

# 2018 Citi Basic Materials Conference

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# Forward-looking statements

During this presentation, we make certain forward-looking statements concerning plans and expectations for Eastman Chemical Company. We caution you that actual events or results may differ materially from our plans and expectations. See our Form 10-K for 2017 filed with the Securities and Exchange Commission, these slides and the remarks in the conference call and webcast, and our Form 10-Q filed for third quarter 2018 for risks and uncertainties which could cause actual results to differ materially from current expectations.

## GAAP and Non-GAAP financial measures

Earnings referenced in this presentation exclude certain non-core and unusual items. In addition, third quarter and first nine months 2018 and third quarter and first nine months 2017 earnings per share are calculated with an adjusted tax rate that is the forecasted full-year tax rate as of the end of the interim period and that excludes the provision for income taxes for non-core and unusual items. “EBITDA” is net earnings or net earnings per share before interest, taxes, depreciation and amortization adjusted to exclude the same non-core and any unusual or non-recurring items as are excluded from the Company's other non-GAAP earnings measures for the same periods. “EBITDA Margin” is EBITDA divided by the GAAP measure sales revenue in the Company's income statement for the period presented. “Debt to EBITDA” Ratio is defined as the GAAP measure Total Borrowings divided by Adjusted EBITDA. “Free Cash Flow” is cash provided by operating activities minus net capital expenditures (typically cash used for additions to properties and equipment, and in first nine months 2018, excluding insurance proceeds for coal gasification property damage). Return on Invested Capital (or ROIC) is net earnings plus interest expense after tax divided by average total borrowings plus average shareholders' equity for the periods presented, each derived from the GAAP measures in the Company's financial statements for the periods presented. Reconciliations to the most directly comparable GAAP financial measures and other associated disclosures, including a description of the excluded and adjusted items, are available in the “Management's Discussion and Analysis of Financial Condition and Results of Operations” sections of the Forms 10-K and 10-Q filed with the SEC for the periods for which non-GAAP financial measures are presented. Projections of future earnings exclude any non-core, unusual, or non-recurring items and assume that the adjusted tax rate for first nine months 2018 will be the actual tax rate for the projected periods.

EBIT is the GAAP financial measure “earnings before interest and taxes.”

# Strong value creation expected going forward

Core **sales revenue growth** in line with end markets

**Specialty products** growing **>2x** underlying markets

**23%**  
**CORPORATE EBITDA MARGIN**  
and increasing with improved product mix

**>\$1 billion**  
**ANNUAL FREE CASH FLOW**  
and growing

**10%–15%**  
**RETURN ON INVESTED CAPITAL (ROIC)**  
creating value above cost of capital and growing over time

**8%–12%**  
**EPS CAGR**  
**2018–2020**

# Unique innovation-driven growth model delivers consistent, sustainable value

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**Significant integration and scale enable innovation, reliability and cost advantage**

**Advantaged growth and execution capability and culture**

**Aggressive and disciplined portfolio management**

# Strategic Highlights



3Q18 solid operating results



Strong volume growth in specialty businesses leveraging our innovation-driven growth model



Progress stabilizing results in Fibers, strong growth in textiles innovation platform



Continued disciplined cost management to offset inflation



Path to deliver \$1.1 billion of free cash flow in 2018



9M18 returned \$615 million to stockholders

# 9M 2018 cash flow and other financial highlights

**\$803  
million**  
cash from operations

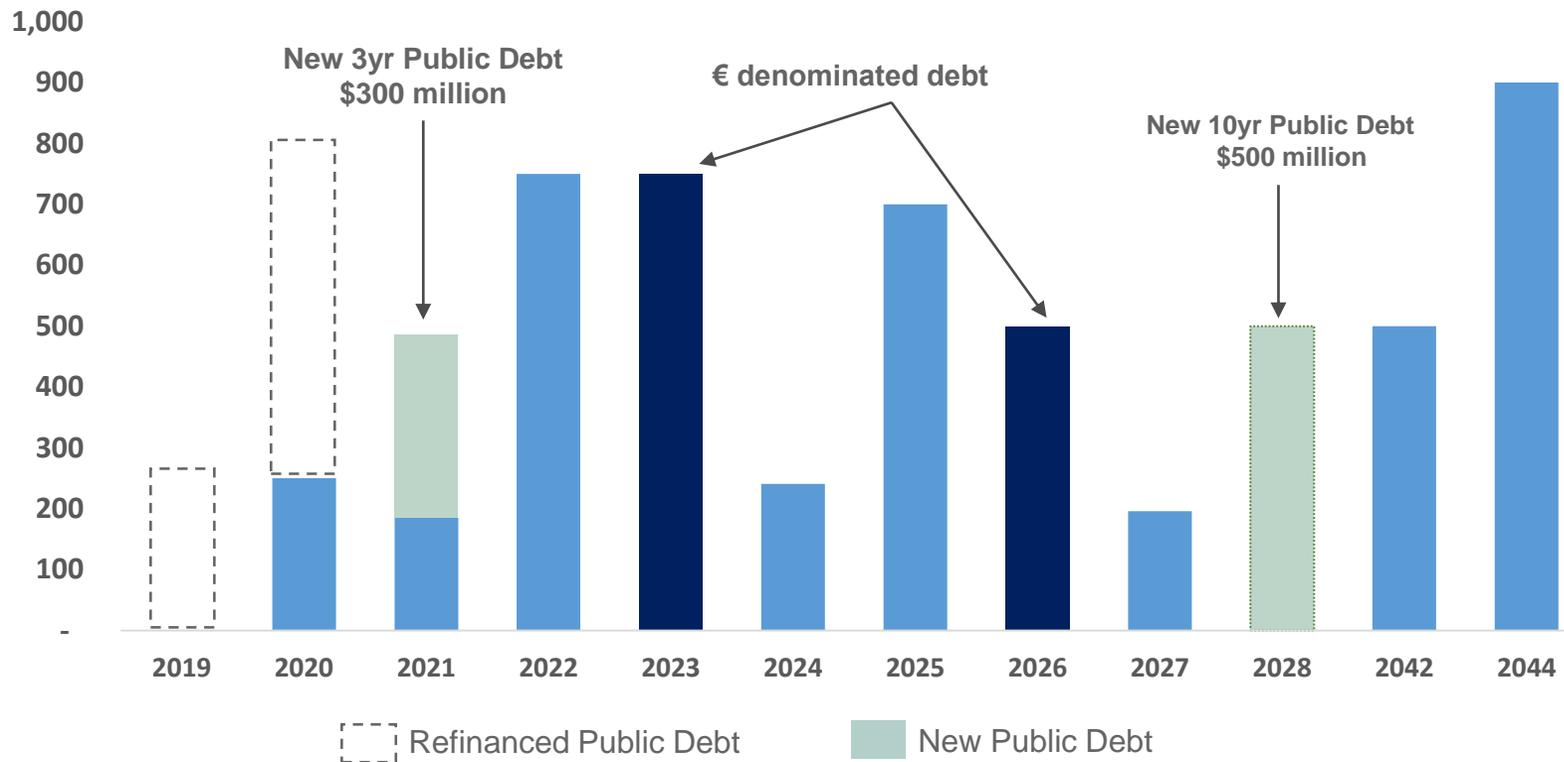
Returned  
**\$615  
million**  
to  
stockholders:  
**\$240  
million**  
dividend,  
**\$375  
million**  
share  
repurchases

Remain  
committed to  
reduce debt by  
**~\$300  
million**  
in 2018

FY18 effective  
tax rate  
expectation of  
**~17%**

# Strong balance sheet and sufficient liquidity

## Post-November 2018 Refinancing

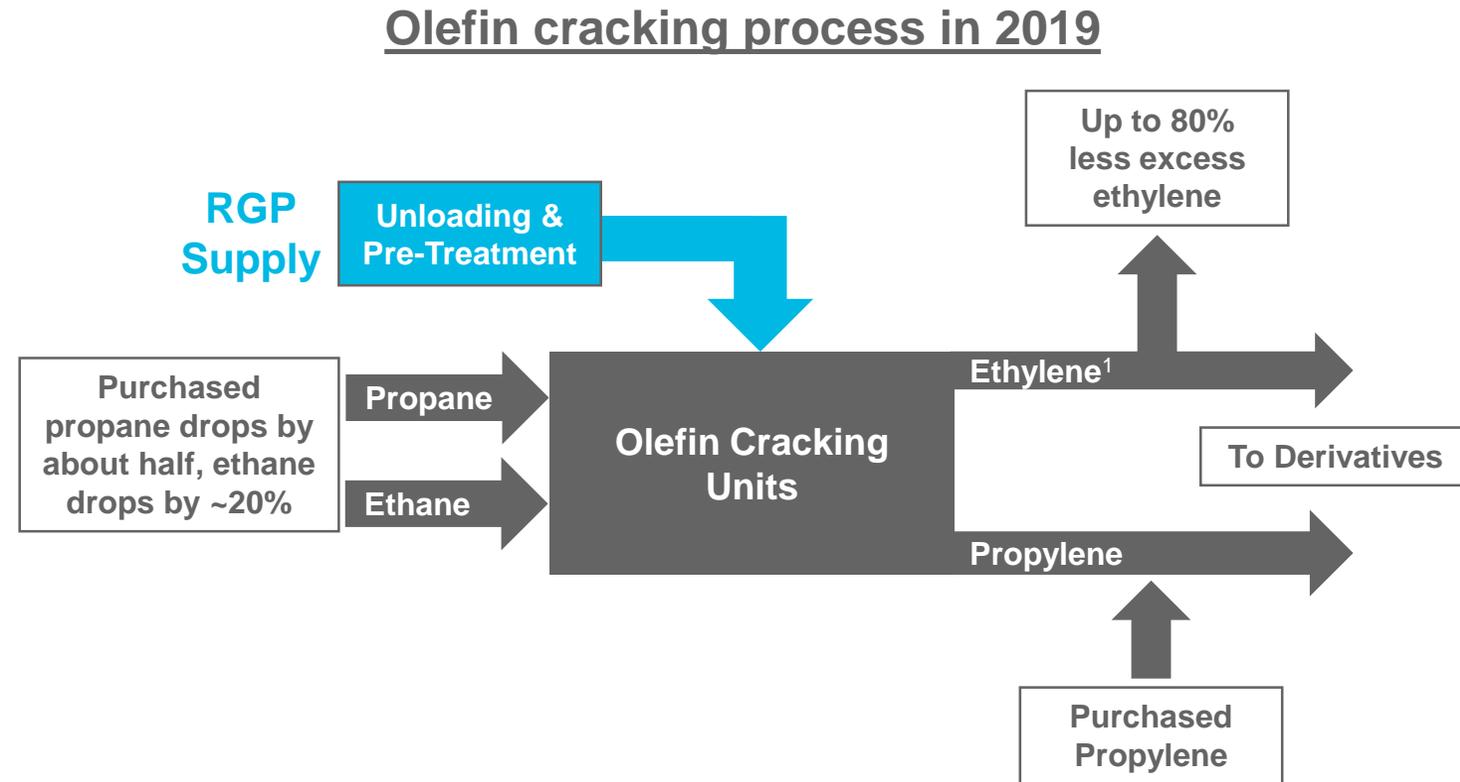


- » Remain committed to investment-grade credit rating
  - » Plan to delever to achieve debt to EBITDA ratio of ~2.5x by the end of 2019
- » Recently refinanced public debt due 2019 and 2020
  - » Early repayment, ~\$800 million due 2019 and 2020
  - » New public debt offerings, ~\$800 million due 2021 and 2028
  - » Sources of liquidity:
    - » \$1.5 billion revolver
    - » \$250 million accounts receivable securitization program
- » Meaningful return of cash to stockholders

**Combination of cash flow generation, strong balance sheet, and liquidity provides flexibility to pursue growth**

# Refinery-grade propylene project will reduce exposure to historically low spot ethylene prices

- › Allows reduction of excess ethylene<sup>1</sup> production by up to 80% in 2019 compared to historical production volumes:
  - › Reduction of propane/ethane as feedstocks into olefin cracking process
  - › Supplemented by addition of refinery-grade propylene (RGP) into feedstock mix
  - › Minimizes ethylene production while keeping propylene production in line with historical levels
- › Capital cost of approximately \$20 million in 2018 with return expected in less than one year
  - › On track for start-up early January, 2019
- › No impact on ability to divest excess ethylene position
- › Flexibility maintained to switch back to legacy feedstock mix based on market economics



# Full-year 2018 outlook

## Growth drivers

- Robust portfolio of specialty businesses creating their own top-line growth in attractive niche end markets
- Strong growth in high-margin, innovative products expected to accelerate earnings growth
- Productivity to offset inflation
- Lower effective tax rate
- Increased share repurchases

## Near-term headwinds

- Global economic uncertainty
- Higher raw material and energy costs
- Increased growth investments

**Expectation for adjusted 2018 EPS growth remains 10–14% compared with 2017**

**Path to 2018 free cash flow of \$1.1 billion**

# Position of strength

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- » Expect to generate free cash flow approaching ~\$3.5 billion 2018–2020
- » Maintain capital structure that provides financial flexibility to invest for growth and reward stockholders
- » Strong balance sheet and sufficient liquidity foundation for growth
- » Continue to improve ROIC with an expectation to return 10%–15%
- » Strong execution track record enables sustainable value creation