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Huntsman Corporation (NYSE – HUN)
Fourth Quarter 2023 Prepared Comments
February 21, 2024

On February 22, 2024, 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 financial results news release. These are their prepared remarks to accompany our fourth quarter 2023 financial results. They should be read together with the fourth quarter 2023 financial results news release and the slides detailing our fourth quarter 2023 financial results, both of which were publicly issued and posted on our website (www.huntsman.com/investors) after the close of NYSE trading on February 21, 2024.

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 the 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 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 2023 revenues of $1.4 billion and adjusted EBITDA of $44 million. Fourth quarter net loss attributable to Huntsman was $71 million and operating cash flow from continuing operations was $166 million.

Slide 5: Polyurethanes

Adjusted EBITDA for the **Polyurethanes** division in the fourth quarter was $13 million. While demand was only slightly down versus the prior year, a competitive pricing environment combined with elevated raw material costs negatively impacted margins during the quarter. This margin pressure was exacerbated by an unplanned outage at our Rotterdam facility, triggered by external events, and lower than anticipated equity earnings. When compared to the third quarter of 2023, the lower earnings were

driven by lower margins, volumes, and equity earnings. Polyurethanes adjusted EBITDA margin was 1% for the quarter and 6% for the full year.

Overall sales volumes in the quarter declined 1% year on year. Excluding the impact of the unplanned outage at our Rotterdam facility during the quarter, volumes would have increased 1% versus the prior year. While we believe de-stocking in many of our core markets has largely run its course, underlying demand, though beginning to improve, is still weak and MDI industry utilization rates remain in the low 80s.

Our European volumes improved year-over-year despite the outage at our Rotterdam facility due to some market share improvement as well as favorable comparisons versus the prior year. Volume in the European region was up 6% driven by composite wood products, automotive, and the adhesive and coatings businesses. Sequentially higher raw material costs and competitive pricing significantly pressured margins in the region. We expect improved raw material costs and modestly improved pricing in the region to help lift margins versus the fourth quarter, however regional profitability will still be well below historic averages. We anticipate the completed restructuring initiatives in 2023 will mitigate fixed cost inflation and help to improve margins in 2024.

Volumes in Asia declined 6% year on year driven by lower insulation sales, partially offset by improved sales into elastomers and furniture. Sequentially, we saw a moderate decline of 2% with seasonally lower volumes into construction partially offset by stronger automotive volumes. Pricing for MDI in the region continues to be relatively stable despite a slow return to growth in China and our near-term expectation is for improved MDI prices in the first quarter. The first quarter tends to be the seasonally weakest period volumetrically for the Asian region due to the Chinese New Year. Our PO/MTBE Joint Venture contributed $11 million during the quarter, which was lower than expected. In the first quarter we expect our JV equity earnings to be in-line with the fourth quarter.

The Americas region, which saw our biggest year-on-year headwind in 2023, experienced a modest decline in volumes in the fourth quarter of about 2% versus the prior year. The combination of favorable comparisons and growth in composite wood products, automotive, and furniture was offset by modest weakness in all other markets.

Two-thirds of our Polyurethanes Americas portfolio is construction, approximately 40% of which is currently commercial and 60% is residential. Approximately 75% of our residential exposure is directly related to new construction. The recalibration of the US housing market to higher interest rates has had a material impact on overall demand for our business since mid-2022. While overall demand for our construction businesses remains muted, we do believe that we are now past the de-stocking cycle. With

the low level of demand, we continued to see margin pressure in the fourth quarter, but pricing has stabilized in the region and our volumes are now improving both sequentially and on a year-over-year basis. As a result of a slowly improving volume outlook and the apparent end of de-stocking, we currently expect to slowly bring our smaller unit at Geismar back on-line during the second quarter which has been idle for the past year.

Our global automotive business, which represents approximately 15% of the Polyurethanes portfolio, grew 4% year-over-year. Our automotive business in China is our most profitable automotive segment with the significant ongoing Chinese investment in electric vehicles and related supply chain. We expect volumes in our automotive business to increase in the low single digits in 2024. Our elastomers platform represents approximately 10% of our Polyurethanes portfolio and delivered solid profitability well above the segment average, despite overall demand weakness.

We are focused on making our Polyurethanes business stronger, more efficient, and better positioned to respond when challenging industry conditions improve. We believe the business will benefit for years to come from the global drive for better energy conservation and efficiency. We remain well positioned to bring energy-saving solutions to both residential and commercial construction markets, as well as innovative improvements to the lightweighting of automobiles.

We have completed more than $60 million in divisional cost savings as planned which should benefit results in 2024. These savings included the exit from geographies that would not generate acceptable returns over the long term, as well as further consolidation of back-office functions. We will continue to evaluate additional opportunities to reduce costs if margins do not start to return to a level above our cost of capital.

While the first quarter will be challenging for Polyurethanes, we do expect to see improvements from the lows of the fourth quarter. While volumes will be slightly down compared to the fourth quarter primarily due to China, we anticipate stable to stronger pricing and improved costs to expand overall margins. We expect Polyurethanes adjusted EBITDA for the first quarter to be in the range of $30 million to $40 million.

Slide 6: Performance Products

Our **Performance Products** division reported adjusted EBITDA of $28 million for the fourth quarter as weak demand and competitive pressures impacted overall profitability. Total sales volumes declined 1% year-over-year in the fourth quarter as growth in performance amines was offset by lower maleic anhydride and ethyleneamine volumes. Total volumes were also impacted by seasonality, but

underlying demand was relatively stable compared to the past several quarters. Competitive pricing pressure due to the low level of demand negatively impacted margins when compared to the prior year.

Despite significant demand weakness over the past several quarters, we remain a global leader with a low-cost position in our core product lines. We are currently focused on improving our volumes in certain core markets and regions which should position the business well as economic conditions improve; however margins are likely to remain pressured in the near term due to current market dynamics, which will dampen benefits of improving volumes. We are seeing some stabilization and initial positive trends in underlying demand in some markets, including agrochemicals, gas treating, semiconductors, and certain construction markets.

Our capital investments into our differentiated Performance Amines product lines including into the US semiconductor market continue to move toward completion during 2024. These capital investments will further strengthen Performance Products in these markets, positioning it well for growth in the years to come.

In Performance Products, the first quarter is a seasonally stronger quarter when compared to the fourth quarter, and we expect improved volumes to help offset continued margin pressure quarter-over-quarter. We expect Performance Products first quarter adjusted EBITDA to be in the range of $35 million to $40 million.

Slide 7: Advanced Materials

The **Advanced Materials** division reported adjusted EBITDA of $38 million in the quarter, slightly below the expected range we gave last quarter, owing to the timing of some commercial aerospace sales due to inventory management within the supply chain outside our control. Overall sales volumes decreased 5% year over year, with the weakest growth coming in industrial and commodity markets, specifically in the Americas region. Volumes declined modestly quarter over quarter due primarily to seasonality.

Average pricing for the division remained relatively stable for the quarter and the full year. On a full year basis, the division delivered a solid 17% margin despite significant pressure on volumes, due primarily to the specialty nature of the portfolio.

Aerospace revenue grew 8% year-on-year with our business benefitting from higher defense sales partially offset by slightly weaker commercial aerospace related sales. However, we see that commercial deliveries are improving at the OEM's and that should ultimately improve our order patterns as we move through the year. Demand for our products is predominantly tied to wide body

production rates, which has a strong backlog of orders and positive demand dynamics as we look out over the next several years.

We continue to seek out bolt-on acquisitions for Advanced Materials that will both expand the overall portfolio and deliver growth, as well as improve the overall returns of the business. The construction and commissioning of a 30-ton per annum Miralon unit in San Antonio, Texas, is moving forward and should be complete in the coming quarters. This is an important step in the broader commercialization of this technology. We expect to further scale-up by commencing construction of a 5,000 ton unit in late 2025. We see many opportunities to grow Miralon in industrial applications in the battery, aerospace, transportation, and construction related markets. As discussed previously, we have already commercialized Miralon and sell into several high-end niche markets including into NASA for satellites. We are very positive about the prospects for this business over the coming years.

For the first quarter, we expect Advanced Materials adjusted EBITDA to be in the range of $40 million to $45 million and deliver a mid to high-teen margin.

Slide 8: Year over Year & Quarter over Quarter

Adjusted EBITDA for the fourth quarter was $44 million compared to $136 million in the third quarter of 2023 and $87 million in the fourth quarter of 2022. Revenues declined 7% compared to the prior quarter and 15% compared to the prior year.

Volumes decreased 4% sequentially, slightly worse than a typical seasonal 2% to 3% decline due to the unplanned outage at our Rotterdam MDI facility. Volumes declined 1% year on year as negative prior year comparisons in construction moderated. Approximately 55% of volumes in the fourth quarter went into construction, either as residential, commercial or infrastructure related sales. Sequentially, volumes were 3% down in North America, 12% down in Europe and 1% down in Asia. Year on year volumes were down 1% driven by a 6% decline in the Americas as a result of a slow construction market with Europe and Asia both relatively flat year on year.

Variable unit margins were lower, driven by Polyurethanes and Performance Products, as overall price decreases of $221 million more than offset a year-on-year reduction in cost of sales of $182 million. Advanced Materials saw an improvement in unit margins as price declines in the industrial coatings market were more than offset by year-on-year benefits to raw materials. In local currency, prices declined year on year by 13% with Polyurethanes down 15%, Performance Products down 17% and Advanced Materials down 4%. Sequentially, compared to the third quarter, prices were 2% lower for the total company. Raw materials were significantly lower than the fourth quarter of last year with

reduced pricing of Natural Gas, however raw materials rose compared to the third quarter as higher priced benzene and ammonia impacted sequential earnings.

Slide 9: Cost Reduction Initiatives

Our 2023 full year SG&A costs declined compared to 2022, along with year-on-year quarterly reductions as our cost optimization program more than offset inflationary pressures. We set a cost optimization run rate target of $280 million to be completed at the end of 2023. We achieved greater than $280 million run rate at year end and have fundamentally changed our way of business over the past two years with much of our global functional support now operating out of global business service hubs in Asia, Eastern Europe, and Central America, as well as numerous sustainable business cost reductions that we have implemented. Our business is stronger as a result, and our focus is to ensure that we continue to maintain our cost base, offsetting inflation and allow the leverage of higher volumes to flow to the bottom line as our end markets recover.

As we stated on our last call, we do see additional opportunities to improve our cost base in 2024 with a focus on manufacturing cost efficiency as well as completion of our European restructuring. We expect an in-year benefit from all our cost savings initiatives of approximately $60 million in 2024, before the impact of inflation and changes to non-cash employee benefits expense. Non-cash employee benefit expense was a year-on-year headwind to Adjusted EBITDA of approximately $40 million in 2023 from pension and an approximately $20 million year-on-year tailwind from incentive compensation. In 2024, we expect a relatively neutral Adjusted EBITDA impact from non-cash pension expense versus 2023 and incentive compensation accrual expense will depend upon our performance during 2024.

The impact on Adjusted EBITDA from foreign exchange was relatively flat year on year and sequentially. In the corporate expense line, LIFO was a small benefit in the fourth quarter and a full year benefit of approximately $10 million.

We had hoped to conclude our exit from Russia by the end of 2023, however, we had indicated that the timing was uncertain and subject to relevant approvals from the Russian authorities by year end, which we did not receive. At this time, it remains unclear when approvals to close a deal might be secured.

Our adjusted effective tax rate for the quarter was 23% and for the full year was 34% as profitability for the year declined and we were unable to take a tax benefit for losses in certain jurisdictions. We currently expect our adjusted effective tax rate for 2024 to be similar to 2023.

Slide 10: Cash Flow and Liquidity Considerations

Cash flow from operations for the fourth quarter was $166 million. Net working capital was a cash inflow in the quarter of $163 million as we reduced inventory volumes by approximately 11%. We closed the year with approximately 8% lower volumes of inventory compared to the prior year.

Capital expenditures was $83 million for the fourth quarter, and we spent $230 million for the full year compared to an annual level of depreciation and amortization of approximately $280 million. Free cash flow for the quarter was $83 million.

Our focus for 2024 will be on disciplined cash management and maintaining our investment grade balance sheet. Our guidance for 2024 capital expenditure outlay is approximately $200 million, a reduction from our spend levels in 2022 and 2023 and below our depreciation and amortization level of approximately $280 million. In addition to the reliability and safety at our facilities, we intend to focus our capital spend on completing our semi-conductor and insulation catalyst projects in Performance Products. We are also continuing to invest in Advanced Materials across aerospace and defense as well as in Miralon as we scale up that technology. We expect to spend approximately $30 million less cash on restructuring in 2024. In addition, a reduction in incentive compensation for 2023 performance will result in approximately $20 million lower cash outlay in 2024 and we expect approximately $15 million lower cash from pension contributions. Turnaround maintenance spend is expected to be a $15 million headwind, offset by an approximately $15 million tailwind from dividends related to our China Propylene Oxide Joint Venture. We continue to expect to receive net proceeds of approximately $50 million to $60 million resulting from the jury trial we won against Linde/Praxair in Louisiana. Finally, we believe that we can further improve our working capital management and have initiated a corporate-wide supply chain program to deliver additional cash in 2024. That said, our overall 2024 cash impact from net working capital movement will be highly dependent upon the level of economic activity and resulting sales at the end of 2024 compared to the end of 2023.

In January, we closed on our previously announced transaction to restructure our crude MDI joint venture (SLIC) in China. Our fully consolidated joint venture, HPS, has acquired one crude MDI unit and the hydrochloric acid unit from SLIC and HPS now owns and operate those units. Under Chinese regulations, we now have to work through a period of liquidating the SLIC joint venture and returning cash to the relevant partner, which we expect to conclude in the first half of 2025.

Adjusted diluted earnings per share was a loss of 21 cents per share for the quarter and we completed $50 million of share buy backs. Our dividend yield is currently approximately 4%, combined with share buybacks we delivered in excess of a 10% return of capital yield to shareholders in 2023. For

2024, our Board of Directors has approved an increase to our dividend of 5 cents per share to $1.00 per share. Regarding share repurchases, at the end of 2023 we had approximately $500 million remaining of the $2 billion program our Board of Directors authorized in the first quarter of 2022. We will be opportunistic in our share repurchases utilizing our excess free cash flow. Our balance sheet remains strong and we closed 2023 with $1.7 billion in available liquidity compared to $1.8 billion at the end of 2022.

This concludes our prepared remarks regarding the fourth quarter 2023 results and our current outlook. We look forward to updating the market when we report our first quarter 2024 results.

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, increased energy costs in Europe, inflation and resulting monetary tightening in the US, 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, 2023, 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.