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Celanese Corp. (CE)

Q2 2015 Earnings Call

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Jon Puckett

Vice President-Investor Relations

Mark C. Rohr

Chairman & Chief Executive Officer

Chris Jensen

Senior Vice President, Finance

OTHER PARTICIPANTS

Patrick Duffy Fischer

Barclays Capital, Inc.

John P. McNulty

Credit Suisse Securities (USA) LLC (Broker)

Vincent S. Andrews

Morgan Stanley & Co. LLC

David I. Begleiter

Deutsche Bank Securities, Inc.

Frank J. Mitsch

Wells Fargo Securities LLC

Brian P. Maguire

Goldman Sachs & Co.

P.J. Juvekar

Citigroup Global Markets, Inc. (Broker)

Laurence Alexander

Jefferies LLC

Hassan I. Ahmed

Alembic Global Advisors LLC

John E. Roberts

UBS Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Hello. Welcome to Celanese Second Quarter 2015 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 Jon Puckett. Please go ahead, sir.

Jon Puckett

Vice President-Investor Relations

Thanks, Keith. Welcome to the Celanese Corporation's second quarter 2015 conference call. My name is Jon Puckett, Vice President of Investor Relations. With me today are Mark Rohr, Chairman and Chief Executive Officer; and Chris Jensen, Senior Vice President-Finance.

The Celanese Corporation's second quarter 2015 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 on our website in the Investor Relations section under Financial Information. The earnings release, non-GAAP reconciliations, presentation and prepared comments have been submitted to the SEC in a current report on Form 8-K.

This morning, we will begin with some 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 & Chief Executive Officer

Thanks, Jon, and good morning, everyone. Our prepared remarks were released with earnings, so I'll keep my comments brief and open the line for your questions.

Our complementary value drivers, Materials Solutions and Acetyl Chain, helped us deliver our eighth consecutive quarter of year-over-year earnings growth and our seventh consecutive quarterly earnings record. During the quarter, we continued to align along our two cores by appointing Scott Sutton as President of Materials Solutions Group and Pat Quarles as President of the Acetyl Chain. I'm really pleased to have these two accomplished leaders in place, who will enhance our commercial and operating discipline and help lead our growth initiatives.

Now, let's move on to consolidated results. It's a pleasure to report second quarter adjusted earnings of \$1.58 per share, representing a 7% growth year-over-year and 8% lower than the first quarter. For the company as a whole, second quarter revenue was \$1.5 billion, 2% higher than the first quarter on higher volumes in both cores, which was partially offset by slightly lower pricing. Consolidated adjusted EBIT was \$325 million, realizing 22% margin, 340 basis points higher year-over-year. Sequentially, margin decreased 210 basis points.

Second quarter free cash flow was another quarterly record at \$176 million, driven by strong earnings and disciplined working capital management, putting us well on track to generate a second consecutive record for annual free cash flow, all-in-all a great quarter.

As we look for the remainder of 2015, we are confident in our unique ability to drive value across both cores, continued success with productivity initiatives and growing success in new product introductions. So we are increasing our outlook for earnings to a range of \$5.70 to \$6 per share for 2015.

Now, before we move to Q&A, I want to let you know we are planning on hosting an Investor Day this fall, and we'll get back to you with specific date and location shortly.

With that, I'll now turn it over to Jon for Q&A.

Jon Puckett

Vice President-Investor Relations

Thanks, Mark. Keith, let's turn it over for Q&A. And I just want to ask everyone to have one question and one follow-up and limited to that so we can get to as many questions as possible. Go ahead, Keith.



QUESTION AND ANSWER SECTION

Operator: Okay. Thank you. We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from Duffy Fischer with Barclays.

Patrick Duffy Fischer

Barclays Capital, Inc.

Yes. Good morning, guys and congrats on the nice quarter. Mark, I'm wondering if you can talk a little bit about the filter business. Obviously, we've gone through some destocking and a couple of quarters ago it was difficult for you to kind of see into what the inventory levels were like particularly around China. One, obviously volumes feel like they're a little bit better now, but how do you see things playing out the rest of this year and in next year? And do you feel better about your absolute ability to see what's happening in China today versus, say, six months or nine months ago?

Mark C. Rohr

Chairman & Chief Executive Officer

Yeah, Duffy. Thanks for the question. As we entered the year, we shared what we had picked up and learned from our partners over there. And since then, the business has performed as they have said it would. As we look to the rest of the year, to be perfectly honest though, we don't have as much clarity exactly what the 300 million Chinese smokers are doing over there. So the consumptive behaviors and what the impact is on the inventory, honestly I just can't say. What we expect is that when I kind of look through that, the trends in smoking are not changing that much. And we think that on a year-over-year basis, we'll be able to drive earnings in this business. But regarding the second half, just exactly what it looks like, I can't say.

Patrick Duffy Fischer

Barclays Capital, Inc.

Fair enough. And then on AEM, we are getting some early indications that the Chinese auto production is slowing down. One, can you remind us how much leverage does AEM have to that Chinese auto business? And then two, what have you guys seen, or what would you expect the next couple of quarters from the Chinese auto business for AEM?

Mark C. Rohr

Chairman & Chief Executive Officer

Yeah, the Chinese auto business clearly is slowing down. Our overall exposure to that segment though is pretty small. We've had great growth but it's from a pretty small base. So as we look at what we've done over the last year, Duffy, I'll put it in perspective, we had just unbelievably great growth in that segment in our penetration of autos. And we found ourselves growing at a multiple of that market price, three times that market. We expect that to continue. And so I think subtle movements in the market in China, right now I think they're forecast to be down 1 million units. We don't think it's got a material impact on our business.

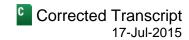
Patrick Duffv Fischer

Barclays Capital, Inc.

Terrific. Thanks, guys.



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Jon Puckett

Vice President-Investor Relations

Thanks, Duffy. Keith, let's move to the next question.

Operator: Thank you. And that comes from John McNulty from Credit Suisse.

John P. McNulty

Credit Suisse Securities (USA) LLC (Broker)

Yeah. Good morning. Thanks for taking my question. So when we look at 2015, you had two kind of large hiccups coming in, the cigarette destock and the methanol kind of hole that you're in the process of filling. I guess it looks like, maybe, the methanol hole may have been a little less deep just because of pricing and maybe the fiber business, it seems like it maybe held up a little bit better than expected in the second quarter. So I guess, when you think about the sequencing from 2015 to 2016, I think you had originally said \$0.25 roughly or \$0.25 to \$0.30 for each of those holes. How has that changed as we're looking to 2016 now versus 2015?

Mark C. Rohr

Chairman & Chief Executive Officer

Well, let's start with methanol which is an easier one to talk about. We continue to find ways to push that project forward in spite of the impact that rains have had on us in the construction. We expect to be online and running, as we hit October of this year. Methanol price has come up a little bit and natural gas prices a little bit. So I think every time we talk to you, we pull back a bit that annualized impact. So this year, that number is somewhere in the \$50 million range. I don't think it'll be lower than that, but I expect it to be lower than \$60 million. And depending on how you cut it, I think it's certainly lower than that next year. So I believe the numbers that we threw out last time are probably still appropriate.

When you look at cellulose derivatives, we're quite confident we'll grow profit year-over-year in that business. We're taking a number of steps to further improve our cost profile in that business, and we're expecting volume growth in that business as well. So I think those numbers we put out earlier that you've quoted are pretty good.

John P. McNulty

Credit Suisse Securities (USA) LLC (Broker)

Okay. Great. And then just one last question. With regard to – it looks like you had some continued raw material relief. There may have been some puts and takes. It seemed like the spread between – certainly at least back of the envelope, it seems like the spread between pricing versus kind of some of the raw material moves seemed to be wider. So it looks like your ability to maybe maintain price or hold price seems to be a little bit better than maybe we expected. Can you kind of walk us through what might be driving that at this point?

Mark C. Rohr

Chairman & Chief Executive Officer

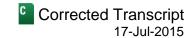
Well, in a broad sense, we have continued to work that – our pricing initiatives and programs across all the entire portfolio. We've had good success in materials, I think offsetting the impacts there. To be honest, we've actually had good success in the Acetyl Chain as well, although the impact of ethylene rapid increase in China in particular kind of smacked us in the face a bit this quarter.

So I would say that without getting into each product and each line within each product, the team is really focused on making sure that we are not victimized by negative swings in raw materials. And I think we've done a pretty

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Land Donalda H

Vincent S. Andrews



good job of that. And to the extent we can, we're driving margins even higher when raws fall in our businesses. So net-net, I would expect pricing to be a favorable tailwind for us as we enter the second half of the year.

John P. McNulty Credit Suisse Securities (USA) LLC (Broker)	Q
Great. Thanks very much.	
Chris Jensen Senior Vice President, Finance	А
Let me just add a little bit to that, down at the business level. The material space has done a really good journel following that. I mean if you go in and strip out the equity earnings from the base business and look at the last year Q2, this year Q1, this year Q2, it's a very strong story of what they've been able to do there. And elaborate more on Mark's comment on acetyls, like we told you, this currency headwind year-over-year, look at a full-year basis, is just massive. And you combine that with that methanol challenge are the properties.	nat trend, just to if you

with the nice margins that were there in VAM last year for various reasons and look at what that business is doing with price this year, they're doing a tremendous job of covering up a lot of these headwinds. While, year-on-year, your kind of headline earnings number would be down on that business, when you peel that apart, it's very strong performance.

Vice President-Investor Relations	F	
Okay. Thanks, John. Keith, let's move on to the next question.		
Operator : All right. Thank you and that comes from Vince	ent Andrews with Morgan Stanley.	
Vincent S. Andrews Morgan Stanley & Co. LLC	C	
Thanks. Good morning, everyone.		
Mark C. Rohr Chairman & Chief Executive Officer	A	
Good morning.		

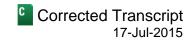
Morgan Stanley & Co. LLC Could you talk a bit about what Scott and Pat will be doing differently or incremental to sort of what you've had in place in the three years that you've been CEO? Maybe you can talk about this at your Analyst Day in the fall, but

just trying to get a sense of sort of where this is headed?

Mark C. Rohr Chairman & Chief Executive Officer

Yeah, Vincent, we've talked a lot about the ability to lever throughout that chain. I think we've tried to share without giving absolute specifics that we've been constrained, as a corporation, our ability to do that vis-à-vis the contract positions that we had taken long term in that business, and we're starting to unwind those contract positions to give us greater flexibility. That started with acetic acid and is now moving through the other

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derivatives, though we're simply, in a broad sense, Vincent, getting the ability to price and move our products in the marketplace as it makes sense to get a return on capital that we think is warranted for these businesses.

What Pat and Scott will be doing? Of course, Scott Richardson has been doing that for a while, but what Pat brings is a broader global perspective. I think with different products, it really helps us think through how we drive value in this chain. And they're going to be continuing to do that. You could see some further steps to drive productivity in that business as we go forward. Things like shutting down the pilot plant for ethanol, which is a good move, also benefits us from a productivity point of view there. So you'll see those guys working both the top line and the cost position of this business as we look forward and most importantly driving pricing.

Vincent S. Andrews

Morgan Stanley & Co. LLC

And then just as a follow-up in your emulsion polymers business, and you talked about 6% volume growth sequentially. Can you talk about why it was so strong that seems better than what I see the paint and coatings guys doing? And how much was it up year-over-year and just any context around that would be helpful?

Mark C. Rohr

Chairman & Chief Executive Officer

Vincent, what was the last question on the year-over-year?

Vincent S. Andrews

Morgan Stanley & Co. LLC

Just how much was volume up year-over-year? You said 6% sequentially, I believe, in your comments. I'm just curious what that compares against in the year-ago period and just sort of why that's so strong?

Chris Jensen

Senior Vice President, Finance

Yeah. Yeah. I'll get to the year-over-year, but, Mark, you want to just cover the...

Mark C. Rohr

Chairman & Chief Executive Officer

Actually, that's the first part of the question.

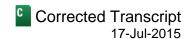
Chris Jensen

Senior Vice President, Finance

Okay. Yeah, Vincent, what we've got with what's going on in engineering materials is really a deep focus on projects that are opportunities and are going to drive value for the business. And one thing that Scott Sutton has brought to that business is an increased focus on the opportunities in the pipeline that are true opportunities with a customer that is aligned with us on the value that we're creating. And that's something that he's really gotten the whole organization moving in one direction on. And we've talked a lot about launches in that business and needing to launch about a thousand new products or applications annually, and that launch means to have a purchase order from a customer. And that's the real focus that Scott has brought to the businesses, less just ideation and a lot more opportunity focus. And so that's part of the reason why we've been able to drive such good results in that business.

Mark, do you want to add anything to that?

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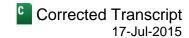


Mark C. Rohr Chairman & Chief Executive Officer

Yeah. I'm sorry, Vincent. The person I thought you were talking about is Scott Richardson and Pat working together. The thing I'll talk about both of these guys that really means a lot to me is that they really focus on return on capital. And so we're really driving all of our business decisions to make sure that we're continuing to push the ROIC in this corporation, and these guys bring a heightened sense to that. So each incremental step, every decision we make, we're debating and discussing that. And I think the power within that will show over time as we continue to drive returns and free cash flow out of this business.

Chris Jensen Senior Vice President, Finance	A
And Vincent, on the volumes year-over-year, it's pretty consistent.	
Vincent S. Andrews Morgan Stanley & Co. LLC	Q
Okay. Thanks very much, guys.	
Mark C. Rohr Chairman & Chief Executive Officer	A
Thanks.	
Chris Jensen Senior Vice President, Finance	A
You bet. Thanks.	
Jon Puckett Vice President-Investor Relations	A
Keith, let's move to the next question.	
Operator : Thank you and it comes from David Begleiter with Deuts	che Bank.
David I. Begleiter Deutsche Bank Securities, Inc.	Q
Thank you. Good morning.	
Mark C. Rohr Chairman & Chief Executive Officer	A
Good morning, David.	
Chris Jensen Senior Vice President, Finance	A
Good morning, David.	

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David I. Begleiter

Deutsche Bank Securities, Inc.

Hey, Mark, can you just walk us through globally acetic acid and VAM fundamentals? How you see the back half developing tightness or not tightness?

Mark C. Rohr

Chairman & Chief Executive Officer

Yeah. Well, in general sense, I think the industry is operating as it has been for a while, David, in the high 70%, low 80% capacity utilization, depending on how you do the math. When you look at it from a consumptive point of view, a lot of the world's acetic acid produced is consumed within China, maybe as much as 50% in some way. So the capacity utilization is largely a function of what's going on within China. And we've seen, in China, really pretty weak fundamentals across all industrial chemicals through this year. And we don't necessarily see that changing, David.

There're some trends that would indicate to me that volume is picking up in the coatings arena and some of the derivatives, and we've seen some benefit of that in our business. And we're seeing some benefits from a marginal point of view in raws there. But we expect just on the acid basis for the global consumption to remain pretty much as it has been which is very modest growth year-over-year. And we don't see anything fundamentally is going to change that short term.

On the VAM side, VAM can be impacted a lot by dramatic swings in ethylene, and we certainly saw that in China this last quarter with ethylene margins at maybe four times normal in that region and that put a short-term slam into that business. That's already reversing itself. So I think VAM margins will be increasing as we go through the year and going forward.

David I. Begleiter

Deutsche Bank Securities, Inc.

Very good. And Mark, just on AEM in the base business, you've had an exceptional first half of the year, if it's just operating profit. Can that be sustained in terms of both margins and dollars in terms of the momentum in the back half of the year?

Mark C. Rohr

Chairman & Chief Executive Officer

Well, if you look beyond, you get some elements of seasonality in there, David. So classically, the materials business show a pretty weak fourth quarter – pretty weak December, November. And so I think if I kind of take that seasonality out, I'll say yeah. I mean, in a broad sense, this business, we're going through step changes of improvement in the business. Jon had mentioned the new product introductions. We have a machine that's really working and employees are energized. And we put out a high water mark of a thousand per year. And we think we'll press that this year, which is not quite 2x but virtually 2x what we've done ever in our past.

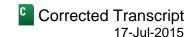
So yeah, I think the machine has changed. And in this first half, again with a little bit of seasonality thrown into the back half of the year, is indicative of the kind of growth that we'd expect out of that business.

David I. Begleiter

Deutsche Bank Securities, Inc.

Very good. Thank you very much.

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Mark C. Rohr Chairman & Chief Executive Officer	A
Thanks a lot, David.	
Jon Puckett Vice President-Investor Relations	A
Thanks, David. Keith, let's move to the next question.	
Operator : And that is Frank Mitsch from Wells Fargo Securities.	
Frank J. Mitsch Wells Fargo Securities LLC	Q
Good morning, folks.	
Mark C. Rohr Chairman & Chief Executive Officer	A
Good morning.	
Chris Jensen Senior Vice President, Finance	A
Good morning.	
Frank J. Mitsch Wells Fargo Securities LLC	Q

Hey, Mark, just wanted to say kudos on bringing Pat Quarles onboard. I had an opportunity to work a fair amount with him in the past, and a very solid individual. Wanted to talk about use of cash. You highlighted in the release — I don't know if it was under your commentary or Chris' commentary — the lowest net debt in company history. So that begs the question, you did mention some level of share buyback, consistent 2015 with 2014. What else can we look to Celanese to do in terms of its cash position?

Mark C. Rohr
Chairman & Chief Executive Officer

Well, we're trying to build and we've been working this, as you know Frank, over the last couple of years, really a commercial model that generates a lot of free cash flow and does that in a reproducible fashion. And Celanese has been beat up a bit in the past for being dependent on China and other things like that. And you can't look at our data today and say that any of that is still true anymore. This machine will run and we can run it without regard for these subtle influxes or subtle movements in regional economies around the world.

Our priorities have stayed the same, which is to say we kind of march through from investments in the business to having a sustainable dividend program to bolt-on kind of acquisitions to big acquisitions. We remain focused in trying to find the right bolt-on properties that are out there and do that in a way that it is instantly accretive to all the returns that we all care about, and I just want you to know that's real hard to do. So we're moving towards more of this being returned to shareholders, and we mentioned that we'll be at least at the level we were last year this year. And I'd expect later in the year, we'll talk more about how on a longer-term basis we can be more aggressive returning that cash to shareholders.

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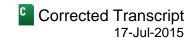


Frank J. Mitsch Wells Fargo Securities LLC	Q	
All right. That's very helpful. And Chris, in describing the foreign exchange headwind for 2015, you used the term massive. I think you fellows were talking about \$0.75 expectation at your Q1. Is that still in line with what your choughts were?		
Chris Jensen Senior Vice President, Finance	A	
So for the back half of the year, assuming it kind of stays in the range around \$0.35. I mean I think we said \$0.30 to \$0.40 in the material.	that it is right now, the euro, that's probably	
Mark C. Rohr Chairman & Chief Executive Officer	A	
Right. Yeah.		
Frank J. Mitsch Wells Fargo Securities LLC	Q	
All right. Terrific. Thanks so much.		
Jon Puckett Vice President-Investor Relations	A	
Thanks, Frank. Keith, let's move on to the next.		
Operator : Okay. And that comes from Robert Koort with Goldman	Sachs.	
Brian P. Maguire Goldman Sachs & Co.	Q	
Hey. Good morning, guys. This is actually Brian Maguire on for Bob.		
Mark C. Rohr Chairman & Chief Executive Officer	A	
Hey, Brian.		
Brian P. Maguire Goldman Sachs & Co.	Q	
Yeah. I think last quarter you maybe indicated the second quarter ear where you came in at, but I see you raised the full year by about \$0.10 changed to make you a little bit more conservative about the back hal in China maybe recently, but how conservative is that? And do you fe you since the first quarter earnings call?	D. Just wondering if there is anything that's f of the year. You mentioned some slowdown	
Mark C. Rohr Chairman & Chief Executive Officer	A	

No. I think we're just tightening up the range a bit. So I think that's the way you should look at it, that we put a pretty broad range out there when we started this. And we're trying to signal a tightening of that and an upward

Chairman & Chief Executive Officer

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movement and what we think the normalized number would be. That's what we're doing. So there's nothing. We're not looking at the back half of the year as foretelling of anything negative.

Brian P. Maguire

Goldman Sachs & Co.

Okay. Great. Just on the CapEx outlook, could you just provide an update for the year and maybe tied into that how the methanol plant is coming in versus your original budget? And maybe kind of an early look at 2016 as some of that spending on methanol dropped. Any kind of early feel for where CapEx might shake out next year? Thanks.

Chris Jensen

Senior Vice President, Finance

I'll take the CapEx question and Mark can give you an update on the project. So we're \$350 million to \$400 million for this year, net of the contributions that our joint venture partner gives back to us. And just as a reminder, when you're looking at our cash flow statement, you have to do that math since we consolidate that venture, the Mitsui share shows up down in financing. So you need to remember to net that against the CapEx that you see. So that number is probably \$350 million to \$400 million.

Going into 2016, as we get closer, we'll update you with specifics but it should go down. And I think generally, what you can expect here with that is increasing levels of free cash flow generated by the business and that's why we'll be talking to you more and more about shareholder returns as well.

Mark, do you want to talk about the project?

Mark C. Rohr

Chairman & Chief Executive Officer

Yeah. Well, it's really been a fantastic project. If you look at the success we've had constructing this very large world-scale plant in a very short period of time has been just phenomenal. We have had major impacts from rain, pressing 90 days since the start of the project and I was asked that day how is that possible? Well, we had planned in, in our project, some rain delays and some efficiency gains.

And so what we've seen is a project slide from what we really anticipate at one time will be a July kind of completion more to end of August kind of completion. So of those three months, it would probably cost us a month-and-a-half or so on what our perfect schedule would've been. Nonetheless, we expect to be operating by the 1st of October, and the plant's essentially complete now in terms of big items of equipment. We're in the commissioning stages, early commissioning stages of the plant as we speak. So I think it's gone pretty well.

Regarding cost, I think we'll be 15% over on the project, something like that, could be a skosh higher or a skosh lower, but that kind of range, it really boils down almost exclusively to construction efficiency. Part of that was the rain. We had to just increase staffing to manage those days, and part of that was really in the pipefitting and welding trades, which were pretty difficult for us. Everything else was absolutely very, very efficient as you would expect. So I think it's going to come in essentially 15% or something like that.

Brian P. Maguire

Goldman Sachs & Co.

Great. Thanks very much.

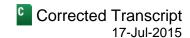
Celanese Corp. (CE) Corrected Transcript Q2 2015 Earnings Call 17-Jul-2015 Mark C. Rohr Chairman & Chief Executive Officer Thank you. Jon Puckett Vice President-Investor Relations Thanks, Brian. Keith, let's go to the next. **Operator**: Thank you and that comes from P.J. Juvekar from Citi. P.J. Juvekar Citigroup Global Markets, Inc. (Broker) Yes. Hi. Good morning. Mark C. Rohr Chairman & Chief Executive Officer Hi, P.J. How are you? Chris Jensen Senior Vice President, Finance Hi, P.J. P.J. Juvekar Citigroup Global Markets, Inc. (Broker) Yeah. Mark, you guys have announced several price increases in acetyls in the first half, but you talked about sort of weak operating rates in China. So are these price increases part of your new contract structure that you have in place now that you're getting rid of all these old index contracts? And then secondly on acetyls, you got a couple of moving parts on the raw materials side. You got ethylene costs that should come down with turnarounds coming to an end. And then you got this purchase to produce methanol thing. So can you talk about the raw material side as well? Thank you.

Mark C. Rohr
Chairman & Chief Executive Officer

Yeah. Give me one second. Let me get actual numbers here for you. But when you look at the raw material front, we had a negative impact of ethylene that could be measured maybe in \$20 million or so this quarter that kind of headwind, P.J. And it's probably going to reverse itself next quarter. So those two things are going to kind of wash out – you just kind of wash out, if I'll say, over this two quarter or three quarter period. And the fundamental sense I think that – what we've really done with these contract arrangements, P.J., and help running the business is to really minimize, if you will, the victimization of these sort of out-of-cycle spikes and movements in price. We're not totally free of it, ergo, some of the problems we had here, but we're getting to be largely free of big impacts relative to those things.

And P.J., the first question was what? I'm sorry.

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P.J. Juvekar

Citigroup Global Markets, Inc. (Broker)

Yeah, just talking about the price increases that you announced so far, and the fact that things are still a little weak in China.

Mark C. Rohr

Chairman & Chief Executive Officer

Yeah. They are. I mean I think they're – a lot of these markets are – if you look at the chain markets, they are much more regional. If you think of the acid market it's a more international case. So what you've seen is we're trying to be very open and transparent in what we're doing in the marketplace. And we're pushing pricing hard. And as Chris mentioned earlier, we've actually had great success overcoming what's been a big stack of unbelievable headwinds as we go into this year with currency and with methanol to name two of them. So I think they're just indicative of what we're doing and how aggressive we're being to drive value and see if we get a return on our invested capital in these businesses.

P.J. Juvekar

Citigroup Global Markets, Inc. (Broker)

Yeah. I just had a second question for Chris on all the write-downs that you had. Can you just talk through the logic of \$39 million ethanol plant write-down, which we know what it is, and then also \$5 million in business optimization charge, and then \$6 million on the Fairway Methanol?

Chris Jensen

Senior Vice President, Finance

Yeah. So the Fairway Methanol and TDU really kind of – the technology development unit are really kind of the same thing, so that was the decision to write off some assets in that ethanol activity that at this point, we really wouldn't need to further advance that technology, if we decide to do that. So as you know, we got the fully operational plant in Nanjing. It right now produces industrial ethanol. There's also a pilot plant, I believe, at our Clear Lake facility, separate from the technology development unit on a smaller scale. And we can advance the technology if we need to with those assets, so we thought that that meant it was the appropriate time to recognize that in our asset valuation.

Oh, your other question was business optimization?

P.J. Juvekar

Citigroup Global Markets, Inc. (Broker)

Yeah.

Chris Jensen

Senior Vice President, Finance

That's mostly the project costs associated with our European headquarter transition that is almost complete at this point.

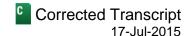
P.J. Juvekar

Citigroup Global Markets, Inc. (Broker)

Okay. Thank you.



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Jon Puckett Vice President-Investor Relations	A
Okay. Thanks, P.J. Keith, let's go to the next.	
Operator: Thank you and that comes from Laurence Alexander	with Jefferies.
Laurence Alexander Jefferies LLC	Q
Good morning.	
Chris Jensen Senior Vice President, Finance	A
Hey, Laurence.	
Mark C. Rohr Chairman & Chief Executive Officer	A
Hey, Laurence.	
Laurence Alexander Jefferies LLC	Q

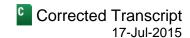
I guess two questions. Mark, can you give a sense for the structural improvement opportunities you have left over the next three years to five years and will the annual tailwind start to diminish? I mean is it going to get tougher to deliver the kind of cadence you've had the last couple of years? And secondly, as you look at the portfolio, do you feel that you have the right alignment given the choppiness that you're seeing in the end markets, particularly in AEM, or is there any repositioning or some bolt-ons that you need specifically for that business?

Mark C. Rohr
Chairman & Chief Executive Officer

So the first two are really kind of productivity questions, I guess, Laurence, and what we see is that we've kind of set in our minds that we need to be at a \$100 million run rate in our businesses. We're clearly going to get that this year. I think we'll get that next year. So my gut is that if you look at it and relative to this year's basis of \$100 million, we should be able to press, based on the things we've done this year, \$200 million next year. And I kind of don't think that's over. In other words, I don't think that's one-and-done. I think as we look at it, as Chris looks at it and others, there are opportunities for us to continue to drive further and further efficiency in our business and in the business model. So my belief is that kind of run rate growth should be something that we can continue for a little while anyway.

If you're looking at it from a portfolio point of view, there are chemistries we like to have, Laurence, in our business. And I kind of don't necessarily want to call them out specifically but we remain resolute in trying to find ways to bring them into our portfolio. They would involve acquisitions, primarily bolt-on acquisitions, and it's just been very hard for us to do. So that's an area that we have a similar team working, much like we do on our new product introductions. We want to get to a point we can be an M&A machine in bringing in small and bolt-on kind of properties to really enhance this model that we think is clearly differentiating us in the marketplace. But it's been a bit frustrating. We've not been able to — beyond CoolPoly, which is turning out great for us, we've not really been able to do as much of that as we want.

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Laurence Alexander

Jefferies LLC

And then on a similar vein with the cellulosics, in the past, there's been some discussion of repositioning some of those assets into other areas such as biopolymers. How long do you think that business has before you sort of can say those experiments are working or not working?

Mark C. Rohr
Chairman & Chief Executive Officer

Well, the experiments are working. We're having success with those biopolymers. It's just the uptake. When you're trying to replace tow, if that's a mindset that you have, it's going to take a lot of additional work for us to get to that point. So we're pleased with some of the progress we're having, particularly in CelFX that we're having out there, but it's just getting started, is how I'd say that, Laurence. A ways to go.

Laurence Alexander Jefferies LLC	C
Okay, thanks. Thanks.	
Mark C. Rohr Chairman & Chief Executive Officer	Д
Thank you.	
Jon Puckett Vice President-Investor Relations	A
Thanks, Laurence. Keith, let's move to the next question.	
Operator : And that's from Hassan Ahmed with Alembic Global	l.
Hassan I. Ahmed Alembic Global Advisors LLC	Q
Good morning, Mark.	
Mark C. Rohr Chairman & Chief Executive Officer	A
Good morning.	
Hassan I. Ahmed	

Just wanted to revisit the AI side of things. Obviously, a bunch of moving parts like you rightly said earlier. On one side of things, obviously, supply/demand fundamentals quite slack, the Southern contract was still alive and well in Q2, which obviously has expired now. So I guess you'll be contract-less at least for Q3. I'm just trying to figure out, you saw 420 basis points of sequential EBITDA margin declines. It seems the bulk of those come on the back of these higher ethylene prices. You mentioned \$20 million there. I'm just trying to get a sense of, in today's relatively slack acetyl supply/demand environment, what is the sustainable sort of EBITDA margin? Is it 15%? Is it 22% that you reported in Q1? Just trying to get a better sense of that.

Alembic Global Advisors LLC

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Mark C. Rohr Chairman & Chief Executive Officer	Д
We think it's 15%. But I'm not looking to this next quarter. But	
Hassan I. Ahmed Alembic Global Advisors LLC	C
No. No. Surely. I'm just talking about, let's say, utilization rates remain within the low 80%s.	
Mark C. Rohr Chairman & Chief Executive Officer	A
So pop over to next year, I would be surprised if it's not 15%. I mean from a sustainable point of vie of the position that we've taken and we think that is on average sustainable for a long period of time should have the ability on average to ratchet that up and we can do extraordinary things in the mar take advantage of certain situations.	e and we
Hassan I. Ahmed Alembic Global Advisors LLC	C
And it seems the way you've structured the contracts, you're trying to minimize the volatility there even on the upside, you won't see huge spikes; neither will you on the downside.	as well; that
Mark C. Rohr Chairman & Chief Executive Officer	A
Well, no, I'm okay for spikes to go up. I'm not trying to say those things, don't let that rumor get ou	t.
Hassan I. Ahmed Alembic Global Advisors LLC	C
Fair enough. Fair enough.	
Mark C. Rohr Chairman & Chief Executive Officer	Д
All we're trying to do is position ourselves to make sure — we're not trying to — we're trying to make the degrees of freedom to drive value and not subsidize customers over a long period of time should move against us. And the position we were in in a prior life in many ways is we were increasing vola pushing customers to buy volume they didn't need and just drive lower, lower, lower pricing or the around, we're running ourselves to a situation where the market was totally laid out and you have t flare-up in prices. So we are trying to mute, I think, the industry volatility. But on a day-to-day basi to maximize netback to Celanese in the return. Chris, do you want to make a comment?	d the market atility by other way his tremendous
Chris Jensen Senior Vice President, Finance	Д
I just wanted to clarify. I think your first question, you said EBITDA margin?	



Hassan I. Ahmed Alembic Global Advisors LLC

EBITDA, yes.

Celanese Corp. (CE) **Corrected Transcript** Q2 2015 Earnings Call 17-Jul-2015 Chris Jensen Senior Vice President, Finance Yeah. I think we're talking about EBITDA margin. Mark C. Rohr Chairman & Chief Executive Officer We're talking about EBITDA margin. Chris Jensen Senior Vice President, Finance Yeah, that's right. Hassan I. Ahmed Alembic Global Advisors LLC Okav. So... Chris Jensen Senior Vice President, Finance So EBITDA will be a couple of percentages higher than that. Hassan I. Ahmed Alembic Global Advisors LLC Okay. So call it 17%, 18% EBITDA? Chris Jensen Senior Vice President, Finance Yeah. It's about right.

.....

Chairman & Chief Executive Officer

Mark C. Rohr

Yeah.

Hassan I. Ahmed
Alembic Global Advisors LLC

Fair enough. And as a follow-up, obviously Clear Lake seems to be on track despite sort of headwinds from the rains and the like, but any further decisions regarding a second methanol plant?

rains and the like, but any further decisions regarding a second methanol plant?

Mark C. Rohr

Chairman & Chief Executive Officer

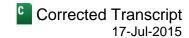
Yeah. We're continuing to work with our partner and we've reached out to some other potential interested parties, and two of them reaching out to us. So there's sort of a new consortium that's been formed to try to fund the ideal way to bring this on, the ideal location. I wouldn't expect a decision on methanol this year, the second project. We do have a permit – I will say that we do have permits in hand for Bishop, but we are certainly willing to and we are exploring some other options that could afford better economics for us now. So we're continuing to look at and be mindful that our interest to be about a third of a new commercial unit. And that'd be kind of our max interest,

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which will balance us very well in the U.S. That means we need another partner for two-thirds or we need another two partners. Hassan I. Ahmed Alembic Global Advisors LLC Fair enough. Mark C. Rohr Chairman & Chief Executive Officer So we're working out and taking our time, but we think that probably a year from now we'll be in a position to say we're going to do it or not. Hassan I. Ahmed Alembic Global Advisors LLC Super. Thank you so much, Mark. Mark C. Rohr Chairman & Chief Executive Officer Thank you. Appreciate it, Hassan. Jon Puckett Vice President-Investor Relations Okay. Thanks, Hassan. Keith, let's move to the next two questions and have this be the last set. **Operator:** Okay. Very good. The next question comes from John Roberts with UBS. John E. Roberts **UBS Securities LLC** Hi. Good morning. Mark C. Rohr Chairman & Chief Executive Officer Good morning, John. Chris Jensen Senior Vice President, Finance Good morning. John E. Roberts **UBS Securities LLC** I'm looking at slide four down at the bottom where it talks about the shared and integrated activities of the company. On the outside, all we can see is the intra-segment sales. Is there any metrics you can help us with in terms of understanding how much sharing, how much integration there is?

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Jon Puckett

Vice President-Investor Relations

Yeah, John. This is Jon. I'll start on that. We're in a very tight chain when you think about where we participate. And when you go from essentially having 95% of our products that are coming off of methanol and ethylene, we sit on a very tight chain and we get a good benefit from that from a raw material standpoint and the efficiencies that we get on raw material that goes into supply chain. We also have large integrated facility that also gives us a cost advantage in certain areas of the business. And there's also shared technology and technology and innovation development that we use across the tight chain that we participate in. So that's what that's intended to capture is the cross-company benefit that we get in being a very tight chain where we take methanol and ethylene and produce acetic acid, downstream products, and VAM and then high-engineered plastics and other consumer products.

John E. Roberts

UBS Securities LLC

And you got a question earlier on currency. Is it still \$0.03 to \$0.04 to earnings for every €0.01 change in the euro exchange rate? Is there anything you're pursuing that might lower that leverage to it, the currency?

Chris Jensen

Senior Vice President, Finance

That's about right. And aside from financial hedges which you can do, they always have a finite life. The only thing that we could really do to sort of permanently take that away would be to price all of our European contracts in dollars. And that's just probably not achievable. I mean you've got a flow with the way business gets done there. There's some of that that we can and have done.

John E. Roberts

UBS Securities LLC

Okay. Thank you.

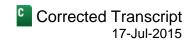
Jon Puckett

Vice President-Investor Relations

Okay. Thanks, John. And thanks everybody on the line today. I'll be around for questions. Thanks for your interest in Celanese.

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

Celanese Corp. (CE) Q2 2015 Earnings Call



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