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Celanese Corp. (CE)

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CORPORATE PARTICIPANTS

Christopher W. Jensen

Chief Financial Officer & Senior Vice President, Celanese Corp.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

OTHER PARTICIPANTS

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

MANAGEMENT DISCUSSION SECTION

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Thank you. Good morning, again. My name is Dave Begleiter, Deutsche Bank's U.S. equity, research chemicals team. I'm very pleased to introduce our next presenting company that is Celanese. With us today is Chairman and CEO, Mark Rohr; and CFO, Chris Jensen. Now, Mark has been CEO of Celanese for the last five years, in which time Celanese has posted record earnings and cash flow. Prior to Celanese, Mark was CEO of Albemarle for about 10 years as well.

Chris has been CFO of Celanese since 2014, during which he also played a key role in the company's growth and cap allocation priorities and strategies. Chris joined Celanese back in 2005. So with that, we'll go into the Q&A portion of the fireside chat, and at some point, I'll open up the floor for questions as well. First, Mark and Chris, thanks for coming and joining us today.

Christopher W. Jensen

Chief Financial Officer & Senior Vice President, Celanese Corp.

Thank you.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Thank you.

QUESTION AND ANSWER SECTION

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

So, Mark, Celanese has made a number of changes in the last several years, including organizing the company around two cores. There's also been very exceptional and strong cash flow and EPS. Can you talk about the progress that's been made at Celanese, and probably going forward for this organization and the company?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Yeah. Thanks, David, I will. If you – down at Celanese, we have two fundamental ways that we make money in the corporation, one involves really leveraging what is a chain business with very strong technology, that's the Acetyl Chain, and the others where we actually go in and innovate new chemistry around the creation of engineered materials for our consumers. We recognize that really in – early what we did in 2012 and 2013, and really assessed the way to approach the market, both those markets quite differently. And we rolled out a series of strategies to do that. What it led us to do was to focus in on the power of the global market we had and the optionality around the Acetyl Chain. And that's not only in acetic acid, but also all the derivatives up to emulsions.

And in the case of the materials core, we really looked at totally reinventing our approach to the market and the way that we're just a lot more engaged with our customers, but we're really approaching technology, breadth of the technology, and the way to really be a solution provider. And the combination of those two things has created the growth and value that you see.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

And delving deeper into that, Mark, AEM has performed exceptionally well in this year, 1,900 targets, 1,900 new projects as a target. What's happened there? What's transformed this business? And how are you competing and winning against bigger companies?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Well, in the case of AEM, I think it's hard to appreciate the specificity associated with driving this business. We think in terms of projects which are new applications for existing molecules and new molecules going into old applications, for us to maintain zero volume growth, David, we need roughly 300 to 400 new introductions per year. And that had been sort of the classic play Celanese has found itself in. We catered very much to the automotive industry, and specifically, we catered very much to the major U.S. OEMs and European OEMs. Also, it was a zero growth business.

What we realized is that we could change that model around to dramatically increase the engagement and the opportunities that came to us. So, we went from an ideation company to an opportunity company. It's all about defining opportunities. So, the first step we took was to take that from 300 or so to 1,000 introductions, and then we took it from 1,000 to 1,350. This year, we think we'll be at 1,900, and we have a team now working on can we get to 3,000. The great limiting factor here that everyone should realize is not the opportunities. We have more opportunities than we can say [ph] egress over (04:00), it is really our ability to process those, because to manage

and have output of, say, 2,000 new introductions per year, we have to manage simultaneously, roughly 4,000 projects around the world.

So, imagine a single technology organization, which is how we'd run the company, managing that many projects to make sure we satisfy the needs of the customers, and so we get right limited. We care about small things. And that's what makes us different than BASF or other big players in the industry. It's hard for them to care about transactions the size of our transactions. But we found a lot of interest in what we provide, and so it's been really good. The second thing they don't have, they don't have our breadth of products [audio gap] (04:40-04:49). Well, we can offer that now today with the acquisitions we've made, but we can also offer other solutions. And so, we're seeing us more agnostic about the solution and more focused on making sure the customer is satisfied.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

You touched on acquisitions and M&A, you made a couple recently, Nilit, more recently SO.F.TER.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Right, right.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Maybe Chris can address potential models behind these acquisitions, you can address the strategic rationale of boarding out and deepening your portfolio.

Christopher W. Jensen

Chief Financial Officer & Senior Vice President, Celanese Corp.

A

So, financially, we're aiming for these bolt-on acquisitions to be somewhere in the 10 times EBITDA price tag. Both of the acquisitions that we've done and others that we're looking at have tremendous synergy potential. So, hopefully, three to four years out, they're making three times as much contribution to our bottom line than they do the very first year.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Okay. And expand the portfolio of technologies and product offerings.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

That's right.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

What does that get you, what has...

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

What's the end game there, I think, yeah, it's pretty obvious what we're doing if you pay attention to Celanese. Our real focus with the investments we're making is to take what we believe is a very unique engineered materials model and dramatically grow that model. And we think the way to do that is not only organically with our existing businesses and investments we can make to add capacity, but also by bringing in bolt-on pieces that add to that functionality. David, we don't see an end to that. I mean, it is a huge market, and the appetite today for the service Celanese provide is growing every day. We are literally turning away opportunities every day.

Our assets are largely sold out, we're expanding already the assets we've purchased with the acquisition, adding shifts and changing things. So I think that model is going to continue to grow. At the same time, we are working hard to make sure that the other businesses there are stable, and also growing and contributing to that model as well. So, whether that's the consumer products or tow or whether that's the chain business, you're seeing activities [indiscernible] (07:06) to do that.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Right. In AEM – and market exposure now as you reduced over the last few years, auto has expanded, medical. What about that switch in decisions as you...

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Well, I think it's – one way to look at a model is to say what markets are they growing in, and then try to do a calculation back on how that influences your performance up or down. There is no correlation between medical growth – I mean, between automotive growth or decline and volume growth within a corporation. If you look at the data, data shows that we've been growing that business at many multiples of global GDP, and auto's that segment and we'll continue to do it. And that's because the really name of the game is really substitution, it's not legacy product. You need – a car is almost a Tinkertoy set, and the engineers that design these vehicles are everyday looking to change that – the materials that are used. So they really don't apply very much in that regard.

Having said that, we're seeing many other fields, medical's a great example, with a lot more interest in the part of the OEM to participate in the engineering of the product. So they now really care about how you make an inhaler work in a very efficient fashion as opposed to just worrying about the chemistry that goes in the inhaler. And so that's where we stepped in and what we're doing. And that applies there, it applies to most consumer products that are out in place today. You cannot make almost any product from Bosch or from Miele that doesn't have hundreds of engineering components within that, all of which maybe very small, but all of which we care about.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

And maybe last one on this area, the M&A pipeline, maybe you and Chris can address that in terms of quality, where are multiples today, cadence of steel activity.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Well, the multiples are still pretty high. The deals we've done have been deals that we have prompted, we've created, working with the owners of business. So our strategy very much is to identify potential opportunities. The initial focus for us was a lot in nylon because nylon is the largest volumetrically thermoplastic that's out there, also the largest growing in a couple segments, one of those is auto. But those deals, we cut privately.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Right.

Q

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

We have other deals in works today, but you work on more than you close, but we're pretty confident we'll be able to see that same ratatability, bringing in deals into the portfolio, and we have a target of roughly \$500 million of capital per year, and we gave that to you guys just to have a sense of how we think it's going to flow going out. The pipeline is good, I think. We're seeing continued interest on businesses to focus and – which is not a surprise to those that are in this room. It's hard for CEOs or CFOs to explain a business if it's all really complex, but we all try to make sure our business is focused and on point, and you're seeing that out there, David. So my belief is just going to continue to be opportunities out there for us to bring in businesses like we have been doing.

A

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Since you discussed M&A, maybe that now that we're into cap allocation, both you and Chris, your use of cash, dividend policy had a nice increase a couple months ago. How do you think about use of free cash, use of cash flow at Celanese?

Q

Christopher W. Jensen

Chief Financial Officer & Senior Vice President, Celanese Corp.

Yeah. So for context, we came out and said that we had a three-year target of free cash flow of \$2.5 billion that goes through 2018, and we're on track to do at least that. And it's probably growing a little bit from there. So the company is capable of generating cash flow that's nearly three times what it generated just five years ago. So a great situation to be in, right? So you've seen us making pretty large repurchase commitments over the last couple of years. So we said we would do \$1 billion in 2016 and 2017. We're on track to do that. It's probably less likely we're going to make that kind of commitment going forward because we need to see what the deal flow looks like on M&A. And at the same time, as you mentioned, we've committed to raising our dividend by 50%, and I'm talking about 2019 versus 2016. So a three-year ramp-up of about 50%. And for context, it was \$200 million of dividends that we paid in 2016.

A

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

So it'll be about \$300 million by...

Q

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Right. 2019 as Chris said. And to build on what Chris has said, we were – cash flow means a lot to us, and we believe we should be valued based on that. And so we did a lot of work to get that and sustain it. And so, we'll realize that \$2.5 billion. We've started looking forward, 2018, 2019, and 2020, and we'll have an Investor Day next year and share more details of that, but we're seeing the same kind of number when you look out there. So if you lay out in the context of five years, a five-year period, you're pressing \$5 billion of free cash flow from – off this business. And dividend will be \$200 million, maybe to \$300 million per year. So we'll have plenty of money to reinvest back in the business and following the strategy we're doing. And if we have money left over, we'll buy back some.

A

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Right. And, Chris – Mark, I want to address a little bit, but given your perspective, Mark, being CEO for 15 years plus board members, right now in chemical, we're seeing a massive amount of M&A. What's your perspective on the chemical industry? What's happening, what's driving it? Will we end up with eight companies in the United States end of the day? What – if you sit back...

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Well, you'll have more than eight. Well, I think, guys, it really gets down to valuation, how do you fairly value something. And to fairly value something, you've got to – in your roles out there, you've got to be able to assess the value. You've got to be able to look at it and say it makes sense to me what this value is and predict in a future state. Chemical industry, by definition, is quite complex and serves many, many end markets. So we all, in one way or shape or form, for the most part, are a hybrid. So there's a desire underway and it's been in place for a lot of years to simplify, if you will, the industry focus. And I think that's what you're seeing. And we've done a lot of that. There's a lot more you have to do. So you're going to see, I think, the continued rebuild and build up and spin-off or sale of assets or purchases of assets to make more monolithic portfolios that can really fit into the equity market, and where we can really value it fairly and feel confident about it. So, yeah, it's going to continue, but I think it would be more than eight.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Right. And what is Celanese's role in these overall global chemical simplifications?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Well, we think we're the best. So our role is to prove that theory and be valued. I mean, if you take in – take across Celanese, and I've had team members that want me just to change the name, and look at the underlying fundamentals of the business, we should carry much our value than we do. What people are anxious about, they're anxious about tow or they're anxious about our exposure to China, wherever the same. So we are working hard to rationalize those things, so to clean those things up. At the same time, to demonstrate the real power of our model out there. So we'll continue to do that. And I think as time goes on, Celanese is going to play a big role in creating a powerhouse of raw materials.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Since you mentioned tow, I did want...

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

That's okay, it's all right.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

So you've had massive destocking. You had aggressive pricing last year by one of the competitors. You've had a major transaction with PE back into the space, signs of stabilization. What's your perspective on what's happened to tow last 18 months, and what could happen in the next 12 to 18 months?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Yeah. For those of you who don't know, the tow industry, that's cigarette filters and it – the world of tow is such that there is about 800,000 tons of it manufactured in the world, which includes about 300,000 tons in China, a little bit less than that. And to David's point, what happened is that we saw Chinese invest more money to become more self-sufficient. They imported about 120,000 tons of tow a few years ago, and to that – supplement that 300,000 tons. And they since invested money, and Celanese participated in that because we're joint venture partners with Chinese National Tobacco Corporation.

At the same time, consumption dropped in China. It took a step change in China in part because the Chinese government quit gifting cigarettes. And I can explain that to you later, but you saw certainly a step change in demand in China. Those two things combined and dropped that 120,000 tons to roughly 20,000 tons. So the 500 kt that was outside of China capacity went from 100% to 30%. The other party involved in it, of course, were the cigarette companies themselves that also opened contracts and we promoted that. So we saw a very large amount of money come out of this industry over a short period of time. China is back to 20-ish kt. I think their intention is to stay roughly there, that's my view, my personal view. So I don't think that's going to change very much going forward.

The industry has now stabilized. The seller of assets has now seen private equity go in. I think private equities can be a very good and a very thoughtful manager of that business, so we see it stabilizing. And we don't really see that changing. So we see this next year being kind of a mirror image of this year, that's how we think that.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

And can you describe security of supply amongst your customers, are they worried about that at this stage and how it's...

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Yeah. Yeah, if you look at the nature of this and other – I'll do my best to explain it, but you've got 500,000 tons of capacity outside of China. And that supports the entire cigarette industry in the world outside of China. So 500,000 tons in perspective is the size – is about a quarter of a size of a large ethylene plant. I mean, it is not much manufacturing. And that manufacturing supports the entire industry. Without that manufacturing capacity, the industry will collapse. So the history has been one of being very concerned about security of supply. They went into a series where they were only concerned about getting price down, which was the last two years. They're back now talking about security of supply. So I think that's just an indication of this market settling out and getting back to even footing.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

And with Blackstone now an owner of the [indiscernible] (17:57) assets, is there another round of consolidation you see in the industry going from maybe four to three [indiscernible] (18:03)...

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Well, I don't know. I mean, I don't know what they're going to do. But I think the industry has a long history of being thoughtful, and I just think Blackstone will be a more powerful operator than the prior operator. Not that they were bad, but they were trying to sell the asset.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Right. You think in 2018, we could see more stabilized earnings that of this business?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Well, I think 2018 will be plus, minus, a little bit the same as 2017. So, I think we've hit that plateau. We're working hard on our part to see that that's the case. My guess is the others are probably doing the same thing.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Right.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

So, yeah, we don't see this industry, from an earnings point of view, being a distraction going forward like it has been the last couple of years.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Right. Very good. Mark, on Acetyls, you made some business model changes that really stabilized and improved this business even more so than end markets would indicate. What's really happened here to drive that outsized performance, in my view, of your Acetyls business?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Well, I think we've improved it probably \$150 million a year or so of value, so, call it, \$0.75 of earnings that I think is pretty much what we probably worked into the model. There's been a little bit of productivity in that, but really, it's been driven by an appreciation for the value of that model fully taking advantage of the global flexibility we have to produce.

We always produced the most at the lowest cost location. We've got the best logistics systems. We know the customers better than anyone else. We know how the trade flows every day. So, we really just stepped up our game to say what is our fair share of the margin that's in that big pie out there of the Acetyl Chain business, and that's what we've done. Now, in addition to that, we started laying a framework for improved earnings as times goes on. So, we've been investing outside of the U.S., most recently in Singapore, and we're pushing more volume in the coatings business into Southeast Asia. We're looking to expand assets that we have in the U.S., which remains the lowest cost manufacturing throughout in the world, which should be for international export.

So, we're confident we can grow this business going forward, David, even in what is a very anemic capacity utilization market. If you say we're 70%, you're probably being a bit mathematically generous, capacity utilization. So, it's a business that's long in volume. Most of that length is in China. And if you just look at the economics, there are a lot of SOEs in China – or a few SOEs that make this stuff, they're losing a boatload of money. And so, I'm confident over time that's going to rationalize itself. It hasn't yet though.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Right.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

The other aspect is methanol, which has been down for a number of years. Certainly, it showed signs of recovery early in the year as the MTO came on, methanol to olefins came on. There was a stutter step with a very large plant there and price came back down. We're looking at that, seeing really what's going to happen there. But we think methanol is going to trend to lower volatility, which has been happening, and also trend up. And that's good for the industry because it just means the profit pool out there grows by that quantity.

So, those things indicate to us that we'll be able to stabilize earnings and continue to push on it going forward.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Right. Any questions from the audience for either Mark or Chris? There's one back here.

Q

[Inaudible] (21:27)

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Wait for the microphone, please.

Q

Just out of curiosity, on the free cash flow, how much of that is accessible within the U.S. and your ability to borrow intercompany if you need to? Because not all of it in theory is different, accessible at one point.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Yeah. Celanese is probably only 20% or so U.S. business. So most of that cash flow happens overseas. We have great folks on the team doing tax planning and we have not yet been restricted in any significant way in our ability to bring money back to the U.S. So that has not inhibited our strategy in any way so far. Then, of course, with the potential U.S. tax reform that may open up anyway if it goes the direction that they're talking about in terms of territorial tax system.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Okay. If not – nothing else, I'll keep on going. Mark, you mentioned the China acetic acid, it's been a very challenged market there. How much pain is being realized by Chinese based acetic acid producers? We've seen methanol spike up, spike down. We have low utilization rates, still only mid to high 60s. How much pain is being felt there, and when could that – would they ever get better, Chinese acetic acid?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Well, I've been laying claim to having a crystal ball and after a couple of years that it's going to get better any minute now, it hasn't. But what I will say is that the level of dialog continues to improve between manufacturers there in terms of looking for ways to rationalize capacity. And for the first time, we've seen state-owned enterprises really participate in that. They are – I'm not saying it just to say it, they are losing lots of money, and it – these kind of large complex has become complexes of employment versus complexes of profitability, and the Chinese government and banks are getting tired of that.

The other aspect is in China. Methanol is really produced by coal gasification. And where China is now walking away from coal, they certainly are putting more pressure on coal use for chemistry. And so we're seeing more pressure as well from local institutions that would like to minimize the number of coal gasifications plants. So my belief is, David, we're closer to that happening. I think we're only, to be honest, one large complex rationalized away from seeing more stability in the marketplace. We need to trend, and right now, we have no trend. So I'm hopeful that will occur, and I think it, and I'm quite confident, will occur, it just hadn't happened yet.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

You touched on MTO, how could that structurally change acetic acid operating rates, price curves going forward, do you think?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Well, methanol to olefins, so what you're seeing in China is you're seeing them raise coal prices. The Chinese government is letting coal prices go up, and there has been a lot of press about that, I mean, some negative because utility rates, of course, go up with coal. But nonetheless, the government is very much letting that happen, and personally, I think they need to do that to drive towards clean coal technology. And so they need more margin in the coal manufacturing industry, actually, to afford to do that. So, that's one trend that's underway and is likely to continue. That itself puts up a pressure on methanol. There is still plenty of room for methanol to go up and olefins to be competitive from MTO.

And so, my belief is, is that you're going to see MTO and methanol to propylene, which is yet to come, you're going to see continued increases in the demand for methanol from that. You're going to see continued decreases in methanol produced for marginal consumptive uses. So I think those things, net-net, improve the methanol market measurably within China, away from the \$250 a ton level to maybe \$350 a ton or \$400 a ton, in that kind of level. At that kind of level, you dramatically improve the margin within the acid chain. So, I think those things are underway. It's going to be important for us to see what happens towards the end of this year. As MTO gets more fully utilized within China, we'll be seeing that materialize. We think it will, but we'll see.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Maybe on a same segue, your U.S. methanol strategy, can you discuss that? You have ownership interest in one plant, you're still a big buyer of methanol. What's your longer term thoughts on your U.S. methanol position?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Well, it's awesome. I mean it's – we believe it's the most efficient plant in the world. I mean there's a lot of data to demonstrate that, and you park that on top of what is the best place to buy natural gas in the world. It's a pretty good asset out there. So, we like our position in the U.S. We are contemplating, with our partner doing more, and so far, that we haven't felt compelled to do that. There may be opportunities to expand that asset base, and we're looking at that in that process. So, I think you'll still look for us to drive more independence relative to methanol as long as we have this asset base to work with or not. Our partner is interested in other investments along those lines, so we'll see what they want to do. And if they want to do something, we may participate in a lower level going forward.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Very good. Maybe a quick walk around the world – I'm sorry.

Q

I think just to follow up a little bit on the M&A strategy, I know [indiscernible] (27:09) focused on bolt-ons, but do you have a – do you keep in mind that strategy versus the balance sheet, and any leverage targets or any appetite to increase leverage?

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Yeah. Chris?

Christopher W. Jensen

Chief Financial Officer & Senior Vice President, Celanese Corp.

A

So, when we became investment grade a year or so ago, we said we have a long-term leverage target of two times. That is a long-term target. And if we have the right M&A opportunities in front of us, we're going to drift away from that a little bit. I think we're still intending to manage this in the context of retaining that rating. But we are on a path of doing bolt-on acquisitions here for a while. So, yes, we may take on a little more leverage to do that.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Yeah. We've been able, so far, just to use our revolver. And we have the free cash flow where we can [ph] let the (28:01) revolver and then fix that situation pretty quickly. I mean, we have a \$1 billion revolver available to us. So, in terms of this string of pearls kind of thought process, that's adequate for us to kind of manage that process and not having to take on long-term debt obligations versus the ones we have. What Chris is saying is so true. It's

important for us to be seen for the cash generation machine we are through thick and thin, and the growth in that over time.

It's also important that we're seen as prudent investors of that money. And so we go through a pretty rigorous process to make sure we're being good stewards of the cash, and of this business. And if we don't have good use of this internally, we're going to give it right back to shareholders. And that's what you've seen us do now for the last three years or so, and you should just expect that to continue. So it's hard for me to see a scenario where we would be much above three times for a – three turns for very long. It's just, if usually we're cash generative versus what's in front of us, I think it will work out to be between two times and three times.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

And, Mark, maybe going back, you've always had a good perspective of the world, and that's where I get too granular. What you – as you look around the world today, what are you seeing, what are your expectations in terms of growth?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Okay, I'm not going to be political in this segment. So – and if I say anything political, you guys can hush me up. But the world is anxious, the world being Europe and the U.S., is anxious now for growth. I mean, you can feel it when you engage in the world. There's a pent-up demand for huge investments on both sides of the Atlantic. There's interest in partnerships and relationships that has not been around for a few years. So my personal belief has been for a little while and remains still today that we're entering a period of what's going to be very explosive growth between U.S. and Europe.

Europe has done the right thing, and from a political point of view and sort of taking the winds out of the sails of anxiety around political stability with the elections in France and then the elections in the Netherlands, and that's been really good. They seem to be getting a better handle on – not without pain, but a better handle on immigration, the immigration crisis there and how to manage that. And they certainly have learned to manage the debt burn that they have.

The U.S. is directionally doing all the right things, although we're not being very graceful on how we approach them politically, and that's the bit of a dark cloud over the U.S. This – that everyone is anxious for it to go away. So I feel that will go away, David. It just hasn't yet. And so, what I see right now is I see a period of pretty strong growth in both Europe and the U.S., and I see a lot of growth, Transatlantic growth going on.

So I think it's a great time to be – have a large presence in the U.S. [ph] and the U.S. (30:53) out there. It's not to say the rest of the world won't do better, but it's hard for me to see China really have an explosive growth. It's hard to see anything in Japan that – the demographic situation they've got there and other impediments. The emerging economies tend to be struggling right now for different reasons. So I think it's going to be up to the U.S. and Europe, and we're both ready to do it.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Some of your peers are targeting India as a source of future growth. What is your Indian strategy today?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

In our business, not so much. I mean, if you look at the Chain business, they are relatively small consumers of – 700,000 tons, I believe, in India. And it's a fixed breakfast sort of market. I mean, there's not – there's no local producers. So it's everybody and their brother sells a little bit there, and so it's very low price market. So we don't see a lot of opportunity there. There are some coatings emerging that we're more interested in that, and we're starting to play in that stronger. And there's an emerging materials market, but it's not nearly as strong as, say, China or Brazil or places like that. So I think, for us anyway, India is going to be a while. Modi is doing a great job and has really got the economy working the right way. So, I think you're going to see India do much better. It's just not clear to me how we're going to play in that quickly.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Very clear. And Middle East, you have a JV with Ibn Sina producing methanol from palm.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Yeah.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Talk about your Middle East strategy and how Ibn Sina – utilize that JV to further that strategy?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Well, we need it today. I mean, we – part of that deal was to secure a new round of a long-term contract relationship on methanol, which is very favorable economics to us. We also get to expand ownership of that venture, which will happen at some point in time going forward. Right now, we're sold out. So those molecules are really needed, and we're glad to have them in there. And so, I think that as that unit comes up, we'll be putting those molecules to work straight away.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Very good. The main markets to finish up here. More on your share price. What do you think investors are not giving you credit for, and what are they missing in the Celanese story?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Well, that's hard for me to say. I'll tell you the questions I'm asked on the plus side are the same questions you've asked, which is can you keep doing what you're doing. And on the negative side is can you make be quit worrying about tow, and quit worrying about China and what acetic acid's going to do. So I think that there – because of that, there is very low growth premium applied to Celanese. I mean, you can fairly value Celanese if you say we have no growth premium. If you take on average growth premium that most stocks enjoy and apply it to Celanese, we should be probably as much higher. So, I think my – I'd rationalize that by saying we've not yet shown investors enough clarity around these other components, David, where they can quit worrying about those things and just look at the machine itself.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Right.

Q

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

And we're working hard to lead those, and you need to expect that we'll do that.

A

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Right. [audio gap] (33:49-33:56) could that business ever be separated if the market would not ...

Q

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Why don't we look at the other way around. I think if – as a CEO, my responsibility to shareholders is that we – every step we make is not stupid, and it makes money. So, I don't believe in doing things just for the publicity of doing them. They got to make money. And so when I look at those things, how does that puts us to make money, it would make money if we were holding investment. It'd make money if we're inefficient. Neither of those are true.

A

I think a more likely scenario for us long term is that you should expect that business to continue on its growth pattern. And that we're accelerating that growth pattern now by buying things. And what I'm telling you guys is that there's a lot more out there we can do thoughtfully, and not blow our investment grade and keep that going.

We're working hard to find ways to reduce the anxiety around the other two. And could this company one day be structured differently, it certainly could, but I think each one of those steps should make money for shareholders.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Right.

Q

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

And, right now, if we were just to do something contrary and blow it up for the sake of trying to get a multiple or something, when you do the math, it doesn't work.

A

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Yeah. Very good. Our time is up. So, Mark, Chris, thank you very much.

Q

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Good, great. Thank you, David. Thanks a lot.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Thank you.

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