest that that may evaporate by the last half of the year. So it's kind of hard to tell. We don't see it as a big tailwind, I guess is my short answer to your question.

Dylan Campbell
Got it. Thank you.

Operator
And our next question comes from the line of Hassan Ahmed from Alembic Global. Your line is open.

Hassan Ahmed, Alembic Global
Good morning, Chris. First of all, best wishes to you on your retirement. Chris, obviously, the commentary for Q4 was a lot of volume weakness across the board, destocking, China weakness and the like. But I'm just trying to reconcile the qualitative remarks you made with the trade volume numbers that are provided. As I take a look at the trade volume numbers, things don't come across as being that dire from a volume perspective, meaning volumes overall down 3.7%, flattish in Latex Binders, flattish in Performance Plastics, up in Polystyrene. So I'm just trying to reconcile the qualitative with the quantitative.

Chris Pappas
Sure, well, polystyrene I think is pretty clear that has not been a big variance once you sort through it. You have to kind of get underneath I think particularly performance plastics to see where the volume mattered to us. And let me deal with latex first, while the volumes were as you mentioned pretty similar, we did have margin compression in the fourth quarter in China and North America and also in the fourth quarter now I'm back still on latex. We had about a $4 million negative feedstock dynamic in latex in the fourth quarter. You'll recall that our latex business in rapidly rising feedstocks styrene and butadiene tends to produce more EBITDA. You saw that happen pretty dramatically in all of 2017, but in the fourth quarter of 2018, we had the reverse effect rapidly dropping feedstocks, created about a $4 million headwind. So, latex while volume looks flattish, margins were down and we have this dynamic I described at feedstock's, that's really the story on Latex.

Now Performance Plastics is a little more complicated animal, because there's a lot going on there. In aggregate the volumes look okay, but our automotive volumes in Q4 were down about

10% year-over-year, and that's an area where we tend to make more margin than the rest of the business, number one.

Number two, a fair amount of our margin of our volume in the fourth quarter came out of our new ABS plant in China. And that ABS plant in China is still in startup ramp-up mode, and it's in a market where those margins are very, very low. So the volume story is not completely the whole story. For example, the polycarbonate volume that you see in certain markets that we got distributor and other markets are just not that good. So it's really a volume and margin story. Hopefully what I gave, it gives you a little bit a sense in that.

Hassan Ahmed
Very helpful, Chris. It's very helpful. Now as a follow up, just over the last couple of quarters, the noise level pertaining to polystyrene bans in you know be it in cities, municipalities and the like you know has been rising. I mean how should we think about that on a go-forward basis with regards to sort of you know global, local demand?

Chris Pappas
Well, there's a lot going on the industry as you know to educate and combat that kind of thinking. We're deeply involved in that along with other polystyrene and styrene producers. Those efforts include circular recycle efforts, lots of education about the general recyclability of polystyrene, et cetera, et cetera. The facts so far are that we haven't seen any effect on that in our business and polystyrene. In fact, you'll notice that our volumes in the fourth quarter were up year-over-year and our volumes starting the year in polystyrene are very strong. Now they're driven partially by low styrene when styrene is low and is viewed to be bottomed, people buy more polystyrene. But we're seeing no effect on that in the marketplace so far.

Hassan Ahmed
Very helpful, Chris. Thanks so much.

Operator
And our next question comes from the line of Laurence Alexander from Jefferies. Your line is open.

Laurence Alexander, Jefferies
Good morning. Can you give us an update on your thinking about the menu of potential growth opportunities for the downstream business? And secondly, can you characterize how well the industry structure has worked in the Styrenics chain, I mean, there's a lot of realignments several years ago. How rationally are competitors behaving within the new geometry?

Chris Pappas
So, second question first, Laurence. The profitability of our businesses, particularly Styrenics, polycarbonate would be another good example, is fundamentally driven by the supply demand

dynamics and the operating rates, and what we have had in styrene and polystyrene over the last two or three, four years have been generally rising operating rates, and that's a function of limited to no new capacity, and slow growth. And that's the fundamental driver of the profitability in those two businesses. And as I mentioned in styrene, we see that generally continuing, and in polystyrene, we would say the same thing. There's really no capacity coming in polystyrene. So, it's a function of that dynamic and that's what drives it. I would add polycarbonate and other products behave of course similarly, operating rate, supply demand dynamic as the driver.

On the downstream growth question, our agenda there is really the same. SSBR for high performance tires - still a good place to be. The historic growth was quite high, 2014 to 2017, 10% to 12% per year. Last year, 2018, we had a slowdown, 8%, 9% growth. This year we expect 6% or so growth in performance tires, still pretty healthy. So, we continue to be willing to put technology and dollars and people into differentiating through better grades our SSBR business. On the other hand in rubber, we're deemphasizing and continue to deemphasize other rubber products in our portfolio, and we have recently announced a cost reduction in rubber where we're taking out support and other staff that's not required to our agenda of SSBR for high performance tires. So that hasn't changed.

In latex, we continue to look at adhesives in construction as an interesting growth market. We're spending as much time as we can trying to develop products there, that's where we're putting all of our dollars. And also board, board coating continues to be a good place for us in the paper, in the latex world, latex binders.

In performance plastics, automotive, consumer electronics, the primary markets medical that we're in, should be good places to be, continue to be good places to be for all the reasons we've mentioned as the economies of the world, particularly China, start to start to rebound.

So really we don't see a big change in where we've focused our efforts for growth. What we did see is, of course, a dislocation in that agenda in terms of results, and that dislocation started late in 2018, and it is continuing into 2019 and we'll have to see how quickly that dislocation rebounds, if you will, through 2019, and that's kind of the whole point of our of our guidance range.

Laurence Alexander

And then, I guess, just to try to tease out a little bit further is, the relatively slow pace of capacity additions in the different chains. Do you see that as more just a function of the lack of confidence or visibility on demand, or is this like some other chemical chains where the industry participants has been marching up their estimates for what reinvestment level margins actually are, so that the thresholds appear to have changed?

Chris Pappas
Well, I think for example, styrene, and polystyrene, and maybe even latex, you have you know secular dynamics that just aren't that exciting for investment, is the real – I think that's the real answer. I think you said it. For someone to go to their board and ask for money for a styrene plant or a latex plant in the environment of low growth and frankly returns that are okay, but not fantastic, just to us, anyway, doesn't look that exciting. So I think it is returns, I think it is low growth. And I think that is what's keeping companies from investing. There are clearly other places that chemical companies would like to invest. We've been very clear we're not investing in polystyrene, styrene; we're not investing in latex, unless it's adhesives and construction. So our agenda has been pretty consistent for the entire life of the company in that regard.

Laurence Alexander
Okay. Thanks.

Operator
Our next question comes from the line of Matthew Blair from Tudor, Pickering, Holt. Your line is open.

Matthew Blair, Tudor, Pickering, Holt
Hey. Good morning, everyone. Thanks for taking my question here. I think your Latex Binders segment was impacted by some idling of paper in carpet mills in Q4. Can you say have any of those mills come back online so far in the first quarter of 2019 here?

Chris Pappas
Yes, to both questions, Matt. And however there are still some lines, some paper mills I would say, China for example, that have not yet fully come back on line. So, yes, but not totally to the second question, have they come back up.

Matthew Blair
Okay, thanks. And then, let's hope we could circle back to some of your recent expansions in ABS and then the SSBR plant in Germany. I think at one point there was hope that these plants could contribute approximately $35 million of incremental EBITDA. Could you just talk about where you're at today, with that what kind of utilization those plants are running at, and if they are running pretty low, do you see this as just, I guess, a free source of incremental EBITDA going forward?

Chris Pappas
ABS China, first of all, you're correct on your numbers. And the short answer to your numbers is we're behind, and we're behind for that dislocation reason I mentioned earlier, but a little more context. ABS China, we're actually moving a fair amount of volume through the plant. So the ramp rate on that plant has been quite good. The problem is, what I mentioned earlier, on the

margins contribution from that asset has not lived up to expectation because of the dislocation and distortion from trade flows and the low ABS margins in China. As those margins come back, if they come back through this rebound we described, then in that scenario, we generally have the volume, not all of it, but a fair amount of volume running through the plant. So in that scenario, its margin recovery from volume that has been achieved in the new asset.

SSBR is a little bit different, in that in that plant we have not been able to move the volumes into the market that we had hoped at this point, because the market for high performance tires slowed down, and the major customers, in the latter part of 2018, began to destock and got very sensitive to the global economic dynamics. So they slowed down and destocked, and they just did not ramp their output often we didn't ramp up our volumes. So in that scenario is not a margin issue. Our margins in SSBR remain healthy, but we need those major tire companies not just in Europe, in the U.S., but also the major players in Asia, to come back and start to buy SSBR, our high value SSBR at a higher rate. In that scenario, we would be filling the plant with volumes at margins. So their slightly different I hope that gives you some contrast between the two.

Matthew Blair
Very clear. Thanks.

Operator
Our final question comes from the line of Eric Petrie from Citi. Your line is open.

Eric Petrie, Citi
Hi. Good morning Chris.

Chris Pappas
Hi, Eric.

Eric Petrie
How would you describe customer inventory levels across segments and have you seen a tick up in last minute orders?

Chris Pappas
I think generally still low-ish across the board. Certainly January has picked up as we've mentioned. But this experience we had in the fourth quarter, particularly November and December, was quite dramatic. So I have to believe that the inventories were very, very low at our customers. So without a lot of data yet, it's so early in the year, I think our net answer would be there has been some inventory replenishment, but customers are still running pretty lean on inventory. Remember that the world, and our customers being a part of that, is still pretty uncertain about the future. So it's hard to see how they've really ramped up inventory in my mind, anyway. Now polystyrene, because it's very low styrene, would probably be one place

where I'd say our customers have done a little bit more inventory restocking than others. If I had to call out one, where I think we see demand robust enough to suggest that they've done some inventory rebuilding of substance. Other than that I can't really give you any hard data this early in the year.

Eric Petrie
Okay. And do you have any update regarding timing or further action by the European Commission investigation into styrene monomer purchasing?

Chris Pappas
No, we have no update. That's an ongoing situation. We're still co-operating across the board, and that's all we can say about it.

Eric Petrie
Great. Thanks.

Operator
There are no further questions. This concludes today's call. Thank you for your participation and you may now disconnect.