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EDITED TRANSCRIPT

EMN.N - Eastman Chemical Co Circular Economy Deep Dive

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OVERVIEW:

Company Summary

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PRESENTATION

Mark Costa *- Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

All right. Good morning, everyone. It's great to have you here today. It's great to host all of you who could make it down here last night at the Bristol Motor Speedway. Hopefully, you had some fun at that event. And most importantly, thank you for going on the tour with us this morning. It's incredibly exciting to see that waste, piles of it, become these crystal clear food-grade quality products like Tritan and all the other products that we have.

And I can't tell you just how incredibly proud we are of our team who have got us to this point. It's been a journey, as you all know, in getting the plant built, getting it started up. It ran well before we got into the shutdown, came out of the shutdown, ran even better. So we're feeling really good about this investment and where we're going. So we'll talk a lot about that, obviously, today, and we'll talk a lot about the cellulosic platform as well.

Today is a deep dive. It is not an overall Investor Day. So it is focused around the circular economy, and that will be where we spend most of the tour, of course, but as well as the presentation. Before we get into the details, of the circular economy, I will hit some high-level aspects around the corporate strategy quickly to frame overall where we are right now, and then we'll sort of go into the conversations around the cellulosic and the polyester platforms.

So I'll start, then we'll go into the polyester platform. In that conversation, Brad Lich, who's our EVP of the Advanced Materials business and the champion and leader of the circular economy as well as our commercial functions will kick it off.

And then Scott Ballard, who's our Division President that runs the Specialty Plastics business, will talk a lot about how we're delivering value and driving revenue growth. And then Chris Killian, our CTO, will cover how the plant is doing and give you some more specific data that you definitely are asking for in many conversations.

So we'll cover all of that and talk about the earnings potential from this platform, including the additional plants. Then we'll dive into the cellulosic platform. We're really excited about what's going on in that space, and we'll tell you a little bit more about that. And then Willie, of course, will pull it together at the end. So Travis, who's our Head of Additives & Functional Products; and Erwin, who's our Head of Fibers, will cover the cellulosic part of the platform. Then Willie will wrap it up.

We also have some important and vital members of our executive team here as well that will be available for Q&A. So Steve Crawford, who's been the Head of the Operations and the key to getting this plant up and running will be here. He leads our manufacturing, technology, and sustainability efforts. Julie McAlindon, who heads our supply chain. She is the one responsible for getting all that waste to show up in that building, which is an incredible task in itself.

Iké Adeyemi, who's also here representing the corporate legal functions. And then Michelle Caveness, who runs our site, of this entire massively large integrated site. I hope you sort of caught the scale of integration of that site. When you're 2 miles by 1 mile, it's a lot to manage. So a great team here to sort of take Q&A or for you to also continue to interact with in the lunch session after we do the presentation.

So that's where we are, hit that schedule, I'm going to start with this slide. Hopefully, many of you who've been knowledgeable at Eastman for some time recognize these five pillars. These are the five pillars that we used at Innovation Day in 2021 about the core of our strategy. What's important about these five pillars is they haven't changed.

We've been focused on innovation and driving growth through these five pillars since 2021. We continue to remain on that strategy, and we're making a lot of good progress, as you just saw today, on how to make it a strategy into actual results and earnings and cash. It starts, of course, with our core innovation-driven growth model, and that's delivering results already.

You saw automotive do better for us than the underlying market, interlayers being up 8% in the third quarter relative to a 2% down market is a good illustration that innovation is creating a lot of growth in a difficult market. And that's happening throughout automotive. It's happening in Naia creating additional foundation for fibers. It's happening throughout AFP.

The second, of course, is on top of that innovation-driven growth model, how do we add this whole new vector of innovation on top of it around the circular economy. We'll spend a lot of time talking about that through the rest of this presentation.

The third element is to do all this, you have to invest in your people and your assets. How do we have the capability to execute a strategy that's very growth-driven at the same time, find productivity throughout the organization to keep costs under control and deliver on our promises, both to the shareholders and the customers.

ESG, which is a word that's become debated lately, is still relevant. Sustainability are key drivers that are fundamental to our strategy, and we deeply believe it's going to create a lot of innovative growth for us. Having an inclusive and diverse workforce that allows everyone to show up and be authentic and work effectively around the globe is essential to execute a strategy that is this complicated and this aggressive in driving growth. So these factors are still values to us and incredibly important in how we deliver outcomes.

And of course, the earnings and importantly, the cash flow that comes from it is essential, and I think a strength of Eastman and how we've demonstrated our performance. We find ways to deliver cash every year in a very strong manner. And we've demonstrated a lot of portfolio discipline. So when you see businesses that don't fit with our strategy, we've divested them. So we divested tires, we divested adhesives.

We exited the Texas City acetic acid plant. That had $2.1 billion in proceeds by those actions to manage and generate cash to exit businesses that didn't fit our strategy. When you put it all together, in 2019 to 2024, we returned $5 billion of cash to shareholders. So we are investing in growth, and we're returning cash to shareholders at the same time.

So we're proud of this strategy. At the heart of it is the growth model. So when you look at our growth model, it has three key elements. I'm not going to get into the details of this. It would take too much time, but you will see these elements in the circular platform as we go through it later on.

We have world-class technology platforms where we are focused and invest, by far the leader in R&D and scale, both in operations and market connect and polyester, also true in cellulosic biopolymers, our cellulose esters.

You have that, that's great. But if you can't translate that to orders, it doesn't really matter. So we do have a very advanced capability in how we connect to the market, not just our direct customers, but through brands all the way down to the retail channel and how we deeply understand what's going on in the market and what it needs, and it does need us to address some of these challenges in the environment that we're going after, and allows us not just to design better products, but work through the downstream value chain to drive specification of our product through the value chain, which is also incredibly important when you're bringing new products to market.

And those two are really helpful, but they don't work if you don't have application development in the middle, which is how we take these technologies and these products, turn it into the actual final product to demonstrate to the market about how it creates value. So that AD capability has been the key to our strategy and our winning.

Now to do this, you have to invest in our strategy, right. So while it's been an incredibly difficult five years, six years if you want to go back to the trade war, we've stayed focused on making these investments, driving growth in the company and being centered on that, no matter what challenges we face.

We've invested capital to build the specialty capability that we need to grow, including circular. We've invested in R&D people. And you're already seeing the results, but it's hard for you to see it because the manufacturing recession that we're in has sort of -- had such an impact on demand. But our quality of mix has gone up dramatically.

So if you look at 2019 to now, the unit variable margin of what we're selling in the marketplace has gone up over 20% from mix alone. This is not including any management of price versus cost in an individual product. This is just we're selling products that have a higher value by 20% relative to 2019. So even though volume is down since '19, the better mix is offsetting that and giving us stability in both earnings and cash. So that's a really important part of how this model is working even in a challenged market.

And when you think about that going forward, as we look at the macro economy, clearly, going from COVID to overstimulating the economy that leads to hyperinflation that then leads to hyper interest rate hikes, has put the manufacturing sector across the globe into recession since 2021.

And we've been there since 2021, and it really hasn't improved. And that's about -- in normal times, about half of our revenue is in these challenged markets. The other half that are in stable markets, by the way, are fine, right? They have recovered. They're growing in a stable way, like personal care and water treatment, ag, et cetera.

But that half that is exposed to the discretionary markets in normal times faces this challenge. And I think that the key message here is that while like '09 or 2020 had a big spike down, it also had a very quick recovery, we've now 2.5 years into sort of lower demand, as you can see on the chart, that's a lot of unmet need that is aggregating over that time period. And it will ultimately turn into demand when the economy stabilizes and people start recovering.

When you think about some of the key examples, housing, 30% below 2019 in sales in the US at 1995 levels, obviously, horrible in Europe as well as China. You've got the consumer durable market, which does, to some degree, track housing transactions as people get new appliances for their home, also very challenged and down relative to 2019.

While auto is sort of stable relative to '19 to some degree, the car park is getting really old, right? I have two cars that are 11 years old. I can't imagine actually them surviving to 12. And when the car park is 12 years old, it's like that's a lot of old cars. And yeah, they're better and they last longer, but there's a limit to how long that can go on. And you're going to have a replacement cycle, whether it's durables or cars or whatever, that's going to start to happen to some degree.

And so we think we're very well-positioned and the mix I'm talking about is predominantly these high-value products in the discretionary markets are highly levered to a recovery. And so that is -- I'm not -- and by the way, we're not calling it for 2025. For 2025, we expect just modest improvement from this year, but we do think you can start to ramp up from there and how we're thinking about our planning, which we talked about on Q3.

But this is an important chart to think about one of the value propositions of Eastman is we have this leverage. We've also been performing relatively well, relative to the peer set. So as I mentioned, that mix improvement, commercial excellence and defending the value of our products and pricing, how we manage our cash flow to be reliable has led to very stable EBITDA margins and very stable cash flow generation, as you can see on the left-hand side of this chart.

It's also led to pretty good earnings per share growth in this context, especially when you consider the end number in this EPS calculation of 2024 includes significant headwind of the new operating cost of the facilities that we just brought on that we're still trying to fill out.

And we started 2019 with all the businesses that we've divested. So that divested earnings is not in that number either, right? So there's headwinds that come with that. And it's translated overall into pretty good shareholder performance in the bottom right corner over this time frame over a five-year period.

So we think we're on a good track with an innovative strategy. We're obviously in a very challenged end market. And one of the questions that we get is, well, what does the EBITDA look like in a normalized kind of environment? Where can you go from here?

Before I get into that, I want to just address a couple of questions. So I know some people are wondering, do I have any additional insight about Q4. To answer that question, we are on track with the guidance that we gave three weeks ago that we still see that as an earnings range we think we can achieve.

It's obviously a very difficult market that was factored into our thinking. We have a lot of actions going on across the company to make sure we manage those challenges, leverage the raw material and energy tailwinds we have, et cetera. But it is a Q4, so we never know what's going to happen in December in this kind of environment. But right now, we feel good about it.

And then when you think about this normalized earnings, try to put up -- '25 is not normalized, right? So it will be a transition year, but we believe we'll have strong growth in earnings next year relative to this year. We still believe that to be true. And it will be really for the discussion I'm about to have around how you get to normalized earnings. It's just parts of that pathway happening as we go forward.

So when we look at normalized earnings, and you go back to 2024 as a starting point and think about where we can go from the future, we thought about how do we frame this and how do we look at what normal is, which is an easily debated topic? So the approach we decided to take is use 2019 sort of pre-COVID just as a reference year as where we could get back to.

I would also note that 2019 was not a good year for our industry or Eastman because that was when the trade war was going on with China, which maybe is a little bit relevant to what we're looking at going forward in the future now with the outcome of the election. So 2018 would have been a much more exciting comp, but '19 is, I would say, sort of a conservative approach.

So the first step is the specialty business is, how much volume and mix comes back, back to the conversation we just had. We looked at it from a couple of different points of view. First was, let's look at 2019 relative to '24. And our variable margin is about $200 million lower today in this year relative to 2019. Another way to look at it is 2021 in the beginning of '22 sort of peak year in demand.

And where do we go here? We told you in '22 to '23, we were going to drop -- we dropped about $450 million of variable margin. We told you about a third of it, $150 million was destocking, and that is what we saw recover in '24 relative to '23, so that happened.

We did not see any market recovery because we were being cautious about that this year relative to last year, except for we're driving innovative growth above the markets and the stabilized markets having a little modest growth.

So that's another way to get to sort of $300 million. Are you going to get all the way back to $300 million? No, because the market was overstimulated in '21. But if you said only two-thirds of that comes back, okay, that's another way to think about how do you get to $200 million as volume mix recovery.

Another third reference point is right now, this year, the discretionary markets will be about 40% of our revenue. In a normal year, they're around -- close to 50% of our revenue. So there's different ways to think about how you get back to normalized in different approaches.

But all those different ways gets you to a pretty meaningful recovery in the specialties. And you got to remember, the mix is a lot better. So you don't really have to get all the volume back to get back to this number. So you could say it's maybe a little bit conservative.

The second part of the story is CI, chemical intermediates. It's obviously facing a lot of competitive pressure in the markets it serves. So its spreads are challenged. Its demand is also challenged. We predominantly -- we almost make everything here in North America.

We try and serve the North American market, which is very profitable for these products, these intermediates relative to other markets. But those demands like plasticizers in the building construction, et cetera, are down like we are in the specialties.

So a lot of that's being exported and getting much lower value. So we have a mix headwind as well as a spread headwind in CI. So as you go back to normal, the spreads get better, you start selling more at better margins in North America, you get that recovery in CI.

Fibers, as we've discussed, has recovered and got to a much better profitability to reliably serve our customers. So we're excited to be back to this as well as the Naia story around cellulosic, you'll hear already adding to that benefit from growth from '21 to now. And we do expect it to normalize a bit from where it is right now. We're going to have a really strong year this year. We see some market decline that's always going to be a modest headwind.

We've got some customers destocking safety stock that we're seeing some of in the Q4. It's going to continue a bit into next year.

And then the CPTs have some adjustments, the cost pass-through contracts with some of the customers where there's just a -- we've got some benefit this year, we'll have less of it next year. But as you can see by the size of it, it's still going to normalize at a very attractive level for the portfolio.

And then, of course, there's cost reduction. We talked about that in the Q3 call. A lot of actions we're taking to continue to improve our cost structure from '24 going forward. And more than half of that will actually show up in '25 on that bar. So that gets you to a $2.1 billion -- greater than $2.1 billion kind of EBITDA number.

What I'd note is if you want to go back and look at reported EBITDA in 2019 as a reference point, you got to remember, there's about $250 million of EBITDA in 2019 that we divested. On a currency basis, we have a $75 million headwind from '19 to now. And we've added $100 million of new operating costs in '24 from methanolysis and the films plants that we've added to our portfolio.

So when you back all that out, you're around $1.6 billion roughly. So $1.6 billion to a new normalized of $1.2 billion is very compelling. We've returned a lot of that cash to shareholders, as I mentioned. So our share count is 15% lower than what it was in 2019 as well, offsetting some of that divestiture of EBITDA. So when you put it all together, it's a pretty good story.

So that's sort of where we are as a portfolio. We're now transitioning into the circular economy part of this thing. It starts with we are still facing three core drivers that we faced in 2021 that we still face today around environmental trends that challenges that need to be solved. I hope you

saw how we are solving that problem today. It's pretty extraordinary when you look at the waste that we have that we're reprocessing into these absolutely clear food-grade safe quality polymers.

So plastic waste is clearly a driver out there, a growing population that wants to improve the quality of life and a lot of opportunity for us is selling products that consumers view as more safe to consume, BPA-free, phthalate-free, et cetera, halogen-free. And then there's climate.

When you think about these three drivers, product safety in the middle is an absolute must with customers. So they'll pay any premium like they do for Tritan to get out of polycarbonate because they want a safer product. So that trend is very real, and it's independent of what's going on in the economy.

Plastic waste is closer to that than it is to climate because people are very emotional about plastic waste in their environment and they want it out. And it's sort of bipartisan. It's not only an agenda in progressive states. And they want that solved now, right?

The problem with climate is everyone is trying to get to carbon neutral in 2050. That's a really long way away. So maybe we don't have to quite do it this year, but we'll catch up, right? So the pressure in the marketplace on the climate is not the same as it is on the first two. And I think that's really important to keep in mind as we talk through sort of the opportunities that we have in front of us.

These trends are also core to everything we're doing, right? So we believe these environmental trends are going to separate winners and losers in this industry about who can innovate and solve these problems and who does not. And even though they may not be as important to everyone at the moment because we have inflation, weak demand, the brands are trying to manage that issue relative to these long-term commitments. These are not going to go away. These trends are serious.

And we have a series of growth programs that are aimed at solving them. And what's great about this chart, like my first pillar chart is it's the same chart as 2021. We've had tremendous success in keeping these innovation programs on track. They are converting into orders in almost every case on this chart. And our focus right now is about how do we take these winning products, these solutions to environmental challenges and scale them up to much higher volumes. And that's the execution that we're focused on right now.

So we're very excited about that total portfolio. When you grab just the circular part of it, you're going to hear some themes from the presenters that follow me that hit on a couple of things here. One is these are very strong drivers of change and adoption, both in growth and the premiums that we can get, whether it's the brands, the consumers or the policymakers. The second is we are going to be a winner in this technology. We're out way ahead of competition in solving this problem.

We're leveraging world-class technology platforms, and that's all leading to a competitive advantage in how we can win in this space. And it turns into very attractive EBITDA and ROIC. In the polyester side, you're going to hear some key themes. One is you've already been on the tour. The plant is working. We're very happy about that. We're very happy it's running well. And that's extraordinary when you look at that technology, we're way ahead of anyone on the planet in what you just saw on this tour.

And we have a great and compelling story that you'll hear about and how we're going to drive revenue growth and get the premiums that we need to support the investments. And Chris will tell you about how well the plant is running, and that translates into over $350 million of EBITDA from two plants, not three, two. So this is Kingsport and Texas together and how we can create value off of the beginning of this platform. And then we have the French project as upside on top of this $350 million.

On the cellulosic side, we're equally excited about the cellulosic opportunities. We haven't had a chance to bring this to life. Hopefully, you've had a chance to look at some of the products in the product display area. We're really excited about this. And it's not just a recycled content play, which is mostly what we've talked about in the past, biodegradability and these microplastics not persisting in the environment is a really big deal and probably the bigger value proposition than the recycled content.

So we'll tell you about how we're winning in a lot of applications that can't be recycled very easily where biodegradability is the only way to actually create a circular economy. And it's building on a stronger fibers business that I just mentioned earlier.

This is another $150 million, $200 million from this point forward. As I mentioned, we already made some progress in Naia alone as a foundation from '21 to now, and then we'll add to that base with these growth programs.

So when you put it all together, the strategy, I believe, is the way to win in this marketplace. You have a strategy that is creating value and how to create growth in a difficult environment. You have a strategy that's creating enduring competitive advantage to defend our margins. And it's working and translating to real value now. And everything we're doing, including these technologies we're talking about are at operational scale, serving the market.

No more lab experiments, this is all very, very real. That allows you to get to a normalized earnings and then have additional ways to win in owning us through the circular economy. With that, I'm going to hand over to the polyester story.

Brad Lich - *Eastman Chemical Co - Executive Vice President, Chief Commercial Officer*

Thank you, Mark. Good morning, everyone. I hope you were thoroughly impressed by what you saw in the plant tour, what you saw out in the product and application booth. In fact, I hope you had a wow moment, if you will, whether that was, wow, I can't believe the size of those feedstockpiles or the amount of separation and purification that's going on in those control rooms. Or finally, as Mark has touched on many times, the quality and clarity of that product coming off the end of the line that you kind of finished up with.

Those are the kind of reflections that we hear from our customers when they make a tour from the industry leaders that we allow to come on a tour. And so it's truly a privilege to have the opportunity to showcase all of that great work by our teams and the innovation going on with our customers today with all of you. It has truly put us in a leadership position, as Mark has already touched on. And so what we want to do over the next 50-plus minutes or so is talk about how we're translating that leadership position into tremendous value creation.

To do that, we're going to spend the bulk of the time listening to Scott talk about how we're ramping up sales and activating markets. Then we'll turn it over to Chris to talk about how we're ramping up technology and scaling up the plant. I'll come back and then quantify how that turns into meaningful year-over-year EBITDA growth in '25 and then obviously, the path on the two plants as Mark just touched on to $350 million in EBITDA.

Before I do that, though, I do want to touch on a little bit of the AM strategy and just remind you of what we're doing in AM overall. So very pleased in terms of the progress we're making. It starts with the momentum that we have on innovation overall. That continues to fuel mix upgrade. As Mark touched on, the company has done well overall on variable margin. We have actually improved our variable margins by 20%-plus since '19.

That power of that is showcased in this next bullet. Our interlayers business serves two markets, automotive and building and construction. As all of you know, Mark's established well, those are not robust markets in '24. And yet at the same time, we're delivering record earnings growth in that business, so a great example of creating our own growth.

From the circular platform in terms of talking about leadership, I'm not going to dwell on it, I would just say you know you're solving big problems in our industry and doing it the right way when your customers start referencing your product trade name in their marketing materials. And you saw that out in the booth. You're going to see it in the videos you're about to see from Scott, and you'll see it in his materials.

In terms of the next bullet, I just wanted to highlight, we're not stopping at innovation in just product and materials. Very proud of how we're deploying digital and other things to wrap services around our products. A terrific example of that is what we've done with what we call core pattern services. So that brings efficiency to our dealer network and films on patterns. And now we're taking the opportunity to move into lead management and start to move towards we extend into operation services.

So again, the more you can wrap services in our industry around products, that's not done very often, the stickier you get with customers, the more value you command.

The final thing I'll say as Mark touched on the importance of advantaged capabilities, none of this happens without advantaged capabilities. So very proud of the investments we've made in our two most important assets, our people and our culture. I heard some of you come back and talk about what you saw in terms of engagement of the people. That is where everything starts and stops when you're driving innovation.

Certainly important to keep investing in plants and systems. And as Mark touched on, we've made significant investments in the plants.

So that leads me to -- in terms of strategy, nothing is changing. We have a proven formula for success. That was on full display in 2012 to 2019, very proud of the 14% compounded annual growth we delivered during that time period. I would say it wasn't a robust market.

It was low to mid-single-digit market growth. It was fueled by what I've already touched on, taking premium products, growing them faster than the underlying market, making sure that we're delivering value and getting paid for that value through our prices, our multiples of our core products.

And then finally, I'll remind you, at that time, we had made significant investments previously in Tritan and our films businesses. So we had to grow our way into it. And so with that, we have a lot of operating leverage, and you see that turning into a 15% reduction in our cost per unit in that 2012 to '19 time period.

When you think about the current environment, I've had a couple of questions last night about do you still believe in your formula? Others of you said, hey, it's a pretty rough environment. It is. We've got two-thirds of our business in the discretionary markets, auto, building construction, durables. Despite that, I want to draw your attention to what you see on the left-hand side. Over the last five years, we've grown variable margin by a compounded annual growth rate at 2%.

And so we've done that again by what I've stressed, what you see in the middle, growing premium products faster than the underlying market, making sure that we're creating value for our customers and getting paid for that value.

Now we chose in that time period to keep investing in leadership positions. So we've already touched on, we invested in two films plants and obviously, a big investment in what you just saw. That should shine a light on the opportunity we have in front of us. Terrific opportunity to get back to delivering industry-leading earnings growth. We're leveraged to the discretionary markets, as Mark already touched on.

We're not betting on a real robust recovery. What we're betting on is the momentum to continue in the mix upgrade. And you're going to see why that's going to happen.

We already have momentum, as I've talked about in all the other businesses. When you think about the opportunity we have in front of us on circularity, terrific opportunity. And then because we made those investments already that I touched on, we've got an opportunity to grow our way into those assets, tremendous operating leverage going forward. We would project fixed cost per unit driving down by roughly 20%.

Last thing I'll leave you with is, again, the innovation-driven growth model. You just saw it from Mark. The only thing I want to stress in the interest of time today is we're going to talk a lot about our advantaged position in polyesters. We have a tremendous number of other technology platforms that we're advantaged in. That only translates into value when we apply world-class application development and have world-class customer engagement.

The best way to bring that to life, I think, is for me to turn it over to Scott and Chris because you're going to see that in full display as they go through what we're doing in plastics overall. So with that, let me turn it over to Scott.

Scott Ballard - *Eastman Chemical Co - Division President, Plastics*

All right. So I'm going to share a little bit about how we engage the market, specifically around circularity. The great thing about where we are right now is circularity is going to accelerate our growth. We're actually pretty fortunate to be in the polyester business. Polyesters are the most easily recycled plastic there is.

It's the highest recycled, mechanically recycled. It's the most easily molecularly recycled plastic. It has a clean, health safety profile. And we feel like those things, in general, we're going to see a lot of growth out of polyesters just because of transition from alternative materials and that sort of thing. So we've been kind of gifted this heritage to be where we are.

So we're going to be able to leverage all of our capabilities to tie to these macro trends and accelerate an already great business. One of the things I hope you saw a lot out there with a lot of what we do with Tritan. Tritan itself, a lot of our different copolyesters, they're very well-suited for this trend of taking durable products and replacing single use. The unique products on the table, you've seen those. These are a good experience, and that's great. It makes the transition from single use a more fun thing to do. That's going to have an impact.

We're increasing recyclability. That material that you saw, it was coming from landfill. I mean it's pretty clear once you see it, right, that that's not easily recycled stuff. So we're doing that both by what we use, but we're also able to design products that are more easily recycled at the end. The products made for many of our new materials are more easily recycled.

And finally, we end up with this recycled content without compromise. Now what we mean by that is there's the simple version of it often feels like, okay, mechanically recycled product has a degraded quality or maybe a color associated with it. But where we're really finding a lot of our wins is because the recycling as it exists, takes an input, and that input is very well tied to what the output is.

And so if you got a certain type of PET coming into the recycling stream, that's pretty close to the type of PET that's going to be coming out in the mechanical stream. There's only so much you can do with that technology. PET is a huge market. And there are actually a lot of different technical specifications that have to be met. And if all you've got coming in is soda and water bottles, you're pretty much getting soda and water bottles back on the end.

And we're finding lots of applications, which because we're depolymerizing and being able to reconstruct and formulate a polymer to meet a specific application, that in and of itself creates a lot of value. That helps us get away from those compromises, right?

The plastic waste problem, everybody talks about it, 460 million metric tons of material generated each year. It's a major problem that creates a major opportunity for innovation. We've been talking about it over and over. That 460 million, that's too much. Society can change behaviors and have an impact on reducing that.

The recycled, less than 10% total plastic recycled, that's far too little. That's a big part of what we're addressing too. I don't want to disparage the mechanical recycling process. It has to be the workhorse in a circular economy. But let's be clear, it's just insufficient.

There are too many materials that it can't handle as input and it can't create as output. And that's where we're focusing. So we're in no way, I don't think competitive with that stream. We're complementing it and focusing in a different place, right?

So our technology is uniquely positioned. And why is it uniquely positioned? A big part of it is in its efficiency. Actually making virgin plastic or virgin PET, taking fossil feedstock and pulling it out of the ground, refining it into a molecule, transforming that into a different molecule, combining it with something else to become yet a different molecule. There's lots of steps to get to that final plastic.

We're starting at the end and taking one step back to a monomer, polymer, monomer, clean up the monomers, reassemble it. That efficiency gives us a dramatic advantage in terms of carbon efficiency, right? A lower LCA is possible than virgin just because of that efficiency.

But when you combine that efficiency with the high yield, that high yield is necessary to make the math work, too, both on carbon efficiency. But as you know, investments like what you just saw, there's a lot of capital associated with it.

There's fixed cost associated with running that facility. That high yield also is necessary for the economic efficiency to get us to be able to have this work out, to be able to have the prices that the market will bear, give us the type of returns that we need.

So there's a lot of leading brands talking about their commitment to sustainability. And I feel like there's actually too much talk about regulations and forcing these brands. When you actually get into the leading brands, the highest value brands, the ones that are really committed to their customers, they're not doing sustainability because of regulations. They're doing sustainability because that's what their customers want, that's who their customers want them to be.

So we are trying to activate this in two different large areas. So we look at our durables business and our packaging business. And while there's commitment across, they're slightly different, right? In the durables business, the plastic is part of the product. So it's part of the experience of the product that's designed. These are typically higher-value products, and we're able to have a big impact on how that product is perceived. But for clarity, we always win with performance.

Sustainability is not why someone chooses our products. It's a feature that increases our win rate, gets us in the door, that sort of thing. But we always have to win with performance. These brands do not take inferior products to put on their shelves with their brands.

Packaging is a little bit different. In that the package is not the product itself, but it greatly influenced how the product is perceived, both in the touch and the feel and the experience of how the product is used as well as a lot of times it draws the ire of their consumers or NGOs if they feel like it's not a sustainable package. So they're willing to make commitments there as well, but it's not just for regulatory reasons.

(video playing)

So that's a couple of leading brands that are really bought into using our technologies in their core product lines. So let's jump into durables a little bit here. So these are some of the big categories that we have finding success in durables.

A couple of them are markets that we're already successful, quite successful in and are sizable from us. If you look at the consumer housewares business, the food storage, the reusable hydration, those are products that are kind of sustainable in their existence, right?

But their durability and their quality matters. And that's why we've been winning with Tritan all the time. The additional feature of sustainability helps those marketers have something else to talk about to win share on retail shelves as well as win preference from sustainability-minded consumers. So that, the small appliances, those are kind of extending our growth trajectory, helping us accelerate. But what we're finding is the sustainability story gets us audiences faster in new applications.

So a couple of those big ones are a lot of the reusable, the commercial houseware business, the trend that I was talking around single-use in a lot of venues, hotels, restaurants, cafeterias, airlines, we're seeing a large trend there. And there are a lot of companies that are growing rapidly inside of that to be able to do it. So our sustainability, our story around circularity and that plant you saw gets us entry into a lot of that.

But at the end of the day, when you're working with them, what matters most is the experience. You go to a high-end hotel, you're going to have a plastic cup, it needs to look like the one that's on the desk in front of you right there. It needs to have that performance. It's not an inexpensive item either, right?

And so the way the math clears for them when they move to reusables, it's the durability. It's how long is the life. The lifetime cost of that thing matters. And that's where Tritan's durability becomes economical even if it's a higher upfront investment, right?

So that's a great growth area for us where we're getting a lot of entry. The other thing is if you look in consumer electronics and automotive, those haven't been big markets for Eastman in the past. But this technology of sustainability is solving a problem that's difficult for those companies, and they don't have a lot of options there.

And so we've been pulled in, and we have collaborations with leading brands that never saw us as important before, that never gave us audiences before. They didn't have a reason to evaluate new materials, new copolyesters and Tritan versions.

So we're getting much more collaboration out of those markets than we had ever had before, and those are much large -- very large addressable markets for us to move into. So we feel very good about our durables business.

We expect our Renew revenue to double next year. Brands, the core messages have been very well received. It actually hasn't moved as quick in the calendar year 2024 as we had hoped. The macro economy has been a bit of a headwind on that, and we talked about what we expected out of this year.

The good news is I think we have diagnosed that situation and understand it. If you think about the products you saw out there and the way we've talked about the way we grow by adding a premium feature, an inflationary environment where retailers are -- 18 months ago, all of our customers were excited to be able to offer an innovative feature and reposition themselves with a retailer potentially at a higher price point at the retailer and that sort of thing.

That's what they're very excited, and that built a lot of our initial marketing strategy. We were going to start there and then move on, and that would take us through the sales cycle of the new applications.

What we found as we moved into 2024 is the inflationary challenge kind of moved the priority on the retail shelf to lower-priced products and most of our customers wanted to wait about introducing new features. So we're waiting with them on that, and we'll see some more of those happen into 2025, and it will accelerate as the economy improves.

But the new application side, the part that we were -- normally takes a longer sales cycle, we have to teach them how to use Tritan. They've got to figure out how they're going to market it. There's a lot of different things that happen. That's actually moving faster.

So that part of it is moving faster than a normal new application development cycle. So we've continued -- we've pivoted a lot of our focus to prioritize those new applications and be able to deliver that growth into two every time. In the chase of it, we've got 100 existing customers. That's a lot of customers for Renew. It's a good thing to have. They're not the hugest customers. That's another good thing to have.

That's a big thing that's attractive about our specialty business is that we're able to have this large portfolio of customers, which gives us a lot of risk and diversification.

On the pricing side, Brad talked about how we've continued to upgrade our mix. One thing to note, we haven't added polymer capacity in over two decades. All of our growth inside of plastics have been valuing up, right?

Another version of this, we'd be making good money and it'd be good mix conversion if we were selling at the same price as our premium products, but we're not. We're selling at premium prices to our other, the non-Renew versions of the same thing and that's just accelerating this mix improvement. And it's overall driving us to having to invest in new polymer capacity that will come on at the end of next year.

(video playing)

So that's a couple of our good customers in this particular area, too. The other thing that -- the other vector of growth, everybody has talked about it and Mark probably talks about it a lot than others is we're adding very large addressable market by creating a circular packaging business.

So we have a packaging business today that's not the largest portion of our business, cosmetic packaging and shrink labels, those are very attractive markets for us. This value is really going to help us grow those faster. But the big change comes as we move into circular packaging in some of the larger markets that we haven't participated in a long time.

So the PT market for packaging is massive, right? So over 6 million metric tons that are out there that we have, so the difficult part becomes where is this valuable? So segmentation becomes the most important thing. So we've got to go and do. We have two basic questions when we start analyzing a segment. First of all, we have a great technical team that evaluates where we think it's necessary technically.

We do -- our marketing teams look at where we think a segment has the right type of driver for sustainability. But then when we go and do discovery in a segment and engage a segment and engage customers, we ask two basic questions.

And the first one is we try to assess what are the sustainability drivers that would make you need sustainability of recycled material in your product? And you know what if we don't get compelling answers, we move on. It's a big market out there. There's a lot of people. You can tell if you look in their eyes how serious they are. Everybody is going to say they want sustainability. But you can figure out pretty quick who's going to pay for it. And once we've figured that out, if that's positive, we ask the second question.

The second question is, well, why aren't you using mechanically recycled materials? And if they can use mechanically recycled materials or it's not suboptimal in some way, if they can use that, we also move on, move on to something else. It's a big market, and we find those segments where we got the convergence of those two things, a strong sustainability driver and a reason they cannot use mechanical material, right?

We're finding lots of those and lots of reasons for that, too. We talked about some of those. I think Chris will touch on some of them as well. But we feel great about where we're headed with this business, specifically into '25 and then into the long term. We will have a dramatic increase in our packaging sales of Renew as we move into the first half of next year.

Long story or maybe it's a short story, the start-up delay out of January made us miss some seasonal launch windows last year. We're catching those in '25. We will have more sales in the first half. For the rest of the first half, we're going to be capacity constrained on the polymer side of making PET, right?

So I'm going to probably divert a little bit off of the market stuff and explain our asset footprint a little bit because we talk a lot about, Mark's mentioned, our asset flexibility. So we've got a lot of different polymer lines that can move back and forth between different products.

Tritan is the king of the jungle, Tritan Medical, and they get the capacity. The good news is, while we've been upgrading our business over the last couple of decades and not adding capacity and valuing up through mix, we're reaching the point where that's at its max.

We're adding a 75 kt Tritan line that will come on at the end of the year. And as we do that, we'll transition a smaller line back to PET service. That will happen the middle of this year and open up more opportunity in the second half for PET, in which case, we will have another step up as we move into the second half of next year that's capacity driven.

The good part about that is it helps this plant, this investment, this methanolysis and depolymerization investment, it helps us fill that up faster. It also gives us a high amount of confidence and security in the Texas project because as the specialty business grows out of Kingsport, we'll be pushing that PET capacity out into Texas, hopefully eventually into France as the business case comes together for that investment.

So we feel great about that on the volume side. On the price side, we're feeling pretty good about it, too. I talked a lot about the fact that we don't compete with mechanical. But the pricing side, it is a point of reference, right? If you're dealing with a procurement organization and you're asking for some massive, larger price than mechanical, that puts them in a difficult place, right?

So it helps them feel more comfortable if we can move down close to that price. And you know what, it makes us feel more comfortable, too, because if we can get our returns at prices close to where mechanical is, we can have a high level of confidence that we're going to win, particularly going forward. And we're doing that.

I know a lot of you probably see the indexes that get published around mechanical or PET pricing, and those are very good markers. But there's a price quality dispersion around that. So there are higher quality versions that sell at higher prices, and there are lower quality versions that sell at lower. It's not a single point marketplace. It's more diverse than a typical commodity because typical commodities don't have the same diversity of quality.

So those things put us in a great position and give us confidence in this thing, not just in the short term, but also in the long term. So with that, Chris will share with you about how things are going.

Christopher Killian - *Eastman Chemical Co - Senior Vice President, Chief Technology Officer*

All right. Thank you, Scott. It's great to be here with you this morning. And I'm looking forward to talking to you today about the Eastman methanolysis technology and operational outcomes for 2024 and what our expectations are for 2025. As Scott just shared with us, he and his team are having tremendous success with customers and global brands around the world.

He's also shared with us our aspiration for how we can grow this new-to-the-world technology platform. And really, what I want to do in just the next few minutes is address three things. I want to address why is Eastman uniquely positioned to deliver on those aspirations?

Two, I want to share with you what the Eastman technology and manufacturing teams have accomplished in 2024 with respect to our methanolysis technology. And then three, I want to share with you how the learnings and accomplishments of 2024 are shaping the success for 2025.

We're very, very confident that our operational performance in 2025 relative to 2024 will be significantly better. But before I go any further, we've all been sitting here almost an hour. I want to acknowledge a few folks in the room and about 100 or 200 people around this plant site.

First, I want to say thank you to Steve Crawford, Michelle Caveness, the manufacturing teams and then my technology team that's helped bring us to the point that you saw this morning, taking hard to recycle waste plastic or as the big boss calls it garbage to pristine Tritan copolyester. That is no small feat. I've been in the technology game for 30 years. That is no small feat. So if you would indulge me and give that group a hand and make a little noise, I'd appreciate it.

Thank you. Okay. So why is Eastman uniquely positioned? We've been around for 100 years, delivering innovative technologies, scaling those technologies, and operating those technologies for decades after we've developed them.

We've got 75 years of polyester experience, both on the innovation side and on the operational side. We've also introduced, as this group well knows, Scott just talked a lot about it, a new to the world monomer and polymer, which doesn't happen every day in the chemicals industry.

And that polymer has distinguished itself as one of the fastest-growing specialty polymers in the history of our industry, Eastman Tritan copolyester. The other thing I'll leave you with on this first slide is a lot of companies are talking about doing molecular recycling. You witnessed it firsthand today. Eastman is doing it, and we're doing it at world scale. So it's a very, very exciting time and a very pivotal point in the history of Eastman Chemical Company.

So I'm not going to talk through all the technical details on this slide, but this is a high-level schematic of the methanolysis process and process chemistry and engineering. But it's very, very important for me to share with you what distinguishes the methanolysis technology from other recycling technologies, including mechanical recycling. It's very important that we understand that.

And so what is it? What is it that differentiates us? So Scott talked a little bit in his comments around the limitations of mechanical recycling. And I'm not going to repeat all of that, but I want to remind you of a couple of them.

Mechanical recycling requires the cleanest of clean feedstocks. Mechanical recycling also suffers from, with each cycle, the polyester degrades with time. And so you're limited to either the same application the waste plastic came from or down cycling with that technology. So how do we overcome those limitations? Well, it's easy to say and it's very, very hard to execute how we overcome those limitations.

So first, it's a depolymerization chemistry -- a depolymerization process chemistry coupled with proprietary purification technologies. So we're not all polymer chemists in the room, but imagine a chain, a simple chain where each link in that chain is a distinct monomer unit. That depolymerization technology takes that polymer chain and breaks it down into individual links.

And then imagine extensive purification on each of those links or monomers. So therefore, it's really the unique combination of depolymerization chemistry, coupled with proprietary purification technology that allows Eastman to take hard-to-recycle waste plastic, convert it back to virgin

quality monomers, and then convert those monomers into Eastman specialty polymers without compromise in performance, quality, and safety from a materials of concern perspective, very, very few recycling technologies can deliver on that promise.

So I want to briefly highlight three attributes of any winning recycling technology. The first is you need to be able to handle a wide range of hard-to-recycle feedstocks. Number two, you need to be able to convert the waste plastic and high material to material yield to food contact applications. And then third, you need to be able to convert -- do that process at a lower greenhouse gas footprint implication to the environment than if you were doing that from a fossil fuel-based process.

And if you can see -- and I won't go through the details of all of these charts, but as you can see, Eastman methanolysis delivers on all three of those attributes. The first chart highlights that 65% of the available waste as part of the addressable market, if you will, is compatible with Eastman methanolysis process versus 35% for the mechanical process. Very, very high yields and material recycling to food-grade end-use applications.

And then a really exciting chart on the right-hand side of the page shows what's possible when you combine Eastman methanolysis technology that uses carbon already extracted from the earth, so in the form of hard-to-recycle feedstock, combined with green energy, you're able to deliver about a 70% reduction in greenhouse gases with that technology. And if you consider avoided emissions, that could even be 90%.

Now I want to shift gears with you for a minute. Let's go back on a little bit of a journey through 2024. If you think about our journey in 2024, it was mixed with challenges and significant successes. In the January to May time frame, we were wrestling with a number of mechanical issues in rotating equipment. We had some premature equipment failure that was tied to COVID era fabrication of that equipment.

We shared with you that during the May to August time frame, we had feedstock preparation issue -- challenges that we were wrestling with. And we learned a great deal through that time. And I think one of the things that I have to admit is we underestimated the challenges of both the mechanical and operational challenges we face on the front end as well as the feedstock preparation challenges.

But what I can say is that the learnings from the first part of the year has resulted in the September to present to November time frame, a much improved operational performance. We're operating at higher rates, and I'll share some of those details in a moment, higher uptimes. And what we've done is all the learnings that we've accumulated over that period of time, we've converted into intellectual property that furthers Eastman's strategic and competitive advantage in this space.

The right-hand side of the chart, I'll highlight some data that comes from a company. It's an independent company. It's a capital benchmarking firm called IPA Inc. that what they're doing here on this chart is they're highlighting the operational performance of technologies that are introduced in the 7 to 12 months post start-up, okay?

So the 7 to 12 months post, they don't even count the first six because there's normally challenges in the first six months. And what they say is that for technologies that are off the shelf, very, very high utilization rates, new-to-the-world technologies, call it somewhere around 50%.

And I think we could all agree, especially after you got to see it live and in person this morning, that converting hard-to-recycle waste feedstock back to Tritan copolyester, that counts in the category of new-to-the-world technology.

And so if you will recall, let's go back to March, that's when we produced the first RDMT, we made an announcement at that time. And I'm going to share with you this morning what our expectations are, what our forecasts are for the full year recycled DMT production for 2024. And we expect to produce 20,000 tons of RDMT in 2024, and I'll let you do the math later, but that puts us in good stead and good performance relative to these industry benchmarks.

And if you go to the next slide here, I want to kind of recap. There's a lot of data on this slide, so let me walk you through it. But basically, we've taken all the learnings from 2024, combined with the successes that we've had as a team, and we have a high, high degree of confidence in improving our operational performance 2025 over 2024.

And why am I as confident as I am? So let's look at three different areas of the operation. First, feedstock and plastic processing, we've evaluated over 400 and approved over 400 hard-to-recycle waste plastic streams, enabling us to have 2 times the amount of material that's needed for the Kingsport site. We've resolved the known feedstock issues that you've heard about multiple times.

If you look at the depolymerization or methanolysis part of the process, we're approaching 85% yield DMT. We've got 90% uptime since we restarted the facility earlier this month in November after a bit over 70% in the month of September. And we're running at 80% to 85% of design rates during the month of November.

And finally, if you look at the product quality aspects of this, you can see that we've produced -- of the DMT that we have produced, 99% of that DMT is in Class 1 production and equivalent to virgin DMT. And we've qualified multiple polyester products using direct recycle monomer content, allowing us to use that material across multiple products. And I also will highlight that it's approved for food-grade applications, which opens up a large, large addressable market for the company.

So I hope you would agree that we're in a really good place in the latter part of 2024. And I've got a great deal of confidence that for 2025, we will be able to produce monomers, RDMT, and EG from the methanolysis process to meet and even exceed the demand needs for the business. I have a high degree of confidence that we can and we will do that. And so with that, I'm going to turn it back over to Brad.

Brad Lich - *Eastman Chemical Co - Executive Vice President, Chief Commercial Officer*

Well, thanks, Chris, and thanks, Scott. While I'm up here and we got this slide on the page, I'm not going to ask you to give them a round of applause, but I just want to extend my personal appreciation as well to the Eastman men and women that have been so instrumental in driving all the progress that you just heard from Chris. It has truly put us in an advantaged position.

And so what I want to talk to you about now is how are we translating that into substantial value beginning next year. We are well-positioned to deliver $75 million to $100 million in incremental EBITDA in 2025 because of all of that great work you just heard about. It starts with revenue generation, as you might expect.

You hopefully saw the passion from Scott, very clear pathway on $75 million to $100 million in revenue growth. Again, think about that coming from two components, the durables business, where we're continuing to ramp up with our customers and then continuing to build momentum in new business wins.

On the packaging side, as you saw, tripling our business. Again, I want to highlight the flexibility of our assets and what puts us in the position to do that. As Scott touched on, we've been constrained on PET capacity because we're bringing on the new Tritan line, it gives us the opportunity to flex the line over and serve that very large consumer packaging market. So I don't have any concerns about our ability to get after that market and grow in that market.

Equally important to the revenue growth is tremendous cost tailwinds. Those cost tailwinds probably are pretty obvious to you at this point, but let me break them down. First, you can imagine, as you go from the rates Chris just talked about to ramped up production rates, we're expecting that to be about 2.5 times the production we had this year, and I think we're being modest in that. That gives us a very substantial operating leverage. You can think about very strong incremental margins.

The other thing is, from a spend standpoint, all of the activity that you heard about from Chris is obviously a lot of maintenance, a lot of labor dollars. That's behind us. So as we go into '25, you don't have that spend. You also, from a feedstock standpoint, have the opportunity to open up the aperture on feedstocks. Chris just talked about all the qualification we've done. And as we drive up yields, that further drives our feedstock cost down. So putting all that together, again, feel very confident in the $75 million to $100 million.

Equally important, it puts us on a run rate as we exit '25 to be about 100 in terms of rate going into 2026 on absolute EBITDA. So I've been proud of our innovation over the couple of decades I've been here. As Chris talked about, we set a benchmark in Tritan, I think, in our industry for a new platform. I think this highlights we are well-positioned to set a completely new benchmark with our Renew platform.

So I hope you see the excitement and what we have in front of us on Kingsport, but we're obviously not stopping there. I want to give you an update on Texas. Again, I think our discipline in how we've advanced this project should give you confidence. We could have gone forward immediately when we had the Pepsi contract and the project we had scoped. We stayed with it to continue to figure out how we could evolve this project. We now have a great project.

We are going to be positioned to deliver polyester polymers that are actually approaching net zero. The PET coming off this line will be unparalleled. That's not something we dreamed of when we started this overall program. So let me just take you through a bit of the scope of the project, what is similar to what you just saw as well as what's different.

In terms of the mixed plastic processing, again, we'll bring in hard-to-recycle waste, pretty much the same quantity that we bring in here, about 110,000 tons. It will go through a monomer facility, methanolysis facility, very similar to what you saw. We've got a little more space to work within Texas. So that will help from a constructability standpoint, operability standpoint. It will feed then 100,000-ton line.

That's a large-scale line that will be our largest polymer line, gives us the cost advantage position we need to serve that very large consumer packaging market.

The key difference in the scope is what you see on the bottom of the slide. We'll be deploying thermal battery technology. With that, we'll be able to use renewable energy, and that takes us towards zero carbon process heat. You put all those together, near zero carbon feedstock, strong material to material recycling that have high yields, high efficiency and then near zero carbon process heat, very much a winning equation. It will be a very strong advantaged position.

I want to speak quickly to the capital. Starting with the net capital, about $900 million, obviously, benefiting from a very large grant from the DOE. We feel good about our engagement from the DOE. I'd also say feel very good about the engagement and support from the state of Texas, from the community of Longview. When you think about this project, it really checks all the boxes for whatever stakeholder group you're talking about because we're addressing plastic waste, we're creating US jobs, both in the construction of the facility as well as US jobs in the operation of the facility.

And then we're cutting off the need for imports when it comes to Chinese imports or other countries' imports on both virgin PET and recycled PET, so a winning equation regardless of what stakeholder group you want to talk about.

Finally, let me speak to the returns. We expect greater than 12% returns, obviously, always driving to drive those up. And so I want to spend a slide talking a little bit about that, how we solidify the returns and improve them and drive to the accelerated EBITDA on this project.

The first half of the slide is really about solidifying the ramp-up rate. That starts with a terrific contract we have from Pepsi, again, a multiyear offtake agreement for a very large portion of the volume coming out of this plant.

All the things I just stressed on how we've improved the carbon intensity of our products has only enhanced our value proposition to Pepsi. There's an opportunity to go well beyond Pepsi in the packaging space, as you saw from Scott, very large overall addressable market. So we're not worried about the size of the market. It's about getting to the right customers in the right applications.

We'll use that capacity that I just talked about that we're flexing next year to build bridge volume. So when we start up this plant, we'll bridge from the capacity we have here straight over to the Texas facility. We've also engineered quite a bit of copolyester capability into it.

So we'll be able to upgrade the mix over time, serving the cosmetics market, and that will open up other markets for us and allow us to continue to value up the business. I would also highlight that it gives us an opportunity to create bridge volume to serve our French project.

So we feel good about that. Beyond the ramp-up and solidifying the ramp-up on sales, equally important to continue driving down the net capital as well as the capital execution risk. So I wanted to touch on three things related to that.

First, on the DOE grant, I just want to highlight that very proud of our team at the pace at which they negotiated it. We were one of the first projects under contract. That's always a good thing. You can imagine this dynamic environment an even better thing, so proud of the work there.

Lots of activity going on to incorporate all the Kingsport learnings that you just heard about from Chris into this project. That's allowing us to drive down the capital. It will put us in a terrific position to optimize the start-up and enable a very aggressive scale up.

Finally, it's always advantageous to be able to build on your own site as opposed to a greenfield site. So glad on our second project here. We have the opportunity to build on our brownfield site, drives down the execution risk. Equally important, I think it got lost in the discussion is lots of optionality for expansions, debottlenecks, those types of things that can come at very attractive returns.

So I feel great about where we're at on Texas. I do want to touch on France. A lot of great accomplishments here. I got some questions last night on France. We feel good about where we're at.

Again, we've got the incentive packages in place there as well. So not only for our polymer monomer facility, but also for the energy complex. We've talked about feedstock before, very good position there. Just got our environmental permits last month. We've completed the front-end engineering.

The PPWR framework, we've talked about some of the issues with it, but I want to remind you, that's about closing the loop in Europe, driving up recycle rates, driving down incineration. It's going forward.

The only issue is it got opened up two imports. Actually, imports will still be limited and there's a negotiation going on of what will be allowed for imports and not. That's what you see on the equivalency principles. The other thing that's happening is EPR schemes are being put in place to actually incent recycling within the region, which will drive demand.

So from our standpoint, this just creates uncertainty in the short term. And so we believe it will take us longer to get the type of contracts that we want to underpin this investment. But I want you to hear, it's not a question in our mind about it, it's just when we build this plant. Europe needs multiple plants this size. And so we feel good about it.

The other thing I want to make sure you take away is it opens up a terrific opportunity for us to use our bridge volume from here to serve the market now because it's opened up to imports and for us to use our Texas volume to serve the market. So obviously, you can see still feel good about where we're at on France.

Let me wrap up with bringing this all together. I feel terrific about the fact that with our first two plants, we can deliver $350 million in EBITDA. If you think about what drives the path to that by 2029, you can see the blue and green bar. I know you're all pretty good at figuring out what those look like. I'll just decode it for you, about $200 million in the blue.

When you think about how you get to that $200 million in EBITDA from Kingsport, I've already told you we're on a pathway to exit 2025 at around $100 million and enter '26 in that rate. Think about the next $100 million coming from largely just filling out, if you think about the additional capacity we'll have on PET in '26. And then we're bringing an 80,000-ton Tritan line on at the end of '25 going into '26. It won't fill out overnight. Tritan never has.

That's the good news about it and bad news about our business when you're building specialty businesses. It doesn't happen overnight, but we're talking about five years here. So I feel very good about the pathway to the $200 million.

On the $150 million or so that you see in the green, again, I've just laid out why we are confident in a rapid scale-up of that plant because of not only the contract positions we'll have, but also all the operational learnings we have. The last thing I want to highlight is hopefully what you already heard from us.

We have a lot of strategic flexibility in this business. flexibility in how we flex the portfolio and which products we make, flexibility in what recycled content levels we make, 25%, 50%, 75%, 100%. So wrapping it all up, confident in delivering very attractive returns from this platform, confident in the pathway to deliver $350 million in EBITDA. I would also take you back to where I started, confident in the overall momentum in advanced materials on innovation overall.

So look forward to the questions later. I'm sure you'll have many. I want to turn it over to Travis and Erwin to tell an exciting story on cellulosic as well.

Travis Smith - *Eastman Chemical Co - Senior Vice President - Additives & Functional Products*

All right. Thank you, Brad. I know it's an early start for everyone today, but I hope it's been a great morning as you've got kind of an up close and personal chance to see our methanolysis capabilities and what I think is truly outstanding progress that our teams continue to make both commercially and operationally. But I can say, Erwin and I are equally excited to be here today to talk about how Eastman's capabilities in cellulosic are also opening up significant growth opportunities, really underpinned by the same macro trends that are supporting methanolysis.

And quite simply, that's society demanding better start of life and end-of-life solutions for materials. So as we go through the next few minutes, there's really three things we hope you take away. The first, when we talk about cellulosic, I mean, this is Eastman, over 100 years of experience in cellulosic chemistries.

This is essentially our origin story, right, supporting Kodak films for decades with these technologies. I would put forward that we were probably the original biopolymer company before biopolymers were cool. So when we talk cellulosic, that's who Eastman is.

The second thing I hope you take away is when we talk about our cellulosic biopolymers, we're on the right side of environmental trends, both from an industry and regulatory perspective as well as a changing consumer expectations.

And the third thing I hope you take away is that since 2021, in spite of a very difficult macro environment, we've made tremendous progress. So the applications that we'll highlight today, while they're at various stages, they each open up significant new growth opportunities for us, leveraging our capabilities in cellulosic. So this is a platform where Eastman is uniquely positioned to create more sustainable circular solutions for our customers.

So when I talk about being on the right side of trends, so let's start with beginning of the life. So things like bio-derived feedstocks, recycle content, reduced dependence on fossil fuels, I think these are things that are generally pretty well understood about our cellulosic products.

But it's also about end of life and very specifically about the ability to design materials that biodegrade and do not persist in the environment. So the great thing about our cellulosic platform is our ability to drive recycling wherever possible, but also to design for biodegradation when needed.

And I want to stay on that kind of end-of-life biodegradation side for just a second. And I want to start by reminding everyone that today, Eastman produces a broad range of cellulosic biopolymers. They go into applications from fibers and textiles, coating additives, pharmaceutical coatings, eyewear, LCD displays for electronics.

And it's that deep application and product design know-how that allows us to develop cellulosic biopolymers that both biodegrade in industrial and home composting settings, also biodegrade in a marine environment and allow many of our products to achieve the strictest global standards around non-persistence in the environment. So let me take a minute just to orient you on what you're seeing on this slide.

So when we talk about biodegradation, it's not one thing. So the easiest bar to clear is in an industrial composting setting, things that biodegrade in industrial composting. Slightly more complex is moving up to home composting and many people use that as a proxy for will it biodegrade in a managed landfill.

But the real question around materials is if they get into the environment, will they persist? So what you're seeing on the right side is an example of two Eastman cellulosic materials. Don't worry, we've got many more than two, but here's two examples.

So these are high-quality application-specific functionalities at scale to meet customer needs today. So these aren't science experiments. These are commercial programs in which our materials are complying with the strictest standards for biodegradation.

And what you're seeing in this chart is third-party certified data against the EU requirements to be certified as non-persistent as a microplastic. And this simple test is about does the material biodegrade 60% within 60 days. So that's the standard.

Now I want to be really clear, it does not mean that 40% persists in the environment. This test is getting at the fact that there's materials that will biodegrade over an exceptionally long period of time. So the easy way to think about that is your trees stump or log in your yard that will biodegrade. It will take decades or centuries to do that. This test gets at things that biodegrade rapidly to a point of non-persistence in the environment.

So you combine our ability to deliver materials that meet these standards, along with the fact that we know our cellulose biopolymers are generally seen as food for microorganisms, puts us in a great position to design cellulosic materials for application-specific needs for our customers to create a very compelling end-of-life solution.

So that's our end-of-life piece. Now I'm going to take you back for a minute to beginning of life and recycled content. Obviously, a lot of the conversations today have been about the growing need for recycled content and applications.

Now we've been doing this for years in cellulosic through our carbon renewal technology. And that's essentially multiple decades of expertise in operating solid fed gasification technologies. That puts Eastman in a very unique position in the ability to use waste plastics as a feedstock for our cellulosic polymers.

And today, we're working on a next generation of plasma gasification that significantly expands that capability in meeting the increasing needs for recycled content of our customers. And one of the great things about this technology, as Mark likes to describe it, is it's the ultimate garbage disposal for waste and taking it back into a molecular form in a high-quality molecular form that we can reintroduce into our acetyl and cellulosic streams to drive recycled content.

And let me give you a quick example of that in a place like textiles, where achieving circularity in textiles, often referred to as textile to textile, it's about taking in garments and making new garments. So why is that important? So the data says that waste textiles are one of the top contributors to microplastics on the planet. So this is getting increasing attention about the need to solve this problem on a textile-to-textile basis.

Now that sounds like a relatively simple recycling approach. But if you think about a garment, they're actually not that simple. They've got zippers in class. They've got buttons. They've got multi-components to them.

They've got coatings and liners for weather resistance and waterproof, not nearly as straightforward as you think. Think about other applications where customer takeback programs are becoming more and more desired. So think about something like eyewear. So you've got, yes, the frames, but you've got lenses and hinges and sequins and all kinds of decor. All that adds complexity in how you take those products back.

And the beautiful thing about this technology is it easily handles that complexity. So a unique technology, but even more so, a unique capability for Eastman given the way we're integrated into our cellulosic biopolymers.

So a very exciting set of combinations and with more and more applications valuing takeback programs and recycled content, it puts us in a great position to be able to leverage a technology like this going forward to really expand our leadership in circularity. So I'm going to hand it over for Erwin, and he's going to walk you through a couple of the application stories really benefiting from these capabilities.

Erwin Dijkman - *Eastman Chemical Co - Division President, Fibers and Chemical Intermediates*

Yeah. Thank you, Travis. So when we look at the capabilities that we built in this platform, there's a number of very compelling addressable markets that we see ahead of us. So if you think about basically the commonality between all of those addressable markets is that it's underpinned by large brand owners that have often looked at changing consumer needs, changing regulatory environments. And they have, in their turn, made very bold beginning of life and end-of-life commitments to basically deliver on new products in the next few years.

So if you look at all those opportunities, we're going to be talking about a couple of those going forward. Now this is not the first time that we talk about the potential in the cellulosic platform. We talked about everything that we had ahead of us in '21.

And given everything that we've already been talking about today, that not being the most easy macro environment to be innovating, what our teams actually did was doubling down on innovation, engaging with customers, understanding their needs and developing new solutions.

So in the meantime, where we started off with having textiles, we've added the engineered bioplastics for the frames. And we have recently launched solutions for packaging, food services, and care ingredients. And we have more opportunities ahead of us. So when you take all of those together, what we are seeing is in the next couple of years until 2029, this should add $150 million to $200 million in EBITDA to our bottom line.

Now the Naia story is not a new one. I think actually, you've heard it mentioned many times on analyst calls before. What I will say is, in my mind, is a very exceptional story. If you look at what the team accomplished here, the textile market, again, was not a very easy market. It's been a very challenging market over the past few years.

Yet our team was able to double revenue since 2019, and we are positioned to do the same thing again. And basically, how do you do something like that? That is by understanding what is needed to win in the textiles market.

And the way that we have done that with our team is when our customers in a market are making sustainability claims, they need to have a lot of credibility associated with it. So the certifications that we bring to our customers is actually building that credibility for our customers.

And in the meantime, we have not been compromising on performance of the fibers that we make. We actually have been enhancing the performance. So it's both on the credibility and the performance, making the strides that was needed to win in this market.

And I think what you might have seen if you visited our booth is that we are working with some of the most demanding brands out there. And so if you've seen the Patagonia story and how we work together with a demanding brand like that with very clear sustainability commitments, that is how we win in this market.

A story that you really want to hear, I think, is about Aventa. So when a couple of years ago, our corporate innovation team started uncovering the challenges that the value chain was dealing with, with polystyrene in food packaging applications, they actually started looking at what could we do with the capabilities that we built in this platform. So what were those challenges?

Well, first of all, polystyrene is a material of concern. It cannot be recycled and it actually persists in the environment. So our team, looking at the capabilities that we've built felt that Aventa, a bio-based solution, which actually does biodegrade, it doesn't only biodegrade, it's home compostable. It means that it will not persist in the environment even if it goes to a landfill. So it will completely go away.

They looked at launching that platform that we call Aventa and made sure that it was a drop-in replacement for the material being used at this moment in that value chain. That's very important because customers in this value chain have made large investments in their equipment. And for this platform, we feel very good. We've actually filed more than 30 patents to date. So we have a very good and defendable space.

Now what happened is that a lot of the states out here have started -- they've started banning polystyrene or they have put EPR schemes in place. So you really see that there is a necessity of customers to move to new materials in their packaging.

So currently, what we see is we have a very versatile platform where we are currently making protein trays, which need to be lightweight and foamed. We're making straws and the likelihood of you now going through drive-thru and taking a sip through an Aventa straw is more and more likely.

We're making cutlery where you don't want it to break. You want to make sure that it's good enough to actually function, but it still needs to biodegrade. That's what our teams have developed. So overall, we feel very good about what we're building here.

Now if you look at the value proposition for Aventa, we're basically checking all the boxes here. So on product performance, our customers weren't necessarily looking for a material that performed better. They're looking for a material that is not polystyrene. So they're looking for the same performance. And actually, what they get with Aventa is the same performance as they're used to. And actually, it performs better than alternatives currently out there. So we are very well-positioned on that front.

If you think about the sustainability picture, polystyrene, obviously, is out there and needs to be replaced. Customers are looking for other possibilities to replace. Now one of the big challenges is if you have a tray of meat and you take it home, it's very unlikely that you or any other consumer would put it into a recycling bin. It's basically got blood, meat residue on it.

So even if you put it in a recycling bin, actually, it becomes an issue for some of the recyclers. So this is one of those applications, as Travis mentioned, where recycling is not possible, you look at biodegradability as a need to -- for that application.

And then, of course, it needs to be affordable. This is a high-volume market. Polystyrene is an affordable solution. What we're seeing is that is going to be phased out. Customers are looking for something else and are still looking at something that's affordable. We are on par with Aventa to other alternatives out there, and we can actually say that it's an affordable solution for the application.

Now we have launched this product. We are actually generating revenue at this moment from Aventa in the market. We're working with a couple of large brands, and they are driving adoption in their markets. What we see is Aventa is a clear winner, and we expect as of 2026, going forward, this to become a very substantial portion of the cellulosic platform growth, so again, feeling very good about it. Let me hand it to Travis for some other exciting applications.

Travis Smith - *Eastman Chemical Co - Senior Vice President - Additives & Functional Products*

I'm going to switch gears a little bit, and I'm going to quickly cover what I think are two very exciting, very high-value ingredient and additive opportunities really underpinned by these same capabilities. And the first I want to talk about is our newly launched Esmeri cellulose ester micro powder, and this is specific to cosmetic and personal care applications. And the opportunity space here is quite simply defined by the intersection of evolving regulatory landscape as well as a brand on a desire to move away from ingredients that persist in the environment as microplastic.

Now the standard of these applications today in terms of performance, particularly as it relates to sensory attributes, so think about touch, feel, ease of application, they're nylon microbeads. So great products, but those products are not going to comply with the very strict standards set out by the European Union for non-persistent.

So to put a plug in for Chris and Steve's team, I've been exceptionally impressed with the ability to design cellulose ester products and processes that are allowing us to produce cellulose ester micro powders that do not compromise on the performance in these applications, so able to deliver on the same kind of sensory qualities that brand owners are looking for in premium luxury cosmetics, skin care, sun care products and doing it in a way that fully complies with the rigorous standards and expectations around non-persistence in the environment and doing it in a way that provides economics that are comparable to what the brands are using today.

Now obviously, in the world of cosmetics, qualifications takes a bit of time given the human health implications to new materials, but I've been exceptionally pleased and excited by the speed of engagement that we're getting from both global brands and independent brands as well as independent converters in this space and the adoption of these products into their formulation and qualification processes.

And just to give you one not to-be-named example, very excited that we've got five different applications in three different regions deep into the qualification process with one major global brand. And as they told our team recently, the Esmeri product line that has been developed here is checking all their boxes for unmet needs. So this is one I know our teams are exceptionally excited about.

So in that same vein of high-value additive is our cellulose esters and what it's enabling in biodegradable paper applications for quick service restaurants. Now the opportunity here is to find about the fact that today in these applications, it uses polyethylene line paper.

And you do that for barrier property reasons. So liquid barrier, grease barrier. Polyethylene is certainly a very good property when it comes to barrier, but it's not compatible with the recycled streams as they exist today in paper processing. It's also a non-compostable but persistent solution when you look at polyethylene.

Now the other biopolymers that exist that could provide a role here, today, they're not compatible in these processing technologies. They simply don't adhere well to paper. So what that means is either they don't perform or they're non-scalable.

So what we've been able to develop is in combination with a PBS biopolymer, the use of an Eastman cellulose ester resolves those possibility and adhesion issues.

So now we get to a solution that both delivers on the needed barrier properties, delivers on the biodegradation and composability needs of these applications and does it in a way that can be scaled with economics that are sufficiently comparable to begin driving conversion, so another place where we've been very excited by the converter engagements as they learn to operate these processes in this way and with the brand owner engagements in quick service.

And whether we're at various stages of kitchen trials or even restaurant trials with some, they've been very excited about the potential and possibilities with this program. So with that, I would say no discussion on our cellulosic platform is complete without a conversation around fibers. So I'm going to let Erwin cover that.

Erwin Dijkman - *Eastman Chemical Co - Division President, Fibers and Chemical Intermediates*

Thank you. I'll leave it with you. Yeah, so I would say we feel very good about where we are with the fibers business. So we have a strong and stable foundation for the growth of the cellulosic platform, and it's driven by a few simple fundamentals, as I would say it. So first of all, on the demand side, we have seen and we will see that demand in combustibles will continue to gradually decline.

Now at the same time, what we've seen is that our customers have been successful in driving new products in their space, where they are making inroads with reduced risk products. Those products are gaining share in the market, and they use tow.

So what we see net is basically a picture that's slightly different from maybe the way that we've been seeing this in the past. We see a net decline still in this market, but the decline is somewhat more limited to a 1% to 2% decline in demand.

Then on the capacity side, well, first of all, I would say we are in a very unique position that we are driving our own growth, and we will have our capacity always going to be filled with the kind of growth that we've been talking about today. Now what we do see in the market is there's a modest capacity increase in Asia. And those are -- or that capacity increase is basically not targeted to the markets that we typically serve that is going to other type markets.

What in addition to that is important is we have seen in the past years, when there was a need for this industry to reduce capacity, it has been done, and we would expect the same thing to happen going forward.

Maybe even more important, the way that we see a lot of stability here is we have customers that really need security of supply. What we sell to them is a very low percentage of their product cost for a critical item. So what they've been asking us is making sure that we get to that security of

supply through long-term commitments and long-term contracts. And that is exactly what we've done over the past years. So again, in summary, I would say we feel we're in a very good place.

Travis Smith - *Eastman Chemical Co - Senior Vice President - Additives & Functional Products*

All right. Well, let me just wrap us up where we started in saying that despite the difficult macro environment, the sustained commitment to innovation in this space, I'm hoping you see, has us very well-positioned against some very attractive macro trends to leverage our cellulosic biopolymer capabilities for growth.

The other thing we didn't cover yet that I certainly want to highlight, and hopefully, you noticed in the tour today is we are very fortunate to have a fantastic integrated position around our cellulosic chemistries today. And that creates opportunity to invest and expand in the type products we talked about today with pretty modest capital investments, add to that the opportunity to deploy plasma gasification.

And if you're keeping track, that's $1 billion in revenue by 2029 in high-margin, high-RSC applications. So I'll just close by thank you for the opportunity to talk about our cellulosic. I'll just remind you, this is Eastman. We're on the right side of trends from an environmental health perspective. And these are the kind of the markets where we have the market and application connects to be successful, so very excited. Let me hand it over to Willie to close this out.

William Mclain - *Eastman Chemical Co - Chief Financial Officer, Senior Vice President*

Thanks, Travis. Thanks, everyone. I'm going to briefly bring this back together and to be key briefly. So one, thank you, we appreciate your interest and focus on Eastman and the investment that you've made to be here today.

Mark and I always enjoy getting to meet with you at conferences and investor meetings, but I hope you'll agree with me, you've got to see the best of Eastman over the last 24 hours. And they've given you that picture of why we're going to be successful in the circular economy and growing this platform, whether that's operations, engineering, technology, the commercial and marketing that you saw today in the booths.

We have a tremendous opportunity with the circular platform, greater than $500 million of EBITDA by the end of this decade. And why do I believe this is going to be successful? First, it's robust business models and plans. Second, it's strong returns on these investments.

And finally, it's the discipline that we've been demonstrating, whether it's with our project milestones and enabling and delivering on growth today. Those are foundational for any program to be successful, and we're doing that today.

How do you get to invest this amount of capital to be successful? First, it's a strong core business, and we have that today. We've delivered strong operating cash flow in almost any economic environment. Two, it's an investment-grade balance sheet to go along with that. And we're on track to be at our target of net debt to EBITDA of 2.5 times by the end of the year.

In the middle, you'll see our debt maturities are very manageable. Our treasury team has set us up well as we enter 2025. What does all this equal? It equals strategic flexibility. The flexibility not only to invest in our organic growth programs, but to also return cash to shareholders. And over the last six years, we've returned 15% in share repurchases and almost $5 billion if you include our dividend.

So over the next several years, you'll see on this chart, we expect our capital expenditures to increase. And you've heard about those investments today in both the polyester platform as well as the cellulosic. The first project is our Longview, Texas project, and Brad highlighted the scope of that project. I would also note the CapEx on this slide includes the benefit of the DOE grant.

So you can expect something near $800 million in 2025, and we will manage that as the economic environment unfolds. We've got the cash flow to deliver these outcomes. As CFO, I want to give you a simple model to characterize the opportunity with Eastman. We're leveraged to economic recovery. We've got a tremendous set of growth programs in the circular economy that is unique to Eastman.

It was great to get some of the reactions today. This is unique, we've never seen this before, and our team members are making that real, and we're winning in the marketplace today as been highlighted by the business teams.

Additionally, we're competing in a global world. We're going to continue to be productive. We're going to continue to be efficient. And in 2025, we're going to more than offset inflation. And as you wrap all this together, it's a compelling growth opportunity is my belief. So this slide summarizes it all. Mark started with it earlier, but we believe Eastman is a compelling growth opportunity. And I think this is a great backdrop to set us up for Q&A on today's discussions.

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

All right. Well, I appreciate all of you sort of listening to this presentation. Obviously, there's a tremendous amount going on in the company. I'm incredibly excited about our growth, incredibly excited about our innovation, improves our competitive advantage to sustain and win in the marketplace. And we do believe this translates to a lot of value for the environment, for customers and of course, for the investors in our company. So with that, I want to open it up to Q&A.

We'll spend about 25 minutes on Q&A, and then we're going to break at the end where you can continue asking Q&A over lunch, continue to go look at the product booth areas, which I hope all of you do back there. It's just some great displays. You got to go all the way back to find Aventa, but it's worth the journey. All right. Questions? So we're going to start with you, Dave. That's what you get for being upfront. We're going to get you a mic. We have a lot of people online, so I want to make sure that everything gets right here, yeah.

QUESTIONS AND ANSWERS

Dave Begleiter - *Deutsche Bank - Analyst*

Dave Begleiter, Deutsche Bank. Mark, two things. Just on the cadence to the $500 million of EBITDA. How should we think about '26 EBITDA growth, '27 EBITDA growth? And can you be any more precise on the capital that was spent or is being spent in Kingsport? I know it's about a 15% return on capital. Any more position on that capital in Kingsport that you spent here?

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

Sure. So when it comes to EBITDA, we've told you there's going to be a good strong growth next year versus this year with the bridge that we gave you on a qualitative basis in the third quarter call. All that math is still -- logic is still there.

Obviously, we're going to wait till January till we get into the quantitative details. But that normalized charge of earnings that we showed you of getting back towards the $2.1 billion is what you'd be thinking about in that '26 or '27 time frame.

I'm not about to tell you which time frame it's going to be because none of us have gotten the macro economy, right? So this does mean we need some macroeconomic recovery and stability.

But I think if we see that combined with the innovation, combined with the circular economy, you've got that normalized EBITDA, right, starting to move back towards that. And you've got a bunch of the circular economy kicking in with that, right, to sort of get you to a much better earnings growth number in '26 or '27, right?

Because this 2029 number is great, but there's solid results coming out of Kingsport next year. It's going to build, as we told you, the exit rate of Kingsport going into '26, and that sort of combines the market recovery to a pretty strong earnings growth. So that continues to march up. I mean the 8% to 12%, we think about long term after you get to recovery also is very real.

Dave Begleiter - *Deutsche Bank - Analyst*

And the Kingsport CapEx?

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

Oh, sorry. Yes, so we've given you a way to get to it. We've told you almost all the $30 million of depreciation we've taken on is 20 years. So you can do the math. All right. Let's go all the way in the back just to sort of bracket, and then we'll move into the middle.

John Roberts - *Mizuho Securities - Analyst*

John Roberts from Mizuho. Do your customers need for their claims on their products identity preserve materials versus material balance that you're using? Or how do you see that playing out? Is that going to be an impediment to adoption in the industry?

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

Yeah. So there's this long debate going on around how much of the recycle content physically has to be in the end product or can you use something called mass balance to accumulate in the bank, if you will, recycled content growth. Just like electricity does, you can't track an electron on a grid. It goes into a bank and then they can only sell what they've put on the grid to customers. Both models are in use for us. I'll let Scott comment a bit on how customers are thinking about that.

Scott Ballard - *Eastman Chemical Co - Division President, Plastics*

Yeah. So it varies by customer and application. The reality is the mass balance principles following a very principal way with material, material, that's necessary for innovation. It's necessary for the types of things for -- that we just did to be accessible for other investments.

Now that said, putting it directly into the line, we're feeding most of what gets in it directly into Tritan at very, very high amounts. So I mean, we are flexible enough to deal with the market environment as it plays out.

I advocate for the use of an intelligent mass balance protocol. It needs to be very transparent and dedicated so that consumers know what they're getting and can trust its impact, but it's good, but Eastman can deal with either way. The plants in Texas, the plant in France, there's very little virgin material on site. It's going to be direct content. Kingsport, we can deal with it as needed, as necessary in the market.

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

It's a significant competitive advantage for us that we can do the physical transfer because most of the other technologies out there don't necessarily have that ability. So that gives us a differential advantage. All right. Next question. Kevin?

Kevin McCarthy - *Vertical Research Partners - Analyst*

Kevin McCarthy, Vertical Research Partners. Mark, can you speak to the long-term strategy to build out the asset footprint? It sounds like France is a question of when, not if. I think at one point, you indicated that the US could support about 10 polyester recycling plants. And so do you think in a decade, you might have three of these or six of these or some other number? And what are your latest thoughts on licensing the technology to support that growth?

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

So first of all, as Scott pointed out, this addressable market, it is a massively large market, right? So there's not a limit in need. There's probably 10 plants needed here and 10 plants needed in Europe. And that's still only getting like 30%, 40% recycled content.

So the market is very large. Our goal is to scale up and create value. Obviously, the first two plants, we're really excited about. We've explained the French plant and how that is evolving. We believe that the need to do the recycling is going to be an absolute requirement in this environment with the way consumers and environmentalists and the politicians look at this whole situation. The brands get it. They know it's coming.

So yeah, we should have more plants. Whether it's going to be five or six or what, if you want to look at a decade out, that I couldn't comment on at this stage. We're going to see how it ramps up and how we deploy our balance sheet.

The profitability to you as shareholders, it's in your interest for us to build these plants and generate the earnings and the EBITDA value through investment. Licensing has a very marginal value. So it doesn't really create that much value.

So we're very much sure of organic growth, asset focused. I mean in the future, would we maybe have partners to help us leverage our balance sheet as we drive the growth up? For sure, possible, but not really what we're looking at in the first three plants where we want to have control of all aspects of what we're doing. Right.

Frank Mitsch - *Fermium Research - Analyst*

Frank Mitsch, Fermium Research, comment and a couple of questions. My comment is typically plant tours suck. This one didn't suck. This was pretty good. So couple of questions on the $375 million from the DOE, if I'm not mistaken, I think the press release is set up to $375 million. So how confident can we be that you guys are actually going to get that money, there's a change in administration and so forth? Any more clarity on that?

And then secondly, Aventa is pretty cool, and I agree, it's worth the trip to the back there. If we say PS is at 100, what's Aventa's cost because there were some comments about affordability. So where is it relative to polystyrene?

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

Sure. So when it comes to the DOE grant, it is $375 million if we use the capital that we say we need in the application, right? If we somehow build it cheaper then they make an adjustment. But I would assume the $375 million and the net $900 million number is about accurate.

When it comes to the reliability of the grants, well, we're in a new political world, so I'm not going to predict what happens. It's a great program. The great thing about these investments is, first and foremost, it's reshoring jobs back to America, right? So we're bringing what would have been made in Asia, and we're now making it here in a circular economy that should be regional, and therefore, also a way to build a local economy.

I think that's in line with the current agenda of the incoming administration. It's being built in Texas. And it is a -- we've signed the first phase of the contract where it's committed.

So I think these programs, just like the CHIPS Act, in my opinion, are incredibly important for our national security to continue to increase our industrial base and our national security to be able to supply our own materials as opposed to depending on other countries. So I think that, that's hopefully still very much in line. And since we have signed contract, hopefully, very durable.

When it comes to the premium, I'm not going to give you a specific number. Nice that you asked, but we don't give that information out for competitive reasons. And -- but we are getting a meaningful sort of premium to the product relative to polystyrene, but it's not that much. And it's -- when you do the math on APET as the only real alternative, it's about the same. And that's a key question.

It's sort of like talking about where the price of polycarbonate is versus Tritan. It doesn't really matter what polycarbonate is. It has BPA, and they want BPA-free. So what matters is how are you positioned relative to other alternatives now that you're moving past that material. And they were very competitive. Vincent?

Vincent Andrews - *Morgan Stanley - Analyst*

Vincent Andrews from Morgan Stanley. I have a quick housekeeping question and then a regular question. Just want to clarify in 2025 for methanolysis, the $75 million to $100 million that you referenced, is that a step up from the $25 million in 2024? Or is that inclusive of the $25 million?

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

Basically, think of it as the incremental, right? So the cost in corporate other goes away, right? So that's where you'll see it disappear because that cost has now moved into advanced materials in '25 relative to '24.

And then you're basically improving the earnings in advanced materials net by that $50 million to $75 million, right? So when you put together at the corporate level, you'll see that $25 million in corporate other, and you'll see $50 million to $75 million of EBITDA growth in advanced materials, which means, right, they're growing more than that because they got to offset the transfer of that cost in there. Does that makes sense?

Vincent Andrews - *Morgan Stanley - Analyst*

That makes sense. And then my question is, if I went back to the 2021 Innovation Day, we were talking about three plants, $450 million of EBITDA combined from the three. Now we have two plants, and we have $350 million of EBITDA. So is France always a $100 million plant or would France still be a $150 million plant? Or what would France be? And then lastly, the comment on pausing it, is that actually new or has that been disclosed previously?

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

Well, I think we've been sort of suggesting the plant is sort of on pause until we get the customer contracts. When you think about the profitability of the French plant, think about it being similar to the Texas project, so similar. It was reversed and the other way around. So in the beginning, we thought the French plant would be a hybrid specialty and PET. We've now moved some of that specialty capability in Texas since it's coming up first. So we got a way we can support growth.

But when you go back to France, it's going to be similar, maybe a little bit lower because it will be similar to what we've done in Texas with some amount in specialty and some amount in PET. If it will be delayed, you'll have more time for market growth to do both if that makes sense.

Josh Spector - *UBS Equities - Analyst*

Josh Spector with UBS. I wanted to ask about the feedstock prep versus methanolysis reaction. I mean pretty impressive on what we saw in the tour today. But I think there's some reaction, I would say, that feedstock prep isn't really a chemical process, it's mechanical, it's sorting.

So how proprietary is what you're doing and learning there today to Eastman? And how important is it for Eastman to be investing in that in the future? I guess is there an opportunity once you figure out to bring in a partner to reduce your CapEx? Or is that integral to your value add?

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

I'll let Chris answer the question on the technology and our uniqueness there, and then I'll wrap up on the capital question.

Christopher Killian - *Eastman Chemical Co - Senior Vice President, Chief Technology Officer*

Yeah. So purely from a technology perspective, there are elements of what you saw this morning that were proprietary technology. I can't get into the details there, but there is an element of that, that does create added value.

And so at the end of the day, as I'm sure Mark will highlight, it will come down to the value add from proprietary technology versus our cost structure and ability to deliver that. There's also knowledge that gets built as you're processing it.

For example, I talked in my part of the presentation about the processing step of the waste plastic and how important it is to manage that. And so there's elements of that, that we would be careful to let be known broadly.

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

And even if we have proprietary technology, there's a way for us to control it and co-license it. So we would be open-minded in future projects about having that outsourced and done by someone else to free up capital for other growth investments. So that's something we're constantly debating. All right. Next question. [Katherine]?

Unidentified Participant

I have a human question. A lot of the opportunities we talked about today involve much deeper customer partnership than might have been true 10 or 15 years ago. And we've seen some great evidence of those capabilities here today. I'm just curious if we fast forward and everything we're covering today is as successful as we hope, can you talk more about development of those teams, those capabilities if there are questions about how to structure those functions if we fast forward a few years versus how they are today?

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

It's a great question. Brad is in great position to answer, not just because he's got the circular platform, he has all the commercial excellence functions as well. So Brad?

Brad Lich - *Eastman Chemical Co - Executive Vice President, Chief Commercial Officer*

I think we've made great strides on that over the years. If you look at the kind of engagement that I showed and you think about what we're doing in automotive, we're connected all the way down the stream. And so it's really something that we've had a lot of proven success.

Obviously, the war for talent perhaps makes it a little more difficult. But I would say with what we're doing on sustainability, people want to come to Eastman, people outside the chemical industry. We're not having to explain our strategy.

We've got a lot of pull. And so feel good about how we're building the capabilities. The systems that I talked about, we're certainly getting better and better in terms of how we think about being very methodical in driving that engagement. But overall, we feel good about our progress.

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

Yeah. I think we're world-class in this industry on having to engage in market and development between the market engagement capabilities and the application development capability that we've built. The combination of that makes us far more capable than most of the competitors, especially direct competitors, which are often out of Asia that are best trying to copy what we do. We're way ahead of them on how to engage the market. Jeff?

Jeff Zekauskas - *JPMorgan - Analyst*

Jeff Zekauskas, JPMorgan. Two-part question. So if your methanolysis benefit is $100 million incrementally, that's about $0.70 a share. And you are, I don't know, [7.50 or 7.60]. So when we think about the EPS change for 2025, even at the low end, you would think that the low end then would be something like 10% as the base case and then the upper end would be higher. So is that a correct inference?

And then the second question has to do with the Texas plant in that what you showed was that there was $350 million in EBITDA and $200 million was in Kingsport. $150 million was in Texas and it's a $900 million plant. So the depreciation is $45 million. So the EBIT is $105 million, and $105 million over $900 million is 12% pretax as a return. So am I doing the math wrong on the Texas plant and am I doing the math wrong on next year's earnings?

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

Jeff, I'm glad you asked these questions because I'm also glad I have a CFO, so.

William Mclain - *Eastman Chemical Co - Chief Financial Officer, Senior Vice President*

So Jeff, the first question, I want to go start with what you said on Texas. So that's why as we've done previously, it starts with a greater than or equal to. And as we think about the long term, we expect the plant to be above $150 million. That's clear.

And as we think about five years out, and we also think about the integrated tax benefit. We have one of the best cash tax and effective tax rates in the industry, and we expect to continue that. And we've already benefited from the Kingsport plant. We're going to benefit from the Texas plant as we do that as well. It's greater than or equal to.

And I think if you use numbers that are around or less than [175], you're going to get to the math that supports that. As we think about next year, you started at the high end, we gave you a range of [75 to 100]. And so your math is correct, obviously. And if you take the high end and you take the share repurchases we've done this year, you're around [850].

But there's offsets as we go into that, but that's the type of range. And if it's -- but at [825 to 850] just off of those two before we get into describing the pluses and minuses for next year, we're not guiding next year specifically right now. We'll be prepared to talk to you about that in January.

Jeff Zekauskas - *JPMorgan - Analyst*

What are the offsets for next year?

William Mclain - *Eastman Chemical Co - Chief Financial Officer, Senior Vice President*

Pardon?

Jeff Zekauskas - *JPMorgan - Analyst*

What are the offsets for next year?

William Mclain - *Eastman Chemical Co - Chief Financial Officer, Senior Vice President*

Well, I think you've seen and heard Erwin talk about some of the inventory destocking and things like that, that's the immediate one I would refer to you on fibers.

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

Yeah, I think two things, Jeff, one is the fibers, which we've talked about. The second is we're just expecting the natural gas forward curve is obviously to go up a lot next year. We're very good at catching up to raw material energy cost, but it's not instantaneous, especially in the specialty. So you're going to have a little bit of lag in specialty pricing if that natural gas price goes up.

So we're trying to sort of make sure we consider that a little bit. We're not trying to be too optimistic about the macroeconomic growth across markets right now. The stable markets, the other half of the revenue, we do believe had modest growth this year. We believe that will continue next year. The discretionary market, it's a big debate and just how they're going to trend next year relative to this year at this stage. So we're trying to be a little careful about that.

Patrick Cunningham - *Citi - Analyst*

Patrick Cunningham with Citi. I had a couple of questions on the optionality for the recycled DMT. So if I heard correctly, next year, roughly, the balance of filling the rDMT will be Tritan primarily in the first half and then rPET in the second half? And then what sort of assumptions do you have for percentage of the Longview plant that's going to be used for specialty polyesters?

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

So on the complex here, if you noticed, it's slightly big over there across the fence. It's a massive site, and it's very integrated. So we've got a number of DMT line today. Now we've add methanolysis to those sort of virgin DMT lines.

We have a whole range of polyester polymer lines. We also have plasticizer lines that use DMT that gets sold through chemical intermediates. And we use that plasticizer as a lever, right, to run the DMT assets full and how much we push into that market, right? There's a really attractive market here in North America. Exports, not so attractive, but still run the assets full. So that's our flex to run all the DMT, including the new DMT at high rates.

So then you're optimizing value. So you want to grow Tritan and the other high-value copolyester as much as you possibly can. But as Scott explained, there's a way that, that takes time to win those applications one application at a time. And we're going to be doing that through '25, '26, et cetera.

But the beauty is the PET market's infinite. So as we flip this Tritan line back to making PET, remember, every line that makes copolyester and Tritan started out making PET. Now it doesn't flip like a switch. It takes a couple of months to switch it back over.

But that's why we built that inventory in Tritan is to be able to serve the market in Tritan while we're flipping this Tritan line over that's running pretty well from a demand point of view and then connect to the new line that will come up in the fall, right?

And that then gives us PET capability because the new line is so much bigger than the current one. We can serve growth that way, take the current line, serve the PET market to run up asset utilization on the methanolysis.

Then, of course, it starts to fill out. We'll flip that line back to making Tritan, keep the journey going. But that's sort of how we think through the management of the different assets and serving the market. Sorry, I blanked out on your second question.

Patrick Cunningham - *Citi - Analyst*

Texas.

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

Texas. On Texas, we're not going to break it down, but we've told you the baseload contract with Pepsi is significant, which means it's a good portion of the plant. Ultimately, you like to fill that asset up with as much specialty as possible, but you're going to leverage these assets here first and then march your way in filling up what is above Pepsi ultimately with specialty. It's been in the short term, you'll run it full with PET.

Arun Viswanathan - *RBC Capital Markets - Analyst*

Arun Viswanathan, RBC. I guess I just had two questions. One is on the customer side and one is on the cost side. So on the customer side, maybe you could describe what you've been hearing from your potential customers, the momentum on offtake agreements. You've spoken in the past about Pepsi and others. Has that potentially slowed down in the last couple of years of heavy inflation?

And then similarly on the cost side, last couple of calls, you've talked about increasing costs. What are you seeing on that side? What do you expect over the next couple of years? Has that been modeled into your CapEx numbers?

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

So when you say cost, you mean CapEx costs? Yeah. Got it. All right. So Scott, why don't you take the first part of that question, and then I'll let Steve take the second part.

Scott Ballard - *Eastman Chemical Co - Division President, Plastics*

I'm sorry, could you repeat the question?

Arun Viswanathan - *RBC Capital Markets - Analyst*

(inaudible - microphone inaccessible)

Scott Ballard - *Eastman Chemical Co - Division President, Plastics*

Customer agreements on the offtake contract, they've been difficult. I mean with a couple of years of inflation and uncertainty around the regulatory environment, they've been difficult to gain. That's why we've delayed the France project, honestly. So that continues to be a challenge.

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

So when you think about it, right, the demand is actually necessary. But the brands in the marketplace who have done an excellent job of bringing price of their products to consumers, but now they've gone to a point where their demand has now sort of flattened out or dropping off, that's a challenge, right?

They've got very aggressive goals in '25, very aggressive goals in 2030. But they're now balancing how do I deliver earnings every quarter for my owners where I can't increase prices anymore, volumes not quite there? So where do they look? They look backward to every supplier.

So they're trying to manage those issues. And it's hard for them to see past the moment they're in to something that's coming online in 2028 because it's easy to say, like, why am I even having this conversation? We're talking about something three years out from now, right?

But it's -- they're very short -- focused on the short term and getting through a difficult environment. We're not seeing any of these brands disengaged from wanting to do this when it comes to like France. But the pace at which we're going is a lot slow, we thought. And that's sort of how I think about it. We're not seeing this issue on the specialty side. When it comes to the building a plant and managing capital escalation, Steve, do you want to hit that?

Stephen Crawford - *Eastman Chemical Co - Executive Vice President - Manufacturing and Chief Sustainability Officer*

Yeah. Sure. Can you guys hear me? So obviously, we learned a lot with their T&O site on methanolysis. And as we went through the last year and especially the last six months as we've continued to improve operations, we make those enhancements into the engineering that we're doing at the Texas plant. That's actually allowed us to lean that out. So we feel very good about methanolysis.

You got to keep in mind, that's a very different build because we're building a polymer line. We have the solar battery that we're actually building as well as all the things that we learned in terms of handling the feedstock itself.

So we're looking at the forward curves and the potential escalation. And we've really been micromanaging the simple things like quantity and optimizing global procurement. So all that's been baked in. We've got the right level of contingency. So we feel very good about the capital numbers that we have in the plan right now.

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

All right. We're going to make this the last question. Go right here.

Matthew Blair - *Tudor, Pickering, Holt & Co. - Analyst*

Matthew Blair from TPH. For the renewable ethylene glycol that comes off the methanolysis production, what do you use that for today? And is that something that you're getting full value for? Or are there opportunities down the road to potentially get more value?

And then also, so in the back room, we saw a lot of examples of products like water bottles with either 50% Renew or 25% Renew. Why don't those products have 100% Renew? Is that a technical limitation? Or is that more driven by the market?

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

So Brad, I'll give you the second question. I'll deal with the EG question. So on the EG side, the plant produces DMT and EG. About 70% of the output is DMT and the focus because that's what goes into Tritan. EG goes into our copolyester or into PET. So there's plenty of opportunities to put that recycled content in our plastics.

The way the plant starts up, you focus first on getting the DMT all lined out and high yield. And just the nature of the process, you don't make high-quality EG until you're running at a higher rate. It's just the nature of the way the process works.

So as we go into next year, we'll have EG generated too and be starting to sell that as well into the marketplace. So it is important. It is valuable. We are able to make very high-quality EG when we make it, but we just need the plant to run at a higher rate to get that yield up. It's a long story, but that's how it works.

Brad Lich - *Eastman Chemical Co - Executive Vice President, Chief Commercial Officer*

And maybe just speaking to how we decide on the recycled content, right now out of the gate, most customers want a meaningful recycled content. So 50%, you can think of 25%. Over time, you'll see us, as I mentioned, continue to triangulate between [25, 50, 75, and 100] and how do you optimize the pricing and price fence between those, that really comes back to the question on have a world-class market engagement and being able to sell value. I think that's a huge opportunity as we expand out both on durables, but also on the packaging side.

So that's when I spoke to being able to debottleneck and think about Texas, where we go from there, we may not keep selling 100% recycled content out of that plant. There's a lot of opportunities to think about bearing that content.

Mark Costa - *Eastman Chemical Co - Chairman of the Board, Chief Executive Officer*

So part of the challenge to get into is what's the curve and what people are willing to pay for 50% versus 100%, right? And if I can just sell everything at 50%, I can sell 200,000 tons of polymer versus 100,000 tons of polymer, right?

And so the premium isn't sort of justifying the access to that broader set of polymers or the 100%, you sort of make those trade-offs and some brands are absolutely won't buy unless it's 100% but a lot have goals of 30% recycled content by 2030. So this sort of value optimization around customers and what they're willing to pay for is something that Scott and his team are doing every day.

All right. We're going to sort of wrap it up here. All the questions we didn't answer, feel free to go ask any of the team members that will be having lunch with you for the next 50 minutes. We're scheduled to have everyone depart at 1:30, but we want to make sure you had more time to go into the product tour area because that really is bringing all these stories to life. I'm very excited and proud of the teams out there as well as the plant, of course.

Thank you again for coming here. I know it's not an easy journey to get here. And we know your time is very valuable, so it's great to see people. I can't tell you how excited we are to have this plant running well and see the success we're having in these markets and share these stories with you. So I look forward to continuing the conversation at lunch. Thank you, everyone.
