Third Quarter 2019 Financial Results Conference Call Transcript
November 5, 2019

Operator introduction:
Good morning ladies and gentlemen, and welcome to the Trinseo third quarter 2019 Financial Results Conference Call. We welcome the Trinseo management team, Frank Bozich, President & CEO, David Stasse, Executive Vice President & CFO, and Andy Myers, Director of Investor Relations.

Today's conference call will include brief remarks by the management team followed by a question and answer session. The company distributed its press release, along with its 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 Andy Myers.

Andy Myers
Thank you, Amy 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 Item 1A, "Risk Factors".

Today's presentation includes certain non-GAAP measurements. A 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 November 4, 2020. Now, I would like to turn the call over to Frank Bozich.

Frank Bozich
Thanks Andy, and welcome to Trinseo's third quarter 2019 financial results conference call. I'd like to start by discussing some high priority initiatives.

First, in an effort to increase organizational focus and efficiency, we announced changes to our executive leadership team at the beginning of October. The new organizational design, which is built on a global functional structure, will enable Trinseo to increase organizational effectiveness through business process optimization. This organizational shift is aligned with our Business Excellence program and the pillars that support it, which will enable greater

efficiency across the company. These pillars are Commercial, Operational, Supply Chain, and Functional Excellence.

This structure will have several benefits to Trinseo. First, it will enable greater commercial focus on our faster growth applications, for example: adhesives and construction in Latex Binders, and consumer electronics in Performance Plastics. We had double digit year-over-year volume growth in each of these in the third quarter.

Second, the transition to this new structure and the resultant efficiency gains will be a major contributor to the $20 to $30 million of annual cost savings we have identified. In addition to lower costs, this new leadership structure will serve us well to effectively implement the many initiatives and projects that are currently underway.

For example, our project to transition administrative services such as IT, purchasing, and supply chain from The Dow Chemical Company is on track and is scheduled for completion in the first quarter of next year. This important step to bring these functions fully in house, including the control of our IT capabilities and systems, will enable greater control of our processes and be a critical enabler for future business process optimization. Some examples of areas where we will realize ongoing benefits are; in purchasing through vendor consolidation and increased purchasing leverage; in supply chain through optimization of our logistics providers, and in operations through more effective scheduling of our assets.

Another project that we've previously discussed is the strategic evaluation of options for our Polycarbonate facility in Stade, Germany. Our primary goal of this evaluation was to ensure that we have a reliable and cost-effective supply of high-quality polycarbonate for our higher margin compounding business, which consumes approximately 40% of our polycarbonate production. We explored numerous options to achieve this goal, and concluded that the best option is to remain in operation at the site and to exploit the significant structural and raw material cost savings that our team has identified. These savings will be a significant contributor to the $20 to $30 million of savings that we have identified and will result in a more sustainable economic future for the facility. This will also better support our growing sales to the higher margin medical and consumer electronics applications.

Now, I'd like to talk about our recent participation in the K-Show in Germany, the largest global trade fair for the plastics and rubber industries, which takes place every three years.

During the K-Show, our team at Trinseo had the opportunity to address several projects that respond to our customers' demand for sustainable and recycled products that will contribute to putting an end to plastics waste. As we mentioned on last quarter's call, Trinseo, along with several other materials companies, has formed Styrenics Circular Solutions or SCS. This consortium is focused on creating infinitely recyclable plastics and highly efficient and sustainable facilities. What makes this initiative exciting is that polystyrene has a unique potential for closed loop recycling – with two fewer steps than recycling other polymers. At the K-Show, we outlined Trinseo's plan to change our product offering to be comprised of 30% recycled content to our customers for polystyrene packaging in Europe by 2025. We also

outlined how, through the SCS collaboration, we will build a first-of-its-kind chemical recycling plant for polystyrene in Europe to contribute to our 2025 goal. Our target is to make the facility capable of processing up to 50 tons per day of post-consumer polystyrene feedstock. This will make a significant contribution toward achieving the European Commission's targets for recycling rates. Lastly, Trinseo is working to incorporate post-consumer recycled content in our products for consumer electronics and medical, and therefore keeping materials in the value chain for longer periods of time.

In addition, Trinseo is proud to be part of two key sustainability initiatives. The first is the Circular Plastics Alliance, which is a pledge undertaken across the plastics value chain to use 10 million tons of recycled plastic in new products by 2025. And second is Operation Clean Sweep (OCS); where Trinseo just renewed its pledge to drive toward "zero pellet loss" as part of our commitment to keep plastic pellets out of the environment.

What was clear to me from the various discussions we had with our customers and our business partners at the K-Show is that there is a great opportunity for Trinseo to solve some of our customers' sustainability challenges. Also, it is clear that Trinseo is providing needed leadership in the areas of polymerization and chemical recycling of plastic waste.

Before I provide my third quarter comments, let me give you a brief update on the request for information we received from the European Commission relating to styrene monomer commercial activity in Europe. Recall that we received this request in the form of a letter from the European Commission in June of 2018. Last week, we received a supplemental request for information that was limited to historical employment, entity and organizational structures, and certain financial, styrene purchasing, and styrene market information. We are in the process of responding to this supplemental request, and we continue to fully cooperate with the European Commission on this matter.

Now I want to take a few minutes to review the financials from the third quarter and what we observed across our markets.

During the third quarter we saw a continuation of the macroeconomic conditions we've seen over the prior four quarters. This lower demand environment, in combination with a low level of styrene outages, caused styrene margins to decline in Q3 in comparison to those from the first half of the year. In fact, this year is on track to have the lowest level of styrene outages since we have been tracking them back to 2012, and we've been a disproportionate share of these outages in 2019. Therefore, we have updated our full-year guidance to reflect this.

Despite these economic uncertainties, there have been some bright spots. Styrene margins in Europe have increased three consecutive months from the year-to-date low point in August, with November margin over raw materials increasing to the highest level since May.

In China, the Caixin *{pronounced kai-JIN}* China Manufacturing PMI in October was 51.7, which is the highest reading in over two and a half years and represents the fourth straight month with an increase.

Specific to the markets we serve in China, we are encouraged to see the implementation of additional Chinese automotive stimulus. Two of the most populated cities in China decided to raise license plate quotas from June 2019 until December 2020. This has led to a substantial increase in new license plate registrations in these cities during the third quarter, and we're hopeful that government initiatives like this will stimulate sales growth in the automotive market. Appliance production in China, which is a large market for our polystyrene and ABS, saw production growth of both refrigerators and air conditioners in the third quarter versus the prior year.

In the US, light truck sales were the highest in the third quarter of any quarter this year, and were 5% above prior year. 70% of our automotive volumes in the US are into this market segment.

Since I became CEO in March, I have spoken about the importance of Business Excellence as a key to success, and I outlined some of the anticipated benefits we expect to get in the near future, but it won't stop there. These ongoing initiatives are even more vital during challenging economic times like these. We are confident in our ability to drive positive results as we move forward.

We've seen Business Excellence success in the Polystyrene segment, as it generated strong results in the third quarter, a period that has been seasonally weaker in prior years. We've also seen year-to-date Adjusted EBITDA in Polystyrene that is 75% above prior year. These results were due in large part to the Business Excellence initiatives put in place with an emphasis on strategic pricing and customer mix. We have seen good year-over-year growth in several of our higher margin downstream markets – adhesives, construction, and consumer electronics. In addition, year-to-date fixed cost spending excluding one-time items across the company, was below prior year as productivity initiatives have more than offset inflation.

While we recognize that the rate of economic recovery is largely outside of our control, we acknowledge the responsibility we have in providing value to our shareholders. Part of that value is through the projects and initiatives I mentioned earlier as well as through the continued return of cash to our shareholders. In late August we were authorized by our Board to repurchase up to 3.3 million shares of our stock. In the third quarter, we purchased approximately 1.1 million shares which, combined with our quarterly dividend, returned $56 million to our shareholders during the quarter. Year to date, we've repurchased about 6% of our outstanding shares and returned almost $150 million to our shareholders through share repurchases and dividends.

Moving to full year expectations, while we are seeing signs of market improvement so far in the fourth quarter, we are experiencing similar operating conditions to the third quarter. In addition, given a declining raw material environment, we expect an unfavorable net timing impact of about $5 million in the fourth quarter, but similar quarter-over-quarter results excluding net timing.

For the full year, we expect net income of $105 million to $112 million and Adjusted EBITDA of $365 million to $375 million. This outlook assumes a minimal impact from net timing for the full year.

2019 has been a year of strong cash generation and we expect to finish the year with around $320 million of cash from operations, which we expect to result in $200 million of free cash flow.

Looking ahead to 2020, we plan on providing more detail on our fourth quarter call in February. However, regardless of the economic backdrop that develops for 2020, we are determined to improve our business results via Business Excellence - as well as the successful execution of our growth initiatives. Through the efforts I have highlighted on this call, I believe we will be better positioned to adapt to whatever economic environment we experience in the future. This will enable us to continue to generate cash and deliver value to our shareholders.

Now Amy, please open the phone line for questions.

Operator
Thank you. Just to advise everyone, in order to ask a question, please press star then one with all questions, press the pound or hash tag key and standby while they are compiled for the Q&A roster.

Your first question comes from the line of David Begleiter of Deutsche Bank. Your line is now open.

David Begleiter, Deutsche Bank
Good morning. Frank given the recent strength in styrene margins, what are your expectations for 2020? I know there's more capacity coming online in China. We have seen a good rebound here in the last, as you said, three months in styrene.

Frank Bozich
Right. So, we see that in 2020, there's going to be new capacity coming on in China, in the first half of the year that will equal about 20,000 metric tons, and an increase of 6% percent. That represents about 6% of global capacity. Now against that we see demand growing at about 2%. Now the one thing I would point out though, is overall we can expect operating effective operating rates in 2020 to be basically the same or better than they were in 2019. And the reason I say that is 2019 was historically low in terms of the outage level that we experienced with less than 7% of the industry capacity in outage. So that was the lowest level that we that we've seen since 2012. And normally expand 10 to 12% since 2015. So there's a real potential for the effective operating rates to improve in 2020 despite the new capacity coming into the market. What it really hinges on is a return to normal operating or outage rates. What happens also to the non-integrated producers in China, in the face of lower costs, bigger, or effective capacity coming online. So, our outlook is that growth, plus the return to normal operating

rates, is basically going to equal to new capacity, and then the upside for us is what happens to the non-integrated producers.

David Begleiter, Deutsche Bank
Very good and just lastly on rubber Frank, the business has not performed vis-a-vis expectations. What do you think is the more normalized earnings power of this segment, over the next few years?

Frank Bozich
So we like the opportunities that we have in rubber, especially because we're targeting through our product line high performance tires, which is where our SSBR technology goes. Let me give you a little bit of a background on the performance this year and what's driving that. While our underlying performance in Q3 was about $12 million of EBITDA, and the $7 million that we've shown was understated because we had $5 million, and build-draw impact and also $2 million of timing impact. Now, overall YTD, we've actually held our SSBR margins, relatively stable to prior year or flat to prior year, but in Q3, we actually saw a 3% increase in our SSBR volume. So when you look at the future for our business. It's all driven by growth and high-performance tires and how we qualify our new generations of SSBR technology. What we had a drag from is basically ESBR, which is more of a commoditized or a standard tire rubber that in the lower depressed economic conditions standard replacement tires don't grow as fast or they don't have sustainability like high performance tires. So, again, I think, in this environment, our results were driven by the decline in standard tires, but our outlook is pretty good. We like where we are given our position and high-performance tires with SSBR.

David Begleiter, Deutsche Bank
Thank you.

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

Frank Mitsch, Fermium Research
Thank you and good morning. Frank you mentioned that 2019 was seeing a lower level of Styrene Monomer outages than is typically the case. I was wondering if you might be able to put some metrics around that in terms of percent out this year relative to other years and what you would anticipate would be kind of a normal level of styrene outages?

Frank Bozich
So this year the industry experienced less than 7% of capacity in outage both planned and unplanned, but the unplanned rate was particularly low. And by typically we would have seen for example, double digit total industry capacity outages. And I'm looking at the numbers now going back to 2015, there were just under 13% industry capacity in outage in 2016 was just under 11% of the industry capacity in outage. So, on average over the past half decade, it's been above 10%. This year was an anomaly and it was the lowest year since 2012.

Frank Mitsch, Fermium Research

Very helpful. Thank you. I mean obviously it's difficult to forecast unplanned outages but a reversion to the mean suggests some positive, looking at 2020. Just to kind of follow up you mentioned, the share purchasing authorization you obviously picked up the level of buybacks in the third quarter from the second quarter. What kind of level would you anticipate Trinseo buying back on a quarterly or annually annual basis 4Q and beyond?

Frank Bozich
Yeah, Frank, we really couldn't forecast with a precise number and let me go back to the authorization that we put in place back in August. Basically with our share price that time was approximately $30. We're in the $30 range and so as the board got together and we made a determination to put in place the program that we described, and we had an acquisition strategy that was basically looking at various purchasing levels and different pricing. And, we would do that same thing and so I can't really predict how we would do that going forward. But we would take a balanced capital deployment approach and continue to return cash to our shareholders through that.

Frank Mitsch, Fermium Research
Gotcha. Thank you.

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

Hassan Ahmed, Alembic Global
Good morning, Frank. We wanted to get a sense of where you see inventory levels right now for Styrene in particular. I mean, it seemed to me that particularly out in Asia inventories have gotten quite lean. Is that fair? Are you seeing sort of any pick-ups or tick-downs in inventory and where are they relative to normal levels?

David Stasse
Good morning Hassan, it's David, I'll answer that. Inventory levels are now in the mid 60's so 65 kt in China, and that compares to an historical average about 100kt. Now what that means for us, now we haven't seen, as Frank mentioned, those level of outages that would lead to periods of increased margins as we've seen the last couple of years. I think that's indicative of the demand environment. So as for the low level of outages, I think what it practically means for us is that, as we get into the first quarter particularly and the heavier planned outage season, if there are some unplanned outages on top of that, I think the market is poised to see an increase in margins with this leaner level of inventories.

Hassan Ahmed, Alembic Global
Perfect, thanks for that Dave, and as a follow up on the polycarbonate business side obviously you guys have decided after identifying these cost cutting opportunities to hold on to that. I mean as you guys are doing that, did you entertain a sale process? Was there any buyer interest in that? And beyond the polycarbonate business what your thoughts about further the portfolio management? Be it shutting assets or be it potential sale of other assets?

Frank Bozich
So, let me first address the strategic review that we went through with Stade. I think it's important to remember that our focus for Stade is to provide the best long-term economics for the polycarbonate supply to our downstream compounding business that's possible. And that's about 40% of the capacity of that asset. So when we started that review we considered all options to achieve that goal, and to improve the long term economics for the site. At the end of the day after reviewing the options we had developed, the opportunities to ship to other areas, but what was clear is that in the long term our best economics to support our downstream business was through the continued operation of the site taking advantage of the significant operating and raw material savings opportunities that the team developed. So again, all options were on the table that this is the best option is to keep running it and take advantage of the opportunities to improve it.

Hassan Ahmed, Alembic Global
And then in terms of broader portfolio management, beyond polycarbonate?

Frank Bozich
We will always look at our assets across our portfolio and look for opportunities to improve those and/or optimize the assets in our asset portfolio. And that's going to be an ongoing effort as part of our Business Excellence Initiative and we will continue to do that. When we do enter into those reviews and most of our assets being in Europe we will have to begin that process very transparently by communicating with our Works Councils for statutory reasons. So again we will continue to do that and we will be transparent about it.

Hassan Ahmed, Alembic Global
Very helpful guys thank you so much.

Operator:
Your next question comes from the line of Michael Leithead of Barclays. Your line is open.

Michael Leithead, Barclays
Thanks. Good morning, guys. I wanted to first circle back on polycarbonate. I believe one of your leading European competitors in that business has taken the approach to aggressively prioritize volume over price. So if you just talk through the market dynamics you're seeing in that business and how if at all that factors into your calculus and competing in some of these polycarbonate applications?

Frank Bozich
Sure. So, we listened to our competitors' comments regarding the market, frankly, we agreed with their assessment of the capacity additions and supply demand dynamics that are occurring in the industry. And again, when we think about our business, we're thinking about how our assets support that high volume, higher growth applications in downstream compounding. It's

about how do we best serve that and best position ourselves to grow in that area going forward. And our merchant sales, I would say, in this area, provide an overall positive earnings contribution. But they're not the primary goal for us, and why we operate that site. They give us critical mass and economies of scale for our downstream for the internal supply. So, we see we have a sustainable position but a relatively small minor merchant position. Our focus is to operate that site with the best economics possible.

Michael Leithead, Barclays
Got it that's helpful. And then, just to follow up on synthetic rubber. Obviously volumes have been hit by the weaker auto demand, but maybe could you parse apart the mix effect you're seeing in SSBR demand versus ESBR demand, and how unit margins for this business have trended over this choppy demand environment?

David Stasse
Yeah, hi Mike, this is Dave I can I can address that. I think Frank outlined it pretty well. If you look at the composition of our manufacturing capacity in synthetic rubber, it's roughly evenly split between ESBR and SSBR. ESBR being more commoditized which goes into standard tires. And a lot of that frankly ends up in Asia in the standard tire market. And SSBR which is targeted towards the high-performance tire market. Our volumes, as Frank mentioned, are up about 3% on the SSBR side where we're focused on growing and developing that market, but they're down double digits on the ESBR side. 1% year over year basis or volumes in the ESBR data digits. And frankly there's been a big margin hit that side of the business. If you look on a global basis there is an excess capacity in the ESBR. So that's subject to margin fluctuation and weak demand environment. Where conversely on SSBR, as you know, we have a largely contracted business with the large tire producers. We've held margins for several years, pretty consistently in SSBR.

Michael Leithead, Barclays
Thank you.

Operator:
Your next question comes from the line of Eric Petrie of Citi. Your line is open.

Eric Petrie, Citi
Hi, good morning Frank, question on your cost savings target at $20 to $30 million. How do you see the run rate going forward? Do you see all that being captured next year and how would you split it by business segment?

Frank Bozich
That's a great question. On the last piece, it's too early for us to apportion that to a business unit. And I guess maybe let me give you some context on that number. First I would tell you we have a much bigger pipeline of opportunities than the $20 to $30 million and the sources of these are efficiency gains from the transition to a global functional organization, which streamlines us. And then there's operating improvements that we normally have at the site and opportunities there and then also raw material savings. So right now we're in the process of

resourcing these various initiatives, and then developing the sequencing, but I would tell you the vast majority of that will hit our P&L in 2020. But the exact timing and phasing of it we won't know for a couple more months until we resource that and fully implement the program. But again it's much bigger than that number going forward in the future. And I guess one add on that I would give to you is that the program that we have to become systems independent from Dow Chemical is a really important enabler for future process efficiency for us in the future. And that'll be a big source of opportunities as we look at how we redesign our business processes in supply chain, and in our manufacturing operations etc. So I'm confident that we will have a continued pipeline of opportunity, bigger than this but 2020 the majority of that we should see realized hitting the P&L.

Eric Petrie, Citi
Okay, thank you. As for my follow up you mentioned European styrene margins improving. Could you give us comments on the Asia market? I think prices have declined to roughly $850 down from $1,000 in September. So, any comments there and how much volume you might be buying based on those economics or purchasing would be helpful?

David Stasse
Yeah, hi Eric, this is Dave. I think you're right, we have seen a decline in styrene margins in Asia, but our exposure there is much smaller. So I'll give you the numbers just to refresh everybody to level set. We have about 700 kts of manufacturing capacity for styrene in Europe, now we produced a little bit less than that this year obviously because we've had a couple of outages. But generally speaking, our exposure to styrene margin in Europe is 700 kts. We're purchasing about 100kts in Asia. We've got a relatively small exposure there. And we're purchasing that on cost economics in Asia. And then we've got 500 kts of exposure through our 50% ownership interest in America Styrenics. So, in total we've got about 1300 kts of exposure to Styrene margin, with Asia being by far the smallest.

Eric Petrie, Citi
Helpful. Thank you.

Operator:
Your next question comes from the line of Vincent Andrews of Morgan Stanley. Your line is open.

Angel Castillo, Morgan Stanley
Hi, this is Angel Castillo on for Vincent. Thanks for taking my question. Just a quick question on your 4Q expectations. You noted a similar market as in 3Q. I'm just curious as to why you wouldn't I guess include a little more seasonality and maybe what are the factors that make you feel comfortable with that?

Frank Bozich
Yeah, so if I understand the question. We basically are seeing very similar operating rates and business environments in Q4 so far as what we've seen in Q3. The performance net of timing should be basically the same. Now, we are seeing optimism and up-turns in the various markets

that we're serving and in our downstream markets but it will take time we believe for that to flow through to our supply chain to us. And so we'll have a better read on that as we get into Q4 and early Q1. Does that answer the question?

Angel Castillo, Morgan Stanley
It does, thank you. And then just kind of following up on that and your comments on raw materials. Just curious, benzene moved up quite a bit throughout the year, and I know that there's a lag effect and obviously you have the net timing effect in the fourth quarter. As we head into 1Q and 2Q, just thoughts on kind of raw material impact and what should we expect as we head into 2020?

David Stasse
Angel I'd say, I think it's a little too early for us to know. Obviously, what happened to benzene will be largely influenced by what happens to crude in Q1 and Q2 as well as outages. So I think it's a little too early for us to pass judgment on where the feedstock stock prices will be in Q1 and Q2. One thing I do want to just point out to you though Angel is, you're right. There were a couple of cracker outages in Europe that effected benzene and caused benzene spike prices to rise in kind of the August / September timeframe. So as we mentioned earlier August was the trough styrene margin month versus the rest of the year, it was largely caused by that impact in Europe. Now those outages have ended, which is largely contributed to the increase in the styrene margins we've seen several months for since then. So that that was really the primary driver of the benzene price movement over the last three or four months.

Angel Castillo, Morgan Stanley
Okay, thank you.

Operator:
Your next question in the que today comes from the line of Bob Koort of Goldman Sachs. Your line is open.

Dylan Campbell, Goldman, Sachs
Good morning this is Dylan Campbell on for Bob. I noticed that Polystyrene had some pretty encouraging results growing EBITDA year over year in the third quarter. When we look at 2020, you gave a pretty interesting bridge in terms of capacity and demand growth for Styrene. I'm just curious how much of that Styrene is going into polystyrene versus other styrene derivatives?

Dave Stasse
It's a little hard to parse it out that way, Dylan, because as you know we manufacture styrene and we also purchase styrene. And so it's somewhat fungible in terms of which of the manufacturer versus purchased Styrene goes into polystyrene versus latex rubber. It's very hard for us to parse out. What I would say, which I think is important just for understanding the economics of our polystyrene business and how we account for polystyrene segment - we transfer styrene internally from our feedstocks business, regardless of whether it's bought or

sold it's transferred internally at market. Okay, so what we report as EBITDA in our polystyrene business, and the same holds for latex and rubber and other businesses, what we report as EBITDA in that business is the polystyrene margin over the market costs of styrene that is going to effect the polystyrene businesses buying styrene. I want to make sure you understand that.

To get to your specific question about your right, the results of polystyrene have been good. The first three quarters of the year we've been running at a $15 or $16 million adjusted EBITDA even run rate versus about a $12 million quarterly run rate for the past several years. And the reason for that is commercial excellence activities, we've done a very good job on, parsing out the market segmentation and pricing activities in that market. And what I would say going into 2020 Dylan is that there were two fairly large polystyrene plants that have been shut down, or that will be shut down in Europe in the next two or three months. One of them is being converted to produce ABS and the other is being shut down. Those lines combined are about 7% of European capacity. So that should provide us with some tailwind for 2020. And again, polystyrene is a regional product that doesn't ship globally. So, that 7% reduction in Europe should be helpful, going into next year.

Dylan Campbell, Goldman, Sachs
That's helpful. And I noticed in the free cash flow build you assumed minimal sources and uses of working capital. I think generally or I guess the last two years or so, in the fourth quarter you've seen a pretty decent source of working capital in the fourth quarter. What is driving the difference in 2019?

David Stasse
Yeah, you're right, we typically have seen a release as sales decline in December and we have a release of receivables. I would attribute it really just to forecasting conservatism.

Dylan Campbell, Goldman, Sachs
Thank you.

Ladies and gentlemen, this does conclude today's conference call. Thank you for participating. You may now disconnect.