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DuPont de Nemours, Inc. (DD)

Q2 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, and thank you for standing by. Welcome to DuPont Second Quarter 2021 Earnings Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] And please be advised that today's conference is being recorded. [Operator Instructions]

I would now like to hand the conference over to your first speaker today, Leland Weaver, Vice President of Investor Relation. You may begin.

Leland Weaver

Vice President of Investor Relations, DuPont de Nemours, Inc.

Good morning, everyone. Thank you for joining us for DuPont's second quarter 2021 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 on the Investor Relations section of DuPont's website and through the link to our webcast.

Joining me on the call today are Ed Breen, Chief Executive Officer; Lori Koch, our Chief Financial Officer; and Jon Kemp, President of our Electronics and Industrial segment.

Please read the forward-looking statement disclaimer contained in the slides. 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 2020 Form 10-K, as updated by our current and periodic reports, includes detailed discussion of principal risks and uncertainties, which may cause such differences. Unless otherwise specified, all historical financial measures presented today exclude significant items. We will also refer to other non-GAAP measures. A reconciliation to the most directly comparable GAAP financial measure is included in our press release and posted to the Investor page of our website.

I'll now turn the call over to Ed.

Edward D. Breen

Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

Thanks, Leland. Good morning, everyone, and thank you for joining us. I will provide comments on another overall strong quarter, including continued advancement of our strategic priorities as a premier multi-industrial company aimed at growth and creating value for our shareholders. But first, let me acknowledge the continued determination of our teams as we navigate through unprecedented circumstances of the pandemic.

As a result of the principles and protocols that we adopted over the last year, we continue to operate safely and productively on site and remotely. We have encouraged all employees to get vaccinated, and where possible, we are working with local governments to facilitate access, including on-site vaccinations at some locations. Our Wilmington-based office locations have fully reopened. And I have to say it is great to be back in the office with our teams.

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Starting on slide 2, in line with our philosophy, the consistent operating performance is a key factor in creating shareholder value, I am pleased to note that this morning we announced another strong quarter with financial results above expectations. Lori will take you through the specifics. But in summary, broad based organic growth was driven by continued strength in our key end markets, including ongoing recovery in those most impacted by the pandemic.

Despite a challenging production environment, with escalating raw material costs, and continued supply chain and logistics constraints, strong operating discipline and quick pricing actions resulted in about 460 basis points of margin expansion versus the year ago period.

With strong order trends continuing and confidence in our team's ability to continue to navigate through raw material and supply chain challenges, we are raising our full year guidance for net sales, operating EBITDA and adjusted EPS. I will provide more details on our updated guidance shortly.

In addition to our financial results, we continue to execute on our balanced approach to capital allocation during the quarter. In May, we further de-levered our balance sheet by redeeming $2 billion of bonds, thereby reducing our gross financial debt to $10.6 billion at the end of the quarter. Since the end of last year, we have paid down a total of $5 billion of debt and do not have another debt maturity until the fourth quarter of 2023, which further solidifies our sound liquidity position.

We also returned approximately $800 million of capital to shareholders during the second quarter through share repurchases and dividends. During the second quarter, we purchased a total of $640 million in shares, which includes completion of our previous share repurchase program and the start of repurchases under our new authorization announced last quarter, which expires on June 30, 2022.

Through the first six months of the year, we repurchased approximately $1.1 billion in shares and plan to be opportunistic with our remaining authorization, as we move throughout the year. And in July, we repurchased an additional $125 million of shares. With respect to dividends, we returned about $160 million of cash to shareholders during the quarter. As we previously mentioned, we intend to work with the board to increase our dividend annually as we grow earnings.

Before I close, I'm pleased to note that in late June, we closed on the previously announced divestiture of our Solamet business for approximately $190 million. And on July 1, we completed the acquisition of Laird Performance Materials, utilizing cash on hand. The Laird acquisition advances DuPont's strategy of growing as a global innovation leader and strengthens our leadership position in advanced electronic materials.

Joining us today is the President of our Global E&I segment, Jon Kemp. I am excited to have Jon on the call today, and I'll now turn it over to him to provide further detail on how this acquisition complements our Interconnect Solutions business within E&I.

Jon D. Kemp

President-Electronics & Industrial, DuPont de Nemours, Inc.

Thanks, Ed. It's a pleasure to be on today's call and to share more information about the acquisition of Laird Performance Materials. It's an exciting transaction for DuPont that significantly advances our position in the electronics industry and accelerates the transformation of our Interconnect Solutions business into a total solutions provider. We've been following Laird for several years and have admired their capabilities as a leading

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provider of electromagnetic shielding and thermal management solutions and are excited to have added their capabilities and history of growth to our portfolio.

As a reminder, Lair delivered $465 million of revenue with approximately 30% EBITDA margins in 2020. E&I and Laird are both recognized for innovation, quality and reliability and have strong relationships across the electronics industry. This combination brings together DuPont's premier applied material science expertise, with Laird's industry-leading application engineering capabilities. It also adds more content on many of the devices that we're already in.

We have already begun the process of integrating Laird into our existing Interconnect Solutions business, providing opportunities to further optimize business structure, functional support and our global site network. We expect $60 million in run rate cost synergies by the end of year three, with approximately 60% realized in the first 18 months. We expect to achieve cost synergies through a mix of G&A, procurement and site consolidation initiatives.

On the next slide, I'll share some of the key benefits of this transaction and describe how the combination enhances DuPont's position as a leading electronic materials provider. The acquisition of Laird expands our position as an essential partner of choice for major OEMs. Laird serves a broad set of overlapping and complementary end markets across consumer electronics, telecommunications, automotive and other industrials with a similar geographic representation to the rest of the Interconnect Solutions business, with a particularly strong presence in Asia.

The second way it enhances our position is through innovation. This acquisition strategically aligns us to critical needs across thermal management, signal integrity, power management, miniaturization and high reliability. And it enables us to have early engagement with OEMs in both system design and material specification, creating both greater product differentiation and higher margins.

The next benefit of the acquisition is that it broadens our portfolio of solutions. With Laird's unique multifunctional capabilities, we will leverage an expanded customer base, broad product portfolio, global scale and deep technical expertise to increase speed to market, create new efficiencies in the development of integrated and multifunctional solutions and provide high-value, next-generation products that will deliver additional growth in the next several years.

We believe customers will see immediate benefits as the combined E&I organization engages across value chains to address the increasingly complex challenges in the industry. Our combined organization will advance our leadership to help customers accelerate solutions necessary for the adoption of high-performance computing, artificial intelligence, 5G communications, smart and autonomous vehicles and the Internet of Things. We will be well positioned to capture growth in these key secular growth areas.

In addition, we expect revenue synergies from cross-selling into complementary accounts and channels, new and faster product development for multifunctional solutions and deeper design and co-development partnerships with OEMs.

With that, I'll turn it over to Lori to provide details on our second quarter financial performance.

Lori D. Koch

Chief Financial Officer, DuPont de Nemours, Inc.

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Thanks, Jon, and good morning, everyone. I'll cover our second quarter financial performance, beginning on slide 5. Our results for the quarter reflect the diversity and strength of our portfolio and our team's continued ability to execute in the face of escalating raw material costs and global supply chain and logistics headwinds.

Net sales of $4.1 billion were up 26% versus second quarter of 2020, up 23% on an organic basis. The organic sales growth resulted from a 20% increase in volumes and a 3% increase in price. Currency provided a 4% tailwind in the quarter, which was slightly offset by a 1% headwind as a result of non-core business divestitures in the prior year.

Overall, sales growth was broad-based with double-digit growth on an organic basis in all three reporting segments and across all regions. The most notable increase versus the year ago period was in our M&M segment, reflecting the sizable change in the global automotive market versus the prior year and disciplined pricing actions.

I will provide additional color on our segment top line results on the next slide. From an earnings perspective, we delivered operating EBITDA of $1.06 billion and adjusted EPS of $1.06 per share, up 53% and about 240%, respectively, versus the year ago period. The earnings improvement resulted from volume gains, most notably reflecting ongoing recovery in key end markets adversely impacted by the pandemic and the absence of approximately $150 million in charges associated with temporary idling certain facilities, partially offset by the absence of a $64 million gain associated with a joint venture that has since been divested. Strong operating EBITDA leverage drove operating EBITDA margin expansion of 460 basis points. Incremental margins for the quarter were about 43%.

Given the unique nature of 2020 and the discrete items that impacted our operating results in the prior year, it's important to evaluate our year-over-year operating performance for our core results on an underlying basis. Specifically, operating EBITDA for our core results during the quarter was up about 40% versus last year, after excluding the impact of the $150 million in idle mills incurred in the prior year, with about 240 basis points of margin expansion and operating leverage of 1.5 times.

Similarly, I continue to track our growth versus 2019 given the significant impact the pandemic had in key end markets last year. In comparing our current second quarter results to a more normalized performance before the pandemic, all reported sales in the quarter were up 6% versus the second quarter of 2019 and up 10% versus that same period for our core sales. Operating EBITDA for our core results during the quarter was up 15% versus second quarter of 2019, or 1.5 times leverage.

From a segment perspective, E&I delivered operating EBITDA margin of 32% with 190 basis points of expansion, driven by broad-based volume gains.

M&M delivered significant operating EBITDA improvement, driven by an overall recovery in automotive markets and the absence of approximately $130 million in charges associated with temporarily idling polymer capacity in the year ago period. Operating EBITDA margin for the quarter was 23%, reflecting volume growth and net pricing gains resulting from actions taken ahead of escalating raw material costs.

In W&P, operating EBITDA increased 4% versus the year ago period. Operating EBITDA margin and leverage were adversely impacted primarily by two key drivers. First, given contractual commitments with customers, local selling price increases lagged the headwind from raw materials and supply chain cost escalation. We expect this to resolve in the second half as price increases start to kick in.

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Second, production volumes for Tyvek protective garments were at peak levels in the year ago period, given the company's response to the pandemic. This enabled us to minimize manufacturing changeovers to other Tyvek grades resulting in an overall increase in production rates. As Tyvek output shifted from protective garments to multiple other applications, the resulting increase in expected changeovers in the current quarter decreased production rates, leading to lower volumes.

For the quarter, cash flow from operating activities and free cash flow were $440 million and $224 million, respectively. While these amounts have improved since the first quarter, cash flow and conversion are not where we need them to be. The headwinds we faced are related to increased working capital levels and capital spending in excess of D&A as we advance critical capacity expansion projects.

With respect to working capital, we saw an increase in inventories due to our efforts to create a more stable supply chain for our customers, given the strong demand environment and numerous raw material and logistics constraints. In the second half of the year, we expect higher cash flow and conversion rates, as the global supply chain and logistic environment stabilizes.

Slide 6 provides more detail on the year-over-year changes in net sales for the quarter. Starting with E&I, organic sales were up 17% on 17% volume growth, with double-digit volume growth increases in all regions. Volume gains were led by mid-20s percent growth in Industrial Solutions, reflecting broad-based demand strength across most product lines, but most notably for OLED displays for new phone and television launches, medical silicones in health care and Kalrez seals within electronics.

Interconnect Solutions also delivered organic growth over 20% with high-teens volume growth. The volume growth was driven by higher material content in premium next-generation smartphones, partially resulting from timing shifts, as select OEM demand shifted from the second half this year, along with some share gains for printed circuit boards.

Semiconductor Technologies continues to benefit from strong electronics demand and advancements in key growth areas such as 5G, high-performance computing and electric vehicles. During the quarter, new technology ramps in advanced nodes within logic and foundry, and higher demand for memory in servers and data centers, drove double-digit volume growth.

Continued recovery of key end markets within W&P, drove organic growth of 11%, driven by volume increases. Sales gains were led by recovery in construction within Shelter Solutions reporting organic sales growth of more than 30%, which reflects continued strength in North American residential construction for products like styrofoam and Tyvek house wrap, and in retail channels for do-it-yourself applications. Commercial construction recorded higher sales in the quarter for Corian surfaces, as global demand continues to improve.

Within Safety Solutions, organic sales were up high single-digits, reflecting strong volume improvement for aramid fibers in industrial, oil and gas, and automotive end markets. As previously noted, lower production volumes for Tyvek reduced overall safety volume.

In Water Solutions, broad-based demand for water technologies remained strong. However, logistics challenges, primarily in our ultrafiltration business, impacted our ability to supply, resulting in a low single-digit volume decline versus the year ago period. We expect organic sales growth for the year for Water Solutions to be in the mid to high-single digits.

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The most notable increase in top line improvement was in our M&M segment, which had organic sales growth of over 50%. The improvement was driven by the continuing recovery of the global automotive market, which represents about 60% of the segment from an end-market perspective and helped deliver strong volume growth across all three lines of business.

Local pricing gains of 13% also contributed to organic sales growth, reflecting our actions taken to offset raw material costs and higher metals pricing in the Advanced Solutions business. Excluding metals pricing, local price was up about 8%.

Within Engineering Polymers, global supply constraints of key raw materials continues to improve, but are expected to remain right through the end of the year. We continue to expect to recover lost volume related to these disruptions as the raw material constraints are alleviated.

Turning to slide 7, I mentioned earlier that adjusted EPS of $1.06 per share was up over 240% from $0.31 per share in the year ago period. Higher segment earnings resulted in a net benefit totaling over $0.40. This net benefit resulted mainly from higher volumes and the absence of idle mills recorded in the prior year, offset slightly by portfolio changes, which includes the absence of a gain recorded in the prior year in corporate. Also providing a significant benefit to adjusted EPS versus last year was an approximate $0.30 per share benefit due to a lower share count.

Benefit from lower interest expense in the current quarter, as a result of our recent de-levering actions was mostly offset by a higher base tax rate compared to last year. Our base tax rate for the quarter of 19.8% was higher than the year ago period due to the absence of certain discrete gains benefiting the prior year rate. For full year 2021, we currently expect our base tax rate to be closer to the lower end of our expected range of 21% to 22%.

With that, I'll now turn it back over to Ed.

Edward D. Breen

Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

Thanks, Lori. Let me discuss our financial outlook on slide 8, which includes our view of the third quarter and full year 2021. We are raising our full year guidance range for net sales, operating EBITDA and adjusted EPS. Along with the underlying improvement that we are expecting compared to our previous estimates, our revised guide also reflects the acquisition of Laird and the divestiture of the Solamet business.

In addition, this morning, we announced the change in how we will treat intangible amortization expense beginning in the third quarter for purposes of determining adjusted EPS. At the midpoint of the range provided, we now expect net sales for the year to be about $16.5 billion and operating EBITDA to be about $4.235 billion. Also, we now expect adjusted EPS to be $4.27 per share at the midpoint of the range provided, which reflects about $0.23 underlying raise to our original estimate, a $0.10 benefit from the portfolio changes and about $0.27 full year benefit related to the amortization reporting change.

For the third quarter 2021, we expect net sales to be about $4.2 billion, operating EBITDA to be about $1.07 billion and adjusted EPS to be about $1.12 per share, all at the midpoints of the ranges provided.

Before opening up for Q&A, I'd like to provide some highlights on our commitment to ESG and what we are doing to sustainably grow and operate our businesses for the long term. In June, we published our 2021 sustainability report, which reflects our first full year progress against the 2030 goals that we set in 2019.

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Our report highlights more than 50 examples of how our teams are addressing the environmental and social needs of our customers and communities. Some of the highlights from this report are reflected on slide 9.

ESG is a fundamental to our core long-term strategy, which is why the board of directors and I made the decision to incorporate the progress on our sustainability goals into our incentive compensation program beginning this year. As an innovation leader, we believe our biggest lever to affect economic, environmental and social progress is through working directly with our customers.

Today, our R&D investment is focused on the intersection of key market trends and the needs of sustainable development. One example of how we are doing this is in the area of addressing the global need for clean water. Our Water Solutions business recently launched its B-free technology. This pretreatment solution enables a significant improvement in the reliability of reverse osmosis desalination plants. Another example is within advanced mobility. The broad adoption of electric vehicles is fundamental in addressing climate change. Through leveraging our broad portfolio of expertise in battery assembly and thermal management for electric vehicles. Our DuPont M&M collaborated team with General Motors to develop an advanced adhesive solution for use in electric vehicles.

In June, as a result of our close collaboration, GM recognized the DuPont team with the GM Supplier of the Year Award. The power of customer partnerships to drive sustainability is a key element to our long-term growth strategy, and I am confident that we will continue to deliver these types of wins in the future.

With that, let me turn it to Leland to open the Q&A.

Leland Weaver

Vice President of Investor Relations, DuPont de Nemours, Inc.

Thank you, Ed. Before we move to the Q&A portion of our call, 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 and one follow-up question per person. Operator, please provide the Q&A instructions.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions]

Leland Weaver
Vice President of Investor Relations, DuPont de Nemours, Inc.

A

Operator, do we have any questions?

Operator: Yes. First question comes from the line of John Walsh with Credit Suisse. Your line is open.

John Walsh
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Hi. Good morning everyone and thanks for taking the questions.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Hey, John.

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

Hey, John.

John Walsh
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Hey. Maybe just first question's around your gross profit margin improvement in the quarter. I know there's some moving pieces there with the M&M idling, but by my calculation, you're up almost – still almost 200 basis points year-over-year. So just curious how much of that you think is sustainable, maybe what's driven by some of your longer-term programs versus what might have been benefits from the year ago comp or something else there to call out?

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

Yes. Our margins were around 36% in the second quarter, if you look to the back half and the guidance that we provided that we expect them to remain around that range. And so if you isolate all of the one-timers out of 2020, we were around 35%. We saw about 100 basis points of improvement underlying. We've mentioned in the past that we see a few hundred basis points of improvement in gross margin, getting closer to that 40% range over the next few years, so we continue to execute against that commitment.

Part of it, as you had mentioned, this year's improvement is just from the stronger volume, resulting with higher yield for our facilities and higher results. But we're also driving improvement in reliability, enabling some digital tools across the organization and higher throughput throughout our organization with the one exception, as we had mentioned, within our Tyvek operation. So we did see gross margin deceleration there, really just a result of the fact that last year we were able to run only Tyvek medical grades in order to meet the pandemic response in this year. As that demand waned, we returned to other grades of Tyvek that results in more changeovers and

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therefore, some yield and volume hits. But overall, we're on track with our commitments to get closer to that 40% range over the next couple of years.

John Walsh
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Great. And then maybe just as a follow-up, I was curious, if you could be a little bit more explicit with your views on kind of the timing of smartphone demand and shipments in the back half. One of your competitor is expecting to see a decline there. Was just curious if you could provide a little bit more color there?

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Yes. Since, we have Jon with us, we'll let Jon take that one.

Jon D. Kemp
President-Electronics & Industrial, DuPont de Nemours, Inc.

A

Yeah. John, good question. So in the first half of the year, we definitely saw some acceleration of orders from smartphone customers really as a result of a couple of factors. There was a late timing to device launches in the back half of last year. Strong demand moved some of those orders into the first part of this year. And then you had a lot of folks just trying to secure supply reliability in the face of some of the raw materials and logistics challenges. So in general, we think smartphones are going to grow about 10% over the course of the year, not quite as steep as seasonal curve of maybe what we've seen in the last couple of years. So the curve has flattened, but general demand continues to be strong.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Jon, you might want to mention for the group because this is part of ICS – kind of the mix of ICS because it's not all smartphone business.

Jon D. Kemp
President-Electronics & Industrial, DuPont de Nemours, Inc.

A

Yes, sure, Ed. The Interconnect Solutions business is about 25% driven by smartphone demand. About 30% of the demand is other consumer electronics, whether that's laptops, computers, tablets and smart devices. About 20% is automotive, 20% broad industrial demand and then the rest in telecommunications.

John Walsh
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Great. Appreciate the color and I'll pass the baton.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Thanks, John.

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

Thanks, John.

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Operator: Next question, we have Jeff Sprague with Vertical Research. Your line is open.

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC
Q

Hey, thanks. Good morning, everyone.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.
A

Hey, Jeff.

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.
A

Hey, Jeff.

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC
Q

Hey. Good morning. Hey, Ed or Lori, could you just elaborate a little bit more on what you're thinking on cash flow, how the working capital might kind of unwind over the balance of the year here? And could you give us a range of what you expect actual free cash flow to be?

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.
A

Yeah. Jeff, look, we purposely have built up some inventory. So obviously, look, our receivables are up with sales. We're very good on payables. We purposely kind of took a turn here to build some inventory. By the way, it's really in three categories, semi-finished, raw and a little bit of finished goods inventories. You'll see when we come out with our Q, and it's mostly in the M&M business.

And by the way, on the raw side, we've taken in inventory, and in many cases, we're waiting for glass fibers to do our compounding and finish it, but we wanted the supply in-house just because of all the challenges out there in the supply chain. So we purposely have allowed that to build some. All the inventory, by the way, is good, and we'll ship that out. So, yes, our free cash flow conversion to first half is not what we would normally run as a company, obviously.

But we'll clearly improve fairly significantly in the second half of the year. And I think, Jeff, we'll give you a little more guidance when we get to the third quarter on where we think we'll land for the year. But we definitely took a little bit different tack to kind of be able to satisfy our customer base better in this kind of challenging environment.

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.
A

Yes. I think one more point to note on the headwinds too is the CapEx versus D&A. So we're forecasting around $900 million in CapEx. That compares to really $650 million of depreciation. So we're advancing select capacity, high-return investments. We'll wrap up the Kapton K4 investment in Circleville this year. And we continue to advance the Tyvek [ph] line A (33:12) expansion in Luxembourg, which are causing us to be a little higher than depreciation as we advance those initiatives.

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But we still will have cash. We'll continue on the buyback path in the second half. We noted on the call that we did $125 million in July. We'll be getting back in the market here shortly and continue to execute against that open $1.5 billion plan.

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC

Q

Great. Thanks for that color. And then, I guess, maybe just as a natural follow-on to that, then obviously, all the puts and takes going on this year. But on the new EPS construct, would you expect to be able to kind of normalize, be converting in the low 90s on this EPS construct? Free cash flow conversion...

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

Yes. I think – I don't know that we'll get to the 90% this year. So I think with the headwinds that we're seeing in working capital as well as the CapEx in excess of D&A, I think 90% would be tougher this year. I think if you normalize where we've been in the past, it's very strong. We've had 170%, roughly, last year. The previous couple of years are right around the 100% mark. So as soon as we get through this difficult raw material and supply environment, we'll get back to our usual run rate; but I don't see it this year.

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC

Q

Great. Understood. Thank you.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Thanks, Jeff.

Operator: Your next question, we have Steve Tusa with JPMorgan.

C. Stephen Tusa
Analyst, JPMorgan Securities LLC

Q

Hey, good morning.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Hey, good morning Steve.

C. Stephen Tusa
Analyst, JPMorgan Securities LLC

Q

You may have addressed this, but I guess I'm getting to kind of a incremental in the second half of kind of mid- to high 20s reported. And then, I think you add a few idling – kind of residual idling impacts, so kind of the core incremental would maybe be a bit below that. Is that – am I looking at the math the right way, or maybe there's some other puts and takes?

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

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You are. Yes, you're in the right ballpark. And really, that deceleration from the incremental margins that we saw in the first half is really just the impact of the pickup in raw material escalation. We are getting it all in price. But as you know, it will hurt margin percent, and then the incremental margin will be a little bit weaker as we navigate that in the back half.

C. Stephen Tusa
Analyst, JPMorgan Securities LLC

Q

Got it. That's helpful. And then, just price on – in mobility materials, I mean, like a huge number, obviously, this quarter. Does that kind of sustain itself in the low double-digit range in the back half, the price/mix impact?

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

It does, yeah. We see it strong, again, in Q3. We'll see how Q4 plays out. And we'll also start to get price within W&P, as we had mentioned. So we didn't have price in W&P in 2Q. We'll look to have low to mid-single-digit price improvement in W&P.

One thing to be careful of is the metals impact. So that really plays with the results running through corporate, and then the results running through M&M. So add silver price, for example, that impacts the M&M portfolio rises, we've got contractual pass back that we get the price, but it does impact the COGS. So that's one piece. So if you normalize that out from the M&M results, which were as reported 13%, we were about closer to 8%. So that's more like the underlying polymer-driven price increases.

C. Stephen Tusa
Analyst, JPMorgan Securities LLC

Q

Okay. And then, just one quick one on that last one. If these raws start to fade, do you give that price back? Is it that kind of contractual where that price would go in the other direction as we look out to 2022?

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

So on the metals piece, yes; so, it would move directly with the metals price. Within the overall polymer portfolio, we would envision that we would have to start to give it back if we see the nylon feedstocks, for example, start to reduce, we would imagine that we would be giving back that price. I don't know about the exact timing of it. We would obviously try to hold price as best as what we can, but it would be a headwind if raws start to decelerate.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Margin would hang in there, obviously, Steve, in that environment, but they won't probably tie quarter-to-quarter exactly. But you'd give it up over a year period...

[indiscernible] (00:37:35).

C. Stephen Tusa
Analyst, JPMorgan Securities LLC

Q

Got it. Got it. Okay. Great. Thanks a lot for the color. Super helpful.

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Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Great. Thanks, Steve.

Operator: Your next question, we have Scott Davis with Melius Research. Your line is open.

Scott Reed Davis
Analyst, Melius Research LLC

Q

Hey, good morning, everybody.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Hey, Scott.

Scott Reed Davis
Analyst, Melius Research LLC

Q

Can we talk about the Water business a little bit? I mean, the comment in the appendix, just Water Technologies hit due to logistics, I mean, what is it about that business, in particular, that made it harder to get price? And we've seen price pretty broadly, I think, across the industrial segment, this quarter, so what is it about that business structurally? And can you capture it in real time? Are you kind of perpetually behind here on price, or can you catch up pretty quickly in the upcoming quarter?

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Yeah. Scott, by the way, overall – and Lori made this comment, just overall, the Water business seems very healthy as we move forward. And as Lori had mentioned, our top line should be mid to high-single digits this year. We had the logistics issue. By the way, it was also, I'll call it, an export issue out of one of our product lines in Germany that held us up this – at the end of the quarter. So we couldn't get it out the door. It was a fairly significant project shipment we were doing. So that will come out in the third quarter, and we should have nice revenue growth in the third quarter.

And then, by – I would say, just generally, this is true of the Water business, but W&P in general, we put price increases through during the second quarter. But a lot of them, especially in the Water business, because there's some project-driven business, we have locked contracts for some period of time, usually about a quarter, by the way. So the price will lag about that much before we can implement it. So we expect to see positive price in the third quarter in the whole W&P sector in general, which we didn't see in the second quarter. We put the increases through; we'll start to actually see it kick in, in the third quarter.

Scott Reed Davis
Analyst, Melius Research LLC

Q

Okay. That's helpful, Ed. And then, since we got Jon on the line, I mean, are there more deals like layered out there in electronics? I don't really know that – I don't think many of us on the line are huge in the weeds in that particular business. But if you can, help us understand how fragmented that market is and perhaps if there's more deals like that out there?

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Jon D. Kemp
President-Electronics & Industrial, DuPont de Nemours, Inc.

A

Yes. Scott, thanks. Obviously, we've seen a number of deals across the electronics industry. I think it's an industry characterized by with a fairly fragmented supplier base across a number of core technologies. We're obviously interested in continuing to build out our portfolio in places where the technology is adding value to help our customers solve problems, especially those that are aligned with leading-edge technology and semiconductor 5G materials. And even in our Industrial Solutions business, with some of the precision parts and medical silicones continuing to strengthen, those we believe that there will continue to be opportunities for us to continue to add and build on to that part of our portfolio.

Scott Reed Davis
Analyst, Melius Research LLC

Q

Fantastic. Thanks. Good luck Jon. Thanks everybody.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Thanks, Scott.

Operator: Thank you. Next question, we have David Begleiter with Deutsche Bank. Your line is open.

David Begleiter
Analyst, Deutsche Bank Securities, Inc.

Q

Thank you again. A good quarter. A question for Jon. Jon, given the new revamped and strengthened portfolio, what do you think the underlying growth is of this business over the next three years?

Jon D. Kemp
President-Electronics & Industrial, DuPont de Nemours, Inc.

A

Yes. David, good question. So obviously, it's been a really strong demand environment for the last couple of years. 2020, even in a pandemic environment, was strong and we were able to grow nicely. 2021 is also shaping up to see the continuation of those trends.

Overall, broadly, we would expect it to be mid to high single-digit growth over the kind of the time horizon. There'll be puts and takes along the way, but really strong robust demand conditions across all three of our businesses going forward.

David Begleiter
Analyst, Deutsche Bank Securities, Inc.

Q

Very good. And then how is the M&A pipeline in the non-electronics areas of the business?

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Yes. David, I'm not going to get into specifics on it. But we do have a few targets we're seriously studying, I'd say, a little bit bigger than bolt-on, but on the bigger end of bolt-on, if I could use that term.

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By the way, I know I've highlighted before, we were looking at one water asset that was tuck-in and we walked on that. We didn't think the economics worked well for us. So that's off the table. But there is a couple of other areas we're interested in. But it would be something that we're already in and like electronics, for instance, Jon just talked about where we could add on some technologies and grow. So there is a couple of other areas besides electronics we're looking at, but again, down the sweet spot of what we know how to do.

David Begleiter
Analyst, Deutsche Bank Securities, Inc.

Q

Thank you.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Yes. Thanks, David,

Operator: Thank you. Next question, we have Vincent Andrews with Morgan Stanley.

Vincent Stephen Andrews
Analyst, Morgan Stanley & Co. LLC

Q

Thanks and good morning everyone. Just maybe, Ed, how are you thinking about the fourth quarter in terms of maybe seasonality as well as sort of what you think happens in terms of raw material costs and availability? Just help us understand what's baked in there.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Yes. So I think this year, the seasonality will be a little bit different, Vincent. We'll start to recover some of the M&M volume that we couldn't ship because of supply constraints. So I think that'll plug in a little bit more of the fourth quarter. And I think if you look at the guide we gave, you'll kind of see that there. By the way, the overall picture is we went into the second quarter thinking that raw materials was about a $300 million headwind. We now estimate it to be $400 million of a headwind.

Again, as Lori had mentioned though, we will get price. It won't tie quarter-to-quarter here, but we'll get price to cover that. And you can see, obviously, we got nice price in M&M this quarter and we'll start getting price in W&P next quarter. We think we'll see some – a little bit more escalation on raws in a few areas in W&P, which will hold the margins back maybe a little more than we would want going into third quarter, but again, still solid about where we were in the second quarter.

And then my – I'll say my personal opinion is the raws have kind of 80%, 90% peaked at where they're at here. And our guide plans that they hold through the year at these higher raw levels. But again, we get price to offset.

Vincent Stephen Andrews
Analyst, Morgan Stanley & Co. LLC

Q

Okay. That's very helpful. And then maybe just as a follow-up. I think a few weeks ago, you did a settlement with Delaware – and maybe you could just speak to any update to the broader PFAS settlement strategy you have and whether we should be anticipating further, state-by-state settlements or particularly states where maybe you don't have manufacturing capabilities? I thought, the idea was just to concentrate on where you did. But just broad update on what you're thinking.

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Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Yeah. So look, Delaware ended up costing us $12.5 million. And remember, Delaware was one of the ones that I would say where we manufactured because our big plant is literally right across the Delaware River. And the State of Delaware actually owns and controls the Delaware River Basin in that area. So look, I think the good news is we have a really good agreement between the three companies, Chemours, Corteva and DuPont, so we're holding hands and working together really well. And I think the Delaware one was a great example of that. So we have a few other states where we did have manufacturing locations.

Let me just say, obviously, we're in conversations. I think you could probably use Delaware as a blueprint. There's some other states that have wrapped us into legal issues where we absolutely didn't do anything at all. I would point out Vermont is one of them. We have nothing there, nothing even close to being there. So each one is a little bit of a different strategy, but we're very focused on trying to resolve more and more of those issues. And I think Delaware was a first step. You can kind of see what we're up to.

Vincent Stephen Andrews
Analyst, Morgan Stanley & Co. LLC

Q

Okay. Thanks for the clarity on that. Appreciate it.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Yes. Thank you.

Operator: Thank you. Next question, we have Stephen Byrne with Bank of America.

Stephen Byrne
Analyst, Bank of America

Q

Yes. Thank you. I was curious just to hear your views on what you think the opportunity is to utilize your suite of water treatment technologies in direct lithium extraction. And assuming there's some brand deposits out there that you might be able to treat that others can't, do you think the best way to realize the value of your technology is just continuing to sell materials? Or would you consider more of an investment in that business?

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

Yeah. We're looking at the opportunity right now with our water filtration business in the lithium-ion battery space. And so it's early days looking at it. We're working with some partners as well to understand the opportunity. I don't know that we would do an investment in an area outside of our current technology fleet to take advantage of that right now. We'll continue to study and see if that's the right decision. We've got actually capacity constraints that we're butting up against in the Water business too. So we're studying some high-return water capacity expansion efforts. Right now, I'm actually on my way to Minnesota on Thursday to look at our current operations to understand what the opportunity is. So we're aware of the potential opportunity landscape, and we'll continue to study it.

Stephen Byrne
Analyst, Bank of America

Q

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And I think you're in. And just a follow-up on your comments about your settlement with the state of Delaware and your focus on trying to resolve PFAS issues associated with your manufacturing plants. Just a couple of weeks ago, there was a Hoosick Falls, New York case, and you all chose not to settle that. Is that – were a downstream manufacturing plant from you, were you a material supplier to that plant? Or do you just not want to open that door to other settlements?

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

No. Yes, I'd say a combination of – I know the settlement came out, three other companies were involved in the settlement. We decided not to settle. Look, at some point, we will but the precedent of even that low number you saw from the others, was not something we were willing to do because we didn't do anything there and we're not going to set a precedent that's inappropriate for the company.

So even though it was single millions of dollars, we still thought that was not appropriate. And I'll just leave it at that. We're well on top of it. We have a strategy, and we'll let it play out.

Stephen Byrne
Analyst, Bank of America

Q

Thank you.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Yes. Thanks Steve.

Operator: Okay. Next question, we have John McNulty with BMO Capital Markets.

John P. McNulty
Analyst, BMO Capital Markets Corp.

Q

...taking my question. I guess for the first one, just given like the supply chain disruptions that you saw, some of the freight-related issues, can you quantify what the impact was on your sales? And is it fair to assume that whatever was lost or misplaced this quarter, you can make back up in 3Q or 4Q? Or is there any risk that some of those sales just have disappeared? How should we be thinking about that?

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

Yes. I think it breaks down really across M&M and W&P. And in M&M, it's more raw material constraints. So we saw $100 million of top line in the first quarter and another $100 million in the second quarter. We'll look to eat away at that in the second half, but I don't know that we'll get all of that in the second half. It depends on raw material availability. Most of them have generally resolved themselves with the exception of glass fiber, which goes into a significant amount of our polymers.

And so we'll see how the glass fiber market continues to evolve. But as we see it right now we don't see the full $200 million in the second half, it'll trickle into 2022, but we intend to get it all back over time. So it's not lost sales. It's really just shifted.

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And then in W&P, it was more on the logistics side hitting our Water business. So as Ed had mentioned, we had some logistical constraints in Europe. We would size them around $25 million, and we would look to get those back this year.

John P. McNulty
Analyst, BMO Capital Markets Corp.

Q

Got it. Fair enough. And then maybe just to speak to the semiconductor industry. I mean, the cycle seems like it's heated up. We're starting to see significant investments, especially with concerns about security and national security and that kind of thing. So we're also seeing further investment in the US and maybe away from the more traditional Asian regions. I guess can you speak to how that opportunity presents itself for DuPont? And if there are incremental challenges just given some of the diversity or some incremental benefits and how we should be thinking about that in terms of your investment going forward there?

Jon D. Kemp
President-Electronics & Industrial, DuPont de Nemours, Inc.

A

Yes. Great question. And when we think about the semiconductor market, clearly, really strong investment trends by all of the leading OEMs in multiple regions. So you see the Tier 1 fabs who are investing up in aggregate hundreds of billions of dollars over the next two or three years, some in the US, some in Asian markets, some in Europe to expand and build capacity. Most of that capacity is going to be built to accommodate leading edge, both in the logic foundry side as well as on the memory side. We see that as extremely favorable to our business dynamics.

When you make those investments at leading-edge foundries, then that increases the number of – it increases the manufacturing complexity as well as the purity of the materials, all of which plays into the sweet spot of what we're able to provide for our customers. And our portfolio was broad enough that we're really touching every step of the manufacturing process for the wafer. So the partnerships that we have with the OEMs are strong. We continue to work together on qualifying materials for all of those next-generation leading-edge solutions. And as we start to see the wafer starts come online, we've already seen some benefit this year to new wafer capacity. We'll continue to see wafer capacity ramp-up over the next couple of years as some of those investments start to come online. And we're really well positioned to capitalize on those trends.

John P. McNulty
Analyst, BMO Capital Markets Corp.

Q

Thanks very much for the color. Appreciate it.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Thanks, John.

Operator: Thank you. Next question, we have Bob Koort with Goldman Sachs.

Robert Koort
Analyst, Goldman Sachs & Co. LLC

Q

Thank you very much. Good morning.

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Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Good morning, Bob.

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

Good morning, Bob.

Robert Koort
Analyst, Goldman Sachs & Co. LLC

Q

Ed, I wanted to talk about sort of the characterization of the company. I know when you came onboard and spun out and separated DuPont, there was an ambition to be a services provider and not necessarily a chemical company, but seems like the last few months, you've traded a lot like a chemical company. You get some devaluation and you had some raw material issues that hit you. Why do you think the market's not willing to look at you more through that multi-lens?

And then, secondly, I know you looked at peers at the time, an ITW or Honeywell, 3M, those kind of names. How have you benchmarked versus them, say, over the last six or nine months? How do you feel you're stacking up? Thanks.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Yeah. So look, we look at every end market we're in and do an analysis versus all the multi-industry companies. And you can do – I'm sure, Bob, you've done it. I think we stack up extremely well. By the way, I think part of it is, and I don't disagree with your overall comment, we've created a little more like a Dow or a Lyondell, obviously, at a higher multiple. But I think, over time, the consistency of our results will prove out that we're a premier multi-industrial company as it takes some time. We've had a year and half of very consistent results.

I think one thing we proved, because I heard – Lori and I heard this a lot, especially from people that follow multi-industry companies, is how would DuPont react in a downturn. And when the pandemic hit, I think our decremental margins were literally not the best, but best-in-class, up with the top-tier companies. Our top line, in the worst, dropped 10%, and our decrementals hung right in there.

So I think we proved -- because a lot of people thought, chemical company, you just kind of do a general comment and you think we're going to drop pretty significantly in a downturn, and we did not. So I think that was a big proof point that, through the cycle, we can perform very well. And obviously, we're performing very well with great incremental margins now on the upside as the revenue comes back.

But if you really look at the pieces of the company, there's very little what you would call direct chemical commodity exposure in the company, anymore. I mean, Jon's sitting here next to me. Look at our electronics business, it's a steady mid to high-single growing industry, should be pretty consistent along the way. So I think, over time, we'll get the valuation. I think where our multiple sits versus the better multi-industry companies, I think we got a lot of runway in front of us. So I think consistency going forward will prove the day.

Robert Koort
Analyst, Goldman Sachs & Co. LLC

Q

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Yes. Perhaps old perceptions just die slowly. But Lori, I wanted to ask you one thing. You mentioned in Tyvek that, a year ago, you guys were really pumping out the personal protection and maybe you had more efficient runs through your plants. Was there also an issue where those were higher-margin sales, or was it just a function of you had better operating utilization and that's what gave you a better profitability there?

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

Yes. No, it really just came down to the amount of days of production. So the margin profile across the different end markets is the same. It was really just the ability to just gun out the protective garments, not have the changeovers, that enabled us to really reduce our downtime and up our days of production.

Robert Koort
Analyst, Goldman Sachs & Co. LLC

Q

Got you. Thanks so much.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Thanks, Bob.

Operator: Thank you. Next question, we have PJ Juvekar with Citigroup.

PJ Juvekar
Analyst, Citigroup Global Markets, Inc.

Q

Good morning.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Good morning, PJ.

PJ Juvekar
Analyst, Citigroup Global Markets, Inc.

Q

Good morning. Another question on electronics. You talk about advanced nodes in your semiconductor business. Can you talk about your market share in these advanced nodes? And then, what happens with pricing? Because typically, these new nodes, you get better pricing, while pricing tends to sort of decline over time in the base business. And you didn't get much pricing this quarter. So generally, talk about pricing as well as you talk about advanced nodes and the market share there. Thank you.

Jon D. Kemp
President-Electronics & Industrial, DuPont de Nemours, Inc.

A

Yes, PJ, good question. So the advanced nodes, obviously, are critical for us. I would say the bulk of our portfolio is positioned to be able to help our customers solve for solutions at the advanced nodes, whether that's kind of at the – below 20-nanometer and below, when you get to 14-nanometer, 7-nanometer, 5-nanometer, and now even 3-nanometer.

When I talk about market share, obviously, each fab and each customer is different, and I want to stay away from customer-specific comments. But in general, our portfolio is weighted more towards the advanced nodes and

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probably a little bit more on the logic side versus the memory side, although we definitely participate broadly across both segments of the market.

On the pricing question, so typically the electronics segment, in general, we'd be about minus 1% a year based on the cost down and performance expectations of our customers. And where we really are able to capture price is on the next-generation products, and they tend to be fairly fast-cycle launches of new technology. So we typically get price on new technology. And then, that technology pricing will erode over time, constantly replaced with the next generation of products where we get price.

So in general, we see price kind of in the down 0.5% to maybe 1.5%. This year, pricing is relatively flat, so we're actually holding price pretty well in this environment. And I think, as Lori alluded to earlier, we'll continue to see positive price – flat to positive price for the rest of the year.

PJ Juvekar
Analyst, Citigroup Global Markets, Inc.

Q

Great. Thank you. And Ed, you sold N&B, then bought Laird. Should we expect sort of a phase of consolidation here where maybe you make some small bolt-on acquisitions and steady the ship, or do you think a bigger divestiture could be in the cards for next 12 months? Thank you.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Yeah. Look, we've been looking at some other acquisition targets, as I mentioned earlier. Again, they're going to be in the sweet spot of what we do. I'd put it right in the Laird category, by the way. So the numbers and the math have to work for us. So we'll see what occurs. Look, we're always open to looking at things that will create value for our shareholders. So I would never say never on something bigger, but it's not on the forefront of our thinking at this point in time.

PJ Juvekar
Analyst, Citigroup Global Markets, Inc.

Q

Thank you.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Yes. Thanks.

Operator: Okay. Last question, we have John Roberts with UBS. Your line is open.

John Roberts
Analyst, UBS Securities LLC

Q

Thank you. Which businesses are still down the most versus pre-pandemic, aramid, oil and gas and aerospace come to mind, maybe printing solutions may be still down meaningfully from pre-pandemic. How much is left to go in terms of recovery?

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

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Yeah, you hit right. It looks like you're looking at one of our charts. Oil and gas is still down from 2019 by 15%. Aerospace is down 23%. But by the way, just to give you – they're all off their bottom, oil and gas in the second quarter of 2020, which is the rough quarter, it was down 50%. Now it's only – from 2019, now it's only down 15%. Aerospace was down 31% in 2020, again, only down 23% now. And everything else, our revenue was positive to 2019 across auto, smartphone, semi, Tyvek, general, industrial are all positive to 2019 levels. So they're the two remaining ones, but again, lifting really nice off the bottom. And by the way, construction in total is also up about 5% from 2019 levels. So nice recovery there, that was another one. A quarter ago, we were still negative.

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

Yeah. And on the auto side, our revenue is back. But if you look at the volume side, we're still weaker. If you look at auto builds in 2Q, they were down 15%. We still see them being down for the full year versus 2019, so not back to that 89 million build level, so upside as we head into 2022 as that market continues to stabilize so.

John Roberts
Analyst, UBS Securities LLC

Q

Okay. And then it sounded like you didn't look at Coventya. I don't know whether that's a question for Jon or somebody else. But since you have some industrial in the electronics and industrial, why wouldn't that have made sense?

Jon D. Kemp
President-Electronics & Industrial, DuPont de Nemours, Inc.

A

So look, we've got a really strong plating business. We're well positioned in that industry. We look at a lot of different targets. Our plating portfolio is more focused on the consumer electronics as opposed to some of the more industrial applications that you may see from some of our plating competitors. So just strategically, it wasn't as strong a fit for us as maybe some other folks in the industry.

John Roberts
Analyst, UBS Securities LLC

Q

Okay. Thank you.

Leland Weaver
Vice President of Investor Relations, DuPont de Nemours, Inc.

So thanks, everyone. Later this quarter, we will kick off a series of webinars to highlight some of the different lines of business within our reporting segment. Our first session happens to be on the 22nd of September where Jon will cover semiconductor technology. So I hope that you all will be able to join us for that. Thanks for joining today's call. And for your reference, a copy of our transcript will be posted on our website. This concludes our call. Thank you.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you all for participating. You may now disconnect.

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