**DuPont 3Q Earnings Call.**

**October 31, 2019**
**08:00 AM EDT**

Operator: Good day and welcome to the DuPont Third Quarter 2019 earnings call. Today's conference is being recorded and at this time I would like to turn the conference over to Lori Koch. Please go ahead.

Lori Koch: Good morning everyone. Thank you for joining us for DuPont's Third Quarter 2019 Earnings Conference Call. We are making this call available to investors and media via webcast. We have prepared slides to supplement our comments during this conference call. These slides are posted to the investor section of DuPont's website and through the link to our webcasts.

Joining me on the call today are Marc Doyle, Chief Executive Officer; Jean Desmond, our Chief Financial Officer; and Ed Breen, Executive Chair.

Please read the forward-looking statement disclaimer contained in this slide. During our call, we will make forward looking statements regarding our expectations or predictions about the future. Because these statements are based on current assumptions and factors that involve risk and uncertainty, our actual performance and results may differ materially from our forward-looking statements.

Our second quarter Form 10-Q as may be modified by our subsequent periodic and current reports includes a detailed discussion of principal risks and uncertainties which may cause such differences. We will also refer to non-GAAP measures. Our reconciliation to the most directly-comparable GAAP financial measure and other associated disclosures are contained in our press release and posted on the investor section of our website.

I'll now turn the call over to Marc.

Marc Doyle: Thanks Lori, and good morning everyone. Starting on slide two, we delivered organic sales and adjusted EPS in line with our expectations by staying focused on our competitive strengths and the earnings drivers within our control. Although our operating EBITDA was slightly below our forecasts primarily due to unanticipated

currency headwinds, we were able to maintain gross margins and continue to expand our EBITDA margins, even as the US dollar strengthened and several of our key end markets remained challenged.

We enabled this performance through continued price improvement, driving our synergy savings and advancing our restructuring program. Combined, these actions delivered an additional $145 million of savings this quarter, and we're on track to deliver greater than $500 million for the full year. Our team is laser-focused on these priority initiatives as we continue to navigate the macro uncertainties.

Turning to slide three, our volumes continued to be impacted by the slowdown in both the automotive and semiconductor end markets that is also affecting many of our peers. However, there are still many exciting areas within our portfolio such as water and pharma that continue to post strong results. All-in, global sales of $5.4 billion were in line with expectations at down about 2% on an organic basis. Organic sales in our core segments were down about 1.5%.

As noted, while we are seeing continued weakness in a few end markets, there are many bright spots in our portfolios that are performing very well. Highlights here are aerospace and T&I, and S&C, pharma and plant-based foods in N&B, water in S&C, premium smartphones in E&I, which in total account for approximately 15% of our sales and were up 7% in aggregate versus the prior year.

In smartphones, a market that continues to face challenges, our ability to deliver higher content in the newer models enabled our interconnect solutions business to deliver 8% higher revenue in the quarter versus prior year, a marked improvement from the first half when sales were down 10%. This outcome demonstrates the value of our innovation engine and the power of our close customer relationships.

Our reputation for working closely with our customers to deliver the technology they require sets us apart and enables us to drive pricing and demand in a rapidly changing market like smartphones.

Our more sluggish markets of automotive and semiconductor are experiencing negative growth year-over-year. These areas which account for a little more than 20% of our portfolio were down 11% and 3% respectively. We believe destocking in semiconductors is now behind us and we're starting to see indications of stabilization in automotive channel inventories. I am confident our businesses will ultimately outperform driven by their strong position and broad technology portfolios to address key trends such as hybrid and electric vehicles and the transition to 5G and enabling the Internet of Things.

Regionally, organic sales were flat in the US and Canada, down 3% in EMEA, down 4% in Asia-Pacific, and down 4% in Latin America. Weakened automotive end markets continued to drive the declines in both Asia-Pacific and EMEA. However, total sales in China, the market which turned down sharply for us last December, posted its strongest results this year and we're down year-over-year in the quarter by 2% versus down 10% in Q1 and 3% in Q2, each versus the same period last year. Definitely an improving trend for us.

Turning to slide four, adjusted EPS was up 2% on a pro forma basis versus the prior year. As noted, currency was a headwind in the quarter, reducing EPS by $0.03. Our segment results, excluding the impact of currency, were a net $0.02 headwind to adjusted EPS while depreciation and amortization and a lower share count both contributed to our EPS growth.

To provide a little more color on our segment results, I'll cover some of the key operating EBITDA drivers. Operating EBITDA of $1.4 billion was down 4% versus the prior year period. We again delivered operating leverage further demonstrating our ability to drive price and operating efficiencies amid challenging market conditions. We delivered operating EBITDA margin improvement of 20 basis points versus the prior year. Our strong price and cost discipline was partially offset by a weaker mix with volumes in our higher margin businesses, primarily semiconductor technologies, posting softer results in the quarter. We also experienced higher manufacturing costs, driven by planned maintenance activity, primarily in the safety and construction segment as well as lower production rates driven by weakened volumes in our T&I and non-core segments.

Before I turn the call over to Jean to discuss the quarter in further detail, I'll cover our full-year guidance on slide five. For the full year, our expectation for organic sales remains unchanged at slightly down. Our forecast for total annual sales, including the impact of currency in portfolio, is about $21.5 billion. We are narrowing our adjusted EPS range of $3.75 to $3.85 to $3.77 to $3.82 per share, maintaining the midpoint of the prior guidance. This adjustment reflects second half currency headwinds of approximately $45 million versus our original expectations.

In the appendix, we provide segment-level commentary as well as some additional modeling guidance. Overall, I am confident in our ability to adapt as market conditions evolve, while continuing to make smart, high-return investments to enhance our portfolio. Our relentless attention to cost and pricing discipline, coupled with the benefits of our ongoing investments in innovation, will deliver bottom line growth when market conditions improve. Our focus on driving improvements in ROIC is the right mindset for the long-term strength of the company, and every part of the organization is committed. We are working all the levers in our control to deliver on our earnings commitments and drive shareholder value.

I'll now turn the car over to Jean to discuss the segment results.

Jean Desmond: Thanks Marc. Starting with Electronics and Imaging on slide six, net sales of $934 million and operating EBITDA of $320 million were in line with our expectations and demonstrate that the second half improvement we have been forecasting got off to a solid start in the third quarter.

Sales in China for the segment were up nearly 30% versus the year-ago period, reflecting a second straight quarter of sales growth. This result was partially enabled by higher content in the next generation smartphones.

Our semiconductor technology business with down low-single-digits versus the year-ago period, but was up mid single digits versus the second quarter. We believe this sequential improvement indicates that the softness we saw in semiconductor technologies in the second quarter due to high channel inventories is resolving and our current expectation is

that the semiconductor market recovery will continue, returning to growth during 2020.

Operating EBITDA margins for the segment were flat at 34%. Softer volumes in semiconductor technologies, our highest margin business, was a headwind to segment margins. This headwind was offset by a gain associated with a planned asset sale.

Moving to Nutrition and Biosciences on slide seven, momentum in our nutrition and bioscience segment continued with another quarter of organic sales growth. The strength of our N&B portfolio is its breadth which enabled low-single-digit organic growth amid well-documented near-term market driven softness in biorefineries and probiotics. Third quarter organic growth was led by food and beverage volume gains which were driven by strength in specialty proteins and cellulosics from growing demand in plant-based meat. Other highlights included high-single-digit organic growth in pharma solutions as well as strengths in the food enzymes and animal nutrition business within health and biosciences. We continue to be a market leader in probiotics and remain confident in the long-term growth of this business. We expect the probiotics growth will continue to be fueled from Asia-Pacific, where current market penetration is low as compared to other regions but growing steadily. September year-to-date, probiotics in Asia-Pacific has grown double digits.

Operating EBITDA margins in nutrition and biosciences are essentially flat with the prior year.

Transportation and Industrial reported net sales of $1.2 billion, down 10% on an organic basis, with a 1% price improvement more than offset by an 11% volume decline. Our results reflect continued demand softness and destocking in the global automotive market and weak electronics volumes. While global auto build remained relatively steady with last quarter from a year-over-year perspective, inventory destocking continues to negatively impact our results. We are pleased that we maintained pricing strength in the quarter versus the prior year, but anticipate that the rebalancing of the nylon 6,6 supply chain will influence pricing and volumes as we look to the remainder of the year.

Operating EBITDA declined 20% versus the prior year-ago period with pricing gains and cost reductions more than offset by the impact from lower volumes and currency headwinds.

Turning to the results of Safety and Construction on slide nine, net sales of $1.3 billion were up 2% on an organic basis. Operating EBITDA of $352 million was up 1%. Continued pricing strength and productivity actions drove operating EBITDA margins up 80 basis points versus the prior year. Year-to-date operating EBITDA margins are up 370 basis points.

Our top line results were consistent with the second quarter. We realized pricing gains across all businesses, which is now our seventh consecutive quarter of pricing gains in S&C. Likewise, strength in water solutions, where we continue to see strong demand in industrial and wastewater treatment markets, was offset by softness in North American construction end market. Demand for our safety solutions segment remains robust, but was negatively impacted by plant maintenance activity as well as outages at some of our key raw material suppliers, causing us to have to curtail aramid production. S&C continues to improve their cost structure and has raised their operating EBITDA margins

above the company average. A commitment to value and use pricing and a relentless focus on productivity is driving EBITDA margin improvements.

Turning to the balance sheet on slide 10, you'll see that our net debt has remained relatively consistent at $15.5 billion with slightly higher commercial paper balances, which we expect to reduce by year-end, offset by higher cash balances as of September 30th. As I've said before, our capital structure has been in place for several quarters now and we feel good about our position. It provides us with the flexibility we need while maintaining our investment-grade rating.

You can also see the improvement we have driven in working capital in the quarter. Both accounts receivable and inventories are down as compared to June 30 providing a working capital benefit. This is slightly offset by lower accounts payable balances. Capitalizing on our working capital opportunity remains a focus area for us. Our working capital levels did rise coming out of separation, but I'm pleased with the progress we've made this quarter and expect additional improvements in this area. The gains from working capital improvements and well-controlled capital spending enabled us to exceed our free cash flow conversion target of greater than 90% for the quarter. We also made additional progress on our share buyback program. Repurchases now total $600 million since June 1 and you can anticipate a similar pace through the end of the year. To date we’ve returned greater than $800 million to shareholders.

Let me close with a few comments on ROIC. We remain on track to deliver meaningful ROIC improvement since the portfolio came together. More importantly, however, its a mindset shift of the organization which is now returned to focus. Our major capital and R&D spending is appropriately de-risked. Our teams understand the importance of ensuring these dollars strengthen the bottom line and improve ROIC.

I'll now turn the call over to Ed.

Ed Breen: Thanks, Jean. I continue to be impressed by our team's ability to advance its strategic priorities in tough market conditions. They have stayed relentlessly focused on execution and it is visible in our results.

At the same time, I want to emphasize that we are well aware of the value creation potential inherent in this portfolio. We are actively pursuing strategic portfolio transactions that will drive increase shareholder returns and sustainable long-term growth. We also continue to refine the portfolio even as we assess more significant portfolio reconfiguration. This past quarter we completed the sale of a sustainable solutions business from the non-core segment, and in Q2 we completed the sale of the natural colors business from N&B. Both divestments had lower margin profiles than their segment and the total company average.

Additionally, we announced the planned divestment of the silicon carbide business in E&I for $450 million in cash. Once we close, we will use the net proceeds in a way which further enhances shareholder value. We continue to look for opportunities to monetize our non-core businesses, and we plan to make significant progress over the coming quarters.

We're also looking for bolt-on acquisitions targets to further strengthen our high-growth

industry-leading businesses. Recently we announced the intention to make two strategic acquisitions in our water solutions business, an area of significant growth opportunity. By enhancing our capabilities in ultrafiltration we're building on an already-strong position with additional capabilities and value-added solutions that will drive top-line growth. Water is a vital end market driven by significant demand trends and our portfolio is advantaged in the space as evidenced by our 6% organic growth during Q3. Overall we are focused on both organic and inorganic growth opportunities.

Before we turn to Q&A, I want to address a couple of areas that I know are on your mind: the PFAS litigation and the Chemours suit. PFAS is a broad term that covers a variety of substances including PFOA and PFOS. For your information, the firefighting foam suits relate largely to PFOS, a chemical that Chemours and we, including historical DuPont, never made. The same is true for firefighting foam. As to the PFAS matters themselves, we feel these liabilities are well-managed and we have every confidence in our position. As a testament to that, we have passed the second year of the five-year sharing agreement with Chemours and we still have paid zero dollars to them.

As to the Chemours suit, the spinoff of heritage DuPont's performance chemicals business into Chemours complied with all applicable legal requirements and followed standard practices relating to such transactions and we are confident in our position.

Earlier this month, Chemours filed a response which implies that the historical DuPont board did not intend for Chemours' indemnification liability to be uncapped. This is simply wrong. The materials reviewed with the historic DuPont board at the June 15th meeting at which the spin was unanimously approved, clearly and unequivocally state that the indemnification liabilities are uncapped. In addition to the board materials, there are numerous other documents which clearly show that the liabilities are uncapped. Furthermore, Chemours itself reaffirmed the separation agreement as part of the 2017 amendment, which undoubtedly states the liabilities were to be uncapped.

As you know, Corteva and DuPont jointly filed a motion to dismiss the complaints because this matter belongs in arbitration as provided in the Chemours separation agreement. We will file our final response in early November, after which the court will respond to our request for dismissal. If there are additional questions on this, we can discuss these further during the Q&A section of the call.

In closing, our results illustrate our commitment to our key principles: the fundamental value of deep customer relationships; ongoing investments in innovation; and optimizing the efficiency of the organization. The team continues to stay laser-focused on executing against these priorities to deliver increased value to our shareholders.

I'll now turn it over to Lori to open up the Q&A.

Lori Koch: Thank you ed. With that, let's move on to your question. First, I would like to remind you that our forward-looking statements apply to both our prepared remarks and the following Q&A We will allow for one question per person. Operator, please provide the Q&A instructions.

Operator: Thank you, and if you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speaker phone, please make sure your mute

function is turned off to allow your signal to reach our equipment. Again, please limit yourself to one question. We will take our first question from Jeff Sprague with Vertical Research Partners.

Jeff Sprague: Thank you. Good morning, everyone. Hey, Ed, thanks for the comments on the broader portfolio and the like. Also, I was just curious that you know, in addition to what you've identified as non-core, right, you've got kind of a number of things that are you know, still sitting in the segments and kind of coming out. And without identifying businesses perhaps, but can you give us a sense of how much revenue might actually be sitting in the four segments as kind of, "ongoing business" that really hasn't met that threshold in your view?

Ed Breen: Jeff, it's very small. You know, we did sell a business you saw recently that had not been in non-core. We got a nice price for it. It wasn't as strategic to us. There's a couple more things like that. But generally speaking, Marc, Jean and the team are really focused on moving out the non-core. Every one of them is in motion. You've seen, we've made a few announcements already, but every one of them is actively being worked at this time. So that's the heavier lift is to get that done, get the cash in so we can redeploy it. You know, smartly for our shareholders. And then just to reiterate your opening comment there, you know, obviously the team is extremely busy on looking at some transformational moves. And I would just say we're in seven-day-a-week work mode right now if I could say it that way. And you know, really looking at that heavily to move a couple of things.

Operator: And we will take our next question from Vincent Andrews with Morgan Stanley. Please go ahead.

Vincent Andrews: Thank you, and good morning everyone. Maybe if we could just get a little more detail in, the electronics piece particularly as it relates to the smartphones and the, good selling you're seeing. How much of that is really related to just there's more content of your products in the phones versus you know, there has to be sort of an inventory load of these phones or maybe greater production to build into the channel. So I guess what I'm asking is how long and how sustainable is this strong sales trend and ultimately, do you have a difficult comparison against it?

Marc Doyle: Yeah. Thanks, Vincent. This is Marc. I'll take that one. You're, you're right. It's a combination of builds for the new phones and higher content in the new phones that's driving the kind of half-over-half sales increase, most of which hits our ICS segment -- interconnect solutions -- in E&I. And we view that -- so what's really happening here is as the phones start to become more 5G enabled, there are more high-frequency materials inside including antennas that pick up the signals. And we have a number of products that go into there including some next generation Kapton- based laminate materials. And that's expected to continue to grow through 2020, 2021, as more and more of the new phone models have these antennas and these higher frequency capabilities. And so while it's a nice growth driver in the second half of this year, we do expect it to continue for several years. And just to bring you back to the new Kapton line, we announced a couple of quarters ago that new Kapton production line. The demand there is largely driven by these trends in 5G for next-gen handsets.

Operator: And next we will hear from Christopher Parkinson with Credit Suisse. Please go ahead.

Christopher Parkinson: Thank you. On the outlook for N&B in '20 and '21 there's just been some recent volatility in quarters due to market-based factors as well as some facility downtime and pharma. Can you just refresh our memory on your general growth expectations for the components of that N&B portfolio,. specifically probiotics, specialty proteins and pharma solutions, as well as any key macro variables driving each substrate? Just trying to get a sense of the normalized outlook from both a growth as well as a mixed margin perspective. Thank you.

Marc Doyle: Yeah. Chris, this is Marc. I'll take that one too. So you know, as you said, there are some good mid-term growth drivers here in N&B and you highlighted a few of the key ones. We continue to have a lot of confidence in the probiotics market as a long-term double-digit growth market. You know, it's driven by new health indications, new products as well as just the continued penetration of probiotic usage into the nutritional supplements market. Asia is a huge growth driver for probiotics consumption growing double digits. So we like those long-term dynamics. You also mentioned specialty proteins. The whole space around plant-based foods, which is -- or plant-based meats, which is relatively small today from a -- especially food ingredients sales standpoint for us, less than $100 million. We think that that's got a good long-term double-digit growth trajectory too. And then you mentioned pharma excipients and certainly the pharma space is a nice kind of mid-single-digit growth space. So those dynamics are still very solid. They're great long-term growth, secular growth drivers for N&B. I'd also mention, you know, these are higher margin parts of the N&B portfolio, so as they grow, we'll continue to see an uplift on our margins. Thank you.

Operator: And next we will hear from Scott Davis with Melius research. Yes, go ahead.

Scott Davis: Good morning.

Ed Breen: Good morning, Scott.

Scott Davis: I'm glad to be calling in on my first call here.

Ed Breen: That's right.

Scott Davis: I can get away with it for a while as a new guy. Ed, I'm kind of intrigued by your comments on trying to drive this Chemours thing into arbitration. But can you, can you really, can you talk to us about what you think the timing is? If there's two potential outcomes here? You're going to get an outcome that drove it into arbitration. Is that something that can happen in the next 12 months or is this all kind of grind to a halt just with the legal system and its delays inevitably have?

Ed Breen: Yeah, Scott. I think you know, having been through some of these before and certainly talking with our counsel on this -- if it goes to arbitration which is clearly what the documents say, I think it resolves itself much quicker. Because that process is just a, a faster process. So I would think during, you know, 2020 that would resolve itself. The timing by way, as I mentioned in our prepared remarks, we're filing our final brief in the next set of days here. And you know, there could potentially be oral arguments that would occur. So I wouldn't expect necessarily the judge to rule on this, for instance, during the month of November. It's probably out just a little ways. You know, if they happen to go through oral arguments, which is not an uncommon thing in this case. So,

you know, pending that happening, it could be a little bit of time before we hear that. But again, I think an arbitration process would be a lot quicker. You know, going through the legal system would be a little bit longer.

That's kind of how I would handicap it at this point in time. But by the way, I just reiterate and you know, I said this in my comments, but just to kind of put an exclamation point on this. I mentioned a few documents with the uncapped language. There's also filings by Chemours, public filings, that they had signed by their chairman and CEO that talked about uncapped documents. And I would not even venture to tell you how many emails there are in the system that talk about uncapped liabilities. So, you know, it's very cut and dry in all the documentation throughout the company.

Operator: And next, we will hear from Steve Byrne with bank of America. Please go ahead.

Steve Byrne: Yes, yes. Thank you. Appreciate the disclosure on the PFAS. You make a comment in here that you've never sold PFOA. I was curious whether in the years that DuPont manufactured products that PFOA was used in the process. Was it simply a surfactant used as an aid in the manufacture of a product or was the product derived from it and contained in the product that you sold?

Ed Breen: So it was used in the process and remember, look -- the clarification, I think a lot of this gets blown out of proportion because of articles that are written and we seem to get our name in a lot of them. But it was, we use it in a manufacturing process in four manufacturing facilities in the US. That's it. We didn't have it in our end products.

By the way, the comment I made where more of the legal issues are and more of the locations are, is firefighting foam. DuPont and Chemours never had anything at all to do with firefighting foam. So, you know, I think people blow it up a little bit more here, but it's literally four locations. Chemours is liable for it. And we've been doing groundwater remediation in those locations for quite a few years and by the way, it'll continue for many years. And by a very key point here, you know with all the talk around this, the last -- we're two years now as of July 1 into the five-year agreement with Chemours, where Chemours pays the first $25 million in a year and then DuPont will chip in the next $25 million and an after that it's a Chemours liability. In two years now we have not paid a penny because Chemours has not gone over the $25 million limit.

I would also say that, you know, we have some things we would like to clean up. We're clearly in close communication with Chemours on this. We have about 64 personal injury claims. Remember, we settled 3,550 of them all from one location by the way. And we have about, I think 64 more there. It would be nice for us to get those resolved and then we'll continue the groundwater remediation at the four locations that I mentioned. So I think we have this thing well-contained, well-boxed-in and over time we'll get a couple of these other things cleaned up like the personal injury cases.

Operator: And next, we will hear from David Beglieter with Deutsche Bank. Please go ahead.

David Begleiter: Thank you. Thank you. Good morning. Ed, does the Chemours lawsuit have any impact on the timing of the portfolio actions? And I know it's hard to say, but any sense of when we might see the first of these transactions from a timing perspective? Thank you.

Ed Breen: Well, no. The Chemours suit will have no bearing on any strategic actions we take on the portfolio. Look, I can't talk timing, but let me just go back to a comment I made a few minutes ago where Marc, Jean, me, we're all, we're in seven-day-a-week mode right now. You know, it feels like back when we were doing stuff, both talking to Dow and getting things going. So we're busy. We know what we want to do, and we're pursuing.

Operator: Jonas Oxgaard with Bernstein. Please go ahead.

Jonas Oxgaard: Morning, guys. I was wondering which Halloween candy you are most exposed to.

Ed Breen: We're in some of that candy, by the way.

Jonas Oxgaard: I figured it had to be. Now more realistically, coming back to the divestiture of the wafer business, can you talk a little bit more about the process leading up to this? Is that something that you shopped around, were you approached? Was there a strategic review beforehand?

Marc Doyle: Yeah, Jonas, it's Marc, I'll take that one. And yeah, like the other non-core divestitures, we've tried to run good discipline processes. So this was a case where we knew there would be some strategic buyer interest because of the growth in silicon carbide. And so we tried to move as quickly as we could, you know, to take advantage of kind of the industry dynamics in that area. And we ran a good process, multiple buyers. The final bidder that one obviously was the best offer that we got.

Operator: And next we'll hear from John McNolty with BMO Capital Markets. Please go ahead.

John McNolty: Thanks for taking my question guys. So on the innovation pipeline that's going to help to keep driving your business better than GDP, I guess, can you give us some thoughts on how that pipeline will contribute in 2020 or put another way, if we have a flat macro environment, how can we be thinking about the organic growth tied to some of the innovation that you're bringing out?

Marc Doyle: Yeah, John, it's Marc, I'll take that one. I mean, we're really confident in the strength of our innovation pipeline right now and I think honestly, it's never been stronger than it is. We've really focused around a small number of very powerful themes with our innovation spend. You know, we're still spending about, around about 4% of sales on R&D. Expectations from me for sure that we're going to get more out of that investment than we maybe ever have historically -- a couple of the big themes that we're spending around, auto electrification is one. We've got multiple new product innovations in that space, enabling lightweighting, enabling heat removal from battery packs, enabling miniaturization of electric motors and inverters, a lot of high-performance materials. And that's both new launches and customer qualifications.

We're also spending very aggressively on 5G. You know, we mentioned earlier some of the uptake in antenna materials. Those are based on new product launches that are happening this year. We have some additional new innovations coming in high-frequency that'll roll out over the next couple of years out of the pipeline. And then maybe a third area I just mentioned is microbiome, the broader space than probiotics, is about not just more bacterial strains with new clinical indications, but also how can we

attach additional offerings to our probiotics business which is, you know, currently the leading franchise in probiotics. But we're trying to double down and bring out new offerings like additional services, data, prebiotics and more advanced sort of complex formulations that can further sort of double down on the growth in that space. So I'm really bullish on the pipeline. You know, I'd stay away from giving a specific revenue number for next year until we're ready to roll out our 2020 guidance. But I think the innovation pipeline is very strong.

Operator: And next we will hear from Bob Court with Goldman Sachs. Please go ahead.

Bob Court: Thank you. Good morning. I was wondering if I could ask about margins in your transportation and industrial business. It looked like the decremental margins there were pretty painful on the volume loss. So I guess a combination question. When would you expect, you know, given the current environment to see those volume comparisons get a little bit more level? And then secondly, what would you think about your incremental margin expansion as volumes come back in that business?

Marc Doyle: Okay. Yeah, Bob, let me kick it off. This is Marc and then I'll hand it off if Jean wants to add anything, I'd say, I mean, you're certainly right. You know, volumes had been really soft this year. T&I business and in particular the nylons and plastics are relatively lower-gross-margin businesses. So there is a significant loss of leverage when the volume soften -- price has been softening too as a result of the weak demand in the industry. And so that's also hurting the margins. We've talked about this now for a couple of quarters as being not just the weakness in the industry, but also destocking in our channels which is exacerbating. And that's why while the auto market is down mid-single-digits, we're down even higher than that. We are expecting that this will stabilize at some point. Hard to call based on the uncertainty this year, but going into the fourth quarter we're currently seeing inventory levels relatively stable in the channel. We're not seeing a pickup in demand, but we are seeing some signs of some sequential improvement. So September as an example was a pretty good month versus, you know, 2019 for us. So again, hard to call. In terms of the actions that we're taking, Jean, do you want to --

Jean Desmond: I mean, I think T&I is an example of, you know, differentially managing our businesses whereas you look across the portfolio, you'll see the lowest kind of selling R&D expense in this business. And I give Randy and his team a lot of credit as we've come into this year. We saw the steep drop-offs in December, they very quickly -- December of last year -- they very quickly took actions to further right size the business and take costs out. So that gives me a lot of confidence that we get through destocking, we see a rebound in auto builds, that this business is going to be very well-positioned to benefit from that.

Ed Breen: And by the way, we've run historically over auto builds in this business as you know, until the destocking kicked in pretty severely in mid-December last year. So we get through destocking, at least we'll stabilize kind of around to where auto builds are, plus some increment to that with the content that we drive into the end market. So you know, that that will play out in the near future.

Operator: Next, we will take a question from John Roberts with UBS. Please go ahead.

John Roberts: Thank you. Did your animal nutrition business benefit at all from swine fever in China?

And I was surprised that the food enzyme business was up. I thought the weakness in food ingredients was a little bit more broad based than just probiotics.

Marc Doyle: John, no, I'll take that. No, not, not a huge benefit. Animal nutrition has been a good market for us because we've got a very strong franchise around the phytase area. And so we're benefiting kind of from global growth characteristics, you know, more meat usage. And then around food enzymes, I mean we're -- as you're probably aware, we're not the largest supplier of food enzymes. We are seeing very attractive growth off a relatively small base. And so food enzymes continues to be for us, kind of a high-single-digit growth. Animal nutrition by the way in the quarter was about a mid-single-digit 5% growth. So those are bright spots in the enzymes portfolio. I would say the segment, health and biosciences segment within nutrition and biosciences was down about a percent this quarter. And so it was a little bit soft overall, but those were some of the bright spots.

Operator: And next we will hear from PJ Juvikar with Citi. Please go ahead.

PJ Juvikar: Yes. Hi. Good morning. Ed, on your potential strategic transactions, can you make some general observations about M&A multiples that you're seeing given the falling rates? And then secondly there, is PFAS liability becoming a sticking point in negotiating these deals. Thank you.

Ed Breen: Yeah PJ, thanks for the questions. No, the, the PFOA has not been an issue in things that we're looking at and working on. So I'll just -- I'll leave it at that. That doesn't concern me. And just from a multiple standpoint, it's hard to answer that. But I'll just say broadly, multiples are very good, you know. When you're looking at transactions right now -- and by the way, just to give you one, I think multiples in the N&B-type sector are kind of at all-time highs right now. And I think a lot of that is it's just a steady business, a steady industry which is kind of recession-proof. You know, people are going to eat and they command multiples up around kind of 20%, the real premium companies, which I think we are the premium company in the space. So multiples are not an issue in what we're working on

Operator: Next, we will hear from Arun Vishuanathan (ph) with RBC Capital Markets. Please go ahead.

Arun Vishuanathan: Okay, thanks. I'm just trying to understand the earnings algorithm from here. You know, could you kind of touch on your outlook for cost reductions and synergy capture, if there's any left, into 2020? And then similarly assuming price is going to offset FX, what would be the main drivers that would help you get some volume growth next year? Thanks.

Jean Desmond: Sure. Thank you. You know, let me first address the synergies. So, you know, as we look at 2019, we had about $450 million of synergies from the Dow DuPont and we're going to wrap that up in 2020. We have about another 160, 165 synergies and then we'll be finished that program. The good news is, and you know, we talked about this the last quarter, that productivity is in our DNA. It's really important. I talked about the work that Randy and his team have done in other parts of our businesses as we've come into 2019 to deal with the softness in some of our end markets. And so we've taken productivity actions this year and that's going to give us a bit of a tailwind as we go into 2020 as well. So you can think about maybe another $50 million plus of, of benefits from the timing of those actions going into 2020.

In terms of our broader 2020 guidance, we're going to talk about that more when we announce fourth quarter earnings late January, early February. But you know, I think we're looking at you know, similar macro dynamics from, from '19 into '20. We're going to be fairly cautious as we think about 2020. But, you know, there are certainly bright spots in our portfolio that we that we continue to be excited about, whether it's probiotics, pharmaceuticals, water, the aerospace business is doing quite well. And then, you know, we've got the continued challenging dynamics with the tariffs and trade that are impacting, of course, most clearly auto, but also electronics to some extent.

Ed Breen: Just to reiterate what Jean said, we, we have the management team, Marc and Jean and I, all of us. We're, we're saying let's plan for the kind of the macro we have now. Clearly, hopefully during the next month, some resolution on China tariffs occur. So that would be a green shoot. And I think the biggest green shoot for all of us in the industrial sector is obviously everyone is easing all over the world. I think I was looking at 32 countries the other day that all have easing going on. And clearly most experts tell me that kicks in eight, nine months later with some positive momentum. So, you know, there, there's some green shoots out there, obviously that could be helpful to us, but we're like, don't count on any of that. Let's just plan conservatively and we'll tee ourselves up properly from a cost structure and all as we go into 2020.

Operator: Next we will hear from Frank Mitch with Fermium research. Please go ahead.

Frank Mitch: Yeah. Hey, good morning. And pretty impressive results out of out of China, you know, mentioned that it was a largely premium-smartphone driven. I'm just curious, what percent roughly are you manufacturing in-country and can you talk about the trade flow issues and just in general what the tariff complex has impacted DuPont and what's your outlook is there?

Marc Doyle: Yeah, Frank, thanks. This is Marc. I'll take that one. The you know, so rough number on our China sales, you know, we have about 15% of our sales into China. A decent portion is manufactured locally, but I'd call maybe about half-ish of the sales. We do have some products that are manufactured in the US that are sent over to China. That's a smaller portion of the total because we're also manufacturing around Asia too and shipping into China. As a result, the tariff impact is not real huge for us. When you look at that portion that's direct sales in terms of dollars, it comes to about $50 million on a full-year basis of tariff impact. So, you know, pretty well-mitigated, for a company our size. I think it's still going to be a positive when we see a resolution to the US-China trade disputes, but the positive is not so much the direct impact of the tariffs. It's more just the stimulus to the economy, the industrial growth in China. And obviously the industrial growth in Europe in the US. And we think that's a much bigger lever for us than the direct tariff impact.

Operator: Next we will hear from Lawrence Alexander with Jefferies. Please go ahead.

Lawrence Alexander: Good morning. Could you just clarify two things? Is any signs of a sequential improvement in China ex-electronics and the comments about Nylon 66 rebalancing, how much of an impact that has been and what that means for 2020?

Marc Doyle: Yeah, Lawrence, I'll take that. So, you know, in terms of China ex- electronics, yeah.

You know, we've been pretty strong in S&C, pretty strong in N&B through the year. Those have continued to hold up well in China. T&I, which has been down significantly, we're not seeing a significant rebound as yet. So that's the exception. And then electronics obviously was a big trajectory change in China. And then the second question around Nylon 66, was --

Jean Desmond: Yeah. I mean, I think if you look at T&I, you know, we did see it sequentially, a pricing decline from second quarter to third quarter of about 2%. And we would expect to see some continued -- the same continued dynamic go into fourth quarter with --

Operator: And next we will hear from Marc Connolly with Stephens, Inc. Please go ahead.

Marc Connolly: If I could just ask you how, you've given us a lot of information on a lot of different businesses and the economic impact, but if we were to strip out the macro impact, how would you rate your performance relative to where you thought you would be on controllable issues? And [inaudible]. How, how do you see the opportunity over the next year in controllables? Is it more on the revenue side or is it more on the on the volume and product side?

Operator: And pardon the interruption. Speakers, we are unable to hear you. And pardon the interruption. We are unable to hear the presenters. Please stand by as we are experiencing some technical difficulties. And Marc, if you could repeat your question?

Marc Connolly: Sure. Ed, you've talked a lot about what your strategies are in the portfolio, but what I'm trying to understand is, if we think about the economy is what it is and you look at what you've controlled and what you want to control, how much opportunity do you see ahead in controllables in this sort of flat macro environment on the cost side versus on the revenue side?

Marc Doyle: Yeah, Marc, sorry about the break there. This is Marc Doyle. Yeah, I think we've done a reasonably good job, certainly, with being aggressive on cost actions. And we think that there's more room to continue to drive productivity around cost. A couple of additional degrees of freedom we have are manufacturing production costs, levels of automation. We've also got some opportunities to continue to de-bottleneck manufacturing sites because we do have areas where demand is still outstripping supply. And so those I'd call more sort of self-help related cost actions. I think we've also done a nice job focusing the innovation spend and the capital spend around areas where we have continued upside, even in some of the softer market conditions. And I think that those actions will continue to benefit us going forward.

Ed Breen: And Marc, just to add on to that, the team is still working on obviously the synergies we're capturing the rest of this year. But we have $165 million more of synergies next year. And if you remember, when I think it was last quarter, we announced a restructuring where we were taking -- well, we took $30 million out in the second quarter and we were working on -- we are working on $80 million for the second half of this year in addition to the synergies which all obviously play through 2020 also. And as a management team we have many other items we're looking at on the cost side, if we feel like we need to pull those levers next year we certainly would do that. So you know, we're kind of preplanning on all of that.

Operator: And we will take our final question from Jim Sheehan with Suntrust. Please go ahead.

Jim Sheehan: Thanks. Regarding PFAS again, there's a movie coming out that invokes DuPont by name and smears the company as being a bad actor. Are there any legal remedies for that, that you know of? And are you planning any kind of public response to the allegations?

Ed Breen: Yeah. I'll let Marc comment on some of the things we're doing. But first of all, let me just say, the movie is not true facts. It's -- I think the trailer I saw was, inspired by. And I've had a pretty good debriefing on it, and it's just not true material in it. So we have a -- I'll let Marc comment. We're doing obviously some things for employees and all that so they understand the facts and all that. I'm not going to comment on the legal piece, but obviously we have a lot of legal folks have been looking at this. And I'm just going to leave that there for now.

Marc Doyle: Yeah. Let me just build on Ed's comments. I mean, unfortunately in a situation like this, it just doesn't do you much good to fight it out in the public eye. And that would just drive more and more attention to it. So you know, we're really focused internally on our employees, our communities, our families, getting the facts out there, preparing people for the bad publicity that's likely to come. As Ed said, this isn't an accurate portrayal of the facts. It's certainly not the company that any of us know. I've been with DuPont for 25 years myself. This is the behaviors that you might see in there, are certainly not the behaviors that I witnessed at any point in my career. And so we're really focused on our people and trying to just prepare them.

Operator: And with no further questions, I'd like to turn the call back to Lori Koch for any additional or closing remarks.

Lori Koch: Thank you everyone for joining our call. For your reference, a copy of our transcripts will be posted on DuPont's website. This concludes our call.

Operator: And this concludes today's conference. Thank you for your participation and you may now disconnect.