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Celanese Corp. (CE)

Q3 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings, and welcome to Celanese's Q3 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 that this conference is being recorded.

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

Bill Cunningham

Vice President-Investor Relations, Celanese Corp.

Thanks, Darryl, and welcome to the Celanese Corporation Third 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 third 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 will 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, Darryl, let's go ahead and open it up for questions.

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QUESTION AND ANSWER SECTION

Operator: Thank you. We'll now be conducting a question-and-answer session. [Operator Instructions] Our first questions are coming 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, in terms of the EBITDA underpinning your $700 million to $800 million free cash flow assumption for next year, can you just give us a sense as to what you're assuming in terms of underlying assumptions? Is it basically some version between 2025 and 2026, adjusting for the cost savings? What is your initial view on that?

Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.

A

Yeah. Thanks, Ghansham. Let me start, and then I'll turn it to Chuck to talk a little bit about how he's thinking about free cash flow generation. The team is really being very intentional about how we engage with customers right now to finish the year. So we can plan and position for what is still some uncertainty as we go into 2027. I think Acetyls continues to focus on contracting business, and with some of the benefits that we've seen from the reliability of supply, getting that business contracted for 2027, and Engineered Materials being really deliberate and intentional with how we build the pipeline with high quality, particularly in some of these growth segments.

And so, I think with that, when you combine kind of that focus of top line with the cost actions that we called out, pushing approximately $100 million between cost and interest next year, we do feel like we can make 2026 a base that we can build off of going into 2027.

Chuck B. Kyrish
Chief Financial Officer & Senior Vice President, Celanese Corp.

A

Yeah. Thanks. And Ghansham, look, I think we're demonstrating our capability to generate $700 million to $800 million of free cash flow in two very different environments the last couple of years, right? As the last couple of years, there's a few different scenarios that we can hit that. It's either the earnings or some leverage that we have on working capital. So, we're confident in this $700 million to $800 million range for next year.

A little bit more context, I think to start, there's really no need to increase our CapEx. At those levels, we're able to maintain reliability, safety, but still pursue very targeted low capital investments in either productivity or very targeted growth areas. I think going forward into 2027 from 2026, there is still a lot of opportunity in working capital because if you look at our inventory values, I mean, they're still elevated, and we still have structural opportunities there as well.

In addition, I'd point out that at Celanese, it's productivity every day, but a lot of the large cost savings programs that needed large cash outlays, they're kind of running their course, right? So that cash outlay for restructuring activities should continue to decline next year. Call that $30 million to $40 million, right? So, all those things considered, Ghansham, we feel that $700 million to $800 million is really the right range for next year.

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

Q

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Okay, perfect. And then just for my second question, on the electronics and healthcare piece, obviously, that had substantial growth and profit mix is clearly quite favorable, and that's some of the offset towards perhaps auto OEM and some of the mixed backdrop there. The forecasters are calling out in terms of builds, etcetera, certainly for 4Q. But as we think about 2027, you're going to have tougher comps for those two verticals. Just your thoughts as it relates to the momentum on the sales side for both electronics and healthcare into 2027 would be helpful. Thank you.

Scott A. Richardson A
President, Chief Executive Officer & Director, Celanese Corp.

Yeah. Our EM team is staying very close to customers right now. And staying close to customers and matching our capabilities that we have, which we believe are immense, with the opportunity sets that are out there. And it really is a focus on quality, and quality into the pipeline, and moving that through as quickly as possible to get to commercialization. And when you look at electronics and medical, we still see tailwind going into next year, Ghansham, and we don't think that that stops.

And certainly, we are working many different end-use areas, and we continue to partner with customers on some really interesting new development programs, really across every end-use that we have. But certainly, medical and electronics has been a bright spot for us this year, and we expect that to continue into 2027.

Ghansham Panjabi Q
Analyst, Robert W. Baird & Co., Inc.

Okay. Terrific. Thanks so much.

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

Patrick Cunningham Q
Analyst, Citigroup Global Markets, Inc.

Hi. Good morning. Thanks for taking my questions. Really compelling slide on the margin contribution from downstream derivatives in the Western Hemisphere. Do you need to build any more capacity there, if you have any line of sight into North America building and construction demand? And then I'm just curious, on the downstream capacity specifically. How would you assess the risk longer term of those businesses being disrupted by Asian supply?

Scott A. Richardson A
President, Chief Executive Officer & Director, Celanese Corp.

Yeah. Thanks for the question, Patrick. Our operating model in Acetyls has been one that we have continued to enhance over the course of the last several years. And where the opportunity set has been has really been further downstream, and specifically in our emulsions and powders part of the portfolio. As that business continues to penetrate further with differentiated opportunities, particularly in the Western Hemisphere, there could be a need for additional investment. We'll be very thoughtful about that.

As we announced earlier in the year, we have added another reactor for the emulsions business in Europe, and we've continued to de-bottleneck our redispersible powders assets with very low or no capital over the course of the last 18 months. So, we'll continue to do that, and then we'll be very thoughtful about investment. But even if we needed to make investment, we still believe it will fall between kind of this – our capital will fall between the $300 million and $350 million.

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To answer your second part, one of the reasons why we like the downstream portfolio is because it allows us to have more differentiation with products, partner with customers, formulate, develop solutions that fit their needs in some of these key growing end-markets. And that provides us with a little more resiliency, even with the global length that we've seen more upstream, particularly out of China.

Patrick Cunningham
Analyst, Citigroup Global Markets, Inc.

Q

Got it. Very helpful. And then you characterized the Asian acetyls environment as a bit more dynamic in the quarter, and it's been a volatile year overall. I guess, with the exit rate maybe a bit better towards the end of the quarter, can you help us with what's embedded in guidance in terms of the direction of prices and spreads there, and how much upside there would be if we sort of see persistent movements in prices and spreads here?

Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.

A

Our acetyls team wakes up every single day ready to tackle whatever is in front of them. And it's a team that works to stay very globally connected as well, because oftentimes, there will be connections between what happens in one product and moves downstream, or in what happens in one region impacting another region. And so, that tightness and readiness is really the hallmark of that team. And so, they've approached this quarter much like they approach every quarter, which is be ready, and be ready to no matter what transpires.

As we started the quarter, we've had a healthy margin environment. We've got an unexpected turnaround from one of our key pipeline suppliers in China that is having to take an extended outage due to some government inspections that was unplanned. And so, we are running at lower rates here in the quarter because of that outage.

And then, we do have margins coming off through the quarter and finishing at lower levels at the end of the quarter. And so, that's what we've embedded into the guidance, Patrick. And if either of those two things were to change, then certainly, that would potentially drive a little higher margins in the back half.

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. It seems that the EU is dropping tariffs on VAM into the EU from the US. Is that a benefit to you, or it goes to the customer? How do you see that?

Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.

A

Yeah, Jeff, right now, we're not seeing huge impact to the bottom line for us of some of those changing dynamics. We don't see it really being material at this point. And often times, that ends up flowing through over time.

Jeffrey J. Zekauskas
Analyst, JPMorgan Securities LLC

Q

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Okay. And can you tell us how your auto-related businesses in Engineered Materials have performed through the year? How much are volumes down? What's going on in the nylon business? What's going on in the polymer business, and what's your outlook?

Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.

A

Yeah, Jeff, as we look at the auto business, we like the quality of our auto business today better than we did a couple of years ago. Now, our volumes are down this year in automotive, largely driven by China. And with the builds declining in China, that's been the biggest driver. Things have been pretty stable in the Western Hemisphere, both from a builds perspective, as well as our overall business. But the quality of the pipeline continues to improve, and the mix has improved in really this specific auto business this year. The team's done a great job with the changes that we've had in our manufacturing footprint. It's really given us a lot more flexibility to be less focused on grabbing volume and really focus on developing those more differentiated applications and continuing to push for value. So, the quality is strong and we're exiting the year, I think, from an auto perspective, certainly better on an overall mix and portfolio than when we entered the year.

Jeffrey J. Zekauskas
Analyst, JPMorgan Securities LLC

Q

How about nylon?

Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.

A

Nylon fits very much in that, Jeff. Because of the changes that we've made around our footprint and the fact that we're buying as opposed to making more polymer. We just have a lot more flexibility there, and margins have significantly improved. And the pipeline continues to be good for nylon in key applications, both within auto but also outside of auto.

Jeffrey J. Zekauskas
Analyst, JPMorgan Securities LLC

Q

Thank you.

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

Kevin W. McCarthy
Analyst, Vertical Research Partners LLC

Q

Yeah. Thank you very much, and good morning. A couple of questions on your joint ventures. Maybe on the operational side, curious to hear your thoughts about Ibn Sina. We've seen MTBE prices very volatile, first in a good way, and now kind of coming off a little. So does that create a surge in 4Q and maybe an ebb to start next year?

And then, the second question on JVs is, as you inked a deal regarding Nutrinova, expected to bring in, I think, $152 million. Maybe you could just talk a little bit about that deal and prospects for other similar, sort of cash generative transactions as you see it today?

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Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.

A

Yeah. Thanks, Kevin. Let me hit the Ibn Sina part first. Ibn Sina, we view that as a very important kind of natural hedge or offset in the Engineered Materials business. So, when energy prices rise, Ibn Sina tends to do better. Energy prices fall, then we see those earnings decline. But the base business tends to kind of move in a counterbalance way to that. So, it kind of provides that.

With kind of the low operating rates that Ibn Sina had had earlier in the year, it wasn't providing that offset that we've seen historically. I think as you go into the fourth quarter, you will see more of that. Ibn Sina is on a one-quarter lag for us. There was better performance in Q3, which will roll into the fourth quarter. We continue to see inconsistent operating rates, I would say, with Ibn Sina.

Shipping out continues to be very difficult particularly in some products. And so, it has been operating, but it has been operating inconsistently. I think last quarter, we expected EM affiliates to be down about $10 million year-over-year. And now, we would see EM affiliates being pretty flat on a year-over-year basis, on an adjusted basis to what we had last year.

Then, on to your question about Nutrinova, it's certainly a good partnership we have with Mitsui both with the methanol joint venture in Clear Lake and now with the partnership we have on the Nutrinova joint venture. They were interested in taking a larger share. And so, we came to an agreement to sell an additional share, where we're going to get a little over $150 million of proceeds.

And we've talked about it's likely to get to close the gap on the remaining $350 million or so, $340 million of additional divestiture proceeds that we have called out by the end of 2027, that it's likely a series of transactions, probably in the range or maybe smaller or a little bit bigger than what we just announced with Nutrinova. And so, a continued emphasis continues to be around joint ventures to where we could extract more value and not impact kind of our base operating models.

Kevin W. McCarthy
Analyst, Vertical Research Partners LLC

Q

Thank you very much.

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

Frank J. Mitsch
Analyst, Fermium Research

Q

Hey. Good morning. Scott, I'd be curious as to how you think about the acetyls business for the full year of 2026. Obviously, last year was very disappointing. However, you posted some eye-popping results in the post-COVID environment. I just took a quick look. If I average out 2019 and 2020, if I average out those two years, you're basically where you are in 2026. So, I'm curious as to what your thoughts are. Was 2026 a year that you over-earned? And if so, by how much? I mean, how do you think about that?

Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.

A

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Frank, I see, and I said this to our acetyls team, I believe this is the business that never sleeps. It's a business that really has to be on point every single day, given how we've created this operating model to be able to flex. And I don't think we're going to put labels on 2026. Our team is really focused heavily on looking forward, finishing the year very strong, and then looking forward to how we can build on 2026 going into 2027. We're going to see cost savings from the Lanaken shutdown. We're only going to get about a third of those in 2026 and the other two-thirds rolling into next year.

We've contracted new business by showing that we can be the most reliable supplier of acetyl products in the Western Hemisphere. We are leveraging our flexible network and maximizing our low-cost base. We continue to work a number of reliability and productivity projects in the US assets to be able to get more out of those assets as we go into next year, to hopefully improve margins. And we're doing some really creative things around AI, to help the manufacturing with that focus around reliability and productivity.

So, those are just some of the things that we're focused on right now, getting executed here in the fourth quarter and the early part of next year, to hopefully provide some tailwind to offset what could be some headwinds, particularly from the strong Q2 that we had.

Frank J. Mitsch
Analyst, Fermium Research
Q

Got you. Okay. And then, yeah, just coming back to EM, you highlighted three projects that I think are going to be commercialized in the first half of 2027, two in Asia, one in Europe. Curious as to what sort of order of magnitudes might investors expect to see out of these three EM projects.

Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.
A

Human ingenuity never stops, Frank. And our Engineered Materials team is really focused on partnering with customers on unique solutions, differentiated products that we offer, to be able to provide kind of a long-term and sustainable growth base for the corporation. And these three projects are necessary because of the great work the team has done to continue to grow in some of these high-margin areas, particularly in electronics and medical. And those three investments that we've made are really a focus on specifically electronics and medical application areas.

And so, as we go forward, it's really about how we use, again, 2026 as the base to continue to grow. I mean, we're going to grow, when you adjust for Micromax, EBITDA approximately 20% or so on a year-over-year basis versus 2025. And even if you included Micromax, that EBITDA growth would be about 15%. And so, it's how do we continue to kind of get that moving into 2026 or to 2027, which is important for us from a corporation standpoint, to be able to build off of the EPS that we generated here in 2026.

Frank J. Mitsch
Analyst, Fermium Research
Q

Understood. Thank you.

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

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Thanks. Maybe just to start off with, could you talk a little bit about the seasonality you're expecting in the fourth quarter? And is it different by region? Like in other words, are you expecting Europe to be softer than maybe North America? Just sort of what you've baked in there. Obviously, Europe's going to struggle with the higher energy costs, plus there's been a backup in rates from 3Q to 4Q. So I'd be curious, number one, to hear your thoughts on seasonality.

And then two, the press release, or sorry, the prepared comments, you mentioned a relationship you've formed with a company called VIGOR in robotics. So I'd be curious to hear a little bit more about that. I suspect that's with your POM molecule, and I'm just kind of wondering when do you think that would become interesting to your P&L. Is that a 2028, 2029, 2030 plus? Or just what the opportunity set is there? Thank you.

Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.

A

Yeah. Let me hit the second one first, Vincent, and then I'll come back to your first question. Look, we believe we have really enabling capabilities in our Engineered Materials business, and it's how do you match those enabling capabilities with kind of that includes really the most vast polymer offerings that anyone has in the space, and how do you match that with customer needs? The robotics example there is a good one in that. And it's not just about one product. It's really about kind of a multi-product offering and we gave the example, I think, of the continuous glucose monitor in the prepared comments, where it's not just about one part, and it's not just about one polymer that we're selling. It's about a myriad of offerings there.

And so, by building that relationship, by really being at the bench with the customer in the development part of that process, it's not just about winning one. And that is how we believe we can scale this business and how we can build that quality. We can build that differentiation, because of the offerings that we have, and by being a part of that design team with customers. And so, we are excited, as we look forward about areas like robotics, which is really about, how do you turn artificial intelligence from the digital form into the physical form? And that's really what robotics is about. And that's one example with one customer that we're working, and we're working with a number of customers around the world on those types of application areas.

Now, to get to seasonality, I think what we baked in, Vincent, quite honestly, is very similar to what we've seen historically. So, in Engineered Materials, I think we've got between about a 6% and 7% volume decline baked in to the fourth quarter. That's pretty much right on what we've seen historically. And I think the early indication for the order book towards the end of November and into December would certainly match up with that forecast.

In acetyls, it's usually about a $25 million plus minus decline from Q3 into Q4, largely driven by paints and coatings, and building and construction seasonality. That really is pretty heavily contained to both the US and Europe, and it's pretty evenly split, I would say. We are seeing pressure from raw materials. We are seeing pressure on cost from the low Rhine water levels, and we baked kind of both of those into that seasonality guide that we put out.

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

Hassan I. Ahmed
Analyst, Alembic Global Advisors LLC

Q

Morning, Scott. Scott, a question on AC. One of the things that obviously transpired post the Middle East conflict was a fairly rapid escalation in methanol prices. And unlike certain other commodity chemicals, we really haven't

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seen much volatility there. Methanol continues to remain fairly high. Expectation is that at least for the next couple of quarters, it'll stay there. So, just how have you managed those higher Methanol prices?

And I know in the past you guys have talked about how potentially sort of, volatility in feedstock prices, methanol in particular, tends to be a positive for you guys. So just trying to reconcile those high methanol prices, those strong AC results that you've gotten with the net short global methanol position you guys have.

Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.

A

Our philosophy on methanol, Hassan, is to be about 40% to 50% integrated. And we have a methanol joint venture in Clear Lake, and then we've got the joint venture in Saudi Arabia with Ibn Sina, which also produces methanol. So those are our two kind of investment positions that we have in methanol, and we believe being a merchant buyer of a little bit more than 50% of our global needs is the right position to have, and I would expect that to continue to be the strategic path forward that we have.

What we have seen occur specifically in the third quarter was a very rapid escalation beginning of the quarter. We saw margin compression that occurred at the very beginning of the quarter. And then over the course of the quarter, we were able to move pricing up to where we saw margin expansion overall as we exited the quarter. We've seen some compression on that as we started here the fourth quarter through most of the month of October, but we're still seeing margins at elevated levels. I think for us as we go forward, certainly we're going to do everything we can to hold here just with the potential for length in the back part of the quarter. We have baked in margin compression in the Acetyl Chain into our guide here for kind of the balance of the quarter as we move forward.

So if we can hold margins and pricing, then certainly there could be some upside as we exit the quarter. But as I mentioned earlier, we do have that unexpected outage from our supplier in Asia, and then we are seeing some cost pressure in Europe from both energy as well as from the Rhine River levels. And so, with kind of all that, that's kind of where we netted out on the Q4 guide.

Hassan I. Ahmed
Analyst, Alembic Global Advisors LLC

Q

Fair enough. And Scott, as a follow-up, with the cost-cutting sort of exercises that you guys have carried out, productivity improvements, and the like, just trying to get a sense of what that equates to in terms of EBITDA tailwinds for 2027.

Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.

A

Yeah. Let me start, and then I'll let Chuck get into the details. We never stop looking for ways to be more effective and efficient. I think I've been with the company for over 20 years, and I think it's been a part of our DNA to focus on, driving as much productivity as we possibly can and getting creative. And once we've implemented a project that creates a new normal, and then how do we optimize around that and continue to get creative? And some of the things that we're doing, we kind of call it next-generation productivity.

So, how do we use technology like AI within our manufacturing assets to get better at raw material efficiency, get better at energy efficiency, get lower maintenance costs, etcetera? And we're starting to see early returns from that, and we would expect to be able to build on that to create new opportunities into 2027 and beyond. So, that's kind of how we philosophically think about productivity and cost reduction. Chuck, do you want to hit 2027?

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Chuck B. Kyrish
Chief Financial Officer & Senior Vice President, Celanese Corp.

A

Yeah. Hey, Hassan. So, with the costs and actions that we've already done in both Engineered Materials and Acetyl Chain, we're seeing right now $70 million flow through this year. But even with just those same actions, we have another $30 million to $40 million that will hit us next year in cost savings. And Hassan, the vast majority of that is EBITDA. We also expect functional cost to normalize somewhat in 2027, call it $20 million or so. That's EBITDA. Below EBITDA, we also do expect interest expense savings to begin, and that's $40 million on a net basis, not in EBITDA, but certainly another cost savings.

Hassan I. Ahmed
Analyst, Alembic Global Advisors LLC

Q

Very helpful. Thank you so much.

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

Joshua Spector
Analyst, UBS Securities LLC

Q

Yeah. Hi. Good morning. I'd be curious if you can characterize where Engineered Materials price cost is in the second half. I know in the prepared remarks you said in 3Q you offset it through mix and some other factors, but if we just think where pricing is relative to costs, is there still a meaningful gap to close in second half as we're looking at 2027, or where does that stand? Thanks.

Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.

A

Yeah. Thanks, Josh. If we go back, pricing was a critical part of the second quarter, and we talked very openly about the need to exit the second quarter with strong pricing to be able to offset the cost headwind that was going to hit us with kind of the delayed flow-through of raw materials in the third quarter. And that's exactly what happened. And as you can see from the numbers, we were able to get a little bit more incremental price in the third quarter as well to help offset some of those cost pressures that we saw.

We are seeing – after seeing a stabilization of cost in the third quarter, we are seeing some costs start to rise. And that costs, particularly methanol has been mentioned here, energy costs in Europe, and several other raw materials are moving up now again here as we work our way through the fourth quarter. And so, the team continues to be very focused on price and pushing more price because of that kind of next wave of raw material increases that we're seeing. And so, that's going to be important that we push to get some of those key price areas as we exit this year because those raw materials are going to flow through in Q1.

Joshua Spector
Analyst, UBS Securities LLC

Q

Okay. Thanks. And I wanted to follow up just on the supply side in Engineered Materials. I mean, if we say the market is flat, it's still the supply set up better or worse for you into next year? And can you keep your differentiated products differentiated against potential supply out of China, other parts of Asia, etcetera? Thanks.

Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.

A

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Our EM team never stops working this equation, Josh. I mean, you do have a fair amount of the business that churns out every quarter, every year. And so, it's important that that innovation engine is always running hard and is pushing to get that differentiation. I mean, we've been very open about the fact that there has been new capacities that have been added in Asia, and we've seen more competition on the standard grades. And so, we tried to get ahead of that with the footprint actions that we have taken, and I think that is really kind of playing out as the right move for us because it doesn't push that volume equation as being as critical for us as we move forward. And it really allows us to focus on development of the pipeline in those more differentiated areas.

And so, we can't stop there and we have to continue to be focused with customers in the areas where we have better products, we have more differentiated products, and we're very clear about that value proposition to customers to where we become the supplier of choice. And I think with the growth that we've seen in certain pockets of the business, both electronics and medical, I would also say the quality of the auto business as well has been certainly very good this year relative to past years. And so, those three areas, I think, are giving us some tailwind as we finish 2026 and go into 2027.

Joshua Spector
Analyst, UBS 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. Scott, you mentioned some earnings tailwinds for next year. Any cost headwinds you would point out, not including raw materials, that you see right now? Thank you.

Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.

A

Yeah, David. We have to continue to find more, because there's always things that you don't predict that could happen. We are going to see a continued, we believe, inflationary environment on some of our costs at the plant and some of our administrative costs. And so, we work the productivity angle there hard. We are targeting $150 million of gross productivity to offset inflation going into 2027. So it's really critical that we build out that pipeline from a manufacturing and procurement standpoint to be able to offset that inflation.

Now, we're going to push to do higher than the $150 million of gross so that we can hopefully put some of that to the bottom line, just because I do think we are going to continue to see inflationary pressures there. We do have to, and I know you didn't ask about this, but I do think we have to continue to stay ahead of this price-cost environment, because it has been dynamic and it has been volatile. We saw stabilization of raws, but now raws has started to move in certain regions, as well as energy prices have moved. So it's really important that we work ways to more than offset that as well in order to build off of the EPS that we're driving in 2026.

David Begleiter
Analyst, Deutsche Bank Securities, Inc.

Q

Very good. And just on the divestitures, once you reach the $1 billion target, are you essentially done with divestments? Thank you.

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Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.

A

David, we're always going to be open and willing. And certainly, if something adds value and it helps us accelerate deleveraging or give us more flexibility going forward, we're not going to stop working on divestitures. I mean, we had set that target because we believe, one, it was the right target. We believe it's a realistic target, and one that we could hit. And it was also very important for us on our deleveraging journey but we are not going to necessarily stop working things that make sense to create value.

David Begleiter
Analyst, Deutsche Bank Securities, Inc.

Q

Thank you.

Operator: Thank you. Our next questions come from the line of Matthew DeYoe with Bank of America. Please proceed with your questions. Matthew, would you be able to see if you are self-muted?

Matthew DeYoe
Analyst, BofA Securities, Inc.

Q

Sorry. I was on mute. Good morning, everyone. I wanted to talk a little bit about the tow market for 2027. I know there's some idiosyncrasies across companies and how they've handled some of the capacity and competition. I know you talked about Lanaken and the tailwind there. But ex that perhaps, what are you expecting for earnings from the underlying tow business and price competition? Do you think you can keep prices flat for next year? Do you think you can grow volumes? How does that look?

Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.

A

Matthew, our team in acetate tow has been keenly focused on actions that are controllable to drive year-over-year improvement for us. And the Lanaken decision was a difficult one, but it was one that was necessary for us going into next year to be able to drive controllable cost improvement to help offset some of the challenges we've seen. I mean, the tow market conditions have been challenging. And as we have kind of worked our way through this year, we are seeing a bit of a stabilization, I would say, of tow volume and margins as we finish 2026 versus where we started the year. And as we go into next year, our belief is that overall tow performance should be improved, really driven by the cost actions that we've taken that are controllable.

From a market and industry perspective, we do expect a continued stabilization, as we work our way forward. But we're also looking for ways at which to drive improvement at the variable margin line over time. So, we kind of look at year-over-year improvement really being driven by cost.

Matthew DeYoe
Analyst, BofA Securities, Inc.

Q

Okay. And then if I could, like what is the general sensitivity on the European footprint to gas? I would assume most that's in AC, but I don't know if you've ever given numbers around that or if you'd feel comfortable giving numbers around that.

Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.

A

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So, Matthew, we've worked our manufacturing footprint optimization as a company now for over 20 years. I mean, we've been very focused on investing in parts of the world that have the lowest cost inputs in the US. We've been focused on investing in parts of the world where growing demand centers, like Asia and China. And Europe has been, from a manufacturing footprint, a region that has continued to get smaller for Celanese over time.

As we started 2026, the largest exposure we had to gas in Europe was the Lanaken facility. So now with Lanaken out of our network, the plant that we have in Germany is the largest exposure to gas. But to be honest, the gas usage is at a lower level. And so, our exposure really is kind of split pretty evenly between both Engineered Materials and acetyls. But in the grand scheme of things, when you look at the entirety of the corporation, it's a pretty low percentage of our energy exposure that we have.

Matthew DeYoe
Analyst, BofA Securities, Inc.

Q

Thank you.

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

John P. McNulty
Analyst, BMO Capital Markets Corp.

Q

Yeah. Good morning. Just wanted to dig into the electronics growth in EM a little bit more. I guess, can you help us to think about how much of it was driven by just the end markets accelerating from 2Q to 3Q, and how much of it was tied to maybe more successful penetration of those existing end markets? I guess, how should we be thinking about that?

Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.

A

Yeah. John, we believe it's really being driven by growth. I mean, we are seeing kind of a generational spike in demand coming from kind of the global data center build-out around AI, and we believe that's going to be a multi-year kind of tailwind that we should see. And what we've seen happen over the course of the last three, four quarters is that has certainly been accelerating. Based upon how our order book has developed for the fourth quarter, I mean, we're seeing that kind of continue at similar levels to what we saw in the third quarter, and we expect that continue to grow as we work our way into 2027.

John P. McNulty
Analyst, BMO Capital Markets Corp.

Q

Got it. So when we think about going forward, it's really about the end market growth, maybe a little bit less about just new applications, things that you're targeting. Is that the right way to think about it, or is your ability to target additional pieces of the market also going to be a decent-sized growth driver going forward?

Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.

A

No. Look, the market dynamics are creating opportunities for Celanese products for penetration because of the capabilities that we have. And I talked earlier about it's really about how we look at markets and match our capabilities and then find ways at which to penetrate it. So it's both things that are happening here, John. It's the market is growing, we are penetrating with different opportunities. I mean, if you look at, for example, a traditional

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server, we would have sold kind of one, maybe two polymer families into that server. You look at an AI data center server, that we've got multiple product families that have opportunity sets within that and then there's additional volume for each of those polymer families on that because of the requirements that are there. So, it really is about finding those application areas with high technical requirements where our capabilities are a really good match.

John P. McNulty
Analyst, BMO Capital Markets Corp.

Q

Great. Thanks very much for the color.

Operator: Thank you. Our next questions come from the line of Aleksey Yefremov with Barclays. Please proceed with your questions.

Aleksey Yefremov
Analyst, Barclays Capital, Inc.

Q

Thanks. Good morning. Coming back to your EU specialty compounding project, could you just help us understand what is the term specialty compounding? I presume this is a differentiated type of compounding. And if so, in what way? And is there generally a shortage of compounding in EU?

Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.

A

No, Aleksey, it really is about putting in a line that is more focused on some of these smaller high-value areas. Oftentimes, the high-value areas have lower volumes. And so, you want to make those on lines that are a little bit smaller and have specific capabilities. And so, with the growth that we've seen this year, particularly in medical and electronics, we're getting to the point of kind of filling out that capacity that we have that can – that is really appropriately focused on those materials. And so, putting in some additional lines that have those capabilities is something that we identified, and the team moved very quickly to go and solve for that here at the end of the year.

Aleksey Yefremov
Analyst, Barclays Capital, Inc.

Q

Thanks, Scott. And I recall last quarter, you mentioned $45 million inventory relief impacts in nylon 6,6. I think you're seeing those in the second half of this year. Should we think about that amount? I guess, a, is this still a good amount to use? And b, is this a tailwind for the next year?

Chuck B. Kyrish
Chief Financial Officer & Senior Vice President, Celanese Corp.

A

Hey, Aleksey. So, our nylon optimization efforts are right on track. We have seen some delay in inventory reductions from softer demand in certain end uses. So, that $45 million, let's call it closer to maybe $30 million for this year, Aleksey. And we're still looking at 2027 and action plans there, and we can update that number for next year as we go forward.

Aleksey Yefremov
Analyst, Barclays Capital, Inc.

Q

Thank you,

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Bill Cunningham
Vice President-Investor Relations, Celanese Corp.

A

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

Operator: Thank you so much. Our final questions will come from the line of John Roberts with Mizuho. Please proceed with your questions.

John Roberts
Analyst, Mizuho Securities USA LLC

Q

Thank you. Two questions here. Blackstone is selling its cig tow business to a Chinese company. Does that portend some share shift that may be coming in cig tow, or do you think it's just a new owner and status quo?

Scott A. Richardson
President, Chief Executive Officer & Director, Celanese Corp.

A

John, as I mentioned earlier, tow market conditions have been challenging. We took action with the Lanaken facility, and now we're seeing others take other actions with that announcement that you allude to. Our focus is going to continue to be unchanged. We can't predict what's going to happen in the market. We're going to continue to be a reliable supplier to our customers, and we're going to constantly work to take action to elevate the return profile of this product line, because it has been, over the course of the last year or two, at levels that are lower than we believe they should be. And so, we need to continue to work to drive growth there, and our team is continually looking at ways to do that.

John Roberts
Analyst, Mizuho Securities USA LLC

Q

And then secondly, you've always had among the lowest tax rates in the sector. Will the regional shift in the portfolio actions affect the future tax rate in any meaningful way?

Chuck B. Kyrish
Chief Financial Officer & Senior Vice President, Celanese Corp.

A

No, I don't expect those shifts to impact that, John.

John Roberts
Analyst, Mizuho Securities USA LLC

Q

All right. Thank you.

Bill Cunningham
Vice President-Investor Relations, Celanese Corp.

Well, thanks, everybody. We'd like to thank you for listening in today. As always, we're available after the call for any follow-up questions. Darryl, let's go ahead and close out the call.

Operator: Ladies and gentlemen, thank you so much for participating in today's call. You may disconnect your lines at this time, and enjoy the rest of your day.

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