

DowDuPont Inc

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Jeff Zekauskas: I'm Jeff Zekauskas. I analyze chemicals at JPMorgan. This morning, it's my pleasure to introduce the management of DowDuPont.

Representing management is Howard Ungerleider, CFO, and will be the CFO of the Dow Materials Sciences business once it spins free. Jim Fitterling, at that time, will be the CEO.

Howard is more than a CFO. During his tenure at Dow Chemical, he managed the Performance Plastics business, the Advanced Materials business. He's been on the board of Sadara, spearheaded the integration of Dow Corning, and so really has a great operational sweep.

The format of today's presentation I thought would be more of a conversation with Howard, and so we might begin.

Howard Ungerleider: Good morning, Jeff.

Jeff: Hi. Good morning, Howard.

Howard: Good morning, everyone.

Jeff: Good morning.

Howard: Let me just say on behalf of my mother, if she was listening to that introduction, she'd be very proud. Thank you on behalf of my mother. Go ahead.

Jeff: DowDuPont is two large companies that are coming together into one, and they're going to split into three. Did DowDuPont ever think, "Well, maybe we should just stay one? Maybe more value would be created if we were one larger entity." Why did the company take the step to break into three pieces?

Howard: The short answer to your question, Jeff, is no. We never really thought that that was

the way to maximize shareholder value.

That was the whole mindset going into the deal, when Andrew and Ed tell their famous story that before...I think the way Ed says it, before Ed found where the bathroom was in Wilmington, he got a phone call from Andrew, and the two of them started the conversation.

I can tell you from a Dow perspective, what led us to that conversation was really the ag space. When you think about Dow AgroSciences, and you've written about Dow AgroSciences, the legacy Dow business, over a number of years, and we say we punched above our weight, and we did.

A very strong crop protection business. About 80 percent of that heritage business was crop protection. About 20 percent was seeds, traits, germplasm.

We had very, very good trait development, really, other than Monsanto, the only other ag player to really successfully commercialize traits. We realized that based on our size and our scale, and our lack of market share on the seed side, that we really couldn't maximize shareholder value with all of that great technology on either the crop protection side or the seed side.

DuPont was always the best fit. The best fit in terms of the combination of product, the combination of market share, the combination of geographic and crop diversity, and Northern Hemisphere versus Southern Hemisphere germplasms that you get to put together.

Then, there was also the cultural aspect of it as well, where the Pioneer brand based on Iowa, the Dow Ag brand based in Indianapolis, two very good Midwest American cultures, so we thought the cultural fit was great. That's what got us beginning to have those conversations, and then the conversations evolve, and what do you do with the rest of the 300 years of corporate history across Dow and DuPont?

We pretty quickly went from having one company to two companies, a materials company and a specialty products company. Let's me stop there. You probably have more questions.

Jeff: It's funny, because when you look at Beyer bidding for Monsanto. Monsanto was a more specialized company, Beyer was a conglomerate, so they're large [inaudible] have allowed them to do that transaction. Or if you look at BASF these days, they have energy assets, chemical assets, they've electronics, they're buying in AG.

It seems that they're pursuing a different avenue of value creation, whereas here in the United States, it seems that what we do is we focus more and think this will lead to greater shareholder value.

Howard: Is there a question? [laughs]

Jeff: No, no. It's not a question.

Howard: I'm happy to comment, if you'd like.

Jeff: No, it's all right.

Howard: I can't speak for Bayer Monsanto. They're two very, very good companies, and I wish them well on that closing of that eventual transaction. I know they're still working through their regulatory review process, and I do wish them well having felt that pain ourself.

I do think part of the way you answered or made the statement is accurate. I think there is a difference in terms of a US mindset versus perhaps a Western European mindset, but both Dow and DuPont individually have been really going on this narrower and deeper path.

If you think about it, for the last several years before we announced the deal. Certainly, on the DuPont side, with the Chemours and Axalta on the Dow side with the Olin R&T and with the Dow Corning restructure of the 50 percent ownership.

We have been going narrower, deeper both sides, and really this is -- I won't say it's the ultimate step, because I don't think you're ever finished with your portfolio, but certainly, this is a major step forward in the history of our collective industry.

You have 300 years of corporate history, that I mentioned, that you're going to create by middle of next year, three separate, publicly traded companies that are narrower in their field, deeper in their respective disciplines, more focused.

The concept that we can grow each of these businesses faster because they've got a more streamlined operating model with lower cost or higher productivity, I think those are all the reasons why we're focused on this series of transactions.

At this point in history, we'll maximize value for all of our shareholders.

Jeff: If I recall correctly, the timing of the separation is that material sciences will come out in the first quarter of 2019, and then specialty co and ag-co will do their separation in the second quarter.

Does it matter, Howard, which companies are the spin-co.'s and which is the remain-co, in terms of these companies either making acquisitions or being acquired? What determines which is the remain-co and which are the spin-co.'s?

Howard: It really shouldn't matter, Jeff, to your point. I think we're all focused on a few key priorities for this year and into early next year.

First and foremost, delivering on the financial plan. The thing that I'm probably the most proud of so far since we've closed, both Dow and DuPont entered the merge state in September of last year with earnings momentum on the Dow tower basis.

The 4th quarter was our 21st quarter of year-over-year, quarter-over-quarter earnings growth, a streak that not many other companies can say. And certainly, on the DuPont tower side, they had that same streak going once Ed got into the CEO chair.

Then we continued to deliver. The fourth quarter was a very good result across each of the three divisions. I think you saw 13 percent top line growth, more than 20 percent EBITDA growth on a pro forma basis, and more than 40 percent EPS growth.

The three priorities that we have from here through spin are really to continue that track record of delivering the earnings. A subset of that, but really important, is delivering the now $3.3 billion of cost synergies. We upsized the cost synergies at the last quarterly earnings call from $3 billion to $3.3 billion.

Then getting to spin, of getting to three stood-up separate, publicly traded companies as quickly as possible.

Based on the path that we're on right now, materials, as you said, will spin out right after the first quarter of next year, and then two months later, the plan is to separate the ag and the specialty company -- Corteva and the new DuPont.

The reason for materials going first, if you think about it, the old Dow had invested a significant

amount of time, effort and money in a one-instance, SAP system that had been uplifted in September of '14. That gives us a much easier time of doing financial carve-outs and doing legal entity work.

If you also think about the portfolio realignment that we announced in September where we were shifting even more business, instead of shifting it to the materials division, shifting it over to the specialty division.

That requires a lot more work inside of the DuPont legal entity structure and the DuPont systems, which there isn't one. There are many.

Based on ease and speed, and maximizing our tax efficiency, it was that combination of actions that led us to the timeline that we have, that April or thereabouts is materials, and then June or thereabouts in '19 is spec and ag split.

Jeff: The leaders of the material sciences company have been named, but not the leaders of the other companies. Why is that? Why was there a difference in timing, and when might we hear about the leaders of the other two entities?

Howard: We do have leadership of every one of the divisions, so we have three COOs, to your point. Jim Fitterling is COO of the materials division today. His counterparts, Jim Collins, the COO of the ag division, and Mark Doyle is COO of the specialty division. They have their respective leadership teams.

In fact, when you look across DowDuPont, and across all of the divisions, the overwhelming majority of the people will know what their role is, and where they sit in what division by the end of this quarter. I won't say 100 percent, but the overwhelming majority of the folks will know.

We're still dealing with a few countries with works councils issues and some union issues, that we want to make sure we do it right with the communities and with the individuals.

The leadership teams are named, the COOs are named. The reference I think you're making is to Jim Fitterling being named CEO of [inaudible] , and really, that decision was done now, just to confirm the leadership succession.

As you know, Andrew had made comments on behalf of his role in the past, but he and the board felt like it was the right moment, as we get to April 1, when his role will change from exec chair to

member of the board of DowDuPont.

He and the board felt like it was the right moment, before April 1, to clarify that. That was the rational for why the Jim Fitterling and Howard announcement about the future Dow happened earlier this week.

Jeff: Howard, I think what's going on now is DowDuPont is benchmarking itself against other companies that are comparable to DowDuPont. Who are some of the companies that you're benchmarking against, and have you learned anything from the benchmarking exercise? Where does that stand?

Howard: We have benchmarked. We realized, with the help of McKinsey when we did the portfolio realignment and we were looking at our synergy program, our goal was really to benchmark based on like competitive sets.

And ensure that we had after-, net-, or post-synergy implementation of the synergy capture, to make sure that we had benchmarked and/or best in class P&Ls by division, so by each of the ag, spec, and materials divisions, but also by line item on each of the divisions of P&L or cost structure.

Working with McKinsey in each of the divisions in no particular order. In the materials co, Lyondell is a comp, one of the comps we used for our packaging and specialty plastics business. Covestro is there for our polyurethanes chain. You have Arkema for our acrylics chain. You have Wacker for our silicones chain.

In ag, we looked at Monsanto. We looked at Syngenta. We looked at Bayer crop protection. We at BASF crop protection. We looked at KWS from a seeds perspective.

Then spec co, depending on the four market verticals, but overall, we looked at 3M as a comp. We looked at Danaher as a comp.

In each of the market verticals, it's a little bit different. We looked at electronics peers and electronics. We looked at health and nutrition peers. You know who those are in the health and nutrition space.

It's a very robust list, and I can proudly say that once the $3.3 billion synergy capture drops to the bottom line -- clearly, no competitor stands still, because I would imagine they will continue to

have their respective productivity programs also.

Based on the information we have today, we will have benchmark or best in class P&Ls for each of the three divisions.

Jeff: When investors contemplate DowDuPont, they look at the $3.3 billion cost number, and they say to themselves, "Is it five? Is it four? Is it some other number than 3.3?"

What I wanted to do is explore the 3.3 number a little bit. In the agricultural area, in the old days, Dow Chemical had a $6 billion business. If you look at Monsanto's SG&A ratio in R&D, maybe they spent 30 percent of revenues on overhead.

Maybe that's $1.8 billion or $2 billion for Dow. Dow agri-sciences was a smaller unit. Was that the level of SG&A and R&D? Was it higher? Was it lower?

Howard: Specifically, on the ag question, when you think about the heritage Dow ag business -- and we talked about this at the beginning, using the phrase "Dow ag punched above its weight." Those numbers are high.

I you think about what we used to talk about relative to Dow ag and the Dow Chemical company, we used to spend roughly $1.6 billion on R&D as a company, and we said that Dow ag represented probably about 40 percent of that number, plus or minus.

Take that number, add a few hundred million for Dow ag SG&A, and you are well south of the $1.8 number. You're in that kind of $1 billion number plus or minus, I would say, maybe $1.2.

That is one way to get at how we achieve the ag cost synergies of $1.1 billion. Is there upside? Which I think, the bulls in the room or the bulls listening, they believe there is potential upside. We would agree there's potential upside.

We were at $3, now we're at $3.3. We're going to do as much as we possibly can to deliver as much as we possibly can as soon as we possibly can, but I also want to manage expectations that, at this point, based on everything that we see, the number is $3.3 billion.

Jeff: I think sometimes DowDuPont executives talk about raw material capture. Sometimes there's a number, and in precedent transactions, it's been three to five percent of the raw materials buy. Maybe the raw materials buy is $40 billion.

Now what we're doing is we think the raw material capture is something like $600 million, but if it were three percent, it would be more like $1.2 or $42 billion.

Can you reflect on raw materials capture? Granted, raw materials moves all the time, and we're in more of an inflationary environment than we were before. Can you frame some of those issues?

Howard: Yes. Sure, Jeff. Let me start by saying there are two key drivers that led us to increase the cost synergy number from three billion to $3.3 billion. One of them, rightfully to your point, was increases in procurement.

The other, as we brought the eight billion of revenue over to Spec Co and putting additional businesses and structure together into the roughly $5 billion market verticals, the ability to take additional cost down in Spec Co was there as well.

When you think about the increase, when you look at it by division, it's three billion versus now by the division level at $3.3, the Specialty Co increased by $165 million. It went from $800 to $965 million.

165 was Specialty Co's keys of procurement. We have shared exactly what that number is, but it's a piece of it. The balance of that 165 is the increase because of the additional leverage of being a larger enterprise and being able to be more productive and taking cost down.

The other was across the board on procurement. We had a clean team with Dow retirees and DuPont retirees and we used [inaudible] as well. Prior to merger close, we did not have a view inside the house of what that clean team would be until August.

Just about 30 days before close, we lifted the clean team. We got the two procurement organizations of legacy Dow and legacy DuPont together in the room with the clean team. Over the course of the next several months, we now have nearly 650 individual procurement projects across raw materials, across MRO, across third party outsource spend, across IT, and ERP infrastructure spend.

We were able, with confidence based on that 650-line item buildup, to increase the synergies, the balance of the 300. It was really around the higher level of procurement. These are things like combining raw materials spend.

Now, to you point, we do buy a significant number of hydrocarbons. We're not likely to get discounts on ethane and propane. I think you have a discount, some of the numbers you were talking about. We feel very good that there was upside in procurement and that's one of the key reasons that we delivered, announced the higher number, and that we're marching towards that number today.

Jeff: One of the paradoxes of the DowDuPont merger is you're taking one company, making it two, and then it splits into three. When you take a step back, you would say, "Well, why wouldn't that lead to raw material dyssynergias?"

If you had two companies to begin with, and now you've got three. All things being equal, they should have less purchasing power rather than more. They should have time and lose it. Does it have to do with the concentration of raw material buying? What do you make of that?

Howard: There's only really one place in the company that two companies came together to make one company. Our mindset from the beginning in terms of doing all the planning was two companies come together and immediately start acting as three divisions and managing it as three divisions. That's what we did as of September with the exception really of procurement.

That procurement team is now one procurement team that is working jointly together on those 650 projects and going through and renegotiating all of those projects as one entity underneath three divisions. Of course, nothing is forever, Jeff.

Competitive pressures, we're all living in a US, western company, capitalistic mindset. Certainly, the procurement organization is working very diligently to deliver those contracts that are not one year or two-year, but three plus years. Some contracts you're going to be able get for even longer. Some you'll be able to get it for two or three. There may be some that will be smaller.

There is potentially risk to your point as we get passed in one, two, three years, but the team is very much focused on maximizing those cost savings for as long as we possibly can, as three separate companies.

Jeff: I guess the last bucket that investors focus on is Lyondell represents itself as a best in class marathon runner with SG&A of less than three percent of sales. Because of the way DowDuPont is structured and Dow has been structured, it's a little difficult to know really what SG&A as a percentage sells from materials covers.

Is there a very, very large difference between the Lyondell metrics and your own metrics? Is that a place where material sciences really can knock out much more costs than the 1.3 that you aspire to remove?

Howard: Sure. I think we had a good spirited discussion at dinner on this topic. Actually, when you look at...Take a step back when you think about the legacy Dow business. One of the key reasons why we're moving forward with the splitting into three companies is we had very, very long cycle of businesses.

I think agriculture, we are making 10-year bets where you very high SG&A and R&D as a percent of sales. You have lots of stock keeping units that you have to keep track of and you're constantly evolving your product mix.

All the way on the other end where you have very fast cycle businesses with the Dow electronics franchise, which has 20 percent SG&A and R&D as a percent of sales. You're changing the product mix essentially every three years based on how fast cycle the whole electronics space is.

One of the ways we're getting that one $1.235 billion on the material side is not so much traditional cost synergies. When you think about a traditional merge or acquisition, because you're only bringing in about a billion-and-a-half dollars of revenue from DuPont legacy tower of the ethylene copolymers business into the materials division.

Really, it's around driving improved productivity. That's really one of the things that came out of that benchmarking in terms of lessons learned in the benchmarking. We're really doing a couple of key things.

One is right-sizing the pyramid. Over time, and I'm doing a visual here which on the webcast is probably not going to come up. If you can envision an organization design that should look over time like a pyramid, our org design looked a little bit more like a rectangle. I'm not going to say it was a straight rectangle, but it certainly looked a little bit more like a rectangle.

One of the things that we're doing is really right-sizing that pyramid, and that fundamentally takes out a lot of structure in the top half of mixed pyramid, which is where a lot of the cost is in terms of maximizing our productivity.

The other thing is continuing to look at the streamlining of the operating model and reducing the number of layers. Reducing the number of layers of from the Andrew role today or the Jim

Fitterling role post-spin, all the way to the shop floor and making sure that that's no more than four to six layers. That's probably a 20 to 30 percent reduction on average across the company.

Those are two key ways in addition to procurement, in addition to some of the traditional cost synergy efforts that you would normally assign to a deal of this size. That's how we get to the benchmark P&L.

I can tell you that once we get more than $1.2 billion of cost synergies, we will at the materials division SG&A as a percent of sales and inside packaging and especially plastics, because I also think you have to look at it not just as a division.

You have to look at it...The way we did it is reporting segment by reporting segment. You have to look at like-for-like product, like-for-like technology. Certainly, on a business level SG&A, materials SG&A will count very well post-synergy capture with Lyondell [inaudible] .

Jeff: From your point of view...

Howard: I'm sure Bob Pytela is listening and now he is going to have to go do another productivity program so that he can come back here, your conference next year and say...

[crosstalk]

Howard: that he's reading materials division. That capitalism competition, it's all healthy.

Jeff: From your point of view, Howard, it may be that DowDuPont can pull out somewhat more or somewhat less than the 3.3 billion. You see the 3.3 billion is an anchored number where you're going to be plus or minus a little bit. Maybe your raw materials are a little bit better. Maybe trim a little bit of overhead. 3.3 is a good number.

Howard: Yeah. You might be speaking to a new CFO of DowDuPont if it's less than 3.3. I am highly motivated and highly committed to delivering at least the 3.3. In life, there is risk on everything higher or lower, especially lower sometimes.

[laughter]

Jeff: More risk, lower, yes. Dow has built a large cracker [inaudible] unit. It's 3.3 billion pounds. I think it started up in the fourth quarter of last year. I think it's now running relatively well. Say it

runs at 90 percent utilization. It's three billion pounds. Maybe the ethylene margin is 15 cents a pound. The derivative margin is 10 cents.

Maybe you are in 25 cents a pound, so on three billion, that's 750 million in EBITDA. In very rough terms, is that the kind of EBITDA that that project delivers, or is it something different?

Howard: Yeah, Jeff, [inaudible] . I can confirm that Silke's math is correct. In fact, there might be a little bit of upside just in terms of the math that you did using prompt economics. I would also caution, you have to do some other adds and subtracts.

One piece is not all that capacity is Dow capacity. If you remember when we were doing the Olin RMT, we did sell a chunk of that capacity to Olin. Olin paid for that capacity. I'm sure you can speak to them to talk through that.

Jeff: 600 million pounds, something like that.

[crosstalk]

Jeff: six or seven million.

Howard: Plus or minus. Then, the other thing is we built the cracker and it's up and running. We built and it's up and running our elite polymer train, but we have not built all of the derivatives capacity yet. You're not going get all of that polymer chain margin all at once.

If you think about it right now, we have two additional polymer reactors that are in startup mode. We have a low-density polyethylene reactor and we have a Nordel EPDM. You have to layer those on. You probably get in 2018 perhaps three quarters or nine months of the low-density.

In the financials, you probably only get six months on the Nordel side just because those polymers take longer to qualify in the reactor and then also longer to get the qualifications at customers. Probably six months for that.

There's also turnaround expenses that could be plus or minus, or we have right now, that we gave guidance to [inaudible] . That certainly hurt the Gulf Coast. That will be some headwinds in Q1. Overall, your or Silke's math is very close.

Jeff: It's close. I think order of magnitude, DowDuPont makes about 25 billion pounds of

ethylene -- order of magnitude -- and so a penny a pound change in margin is $250 million.

In any one year, depending on whether oil prices are higher, or the petrochemical markets are tighter, you can move 250 million per penny, which is about a dime a share, maybe eight cents, something like that.

When you try to forecast earnings for the year, and you have this kind of variability, how easy is it to do it with precision? This is what I love about you, Jeff.

[laughter]

Howard: This is Jeff's very nice way of saying, "Why did you give annual guidance for the materials division?" and I would just say that as leaders, we always learn.

We are a new company. We came together, and we were trying to align on a common way to approach the marketplace. We felt very strongly that because ag is a Northern Hemisphere/Southern Hemisphere, it was really important. Calendar quarters don't typically matter to the farmers.

We felt like it was really important to give a full-year guidance for ag, and then when we looked at specialty co, much less earnings volatility, to your point.

We felt like it was reasonable to give a full-year guidance for spec co, and then at the time, the decision was, how do we give full-year guidance for ag and spec, and not give full-year guidance for mat?

We made the decision to give the full-year guidance for each of the three divisions. I think based on the feedback that we've gotten from investors, nobody liked that guidance, because the bulls were unhappy, and the bears were unhappy.

I would say this, that guidance that we provided for the materials division has stuck to the script that we have been using now for the last several years, that certainly there is going to be an ethylene down cycle.

Based on everything we see, it's going to be short and shallow, and the guidance that we provided said, "Look, the first half is going to be good, but there's likely going to be some unit-margin depression in the second half, both in the polyolefin chain and in the polyurethane chain."

I would say this. We don't see that margin compression happening today. Actually, the contrary. You've got very strong demand. You don't have new capacity that's really of substance coming on that's impacting. You have reasonable inventories throughout the chain.

You have the freeze in the US Gulf Coast which really probably, I would say actually had a more substantive effect on the Gulf Coast grid than even the hurricane last year, just because it affected every site along the Gulf Coast, pretty much across the grid.

Was our guidance conservative, or not? That's for everybody to judge. I would say for the last three years, we had this view that from a Dow perspective, what you're getting with DowDuPont and the materials division, you're getting cost synergies that will be dropping to the bottom line.

You are getting the new capacity that we have added, which will generate margin dollars, and actually even more free cash flow as our cash to build the plants goes down, and then we start to get cash out of the assets as they go RTO and start to become productive.

Those will be offset -- either offset or added to, to be fair -- based on what your view of the margin is, so you're right.

It is incredibly difficult to predict three quarters away of what is exactly going to be the polyethylene margin that even in one region, let alone four regions around the world, that the dynamics, as you know, tend to move directionally together.

They can be out of sync for a period of time, and it could take three, six, or nine months, depending on the activity, to resync them again.

Jeff: In that respect, in the United States, we've seen polyethylene prices increases in February, and it seems that we've seen them in March, and values have held up very well in Asia.

It may be that in the scheme of things, the year is looking pretty good from a margin standpoint, because there's been elevation in integrated margins, probably more than anyone would have expected, even if you do think there is a little bit of a shallow dish to come.

Howard: I think that's a fair comment.

Jeff: The other thing is that the whole company is $80 billion, so if you grow your volumes one

percent, that's $800 million. Maybe your incremental gross margins are 30 percent, and so you're back to this $240 or $250 million in EBITDA, which is kind of a dime per share.

In the environment that we're in, my impression of the global economy is that it's in pretty good shape, so maybe if you could just talk about your volumes, and if you could also say, Howard, as CFO, when you have to figure out, is DowDuPont doing well? do all of the managers come, and they present their long models about how each division's doing?

Or do you do it the way we do it? We say, "OK, 25 billion pounds, a penny a pound's 250. One percent volume, 250," and then what you do is say, "What are the volumes? What are the commodity margins?" What do you do with that? How do you think about it?

Howard: We do it both ways, and I would say this. We are very focused on our operating rhythm, so every other week, the eight officers of DowDuPont get together, and we review each of the division, high-level performance.

Then DowDuPont performance, based on what's happened in the last two weeks, what we expect is going to happen in the next two weeks, and then we have to always look out the next quarter, and we try to look out as far as we can, based on the information that we know.

In the alternating weeks, each of the division COOs have that same operating rhythm with their leadership team, so every week, we're doing an operating review, one week at the divisional level, and then the next week at the DowDuPont level, and we wash and repeat.

We do build up the forecast from the bottoms up. We close our books every month on an official basis, and then, obviously, we report on a quarterly basis, and we do the math together with you.

We look top down, and we look bottom up, because our focus is we're not going to have a green dot on every single business in every geography around the world in every operating [inaudible] , but our goal is to make it better, so if there's a yellow dot, what can we do to make it green? If there's a red dot, what can we do to make it yellow?

A cynical person might accuse me of talking my book. On behalf of DowDuPont, the one I think about, the next 12, 18, 24 months, you've got really decent economic growth. We haven't seen global GDP approaching four percent in quite some time.

One of the things that helped deliver above consensus numbers for us in the fourth quarter was

your demand point. We had 13 percent top line growth. Six points of that 13 was volume.

You decide what GDP was in the fourth quarter globally. If it was three or four, you're talking about one and a half or two times volume growth on a GDP basis. That is good.

We have a situation right now where almost every major economy in the world is in a synchronized, positive growth. Everybody has to make their own decision of how long that will last, but the doesn't seem to be abating as we're sitting here in March of 2018.

You've got volume growth. We've got pricing momentum, to your point. If you do have a view that interest rates are moving up, that could signal additional inflation, depending on whether you're bullish or bearish on hydrocarbons, on oil.

The market is in contango right now, so people are expecting oil prices over the medium to longer term to still move higher, but there are bulls and bears on that as well. That gives you the ability to move price up.

One of the things that we saw on our fourth quarter results, although they're very small -- it was only one percentage of our top line growth -- was currency. The Euro dollar is right now moving in a very favorable direction for a US-based multinational company that is DowDuPont.

When you think about you've got good demand growth, we're getting our cost synergies on top of that. We are delivering our growth projects, really across each of the divisions, so we have the materials division, we have the Gulf Coast projects that we've talked about, the Saudi projects we've talked about.

In ag, we have a pipeline of new crop protection molecules and new seeds, 20 different product launches over the next five years, that is going to add significant growth to the new ag company.

That doesn't even count the ability to take some of the Dow ag traits and reduce some of the royalty payments that the new Corteva company is going to have to pay externally over the next 5 to 7 to 10 years. That's clearly a longer-term play, but there is a significant opportunity for ag in that space.

When you look at the specialty division, we're growing. We have a new CMP pad asset in electronic materials that we're in the process of building this year.

We have additional probiotics capacity in health and nutrition, and we have additional compounding capacity in our transportation polymers business.

We've got good demand growth, and we have capacity to supply. We have new growth projects coming on, and we have the $3.3 billion of cost synergies. By this time to the middle of next year, you'll have three separate companies that'll have their own growth trajectory.

It's a very good time to be a part of DowDuPont.

Jeff: Howard, thank you for sharing your insight with us this morning, and we look forward to having you back.

Howard: Thank you, Jeff.

Jeff: OK, bye.

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