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Celanese Corp. (CE)

Q1 2019 Earnings Call

CORPORATE PARTICIPANTS

Chuck Kyrish

Vice President-Treasury and Investor Relations, Celanese Corp.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Scott Richardson

Chief Financial Officer & Senior Vice President, Celanese Corp.

Todd Elliott

Senior Vice President-Acetyls, Celanese Corp.

OTHER PARTICIPANTS

John Roberts

Analyst, UBS Securities LLC

Michael J. Sison

Analyst, KeyBanc Capital Markets, Inc.

Robert Koort

Analyst, Goldman Sachs & Co. LLC

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Angel Castillo

Analyst, Morgan Stanley & Co. LLC

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc.

Michael Leithead

Analyst, Barclays Capital, Inc.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Ghansham Panjabi

Analyst, Robert W. Baird & Co., Inc.

Nicholas Cecero

Analyst, Jefferies LLC

John P. McNulty

Analyst, BMO Capital Markets (United States)

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Frank J. Mitsch

Analyst, Fermium Research

James Sheehan

Analyst, SunTrust Robinson Humphrey, Inc.

Arun Viswanathan

Analyst, RBC Capital Markets LLC

Matthew Skowronski

Analyst, Nomura

Matthew Blair

Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to Celanese First Quarter 2019 Earnings Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to turn the conference over to your host, Chuck Kyrish. Thank you. You may begin.

Chuck Kyrish

Vice President-Treasury and Investor Relations, Celanese Corp.

Thanks, Rob. Welcome to the Celanese Corporation first quarter 2019 earnings conference call. My name is Chuck Kyrish, Vice President, Investor Relations and Treasurer. With me today are Mark Rohr, Chairman and Chief Executive Officer; Scott Richardson, Chief Financial Officer; and Todd Elliott, Senior Vice President, Acetyls Chain.

Celanese Corporation distributed its first quarter 2019 earnings release via Business Wire and posted a slide presentation and prepared remarks about the quarter in the Investor Relations section of our website yesterday after market closed.

Today's presentation will include forward-looking statements. Please review the cautionary language regarding forward-looking statements, which can be found on slide 2 of the slide presentation under Important Information. We will also discuss non-GAAP financial measures today. You can find definitions and other important information and reconciliations to the comparable GAAP measures on our website in the Investor Relations section. Form 8-K reports containing all these materials are also available on the SEC's EDGAR system and our website.

Because we published our prepared comments yesterday, we will now open the line directly for your questions. Hey, Rob?

QUESTION AND ANSWER SECTION

Operator: Thank you. At this time, we'll be conducting a question-and-answer session. [Operator Instructions] We ask that you please limit your question to one question and one follow up. [Operator Instructions] Our first question comes from John Roberts with UBS. Please proceed with your question.

John Roberts

Analyst, UBS Securities LLC

Q

Thank you. In Engineered Materials, the affiliates underperform the wholly owned operations. There is obviously some big regional differences between wholly owned and affiliates. But could you remind us of some of the application in plastic mix differences between the two.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

yeah, John this is Mark I'll start that; maybe Scott Richardson could add some comments. But we did see our affiliates struggle a bit in the quarter. I think the real issue there is that – I probably shouldn't say this, they don't have the product breadth or the global reach that we do, it's only primarily into China and it's only in the limited application. So we continue to work with them to see if we can help them improve that performance.

Scott Richardson

Chief Financial Officer & Senior Vice President, Celanese Corp.

A

Yeah, John, just to add a little bit more color, if we look at that on a year-over-year basis, almost the entire decline in the equity earnings for Engineered Materials was due to our Polyplastics affiliate and really is, as Mark said, largely related to the demand in China.

John Roberts

Analyst, UBS Securities LLC

Q

And then could you remind us how much you paid for the Linde syn gas unit or is that going to be in the cash flow statement when the Q comes out?

Scott Richardson

Chief Financial Officer & Senior Vice President, Celanese Corp.

A

Yeah. It is. It's lumped together there, John. We haven't said exactly what that amount was. It will be in the cash flow statement with our Next Polymers acquisition as well, it's a very low capital kind of optionality type investment that we made, which we commented on last quarter.

John Roberts

Analyst, UBS Securities LLC

Q

Okay. Thank you.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Thanks, John.

Operator: The next question comes from Mike Sison with KeyBanc Capital Markets. Please proceed with your question.

Michael J. Sison
Analyst, KeyBanc Capital Markets, Inc.

Q

Hey, guys.

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

A

Hey, Mike.

Michael J. Sison
Analyst, KeyBanc Capital Markets, Inc.

Q

Nice start to the year and, Mark, congrats and hope you have a lot of fun things lined up going forward. But I guess I wanted to ask how Lori's role will differ from yours, if any, and in terms of focusing on extracting value for the company and given your portfolio businesses?

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

A

Sure, Mike. Well you know our business pretty well and the thing about Celanese is that we have a great, great business machine out there that brings a number of opportunities to us and the ability of that machine to bring opportunities actually has the ability to overwhelm our internal mechanisms, be the unit operations, be the logistics systems, and processes, ability to innovate as fast as we need to. And I spend a lot of my time on that and I'm sure that Lori is going to spend a lot of her time working in those areas. We think in many ways it's the next frontier for Celanese to learn how to go from 20,000 FTEs to 30,000 FTEs and manage that better than we do 20,000 FTEs is going to be a big part of us continuing to drive value going forward. So I think that's a major area of focus for her.

The second one, I would say, is that when you look at the opportunities before us, deploying cash continues to be the main focus of – my main focus and will be hers as well and we have more and more opportunities surfacing and M&A that are bigger and structurally more complex. And Lori brings a lot of capability and skills really to facilitate that and hope that be a reality for Celanese, which should be a big part of unlocking shareholder value. So I'd say those two things are top of mind. But you'll get a chance to meet her soon and ask her the same questions.

Michael J. Sison
Analyst, KeyBanc Capital Markets, Inc.

Q

Okay, great. And in terms of your outlook for 2Q, you noted that it should look similar to 1Q. But it does sound like the Acetyl Chain industry operating rates could improve, given out and as you noted in your prepared remarks and then – yeah and I guess thoughts on Engineered Materials, your outlook still look for good organic volume growth given project wins and just wondering what maybe headwinds that you see in 2Q that that you wouldn't see a normal say improvement sequentially?

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

A

Yeah. Well, good. I'll start that and I'm sure that Todd and Scott will add some comments here. But let me – one of the things that's not readily apparent is internally the things that we deal with, so in Q2 we have a number of turnarounds in front of us. Those turnarounds will cost us \$25 million or \$30 million, so call it \$0.15 to \$0.20 of headwinds baked in there. We're expecting raw materials and probably seeing raw materials in methanol to go up; those kinds of things a net-net that will probably whack us for another \$10 million. And John asked a great question on affiliates and we see that affiliate number sliding a bit further. So before we even started this quarter, we've got at least \$0.25 of unusual headwinds that we didn't have in the first quarter of the year [indiscernible] (00:07:15) quite strong in the first quarter of the year. So I think on one hand, it's easy to say, well, life would be good; you built in this point. I think the first half of this year is going to be a struggle and I think maintaining numbers in the flat is a push for us. So I certainly wouldn't recommend anyone go higher than that number for the quarter. I just don't see that right now materializing.

If I take a stab at EM quickly, yeah, we're pushing price really hard and we're pushing our mix really hard. And the repercussions of that will not be that great as long as business starts to recover. We don't expect a full recovery in the EM to start until more than second half of the year as well. If you look at that in [ph] auto bill (00:07:58) projections, those things were still down the second quarter. We should start some rebound going into third quarter. So our fundamental belief is, Mike, is that we've got a bit more [ph] grind (00:08:11) here before we get into the back half of the year where things will and should be starting to improve. But, Todd, you'll make some comments on AC this quarter?

Todd Elliott

Senior Vice President-Acetyls, Celanese Corp.

A

Yeah. It's Todd Elliott regarding Acetyls. We actually had a pretty good March as we wrapped up Q1 most of our – almost 40% of our business occurred in March as we look at that profile, so we ended on a pretty good note as we wrapped up Q1. As we get into the second quarter and Mark mentioned that Celanese has turnaround, it's pretty typical for the industry to have turnarounds during the second quarter. We've got turnaround at Bay City, Texas, already underway on VAM; same thing in Nanjing, China on VAM; we got about a week, a little more than a week in Frankfurt on VAM as well. So that will present a headwind that we've got to navigate around. We've got fantastic network to do that with.

I think a bigger issue right now is just how China will unfold from a demand perspective as the quarter materializes. It's a little bit of a slow start in April. There have been a series of safety checks and audits following the explosion in [ph] Yancheng in (00:09:16) Jiangsu province at the end of March. That's put, probably appropriately so, a damper on operations throughout the province; so that's affected some of the downstream demand at the start of the quarter. So we got to see how that unfolds, but we'll certainly activate our network around these things and try to deliver the quarter in line with Q1.

Michael J. Sison

Analyst, KeyBanc Capital Markets, Inc.

Q

Great. Thank you.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Thanks, Mike.

Operator: Our next question comes from Bob Koort with Goldman Sachs. Please proceed with your question.

Robert Koort

Analyst, Goldman Sachs & Co. LLC

Q

Thanks. Mark and Todd, you guys have talked in the past about maybe some of your competitors in China being subject to some challenges, whether environmental or economic profile, et cetera. In light of that, the recent developments in China and maybe a little bit more discipline and enforcement, does this hasten your expectation of seeing some capacity out in China and maybe tightening operating rates even sooner and for longer?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Yeah, you know what? And again, I'll start this and, Scott, maybe you can provide just a bit color on some of the closures and stuff that come up from industrial parks. But, Bob, the movement in China, it's fundamentally, one – in my personal view is driving inflation. And if you think about that, the economy needs higher price and you get a decent return on the over investments they've made for a long period of time. So when I kind of work through that, myself, what I see them doing is putting pressure on 150,000 or so state-run enterprises they have continuing to lift those earnings there.

So that means environmental restrictions are going in, that means safety restrictions, and you've seen those sort of occur episodically. So we've gone through a period of safety, even if it seems like every six months or nine months and they continue to ratchet up the impact of that and they're directing now. We are very public about the number of closures of chemical parks that are going occur directly with that. It will impact some of our competitors, we think. But, Todd, you want to carry on with that?

Todd Elliott

Senior Vice President-Acetyls, Celanese Corp.

A

Yeah, I mean, just a specific follow-up on this situation in Jiangsu. So remember before we talked about other provinces going through steps to examine environmental policy and that continues, but in Jiangsu, we have not yet seen anything specifically around park policy. So what we're hearing, I have not seen anything published yet. But we're hearing that Jiangsu will reduce the number of chemical parks from 49 down to 20 starting sometime in 2020 forward. How that ultimately is laid out and executed and started, it remains to be seen and the specifics remain to be seen, but that's a significant development. A key set of steps following the tragedy in Jiangsu. So that's probably the most impactful in our space. We've got to watch that to think about where parks are near the Yangtze River or close to population centers; and as that gets more specific in terms of details, we'll share that.

Scott Richardson

Chief Financial Officer & Senior Vice President, Celanese Corp.

A

Yeah. And the only thing I'd add to that, Bob, is, yes, it impacts our competitors, but they're also going to impact our customers, too. And so there is kind of I would say a near-term demand impact on our customers as well as we see these audits and scrutiny continuing to ramp up.

Todd Elliott

Senior Vice President-Acetyls, Celanese Corp.

A

Yeah, just to follow that. So the specific kind of watch out downstream MCAA, monochloroacetic acid, acetate esters, pharmaceutical intermediates, whole host of downstream applications are slow as these safety checks unfold and inventory levels are [indiscernible] (00:13:05) down. Probably the one bright spot would be [indiscernible] (00:13:07) acid over the PET that's held up pretty strong during this period. But to Scott's point, that's put a damper on April, but we'll see how that unfolds here as we get into May and June.

Robert Koort

Analyst, Goldman Sachs & Co. LLC

Q

And can I ask an EM question, Mark? It seems like maybe the last few quarters, you guys have been working hard and getting your price to offset raw materials. And I suspect towards the end of last year when oil went down, maybe some of your customers not only were destocking from macro fears and trying to tighten up their inventories, but also maybe hoping they'd see some relief on price. We've had an oil rally now. I wonder if you can give us a sense of where you see customer inventories destocking, restocking and your ability to defer purchases in light of volatility in pricing?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Well, that was – you called that right, Bob, there was definitely destocking going on as people wanted to have a view generally that prices [ph] are about to (00:14:04) come down and of course we rallied in the right kind of way and continue to drop higher prices through that period of time. So we're now in that kind of aftermath of that and waiting for fundamental demand to pick up, which it seems to be in some areas. But again, it's a bit too early to tell with that.

As it relates to pricing, Bob, what we've really done is – yeah, generally you always make sure you work hard [indiscernible] (00:14:26) really what we've done is we went out starting last year to just had a really hard look at where we were adding the most value and where we felt we were impacting customers in the most important way. We wanted to make sure that we're getting – our shareholders are getting the right compensation for that. So we're very directly re-pricing into those areas where we felt that the value was really being brought by Celanese and the uniqueness of our applications and the molecules we had. So that approach is still ongoing. We don't intend to move away from that. You've asked me in the past do we lose volume when we do that. The answer is sure, but we're really looking at a way to [ph] drop money (00:15:07). So everything that we do relative to pricing and/or if we elect not to participate on volume is a thoughtful process we go through to try to maximize the value back to our shareholders.

Robert Koort

Analyst, Goldman Sachs & Co. LLC

Q

Terrific. Thank you.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Good. Thank you.

Operator: Our next question comes from David Begleiter with Deutsche Bank. Please proceed with your question.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Thank you. Good morning and nice quarter.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Thanks, David.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Mark, would you expect EM volumes to be up year-over-year in Q2?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Oh, Jeez, I don't know. Scott, you have a view on that?

[indiscernible] (00:15:44-00:15:46)

Scott Richardson

Chief Financial Officer & Senior Vice President, Celanese Corp.

A

Yeah, I think we're going to be flattish, David, right now. I mean we're still working – as Mark just talked about, we're still working the price equation very hard. The one thing that is going to change probably slightly from Q1 into Q2 is we'll probably have a little less destocking that occurs. I mean it takes a good six months or so. When oil fell as hard as it did, for that, it's kind of worked its way through the value chain. And while our volumes were down year over year in the 3% range, a lot of our customers that we've talked to were in a down more in the 10% to 15% range; and we were able to offset that largely through the new project wins that we had that started to flow through in the quarter. So I would say at this point we're looking at flattish.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

That's very good.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

The big wild card at least from the discussions I'm involved in daily on this really is China. China, if you look at projections in China, there was a view that in this quarter they'll start digging out of the hole [indiscernible] (00:16:47) in China and start that recovery down mid-teens number in the first quarter then left the second quarter and actually being positive at the back half of the year to end up down 3% to 4%. So that is got to start happening. If that starts happening, we're in good shape. Let's say it doesn't happen then you may see a little volume weakness as we go through this quarter.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Got it. And, Mark, in yours and in Scott's comments you mentioned actually considering strategic transformational options for your businesses. Has anything changed of late or have discussions picked up recently to drive these comments.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Well, I think we have – when I look at the bolt-on [indiscernible] (00:17:28) we're seeing the size of bolt-ons increase and those are opportunities if that make sense. So we're working on a few now that would be in that \$30 million to \$70 million of EBITDA kind of range. The \$100 million where we've been doing that deals that have been sub-\$30 million in EBITDA, so that's encouraging for us.

We continue to work hard to position Celanese to be able to take advantage of transformational opportunities and that's a big personal thrust of mine, so as Lori comes in and takes over the helm as CEO, I'm going to be devoting myself to that along with Lynne Puckett, our new General Counsel so we'll be working hard and we're optimistic that as this deal, this year unfolds, we getting [indiscernible] (00:18:15) more opportunities come available and we'll work hard to see if we can capture one of those elements.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Thank you very much.

Q

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Thank you.

A

Operator: Our next question comes from Vincent Andrews with Morgan Stanley. Please proceed with your question.

Angel Castillo

Analyst, Morgan Stanley & Co. LLC

Hi. This is Angel Castillo on for Vincent. Just a quick question for me on around your comments on VAM in terms of focusing on one VAM and also the Western Hemisphere and your ability to somewhere in this area; I was just curious because my understanding was that at least on the U.S. incremental VAM would likely be exported, so just in light of your expansion and again the comments on the Western Hemisphere I was wondering if you're able to sell your capacity in the U.S. or were there particular factors that facilitated for you to be able to sell in the region?

Q

Todd Elliott

Senior Vice President-Acetyls, Celanese Corp.

Yeah. I think I can start that, Mark. Yeah. The expansion of Clear Lake which we brought online in December of last year, so we added 150,000 tons of capacity, that's a key value step among several that were underway within Acetyls. And so the work around that started way before the plant ultimately was commissioned and that was to position our business in the most sort of attractive way as we think about contract mix around the world, key customer growth and mix around the world so, yes, we did ship some of our profile a little more to the Western Hemisphere following that startup. So again, an intentional [ph] step (00:19:43), key part of our value enhancement efforts and that will continue into 2019 and beyond.

A

Angel Castillo

Analyst, Morgan Stanley & Co. LLC

Okay, great. Thank you. And then in terms of your comments on China, you mentioned the high inventories that obviously as you continue to work on there at least on the acetic side. Just curious your thoughts at how long it will take for the industry to work out of that inventory? And then also just, in regards to your comments about a slow start to April, I was wondering if you could give us more color, is that just entirely related to the plant explosion or were there other things that you're seeing that is perhaps causing more of a slow start?

Q

Todd Elliott

Senior Vice President-Acetyls, Celanese Corp.

A

Yeah, I mean, there's lots of trade question mark [ph] of those process (00:20:26), but I think the main event follow the explosion and the folks are going to audit and focus on inventory control throughout the country, [indiscernible] (00:20:36) really more specifically in the province of Jiangsu. So that's what we're watching. Now, like I said before, we had 40% of our business in Q1 happen in March. We thought we were starting to dig out of the softness at the start of the quarter. So I would point to that point, point the derivatives of the acetic acid I mentioned before those are probably the ones to watch and that, that's linked to the inventory build that we saw in the quarter.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Yeah, yeah. So there's still adequate inventory. We think it's working its way down, but it's not down yet, if that was the nature of your question. So there's still excess material out there and I think that needs to be resolved. The way it will be resolved is for [ph] China to come in (00:21:25) to pick up a bit. It will pick up whenever there's a trade agreement in my opinion. So I think we saw the favorable trade discussion [indiscernible] (00:21:34), we saw a business pick up at China, as a result of that, then this explosion that slows it back down again. I think there's still this waiting aspect going on personally going on in China. So hopefully we can get that resolved in the next month or two and I think that will be good as we enter the second half of the year.

Todd Elliott

Senior Vice President-Acetyls, Celanese Corp.

A

Yeah. And the other piece is the turnaround that I mentioned before. So in addition to ours, there are multiple industry turnarounds in Q2, so that will play a role in the inventory dynamics as well. We count something like 17 of the 36 acid plants will be in turnaround in Q2. So many of those are in China, so that will [indiscernible] (00:22:11) play a role in the inventory dynamics.

Operator: Our next question comes from P.J. Juvekar with Citi. Please proceed with your question.

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc.

Q

Yes. Hi, good morning.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Good morning, P.J.

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc.

Q

So a question on – Mark, question on Acetyls. In the last quarter you announced rationalization of acidic capacity in Asia; and then you've announced expansions in the U.S. of VAM, acid, and now methanol. So it seems like you're moving production back to the U.S. presumably because of the energy advantage here. So is that true and will you be exporting some of that material back to Asia?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Yeah. Yeah. Well, know that's definitely like – yeah, that's exactly what we're doing. When you look at the economics of that, it's pretty profound for us. The assets we have in China and Singapore are higher cost than the

asset base we have in Europe. And not only it's at higher cost. If you look at it just the [ph] strip today for nat gas (00:23:20), out five to six years. And when you just roll that out, you can see that variability lasting for a very very long period of time. I just [indiscernible] (00:23:29) economics of the day that shows how solar power is actually offsetting incremental gas being consumed for utilities in the state of Texas.

I mean so we have this low cost energy base here on the U.S. Gulf Coast; it's pretty phenomenal. And that the moves we're making really are moves to, as Todd has said, he says it much better than I can, step us up from that base of let's say \$800 million [indiscernible] (00:23:55) trough earnings level for this business back up above \$1 billion – about \$100 million of over that locked up in the acetic acid front primarily productivity just associated with that switch from Asia to the U.S. And then you add on top of that incremental methanol and incremental VAM, those kinds of things. All those contribute towards – again, without any change in the basic business closing that gap get you back to \$1 billion and of course \$1 billion beyond goes from that. Yeah, that's what we're doing. So most of that material will end up offshore; the demand in U.S. is not really increasing.

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc.

Great. Thank you for that.

Q

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah.

A

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc.

And then post all these expansions in the U.S., how integrated would [indiscernible] (00:24:37) be with your EM business and how quickly can Scott separate these two businesses if you decide to take in a strategic action on any of the pieces? Thank you.

Q

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah, the businesses are not – there is organizational integration and it has to be separated and there is efficiencies associated with a single instance of SAP and those kind of things that you have to work through; there's some tax things you have to work through. I think once before, we talked about the penalty associated with that of being well north of \$100 million per year, so call it \$1 billion of negative net present value. There has been a lot of work that that Mr. Richardson has led over the years and we've really dramatically dropped that down; maybe it's \$50 million to that. And we'll continue to work that down. But I think we're getting it to a point where should an opportunity arise, it would facilitate a value creation step that way. It would be certainly possible without the kind of huge negative consequences that corporations often see when that happens. At the same time, we're seeing investment opportunities and they see we're being very thoughtful with those [indiscernible] (00:25:49) we're doing is incremental at very, very low costs, but certainly it's getting to that point where it could do something else – we could do something else with that if it made sense for that organization and for our shareholders.

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Scott Richardson

Chief Financial Officer & Senior Vice President, Celanese Corp.

Yeah. And I mean...

A

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc.

Thank you.

Q

Scott Richardson

Chief Financial Officer & Senior Vice President, Celanese Corp.

...depending on the deal, P.J., that we would do if we got to that point. It's probably a six-ish months process for us to get something [indiscernible] (00:26:16).

A

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc.

Okay. That's helpful. Thank you.

Q

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Great. Thank you.

A

Operator: Our next question comes from Duffy Fischer with Barclays. Please proceed with your question.

Michael Leithead

Analyst, Barclays Capital, Inc.

Hey, guys. It's Mike Leithead on for Duffy this morning. On Acetyls, first, I was hoping maybe you could remind us what your backward integration into methanol would be after the recently announced methanol and acetic acid expansion? And second, is it fair to assume with your methanol expansion announced that a potential investment in a second methanol unit is off the table right now?

Q

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Well, I'll – Todd, do you want to?

A

Todd Elliott

Senior Vice President-Acetyls, Celanese Corp.

I'll start and you can add to it.

A

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Okay.

A

Todd Elliott

Senior Vice President-Acetyls, Celanese Corp.

I mean, we've talked about roughly a 50/50 balance make by that includes as well our affiliate investment in Saudi but the profile in the Americas is more heavily weighted towards [indiscernible] (00:27:10) as we think about the methanol unit in Clear Lake [indiscernible] (00:27:14) our derivatives in the Americas, but this will nudge us up a little bit. We started that unit back in 2015 with an original design nameplate of about 1.3 million tons now we're looking at 1.7 million tons once these expansions are finished, so low cost, great returns on capital, also allows us

A

to do some things in support of our integration here in Clear Lake. We acquired carbon monoxide which we talked about before. We have the expansion around the corner with acetic acid; so all that adds to our configurability options there in Clear Lake.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Hey, Mike, and so I would say that the additives to Scott's point is we can be full in the United States and was totally integrated and it will be to our advantage at that point. So, there's still room to do that beyond the [indiscernible] (00:28:04) we pushed out with this last expansion. So yeah we've got great partners in hand with Mitsui. We have other friends in the industry who would like to do something with us. So we're certainly not – it's not the top thing on our list today, but it is something we continue to evaluate and look at. And we would be willing to take that step with [indiscernible] (00:28:26) the economics whether it will make sense [indiscernible] (00:28:27).

Scott Richardson

Chief Financial Officer & Senior Vice President, Celanese Corp.

A

Yeah, I mean that's the important point. If we focus on high return investments – and for things like methanol, it's got to really make sense from a return perspective. And when we did the plant in Clear Lake a few years ago just as a reminder, we got 50% of the capacity for less than 50% of the capital given some of the assets we were bringing there at the site. So we continue to look for advantageous investments that are going to be really opportunistic for Celanese.

Michael Leithead

Analyst, Barclays Capital, Inc.

Q

Great. That's helpful. And then I guess just following up on the return element. You talked about superior returns in organic investment for Celanese. I was hoping maybe you could touch on the relative investment opportunity set between the two businesses, EM and Acetyls either in terms of higher returns for either business or just a broader opportunity set for you guys today?

Scott Richardson

Chief Financial Officer & Senior Vice President, Celanese Corp.

A

[indiscernible] (00:29:23) we've been very clear in both businesses. We really target greater than 20% returns on investments and we don't really look at either one differently from that perspective and a lot of what we're doing in Acetyls we've talked at length about focusing on the opportunities in the Gulf Coast for incremental investment that really is justified with productivity. And then in Engineered Materials a lot of these are really incremental capital, so for putting compounding lines in for Engineered Materials, it generates a lot of value that [ph] these things that (00:30:00) are paying back in a couple of years; so that's really where we're prioritizing our investments right now. I think we said we've got kind of nine projects or so going right now in Engineered Materials from a capital perspective. All of those are pretty small when you look at each one individually, but as a collective program, it's pretty sizable with again a return profile that's better than 20%.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Yeah. I think the next generation for us, too, and EM is going to be to restructure our polymer base to better fit the consumption demands that we see in the future. So right now we're very heavily U.S. and European based in our base polymer production and we're seeing continued opportunities in Asia. We see that growth quite dramatically which we currently satisfy from the U.S. So we think there is a whole new round of opportunities that are surfacing

and be part of the new three-year plan to think and talk about where to make those investments out there and Todd just talked about some of these [indiscernible] (00:30:59). So we do believe that our investment opportunities are getting greater as we grow this company. And I think it's pretty evenly split between the two.

Michael Leithead

Analyst, Barclays Capital, Inc.

Great. Thanks, guys.

Q

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Sure.

A

Operator: Our next question comes from Jeff Zekauskas with J.P. Morgan. Please proceed with your question.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Thanks very much. In Jiangsu over a longer period of time, do you worry that environmental constraints may either close your capacity or limit your capacity in some way or limit the capacity of your suppliers, your customers? Do you view these environmental efforts over a longer period of time as a clear positive or a clear negative or neutral or you can't tell for your business there?

Q

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Well, Jeff, that's a great question. Yeah, so, when we – first off, we're in the Nanjing Park and it's considered one of the top two or three parks, maybe the fourth most favorable park in the entire country. So it's a very good park. It's well managed. The role that companies like Celanese play there, and BASF and others is we partner with the politicians really to support their move to become more focused on safety environmental stewardship. So we play a key role in really helping them put forth the kind of regulations and protocols we have as cooperation and the other multinationals do on that park and on organizations that work there.

A

So that relationship is really positive. So could it end inappropriately for a park like that, I suppose it could, but what we do is pretty unique; and I have a hard time believing that any time in the near future, [indiscernible] (00:32:52) China really represent a threat to that park or a real threat to our asset base there.

When you get out beyond let's say a park like a big industrial park like chemical park like Nanjing, you get to a lot of industrial parks. Industrial parks don't run that way. They have lots of mom-and-pop or smaller operations there, and those are the ones that seem to be feeling the most pressure now. So I think it's really more our customers that could be impacted as time goes on [indiscernible] (00:33:20). Right now, we don't have a way really to assess that, but it's something we're going to keep our eyes on.

Scott Richardson

Chief Financial Officer & Senior Vice President, Celanese Corp.

Yeah, Jeff, when we started planning for that site 15 years ago, we really tried to build it both from our own construction [indiscernible] (00:33:34) upstream gasification suppliers, construction with an eye towards the future. So if China had an environmental regulation very similar to what we see in the Western Hemisphere, that's

A

what we built for. And so it's not to say that to Mark's point that you couldn't see some crack down possibly in the future. But we really did built that plant with an eye for the future.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Q

Okay, great. And in Engineered Materials, was there a few percentage points of volume growth from acquisitions in the quarter year-over-year, I don't know 4%, 3% [indiscernible] (00:34:13)?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

There was a little bit from Next that rolled in this quarter versus last quarter. Year-over-year, Scott, I'm looking...

Scott Richardson

Chief Financial Officer & Senior Vice President, Celanese Corp.

A

Yeah, it was pretty small, Jeff. I mean it's more like 1% to 2% is probably in there. So, and as I talked about earlier, year-over-year when you look at on a straight volume basis, it was 3%. What we're hearing from our customers and their demand is down considerably more than that. So if you pull that acquisition roll that through there is more kind of base [ph] basis is probably (00:34:46) 4% to 5% down. We feel pretty good about that given the environment that we were in that we're able to offset that with new projects.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Q

Okay, great. Thank you so much.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Thanks.

Operator: Our next question comes from Ghansham Panjabi with Robert W. Baird. Please proceed with your question.

Ghansham Panjabi

Analyst, Robert W. Baird & Co., Inc.

Q

Thank you. Hi, everyone, good morning.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Good morning.

Ghansham Panjabi

Analyst, Robert W. Baird & Co., Inc.

Q

Good morning. I guess first off going back to the first quarter results sort of relative to your initial guidance at the time of 4Q earnings report, what truly surprised you the upside in the first quarter. And then related to that, Mark, in your prepared comments you mentioned confidence on an improvement in China and just broader underlying demand. Is that embedded in your reiteration of guidance for 2019? I'm just trying to clarify.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Yeah. So what I would say is that we guided a pretty flat – we were starting the year very, very slowly and so we were focused solely on what we could bring to the table. And so what I was pleased about is that we brought a lot to the table through incremental productivity, through incremental sales, through mix shift that occurred in our portfolio and there's a lot of work that went into that, and you add on top of that a stronger March than we really kind of anticipated. So that kind of lifted us up a bit over that initial [indiscernible] (00:36:08).

Now [indiscernible] (00:36:09) in this quarter and I've just outlined I think you've heard there's probably \$0.25 of headwinds today that we didn't have last quarter that are real. So we're starting out not at [ph] 260 (00:36:19); we're starting out more like [ph] 230-ish (00:36:21). I mean it's that kind of spot and we've got to build back into that.

With my optimism for the years was centered upon is that I really do believe that China is going to improve as we get into this year and end this year. I do believe it's – it almost seems like the machine is trying to get started only for something that knock it off course. And we know the Chinese people well, we know that region well and our customers well, so there's a desire for them to do better and my belief is as you get into the back half of this year then we'll see that machine come alive and start to [ph] add more of a (00:36:57) foundation, which is not only good for us but it's good for our affiliates and things like that.

Ghansham Panjabi

Analyst, Robert W. Baird & Co., Inc.

Q

Great. Thank you. And for my second question kind of going back to the EM segment, volume is down 3% in the first quarter. Obviously comparisons are much more difficult given years of outsized growth and the choppiness in the macro, but the trend line is nonetheless weaker over the past few quarters. I guess going back to the 4,000 projects guidance for this year, what sort of visibility do you have towards that number that gives you confidence of being able to hit that? Thanks so much.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Well, I think there remains this [indiscernible] (00:37:34) differentiate. Customers very much want to do new things and serve markets [indiscernible] (00:37:39) away. And so what you actually see is you see that trend increasing. The flip side of that is if the numbers tend to start weighing down to be a little bit smaller in size because if people are less confident in that. So we feel very good about the 4,000 projects and we feel very good about their contribution and that is not a function of us thinking that the business itself is going to get better. The market's going to get better; [ph] it's just (00:38:02) the need for customers to differentiate themselves versus our competition.

Ghansham Panjabi

Analyst, Robert W. Baird & Co., Inc.

Q

Thank you, Mark.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Sure.

Operator: Our next question comes from Laurence Alexander with Jefferies. Please proceed with your question.

Nicholas Cecero

Analyst, Jefferies LLC

Q

Hi. This is Nick Cecero on for Laurence. So for engineered materials you mentioned that the projects used in battery separators is expected to double again in 2019. But just wondering if we should expect the current cadence of growth to continue over the next three to five years and then maybe if you can just size a potential market opportunity here?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Scott, do you want to run it?

Scott Richardson

Chief Financial Officer & Senior Vice President, Celanese Corp.

A

Yeah. So we do see that trend continuing. That growth trajectory is extremely strong in that end users. It's probably one of the really good bright spots for us in China. We are in the process of finalizing expansion of our GUR ultra-high molecular weight polyethylene unit there in Nanjing, which will help satisfy that demand in the near term. But we're already looking at what is the next wave of investments, because we don't see that growth trajectory changing given the focus around electric vehicles in China and these batteries playing a critical role in that growth.

Nicholas Cecero

Analyst, Jefferies LLC

Q

Great. Thank you very much.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Thank you.

Operator: Our next question comes from John McNulty with BMO Capital Markets. Please proceed with your question.

John P. McNulty

Analyst, BMO Capital Markets (United States)

Q

Yeah, good morning thanks for taking my question. In the prepared remarks you'd pointed to seven project expansions in the EM segment can you help us to think about the earnings power tied to them and the cadence of which they may come in over the next couple of years.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Well, I'd love to, John. I don't have that data in front of me. So you should think of all these as being small and being incremental, all adding millions not tens of millions of dollars to that process all baked into that push we have to grow this thing \$100 million per year which we've been doing in that scenario. So I think these are small incremental step chains that make us going from the [ph] 690 up in the 770 (00:40:24) or so. This year, we have

that number turns out to be at [ph] 760 (00:40:26) and then up from that into [ph] 850, 860 (00:40:29) next year. It's all part of that.

Scott Richardson

Chief Financial Officer & Senior Vice President, Celanese Corp.

A

Yeah. It really what allows us to satisfy the demand growth that we have from the project wins that we've been very – talking about in great detail over the last several years. And so I mean to mark's point these are \$5-ish million type of project or each one of them plus or minus. So we're not talking a huge capital for each one.

John P. McNulty

Analyst, BMO Capital Markets (United States)

Q

Got it. Thanks for the color on that. And then I guess with regard to M&A, you indicated I guess again in the prepared remarks that the pipeline was strong for both businesses. Aside from the syn gas unit that you just acquired, I don't really recall a whole lot happening in the Acetyl Chain. I guess how should we be thinking about the opportunities for M&A there and what types of either assets or ventures you might be considering or looking at.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Well, we think in that arena, there's partnership opportunities there that are available to us and at least in theory or on paper. We have come very close to acquiring businesses that would be derivative like businesses that would fit our [indiscernible] (00:41:33) business well and a portfolio of products we sell there, well there's upstream opportunities there that could involve M&A. So you need to think of it as trying to extend that chain laterally and also back integrating that chain.

John P. McNulty

Analyst, BMO Capital Markets (United States)

Q

Got it. Thanks very much for the color.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Thanks, John.

Operator: Our next question comes from Kevin McCarthy with Vertical Research Partners. Please proceed with your question.

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Q

Yes, good morning.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Good morning.

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Q

Mark, would you comment on the size of your investment to expand methanol at Clear Lake by 25% as well as the timing of that project?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

The timing is several years. I think two and a half years because there's – you've got to the next turnaround. We haven't talked about the dollar amount, but it's well-well less than \$100 million.

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Q

Okay.

Scott Richardson

Chief Financial Officer & Senior Vice President, Celanese Corp.

A

Yeah. So, Kevin, think of the timing similar to the start of timing with the expanded acetic acid unit. So there's configuration benefits with both of those units starting up about the same time. There's recapture on the CO2 side in the site and hydrogen benefit at that site. So there's all kinds of integration benefits associated with this. And to Mark's point, capital is de minimis and would be funded through the venture itself, yeah.

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Q

Great. And then I wanted to clarify a comment you made earlier regarding potential cost to separate your businesses at \$50 million to a \$100 million. How did you reduce that cost and as a clarification is it operational cost or is it inclusive of potential tax effects as well?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

It's all of the above. I mean we look at all of the implications of everything from the credit arrangements we have and changing of those arrangements out there, the cost of the SAP systems that you reconfigure those systems both positive and negative relative to that, people that have joint jobs and how we how deal with them [indiscernible] (00:43:50) ways to take care of them. So every aspect of that we've looked at and we've got pretty good, just the hundred, and it's actually the number of hire that [indiscernible] (00:44:00) are looking at that.

We saw ways that we can invest money and improve our ongoing operating efficiency to get that number lower. So our path has been on through productivity to pull that down and we think contemporary number today is closer to 50 for that ongoing impact. And Scott and others are working to even get that lower over time. So that's how we did it. It's not – there's no magic here [indiscernible] (00:44:25) one thing; there's hundreds of small things that we just had to go after.

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Q

Okay. Thank you very much.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Sure. Thank you [indiscernible] (00:44:31).

A

Operator: Our next question comes from Frank Mitsch with Fermium Research. Please proceed with your question.

Frank J. Mitsch

Analyst, Fermium Research

Hey, good morning and nice start of the year, gentlemen. In the Acetate Tow side of the house, the expectation when you offered guidance for the first quarter was that it would be equivalent to the third quarter of last year, which was around \$65 million, you came in at \$72 million. Now, I noticed in the slide you talked a little bit about still we get dividends perhaps being a little bit larger, can you talk – and but you also mentioned that that business you believe has returned to a stabilized earnings profile. Can provide a little more color on what went right there and what should our expectations be for that business?

Q

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah. Really, quarter-to-quarter we had, I mean, there's a couple of things came in a bit higher than we thought. Price eats up a little bit and there was just some sort of return to a normalized pricing, so it's pretty flat year-over-year but there's improvement quarter-to-quarter. We have some energy favorability with few million bucks in there. Spending was down as part of our productivity initiatives came in. And those things all added up to some pretty good money, and then on top of that the equity earnings came in a bit higher, so that was the pop up that you saw there. I mean it'll settle back down in that mid-60 kind of range and we think run out the year we have continue to look of ways to add productivity, do more productivity on [indiscernible] (00:46:03) what we need to do to keep these earnings flat next year, but I don't know if that's enough color for you but I think the business is performing in the way we thought it would and we expect to be flat as we end this year, year-over-year.

A

Frank J. Mitsch

Analyst, Fermium Research

Terrific. Thank you. And just a clarification, Mark, obviously you indicated that you thought China was going to improve and just curious is a trade deal necessary for you guys to hit that [indiscernible] (00:46:31) number or not?

Q

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Well, I – it's a great question and I want you to please understand that I'm talking – this is a feeling, just having got back from there recently and the team has spent a lot of time over there. But if you look at the data coming out of China, what you see is you see starts and stops of things. It's like momentum starts to build and then something knocks it off course, and the momentum starts to build and something knocks it off course. So I see as an economy it's not sliding down. It's already taken that step down. It is trying to recover and there's not a good reason for it to be down. I mean if you go there, you see that, I mean, it's a thriving economy still today, \$14 trillion economy is going to grow 6%; that's probably twice the economic contribution globally to the world and [ph] it is (00:47:20) the U.S. So to me, getting that incremental \$800 billion or so coming from incremental growth [ph] of the (00:47:30) Chinese economy is going to be critical not only for China but it's also critical for the world. So I do

A

believe that for the world to get better, China needs to recover. And I do think to jumpstart the economy in China, the trade deal needs to happen.

Frank J. Mitsch
Analyst, Fermium Research

Q

Very helpful. Thanks, Mark.

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

A

Sure.

Operator: Our next question comes from Jim Sheehan with SunTrust Robinson. Please proceed with your question.

James Sheehan
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Thanks. Regarding larger scale M&A, is that all in EM is that all on the engineered plastics area or would you consider other kinds of businesses? And then in Acetate Tow, you once considered a joint venture there. What's your strategy for enhancing shareholder value from that business?

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

A

Yeah. So, yeah, when you look at the bigger deals we're looking at, they tend to be more EM oriented; and that's sort of bit of a balance equation. If you look at AC, we have more control on the growth destiny of AC, which we need fewer partners. We already have a machine that we can – I like to work with people [indiscernible] (00:48:33) investments and so they tend to be more EM oriented. That's what I would say there.

Yeah, as regards to AC, we continue to look for ways to try to involve others in that. We think that's the right thing to happen over a longer period of time. Having said that, that business is directionally starting to improve and we do believe that we can get through the next year or two years with flat economics. We'll see a period of time without that – whether we do a deal or not [indiscernible] (00:49:03) somebody else would see this business start to get back on course to improve naturally.

Scott Richardson
Chief Financial Officer & Senior Vice President, Celanese Corp.

A

Yeah. And, Jim, as we look at deals in Engineered Materials that we really are focused on deals in engineered thermoplastics space. So other materials are similar materials to what we have today.

James Sheehan
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Terrific. And how should we think about the earnings left from the 15,000 ton expansion in Nanjing?

Scott Richardson
Chief Financial Officer & Senior Vice President, Celanese Corp.

A

Yeah, it's a few cents on a full-year basis. Jim, it's kind of embedded in the projections that we gave as part of our three-year plan last year.

James Sheehan

Analyst, SunTrust Robinson Humphrey, Inc.

Thank you.

Q

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Thank you.

A

Operator: Our next question comes from Arun Viswanathan with RBC Capital Markets. Please proceed with your question.

Arun Viswanathan

Analyst, RBC Capital Markets LLC

Great. Thanks. Good morning. Just real quickly with the synergies [indiscernible] (00:50:02) you cited there [indiscernible] (00:50:03). Would you like to see that I guess going to breakeven before you proceed forward with any kind of action in the JV transaction or separation? Thanks.

Q

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Arun, you were talking about the Tow business or the AC business?

A

Arun Viswanathan

Analyst, RBC Capital Markets LLC

The AC business.

Q

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Okay. Yeah. I'm – you guys don't like me very much with this comment, but I think you don't make money by just blowing something up. You make money only if you capitalize a unique growth profile. Right now, we have that under way for AC. We're not holding back money for AC. So I think until we started holding back money from a growth point of view, it's the shareholders are getting the full value for that within the portfolio. So we would see it as part of some catalytic event. I do believe or if there was a need for a lot more money we're going to put in place then you could rationalize it's the right thing to do to bring in a partner or do something else to try to unlock that shareholder value.

A

Arun Viswanathan

Analyst, RBC Capital Markets LLC

Thanks.

Q

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Sure.

A

Operator: Our next question is from Aleksey Yefremov with Nomura. Please proceed with your question.

Matthew Skowronski

Analyst, Nomura

Q

Hey, this is Matt Skowronski on for Aleksey this morning. Just following up on Kevin's question. In the past you mentioned CapEx in out years of 2020 plus is going to be around \$400 million. Is that still a good number to think about now that you have these expansion projects going on?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

No, it's drifting up and I don't know – I'm looking at Scott. I don't think we rolled out a number there, but we'll update that shortly. I think clearly the acetic acid expansion is in there and that would include [indiscernible] (00:51:49), so it will be up a bit.

Matthew Skowronski

Analyst, Nomura

Q

Understood, thank you. And then within Engineered Materials, was de-stocking limited to autos or were there other end markets?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Primarily auto.

Scott Richardson

Chief Financial Officer & Senior Vice President, Celanese Corp.

A

Yeah, auto and electronics were probably the two biggest where we saw – we really didn't see much impact in our medical business. Consumer goods is actually held up pretty well also. So it's really mainly cellphones, other electronics and automotive.

Matthew Skowronski

Analyst, Nomura

Q

Understood. Thank you.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Thank you. Rob, the next participant will be our last question.

Operator: Our last questioner is from Matthew Blair with Tudor, Pickering, Holt. Please proceed with your question.

Matthew Blair

Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.

Q

Hey, thanks for squeezing me in, guys. Just one for me. You mentioned a pretty heavy turnaround schedule in Q2. It also seemed like you had some downtime in Q1. Does this mean that your turnaround schedule for the back half of 2019 is pretty light and can you provide any numbers around that?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Yeah, it's pretty light. We have – I think we have EM outage planned in the third or fourth quarter as well. But, yeah we tend to – like most companies, we tend to do more in the second quarter and so it's pretty normal for us that \$30 million, \$40 million kind of hit in the quarter.

Matthew Blair

Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.

Q

Thank you.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

A

Sure.

Operator: Ladies and gentlemen, at this time, we've reached the end of the question-and-answer session. I would now like to turn the call back to Chuck Kyrish for closing comments.

Chuck Kyrish

Vice President-Treasury and Investor Relations, Celanese Corp.

We thank you for your questions and for listening in today certainly. We're available after the call to address any concerns that you have and then we'll wrap this up. Rob, you can close this out.

Operator: This concludes today's conference. You may disconnect your lines at this time and we thank you for your participation.

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