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Celanese Corp. (CE)

Q4 2015 Earnings Call

CORPORATE PARTICIPANTS

Chuck Kyrish

Head-Investor Relations

Mark C. Rohr

Chairman, President & Chief Executive Officer

Christopher W. Jensen

Chief Financial Officer & Senior Vice President

OTHER PARTICIPANTS

Daniel Rizzo

Jefferies LLC

Duffy Fischer

Barclays Capital, Inc.

Vincent Stephen Andrews

Morgan Stanley & Co. LLC

David I. Begleiter

Deutsche Bank Securities, Inc.

Frank J. Mitsch

Wells Fargo Securities LLC

P.J. Juvekar

Citigroup Global Markets, Inc. (Broker)

Ryan Berney

Goldman Sachs & Co.

Jeffrey J. Zekauskas

JPMorgan Chase & Co.

Hassan I. Ahmed

Alembic Global Advisors LLC

Jim M. Sheehan

SunTrust Robinson Humphrey, Inc.

Aleksey Yefremov

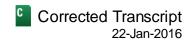
Nomura Securities International, Inc.

Arun Viswanathan

RBC Capital Markets LLC

John Roberts

UBS Securities LLC



MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Celanese Fourth Quarter 2015 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] Please note, this event is being recorded.

I would now like to turn the conference over to Chuck Kyrish. Please go ahead.

Chuck Kyrish

Head-Investor Relations

Thanks, Carrie. Welcome to the Celanese Corporation fourth quarter 2015 conference call. My name is Chuck Kyrish, Vice President, Investor Relations. With me today are Mark Rohr, Chairman and Chief Executive Officer; and Chris Jensen, Senior Vice President and Chief Financial Officer.

The Celanese Corporation fourth quarter 2015 earnings release was distributed via Business Wire yesterday after market close. The slides for the call and our prepared comments for the quarter were also posted on our website, www.celanese.com, in the Investor Relations section.

As a reminder, some of the matters discussed today and included in our presentations may include forward - looking statements concerning, for example, Celanese Corporation's future objectives and results. Please note the cautionary language contained in the posted slides.

Also, some of the matters discussed and presented include references to non-GAAP financial measures. Explanation of these measures and reconciliations to the comparable GAAP measures are included on our website in the Investor Relations section under Financial Information. The earnings release, non-GAAP reconciliations, presentation and prepared comments have been submitted to the SEC in a current report on Form 8-K.

This morning, we'll begin with introductory comments from Mark Rohr, and then we will field your questions.

I'd now like to turn the call over to Mark.

Mark C. Rohr

Chairman, President & Chief Executive Officer

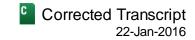
Thanks, Chuck, and good morning, everyone. Our prepared remarks were released with the earnings, so I'll keep my comments brief and open the line for your questions.

Today, I'm pleased to report adjusted earnings of \$6.02 per share for 2015, with EBIT margins of 21.8%. That's a 320 basis point improvementy ear-over-year. We also generated record levels of free cash flow and returned \$594 million to shareholders through share repurchases and dividends, a great financial year for Celanese.

2015 was also a year of tremendous organizational change at Celanese as we accomplished several foundation objectives which will contribute meaningfully towards achieving our 2018 financial targets. We align the company behind two complementary cores: driving clarity and focus through the corporation while realizing significant synergies, and leveraging the skills of our teams.



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We built the largest, most efficient and lowest cost perton U.S. methanol plant in record time to replace an existing – I'm sorry, replace an expiring supply contract. We improved our manufacturing footprint and took steps to ensure our commercial flexibility and our ability to take advantage of market opportunities. We implemented a robust pipeline process and launched over 1,000 new projects, and through all of these, we delivered around \$100 million of broad-based productivity gains across the company.

Looking ahead to 2016, we are confident in our business models, structure and the teams we have in place to manage through the challenging macro environment the world finds itself in today, one of declining energy and raw material prices, demand uncertainty, and currency volatility.

We expect our commercial strategies, new product introductions, our pipeline successes, along with our focus on delivering \$100 million in productivity, will also allow us to grow earnings this year by 5% to 10%, keeping us well on track to meet our 2018 financial objectives.

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

Chuck Kyrish

Head-Investor Relations

Great. Thanks, Mark. So, we'd like everybody to try to limit your questions to one question and one follow-up. Let's go ahead and get started.

QUESTION AND ANSWER SECTION

Operator: All right. We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from Laurence Alexander of Jefferies. Please go ahead.

Daniel Rizzo

Jefferies LLC

Good morning. This is Dan Rizzo in for Laurence.

Mark C. Rohr

Chairman, President & Chief Executive Officer

Good morning.

Daniel Rizzo

Jefferies LLC

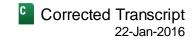
In terms with Acetyl, I know things haven't quite bottomed out there yet. I mean, what kind of visibility do you have going into 2016? Is this something where we're going to have to anticipate, I mean, a step-down on assumptions every two years or to three years, or is it something that we think is finally kind of bottoming out here?

Mark C. Rohr

Chairman, President & Chief Executive Officer

Well, I think there's a couple of things going on there. The uncertainty in the market is largely based on the uncertainty around the amount of tow China is going to import. Tow volumes imported several years ago were

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well north of 100,000 tons, maybe 120,000 tons or so. Last year, we think they were in the 50,000 to 60,000 tons. It is uncertain what they're going to do this year, but I – we'd not be surprised for them to reduce it again this year to some level. So, that creates uncertainty back in the market.

We're taking steps to offset the ripple effect of that. So, we're looking at being flat year-over-year in tow. But I will say that the sooner that China can get to its endgame, the better, I think, for that market to stabilize and for things to reverse their course.

Daniel Rizzo

Jefferies LLC

And then you – I think you launched 1,000 new products last year. I mean, what's – going forward, I mean, what's the kind of – is there – I mean, is the pipeline still as full, is it coming in a bit, or is it expanding?

Mark C. Rohr
Chairman, President & Chief Executive Officer

Yeah. As we look at it right now, we probably – we would forecast to be at 1,200 this year kind of level. We have a view internally, we need to keep growing that, and we have programs underway to grow that.

Some of the launches you've seen of our new products in the marketplace, like stepping out in the nylon. We have some great technology there that we've never leveraged. So, we're doing more of that kind of activity, and that's certainly going to help us expand our market space. And at the end of the day, that'll help us launch more and more new projects.

Daniel Rizzo
Jefferies LLC

Okay. Thank you.

Mark C. Rohr
Chairman, President & Chief Executive Officer

Thank you.

Chuck Kyrish
Head-Investor Relations
Great. Thanks. Carrie, let's go to the next question please.

Operator: All right. Our next question comes from Duffy Fischer of Barclays. Please, go ahead.

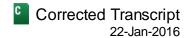
Duffy Fischer
Barclays Capital, Inc.

Y eah. Good morning, fellows.

Chairman, President & Chief Executive Officer

Good morning, Duffy.

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Duffy Fischer

Barclays Capital, Inc.

Question just around the profitability spread kind of between the upstream and the downstream. The upstream suffered a little bit in the most reported quarter, but the downstream held on to it. I think there's some concern that that's just the lead lag effect, and then may be some of that bleeds away as we go through this year. But can you just kind of talk about your ability to hang on to that pricing in the downstream products, kind of throughout the rest of this year?

Mark C. Rohr

Chairman, President & Chief Executive Officer

Well, Duffy, I think, if you look at what's happened, and I'll take currency, as an example, we certainly were able to hold on to two-thirds of that margin and this thing's sort of compressed, and we had a big currency impact. That, I think, pretty dramatically reduced this year, as we go forward. We don't anticipate quite as much currency volatility impact. So, I would say that directionally, we feel okay about keeping that kind of ratio. But for us to keep that ratio, we need to have some stability. In other words, if things keep dropping at some point, Duffy, it could get hard to hold on to it, I think, just because of the uncertainty.

But the way we see things now is we think that a lot of the deflation has ran its course. Not all of it perhaps, but a lot of it has. And so, we're predicting that things will stabilize as we go to the first half of the year and then start getting better towards the second half.

Duffy Fischer

Barclays Capital, Inc.

Great. And then on the contract buyout, should we think about you guys making about your cost of capital on that? So, if you invested \$175 million, that's going to be \$15 million to \$20 million benefit from buying out that contract. Is that the right way to think about that?

Mark C. Rohr

Chairman, President & Chief Executive Officer

That's a really good way of looking at it. Yeah.

Duffy Fischer

Barclays Capital, Inc.

Okay. Great.

Mark C. Rohr

Chairman, President & Chief Executive Officer

Pretty accurate with the economics.

Duffy Fischer

Barclays Capital, Inc.

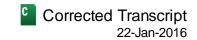
Okay. And then, how does that leave Singapore as far as competitiveness and, say, versus producing in Nanjing?

Mark C. Rohr

Chairman, President & Chief Executive Officer

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Well, today, at today's oil price, it's very competitive. It's roughly the same advantage that you have in the U.S., so – much more so than coal-based materials. So, we expect, with the new supply agreement in place, we'll be able to take advantage of that and drive greater market opportunities with that business.

Duffy Fischer Barclays Capital, Inc.	Q
Terrific. Thanks, fellows.	
Mark C. Rohr Chairman, President & Chief Executive Officer	A
Thanks, Duffy.	
Chuck Kyrish Head-Investor Relations	A
Sure. Thanks, Duffy. Carrie, let's move on to the next question.	
Operator : Our next question comes from Vincent Andrews of Morgan Stanley. Please go ahea	ad.
Vincent Stephen Andrews Morgan Stanley & Co. LLC	Q

Thanks. Just a question on the free cash flow comments. I mean, I assume -I get that modest increase is expected off the \$733 million, not off of the \$556 million. But just curious -- are you anticipating -- the definition of modest to me sounds like you're saying it's going to grow less than your earnings are going to grow. And I'm just curious why that would be. Because I think of next year or this year sort of it being more lower raw materials flowing through inventory and so forth - kind of thinking you'd have a working capital benefit. But may be I'm missing something.

Mark C. Rohr
Chairman, President & Chief Executive Officer

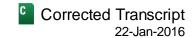
Yeah. A couple of things. So first, yeah, I realized that my comments didn't clarify very well that when I said modest increase, that's above the \$733 million, right? So, that's right.

When we talk about 5% to 10% earnings growth, we're talking about earnings per share, and as you know, we plan to do some share repurchases. So not all of that translates to cash flow growth. So you will get cash flow growth from underlying earnings increases.

What I would tell you on working capital is we had really strong working capital performance in the fourth quarter, and that is why that \$733 million number sounds a bit better than what we talked about at our Investor Day. I don't remember exactly what I said, but it's somewhere in \$600s million, I think we said. So, working capital had really strong fourth quarter performance. I think that probably goes back the other way a little bit in 2016, because I'm not sure we can sustain that same level of working capital.

The other thing that I would mention to you is that our capital spend, net of the Mitsui reimbursements, came in in the low \$300 millions in 2015, and that's a little bit lower than what I had guided you to at Investor Day. The reason for that is that some of our late-in-the-year capital spend did not actually get paid in cash in December. It's trickling into 2016. So, I'll be paying for some number of \$30 million or \$40 million of 2015 capital in 2016. Now,

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again, I would re-emphasize that we expect our sort of normal range to be more of the \$250 million to \$300 million of capital spend going forward.

Vincent Stephen Andrews

Morgan Stanley & Co. LLC

Okay. And just as a follow-up, what is your expected tax rate for 2016? And just on the – a couple of comments from last night about – there was a change in the rate because there were sometax – there were some losses in jurisdictions without tax benefits. What were those and just how should we think about the tax rate in 2016 in general?

Mark C. Rohr

Chairman, President & Chief Executive Officer

A

Are you asking about the GAAP tax rate or the tax rate we used for adjusted EPS?

Vincent Stephen Andrews

Morgan Stanley & Co. LLC



Well, I'm asking for your – for 2016. I want to know what we should be using for adjusted EPS, and then, yeah, on the GAAP rate for 2015. So, the increase is primarily attributable to losses in jurisdictions without tax benefit.

Mark C. Rohr

Chairman, President & Chief Executive Officer



Okay. Got it. Got it. So, for modeling for our adjusted earnings per share, we're assuming that we're going to be able to hold flat at 18% in 2016. I'll say what we all would say, which is, as your jurisdictional mix of earnings unfolds during the year, that can always change, but that's our starting point.

As far as our comments on the GAAP tax rate, which went from 33% in 2014 to 41% in 2015, yes, we said most of that is attributable to losses in jurisdictions without an earnings benefit. And what that really means is you're required, if you have big deferred tax assets, which are net operating loss carryforwards, to post a valuation allowance against those depending on what jurisdiction they're in.

So, you see, we have these very large charges for the contract termination in Singapore and the impairment in China. So, you have to tax effect those, and there's jurisdictions and you end up posting valuation allowances against those. That's why it's such a big number this year.

Vincent Stephen Andrews

Morgan Stanley & Co. LLC



Okay. Thanks very much.

Chuck Kyrish

Head-Investor Relations



Okay. Thanks, Vincent. Carrie, let's move on to the next one.

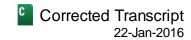
Operator: All right. Our next question comes from David Begleiter of Deutsche Bank. Please go ahead.

David I. Begleiter

Deutsche Bank Securities, Inc.

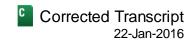


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Thank you. Good morning. Mark, in AI, how should we think about the methanol impact in 2016 versus 2015? Mark C. Rohr Chairman, President & Chief Executive Officer You mean in terms of straight financial impact? David I. Begleiter Deutsche Bank Securities, Inc. Exactly, given the... Mark C. Rohr Chairman, President & Chief Executive Officer Just the production of methanol versus the oil contract? David I. Begleiter Deutsche Bank Securities, Inc. Exactly. Mark C. Rohr Chairman, President & Chief Executive Officer Okay, yeah. Yeah. I think \$10 million a quarter is a kind of - and I'm going back to pre and post contract, does that make sense? So, when we have the - when we had the contract in place versus today, it's probably \$10 million worse per quarter, so \$40 million per year. David I. Begleiter Deutsche Bank Securities, Inc. Fair enough. And just looking at consumer, given your forecast for flat tow year-over-year, can segment income in consumer be flat as well year-over-year, or it could be up year-over-year, given lower raw materials? Mark C. Rohr Chairman, President & Chief Executive Officer No. I think that there's a lot of puts and takes in that - in the Materials section therethat's pushing us towards a pretty flat year in that group. So, let me give you one example of that. You've been seeing joint ventures in there, and that venture is getting hammered with lower oil price, which surely impacts MTBE price, so the return on that is getting pushed. And we have two turnarounds in that venture this year as well. So, it's down \$30 million. So, we have a few big things like that that are pushing us it. So, net-net, I think we're looking at, for the Materials segment, a pretty flat year. So, up in Engineered Materials, a little bit down in Consumer, and that's pretty flat. David I. Begleiter Deutsche Bank Securities, Inc. Got it. Thank you. Mark C. Rohr Chairman, President & Chief Executive Officer Thank you.

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Chuck Kyrish

Head-Investor Relations

Thanks, David. Carrie, let's go on to the next question, please.

Operator: All right. Our next question comes from Frank Mitsch of Wells Fargo Securities. Please go ahead.

Frank J. Mitsch

Wells Fargo Securities LLC

Yes. Good morning, gentlemen. Nice startup on the methan ol plant. It seems like that's running smoothly, so kudos. Hey, I'm trying to understand a little bit more about the Singapore CO contract and why one vendor would be so far out of whack on the pricing side. Is there any — can you help me understand what exactly happened over there? I understand that you're now going to earn your return on — your cost capital plus on how you figured it all up, but I'm just trying to see how we got into the situation.

Mark C. Rohr

Chairman, President & Chief Executive Officer

Well, I don't want to divulge too much details about the contract, but it was a disadvantaged contract. We terminated that contract, and we renegotiated a new contract. And we basically paid the termination fee to get out of that contract. So, it's not unusual for these contracts to have different bases based on the time that they were put together. And when this contract was put together, it didn't make perfect sense and it just evolved to a situation where it was not beneficial.

Frank J. Mitsch

Wells Fargo Securities LLC

Okay. All right. I guess I can understand that. You talked about stepping into nylon. Obviously, this was one of the focal areas in terms of M&A at the recent Investor Day. Where do you stand on doing something on an inorganic basis in that area? Should we be surprised to see something on that front or not?

Mark C. Rohr

Chairman, President & Chief Executive Officer

Well, we think that our model, Frank, is really pretty unique, what we're doing, and we're getting lots of accolades from our customers. One of the things our customers have told us is we need more products in that portfolio, because when they get to solve a problem, they will quite often look to classical solutions of it. So, if you look at if it's historically a nylon problem, we may not be made aware of that opportunity.

So, we think it's critical for us to add more products to our portfolio, things like PEEK, things like nylon. And we'll back integrate in those as it makes sense, is the way I would say that. So, you shouldn't be too surprised if we find a way to do that or if we announce that we're doing that at some point.

Frank J. Mitsch

Wells Fargo Securities LLC

Thank you so much.

Mark C. Rohr

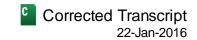
Chairman, President & Chief Executive Officer

Thanks, Frank.

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<a [ofxyzm-echuck="" carrie,="" frank.="" go="" kyrish]="" let's="" next="" on="" p="" please?<="" question,="" thank="" the="" to="" you,="" –=""> Operator: All right. Our next question is from P.J. Juvekar of Citi. Please go ahead.		
Yes. Hi. Good morning, Mark.		
Mark C. Rohr Chairman, President & Chief Executive Officer		
Good morning, P.J.		
P.J. Juvekar Citigroup Global Markets, Inc. (Broker)		
There are a lot of moving parts in the Acetyl's cost curve. Chinese coal prices have come down, so that should benefit you there. In the U.S., your advantage has declined, but also methanol has come down quite a bit, so you're buying methanol, and that should be a benefit. So, can you just sort of put all that together and walk us through the Acetyl's cost curve and how it stands today?		
Mark C. Rohr Chairman, President & Chief Executive Officer		
Yeah. So, if you – I think my best on that. I think as bases, coal has come down in China quite dramatically and methanol has come down quite dramatically. Probably the biggest factor has been the comsumptive trend of methanol. There was a lot of methanol embedded in China, a lot of methanol plants built in anticipation of tremendous demand for methanol to olefins, P.J. And that's not quite played out as people anticipated.		
So, we find ourselves a bit long on methanol – or longer on methanol than we'd like. So, methanol prices have come down. What that does, it tends to push down the cost pretty dramatically in the Acetyl Chain. And so we've seen Acetyl cost go down, and we'll also see Acetyl margins collapse a bit in China as demand for the acetyl products has been pretty weak.		
So, that's just a little bit of a world standard, if I can say that, P.J. And methanol prices in the U.S. have backed up to basically China pricing less freight. So, you're seeing U.S. prices drop quite sharply in the U.S. for methanol. So, when roll all that together, what I will say is that the U.S. continues to be, hands down, the lowest cost producer of acetyl products. I think you're seeing — with oil prices at their current levels, you're seeing Singapore in the oil base in that same range. And you're seeing China versus those two be quite disadvantaged.		
P.J. Juvekar Citigroup Global Markets, Inc. (Broker)		
Okay. Interesting. Thank you for that. And then question on AEM margin expansion. You did a good job of keeping the price while raw materials went down. Is that an initial benefit, and would your customers look for some takebacks on that? And how do you see that playing out? Thank you.		
Mark C. Rohr Chairman, President & Chief Executive Officer		

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Well, I think – thanks, P.J. -- I think we have been resolute there. We actually have – we've lost some volume, in some cases, because we were so tough in that regard. And so I think it's kind of a necessary outcome. You got to find that line. And so we found it in a couple places, and we got to rethink that and go recapture that volume probably at a lower price, in some cases. I think what I see today in Engineered Materials space, people still are quite driven for a better solution. And I gave that one example, just one example of the sunroof application, where you can find ways to not only meet weight or performance criteria, but you can also improve throughput.

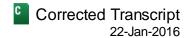
So in that case, this company got a much, much better product and it solves a lot of needs they have. Plus, they got a higher throughput. We can price that product higher. And they're happy; they're still making more money, and the OEM is happier. So that is desire on the part of our customers. And I think those opportunities, these new product launches really give us ability to hold our net margins out there. And I say hold because you are going to get some deterioration in the me-too products as deflation continues to hit us.

P.J. Juvekar Citigroup Global Markets, Inc. (Broker)	Q
Great. Thank you very much.	
Mark C. Rohr Chairman, President & Chief Executive Officer	A
Sure.	
Chuck Kyrish Head-Investor Relations	A
Great. Thank you, P.J. Carrie, let's go on to the next question, please.	
Operator : Our next question comes from Bob Koort of Goldman Sachs. Please go ahead.	
Ryan Berney Goldman Sachs & Co.	Q
Morning. This is Ryan Berney on for Bob. Just had a question kind of jumping on back to P.J - it seems like you're really trying to aiming for kind of pricing per value in your discussions v So I guess my question is assuming we start to see sometick-up in oil prices sometime over t there any ability for you to push that price back there? Or do you feel like the customers will I against you on that side, and there'll be kind of a little bit of shrink there?	with your customers. the next year or two, is
Mark C. Rohr Chairman, President & Chief Executive Officer	A

Well, Ryan, I think, for the most part, we structure our contracts where we have the ability to push through inflation. When you price per value, you kind of - you move away from that equation a little bit, so you're going in discrete transaction about the value equation you're bringing, so we're all still entering that debate.

So what I would say with that is that everything new that we roll into will have that priced in the value equation. The legacy products, you'll have to work that through, if that makes sense. So, short-term impact could occur, if oil popped back up to \$100a barrel, but I don't think with our contract base it'd be very lasting for us. We'll pretty quickly pass it through.

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Ryan Berney

Goldman Sachs & Co.

Great. Thanks. And then, may be I could also ask kind of on your comments around the destocking in light of the leg-down in the commodity prices. Does that mean that you feel like deflation is nearing an end, may be that there's some also – may be the kind of the follow-through is that perhaps the destocking is over too, or is that not what you meant?

Mark C. Rohr

Chairman, President & Chief Executive Officer

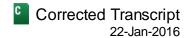
Well, no. I think when you look at it, if you take the time, which we've done is — and you really plot out currencies, you can plot out all the raw materials that are out there in the world, what you'll see is that there's been — for the most part, things have trended down and have started to operate at a relatively constant level, if that makes sense. It's — I don't want to forecast that we're totally at the bottom yet. But I think, for the most part, a \$30 oil is kind of move through the system, if I can just use that as an example. And maybe we're 80% of the way there or something, but we're not 20%. So my kind of view is that the first half of this year is going to be us establishing that foundation, that bottom, and then things will start to move up from there.

Ryan Berney Goldman Sachs & Co.	Q
Great. Thanks.	
Mark C. Rohr Chairman, President & Chief Executive Officer	A
Thank you.	
Chuck Kyrish Head-Investor Relations	A
Thank you, Ryan. Carrie, let's move on to the next question, please.	
Operator : All right. Our next question comes from Jeff Zekauskas of JPM orga	n. Please go ahead.
Jeffrey J. Zekauskas JPMorgan Chase & Co.	Q
Thanks very much.	
Mark C. Rohr Chairman, President & Chief Executive Officer	A
Good morning, Jeff.	
Jeffrey J. Zekauskas JPMorgan Chase & Co.	Q

Hi. Good morning, Mark. There's all kinds of controversy as to whether China is going to have a hard landing or a

soft landing. Do you have any opinions on that subject given how large your operations there?

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Mark C. Rohr

Chairman, President & Chief Executive Officer

A

Yeah. It's – we certainly have opinions, Jeff. I'm not sure how you should weigh them. But what we see when we go there, engage with all the customers we have in China and even government officials, is that they have a pretty clear view of where they are, and that view is that they're on a journey to transition that economy.

They feel pretty comfortable with demands. I know we sit and like to lay claim that their GDP growth is not what they say, and I think I would kind of dispute that. I think it is exactly what they say. The flip side is that's not in the kind of businesses that most of the chemical industry is in. So, we're seeing much lower growth rates. So, my kind of gut is when I listen to those guys, when I see the construction underway and I see the consumer appetite, which we're enjoying a lot of success with, I think China is not as bad – in as bad a situation as everybody proposes it to be.

I think it is tough in some sectors, and it's certainly tough the closer you are to raw materials and manufacturing, but it's also doing really, really well in the consumer arena. It's doing really well in areas away from the coast. So, my kind of gut is, Jeff, what I'd say is that I don't think it's going to fall to the face of the earth. I think it's going to be a, in some ways, a slow year in China, but I don't think it's going to be a continued deterioration in China.

Jeffrey J. Zekauskas

JPMorgan Chase & Co.

And then lastly, with the AI results, do you think that they're now representative of what the first half is going to look like, or is the trend in margins up or down, as best as you can tell?

Mark C. Rohr

Chairman, President & Chief Executive Officer

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Jeff, that's a hard one to answer. I think fundamentally what we're seeing is that the —what we're expecting is business trends kind of as they are now to stay kind of as they are for a bit. We're not expecting a lot of activity, anything great to happen. And I think, yeah, we're probably —we've already entered Chinese New Year, so [indiscernible] (27:17) kind of reality. So, I think the first half of the year is going to be the weaker half for us, if I can say that, but that's kind of consistent with the trends on how we close the year.

Jeffrey J. Zekauskas

JPMorgan Chase & Co.

 \mathbb{Q}

Okay. Great. Thank you so much.

Mark C. Rohr

Chairman, President & Chief Executive Officer

Thank you, Jeff.

Chuck Kyrish

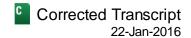
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Head-Investor Relations

Great. Thank you, Jeff. Carrie, let's move onto the next question, please.

 $\textbf{Operator:} \ Our\ next \ question\ comes\ from\ Hassan\ Ahmed\ of\ Alembic\ Global.\ Pleasego\ ahead.$

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Hassan I. Ahmed

Alembic Global Advisors LLC

Good morning, Mark. I wanted to revisit the AI segment. This is a bit confusing. We saw EBITDA margins at around 22% in Q1 of 2015. And in the fourth quarter, they're less than 14%. And along that period, obviously, we've seen some steep declines in methanol pricing. So the first part of the question is, how much today are these AI margins a function of methanol pricing? Meaning – I mean, with the ebbs and flows in methanol pricing, should we continue to expect this volatility in AI margins?

And part and parcel with that question basically is that —in the past, you had talked about a more normal or sustainable AI EBIT margin of 15% so, call it around an 18% EBITDA margin. And it seems from your earlier remarks that now you're guiding to a lower sort of sustainable level of margins. Is that correct?

Mark C. Rohr

Chairman, President & Chief Executive Officer

Well, you asked a lot of questions there, boss. Let me back up a little bit...

Hassan I. Ahmed

Alembic Global Advisors LLC

I mean, in a nutshell, I'm just trying to figure out sustainable AI margins going forward in the current raw material pricing environment.

Mark C. Rohr

Chairman, President & Chief Executive Officer

Yeah. So, we're in a transition environment is what I would say right now. So, the margins have been compressed, especially in Asia, dramatically compressed, really driven by weak demand and collapse in raw materials. So we've seen a real margin compression in Asia, and that's weak a little bit around the world, if I could say that, although there's not a lot of movement in material outside of Asia. And so that's been part of the margin compression.

The other part is that some of those numbers you quoted were based on a time when it was — have been a very unusual series of outages in the VAM industry, and that would certainly contribute in a very favorable way to those margins. So, we've always said that we believe, through thick and thin, 15% is the right place to be. Sometimes you'd be a bit higher than that, sometimes you'd be lower than that on those margins.

So I don't see, if I could say that, I don't see the situation we're being in now is a situation that's going to continue. I think the margin in China will slowly start to improve in that process, and so I'm expecting that we'd be able to drive margins back up to the 15% and above before too long.

Hassan I. Ahmed

Alembic Global Advisors LLC

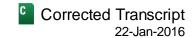
Fair enough. Fair enough. And as a follow-up, you touched upon Ibn Sina earlier. Obviously, since the end of last year, there've been some dramatic feedstock cost escalations in Saudi Arabia. What sort of EBITDA hit should we expect at Ibn Sina from the sort of feedstock cost escalation in Saudi?

Mark C. Rohr

Chairman, President & Chief Executive Officer

A

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For this year, it's down \$30 million. And of that \$30 million, half of that or so is increased cost and rolling through. [indiscernible] (30:38)

Christopher W. Jensen

Chief Financial Officer & Senior Vice President

It's probably a little less than that, that's the raw. That's more the pricing. They also have some major turnarounds that essentially take them...

Mark C. Rohr

Chairman, President & Chief Executive Officer

So, call it \$10 million for the input costs associated with the changes in Saudi Arabia. Yeah, yeah.

Hassan I. Ahmed

Alembic Global Advisors LLC

Got it. Very good. Thanks so much, guys.

Mark C. Rohr

Chairman, President & Chief Executive Officer

Thank you, too.

Chuck Kyrish

Head-Investor Relations

Thank you, Hassan. Carrie, let's move on to the next one.

Operator: Our next question comes from Jim Sheehan of SunTrust Robinson Humphrey. Please go ahead.

Jim M. Sheehan

SunTrust Robinson Humphrey, Inc.

Good morning, Mark. You mentioned productivity contributed about \$100 million in 2015. How much do you expect your productivity initiatives to contribute in 2016?

Mark C. Rohr

Chairman, President & Chief Executive Officer

We need it to be the same number. So, that's what we've baked into our plans, and that's what we're working for another \$100 million.

Jim M. Sheehan

SunTrust Robinson Humphrey, Inc.

Okay. Also, on your intentions for your expansion in U.S. Gulf Coast, Bishop, more particularly, did the lower oil prices affect your willingness to spend capital expanding there?

Mark C. Rohr

Chairman, President & Chief Executive Officer

No. I think we have the ability to make those expansions in a very, very cost-effective way, and we're seeing pretty strong growth demand in those products. So, no, it doesn't impact us at all.

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Jim M. Sheehan SunTrust Robinson Humphrey, Inc.	Q
Thank you.	
Mark C. Rohr Chairman, President & Chief Executive Officer	A
Thanks a lot.	
Chuck Kyrish Head-Investor Relations	A
Great. Thank you, Jim. Carrie, next question please.	
Operator : The next question comes from Aleksey Yefremo	ov of Nomura Securities. Please go ahead.
Aleksey Yefremov Nomura Securities International, Inc.	Q
Good morning. Thank you. Did your fourth quarter results such as destocking or inventory holding losses or maybe ex	
Mark C. Rohr Chairman, President & Chief Executive Officer	A
Well, there were a few one-time items in there. We had an ibarges that didn't ship out. Those together were \$8 million that business. I'm looking at Chris, but I don't	-
Christopher W. Jensen Chief Financial Officer & Senior Vice President	A
That's about right.	
Mark C. Rohr Chairman, President & Chief Executive Officer	A
I think that's – well, I'll say, it's about it'd be limited to \$2	o million, I think, is what I would say.
Aleksey Yefremov Nomura Securities International, Inc.	Q
All right. Thank you, Mark. And more broadly, did you expebusinesses elsewhere?	erience destocking across [indiscernible] (33:13)
Mark C. Rohr Chairman, President & Chief Executive Officer	A
Voob I don't know if I'd go so for as to say dostocking I thi	nkway nya hahlu haya a yaluatant ayataman aytin tha

Yeah. I don't know if I'd go so far as to say destocking. I think you probably have a reluctant customer out in the world today, where they just don't want to buy. So you're seeing people kind of just not — delayed purchasing is almost what they're doing, if that makes sense. So I think the flush-through, if there's been an oversupply, has already kind of occurred, and now we just people hanging around, trying to see if we're at the bottom yet, or if the market's going to start improving. So it's more weak consumers.

Celanese Corp. (CE) Corrected Transcript Q4 2015 Earnings Call 22-Jan-2016 Aleksey Yefremov Nomura Securities International, Inc. Got it. Thanks a lot. Mark C. Rohr Chairman, President & Chief Executive Officer Thank you. Chuck Kyrish Head-Investor Relations Thank you, Aleksey. Carrie, let's move on to the next question, please? **Operator**: The next question comes from Arun Viswanathan of RBC Capital Markets. Please go ahead. Arun Viswanathan RBC Capital Markets LLC Great. Thank you. Just had a question. You guided to 5% to 10% EPS growth. Can you just help us understand the levers that would get you to the upper end of that? Is it mainly macro stuff, or is it stuff within your control? Mark C. Rohr Chairman, President & Chief Executive Officer No. I think you get to the upper end of that. We need the second half to be materially stronger than the first half. Now, we think that may happen. But in the lower end of the range, you're seeing things that we think we can control, and the upper end is we need some help from the global economy. Arun Viswanathan RBC Capital Markets LLC So, just specifically on that, then, maybe you can just elaborate on what you're seeing on the end markets. Is there a chance that tow will be down next year? And then also on autos, have you seen any kind of skittishness, and are we peaking at levels that where we are now, similarly in China, and then in Europe as well, what you're hearing from your customers?

Mark C. Rohr

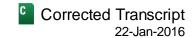
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Chairman, President & Chief Executive Officer

Yes. I'll just run through a few things and ask Chris to talk here in just a minute, if I can. Yeah, you should have a view that we've kind of factored in tow being weaker this year than last year. And we're not in a position to say exactly because those contracts are still underway. But we believe in those numbers we put out there, that tow's going to be a bit weaker year-over-year in there. That's on the negative side. On the positive side in there, it's clear that I think most – the conventional wisdom is that autos have peaked even though we're seeing forecast of roughly a 3% growth rate year-over-year globally in autos.

When we drill into that, what's going on in autos, though, is the opportunities remain very, very strong for us and just tremendous interest in our products. We've got almost more things to work on than we can handle. So we think that autos are going to be — continue to be a good story for us, and Industry Materials is going to continue to be a very good story even in this weak market.

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When you look at the Acetyl Chain, the closery ou are to the consumer, our Industrial Specialties business, we've had great success there as last year. We're predicting that to continue in this year,, and we're predicting that areas away from China are going to start to have a bigger impact on our business. And you may know we're expanding a plant and building a plant in Singapore that will be completed this year, and so we're doing a lot of prep work relative to that.

I mentioned the Singapore situation and the economic situation there. That's been improved. As we've negotiated a new supply agreement, we think there'll be opportunity to take advantage of that and extract more value out of Southeast Asia than we've had in the past.

So when you roll all these things up and just kind of productivity efforts which are very strong with us, that's when we get in the 5% kind of range. And so, we feel pretty good about that number. I think when you look at the 10%, we need a little bit of balance here in this marketplace, and we need demand to pick up a little bit stronger than what it is right now.

Christopher W. Jensen

Chief Financial Officer & Senior Vice President

The only thing that I'd add to what Mark said, just reiterate, we're going to drive productivity. We're shooting for \$100 million. The other thing I'd remind you is you saw us take a number of actions to control what we can control around our footprint, around contract structure. And we did those things knowing that you're in a tough environment, and we're going to do what we can do to push on costs and structure contracts the way we want them structured.

Arun Viswanathan

RBC Capital Markets LLC

Great. Thank you.

Chuck Kyrish

Head-Investor Relations

Thank you, Arun, Carrie, let's go to the next question, and let's have this be the last series of questions.

Operator: All right. Our last question comes from John Roberts of UBS. Please go ahead.

John Roberts

UBS Securities LLC

Thank you. Within Engineered Materials, what were the strongest areas, and also, what were the weaker ones then that offset the strength in some of the strong areas? Is it – year-over-year sales are relatively flat I think or volumes are relatively flat.

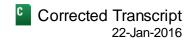
Mark C. Rohr

Chairman, President & Chief Executive Officer

Yeah. I think the strongest areas, I mean, generically for us, we've had some really good success with products that we're bringing into – in the consumer markets like appliances and durable goods, washing machines, things like that, dishwashers, that have opened up some real opportunities for us that were not there in the past.

We've had – and often more success is reflected in the numbers and getting our products built into new models that are going to start coming on for us this year and next that are outthere. We've also had some good success

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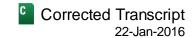
with composites as we're seeing more and more interest in thermoplastic versus thermostat composites in a number of applications. Those are the areas I would say we've probably done the best in.

CoolPoly has been a great success for us, and [indiscernible] (39:14) have some real strong increased profitability as the [indiscernible] (39:17) temperature, the need to really move – deal with the hot temperature from LED lighting and things like that. Those areas have been a really strong for us.

John Roberts UBS Securities LLC	C
But you were flat year-over-year in volumes, so what were the offs	etting areas?
Mark C. Rohr Chairman, President & Chief Executive Officer	A
Well, the offsetting areas is when I checking price too much and I a offset as it was us pushing harder than perhaps – actually for us.	got rejected. So, it wasn't so much a market
John Roberts UBS Securities LLC	Q
And then as a follow up, most of your engineered plastics have sor the nylon platform, whether you do it organically, inorganically, is follow from the product's launch strategy?	
Mark C. Rohr Chairman, President & Chief Executive Officer	A
I think, I guess, there's two parts to that. It's often quite nice to be disadvantage, too, if you've got a business that doesn't return its cowe're trying not to constrain ourselves and require ourselves to be we got great technology, we're getting to market. We continue to loso, if we can find those in a way that will be good for us and our sh don't want to require that to be in these markets.	ost to capital on the manufacturing sector. So vertically integrated. So, in the case of nylon, ook for opportunities to vertically integrate. And
John Roberts UBS Securities LLC Thank you.	C
Mark C. Rohr Chairman, President & Chief Executive Officer	A
Thank you.	
Chuck Kyrish Head-Investor Relations	A
Thank you, John.	
Chuck Kyrish	

Head-Investor Relations

Q4 2015 Earnings Call



We appreciate everybody's time this morning. We'll be around for questions later today. Carrie, at this point, I'll turn the call back over to you.

Operator: All right. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines. Have a great day.

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