

18-Apr-2017

Celanese Corp. (CE)

Q1 2017 Earnings Call

CORPORATE PARTICIPANTS

Surabhi Varshney

Vice President-Investor Relations, Celanese Corp.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Patrick D. Quarles

Executive Vice President and President, Acetyl Chain, Celanese Corp.

Scott McDougald Sutton

Executive Vice President and President, Materials Solutions, Celanese Corp.

Christopher W. Jensen

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OTHER PARTICIPANTS

Laurence Alexander

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Robert Andrew Koort

Analyst, Goldman Sachs & Co.

Michael J. Leithead

Analyst, Barclays Capital, Inc.

Frank J. Mitsch

Analyst, Wells Fargo Securities LLC

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc.

David I. Begleiter

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Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Vincent Stephen Andrews

Analyst, Morgan Stanley & Co. LLC

Arun Viswanathan

Analyst, RBC Capital Markets LLC

Matthew Stevenson

Analyst, SunTrust Robinson Humphrey, Inc.

Aleksey Yefremov

Analyst, Instinet LLC

John Roberts

Analyst, UBS Securities LLC

Bobby Geornas

Analyst, Susquehanna Financial Group LLLP

Hassan I. Ahmed

Analyst, Alembic Global Advisors LLC

David Wang

Analyst, Morningstar, Inc. (Research)

Ghansham Panjabi

Analyst, Robert W. Baird & Co., Inc. (Broker)

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Celanese First Quarter 2017 Earnings Call. All participants will be in listen-only mode. [Operator Instructions]

After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Surabhi Varshney, Vice President of Investor Relations. Please go ahead.

Surabhi Varshney

Vice President-Investor Relations, Celanese Corp.

Thank you, Anita. Good morning, and welcome to the Celanese Corp.'s first quarter 2017 earnings conference call. My name is Surabhi Varshney, Vice President-Investor Relations. With me today are Mark Rohr, Chairman and Chief Executive Officer; Chris Jensen, Executive Vice President and Chief Financial Officer; Scott Sutton, Chief Operating Officer; and Pat Quarles, Executive Vice President and President, Acetyls Chain.

Celanese Corp.'s first quarter 2017 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 Corp.'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. Explanations of these measures and reconciliations to the comparable GAAP measures are included in the press release and on our website in the Investor Relations section under Financial Information.

The earnings release and non-GAAP reconciliations have been submitted to the SEC on a Form 8-K. The slides and prepared comments have also been submitted to the SEC on a separate Form 8-K. This morning, we'll begin with introductory comments from Mark Rohr and then open up for your questions.

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

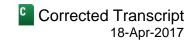
Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Thank you, Surabhi, and welcome to everyone listening in today. Our prepared comments were released with earnings yesterday, so I'll limit my comments, then open the line for your questions.

In the first quarter of 2017, we generated GAAP earnings of \$1.30 per share, and the second-highest ever adjusted earnings of \$1.81 per share. And the Acetyl Chain raw material prices were sharply higher sequentially, and the Chain business responded well by driving price increases globally. We remain aggressive in our commercial approach, and selective in when and where we place our acetyl molecules. This has allowed us to

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expand core income margins every month this quarter of 200 basis points sequentially to 13.6% overall. For the first quarter, the Acetyl Chain generated core income of \$108 million.

Materials Solutions had another record quarter generating core income of \$243 million. Advanced Engineered Materials segment income of \$143 million was an all-time high and volume grew 35% sequentially driven by double-digit organic growth and contributions from the SO.F.TER. acquisition. We also closed 513 projects in the quarter which puts us well on track to achieve our targeted 1,900 projects for the year. The SO.F.TER. integration is progressing well and we expect to close the previously announced Nilit Plastics acquisition in May.

Consumer Specialties segment income in the quarter was \$100 million, with 46% segment income margin. Tow volume increased sequentially due to unique carryovers from 2016 as we transition contracts, but was offset by decline in pricing due to lower industry utilization rates previously discussed. We continue to expect 2017 earnings from Consumer Specialties to reset at \$0.40 per share lower than 2016 and stabilize from there.

During the quarter, we invested \$128 million to repurchase shares and, along with dividends, we returned \$179 million to our shareholders. I also want to congratulate our team this quarter for the results and their tireless efforts and support of customers and shareholders.

Looking forward to the rest of the year, Advanced Engineered Materials would contribute meaningfully to sales and earnings in 2017 through growth from new project commercialization and emerging benefits of SO.F.TER. and Nilit integrations.

The Acetyl Chain is strategically positioned to take advantage of the evolving industry and raw material environments and to also advance growth. While tow headwinds muted industrial demand and uncertainty in raw materials are a challenge, we're off to a very good start for the year. And we expect earnings per share growth of 8% to 11% this year, with the second half about \$0.20 higher than the first half.

Surabhi Varshney

Vice President-Investor Relations, Celanese Corp.

Thank you, Mark. I'd like to request everybody on the phone to limit your questions to one and then a follow-up. Anita, let's go ahead and get started with the Q&A, please.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] As a reminder, we are asking one question and one follow-up due to time constraints. [Operator Instructions] Our first question comes from Laurence Alexander with Jeffries. Please go ahead.

Laurence Alexander Analyst, Jefferies LLC	Q
Good morning.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Hey, Laurence.	
Laurence Alexander Analyst, Jefferies LLC	Q

Two quick ones. How much of a drag was VAM year-over-year, and do you expect to see lost volumes or the volumes that you sacrificed to come back in the back half of the year or in 2018? And then, on acetate tow, can you speak to your relative leverage to regular cigarettes versus heat-not-burn cigarettes and what those products might have as an impact?

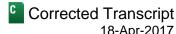
Mark C. Rohr
Chairman & Chief Executive Officer, Celanese Corp.

Yeah. So I'll start, maybe have Pat, who's here, make a few comments on VAM. But if you look at the wall quarter-to-quarter, the VAM impact was pretty material for us fourth quarter to first quarter and probably half of the downside we saw on a margin basis. So when I think through that and the other half being TSO and some other things that are going on. So VAM was pretty material. And, Pat, do you want to comment maybe on a forward-look for VAM?

Patrick D. Quarles Executive Vice President and President, Acetyl Chain, Celanese Corp.

Yeah, sure. Hi, Laurence. This is Pat Quarles. Yeah, Mark's right. I mean, fairly material versus last year. If you think about what happened to us in China with the extraordinarily strong ethylene, which were based on for VAM process versus carbide producers more tied to coal. We had very strong ethylene in the first quarter. It put us in a situation where we'd rather just not participate in the market in China during that period and take a little pressure off of other people's drive to export, which we think benefits us and the rest of the world. So that was really what drove our decision-making in the first quarter.

As we get into the second quarter, ethylene remains high in China. That dynamic really hasn't changed. What's changing, of course, is this overall utilization of the system because of the multitude of outages that we and others are having in the market. And we're actively meeting customer demand, both through our western hemisphere assets, as well as actually bringing molecules in from China to meet those commitments we have elsewhere



Q1 2017 Earnings Call 18-Apr-2017 Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp. And, Laurence, your other question, if I understood, was really around e-cigarettes and maybe smokeless tobacco and the trends there. Is that the nature of your question? Laurence Alexander Analyst, Jefferies LLC Exactly. More on the smokeless tobacco side. I think e-cigarettes have been flogged almost to death. Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp. So I'll ask Scott Sutton, if he'll take a shot at that. Scott McDougald Sutton Executive Vice President and President, Materials Solutions, Celanese Corp. Yeah. Hi, Laurence. Look, I mean, the reality is today that a small part of our tow business actually goes in the heat-not-burn devices. It's something on the order of 1%. Most of our business goes into traditional cigarettes, the super slim cigarettes. However, what's going into heat-not-burn is growing very quickly. And on top of that, we have quite a number of projects in our Engineered Materials pipeline for thermoplastics to go into those heat-notburn devices. Laurence Alexander Analyst, Jefferies LLC Okay. Thank you. Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp. Thanks, Laurence. Operator: Our next question comes from Robert Koort with Goldman Sachs. Please go ahead. Robert Andrew Koort

Analyst, Goldman Sachs & Co.

Thank you. For Mark or maybe Pat, you guys had mentioned previously of acceleration in Al profits in the second half. I'm wondering if you can help us - that cadence still holds and what causes the uplift in the second half? Thanks.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

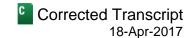
Yeah. Well, we do – I mean, we're seeing profits accelerate now as we go through in this raw material inflation that's going on really driven by China but around the world. So, we're expecting that to continue as we go through the year. Pat, do you want to – maybe a little clarity.

Patrick D. Quarles

Executive Vice President and President, Acetyl Chain, Celanese Corp.



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Yeah, sure. So, as you think through kind of market dynamics, you've heard me say before, a variety of outages going on, that we're in the middle of that, we and others. Those actually continue throughout the second quarter and into the third quarter. So, our expectation is, from our businesses' results, we'll see margin expansion as we're currently seeing into the second quarter. But we're constrained on supply, right, because our Clear Lake unit is out for a period of time. And as that returns in the third quarter, we expect to still have pretty good market dynamics and we'll get the benefit of volume contribution in the back half of the year and that's what gives us that profile, Bob.

Robert Andrew Koort

Analyst, Goldman Sachs & Co.

Thanks. And is there anything – for Scott, is there anything specific to the SO.F.TER. earnings stream this quarter that depressed the margins so substantially? Or is that something we should expect at a similar level going forward?

Scott McDougald Sutton

Executive Vice President and President, Materials Solutions, Celanese Corp.

Yeah. Hi, Bob. This is Scott. So, yeah, I mean, SO.F.TER. is getting to the point where it's closer to being fully integrated. So, you do see some depression on margin percentage for a while. Over time, we'll be able to bring those up, but that is primarily what was responsible for the little lower margin percentages in our Advanced Engineered Materials business in the first quarter.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah, Bob, we've – I don't know if we missed it or didn't communicate it well enough, but we've talked about these businesses you're bringing in, being at the very low-double digit kind of margin levels when they first come in.

Robert Andrew Koort

Analyst, Goldman Sachs & Co.

Yes.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

So, ergo, contributions of maybe \$0.10 for this quarter from SO.F.TER. – I mean, for this year from SO.F.TER. and much, much less than that in Nilit and it'd be like \$0.10 next year. So, you're looking at multi-year process of getting these businesses up to margin levels that are more consistent than what we would expect in this arena.

Robert Andrew Koort

Analyst, Goldman Sachs & Co.

Got it. Thanks.

Surabhi Varshney

Vice President-Investor Relations, Celanese Corp.

Thank you, Bob. Anita, let's take our next question, please.

Operator: Our next question is from Duffy Fischer with Barclays. Please go ahead.

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Corrected Transcript
18-Apr-2017

Michael J. Leithead

Analyst, Barclays Capital, Inc.

Q

Hey, guys. This is actually Mike Leithead sitting in for Duffy.

Mark C. Rohr

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Chairman & Chief Executive Officer, Celanese Corp.

Hey, Mike.

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Michael J. Leithead

Analyst, Barclays Capital, Inc.

Hey, Mark. Obviously, a strong start to the year, but a lot of moving pieces you've acknowledged kind of with raw material volatility, mixed signals on global demand. I guess when you look broadly across your portfolio, do things today feel better than when the year started or maybe there are, I guess, some incremental headwinds you have fight through?

Mark C. Rohr



Chairman & Chief Executive Officer, Celanese Corp.

No. They feel better. I mean, the raw material movements have been sharper perhaps than we anticipated. Those are my words. If you look at it on a full-year basis – on a full-year basis, we're expecting as much as \$200 million, maybe \$250 million in inflation year-over-year, full-year kind of look at that. So, you're going to have movements and we've just had a little chunk of that so far in the first quarter, certainly less than \$40 million of gross raw material inflation.

So we're looking at a pretty volatile raw material environment, Mike, and that's okay. We don't mind volatility. We always like – of course we [ph] can't predict it (12:22), but a little volatility is not a bad thing. And so, as we through this year, we're going to see some movement quarter-to-quarter in margins maybe as a little bit of reflection of that volatility. But, no, we're very pretty excited about how the year is stacking up.

Michael J. Leithead

Analyst, Barclays Capital, Inc.

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Great. And then just one more quickly on the volume growth in AEM. Can you help size for us the impact of SO.F.TER. this quarter? I guess I'm just trying to get a better idea of how well the base business performed in the quarter for AEM?

Scott McDougald Sutton



Executive Vice President and President, Materials Solutions, Celanese Corp.

Yeah, sure. I mean, one thing here, Mike, I don't want to get too specific on continuing to breakout SO.F.TER. because it is becoming integrated. But what I will say is that without SO.F.TER., the number of projects is still an all-time record. The growth in volume is still double-digit regardless of whether you look a year ago or the quarter before. So, SO.F.TER. contributed right on plan, but still the organic business is the big driver.

Mark C. Rohr



Chairman & Chief Executive Officer, Celanese Corp.

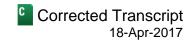
Yeah. So, half to half or less.

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Scott McDougald Sutton Executive Vice President and President, Materials Solutions, Celanese Corp.	A
Yeah.	
Mark C. Rohr	А
Chairman & Chief Executive Officer, Celanese Corp. That's what I would say	, ,
That's what's would say	
Scott McDougald Sutton Executive Vice President and President, Materials Solutions, Celanese Corp.	A
Yeah. In terms of volume and projects, clearly, the organic business is the big driver. In term contribution, SO.F.TER. probably contributed 30% of the profit growth.	ns of profit
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Yeah.	
Michael J. Leithead Analyst, Barclays Capital, Inc.	Q
Great. Thanks, guys.	
Surabhi Varshney Vice President-Investor Relations, Celanese Corp.	A
Thanks, Mike. Let's take our next question, Anita.	
Operator: Our next question is from Frank Mitsch with Wells Fargo Securities. Please go	ahead.
Frank J. Mitsch Analyst, Wells Fargo Securities LLC	Q
Hey. Good morning.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Hey, Frank.	
Frank J. Mitsch Analyst, Wells Fargo Securities LLC	Q
You mentioned some of the outages at Clear Lake, both I guess the acetic acid unit and the offline and I saw that you guys are also running your Singapore facility at reduced rates her a little bit about what you're sizing the financial impact of these outages are?	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A

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No. We're not going to break it down that way. What we'll say is that it's a six-week kind of outage. I think the gross expenditures will press \$50 million. The entire complex is down. So, not only the Celanese sites here, but also the other site partners. By any measure, it's a very big outage and we're replacing a lot of utility pipeline – utility kind of systems in the process. So, no, we haven't broken that down in there, Frank.

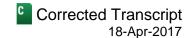
Frank J. Mitsch Analyst, Wells Fargo Securities LLC	C
Well, so, it's six weeks and you're saying the capital cost is about \$50 bucks?	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp. In expense.	A
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Scott McDougald Sutton Executive Vice President and President, Materials Solutions, Celanese Corp.	A
In expense.	
Frank J. Mitsch Analyst, Wells Fargo Securities LLC	Q
And at this point, with reduced production of VAM, I mean, I'm guessing that the mark tight when you come back in. Is that not how we should be thinking about AI once we Because you also had some major outages over in Asia – not you per se, but the indu	get passed these outages?
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	Д
Plenty of qualifiers on there, pretty and damn. So, I think it's going to be pretty tight, I So, yeah, the market is tightening up a little bit, that's right.	don't know if it is damn tight
Frank J. Mitsch Analyst, Wells Fargo Securities LLC	Q
All right.	
Patrick D. Quarles Executive Vice President and President, Acetyl Chain, Celanese Corp.	Д
Frank, this is Pat. I mean, I think you see that expressed in the profile that we've talked the quarters, right, and that's exactly those dynamics we're talking about that are reflected.	
Frank J. Mitsch Analyst, Wells Fargo Securities LLC	Q
Thank you so much.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Thank you.	

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Surabhi Varshney Vice President-Investor Relations, Celanese Corp.	Д
Thanks, Frank. Let's take the next question, Anita.	
Operator: Our next question comes from P.J. Juvekar with Citi. Please go ahead.	
P.J. Juvekar Analyst, Citigroup Global Markets, Inc.	Q
Yes. Hi. Good morning.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	4
Good morning, P.J.	
P.J. Juvekar Analyst, Citigroup Global Markets, Inc.	Q
So, Mark, China has been shutting down a lot of coal-based capacity in various chemicals. Whether it's urea, caustic. How is that impacting the Acetyls Chain given the backward integration into coal? And could that suggester sort of a turning point in Acetyls in the future?	est
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	4
Yeah. I think and Pat may have some clarity here, too, but when you look at it at a very high level, I think China holding true to their perspective that coal gasification as it relates to our business is not going to be increased in China. It's going to wane. And so, you're seeing evidence of that starting to occur. You're also seeing China pus and support, indirectly, sort of higher coal pricing as well if for nothing else to fund the kind of investments they need to start cleaning up their technology around coal. So, we're seeing that as setting the higher foundation, ramaterial cost foundation, for China which is a very good thing.	n sh
The other thing that we've talked about in the past is the addition of MTO in China and the impact that that's having on methanol. And when – as Pat and Scott remind me all the time is as China gets the MTO really running then they really are a net importer of – and methanol is going to come from somewhere else. It's not going to come from China nor as methanol likely to be built in China.	ng
So, my personal view is that, that – versus let's say the last several years, that's going to reset, that's a couple of years going forward, to a higher base level cost position for those materials in China, which net-net is good for the industry.	
P.J. Juvekar Analyst, Citigroup Global Markets, Inc.	Q
Thank you. And just secondly on filter tow, your prices are down 8%, volume is down 2%. Do you believe that 2017 could be sort of the final year of de-stocking and then you could see at least volumes begin to improve in 2018 or is that too optimistic?	

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Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah. I think we've said 50-50 on average, that \$0.40, between volume and price. So you're going to see a little bit of movement around that as it settles as we go through this year.

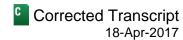
I don't know how to really answer your question. I think, we do really believe that it's going to set the foundation and we hope that next year doesn't – there are only signs that to deteriorate next year. They shouldn't. But that's kind of where we are. I don't know, Scott, do you have any...

Scott McDougald Sutton Executive Vice President and President, Materials Solutions, Celanese Corp.	А
Yeah. No. I think that that's right. I mean, 2017 is at or near our floor and we're working actions to help that.	
P.J. Juvekar Analyst, Citigroup Global Markets, Inc.	Q
Thank you.	
Surabhi Varshney Vice President-Investor Relations, Celanese Corp.	A
Thank you. Let's take our next question, Anita.	
Operator: Our next question comes from David Begleiter with Deutsche Bank. Please go ahead.	
David I. Begleiter Analyst, Deutsche Bank Securities, Inc.	Q
Thank you. Good morning.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	Α
Good morning, David.	
David I. Begleiter Analyst, Deutsche Bank Securities, Inc.	Q
Hey, Mark. In Q1, you beat expectations but you did not raise full year guidance. You mentioned there's some challenges in raw materials. Was there anything else besides raws that held you back from perhaps raising guidance for the full year?	1e
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
No. I just didn't want to roll it out there, buddy. I think our year is back-end loaded and if you look at that, the lot we're loading in the back-end of the year and that means that – that just increases your risk. So, I though	

was prudent not to roll it in. Let's see how we perform this quarter and our view from there, and we'll be in a better

position to call the full year then.

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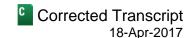


David I. Begleiter	
Analyst, Deutsche Bank Securities, Inc. Understood. And question for Scott. Scott, just on the auto exposure in market. Can you discuss your exposure and how you might offset that exposure and how you might offset that exposure and how you might offset that exposure are considered.	_
Scott McDougald Sutton Executive Vice President and President, Materials Solutions, Celanese Corp.	Д
Yeah. I mean, we're certainly less exposed to auto than we used to be. a third or less of our exposure there. But again, our big driver is our monhave a tremendous number of projects that are in the auto area that are volume growth.	del and our project pipeline system and we
David I. Begleiter Analyst, Deutsche Bank Securities, Inc.	C
Thank you very much.	
Surabhi Varshney Vice President-Investor Relations, Celanese Corp.	A
Thanks, David.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Thanks, David.	
Surabhi Varshney Vice President-Investor Relations, Celanese Corp.	A
Anita, let's take our next question.	
Operator: Our next question comes from Jeff Zekauskas, JPMorgan.	Please go ahead.
Jeffrey J. Zekauskas Analyst, JPMorgan Securities LLC	C
Hi. Good morning. Thanks very much.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Hello, Jeff.	

Last year, you had a really strong quarter in Acetyl Intermediates where your volumes grew mid-single-digits. And this year, in the first quarter, they were down low-double-digits. And methanol prices also really lifted year-over-year. And I think you transfer raw materials at cost from AI to AEM. So, was some of the margin deterioration in AEM due to higher raw material costs that were embedded in Acetyl Intermediates both from the change in volume and from the change in methanol prices?

Jeffrey J. Zekauskas Analyst, JPMorgan Securities LLC

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Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.
No. I'll let Chris to weigh in, but our transfer of prices is pretty darn close to market, Jeff.
Jeffrey J. Zekauskas

Okay.

Mark C. Rohr

Analyst, JPMorgan Securities LLC

Chairman & Chief Executive Officer, Celanese Corp.

So we work hard to try not to shift things around, I'll put it that way. And there's a little that occurs probably, but...

Jeffrey J. Zekauskas Analyst, JPMorgan Securities LLC

Okay. And then you took a \$27 million contract cancellation charge in ethanol. What exactly was that? And was that – did that cash flow go out in the first quarter or will that go out in the future quarters?

Christopher W. Jensen

Chief Financial Officer & Senior Vice President, Celanese Corp.

So, the cash did not go out and a lot of these contracts in the Acetyl Chain on the supply side, well, I wouldn't say a lot, but there are a handful of very key supply streams where your vendor is really setting up shop there for you and making a huge investment. So, if you think of the industrial gas company business model, that's what it is. So, you're signing long-term contracts that allow them to recover their capital that they incurred for you or for us. So, that number is essentially the present value of what we owe them over time, so it will be paid over time.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Okay. Great. Thank you so much.

Surabhi Varshney

Vice President-Investor Relations, Celanese Corp.

Thanks, Jeff. Anita, let's move to our next question, please.

Operator: Our next question is from Vincent Andrews with Morgan Stanley. Please go ahead.

Vincent Stephen Andrews

Analyst, Morgan Stanley & Co. LLC

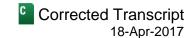
Thanks, and good morning. Just, Scott, you mentioned that you're working on some, I don't know if you said projects or some things to, I guess, help the consumer acetate tow business. And, I guess, were you talking about maybe some production reductions of your own? Number one. And then just as a follow-up, do you guys think that the stability can take place in tow in 2018 without any production coming out from yourself or from other industry parties?

Scott McDougald Sutton

Executive Vice President and President, Materials Solutions, Celanese Corp.

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Yeah. I mean, Vincent, I mean, what I will say is, we're always working on a number of things. But specifically there's a lot of productivity work going on in the tow business, and that can involve assets. It can also involve coproducer arrangements too.

Vincent Stephen Andrews

Analyst, Morgan Stanley & Co. LLC

Okay. And just as a follow-up, in AEM, the JV income was a bit stronger than we expected. Was there anything specific to this quarter? And in terms of the balance of the year, I think you'll have a turnaround in 2Q, but is there anything we should think about as we model the JV income for the balance of the year?

Scott McDougald Sutton

Executive Vice President and President, Materials Solutions, Celanese Corp.

Yeah. I mean, I don't think there's anything to really highlight. It was a stronger quarter sequentially than before. It probably won't be quite that strong in the next couple quarters coming up, but it's not far off.

Vincent Stephen Andrews

Analyst, Morgan Stanley & Co. LLC

Thanks very much.

Surabhi Varshney

Vice President-Investor Relations, Celanese Corp.

Thanks, Vincent. Anita, we'll take our next question.

Operator: Your next question comes from Arun Viswanathan with RBC Capital Markets. Please go ahead.

Arun Viswanathan

Analyst, RBC Capital Markets LLC

Great. Thanks. So you guys have pointed to about 8% to 11% growth in 2017 on EPS. If we take a similar look at 2018, we get to about \$8. In the past, you've talked to \$8 to \$8.50. So would you need additional M&A to get to the upper end of that range? Are you still looking at that as achievable? And maybe you can just talk about the pipeline a little bit.

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

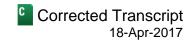
Yeah. When we rolled those numbers out, the \$8 to \$8.50 was without M&A. But at the same token, we did not anticipate the well over \$100 million drop that we've seen in value coming out of the cellulosics business. So we need M&A to cover that. So we need M&A to contribute \$0.50 to \$0.60, I would say, to have a shot at that. So we probably are going to do a little more M&A to make sure that's there.

Arun Viswanathan

Analyst, RBC Capital Markets LLC

And then, maybe you can just, as a follow-up, talk about your cash use plans and the pipeline a little bit. Are you still looking at splitting that between M&A and buybacks? Thanks.

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Christopher W. Jensen

Chief Financial Officer & Senior Vice President, Celanese Corp.

So we have a authorization that would allow us to do about \$500 million this year, and that's currently – our intention is to do \$500 million of share repurchases in 2017. At that point, that authorization ends. So we'll be talking more soon about changing uses of cash and what that looks like. But if we're successful on executing continued bolt-on acquisitions, it will be difficult to sustain that kind of pace of share repurchases.

Arun Viswanathan

Analyst, RBC Capital Markets LLC

Q

Thanks.

Surabhi Varshney

Vice President-Investor Relations, Celanese Corp.

Δ

Thank you. Anita, we'll move on to the next question.

Operator: Next question is from James Sheehan with SunTrust Robinson and Humphrey (sic) [SunTrust Robinson Humphrey]. Please go ahead.

Matthew Stevenson

Analyst, SunTrust Robinson Humphrey, Inc.

Hi. This is Matthew Stevenson on for Jim. Is the demand environment in China, following the Chinese New Year, sufficient to support the recent price movements, the favorable price developments in Acetyl there? Or is it purely a result or only being supported by the tight supply due to outages there?

Patrick D. Quarles



Executive Vice President and President, Acetyl Chain, Celanese Corp.

Hey, Matthew. It's Pat. I would love to tell you that the demand is driving a big change in market performance in China, but the reality is it's a oversupplied market today. So we're really watching kind of short-term dynamics and our ability to make choices in our chain, in our plants, to kind of benefit ourselves and influence as much as we can.

We've been talking about the higher coal cost environment that really started in the second half of last year and continued into the first quarter. And that put many of our competition in a position where they want to drive price. And they've been doing that, we've been doing that and that's benefited us ultimately on margin as well.

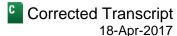
I think the dynamics that we talk about in terms of outages is primarily a western hemisphere dynamic. And as we've said, we've seen that developing throughout the first quarter in a very positive way, and we feel good about where we're headed in the second quarter.

Matthew Stevenson

Analyst, SunTrust Robinson Humphrey, Inc.



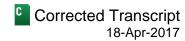
Understood. And in terms of the cadence of earnings throughout the year, when you reported your 4Q results, you were indicating I think it was \$0.35 to \$0.40 higher earnings in the second half of 2017 compared to the first half of 2017. Now that's been reduced. And at least compared to where numbers were, it seems like the difference came out of consumer. Can you maybe elaborate on that?



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Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
I'm sorry. Actually, can you repeat the first part of your question. I'm sorry I missed it.	
Matthew Stevenson Analyst, SunTrust Robinson Humphrey, Inc.	Q
Sure. I believe the guidance now is for the second half of 2017 to see earnings per share of a than the first half of 2017 and that's less of a step-up in the second half than we had previous	_
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Right.	
Matthew Stevenson Analyst, SunTrust Robinson Humphrey, Inc.	Q
And so, I was wondering if you could elaborate on that. And just based on your performance segment, it seems like that came out of consumer, out of the tow business. So I'm not sure if some extent or if you can elaborate on what is driving those dynamics.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	А
Yeah. I think you're being a bit too mathematical with this whole process. We started the year our numbers that we knew had to happen as we needed to see raw material inflation, which is needed to capitalize on that, which we are doing and that was back-end loaded. So, we're exto actually grow as we go through the year. We've had roughly \$40 million of what will be, we \$200 million for the year. So, you see it's more heavily back-end loaded.	is occurring, and we specting this inflation
So, we were pushing as much as \$0.40 of earnings in the back half of the year. So, now we go our belt. We actually – we're just not – to be honest, I'm not taking credit for that. I think we neget in the year a little bit more to see how the inflation occurs and just validate if we can extra from it, we think we can. And then we'll talk about how to adjust at the end of next quarter for more than that.	eed to – we need to act the kind of value
Matthew Stevenson Analyst, SunTrust Robinson Humphrey, Inc.	Q
Understood.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	А
It's just a high level haircut for the back half of the year.	<i>a</i> \
Matthew Stevenson	

Analyst, SunTrust Robinson Humphrey, Inc. Understood. Thank you.

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Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp. Yeah.	
Operator: Our next question	
Surabhi Varshney Vice President-Investor Relations, Celanese Corp.	Α
Thank you. And we'll move – go ahead, Anita.	
Operator: Our next question comes from Aleksey Yefremov with Instin	et. Please go ahead.
Aleksey Yefremov Analyst, Instinet LLC	C
Good morning. Thank you. Could you quantify any benefit of productivity quarter?	initiatives that you achieved in the first
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Yeah, yeah. We have \$100 million in for the year and we were roughly of that in the first quarter, and that's pretty evenly split between the groups.	
Aleksey Yefremov Analyst, Instinet LLC	C
Got it. Thank you. And then just turning back to Acetyls. Could you help the outages in the second quarter if we look sequentially versus the first and the actual cost that will not be capitalized?	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	Α
Yeah. We don't really break it down that way. So, I'm not trying to withhouse, to break it down that way. I mean, we'll have	old that, I just don't have it in front of me,
Patrick D. Quarles Executive Vice President and President, Acetyl Chain, Celanese Corp.	A
And we had some expense in the first quarter already. We were spendin it. So you have the volume metric, as well as higher expense in the second	
Aleksey Yefremov	



But I guess directionally is it going to get worse in the second quarter or stay at about the same level?

Patrick D. Quarles

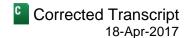
Executive Vice President and President, Acetyl Chain, Celanese Corp.



Celanese Corp. (CE) Corrected Transcript Q1 2017 Earnings Call 18-Apr-2017 Did you say AEM of Acetyls? Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp. Acetyls. Aleksey Yefremov Analyst, Instinet LLC Acetyls. Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp. Yeah. It's going to stay at roughly the same level I would say going through the quarter, maybe a little better. Patrick D. Quarles Executive Vice President and President, Acetyl Chain, Celanese Corp. Yeah. Aleksey Yefremov Analyst, Instinet LLC Okay. Thank you very much. Surabhi Varshney Vice President-Investor Relations, Celanese Corp. Thanks, Aleksey. Anita, we'll take our next question. Operator: Next question comes from John Roberts with UBS. Please go ahead. John Roberts Analyst, UBS Securities LLC Thank you. Just to triangulate a little more on the AEM earnings growth. You mentioned double-digit organic growth in AEM. Were the earnings from the legacy wholly-owned AEM operations also up double-digit? Scott McDougald Sutton Executive Vice President and President, Materials Solutions, Celanese Corp. Yeah. This is Scott. Look, the legacy earnings growth quarter-to-quarter is – if you take out the affiliates, right, which I'm going to the nature of your question, right. So, it's not quite double-digit. But what we haven't talked about, and I'll just put it out there now, is that quarter-on-quarter regardless of whether it's fourth quarter last year or first quarter last year, there's about a double-digit millions of dollar charge for inventory adjustments sitting in our first quarter this year. And it just has to do with the fact that we ran down our inventory due to sales. So, that's sitting there. So, if you take that out, it's certainly double-digit earnings growth to support a double-digit volume growth. Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

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Yeah. Last year, we were building inventory for a big turnaround. And this year, with the success of sales and what we're seeing in the marketplace, we're having to pull a lot of inventory so it was a pretty good charge in there and that mask a little bit of what Scott is talking about.

John Roberts Analyst, UBS Securities LLC

And then, Scott, you gave us these project count numbers in terms of new projects launched and backlog. Is there a way to qualify the quality of the backlog? I'm sure there's long cycle project, short cycle products, there's higher profitability and lower profitability. Is it homogenous enough that we can use the raw project counts as a good metric?

Scott McDougald Sutton Executive Vice President and President, Materials Solutions, Celanese Corp.

Well, I think the growth in the projects that are closed are a good marker. I think our pipeline – we currently – we're working on 4,000, 5,000 projects right now, supports growing that closure rate year in and year out.

John Roberts Analyst, UBS Securities LLC Okay. But you wouldn't expect much mix effect – the raw count will actually be a good metric?

Scott McDougald Sutton Executive Vice President and President, Materials Solutions, Celanese Corp.

Well, I think the number of closes of projects is a good metric to judge how the business is doing.

John Roberts	
Analyst, UBS Securities LLC	U

Thank you.

Surabhi Varshney
Vice President-Investor Relations, Celanese Corp.

Thanks, John. Anita, we'll take our next question.

Operator: Next question comes from Bobby Geornas with Susquehanna. Please go ahead.

Bobby Geornas Analyst, Susquehanna Financial Group LLLP

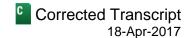
Good morning. Just a question on the raw material spike. Given the increase of raw materials in Q1 and subsequent price initiatives that you have gone after, to what extent do you see the potential for actual margin expansion in Q2 and as we progress through the year? Or the increases that have been announced sort of margly intended to eath up with the increase in raws?

merely intended to catch up with the increase in raws? Patrick D. Quarles

Yeah. So, that inflation of raw input started late in the fourth quarter and we talked about that during the first quarter earnings call – fourth quarter earnings call a few months ago and that really continued. We've actually

Executive Vice President and President, Acetyl Chain, Celanese Corp.

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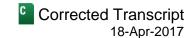
been successful swimming upstream faster than those increases. So, we've expanded margins really in every product line in Acetyls, really with the exception of the China VAM comment that I made earlier. And we're only frankly just getting started in a lot of ways because the real tightness due to these outages in the western hemisphere began to settle into the market late March and into April. So, yeah, we're expecting continued margin expansion into the second quarter, and feel pretty good about that where we sit today.

Bobby Geornas Analyst, Susquehanna Financial Group LLLP	Q
Okay. And just one clarification question. Earlier you mentioned there is a \$250 million sort of full-year headwind from raw materials. Did you say that about \$40 million of that you had experienced in Q1?	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Yeah. Those are gross numbers so I'm not giving you the net. Some of that is p really fight to cover. But, yeah, we had about \$40 million. I think it was \$38 million major raw materials and energy through the first quarter.	
Bobby Geornas Analyst, Susquehanna Financial Group LLLP	Q
Thank you.	
Surabhi Varshney Vice President-Investor Relations, Celanese Corp.	А
Thanks, Bobby. Anita, let's move on to our next question.	
Operator: Next question comes from the Hassan Ahmed with Alembic Global.	Please go ahead.
Hassan I. Ahmed Analyst, Alembic Global Advisors LLC	Q
Good morning, Mark.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Good morning.	
Hassan I. Ahmed Analyst, Alembic Global Advisors LLC	Q

Mark, obviously, a lot of sort of conversations around the spikes in raw material prices that we've seen. Obviously, it seems that methanol, at least as I take a look at the spot market and certain new sort of contract pricing that's coming out, they seem to be signaling some methanol pricing declines.

Now, similarly on the ethylene side, there's a perception in the marketplace that as turnaround season is over and as more capacity comes online, ethylene pricing may come under pressure as well. So, obviously, I mean cutting through all of this, it seems that raws may continue to be volatile at least in the near-term.

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So my question really is, as we're seeing all of these ups and downs in product pricing, are you seeing buyer patterns change? Meaning, are you seeing people holding leaner levels of inventory, or de-stocking or any of those elements?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yeah. You see all those things every day. I mean, everybody tries to guess what raws are going to do and take advantage of it anyway they can. What we see with raws is that if you look at year-over-year, so just on a year-over-year basis, I'm pretty confident we'll be several hundred million dollars higher when we end this year than last year. How that actually rolls out quarter-to-quarter? We had a spike up in methanol, we had a major outage of the world's largest MTO plant, and they dumped 400 kt in the market, to press the market. We're kind of working through that today.

So I think you're going to see that kind of volatile movement, but the broad trend is that we're seeing higher and higher inflation. And I think, broadly speaking, there's a limit to what you can do long-term to deal with that. I mean, long-term it's got to be processed through the value chain. Short-term, you may hold back a decision to buy or you may build some inventory or do things like that.

Hassan I. Ahmed

Analyst, Alembic Global Advisors LLC

Fair enough. Now, on a different topic, you guys talked about – through the course of this year, if I've heard this correctly – essentially taking the entire \$500 million of share buyback authorization, sort of spending cash on that. So my question basically is that, as I take to look at the 52-week sort of trading range of your shares, they've been in the low-60s, they've been in the low-90s. And, obviously, today they're closer to the high end of it rather than the low end. So does that change the sort of thought process or calculus around buybacks? I mean, meaning, do you still feel that you'll be able to sort of do the full \$500 million or does that decelerate a bit?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

I doesn't change the calculus. I mean, the earnings have been growing in the corporation. Without the equity value, it's been growing in the corporation. We expect to continue to grow earnings. We expect to be \$8 to \$8.50 at the end of next year. So you can – if you want to do math on that, you can forecast in what you think the share price is going to be next year. But we're expecting earnings to grow and we're expecting share price to grow. So we look at it from an intrinsic value, and we think that the shares today are priced in a way that they're still quite attractive. So we are on pace to do that \$500 million this year.

Hassan I. Ahmed

Analyst, Alembic Global Advisors LLC

Very helpful. Thanks so much, Mark.

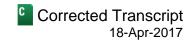
Surabhi Varshney

Vice President-Investor Relations, Celanese Corp.

Thanks, Hassan. Anita, we'll move on to our next question.

Operator: The next question comes from David Wang with Morningstar. Please go ahead.

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David Wang

Analyst, Morningstar, Inc. (Research)

I just wanted to follow up a little bit more on the margins for AEM segment. I know we talked about this a little bit already. But I wanted to get some more clarity around, if we saw any margin compression in that legacy business or was it mostly due to SO.F.TER.? I am just trying to get a sense of – that 3% kind of looks like year-on-year pricing decline. Do we see that in which segment of the AEM business?

Scott McDougald Sutton

Executive Vice President and President, Materials Solutions, Celanese Corp.

Yeah. So, hi. I mean – this is Scott. Look, I mean, it's really two principle drivers. One is that SO.F.TER. is now integrated into our business, so that brought some lower margins in. And the other key driver of that is what I talked about before, right, it's this double-digit millions inventory charge in the first quarter that wasn't there in other quarters as well. So those two things principally dropped the margin down.

David Wang

Analyst, Morningstar, Inc. (Research)

All right. Thank you.

Scott McDougald Sutton

Executive Vice President and President, Materials Solutions, Celanese Corp.

Okay.

Surabhi Varshney

Vice President-Investor Relations, Celanese Corp.

Thank you, David. Anita, let's take one more question and that will be the last for the call today.

Operator: Our last question comes from Ghansham Panjabi with Robert W. Baird. Please go ahead.

Ghansham Panjabi

Analyst, Robert W. Baird & Co., Inc. (Broker)

Hey, guys. Good morning. Mark, just going back to your comments on inflation and just to clarify the 200-plus-million in gross inflation. In your 8% to 11% earnings guidance, are you assuming that you fully offset that gross inflation number for 2017?

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

Yes.

Ghansham Panjabi

Analyst, Robert W. Baird & Co., Inc. (Broker)

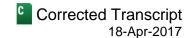
Good. Okay. Great. And then also in terms of the...

Mark C. Rohr

Chairman & Chief Executive Officer, Celanese Corp.

[indiscernible] (40:13) I can answer that. But, hell, yeah, we expect to offset it. Yeah.

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Ghansham Panjabi

Analyst, Robert W. Baird & Co., Inc. (Broker)

That's what I wanted to hear. And then just going back to the VAM pricing environment in China, can you just give us a sense as to the difference in production cost during the first quarter and has there been any improvement into 2Q thus far?

Patrick D. Quarles

Executive Vice President and President, Acetyl Chain, Celanese Corp.

Yeah. So, the dynamic in VAM in China really changed towards the end of the year beginning of this year when essentially the relative competitiveness of the carbide VAM producers and the ethylene VAM producers switched and changed both behavior as well as theirs. So, it was – towards the end of the quarter, really just that light switch flipped on us.

So, as a result, then we really minimized rates early in the first quarter, backed away from influencing the market with production that the market didn't need it, and the carbide guys kind of filled that space.

That dynamic still exists today and the ethylene remains very strong. It's pushing over \$1,200 a ton again. So, we'll need to monitor ethylene to kind of judge what we need to be doing inside China. That capacity is still competitive on an export basis to fill in some supply commitments that we've made, so we do move a little bit out of China to ensure we keep our customers supplied.

Ghansham Panjabi Analyst, Robert W. Baird & Co., Inc. (Broker)	Q
Okay. Thanks so much.	
Mark C. Rohr Chairman & Chief Executive Officer, Celanese Corp.	A
Thank you.	
Surabhi Varshney Vice President-Investor Relations, Celanese Corp.	A

Surabhi Varshney

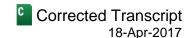
Thanks, Ghansham.

Vice President-Investor Relations, Celanese Corp.

We will wrap up the call now. Thank you, everyone, for your questions and for listening in this morning. We will be around if you have any further questions. Anita, I'll turn the call over to you now.

Operator: This conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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