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# Celanese Corp. (CE)

Q1 2026 Earnings Call

## CORPORATE PARTICIPANTS

**Bill Cunningham**

*Vice President-Investor Relations, Celanese Corp.*

**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

**Chuck B. Kyrish**

*Chief Financial Officer & Senior Vice President, Celanese Corp.*

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## OTHER PARTICIPANTS

**Ghansham Panjabi**

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

**Patrick Cunningham**

*Analyst, Citigroup Global Markets, Inc.*

**Jeffrey J. Zekauskas**

*Analyst, JPMorgan Securities LLC*

**Vincent Stephen Andrews**

*Analyst, Morgan Stanley & Co. LLC*

**Michael Sison**

*Analyst, Wells Fargo Securities LLC*

**David Begleiter**

*Analyst, Deutsche Bank Securities, Inc.*

**Frank J. Mitsch**

*Analyst, Fermium Research*

**Hassan I. Ahmed**

*Analyst, Alembic Global Advisors LLC*

**Kevin W. McCarthy**

*Analyst, Vertical Research Partners LLC*

**Laurence Alexander**

*Analyst, Jefferies LLC*

**John P. McNulty**

*Analyst, BMO Capital Markets Corp.*

**Matthew DeYoe**

*Analyst, BofA Securities, Inc.*

**Edlain Rodriguez**

*Analyst, Mizuho Securities USA LLC*

**Christopher Silvio Perrella**

*Analyst, UBS Securities LLC*

## MANAGEMENT DISCUSSION SECTION

**Operator:** Greetings, and welcome to the Celanese Q1 2026 Earnings Call and Webcast. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the brief remarks. [Operator Instructions] Please note this conference is being recorded.

I will now turn the conference over to Bill Cunningham. Thank you, Bill. You may begin.

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### Bill Cunningham

*Vice President-Investor Relations, Celanese Corp.*

Thanks, Daryl. Welcome to the Celanese Corporation first quarter 2026 earnings conference call. My name is Bill Cunningham, Vice President of Investor Relations. With me today on the call are Scott Richardson, President and Chief Executive Officer; and Chuck Kyrish, Chief Financial officer.

Celanese distributed its first quarter earnings release via Business Wire and posted prepared comments as well as a presentation on our Investor Relations website yesterday afternoon.

As a reminder, we'll discuss non-GAAP financial measures today. You can find definitions of these measures as well as reconciliations to the comparable GAAP measures on our website.

Today's presentation will also include forward-looking statements. Please review the cautionary language regarding forward-looking statements, which can be found at the end of both the press release and the prepared comments. Form 8-K reports containing all of these materials have also been submitted to the SEC.

With that, Daryl, let's go ahead and open it up for questions.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. We'll now be conducting a question-and-answer session. [Operator Instructions] Our first questions come from the line of Ghansham Panjabi with Baird. Please proceed with your questions.

**Ghansham Panjabi**

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

Q

Thank you, operator. Good morning, everybody. I guess, first off, based on your first quarter operating results, it seems like your major end markets are basically weak, apart from some order pattern distortions specific to pre-buys, et cetera. As it relates to your guidance for the back half of the year, are you basically assuming that the operating environment reverts back to what you were seeing pre-war? And I guess, I'm referring specifically to the \$3 per share in EPS you're guiding towards for the back half of the year.

**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

A

Yeah. Thanks for the question, Ghansham. I think we've been pretty consistent with where our focus is. And it really remains on cash generation while we position our businesses for long-term success. And that's because we're in a world where demand continues to be low at an end-use level. And certainly, with some of the supply chain disruption that we're seeing here in the second quarter, we're going to go capture that. But we are really building something that we believe is very resilient as we go forward.

So as we look to the second half, we ran a lot of different scenarios. And as we look at the scenario, we do believe the right one to assume in the second half is one where supply chains start to unwind here by the end of the quarter here in Q2, and you see that kind of moderate on where volumes and margins are in the second half. And we just believe that's the right assumption at this point.

**Ghansham Panjabi**

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

Q

Okay. Thanks for that, Scott. And then as it relates to some of the network moves you've made in terms of ramping up capacity in certain cases in Frankfurt, et cetera, VAM, VAE, and so on and so forth. What happens in the scenario that demand normalizes? Would you adjust accordingly given that you're ramping up this capacity again, obviously, based on surged demand, et cetera?

**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

A

Yeah. The words we use internally, Ghansham, are being positioned to respond. And that's not just here in Q2. This is how we operate every single day. And we've run Frankfurt, we've run Singapore as swing units, but we also swing our operating rates in the Acetyl Chain as needed. We pivot our supply chain in Engineered Materials as customer demand shifts and changes. And so we're going to continue to position the company and the day-to-day business where it needs to be to respond. And so, if demand continues to stay where it is, we've got the assets running where they are. If demand changes, then we'll pivot as needed.

**Ghansham Panjabi**

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

Q

Okay. Perfect. Thank you for that, Scott.

**Operator:** Thank you. Our next questions come from the line of Patrick Cunningham with Citi. Please proceed with your questions.

**Patrick Cunningham**

*Analyst, Citigroup Global Markets, Inc.*

Q

Hi. Good morning. Your US production at Clear Lake has a pretty significant advantage. I guess, how have operating rates trended in the first quarter? And how are they progressing into 2Q? And I'm just curious if there are any limiting factors to maximizing those rates or any logistics bottlenecks you foresee across the complex.

**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

A

Yeah. Thanks, Patrick. It really is about reliability of supply for our customers. And Clear Lake is a great asset that can flex really across the products that we make there. And then we've got downstream assets positioned around the world that can also flex. And as I just mentioned on the previous question, Frankfurt is one of those assets that we block operated in a way that can flex as needed. And we're going to continue to adjust those rates as needed. As you can imagine, just given where some of the supply chain challenges have been this quarter, Clear Lake is running at a relatively high utilization rate.

**Patrick Cunningham**

*Analyst, Citigroup Global Markets, Inc.*

Q

Got it. And then just on EM, can you talk a little bit about the playbook in sort of response or in context of the crisis in terms of pricing, share gain opportunities? How has the Nylon 66 market performed? And any meaningful change in supply or trade flow dynamics at this point?

**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

A

Yeah. Look, how we look at our EM business is these are the right products at the right time to drive growth in a world that is challenged for growth. And we do that by ensuring that we've got the right segment focus and then kind of drill down below that into a sub-segment focus. And we are extremely well-positioned with the asset base from a compounding standpoint, which is where we create the most values in that last step of the process.

Our assets are extremely well positioned in each region. And so we are able to move polymer or buy polymer in each region to be able to adjust as certain products may have scarcity because of supply chain challenges, or be able to adjust pricing to deal with rising feedstock costs. And it does tend to take a quarter or two for those feedstocks to really fully flow through in the Engineered Materials business. And so it was important that we work to try to get ahead of that from a pricing standpoint now.

**Operator:** Thank you. Our next questions come from the line of Jeff Zekauskas with JPMorgan. Please proceed with your questions.

**Jeffrey J. Zekauskas**

*Analyst, JPMorgan Securities LLC*

Q

Thanks very much. Can you talk about prospects for Ibn Sina and how that will affect your Engineered Materials EBIT or EBITDA or equity income?

**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

A

Yeah. Thanks, Jeff. When you look at Ibn Sina, in 2025, they actually had a fairly large turnaround. So earnings were a little bit lower last year. And so right now, as we estimate earnings 2026 versus 2025, we're assuming pretty much flattish, Jeff, on what rolls through equity earnings right now.

Now the plant – most of the assets there have not been operating for the last six weeks or so because of shipping constraints, as well as raw material feedstock disruption. And so you'll have to see kind of where that goes here into the second half, but given the fact that we are on a one-quarter lag there and the fact that 2025 was a pretty low number, we're right now assuming flattish.

**Jeffrey J. Zekauskas**

*Analyst, JPMorgan Securities LLC*

Q

Okay. Great. And then in the Acetyl Chain, in the second quarter, you're going to make maybe a little less than \$200 million more. Can you analyze that in terms of is it more acetic acid? Is it more VAM? Is it more China? Is it more US exports? Can you give us an idea of how that improvement in the Acetyl Chain flows?

**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

A

Yeah. So I would say it's not really dissimilar to kind of fundamentally how the business operates in most quarters. The majority of the profit, as we've said in the past, comes from the Western Hemisphere. And I think the lift here from Q1 to Q2 is definitely weighted heavier towards the Western Hemisphere as well. And it's that low-cost advantage that we have in our asset base in Clear Lake and being able to utilize that across the Western world.

We have seen margins move up in Asia as well. I would say from a product standpoint, Jeff, very much disproportionate to the vinyls chain, so think VAM downstream into vinyl emulsions and then redispersible powder. So, again, not dissimilar to how we've talked about the business to being a lot of the profitability coming less from selling acetic acid as acetic acid, but really monetizing downstream and then seeing pockets of growth opportunity.

We've talked over the last year or so about the importance of vinyl emulsions as well as powder is kind of being a very small pocket of growth in certain parts of the world, and we're definitely seeing that right now. And vinyls chemistry has a nice advantage in a higher oil environment over competing systems. And so we're seeing and working with customers on growth opportunities to drive some switching as well. And so that's really where that focus is much more downstream in the product portfolio.

**Jeffrey J. Zekauskas**

*Analyst, JPMorgan Securities LLC*

Q

Great. Thank you very much.

**Operator:** Thank you. Our next questions come from the line of Vincent Andrews with Morgan Stanley. Please proceed with your questions.

**Vincent Stephen Andrews**

*Analyst, Morgan Stanley & Co. LLC*

Q

Thank you and good morning. I wanted to ask on the second half in EM. There's some comments in the prepared remarks about what you're doing on the nylon side of the equation that you expect some inventory drawdowns and some structural inventory reductions that were already underway. So is that coming on the customer side of the equation? And you think that's going to accelerate because you're going to be reducing capacity? If you could just color on some of those lines for us, that'd be helpful.

**Chuck B. Kyrish**

*Chief Financial Officer & Senior Vice President, Celanese Corp.*

A

Yeah. Hey, Vincent. Yeah, in the second half, in Engineer Materials, we would expect an additional \$50 million of absorption hit on the income statement. That is from drawing that nylon from the transition. But we've had, as you know, some other structural inventory production actions underway, right?

So, yeah, I would say, even with all that, we are targeting to grow EM this year, which will more than offset these absorption hits over the year, which is about \$35 million, the turnaround expense, which is about \$15 million here coming in Q2, potential raw material cost pressures that Scott talked about or even demand pullback and also offsetting the Micromax earnings, right?

So at the same time, I think it's important to remember, we're also fortifying the base in EM, reducing costs, reducing complexity, taking this inventory permanently out of the system. So it's really been in the plan and in place for some time.

**Vincent Stephen Andrews**

*Analyst, Morgan Stanley & Co. LLC*

Q

Okay. And if I could just follow-up on the Acetyl Chain, I didn't – I don't think I saw this in prepared remarks. Does the second half assume that you're still running Frankfurt for the full second half or does it assume some reduction in operations there?

**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

A

Yeah. Vincent, there's different scenarios that could potentially play out. And so we are assuming that Frankfurt is going to operate into the second half at this point. We do have some turnaround activity in two of our VAM units around the world. We've got both the US VAM units in turnaround between now and the end of the year. And so, just depending on where demand is at will determine what that Frankfurt operating rate schedule will look like. And – but certainly, the expectation is that it's going to operate into the second half.

**Vincent Stephen Andrews**

*Analyst, Morgan Stanley & Co. LLC*

Q

Thank you very much.

**Operator:** Thank you. Our next questions come from the line of Michael Sison with Wells Fargo. Please proceed with your questions.

**Michael Sison**

*Analyst, Wells Fargo Securities LLC*

Q

Hey, guys. Nice start to the year. In terms of the second half, just curious, if nothing really changes in terms of the conflict here, does the run rate in 2Q for EPS kind of mirror third quarter, meaning does third quarter look like

second quarter and then you sort of have a bigger drop in the fourth to get to your \$3? Or is it – or are you assuming things get better and we're kind of \$1.50, \$1.50?

**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

A

Yeah. Let me hit kind of a high level there, Mike. And then I'll turn it to Chuck to talk about kind of the cadence. As we look at the second half guide, it was really kind of looking at a scenario where we start to see some of the unwinding of the supply chains here by the end of Q2 and then kind of continuing into the third quarter and then into the fourth quarter.

Your question is, if we see things kind of stay where they are, I would look at how we think about our business. I mentioned that position to respond earlier. It's kind of like a coiled spring. And if the opportunity is there, then we're going to release that spring. And so if things stay where they are from a demand and a supply chain standpoint, then there's certainly upside in the second half.

**Chuck B. Kyrish**

*Chief Financial Officer & Senior Vice President, Celanese Corp.*

A

Yeah. Mike, based on the guide, look, there's a lot of moving parts and a lot of uncertainty. But I think probably the easiest way to think about it right now is if you look at normal seasonality in any given year, Q3 versus Q4, it's about \$25 million, \$30 million in each business. I think for now, that's a pretty good place to start. I wouldn't be surprised to see a similar pattern this year.

**Michael Sison**

*Analyst, Wells Fargo Securities LLC*

Q

Got it. And then just a follow-up on Clear Lake. I recall Clear Lake II was running full out or running pretty high. Is Clear Lake I now sort of ramped fully up to sort of take advantage of the higher pricing and such? And then where are industry margins now relative to the past peaks?

**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

A

Yeah. Mike, let me answer your last question first. Certainly, we are nowhere near kind of what would be past peak demand levels globally or mid-cycle demand levels globally. And so I would not necessarily compare that to past periods from a margin or a volume perspective.

And in terms of your first question, I would go back to the answer to Jeff's question is the majority of the opportunities that we're seeing are more downstream from acetic acid in the vinyls chain. And so as we look at Clear Lake operating rates, we've got both of those assets that we have there kind of dialed in at the right level to get the optimal usage, et cetera, and efficiency that we want from both assets and being able to pivot up or down as needed. So really, it's more of a downstream opportunity that we're seeing as opposed to fundamental acetic acid demand.

**Michael Sison**

*Analyst, Wells Fargo Securities LLC*

Q

Okay. Thank you.

**Operator:** Thank you. Our next questions come from the line of David Begleiter with Deutsche Bank. Please proceed with your questions.

**David Begleiter**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Thank you. Good morning. Scott, some of your peers have talked about 9 to 12 months until supply chains normalize post the end of the conflict. Looks like you're targeting maybe a shorter time line to normalization acetlys. Can you talk to that time line you're looking at? Thank you.

**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

A

Yeah. Thanks, David. Look, it's about scenario planning, and there's a lot of different scenarios that could play out. And as you kind of look at the assumptions that we've made here that we start to – things begin to unwind and that begin of that unwinding, it just – it depends on what that kind of decline curve looks like in terms of volume and price based upon the speed of that unwinding. And I think that is uncertain right now.

But we felt like it was important to be prudent in terms of how things could play out because there's also a potential offset to demand. With feedstock prices high and where they are, there could be an impact to underlying demand. And so we kind of put all those things out there, and again, felt like it was the prudent guide for the second half. But also, as I said earlier, look, we are ready. And our team has done a great job of responding to the environment here in the second quarter. And if we see that environment continue, then we'll go capture that upside.

**David Begleiter**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Very good. And just on EM, you've announced some price increases. So what's the cadence of price/cost as we go through Q2? Are you ahead, behind or neutral? And how does it go into the back half of the year? Thank you.

**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

A

Yeah. We're starting to get some of that price flowing through as it is kind of a slow uptick here in the second quarter, but it's important that we really begin to achieve that because the cost, while flowing through a little bit here in Q2, is going to hit us heavier in Q3. And I think we should see that hopefully fully materialize in the P&L in the third quarter. And so it's important as we exit Q2 that we're achieving the maximum amount of that price. So we're certainly on the trajectory there. But the next six weeks here as we finish the quarter are going to be really important in that equation.

**David Begleiter**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Thank you.

**Operator:** Thank you. Our next questions come from the line of Frank Mitsch with Fermium Research. Please proceed with your questions.

**Frank J. Mitsch**

*Analyst, Fermium Research*

Q

Terrific. Thank you. And actually, David's question leads nicely into what I wanted to ask about, and that's on the acetyl side of things. I mean, as you look at the second quarter, my assumption, and please correct me and expand upon it, is that you're raising price in the acetyls upstream and downstream. And the expectation would be that you're going to end the second quarter at a higher price level than what the 2Q average would be, such that we're going to start 3Q at a higher level.

I mean, so a couple of questions. Is that how you're thinking about it as well? And based on your prudent guidance, are you factoring some measure of price degradation in the third quarter? Or how do you think about the price balance on acetyls and how we're going to enter the second half?

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**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

A

Yeah. Frank, I don't know on a global basis that that necessarily is the right assumption. We've already seen pricing in China start to moderate as from where it was at the beginning of April. So actually, I don't think on a global basis, that's actually kind of the case of where things will be. I think we'll probably see that price in Asia stay where it is or possibly moderate a little more as we work our way through the quarter.

In the Western Hemisphere, where pricing is now is probably similar to where it will be at the end of the quarter, depending on where competitive dynamics are. So I actually think where we were in April was probably the higher watermark just as we look at the cadence today.

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**Frank J. Mitsch**

*Analyst, Fermium Research*

Q

I understand what you're saying about China. My understanding is that some of that was also demand destruction. So they actually don't have – you can't sell the products downstream at least here in the near term. But from – in the Western world, would you assume that in North America that you would give back something on price in the third quarter?

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**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

A

I think it's TBD, Frank. I think volume, we've got a moderation of margins and price as you work your way through the third quarter. Just from a normal seasonality standpoint, Q2 tends to be the highest quarter from a volumetric perspective, typically in acetyl. So you would normally have some volume come off in Q3 from a seasonality perspective through the holiday period. And so we've kind of factored some of that into the assumptions for Q3.

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**Frank J. Mitsch**

*Analyst, Fermium Research*

Q

Thank you so much, Scott. Appreciate it.

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**Operator:** Thank you. Our next questions come from the line of Hassan Ahmed with Alembic Global. Please proceed with your questions.

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**Hassan I. Ahmed**

*Analyst, Alembic Global Advisors LLC*

Q

Morning, Scott. Just wanted to sort of dig a little deeper about this sort of uneven sort of pricing dynamic regionally that you guys talked about within acetic. I mean, my understanding is that as I take a look at the raw

material side of things, just in the Middle East alone, there seems to be 26 million to 27 million tons of methanol capacity that is offline, right? And obviously, methanol pricing across the globe has risen quite rapidly, including China, right?

So I'm just trying to understand this recent dip that we've seen, particularly in Chinese spot acetic pricing. Where are the margins there? Are operating rates still relatively elevated? Just trying to sort of make sense of this uneven sort of pricing environment by region.

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**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

A

Yeah. Hassan, I think now is a good time to really call out the decisive actions that our team in acetyls has taken around the world in the quarter. They responded really quickly at the end of Q1 in order to take advantage of the margins started to move up there in China, in particular, and that's really the only place that we saw benefit from some of the supply chain disruption in Q1, but they were really working to position for the second quarter.

And as we kind of look at it, your margins were highest probably here in Q2 in China at the very beginning of the quarter, and they've come off. But we're certainly not at margin levels where they were at the beginning of 2026. So you're kind of in between that – where they were at the beginning of April and where they were when we started the year. And so it's somewhere in that zone.

We did see – China was in holiday last week, came back today. Pricing did move up a little bit. So we're going to have to kind of see where – how that holds and where demand is. But demand has held relatively steady from what we can tell through the value chain in China.

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**Hassan I. Ahmed**

*Analyst, Alembic Global Advisors LLC*

Q

Very helpful, Scott. And as a follow-up, can you just give us an update on where you guys stand with regards to any further potential divestitures?

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**Chuck B. Kyrish**

*Chief Financial Officer & Senior Vice President, Celanese Corp.*

A

Yeah, Hassan. Yeah. Yeah, we continue to work that very aggressively. And I would say the current events haven't helped the M&A market. But regardless, we do feel good about signing another deal this year. It could be a smaller deal, but we're working hard to get one signed. We have not baked in any assumption for cash proceeds from a deal just from the uncertainty of kind of signing versus closing.

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**Hassan I. Ahmed**

*Analyst, Alembic Global Advisors LLC*

Q

Very helpful. Thank you so much.

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**Operator:** Thank you. Our next questions come from the line of Kevin McCarthy with Vertical Research Partners. Please proceed with your questions.

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**Kevin W. McCarthy**

*Analyst, Vertical Research Partners LLC*

Q

Yes. Thank you and good morning. Scott, can you speak to your mix of contract versus spot business within acetyls on a pre-war basis and speak to how that is evolving, if it's changing at all post war. For example, if we consider VAM and some of the parabolic price action there, is your philosophy to sort of strike while the iron is hot and take advantage of this windfall opportunity, you might say? Or is it to really focus on upgrading your contracts and the terms and the mix with an eye toward the medium to longer term, or some balance of those? Maybe you can just kind of talk through that and how you're thinking about it.

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**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

A

Yeah. Let me just kind of step back a minute, Kevin. Our team is first focused on being the most reliable supplier in each region, in each product. And I think we've developed a network pretty deliberately for over many, many years that can achieve this and give us flex to be able to respond to what happens and what kind of landscape changes happen.

And so the pricing mechanisms that we have are different in each region, in each product, to be honest. We've got some formula pricing in certain regions, particularly VAM in the United States that we've talked about. It kind of moves with raw materials, gives us a nice base, gives us cost pass-through. We've got a lot more contracted business in Asia, but moves with how the market is moving, very quickly. And then we've got blends in the balance of the business in the US and in Europe on different mechanisms.

And so this is about being ready in an environment like we are now. And so being able to flex with some extra volume gives us that ability to be that reliable supplier for customers and for new customers that are just coming to Celanese or just coming back to Celanese. And so it is about how do we get that business secured longer term.

And we are securing business that we hadn't – didn't have under agreement for the second half. And so as that process works here in the second quarter, it will give us better clarity on what the third and fourth quarter are going to look like as we are able to utilize this flex capacity that we have.

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**Kevin W. McCarthy**

*Analyst, Vertical Research Partners LLC*

Q

Thank you for that. And then secondly, I wanted to ask about your new strategic initiatives in nylon that you announced last night in the US and Singapore. I think you're targeting incremental cost savings of \$30 million. So maybe you can step through what you're doing there and comment on the cash cost to achieve those savings and the timing of the flow-through of the \$30 million in coming quarters or years.

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**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

A

Yeah. Let me hit kind of the philosophy and the strategy around the changes, Kevin, and then I'll turn it to Chuck to talk about some of the details. When it comes to Nylon 66, we've been very open about this now for more than a year. And as we said in the past, our value is in the compounding step of the process. And that's not changing here. And in fact, we're enhancing our compounding capabilities in our specialty products where we need to, to ensure the reliability of supply to our customers.

And we've had a very thoughtful step plan to ensure the short- and long-term sustainability of how we get polymer. And so, being able to optimize this make versus buy on polymer is critically important. And so these

announcements around polymer capacity for us is really the next big wave of that commitment to improving the fundamental profitability of the Nylon 66 business, and we believe these are the right moves for us right now.

I think as we go forward, we would expect about \$30 million of savings. As you mentioned, about a third of that will probably hit here in the second half of the year. And I'll turn it to Chuck to talk about the other details.

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**Chuck B. Kyrish**

*Chief Financial Officer & Senior Vice President, Celanese Corp.*

A

Yeah. Thanks, Kevin. Yeah, like Scott said, about a third of that \$30 million starts rolling in this year. Your question on the cash costs, think about that as sort of less than a one-year payback of that \$30 million. That's been in our free cash flow forecast this year. So, nothing incremental there.

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**Kevin W. McCarthy**

*Analyst, Vertical Research Partners LLC*

Q

Thanks so much.

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**Operator:** Thank you. Our next questions come from the line of Laurence Alexander with Jefferies. Please proceed with your questions.

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**Laurence Alexander**

*Analyst, Jefferies LLC*

Q

Good morning. Just wanted to flesh out how you're thinking on working capital. How much you think in your base case, working capital will be a use of cash for this year? And as you think about this year and next year, is working capital just ebbing and flowing with your expectations around input costs? Or is there going to be some net drag on EBITDA at some point to work that – to reduce your working capital position?

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**Chuck B. Kyrish**

*Chief Financial Officer & Senior Vice President, Celanese Corp.*

A

Yeah. Thanks, Laurence. Let me talk about free cash flow this year and sort of talk about working capital within that. If you look at our midpoint of our earnings guide, that's about a few hundred million of EBITDA growth this year. That will translate into free cash flow, but it is likely that it'll be split between 2026 and 2027, as it works its way through working capital.

Right now, to simplify, we're assuming we collect about half of that increased EBITDA this year and half next year. So that would mean about half of that gets tied up in working capital. I think before that, we were assuming this year actually that working capital would be a source of cash of, say, call it, \$100 million as we continue to reduce inventory in EM. So maybe working capital in this scenario is closer to flat for the year. And then I think you kind of ebb and flow with demand. But we do expect to continue to take inventory out of the system and generate tailwinds in working capital.

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**Laurence Alexander**

*Analyst, Jefferies LLC*

Q

Thank you.

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**Operator:** Thank you. Our next questions come from the line of John McNulty with BMO. Please proceed with your questions.

**John P. McNulty**

*Analyst, BMO Capital Markets Corp.*



Yeah. Good morning. Thanks for taking my question. So, on EM, with all of the work that you've been doing and, I guess, some incremental work even this year, I guess, is there a way to think about – maybe this year is not necessarily a normal year. I guess, is there a way to think about what you think the mid-cycle earnings power of the business is now, just given all the changes that you're completing and also maybe a more normalized demand environment?

**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*



Yeah. Thanks, John. The words that we used in the prepared comments, I think, are important to think about here. It's really about growth and fortify. And as we think about the fortify piece, I mean, that's – we've been working that hard with the cost reduction actions that we've taken out, the efficiency that we've been able to drive, how we're adding technology to the business with our Chemille platform. There is – we are strengthening this business and positioning it to be able to ready to respond to customer needs.

The other thing that the team has been working really hard on is kind of building a really deep segment approach focused on where we can win and where we can hold that business. So where we have a differentiated offering in growth sub-segments in things like medical, electronics, data centers, some key growth industrial applications, high-performance athletic wear, there's just a lot of really great work the team has been doing in these high-growth areas. And so positioning well there, building the pipeline so that we can hit that growth piece going forward.

And look, growth is always hard. Growth is even harder when the world around you isn't growing broadly. But there are pockets of growth here, and that's really where that focus is. And so it's hard to say what mid-cycle will look like. We do not believe we're anywhere near mid-cycle demand in kind of our historical key end uses, as well as some of these emerging growth areas. So as we work that, as we continue to build out what we think the addressable market space is there, then we'll provide that color in the future.

**John P. McNulty**

*Analyst, BMO Capital Markets Corp.*



Great. Thanks very much for the color.

**Operator:** Thank you. Our next questions come from the line of Matthew DeYoe with Bank of America. Please proceed with your questions.

**Matthew DeYoe**

*Analyst, BofA Securities, Inc.*



Good morning. To touch a little bit on this, right, I think there's a desire amongst investors really sell-side as well to just get a better handle on, like, what EM is now, given just the kind of asset aggregation and then closures and repolymerizations and closures. I get the core identity and thesis behind fortify.

But like, at the end of the day, what is an achievable – I don't know, I don't want to call it, like, mid-cycle because it's not necessarily a pure commodity business, but what should the people or what should the market think about as like a reasonable expectation on profitability for this business under normal demand, normal kind of margin structure?

**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

A

Yeah. Thanks, Matt. There's a lot to unpack there. What I would say is this is a business that is customer-focused with an eye towards building unique solutions. And it's a business that we've been working hard over the last 3.5 years to make sure that we're well-positioned in the environment that we're now in globally with a lot of the competitive landscape that's changed to be able to win.

And it's a business that has unique capabilities. It has unique products and it has a unique ability to be able to get polymer solutions to do just about anything. And we've got a great model that I think ensures that the things that we're working on are going to drive the profitability and are worth the time and effort that it takes to work these solutions.

And so I think what we've been able to do now is take a business that was performing on an EBITDA basis in the low-teens now to one that's now consistently performing north of 20%. And the idea is to keep moving that upward. Even if the world around us is not growing, we are focused on growth. And when you look at and kind of back into our assumptions for this year and you normalize out Micromax and the \$40 million or so of EBITDA that comes out of that, this is a business that's going to grow year-over-year, even though its end markets are not growing.

And so I think that's the way to think about it. It's a business that should be able to grow like we did in the past, going back 5, 10 years ago at 5% to 10% minimum on the EBITDA line, and a business that's consistently going to find a way to be able to deal with whatever the global environment is. And if we see a normalization of demand back to mid-cycle, and it's hard to say what that looks like because the world's changed quite a bit, then I think you also possibly get kind of a hockey stick lift on that at some point.

So it's about being consistent, it's about being ready, and it's about continuing to take the hard steps to ensure that we have the cost structure in place to be able to win in a very competitive landscape.

**Matthew DeYoe**

*Analyst, BofA Securities, Inc.*

Q

All right. Thank you for that. And if I could just ask on the acetic side, right? Like, I've never really trusted some of the consultants when it came to US acetic prices. But to your point, Asia is off peak, and that would lead me to believe like absent another leg higher, it remains maybe a bit curiously below Western markets.

So how does that sustain – well, first off, is that right? Because, again, I don't have confidence in the US pricing I get. But how does this sustain? And then how does weaker acid pricing not translate to weaker VAM? Or would that weaker acid back up into methanol? Like, how possible is this just stays kind of relegated to one market? I would assume it's not, but I just want to hear you opine on it.

**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

A

Yeah. Matt, as you know, I'm old, and I've been here at Celanese for 21 years.

**Matthew DeYoe**

*Analyst, BofA Securities, Inc.*

Q

Not that old.

**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

A

And when I joined Celanese, our what we now call Acetyl Chain business was an acetic acid business. And now it is an Acetyl Chain business. And it's a business that doesn't rely on us just selling acetic acid in order to be successful.

And back then, 20 years ago, over half of what we sold to an end customer in this business was acetic acid. That is very much not the case anymore. And so some of the dynamics that you talk about, we are very much less susceptible to those acetic acid movements. And, yes, you are going to see acetic acid pricing in some regions roll through into the downstream, but it usually takes some time, both on the way up and on the way down.

And so it's about managing that, and it's also then continuing to position for the pockets of growth that are in this business. And yes, they've been small, but there have been pockets of growth for us in the vinyl emulsions part of the business as well as in redispersible powders. And in the environment we're in now, we're finding ways at which to expand that. As I mentioned earlier, with some of the switching that customers want to do away from oil-based systems, this is giving us a nice advantage, and the opportunity is now for us to go get that business, get it contracted and extend it into next year and beyond.

**Matthew DeYoe**

*Analyst, BofA Securities, Inc.*

Q

All right. Thanks, Scott.

**Operator:** Thank you. Our next questions come from the line of John Roberts with Mizuho. Please proceed with your questions.

**Edlain Rodriguez**

*Analyst, Mizuho Securities USA LLC*

Q

Thank you. This is Edlain Rodriguez for John. Good morning, everyone. And a quick one, Scott. So in this inflationary environment, like, how concerned are you about demand disruption in the later parts of the year? And related to that, are you seeing any signs of pre-buying by customers that trying to get ahead of price increases that they're seeing coming?

**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

A

Yeah. Thanks for the question. Yeah, look, it's something that we're very much concerned about and we're watching very closely. And it factors into the scenarios that we put out for the second half. And there's no doubt that's something that we are looking at. And we put it in our prepared comments that particularly in Engineered Materials, that we may be seeing a front-loading of some of that volume. And so that certainly factors into the guide that we made for the second half.

I don't think we're seeing much of that in acetyls, to be honest with you. I mean, the products that we have there largely are liquid bulk chemicals. They have some element of shelf life as well as storage limitations around the world. So I don't think it's much of a factor there, but it's certainly something that we're cognizant of on the Engineered Materials side of the house.

**Edlain Rodriguez**

*Analyst, Mizuho Securities USA LLC*

Okay. Perfect. That's all I have. Thank you.

Q

**Bill Cunningham**

*Vice President-Investor Relations, Celanese Corp.*

Daryl, we'll make the next question our last one, please.

A

**Operator:** Thank you. Our final questions will come from the line of Josh Spector with UBS. Please proceed with your questions.

**Christopher Silvio Perrella**

*Analyst, UBS Securities LLC*

Hi. Good morning. It's Chris Perrella on for Josh. Can you size the POM turnaround impact in the second quarter there? I might have missed that earlier. And is the later restart dependent on the ability to get speed out of Ibn Sina? Or can you make the economics work buying methanol to feed the plant there? And I guess the corollary is, are you seeing raw material sourcing issues, particularly in Asia at this point?

Q

**Scott A. Richardson**

*President, Chief Executive Officer & Director, Celanese Corp.*

Yeah. Chris, let me start, and I'll let Chuck fill in the details. Let me hit the second part of your question first. No, we are – we have already moved and we are moving methanol from our plant in the United States over to Europe. So our POM unit in Europe either uses sourced methanol from the market or uses our own cost-based US natural gas-based material.

A

**Chuck B. Kyrish**

*Chief Financial Officer & Senior Vice President, Celanese Corp.*

Yeah. Let me talk about – kind of walk Q1 to Q2, both the turnaround and some of the other inventory. So in Q1, we built POM inventory, hit the income statement, \$25 million benefit in Q1. Now in Q2, we're going to draw that POM inventory down, but we will build some nylon for the transitions that we've talked about. Expect a net \$10 million absorption hit to the income statement in Q2, plus about \$15 million of turnaround expense. As you know, from the guide, we do expect to offset the majority of that \$50 million sequential headwind through the volume improvement and pricing actions we've talked about.

A

**Christopher Silvio Perrella**

*Analyst, UBS Securities LLC*

Perfect. Thank you.

Q

**Bill Cunningham**

*Vice President-Investor Relations, Celanese Corp.*

Well, thank you, everyone. We'd like to thank you for listening in today. And as always, we're available after the call for any follow-up questions. Daryl, please go ahead and close out the call.

**Operator:** Ladies and gentlemen, thank you so much for your participation. This does conclude today's teleconference and webcast. Please disconnect your lines at this time, and have a wonderful day.

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