DWDP

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P.J. Juvekar: Now DuPont and New Dow Chemical. It will become its own company on April 1, 2019. Before becoming CFO of Dow Chemical in 2014, Howard had a variety of leadership roles within the company including EVP of Dow's Advanced Materials Division, President of Performance Plastics Division, and VP of IR. But I really got to know Howard very well. And today he will focus on strategic direction for New Dow. And with that, it is my pleasure to welcome Howard.

Howard Ungerleider: Thank you, P.J. Good morning to everyone here in the room and to those listening on the webcast. What I'd like to do is just open with some brief comments and then I'll hand it back to P.J. who will hopefully facilitate the Q&A. I'm sure you have lots of questions, and we'll have plenty of time to hopefully answer as many of them as possible. Before I get to the slides, I just want to remind everybody of the disclaimers around forward-looking statements. Those apply both to my remarks as well as to the Q&A and you can find those disclaimers at the end of my deck.

I want to start today with the key pillars of Dow's compelling investment thesis. Our objective is simple. Deliver higher earnings, deliver higher return on invested capital, and higher cash flow. Which will enable us to deliver better returns to you, our owners. And we have many levers to achieve this from significant cost savings to lower risk growth investments to a renewed focus on cash conversion, attractive shareholder returns, as well in the form of a leading dividend, together with consistent and substantial share repurchases. Simply put, we have plenty of momentum to take the New Dow to its next destination.

Our financial path forward is guided by a set of clear goals along with a straightforward playbook. Our businesses, as you can see on the slide, have scale and leading market positions. And our portfolio has shown its strength over the past several quarters with above GDP growth. We have the world's leading siloxanes and formulated silicones business which goes into almost every household, personal care, cosmetic and cleaning product that you use today. Our coatings, binders and additives businesses can be found in 7 out of every 10 cans of residential paint purchased in this country. Our polyurethanes business has a track record of growth in its downstream systems house network where we're seeing very strong demand in applications like furniture and bedding, footwear and cold chain. Our industrial solutions business has a world leading solvents, surfactants and heat transfer fluids portfolio, and of course, our packaging and specialty plastics franchise continues to be a world leader with a full suite of growth investments today and into the next decade.

Moving to our financial priorities, our capital allocation, along with our capital structure, as well as our financial and our operational discipline are all aimed at delivering higher returns, higher value and better cash conversion, and are all focused on maximizing shareholder value. And the incentives that drive us as a leadership team are squarely aligned with you. Return on capital, relative total shareholder return, and EBIT growth. In my view, capital allocation is the single most important thing that we as a management team can do. And to that end, I want to highlight our decision framework.

The order of the items that you see on this slide is on purpose. Our financial foundation starts with a credit profile that can succeed through the economic cycle. That's why we're targeting an adjusted gross debt to EBITDA range of between 2.5x to 3x. Our growth funding follows a new and much more rigorous set of criteria focused on lower risk, lower capital intensity, higher returns and faster payback projects. We're also targeting a leading dividend which will provide an important base of shareholder return. And share buybacks will also provide a consistent return of capital to our owners. We will spin out with a flexible balance sheet that will enable us to thrive across the economic cycle.

To that end, we have several sources of liquidity in the range of $11 billion to $12 billion. We recently put in place a new 5-year revolver and two A/R securitization programs. Plus, we expect to have about $3 billion in operating cash and more than $2 billion in committed bilateral lines. Just as important, we have a very manageable and purpose-built debt maturity profile as you can see on the right-hand side of the slide with about $1.5 billion to $2 billion of maturities per year over the next 5 years.

Recently, all 3 credit rating agencies have issued their ratings on the New Dow in the range we expected with Moody's at BAA2, S&P at BBB flat, and Fitch at BBB+. Our capital allocation framework and our strong credit profile set the stage for the key metrics that we're focused on. Return on invested capital, earnings growth, cash conversion, and attractive shareholder returns.

Let me highlight just a few points on each of these. I am proud of what we've accomplished in the last few years on lifting ROIC. As you can see from the chart, from 2012 to 2017, we improved ROIC by 500 basis points. And on a punctual basis, we have now crossed our long-term target in the second quarter of 2018. Jim Fitterling, our CEO and I have been personally involved in every single one of the key actions that got us to this point. Cost discipline, operational excellence, delivering our business results, as well as the portfolio management actions you've seen. And we still have plenty of room to drive return on capital higher with levers in our control to increase [MILPAT], lower capital, or in some cases, both. Let me give you just 2 examples. First, our CapEx profile and our overall spending. CapEx spending is now down to D&A and will stay here in the near term. And our spending profile is shifting. It's shifting to lower risk, lower capital intensity, faster payback and higher return projects. Second, our actions to achieve our targeted capital structure that we've laid out over the last 30 days which includes addressing near term high coupon debt which will reduce our interest expense and increase our net income.

One of the most compelling parts of our investment thesis is that we're able to deliver to our owners both the long-term growth as well as near term returns. Our costs and our growth levers will deliver significant upside potential. We have about $1 billion of costs out yet to come and our growth projects have the potential to deliver another $2 billion of EBITDA growth. That's $3 billion on near term EBITDA upside already in flight. And that does not include, I repeat, that does not include the additional upside that's listed on the right-hand side of the slide which is real value for our owners. And please, do not forget about the hidden value of our joint ventures. Remember, that what you see in Dow's EBITDA is our share of the JV's net income after tax. But there is nearly $1

billion, $1 billion of EBITDA at the JV level that you own in success of the equity earnings that you see in our financials. And that deserves the appropriate consideration when valuing the New Dow.

An important multiplier of these earnings is our focus on cash conversion. We think about cash conversion in terms of converting EBITDA to cash flow from operations. Historically, as you see in the chart, we were in the middle of the pack versus peers on this measure, which is why I see significant improvement opportunity. We have a clear set of levers in our control to improve cash conversion. First, merger related spending has been about $1 billion cash flow drag. That will fall off as we move through next year. I have personally been involved and very focused on working capital, and while we can't control the impact of feedstock costs, we will make sure our efficiency metrics are improving.

A rising rate environment and the voluntary pension contributions we made this year will benefit us and I already covered the interest expense opportunity as we move to our targeted capital structure which benefits both go-forward cash flow as well as ROIC. And there are other improvements we're attacking as well. Global tax optimization in light of tax reforms and additional cash from our JVs as they improve and as they grow. Taking all of these actions together puts New Dow in a very strong financial position and sets us up very well to deliver attractive return to our owners. From a dividend standpoint, we plan to have a leading dividend at spin. We're targeting a long-term dividend payout ratio of 45% over the cycle and share buybacks will play an important and consistent role in our capital returns. In fact, we intend to repurchase shares at least 20% of net income over the near term.

To summarize, Dow has all of the pieces in place to deliver superior shareholder returns. We have significant earnings growth drivers in front of us that are well defined, they're lower risk, and they're incremental in nature. We are undertaking several actions to right-size our cost structure with significant cost synergies already delivered and more yet to come. And through our disciplined CapEx and resource allocation as well as the portfolio changes that we've made, we have improved our return on invested capital and have a clear path to continue driving it above our target across the cycle. And as our earnings increase, we expect our cash flow to expand as well further bolstered by our actions to improve our earnings to cash flow conversion. And we see all of this underpinned by a balanced and disciplined capital allocation as well as a strong and flexible capital structure. And our incentives, as I highlighted, are squarely aligned with you and I look very much forward to you tracking our progress together with us. So with that, P.J., shall we move to the Q&A?

P.J. Juvekar: I have a mic here, so if you have any questions, please raise your hand and they'll get a mic to you. Let me start with a couple of questions. You are targeting this $1.3 billion of cost synergies, $300 million of that is from stranded costs. How quickly can these stranded costs come out?

Howard Ungerleider: (Inaudible - microphone inaccessible) As we exit 2019, we'll enter 2020 with those $300 million on a run rate basis being completely eliminated. And I would stairstep them down starting in Q2 through Q4 of next year.

P.J. Juvekar: One question I'm getting recently is, oil price decline that really sets the costs for marginal producers. Earlier this year as oil was going up, you were able to raise polyethylene pricing. Are you seeing any destocking in the channel in polyethylene or other products? And what does that mean for pricing?

Howard Ungerleider: We've actually seen very good demand really throughout 2018. It's not that long ago that we published our third quarter and you saw that from a Dow DuPont standpoint, we had

10% topline growth and it was very balanced across ag, material science, the New Dow and the New DuPont. We had 5% volume growth around the world in the third quarter and I haven't seen that momentum change since the third quarter. So demand is healthy. I would say certainly feedstock costs have been more volatile. It's really, in most of our chains, it's really less about the absolute price of the hydrocarbons. I mean obviously in franchises like packaging and specialty plastics, it tends to be a 30 to 45-day passthrough. What really is a bigger driver is your view on demand. And when demand is healthy and you've got good supply/demand fundamentals, we can maintain or expand margin in a falling hydrocarbon environment or have the potential to maintain or expand margin in an upward facing market. The converse though, P.J., is also true. If you see, if you do see significant drops in demand and supply/demand gets out of balance, even in a lower oil environment you have a hard time maintaining your margins. But we'd seen some margin compression which we were very vocal about in the third quarter and we included that in our fourth quarter or our full year 2018 guidance slide. I don't see anything that we're experiencing right now that would take us off of that guidance that we provided.

P.J. Juvekar: At your Analyst Day you talked in depth about going downstream into systems houses, and MVI and urethanes. When you reflect back, why didn't old Dow succeed in going downstream and competing effectively? And now that you're an independent company, what's the difference now? Why are you confident that you can compete more effectively?

Howard Ungerleider: I think old Dow was successful with building the systems franchise. We've been growing it more than 2x GDP in the systems house for now probably several years in a row. But I think this comes -- the go-forward opportunity is really a streamlined portfolio and a more focused set of businesses. If you think about the old Dow, 15 businesses and more than 10 market sectors. The New Dow, the same size from a revenue perspective as the old Dow, but 6 businesses in 3 market verticals, so it gives us the opportunity to be more focused and more streamlined. And then I also think the other opportunity, when you think about it from a CapEx standpoint, we are just coming off of 2 big mega projects in the US Gulf Coast and Saudi Arabia. Go forward, we're not doing the mega projects. We're going to spend CapEx at D&A and we're going to be very focused. That allows you to go after those incremental, more brownfield, more pots and pans, lower capital intensity, lower risk projects that are in our wheelhouse that tend to have the higher return on invested capital and faster payback projects. Whereas our CapEx before was going into mega projects, the CapEx now will allow us to go into those 6 businesses and 3 market verticals in a much more focused and impactful way.

P.J. Juvekar: Just on the same line, can you talk about R&D? Your big R&D program was a lot of capital going into ag and electronics. Now you're a smaller R&D program than before but it's more focused. Can you talk to us about where those R&D dollars will be going now?

Howard Ungerleider: Yes. If you think about it, we've said the New Dow is going to spend 2% of sales or less. I think in the Form 10 we talked about around $800 million, so $800 million to $1 billion is what you should expect on a $50 billion revenue company. And it really does come down to the operating model. The benefit and the catalysts coming out of Dow Dupont, if you think about the old Dow, we literally had 3 different operating models that we have to deal with in the company. You had the very fast cycles, so you mentioned electronics, P.J., electronics you're spending 20% of SG&A in R&D as a percent of sales each and every year. And you are forced to turn over your entire product mix every 3 years. And if you don't, you lose out on the next mode or the next application from a technology advancement perspective. So you had very fast cycle businesses on the one side of the spectrum and we also had to resource the very long cycle businesses. So ag, you're making, it's almost like big pharma, you're making very long term, 7, 10-year bets, regardless of whether it's on a crop protection new molecule, for a new mode of action or

a seed, a trade, a germ plasma and you may not know until you're 5, 6 or 7 -- whether it's going to be a homerun or you struck out. So by taking off the very fast cycle and taking off the very long cycle, bringing in the silicones franchise from Dow Corning which looks a lot like the operating model that we have in the tremendous ethylene copolymer franchise with Surlyn and Nucrel from DuPont, you're bringing that into our packaging franchise, we have now one streamlined operating model. Same global scale, same reach, 23,000 customers and more than 120 countries around the world. But we're able to be more focused on those applications in those 3 market verticals with the 6 businesses. So it's very similar to the CapEx discussion from an SG&A and R&D standpoint. Questions in the back? Can we get a mic?

Unidentified Participant: Just regard to the leverage target, you cited an adjusted EBITDA, debt to EBITDA metric of 2.5x to 3x. Adjusted for pension is that or what's the adjustment?

Howard Ungerleider: Yeah, the adjustment, so if you go to our third quarter earnings call slide deck, there's a slide which lists out the rating agency adjustments. I see John Rogers here, I won't ask him to tell you what the adjustments are, but Moody's, S&P, Fitch, they all have slightly different adjustments. But the big adjustments are pension, so $7 billion is our underfunded pension as of 12/31/2017. Add to that the $1.1 billion contribution that we made. So if you believe that rates stay where they are when we do the mark this coming December, that $7 billion will go down. And then there's about $2 billion of operating leases which with the new accounting will come on the balance sheet, but the rating agencies have typically looked at that as on balance sheet anyway from a rating perspective. And then the third is really the JV debt. And depending on the rating agency, some rating agencies will look at $4 billion and some will look at $7 billion, depending on how they view the Sadara guaranty versus just the equity ownership of the JV debt that we have. If you want to use the equity ownership method, it's $7 billion and if you want to use the other methodology it would be $4 billion. Those are the 3 big adjustments.

Unidentified Participant: Maybe just to follow on that, any thought in terms of trying to simplify that down the road? For example, prefunding any pension shortfall?

Howard Ungerleider: We put a significant amount of voluntary contributions, I think we put over $5 billion in the last decade and we did $1.3 billion of voluntary contributions in 2018. The way I think about it going forward, I am constructive on rates, so as rates continue to move up and we continue to deliver our expected return on assets, the pension should fund itself. So the way I would think about that is the mandatory contributions of around $200 million, $300 million is the way I would model that. No additional voluntary contributions in the near term that I can think of.

Unidentified Participant: You just answered my first question. But the second question is, when you were mentioning 2.5x to 3x leverage through the cycle, does it mean in a better economic environment the leverage could go up higher? I mean is there a cap in where you want to go up in terms of leverage? And just a follow-up, when you're mentioning refinancing higher coupon debt, would you be looking at the frontend or the longer end debt in terms of refinancing?

Howard Ungerleider: So I'll take the second question first. Look, we've got some high coupon debt and so looking at even based on where rates are now, looking at taking out some of that high coupon debt would be preferential because you'd get earnings momentum as well as return on capital improvement. And so I think that's just a prudent thing to do. Remind me the first part of your question.

Unidentified Participant: In terms of your leverage.

Howard Ungerleider: The targets, yeah. I would say, look, over the economic cycle we're going to be in that 2.5x to 3x range. If you fast forward to the end of 2019, we should be to the low end of that range. We will not intentionally go above that range. I would say if the macroeconomic environment was terrible, could we punctually move above that? We could. But then we would intervene like we've intervened all the time. Even if you go back to the financial crisis, we intervened on CapEx spending, we intervened on working capital improvement as well as I would say overall prime spending. We've got lots of levers to intervene if we have to. We are -- a strong investment grade rating is very important to Dow. Over the economic cycle, we just think it's the right place to be from a counterparty perspective, whether that's customers, whether that's suppliers, whether that's our overall ownership in terms of both fixed income and equity on the right sweet spot from a weighted average cost of capital as well. So that's something that will not change from the old Dow to the New Dow is that mindset, and I speak in my CFO and President role. I would tell you Jim Fitterling as the CEO feels the same way, and our board is 100% aligned on that as well.

Unidentified Participant: Hey, Howard. Just wanted to follow-up on P.J.'s initial question on Brent prices. You said that with the current decline and Brent is say sustained and demand stays strong, then you don't think that would have a margin impact on your ethylene. So does that mean that you think the overall ethylene market is strong enough that the high cost producers are going to see extra margin right now given the Brent price decline? I'm confused why you could be insulated.

Howard Ungerleider: I would say we very much see the world I would say the way P.J. does, with a short and shallow. So we've already seen margin compression, you saw that on our third quarter results. We highlighted that you'll see that continue in the fourth quarter. But fundamentally, if you look out over the next several years, and if you believe in a 3% GDP environment, the world needs 4 to 5 world scale crackers and derivative complexes to just keep pace with that demand. And between now and 2023, just when you do the math on the average age of the grid globally, every year it gets a year older between now and at least 2023, I just haven't done the math beyond 2023. Why is that important? Because if demand is healthy then you're going to run the assets around the world and as the grid ages, the grid breaks somewhere around the world. And then you add on the potential for a hurricane here, a typhoon there or another unplanned event somewhere else, and so yeah, through the first half of next year, you probably see some of this margin compression. If demand stays healthy, you're going to eat up those asset startups and you're going to outpace the supply growth with more demand growth.

Unidentified Participant: You do benefit from higher oil prices versus lower oil process, is that right?

Howard Ungerleider: The honest answer is, it depends. Because if you think about it, we have tremendous feedstock flexibility around the world. So when oil prices go up, the incremental crack has the potential to expand margins. So when oil goes down, pricing will move down. That will be a benefit to working capital because that will flush through and we'll get some more cash out of our working capital. But margins over the medium -- short term margins will compress like they're compressing now in polyethylene. But if demand is healthy, margins will improve as the demand outstrips supply. So I would really focus on the demand versus supply versus the absolute price. The absolute price will impact cash from a working capital standpoint. Okay, P.J., he's going to work for his paycheck. He's got a question.

Unidentified Participant: Thanks, Howard, for the presentation.

Howard Ungerleider: I'm just trying to give you a shout out with P.J.

Unidentified Participant: Appreciate it. Old Dow had made some pretty significant portfolio changes. They

divested a lot of your commodity business, the chloralkaline asset, most of your chloralkaline assets and styrene and then you finished with the consolidation of the Dow Corning JV. So how does M&A and significant strategic portfolio change fit into the New Dow long term strategy?

Howard Ungerleider: I would say a couple of things. In the short run, I don't see any M&A of any size or scale, certainly from an acquisition standpoint. We are going to be constantly looking at the portfolio with a best owner lens. And I think what you have seen over the last few years, when you think about the Olin transaction that you referenced, the Trinsio transaction that you didn't reference but also happened a few years before that, the Dow Corning, a few of the other smaller assets that we divested, we are thinking about a portfolio with a best owned lens. I would say coming out, when we spin out in April of next year as the New Dow, we very much like the portfolio that we have and we believe we are the best owner of each of those assets. And we laid out what I hope from your perspective is a very compelling ability to grow earnings, to grow cash flow, to grow return on capital, and then to deliver relative total shareholder return better than our peer group with that portfolio. With that said, if there are things on the horizon that come up, we will obviously take a look at it. We're still going to look at some smaller assets here or there on the margin.

Unidentified Participant: Thank you very much for your presentation. Just looking at the geographical split, and we've heard from Air Products today that they see China as the kind of key growth market going forward over the next 5 years. How do you see your positioning with regards to China? Is it -- do you feel you're correctly invested there to expose yourself to Chinese growth? And then secondly, I guess your presentation highlights your return on capital employed is 14% today and your midstream cycle is 13%. So is it -- do you see this as the top of the cycle? Is that the message? Or is your 13% target a bit conservative and there's more in that that we would expect going forward?

Howard Ungerleider: I think, look, we've moved our return on capital by 500 basis points over the last few years. What I'd like to see is sustained at that north of 13%. So we talked about a target of a 3% or 300-basis point spread over our weighted average cost of capital. Internally we just use kind of 10%. If you go on Bloomberg, it's a little bit lower than that, so we're a little north of it at 14%. I'd like to sustain it. But certainly, and we have plans to sustain it, but certainly if you look at the projects that we're authorizing, they're not mega projects, they are smaller, incremental, brownfield, new assets or debottlenecking of existing assets, process improvements, reliability improvements, new systems houses in polyurethanes and silicones. And that should improve that return on capital from there. But first step is maintain that punctual 14%, and I think we are more than well positioned to deliver that. Relative to China, we have had very good and very strong China growth over the last several years. In fact, in the third quarter on a Dow DuPont basis, every single one of the divisions had double digit demand and topline growth in China. I think that speaks to our portfolio. We tend to be tilted a lot more toward the consumer in all 3 of our divisions and as they continue to drive the middle class to a larger percentage of the China population to the middle class, they are pulling on the kinds of products that we have, whether it's in our silicones franchise, or packaging and specialty plastics franchise, as you move from wet markets to dry markets, you need, you just fundamentally need more packaging materials to keep the food fresh, to get all the way through the table. I think we are well positioned in China. I mean we have a big pillar plant on the silicone side in China. We have lots of finishing plants from a New Dow perspective. And then one of the key reasons why we co-invested with Saudi Aramco on the Sadara joint venture is to be able to supply Asia in the short run. Not just China, Southeast Asia as well, which I think is a very large and also very large and growing opportunity for us over the next decade. As well as supply the Middle East and then longer term, Africa. And so we feel very well positioned relative to that.

Unidentified Participant: More on China.

Howard Ungerleider: Okay, were you sitting together on purpose?

Unidentified Participant: So if the tariff goes from 10% to 25%, if that does turn out to be real, what does that mean for chemicals and what does that mean for Dow?

Howard Ungerleider: I'll say from a New Dow perspective, look, we haven't had a material impact on any of the tariffs to date in 2018. It's probably less than $50 million impact on earnings for 2018. That number could jump up to maybe $100 million in total. The way we think about it, it really is about -- it's one of the many reasons, when you think about our global footprint, so our Canadian assets, our Argentinian assets, our large footprint in Europe and our position in Saudi Arabia and our joint venture in Kuwait, we have the ability to source products from lots of different places around the world. And well before any mention of trade or tariffs, we have a mindset of minimizing what I would call molecular tourism. And so you want to produce as close as you possibly can to the consuming market. One, it's the right sustainability answer from a carbon footprint, but two, you tend to drive higher margins over time. But I think Dow, the New Dow, is very well positioned and certainly better positioned than almost all of our peers because of the global footprint that we have in each of the regions around the world.

Unidentified Participant: (Inaudible - microphone inaccessible)

Howard Ungerleider: Well, it's what I talked about relative to making sure that we're shifting our product mix in the right -- yeah, I would say that $50 million to $100 million headwind, so incrementally, it's only a $50 million headwind from 2018 to 2019. So it's on call it roughly $10 billion of EBITDA. I wouldn't call that material. So it's just one of the many things that we get paid to deal with and intervene. I think our footprint gives us the ability to move the product wheel around the world to make sure that we minimizer any impact. So we're going to have to be agile.

Unidentified Participant: Maybe just a follow-up for me.

Howard Ungerleider: A third question on China?

Unidentified Participant: No, no, we're going to do something else, non-China. So we've got Saudi Aramco making big announcements about further upstream building blocks. We've got oil companies talking about wanting to go into polyethylene, well, more into chemicals. How do you see the competitive landscape and then how does Dow sustain its competitive, it's comparative advantage in that increasing competitive intensity I should say?

Howard Ungerleider: We've been in a competitive -- I've been with Dow almost 30 years. We've been in a competitive environment for at least those 3 decades that I can speak to and for most of our 120-year history. I think it comes down to all the levers that I talked about. A best owner mindset. What we laid out at our November Investor Day a couple of weeks ago in New York was a much more rigorous focus on benchmarking. So making sure that with a streamlined portfolio that we have, we have an understanding of where we are the best in class and where we're not. And in those places where we're not, we have a rigorous set of actions identified and implemented to achieve best in class. That's from a best in class cost structure, business by business, region by region. Our feedstock flexibility is something that has really been a key value lever for us over many decades. We very much are focused on having the most feedstock flexibility region by region. I think it's really important, a lot of people talk about feedstock flexibility, and you need to ask them what they mean by that. Because when we say that in Dow, it's literally furnace by furnace, you have the ability within a given furnace of a hydrocarbon cracker to crack

different feed slates. A lot of folks say they have feedstock flexibility because they own one ethane furnace and one naphtha furnace. But they're either running the ethane furnace or they're not. I would say that's not as much feedstock flexibility as you can. So the right cost structure, the right feedstock flexibility, and then the right technology from a process technology and application development to make sure we're in the highest margin markets that are growing the fastest, where the market will value the technology. And that's something that -- that is who Dow is and the New Dow, with the streamlined, more focused portfolio, it's going to unleash that opportunity even more. So there will always be competition. That is the beauty and the curse that is capitalism, but I embrace it.

P.J. Juvekar: Howard, can I ask you one question? We had another company present before you this morning and they talked about destocking in China at one of their customers. And they started destocking themselves as a result. Oil prices have come down and going into yearend, the Chinese New Year, all that stuff, are you seeing destocking by your customers? And what is Dow doing?

Howard Ungerleider: I would say a little bit on the margin, P.J. But it's in line with what we talked about on the earnings call, so it's nothing -- it's nothing that's uncommon. This is a typical pattern that you see kind of in the last 30 or 45 days of the year. So nothing that gives me pause. I mean I look at all the macro fundamentals and demand is healthy. Fundamental underlying demand is good. And so that's why we're in this short and shallow mindset that we seem to be simpatico on with you.

Unidentified Participant: It's a simple question for you, it's not on China. But this current fixed income register, a non-deal register that was announced today, is the idea that there's a potential transaction on that front coming to I guess regarding the relatively short-term profile that you've got?

Howard Ungerleider: Yes, so when you think about -- thanks for the question. When you think about our financial debt, and so what we talked about, we laid out the target capital structure of the New Dow, we talked about yearend 2019 target of having about $16 billion of financial debt. If you look at the Dow tower today, we have about $20 billion of financial debt. So there's about $4 billion of financial debt de-leveraging that will happen over the course of between now and the end of 2019. And I also talked in the prepared comments with the slides, I was talking about the high coupon debt. So we're going to be opportunistic in the market, but we've got 2019 debt coming due of about $2 billion of 8.5% coupon. And certainly, spreads have widened here in the last 30 days, but when you look at the all-in costs, if we are able to take those out, they will be very accretive from an earnings and a cash flow perspective. So that would be first priority. Second priority is we have a term loan that we funded to buy the Dow Corning business. We have at our option the ability to extend that out to yearend 2021. But depending on where the markets are, we'll be opportunistic with that as well.

Unidentified Participant: So just as one follow-up, if you -- so there's a possibility you come to the bond market as well. Would that be both term loans and short term --

Howard Ungerleider: It would be refinancing for any high coupon debt to take it from a higher coupon to a lower coupon.

Unidentified Participant: But on top of that, you've got (inaudible) from the DuPont cash --

Howard Ungerleider: Right, so we're expecting a little over $2 billion of cash that the Dow tower will receive from the DuPont tower before spin in April.

Unidentified Participant: Just one more. When you think about your global footprint, do you have any room to expand production capacity at Sadara maybe to mitigate some of the impact that the Chinese tariffs may have on your ability to ship from the Americas?

Howard Ungerleider: Yes, certainly. When you build those new assets, they are the latest and the best technology that we have. So the ability to debottleneck them and to just do asset creep even with expense money, not necessarily CapEx dollars, you should be able to sweat the assets, at least 1% or 2%, certainly new assets like Sadara, at least 1% or 2% consistently over the first 5 to 10 years. When you think about our grid around the world, we tend to do that. So if you look at our Texas 9 cracker that recently started up, the newest cracker in our fleet, we built that to 1.5 million metric tons, 7 furnaces, but we built the inside the battery limits and all the capability around that to be able to be 2 million metric tons. So this is a very -- the project that we're doing right now in the Gulf is to add 2 furnaces to go from 1.5 million metric tons to 2 million metric tons. It will be the largest cracker in the world and it should be then the lowest cost cracker in the world most likely versus any of the benchmark peers. So incremental debottlenecks like that, not only in Sadara, but in our other asses around the world, is going to be a clear focus of the New Dow.

Unidentified Participant: With more olefin capacity in the US, what percentage of your total sales are expected to be exports from the US? And what are the key markets for those exports and what kind of potential margin headwind would you anticipate from logistically moving these exports across the globe?

Howard Ungerleider: Good question. We -- so look, the New Dow, about 40% of our total sales are in the US or US/Canada. About 30% of our sales are in Europe and then the balance are 20% Asia and about 10% Latin America to make up the 100%. The overwhelming majority of our sales produced in the US are sold in the US. And then you've got a little bit in Central America and a little bit in South America. There are no, I would say no structural exports for us of any size where we built the new assets to serve Asia from the US. We do supply Asia to some degree from our Canadian assets in Alberta as well as obviously that was the key motivation behind the Sadara build as well as the JV in Kuwait.

P.J. Juvekar: Great. Well thank you very much.

Howard Ungerleider: All right, thanks for the time, everybody, appreciate it. Thanks, P.J.