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EMN - Eastman Chemical Co at Barclays Industrial Select Conference

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CONFERENCE CALL PARTICIPANTS

Patrick Duffy Fischer *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

PRESENTATION

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

We appreciate everybody showing up this morning. We'll go ahead and get started. We're very happy to welcome Eastman here with us today. We have the CEO, Mark Costa with us. Mark has been with the company going on close to 15 years, a little under, I would -- I think, 2006, 2007. Been in this role since 2014. So obviously, he has a very good grasp on the company. He is driving the company hard. I think there's some interesting things. There's been a little bit of offset where some of the bad businesses, I guess, I would say, not really bad, but they've been shrinking and the good business has been growing. And I think we're getting close to an inflection point on that, which could be interesting over the next couple of years.

The first thing we'll do is we'll go through the ARS questions, which we do every year. So if we can, we'll just run through all 6 of those, get those out of the way.

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

Yes.

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

And then once we do that, we'll jump into the Q&A.

Or if you -- do you need a minute or so or we're okay with it? Okay. Perfect. Okay. So we'll just run straight down. So the first question, and then again, this is the one that we go through and we can compare them kind of to every other company that's presenting here, but do you currently own Eastman stock?

(Voting)

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

Okay. So most do not. So that's opportunity.

Question #2. What is your general bias towards the stock right now?

(Voting)

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

Greg wants a few shares. All right.

Question #3, in your opinion, through the cycle on EPS -- through the cycle EPS growth for Eastman will be what?

(Voting)

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

Okay. Question 4. In your opinion, what should Eastman do with its excess cash?

(Voting)

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

All right. In your opinion, what multiple of 2020 earnings should Eastman trade?

(Voting)

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

Okay. So Greg didn't go with you for 21 times.

All right. Question 6. What do you see as the most significant share price headwind facing Eastman?

(Voting)

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

Okay. Good enough. Okay. So with that -- again, we'll tally all these up and kind of mark-to-market them versus the other companies and then we'll come out with a print out later this afternoon. But I, again, appreciate Mark coming to spend some time with us here today.

QUESTIONS AND ANSWERS

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

Maybe we can kick it off. A lot happening on the macro front. So if you would, maybe just level set, what you expect kind of across geography and across kind of your big end markets this year?

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

Sure, of course. As we said in the earnings call in January, our expectation of overall global GDP growth is similar to '19. So not stronger, not worse, in a pretty slow growth environment. When you think about the end markets within that, obviously, automotive being sort of flattish; architectural actually being reasonably good; durables, good, especially for us because we're particularly tied to North American durables and Europe durables as opposed to what's going on in China when we look at those end market products. Then we've got strong growth in some markets. So water treatment is growing really well, Care Chemicals well, fluids well. So we've got some end markets that are growing in a pretty attractive way.

So overall, that's how it looks. Around the geographies, North America, obviously, like everyone else, it's pretty good. Europe, on an industrial production point of view, it's pretty challenged, especially in Germany.

And China, everything I just said is sort of pre-coronavirus. So China, obviously, had its challenges with the trade war impacting their economy in a meaningful way on the industrial side. And then you look at where we are now, we've got the uncertainty. What I'd say though is, in January, our orders overall were strong. Actually, stronger than expected. And very encouraging because we could see sort of business confidence sort of returning across the globe, including China, with the settlement of the phase 1 deal. So that fear being taken off the table, was stabilizing everything. And pretty much held that way through January, but with the coronavirus now building up an impact on China and questions around that around the globe, we're going to have to see how that plays out. So I'd say February and March and forward is a little less clear.

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

Okay. And then a big question last night in the dinners we were having is just kind of what's your exposure, in particular, that Hubei province where the COVID virus has its original cluster. And then when you look at your operating plants in China, what's happening there today? Are you able to get your workers back? Do you have permission to kind of restart post the New Year, just kind of what's the latest structurally that's happening in China that you see?

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

So about 10% of our revenue is in China. We have 9 manufacturing plants in China and 2 major offices, the largest being in Shanghai. Our first priority with all the people that are our employees, in general, we want people to be safe. The good news is none of our employees have yet been identified as contracting the virus. So that's very good news.

When it comes to operational activity, we've got 8 of the 9 plants back up and running. So there's 1 in the sort of Wuhan area, not a large plant. And so that's impacted and a little unclear when that one is going to start. The rest are in some process of starting up or running. The 14-day quarantine when people get back to their area is still in place. So there's a limitation of the rate at which you can ramp up. I would say, Duffy, the bigger issue that we're all going to collectively face is more logistics than it's going to be planned operations, where it's a lot harder for obvious reasons for people to be moving about China as they're trying to control the spread that's impacting the rate at which trucks are available and people are permitted to sort of move. So we'll see how that plays out. But you can certainly see that some end markets like automotive sales, for example, are dramatically down, people aren't going to dealerships. So you're going to demand impact in some places within China and that's pretty predictable.

Flip side is, we have competitors in China that compete with us outside of China, where they are having difficulty supplying to some customers, so we're well positioned to be a reliable supplier to those customers and serve their needs. So there's a little bit of an offset there. And then you've got oil in the 50s, where we're assuming it was going to be in the 60s. So you've got some raw material benefit that may show up in the short-term at least to help mitigate some of the demand exposure.

So very hard to predict the net impact of all that. But the good news is, I think China is getting back to business. You can see them taking pretty dramatic action yesterday dropping all the tariffs, the stimulus that they're pumping into the country. So that's obviously not going to help the next month. But it's certainly going to sort of help them try and recover from this.

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

Okay. And then just the last one on that. Again, the conversation last night steered to your competitors that you would compete with are Chinese producers. When you think across the spectrum of those, are they mostly batch producers or continuous operation producers? And the theory there is, if your continuous operations, those guys are probably building inventory, which could make those markets maybe sloppy. When things come back, if you're a batch processor, you can shut the plant and you don't end up building that excess inventory when you can't ship it. So do you have a feel for kind of the skew of what you would compete against with Chinese producers?

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

We do. It's a mixed bag, right? So for example, certainly tires are mostly batch producers, and adhesives to be more continuous. So you have to go market-by-market on sort of what you're facing. And I don't think it's as simple as build inventory because it's build inventory for what, right? So if there are downstream producers who really need to ramp up, they can suck down that inventory pretty fast. And again, the logistics is going to be the bigger question all the way to the finished goods. So the real question is how quickly this starts turning a curve and getting the supply chains back in order, globally. So it's not just a China question because you've got ships on the water for 45 days, up through into January to some degree. So supply chains around the world are going to be okay for 45 days. But late March, April is when you're going to start seeing whether there's a global impact where someone can't get that 1 ingredient or that 1 component for that final product to be made and how that could potentially impact these global supply chains. So there's just the uncertainty that goes with it. The good news is China seems to be trying to get the supply chains and the plants up and running as fast as possible.

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

Yes. Okay. And now we'll kind of jump into the actual business a little bit. And just to level set, Eastman is roughly kind of $2 billion to $2.2 billion of EBITDA over the last couple of years, 1/3 of the business is advanced materials, 1/3 is kind of additives and then a 1/6 and 1/6 is fibers and chemical intermediates, if you look kind of this year, just to level set as we talked through. So let's jump into the best business, Advanced Materials, aspirations for that maybe take a 3-year view, what you can do with that. And I think what a lot of people are like, when can it become half the company -- when can it become what we really talk about when we talk about Eastman?

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

Yes. So Advanced Materials has done great. Last year was logging in a decade of earnings growth -- of consistent earnings growth, which in this world is not the easiest thing to do. And it is at the heart of our strategy about being an innovation-driven company. So the end market exposure in Advanced Materials is pretty highly exposed to what I call consumer discretionary: cars, homes, durables, things like that, electronics. And yes, they delivered earnings growth last year in a really challenging environment. And I think relative to peers, it did pretty well. And the reason it did well is because of innovation, right? We've been investing for 15 years in innovative products, like our Tritan BPA-free plastics or acoustics and heads-up display interlayers or paint protection films, some of the other window films, whole array of products that are growing substantially faster than in markets. I mean we've got products like paint protection growing 30% in a market that's down, right?

And so that -- and very high variable margins relative to segment average, so you get the volume lift, the mix lift and fixed cost leverage, it all goes to contributing to it plus seeing price stability, so when raws drop, you've got that benefit.

So as you look at the next 3 years, you keep doing that and driving all of that growth, we have multi-generation product plans. So we've just launched a new acoustic, a new heads-up display to continue that differentiation curve. We're launching new Tritan products. And most significant what we now have the circular economy that is a huge upside.

So fortunately for us, we've got out of single-use plastic over a decade ago and getting rid of PET in 2011, but we have these very unique recycling technologies we've now gone commercial on, both on polyester as well as cellulosic, where we can take waste plastic that is not going to mechanical recycles. So the stuff that can only go to landfill and use that with our technologies, which is a better value than trying to compete for that mechanical stream and put recycled content into these products.

So that's going to give us a huge new vector of growth. We're seeing very strong engagement by the brands, both luxury and some of the bigger consumer brands to sort of drive growth. So when you think about the future, getting that to be half of what we are, I think is very feasible goal in what we're trying to do when you add on that additional vector of growth.

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

Okay. And maybe we'll diverge a little bit from the segments, so just -- because I was in Europe with a couple of the companies right at the end of the year, the ESG focus over there is tremendous. I would say we probably spent over half of every meeting talking about ESG. You just touched on 1 part that you're focused on kind of the circular economy. So in that space, in particular, what should people expect from the investment you will need to make in that area? How transparent will the returns and what that is actually doing? Because it's a little bit of a one-off. Yes, I mean, it's within the realm of what you do, but ESG and the kind of that focus, I think most people think about that is not being great returns historically when people have chased that. So how much do you need to invest in that? How much earnings can that theoretically drive over a 5- or a 7-year period?

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

Sure. So one of the advantages that I think we have in how we're pursuing it is, I'm not doing it to defend an existing business, right? So when you're having to put recycled content into your current product just to not lose market share, that's tougher economics, right? So for us, what we're doing is taking recycled content from single-use markets like plastic and turning it into durables, right? For new incremental growth. So I could put recycled content into Tritan -- into new products in markets. So I can do it in cellulosics and new products in markets. And so for us, it's incremental growth, not defense.

Second point is the capital is incredibly efficient for us because on the cellulosic side, right, we're repurposing our gasifier from coal to using waste plastic. So we're going from partial oxidation to different term for it, call it, reforming and converting that waste plastic carbon into acetyls that then become 40% in recycled content, the others being 60% biocontent, right? Very compelling offer to the marketplace. But it's very incremental capital to sort of make that adjustment because we already have the gasifier and the assets in place. So it's a huge value of Eastman's integration, isn't just cost structure allows us to, in this case, use our asset structure to incrementally make investments and now be a big player in circular economy.

Same thing is true in polyester. We have a technology where we can go quickly right now to a higher cost on the raw material side to sort of have recycled content in our polyester as of this quarter. And then we'll build a plant and that does require capital to do methanolysis that will be online in 2, 2.5 years to provide at a much larger scale.

But again, because I'm going after what cannot be used in mechanical, the cost structure is a lot lower because I'm just taking our landfill. So the raw material is not as much of a problem than some other people who are having to pay high premiums for their feedstock. And we see the value of a premium in the marketplace. So historically, there was always a -- we considered building methanolysis plant back in 2010, market didn't put value on it, so we didn't do it.

But now you've got rPET trading at a 60% premium in Europe for most of 2019 where it's always a discount. So clearly, there's a value above fossil-based feedstock and polymers -- and so we're not assuming that kind of premium, but a modest premium gives you very attractive economics.

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

And I guess, one cautionary tale we've seen and industrial gas company tried a big kind of garbage gasification project in U.K. called, Tees Valley, and it didn't work. And the after-action review was, when you can't control your feedstocks, so if you've got coal, it's ubiquitous, right? Basically, every [time] it's the exact same. Here, if you're getting different types of plastics, how can you ensure that, that doesn't cause a similar issue where, again, different carbon change coming in and gum up the system basically?

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

Yes. So we have run extensive tests and piloting of that exact question. So we understand what polymers work, which don't and vast majority do. It's more about how you prepare them than it is what kind of polymer it is. And so we have a really good insight on that, and we're obviously going to be very careful on how we scale up, so we don't sort of run into those issues, and we have some additional technical adds that we can do that are not very expensive from a capital point of view to manage that.

So we're aware of it. I think that the difference for us is the scale of what we're doing is different because we're taking it to downstream systems of purification and chemical manufacturing that's been around for a very long time, right? and we're the only real gasifier that actually does this in the western world at this point. So what they were doing is actually a pretty different technology.

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

Okay. Fair enough. And then just the last one on ESG. When you think about your entire footprint, I mean, obviously, your very biggest plant, you take coal, convert into chemical. So from a carbon footprint standpoint on a lot of the metrics, you wouldn't score well. How do you take that kind of tell a story about either where Eastman is going or what you're offsetting today when you tell the ESG story to somebody who that's what they care about?

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

Sure. So I think that when we look at any company, it's about the progression you're making from where you were to where you're going. And so I think we've got a very strong story, a very aggressive energy improvement. We've got it 9 years in a row of energy star recognition for our energy programs. I think only one of the company has got 2 recognitions. So you start with the fundamentals. How are you efficient with the energy and feedstocks, significant yield improvements, carbon efficiency. You layer on top of that, actions that we took, so we switched half of our site in Tennessee from coal to natural gas. So we've made substantial step changes in converting to more sort of carbon-efficient ways to do the steam and power of our site. And now with this gasification, over time, we could ultimately convert the entire gasifier from coal to waste plastic in the long term.

So there's a progression on how we're continuing to drive all of this into a much more sort of circular economy, carbon efficient. And what I'd note about both of these technologies, and it's an important metric to measure is, the carbon footprint of what we do on the 2 technologies, the carbon renewal technology, which is the gasifier and methanolysis is depending on the feedstock, it's 25% to 50% better carbon footprint than fossil fuel. That's a big deal. Because we're not adding on any additional steps, right? We're just repurposing the steps we do with a more efficient -- energy-efficient feedstock because the amount of carbon and a polymer versus a coal is much higher. So the carbon conversion is much more efficient than dirt, right? And so I think we have a very compelling story in what we're doing.

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

Okay, okay. I'll bring us back to chemical detour there in just a minute. AFP, when you look at that business, last year, it seemed like there's a little bit more cyclicality in some of the parts of it. So can you walk through structurally how you think about that segment? Is that the right format for that segment? Or should we parse it somehow and think about good AFP, less good AFP going forward?

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

Yes. So I think we made that conscious choice in the third quarter call and reaffirmed that in the fourth quarter call, which is there's now the 2/3, 1/3 language we have from now. So the 2/3 of AFP, it's not that different from AM, right? It's a great story. Earnings were only modestly down last year, if you put it on a constant currency basis, close to flat. So in this environment, in '19, that's great. And it was driven by good market growth and things like water treatment; Care Chemicals; fluids, as I mentioned. Obviously, we had good price discipline in that space. So the only place where prices were down, we're on sort of cost passer contract, so the margins were constant, but there's a volatility -- high volatility in some raw materials that we sort of mitigate volatility out by using CPTs, so you get spread expansion in that segment.

And then you had some offsets because auto and coatings demand was off. So that was a headwind, but net held together fairly well. When you look at -- and that includes your currency headwind when you look at the final numbers. When you look at the 1/3 tires, adhesives in this formic acid facility, obviously, we've sort of been pretty clear about the headwinds we had there, supply-driven, especially in adhesives and formic acid and a mixture of demand supply in tires, where we had some more exposure in those specific areas that caused spread to get compressed to the back half of the year.

And what I'd say is the 2/3, when you think about it, part of what makes it structurally different is, one, it has better end markets as far as growth and stability. Second is, is there's a lot more diversity in end markets and applications. So the products in that space is going to a lot of very small niche different applications. So you don't have a high dependency on one application, right? So you're not just going into hygiene for adhesives or tires. So -- and then we also have a lot more proprietary products, where we're the only manufacture in the world on a number of very high-value products or have -- and have very few Asian competitors in the 2/3s. So that adds to a set of things that are structurally different because I know one of the questions we get is, why are we going -- how do I have comfort there, I'm not going to have a surprise in the 2/3, like the 1/3, right? And it's those reasons, which is you just have a fundamentally better industry structure and the products, the nature of the competition and the diversity of end markets that gives you more stability.

And then we've got very large innovation programs coming in that space, which haven't really got that much traction yet because they're sort of earlier-stage than AM. So you've got that to layer on top. And some of these circular economy benefits will actually show up in the 2/3s for a new application area we're getting into.

Patrick Duffy Fischer *- Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

Okay, okay. And maybe just a couple of quick comments on the smaller segments. So maybe hit Fibers. Obviously, a business that's kind of structurally shrunk over the last 7 or 8 years, as China has shrunk its inner market. How do you see that playing out? Are there structural things that either you or the industry can do to make it a better business over the next couple of years?

Mark J. Costa *- Eastman Chemical Company - Chairman & CEO*

Yes. So I think that in Fibers, the tow business has been relatively stable in its behavior in the last couple of years. So we still have -- the underlying market is declining at some rate. And so you've got to offset that market decline. And our focus is how to replace the tow business back to (inaudible) with textiles, right? And so our Naia products, which are small relative to tow at this point are growing really well. So in our new markets where we've launched, our acetate yarns, we're growing over 20%, small base, but strong growth.

And now we've got recycled content add into it. So it's now 60% biopolymer and 40% recycled content product. In that space than the luxury market that is in very high demand right now. So we see a lot of growth there. Last year was just a tough year because the overall textile market was down 8% to 10%. So the overall market, the long-term applications we've been in for a long time, were down. This new area growing really fast, that curve will cross over into net growth, especially once the textile market stabilizes. So I'd say that business is in good shape.

As far as structural actions, we've done everything we can about shutting every plant. We're down to 1 integrated flake and tow plant. So it's more of a question of what our competitors will choose to do at some point because they've got the smaller, higher cost plants. So you'd have to ask them.

Patrick Duffy Fischer *- Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

Fair enough. Okay. And then just last segment, CI, maybe touch just generally on kind of how you see that the volatility may be playing out over the couple of years? Structurally, where do you think the earnings are today versus what you might average over a decade? And then maybe just a little after-action review. You, obviously, have done a deal to get rid of some of the volatility with some of the olefins there, how is that working in your mind? Is that still the right structure to keep for the business?

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

Yes. So I think that Chemical Intermediates overall is sort of performed as you would expect in this environment, I'd say if I -- when I look at that division compared to other companies in similar businesses. We're all sort of in the same bucket. I would say that the -- it's important to remember, there's a bunch of Chemical Intermediates, it's not olefins, right? So there's acetyls coming off of our coal gasification integration facility. There's alkylamines that have very good industry structure, very stable pricing, mostly on cost pass-throughs. So margins are good, going into ag, which will be a source of growth in demand this year for us in North America. So those business are stable. And even within olefins, the propylene derivatives are good business. The ethylene is the part that we've been pretty clear, that's not core to us.

And so in that sense, I'd say, certainly, the performance in '19 is below cycle average, like for all of us. And we'd expect some recovery in that sense. And I like all the investments we're making to reduce and mitigate the volatility. So our RGP investment to sort of switch to more RGP and much less ethane that creates a lot more propylene and reduces the amount of ethylene that we produce, took a lot of that ethylene volatility out, which has been the largest driver of volatility for us when you look at how that price moves around. So that's been helpful.

We also have the things we talked about on the fourth quarter call that we're doing to just create other structural sources of earnings, right? So leveraging our sites down in Texas City, as an example, as well as in St. Gabriel, gives us a nice steady stream of constant earnings in leveraging those sites. It adds up to quite a bit of money. And then you've got the licensing that adds on another chunk of money, leveraging our sort of core technologies into spaces that are core to us. So that gives us additional stability. And then there are a couple of additional investments that we're looking at right now that would further reduce ethylene and olefin volatility that are not much capital.

And so we got a series of actions we can take to reduce that volatility. We're always open-minded about that olefin portfolio with the right market conditions as we have been attempted in the past. This would not be those conditions right now. So I think we have a demonstrated track record, being very disciplined in our portfolio. We got to have all kinds of businesses that were commodities, PET, PE, polypropylene, some other things as well as doing acquisitions that have been really successful. So I feel good about how we're managing our portfolio. And clearly, this 1/3 part of AFP, we're now going to look at what choices we need to make, whether it's partnering or divestiture, et cetera, restructuring to improve that part of the portfolio or -- and if we can't, move it out.

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

Okay. And then we'll have time for a question hereafter. I've just got just one more. So if you look at the last 5, 6, 7 years, again, roughly, you've been in a band of about $2 billion to $2.2 billion of EBITDA, now the skew has changed dramatically. When you look at the composition of that 7 years ago, again, like, if the point that a lot more of it today is AM, a lot more of it is AFP. In part of the issue has been, as you've done great things in those businesses, you've had some businesses that have fallen apart structurally. So when you look at the portfolio today, I think what a lot of investors would like to know are there things that could move against you again structurally over the next 5 years, it might continue to offset that? Or when you look at what could be bad, most of what's happened has already happened and which would argue then, at some point real soon, we hit an inflection point where the growth of the good stuff with a smaller base of, I'll call it, bad stuff, it's not really bad, it's just less good, doesn't hurt anymore? I mean are we close to that point?

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

I mean I think we're close to that inflection point. There's a big macroeconomic question that always sits on top of this question. So it's good to look at it in 2 timeframes. So if you look at it from '14 to '18, the innovation model was really in gear and doing quite well, right? So as you said, AM, AFP grew well. They grew about $600 million in EBITDA in AM and AFP between '14 and '18. That's a big number. And 1/3 of it was acquisition, 2/3 organic growth. And the innovation in that organic growth wasn't just history in historical Eastman, but driving an accelerated level of innovation growth in what we acquired.

And then that was offset by a $600 million of macro trends between the issues in Fibers, currency and oil. And so that was on track. And as you looked through the first half of '18, that inflection point was happening, right? The earnings growth were really kicking in, the valuation had dramatically improve or getting -- moving towards 10x EBITDA and changing valuation lanes in a meaningful way where the structural problems, which have been predominantly more in the historical Eastman part of the business, Fibers, olefins was becoming smaller and stabilizing and specialties grew. Now obviously, you got a trade war and the coronavirus does sort of work your way through, that's actually masking the strength of those specialty businesses at the moment. So I think inflection point is, you get to a stability here. We don't need strong growth to come back like you do in a commodity to get your spreads back. We don't need that, right? Because our commodity exposure is really small now. We just need demand to be stable and going sort of moving upward. And we even saw that in January, frankly, where that inflection was sort of moving in our direction.

So I think that -- we get past this virus, and I think you can start seeing the power of these 2 specialty businesses.

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

Okay. And again, I've run us over a little bit, but if there's time, we've got a question in the audience, we can do that. So right up here in front in the middle.

Unidentified Analyst

Just an ESG-related question. You had talked here during the presentation about progression and also actions that Eastman is taking. What's the company's position with respect to reporting, whether considering using the SASB framework or otherwise as it relates to ESG?

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

Well, that's a technical question. So we're still evaluating all the formats. The problem that ESG has right now is everyone is making up their own set of criteria in their own format. So we're looking at that one and a variety of other formats. It's turned into a large industry of consultants creating different ways to sort of measure and promote it. So I don't have a specific answer to your question on that. But we are constantly working on improving our disclosure and being very metric-driven in everything that we commit to doing so that we can be tracked and held accountable for delivering results on the environment.

Greg, would you want to add anything to that?

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

Greg is like I'm glad I wasn't up on the stage.

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

Terrific. Any other questions? Okay.

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

Perfect. Mark, well, again, thank you very much for coming out.

Mark J. Costa - *Eastman Chemical Company - Chairman & CEO*

Thank you.

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

Appreciate the chat as always. Thank you guys.