Trinseo First Quarter 2018 Financial Results Conference Call Transcript
May 3, 2018

Operator

Good morning ladies and gentlemen, and welcome to the Trinseo first quarter 2018 Financial Results Conference Call. We welcome the Trinseo management team, Chris Pappas, President & CEO; Barry Niziolek, Executive Vice President & CFO; and David Stasse, Vice President of Treasury and Investor Relations.

Today's conference call will include brief remarks by the management team followed by a question and answer session. The company distributed more detailed remarks on its financial results, along with a press release and presentation slides, at close of market yesterday. These documents are posted on the Company's Investor Relations website and by means of a Form 8-K filing with the Securities and Exchange Commission.

If anyone should require operator assistance during the call, please press *, then zero, on your telephone. I will now hand the call over to David Stasse.

Dave Stasse

Thank you Kim and Good Morning everyone. At this time, all participants are in a listen-only mode. After our brief remarks, instructions will follow to participate in the question and answer session.

Our disclosure rules and cautionary note on forward-looking statements are noted on slide 2. During this presentation, we may make certain forward-looking statements, including issuing guidance and describing our future expectations. We must caution you that actual results could differ materially from what is discussed, described or implied in these statements. Factors that could cause actual results to differ include, but are not limited to, factors set forth in our annual report on Form 10-K under the Item 1A, "Risk Factors".

Today's presentation includes certain non-GAAP measurements. Reconciliation of these measurements is provided in our earnings release and in the appendix of our investor presentation. A replay of the conference call and transcript will be archived on the Company's Investor Relations website shortly following the conference call. The replay will be available until May 3, 2019. Now, I would like to turn the call over to Chris Pappas.

Chris Pappas

Thanks, and welcome to Trinseo's first quarter 2018 financial results conference call. I would like to highlight a few key points on our financial results and strategic initiatives.

Please turn to slide 3. First, we started 2018 with record profitability, in net income, Adjusted EBITDA, EPS, and Adjusted EPS, as business fundamentals across our portfolio continue to be positive. First quarter net income was $120 million and Adjusted EBITDA was $195 million, inclusive of $7 million of unfavorable timing impacts on a pre-tax basis. These results exceeded the guidance we gave on our fourth quarter earnings call of $104 to $113 million of net income and $175 to $185 million of Adjusted EBITDA.

Second, in addition to the record operating results, we are on track towards meeting our goal of increasing Adjusted EBITDA by $100 million in our Latex Binders, Synthetic Rubber, and Performance Plastics segments from 2016 to 2019. Our 2018 guidance expects that about $50 million of this target is achieved from 2016 to 2018 across these segments.

This $50 million increase includes $8 million of unfavorable impact from net timing, and it excludes the impact of the divestiture of our 50% share of Sumika Styron Polycarbonate JV, which contributed $9 million to our 2016 results. It also includes a significant improvement in our polycarbonate business, which is now reported in our Performance Plastics segment. Recall that about 40 percent of the polycarbonate we produce is used in our downstream compounds and blends business. Our compounds are often sold with a one to three month price lag, which means that increasing polycarbonate prices, while beneficial to our polycarbonate business, can have a short-term negative impact on our margins in compounds and blends.

Third, we recently initiated a project to transition out of the remaining business services that are provided by Dow Chemical. These are services such as Information Technology, Purchasing, and Accounts Payable. This initiative will enable greater flexibility and control of our processes, and will include the ownership of our ERP system. Over the course of the next two years, we will have a greater ability to leverage these processes to run more efficiently and effectively. We expect to spend about $35 million in 2018 related to this transition, of which about $10 million is CapEx and about $25 million is expense, which we anticipate will be added back for Adjusted EBITDA purposes.

Fourth, there has been a lot of news recently about upcoming styrene capacity additions, particularly in China. We have done an extensive amount of work on this topic, including engaging an external consultant on the ground in China to study a number of areas including permitting records, environmental reviews, and construction progress.

Please turn to slide 11 in our presentation where you can see the output of this work. It shows our current view of net styrene capacity additions and estimated global styrene operating rates through 2022.

As a result of our analysis, our view of styrene monomer operating rates over 2020 to 2022 is still in a healthy range of 84 to 90 percent, depending on year and on further assumptions about delays or asset closures during this period.

Looking at the top right portion of slide 11 where we show global styrene monomer operating rates from 2015 to 2022. The solid line assumes capacity additions as we currently see it, and 2.3% demand growth, which may prove to be conservative, as demand growth has been between 2.5 and 3 percent each of the last two years. It yields styrene monomer operating rates of about 89 percent in 2019, which is the highest rate in many years, and operating rates of about 86 percent in 2020, about 84 percent in 2021, and about 85 percent in 2022. These operating rates projected for 2020 through 2022 are familiar to us – they look a lot like 2015 through 2017, where we had healthy styrene margins and EBITDA.

So unlike the analysis of some consultants, we are not of the view that styrene margins are heading to some low point in the forecast period. On the contrary, we see styrene operating rates and margins as strong through 2019, with potential for a slight decline in operating rates in 2020 through 2022.

Many of you are well aware of how these potential builds of chemical capacity actually reach the market versus the announcements or initial plans. When you look at the styrene capacity adds as shown in 2020 and 2021, the natural question is what will reality be? We have already covered that even if reality is as we currently see it, we will still have relatively healthy styrene operating rates in this period.

If we consider what we have all observed in other chemical products, like the recent dynamics in the ethylene and polyethylene chain, we believe that there is the potential that these styrene capacities will not all come on as planned, especially in China where permitting, environmental and other issues are generally impacting the rate of capacity growth in chemicals.

Now look again at the top right portion of slide 11. Assuming a 6-month delay in supply additions and a reasonable approach to asset closures you can see the dotted line shows a very strong styrene operating rate for 2020 through 2022, above the 2015 to 2017 period.

So our net view on this topic should be clear – there will be some new styrene capacities brought to the market, but the rate of real capacity growth and its impact on operating rates and margins, in combination with expected rising demand, will likely yield a much more muted change than the view proposed by some of the consultants.

Now, I would like to discuss second quarter and 2018 guidance. For the second quarter, we expect net income of between $93 million and $101 million and Adjusted EBITDA of between $160 million and $170 million. This outlook assumes minimal net timing impacts, and includes a favorable impact from known planned and unplanned styrene outages so far in the second quarter, impacting our Feedstocks and American Styrenics segments, as well as solid performance across all of our other segments.

Please turn to slide 12. Moving to full year 2018, we expect net income of between $392 and $408 million, Adjusted EBITDA of between $665 and $685 million, diluted EPS of $8.82 to $9.19, and Adjusted EPS of $8.87 to $9.24. This outlook assumes the unfavorable net timing of $7 million from the first quarter, minimal net timing beyond Q1, and no impact from unplanned styrene outages beyond what we currently have visibility into for the second quarter.

Please turn to slide 14. For cash generation, we are currently forecasting $150 million for capital expenditures, which includes $10 million for the business services transition, $90 million for cash taxes, and $50 million for cash interest for the year. Also, as I mentioned earlier, we expect about $25 million of cash expense related to the business services transition that we anticipate will be added back for Adjusted EBITDA purposes. Finally, we expect a structural build in working capital of about $30 million from the growth projects in Synthetic Rubber and Performance Plastics. Assuming no other changes in working capital, this will yield cash from operations of about $480 million and free cash flow of about $330 million.

In closing, we are off to an excellent start to the year with record profitability in the first quarter, and we are expecting a very strong second quarter as well. With continued solid business fundamentals across our portfolio, through 2018 which we expect another very good year of profitability and cash generation.

And now, Kim, you may open the phone line for questions.

Operator

Thank you. As a reminder ladies and gentlemen, if you would like to ask a question, please press star and then the number one on your telephone keypad.

Your first question comes from the line of David Begleiter with Deutsche Bank. Your line is open.

David Begleiter, Deutsche Bank

Thank you, good morning. Chris, on the styrene supply/demand first is very helpful, thank you. If we do get to those low 84%, 85% operating rates in 2021/2022, how do you think the EBITDA compares then to the EBITDA you might realize over the next – in the 2018/2019 timeframe?

Chris Pappas

Well, the point that we made on the call, David, I think is clear. Those operating rates are very similar to the ones we experienced in 2015 through 2017. And, of course, you have those EBITDA numbers for those years. Now it's hard to draw precise correlations, but the EBITDA for those years in total for styrene, including our AmSty contribution, ranged from about $70 million in 2015, up to about $120 million or $130 million.

So, again, hard to be precise about whether there'll be a correlation there, but we certainly believe those operating rates are going to give us reasonably healthy styrene margins, if they occur at that low end. Now, remember, those are nameplate capacities, and those don't count on any further delays or, of course, any other changes to the supply side. So net, net, net, we feel like that forecast period is not something to be concerned about.

David Begleiter
Very good. And just on the recent U.S. capacity announcement, what do you think drove that announcement? And is there some potential for some capacity closure on the back of that announcement by that producer?

Chris Pappas
Hard for us to speculate, Dave, on that, obviously. I think when you read that announcement, it's an engineering study that may or may not lead to a decision. I think that's the exact wording in the announcement. Other than that, it's hard for us to comment.

David Begleiter
Thank you very much.

Operator
Thank you. Your next question comes from the line of Frank Mitsch with Wells Fargo. Your line is open.

Aziza Gazieva, Wells Fargo
Hi, guys. It's Aziza Gazieva on for Frank. The question on your full-year EBITDA guidance, the moving parts for Synthetic Rubber and Performance Plastics, could you just explain the update to those figures?

Chris Pappas
Sure Aziza. Synthetic Rubber, we took down five, which I think is fairly nominal from the $110 to the $105 million. We did that really on the basis that, while we're having record S-SBR sales, as we pointed out, and quite strong volumes in rubber across the board, we do see so far this year, a less robust E-SBR market. That's the low end of our rubber franchise. On that basis, we felt like taking the year down slightly in rubber would be the prudent thing to do, and we'll have to see whether the rest of the year develops to a stronger E-SBR market which could come from arbitraged or other opportunities in Asia. But that's the fundamental change in that dynamic in rubber.

Our record volumes in S-SBR are pretty clear. We do expect continued ramping of that asset through the year and into 2019. So a subtle change driven by the E-SBR market dynamics we have seen year-to-date.

In Performance Plastics, we took that up about $10 million, and that's because we believe we're going to have stronger fundamentals in that portfolio, including our new ABS facility in China, including continued strong automotive sales, and generally a continued strong polycarbonate market. So against that backdrop, we took that one up by the $10 million.

Aziza Gazieva
Okay. Thank you for that. And regarding the styrene dynamics that you guys laid out through 2022, could you foresee over the next few years possibly Trinseo announcing some sort of capacity addition or would you rather not?

Chris Pappas
That's the easiest question I'm going to get. We have been pretty clear since the beginning of our company that our capital deployment, and our view of the world of styrenics, is crystal clear. We are not investors in that capacity. We think the changes that occurred in the styrenics world over the last seven, eight years have been healthy for the industry in the general, overall market. We do not see that as a place to deploy capital, nor do we see it as a place where Americas Styrenics will deploy capital. We've been crystal clear about that.

Aziza Gazieva
Okay. Perfect. Thank you, guys.

Operator
Thank you. And your next question comes from the line of Bob Koort with Goldman Sachs. Your line is open.

Dylan Campbell, Goldman Sachs
Hi. Good morning. This is Dylan Campbell on for Bob. Just following up with that question, could you kind of go through the economics of actually building a styrene plant in the U.S.? Maybe not for you guys, but for a competitor. So – and the disparity between cheaper ethylene and then maybe higher cost of benzene for importing that into the U.S.

Chris Pappas
Well, since we haven't studied it because we're not doing it, nor is Americas Styrenics, we do have a sense for that, of course, Dylan. If you look at the MORMs that the gray bars, as we call it, that we published, we have kind of refreshed our view of returns compared to the gray bars. And while this is not precise in the sense of we're not doing deep engineering studies, I think it's directionally pretty accurate.

So at about $500 MORM per ton, in our view, you have about a 15% IRR project, at a $500 MORM. Now, the reason we use that number is, number one, we think a 15% IRR, well, not a hurdle we would use for capital projects, some might. But more importantly, if you look at the

MORMs that we've had in this business over the last several years from 2013 to 2018, there's been about four quarters where the MORMs was about $500 or more.

So - now those are European numbers to be fair – so it's just a picture, I think, from our point of view that would suggest, unless you believe – and incidentally, if you look at those gray bars, there are many, many months when those MORMs drop lower than that: $300, $308, $345. That would be, of course, a much lower IRR, more like about 6%. So, you'd have to have the view that these MORMs are going to continue for a sustained period of time, etcetera, etcetera. So, with all of that as a backdrop, we've said many times, we just don't think people are going to be investing in styrene monomer.

Now, I think our view on what has been recently discussed in China is also clear. We think they will build certain capacities. But we don't think the operating rates are going to drop that severely, and we also don't believe those capacities are going to come on as they're suggested by certain analysts in certain reports.

Dylan Campbell
Got it. Thank you. And then on the supply and demand outlook, I think you mentioned that was nameplate capacity? I'm curious on your thoughts on kind of a normalized outage level, because we've seen quite a bit of outages across the industry, and what I guess the normal outage would boost that operating rate or change that operating rate going forward?

Chris Pappas
I think the planned outages have always been relatively consistent in this industry. They vary a little bit but they're heavier in the spring, and in the spring period, there can be 8%, 9%, 10% of the capacity out on a planned basis. In the fall, there's an additional planned outage season, but that would be a smaller quantity, lower-single digits; 6%, 7% of capacity might be offline on a planned basis.

Now, remember, in this nameplate capacity, we also include the non-integrated China-based styrene at nameplate, and those capacities have traditionally run at 50% to 60%, and they still represent a pretty reasonable amount of the global capacity in that timeframe. So those are, I think, the other dynamics you should add into your thought process for actual operating rates.

Dylan Campbell
Got it. Thank you.

Operator
Thank you. And your next question comes from the line of Laurence Alexander with Jefferies. Your line is open.

Nicholas Cecero, Jefferies
Hi. This is Nick Cecero on for Laurence. So I guess just when looking back historically, what's kind of been the pattern in terms of delays or problems with starting up these new facilities within the styrene chain?

Chris Pappas
Well, I think they've been similar, Nick, to the general world of chemicals. And I used ethylene polyethylene as an example because certain consultants were of the view three years ago that there was going to be a complete demise of the ethylene/polyethylene world. I never had that view, nor did many other people that are close to the industry. And the reason is very straightforward. Bringing on these large-scale plants, according to precise timelines as announced, generally does not occur. It doesn't matter whether it's an ethylene cracker, or a polyethylene plant, or a styrene plant. There's the combination of a number of things: engineering availability, permitting, environmental pressures, particularly now in China; those kinds of dynamics lead to delays. There have been studies done in the past that suggest on the order of 75% of the announcements that are made actually get built in the chemical industry, and some quantity of those, a large quantity of those, are delayed by six months to a year.

That is the construct, Nick, what we did was we put the dotted line back up there with a six-month delay. And I think that, from our point of view, should be reflective of some MORM. It could be longer than that. We'll have to wait and see. But clearly, our view is that it's not easy to put the capacity in according to the outline as planned.

Nicholas Cecero
Thank you very helpful. And then just one more. Maybe you can provide some additional color on demand trends across the different regions, and where you might be seeing some acceleration or deceleration?

Chris Pappas
Demand trends for us across the regions generally are very healthy. You can see it in our S-SBR numbers. We're seeing very good automotive results out of the U.S. in particular. We're seeing strong demand in construction, I would say across the board. I wouldn't differentiate by region, Nick, I think just general good global economic conditions, and generally pretty good demand trends.

Nicholas Cecero
Okay. Thank you very much

Operator
Thank you, and your next question comes from the line of Hassan Ahmed with Alembic Global. Your line is open.

<u>Hassan Ahmed, Alembic Global Advisors</u>
Good morning, Chris.

<u>Chris Pappas</u>
Hi, Hassan.

<u>Hassan Ahmed</u>
Chris, obviously, very helpful the supply/demand analysis that you guys presented. Now, I just wanted to sort of make sure I'm understanding this right, and I know you've addressed this in response to a few different questions. You guys have given out nameplate capacity and nameplate utilization rates, and I guess in response to one of the earlier questions you said, the effective side isn't factored in. So obviously this doesn't factor in the impact of outages. It obviously doesn't factor in the lower utilization rates in China. The third thing that I wanted to sort of touch on, or check with you, was that obviously be it the styrenic chain or a few other chains that continue to be this is sort of rationalization or shuttering of capacity in China. What sort of assumptions are baked in with regards to that capacity in the supply demand analysis?

<u>Chris Pappas</u>
In our dotted line on Chart 11, we have two assumptions in there that are different than the solid one. One is the six month delay of the capacities. The other is that we have a small amount of closures. You can see it in our footnote on that chart that we assume 500kT of capacity closures in each of the years of 2020, 2021, 2022. That's the construct to some back plus the six-month delay that creates the dotted line from the solid line. So that's the assumption that's baked in relative to closures.

Now, it's hard to say whether there will be closures or not, but we know that these industries continue to look at rationalization, particularly in China, and we just made an assumption of what I just outlined.

<u>Hassan Ahmed</u>
Understood.

<u>Chris Pappas</u>
I think the main point on this is the solid line itself creates an environment of operating rates that looks like 2015 to 2017, where we had pretty healthy situation in styrene. The other key point is 2019 is the highest operating rate we've seen in a long time. And then the third point is in the period of 2020 to 2022, the potential for the dotted line to occur is out there driven by the two potential dynamics of delay and closures. I think that's the net, really, substance of that entire chart.

Hassan Ahmed
Got it. Got it. Very helpful. Now, as a follow-up, obviously a lot of puts and takes around the whole sort of China tariff side of things. A couple of products that you guys produce, be it polycarbonate and the like, are included in the initial list as well. And I would just love to hear your thoughts about, in a draconian scenario, if these tariffs would go through how that would impact your business.

Chris Pappas
Well, I don't think our views changed on that at all from the last call where we gave – we had the numbers then, the proposed tariffs, if you will, on styrene. And we gave our view on that call, nothing has changed. The numbers haven't changed, nor has our view changed.

So, I think until they're finalized, and until the final numbers come out, we would just be exactly where we were a couple of months ago. We don't see a substantial change from that. Now, there's delegations there now. They're not there specifically frankly to talk a lot about chemicals, in my view. But we'll have to see how all of the relationships work out here in this trade dynamic that the globe is involved in. I'm actually a little more positive about that macro dynamic – macro trade dynamic - than I was a little while ago. And in polycarbonate, by the way, we don't export. So remember we're a net purchaser of polycarbonate. We only have one plant. We make it in Europe, and we use it 100% in Europe, or sell in Europe, otherwise we're a buyer of polycarbonate. So we would not be directly affected by anything in polycarbonate.

Hassan Ahmed
Understood. Thanks so much, Chris.

Operator
Thank you. And your next question comes from the line of Vincent Andrews with Morgan Stanley. Your line is open.

Vincent Andrews, Morgan Stanley & Co.
Thanks, and good morning, everyone. I'm just wondering if you can just walk us through the free cash flow dynamics for the year. Obviously, you had a big build in working capital in the first quarter on volume ahead of your planned downtime, but how should that shape out in the back half of the year? And is your free cash flow expectation – I can't tell from looking at the two slide decks this quarter and the last quarter - are you higher or lower given the guidance range in the working capital built.

Barry J. Niziolek
This is Barry. From a prior quarter and prior call, we're about on track. A couple of things to add is like, if you look at the recovery, we had the outflow in the first quarter that we mentioned in part because of one, pricing dynamics, and two, because of the builds in anticipation of

maintenance shutdown. As you look at it, probably pretty close to – we expect to recover fair amount of that in the second quarter as we come back on – use the inventory as we're bringing our plants back up. And then from there, you see a more radical recovery over the third and fourth quarter.

Vincent Andrews
Okay. And then just as a follow up. Chris, any thoughts on sort of the overall strategy in terms of M&A, bolt-on, or just sort of how you're thinking about managing the variety of commodity, and sort of more specialty products within the portfolio?

Chris Pappas
Vincent, we haven't really, I wouldn't say, change our view on this at all. When we started the company and went public, we really thought about three primary vectors, if you will, to enhance shareholder value.

One was the view that the capacity utilization operating rates of styrene would be constructive, and that would drive a certain amount of value into the company, and we expected that to extend itself for a period of time, and we obviously still have that view. Second, we had a view that we could grow the other portions of the company, synthetic rubber, latex, performance plastics. We still have that view. We have $100 million of EBITDA growth target that we're still on track for. And three, smart use of cash, and that includes both return to shareholders, which we've been doing through both dividend, rising dividend and share buybacks and a balanced approach to investing in the company.

M&A at the moment for the company, I would put more on the back burner certainly of any type. It's just hard to do it in this market environment, especially given our multiple, which I think is low for what it should be, but our multiple valuations, etcetera. So I think you ought to be thinking about us leveraging those same things. We think styrene is going to continue to be constructive. We believe we're going to deliver our $100 million growth target, and we believe we're going to be smart at managing our cash around dividend and share buybacks, with a lower emphasis on M&A.

Vincent Andrews
Okay. Thanks very much.

Operator
Thank you. And your next question comes from the line of Duffy Fischer with Barclays. Your line is open.

Michael Leithead, Barclays
Hey, guys. This is Mike Leithead on for Duffy this morning. You've mentioned polycarbonate strength I think a couple of times on the slide. Can you just update us on how you're seeing this

market kind of developing today and how, if at all, that changes how you're thinking about this business through this year and into next?

Chris Pappas

Well, polycarbonate has been on a rising trend in terms of margin. It's continued in the early part of this year. We think it's probably going to be more or less the same through the balance of the year. There is limited polycarbonate capacity coming in the forward period of 2019, 2020, 2021. So we think that's a constructive dynamic. We're a very small player in polycarbonate. We have one plant. And if your question is because polycarbonate looks good, is that a place you would be interested in investing? The answer is no.

Our strategy in polycarbonate is to continue to move our polycarbonate polymer as much as we can into our differentiated compounds and blends business. And as we do that, we will be less of a participant in the merchant market, and that is not an arena, polycarbonate, where we would look to deploy capital for growth.

Michael Leithead

Makes sense. And then I guess, circling back on the free cash flow, your guide for this year is about $330 million, and if we extrapolate kind of what you did in Q1, you're on pace to spend about $65 million on dividends, and about $100 million on buybacks. So, I mean, how should we think about the other half of use for that free cash flow? It sounds like M&A is not looking attractive today, and your valuation you described as cheap. So, I mean, could there be more aggressiveness on the buybacks as we get through the year?

Chris Pappas

We targeted $100 million; we did $24 million. We'll have to see how the year progresses on buybacks. We have recently challenged our business leaders to look hard at additional growth. We think one of the highest returns for our cash, are high return organic growth projects. So, we're going to give that a little bit of a chance, a little bit of time to develop. If we accrete cash in the intervening time, I don't think that's a bad thing for the company. And if we can get to a spot as we work through the year with additional organic growth that we can put into place for late in 2019 into 2020, I think that would be a good use of cash for the company. So, at this stage, that would be the direction we'd be thinking about.

Michael Leithead

Great. Thanks, Chris.

Operator

Thank you. And your next question comes from the line of Matthew Blair, with Tudor, Pickering, Holt. Your line is open.

Matthew Blair, Tudor, Pickering, Holt & Co.
Hey. Good morning, everyone. Just one turn back to the demand outlook on slide 11. It's showing 2.3%. Past couple of years have been better, right around like 2.8%, 2.9%. So, just want to get a sense, is that just a conservative number that that you're putting out going forward, or did you see something in the past couple of years that spiked up demand? Any thoughts there would be great.

Chris Pappas
Conservative number. When we put these together, we worked very hard with the consultants we hired, our own people, and I felt and Barry felt, look, the industry analysts are actually using more like 2.5%. We do have a historic couple of years at 2.5% to 3.0% as you mentioned. But for the purposes of this forecast, let's put 2.3% in, and if it turns out to be higher than that, that's terrific. That's to the upside. So, that was about as deeply as we thought about it. When we put these forecasts forward, we'd like you guys to look at them and say, hey management took a reasonable approach. That's fundamentally the way we'd like you to think about us. Not an aggressive approach in any direction or another, but a reasonable approach.

Matthew Blair
Okay. Great. And then have you also looked at the – any sort of upcoming capacity growth in styrene derivatives, just with the thinking that Trinseo is fairly well integrated on its styrene, right? I think Americas Styrenics is perhaps a little net long styrene. But in Europe and Asia, I think you're pretty well integrated. So do you still – do you see the same kind of 2.5% to 3% capacity growth in areas like polystyrene, and ABS, SAN, some of those derivatives too?

Chris Pappas
We do. However, our investment priorities there, I think, are pretty clear. We're not going to be building polystyrene. Our investment in styrenic polymers, or styrene in the downstream polymers has been, of course, S-SBR; in some way in China, SB latex; and recently in China, ABS. And those would continue to be the things we would look at for our polymer growth agenda, Matthew, not polystyrene.

Matthew Blair
Great, thank you.

Operator
Thank you. And your next question comes from the line of P.J. Juvekar with Citi. Your line is open.

Eric B. Petrie, Citigroup
Hi. Good morning. This is Eric Petrie on for P.J.

Chris Pappas
Eric, how are you doing?

Eric Petrie
Good, Chris. I was wondering within your study on styrene market, were you able to determine how much capacity in China was integrated, versus non-integrated? What's the average utilization difference, and then how much of that capacity is operating at breakeven or negative cash cost?

Chris Pappas
I think we got that question. We're straining here to clearly hear your phone line. But I think your question is the integrated and nonintegrated China in general. So the operating rates to those facilities have been historically 50% to 60%. I think in the most recent period, we would peg them as maybe in the high end of that range. I'm looking at Dave, in the recent period, so in the last several months. The amount of China capacity today that is not integrated has not changed much. It's going to change a little bit in the future, if we look at slide 11. But even if you go out to 2022, there will still be a significant portion of the Chinese capacity that is nonintegrated. Today, it's on the order of about a third. So you just would have to do the math to work forward. My guess is it's going to drop to maybe a quarter, if those capacities get built in China as outlined on 11. So the integrated will go up, the nonintegrated will come down, but the nonintegrated in China will still be 25 or so percent at the end of this building period that's described on page 11.

Eric Petrie
Okay. And then, specifically to the economics of the integrated and nonintegrated, are they operating profitably or unprofitably?

Chris Pappas
Well, the integrated facilities that are in China and/or proposed, would, in our view, generally be more profitable. And the nonintegrated are at the high end of the cost curve which makes them, by definition, less profitable. And it just depends on the month, and the local margins, and so on. What we do know is that right now, the inventories in China for styrene are actually quite low. The numbers just came out last week, and they're 30 – below 40. So that's the lowest they've been in a long time. They came down from I think 75 to 40. So that would suggest there's not a lot of production going on there, at least in the prior 90 days or so, or not a high amount of production, which would suggest profitability is not great. So that's about the only data we can give you, okay?

Eric Petrie
Thank you. And lastly the $100 million growth targets. You have $48 million remaining to do in 2019. Is that going to be out from existing growth investments or will you have to do a couple more bolt-on deals?

Chris Pappas
It's really $40 million because we have $52 million, but we have a negative $8 million timing. So we're really at about $60 million net of timing. And the answer to your question is, it will be delivered from existing committed projects, notably the ABS facility which is ramping up in China, and the S-SBR facility which is ramping up in Germany. Those two are the main drivers of delivering that final quantum in 2019.

And if you recall from Investor Day, we outlined that $100 million as $75 million from committed projects and $25 million from activities to be determined. And in the intervening time between Investor Day of November 2016, and today, we've done one acquisition and a couple of small projects, and we've communicated that the $25 million that we had not defined at the time of the Investor Day, we have largely covered through the acquisition and other small projects, not completely, but largely covered.

So that gives you a sense of, I think, exactly where we stand. And we have the $60 million number. Remember, the $60 million includes polycarbonate uplift, and we have 40 more to deliver on that basis in 2019.

Eric Petrie
Thank you, Chris.

Operator
And there are no further questions at this time. Trinseo would like to thank everyone for joining today. And this concludes today's conference call and you may now disconnect.