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# Celanese Corp. *(CE)*

Q1 2013 Earnings Call

# CORPORATE PARTICIPANTS

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

**Steven M. Sterin**
*Senior Vice President and Chief Financial Officer, Celanese Corp.*

# OTHER PARTICIPANTS

**David I. Begleiter**
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**Rob Walker**
*Analyst, Jefferies & Co., Inc.*

**Aleksey V. Yefremov**
*Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.*

**Brian Maguire**
*Analyst, Goldman Sachs & Co.*

**P.J. Juvekar**
*Analyst, Citigroup Global Markets Inc. (Broker)*

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*Analyst, Credit Suisse Securities (USA) LLC (Broker)*

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# MANAGEMENT DISCUSSION SECTION

**Operator**: Good day, ladies and gentlemen, and welcome to the Celanese Corporation First Quarter 2013 Earnings Conference Call. [Operator Instructions] As a reminder, today's conference is being recorded for replay purposes. I would now like to turn the conference over to your host for today, Mr. Jon Puckett. Sir, you may begin.

## Jon Puckett
*Vice President-Investor Relations, Celanese Corp.*

Thanks, Mary. Welcome to the Celanese Corporation First Quarter 2013 Conference Call. My name is Jon Puckett, Vice President of Investor Relations. With me today are: Mark Rohr, Chairman and Chief Executive Officer; and Steven Sterin, Senior Vice President and Chief Financial Officer.

The Celanese Corporation first quarter 2013 earnings slides – earnings release was distributed by 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 Section. All of these items have been submitted to the SEC in a current report on Form 8-K.

As a reminder, some of the matters discussed today and included in our presentations may include forward-looking statements concerning, for example, Celanese Corporation's future objectives and results. Please note the cautionary language contained in the posted slides. Also, some of the matters discussed and presented include references to non-GAAP financial measures. Explanations of these measures and reconciliations to the comparable GAAP measures are included in the posted slides or the press release as applicable.

This morning, Mark Rohr will provide some introductory comments and then we will field your questions. I'd now like to turn the call over to Mark.

## Mark C. Rohr

*Chairman & Chief Executive Officer, Celanese Corp.*

Thanks, Jon, and welcome, everyone, to the call this morning. We released our prepared remarks last night, so I'll be brief before opening the line for questions.

For the quarter, we reported adjusted earnings per share of $1.14, which includes the Acetate dividend of $24 million or $0.12 per share. This represents a 44% year-over-year growth and a 54% sequential growth on revenue of about $1.6 billion. Segment income margin increased to 16.8%, which is more than 400 basis point improvement sequentially and year-over-year.

Our margin expansion reflects good operations, favorable mix, some pricing momentum, and to be honest, a lot of focus to deliver on strategic actions. We generated good cash flow this quarter, reporting operating cash flow of $147 million and adjusted free cash flow of $64 million, in what is typically a tough quarter for us.

We continue to invest in growth projects like ethanol and remain well positioned to pursue growth initiatives and a balanced capital deployment strategy. We're all really pleased with these results and in Celanese team's ability to deliver strong performance in the face of soft demand in some of our legacy markets and some of the important economies for us.

As we look forward to the remainder of 2013, we expect continued economic uncertainty. As a result, our growth is going to come from Celanese specific initiatives, like productivity, our Acetate footprint rationalization, the expansion of our China Acetate ventures and the start-up of ethanol production in Nanjing.

But we also expect to drive growth by efforts to support customer needs that help them be successful. Our success in working with customers is reflected in these earnings and gives us confidence we can deliver on our objective of 12% to 14% adjusted earnings growth in a very challenging year.

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

## Jon Puckett

*Vice President-Investor Relations, Celanese Corp.*

Thanks, Mark. In order for us to get to as many questions as we can, we'll ask you to limit to one question and one follow-up. So Mary, I'll turn it over to you.

# QUESTION AND ANSWER SECTION

**Operator**: [Operator Instructions] Our first question comes from David Begleiter from Deutsche Bank. Your line is open.

## David I. Begleiter
*Analyst, Deutsche Bank Securities, Inc.*

Q

Thank you. Mark, just on a sequentially sales rose roughly $30 million and EBIT increased by $23 million. What really changed sequentially that drove this, because 77% operating leverage in the quarter?

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

A

Well, there's a lot of things involved in that. When you look at – and I'll kind of roll down the list here that pop in my mind and have Steven hop in here as well. When you look at, David, the industry in general, we're seeing our ability to increase penetration in autos continue to grow. And the way you should think of that from an opportunity point of view is, in an ideal world, we could move roughly 7 to 8 kilograms of material per vehicle around the world.

Globally today, we're roughly a fourth of that kind of number. And we're seeing kind of year-over-year 9% growth in that penetration. So we continue to see that penetration growth. And to be honest, there was some vehicle uptick sequentially around the world, maybe 3% or so. So that was one vehicle. Another vehicle is, is that we're actually in a lot more – we have a lot more avenues we're selling into and we're starting to be – have more success selling into the electronics area, particularly the low voltage electronics like cell phones or smartphones. And those things are starting to really generate some positive traction for us.

Medical was good this last quarter and that hit us from a favorable point of view from a mix perspective, David, so you're seeing some of the uptick with that. That's what I would say. Steven, is that good for you?

## Steven M. Sterin
*Senior Vice President and Chief Financial Officer, Celanese Corp.*

A

Yeah.

## David I. Begleiter
*Analyst, Deutsche Bank Securities, Inc.*

Q

And that's great. And Mark, just lastly on China. Have you seen any – in the last few weeks, any uptick in demand in [indiscernible] (6:11) in China?

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

A

No, China, if you want to be optimistic as I was, David, I think you could be able to pessimistic. There seems to be signs and they're anecdotal in some ways for our business. but there are signs that things are actually slowing in China. Our business is pretty – has been pretty steady. Pricing was down a little bit from the fourth to the first quarter. And volume was down a little bit in that region. We made it up in some other regions when that region was weak.

**David I. Begleiter**
*Analyst, Deutsche Bank Securities, Inc.*
Q

Thank you very much.

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**Steven M. Sterin**
*Senior Vice President and Chief Financial Officer, Celanese Corp.*
A

And David, one thing too, as you look at our business in China, keep in mind that a significant portion of our earnings come out of our Acetate joint ventures, which we continue to see modest growth in and also from our expansion. And we're still continuing to have good success in bringing some of these high value ABM applications that Mark mentioned into that market, that really, they're a fraction of the rest of the world, particularly in auto on the amount of the pounds per vehicle, kg per vehicle of our ABM products. We see opportunities continue to grow there as well, but in an overall more difficult Chinese economic environment.

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**David I. Begleiter**
*Analyst, Deutsche Bank Securities, Inc.*
Q

Thank you.

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**Jon Puckett**
*Vice President-Investor Relations, Celanese Corp.*
A

Thanks, David. Mary, let's move to the next question.

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**Operator**: Thank you. Our next question comes from Laurence Alexander from Jefferies. Your line is open.

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

Good morning.

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**Rob Walker**
*Analyst, Jefferies & Co., Inc.*
Q

Good morning. This is Rob Walker in for Laurence.

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

Good morning, Rob.

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**Rob Walker**
*Analyst, Jefferies & Co., Inc.*
Q

I just wanted to get some clarity on AI and the price and volume declining, your profits are rising. I guess is there – was there about $30 million or so of productivity there helping year-over-year? And what was happening in the raw materials?

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

On a year-over-year basis, that's a really awkward comp, because you recall early last year, I mean the world was kind of coming to an end in AI, so you want to go through it year-over-year or sequentially?

**Rob Walker**
*Analyst, Jefferies & Co., Inc.*
Q

I guess year-over-year.

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

Okay. Well, volume and price were both down, I think if you're looking at it in a broad sense over that period as you said big reductions in some of our cost equations. Some of the variable costs, raw material input costs were way down, and that offset, more than offset the volume in price.

**Steven M. Sterin**
*Senior Vice President and Chief Financial Officer, Celanese Corp.*
A

Yeah, if you recall in Q1 of the last year, that's when we began to see beginning of the European slowdown as well as India begin to really decelerate, and there was a bit of deceleration in China, which has led to a pretty rapid destocking, particularly in this chain. And so there was some margin compression in Q1 last year. So we probably dipped below kind of our normal levels last year on margins and over the last year we've worked really hard to try to recover and get closer to what we think is the right level of variable margin. So raw materials are part of that.

**Rob Walker**
*Analyst, Jefferies & Co., Inc.*
Q

Okay. In terms of variable, I understand maybe the fixed costs absorption may have been better. Why would variable input costs be down year-over-year?

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

Well, I mean the ethylene prices were down year-over-year. CO costs swayed down for us year-over-year.

**Steven M. Sterin**
*Senior Vice President and Chief Financial Officer, Celanese Corp.*
A

Coal's down.

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

Coal's down year-over-year.

**Steven M. Sterin**
*Senior Vice President and Chief Financial Officer, Celanese Corp.*
A

Natural gas up last.

**Rob Walker**
*Analyst, Jefferies & Co., Inc.*
Q

Okay. Thank you.

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

Yeah, yeah.

**Jon Puckett**
*Vice President-Investor Relations, Celanese Corp.* A

Okay, thanks, Rob. Mary, let's move to the next question.

**Operator**: Thank you. Our next question comes from Kevin McCarthy from Bank of America. Your line is open.

**Aleksey V. Yefremov**
*Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.* Q

Good morning. This is Aleksey Yefremov for Kevin. Mark, as we approach the startup of industrial ethanol, how should we think about incremental cash margins in that business versus your acetic acid business, I guess, in current environment?

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

Well, we have a pretty modest number in for this year and for that, so marginally it's – I'm trying to recall, we said $0.05 to $0.10 of contribution this year in that business. So I think it's pretty tight.

**Aleksey V. Yefremov**
*Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.* Q

Thanks.

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

So not a huge – in industrial ethanol, not a huge uptick from acid margins or contributions.

**Steven M. Sterin**
*Senior Vice President and Chief Financial Officer, Celanese Corp.* A

We'll see more next year as we move forward. It's ramping up the unit. As we've announced, it's mechanically complete, a key part now is make sure we get our commercial contracts lined up properly and begin to produce and bring product over. So really, you're seeing most of the benefit in the back half of the year. So it's just a small part of the year. But it is incrementally positive to acetic acid.

**Aleksey V. Yefremov**
*Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.* Q

And a follow-up, if I may. In a – the positive mix shift that we saw in the first quarter, how sustainable that is? Is it the new trend level for the remainder of the year or this was a particularly good quarter?

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

Well, I think – I mean, the quarter was – it was a very good quarter and medical is not as writable as some of the other businesses, so that kind of rolls through a bit. So that will be – that may be down a bit. I think some of the pricing activities we undertook will be with us and should carry through for a while there. So I think most of it can stay, maybe not all of it, but most of it, Alek.

**Steven M. Sterin**
*Senior Vice President and Chief Financial Officer, Celanese Corp.* A

Yeah. We've got, a part of it too is our volume, we've got our German plant fully up and running on both lines. So you've got more flexibility to keep volumes where they are, but also improve the mix at the same time.

**Aleksey V. Yefremov**
*Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.* Q

Thank you very much.

**Jon Puckett**
*Vice President-Investor Relations, Celanese Corp.* A

Thanks, Alek. Mary, let's go to the next.

**Operator**: Thank you. Our next question comes from Robert Koort from Goldman Sachs. Your line is open.

**Brian Maguire**
*Analyst, Goldman Sachs & Co.* Q

Hey. It's actually Brian Maguire on for Bob today. Congrats on a good quarter, guys.

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

Thanks, Brian.

**Brian Maguire**
*Analyst, Goldman Sachs & Co.* Q

Just at a really high level, I was hoping to just try and bridge the EPS from the first quarter, $1.14 to your implied guidance. If I read the guidance right, it seems like you're implying about $4.56 to $4.64 for the year and you did about $1.14 in the first quarter. So just annualizing the first quarter number, I think you get to the low end of the range and then you're sort of implying $0.05 to $0.10 from ethanol later in the year. So I just wanted to see if we were missing anything there or if there's any other moving parts we should be aware of?

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

I think when you look at it, that's as good a job as – it's probably a better job than we actually should do to make that proclamation. What we have said all along is that our performance this year, that 12% to 14% is going to be based on what deliver, Robert (sic) [Brian], and not what the market delivers. But there is a thematic there, which is the market doesn't take anything away from us. And I think it'd be a little bit foolish to assume that – I'm sorry, Brian. I think it'd be a little bit foolish to assume that the market is not deteriorating some as we go through this year. So I think broadly, your numbers, that range you put out there is the right kind of range. If you ask my view on that, I'd be towards the low end of that range because of all the uncertainty that's out there.

**Brian Maguire**
*Analyst, Goldman Sachs & Co.* Q

I think in AEM specifically, I think in the past, you've said you had maybe four to six weeks of visibility. Just wondering if there's anything you're seeing that indicates a slowdown there? Certainly you outperformed the auto market as far as build rates went in the first quarter. Just wondering if your customers maybe have too much inventory now, or you're seeing any destocking, or anything that would cause you to think...

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

No, Brian, on the inventories side, I mean these guys have done a really good job of staying low on inventory, and both in the U.S. and in Europe have done just a great job of that. So there's not a lot of slop in the system. There is more and more talk that the forecast in Europe is a bit high, but what's going to be realized, there was some information came out of Germany today relative to that. But if you look at it from a four-week look forward for us, we're okay. I mean business is kind of where we thought it would be for the second quarter, and so far, so good with them.

Brian Maguire
*Analyst, Goldman Sachs & Co.*
Q

Great. Thanks very much.

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

Yeah. Thank you.

Jon Puckett
*Vice President-Investor Relations, Celanese Corp.*
A

Thanks, Brian. Mary, let's move to the next.

**Operator**: Thank you. Our next question comes from P.J. Juvekar from Citigroup. Your line is open.

P.J. Juvekar
*Analyst, Citigroup Global Markets Inc. (Broker)*
Q

Yeah. Good morning, Mark.

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

Morning, P.J. How you doing?

P.J. Juvekar
*Analyst, Citigroup Global Markets Inc. (Broker)*
Q

So Mark, you took over the company a year ago and since then probably this is the first good quarter you guys put up.

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

Thanks, P.J.

P.J. Juvekar
*Analyst, Citigroup Global Markets Inc. (Broker)*
Q

Investors are wondering -

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

A

P.J., you sound like the board right now, I mean that's what they remind me of.

**P.J. Juvekar**
*Analyst, Citigroup Global Markets Inc. (Broker)*

Q

Well, investors are wondering if these margins are sustainable in AEM or even in consumer business where you had good margin. So I guess I have two questions. One, was there anything in the quarter like competitor outages, et cetera, that benefited you? And two, have you done any strategic review of the businesses recently that sort of led to this cost cutting and margin step up?

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

A

Yeah. So on the first one, there wasn't anything – there were no gifts to us this quarter from someone else's sorrow. So no, everybody was running, everybody was running hard and we were just heads up competition. We did go through an exhaustive process over the last year, P.J., really evaluating our business and our business models and our ability to lever those to make money. And we have been for the last five or six months putting a lot of attention in translating these opportunities to the bottom line and you're starting to see that.

So are these margins sustainable? Yeah, I think in broad sense they are. Maybe not quarter-to-quarter. You could have volatility in some of these things. But broadly speaking, they are. And I'll be really honest, they're not yet high enough. So we're working hard to create business models that translate sales revenue into very good and handsome bottom line margin, bottom line profit.

**Steven M. Sterin**
*Senior Vice President and Chief Financial Officer, Celanese Corp.*

A

Mark, I think it's fair to say from the strategy work we did, that one of the key areas of opportunity, we think, is doing a better job with the voice of the customer and – because we've got the solutions. We've demonstrated that, for example in auto, we have some customers we were in 10 or 12 different parts of a vehicle and other auto customers you only might be in one or two.

So we're seeing opportunity around pricing excellence and marketing excellence to really translate these high value applications that we already have today. It's not all new-new. In fact, most of it is pretty close to home, either taking new customers' existing applications or new products to our existing customers. And that's good news, as you look at the portfolio that we've got and the – already the rate of penetration that we've seen and the growth there, the thought going forward is we can do even more. So that was one of our key findings in the strategy.

**P.J. Juvekar**
*Analyst, Citigroup Global Markets Inc. (Broker)*

Q

Okay. And, Steven, a question for you. You have a buyback program that you are not using currently. You also have high debt levels. So can you prioritize cash for us and where do we stand on divestiture of non-core assets, maybe like sweetener?

**Steven M. Sterin**
*Senior Vice President and Chief Financial Officer, Celanese Corp.*

A

Yeah. No, and P.J., you're right. We've got to take care of the debt. And our intent is to pay down debt over time. We do want to get to investment grade as a result of that, not as a direct objective, but as a result. And we acknowledge we've got to deal with that.

Good news is we've got some pre-payable debt, the $900 million term loan that is 2016. And so we've got something out there that we can deal with, that we need to deal with and we will. So that's a critical use of cash for us. We've done a lot around the pension and pension funding. So that's in pretty good shape as of now. But we do still think that based upon where our valuation's been, that share repurchase makes sense. And so we could – we're in the market. We'll continue to be in the market.

In terms of M&A activity, Mark, you want to talk about kind of how you view that for a strategy in terms of cash?

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

Yeah, P.J. The concept we're – what we're building on here is really putting forth very solid business models. We're testing those, we're honing those business models. Part of that process is going to be to differentiate opportunities that exist for us to go out and acquire either bolt-on businesses or major businesses there. What Steve is – and his team are doing is working hard to improve our – address our capital structure in a way that we can increase our leverage and bring in some new businesses.

Could divestitures be part of that? Yeah, they could. But right now we're not working hard to make that happen. We're working hard to grow every business. And you can see that we have success in every business. You mentioned sweeteners as an example, and on one hand, you could argue you could open up the portfolio, and the other hand, the chemistry there is pretty intriguing. And we put forth a new business model there and a sweetener solution model that has the potential to revolutionize in that industry and we had our first commercial sale, it was last quarter. So we're going to work all the portfolio here, and try to create value and eventually we may modify the portfolio, but we're not focused on that right now.

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**P.J. Juvekar**
*Analyst, Citigroup Global Markets Inc. (Broker)*
Q

Thank you. That's helpful.

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**Jon Puckett**
*Vice President-Investor Relations, Celanese Corp.*
A

Thanks, P.J. Mary, let's move to the next.

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**Operator**: Thank you. Our next question comes from John McNulty from Credit Suisse. Your line is open.

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**John McNulty**
*Analyst, Credit Suisse Securities (USA) LLC (Broker)*
Q

Good morning, thanks for taking our question. First question is, with regard to methanol, I know you had been looking to set up a facility in the U.S. Can you give us an update as to where we are in that process?

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

Hey, John. So we have gone through all the detailed engineering work, we're out placing long – placing orders for long lead-time equipment. We're building this plant and what's known as an attainment zone in Houston, Texas and that means it actually doesn't meet the national clean air standard obligation. So you've got to have emissions offsets or credits. We have now secured those credits, and we're going through the final permitting stage with the EPA. We expect to have that permit issued this fall, and be breaking ground this fall and be up and running by mid-2015.

We're still negotiating with a partner. We're not quite in a position to announce that, but we're very – we expect to be in a position before too long to announce a partnership arrangement for that eventually.

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**John McNulty**
*Analyst, Credit Suisse Securities (USA) LLC (Broker)*
Q

Great. Thank you. And then as a follow-up, your SG&A was noticeably lower than it's been for a while and I guess I'm wondering what was driving it? Was it just – was it some of the changes in the pension accounting or is there something else behind that as well and how should we think about that level going forward?

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

John, let me ask Steven to go into details on that. One of things Steven's been doing is really in a broad corporate way looking at the effectiveness of all of our corporate functions and really working to enhance that effectiveness. And so, Steven, you want to comment on that?

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**Steven M. Sterin**
*Senior Vice President and Chief Financial Officer, Celanese Corp.*
A

Yeah, I think what you're seeing there is the tail of a number of the productivity projects that we've already talked to you about in the past. So I won't go back through those again. But also as Mark said, we're really looking at how do we simplify all of our internal processes and eliminate complexity. And we're finding kind of new ways to look at that, John, that – it kind of opened our eyes to ways that we could serve the customer more efficiently, give our salespeople more time in the field and also reduce cost.

So it's an area that we had good focus in, in the past, but in a little different way. So we're excited about this approach and think it's really going to be a game changer for how we operate internally and kind of reset that cost level over time down to a lower level. So you're starting to see the benefit of that.

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**John McNulty**
*Analyst, Credit Suisse Securities (USA) LLC (Broker)*
Q

Great. Thanks very much for the color.

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

Thank you.

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**Jon Puckett**
*Vice President-Investor Relations, Celanese Corp.*
A

Thanks, John. Let's move on to the next question, Mary.

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**Operator**: Thank you. Our next question comes from Gregg Goodnight from UBS. Your line is open.

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**Gregg A. Goodnight**
*Analyst, UBS Securities LLC*

Q

Good morning, gentlemen.

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

A

Good morning.

**Gregg A. Goodnight**
*Analyst, UBS Securities LLC*

Q

Hey, it was good to hear that your TCX plant has attained mechanical completion. I was just wondering in terms of the chemicals end date, do you have an anticipated chemical end date? And what limits the rate of the ramp up? Is it market limited, technology limited, or whatever? Is there potential upside for you if you can get chemicals in and that thing humming?

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

A

Yeah. I – well, for us in a broad – and we'll probably take the next 60 days or so to really, be very honest check out the unit and go through the early commissioning phases. And then we'll get into starting the commissioning and actually start running and producing some product at a modest level. We are a large ethanol producer in the Chinese market when we bring this on. And we very much wanted to make sure we bring it on and bring it on in a paced way that's good for selling these and proper for the market.

You should be mindful as well, we're taking acid out of the merchant market to feed the issue and we also want to be thoughtful about how we do that and how we impact our customers there. So the net-net of that is, we expect to be selling product as we are into the third quarter and fourth quarter and I think we'll be at kind of full operation as we get into next year.

**Gregg A. Goodnight**
*Analyst, UBS Securities LLC*

Q

Okay. One – second question if I could. The Singapore plant, acetic acid plant, could you please give us an update on that plant?

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

A

Well, that facility is part of the portfolio that we have and as we've said before, we look at whether we should operate any of our facilities based on overall market conditions and what's going on in the marketplace. That facility is operational and satisfying market needs primarily in that part of the world.

**Gregg A. Goodnight**
*Analyst, UBS Securities LLC*

Q

Okay. Thank you.

**Jon Puckett**
*Vice President-Investor Relations, Celanese Corp.*

A

Thank you, Rick. Mary, let's move on to the next.

**Operator**: Thank you. Our next question comes from Jeff Zekauskas from JPMorgan. Your line is open.

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**Jeffrey Zekauskas**
*Analyst, JPMorgan Securities LLC*

Q

Hi. Good morning.

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

A

Good morning, Jeff.

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**Jeffrey Zekauskas**
*Analyst, JPMorgan Securities LLC*

Q

I think last year, your Consumer Specialties business contracted in volume by about 4%. And this quarter, you were up 5% and results were very strong. Is this a catch-up year versus last year? That is, last year's volumes were unusually low relative to the industry growth rate and so this year's volumes should be higher than the industry growth rate.

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**Steven M. Sterin**
*Senior Vice President and Chief Financial Officer, Celanese Corp.*

A

Hey, Jeff, it's Steven. So want to give you a little bit of clarity because you got to keep in mind the Spondon shutdown and mothball.

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**Jeffrey Zekauskas**
*Analyst, JPMorgan Securities LLC*

Q

Okay.

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**Steven M. Sterin**
*Senior Vice President and Chief Financial Officer, Celanese Corp.*

A

And how we're realizing benefits from that through different ways. So we've said that the net benefit of that is about $40 million to $50 million and it's going to show up in reduced energy costs, reduced plant costs, and we've expanded our Chinese joint ventures. So we're going to see some extra volume come there. Plus, our overall mix of profitability will improve, so you'll see a margin improvement. But in terms of top line volume, we'll probably be down 5% to 10% this year, but profitability and sustainability of margins significantly improved and another big step forward both in terms of pricing and cost and dividends.

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**Jeffrey Zekauskas**
*Analyst, JPMorgan Securities LLC*

Q

Okay. That's very helpful. And then secondly, if you could just help me a little bit on the cash flows. In that, your cash flows from operations were roughly $145 million. And your net income is, call it, $140 million and your D&A is, call it $80 million, so that's sort of $220 million. So how do you bridge the, call it, $220 million in net income and D&A back to the $145 million?

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

A

Yeah. There'll be lot more detail on this when we do our – put our Q out later today, but I'll give you...

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**Jeffrey Zekauskas**
*Analyst, JPMorgan Securities LLC* Q

Sure, just roughly.

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

Yeah. I'll give you a couple quick highlights. So the main driver is to keep in mind that the first quarter is heavy working capital quarter. So we did have north of $100 million of cash going in to working capital, it was just timing. And we work most that off during the year like we do it in other years. And our CapEx compared to last year is a bit lower, so helps to offset that.

And keep in mind that in Q1 of last year, we got a $72 million one-time dividend, roughly $70 million from one of our joint ventures. So it makes the year-over-year comps a little different. So if you're – so me if you were to normalize that out, I think the cash – overall cash performance excluding special dividends and timing of working capital was much better this quarter than a year ago and I hope when we put Q out that will help to answer those questions, but give us a call if it doesn't.

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**Jeffrey Zekauskas**
*Analyst, JPMorgan Securities LLC* Q

Okay. Thank you very much.

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**Jon Puckett**
*Vice President-Investor Relations, Celanese Corp.* A

Thanks, Jeff. And Mary, we'll have this be the last question and follow-up.

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**Operator**: Thank you. Our next question comes from Vincent Andrews from Morgan Stanley. Your line is open.

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**Vincent Andrews**
*Analyst, Morgan Stanley & Co. LLC* Q

Thanks. My question was just answered.

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## Jon Puckett
*Vice President-Investor Relations, Celanese Corp.*

Okay. Well, folks, we appreciate the time this morning and I'll be around all day to take questions. Thanks.

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**Operator**: Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program and you may all disconnect at this time.