



Q2 Results

Eastman reported Q2 EPS of \$1.92, up 7%, and \$0.08 or 4% above consensus of \$1.84. A lower than expected tax rate added \$0.01. The upside was driven by stronger than expected results in Adhesives & Plasticizers and SFI. Sales rose 1% on flat volumes and price while FX added 1%. EBIT fell 3% to \$441MM while margins compressed 70bps YoY (+130 QoQ) to 17.9% amid higher propane costs. Eastman reaffirmed '14 EPS guidance of \$6.70-\$7.00, up 4-9% YoY (consensus: \$6.93).

Additives & Functional Products sales rose 5% on 4% higher volumes on improved coatings demand (building and construction, transportation). EBIT fell 2% to \$103MM (cons: \$104MM) while margins compressed 160 bps to 22.8% on higher propane prices.

Adhesives & Plasticizers sales rose 6% on 9% higher volumes partially offset by 4% lower price. EBIT rose 12% to \$56MM (cons: \$45MM) as adhesive demand appears to have turned the corner following last year's sharp declines and a shift towards Eastman's non-phthalate plasticizers owing to substitution away from phthalate plasticizers. Margins expanded 90 bps to 15.6%.

Advanced Materials sales rose 1% on flat volumes and price while FX added 1%. EBIT fell 1% to \$80MM (cons: \$87MM) as margins compressed 30 bps to 12.7% owing to the impact of the Kingsport outage.

Fibers sales rose 6% on 4% higher price and 2% higher volume. EBIT climbed 6% to \$123MM (cons: \$126MM) while margins compressed 10 bps to 31.9%.

Specialty Fluids & Intermediates sales fell 6% on 8% lower volume due to the Kingsport outage partially offset by 2% higher price. EBIT fell 19% to \$96MM (cons: \$81MM) and margins compressed 220 bps to 15.2% on higher propane costs and the effects from the Kingsport outage.

Figure 3: Q2 '14 segment sales % change (YoY)

	Volume	Price	FX	Total
Additives & Functional Products	4%	–	1%	5%
Adhesives & Plasticizers	9%	(4%)	1%	6%
Advanced Materials	–	–	1%	1%
Fibers	2%	4%	–	6%
Specialty Fluids & Intermediates	(8%)	2%	–	(6%)
Total	–	–	1%	1%

Source: Eastman