HUNTSMAN
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Huntsman Corporation (NYSE – HUN)
Fourth Quarter 2024 Prepared Comments
February 17, 2025

On February 18, 2025, at 10:00 a.m. ET, Peter Huntsman, Chairman, President and CEO, and Phil Lister, Executive Vice President and CFO, will host a public question-and-answer session with analysts accessible on our website or by telephone as detailed in our fourth quarter 2024 financial results news release. These are their prepared remarks to accompany our results. They should be read together with the fourth quarter 2024 financial results news release and the slides detailing our fourth quarter 2024 financial results, both of which were publicly issued and posted on our website (www.huntsman.com/investors) on February 17, 2025.

This document, the accompanying slides, and the call/webcast include certain forward-looking statements about our projections or expectations for the future. All such statements are forward-looking statements and, while they reflect our current expectations, they involve risks and uncertainties and are not guarantees of future performance. You should review our filings with the SEC for more information regarding factors that could cause actual results to differ materially from these projections or expectations. We do not plan on publicly updating or revising any forward-looking statements during the quarter.

We also refer to certain non-GAAP financial measures such as adjusted EBITDA, adjusted net income or loss and free cash flow. You can find reconciliations to the most directly comparable GAAP financial measures in our earnings release which has been posted to our website at www.huntsman.com/investors.

Slide 4: Overview

Huntsman reported fourth quarter 2024 revenues of $1.5 billion and adjusted EBITDA of $71 million. Fourth quarter net loss attributable to Huntsman was $141 million and operating cash flow from continuing operations was $159 million.

Slide 5: Polyurethanes

Adjusted EBITDA for our **Polyurethanes** division in the fourth quarter was $50 million. Our sales volumes improved by 9% in the quarter year-over-year. For the full year 2024 volumes increased 8% compared to the prior year. The volume improvement for the full year was primarily due to favorable comparisons as well as share recovery in certain markets. The volume growth was most pronounced in the Americas during the quarter and the full year, primarily due to the lack of destocking the region experienced in the construction markets during most of 2023.

Despite the lack of pricing improvement associated with the increased volume, we believe the industry is now heading in the right direction and, as the key MDI markets continue to improve, as they did in 2024, we expect margins to eventually improve with additional volume growth.

Adjusted EBITDA in the fourth quarter improved versus the prior year on the back of higher volumes, higher average margins, and cost savings which were partially offset by lower equity earnings from our commodity PO/MTBE joint venture in China. Adjusted EBITDA margin in the quarter was 5%. While we view the year-over-year improvement positively, we consider margins to be well below mid-cycle average with significant upside anticipated once the industry cycle improves.

Our European volumes increased by low double digits year-over-year driven by positive demand trends in insulation products and adhesives and coatings. Despite the improved volumes, margins in Europe remain impacted by competitive pressure from both domestic producers and imports into the region. In addition to competitive pressures, costs in the region continue to cause substantial headwinds, with natural gas currently at about $15 per mmbtu, substantially above levels we saw through-out 2024 and multiples above U.S. natural gas prices and Chinese coal prices. We think returns in this region remain disappointing despite the recently completed cost reduction programs announced in 2022 and 2023. As a result, we are looking to reduce costs further as announced late last year. This will include the closure and consolidation of certain downstream assets with associated workforce reductions. And we continue to evaluate further opportunities to realign our asset and resource footprint to the realities of the European Polyurethanes market. We will be aggressive in getting the cost structure in this region to adapt to government policies and market realities.

It should also be noted that the once in every four-year Rotterdam cluster turnaround will occur in the first half of 2025 at our MDI facility. Upstream and downstream partners at the site also bring their operations down during this time period. We currently expect that our turnaround activities will begin in March and end in April. The adjusted EBITDA impact that will be spread over the first and second quarter will be in the range of $15 million to $20 million. As a reminder, while we are confident in our ability to complete our turnaround on budget and on time, we are at the mercy of the weakest link of multiple companies and facilities being able to restart on a timely basis.

Year-over-year volumes in Asia were relatively flat versus the prior period with higher sales into automotive, adhesives, and furniture offset by lower volumes into commodity polymeric MDI markets. Despite a mixed demand environment in China, average MDI prices were higher in the region. Recovery in China is being hindered by the knock-on effects from a weak residential construction market as well as the substantial capacity that has come on-line across many chemical and end markets over the past few years. While government stimulus has been discussed and some programs have been implemented, we have not seen a meaningful impact in our key markets from these programs to date. While we are profitable in the region, we still see margins as below cycle average, but improving, and we will remain focused on cost control, innovation in new markets, and taking advantage of momentum in pricing. Our PO/MTBE joint venture contributed $3 million during the fourth quarter. This was significantly below the prior year due to very low MTBE margins. And given that we expect lower MTBE margins in the first quarter compared to the fourth quarter, equity income will be below our fourth quarter result.

North America volume growth was the highest of the three regions in the fourth quarter. Regional sales volumes increased due to favorable comparisons resulting from the aggressive destocking we saw through much of 2023. Volumes increased 22% year-over-year due to a modest improvement in underlying demand, the absence of destocking, and some meaningful business wins. Pricing was relatively stable to slightly lower in the region compared to the third quarter, and margins declined slightly versus the prior year period. As a reminder, a significant portion, approximately 40%, of our Americas sales are sold under contracts containing price escalators to adjust for movement in key raw materials. Two-thirds of our Polyurethanes Americas portfolio is linked to construction, approximately 40% of which is currently commercial and approximately 60% is residential and approximately 75% of our residential exposure is directly related to new construction. As a result, the Americas is our most sensitive region to construction activity when compared to our other regions. While volumes in the region are improving, we are working to reduce fixed costs to improve profitability and the returns of some of our downstream businesses including spray insulation

Our global automotive business, which represents approximately 15% of the Polyurethanes portfolio by volume, grew slightly year-over-year in the fourth quarter. Higher volumes in our China and European automotive business were offset by weakness in our Americas business. We are expecting automotive production globally in 2025 to be similar to 2024 and our expectation is to see volumes slightly better than the industry. Our global elastomers platform represents approximately 10% of our Polyurethanes portfolio and we expect to continue to deliver solid profitability that is well above the business segment margin average.

As global construction and industrial markets recover, we expect our Polyurethanes business to return towards average cycle profitability, well above our current returns. And, as stated earlier, while we expect markets to recover, we are not sitting idly but are continuing to reduce costs across this business, and specifically in Europe, which has by far the lowest returns. While we expect the savings, we achieved over the past two years to continue providing us benefit going forward, we are constantly looking to do more.

First quarter demand is typically a lower volume quarter for Polyurethanes due to seasonality. As noted above the first half of 2025 will be impacted by the once in every four-year cluster turnaround at our Rotterdam facility as well as lower equity earnings from China. We expect Polyurethanes adjusted EBITDA for the first quarter to be in the range of $45 million to $60 million.

Slide 6: Performance Products

Our Performance Products division reported adjusted EBITDA of $23 million for the fourth quarter. Total sales volumes decreased 11% year-over-year driven primarily by an unplanned outage at our European maleic anhydride facility during the quarter. Excluding the outage, volumes would have declined 4%. The lower volumes were primarily in the construction and industrial markets, partially offset by modest growth in the fuel and lube and agriculture markets.

Average adjusted EBITDA margins for the full year for Performance Products were 14% and returns in the fourth quarter were well below mid cycle. We would expect margins to improve materially moving through 2025 as volumes increase in the segment's core markets. To improve these returns, we are continuing to focus on improving sales across our key strategic markets. Additionally, we will begin delivering on capital investments and, at the same time, control costs and aggressively reduce any discretionary spend. In areas where our returns are disappointing, specifically in Europe, our cost reduction efforts include assessing strategic options for our Moers, Germany, maleic anhydride facility. We expect to announce a decision on a path forward for Moers by the middle of this year.

We have completed the capital investment in our performance amines product line serving the semiconductor market and are now qualifying those products with our downstream electronic business customers. We anticipate that this project will deliver $5 to $7 million in incremental EBITDA in 2025 and a similar incremental amount in 2026. The polyurethane catalyst project is advancing towards completion, commissioning, and commercialization as well. This investment is expected to deliver $5 million in EBITDA in the second half of 2025 and another incremental $10 million in 2026. Due to continued weakness in some of the segments core markets, we expect the first quarter to show only modest improvement compared to the fourth quarter. Performance Products adjusted EBITDA for the first quarter is currently expected to be in the range of $25 million to $35 million.

Slide 7: Advanced Materials

Our **Advanced Materials** division reported adjusted EBITDA of $37 million in the quarter. Overall sales volumes increased 6% year-over-year, with improvements across most of the division's core markets, including power, infrastructure coatings and aerospace, which were partially offset by weaker volumes in automotive. The improved volumes and stable variable margins kept adjusted EBITDA margins at 15% in the quarter, the same as in Q4 of last year. For the full year, our Advanced Materials division delivered adjusted EBITDA margins of 17%.

Returns in our aerospace segment for the quarter were hampered by the continuing supply chain disruption from the Boeing strike, particularly in the adhesives part of our portfolio. The EBITDA impact was $3 million to $4 million. We would anticipate that there will be a lingering effect over the next couple of quarters until the supply chain fully recovers from the strike. As we move beyond the first half of 2025, however, we expect the OEM's to ramp up production of their wide body platforms and will see growth in our products used there. As we have indicated in prior calls, we continued to grow our interior adhesives line of products for both wide- and narrow-bodied aircraft in 2024 and will benefit from this growth in the coming years. As a reminder, narrow body passenger jet build rates recovered to their pre-Covid 2019 Pandemic levels in 2022. Wide body jets, our largest application, are not expected to exceed 2019 build rates until the end of 2026.

In addition to our positive long-term expectation in the aerospace segment, we are equally positive about underlying long-term fundamentals in our power segment. We expect sustained and growing investment into the power grid globally to meet the growing demand for power generation and increasing consumption. Power and Aerospace account for about 40% of divisional sales and the positive trends we've seen the past several quarters in these segments have been masked by substantial headwinds the division has faced in industrial sales that are linked to industrial production related activity around the world.

We expect demand trends in our industrial business to remain a headwind in the first quarter. Industrial activity in Europe and the United States especially has been contracting the last two years. Despite demand pressures, however, variable margins have remained stable across our end markets and we expect this to be the case looking forward. As a reminder, in contrast to our Polyurethanes and Performance Products divisions, our Advanced Materials division in Europe continues to deliver strong profitability with adjusted EBITDA margins in the high teens driven by power and aerospace.

Advanced Materials remains our primary focus for bolt-on acquisitions to expand the overall portfolio, drive innovation sales growth, and improve the overall returns of the business. We will also continue with low capital organic projects and R&D investments, such as our MIRALON® technology. That said, increasing returns through improved sales growth and cost discipline will be our near-term priority over any significant investments. We remain highly positive about the long-term prospects for Advanced Materials over the coming years.

For the fourth quarter we expect Advanced Materials adjusted EBITDA to be in the range of $40 million to $45 million.

Slide 8: Year-over-Year & Quarter-over-Quarter

Adjusted EBITDA for the fourth quarter was $71 million compared to $44 million in the fourth quarter of 2023 and $131 million in the third quarter of 2024. Revenues increased 3% compared to the prior year and declined 6% compared to the prior quarter. Adjusted EBITDA margin was 5%.

Volumes improved 5% year-on-year with growth in Polyurethanes and Advanced Materials more than offsetting a decline in Performance Products. Sequentially, volumes declined seasonally by approximately 5%. Year-on-year volumes were up 14% in North America, up 2% in Europe and flat in Asia. Sequentially, volumes were down approximately 5%, with a decline in each region. Automotive volumes, which represent approximately 15% of our portfolio, decreased 1% year-on-year and declined 3% sequentially with small gains in China offset by lower sequential growth in Europe and North America. Construction volumes improved 8% year on year, driven by North America, with a seasonally driven quarter on quarter decline of 5%.

In 2024, construction represented approximately 55% of global sales volumes and approximately 50% of revenue. Approximately 60% of our construction revenue globally derives from commercial or infrastructure sales and approximately 40% comes from sales into residential end markets. By region, approximately 45% of total construction revenue sales took place in North America with a majority into residential housing, 25% to 30% in Europe driven by commercial sales and approximately 15% in Asia where the majority of sales were for the infrastructure and commercial markets.

In local currency, price/mix declined from the fourth quarter 2023 to the fourth quarter 2024 in Polyurethanes by 1%, Performance Products increased by 3% and Advanced Materials was down 5% driven by mix. Sequentially, price/mix was down slightly in Polyurethanes driven by lower European pricing. Unit margins were down slightly compared to the third quarter with an improvement in raw materials offset by some negative pricing and mix. As expected, equity income from our Chinese PO/MTBE joint venture was lower than both the prior quarter and prior year due to very weak MTBE margins. The weak performance of the Chinese PO/MTBE joint venture in the second half of 2024 will continue to have a negative impact on the cash dividends we expect to receive from the joint venture in 2025.

For the full year 2024, total SG&A costs were 3% below the prior year and 6% below 2022 with approximately half the decline due to cost savings exceeding inflation and approximately half due to a lower incentive compensation accrual. Note that in 2025, we believe non-cash incentive compensation accruals could be a year-on-year headwind to our adjusted EBITDA depending upon the performance throughout 2025 and the lower level of accrual in 2024.

Last quarter we initiated additional restructuring actions in our Polyurethanes business in order to improve our cost competitiveness. These actions are planned to include structural cost reductions in Europe, the closure of two downstream facilities in that region and the right sizing of our spray insulation business globally. As indicated, we expect to achieve between $40 million to $50 million of savings with in-year 2025 savings of approximately $25 million and a run rate of approximately $35 million by year end. Related cash spend for 2025 is expected to be approximately $30 million.

During the fourth quarter, we completed the liquidation of two legal entities. The liquidation resulted in a non-cash cumulative translation adjustment loss of approximately $40 million to GAAP net income.

Corporate expense in the fourth quarter was an increase of $4 million compared to 2024 due to higher legal expenses and increased LIFO losses. For the full year, corporate expenses were flat in 2024 compared to 2023, down 7% on 2022.

Our adjusted effective tax rate was higher than expected for the quarter, impacted by geographical mix of income, foreign exchange and some long-term expense items with cash due in more than five years. As a result, our full year adjusted effective tax rate was 55%. The higher rate is also partially due to the low level of pre-tax income in 2024 which amplifies rate movements. As we move into 2025, we currently expect an adjusted effective tax rate of approximately 35% depending upon mix of geographical income. We expect our adjusted effective tax rate to decline over time as we move back towards mid cycle profitability.

Slide 10: Cash Flow and Liquidity Considerations

Cash flow from operations for the fourth quarter was an inflow of $159 million compared to an inflow of $166 million in the prior year period. Primary working capital was a net inflow during the quarter of $187 million and for the full year, movement in working capital was maintained flat despite an annualized year-on-year increase in revenue during the fourth quarter of approximately $200 million. For the full year, cash flow from operations as a percentage of adjusted EBITDA was 69%.

Capital expenditures during the fourth quarter were $51 million as we continued various process safety and reliability projects and progressed growth projects in our Performance Products and

Advanced Materials divisions. In total, we spent $184 million in 2024, down 20% or $46 million from 2023.

Free cash flow in the fourth quarter was an inflow of $108 million leading to a free cash flow to adjusted EBITDA conversion ratio of 24% for the year.

In addition to the restructuring announced in Polyurethanes, we are focused on additional initiatives in 2025 to improve both profit and cash. We are continuing with our productivity programs that, combined with restructuring, have to date ensured we have more than offset the effects of inflation since 2022, which today is running approximately $40 million to $50 million per annum. We have two purchasing-related targets for 2025, with one project designed to deliver $30 million of year-on-year savings impacting adjusted EBITDA and a second related to our ongoing supply chain financing program designed to improve free cash flow by $30 million in 2025. We reduced our quarterly average cash conversion cycle days by approximately 10% in 2024 and expect to continue that project in 2025 with a further improvement.

We have the following additional considerations related to free cash flow in 2025. We will be even further disciplined with capital expenditures in 2025 and expect to spend at similar levels to 2024 compared to depreciation and amortization of approximately $295 million. As discussed earlier, we expect a significant reduction in cash dividends from our Chinese equity investments which we currently estimate will be an approximately $75 million headwind year-on-year. We intend to manage our turnaround and maintenance cash costs to a similar level year-on-year even with the Rotterdam cluster downtime beginning in March. In addition, a reduction in incentive-based compensation for 2024 performance is expected to result in approximately $15 million lower cash outlay in 2025. We expect pension contributions year on year to be similar. We currently expect similar cash restructuring in 2025 compared to 2024. Our cash tax rate should be relatively similar to 2024 despite a headwind from a final year payment related to the 2017 TCJA transition tax. Finally, during 2025, we expect to receive proceeds from the jury trial we won against Linde/Praxair following the Louisiana Supreme Courts recent decision on the appropriate scope of damages caused by Praxair’s misconduct. We also expect to receive final liquidation proceeds from our Chinese MDI joint venture during 2025 of approximately $40 million. These final liquidation proceeds will improve net debt but will be not be part of free cash flow.

Adjusted diluted earnings per share was negative 25 cents per share for the quarter. Our quarterly dividend is currently 25 cents per share, an annual payout of $1.00 per share, and our dividend yield is currently approximately 6%. We did not repurchase any shares in the fourth quarter and do not anticipate repurchasing shares in the first quarter. Our focus remains on our cash delivery and protecting our balance sheet.

Out of an abundance of caution we have amended our revolver debt financial covenant to create greater headroom in the event the global economy meaningfully deteriorates, which is not something we currently anticipate happening. As indicated on our previous call, we have a 10-year Euro 300 million note maturing in April 2025 with a coupon rate of 4.25% which we intend to pay off during the first quarter of 2025. We will then have bond maturities in 2029, 2031 and our newest issuance in 2034. As expected, our net debt leverage declined to 3.6 times at the end of the year and we closed 2024 with $1.7 billion in available liquidity. We do expect our net debt leverage ratio to climb during the first quarter of 2025 due to seasonal cash outflows.

This concludes our prepared remarks regarding the fourth quarter 2024 results and our current outlook. We look forward to updating the market when we report our first quarter 2025 results.

About Huntsman:
Huntsman Corporation is a publicly traded global manufacturer and marketer of differentiated and specialty chemicals with 2024 revenues of approximately $6 billion from our continuing operations. Our chemical products number in the thousands and are sold worldwide to manufacturers serving a broad and diverse range of consumer and industrial end markets. We operate more than 60 manufacturing, R&D and operations facilities in approximately 25 countries and employ approximately 6,300 associates within our continuing operations. For more information about Huntsman, please visit the company's website at www.huntsman.com.

Social Media:
Twitter: www.twitter.com/Huntsman_Corp
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Forward-Looking Statements:
This press release includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, divestitures or strategic transactions, business trends and any other information that is not historical information. When used in this press release, the words "estimates," "expects," "anticipates," "likely," "projects," "outlook," "plans," "intends," "believes," "forecasts," or future or conditional verbs, such as "will," "should," "could" or "may," and variations of such words or similar expressions are intended to identify forward-looking statements. These forward-looking statements, including, without limitation, management's examination of historical operating trends and data, are based upon our current expectations and various assumptions and beliefs. In particular, such forward-looking statements are subject to uncertainty and changes in circumstances and involve risks and uncertainties that may affect the Company's operations, markets, products, prices and other factors as discussed in the Company's filings with the Securities and Exchange Commission (the "SEC"). Significant risks and uncertainties may relate to, but are not limited to, high energy costs in Europe, inflation and high capital costs, geopolitical instability, volatile global economic conditions, cyclical and volatile product markets, disruptions in production at manufacturing facilities, reorganization or restructuring of the Company's operations, including any delay of, or other negative developments affecting the ability to implement cost reductions and manufacturing optimization improvements in the Company's businesses and to realize anticipated cost savings, and other financial, operational, economic, competitive, environmental, political, legal, regulatory and technological factors. Any forward-looking statement should be considered in light of the risks set forth under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2024, which may be supplemented by other risks and uncertainties disclosed in any subsequent reports filed or furnished by the Company from time to time. All forward-looking statements apply only as of the date made. Except as required by law, the Company undertakes no obligation to update or revise forward-looking statements to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.