Trinseo Second Quarter 2018 Financial Results Conference Call Transcript
August 3, 2018

Operator

Good morning ladies and gentlemen, and welcome to the Trinseo second 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 Dave, and welcome to Trinseo's second quarter 2018 financial results conference call. I would like to highlight a few key points on our financial results and strategic initiatives.

We recently published our eighth annual Sustainability and Corporate Social Responsibility Report, which showcases how Trinseo is meeting or exceeding the highest standards of safety and environmental performance, and developing innovative solutions that benefit our world. This report is significant because we began the adoption of the Global Reporting Initiative framework; GRI is a leading independent organization that provides a common language and framework for public sustainability reporting.

Every year since our first report in 2011, we have achieved reductions in waste, water consumption, electricity use, as well as total chemical, volatile organic chemical, greenhouse gas, and nitrogen oxide emissions, just to name a few.

We continue our work to reduce Trinseo's environmental footprint, while developing new innovative solutions that enable our customers to create more sustainable products by reducing energy use, preserving health, enhancing safety, improving durability, and conserving natural resources. We are very proud of these accomplishments as they demonstrate the company's commitment to sustainability.

Now turning to the business results, we started the year with record profitability in the first quarter, and we finished the first half with strong second quarter results that were in line with guidance - net income of $98 million and Adjusted EBITDA of $170 million. These results included a pre-tax $10 million favorable net timing impact. Higher than expected styrene margins during the quarter were offset by production issues at Americas Styrenics, which have since been resolved, as well as higher than expected impacts from our planned maintenance event in Performance Plastics. In total, this maintenance impacted the second quarter of about $10 million, which was a little more than we expected.

In addition, we had EPS of $2.24 and Adjusted EPS of $2.40 as overall business fundamentals continue to be positive. Cash generation was very also strong during the quarter, with cash from operations of $142 million and Free Cash Flow of $113 million, and we utilized $37 million of cash to repurchase nearly 500 thousand shares.

We continue to make progress toward our growth target in Latex Binders, Synthetic Rubber, and Performance Plastics, which includes growth in polycarbonate.

Recall that at our Investor Day in November 2016, we outlined a $100 million growth target from 2016 to 2019 for these businesses. This target was made up of $75 million from organic projects and $25 million from other projects, primarily M&A. We currently expect to achieve approximately $90 million of Adjusted EBITDA growth across these segments – the $75 million target from organic projects and approximately half of the $25 million target from executed M&A.

Now, I would like to discuss third quarter and full year 2018 guidance. For the third quarter we expect net income of between $88 million and $96 million, Adjusted EBITDA of between $150 million and $160 million, and diluted and Adjusted EPS of $2.00 to $2.19. This outlook assumes minimal net timing impacts, and includes no potential favorability from unplanned styrene outages. This third quarter outlook is sequentially lower than the second quarter due to seasonality, softer than expected tire demand, as well lower styrene margins as more supply comes back online after a period of planned and unplanned outages. However, we do sequentially higher Adjusted EBITDA in Performance Plastics after the second quarter planned maintenance.

Moving to full year 2018, we are affirming our full year guidance and expect net income of between $393 and $410 million, Adjusted EBITDA of between $665 and $685 million, diluted EPS of $8.95 to $9.32, and Adjusted EPS of $9.15 to $9.52. This outlook assumes a minimal impact from net timing and no impact from unplanned styrene outages beyond the approximately $20 million impact from the first half of the year.

For full year 2018 cash generation, we are currently forecasting $450 million of cash from operations and $300 million of Free Cash Flow. This assumes $150 million for capital expenditures, $95 million for cash taxes, and $50 million for cash interest for the year. It also includes some working capital increase for our growth projects as well as about $25 million of cash expense related to the business services transition that we discussed on the first quarter call.

Now, I'd like to make a few comments to give you an indication of how we see the key drivers for our 2019 expectations. Overall, we see continued healthy business conditions around the world driven by good economic growth. In addition, our team continues to focus on solving our key customer needs with innovative polymer solutions. This is true across our product lines, including SSBR for high performance tires, Latex Binders for adhesives, construction, and flooring applications, as well as various engineered plastics for automotive light-weighting, appliances, consumer electronics and medical solutions.

We see limited new capacity over the next year, leading to similar or slightly higher operating rates across our businesses.

This outlook results in the following expectations for 2019:
One, as previously mentioned, we expect to achieve approximately $90 million of growth across the Latex Binders, Synthetic Rubber, and Performance Plastics segments from 2016 to 2019 with $30 million of this included in our 2018 guidance. From this full year 2018 outlook, we expect the additional $60 million of growth from 2018 to 2019 will be comprised of approximately $10 million in Latex Binders, at least $20 million in Synthetic Rubber, and about $30 million in Performance Plastics.

Two, for Feedstocks, we see a slightly higher operating rate environment that should yield another strong year, slightly above 2018 excluding the approximately $20 million of unplanned outages we have experienced so far this year.

Recall, while we don't include the impact of unplanned outages in our guidance, we have had EBITDA lift from unplanned outages in each of the last four years.

Three, in Polystyrene and Americas Styrenics, we expect another steady year with results similar to 2018 in both of these businesses.

So in aggregate we see 2019 as a continuation of the EBITDA and EPS growth and strong cash flow performance that Trinseo has delivered from 2015 through 2018.

Before turning to Q&A, I want to say a word on the current trade environment. First, this arena is clearly in a state of flux and it's difficult to predict where these trade dynamics will finally end. But – for Trinseo, we see no material impact on our business from the tariff activity that is currently being implemented or proposed by the United States and China.

As Q2 ended and Q3 started, we have noticed some reluctance by customers to purchase normal volumes as they await the outcome on the trade situation. This means we have seen some inventory destocking which we believe will be a temporary and short-lived issue.

In closing, I want to reiterate a few key points.
First, we had an excellent first half of 2018 and are affirming our full year guidance including net income at a midpoint of $402 million and an Adjusted EBITDA at a midpoint of $675 million, which assumes a minimal net timing impact for the year.

Second, we are increasing our full year 2018 Diluted EPS and Adjusted EPS guidance, each with a new midpoint of $9.14 and $9.34 respectively.

Third, we are on track to deliver $90 million of Adjusted EBITDA growth from 2016 to 2019 across our Latex Binders, Synthetic Rubber and Performance Plastics segments, a significant lift in these differentiated product-based businesses.

Fourth, for 2019 we are expecting another year of growth in profitability, as well as continued strong cash flow driven by our growth initiatives as well as continued healthy operating rates.

Finally, we continue to focus our capital deployment on our differentiated products growth and returning cash to shareholders via dividends and share repurchases. Since we went public in June of 2014, we have returned $365 million to shareholders.

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

LIVE QUESTION AND ANSWER SECTION

Operator

Thank you. As a reminder if you would like to ask a question please press star followed by the number One on your telephone keypad.

Your first question comes from David Begleiter from Deutsche Bank. Please go ahead.

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

Thank you. Good morning.

Chris Pappas

Hey, David.

David Begleiter

Chris just on Rubber, can you give us a little more color on the weaknesses you're seeing in the tire market as well as the slower-than-expected ramp in that new S-SBR capacity?

Chris Pappas

Sure. First of all, we are still growing very nicely in S-SBR. We're up about 6% year-over-year in volume. We were expecting a little bit higher growth than that through this mid-year and through the end of the year, but it's becoming a little bit clearer to us that both in the OEM and replacement tire market, there is some amount of slowdown in the tire market. That's been communicated by the tire producers. And while the growth rates are still positive, they're a little bit lower than they have been historically, and that's true across both what we call high-performance tires and standard tires.

Now, as you know, David, we participate in high-performance tires with our S-SBR, but we also participate in standard tires with our E-SBR. So as the tire market slows down, we would see, and do see, some effect on our Rubber business on both S-SBR and E-SBR. It's not dramatic; it is a subtle change, but we do want to indicate that we see that slowing down slightly as the tire companies have generally mentioned in their commentary recently as well.

David Begleiter

And, Chris, just on the Performance Plastics outlook for next year, nice growth even excluding the $10 million of maintenance outages this year. Maybe a little more color on that organic growth you're seeing in 2019 from Performance Plastics?

Chris Pappas

Well, as you know, David, we have the ABS facility in China that has started up towards the end of last year. That's a great source of growth for us in Performance Plastics, but we're seeing general growth in the market that we're in. We had a very nice year-over-year lift, or a sequential lift in volume in that business. Generally, we see strong growth conditions in plastic substitution and automotive still for light-weighting, medical – all of the segments we're in; consumer electronics, appliances, et cetera, are still looking for good solutions out of engineered materials, engineered plastics. So, across the board, we see good market dynamics. We also have an ABS facility that's ramping up, and we have additional compound and capacity to address the general growth in the market.

David Begleiter

Thank you very much.

Operator

Your next question comes from the line of Hassan Ahmed from Alembic Global. Please go ahead.

Hassan I. Ahmed, Alembic Global Advisors LLC

Good morning, Chris.

Chris Pappas

Hey, Hassan.

Hassan Ahmed

Chris, I just wanted to revisit some of the trade comments you made. You said that you're sort of seeing, maybe potentially, some customers sort of holding back currently from buying certain products to figure out how sort of things shape up. But through the course of this quarter, leading up to the implementation of these sanctions, did you guys notice any sort of pre-buying activity at all?

Chris Pappas

We noticed pre-buying, I think, Hassan, more from whatever the normal feedstock dynamics were driven by, not by trade. We are noticing, at the end of the quarter to beginning of the quarter, the comment I made about customers being a little bit reluctant. Remember for us on trade for Trinseo, we are a regional producer of polymers, and we really don't move our polymers outside of a region at all, with the exception of Rubber where we do make in Europe and we sell around the world with our rubber products.

So, as a general rule for our polymers, we make and sell locally. So, those trade dynamics for us are not impactful. And even as you look to the downstream nature of our business, downstream being the products that we sell to; for example, refrigerators. It's that level of the business where people are trying to kind of figure out where things are going to land as they think about how much product to produce in a given region.

Now for us as that gets sorted out; let's use refrigerators as an example. Again, remember we operate regionally. So, if there are less refrigerators produced in China and slightly more in the

United States, our polystyrene that goes into that refrigerator will be supplied by Americas Styrenics as compared to ourselves in China. I bring that example up, Hassan, because we've started to look at a number of segments like that and started to look at the economics – the math of how that could impact us. It turns out, in refrigerators, just to stick on that, we see only small, very low-value refrigerators coming out of China anyway. And so the effect on us that I just outlined would be de minimis.

And we've started to look at many of our segments that way and that's why we continue to make the statement that we just don't see a material impact on us. It has to do with the regional nature of what we do, both on polymer, and our ability to supply polymer regionally to the production of finished goods, whether they move from China to the U.S., U.S. to China or wherever. And that's why we believe it will have minimal impact on us.

Hassan Ahmed
Very helpful, Chris. Now, as a follow-up, along the product lines. One of your competitors within the sort of European polycarbonate domain reported some very good sort of Q2 volume growth numbers – 5%, 5.5% volume growth in Q2 year-on-year. So, I'm just trying to get a sense of whether you guys are seeing similar sort of demand/volume growth within polycarbonates as well? And going forward, what do you think a more sustainable demand growth number could be for that business?

Chris Pappas
Well, first of all, we're constructive on polycarbonate. So, we do see that business as having a healthy growth going forward. We've pegged it in the 4% range. Remember, we're a very small player on polycarbonate. We have one asset, that's it, in Europe in polycarbonate; about 150 kT. We're 13% of the European market and we really aren't in the North America or Asian markets. We're a very small player on polycarbonate. So, we're constructive on polycarbonate. We see the operating rates continuing to move in the right direction, which should be supportive of margin, and we do see higher demand for our polycarbonate. But our objective in polycarbonate is to move our product from selling neat polycarbonate, to selling compounded polycarbonate products.

And so our volume growth in polycarbonate will come from two directions. One is whatever we can sell that's neat and whatever we can sell that's compounded. But at the end of the day, we're generally sold out today with our one asset. So the shift for us will be on driving into compounded products where we can make more margin, not so much volume.

Hassan Ahmed
Understood. Understood. Very helpful, Chris. Thank you so much.

Chris Pappas
You're welcome.

Operator
Your next question comes from the line of Laurence Alexander from Jefferies. Please go ahead.

Laurence Alexander, Analyst, Jefferies LLC
Hi, there. Just a couple of questions. First, just to clarify your comments, so you're basically pointing towards an organic tailwind of about $60 million in 2019, is that correct?

Chris Pappas
That's correct.

Laurence Alexander
Okay. And then can you sort of give us a little bit of a longer-term perspective on two things. One is, as the – just to stick on the refrigerator example, as the Chinese move up the quality scale, and as they are doing more high-end fridges there, will a high-end fridge there have the same economic benefit to Trinseo, or does flowing it through to capturing the value in the JV structure somehow change the amount that you capture? Can you just give us a sense to that sensitivity? But also how are you thinking about the longer-term deployment of cash between organic growth projects and capital returns after the end of this investment cycle?

Chris Pappas
Okay. I'll take the first part, and Barry will take the capital allocation question, Laurence. So, I used refrigerators just as one example. Let me assure you that our EBITDA exposure to the refrigerator business is really de minimis. It was just an example of how that dynamic can work. It's hard for me to tell whether China will become, and they make some very good high-end refrigerators today, don't get me wrong. I brought it up because it turns out that their export market for refrigerators today is contained to very small under-counter kind of refrigerators, $150 units. It doesn't mean they aren't making high quality, higher end, those just aren't exported to the U.S. They might be going to Europe, they may be used in country, et cetera so they're already in that business.

So it's hard for me to tell how that will impact specifically over time. The point, for us, on trade continues to be we operate regionally. We have regional polymer production, very little export of polymer and we have the ability to shift our focus from selling customers in China, to the U.S., to Europe and vice versa as the trade dynamics dictate. My personal view is the trade dynamics are going to sell out a lot less severe than the current rhetoric, but we'll have to wait and see. But that's my personal view on the trade dynamics. But having said that, the regional dynamic I outlined is really the important point for now.

And on capital allocation deployment, Barry?

Barry Niziolek
Regarding the capital allocation, we continue to be balanced between investing for growth and returning cash to shareholders. I guess you heard Chris say in the second quarter, we've repurchased about 500,000 shares of $37 million. That brings the year returned to shareholders through share repurchase and dividends, year-to-date up to $93 million. So we continue to invest organically for growth in Synthetic Rubber, Latex Binders, and Performance Plastics, and we're going to continue to look for M&A – right deal at the right price. Now we've said that we would be disciplined and thoughtful in the M&A area, and continue to do so. In particular, this is why we gave an indication of 2019, as these deals do take time.

Chris Pappas
And on the next cycle, Laurence, of organic growth. As we said on the last call, we did challenge our businesses to assess and come up with a next phase of organic growth beyond what we have committed to through 2019. And I suspect we'll have more to say about that perhaps in November and thereafter, as those plans become more reality versus ideas. We have some very good ideas that they've come up. We'll have more to say about that, as I said, in November and beyond, which would address, I think, your question of beyond 2019 organic growth. But it clearly is on our mind and is part of our capital allocation program.

Laurence Alexander
Perfect. Thanks.

Operator
Your next question comes from the line of Vincent Andrews from Morgan Stanley.

Vincent Stephen Andrews, Analyst, Morgan Stanley & Co. LLC
Thank you. Good morning, everyone. Thank you. You mentioned in the release or the slides that there were some elevated logistics costs in the quarter. Is that something that's sort of one-time in nature, is it related to fuel costs or what have you, or how should we be thinking about that going forward?

Chris Pappas
Yeah. Well, that's really contained to a short-term. So the answer is one-time, short-term. Look, we have the ability to react to logistics, especially in a relatively strong operating condition in the market and good technology for good product offerings to our customers. But when there are rapid changes in those things, it can create a short-term dislocation, and that's the way we describe that.

Vincent Stephen Andrews
Okay. And then maybe just to follow-up on the capital allocation. Can you remind us, one, sort of what that minimum level of cash is that you want to have on hand, because you are still building cash and obviously you've got growth next year and so there's going to be more cash

coming, and how are you – sort of a year later, how are you thinking about the trade-off between your own shares and filling out the portfolio, and then even more broadly-speaking, how are you thinking about the portfolio itself, keeping it together with the commodity pieces and the specialty pieces in the same house?

Barry Niziolek
Yeah. I guess that comes back to the capital allocation question again and I'll just repeat this. A minimal level that we'd like to keep from a cash standpoint is probably about around a $200 million range. As we've said in the past, we still see that being consistent. I think, as Chris mentioned, as we just spoke – as we look at that next cycle of growth to grow organically, we've challenged the businesses to come forth with additional organic projects and we're going to continue to push in that area. More to come as we go later in the year. We'll work in that area.

But then again, I just want to come back is we also said that we'll continue to look at M&A. We said we'd be disciplined, we'd be thoughtful, and it takes more time for that to come forward to fruition.

Vincent Stephen Andrews
Yeah. I guess my question is just sort of – is there a limit on your patience at some point where you just decide, the hell with it, we can't find anything that's more attractive than our own stock, and if your stock is still sideways in November or next year. Do you look to get more aggressive or is that not something being thought about, you're very focused on organic?

Barry Niziolek
Again, I think it's staying balanced. If you look at what we've done in the first half of this year, combined share repurchase and dividend is about $93 million. And also if there's a dip in the stock price, we'll look to – there'll be some opportunistic additional repurchases.

Chris Pappas
As there was in the second quarter, Vincent, so we really don't look at is there a line in the sand where we have an immediate reaction one way or the other. That's not the way the management team thinks about the business. We think about a continuum but we don’t like the valuation of the company. We think it's very low. If you look at the numbers we've described for 2019, you can conclude a pretty low multiple of the company, whether it's EBITDA at 5.3 or EPS at 7.0. But I think performance will take care of that, and we'll continue to assess it, is all I can say about that.

Vincent Stephen Andrews
Okay, fair enough, thank you.

Operator
Your next question comes from the line of Bob Koort from Goldman Sachs. Please go ahead.

Dylan Campbell, Goldman Sachs & Co. LLC
Good morning. This is Dylan Campbell on for Bob.

Chris Pappas
Hey, Dylan.

Dylan Campbell, Goldman Sachs & Co. LLC
A quick clarification question on Performance Plastics with the planned maintenance, unfavorable $10 million impact on the quarter. Was that factored into your prior guidance? And I guess the reason that it seemed – you labeled as planned and not unplanned is kind of why I'm asking.

Chris Pappas
We did factor in a planned, large maintenance outage in that business. The actual amount of maintenance costs that we incurred was higher than what was planned by about $3 million. In addition to that, we had some challenges in that business in Q2 on raw material, logistics, and other costs that we were unable to pass through in a short period of time. And it was that combination, Dylan, which led to the aggregate of the shortfall in that business. And we have said that in the third quarter, we expect that business to come back to its prior level, both as a function of no maintenance outage and an improved environment for capturing price.

Dylan Campbell
Got it. Makes sense. And on the timing impacts for the quarter for the entire business, can you provide a little bit more color, whether this was a reverse or the negative impact in the first quarter or kind of should we – kind of look to the second half of the year reversing the positive impact we saw in the second quarter?

Barry Niziolek
I think we've said overall for the total year, the impact is expected to be nil.

Chris Pappas
Through six months, it's nil, and we said nil for the year – minimal for the year.

Dylan Campbell
Got it. Thank you.

Chris Pappas
Let me just say one other thing, Dylan. I think if I would encourage you and others to – while timing, as I've said many times, can be an important factor in our company, I would sure hope

that the way you guys would think about the company at a guide of $675 million midpoint for EBITDA for this year, with the words minimal timing. I would certainly expect not a lot of effort to try and understand whether there's $5 million or $7 million of timing either way, that's going to happen to this company. It's not a predictable amount. It's not a material amount. It's not at all instructive or important to the valuation of the company, and we're trying to move the agenda away from that and more towards, hey, we're growing by $60 million of EBITDA on performance-related products next year, we see strong operating rates next year. We see rising EBITDA, rising EPS, strong cash flow. We're returning cash to shareholders, we're looking for additional avenues to growth and I think that's where the action for the company is around real valuation and real trend line growth in both profitability and equity.

Dylan Campbell
Makes sense. Thank you.

Operator
Your next question comes from the line of Matthew Blair from Tudor, Pickering, Holt. Please go ahead.

Matthew Blair, Tudor, Pickering, Holt & Co. Securities, Inc.
Hey. Good morning, Chris and Barry.

Chris Pappas
Hi, Matthew.

Barry Niziolek
Good morning.

Matthew Blair
So with the M&A contribution coming in lower than expected, would you say the issue has been more around a lack of a deal flow or more around valuation levels? And overall, would you say the M&A landscape is better or worse than, say, six months ago?

Chris Pappas
I think valuation is probably the answer in short-terms, Matthew. It's – valuations are kind of high. We've looked for very good fit. We have been extremely disciplined in this arena. We're going to continue to be. We have to have good strategic fit. It has to have a good synergies, good value. And, in today's environment, that has not been easy to come across. And that's why we have also redoubled our look at organic growth, as mentioned earlier. So, tough environment for value is the short answer and less great fit, high synergy, so that would change the equation if we could find that.

Matthew Blair
Got it. And then since the start of the year, we've seen this disconnect between benzene and crude prices – benzene down in Europe, in U.S.; crude up. Normally, there's a pretty decent correlation here, but do you expect benzene to catch up eventually and does that present a risk to your styrene margins or is there may be a structural disconnect that's going on here?

Chris Pappas
I don't think it's structural, but I also don't always agree that there's a good correlation. We've studied this a lot and benzene can move away from oil either way quite frequently, usually for maybe a short period of time. But it is its own commodity and its own market. So I'm not surprised at all to see dislocations either way in benzene. We've seen it many times relative to oil.

Can we push through benzene if it moves the other way? Yes. If operating rates for styrene are high, which they are, and 2019 looks to be incrementally higher than this year, and therefore the highest operating rate around that we've seen for styrene around the world, in that environment, we can move benzene through and capture margin or maintain margin.
Just take a look at the August settlement, as an example. Benzene went down, styrene went up. That happens when operating rates are high on styrene. That allows that dynamic to occur, right? So it comes right back to operating rate is the fundamental answer on what happens to styrene in relationship to benzene.

Matthew Blair
Got it. Thank you.

Operator
Your next question comes from the line of Eric Petrie from Citi. Please go ahead.

Eric B. Petrie, Citigroup Global Markets, Inc.
Hi, good morning, Chris.

Chris Pappas
Hey, Eric. How are you?

Eric Petrie
I'm well, thanks. So there's a new Chinese styrene monomer plant starting up next week, roughly 3% of the country's capacity, 1% at global. I'm just wondering your thoughts on the impact there, and if you've seen any smaller plant shutdowns in China to date?

Chris Pappas
Our data and knowledge suggests that there is a Chinese plant starting up in short order, but it's about 260 kT of unintegrated capacity. I think the plant you're referencing is in a later timeframe. Yeah, in Q3, I think it's next year, or later this year – sorry, in Q3. So, what affect those combinations will have on closures, shutdowns is unclear. There's a lot of pressure in China across a lot of industries as you know on not only just economics, but environmental concerns, et cetera. We'll have to wait until we see how it plays out. We've laid out our styrene supply demand dynamic pretty clearly, and it does not call for a change in the operating rate for styrene monomer globally through the course of next year, and we have seen strong derivative demand in China on top of that, so our story is the same as it's been; relatively strong styrene monomer operating rates, in fact, rising slightly in 2019 and then coming down in 2020 and 2021, but not dramatically if, in fact, the new capacities get built and started up on time, et cetera.

Eric Petrie
Okay. In Performance Materials, how confident are you in achieving that remaining bridge of the $10 million to $100 million growth over 2016 levels, whether it be from organic projects or M&A?

Chris Pappas
Well, we're pressing hard on it, but I'll kind of repeat what I maybe said a little bit earlier on timing. I don't think it matters materially to the company. The company is committed to growing its performance-related products – Rubber, Latex Binders, and Performance Plastics. We outlined how we're going to get to the $90 million. It's consistent with what we said during our Investor Day. We had offered at Investor Day that we might have additional M&A to get all the way to $100 million. We don't see that today, M&A, because of the way I commented earlier, so we're changing the number to $90 million, reflective of the precision we see today as compared to what we hypothesized in November 2016.

In my calculations on a low $700 million EBITDA business, that number is not material and I wouldn't be focused on it. I'd be focused on what I said earlier – the company's continued growth in EBITDA, EPS, strong cash, excellent growth prospects, good operating rates, and an extraordinary low multiple. I think those are the issues at hand.

Operator
Thank you. There are no further questions at this time. This concludes today's call and you may now disconnect.