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Celanese Corp. (CE)

Q3 2016 Earnings Call

CORPORATE PARTICIPANTS

Chuck Kyrish

Vice President-Investor Relations, Celanese Corp.

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

Scott McDougald Sutton

Executive VP & President-Materials Solutions, Celanese Corp.

Christopher W. Jensen

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OTHER PARTICIPANTS

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Matthew C. Grainger

Analyst, Morgan Stanley & Co. LLC

Daniel Rizzo

Analyst, Jefferies LLC

Frank J. Mitsch

Analyst, Wells Fargo Securities LLC

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc. (Broker)

David I. Begleiter

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Robert Andrew Koort

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Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

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Michael J. Sison

Analyst, KeyBanc Capital Markets, Inc.

Daniel DiCicco

Analyst, RBC Capital Markets LLC

Aleksey Yefremov

Analyst, Nomura Securities International, Inc.

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Analyst, Alembic Global Advisors LLC

Kevin McCarthy

Analyst, Vertical Research Partners

David Wang

Analyst, Morningstar, Inc. (Research)

MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to the Celanese Third Quarter 2016 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Chuck Kyrish. Please go ahead.

Chuck Kyrish

Vice President-Investor Relations, Celanese Corp.

Thank you, Gary. Welcome to the Celanese Corporation Third Quarter 2016 Earnings Conference Call. My name is Chuck Kyrish, Vice President, Investor Relations. With me today are Mark Rohr, Chairman and Chief Executive Officer; Chris Jensen, Senior Vice President and Chief Financial Officer; and Scott Sutton, Executive Vice President and President, Materials Solutions.

Celanese Corporation's third quarter 2016 earnings release was distributed via Business Wire yesterday after market close. The slides for the call and our prepared comments for the quarter were also posted on our website, www.celanese.com, in the Investor Relations section.

As a reminder, some of the matters discussed today and included in our presentations may include forward-looking statements concerning, for example, Celanese Corporation's future objectives and results. Please note the cautionary language contained in the posted slides.

Also, some of the matters discussed and presented include references to non-GAAP financial measures. Explanations of these measures and reconciliations to the comparable GAAP measures are included with the press release and on our website in the Investor Relations section under Financial Information. The earnings release and non-GAAP reconciliations have been submitted to the SEC on a Form 8-K. The slides and prepared comments have also been submitted to the SEC on a Form 8-K. This morning, we'll begin with introductory comments from Mark Rohr and then we'll field your questions.

I'd now like to turn the call over to Mark.

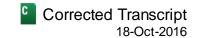
Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

Thank you, Chuck, and good morning, everyone. Our prepared remarks were released with earnings last night, so I'll keep these opening comments brief and open the line for your questions. Before I discuss our quarterly results, I'd like to talk about an exciting announcement last night, an agreement to purchase SO.F.TER. Group based in Forli, Italy, one of the world's largest independent thermoplastic compounders with operations in Italy, Mexico, Brazil and the United States. SO.F.TER. and Celanese are a great fit given our similar design capabilities, excellent technology and a shared focus on developing customer-oriented solutions.

This combination will nearly double the number of Engineered Materials platforms available to Celanese and will open new markets to expand upon. The deal will be immediately accretive, adding roughly \$0.10 to our adjusted earnings per share in 2017 and we expect to increase that \$0.10 by two times to three times over the coming years. This is a natural and thoughtful step forward in evolution of our Engineered Materials business and we're

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extremely excited to begin working with the talented men and women at SO.F.TER. to drive value for our customers. Scott Sutton who runs our Materials core is here with me this morning to provide additional color and answer your questions about this exciting deal.

Shifting to our consolidated results, we generated a record third quarter performance in both GAAP diluted earnings of \$1.83 per share as well as adjusted earnings of \$1.67 per share. We grew segment income by 4.6% year over year and expanded our margin by 250 basis points to 24.1%, our highest ever third quarter performance. These results were driven by record earnings and profitability in Advanced Engineered Materials and resilient performance in our globally integrated Acetyl Chain.

We successfully launched 351 new projects in Engineered Materials in the quarter and remain on pace to meet our goal of 1,200 new project launches in 2016. We continued our pace of cash generation with \$237 million of free cash flow and we returned \$152 million of cash to our shareholders in the quarter.

As we enter the fourth quarter, we are pleased with the success we have had over the first three quarters of the year and we're confident in our ability to drive value in our businesses, generate productivity gains and to continue to build momentum in new project launches.

As such, we have maintained our expectation to grow adjusted earnings per share by 8% to 10% for the full year of 2016. As we begin to look to 2017, we will continue to extend and grow our Engineered Materials pipeline and leverage our low-cost integrated global network in the Acetyl Chain to best manage the current operating environment we're in. We have set our sights on at least 1,500 new product – new project launches in the Engineered Materials space based on the success we've had to-date and the capabilities added through the announced acquisition of SO.F.TER.

We have identified incremental productivity opportunities for 2017, targeting an additional \$100 million of benefit for the year. And rolling it all together and net of the \$0.30 to \$0.40 of headwinds in the total previously discussed, we expect to grow our adjusted earnings per share by roughly \$0.60 to \$0.70 in 2017 versus 2016. We will refine this initial look as our planning process wraps during the fourth quarter this year and update you with a more informed view in January.

With that, I'd turn it over to Chuck for Q&A.

Chuck Kyrish

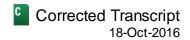
Vice President-Investor Relations, Celanese Corp.

Thanks, Mark. As a reminder, we'd like the callers to limit questions to one question and one follow-up. Gary, let's go ahead and get started.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from Duffy Fischer with Barclays. Please go ahead. Duffy Fischer Analyst, Barclays Capital, Inc. Yes. Good morning, fellows. Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp. Good morning, Duffy. Duffy Fischer Analyst, Barclays Capital, Inc. Question around Materials Solutions. Very nice volume gain, price lower. Can you tease out in those numbers how much of that was your new push kind of into non-manufactured molecules in AEM where you're sourcing those other areas and maybe talk about if you just look your own business year over year, how might those numbers have looked different if you wouldn't have taken that strategy? Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp. Yes. Scott, you want to give it... Scott McDougald Sutton Executive VP & President-Materials Solutions, Celanese Corp. Yes. Sure. Hi, Duffy. I mean, yes. I mean, if you look at all of our business, of course, we add the innovation and technology through compounding to all of it. But most of our platforms today, we also manufacture the polymer as well. So really, I mean, all of that is ours and all of that comes through the pipeline. I mean, you reference price and a lot of that smaller degradation you see is really driven by outsized volume growth in Asia related to the other regions. Duffy Fischer Analyst, Barclays Capital, Inc. Okay. So that was mostly a mix shift to Asia more so than a mix shift to different types of polymers that you're sourcing from new sources basically. Scott McDougald Sutton Executive VP & President-Materials Solutions, Celanese Corp. Mainly. I mean, we grew volumes in every single region. It's just that Asia has been the source of our highest growth over the last couple quarters.

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Duffy Fischer

Analyst, Barclays Capital, Inc.

Okay. And then question on the cash flow. You've guided to better than \$850 million this year, but keeping the \$2.5 billion over the next three years. If you just look at the run rate, if cash flow basically tracks at the same percentage of earnings and earnings grow the next couple years, that \$2.5 billion should be higher. Is there a reason that cash flow would basically diverge from earnings over the next couple years and trend lower or no?

Mark C. Rohr
Chairman, President & Chief Executive Officer, Celanese Corp.

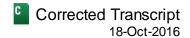
Yes, we'll talk more about it when we come out with more complete guidance. But Duffy, I think that it will not keep the same pace 2016 to 2017 that earnings will. And the reason for that is we had a lot of capital expenditure with that methanol plant and there are some bonus depreciation provisions and the tax code that allowed us to accelerate tax deductions on a cash tax basis.

So on a cash tax basis, we probably will have higher cash taxes in 2017. Out of the chute, I would probably say earnings will grow, but free cash flow would be flattish in 2017, then grow again in 2018, still on track for \$2.5 billion.

Duffy Fischer Analyst, Barclays Capital, Inc.	Q
Great. Thank you, guys.	
Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.	А
Thanks, Duffy.	
Chuck Kyrish Vice President-Investor Relations, Celanese Corp.	A
Thanks, Duffy. Gary, let's go to the next question, please.	
Operator: The next question comes from Vincent Andrews with Morgan Stanley. Plea	se go ahead.
Matthew C. Grainger Analyst, Morgan Stanley & Co. LLC	Q
Morning. This is Matt Grainger on for Vincent. I was hoping if you could clarify the \$0.30 2017 tow and how it translates to pricing and volume forecast.	to \$0.40 headwind in
Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.	A
Yes. You said it's Matt, is that right?	
Matthew C. Grainger Analyst, Morgan Stanley & Co. LLC	Q

Yes.

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Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

Okay. Yes, Matt. This is Mark. Yes. I think we said in the past that it's about 50/50 price and volume. And we're still in the process of wrapping that up, so that's still the most contemporary data we have.

Matthew C. Grainger

Analyst, Morgan Stanley & Co. LLC

Okay. Great. And then I was also curious if you could clarify how the VAM margin contraction flows through the various segments and how you've mitigated some of the weakness there so far.

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

Yes. I'm not sure I really can answer that. What I'll say is that VAM has been weak as we came off of the coatings. The coatings season has started to slow down. But we're already starting to see some tightening in that business as we enter the fourth quarter and have some good expectations of a stronger market next year.

Matthew C. Grainger

Analyst, Morgan Stanley & Co. LLC

Great. Thanks, guys.

Mark C. Rohr
Chairman, President & Chief Executive Officer, Celanese Corp.

Thanks, Matt.

Chuck Kyrish

Vice President-Investor Relations, Celanese Corp.

Thanks, Matt. Gary, let's move to the next question.

Operator: The next question comes from Laurence Alexander with Jefferies. Please go ahead.

Daniel Rizzo

Analyst, Jefferies LLC

Good morning. This is Dan Rizzo on for Laurence. Hey, guys, could you just give just some color on regional sales trends, particularly with Automotive in the U.S. and Europe in September, just what you're seeing if there's any potential cool-down or how things are just faring in there.

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

I'll comment on auto, then maybe let Scott comment just on the overall trends if that's okay, Dan. Yes. I mean, everybody has access to the data. And if you look at the trends, the year-over-year trends, I mean, we've had pretty flat in the U.S. I think we're up 0.1% or so and in Europe maybe a 4% increase and in Asia maybe 4% as well increase. If you look at it from a year-over-year point of view, from a trend point of view, looking forward, I think the consensus view is that, again, U.S. is going to stay pretty flat, growing a little bit.

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Expectation is some slowdown in Europe. I think they're forecasting next year 1.3% growth versus a stronger growth of about 4% this year. But again, we are so – we're into so many markets there. I don't want you guys to overreact, you shouldn't overreact, we don't overreact to all that moving around because our real goal in this business is to displace other products. So we're not dependent on growth of new car builds per se to really drive value here. Scott, you want to comment about regional growth trends in other areas?

Scott McDougald Sutton

Executive VP & President-Materials Solutions, Celanese Corp.

A

Yes. I mean, I would just add, in Engineered Materials, right, in the third quarter, I mean, you know we grew the volumes roughly 12%. But if you look at by region, I mean, Asia is above 20%, Europe's running along that same 12% pace and Americas is a bit below that. But I would say our growth in auto segment was actually a bit less than our growth in other segments.

Daniel Rizzo

Analyst, Jefferies LLC

Okay. But it would seem that given the strength in those numbers, particularly in AEM, I mean, that's more of a function of you guys taking share and then introduce new products versus the overall trend for the end markets, correct?

Scott McDougald Sutton

Executive VP & President-Materials Solutions, Celanese Corp.



I don't really think it's so much about taking share, right? And unless you think of it as coming up with a new solution to replace other out of time materials. I mean, it's really about closing projects and gaining business through technology and solutions.

Daniel Rizzo

Analyst, Jefferies LLC



Okay. That's what I was kind of referring to. Thank you, guys.

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

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Sure, Dan.

Chuck Kyrish

А

Vice President-Investor Relations, Celanese Corp.

Thank you. Gary, let's move to the next question, please.

Operator: The next question comes from Frank Mitsch with Wells Fargo Securities. Please go ahead.

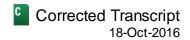
Frank J. Mitsch

Analyst, Wells Fargo Securities LLC



Good morning, gentlemen, and congrats on a nice quarter. Mark, if I could try and get a better sense as to how the quarter progressed, my sense is that the start of the quarter might not have been as robust as you guys were ultimately able to achieve. Can you talk a little bit about the pace of business throughout the quarter and then as we enter into Q4 here?

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Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

Yes. We started the quarter with a view of a little bit more flatness. And I think we had talked about that with you guys there. So, as we got into the quarter with just a lot of energy and effort primarily in Materials to just really be successful. And so, we worked really hard with our projects; we worked really hard on our pipeline, worked really hard with our customers, had a few successes more than we have planned and that's what really drove the value question. I think likewise, we have been a bit concerned that the chain business could slide more and they did a phenomenal job making sure that they kept it in shape given the slowdown that we anticipated in the third quarter in China. So it's been a – it's really a Materials story, I think, incrementally through the quarter.

Frank J. Mitsch	\cap	
Analyst, Wells Fargo Securities LLC	Q	
All right. And that continued into October, the better-than-expected business trend, is that correct?		
Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.	A	
Yes. Yes.		
Frank J. Mitsch Analyst, Wells Fargo Securities LLC	Q	
All right. Great. And then lastly, you're 30% through on your \$1 billion share buyback over 2016 and the SO.F.TER. acquisition change the calculus there or are you still committed to buying back \$1 bend of 2017?		
Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.	A	
No, it doesn't change the calculus. We're still committed to that.		
Frank J. Mitsch Analyst, Wells Fargo Securities LLC	Q	
Thank you so much.		
Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp. Thank you.	A	
Chuck Kyrish Vice President-Investor Relations, Celanese Corp.	A	
Thanks, Frank. Gary, let's move to the next question, please.		
Operator: The next question comes from P.J. Juvekar with Citi. Please go ahead.		
P.J. Juvekar Analyst, Citigroup Global Markets, Inc. (Broker)	Q	
Yes. Hi. Good morning, Mark.	·	

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Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

Morning, P.J. How are you?

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc. (Broker)

Well, you described - good, good. You described the macro as deflationary in your comments and your overall year-over-year pricing was down 9%. Big part of that was Acetyl, but AEM was also down 4%. Now that oil prices have stabilized, what's preventing you from getting pricing or is price increases not sticking?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.



I think my comment, I probably should've changed that comment. I think we have been in a deflationary environment. And P.J., you and I have talked about that on a couple of occasions. There are trends that would say that that's - I don't want to say Indian, but it certainly has bounced on the bottom and is trending back up, everything from the movements we've seen recently in oil; if you look at the movements in coal which have been quite dramatic in China, we're seeing some movements in methanol; of course, ethylene is stronger. So I think we're moving back to some inflation.

And to answer your question, is there a reason we can't go get that, the answer is no. I mean, we look hard to make sure we can find ways to go extract incremental value and we don't like any raw material inflation. But what I will say is that there's been a bit of a – these things happen very quickly, so [ph] sometimes is due to start (16:03) for a month or two. But generally speaking, I think it bodes well for the establishment of a floor to the deflation that we've seen in the world and hopefully some growth is going to start to now occur.

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc. (Broker)



Okay. Thank you. And then on your SO.F.TER. acquisition, how do SO.F.TER. margins compare to yours and sort of can you give us some ballpark idea for what kind of multiple was paid, given your cheap financing? Thank you.

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.



Yes. Let me have Scott tackle the margins.

Scott McDougald Sutton



Executive VP & President-Materials Solutions, Celanese Corp.

Yes. Hi, P.J. Yes, I would say with regard to the margins, I mean, they are lower than our base business right now, but there's a lot of opportunity for synergy there, P.J. We're not - we still have to close this. We'll get it closed in December, so we're really not disclosing the price. But just to give you a feel for the size of it, it's roughly \$300 million a year in revenue.

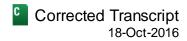
P.J. Juvekar

Analyst, Citigroup Global Markets, Inc. (Broker)



Thank you.

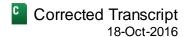
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Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.	A
Yes.	
Chuck Kyrish Vice President-Investor Relations, Celanese Corp.	A
Thanks, P.J. Gary, let's go to the next question, please.	
Operator: The next question comes from David Begleiter with Deutsche Bank. Please go ah	ead.
David I. Begleiter Analyst, Deutsche Bank Securities, Inc.	Q
Thank you. Good morning.	
Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.	A
Good morning, David.	
David I. Begleiter Analyst, Deutsche Bank Securities, Inc.	Q
Mark, you announced – morning. Thank you. Mark, you announced some price increases in C in China. Could you talk about right now what's happened in China from an asset perspective those market conditions progressing through into next year?	
Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.	A
Well, I think right now, at this moment, the trends in China are good. We've seen some traction driven by, I think, David, the residual effects of the inflation in coal and in methanol. Capacity us still quite low in China, but we're seeing some evidence of apparent tightening in the marketplastic product of the inflation of the inflation of the inflation in coal and in methanol.	utilization rates are
So, I think the trends are good with that. We also have, by our math, maybe 3 million tons of n consumption coming into that market through MTO expansions as we enter next year, so call year, which is also going to bode well for keeping the pressure on methanol and hopefully get inflation there.	it the first half of the
So, I think what I'll just say to you is that we're encouraged by what we see, but it is, at the encourements in what is a market that is still pretty sloppy. So, we'll take it day by day here and better update in January.	
David I. Begleiter Analyst, Deutsche Bank Securities, Inc.	Q
Very good. And Mark, just on the M&A pipeline, how is the pipeline now ex-SO.F.TER.? Are the	here still

opportunities out there going forward?

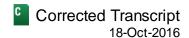
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Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.	A
Yes, sir. We hope to make this a habit of routinely announcing new deals.	
David I. Begleiter Analyst, Deutsche Bank Securities, Inc.	Q
Thank you very much.	
Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.	A
Thanks a lot, David.	
Chuck Kyrish Vice President-Investor Relations, Celanese Corp.	A
Thanks, David. Gary, let's go to the next question, please.	
Operator: The next question comes from Bob Koort with Goldman Sachs. Plea	se go ahead.
Robert Andrew Koort Analyst, Goldman Sachs & Co.	Q
Thanks very much. Good morning.	
Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.	A
Good morning, Bob.	
Scott McDougald Sutton Executive VP & President-Materials Solutions, Celanese Corp.	А
Hi.	,
Robert Andrew Koort Analyst, Goldman Sachs & Co.	Q
Mark, can you just talk a little bit about — I know you mentioned coal prices are unaphtha. Methanol is up. Do you guys do better in that environment because you how do you flex your plans and how do you optimize that given you're buying coinputs in China?	u can produce out of Singapore or
Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.	A

Well, if you look at it today, there's probably order of magnitude, if you look at coal prices today in China, there's anywhere between \$50 a ton and \$100 a ton, depending on how you do the math, advantage of being in Singapore on ore-based versus the coal-based in China. Now, of course, when oil gets back in the \$100 range, that situation reverses. Bob, so right now, it's to our advantage. So, we're running very, very hard in Singapore and moving that material mostly outside of China, we can also move it into China as well and compete in regions or areas of China we don't normally compete in.

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Robert Andrew Koort

Analyst, Goldman Sachs & Co.

Got it. Thank you. And then on filter tow, can you give us some characterization of how you see the market in and outside of China, maybe some comments around pricing or operating rates? And I know you talk about resetting annual contracts and your competitors have talked about multiyear contracts. Can you speak to any developments there? Thanks.

Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp. I'll let Scott – Scott, you want to give it a shot? Scott McDougald Sutton Executive VP & President-Materials Solutions, Celanese Corp.

Yes. Sure. Yes. Thanks. I would - overall, I mean, if you think about outside of China, industry utilization is roughly around 80%. We've said that before and it's sort of sticking there. But when you take a look at China, the assets that are on the ground in China run full out all the time. What has changed is the imports going into China and we don't see that drop in imports changing over the next couple of years.

Robert Andrew Koort Analyst, Goldman Sachs & Co. Great. Thank you. Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp. Thanks, Bob. Chuck Kyrish Vice President-Investor Relations, Celanese Corp. Thanks, Bob. Gary, let's go to the next question, please. Operator: The next question comes from Jeff Zekauskas with JPMorgan. Please go ahead.

Jeffrey J. Zekauskas Analyst, JPMorgan Securities LLC

Thanks very much.

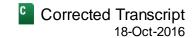
Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.

Good morning, Jeff.

Jeffrey J. Zekauskas Analyst, JPMorgan Securities LLC

Can you - hi. Good morning, Mark. In your AEM business, I think your revenues were flat sequentially, but your volume was up 16% year over year, I think, maybe it was 8% in the second quarter. Why is it that there was so little revenue change sequentially? Were volumes up sequentially or were they flat? How do they compare?

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Scott McDougald Sutton

Executive VP & President-Materials Solutions, Celanese Corp.

Yes. Sure. Okay. Yes, thanks. This is Scott. And what I'll say is sequentially, I mean, Q3 is just not quite as big a volume guarter for us traditionally, so you see some slight drop in volumes sequentially. But what's interesting this year, of course, the volume drop is not as much as it's been in the past. Certainly, just like you said, year on year, volumes are up quite a bit and that's the perfect comparison to do for demonstration of the pipeline.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Okay. Great. And then for my follow-up, is SO.F.TER. a competitor of yours or who are SO.F.TER.'s key competition? And is the benefits that you expect to get from the acquisition more cost reduction or is it from a faster rate of growth or if you had to balance those two factors, how do you see it?

Scott McDougald Sutton

Executive VP & President-Materials Solutions, Celanese Corp.

Yes. I mean, what I would say about SO.F.TER., I mean they're not a competitor of ours. I mean this is very complementary. If you think about Celanese, we have nine different polymer platforms that we operate out of. Well, SO.F.TER. adds eight more to it, so we go from 9 to 17.

What's interesting is about three of their platforms are in engineered thermoplastics, which we are too, but six are actually in the soft stuff, elastomers or TPEs. And I think there'll be very good integration of customers and channels, as well as we get those additional selling opportunities.

So following on that, I mean the main uplift or synergies, a lot of it is going to be more solutions, better business, bigger positions with customers. There's also going to be quite a number of manufacturing and supply chain enhancements too. So you get the lift from both cost synergies as well as revenue synergies.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

And who are their key competitors?

Scott McDougald Sutton Executive VP & President-Materials Solutions, Celanese Corp.

Well, I guess there's a number. But if you look at other people that are in elastomers, that's really your best view of who might see SO.F.TER. as a competitor.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

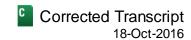
Okay, great. Thank you so much.

Chairman, President & Chief Executive Officer, Celanese Corp.

Yes.

Mark C. Rohr

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Chuck Kyrish

Vice President-Investor Relations, Celanese Corp.

Thanks, Jeff. Gary, let's go to the next question please.

Operator: The next question comes from Jim Sheehan with SunTrust Robinson Humphrey. Please go ahead.

James M. Sheehan

Analyst, SunTrust Robinson Humphrey, Inc.

Morning. Mark, is your view that you expressed on the filter tow business for 2017 really any different today than what you've communicated previously?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

No. It's still within that range and that's as good as we can call it today, Jim. I don't see it being better than \$0.30 down. I don't see it being worse than \$0.40 down. So it's somewhere in that range.

James M. Sheehan

Analyst, SunTrust Robinson Humphrey, Inc.

Great. And in acetyl intermediates, can you elaborate more on what you mean by commercial strategies benefiting you in 2017? How much of that is sort of better supply and demand in the market and how much of that is sort of strategies that you're bringing to bear?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

Well, I think the strategic way we work that business has not changed, Jim. We're very active and very aggressive and really making sure we understand the market, understand the windows of opportunity to move materials around and we found ways to take advantage of that given our global mix in both production and distribution logistics.

What I'm trying to say in there is that I think we're seeing affirmation of the bottom and upside in that business. And as they subside, what we always see is more opportunity surface because of that. And you also see incrementally more margin appearing in the products which gives you more ability to benefit from the steps you take. So, we think the platform is strengthening. But I'm a little cautious in how much to boast about that right now because the market is really in a tremendously – in a situation of tremendous overcapacity. And we've just – we've not had lot of weeks, even months of good performance, Jim.

James M. Sheehan

Analyst, SunTrust Robinson Humphrey, Inc.

Thank you.

Chuck Kyrish

Vice President-Investor Relations, Celanese Corp.

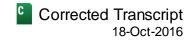
Thanks, Jim. Gary, next question, please.

Operator: The next question comes from Mike Sison with KeyBanc. Please go ahead.

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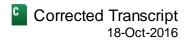


Michael J. Sison Analyst, KeyBanc Capital Markets, Inc.	C
Hey, guys. Nice quarter. Almost as nice as the Indians win, but	
Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.	Δ
Thanks, Mike.	
Michael J. Sison Analyst, KeyBanc Capital Markets, Inc.	C
You're welcome. But just curious, in terms of AEM, you're on track to generate 200 to 300 new land then, you talked about another 200 to 300 for next year. EBIT went up \$60 million to \$70 mi is that a good rule of thumb for what the launches produce in terms of EBIT as we head into 2017.	llion in 2016. So,
Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.	Δ
Yes. I think we're all shaking our head, yes. I mean, I think that's pretty reasonable.	
Michael J. Sison Analyst, KeyBanc Capital Markets, Inc.	C
And does the 2017 outlook include SO.F.TER. in terms of launches?	
Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.	Α
In theory, it does.	
Michael J. Sison Analyst, KeyBanc Capital Markets, Inc.	C
Okay. And then, last question, in terms of how you're going to get this business to be two times to better, is it just simply moving them into this launch, new product launch process and just driving business?	
Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.	Д
It's mostly revenue. That's right. We're not looking at this as having tremendous synergy effects. there's going to be some tremendous impact in our ability to work together. These are great, great women in SO.F.TER. and they do a phenomenal job, well, well respected by our customers. Like — and we've already had a number of complementary kind of calls of folks that are, one, glad we've and glad to have more opportunities now to work with us. So it's really all about growth and complementary.	at men and we said, we are re doing the deal
Michael J. Sison	

Analyst, KeyBanc Capital Markets, Inc.

Great. Thanks.

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Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.	A
Thanks, Mike.	
Chuck Kyrish Vice President-Investor Relations, Celanese Corp.	A
Thanks, Mike. Gary, next question, please.	
Operator: The next question comes from Arun Viswanathan with RBC. Please g	o ahead.
Daniel DiCicco Analyst, RBC Capital Markets LLC	Q
Hi. This is Dan DiCicco on for Arun. Thank you for taking my question.	
Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.	A
Dan, how are you?	
Daniel DiCicco Analyst, RBC Capital Markets LLC	Q
Good. As has been mentioned, we've seen spot methanol, acetic VAM all tick up talk about how this could impact margins just along the chain in the quarter and the that we should be thinking about?	-
Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.	A
Well, there's always a little bit of lag effect, but margins have been so low that it's now. We need to see – to be honest, we need to see more of it sticking and we'd increases really to start to see material impact. I think this is a 2017 story versus a	probably need the next round of
Daniel DiCicco Analyst, RBC Capital Markets LLC	Q
Okay. Thanks. And then as a follow-up, you guys provided expectations of \$0.35 product launches in 2017. Do you guys have a similar number for 2016 just in term	
Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.	A
Scott?	
Scott McDougald Sutton Executive VP & President-Materials Solutions, Celanese Corp.	A
Yes. I mean, Dan, I would answer the same way. I mean, you see the projected g	

over 2015. So you get the same kind of cycle going.

Celanese Corp. (CE) **Corrected Transcript** Q3 2016 Earnings Call 18-Oct-2016 Daniel DiCicco Analyst, RBC Capital Markets LLC Okay. Great. Thank you. Chuck Kyrish Vice President-Investor Relations, Celanese Corp. Thanks, Dan. Gary, next question, please. Operator: The next question comes from Aleksey Yefremov with Nomura Securities. Please go ahead. Aleksey Yefremov Analyst, Nomura Securities International, Inc. Good morning. Thank you. Just to confirm, the \$0.35 to \$0.45 growth in AEM that you expect next year, does it include the \$0.10 contribution from SO.F.TER. acquisition? Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp. Aleksey, we're saying yes, but you understand, this is a very early spin on that. So, I wouldn't read - I like it to be within \$0.10 of being totally accurate on all these numbers. But right now, we're saying yes. Aleksey Yefremov Analyst, Nomura Securities International, Inc. Okay. Great. Thank you. And your press release mentions that you have some new products within orthopedic devices in a - can this potentially be a much bigger business and what types of devices or implants are you involved in right now? Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp Yes. That's a prior press release, Scott. Scott McDougald Sutton Executive VP & President-Materials Solutions, Celanese Corp. Yes. I mean, yes. Aleksey, that's probably from a prior press release. But of course, I mean, we're involved in a couple things, implants, knee implants, hip implants, these kind of things. We're also involved in drug delivery devices where our materials were actually the excipient. We do have some new development in the drug delivery area. Most of our medical development is actually in devices that are outside of the body and we have quite a number of projects in our pipeline for that. Aleksey Yefremov Analyst, Nomura Securities International, Inc.

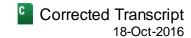
Chairman, President & Chief Executive Officer, Celanese Corp.

Great. Thank you very much.

Mark C. Rohr

Thank you.

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Chuck Kyrish

Vice President-Investor Relations, Celanese Corp.

Gary, next question please.

Operator: The next question comes from John Roberts with UBS. Please go ahead.

John Roberts

Analyst, UBS Securities LLC

Thank you. Back to the SO.F.TER. competition question. Are most of the competitors back integrated into resin production or polymer production as well or is SO.F.TER.'s competition primarily compounders that are not integrated like SO.F.TER.?

Scott McDougald Sutton

Executive VP & President-Materials Solutions, Celanese Corp.

Yes. John, I mean – this is Scott. I would say that you have both. I mean, you have some primary players that are back-integrated into, let's call it, one or the other polymers, right. But you still have quite a number of independents that are involved in adding the technology through compounding and through solutions with the customers.

John Roberts

Analyst, UBS Securities LLC

Okay. And then...

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

John, let me just add a comment on that. I think what we have found in this business is there is pure and unique polymer technology in some areas and there's pure and unique compounding technology in some areas. And in both cases, they're sort of generic material. So we're all about that technology. So when we look at a group like SO.F.TER. and work with them, they bring a lot of unique and not easily reproducible technology due to the compounding process like we do. And so we don't, at all, look at that as being a disadvantage of not being back-integrated. In fact if it does, it's a real advantage. They're not big because you can really go out and buy different materials and really play a pretty strong game in raw material base.

John Roberts

Analyst, UBS Securities LLC

And then on slide four where you have step 6 next project system step-up, is there an easy way for you to just remind me what that encapsulates?

Scott McDougald Sutton

Executive VP & President-Materials Solutions, Celanese Corp.

Yes. I mean, sure, John. I mean as we add more and more here, I mean we're driving to an outcome where we're able to launch 2,000 projects a year instead of the 1,300 that we're at now. And so it just involves adding capabilities to our unique model and our unique pipeline system where we're able to represent the broadest platform in the industry to customers and we're also able to juggle the 6,000 projects at the same time that it takes to launch 2,000. So that is really just enhancing our model. You see it as step 6 on the slide.

Celanese Corp. (CE) Corrected Transcript Q3 2016 Earnings Call 18-Oct-2016 John Roberts Analyst, UBS Securities LLC Okay. Thank you. Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp. Thank you. Chuck Kyrish Vice President-Investor Relations, Celanese Corp. Thanks, John. Gary, next question, please. Operator: The next question comes from Hassan Ahmed with Alembic Global. Please go ahead. Hassan I. Ahmed Analyst, Alembic Global Advisors LLC Good morning, Mark. Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp. Good morning, Hassan. Hassan I. Ahmed Analyst, Alembic Global Advisors LLC Just wanted to chart a bit about the AI guidance you've given for 2017. You talked about \$0.25 to \$0.35 of yearover-year increment in 2017. Just trying to get a sense. With all of the moving parts, coal prices rising, methanol prices rising and the like, what sort of a methanol pricing environment are you baking in, in this \$0.25 to \$0.35 increment? And associated with that, just purely directionally, I mean, are you talking about further increments in methanol pricing and then you being able to pass those along and then some? Just trying to get a sense of direction. Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp. Yes, this is - what we do this time of year is we go through a process of really range-finding on what we think the value our machine can deliver through the next year. So, you need to appreciate these are pretty superficial numbers. We've not taken credit for any kind of extraordinary enhancement in methanol pricing and margin, it could, in theory, roll through the chain, if that happens. What I will say is that the trends are encouraging in that regard. But there's not baked into these numbers a miraculous recovery in margins out there. It's just - it's what we'll deliver

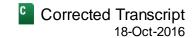


kind of with things the way they are.

Hassan I. Ahmed

Analyst, Alembic Global Advisors LLC

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Fair enough. Fair enough. And as a follow-up, obviously much said about the tow business. I mean, you're talking about continued weakness in 2017. As I look at it, it's obviously a relatively consolidated business, right? But is there – are there opportunities out there? Are people in the industry talking about further consolidation, if possible at all?

And if that is the case, would you guys consider yourselves consolidated, or would you, if the environment continues to remain sloppy, would you guys potentially consider even divesting that business?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

Δ

Yes. Let's start at the top, Hassan. I think the business has historically been well managed by the players that are in the business and they've been really thoughtful and I think they will continue to be thoughtful as we go forward. The offsets occur because of the reduction of imported material going into China which we've talked at length about. And we've been very clear and as usual, the first ones to talk about that stuff. So we've weighed that out pretty well. So you've gone from 100% capacity to, as Scott said, roughly 80% capacity. So the choppiness you see now is really that – is more that than fundamental decline in cigarette consumption. In fact, we saw some data the other day that would indicate with all these mess and struggles in China that they've gone from 2.5 trillion or 2.6 trillion sticks down to 2.45 trillion to 2.5 trillion; I mean so a 6% to 7% kind of reduction in volume.

So there's not been – it's been disproportionate the impact of this, so I think the fundamentals of the business are still pretty good. What I'll also say is the industry has independently done a lot to rationalize capacity. I mean, this was the business that was in the fibers business. So you think definitely larger capacity in terms of unit operations than what we have in place today. So my belief is the industry will continue to be good stewards. My belief is it's very easy to understand sequence that we're going through will work its way through the system in the years to come out there.

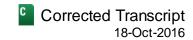
Will the industry have opportunities to consolidate further? Yes, perhaps. I mean, Solvay is rumored to be selling their business. I don't know the status of that. You guys can call them and see if that's true or not. So I think there are people who do look for whether they should have other options that are out there. But as for us, we're focused on what we do and what we can control and that's kind of where our head set is.

Hassan I. Ahmed Analyst, Alembic Global Advisors LLC	Q
And you do consider your business pretty core?	
Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.	А
Pretty core, is that what you said?	
Hassan I. Ahmed Analyst, Alembic Global Advisors LLC	Q
Yes, as in – you won't really be a seller, would you?	
Mark C. Rohr	Λ

Yes, we like it. It makes a tremendous amount of money. And I know it causes people a little bit of anxiety, but I think if you look at it, be mindful there's a zero tax based on this. Be mindful that you're selling [ph] a business that

Chairman, President & Chief Executive Officer, Celanese Corp.

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will (37:50) have some consternation over. It's hard to see how it makes economic sense for shareholders to sell it.

Hassan I. Ahmed

Analyst, Alembic Global Advisors LLC

Very helpful. Thanks so much, Mark.

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

Thank you.

Chuck Kyrish
Vice President-Investor Relations, Celanese Corp.

Great. Thank you. Gary, next question, please.

Operator: The next question comes from Kevin McCarthy with Vertical Research Partners. Please go ahead.

Kevin McCarthy

Analyst, Vertical Research Partners

Yes. Good morning. Mark, the SO.F.TER. deal is the first chunky one we've seen in a little while and I was intrigued by your comment that you expect to make a habit of new deals down the road. Can you talk a little bit about the recent upgrade to investment grade and where you see balance sheet leverage trending over the next couple of years? Is it the case that you would consider yourself underleveraged or more of the case where you're looking at deploying excess cash and keeping the balance sheet in the same zip code?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

Let me start with that. I'm going to put Chris in a box to say we're definitely underleveraged. But, Chris, why don't you [ph] take us through that point (38:48)?

Christopher W. Jensen

Chief Financial Officer & Senior Vice President, Celanese Corp.

Well, I guess now I know how to answer that question. How much we take on is really going to be correlated to whether we can continue to successfully close some acquisitions. And as Mark mentioned, we're excited about that becoming more of a habit. So, yes, there could be some more leverage. We closed this last bond seven years at 1.125%. So, that's extremely attractive for us and we're just trying to think our way through how we turn that into an advantage. By the same token, we understand the constraints of being an investment-grade company and we'll work with that.

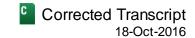
Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

Kevin, I think what we've really been doing is we've been working for a long time to do two things. One is to build a model. If you look particularly in Materials, build a model that is leverageable.

So we think we've done that. And part of that process is, as Scott has outlined and showed us on slide 4, I guess it is, is that we think the ultimate test of this process – the ultimate proof of this process will be our ability to go out

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and acquire businesses that are good fundamental businesses but have not been levered the way we are levered, by that, I mean it's with the customer breadth we have and depth we have of products. And so, we believe that we'll be able to take this and multiply the value of this several times.

And so, you need to think of us as having a view that we can spend a little bit of money, a modest amount -a reasonable amount of money given our cash flow, take on reasonable leverage and get multiples out of that.

And so, we look at this as a multibillion dollar accretive model for our shareholders and that's what we're focused on doing. So this is the first and we believe there'll be many more and that's what our intent is next year and year after that and year after that. Just keep growing us out and that machine should add – it's going to add a lot of value for our shareholders.

Kevin McCarthy

Analyst, Vertical Research Partners

I appreciate the color there, Mark. Second question, if I may, on productivity. Would you address where the \$70 million in identified savings might be coming from across your portfolio maybe on a segment basis and – I don't know if it's pretty mature on the incremental \$30 million, that would get you to \$100 million, but if you've got any insight into fertile ground for digging there, we would be interested.

Christopher W. Jensen

Chief Financial Officer & Senior Vice President, Celanese Corp.

I think we can provide a little more on that in the next call. It is all around the business though. It's not just focused in any one area. I think you can generally think a lot of this coming from the supply chain, so the folks – the good folks at our plants just have a tremendous history of figuring out better ways to do things year in and year out. So a lot of this is energy reduction. A lot of it is figuring out how to use lower-grade materials and in some cases, that's been worth tens of millions of dollars on a given project. So it's pretty ingrained in the organization. It's a skill set that we'll bring to bear as we continue to do these acquisitions as well.

Mark C. Rohr Chairman, President & Chief Executive Officer, Celanese Corp.

And in January, we'll give a better distribution of that.

Kevin McCarthy

Analyst, Vertical Research Partners

Great. Thank you very much.

Mark C. Rohr
Chairman, President & Chief Executive Officer, Celanese Corp.

Thanks, Kevin.

Chuck Kyrish
Vice President-Investor Relations, Celanese Corp.

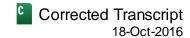
Thanks, Kevin. Gary, we'll take one last question.

Operator: The last question comes from David Wang with Morningstar. Please go ahead.

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David Wang

Analyst, Morningstar, Inc. (Research)

Hi. Thank you for taking my question. I just had one on the margins within AEM. I mean, they've come up quite significantly over the past couple of years, I think, they're having perhaps some record levels now. I was wondering what you think about the sustainability of these margins considering that we've seen pricing decline, at least, on a year-on-year basis. Are the products sufficiently differentiated that you think the current high level of margin is the run rate going forward or would you see some more pressure on that going as you look into the coming years?

Scott McDougald Sutton

Executive VP & President-Materials Solutions, Celanese Corp.

Yeah. Sure, David. I mean I would say that most of that margin expansion, right, has come from upgrading portfolio, upgrading projects, upgrading commercial activity. The pricing decline that you do see is more about regional mix. However, going forward, I mean, you see us doing things like the next step, a SO.F.TER. acquisition here. There could be another one after that. So, you might see some decline in margin percentage, sort of a slow one over time, but of course that is completely offset by the absolute increase in profit.

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

Yes. The deals we're pulling in, generally speaking, David, it's impossible to match our margins and it's impossible to match our return on capital. So, they will have a dilutive impact to some extent, but as Scott said, we think that's going to be easily understood, easily pointed out to folks. So, I would think from a big picture point of view, you're going to see it trend down, but that's not a bad thing. It's going to trend down for a lot of good reasons.

David Wang

Analyst, Morningstar, Inc. (Research)

And as you guys make these further, I guess, add-on acquisitions, because we're lower margin, I was wondering if you can talk about whether or not you think their products are sufficiently differentiated or have some kind of competitive advantage versus what others might be offering. Is there some stability to their margins or can those improve as well for the targets that you would be looking at?

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

Yes. I mean, Scott can give a lot of color on this, but we do deals not to just do a financial leverage. We really do deals to create a better business model and a better business model lets everyone prosper. We take the best of what they do and they take the best of what we do. And also when you combine those together and you get two and two equal five, and you're going to perform for your more customers better, extract more incremental value because we're solving bigger problems.

So, we don't look at this like a can of soup on the shelf and we'll just find a different manufacturer of a can of soup. It really is – it's a different concept now to us which is technology, access to markets and applications of expertise and putting those together in a way that we really [ph] get to solve any (45:33) problems. So that platform is what we get when we – the extension of that platform is what we get when we bring in a new great company like SO.F.TER. and that's how we extract higher value than, let's say, what the value of that can of soup is what they sell.



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Corrected Transcript
18-Oct-2016

David Wang

Analyst, Morningstar, Inc. (Research)

All right. Great. Thank you.

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

А

Thank you.

Mark C. Rohr

Chairman, President & Chief Executive Officer, Celanese Corp.

Great. We'll wrap things up here. Thanks, everybody, for your time today. We'll be around for questions later today. So, Gary, at this point, I'll turn the call back over to you.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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