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Celanese Corp. (CE)

Q1 2020 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the Celanese Corporation's First Quarter 2020 Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Abe Paul, Vice President of Investor Relations. Please go ahead.

Abe Paul

Vice President - Investor Relations, Celanese Corp.

Thank you, Brock. Welcome to the Celanese Corporation first quarter 2020 earnings conference call. My name is Abe Paul, Vice President, Investor Relations. With me today on the call are Lori Ryerkerk, Chairman of the Board and Chief Executive Officer; Scott Richardson, our Chief Financial Officer. Celanese Corporation distributed its first quarter earnings release via Business Wire and posted prepared remarks about the quarter on our Investor Relations website yesterday after market close.

As a reminder, we will discuss non-GAAP financial measures today. You will find the definitions of these measures as well as reconciliations of 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 the press release as well as the prepared comments document. Form 8-K reports containing all of these materials have also been submitted to the SEC.

I will turn the call to Lori for opening remarks before we open the line directly for your questions. Lori?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

Thank you, Abe. Thank you, Abe. Before we turn it over for questions, I would like to take a moment or two to make just a few comments. We all recognize the unprecedented challenges the world is facing right now. On behalf of Celanese, I want to extend our sympathy to all of those affected by the coronavirus pandemic and express our gratitude to those who are working tirelessly on the frontline to keep us all safe.

I wanted to acknowledge and thank our employees across the world. Each one have been impacted in some way, and amid their very individual circumstances, they have collectively performed exceptionally well. I particularly want to thank our manufacturing employees around the globe who have kept our plants running to make and ship products to our customers. I also want to acknowledge our employees working from home who are still supporting customers, closing deals, signing contracts, and closing our books. Our first quarter earnings per share of \$2.29 reflects their efforts, and was not far off from our original expectations before all this happened. The first quarter was tough and the reality is the second quarter is shaping up to be far more challenging. Simply put, we do not yet know how far demand will ultimately drop or how long this will last. We have tried to be transparent in sharing where we have visibility.

Fortunately, one of our great strengths at Celanese is a culture of resiliency and a can-do attitude. I would like to think Mark who recently announced his retirement as our Executive Chairman for his support of me throughout the CEO transition, but also for fostering over many years the development of this remarkable Celanese culture.

Our culture is one of action. We have a lot we are working on to counter these challenges. I outlined much of that work yesterday in the script and we are looking forward to doing much more. In this environment, we are focused on three imperatives. First, keeping our employees safe and healthy; two, driving resilient cash flow in 2020; and three, positioning us for growth as we move into recovery. As a result of our work over many years, we are exceptionally well positioned today to weather this environment. Celanese is leaner, more nimble and a more diversified company today than it has been at any other time in its history.

Above all in my almost one year at Celanese, I have gained trust in our people and their ability to rise together to meet challenges. They have done it many times in our past and I am confident they will do it again. We are collectively focused on driving long-term shareholder value and positioning ourselves for robust growth when these challenges pass. On a lighter note, like many of you, we are all doing this from our homes today. So, please be a bit patient if we have lags or speak over each other or if you hear any strange noises in the background.

With that, Abe, I'll turn it back over to you.

Abe Paul

Vice President - Investor Relations, Celanese Corp.

Thank you, Lori. Brock, you may now open the line directly for your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. At this time, we'll be conducting a question-and-answer session. [Operator Instructions] Our first question today comes from PJ Juvekar of Citigroup. Please go ahead.

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc.

Yeah. Hi. Good morning.

Q

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

Good morning, PJ.

A

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc.

Hope everybody is well. I have a question for you. You guys have been making a long-term move to add downstream capacity VAM emulsions in the US. But with oil prices falling and natural gas prices kind of hanging in there, what's your take on the US advantage? And how do you think the future regional capacity for Celanese breaks down?

Q

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

Thanks, PJ. Yeah, it's a question we've been looking at ourselves, but let me try to put it a bit in perspective. We think the US gas even at these low oil prices will continue to be well advantaged. So just to put that in perspective, if we look at the difference between, let's say, acid production between Clear Lake and Nanjing, our cost of production at Clear Lake is half as Nanjing, even at low oil prices. And Singapore, which is affected by low

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oil prices, but it just comes down slightly below the cost in Nanjing. So, you still have a two-to-one advantage at Clear Lake. And that advantage rolls through VAM and VAE and everything else.

So while we don't have as much advantage now in the US Gulf Coast versus other producers, it is still a big advantage versus producing out of coal or producing out of a low oil environment. So, our plans have not changed. We will continue on pace with our VAE and our VAM expansions. We are slowing the acetic acid reconfiguration project as we noted in the script. Those productivity gains and the reason for doing that project are still intact, but we will pause it for a period of time to allow us to take advantage of these low oil cost environment and what that means for our Singapore operations.

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc.

Q

Great. And a quick question for either you or Scott. Mark Rohr had talked about for some time a potential RMT transaction. Given the pandemic and Mark's upcoming retirement, would you think a probability of a large transaction is lower now? Thank you.

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Yeah. PJ, let me take that. Look, our first priority has been and will always remain generating the most possible value for the shareholders. And we constantly look at options to do so. I think in the current environment that we're seeing demand environment, this is difficult to do. Clearly, if you're looking at cash deals, that's very difficult in this environment as everyone's valuations are down. We do though think there continues to be room for mergers of equals or RMTs and we think there will be even more opportunities for these things as we move towards full recovery.

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc.

Q

Thank you.

Operator: The next question is from Duffy Fischer of Barclays. Please go ahead.

Duffy Fischer

Analyst, Barclays Capital, Inc.

Q

Yes, good morning. I was wondering if you could just give us some help around the decremental margins. You gave some helpful quantitative numbers around what you think demand is going to do. Acetyls down 15% to 25%. But say at the 15% level versus a 25% level, is there going to be a difference in the decrementals and kind of same thing for EM if you would just walk through how should we think about the profitability relative to the sales fall?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Yeah. So, let me talk a little bit about the guidance we gave for Q2. So, what we indicated in the script is, we do expect to see in Q2 Engineered Materials volumes down 25% to 35% versus Q1. Now, with that about two-thirds of that volume is still relatively sticky in terms of pricing, so we would expect those margins to maintain, possibly even get a little better as raws continue to go down. At the same time about a third of it is tied to raws. So, we'll see those prices go down, but margins generally stick around the same.

For Acetyls, we project a volume decline of 15% to 25% in Q2 from Q1. Couple of things around that: India lockdown, Southeast Asia lockdown, we're just not seeing the volume demand there. And margins, they tend to follow methanol and other things a bit. So, probably expect to see our margins going down somewhat, but we would still expect Acetyl margins in the mid-teens or so. So, we do expect some margin compression in AC, expect margins to be similar in EM, but down with the volume. And if you look at what that – just to maybe put some numbers around it, we saw \$25 million to \$30 million hit in Q1 just from Asia, and Asia represents 20% of our overall business and that was really in February and March. So, consider that we've lost \$10 million to \$15 million per month on 20% of our business.

It's not unreasonable to expect we would see a similar impact in Q2 on the other 80% of our business in the Western Hemisphere. So, if you do the math on that, we do expect somewhere between \$150 million to \$250 million impact on Q2 EBIT from the combination of volume and margin degradation. And how that – as we go forward into Q3, Q4, we've done a lot of scenario planning as I'm sure every company has, we think it's unlikely we're going to see a V-shape recovery coming back in Q3, but we do – we have done scenario planning around a U-shape or an L-shape, and broadly expect Q3 to also be down but some recovery in Q4. But again, we don't really know how broad this is going to be. We don't know the degree of the downturn nor do we know the duration, and of course, Asia recovery, how fast that actually happens is a big factor.

Duffy Fischer

Analyst, Barclays Capital, Inc.

Q

Okay. And then, could you speak to how your JVs have performed vis-à-vis how you performed, particularly in EM. I know at times over the last several years, Celanese has made the comment they felt some of those JVs were a little bit under managed on the cost side. So, maybe just kind of walk through how you think they're doing versus the markets?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Yeah. Let me start and then Scott may have some comments as well. I mean so, in general, I mean in first quarter our JVs were good, but generally, our JVs report on a quarter lag. So, we would expect some downturn in the second quarter for our JVs that may not show up so much until third quarter. Ibn Sina maybe slightly down more because it has a closer tie to crude, but that number and those JV numbers are baked into that \$150 million to \$250 impact that we expect in Q2. Scott, do you want to add something?

Scott A. Richardson

Executive Vice President and Chief Financial Officer, Celanese Corp.

A

Yeah. I think Duffy as we look at what our JVs are doing, they're very focused on cost right now as well. I mean they're not immune to this environment, particularly our two JVs that are focused in Asia. We're hit with some of the softness in demand that we saw in Q1 as well. And that will flow through a little bit into the second quarter. But hopefully, we'll start to see continued demand improvement, which will help them there. But that doesn't mean that they take their foot off the gas on working the cost side of the equation as well.

Duffy Fischer

Analyst, Barclays Capital, Inc.

Q

Great. Thank you, guys.

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Thank you.

Operator: Our next question is from Bob Koort of Goldman Sachs. Please go ahead.

Robert Koort

Analyst, Goldman Sachs & Co. LLC

Q

Thank you very much. Lori, you surprised me a little bit with your commentary about how much better your cost position is in Clear Lake than in Nanjing. Can you talk about how much it's compressed though or maybe what the broader industry cost curve has done over the last two or three months? Has it substantially flattened or maybe characterize some of that for us?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

I would say we haven't seen a big shift in coal pricing, so that's really what drives Nanjing. So, we haven't really seen compression between Clear Lake and Nanjing. The real compression is versus oil-based. So, like Singapore where everything is really priced out of bunker fuel. So, that's really where we've seen the compression not as much advantaged as we used to have between US natural gas-based and oil-based. So, Singapore, some of the European producers, for example, they tend to be oil-based. That's where we've seen the compression. But again, what we've seen at least in the low oil environment so far is just we still have kind of a two times advantage in the Gulf Coast as we do in other locations.

Robert Koort

Analyst, Goldman Sachs & Co. LLC

Q

Got it. And then I guess China's economy is directed in a different way or managed in a different way, but it seems like that recovery is in the manufacturing sector, at least it started pretty aggressively. How would you anticipate any cues from China informing what might happen in the western markets for you as we go through the second and the third quarter?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Yeah. So, I think what we need to watch for in China, well, a couple of things. So, I mean, you're right. People are often starting to run again in China. We see some China internal demand recovering. I would say, two, watch out and maybe the reason we're a little bit more pessimistic on AC at this point than others is we are starting to see inventory build in China. So, people are running, but there's not a lot of exports yet from China. And so, we are starting to see some buildup there. And so, I think until you see more of the Western Hemisphere start to recover and you see consumer confidence come back, maybe some of the stimulus packages, especially for auto that are coming on, that's really going to drive the demand around the world. Allow China to start exporting again. I think that's what we need to wait and see. And as of right now, we really haven't seen a resumption yet of China exports. Again, it's not a big impact on us directly, but a big impact on some of our customers around the globe.

Operator: The next question comes from Jeff Zekauskas of JPMorgan. Please go ahead.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Thanks very much. Can you hear me?

Q

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

Yes. I can hear you Jeff. Good morning.

A

Scott A. Richardson

Executive Vice President and Chief Financial Officer, Celanese Corp.

Yes.

A

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Okay, good morning. With oil prices coming down, some of your competitors probably have a lower cost structure than they did before. Does that lead to a weaker supply demand balance in acetic or VAM?

Q

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

Let me talk again about China because I think that's generally the swing producer. We saw a lot of China production on line in the fourth quarter. We've actually seen some reduction in utilization in the first quarter because of the very low pricing that we're seeing. I think people are choosing to run at lower rates. It's not necessarily shut down, but running at lower rates. So, I think the thing is the price is just so low. So, especially in China, we're at maybe \$300 per metric ton today. We saw that price down in the \$260 range early in April. It was at \$300 or less in March. That's just not a price where folks can run out of a coal base and it's not a great price even out of an oil base...

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Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Sure.

Q

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

...as compared to natural gas. So, I think the advantage is there, it's less, I don't think it will impact our Clear Lake, but it is causing some producers to slow down, which is a good thing. And we've actually seen the price start creeping up again in the last few weeks from where it was. So, there seems to be some discipline in the market not to produce into a losing situation. But again, it depends how long this goes on. But right now, I would say coal is the marginal producer, which is China, and we are seeing some discipline in that market, and we're seeing prices slowly come back up.

A

Scott A. Richardson

Executive Vice President and Chief Financial Officer, Celanese Corp.

Yeah. Jeff, just to add to that, I think it's important to remember that our view of oil is that we're relatively agnostic as a corporation to hire low oil pricing. And you are going to get some compression in some areas, but you're going to get expansion in other areas. I think, as Lori just talked about on acetic acid, we don't see a lot of movement in that cost curve. On VAM, you do get some compression, but that's offset by some of the gains you

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get out of Singapore acetic acid. On the Engineer Materials side of the equation, as Lori stated, about two-thirds of the pricing there is pretty sticky. So, you hold pricing even as raws come down, but that's partially offset by our dividend out of it Sina. So, with those puts and takes, we feel like we can still generate pretty agnostic returns in any environment.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Q

Can you talk about why you've deferred your larger capital projects? What the rationale is behind that? And how much operating income or EBITDA do you lose because of the deferral?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Yeah. So, we've reduced our CapEx projection for this year by about \$150 million, could be a bit more. Of that, I'd say about a one-third of it is associated with the delay at the Clear Lake acetic acid expansion. Again, the reason for doing that is because with these low oil prices, Singapore becomes a much more – not more attractive than Clear Lake, but attractive enough that we decided it was better to preserve cash in this period of time not knowing how long and how deep this would be. We can choose to start that project up at any time once we start to see recovery. But for right now, we've just said 18 months.

We've also, for our China localization project that we were looking at, we've pushed it out a bit because obviously we have a bit of a demand slowdown for our Engineered Materials. And we see that taking a little while to recover. So, we've pushed it out a bit and we've also had some things change where we now are looking at minimizing costs by using some of our existing footprint preferably. So, that's about another one-third of that \$150 million. And then we have a one-third that's kind of everything else, and a lot of that is just project re-scoping that occurred naturally, projects that we said, you know what, to preserve cash we can just push them out a year. So, we're really just trying to be cautious because we don't know how deep and how long this can go to make sure that we are preserving cash for the organization to maintain a good free cash flow.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Q

Thanks very much.

Operator: The next question is from Mike Sison of Wells Fargo. Please go ahead.

Michael Sison

Analyst, Wells Fargo Securities LLC

Q

Hey, good morning everyone. Glad to hear everybody's safe and sound.

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Hey, Mike.

Scott A. Richardson

Executive Vice President and Chief Financial Officer, Celanese Corp.

A

Thanks, Mike.

Michael Sison

Analyst, Wells Fargo Securities LLC

Q

Lori, I just want a little bit of clarification, I think you said for 2Q adjusted EBIT could be down \$150 million to \$250 million, was that relative to Q1 or 2Q 2019?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Relative to Q1.

Michael Sison

Analyst, Wells Fargo Securities LLC

Q

Q1. Okay. And then, when you think about adjusted EBIT margins for the Acetyl Chain in the mid-teens for 2Q, what is more important in getting those margins up? Is it the volume? Is it the pricing? And if pricing is going to go up, what do you think drives that? Is it more oil going up? Is it more recouping of volume? Just some color on what could get those margins better as the year unfolds?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Yeah. I think they're all related, but I think it is more around the pricing. I mean, look, the last time we saw below \$300 per metric ton pricing for acetic acid was in 2016. So, it's been a long time since we've seen this level of numbers. So, I think it really is more about seeing the pricing go up. Now, that really means demand recovery for acetic acid is really dependent on China for that. I think that's where we'll see the recovery in the margins. But clearly, as we have demand recovery, we get some volume recovery that helps the prices go up. Again, we're pretty agnostic to what happens to oil in this scenario. That's the beauty of our models, the beauty of having three different sources of acetic acid around the globe that we can pull on depending on what's the best source and lowest cost source. So, yeah, I don't see oil price being a big factor for us, but certainly, China demand, China exports, reopening of India and Southeast Asia, these are going to be the big factors that can help drive those margins back up.

Michael Sison

Analyst, Wells Fargo Securities LLC

Q

Great. Thank you.

Operator: The next question is from Vincent Andrews of Morgan Stanley. Please go ahead.

Vincent Stephen Andrews

Analyst, Morgan Stanley & Co. LLC

Q

Thank you. Good morning and then good to hear everybody's voice. Sounds like everyone's doing well. Wondering if you could just comment on what you're seeing or what you're thinking about the outlook for demand for VAM and for emulsions in the second quarter and maybe into the third quarter? Just wondering if you're going to have the same amount of flexibility going forward to shift product out of acid and into those other two materials?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Yeah. So, we've certainly taken advantage of that flexibility even in the first quarter. I mean, if you look in the first quarter from the fourth quarter, we sold 17% less tonnage into China as they dealt with COVID, we've moved that and we sold 27% more tonnage into the Western Hemisphere. We moved 8% more tonnage to VAM and emulsions. We have seen VAM and VAE hold up pretty well. We actually see some impact on that into the second quarter. We see the demand remaining strong for paints and coatings at least so far, especially for exterior paint, now maybe not as much for interior paints as people aren't wanting to line up at Home Depot and wait to go in. But we are seeing the advantage of that capacity that we've been able to add. So, I think in Q2, yes, we expect certainly some pricing pressure on VAM and VAE and emulsions, and we hope we'll start to see some more seasonal recovery in demand as we see economies starting to reopen, but generally stronger than acetic acid.

Vincent Stephen Andrews

Analyst, Morgan Stanley & Co. LLC

Q

And then if I could just ask you on Engineered Materials. I appreciate and respect your comments on the ability to hold pricing at two-thirds of that business. That's certainly what we've seen in the past in lower raw material environments. I'm just asking with volume expected to be down 30%, 35%, is there no mechanism for customers to come to and ask for lower prices? Is it purely – is it fully contracted or is it just not something you have to worry about?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

I mean of course people can always ask. Again, if we go back to what we – about one-third of that volume is really sticky and that we're the only person specked in. So, those, they tend to not be price sensitive. They don't have another option. The next third maybe has a couple people specked in. We've not seen a lot of movement that way. I mean perhaps we will as we come up, we haven't. The third that tends to be more price sensitive or is more the standard type grade. And those tend to follow raws a bit more anyway. But we have seen some of those sectors continue to be very robust, right. Medical pharma, paints and coatings to a certain extent, packaging from the acetlys side, food and beverage has been robust. So, we expect those to continue and not see a lot of price pressure there.

Vincent Stephen Andrews

Analyst, Morgan Stanley & Co. LLC

Q

Okay. Thank you very much. I appreciate it.

Operator: The next question is from Ghansham Panjabi of Baird. Please go ahead.

Ghansham Panjabi

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

Q

Thank you. Good morning, everybody.

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Good morning, Ghansham.

Scott A. Richardson

Executive Vice President and Chief Financial Officer, Celanese Corp.

A

Good morning.

Ghansham Panjabi

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

Q

Hey, so, Lori just on the EM segment specific to the first quarter, both volumes and margins were quite resilient considering the late quarter sort of slowdown globally. Was there any pull forward in demand from 2Q? I mean you mentioned that the team generated high single-digit volume growth in the Western Hemisphere. Just trying to clarify that.

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

No. We really didn't see any pull forward. You know auto actually was doing quite well in January and February in the Western Hemisphere. We actually had seen auto up a few percent in both Europe and Asia. And that really helped drive some of the volumes in the first and second quarter. Obviously, consumer goods were down in the first quarter. But generally, January, February, even the first part of March were pretty good where the Western Hemisphere was able to offset some of the decline that we saw out of Asia. And even the Asia decline during that period was fairly moderate. Now, obviously, that all changed kind of in the second half of March and that's why we're projecting the 25% to 30% down for EM in the second quarter.

Ghansham Panjabi

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

Q

Okay.

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

But I really didn't see much volume pull forward. Yeah.

Ghansham Panjabi

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

Q

Okay. Thank you. And just, more broadly, I mean, you have obviously given us an assumption for each of the segments from a volume standpoint for 2Q. Can you give us a sense as to what you're embedding in terms of how June kind of plays out? I mean, clearly most of the world is on lockdown for at least, let's say, half the quarter. But how are you thinking about the back part of the quarter and kind of the exit run rate into the third quarter? Thanks so much.

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Yeah. Look, we're really – we just looked at the second quarter as a whole. We're really assuming we don't see much recovery even through June. And if we look at auto for example, China autos restarted but it's a bit slow. Europe is kind of starting this week but at pretty low rate. VW for example in the ID.3, one of their platforms that we have a lot of content in is making 50 cars a day versus what they typically make, 150 cars a day. The US, the autos are just now starting to announce they're going to restart, originally some May 4, some May 11. Most of the big plants not until May 18. So, we really don't see them coming up closer to full rates until late June or even early July.

Ghansham Panjabi

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

Thanks so much.

Q

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

So, that's the assumption we baked in. Obviously, if they get started sooner, that's good.

A

Ghansham Panjabi

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

Okay. We'll watch for that. Thanks so much, Lori.

Q

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

Yeah.

A

Operator: The next question is from Matthew DeYoe of Bank of America. Please go ahead.

Matthew DeYoe

Analyst, Bank of America Merrill Lynch

Good morning. So, if we look back at 2015 and 2016, the Acetyl Chain business generated about \$600 million in annual EBITDA. Perhaps directionally you're pointing there in 2Q, but you have some outages and what not. So, why or why not is it possible that the company kind of returns to that EBITDA in that segment? Yeah. I'll start there.

Q

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

Yeah. Look, we typically assume – we think our Acetyls business is kind of a base level of earnings in a normal environment between \$180 million and \$200 million. So if you look at our earnings in first quarter, just call it \$140 million for easy math, we had \$15 million in there that we didn't have for the Fairway turnaround. There was \$15 million to \$20 million of COVID impact and then first quarter, typically we see \$10 million to \$15 million of seasonality.

A

So, that gets us in that \$180 million to \$190 million range that we would expect to see from Acetyls. So, I think what we've shown is versus even 2016, 2017, we have fundamentally shifted the Acetyls base level of earnings, again, kind of up to that \$180 million to \$190 million. But with COVID, with the turnaround load in the first quarter, we saw a slightly lower number in the first quarter.

Scott A. Richardson

Executive Vice President and Chief Financial Officer, Celanese Corp.

Yeah. Matthew, I think it's important to remember a lot of the steps that we've taken over time in the Acetyl business to get us to that higher level of earnings, reducing the fixed cost footprint, consolidating manufacturing at our large integrated facilities, continuing to lower the S&A cost structure in the business, and then further going downstream. In the past, we used to sell about 60% of our acetic acid as acetic acid. And now, we only sell closer to 40%. And we moved that downstream into VAM emulsions and now into redispersible powders through the

A

Elotex acquisition. So those very purposeful steps taken over time have led to that higher level of earnings in normalized environments.

Matthew DeYoe

Analyst, Bank of America Merrill Lynch

Q

Okay. Thank you for the context. And then, price in EM was down like 5% year-over-year in 1Q. I would imagine it's probably going to be a little bit worse than that in 2Q. To some extent, I guess it's not surprising given the moves we've seen in oil. But if I look back to the last time crude really collapsed in 2015, 2016, we never saw price kind of eclipse the minus \$4 number. Is this because prices is sticky in some of the newly acquired businesses? And you talked a little bit about that margin level and I would imagine things move down in 2Q but that mid-30s set what you'd consider normal from here?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Yeah. I think there's two things there. So we did have the raw material pass-through on that kind of third of the business that is more directly tied to raws. I think that's similar to what you would have seen in 2016. There was also an element Q1 2019 was really an exceptional EM quarter and there's some timing elements there around contracts for medical and pharma, some high margin businesses that showed up in Q1 which is different than Q1 2020. So Q1 2019, we had some big contracts that showed up in the books. Q1 2020 is I would say more normal. So there is that variation there. I mean we would expect as raws continues to be low and as we see volumes come off, some further impact to margins for Engineered Materials and volumes like I spoke about earlier. But I don't think that Q1 2019 to Q1 2020 change that you're seeing is representative because there were some uniqueness in Q1 2019.

Matthew DeYoe

Analyst, Bank of America Merrill Lynch

Q

Fair enough. Thank you.

Operator: The next question is from John Roberts of UBS. Please go ahead.

John Roberts

Analyst, UBS Securities LLC

Q

Thank you and congratulations Lori on assuming the Chairperson role.

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Thank you, John.

John Roberts

Analyst, UBS Securities LLC

Q

The smokers seem to be more susceptible to the more severe COVID-19 symptoms. You're guiding for stable Acetate Tow for the rest of this year, but do you think this over the next 12, 24, 48 months will accelerate the decline in Acetate Tow over time?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

It's a good question and one we've asked ourselves, but I have to say Tow has proven to be probably our most resilient sector. People who smoke tend to do it no matter what, and if anything, maybe they do it more when they're home. So, just a bit anecdotally in January and February when this was really hitting China, we actually saw cigarette production up 4% in China and sales in China actually went up by 1% versus 2019 which doesn't sound like a lot, but in a business where we expect a couple percent decline per year, that was certainly a reversal of the trend.

We haven't seen similar numbers yet for Europe and for the Americas, so we have to wait and see, but as of right now at least in our conversations with the cigarette producers and others, they are not seeing a big change in demand profile.

John Roberts

Analyst, UBS Securities LLC

Q

Okay. And then in Engineered Materials you noted some challenges in getting new applications qualified with social distancing and a lot of your customers having employees working from home, do you think you have that solved or will have it solved over the next couple of months or will it be constraining in any way or because demand is so weak, it's just not going to be on a constraining part of the supply chain or the value added?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Yeah. I mean, look, it's a great question. And certainly with COVID, we have found many new ways of working. I would say our employees or even ourselves, people, everyone continue to be highly productive and effective at home. Interestingly enough in EM, while we have had some issues getting new projects qualified, we have been able to continue to progress many other projects. So, a lot of our customers have lab staff working, they're doing it. In some cases, our lab group, our technology and innovation group has actually been working with some of the customers to qualify the materials on our lab equipment. And so, sometimes we've actually taken over and done some of the testing for them at our facilities for those customers who couldn't use theirs.

So, our folks have been really creative to keep some stuff going. Similarly, we've continued to provide great customer service. I want to share with you an example we had. We actually had a customer in Germany who had a molding issue, and our technologists were able to get on the phone via iPad and basically troubleshoot the problem using iPad video with the customer. So, our folks have been really creative. While we certainly have – we still closed the number of projects in the first quarter we expected to, we aim to do the same in the second quarter. We're just having to be really creative and really flexible in how we work and what work we do for our customers to make it happen.

John Roberts

Analyst, UBS Securities LLC

Q

Thank you.

Operator: The next question is from John McNulty of BMO Capital Markets. Please go ahead.

John P. McNulty

Analyst, BMO Capital Markets (United States)

Q

Yeah. Good morning. Thanks for taking my questions. With regard to the acetic acid markets in China specifically, have you seen any permanent closures and I guess how long would we have to see this recessionary

environment drag on before we might actually start to see some of maybe the more marginal capacity just get permanently shut down? What are your thoughts on that?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

So, I would say to-date we have not seen any permanent closures. And part of the reason for that is I think a lot of the acetic acid capacity in China is tied to downstream uses of the same company. So, they're part of the value chain for other companies, not necessarily VAM, VAE, but maybe going into plastic bottles or this sort of thing. So, what we've seen though is we have seen people slowing down capacity. So, only matching their capacity to what they internally consume.

I think it will take a bit longer at these kind of prices before we see people permanently shutdown but we have definitely seen people run at lower rates which has helped. We were really low in terms of timing utilization in the first quarter. Those numbers are still low just below 70%, but slowly coming back up as people cut back on run rates to more match their internal downstream consumption. So, I don't know how long it's going to be, but I think it will be longer before we see any permanent shutdown of spare capacity in China.

John P. McNulty

Analyst, BMO Capital Markets (United States)

Q

Got it. Fair enough.

Scott A. Richardson

Executive Vice President and Chief Financial Officer, Celanese Corp.

A

Yeah. And John, we're focused on what we can do to control things. So, we're controlling our own operating rates. We're focused on productivity as Lori talked about. We're focused on what we can do from near-term cost reduction actions. So, those items that we have control over ourselves is really where our focus needs to be. So, that as we see the changes in demand pivot in the coming months, we're well positioned to take advantage of that.

John P. McNulty

Analyst, BMO Capital Markets (United States)

Q

Great. Thanks for the color on that. And then, just I guess with regard to the Engineered Materials platform, I guess the magnitude of the sales drop seems a little bit on the higher end I guess than what we were thinking, especially considering you do serve some pretty defensive markets as well like on the healthcare side. So I guess, can you give us, in terms of how you're thinking about the buckets of your cyclical portion of that business and the maybe defensive side, what you're thinking in terms of the volumes for those?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Yeah. I mean, on the kind of resilient side, I mean obviously I talked about Tow, that's 15% of our revenue. And then we have medical pharma, food beverage, even 5G, packaging, that's kind of another 10% to 15% of our revenue. But some of our big users like, for the entire company, auto is about 15%. Until people start up, although they're sticky businesses and they will come back and order from us, they're just not taking volume. So that's really what's built into that as well as consumer electronics. And people are just not buying big durable consumer goods right now. They're worried about jobs. They can't get out. All these kinds of things. So I would say, it's not so much that we see people shifting away from our Engineered Materials, it's just they're not running. So they're not ordering.

If you look at even in Q1, we saw – we lost about \$10 million in volume in orders just in March due to cancellations, about 50% in Asia and 50% in other places. And in Q2, automotive, the big decline drop. I mean April was 50% lower in terms of automotive demand for us than it was in 2019. And in the Americas that was 80% lower. So it's – these are sticky businesses but if they're not running, they're not ordering.

Now, in non-auto, we're nearly flat with 2019. So again, it's just that balance of those highly resilient, those that have kept running and had high demand, and those that haven't been as resilient like auto, where we've just seen the demand basically go to zero for a period of time.

John P. McNulty

Analyst, BMO Capital Markets (United States)

Got it. Thanks for color. Be safe.

Q

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

Thank you.

A

Operator: The next question is from Kevin McCarthy of Vertical Research Partners. Please go ahead.

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Yes. Good morning. With regard to your CapEx program, I think you indicated you're deferring capacity expansions for methanol and acetyls by about 18 months. Do you still plan to reduce capacity in Asia? And if so, would the acetyl capacity reduction there be concurrent with the new timeline?

Q

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

Yeah. So, our plan all along has been – it was – really we justified the product – the project on productivity. So, our plan would be to reduce capacity in Asia in that same timeframe. So, in the 2020 to mid-2023 timeframe. Again, it could be a shutdown of the facility or it could just simply be a reduction in facility. And that's a decision we'll make sometime later once we see, kind of, how raw material dynamics and demand even out over the next few years.

A

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Okay. And then on page nine of your prepared remarks released last night, I just had a clarifying question, maybe. You're talking about the free cash flow improvement there of \$300 million to \$400 million. And I think it's equated to a 40% decline in adjusted EBIT for Acetyl Chain and EM. I guess, my clarification is, is that 40% in fact your forecast? Or are you just sizing the magnitude of the free cash flow improvement there?

Q

Scott A. Richardson

Executive Vice President and Chief Financial Officer, Celanese Corp.

Yeah. Kevin, we're just sizing it for Q2 through Q4. That's really what that point was about.

A

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Q

Very good. And if I may, want to sneak in another one for you, Scott. There is a reference to, I think, a tax relief provision that's expected to benefit you by \$40 million to \$50 million. Can you just talk a little bit about that and when you would expect that cash in the door?

Scott A. Richardson

Executive Vice President and Chief Financial Officer, Celanese Corp.

A

Yeah. This is mostly just timing, Kevin, and it's a lot of the stimulus packages that have been passed around the world. And actually the lesser of that number is the US. We have a pretty substantial impact from German payroll tax deferrals. So, it's really just deferment to 2021 or 2022 on payroll taxes.

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Q

Perfect. Thank you so much.

Operator: The next question is from Aleks Yefremov of KeyBanc. Please go ahead.

Aleksey Yefremov

Analyst, KeyBanc Capital Markets

Q

Thank you. Good morning, everyone. Lori, just to clarify the EBIT decline sequentially you mentioned \$150 million to \$250 million range. Was that for the company overall or for EM segment only?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

No. That's for the company overall.

Aleksey Yefremov

Analyst, KeyBanc Capital Markets

Q

Understood. Thank you. And turning to acetyls. Just based on benchmark margins we're estimating that they were quite healthy in March and April, if we look at acetic acid versus methanol or VAM versus ethylene and acetic acid. Is that in fact true when you look at your business and if so are you expecting this level of margins that we saw in March and April to persist in the latter parts of second quarter.

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

You know, Scott may want to provide some detail as well. But again if we look at, we actually saw prices drop very low at the end of March and in early April. And at those kind of prices, margins in Nanjing where you have methanol coming out of coal are not that good, Clear Lake out of gas still a margin, but significantly compressed from the margins that we've had in the past. So, I think, we continue to see that challenge with Acetyl margins going forward even in a low methanol environment, again because price tends to fall a bit.

Scott A. Richardson

Executive Vice President and Chief Financial Officer, Celanese Corp.

A

Yeah. I think we did see a lot of compression in the first quarter, as Lori stated, Aleksey. And in the last week, we've seen a slight bit of expansion, but we saw these periods in pockets at various points in the first quarter as well. So until we see, I think, more robust exports moving out of China and demand improving in other parts of the world, I don't think you're going to see a big change in that dynamic.

Aleksey Yefremov

Analyst, KeyBanc Capital Markets

Q

If I just may clarify, you do expect your Acetyl's margins to decline sequentially?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

I think we do, yeah.

Scott A. Richardson

Executive Vice President and Chief Financial Officer, Celanese Corp.

A

I think we expect to see things relatively flat right now, Aleksey. At least that's what we're baking in, given that demand landscape that we talked about. And I think it's important, we're more or less on the floor here for methanol in China given where the coal producers' cost structure is and given where methanol prices are at. So, we may see things move a little bit in the upstream feedstock landscape. But material movements up or down given the inventory levels and given the cost structure, we just don't see things moving a lot.

Aleksey Yefremov

Analyst, KeyBanc Capital Markets

Q

Understood. Thank you very much.

Operator: The next question is from Frank Mitsch of Fermium Research. Please go ahead.

Frank J. Mitsch

Analyst, Fermium Research LLC

Q

Thank you so much and good morning. As I parse through the various forecasts and understanding this isn't an exact science, it's – and where do you think the coronavirus impact is? I mean, obviously, a very significant impact here in 2Q. But as I look at the numbers, is it fair to say that as things stand today, you think the impact from coronavirus if we were to say parse up 100% for the balance of the year, it would be like 50% impact in Q2, I don't know, 30% Q3 and 20% Q4. How are you currently thinking about the pace of the impact for the balance of the year?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Yeah. Look, we've done a lot of scenario planning, and again, we don't expect a V-shaped recovery. So, we do expect some continued impact. We've looked at a U-shaped recovery, which we'll start to see some recovery in December. We've looked at L-shaped which has it going down into 2021. I think the answer is we don't know. Even with things opening up, we have yet to see couple of things, when does the Western Hemisphere automakers return to full production? When will we see enough relaxing of social distancing in the US and Europe for people to go back to painting? And as well as, allow for construction to go back to seasonally normalized levels. And then, as I said earlier, when do we see that improvement in China export, because that's – we're not

seeing that yet. So, even though China is running, we're not seeing enough demand outside of China to really resume the pace of China export.

So, I think there's still a lot unknown, a lot related to consumer confidence. Stimulus packages can help. We're waiting to see how that goes. But I don't think we can really predict accurately at this point what we will see in third and fourth quarter.

Frank J. Mitsch

Analyst, Fermium Research LLC

Q

Got you. But I was looking at that comment from Scott about the Acetyls and EM being off 40% for the balance of the year. And so, it just seemed to me that it was a bit more front-end loaded in terms of the impact for the second quarter and perhaps in terms of the year-over-year negative impact it would be lessened for the balance of the year. But at this point, you think it's maybe a little bit too premature to offer that?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Yeah. Go ahead.

Scott A. Richardson

Executive Vice President and Chief Financial Officer, Celanese Corp.

A

Yeah. I think that 40% was really illustrative of what that magnitude of cash flow reduction would equate to. So, that's how I'd read that.

Frank J. Mitsch

Analyst, Fermium Research LLC

Q

Terrific. Thank you so much.

Operator: The next question is from Matthew Blair of Tudor, Pickering, and Holt (sic) Tudor, Pickering, Holt & Co. Please go ahead.

Matthew Blair

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

Q

Hey. Good morning. Glad to hear everyone is safe. I want to touch on that 5% volume gain in Acetyls, which I think occurred despite some turnarounds. Would you say that was just normal quarter-to-quarter volatility or do you have a strategy to try to take share in this weak market and offset some of the price declines?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Yeah. So, we had the volume gain from fourth quarter. Remember in fourth quarter we had the issue at our Clear Lake plant and it was down. And so, we had more volume available in Clear Lake, obviously, in Q1 than we did in Q4. So, that volume uptick really reflects the additional production in Clear Lake offset slightly by the COVID impact in Asia.

Matthew Blair

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

Q

Sounds good. And then, any sense on the timing of the \$150 million to \$250 million working capital benefit that you expect. Would that be mostly in Q2 or kind of spread throughout the year? Thanks.

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

Scott, do you want to answer that?

A

Scott A. Richardson

Executive Vice President and Chief Financial Officer, Celanese Corp.

Yeah. So, I think most – there's going to be a chunk of that that is Q2 as we see the more acute demand impact that Lori talked about happening in the current environment and we will gain working capital here. So, we will see that. We do expect with – really actions that we're taking and this is not a new thing for us. We've been heavily working by working capital actions around accounts receivable, accounts payable the last several years.

And this environment really gives us that opportunity to push hard on the inventory side of the equation also. So, there's some sustainable actions that we're taking in addition to just, kind of, the drop from sales coming off. So, we'll gain a lot of working capital in the second quarter, but we do expect some of those actions to yield benefits in the back half also.

Matthew Blair

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

Thank you.

Q

Operator: The next question is from David Begleiter of Deutsche Bank. Please go ahead.

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Thank you. Lori and Scott, on the Acetyl's base earnings of \$180 million to \$190 million, I know you said you're agnostic to oil price changes. But why isn't there some variability at a \$25 oil price versus a \$6 oil price for the base level of earnings in that segment?

Q

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

Yeah. So, David, I think what we'd say as a company, we're fairly agnostic. I mean, you will see a little bit of an impact in AC, which is probably why my bridge, including seasonality, gets you to the lower-end of that \$180 million to \$200 million.

Clearly you will see some impact in AC, but that said, we see some – a little bit of a offset in EM, where our prices don't typically, for about two-thirds of our volume, the prices don't track down with raws. And so, we get a little bit of margin expansion in EM that offsets the compression of margins we see in AC.

A

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Understood. And just in EM, just on the affiliates. What's happening with Ibn Sina given the low MTBE margins these days?

Q

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

Scott, do you want to answer that?

A

Scott A. Richardson

Executive Vice President and Chief Financial Officer, Celanese Corp.

Yeah. So David, our dividend, there is on a one quarter lag. So what came through in Q1 is what we saw from Q4 and then likewise here stepping through into Q2. So we're going to see most of that impact in the second half of the year that we're seeing. MTBE follows oil. So pricing is coming down and we will get some compression there. On the flip side, in the EM segment, you'll get upside from where we get margin expansion, where we have pretty sticky pricing as we talked about earlier.

A

David I. Begleiter

Analyst, Deutsche Bank Securities, Inc.

Thank you.

Q

Operator: The next question is Laurence Alexander of Jefferies. Please go ahead.

Laurence Alexander

Analyst, Jefferies LLC

Good morning. Do you see any opportunities to or do you have any interest in acquiring of downstream Acetyl's assets [indiscernible] (53:42) will give you more degrees of freedom. And secondly, can you remind us where you are on the innovation cycle in Acetyls, I mean roughly how many [indiscernible] (53:55) before we see these innovation – significant innovation in OpEx and CapEx on your projects?

Q

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

Yeah. You broke up a little, but let me answer the first one. So, I mean clearly we just completed the acquisition of Elotex that is adding down to the back-end of our Acetyl Chain with redispersible powders. We're really excited to close that deal despite having to do it remotely. I mean it is a fast growing market and we think it's a great addition. So we do continue – I think, it's just an example, we do continue to be very interested in continuing to expand our Acetyl Chain, where it makes sense to deliver greater shareholder value, which we think Elotex fits that.

A

In terms of innovation, I mean, we continue to be very flexible with our Acetyl Chain. We like the model that we have, which gives us a lot of optionality and gives us a lot of ability to pivot. I gave the examples earlier of the amount of tonnage we can move geographically as well as tonnage downstream. Our teams continue to innovate constantly around VAM and emulsions and offering new products to our customers. So, I think, we're doing very well there.

Laurence Alexander

Analyst, Jefferies LLC

Thanks.

Q

Operator: The next question is from Jim Sheehan of SunTrust. Please go ahead.

James Sheehan

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Morning. Thanks for taking my question. When we look at natural gas prices in Asia and specifically China, they're moving lower into the region actually of coal prices. I'm wondering how you think that's impacting competitive dynamics in China. How sustainable might that be and does that really affect the Acetyl Chain at all?

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Yeah. I can't – I don't really know much about natural gas into Asia these days, so I can't say how sustainable that will be. What I will tell you is acetic acid equipment in China is built around coal to methanol base. It would take an amount of investment in order to convert that to natural gas, the methanol base. So, I don't see that happening quickly. I think, you would have to have a very sustained period of competitive and low natural gas prices, as well as, some assurity of continued supply before you saw people willing to make that investment away from coal to natural gas.

Scott A. Richardson

Executive Vice President and Chief Financial Officer, Celanese Corp.

A

Yeah. Jim, natural gas is earmarked for personal consumption. There's very little chemical production based upon natural gas and we just haven't seen a policy shift in that direction.

James Sheehan

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay. And on social distancing you talked about the impact that might have on new project development. I'm wondering about maybe you could comment on how it's affecting your integration of acquisitions like Elotex.

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

A

Yeah. Well, social distancing, besides the fact that we have about 2,000 people working from home these days. We still have another roughly 6,000 people working in our plants. And so we have learned how to operate with social distancing using personal protective equipment as needed. I think that's going very well and we've been very fortunate we've had no cases of COVID-19 transmitted at work. And so I think, we can learn to operate in this way. I think, it's been good. I think people other – we see the same thing in other industries and socially people are learning to work this way, but we just need to get consumer confidence back.

James Sheehan

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Thank you.

Abe Paul

Vice President - Investor Relations, Celanese Corp.

A

Brock.

Operator: That concludes our time for questions today. I would like to turn the call back over to Abe Paul for closing remarks.

Abe Paul

Vice President - Investor Relations, Celanese Corp.

Thank you, Brock. We thank you for your questions and listening in today. As usual, we're available after the call for further questions you might have. Brock, feel free to close out the call at this time.

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

Lori J. Ryerkerk

Chairman, Chief Executive Officer and President, Celanese Corp.

Thank you.

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